Longevity & Mortality Investor

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Dutch Longevity Risk Transfer Market Growing as Pension Scheme Transition Deadline Boosts Deal Activity

The Pursuit of Everlasting Life Unlikely to Shift Actuarial Models

New Data Shows Typical Life Settlement Covers the Average Cost of Long-Term Care

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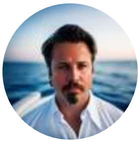

Chris Wells
Managing Editor
Longevity & Mortality Investor

Industry group the **Life Insurance Settlement Association (LISA)** recently published the results of its 2025 Annual Market Data Survey. *Greg Winterton* spoke to **Bryan Nicholson**, Executive Director at **LISA** and **Rob Haynie**, Managing Director at **Life Insurance Settlements** and current LISA Chair to get their views on this year's results and the potential impact of the life settlement market on American seniors, in *New Data Shows Typical Life Settlement Covers the Average Cost of Long-Term Care*.

Three recent sizeable insurer-to-reinsurer longevity-risk transfer transactions in the Netherlands have highlighted the growing use of the de-risking tool by insurers as the Dutch pension market undergoes a profound transition. *Mark McCord* spoke to **André de Vries**, Vice President, Business Development, EMEA at **Reinsurance Group of America** and **Martin Bird**, Senior Partner at **Aon** to get their thoughts on the current state of the space in *Dutch Longevity Risk Transfer Market Growing as Pension Scheme Transition Deadline Boosts Deal Activity*.

A flourishing community of online influencers is attracting adherents with the promise of 'lifehacks' and 'biohacks' that they claim can turn back the clock on aging. *Mark McCord* spoke to **Guy Coughlan**, Chief Operating Officer at **Clota Varde**, and **Stuart McDonald**, Partner at **Lane Clark and Peacock**, to get their thoughts on whether these approaches could ever impact mortality curves in *The Pursuit of Everlasting Life Unlikely to Shift Actuarial Models*.

From ageing populations and rising chronic disease, to the growth of personalised digital health solutions, **Jessica Plewes**, Senior Director, Insurance Consulting and Technology and **Lisa Balboa**, Senior Director, Insurance Consulting and Technology at **WTW** explore how analytics is tackling health insurance's biggest challenges and what this means for the insurer of the future in *Shaping the Future of Health Insurance Through Innovation and Analytics*, a guest article.

A recent report from **Fitch Ratings** says that the firm expects continued life insurance consolidation activity due to a steady transaction pipeline, insurers' appetite to deploy capital into acquisitions, and the increasing use of innovative deal structures. *Greg Winterton* caught up with **Dr. Christoph Schmitt**, Director, Insurance at Fitch Ratings to learn more about the outlook for consolidation activity in the German life insurance market in this month's *Q&A*.

Recent regulatory and macroeconomic developments are set to drive increased options for capital markets investors to work with the Japanese life insurance industry. *Greg Winterton* spoke with **David Wang**, Principal and Consulting Actuary at **Milliman**, to get his views on the outlook for additional asset-intensive reinsurance activity in the world's third largest life insurance market in *Japanese Life Insurance Industry Offering the Capital Markets Plenty of Opportunities*.

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

New Data Shows Typical Life Settlement Covers the Average Cost of Long-Term Care

Author:
Greg Winterton
Contributing Editor
Longevity & Mortality Investor

The 'Peak 65' zone that began in 2024 and runs through 2027 will see more than 4 million Americans turn 65 - over 11,000 every day.

Some of those people will need long-term care, which, according to the Milliman Long Term Care Index, will cost the average American senior $135,000 from age 65 through the remainder of their lives. In some states, such as New York and California, this figure increases to $266,000.

And some of those will have a life insurance policy which qualifies for a life settlement, for which the average payout, according to new data from Washington, D.C.-based industry group the Life Insurance Settlement Association (LISA), was $212,066, which would cover the average cost in most states.

Bryan Nicholson, Executive Director at LISA, says that this illustrates what LISA says is one of the main benefits of its industry to consumers.

> **"There are a range of reasons why someone may choose to complete a life settlement transaction, and the reality of later-life care costs is increasingly one of them...Many policyholders reach a point where the original need for the coverage has changed, or the policy itself no longer aligns with their financial priorities. Selling a policy they no longer want or need can create meaningful liquidity without forcing someone to draw down other assets to fund those costs" - Bryan Nicholson, LISA**

"There are a range of reasons why someone may choose to complete a life settlement transaction, and the reality of later-life care costs is increasingly one of them," he said.

"Many policyholders reach a point where the original need for the coverage has changed, or the policy itself no longer aligns with their financial priorities. Selling a policy they no longer want or need can create meaningful liquidity without forcing someone to draw down other assets to fund those costs."

