Life Risk News

Volume 4
Issue 06
June 2025

Both Demand and Supply Factors Contribute to Life Settlement Secondary Market Pullback in 2024

Life Risk News
ISSN 2753-7374
Volume 4, Issue 06
June 2025

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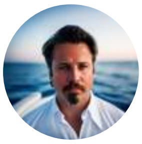
Editor's Letter, Volume 4, Issue 06, June 2025



Chris Wells
Managing Editor
Life Risk News

The life settlement secondary market suffered a rare pull back in aggregate transaction activity in 2024, according to new data published by industry magazine the *Life Settlement Report*, part of *The Deal*. *Greg Winterton* spoke to **John Welcom**, CEO at **Welcome Funds**, **Bill Corry**, CEO at **Corry Capital Advisors**, and **Scott Rose**, CIO at **Fifth Season Investments**, to get their thoughts on what might have been the reasons why in *Both Demand and Supply Factors Contribute to Rare Secondary Market Pullback in 2024*.

In the past 12 months or so, the Prudential Regulation Authority, the UK insurance regulator, has increased its scrutiny over the use of funded reinsurance, a type of reinsurance many life insurers use to offset some of the longevity and investment risk they acquire when entering into bulk purchase annuity transactions. *Mark McCord* caught up with **Rishikesh Sivakumar**, a Director at **Fitch Ratings**, to get his thoughts on the outlook for the strategy's continued use in *Funded Reinsurance Under Scrutiny But Should Remain a Feature of the UK Pension risk Transfer Market*.

The perceived risk of US life insurers backing group annuity contracts with private assets has largely focused on the 'safest annuity available' doctrine in the Employee Retirement Income Security Act of 1974. But *Greg Winterton* wanted to find out what some of the actuarial and risk management guardrails are in place to help mitigate against any risk and **James Walton**, Senior Vice President at **Gallagher** and **Jason Kehrberg**, President, Life at the **American Academy of Actuaries** provided their views in *Plenty of Guardrails for US Life Insurers Backing Group Annuities With Private Assets*.

A recent update from the UK government's Department of Health and Social Care's Mortality Profile for England shows that mortality in England is improving – mostly. *Greg Winterton* spoke to **Nicky Draper**, Consultant at **Crystallise**, to get her thoughts on what the data currently shows in *Liver Disease Mortality in England Continues to Worsen but General Mortality Still on a Post-Covid Downward Trend*.

Breast cancer is a leading cause of morbidity and mortality among women worldwide; studies indicate that countries with a higher Human Development Index have higher breast cancer incidence rates, with more than 50% of cases occurring in developed and industrialized nations. **Dr Rahul Nawander**, Medical Director at **Fasano Underwriting**, analyses the disease in *Life Expectancy in Breast Cancer*, a guest article.

The life settlement industry has long prided itself on the precision of its underwriting and mortality assumptions. But as the market matures, and as it underwrites increasingly affluent insureds, there's a crucial longevity dynamic that deserves deeper reflection: the wealth effect. So says **Liam Bodemeaid**, Actuarial Consultant at **Actuarial Risk Management**, who examines the topic in *The Healthy Wealthy Population of the Life Settlement Market*, a guest article.

The **American Medical Association** published research in April 2025 suggesting that US healthcare spending in 2023 was approximately $4.9trn, which, if it were an economy, would place it third globally, ahead of Germany ($4.66trn). *Greg Winterton* caught up with **Matthew Sheridan**, who works on data science at **Health Data Analytics Institute**, to get his thoughts on how predictive modelling is helping US health systems to better triage patients and model risk in this month's *Q&A*.

While the UK's pension risk transfer market is motoring on at a heady clip, across the Irish Sea, Ireland's nascent market is firmly in gear - but is yet to put its foot on the accelerator pedal. *Mark McCord* spoke to **Ian Moynihan**, Director of Propositions, Employer Solutions at **Irish Life** and **Richard Kelly**, Partner at **Ogier** to get their thoughts on the outlook in *Irish Pension Risk Transfer Market Sees Growth Hope in Experience of Small UK Schemes*.

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

Both Demand and Supply Factors Contribute to Life Settlement Secondary Market Pullback in 2024

Author:
Greg Winterton
Contributing Editor
Life Risk News

The life settlement secondary market suffered a rare pull back in aggregate transaction activity in 2024, according to new data published by industry magazine the Life Settlement Report, part of The Deal.

In 2024, the total number of secondary market transactions came in at 2,732, which is down 14.1% on the 3,181 the magazine reported in 2023. The Life Settlement Report compiles transaction data by licensed life settlement providers via public records requests to state insurance departments. Providers are a mandatory participant in the life settlement market, so the data has become something of an annual bellwether for the health of the market overall.

Market participants have been noting for a while that activity last year was down when compared to 2023 and one reason on the supply side was the lag effect from the macroeconomy that year.

> **"The higher inflationary environment of 2023 was almost certainly a driver of policyholders terminating their life insurance policy as consumers began to tighten their belts... Mortgages became more expensive for those on variable rates or remortgaging into higher fixed rates, and on the other, for those that strategically see life insurance as a retirement asset, higher rates made other investment opportunities more attractive"**
> **- John Welcom, Welcome Funds**

The policy termination rate – comprising of lapsed and surrenders life insurance policies – jumped in 2023 to 8.5% from 6.7% in 2022, according to industry group the American Council of Life Insurers (ACLI)'s 2024 edition of its Life Insurance Fact Book. Two factors likely influenced consumer behaviour – inflation, and interest rates.

"The higher inflationary environment of 2023 was almost certainly a driver of policyholders terminating their life insurance policy as consumers began to tighten their belts. And the corresponding higher levels of interest rates also played a role here, because on one hand, mortgages became more expensive for those on variable rates or remortgaging into higher fixed rates, and on the other, for those that strategically see life insurance as a retirement asset, higher rates made other investment opportunities more attractive," said John Welcom, CEO at Welcome Funds.

There is another potential reason for any pull back in supply; a reduction in TV advertising in the second half of last year due to the US Presidential election.

