ACA Sessional Meeting- 9 March 2022

Longevity Reinsurance Topics

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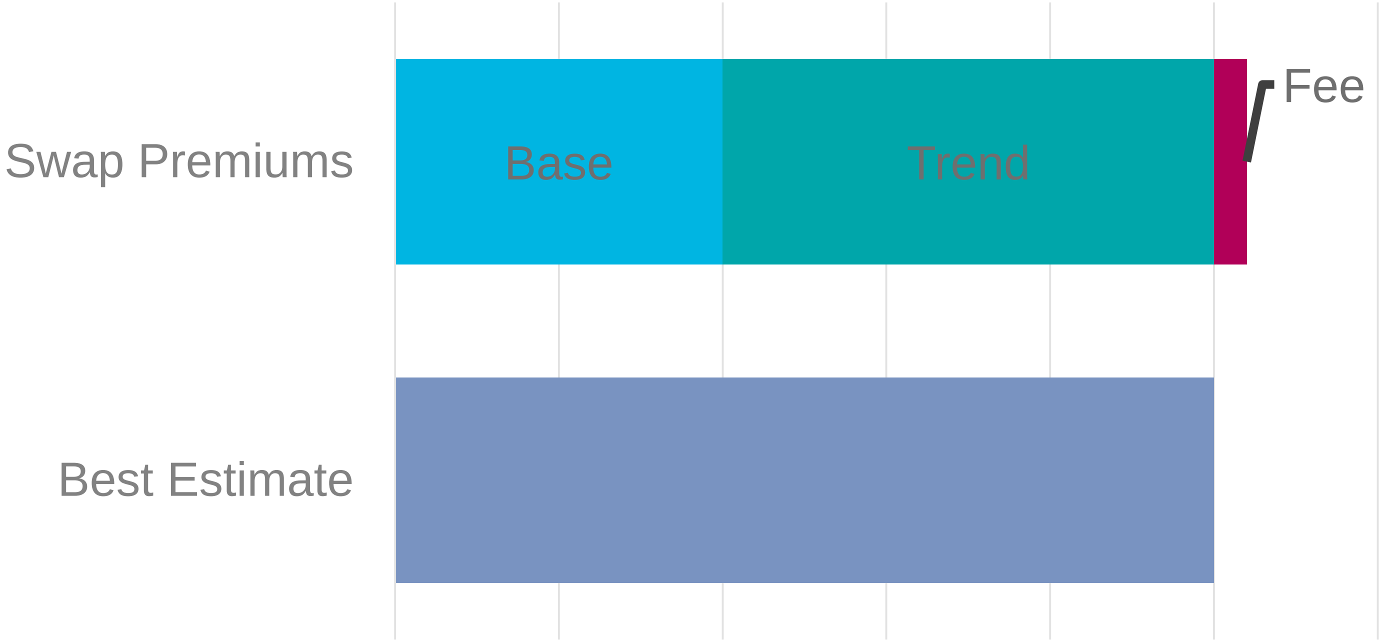
SCOR The Art & Science of Risk | Life

