

Passage of UK Pension Schemes Act Seen Boosting Size of DB Superfund Market

UK Equity Release Market Waits on Fourth Quarter for Potentially Market-Altering Change

# Optimism for Stronger Second Half in the Life Settlement Tertiary Market



**Longevity & Mortality Investor**  
ISSN 2978-5219  
Volume 2, Issue 07  
July 2026

**Publisher**  
ELSA  
11 St Nicholas Street  
Suite 202  
Weymouth, Dorset  
United Kingdom  
DT4 8AA

+44 (0) 203 490 0271  
admin@elsa-sls.org

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Settlement Association

**Editorial**  
**Managing Editor**  
Chris Wells  
chris@elsa-sls.org

**Contributing Editor**  
Mark McCord  
mark@lminvestor.com

**Contributing Editor**  
Greg Winterton  
greg@lminvestor.com

**Editorial Assistant**  
Emilie Horne  
emilie@lminvestor.com

**Editorial Enquiries**  
editor@lminvestor.com

**Design & Layout**  
Kieran Reilly  
hello@kieranreilly.com

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# Editor's Letter, Volume 2, Issue 07, July 2026



**Chris Wells**  
Managing Editor  
**Longevity &  
Mortality Investor**

Anecdotal evidence suggests the life settlement tertiary market began the year slowly, but market participants expect increased activity in the next six months. *Greg Winterton* spoke to **Jim Maxson**, Partner at **EM3 Law** and **Martin Kramer**, New Business Development Manager, Life Settlements at **Longevity Holdings** to get their views on what's happening in the space in *Optimism for Stronger Second Half in the Life Settlement Tertiary Market*.

The new Pension Schemes Act in the UK contains significant support for growth in the superfunds corner of the country's defined benefit pensions market. *Mark McCord* gathered insights on the outlook for the space from **Ryan McKenna**, Pension Risk Transfer Specialist at **WTW** and **Jitin Tahiliani**, Alternative Risk Transfer Specialist at **Hymans Robertson** in *Passage of UK Pension Schemes Act Seen Boosting Size of DB Superfund Market*.

The equity release market in the UK looks set to see change towards the end of this year when regulator the **Financial Conduct Authority** (FCA) publishes the results of its later life mortgages market study. *Greg Winterton* looks at a recent speech by **Emad Aladhhal**, Director of Retail Banking at the **FCA**, to see what areas might see developments to support growth in *UK Equity Release Market Waits on Fourth Quarter for Potentially Market-Altering Change*.

Continued improvements in organ transplant techniques and procedures are increasing the success rate and post-operation life expectancy. *Mark McCord* spoke to **Rahul Nawander**, Medical Director at **Fasano Underwriting**, to get his views on the impact of this trend on underwriting in the life settlement market in *Organ Transplant Improvements Test Life Expectancy Assessment Models*.

As the UK pensions market enters a decisive phase of reform, success will depend less on policy intent and more on the industry's ability to deliver change safely, at scale and within live operating environments. **Peter Roos**, Chief Commercial Officer at **Lumera**, says that by investing in strong operational foundations today, the pensions industry can move from reacting to policy change to shaping how it is delivered in *From Policy Ambition to Operational Reality: Building the Foundations of the UK's Next Pensions Era*, a guest article.

Estate litigation seems to be an ever-present, (unwanted) companion to the life settlement market, so for this month's Q&A, *Greg Winterton* spoke to **James Westerlind**, Partner at **ArentFox Schiff**, for something of an 'estate litigation 101' to dissect the landscape of this very specific investment risk.

The complexity of longevity risk-linked asset classes provides challenges for those looking to tap into increased US life insurer interest in securitised credit assets. *Greg Winterton* spoke to **Dan Dreher**, Solutions Strategist at **L&G – Asset Management, America** and **Peter Giaccone**, Senior Managing Director and Head of Insurance Ratings at **KBRA** to get their views on the drivers of US life insurer investment appetite and the credit risk topic du jour in *US Life Insurers Embrace Securitised Credit as Demand for Yield and Diversification Grows but Hurdles Remain for Longevity-Linked Assets*.

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

# Optimism for Stronger Second Half in the Life Settlement Tertiary Market



Author:  
**Greg Winterton**  
Contributing Editor  
**Longevity &  
Mortality Investor**

Unlike the secondary market, where annual 'league tables' of data relating to life settlement transactions are available, the tertiary life settlement market, where blocks of life insurance policies trade bilaterally between investors, provides little in the way of publicly available data, an opacity that provides challenges to investors looking to understand recent and current trends in the space.

But what is generally accepted is that the aggregate face value transacted in the tertiary space each year is often greater than the approximately \$4bn seen annually in the secondary market, as transacted blocks can contain policies that entered the market up to a decade earlier, sometimes more, than those in the secondary market.

Whether that holds true for 2026 remains to be seen. But what is clearer is that at the start of this year, however, the focus of the life settlement market would seem to have been squarely on the secondary market.

