



somewhat different

Individual annuities at Hannover Re

All over the world, people are facing the challenge of securing a life-long income at retirement age and finding a flexible retirement product to suit their individual needs.

It has become common knowledge that life expectancy is rising and social security systems alone cannot guarantee security in old age. However, if asked, most people underestimate both their life expectancy and the amount of funds needed to provide an income for life.

Therefore, to maintain a standard of living and to ensure that the risk of running out of money is reduced, at least a portion of available funds at retirement should be invested in a retirement product. The insurance industry has the solution to meet these needs: life annuities.

At Hannover Re, we understand the varied needs of consumers for financial independence in old age and team up with primary insurers to support them with our longevity product expertise.

What the term annuity means for us

As the term “annuity” has different meanings in different countries and contexts, we explain how we use it in the following:

1. In the first phase, **the savings or accumulation phase**, there are various products available with the main objective to build a fund, and usually no or limited longevity risk.
2. The second phase, **the annuitisation phase**, begins at retirement and this is where our focus at Hannover Re is. The consumers have saved money during their working life, and invested in a fund, or receive a lump sum from an insurance product. At that point, the annuitant has the choice to keep the money invested in its original investment, change the provider, take drawdown or buy an annuity.
3. In the third phase, **the payout phase**, the consumer receives payments either as a lump sum, regular drawdown or regular life-long annuity payments.

Three phases: from saving to payout

Savings phase (accumulation)

- Premium payment
- Investment during working life
- No/limited longevity risk

Retirement age (annuitisation)

- Decision phase/point
- Options:
 - Annuity
 - Drawdown as a lump sum or in regular payments
 - Change of provider

Payout phase (decumulation)

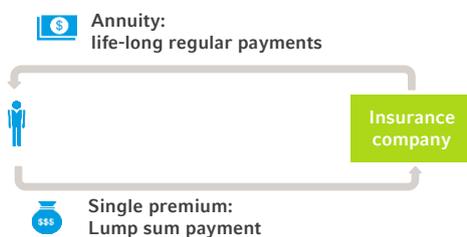
- Depending on decision taken:
- Life-long annuity payout
 - Regular drawdown payments
 - Lump sum drawdown payment

Product concepts

There are many variations of the annuity concept, with the general intent to provide a comfortable level of income for life.

Standard annuity: an annuitant receives a guaranteed income for life in exchange for a lump sum payment made at retirement. The rates are differentiated by age and gender.

Standard annuity concept



Underwritten annuity: each annuitant goes through a medical underwriting process, taking into account their lifestyle and medical history to determine life expectancy and thus a fair annuity – either healthy, lifestyle or enhanced.

Enhanced annuity: is an underwritten annuity and pays a higher income than a standard annuity to people with health or lifestyle conditions, in recognition of the fact that they, on average, have a shorter life expectancy than a healthy person. This product has been successful in the UK since the mid-nineties.

Deferred annuity at retirement: provides a guaranteed income for life beginning a few years (e.g. 10 years) after entering retirement.

Unit-linked annuity: provides annuitants with a guaranteed number of units paid out regularly for life with investment up- and downside as the value of the units fluctuate with the investment performance.

Immediate needs annuity: an underwritten annuity, which pays a guaranteed income for life to help cover regular long-term care costs in exchange for a single lump sum payment.

Parents protection plan: pays an income to parents should they outlive their children, who would otherwise be providing for them. This product targets markets where it is a cultural obligation that children support their parents financially in old age.

Equity release solutions: address elderly people that are “cash poor, but asset rich”, and have the capital value of their home. The idea is to release equity from their home while retaining the right of residence until death or a move into a nursing home.

It is possible to combine different solutions into one product, thus allowing the customer the choice between taking out money from an invested portfolio (drawdown) and annuity payments. Hence, the customer receives the most suitable retirement solution, with the right level of flexibility and security at a fair price.

We look closely into each market and the very different client needs in order to develop tailor-made reinsurance solutions. Drawing on our global experience and capacity, we are well placed to realise various options and ideas with our clients.

Get ahead of your competitors by providing flexible retirement solutions: Enhance your customers' benefits by taking into account their individual need of security in old age.

Team up with Hannover Re

Hannover Re's partners benefit from a cooperation in several ways:

- Biometrical risk sharing and cash flow stabilisation through a reinsurance treaty
- Risk-adequate setting of longevity assumptions developed by and continuously updated by our data analytics team
- Support in product development, taking into account state-of-the-art behavioural economics research
- Automated underwriting systems providing guaranteed quotes at point of sale
- Financial solutions in order to mitigate new business strains

Regardless if you are a first mover in your market or aiming to enhance your product offering in an already developed market: As worldwide leaders in longevity reinsurance, we at Hannover Re are the ideal partner for your annuity business.

We look forward to teaming up with you to make your retirement solution offering a success story.