

Small scheme buy-ins in 2025

In 2024 the UK bulk annuity market had a record number of buy-ins: insurers completed almost 300 transactions and wrote more than £47bn of total premiums. Schemes smaller than £100m represented just over 10% of the total value, but made up around 80% of all transactions.

Although 2025 started more slowly than some insurers expected, initial data suggests competition between insurers has increased in the small scheme market. Activity is ramping up, and we expect a busy second half of 2025.

A shift in market dynamics in 2025

The strong demand from small schemes has historically led to insurers’ operational capacity being a bottleneck as insurers participate in more broking processes and transact with more schemes.

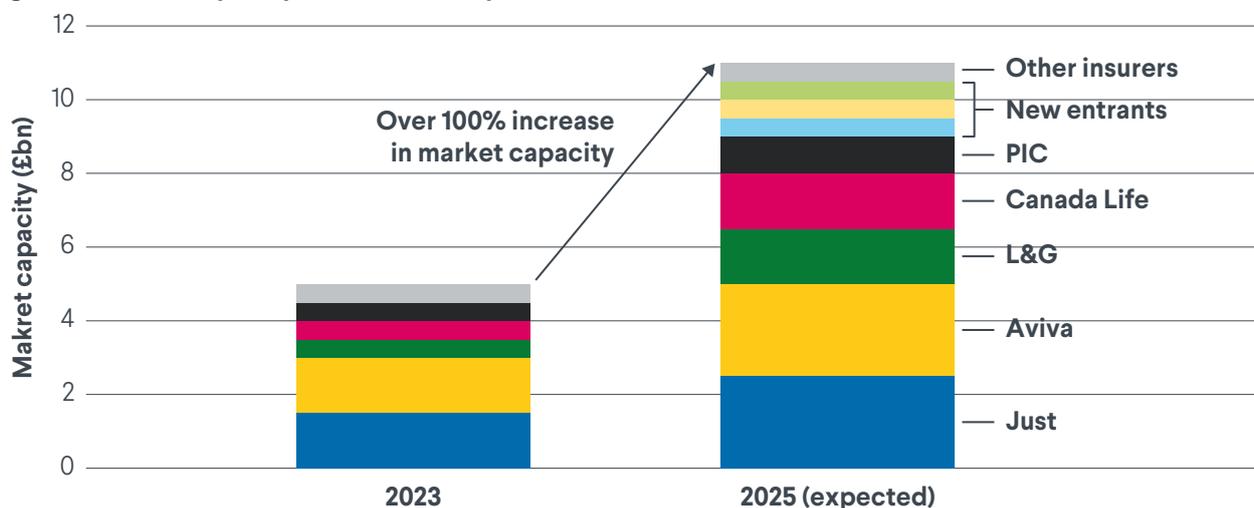
To increase capacity, several insurers have launched streamlined offerings that aim to enhance efficiency for a small scheme transaction in the buy-in and the post-buy-in phase.

The supply side of the market has also increased with new insurers – Utmost and Royal London entered the market in 2024. Blumont has also recently confirmed that the Prudential Regulation Authority has given it approval to begin writing business.

These new entrants have specifically allocated capacity towards small schemes, to help build their credibility and widen choice for pensions schemes in a market where demand has typically exceeded supply.

Market capacity for small schemes has dramatically increased as a result of these new entrants and other insurers’ increased resources and focus. We estimate capacity for transactions smaller than £100m has more than doubled in just two years, to more than £10bn. This is around double the actual volume of transactions of this size which completed in 2024.

Figure 1. Market capacity to insure small pension scheme liabilities



Source: Based on insurers’ published financial results and Hymans Robertson estimates.

What does increased capacity mean for the market?

These developments signal an important change: the supply of insurance capacity has caught up with demand.

In just the past nine months, our risk transfer team has completed transactions under £100m with eight different insurers. Competition is fierce, and choice has increased for trustees of small schemes, which have historically found it harder than large schemes to attract high insurer engagement and competition.

Whilst the competitive landscape has improved overall for small transactions, insurer participation levels still vary for different sizes below £100m.

Table 1. Expected insurer participation by transaction size in 2025

| Transaction size | Insurers regularly active at this size | Expected insurer participation |
|------------------|----------------------------------------|--------------------------------|
| £10m | 3 | 1 or 2 insurers |
| £10m – £30m | 8 | 3 insurers |
| £30m – £100m | 10 | 3 to 5 insurers |

Note. Actual insurer participation can be higher or lower than indicated, depending on transaction specifics.

What challenges remain?

