

Pensions Age Northern Conference

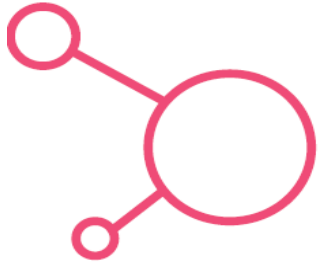
Is insurer pricing really as good as everyone says?

Ken Hardman

14 June 2018



Why is everyone talking about insurer pricing now?



£18.7bn

Total longevity risk transfer by UK pension plans
Including £6.4bn of longevity swaps across five transactions
2016: £12.8bn

2017 was the second busiest year ever despite no insurer writing a transaction over £1bn.



35

Record number of transactions between £100m and £1bn
2016: 24 2015: 19

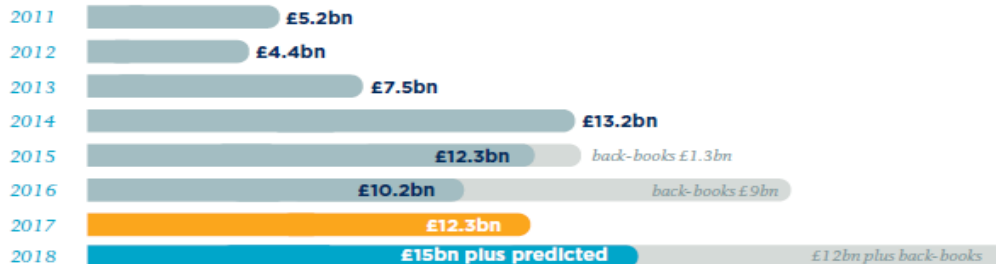


£725m

Largest transaction by a single insurer

The Former Registered Dock Workers Pension Fund
Full buy-in with PIC

Buy-in and buy-out volumes over time

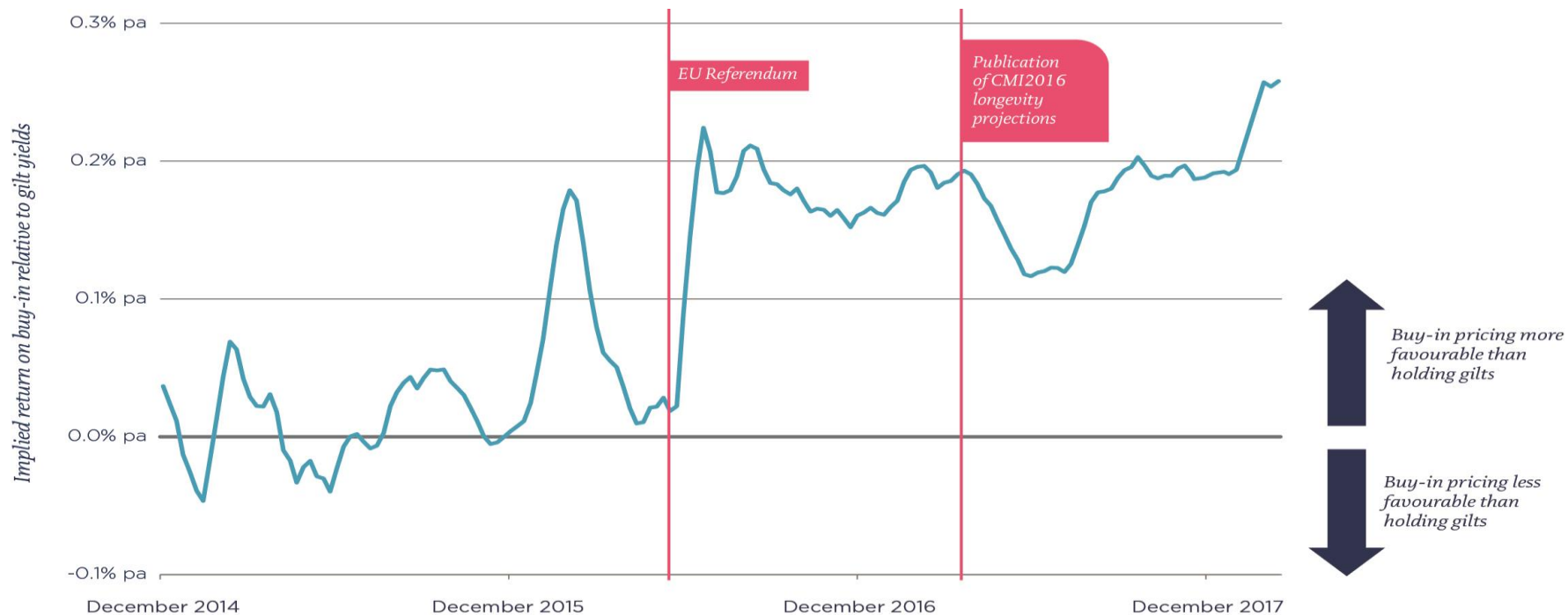


£1.2bn

Largest volume insured by a single pension plan

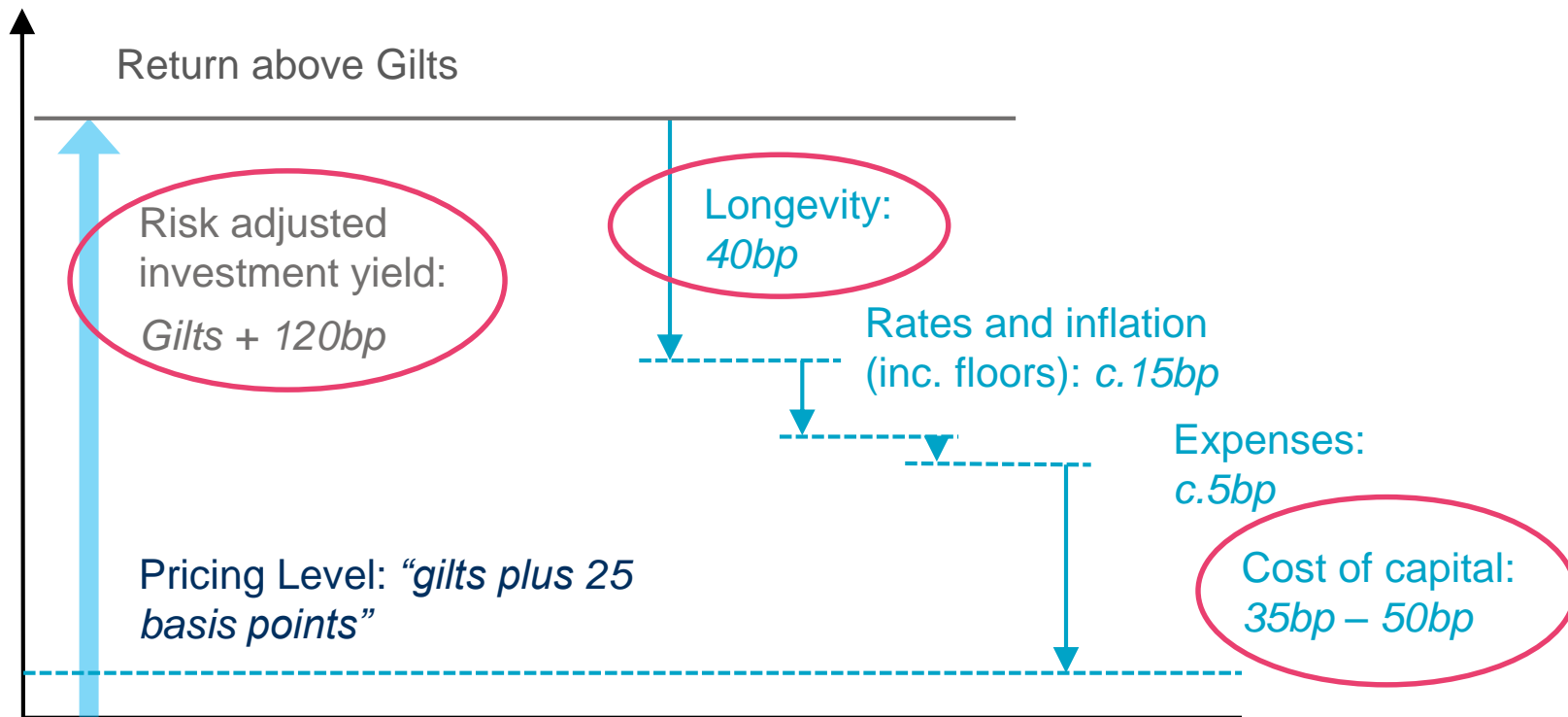
Pearson Pension Plan
Split across two buy-ins

What has changed over the past 12 months?



