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THE INDEPENDENT

Equitable Life savers get surprise pension boost

By Simon Read

Tuesday, 29 March 2011

Equitable Life is to boost payouts to 400,000 policyholders by 12.5 per cent. The insurer said it will make the payments from 1 April after rebuilding its capital position over several years. Chief executive Chris Wiscarson said: "We're very pleased to be able to get money back to policyholders after 10 years of distress."

He said the payouts would cost the insurer around £1bn and that 30,000 policyholders would gain an extra £40m in the next year.

Members will have the bonus added to their with-profits policies on maturity or on leaving the society. But those who have already left the insurer will get nothing.

Paul Braithwaite, general secretary of the Equitable Members Action Group (Emag) said: "It's a step in the right direction but doesn't do anything for the 900,000 people who have already left . In the grand scale of things there's still a festering injustice."

Emag continues to campaign for more redress from the Government.

Mr Wiscarson said the insurer was trying to draw a line over past mistakes. "We got stuck in to de-risk the capital to create sustainable returns for policyholders," he said.

The Telegraph

Equitable Life investors paid bonus to leave

Equitable Life is to give a one-off bonus of 12.5pc to policyholders who agree to leave the mutual insurer and take their investments elsewhere.

The move by Equitable Life is part of a drive to return cash to policyholders as the company is wound down over the coming years. Photo: EPA

By Jamie Dunkley and Emma Simon 6:00AM BST 29 Mar 2011

The company, which closed to new business in 2000, said the bonus will be paid to with-profits savers leaving after April 1.

The move is part of a drive to return cash to policyholders as the company is wound down over the coming years.

Equitable said it expects to pay out about £40m to 30,000 policyholders during the first year, following a survey of its members. However, it admitted payments would not be "guaranteed" in future years - although it intends to maintain them beyond the initial 12-month period.

The company said it had been able make the payments after successfully rebuilding its capital position following "a decade of uncertainty".

The disclosure was made in Equitable's annual results, which showed the company had "excess realistic assets" - a measure of solvency - of £694m at the end of December, up from £675m in the preceding year.

Chris Wiscarson, the company's chief executive, said: "We've done a lot of talking about what we'd like to do to recreate policyholder value. Today we're actually doing what we said we were going to do. May this be the start of a better future for our policyholders."

Ian Brimecome, chairman, added: "Getting millions of pounds of capital into policyholders' hands is what matters after a decade of distress."

Equitable ran into difficulties back in 2000 after the House of Lords ruled it could not artificially lower bonus payments to pension savers who had been promised valuable guaranteed annuity rates, leaving the company with a £1.5bn liability.

Equitable still has about 400,000 policyholder, significantly less than the 1m it had at the time of its near-collapse. Last year, the Government agreed to pay £1.5bn in compensation to many of those affected following a series of reports criticising the role regulators played in the company's demise.

Equitable Life campaigners described the latest announcement as being "too little, too late".

Paul Weir, of the Equitable Members Action Group which has thousands of members, said: "Many people have not taken out their investments because they faced large penalties up to now.

"During this period the growth has been minimal on these savings plans. Now they are being told they will get paid extra to leave, but this money is a drop in the ocean compared to the £6bn people have lost over the past two decades," he added.

The Telegraph

Equitable Life: outcome not so equitable for all policyholders

Every silver lining has a cloud when it comes to Equitable Life, the world's oldest mutual insurer.

The bonus comes too late for the thousands of Equitable policyholders who have already died.

By Jamie Dunkley, Financial Services Correspondent 6:00AM BST 29 Mar 2011

The 249-year-old institution fell from grace at the turn of the century after making promises to policyholders it could no longer keep.

Since then, campaigners have battled for compensation for victims who lost billions - culminating in the award of £1.5bn in Government compansation last year.

News that the company plans to hand out additional one-off bonus payments to policyholders leaving the company after April 1 will seem like a tempting offer after a decade of uncertainty.

These payments will boost the value of with-profits pensions and bonds by 12.5pc and will be paid on top of any payment investors are entitled to from the Government's £1.5bn compensation scheme.

Over the past couple of years, Equitable has successfully rebuilt its capital position under the stewardship of chief executive Chris Wiscarson and the group had excess realistic assets (a key measure of solvency) of £694m at the end of December, up from £675m the previous year.

Equitable says it expects to pay out £40m to 30,000 policyholders during the first year, but in reality many more are likely to take advantage of the offer, having been trapped in their low-paying investments for many years.

