

Role of Insurance Companies in Pension Business

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Types of Insurance Contracts

- Pooled fund investments made on behalf of Trustees
- Deposit administration contracts
- Pooled fund where the members are provided with a range of choices
 - Lifestyle funds
 - Mutual funds
- Annuities

US Pension Market

Major Market Trends

- Consolidation
- Pending “baby boomer” transition to retirement
- Intense legislative and regulatory activity
- Expanding solutions for employees
 - Auto pilot, Lifestyle / Target date fund of funds

U.S. Pension Market

- \$13 trillion in assets ¹
 - Defined Benefit \$4.9 trillion
 - Defined Contribution \$4.3 trillion
 - Individual Retirement Account \$3.8 trillion
- 2005 401k Estimated Sales ¹ = \$169 B
- 63% of all workers covered by employer sponsored retirement plan ²

Source: 1 2005 Spark Marketplace Update

2 Cerulli Quantitative Update 2004

US Pension Market

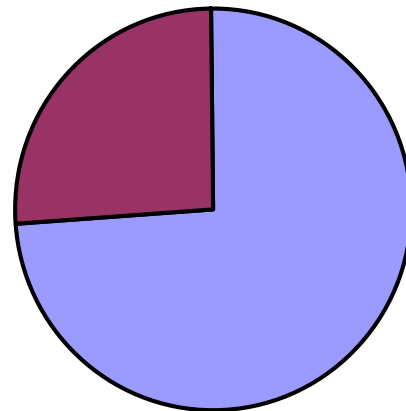
Major Market Trends

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US Pension Market

Role of Insurance Companies

Share of plans Top 10 Full Service Providers



■ Insurance Companies

■ Mutual Fund or other companies

US Pension Market

Role of Insurance Companies

Insurance companies* are the primary investment provider to ¹ :

- 30% of micro/small market (5-249 employees)
- 19% of mid market (250-999)
- 17% of large/mega market (1,000+)

•Defined as insurance and financial planning companies. Financial Planning companies not broker out separately.

•Source: 1 Spark Marketplace Update 2004

Role of Insurance Companies in the Canadian Pension Marketplace Overview

- Two major plan types
 - Defined Benefit
 - Defined Contribution (industry growth and focus is here)
- Distribution sources
 - Consultant (fee for service) primarily larger cases (\$20million Assets and up)
 - Brokerage (commission based) primarily mid and smaller cases
- Competitors
 - Insurance Companies
 - Banks (Trusts)
 - Fund Managers

Role of Insurance Companies in the Canadian Pension Marketplace

Size of DC Compared to DB

	DC	DB
Size of market	63 billion*	725 billion†

Sources:

* Benefits Canada, June 30, 2004

† Fraser Group 2003 Pension Universe Report

The overall market has been moving (slowly) from DB to DC over the past 10 years – moving the investment risk from sponsors to members.

Role of Insurance Companies in the Canadian Pension Marketplace

The DC Market

	DC
Size of market	63 billion
Insurance companies' share	79%
Banks, trusts and bank owned brokerages' share	15%
Fund managers' share	3%
Other	3%

Role of distribution:

- Brokers and consultants are involved primarily during the sales process

Source:

Benefits Canada, June 30, 2004

Note, the share percentages are based on the relative share of the top ten DC pension providers

Role of Insurance Companies in the Canadian Pension Marketplace

The DB Market

	DB
Size of market	725 billion [†]
Insurance companies' share	1% [†]

The DB market results cannot be broken up as simply as the DC market. Typically a plan will have a trustee, record keeper, consultant and multiple money managers. Quantifying the share each channel has of the whole business is difficult to do, however it is safe to say that insurance companies have little involvement in the DB market – for the most part managing investments only using their multi-manager platform for smaller asset plans.

Insurance companies were very involved in DB Plan actuarial consulting in the past but now there is only one insurance company doing this ... the balance is done by independent consultants.

Source:

[†] Fraser Group 2003 Pension Universe Report

U.K. Pension Market

Major problems in 1980's and 90's

- Late-80's Government deregulated and encouraged people to leave their employer plans
- Some insurance intermediaries persuaded some customers to make poor decisions
- Became a huge scandal ending a decade later
- Life insurance companies and IFAs had to compensate customers a lot of money

Source: 1 2005 Spark Marketplace Update

2 Cerulli Quantitative Update 2004

UK Pension Market

Current Changes – April 2005

- Rapidly moving to DC for all but ‘grandfathered’ employees
- Limit pension savings on favorable tax basis to £1.5 million some can be taken as a lump sum
- After age 75 a lifetime annuity must be purchased. Before then can take flexible withdrawal
- Assets can include residential property