No such thing as a free lunch?

Key Components of Pricing



Asset sourcing is key for competitive pricing

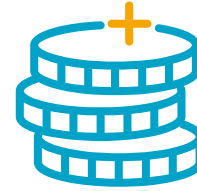
Corporate bonds



Overseas bonds



Equity release



Private debt



Commercial mortgages

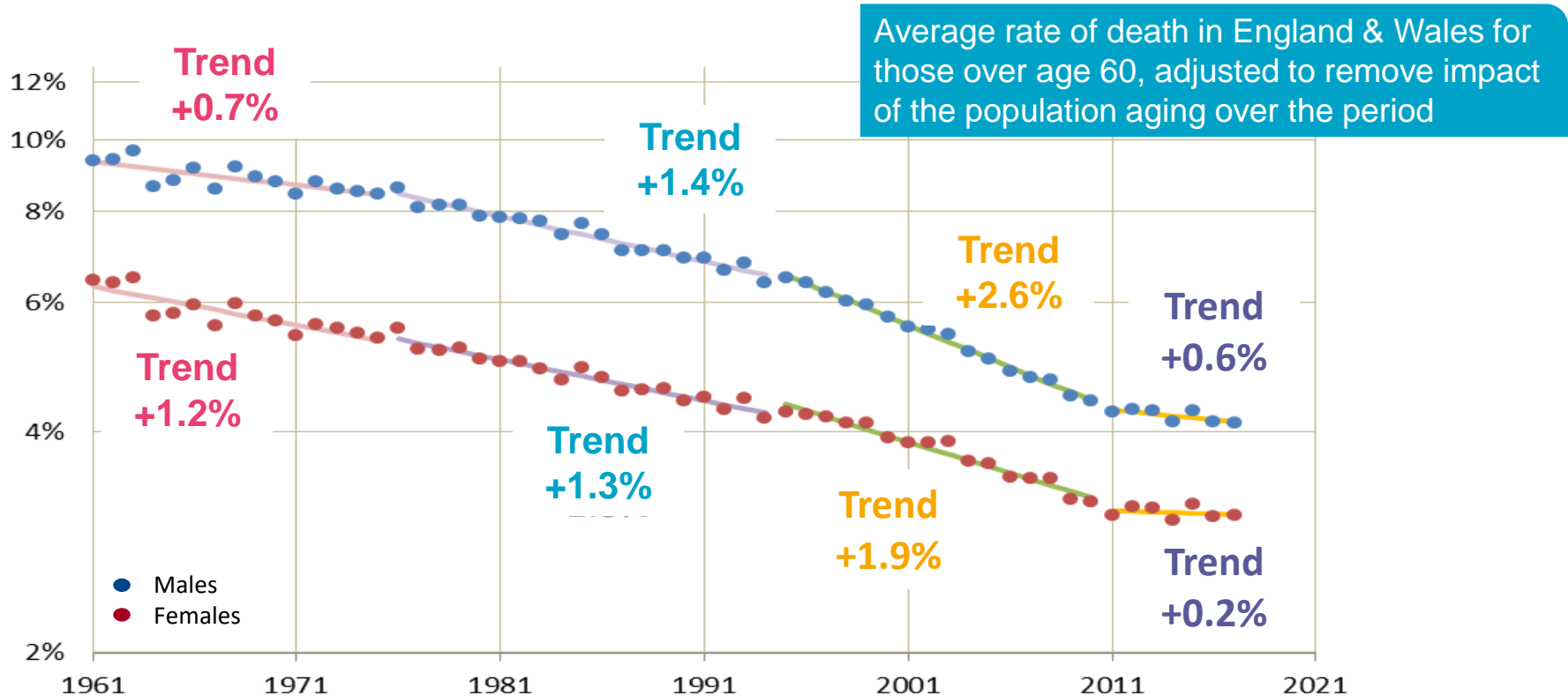


Infrastructure



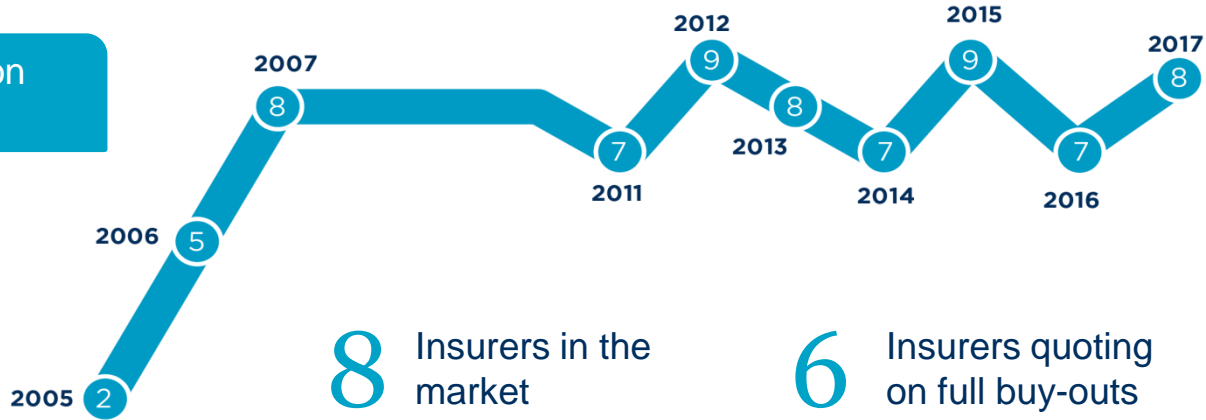
Who wants to live forever?

The new trend in mortality improvements?



“The only area of life insurance that is making any money?”

High level of competition amongst insurers



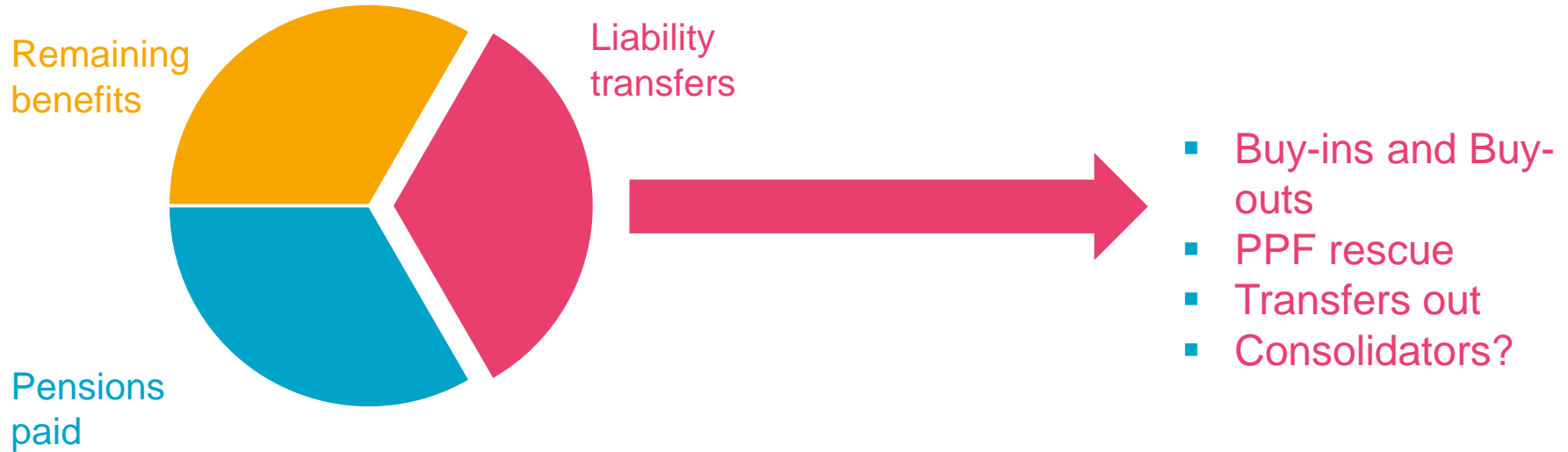
8 Insurers in the market

6 Insurers quoting on full buy-outs



Room for everyone?

UK private sector pension liabilities predicted to fall from £1.8 tn to £0.6 tn over the next 20 years



Rate of insurance de-risking will be a key driver in how quickly this universe shrinks

What is the best way to remove longevity risk?

Timing is everything...

Your scheme's time horizon will determine which option works best for you

Target a
full buy-out

RICHEMONT

Dock workers

SHOP
DIRECT

Series of phased
buy-ins

 Pearson

M&S
EST. 1884



Longevity swap
strategies



RSA 

What is the best way to remove longevity risk?

