Calculation Overview for Accumulating With-Profits policies

1. Introduction

The intention of this Overview of the payment calculation for Accumulating With-Profits policies is to make it easier for policyholders with questions about the Scheme's calculation model to understand the main steps used in calculating their payment. This Overview sits beneath the more complex technical and comprehensive detail set out in the Technical Annex. Simplifications have therefore been made to the calculations carried out by the Scheme to make them easier to follow. As a consequence of its simplified nature, the Overview does not cover every individual circumstance nor provide policyholders with a step by step guide to accurately recreate their own payment calculation. In addition, while simplifications have been made, given the complex nature of the calculation, some may not find it a simple guide to follow.

The calculations performed by the Equitable Life Payment Scheme to determine the payments due to eligible policyholders are inevitably highly complex since they need to take a large number of elements into account. These include the precise timing of payments and withdrawals made by policyholders, the different features of individual policies and offsetting between different policies. The calculations are carried out on the Scheme's behalf by a leading firm of actuaries based on the data held by Equitable Life. In essence the payment and other data provided on individuals' policies is fed into a calculation model, similar to a computer programme, which outputs the payment figure due to the policyholder. What the programme model was not set up to do, on the grounds of efficiency given that calculations are carried out for well over a million policyholders, is to output the complex intermediate steps which would mean very little to non-experts. Designing the calculation model to do this would have led to delays in the start of the Scheme, would have been disproportionately expensive and, given the inherent complexity, little used by the vast majority of policyholders. The calculation model itself has been fully tested and independently validated to ensure that it outputs the right figure.

In order to be fully transparent the Scheme produced a Technical Annex alongside the Scheme Rules at the outset which explains in some detail the steps undertaken in the calculation programme model. By its nature this is a highly technical document and is extremely difficult for non-specialists to follow and use.

While there have only been a very small proportion of the policyholders paid to date[1] who have asked for further explanation of their individual calculations, in the light of these requests and the views expressed by the Public Accounts Committee the Treasury has decided to produce this Overview guide to the calculation process together with some simplified worked examples.

By filling a gap between the high level overview of the Scheme provided in summary section of the Equitable Life Payment Scheme Design Document (published in May 2011) and the comprehensive detail in the Technical Annex to that document, the Treasury hopes that this Overview will help policyholders seeking a better understanding of the payment calculation.

[1] At 30 June 2014 the Scheme had issued payments to 877,414 policyholders July 2014 Progress Report

The Treasury welcomes comments on this document. It will consider the comments received and may issue further versions of this document as appropriate. The Treasury will not, however, be able to comment on individual cases or the application of the Overview to individual cases.

2. Background to the Scheme and the payment calculation

In May 2010 the Government pledged to implement the Parliamentary and Health Ombudsman's recommendation to make payments to Equitable Life policyholders who suffered Relative Loss as a result of Government maladministration related to the regulatory returns of Equitable Life through an independent payment scheme.

Issuing payments to policyholders quickly was an important objective in the design of the payment scheme, because of the length of time which had passed since the closure of Equitable Life to new business in 2000 and the Ombudsman's recommendations in 2008. The design of the payment scheme is based on the Ombudsman's report[2], and takes account of the work carried out by Sir John Chadwick[3] and the recommendations of the Independent Commission on Equitable Life Payments[4]. The Government appointed a firm of leading actuaries to establish the value of each individual policyholder's Relative Loss. The calculation models developed through the initial work of Sir John Chadwick were adapted to implement the calculation methodology used by the Scheme to make payments. Following consultation the Scheme's rules were presented to Parliament and the detailed payment calculation methodology was published for policyholders to see.

There are three policy groups covered by the Scheme:-

- Accumulating With-Profits (AWP);
- Conventional With-Profits (CWP); and
- With-Profits Annuities (WPA).

This Overview and the accompanying examples cover AWP policies which are the largest policy group as they are held by over one million of the approximately one and a quarter million policyholders eligible for the Scheme. AWP policies include both life and pension policies, including individual pension policies purchased through a company pension scheme[5].

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[2] The full report :Equitable Life: a decade of regulatory failure is available on Parliamentary and Health Service Ombudsman's website.

