

EAA Seminar

Life Annuities – From Basic Products to Capital Management

16/17 April 2018 | Stockholm, Sweden



Organised by the EAA - European Actuarial Academy GmbH in cooperation with the Svenska Aktuarietföreningen.

Introduction

Life annuities provide protection against the risk of outliving the assets available at the time of retirement, because of a long lifetime or a poor investment performance. Hence, purchasing a life annuity, i.e. annuitizing (a part of) the assets available at the retirement time, should constitute a logical individual choice, especially if no other pension resources are available. Market evidence however shows a low propensity to annuitize the assets. Of course, good reasons work against the annuitisation. In particular, the technical mechanism underpinning life annuities implies that, at the annuitant's death, the available fund related to the annuity must be shared among the surviving annuitants, so that nothing is credited to the annuitant's estate. This feature is clearly in contrast with a bequest motivation. Further, a life annuity provides the annuitant with an "inflexible" post-retirement income: the annual amounts must be in line with the benefit profile, as stated by the policy conditions. Finally, purchasing a life annuity is an irreversible decision: surrendering is generally not allowed to the annuitants (clearly, to avoid adverse selection effects); hence, the life annuity constitutes an "illiquid" asset in the retiree's portfolio.

The above features can be perceived as disadvantages, and can hence weaken the propensity to immediately annuitize a significant share of the amount available at retirement. These

disadvantages can be mitigated, at least to some extent, either by purchasing life insurance products in which other benefits are packaged, or adopting specific annuitisation strategies. The seminar will focus on various product designs and related actuarial aspects, as well as on reserving, capital needs and risk management issues.

Participants

The seminar is open to all interested persons, such as actuaries operating in life insurance companies as well as in pension funds, consultants and supervisors. It is expected that the participants have an understanding of basic financial mathematics and probability theory.

During this seminar you will not need your laptop.

Purpose and Nature

The seminar aims at providing the participants with a good understanding of the nature of life annuity products and related actuarial aspects, going into details on some particular and critical features and outlining recent developments.

To this purpose, the seminar first focuses on the basic features of standard life annuities, then moving to more modern annuity products and to alternative strategies for the post-retirement income. Market insights are provided as well as accounting and reserving issues; finally capital needs and risk management issues are addressed.

More specifically, the following topics will be covered:

- Introduction: the five “W” (What, Why, When, Who, Where)
- Some preliminary ideas
- Basic products and relevant actuarial aspects
 - Technical bases
 - Premiums and Reserves
- A more general framework
- Guarantee structures
 - From standard products to Variable Annuities
- The payment profile
 - Asset-linked benefits, longevity-linked benefits
- Options and rider benefits
- The annuity rate
 - Risk factors, rating factors, rating classes
 - Special-rate annuities
- Cross-subsidy in life annuity portfolios
 - Mutuality, Solidarity
 - Tontine schemes
- Strategies for the post-retirement income
 - Life annuities versus income drawdown
 - Phased retirement

- Life annuity products providing LTC benefits
- Markets insights
 - Challenges in the German market versus other insurance markets
- Accounting, Reserving
 - Accounting of Annuities under current IFRS / US-GAAP rules and under the new IFRS 17
- Capital needs & Risk Management
 - Market value balance sheet
 - Internal models versus standard formula
 - Integration of annuity products in the risk management and ALM framework

Language

The language of the seminar will be English.

Lecturers

Ermanno Pitacco

Ermanno Pitacco is full professor of Actuarial mathematics and Life insurance technique in the University of Trieste as well as academic director of the Master in Insurance and Risk Management at the MIB School of Management of Trieste. He collaborates with the CEPAR Research Center of the University of New South Wales (Sydney). In addition, he has been visiting professor in various universities (recently: University of Louvain-La-Neuve; University of Ljubljana; University of Zagreb; University of Kyoto).

