

Too Early To Judge Impact of New Funded Reinsurance Rules on UK Pension Risk Transfer Market

Proprietary Reverse Mortgage Market Growth a Welcome Development for MBS Investors

Life Settlement Secondary Market Returns to Growth but Plenty of Untapped Potential Still Remains



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Editor's Letter, Volume 2, Issue 05, May 2026



Chris Wells
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New data published by life settlement provider, Coventry, suggests that the secondary life settlement market returned to growth in 2025 after a pull-back the year before. *Greg Winterton* spoke to **Rob Haynie**, Managing Director at **Life Insurance Settlements**, **Neal Jacobs**, Senior Managing Director, Capital Markets at **Coventry** and **Adam Meltzer**, Managing Partner of **Apex Capital Partners** to get their thoughts on the news in [*Life Settlement Secondary Market Returns to Growth but Plenty of Untapped Potential Still Remains*](#).

The Bank of England's regulator has proposed a change in the capital treatment of life insurers' use of funded reinsurance, a capital management strategy that helps offset longevity and investment exposures acquired in bulk purchase annuity deals. *Mark McCord* spoke with **Michael Abramson**, Partner and Risk Transfer Specialist at **Hymans Robertson**, to get his initial thoughts on the proposal in [*Too Early To Judge Impact of New Funded Reinsurance Rules on UK Pension Risk Transfer Market*](#).

The proprietary reverse mortgage market in the US – the non-agency-backed part of the space – overtook the agency-backed space in aggregate origination values for the first time in Q1 this year. *Greg Winterton* spoke to **Michael McCully**, Partner at **New View Advisors**, to get his thoughts on how this development impacts institutional capital pools in [*Proprietary Reverse Mortgage Market Growth a Welcome Development for MBS Investors*](#).

The UK's pension risk transfer market is as busy as ever in terms of activity, but it could be even higher if it were not for human capital constraints. *Mark McCord* spoke to **Dean Wetton**, Founder and Managing Director of **Dean Wetton Advisory** and **Chris Parrott**, Professional Trustee at **BESTrustees** to learn more about the challenges in [*As PRT Market Grows, Service Providers Look for Ways to Keep Up*](#).

The PHL Variable Life Insurance Co saga is approaching its conclusion, and there are both micro and macro impacts for the life settlement market. *Greg Winterton* spoke to **Brian Casey**, Partner at **Troutman Pepper Locke**, and **Chris Conway**, Managing Director at **Vitaro Group**, to get their views on the latter in [*Two Years On, PHL Variable Saga Approaches Conclusion*](#).

The distinction between early and late diagnosis of chronic diseases extends beyond clinical medicine into the domains of insurance and life settlements, where life expectancy serves as a critical input for decision-making. **Dr. Jyotsna Kamble**, Medical Underwriter at **CG Analysts**, discusses how certain diseases develop and the impact on longevity risk in [*Chronic Disease Onset and Cumulative Exposure: Clinical, Prognostic and Underwriting Implications*](#), a guest article.

No longer a back-office function, pensions administration has become a pivotal strategic driver for UK schemes eyeing the endgame. *Greg Winterton* spoke to **Daniel Taylor**, Client Director at **Trafalgar House**, to explore the essential priorities for trustees navigating the complex path toward de-risking in this month's [*Q&A*](#).

Third-party capital in the asset intensive life reinsurance market now sits at all-time highs, but just how much higher can it go? *Greg Winterton* spoke to **Richard De Haan**, Global Risk Modelling Services Leader at **PwC** in New York, to get his thoughts on the market generally and its potential in [*Will US Asset Intensive Life Reinsurance Market Continue Recent Growth Spurt?*](#)

I hope you enjoy the latest issue of *Longevity and Mortality Investor*.

Life Settlement Secondary Market Returns to Growth but Plenty of Untapped Potential Still Remains



Author:
Greg Winterton
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Mortality Investor**

The total number of life insurance policies purchased in the life settlement industry's secondary market grew 10.2% from 2,697 in 2024 to 2,972 in 2025, according to new data published by life settlement provider, Coventry.

When measured by face value purchased, the increase was 5.6%, rising from \$3.59bn in 2024 to \$3.79bn in 2025. Regardless, the data shows a welcome return to growth for the market, which had retracted 14.1% in terms of the number of transactions from 2023 to 2024.

Reasons abound as to why the market pulled back in 2024. Some point to life settlement TV advertising – a significant driver of awareness in the secondary market – being priced out of the market due to the higher fees because of Presidential election in November of that year.

Others point to a higher interest rate environment directing retirement planning attention elsewhere as liquid fixed income investments became more appealing.

confluence of factors that came together last year to support increased activity.”

A 10% jump is good by most measures, but the total addressable market for the space remains way beyond current activity levels.

Solving what it says is the consumer awareness challenge is the life settlement market's Gordian Knot. In 2024 – the most recent year for which data is available – the combined termination rate of life insurance policies in the US was 5.8%, the highest for at least a decade, good for \$810bn (based on the \$13.97trn of face amount of in force life insurance at the end of 2023).

The life settlement market paid \$652m for its \$3.79bn of face value (17%) last year, which in turn represents just 0.4% of the total face value surrendered or lapsed.

“This shows exactly why we say that awareness needs to improve. While not every life insurance policy qualifies for a life settlement, it's clear that American consumers are leaving billions of dollars of value on the table every year. Even if we doubled the size of our market, we would still not be scratching the surface,” said Haynie.

Another engine of growth generally in the life settlement space is the market's direct-to-consumer segment. This growth story is a conclusion that can be gleaned from the data – the smaller increase in the aggregate face value when compared to the increase in the number of transactions means that the average face value of policies purchased in the secondary market in 2025 fell when compared to the prior year; the DTC market sees smaller face values than the intermediated market, which tends to see deal flow from wealthier cohorts thanks to their advisor and professional networks.

This shift toward smaller average policy sizes suggests that the industry is successfully reaching a broader demographic of policyholders beyond that ultra-high-net-worth segment that has historically dominated the space. By leveraging multi-channel marketing, providers are engaging more with ‘main street’ seniors who may own policies with face values that were previously overlooked.

As the concept of a life settlement becomes more broadly known, the initial friction of explaining

“While not every life insurance policy qualifies for a life settlement, it's clear that American consumers are leaving billions of dollars of value on the table every year. Even if we doubled the size of our market, we would still not be scratching the surface”

- Rob Haynie, Life Insurance Settlements

The TV advertising squeeze challenge evaporated in 2025, of course, and, the US Federal Reserve lowered interest rates in the autumn of that year, supporting consideration of alternative options for retirement planning.

These factors, and more, contributed to the rebound last year.

