



# **Illiquid Assets a Blessing and a Curse for Pension Schemes en Route to a Bulk Purchase Annuity**

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# Editor's Letter, Volume 3, Issue 09, September 2024



**Chris Wells**  
Managing Editor  
Life Risk News

Defined benefit pension schemes seeking an insurer-led buy-out will, in many instances, have to divest themselves of any illiquid assets they hold in their investment portfolio. With buy-out activity almost touching £50bn in the UK's bulk purchase annuity market in 2023, the divestment of illiquid assets has become a frenzied process. *Samantha Downes* spoke to **André Kerr**, Partner at **XPS Group**, **Kunal Sood**, Managing Director for Defined Benefit Solutions at **Standard Life**, **Joe Evans**, Senior Vice President at **Redington** and **Ajith Balan Nair**, Head of Asset Class and Manager Research at **Isio**, to get their thoughts on the topic in *Illiquid Assets a Blessing and a Curse for Pension Schemes en Route to a Bulk Purchase Annuity Solution*, our cover story this month.

The US and the UK PRT markets combined deliver the vast majority of activity globally, but Canada also has a healthy bulk purchase annuity market. *Aaron Woolner* spoke to **Mary Kate Archibald**, Principal at **Ecklers**, to get her views on the current state of the space in *Canadian Pension Risk Transfer Market Set for Record Year Even as Interest Rates Fall*.

There are many features and benefits of reverse mortgage securitisations. However, institutional investors seeking exposure to this asset have largely only been able to play in the US market, because there has been so little securitisation issuance in other countries. A new door has recently opened - or, rather, re-opened - in Australia, however. *Greg Winterton* spoke to **Joshua Funder**, CEO at **Household Capital**, to get his thoughts on the outlook for the space in *Australian Equity Release Mortgage Securitisation Market Set for Take-Off?*

Anthropogenic global heating will have a direct impact on life expectancy according to a study published by The Lancet recently. Part of the publication's Countdown initiative, which tracks the impact of climate change on health, the study looked at the impact of rising temperatures on mortality in European regions. *Aaron Woolner* spoke to **Nicky Draper**, Longevity Consultant at **Crystallise**, to get her views on the trend in *Climate Change Likely To Have Multiple Impacts*.

Retirement planning in the US typically involves discussions around investments such as stocks and bonds, and, for the more affluent, offerings such as hedge funds, private equity, and real estate. But for many Americans, their life insurance policy is their second largest asset, after their home. And many of these life insurance policies meet the criteria for sale in the life settlement market. So, why aren't more American Seniors taking advantage of this option as part of a more holistic retirement planning solution? *Greg Winterton* held a roundtable discussion with **Rob Haynie**, Managing Director at **Life Insurance Settlements**, **Bryan Nicholson**, Executive Director at **LISA** and **Chris Orestis**, President of **Retirement Genius**, to get their thoughts on why – and what can be done to improve the current situation – for *How Can Life Settlements Become a Fixture in Retirement Planning for American Seniors?*

If DB and DC schemes are on opposite sides of the spectrum, CDC sits near the middle, perhaps leaning towards DC with the risks that members still take. What if legislation promoted the development of further DB/DC-style schemes, taking the best parts of both DB and DC to create schemes that work for all? **Mark Stansfield**, Actuarial Consultant at **Hymans Robertson**, offers his thoughts in *DB, DC, and the Spectrum of Scheme Designs In Between*, a guest article this month.

September sees the return of something resembling normalisation for the working world, as a new school year resumes and the sun sets on summer. It's also the month in which ELSA holds its annual Secondary Life Markets Conference, and so **Bill Corry**, Managing Partner at **Corry Capital Advisors**, and current ELSA Chair, gives his insight into the past and upcoming year at *ELSA in Progress and Plans: The Previous and Upcoming 12 Months at ELSA*, our second guest article this month.

Activity in the smaller scheme corner of the UK's pension risk transfer market has held up in the past 18 months, despite initial concerns of crowding out. *Greg Winterton* spoke to **Rainer Greunig**, CEO at **Plenum Investments**, to get his thoughts on the drivers of activity in this part of the country's booming bulk purchase annuity space for this month's Q&A.

Traditional wealth management practices for retirees haven't always deeply integrated longevity risk - the risk of outliving one's assets - into their investment strategies for their clients. But for many wealth managers, the reality of their clients living longer is forcing them into something of a rethink; a rethink that ties directly into the expertise of the life settlement industry. *Greg Winterton* spoke to **Jay Jackson**, CEO at **Abacus Life**, for his thoughts on the trend in *Longevity Risk Increasingly Influencing Retirement Planning Approaches*.

I hope you enjoy the latest issue of Life Risk News.



# Illiquid Assets a Blessing and a Curse for Pension Schemes en Route to a Bulk Purchase Annuity Solution

Author:  
**Samantha Downes**  
Contributing Editor  
**Life Risk News**

Defined benefit (DB) pension schemes seeking an insurer-led buy-out will, in many instances, have to divest themselves of any illiquid assets they hold in their investment portfolio. With buy-out activity almost touching £50bn in the UK's bulk purchase annuity market in 2023, the divestment of illiquid assets has become a frenzied process.

In the last 20 years, the secondary market for illiquid assets - one of several ways schemes can offload their holdings - has grown to £100bn, according to the Setter Capital Volume Report FY 2023. But since September 2022, many DB schemes may have been selling their illiquid assets too early.

"The need for liquidity has spiked since the gilt market crisis of 2022, which dramatically reshaped the funding positions of many defined benefit schemes," said André Kerr, Partner at XPS Group.

Standard Life said its research found 40 per cent of schemes wanting to de-risk had illiquid assets to offload and worryingly two out of three of the consultants it spoke to said issues with illiquid assets had delayed a transaction.

"While many schemes can afford to buy-out on paper, lots of them are holding illiquid assets that are generally not a good fit for insurers' annuity portfolios due to their regulatory requirements," said Kunal Sood, Managing Director for Defined Benefit Solutions at Standard Life.

**"While many schemes can afford to buy-out on paper, lots of them are holding illiquid assets that are generally not a good fit for insurers' annuity portfolios due to their regulatory requirements"**  
**- Kunal Sood, Standard Life**

Illiquid assets, ironically, have helped fund many schemes. Joe Evans, Senior Vice President at Redington said many had a "meaningful allocation to illiquid assets - sometimes as large as 50 per cent".

The problem is they may have performed too well. Schemes had set the time horizon of their

illiquid assets to roughly align with when they were projected to become fully funded but many schemes have closed most, or all, of their deficit much sooner than expected. Asset managers had also extended the time horizon of private debt investments, mainly as a result of tough economic conditions after the Covid-19 pandemic.

