

**Minutes of the meeting of the
All Party Parliamentary Group on Justice for Equitable Life Policy Holders
Held on 24 February 2010 at 3.30pm
In Committee Room 7**

Present: Daniel Kawczynski (Joint Chair)
Fabian Hamilton (Joint Chair)
Susan Kramer (Secretary)
Paul Braithwaite and John Newman, EMAG
And 90 Members of Parliament (or assistants)

Speakers: Rt Hon Liam Byrne MP
Sir John Chadwick
Chris Wiscarson, chief executive of Equitable Life

Liam Byrne's opening address:

- Members should send him any questions that there is not time for.
- Commented that he had only arrived at Her Majesty's Treasury (HMT) six months ago and that the most complex problem regarding this situation is to find a scheme that was fast and fair.
- Argued the timetable for progress is 'as fast as possible'
- Sir John Chadwick's third Interim Report will be published in the next week or so. The final report to be delivered in May, with the Government's response within a fortnight of that.

Sir John Chadwick's opening address:

- There have been calls for a first-hand summary of how work is progressing.
- First Interim Report was issued in August 2009 and the second in mid-December 2009.
- Has taken a decision in favour of a 'flexible' approach which has been unanimously welcomed by policy holders
- Explained that one possible reading of the Parliamentary Ombudsman (PO) report is that only those who could demonstrate that they relied on the annual regulatory return to make their investment decision would qualify. There are two issues here:
 1. It would be difficult to have a case-by-case view on what policy holders would have done 20 years ago.
 2. The method fails to include those who could not have made a choice, the trapped annuitants, and those that invested pre-1990.If he had adopted this 'reliance approach', it would exclude these policy-holders, which would not be fair. It is also unrealistic because the regulators would have made impositions to change the Society's behaviour.
- To take an alternative flexible approach may have conflicted with Terms of Reference (TOR). This was resolved by the Judicial Review ruling in October 2009 and the TOR were expanded and formalised in November 2009, hugely increasing his remit.
- Will be in a position to issue third Interim Report within the next week and will be seeking more representations on that. Final report to be delivered in May 2010.

Questions to Liam Byrne and Sir John Chadwick:

Daniel Kawczynski: Will you allow EMAG and interested parties to see the detailed work of actuaries Towers Perrin?

[NB: Towers Perrin now Towers Watson, following merger with Watson Wyatt]

Sir John Chadwick: This will be covered in the third report. There will be a lot of detail. A panel of three external senior actuaries will peer review Towers Perrin and the final report will be accompanied by a report from Towers Perrin. It is for the government to decide what is published.

Susan Kramer: Following that: will your report contain conclusions or sufficient detail?

Sir John Chadwick: I will set out my assumptions with figures and results. The raw data belongs to Equitable Life. I am anxious not to have a delay from the actuaries.

David Davis: The key issue is transparency. If Sir John's report is accepted, how long will it be until payment? There are 15 policy-holders a day dying.

Liam Byrne: It hinges on the conclusions of the report, such as: how many people are involved, what the nature of the recommendation is (eg. cash or a pension product); the scale of the task. Depending on these conclusions we need to make a decision on a delivery partner. The Department of Work and Pensions (DWP) has the skills and does a good job but if particular skills are needed it could be outsourced. Until the final report we can only do preparatory work. We will parallel track, because this is one of the largest compensation schemes ever and we don't want the Whitehall procurement process to add a few months.

David Davis: But there's the misery of uncertainty. Give us your widest assumption.

Liam Byrne: I don't want to lead you up the garden path. I'm not going to create a timetable I can't deliver.

[NB: hereafter, questions are asked in batches of two or three]

Alan Duncan: I have constituents who are elderly and poor. An interim payment would allow them to live. There are 15 policy-holders a day dying. Why have you delayed so long?

Sir Patrick Cormack: What about those who have died?

Vince Cable: What about the suggestion of an interim payment to WPAs?

Liam Byrne: It would be hard to set down what is a fair interim payout. It would have to be one without the possibility of a claw back or repayment for overpayment. The government would have to set an overall cap so there wasn't a blank cheque system. There is a strong case for those who have died. Once a scheme has been set up and payments are rolling, then WPAs could be prioritised in the queue.

Sir John Chadwick: We did look at interim payments in November 2009. It would have to have been confined to WPAs but you need so many assumptions. Where we are now, it would be a diversion of resources.

Richard Taylor: I'm getting fewer letters. I think it's because they're dying or they've lost faith in us. Can the two top parties agree to commit to implementation of delivery after the election?

John Baron: It's not just that policyholders have been angered by Government delay in responding to the Ombudsman's Report. What is adding fuel to the fire is Government talk that compensation might be means tested. This is about justice not charity. Will the Minister therefore clarify the Government's position on this issue?

Anne Main: What happens during the election – will it be held in purdah?

Liam Byrne: The intention is to proceed and issue a response within a fortnight after the delivery of the final report. We're getting in senior advisers now. As for means testing, I've thought a lot about this and in these circumstances it is not just or practicable.

Sir John Chadwick: I refuse to consider means testing.

Nicholas Winterton: Did I hear the minister correctly about Estates receiving money? Please confirm this.

Oliver Heald: Are there any groups you've concluded should not be in the scheme?

Steve Webb: What is roughly the scale of compensation? Can you give us an indication?

Liam Byrne: The Government agrees there is a strong case for Estates.

