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Insurers Sweeten Bulk Purchase Annuity Offers as Buy-Out Timetables – and Costs – Look Set To Increase

Litigation Update: Wells Fargo Bank, N.A. v. Ameritas Life Insurance Corp

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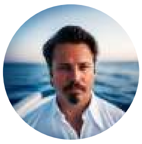
Editor's Letter, Volume 2, Issue 09, September 2026



Chris Wells
Managing Editor
Longevity & Mortality Investor

September marks *Life Insurance Awareness Month*, a campaign designed to remind Americans about the importance of life insurance for their financial security, but life settlements tend to be absent from these efforts. *Greg Winterton* spoke to **Neal Jacobs**, Senior Managing Director, Capital Markets at **Coventry, Rob Haynie**, Managing Director at **Life Insurance Settlements** and **Bryan Nicholson**, Executive Director at the **Life Insurance Settlement Association** to get their views on why the life settlement market's awareness-raising efforts are year-round in *Awareness Raising is More Than Just a One-Month Campaign for Life Settlement Market*.

Increased competition for defined benefit pension schemes' de-risking business in the UK has resulted in many insurers offering value-added incentives to better attract trustees and sponsors. *Mark McCord* spoke to **Alan Pickering**, President of **BESTrustees** and **Darren Masters**, Professional Trustee at **Capital Cranfield**, to get their take on what exactly insurers are doing to help and how much of an impact they can have in *Insurers Sweeten Bulk Purchase Annuity Offers as Buy-Out Timetables – and Costs – Look Set to Increase*.

A recent decision by the US Court of Appeals for the Eighth Circuit affirmed the summary judgment decision of the United States District Court for the District of Nebraska that held that a $4m life insurance policy was void from inception as an illegal stranger-originated life insurance scheme. *Greg Winterton* provides a summary overview of the details in *Litigation Update: Wells Fargo Bank, N.A. v. Ameritas Life Insurance Corp*.

A consequence of a slowing US pension risk transfer market this year is that more insurers are bidding on more deals; sometimes, on opportunities outside their typical wheelhouse. *Mark McCord* spoke to **Alex Gagnon**, Vice President, Head of Distribution at the **Banner Life family of companies** and **Jake Pringle**, Principal and Consulting Actuary at **Milliman** to get their thoughts on this trend, and one notable other from this year, in *Slowing US PRT Market Sees Insurers Jostling for Business as Buy-Ins Surge*.

A new report from **Morningstar DBRS** suggests that the life & annuity sidecar market in Bermuda has grown almost four-fold in the past four years. *Greg Winterton* identifies some of the main talking points from the report, with comments from the firm's **Renee Gao**, Vice President, Global Insurance & Pension Ratings and **Manna Cheung**, Vice President, US Structured Credit Ratings – Funds in *Bermuda Life & Annuity Sidecar Market Quadruples as Alternative Asset Manager/Life Insurance Convergence Continues*.

How are life insurers, reinsurers, and corporate sponsors in the US reshaping their balance sheets, modelling capabilities, and risk transfer strategies to handle unprecedented longevity exposure? *Greg Winterton* spoke to **Mitchell Schepps**, Senior Managing Director at **Aon**, to get his views on the current state of the longevity architecture in the US in this month's *Q&A*.

A recent report from **S&P Global Ratings** suggests that British bulk purchase annuity life insurance company private credit allocations "demonstrate significant resilience" when stress-tested against historical market shocks. *Greg Winterton* gathered comments from **Laura Jimenez**, Credit Analyst at **S&P Global Ratings** and **Payam Kazemian**, Head of Risk Transfer at **ZEDRA** to see what this means for the country's pension risk transfer market in *New Stress Test Shows UK Bulk Purchase Annuity Insurers on Solid Ground*.

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

Awareness Raising is More Than Just a One-Month Campaign for Life Settlement Market

Author:
Greg Winterton
Contributing Editor
Longevity & Mortality Investor

Every September, the life insurance industry in the US promotes *Life Insurance Awareness Month*, a campaign created originally by Life Happens (a nonprofit organisation founded in 1994) designed to "remind Americans about the importance of life insurance for their financial security."

Industry groups LIMRA and LOMA put their collective weight behind the endeavour as well, publishing a range of resources to educate Americans about the benefits of purchasing a life insurance policy.