"The companies they have loaned to may default if they aren't given more time or follow-on capital, which may result in a worse economic outcome for investors," Evans added.

Also, rising gilt yields in the wake of the 2022 mini budget had changed the shape of scheme asset allocations.

"Because liability driven investment portfolios were generally much more sensitive to interest rates than illiquid assets, the percentage of assets allocated to illiquid assets increased for many schemes," said Evans.

Illiquid assets are far from risky if the pension scheme is planning to run on, but for schemes looking for the umbrella of an insurer, they can become a millstone.

"An illiquid asset is also one that is not readily convertible to cash potentially, without a significant loss in value, for example, real estate," said Sood.

Disposing of illiquid assets is becoming a business in itself, with many schemes taking early action. Standard Life's survey found that a quarter of schemes looking at buyout had started talking to an insurer earlier than expected about the best ways to manage the disposal of their illiquid assets.

There are several options for schemes wanting to offload their illiquid assets. None are mutually exclusive, and some schemes are choosing a combination of all three.

The first is that they can choose to use illiquid assets as a form of premium payment; the insurer then uses the illiquid asset to back the bulk purchase annuity, or it may use it somewhere else on its balance sheet via a with profits fund for example. In any case, such a disposal will be done at a discount and the scheme may not get the best value and it also be a complex and lengthy process.

Another option is taking a deferred premium - when the insurer allows the portion of the premium

related to the illiquid assets to be paid at an agreed later date. But there is no guarantee the illiquid funds will not fall in value.

**“While private markets asset classes have provided excellent sources of alternative income and growth for pension scheme investors in recent years, the fallout of the liability-driven investment crisis and being closer to the endgame is prompting many of them to sell,”**

**- Ajith Balan Nair, Isio**

Then there is the third option, which is to sell some or all of the illiquid assets on the secondary market. This can take up to 12 weeks and involve the expense and complexity of a broker.

For some schemes, none of these options are preferable. But for schemes who are considering using the secondary market for illiquid assets have, this year, been able to take advantage of two new platforms: XPS Group's i Xchange and Isio's Fund Liquidity Options or i-FLO tool. Both claim to save on the cost of a broker by finding the best price for a scheme looking to offload its illiquid assets.

Last month, Isio said the Britannia Pension Scheme had become the first client to use the platform, using it to sell a c.£72m investment in a private credit fund on the secondary market.

Activity in the divesting of a scheme's private assets is set to continue apace. These investments have largely been a positive, but times change, and despite innovations in the space, for schemes looking to divest their illiquid asset portfolio en

route to an insurance buy-out, change will not be immediate.

“While private markets asset classes have provided excellent sources of alternative income and growth for pension scheme investors in recent years, the fallout of the liability-driven investment crisis and being closer to the endgame is prompting many of them to sell,” said Ajith Balan Nair, Head of Asset Class and Manager Research at Isio.

“Unfortunately, this is often easier said than done, and the process for exiting illiquid assets can be slow and expensive.”

Sood expects more schemes to take a circumspective view of their illiquid holdings going forward which he says should help them as they enter into their journey to buy-out. That said, solving the illiquid assets conundrum is not the only issue that schemes, and the market overall, will have to figure out in the coming months.

“We expect schemes to more actively manage their position in the lead up to a transaction, shifting towards earlier engagement with insurers regarding potential options, and having a clearer strategy heading into a broking process and eventual transaction. This will lead to better outcomes for schemes, reducing the frictional cost of execution,” said Sood.

“Of course, managing illiquid assets isn't the only challenge facing the bulk annuity market, there are other ones ahead, not least market capacity and regulatory reform.”

## Secondary Life Markets Conference 2024

Date: September 12<sup>th</sup> 2024

Location: EY, Hamngatan, Stockholm, Sweden



# Canadian Pension Risk Transfer Market Set for Record Year Even as Interest Rates Fall



Author:  
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Contributing Editor  
Life Risk News

The C\$7.8bn worth of deals struck in Canada's pension risk transfer (PRT) market in 2023 were spread across 190 sponsors, giving an average deal size of roughly C\$40m. While larger deals are not unheard of, the market is concentrated among small and medium sized entities.

Canadian pension scheme sponsors are showing a consistent appetite for PRT deals. Data from actuarial consultants Ecklers shows the market hovered around the C\$8bn mark for three years in a row and according to Mary Kate Archibald, Principal at Ecklers, 2024 could deliver even bigger numbers.

**"What we're hearing from the insurers is that 2024 has the potential to be another record-breaking year in Canada. There's still a ton of activity going on, even though we've seen a couple of small interest rate decreases this year"**

**- Mary Kate Archibald, Ecklers**

"What we're hearing from the insurers is that 2024 has the potential to be another record-breaking year in Canada. There's still a ton of activity going on, even though we've seen a couple of small interest rate decreases this year," says Archibald.

"Before 2021 the Canadian PRT market saw C\$4bn-C\$5bn transacted each year for a few years. Prior to that, it was around C\$2bn-C\$3bn each year. The current deal flow represents a significant increase in the size of the market in percentage terms," she adds.

The main catalyst for this change is, unsurprisingly, interest rates. In the decade up to the pandemic, rates moved between 0.25% and 1.75%, a level which Archibald says caused a problem for pension fund sponsors. Local regulations require schemes to show their funding level on a buyout basis and for ongoing funds if they are able to achieve this metric over a five-year period.

"Pension plan funded positions were suffering before the pandemic, interest rates were low, and the regulatory environment in Canada required pension plans to fund their solvency measure, which uses the cost of settling benefits through lump sums or annuities to assess the security of the benefit," says Archibald.

Each of Canada's ten provinces have their own pension regulatory frameworks but broadly speaking, the same dynamics were present across the whole market.

With rock bottom interest rates throughout the previous decade, a number of plan sponsors needed to get exemptions from regulators from meeting the funding requirements leading to discussions over the risks such schemes placed on their parent companies.

Canadian interest rates hit an all-time low of -0.10% in October of 2020, with the central bank moving to tighter monetary policy in March 2022. As of September 2024, they stand at 4.5% following two 0.25% cuts in June and July of this year.

"What happened in 2021, when interest rates significantly increased, is that a lot of these plans went from 80% funded to close to 100% and suddenly realised that a PRT transaction was no longer hypothetical," said Archibald.

The result was a sharp uptick in the number of PRT deals in the Canadian market, starting in 2021 and continuing every year since.

Interest rates aren't the only factor in the increased attractiveness of PRT transactions to Canadian pension scheme sponsors, according to Archibald. Another important factor she points to is the introduction of annuity discharge regulations in a number of Canadian provinces which essentially mean that a sponsor is relieved of obligations once a scheme has transferred to an insurer.

