

19 October 2010

Mark Hoban MP  
Financial Secretary to the Treasury  
Her Majesty's Treasury  
1 Horse Guards Road  
London  
SW1A 2HQ

Dear Mr Hoban

## **Equitable Life Payment Scheme – Update of aggregated loss figures**

Following the submission of Sir John Chadwick's report "Advice to government in relation to the proposed Equitable Life payment scheme" dated 16 July 2010 ("Sir John's Advice"), we provided you with an initial estimate of the aggregate loss under Sir John's Advice, as well as the results of certain intermediate calculations that represent stages in reaching that aggregate loss estimate.

We understand that since that date you have appointed an Independent Commission ("IC"). The IC will advise as to the appropriate apportionment of an amount to be determined. At this stage, this amount has yet to be decided.

You have asked for our calculations to be updated and refined to produce final figures to inform the Spending Review process. This letter updates the estimates in our earlier letter, incorporating modifications to the initial estimate as we have continued to enhance our models in order to more accurately reflect the relative loss suffered by policyholders.

### **1 Background**

In January 2009 Sir John was appointed to provide advice to the Government in relation to its proposal to establish a fair payment scheme, in response to the Report of the Parliamentary Ombudsman on her investigation into the prudential regulation of Equitable Life. We produced a document addressed to Sir John which provides the specific advice which he requested, "Equitable Life Payment Scheme, Advice to Government, Actuarial Advice to Sir John Chadwick" dated 14 July 2010 ("the TW Advice"). Separately, based on the database of policyholder records provided by Equitable Life, we were asked by the Treasury to provide estimates of a range of loss figures, comprising the amount that would be paid to policyholders pursuant to a payment scheme based, as closely as possible, on Sir John's Advice along with the calculation of the intermediate steps in his methodology. These calculations included other assumptions as necessary. You published these estimates on 22 July. This letter provides the final figures that will be used to inform the Spending Review process.

### **2 Bases of Calculation and Results**

Sir John's Advice set out (in paragraph 6.3) a five step process for calculating the relative loss for an individual policyholder.

As requested, in Table 1 we have shown the aggregation of the calculation across the entire population of relevant policyholders and for each of the five steps. This aggregation is not part of Sir John's Advice, but an approach you have asked us to adopt to illustrate how the loss figures are constructed.

1. Aggregated Absolute Loss (“Absolute Loss”)

- Absolute Loss, as explained by Sir John in Part 4 of his Advice, is derived as the difference between the payout (allowing for the guarantees in the policy terms) that would have been received (or would have been received in the future) by the policyholder in respect of the relevant Equitable Life policy if the final policy value cuts of 2001 and with-profit annuity cuts in 2003 had not occurred and the payout which has actually been received (or will be received in the future), in respect of the Equitable Life policy. This represents the first stage of the two-stage process, required to assess the External Relative Loss, which Sir John has identified in Part 4 of his Advice (at paragraph 4.46). This estimate is based on the premiums paid from 1 September 1992 (where they are known) to 31 December 2000;

2. Aggregated Stage 2 Loss (“Aggregated Stage 2 Loss”)

- Stage 2 Loss is the difference between the payout which would have been received (or would have been received in the future) in respect of a comparable product offered by an alternative provider and the payout which has actually been received (or will be received in the future), in respect of the Equitable Life policy. This represents the second of the two-stage process, required to assess External Relative Loss, which Sir John has identified in Part 4 of his Advice (at paragraph 4.46). The comparable products offered by the alternative providers are represented by the comparator companies identified in Part 4 of Sir John’s Advice (at paragraphs 4.85 to 4.90), and in Section 5 of the TW Advice. The main criterion used to select the comparator companies was the volume of new business sold, as described in Section 5 of the TW Advice. These comparators are generally the better performing companies over the period. These estimates have been assessed on the premiums paid in the period from 1 September 1992 (where they are known) to 31 December 2000;

3. Lower of Stage 2 Loss and Absolute Loss (“Aggregated External Relative Loss”)

- Comprising the lower of the Absolute Loss and the Stage 2 Loss, at an individual policy level, where possible. This relates to the first step of the five step process which Sir John has identified in his Advice. The External Relative Loss therefore incorporates, for individual policies, the assessment of Absolute Loss. These estimates have been assessed solely on the premiums paid in the period from 1 September 1992 (where they are known) to 31 December 2000; External Relative Loss is capped at Absolute Loss in order to distinguish between the losses incurred by the policyholder due to maladministration and losses due to market performance or losses due to Equitable Life management decisions not connected to maladministration.

