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# Are short term yields a long term problem?

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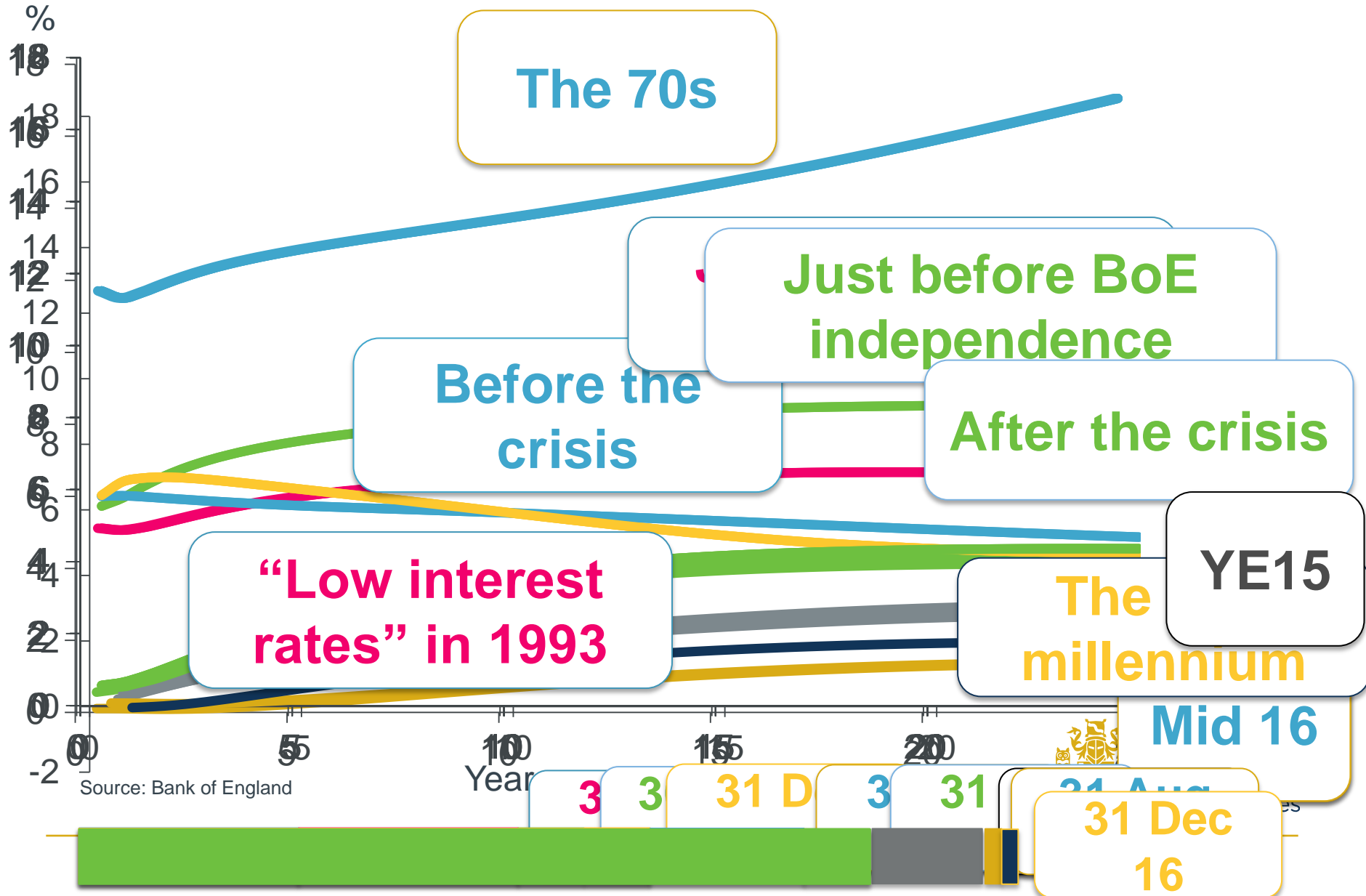
# Are short term yields and long term problem?

