



OPEN FOR BUSINESS:

# How the bulk annuity market has expanded to welcome small schemes

## Consultation and speculation: a message from the market

With a recent consultation suggesting that small schemes are struggling to attract the attention of the insurance market, and therefore secure a buy in/out, we went to the market to test the theory. We ran a survey of consultant views on the ability for small schemes to enter and succeed in the current bulk annuity market, to provide the industry with an independent view as to the current nature of the small schemes market.

While it isn't entirely clear where speculation around a struggling market originates, the results from our survey of the consultants are positive and the message is clear: **all consultants operating in the small schemes space have seen successful transaction rates for small schemes alongside good value for money.**

The general consensus is that new entrants into the market will open up capacity and generate even more opportunities for competitive pricing.

Schemes must ensure they are thoroughly prepared, understand affordability and are flexible in dealings to succeed in the market. Advisor engagement from an early stage is key and pragmatism on the part of all parties was also repeatedly mentioned by the consultants as being integral to ensuring a smooth-flowing deal.

The first part of this report presents the results of our market survey covering the consultants in the bulk annuity market. On pages 11-12, you will find quotes from leading consultants who provide their insights on the current market landscape, discuss their capabilities for small schemes, and share their future outlooks. Finally, from page 13 onwards, we outline the propositions offered by four of the leading insurance companies in this space, detailing their unique offerings and strategic approaches to supporting small schemes.



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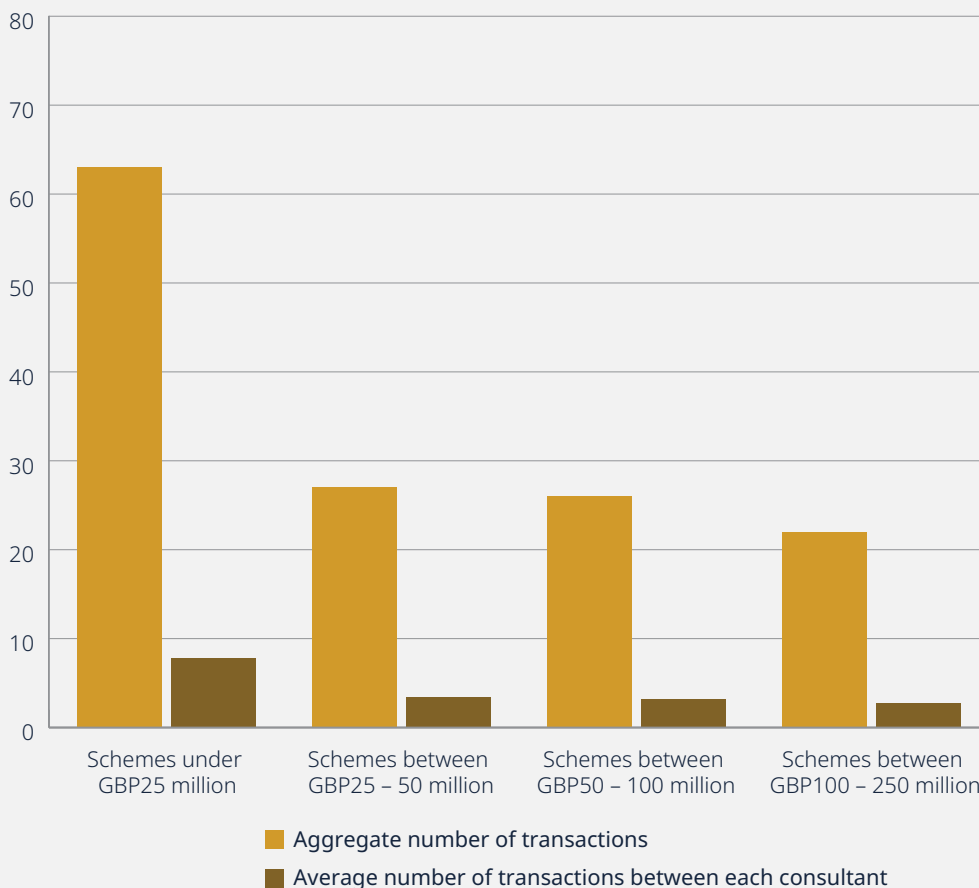
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## Buoyant market in 2023

For schemes under GBP250 million, the eight consultants we surveyed had completed an aggregate of 138 transactions. The market for schemes under GBP25 million was particularly strong, with a total of 63 transactions completed and an average of 7.8 transactions for each consultant.

### Consultant transactions 2023



*“We are committed to providing solutions to schemes of all sizes. In a busy market we recognise the need for an efficient solution for smaller schemes that offers speed of access to guaranteed transactable pricing, without sacrificing the service we provide to the trustees and their members. Our relaunch of Flow will focus not only on increasing capacity for smaller schemes but also on the post-sale journey, to ensure our clients and customers continue to experience the world class service that we aspire to provide.”*

**Andrew Kail, Chief Executive Officer, Legal and General Institutional Retirement**

## ***Strong success rates: the journey from initial quote to transaction close***

The majority of consultants stated that they had experienced a 100% success rate for small schemes across all sizes progressing from receipt of an initial quote to transaction close.

The GBP100 – 250 million scheme size had the lowest success rates – three out of the eight consultants we surveyed responded that success rates for schemes in this size range were 67%, 80% and 80% respectively. Reasons cited as contributing to the failure of these schemes to successfully transact include: affordability and value for money (around 15% of cases), issues with illiquid assets and market movements causing deterioration in scheme funding position compared to insurer pricing.

