

## Buy-outs and buy-ins – Summer 2016

It was a relatively quiet start to the year for the UK bulk annuity market in terms of transactions with pension schemes, following the significant activity at the end of 2015. However, some of the providers have been busy with reinsurance transactions for the retail annuity back book of another insurer.



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

### Buy-outs and buy-ins: market statistics

A summary of the bulk annuity business completed in 2015 with UK pension schemes is as follows:

	Total transactions in 2015	
	Number of cases	Value of cases (£m)
<b>Aviva</b>	34	984
<b>Canada Life</b>	2	32
<b>Just Retirement</b>	36	956
<b>Legal &amp; General</b>	52	1,977
<b>Partnership</b>	15	278
<b>Pension Insurance Corporation</b>	13	3,811
<b>Prudential</b>	6	1,508
<b>Rothesay Life</b>	4	2,338
<b>Scottish Widows</b>	1	400

The total business written in 2015 was nearly £12.3 billion, not far behind the record of £13.2 billion set in 2014.

Total transactions with UK pension schemes announced to date in 2016 have been just over £1bn. However it should be noted that a number of insurers are now reporting figures on a six-monthly basis and so fully updated figures will be provided after Quarter 2.

### Provider news

Following the merger of Just Retirement and Partnership to form JRP Group, the new entity has now confirmed that new business will be written under Just Retirement Limited.

In addition, JRP Group will adopt both the existing Just Retirement Limited operational processes and their product offering, which includes the ability to insure deferred members as part of a transaction.



Our recent blog - Scheme funding in volatile conditions: TPR's 2016 annual funding statement can be found [here](#) >

## Significant transactions

Aegon have completed two reinsurance transactions for the annuity book of its subsidiary Scottish Equitable plc – a £6 billion transaction with Rothesay Life and a £3 billion deal with Legal & General. The Rothesay Life transaction covers approximately 187,000 members while the Legal & General deal covers 27,000 members.

While both transactions are initially set up as reinsurance arrangements, the intention is that, in both cases, the annuity books will be transferred to Rothesay Life and Legal & General in due course subject to regulatory approval.

Pension Insurance Corporation have completed a £900 million pensioner buy-in with the Aon Retirement Plan. The transaction covers the majority of the pensioner liabilities in the Plan.

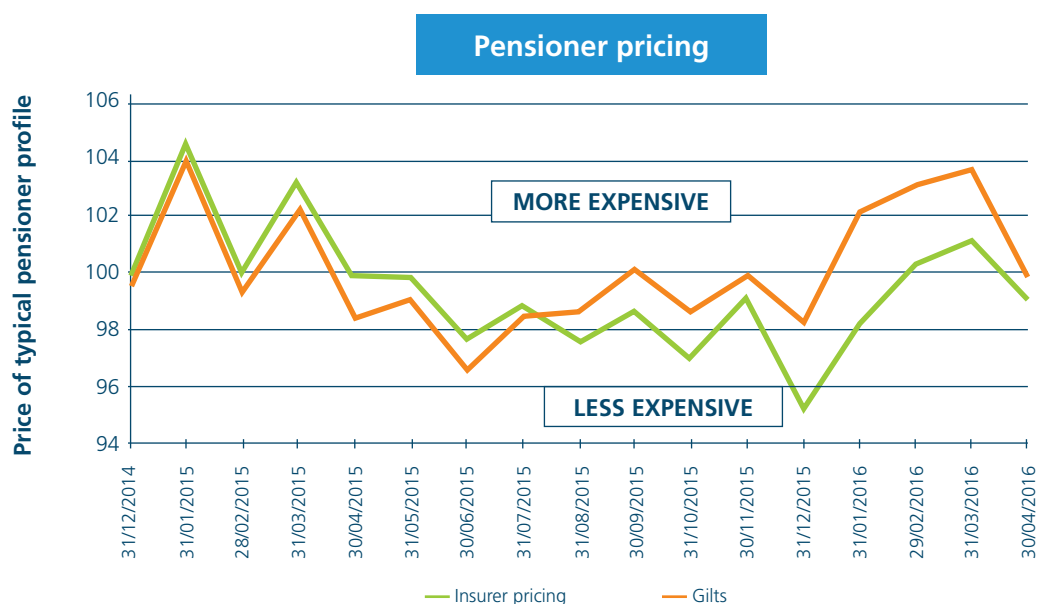
Pension Insurance Corporation have also announced a £200 million buy-in with the VA Tech UK Pension Scheme which was completed in December 2015. This follows on from a previous buy-in by Pension Insurance Company for with the same scheme worth £100 million (completed in 2013).

Scottish Widows have completed a £54 million pensioner buy-in with the Barloworld UK Pension Scheme. This is Scottish Widows' second transaction since joining the market in 2015.

## Pricing

In recent weeks, the gap between typical pensioner pricing and the value of annuity factors calculated using gilt yields has narrowed. This means that schemes who wish to swap their gilts to fund a pensioner buy-in policy may find that this option has become slightly less attractive relative to the first few months of 2016. However, the pricing remains generally attractive and still means that some schemes will be able to swap their gilts for a buy-in policy without worsening their funding position.

The chart below demonstrates pricing over the last few months. The indicative insurer pricing (green line) remains below the equivalent 'gilts-based' price (orange line) but the gap has narrowed. Over the final month, credit spreads, the difference between gilt yields and corporate bond yields, has fallen which has contributed to this effect.



Source: Barnett Waddingham model using pricing information from a range of leading insurers. In practice, any pricing will depend on the specific characteristics of the scheme and can only be determined by obtaining actual quotations. The chart above does not reflect the pricing which may be achieved from medical underwriting.

Insurers are still getting to grips with Solvency II, and in particular how best to optimise their position under the new regulatory regime. From our experience, we have found that there has been some wider variations in insurers' initial pricing. However, pricing for pensioner transactions remains broadly consistent with 2015 after allowing for changes in market conditions.



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

✉ [bulkannuityteam@barnett-waddingham.co.uk](mailto:bulkannuityteam@barnett-waddingham.co.uk)

☎ 0207 776 2200

🖱 [www.barnett-waddingham.co.uk](http://www.barnett-waddingham.co.uk)



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