So far, several of Canada's most economically important provinces including Ontario, British Columbia, Quebec and Nova Scotia have enacted annuity discharge regulation, and Archibald says that the removal of what she terms 'boomerang risk' via these sets of regulations provides sponsors with additional comfort to strike a deal with an insurer.

Archibald adds that another push factor for the PRT market was the Pension Protection Act

receiving Royal Assent in 2023. This piece of legislation prioritises pension plans under the Company's Credit Arrangers Act in the event of a business going insolvent.

"This can affect the cost of borrowing because there is now a super priority to the pension plan over other creditors, in particular when the plan is large compared to the company," she says.

And while this act doesn't come into force until 2027, Archibald says that a number of sponsors have recognised the potential risk it poses to their balance sheet and in turn are trying to reduce riskiness of their pension plan.

The final change to impact the Canadian pension market is an increase in the support offered by insurance guarantee scheme Assuris. Funded by contributions by insurers, and similar in intention to bank deposit insurance schemes which are present in many markets, Assuris provides - among other protections - funding for annuities in the event that a carrier goes bankrupt.

demand explicitly on its own, it has given sponsors more comfort that if they annuitise, their members are protected," says Archibald.

Archibald expects the Canadian PRT market to continue seeing a healthy deal flow level and while there are no new defined benefit pension funds emerging in Canada, she says the existing pool of schemes will continue to look for buy-out solutions and the deal pipeline will remain strong for the next few years.

"PRT activity in the next few years has the potential to remain similar to the levels seen in the past few years," she says. "While eventually, many of the plans that want to transact will have done so, and the activity may slow, it's not going to happen next year, and we expect several years or more of high activity."

**"PRT activity in the next few years has the potential to remain similar to the levels seen in the past few years. While eventually, many of the plans that want to transact will have done so, and the activity may slow, it's not going to happen next year, and we expect several years or more of high activity"**

**- Mary Kate Archibald, Ecklers**

"In 2023 Assuris expanded its pension coverage limits from C\$2000 to C\$5000 of monthly pension, in addition to some other enhancements in coverage. That's a significant change, and it provides better coverage for many more annuitants. While I don't think that necessarily has changed the



# Australian Equity Release Mortgage Securitisation Market Set for Take-Off?



Author:  
**Greg Winterton**  
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Equity Release mortgage securitisations carry a range of benefits for institutional investors when compared to standard residential mortgage-backed securities (RMBS).

Reverse mortgage securitisations involve deferred payment of interest and principal along with low loan-to-value security risk, often offering higher risk-adjusted yields compared to standard RMBS. Since reverse mortgages are typically not repaid until the borrower sells the home, moves out permanently, or passes away, the risk of early repayment (which can affect returns in RMBS) is generally lower, making cash flow more predictable. Another is that reverse mortgages usually have longer durations because they are not amortising monthly like typical mortgages, which can be appealing for investors seeking longer-term investments with predictable cash flows.

Despite these features and benefits of reverse mortgage securitisations, however, institutional investors seeking exposure to this market have largely only been able to play in the US market, because there has been so little securitisation issuance in other markets. (The UK equity release market is funded by life insurers and pensions that hold the loans to maturity.)

A new door has recently opened - or, rather, re-opened - in Australia, however.

At the end of July, Melbourne-based non-bank equity release mortgage originator Household Capital announced that it had completed its first rated reverse mortgage securitisation transaction. The firm's HHC 2024-1 RMBS Trust is a AU\$263m mortgage pool rated by Moody's; it is the firm's inaugural rated securitisation since it began originating loans back in 2019.

Joshua Funder, CEO & Managing Director at Household Capital, says that a wide range of international investors bought the rated notes.

"The portfolio was able to fit the mandates of different types of investors. Four groups conducted due diligence on the deal - life insurers, banks, credit funds, and Australian superannuation funds - and the investors came from both home and abroad," he said.

The reverse mortgage securitisation market in Australia has been moribund for a while. The first transaction was back in 2006 when Fitch rated the Emerald Reverse Mortgage Series 2006-1 Trust from Bluestone but then the Global Financial Crisis put the securitisation market on hold.

Since then, several major developments have supported the regrowth of Australian reverse mortgages as an equity release retirement funding sector distinct from the "last resort" reverse mortgage sector up to the GFC.

First was the passing of the Consumer Credit Legislation Amendment (Enhancements) Bill 2012 by the country's lawmakers. The bill provided a swath of consumer protections which meant Australia has among the lowest LTVs in the world as well as, protecting both customers and term investors from negative equity risk. These protections were in addition to standard non-recourse lending, guaranteed occupancy and a No Negative Equity Risk Guarantee (NNEG).

Second, the Australian government held a Royal Commission into the Banking, Finance and Superannuation sectors which found no issue with the performance of the heavily regulated reverse mortgage credit product, in sharp contrast to most other financial and credit products on the market at the time.

Finally, the Australian Securities and Investments Commission (ASIC) issued a review of reverse mortgage lending in August 2018 which found no material breach of the applicable consumer credit law for reverse mortgages.

Meanwhile, the big bank providers in Australia withdrew from originating reverse mortgages by 2019.

"Banks in Australia have generally pulled out of what they see as non-core areas in recent years," said Funder. "They found it difficult to scale the

**"Banks in Australia have generally pulled out of what they see as non-core areas in recent years. They found it difficult to scale the responsible origination of reverse mortgages so it's not a priority for them at the moment"**

**- Joshua Funder, Household Capital**



responsible origination of reverse mortgages so it's not a priority for them at the moment."

So, most of the origination in the primary market in the past few years has been provided by non-bank lenders. And the good news for those watching the market is that activity has returned; research published by IBIS World in October 2023 suggests that there has been an upswing in revenue in the past five years, growing at a CAGR of 4.6% to reach an estimated AU\$442.5m last year. It expects revenue to jump a massive 18.5% this year, "as demand races ahead with seniors looking to access their home equity to push through intense inflationary pressures."

**"There are significantly reduced security and customer risks in the portfolio we originate, which is just beginning to be understood both at home and outside Australia"**  
- Joshua Funder, Household Capital

Good news for investors indeed – the bigger the primary market, the more potential securitisations in future, and therefore more investable options outside of the US market.

But it is those consumer protections enacted in 2012 that continue to underpin the re-emergence of the securitisation market.

First, the loan to value starting point is just 20% for a 60-year-old, which lowers security risk (the risk that the value of the home becomes less than the size of the outstanding mortgage). Second, the variable rate model means that the Australian homeowner retiree won't get locked into an unaffordable higher fixed rate product, which reputational risk and security risk. Third, there is a lower average weighted life of the product which means variable rate equity release mortgages provide a flexible medium-term funding and housing solution with almost all discharge being voluntary.

