



The overall market size for DC pensions assets is projected to increase to over £1.7 trillion by 2030, driven by auto-enrolment

where statutory minimum contribution rates are increasing from 2% today to 8% in 2019. The incorporation of Legal & General's Workplace Savings business into LGIM enables us to bring our successful workplace savings

WELFARE REFORM CREATES OPPORTUNITIES FOR US



and fund management teams closer together. We expect to add around 240,000 new members to our platform by the end of 2016, boosting our UK DC customer base which stood at 1.8 million at the end of 2015. Greater scale and focus on unit cost management are important in increasing profitability. We're also making significant progress with SMEs, introducing a straight-through process, where we can maintain our 50bps price cap for the default fund, providing a highly efficient proposition for smaller companies.

Auto-enrolment – the next stage

Auto-enrolment has been successful in increasing the number of individuals saving into a pension. Further areas which the government could consider to help people fund their own retirements include:

1. Putting in place an automatic system for pension increases
2. Reconsidering the planned upper limit of 8% for contributions. We should follow the example of success in Australia, where employees will pay up to 12% by 2025.

Projected growth in DC assets



Source: Spence Johnson and Pensions Institute.

Auto-enrolment is reversing the decline in pension saving

By March 2015, over 5.2 million British workers had been successfully auto-enrolled since the government began its reforms in 2012.

That's more than 2.2 million workers in pension schemes since 2014, and 4.2 million more than in 2013. The popularity of auto-enrolment is shown by the fact that the overall opt-out rate is around just one in ten.

Automatic enrolment has turned around the decline in pension provision. 59% of all UK employees in March 2015 were active members of a pension scheme, compared with just 47% in 2012. The pensions landscape is being completely transformed as DB schemes decline with the majority of new pension savers being enrolled into defined contribution (DC) schemes.

A second phenomenon is the growth in master trusts as 94% of employers who chose a trust-based scheme opted for a master trust. In 2015, Corporate Adviser recognised Legal & General's expertise as an auto-enrolment provider with the award of 'Best Master Trust'.

Supporting the 'time to change' campaign on mental health.

Health is a big part of our business and we're 100% committed to focusing on mental health as part of our health and wellbeing programme. A huge stigma surrounds mental health in the workplace. Mental illness affects 1 in 4 of us in any one year. Our own research amongst SMEs found that 1 in 7 business owners feel employee stress is an increasing issue. So

in October 2015, to support World Mental Health Day, Nigel Wilson and Lord Dennis Stevenson from the mental health charity MQ held a dinner at our London office to facilitate a more detailed discussion on the challenges and issues we all face. To support our pledge to the 'Time to Change' campaign, we launched the #Smallthings campaign to encourage employees to think about the small things they could do to help one another and raise awareness about mental health. Some

of our colleagues have been brave to share their own, very personal battles with mental illness. We're building a network of mental health and wellbeing champions offering peer support to friends and colleagues.

FURTHER DETAIL
www.legalandgeneralgroup.com/media-centre/nigels-blog/



Using the auto-enrolment model to improve welfare and social care

The success of auto enrolment has shown that people are prepared to pay for a better financial future if it is made easy for them to do so and they receive tax incentives. Reform of the national insurance (NI) system could mean that people could contribute towards the funding of better elderly care.

If people are incentivised through lower NI contributions to save into an insured workplace fund to cover potential care costs, then the state could reduce the current £17 billion cost of adult social care spent by councils in England. People entering care homes wouldn't need to deplete so much of their housing assets and could pass them on to their families.

In the same way, contributory sickness and disability benefits could be replaced by a system that provides better benefits for people and helps the government reduce borrowing costs.

Reform of higher rate tax relief and reduced NI contributions can help fund the phasing out of poor-value contributory benefits for hard working

families, replacing them with 'Beveridge 2.0', a better system with more support for average earners.

Driving change in UK insurance

The vision for our UK Insurance business is to give customers access to a much fuller range of insurance products available through their choice of distribution channels and delivered digitally.

Our focus in 2015 was in improving our customer experience, making it easier for customers to apply, communicate with us and make claims.

2015 saw steady progress in digital delivery. 79% of life insurance applicants are now accepted immediately without further underwriting being needed. Our 'My Life' system made customers' lives easier by requiring fewer underwriting questions and giving clearer terms and conditions, while we were still able to apply robust risk assessment criteria.

Action to help flood victims

The horrendous floods of December 2015 and January 2016 were devastating for many of our customers and challenging for our personal claims managers. Our solution in Carlisle was to base members of our claims team in a local Community Centre all week, working with surveyors and

loss-adjusters in the heart of the community. We expect to pay out a total of £15 million in flood and storm claims.

In 2015, our Mortgage Club distributed £46 billion of mortgages, representing 20% of all mortgages taken out in the UK. Our successful surveying business celebrated a new deal with Santander bank in January 2015.

The success of the mortgage club is built around our excellent distribution partnerships, good relationships with lenders and our expertise in maintaining good monitoring controls.

SEE THE ONLINE FAST READ
www.legalandgeneralgroup.com/2015fastread

MANAGING THE RISKS

Providing insurance products that help people achieve security affordably means we have to make assumptions about how long people will live, how healthy they will be and events that could give a higher rate of claims than we'd normally expect. We price and underwrite our protection products to take account of these risks, using reinsurance to manage significant exposures.