“A few things. First, I think that increased TV advertising helps the market as a whole,” said Rob Haynie, Managing Director at broker, Life Insurance Settlements.

“And then I also think that the advisor community is generally just getting more comfortable with life settlements as a tool in a holistic retirement planning effort. It was a

the transaction decreases, allowing for more streamlined conversations between advisors and their clients. This rising tide of general awareness is essential for the market to transition from a niche alternative to a standard component of late-stage financial planning.

“The expansion of the direct-to-consumer segment is a vital sign of a maturing market,” said Neal Jacobs, Senior Managing Director, Capital Markets at Coventry.

“Our market has numerous benefits for diversified portfolios and increasingly, we are seeing institutional capital pools display a greater understanding of what the drivers of return of our space are... But the only way for us to grow is to significantly increase the number of transactions in the secondary market and that means consumer and advisor awareness”

- Adam Meltzer, Apex Capital Partners

enough to attract capital from institutional investors that need to write cheques for what can sometimes be hundreds of millions of dollars.

It’s a goal that requires the market to keep on keeping on in terms of the awareness push.

“Our market has numerous benefits for diversified portfolios and increasingly, we are seeing institutional capital pools display a greater understanding of what the drivers of return of our space are,” said Adam Meltzer, Managing Partner of Apex Capital Partners.

“But the only way for us to grow is to significantly increase the number of transactions in the secondary market and that means consumer and advisor awareness. All market participants have a role to play in that endeavour, and everyone just needs to keep pushing.”

“By lowering the barriers to entry for the average policyholder, the industry is building a more resilient and scalable pipeline of supply. This consistent growth in transaction volume is exactly what institutional capital needs to see to justify larger, long-term allocations to the space.”

Industry insiders point to a range of benefits of life settlements as an alternative asset class: a lack of correlation to both public and private macroeconomic assets being one, the potential for delivering equity-like returns another.

But annual activity needs to rise significantly in order for the life settlement market to be large

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The Bank of England's regulator has proposed a change in the capital treatment of life insurers' use of funded reinsurance, a capital management strategy that helps offset longevity and investment exposures acquired in bulk purchase annuity (BPA) deals.

Insurers use funded reinsurance to shift off their books some of the liabilities they assume when selling BPAs to defined benefit pension schemes. This improves their solvency ratios, freeing up capital to then bid for more or bigger deals.

Concerned that current capital requirements may not fully capture the underlying risks of funded reinsurance, the Prudential Regulation Authority (PRA) has proposed a recalibration intended to align the treatment of these deals with similar direct investments.

"I don't think it will constrain them, mainly because I think the amounts of capital that they have available will be more than sufficient, even if this is a bit more capital intensive"

- Michael Abramson, Hymans Robertson

In [CP8/26 – Funded reinsurance](#), a consultation paper published at the end of last month, the PRA proposes to increase the capital buffers that insurers must put aside to cover any losses if funded reinsurance deals go sour. The proposal would shift the value from an average of 2%-4% to 10%.

The PRA said that it was acting out of concern that the capital treatment of funded reinsurance deals had given rise to "misaligned incentives" and "underestimated risks".

"This can lead insurers to build up concentrated exposures in complex reinsurance structures, including indirect exposures to illiquid and private credit-related assets, as opposed to direct investments in better-understood assets. The PRA considers that this also leads to competitive distortions in the BPA market and may be driving a wider misallocation of capital," the Consultation Paper stated.

This proposal represents the PRA's most significant policy intervention following a multi-

year period of heightened supervisory focus on the funded reinsurance market, which saw £6.5bn of premiums written last year and more than £9bn in 2023. The PRA estimates total exposure to the instruments is about £40bn, although funded reinsurance is thought to have supported less than 30% of all BPA deals since 2024, [according to Fitch Ratings](#).

In a [speech given at the 23rd Westminster and City Annual Bulk Annuities Conference](#), PRA Executive Director of Insurance Supervision Gareth Truran said the regulator felt emboldened to act.

"We have concluded the current UK regulatory framework does not properly reflect the risks involved, and that left unchecked, this would become a bigger issue for the resilience of the sector over time," he said.

"We want to act now to correct this imbalance before it grows to pose more material risks across the sector."

While the framework remains subject to consultation, industry observers largely expect it to be adopted in full. The proposal introduces a standardised methodology for capital allocation, requiring insurers to calibrate their reserves based on the reinsurer's credit quality and the underlying collateral. Central to this is a refined Counterparty Default Adjustment (CDA), which ensures the value of the reinsurance asset accurately reflects potential losses in a default scenario.

The practical impact of these measures will become clearer following the proposed implementation date of 30th September 2026. Primarily, this concerns whether the new capital constraints will affect transaction volumes or an insurer's capacity to deal.

Given the PRA's lengthy period of engagement on the topic, however, some industry experts believe the sector is well-positioned to adapt.

"I don't think it will constrain them, mainly because I think the amounts of capital that they have available will be more than sufficient, even if the business becomes a bit more capital intensive," said Michael Abramson, Partner and Risk Transfer Specialist at Hymans Robertson.

Abramson further suggests that any shift in market activity will be gradual, rather than an immediate reaction to the new rules coming into

force.

“It won't just be a cliff edge from October. It's not so straightforward to enter into a funded reinsurance arrangement at exactly the same time as you do the actual BPA, so in general we will see any impact coming through a bit sooner,” he said.

While insurers may have plenty of capacity, a second potential impact lies in pricing. It could be argued that a more capital-intensive framework might theoretically suggest a rise in premiums for pension schemes, but the highly competitive nature of the current landscape suggests a more nuanced outcome.

“It is worth also saying that you do see some insurers winning business where we know they are not using funded reinsurance. So, it is not the only driver of pricing”

- Michael Abramson, Hymans Robertson

“It is worth also saying that you do see some insurers winning business where we know they are not using funded reinsurance. So, it is not the only driver of competitive pricing,” Abramson added.

In its Consultation Paper, the PRA also highlighted the difficulty of overseeing the reinsurers and the opportunity cost of funded reinsurance deals.

Some of the capital provided for funded reinsurance transactions comes from overseas reinsurers – some of which are owned by alternative investment firms or have investment partnerships with them - that do not fall under the purview of the PRA.

Not only is the regulator concerned that offshore reinsurers might not meet its solvency requirements, but the Consultation Paper also makes reference to one of the British government's priorities for insurance industry investment.

The recent reforms to the Solvency regulatory regime allow for other investments, such as infrastructure investments, to qualify for the matching adjustment portfolio.

“The proposals are expected to remove the uneconomic incentive to employ funded reinsurance and therefore lead to lower use of funded reinsurance and an increase of direct investments. Compared to the counterfactual, this is expected to lead to an increase in UK productive investments as those are more likely to arise from direct investments by UK insurance firms,” says the PRA.

