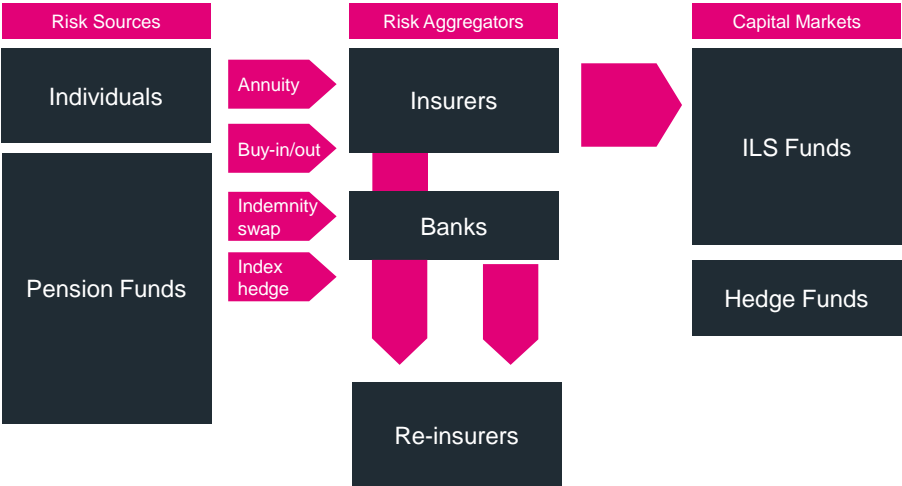
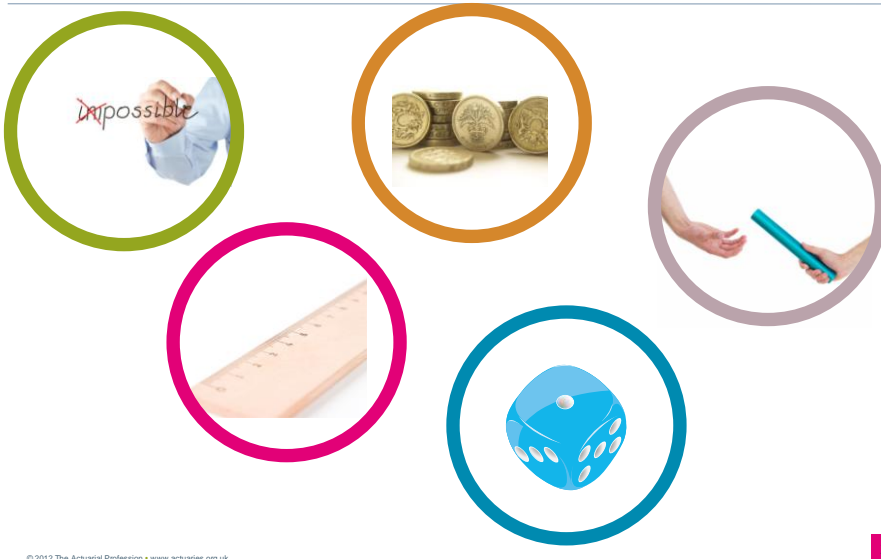




Longevity Risk Transfer Journey – Part I



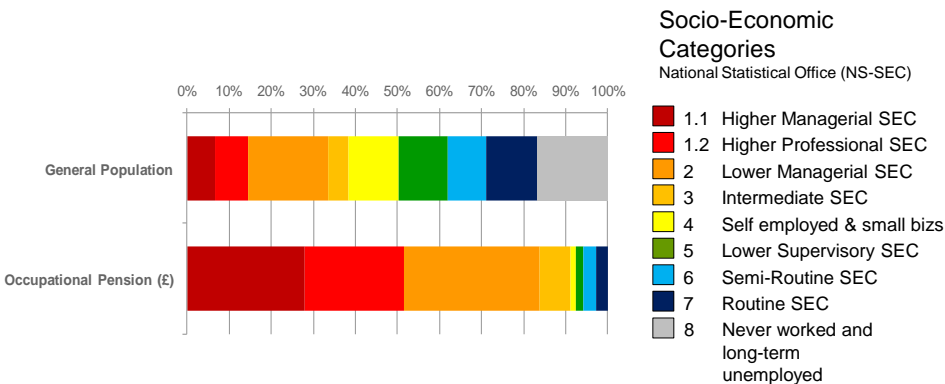
Risk perspectives – opening up the market



