



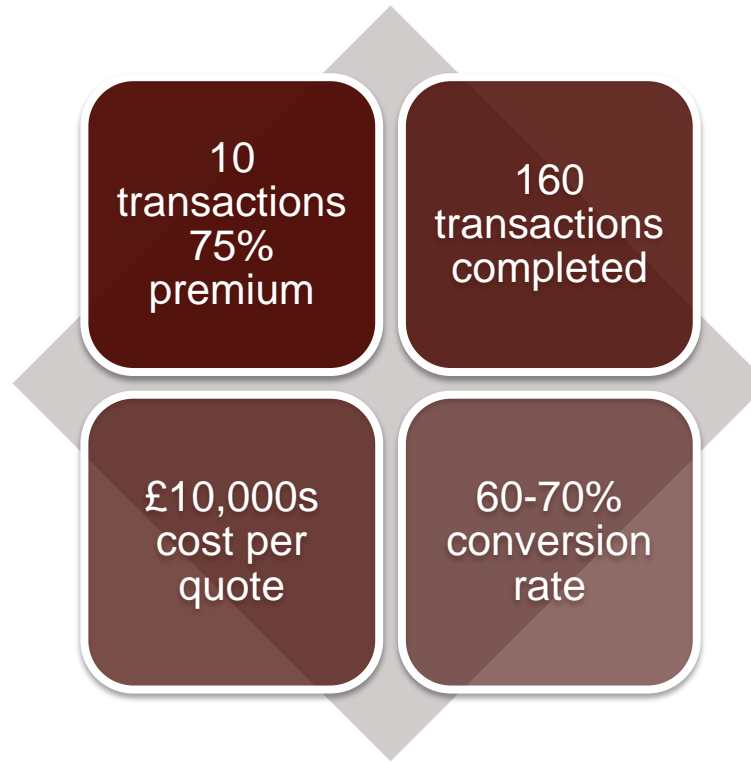
Institute  
and Faculty  
of Actuaries

# PENSIONS DE-RISKING AN INSURER'S PERSPECTIVE

EMMA WATKINS  
DIRECTOR, BULK ANNUITIES



# INSURER'S PERSPECTIVE ON 2014



Source: LCP

# CHALLENGES

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## Capacity to quote

Availability of suitable  
assets

Current  
pipeline

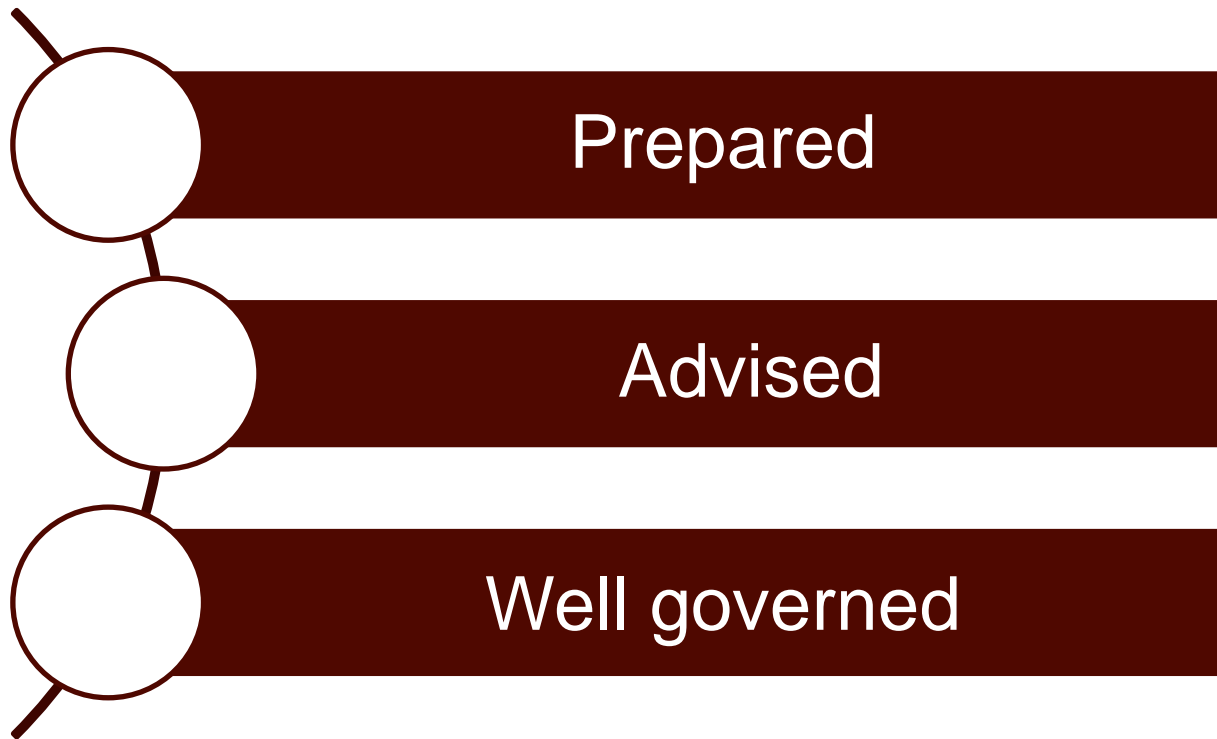
Longevity  
reinsurance

Impact of  
