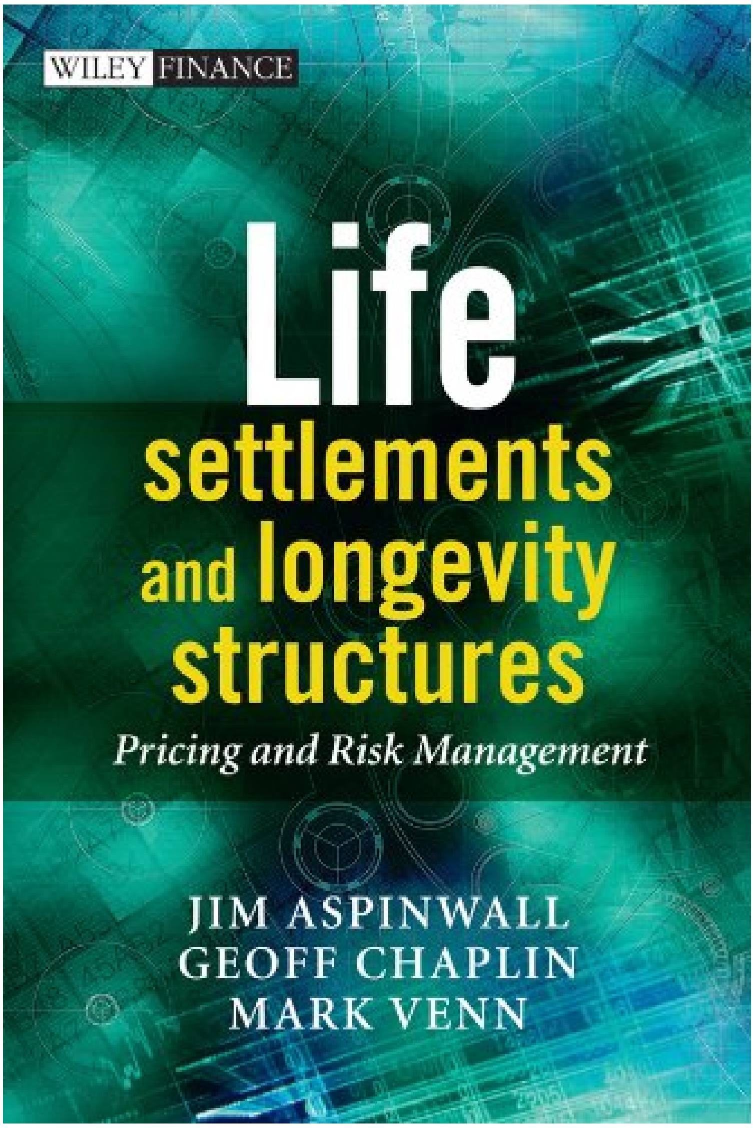
Life Settlements and Longevity Structures: Pricing and Risk Management

Geoff Chaplin, Jim Aspinwall, Mark Venn



Geoff Chaplin, Jim Aspinwall, Mark Venn : Life Settlements and Longevity Structures: Pricing and Risk Management before purchasing it in order to gage whether or not it would be worth my time, and all praised Life Settlements and Longevity Structures: Pricing and Risk Management:

3 of 5 people found the following review helpful. IGNORE PREVIOUS REVIEWBy Leiane DavenportThe book offers a buyer more in return than the price of the book. The instruction in the material provides essential information on the process involved in evaluating, acquiring and managing a Life Settlement Portfolio. Strategies will vary on

acquisition and management of a portfolio, but the offering in this book takes the reader from beginning to end with a successful transaction.

Recent turbulence in the financial markets has highlighted the need for diversified portfolios with lower correlations between the different investments. Life settlements meet this need, offering investors the prospect of high, stable returns, uncorrelated with the broader financial markets. This book provides readers of all levels of experience with essential information on the process surrounding the acquisition and management of a portfolio of life settlements; the assessment, modelling and mitigation of the associated longevity, interest rate and credit risks; and practical approaches to financing and risk management structures. It begins with the history of life insurance and looks at how the need for new financing sources has led to the growth of the life settlements market in the United States. The authors provide a detailed exploration of the mathematical formulae surrounding the generation of mortality curves, drawing a parallel between the tools deployed in the credit derivatives market and those available to model longevity risk. Structured products and securitisation techniques are introduced and explained, starting with simple vanilla products and models before illustrating some of the investment structures associated with life settlements. Capital market mechanisms available to assist the investor in limiting the risks associated with life settlement portfolios are outlined, as are opportunities to use life settlement portfolios to mitigate the risks of traditional capital markets. The last section of the book covers derivative products, either available now or under consideration, that will reduce or potentially eliminate longevity risks within life settlement portfolios. It then reviews hedging and risk management strategies and considers how to measure the effectiveness of risk mitigation. nbsp;

