

Channel Islands enclosure

14 September 2007

Transfer of with-profits annuity policies from The Equitable Life Assurance Society Limited ("ELAS") to The Prudential Assurance Company Limited ("PAC")

ELAS has agreed to transfer its with-profits annuity business to PAC. The transfer is expected to happen in December 2007.

This additional information has been sent to you in addition to the enclosed policyholder communications because your policy may have been issued through an agent in the Channel Islands, as part of the business carried in or from within the Channel Islands or because you now live in the Channel Islands. If that is not the case, please ignore this enclosure.

How the transfer happens

The transfer of policies held by persons resident in Guernsey or written from a branch in Guernsey which form part of the with-profits annuity business will be implemented under a legal process known as a Section 44 transfer. The process is set out in Sections 44 to 49 of the Insurance Business (Bailiwick of Guernsey) Law 2002 ('Law'). For the transfer of these policies to take place it needs to be approved by the Royal Court of Guernsey and a hearing at the Royal Court of Guernsey will take place at 9.30am on 3 December 2007.

The transfer of policies forming part of the business carried on in or from within Jersey and which also form part of the with-profits annuity business will be implemented by way of an insurance transfer scheme under Article 27 of and the Second Schedule to the Insurance Business (Jersey) Law 1996. The Royal Court of Jersey will need to sanction the scheme and accordingly a hearing at the Royal Court of Jersey will take place at 9.30am on 4 December 2007. The Jersey Scheme provides for the transfer of policies on substantially the same terms as the scheme in the UK ("UK Scheme"). A summary of the UK Scheme is included in the enclosed policyholder communications.

The transfer must also be approved by the High Court in London under Part VII of the Financial Services and Markets Act 2000 ('FSMA'). A hearing at that Court will take place on 28 November 2007.

As part of the transfer, ELAS will transfer to PAC approximately 62,000 with-profits annuity policies together with their share of the Society's assets (about 20% of the with-profits fund).

Any liabilities and complaints arising from acts or omissions of ELAS in respect of the with-profits annuity business before the transfer will remain the responsibility of ELAS.

Summary of the Independent Actuary's report

In order to help the Court to understand how the transfer could affect policyholders a report on the transfer by an independent actuary is required by the Law and the FSMA. Mr S J Sarjant FIA, a consulting actuary with Watson Wyatt Limited, has been appointed as the independent actuary. He has written a report on the transfer. The UK Financial Services Authority has determined that Mr Sarjant has the necessary skills to make the report on the transfer and they have also approved the form of his report.

Mr Sarjant has considered the impact on with-profits annuitants, the remaining ELAS policyholders and Prudential's policyholders under the UK Scheme and his conclusions are summarised in the enclosed policyholder communications. His report has also considered the likely effects of the transfers of policies issued through an agent in the Channel Islands or as part of business carried on in or from within the Channel Islands. His UK report is summarised in the Policyholder Circular and his Channel Islands report is summarised below.

The Independent Actuary has considered the impact of the Guernsey Scheme on the Guernsey Business and of the Jersey Scheme on the Jersey Business and concluded that the implications for the policyholders of ELAS and PAC as discussed in his report as Independent Expert on the UK Scheme. In that report he writes that in his view:

- For Transferring Policies, the Scheme will give rise to benefit expectations which are different to those applying in ELAS currently. This is primarily a reflection of the significantly greater exposure to equity-type investments following implementation of the Scheme compared to the position currently. This greater level of exposure is similar to that which the holders of Transferring Policies may have expected when effecting their policies.
- While the Scheme may result in future benefits payable on Transferring Policies which are similar to those which would have applied in the absence of the Scheme, it may also result in future benefits which are either materially greater than or materially less than those which would have applied in the absence of the Scheme. Whereas the potential upside is unlimited, the downside is limited by the guarantees under the policies, which will be unaltered by the Scheme. Considering the portfolio of Transferring Policies as a whole, the reasonable benefit expectations of the holders of Transferring Policies in aggregate will not be adversely affected by the Scheme.
- The security of the Transferring Policies' guaranteed benefits will be enhanced by the Scheme.
- There will be no material adverse of the Scheme on the reasonable benefit expectations of the holders of policies remaining in ELAS and that the security of the guaranteed benefits under these policies will remain at an acceptable level following implementation of the Scheme.
- There will be no adverse impact of the Scheme on the reasonable benefit expectations of PAC policyholders and that the security of guaranteed benefits of these policyholders will not be materially affected by the Scheme.

Further information

The independent actuary's report and the application to the Royal Court of Guernsey and the Royal Court of Jersey are available free of charge from ELAS's website at www.equitable.co.uk, from Prudential's website at www.pru.co.uk/equitable and www.pruadviser.co.uk/equitable from the offices of Ozannes, 1 Le Marchant Street, St Peter Port, Guernsey, from the offices of Mourant du Feu & Jeune, 22 Grenville Street, St Helier Jersey, JE4 8PX or by contacting us using the details given at the end of this letter.

You are entitled to be heard at any of the English, Guernsey or Jersey court hearings, which are to be held on 28 November 2007 at the Royal Courts of Justice, Strand, London WC2A 2LL, on 3 December 2007 at the Royal Court of Guernsey, Royal Court House, St Peter Port, Guernsey and on 4 December 2007 at the Royal Court of Jersey, Royal Court House, Royal Square, St Helier, Jersey, JE1 1BA respectively.

If you intend to appear in Court, please give not less than two clear working days' notice of your intention to do so together with your reasons for wishing to appear to the legal advisers acting for ELAS:

in respect of the Guernsey hearing - Ozannes, 1 Le Marchant Street, St Peter Port, Guernsey GY1 4HP, please quote reference JMW/CHE/L1644010;

in respect of the Jersey hearing - Mourant du Feu & Jeune, 22 Grenville Street, St Helier Jersey, JE4 8PX, please quote reference SG/MEN 203036.

in respect of the English hearing - Lovells, Atlantic House, Holborn Viaduct, London EC1A 2FG, please quote reference D5CRH.

If you do not intend to appear in Court but nonetheless object to the transfer, please notify Ozannes, Mourant du Feu & Jeune or Lovells as soon as possible, but in any event at least two clear working days before the relevant Court hearing together with your reasons for your objection. If the Court gives its approval at the hearing, there will be no further opportunity for you to raise objections to the transfer.

This letter has been sent to you because, according to our records, you are or have been a policyholder of ELAS. Other people or businesses may have an interest in your policy (for example, joint holders, assignees, co-trustees, and trustees in sequestration or bankruptcy). If you think someone has such an interest, please draw this enclosure to his or her attention.

Summary

ELAS has agreed to transfer its with-profits annuity business to PAC

- Subject to approval at the EGM and the relevant Court approvals, the policy(ies) listed in the covering letter will be transferred to PAC.
- The transfer is expected to happen in December 2007.
- From that date, PAC will pay your annuity (although ELAS will pay some instalments of annuity due around the transfer date a little earlier than usual to ensure that payments are not disrupted during the transfer to Prudential).
- From that date, PAC will deal with the administration of your annuity.
- ELAS will remain responsible for liabilities and complaints arising from its acts or omissions which took place before the transfer.

It is recommended that you seek independent advice including taxation (at your own expense), in relation to the effect, if any, of the transfer on you.

With regard to the Court hearing detailed above, unless you wish to object to the transfer, ***you do not need to take any action*** as a result of this enclosure.

If you have any questions regarding this enclosure please write to Equitable Life, Walton Street, Aylesbury, Bucks HP21 7QW, England or telephone us on 0800 408 0097.