Slaughter and May lawyers, however, questioned the likelihood of that happening.

“This may be an oversimplification, as it is difficult to say with any certainty the investments which insurers would have made absent the availability of funded reinsurance,” the firm wrote in a report.

The new rules are set to come into force on 1st July next year but are being back-dated for funded reinsurance transactions where risk is fully transferred after 30th September (there is a savings provision that any deals completed before this date should be considered business as usual).

Unless something unexpected happens between now and the end of the consultation period, which ends on 31st July, funded re deals will incur a 10% capital charge from 1st October. Until the end of July, however, there is still plenty of analysis that can be done.

“Firms may want to use this time to evaluate the impact of the changes to different transaction structures (e.g., funds withheld, funds transferred or hybrid structures), counterparty insurance financial ratings and credit spread environments. Firms could also use the consultation as a chance to test with the PRA how much weight it would give to certain structures, contractual terms or credit protections not specifically referred to in the consultation,” said Mayer Brown in a recent article.



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Proprietary Reverse Mortgage Market Growth a Welcome Development for MBS Investors



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Back in October last year, the Department of Housing and Urban Development (HUD) published FR-6551-N-01 Future of the HECM and HMBS Programs and Opportunities for Innovation in Accessing Home Equity, a Request for Information regarding “the market for senior homeowners to access equity in their homes and possible improvements to the Home Equity Conversion Mortgage (HECM) and HECM mortgage-backed securities (HMBS) programs.”

The news was welcomed by participants across the reverse mortgage market; while the previously mooted HMBS 2.0 structure would have helped, many felt that more was needed and this RFI seemed like the regulator was serious about reforming the space.

Comments were originally due on 1st December, before the deadline was pushed back to 5th January; 48 individuals, companies and organisations offered their views before the extension, and another 14 did so afterwards.

of the space – originated approximately \$953m of loans, exceeding its agency-backed, Home Equity Conversion Mortgage (HECM) cousin, which delivered \$875m – for the first time.

The HECM loan segment has, historically, been a much larger part of the market, but in the past few years, higher interest rates and the upfront mortgage interest premium – 2% of the value of the home, a figure considered punitive by market participants – caused consumer demand to dampen.

That the proprietary market has been on such a growth spurt is not surprising to some. There are no up-front costs, and it has no limit on the size of the loan – the HECM program has a ‘maximum claim amount’ (MCA) of \$1,249,125 – so, as house prices rise, more supply enters the space.

“The non-agency market has been back since 2014 and is growing for four reasons: product design improvements, a lack of reforms to the HECM program, continued demand by investors in the capital markets, and house price appreciation. Non-agency products have continued to adapt to borrower demand, with higher LTVs, lower rates, and other design enhancements,” said Michael McCully, Partner at New View Advisors.

“Over the last 11-12 years, investors have grown increasingly familiar with the asset class, allowing pricing to improve, and this ‘virtuous circle’ of improving execution allows lenders to offer better product features to borrowers, further improving execution to investors. Finally, while the MCA of HECM has grown materially, house price appreciation has outstripped MCA growth, pricing out more and more agency borrowers.”

It’s not all good news for everyone, sadly. Some investors aren’t allowed to invest in non-agency MBS because of the lack of a government guarantee. Others can’t because the capital requirements are too heavy and/or they don’t like the liquidity profile. Lower HECM issuance in recent years means that the outstanding HMBS loan population at the end of Q1 this year was just 242,151, down more than 20% from May 2021 levels.

But for those that can and those that do, there’s a lot to like.

“As with other MBS, agency securities trade

“Over the last 11-12 years, investors have grown increasingly familiar with the asset class, allowing pricing to improve, and this ‘virtuous circle’ of improving execution allows lenders to offer better product features to borrowers, further improving execution to investors”

- Michael McCully, New View Advisors

That’s plenty of opinions, many from sophisticated, professional investors and their advisors, for HUD to digest and come up with some answers to the question of how to reinvigorate a space where issuance in the primary market is close to all-time lows.

At the time of publishing, HUD has not responded to an email from Longevity and Mortality Investor asking when it will be providing an update to the market.

But investors that like reverse mortgage securitisation exposure in their portfolios aren’t hitting the panic button, because in the first quarter of this year, the proprietary reverse mortgage market in the US – the non-agency-backed part

tighter than non-agency, so all else being equal, non-agency provides more yield to investors. As a result, investors that take the time to understand reverse mortgage bonds like the additional return non-agency reverse mortgage securities provide. Different funds have different requirements, but for those allowed to buy non-agency securities, current market conditions have investors searching for yield, with plenty of capital to invest. It's a very good time to be an issuer in the proprietary market," said McCully.

**“Investors that take the time to understand reverse mortgage bonds like the additional return non-agency HMBS and HREMIC securities provide. Different funds have different requirements, but for those allowed to buy non-agency securities, current market conditions have investors searching for yield, with plenty of capital to invest. It’s a very good time to be an issuer in the proprietary market”
- Michael McCully, New View Advisors**

And recent legislative activity could support additional growth. At the end of April, Tennessee passed the [Tennessee Reverse Mortgage Innovation Act \(HB 2382/SB 2190\)](#), which now allows proprietary reverse mortgage loans to be issued. Tennessee was previously one of a few states that prohibited non-HECM loans and, [as the 15th most populous state as of 2024](#), that means plenty of potential for primary market activity coming from the Volunteer State.

And demographics help as well. Between 2024 and 2027, the “Peak 65” cohort will see over 4.1 million Americans turn 65 each year, more than 11,200 every day.

A big puzzle to solve remains the interest rate one. The 10-year U.S. Treasury (UST) is the primary benchmark for the HECM space and the fact that it hasn't moved down in line with interest rate

reductions in the past 18 months has acted as a drag on the agency space as rates on HECMs have remained higher for longer.

But the proprietary market's adoption of the Secured Overnight Financing Rate (SOFR) arguably supports consumer demand. Because SOFR is a transparent, market-reflective index for short-term borrowing, proprietary lenders can offer more competitive initial interest rates and, more importantly, higher loan-to-value ratios that are not suppressed by the long-term volatility of the 10-year UST. In a 'higher-for-longer' environment where the 10-year UST refuses to move in line with the federal funds rate, the responsiveness of SOFR-indexed pricing can help support activity in the non-agency space.

Whether the proprietary market remains larger than the HECM market remains to be seen; that question will be answered in part by HUD when – if? – it reforms the HECM and HMBS programs. But, taken as an independent asset class, McCully says that the proprietary market should continue to grow.

“All the signs point to the proprietary market continuing its recent trajectory,” he said.

“Demographics, the recent announcement from Tennessee, and demand from institutional capital pools for exposure to non-agency reverse mortgages all point to a growing market.”