- A brief history of the yield curve
- Interest rate impacts on products
- How can you react?
- Discussion



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# A brief history of the yield curve



# Driven by

Solvency II

QE

Political risk



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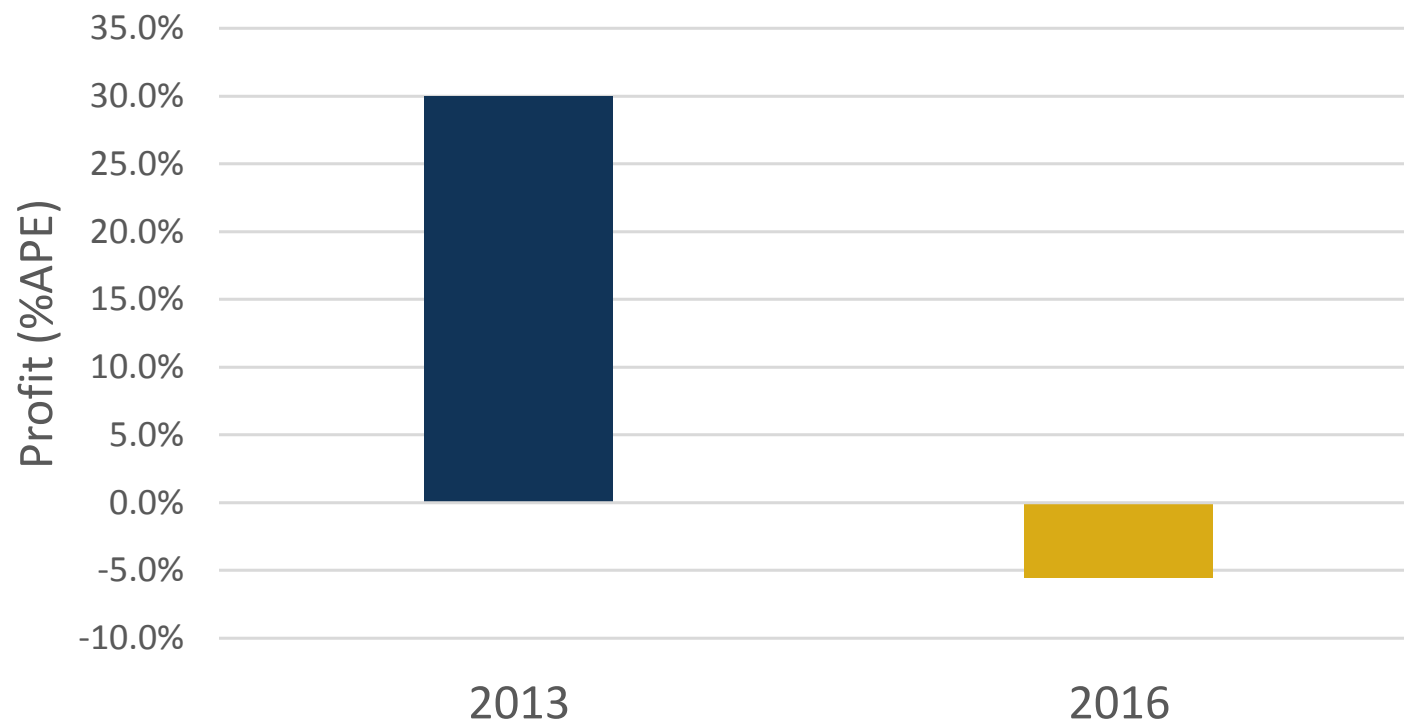
# Impacts on products

- Protection
  - Level term, decreasing term, and whole of life
- Unit linked business
- Annuities