LISA has been carrying out its market member survey annually for the past five years; its licensed life settlement provider members supply anonymised data to the organisation which it then aggregates for publication.

The data this year shows growth in the number of transactions (2955 vs 2699 in 2024), the underlying policy value represented in these transactions ($3.7bn vs $3.4bn), the aggregate net amount paid to consumers ($626,654,490 vs $601,356,870) and the multiplier of the average settlement amount vs the cash surrender value of a policy (8.71 vs 6.65).

The latter figure is one that the life settlement market uses frequently to emphasise the difference that selling a policy on the secondary market can have to a policyholder.

Industry group the American Council of Life Insurers (ACLI) publishes its annual *Life Insurers Fact Book* in or around November each year, which contains data through the end of the prior year.

In 2024, the most recent year for which data is available, the combined termination rate of individual life insurance policies issued by US carriers when measured by face value was 5.8%, the highest in at least ten years. But when measured by the number of policies, that figure rose to 7.9%.

Not every policy qualifies for a life settlement but given that 134 million individual policies were in force at the end of 2023, with a face value of approximately $14trn, the amount of money being left on the table by American policyholders is undoubtedly enormous.

Add to that the fact that for those who surrender their policy back to the carrier for the cash surrender value, and the frustrations in the life settlement market that more consumers are not aware of the life settlement option become amplified.

"An 8.71 multiplier over the cash surrender value illustrates just how much more a policyholder may be able to recover through the secondary market rather than surrendering a policy back to the insurance company," said Rob Haynie, Managing Director at Life Insurance Settlements and current Chair of LISA.

Life settlement market participants say that the 7.9% lapse rate reflects as much a

misunderstanding of what a life insurance policy is as well as not knowing it can be sold. Policyholders view their premiums as an expense so when those premiums rise, as they often do with Universal Life policies (the main type of policy seen in the life settlement market), the American senior sees a bill they can no longer justify as opposed to an asset that might have a resale value.

"The industry has made substantial progress in recent years, and awareness continues to improve among both consumers and financial advisors. Over the past five years, LISA members have returned roughly $3bn more to consumers than those same policyholders would have received through surrender. As more people better understand that a life insurance policy may have market value, more policyholders will be in a position to make fully informed decisions that can have greater financial benefit for themselves and their families"
- Rob Haynie, Life Insurance Settlements

That means that it's treated more like a cancelled subscription rather than what it actually is, which is personal property, which makes the awareness challenge a double-edged sword for the life settlement industry.

"Our awareness efforts are centred around both highlighting that selling a life insurance policy is possible and helping consumers understand how the process works," said Nicholson.

"Like many significant financial transactions, life settlements involve consumer protections and disclosures. As awareness grows, helping consumers and advisors better understand the process will continue to be an important long-term focus for the industry."

As the 'Peak 65' surge continues through 2027, the demand for liquidity to fund everything from long-term care to a deposit for a house for a senior's children, for college tuition to just taking a few (very nice) vacations has never been higher.

The market will find out the lapse rate from 2025 towards the end of the year when the ACLI publishes the next edition of its *Life Insurers Fact Book*. It is very unlikely to be zero, which, for Haynie, is exactly the reason why the life settlement market needs to continue its educational efforts.

"The lapse rate will never be zero, and not all policies qualify for a life settlement, but the level it remains at does suggest a significant awareness gap," he said.

"The industry has made substantial progress in recent years, and awareness continues to improve among both consumers and financial advisors. Over the past five years, LISA members have returned roughly $3bn more to consumers than those same policyholders would have received through surrender. As more people better understand that a life insurance policy may have market value, more policyholders will be in a position to make fully informed decisions that can have greater financial benefit for themselves and their families."

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Dutch Longevity Risk Transfer Market Growing as Pension Scheme Transition Deadline Boosts Deal Activity

Author:
Mark McCord
Contributing Editor
Longevity & Mortality Investor

Three recent sizeable insurer-to-reinsurer longevity-risk transfer (LRT) transactions in the Netherlands have highlighted the growing use of the de-risking tool by insurers as the Dutch pension risk transfer (PRT) market undergoes a profound transition.

In February, Pacific Life Re completed a €1.3bn longevity swap deal with Aegon Levensverzekering that covered a portion of pensions included in a un-named defined benefit (DB) scheme's buy-out. A month later, Achmea and Achmea Pension & Life signed off on two longevity hedges totalling €8bn with Munich Re and Pacific Life Re.

They are the latest in a slew of Dutch LRT transactions that have accelerated in the past few years. Since 2019, about a dozen deals have been struck with a combined value of €78bn, compared with six worth around €46bn in total between 2012 and 2017.

