Equitable GAR Compromise Scheme (Friday 7 December)
Unfortunately, the Equitable mailing to policyholders seems not to have arrived, so I haven't been able to study the full final information pack. However, I believe I have sufficient relevant details to enable me to comment informatively, which I will do in brief note format.

(1) One problem is that prevailing interest rates, and hence market annuity rates, had fallen yet further since the draft proposals in September (but have since gone back up again), thereby highlighting the shortfall between the 17.5% uplift on offer and the current market value of GARs to policyholders already "in the money", namely those aged 60 and above.

(2) While it is perhaps a little disappointing that Equitable didn't increase the offer slightly, which might have swayed some doubters, the fact of course remains that there is only one cake that they are trying to slice up in different ways to make it more palatable.

(3) That said, my analysis indicates that GARs are now worth perhaps 30% more than market annuity rates to a 60 year old, and perhaps 28% more at age 70, suggesting that such mature policyholders should give serious and urgent consideration to exercising their GARs before the final cut-off date in late January.

(4) But a vital point is that GARs usually operate on only a single life basis, so this creates a problem about providing for a spouse. However, Equitable are prepared to offer spouse's annuities, albeit on current market rates for this part of the benefit, but this does at least retain the advantage of the GAR on the major part of the fund. There is therefore a balance to be struck between this half-way house and waiting until after the hoped-for uplift. Policyholders in this position should therefore waste no time in carefully analysing their position. (see below)

(5) As for the non-GARs, I believe that only post July 2000 joiners, after the House of Lords ruling, would stand any realistic chance of success in suing for mis-selling. If any feel confident enough that this is worth more than the 2.5% uplift on offer, then they can withdraw before January and still retain their legal right to sue. Otherwise, I think non-GARs have little option but to vote Yes.

(6) In general, there can be little doubt that the alternative to approving the Compromise is so unpalatable as to render voting Yes virtually a must. However, it is important to remember that the voting hurdles of 50% by number, and 75% by value, within each class, apply only to votes actually cast, so abstentions won't damage the chances of success. Nevertheless, given that there will inevitably be a disgruntled core of No voters, it would really help if as many policyholders as possible cast their Yes votes, including those who may well opt to exercise their GARs before the January cut-off date.

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