

## Bulk annuity market Q3 trustee update

### Market commentary

- H1 2023 has been very busy in the bulk annuity market. Insurers are yet to disclose full volumes of business written so far in 2023 but XPS predicts the busiest ever first half of the year on record.

#### Notable deals in the public domain include:

<b>RSA</b>	<b>£6.5bn</b>	largest ever bulk annuity transaction, written by PIC
<b>Harrods</b>	<b>£400m</b>	XPS-led transaction, written by Scottish Widows
<b>Thomas Cook</b>	<b>£900m</b>	PPF+ rescue case, written by Aviva

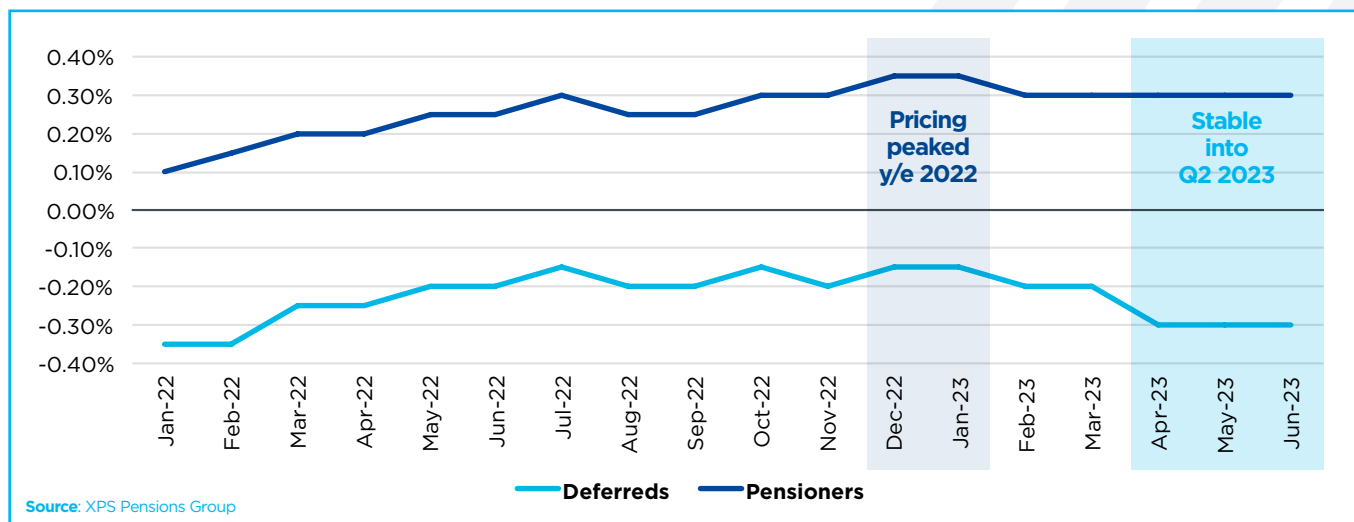
**£50bn+**

Record volumes expected  
in the market in 2023

- Insurer capacity constraints have begun to bite, with some deals attracting fewer bidding insurers than in previous years as demand builds in the market, although pricing remains competitive.
- The market for smaller bulk annuity transactions (sub £100m) has tightened during the year with most insurers requiring exclusivity at the outset of bidding processes for transactions below £25m. Streamlined approaches at the smaller end of the market, such as our **XPS Xpedite**, are becoming more popular as a way of improving insurer engagement.

### Pricing levels

XPS closely tracks pricing through pricing feeds from insurers and real-life transaction pricing across deals of all sizes. **Average pricing during 2023 (relative to gilt yields) is illustrated below:**



**Note:** The pricing is based on observed market pricing and model points from bulk annuity insurers and is representative of a generic £100m liability. Actual bulk annuity pricing is specific to a particular scheme's demographic and benefit profile, and other wider factors influencing insurer appetite for a transaction.

## Insurer updates

**Canada Life** has appointed **Tim Coulson** as its new managing director of bulk purchase annuities as part of its plans for significant growth over the next three years, which is positive news for market capacity.

In May, **M&G** announced its intention to enter the bulk annuity market. It expects to focus on bespoke deals for larger schemes and is now actively engaging on selected transactions.

**XPS is also aware of at least a further three insurers looking to enter the bulk annuity market, potentially during 2024.**

### XPS Bulk Annuity Tracker

Real-time tracking of deals completed by provider, number of deals and volume of premium.

View [here](#)

## Regulatory news

- On 15 June 2023, the **Prudential Regulation Authority (PRA)** published a letter to insurers regarding the use of funded reinsurance. Funded reinsurance is an increasingly popular way for insurers to provide additional capacity to write bulk annuity business. XPS views it as a positive that the PRA is taking steps to make sure that insurers have the appropriate risk controls in place.
- On 22 June 2023, **HM Treasury** published draft regulations relating to Solvency II reform and provided an indication of the rules under Solvency UK. Further details to follow on this in September 2023 but XPS does not expect a material change to insurer pricing as a result.

## Outlook for H2 2023

**Bond yields** are expected to remain volatile during 2023 but continue to help improve funding positions across many DB schemes in the UK.

**XPS market intelligence and deals currently in the market** suggests that the record for deal volumes (£45bn in 2019) is likely to be broken in 2023, and expected to surpass £50bn by the end of the year.

**Insurers** are likely to push for earlier exclusivity, with thresholds for exclusivity on smaller transactions likely to increase as demand continues to build. Competitive pricing is still attainable in the market, but preparation and understanding market dynamics is more important than it has ever been. Increasingly, a focus on key transaction requirements and flexibility on timescales is likely to help when approaching the insurers for quotations.

For more information about XPS Xpedite, our service for smaller schemes [click here](#).


**XPS** Xpedite

## About us

**XPS Pensions Group's specialist Risk Settlement Team** is one of the most experienced in the market and has a long track record of negotiating and advising on buy-in and buyout transactions for schemes of all sizes, from £1m to £1bn+.

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



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