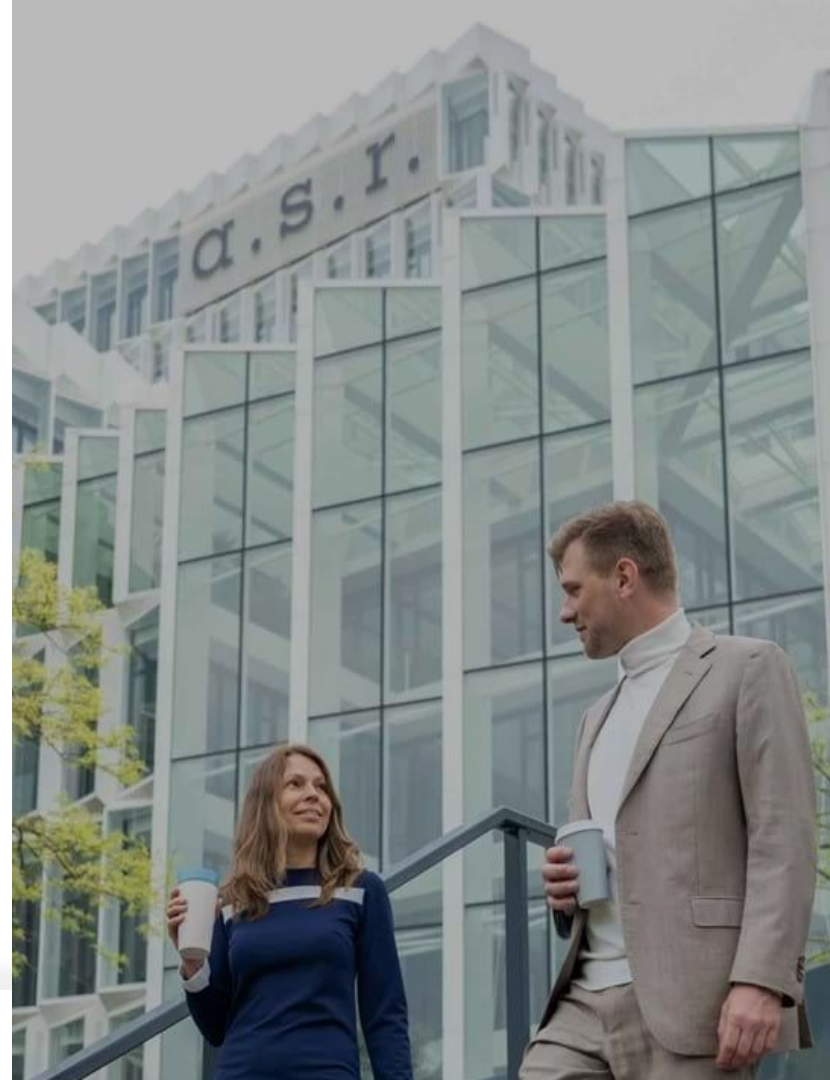


Actuarial Congress 2024

Unpacking the Wet toekomst pensioenen act and
resulting opportunities for insurers

Agenda

- 01 Introductions
- 02 The ambition of the Wet toekomst pensioenen act and achieving it
- 03 Opportunities for insurers
- 04 Working at a.s.r
- 05 Questions



Introductions



Goran Lapchev
Actuarial Analyst
a.s.r.

Summary of expertise

- MSc Actuarial Science and Mathematical Finance; University of Amsterdam
- BS Actuarial Science; University of Amsterdam
- Working in the Actuarial Valuation Life & Pensions team
- Reading, history, fishing



Sarah Fox
Actuarial Analyst
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Summary of expertise

- BScHons Mathematical Statistics; University of the Witwatersrand, SA
- Bcom Actuarial Science; Stellenbosch University, SA
- Working in the Actuarial Valuation Life & Pensions team
- Fitness, tennis, reading

Looking at some of the key ambitions of the WTP act...



Long-term sustainability: The Defined Benefit (DB) system must be replaced by a Defined Contribution (DC) system



Age equality: Regardless of age, employees will pay a flat premium. Uniform accrual rates will be abolished.



Freedom of choice: The accrued pension benefits have to be transferred or they can continue as a closed DB plan. The decision to do this can be made by the pension board.



Flexibility: The Pension plan can either be flexible or solidarity based

...what does achieving the ambition of the act mean for insurers



Adapted
products &
services



Insurance companies will need to **adapt their products and services** to align with the new pension framework.



Increased
competition



The WTP act allows for **more competition** in the pension market by enabling insurance companies to offer pension products alongside pension funds.



Legislation
compliance



Insurance companies will need to ensure **compliance** with the new **legislation**, including meeting the requirements for transparency, governance, and risk management.

Looking at the opportunities for insurers arising from the act...

1 Customised pension solutions

The emphasis on individual choice and flexibility in the WTP act opens up opportunities for insurance companies to **develop** customized pension solutions.

2 Leverage technology

Insurance companies can leverage technology to develop user-friendly platforms, online tools, and mobile applications that simplify pension management, provide **real-time information**, and enhance the overall customer experience.

