



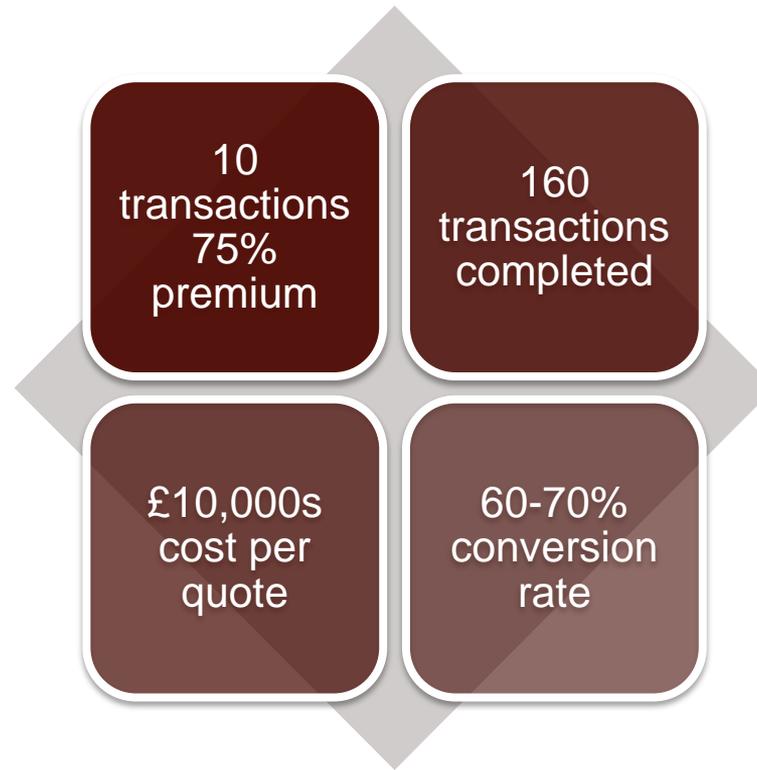
Institute
and Faculty
of Actuaries

PENSIONS DE-RISKING AN INSURER'S PERSPECTIVE

EMMA WATKINS
DIRECTOR, BULK ANNUITIES



INSURER'S PERSPECTIVE ON 2014



Source: LCP

CHALLENGES

Capacity to quote

Availability of suitable
assets

Current
pipeline

Longevity
reinsurance

Impact of
Solvency II

Capital
allocation

OPPORTUNITIES FOR THE INFORMED





SCOTTISH WIDOWS

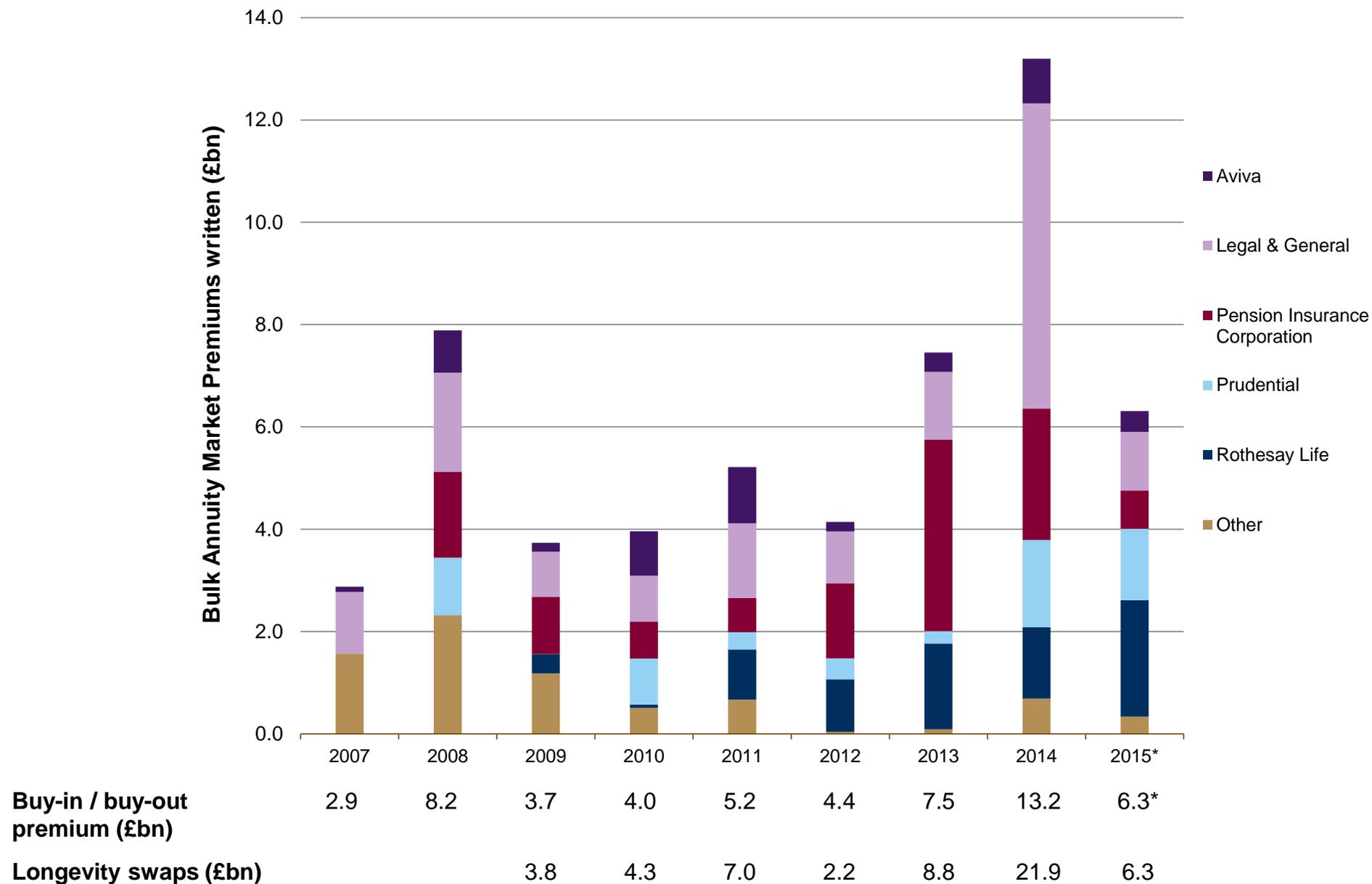
Current Highlights in Pensions Seminar
20 October 2015

