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# Risk settlement market 2018

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# A year of increasingly strong market opportunities

## Bulk annuities offering big opportunities

After a slow start, the pace picked up in 2017 when we saw some of the best bulk annuity pricing in the last 10 years and longevity reinsurance pricing gradually corrected to reflect the latest mortality trends.

I am delighted that these positive conditions led to excellent results for scheme members across many deals. As a shining example, we have included an in-depth look at the Tullett Prebon case study where we locked in a material surplus for the full scheme bulk annuity.

The assets being used by insurers to support pricing are proving key to success, and we have provided some colour on this on page 12 of the full report. We also take a closer look at the debate on whether annuities offer value for money or whether schemes with sufficient scale could put themselves in the insurer's shoes and self-insure.

Both the annuity and longevity swap markets are open to schemes of all sizes, and it is interesting to see the developments globally where other countries are starting to catch up with the UK in focusing on and managing pension risk.



Expectations are high for 2018, with a number of full scheme buyouts entering the market as well as a continued flow of pensioner buy-in deals. The theme of insurance consolidation continues with a number of significant back-book transactions ongoing at the time of writing. The bulk annuity market is primed for a record year, with transactions potentially reaching £30bn in 2018.

## The good news is that for well-prepared schemes, opportunities will persist.

Many schemes are finding that they are much closer to eventual full scheme buyout and focusing on a much shorter time frame to get there.

A word of warning though – in the past, a speculative approach to test the market has been tolerated, but such approaches will almost certainly result in disappointment in 2018. Insurers are increasingly focusing their resources on those deals that are most likely to transact and so thorough preparation and price monitoring remain essential elements in de-risking game plans.

I hope you enjoy reading the selection of articles and that they provide food for thought. Do get in touch with me or one of the team if you would like to talk in more detail about opportunities for your own scheme.



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