US LONGEVITY RISK
HOW SHOULD WE SECURE AMERICA'S RETIREMENT?

2024

The US population is getting older.

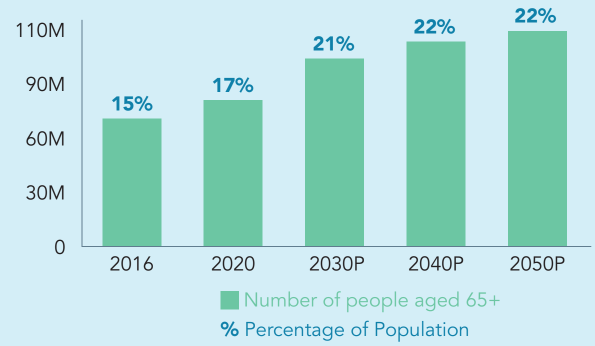
Thanks to medical advances, people now live longer than ever and can enjoy more retirement years. The US life insurance industry has a pivotal role in supporting this positive demographic shift by providing secure living standards for our customers, however long they live.

Managing longevity risk is key to achieving this goal. Individuals rarely know how long they need to make savings last. Even educated projections of life expectancy improvements have often been too low.

Pension Risk Transfer (PRT) from employer plans into the life insurance industry means more longevity risk is now concentrated within our sector of the economy. The robust growth of this market over the next ten years could mean a further $5 trillion of this risk, needing thoughtful and secure management by experienced risk professionals.

With a long track record of successful longevity risk transfer transactions in the UK, Canada, and other countries, we now look forward to working with our US insurance clients to support them in providing security to corporates and their pension plan members.

***Demographic Shifts** - By 2050, over **one in five** Americans will be at retirement age, equal to about 86M people. (Source: US Census Bureau (Feb 2020)*



FAQ on longevity risk transfer:

What is longevity risk?

Longevity risk is the 'loss' due to people living longer than assumed. After investment risk, it is the major uncertainty associated with retirement provision - both for individuals and life insurers.

Why transfer longevity risk?

For an individual, it is almost impossible to predict their life expectancy, so transferring this to a pension plan or insurers helps manage this **idiosyncratic (individual) risk**.

With a large insured group of individuals, idiosyncratic risk is easier to manage. However, a robust methodology must still exist to understand how **base mortality** varies between individuals. Pension Risk Transfer deals can create a concentration of this risk, so distributing this across counterparties enables insurers to confidently write larger transactions.

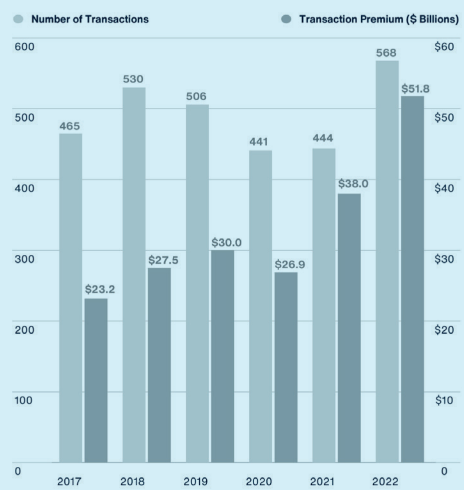
Furthermore, exposure to **trend** in mortality improvement across the population is a systematic risk. This accumulates as the portfolio grows. Without any hedging options, longevity could become the dominant balance sheet risk.

SCOR The Art & Science of Risk

Does the U.S. market need the longevity risk transfer?

Over the past four years, growing number of US employer-funded plans are moving to the insurance sector, where they benefit from professional management and strong solvency protections. This Pension Risk Transfer market means an increasing amount of longevity risk is being held by insurers. US transaction volumes reached $52 billion in 2022, and most are predicting significant growth over the next 10 years.

The US PRT Market



Source: U.S. Pension Risk Transfer Market Insights | Aon

Historically, holding longevity risk has had no statutory capital cost in the US. While this has changed, for many, the additional capital does not provide a significant imperative in the way it has for other global markets.

However, there is an increasing focus on the economic capital impact of taking in so much longevity risk. A typical longevity stress might be 8-10% of the value of the underlying business. Initially, this diversifies well with other businesses, but in a market where longevity growth outpaces other lines of business, this can quickly become material.

Why partnering with SCOR?

SCOR has a long track record of delivering successful longevity reinsurance solutions to clients worldwide, completing over 25 transactions since 2011. In the UK, we have provided longevity protection to PRT insurers as well as direct longevity protection to occupational pension schemes. We have also developed expertise in the individual annuity market with a focus on the use of medical underwriting. Our success has expanded to other markets, such as the Netherlands and Canada, where SCOR has completed pioneering longevity risk transfer transactions.

Examples of SCOR's successful transactions:

Deutsche Bank	AVIVA	Sun Life Financial of Canada	LLOYDS BANKING GROUP
November 2011	March 2014	March 2015	February 2022

(click the dates to learn more)

With our proven track record and pioneering spirit, we are ready to partner with you to craft the best customized solutions for your longevity risk management needs. To find out more, visit our longevity solutions site homepage.

Contact our longevity experts to learn more:

Our team of dedicated professionals who have long-term experience, in-depth knowledge, and customer-focused commitment look forward to helping our US clients succeed in managing this emerging risk.

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