

Partnership Assurance Group plc
Interim Management Statement for the
quarter ended 30 September 2013

13 November 2013

STRONG PERFORMANCE IN A CHALLENGING MARKET
REMAIN ON TRACK TO MEET FULL YEAR OPERATING PROFIT
EXPECTATIONS

New Business Sales ⁽¹⁾	3 months to 30 Sep 2013 £'m	3 months to 30 Sep 2012 £'m	Change %
Retirement	282.8	268.6	+5
Care	16.8	23.4	-28
Protection	0.8	0.5	+38
Total	300.3	292.5	+3

	9 months to 30 Sep 2013 £'m	9 months to 30 Sep 2012 £'m	Change %
Retirement	884.3	786.7	+12
Care	44.9	68.6	-35
Protection	2.6	2.3	+13
Total	931.7	857.6	+9

- **Q3 Retirement New Business sales up 5% to £283m, versus overall NSA market decline in excess of 15% for the same period ⁽²⁾**
- **Total Q3 New Business sales up 3% to £300m**
- **New business margins improving, as pricing discipline is maintained**
- **Continue to develop the Defined Benefit de-risking proposition, with 3 further transactions since the half year, and a strong pipeline**
- **Remain on track to meet full year 2013 Total Operating Profit expectations**

Commenting on these results, Steve Groves, Chief Executive Officer, said:

"I am pleased to report another quarter of growth which has been achieved in a market that continues to adapt to the changes brought about by the introduction of RDR. Partnership's core Retirement sales grew by 5% over the period, which represents a strong performance against the backdrop of a total NSA market decline in excess of 15%. The fundamental drivers expected to deliver market growth over the medium and long term remain intact, and we therefore continue to be confident that the market disruption is a temporary phenomenon.

Looking ahead, we do not expect to see growth in our year-on-year retirement sales in Q4 given that sales in the final quarter of 2012 benefitted materially from regulatory change, in particular the introduction of gender neutral pricing.

Despite the challenging sales environment we have maintained our focus on new business margins which, as expected, have improved against those reported in H1. This, together with a continuing strong performance from the in-force book, gives us confidence in our ability to deliver total operating profit in line with expectations for the full year."

Notes:

- (1) Single Premium Equivalent sales completed in the period. Figures are unaudited.
- (2) Based on Towers Watson enhanced annuity survey results for Q3 2013.

Operating profit remains on track to meet expectations.

- Partnership's Intellectual Property continues to support pricing discipline, despite a falling yield environment and increasingly competitive pricing in the lifestyle segment of the market
- Completion of a material Equity Release bulk transaction in the quarter delivered anticipated yield improvements
- New Business profit margin improving as expected
- In-force business continues to perform strongly

Retirement new business sales outperform a challenging market.

- NSA market fell in excess of 15% in Q3 against same period in 2012
- As noted at the half year, market activity continued to be negatively impacted into Q3 as a result of the changes introduced by RDR
- Quote activity in the market continues to improve
- Partnership's outperformance against the market was enhanced by completion of three DB de-risking transactions in the quarter, emphasising Partnership's leading position in medically underwritten buy-in and buy-out transactions
- Pipeline of further DB de-risking deals remains strong

Care new business sales gradually recovering.

- Recovery expected to remain slow, with volumes gradually increasing into 2014

Operational updates

- Recognised as Best Enhanced Annuity Provider (Investment Life & Pensions MoneyFacts awards) and awarded 5 Stars in the FT Adviser Online Service awards

No material change to the financial position of the Group

New Business Sales by quarter ⁽¹⁾

	3 months to:						
	30/9/13	30/6/13	31/3/13	31/12/12	30/9/12	30/6/12	31/3/12
	£'m	£'m	£'m	£'m	£'m	£'m	£'m
Retirement	282.8	242.9	358.6	380.8	268.6	210.5	307.6
Care	16.8	13.3	14.8	25.8	23.4	19.5	25.7
Protection	0.8	1.1	0.7	0.4	0.5	0.8	1.0
Total	300.3	257.3	374.1	407.0	292.5	230.8	334.3

Notes:

- (1) Single Premium Equivalent sales completed in the period. Figures are unaudited.

Enquiries

Investors:

Chris Rhodes, Director of Investor Relations,
+44 (0) 207 398 5989
investor.relations@partnership.co.uk

Media:

Jim Boyd, Director of Corporate Affairs,
+44 (0) 207 618 2744
pressoffice@partnership.co.uk

Citigate Dewe Rogerson:

Michael Berkeley
Grant Ringshaw
+44 (0) 207 638 9571

A copy of this announcement will be available on Partnership's website www.partnership-group.com

An analyst's call will occur at 8.30 am GMT on 13 November 2013. To access the conference please use:

+44 (0) 20 3003 2666 (if calling from Europe)
1 866 966 5335 (if calling from the US)

Forward looking statements

This announcement in relation to Partnership Assurance Group Plc and its subsidiaries (the 'Group') contains, and we may make other statements (verbal or otherwise) containing, forward-looking statements about the Group's current plans, goals and expectations relating to future financial conditions, performance, results, strategy and/or objectives.

Statements containing the words: 'believes', 'intends', 'expects', 'plans', 'seeks', 'targets', 'continues' and 'anticipates' or other words of similar meaning are forward-looking (although their absence does not mean that a statement is not forward-looking). Forward-looking statements involve risk and uncertainty because they relate to future events and circumstances that are beyond the Group's control. For example, certain insurance risk disclosures are dependent on the Group's choices about assumptions and models, which by their nature are estimates. As such, actual future gains and losses could differ materially from those that we have estimated.

Other factors which could cause actual results to differ materially from those estimated by forward-looking statements include but are not limited to: domestic and global economic and business conditions; asset prices; market related risks such as fluctuations in interest rates and exchange rates, and the performance of financial markets generally; the policies and actions of governmental and/or regulatory authorities, including, for example, new government initiatives related to the provision of retirement benefits or the costs of social care and the effect of the European Union's "Solvency II" requirements on the Group's capital maintenance requirements; the impact of inflation and deflation; market competition; changes in assumptions in pricing and reserving for insurance business (particularly with regard to mortality and morbidity trends, gender pricing and lapse rates); risks associated with arrangements with third parties, including joint ventures and distribution partners; inability of reinsurers to meet obligations or unavailability of reinsurance coverage; the impact of changes in capital, solvency or accounting standards, and tax and other legislation and regulations in the jurisdictions in which the Group operates.

As a result, the Group's actual future financial condition, performance and results may differ materially from the plans, goals and expectations set out in the forward-looking statements within this announcement. The Group undertakes no obligation to update any of the forward-looking statements contained within this announcement or any other forward-looking statements it may make. Nothing in this announcement should be construed as a profit forecast.