

Buy-outs and buy-ins

Spring 2017

Final reporting from the insurers for 2016 confirmed a flurry of activity in the last quarter of the year for the bulk annuity providers, with a significant amount of transactions completed. This resulted in total business with UK pension schemes of just over £10.2bn for 2016.

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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 by the UK insurers with UK pension schemes in the second half of 2016, and for 2016 as a whole, is as follows:

	Total transactions in H2 2016		Total transactions in 2016	
	Number of cases	Value of cases (£m)	Number of cases	Value of cases (£m)
Aviva	28	549	41	620
Canada Life	3	110	4	144
Just <small>(note 1)</small>	15	779	21	943
Legal & General	8	2,698	16	3,339
Pension Insurance Corporation	15	1,632	17	2,529
Phoenix Life	1	1,164	1	1,164
Rothsay Life	0	0	0	0
Scottish Widows	1	590	4	1,474
Total	71	7,522	104	10,213

Notes

1. Just is the new brand name for JRP Group, which was the entity formed as a result of the merger of Just Retirement and Partnership in April. The separate figures for Just Retirement, Partnership and JRP Group/Just have been combined.

On the face of it, the total of £10.2bn for 2016 appears to represent a fall in annual market volumes, which exceeded £12bn in both 2014 and 2015. However, on top of these pension scheme transactions, some significant reinsurance transactions were also completed by the providers during 2016. These included two deals for the retail annuity back book of Aegon which totalled £9bn.

The Phoenix Life transaction was a buy-in transaction for its own pension scheme, the PGL Pension Scheme. Phoenix have not launched a bulk annuity offering for other schemes.



Our Bulk Annuity Annual Report 2016 can be found [here](#) >



Insurer news

As one of the more recent entrants into the market, Canada Life demonstrated its capacity to transact larger-scale pensioner deals by completing a buy-in for £250m in February 2017.

There are currently seven insurers participating in the market helping to support a competitive environment for schemes looking to transact. In addition, some new providers are actively developing their proposition for entry later this year, which would provide a further beneficial boost in the level of insurer competition for schemes.

Significant transactions

Canada Life has completed a £250m buy-in with the Cancer Research UK Pension Scheme, covering over 1,300 pensioners, which is materially larger than any of their previous deals to date.

Pension Insurance Corporation has announced a £190m buy-out with the GKN Group Pension Scheme which was completed in November. The transaction was for part of the scheme's pensioner membership, while the remaining members were transferred to a new GKN scheme.

PIC has also completed three significant pensioner buy-ins, a £130m transaction with the TI Group Pension Scheme, a £100m deal with the Alcatel-Lucent Pension Scheme and a £90m transaction with the Civil Aviation Authority Pension Scheme.

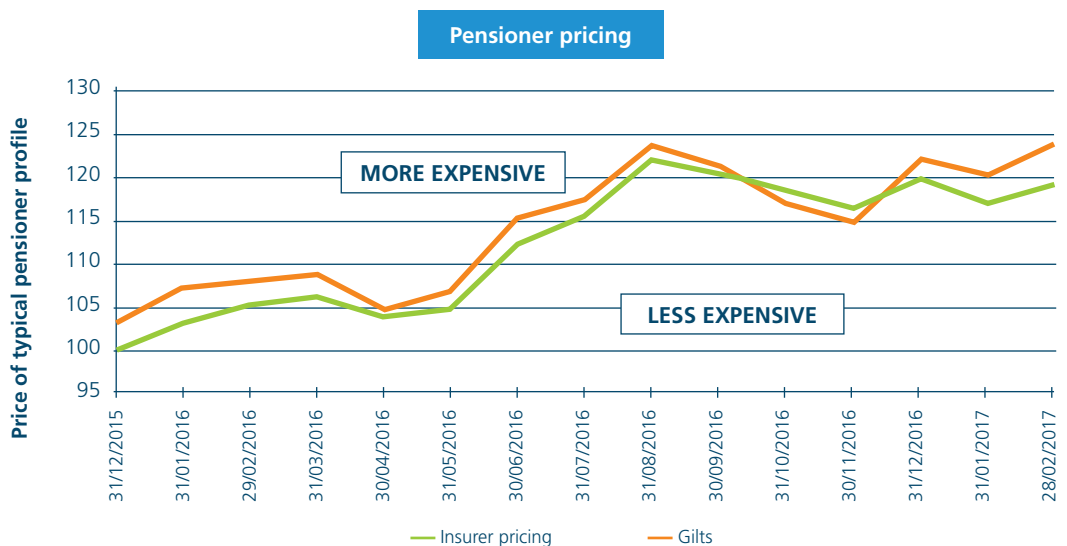
Zurich has completed a £300m longevity swap with an unnamed scheme. 80% of the liabilities have been reinsured with SCOR with the other 20% remaining with Zurich.

Just has completed a £110m buy-in with the Pension and Assurance Scheme of the Land Securities Group of Companies. Following the payment of the premium, a medical underwriting process is taking place which may result in a further price reduction.

Pricing

In the following graph, the green line shows the pricing that might be obtained for a sample pensioner profile. The orange line illustrates the equivalent liability for the same pensioner profile when valued using gilt yields.

This shows that pensioner buy-ins have become more attractive in the last few months for schemes who are able to use gilts to purchase a buy-in policy. Completing such a transaction enables schemes to remove the demographic risks associated with the members without worsening their funding position.



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 on the right does not reflect the pricing which may be achieved from medical underwriting.



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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:

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