THE FUTURE OF THE UK LIFE INDUSTRY
TIME TO INVEST IN MASS MARKET RETIREMENT
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INTRODUCTION

This report sets out Oliver Wyman’s market projections for the UK life insurance industry\(^1\) over the next five years, and our view on the key issues and opportunities that insurers will need to get right in order to win. In summary there are two stand-out strategic opportunities; firstly the UK’s new flexible retirement system, and secondly the bulk annuity market which will help unwind the legacy defined benefit (DB) pension system. We expect that five years from now these new strategic lines of business will be extremely valuable and cash generative, attracting a much better rating than the life sector does today.

These opportunities will both require substantial capital investment, but will not generate significant cash over the next five years. Insurers will, therefore, need to push in-force management activities to generate the cash required and to cover shareholder expectations of increasing dividends. The next five years will require a complete reinvention of the industry, and the challenges and degrees of change needed are probably even greater than those we have seen over the past 15 years.

Throughout this report our projections are based on the average position across the industry. There is plenty of opportunity for any individual business to perform much better than this, and we set out our views on how this can be achieved.

\(^1\) We deliberately exclude the wealth and asset management industry from this definition. Several life insurers have very successful wealth and asset management businesses but these are outside the scope of this report.
1. EXECUTIVE SUMMARY

There is a massive shareholder value prize in the pensions market, but it will take five years to prove the shareholder case.

On the way to proving the growth potential, life insurers must focus hard on cash generation from the in-force book, particularly cost control, and illiquid investments.

Insurers will need to take bold decisions now about whether to invest to capture the huge upside in the bulk annuity market.

The life industry has a huge opportunity to become the retail interface between the UK’s workforce and pensioners, and their retirement savings. We forecast that in 10 years’ time the industry will have £1,200 BN on insurance platforms, and will be paying pensions of around £35 BN per annum (p.a.).

Insurers who share this growth will be hugely valuable businesses, with long-term dividend growth prospects around 4% p.a. higher than today. Even if just half of this additional growth became factored into equity valuations, then average share prices across the industry would be more than 50% higher than today. Those companies that best capture these opportunities will significantly outperform this.

Becoming one of these winning businesses will require significant and radical investment in client propositions. However, average cash generation across the industry will be flat over the next five years. At the same time shareholders are becoming strongly focused on dividend growth as the main measure of long-term value. Therefore whilst investing for the future, insurers will also need to work their legacy assets harder, providing the additional cash needed to support their transformation. This will require a strong focus on back-book management, particularly on cost control and on building investment spread through higher yielding alternative asset strategies (e.g. illiquid investments).

The bulk annuity market will become a big industry in its own right. Margins will fall slightly from their current level, due to competitive pressures, and the market will remain capital intensive. However, within a few years the model will be sufficiently successful (in terms of profit and cash generation) to attract new capital. Longer-term we expect significant synergies between the management of bulk annuities and newer, more flexible Retirement Account propositions. There will be many pensioners with both types of policy, and the “payment” nature of the relationship with the annuity end clients will enable insurers to broaden their relationship and to build new direct-to-consumer (D2C) sales opportunities.

In this context, “back-book” is defined as all life business lines excluding the go-to-market business lines i.e. pensions, protection and annuities. These business lines can be viewed as “closed” or “semi-closed” products with typically high margins but limited or no growth prospects.
Exhibit 1: There is a massive growth opportunity in pensions

<table>
<thead>
<tr>
<th></th>
<th>FORECAST NEW BUSINESS (NB) PREMIUMS</th>
<th>FORECAST AUM</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£BN (2013-18F)</td>
<td>£BN (2013-18F)</td>
</tr>
<tr>
<td></td>
<td>30</td>
<td>3,000</td>
</tr>
</tbody>
</table>

We expect extremely rapid growth in the key strategic business lines of corporate defined contribution (DC), Retirement Accounts, and bulk annuities.

However, this will be offset in assets under management (AUM) terms by the run-off of the legacy book.

Protection will continue to grow relatively slowly, though Group business will benefit from the final stages of the DB to DC trend, as the remaining funds that self-insure risk benefits switch to external insurers.

