



Pension Risk Transfer Quarterly Insights

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Insurers with the greatest asset sourcing capabilities will define the BPA market



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When I come to write my quarterly updates, I like to reflect on what I said in previous quarters. Well, last quarter we were talking about a changing market landscape and the launch of Blumont Annuity as the 11th insurer in the Bulk Purchase Annuity (BPA) market. Fast forward a few months, and the landscape has transformed once again!

The asset sourcing arms race

This quarter was notable for two significant corporate transactions within the BPA market:

- Athora, co-founded by Apollo, acquired PIC
- Brookfield Wealth Solutions acquired Just, setting up the expected merger of Blumont into Just

In the same period, we also saw L&G forming a strategic partnership with Blackstone for asset sourcing.

What we are seeing in the UK bulk annuity market isn't just private equity snapping up profitable UK insurers, but intense competition for stronger asset sourcing capabilities, particularly around the types of assets that are attractive for insurers e.g. private credit, infrastructure. All of Apollo, Blackstone and Brookfield have such capabilities.

Why is this happening now? Of the approximate £1 trillion in UK private sector DB pension scheme assets, a considerable concentration lies within a small number of large schemes. Although 2025 has been a quiet year for large scheme transactions, these schemes appear to be biding their time, with many coming to the insurance market in due course. Insurers with stronger asset sourcing capabilities will have a competitive advantage when it comes to pricing for these larger schemes.

Furthermore, insurers tied to global asset managers have historically used funded reinsurance. As insurers strengthen their asset sourcing capabilities and enhance their ability to access material equity capital, we might start to see these insurers reduce their appetite for external funded reinsurance. Where there are now global insurance entities, we may see some more intra group arrangements to maximise efficiencies and returns. We expect the PRA to continue to scrutinise any use of funded reinsurance structures to ensure the security of policyholder benefits, as noted in speeches by the Bank of England on 18 September.

I expect further corporate activity and strategic partnerships will continue to impact the UK bulk annuity market for years to come. My colleague, Katie Lightstone, offers insights into what trustees should be considering in light of these developments on the next page.

The 2025 small scheme rush is underway

As we approach year-end, insurers are more eager than ever to finalise transactions. The industry predictions for transaction volumes have dropped from £50bn-£60bn being made at the start of the year to be around £40bn for 2025. This is a result of fewer large schemes transactions. Consequently many internal targets are going to be missed.

This has created significant pricing opportunities for schemes of all sizes as insurers aim to complete transactions ahead of year end as insurers push to deliver volumes. So very good if you are in the market right now!

It will be interesting to see if these pricing trends continue into 2026 once insurers have had a chance to rebase their targets and more larger schemes start to come to market.

Trustee considerations in light of the changing insurer landscape



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Recent M&A activity highlights that changes in ownership are reshaping the bulk annuity market - and with attractive market conditions, further changes are likely.

Changes in ownership are unlikely to impact an insurer's financial strength

Fortunately, heavy regulation by the PRA means ownership changes are unlikely to have a material impact on the security of policyholders' benefits. Any changes to an insurance entity are heavily regulated in these transactions and stringent minimum capital requirements will remain. Where one insurer is being merged into another and member policies are being transferred, this would be subject to strict legal and regulatory requirements and approval from the High Court (known as a "Part VII transfer") to ensure policyholders are protected.

An important consideration is whether the change in ownership and potential diversification of the owner has implications. For example, a new owner may have greater ability to inject additional capital to top up the BPA insurer's capital coverage of minimum requirements.

Focus on a broad range of factors

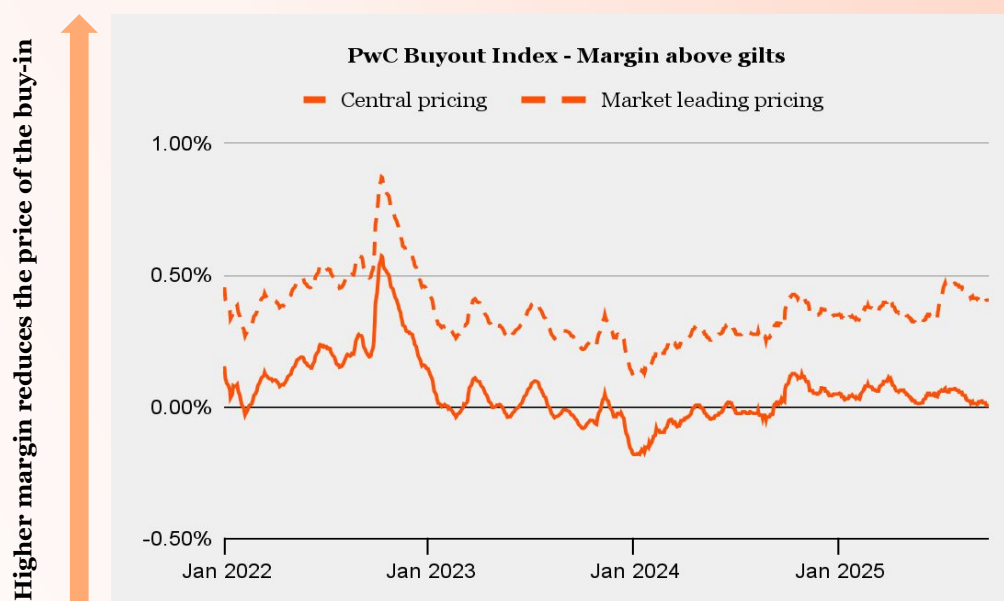
Selecting an insurer isn't just about price and there are a number of other factors which trustees should consider. These may be impacted by different insurer ownership structures and corporate transactions.

