Thank you for joining us – the webinar will start shortly

Thinking about a buy out in 2020?

Make sure you capture the data dividend

January 30th, 2020

12 noon ET

@ClubVita #datadividend

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Today’s aim

Q: Why are we bothering to create better data?

Plan sponsor

A: Because cleaner, more complete data will save you money, creating a high ROI. We would like to show you how …..

Advisor

CLUB VITA

Today's panel

Douglas Anderson

Matt McDaniel

Bobby Gentry

Nate Luepke

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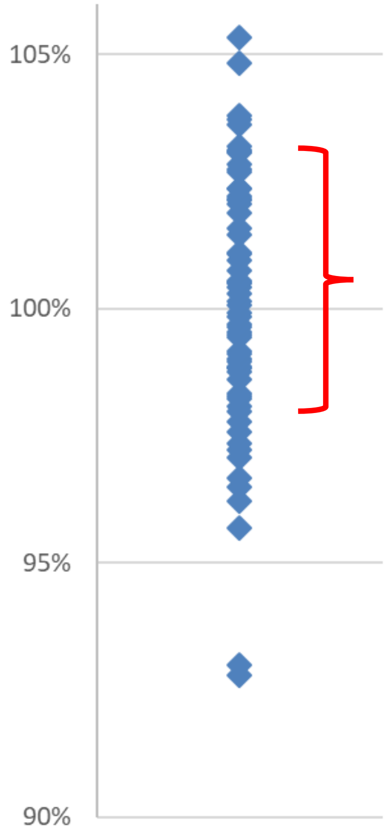
What do the results of an auction process look like?

Advisor’s perspective on variation in prices

Premium relative to “market” liability*



Two thirds of deals between 98% and 103%

Deal pricing varies based on many factors, including:

- Transaction size
- Benefit size
- Plan design
- Seasonality
- Demographics
- State of issue
- Investment portfolio
- Insurer capacity

But, insurer’s view of longevity is a key driver, and may help explain outlier results both on low (93%) and high (105%) end

MERCER

*Source; Mercer, US: Data based on 64 US retiree-only deals from May 2016 to October 2019. Market liability defined using Mercer Yield Curve and most recent SOA mortality tables with collar adjustment.

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So, how do you increase the likelihood of getting a price at the bottom of that range?

Three sources of gains

Cleaner data

More data fields

Longer back history

Deep cleansing: What about tracing missing participants?