It was an event that crowded out advertising spend for many advertisers, which could include direct-to-consumer licensed life settlement providers. A persistent source of frustration among life settlement market participants is what they consider to be a lack of awareness among the Senior population in the US that they can even sell their policy, so the lack of airtime for their market hardly helped.

"The TV advertising is a rising tide that lifts the life settlement boat. And cutting back on advertising is definitely something that would impact awareness for our space," said Welcom.

Whilst these two factors likely influenced supply, arguably, the main driver of the decrease last year was demand-driven.

Life settlement asset managers, like other alternative/private asset managers, saw fundraising impacted by the higher interest rate environment of 2022-2023. Many institutional investors – pension funds, foundations, endowments, insurance companies, etc. – plan allocations ahead, sometimes up to a year in advance.

The relative increase in the attractiveness of liquid fixed income securities saw many investors rebalance their portfolios in favour of these products; total private markets aggregate fundraising in 2023 fell to a six-year low, which meant that private asset fund managers would have less to invest the following year.

Market participants acknowledge the fundraising slowdown; some see green shoots as we approach the halfway mark in 2025, however.

"From what I understand, 2024 was a difficult year for capital raising, not just in our market, but in alternative assets generally," said Bill Corry, CEO at Corry Capital Advisors.

"While still slower this year I have seen activity picking up over the last six months with much more interest than in 2024."

While the decrease in the availability of capital to deploy would make sense as to why there was a pull back, higher interest rates make policies cheaper due to the discounted cash flow model that life settlement buyers use to value policies.

Which means that those sitting on dry powder would surely want to take advantage of the reduction in valuation now so that, assuming rates fall – as they did in the back end of last year – they can sell for a higher price in the future?

As usual, it is not that simple.

"Yes, the policies generally became cheaper to acquire for investors in the past few years partly because of the effect of higher interest rates, but not by enough to have an offsetting effect on investor activity," said Scott Rose, Chief Investment Officer at Fifth Season Investments.

"It is important to remember that life settlement pricing does not tie directly to the current interest rate environment, as purchasers consider a range of factors, such as life expectancy, carrier creditworthiness, documentation quality and other factors that do not strictly depend on price. Additionally, many investors who had previously raised capital may have deployed all or nearly all that capital and are not current buyers, despite availability of policies to purchase. These factors all have an impact on investor activity in the space"
- Scott Rose, Fifth Season Investments

"It is important to remember that life settlement pricing does not tie directly to the current interest rate environment, as purchasers consider a range of factors, such as life expectancy, carrier creditworthiness, documentation quality and other factors that do not strictly depend on price. Additionally, many investors who had previously raised capital may have deployed all or nearly all that capital and are not current buyers, despite availability of policies to purchase. These factors all have an impact on investor activity in the space."

Those looking for green shoots might find it in the larger drop of the aggregate face value (20%) when compared to the number of transactions; the inference being that more smaller face value policies are/were transacting last year, which potentially opens up the market to those which historically might not have been able to access it because their face value was not deemed high enough.

But ultimately, like other private asset classes, the life settlement market is cyclical in nature. Prior to 2024, the life settlement secondary market enjoyed three consecutive years of growth in the aggregate number of transactions drove the market to highs not seen since the early part of the last decade. Indeed, at $4.7bn of aggregate face value transacted in 2023, many would have been forgiven for expecting the $5bn mark to be surpassed last year.

Alas, it was not to be. But the message to capital allocators speaks to the maturity of an asset class that, when compared to private equity, real estate, and leveraged loans, is a younger one.

"The life settlement market has a greater understanding of longevity risk, credit risk and liquidity risks now than at any other time in its history," said Corry.

"Investors with life settlement allocations or those looking at it should feel good that our market is clearly, on aggregate, doing a better job of managing and mitigating investment risk and it is likely that this is reflected to some extent in the activity data for last year."

Funded Reinsurance Under Scrutiny But is Expected to Remain Small Part of UK Pension risk Transfer Market

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Life Risk News

In the past 12 months or so, the Prudential Regulation Authority (PRA), the UK insurance regulator, has increased its scrutiny over the use of funded reinsurance, a type of reinsurance many life insurers use to offset some of the longevity and investment risk they acquire when entering into bulk purchase annuity (BPA) transactions.

By taking both assets and liabilities off of life insurers' books, funded reinsurance increases life insurers' solvency ratios and enables them to bid for larger deals, more deals, or both. It also helps remove volatility from balance sheets, enables better asset-liability matching and removes the burden of administering pension scheme risks.

But funded re plays a small role in insurers' PRT risk offset strategies. Fitch Ratings forecasts from 2024 suggested that funded reinsurance will have supported less than 30% of insurers' bulk annuity premiums by 2026.

The PRA is concerned, however, that such strategies place additional potential risks on the insurers in the event of a recapture scenario.

Regardless, the PRA has issued a series of cautionary statements on the practice, including a "Dear CEO" letter last year that set out the regulator's expectations for bulk annuity providers to limit their exposure to the strategy.

> **"While our expectations were designed to set important baselines for prudent risk management practices, they have not so far appeared to materially alter the outlook for funded reinsurance volumes, nor do they appear to have prevented a trend towards weaker collateral standards"**
> **- Gareth Truran, Bank of England Prudential Regulation Authority**

The most recent utterance came in a speech by Gareth Truran, Executive Director for Insurance Supervision, who explained that the PRA had been gathering intelligence about how insurers and reinsurers conduct such transactions and how the risks are being managed.

In his speech, he articulated the PRA's concern about the suitability of some non-traditional reinsurance counterparties, some of them having connections to alternative asset managers, that are offering to take on those risks.

"These transactions often involve counterparties with business models more heavily focused on private asset origination rather than traditional reinsurance, with higher concentrations to illiquid investments which may have more correlated risk of default," he said at the Westminster and City Annual Bulk Annuities Conference at the end of April.

Truran said the PRA is also concerned that some insurers who migrate their pension assets and risks to reinsurers don't have the buffers in place to recapture those liabilities again should the counterparty default.

He noted in his speech that previous warnings had made little apparent difference in improving the quality of insurers' activities in this area.

"While our expectations were designed to set important baselines for prudent risk management practices, they have not so far appeared to materially alter the outlook for funded reinsurance volumes, nor do they appear to have prevented a trend towards weaker collateral standards."