Key topics

- COVID 19 Impact
- Suitability of Longevity Swaps
- Deferred Longevity Swaps

Price of Longevity

Components of longevity pricing

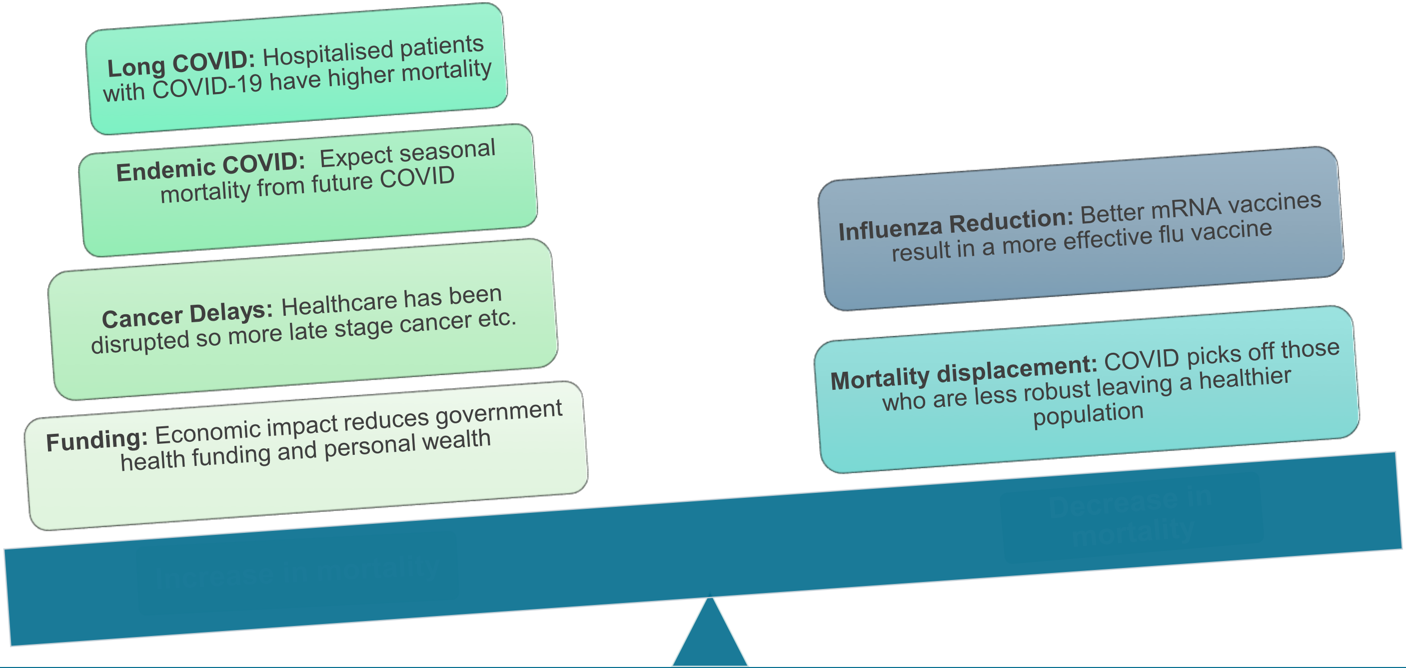


Reinsurance Fee reflects to cost of holding capital so that best estimate is guarantee

Typically 3-5% of PV/ cashflows for pensioner deals

COVID Impact on Longevity?

Factors reducing mortality improvement | Factors increasing mortality improvement



Funding and Endemic COVID are the most material assumptions.

COVID19 Impact- does current pricing reflect this?

Trend: All of these factors are included in pricing using a mix of available data and expert judgement. Overall *reduction* in price compared to pre-pandemic

Base: Experience Data from 2020 (and beyond) just becoming available. We typically use 5-10 years of data but expect a bigger divergence in outcomes between different socio economic groups.

Fee: Increased uncertainty surrounding longevity should feed through into higher fees but we see no evidence of this. New entrants to the market & strong competition continue to reduce pensioner fees.

COVID has already impacted longevity pricing but expect further evolution

Longevity only transactions- does size matter?

Why transact a longevity swap?

- Remove un-rewarded risk
- Optimise investment strategy
- Intermediate step to buy-out

Why are they usually so large?

- Fixed costs of transaction
- Prioritise by size
- Lower demand from smaller schemes.

