

Longevity risk management: Prospects for a broader longevity risk market



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Clota Varde; Longitude Solutions

Chair



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Legal & General

Insurer view



Paul Kitson

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Consultant view



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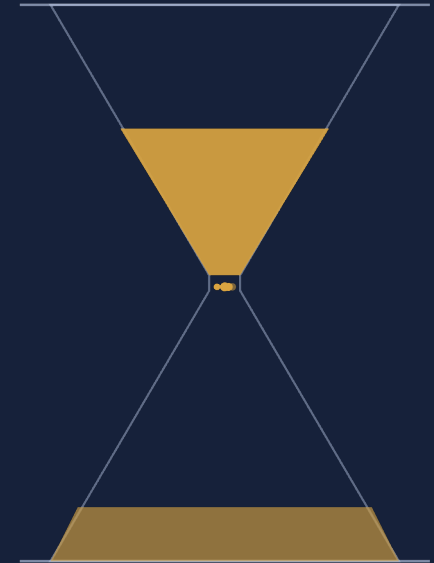
Longitude Solutions

Investor/market view



Where Should Longevity Risk Live?

Opening the bottom of the hourglass



Avery Michaelson Founder, Longitude Solutions · Index Longevity Market Action Committee (ILMAC)

THE VALUE CHAIN

The Longevity Value Chain Is an Hourglass



- **Top — wide**

The world's pension systems sit on \$68.3tn of assets. Every defined-benefit promise carries longevity risk.

- **Middle — narrower**

Pensions transact with insurers through buy-ins and buyouts; 40–50 insurers are active across the UK, US, Canada and the Netherlands.

- **The neck**

Insurers pass longevity risk to 10-12 global life reinsurers, and this is currently the end of the chain. No one sits below the reinsurers.

- **The missing chamber**

Most longevity risk that flows through the hourglass comes to rest in the same space. To keep it flowing, the bottom must eventually open.

FLOW VS STOCK

The Sand Is Falling Faster

£25.9bn

record UK longevity swaps in 2025 — BT £10bn, Lloyds £7bn, BBC £6bn

LCP

£70bn

forecast UK pension risk transfer in 2026, up ~15% on 2025

WTW

\$45–50bn

US pension risk transfer premiums in 2025

Aon

€20–70bn

potential Dutch PRT volume by 2028 as pension reform bites

L&G

£500bn

moved in 20 years by the UK — the world's most developed market — vs a \$68.3tn global stock

WTW · TAI

~\$500bn

potential annual longevity transfer demand — roughly the size of the entire reinsurance industry

Longitude

Sources: LCP PRT Report 2025; WTW De-risking Report 2026; Aon 2025 US PRT estimate; L&G Global PRT Outlook 2025; Thinking Ahead Institute / WTW GPAS 2026. Jan-2026 example: Achmea ceded €8bn of Dutch longevity risk to Munich Re & Pacific Life Re — new country, same balance sheets.

STYLIZED EXAMPLE

The Natural Hedge: It's Real — but a One-Way Valve

A stylized large life reinsurer. Mortality book: \$1tn net amount at risk, mostly term, 6 yrs to run. Longevity book: \$100bn PV of annuity liabilities, whole-of-life, 12-yr duration.

	MORTALITY SHOCK a COVID — 1.5‰ excess deaths, one year	LONGEVITY SHOCK a GLP-1 — +2 yrs life expectancy at 65, over a decade
Mortality book	– \$1.5bn excess claims — one bad year, then over	+ \$1bn gain leaks: 6-yr runoff, rates reset, healthy lives lapse & rebuy
Longevity book	+ \$1bn reserve release as annuitant deaths spike	– \$7bn 7% of PV, locked in for life — no lapse, no repricing, no exit
Hedge offset	≈ 66% of the loss	≈ 14% of the loss

*The offset has a direction and a limit: it justifies substantial reinsurance capacity — it cannot justify infinite capacity.
And longevity transfer is growing faster than the mortality business that anchors it.*

Illustrative, not a statement about market pricing. LE sensitivity ~3–4% of liability PV per year of life expectancy (IMF GFSR). COVID direction observed 2020–22; GLP-1 framing per RGA: “GLP-1s are reshaping the body. They may reshape mortality assumptions too.”

