

# Munich Re Cup

## Annual Case Competition 2025

Case Topic  
Longevity





## Table of Contents

Munich Re Cup 2025 – Longevity.....	2
Pension Risk Transfer in the US.....	2
Company Overview.....	2
Background and Existing Portfolio.....	2
The Path Forward.....	3
Capital Position .....	3
Executive Request.....	4
Executive Summary Parameters.....	4
Case Competition Parameters.....	5



# Munich Re Cup 2025 – Longevity

How can True Promise Life tap into the growing **pension risk transfer** market while optimizing capital allocation and business mix?

## Pension Risk Transfer in the US

Pension risk transfer (PRT) is a strategy used by companies or pension plan sponsors to reduce the financial risks and liabilities associated with their pension plans. This is typically done by transferring some or all of the pension obligations to an insurance company or other third-party financial institution. By doing so, the company can offload the responsibility of paying pensions to retirees and shift the risk of investment returns, longevity (the risk that retirees live longer than expected), and other risks to the insurer.

Over the past decade, PRT has been a rapidly growing market in the United States, with transactions experiencing significant growth both in terms of number and size of deals. In 2023, there were 773 transactions totaling \$45 billion in premiums.<sup>1</sup>

## Company Overview

### Background and Existing Portfolio

True Promise Life (TPL) is a medium-sized life insurance company headquartered in New York City and founded in 1907. They currently offer a suite of individual life and annuity products, with the majority of their sales coming from traditional Whole Life, Universal Life, and Term Life, which are primarily sold through life agents. Annuity products were launched in 2018 and are also distributed through life agents. Although TPL offers fixed and variable annuities, the sale of annuities through life agents has been challenging in an environment where there are other competing investment products. As a result, there has been no focus on annuities sales, and alternative distribution strategies have not yet been explored.

Their insurance products use both traditional full underwriting and fluidless accelerated underwriting. Their fluidless underwriting was introduced in 2022, and was considered late to the market compared to competitors. As a result, TPL has been plagued by little to

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<sup>1</sup> Source: <https://www.aon.com/insights/reports/2024/us-pension-risk-transfer-market-insights>



no differentiation, high costs, and lackluster sales in recent years compared to competitors. Despite losing the first-to-market advantage of fluidless underwriting, TPL's strongest segment is its fully underwritten business where it has been able to maintain its position.

In an effort to understand the extent of issues they face, TPL recently obtained marketing survey results and found that 79% of their policyholders describe them as a "Trusted Insurer", which compares favorably to the US market average.

### The Path Forward

In an effort to diversify and grow their portfolio further, TPL CEO Taylor Smith has been toying with the idea of entering the pension risk transfer market to take advantage of the growing space. The board of directors has some concerns about this plan since TPL has minimal expertise with this type of business and risk. Consequently, they are unsure of how best to penetrate this market and establish themselves. One way TPL is considering addressing the lack of expertise is by hiring a "Head of Longevity Pricing". They don't currently have any employees who could fill this role, so would need to hire externally which can take upwards of 6 months.

### Capital Position

TPL is targeting a 400% risk-based capital (RBC) ratio in order to maintain a favorable rating. For background, the RBC ratio is defined as available capital (or surplus) divided by statutory minimum required capital. Their current RBC ratio is 425%. Below is a summary of TPL's capital position as of 9/30/2024.

Component	Value
Available Capital	\$3.4 million
Required Capital	\$ 1.1 million
RBC Ratio	425%

TPL credit rating as per Moody's is A1, which was maintained in the last annual report. The company's aim is to ensure that they can maintain this rating and stay off of Moody's downgrade "watchlist". Other financials for TPL can be found in the accompanying Excel file for the case, including simplified cash flows and their balance sheet.



## Executive Request

You are on a team of consultants hired by CEO Taylor Smith to help True Promise Life assess their business and develop a go-to market strategy to enter the PRT market and gain market share. Develop a presentation to TPL senior management that achieves this purpose with a focus on the following key tasks and questions:

1. Demonstrate an understanding of the pension risk transfer market, including different types of PRT, and its risks. How could entering the PRT market benefit TPL?
2. What are the key assumptions required to price a PRT deal and how does each affect competitiveness? What are some other considerations when transacting on a PRT deal? What are the challenges TPL can expect to encounter when quoting on PRT transactions?
3. Propose an end-to-end strategy to direct TPL management to enter the PRT market and further improve company profitability.

Your consulting company has expertise in PRT and has access to a database of longevity mortality experience from a prior PRT related engagement. A sample of anonymized longevity mortality data is available for use (see Excel file provided) in understanding the key variables for this type of risk.

## Executive Summary Parameters

Please submit an Executive Summary report to the CEO of True Promise Life with your inputs and insights addressing the tasks of the Executive Request before midnight on January 30, 2025. Your report should be a maximum length of two pages (11 point font), including appendices, if any, and be an appropriate level of conciseness to deliver the key ideas. Your report must be submitted in a PDF format to the following e-mail address: [KSingh2@munichre.ca](mailto:KSingh2@munichre.ca).

All Executive Summary report submissions will be evaluated and six finalist teams will be selected and notified on February 13, 2025. Note that the Executive Summary report should be a condensed version of the full detailed solution you are planning to present at the final case competition.



## Case Competition Parameters

The case will be provided in two parts to the candidates, where the first part is contained in this document. Candidates are expected to conduct research and prepare a presentation based on the prompt in part one of the case.

The second part of the case will be released live on-site to the candidates during the final case competition, which will be held in Toronto from March 25-26, 2025. The final competition will be attended in-person by the finalist teams, who will each be given 5 hours to prepare any adjustments or added content for their presentation based on the new information released in the second part of the case. Laptops are permitted and wifi will be provided to the teams. Academic Advisors are invited to attend the final competition, where each team will present their case to the judges, but their participation in the on-site preparation will be limited.

For the final presentation, the teams will be expected to present the highlights of their executive report from part one of the case, with added content as a result of part two of the case. Teams are expected to justify their recommendations and defend their stance to the judges during the Q&A session at the end of their presentation.