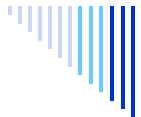


Current UK Market Trading Conditions and Emerging Tontine Effect

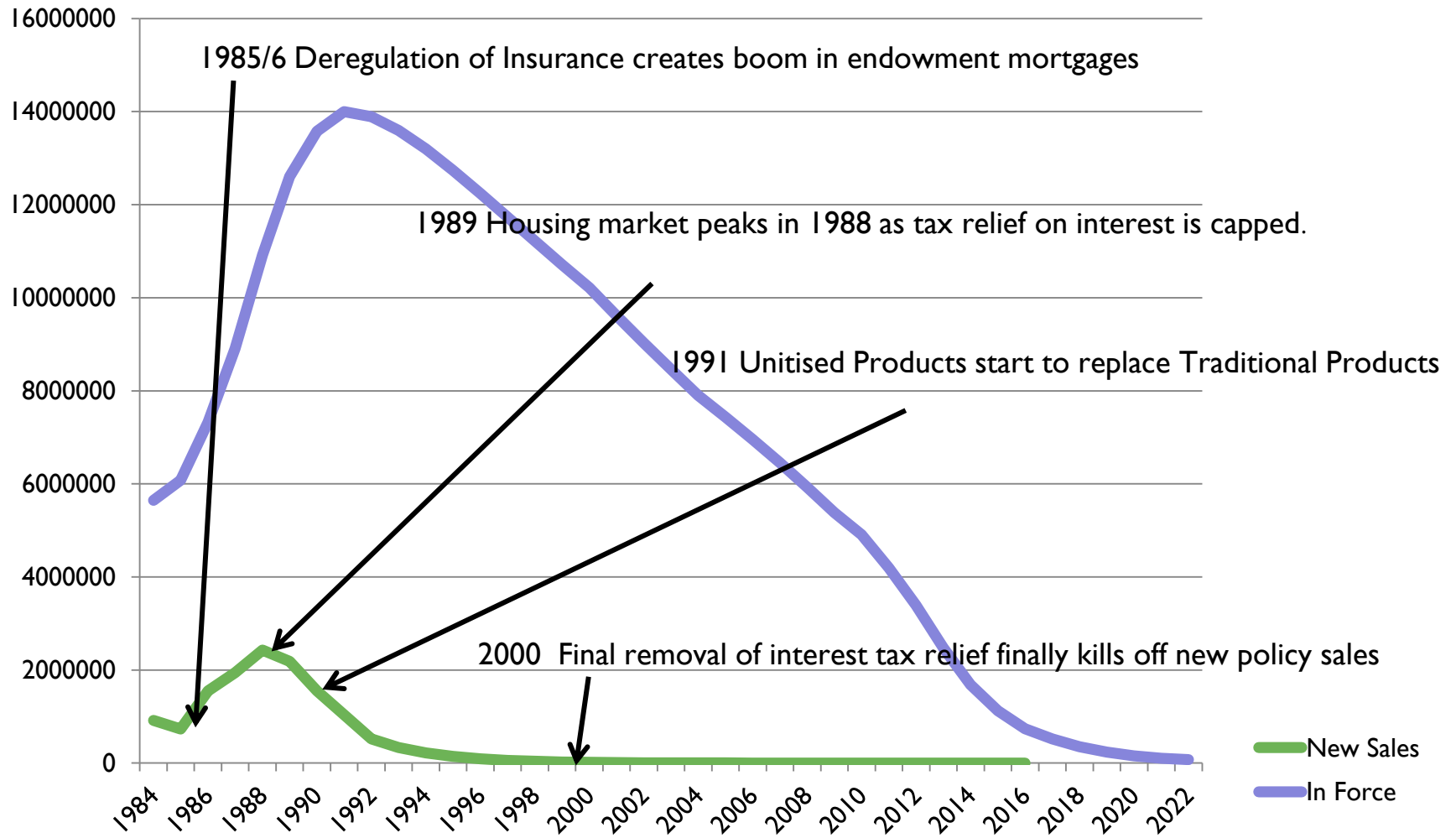
4th Annual BVZL/ELSA Investor Summit – London -12 September 2017