The life settlement market, like other alternative asset classes, saw fundraising retreat in 2022 and 2023, which arguably goes some way to contributing to the fall in secondary market activity - transaction counts fell roughly 14% versus 2023 - in 2024.

While secondary market activity resumed its upwards trajectory last year, secondary market bumps in the road tend to be supportive of demand in the tertiary market, as investors with capital that they need to deploy look to the space to add to their existing portfolios or reconstruct their portfolios (or both).

Indeed, the demand is there, apparently, which makes the malaise observed at the beginning of the year very much a supply-driven one.

"When fewer newly originated policies come through the secondary market, buyers who still have capital to deploy have to source elsewhere, and the tertiary market is where they go. But the bigger story, though, is the imbalance between the two sides of the trade. Right now, there is more capital looking to buy than there is product coming to market," said Martin Kramer, New Business Development Manager, Life Settlements at Longevity Holdings.

The market will be hoping that supply can rise to meet demand to deliver a more active market equilibrium. After all, asset managers can only sit on un-deployed dry powder for so long, so a slow first quarter puts pressure on investment committees to play catch-up in the latter half of the year.

Kramer thinks it will - because he is already seeing evidence of a turning of the tide.

"Yes, there are more buyers sitting on committed capital than there are quality policies and portfolios changing hands, so the bottleneck has been on the sell side, but that is starting to shift," he said.

"We're seeing more blocks and individual policies come to market than we were earlier in the year, and as that inventory loosens, we expect a very active tertiary market."

Another benefit to a healthy demand and supply trade-off that overpaying for deals is a less frequent occurrence. Sometimes, too much capital chasing too few opportunities leads to higher prices for deals, and therefore, a lower return, but despite

**"I have definitely seen fewer blocks of policies in the tertiary market this year...Much of the industry seems to have shifted to focusing on the secondary market recently. The big providers seem to be acquiring more and more market share, and the trend where vertically integrated asset managers and providers are keeping policies for their own books would seem to be contributing to lower levels of activity in the tertiary market"**

**- Jim Maxson, EM3 Law**

"I have definitely seen fewer blocks of policies in the tertiary market this year," said Jim Maxson, Partner at EM3 Law.

"Much of the industry seems to have shifted to focusing on the secondary market recently. The big providers seem to be acquiring more and more market share, and the trend where vertically integrated asset managers and providers are keeping policies for their own books would seem to be contributing to lower levels of activity in the tertiary market."

the abundance of capital and the relative scarcity of tertiary paper, that hasn't transpired in the life settlement tertiary market – at least, not yet. Price discipline seems to be healthy in the market so far, a good news story for investors.

“On pricing, we'd call the market rational rather than frothy. Buyers are disciplined but engaged, and valuations haven't run to a point where deals stop making sense. That's a healthy backdrop for a trading desk: real competition for the right assets without the overheating that makes transactions hard to close,” said Kramer.

“We expect activity to pick up. Last year the back half slowed, and we don't see that repeating. There is additional capital scheduled for deployment later this year, demand is already outrunning supply, and more product is starting to reach the market. Our base case is that the desk stays busy through year-end, with the second half at least matching the Q2 pace, and quite possibly, exceeding it.”

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Predicting the trajectory of the tertiary market for the remainder of the year is difficult. Traditionally, the closing months of any calendar year inject a natural urgency into transaction-oriented alternative asset classes – private equity, private debt, real estate – as institutional investors face looming deadlines to deploy capital allocations, while sellers look to clean up their balance sheets or lock in gains before the year-end books close.

But while that didn't happen in the life settlement tertiary market last year, Kramer says that all signs point towards better news this time around.



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# Passage of UK Pension Schemes Act Seen Boosting Size of DB Superfund Market



Author:  
**Mark McCord**  
Contributing Editor  
**Longevity &  
Mortality Investor**

The UK government's proposed reshaping of the defined benefit (DB) pensions landscape has become law, with approval given to a measure that could stimulate the creation of more superfunds.

The Pension Schemes Act received Royal Assent at the end of April and will be gradually implemented over the coming months and years. Among its many intentions, the Act will codify the operating rules and expectations of superfunds, which currently operate under interim guidance from The Pensions Regulator (TPR).

Superfunds are designed to help the members of smaller and struggling DB schemes improve their funding positions by pooling their combined assets, giving them the scale to access potentially higher investment returns and to help plug funding shortfalls.

The relevant regulation and a Code of Practice written by TPR are expected to be introduced by 2028 after a period of industry consultation.

**“Superfunds are becoming a credible, mainstream endgame option, capable of supporting transactions for schemes with a wide range of sponsor covenants”**

**- Jitin Tahiliani, Hymans Robertson**

Back in 2021, Clara-Pensions received regulatory approval to commence operations and remains the only active superfund, but with the Act in place, more are likely to come online, said Ryan McKenna, Pension Risk Transfer Specialist at WTW.

“This new legislation marks a clear shift from what has previously been policy intent to now providing policy certainty,” he said.

“I think that is important for prospective superfunds. My view is that the superfund market remains largely untapped; transactions so far are just scratching the surface of the potential opportunity.”