The PRA's concern has been triggered in part by the record-breaking growth of BPA transactions in the UK over the past few years. Truran said the market is likely to see more than 300 contracts signed this year and cited LCP data that estimates the combined value of buy-ins and buy-outs will exceed £60bn by 2027.

With increasing interest in PRT, it's likely that funded reinsurance will be used more "without adequately recognising the inherent uncertainties and risks involved", Truran said.

Those fears may be exaggerated. Rishikesh Sivakumar, Director at Fitch Ratings, pointed out that funded reinsurance is used as a way of enabling an insurer to bolster its capital capacity when putting together large deals.

Only a portion of the assets and liabilities of a scheme tend to be covered by funded reinsurance, if the insurer can get a price good enough to balance the risks of doing so and only if that frees up enough capital to enable it to write other business or meet regulatory solvency rules.

In the past couple of years, however, new PRT business has been biased towards smaller schemes, in which insurers have the capital to cover all the liabilities.

"The small scheme transactions have been very prominent… which means for these transactions, funded re is definitely not used because the insurers don't need much capital to write these," Sivakumar said.

Neither does he expect funded reinsurance to make up a larger part of the PRT market in the future, even as it is projected to grow. He believes it will simply remain an "optionality" for larger deals and that, consequently, Fitch is not "concerned" about the potential for additional risks to accumulate in the space.

> **"We don't think trustees would not deal with companies who do funded reinsurance, but they would want to make sure that those companies have sufficient protection and safeguards in place before they feel comfortable in dealing with them"**
> **- Rishikesh Sivakumar, Fitch Ratings**

The factor that is more likely to influence the role played by funded reinsurance in the PRT space in the next six months, he said, will be an on-going PRA stress test of life insurers.

The Life Insurance Stress Test (LIST), announced in 2023, is designed to assess the industry's solvency, liquidity and resilience to adverse scenarios, and then to subsequently study the efficacy of their risk management provisions.

One of the three scenarios tested will be insurers' resilience to recapturing collateral of their "most material funder reinsurance arrangement".

The results of LIST will be published in the fourth quarter of this year and the market is watching.

"That could sort of inform the future policy direction of the PRA, so we are quite interested to see what happens," said Sivakumar.

Despite the PRA's interest and concern about funded reinsurance, Sivakumar doesn't expect the strategy to be dropped from trustees' shopping list of options. Such structures can, after all, benefit scheme administrators if they are struck at a lower price than using longevity swaps, reinsurance or other offset structures, for example.

"We don't think trustees would not deal with companies who do funded reinsurance, but they would want to make sure that those companies have sufficient protection and safeguards in place before they feel comfortable in dealing with them."

Plenty of Guardrails for US Life Insurers Backing Group Annuities With Private Assets

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Life Risk News

There has been extensive coverage in the trade media in the past 12 months relating to the use of private assets by US life insurers to back pension liabilities they onboarded through bulk purchase annuity transactions; the coverage has largely been driven by lawsuits being filed against certain plan sponsors where the plaintiffs suggested that the plan sponsor did not use the 'safest available annuity provider', a requirement, as laid out in the Department of Labor (DOL) Interpretive Bulletin 95-1 of the Employee Retirement Income Security Act of 1974 (ERISA).

Certain cases are still working their way through the US courts. But surely, life insurers stateside have been loading up on liquid fixed income in recent years, because higher interest rates make US treasuries more attractive when compared to their illiquid counterparts – which would make the private assets criticism less relevant – at least, for now?

It is likely that it is not that clear cut. Despite the recent higher interest rate environment, the risk-free curve has been fairly flat. The back end has not been high enough, so investors have not been paid enough to go long duration, which life insurers need to some extent for liability matching purposes.

Hence the increased interest in private assets, which began in the aftermath of the Global Financial Crisis and now comprise 44% of the bonds used in life insurer portfolios stateside.

> **"Some security aspects of the pension risk transfer market are often overlooked. If you compare total losses on annuities in the pension plan system and in the insurance regime over the last 30 years, they have been a lot lower in the insurance regime. This is primarily because the likelihood of a well rated insurer failing has been lower than a typical corporate with a pension plan"**
> **- James Walton, Gallagher**

But it is not as if plan sponsors are unaware of how the life insurer invests and the pension scheme committee tends to have representation from the workforce itself, something seen less commonly in the UK, for example, where external trustee service providers are used. The process from when the conversation opens through to closing is lengthy, and detailed.

"Firms appointed to perform insurance company due diligence typically make a presentation to the plan sponsor which covers a range of sub-topics, from administration-related issues through to insurer investment approaches, capital and other financial metrics. When acting in this role, we will also often conduct interviews with insurers as part of the process. The resulting deck has considerable detail on insurers. The analysis may conclude that more than one insurer can offer the safest annuity available. The plan sponsor's fiduciary committee will then choose the insurance company or, in larger cases, delegate that decision to an Independent Fiduciary." said James Walton, Senior Vice President at Gallagher.

When a deal is completed, and the plan sponsor pays the premium to the life insurer, the job of deploying that premium begins but even still, guardrails exist to protect the members of the pension plan.

One of these is that the insurer may operate a separate account, to which the assets and liabilities associated with the transaction sit. While the plan sponsor does not have a say in the asset allocation, the use of a separate account could provide a level of protection should the worst come to the worst.

"If the insurer fails, assets in the Guaranteed Separate Account may only be used to meet the liabilities in that account. If the assets there are insufficient, any shortfall still has a claim against the insurer's general account. In the event of failure, it is like having two bites of the cherry compared to if the annuity contract is backed by the general account only," said Walton.

"Some security aspects of the pension risk transfer market are often overlooked. If you compare total losses on annuities in the pension plan system and in the insurance regime over the last 30 years, they have been a lot lower in the insurance regime. This is primarily because the likelihood of a well-rated insurer failing has been lower than a typical corporate with a pension plan. In addition, an insurer that fails may still deliver 90-95 cents on the dollar in recoveries, if not 100 cents. When plan sponsors have failed historically, their pension plans have not been as well funded as that."

That is not all. Life insurers stateside are subject to a range of actuarial requirements that are designed to account for the unique risk characteristics of private credit.