About the AuthorJIM ASPINWALL is Adjunct Professor of Mathematics at Florida Southern University, and on the board of a private equity firm, an investment bank and managing member of a hedge fund. With over 30 years in the business, Jim has a wide range of experience. At Chase Manhattan Bank he was the prime developer of Chase's REALM system, a risk management and derivatives pricing system, which was used, by Chase Manhattan Bank and over 200 clients around the world. While at Chase Jim was involved in Project Cloud, which was a state of the art Artificial Intelligence system that could forecast changes in credit rating 2 years out with a 95% accuracy rate. He has also has experience at other major Investment Banks, including Banc One and Nomura, Japan's largest Brokerage house, where he was involved in credit arbitrage trading and the creation of large credit structures. While head of quantitative research and development at Abbey National Jim over saw the development, pricing and risk management of multiple structured products such as trigger swaps and power reverse dual currency bonds and was involved in the start up of Abbey's Credit Derivatives desk, Jim was in the undergraduate Liberal Arts program ar The Ohio State University and studied Theoretical Math at the University of Cincinnati's graduate Mathematics program and quantitative finance in the MBA program also at the Unviersity of Cincinnati. GEOFF CHAPLIN studied mathematics at Cambridge (MA 1972) and Oxford (MSc 1973, DPhil 1975) and trained as an actuary (FFA 1978) while working in a life insurance company. He moved to the City in 1980 and has worked for major banks (including HSBC, Nomura International, and ABN AMRO). As a partner in Reoch Credit he has consulted to law firms, hedge funds, corporate treasurers, institutional investment funds and risk control departments of major banks in the areas of credit and mortality risk. He has been involved in the credit derivatives market since 1996 and life settlements structures since 2003. Geoff has also maintained strong academic interests ndash; he was a visiting (emeritus) professor at the University of Waterloo, Canada, from 1987 until 1999. He has also published many articles in Risk, the Journal of the Institute and Faculty of Actuaries, and others, speaks regularly at conferences and is the author of ldquo;Credit Derivatives: Risk management, Trading and Investingrdquo; published by John Wiley Sons Ltd, 2005. MARK VENN isManaging Director of Clearlife Limited, and President of ClearLife US affiliate, ClearLife Inc. ClearLife was founded by Mark in November 2007. It supplies trade processing, evaluation and risk analysis services to participants in the life settlements and premium finance markets. These services are provided through ClearLifetrade;, data management network, ClariNettrade;, which allows investors in life settlements and synthetic longevity risk to interact in a secure manner with external service providers and other market participants. Prior to founding ClearLife, Mark established Mizuho International plc's Asset Finance Group in 2005 a principal investment team formed to focus on the life settlements market. Mark recruited and managed a team of six front office professionals and worked with Mizuhotrade;, support teams to build a dedicated legal, information technology and operations infrastructure for life settlements. Through this process, Mark gained invaluable experience in designing and developing business procedures, information technology and risk management systems, tailored to the specific requirements of longevity and mortality risk. He also initiated and maintained relationships with key service providers and counterparties in the life settlements market. Over two years, Mark grew Mizuho's life settlements portfolio to over US$1.2 billion in face amount. While at Mizuho, Mark also founded the Institutional Life Markets Association (ILMA), which has become the leading trade association for institutional participants in the life settlements and premium finance markets. Mark joined Mizuho in 2000 with two colleagues to co-found Mizuhotrade;, Structured Credit Products Group, which completed US$3 billion in synthetic US high yield CDOs. From 1993, Mark worked for Credit Suisse First Boston and

Credit Suisse Financial Products and was based in Hong Kong, London, New York and Tokyo over this period, specialising latterly in credit derivatives and synthetic CDOs. Mark holds a master's degree in law from Cambridge University and qualified as a barrister in 1990.