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Target a
full buy-out

Series of phased
buy-ins

Longevity swap
strategies

RICHMONT

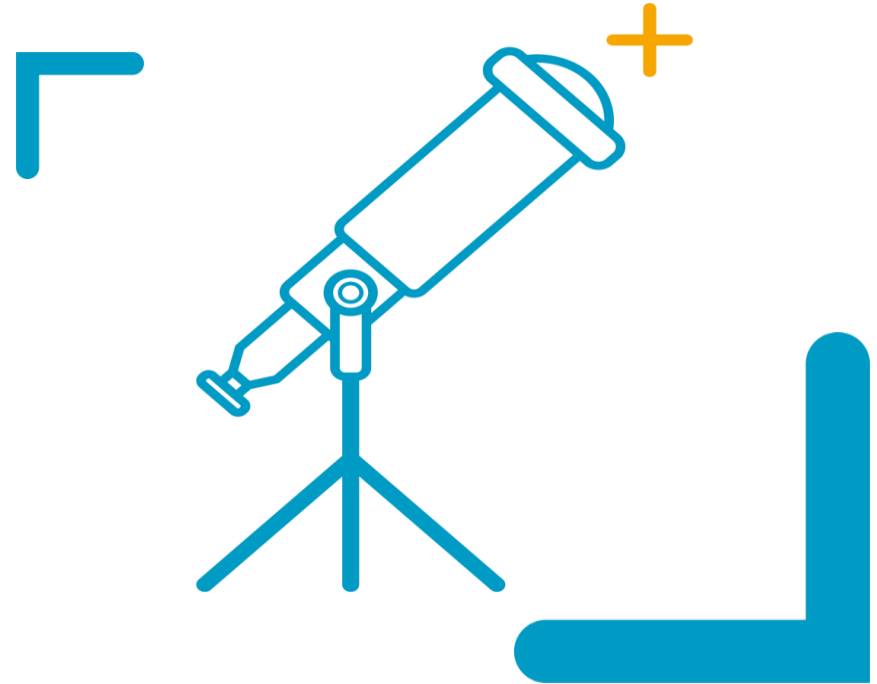
Dock workers

SHOP
DIRECT

Preparing your scheme for a full buy-out

Dock Workers Pension Fund

- Mature and well funded multi-employer scheme
- Initially investigated full buy-out in 2013
- Carried out significant preparatory work
- Able to move quickly over 2017
- Secure benefits on an “all-risk” basis



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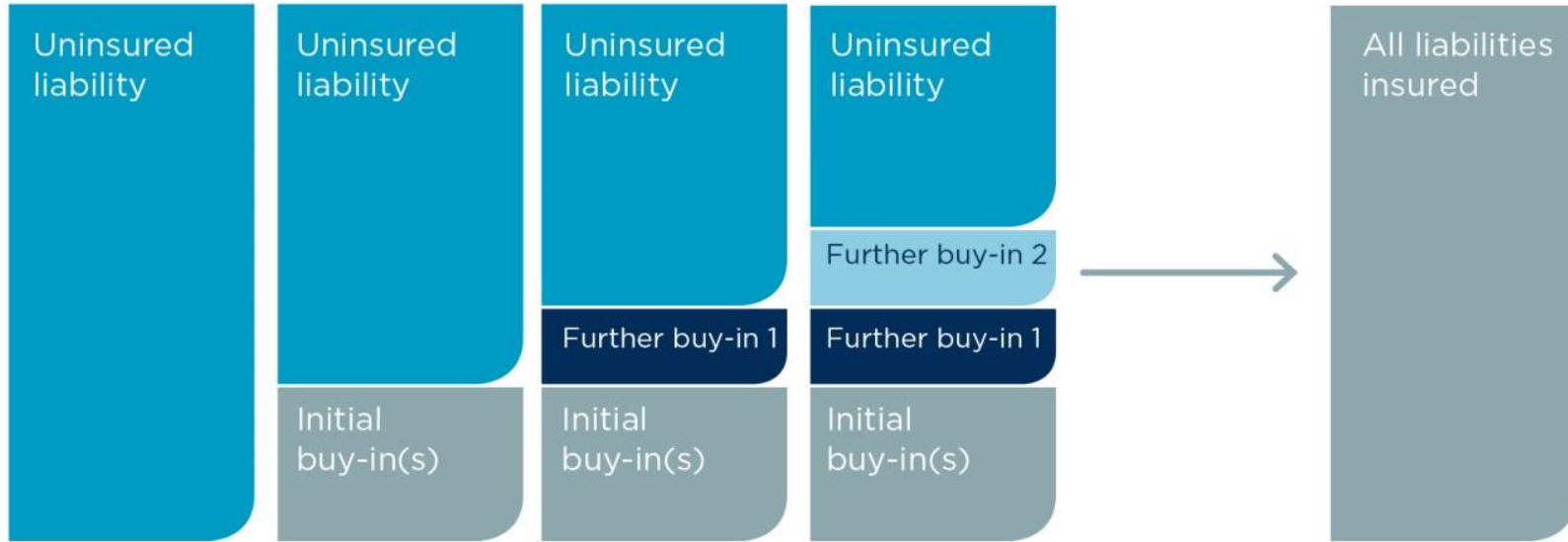
Target a
full buy-out