Three reasons why

1. Reduce outgoings (improve cash flow)

+

2. Shorter life expectancy (reduce reserves)

+

3. More underwriting confidence (lower risk premium)

=

$$$m benefits to bottom line

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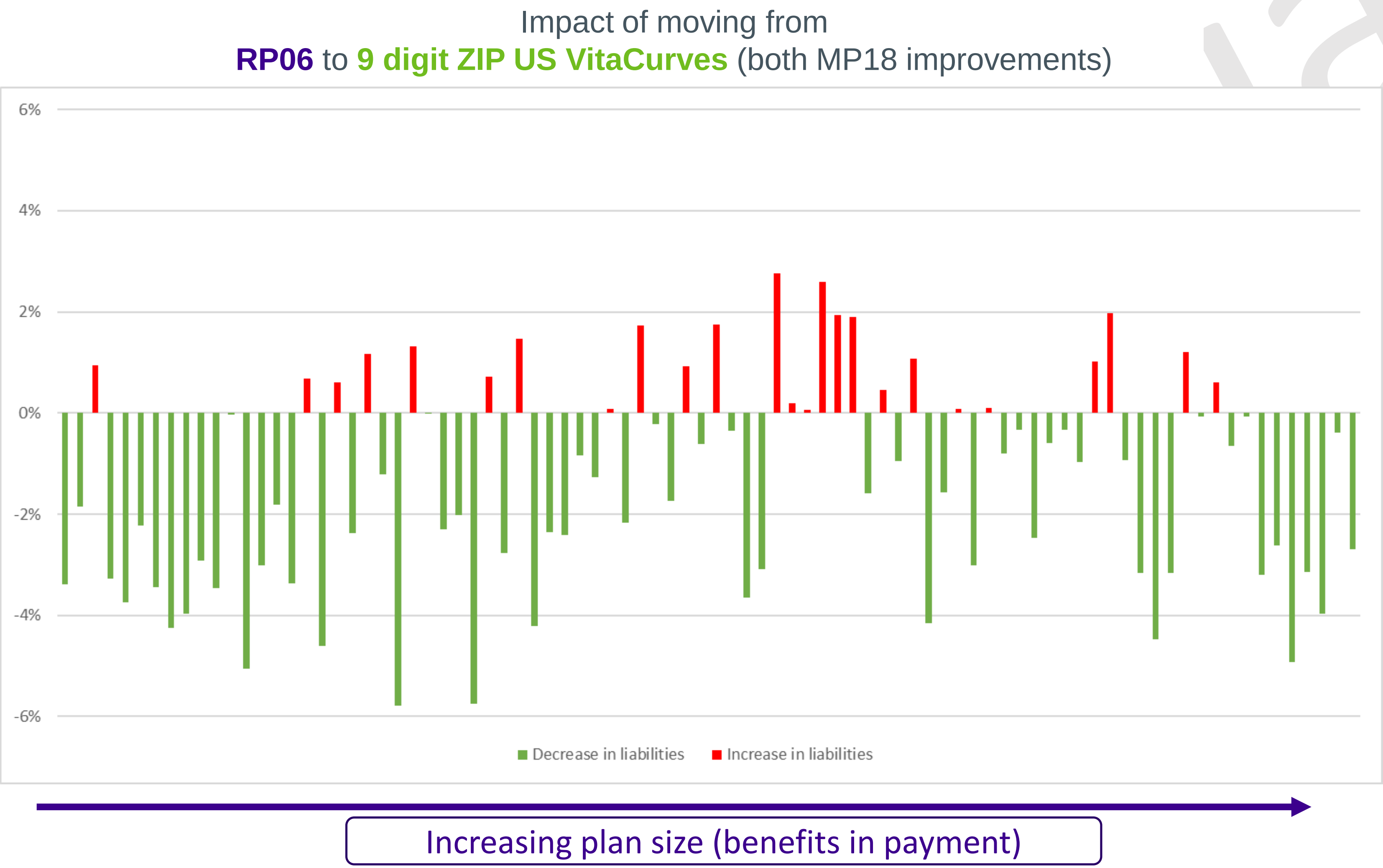
How much can ZIP codes change pricing?

Zooming in on diversity

	Society of Actuaries tables	Club Vita 5-digit ZIP code model	Club Vita 9-digit ZIP code model	Club Vita 2020+ model
Range of healthy male life expectancy at age 65	2.7 years - Pri-2012	5.4 years*	7.6 years	9.6 years?
Rating factors	• High/low pension amount • Blue/white collar	• **5-digit** ZIP code • Pension amount • Blue/white collar	• **9-digit** ZIP code • Pension amount • Blue/white collar	• Adds **salary** amount as affluence measure
Factors used at one time	One	All	All	All