[3] Sir John Chadwick's Advice to Government is available online.

[4] Full details of ICELP's recommendations are published in the Independent Commission on Equitable Life Payments report

[5] The calculation information in this Overview applies to individuals who purchased an AWP policy through a company pension scheme where the company purchased separate policies and maintained separate investment information for each individual. It does not cover policyholders where their employer or company pooled individual contributions and purchased a pooled AWP policy or maintained only pooled information. Please contact your company pension scheme if you are not aware what approach they used for their investments in Equitable Life.

A list of Equitable Life AWP life and pension policies can be found at Appendix 1 – Life or Pensions.

3. The Relative Loss calculation

The Scheme calculates a payment amount for every eligible AWP policy based on the **Relative Loss** that policy has incurred.

The concept of Relative Loss was introduced by the Parliamentary Ombudsman's 2008 report and is based on the understanding that those who relied on regulatory returns that were subject to Government maladministration had lost the opportunity to make a fully informed decision when choosing to invest in Equitable Life. This is on the basis that, had these policyholders had this opportunity, they might have invested elsewhere.

In simple terms, Relative Loss is the difference between the value of your Equitable Life policy, known as the **Equitable Life Policy Value,** and the value of your policy had you invested the same premiums in a similar with-profits product in a comparable insurance company, known as the **Comparator Policy Value**.

The principle underlying the Relative Loss calculation is straightforward:

- if the Equitable Life Policy Value is **lower** than the Comparator Policy Value, you will have made a Relative Loss
- if the Equitable Life Policy Value is **higher** than the Comparator Policy Value, you will have made a Relative Gain

However, the Relative Loss calculation itself is more complicated because both the Equitable Life Policy Value and the Comparator Policy Value need to be established for the investments in the period when the decision to invest with Equitable Life may have been affected by the Government maladministration.

Relative Loss is calculated at a fixed date, known as the End Date, so that the amount of the loss or gain can be determined. The End Date of 31 December 2009 was chosen as being the most practical "cut off" point to enable the Scheme's implementation and for payments to be issued quickly.

Key components of the Relative Loss payment calculation

There are six key components which underpin all Relative Loss payment calculations:

Loss Calculation Period	The purpose of the Scheme is to make payments to policyholders in respect of the Relative Loss which follows from their decision to invest in Equitable Life as a result of the maladministration of regulatory returns. The dates between which policyholders' investment decisions may have been affected by the regulatory returns are defined. Only investments made within these dates are used in the Relative Loss

calculation.

The Parliamentary Ombudsman's Report[6] and the work of Sir John Chadwick[7] on the design of the payment scheme identified 1 September 1992 to 31 December 2000 as the period when policyholders' investment decisions may have relied on regulatory returns affected by maladministration. This period is both the Loss Calculation Period, which is the period over which the difference between the Equitable Life Policy Value and the Comparator Policy Value is calculated, and is also used to define which policies are eligible for payments from the Scheme[8].

However, data limitations mean that certain investments made between 1 September 1992 and 31 December 1992 cannot be included in the Relative Loss calculation. The Scheme rules define approximations to estimate losses on certain policies where there are such data issues[9]. In order for this Overview to be easy to use, approximate methods and data issues are not covered here, however these are set out in detail in the Technical Annex.

Equitable Life Policy Value

To identify the value of the policyholder's AWP policy, the Scheme uses information provided by Equitable Life on the actual bonuses, claim types and where appropriate, the actual Equitable Life payout. The value depends on whether the policy was in force at 31 December 2009 (the End Date for the Relative Loss calculation) or if the claim which terminates the policy is classed as a contractual or non-contractual termination. Appendix 2 gives details of contractual and non-contractual terminations.

As previously explained Relative Loss occurs as an effect of making an investment decision which may have relied on the regulatory returns subject to maladministration.