First, VM-30's required asset adequacy testing (AAT)is a primary way that actuaries project asset and liability cashflows under a broad range of scenarios to help ensure assets backing reserves are adequate under different economic conditions.

Second, VM-22, a new requirement that will become effective in January 2026, is a regulatory framework developed by the National Association of Insurance Commissioners (NAIC) to standardise reserve and capital requirements for non-variable individual and group annuity contracts, including those used in PRT deals with a principles-based approach that also considers asset cashflows rather than the previous formulaic approach that did not. It is designed to ensure that insurers hold adequate reserves by prescribing valuation methods that reflect asset-liability matching, interest rate risk, and contract-specific features.

"Principles-based statutory reserving methodologies such as VM-22 quantify risks with an element of conservatism, including prescribed conservative default costs, prudent estimate assumptions with margins, stochastic modelling to capture moderate tail risks, an alternative investment strategy with a credit guardrail, and rigorous documentation and governance"
- Jason Kehrberg, American Academy of Actuaries

"Principles-based statutory reserving methodologies such as VM-22 quantify risks with an element of conservatism, including prescribed conservative default costs, prudent estimate assumptions with margins, stochastic modelling to capture moderate tail risks, an alternative investment strategy with a credit guardrail, and rigorous documentation and governance," said Jason Kehrberg, President, Life at the American Academy of Actuaries.

"One of the ways that the American Academy of Actuaries helps inform the discourse is by bringing a clearer understanding of actuarial work and standards related to private assets in PRTs. Without that background, which can involve technical and complex aspects that those outside the profession may not normally be aware of, it can be easy to miss the critical role of extensive stress testing and governance by actuaries. Numerous actuarial standards and regulations help ensure portfolios are resilient."

Third and finally, the Academy is also working at the NAIC's request to help the NAIC staff develop a framework for setting risk-based capital (RBC) requirements on structured securities. While the focus of the current work with NAIC is on assigning risk designations to Broadly Syndicated Loan CLOs, the Academy's own broader project on CLOs models complex securities to help ensure insurers hold sufficient RBC on assets backing PRT liabilities, and in time will include other CLOs, including non-public middle markets.

Another piece of the risk mitigation pie relates to the evolution of the US life insurance industry in the past few years, particularly with regards to human capital capabilities. The life insurance industry in the US built their own investment franchises by lifting teams out of banks, which were de-risking due to their own regulatory environment. The industry has built capabilities in asset-backed finance, for example, which again provides downside risk protection. They're originating assets and achieving good ratings from the agencies, which supports the asset portfolios used in the market.

So, what is the bottom line here?

"As a thought experiment, you can think of a typical US life insurer as like a pension plan that is 108% funded, and the regulatory regime is designed to wind them up at around 102%. Losing that 6% is very unlikely with assets predominantly in investment grade bonds whether they are public or private. To lose more than a couple of percent of an investment grade portfolio in a year historically you would have had a very severe recession – if not great depression levels of defaults," said Walton.

"There is a lot of focus on private assets, but we should not lose focus that it is the underlying credit quality that is the most important thing. Average credit quality of private asset portfolios is often similar to the public assets in life insurer portfolios."

Liver Disease Mortality in England Continues to Worsen but General Mortality Still on a Post-Covid Downward Trend

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Life Risk News

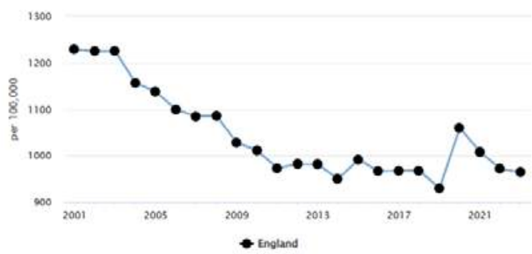
The UK government's Department of Health and Social Care (DHSC) maintains a Mortality Profile for England, a database which provides trends in mortality rates for a wide range of causes of death in England; the main update comes in November each year, when data for the prior year becomes available.

A recent update from May this year, however, brings together a selection of mortality indicators which the DHSC says is designed to 'make it easier to assess outcomes across a range of causes of death' in England.

"Together, alcohol, viral hepatitis, and overweight and obesity are the major causes of liver disease. Alcohol consumption patterns vary according to age, sex, and socioeconomic status; the pandemic amplified risky drinking behaviours in those already considered to be high-risk drinkers" - Nicky Draper, Crystallise

It is mostly good news for the general population; the mortality rate from all causes for all ages for both sexes fell in 2023 to 964 deaths per 100,000 people, the third lowest figure since 2001.

Figure 1: Mortality rate from all causes, all ages (Persons, 1 year range)



Source: Office for Health Improvement and Disparities, Department of Health and Social Care

The overall numbers mask a couple of noticeable trends for mortality rates for certain diseases, however.

The DHSC uses a categorisation system for the trends it produces; the all-cause mortality rate above is 'decreasing and getting better', for example.

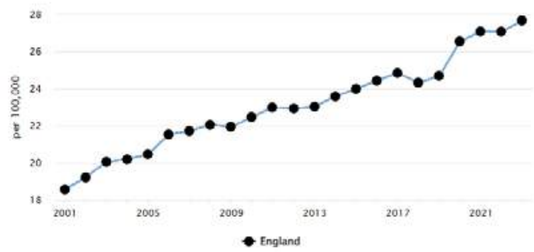
But for liver disease, mortality is 'increasing and getting worse'. The mortality rate for those with liver disease has been on the rise for 25 years. In 2001, only 18.6 per 100,000 people died, a number that, at the end of 2023, stood at 27.7 per 100,000 for all persons, all ages.

A couple of factors are driving the trend.

"Together, alcohol, viral hepatitis, and overweight and obesity are the major causes of liver disease. Alcohol consumption patterns vary according to age, sex, and socioeconomic status; the pandemic amplified risky drinking behaviours in those already considered to be high-risk drinkers," said Nicky Draper, Director of Life & Health Consulting at Crystallise.

