

## Augmenting Pension Risk Transfer

### The Opportunity

Using Assured Allies' proprietary AI algorithms, we have the ability to properly select and price pension risk based on updated information we collect and use to optimize predictions. More accurate information and predictions can also help with tranching and securitization of the risk. Finally, the information can help customize the offering to pensioners (e.g. include certain features of annuities) and enable a natural hedging mechanism to longevity risks.

### Background

Pension risk transfer market is exploding - with over \$260B in transactions completed since 2007. Most of the deals are valued by a generic stochastic model (e.g. Lee Carter) without additional and updated data on the specific group of the pensioners that is the focus of the risk transfer. Moreover, today, there is little liquidity and limited hedging of the risk.

### The Solution: A data driven approach to longevity risk

Taking a proven population health management approach from healthcare, our physicians and data scientists built a system to accurately gauge the risks of aging:

- We identified mortality and disability predictors in +2M person years. We use these predictors to model 5,10,20 years mortality
- We built proprietary tools and questionnaires to properly interact and collect the needed information to feed into the models

**During** the risk transfer process we provide risk buyers

- A negotiation advantage through an ability to select blocks and price them properly (based on our sampling of the block and simulation tools)
- Ability to better spread the risk to the capital markets (e.g. minimize basis risk in index based hedge and tranching based on higher precision of the predictive models)
- Ability to customize (and upsell) the resulting annuities (e.g. add LTCI benefits)

**After** the deal is completed we provide a dynamic risk hedging solution:

- The collected data enables Assured Allies to offer services for the aging population based on their aging trajectory (e.g. long term care, senior living)
- Services are curated by Assured Allies and can be billed to the monthly pension account. The risk bearer gets a revenue share which is a "natural hedge" to the longevity risk.