*“Aviva is a whole-of-market insurer with a proud heritage – we’ve helped hundreds of smaller schemes to achieve their de-risking goals. Smaller schemes, under GBP100 million, make up the vast majority of DB schemes in the UK and for that reason alone, it’s an incredibly important segment.*

*In our experience, well-prepared schemes in a tightly managed process have always been able to secure attractive terms, and they can today. The last 12-18 months have seen insurers focusing on both process efficiency and developing streamlined propositions specifically to support this segment. This highlights just how innovative the BPA market is when responding to growing volumes and meeting trustees’ evolving needs”.*

*Jamie Cole, Head of BPA Origination at Aviva*



## Factors for success

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For schemes that had successfully transacted, we asked consultants what the distinguishing factors were which enabled the scheme to transact. The top three themes that emerged were:

### 1. Good upfront preparation:

A common trend across all of the consultant respondents was the importance of preparation before coming to market. Consultants emphasised that this included diligent preparation of the benefit specification and data schedules to allow insurers to understand and easily price for benefits, as well as taking the opportunity to use insurer templates where relevant. Managing expectations on timing, market pricing and the ability to meet overall objectives rather than focusing on immaterial points were also listed as important factors, along with a well-thought-through broking strategy, understanding affordability to limit the 'ask' of insurers and using a streamlined approach where possible. Ensuring that illiquid assets are dealt with prior to approaching the market or having a clear strategy to deal with these assets post-transaction were also deemed important to ensuring success from an early stage.

### 2. Flexibility:

Small schemes benefit from the ability to be flexible in terms of timescales to fit around insurer resource constraints, their approach to the quotation process as a whole and their willingness work in exclusivity with a particular insurer.

### 3. Pragmatic advisers:

Many consultants emphasised the importance of hiring advisors with strong insurer relationships, detailed understanding of insurer requirements and wide visibility of market pricing to identify better value for money offerings, especially where a scheme receives one insurer quote.

*“From our regular discussions with EBCs, we are yet to hear of a scheme that has failed to receive a quote from an insurer. The key message is preparation, thus ensuring the scheme is transaction ready and maximising engagement from the market. It is clear providers are stepping up their capabilities in this area too in order to match growing demand. At Standard Life we’re always happy to have a conversation with schemes to understand their situation and help them meet their objectives.”*

*Kunal Sood, Managing Director of DB Solutions at Standard Life*

## Transaction turnaround generally quick

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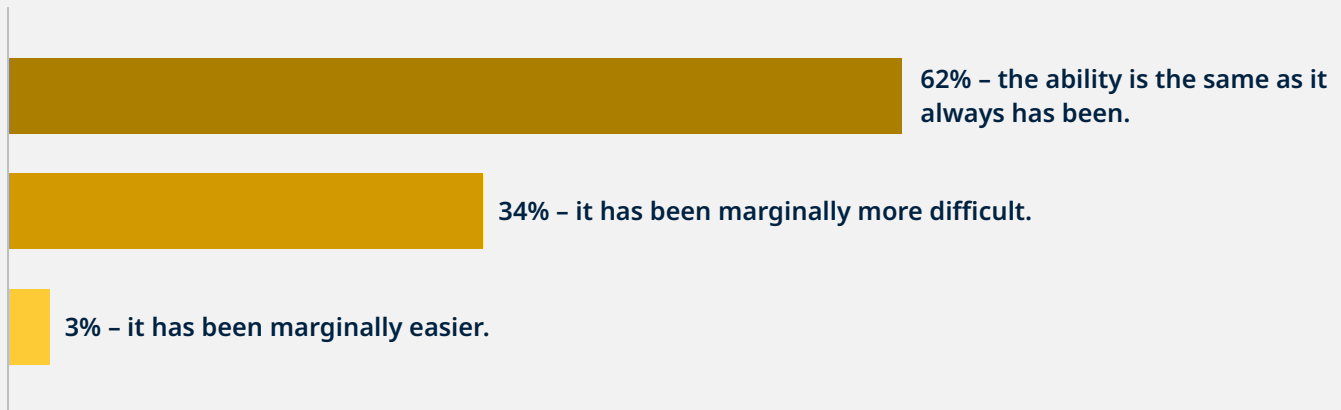
We asked whether small schemes take longer to obtain a quote and transact compared to larger schemes and all eight consultants responded that they do not. In fact, most consultants' responses indicated that smaller schemes typically proceed to transaction more quickly when using a streamlined insurer process.

This is due to smaller schemes being more likely to transact through exclusivity or within one round of pricing, as well as minimal contractual negotiations compared to transactions involving higher value schemes. Our respondents also emphasised that larger schemes may take longer because there are often more complexities to work through, such as illiquid assets and residual risks.

However, consultants highlighted that small schemes are more likely to be required to agree specific timescales with the insurer to obtain a quote, which requires management of client expectations and sometimes leads to delays. Nonetheless, this aspect plays into selecting the right insurer and exclusivity can accelerate the transaction timeline.

## *The insurer market for small schemes in 2023 remained unchanged from previous years, but there is a positive future outlook*

Across all small scheme sizes in 2023, we received the following responses with respect to small schemes' ability to receive quotes compared to previous years:



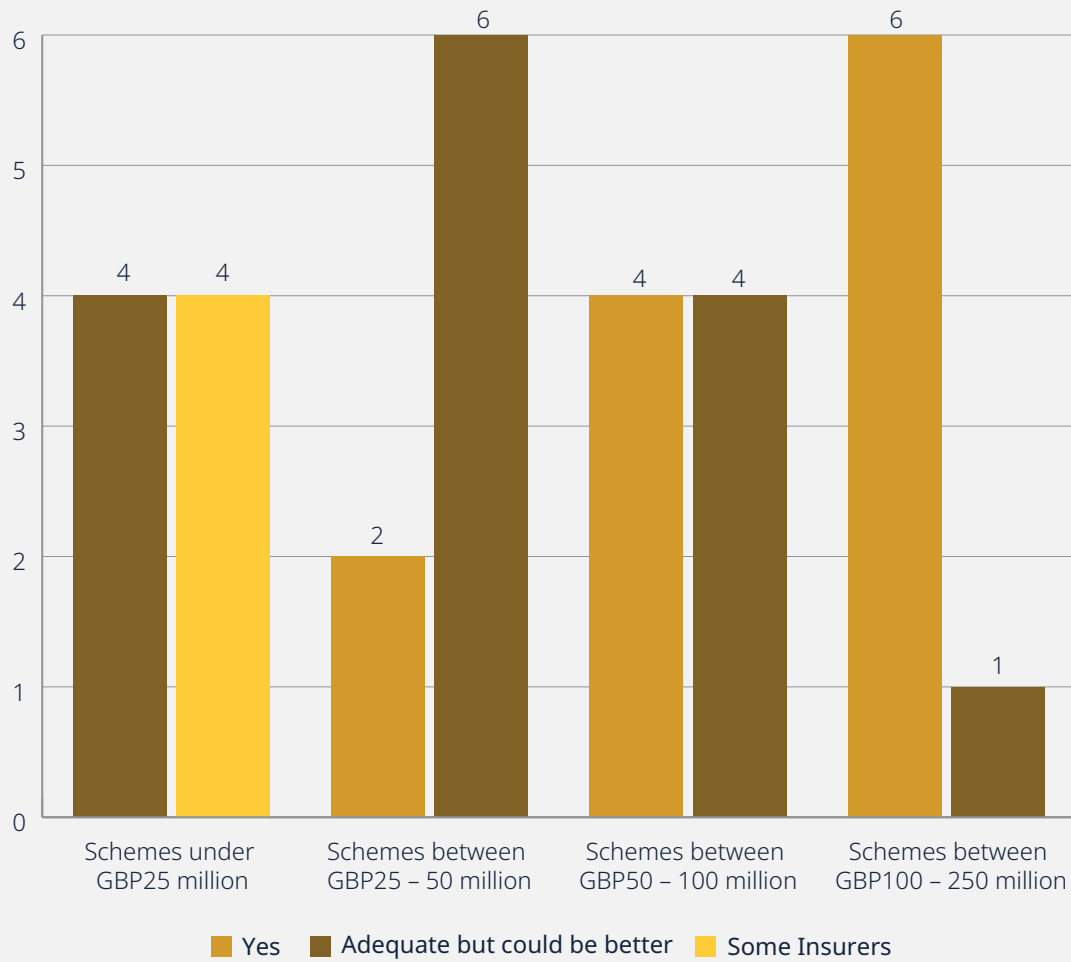
When asked whether insurers provide adequate support for small schemes, consultants were generally positive. Answers varied between insurers being supportive, insurers providing adequate support but could be better, to only some insurers offering support. Particularly for the smallest schemes, the consensus was that there needs to be greater

consistency between insurers in offering opportunities and support for small schemes, with some insurers currently doing well and others needing improvement. For the higher end (schemes valued between GBP100 – 250 million), all but one consultant voted that good support is given.

*“More insurers quoting for small schemes would be very welcome. At the moment this area is dominated by 3 insurers. We expect changes to this will happen in 2024 and beyond.”*

*“The market, whilst could be more competitive, is functioning well. Streamlined processes and better quality data is all helping and it’s positive to see the new entrants and existing insurers investing more in helping schemes at the smaller end of the market achieve buyout.”*

## Do you think insurers provide adequate support for schemes in this segment of the market?



Despite mixed responses about the current insurer market, most responses (87%) elected that **more** capacity is expected from insurers in 2024 in providing quotes to small schemes. The remainder predicted that insurers will have the same

capacity as recent years. In particular, all consultants responded that more capacity will be given for schemes ranging between GBP50 – 100 million.

## *Value for money is available in the current market*

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The majority of consultants view that small schemes are able to receive value for money with price competitiveness. The overall objectives of the trustees and sponsor, as well as the funding position, determine whether a scheme gets value for money – if the objective is to buy-out and the transaction is affordable, then this would be considered ‘value for money.’

On the other hand, there is concern that, for the smallest schemes (under GBP25 million), insurers will necessarily use higher costs relative to scheme size/value as a standard which increases the risk that smaller schemes may accept quotes that are higher than market standard. However, this can be avoided with the right advice.

*“We would not advise a client to proceed with a transaction if the pricing did not offer value for money.”*

*“Smaller schemes make up a significant majority of the bulk annuity market each year. Rothesay have hundreds of small scheme buy-ins within our back book and we are committed to helping these schemes, as well as our existing clients, achieve full buy-out through smaller transactions.”*

*Roisin O’Shea, Business Development at Rothesay*

*“We’re delighted to launch Mosaic, our new streamlined service for schemes under GBP100 million looking to buyout. The idea behind Mosaic is to ensure that trustees have a straightforward and efficient way to secure their members’ benefits for the long term. As well as excellent terms, a firm commitment on timescales, and dedicated team resource, a key part of the Mosaic package is our commitment to provide PIC’s market-leading customer service for trustees and their scheme members.”*

*Deepash Amin, Head of New Business Strategy, PIC*

*“The DB de-risking market for small schemes market is vibrant and competitive, with a variety of options available to ensure that these schemes are well served. There continues to be significant headroom for growth, and Just are well positioned to help small schemes achieve their objectives. Beacon, our market leading bulk quotation service, continues to lower the barrier for all small schemes to gain access to the insured bulk annuity market.”*

*Alma Goyanes-Payne, Deal Manager at Just*



## ***New entrants into the market will increase the ability for small schemes to transact***

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Despite strong success rates for small schemes to transact, there is room for improvement particularly in the GBP100 – 250 million range. With recent news of Royal London entering the bulk annuity market, and another insurer anticipated, consultants believe that new entrants into the market will increase capacity and competitive tension, particularly in the near term. New entrants may help to reduce the barriers to completion such as poor value for money offerings.

New insurers in the market will be expected to have limited pricing capacity and require exclusive processes while they grow. One respondent considered that appetite will shift to larger schemes once these new entrants are established in the market.

*“Some of the new entrants are expected to target smaller schemes initially, but we expect they will have selective appetite below GBP25 million. In recent conversations, the established insurers who operate in this segment have reiterated their desire to continue serving the whole market.”*

*“We are hopeful that over time new entrants can also increase capacity in the sub-GBP100 million space and that established insurers expand their appetite in this range. Advisers that work with all parties (insurers, lawyers, administrators) to present schemes in the best way will get more attention and be able to meet their risk transfer objectives.”*



## ***Trustee positivity for single-insurer broking and competitive tension***

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In 2023, single-insurer broking was frequent. It was used for 50% of transactions under the value of GBP100 million for one consultant. Results range anywhere between 15 – 40% of transactions for other consultants. It was noted by one consultant that a single insurer process may be preferable on certain types of transactions, such as where there are specific timescales, complex benefits, a special or historic relationship between parties or where there are illiquid assets involved in the transaction.