4. External Relative Loss multiplied by a factor to allow for Sir John’s Advice as to the likely premium reduction (“Sir John’s Advice before Internal Relative Loss (20%/25%)”)

- Comprising the External Relative Loss, at an individual policy level, taking into account the proportions of External Relative Loss which Sir John advised should be applied (25% for with-profit annuity policies and 20% for all other policies), in Part 7 of his Advice, excluding any assessment of Internal Relative Loss. These reductions reflect Sir John’s assessment of the proportion of policyholders who would not have paid future premiums absent maladministration, recognising his assessment that the impact would have been limited given the information disclosed in the regulatory returns. This relates to the second step of the five step process which Sir John has identified in his Advice;

5. External Relative Loss plus an assessment of Internal Relative Loss, each multiplied by factors to allow for Sir John’s Advice as to the likely premium reduction which should be applied (“Sir John’s Advice”)

- This loss figure is the result of all five steps which Sir John identified in his Advice and is our estimate of loss based on Sir John's Advice. The figure shown here is, in aggregate, lower than that shown by Sir John's Advice before Internal Relative Loss (20/25%), shown in 4, due to the fact that some policyholders will have experienced internal relative gains on premiums paid prior to and during the early 1990s, but others will have experienced Internal Relative Loss, on later premiums. Therefore, including the Internal Relative Loss would more fairly distribute the losses amongst policyholders.

The results of 1 and 2 above are independent calculations. The figure described by 3 represents the aggregate, across all policies, of the lower of the Absolute Loss and Stage 2 Loss for each policy. The figure described in 4, is determined for each policy from 3 and multiplied by a factor (as advised by Sir John). For the final stage, the appropriate proportion of Internal Relative Loss is introduced which, as described above, whilst in aggregate it reduces the figure, it will increase the result for some policies and reduce it for others.

The attached appendix details the distribution of the loss results by size of policyholder loss from all five stages of Sir John's Advice, as requested.

In this letter we have followed the approach outlined by Sir John, summarised above, where possible. However, in a number of areas we have had to make additional or alternative assumptions in order to calculate the total aggregate relative loss.

To the extent that the assumptions are changed, the figures will change.

## Results

Table 1 overleaf summarises our estimates of the loss based on Sir John's Advice and the intermediate steps, which are related to Sir John's five step process, and are used to illustrate the construction of the loss based on Sir John's Advice.

TABLE 1

Estimate of Loss on required bases<sup>(1)</sup>

Basis for estimate of loss	Estimate (£m)	Description of estimate
1. Aggregated Absolute Loss	2,200	Absolute Loss is derived as the difference between the payout (allowing for the guarantees in the policy terms) that would have been received (or would have been received in the future) by the policyholder in respect of the relevant Equitable Life policy if the final policy value cuts of 2001 and with-profit annuity cuts in 2003 had not occurred and the payout which has actually been received (or will be received in the future), in respect of the Equitable Life policy. The estimate is the aggregate across all policies.
2. Aggregated Stage 2 Loss	4,300	Stage 2 Loss is the difference between the payout which would have been received (or would have been received in the future) in respect of a comparable product offered by an alternative provider and the payout which has actually been received (or will be received in the future), in respect of the Equitable Life policy. The estimate is the aggregate across all policies.
3. Aggregated External Relative Loss	1,900	Comprising the lower of the Absolute Loss and the Stage 2 Loss, at an individual policy level, where possible. The estimate is the aggregate across all policies.
4. Sir John's advice before Internal Relative Loss (20%/25%) <sup>(2)</sup>	400	Comprising the External Relative Loss, at an individual policy level, taking into account the proportions of External Relative Loss which Sir John advised should be applied (25% for with-profit annuity policies and 20% for all other policies), excluding any assessment of Internal Relative Loss. The estimate is the aggregate across all policies.
5. Sir John's Advice	340	This loss figure is the result of all five steps, at an individual policy level, which Sir John identified in his Advice and is our estimate of loss based on Sir John's Advice. This figure includes an allowance for Internal Relative Loss, using the proportions of External and Internal Relative Loss as advised by Sir John. The estimate is the aggregate across all policies.

<sup>(1)</sup> Please note that, in the context of Sir John's Advice, the figures shown by rows 1, 2 and 3 have no meaning without the factors identified (under item 4 below) and applied in Table 1 row 4. In the context of his Advice, these items illustrate the process of the calculation, not loss figures themselves.

<sup>(2)</sup> 20% applied to all policy types except for with-profit annuities where 25% is applied.

