

A pathway to longevity commoditisation

A long and winding road

Douglas Anderson

ELSA, London, 15 May 2019



Club Vita

Proper noun, [kluhb vee-tuh], \ 'kləb vē-tə\



2008



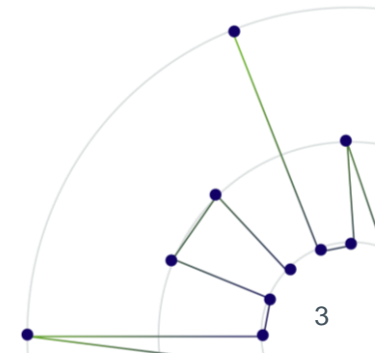
2015



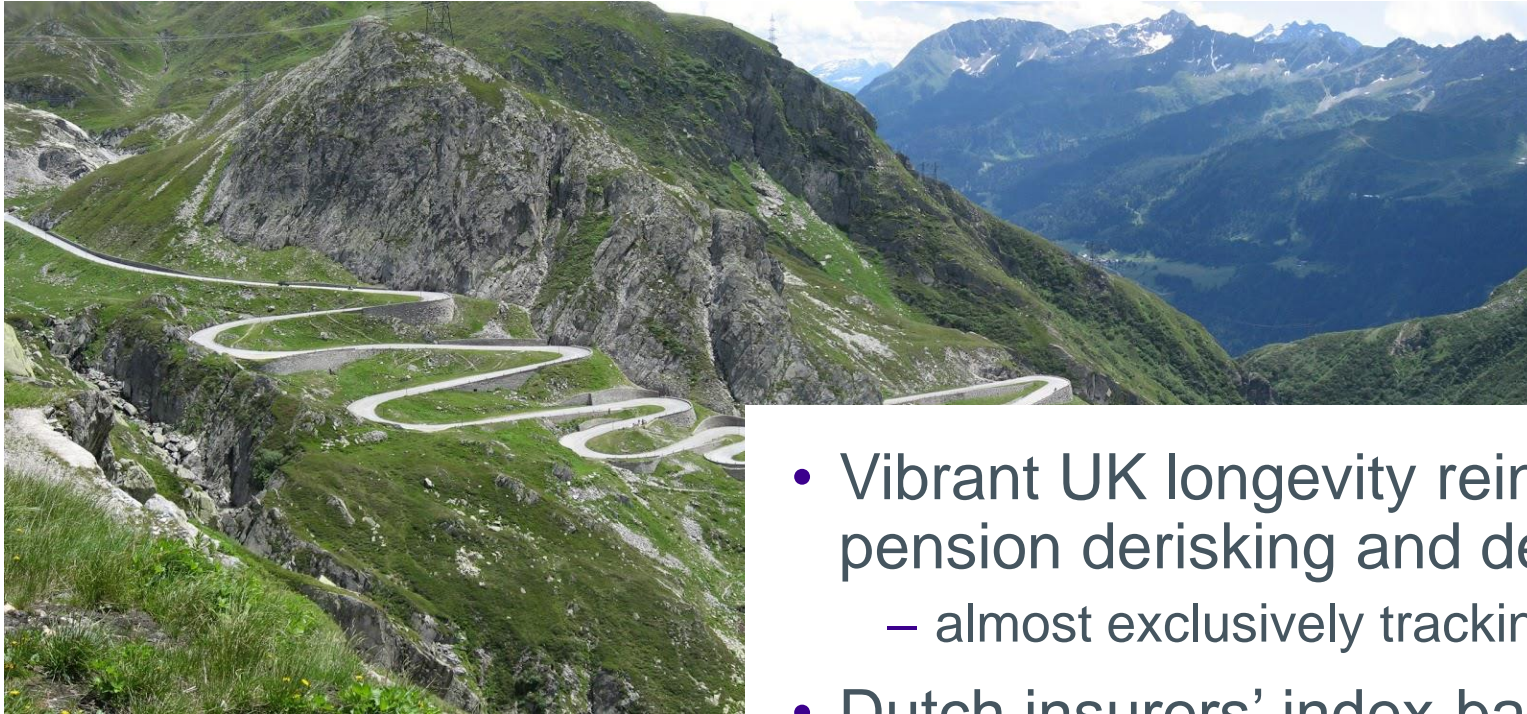
2019

1. Centre of excellence for improving understanding of human longevity.
2. Community of organisations with a shared interest in longevity and belief that the 'bigger' the data, the lower the (statistical) noise.
3. Provider of longevity risk informatics to support pension funds' risk management strategies and enable market innovation.

Club Vita is an independent data utility, supporting pension funds, advisors, insurers & asset managers



How far have we got?



- Vibrant UK longevity reinsurance market, enabling DB pension derisking and decommissioning
 - almost exclusively tracking named portfolios
- Dutch insurers' index-based deals
- First longevity reinsurance deals recently seen in new countries
- Several new risk takers
- Skilled workforce – explosion of longevity actuaries, capable of assisting new market participants

Where are we trying to reach?