"In addition, England has, like many other countries in the developed world, high rates of obesity and Type 2 diabetes in the population. Non-Alcoholic Fatty Liver Disease (NAFLD), which is generally brought on by poor diets, high in sugar and saturated fats, and sedentary lifestyles - can progress silently to non-alcoholic steatohepatitis (NASH) and eventually cirrhosis or liver failure, even in non-drinkers."

Figure 2: Mortality rate from liver disease, all ages (Persons, 1 year range)



Source: Office for Health Improvement and Disparities, Department of Health and Social Care

Combating this rise is certainly on the radar of the public health overseers. The UK Health Security Agency published a call to action back in 2021 and then towards the end of that year, the EASL–Lancet Liver Commission called for 'a paradigm shift in European Liver Disease response'.

Current initiatives, then, do not seem to be going far enough. It doesn't help that most people don't know they're at risk until it's too late — liver disease is largely symptomless until advanced – and there is something of a crowding out effect impacting efforts, too.

"Cancer, strokes, and heart disease, for example, receive significantly more funds and awareness than liver disease does. It is unfortunate and frustrating, because it's such a preventable disease when compared to many others," said Draper.

> **"Some of the trends in disease mortality in England, such as in liver disease, are very consistent trends – they are gradually and consistently improving, or gradually and consistently worsening, and modelling for that, for example, is unlikely to change too much unless the government puts significant sums into preventative measures that significantly stem or reverse the decline"**
> **- Nicky Draper, Crystallise**

One trend where there has been a reversal in recent years is in the respiratory disease category. Similar to the trend in the general mortality rate, respiratory disease mortality has been trending downwards – until the past three years. In 2021, 93.8 deaths per 100,000 were observed, which, at the end of 2023, was 117.8; another one for the 'increasing and getting worse' bucket. However, the impact of the lockdowns could have a bearing on this trend.

"The rates appear to go down in 2020, no doubt due to the effects of social distancing and the subsequent reduction in flu, and other respiratory illnesses at the time," said Draper.

There are areas where the mortality picture in England is better. Cancer, for example, has been on a downward mortality trend for the past 25 years, and despite a blip in 2022, continued its 'decreasing & getting better' trajectory in 2023. And while the trend for cardiovascular disease - which, at 232.4 deaths per 100,000 in 2023 - has been plateauing recently (largely due to adverse lifestyle behaviours being on the increase, and Covid-19, both primary as in direct damage to the cardiovascular system, and secondary, the delays in healthcare), the mortality rate is not increasing at this time.

The bigger picture to all of this is that mortality is getting harder to predict, not easier, and one reason could be the impact of Covid-19.

"Some of the trends in disease mortality in England, such as in liver disease, are very consistent trends – they are gradually and consistently improving, or gradually and consistently worsening, and modelling for that, for example, is unlikely to change too much unless the government puts significant sums into preventative measures that significantly stem or reverse the decline," said Draper.

"But in instances where you see trend reversals, then of course, that's more difficult to incorporate, even into general population models. Before the Covid-19 pandemic, there was more certainty with regards to the direction of travel for many diseases. But when you have such a disruptive situation like Covid caused by a virus that is able to have such a broad effect on many body systems, I think we're still seeing the shake-out of the impact of that, to a degree."

Secondary Life Markets Conference 2025

MONDAY
15TH SEPTEMBER 2025
ZURICH, SWITZERLAND

ELSA

Life Expectancy in Breast Cancer

Author:
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Breast cancer is a leading cause of morbidity and mortality among women worldwide. In the United States, the American Cancer Society estimates that 310,730 women will be newly diagnosed with breast cancer in 2024, with an estimated 42,250 deaths from the disease[2]. Studies indicate that countries with a higher Human Development Index (HDI) have higher breast cancer incidence rates, with more than 50% of cases occurring in developed and industrialized nations[4].

Risk Factors

Risk factors related to increased incidence of breast cancer include use of oral contraception; hormone replacement therapy; family history of breast, ovarian, and endometrial cancer; exposure to radiation therapy, western-type diet, obesity, excessive consumption of animal fats, high alcohol consumption, and smoking.

Clinical Features and Diagnosis

Clinical features of breast cancer often include the presence of a breast mass or an axillary mass, typically characterized by being hard and immovable. Early-stage or localized disease usually manifests as a breast mass alone, while locally advanced disease may present with additional findings such as axillary adenopathy (enlargement or changes in the consistency of lymph nodes). In metastatic breast cancer, other organs such as the bones, liver, and lungs are commonly involved.

Breast cancer diagnosis involves advanced imaging techniques, including mammograms, ultrasound, and magnetic resonance imaging (MRI). However, a definitive diagnosis can only be confirmed through a biopsy. The most common histologic types of breast cancer are infiltrating ductal carcinoma (70-80%), infiltrating lobular carcinoma (6-8%), and mixed ductal/lobular carcinoma (6-8%). Less common histologic types (<5%) include metaplastic, mucinous, tubular, medullary, and papillary carcinomas.

In addition to imaging and histopathological diagnoses, molecular (receptor) testing is essential for all newly diagnosed breast cancers. Molecular testing includes estrogen receptor (ER), progesterone receptor (PR), and human epidermal growth factor receptor 2 (HER2) testing, which are crucial for determining therapy and guiding prognosis. Patients who test positive for ER and/or PR are treated with endocrine therapy, while those who test positive for HER2 are treated with HER2-directed therapy. Approximately 80% of patients test positive for ER and/or PR, and 20-25% test positive for HER2. These receptors can be individually positive or negative, and based on their status, breast cancers are further classified as shown in Table 1.

"In addition to imaging and histopathological diagnoses, molecular (receptor) testing is essential for all newly diagnosed breast cancers. Molecular testing includes estrogen receptor (ER), progesterone receptor (PR), and human epidermal growth factor receptor 2 (HER2) testing, which are crucial for determining therapy and guiding prognosis"

Table 1: Receptor-based Breast Cancer Classification

Class Type	Receptors
Luminal A	ER and/or PR positive and HER2 negative
Luminal B	ER and/or PR positive and HER2 positive **OR** ER and/or PR positive and HER2 negative with tumor grade 3
Triple Negative	ER negative, PR negative, and HER2 negative
HER2-enriched	ER negative, PR negative, and HER2 positive

Staging & Risk Classification

Cancer staging provided by the American Joint Committee on Cancer (AJCC) is widely accepted worldwide. The updated staging information, based on AJCC's eighth edition, includes both anatomic stage and pathologic prognostic groups. This information is available in several reinsurance company-provided underwriting manuals or can be purchased from the AJCC Staging Online.