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As PRT Market Grows, Service Providers Look for Ways to Keep Up



Author:
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Mortality Investor**

Rising interest rates have boosted pension risk transfer (PRT) deals between UK defined benefit (DB) pension schemes and insurers to record levels. Growth has been so rapid, however, that some parts of the supporting industry are looking at new ways of operating to keep pace.

Investment in technology, new pre-deal processes and a willingness among insurers to assume some of the work of administrators are all being implemented or considered across the industry to get more deals across the line.

While a couple of decades old now, the UK PRT market is still considered a maturing one because business began picking up significantly around five years ago when interest rates began to rise. That improved DB schemes' funding positions so much that the majority can now afford to be offloaded to insurers. Skills shortages are typical of maturing markets as they adjust to meet growing demand.

as those wanting to progress to buy-outs.

Even among insurers, business has been so brisk that parties wanting to transact with them have reported having to wait.

"It can be frustrating, but it's an incredibly busy market and everybody is working to capacity," said Chris Parrott, Professional Trustee at BESTrustees.

"You've got several hundred other schemes in exactly the same place, all trying to get through a very narrow gap to transact with insurers."

The impacts appear to be mostly at the smaller end of the market, where transactions have grown fastest in the past year. According to WTW's 2026 de-risking report, nine of the 11 insurers active in 2025 had "selective appetite" for deals smaller than £50m.

That is reflected in last year's transactions data. Although at £38.2bn, the total value was less than in previous years, the number of individual buy-ins reached a record 367 because of more smaller schemes coming to market. By comparison, there were just seven £1bn-plus deals in 2025, half the record set in 2024.

Wetton said he has experienced difficulties in proceeding with some transactions.

"We weren't able to go to all of the insurers we wanted to. They all, to a man, said they were full up," he said.

"It means that we haven't been able to go to the breadth of the market that we would have liked to."

Human capital challenges were recognised this year by professional services provider PwC in its first quarter pension risk transfer newsletter. The report noted that the impact has been felt in multiple ways among schemes seeking to go from buy-in to buy-out.

"Given record numbers of buy-in transactions, and already stretched pension administrators, we regularly see timescales for schemes to transition from buy-in to buy-out in excess of two years," wrote Kelly McGee, Senior Manager, Risk Transactions Specialist at PwC, in the report.

"This lengthy process is costly and has wider implications for trustees and sponsors e.g. delays using surplus to grant member uplifts of employer refunds, accounting implications, etc."

"For ages and ages, very few schemes were able to afford to buy-out. But now... there are so many more schemes that can – and it's happened for all the schemes at the same time. Suddenly we've gone from a situation where no one was ready, to one now where everyone's ready. And that creates a queue"

- Dean Wetton, Dean Wetton Advisory

"This is an extraordinary turnaround in terms of pace," said Dean Wetton, Founder and Managing Director of London-based Dean Wetton Advisory.

"For ages and ages, very few schemes were able to afford to buy-out. But now... there are so many more schemes that can – and it's happened for all the schemes at the same time. Suddenly we've gone from a situation where no one was ready, to one now where everyone's ready. And that creates a queue."

Action from administrators and insurers comes amid frustration among some trustees and advisers who have reported difficulties in completing deals because of a shortage of human capital among supporting service providers. Bottlenecks have been reported by schemes seeking buy-ins as well

The Government Actuary's Department also acknowledged that the increased complexity in administrators' activities and underinvestment in technology was also making life difficult for them. The market boom comes also as they work through new regulatory expectations, especially pensions dashboards and new data management responsibilities.

"It's an incredibly busy market for risk transfer and it's an incredibly busy market for pensions," said Parrott.

"Everybody moans about [the situation], and there are undoubted challenges...But it's a human resources issue and you can't magically create 400, 500 people to take on the extra work. Where will they come from?"

- Chris Parrott, BESTrustees

Observers say holdups are being felt around the data reconciliation and legal review processes that must happen before a PRT deal can be complete.

Insurers need all the information they can get on the pensions of the scheme members they'll be covering. Often, however, they require more data than administrators possess. Also, the data may be stored in formats different to those preferred by insurers. These all make the data cleansing process more time consuming.

Insurers will also require schemes to undergo a legal review of the benefit specifications of their members before beginning any transaction. This process, which is carried out to ensure all policies have been properly drafted, can take a long time to complete, especially if irregularities emerge.

Guaranteed Minimum Pension (GMP) equalisation processes, which were introduced in 2018, are creating further bottlenecks as schemes rectify historical benefit inequalities.

Time lost to these issues is time that could be spent on more deals.

"Just because the broader market's growing, it doesn't mean that it's growing by the amount that it could be growing by," said Wetton.

"I know we would have completed some of these deals six months ago if it hadn't been for these capacity constraints."

Hiring more staff would seem the simplest solution to easing the human capital crunch but there are limits on what organisations can do.

Administrators may be reluctant to hire more staff in a market that shrinks with every deal they do. And insurers' ability to expand capacity is

constrained by the level of capital buffers they must maintain under Solvency II-based regulations.

As well, observers point to a shortage of available workers with suitable skillsets across the pensions industry, a factor that Milliman argued could deter more insurers entering the market.

Nevertheless, LCP has noted that insurers have hired more headcount, with around 400 people in post-transaction teams last year, an increase of 145% since 2022.

Alternative solutions are gaining greater momentum.

Remedies are widely seen in technology, with artificial intelligence expected to assume some of the routine manual work that takes up so much human resource. The PwC report said that improvements had already been made last year to shorten the time between buy-in and buyout, with agentic AI automating some of the process, and that other streamlining actions had been taken, including better pre-planning by stakeholders, more effective project management and greater willingness by insurers to take on the data reconciliation and GMP equalisation processes.

LCP pointed, also, to the templating of smaller transactions as an example of insurers making the de-risking process more efficient and enabling more schemes to reach their end goals.

Bottlenecks may be further relieved if the surge of PRT transactions is tempered by growth in superfunds and if more schemes opt to run on as a result of the Pension Scheme Bill's proposed new rules on early extraction of surpluses.

For the time being, patience will be a necessary part of schemes' PRT ambitions.

"Everybody moans about [the situation], and there are undoubted challenges," said Parrott.

"But it's a human resources issue and you can't magically create 400, 500 people to take on the extra work. Where will they come from?"

Two Years On, PHL Variable Saga Approaches Conclusion



Author:
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In May 2024, PHL Variable Life Insurance Co and captive reinsurers Concord Re and Palisado Re were placed into rehabilitation proceedings by then Connecticut Insurance Commissioner Andrew C Mais.

Now, two years later, the saga has seemingly come to a conclusion, albeit not one that some in the life settlement market were hoping for.

