

18 June 2009

MARKET COMMENT FROM KATHARINE MOXHAM – AFTER AEGON

“In an economic downturn, there’s an inevitable tendency for corporate moves to be perceived as a potential sign of a broader market shift. So it’s perhaps not surprising that the recent announcement from Aegon Scottish Equitable of its intention to stop writing Group Risk business has turned the spotlight on the health of the wider UK Group Risk market. But I would guard strongly against reading anything into a strategic decision by a specific provider.

Group Risk Development (GRiD) has represented the needs of the industry for more than 10 years and the Group Risk industry has witnessed many periods of market volatility and similar withdrawals from the market over the years. From our experience, it’s natural for the challenging market conditions we are currently experiencing to act as a catalyst for some providers to review their presence in the market, but equally they may create opportunities too. 2009, for example, has already seen Zurich Corporate Risk enter the market and other potentially significant providers expected to follow suit – demonstrating that the market remains buoyant.

Further commentary on the underlying confidence in the market comes from Swiss Re’s Group Watch 2009 report into the latest trends in UK Group Risk business. The 2009 report records growth across all Group Risk premiums during 2008:

“Across all three types of business, 2008 saw a growth in group risk premiums. Overall in force premiums have risen by 3.1% to GBP 1.64 billion, compared with 1.59 billion at the end of 2007.”

The report does go on to acknowledge that, whilst uncertainty remains over the exact impact of age discrimination regulations and the gloomy economic climate continues, growth is likely to remain tough for the industry in the short term. However, upbeat qualitative responses reveal that respondents appear committed to working together to raise the profile of Group Risk and its benefits to employers, end users and the media – key to putting us in the best possible position to confound negative market predictions and build for future growth.

This is echoed by our own experience. GRiD represents almost all the offices currently writing UK Group Risk business as well as a growing number of intermediaries and we have seen our membership numbers rise steadily in recent years. Nationally, UK Group Risk business remains an extremely competitive market where our members are a pioneering force at the forefront of industry innovation. In this environment, clients and intermediaries wishing to transfer their Aegon schemes to other providers can rest assured that they will be able to do so with minimal disruption whilst benefiting from extremely competitive pricing.

So, while it’s always disappointing when a provider decides to exit the market, with many significant players left in the market and new entrants joining, the Group Risk business

remains in robust health with a compelling market proposition which is deeply relevant to current business needs. “

478 words

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About GRiD:

Founded in 1998, GRiD encourages awareness and uptake of corporate group protection benefits – income protection, group life insurance and critical illness cover – on behalf of its members which include insurers, reinsurers and intermediary businesses.

Under the chairmanship of David Cross, Managing Consultant, Watson Wyatt, GRiD aims to enhance the industry's profile among media and stakeholder groups. The Group provides a collective voice to Government and participates in industry wide initiatives such as the qualification in Group Risk launched jointly with the Chartered Insurance Institute. In addition, in May 2009, the Group appointed its first dedicated spokesperson, Katharine Moxham, formerly Consulting Director, Health & Risk at Jardine Lloyd Thompson to provide expert media comment on a full range of group risk issues.