ACA MEMBERS' CONFERENCE
BUYOUT MARKET REVIEW

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PENSION INSURANCE CORPORATION

February 2016

Risks transferred, pensions insured

About Pension Insurance Corporation

PENSION INSURANCE CORPORATION

- **Pension Insurance Corporation ("PIC") is a UK insurer authorised by the PRA and regulated by the PRA and FCA**
- **Specialist, focused insurer**
  - Simple business model
  - Investing in customer care
  - Recognised for innovation via industry awards:
- **Portfolio of clients**
  - More than £16bn of assets, 25% share of buy-in/buyout sector long term
  - Over 130,000 pension fund members insured
  - 120 schemes insured including the two largest full buyouts in UK
  - Clients include:
- **Shareholders and management**
  - Experienced Board and management team: Sir Mark Weinberg, John Coomber, Tracy Blackwell, Rob Sewell
  - Capital provided by:

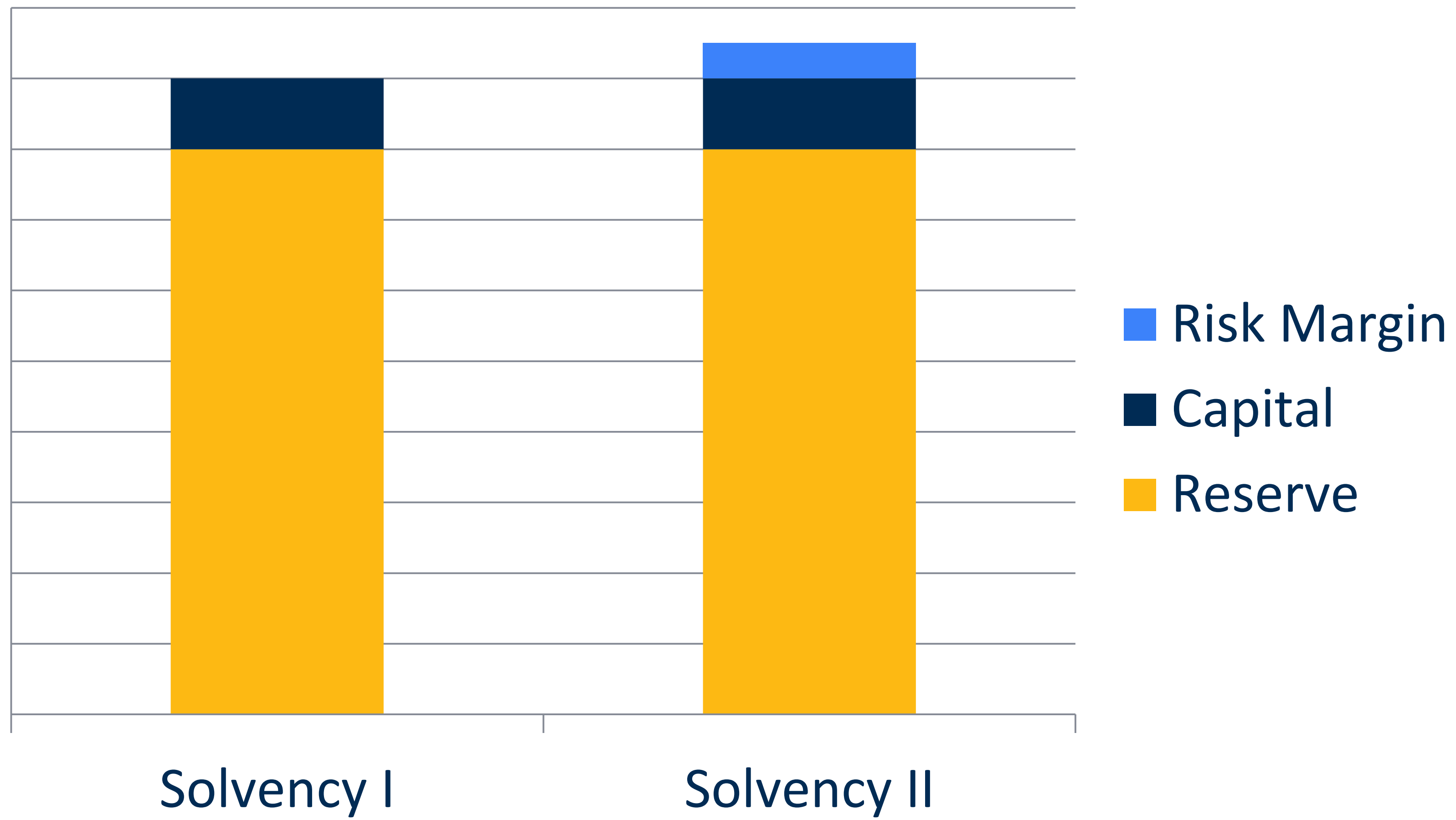
Write down the first word you see

PENSION INSURANCE CORPORATION

Q	D	N	O	I	S	N	E	P	C
V	L	T	E	A	M	D	Y	X	O
S	P	B	V	N	O	I	T	C	A
V	Y	W	F	U	N	S	P	D	C
T	H	S	H	W	E	A	L	T	H
I	B	L	T	J	Y	O	U	G	F
M	J	O	Y	E	H	S	C	N	G