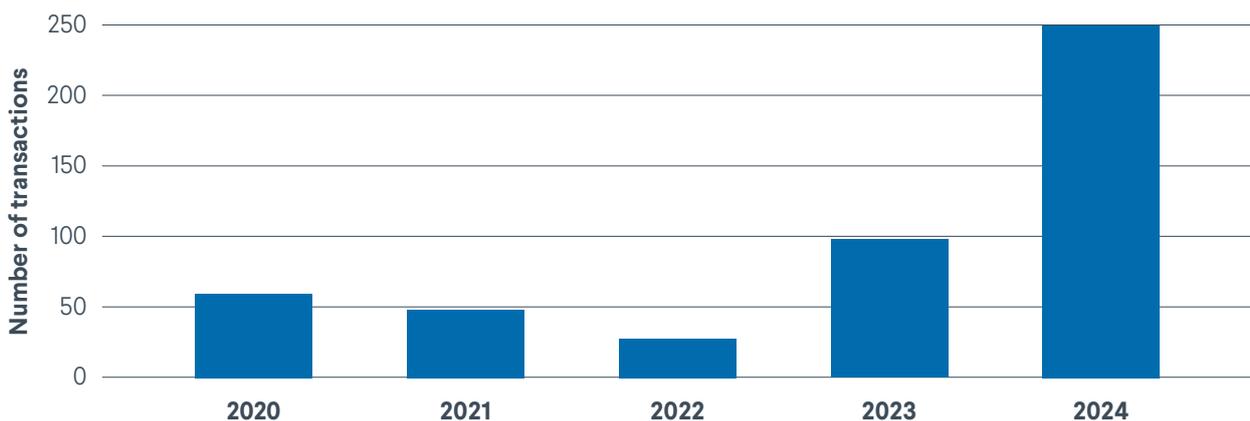
The increase in full-scheme buy-ins has resulted in a massive queue of schemes looking to convert their buy-in to a buy-out. This queue is only getting longer as, on average, new buy-ins are completed faster than existing ones are converted to buy-outs.

For small schemes, insurers are hesitant to make commitments on timescales to move to buy-out. Buy-in conversion is therefore more challenging than for large schemes, which have more leverage.

Ongoing running costs of a small scheme that's fully bought in can be disproportionate to the scheme's size. To manage cost it's therefore vital for trustees of small schemes to use a post-transaction specialist who knows the insurers and has strong relationships they can use to make sure the transition moves at the right pace and stays on track.

The chart below shows our analysis of the expected backlog of buy-in transactions that are still to move to buy-out based on actual buy-ins and buy-outs that have been completed since 2020.

Figure 2. Analysis of backlog of buy-in transactions still to convert to a buy-out



Source: Hymans Robertson collated figures from insurers

In an increasingly busy and competitive market, there will be even more pressure on insurers to differentiate their offering. A key area of opportunity lies in how quickly and effectively insurers can support schemes in transitioning from buy-in to buy-out, which can have a tangible benefit to schemes in terms of minimising post-transaction running costs.

A more competitive future for small schemes

The evolving insurance market in the UK suggests an exciting future for small pension schemes. Increased insurer participation, frequent innovation and greater competition will give more options to sponsors and trustees. The market for small transactions, previously underserved, is now a dynamic and competitive space.

For many schemes in the buy-in market, this shift is an opportunity to secure favourable terms and have more choice of how their liabilities are managed and transferred.

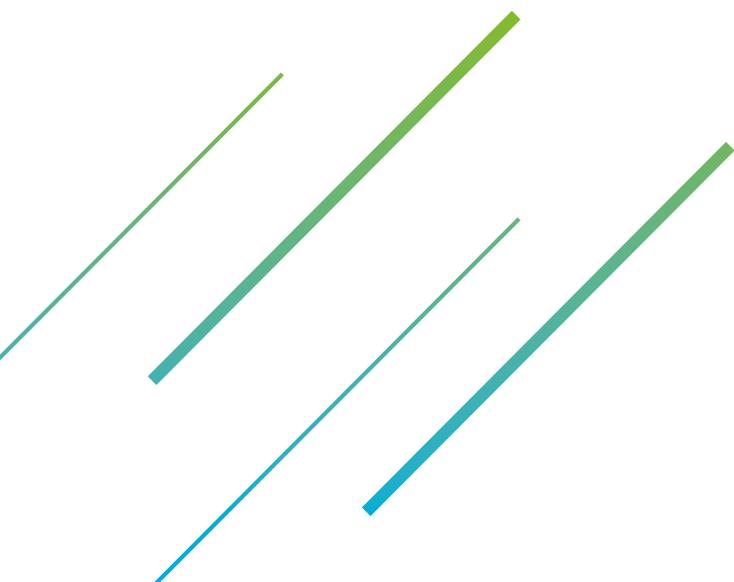
The Hymans Robertson risk transfer, buy-out and wind-up transition services team is well equipped to help trustees and sponsors navigate the growing insurance market for small schemes.

To find out how we can help you move efficiently from buy-in and then to buy-out, please get in touch.



Iain Church
Head of Core Transactions

0121 210 4312
iain.church@hymans.co.uk



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