"There are significantly reduced security and customer risks in the portfolio we originate, which is just beginning to be understood both at home and outside Australia," said Funder.

"The way Australian retirees access the wealth in their homes using a Household Loan is different from similar approaches elsewhere. Our portfolio reflects a series of key differentiators of Australian equity release mortgages: higher voluntary discharge, shorter duration, lower negative equity risk and higher cashflows. These features of our market enable us to provide investors with securitisation offerings that can be rated strongly, which is critical to the growth of this market."

A common barrier to growth in equity release mortgage markets is that awareness – or lack of it. The 2023 Global Equity Release Survey, published in January this year by EY and the European Pensions and Property Asset Release Group, cited this as the second biggest barrier to growth, behind funding levels.

Funder says it's the same situation in Australia, and solving for this would be something of a silver bullet, which in turn would continue to provide global investors with a consistent supply of securitisation products.

"Awareness of wealth in the home and access to wealth in the home for long term retirement needs is the major barrier to growth in our market," he said.

"Our model - the regulations and customer protections - is what is providing the opportunity for firms like ours to structure attractive products for investors. It's a point of differentiation for us and we think that the equity release mortgage securitisation market in Australia is finally at a place where it can truly take off."

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# Climate Change Likely To Have Multiple Mortality Impacts



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Life Risk News

The 2015 Paris Agreement targeted a long-term goal to keep the rise in global surface temperature to below 2°C above pre-industrial levels - but early signs are of progress on achieving these targets are not great.

Scientists at the EU's Copernicus climate monitoring service reported at the start of September that the Northern Hemisphere summer was the hottest since records began, beating a record only set in 2023.

Anthropogenic global heating will have a direct impact on life expectancy according to a study published by The Lancet a few days earlier. Part of the publication's Countdown initiative, which tracks the impact of climate change on health, the study looked at the impact of rising temperatures on mortality in European regions.

The study predicted that a 3°C temperature increase by 2100 would bring an additional 55,000 deaths a year in Europe, but the effects would not be uniform.

**"It's getting hotter and hotter each year, that's coupled with excess precipitation and this combination has multi-factorial impacts"**  
- Nicky Draper, Crystallise

"Climate change is also expected to widen disparities in regional mortality, particularly impacting southern regions of Europe as a result of a marked increase in heat-related deaths," the study reported, which was lead-authored by David García-León, a scientific officer for the European Commission.

Nicky Draper, a longevity consultant at UK data specialists Crystallise, says that the rise in temperature presents a number of risks that could cause an increase in mortality levels.

"It's getting hotter and hotter each year, that's coupled with excess precipitation and this combination has multi-factorial impacts. The most obvious of which is flooding, the immediate impacts of which are things such as physical trauma and drowning," she said.

"Then there is the damage to property, people's livelihoods, and their ability to work. Afterwards there are lingering effects such as mould and

respiratory disease and how that impacts asthma and people with preexisting conditions. That's just the impact of greater precipitation," Draper added.

Draper says that despite the multifaceted nature of higher levels of precipitation on mortality, the biggest impact on mortality from climate change will come from rising heat.

There is a relatively narrow range of ambient temperature that allows humans to maintain their optimal core temperature of 37°C. Researchers have shown that even a healthy young person will die after just six hours of 35°C heat if accompanied by 100% humidity (sometimes referred to as a 'wet bulb' temperature).

Draper says that if humans are unable to cool down the body will experience catastrophic effects, with older people even more exposed to this risk

"If heat exhaustion sets in, it means dehydration starts, affecting the kidneys which could then fail. But something odd happens to the entire body as the gut starts to leak toxins as a result of blood being diverted to the peripheries which can lead to organ failure," she says.

"An older person is more likely to succumb to heatstroke because they don't recognise a change in body temperature the same way that younger people do. And if a person has, say, an existing cardiac condition, an increased body temperature will result in a higher risk of having a heart attack."

"Heat also exacerbates respiratory conditions partly through the pathway of creating new pollutants in the air. In particular, I'm referring to Ground Level Ozone, which has a direct effect on respiratory health. So, there's a multitude of things that can happen in heat and in moisture," she says.

Europe's relatively high level of urbanisation - 75% versus a global average of 57% - means the region has an increased chance of overheating because cities are warming at twice the pace of average global temperatures, according to a United Nations study published in 2021.

"Excessively hot periods are going to occur more often and for longer in the future and these events are happening in places like Central Europe which haven't typically experienced them before. Parts of Spain are forecast to be uninhabitable in 20 years' time."

"This highlights one of the most important issues around the impact of climate change; those

who are most vulnerable are going to be least able to deal with the impact of climate change. People who have the means to move, will. Those who don't will have to stay," says Draper.

**"This highlights one of the most important issues around the impact of climate change; those who are most vulnerable are going to be least able to deal with the impact of climate change. People who have the means to move, will. Those who don't will have to stay"**

**- Nicky Draper, Crystallise**

Rising temperatures in Europe also bring an increasing risk of diseases, with some scientists concerned that malaria could stage a comeback. Malaria was eradicated from the region by the 1970s due to a combination of draining marshes, preventative medication, and the use of insecticides before a small number of cases were recorded in Southern Europe in 2023.

In June the European Centre for Disease Prevention and Control (ECDC) reported that the Asian Tiger mosquito was behind the rise in dengue fever and that the insect is now present in 13 European countries - an expansion the health agency explicitly linked to climate change.

In 2022 the European Environment Agency warned that Europe was becoming a 'hot spot' for emerging infectious diseases, such as West Nile Virus, chikungunya as well as dengue.

"Mosquitos thrive at a narrow range of ambient humidity and temperature but these conditions are now more widespread in Europe. They also like standing water, and more precipitation equals more puddles of stagnant water where they can lay their eggs and the young can be born."

"But malaria is just one of many diseases. There's also West Nile Virus and a number of other vector borne diseases which potentially look like they are going to increase their range of territory," says Draper.

Current research suggests that that the recent experience of increased temperatures is not an aberration and will worsen over the long term. A February 2024 report by the Swiss Re Institute said that measures to limit greenhouse gas emissions would fall short of the Paris Agreements aim of limiting temperature rises and instead a 2.7°C warming by 2100 was instead likely.

It is not all entirely bad news. Draper says that humans have shown remarkable ability to adapt to changing temperatures in the past with studies showing shifts in the ability to deal with periods of extreme cold that went beyond the level that scientists would have predicted.

"Some recent research suggested that our ability to deal with climate change may be greater than how it is predicted we will deal with it. Humans are incredibly adaptable."