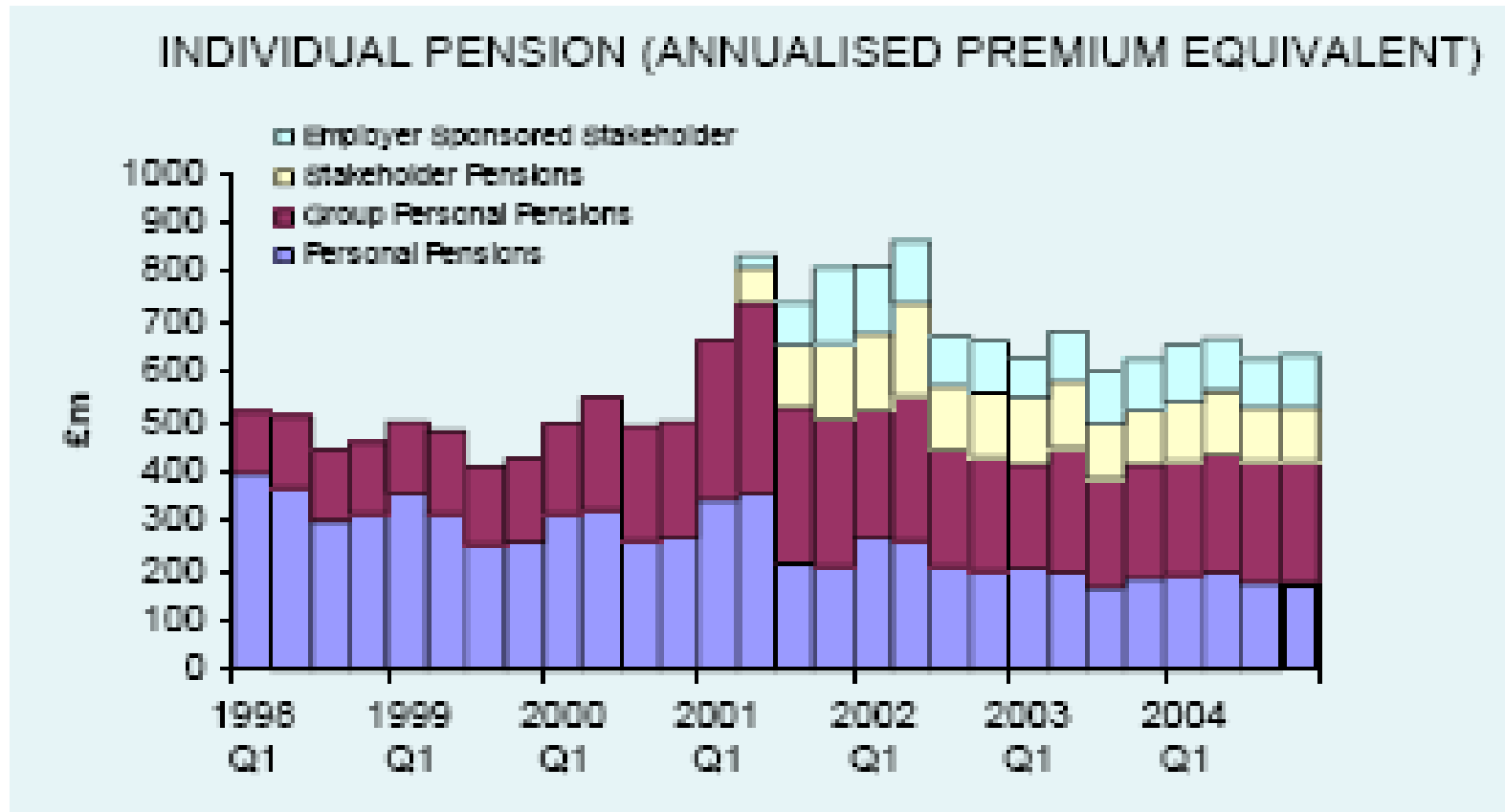
UK Pension Market

Role of Insurance Companies

- Individual pension plans (£335b with life companies*)
- Pooled superannuation schemes (£195b with life companies)
- Fixed annuities (sales of £7.2b in 2002 increasing to \$18.1b by 2012*)
- Ancillary benefits – death, accident, medical etc,

* Association of British Insurers March 2005

UK Pension Market Role of Insurance Companies



Source: Association of British Insurers March 2005

Australian Pension Market

Role of Insurance Companies

- Administration and investment on behalf of trustees for industry and employer plans
- Personal pension plans and Master Trusts
- Member investment choice
- Fixed annuity market growing because of tax incentives
- Allocated pension market significant
- Consolidating rollovers from previous plans
- Ancillary benefits – death, accident, medical etc,

Overall Trends

- Defined benefit to defined contribution
- Member investment choice
- Growth in annuities
- Life companies playing a lead role especially for Small-Medium Employers
- Ageing population making retirement provision a key regulatory focus

Taiwan?

- Life companies should be allowed to focus on SMEs as they have resources, distribution and contacts –Taiwan pension law is upside down
- Providing fixed and flexible annuity contracts to create annual income
- Providing death, accident and medical benefits
- Personal pensions
- Consolidation of pension benefits as employees change jobs

Taiwan?

- Providing administration and investment expertise to employer sponsored plans
- Creating ‘lifestyle’ funds designed to offer members investment choice within a safe framework and consistent with their risk profile