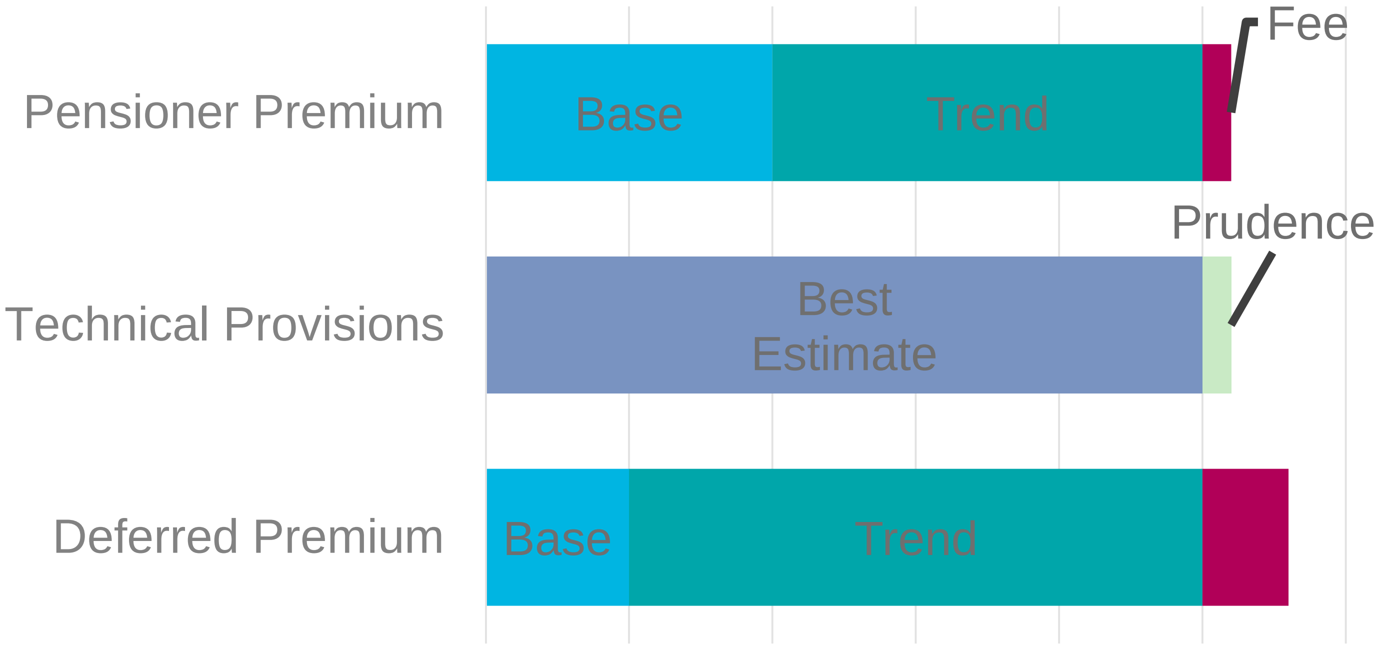
We have transacted with several smaller schemes- process relies on standardised terms

Deferred Swap- why don’t we see more?

- Cost
- Complexity
- Control

Deferred Longevity Swaps: Cost

Components of longevity pricing

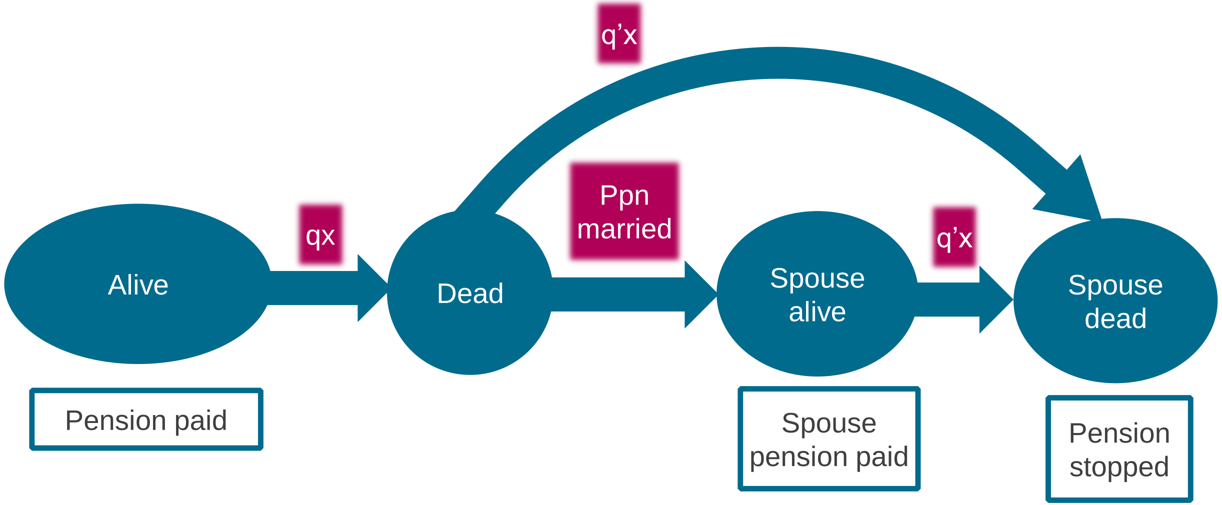


Pensioner only often transacted at minimal cost as prudence in TP's roughly offsets fees