Risks transferred, pensions insured

Solvency II



Source: Pension Insurance Corporation

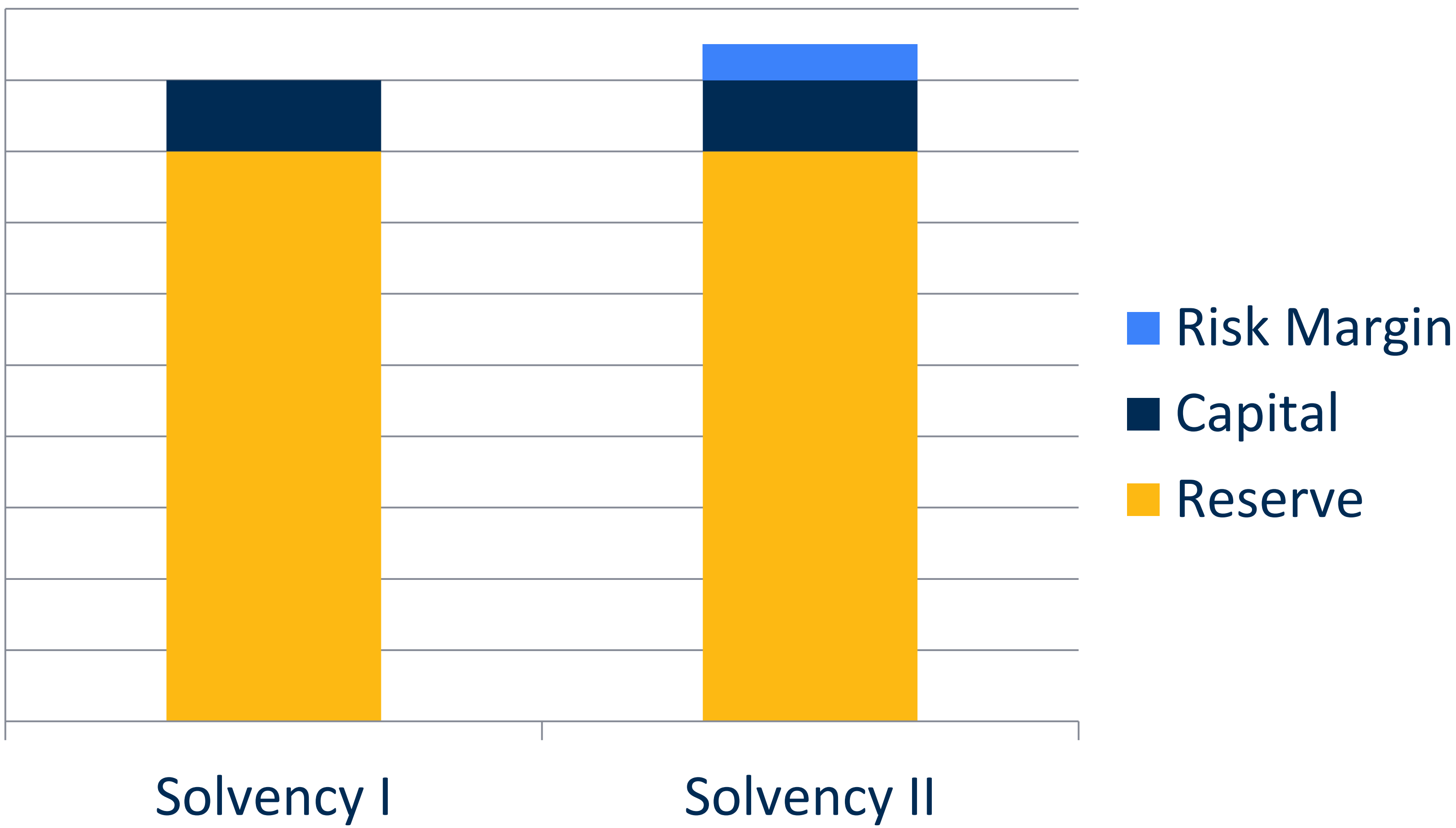
Risk margin


SPACEY BETTANY IRONS
QUINTO BADGLEY BAKER
MCDONNELL MOORE TUCCI
MARGIN CALL

Risk margin

$$RM_t = \sum_{h \geq 0} \frac{CoC \cdot \mathrm{SCR}_{\mathrm{long},t+h}}{\left(1 + r_f\right)^{-h}}$$