For policies which only had payments made into them in the Loss Calculation Period, 1 September 1992 to 31 December 2000, the Equitable Life Policy Value is shown on the Statement sent to a policyholder by the Scheme. If the policy was in force at 31 December 2009, this is shown under the "Value of your fund" or, for policies terminating before this date, under the "Value of your fund at

[6] The full report :Equitable Life: a decade of regulatory failure is available on Parliamentary and Health Service Ombudsman's website.
[7] Sir John Chadwick's Advice to Government is available online.
[8]AWP policies which started between 1 September 1992 and 31 December 2000 inclusive, or that started before 1 September 1992 and had premiums paid into the policy in this period are eligible for the Scheme (Paragraph 12, Technical Annex).
[9] The treatment of these cases covered in paragraph 17 and 70 of the Technical Annex and Clarifications.

termination". There is no need to adjust this value as the policy data fits completely with the Loss Calculation Period for the Relative Loss calculation.

If any payments were made into the policy outside 1 September 1992 and 31 December 2000, the Equitable Life Policy Value must be reconstructed from the payments made into the policy within that the Loss Calculation Period[10]. This means that only the investments which may have been affected by the maladministration are taken into account in the Relative Loss calculation.

Comparator Policy Value

The Comparator Policy Value is calculated by replicating how the Equitable Life premiums would have grown had they been invested in the comparable insurance company. This is done by applying the Comparator company returns to the actual premium data from the policyholder's Equitable Life policy, taking into account whether that policy was terminated contractually or non-contractually.

Investment performance varies between insurance companies. So in order to avoid the potential unfairness that may arise from comparing the Equitable Policy Value against a similar policy from a single company the Scheme has constructed a "notional" Comparator company based upon a number of real companies. The real companies that were chosen sold similar with-profits policies to those sold by Equitable Life over the period of government maladministration. The returns from these real companies were averaged to produce the Comparator returns. A different group, or "basket", of companies is used to construct the Comparator returns for Life and Pensions policies to get a close match to the investments offered by Equitable Life[11]. The companies in each group differ because not all insurance companies offer similar investment products to Equitable Life[12].

Interest payments

The Relative Loss (or Gain) for policies which terminated before 31 December 2009 is calculated at the date of termination. Interest is then added up to 31 December 2009, the calculation End Date, to derive the Relative Loss or Gain at 31 December 2009. The interest

[10] Further information on the reconstruction for the Equitable Life Policy Value set out in the Clarifications to the Scheme Design and Technical Annex.

[11] For life policies the actual returns from Prudential, Scottish Widows, Norwich Union, Legal and General, and Scottish Mutual make up the Comparator returns. For pensions policies the actual returns from Friends Provident, Standard Life, Prudential, Scottish Widows and Norwich Union are used. Additional information is set out in the Technical Annex at paragraphs 44-45.

[12] Further information on how these companies were selected is contained in the Actuarial Advice to Sir John Chadwick.

rate used is fixed at 4% per year.

22.4% pro-rata	The 22.4% pro-rata adjustment is applied to the payment of policyholders' Relative Loss (or Gain) and follows the recommendation of the Independent Commission on Equitable Life Payments (ICELP) on the distribution of payments. Following the decision to pay With-Profit Annuity policyholders their losses in full because they are the most vulnerable policyholder group, the Government appointed ICELP to advise on the fairest way to allocate the remaining funding available to the non-annuitant policyholders. The Commission actively sought views of interested parties and recommended that a pro rata allocation of the available money should be paid to policyholders, in proportion to the size of their Relative Loss, which equates to 22.4%.[13]
Offsetting	Under the Scheme, gains from one policy can be used to offset losses from another. Therefore, if you have more than one Equitable Life with-profits policy eligible under the Scheme (including Conventional With-Profits policies, With-Profits Annuities or other AWP policies), this may impact your total payment from the Scheme. More information about this is set out in Appendix 3.

4. What is included and excluded in the calculation

Relative Loss arises as a consequence of a policyholder's decision to invest in an Equitable Life with-profits policy which may have been influenced by the regulatory returns affected by government maladministration.

Therefore, premiums, or the part of a premium, which relates to a with-profits policy are included in the Scheme's calculation if they were paid within the Loss Calculation Period, 1 September 1992 to 31 December 2000.

To establish the Comparator Policy Value, in general all payments assumed to have been made into and out of the Comparator policy exactly match, with certain exclusions, the timing and amount of payments into and out of the Equitable Life with-profits policy, which contribute to the Equitable Life Policy Value. In other words, the calculation takes into account premiums, certain compensation payments and withdrawals in the Loss Calculation Period.