Tying results directly to campaigns such as this is difficult, but these organisations will doubtless be pleased at the trend observed in recent years: in 2025, for example, industry-wide new annualised premium exceeded $17.5bn, up 10% year over year, according to LIMRA. The number of policies sold rose 7% for the year; individual life insurance new premium has set records for four of the past five years.

> **"Every policy sold represents a financial asset that someone could own for decades. That means that expanding consumer awareness should extend to the entire policy lifecycle, not just at the point of sale. As more Americans secure coverage, it increases the opportunity to educate them later in life about life settlements as a viable alternative to surrendering or lapsing a policy they no longer want, need, or can afford"**
> **- Bryan Nicholson, LISA**

So, more Americans are buying life insurance, which is not only a good news story for the US life insurance industry, but for the life settlement market, too.

For the investors that allocate to pooled investment funds and securitisations in the space, policy count and face value growth represent an expansion of the total addressable market for life settlement-adjacent investments. Some of those policyholders might end up selling their policy to investors in the space in ten, 20 or even 30 years if they decide they no longer want or need it (or can't afford the escalating premiums that come due as policyholders age).

But life settlement market participants argue that there is a broader educational opportunity: ensuring those new policyholders eventually understand that lapse or surrender isn't necessarily their only option if their needs change down the road.

"It's certainly encouraging to see that more Americans are purchasing life insurance policies," said Bryan Nicholson, Executive Director at industry group the Life Insurance Settlement Association (LISA).

"But every policy sold represents a financial asset that someone could own for decades. That means that expanding consumer awareness should extend to the entire policy lifecycle, not just at the point of sale. As more Americans secure coverage, it increases the opportunity to educate them later in life about life settlements as a viable alternative to surrendering or lapsing a policy they no longer want, need, or can afford."

The prevailing lapse/surrender rate is a perennial source of frustration in the market. Last November, industry group the American Council of Life Insurers (ACLI) published its annual Life Insurance Fact Book, showing that the combined termination rate of individual life insurance in the US was 7.9% in 2024.

Given that there were 134 million individual life insurance policies in force at the end of 2023, that means that approximately 10.5 million policies exited the universe, some of which would have qualified for a life settlement. Indeed, data compiled by actuarial firm Milliman USA in 2024, and cited in a 2016 study by researchers Daniel Gottlieb and Kent Smetters, suggests that "nearly 88% of universal life policies ultimately do not terminate with a death benefit claim", a statistic which illustrates starkly the opportunity – and challenge – that the life settlement market says is before it.

But education around life settlements remains largely absent from traditional Life Insurance Awareness Month campaigns, leaving it up to the life settlement market itself to inform both existing and potential policyholders that the option to sell a policy exists.

TV advertising is one of the main, and most effective, tools the industry has to do this. Two of the larger licensed life settlement providers, Abacus and Coventry, are regulars on American screens.

“Television is an effective educational tool we use because it allows us to introduce the concept of life settlements to a broad audience,” said Neal Jacobs, Senior Managing Director, Capital Markets at Coventry.

> **“Television is an effective educational tool we use because it allows us to introduce the concept of life settlements to a broad audience...Life settlements remain largely unfamiliar to most policyowners, so there is value in reaching people where they are and explaining that a policy they no longer need may have alternatives beyond lapse or surrender. That education is important regardless of whether someone ultimately decides to pursue a transaction”**
> **- Neal Jacobs, Coventry**

“Life settlements remain largely unfamiliar to most policyowners, so there is value in reaching people where they are and explaining that a policy they no longer need may have alternatives beyond lapse or surrender. That education is important regardless of whether someone ultimately decides to pursue a transaction.”

While traditional media advertising is expensive compared to other vehicles, and advertisers promote themselves, and not the industry generally directly, most in the market agree that a rising tide lifts all boats. Also, industry groups such as LISA and the European Life Settlement Association (ELSA, publisher of Longevity and Mortality Investor) have initiatives in place to educate not only their members, but consumers and investors, regulators and the media.

But Rob Haynie, Managing Director at brokerage firm Life Insurance Settlements, says that the life insurance market is missing a trick by refusing to mention the potential opportunity of selling a life insurance policy at the point of sale.

“Life insurance is both a protection mechanism for loved ones, but also, a legitimate retirement asset, because it can be sold,” said Rob Haynie, Managing Director at Life Insurance Settlements.

“I think that the life insurance market would sell more policies if they made folks aware at the point of purchase that this might be something that they can extract value from as they approach or enter retirement.”

