



Doing the Deal

Panel discussion on transferring longevity risk

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Investigating Future Mortality: Blending Medical & Actuarial Science for Life & Longevity Risk Management

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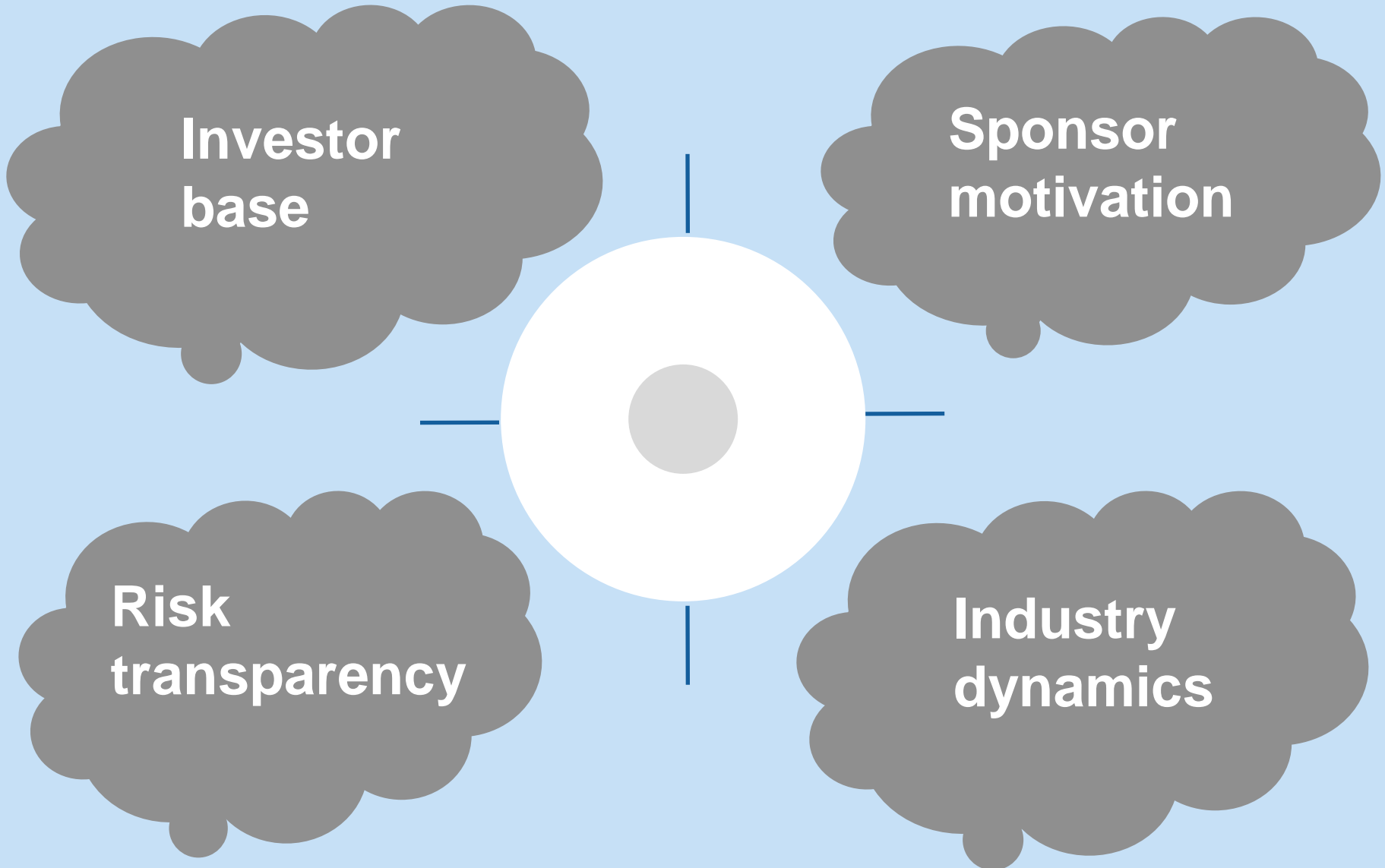
Why Transfer Longevity Risk to the Capital Markets?

Systemic risk should be diversified among investors

Not concentrated in leveraged financial institutions

Not concentrated in pension plans

Today's Issues



RMS's Role in Longevity Transactions

Expertised Risk Modeler

- RMS analyses risk of transaction
- RMS publishes risk analysis in offering materials
- RMS involved in explaining Longevity Model and scenarios to investors and rating agencies

Mortality Scenario Expert

- RMS provides longevity scenarios for use by the sponsor/banker
- Scenarios used to help market the transaction
- RMS involved in explaining Longevity Model and scenarios to investors and rating agencies

Sample Deal: Aegon Longevity Hedge

- Issuer
 - ▶ AEGON with Deutsche Bank
- Risk notional
 - ▶ Part of risk associated with EUR 12bn of reserves
- Term
 - ▶ 20 years
- Structure
 - ▶ Slightly out-of-the-money index hedge
 - ▶ Call option on pension payments
- Underlying index
 - ▶ Cumulative Cash Index (“CCI”) based on matching synthetic portfolio
- Rating
 - ▶ Not rated



Sample Deal: Rolls Royce Pension Fund Longevity Hedge

- **Rolls Royce Pension Fund** and Deutsche Bank, syndicated to reinsurance market
- **£3billion**, relating to the Fund's pensioner liabilities
- **Indemnity** trigger relating to 37,000 named lives
- No material impact on the cash funding contributions being paid to the Fund
- **Fully collateralised** with provisions for termination

Sample Deal: Swiss Re Kortis

- **Swiss Re** and Swiss Re Capital Markets
- **Longevity divergence** between UK Males 75-85 and US males 65-75 as measured by population mortality data
- **8-year** term, **fully collateralised 144A** transaction
- **S&P BB+** rating
- **Out of the money** basis risk protection