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

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**

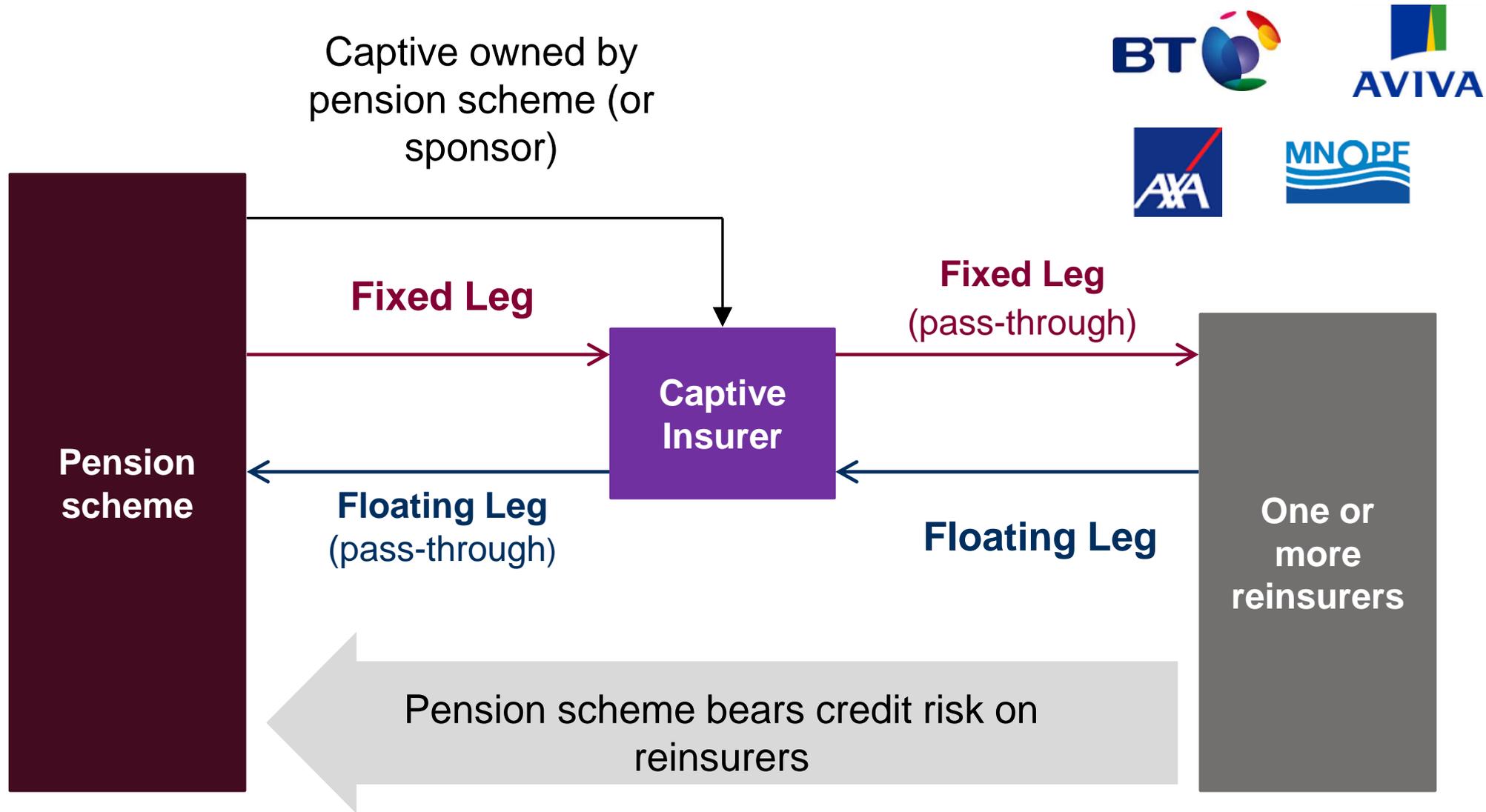


£1.6bn pensioner buy-in with **Rothesay**