# LTA - portfolio

## LTA whole portfolio

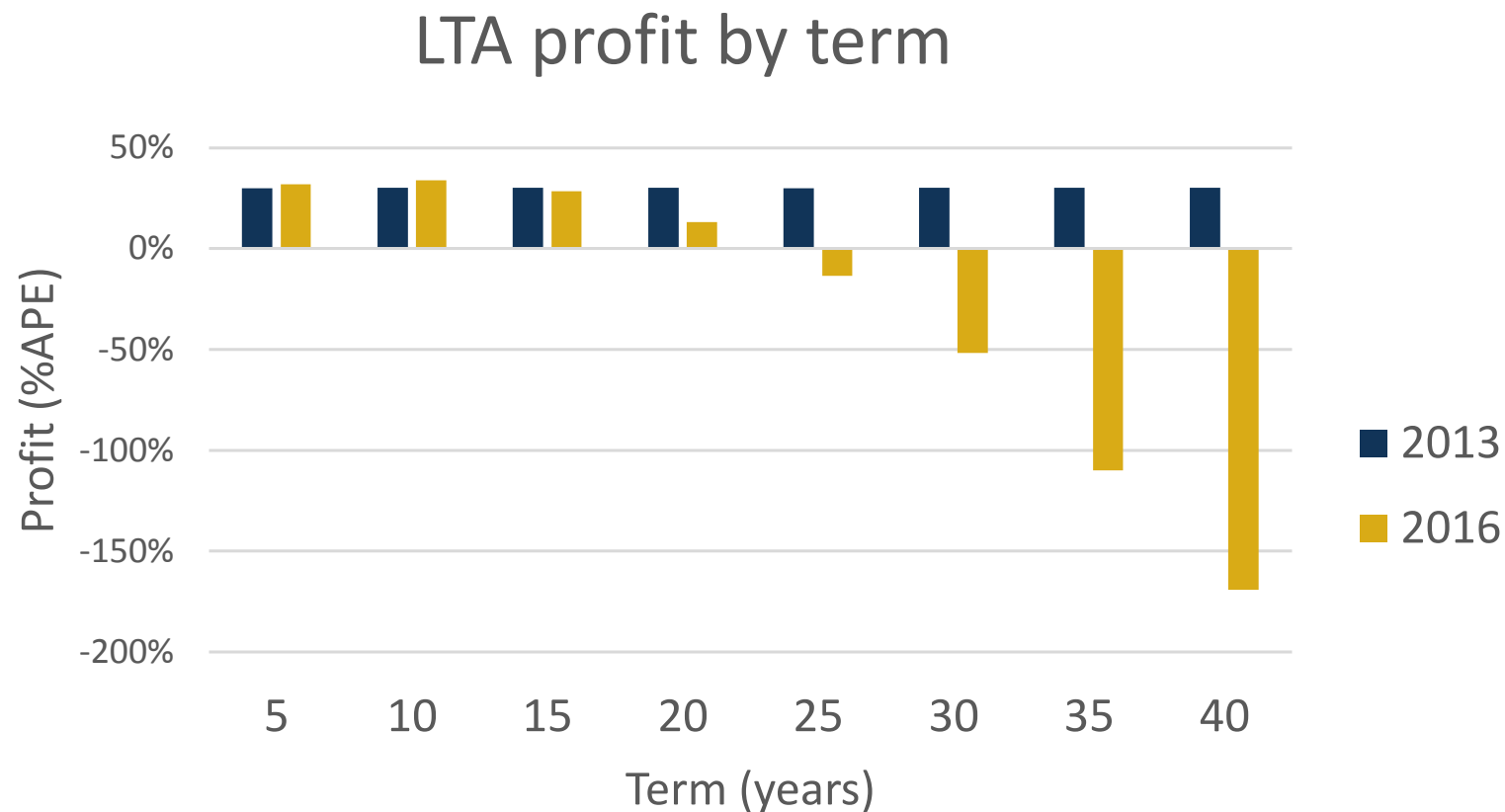


*Source: Hymans Robertson modelling*



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# LTA – by term



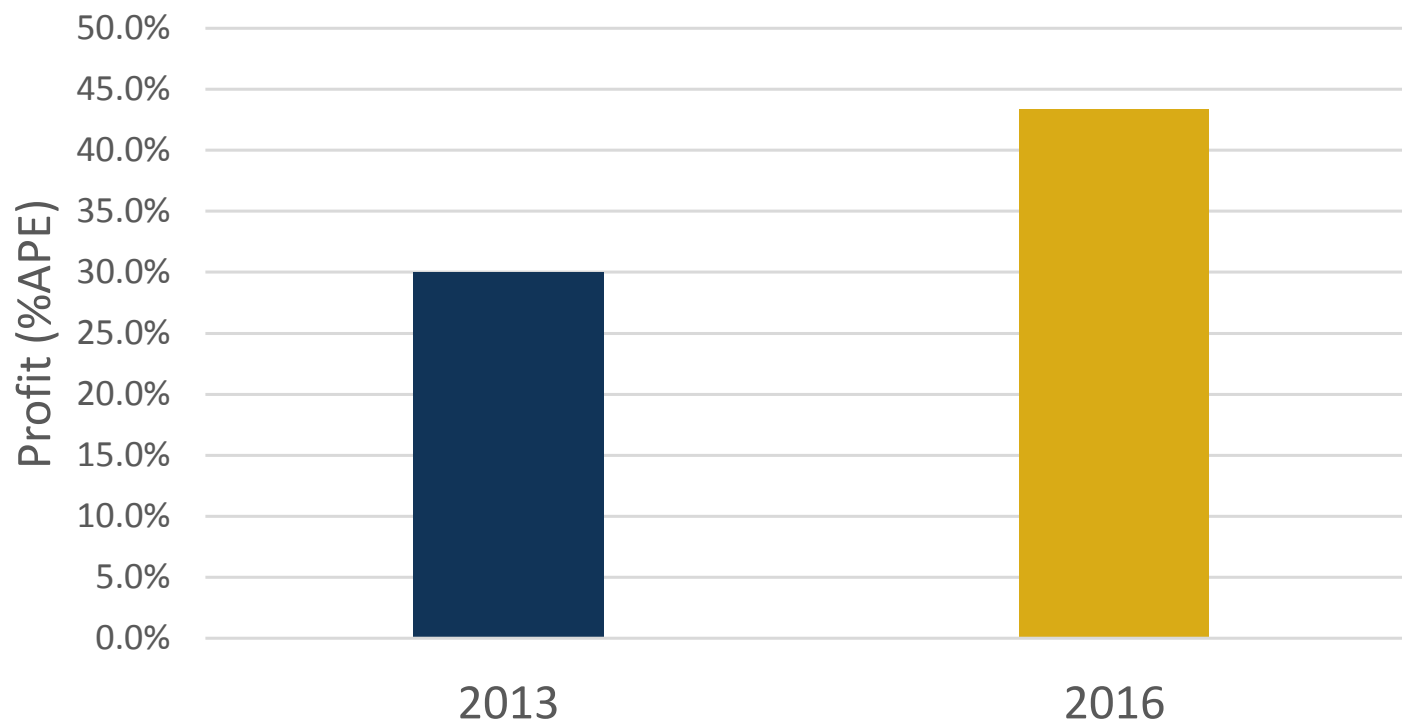
Source: Hymans Robertson modelling



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# DTA - portfolio

## DTA whole portfolio



*Source: Hymans Robertson modelling*

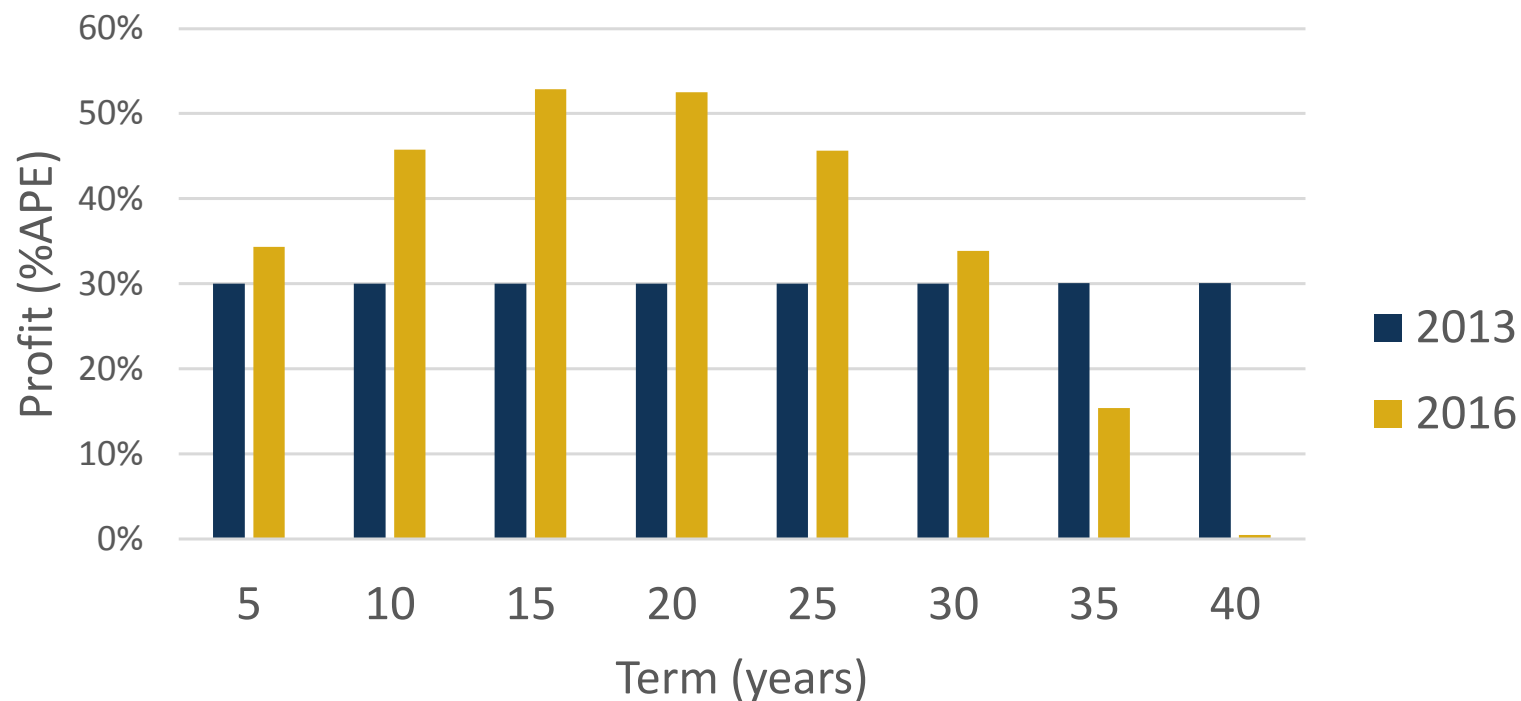