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National population vs pension schemes

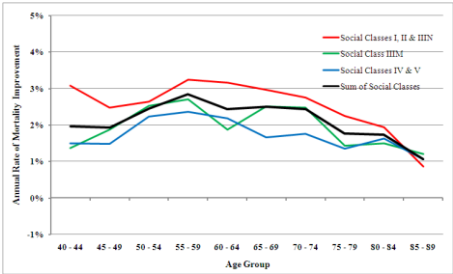


National population is poor match for scheme SEC profiles

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Different subpopulations, different trends



Increase in male life expectancy, 1992-2009

Blackpool 2 years
Kensington & Chelsea 12 years

Source: ONS

Source: CMI Working Paper 39; © 2009 Institute and Faculty of Actuaries

Top SECs have seen 50% bigger increase in lifespan than bottom SECs

6x difference in increase in life expectancies between area

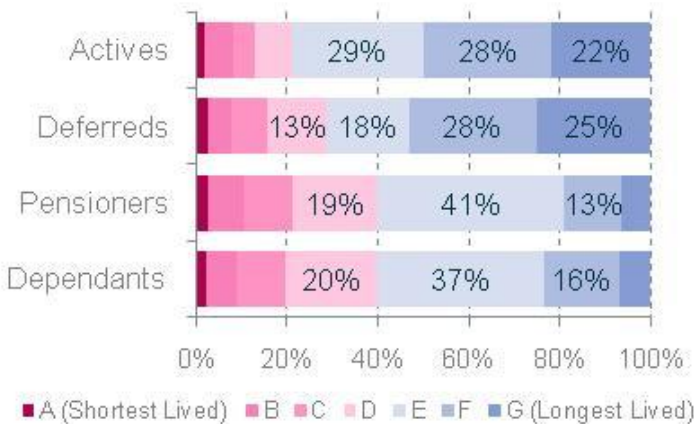
Why expect a common trend in subpopulations in future?...
...so no surprise that schemes dismiss population indices!

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Experience data – tells you everything?

Postcode as geo-demographic lifestyle indicator





Source: Club Vita


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Is pension amount a good rating factor?




✓
Low pay,
modest service


✓
Short service,
modest pay

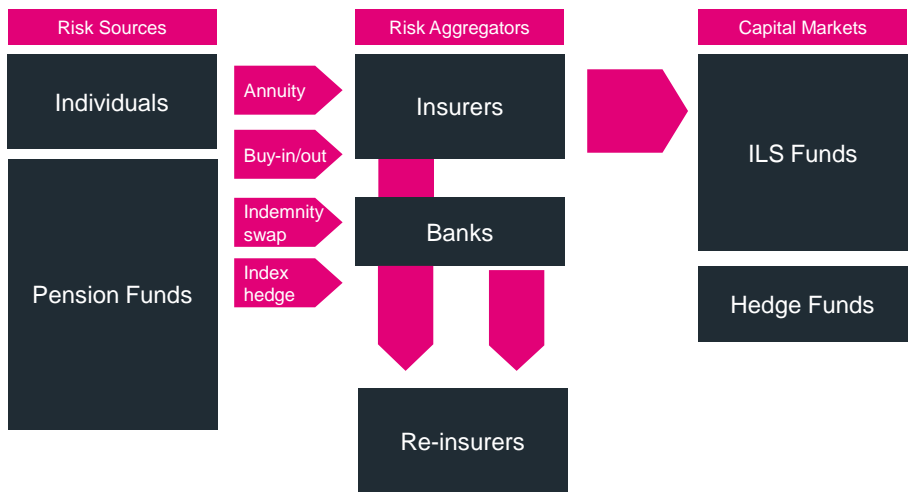

✓
Very long service,
generous DB scheme


✓
Modest service,
high pay

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Longevity Risk Transfer Journey – Part II