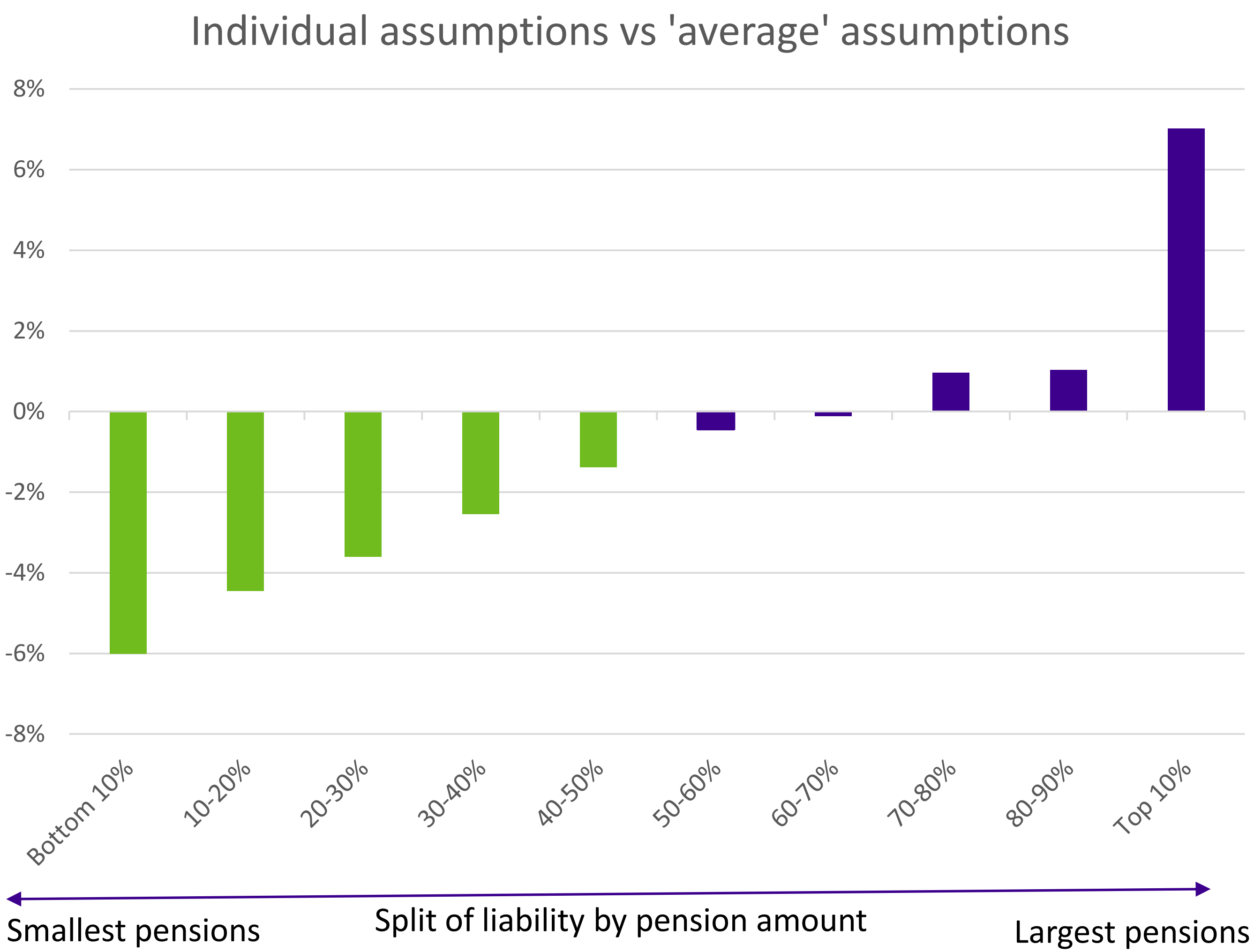
Impact of adopting a ZIP code longevity model



Source: Club Vita, Zooming in on ZIP codes

With ZIP codes ….

Quantifying the health bias in SBRAP*



* Small benefit retirement annuity purchase

Source: Club Vita; for a sample large US plan, the effect on deciles of liabilities of moving from plan's assumed accounting assumption to individual VitaCurves for baseline longevity

