Risk Transfer

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Context

The trustee of a £multi-billion scheme attached to a global business implemented a material longevity swap through a Guernsey based captive.

The Challenge

The sponsor and Trustee were both concerned to limit operational risk following the transaction, given the cost and implications of failure.

Our Approach

As part of due diligence for the transaction, we facilitated a workshop at the outset looking at the interaction between the various providers (i.e. the scheme administrator, the captive providing the vehicle for the longevity swap, the calculation agents) and separately between the re-insurers and the custodian. The workshop was based on planning of various scenarios, the issues that could arise and what actions could ensue as a result of such issues arising.
This resulted in improved communication between the parties and several process enhancements.

The Outcomes

Our critical role was the provision of our expertise on longevity swaps to the Trustee board. With our prior experience of such transactions, not only we were able to help the board interpret the advice they were being provided with and help educate and inform by acting as a sounding board for their decision-making process throughout the transaction process, but also ensured appropriate operational processes were adhered to. This substantially reduced any operational risks and provided reassurance to all key stakeholders involved.