### 3 With-Profit Annuity Losses

In addition to the above aggregate loss figures, we have also been asked by you to estimate the Stage 2 Loss suffered by with-profit annuity policyholders. We have been asked to do this to allow HM Treasury to make regular payments to with-profit annuity policyholders.

We have calculated this to be £620 million, which includes both historic losses and the value of future loss likely to be suffered by with-profit annuity policyholders based on a projection of these losses. This loss is included in the Aggregated Stage 2 Loss given in the table above.

### 4 Changes to Losses

Since we provided you with an initial estimate of losses on 21 July, we have made a number of refinements to our model; we have also updated the data on which our estimate is based and changed the end date for the calculation of losses from 31 December 2007 to 31 December 2009.

The changes that we have made to our models which have affected the value of losses include:

- Refinements to the calculation of absolute loss for policies still in force at the end date
  - Absolute Loss is the difference between what a policyholder received from their Equitable Life policy (or what they are likely to receive if the policy is still in force) and what the corresponding payment would have been (or will be) if the policy value cuts of 2001 were not made. Because the policy value cuts did not affect the guaranteed proportion of a policy, we must include the effect of guarantees in the calculation of Absolute Loss. The allowance for future guarantees was not included in our previous estimate of Absolute Loss.
- Change of contractual status
  - Equitable Life has provided us with a more reliable indication of whether a particular policy exited contractually or non-contractually, and therefore which policies should have an MVA applied. We have incorporated this into our models, which has increased the number of policies that we assume leave non-contractually.
- MVAs applied to group policies
  - Due to the size of some group policies, the surrender of these policies is likely to have a disproportionate effect on equity between leaving and remaining policyholders when these policies are terminated. For these policies, Equitable Life calculated policy-specific MVAs, rather than applying the standard MVAs. We have modified the MVAs applied by our models to use the implied MVA rather than the standard MVA for these policies when modelling the internal comparator. Equitable Life have agreed that this approach is reasonable. This change will affect all losses (except for Aggregate Stage 2 Loss).
- Developments made to CWP model
  - In our previous letter to you, we highlighted that our CWP model was continuing to be developed. This has been progressed to a stage where we believe that the losses that are being produced by the model accurately reflect the contribution of CWP policies to the aggregate loss amount. The effect of this change is not significant, with total losses on CWP policy being approximately 1% of the aggregate loss.
- Changes to group policies to allow for correct loss allocation
  - Sir John advised that in respect of policies which commenced before 1 September 1992, the start date for the accrual of External Relative Loss should be 31 December 1992, and in respect of policies commenced on or after 1 September 1992, the start date should be the date on which the policies commenced. This poses a problem for Group policies, where reliable data is not available before 1994. In our previous estimates, we had allocated all group premiums to External Relative Loss, whereas for the majority of policies a proportion of the premiums would have been paid before 31 December 1992, and therefore should not accrue External Relative Loss. Our updated loss figures include an approximation as to the proportion of the policy which relates to premiums paid before 31 December 1992.

Sir John has advised that the loss should be calculated, for policies still in force, as close as possible to the date on which any payments are made pursuant to a payment scheme. For policies which are terminated prior to this date, loss should be assessed at the point of termination, and an appropriate rate of interest used to accrue the losses to the end date. To reflect this, we have also incorporated an

updated policy database provided to us by Equitable Life. We have included comparator return information for the period 31 December 2007 to 31 December 2009. The result of these changes is that:

- Updating the database has had a minimal effect on the quantum of aggregate loss. The database will now include any policy movements (deposits and or withdrawals) that were made between the end of 2007 and the end of 2009.
- Including comparator returns for the period 31 December 2007 to 31 December 2009 has had a more pronounced impact on the quantum of loss. By incorporating the poor returns earned by external comparators over 2008, external comparator fund values are lower than they were at 31 December 2007 (despite good returns over 2009). Comparing Equitable Life fund values to lower External comparator fund values reduces losses.

The loss calculated on the basis of Sir John's Advice (row 5 in Table 1) can be split between the business groups which were identified and described in Section 3 of the TW Advice, in the proportions set out below:

**TABLE 2**

**Proportion of Loss by Policy Type**

	<b>AWP</b>	<b>WPA</b>	<b>CWP</b>	<b>Group</b>
1. Aggregated Absolute Loss	64%	16%	1%	19%
2. Aggregated Stage 2 Loss	65%	14%	1%	19%
3. Aggregated External Relative Loss	64%	18%	1%	17%
4. Sir John's advice before Internal Relative Loss (20%/25%)	61%	22%	1%	16%
5. Sir John's Advice	53%	20%	2%	25%

These proportions are approximations as in practice it is not possible to strictly split the losses into the groups set out above due to the offsetting applied to calculate policyholder losses. The sum across each row may not add to 100% due to rounding.

