

Saunderson House Limited

Strictly Private & Confidential

To: Saunderson Clients with Equitable Life Pension Policies

Equitable Life after the first Court Case

A number of factors combine to lead us to recommend reducing your exposure to Equitable Life even after taking account of the possibility of a demutualisation bonus. These are as follows:

1. Moody's downgrade of the Equitable credit rating to "A1" from "AA3"
2. Free asset ratio pressure as a weak mutual office
3. Continued distraction of senior management with on-going litigation
4. Industry trend away from direct sales force distribution
5. Inability to finance change in a highly competitive environment
6. New business reduction owing to above factors and adverse publicity
7. "No reserves" policy for bonus declaration
8. High level of fixed interest exposure in the with profits fund
9. Heavy dependence on pension business
10. No market value adjustment currently applied on transfer of funds

In considering which provider and structure to choose for your funds, we particularly favour the Skandia investment contract which provides access to many different investment managers and funds. This is particularly important when taking benefits through an Income Drawdown arrangement (Equitable Life's managed annuity) because one is not permitted to change provider other than to purchase an annuity.

Pensions are a long term investment and because they may go down in value as well as up you may not get back the full amount invested.

4th October 1999

Approved and issued by:
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Regulated by the Personal Investment Authority