Treatment

The treatment of breast cancer varies depending on the staging, prognostic groups (molecular status), and extent of disease, which can range from in-situ, early-stage or local, locally advanced, regional metastasis, and distant metastasis. For simplicity, we categorize breast cancer into two groups: invasive non-metastatic and metastatic cancers.

Table 2: Breast Cancer Treatment Terminologies

Systemic therapy	Endocrine therapy, chemotherapy, and/or biologics (immunotherapy)
Radiotherapy	Radiation treatment
Neo-adjuvant therapy	Treatment prior to surgery, includes systemic and/or radiotherapy
Surgery	Generally, refers to excision of primary tumor
Adjuvant therapy	Treatment after surgery, includes systemic and/or radiotherapy
Metastasectomy	Excision or metastatic lesion

Invasive, non-metastatic breast cancer

Early-stage non-metastatic breast cancer (Stages I, IIA, and a Subset of Stage IIB [T2N1])

Generally, individuals diagnosed with early-stage breast cancer undergo primary surgery, which may involve a lumpectomy or mastectomy, along with excision of regional lymph nodes. This may be followed by radiotherapy. Post-surgery, adjuvant systemic therapy is often administered based on tumor characteristics such as size, grade, the number of involved lymph nodes, and receptor status (ER, PR, and HER2).

In certain cases, particularly for those with HER2-positive or triple-negative disease, early-stage invasive breast cancer may be treated with neoadjuvant therapy before surgery.

Locally advanced (Stage IIB [T3N0] and Stages IIIA to IIIC)

Locally advanced breast cancer requires a multimodal approach. Treatment typically begins with neoadjuvant systemic therapy, followed by surgery (lumpectomy or mastectomy depending on the size of the residual tumor), regional lymph node excision, and adjuvant systemic therapy and/or radiotherapy.

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Note: Triple-negative breast cancer tends to be more aggressive compared to other types and have a higher likelihood of recurrence.

Metastatic breast cancer (Stage IV)

Metastatic breast cancers are unlikely to be cured, but improvements in survival have been noted over the past decades. The most common metastatic sites in breast cancer include the bone, liver, and lungs. It is crucial to biopsy and reassess metastatic lesions for molecular status (ER, PR, and HER2), as these can change from the primary to the metastatic disease. This reassessment is essential for determining the most appropriate treatment options; considering the choice of specific anticancer medications, their combinations, and the sequence of therapy significantly impacts survival outcomes.

Prognosis

Five-year survival rates for breast cancer vary significantly based on the stage at diagnosis: 93% to 99% for early-stage disease, 75% for locally advanced disease, and 29-34% for metastatic disease[3]. Survival in breast cancer depends on several factors, including age at diagnosis, the exact AJCC stage, and molecular status (ER, PR, HER2).

Early-stage non-metastatic breast cancer (Stages I, IIA, and a Subset of Stage IIB [T2N1])

A study published on breast cancer statistics in the United States for individuals diagnosed from 2012-2018 noted stage-specific and receptor-specific five-year survival rates in early-stage non-metastatic breast cancer, as shown in Table 3.

Table 3: Stage and receptor specific 5-Year Survival Rates

Non-metastatic breast cancer	5-year survival rates
AJCC stage (8th edition)	
Stage I	>99%
Stage II	93%
Receptor status	
ER and/or PR positive, HER2 negative	94%
ER and/or PR positive, HER2 positive	91%
ER and/or PR negative, HER2 positive	85%
ER and/or PR negative, HER2 negative	77%

A study of 1,287 individuals diagnosed with non-metastatic breast cancer observed 15-year survival rate of 67%. The rates of recurrence and metastasis based on subtype of receptor status in those with early-stage disease are shown in Table 5.

Table 4: Rate of recurrence and metastasis based on molecular status

Non-metastatic breast cancer, receptor status	Recurrence (%)	Metastasis (%)
ER and/or PR positive, HER2 negative	3%	9.4%
ER and/or PR positive, HER2 positive	4.2%	10.3%
ER and/or PR negative, HER2 positive	11.7%	16%
ER and/or PR negative, HER2 negative	5.4%	11.2%

An extensive analysis of survival in breast cancer, published in the Journal of Insurance Medicine (JIM), involving 656,601 individuals followed from 1975-2019 using the SEER dataset, noted mortality ratios of 90%, 108%, and 139% in stage 0, stage I, and stage II disease.

Overall, the prognosis of invasive early-stage non-metastatic breast cancer with appropriate treatment shows an increased risk of mortality due to the potential for recurrence and metastasis.

“Locally advanced breast cancer presents a challenging prognosis with five-year and 20-year survival rates noted at 75% and 33.5%, respectively, according to recent studies. The prognosis remains guarded due to a high risk of early mortality within the first 10 years from diagnosis”

Locally advanced (Stage IIB [T3N0] and Stages IIIA to IIIC)

Locally advanced breast cancer presents a challenging prognosis with five-year and 20-year survival rates noted at 75% and 33.5%, respectively, according to recent studies. The prognosis remains guarded due to a high risk of early mortality within the first 10 years from diagnosis. A study published in JIM reported excess death rates ranging from 32.3 to 67.9 per 1,000 for locally advanced disease in the first 10 years from diagnosis.

Metastatic breast cancer (Stage IV)

Metastatic breast cancer continues to have a very poor prognosis despite advances in multimodal and systemic therapies. In the United States, the five-year survival rate has been noted at 29% in one study, with rates varying between 20% to 35% based on ethnicity. A comprehensive study of 47,000 women diagnosed with metastatic breast cancer revealed that only 50% of women survived beyond 3 years, and 75-80% had passed away within seven years after metastasis.

The study also highlighted that prognosis varies significantly based on the extent of metastasis: in women with only one distant metastatic site the median survival was observed at 60-66 months, while in women with more than three metastatic sites it was at 12-15 months post-metastasis.