## 5 Technical issues

The approach set out in Sir John's Advice (and which is based on that identified originally by the Parliamentary Ombudsman) requires a number of technical issues to be addressed. These issues have been described in further detail in the TW Advice.

### 5.1 External Comparators

#### *Choosing an appropriate comparator*

In order to compare the performance of Equitable Life policies with those of other product providers, a comparable product needs to be identified. Given the flexibility of the Equitable Life product range, some comparator companies do not have directly comparable products, particularly in the case of with-profit annuity policies. Whilst other providers may have suitable products for part of the period in question, they may not have been available for the whole of the period.

#### *Identifying comparator performance*

A further complexity arises in respect of the application of bonuses. Whilst bonus rates are generally available for calendar years, they may vary according to type of contract, generation of contract, duration

in-force and size of premiums. The level of bonuses paid on termination before the original contract term will also vary from company to company and from time-to-time.

### ***Allowing for variation in policyholder behaviour***

The treatment of partial surrenders, variations in premium levels including suspension of premium payments and ceasing further premium payments will also vary according to different companies.

### ***Approach to addressing comparator issues***

Given the complexities highlighted above and the significant variation in the charging structures applied by the different companies, it is not practical to identify for each of the approximately 1.5m Equitable Life policies the payouts of equivalent policies with a number of different comparators. Instead, it has been necessary to develop an approximation based on public data and the information we have available to us in respect of the Equitable Life policies. The approach we have adopted is described in Section 7 of the TW Advice.

## **5.2 Deriving the bonus rates for the calculation of internal relative loss**

In his revised Terms of Reference, Sir John's advice was sought as to the extent to which the information shown in Equitable Life's regulatory returns would have differed if the maladministration which the previous Government accepted had not occurred. In order to respond to that request, the regulatory returns of Equitable Life for the period covered by the Ombudsman's investigation were reconstructed, as described in Part 3 of Sir John's Advice, and in Sections 4 and 6 of the TW Advice. Equitable Life as it would have been (absent maladministration), as reflected in the reconstructed regulatory returns, has been defined as "the Reconstructed Equitable Life". The bonus rates of the Reconstructed Equitable Life and the corresponding policy value cuts were derived from the new business reduction which Sir John describes in Part 7 of his Advice and is used to calculate the Internal Relative Loss. Again this approach is critically dependent upon the assumption that Equitable Life would not have closed to new business prior to the end of 2000, and would have continued to write material volumes of new business, absent accepted maladministration. If this is not accepted, the bonus rates, policy value cuts and consequential losses have no basis, given their derivation from the returns reconstructed on these assumptions.

## **5.3 Data issues**

### ***Range of policy options***

Equitable Life sold a number of different types of policies which are described in more detail in Appendix B of the TW Advice. The aggregate relative loss is derived from policy (or policyholder) losses and the workings of all of the different policy types are required in order to calculate the losses.

We have identified, and Sir John has noted in his Advice, particular difficulties in assessing loss for conventional with-profits policies.

### ***Missing data***

The information provided by Equitable Life as to the policies in-force in the relevant period is incomplete. This is described in Section 3 and Appendix B of the TW Advice. We have therefore had to reconstruct certain elements of the data either using the characteristics of the policy information that is available, or, where a more accurate approach is not available, using approximations.

## **5.4 Taxation**

We have not allowed for tax in our calculations of loss.

## **6 Assumptions**

These calculations are based on a number of assumptions, including, where possible, those documented in Sir John's Advice and in the TW Advice.

## 7 Areas of uncertainty

The calculations above are subject to a number of uncertainties, in particular:

- Although these calculations are based on policy level losses (a bottom up approach), there remain some product lines and categories of policies for which further analysis is required before we can assess the loss accurately at an individual policy (or policyholder) level. The total loss estimate includes a high level estimate, rather than an individual policy estimate, for these policies. We do not expect the losses in respect of these policies to alter the aggregate figures above materially;
- There are a number of policies for which the loss is excluded due to unresolved data problems or inconsistencies. We have included an estimate of the losses for these policies within the figures above. We do not expect the losses in respect of these policies to alter the aggregate figures above materially;
- Sir John's Advice explains the approach which should be adopted to allow for the various previous compensation schemes from which payments have been made to Equitable Life policyholders. At this stage the loss estimate incorporates the compensation payments which are included on the database regardless of the type of scheme from which they originate. We do not expect this to have a material impact on the total aggregate relative loss;
- The estimate does not allow for any offsetting across group pensions policies. This is explained in Section 8.8 of the TW Advice; and
- No allowance has been made for the three factors which Sir John identified as giving rise to disproportionate impact to various classes of policyholders, which he described in Section 9 of his Advice.