> **"While not all Dutch longevity transactions are publicly disclosed, these figures provide a strong indication of the overall scale and sustained growth of the market"**
> **- André de Vries, RGA**

"While not all Dutch longevity transactions are publicly disclosed, these figures provide a strong indication of the overall scale and sustained growth of the market," said André de Vries, Vice President, Business Development, EMEA at Reinsurance Group of America.

The growth of PRT – and its consequent boost to LRT transactions – in the Netherlands has been spurred by a number of factors.

PRTs in the Netherlands have been steadily increasing since the government passed the Futures of Pensions Act – or Wet Toekomst Pensioenen (WTP) – in 2023, mandating DB schemes to move the burden of risk from sponsors and into defined contribution (DC) and other market-dependent structures by January 1, 2028.

Such switches are costly in terms of administration and meeting regulatory obligations. That has convinced many trustees to side-step the process and offload their schemes to insurers through bulk purchase annuity (BPA) deals. As well, forecast performance and volatility in the capital markets in which DC schemes invest has led administrators to opt for the safety of guaranteed member payouts offered by annuitised policies.

As a result, the volume of Dutch pension longevity risk on the books of insurers has swollen.

According to reports, the accumulated value of buy-outs is estimated at between €20bn and €30bn. In an article published by the Dutch prudential supervisor DNB, €7bn of pension buy-outs were executed in the Netherlands between Q2 2023 and Q3 2025, bringing the aggregate value of insurers' pension schemes to €230bn, or 15% of total pension provisions in the nation.

That has offered rich pickings to reinsurers who have increased their presence in the Dutch market. However, breaking into this sector requires scale.

"If you're a reinsurer wanting to write this risk, it involves quite an investment in time and therefore cost to figure out how you underwrite it, you want a big enough pipeline to make it worthwhile," said Martin Bird, Senior Partner at Aon in the UK.

LRT transactions are attractive to insurers, too, because they are capital efficient. Under Solvency II (SII), insurers must maintain a level of capital buffers against the risks they hold. The more risk they can offload in LRT deals, the more capital it frees for them to transact more business.

"Basically, it just shrinks your capital obligation. And if you've got to write new buy-out business, you've got to have capital available," Bird said.

"Insurers are generally freeing up capital and they're doing it because they're looking at what's going on in the pensions market and seeing a growing impetus or demand for PRT solutions. They're freeing up capital in anticipation of that business, which they expect to come down the track over the next few years."

The outlook for LRT deals is strong as the PRT market that has fuelled its growth in recent years expands.

For a start, LRT pricing has become more attractive as more deals have been struck, creating a virtuous circle that has enabled insurers to offer better pricing for PRT transactions. That, in turn, has increased the likelihood of more schemes

moving to buy-out.

Further, reinsurers' experience in the much larger UK PRT and LRT markets has also given them the expertise to broaden their coverage. Until recently, LRT deals were confined to in-payment scheme members. Now, reinsurers are able to price for deferred members.

"The reinsurance market has got a lot more comfortable with this," said Bird.

"The market has figured out how to do all of that and therefore is pricing it much more efficiently."

While the Dutch LRT market is expected to continue flourishing as PRT transactions accelerate up to the WTP cut-off date, deals are likely to continue beyond that.

> **"The global reinsurance market is super keen on Dutch risk – they want to write longevity risk because it's different to the UKs. It's a diversifier" - Martin Bird, Aon**

WTP allows for DB schemes to continue in their present format so long as they no longer accrue DB pension benefits. This gives them more time to consider their end-game options, but it also means their assets and liabilities can only get smaller as members die.

"At some stage, these funds need to decide on their long-term future – before they become too small to continue independently," said de Vries.

"As a result, we expect pension buy-outs in the Netherlands to continue beyond the WTP cut-off date."

Bird is also confident that the Dutch LRT market will offer an attractive diversification opportunity for global reinsurers that have capitalised on market growth overseas.

"The global reinsurance market is super keen on Dutch risk – they want to write longevity risk," he said.

"They have plenty of UK risk already on the balance sheet. They do want more UK risk, but the Dutch risk is good because it's different to the UKs. It's a diversifier."

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The Pursuit of Everlasting Life Unlikely to Shift Actuarial Models

Author:
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Longevity & Mortality Investor

A flourishing community of online influencers is attracting adherents – and millions of dollars from paying subscribers – with the promise of 'lifehacks' and 'biohacks' that they claim can turn back the clock on aging.

From extreme dieting and exercise to swallowing cocktails of supplements and pills or undergoing regular blood transfusions, they espouse experimentation with a range of treatments that they say could help them not only live significantly longer – but forever, maybe.

Discerning fact from fad isn't hard in many of the cases; regular exercise, good nutrition and plenty of sleep, which are regularly prescribed by these digital influencers, are scientifically proven to improve health and increase the chances of extending lifespans, and just as importantly, health spans.