Trustees were generally happy with the outcome of single-insurer broking. Reassurance to trustees around value for money was highlighted as important in facilitating such broking, informed by wider market visibility.

When asked whether competitive tension is always required with a broker process, all consultants felt that, although it could sometimes be useful, it was not always required. However, clarity to the insurer on the price and terms of the contract through a robust pricing model and execution by an experienced broker are key.

*“The trustees chose to work exclusively with an insurer to maximise engagement, and we could provide reassurances on pricing given our wider visibility of the market. There is a place for exclusive processes, but they should be a proactive choice rather than a default.”*

*“Trustees understood the market dynamics (and the sole insurer approach was informed by whole of market feedback on their scheme). Competitive tension is not required but for sole insurer process the broker must make it clear to the insurer what is required (price and terms) to transact.”*

## ***Final remarks***

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The market has clearly adapted to support small schemes and no small scheme is being left behind. Preparation for this busy market remains key – further information can be found in the [Best Practice Guide](#) (produced in collaboration with all UK insurers operating in the bulk annuity market).

*“We observe a buoyant bulks market across all scheme sizes, with increasing levels of interest in insurers supporting smaller schemes. Since Canada Life entered the UK bulks market nearly 10 years ago, over 80% of the schemes we have transacted with have had less than 1,000 members. This segment of the market continues to remain core to our proposition and is underpinned by our desire to support an inclusive approach, facilitating greater access to the security of a bulk annuity for all members regardless of the size of their scheme. With increasing levels of competition, sophistication and tools to support a streamlined transaction and post-transaction process, we predict that smaller schemes who are well prepared will be able to deliver outstanding outcomes for their members through a bulk annuity transaction in the coming years.”*

***Shreyas Sridhar, Business Development Director  
for Bulk Purchase Annuities at Canada Life***

## Quotes from leading consultants

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*“Small schemes continue to be an important part of the market, and if they are well prepared and follow a streamlined process, such as XPS’s “Xpedite” service, then it’s still very much possible to get competitive pricing from insurers. At XPS we’ve never failed to get competitive pricing for the smaller schemes we’ve taken to the market, often from multiple insurers.*

*It’s also encouraging to see more capacity from insurers coming through at this end of the market from both existing insurers and the new entrants. The insurers know that most advisers and trustees are disciplined buyers and pricing has held well through this period of increased demand.”*

*Stephen Purves, Head of Risk Settlement, XPS.*

*“Barnett Waddingham are proud that 100% of cases we have taken to market in the last 3 years have successfully completed a transaction in line with their objectives, but we are conscious that the current bulk annuity simply isn’t built to handle the volumes if hundreds of well funded small schemes were to come to market at once.”*

*Chris Hawley, Risk Transfer Partner,  
Barnett Waddingham LLP*

*“The market for sub GBP150 million transactions has evolved rapidly in recent years, with insurers seeking to balance the desire to service this segment of the market while being faced with unprecedented demand on their resources. We expect further evolution over the next few years, with new entrants joining the fray and existing insurers looking to be more active at this end of the market. The changes are welcome but have made navigating the market more complex for schemes of this size. To achieve positive outcomes it is therefore vital that trustees and their advisers understand what is available, so they can determine the best approach for their scheme and objectives (for example, whether that is a streamlined exclusive approach or a traditional competitive one). Using our Pathway proposition (specifically designed for this segment of the market) Aon completed six transactions in Q1 2024 alone – and with five different insurers. It really demonstrates that there is an active market for schemes of all sizes that are prepared in the right way.”*

*Joe Hathaway, Associate Partner, Aon*

*“It is pleasing to see a number of insurers investing in their propositions to support smaller schemes. In our experience, schemes of all sizes can obtain a quotation if they do their homework in advance and take a tactical approach to engaging the market..”*

*Shelly Beard, Managing Director in WTW’s  
Transactions Team*

*“We see continuing market interest for all sizes of schemes, and have no experiences of any schemes failing to secure a realistic quote. More insurers (both existing and new entrants) targeting transactions for smaller schemes will help to drive competitive pricing and terms (even if not all insurers quote on every case). Whilst insurer-driven streamlined processes are helpful in transacting efficiently it does require some schemes to default to the sole insurer*

*process as the additional cost of obtaining quotes using multiple insurer data/benefit spec formats is not a realistic option for every small scheme. It may be that some insurers whose process is more onerous/bespoke than others will not be considered by schemes due to the cost-inefficiency of obtaining a sole quotation from that insurer.”*

*Ben Stone, Risk Transfer Partner, Mercer*

*“85% of LCP transactions under GBP100 million that completed since the beginning of 2023 had two or more insurers participating. This is thanks to LCP’s Streamlined Buy-in/out Service which is specifically designed, through its enhanced pre-negotiated contracts, to help schemes with liabilities of less than GBP200 million to transact quickly and efficiently. Indeed, we led transactions for two schemes under GBP10 million in May this year and both received quotes from multiple insurers.*

*“We welcome the entry of new insurers to the market and the improvements that many insurers are making to their small scheme propositions, which we believe will bring more opportunities and more competitive pricing in 2024 and beyond – good news for trustees, sponsors and most importantly members of small schemes.”*

*Andrea Mendham, Partner, K3 Advisory*

*93 schemes have now benefited from the LCP Streamlined Service with total premiums of GBP3.8 billion. When this service is used, we see no difference in pricing obtained from the pricing we see on much larger transactions which has led to 100% of the schemes approaching the market through this LCP service over the last three years successfully purchasing insurance. The new entrants are currently onboarding onto the LCP service which will help further increase competition.”*

*“In our experience, well prepared and advised schemes, no matter their size, are able to access the risk transfer market and achieve value for money. For example, all our transactions last year under GBP30 million received quotes from multiple insurers.”*

*Iain Church, Head of Core Transactions and Risk Transfer Specialist, Hymans Robertson*

*David Stewart, Partner, LCP*

# Insurance propositions for bulk annuities in the small schemes space

## Legal & General – “Flow”

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### *Legal & General Flow*

We have a bespoke solution for smaller pension schemes with ring-fenced pricing resources and a purpose-built onboarding framework, which we call “Flow”. Smaller schemes benefit from the same market-leading in-house post-buyout member services that we provide to all of our policyholders.