- Longevity is deemed to be a hedgeable risk under solvency II
- Reduces EU insurer capital requirements
- But requires “*deep and liquid market*”
- In other words, a transparent market price for longevity risk premium, rather than privately expressed “actuarial sentiment”



Fuel for the journey

1 Stimulate demand

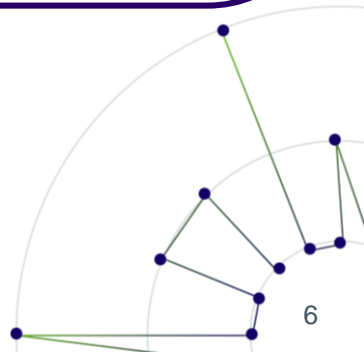
- Identify early adopters, with value-adding applications
- Thought leadership

2 Improve available data

- Creates new applications
- Lower risk premium on existing applications
- Enables risk classification systems to emerge

3 Integrate with technology

- Operational efficiency
- Scaling up for higher frequency, smaller size



1 Stimulate demand

A DB de-risking for deferreds

- aim is to fix the future cost of buy out by LDI+longevity hedge
- mitigate risk of (re)strengthening of longevity
- index-based protection

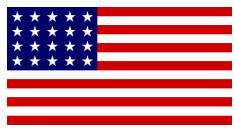
B DC decumulation

- collective DC arrangement or asset managers wanting to offer longevity-protected products
- share the idiosyncratic risk between participants, but need to hedge the trend risk

