

# ANNUITY MARKETS

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The Pension Crisis concerns the changing demographic profile of the economy: an increasing number of elderly persons supported by fewer young people. Governments around the world are responding to this impending crisis by shifting their pension policies away from pay-as-you-go systems towards individual savings schemes. These savings need to be converted into a pension at retirement, and annuities provide this function. This book is a comprehensive study of annuity markets. The book starts by outlining the context of public policy towards pensions, and explains the different types of annuities available, focusing on the UK—which has the largest annuity market in the world. It examines how annuities are priced, and describes the techniques of mortality measurement. As a background, it provides a history of annuities, and the experience of annuity markets in a number of other countries. The book outlines the economic theory behind annuities, and explains how annuities insure consumers against longevity risks. It goes on to describe how annuity markets function: how they work, and whether they are efficient, leading onto a discussion of the annuity puzzle. The book concludes by discussing the regulatory framework, assets available to back annuity liabilities, and recent developments in annuity markets.