Solvency II



Source: Pension Insurance Corporation

Solvency II reserving discount rate

Solvency II reserving discount rate

Solvency II reserving discount rate

Solvency II reserving discount rate

Matching

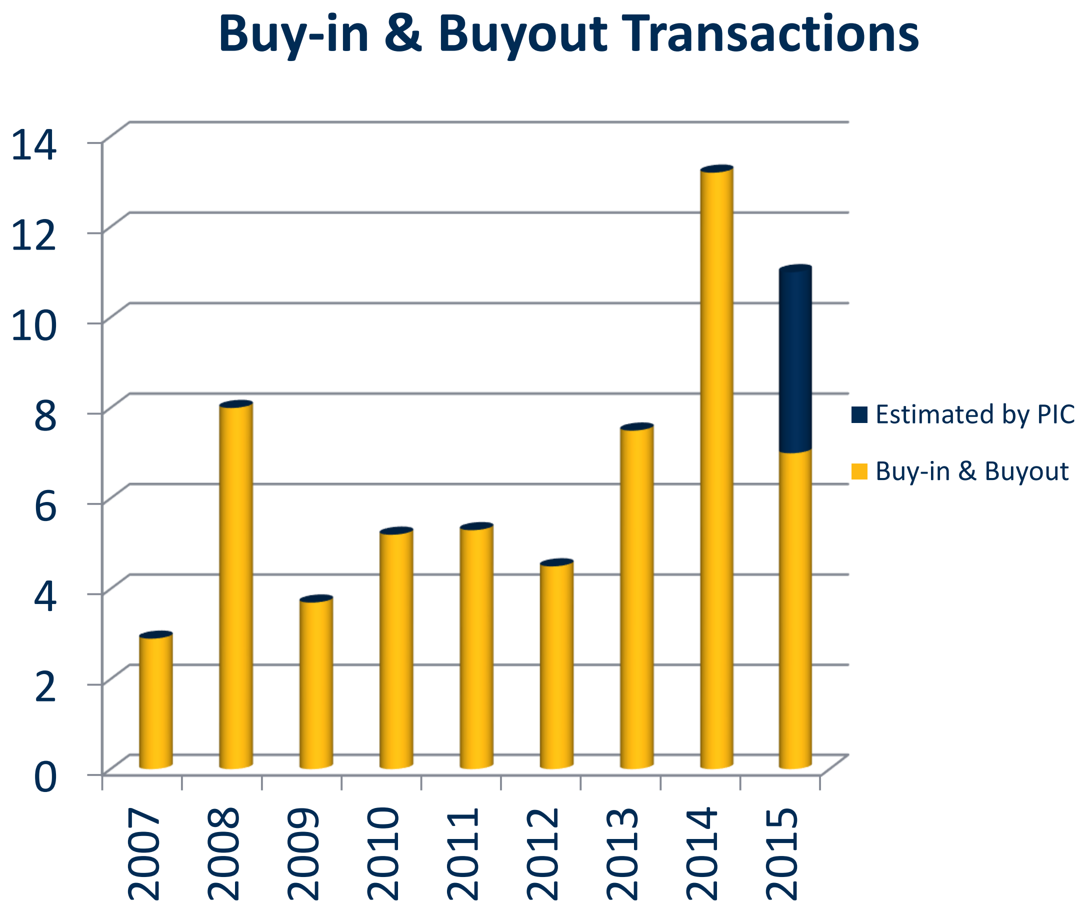
Matching

eHarmony
Love Begins Here™

Matching

eHarmony®
Love Begins Here™

Overview: Buy-in & Buyout Market 2007- (Q3) 2015



UK Market Current Status**

- 20% FTSE 100 companies with UK pension plans have completed transactions
- 10% pension members in DB pension plans now insured through a buy-in or buyout

