

TWO MORE DEALS FOR GUERNSEY'S LONGEVITY RISK MARKET

18 SEPTEMBER 2017

Guernsey has underlined its position as the go-to jurisdiction for longevity risk transfers with the announcement of two further deals.

MMC UK Pension Fund Trustee Limited, the pension fund of Marsh & McLennan Companies, has completed the longevity hedge of £3.4 billion in liabilities – covering around 7,500 pension fund members – using the Guernsey-domiciled incorporated cell company (ICC), Mercer ICC Limited, which is managed by [Marsh Captive Solutions](#).

Mercer advised the pension fund on the transactions which used two cells within Mercer ICC, Fission Alpha IC Limited and Fission Beta IC Limited, to transfer the risk to Canada Life Re and Prudential Insurance Company of America.

Suthan Rajagopalan, lead transaction adviser for the trustee and Head of Longevity Reinsurance at Mercer, said: “Mercer is delighted to have helped the fund manage its longevity risk in this way. We worked closely with the trustee to achieve a successful outcome for all parties and further help the fund to continue its de-risking journey.

“Longevity risk is a key risk for defined benefit schemes and is more significant than ever in the historically low-yield environment. As part of this transaction, we have advised on and managed a broad and highly competitive process to remove this long-term risk and have been able to facilitate the transfer of risk to the reinsurance market cost-effectively through the ‘Mercer Marsh’ longevity captive solution.”

The second longevity risk deal to utilise Guernsey reportedly involves a British Airways pension scheme. According to [Captive Review](#), British Airways’ Airways Pension Scheme (APS) formed APS Insurance ICC Limited late last year. In a letter to its members, Captive Review claims APS said it was using the captive to hedge £1.6 billion of liabilities. The cell has then reinsured to Partner Re and Canada Life Re. Further, Captive Review understands APS Insurance ICC is managed by [Artex Risk Solutions](#) and the transaction itself was completed in 2017.

Guernsey made waves in the pension longevity risk space back in 2014 when the trustees of the BT pension scheme, Britain’s largest corporate pension fund, set up its own captive insurance company and then reinsured its longevity risk with the US-based life insurance company, the Prudential Insurance Company of America. In the biggest deal of its kind, the arrangement covered 25 percent of the scheme’s exposure to increased life expectancy and amounted to £16 billion of the scheme’s liabilities.

“

"The fact remains that all the major deals appear to have been done using a Guernsey ICC."

BWCI's Ian Morris

”

This was then followed by Towers Watson establishing its own platform in late 2014. Managed by [Willis](#), the Merchant Navy Officers Pension Fund (MNOF) was the first to utilise that ICC with a £1.5 billion transfer of longevity risk. Artex then joined forces with PwC in early 2015 to establish the Guernsey ICC Iccaria to facilitate pension longevity transfers worth as little as £250 million.

Speaking to Captive Review, Ian Morris, Partner at [BWCI Group](#) in Guernsey, said there remained a lot of

enthusiasm among the Guernsey captive community to continue leading the market on pension longevity swaps.

“It can take close to three years to get something done. You need to talk to the trustees, get some quotes and get it set up. But the fact remains that all the major deals appear to have been done using a Guernsey ICC,” said Mr Morris.

Advocate Kate Storey, Partner at law firm [Appleby](#) in Guernsey, added: “It is the ICC structure itself that is attracting the business, combined with the fact Guernsey is the number one captive domicile in Europe. The ICC structure isn’t available in the United Kingdom. It works in a similar way to a protected cell company, but you have that extra layer of segregation of risks and assets.

Advocate Storey suggested more deals could also be in the pipeline.

“We have just had two new ICCs for pension longevity in quick succession. I expect it will ramp up interest again and have more people looking at it.”

“

“It is the ICC structure itself that is attracting the business, combined with the fact Guernsey is the number one captive domicile in Europe.”

Appleby's Kate Storey

”

WE ARE GUERNSEY is the brand under which Guernsey Finance promotes the island's financial services sector internationally. Guernsey Finance - the promotional agency for the island's finance industry internationally - is a joint industry and Government initiative responsible for the promotion of Guernsey. Under the leadership of Chief Executive Dominic Wheatley, the agency ensures that the core values and competencies of the island's finance sector are accepted and respected by the global community and that financial business development flows are enhanced.

PO Box 655, St Peter Port,
Guernsey, GY1 3PN

+44 (0)1481 720071

INFO@WEAREGUERNSEY.COM