C Balance sheet management

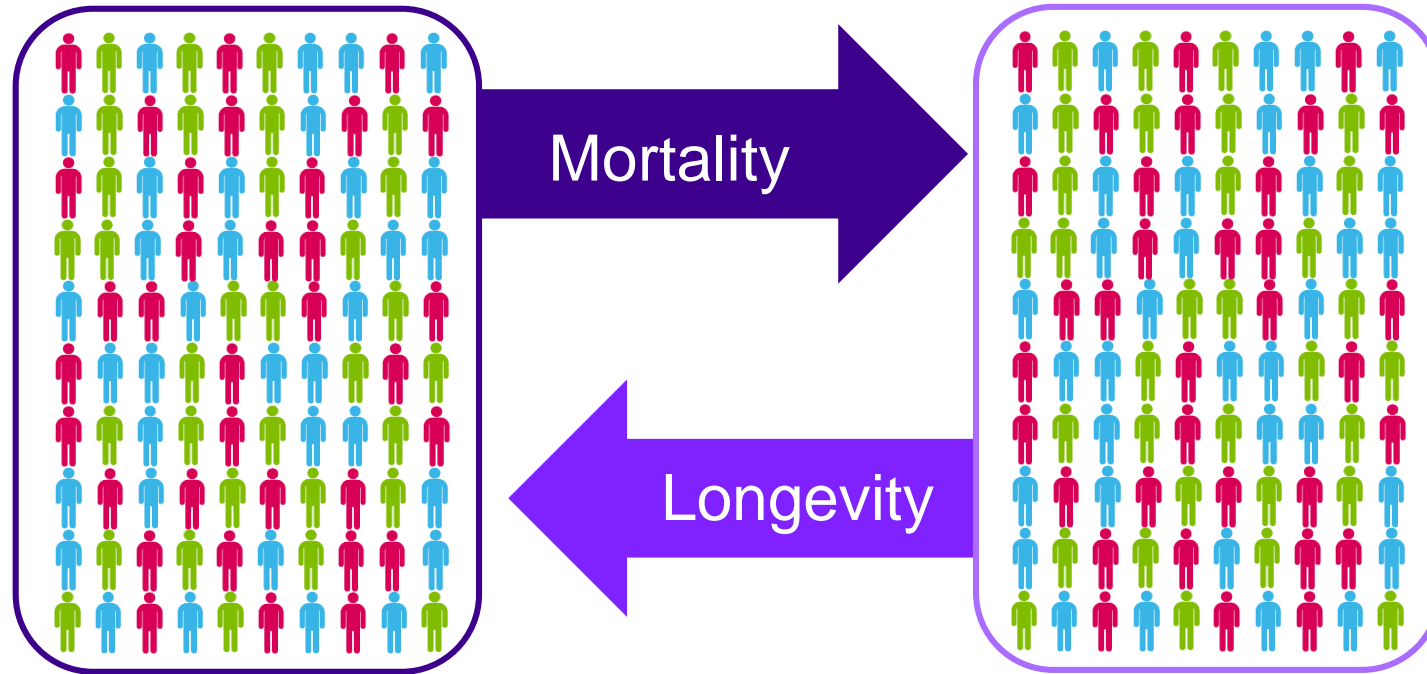
- strengthening the effectiveness of mortality-longevity risk hedging in an increasingly unequal world
- buy targeted index-based protection

