

**The Equitable Life Assurance Society**

v.

**Ernst & Young**

**-and-**

**The Equitable Life Assurance Society**

v.

**R. Bowley and others**

**Expert Report**

**Prepared By**

**M Arnold, FIA**

**30 September 2005**

1. In the course of reviewing my notes for trial, it has become clear that there exist some errors in my calculations of the savings for the claims against the former directors. Apart from the amendment dealt with at paragraph 3(i)(a) below, which relates to a transcription error, the corrections arise from arithmetic errors.

3. The amendments to the claims against the former directors relate to the 1996 and 1998 claims.

(i) **1996 claim**

(a) The figure for the 1996 Form 42 Life maturity claims used in the calculations was incorrect. £27.5m was used instead of the correct figure of £57.5m.

(b) When accumulating the 1996 savings with interest to 20 July 2000, the interest earned in 1998 was not included.

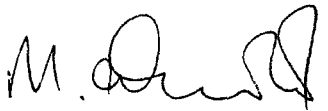
Correcting these errors accordingly increases the total losses for the 1996 claim (allowing for investment return) from £641m to £665m.

(ii) **1998 claim**

The 5% reduction to Form 42 claim values to allow for business other than with profits contracts (paragraph 242, E1-1.114) was not applied to the 1998 maturity and surrender claims.

Correcting this reduces the total losses for the 1998 claim (allowing for investment return) from £244m to £238m.

4. Revised loss figures reflecting the above mentioned corrections are contained in the attached tables in Appendix A.



M Arnold FIA

30 September 2005

**Appendix A – Corrections to my expert report of 20 July 2005**

**Claims against the former directors**

(i) 1996 claim - Paragraph 294 (E1-1.130)

*Current table*

Year	1996	1997	1998	1999	2000	Total
Reduction, %	10.7	9.9	6.3	4.5	2.4	
Saving in year	105	157	113	83	29	487
Loss	152	227	142	91	29	641

£million

*Revised table*

Year	1996	1997	1998	1999	2000	Total
Reduction, %	10.7	9.9	6.3	4.5	2.4	
Saving in year	107	157	113	83	29	489
Loss	176	227	142	91	29	665

£million

(ii) 1998 claim - Paragraph 298 (E1-1.131)

*Current table*

Year	1996	1997	1998	1999	2000	Total
Reduction, %			6.3	4.5	2.4	
Saving in year			99	83	29	211
Loss			124	91	29	244

£million

*Revised table*

Year	1996	1997	1998	1999	2000	Total
Reduction, %			6.3	4.5	2.4	
Saving in year			95	83	29	206
Loss			119	91	29	238

£million

(iii) Paragraph 303 (E1-1.132)

*Current table*

Year of Claim	Loss £ million
1996	641
1997	452
1998	244
1999	105
2000	21

*Revised table*

<b>Year of Claim</b>	<b>Loss £ million</b>
1996	665
1997	452
1998	238
1999	105
2000	21