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Dive into pensions de-risking

Latest PRA proposals could inject more pace into bulk annuity market

The Prudential Regulation Authority (PRA) have published a consultation paper which introduces the concept of the Matching Adjustment Investment Accelerator (MAIA)

Recap of matching adjustment

The “Matching Adjustment” (MA) is a fundamental component of pricing in the bulk annuity market. Without it, the cost of a buy-in or buy-out would be prohibitive to pension schemes. It allows insurers to discount their liabilities using the asset yield of the investments that back these liabilities, less an allowance for credit risk known as the ”fundamental spread”.

Insurers cannot use new asset types to back their annuity liabilities without first receiving approval to do so from the PRA through a formal application. Insurers have cited this inflexibility as a barrier to seizing investment opportunities as they arise.

What’s in this consultation?

This new consultation released 8 April 2025 introduces the concept of the Matching Adjustment Investment Accelerator (MAIA). Firms granted permission to use the MAIA will be able to immediately invest in new asset types they believe to be eligible under MA regulations and take credit for the associated MA ahead of receiving formal approval from the PRA – a process which can be lengthy. Firms seeking permission to use the MAIA will need to demonstrate they have appropriate controls and procedures in place. Firms will be required to have a contingency plan if the formal approval from the PRA confirming an asset is indeed eligible is not granted. The consultation also sets outs constraints that will be applied to the MAIA permission including limits on the total exposure to so called MAIA assets – 5% of an insurer’s total MA portfolio is proposed.

The consultation period ends on 4 June 2025, with the PRA seeking to implement any proposals towards the end of the year.

What does this mean for pension schemes?

If the proposals are adopted, this change will allow insurers to be more dynamic and reactive in their pricing of buy-ins. For pension schemes looking to derisk we could see keener, more competitive pricing towards the end of 2025/early 2026 following another busy year for risk transfer.

Get in touch

If you have any questions about anything covered, please don't hesitate to get in touch.

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