Whilst this is good news for some people, it serves to remind us of those who were not so lucky.

Paul Weir, of the Equitable Members Action Group (Emag), said the money is a "drop in the ocean compared to the £6bn people have lost over the past two decades". The bonus has also come too late for the thousands of Equitable policyholders who have already died.

Let's hope that the current Government and regulators prevent anything like this ever happening again.

Daily Mail

ALEX BRUMMER: Equitable offers some relief for policyholders

By Alex Brummer, City Editor
Last updated at 10:08 PM on 28th March 2011

Here is a first for the insurance world. A major insurer is promising policyholders a 12.5pc bonus if they leave the mother ship. Quite a contrast to normal practice when investors are punished for demanding their own hard-earned money back.

Then Equitable Life, which has lived through more than a decade of high drama, is something of a special case.

When the current chief executive Chris Wiscarson arrived at the helm a couple of years ago he resolved there must be better ways of releasing money from policyholders than simply sitting around waiting for the government to cough up compensation - something it is now doing.

Bad news: The handling of the case has been a national disgrace; from the supervision by the FSA to the deliberate delays by the Labour government

So he resolved to change the investment strategy, dumping high yielding and property assets and keeping funds in cash, gilts and highest quality corporate bonds.

As a result Equitable has generated a surplus of £200m or so above its solvency ratio and it is this money which is being used to reward existing policyholders when their policies mature or if they decide to go early. Those who do bolt for the door early will still face a 5pc downward market adjustment which means the 12.5pc bonus will effectively become 7.5pc.

Wiscarson expects a combination of maturing policies and the ' capital' bonus will see around two-thirds of existing policyholders off the books over the next decade.

The better news has been a long time coming for Equitable Life loyalists, tens of thousands of whom have died along the way and many of whom have seen their post retirement lifestyle totally decimated.

The handling of their case has been a national disgrace; from the supervision by the Fundamentally Supine Authority - the FSA - to the deliberate delays by New Labour with Gordon Brown and his hatchet men determined not to compensate Equitable losers which it regarded as far too well off and middle class - a bit of a myth.

The £1.5bn of compensation promised by the Tories falls far short of what campaigner s demanded and the Parliamentary Ombudsman thought right.

But given the size of the financial deficit - stretching ahead as far as the eye can see - policyholders need to accept small mercies.

THE TIMES

Equitable to pay back millions to policyholders

The Avengers star Honor Blackman demonstrated outside the House of Commons in November 2009 after revealing that her pension had halved in value

Miles Costello, Mark Bridge
Last updated March 29 2011 12:01AM

About 400,000 Equitable Life policyholders received a big boost to their retirement savings yesterday when the recovering insurer announced a deal to hand them hundreds of millions of pounds.

It is the first time in Equitable's 248-year history that the mutually owned insurer has returned capital to savers and comes as its financial strength improves sharply.

About 30,000 policyholders retiring over the next 12 months are expected to share £40 million more than they would have expected after Equitable boosted policyholder values by 12.5 per cent.

Customers leaving the society, as well as retiring, will also benefit from the higher policy values.

Europe's oldest insurer, which was brought to the brink of collapse a decade ago, hopes to maintain the increased level so that each of its members will benefit when they retire.

"This is a first for Equitable," Chris Wiscarson, the chief executive, said. "It has taken some time to rebuild the capital position. I think that it's right that we should return that to them [policyholders]."

Mr Wiscarson said that the average Equitable Life policyholder should expect to be about £2,000 better off as a result of the move. A typical saver joined Equitable about 15 years ago and set aside about £10,000 for their retirement.

That investment has since risen to £14,000 and will increase to £16,000 once the higher policy value kicks in, he said.

Mr Wiscarson said that "nothing is guaranteed and this is not guaranteed", adding that Equitable retained the right to reserve the increase if markets went back into financial shock.

"But that is a one-in-a-hundred-year event. We wanted it [the return] to be stable and sustainable. It was the thoughtful and responsible thing to do," he said.

The boost to policy values agreed yesterday comes on top of a £1.5 billion government compensation scheme for about one million Equitable customers who lost money when the insurer almost collapsed.

Equitable was forced by a House of Lords ruling in 2000 to honour its obligation to customers holding guaranteed annuity contracts. This left the society facing liabilities of about £1.5 billion. It was forced to close to new business and slash bonus rates in a drastic measure that hit more than 1.5 million people.

