Lockheed/Athene PRT Challenge Moves to Next Stage

By Editorial Staff *Mon, Mar 24, 2025*

April's items: Federal judge allows Lockheed/Athene pension lawsuit to proceed; U.S. PRT Deals Worth $51.8 billion in 2024: LIMRA; Higher rates a 'double-edged sword' for life insurers: ALIRT; 'Personal Defined Benefit Plan' launched; The 401(k) income trend progressing like 'a baseball game': IRIC; Three well-known financial firms acquire Viridium Group; Lincoln to offer private markets funds; Protective in $9.7 billion reinsurance deal with Resolution Life; Insurer downgrades outpaced upgrades in 2024: AM Best.

Federal judge allows Lockheed/Athene pension lawsuit to proceed

In a federal civil class action lawsuit charging that Lockheed-Martin violated its fiduciary duty to pension beneficiaries when it transferred its pension assets (~$9 billion) and liabilities to Athene Annuity & Life Assurance Company of New York in 2021 and 2022, a U.S. District Judge in Maryland has denied Lockheed's motion to dismiss.

Four Lockheed plan participants and beneficiaries filed the suit last fall. They claim that Lockheed violated ERISA (the Employee Retirement Income Security Act of 1974) in exchanging its pension for an Athene group annuity in a "pension risk transfer" deal. The suit alleges that Lockheed didn't choose the "safest annuity available," as required by federal regulations; instead, for Lockheed's own financial purposes, it chose Athene, a "private equity-controlled insurer with a highly risky offshore structure."

Starting after the Great Financial Crisis, Athene pioneered what *RIJ* describes as the "Bermuda Triangle" strategy. This strategy typically involves three affiliated partners: a life insurer, a Bermuda- or Cayman-based reinsurer, and an asset manager with expertise in originating and financing high-risk, high-yield private loans.

In many cases, the life insurer issues fixed deferred annuities in the U.S., the offshore reinsurer uses regulatory arbitrage to reduce the capital requirements of the annuity guarantees, and the asset manager, which may manage the life insurer's investment portfolio, invests part of the annuity reserves in private credit. The asset manager may also re-package the loans and sell portions of them back to the insurer.

U.S. life insurers are better described as annuity companies. Collectively, they sold just $15.9 billion worth of life insurance in 2024 and $435 billion worth of annuities. The top 10 sellers accounted for about 50% of the annuity sales, according to **LIMRA**. Athene Annuity & Life was the top seller of annuities in 2024, with ~$36.0 billion in new premiums (not counting surrenders). Of that amount, ~$34.8 billion came from sales of fixed deferred annuities ($21.2 billion from fixed rate annuities and $13.6 billion from fixed indexed annuities).

In its pension risk transfer deal with Lockheed, Athene began making payments to the former Lockheed plan participants on June 1, 2023, and hasn't missed any payments. The insurer claims to have ample capacity to make all required annuity payments into the foreseeable future. Athene and other life insurers are part of Apollo Global Management, the sprawling $616 billion private asset specialist.

At issue are two separate transactions between Athene and Lockheed. On August 3, 2021, Lockheed transferred ~$4.9 billion in pension assets and liabilities for ~18,000 U.S. retirees and beneficiaries to Athene. On June 27, 2022, the plaintiffs allege, Lockheed announced the transfer of another ~ $4.3 billion in pension assets and liabilities for another ~13,600 U.S. retirees and beneficiaries to Athene.

The next step in the proceedings will be the discovery portion. "The defendants will likely ask for a stay of discovery but it is not automatic," a lawyer familiar with the case said. "They have to file with the District Court first and if denied they can seek a stay from the Fourth Circuit [Court of Appeals]."

U.S. PRT Deals Worth $51.8 billion in 2024: LIMRA

Total U.S. pension risk transfer (PRT) premium was $51.8 billion in 2024, up 14% from prior year's results and less than 1% below the record set in 2022, according to LIMRA's *U.S. Group Annuity Risk Transfer Sales Survey*.

There were 794 single-premium contracts sold in 2024, a record for the U.S. market. Total single-premium PRT premium fell 4% year over year in the fourth quarter, to $12.0 billion. Growth was widespread with a record 14 carriers reporting more than $1 billion in PRT sales during 2024.

"Remarkable sales in the first and third quarters drove the near-record pension risk transfer sales in 2024. Fourteen carriers closed at least one $1 billion+ deal this year, the highest number ever recorded," said Keith Golembiewski, assistant vice president, head of LIMRA Annuity Research. "The PRT market continues to expand. There were 794 single-premium contracts sold in 2024, a new record high for the U.S. market. While recent interest rate declines and equity market volatility may dampen sales later in 2025, greater plan sponsor awareness of these solutions will keep interest high and sales above pre-pandemic levels."

Single-premium buy-out premiums totaled $11.6 billion in the fourth quarter, down 7% from the prior year's results. There were 254 contracts finalized in the fourth quarter, 9% lower than results from the prior year. In 2024, buy-out premiums jumped 16% to $48.1 billion. For the year, there were 784 buy-out contracts, 3% higher than the prior year. This marks a record-high number of buy-out contracts sold in a year.