One of the key enabling changes that the Act introduces is the elimination of the so-called second gateway test, which experts say has stifled superfund creation so far. It had limited such transfers to schemes that have “no realistic

prospect” of a buy-out by an insurer in the foreseeable future, a gauge that experts agree is difficult to determine.

“With this ambiguous test falling away, it is clearly a positive for schemes weighing up superfunds as an endgame option and prospective new entrants that are eager to get scale within this market,” McKenna added.

“It's been a welcomed development for the industry as a whole.”

The current superfund market accounts for a tiny proportion of the £1.1trn UK DB pensions space, even after the members and assets of a fifth scheme, the Vivendum DB Pension Scheme, were transferred to Clara in April.

That Vivendum is the first listed company to transfer its pension scheme to a superfund is seen as a vote of confidence in the consolidation concept, especially for smaller funds.

“It shows that superfunds are becoming a credible, mainstream endgame option, capable of supporting transactions for schemes with a wide range of sponsor covenants,” said Jitin Tahiliani, Alternative Risk Transfer Specialist at Hymans Robertson.

Additionally, with a lower bar to entry, more schemes are likely to seek access to superfunds, stimulating their creation.

“With the likelihood of more transactions from Clara, along with recent confirmation from TPR that multiple organisations are actively discussing an entry to the superfund market, it is already shaping up to be a busy year in this space,” wrote Barnett Waddingham Partner and Senior Consulting Actuary Jack Sharman.

The likeliest candidates to opt for superfunds among the 5,000 or so schemes yet to de-risk are smaller funds and those that have not seen their funding positions improve in the past few years to the point where they can afford a buy-in or buy-out.

While pension risk transfers (PRT) using bulk purchase annuities are more expensive, they provide a guaranteed payoff for member benefits. Superfunds, by contrast, benefit from lower capital requirements and greater investment flexibility but because superfunds operate within the pensions framework, member promises remain entirely

dependent on the fund's individual governance and capital adequacy.

Ultimately, this upfront cost advantage means members exchange insurance-backed guarantees for a structurally different level of security.

Nevertheless, Hymans Robertson's Tahiliani said the Clara deal was a sign that more smaller schemes would transfer to superfunds.

"It brings the value of scale and consolidation delivered by superfunds to the smaller end of the market, which is precisely the end that benefits most," said Tahiliani.

"Ultimately, the capital will follow the opportunity."

**"There are new and different opportunities for those and in combination with the permanent regime and the removal of that gateway test, I fully expect we'll see new providers in this market in the not too distant future... Ultimately, the capital will follow the opportunity"**

**- Ryan McKenna, WTW**

Barnett Waddingham forecasts that the typical target scheme for superfunds would be those with assets of between £50m and £2bn. It used PPF data to estimate that this would encompass about two-fifths of schemes – equal to £380bn in assets.

Experts are confident that capital providers will enter the superfund market. In its revised guidance, TPR said prospective entrants were studying the market. There is also speculation that investors from North America, some of whom have already made inroads into the UK PRT market, might find the prospect of launching a superfund appealing.

"There are new and different opportunities for those and in combination with the permanent regime and the removal of that gateway test, I fully expect we'll see new providers in this market in the not too distant future," said McKenna.

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# UK Equity Release Market Waits on Fourth Quarter for Potentially Market-Altering Change



Author:  
**Greg Winterton**  
Contributing Editor  
**Longevity & Mortality Investor**

Like many developed economies, the UK's later life lending market – mostly equity release mortgages – is sitting on a significant structural disconnect. While over-55s hold an estimated £3.7trn in property wealth, the equity release market remains small by comparison. Last year, total lending reached just £2.57bn according to industry group the Equity Release Council (ERC). While that represents an 11% increase from 2024, it accounts for a mere 0.07% of the total housing wealth held by older cohorts.

Change to support growth in this market, however, looks to be coming. The Financial Conduct Authority (FCA) is currently conducting a comprehensive market study into lifetime and retirement interest-only mortgages, with final findings expected in the fourth quarter of this year. Launched in March, the study aims to examine whether regulatory or structural shifts (or both) are required to bolster competition and provide new solutions to meet the changing needs of UK consumers, almost half of whom are not saving enough for retirement.

**“What we’re seeing is not a lack of demand – enquiries are up – but a delay in cases coming through. Advisers are reporting strong levels of interest, but customers are taking more time and, in some cases, pausing decisions altogether”**  
- David Burrowes, Equity Release Council

While ERC data showed a dip in lending during the first quarter of this year, citing uncertainty in UK and global economies slowing consumer decision-making, David Burrowes, Chair of the ERC, said that is not due to waning interest.

“What we’re seeing is not a lack of demand – enquiries are up – but a delay in cases coming through. Advisers are reporting strong levels of interest, but customers are taking more time and, in some cases, pausing decisions altogether,” he said.

“It could well be that we are set for an uplift as conditions stabilise and delayed cases begin to complete. Over the longer term, the underlying drivers of demand remain in place, and housing wealth continues to play an important role in supporting financial resilience later in life.”