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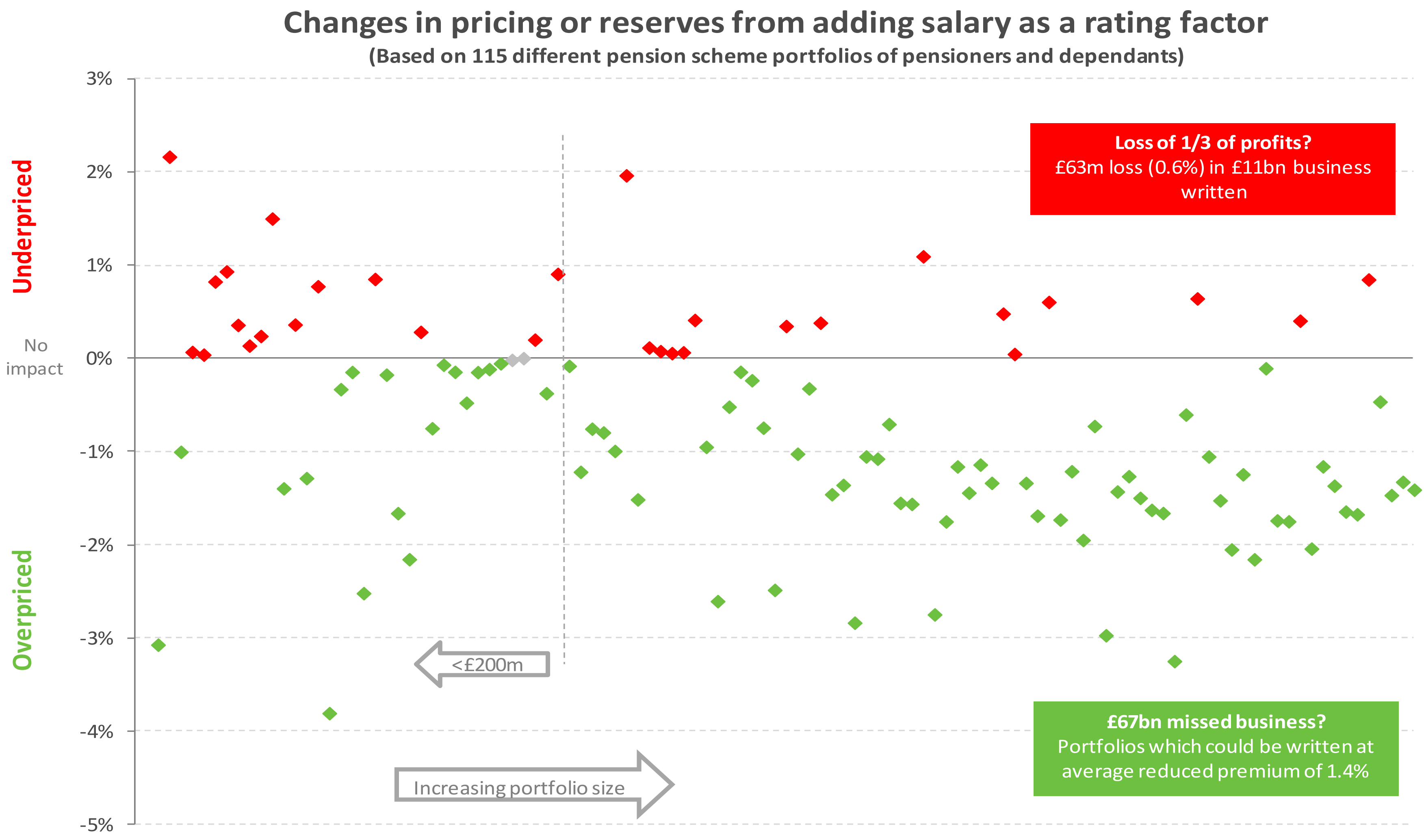
What happens if we use salary instead of annual pension?

Adding final salary as a covariate

Introducing final salaries changed portfolio valuation by +/-2%.

We now get salaries in 70% of UK records.



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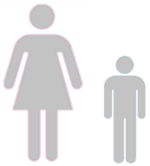
Do participant options tell us something about the type of people they are?

Proxies for marital status

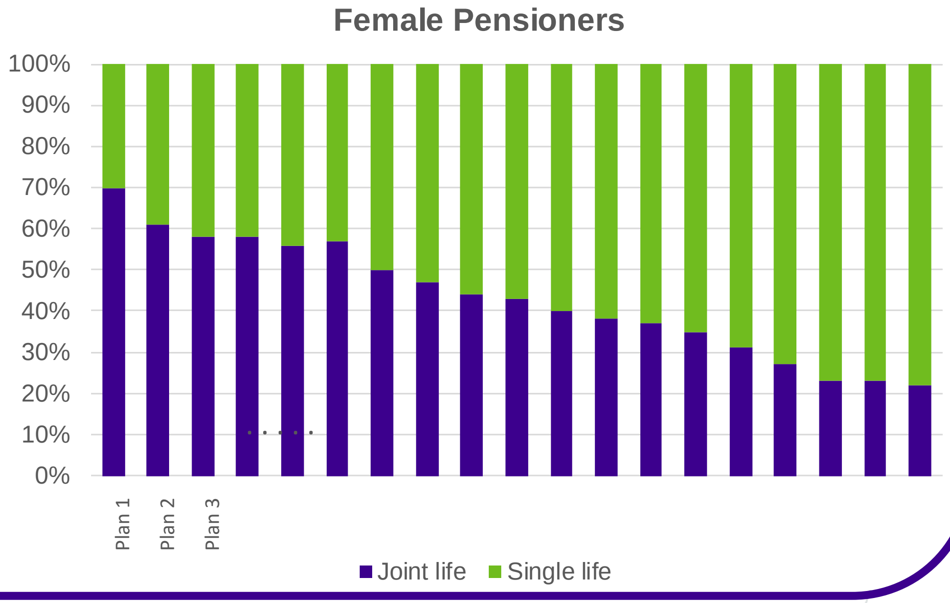
Retirees who opt into a joint-life (with a contingent survivor pension) live longer

