

Pension Risk Transfer Monitor



Legal & General Retirement America
 Legal & General Retirement Institutional

Special edition - US and UK PRT market overview

Market update

In the US -

2022 was another record-breaking year for the US PRT market, closing with the largest total premium to date, at \$52 billion¹. 2023 has continued this momentum from the end of 2022 and led to a considerable first half.

As mentioned in our [Q1 PRT Monitor](#), we are anticipating the US PRT market to close around \$22 billion of premium in H1 of this year, the largest first half we've seen to date. Market volume is around 31% higher than the \$17.6 billion¹ we saw in

c. \$22bn

Estimated size of US market
H1 2023

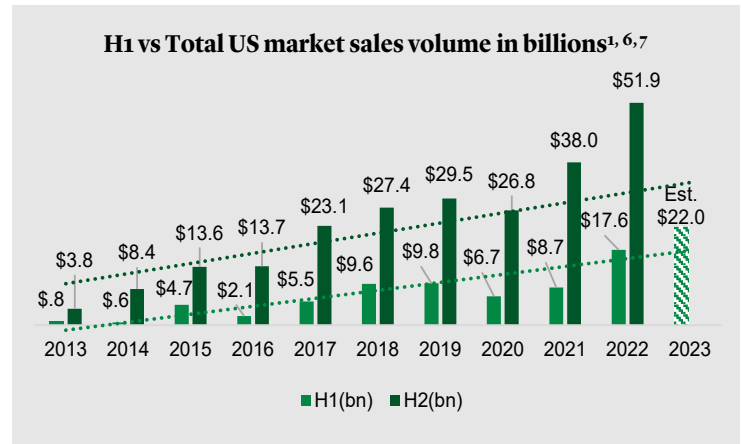
the first half of 2022 and significantly higher than the \$8.7 billion¹ seen in 2021 (see graph to the right).

The increase in market volumes has been driven by the rising number of

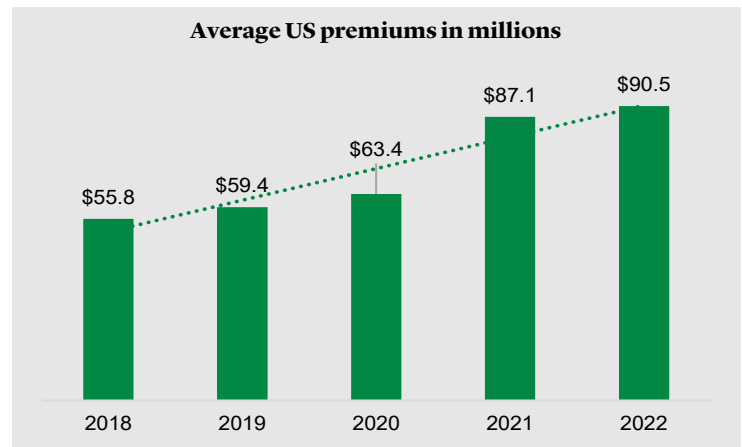
transactions, as we saw a 31% increase across the US market from 2020 to 2022, displaying the growth in PRT activity in the US over the past few years. This has been supported by a rise in average premiums year over year. In 2018, we saw the average premium per transaction come in at around \$55 million. Fast forward to 2022, the US average premium per transaction was around \$90 million, equating to a 62% increase over the five years (see graph to the right).

This upward trend of PRT activity in the first half of 2023 can also be attributed to the steady climb of US pension funding ratios, which started at 99.8%² in January and rose to 103.5%² in June, as estimated by LGIMA. This indicates that plan sponsors are becoming more comfortable from a financial standpoint to transact, enabling them to come to market as a result of improved funding status for pension plans.

Additionally, we saw four transactions in the market of over \$1 billion each close in H1, including AT&T which settled at \$8.1 billion³ in Q2 in liabilities.



Half-year 2023 figure based on Legal & General Retirement America's estimation.



Average US premium figures based on Legal & General Retirement America's estimation.

These large transactions are driving the increase in market volume, and we are expecting a similar number of large transactions to close in the second half of the year.

All of these factors combined have demonstrated the continued strength of the US PRT market. In 2022, we saw deals like IBM at \$16 billion⁴ and Lockheed at \$4.3 billion⁵ that drove the market to its record-breaking year. We are estimating total market volumes this year to exceed \$40bn, which would make it the second largest year on record for the US PRT market. We would need to see an increase in large transactions throughout the remainder of the year to eclipse last year's total.

In the UK -

After market volumes exceeded £25 billion for the fourth successive year in 2022, we are seeing an unprecedented acceleration in demand, driven by more pension schemes being closer to buyout than ever before.