The FCA appears to share this long-term view. Speaking at the Later Life Lending Summit, Emad Aladhal, Director of Retail Banking at the FCA, cited research from Fairer Finance indicating that by 2040, 51% of households aged 60 and over could benefit from accessing housing equity, unlocking around £23bn annually in today's prices.

“That gives a sense of the scale of the opportunity,” Aladhal told attendees at the event. “We should not be talking about it as a market niche, but becoming part of a much bigger, everyday conversation about achieving financial resilience in later life.”

There are structural hurdles that must be cleared if the UK equity release market is to scale up from £2.57bn annually. While macroeconomic pressures like interest rates, which the Bank of England held at 3.75% in mid-June, sit outside the FCA's purview, the availability of institutional funding seems to be a primary concern.

At the same summit, as reported by Shekina Tuahene of Mortgage Solutions, Ben Grainger, Partner at EY, said that “the number of insurance companies funding equity release mortgages “is probably at an all-time low.””

The FCA's terms of reference document that it published alongside the notification of the market study suggest it is acutely aware of this capital bottleneck. In his address, Aladhal noted that meeting consumer demand will require the provider market to expand via both incumbent growth and new entrants.

“We are concerned that existing providers and potential new entrants may face real barriers to growth and entry,” Aladhal said. “We’ve seen very little successful entry in recent years.”

While the FCA targets consumer outcomes and provider barriers from the top down, an additional tailwind from the Prudential Regulation Authority (PRA) is also on the horizon.

The PRA is currently working through CP2/26 – ‘Reforms to securitisation requirements’, a consultation paper that could increase the asset class's appeal to institutional investors. The proposed introduction of more flexible due diligence requirements, alongside the potential for more favourable capital treatment of private, insurance-backed portfolios, could provide balance

sheet relief that would help equity release funders, which may support additional securitisation activity, which has sprung to life (relatively) in recent years.

Reading between the lines of Aladhal's speech, structural change appears almost inevitable.

**“We are concerned that existing providers and potential new entrants may face real barriers to growth and entry...We've seen very little successful entry in recent years”**

**- Emad Aladhal, Financial Conduct Authority**

Aladhal was explicit that if later-life lending is to become a true "fourth pillar" of retirement, the market cannot rely entirely on legacy products and funding models.

He also said that the regulator wants to see a dismantling of historic negative perceptions and make better consumer outcomes "easier to deliver at scale."

All eyes now turn to the final publication of the market study in Q4 this year, which is expected to show clearly what changes the FCA wishes to make – and therefore, the extent to which the UK will be positioned to provide additional longevity-linked asset capacity to capital markets investors.

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# Organ Transplant Improvements Test Life Expectancy Assessment Models



Author:  
**Mark McCord**  
Contributing Editor  
**Longevity &  
Mortality Investor**

Policy valuations and underwriting decisions made in life settlement cases can vary depending on the life expectancy (LE) of the applicant. But for those who have undergone a solid organ transplant (SOT), those calculations are trickier.

While SOTs give a second chance of life for people with potentially fatal conditions such as kidney failure or heart disease, they rarely offer the same longevity they could expect had they not needed a transplant.

The extent of truncation, however, will depend on a variety of factors that actuaries must build into assessment models. That will include a recipient's general health and lifestyle, the characteristics of the donated organ, the post-transplant rejection-prevention regimen and even the health centre where the procedure took place.

Adding complexity to modelling, however, is the continued improvements in transplant techniques and procedures that are increasing the success

The reasons for the surge are manyfold but two have stood out recently.

Health systems around the world have compressed the time it takes between removing an organ from the donor to transplanting it into a recipient. The length of time an organ can survive out of a body – the cold ischemia time (CIT) – differs with organ type. Kidneys can survive longest, with a CIT limit of 24-36 hours. Pancreases and livers about 12 hours, and hearts four to six hours.

Time savings have been achieved through coordinated transportation logistics and the creation of organ transport corridors, prioritised fast routes that allow blue-light vehicles and private air charters to carry organs at speed to transplant centres, sometimes accompanied by police. In the US, drones are also being utilised.

This has led to a reduction in the number of in-transit organ failures, enabling more people to receive a graft.

The use of artificial intelligence (AI) in matching available organs to people in need is also helping to increase the number of transplants. Matching takes into account the blood and tissue types of candidates, their health condition and factors such as age, weight, ethnicity, height and organ size.

UNOS and the Organ Procurement and Transplantation Network (OPTN) use AI to match organs with candidates on a national level.

“When we think of lists, we think of waiting in line or waiting on a first-come, first-served basis but the [organ] waiting list isn't a list in that sense,” explained UNOS Business Architect Bonnie Felice in a video comment.

“It's a pool of candidates awaiting organ transplants... we're looking at information about the donor and the candidate, and we find those best matches.”

Such improvements have also enabled older candidates to receive organs, something that rarely happened to the over 60s until recently.