## 8 Reliances and Limitations

In preparing the information within this letter we have relied extensively on data from a number of sources as set out in Section 9 of the TW Advice.

The values set out in this letter have been updated since those produced following the delivery of Sir John's Advice. The final calculation of loss will be determined in conjunction with the Independent Commission.

The loss calculations provided are also subject to the same limitations set out in Section 9 of the TW Advice.

Yours sincerely



Gavin Palmer

**This letter is provided to our client solely for its use, for the specific purpose indicated. No other party may rely on any advice contained in this letter, and Towers Watson does not accept any liability to any other party in respect of this letter**

**Appendix - Loss Estimate Segmented by Size of Loss**

**TABLE A.1**

**Policyholder Losses by Business Group and Size of Loss – Aggregated Absolute Loss**

Bands			Business Group					Proportion of Total				
			AWP Loss (£m)	CWP Loss (£m)	Group Pension Loss (£m)	WPA Loss (£m)	Proportion of Total Loss	AWP Policyholders	CWP Policyholders	Group Pension Policies	WPA Policyholders <sup>1</sup>	Policyholders / Group Policies
No losses			0	0	0	0	<b>0%</b>	165,266	48,358	441,550	16,037	<b>43%</b>
-	to	100	3	0	5	0	<b>0%</b>	54,436	8,946	127,370	2,393	<b>12%</b>
100	to	250	7	0	13	0	<b>1%</b>	44,204	1,842	79,331	872	<b>8%</b>
250	to	500	17	1	26	1	<b>2%</b>	46,383	1,745	70,967	1,758	<b>8%</b>
500	to	1,000	41	1	46	3	<b>4%</b>	56,443	1,867	64,827	3,733	<b>8%</b>
1,000	to	1,500	41	1	40	4	<b>4%</b>	33,598	1,074	32,766	3,512	<b>5%</b>
1,500	to	2,000	39	1	30	5	<b>3%</b>	22,203	550	17,149	2,955	<b>3%</b>
2,000	to	2,500	37	1	24	6	<b>3%</b>	16,356	429	10,579	2,517	<b>2%</b>
2,500	to	5,000	157	3	76	31	<b>12%</b>	44,219	951	21,942	8,561	<b>5%</b>
5,000	to	7,500	120	2	39	28	<b>9%</b>	19,714	403	6,465	4,626	<b>2%</b>
7,500	to	10,000	95	2	23	25	<b>6%</b>	10,973	198	2,685	2,850	<b>1%</b>
10,000	to	15,000	144	3	24	42	<b>9%</b>	11,767	238	2,000	3,388	<b>1%</b>
15,000	to	20,000	107	2	11	33	<b>7%</b>	6,210	92	659	1,930	<b>1%</b>
20,000	to	25,000	79	1	6	27	<b>5%</b>	3,537	54	284	1,200	<b>0%</b>
25,000	to	50,000	227	3	13	77	<b>14%</b>	6,610	78	394	2,248	<b>1%</b>
50,000	to	75,000	109	1	4	38	<b>7%</b>	1,803	15	70	621	<b>0%</b>
75,000	to	100,000	63	0	2	17	<b>4%</b>	738	1	25	201	<b>0%</b>
100,000	to	125,000	35	0	1	10	<b>2%</b>	317	3	12	91	<b>0%</b>
125,000	to	150,000	24	0	1	5	<b>1%</b>	180	1	10	37	<b>0%</b>
150,000	to	175,000	21	0	1	4	<b>1%</b>	128	0	5	23	<b>0%</b>
175,000	to	200,000	11	0	2	4	<b>1%</b>	61	0	11	20	<b>0%</b>
200,000	to	225,000	9	0	0	2	<b>0%</b>	42	0	2	7	<b>0%</b>
225,000	to	250,000	7	0	1	1	<b>0%</b>	30	0	5	3	<b>0%</b>
Greater than		250,000	29	0	34	5	<b>3%</b>	82	0	30	14	<b>0%</b>
<b>Total<sup>2</sup></b>			<b>1,421</b>	<b>23</b>	<b>424</b>	<b>367</b>	<b>100%</b>	<b>545,300</b>	<b>66,845</b>	<b>879,138</b>	<b>59,597</b>	<b>100%</b>

<sup>1</sup>The count of WPA policyholders excludes those who have never received annuity payments, such as some second annuitants on joint life policies.

