XPS Group

April 2025

Risk Settlement Watch

Bulk annuity market

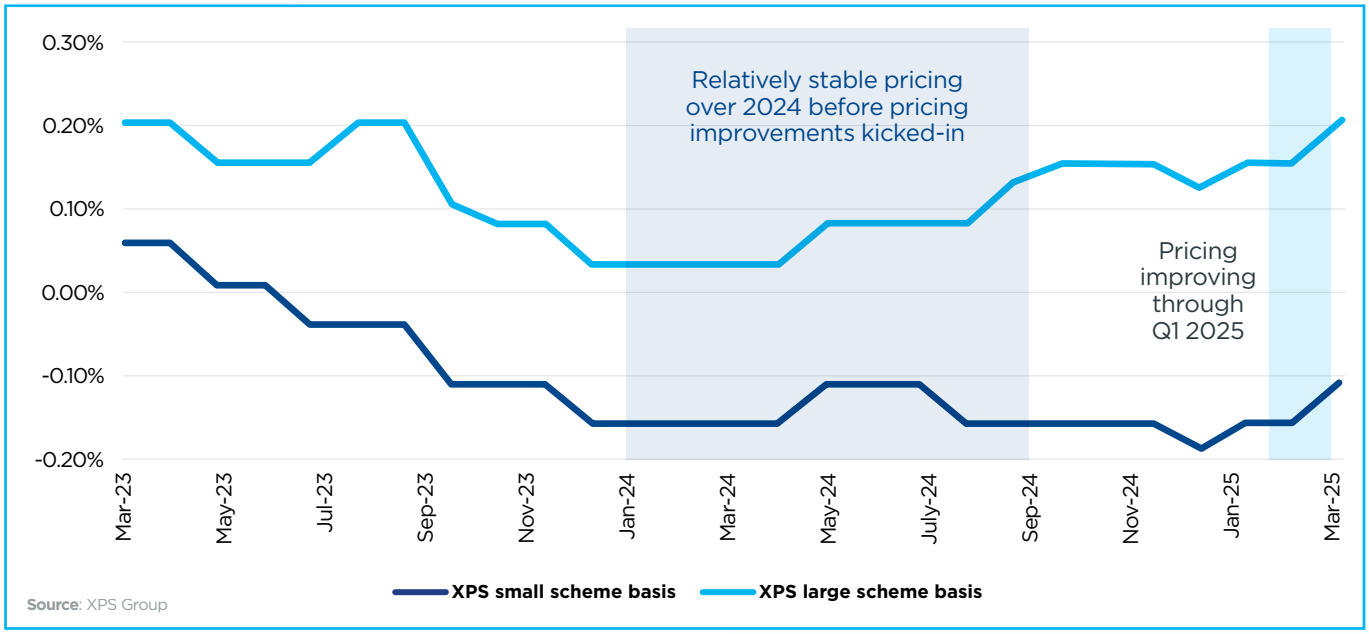
Q1 2025 trustee update

Market commentary

- There are a fewer number of large transactions actively seeking quotations in the market currently. This is leading to opportunities for small to mid-sized schemes as insurers widen their traditional target markets to utilise capacity.
- XPS has observed increased competition on transactions taken to market in Q1, 2025, with a material increase in the number of bidding insurers per transaction.
- Insurers have released final figures for the year with overall volumes at just under £48bn (comparing with £49.1bn in 2023) and the number of deals hitting record levels and approaching 300 across the market. The XPS Bulk Annuity Watch tracker tracks the bulk annuity transactions completed by each provider, by number of deals and volume of premium.

Pricing levels

XPS closely tracks pricing through pricing feeds from insurers and real-life transaction pricing across deals of all sizes. Average pricing over the past 24 months (relative to gilt yields) is illustrated below:



Source: XPS Group

Note: The pricing is based on observed market pricing and model points from bulk annuity insurers. Actual bulk annuity pricing is specific to a particular scheme's demographic and benefit profile, and other wider factors influencing appetite for a transaction.

Market volatility

There has been a period of significant market volatility following tariff announcements in the US. While equity markets are volatile, those schemes without equity exposure may benefit from more attractive insurer pricing due to widening credit spreads.

Funding, investment and other news

Rising **gilt yields** towards the year-end have improved aggregate funding levels from what were already at historically high levels. See **XPS DB:UK Funding Tracker** below.



Source: XPS Group. The data in the charts above incorporate data from The Pensions Regulator, the PPF 7800 Index and the XPS data pool.

Industry news

- The market for smaller schemes continues to be buoyant, and XPS has seen a return to a more competitive landscape with multiple insurers vying for business in the sub-£100m space. There has been a record number of deals in 2024 (c.300), with around 80% of those deals under £100m. Market capacity was bolstered by Royal London and Utmost entering the market earlier in the year.
- Insurer streamlined-solutions continue to dominate in this market, Aviva's "Clarity", Just's "Beacon", L&G's "Flow, and PIC's "Mosaic" processes all offering a structured way through the bulk annuity journey.
- Brookfield's long-rumoured entry to the market was confirmed in March and the Toronto-based insurer is actively looking to write business through its UK insurance arm, Blumont.

Outlook for 2025

Sub-£100m transactions - insurers have become more active at the smaller end of the market with new propositions and capacity available helping pension schemes attain competitive pricing. XPS has seen a greater number of insurers participating in bidding processes, giving trustees a greater choice in terms of insurer and helping to drive competitive terms.

XPS's experience remains that well-prepared schemes with well thought-out strategies continue to receive attractive pricing regardless of size.

Find out more

For further information, please get in touch with Stephen Purves, Adrian Marshall or speak to your usual XPS Group contact.



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