

Strong foundations for growth

✓ The bulk annuity market has enjoyed another record-breaking six months – and the work Aviva has put into its de-risking technology platforms should mean the next six months are impressive too

£ 17.6 billion. That's the staggering amount of buy-in and buyout activity in the UK market. That far exceeds the £7.8 billion that took place in H1 2018, according to research from LCP. The year's de-risking activity, from June 2018 to June 2019, was the busiest ever, with over £30 billion recorded – more than double the £14.9 billion activity the year before.

The past 12 months has also seen the largest buy-in and buyout transactions ever recorded. Amongst this record-breaking is Aviva, which conducted the highest volume of de-risking deals in the last full year, completing 69 transactions.

Aviva MD of defined benefits solutions, Tom Ground, says: "The market has seen a record-breaking volume of transactions in the first half of the year, driven by pricing affordability. From our perspective, we're continuing to build on last year's successes, where we transacted a record number of deals, serving schemes of all sizes and this ambition underpins the significant investment in the business we have made."

It's not surprising Aviva has completed the highest volume of deals in that time – after all, the company focuses on providing de-risking products to the whole of the market. DB schemes, big or small, looking to de-risk know they will get a quote from Aviva, something smaller-sized schemes can't be so sure about with other insurers.

What is surprising, however, is that Aviva delivered this outcome while also investing heavily in both its front-end and back-end technology platforms.

Behind the scenes, Aviva is significantly upgrading its administration capability, improving both flexibility and efficiency. It's also working to deliver digital service for buyout members through the integrated MyAviva portal. This makes it simple and convenient for customers to manage their annuity policies online and to see all their Aviva policies in one place.

This investment will deliver enhancements to the customer experience as the company moves into 2020.

On top of making things better for the customer, Aviva is working innovatively on its front-end pricing platform to streamline processes for schemes looking to conduct a buy-in or buyout. Through ongoing work to automate and upgrade these systems, Aviva will significantly reduce the amount of time it takes to quote for a de-risking deal.

According to Ground, schemes looking to de-risk are at the mercy of market pricing volatility. By speeding up the quoting process, Aviva is looking to help increase certainty for schemes when completing that all-important bulk annuity deal.

The final element of Aviva's transformation is its focus on refining its reinsurance and asset origination capabilities.

In 2019, Aviva created a new asset origination team at Aviva, serving both the bulk and individual annuity books – a move that is paying dividends already. At a time of record growth – when insurers need to look more widely for appropriate

backing assets without breaking concentration limits – the new team has successfully diversified the spectrum of assets Aviva is using. Longer duration assets and new international asset types have played a key role in this.

It's this focus on the end-to-end process from Aviva that will help the bulk annuity market continue its soaring ride.

What does the future look like?

With a pipeline of activity already lined up, Ground expects Q3 2019 to see high volumes of de-risking activity. After that, he expects to see a quieter period at the end of the year as the dust settles on the impact of Brexit.

But with over £1.8 trillion of DB liabilities to be insured according to the PPF 7800 Index, Ground expects this to be a brief pause in an otherwise buoyant market. And, as Aviva's recent work shows, it's a market that continues to evolve to meet the needs of DB schemes.

Ground says: "The market will inevitably cool as we move through the Brexit period, but I anticipate it picking up sharply again in 2020. Affordability will continue to be the key consideration. And with the dynamic asset and reinsurance strategies insurers have in place, I think they are well placed to support this growth."

"From our perspective, we've made significant investment in the business to ensure Aviva is poised to play a key role in supporting de-risking in the UK. As a whole-of-market provider, we help both small and large schemes de-risk. Our increasing efficiency and slicker processes mean we will be well positioned to continue to be a leading provider in the de-risking market."



Aviva MD of defined benefits solutions, Tom Ground

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