

September 2008

Dear Policyholder



I am delighted to tell you that Norwich Union and I have now reached agreement about the reattribution and the company intends to write to you with an offer this winter. The company announced on 30 July 2008 that it is to offer some £1 billion to buy out policyholders' interests in the inherited estates of CGNU Life and Commercial Union Life Assurance Company Ltd. The total value of the estates as at mid-2008 was £2.1 billion.

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I believe that this is a deal that is in the interests of the great majority of policyholders. There is a substantial amount of cash on offer. Qualifying policyholders are also benefiting from a very large special additional bonus distribution (known as the 'special bonus' - see below), also of some £2.1 billion, related to the reattribution. This deal is good in all respects. It also provides a fair return to shareholders. Another very important matter for the company and me has been the position of policyholders who decide not to accept the offer. Arrangements are in place so that, within a wide range of possible outcomes, those who do not accept the offer will be in a broadly similar position as if a reattribution had not happened. This offer means that, taking into account the special bonus, the equivalent of about 70 per cent of the estates is being offered to policyholders.

You will have a real choice about whether you want to carry on as now, or accept a cash reattribution payment. Getting this choice for you to consider has always been one of my main priorities. The Financial Services Authority (FSA) has given a preliminary assessment that the offer is fair.

Later this winter Norwich Union will write to you to confirm the precise amount they are going to offer you and both the company and I will send you more information to help you make your choice about what to do.

### **Policyholder interests in the inherited estates**

Policyholders who have qualifying policies were told by Norwich Union in March that they were eligible to benefit from a special bonus totalling £2.3 billion over the next three years on the basis of 90 per cent to policyholders and 10 per cent to shareholders (policyholders are to receive £2.1 billion). These bonus additions will be made to the policies of eligible policyholders and there is nothing you need to do to receive it. (Eligibility details are given in the accompanying letter from Norwich Union.) The special bonus came about in part as a result of the negotiations I held with Norwich Union on the reattribution.

It is the possibility of policyholders receiving special bonus distributions in the future that Norwich Union is offering to buy out from you.

### **The reattribution offer**

The offer is to pay you a cash amount to buy out your interests in the inherited estates mentioned above. To be eligible policyholders must have held a policy on 21 November 2006. It must also be current on the day the reattribution takes place or have matured as planned, or as a result of death, and not been surrendered.

## What happens next?

**1 Timetable** - The Norwich Union letter sets out when you can expect to receive your individual offer, the details of how you may accept or reject it and the legal processes that must take place before payments can be made.

It is very important to note that you will have to reply to the letter Norwich Union will send to you this winter if you decide to accept the offer. If you do not reply Norwich Union will assume that you do not wish to accept its offer. The choice that you will be asked to take affects only you, as this is not an occasion when the decision of the majority commits everyone to the same result.

If your policy matures as planned after receiving this letter you will not have to do anything, a cheque will be sent to you.

**2 Helping you make your decision** - A short guide from me will be sent to you to help you make your decision about the offer. (You will also be sent in the same envelope information from Norwich Union together with a voting form.)

- A summary of my main report will be available on request.
- The full report (which could be more than 300 pages) will be available on request; if you also wish to see the background papers on which the report is based this will be sent only on CD-Rom due to its size.
- All the reports and background papers will be posted on our website [www.policyholderadvocate.org](http://www.policyholderadvocate.org)

**3 Policyholder meetings** - We are planning to hold roadshows in a number of cities in the UK and the Channel Islands so that you can put questions directly to me.

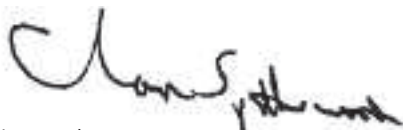
- Details of dates and venues will be sent to you with your offer letter.
- You will be able to book a place through our call centre or online at our website.

## Conclusion

All of us involved in this reattribution know that it is our responsibility to give you information that is as clear as possible to help you make an important financial decision. The reattribution may be an unfamiliar process to you. Please do use our call centre or look at our website if you would like to learn more about the work we have been doing on your behalf during the negotiations about the reattribution.

I look forward to writing to you again with more details to help you make your choice about Norwich Union's offer.

Yours faithfully



Clare Spottiswoode CBE  
policyholder advocate