

UK Life and Annuity market: Critical themes for CEOs to navigate in 2026

The UK life and annuity sector has a broadly agreed strategic direction: scale where it matters, simplify where it hurts, deploy capital productively, modernise technology, and maintain regulatory credibility.

Differentiation will come through those that are prepared to take bold decisions to execute strategic objectives under increasing competition, operational and regulatory pressures.

This edition of XPS Insurance Watch outlines the key themes we believe CEOs and boards must actively manage in 2026, not just monitor.

Three realities dominate the year ahead:

1

Competition in the pension risk transfer market has changed structurally

Recent M&A heightens expectations for scale and governance. Trustees and sponsors have new options beyond insurance for pension risk transfer. The PRA's 2026 priorities highlight concerns about competitive pressures affecting pricing discipline and risk management.

2

Regulators are tightening around structural risk

The regulatory landscape for insurers is transforming, focusing on operational resilience and innovative capital structures. Firms must ensure governance is transparent and balance strategic capital deployment with strong operational frameworks to meet evolving regulations and safeguard stability.

3

Legacy complexity has become the enemy of resilience

Product sprawl, operating model fragmentation, opaque capital structures and uncontrolled AI adoption are increasingly viewed by executives, boards and regulators as risks that require active intervention, not incremental management.



2026 promises another exciting chapter for the UK Life & Annuity market, demanding transformative leadership to drive innovation, sustain competitive advantage, streamline business models, and bolster operational resilience.

David Honour
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Six key themes for 2026

1. Market structure and M&A

The platform era of UK life insurance



What's happening

The UK life and annuity market has entered a phase of platform-driven competition, accelerated by major transactions:

- ▶ Athora acquiring Pension Insurance Corporation
- ▶ Brookfield Wealth Solutions acquiring Just Group
- ▶ JAB Holding acquiring Utmost Life & Pensions

These transactions share a common thesis: insurance as a long-duration capital platform, underpinned by asset origination, permanent capital and operating leverage.



Why it matters in 2026

For CEOs, this reframes the competitive question from “are we well capitalised?” to:

- ▶ Do we have robust asset sourcing at scale?
- ▶ Are we maximising the return on capital for investors?
- ▶ Are we operationally efficient and scalable?

Firms without scale or a clearly articulated niche face increasing strategic pressure.

2. Pension risk transfer

Strong demand, tougher differentiation



What's happening

In 2025, more moderate transaction volumes (c. £40bn) contrasted with a record number of transactions and increased bidding intensity, particularly in the small-to-mid market. Structural demand for pension risk transfer remains strong, but trustees and sponsors now have more credible alternatives, including run-on strategies, phased approaches and surplus management.

The Stagecoach transaction is a useful marker for 2026: the £1.2bn Stagecoach Group Pension Scheme agreed an innovative run-on and sponsor substitution structure under which Aberdeen Group became the sponsoring employer. This illustrates that well-funded schemes are increasingly selective about how and when they de-risk, and that insurers now compete with non-insurance endgame options.



Why it matters in 2026

The basis of competition has shifted:

- ▶ Execution certainty is increasingly as important as headline pricing
- ▶ Operational credibility (administration, transition, member experience) materially influences trustee decisions

Winning BPA business in 2026 is less about “price at any cost” and increasingly about innovation, certainty and operational scaling.

3. Capital, reinsurance and alternative structures

Innovation under scrutiny



What's happening

The PRA has sharpened its focus on how insurers create capacity, not just how much they deploy. This includes heightened attention to:

- ▶ Basis risk and collateral mismatch
- ▶ Inherent risk and regulatory arbitrage in the use of FundedRe
- ▶ The growing role of alternative capital structure

At the same time the PRA has several initiatives targeted to support competition and growth including:

- ▶ Launch of the Matching Adjustment Investment Accelerator initiative
- ▶ Implemented reforms to the Insurance Special Purpose Vehicles regime to widen the types of insurance-linked securities structures available
- ▶ Consultation on the new UK captive regime aimed to launch in 2027
- ▶ Discussion on Alternative Life Capital options, with the intention to remove barriers to patient capital entering the sector



Why it matters in 2026

Capital structuring remains a legitimate strategic lever — but only where:

- ▶ Risk transfer is genuine and well understood
- ▶ Liquidity and collateral are robustly managed
- ▶ Boards can clearly articulate the trade-offs involved

CEOs should assume that opaque or weakly governed structures will face increasing supervisory friction.