Actuaries assess the life expectancy of organ recipients based not only on their current age but also the age at which they received their organ, as this will determine how much more organ life they have left. But this is like hitting a moving target because organ survival rates have been

**“It's not a static risk, it's a risk that's scaling rapidly... I have seen it growing over time. The reason we have seen it grow is that more transplants are happening”  
- Rahul Nawander, Fasano Underwriting**

of transplants. As well, their skills are being called upon more, as the number of people undergoing transplants increases, lifting the proportion of SOT recipients among LE assessment applicants, said Rahul Nawander, Medical Director at Fasano Underwriting.

“It's not a static risk, it's a risk that's scaling rapidly... I have seen it growing over time,” said Nawander, adding that in the past year, about 3%-5% of assessment requests that crossed his desk were from SOT recipients, a substantial leap.

“The reason we have seen it grow is that more transplants are happening.”

Last year, the US conducted a record 49,064 single-organ transplants, according to the United Network for Organ Sharing (UNOS), which matches donors to the 105,000 people on the US' waiting list. That's an increase of 25% over 2022 and the fifth consecutive year of increases.

lengthening over the past decades.

The key one-year survival rate – the time when new organs are most likely to be rejected – has increased dramatically in the past few decades. The American College of Surgeons said the likelihood of an organ lasting that long has increased to 95% for kidneys in 2025 from 82% in 1987, and to 90% from 63% for heart grafts. Lung transplant survivals have improved most, to 84%, from 38%.

**“Mortality is very much front loaded in organ transplant recipients, so in the first five years many [recipients] will die but after that, those people who survive will have a better survival”**

**- Rahul Nawander, Fasano Underwriting**

Assessors are unlikely to feel comfortable forecasting life expectancy so soon after a procedure.

“Mortality is very much front loaded in organ transplant recipients, so in the first five years many [recipients] will die but after that those people who survive will have a better survival,” said Nawander.

LE assessments are likely to be longest among recipients of organs that have better long-term survival rates. All other things being equal, kidneys have the longest; renal transplant procedures have been honed over six decades to the point where the organs can be expected to survive an average of 22 years in the US and closer to 30 years in the UK, according to academic research from 2022.

New hearts can survive an average of around 15 years, while transplanted lungs have the shortest expectancy, at nine years.

Recipients of organs from living donors can expect longer LEs, too. The median number of life years saved as a result of receiving a living-donor kidney, for instance, is 18.5 years – almost

double that of deceased-donor organ recipients. In recognition of this, UNOS has established automated donor referral tools to link potential donors with candidates. This has helped reduce the proportion of deceased donor transplants.

Co-morbidities will also have an impact on assessments. Control of diabetes is critical among kidney recipients, for instance, and the presence of cardiovascular disease – the biggest killer in the US – will incur debits to valuations.

The post-transplant lifestyles of SOT recipients can also affect their assessments, especially if they have returned to bad habits that may have contributed to their need for a new organ. Liver recipients who lost their own organ through alcohol abuse, for instance, can expect a lower assessment if they return to drinking after their transplant.

Compliance with immunosuppressive and other medication to prevent organ rejection and control co-morbidities will also play a role in LEs.

The overall outlook for the LEs of SOT recipients is one of continued improvement. Advances in customised cell therapies are hoped to better prepare candidates' bodies to receive new organs and reduce rejection risk, while targeted immunosuppression and even gene-editing techniques could also ensure organs – and their hosts – live longer.

There may be a limit on how any increase in transplants filters through to the life settlement market, however. Individuals need to hold a life insurance policy in order to sell it, and Nawander says that underwriters don't always understand the SOT space, so some insurers won't offer new policies to some transplant recipients, despite improvements in organ longevity.

“When I've met people like underwriters in the insurance industry who themselves understand the risk of most of the things, at least from the mortality perspective, I found that they had to catch up on how fast things have moved in the transplant space,” he said.

 **Longevity  
& Mortality Investor**

**Volume 2 – Issue 7, July 2026**

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# Dublin Life Settlement Symposium

TUESDAY, 15<sup>TH</sup> SEPTEMBER 2026

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# From Policy Ambition to Operational Reality: Building the Foundations of the UK's Next Pensions Era



Author:  
**Peter Roos**  
Chief Commercial Officer  
Lumera

**“The organisations making the most progress are those focused on safe, continuous transformation: modernising core administration, retiring technical debt and improving data quality while keeping schemes stable and compliant throughout the process”**

As the UK pensions market enters a decisive phase of reform, success will depend less on policy intent and more on the industry's ability to deliver change safely, at scale and within live operating environments.

The UK pensions industry is entering a decisive phase. Policy ambition is clearly defined, directionally aligned and widely supported. The pension dashboard, targeted support, guided retirement and the Value for Money framework all signal a system moving toward greater transparency, stronger outcomes and more consistent support for savers. What matters now is the industry's ability to deliver these reforms safely, at scale and within live operating environments.

However, across the market, many providers and trustees are discovering that execution is the hard part. Years of incremental regulatory change have left behind fragmented data, complex hand-offs, legacy technology systems and administration platforms that struggle to adapt at pace. These constraints are not theoretical. They directly affect the cost of administration, the speed of change and the quality of member experience. In an environment of consolidation and heightened regulatory scrutiny, operational flexibility and resilience is becoming a defining differentiator.