We will be relaunching Flow with increased capacity for quotes and onboarding from Q4 2024.

### **Which schemes do we target?**

Flow is designed for any small pension scheme, but we typically support schemes in the GBP20 million to GBP150 million range that are able to pursue an immediate full scheme buy-in. These thresholds are soft, and we expect the lower threshold to decrease over 2025 as our capacity increases.

There is no requirement for schemes to work exclusively with Legal & General. We will prioritise schemes who are willing to work with us on a sole insurer basis over schemes following an auction process, but we expect to have capacity to support both approaches. We will also prioritise LGIM clients and wider existing relationships.

The bespoke price lock and premium payment mechanism for LGIM funds enhances value and delivers price certainty for LGIM clients.

### **Transaction process**

1. Complete simple triage checklist to confirm eligibility (see below). L&G confirms guaranteed transactable quote to be provided and monthly pricing slot. Slot will be held for 2 weeks for trustees to confirm that they wish to proceed.
2. Trustees and advisers complete Flow data and benefit template and provide to L&G ahead of scheduled pricing slot.

3. Legal & General provide guaranteed transactable premium, price lock terms, contract and benefit specification. Transaction can be executed within a further 3-4 weeks.
4. Data cleanse period over a mutually agreed target timeframe. Regular project management support from Legal & General. GMP equalisation completed within flexible data cleanse timeframe.
5. Final balancing premium paid.
6. If proceeding to buyout, administration transitioned and individual policies issued.

### *Triage*

We provide a simple checklist to enable schemes to confirm their compatibility with Flow before making any commitment. We request that this is completed 3 months in advance of the target transaction date to support allocation of resources. We do not require exclusivity to quote, but we will prioritise schemes willing to work with us on a sole insurer basis.

Schemes invested in LGIM’s ‘buy-out aware’ fund range are guaranteed a quotation under Flow.

### *Flow template*

The Flow benefit and data template is easy to complete, with built-in data validation, and captures all the information we need to provide an immediate guaranteed and transactable quote. We use a template to ensure that benefit entitlements are expressed consistently across schemes, which enables us to provide quotes to more schemes and leads to a smoother onboarding journey and post-buyout member experience.

The template allows for an extensive range of different member benefits and our experience suggests that the vast majority of schemes are compatible with the template without having to make changes to scheme benefits. For schemes that are not immediately compatible we have found that it's likely that only minor and pragmatic adjustments are required to certain benefits, for example, the trustees adopting our standard definitions for 'financial dependants'.

### ***Pricing***

The Flow template allows us to provide guaranteed and transactable scheme specific pricing immediately. Our conversations with trustees suggest that schemes value this immediate price certainty and the ability to transact quickly.

During triage, we will work with scheme advisers to assess affordability. The publication of our regular affordability index provides advisers with insight and reassurance on affordability. We have quoted on 32 transactions under Flow of which 27 have completed to date, demonstrating that we consistently deliver pricing that meets market expectations and enables schemes to complete a buy-in.

### ***Price lock and premium payment***

We provide price locks for all Flow transactions which means that the trustee has certainty and visibility of how our price will move from the point we issue the premium until the buy-in is signed. For LGIM clients we will lock to the value of their PMC unit funds, which has the additional benefit of preserving affordability for the scheme. For non-LGIM clients we can provide a gilt lock.

We offer a smooth end-to-end transition. For LGIM clients, most PMC unit fund holdings can be novated at mid-price and outside of the usual weekly dealing cycle. This means that transition costs are minimised for the scheme, and the premium payment process is straightforward, requiring minimal additional paperwork.

### ***Flow terms***

We use a standardised contract for Flow to support scalability with a simple schedule to capture scheme specific details. Individual terms within the contract can be varied to meet the specific operational requirements of a scheme (for example, the length of the data cleanse period). For fairness and consistency, we do not provide alternative Flow terms to specific advisers. We will share the populated terms alongside our guaranteed quotation for trustees and advisers to review.

### **Post-transaction and transition process for small schemes**

#### ***Data cleansing***

We recognise the benefit of flexibility and taking a bespoke approach to reflect the specific requirements of a scheme and the availability of their administration team. We will agree bespoke data cleanse timescales to meet individual scheme needs, to help manage priorities and expectations for all stakeholders, and to ensure all data cleanse activity can be captured in one exercise.

### ***GMP Equalisation***

We do not require schemes to have equalised GMP before transacting. We require schemes to complete GMP equalisation during the data cleanse and we will agree bespoke data cleanse timescales to accommodate this.

### ***Project Management Support throughout transition***

Following a detailed kick-off call, we will schedule six monthly project support meetings (more frequent if complexities require). We will set out clear expectations of the progress we expect the scheme to make between these meetings and a dedicated team will always be available if further support is required. For advisers and professional trustees with multiple schemes under Flow we will offer the ability to manage and track updates at a portfolio level. We will assign a dedicated project team including transition, payroll and administration colleagues to provide easy access to information and support when needed.

### ***Payroll requirements***

We will regularly share benefit and payroll information to monitor monthly buy-in cashflow requirements and reduce the risk of any material impact on the balancing premium. We will automatically match monthly scheme payments within an agreed tolerance subject to receiving regular payroll reports.

### ***AVC funds***

AVCs can be transferred during the buy-in phase. Any transferred funds will receive interest on an annual basis, based on a specified gilt yield from the point of transfer. At retirement members will be able to take their tax-free cash lump sum from their AVCs before commuting their defined benefit pension.