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We forecast that in 10 years’ time the industry will have £1,200 BN on insurance platforms, and will be paying pensions of around £35 BN per annum (p.a.).
2. A NEW ROLE FOR THE INDUSTRY

For most of the 21st Century the UK life industry has been on the defensive, retreating from formerly profitable lines of business in wealth management and unable to make strategic decisions in the face of legal and regulatory uncertainty, e.g. from the regulator’s new conduct risk regime and Solvency II developments. The life industry now has a more clearly defined role in the economy, serving as a private sector component of the social security system, helping workers to save for their retirements, to manage their savings post-retirement, and to protect themselves and their dependents from major risks to their employability.

Over the next five years the industry will complete its shift towards serving these mass markets social security needs. We have reviewed our forecasts of the UK life market to reflect the UK Budget 2014, and our best estimates of the impact on clients, distributors, and manufacturers. Exhibit 2 sets out our views on the growth, new business profitability, and cash generation, for the five main open industry business lines. The stand-out opportunity is the pension scheme de-risking or bulk annuity market, which we expect will capture between 25% and 50% of the UK private DB scheme assets of £1,200 BN over the next 20 years. The other enormous opportunity is in building new flexible propositions (which we are currently calling “Retirement Accounts”) to meet client needs across both the retirement accumulation and income life stages.

Exhibit 2 does not include personal investments and other older product lines which are no longer actively sold, such as endowments. There are still opportunities in with-profits and other forms of investment guarantee, but in our view these will be more powerful as structured funds made available within flexible Retirement Accounts.

The stand-out opportunity is the pension scheme de-risking or bulk annuity market, which we expect will capture between 25% and 50% of the UK private DB scheme assets of £1,200 BN over the next 20 years.
The emerging clarity and importance of life insurers’ role in our society and the “guaranteed” flow of business that this gives rise to, also exposes insurers to an increased level of governmental scrutiny, similar to other industries supplying products that are “essential” for modern life, such as utilities. The end-client will need to be at the centre of insurance decision making. Where individual insurers fall short, we will see regulatory action; where the industry falls short, we will see wholesale government rule changes.

Exhibit 2: Shareholder value creation will be driven by the Retirement and Bulk Annuity markets

PROJECTED UK LIFE MARKET PROFIT POOLS (INCLUDING ALL THE AT-RETIREMENT MARKET)
2018F VALUE OF NEW BUSINESS (£ MM), NB PREMIUM 5 YEAR CAGR*

INCREASING VALUE OF NEW BUSINESS

2,000

1,500

1,000

500

0

At-Retirement Pre-Budget
Dominated by relatively high margin capital intensive annuities

At-Retirement Post-Budget
Broader range of narrower margin fund and guaranteed products
More cash taken – leads to lower growth

Individual Protection
• Slower long-term growth but strong cash generator
• New corporate scheme/workplace opportunities emerging

CORPORATE DC SAVINGS
• Massive long-term growth and asset capture, but ultra low margins and high levels of political focus
• Value is in future optionality and capture of scale

BULK ANNUITY MARKET
• Massive long-term growth opportunity as the UK’s legacy DB problem is unwound
• This is now the only large business line which is capital intensive

INDIVIDUAL PROTECTION

Size of bubble represents £ gross cash generation

BULK ANNUITIES

Group Protection

DC (Corporate and Individual)

*1 Compounded annual growth rate (CAGR)
3. HOW TO GROW SHAREHOLDER VALUE

A. Retirement Accounts (and At-Retirement)

In our view the pre-Budget 2014 annuity system had a sound economic rationale for the economy and society as a whole, but it was too paternalistic for modern investors, regulators and markets. We expect annuities will continue to play a key role in the retirement income market, but will also be complemented by newer, more flexible Retirement Account propositions. These new propositions will be significantly less profitable than annuities, but will also be less capital intensive, which will reduce constraints on funding growth.

Retiring workers have until now been forced to make a "once and for all", high stakes decision about buying an annuity at a single point in time. This will now be replaced by a series of smaller decisions, requiring support from the provider (as well as advisers, where relevant) and, potentially, some form of direct contact. In the short-term pensioners will withdraw more cash from the system, but over the longer term overall retirement flows will increase because (post-budget) pensions are now more attractive products.

