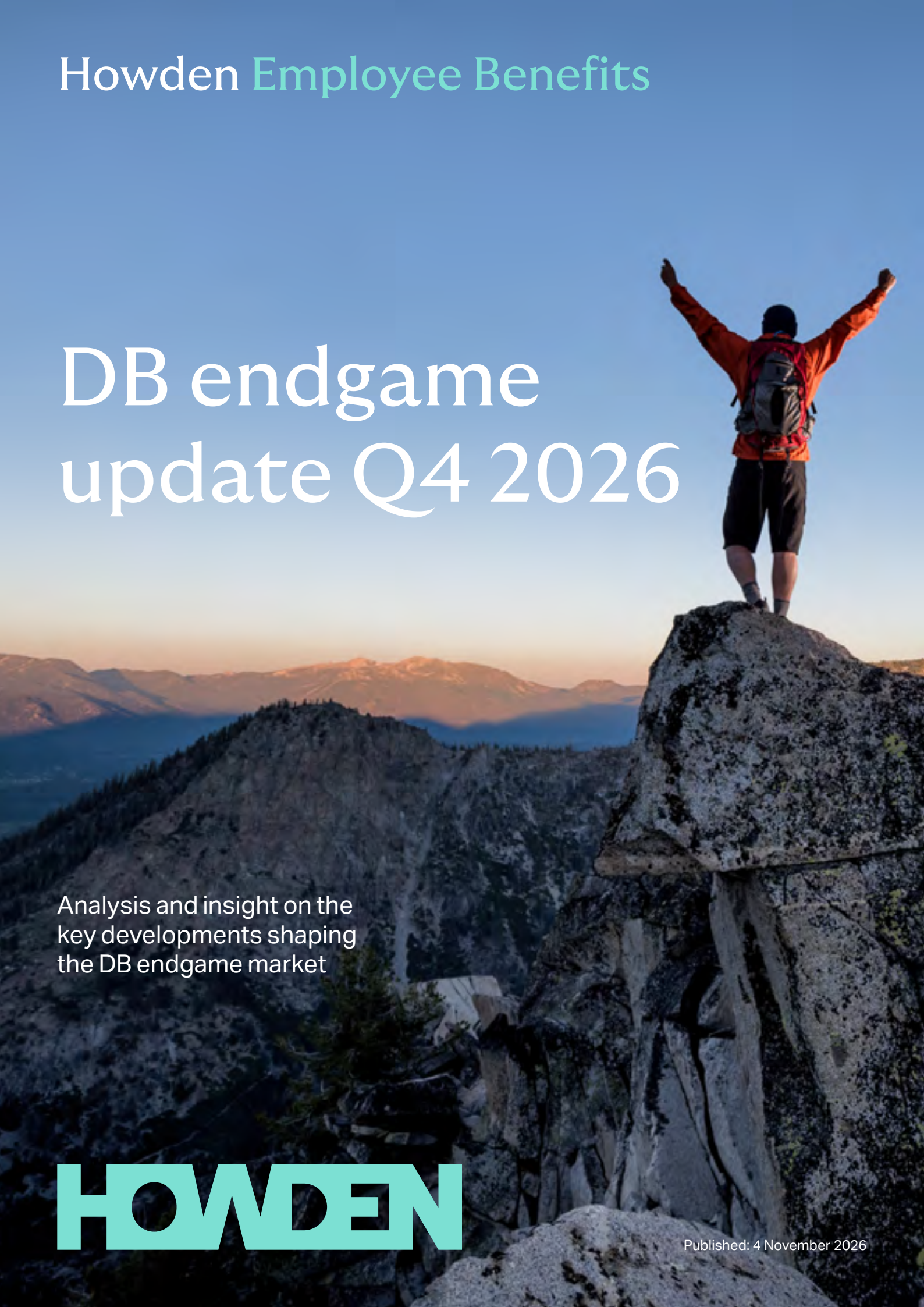
Howden Employee Benefits

DB endgame update Q4 2026



Analysis and insight on the key developments shaping the DB endgame market

HOWDEN

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This quarter's key developments