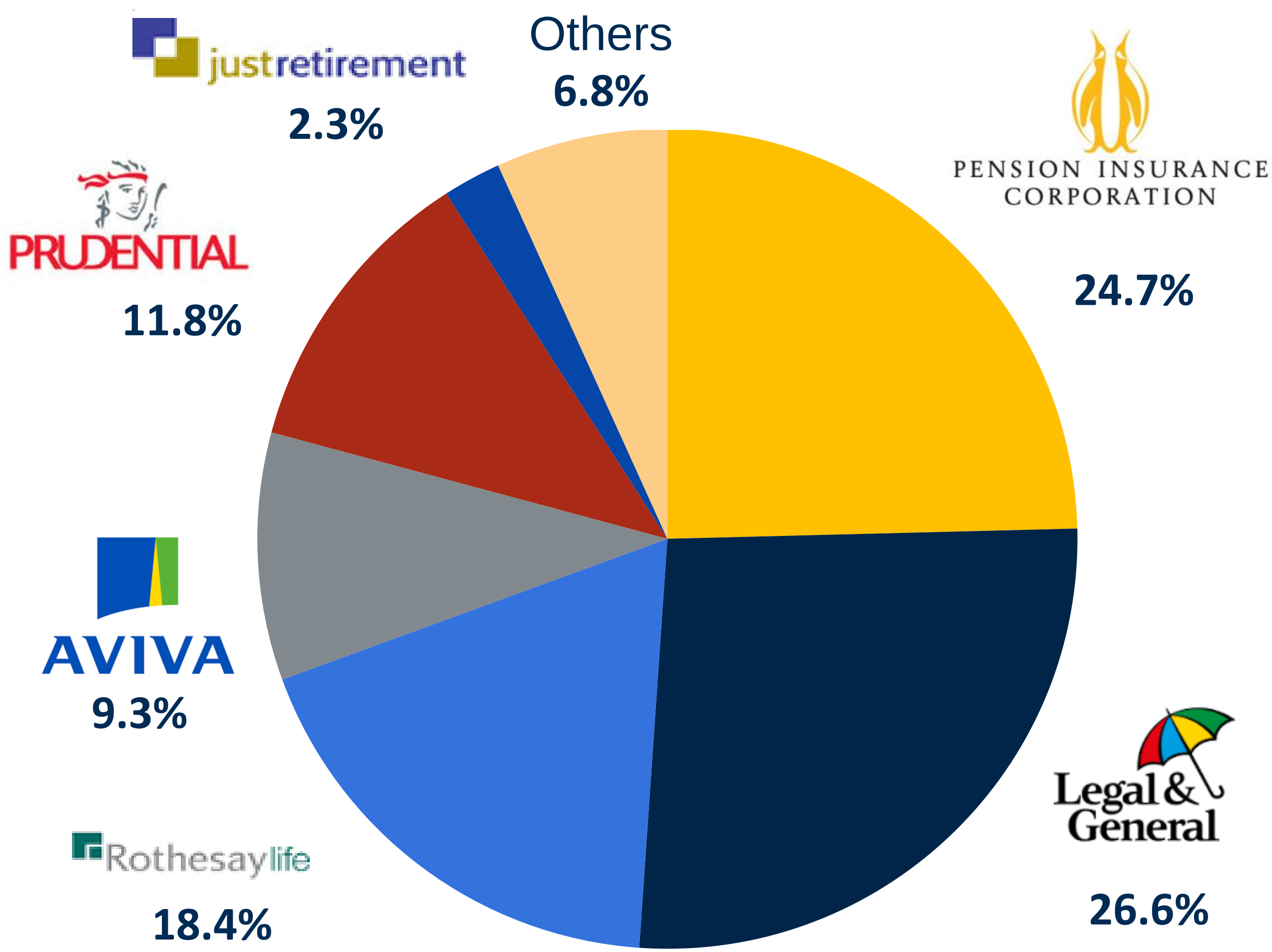
Buy-in/Buyouts Market

- The overall average buy-in/buyout deal size for 2014 was £69m- an increase from 2013
- Increasing demand from pension schemes to transfer their risks will likely draw new providers to enter the market

**Source: Hymans Robertson "Buy-outs, buy-ins and longevity hedging" Q3 2015*