+ 1.3 years



+ 1 year

Mix varies considerably between plans



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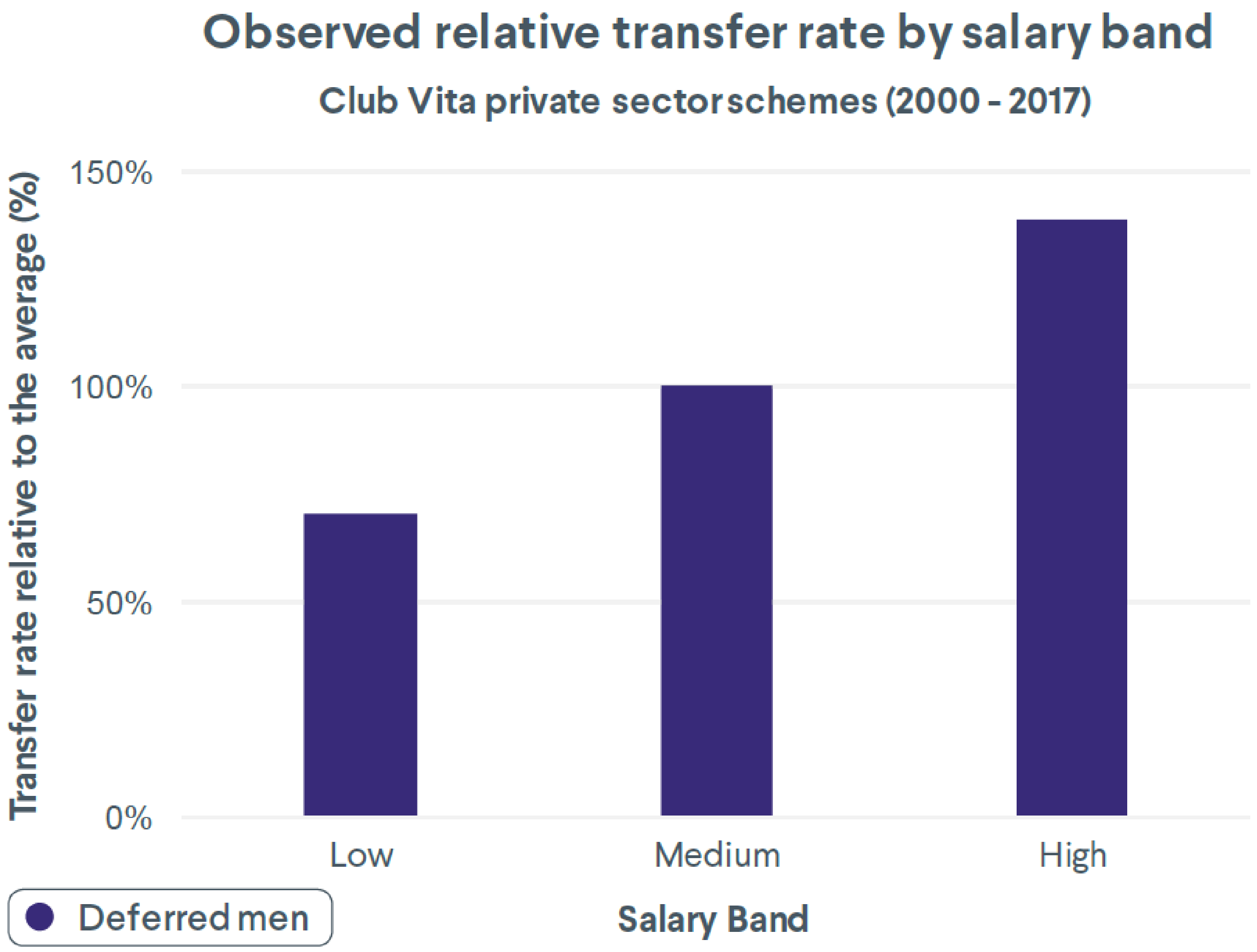
Are people taking lump sums random?