In the fourth quarter, there was one single-premium buy-in contract, representing $377 million in premium. In comparison, there were no contracts closed in the fourth quarter 2023. In 2024, 10 buy-in contracts were sold, up from eight contracts in 2023. Buy-in premium totaled $3.7 billion for the year, down 5% from 2023.

Single premium buy-out assets reached $296.5 billion in 2024, up 13% from the prior year. Single premium buy-in assets were $7.3 billion for the year, up 7% from 2023. Combined, single premium assets were $303.9 billion, an increase of 13% year-over-year.

A group annuity risk transfer product, such as a pension buy-out product, allows an employer to transfer all or a portion of its pension liability to an insurer. In doing so, an employer can remove the liability from its balance sheet and reduce the volatility of the funded status.

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. LIMRA conducts over 80 benchmark studies — producing nearly 500 reports annually — for its members and the industry as a whole.

Higher rates a 'double-edged sword' for life insurers: ALIRT

ALIRT, a firm that gathers, analyzes and distributes data on the performance of the 100 largest U.S. life insurers, has released its U.S. Life Insurance Industry Review Year End 2024.

Selected takeaways from the report:

- Higher interest rates continued to be a double-edged sword throughout 2024. They helped drive fixed and fixed indexed annuity sales and boosted gross yield on bonds and mortgage loans. But annuity benefits and surrenders continued to rise.
- The industry's net investment yield of 4.59% in 2024 was up 33 basis points above 2023 levels (4.26%) and was 52 basis points above 2022 yield. Higher interest rates provided a notable lift to bond and mortgage gross yields in 2023 and 2024.
- The life industry posted a third straight year of net capital losses in 2024, though

losses have been manageable and resulted from hedge losses and/or sales of price-depressed bonds rather than impairments or write-downs of existing investments.
- Privately placed bonds reached a new historical high of 47.8% of total bonds at year-end 2024, which also reflected insurers' desire to bolster investment yield, as well as the growth in industry ABS holdings (as the vast majority of these securities are issued in private markets).
- Alternative (Schedule BA) assets rose as a percent of invested assets for the ALIRT Life Composite in the early 2010s, leveled off after that, and climbed again over the last few years. Alternative assets equaled 6.5% of invested assets and 58% of surplus for the ALIRT Life Composite as of 12/31/24.
- The life insurance industry's utilization of reinsurance grew substantially over the last five years, as total general account reserves ceded (calculated as the sum of reserve credit taken and modified coinsurance reserves) rose 86% from 2020-2024, which was more than double the 33% increase from 2015-2019.

'Personal Defined Benefit Plan' launched

David Macchia, a long-time Massachusetts-based annuity marketing entrepreneur, has launched a patent-pending income-generating system, **Personal Defined Benefit Plan**, that could help fill the vacuum left by the disappearance of so many employer-based pensions since the 1980s.

Individual investors and retirement plan participants who use the system would define their own future income benefit. Starting years in advance, they would set a desired monthly retirement income.

The system would then automatically help them reach that income threshold by calculating, prompting, and facilitating regular transfers from their investment accounts into a multi-premium deferred indexed annuity.

Individuals or plan participants, for instance, could customize their plan by selecting:

- Targeted retirement income amount
- Contribution period (number of years)
- Baseline interest growth assumption
- Income payout age (when payments begin)
- Payout option (e.g., life-only, joint life)

Defined Benefit Investor is designed to integrate with a range of financial instruments, including annuities, life insurance policies, 401(k) accounts, 403(b) accounts, mutual funds, ETFs, TAMPs (turnkey asset management plans), or individual investment portfolios, according to the product **website**.

The 401(k) income trend progressing like 'a baseball game': IRIC

The Institutional Retirement Income Council, or **IRIC**, has published a progress report of sorts on the financial industry's effort to integrate annuities and other retirement income distribution tools into 401(k) plans.

The eight-page **report**, titled "Transforming Retirement Security: The Essential Role of Retirement Income Solutions in DC Plans," was issued by IRIC executive director Kevin Crain in March.

"The current state of retirement income solutions within DC plans can be likened to a baseball game," the report said. In terms of adoption by key stakeholders, product development is in the middle-innings, recordkeeping is in the middle innings, and plan sponsors and advisors are in the early innings.

"Retirement income solutions have experienced growth. TIAA-Nuveen recently announced that over 1 million DC participants are invested in hybrid Target Date funds, more than doubling in the past year,"

"Assets invested in DC in-plan retirement income products are also growing quickly. Blackrock's Life Path hybrid offering, introduced in 2024, now has $16 billion invested. Nuveen's suite of hybrid retirement income offerings now has $35 billion invested.

An educational not-for-profit, IRIC is sponsored by AllianceBernstein, Allianz Life Insurance, Bank of America, Empower Retirement, Lincoln Financial Group, Pacific Life, SS&C Technologies, and TIAA.

Three well-known financial firms acquire Viridium Group

A consortium led by Allianz, BlackRock, and T&D Holdings is acquiring Viridium Group, a platform in European life insurance consolidation, from Cinven, for €3.5 billion, according to a report in *Reinsurance News*.