Exhibit 3: New flexible Retirement Account propositions will meet a broad range of client needs

<table>
<thead>
<tr>
<th>RETAIL SPACE</th>
<th>B2B SPACE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Life time annuity (standard, enhanced, impaired)</td>
<td>Bulk annuities</td>
</tr>
<tr>
<td>Other annuities (fixed term, deferred, variable, long-term care)</td>
<td></td>
</tr>
<tr>
<td>Other retirement income (Income Drawdown, Equity Release)</td>
<td></td>
</tr>
<tr>
<td>Investment type (ISA, funds)</td>
<td></td>
</tr>
<tr>
<td>Innovation/ new retirement products</td>
<td></td>
</tr>
<tr>
<td>Other (lives, health, retirement related services)</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Transition to Retirement</th>
<th>At-Retirement Likely less relevant in future</th>
<th>Post-Retirement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enhanced annuities</td>
<td>Late age annuitisation</td>
<td>Unbundled longevity risk</td>
</tr>
<tr>
<td>Regular premium survival benefits</td>
<td></td>
<td>Equity release</td>
</tr>
<tr>
<td>Asset consolidation</td>
<td></td>
<td>Platform-type solutions to manage retirement needs (investment + income + protection)</td>
</tr>
<tr>
<td>Innovations focusing on flexible retirement e.g. (phased survival benefits + minimum income stream)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Natural adjacencies (e.g. protection)</td>
<td></td>
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We expect sales of individual annuities will stabilise at around £5.4 BN for 2015, and grow to £6.2 BN by 2018.

At the time of writing it appears likely that the Government’s guarantee of face-to-face retirement guidance will be provided by a separate government sponsored service independent of the industry, with a significant digital component to delivery. If this is the case, then the current provider/distributor structures in the market are likely to survive the introduction of the guarantee, but will need to evolve rapidly as the impact on clients becomes clearer.

We see the annuity market becoming wholly underwritten because all annuity clients will need to be tested for eligibility for enhanced rates. Therefore the annuity market is likely to behave more as a continuation of the enhanced rather than the traditional market. Many clients will continue to value the long-term safety that annuities provide, at least for part of their retirement savings, but we expect that most small case size in-house conventional annuity reversions will be replaced by simple cash and fund products. We expect sales of individual annuities will stabilise at around £5.4 BN for 2015, and grow to £6.2 BN by 2018.

There has been much speculation that asset managers will displace insurers in post-retirement savings management. Some asset managers will surely succeed, given their existing client base and ability to attract customers with very focused, affordable and customer-centric propositions. However, many asset managers do not yet have the deep retail capabilities and customer reach required. Moreover, we expect many retirees will elect to maintain their existing pension wrapper through retirement for their key income, tax and investment decisions (in some cases, due to inertia). Over the short-term, this will act as barrier to entry for the broader asset management industry, and will provide a window for the insurance industry to build winning propositions and to engage with its clients. Many asset managers will focus on providing funds to open architecture platforms.

B. DC Pensions Savings

After the final stages of Auto-Enrolment have been actioned, practically all UK workers will be making regular contributions to a DC pension scheme. In addition, the 2014 budget has made pensions a much more attractive product and together these changes will fuel massive long-term growth. By 2023 we expect that the five or six players still active in this market will have combined assets of over £600 BN on accumulation platforms, with new money flow of around £50 BN per annum.

Margins will continue to be slim. Most insurers will aim to achieve a significant take-up of their own funds on the platforms, but low-margin passive funds will take an increasing share either through direct links, or as part of core-satellite structures. The core client proposition will need to be profitable on a platform basis, and where insurers are successful in selling their own funds this will deliver additional spread.
However, as the system matures insurers will be able to build broader financial relationships with their DC clients, providing them with other services and products. Take-up rates for individual savings accounts (ISAs) and other workplace products are still low because there is no real client interaction and insurers do little to initiate or manage engagement. This will slowly change as the UK’s culture of pension saving shifts toward the Australian and American cultures, with increasing focus on building wealth in the pre-retirement accumulation phase.

Winning insurers will develop new models for helping clients to access appropriate guidance or advice, and to get the right retirement outcomes. These will be primarily digital models, with a broad suite of offerings tailored for different client segments at different life stages. But they will also provide cheap and effective human interaction where necessary, either for key decisions or to support the relationship.