<sup>2</sup>The sum of the totals by business group given in this table do not match those in Table 1 due to offsetting between business groups

**TABLE A.2**

**Policyholder Losses by Business Group and Size of Loss – Aggregated Stage 2 Loss**

Bands		Business Group					Business Group					Proportion of Total Policyholders / Group Policies
		AWP Loss (£m)	CWP Loss (£m)	Group Pension Loss (£m)	WPA Loss (£m)	Proportion of Total Loss	AWP Policyholders	CWP Policyholders	Group Pension Policies	WPA Policyholders <sup>1</sup>		
No losses		0	0	0	0	0%	95,814	47,674	296,737	19,686	30%	
-	to 100	2	0	5	0	0%	45,628	5,103	130,389	440	12%	
100	to 250	6	1	16	0	1%	36,979	3,673	97,133	530	9%	
250	to 500	13	1	34	0	1%	36,809	2,295	93,396	892	9%	
500	to 1,000	35	2	66	1	2%	48,167	2,132	91,553	1,940	9%	
1,000	to 1,500	43	1	57	2	2%	35,041	1,146	46,765	1,972	5%	
1,500	to 2,000	48	1	53	3	2%	27,537	841	30,587	1,954	4%	
2,000	to 2,500	51	1	42	4	2%	22,531	575	18,739	1,830	3%	
2,500	to 5,000	257	5	149	28	10%	71,352	1,440	42,601	7,509	8%	
5,000	to 7,500	221	4	89	30	8%	36,089	601	14,645	4,875	4%	
7,500	to 10,000	185	3	56	28	6%	21,355	302	6,530	3,262	2%	
10,000	to 15,000	299	4	65	51	10%	24,505	356	5,395	4,132	2%	
15,000	to 20,000	228	4	36	45	7%	13,176	205	2,077	2,614	1%	
20,000	to 25,000	176	3	23	37	6%	7,898	122	1,013	1,653	1%	
25,000	to 50,000	504	10	39	130	16%	14,677	274	1,193	3,725	1%	
50,000	to 75,000	246	4	12	76	8%	4,074	66	196	1,248	0%	
75,000	to 100,000	145	1	6	49	5%	1,684	16	66	573	0%	
100,000	to 125,000	86	2	3	31	3%	775	14	25	277	0%	
125,000	to 150,000	56	0	3	23	2%	410	1	22	166	0%	
150,000	to 175,000	39	1	2	15	1%	243	4	10	92	0%	
175,000	to 200,000	32	0	2	13	1%	171	0	8	69	0%	
200,000	to 225,000	25	0	2	6	1%	117	1	7	30	0%	
225,000	to 250,000	16	0	1	7	1%	67	0	3	28	0%	
Greater than	250,000	75	1	63	37	4%	201	4	48	100	0%	
<b>Total<sup>2</sup></b>		<b>2,788</b>	<b>48</b>	<b>821</b>	<b>618</b>	<b>100%</b>	<b>545,300</b>	<b>66,845</b>	<b>879,138</b>	<b>59,597</b>	<b>100%</b>	

<sup>1</sup>The count of WPA policyholders excludes those who have never received annuity payments, such as some second annuitants on joint life policies.

<sup>2</sup>The sum of the totals by business group given in this table do not match those in Table 1 due to offsetting between business groups