### ***Focus on service standards and member care***

Our in-house administration team supports the scheme administrators with timely and accurate provision of information to members during the buy-in period. When the scheme moves to buy-out members will have access to information over the phone, online and at our popular 'meet the team events'. Pension scheme members are our number one priority, and we afford the same diligence, expertise and care across all the schemes we transition, regardless of size.

### **How is our proposition unique compared to other offerings in the market?**

#### ***LGIM PMC unit novation***

For LGIM clients we can novate the premium payment from their PMC fund holdings with ease, outside of weekly dealing process and at mid-price. Novation minimises pricing risk and transition costs for the scheme and the process is straightforward, swift and requires minimal paperwork.

## *Certainty*

We will guarantee a transactable quote, and the timing of that quote, following written agreement to enter into Flow, supporting a swift transaction with the comfort of a price lock. Trustees are assured pricing is guaranteed and will not 'fall away'.

## *Post transaction care and support*

We have designed an onboarding and administration process which specifically meets the needs of small schemes. Our dedicated project teams will work to agreed timeframes that recognise the needs of individual schemes and are designed to complement adviser and administrator processes and resources. This helps to free up time to focus on progressing the data cleanse, targeting minimal adjustments to the final premium and helping maintain member expectations for quotation requests and queries throughout the buy-in phase, providing a consistent and seamless experience for members.

After moving to buyout, members from Flow transactions are afforded the same high-quality service and customer care as all our policyholders.

## *Ease of triage*

We will provide a simple checklist and eligible benefit summary to quickly identify compatible schemes before any commitments are made and prior to the completion of the Flow template.

## **Our offering to date and future outlook**

We have over 35 years' experience, securing around a quarter of total industry volumes over the last five years, and a proven record of administration excellence. Twenty-two (around two-thirds) of our transactions in 2023 were for schemes with assets less than GBP100 million. Over 2023 we temporarily reduced Flow capacity to support the development of a bespoke post-transaction process for Flow. This will ensure that we can sustainably grow our proposition to meet demand from smaller pension schemes, whilst continuing to deliver the high quality post-transaction service and member care for which Legal & General is renowned.

We will always balance capacity for new business with the certainty that we can continue to deliver a consistent and quality experience for policyholders in the future. From Q4 2024 we will have capacity to quote on 5 cases per month. In the longer term we anticipate being able to increase capacity further, which will enable us to support more smaller schemes, in particular those below GBP20 million.

Since we launched Flow in 2022, we've listened to feedback across the market and improved our offering, in particular to address pressure on scheme administrators (acknowledging GMP equalisation and data cleansing bottlenecks) and to improve the efficiency of project management during the buy-in payroll period. Our development for the relaunch has focused on process efficiencies and improved automation to build a sustainable and resilient operating model. This, along with the significant investment we've made to grow our team, will enable us to manage the increased demand expected in the coming years.

## **Our future plans in the streamlined space and opportunities we wish to harness**

- In order to direct resources towards increasing our capacity for schemes that are ready to transact we do not currently offer indicative pricing or price monitoring under Flow. Over 2025 we intend to focus on developing our processes to accommodate capacity for indicative pricing and price monitoring.
- Our experience shows the Flow template can be used by over 70% of UK DB pension schemes without making any changes to existing benefits, and a much higher proportion with immaterial changes to scheme benefits. We continue to look at ways we can expand eligible benefits to accommodate even more schemes into the future.
- We are continuing to improve automation across pricing, payroll and administration so that we can increase pricing and onboarding capacity beyond 5 slots per month whilst maintaining high quality onboarding, administration and member care.
- Online data portal – we are planning to develop a platform to facilitate data and quotation sharing, and a streamlined signing process.

## **Key contacts for our streamlined proposition**

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### *Aviva Clarity*

We've been supporting smaller schemes for many years, but earlier this year we introduced a specific streamlined proposition, Aviva Clarity.

The thinking behind this is simple – we are committed to supporting schemes in all market segments coming to market and for many years we've been able to do this using our standard processes. But in today's exceptional market we need to ensure that transactions in the sub-GBP100 million are supported by very efficient processes and that both parties have a very clear view of the journey to finalisation.

### **Which schemes do we target?**

Aviva Clarity is designed for well-prepared schemes, typically with a liability of GBP100 million or less and a standard benefit specification. We can accept larger schemes that are happy to follow our standardised de-risking process and for some schemes over GBP100 million, this approach and the shorter timelines will certainly appeal to some – indeed we've already seen demand from schemes over GBP100 million to use the Aviva Clarity process.

### **Features of our streamlined proposition**

- A simple, standardised and efficient process.
- Standard data and benefits template for all quotation requests.

- Access to quotes for all schemes meeting our criteria.
- Price locks available for schemes of any size.
- Generally happy to be involved in multi-insurer processes. Some very small cases (sub-GBP10 million) may need to be more flexible on timing as we optimise our quote and implementation capacity.
- GMPE must be completed prior to finalisation of the transaction, with the data cleanse.

### **The five steps from quote to finalisation under our proposition:**

1. **Legal and data due diligence** – Complete legal and data due diligence before approaching the market.
2. **Complete Aviva data template** – Trustees agree to our standardised contract and provide data in our template. Trustees are responsible for the accuracy of all data.
3. **Aviva review request and issue a quote** – Aviva issue an indicative quote. If then selected as the preferred partner, we will start working towards execution.
4. **Trustees complete data cleanse** – Identified data issues are cleansed and corrected. Any required updates to be shared using Aviva's standard form. GMPE must be completed at the same time as the data cleanse.
5. **Scheme finalisation** – Premium is finalised after data cleanse, with no further changes to data or benefits.





## The post-transaction and transition process for small schemes

- **Service** – Trustees and members benefit from the same levels of support offered on all other BPA transactions – this includes a dedicated implementation manager for each case, along with payroll support and expert customer support for members from our customer care and DB specialists.
- **Data cleanse** – 12-month data cleanse period (with a 24-month long stop). A single data cleanse phase with a charge for any amendments to data (GBP25k minimum).
- **GMPe** – is assumed to be Method C2 but trustees can also select Method B1/C1/C2/D2.