A core group of tens of thousands saw the value of their retirement nest eggs halved overnight.

Policyholder action groups such as the Equitable Members Action Group estimate that customers suffered "relative losses" of about £4.8 billion as a result of investing with the insurer rather than a rival provider.

After years of wrangling, the Government has agreed to compensate policyholders with 22.4 per cent of their relative losses but is still facing a battle with the action group, which has dismissed the settlement as unjust.

Since joining the society in September 2009, Mr Wiscarson has shifted a large slice of Equitable's £5.5 billion of with-profits assets out of riskier investments such as equities into fixed income securities and cash.

These investments require far less capital to be held in reserve and this has helped Equitable to build up its capital to just under £700 million.

At the end of 2008, Equitable had realistic "excess" assets of just £414 million.

The Equitable Members Action Group dismissed yesterday's planned capital return as "good news for a few people", noting that most policyholders who lost money will not benefit.

Paul Weir, a spokesman, said: "This has no impact at all on our principal concerns. The Government's compensation package is woefully inadequate and we are calling for an urgent review," he said.

THE TIMES

Equitable to repay ‘hundreds of millions’

Pensioners demonstrating about the fact the 15 Equitable policyholders died without receiving compensation from the mutual Jas Lehal for The Times

Mark Bridge
Last updated March 28 2011 11:34AM

Equitable Life today announced plans to hand back hundreds of millions of pounds to its policyholders, who have seen the value of their investments tumble as a result of problems at the society.

The mutual will increase the value of with-profits policies for members, whose investments mature or who leave the society after April 1 this year, by 12.5 per cent.

It expects to hand over £40 million in additional payments to about 30,000 policyholders during the first year. Overall, 400,000 policyholders will benefit from the move, which will cost “hundreds of millions of pounds”.

The payments come on top of a £1.5 billion compensation package from the Government that will give almost a million policyholders redress of 22.4 per cent of the amount they lost due to the mutual’s near-collapse in 2000.

About 1.5 million policyholders lost out when Equitable was forced to close its doors to new business after the House of Lords ruled that it must honour payments to customers with guaranteed annuities.

This left Equitable with liabilities of about £1.5 billion and the insurer was forced to slash its bonus payments, leaving hundreds of thousands of customers with nest-eggs that had collapsed in value.

It is estimated that policyholders lost £4.3 billion compared with what their savings would have been worth at another institution.

The mutual described today's announcement as a "major step towards the distribution of capital" to remaining members. It said that it was able to make payments after rebuilding the society's capital position following a decade of uncertainty.

The majority of the group's assets are now either invested in fixed-interest products or held in cash, giving it a higher degree of certainty about the returns it will earn than if the money was held in more volatile equities.

Chris Wiscarson, the chief executive, said: "We've done a lot of talking about what we'd like to do to recreate policyholder value.Today we're actually doing what we said we were going to do."

The Equitable Members' Action Group dismissed today's announcement as "good news for a few people" because the majority of policyholders who lost money will not benefit.

Paul Weir, a spokesman for the group, said: "This has no impact at all on our principal concerns. The Government's compensation package is woefully inadequate and we are calling for an urgent review."

guardian.co.uk

Equitable Life to hand back millions to policyholders

Equitable Life reveals 'enhanced payments' plan for beleaguered policyholders after years spent rebuilding its capital base

The Equitable struggle has been ongoing for the past decade, without resolution. Photograph: Johnny Green/PA

Equitable Life has announced plans to hand back hundreds of millions of pounds to its 400,000 long-suffering policyholders over the coming years, in the form of a 12.5% boost to their policy payouts.

The scandal-hit insurer said it expected to pay out an extra £40m-£60m a year to policyholders whose pension plans mature, or who switch their funds to another company, after 1 April.

It anticipates that around 30,000 people will retire or move their money during the next 12 months, and each year after that. Under the terms of the "capital distribution," £125 will be added for every £1,000 of policy value. That meant someone who invested £10,000 in a pension plan 15 years ago would, as a result of this move, see their retirement fund increase in value from about £14,000 to just under £16,000, said Chris Wiscarson, Equitable Life's chief executive.

The company said that after a "decade of disappointment" for its policyholders, it was pleased to announce the start of a programme to get millions of pounds of capital back into their hands. This money will be on top of the planned £1.5bn in government compensation.

