

Longevity risk management: Prospects for a broader longevity risk market



Guy Coughlan

Clota Varde; Longitude Solutions

Chair



Deven Punjabi

Legal & General

Insurer view



Paul Kitson

EY

Consultant view



Avery Michaelson

Longitude Solutions

Investor/market view

Panel session:

Longevity risk management – Prospects for a broader longevity risk market

Panel members

Guy Coughlan, Chair (Clota Varde; Longitude Solutions)

Deven Punjabi, Insurer view (Legal & General)

Paul Kitson, Consultant view (EY)

Avery Michaelson, Investor view (Longitude Solutions)

Questions discussed

Q1 — Barriers to alternative capital (Deven)

- *Deven*: From your insurer perspective, what's the biggest barrier to alternative capital coming into the longevity risk transfer market? Is it the economics, the basis risk, the duration, the structure, or the regulatory treatment such a solution is likely to get??

Q2 — Longevity risk transfer for DC pensions (Paul)

Both Avery and Deven have spoken about the “hourglass” analogy for longevity risk transfer for Defined Benefit (DB) pensions. The narrowness of the middle of that hourglass could create a potential squeeze, in which rising demand could exceed the ability of traditional reinsurance capacity to keep pace.

- *Paul*: From your consultant perspective, longevity risk transfer for Defined Contribution (DC) pensions may be another hourglass that is approaching, but isn't quite here yet. When, if ever, would you expect the longevity risk associated with DC pensions to start getting transferred at scale?

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Q3 — Transferring longevity risk with index hedges (Avery + Paul + Devon)

An index hedge means the hedger — say L&G or another insurer — is left holding basis risk. How do you manage that? How do you make it acceptable, and how do you get the regulator comfortable with it?

- *Avery:* Having structured and completed index-based longevity risk transfer, what observations can you share with the audience on the subject of basis risk?
- *Paul:* From your perspective as a consultant, how would you advise clients on basis risk?
- *Deven:* You have heard the views of Avery and Paul, what is your perspective as an insurer wanting to transfer or hedge longevity risk?