"Many of the various treatments that you find in longevity clinics, and in certain longevity-related gyms, do not have a lot of hard clinical evidence behind them... Some of them have some anecdotal evidence that they deliver positive benefits, but others are completely unproven and experimental"
- Guy Coughlan, Clota Varde

But is the behaviour that these online gurus are encouraging likely to attract the attention of actuaries looking for signals into future longevity and mortality rates?

Unlikely – at least, for now.

"Many of the various treatments that you find in longevity clinics, and in certain longevity-related gyms, do not have a lot of hard clinical evidence behind them," said Guy Coughlan, Chief Operating Officer of corporate finance advisory firm Clota Varde.

"Some of them have some anecdotal evidence that they deliver positive benefits, but others are completely unproven and experimental."

A research paper written in October 2024 by academics including noted longevity expert Jay Olshansky of the University of Illinois stated that unless humans are able to markedly slow the process of biological aging, they are unlikely to be able to radically extend their lives.

The study examined life expectancy trends through past decades, highlighting how progress in medicine, nutrition and public health initiatives, such as the drive to end smoking, had helped to extend life expectancy with some impact on overall longevity, and in turn, actuarial models.

While the paper argued that progress has slowed and that the great strides made in the past are unlikely without new treatments, it does say that there might be a possibility of 'radical life extension' – and therefore, an impact on the all-cause mortality curve – in improving the health of low- and middle-income populations.

Stuart McDonald, Partner at Lane Clark and Peacock, agrees.

"Quite simply, if you want to drive up gains in life expectancy at a population level, at a macro level, then we would need those who are in those more deprived groups to start living lives that are a little bit more like those in the more affluent groups," he said.

"It means eating a healthy diet. It means regular exercise. It means avoiding smoking. It means limiting alcohol."

Even if the regimes suggested by online lifehackers were life extending, considering the cost of some of these treatments, however, it's likely that they would be out of reach of the populations whose longevity improvements would affect actuarial models, and hence, make little to no impact overall.

"You're not going to make a big population impact by increasing the life expectancy of the people who are already living longer lives," added McDonald.

The possibility that a human could live significantly longer isn't as far-fetched as it might seem. The paper co-written by Olshansky suggests that more humans could live to 100 if the biological aging process could be slowed, and exercise, diet and sleep all have an impact on the biological markers of aging. However, because aging impacts the body in many different ways, slowing it down requires a comprehensive strategy.

"The aging process has many manifestations – there are multiple hallmarks of aging," explained Coughlan.

"If you really wanted to attack the ageing process, you'd need either multiple treatments or a single highly efficacious treatment that would target a broad set of these ageing hallmarks. Those treatments include lifestyle factors, such as diet, exercise and sleep."

> **"If they happen to live a longer life, firstly, you won't know whether that was just random... and secondly, even if you believe that there is a genuine signal there – that the person has lived a lot longer than we might have otherwise expected – you won't know which of the many interventions they're trialling on themselves was the one that actually produced the benefit"**
> **- Stuart McDonald, Lane Clark & Peacock**

Scientific trials of drugs and other treatments show some indication they can slow the progress of some markers.

Rapamycin, a drug used to prevent rejection of transplanted organs, has been found to improve some physiological parameters associated with aging in the immune, cardiovascular, and integumentary systems of healthy individuals or individuals with aging-related diseases.

Similarly, senolytics – molecules that attack senescent cells that accumulate in the body over time – have displayed therapeutic promise for some aging-related diseases, such as respiratory and inflammatory conditions.

Another candidate for reducing the aging process and offering the potential to extend the lives of insured populations is gene therapy.

Gene therapy seeks to change the levels of so-called transcription factors, molecules that drive the aging process. One prominent lifehacker, Bryan Johnson, underwent a course of such treatment, but the concept is still largely in the trial stage.

The criticism frequently levelled against online lifehackers is that they cloud any real research into the efficacy of their activities by continuing a multiplicity of "treatments" simultaneously.

With so many interventions happening at once, it is difficult to identify which pill, which activity, or which combination of either, is responsible for any gains the lifehackers may experience in longevity.

"If they happen to live a longer life, firstly, you won't know whether that was just random... and secondly, even if you believe that there is a genuine signal there – that the person has lived a lot longer than we might have otherwise expected – you won't know which of the many interventions they're trialling on themselves was the one that actually produced the benefit," said McDonald.

Only rigorous scientific trials can make those determinations. Even if a means of extending life is found, the impact could be devastating if additional longevity isn't accompanied by a longer health span.

"Let's say we did gain 10 extra years, if they are 10 extra years in ill health, that is economically very destructive," added McDonald.

In the meantime, experts stress that the one piece of advice from lifehackers that could conclusively make a difference to actuarial assumptions is living a healthier lifestyle. That can have an impact on individual insured lives and, if successfully promoted by public health authorities, wider populations.