The insurers who get this right will be viewed in a different and more positive light by end customers. The perception of these insurers will move from being sterile product providers sending out annual letters and providing unused websites, to being active long-term savings partners. At their best, these firms will provide virtual branches where they help clients with a broad range of financial and life needs.
C. The Pension Scheme De-risking Market (Bulk Annuities)

The insurance industry will play a major role in unwinding the UK's legacy DB system. This will be achieved primarily by bulk annuity buy-ins and buy-outs, but also by a significant flow of longevity swaps. We expect that the market in 2014 will be around £14 BN of bulk annuity transactions, and that in total there will be over £100 BN of transactions over the next five years. The main downside risks to this would be a reduction in long bond yields or lower equity market levels.

The margin on bulk business is currently more attractive than individual annuities; the client price is on average around 70-80 bps p.a. more expensive than in the enhanced annuity market. We expect there will be several new entrants to the bulk market as individual annuity businesses seek to replace lost volume after the 2014 Budget, but growth in the bulk annuity market should be strong enough to absorb this new capacity and pricing should remain attractive in the long run. Margin levels are hard to predict, but in our view if pricing does deteriorate, then this is likely to be much less than 50 bps p.a., and could be offset by building asset side margin through additional illiquid investments.

Exhibit 5: We expect over £100 BN of bulk annuity transactions over the next five years

- Over £60 BN of pension scheme liabilities have been transferred to insurers, reinsurers or banks since 2007
- Of which about £25 BN via longevity swaps

*1 Buy-ins, buy-outs and longevity swaps

Source: Oliver Wyman analysis, Hymans Robertson; LCP; Pensions Institute report; JLT, PPI

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Exhibit 6: Bulk annuity demand growth will underpin margins

**THE IMPLIED SPREAD PASSED ON TO CLIENTS IN PRICING IS MUCH LOWER IN THE BULKS MARKET THAN IN INDIVIDUAL ANNUITIES**

<table>
<thead>
<tr>
<th>BPS SPREAD TO SWAPS</th>
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<td>200</td>
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</table>

**BULK MARGINS WILL CONTRACT AS COMPETITION INCREASES BUT MEDIUM TERM SHOULD REMAIN HEALTHY**

**ANNUITY PREMIUMS £BN, 2013-2018F**

- **Based on quotations in early 2014**
- **Bulk annuity pricing is best for providers**
- **Market pricing currently can be achieved with relatively low exposures to illiquids**
- **Conventional market likely to become just the healthier end of enhanced**
- **The enhanced market has gone from being the highest margin part of the annuity markets to the lowest**

- **It is highly unlikely that there will be any significant contraction in overall annuity sales, considering individual and bulk business combined**
- **We expect a tightening in margins as new entrants begin to price bulks much more competitively**
4. HOW TO BUILD A NEW MORE VALUABLE STRATEGIC BUSINESS

Five years from now successful life industry players will have established themselves as the retail interface between the UK’s working population and pensioners, and their retirement savings. We forecast that in 10 years’ time the industry will have £1,200 BN on insurance platforms. This will notionally be split £1,000 BN in accumulation, and £200 BN in decumulation, but the distinction will be blurred and the winning platforms will be able to meet both categories of client need. The industry will also be paying pensions of around £35 BN p.a.

Insurers who share this growth will be hugely valuable businesses, with long-term dividend growth prospects around 4% p.a. higher than today. Even if just half of this additional growth became factored into equity valuations, then average share prices across the industry would be more than 50% higher than today. Those companies that best capture these opportunities will significantly outperform this.

Exhibit 7: It will take five years before the new retirement platforms begin to drive earnings growth

FORECAST CASH GENERATION, £BN

- Between 5 and 10 years from now we expect that cash earnings from the new core retirement businesses will begin to accelerate
  - Picking up the baton from closed life which will by then be in fairly rapid run-off

- Retirement income assets will still be relatively small compared with their long-term potential, but will be growing fast and will be a clear long-term driver of shareholder value

- The most important way of supporting this is to maintain market leading platform efficiency
  - Both for customer engagement and for cost management

- By this time the bulk annuity business will also be sufficiently mature to contribute to distributable earnings significantly

We forecast that in 10 years’ time the Industry will have £1,200 BN on insurance platforms.
However current business models cannot deliver this growth. The new retirement businesses will be platform-based with strong customer engagement models, digital client journeys, and the potential to build a D2C business over time. For clients with advisers they will offer a digital independent financial advisers (IFA) proposition, which will dovetail with the end proposition, and will offer an adaptive mix of advised and self-directed decision making. They will need to be capable of delivering huge economies of scale as asset volumes grow over the next five years.