- **Member experience** - particularly if a change in ownership results in a change in administrator, potential new ownership could allow greater investment or innovation in the insurer's member experience offering
- **Long-term strategy** - different owners may differ in their asset investment approaches, risk appetites e.g. on funded reinsurance, market focus e.g. large vs small schemes, potential investment in the business e.g. supporting development of new propositions
- **Integration of teams and systems** - in the case of mergers, this could result in disruption to business as usual activities or post buy-in to buyout timescales
- **Management and culture** - potential for key management / incentivisation to change (albeit limited under the PRA) and the consequences of these
- **ESG** - a new owner could impose a change in ESG priorities compared to the previous approach, which should be considered in light of trustees' beliefs.

Drawing on the relevant PwC specialist teams, we can support trustees with understanding these areas through insurer due diligence covering the following:

- Insurer financial strength and business strategy review
- Admin and member experience review
- Cyber security review
- ESG review

Pricing



The chart above assumes a pension scheme with 70% pensioner members and 30% deferred members.

Market movements saw insurer pricing become slightly less favourable relative to gilts over Q3. However, competition continues to mean we see market-leading pricing on many deals and we expect attractive pricing into Q4.

Overall, we are seeing some of the best pricing we have seen in a couple of years, especially for smaller schemes, but there are headwinds that mean this may not persist throughout 2026.

We continue to see well run processes deliver market leading pricing which can be 3% to 5% lower than our central pricing estimate.

Insurer appetite

Our heat map below gives our view of the Q4 2025 appetite across the 11* bulk annuity providers based on appetite for different sizes of pension scheme. Currently, there are multiple insurers quoting for schemes of all sizes. Our expectation is that for any size of scheme, 3 or more insurers may be willing to provide a quotation, except for sub £20m schemes which may potentially require upfront exclusivity or be limited to 2 insurers.

	Number of insurers quoting on deals of this size (£)**					
	< 50m	50 – 100m	100 – 500m	500m – 1bn	1bn – 2bn	2bn+
Strong appetite	2	5	6	6	7	3
Mixed appetite	7	5	3	3	1	4
No appetite	2	1	2	2	3	4

*In July 2025, Brookfield Wealth Solutions (the ultimate owner of Blumont), announced that they are acquiring Just Group plc. This acquisition remains subject to regulatory approvals but is expected to close in early 2026. It has been announced that Just and Blumont will merge, and that the Just entity and brand are expected to remain in the market.

**Please note 'appetite' refers to an insurer's typical willingness to provide a quotation, although this could be further impacted by their capacity and availability of their pricing resource at the time of going to market.

Strong appetite – Insurer is quoting for schemes of this size (note this does not guarantee they will quote on every case of this size).

Mixed appetite – Insurer may/may not quote depending on capacity, or will quote under exclusivity only.

No appetite – Insurer is not currently quoting for or highly unlikely to quote for schemes of this size.

Superfunds gaining momentum



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Market whispers in relation to potential new entrants into the superfund market alongside Clara were proven right when earlier in the month TPT Retirement Solutions announced they would be launching a superfund in 2026, albeit they still need to complete the Pensions Regulator's (TPR) assessment process. We expect to hear from other new entrants in due course.

Recap - why do we have superfunds and what are they?

Superfunds were first introduced to address two clear market failings:

1. Avoid benefit reductions on insolvency for well funded schemes, and
2. Avoid a long, and potentially costly, route to insurance for well funded but subscale schemes, where expenses can be disproportionate by introducing a new option.

Pension liabilities are supported by a capital buffer rather than employer covenant (based on similar principles as an insurance buy-out). The minimum level of capital Clara is required to hold is governed by the Pensions Regulator, which applies additional oversight to superfunds under a bespoke regime. Broadly, superfunds are expected to be in surplus on a prudent Technical Provisions measure after 5 years in >99% of scenarios.