- An update on insurers' results for the first half of 2026
- An update on the progress the market is making moving schemes from buy-in to buyout
- Our view on the current competitiveness of the risk transfer market and current pricing levels
- The latest regulatory developments
- An update on the superfund market, including the new entrant TPT clearing a key regulatory hurdle
- An overview of how technology and AI are being used in the risk transfer space

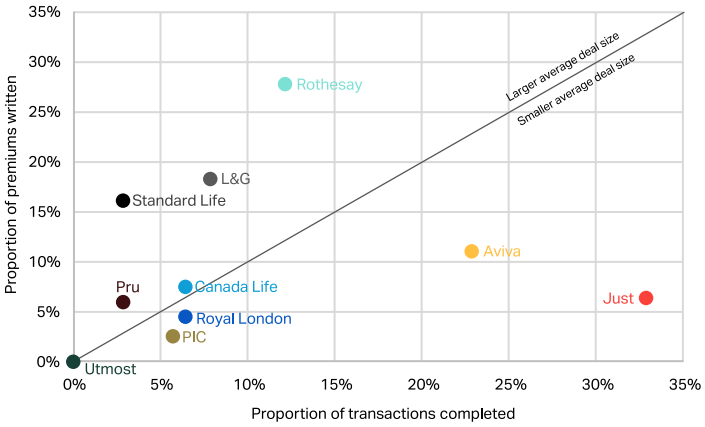
Bulk annuity market update

Insurance transactions in the first half of 2026

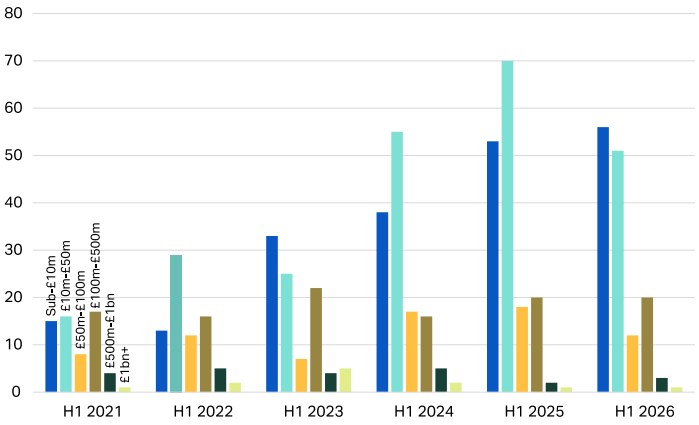
Insurers have now published their results for the first half of 2026. Key themes from the period include:

- Following the significant growth in transaction volumes seen in recent years, market activity moderated during H1 2026. A total of 143 transactions were completed, compared with the record levels seen in H1 2025 (164 transactions) and H2 2025 (214 transactions).
- Total premiums written in H1 2026 were £10.2bn - a modest increase on the £9.7bn recorded in H1 2025.
- Activity at the larger end of the market remained subdued, with only four transactions completed above £500m and just one transaction exceeding £1bn. This environment continues to provide larger schemes with strong negotiating power and access to highly competitive pricing.
- The reduction in transaction numbers was concentrated among schemes between £10m and £100m in size. In contrast, activity in the sub-£10m market increased slightly compared to H1 2025.
- The sub-£10m segment continues to be dominated by a small number of insurers, with Just accounting for around 60% of the 56 transactions completed in this market and Aviva accounting for a further 25%.
- We have also seen increased insurer competition in the £10m to £50m segment. Transactions are now more evenly distributed across insurers, reflecting the growing focus on this part of the market through streamlined and efficient transaction processes.