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# DTA – by term

## DTA profit by term



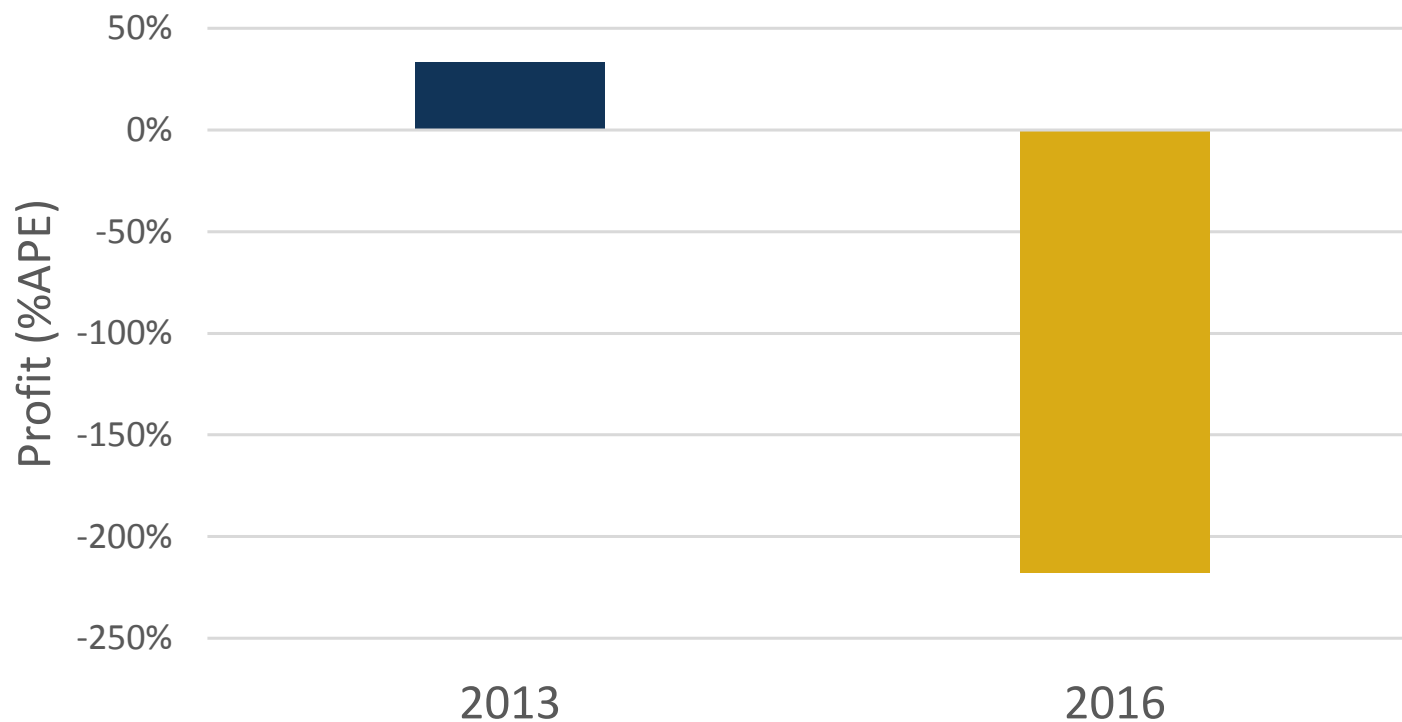
Source: Hymans Robertson modelling



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# GWoL - portfolio

Over 50s whole portfolio



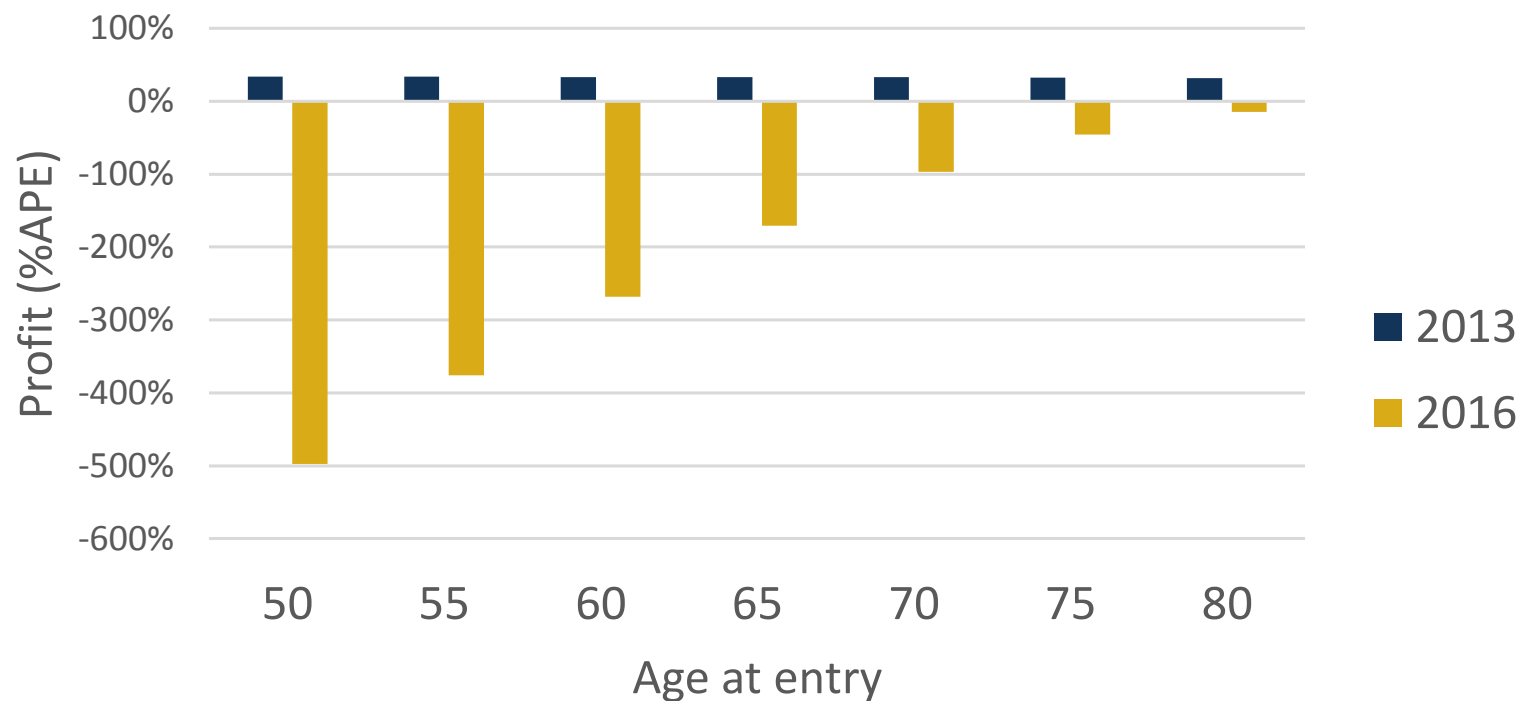
Source: Hymans Robertson modelling



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# GWoL – by entry age

