

Equitable Life

Payment Scheme

Information for policyholders with the following types of policy:

Conventional With-Profits policies (CWP)

Accumulating With-Profits policies (AWP)

With-Profits Annuities policies (WPA)

This leaflet answers common questions about the Equitable Life Payment Scheme ("the Scheme") and how it affects CWP, AWP and WPA policies.

If you are unsure whether a policy is CWP, AWP or WPA then please refer to the product table below.

The Scheme is due to run until April 2014. The Scheme will close to new cases before this date to enable the administration and payment of these cases to be completed before the Scheme is closed. The Scheme will publish the end date for the receipt of data.

<i>Policy class</i>	<i>Business group</i>
AWP	Bond Deferred Hancock Annuity Flexible Protection Plan (also includes the Maximum Investment Plan) Free-Standing AVC (also known as FSAV) → Group (also known as Group Money Purchase, Group AVC, Group Trustee Investment, Group Transfer Plan or Group Final Salary) Health (Critical Illness Plan and Major Medical Cash plan) Individual Pension Plan Managed Pension Plan (income drawdown) (also includes the Managed Annuity, which was the precursor to the Managed Pension issued by Equitable Life) Personal Pension Plan (also includes Grouped Personal Pension plans) Retirement Annuity Regular Savings Plan School Fee Trust Plan Transfer Plan Wind Up (also known as Money Purchase Plan/Transfer Plan)
CWP	Accumulating Class Policy Deferred Annuity Endowment Flexible Savings Plan Whole of Life Plan
WPA	With-Profits Annuities

Eligibility

What makes me eligible for the Scheme?

In general terms, you are eligible for the Equitable Life Payment Scheme if you hold, or have held, one or more of these policies:

- Equitable Life **CWP** policy bought between 1 September 1992 and 31 December 2000 inclusive
- Equitable Life **WPA** policy bought between 1 September 1992 and 31 December 2000 inclusive
- Equitable Life **AWP** policy (both individual and Group scheme policies) that either started between 1 September 1992 and 31 December 2000 inclusive, or had at least one premium paid into it between 1 January 1993 and 31 December 2000 inclusive

What makes me eligible for a payment from the Scheme?

If you have an AWP or CWP policy, then to receive a payment:

- you must be the appropriate payee of at least one eligible policy
- you must have made a Relative Loss across all eligible policies
- your total pro rata Relative Loss must be £10 or more in total after allowing for any offsetting of Relative Gains on WPA policies held

What is a Relative Loss or Gain?

This is the figure used to measure the loss or gain each policy has made. Essentially, it is the difference between the actual returns received, or expected to be received, from Equitable Life and the returns that would have been received if the investment has been made in a similar product with a comparable company:

- if the value of the Equitable Life policy is **less** than it would have been with a comparable company, the policy would be deemed to have made a **Relative Loss**
- if the value of the Equitable Life policy is **greater** than it would have been with a comparable company, the policy would be deemed to have made a **Relative Gain**

What is the impact of a Relative Loss or Gain?

Policies may have made a Relative Loss or a Relative Gain, depending on how they performed compared to similar products with comparable companies. Only those policies that have made a Relative Loss could receive a payment. If an individual has more than one eligible AWP or CWP policy, any Relative Gains will be offset against any Relative Losses. If the Relative Loss on your policy (or across all policies if you have more than one) is less than £10, you will not receive a payment. This is to avoid disproportionate administration costs.

Where a policyholder has made a Relative Loss on a WPA policy, and has one or more AWP, CWP or Group scheme policies that have made a net Relative Gain, the Relative Gains will not be used to offset Relative Losses on WPA policies.

Why are AWP or CWP policies paid a pro rata amount of 22.4%?

The pro rata has been set at 22.4% subject to the de minimus of £10 following the advice of the Independent Commission on Equitable Life Payments. This is to be fair to taxpayers as well as policyholders.

Payments and statements

How do you work out how much someone is paid?

The Scheme has detailed rules for calculating payments, set out in The Equitable Life Payment Scheme design (published in full on our website). Briefly, this is what it means for Relative Losses on AWP or CWP policies:

- for AWP policies we calculate your Relative Loss at the earlier of the policy end date or 31 December 2009. If your policy ended before 31 December 2009, then we calculate the Relative Loss when it ended and add interest at a fixed rate of 4% per year interest up until 31 December 2009
- for CWP policies if your policy ended before 31 December 2009, then we calculate the Relative Loss when it ended and add interest at a fixed rate of 4% per year interest up until 31 December 2009. If your CWP policy was still in force at 31 December 2009, we will calculate your loss to the earlier of the policy end date or 31 December 2019 and apply a fixed discount rate of 4% per year up to 31 December 2009
- AWP and CWP policyholders will receive 22.4% of their total Relative Losses, subject to the de minimus of £10. This 'pro rata' amount follows advice set out by the Independent Commission on Equitable Life Payments. The rate was calculated in order to be fair to taxpayers as well as policyholders
- for AWP and CWP policies, if 22.4% of the total Relative Loss is less than £10 then no payment will be made. This is to avoid disproportionate administration costs.

How did you decide who is paid?

The policyholder will not always be the payee, i.e. the person that receives Scheme payments. This is because, in a number of cases, the person who took out the policy or paid premiums in connection with it is not the person who has suffered a Relative Loss.