In UK, Club Vita's non-pensioner (deferred vested) data has enabled more competitive pricing for deferred annuities.

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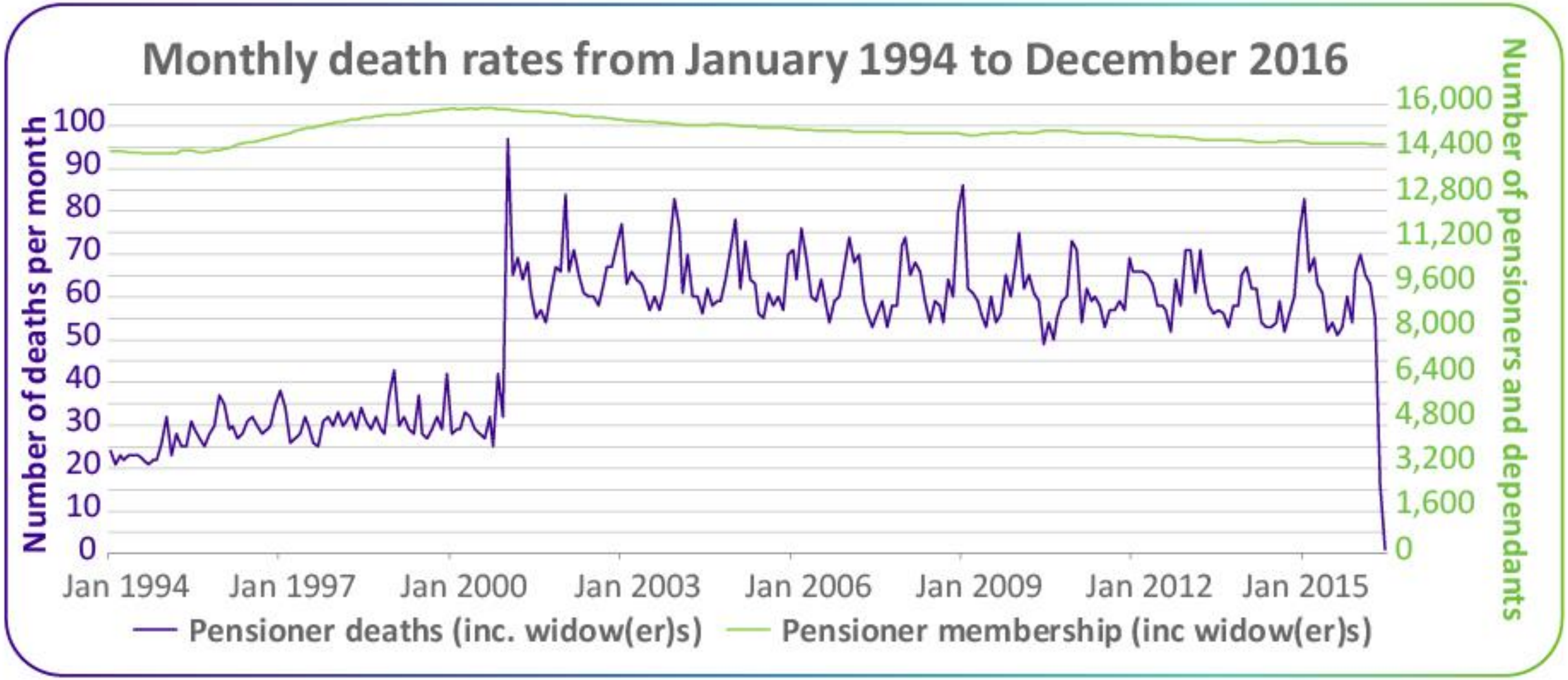
More back history

