



Press Release

12 February 2015

Royal London reports strong new business results for 2014

Royal London, the UK's largest mutual life, pensions and investment company, presents its new business results for the year ended 31 December 2014.

Key performance indicators (figures in brackets show movement compared to 2013 unless otherwise stated)

- Total continuing new life and pensions business sales for the year ending 2014 (on a PVNBP basis)¹ was up 39% at £4,826m (£3,463m in 2013). Main product line performance:
 - Group Pensions £2,199m (+83%)
 - Individual Pensions £1,388m (+25%)
 - Drawdown £781m (+43%)
 - Protection Intermediary £338m (-23%)
 - Protection Consumer £8m (+167%)
- The Group has achieved strong new business growth in 2014. Group pensions, individual pensions and consumer protection are particularly worth noting:
 - The Group Pensions business continues to move ahead strongly with an 83% year-on-year increase as the process of automatic enrolment reaches smaller employers. The company is well placed to support employers in 2015 by delivering a high quality, compliant automatic enrolment solution targeted at their needs.

¹ See Editor's Note 3 for an explanation of the PVNBP basis.

- Individual pensions' new business figures are up 25% on last year. In the fourth quarter sales have risen 65% compared to Q4 2013 (£443.2m Q4 2014 and £269.5m in Q4 2013). This result is based on the very high reputation for product and service excellence of the individual pensions range. As a consequence advisers use Royal London's award winning personal pension product, Pension Portfolio, to prepare their clients ahead of the pensions freedoms in April 2015.
- Royal London reinvigorated its direct to consumer insurance proposition in late 2014 and sales have resulted in a strong uplift in business compared to the prior year.

The Group is a market leader in the insured advised drawdown market and is very well placed to offer access to pension freedoms:

- Existing advised customers will be able to take all or part of their pension as a lump sum from their current plan, as well as having the option to transfer to drawdown.
 - Flexi-access drawdown will be available both to existing and new customers, giving them complete flexibility over the level of income they select.
 - Existing customers with a capped drawdown plan taken out before 6 April 2015 will have the option to continue their plan on a capped basis or convert it to flexi-access drawdown at any time.
 - Royal London's Pensions Portfolio customers will be able to access drawdown within the same pension plan without transferring to a new plan.
 - Royal London will be able to accept transfers in from both existing capped and flexible drawdown plans.
- The asset management business continues to perform well, with Royal London Asset Management (RLAM) achieving net new external business sales of £2,005m in 2014 (£2,450m in 2013). Wholesale net flows were predominantly into the RL UK Equity Income (£637m), RL Corporate Bond (£187m) and RL Cash Plus Funds (£144m). Institutional net flows of £837m included £296m into the RL Pooled Pension Credit Funds and the RL Cash Plus Fund.
 - The Ascentric wrap platform achieved net new assets of £1,242m (£1,683m in 2013) with £8.87bn funds under administration at the end of Q4 2014. Ascentric continues to royallondon.com

develop effective and beneficial partnerships, including the product link with Prudential as of December 2014. Ascentric is the only whole of market platform to offer access to the Prudential onshore bond and the partnership further enhances the full range of tax wrappers available to its users.

- Royal London's consumer protection business started test marketing insurance products direct to consumers in Q4 2014. The Royal London Over 50s Life Cover product helps those with few savings who are facing funeral poverty by providing a final cash sum that is on average 6% higher than the market's leading provider and offers a fairer deal for long term customers who cease paying their premiums.²
- The new business volumes for the intermediary protection business are down on the same period last year (£338m in December 2014; £436m in December 2013), however in this final quarter they are up 5% compared to the same quarter last year (£99m Q4 2014; £94m Q4 2013), proving that the focus on enhanced service, product coverage and better pricing is starting to show results. The business continues to see a sustained and positive response to the improvements we made in Q4, both on the technological front and through the improved critical illness definitions for Bright Grey. We are building on this success and throughout 2015 will continue to deliver a strong and value-led protection proposition. Bright Grey and Scottish Provident will become a single Royal London branded business in the second half of this year.
- Total Group funds under management were £82.3bn as at 31 December 2014, an increase of 12% on 31 December 2013.

Phil Loney, Group Chief Executive of Royal London, said:

"This is a particularly pleasing set of results. We have continued to move ahead in the individual and group pensions markets and have begun to see the results of some of the long term investment that we have made in our intermediary protection business. New business is coming onstream for our consumer protection lines too. I think that this demonstrates one of the benefits of our mutuality; we are able to invest time and effort in making sure our

² Average rate based on a sample of 50 – 75 year old applicants in January 2015, paying a monthly premium of £10, £20 or £30. The figures are correct as at 28/01/2015

propositions are right for their market over the long term without the pressure of shareholders with short time horizons looking for a quick return on their investment.

The meticulous approach to implementing change is certainly not a feature of the Government's latest pension reforms. We wholeheartedly support the policy objective but customers are not ready for the new pension freedoms, which have been thrown into place in an entirely unrealistic timescale. I fear that many will make the wrong, often irrecoverable decisions about their retirement and this will result in some very poor outcomes. The simple fact is that many people, perhaps most, have not engaged with pension freedom and lack the basic financial knowledge to take the next steps.