4. Product rationalisation

Simplification becomes unavoidable



What's happening

As Consumer Duty changes begin to embed, we see an increasing focus on broader product rationalisation, with a focus on addressing legacy products. Successful programmes will require clear Board ownership, early agreement on risk appetite and focus on customer outcomes.

- ▶ Improve customer outcomes
- ▶ Reduce operating cost
- ▶ Address legacy products



Why it matters in 2026

Product rationalisation is emerging as one of the highest-impact CEO levers:

- ▶ Fewer product variants reduce cost and error
- ▶ Simpler propositions are easier for consumers to understand
- ▶ Legacy clean-up directly supports operational resilience

2026 is where firms move from analysis to decisive simplification.

5. Prudential focus

Operational resilience



What's happening

With rising geopolitical tensions and pressures on sovereign debt markets, the PRA expects continued focus on the operational resilience of firms.

Liquidity reporting	Solvent exit planning
Implementation of PRA liquidity reporting (PS15/25) by 30 September 2026 forces insurers to industrialise: ➤ Cashflow forecasting with no or 1 day lag ➤ Collateral mobilisation ➤ Data lineage and controls This is a treasury, risk and technology challenge — not just a regulatory reporting exercise.	By 30 June 2026, firms must meet PRA expectations on solvent exit planning (PS20/24). Insurers should treat solvent exit planning as a strategic stress test of operability, covering: ➤ Operational dependencies and outsourcing concentration ➤ Mobilisation of liquidity resources ➤ The ability to execute a transfer or run-off without destabilising customers or counterparties



Why it matters in 2026

Taken together, these requirements and emerging analysis will test whether a firm can successfully execute its strategy under stressed conditions, not just on paper.

6. Risk function modernisation and AI risk

From oversight to enablement



What's happening

AI is rapidly moving from pilot to embedded use across underwriting, servicing, analytics and decision support. At the same time, boards and regulators are increasingly focused on:

- Explainability and fairness
- Model risk beyond traditional actuarial models
- Data leakage and third-party concentration risk



Why it matters in 2026

Modern risk functions will be defined by:

- Speed: near-real-time insight and horizon scanning, not retrospective reporting
- Breadth: AI and data models fully integrated into model risk frameworks
- Control: clear ownership, human-in-the-loop governance and auditability

AI without governance creates conduct and operational risk. Governance without enablement creates competitive drag.

Key questions shaping CEO decision-making in 2026

CEOs and boards must actively manage the key themes we've outlined, not just monitor them. Asking these six key questions will help shape decision-making.

1	Where do we compete — platform scale, specialist propositions, or capital/structures?
2	Are we operationally efficient to support higher volume of transactions?
3	Can we meet solvency exist and liquidity reporting requirements and what weaknesses must we address?
4	What capital, reinsurance, and alternative structures make sense to leverage now given regulatory initiatives and scrutiny?
5	What product rationalisation decisions will we take to improve outcomes and unit economics?
6	How do we utilise AI to drive insight while meeting risk & compliance standards?

Wider themes CEOs should note

These are not standalone topics - they cut across every theme previously mentioned.

- ▶ **Productive finance and the UK growth agenda:** continued pressure on insurers to invest in productive assets, with execution and concentration risk front of mind.
- ▶ **Cyber and operational resilience:** increasingly table-stakes, but failures will be binary and reputational in impact.
- ▶ **Talent and succession:** depth in risk, actuarial, investment and technology leadership is becoming a constraint for some firms.
- ▶ **ESG and sustainability risk:** under PRA SS5/25, ESG, particularly climate and transition risk, is now a core prudential issue. Firms are expected to evidence how sustainability risks are governed and integrated into risk management, investment decisions and capital assessment. This shifts ESG from disclosure-led activity to demonstrable discipline.



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Find out more

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