

An aerial night view of London, showing the city lights and the River Thames. A large, stylized circular graphic, resembling a stylized 'S' or a globe, is overlaid in the center. The graphic is composed of two halves, each reflecting the city scene in a distorted, wavy manner. The background is a dense urban landscape with numerous lit-up buildings and streets.

Schroders

Life ILS: An investment manager's perspective

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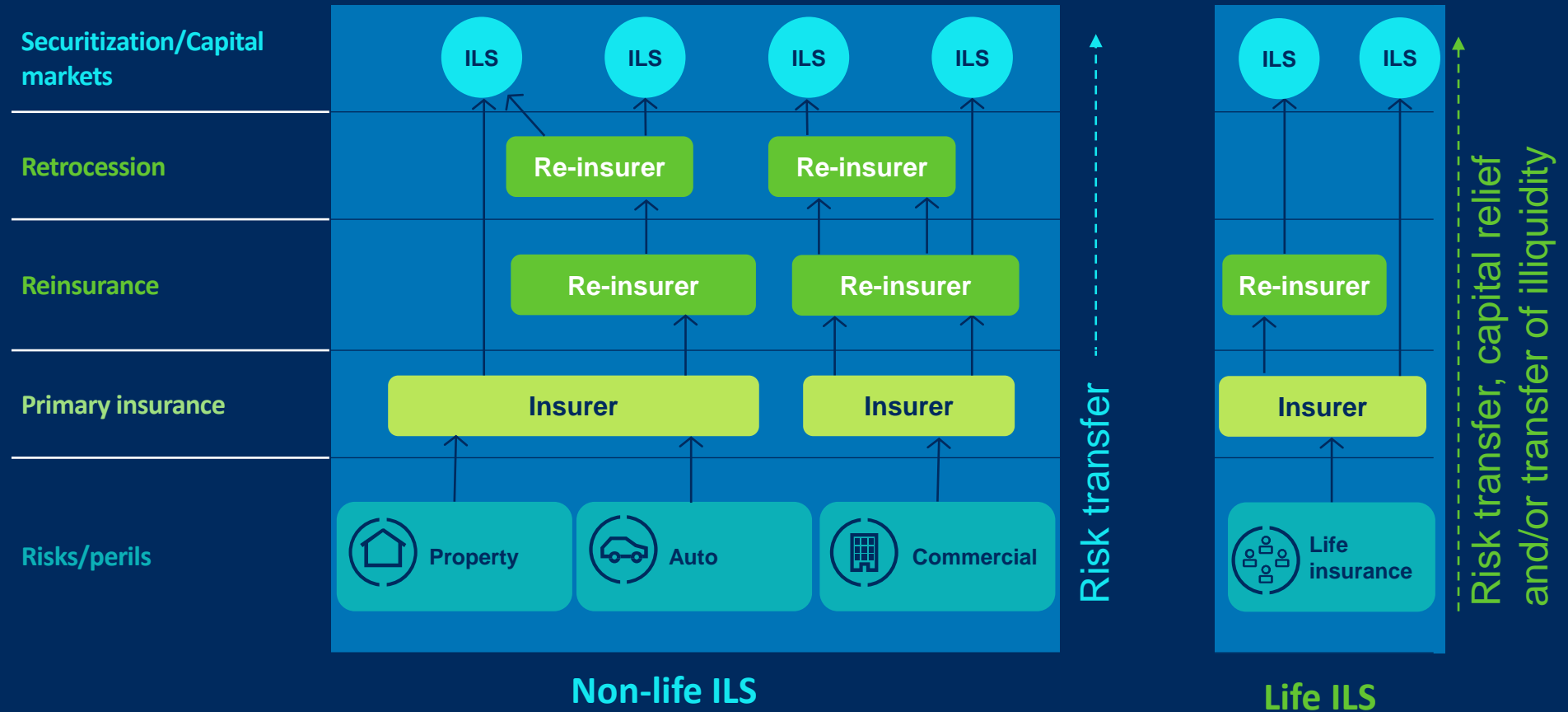
Schroders' involvement in the ILS market

- Global asset manager with responsibility for \$546.7 billion¹ of assets across a broad range of asset classes
- ILS launched in 2007 by Secquaero Advisors, now a member of the Schroders group
- In excess of \$2.9 billion² across a range of ILS strategies
- Life ILS asset base of ca. \$1 billion²
- One of the few institutional ILS offerings

1 As at 31 December 2018.
2 As at 28 February 2019.
Source: Schroders

The role of ILS capital in the insurance industry

Enhancing the efficiency of insurance and reinsurance markets



Source: Schroders. Images: freepic.com and dreamstime.com.