Achieving success in these opportunities requires a much higher level of understanding and engagement with the end clients than insurers are used to. At the same time the propositions they offer to clients and advisers must provide the best bespoke retirement process for each. A critical decision will be to decide the firm’s appetite and strategy around direct distribution, guidance and advice. Customers will seek out help to support their multiple retirement decisions, and are likely to place business where they find this help. Insurers cannot afford to let the fear of regulatory risk stop them meeting this demand. Conduct risk issues will remain, but it is expected that the regulatory uncertainty that has prevented insurers (and others) developing simplified advice models will start to be addressed by the Financial Conduct Authority (FCA), allowing insurers to more confidently deliver guidance, execution-only and simplified advice models, with a focus on automated processes, digital channels and mobile.

Exhibit 8 sets out how winning insurers can build propositions with the right attributes and components to engage clients profitably.
There is not much time to achieve this. If the new propositions are to be ready for 2015 (and fit to evolve rapidly thereafter) then a new radical approach to build is required. The development must focus on the required dates and the need to deliver a flexible approach that uses new technology solutions rather than traditional bottom-up assessments of systems build and cost.

The industry will be managing an extremely fast growing low-margin business, and at the same time will need to demonstrate to shareholders that it can support a growing dividend. Therefore increasing cash generation will be vital, but if current business models are retained then we expect that cash generation will be broadly flat over the next five years. Distribution will change fast and this will provide opportunities for deep cuts in distribution and distribution coverage costs. However, this will not be sufficient to deliver the savings required and the industry will have to extract more value from its in-force books.
5. WORK THE IN-FORCE BOOK

It is extremely unlikely that there will be any significant injection of new capital into the life insurance industry over the next five years (except in the bulk annuity market). The cash for dividends and strategic investments will have to be self-generated by an aggressive push into better in-force management. In particular, cost bases will need to be reduced, and asset spreads will need to be enhanced through more extensive investment in illiquid assets.

Many of the larger life insurers have already carved out their in-force books so that they can be run as separate coherent businesses, often with different clients, products and distributors from their strategic open businesses. This will enable an improved focus on optimising financial, customer and cost management. We expect more companies to adopt this model to improve the ability to optimise financial, customer and cost management of the back-book for cash generation. This also improves strategic optionality and helps to clarify the sources of cash and creation of long-term value across the Group.

Exhibit 10 below shows that around half of industry level cash flows currently flow from the in-force closed business lines, but unfortunately this will decline by around 20% over the next five years unless there is further action to enhance earnings. Overall we expect that cash flow earnings across the industry will be broadly flat over the next five years, and that this will not be sufficient. We believe that across the industry there will need to be an additional £1 BN p.a. generated by 2018 to invest in the continuously evolving retirement propositions, and to meet shareholders’ dividend growth expectations.

Exhibit 10: Overview of back-book management
This £1 BN target is equivalent to achieving an additional spread of around 20 bps p.a. on annuity liabilities from illiquid asset investment, plus a further 10 bps p.a. on other in-force assets through broader management initiatives. Exhibit 11 sets out our holistic framework for assessing and prioritising all pockets of in-force value opportunity.

Winning life insurers will set themselves strong targets for working the back-book, the target we have set out above is achievable, but very different in application across the industry. We estimate that if these targets were achieved across the industry then this would support both cash flow generations and dividend growth of around 3% p.a. for the next five years. This is only slightly lower than our expectation of 4% p.a. growth for retirement platform businesses across the industry by that time, therefore we expect that successful in-force management will be an essential underpin for share prices during the difficult industry transformation.

There is still huge potential to build spread from illiquid investments

Life insurers are natural providers of long-term fixed rate financing to the UK economy. The insurance industry has a large and rapidly growing block of individual and bulk annuities that are inherently illiquid because clients have little optionality concerning the schedule of payments. The predictability of life insurers’ liabilities means they can safely make illiquid investments, capturing significantly higher spreads than they could earn from investment in liquid capital market instruments.
The principal opportunity is in commercial mortgages. Prices are mainly set by banks, which need high-margins to compensate them for the liquidity risk they face (which insurers do not), and the stock of commercial mortgage assets is similar in size to the £270 BN stock of annuity liabilities\(^3\). However, in the other popular areas of social housing investment and infrastructure finance, insurance and pension fund demand has already compressed spreads.