Solvency II

Capital  
allocation

# OPPORTUNITIES FOR THE INFORMED

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Current Highlights in Pensions Seminar  
20 October 2015

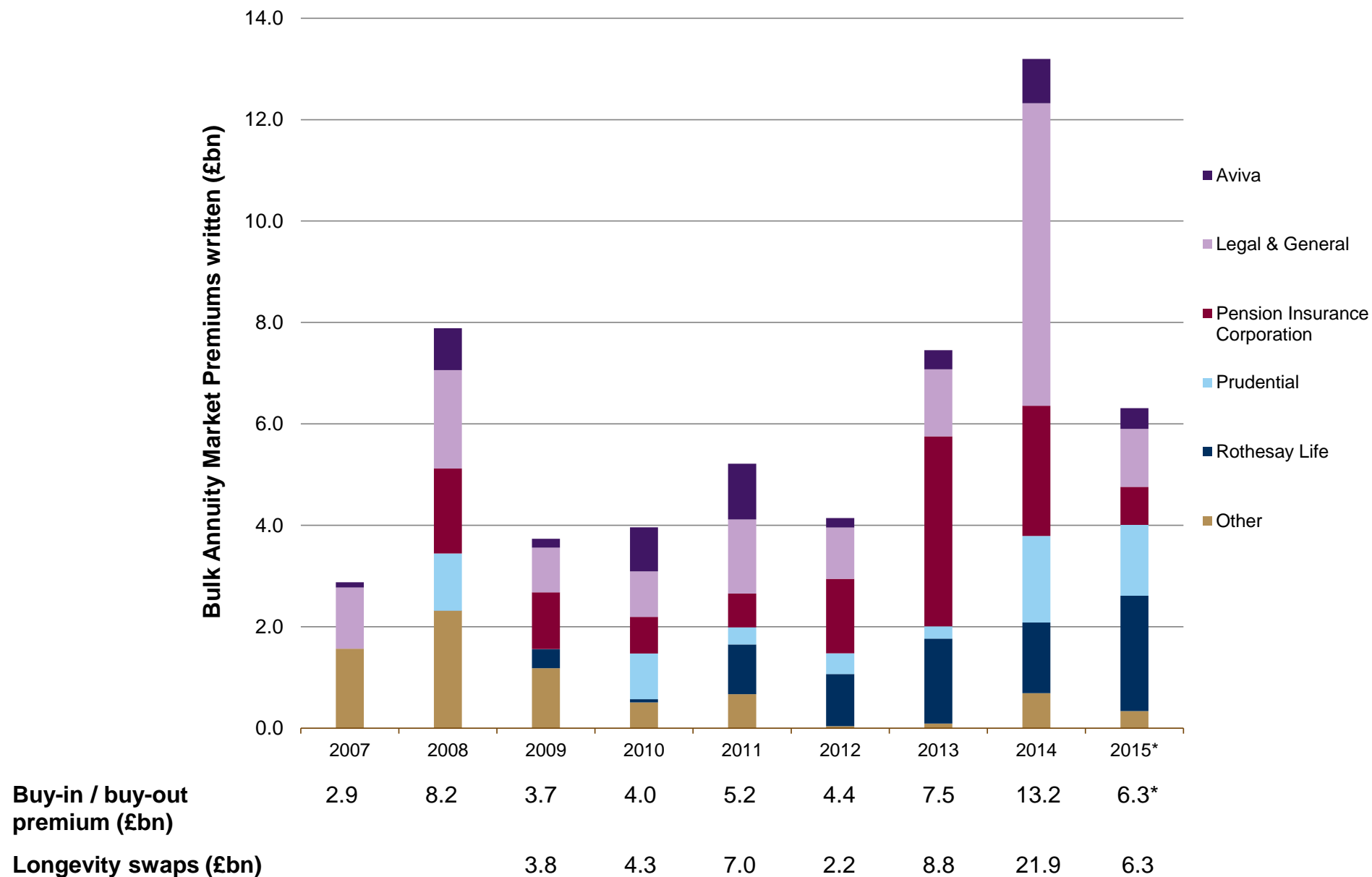
# *Developments in Pension De-risking*

*Ken Hardman*

Lane Clark & Peacock LLP Trustee Consulting Investment Consulting  
Corporate Consulting Insurance Consulting Business Analytics [www.lcp.uk.com](http://www.lcp.uk.com)