The role of ILS capital in the life insurance industry



**A hybrid form of capital
for the
life (re)insurance industry
providing liquidity, risk
capacity and/or capital
relief**



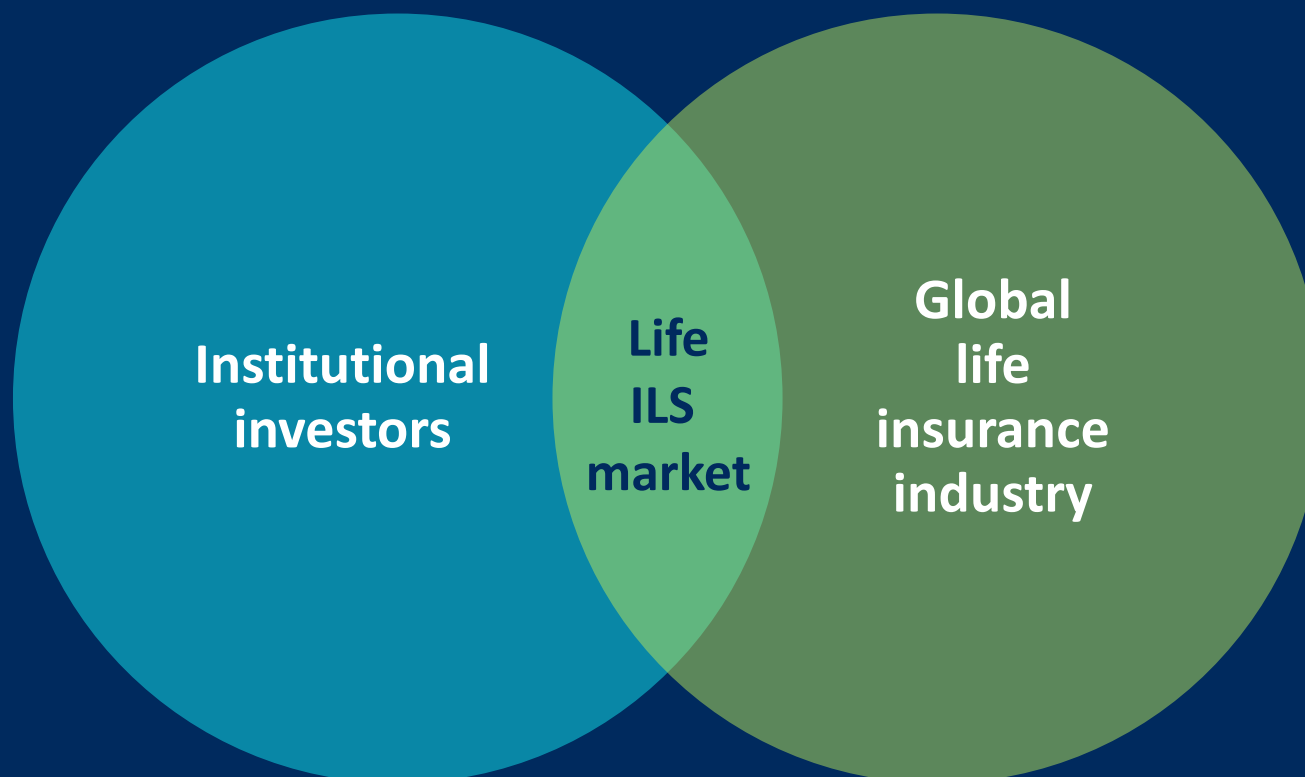
**Natural role to play
alongside reinsurance,
debt and equity markets**



**Typically cheaper than
equity, more expensive
than debt**

Accumulation of life risks

Meeting the needs of both investors and industry



A successful Life ILS investment strategy must consider the appetite/objectives of both investors and the life industry

An aerial night view of a city, likely London, showing a large bridge (Tower Bridge) illuminated with white lights over a river. The city skyline is visible in the background with many lights.

