



## FEATURE ARTICLE

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### **Resolution and Axa**

On the 24<sup>th</sup> June Axa announced that it had reached agreement with Resolution Ltd to dispose its UK-based traditional life and pensions businesses, its IFA protection and corporate pension businesses, and its annuity businesses for consideration of £2.75 billion.

[http://www.axa.com/lib/en/uploads/pr/group/2010/AXA\\_PR\\_20100624b.pdf](http://www.axa.com/lib/en/uploads/pr/group/2010/AXA_PR_20100624b.pdf)

The full details of the deal are expected to be finalised in September, and must be approved by regulators and by Resolution's shareholders.

Resolution Ltd already owns Friends Provident and intends to merge the two, saving £75m a year in costs.

Resolution wants to become the UK's biggest provider of life insurance, and is thought to be considering merging three life insurers and sell or float the enlarged business in 2013.

The combined company will be re-named Friends Life and see its embedded value (a measure of future profits) grow from £2.5bn to £6bn.

Resolution Ltd is a change from Resolution "mark one". "Mark One" acted as a consolidator, buying up insurance funds and saving administration costs by closing them to new business. That business was sold to Pearl, and is now called Phoenix. The argument used by some is that a With profits fund closure can have a big impact on investment performance: the argument being that managers no longer have the spur of needing to attract new investors while existing ones are usually locked in by charges for early surrender.

Investors in Axa don't however have to worry about the closure of their fund to new customers. That has already happened to the traditional funds now branded under Axa (with-profits and other insurance policies issued by Sun Life, Equity & Law, Provident Life and Winterthur ) and Resolution insists that it has no intention of closing any of the funds in the Corporate Benefits group personal pension and money purchase pension schemes.



Resolution may try to improve the performance but it is unlikely to be a priority - Resolution's aim is to buy up as many life funds as it can, cut administrative costs and eventually sell on the company.

I guess the bottom line is that this takeover should prompt investors (and advisers) to review policies on a case by case basis to ensure that they are still "suitable" for the investor while at the same time checking for any clauses that allow early surrender without paying the MVA (at ten years?) or any type of "guarantees".

Ultimately combining various life offices into one larger office makes sense to me and isn't necessarily detrimental to investors but is a good reason to check that policies are still appropriate for individual aims and objectives etc.

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