

## **NEWS RELEASE**

For Immediate Release  
Thursday 11 May 2006

### **Equitable Life to transfer £4.6 billion of non-profit pension annuities to Canada Life**

The Equitable Life Assurance Society ("Equitable Life" or "the Society") announces today that it has reached agreement with Canada Life Limited ("Canada Life") for the reinsurance and subsequent transfer of most of its non-profit pension annuity business, comprising approximately 130,000 policies.

The transaction will not affect the pension payments made to the transferring policyholders. Initially Equitable Life will continue to pay policyholders, with Canada Life assuming the obligations through reinsurance. Following the completion of a Court process, it is intended that the policies will transfer to Canada Life under a Part VII scheme. Canada Life will then take over direct responsibility for the payment of the transferred pensions. Application to the Court is expected to be made later this year or in 2007.

Equitable Life will transfer to Canada Life £4,628 million of assets (as at 1 January 2006) in return for Canada Life accepting responsibility for the future pension payments (from that date). The amount of this transfer, together with all related costs, does not reduce Equitable Life's available capital resources or its excess realistic assets as reported as at 31 December 2005.

Because Equitable Life is a mutual insurance company, its with-profits policyholders currently bear the risk of unexpected future increases in non-profit pensioners' life expectancy leading to increased costs of paying pensions. The size of this risk is disproportionately high relative to the size of the Society's free assets. This transaction removes most of that risk, improves the financial stability of the Society and reduces its capital requirements.

Canada Life has established expertise in the UK annuity market and is already making regular payments to over 150,000 UK annuitants.

Canada Life has proven experience in this type of acquisition having completed the transfer of a £2.18bn annuity book of business in 2005 involving 58,000 annuitants. Canada Life has the investment expertise and efficient cost base to make it profitable to take on this business.

This transaction represents a major strategic step in the continued expansion of Canada Life's presence in the UK and is expected to enable Canada Life to benefit from greater economies of scale in a growing market.

The Society's board of directors, which has received financial advice from Lexicon Partners Limited, actuarial advice from Deloitte and legal advice from Lovells, considers the transaction with Canada Life to be in the best interests of the Society and its policyholders as a whole.

A Part VII scheme is a statutory process available for the transfer of insurance business under Part VII of the Financial Services and Markets Act 2000. The Part VII transfer will have to be approved by the Court and an Independent Expert will report considering the effect of the proposed transfer on all policyholders (those who are to transfer to Canada Life, those who are to remain at Equitable Life and those of Canada Life.) The Financial Services Authority (FSA) - which has a statutory responsibility to safeguard policyholders' interests - is entitled to be heard by the Court and will approve the form of the Independent Expert's report. The Society has discussed the proposed transaction with the Independent Expert and the FSA. The Independent Expert has indicated that his preliminary conclusion is that no policyholders will be adversely affected by the proposed transaction. The FSA has indicated that at present it is not minded to object to the proposed transaction.

Under the terms of the reassurance, Canada Life has agreed to reassure Equitable Life's liabilities in respect of the business from 1 January 2006 until the Part VII transfer becomes effective following its approval by the Court. This means that the economic risks and rewards associated with the business have been transferred from Equitable Life to Canada Life.

**Vanni Treves, Equitable Life's Chairman said:**

"This is an important development arising from the Society's ongoing review of strategic options. Whether or not further deals are possible, this is a very significant step forward which will increase the financial stability of the Society for the benefit of our remaining policyholders."

**Charles Thomson, Equitable Life's Chief Executive said:**

"This is very good news for the Society's policyholders. We have been able to run a competitive process which we believe has resulted in an attractive outcome. Our with-profits policyholders will benefit from the removal of a significant risk on attractive terms, whilst the transferring non-profit annuitants will move to a strongly capitalised group which is committed to expanding its operations in the UK market."

**Ian Gilmour, Chief Executive Officer of Canada Life said:**

"We are delighted to have agreed this transaction with Equitable. This is the largest acquisition of a non-profit annuity portfolio to have occurred in the UK. This transaction is a major strategic step in our continued expansion in one of our key business areas."

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## Notes to editors:

1. Letters are being sent to policyholders to explain the implications of the transaction for them. Copies are available on the Society's website [www.equitable.co.uk](http://www.equitable.co.uk).
2. Non-profit pension annuities are policies which pay a pre-determined amount to the policyholder for the rest of his or her life. They are often used for providing fixed pensions. Companies have to estimate how long policyholders are expected to live in order to determine what reserves need to be maintained to cover these pension payments. If policyholders live longer than expected then the company has to increase its reserves to fund the continuing pension. As a mutual, any such increase in reserves reduces the Society's free assets, thereby reducing the amount available to distribute to its with-profits policyholders.
3. Canada Life is a UK subsidiary of the Great-West Life Assurance Company which is owned by Great-West Lifeco.

Great-West Lifeco, serves the financial security needs of customers across Canada, the United States, the United Kingdom, Isle of Man, the Republic of Ireland and Germany and has C\$182bn (£89.8bn) in assets under administration as at 31 March 2006.

Great-West Lifeco and Canada Life\* are rated by a number of agencies and consistently receive high marks for financial strength, claims-paying ability and operating performance including an S&P AA rating\*\*.

Canada Life has been operating in the UK since 1903. It is a leading provider of Annuities, Group Insurance and Wealth Management products.

Canada Life is currently the UK's 3rd largest provider of Open Market Option Annuities with a market share of 17%\*\*\*.

Canada Life is one of the UK's largest providers of Group Risk products, currently delivering benefits to 2.7 million employees of UK companies.

Canada Life's Isle of Man operation, Canada Life International is a leading provider of offshore unit-linked investment bonds in the UK with a 19% market share\*\*\*\*.

\* Canada Life Assurance Company (which owns 100% of Canada Life Limited)

\*\* Great West Lifeco. Ratings as of 17th February 2006.

\*\*\* Association of British Insurers 2005

\*\*\*\* Association of International Life Offices 2005

4. Lexicon Partners Limited, which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting exclusively for the Society and for no one else in connection with the transaction described herein and is not advising any other person or treating any other person as its client in relation thereto and will not be responsible to anyone other than the Society for providing the protections afforded to clients of Lexicon Partners Limited, or for giving advice to any other person in relation to the transaction described herein, the contents of this announcement or any other matter referred to herein. In providing advice to the board of directors of the Society, Lexicon Partners Limited have placed reliance on the directors' commercial assessments of the transaction and on advice received by the board of directors from the Society's actuarial and legal advisers.
5. Deloitte & Touche LLP ("Deloitte") provided actuarial advice to the board of directors of the Equitable Life ("the Board"). Deloitte's advice is exclusively to the Board in connection with the transaction described herein and Deloitte is not advising any other person or treating any other person as its client in relation thereto and will not be liable to anyone other than the Board for the advice provided, the contents of this announcement or any other matter referred to herein. In providing advice to the Board, Deloitte has placed reliance on the directors' commercial assessments of the transaction and on advice received by the Board from the Equitable Life's other advisers.
6. Legal advice to the Equitable Life was provided by Lovells.
7. The Independent Expert for the proposed Part VII scheme is John Jenkins, who is a Fellow of the Institute of Actuaries and a partner of KPMG LLP.