1C Improving balance sheet management



Protection
insurers

Company pension
schemes/annuity portfolios



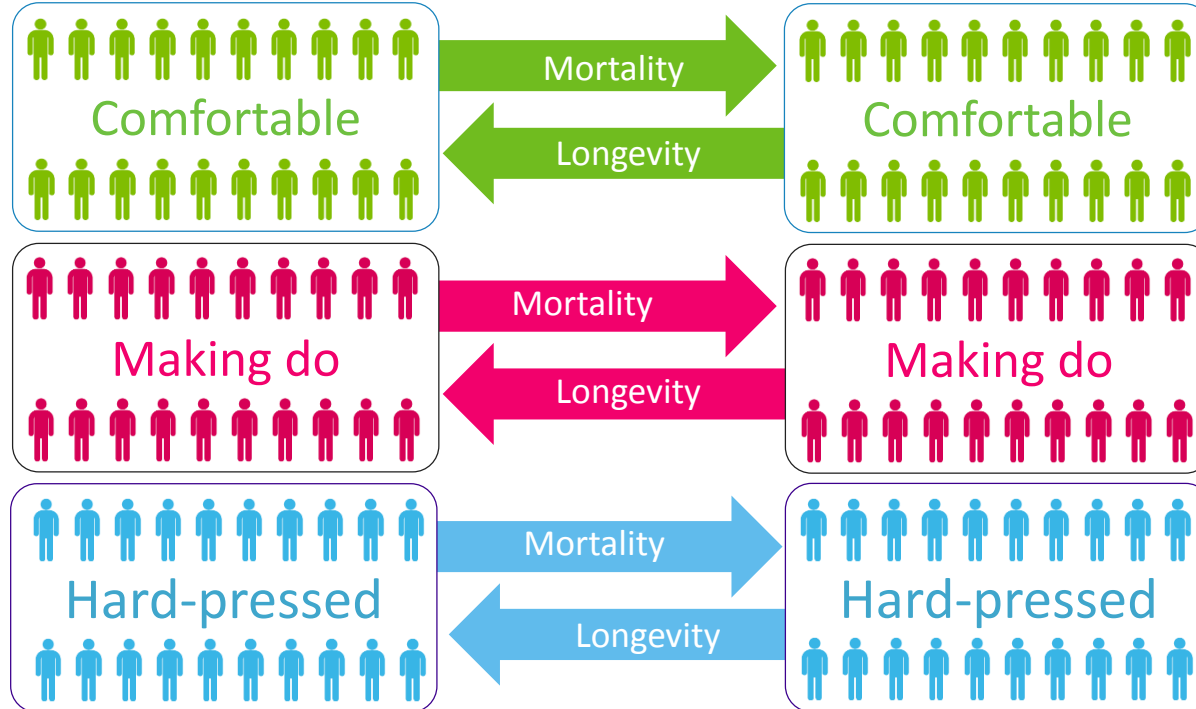
Risk of trend divergence

1C Improving balance sheet management



Protection insurers

Pension funds

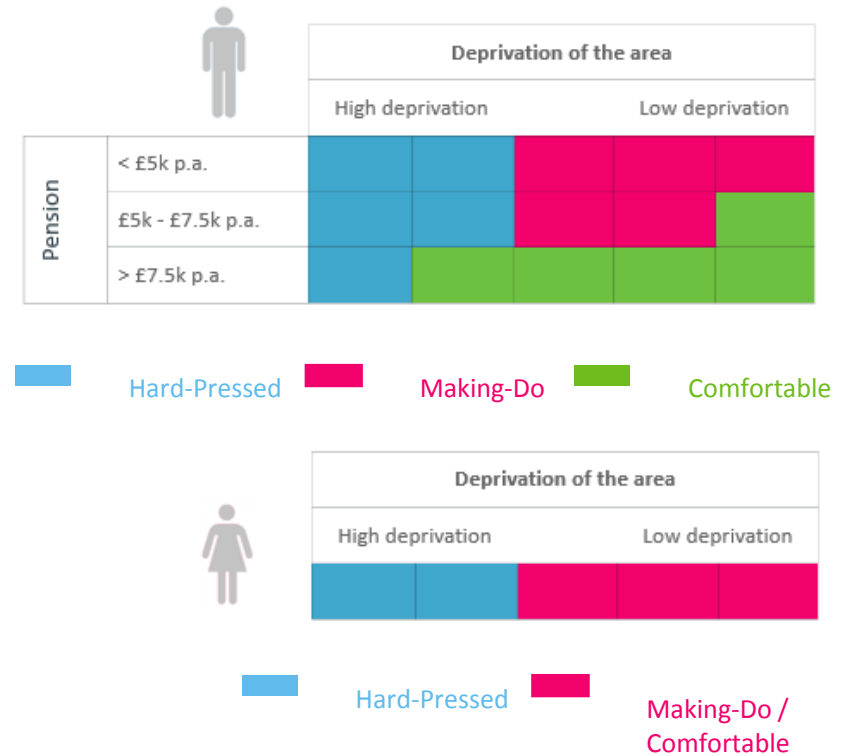


**Better alignment,
More effective hedging**

2 Improving available data

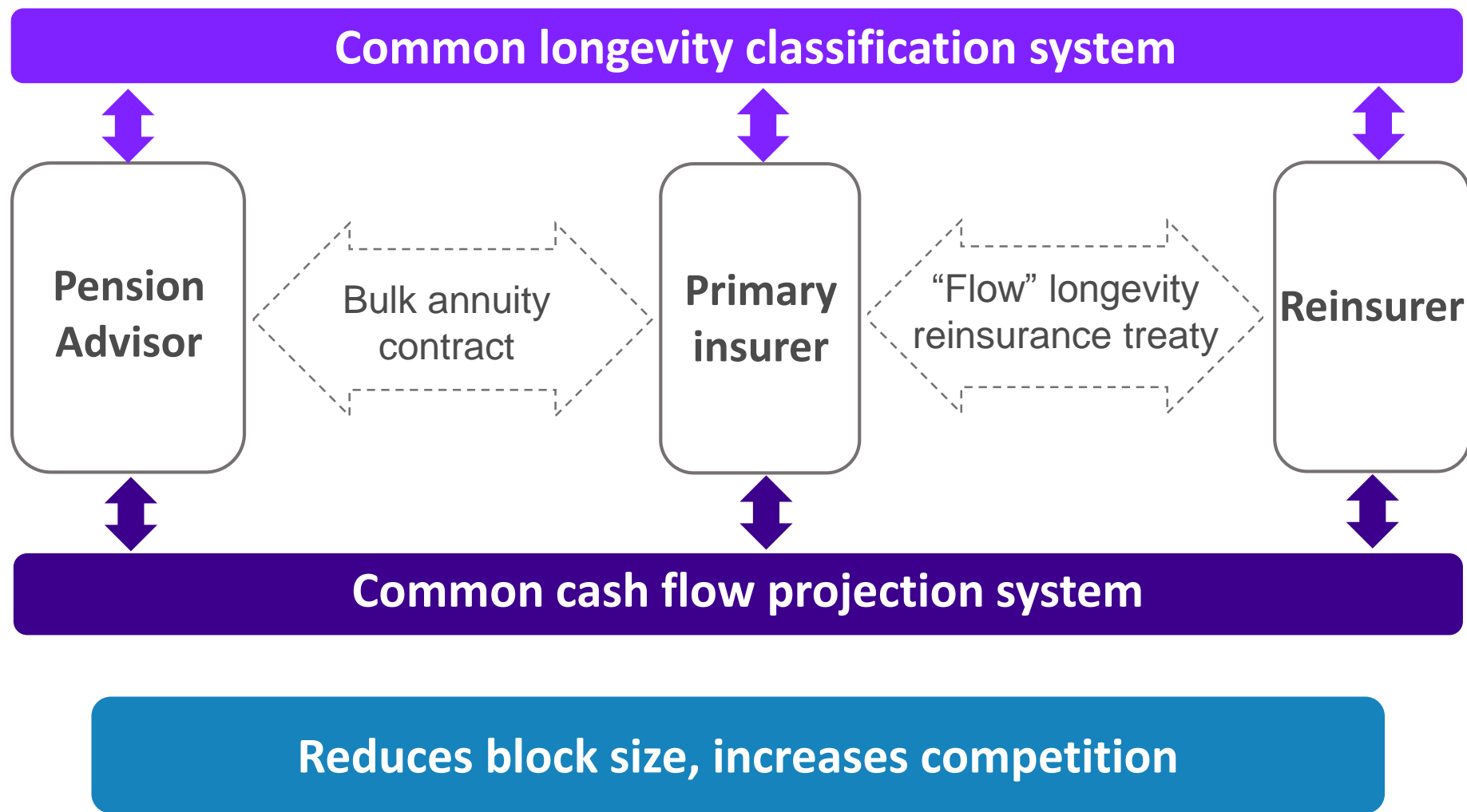
- A. Focus on isolating trend risk
- B. Source relevant proxy for risk being hedged
- C. Update regularly
- D. Consistent classification across countries to enable multi-national hedging
- E. Health underwritten protection business as well as group pension plans to maximize effectiveness of mortality/longevity hedging

VITA SEGMENTS



Adoption of industry classifications
delivers scalability & efficiency

3 Integrate with technology







Lang may yer lums reek

For more information:

www.clubvita.us

douglas.anderson@clubvita.net

+44 7788 376327

Club Vita US LLC

12th Floor, 300 Park Avenue, New York, NY 10022