

Pension Risk Transfer Monitor

May 2020



Market Update

The US Pension Risk Transfer (PRT) market remained active in the first three months of 2020. We saw a similar volume of deals by premium that closed in the first quarter of this year compared to the same time period last year.

Plan terminations continue to be a market trend. As the chart on the right demonstrates, 71% of deals closing in the first quarter of this year were plan terminations, nearly double what we saw in the first quarter of 2019.

Special Topic - Financial Market Volatility

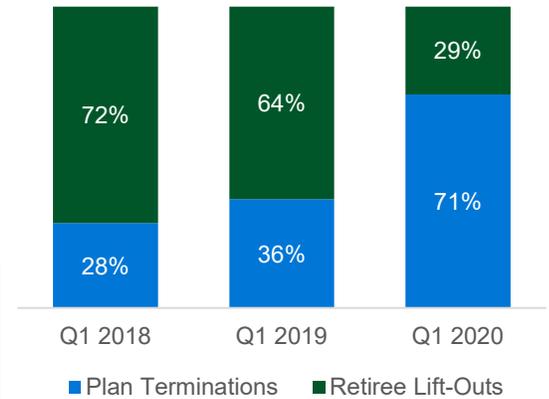
Final selection day for a PRT transaction traditionally consists of insurers providing their final quote early in the day based on current market conditions. The plan sponsor is provided with a guarantee that the insurer will maintain that price for several hours, allowing time for the plan sponsor and its advisors to discuss and select an insurer.

During times of market stability, this stretch of time can be less of a concern to insurers. In times of market volatility, however, this time can become a significant risk factor in insurer pricing.

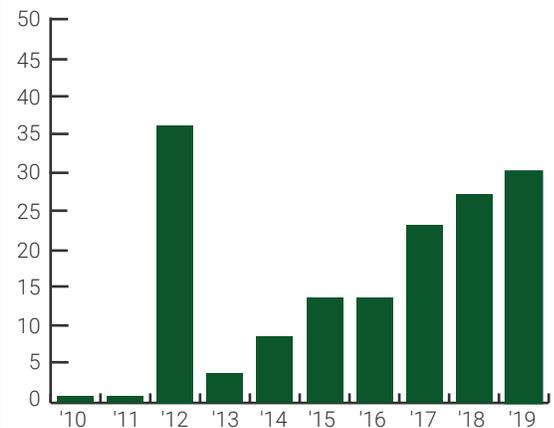
To address the concern of potential increased pricing in the current volatile market conditions, some brokers and their clients are providing an opportunity for the top-bidding insurers to refresh their morning price closer to selection time. A quote refresh encourages insurers to provide the best price possible in the morning as it eliminates the concern for the price to cover the risk of market volatility. This results in more precise pricing for the plan sponsor.

We understand the pressures that market volatility and other external factors put on plan sponsors, and this method is a great way to alleviate some of that pressure on final bid day.

Q1 Deal Type Breakdown (by premium)*



US Historical PRT Market (\$billion)



Source: LIMRA Secure Retirement Institute Group Annuity Risk Transfer

Contact Us

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