However, some payments included in the Equitable Life Policy Value are excluded from calculations of the Comparator Policy Value. This is because the payments were specifically

[13] Full details of ICELP's recommendations are published in the Independent Commission on Equitable Life Payments report

made to Equitable Life policyholders and would not have been made had the investment been placed in a different company. This means that a Guaranteed Annuity Rate (GAR), non-Guaranteed Annuity Rate (non-GAR) Uplifts, certain compensation payments[14] and end of year enhancements are taken into account in establishing the Equitable Life Policy Value but are not included in the calculation of the Comparator Policy Value.

Any unit-linked premiums paid are also excluded from both the Equitable Life Policy Value and the Comparator Policy Value because it was only investments in with-profit policies that may have been affected by the maladministration of the regulatory returns. Similarly, any premiums paid outside of the Loss Calculation Period must also be excluded because they would not have been affected by the maladministration.

5. Payment Calculation Overview

This section provides a basic overview of the steps used to calculate the payment for a simple AWP policy.

Step 1 Identifying the key policy characteristics

The following information is needed to determine the calculation approach:

a. Is the policy a pension or life policy? Appendix 1 lists the Equitable Life AWP pensions and life policies.
b. Did the policy terminate contractually or non-contractually? Appendix 2 contains details of contractual and non-contractual terminations.

Step 2 Identifying the Equitable Life Policy Value

For policies with no premium payments before 1 September 1992 or after 31 December 2000, if the policy was still in force at 31 December 2009, the policy value is the amount shown as the "Value of your fund" on the Statement sent to the policyholder by the Scheme. If the policy ended before 31 December 2009 the amount is shown as the "Value of your fund at termination" on the Statement.

For policies with premium payments before 1 September 1992 or after 31 December 2000, a reconstructed value for the Equitable Life policy[15] is calculated so that only the premiums paid within this period, the Loss Calculation Period, are considered. A calculation is carried out for each premium paid into the policy in the Loss Calculation period. The calculation takes account of whether the policy is a contractual or non-contractual termination and the number of days each premium was invested from the date it was paid to the earlier of either of a) the end of the policy or b) 31 December 2009, the Scheme's calculation End Date.

[14] Full details of how payments from Equitable Life compensation schemes are treated in the calculation are described in the Technical Annex, Section 7.
[15] Further information on the reconstruction for the Equitable Life Policy Value set out in the Clarifications to the Scheme Design and Technical Annex.

For contractual terminations, for each premium paid into the Equitable Life policy two calculations are carried out: one based on the Guaranteed Investment Return (GIR) specific to the original Equitable Life policy plus additional bonuses, and one based on an overall rate of return which has a maturity adjustment applied to it to take account of the policy being held for its full term. The **higher** of the two results is used as the Equitable Life Policy Value.

For non-contractual terminations the Equitable Life Policy Value is the result of only the calculation based on the overall rate of return and market value adjustment for each premium paid into the policy.

Step 3 Calculating the Comparator Policy Value

Two separate calculations are carried out to calculate the Comparator Policy Value for each premium paid into the policy in the Loss Calculation Period.

These calculations also depend on whether the policy terminated contractually or non-contractually. However, for all the calculations the first step is to establish the period of time that each premium was invested from the date it was made to the date the policy terminated, or 31 December 2009, whichever was the earlier.

Contractual terminations

The two calculations used are one based on the smoothed Comparator investment returns and the other based on guaranteed returns (which assumes the same guarantee used by Equitable Life is applied). The **higher** of the two results is used as the Comparator Policy Value.

Step 4 Contractual terminations: Calculating the Smoothed Comparator Value

The smoothed Comparator investment returns for each year that the premium was invested are identified and apportioned if the premium was invested for a part of, rather than a full, calendar year.

a. The smoothed returns spread fluctuations in returns over time to reduce the impact of volatility over short investment period. However these also need to be adjusted to take account of the actual payouts made by the Comparator companies to reflect market conditions at the time of the payout. This is referred to as market calibration.

b. The actual amount of the premium paid into the policy is reduced by an up-front charge that would have been deducted by the Comparator company. The reduced premium is multiplied by the adjusted smoothed Comparator investment return to find the Smoothed Comparator Value associated with the premium paid.

c. This calculation is repeated for all the premiums paid into the policy in the Loss Calculation Period and the values added together to find the total Smoothed Comparator Value for the policy.