Summary

In conclusion, breast cancer remains a significant illness that impacts mortality. Advances in early detection and treatment have significantly improved survival

> **"Advances in early detection and treatment have significantly improved survival outcomes, especially in non-metastatic cases. However, prognosis varies greatly depending on the stage at diagnosis, molecular characteristics, and the extent of metastasis. While early-stage breast cancer patients often experience favorable long-term outcomes, those with locally advanced or metastatic disease face a more guarded prognosis"**

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The Healthy Wealthy Population of the Life Settlement Market

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> **"The wealth effect remains largely unaccounted for in traditional life settlement mortality models. Current market practice tends to treat all insureds alike in regard to mortality assumptions, regardless of whether they hold a $250,000 policy or a $10 million one"**

In the life settlement industry, we've long prided ourselves on the precision of our underwriting and mortality assumptions. But as the market matures, and as we underwrite increasingly affluent insureds, there's a crucial longevity dynamic that deserves deeper reflection: the wealth effect.

Wealth has long been associated with longer life expectancy. A growing body of research, from Chetty et al. in JAMA (2016) to more recent insights from Nature Medicine and OECD, consistently finds that longevity increases across wealth tiers. Moderate-wealth individuals can expect to live 3–6 years longer than low-income peers. High net worth (HNW) individuals gain 6–9 years, and ultra-high net worth (UHNW) individuals a further 2–3 years beyond that. Access to world-class healthcare, early diagnostics, concierge medicine, and global specialist networks are just a few of the reasons why.

Despite these findings, the wealth effect remains largely unaccounted for in traditional life settlement mortality models. Current market practice tends to treat all insureds alike in regard to mortality assumptions, regardless of whether they hold a $250,000 policy or a $10 million one. Yet actual-to-expected (A/E) mortality data tells a different story. A crude increase to the policy IRR is usually priced in to allow for greater illiquidity and longevity risk premia. However, on the shorter life expectancy cases, most of the value is around the present value, and the effect of this increased discounting is not sufficient on its own.

Analysis of Society of Actuaries (SOA) data published in 2024 for individual life experience between 2012 and 2019 reveals a clear trend: A/E ratios fall with increasing face amount. A male age 80 with less than $100k in coverage had an expected LE of 139 months, while the same insured with $10m in coverage had an expected LE of 167 months, a 20% increase. That's nearly the same gap between non-smokers and smokers (23%), and we don't question the need for separate mortality tables in that context.

This isn't just an actuarial technicality. In an industry where a single $10 million face policy may represent the equivalent of 20 smaller $500k policies, misjudging longevity on the wealthier insureds can materially distort both fund performance and pricing accuracy. And with the average new life settlement face amount hovering between $1.1m and $1.5m, the issue isn't isolated, it's central.

So, what can we do?

Start with conversation. Fund managers should begin by asking their underwriters whether and how wealth is factored into the LE estimates. Some of the health advantages wealth confers may already appear in the medical records reviewed, but for those with impairments, the wealthy are far more likely to afford treatments and access services that improve survival beyond what's reflected in legacy data or studies based on broader, less affluent populations.

Next, consider revisiting mortality assumptions. Some industry players have begun experimenting with shifting from the RR100 VBT tables to more preferred RR50 for HNW/UHNW insureds, particularly when mortality multiples are high. The logic is sound: if wealth confers health, and health drives longevity, then wealth should inform mortality table selection, just as smoking status and gender do.

> **"Some of the health advantages wealth confers may already appear in the medical records reviewed, but for those with impairments, the wealthy are far more likely to afford treatments and access services that improve survival beyond what's reflected in legacy data or studies based on broader, less affluent populations"**

To be clear, this is not a call for drastic change or for throwing out established methods. Rather, it's an invitation to reflect, review, and recalibrate where needed, starting with a better alignment between data, underwriting assumptions, and the realities of our increasingly healthy and wealthy insured population.

After all, when it comes to the health of a portfolio, and the fairness of investor returns, every additional month of life expectancy matters.

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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 Association

Q&A

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The American Medical Association published research in April 2025 suggesting that US healthcare spending in 2023 was approximately $4.9trn, which, if it were an economy, would place it third globally, ahead of Germany ($4.66trn). Greg Winterton caught up with Matthew Sheridan of Health Data Analytics Institute to get his thoughts on how predictive modelling is helping US health systems to better triage patients and model risk.

GW: Matthew, let's start with the numbers. There is a disproportionate amount of healthcare dollars flowing to a smaller cohort of the system. Tell us more about that.

MS: That's right. Those in what we call Complex Care and Advanced Illness segments of healthcare patients are responsible for around a quarter of those who receive healthcare spending, but that spending is more than 55% of the total spending. The idea is that you get the healthcare system to skew their focus toward those patients and try to intervene before their health declines to the point where they arrive at the emergency department and need to be admitted. - because that is what costs the healthcare system money. What healthcare systems don't do a great job of at the moment is triaging this cohort, and predictive models is something that can help them to better do that.

GW: How exactly is this kind of analysis accomplished?

MS: A few techniques are involved but probably the most interesting is the concept of 'digital twinning'. This technique allows you to pluck people from the population who look very much like the people you're interested in. It's much more specific than demographics, for example, because you can drill down to the actual reasons someone was in hospital and when they got discharged, for example. You're basically building an A2E [actual-to-expected] but you're making your 'E' out of real people, and then you're tracking them through time. It's a bit like building a custom VBT [Valuation Basic Table] for every single person.

GW: What's the impact of using a digital twinning approach?

MS: An interesting takeaway is that after twinning, traditional socio-economic drivers of mortality don't seem to be doing a great deal of driving. What's happening is that these factors are being absorbed into the model - not explicitly via a postcode, for example – they're being absorbed almost latently by the pattern of a patient's interactions with the healthcare system. The model's looking at the history of what were you diagnosed with and what procedures have you had, and it's building the predictions from there. An advantage of twinning at the individual level is that you can then aggregate up through the entirety of the specific health system: PCP [Primary Care Physician] office, hospital dept, hospital, health system, etc.

Continued on next page...

GW: There is a different approach to modelling mortality here than, say, the life settlements market. Is there any applicability of predictive modelling to this market?