3 Pension buy outs

The option for a pension fund to transfer their pension liabilities to an insurance company through a **buy out...**

Buy outs: transferring pension rights for financial flexibility

Introduction to buy outs

Transfer of Pension Rights:

Buy outs **transfer accrued pension rights** to an insurance company and **guarantees** those rights going forward.

Insurer's expertise:

Insurers can use their **expertise in risk management** and actuarial modelling to precisely evaluate liabilities and guarantee sufficient funding for pension benefits.



Risk Transfer:

Buy outs **shift the risks** of investment, longevity, interest rate changes, inflation and future expenses to the receiving insurance company.

Financial Instruments:

Buy outs provide a **clean break** for pension funds, transferring both the assets and liabilities to an insurer.

Pros and Cons of buy outs

Pension funds

- No administration
- No investment of assets
- Transfer of risks
- Full certainty to meet future retirement obligations
- Better balance sheet management

- No longer receive revenue from participants that are bought out
- Difficult decision to make on whether buy out is appropriate

Participants of Pension Funds

- No market risks
- Indexation offered for stable real pension income
- Predictable & secure income stream for pensioners

- Not beneficial for younger participants
- No benefit from a healthy stock market

Insurance companies

- Business line expansion leading to cost efficiencies
- Potential rise in market share
- Portfolio diversification
- Opportunity for cross-selling

- Greater longevity risk
- Requires outlay of capital (delays dividends for shareholders)

These points explain the concept of buy outs under the WTP act and highlight the benefits and implications for individuals involved in this option.

Looking into some of the various factors determining the pricing of buy outs



Individual's age and life expectancy

The buy out amount is calculated based on the expected remaining lifespan of the individual. The older the individual, the higher the cost of the buyout.

01



Pension fund's financial position and funding ratio

The financial health of the pension fund directly affects its ability to meet its obligations and pay out pensions. A stronger financial position of the pension fund may result in a higher price due to the pension fund buying more indexation.

02



Interest rates and discount rates

Lower interest rates will increase the cost of the buyout. Lower rates result in a higher present value of future pension payments, requiring a higher lump sum payment (buy out amount) to cover those payments

03



Investment returns and market conditions

High expected investment returns lead to a lower buy out price as insurance companies are willing to give more of those future returns to the pension fund which is reflected as a reduction in price.

04



Zooming in on pricing techniques

Two concepts used in pricing...

Risk-free rate

Rate of return on an investment that is considered to have no risk of default.

Liquidity Premium (LP)

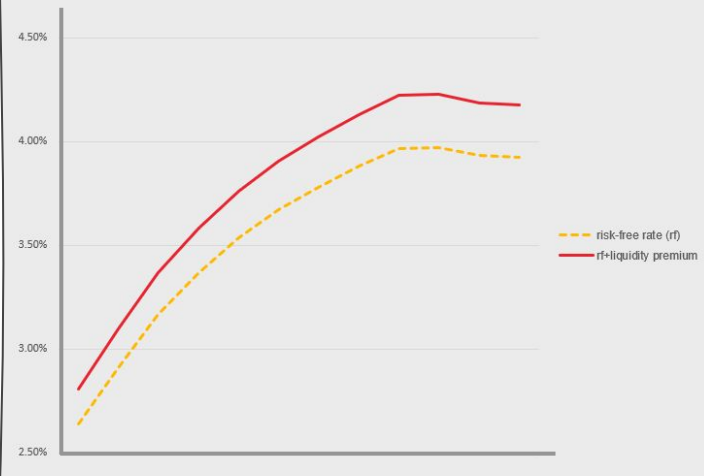
The share of part of the profit on assets given to the clients.

Example

The curves on the right are used to calculate the present value of future pension payments. The insurer can then determine the amount of the lump sum **buy out** payment, necessary to cover those payments.

Pricing curves

The **rf + liquidity premium** is used to price the buy out...



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deeply rooted in
Dutch society

#2

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positions and
number 2 in The
Netherlands

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Ditzo

een merk van a.s.r.

europesoc

een merk van a.s.r.

ardanta

ardanta (beveiligings)groep
een merk van a.s.r.

Strategy towards
1 strong brand



Head office in
Utrecht

1720

Establishment of the
'NV Maatschappij van
Assurantie,
Discontering en
Beleening der Stad
Rotterdam Anno
1720'

1962

City stock
exchange listing
Rotterdam

2000

ASR Group and
Fortis AMEV will
continue together
as Fortis ASR

2007

Fortis, RBS and
Santander acquire
ABN AMRO

2008

The fall of Fortis
resulting in the
nationalization of
FVNL (the
current a.s.r.)

2008-2015

Building the a.s.r. of the
future

2016

Successful IPO of
a.s.r. and the
opening of the
sustainably
renovated Utrecht
office

2017-2019

a.s.r. becomes 100%
privately owned, presents
a refined strategy and
medium-term targets and
makes several acquisitions
such as Generali
Nederland and Loyalis

2020

300 years
a.s.r.

2023

a.s.r. and
Aegon will
continue
together

What is it like to work at a.s.r.?



Culture: Equal employee-manager relationship, self-direction, personal leadership

Time: Independent of time and place, registering holidays is allowed, but not necessary, work-life balance, vitality

Development: A lot of attention to personal development, sustainable employability

Mobility: sustainable mobility (free public transport, bicycle plan, electric shared cars)

Questions?