# Insurance market activity



\* Includes Q2 2015 information provided by insurers and selected Q3 2015 transactions

# Landmark bulk annuity transactions of 2014 / 15



£3.6bn pensioner buy-in split between **L&G** (£3bn) and **Prudential** (£600m)



£1.6bn pensioner buy-in with **Pension Insurance Corporation**



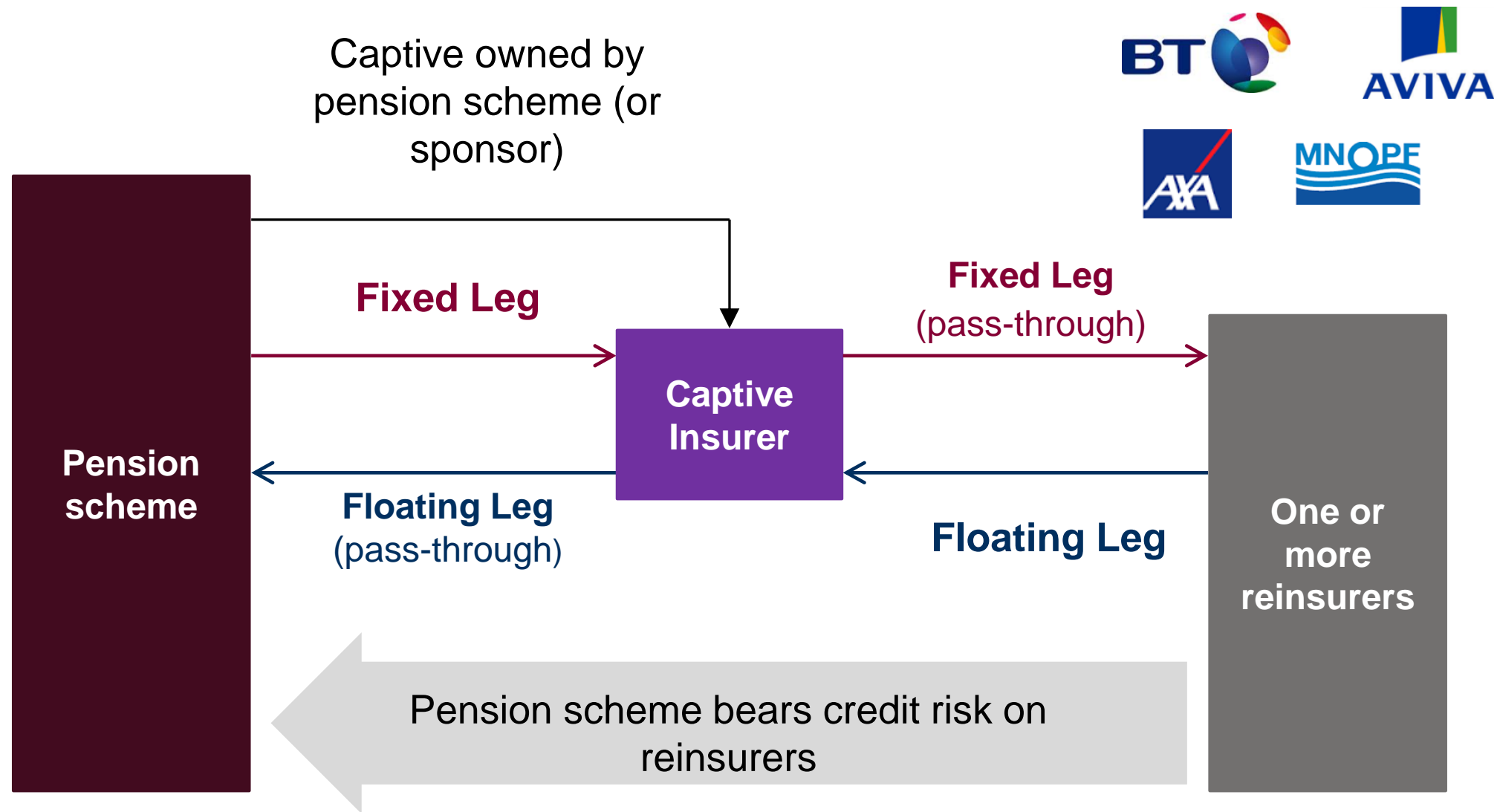
£1.6bn pensioner buy-in with **Rothsay**



£2.5bn pensioner buy-out with **L&G**  
*(including pension increase exchange)*



# The dis-intermediated longevity swap



# Comparing buy-in and longevity swap

For schemes of appropriate size, the decision between buy-in and longevity swap is primarily driven by the scheme's tolerance for financial risk.