Longevity Risk Transfer Journey – Part II

Overview

- Why reinsure this risk?
- Reinsurance landscape
- Small schemes
- Deferred members
- Risks transferred
- Quotation process
- Non-price issues
- Key takeaways.

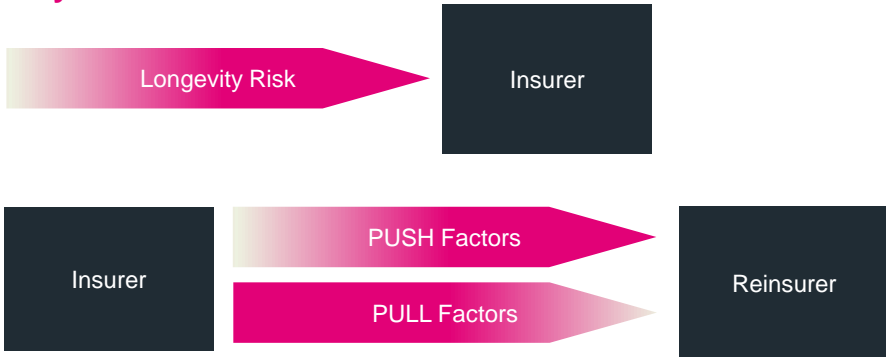


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Longevity Risk Transfer Journey – Part II

Why use reinsurance?



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Longevity Risk Transfer Journey – Part II

PUSH

- Odd risk
 - Monitoring
 - Improvements
- Capital
 - Model risk
 - Future
 - Optimisation
- Assets
- Certainty
- Evolution of pricing

PULL

- Mortality heavy firms
- Offset ?
 - persist
 - regulator
- Competition
- Capacity
- Indemnity solutions
- Real market prices
- Standardisation of terms
- Strong counterparties
- All sizes
- All risks

PUSH Factors

PULL Factors

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Longevity Risk Transfer Journey – Part II

Reinsurance Landscape

- More players
- Capacity
- Retention
- Stand alone pricing
- Preferences
- Non-price issues

RGA

Hannover
Re

Munich Re

Pacific Life
Re

Prudential
US

SCOR

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Longevity Risk Transfer Journey – Part II

Small Schemes

- Bread and butter
- Pricing capability
- Packages
- Rating factor models
 - Survival
 - GLMs
- One reinsurance partner



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Longevity Risk Transfer Journey – Part II

Deferred members

- Cash flow uncertainty
 - Early / late retirement
 - Commutation
- Pre-defined slice
 - over age x
 - retirees over next n years
- Package with pensioners



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Longevity Risk Transfer Journey – Part II

Risks transferred

- Mortality of member or dependant in-payment
- Contingent spouse mortality
- Improvements in mortality
- Proportion married
- Age difference



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Longevity Risk Transfer Journey – Part II

Quotation process

- What does a longevity price look like?
- Apples vs Apples
- Benefit simplification
- Spouse's definition
- Limited term
- Retention
- Non-price issues



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Longevity Risk Transfer Journey – Part II

Non-price issues

- Key part of quotation
- Counterparty choice
- At one extreme can invalidate your cover
- Counterparty risk
- Termination
- Collateral
- Data



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Longevity Risk Transfer Journey – Part II

Key messages

- Evolving more established market
- Small schemes
- Deferred members
- Benefit simplification
- Non-price issues
- Capital markets



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Questions or comments?

Expressions of individual views by members of The Actuarial Profession and its staff are encouraged.

The views expressed in this presentation are those of the presenter.