We can quickly see how far back is reliable …



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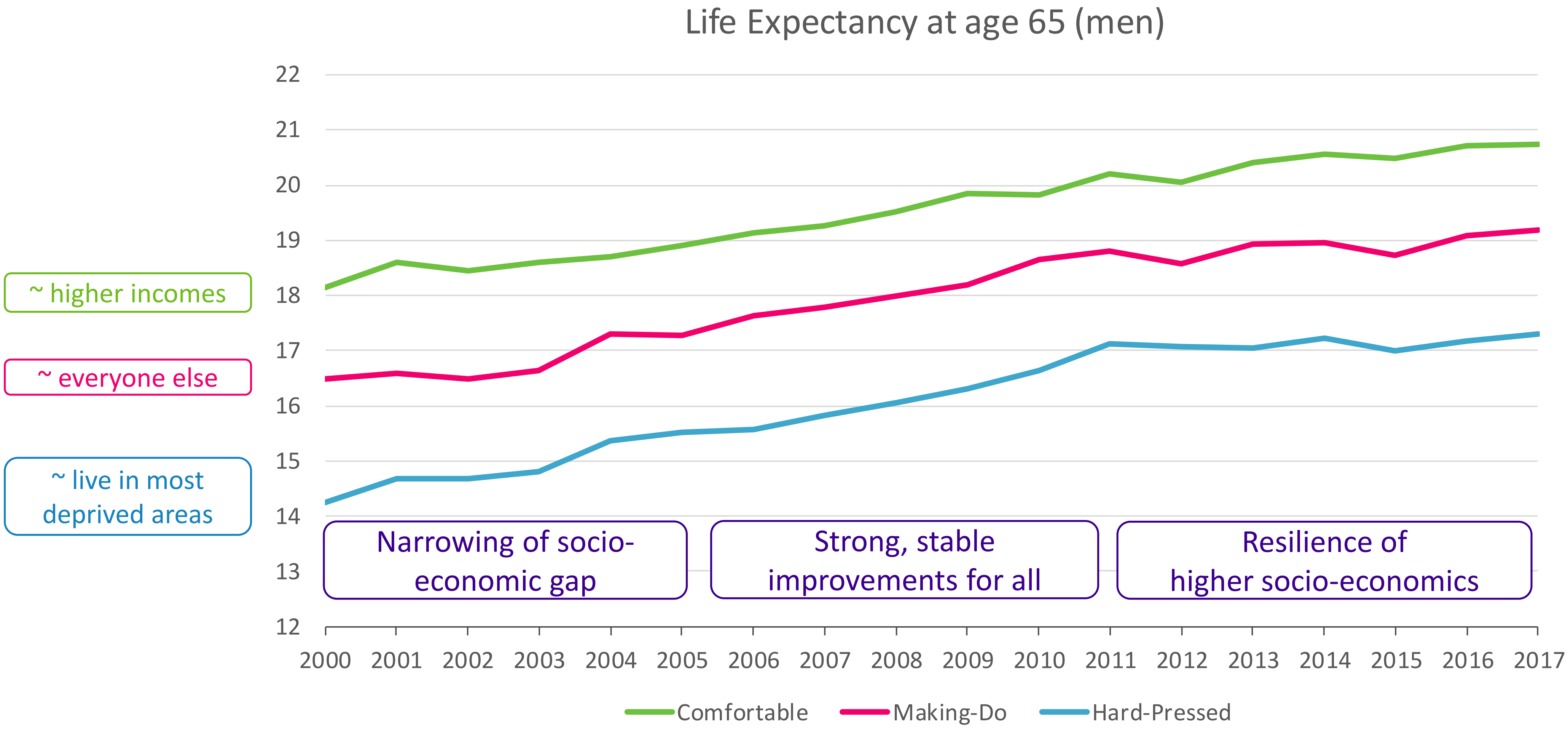
Finessing trend assumptions

By end 2020, Club Vita will provide socio-economic improvements for US retirees



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So, what’s the overall data dividend?

Good data delivers several benefits

Cleanliness

+

(extra) Covariates

Convenience for insurers

+

Confidence

Competition

Cost reduction for plan sponsors?

Conservatively,
2% or $10m on $500m

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Any questions?

Douglas Anderson

CLUB VITA

Matt McDaniel

MERCER

Bobby Gentry

ATHENE

Nate Luepke

ONEAMERICA

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