Ownership is distributed among consortium members and financial investors, with T&D Holdings acquiring the largest share. The transaction is anticipated to close in the second half of 2025, subject to regulatory approvals and other customary conditions.

Cinven, after owning Viridium for more than a decade, will exit its majority stake in the business. Generali Financial Holdings and reinsurer Hannover Re will maintain their investment in the company.

Viridium will still operate as an independent entity and will keep its current management team. The company will consolidate and manage life insurance portfolios, remaining a partner to the European insurance market.

This new alliance is expected to offer more options for managing closed-life portfolios within the industry.

The financial strength and asset management expertise of the consortium's members is expected to strengthen Viridium, which serves 3.4 million policyholders. Additionally, Viridium's advanced technology platform is expected to help it grow within the fragmented European life insurance market.

Lincoln to offer private markets funds

Lincoln Financial, a top provider of insurance, annuities, group benefits and retirement solutions, is partnering with Bain Capital and Partners Group to launch two new private markets-focused funds. Lincoln expects the new offerings to be available in late 2025.

Bain Capital will offer an evergreen fund with a global portfolio of private credit, including direct lending, asset-based finance, and structured credit. Partners Group will launch an evergreen fund that will provide access to a global cross-sector private markets royalty portfolio. "Partners Group will follow a relative value approach to invest across both well-established royalty sectors, such as intellectual property assets in the pharmaceutical and entertainment industries, and emerging high-growth sectors like energy transition, sports, and brands. The fund will look to employ a range of structures, including direct purchases of royalties, creating royalties, and lending against royalties," a Lincoln release said.

Tom Morelli, Investment Distribution, was recently hired to advance Lincoln's distribution efforts with private market funds and other investment solutions.

Protective in $9.7 billion reinsurance deal with Resolution Life

Resolution Life, a global life insurance group focusing on reinsurance and the acquisition and ongoing management of portfolios of life insurance policies, has announced a reinsurance transaction with Protective Life's insurance subsidiaries.

A subsidiary of Dai-ichi Life Holdings, Inc., Birmingham, Alabama-based Protective has $125 billion in assets, as of Dec. 31, 2024.

The transaction scope includes blocks of in-force structured settlement annuities and secondary guarantee universal life business. Under the agreement, Protective will cede $9.7 billion in reserves and retain administration of the policies.

The transaction will extend Resolution Life's position as a leading global manager of in-force life insurance to c.$100 billion of general account life and annuity reserves and over four million policies in-force.

This comes on the back of strong momentum for Resolution Life with the recent announcement of the acquisition of Resolution Life by Nippon Life to assist in Resolution Life's next phase of growth.

JP Morgan acted as financial advisor and Debevoise & Plimpton LLP served as legal counsel to Resolution Life. Wells Fargo served as financial advisor and Willkie Farr & Gallagher LLP served as legal counsel to Protective.

Resolution entities together with Resolution Life have deployed ~$19 billion of equity in the acquisition, reinsurance, consolidation and management of life insurance companies since 2003. These companies have served 13 million policyholders while managing ~$390 billion of assets. Resolution Life has operations in Bermuda, the U.K., the U.S., Australia, New Zealand and Singapore.

Insurer downgrades outpaced upgrades in 2024: AM Best

Issuer Credit Rating downgrades in the U.S. life/health insurance segments increased to 27 in 2024 from 17 in the previous year, while the number of ratings placed under review more than tripled to 37, according to a new AM Best special report.

The *Best's Special Report*, titled, "US Life/Health Downgrades Outnumber Upgrades in 2024," notes that balance sheet strength levels drove the downgrades in addition to the upgrades, underscoring the importance of proper capitalization needed to address market challenges. An increase in rating downgrades affected primarily life/annuity (L/A) carriers. The majority of these rating downgrades also involved companies being placed under review while AM Best monitors the outcome of revised capital plans and the impact of organizational improvement changes.

"Most US L/A insurers benefited from consistent profitability, bolstered by favorable interest rates, strong capitalization, and top-line growth in most of their core lines of business,” said Helen Andersen, industry analyst, AM Best. “But they must contend with the potential for further interest rate cuts, increased use of higher risk assets, and the ongoing drag of legacy liabilities.”

According to the report, the L/A segment experienced narrowing margins in the face of interest rate cuts, which then placed more emphasis on the use of higher-risk assets to narrow the gap between crediting and earned rates to meet policyholder guarantees. Annuity sales are expected to remain strong, but life sales will be pressured.

Other highlights from the report include:

- More than half the rating downgrades were driven by deterioration in capitalization and balance sheet metrics. A decline in the enterprise risk management assessment was the second most common reason for the downgrades, driving 18.5% of downgrades, followed by operating performance, at 14.8%.
- The health segment saw five upgrades and seven downgrades in 2024, both counts down from 2023.
- The L/A segment saw six upgrades and 20 downgrades, with four fewer upgrades and 12 more downgrades than in 2023.
- AM Best assigned eight initial ratings in 2024—six were L/A writers and two for health.