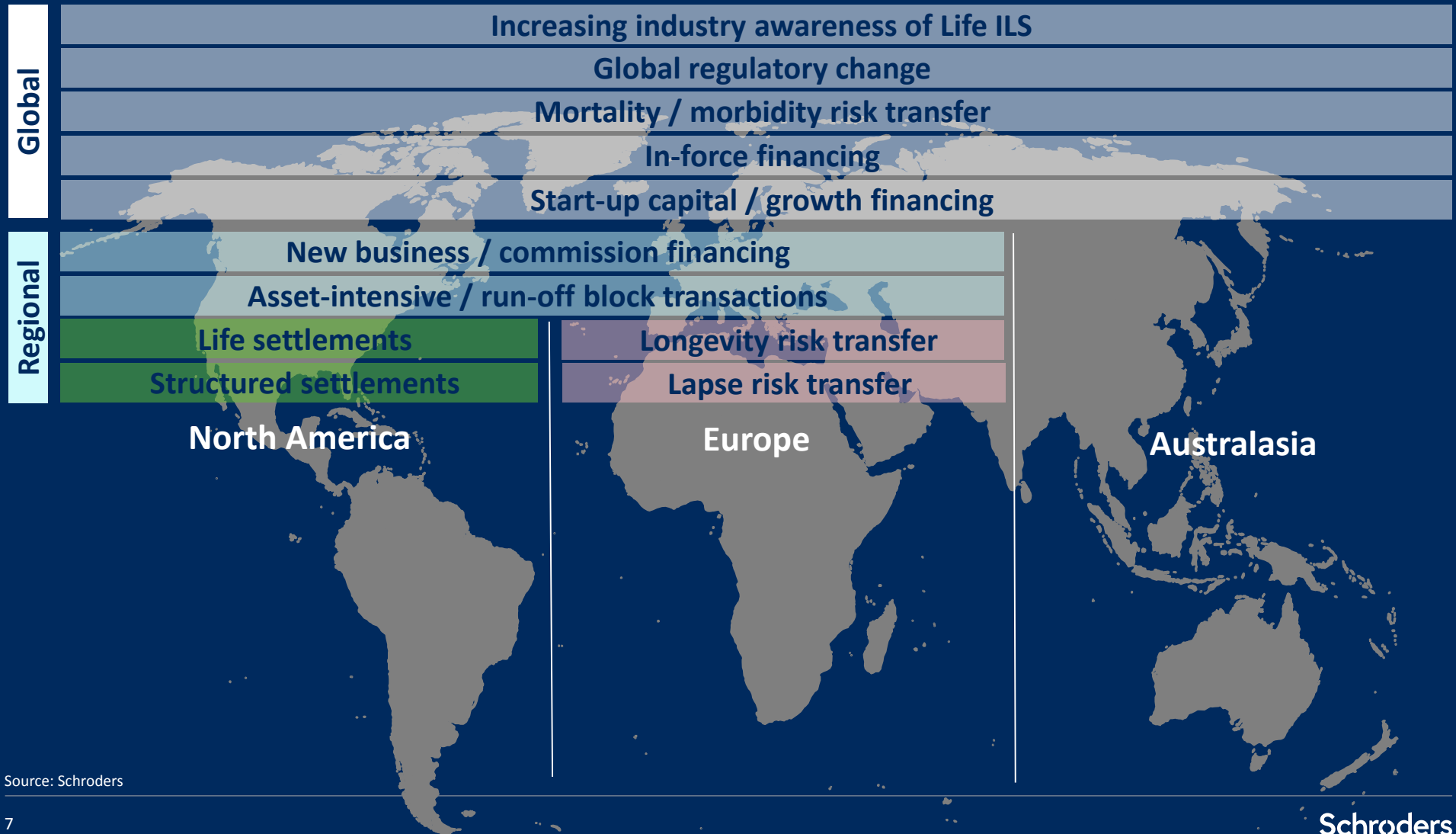
What Schroders' investors seek from Life ILS

- Diversification against traditional assets
- Attractive risk-return profile relative to traditional assets:
 - Appropriate risk premium
 - Appropriate illiquidity premium on long-dated, illiquid transactions
 - Suitable cash flow profile to back long-duration (e.g. pension fund) liabilities
- Alignment of interests with sponsor
- Increasing focus on ESG-, ethical- and impact-related investments