"If, through education and encouragement, the government could achieve these changes to lifestyle in the same way that it succeeded with the big anti-smoking campaign, that could have a significant benefit on the health of the nation," said Coughlan.

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Shaping the Future of Health Insurance Through Innovation and Analytics

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Jessica Plewes
Senior Director, Insurance Consulting and Technolog
WTW

From ageing populations and rising chronic disease to the growth of personalised digital health solutions, Jessica Plewes and Lisa Balboa explore how analytics is tackling health insurance's biggest challenges and what this means for the insurer of the future.

Global healthcare and private health insurance systems are arguably entering a period of significant strain and transformation.

Customer health needs are evolving, populations are ageing, chronic disease is rising faster than health systems can respond, and care is becoming more complex. This is placing public health systems under increasing strain in many countries. In response, customers are turning to private providers for faster access to care and ongoing support.

Health insurance in the digital age

Customers today are markedly different from traditional health insurance buyers. In this post-Covid-19 world, people are placing greater emphasis on staying healthy. They are more digital, more selective, and more focused on value. In short, they expect their cover to deliver benefits that clearly outweigh the cost. As a result, they are becoming more open to new products and propositions that address their increasingly complex care needs.

In response, insurers are leveraging digital channels across the full customer journey to attract and retain customers. This is impacting how customers purchase health insurance, how they engage with it and how they make claims. In particular, insurers are increasingly using digital channels across their well-being programmes and everyday customer interactions. AI is also being used to improve onboarding, reduce friction and tailor journeys from day one.

Digital health is also no longer limited to attracting and retaining highly active, healthy customers. Services such as virtual GP access, guided mental healthcare, physiotherapy, and smart-device nudges help insurers build ongoing relationships with customers across a wide range of health needs. Importantly, these tools also support preventive and early intervention strategies that create value for both customers and insurers.

> "Customers today are markedly different from traditional health insurance buyers. In this post-COVID-19 world, people are placing greater emphasis on staying healthy. They are more digital, more selective, and more focused on value. In short, they expect their cover to deliver benefits that clearly outweigh the cost"

These tools can improve customer health while reducing claim severity and frequency for insurers through proactive prevention and earlier intervention. These tools are also moving insurance beyond a one-size-fits-all model. The industry is shifting away from generic digital health services with low usage and limited relevance toward more personalised support tailored to customers' specific health needs. Finding ways to use AI to connect customers with relevant digital and health services helps them see more value in their cover and makes them more likely to stay with their insurer over the long term.

Analytics for profitable growth

In recent times, insurers have done well in expanding participation, but retention is now the priority. The challenge will be for insurers to hold on to the right customers – those who represent good risk – and predictive analytics will be key to achieving that.

Digitalisation is generating far more data for insurers, while personalisation relies on advanced analytics behind the scenes to determine contextually appropriate actions for different customer groups. Machine learning and other sophisticated analytics now provide more granular insights, helping insurers

to identify high-value segments that traditional one-way, two-way or linear analyses may miss.

At the same time, insurers must assess whether particular target customer groups align with their growth strategy and are likely to deliver sustainable profitability. The customer mix needs to fit with an insurer's pricing assumptions, and both business mix and claims performance should be closely monitored to ensure it is tracking in line with expectations.

This makes it important for insurers to build early warning indicators within growth segments, for example by using pre-authorisation data to provide an early view of emerging claims trends. Robust dashboards and analytics strategies will be essential to spotting warning signs early and identifying profitable opportunities to expand market share.

Proposition development is also becoming increasingly customer- and segment-specific. Women's health and metabolic health are examples of growing focus areas for targeted propositions. Products are also being shaped around distribution channels, such as digital platforms designed to appeal to younger, digitally-savvy demographics.

> "As propositions become more digitally integrated, customers are benefiting from improved access not only to insurers but also to services such as virtual GP appointments, mental health support, and online physiotherapy. Insurers are also leveraging strategic partnerships to offer these complementary health services"

As propositions become more digitally integrated, customers are benefiting from improved access not only to insurers but also to services such as virtual GP appointments, mental health support, and online physiotherapy. Insurers are also leveraging strategic partnerships to offer these complementary health services. What sets these partnerships apart is how effectively insurers are able to use these services to meaningfully support health needs of customers in a relevant and timely manner.

Data-driven innovation improving access to new treatments

Emerging medical technologies and treatments across areas such as cancer, cardiovascular disease, and neurodegenerative diseases are highly promising. However, building enough value-based evidence across a sufficiently large population takes time. Insurers need this insight to identify which customer groups benefit most relative to cost and to ensure the right treatment reaches the right customer at the right time.

