

Q&A with Legal & General

Delivering Pension Plan Outcomes on Both Sides of the Atlantic



Legal & General Retirement America

Headquarters	Stamford, CT
Year Founded*	2015 / 1987
PRT Experience*	9 years / 35+ years
PRT Portfolio*	100+ contracts / 4,000+ contracts
Website	www.lgra.com

* U.S. / Global

** As of December 31, 2023

George Palms, Jr., CFA



President

George is President of Legal & General Retirement America, the U.S. PRT division of the worldwide Legal & General Group. He has 25 years of experience in the defined benefit industry and has led the firm's growth from its inception in 2015 to over \$10 billion in written pension group annuity premium.

BCG: *Legal & General has been in the U.K. PRT market for over 35 years now. Can you talk about when you got started in the U.S.?*

Palms: Legal & General was one of the first PRT providers in the U.K. and we've written over 4,000 transactions in the 35+ years we've been in the U.K. PRT market. We saw a unique opportunity to bring our experience and expertise to the U.S. and formed Legal & General Retirement America. We won our first transaction in 2015 and have since written over 100 transactions and \$10 billion in total premium. Our PRT underwriting entities in the U.S. are Banner Life Insurance Company for non-New York participants and William Penn Life Insurance Company of New York for New York-based participants.

BCG: *What differentiates Legal & General Retirement America from the rest of the competitors?*

Palms: Legal & General is the only insurer that has written business directly in the U.S. and the U.K. Not only does this provide us with global PRT expertise that we can leverage from one market to the other, but it also means we're able to provide solutions to plan sponsors looking to de-risk pension plans internationally, which we are seeing more interest in. To date, we've written two such transactions supporting international organizations to de-risk their pension plans in both the U.S. and U.K.

Another differentiator and something we're very proud of at Legal & General Retirement America is our exceptional customer service. Customer service is such a big part of what we believe in globally and core to how we built our business in the U.K. over 35 years ago. We brought that same philosophy to the U.S. and can say that we've built the same reputation of prioritizing the sponsors' and our annuitants' needs first. As of 12/31/23, our NPS score was 81 and our call center rating was 4.9 out of 5 stars. Additionally, all our administrative functions are performed in-house within the U.S., allowing our teams to be highly responsive to the unique needs of our clients and annuitants.

We aim to partner with sponsors and intermediaries to offer solutions that best meet the market's evolving needs. We have recently been offering split transactions with Reinsurance Group of America (RGA) that combine the financial strength and experience of two trusted brands with the exceptional customer service of Legal & General. We won two transactions using this solution in 2023.

BCG: *Since your start in 2015, how has the market evolved in the U.S.? How has your U.S. PRT business evolved?*

Palms: The U.S. PRT market has seen extraordinary growth since we wrote our first pension group annuity contract almost 10 years ago. In 2015, total market volume was \$14 billion across 323 deals. We've seen the market volume grow nearly every year since then with 2023 the second largest year on record at \$46 billion. The number of deals has also significantly increased with 2023 having the highest number of contracts ever sold at 850¹.

With market growth, there has been an increase in the number of insurers that offer PRT products. 10 insurers entered the market since we won our first transaction in 2015, for a total of 21 insurers that can write PRT business in the U.S. And from what we hear, there are more insurers who are considering adding their names to that list.

1 PRT market volume and number of deals sourced from LIMRA.

The increase in PRT providers has added more capacity for the surge in demand, which is good for the market. I also think that it has helped the industry innovate and develop new products that better meet sponsors' needs. One example of this type of market innovation is the development of a buy-in solution with a lump sum window feature for plan terminations, which allows sponsors to lock-in all risk at the outset of the plan termination. This can give the sponsor more certainty during the 12-18 months that the plan termination process typically takes before selecting an insurer. The sponsor need for this type of product was brought to the market by intermediaries a few years ago and, with the increased capacity and intellectual capital from all the PRT providers, the market was able to deliver a solution.

From our perspective, we've been increasing our transaction range in a methodical and thoughtful approach – our average transaction size in this past year was over \$230 million, including our largest transaction on record at nearly \$800 million, which is more than double what it was in the first few years of existence.

BCG: *What are some of the similarities and differences between the U.S. and U.K. markets?*

Palms: The risks and costs related to pension plans are generally the same between both markets, but they differ in their magnitude, which drives the types of PRT products that are prevalent in each market. For example, longevity risk is present in both markets, but longevity swaps are only used in the U.K. This is because U.K. pension plans generally provide inflation protection to their annuitants, making the impact of paying someone longer than expected much more significant if the benefit at that point is, say, 50% larger than it was when the annuitant first retired.

On the other hand, both markets have an organization that protects participants if a sponsor becomes insolvent -- Pension Protection Fund (PPF) in the U.K. and Pension Benefit Guaranty Corporation (PBGC) in the U.S. Each of these organizations charges a premium to pension plans, but the portion of that premium that is not risk based is more significant for U.S. sponsors as it is driven by headcount. The PBGC's 2024 per participant fee is \$101. So, a buyout which entirely removes assets and liabilities from the sponsor's balance sheet (whether for a portion of the population or the entire population) is the main form of PRT product offered in the U.S.

BCG: *You mentioned your global PRT capabilities earlier, can you tell us about why that may be important as the market in both the U.S. and U.K. continues to grow?*

Palms: As I mentioned before, being able to leverage that global expertise can really make a difference as plan sponsors' needs evolve. We mentioned the buy-ins that we are starting to see more of in the U.S. Buy-ins are much more prevalent in the U.K., so we have been able to offer various types of buy-in products that meet sponsors' needs because we were familiar with that product in the U.K.

Additionally, as international organizations are starting to look at de-risking more at a global level, being able to partner with an insurer that is a key player in both the U.S. and U.K. markets, as well as other markets, can be valuable. We can provide global market insights even before they start the PRT process and collaborate on timing across territories.

I mentioned that we have completed two global transactions to date, but we've also worked with clients that have done transactions with our U.K. team in the past, allowing us to build on the relationship already in place between the sponsor and their trusted PRT provider.

BCG: *You mentioned the U.S. and the U.K. Are there other countries where Legal & General is providing PRT solutions?*

Palms: Legal & General aims to be a global leader in pension de-risking and retirement income solutions. We participate in the global PRT market, focusing on corporate DB pension plans in the U.K., the U.S., Canada, and the Netherlands.

BCG: *What were some of the key foundational pieces that helped Legal & General become a global PRT industry leader?*

Palms: I've mentioned the years of experience and customer-centric philosophy that we brought to the U.S., which are both fundamental pieces of our success. Another important piece is our people. Legal & General Retirement America started as five U.S. employees with a strong Legal & General culture of wanting to do the right thing for our customers and our business, and each person that has joined our team since has shared that same philosophy. Their dedication and expertise have been vital to our growth and success in the U.S. PRT market.

BCG: *In closing, you mentioned you've now written over 100 transactions and \$10 billion in total premium in the U.S. What was your win rate in 2023 and how has it evolved in recent years given the influx of new insurers competing for PRT business?*

Palms: Our world class customer service and our willingness to provide products in areas of the market that have limited insurer capacity have allowed us to withstand new entrants coming to the market and consistently win 20-30% of the transactions we have participated in over the years.

About BCG Pension Risk Consultants | BCG Penbridge ("BCG")

BCG specializes in assisting defined benefit plan sponsors with managing the costs and risks associated with their pension plans. Since 1983, BCG has successfully helped over 2,500 organizations achieve their pension de-risking goals. Please visit our website bcgpension.com to learn more.

To contact BCG, please reach out to Steve Keating at skeating@bcgpension.com