Step 5 Contractual terminations: Calculating the Guaranteed Comparator Value

a. The Guaranteed Equitable Life returns are identified for each year that the premium was invested and apportioned if the premium was invested for a part, rather than a full, calendar year.

b. The actual amount of the premium paid into the policy is reduced by an up-front charge that would have been deducted by the Comparator company (as in step 4), and multiplied by the Guaranteed Equitable Life return to find the Guaranteed Comparator Value associated with the premium paid.

c. This calculation is repeated for all the premiums paid into the policy in the Loss Calculation Period and the values added together to find the total Guaranteed Comparator Value for the policy.

Step 6 Contractual terminations: Identifying the Higher Comparator Policy Value

For policies which are contractual terminations, the Comparator Policy Value is the **higher** of the Smoothed Comparator Value and the Guaranteed Comparator Value.

Non-contractual terminations

The two calculations used are one based on using the smoothed Comparator investment returns and the other based on the unsmoothed Comparator returns. The **lower** of the two results is used as the Comparator Policy Value.

Step 4 Non-contractual terminations: Calculating the Smoothed Comparator Value

This calculation uses the same method as described in Step 4 above for contractual calculations.

Step 5 Non-contractual terminations: Calculating the Unsmoothed Comparator Value

a. The unsmoothed Comparator investment returns are identified for each year that the premium was invested and apportioned if the premium was invested for a part, rather than a full, calendar year.

b. The actual amount of the premium paid into the policy is reduced by an up-front charge that would have been deducted by the Comparator company (as in step 4). This is multiplied by the unsmoothed Comparator investment returns to find the Unsmoothed Comparator Value associated with the premium paid.

c. This calculation is repeated for all the premiums paid into the policy within the Loss Calculation Period and the values added together to find the total Unsmoothed Comparator Value for the policy.

Step 6 Non-contractual terminations: Identifying the Lower Comparator Policy Value

For policies which are non-contractual terminations the Comparator Policy Value is the **lower** of the Smoothed Comparator Value and the Unsmoothed Comparator Value.

Step 7 Calculating the Relative Loss

The Relative Loss is calculated as the Comparator Policy Value (from Step 6 contractual/non-contractual as appropriate) less the Equitable Life Policy Value (from Step 2).

If the Comparator Policy Value is greater than the Equitable Life Policy Value the difference is a Relative Loss. If the Equitable Life Policy Value is greater, then the difference is a Relative Gain.

Step 8 Calculating the payment from the Scheme

a. Applying Interest

When a policy terminated before 31 December 2009, interest is added to a policy's Relative Loss (calculated in Step 7) at 4% per year.

Interest is calculated using the exact number of days from the date the policy terminated up to 31 December 2009.

b. Applying the 22.4% pro-rata to calculate the payment on the policy

A pro-rata of 22.4% is applied to the Relative Loss or Relative Gain on your AWP policy. This is done by multiplying your Relative Loss after allowing for interest by 22.4%.

c. Applying offsetting to multiple policies

If you have more than one eligible policy and at least one has a Relative Gain, this gain may be used to offset against Relative Losses on other eligible policies. See Appendix 3 for more details.

6. If you are concerned that your payment is wrong

This Overview and accompanying examples are not intended to be used to replicate a policyholder's calculation. Therefore the Scheme cannot accept challenges based on the application of these examples to a policyholder's particular circumstances. Policyholders can find full details of the calculation methodology and the Scheme rules in the Equitable Life Scheme Design and its Technical Annex.

Policyholders who are concerned that their calculation may be wrong should compare the policy data shown on their Core Data Report (CDR) against their records to check that the correct policy information has been used in their calculation. The CDR provides the information about the policy data which the Scheme has used to calculate the policy's Relative Loss. If errors are identified on the CDR, policyholders should contact the Scheme with evidence of the correct details to request a recalculation.