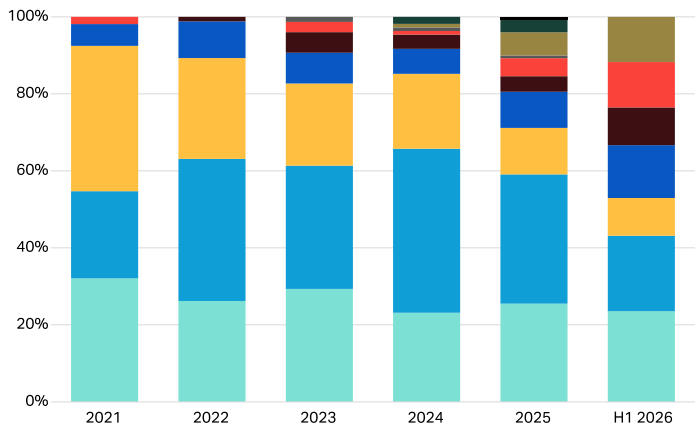
Share of premiums and transactions by insurer



Change in transaction number by size across recent H1s



Share of £10m-£50m transactions by insurer over time



Source: Howden research of insurer data

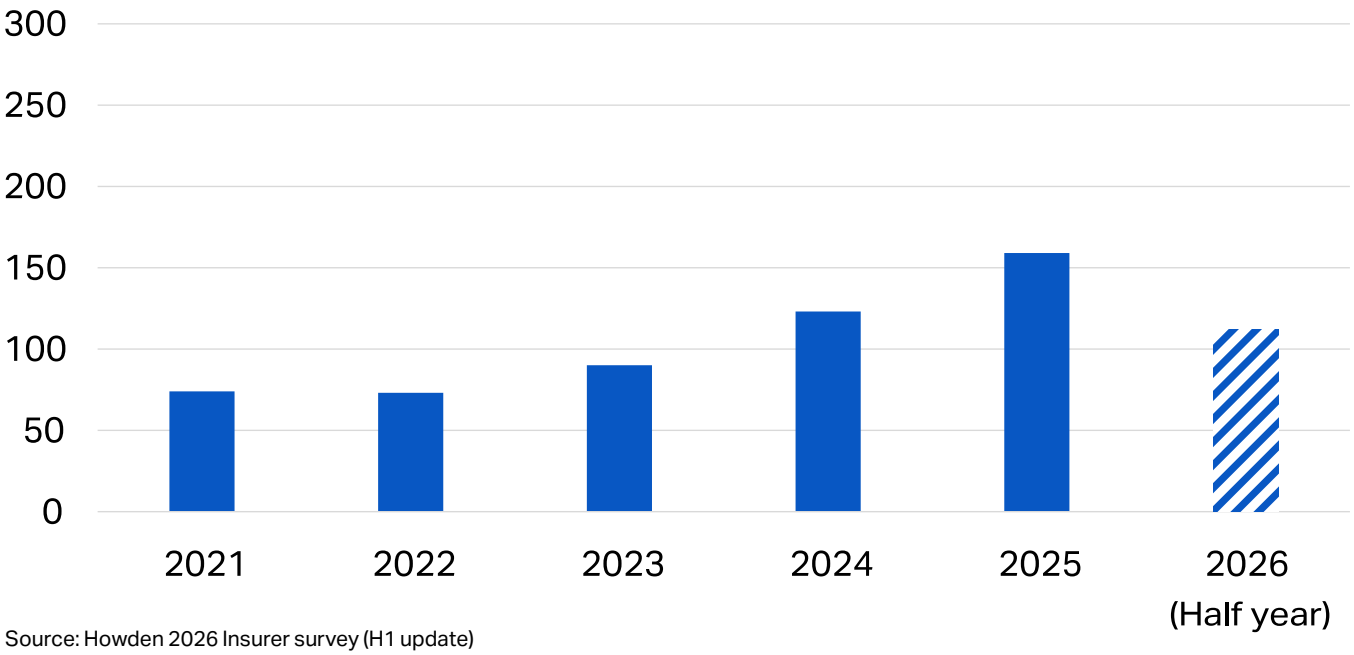
Scheme buyouts in the first half of 2026



Taking a look at the number of schemes reaching buyout (i.e. converting their buy-in to individual policies) over the first half of 2026, we see that:

- The number of buyouts has increased significantly compared with previous periods. There were 112 buyouts over H1 2026, compared with 65 during H1 2025.
- Earlier this year, insurers projected that almost 300 schemes would reach buyout over 2026. If the current pace continues, they might fall slightly short of this prediction.
- Current buyout volumes are broadly in line with transaction volumes seen two to three years ago. Given that schemes typically take two to three years to progress from buy-in to buyout and wind-up, this suggests the market is moving towards a more balanced position. Buyout activity is now catching up with historical transaction volumes and could soon exceed the levels seen two to three years earlier, supported by increased insurer capacity and more efficient post-transaction processes.