Roger Lawrence – W L Consulting Ltd

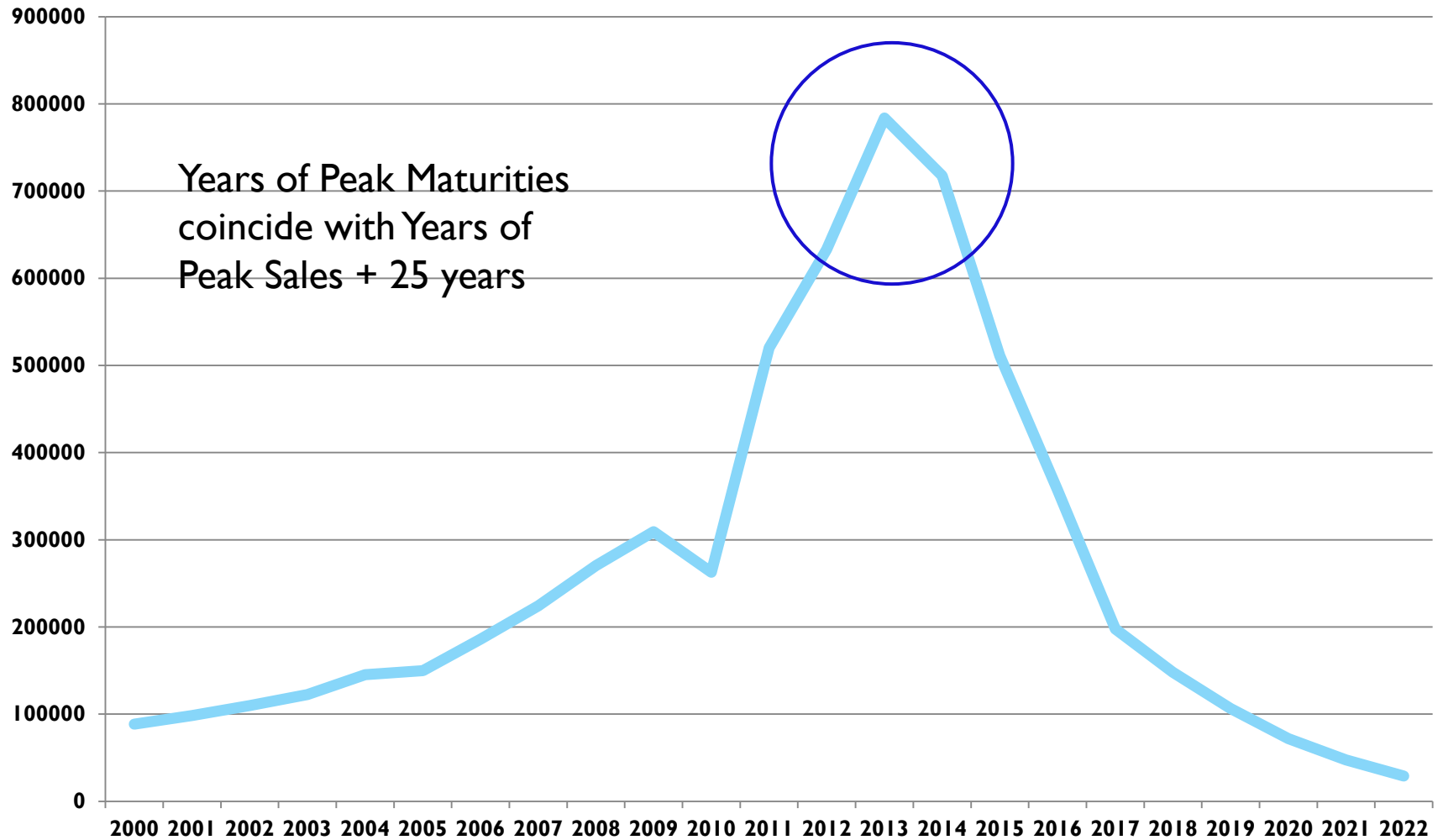


WL Consulting

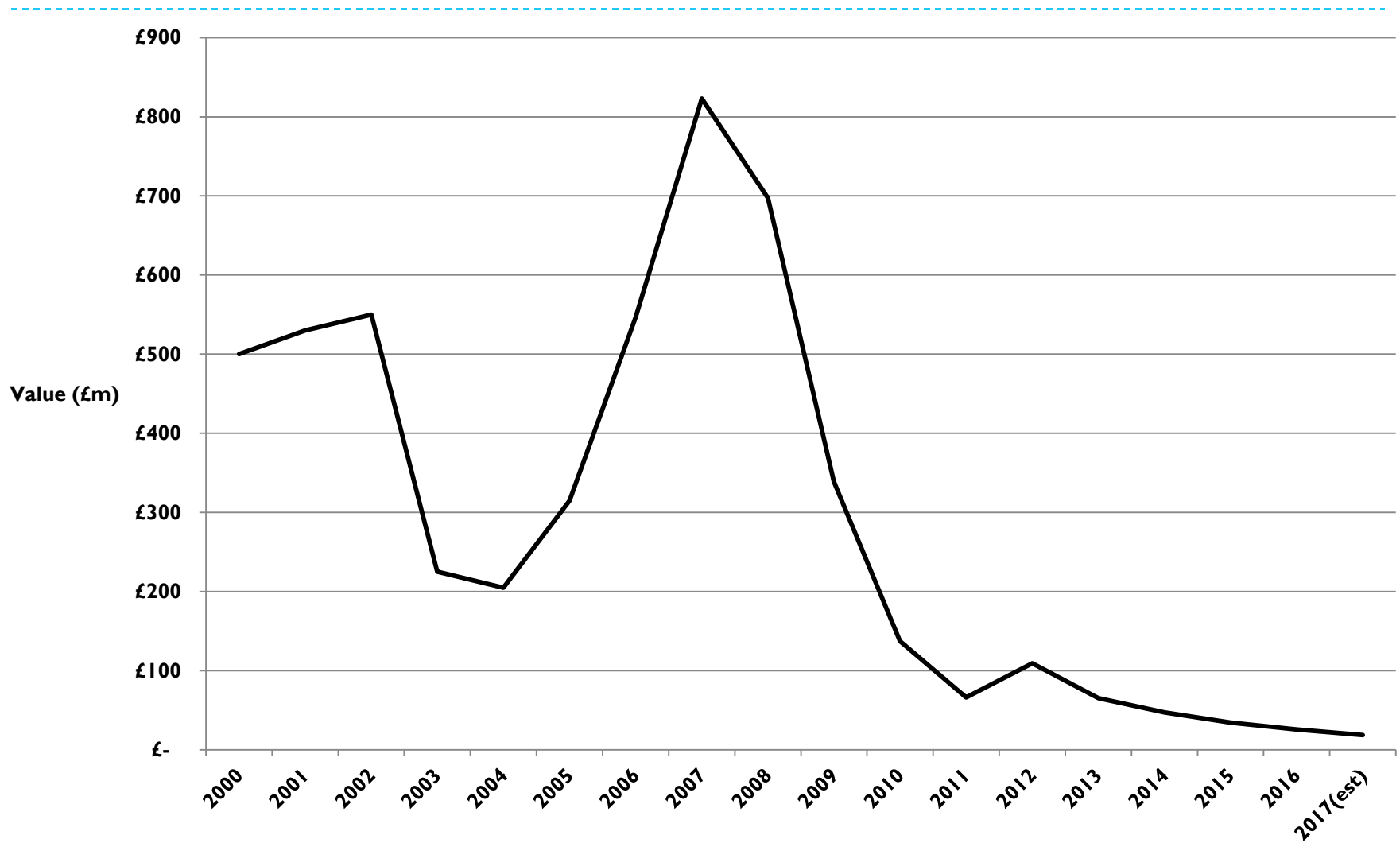
New Policy Sales and Total In Force (by year)



Numbers of Maturities (by year)



Estimated Total Secondary and Tertiary Trades (2000-)