***Source: LCP "Buy-ins, buyouts and longevity swaps 2014"*

Share of buy-in/ buyout sector by volume 2008-Q3 2015



Source: Hymans Robertson and LCP buyout reports

PIC Case studies- Philips Buyout

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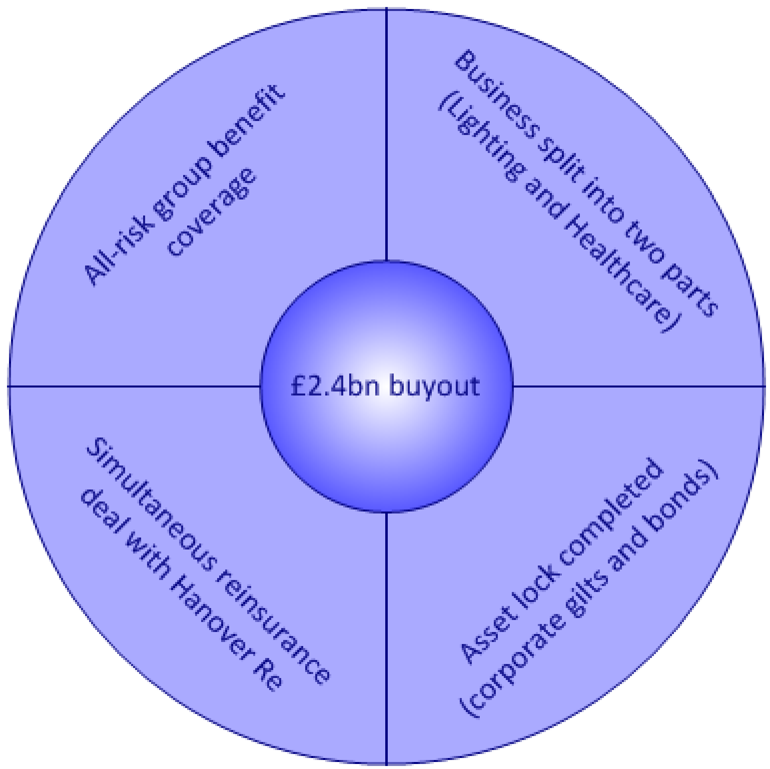
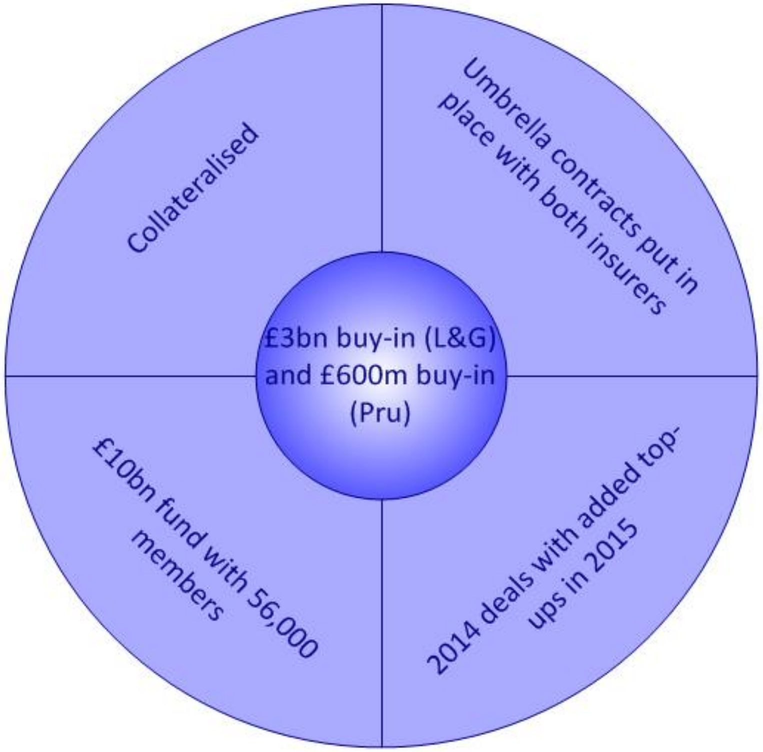
PHILIPS



