

5 November 2015

Q3 Trading Update

Partnership Assurance Group plc ('Partnership') today announces its sales for the three months ended 30 September 2015

Q3 financial highlights

Total Q3 sales of £109 million, an increase of 22% compared to Q3 2014, comprising:

- Individually underwritten annuity ('IUA') sales of £68 million, broadly flat year on year and a 26% increase on Q1 sales, the last quarter before the Pensions Freedoms were implemented
- Medically underwritten Defined Benefit ('DB') sales of £24 million
- £16 million of care annuities and £1 million of protection

Current trading and outlook

- Quote volumes for IUAs in September and October were approximately a third higher than April 2015, when the Pension Freedoms were implemented. As a result, although conversion rates are yet to stabilise, we expect sales of IUAs to grow approximately 10% in H2 2015 versus H1 2015 and H2 2014
- Partnership generated £92 million of DB sales in the nine months ending 30 September and is in exclusive negotiations in respect of over £60 million further DB transactions. The remaining strong and growing pipeline comprises high quality opportunities across the major Employee Benefit Consultants. Q4 is traditionally a busy quarter for completions and there is the potential for this to be more pronounced this year ahead of Solvency II implementation in January 2016. This gives us confidence in our previously announced target of at least £200m of medically underwritten bulk annuity sales for the full year
- Pricing discipline continues to be maintained and gross margins in H2 to date remain consistent with H1 2015

Operational highlights

- Following clearance from the Competition & Markets Authority on 28 October, Partnership's previously announced all share merger with Just Retirement plc ('Just Retirement') to form JRP Group plc is expected to complete around late December 2015, subject to shareholder and regulatory approvals
- Enhanced Retirement Account⁽¹⁾ ('ERA') launched in October and has been well received by IFAs and customers. The ERA is a simple low cost convenient tax efficient proposition which allows customers to receive a guaranteed income and retain the flexibility of drawdown within one SIPP wrapper on an award-winning third party platform
- We estimate that over 15% of bulk annuity deals under £100 million in the first 6 months of 2015 were medically underwritten compared with 10% over the whole of 2014, demonstrating the continuing penetration of medical underwriting for bulk annuities
- Capital position strengthened through 9.99% placing, which raised gross proceeds of £54 million to cover expected integration and transaction costs, provide further comfort over the transition to Solvency II and provide additional financial flexibility to pursue future growth initiatives and product development
- Our Solvency II programme is progressing well and we await formal feedback from the PRA in due course

Commenting on Q3 sales and current trading, Steve Groves, Chief Executive Officer, said:

“Partnership continued to deliver tangible progress during this quarter. Consumer and adviser research continues to show the importance of a guaranteed income for life, as reflected by quotes for individually underwritten annuities increasing by approximately a third compared to April, when the Pensions Freedoms were implemented.

Our commitment to developing innovative new products and enhancing our existing individually underwritten annuity proposition to meet customer needs post April 2015 was demonstrated by the launch of our new Enhanced Retirement Account. This proposition provides the certainty of a guaranteed income for life as well as the flexibility to manage investments within one simple low cost tax efficient proposition on an award-winning platform. And in Defined Benefit, our pipeline is strong and growing, giving us confidence in our previously announced target of at least £200 million of Defined Benefit sales for the full year.

The Partnership business is well positioned in its chosen markets, and as part of the enlarged JRP Group, will be able to accelerate the existing strategy of leveraging our unique Intellectual Property to write profitable new business in the UK Retail, Defined Benefit and US Care markets.”

New business sales by quarter⁽²⁾⁽³⁾ (£m)

3 months to:	30-Sep-15	30-Jun-15	31-Mar-15	31-Dec-14	30-Sep-14	30-Jun-14
Individual annuities	68	74	54	62	69	135
DB bulk annuities	24	44	24	210	-	3
Care	16	13	20	19	20	16
Protection	1	1	1	1	1	1
Total new business	109	132	99	291	89	155

Notes:

- (1) Retirement account will allow customers to benefit from an individually underwritten guaranteed income for life and maintain flexibility on residual funds within the same product
- (2) New business sales are Single Premium Equivalent sales completed in the period
- (3) Subject to rounding

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Further information

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

The financial information contained in this announcement has not been audited or reviewed by the Group’s auditors.

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.