LIMRA typically publishes life insurance sales data in the US every quarter, and the life insurance industry will doubtless be hoping that its efforts during *Life Insurance Awareness Month* will again push sales higher. But for the life settlement market, its own campaign for awareness raising is perpetual.

“We can’t rely on others to help raise the awareness of policyholders and consumers more broadly about the life settlement option and the wider market, which is why so many in our space are involved in activities to this end. We are constantly educating, and that’s something that is still likely to be the case five, ten, 20 years from now,” said Nicholson.

Insurers Sweeten Bulk Purchase Annuity Offers as Buy-Out Timetables – and Costs – Look Set To Increase

Author:
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Contributing Editor
Longevity & Mortality Investor

Increased competition for defined benefit (DB) pension schemes' de-risking business in the UK has resulted in many insurers offering value-added incentives to better attract trustees and sponsors, which now includes services to help schemes complete the often time- and resource-heavy move from buy-in to buy-out.

A number of insurers are offering to carry out post-transaction tasks that scheme administrators would ordinarily be expected to perform, according to recent research by Hymans Robertson.

These services include data-cleansing projects, which are required to ensure all scheme members' details are accurate before their pensions are converted to annuities.

And promises to fast-track buy-outs through more efficient use of data have gone hand-in-hand with insurer investment in artificial intelligence (AI) to streamline their data processes.

> **"Factors have moved on, to consider a lot more non-pricing factors, and that's where insurers are starting to make more of a differential"**
> **- Darren Masters, Capital Cranfield**

The developments come as surging demand for pension risk transfer (PRT) deals has pushed transaction costs down to levels where insurers find it difficult to compete on price alone. Instead, they are seeking to differentiate themselves in the market with post-transaction incentives.

"Factors have moved on, to consider a lot more non-pricing factors, and that's where insurers are starting to make more of a differential," said Darren Masters, a Professional Trustee at Capital Cranfield.

"There are pockets of really experienced, really developed, offerings that are very clearly differentiated in that space."

The timetable to buy-out can be long, arduous and expensive for schemes. After transferring its liabilities and assets to an insurer through a buy-in, the sponsor and trustees remain responsible for managing those plans until the buy-out fully transfers all responsibilities to the insurer.

During that period, those annuities must be matched to members' pension plans and benefits, requiring detailed investigation of each individual and their personal data.

The average time between buy-in and buy-out is about three years. The exact time it takes can vary depending on the number of members in a scheme, the quality of the data held on them and the resources of the administrators.

Much of the work involved in the buy-in to buy-out process can be difficult, especially for smaller schemes, who will usually rely on advisers to provide third-party IT services for their data cleansing and GMP projects if they don't have an in-house tech team; insurers have begun offering post-transaction services because they have recognised the cost implications of delay, said Alan Pickering, President of BESTrustees.

"What it is doing is taking some of the grief out of it that for many employers and trustees... are really stretching corporate intellectual bandwidths at a time when doing business is already quite challenging," he said.

There is a quid pro quo for insurers offering these enticements, especially with regard to data cleansing.

Because they will be obliged to provide the same services to scheme members after wind down, insurers want to ensure that the data they receive on each individual is correct. It makes sense for them to take on at least some of the post-transaction tech work to ensure the information is received in a way their tech systems can digest.

"If the insurers can play their part in accelerating the project work... that really is a win-win – they get the data in the form they want and the trustees know that they've found a good home, and the employer is able to say I've done a decent job, I've handed over this legacy in a responsible manner," said Pickering.

The new offerings from insurers come at a timely point for schemes because forecasters warn that the time between buy-ins and buy-outs is widening. Although last year saw a record 160 schemes buy-out, and another 300 are looking likely this year, many more are still languishing between buy-in and wind down.

Hymans Robertson said that more than 500 schemes will already be working towards a buy-out in the next few years. Hundreds more will be added as more schemes de-risk, arguably placing a capacity constraint on the industry.

Capital Cranfield's Masters – who said he knows of schemes that are still awaiting buy-out after more than seven years – warned that the data challenges are the "biggest brake" on progress as actuarial teams, administrators and data specialists face a "capacity crunch" that is extending completion times.

> **"If you can choose a risk transfer partner who will not only take on board the risk but will take out some of the friction associated with getting from where you are to where you want to be, that is really, really attractive both to the trustees and to the plan sponsor"**
> **- Alan Pickering, BESTrustees**

"Typically, schemes might have said they can do this in an 18-month to two-year timetable but that now looks ambitious," he said.

