Risk transfer briefing, Quarter 2 2025

In this briefing, we discuss activity in the bulk annuity market over the past 18 months, and what we expect to see in the second half of 2025.

We also take a look at the latest update to the First Actuarial Bulk Annuity Index, which monitors pricing trends in bulk annuity transactions relative to self-sufficiency liabilities.

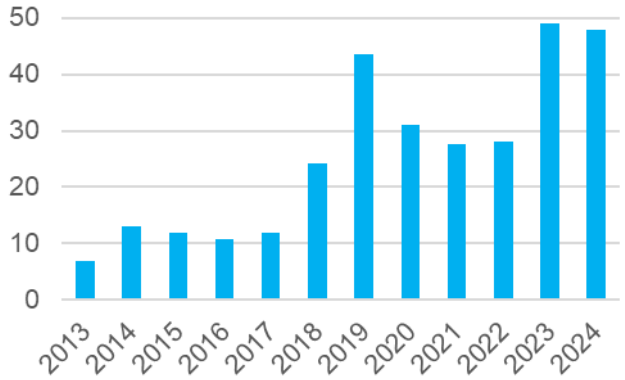
The 2024 bulk annuity market

Transactions over 2024 totalled £47.8bn – just short of the record-breaking £49.1bn in 2023. However, 2024 was a record-breaking year for number of transactions, with nearly 300 deals being carried out.

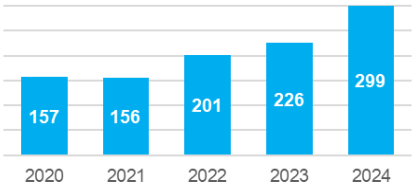
This was thanks in large part to the number of smaller schemes coming to the market and carrying out transactions – 120 of Just's 129 deals last year were for premiums of £100m or less.

2024 also saw two new entrants to the market: Royal London and Utmost Life. This was followed by an announcement in March 2025 that Blumont had received approval to write deals. This brings the total number of active insurers in the market to 11.

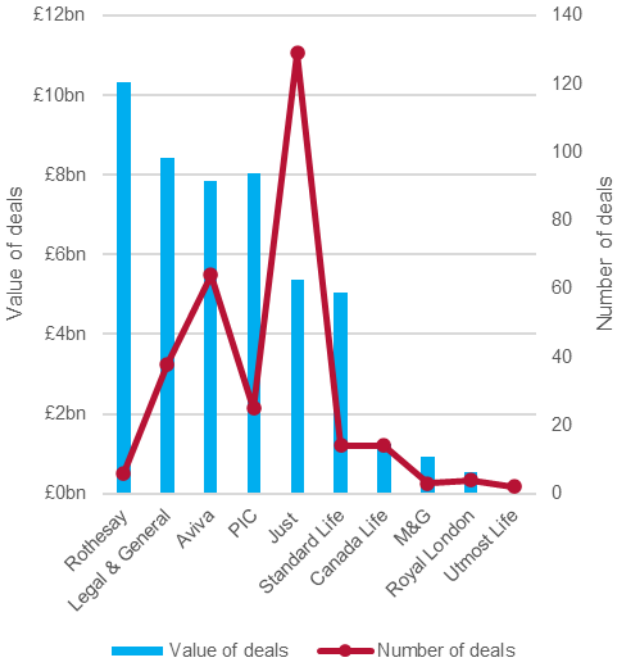
Total value of bulk annuity transactions (£bn)



Number of bulk annuity transactions



2024 volumes and values



What to expect from the second half of 2025

2025 is turning out to be another busy year both in terms of volumes and values of deals. Challenges for smaller schemes remain, but new entrants to the market and increased interest in smaller schemes from established insurers give us good reason to be optimistic.

It has been a slower start to the year than in 2024, which means there may be more opportunities as the half year-end approaches for smaller schemes that are ready to transact immediately.

Given the volume of deals over recent years, an area for trustees to keep an eye on is the speed at which schemes can progress through the post buy-in period to buy-out. Insurers have a lot of schemes waiting to finalise data and convert to buy-out. Across the market it's estimated that there are more than 500 schemes still at the data cleanse stage and waiting to convert to buy-out. This is making delays more likely at this stage of risk transfer projects.