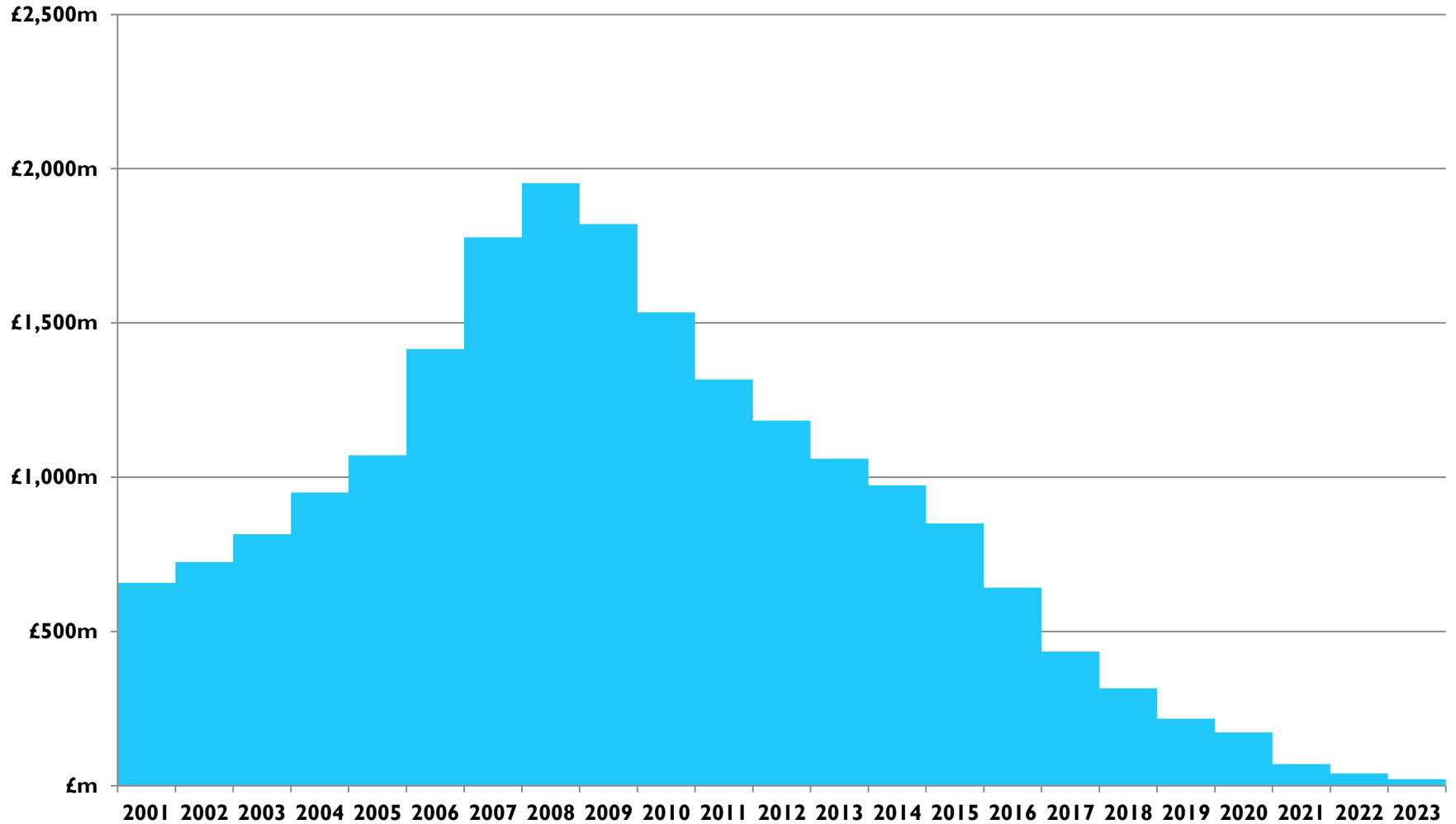
Market Status - Secondary

- ▶ Secondary Market in twilight years
- ▶ Estimated In-Force contracts is still above 500,000 as at 31 Dec 2016. Total value of contracts in force is c£10bn
- ▶ But well below peak of c15m contracts in force in 1991

- ▶ New secondary origination still of the order of £10-£20m in 2017

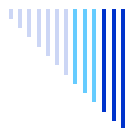


TEP Inventories in Funds (at year end)



Market Status - Tertiary

- ▶ So far, tertiary trading has not been in huge volumes but has been subdued in the last 12 months
- ▶ As at the end of 2017, there will be around £430m of TEPs in portfolios.
- ▶ Of these, over £200m will mature in 2019 and beyond.
- ▶ Some funds will need to make disposals of tails.
- ▶ Significant tertiary opportunities



Tontine Effect

Requires:

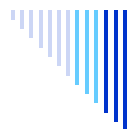
- ▶ “With-Profits” policy
- ▶ Fund to be closed to or writing substantially reduced new business
- ▶ Surplus in the Fund (called Inherited Estate)

Nice to haves:

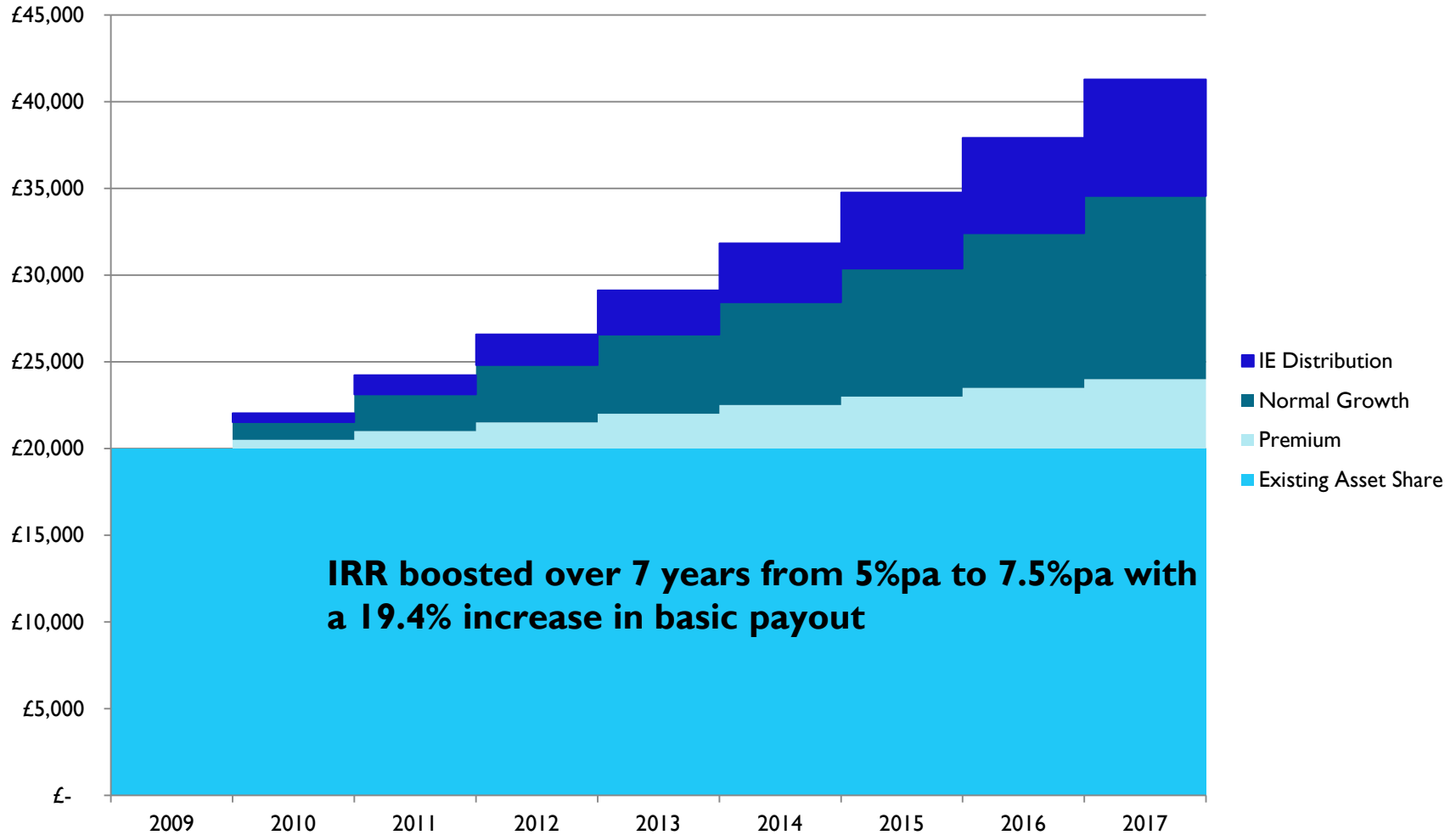
- ▶ Cautious management of Fund
- ▶ Regulatory interference