"Two years to two-and-a-half years is an average expectation of a timetable. It can be done quicker, but it really relies upon that quality of data going in."

Schemes can, indeed, wind down quicker if they are prepared before buy-in. UK engine maker Rolls-Royce, for instance, completed a full buy-out with Pension Insurance Corporation last month, just nine months after it struck a £4.3bn buy-in transaction for the 36,000 members of its DB pension scheme. And early this year, auditing giant Deloitte signed a £700m BPA deal that it expected would be completed with a buy-out four months later.

Experts suggest levels of preparedness depend on the size of the scheme, with larger ones being able to fund in-house teams that can get deals in shape before transacting.

But with insurers also facing reputational risk if the schemes they are absorbing take a long time to wind down, there is growing emphasis across all scheme sizes to bring deals over the line with as little delay as possible.

"If you can choose a risk transfer partner who will not only take on board the risk but will take out some of the friction associated with getting from where you are to where you want to be, that is really, really attractive both to the trustees and to the plan sponsor," Pickering said.

Litigation Update: Wells Fargo Bank, N.A. v. Ameritas Life Insurance Corp

Author:
Greg Winterton
Contributing Editor
Longevity & Mortality Investor

On 30th July 2026, the US Court of Appeals for the Eighth Circuit ruled in *Wells Fargo Bank, N.A. v. Ameritas Life Insurance Corp.*, (No. 25-2351), affirming the summary judgment decision of the United States District Court for the District of Nebraska that held that a $4m life insurance policy was void from inception as an illegal stranger-originated life insurance (STOLI) scheme.

The legal dispute centred on whether the policy lacked a lawful insurable interest at the time it was procured under governing state law. Wells Fargo Bank acted as the plaintiff in its capacity as securities intermediary for the policy's holder, Vida Longevity Fund, while Ameritas Life Insurance Corporation served as the defendant successor to the original issuing insurer.

In 2007, insurance broker Michael Binday began the process to procure a $4m life insurance policy on the life of Jerry Freid, a 72-year-old retiree. On August 14, 2008, Binday's firm submitted the application for the policy to Union Central Life Insurance, which contained misstatements reporting that Freid possessed millions of dollars in real estate and personal property. The policy was issued on September 8th, 2008, and on the same day, Michael Block (Binday's cousin, who served as trustee for approximately 25-30 Binday-originated policies, including the Jerry Freid Irrevocable Trust, which owned the policy), entered into a credit agreement with HM Ruby, an external financing firm, on the trust's behalf, under which HM Ruby agreed to loan the trust funds for, among other things, premium payments.

Two years later, after the contestability period lapsed, the trust holding the policy sold it to HM Ruby. Vida Longevity Fund subsequently acquired the policy with Wells Fargo serving as securities intermediary, and Freid passed away in 2020. Following the death of the insured, Vida Longevity Fund submitted a claim to Ameritas to collect the $4m death benefit. Ameritas denied payment, asserting that the policy lacked a valid insurable interest at inception and was an illegal wager on human life.

Wells Fargo filed suit in the United States District Court for the District of Nebraska, bringing claims against Ameritas for breach of contract and bad faith refusal to pay. Ameritas moved for summary judgment on the grounds that the policy was void as a matter of law. The District Court determined that New Jersey law governed the dispute and granted summary judgment in favour of Ameritas. Wells Fargo then appealed the judgment to the Eighth Circuit Court of Appeals.

The primary legal issues before the appellate panel were determining which state's law governed under Nebraska's choice-of-law rules and deciding whether the undisputed facts established an illegal stranger-originated policy. The evidentiary record included financial disclosures demonstrating that Freid lacked the financial capacity to pay the premiums, false asset statements on the application, and records showing the entire policy was third-party financed with an agreement to transfer ownership to investors after two years.

The Court of Appeals unanimously affirmed the decision of the District Court in favour of Ameritas. Reviewing the case de novo, the court held that New Jersey law governed the policy. Under New Jersey insurable interest statutes, policies procured as stranger-originated life insurance to benefit third-party investors are void from inception. The panel concluded that the undisputed evidence established the policy was a stranger-originated arrangement as a matter of law, rendering it unenforceable. The court's decision finalized the summary judgment ruling in favour of Ameritas, concluding the federal appellate proceedings.