**TABLE A.3**

**Policyholder Losses by Business Group and Size of Loss – Aggregated External Relative Loss**

Bands		AWP Loss (£m)	CWP Loss (£m)	Group Pension Loss (£m)	WPA Loss (£m)	Proportion of Total Loss					Proportion of Total
							AWP Policyholders	CWP Policyholders	Group Pension Policies	WPA Policyholders <sup>1</sup>	Policyholders / Group Policies
No losses		0	0	0	0	0%	170,449	48,587	459,022	19,896	45%
-	to 100	3	0	5	0	0%	55,536	8,755	137,048	557	13%
100	to 250	7	0	14	0	1%	44,124	1,832	84,050	814	8%
250	to 500	17	1	24	1	2%	46,814	1,751	68,105	1,615	8%
500	to 1,000	41	1	40	3	4%	56,762	1,854	56,199	3,471	8%
1,000	to 1,500	41	1	33	4	4%	33,459	1,071	27,185	3,290	4%
1,500	to 2,000	38	1	24	5	4%	22,200	544	13,910	2,798	3%
2,000	to 2,500	36	1	19	5	3%	16,292	429	8,304	2,438	2%
2,500	to 5,000	154	3	57	29	13%	43,692	950	16,673	8,204	4%
5,000	to 7,500	115	2	28	27	9%	18,831	408	4,604	4,407	2%
7,500	to 10,000	88	2	15	23	7%	10,226	185	1,803	2,719	1%
10,000	to 15,000	131	3	15	40	10%	10,712	241	1,287	3,294	1%
15,000	to 20,000	93	1	7	32	7%	5,418	88	415	1,839	1%
20,000	to 25,000	68	1	4	25	5%	3,051	54	184	1,137	0%
25,000	to 50,000	182	3	8	74	14%	5,351	76	240	2,154	1%
50,000	to 75,000	81	1	3	36	6%	1,351	15	45	594	0%
75,000	to 100,000	45	0	1	16	3%	525	1	13	186	0%
100,000	to 125,000	23	0	1	9	2%	203	3	7	83	0%
125,000	to 150,000	15	0	2	5	1%	112	1	11	34	0%
150,000	to 175,000	12	0	0	4	1%	75	0	2	23	0%
175,000	to 200,000	7	0	1	4	1%	37	0	8	21	0%
200,000	to 225,000	6	0	0	2	0%	26	0	1	7	0%
225,000	to 250,000	4	0	0	1	0%	15	0	1	3	0%
Greater than	250,000	14	0	23	5	2%	39	0	21	13	0%
<b>Total<sup>2</sup></b>		<b>1,222</b>	<b>23</b>	<b>326</b>	<b>350</b>	<b>100%</b>	<b>545,300</b>	<b>66,845</b>	<b>879,138</b>	<b>59,597</b>	<b>100%</b>

<sup>1</sup>The count of WPA policyholders excludes those who have never received annuity payments, such as some second annuitants on joint life policies.

<sup>2</sup>The sum of the totals by business group given in this table do not match those in Table 1 due to offsetting between business groups

**TABLE A.4**

**Policyholder Losses by Business Group and Size of Loss – Sir John’s Advice before Internal Relative Loss (20%/25%)**

Bands			AWP	CWP	Group Pension	WPA	Proportion of	AWP	CWP	Group Pension	WPA	Proportion of
			Loss (£m)	Loss (£m)	Loss (£m)	Loss (£m)	Total Loss	Policyholders	Policyholders	Policies	Policyholders <sup>1</sup>	Group Policies
No losses			0	0	0	0	<b>0%</b>	170,449	48,587	459,022	19,899	<b>45%</b>
-	to	100	5	0	9	0	<b>4%</b>	146,474	12,338	289,203	2,311	<b>29%</b>
100	to	250	12	0	12	1	<b>6%</b>	75,423	2,471	72,070	4,146	<b>10%</b>
250	to	500	19	1	12	2	<b>8%</b>	53,290	1,427	33,528	6,088	<b>6%</b>
500	to	1,000	31	1	11	6	<b>12%</b>	43,692	950	16,673	8,045	<b>4%</b>
1,000	to	1,500	23	0	6	6	<b>9%</b>	18,831	408	4,604	4,686	<b>2%</b>
1,500	to	2,000	18	0	3	5	<b>7%</b>	10,226	185	1,803	2,996	<b>1%</b>
2,000	to	2,500	14	0	2	5	<b>5%</b>	6,308	156	840	2,040	<b>1%</b>
2,500	to	5,000	44	1	3	18	<b>17%</b>	12,873	227	1,046	5,133	<b>1%</b>
5,000	to	7,500	23	0	1	11	<b>9%</b>	3,785	57	179	1,870	<b>0%</b>
7,500	to	10,000	13	0	1	8	<b>5%</b>	1,566	19	61	911	<b>0%</b>
10,000	to	15,000	16	0	1	10	<b>7%</b>	1,351	15	45	823	<b>0%</b>
15,000	to	20,000	9	0	0	6	<b>4%</b>	525	1	13	326	<b>0%</b>
20,000	to	25,000	5	0	0	3	<b>2%</b>	203	3	7	140	<b>0%</b>
25,000	to	50,000	9	0	1	5	<b>4%</b>	265	1	23	160	<b>0%</b>
50,000	to	75,000	2	0	0	1	<b>1%</b>	26	0	8	14	<b>0%</b>
75,000	to	100,000	1	0	0	0	<b>0%</b>	12	0	4	5	<b>0%</b>
100,000	to	125,000	0	0	0	0	<b>0%</b>	0	0	0	3	<b>0%</b>
125,000	to	150,000	0	0	0	0	<b>0%</b>	1	0	2	1	<b>0%</b>
150,000	to	175,000	0	0	0	0	<b>0%</b>	0	0	0	0	<b>0%</b>
175,000	to	200,000	0	0	0	0	<b>0%</b>	0	0	2	0	<b>0%</b>
200,000	to	225,000	0	0	0	0	<b>0%</b>	0	0	1	0	<b>0%</b>
225,000	to	250,000	0	0	0	0	<b>0%</b>	0	0	0	0	<b>0%</b>
Greater than		250,000	0	0	3	0	<b>1%</b>	0	0	4	0	<b>0%</b>
<b>Total<sup>2</sup></b>			<b>244</b>	<b>5</b>	<b>65</b>	<b>87</b>	<b>100%</b>	<b>545,300</b>	<b>66,845</b>	<b>879,138</b>	<b>59,597</b>	<b>100%</b>