### *How is Aviva Clarity a unique proposition?*

- Robust data and benefit template caters for a wide range of features, with minimal benefit simplification required – all main benefits can be accommodated within template. Template enables detailed and accurate pricing from Aviva.
- Production of benefit specification/member data/reconciliation cashflows in advance of the quotation, to ensure benefits to be insured are consistent with expectation.
- Timescales agreed at outset and significantly shorter than a traditional quotation process.
- Exclusivity not essential, though some very small cases (sub-GBP10 million) may need to be more flexible on timing as we optimise our quote and implementation capacity.
- Price locks available at any premium size.

## Our offering to date and future outlook

Aviva has always been a whole of market player. We've long appreciated the needs of smaller scheme and consistently supported their de-risking ambitions.

Market reception to this new proposition has been extremely positive thanks to flexibility of the template approach. We've completed a significant number of transactions since we began the test phase, and we have a significant volume of quotes in market. We have dedicated resources focusing on this proposition as we continue to support market demand.

### **Our future plans in the streamlined space and opportunities we wish to harness**

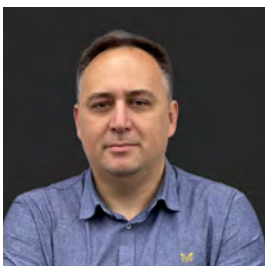
Aviva Clarity is relatively new. It has been well received by trustees and their advisers, though we continue to monitor how it's used and to ensure we have all the features in place to support this segment.

Now more than ever, the focus for insurers has to be participating in carefully planned and well-executed transactions, with well-prepared data/benefits – while simultaneously developing extremely efficient quote and administration processes to manage the volume.

Process efficiency, both pre and post-execution, will play a pivotal role in helping us to support the widest range of scheme and continue to deliver our Whole of Market strategy. We have a tremendous track-record of supporting smaller schemes' de-risking ambitions, and Aviva Clarity supports our ambitions to maintain this long into the future.

## Key contact for our streamlined proposition

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### What is Mosaic?

We have a specific streamlined proposition called Mosaic for small schemes. Mosaic offers smaller schemes a clear and straightforward process to work with PIC to complete a buyout, with a firm commitment to timescales and capacity.

- Sample pricing shared with risk transfer consultant to allow affordability assessment upfront allowing the scheme to monitor pricing
- An agreement to dedicate resource, which gives certainty on the timescales for PIC to provide a guaranteed quotation and then complete a transaction. This may differ depending on whether the process is open market or not
- Templates for benefit and data provision to give clear guidance on requirements without applying a “one size fits all” approach
- Pre-agreed contractual terms better than typical terms for schemes of this size
- Dedicated resource for this market segment to ensure transition to buyout and buyout administration is delivered in line with commitments
- PIC commitment to provide an excellent service to scheme members through the transition to PIC policyholder and beyond

PIC will continue to participate on cases in this segment of the market using our standard processes if schemes do not wish to use Mosaic, depending on capacity as currently is the case. The capacity for Mosaic is in addition to other business as usual cases.

### Which schemes do we target?

Mosaic is currently targeted at schemes under GBP100 million, but we would consider schemes up to GBP200 million. There are some eligibility requirements. However, Mosaic does not require the Trustees to simplify or change the scheme benefit structure. We expect the majority of small schemes to be eligible for Mosaic.

### Features of our streamlined proposition

*Phase 1* – PIC provide indicative pricing for schemes to monitor affordability. Once a scheme believes a buyout is affordable, they prepare data and benefits using Mosaic Templates. Schemes do not need to complete GMP equalisation prior to entering Mosaic.

*Phase 2* – Trustee requests binding quotation and agrees to Mosaic standard terms and conditions. PIC agree to provide binding quotation within agreed timescales which is typically six to eight weeks from date of receiving data and benefit specification. While exclusivity is not a prerequisite, exclusive processes will be prioritised.

*Phase 3* – PIC provide binding quotation along with a price lock and final contracts. The Trustee decides if they wish to go ahead. Transaction is completed within three to four weeks from the date of issuing binding quotation as contracts are pre-agreed. Premium is typically expected to be paid in cash.

### The post-transaction and transition process for small schemes

PIC have set aside additional transition management and administration resource to make sure that schemes that transact under Mosaic progress smoothly through the transition from buy-in to buyout in the planned timeframes, whilst maintaining service to members.

As part of the transition process, the Trustees will have a dedicated team to project manage and support them through the data cleanse process, including any GMP equalisation requirements. Mosaic supports all GMP equalisation methods.

## How is Mosaic a unique proposition?

*Dedicated resource* – PIC is committing resource specific to small schemes from pricing and deal execution through to buy-out. Schemes that come through Mosaic will not have to compete against larger transactions for attention.

*Process and timing* – As part of Mosaic PIC has developed processes to make the bulk annuity process more efficient in terms of timing and the number of small schemes that PIC can transact.

*Flexibility* – PIC have set up a simple and efficient process and templates, but retain some flexibility to ensure that schemes are not constrained by a “one size fits all” approach.

*Transparency* – PIC are providing Mosaic pricing feeds to risk transfer consultants to enable schemes to track the affordability for their scheme before entering into the partnership.

## Our offering to date and future outlook

This new product was only launched in April 2024, but we have already received a lot of interest and expect to complete our first few transactions through Mosaic in the

coming months. Once in full flow we believe Mosaic has the capacity to transact several transactions a month. We understand the importance of maintaining PIC’s high standard which is why we have set aside dedicated resource to meet the market demand in this segment of the industry without comprising quality of service.

## Our future plans in the streamlined space and opportunities we wish to harness

While we are at the early stages of rolling out Mosaic we are working closely with a limited number of consultants and will gradually be expanded to cover more consultancies over time, ensuring that PIC can deliver its commitment to excellent service to trustees and members as the product expands.