Dublin Life Settlement Symposium

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ELSA

Slowing US PRT Market Sees Insurers Jostling for Business as Buy-Ins Surge

Author:
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Both deal activity and aggregate premium value in the US pension risk transfer (PRT) market declined significantly in the first quarter, by 31% and 47%, respectively.

As a consequence, market participants say that they have seen a greater number of insurers bidding for deals while schemes weigh emerging alternatives to terminations as the traditional de-risking route.

Jake Pringle, Principal and Consulting Actuary at advisory firm Milliman, said the company has seen an average four to eight insurers bidding for each of the deals it has taken to the market in the past year, up from between two and six.

"Even if we don't feel great about one or two of those [bidders], we now have more options when we're doing the bidding process," Pringle said.

While the 20-plus insurers that jostle for PRT business in the US have tended to discriminate in the types of schemes they bid for, the smaller pipeline has seen them cast their nets wider in search of deals.

> **"Market conditions and transaction volumes can lead insurers to deviate from their traditional 'sweet spots...We've seen insurers who typically focus on larger cases participate in smaller transactions, and vice versa, as they seek to deploy capital and maintain desired business volumes"**
> **- Alex Gagnon, Banner Life family of companies**

"Market conditions and transaction volumes can lead insurers to deviate from their traditional 'sweet spots'," said Alex Gagnon, Vice President, Head of Distribution at Banner Life family of companies.

"We've seen insurers who typically focus on larger cases participate in smaller transactions, and vice versa, as they seek to deploy capital and maintain desired business volumes."

The drop-off in the US PRT market this year continues a decline in transaction values that was set in place in 2025, when $48.5 billion of buy-in and buy-out transactions were struck, 6% lower than the $51.8bn in 2024 (and the first annual decline since 2020).

While economic conditions remain favourable for schemes to de-risk, especially with interest rates remaining elevated (when compared to the post-GFC decade) and the Fed mulling further increases amid sticky inflation, a combination of new factors appears to be influencing the market.

The most noticeable has been the surge in buy-ins, which have been noticeably fewer in number historically than in the UK market, for example. The record $17.5bn of such deals completed last year represents a 372% increase on those struck in 2024 and a third of all PRT premiums for 2025.

"This was a more specialised solution a few years ago, but now more insurers and intermediaries have the capabilities to support sponsors with this strategy," said Gagnon.

One of the benefits of a buy-ins is that they can provide insulation from potential litigation.

When winding down a scheme, sponsors must demonstrate that they have made all possible efforts to ensure they have found the "safest annuity available" for scheme members. This fiduciary responsibility, enshrined in the Employee Retirement Income Security Act (ERISA) of 1975, is the requirement that has led to several companies being sued in recent years because the plaintiffs claim this responsibility has not been met.

Such cases can be protracted and costly, which may be driving some trustees to hit the pause button.

"There's a few [cases] out there with some of these insurance companies now that are catching the eye of plan sponsors, so maybe they're a little more cautious," said Pringle.

It's possible, too, that the declining number of DB schemes still in existence has contributed to the market slowdown. In 1975, a third of all private pensions in the US were run by DB schemes. By 2020 that had dropped to just 7%.

That decline may be having a bearing on the influence that the economics of US pension administration are exerting on the PRT deal pipeline, according to observers.

Sponsors are required to pay a levy on each of their pension beneficiaries into funds created to provide pools of money that will cover the liabilities of failed schemes. Extricating themselves from paying into the Pension Benefit Guaranty Corporation (PBGC) has long been a driver of schemes' de-risking activities.

However, as scheme funding levels have improved - in August alone, funding ratios climbed to 111.7% from 110.6% - any urgency to enter into a buy-out transaction solely to escape these fees has diminished. Additionally, well-funded sponsors may prefer to manage assets internally to capture any excess investment returns that may be available.

> **“Just naturally, things tend to pick up in the third and fourth quarter... from what I understand from insurance companies that are receiving our opportunities, things are pretty busy right now. So, I would expect the third and fourth quarter of 2026 is when we get the results in and we get another strong finish to the year”**
> **- Jake Pringle, Milliman**

“Their investment manager might be telling them, ‘I can get you an extra 150 basis points return on [your assets], and that's going to cover more than enough for the PBGC premium,” said Pringle.

“So, they may not want to take these assets out of play by giving them to an insurance company [if they] get better returns and still have excess to be able to cover those premiums as well as anything else.”