Main fields of scientific interest are life and health insurance mathematics and techniques, pension mathematics, longevity risk and portfolio valuations. He is author or co-author of textbooks and papers in the fields of scientific interest. His papers have been published, among the others, on: Insurance Mathematics & Economics, ASTIN Bulletin, Journal of Pension Economics and Finance, Risks, Geneva Papers on Risk and Insurance, Belgian Actuarial Bulletin, Journal of Actuarial Practice, Applied stochastic models in business and industry, AStA Advances in Statistical Analysis, Giornale dell'Istituto Italiano degli Attuari.

Alexander Dotterweich

Alexander Dotterweich is a Partner within Actuarial Services team of PricewaterhouseCoopers Germany. As such, he is responsible for actuarial audits (Local GAAP, IFRS, MCEV, Solvency II) as well as consulting projects. Alexander has long-term experience on life insurance and risk management topics for national and global clients. In the past, he did various presentations in national, international actuarial society meetings and has been engaged as a lecturer in the risk management and actuarial education. He contributed to the development of audit standards for the Market Value Balance sheet in the German Market.

Preliminary Programme

Monday, 16 April 2017

08.45 - 09.00	Registration
09.00 - 09.15	Introduction & welcome (EAA)
09.15 - 10.45	Basic products and relevant actuarial issues
10.45 - 11.00	Coffee Break
11.00 - 12.30	A more general framework. Guarantee structures. The payment profile
12.30 - 13.30	Lunch
13.30 - 15.00	Options and rider benefits
15.00 - 15.15	Coffee Break
15.15 - 17.00	The annuity rate. Cross-subsidy in life annuity portfolios
approx. 18.30	Dinner

Tuesday, 17 April 2017

09.00 - 10.45	Strategies for the post-retirement income. Life annuity products providing LTC benefits
10.45 - 11.00	Coffee Break
11.00 - 12.30	Market insights
12.30 - 13.30	Lunch
13.30 - 14:30	Accounting, Reserving
14:30 - 15.10	Capital needs & Risk Management
15.10 - 15.15	Concluding remarks, closing of seminar (EAA))

Fees & Registration

Please register for the seminar as soon as possible because of the expected demand. If there are more persons interested in this seminar than places available we will give priority to the registrations received first. Please send your registration as soon as possible by using our online registration form at www.actuarial-academy.com.

Your registration is binding. Cancellation is only possible up to 4 weeks before the first day of seminar. If you cancel later, the full seminar fee is due. You may appoint someone to take your place, but must notify us in advance. EAA has the right to cancel the event if the minimum number of participants is not reached.

Please always give your invoice number when you effect payment. All bank charges are to be borne by the participant. We will send you an invoice, please allow a few days for handling.

Your early-bird registration fee is € 790.00 plus 25 % VAT until 16 February 2018. After this date the fee will be € 970.00 plus 25 % VAT.

Venue & Accommodation

The seminar will take place at the

Scandic Hotel Anglais

Humlegårdsgatan 23

102 44 Stockholm, Schweden

Phone: +46 8 517 340 00

www.scandichotels.com/anglais

We have arranged special prices for accommodation. A single room costs 1,490 SEK per night, including breakfast and taxes. This price is valid for bookings out of our allotment until 17 March 2018. Please book your accommodation directly with the hotel by sending an email to meeting.anglais@scandichotels.com and put the following rate code "464541125" in the subject line. Kindly book early, as our allotment includes a limited number of rooms, and note the hotel's cancellation policy.

CPD

For this seminar, the following CPD points are available under the CPD scheme of the relevant national actuarial association:

Austria:	11 points
Belgium:	11 points
Bulgaria:	12 points
Czech Republic:	2-3 points (individual accreditation)
Estonia:	11 hours
Germany:	12 hours
Hungary:	12 hours
Italy:	approx. 4 credits (GdLA individual accreditation)
Netherlands:	approx. 11 PE-points (individual accreditation)
Russia:	40 points
Slovakia:	8 CPD points
Slovenia:	50 points
Switzerland:	15 points

No responsibility is taken for the accuracy of this information.