"I'm not talking about stuff that costs money or being able to move house, but on an individual level the ability to make physiological changes could take place within a generation or two," she says.



# Roundtable

## How Can Life Settlements Become a Fixture in Retirement Planning for American Seniors?



Author:  
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### Participants



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President  
Retirement Genius

Retirement planning in the US typically involves discussions around investments such as stocks and bonds, and, for the more affluent, offerings such as hedge funds, private equity, and real estate.

But for many Americans, their life insurance policy is their second largest asset, after their home. And many of these life insurance policies meet the criteria for sale in the life settlement market.

So, why aren't more American seniors taking advantage of this option as part of a more holistic retirement planning solution? Greg Winterton spoke to Rob Haynie, Managing Director at Life Insurance Settlements, Bryan Nicholson, Executive Director at LISA and Chris Orestis, President of Retirement Genius, to get their thoughts on why – and what can be done to improve the current situation.

**GW: Most people in the life settlement market would say that awareness is the number one factor as to why life settlements aren't more well known, so let's start with direct awareness. Is the life settlement industry actually helping itself here? Is it doing enough?**

**BN:** I would say that the state of the landscape now is very different – in a good way – to what it was just five years ago. There is much more information on TV and online now, with more companies being involved in these efforts. So, the individual firms in our space are doing more purely on their own. And then we have organisations like LISA and ELSA supplementing these efforts, and filling gaps where awareness efforts are better served by groups like ours, and we're more strategic in terms of intersecting planning and communications. I'm not sure that you can say that it's good or not, but it's definitely better.

**RH:** Every day I struggle with it this. What else could we be doing? Our industry is like a lake with one fisherman and one pole - we're the only one's fishing in it. We have a lot of work left to be done. But the awareness generally is definitely different to what it was just five years ago and certainly ten years ago. Back then, we would have talked about life expectancies as having a maximum of 10 years.

Now, that's in the middle. We're seeing 200 month LEs. As the market grows, you'll see more and more newer participants come in. I think our space is still in its infancy.

**CO:** First of all, I don't think that the life settlement industry is alone in terms of it not being a fixture in a retirement planning solution. It's the same with reverse mortgages and annuities – this knowledge gap is pervasive across many financial solutions that help seniors.

But I do agree with Rob. As the life settlement market grows and benefits from increasing awareness and mainstream awareness, that in turn should mean the opening of other doors to places where awareness can again increase, which means that you'll see new sources of policies as opposed to the current situation of a few hunters all trying to hunt for the same deer all the time.

**GW: What about media advertising? Given that the primary market is a consumer market, is it necessary for the industry to advertise in order to stay in the public consciousness?**

**CO:** I don't think that it's required, but it is certainly a benefit that is accruing to the market overall. But there are a number of ways to create that awareness – you have paid media but also social media. And then there is earned media too. There are a number of ways to educate the consumer and the intermediaries about the benefits of the space.

**RH:** I'm not sure it's necessary but it works. Although the audience is sceptical – seniors are targeted for scams, so it is equally important to be there for a long time to build a good reputation. But I think we're going to see different types of advertising it as we move into other realms of social. You think about Tik Tok – I can see more ads going there because it's equally important to reach sons and daughters as well as seniors.

**BN:** From LISA's perspective, there are other channels we are looking at as well as what you think the traditional or typical channels are. For example, we are looking at providing materials to



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and building dialogue with stakeholder groups focused on consumer advocacy and the long-term care industry. For us, we need to consider how we look to build out content for our members that highlights the aggregate impact of the industry and can be used to supplement the promotional efforts of our member firms.

**GW: Bryan's comment there segues nicely into indirect awareness. The wealth manager / registered investment adviser cohort would seem to be an obvious channel for the life settlement market to get more friendly with but it's not that easy is it.**

**RH:** It's not, and it's frustrating. We work with a number of broker dealers and one time we had a client calling us directly and he said his life insurance agent said he couldn't talk about it. And it's such an obvious win for our industry – wealth advisors can repurpose the money that their client gets for the settlement into their investment portfolio, for example. Add to that, the client so often ends up just surrendering the policy when they could get multiples of that on the life settlement market.

**CO:** For the non-life insurance licensed entities that are talking to seniors, they're just not going to get a license. They can't share in a brokered compensation – they see this as a one-off, unicorn event that is not worth their time and effort to be licensed to receive compensation. It's a real roadblock that stops the life settlement market from getting into these areas. It's difficult to find people out there that will do it out of the kindness of their heart.

**BN:** This is something that is on the list of things for us to target as an association and work towards. We're always looking to further dialogue and increase participation from that community. I do think that we are better positioned now to have us be a value added and recognized component of that discussion. It comes back to what I said earlier about dialogue – and we're planning to announce some activity in this space later this year.

**GW: Are there any challenges in terms of alternative products available to American seniors? Reverse mortgages for example?**

**CO:** I don't think so. Actually, they work together well - you can do them both. What's interesting here is that the two biggest assets owned by Americans are their homes and their life insurance policies. There are 260m in-force life insurance policies out there worth a total of \$21trn of death benefit. That's actually bigger than the housing market. It's ironic that the two biggest asset classes have two of the lowest penetration rates of any options out there. It is shocking how few transactions are done by either of these two categories each year. But no, I don't see the issue here being one of competing products.

**GW: What else could help the market to gain more of a foothold in the consciousness of American seniors?**

**RH:** The Senior Health Planning Account Act is picking up steam again. This is something we can all get behind [the act would allow seniors to sell their life insurance policies tax-free and use the proceeds to fund healthcare expenses]. It's amazing that this isn't happening already – the list of things that currently qualify for it is like the 1997 yellow pages in Manhattan.

**BN:** I agree – this could be significant for our market. You start with the member of the house who is the champion for the bill and then build advocates who don't know this could be an option for solving the issue. We're doing some work in this space as well – hopefully the stars align on this one.

**GW: Lastly, for today – what's the overriding message here? If you were pressed for one thing, what would it be?**

**CO:** I think that the life settlement market needs to work outside its main sandbox, as I said earlier. When I'm at an industry conference, I talk about retirement generally but almost every time, life settlements-related content gets people's attention. It is just a matter of getting out there and telling that story in a compelling way - talking about it as part of a toolbox for solving the financial needs of a population that is aging and declining in health.

**RH:** For me, it's a case of keep on keepin' on. We are up against certain headwinds as I said, and there are others we've not mentioned, such as people being constantly sold financial products. Some have way too much life insurance, and it's not doing what it's supposed to do, and they keep making payments, and they lapse it.

In retirement planning, there's little that's sexier than when you get an offer for your life insurance policy that is many multiples of the cash surrender value. We just need to illuminate the spread between what they would have gotten in a surrender and what they would get in a settlement. Just because you're wealthy, and you're working with an estate planner, doesn't mean you're going to be told about life settlements.