## Over 50s profit by entry age

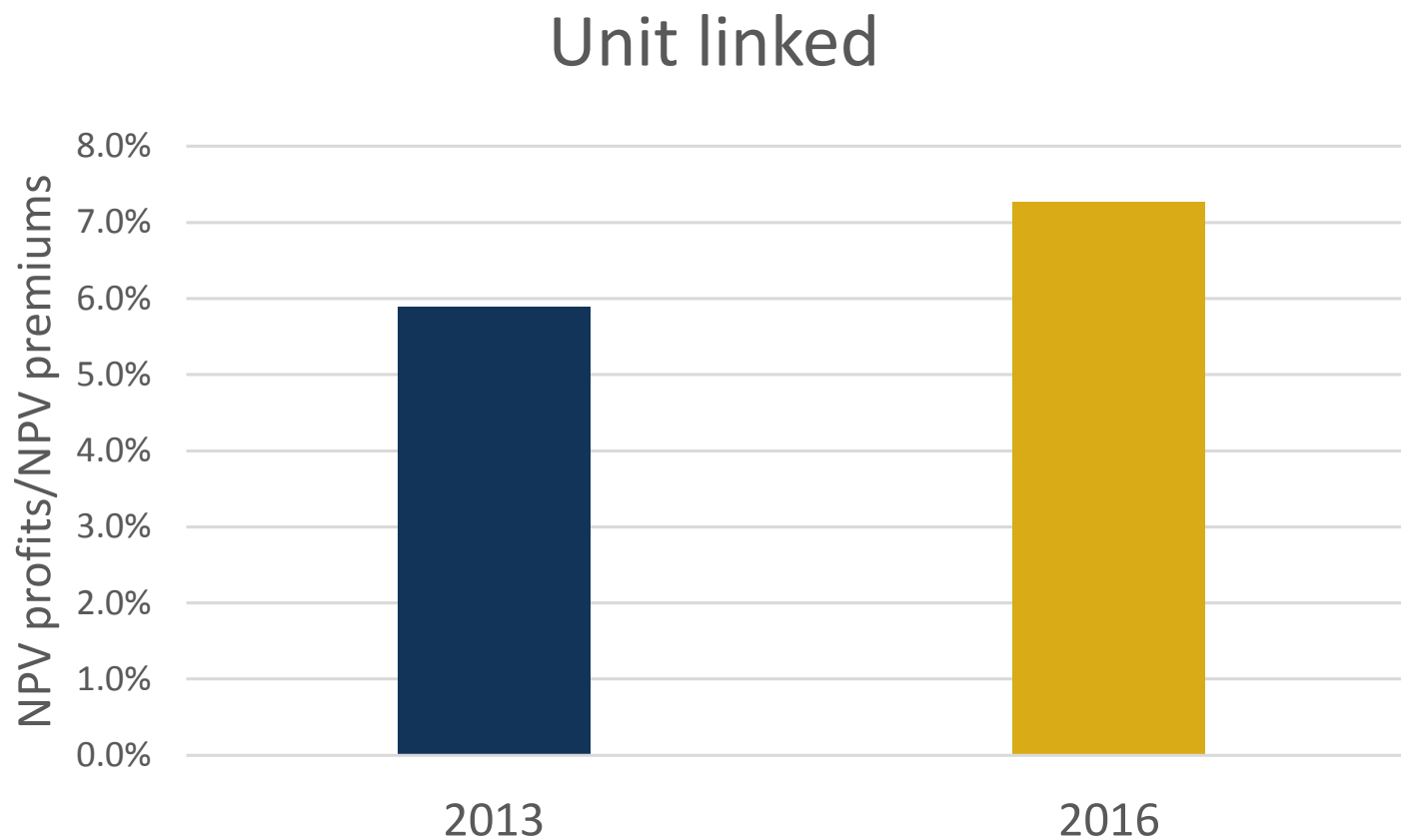


Source: Hymans Robertson modelling



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# Unit linked

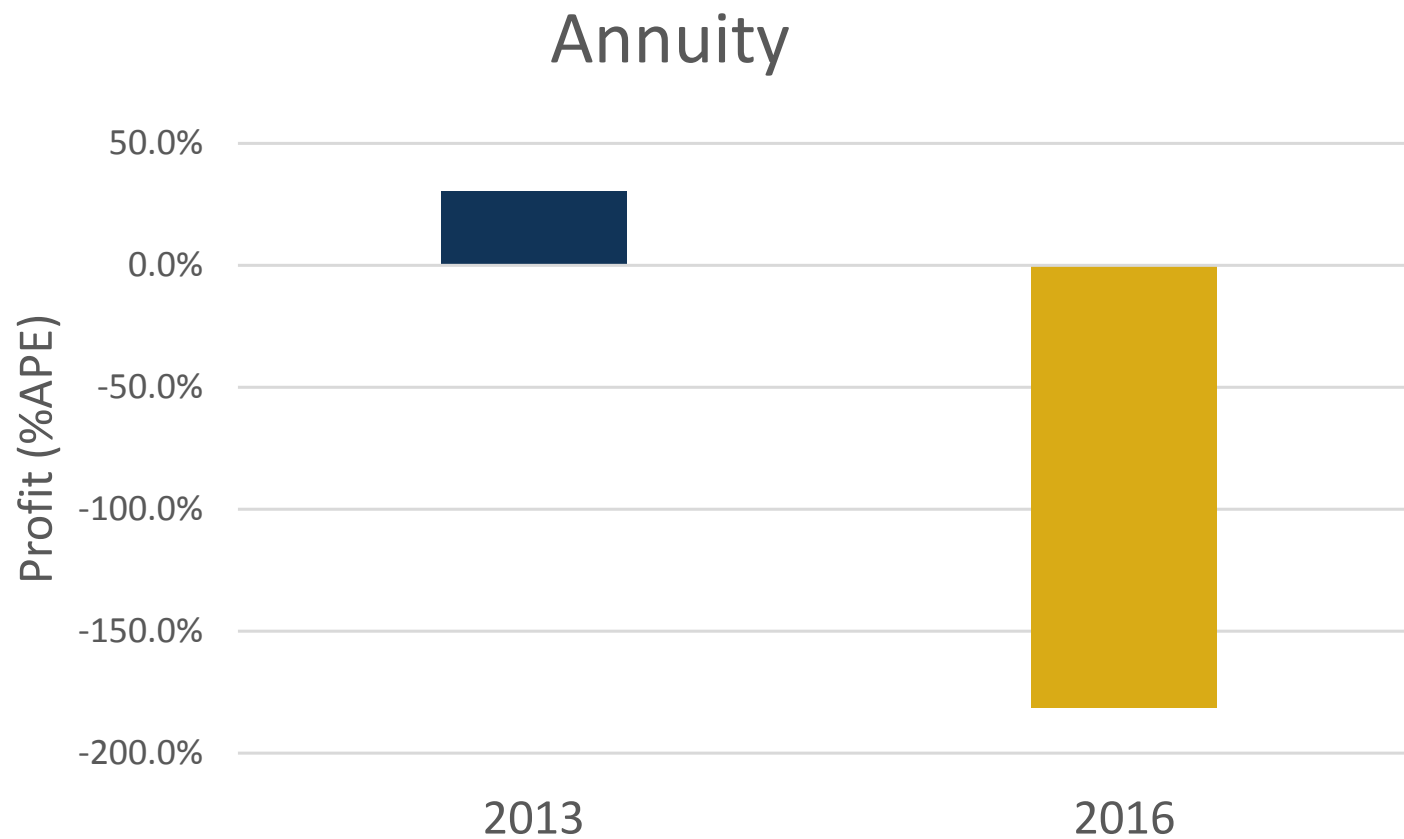


*Source: Hymans Robertson modelling*



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# Annuities



*Source: Hymans Robertson modelling*



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# So what are the options?

ertise  
ponsorship  
Thought leadership  
Progress  
Community  
Sessional Meetings  
Education  
Working parties  
Volunteering  
Research  
Shaping the future  
Networking  
Professional support  
Enterprise and risk  
Learned society  
Opportunity  
International profile  
Journals  
Support

# So what are the options?

## 1) Put up price

- This is easy and simple, pass on the cost to customer, yes?
- But is this right?
- Is it fair?
- Should you price for long term contracts due to current swaps?



# So what are the options?

## 2) Take the hit

- This means we don't pass on the moves in risk free rates to customers
- But can insurers take the short term reported hit?
- Is it fair to shareholders?
- Will there be a gain over time?





# So what are the options?

## 3) Look at the design

- For each product is there a way you can compromise, restricting rate increases to customers, and not hurting balance sheets?
- How can cash flow signatures be immunised by product design?
- What features can be changed?
- Can we look at the basis for answers?



# Questions

# Comments

Expressions of individual views by members of the Institute and Faculty of Actuaries and its staff are encouraged.

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



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