Risks transferred, pensions insured

Case studies- ICI Buy-in (L&G, Prudential)



Trends for 2016 - New market entrants/changes

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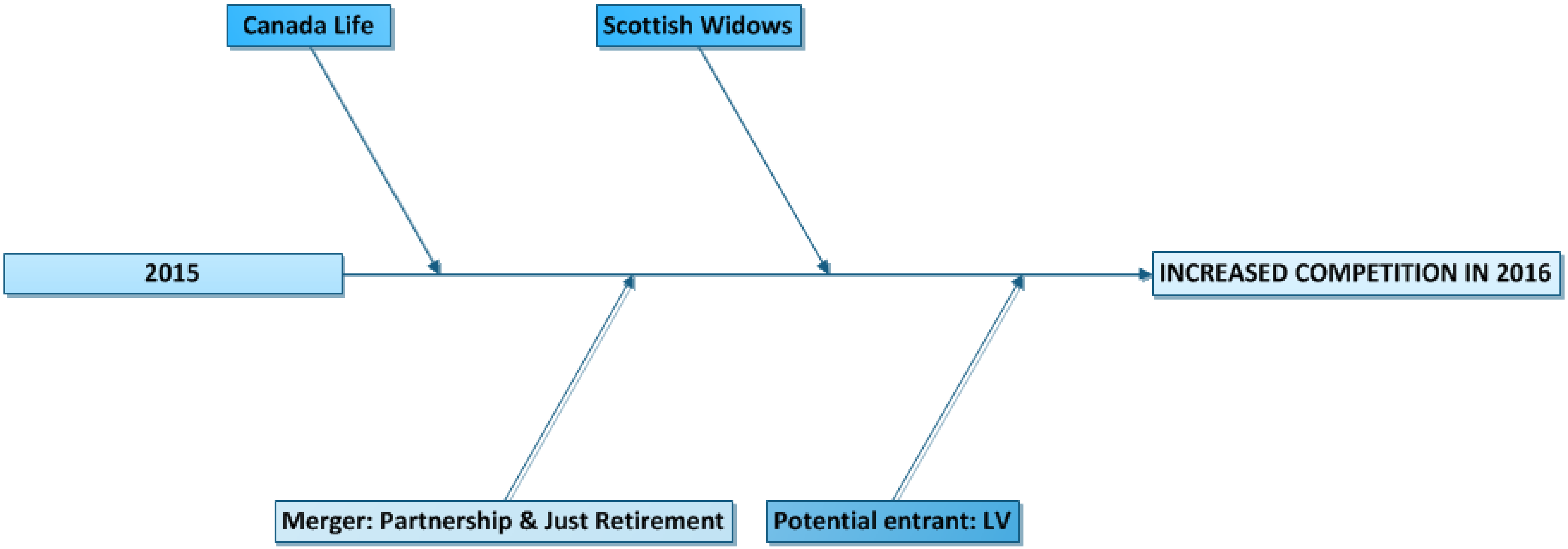
New market entrants