Experts are predicting that the importance of buy-ins will continue to increase. Banner Life's Gagnon, for instance, said he expects transactions to number around 30 this year.

“It's a shift that feels more structural, not temporary,” he said.

The full-year PRT tally could shift dramatically if larger deals come to market. The so-called “jumbo” transactions – those over $1bn – dominated in the years of bumper deal values but have been few and far between since last year.

However, observers note that the mechanics of the US pensions industry mean some could be waiting in the wings. Most American schemes have a 1st January evaluation date and that usually leads to assessment reports being published late in the third quarter.

While insurer capacity is traditionally highest in the first two quarters, the paucity of transactions early this year suggests they have lots of firepower remaining.

“Just naturally, things tend to pick up in the third and fourth quarter... from what I understand from insurance companies that are receiving our opportunities, things are pretty busy right now,” said Pringle.

“So, I would expect the third and fourth quarter of 2026 is when we get the results in and we get another strong finish to the year.”

Bermuda Life & Annuity Sidecar Market Quadruples as Alternative Asset Manager/Life Insurance Convergence Continues

Author:
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Contributing Editor
Longevity & Mortality Investor

The life & annuity sidecar market in Bermuda has grown almost four-fold to approximately $375bn in the past four years, according to *Bermuda's Life & Annuity Sidecar Market Quadrupled as Insurance and Private Credit Converge*, a recent report from ratings agency Morningstar DBRS.

The report says that the trend reflects "the wider convergence between insurers, fund managers, and institutional investors, as insurance liabilities increasingly serve as a source of capital for private-market investment strategies."

Indeed, many of the larger, brand-name alternative asset managers are now present in the market, and for good reason: sidecars can provide access to alternative asset capabilities like private credit and infrastructure for sponsoring carriers, and asset managers can deploy these large sums of capital into their own investment products, which has the added bonus of delivering recurring management fees. And it's not only North American asset managers that are participating; the report says that Japanese life insurers are also in the space, due to by domestic regulatory capital changes.

> **"This growth of life and annuity sidecars is fuelled by the incorporation of new sidecars and expansion of existing ones, a trend that is likely to persist"**
> **- Renee Gao, Morningstar DBRS**

The report says, however, that only a few sidecars publicly disclose their investment allocations, making it difficult to get an idea of the extent to which private assets form part of the sidecar's investment strategy.

"This growth of life and annuity sidecars is fuelled by the incorporation of new sidecars and expansion of existing ones, a trend that is likely to persist. Several sidecars have partnerships with private credit-focused asset managers, suggesting that there is exposure to the asset class but not revealing the amount invested," said Renee Gao, Vice President, Global Insurance & Pension Ratings at Morningstar DBRS.

While Bermuda remains the dominant hub, the report also refers to the Cayman Islands, which in recent years has seen the launch of Malibu Life Re and Fort Greene Re in 2024 and 2025, respectively.

Notably, the territory applied for Qualified Jurisdiction Status with the NAIC last month, and while the application could take a year or more, if approved, reasons exist that could mean that Cayman takes some share from Bermuda.

Sidecars aren't the only mechanism through which the capital markets and life/annuity carriers are teaming up, however: The report also suggests that part of the overall growth at the nexus of the insurance and private markets spaces can be attributed to rated feeder funds, financing structures that provide insurers with rated debt exposure directly to private market funds (which satisfies the carrier's desire (and requirement, in some cases) for investments that provide an acceptable return whilst retaining any regulatory capital benefits).

Whilst Morningstar DBRS emphasises that neither sidecars nor rated feeder funds eliminate the underlying credit, liquidity, or investment risks, it expects interest in these structures to be healthy going forward.

"Demand for rated feeder fund debt remains solid as the product becomes more mainstream. We expect to see more horizontally distributed feeder funds, further driving the convergence between fund finance and structured products," said Manna Cheung, Vice President, US Structured Credit Ratings – Funds at Morningstar DBRS.

Regardless of structure/vehicle or domicile, the convergence of the life insurance and private capital markets seems set to continue to grow. In its report, Morningstar DBRS cites PitchBook data that suggests that the seven largest publicly traded alternative asset managers held approximately $1.4trn of insurance assets between them in 2025, a number that is expected to jump by more than 50% to $2.2trn by the end of the decade.