Tontine Effect

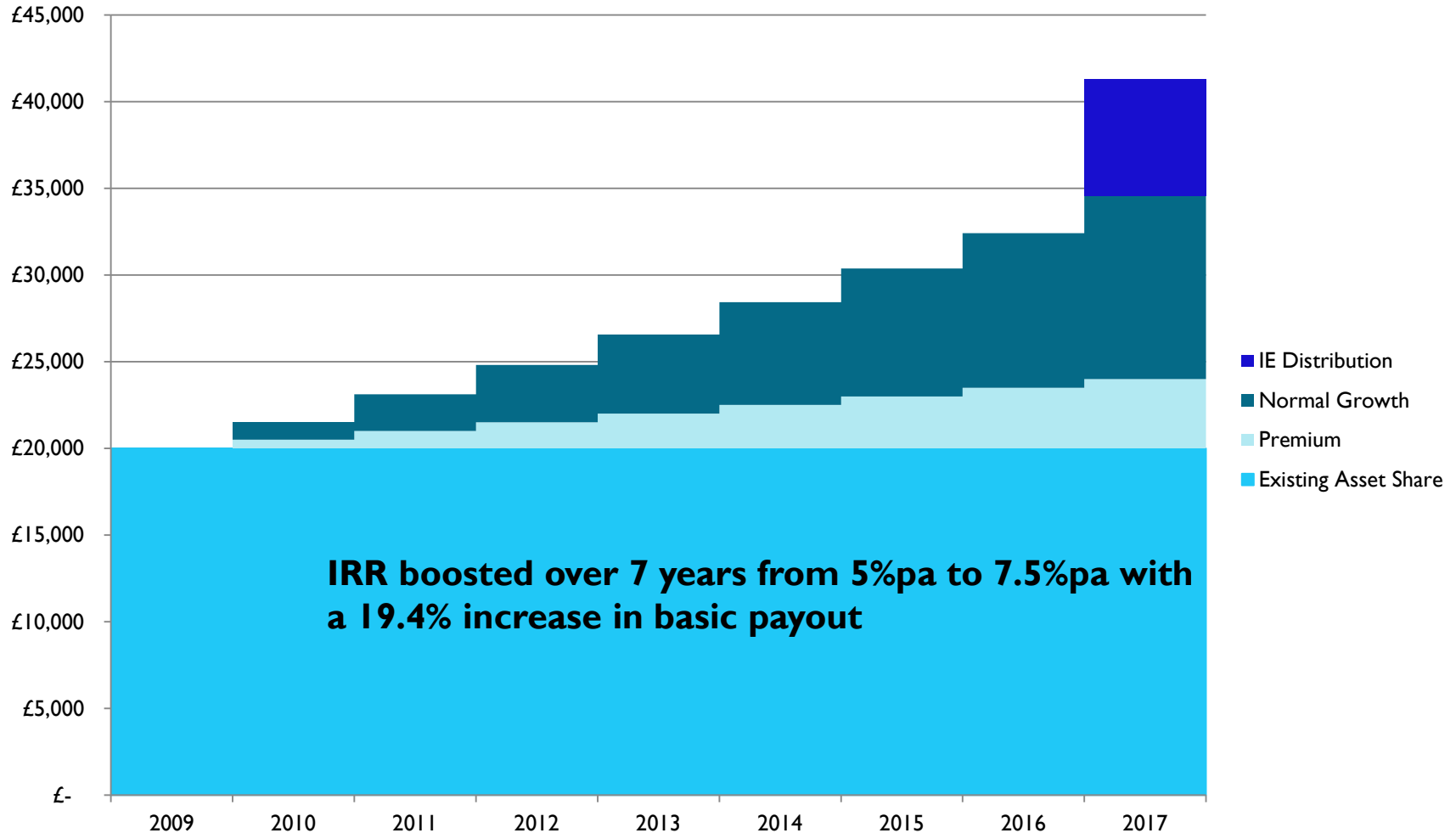
- ▶ Funds have been closing in large numbers since 1990s. Barely a handful of fully open funds left.
- ▶ Widely quoted in marketing material
- ▶ UK Regulator has been strong in forcing insurers to pay out surplus “as early and fairly as reasonably possible” meaning that not much tontine effect should occur
- ▶ But management caution and regulatory formulae tend to mean that surplus is paid out more cautiously at first
- ▶ So has it happened or not?