Number of schemes transferred to buyout per calendar year



Source: Howden 2026 Insurer survey (H1 update)



Market competitiveness

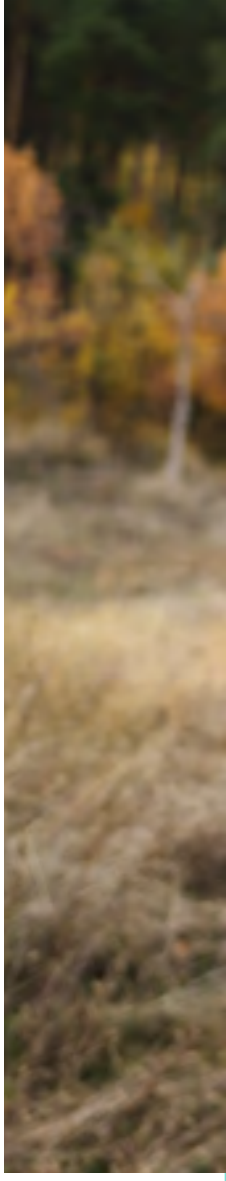
The bulk annuity market has been particularly active during the second half of 2026, with a significant pipeline of schemes above £100m coming to market.

This has placed pressure on insurer capacity and resulted in a reduction in the number of insurers participating in some transaction processes. Where schemes may previously have expected to receive quotations from five to seven insurers, many have recently received interest from only two to four. In this environment, it is increasingly important for schemes to present a clear and compelling transaction story, demonstrate preparedness and engage early with the market to maximise insurer participation.

We have considerable experience advising schemes in the £100m+ market segment and expect to advise on nine transactions of this size during 2026.

For smaller schemes, insurer capacity remains more readily available through streamlined insurer solutions. The availability of these streamlined solutions has made competitive processes with up to three insurers possible for schemes with liabilities of around £10m. These offerings have increased competition at the smaller end of the market, supporting attractive pricing and a growing range of options for trustees and sponsors.

Competitive pricing continues



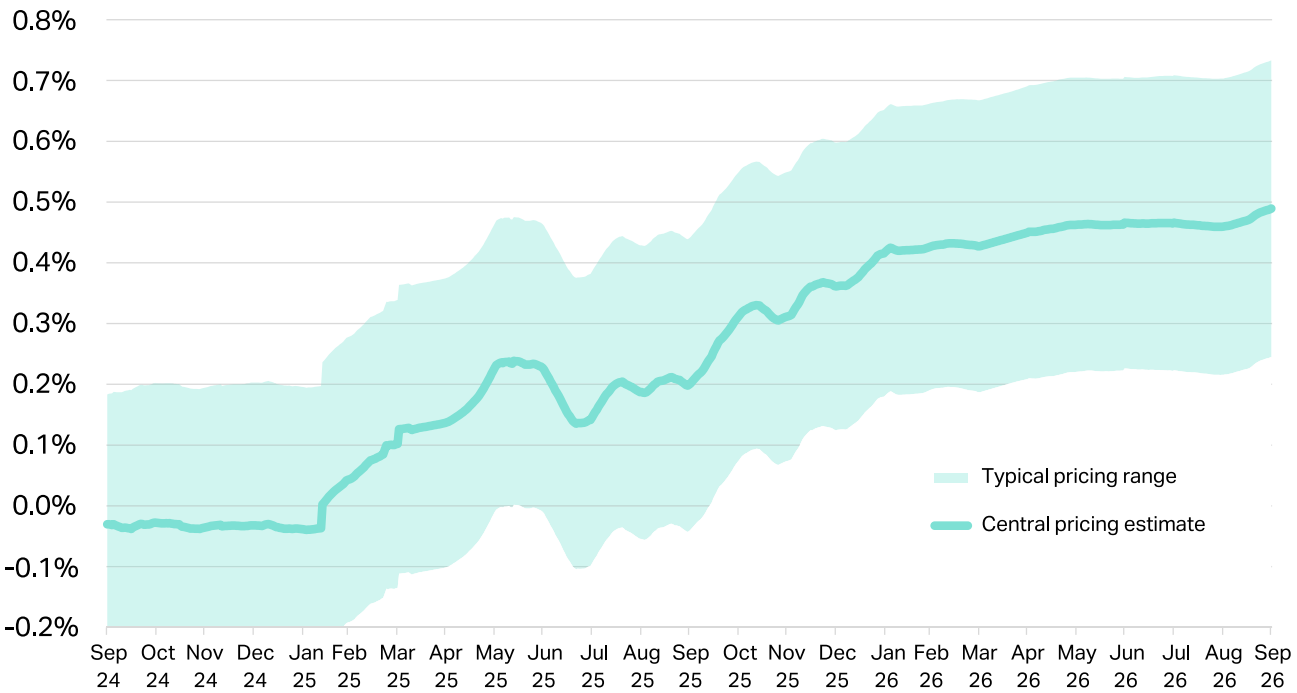
Despite the capacity pressures seen for some larger transactions, insurer pricing has continued to improve throughout 2026.

