GUARANTEES IN LIFE ANNUITIES

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Agenda

1. Motivation
2. From traditional modeling to risk-oriented approach
3. Building the post-retirement income
4. A range of annuity products
5. Some arrangements for the payout phase
6. The payment profile
7. Concluding remarks
1 MOTIVATION

Focus on:

- life annuities provided by occupational pension schemes
- purchased life annuities

Stressing the need for a shift from traditional actuarial methods to ERM approach, including the product design

Looking at risk transfers (annuity provider ↔ annuitants) implied by each specific guarantee / option structure involved by the product design

Allowing for both perspectives:

- annuitants
- annuity provider

Nothing original from a scientific point of view: this presentation only aims at providing a review of products available on insurance and pension markets, with a special focus on features related to biometric risk sharing


M. A. Milevsky and V. R. Young. Optimal asset allocation and the real option to delay annuitization: it’s not now-or-never. Pensions Institute, London. Discussion paper PI-0211, 2002


A. Olivieri and S. Ferri. Mortality and disability risks in Long Term Care insurance. *IAAHS Online Journal*, (1), 2003. Available at:


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M. J. Warshawsky. The life care annuity - A proposal for an insurance product innovation to simultaneously improve financing and benefit provision for long-term care and to insure the risk of outliving assets in retirement. Georgetown University - Long-Term Care Financing Project. Working Paper No. 2, 2007. Available at: http://ltc.georgetown.edu/forum/2warshawsky061107.pdf,