That's because PHL Variable is now entering the liquidation process; most of the investors who intervened in the original rehabilitation proceedings saw their active participation in the litigation conclude as of the beginning of May.

The Rehabilitator determined that rehabilitation would ultimately leave over-the-cap policyholders worse off than a formal liquidation, which at least triggers a payout from the Connecticut State Guaranty Association. For institutional investors who viewed these policies as high-value assets, however, the statutory safety net is largely symbolic.

will be impacted by the PHL liquidation but there is, arguably, a bigger picture for the life settlement market overall because at an industry level, for the first time, the space can no longer claim that every policy it ever owned has not paid in full upon maturity because of an insolvent life insurance company.

That claim was used historically to illustrate just how strong life insurers are as risk counterparties to an investment, and it can be used no longer. Institutional investors looking at a life settlement allocation currently might, therefore, be forgiven for seeing this news and hitting the pause button.

But life carrier failures are few and far between and there exists plenty to support any claim that the PHL Variable situation is not one that might repeat or spill over into contagion.

An analysis of the 2024 statutory filings of 42 life insurance companies targeted by life settlement investors by insurance asset management firm, Conning, in its *2025 Strategic Study, Life Settlements: A Pause for Now* found that the average risk-based capital (RBC) - a measure of an insurer's financial strength developed by the NAIC - had a weighted average RBC level of 463%.

This was higher than the 434% for life insurance industry as a whole, and significantly above the 200% authorized control level capital (ACLCL) level, the level at which a state regulator may consider taking action to address an insurer's solvency. Not one carrier was below the 200% threshold in Conning's report.

There are other reasons why what seems like a bad headline is not an industry-wide risk when you read the whole story.

First, active life settlement portfolio management best practice suggests that investors diversify by many criteria, to specifically guard against overexposure to any one risk.

"It's common in life settlement portfolios to have limits on concentrations across a range of factors, such as the age of the insured, gender, their life expectancies, policy size, medical conditions," said Chris Conway, Managing Director at Vitaro Group.

"Insurance carriers are another category, and even within that, life settlement portfolio managers look at credit ratings of the carriers and the states they do business in, so a typical portfolio would

"The transition from rehabilitation to liquidation triggers the involvement of the state guaranty fund system, but it brings a rigid ceiling to investor recovery... the statutory limit for death benefits is generally fixed at \$300,000 in most states. It's a vital backstop for individual consumers, but for the life settlement market, it is a drop in the ocean"

- Brian Casey, Troutman Pepper Locke

"The transition from rehabilitation to liquidation triggers the involvement of the state guaranty fund system, but it brings a rigid ceiling to investor recovery," said Brian Casey, Partner at Troutman Pepper Locke.

"Under the NAIC's *Life and Health Insurance Guaranty Association Model Act*, which was developed well before there was an active life settlement market, the statutory limit for death benefits is generally fixed at \$300,000 in most states. It's a vital backstop for individual consumers, but for the life settlement market, it is a drop in the ocean."

Individual investment firms holding PHL policies

have multiple layers of diversification by carrier.”

Other developments in the past decade or so mean that counterparty risk in the life settlement market is lower now. Litigation and regulation around ‘STOLI’ – stranger-originated life insurance’ – policies in the past decade means that specific practice is essentially consigned to history now, and other trends, such as improvements in underwriting by insurers and the implementation of suitability checks mean that an underwriter which might have missed that 20 seniors in the same zip code were all buying \$10m policies funded by the same premium finance company back in 2004 would not do so now.

“It’s common in life settlement portfolios to have limits on concentrations across a range of factors, such as the age of the insured, gender, their life expectancies, policy size, medical conditions... Insurance carriers are another category, and even within that, life settlement portfolio managers look at credit ratings of the carriers and the states they do business in, so a typical portfolio would have multiple layers of diversification by carrier”

- Chris Conway, Vitaro Group

And the implementation of Actuarial Guideline (AG) 55 - designed to provide regulators with much more transparency into the asset adequacy of offshore asset-intensive reinsurance structures, in turn forcing a fundamental shift in how cedants report risk – means that any offshore asset-intensive reinsurance deals involving universal life insurance – the main type of life insurance seen in the life settlement market – will now be subject to greater scrutiny.

Furthermore, the broad adoption of Principle-Based Reserving (PBR) marks a fundamental shift

away from the "one-size-fits-all" formulas of the past. Unlike the static models that left older blocks of universal life insurance (like those within PHL) vulnerable to interest rate volatility, PBR requires insurers to right-size their reserves based on a company’s actual risk experience and modern economic scenarios.

Complementing this is the NAIC’s Group Capital Calculation (GCC) – a tool that provides regulators with a holistic view of the financial health of an entire insurance group, including non-insurance affiliates. By highlighting "contagion risk" from parent companies or sister captives before it reaches the policyholder level, the GCC ensures that the capital backing these policies isn’t being eroded by opaque corporate structures.

There’s no denying that the PHL Variable collapse has hurt some investors. But at a macro level, that life insurers are the main counterparty risk in the life settlement market remains one of its benefits.

“Institutional investors with life settlement allocations – or those looking at making them - might be forgiven for looking at the PHL Variable story and getting cold feet,” said Casey.

“But in terms of risk counterparties to an investment strategy and/or asset class, US life insurers are almost as good as it gets. The industry is well capitalised, well run, and regulatory financial solvency developments in recent years, both in the US and offshore, have added to that strong foundation.”

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Chronic Disease Onset and Cumulative Exposure: Clinical, Prognostic and Underwriting Implications



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“Diagnosis is the clinical identification of a disease, but it rarely marks its true biological start. Many chronic conditions, like type 2 diabetes or atherosclerosis, develop silently for years before symptoms or tests reveal them”

Aging is a multifactorial biological process marked by declining physiological function and increased susceptibility to disease. Over time, structural and functional changes across organ systems reduce resilience and impair homeostasis, which is the body’s ability to maintain internal stability. This deterioration impacts the rising burden of chronic conditions such as cardiovascular disease, diabetes mellitus, chronic kidney disease, neurodegenerative disorders, and cancer.^{1,2}

While these non-communicable diseases have traditionally been linked to older age, this pattern is shifting. Increasing evidence shows earlier onset, driven by modern lifestyle and environmental factors including obesity, physical inactivity, calorie-dense ultra-processed diets, chronic stress, social behaviors, and environmental pollutants.³

Consequently, conditions once seen in later life are commonly diagnosed in individuals in their 30s and 40s, and sometimes earlier. Chronic disease is a progressive process, not a single event. The age at diagnosis determines the duration of exposure to harmful biological stress, which in turn impacts disease progression, complications, and life expectancy.⁴

Understanding Diagnosis in Chronic Disease

Diagnosis is the clinical identification of a disease, but it rarely marks its true biological start. Many chronic conditions, like type 2 diabetes or atherosclerosis, develop silently for years before symptoms or tests reveal them. This gap is critical: two patients may look identical at diagnosis, but their long-term outcomes will differ based on how long the disease was active before detection.