**BN:** For LISA, it's a case of becoming more systematic and targeted in terms of the change we're trying to make. A big part of it is the consistency of the effort towards it. That is what will make the difference for us in terms of having American Seniors think about life settlements being 'on the menu' in terms of their retirement planning, whereas now, being honest, it's not. Of course, we need to do it in a way that makes the most sense to our members and the wider industry. But as I said earlier, the landscape now is different, and as an industry, we are making progress. We just have to keep pushing – change will not happen overnight for our industry.

# Secondary Life Markets Conference 2024



THURSDAY  
12<sup>TH</sup> SEPTEMBER 2024  
STOCKHOLM, SWEDEN

IELSA

# DB, DC, and the Spectrum of Scheme Designs In Between



Author:

**Mark Stansfield**

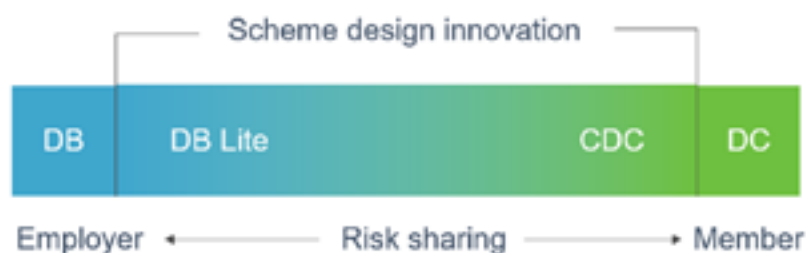
Actuarial Consultant

**Hymans Robertson**

As of 7 October, the Royal Mail Collective Pension Plan will launch for Royal Mail employees with over a year's service. It's an achievement for all involved and is the first time in decades a new style of pension scheme has been launched in the UK. Embracing collective funding and members all sharing in the gains and losses of investment markets, CDC schemes borrow from both traditional DB and DC schemes. This includes an annual pension and lump sum entitlement on retirement from DB, but members bear the investment risk on their benefits from DC. If DB and DC schemes are on opposite sides of the spectrum, CDC sits near the middle, perhaps leaning towards DC with the risks that members still take.

What if legislation promoted the development of further DB/DC-style schemes, taking the best parts of both DB and DC to create schemes that work for all? The adequacy of UK DC pension provision is an industry-wide challenge, with historically generous DB legacy arrangements forming a decreasing part of retirement provision, instead replaced by insufficient DC pension pots, leading to a potential erosion of standards of living in retirement. The industry is looking at maximising output from DC arrangements through illiquid assets and sensible decumulation options, but it seems inevitable that higher contributions through the expansion of auto-enrolment will be in the future.

Could the answer instead lie in embracing historic aspects of DB? It's not hard to envision a win-win-win for employer, member and government. Employer takes on manageable risks with some other form of incentive from the government (lower mandated contributions, NI rebates, etc), the member achieves a better retirement outcome without the abundance of choice on what to do at retirement and there is less reliance on the government to cover future state retirement provision.



**“With a lot of untapped potential in the middle of the UK pensions scheme design spectrum, the important question is what tweaks can be made to current scheme design that makes a ‘DB-lite’ scheme appealing to all stakeholders involved. Below are a few examples that I think could be attractive”**

With a lot of untapped potential in the middle of the UK pensions scheme design spectrum, the important question is what tweaks can be made to current scheme design that makes a ‘DB-lite’ scheme appealing to all stakeholders involved. Below are a few examples that I think could be attractive.

- CDC with a no-reduction underpin on pension increases – *collective funding with limited downside risk, with employers absorbing the small risk.*

A big challenge of CDC is the years of poor financial markets, and having to tell members that their pension is reducing. If an employer provided a guarantee against this, it resolves a big challenge of CDC. Whilst CDC is currently designed to have no surplus or deficit, legislative change could allow for deficit reduction contributions over an appropriate period of time to plug a deficit, which would stop when the scheme is funded well enough to provide increases again. This wouldn't be far off from DB

**“With change comes opportunity, and the launch of CDC symbolises further opportunity to embrace different scheme design to meet the challenges of future pension provision. The pensions industry will rise to the need to build better pension schemes for the future, but the first step sits with the government, which needs to be bold and ambitious in building the legislative foundation for these scheme designs to flourish”**

schemes in deficit, except the ability to have nil pension increases whilst in deficit which would limit the downside risk for employers. For a whole of life scheme with a long duration, it is very unlikely that an underpin will bite, and the impact will be reduced in any event.

- PPF-level benefits on retirement – *guaranteed income above annuity pricing, with the PPF as a safety net.*

The conversion of say AVCs into a DB pension is an uncommon but feasible option for UK DB schemes. Converting DC benefits at-retirement to a DB pension which provides PPF-level benefits would likely give employees an outcome above annuity purchase, but maintaining a strong level of certainty given the scheme would be underpinned by the PPF. A theoretically strong option, however, is built on moral hazard and is certainly an area TPR will be keeping a close eye on.

- Varying DB benefits – *mixture of risk sharing of member and employer, getting the balance right with simplicity, costs and member protection.*

DC benefits have long had a flexibility argument over DB, with annuity purchase allowing members to flex the characteristics of a lifetime pension to match their circumstances. What if legislation allowed members to flex their DB benefits at the point of retirement? This is already possible to an extent with limited restrictions for certain schemes, through pension increase exchanges on pre97 benefits and spouse percentage purchasable at-retirement. What if a member didn't need a spouse pension, or wanted to trade off all of their pension increases for a flat higher pension on retirement? Schemes could trade typically-expensive risks in inflation and longevity for members getting a benefit that best meets their needs. There are a wide range of scheme designs that have various trade-offs that should fit well along the scheme design spectrum.

Whilst the above examples represent very different scheme designs, they all benefit from the power of size and scale. What's clear from the King's Speech is that the government are prioritising consolidation within the pensions industry, and the above examples would be even more appealing in a consolidated pensions environment.

With change comes opportunity, and the launch of CDC symbolises further opportunity to embrace different scheme design to meet the challenges of future pension provision. The pensions industry will rise to the need to build better pension schemes for the future, but the first step sits with the government, which needs to be bold and ambitious in building the legislative foundation for these scheme designs to flourish. Our call for the government is to embrace the opportunity they have and leave a lasting legacy for future pension provision in the UK.

