 Download This Paper (Delivery.cfm/SSRN_ID2078114_code355761.pdf?abstractid=2078114&mirid=1)

Open PDF in Browser (Delivery.cfm/SSRN_ID2078114_code355761.pdf?abstractid=2078114&mirid=1&type=2)

 Add Paper to My Library

Share:    

Participating Payout Life Annuities: Lessons from Germany

Pension Research Council WP No. 2012-03

34 Pages

Posted: 5 Jun 2012

Last revised: 5 Apr 2013

Raimond Maurer (https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=98155)

Goethe University Frankfurt - Finance Department

Ralph Rogalla (https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=495532)

Goethe University Frankfurt - Department of Finance; St. John's University - Tobin College of Business - School of Risk Management, Insurance, and Actuarial Science

Ivonne Siegelin (https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=1852895)

Goethe University Frankfurt


Date Written: May 1, 2012

Abstract

This paper analyzes the regulatory framework of German immediate participating payout life annuities (PLAs), which offer guaranteed minimum benefits as well as participation in insurers' surpluses. Our particular focus lies on the mechanics of sharing surpluses between shareholders and policyholders. We show that the process of surplus determination, allocation, and distribution mostly follows transparent and clear rules, and that an insurance company's management has limited leeway with respect to discretionary decision making. Subsequently, we develop an Asset Liability Model for a German life insurer that offers PLAs. Based on this model, we run Monte Carlo simulations to evaluate benefit variability and insurer stability under stochastic mortality and capital market developments. Our results suggest that through PLAs guaranteed benefits can be provided with high credibility, while, at the same time, annuitants receive attractive Money's Worth Ratios. Moreover, we show that it might be difficult to offer a fixed benefit annuity providing the same lifetime utility as a PLA for the same premium and a comparably low insolvency risk. Overall, participating life annuity schemes may be an efficient way to deal with risk factors that are highly unpredictable and difficult to hedge over the long run, such as systematic mortality and investment risks.

[Suggested Citation](#) >

[Show Contact Information](#) >

 Download This Paper (Delivery.cfm/SSRN_ID2078114_code355761.pdf?abstractid=2078114&mirid=1)

Open PDF in Browser (Delivery.cfm/SSRN_ID2078114_code355761.pdf?abstractid=2078114&mirid=1&type=2)

0 References

0 Citations

Do you have a job opening that you would like to promote on SSRN?

Place Job Opening (<https://www.ssrn.com/index.cfm/en/Announcements-Jobs/>)

Paper statistics are necessary to make our site work. We may also use additional cookies to analyze, improve, and personalize our content and your digital experience. For more information, see our [Cookie Policy](#)

(<https://www.elsevier.com/legal/cookiepolicy>)

DOWNLOADS

215

[Cookie Settings](#)

Accept all cookies

8 Citations

PlumX Metrics



(https://plu.mx/ssrn/a/?ssrn_id=2078214)

Related eJournals

European Finance eJournal (https://papers.ssrn.com/sol3/ELJOUR_Results.cfm?form_name=journalBrowse&journal_id=1504411)

Follow



Household Finance eJournal (https://papers.ssrn.com/sol3/ELJOUR_Results.cfm?form_name=journalBrowse&journal_id=1552954)

Follow



[View more >](#)

Recommended Papers

New Evidence on the Money's Worth of Individual Annuities (https://papers.ssrn.com/sol3/papers.cfm?abstract_id=226413&rec=1&srcabs=2078114&pos=1)

By Olivia S. Mitchell (https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=41556), James M. Poterba (https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=21561), ...

The Cost of Annuities: Implications for Saving Behavior and Bequests (https://papers.ssrn.com/sol3/papers.cfm?abstract_id=338763&rec=1&srcabs=2078114&pos=2)

By Benjamin M. Friedman (https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=20255) and Mark J. Warshawsky (https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=148491)

Annuities and Individual Welfare (https://papers.ssrn.com/sol3/papers.cfm?abstract_id=405621&rec=1&srcabs=2078114&pos=3)

By Thomas Davidoff (https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=85794), Jeffrey R. Brown (https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=155077), ...

[View more >](#)

Feedback

[Submit a Paper >](https://hq.ssrn.com/submission.cfm) (<https://hq.ssrn.com/submission.cfm>)

SSRN Quick Links

SSRN Rankings

About SSRN

(<https://www.facebook.com/SSRNcommunity/>)

([https://www.linkedin.com/company/493409?](https://www.linkedin.com/company/493409?trk=tyah&trkInfo=clickedVertical%3Acompany%2CentityType%3AentityHistoryName%2CclickedEntityId%3Acompany_493409%2Cidx%3A0)

[trk=tyah&trkInfo=clickedVertical%3Acompany%2CentityType%3AentityHistoryName%2CclickedEntityId%3Acompany_493409%2Cidx%3A0](https://www.linkedin.com/company/493409?trk=tyah&trkInfo=clickedVertical%3Acompany%2CentityType%3AentityHistoryName%2CclickedEntityId%3Acompany_493409%2Cidx%3A0)

(<https://twitter.com/SSRN>)

We use cookies that are necessary to make our site work. We may also use additional cookies to analyze, improve, and personalize our content and your digital experience. For more information, see our [Cookie Policy](#) (<https://www.elsevier.com/legal/cookie-policy>)

<https://www.elsevier.com/legal/cookie-policy>) Terms and Conditions (<https://www.ssrn.com/index.cfm/en/terms-of-use/>) Privacy Policy (<https://www.elsevier.com/legal/privacy-policy>)

[Cookie Settings](#)

[Accept all cookies](#)

similar technologies. For all open access content, the relevant licensing terms apply.

We use cookies to help provide and enhance our service and tailor content.



To learn more, visit [Cookie Settings](#).

(<http://www.relx.com/>)

(<https://papers.ssrn.com/sol3/updateInformationLog.cfm?process=true>)

We use cookies that are necessary to make our site work. We may also use additional cookies to analyze, improve, and personalize our content and your digital experience. For more information, see our [Cookie Policy](https://www.elsevier.com/legal/cookiepolicy) (<https://www.elsevier.com/legal/cookiepolicy>)

[Cookie Settings](#)

Accept all cookies