

CIRANO – AGdR CONFERENCE

OCTOBER 1st, 2010 (1 p.m.)

Longevity Risk for Insurers and Pension Funds

Most industrialized countries are now facing the phenomenon of an aging population. The evolution of the demographic landscape in Canada over the last decades is reflecting this global trend, be it through a drop in fertility rates or through a constant and general improvement of longevity. Consequently, for almost a hundred years, we have witnessed a noticeable increase in the life expectancy of Canadians.

However, for life-insurance companies and for public or private pension funds, this situation has important consequences. By promising their beneficiaries some level of benefits during the retirement period, the latter are exposed to longevity risk. Longevity risk is the risk that, for a given population, the average life duration is longer than expected. Either in pricing annuities or to establish the required contribution amount in a retirement fund, the financial health of both insurers and pension funds depends on their ability to estimate life expectancy with precision. Underestimating it would lead to contributions falling short of the needed monetary flows to cover benefits. One must appreciate the systemic nature of this risk; having a large enough amount of participants is not enough to eliminate it.

The conjunction of considerable amounts depending on the future evolution of mortality, linked with its inherent uncertainty, exacerbates the risk for various insurers and pension plans. Other things being equal, a life-insurance company underestimating life expectancy sees its profit margins shrink and its bankruptcy risk increase. For pension plans, the contribution rate can be pushed up to compensate the shortfall. It can also be possible to reduce the benefit levels, though with the obvious adverse consequences it would entail.

The purpose of this conference is to open the discussion on the impact that a risk such as longevity could have on businesses and the Canadian economy.

Panellists

Sylvain Charbonneau,	Principal Director - Marketing & Products, AXA Assurances
Édouard Debonneuil,	R&D Chief, AXA Global Life
Thomas Post, Ph.D.	Professor, Maastricht University
Paul Gauthier,	Invited Fellow, CIRANO, formerly at BIMCOR
J. François Outreville, Ph.D.	Invited Professor, HEC Montréal, formerly at the UN
Lars Stentoft, Ph.D.	Professor, HEC Montréal
Patrice Gaillardetz	Professor, Concordia University
Jose Garrido	Professor, Concordia University

Moderator:

Martin Boyer, Ph.D.	Professor, HEC Montréal & Fellow CIRANO
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TIMETABLE**

		Schedule
ARRIVAL AND REGISTRATION		13 :00 – 13 :20
WELCOME SPEECHES		13 :20 – 13 :30
Introduction	Bryan Campbell	
Seminar Coordinator Presentation	Martin Boyer	
CONFERENCE (in English)		13 :30 – 15 :15
<u>Risk Perception, Individual Behaviour and Asset Liability Management</u>	Thomas Post Maastricht University	
<u>Financing Long Term Care for an Ageing Population</u>	J.-François Outreville HEC Montréal	
<u>Quantifying Longevity Risk</u>	Édouard Debonneuil AXA	
Wrap Up	Lars Stentoft, HEC Montréal	
Discussion & Questions		
HEALTH BREAK		15 :15 – 15 :40
ROUND TABLE (in French)		15 :40 – 16 :30
What is the economic impact of longevity risk?	Martin Boyer, moderator HEC Montréal et CIRANO	
For Insurers	Édouard Debonneuil AXA	
For Pension Funds	Paul Gauthier CIRANO	
For Actuaries	Jose Garrido & Patrice Gaillardetz Concordia University	
CONCLUDING REMARKS		16 :30 – 16 :45
WINE RECEPTION		16 :45 – 18 :00