However, some commentators said the scheme meant policyholders were effectively being "paid to leave," and pointed out that those who have already retired or quit the company in the wake of the scandal that engulfed it a decade ago, would not benefit.

The company was brought to its knees in 2000, and later repeatedly cut the value of people's investments, after it lost a legal battle over pension guarantees. About a million customers saw their retirement savings slashed. In 2008 the parliamentary ombudsman found evidence of "serial regulatory failure".

Overall, about 400,000 policyholders are expected to benefit from the company's move. About half of them are individual pension policyholders, while most of the rest were paying into workplace AVC top-up pension plans provided by Equitable. Some people's funds are small – under £1,000 – while there are others whose policies are worth £100,000 or more.

Equitable said it was able to make the payments after successfully rebuilding its capital position following a decade of uncertainty. The insurer has for some time operated a "cautious" investment strategy, with the majority of its assets invested in gilts and bonds, or held in cash, giving it a higher degree of certainty about the returns it will earn than if the money was held in more volatile equities.

A spokesman said the insurer had been "looking at how we can get into policyholders' hands some of the solvency capital we hold". He added: "It is important to have rainy day money, of course, which is what solvency capital is. But it is also important that with-profits policyholders leaving the society receive their fair share of capital, provided there is enough left for those who remain." So, from 1 April, Equitable has earmarked a sum equivalent to 12.5% of the value of policies on 31 December 2010 to enhance payouts for those policyholders who take their benefits or go elsewhere.

The 12.5% enhancement "is not guaranteed, and may go up or down in the future".

Paul Weir, of the Equitable Members Action Group (Emag), said of the announcement: "It's going to be good news for those people that take advantage of the offer and leave. But there is a danger that people will get confused between this bonus and the compensation payments."

Last October, it emerged that investors who lost money as a result of the Equitable scandal would receive about £1.5bn in compensation. A large chunk of this sum would go to 37,000 elderly policyholders who had "suffered most" – these people took out products called with-profits annuities. In January, the Treasury announced that 945,000 current and former policyholders would share the remaining £775m, with individual payouts beginning at £10. It recommended that people should receive 22% of what they have lost.

More information about how the compensation scheme will work is expected to be issued in the coming weeks, and the Treasury has said it hopes to start making the first payments "by the middle of the year".

FT.com
FINANCIAL TIMES

Equitable Life to boost policyholder pay-outs

By Elaine Moore Published: March 28 2011 12:10 | Last updated: March 28 2011 12:10

Equitable Life policyholders have been told that they will receive an extra boost to their annuity pay-outs.

Those who leave the society from April 1 2011 will see the value of their pension increase by 12.5 per cent.

Chris Wiscarson, Equitable Life chief executive, said Monday's announcement marked the start of a better future for policyholders.

The increase will apply only to those 400,000 existing policy members who opt to retire and start drawing their pension from this date. Equitable Life said it expected about 30,000 to take up the option in the first year.

Paul Braithwaite, of the Equitable Members Action Group, said the increase was a step in the right direction. "This shows the competence of the new management, but the offer is of course only for those who take their pension now," he said. "And it does not affect the derisory compensation offered by the government."

In October the government announced that £1.5bn (£775m after tax), would be provided in compensation for Equitable Life policyholders, about a fifth of the money they lost in investments.

Although less than the £4bn-£5bn requested by member action groups, the figure was higher than that recommended by Sir John Chadwick, the judge commissioned by the government to investigate the degree of compensation appropriate.

The Independent Commission on Equitable Life Payments set out a timetable for compensation over three years, with older policyholders aged 60 and above, and the estates of those policyholders who had already died, prioritised.

Overall, 945,000 policyholders were expected to receive payments equivalent to 22.4 per cent of their relative losses. £620m will be paid to 37,000 with-profits annuitants, who were unable to move their investments when Equitable Life began to falter.

About 100,000 will receive nothing as the value of their pro-rata compensation payments would be less than £10.

Investors in Britain's oldest mutual assurer have been engaged in a protracted battle for compensation after it almost collapsed in 2000, following a House of Lords ruling to honour tens of thousands of unprofitable policies sold in the 1980s.

The scale of liabilities left Equitable closed to new business and it sold its assets to Halifax in 2001.

THE SCOTSMAN

Equitable 'to pay millions to hard-hit investors'

Published Date: 29 March 2011 By Jeff Salway **Personal Finance Editor**

Equitable Life is to pay out millions to long-suffering pension investors who agree to leave the crisis-hit insurer.