Biological Hallmarks of Aging and Disease Development

Aging can be understood through twelve biological hallmarks, which broadly unfold across three phases of decline.

The process begins with the primary hallmarks, representing the initial sources of damage.

Over time, the genome becomes unstable and gene expression is altered (epigenetic changes), while telomeres—the protective ends of DNA—gradually shorten.

At the same time, the body’s ability to maintain protein integrity (proteostasis) declines, and cellular waste clearance mechanisms such as autophagy become impaired. As damage accumulates, the body activates antagonistic hallmarks—adaptive responses that are initially protective but ultimately harmful.

Nutrient-sensing pathways become dysregulated, mitochondrial function deteriorates, and stressed cells enter a state of cellular senescence. These senescent cells persist and release pro-inflammatory factors, disrupting surrounding tissues.

Finally, the integrative hallmarks reflect system-wide failure. Persistent inflammatory signaling (“inflammaging”) and gut microbial imbalance (dysbiosis) emerge, while regenerative capacity declines due to stem cell exhaustion. At the same time, intercellular communication becomes impaired. Together, these changes culminate in the development and progression of

“The concept of duration of exposure is central to understanding the difference between early and late diagnosis. Chronic diseases exert their harmful effects gradually...When a disease is diagnosed at a younger age, the body is subjected to these damaging processes over a much longer period”

chronic diseases seen in clinical practice.⁵

Disease-Specific Pathophysiology

Diabetes Mellitus: Diabetes acts as a potent accelerator of aging by disrupting nutrient-sensing pathways and impairing mitochondrial function. Chronic hyperglycaemia drives oxidative stress and the formation of advanced glycation end-products, damaging cellular energy systems. This metabolic imbalance promotes chronic inflammation and cellular senescence, contributing to endothelial dysfunction and microvascular injury. When onset occurs early, prolonged exposure to these processes markedly increases the lifetime risk of cardiovascular and neurological complications.⁶

Hypertension: Chronic hypertension exerts sustained mechanical stress on the vasculature, leading to epigenetic changes and disrupted intercellular signaling. This accelerates arterial stiffness and left ventricular hypertrophy—changes typically associated with aging but occurring prematurely. Early-onset hypertension effectively advances cardiovascular aging, extending the duration of vascular injury and significantly elevating the long-term risk of stroke and myocardial infarction.⁷

Chronic Kidney Disease (CKD): CKD reflects the kidney’s vulnerability to impaired protein maintenance and mitochondrial dysfunction. Driven by conditions such as diabetes and hypertension, ongoing stress leads to glomerular damage, fibrosis, and reduced regenerative capacity, consistent with stem cell exhaustion. Persistent inflammation and oxidative stress further amplify injury.

When these processes begin earlier in life, renal decline progresses over a longer period, increasing the likelihood of reaching advanced disease stages⁸

Cancer: Cancer arises from cumulative genomic instability and telomere attrition. While risk increases with age, factors such as obesity, metabolic dysfunction, and chronic inflammation accelerate this trajectory. Pro-inflammatory signaling, including that from senescent cells, creates an environment that weakens immune surveillance and cellular repair. When these processes are initiated earlier—through environmental or systemic influences, the window for malignant transformation expands, often resulting in earlier and more aggressive disease.⁹

Duration of Exposure as a Determinant of Disease Impact

The concept of duration of exposure is central to understanding the difference between early and late diagnosis. Chronic diseases exert their harmful effects gradually, through continuous exposure to pathological processes such as hyperglycemia, hypertension, dyslipidemia, and chronic inflammation.

When a disease is diagnosed at a younger age, the body is subjected to these damaging processes over a much longer period. For instance, an individual diagnosed with a metabolic condition at the age of 35 may live with the disease for four to five decades, whereas someone diagnosed at 75 may experience only a decade of exposure.^{10,11}

This extended duration allows for the accumulation of biological damage across multiple organ systems. Vascular injury progresses, metabolic dysfunction becomes entrenched and compensatory mechanisms gradually fail. Over time, this leads to a higher likelihood of complications and more significant impairment of physiological function.

In contrast, when diagnosis occurs later in life, the shorter duration of exposure limits the cumulative impact of these processes. In such cases, the natural aging process itself often becomes the dominant determinant of mortality, reducing the relative contribution of chronic disease.

Early-Onset Treated Chronic Disease vs. Prolonged Untreated Chronic Disease

Early intervention in chronic disease significantly reduces all-cause and

“The distinction between early and late diagnosis extends beyond clinical medicine into the domains of insurance and life settlements, where life expectancy serves as a critical input for decision-making. In these contexts, age at diagnosis is not merely a descriptive variable but a key determinant of risk”

disease-specific mortality compared to prolonged untreated disease.

The clinical comparison hinges on cumulative disease burden versus the risk-benefit profile of long-term pharmacotherapy.

Prolonged Untreated Disease: Decades of unchecked pathophysiology cause a high cumulative disease burden, leading to irreversible structural remodeling, secondary multi-organ comorbidities, and a permanently elevated mortality risk. Late-stage intervention cannot reverse this damage, as the therapeutic window for disease modification has closed.

Early Diagnosis and Treatment: Early pharmacological control halts disease progression, preventing irreversible damage and conferring a long-term prognostic benefit.

Risk-Benefit Calculus: While decades of pharmacotherapy present potential iatrogenic risks such as cumulative toxicity, physiological adaptation, and age-related pharmacokinetic changes, these are vastly outweighed by the severe morbidity and mortality of unchecked disease progression.¹²

Impact on Life Expectancy

The relationship between age at diagnosis and life expectancy has been consistently demonstrated in epidemiological research. Earlier onset of chronic disease is associated with a more pronounced reduction in survival, largely due to the prolonged period during which pathological mechanisms remain active.

In the case of type 2 diabetes, for example, individuals diagnosed at around 30 years of age may experience a reduction in life expectancy of approximately 14 years. When diagnosis occurs at 40, the reduction is closer to 10 years, and at 50, it decreases to around 6 years. This gradient reflects the cumulative effect of long-term metabolic injury and the increased risk of complications such as cardiovascular disease, stroke, and renal failure.¹³

The same principle applies across other chronic conditions. Early-onset hypertension leads to decades of vascular stress, increasing the likelihood of arterial stiffness, cardiac remodeling, and cerebrovascular events. Similarly, prolonged exposure to elevated cholesterol levels accelerates the development of atherosclerosis, while early kidney dysfunction increases the risk of progressive renal decline and cardiovascular comorbidity.¹⁴

In later life, however, the impact of a new diagnosis is often attenuated. Competing mortality risks associated with aging reduce the relative influence of the disease, and the shorter duration of exposure limits the accumulation of damage.