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# Progress and Plans: The Previous and Upcoming 12 Months at ELSA



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Managing Partner

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**“These responsibilities are journeys, not destinations; and the journey itself is a marathon, not a sprint. But I believe that we as an association are maintaining a solid pace as we juggle the various roles and responsibilities that come with running an industry group, and we are seeing the fruits of our labours in the form of a growing, more informed, audience”**

The European Life Settlement Association is the leading European industry group promoting the life settlement industry to institutional, end investors. As such, our leadership position carries with it a range of responsibilities.

First is our responsibility to educate the end investor with regards to the nuances of our market and the challenges and opportunities in front of us – and, in turn, them. These nuances include the complexities of longevity risk, the influence of the actuarial sciences, the inner workings of the life insurance industry, and the vast swath of regulations that impact our market.

Second is the responsibility to highlight the benefits the life settlement industry provides to the end investor that entrusts assets managers in the space with their capital. Primary among these are the low correlation nature of the return stream to the broader capital markets, the low volatility of the return stream, and the societal benefits that our industry provides to literally thousands of American seniors each year who have the opportunity to sell their life insurance policies.

Our third responsibility is to walk the talk, by holding our members and the industry at large to the very highest standards of conduct. We do this primarily via two mechanisms – the ELSA Code of Conduct, to which every ELSA member must sign up; and the ELSA Master Agreement for Tertiary Transactions (MATT).

These responsibilities are journeys, not destinations; and the journey itself is a marathon, not a sprint. But I believe that we as an association are maintaining a solid pace as we juggle the various roles and responsibilities that come with running an industry group, and we are seeing the fruits of our labours in the form of a growing, more informed, audience.

## Highlights from the previous 12 months

A highlight of our efforts since last year's Secondary Life Markets Conference came only recently, as we revised our Master Agreement for Tertiary Transactions, or MATT. The MATT is the gold standard for tertiary market deals, and the new edition features not only tweaks to the representations, warranties and covenants to reflect changes in market practices since the first version, but a bill of sale form and a step-by-step instructions designed to help those new to our market. I can speak from personal experience when I say that the MATT has been terrific in simplifying transaction documents in the tertiary market over the last two years.

Our investor education efforts continued with the publishing of a variety of Fact Sheets, including a look at the life settlement licensing landscape, the drivers of the decision to sell a life insurance policy in the first place, and an analysis of the size of the secondary market and its growth over the past six years. In just two years, our proprietary tool, the Licensed Provider Matrix, has become the go-to resource in the industry for understanding trends in the number and activities of licensed life settlement providers.

Our Life Risk News magazine continues to grow its audience. Since its launch in May 2022, the magazine has expanded its coverage both in terms of the assets and transactions it covers, and the number of people and firms who participate either through interviews for articles or submitting commentary pieces. We have invested additional resources to help us hire writers with experience in covering the core markets that Life Risk News focuses on and polishing the editorial production process, and the fruits of this investment can be seen both in terms of a more professional infrastructure and a higher quality

of content. Lastly, I've been told that one sign of a magazine that is making headway is when companies and their PR representatives begin to proactively contact you with regards to coverage, which is something that has been happening regularly since the beginning of the year now.

Lastly, our Life ILS Conference in May this year once again took place in person and virtually. The event is now in its fifth year, and continues to deliver new faces in the audience, which reflects not only the efforts of the organising committee and the sponsors, but more broadly, the interest in life-linked solutions from both investors and asset managers.

### **Our plans for the upcoming year**

ELSA will continue to invest in educational content that is designed to lift the lid on the inner workings of our market, both through our Fact Sheet initiative and through the Life Risk News publication. And I'm very excited to mention a new initiative, the inaugural ELSA / Conning Investor Sentiment Survey, which should be published before the end of the year.

The survey is the latest project we are committing to that will help asset managers and capital allocators – as well as the broader life settlements ecosystem – to understand just how investors view our market at an aggregate level. The intelligence that the survey provides will help ELSA and individual firms to shape their awareness, communications and marketing efforts in the coming years.

In the past few years, the life settlement market has had to deal with the fall-out from the Covid-19 pandemic and the higher interest rate environment. While every private market asset class has been impacted by both of these issues, our industry's links to mortality exacerbated the impacts.

But what I think is more notable is the resilience shown by our industry, particularly in the secondary market. After the Global Financial Crisis, the life settlement market suffered as deal flow in the secondary market fell off a cliff. Liquidity dried up generally and distressed assets in the tertiary market crowded out the secondary market to a certain extent, both of which impacted our space negatively.

This time, however, it's different. Deal activity in the secondary market has held firm, with the number of transactions increasing in each of the past three years. The secondary market is the lifeblood of our industry and the fact that activity has been better than stable is a good news story that we should be proud to tell; it speaks to the maturation of our market in the post-GFC period.

ELSA should also be proud of its efforts and successes in the past 12 months, and it should be excited and optimistic about the various initiatives that we have in place to continue in our mission of promoting the wide range of benefits of the life settlement industry to institutional, end investors.

The future, I believe, is very bright for the life settlement market and ELSA is there to assist where we can in getting the word out and to provide support for our members.

The journey continues.

*Any views expressed in this article are those of the author(s) and may not necessarily represent those of Life Risk News or its publisher, the European Life Settlement*

**“ELSA should also be proud of its efforts and successes in the past 12 months, and it should be excited and optimistic about the various initiatives that we have in place to continue in our mission of promoting the wide range of benefits of the life settlement industry to institutional, end investors”**

# Q&A

**Rainer Gruenig**  
CEO, Plenum Investments



Author:  
**Greg Winterton**  
Contributing Editor  
Life Risk News

September sees the start of autumn – unofficially – and more of the year has passed than remains. So, as the home stretch of 2024 begins, Greg Winterton caught up with Rainer Gruenig, CEO at Plenum Investments, to get his thoughts on how the life settlement market has fared generally so far this year.

**GW: Rainer, to begin, give us your thoughts on the year so far for life settlements.**

**RG:** I think it's been a challenging year. All of the firms in our market have felt the impact of higher for longer interest rates in the past couple of years both in terms of capital raising and in terms of deal flow. However, I was encouraged by the data published by The Deal in the summer that there were more transactions in the secondary market than last year.

**GW: That's an interesting observation. In many subsets of the private markets, when there is a fundraising downturn, there is also a deal activity downturn. What does that say about the life settlement market?**

**RG:** It supports the low-correlated nature of our asset class to other markets. It's important to remember that there are many reasons why an insured sells their life insurance policy – it could be that they need the money for medical bills, or a divorce, or they may simply think they don't need it anymore. Activity in the secondary market has been good for a few years now, and that's something that I think both current and potential investors in our market should be encouraged by.

