

Pension Risk Transfer Monitor



Legal & General Retirement America
Legal & General Retirement Institutional

Special Edition - US and UK PRT Market Overview

Market update

Our half-year update will provide an overview of PRT market activity in both countries and what we expect for the rest of year.

In the US -

Although the US PRT market had a slower start this year compared to last, \$3.8 billion¹ versus \$4.5 billion² respectively, we saw a pick-up in the second quarter with two large transactions closing in the \$500 million to \$1 billion range.

We estimate the total market volume for the first half of 2021 to be over \$8.5 billion, an increase from the \$6.7 billion³ we saw in H1 2020, in which many deals got canceled or paused in Q2 due to the COVID-19 pandemic. As we saw in Q1, plan terminations continued to prevail in Q2 representing approximately 64% of deals closed by premium.

Looking ahead, the pipeline is robust with several large deals expected to close in the third and fourth quarters.

These large deals, paired with the typical year-end increase in deal activity, have the potential to create a record-breaking year.

We estimate this year's total market volume to be between \$30-40 billion. This is an increase from the \$27 billion⁴ reported for 2020 and speaks to the continued importance of PRT for companies looking to mitigate pension risk.

In the UK -

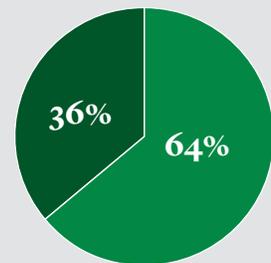
We're expecting another strong year and project that volumes in the second half of the year will be higher than in the first. We've seen fewer of the jumbo £1 billion+ transactions thus far however the trend towards opportunities for smaller and mid-sized pension plans has continued as the market has proven its strength and resilience over the past 15 months.

We are now seeing a pronounced uptick in quote activity, with a healthy pipeline of larger transactions suggesting that the second half of the year will be very busy. As increasing numbers of companies look to us for help, pension plans who prepare diligently and have a clear set of objectives will put themselves in the best position in a busy market.

Environmental, Social and Governance ("ESG") considerations are becoming increasingly prominent in the UK. Across the Legal & General Group, Inclusive Capitalism is a key principle that drives our corporate strategy and shapes our culture. Read our [ESG policy](#) to find out more.

64%

of Q2 US deals by premium were plan terminations



■ Retiree lift-outs
■ Plan terminations

\$30-40bn

Estimated 2021 total market size in the US

£25bn

Estimated total annual market size in the UK

1. First Quarter 2021 U.S. Group Annuity Risk Transfer Study, Secure Retirement Institute

2. [https://www.limra.com/en/newsroom/news-releases/2020/secure-retirement-institute-u.s.-single-premium-pension-buy-out-sales-total-\\$4.5-billion-in-the-first-quarter-2020/](https://www.limra.com/en/newsroom/news-releases/2020/secure-retirement-institute-u.s.-single-premium-pension-buy-out-sales-total-$4.5-billion-in-the-first-quarter-2020/)

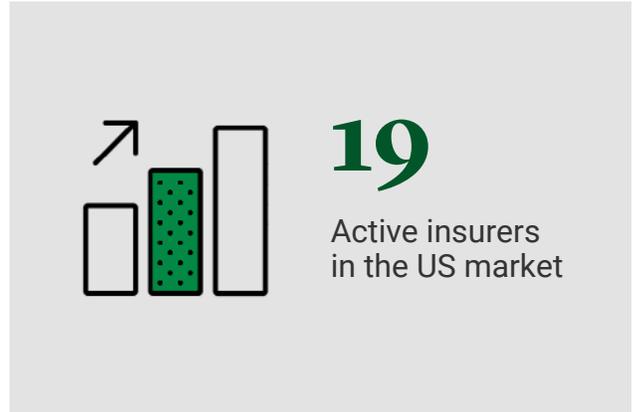
3. First and Second Quarter 2020 U.S. Group Annuity Risk Transfer Study, Secure Retirement

4. <https://www.limra.com/en/newsroom/news-releases/2021/secure-retirement-institute-fourth-quarter-u.s.-single-premium-pension-buy-out-sales-jump-21/>

Competitive dynamics

Competition has been strong among insurers bidding on the deals that have come to market in the first half of the year. In the US, there are currently 19 insurers actively participating in the market with new entrants expected in the coming years. It's not uncommon for there to be 10+ insurers bidding on one transaction. This level of participation demonstrates a very healthy and well-functioning market.

There are currently 8 active insurers in the UK PRT market. Though this is less than in the US, we've seen a similar level of competitive tension with the majority of insurers targeting specific transactions. There has been a recent shift in the areas of the market that some insurers are participating in, creating additional competition in the more saturated areas.



Economic backdrop

In both the US and the UK, market participants will be keeping a close eye on interest rates. For pension plans that are not fully hedged, rising interest rates will generally improve funding status as plan liabilities decrease. This could encourage more plan sponsors to execute a PRT transaction. With funding levels improving after an uncertain year, sponsoring companies in both countries are increasingly looking to insurers to take on responsibility for their pension obligations and help them reduce their pension exposures.

If the past year has taught us anything it is that well-prepared pension plans who are willing to move quickly can expect to see strong competitive appetite among insurers and get themselves to the front of the queue.

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