Implications for Insurance and Life Settlements

The distinction between early and late diagnosis extends beyond clinical medicine into the domains of insurance and life settlement, where life expectancy serves as a critical input for decision-making. In these contexts, age at diagnosis is not merely a descriptive variable but a key determinant of risk.

An individual diagnosed with a chronic condition at a younger age represents a fundamentally different risk profile compared to someone diagnosed later in life, which would be deemed far more usual.

For life settlement markets, this has direct implications for policy valuation.

Earlier diagnosis may reduce projected life expectancy, thereby influencing the expected duration of premium payments and the timing of policy maturity.

Actuarial and Underwriting Perspectives on Age-Dependent Risk

Actuarial practice provides strong real-world validation of the relationship between age at diagnosis and mortality risk. Across established underwriting frameworks, a consistent pattern emerges: earlier onset of chronic disease is associated with higher assessed risk and correspondingly higher mortality

“Accurate underwriting requires the evaluation of the specific diagnosis, disease duration, risk of complication, disease management quality, and overall health in order to holistically assess long-term risk”

loadings. These assessments are typically expressed as percentage increases over standard mortality and are calibrated based on multiple factors, including disease severity, control, treatment adherence, and the presence of complications.

However, age at diagnosis remains a critical variable within these models. Industry-aligned underwriting experience indicates that, for conditions such as diabetes mellitus, individuals diagnosed in their 30s or early 40s are generally assessed with substantially higher relative risk compared to those diagnosed in later decades of life. This reflects the expectation of prolonged metabolic exposure and a greater likelihood of long-term complications. As age at diagnosis increases, the relative mortality impact tends to decline, consistent with shorter disease duration and reduced cumulative damage.¹⁵

Role of Screening and Early Detection in Chronic Disease Risk

Screening identifies chronic metabolic conditions, such as diabetes, hypertension, and dyslipidemia in preclinical stages, enabling timely intervention and reducing long-term complications. Due to rising early-onset disease, current guidelines recommend earlier screening: diabetes screening at age 35 (or earlier with risk factors like family history, obesity), blood pressure monitoring from early adulthood, lipid screening by the third decade. Clinically, early detection minimizes cumulative physiological damage. For underwriting, this facilitates better risk stratification, although it may artificially extend the perceived duration of the disease.¹⁶

Conclusion

The timing of a chronic disease diagnosis dictates its clinical and financial risk trajectories. Early-onset disease results in greater cumulative damage, higher complication rates, and reduced life expectancy due to prolonged exposure, whereas late-onset disease involves shorter exposure and competing age-related risks. Consequently, accurate underwriting requires the evaluation of the specific diagnosis, disease duration, risk of complication, disease management quality, and overall health in order to holistically assess long-term risk.

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Q&A

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No longer a back-office function, pensions administration has become a pivotal strategic driver for UK schemes eyeing the endgame. Greg Winterton spoke to Daniel Taylor, Client Director at Trafalgar House, to explore the essential priorities for trustees navigating the complex path toward de-risking.

GW: Daniel, let's start with schemes that are on or near the start line in their de-risking journey. Insurers are becoming more selective about which schemes they choose to price. What are a couple of administrative 'red flags' that you believe would cause an insurer to decline a quote for a scheme, and what should trustees do to remediate them before they approach the market?

DT: It's quite rare for an insurer to outright refuse to quote, but where administration isn't in good shape you do start to see uncertainty creep in. That tends to come through in pricing, or sometimes a more general question about whether the scheme is ready to transact.

Data is always the obvious starting point, but I'd say rule readiness is often the bigger pressure point. We still see schemes working through equalisation, underpins, historic quirks in the rules, and in some cases a disconnect between what the rules say and how benefits have actually been administered over time. That's where things can get heavy quite quickly, because you move into full rectification territory.

And the reality is, you can't really separate the two. If you're not confident the rules have been applied consistently, it's quite hard to say the data is sound.

It's rarely about one party getting it wrong. Most of this comes from years of change, layering and well-intentioned decisions that build complexity over time. But it does mean trustees need to start earlier than they think. Get under the bonnet of the benefit specification, challenge historic practice, and don't

assume these issues will be easier to deal with once you're mid-transaction. They usually aren't.

GW: The Pensions Regulator is increasingly focused on trustee knowledge and administrative oversight. How is this impacting a scheme's readiness for a de-risking solution – have you noticed? What should they be asking for beyond the standard "SLA percentage" charts to truly understand their scheme's readiness?

DT: I think it's nudging trustees in the right direction, to be honest. There's a bit more curiosity now, and a willingness to look beyond the headline numbers.

SLA charts are useful, but they only tell you so much. You can have strong SLA performance and still have quite a bit sitting underneath that could slow you down later. Things like older unresolved cases, areas where calculations rely on manual workarounds, or where the benefit specification hasn't been properly revisited for a while.

Those are the conversations trustees should be having. Not just "are we on time?" but "what's still sitting there that could trip us up?" and "how confident are we in the way benefits are actually being calculated today?"

It's less about speed and more about control, I think. If you're heading towards buy-in or buy-out, you want a clear line of sight on what's been done, what hasn't, and what that means in practice.

Continued on next page...

GW: Research shows that three-quarters of professional trustees experience delays of six months or more when moving from buy-in to buy-out. What are the 'hidden' data gaps trustees need to be conscious of now so that they can avoid a multi-year limbo after the buy-in deal is signed?

DT: It's interesting, because the focus naturally goes on getting the buy-in over the line. And in a busy market, with limited resource, that's understandable. But it does mean the buy-out phase can lose a bit of momentum.

What tends to get pushed back are the less visible pieces of work. Benefit specification reviews, follow-up on known data issues, historic rule checks, things that aren't urgent until suddenly they are.

We often see recommendations made quite early on that don't get picked up at the time. Not for bad reasons, just competing priorities. But then they resurface right in the middle of the transaction window, when everyone is already stretched.

That's where delays really build. It's not usually that the issues weren't known, it's that they were parked.

So, the simple answer, even if it's not always the easy one, is to start earlier and keep chipping away at it. Treat that preparation work as part of the journey, not something to squeeze in at the end.

GW: The transition from buy-in to buy-out can result in a temporary drop in service levels or digital functionality for members. What should trustees do to ensure that scheme members' 'human' experience, particularly for complex queries, doesn't deteriorate once the trustee board steps away?

DT: This is one that doesn't always get the airtime it probably deserves.

