

PRESS RELEASE - 27 August 2003 embargo until 11.00pm

NEW REPORT: Equitable Life With-Profits Annuities cost pensioners billions!

Thousands of trapped Equitable Life pensioners were drawn into investing in the stricken company with promises that ultimately could not be met and has cost them billions in lost income, according to a new report published today.

Some of the pensioners have had their Equitable With-Profits Annuities slashed by nearly 30% - far more than the 20% the company claimed when it announced cuts last year and with the probability of more cuts next year.

One of the trapped With-Profits annuitants, Peter Scawen, asked other Equitable annuitants to supply him with detailed information about their reductions and has now written a report into how the annuities originally offered by Equitable were unsupportable.

According to Mr Scawen, the Equitable With-Profits Annuity system, introduced in 1988, was designed to draw in investors by offering very attractive benefits but with high downside risks that were not clearly identified. These included a "bonus" element that appeared to be assigned to the annuitants, but in reality could be, and has been, withdrawn by the Society at a moment's notice.

Equitable has had to reduce the benefits of these annuities twice: in 1996 as market conditions changed when they withdrew the GIR annuities and replaced them with a lower performing variant; and in 2002 when they imposed draconian cuts in the annuity payments to all With-Profits Annuitants. These cuts in particular were necessary to meet the obligations of the Society to the GAR policyholders following the adjudication of the House of Lords in their favour. Arguably these obligations were achieved by penalising the With-Profits Annuitants whose policies appear to have been tailor-made for such a situation.

The With-Profits Annuity system was outlined to the Institute of Actuaries in 1988 by the then Equitable Chief Executive of the Society, Roy Ranson, in a paper entitled "With Profits Without Mystery". The members of the Institute pointed out the serious flaws and weaknesses of the system and the potential of financial collapse of the company in the event of a fall in equity values or interest rates or some other contingency as the Society would not have in effect any reserves.

"The actuaries employed by the government regulator, which was the DTI at the time, cannot have been unaware of both the presentation to the Institute and the reaction of its members and yet no action was taken then or now" said Peter Scawen. "How did this deeply flawed system ever get the approval of the government regulators?" he demands to know.

He added that the Society's With-Profits Annuitants were effectively denied their legal rights by the Compromise scheme. "We are being used by the Society to underwrite its financial woes. I believe that this infringes "Policyholders' Reasonable Expectations" and arguably our common law rights."

The report can be seen at a new website for Equitable Life Trapped Annuitants' - www.elta.org.uk.

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