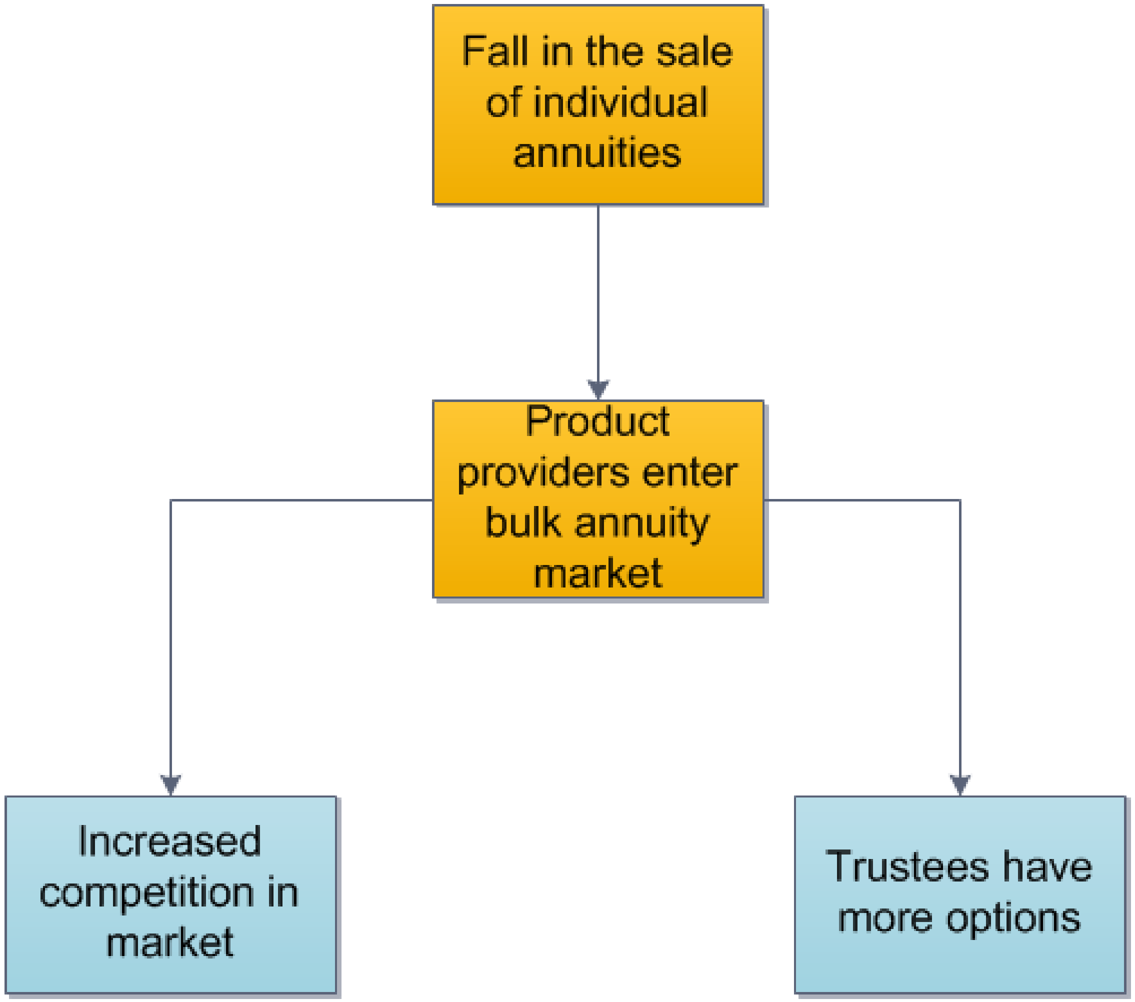


Mergers and potential entrants

Risks transferred, pensions insured

- **New ways of slicing risk**
- **Deferred premiums**
- **Small scheme longevity risk transactions**
- **Market monitoring**

Impact of the Pensions Freedoms



Risks transferred, pensions insured

Contact

Matt Barnes
Matt joined Pension Insurance Corporation in June 2007 as a Senior Actuary in the Business Origination team and has led a significant number of successful insurance transactions, including the innovative £300m Denso and £200m Leyland DAF buyouts. Matt joined from Watson Wyatt where he was a Senior Pensions Consultant, holding a Scheme Actuary certificate. Prior to that he held a similar role with Towers Perrin and started his career in 1997 at National Mutual Life. Matt graduated in Mathematics at Cambridge University and is a Fellow of the Institute of Actuaries.

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