Series of phased
buy-ins

Longevity swap
strategies



Using phased buy-ins to gradually remove longevity risk



What is the best way to remove longevity risk?

Timing is everything...

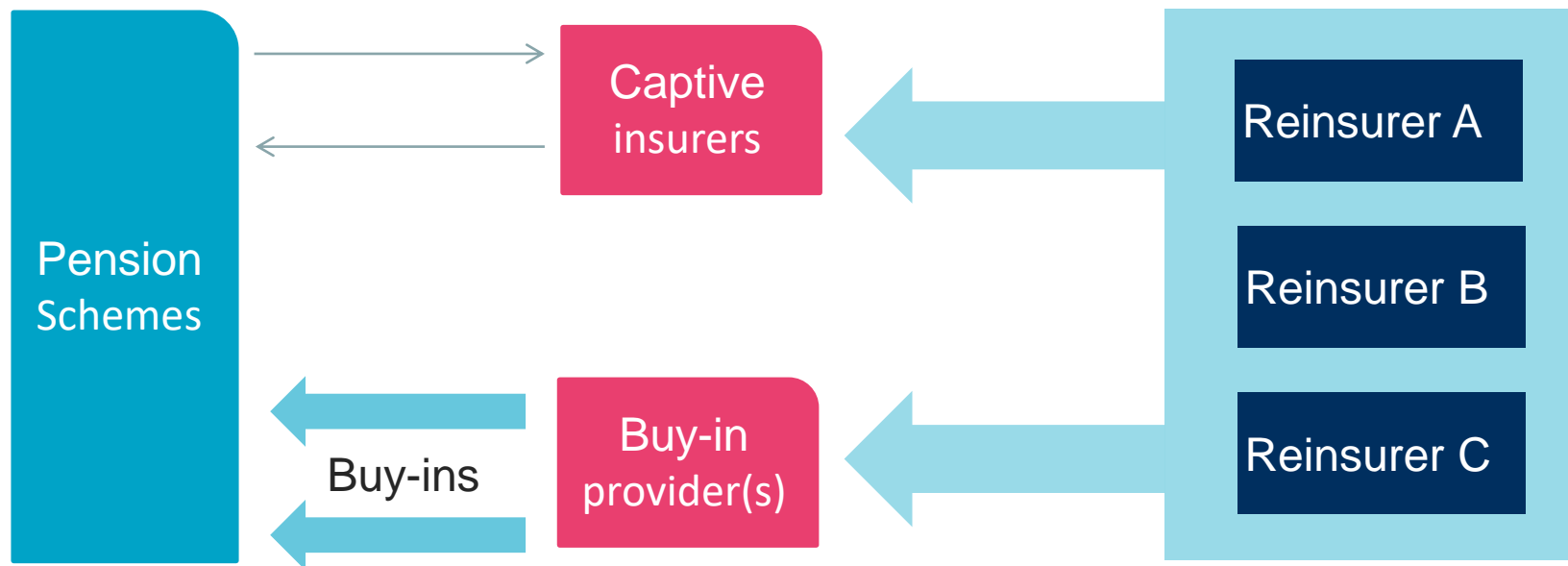
Your scheme's time horizon will determine which option works best for you

Target a
full buy-out

Series of phased
buy-ins

Longevity swap
strategies

Combining a buy-in and a longevity swap



What should you do now?

- ✔ Understand the key drivers of pricing to help set appropriate pricing metrics
- ✔ Determine your long term objectives and set a strategy accordingly
- ✔ Start taking practical steps to allow you to implement your chosen approach



Contact us



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