There's often a lot of focus on the transaction itself, but less on what the experience actually looks like for members afterwards. Who are they speaking to? How are queries handled? What changes in practice?

I think trustees need to get much closer to that detail during the selection process. Not just "have you worked with this insurer before?", but how the operational relationship will actually function day to day. How data flows, how queries are handled, how complex cases are picked up.

And I'd bring the administrator into that conversation much earlier. They're the ones who understand how things really work in practice,

and too often they're left to pick things up after the decision has been made.

There's a cost to doing that work upfront, but it's usually worth it. You protect the member experience, and you avoid a lot of friction later on.

GW: Lastly, Daniel, looking ahead - what is the key message for DB pension trustees that are looking to de-risk in the next few years with regards to their current and future administration setup?

DT: Demand is high, resource is tight, and that doesn't look like changing any time soon. So, the main message is really about getting ahead of it.

There's some good guidance emerging now, particularly from PASA, around how to approach the journey in a more structured way. But it only really works if you start early and make proper use of the people around you.

That includes your administrator. Bring them into the conversation, ask the awkward questions, get their view on what's going to be difficult and where the pressure points are. They see the detail day in, day out.

The schemes that tend to move more smoothly are the ones that treat administration as part of the strategy, not something sitting off to the side. It sounds simple, but it does make a difference.

Daniel Taylor is Client Director at [Trafalgar House](#) and a Non-Executive Director of [PASA](#)

Will the US Asset Intensive Life Reinsurance Market Continue Recent Growth Spurt?



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The asset intensive life reinsurance (AILR) market in the US got its start in the aftermath of the Global Financial Crisis; the reduction in interest rates and regulatory changes made fixed deferred annuity books less palatable to hold on life insurance company balance sheets, with reinsurers offering a more fitting home for these liabilities.

But in the past almost 20 years, the global AILR market has now grown to an all-time high of approximately \$160bn in 2025, according to new data published by broker, Guy Carpenter.

The aggregate value has risen in each of the last four years, a recovery since a steep drop-off from 2021 to 2022. But what's more notable about the data is that third-party capital – essentially, alternative asset manager-owned reinsurers - now accounts for approximately one-third of the total, more than double the levels from 2022.

US capital markets investors in particular are keen to tap into the 'permanent capital' that the life and annuity market provides, and these structures are enabling them to direct this capital into private assets they originate themselves or access via partnerships with other asset management firms.

started to see more complex liabilities being traded in the US marketplace – products such as universal life with secondary guarantees where you have more policyholder behaviour risk, variable annuity transactions which bring market risk and demographic risk and long-term care related transactions which involve longevity risk. The complexity of the underlying liabilities has changed significantly. More complex liabilities require greater due diligence and understanding of the risks associated with that," he added.

One would assume that this added complexity would be something of a speed bump on the road to growth but that doesn't seem to be the case here. And neither is the new actuarial guideline AG 55, which has been designed to provide regulators with more transparency into the asset adequacy of offshore AILR structures, which in turn forces a fundamental shift in how cedants report risk.

One of the features of AG 55 is the new attribution analysis, a mandatory disclosure designed to bridge the gap between US statutory reserves and offshore levels. It provides a step-by-step breakdown of reserve decreases that attributes changes to specific factors like discount rates, mortality assumptions, and policyholder behaviour to ensure transparency in cross-border capital relief.

The initial filing deadline was at the beginning of April, and whilst it might be too early to tell what kind of impact this new requirement might have on the US market generally, activity in the space hasn't been notably affected yet.

"This first round of AG55 is really information gathering. As counterparties provide information, like anything, the regulators look and assess – "Is there something we weren't aware of and do we have to do something?" It's hard to tell right now exactly what will change, but it hasn't dampened any transactions to date and clients we speak to view it as good governance, something that is just the normal course of business," said De Haan.

In the UK pension risk transfer market, there has emerged something of a systematising of transactions in the smaller end of the market. Both life insurers and brokers now have something of an 'off-the-shelf' solution that is helping get more deals over the line.

That's not something that is likely to happen in the AILR space, however. The transactions are not

"There are a couple of components that are new-ish in the market. First is the tremendous volume of new capital coming into a market where there are finite liabilities to reinsure... Also, in the last three to four years, we've started to see more complex liabilities being traded in the US marketplace"
- Richard De Haan, PwC

But they, and the traditional reinsurers, are working in a different environment now than the one that began around 2008-09.

"There are a couple of components that are new-ish in the market. First is the tremendous volume of new capital coming into a market where there are finite liabilities to reinsure. That creates a demand and supply conundrum that influences pricing dynamics," said Richard de Haan, Global Risk Modelling Services Leader at PwC in New York.

"Also, in the last three to four years, we've

only complex, but the market doesn't really have a 'smaller end' in the same way that the PRT space does.

Add to that the fact that regulators are already involved in many stages of the transaction, and it becomes clear that the 9–12-month timeframe that this market frequently sees is not changing any time soon.

“One of the biggest challenges for folks in the marketplace is finding skilled people who understand the insurance market and the ecosystem, and the nuances of structured vehicles involved in insurance... Regulations, proper risk management, accounting, etc all cost money. If you don't have scale, it's very hard to be in this business and generate a decent enough return to stay in it”

- Richard De Haan, PwC

“There are just so many different permutations of these structures – they're influenced by the underlying block of business, the jurisdiction and the relationship between different counterparties. It's not one cedant to one reinsurer – often, three or four counterparties are involved. And then you have to seek approval from various regulators – the reality is that getting approvals from the board and management, and the regulators, particularly if they involve offshore structures, takes time,” said De Haan.

In a market that is complicated, where transactions take time, and where participants need to be large enough to absorb, then, what is the potential for growth to be as strong as it has been in recent years? After all, most of the large alternative investment firms in the US already participate

in some way, shape or form and there is a finite amount of business that can be ceded.

That doesn't mean that others might not have their eyes on trying to take a slice of the pie. But for any potential new entrants who might see a rising tide, there are two hurdles that are likely to be difficult to overcome for their boat.

“Sometimes it does seem like everyone wants to find a permanent capital source. But one of the biggest challenges for folks in the marketplace is finding skilled people who understand the insurance market and the ecosystem, and the nuances of structured vehicles involved in insurance,” said De Haan.

“Regulations, proper risk management, accounting, etc all cost money. If you don't have scale, it's very hard to be in this business and generate a decent enough return to stay in it. We're already starting to see activity around consolidation in the US where M&A is being driven by the need to compete and the recognition that scale has to be at the heart of the strategy. And protecting the policy holder is the primary governance gate – a cedant is not going to choose the counterparty that simply gives the best price because the risk ultimately still sits with the cedant. New entrants would need other levers than just price to compete. That's difficult.”

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