Manulife Financial

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Monday, October 7, 2013

Stuart Wason
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Office of the Superintendent of Financial Institutions
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Dear Stuart,

Subject: Longevity Risk Transfer – Market and Regulatory Developments

Manulife is pleased to provide comments on the Joint Forum paper *"Longevity Risk Transfer Markets: Market Structure, Growth Drivers and Impediments and Potential Risks"* and the issue of longevity risk as discussed in Mark Zelmer's Memorandum dated August 29, 2013.

For all Canadians, the safety of their retirement income is of highest consideration. It is critical that regulations and the retirement industry ensure that our retired population can count on the strength of our system, whether it is through pension plans or financial institutions. The Canadian life insurance industry has a long standing history of trust with Canadians and is considered a well regulated sector with robust and safe retirement products. In addition, the ability and expertise of our industry is well positioned to manage longevity risks. The life insurance industry should remain the partner of choice when it comes to longevity risk transfers and allow Canadians to look forward with confidence.

While we are supportive of many of the recommendations in the Joint Forum paper, we want to emphasize the importance of ensuring that Canadians can trust their retirement income is protected and that contracts that transfer longevity risk, should be considered life insurance contracts and regulated as such. This will provide Canadians with a consistent level of security for their retirement income.

While Longevity Risk Transfer markets are not currently large enough to present immediate systemic concerns, we agree that there is potential for significant growth in the future particularly given the increases in life expectancy. Addressing potential risks associated with these markets at this stage is a prudent and responsible approach to ensure Canadians can continue to depend on a strong financial infrastructure for their retirement.

Longevity transfers can create significant risk to governments especially if there are pension benefit guarantee funds such as in Ontario. If a company purchasing longevity risk fails this could potentially create significant problems for a large number of retirees with calls for the government to step in to provide assistance.

We agree that supervisors should maintain open communication and cooperation on an international level to ensure the safety of these markets globally. The recommendations in the Joint Forum paper are a good starting point. We believe that the high standards the insurance industry should serve as a basis for all market participants. For example, recommendation five states "Policymakers should consider ensuring that institutions taking on longevity risk, including pension fund sponsors, are able to withstand unexpected, as well as expected, increases in life expectancy." This will ensure sustainability and confidence of Canadians in our retirement system.

We appreciate the opportunity to present you with our feedback and would welcome future discussions to explore this further.

Yours very truly,

Rahim Hirji

Executive Vice President & Chief Risk Officer

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