MS: The US healthcare system world is much more of a 30-day to one-year window, as opposed to the sometimes decades longevity modelling in life settlements. That said, there are ideas that translate. An example I like is mortality in very high age (90+) seniors. When life settlements began in earnest 20-odd years ago, most of those entering the market were 70-year-olds. So, we now have 20 years of modelling life expectancy for 70-year-olds, but we don't have the same for 90-year-olds because they are just reaching that age now: the pig is still in the python, so to speak. The premiums to keep policies in force at this age are frequently very high, and the LE delta is similarly very high. So, you have to get the life expectancies right, but it's extremely difficult without the data. Certain aspects of later-life care for people in the health system in their mid-late 90s is not something we've really used in life settlements before, but it could be quite interesting and quite useful to use that to help with the underwriting process – it's effectively a different underwriting approach to what has been used traditionally.

GW: Lastly, Matthew, what are some of the interesting observations you're seeing from the use of predictive modelling on life expectancy?

MS: The main one would almost certainly be that it really does matter where people are going as well as what is wrong with them. Dementia patients are a good example. Back in the day, for many reasons, dementia patients were under-debited by certain underwriters; the mortality curve looks like the VBT rather than a kind of cancer curve that has these kinds of long tails that can push out. So, these cases were very popular. But you can get a situation where people with dementia who move into a facility start to get fed, bathed, and systematically given their medication, can experience an extension in life expectancy. Using digital twinning in this case could provide additional insights into mortality assumptions that might not get caught by traditional underwriting approaches.

Irish Pension Risk Transfer Market Sees Growth Hope in Experience of Small UK Schemes

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While the UK's pension risk transfer (PRT) market is motoring on at a heady clip, across the Irish Sea, Ireland's nascent market is firmly in gear - but is yet to put its foot on the accelerator pedal.

The paucity of trustees exploring de-risking plans has been attributed to both the relatively small pool of defined benefit (DB) schemes in the Republic of Ireland and local prudential regulations. That could be about to change, though, as scheme funding levels improve and administrators watch with interest the rapid uptake of bulk annuity purchase trends among similarly sized British schemes.

> **"Many suggest [slow PRT growth in Ireland] is because the market is too small to support large-scale transactions like you see in the UK [although] recent smaller scale transactions in the UK suggest that there could be opportunities for growth"**
> **- Richard Kelly, Ogier**

"The Irish pension risk transfer market is at a relatively early stage but is an evolving and competitive market," said Ian Moynihan, Director of Propositions, Employer Solutions at Irish Life.

The potential for an Irish PRT market is undoubtedly there, argue experts. With around €70bn invested in DB schemes, capital is available, even if it is a fraction of the estimated £1.5trn of assets in UK schemes.

And deals have been done. About €2.2bn of Irish DB assets were absorbed by insurers in the past eight years, according to Irish Life estimates. And with the stronger funding positions of the nation's schemes and the growth of the broader pension market – at around 3% in the fourth quarter of last year to €146bn – expectations are high that the Irish PRT market is poised to move up a gear.

"The last 18 months have seen an increase in activity as measured by quotation requests and transactions, driven by several factors," said Moynihan.

"These include improved scheme funding positions and consequently attractive pricing; an alignment of corporate and trustee views, and scheme sponsor experience in other markets."

Hopes for growth in the local market have been raised by the experience of smaller schemes in the UK, which have accounted for a majority of the record levels of transactions in the past two or three years. While the market has seen ever-larger deals struck by large corporate and public bodies, sub-£100m transactions accounted for about four fifths of the £50bn of risk transfers in 2023.

That's been aided by the emergence of streamlined, templated buy-in solutions that have enabled insurers and advisers to complete more deals quicker.

"Many suggest [slow PRT growth in Ireland] is because the market is too small to support large-scale transactions like you see in the UK [although] recent smaller scale transactions in the UK suggest that there could be opportunities for growth," said Richard Kelly, Partner at Ogier.

Light at the end of the tunnel is also provided by the experience acquired by insurers based in Ireland which have sister companies that are active in the UK PRT market; Aviva, Canada Life and Standard Life, to name just three.

"That suggests that the expertise is available," said Ogier's Kelly.

Regulations in Ireland, which do not apply to the UK, have also put the brakes on the development of the Irish PRT market.

The Institutions for Occupational Retirement Provision II (IORP II) directive and its review have placed stricter governance and risk standards on schemes that have raised the administrative burden and costs to sponsors and trustees.

"It is fair to say that the market has not grown as quickly as might have been expected in light of improvements in scheme funding levels, possibly due to externalities like the Covid pandemic and IORP II compliance taking up trustee and sponsor bandwidth," said Moynihan.

Other regulations have been cited as reasons why the Irish market is growing slowly, including the EU's Digital Operational Resilience Act (DORA), which is aimed at bolstering the resilience of financial companies' information and communication technology risks, for example.

It is arguable, however, that the increased costs of complying with new regulations could encourage schemes to move towards buy-in and buy-out to avoid the additional overhead of compliance. At the same time, the IORP II directive's requirements for improved governance and data readiness would arguably make schemes more attractive to insurers because much of the administrative preparation needed for buy-in and, further down the road, buy-out, would already have been completed.

> **"It is fair to say that the market has not grown as quickly as might have been expected in light of improvements in scheme funding levels, possibly due to externalities like the Covid pandemic and IORP II compliance taking up trustee and sponsor bandwidth"**
> **- Ian Moynihan, Irish Life**

However quickly the market improves, it will have different characteristics than in the UK. De-risking growth in Ireland's DB schemes is likely to be short-lived because there are so few remaining. While DBs had been the backbone of pensions provisions, "over the past two decades, schemes have closed to new entrants and future accruals [because of] funding pressure from falling interest rates and market volatility", said Moynihan.

Nevertheless, Irish Life anticipates that the hole would be filled by the availability of deferred annuities – policies that behave like DBs through core benefits such as choice of retirement date, a lump sum at retirement, a surrender option and death benefits.

"We expect the availability of a full risk transfer solution to drive an increase in market activity, as deferred annuities become available in the Irish market," said Moynihan.

Life Risk News
ISSN 2753-7374
Volume 4, Issue 06
June 2025

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