

# *Saunderson House Limited*

## **Equitable Life Update**

The Market Value Adjuster (MVA) for non-contractual exits from the With Profits fund has been raised from 14% to 20%. For contractual exits (eg maturity), the MVA has been raised from 4% to 10%, subject to any guaranteed policy value as a minimum.

Although equity markets have fallen since the MVA was last increased by Equitable Life on 8<sup>th</sup> February, the equity content of the With Profits fund is now so small that we believe other factors to be the cause, as follows:

1. The cost of meeting compensation claims for mis-selling probably being significantly higher than expected.
2. Administrative costs exceeding expectations due inter alia to the high level of enquiries from policyholders and advisers.
3. The £500 million of assets which arose from taking into account future profits of the Society now being under question.

It is difficult to see how the position can improve.

Those relying upon the “90% of policy value” protection afforded by the Financial Services Compensation Scheme (previously Policyholders Protection Act) may be disappointed in the event of insolvency because the value of a policy determined by the liquidator may not equal the guaranteed value of policy benefits.

We continue to recommend that policyholders should exit the With Profits fund, subject to individual circumstances.

4 July 2002

**Saunderson House Limited  
1 Long Lane, London EC1A 9HF  
Telephone 020 7315 6500, Facsimile 020 7315 6550**

**Regulated by the Financial Services Authority**