

Buy-outs and buy-ins - Summer 2015

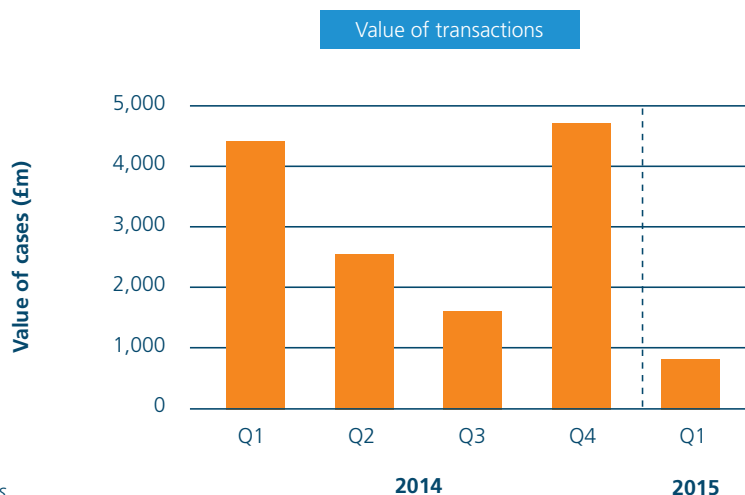
Quarter 1 of 2015 was a relatively quiet period for the bulk annuity market following a record-breaking 2014. However, there has been an increased level of activity since the quarter end and the second half of the year is expected to see the arrival of some new entrants.



For more information about buy-outs and buy-ins, please visit our [website](#) >

Buy-outs and buy-ins: market statistics

Here are the latest business statistics for the UK bulk annuity market.



Source: Insurers

In the first quarter of 2015, 22 transactions totalling £804m were completed by the UK bulk annuity insurers. This was the lowest value of business completed in a quarter since Quarter 1 of 2012, although activity in the second quarter has shown a marked increase.

Legal & General completed the greatest value of business in Q1, with 10 transactions worth a total of £644m. This was followed by Just Retirement with five transactions worth a total of £93m.

A summary of the transactions completed by the insurers in Quarter 1 is as follows:

Insurers	Number of cases	Value of cases (£m)
Aviva	3	2
Canada Life	0	0
Just Retirement	5	93
Legal & General	10	644
Partnership	2	24
Pension Insurance Corporation	2	40
Prudential	0	0
Rothesay Life	0	0

Source: Insurers

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During quarter 2, Barnett Waddingham advised on a 'top-slicing' pensioner buy-in which highlighted the significant saving which can be achieved through medical underwriting. Further case study details can be found [here](#).

Provider news

Aviva's shareholders have accepted their proposed all-share acquisition of Friends Life. This was agreed at the Aviva General Meeting held on 26 March 2015 with over 99% of the votes cast in favour of the acquisition.

Some new entrants are anticipated to enter the market over the remainder of 2015, including Scottish Widows who have been finalising their offering and are expected to join in the third quarter. This will help support the level of competition, particularly towards the smaller end of the market.

Significant transactions

Rothsay Life have announced that they have reinsured £1.2bn worth of UK annuity policies currently insured by Zurich UK Life. These policies are in respect of 28,000 policyholders. The two parties intend to transfer these annuities to Rothsay Life in due course subject to court approval and regulatory consultation.

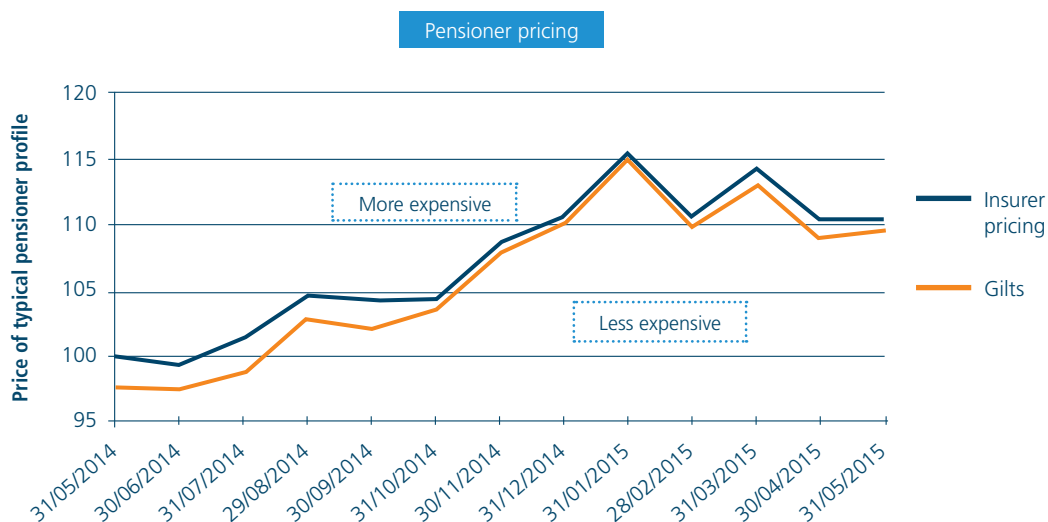
Following the end of quarter 1, Rothsay Life have also announced that they have completed a £675m bulk annuity transaction with the Lehman Brothers Pension Scheme. The Scheme had been in an assessment period with the Pension Protection Fund but, following a settlement agreement between the trustees and Lehman Brothers' administrators, full Scheme benefits can now be paid.

Prudential have also announced a £680m buy-in with the Northern Bank Pension Scheme.

Pricing

Pricing increased significantly at the turn of the year due to falling gilt, swap and corporate bond yields, although this has come back to some extent. The relative pricing for schemes who are considering swapping gilts for a pensioner buy-in remains potentially attractive.

The chart below illustrates the movement of insurer pricing for a typical pensioner membership profile. The insurer pricing is shown compared to the corresponding value of the pensioner liability calculated using a discount rate based on prevailing gilt yields.



Source: Barnett Waddingham model using pricing information from a range of leading insurers. In practice, any actual pricing will depend on the specific characteristics of the scheme.

The introduction of Solvency II from 1 January 2016 is a key issue for insurers, and its impact will vary for each of the insurers depending on their specific investment strategy and business model. Therefore, this will affect the relative pricing and appetite of the insurers to some extent over the shorter term.



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Our dynamic online analytical tool, Illuminate, can be used to monitor movements in insurer pricing and how this relates to your scheme's assets and liabilities. Feel free to contact us if you would like some more information.

Please contact your Barnett Waddingham consultant if you would like to discuss any of the above topics in more detail. Alternatively contact Gavin Markham or Mark Paxton via the following:

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