



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

Brian Pomeroy, Esq.
Chair
Independent Commission on Equitable Life Payments
Eastcheap Court
11 Philpot Lane
London EC3M 8UD

18 January 2011

Rev Brian

I am writing to inform you that Towers Watson has advised me that, since the publication of the Commission's revised Terms of Reference in October, there has been some movement in the Relative Loss figures which inform your advice. These changes have been driven by continued improvements made to the calculations, refinements of individual policies' Relative Loss calculations, addressing data issues and on-going review of individuals' Relative Losses.

The updated figures are as follows:

Estimate of Relative Loss by policy class (£m)¹

Policyholder losses type	December 2010
Individual (Accumulating With-Profit)	2,575
Individual (Conventional With-Profit)	50
Group pensions	835
With Profit Annuities	615
Relative Loss (including offsetting within a policy class but before cross-class offsetting)	4,075
Cross-class offsetting ²	(5)
Relative Loss (Aggregated Stage 2 Loss)	4,070

The funding envelope for policyholders within your remit – those who are not With-Profits Annuitants – remains the same at £775 million.

I attach Towers Watson's letter on this matter for your reference.

I look forward to receiving your advice on the payments scheme later this month.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Mch', is centered on the page.

MARK HOBAN MP
FINANCIAL SECRETARY TO THE TREASURY