For AWP and CWP policies, the payee is identified according to the criteria first satisfied in the following list:

- where policies have been permanently assigned, the permanent assignee is the payee
- where policies are held under trust, the Trustee is the payee. If this payee has died, an alternative Trustee becomes the payee
- for FSAVC policies, the payee is the life assured on the policy.
- for School Fee Trust Plan policies, the payee is the contributor to the policy

For AWP and CWP joint life policies where there are two lives assured, the payee is:

- the first named life on the policy – while both lives assured are alive
- the surviving life assured – where one life assured has died
- the estate of the most recently deceased – where both lives assured have died.

For all other AWP or CWP policies that have become claims, the payee is the policyholder

For all other AWP or CWP policies that have become claims, the payee is the person who was the policyholder at the date of the claim

How does offsetting apply to WPA policy?

The UK Government has decided to cover all full Relative Losses on WPA policies. If a policyholder has multiple AWP and CWP policies then gains and losses on those policies will be offset against each other in the final Relative Loss calculation.

Where a policyholder has both WPA policies and AWP or CWP policies, offsetting will be applied in the following way:

- in most cases, where a WPA policyholder has gains on their annuity or annuities, but no future losses, these gains will offset losses suffered on any non-Group scheme AWP or CWP policies held by the same policyholder
- but any gains made by a policyholder on an AWP or CWP policy will not be offset against any WPA losses they have suffered as losses on WPA policies are to be paid out in full

There are some cases where offsetting will not be possible or where its application would be unfair:

- it would be unfair to offset one individual's gains against another individual's losses where the recipient of a Scheme payment is not the policyholder. Instead the payments to each payee will be calculated individually, with no offsetting between these payees
- due to the nature of the data on members of Group policies, it is not practicable to match members of Group schemes with any other individual policies they hold, or any benefits they are entitled to within a different Group scheme

Can you pay me by bank transfer?

We're sorry but only WPA policies purchased in the UK in Pounds Sterling can be paid by bank transfer. We would need to collect your bank details to achieve this, which would add to administration costs and risk potential delays to payments across the Scheme. We have chosen the most cost effective way to make all the payments as quickly as possible.

Can I change the name on the warrant?

Yes, but only if your name has changed. We cannot write the warrant to another person or to an institution. If you have changed your name, please call us for details of how to send us proof of your identity. When we have received this, we can update your records and issue a new warrant.

One of my Equitable Life policies is missing, how do I add it into the Scheme?

Remember that not all Equitable Life policies are eligible, so please check them against the eligibility criteria first. If you hold a Group scheme policy and are eligible for a payment under the Scheme rules we will write to you once we have received data for you from your Group scheme.

I think there's an error in my statement, what should I do?

If any of the information on the statement such as name, address or policy number is wrong, then please tell us as soon as possible. But if you think the payment has been wrongly calculated, please be aware we cannot alter the method used to calculate your payment.

I bought my policy overseas. How does that affect my payment?

If you bought your policy in a foreign currency, (pre-Euro currencies or US Dollars) then your Relative Loss has been calculated in the currency in which it was bought and then converted into Pounds Sterling using the exchange rates applicable at 31 December 2009.

The Scheme will make your payment by UK Government crossed warrant (like a cheque) in Pounds Sterling, so that you receive it as quickly as possible. This includes policies that were purchased in pre-Euro currencies, Euros or US Dollars. Payments made under the Scheme are not subject to UK income tax.

Any banking charges imposed by the overseas bank for receiving the money in this way will be borne by the policyholder.

The Scheme design

Where did you get my data from?

We have gathered data for eligible policyholders from Equitable Life (and Prudential if the policy was transferred to them). We have also gathered data for Group schemes from Group's Trustees. Due to the age of the data we have also used address-tracing services. The data tracing will not show on your credit record, nor will it affect your credit rating in any way.

Why is my warrant issued by NS&I?

NS&I has been chosen by HM Treasury to process payments and services for the Equitable Life Payment Scheme. This decision was taken as NS&I provides similar services to its customers and so can provide a cost effective service to the taxpayer.

NS&I cannot give advice or information on individual cases for the Scheme. It has no influence on the amount paid. The records for Equitable Life policyholders are secure and kept separately from those of NS&I customers.

Payments made from the Scheme are from a separate Government funding source and have no link to, or effect on, NS&I's savings business or interest rates.

Will payments affect any benefits or tax credits entitlements I may be eligible for?

Receipt of authorised payments will not affect the recipient's eligibility for child or working tax credits.

Payments from trusts to their beneficiaries will not affect a beneficiary's eligibility for child or working tax credits where the beneficiary is entitled to receive the payment under the terms of the trust.

For the purposes of social security – including Pension Credit and social care, the payments will be classed as income (for WPA payments) or as capital (for payments in relation to the other policy classes), and will affect eligibility in the same way as any other change to their income or capital.

Do I need to declare this payment as income on my tax return?

No. Payments are not subject to UK Income Tax so you don't need to declare them to HM Revenue & Customs.

Where to find out more about the Scheme

For full details about the Scheme, background documents, and all the latest information, visit our website at equitablelifepaymentscheme.independent.gov.uk

If you don't have access to the internet, you can call us on **0300 0200 150**.

Calls are charged at UK national rates. Lines are open between 9am - 5.30pm Monday to Friday (except on bank holidays). This service is for general enquiries only. For your security we cannot discuss individual cases and our operators have no access to your personal or policy details. Alternatively, you can write to us at:

Equitable Life Payment Scheme, PO Box 4110, Glasgow G58 1EL

Please do not include any original documents relating to your policy unless we ask you to do so.

Equitable Life Payment Scheme, PO Box 4110, Glasgow G58 1EL

Telephone 0300 0200 150*

If calling from outside UK telephone: +44 (0)141 232 1377
equitablelifepaymentscheme.independent.gov.uk

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