In product development, supplementary riders are creating access to new technologies and treatments while helping protect the core book from rising medical inflation. Instead of offering costly new treatments across the entire portfolio from the outset, insurers can ring-fence them as optional add-ons that customers choose to buy.

This approach allows insurers to build data on outcomes, value and the cost-effectiveness of new treatments while also making them available to customers who want access without impacting the sustainability of the traditional health insurance book. As medical science becomes more personalised, diagnostics and treatments are becoming more personalised as well.

The next opportunity lies in combining personalised diagnostics and treatments with more personalised propositions enabled by AI and digital transformation. Bringing these together could help insurers develop products that put cutting-edge treatments into the hands of the customers who need them most.

Meanwhile, pricing and claims monitoring can be strengthened through more sophisticated modelling techniques, such as GBMs, and through dynamic portfolio management approaches that support innovation. Insurers also need to equip pricing teams to deploy the machine learning models they build more independently, reducing reliance on IT when new rating factors emerge.

One of the most promising areas of innovation is where pricing and claims intersect, particularly in preventive care and early intervention.

The convergence imperative for health insurers

Partnerships between insurers, digital health providers, hospitals, care

> “Partnerships between insurers, digital health providers, hospitals, care providers and technology platforms are likely to play a central role in the future of health insurance. What does that mean for a health insurer of the future? To succeed, they will need to deliver more joined-up care by bringing together the best of healthcare and technology”

providers and technology platforms are likely to play a central role in the future of health insurance. What does that mean for a health insurer of the future? To succeed, they will need to deliver more joined-up care by bringing together the best of healthcare and technology.

That will require insurers to make better use of data. Importantly, this depends on building customer trust, managing the data securely and being transparent about how it is used.

Agentic AI is another emerging force. As it begins to help customers compare and buy policies based on evolving healthcare needs, insurers may need to adapt to new technology-driven distribution channels.

The industry will also remain focused on sustainability. Because premiums need to adequately support claims, affordability for customers is a critical part of that challenge. Insurers need to grow sustainably by attracting the right customers, controlling costs, improving health outcomes and lowering claims costs over time.

A key component of this is closer collaboration with providers. Historically, this has been difficult because payors and providers have worked to different priorities and performance measures. Even so, the time is right for stronger payor-provider partnerships.

In the Middle East, for example, we are seeing a shift towards value-based healthcare and more outcomes-driven payment models. Adoption is already underway in some countries, while in the US this approach is far more established.

Insurers that stay passive will face rising loss ratios, worsening affordability and declining relevance. In contrast, those that take an active role will help define the future of global healthcare.

Lisa Balboa is Senior Director, Insurance Consulting and Technology at **WTW**

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Any views expressed in this article are those of the author(s) and may not necessarily represent those of Longevity and Mortality Investor or its publisher, the European Life Settlement Association

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Q&A

Dr. Christoph Schmitt
Director, Insurance, Fitch Ratings

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Contributing Editor
Longevity & Mortality Investor

A recent report from Fitch Ratings says that the firm expects continued life insurance consolidation activity due to a steady transaction pipeline, insurers' appetite to deploy capital into acquisitions, and the increasing use of innovative deal structures. Greg Winterton caught up with Dr. Christoph Schmitt, Director, Insurance at Fitch Ratings to take a closer look at the German life insurance consolidation market specifically.

GW: Christoph, let's start with this year. Fitch said in a report it published last December that the German market could see up to €25bn in life liabilities transacted in 2026. As we approach the halfway point of the year, how are volumes progressing? Is the €25bn figure still in the ballpark, or is it just too early to tell still?

CS: It's still too early to say for sure. At the end of 2025, Zurich announced its intention to sell its closed book, Zurich Life Legacy, which we estimate to have had total assets of €18bn at the end of 2025. But in April, Zurich said that it had not made a final decision about selling the portfolio. The market environment has changed in recent months, and they might expect improved transaction conditions. Our forecast includes this closed book, and if it would not come to market, we would reduce our estimate to about €8bn.

GW: Conventional wisdom suggests that rising interest rates make legacy books easier for primary insurers to hold. Yet, Fitch predicts consolidation will accelerate in 2026. Why aren't primary insurers choosing to keep these now-profitable books, and what is driving the urgency to offload them specifically in this higher-rate environment?

CS: A few things drive activity in the space. First, rising administrative costs, including IT migration and systems modernisation, are becoming harder to absorb against a declining number of in-force policies. These costs are high, and disposals of older blocks can also allow life insurers to sharpen their focus on new business and improve capital efficiency.

Higher interest rates actually support activity in the market. Because rates have risen, these blocks are attractive enough for a buyer, so while yes, a primary insurer can take profits from these blocks slowly over 20 years, they want to sell it to a consolidator today for a lump sum. Also, interest rates might fall at some point, so locking in the sale today makes sense.