Sir John Chadwick: For Estates it is easy – you simply take the date of death to establish their loss. The scheme will only apply to with-profits policies and only to those who have suffered a loss. Some have not. All with-profits policies will be eligible, but only if they've suffered a loss. I will not be proposing it is going to cost £x million. This is a matter for the government. I will be explaining how losses should be assessed. There will be a need to process raw data but what comes out the other end is not my concern.

Gordon Banks: How long will the process take?

Derek Wyatt: What are the rules of purdah?

Douglas Hogg: How do you apportion joint and several liabilities and the loss attributable to the regulator?

Liam Byrne: There is no long-stop date. The last date for the election is 3 June 2010. If the report from Sir John arrives at the end of May then the government will respond by mid June.

Sir John Chadwick: Establishing proportionate responsibility is very difficult. There are two aspects. First, after 1st May 1999 when there are findings by the Ombudsman. The regulators and the auditors may be in the frame.

In relation to the Society there could be apportionment only if you could show that the Society was supplying disingenuous data to the regulators – such as the Reinsurance treaty. The Treasury has raised a second such issue in January relating to the GAR reserves. I am not persuaded that mismanagement by the Society itself gives rise to apportionment. It was not the job of the regulators to manage the company.

There is real difficulty in measuring relative loss compared to other companies. How much loss would have happened anyway?

I'm not applying Joint and Several Liability. This is covered in my first Interim Report. I'm not engaged in a quasi-judicial process and I'm not recommending Joint and Several Liability.

Cheryl Gillan: Is means testing ruled out, and when was this decided? Approaching this another way, what advice have you received from Treasury officials as to when payment is deliverable?

Bob Walter: What about those with Guaranteed Investment Return (GIR) policyholders? Are they included as they are with-profits?

Tim Boswell: Are you considering the ramifications of 'de minimis' levels? There will be high administration costs and there is no point in spending a pound to pay a penny.

Liam Byrne: Advice from officials is that it depends on scheme rules. I cannot pronounce categorically on means testing. I cannot see it happening but I can't rule it out. De minimis is an interesting point that will have to be considered. Certainly the total will have to be capped.

Sir John Chadwick: On GIR policies, they would be within the 'with profits' categories.

Liam Byrne and Sir John Chadwick leave.

Daniel Kawczynski asks Chris Wiscarson to address the meeting as Chief Executive of Equitable Life.

Chris Wiscarson's address:

- Thanked EMAG for the work they are doing. He stressed he comes 'with humility' to his new role.
- Argued ten years is too long for a project like this to have been going on. When the industry was required to correct pensions misselling, the FSA required a much shorter timeframe.
- Said he has met with Sir John and found him to be alert to the issues and his observations penetrating. His flexible approach is a breath of fresh air.
- Not everyone will be happy with the final scheme, whatever the outcome, but simplicity and transparency are essential so that people can understand it – even if they are disappointed with the numbers. MPs will need to be able to explain the scheme to constituents. To propose that there will be peer review of Towers Watson by three other actuaries is not obviously going to lead to simplicity.
- Argued that it will take months not weeks to get a scheme running.
- Offered to meet any MPs to explain what Equitable is doing.
- Has not met Liam Byrne. Has written to him personally has had no reply.

Daniel Kawczynski, Fabian Hamilton and Susan Kramer all agreed that they would write as an APPG to the minister in order to request he meet with Chris Wiscarson.

Questions to Chris Wiscarson:

Steve Webb: Is the data sitting there or does lots of work need to be done?

Chris Wiscarson: The important thing is that an up-to-date address file is needed. On this we're working co-operatively with EMAG. There is also a problem that some electronic data is not available before 1997. However, my primary concern is not the data. The important thing is to get the algorithms right and for them to be able to be understood. The idea of a different comparator for each year is not practical.

Anne Main: What will happen during the election?

Chris Wiscarson: Sir John Chadwick can continue grappling. But he could be asked

to do his work earlier. In my experience, having a deadline tends to focus delivery. The absence of a date is not sensible.

John Newman: This could be being done non-sequentially. This has been going on for more than a year and the with-profits annuitant work could have been being done in parallel. For the with-profits annuitants the alternatives are a no brainer: Either the Pru or a conventional annuity. Deloitte has only just been appointed to report on a method of identifying cases and how you go about locating individuals who may be eligible.

Daniel Kawczynski said a Written Parliamentary Question will be tabled about an interim payment for WPAs.

Jeremy Wright: You say Equitable has been doing other things by way of financial assistance. What are they?

Chris Wiscarson: We're controlling the cost base. We've created an extra £100m which will be retained within the fund for policyholders through reducing admin. We look after £5.5bn and are evaluating how that is best invested.

Andrew Mellor: You criticised the proposed dates and want it reported quickly but that would result in rushing the work and heightening the likelihood of another Judicial Review. It needs thoroughness.

Chris Wiscarson: Sir John hasn't been set an end date. We need a timetable for implementation and we need the work on the database now.

Daniel Kawczynski said a Written Parliamentary Question will be tabled about about cleaning the database.

Susan Kramer: The devil will be in the detail. What sufferers really want to know is 'when and will I be eligible'? The process of grinding through this looks like it will drag out.

We should press to have to sourcing of addresses being put in hand now and Sir John should commit to publishing ALL the actuarial detail early on without waiting for the final report.

Daniel Kawczynski said officers of the group will write to the Minister expressing dissatisfaction that he has not met with Chris Wiscarson.

Paul Braithwaite: EMAG is alarmed by the lack of transparency over the actuarial detail and by the 'peer review by actuaries'. EMAG needs to see the actuarial advice now so it can assess and respond to it.

Daniel Kawczynski and Fabian Hamilton brought the meeting to a close.