

Pension Risk Transfer Monitor



Legal & General Retirement America
 Legal & General Retirement Institutional

Special Edition - US and UK PRT Market Overview

Market update

The Pension Risk Transfer (“PRT”) markets in the US and UK experienced a record-breaking year in 2019. The historical PRT charts below highlight the growth in each market over the last decade and demonstrate the increased activity we’re seeing year-over-year.

It was just a few years ago that the UK market was celebrating annual risk transfer volumes of £10-£15 billion. In 2019, two and possibly three insurance companies have individually transacted those sorts of volumes, and total volume has eclipsed all previous years.

Laura Mason, CEO of Legal & General Retirement Institutional:

“It seems likely that the total volume of new business in the UK market will exceed £40 billion in 2019, a fantastic result for trustees, companies and pension plan members alike. As funding levels continue to improve we fully expect the market to go from strength to strength. The record-breaking volume transacted in 2019 demonstrates the potential for this market in the future.”

Growth was also seen in the US, where up until 2012 the market was relatively small with nearly half the insurers we see in today’s market and average annual volumes of less than \$3 billion. Since 2012, we’ve seen a steady increase in annual volume with 2019 expected to close around \$30 billion, doubling in size since 2016.

George Palms, President of Legal & General Retirement America:

“2019 was a tremendous year for the US PRT market and for our firm in particular, as we surpassed \$1 billion in deals transacted. The level of planning activity we’re already seeing in 2020 makes us very optimistic about transaction volume for the year ahead.”

Top 5 2019’s largest publicly announced deals

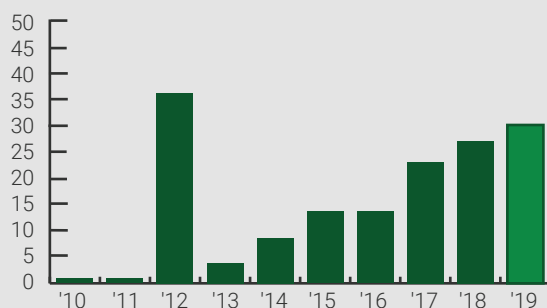
UK market

GEC 1972 Plan (Telent) (Buyout)	£4.7b
Rolls-Royce (Partial buyout)	£4.6b
Allied Domecq (Pernod Ricard) (Partial buy-in)	£3.8b
Asda (Buy-in)	£3.8b
British American Tobacco (Partial buy-in)	£3.4b

US market

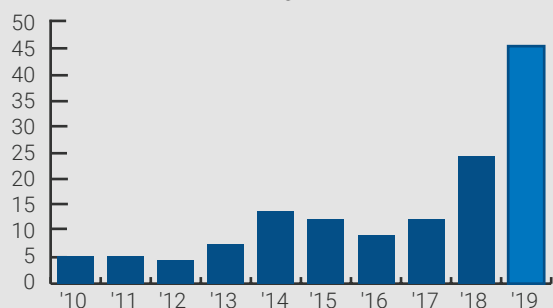
Bristol-Myers Squibb Co. (Plan termination Buyout)	\$2.4b
Baxter International Inc. (Lift-out Buyout)	\$2.4b
Lockheed Martin Co. (Lift-out Buyout)	\$1.9b
Weyerhaeuser Co. (Lift-out Buyout)	\$1.5b
Avery Dennison Corp. (Plan termination Buyout)	\$0.75b

US Historical PRT Market (\$billion)



Source: LIMRA Secure Retirement Institute Group Annuity Risk Transfer Survey, 2019 figure based on Legal & General Retirement America’s estimation.

UK Historical PRT Market (£billion)



Source: Pension De-risking Report 2019, Lane Clark Peacock. 2019 figure based on Legal & General Retirement Institutional’s estimation. Excludes insurer backbook transactions.

Looking forward

We're anticipating another year of growth for both markets in 2020.

For the UK, the Pensions Policy Institute (PPI) published a report in October 2019 that considered the future of the market. The PPI projection suggests that on the order of £770 billion could come into play in the UK market up to 2030.

From the deals we've seen so far in the US, we expect the PRT market to eclipse last year's volumes. Whether this year will surpass the 2012 market and be the largest ever for the US is yet to be determined, but we do know that the momentum and interest in the market are as strong as ever.

Market trends

In the US

Plan terminations

We are already seeing over \$3 billion in plan terminations scheduled to close in the first quarter of 2020, an increase from the \$1.8 billion in Q1 of 2019. For the deals we've seen so far, it appears that plan termination deal size has also increased significantly compared to the first quarter of last year.

Visibility into future deal activity

By the end of 2019, we already received notice of several deals closing in Q4 of this year, a practice that was relatively uncommon in the past. This advanced notice allows insurers to plan resources accordingly and provides better market insight.

In the UK

Jumbo deals

As the "Top 5" list shows on the first page, the five largest transactions in the UK were all over £3.4 billion. Of the ten largest UK transactions overall, six occurred in 2019. We expect to continue to see similar large transactions coming to market in the future although it remains to be seen whether 2020 will see quite as many record breaking transactions.

Affordable solutions

While the large transactions attract headlines, we continue to see transactions of all sizes. Insurers are increasingly looking to make pricing processes more efficient for smaller plans and innovating to help bridge any affordability gap for less well-funded plans.

Contact us

Legal & General Retirement America (US)

www.lgra.com | email: info@lgra.com

Legal & General Retirement Institutional (UK)

www.legalandgeneral.com/prt | email: derisking@landg.com



Legal & General Retirement America, as an active participant in the US Pension Risk Transfer market, receives and analyzes in the normal course of its business certain information provided to it and other market participants. All non-aggregated statistics presented herein are available in the public domain. The inputs for aggregated statistics are widely available in the market but may be subject to individual confidentiality obligations. Although believed to be reliable, information obtained from third party sources has not been independently verified and its accuracy or completeness cannot be guaranteed.

Legal & General Retirement Institutional is a business unit of Legal & General Group Plc, one of the UK's leading financial services groups. In the UK, retirement products are underwritten by Legal & General Assurance Society Limited, a company authorized by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and Prudential Regulation Authority with registered office at One Coleman Street, London EC2R 5AA.

This is not an advertisement for pension members or employees. It's intended for professional financial advisers and pension trustees classified as Professional Clients and should not be relied upon by pension plan members, employees, or any other persons.

Legal & General Retirement America is a business unit of Legal & General America, Urbana, MD. Retirement products are underwritten and issued by Banner Life Insurance Company, Urbana, MD and William Penn Life Insurance Company of New York, Valley Stream, NY. Banner products are distributed in 49 states, the District of Columbia and Puerto Rico. William Penn products are distributed exclusively in New York; Banner does not solicit business there. The Legal & General America companies are part of the worldwide Legal & General Group. 20-009