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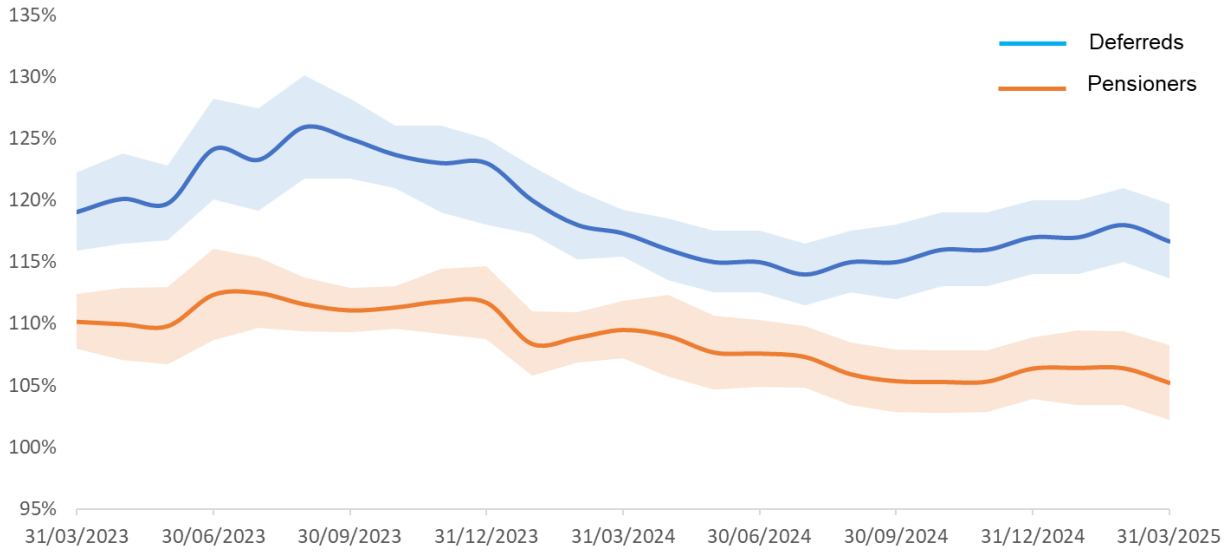
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First Actuarial Bulk Annuity Index

The chart below shows the average price of a £50 million bulk annuity transaction (with a mixture of fixed and inflation-linked liabilities) as a percentage of the liabilities measured on a low-dependency basis, using a discount rate of 0.5% pa above gilt yields.

The solid lines represent our estimate of the average price relative to low-dependency liabilities. The shaded area shows the range of sample pricing received from different insurers.

First Actuarial Bulk Annuity Index (£50 million transaction) – Pricing relative to low-dependency liabilities



Insurers charge a higher premium for deferred members than for pensioners of the same age. This is because it's harder to predict the benefit outlay. Deferred members are entitled to exercise options around when to retire and whether to take part of their benefits as a tax-free cash lump sum. For many schemes, the cost of a full buy-out can be prohibitive. But generally, as schemes mature and approach a low-dependency target, the extra funding required to reach buy-out decreases.

The increase in gilt yields has materially reduced the cost of buy-out and increased demand. However, buy-out pricing is also affected by other variables such as credit spreads, competition, insurer capacity and reinsurance pricing.

Over the last 24 months, we've seen the cost of buy-out increase relative to gilt-based liabilities, peaking around summer 2023 and then falling back again. An increased appetite for schemes at the smaller end of the market has also led to a gradual weakening of insurer pricing relative to low-dependency liabilities.

As at 31 March 2025, we estimate that the average price of a bulk annuity covering pensioners will be 5% higher than the equivalent low-dependency liabilities. In other words, for a scheme that is 100% funded on a typical low-dependency basis, we estimate that for every £10m of pensioner liabilities, an additional £0.5m of funding will be required. However, for every £10m of deferred liabilities, we estimate an additional £1.7m of funding will be required.

Further information

First Actuarial is ideally placed to help schemes under £100m navigate the bulk annuity market, having helped schemes secure bulk annuities with the majority of the insurers operating in the sub-£100m market.

Find out more about **First Actuarial's risk transfer services**.

To discuss how we can help your scheme with a potential bulk annuity, please contact your usual consultant or **email our risk transfer team**.