

Annuities - UK - August 2012

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"The annuity market will be required to undergo some changes in order to keep pace with the changing pensions industry as a whole. Regulation will be a key factor in framing these changes as the industry will have to adapt to a new regulatory landscape over the next year or so. Providers must be careful not to take annuity business for granted. Currently annuities are the only option for a large portion of the population, but with people working longer and saving less in pension pots and the development of annuity alternatives, providers could be forced to adapt their business models."

– Stephanie Seenan, Financial Services Analyst

In this report we answer the key questions:

- How will the annuity market change as a result of the regulation onslaught?
- The RDR – catastrophic for potential annuitants?
- Will 'third way' products gain a foothold in the market?
- Will the North American approach to pensions make its way across the pond?
- Enhanced annuities – can a collaborative approach help to bolster this market?

The annuity market faces a range of challenges, including a lack of consumer engagement in the pensions market and downward pressure on annuity rates. For those nearing retirement, annuity options and choices are increasingly important, as people try to maximise their retirement income in a difficult economic environment. The Open Market Option (OMO) has been designed to increase awareness of the quality and quantity of annuity options available to this group. For those who are starting to think about retirement but still have some way to go, annuity providers are faced with the challenge of raising awareness while offering enough differentiation to get ahead in a competitive market place.

The outlook for the annuity market is mixed. In the short-term, the market will have to contend with a lack of engagement and participation in the wider pensions market, as a growing number of people turn to alternative retirement savings plans. However, with continued growth in the number of retirees and the gradual introduction of the pension auto-enrolment from 2012 onwards, the long-term view is more positive.

Mintel's report examines the factors impacting on the annuities market. It considers how the current economic situation, regulatory changes and competitor products are affecting annuity providers. Moreover, the market size and share is evaluated along with performance on a segmented basis.

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