In future, the eligibility criteria could be expanded to enable more schemes to use this process and PIC are continually looking for areas to improve efficiency, both in pricing for bulk annuities and during the data cleanse and transition to buyout.

## Key contact for our streamlined proposition

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Just have a streamlined proposition, ‘Beacon’, offering an efficient approach to small scheme transactions and price monitoring.

### What schemes do we target?

For our Beacon price monitoring service, there’s no lower or upper limit on size for schemes that we can provide initial pricing for and we currently have schemes that we’re monitoring with liabilities of less than GBP0.5 million to over GBP250 million. There’s no cost associated with our price monitoring service, as well as no obligation to transact or work exclusively with us at the initial quote stage.

Trustees/sponsors may use our service for an extended time to monitor funding vs pricing levels, while others only may use the service for a month or even go straight to a transaction.

Schemes that transact via our Beacon streamlined process are generally under GBP50 million, but if larger schemes wish to proceed to a transaction they will be accommodated by Just. Any scheme that we’re providing initial pricing for is eligible to move forward to transact with us on the provision that we have sight of a legally reviewed benefit specification and are comfortable that the scheme benefits are suitable for our streamlined process (which the vast majority do). So long as the template has been correctly completed we don’t decline any schemes upfront, though schemes that are working exclusively with us will be prioritised at times when demand is greater than capacity.

### Key features of Beacon

We have a standard data template that’s used for all schemes quoting through Beacon – this template has been recently enhanced to allow for more flexibility around scheme benefits while retaining the template’s simplistic and user-friendly feel. Initial pricing is also fully modelled and incorporates reinsurer pricing from our flow treaty partners. This means that while the initial pricing is technically indicative, this is largely due to the governance requirements and if the data or benefits are unchanged for the transactable quote the price will be as well.

The process follows a monthly cycle, schemes for which we receive completed templates by the 1st working day of the month should receive their first price by the end of that month. This allows all stakeholders to know what to expect and when enabling them to plan meetings & resource accordingly.

Upon provision of our data template, we’ll aim to start providing price monitoring from the following month. There is no obligation to work exclusively or transact with us for this stage of our process. We’re happy to provide monthly pricing updates indefinitely or until such time that the Trustees or EBC notify us that they’d like to move forward to transaction with us or an alternative provider.

At the point of requesting a transactable quote we ask for the following:

- To see a legally reviewed benefit specification – we’ll review this to ensure that the scheme benefits fit into our streamlined process. In the unlikely circumstance that we can’t transact through Beacon, we’ll look to accommodate the scheme through our standard process.
- Confirmation of agreement to our contractual terms
- Confirmation of data integrity, source of the marital information etc
- A series of basic questions for example “has a PIE ever taken place?”

We’ll then schedule in a transactable (‘guaranteed’) quote, which is typically 4-8 weeks from the point of receiving the benefit specification. This will include a data summary, benefit specification playback, sample member option factors and a price lock. The pricing basis of the most recent initial quote is retained for the guaranteed quote – any changes to the premium will be due to changes in key dates (market conditions etc.) and on occasion to account for any additional benefits that may not have been allowed for within the initial quotes.

As our contract terms will have been agreed in advance, we generally transact c3 weeks after the guaranteed quote is provided.

### Post-transaction and transition process for small schemes

Just have a dedicated Small Schemes team which sits within the wider Transitions team. The team are responsible for project management of the data cleanse, ensuring that all processes run smoothly and are there to assist with any queries that the Trustee/EBC/Administrator may have. Just also have a data checking and onboarding team, buy-out managers and a ringfenced admin team to ensure that the scheme is looked after from the day of transaction through to buyout and beyond.

## How is our proposition unique compared to other offerings in the market?

### • Intentionally accessible initial pricing:

- Schemes using Beacon have no obligation to work exclusively or transact with us.
- We're able to accommodate any scheme for our price monitoring service, on the provision that data can be provided on our standard Beacon template.
- For schemes that are looking to move to a transaction with us we don't ask for anything beyond what a diligently prepared scheme considering such an important and final a decision as choosing a buy-in partner will already have in hand.

### • Price monitoring:

- Beacon offers an ongoing monthly price monitoring service as well as the initial price. Clients find this particularly valuable when market conditions are volatile as it enables Trustees to react to opportunities as they occur. During 2022, for example, there were many schemes being monitored on Beacon who could see their funding position improve on a monthly basis and were therefore able to lock in quickly.
- Whether schemes ultimately transact with ourselves or another insurer we are proud to have helped so many on their de-risking journeys with our initial pricing feeds
- This is very popular throughout the market – we're currently providing monthly quotes for over 300 schemes across over 20 different advisory firms.

### • Simple data template:

- Consistent feedback from Trustees and EBCs in the market is that the Beacon data template is very straightforward and user-friendly.

- We regularly collect feedback to ensure that our data template remains fit for purpose, while still retaining its simplistic feel. We've recently included a 'benefit specification generator', which is an optional facility for EBCs and Trustees to use as a starting point for a transactable benefit specification. We remain flexible on what form we receive the benefit specification in, whether it's generated from our data template or in the scheme's own format.

## Our offering to date and future outlook

We have been offering our streamlined proposition since 2019, with the number of schemes using Beacon increasing every year. Over the years we've built a strong reputation, with Beacon being actively used by 20+ EBCs and numerous Trustees, with many of these being existing clients.

In 2023 just did 80 transactions, 60 of those originating from Beacon. In 2024 we're expecting this number to grow – Just will continue to invest heavily in our pre- and post-transaction team structure and internal processes to accommodate this, and ensure that we maintain our excellent service levels for members. We have a dedicated small schemes team who look after the post-transaction side, from data cleanse through to buyout.

## Our future plans in the streamlined space and opportunities we wish to harness

Just will continue to innovate our streamlined proposition and hope to maintain what we consider to be a market leading position. As volumes increase we'll be investing into our technology and in the development and growth of our teams. We want to be able to quote and transact on greater numbers of schemes, but also have quicker turnaround times and additional flexibility.

## Key contacts for our streamlined proposition

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