To request a CDR from the Scheme please write to:

Equitable Life Payment Scheme
PO Box 4110
Glasgow
G58 1EL

Glossary of terms used in this document and example calculations

Term	Explanation
Accumulating With-Profits (AWP)	Accumulating With-Profits is one of the types of policy sold by Equitable Life. Appendix 1 lists the different types of AWP policies.
Comparator returns	The investment returns for the notional Comparator company. This is the average with-profits returns for each year achievable from a group of selected insurance companies. These companies are Legal and General, Norwich Union, Prudential, Scottish Mutual and Scottish Widows for life policies and Friends Provident, Norwich Union, Prudential, Scottish Widows and Standard Life for pension policies.
Compensation Schemes	Equitable Life had a number of its own schemes to compensate policyholders for various reasons during the eligible period (e.g. GAR rectification). Sometimes policyholders received a cash payment, and at other times an extra payment was made to their policy fund. The reason for the compensation and the way the compensation was provided impacts whether this is included or excluded from the Relative Loss calculation. See the Technical Annex for full details.
Contractual/ Non-contractual	A contractual termination or claim is a payment made by Equitable Life at a time and in a way set out under the terms of the policy document. A non-contractual termination is one made by Equitable Life at a date not specified in the policy document, and so might be subject to a financial penalty. The Scheme's Relative Loss calculation reflects the difference between the treatment of contractual and non-contractual policy terminations. See Appendix 2 if you are unclear whether your claim was contractual or non-contractual.
Core Data Report (CDR)	The report policyholders can request from the Scheme providing essential data used in the calculation of the Scheme payment.
Conventional With-Profits (CWP)	Conventional With-Profits is one of the policy groups sold by Equitable Life and these policies are eligible for payment.
End Date	The date at which the amount of Relative Loss and Relative Gain are determined. The Scheme uses an End Date of 31 December 2009. For policies which have terminated prior to this date, interest is paid from the date of termination to this date.

Term	Explanation
Guaranteed Annuity Rate (GAR)	A Guaranteed Annuity Rate is a guaranteed rate at which pension funds are converted into annual pension payments. Equitable Life policyholders with GARs were given an average 17.5% increase in the value of their policy in exchange for giving up their right to these guaranteed rates.
In force	Policies which were in existence at a particular date are described as being "in force" at that date.
Investment factor	An investment factor represents the returns (or bonuses) earned over a period of years from a single investment. For example, if a fund earned 4% in 1995 and 6% in 1996 and you paid in a £100 premium on 1 January 1995, that premium would grow by the investment factor of 1.1024 = (1 + 0.04) x (1 + 0.06) 100 x 1.1024 = £110.24 An investment factor equal to 1 means that the returns earned over the period net out to zero.
Last Declared Total Value (LDTV)	This value was calculated by Equitable Life at 31 December each year for each policy, and is made up of the guaranteed benefit plus attaching reversionary bonuses plus final bonus.
Loss Calculation Period	The Loss Calculation Period for AWP policies is from 1 September 1992 to 31 December 2000 inclusive. A Relative Loss is only calculated in respect of premiums which were paid into the policy within the Loss Calculation Period. Note that because of limitations of the data held by Equitable Life, the Scheme has special rules to deal with premiums between 1 September 1992 and 31 December 1992. Please see the Technical Annex for further details on this.
Market Value Adjustment (MVA)	If you terminated your AWP policy before maturity, a MVA may have been applied particularly in times of poor investment performance, to ensure you did not take your money out of Equitable Life with more than your fair share (and to the detriment of those policyholders who did not do so). MVAs were used by Equitable Life and Comparator companies and are used in the Scheme calculations to enable a fair comparison.
Non-GAR	Policyholders without Guaranteed Annuity Rates were offered an average 2.5% increase to the value of their policies in exchange for giving up their right to make any GAR related claim against Equitable Life.