Also, under Solvency II, these legacy portfolios remain capital-intensive despite their improved profitability. By offloading them now, primary insurers can lock in a valuation uplift and redeploy that 'trapped capital' into higher-growth, fee-based products that the equity markets value more highly.

Essentially, the opportunity to de-risk the balance sheet and simplify the corporate profile currently outweighs the tactical benefit of extracting profits in the long-term.

GW: We've seen some high-profile deals face headwinds from BaFin regarding 'owner control' and policyholder protection. From Fitch's perspective, has the regulatory roadmap for German run-offs finally stabilized, or should investors still be wary of 'execution risk' where a deal is agreed upon but fails to receive the green light?

CS: The regulator isn't anti-consolidation; they are pro-transparency. The 'execution risk' you refer to is a temporary bottleneck caused by specific ownership issues, not a structural flaw in the German run-off model. And the recent announcement by EIOPA that looks set to ensure regulators ask certain questions and analyse certain structural parts of the deal is actually going to help – it means that any future transaction is less likely to get cancelled towards the end of the process.

Continued on next page...

BaFin may be moving beyond solvency ratios to conduct a much deeper look-through assessments of the ultimate shareholders then formerly which aligns with what EIOPA is looking to regulators to do. This focus on the long-term commitment of private equity backers ensures that the operational continuity of the platform is ring-fenced from the volatility of the parent company.

This process may lengthen the initial approval timeline, but it provides a more robust, standardised framework that reduces the tail-risk of a late-stage veto.

GW: There are a couple of firms - Viridium and Frankfurter Leben come to mind - that dominate the domestic landscape. Do you expect the German market to remain a 'duopoly' of sorts, or is there room for a third or maybe even a fourth major platform to participate?

CS: It's not a duopoly but there is likely limited opportunity for others to enter in any meaningful way. To be competitive in the German life insurance consolidator market, you need almost industrial-like scale – maybe €10bn–€20bn in assets - just to cover the very high fixed costs of administration, regulatory compliance and IT. Within pension fund consolidation ("Pensionskassen"), smaller operating scale may be sufficient, albeit transaction volumes are often below €1bn and rarely exceed €5bn, making this business less attractive for international investors.

The market has moved into a state of operational maturity where incumbents benefit from significant sunk cost advantages. These established platforms have already invested heavily into proprietary IT migration tools and legal frameworks that are uniquely constructed for the German life sector. For a newcomer, the cost to participate is not only the acquisition price of a portfolio, but the capital expenditure required to build a compliant, scalable administrative engine from scratch.

Starting from zero with small acquisitions is almost impossible today. They wouldn't be able to compete on price or service.

GW: Lastly, Christoph, we are seeing a shift in how these firms manage the asset side of the balance sheet, often moving toward higher-yielding, less-liquid private assets. Do you see this investment pivot as a permanent structural change in the German market, and how does Fitch view the resulting trade-off between higher returns and increased liquidity risk?

CS: We certainly see a maturing trend where acquirers seek to increase returns by redeploying assets into higher-yielding, longer-duration, and often less-liquid investments to match their long-dated liability profiles. If a German policy is in the annuity pay-out phase, the contract can no longer be lapsed. This reduces liquidity risk for consolidators giving them some flexibility for a higher share in illiquid assets. Also, the theme is particularly evident in the US, but it is gaining traction in Europe as firms look for 'investment alpha' to offset the high costs of managing legacy guarantees.

While the long-term nature of life insurance liabilities naturally moderates liquidity risk to a certain degree, this shift does introduce new complexities into our credit analysis; we are closely monitoring the credit quality of the private credit investments and how these platforms balance the search for yield with the need for robust risk management.

As consolidators move further into private credit, infrastructure, and other alternative asset classes, the potential for concentration risk and valuation complexity increases. And we also have to consider the potential for conflicts of interest if investment decisions are perceived to prioritise affiliated fund performance over policyholder interests where applicable.

We're looking more at who has the most sophisticated internal governance to manage these increasingly complex, asset-intensive balance sheets without compromising their solvency cushions.

Dr. Christoph Schmitt is Director, Insurance at **Fitch Ratings** in Frankfurt

Japanese Life Insurance Industry Offering the Capital Markets Plenty of Opportunities

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At its April 2026 meeting, the Bank of Japan kept the country's interest rate unchanged at 0.75%, the fourth consecutive hold.

While that figure may be lower than its Western counterparts, the increases that began in March 2024 have subsequently led to more activity in asset-intensive reinsurance (AIR) transactions by the country's stock company life insurers as they look to minimise interest rate risk.