Source: Schroders

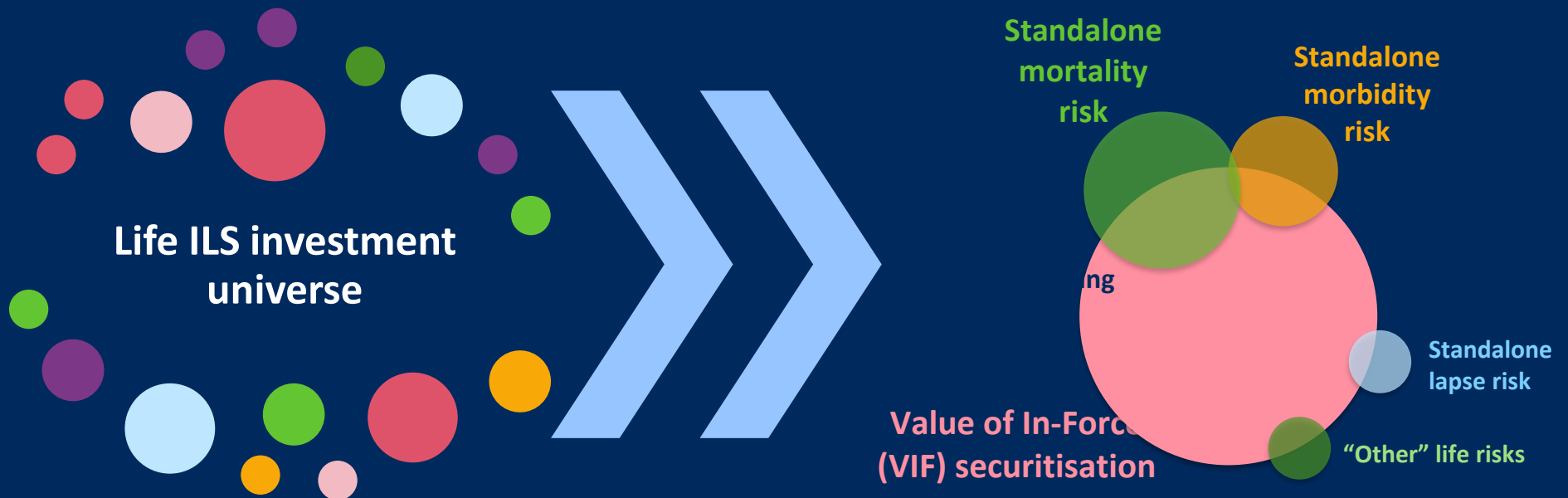
Accumulation of life risks

Key themes driving life transaction activity



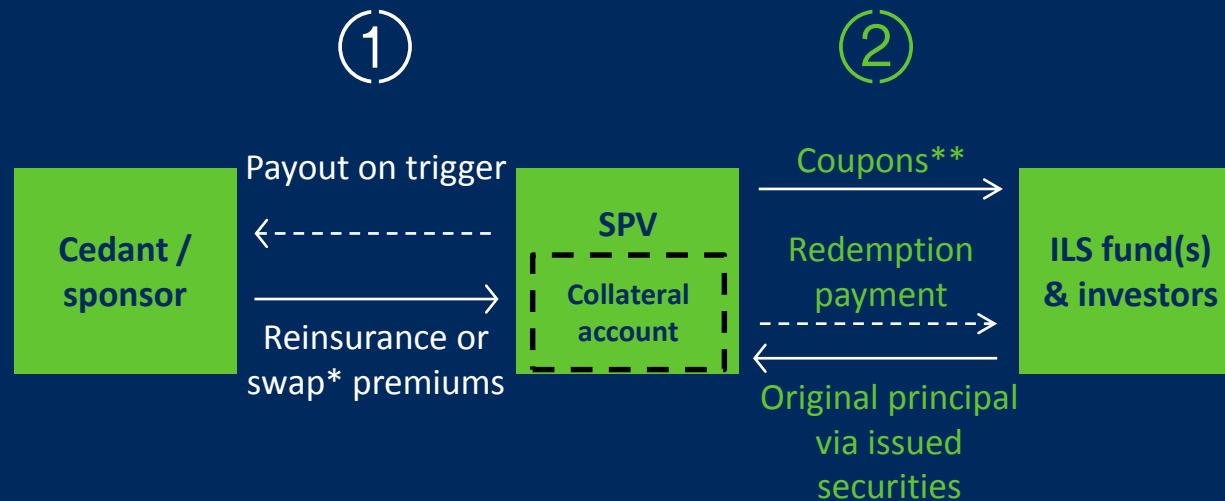
Accumulation of life risks

Schroders' current investment focus for Life ILS



Typical structures: transfer of mortality, morbidity & lapse

Risk transfer through collateralised reinsurance or swap arrangements



1. Reinsurance or swap agreement

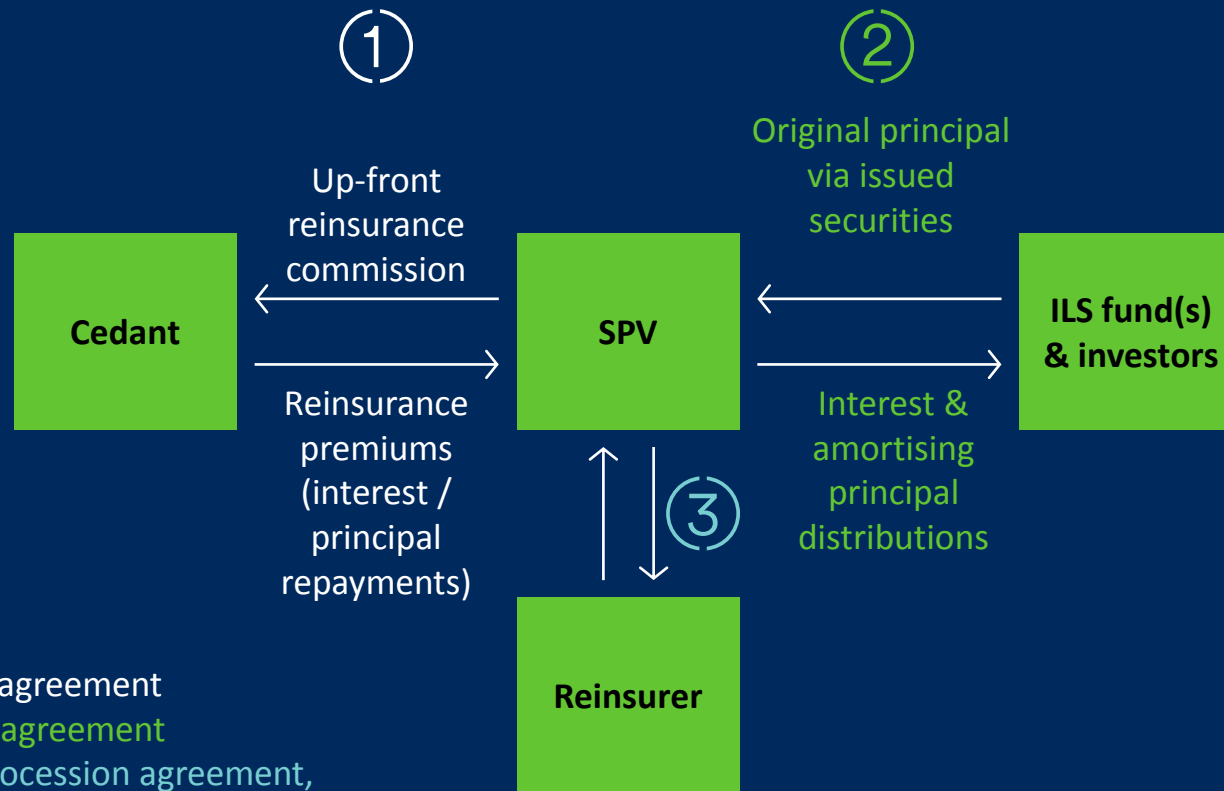
2. Subscription agreement

*Swaps can in certain circumstances be written directly with an ILS fund

**Coupons consist of risk premiums and interest on collateral

Typical structures: VIF securitisation

Typically securitised reinsurance but can take other forms



1. Reinsurance agreement
2. Subscription agreement
3. Optional retrocession agreement, transferring risk benefits

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Thank you



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