



## 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

## Contacts

<b>Mary Broesch</b>	+1 212 915 8669	mary.broesch@willistowerswatson.com
<b>Rick Hayes</b>	+1 514 982 3031	rick.hayes@willistowerswatson.com
<b>Cliff Jenkins</b>	+1 212 915 8692	cliff.jenkins@willistowerswatson.com
<b>Mike Kaster</b>	+1 212 915 8332	mike.kaster@willistowerswatson.com

## 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](http://willisre.com).

### Disclaimer

© Copyright 2018 Willis Limited / Willis Re Inc. All rights reserved: No part of this publication may be reproduced, disseminated, distributed, stored in a retrieval system, transmitted or otherwise transferred in any form or by any means, whether electronic, mechanical, photocopying, recording, or otherwise, without the permission of Willis Limited / Willis Re Inc. Some information contained in this document may be compiled from third party sources and we do not guarantee and are not responsible for the accuracy of such. This document is for general information only and is not intended to be relied upon. Any action based on or in connection with anything contained herein should be taken only after obtaining specific advice from independent professional advisors of your choice. The views expressed in this document are not necessarily those of Willis Limited / Willis Re Inc., its parent companies, sister companies, subsidiaries or affiliates, Willis Towers Watson PLC and all member companies thereof (hereinafter "Willis Towers Watson"). Willis Towers Watson is not responsible for the accuracy or completeness of the contents herein and expressly disclaims any responsibility or liability for the reader's application of any of the contents herein to any analysis or other matter, or for any results or conclusions based upon, arising from or in connection with the contents herein, nor do the contents herein guarantee, and should not be construed to guarantee, any particular result or outcome. Willis Towers Watson accepts no responsibility for the content or quality of any third party websites to which we refer.

The contents herein are provided do not constitute and should not be construed as professional advice. Any and all examples used herein are for illustrative purposes only, are purely hypothetical in nature, and offered merely to describe concepts or ideas. They are not offered as solutions to produce specific results and are not to be relied upon. The reader is cautioned to consult independent professional advisors of his/her choice and formulate independent conclusions and opinions regarding the subject matter discussed herein.