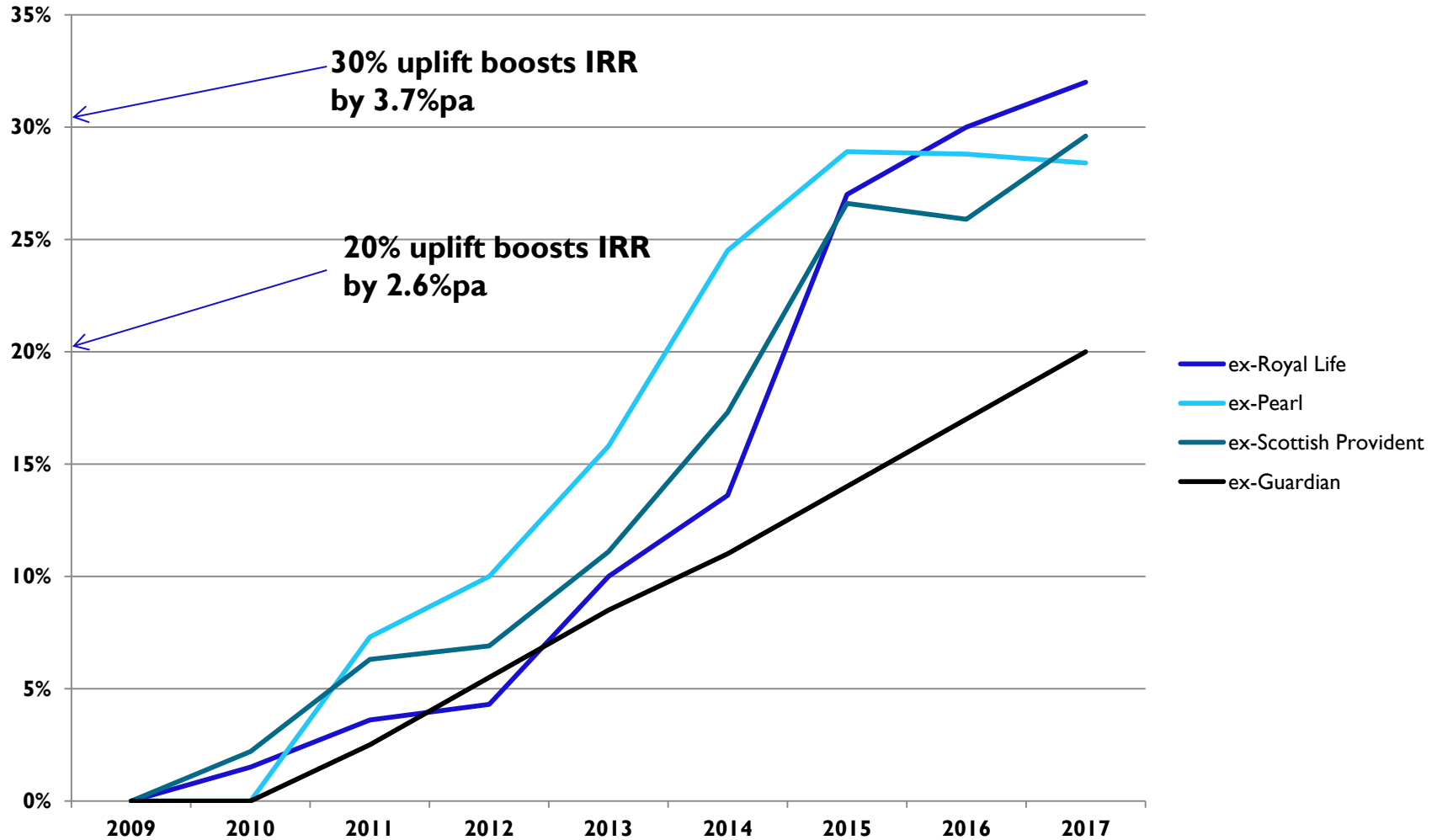
Inherited Estate Distribution by Annual Enhancements



Inherited Estate Distribution by One-Off Addition



Size of IE augmentation continues to grow



Questions