The shift from accumulation to decumulation brings this challenge into sharper focus. Supporting members through retirement decisions requires more than well-designed communications or front-end tools. It demands high-integrity, reconciled data, straight-through processing and systems that can consistently apply rules, controls and governance across millions of individual journeys. Without these foundations, concepts such as targeted support or retirement pathways remain difficult to deliver reliably.

Policy ambition is no longer the constraint in UK pensions. The real challenge is whether the industry has the technology and operational foundations to deliver reform safely, at scale and without disrupting live schemes.

Technology therefore sits at the centre of the next phase of reform, but not in the way it is sometimes presented. This is not about rapid disruption or wholesale replacement. The organisations making the most progress are those focused on safe, continuous transformation: modernising core administration, retiring technical debt and improving data quality while keeping schemes stable and compliant throughout the process.

Automation and artificial intelligence have an important role to play in this transition, particularly in improving accuracy and reducing manual effort to create capacity for higher value activity. But in pensions, trust is paramount. Automated processes and intelligent tools must be explainable, effectively governed and embedded within clear operational frameworks.

Used well, they strengthen decision-making and consistency. Used carelessly, they introduce risk and erode confidence.

The same principle applies to scale. As consolidation continues, scale alone is not enough to improve outcomes. Without modern architecture and unified data, larger books simply magnify inefficiency. By contrast, platforms built on API first, event driven design allow providers to integrate more easily with employers, regulators and emerging services or products, while remaining dashboard ready and adaptable to future change.

“When administration platforms act as a single 'master of data', change becomes both easier to manage and easier to evidence. In that environment, reform can progress incrementally, without destabilising schemes or compromising member outcomes”

The success of UK pensions reform will inherently depend less on individual initiatives and more on the industry's collective ability to execute coherently. Dashboards, guided retirement and Value for Money assessments are interconnected. Delivering them together requires operating models designed around outcomes rather than products, and technology that supports that ambition over decades.

The opportunity is significant. By investing in strong operational foundations today, the industry can move from reacting to policy change to shaping how it is delivered. That is how better outcomes are achieved in practice, not just promised on paper, and it is how trust in the pensions system will be strengthened for the long term.

For trustees and providers alike, this places renewed emphasis on governance, data ownership and accountability across increasingly complex supply chains. Minimum standards, clearer controls and better information flows are becoming essential enablers of confidence, not barriers to innovation.

When administration platforms act as a single 'master of data', change becomes both easier to manage and easier to evidence. In that environment, reform can progress incrementally, without destabilising schemes or compromising member outcomes. This balance between ambition and delivery will define which organisations are trusted partners in the next phase of the UK pensions market for savers, employers and providers over the coming decade.

**Peter Roos** is Chief Commercial Officer at **Lumera**

You can find the original version of this article, which is reproduced here in full, at <https://lumera.com/insights/from-policy-ambition-to-operational-reality-building-the-foundations-of-the-uks-next-pensions-era/>

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# Q&A

**James Westerlind**  
Partner, ArentFox Schiff



Author:  
**Greg Winterton**  
Contributing Editor  
Longevity &  
Mortality Investor

Estate litigation seems to be an ever-present (unwanted) companion to the life settlement market, so for this month's Q&A, Greg Winterton spoke to James Westerlind, Partner at ArentFox Schiff, for something of an 'estate litigation 101' to dissect the landscape of this very specific investment risk.

**GW: James, for those less familiar with estate-based litigation, why does there appear to be an active 'market' for estate litigation in the first place?**

**JW:** Estate litigation in the life settlement space has gained traction in large part because certain court decisions—particularly out of Delaware—have established a framework that permits estates to recover death benefits under state insurable interest statutes. That creates meaningful financial incentives for estates and their counsel to bring these claims. It is worth noting that the insureds in these cases were voluntary participants who affirmatively enrolled in beneficial interest transfer and premium finance programs available in the mid-to-late 2000s, and who were compensated at the time—often 3% of face value in a beneficial interest transaction and 10% of face value in a premium finance transaction. Given that backdrop, some estates view litigation as an additional avenue to recover proceeds connected to the insured's policy, even where the family had limited involvement in the original transaction.

**GW: What are some of the commonalities among the policies in these cases and why are these recurring themes?**

**JW:** The first commonality is vintage: the policies at issue in these cases were generally issued between 2004 and 2009. The second is product type—these were typically universal life insurance products issued by a relatively small group of carriers that designed these products for this market.

After the 2008 financial crisis, beginning primarily

around 2010, certain carriers sought to challenge policies they had issued to elderly insureds with high face values, particularly where the ownership and beneficiary designations had been changed shortly after the two-year contestability period expired. Those carriers attempted to have policies declared void in order to eliminate the death benefit liability from their books while retaining all premiums paid.