WHY NOW

The Catalysts Are No Longer Hypothetical

BANK OF ENGLAND — 2025 LIFE INSURANCE STRESS TEST

1

counterparty recaptured —
firms' single largest

4%

of annuity liabilities,
on average (£12.3bn)

–10%

industry SCR coverage ratio

~£3bn

of surplus capital, gone

One counterparty. Four percent. Ten points.

● Rules are hardening

PRA CP8/26 (April 2026) proposes tougher capital treatment of funded reinsurance; exposures could grow from £40bn to £110bn this decade if unchecked.

● It is global

IAIS issues paper on asset-intensive reinsurance (Nov 2025); the Dutch central bank and US supervisors are moving on the same concerns — recapture, concentration, arbitrage.

● Pricing dislocation

The more concentrated the market, the more brittle the price. A capacity squeeze reprices the whole chain at once.

● Capacity saturation

Even with no shock at all: the mortality offset is finite, and the neck simply fills up.

THE NEXT LINK

Opening the Bottom: Index-Based Longevity Risk

The commoditized form of the risk

- Referenced to general-population mortality — transparent, auditable, modelable by anyone
- Standardized terms: defined tenor, capped & floored payoffs, ISDA-style documentation
- Exactly what capital markets investors — sovereign wealth funds, asset managers, ILS funds — can underwrite at scale

The technology is proven

2008	Lucida × J.P. Morgan — £100m, England & Wales population index
2011	Pall UK Pension Plan × J.P. Morgan — £70m E&W population index
2012	Aegon × Deutsche Bank — €12bn, Dutch population index
2013	Aegon — €1.4bn tail hedge incl. capital markets investors
2014 / 15	Delta Lloyd × RGA — 2 × €12bn population-index swaps
2017	NN Life × Hannover Re — €3bn, arranged by Longitude Solutions

What stalled it was not structuring — it was regulatory clarity on capital treatment.

The ILMAC flywheel

1 Regulatory clarity (current stage)

A market standard for quantifying basis risk, so supervisors can confirm the capital relief index hedges deliver (ILMAC)

2 Credible pipeline

Insurers and reinsurers bring a visible sequence of index transactions to market

3 Investor commitment

Capital markets dedicate people and capital — the cat-bond flywheel, again

Cautionary tale: Delta Lloyd lost 14 points of Solvency ratio in a dispute over the capital treatment of its index hedges. Clarity first.

A DOOR IN, NOT JUST A DOOR OUT

Index Opens a Door In — the Italian Opportunity

#3

life market in Europe

€100bn+

annual life premiums

253%

avg Solvency II ratio (mid-2024)

Class I & III

savings-dominated books —
minimal biometric risk

- **Near-pure diversification**

Italian life balance sheets hold savings business (Gestione Separata, unit-linked) with little mortality or longevity exposure in either direction — under the Solvency II correlation structure, adding longevity risk is close to pure diversification benefit.

- **Priceable from public data**

Index-based longevity risk references published general-population mortality (ONS, CBS, ISTAT) — meaning there is no need for another institution's portfolio experience, underwriting files, or data room.

- **A new entrant, enabled by format**

Commoditization is what makes a first-time longevity risk-taker possible at all — index is the doorway onto the risk, at a chosen attachment, with a defined tenor.

Sources: ANIA; Morningstar DBRS, Italian insurance sector outlook (2024). Sector figures indicative of market structure, not individual firms.

THE ANSWER

Where should longevity risk live? Many homes.

Reinsurers

To their natural capacity — the mortality offset is real, and it is finite.

Capital markets

The systematic longevity trend, in index format — transparent, standardized, investable.

New balance sheets

Diversifying insurers entering through the index doorway — some of them, perhaps, in this country.

*The hourglass doesn't need a bigger bottom chamber.
The bottom just needs to be opened.*

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