

XPS Risk Transfer News

Bringing you the latest news, insights and opinion on buyout and discharging risk

XPS RiskTransfertv

XPS in conversation with leading insurers including some tips for schemes looking to transact.

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XPS' Harry Harper in conversation with **Matt Richards** from **Pension Insurance Corporation** about the trends in longevity and the implications for pension schemes.



XPS' Paula Haughton in conversation with **Jamie Cole** from **Aviva**. Jamie shares his views on the bulk annuity market and provides some tips for pensions scheme trustees looking to transact.

2020 public bulk annuity deals

For a full list of public bulk annuity deals by all advisors and including all insurers, type **'XPS bulk annuity'** into any search engine.



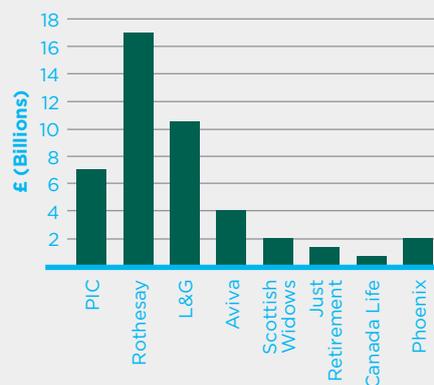
Key messages for trustees

Market volatility is rapidly altering the pricing of all assets, including bulk annuities which at time of writing have become more affordable for those already holding gilts and less affordable for those holding equities.

The insurers provide some good tips in our videos. In a busy market it is more important to request quotations in a way that suits the insurers, and to report quickly to Trustees and Sponsor – see overleaf!

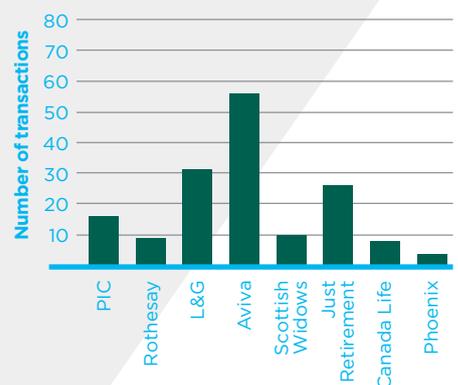
► Bulk annuity market in 2019 closed at £44bn

Bulk Annuity 2019 volumes £44bn



Source: XPS

Bulk Annuity 2019 number of deals



Source: XPS

In 2019, the bulk annuity market was the busiest it has ever been. Volumes were significantly up in 2019 from their previous record of £24bn in 2018, itself up from £1bn in distant 2006.

Our volume of deals chart (left) shows which insurers are supporting the larger scheme market. By contrast, our number of deals chart (right) indicates which insurers are supporting the medium and smaller end of the market.

It's early days yet, but in 2020 we're anticipating (prior to current market volatility) £30-40bn of deals based on the number of quotation requests currently out with the insurers, i.e. less than 2019.

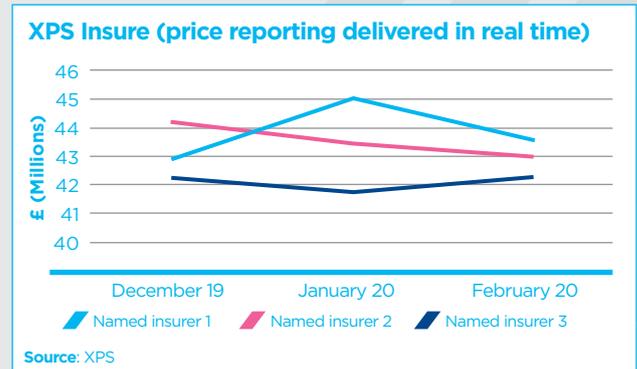
With economic turmoil making the credit assets that insurers buy cheaper and due to there being 8 insurers in the market, there is considerable downward pressure on bulk annuity pricing.



► The importance of obtaining quotations efficiently

The bulk annuity world is changing. Quotes can be turned around in a couple of weeks for those, like XPS, who have committed to a fully locked down quotation request data file. By contrast, some of the biggest advisory firms remain addicted to bespokeing every case, sadly continuing to wait for 2-3 months to receive any quotations and sometimes not getting any quotes at all.

But the other part of the picture is how fast can the quotes from the insurer make it to the client? No reason for delay, in our view, with 'XPS Insure' porting insurer quotation prices swiftly to the client, leading to a better decision making process and a more rapid and often cheaper transaction:



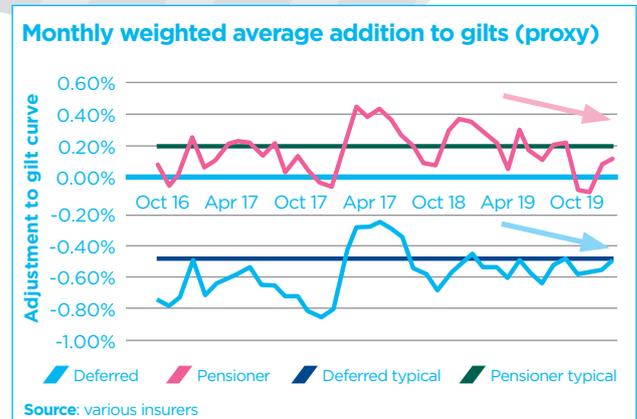
► Falling bulk annuity pricing (relative to gilts) as we head into 2020?

Recent market volatility has made all assets cheaper relative to gilts, and this includes in particular the assets that insurers buy.

We therefore expect pricing to reduce relative to the cost of meeting those same liabilities via gilts.

Pricing over 2019 was on average:

- **Pensioner pricing:** Broadly equal to the liability measured on a 'gilts + 0.2%pa' yield.
- **Deferred pricing:** Broadly equal to the liability measured on a 'gilts - 0.5%pa' yield.



► Clara and Pension Superfund: update coming soon...

It looks like the Government may do something at long last, which will hopefully facilitate TPR clearance of consolidator deals! If it does then the cost of transferring risk in relation to deferred members may come down, benefiting all schemes. **More news soon.**

For further information, please get in touch with Harry Harper, Paula Haughton, Ash Williams or Sarah Collison or speak to your usual XPS contact.



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