**GW: What about the tertiary market? There is no publicly available data that can provide insight into the deal flow activities in that market.**

**RG:** I can only speak to what I see and hear generally, which is that activity does seem to be down this year. But the reasons for that aren't simply interest rate-related. Other factors such as how many funds are at or near end-of-life impact this market in terms of the supply of policies. That

said, we are seeing activity coming back in the tertiary space – although it is very slow - which is good for firms like ours and the market as a whole.

**GW: You mention above that there are other drivers of activity in the life settlement market aside from interest rates. But the fact that rates have begun to come down in both the UK and Europe, and the fact that many commentators expect them to do so in the US, surely is a positive?**

**RG:** Yes, of course. It is definitely a good thing for capital raising, and in terms of buying policies, there is a consumer benefit, as the present value of future cash flows is higher, which typically means higher prices paid for policies. However, as long as the equity and bond markets are still performing well, alternative investments generally do not find it easy to attract the attention they deserve from investors. And there is still a great deal of uncertainty in the markets about the direction interest rates will take in the short term, especially in the US – surprises not excluded.

*Continued on next page...*

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**GW: Lastly, Rainer, a life settlement bull would say that the market has been fairly resilient over the past few years. What's your view?**

**RG:** Obviously, I'd agree with that within certain limits. We have had two 'events' which have directly impacted our market - the Covid-19 pandemic, and the rising interest rate environment.

For Covid-19, the main impact for us was capital raising and the general rush to what were perceived as 'safe' assets. You saw that both equity and bond markets fell in tandem after the initial announcement of lockdowns around the world. So, the capital raising cycle was lengthened significantly there. Also, there was a lot of uncertainty around the availability of policies, as policyholders wanted to keep their policy in place.

While it is true that activity in our market normalised quite quickly, we then saw interest rates begin to rise. As I said earlier, other factors also impact activity in our market, and I think that they have definitely made the 'recovery' – if you can call it that – slower than it might have been and it remains constrained to high quality portfolios with current meds and LEs.

But yes, resilience is a good word. This market is now 20 years old in its current form and has had its share of bad press – some deserved, some undeserved – and we saw the opportunistic buyers leaving the space. But I think that the core of the life settlement market – those institutional investors that are strategic buyers, together with the ecosystem of providers, medical underwriters and asset managers - has weathered the storm well, and the signs for the next year or so – you mentioned interest rates coming down, for example – should see the market continue to grow.

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# Longevity Risk Set For Greater Role in Retirement Planning Approaches



Author:  
**Greg Winterton**  
Contributing Editor  
Life Risk News

Traditional wealth management practices for retirees haven't always deeply integrated longevity risk - the risk of outliving one's assets - into their investment strategies for their clients. Indeed, historically, the approach has been somewhat formulaic, often based on generalised assumptions about life expectancy, risk tolerance and the expected returns of different asset classes.

But for many wealth managers, the reality of their clients living longer is forcing them into something of a rethink; a rethink that ties directly into the expertise of the life settlement industry.

Life settlement asset managers and providers have access to a wealth of life expectancy information as a result of their activities in analysing, and consequently bidding for – or not – policies in both the secondary and tertiary markets. The data they have accumulated – which, in many cases, spans tens of thousands of lives, each with their own specific, underlying features, such as certain medical conditions - is changing the way that wealth advisors are able to refine their approach to retirement investment portfolio construction for their clients.

This approach is not technically new, of course – target date funds are a thing, and have been for years. But they don't necessarily have the same access to longevity-related data, which could make them more susceptible to being wrong.

**“There is another benefit to using ETFs from a longevity perspective, which is that you can be flexible. A longevity-based approach to a retirement plan also means re-underwriting the life of the client every few years. Indeed, on some occasions, the expected lifespan of the client will increase”**

**- Jay Jackson, Abacus Life**

“Target date funds are well established, but they are guessing on the most important underlying factor, which is time. Firms like ours have data that helps us to better understand when someone might run out of money based on their retirement pot – which is their number one concern,” said Jay Jackson, CEO at Abacus Life.

Being able to better identify how long someone will live is only the first step towards the final destination of a fully integrated longevity-based retirement plan. The next is constructing a portfolio and implementing a rebalancing structure that can be adaptive to the individual.

Doing so in the wealth management space means recognising one indisputable trend – the use of ETFs by wealth managers. Even when considering that most individuals that are advised by a wealth manager would not qualify for investments that are the domain of ‘accredited investors’ – private funds such as hedge funds, private equity funds and real estate funds, for example – the sheer rate of adoption of these products in the past two decades by the wealth management community means that any longevity-based approach will also need to consider this trend.

“RIAs use ETFs because of the low cost and the liquidity profile, and these two factors won't change,” said Jackson.

He emphasises, however, that this trend is not a negative one; indeed, it can be supportive to a holistic retirement planning strategy.

“There is another benefit to using ETFs from a longevity perspective, which is that you can be flexible. A longevity-based approach to a retirement plan also means re-underwriting the life of the client every few years. Indeed, on some occasions, the expected lifespan of the client will increase. So, you will be able to change the make-up of the portfolio more dynamically than the more traditional approach,” he said.

On the surface, wealth managers would seem to be a natural bedfellow for the life settlement industry, given their relationships with American seniors. But they rarely get involved in either the life insurance primary market or the life settlement market for regulatory reasons; both sales processes usually require a license to do so, and not all wealth advisors have one. Nor do they seek them; the fee-only model most wealth managers employ is at odds with the commission-based model of selling life insurance or life settlements.

Still, that does not necessarily mean these seemingly overlapping groups are playing in totally different sandboxes. According to Jackson, the awareness of the influence of longevity is growing generally and wealth managers are open to conversations around the topic.

“Longevity as a topic and a concept is getting more and more attention. You see books based on life span and longevity on the New York Times bestseller list, for example,” he said.

“You can also see this in the annuity space – annuity sales are now at record highs. The largest and most sophisticated RIAs are very open conceptually to anything that adds value to their clients and the longevity story is one that separates firms like ours. People are starting to pay attention.”

Whether there would ever be an ETF constructed with a pure play longevity asset, such as a life settlement ETF, remains to be seen. ETFs and illiquid assets are not always compatible, after all. But for Jackson, the bigger picture is more around the mindset than the asset itself.

comes back to the same thing – the use of the lifespan data that we have. It is this that is really going to be the next step in the longevity space to provide customised solutions for financial planning.”

**“I think that longevity and lifespan investing is the conduit to several asset classes as opposed to being one. When you’re customising an investment product, the customisation always comes back to the same thing – the use of the lifespan data that we have. It is this that is really going to be the next step in the longevity space to provide customised solutions for financial planning”**

**- Jay Jackson, Abacus Life**

“I think that longevity and lifespan investing is the conduit to several asset classes as opposed to being one,” he said. “When you’re customising an investment product, the customisation always

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