Term	Explanation
Pro rata 22.4%	The Independent Commission on Equitable Life Payments appointed by the Government to consider the fairest way to share the funds available to compensate investors recommended a pro-rata apportionment of AWP and CWP policyholders' Relative Loss which equated to 22.4%. This recommendation was accepted by the Government.
Relative Loss/ Gain	This is the name given to the difference between the Equitable Life Policy Value and the Comparator Policy Value.
Reversionary Bonus	This is an annual addition made to the value of a with-profits policy over and above any guaranteed addition made to the policy to reflect the investment returns achieved in the With-Profits fund.
Smoothed returns	Smoothing is a process of making volatile returns more stable by taking averages of returns over a given period of time. This is used to avoid excessive fluctuations in payouts between policyholders whose policies terminated at more or less the same time.
Technical Annex	The Technical Annex A to the Equitable Life Payment Scheme design document sets out the detailed methodology for the Relative Loss calculation. This document is available at https://www.gov.uk/government/publications/equitable-life-payment-scheme-design
Terminated	Policies which have ended and are no longer running at a particular date are described as "terminated". Policies can be contractually or non-contractually terminated.
Unsmoothed returns	These are the actual returns achieved by policyholders' funds.
With-Profits Annuities (WPA)	With-Profits Annuities is one of the policy groups sold by Equitable Life and these policies are eligible for payment.

Appendix 1 – Life or Pensions

This table shows whether a policy is considered to be a Life or Pensions policy.

Abbreviated Policy Name	Full Policy Name	Life or Pensions Product
BND	Bond	Life
PIP	Personal Investment Plan	Life
SF	School Fee Trust Plan[16]	Life or Pensions
RSP	Regular Savings Plan	Life
FPP	Flexible Protection Plan	Life
HTH	Health product	Life
PPP	Personal Pension Plan	Pensions
RA	Retirement Annuity	Pensions
IPP	Individual Pension Plan	Pensions
GR	Group Pension Plan	Pensions
MAN	Managed Pension	Pensions
TP	Transfer Plan	Pensions
DHA	Deferred Hancock Annuity	Pensions
FSA	Free Standing Additional Voluntary Contribution (FSAVC)	Pensions
WU	Wind Up Plan	Pensions

[16] Please note that the School Fees Trust Plan could be either a Pensions or Life policy, and you will need to find out which type of Plan you have/had by checking your policy documentation

Appendix 2 – Contractual or non-contractual

This table is designed to help identify whether a policy is considered to be a contractual or non-contractual claim. It is not an exhaustive list, and the classification will depend on the terms and conditions of each individual policy.

Reason for policy termination	**Contractual or not**
In Force[17]	Not Contractual
Maturity Claim	Contractual
Transfer[18]/Surrender	Not Contractual
Death Claim	Contractual
Critical Illness Claim	Contractual
School Fee Trust Plan	Contractual
Personal Pension Plan Claim	Non-contractual
Bonds and Regular Savings terminating on 5th or subsequent policy anniversary	Contractual
Bonds and Regular Savings **not** terminating on 5th or subsequent policy anniversary	Not Contractual
Flexible Protection Plan surrenders on the expected maturity date	Contractual
Any other claim	Not contractual

[17] In force means the policy remained invested with Equitable Life, whether or not premiums were still being paid to the policy

[18] A transfer for a personal pension refers to a movement of the pension benefits to another pensions provider

Appendix 3 – Offsetting losses between policies

If you have more than one eligible policy and at least one has a Relative Gain, this gain may be used to offset against Relative Losses on other eligible policies.

The rules are set out in more detail in Section 6 of the Technical Annex. In brief, they are:

a. Gains from AWP and/or CWP policies can be used to offset any losses on AWP and/or CWP policies

b. Gains from AWP or CWP policies are not used to offset any losses on with-profits annuity policies

c. Gains from with-profits annuity policies can be used to offset losses on any AWP or CWP policies

d. Gains from Group (company pension) AWP schemes are not used to offset losses on other types of policies held by the policyholder. However, offsetting for an individual within a Group Scheme will take place if an individual has more than one record within the same Group scheme.

For example, if you held three AWP policies (Policy A, B & C) where:

- Policy A has a Relative Loss of £150
- Policy B has a Relative Loss of £200
- Policy C has a Relative Gain of £20

then your total Relative Loss is £330 (= £150 + £200 - £20).