But activity in the market has also been supported by the Japanese life insurance industry's transition to a new solvency regime; 31st March this year was more than just the end of another fiscal year, it was the formal transition point to the Economic Solvency Ratio (ESR), the country's new insurance regulatory regime that requires insurers to value their assets and liabilities at current market rates. This marks a radical departure from the outgoing Solvency Margin Ratio (SMR) regime. For decades, the SMR permitted Japanese life companies to measure their long-term liabilities using a historical book-value approach.

"The new solvency requirement in Japan puts a lot of emphasis on ALM. Strong ALM can help reduce capital requirement and where ALM is difficult, AIR offers an alternative solution. For this reason, we expect that AIR will continue to be an option Japanese insurers will explore"
- David Wang, Milliman

Naturally, this impacts the balance sheets of Japanese life insurers. Under the ESR, the legacy blocks of business are now significant sources of capital volatility. For many domestic life insurers, the priority has shifted from simply holding these assets to managing the capital charges they now attract. This requires a fundamental rethink of Asset Liability Management (ALM) strategies to better align long-duration liabilities with investment portfolios.

"The new solvency requirement in Japan puts a lot of emphasis on ALM. Strong ALM can help reduce capital requirement and where ALM is difficult, AIR offers an alternative solution. For this reason, we expect that AIR will continue to be an option Japanese insurers will explore," said David Wang, Principal and Consulting Actuary at Milliman.

Back in 2024, the Society of Actuaries published an article suggesting that the total volumes of AIR deals with Japanese cedants was around $20bn-30bn through the end of the third quarter of that year, numbers which will be higher now.

This activity has caught the attention of the regulator, the Japan Financial Services Agency (JFSA), which published a draft partial amendment to the Comprehensive Guidelines for Supervision for Insurance Companies in April. Law firm Sidley Austin said in an article that "Under the Proposed Amendment, the permissibility of a ceding insurer not to hold policy reserves for ceded insurance contracts should be determined comprehensively. The Proposed Amendment would, as a result, shift the focus for reducing reserves from merely the presence of formal contractual terms to whether risk has been effectively transferred, taking into account the contractual structure, economic substance, and which party genuinely bears risk."

Wang says that the proposed amendments should be welcomed.

"This is a positive development and is consistent with actions some other APAC regulators have adopted (e.g., Singapore and Hong Kong). The new requirements are mostly related to how Japanese insurance companies should manage reinsurance risks; emphasis has been put on managing counterparty risk, asset concentration risk, liquidity risk, as well as managing potential recapture," he said.

"When regulators, cedants and reinsurers work together to manage the potential risk behind using illiquid and private assets, we believe that this ultimately protects the best interest of the policyholders."

Reinsurer Pacific Life Re would seem to agree.

"We believe these measures will encourage sound AIR practices across the market and promote greater transparency, discipline, and resilience," said Soichiro Makimoto, Head of Japan Representative Office at the firm in an article published earlier in May.

Despite the structural support that the regulatory regime might appear to provide to the AIR market in Japan, there won't necessarily be

a glut of transactions that get signed, sealed and delivered in the next few years.

"Under the new Japan solvency regime, using AIR can help reduce interest rate risk capital but can lead to other risk capitals such as counterparty risk and asset concentration risk. There are other nuances as well impacting life insurers' overall statutory/accounting performance. Japanese life insurers need to assess the overall benefits and limitations before they enter into an AIR transaction," said Wang.

> "Some of the largest life insurers in Japan are mutuals and they have not taken any action in the AIR / block space so far. If mutuals do enter the AIR / block space, then it may change the landscape of AIR in Japan"
> - David Wang, Milliman

Add to that the potential for higher interest rates to give Japanese life insurers access to a higher return on domestic assets than they may not have had before, making it possible that Japanese insurers may move away from using AIR for some of their JPY-denominated products – with the caveat being that if reinsurers can offer more sophisticated JPY investments, such as alternative assets, AIR will likely still be an appealing option in these instances.

And while USD-denominated products have been commonly featured in Japan AIR transactions, their supply and demand in the AIR space will be influenced by the exchange rate and USD interest rates as well.

Going forward, the expectation in the market is that AIR deals with Japanese cedants will likely continue, thanks to these recent regulatory developments, but looking strictly at stock company AIR transactions understates the true scale of the opportunity set because the evolving Japanese life insurance landscape has the potential to open other avenues for global capital markets, driven by untouched market segments and an appetite for more sophisticated corporate structures.

"Some of the largest life insurers in Japan are mutuals and they have not taken any action in the AIR / block space so far. If mutuals do enter the AIR / block space, then it may change the landscape of AIR in Japan," said Wang.

"We have also observed increased cross-border activities beyond just AIR. Japanese companies have been showing increased interest in exploring their own offshore captives or investing in sidecars. We're also seeing activities such as joint ventures with - or equity investments into foreign companies increase."

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