The Government has addressed this by setting up Pension Wise, a free and impartial service to help people understand their options.

For the last three months of 2014 we included reference in our wake up packs to the services offered by The Pensions Advisory Service - TPAS. Of those customers without an adviser we found that surprisingly few people took up the offer to speak with the TPAS experts. Of the 3,600 letters we sent out in the final quarter of 2014, only 71 customers made contact with TPAS: a response rate of less than 2%. The offer was made towards the end of the covering letter in the standard wake up pack. Given the importance of getting sound guidance at retirement, we are working with the Government's Pension Wise team on different signposting techniques that we hope will be more effective at getting our non-advised customers to take advantage of the new pensions guidance service.

I remain to be convinced that a new leaflet with a new logo, and a publicity campaign will dramatically improve response rates anytime soon. Meanwhile it appears that Citizens Advice will only have a limited capacity for face to face guidance in place for April.

The FCA has recently introduced the requirement for pension providers to ask additional questions about personal circumstances and issue risk warnings about the adverse consequences of some decisions. We believe that this belated intervention will not solve the problem. Most people have no idea how close they are to the next income tax threshold or how the detail of means testing for welfare benefits works.

A high priority on the “to do” list of the next Chancellor and Pensions Minister must be to address the advice vacuum for middle market savers, with clear direction given to the FCA to make rapid and substantial progress. Without appropriate impartial regulated advice there is a very clear risk that many over 55s will make inappropriate decisions which land them with an unnecessary tax liability and an inadequate income to live on.

George Osborne's pension reforms have the potential to become famous for helping people to improve their retirement incomes but without plentiful and affordable financial advice they risk becoming an infamous example of political bungling.”

-ENDS-

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[Editor's notes:](#)

1. Royal London is the largest mutual life, pensions and investment company in the UK, with Group funds under management of £82.3 billion. Group businesses serve around 5.3 million policy holders and employ 2,829 people. (Figures quoted are as at 31 December 2014).

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The Group is currently moving all of its UK businesses under a new version of the Royal London brand. The Group's independent wrap platform will remain branded Ascentric.

2. Continuing new life and pensions business for the year to 31 December

Present Value of New Business Premiums

	2014 £m	2013 £m	Change %
Intermediary:			
Pensions	4,454	2,996	+49%
Protection	338	436	-23%
Consumer:			
Protection	8	3	+167%
Other	26	28	-7%
Total continuing life and pensions business	4,826	3,463	+39%

3. Present Value of New Business Premiums (PVNBP)

The PVNBP is the total of new single premium sales received in the year plus the discounted value, at the point of sale, of the regular premiums we expect to receive over the term of the new contracts sold in the year.

4. Asset Management / Administration net new business for the year to 31 December

	2014 £m	2013 £m	Change
RLAM			
Net new business, excluding external cash mandates:			
Inflows	3,755	3,933	-5%
Outflows	(1,750)	(1,483)	-18%
Net	2,005	2,450	-18%
Ascentric			
Net new assets under administration	1,242	1,683	-26%

5. Financial calendar

31 March 2015	Financial results for 2014 and conference call
12 May 2015	Interim management statement and first quarter new business results
10 June 2015	Annual General Meeting
18 August 2015	Interim financial results and second quarter new business results
4 November 2015	Interim management statement and third quarter new business results
30 November 2015	RL Finance Bonds No 2 plc Subordinated debt interest payment date

6. Forward-looking statements

This document may contain forward-looking statements with respect to certain of Royal London's plans, its current goals and expectations relating to its future financial position. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances which are beyond Royal London's control. These include, among others, UK economic and business conditions, market-related risks such as fluctuations in interest rates, the policies and actions of governmental and regulatory authorities, the impact of competition, the timing, impact and other uncertainties of future mergers or combinations within relevant industries.

As a result, Royal London's actual future financial condition, performance and results may differ materially from the plans, goals and expectations set forth in Royal London's forward-looking statements. Royal London undertakes no obligation to update the forward-looking statements.

Appendix – Analysis of Royal London New Business Results – Life and Pensions

PVNBP figures – year to 31 December

	2014 PVNBP (£m)			2013 PVNBP (£m)			% change		
	Regular	Single	Total	Regular	Single	Total	Regular	Single	Total
Intermediary:									
Pensions	2,078	2,376	4,454	1,101	1,895	2,996	+88%	+25%	+49%
Protection	338	-	338	436	-	436	-23%	-	-23%
Consumer:									
Protection	8	-	8	3	-	3	+167%	-	+167%
Other	1	25	26	1	27	28	0%	-7%	-7%
Continuing life and pensions business	2,425	2,401	4,826	1,541	1,922	3,463	+57%	+25%	+39%
Discontinued life and pensions business - RL360 ⁽¹⁾	-	-	-	111	285	396	n/a	n/a	n/a
Group Total	2,425	2,401	4,826	1,652	2,207	3,859	+47%	+9%	+25%

- (1) On 14 November 2013 the Group's wholly owned offshore subsidiary, Royal London 360° Insurance Company Limited, was sold by means of a management buyout and has therefore been classified as a discontinued operation.