Fees for deferred swaps often double (or more) those for pensioners. Prudence in TP's often not sufficient to offset this cost

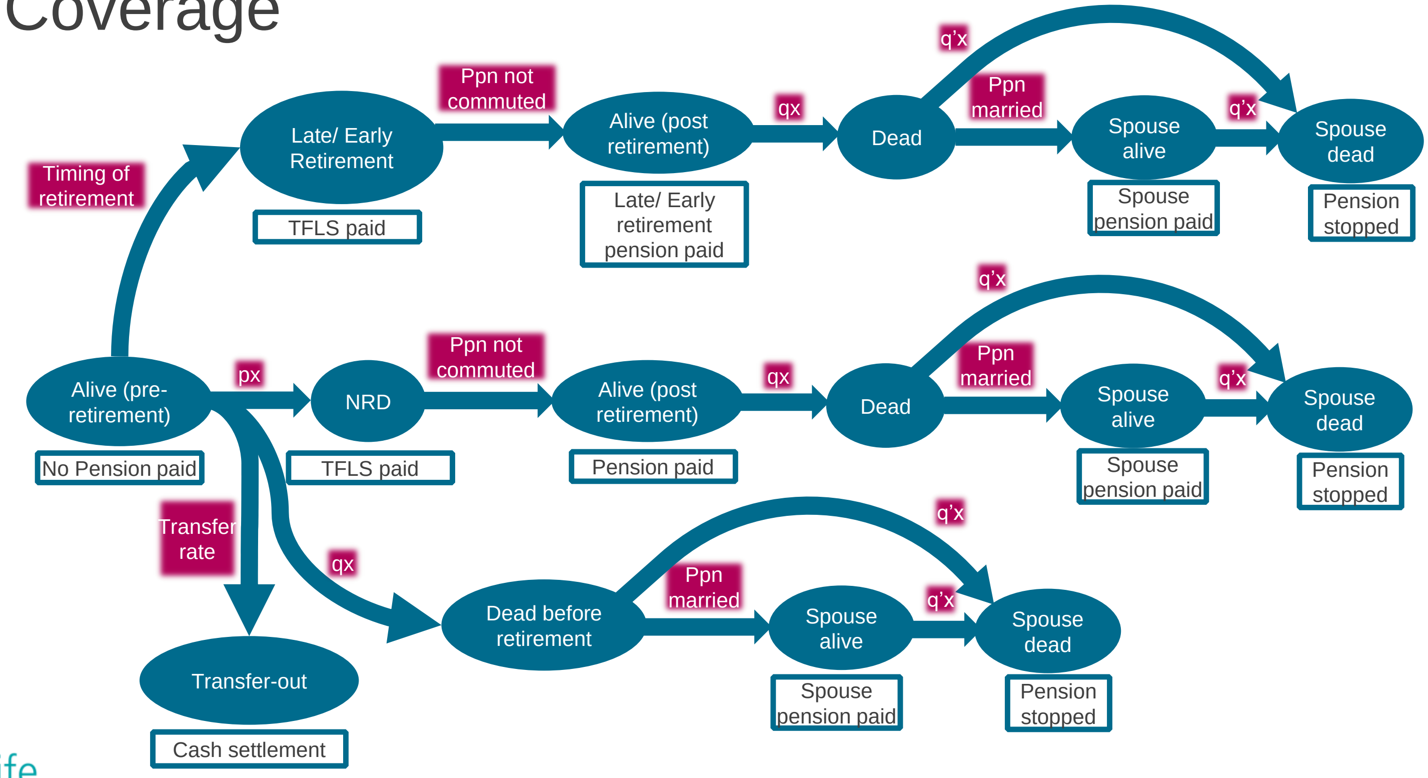
Deferred Swaps: Complexity

Pensioner Coverage



Deferred Swaps: Complexity

Deferred Coverage



Deferred Longevity Swaps: Control

At retirement options

Discretionary Benefits

Early/ Late Retirement Factors

Administration

Buy-out

Commutation Factors

Member Communication

Liability Management Exercises

CETV Factors

Solutions exist to all these issues
BUT
There are trade offs between price, closeness of hedging and control that need to be made