Q&A

Mitchell Schepps
Senior Managing Director, Aon

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Increasing life expectancy, paired with shifting demographics, regulatory capital pressure, volatile market conditions and new investment opportunities has transformed longevity risk from something of a static actuarial assumption into a dynamic capital management challenge and opportunity. While the pension risk transfer market dominates headline volumes, the underlying challenge is broader: How are life insurers, reinsurers, and corporate sponsors reshaping their balance sheets, modelling capabilities, and risk transfer strategies to handle unprecedented longevity exposure? Greg Winterton spoke to Mitchell Schepps, Senior Managing Director at Aon, to get his views on the current state of the longevity architecture in the US.

GW: Historically, regulatory capital rules made longevity risk less of a central focus in the US than elsewhere. Is that now changing as carriers seek greater capital efficiency and earnings stability?

MS: In the US, longevity reinsurance has remained relatively limited, largely because regulatory capital requirements have historically been lower than in markets operating under frameworks such as Solvency II. As annuity liabilities continue to grow, insurers are placing greater emphasis on balancing capital efficiency, earnings stability and risk management. Longevity risk is becoming a more prominent consideration in those decisions.

GW: As longevity risk transfer transaction volumes grow, how stable is traditional reinsurance capacity? And are insurers actively needing to seek out alternative capital to get deals done at competitive pricing?

MS: We continue to see ample capacity in the traditional reinsurance market. Longevity exposure can provide diversification for mortality-focused portfolios, making it an attractive risk for reinsurers to assume. While alternative capital may play a larger role over time, most activity today is focused on structuring transactions that make effective use of available reinsurance capacity and align pricing with insurers' objectives.

GW: When managing liabilities that span several decades, how are advancements in data and modelling changing the way insurers make strategic risk transfer decisions as opposed to just offloading risk wholesale?

MS: This is becoming a real differentiator. The goal is not simply to cede longevity risk, but to identify which risks create the most volatility and transfer them at the most efficient cost. Better data, faster modelling and more granular scenario testing allow insurers to design reinsurance solutions that are both more capital-efficient and more strategically targeted.

Continued on next page...

GW: Beyond institutional pension de-risking, where do you see the greatest opportunity for life insurers to help individuals access reliable lifetime income without overexposing the insurer to unmanageable risk?

MS: Insurers are continuing to expand product offerings to address growing demand for retirement solutions that provide growth potential, downside protection and dependable income. One of the largest opportunities is helping retirees convert a portion of their 401(k) and IRA assets into guaranteed income streams. Products that combine flexibility with durable lifetime income features are well positioned to meet consumer needs while supporting prudent risk management.

GW: As the line blurs between traditional life insurers and alternative-capital-backed carriers, competitive dynamics in the annuity market are changing rapidly. Beyond attractive product pricing, what structural capabilities and capital strategies will distinguish the market winners over the next decade?

MS: Success in today's annuity market requires more than attractive pricing. Carriers also need a thoughtful asset strategy, strong governance and access to the right partners. Nearly every successful player is using reinsurance, asset-management relationships or both to access alternative assets and improve competitiveness. The winners will be those that pair that capital efficiency with disciplined underwriting, transparent governance and a clear view of long-term risk.

Mitchell Schepps is Senior Managing Director at Aon

New Stress Test Shows UK Bulk Purchase Annuity Insurers on Solid Ground

Author:
Greg Winterton
Contributing Editor
Longevity & Mortality Investor

A recent report from S&P Global Ratings, *U.K. Bulk Annuity Insurers' Private Credit Exposure Set To Remain Manageable*, suggests that British life insurance company balance sheets "demonstrate significant resilience" when stress-tested against historical market shocks.

In an analytical exercise, the firm created a hypothetical portfolio based on the 'average' UK bulk purchase annuity (BPA) insurer's matching adjustment (MA) portfolio and stress-tested this portfolio against three scenarios: the 2001–2002 credit shock, which was applied to residential and infrastructure assets; a 20% property valuation drop affecting equity release mortgages (ERMs); and the 2007–2009 Global Financial Crisis shock applied to the remaining private credit holdings.

The results were solid. A 200% coverage ratio is S&P's baseline starting point for a strong, well-capitalised insurer under their risk model, and a 4% default rate of the private credit portfolio — which is one year's experience of the Global Financial Crisis — sees the coverage ratio fall to around 180%, and even an 11% default rate (the full 3-year Global Financial Crisis experience over 2007-2009) still results in the coverage ratio sitting above 150%.