Buy-in more  
appropriate?



Longevity swap more  
appropriate?



**Financially  
de-risked**

**Appetite for financial  
risk**

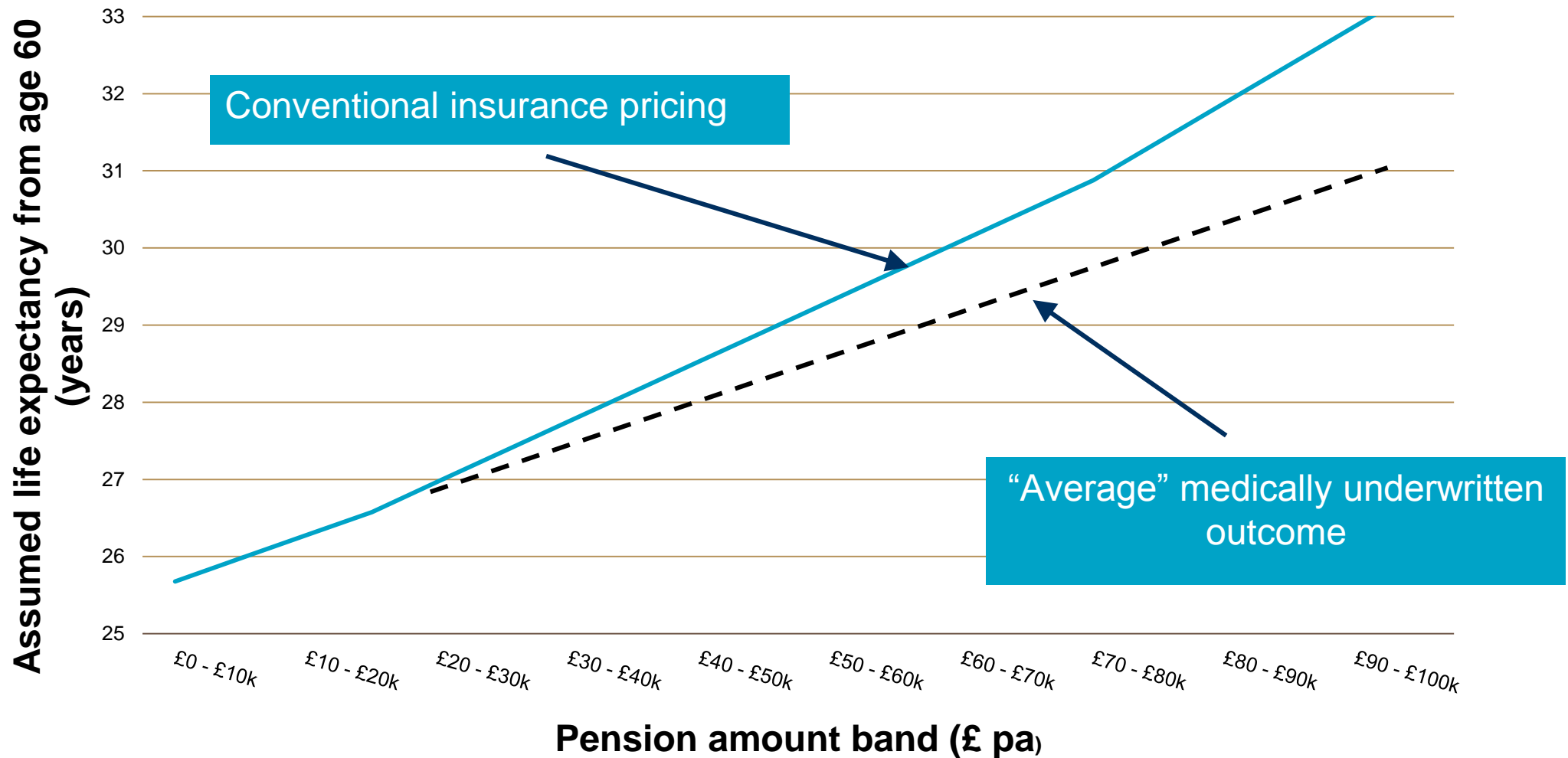
**Financially  
risk-tolerant**

***Low tolerance for financial risks:  
longevity swap could be  
unaffordable***

***High tolerance for financial risks:  
buy-in could be unaffordable***

# Medically underwritten “top slicing”

Conventional pricing includes significant prudence margins for members with large pension amounts that can be removed by medically underwriting lives



## Pension de-risking will continue to be a key focus for UK pension schemes

- Insurance de-risking products now available for even the largest UK pension schemes
- Pension schemes now have a range of ways to address longevity risk
- Strong demand from pension schemes and market innovation will drive growth, but medium term challenges over longevity capacity in the reinsurance market



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