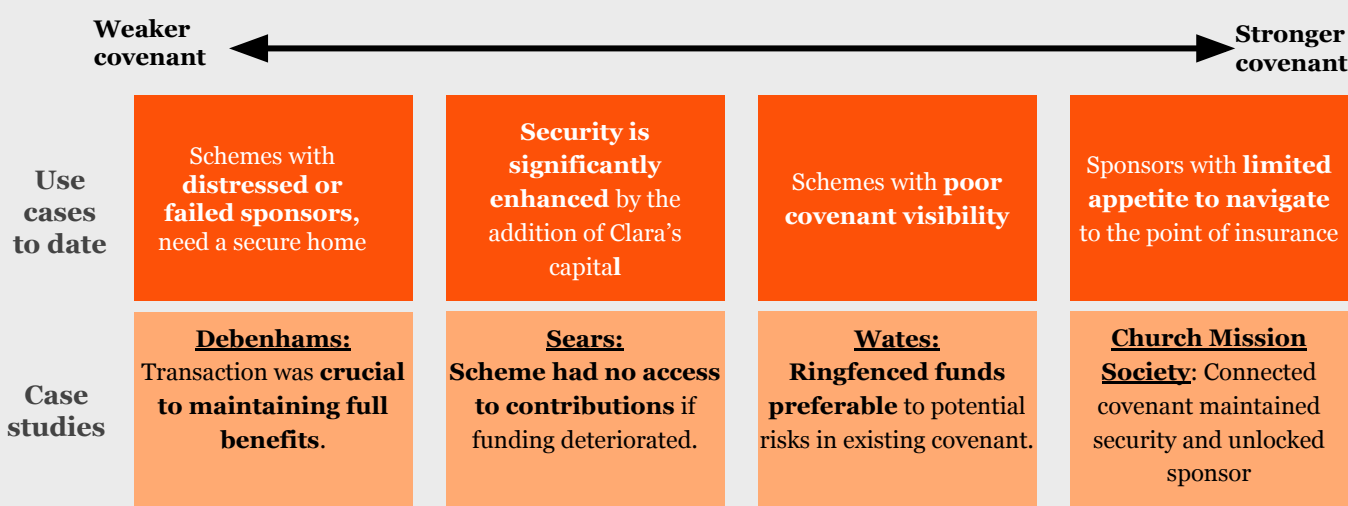
What about the gateway tests?

Many stakeholders are unsure whether superfunds are right for them due to a lack of understanding on how TPR is likely to interpret the "gateway tests" as part of the Clearance process for a transaction.

We increasingly view the gateway tests as ensuring trustees and sponsors have received sufficient advice to support high quality decisions, as opposed to prohibiting an endgame that is otherwise valuable for all stakeholders. Quite simply, if appropriate advice indicates that trustees and sponsors believe a superfund is in members' best interests, then the gateway tests are likely to be met.

Innovative use cases in members best interests that have met gateway tests

Each superfund transaction to date has been different, highlighting the role superfunds can play in driving consolidation and innovation. TPT's planned entrance into this market intends to offer an innovative consolidation solution delivering run-on outcomes at scale for members.



Risk transfer at PwC

PwC's pensions risk transfer team is a group of 35 dedicated specialists and sits within a 300 strong national pensions practice with a wider team of subject matter experts specializing in asset solutions covering illiquid and alternative assets, data and administration solutions, pensions and insurer covenant and regulation, DC pensions, longevity solutions and tax structuring.



Through a clear strategy and collaborative approach with the company through the joint working group, advised by PwC UK, we have managed to secure the buy-in much earlier and at a much lower cost than expected. I would like to put on record as well, how impressed I have been with the PwC team. The team have done a brilliant job of making sure that everything is kept on track and that we were in the position to be able to do a deal."

Professional independent trustee

We focus on ensuring member benefits are secured optimally, while meeting overall trustee and sponsor objectives. In doing so, we advise on the full range of endgame solutions from traditional buy-ins to innovative alternative risk transfer solutions and run-on solutions.

We advise trustees and sponsors of schemes ranging from small (less than £10m in size) to multi-billion in size.



I wanted to express my thanks to the whole PwC team, who have not only been critical in achieving the almost impossible, in terms of complexity and timeline, but also with an outcome making this key transaction a success for Thales."

Paul Durrant
Director, Compensation and Benefits,
Thales UK

Relating to a £2.7bn full scheme buy-in late 2023, including residual risk cover.

Further details on Risk Transfer at PwC, and previous versions of our Quarterly Insights publications, can be found on our website [here](#).

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