The market reached an all-time first half high in 2023. Over £20 billion of transactions have been publicly announced, with some commentators speculating that the volume could reach around £25 billion – which would be just below the volume that was achieved over the full year in 2022.

This increase in demand is happening across pension schemes of all sizes, but the real dial-mover is proving to be large transactions coming to market. Five transactions of over £1 billion were announced in 2022. The market has already quoted on around 20 such cases, with six announced in the year to date as shown in the table below.

£20-25bn

Estimated size of UK Market
H1 2023

Largest publicly announced UK transactions in 2023 to date

Name	Size £bn	Insurer
RSA Group	6.5	PIC
British Steel Pension Scheme	2.7	Legal & General
United Utilities	1.8	Legal & General
Safeway Pension Scheme	1.4	Rothesay
Mitchell's & Butlers	1.2	Standard Life
Chubb	1.0	Standard Life

These include the RSA Group's record-breaking £6.5 billion buy-in with PIC and the British Steel Pension Scheme's (BSPS) fourth buy-in with Legal & General (L&G) at £2.7 billion. The BSPS transaction brings the total insured liabilities with L&G to around £7.5 billion and the Scheme has become the largest in the UK to have secured full insurance.

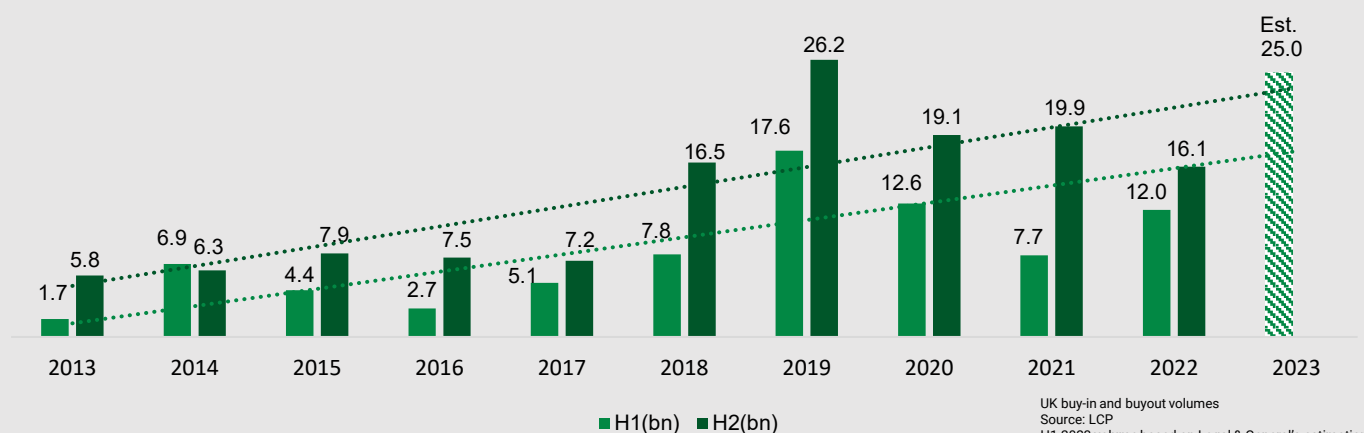
The market movements over the past year coupled with structurally higher interest rates have significantly improved pension scheme funding levels and taken five years off the average scheme's projection to its full funding date.

The pipeline for the remainder of 2023 and beyond is the largest we have seen, and we are not alone in anticipating record market volumes for the full year. Insurers are working hard to streamline processes and ensure that they have the resources and technology needed to support the increasing number of pension schemes approaching the market.

In this busy environment, insurers are having to prioritise cases that give them the best chance of securing a transaction and may not be able to quote on everything. This serves to highlight the importance of thorough preparation to ensure schemes are transaction-ready when they approach the market.

Working with their advisors, schemes should set clear objectives and engage with insurers early. This can help them to work through any complexities, agree terms and secure a transaction within their preferred timeframe.

H1 vs H2 UK market sales volume in £bn



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1. www.limra.com/siteassets/newsroom/fact-tank/sales-data/2023/q1/1qprt-buy-out.pdf

2. www.limra.com/siteassets/newsroom/fact-tank/sales-data/2023/q1/1qprt-buy-in.pdf

3. <https://www.lgima.com/insights/psm>

4. <https://www.pionline.com/pension-risk-transfer/att-dials-deal-transfer-81-billion-us-pension-liabilities>

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UK Sources:

Transaction chart: <https://www.professionalpensions.com/news/3062718/list-biggest-bulk-annuities-buy-ins-buyouts-announced-2007>

Market graph: LCP - HY23 figure based on Legal & General's estimation

1. <https://www.professionalpensions.com/news/4120599/bpa-market-h1-2023>

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