This improvement has been supported by expectations that total premiums written during 2026 will fall short of the levels anticipated at the start of the year, creating strong competition between insurers for deals actively in the market.

This trend is illustrated in the chart below, which tracks the implied margin above gilts for a typical full-scheme buyout transaction. Since the end of 2024, the implied margin has increased by approximately 0.5% per annum, equivalent to an improvement in insurer pricing of around 5% to 10% relative to gilt-based liability measures, depending on scheme maturity.

We expect pricing to remain attractive through the remainder of 2026 and into 2027. For schemes that are well prepared and able to engage with the market in the coming months, current market conditions may present a compelling opportunity to transact.

Indicative full scheme insurer pricing relative to gilts



Notes: This is for a typical transaction covering liabilities of £100m, with the liabilities being split broadly one-third to deferred and two-thirds to pensioner members. It assumes the demographic assumptions used to project future benefit payments are consistent with our understanding of those an insurer might be expected to adopt. The pricing is based on both observed market pricing and indicative pricing information provided by bulk annuity insurers. The pricing actually achieved will depend on a particular scheme's circumstances and insurer appetite for a particular transaction.



Regulatory developments

The increase in capital requirements for new funded reinsurance transactions came into force on 1 October.

The position remains uncertain as insurers await the Prudential Regulation Authority's policy in this area. We expect some insurers to continue using funded reinsurance, particularly for larger transactions, and these changes could therefore create headwinds for pricing at the larger end of the market.

Superfund market update

A new entrant to the superfund market

On 21 October, TPT Retirement Solutions announced it had successfully passed The Pensions Regulator's superfund assessment process, allowing TPT to bring its superfund to market and progress its first transactions.

TPT has already secured the capital required to fund up to £1.5bn of transactions, allowing it to move quickly towards a position where it supports multiple schemes.

This is a significant milestone for the superfund market. While some schemes will have engaged with multiple prospective superfunds a number of years ago – while several providers were seeking regulatory assessment – this is the first time trustee boards and sponsors have had a choice of two fully assessed superfunds. Multi-superfund processes could become the norm, creating competitive tension and driving further innovation in the superfund space.

It also broadens the options available to trustees and sponsors, with TPT's run-on model providing an alternative option to Clara's bridge-to-buyout model and creating the potential for members to benefit from future upside.

Ultimately, more choice should be good for trustees, sponsors and members alike.

Gathering momentum in the superfund market

Even before the approval of TPT, the DB superfund market was continuing to gather pace, with clear signs of increasing confidence in this alternative to the traditional bulk annuity route.

The established superfund Clara-Pensions announced three new transactions during September and October, making 2026 its busiest year to date by number of transactions. In total, over 27,000 members and more than £1.9bn of pension scheme assets have now transferred into the Clara vehicle.

We also expect the imminent arrival of further new entrants to the superfund market. Subject to regulatory assessment, these new vehicles will offer trustees and sponsors further choice in the alternative endgame space. We have already started working with clients on multi-superfund selection processes to help them identify which features of the new models are most relevant to their circumstances.