From 1 April with-profits pension policyholders taking their money elsewhere or whose policies mature will get an extra payment of 12.5 per cent of their fund. The measure is part of Equitable's programme to "recreate policyholder value", with payments made possible by years of rebuilding its capital position.

It expects to pay out an extra £40 million to around 30,000 policyholders in the first year of the scheme, with around 400,000 with-profits customers benefiting from the payments over the coming years. The actual pay-outs will depend on the size of the individual policy. Policyholders who have already left the society will not benefit from the payments.

Chris Wiscarson, chief executive at Equitable Life, said: "We've done a lot of talking about what we'd like to do to recreate policyholder value. Today, we're actually doing what we said we were going to do. May this be the start of a better future for our policyholders."

Paul Weir, of the Equitable Members Action Group, said the payments were aimed at encouraging people to move their funds away from the society. He said: "Many people have not taken out their investments because they faced large penalties up to now. During this period the growth has been minimal on these savings plans. Now they are being told they will get paid extra to leave, but this money is a drop in the ocean compared to the £6 billion that people have lost over the past two decades."

The compensation campaign began when the insurer was forced to close to new business in 2000 after losing a High Court decision over the rights of policyholders. Ann Abraham, the Parliamentary Ombudsman, called for the government to set up a compensation fund after finding ten instances of maladministration by regulators and Whitehall officials in the period leading up to December 2001.

Last year the government announced that 1.5 million policyholders who lost money as a result of regulatory failure at the society would share tax-free payments totalling £1.5bn. The figure was more than three times the pay-out recommended in an independent review by Sir John Chadwick, but fell short of the £4.5bn loss that campaigners estimated policyholders had suffered. It emerged in January that around 945,000 with-profits policyholders will receive redress equal to just 22.4 per cent of the relative amount they have lost, based on what they might have expected had they invested with a different insurer. Some 100,000 will receive nothing.

But Ian Brimecome, chairman at Equitable Life, described 2011 as a "momentous year". "Getting millions of pounds of capital into policyholders' hands is what matters after a decade of distress," he said.

The government is expected to publish full details of the compensation scheme no later than June, having committed to making payments by the middle of the year.

London Evening Standard
standard.co.uk

Equitable Life hails end to years of woe with cash lift

Simon English 28 Mar 2011

Equitable Life was today claiming an end to a "decade of distress" for policyholders who are soon to start enjoying an uplift to their pension pots.

With-profits policyholders have been locked in combat with the stricken insurer for years after a disastrous decision by the company to offer lucrative "guaranteed" payouts to certain customers in the 1990s.

These policies turned out to be extremely valuable, leaving the mutual society dipping into other policyholders' funds to meet liabilities or else reneging on promises.

The company was close to bankruptcy and has been run as a closed book - it doesn't write new business - since 2000.

Today it said that from April 1, with-profits policyholders who leave the society, either to take the money elsewhere or because their policies mature, will enjoy an injection of cash worth 12.5% of their fund.

Like all insurers, Equitable was buffeted by the financial crisis that began in 2007 but said today it had "successfully rebuilt its capital position" after "derisking" the funds it has under management.

Chief executive Chris Wiscarson said: "We've done a lot of talking about what we'd like to do to recreate policyholder value. Today, we're actually doing what we said we were going to do. May this be the start of a better future for our policyholders."

Equitable expects to pay out an extra £40 million in the first year of the new scheme to 30,000 people. It will continue to make payments to the 400,000 with-profits customers for decades to come.

This is on top of the £1.5 billion the government has agreed to pay in compensation for regulatory failings in the 1990s.

Equitable Life was once one of the most successful, most highly regarded insurers in Britain dating back to 1762.

By failing to hedge against a rise in the value of the guaranteed pensions it had sold, it effectively caused its own demise, investigators concluded. Although today's move is likely to be welcomed by the policyholders, the wider issue seems certain to rumble on for years.

Critics including the Information Commissioner's Office want to know why the Serious Fraud Office hasn't pursued a proper investigation into the company. Those in charge of Equitable when it sold the guarantees have long since been turfed out, but calls for a criminal inquiry continue.

Former chief executives Alan Nash, Roy Ranson and Christopher Headdon have been heavily criticised by official bodies for their conduct. Ranson was expelled from the Actuarial Profession.

Chairman Ian Brimecome said: "Getting millions of pounds of capital into policyholders' hands is what matters after a decade of distress."