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- Laura Jimenez, S&P Global Ratings

"The results of the stress test demonstrate significant resilience. UK life insurers with a coverage ratio of 200% as per our model could easily withstand an extreme scenario that assumes a default rate of about 11% in the illiquid portion of the portfolio," said Laura Jimenez, Credit Analyst at S&P Global Ratings.

The data and exercise add to the current conversation pertaining to private credit risk in life insurance. What began in the US - with critics suggesting that BPA insurers are/were backing pension promises with 'risky' private credit assets - has now made its way to the UK, particularly as North American firms with private credit origination capabilities have recently bought into the UK PRT market.

But even before this recent effort from S&P Global, the UK BPA market already had a 'proof of concept' in the Prudential Regulation Authority's Life Insurance Stress Test, the results of which showed that none of the 11 firms tested stood too close to the risk precipice.

Still, despite there now being two pieces of evidence suggesting that the balance sheets of the collective UK life carrier cohort are solid, what also matters – for both insurers and millions of UK pensioners who now depend on their solvency - is the view of the defined benefit pension trustees who are tasked with selecting an insurer to take on their scheme member liabilities.

And the investment strategy, while important, comprises only one leg of the decision stool.

"In practice, trustees will usually consider an insurer's investment strategy as one part of a broader assessment of covenant strength and insurer suitability, rather than as a standalone deciding factor," said Payam Kazemian, Head of Risk Transfer at ZEDRA Governance.

"It sits alongside price, financial strength, ESG approach, operational capability, member administration, transition planning and overall execution risk. For most trustee boards, the key question is not simply whether an insurer invests in private credit, but whether the insurer's overall asset strategy is well governed, resilient and appropriate for the liabilities being insured."

While trustees view private credit through a wider governance lens, the asset class remains important as the yield on these assets can affect pricing for BPA buy-ins or buy-outs. Whilst insurers could rely primarily on lower-risk, highly liquid alternatives like UK gilts or corporate bonds of public companies, in an increasingly competitive market, pricing often determines which carrier wins a transaction, so defaulting exclusively to liquid, lower-yielding assets could see fewer wins.

Still, balancing the yield pickup that private assets can deliver against credit risk is far from a one-size-fits-all exercise, nor is every insurer's balance sheet constructed the same way.

"The reality is that each insurer will have its own asset-liability modelling framework, investment appetite and internal model, so it is difficult to generalise across the whole market or say that there is a single 'right' level of private credit exposure. Insurers are investing against long-dated, predictable annuity liabilities, so some allocation to private credit can make sense where the assets provide appropriate cash-flow matching and an illiquidity premium. However, each insurer's approach will depend on its own balance sheet, liability profile, matching adjustment portfolio and risk governance," said Kazemian.

> **"Insurers cannot realistically go too far on private credit investment. Regulatory capital requirements, PRA oversight, matching adjustment eligibility rules, internal risk limits, rating agency scrutiny and commercial considerations all constrain how far insurers can move into less liquid or more complex assets"**
> **- Payam Kazemian, ZEDRA**

"That said, insurers cannot realistically go too far on private credit investment. Regulatory capital requirements, PRA oversight, matching adjustment eligibility rules, internal risk limits, rating agency scrutiny and commercial considerations all constrain how far insurers can move into less liquid or more complex assets. If an insurer became materially over-concentrated or under-diversified, that would likely attract regulatory and adviser scrutiny and could also damage its competitiveness in the bulk annuity market. So, while private credit can create headline risk, the practical limits imposed by regulation, capital requirements and potential business risk should prevent unmanaged over-exposure," he added.

These guardrails reinforce the argument made by those that don't necessarily agree with the headlines. They say that the supervisory framework enforced by the Prudential Regulation Authority, coupled with the Solvency UK Matching Adjustment criteria and dynamic stress-testing requirements create a disciplined risk management function.

Because annuity liabilities are illiquid by nature, stretching across decades with low risk of policy surrenders or sudden capital runs, industry experts say that life insurers therefore provide a logical home for private credit, supporting life insurers and pension liabilities, and not hindering them.

"UK insurers, particularly life insurers, and private credit are a natural fit because their liability profiles often contain a significant amount of non-surrenderable, long-dated liabilities. As a result, they benefit more than most investors from the illiquidity premium associated with investing in private credit," said Jimenez.

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