We are proud to have advised on half of all superfund transactions that have completed their regulatory clearance to date, having achieved particular success in helping clients to navigate the process in a streamlined way.

Recent areas of superfund activity have included:

- Smaller schemes (e.g. with assets of £50m or less) transferring into Clara, with multiple schemes occupying the same Clara section to reduce per-transaction costs.
- Superfund transactions carried out alongside corporate restructuring or M&A activity, where it is critical that the transaction can be completed quickly and with sufficient flexibility to meet wider corporate objectives.



Technology is transforming endgame decision-making

Through our market-leading DB strategy tool, **Illuminate**, we can provide real-time insights into pricing for superfunds and other risk transfer options. We have successfully deployed our live tracking of superfund and bulk annuity prices to help clients develop their endgame strategy and, where relevant, navigate the regulatory 'gateway' framework.

Technology and AI are key differentiators in the insurer market

Pricing and benefit security remain at the heart of insurer selection for trustees and sponsors.

However, increasing attention is also being paid to how insurers are using technology. Investment in digital platforms, automation and artificial intelligence (AI) is helping insurers improve efficiency, support growing transaction volumes and enhance the member experience post buyout.



Technology investment is reshaping member experience

We are continually assessing the capabilities of the BPA insurer administration market. One of the key areas we look at is how technology is being used to enhance member experience.

Across the market, insurers and third-party administrators are investing heavily in technology, and we are seeing some exciting developments.

While capabilities and areas of focus vary by insurer, we are seeing some key trends. Many insurers have now developed online member portals, offering a range of self-service functionality. Typical features include viewing benefit information, accessing payslips and pension documents, updating personal details and obtaining retirement or transfer quotations. Some insurers are also offering members the option to complete retirement processes fully online.

Alongside member-facing technology, insurers continue to increase the level of automation within their administration systems. Many now automate the vast majority of routine calculations and case processing activities, reducing the potential for manual error and improving turnaround times.

The use of AI is becoming increasingly visible across insurer operations, although its application is currently focused predominantly on supporting operational processes rather than replacing human decision-making. Areas of development include voice analytics within contact centres, automated call transcription, sentiment and language analysis, identification of vulnerable members, and AI-powered support tools for customer service teams. Some of these features are used live during member interactions while others are used to analyse trends and improve future services. Some insurers are also exploring AI-assisted drafting of communications and the use of intelligent chat functionality within member portals.

Governance will be critical to successful AI adoption

As the use of AI expands, attention is increasingly turning to the governance frameworks needed to ensure these technologies are deployed responsibly and in the best interests of members.

Many of the emerging insurer use cases involve the processing of sensitive personal information, including call recordings, voice data, behavioural indicators and information that may help identify potentially vulnerable members.

More consistent identification and support of vulnerable customers has the potential to improve member outcomes significantly. However, appropriate safeguards must be put in place around how information is collected, analysed, stored and used. Trustees may wish to understand how insurers obtain and manage consent for call recording and transcription, the controls in place around the processing of member data and how AI-generated insights are reviewed and acted upon.

These considerations are particularly relevant in the context of Consumer Duty and broader regulatory expectations regarding fair treatment, transparency and good customer outcomes. As AI becomes increasingly embedded in member service processes, effective governance frameworks will be as important as the technology itself.



Looking ahead

Assessing technology capabilities alongside data governance and AI oversight frameworks is likely to become an increasingly important part of insurer and adviser selection. At Howden, we regularly engage with each of the BPA insurers to monitor updates in technology, alongside many other areas of performance and development. This gives us an overview of the market and helps us understand which insurers are driving change. If you would like to discuss how insurers' technology capabilities and wider developments may be relevant to your scheme's objectives and transaction planning, please get in touch.

AI in endgame advisory work

The increasing adoption of AI is not limited to insurers. At Howden, we have developed a suite of technology-enabled tools to support workstreams across the endgame journey. These include data readiness dashboards, member demographic analytics and enhanced data validation tools, helping schemes improve data quality, accelerate project delivery and deliver better member outcomes. This creates efficiencies, enhances data quality and provides a better service for members - always with a person in control.

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