 Those companies that best capture these in-force book and illiquid investment opportunities will significantly outperform our targets. Leading insurers can already achieve in-force pickups of up to 50 bps p.a. on their in-force books, or five times the target set out above. Similarly an illiquid asset pick up of just 20 bps is small relative to the improvements that enhanced annuity providers have achieved over the past two years or so. A strong in-force management strategy is a prerequisite for success over the next five years.

\(^3\) As at year end 2013.
6. CAPITAL, VALUE AND MORE
INDUSTRY CONSOLIDATION

More in-force consolidation is coming

We expect further consolidation in the life industry, mostly in back-book acquisition. The case for retaining back-books within a broader insurance group is breaking down, and five years from now we do not expect to see many significant mixed businesses left in the market:

• Insurance management teams are now radically unlike those that built the back-books over previous decades. They do not see a return to the broader product ranges of the past as feasible, and view the in-force book as an asset whose value should be maximised
• Rising interest rates and recovering equity markets have significantly improved the economics of closed with-profits funds. The sale of a back-book can now be seen as a way of releasing capital to invest in promising opportunities rather than simply the disposal of a problem
• The Solvency II transitional arrangements delay the on set of stricter capital requirements for back-books
• The shareholder value of the back-book can be improved by the added clarity of value and the option to sell
• There may also be some front-book consolidation, particularly sales by those insurers who have failed to make the transition to the new platform-based retirement market, who are unable to achieve economies of scale or who have failed to build attractive propositions that can be sold profitably

The relationship between capital and strategy

Improved cash flow generation is key for future investment and dividend growth. However, we expect that these will also be supported by reduced capital requirements across the business, and successful in-force management will be a strong source of one-off savings here. In addition, the capital intensity of the open businesses will reduce due to the lower capital requirements for protection and unitised business under Solvency II, and the reduction in sales volumes for new individual annuities. We expect that the reduction in individual annuity volumes in-force across the industry will release around £3 BN of capital over the next five years.

The big strategic capital issue for all life insurers will be whether or not to participate in the capital intensive bulk annuity market. Those which do not, will be on a path to a future as a mass market retirement asset platform provider, with smaller protection and individual annuity businesses attached. These will be cash generative businesses with very little need for new capital other than for acquisitions, and will be assessed by shareholders on the basis of assets under management (AUM), growth in assets, and bps margin generation. As they transition they may also be more likely to sell their in-force books.
Those life insurers that participate in the bulk annuity market will continue to be risk managers, and will maintain strong asset liability management capabilities. These businesses are also more likely to be active in acquiring in-force books, in order to improve the return on their risk management capabilities.

If the bulk market grows as we expect then it is likely that in the medium to longer term it will be less capital intensive because rising interest rates may allow margins to be increased. However, the industry as a whole will need new capital if market sales volumes are in line with our expectations, and this will require a very different approach to market communication. Lumpy bulk annuity businesses are unlikely to attract a high valuation multiple on new business earnings and (subject to market sentiment) and at the same time it is likely that the cost of new capital may be relatively high. These businesses will need to be active participants across the capital markets with very strong shareholder communication around capital management, value creation, and pricing and deal decisions. They have the potential to create huge amounts of shareholder value over the next 10 years.
7. WHAT TO DO NEXT

The next five years will require massive change in the UK life industry. It is likely that it will emerge as a more valuable industry, with a clearer role in society and the economy, providing mass market flexible retirement propositions, with much stronger customer engagement than today. We believe that those insurers who successfully make the transition will enjoy extremely rapid share price growth from that point on, in order to ensure that your business is one of the winners we recommend:

• Develop a strong in-force management strategy now with clear cash generation and capital release targets designed to meet your transition investment and dividend needs
• Begin building the new propositions now, use a structure that facilitates rapid evolution. Throw away existing IT development approaches and use new technology approaches based around delivery and timescale requirements rather than bottom up estimates of system change requirements
• Make the decision on bulk annuities now. Make sure that this is fully connected with your future capital and stakeholder management strategies
• Make several bets on retirement, be prepared for one or more to fail
• Be ready to innovate and to change rapidly. The market will change so fast that no proposition built today can be future-proof
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