



Annuity Reinsurance

Helping companies manage their profitability, risk and capital requirements

The U.S. annuity space is diverse and has undergone a variety of competitive phases related to fixed annuity minimum crediting rates, variable annuity (VA) guarantee designs, structured settlement underwriting practices and, more recently, indexed annuity guarantee designs.

As a result of the historical competitiveness in product design and pricing methods, coupled with evolving reserve and capital requirements, many in the industry are reassessing the value in reinsuring all or parts of their blocks of annuity business.

We believe there is a competitive reinsurance market for fixed products today in terms of investment and longevity risk, with an evolving market related to variable or market indexed products that could help address the annuity-related concerns of some.

Reinsurance transactions should be based on sound financial analysis which, depending on the primary risks involved, can require complex stochastic calculations, modeling analysis and assumption reviews. Guidance from an experienced advisor can make the process more efficient, with better outcomes, based on our experience with other clients.

Challenges impacting the annuity market

- The low interest rate environment and volatile capital requirements are key drivers for annuity reinsurance.
- The low interest rate environment creates highly compressed fixed annuity crediting spreads, and affects payout annuities and structured settlements alike.
- Companies with structured settlements are either uncomfortable with their current mortality approach or unaware that there is a problem, which leads to uncertainty around longevity risk.
- The VA guarantee arms race has resulted in many closed blocks, yet they remain a drag on Return on Capital (ROC).
- Modeling VA policyholder behavior remains an area of concern for blocks with little credible experience to draw from.
- The proposed NAIC VA reserve and capital reform may significantly alter capital requirements for certain VA writers.

A multitude of risks are embedded in annuity blocks, but with the proper analysis and reinsurance market insight, risk transfer solutions are available.

The Willis Re — Life Solutions Group can support you in reinsuring your annuity business

The Willis Re — Life Solutions Group has been successfully assisting clients with annuity reinsurance transactions for many years.

- We focus on reinsurance.
- Our extensive knowledge of and access to reinsurance markets and solutions allows us to facilitate asset-intensive reinsurance transactions.
- We will advise on the best way to structure the transaction, based on your specific block considerations.
 - We can enlist the assistance and support from our internal Insurance Consulting and Technology team for appraisal development, modeling analysis or assumption reviews.
- As your broker, we will put considerable pricing pressure on each reinsurer to optimize deal economics.
- We understand the key issues to be dealt with during a reinsurance transaction.
- We have experience with broking and advising around such items as:
 - Pricing and analysis of deal terms
 - Reinsurance structure issues
 - Investment guidelines
 - Counterparty concerns and protections
 - Obtaining full reserve credit
 - Regulatory approval

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About Willis Re

One of the world's leading reinsurance brokers, Willis Re is known for its world-class analytics capabilities, which it combines with its reinsurance expertise in a seamless, integrated offering that can help clients increase the value of their businesses. Willis Re serves the risk management and risk transfer needs of a diverse, global client base that includes all of the world's top insurance and reinsurance carriers as well as national catastrophe schemes in many countries around the world. The broker's global team of experts offers services and advice that can help clients make better reinsurance decisions and negotiate optimum terms. For more information, visit willisre.com.

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