

Our investments continued

Financial services

Partnership Assurance

www.partnership.co.uk

Activity	Provider of retirement solutions
Location	UK
Acquired	August 2008
Transaction value	£148 million
Sales*	£588.7million
Employees	Approximately 300
Cinven representatives	Peter Catterall, Caspar Berendsen, Maxim Crewe
Senior management	<i>Chairman</i> Ian Owen <i>CEO</i> Steve Groves <i>CFO</i> Mark Dearsley

*to end December 2010 (actual)

Company description

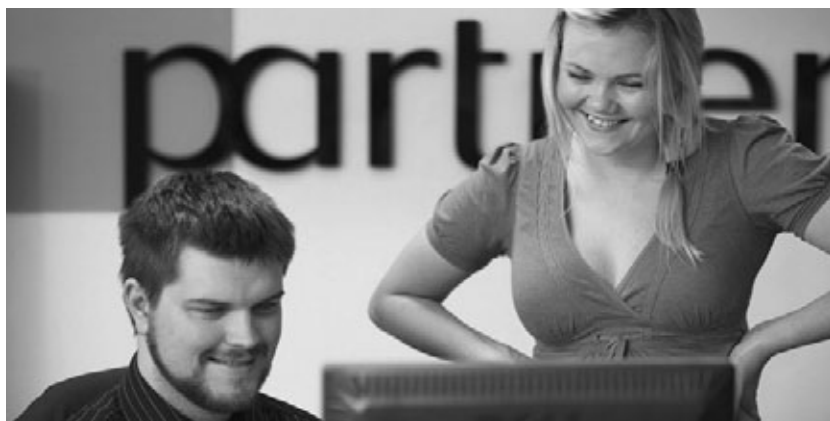
Partnership Assurance (PA) is the UK's leading provider of impaired, enhanced and long-term care (LTC) annuity products for retirees. The business provides insurance products to individuals who, because of an existing medical condition, have a reduced life expectancy compared to that of a typical person and hence qualify for a higher or enhanced annuity. Impaired and enhanced annuities offer these individuals a higher guaranteed rate of income than a standard annuity. LTC annuities are products for those entering or planning for LTC (typically in care homes).

Cinven origination

PA was identified as an attractive investment opportunity by Cinven's Financial Services team as part of a review of the UK life assurance sector. After familiarising itself with the company and its growth markets, Cinven made an approach to the previous owners to express its interest in the business. As a result of Cinven's understanding of the sector, coupled with a relationship with management that was nurtured over a period of time, the team was successful in securing a proprietary deal on an exclusive basis.

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Investment rationale and strategy

In PA, Cinven identified an opportunity to invest in a highly cash-generative business model in a market with strong structural growth through the acquisition of a market-leading company with a strong management team and differentiated intellectual property.

PA benefits from:

- intellectual property and unrivalled actuarial and underwriting expertise. Unlike its competitors, PA owns the actuarial data that enables it to price its products correctly, which in turn helps PA to negotiate more attractive re-insurance rates;
- attractive market dynamics with strong structural growth driven by the migration away from defined benefit pension schemes to defined contribution schemes, demographics and retirement trends;
- market leadership, where PA is the clear market-leader in specialist impaired and LTC markets, both of which have high barriers to entry; and
- a strong, well respected management team.

Cinven's investment strategy is focused on growing PA's core business by ensuring that it is competitively positioned to fully exploit the significant market opportunity. Specifically, as the UK market moves from a standard pricing model to individual risk-based pricing, Cinven is focused on ensuring

that PA remains the leading impaired and enhanced annuity provider by:

- making use of the unique intellectual property in the business through the introduction of new products;
- developing distribution channels to increase market share;
- expanding the executive management team to increase the company's ability to support the rapid growth;
- increasing awareness and penetration of the LTC product into the care market; and
- strengthening the capital position of PA to improve its credibility with counterparties.

Cinven value creation

During the period of Cinven's ownership, the company has made strong progress in a number of areas:

- securing exclusive, long-term contracts with leading distribution partners;
- investing in the company's systems to help it manage rapid growth; and
- growing both the senior and junior teams, particularly in the actuarial function.

The management team continues to make progress in each of the key areas that were identified before the acquisition, as well as on newer initiatives, such as an equity release product.