The carrier-initiated litigation has subsided substantially, as many carriers have now received more in cumulative premiums than they would owe in death benefits. As carrier cases have wound down, the attorneys who handled those matters have turned to estate claims in jurisdictions where the applicable insurable interest statute permits the estate to recover the death benefit if the policy was issued in violation of insurable interest law.

**GW: Are there any estate litigation-related definitions that seem to have been agreed generally in most states? If so, what are they?**

**JW:** STOLI stands for stranger-originated life insurance, and while some courts have attempted to define that phrase, there is no precise or uniform definition across jurisdictions. Most state insurable interest statutes provide that an insured has an insurable interest in his or her own life and may take out a policy naming anyone—including a stranger—as beneficiary. Those same statutes generally provide that if someone without an insurable interest in the insured's life procures or causes a policy to be issued, that constitutes a violation.

The central question in these cases typically comes down to whether the insured procured the policy of his or her own volition, or whether a stranger procured or caused it to be procured. Different courts have implemented different tests to answer that question, and the outcomes vary meaningfully by jurisdiction.

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**GW: Are there any recent or current cases which might provide additional certainty at a general level to the life settlement market?**

**JW:** Two cases stand out. First, *Estate of Norman Frank v. GWG DLP Master Trust Dated 03/01/06*. In *Estate of Frank*, the Delaware Supreme Court held that an estate claim under Section 2704(b) of Delaware's insurable interest statute is subject to a three-year statute of limitations. However, the court did not define when that limitations period begins to accrue—an issue that remains to be resolved.

In addition, the decision reaffirmed that common-law defenses may be asserted in these cases, a point that some prior lower Delaware courts had declined to recognize. When that case concludes, the market will have considerably greater clarity regarding the window in which estate claims may be filed, and at what point a policy holder can consider itself insulated from this type of litigation.

Second, the Georgia Supreme Court's decision in *Leone* addressed certified questions from the federal district court concerning how courts should determine whether a stranger procured or caused to be procured a life policy within the meaning of Georgia's insurable interest statute. Notably, the court observed in dicta that even if a stranger did procure or cause the policy to be procured, the policy would remain valid under Georgia law so long as the death benefit was payable to someone with an insurable interest in the insured's life. Because most of the policies at issue in these disputes were applied for by, and issued to, trusts whose beneficiaries were family members of the insured, the implication is that many of these policies would be valid under Georgia law regardless of how they were originated.

Investors value certainty and clarity, and these two decisions appear to provide meaningful guidance—at least in part.

**GW: Looking ahead, how do you see this landscape evolving, and why should investors remain confident?**

**JW:** As I mentioned, most of the policies at issue in these cases date from the mid-2000s, and that pool is shrinking as insureds pass away. It is also important to note that not all policies from that era were financed by investors, so there is a finite universe of potential litigation. This is, to borrow an insurance term, a situation in run-off.

Modern originations—post-2010—do not carry these structural risks because compliance standards have strengthened considerably over the past two decades. And litigation risk, while real, is not an existential threat to the asset class. It is a risk that can be modeled, priced into the discount rate at acquisition, and minimized through diversification. It is worth keeping in perspective that the secondary market sees approximately 3,000 transactions per year, while estate litigation cases—which can take several years to resolve, generating periodic updates along the way—may create the impression of more activity than actually exists.

**James Westerlind** is a Partner at **ArentFox Schiff**

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# US Life Insurers Embrace Securitised Credit as Demand for Yield and Diversification Grows but Hurdles Remain for Longevity-Linked Assets



Author:  
**Greg Winterton**  
Contributing Editor  
**Longevity & Mortality Investor**

US life insurers are increasingly allocating to securitised credit assets, according to a recent article from L&G – Asset Management, America. The firm cites regulatory capital rules as a ‘meaningful driver’ because senior tranches of many securitised asset pools benefit from higher designations under the National Association of Insurance Commissioners (NAIC) risk-based capital framework, which in turn means they carry a relatively lower capital charge.

Despite the NAIC’s rules having been around for a while, this is a recent development: citing J.P. Morgan and S&P data, the article suggests that purchases of securitised bonds increased 63% from year-end 2023 to year-end 2025.

According to Dan Dreher, Solutions Strategist at L&G – Asset Management, America, this development has grown from another recent trend in the US life/annuity space, namely, record annuity sales in recent years.

“The main reason [for the trend] is annuity growth leading to insurer’s needs of more yield,

**“The main reason [for the trend] is annuity growth leading to insurer’s needs of more yield, diversification and duration...The 2025 reporting and classification framework makes clean, senior, bond-like securitised tranches easier to own, explain and compare, while increasing scrutiny on harder-to-classify or more equity-like structure”**  
- Dan Dreher, L&G – Asset Management, America

diversification and duration. The NAIC rules are not new, but there are incremental regulatory improvements and stronger capital efficiency of securitised. The 2025 reporting and classification framework makes clean, senior, bond-like securitised tranches easier to own, explain and compare, while increasing scrutiny on harder-to-classify or more equity-like structures,” he said.

“That matters because senior CLO, ABS, MBS and CMBS tranches - what insurers are most interested in - can offer more spread per unit of

regulatory capital than similarly rated corporates when they have strong subordination, collateral diversification and structural deleveraging features.”