<sup>1</sup>The count of WPA policyholders excludes those who have never received annuity payments, such as some second annuitants on joint life policies.

<sup>2</sup>The sum of the totals by business group given in this table do not match those in Table 1 due to offsetting between business groups

**TABLE A.5**

**Policyholder Losses by Business Group and Size of Loss – Sir John’s Advice**

Bands	AWP Loss (£m)	CWP Loss (£m)	Group Pension Loss (£m)	WPA Loss (£m)	Proportion of Total Loss	Proportion of Total Policyholders / Group Policies				
						AWP Policyholders	CWP Policyholders	Group Pension Policies	WPA Policyholders	
No losses	0	0	0	0	<b>0%</b>	272,280	47,103	455,177	25,316	<b>52%</b>
- to 100	4	0	9	0	<b>3%</b>	102,550	12,108	264,049	4,890	<b>25%</b>
100 to 250	9	0	13	1	<b>6%</b>	52,280	3,054	81,498	4,031	<b>9%</b>
250 to 500	14	1	14	2	<b>8%</b>	40,386	1,954	40,857	4,313	<b>6%</b>
500 to 1,000	24	1	16	4	<b>11%</b>	33,418	1,139	22,455	5,626	<b>4%</b>
1,000 to 1,500	18	1	9	4	<b>8%</b>	14,745	467	7,144	3,507	<b>2%</b>
1,500 to 2,000	14	1	5	4	<b>6%</b>	8,223	294	2,944	2,300	<b>1%</b>
2,000 to 2,500	11	0	4	4	<b>5%</b>	5,040	159	1,583	1,630	<b>1%</b>
2,500 to 5,000	35	1	8	14	<b>15%</b>	9,988	382	2,413	3,990	<b>1%</b>
5,000 to 7,500	18	1	3	10	<b>8%</b>	2,980	93	532	1,671	<b>0%</b>
7,500 to 10,000	11	0	2	7	<b>5%</b>	1,263	40	185	795	<b>0%</b>
10,000 to 15,000	12	0	2	9	<b>6%</b>	999	33	156	752	<b>0%</b>
15,000 to 20,000	7	0	1	6	<b>4%</b>	434	10	51	365	<b>0%</b>
20,000 to 25,000	5	0	0	4	<b>2%</b>	233	5	21	173	<b>0%</b>
25,000 to 50,000	11	0	1	6	<b>5%</b>	343	4	40	196	<b>0%</b>
50,000 to 75,000	5	0	1	2	<b>2%</b>	75	0	9	30	<b>0%</b>
75,000 to 100,000	2	0	0	0	<b>1%</b>	28	0	4	3	<b>0%</b>
100,000 to 125,000	2	0	0	1	<b>1%</b>	16	0	2	5	<b>0%</b>
125,000 to 150,000	1	0	0	0	<b>0%</b>	9	0	2	3	<b>0%</b>
150,000 to 175,000	1	0	0	0	<b>0%</b>	5	0	1	1	<b>0%</b>
175,000 to 200,000	0	0	0	0	<b>0%</b>	0	0	2	0	<b>0%</b>
200,000 to 225,000	0	0	0	0	<b>0%</b>	2	0	1	0	<b>0%</b>
225,000 to 250,000	0	0	0	0	<b>0%</b>	1	0	2	0	<b>0%</b>
Greater than 250,000	1	0	6	0	<b>2%</b>	2	0	10	0	<b>0%</b>
<b>Total<sup>2</sup></b>	<b>207</b>	<b>7</b>	<b>95</b>	<b>78</b>	<b>100%</b>	<b>545,300</b>	<b>66,845</b>	<b>879,138</b>	<b>59,597</b>	<b>100%</b>

<sup>1</sup>The count of WPA policyholders excludes those who have never received annuity payments, such as some second annuitants on joint life policies.

<sup>2</sup>The sum of the totals by business group given in this table do not match those in Table 1 due to offsetting between business groups