Higher interest rates drive record number of pension transfers: LIMRA

By Editorial Staff *Fri, Jan 3, 2025*

'Higher interest rates are driving companies to de-risk their pension liabilities to annuity providers. LIMRA expects this trend to continue through the rest of the year,' said Keith Golembiewski, assistant vice president, head of LIMRA Annuity Research, in a release.

Total U.S. single-premium pension risk transfer (PRT) premium was $14.2 billion in the third quarter, up 36% from prior year's results, according to LIMRA's *U.S. Group Annuity Risk Transfer Sales Survey*.

In the first nine months of 2024, total single-premium PRT premium increased 21% to $39.9 billion.

"The growth can be attributed to larger deal activity," said Keith Golembiewski, assistant vice president, head of LIMRA Annuity Research, in a press release. "Carriers reported the largest number of contracts ever sold in the first nine months of the year.

"Higher interest rates are driving companies to de-risk their pension liabilities to annuity providers. LIMRA expects this trend to continue through the rest of the year," he added.

A group annuity risk transfer product, or pension buy-out, allows an employer to exit the define benefit pension plan business. The buy-out involves exchanging all or part of the employer's pension assets and liabilities for a group annuity underwritten by a life insurer.

According to LIMRA:

- Single-premium buy-out premium totaled $13.1 billion in the third quarter, up 62% from prior year's results.
- 203 contracts were finalized in the third quarter, level with prior year
- YTD buy-out premium jumped 26% to $36.5 billion
- Through September 2024, there were 530 buy-out contracts, up 10% year-over-year.
- A record-high number of buy-out contracts were sold
- Single premium buy-out assets reached $288.8 billion through the third quarter, up 13% from 2023.
- Single premium assets totaled $298 billion, up 15% year-over-year.

Buy-ins

A pension buy-in is an insurance policy that helps cover a portion of a pension plan's liabilities. The policy guarantees enough funds to meet future obligations. It is held as an asset of the plan, alongside the plan's other investments. Plans may use buy-ins as part of their risk management or long-term self-sufficiency strategies. According to LIMRA:

- In the third quarter, single-premium buy-in premium was $1.02 billion, down 56% from third quarter 2023.
- Four contracts were sold in the third quarter, matching the results in third-quarter 2023.
- YTD, buy-in premium totaled $3.3 billion, down 15% year over year.
- Through the first three quarters of 2024, nine buy-in contracts sold, one more sold than prior year (a 13% increase).
- Single premium buy-in assets were $9.1 billion YTD, 11% higher than the same period in 2023.

This survey represents 100% of the U.S. Pension Risk Transfer market. Breakouts of pension buy-out sales by quarter and pension buy-in sales by quarter since 2019 are available in the LIMRA Fact Tank.