£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

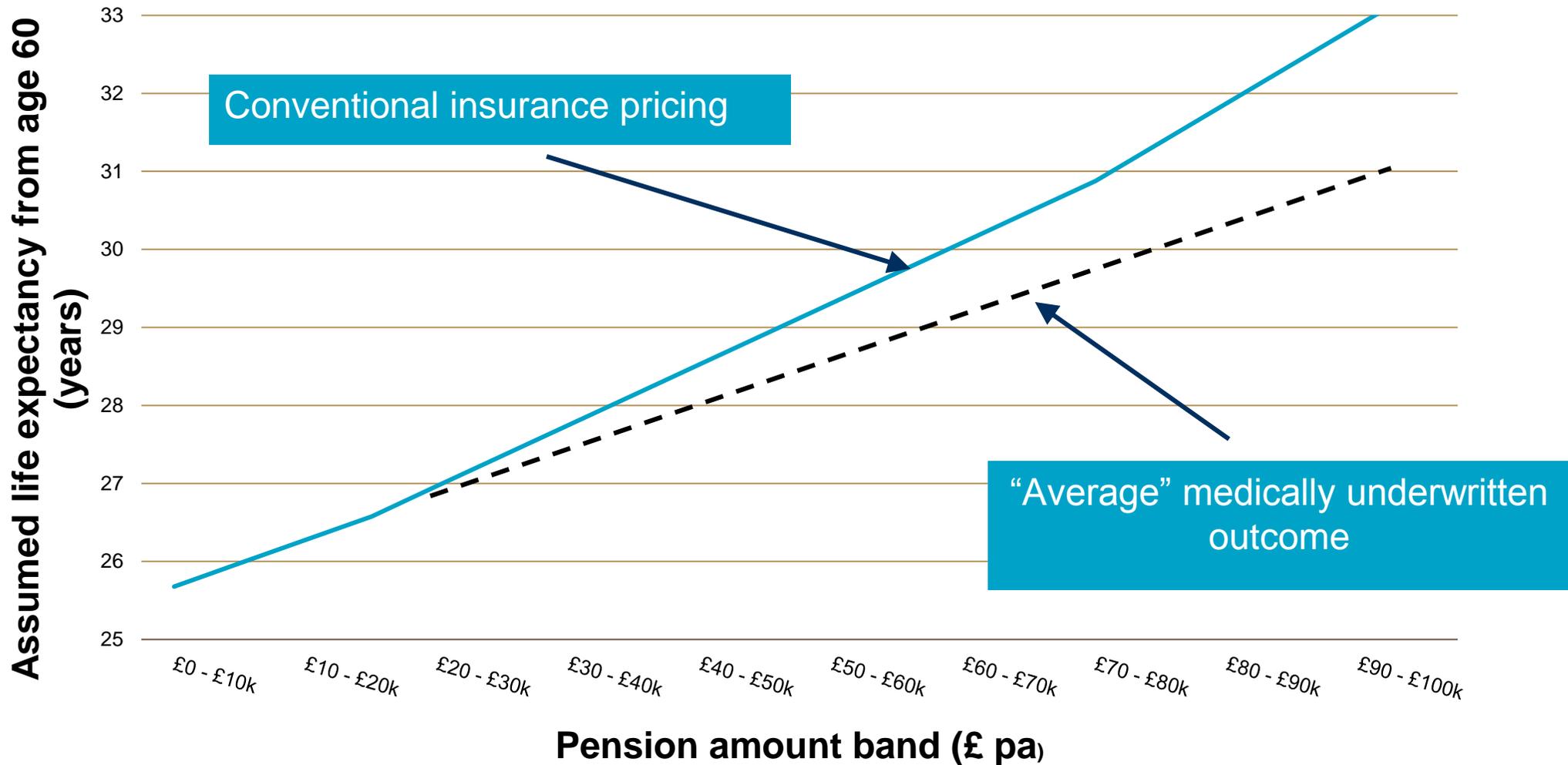
Financially risk-tolerant

***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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