Running concurrently with this trend of life insurers increasingly allocating to securitised credit products, and private credit more generally, is that of concern among some market participants - and regulators - of a perceived greater credit risk level in the life insurance market generally.

This itself has been driven by the convergence of asset management and insurance, but the primary driver of this concern is due to the pension liabilities being taken on by life insurers via the pension risk transfer market.

The bottom line is that the naysayers allege that private ratings understate credit risk, a criticism that Peter Giacone, Senior Managing Director and Head of Insurance Ratings at KBRA, disagrees with.

“In our experience, the level of disclosure in private ratings is no different than public ratings. The only difference is that relevant information is distributed to those who are involved with the transaction rather than publicly available. It is important not to equate limited public dissemination with weaker disclosure,” he said.

“At KBRA, published and unpublished ratings are produced using the same methodologies, rating committees, controls, surveillance processes, disclosures, and rating scales; the primary difference is distribution. In addition, we have seen first-hand through our rated universe the extensive due diligence undertaken by insurance companies who invest in this space and have noted the sophistication of the risk management frameworks generally compensate for the lack of public disclosure.”

Beyond the granularity of individual asset assessments, critics also frequently warn that this systemic shift toward private credit could erode the foundational solvency of the entire life insurance sector. The fear is that a lack of public visibility disguises something of a ticking financial clock, threatening insurers’ ability to back these long-term pension liabilities.

Giacone suggests, however, that macro-level alarmists might be minded to take a deeper look

at the data. Rather than a sector on the brink of a downgrade spiral, independent financial assessments of the largest, most active players indicate that risk management frameworks are actively keeping pace with their evolving asset mix.

“We’d also note that published credit ratings by legacy agencies for the larger US life insurers active in private markets have not pointed to a broad deterioration in industry financial strength. Utilizing independent credit analysis informed by extensive detailed review of insurer assets and

value in view of key risk factors such as prepayment behaviour and house price risks,” said Dreher.

“It’s a similar story for life settlement securitisations where structuring is difficult due to the complex nature of the product stemming from uncertainty around mortality and timing of cashflows.”

The complexity factor inherent in longevity or mortality risk-linked assets is made manifest in the ratings arena as well, but for originators or manufacturers of these products, there is a potential benefit beyond risk-adjusted returns for insurers to holding them as part of a diversified portfolio.

“These sectors can be more complex to evaluate than more conventional securitized credit because the analysis may involve insurance-specific parameter assumptions, such as mortality or longevity experience, policyholder behavior, servicing quality, legal and regulatory considerations, and cash flow and actuarial stress modeling. However, these securities are not necessarily safer or riskier as a category; depending on the composition of the balance of the investment portfolio, these securities can provide a risk/return profile which is largely uncorrelated with other assets held by the insurer,” said Giacone.

This suggests that the longevity and mortality asset industry, should it seek to raise money from the US insurance cohort, must intensify its investor education and messaging efforts. While the life settlement market has made noticeable strides in transparency and standardization in recent years, overcoming deep-seated concerns around headline risk and underlying complexity requires a sustained, industry-wide ‘charm offensive’.

But ultimately, there is a good argument to suggest that the prize is worth the effort. Dreher suggests that this increase in demand from life insurers for securitised credit pools represents a structural change, rather than a short-term, tactical re-balancing, so while competing against the massive, highly liquid markets of traditional ABS and MBS will remain difficult for niche asset managers, the amount of insurance capital is undeniably there for those who can successfully demystify their products and provide an acceptable return.

“The increase in allocations appears to be driven by long-term factors such as liability matching needs, desired diversification, more favourable regulations and continued annuity growth. However, there are still near-term risks related to historically tight spreads that requires robust fundamental underwriting,” said Dreher.

“In other words, the durable trend is more securitised use; the actual allocation should still depend on tranche protection, collateral quality, liquidity, statutory treatment and whether spread adequately compensates for complexity.”

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liabilities, far more than is demonstrated in most news and media reports, these stable and strong ratings generally cite robust capitalization, earnings capacity, investment governance, and enterprise risk management as supportive factors for these companies, even as private asset allocations have increased,” he said.

“This further reinforces our view that the issue should be evaluated through company-specific analysis of asset quality, liquidity, and capital flexibility, instead of through broad a priori assumptions that private asset growth necessarily signals rising systemic weakness.”

Whilst life insurers may be expanding into traditional securitised structures like CLOs, their appetite seems to be far more selective when it comes to niche asset pools. Specifically, manufacturers of securitised credit assets exposed to longevity or mortality risk, such as reverse mortgages or life settlement pools, still face significant frictions when trying to attract insurance capital.

“The expertise required to understand the underlying product [reverse mortgages] is concentrated in a relatively small number of institutions. This is critical in being able to assess

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Longevity & Mortality Investor  
ISSN 2978-5219  
Volume 2, Issue 07  
July 2026

**Editorial Enquiries**  
editor@lminvestor.com  
+44 (0) 20 3490 0271