
Group annuity risk transfer sales top \$14 billion in 2015: LIMRA

By Editorial Staff Thu, Mar 3, 2016

In the fourth quarter, group annuity risk transfer sales were \$5.8 billion or almost 19% lower than the previous year. Total assets of buy-out products increased 10%, to \$90 billion at the end of the fourth quarter 2015, according to the LIMRA Secure Retirement Institute.

With five plan sponsors reporting jumbo (\$1 billion+) buy-outs, the volume of group annuity risk transfer sales rose 54% in 2015, to \$14.4 billion, according to LIMRA Secure Retirement Institute's U.S. Quarterly Group Annuity Risk Transfer Survey.

In the fourth quarter, group annuity risk transfer sales were \$5.8 billion or almost 19% lower than the previous year. Total assets of buy-out products increased 10%, to \$90 billion at the end of the fourth quarter 2015.

In such deals, a defined benefit pension sponsor transfers all or part of its plan assets and liabilities to a life insurer in exchange for a group annuity contract, thus removing a liability from its balance sheet and reducing the volatility of the funded status. In 2015, the pension risk transfer business was characterized by lots of small deals rather than a couple of jumbo deals. "Companies reported selling more than 300 separate contracts under \$100 million," noted Michael Ericson, LIMRA Secure Retirement Institute analyst.

In the fourth quarter, single premium buy-out sales were \$5.6 billion. It was the first time sales exceeded \$3 billion in three consecutive quarters ([chart](#)). For the year, buy-out products accounted for more than 95% of the total group annuity risk transfer market, totaling \$13.6 billion, a 61% increase from 2014. Annual buyout sales have only eclipsed \$10 billion one other time (in 2012).

Single-premium *buy-in* product sales were \$7.2 million, down 95% from 2014. To date, only five single-premium buy-in contracts have been sold. "With PBGC premium increases, market volatility and continued low interest rates, employers are becoming more interested in transferring their pension risk to an insurer, said Ericson. "The Institute expects this trend to accelerate in the next few years."

© 2016 RIJ Publishing LLC. All rights reserved.