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Insurance  
Week 2026

**UK-Bermuda Life Reinsurance 2026:  
Market Trends, Sidecars, Funded Re,  
and Stress Test Realities**

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# Meet our Presenters



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# Funded Re Market Trends



# Funded Re Market Trends

Bermuda remains a leading funded reinsurance jurisdiction despite slowing UK deal activity

## Established players

There has been continued flow from first party UK insurers with internal reinsurance structures in place but a cooling down of third-party transactions.

The market has seen shake ups with certain players exiting the market.



## Acquisitions

There has been a growing trend for private equity sponsors to acquire BPA writers directly, rather than participating in Funded Re. This approach enables closer alignment between asset origination and deployment, supporting tighter control over investment strategy and economics.

In parallel, there has also been targeted acquisition activity involving reinsurers with established BPA portfolios.



## Increasing APAC deal flow

Increasing demand for funded reinsurance from APAC insurers, driven primarily by growth in Japan following J-ICS implementation and persistently low domestic interest rates. Ceded business has included deferred annuities, payout annuities, and whole life.



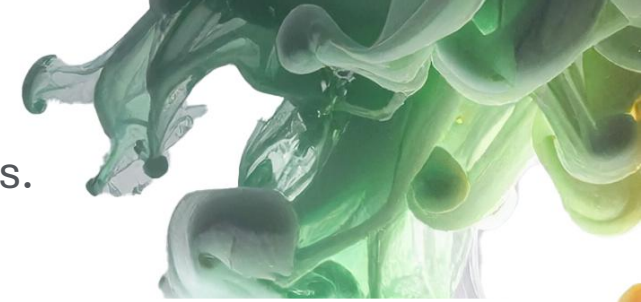
- **June 2020** – [Prudential](#) enter Funded Re market through an agreement with Aviva.
- **Dec 23** – [Warwick Re](#) completes their first c\$500m Funded Re agreement with Just Group.
- **Dec 23** – [Resolution Re](#) enters the Funded Re market through a £2bn transaction with a ‘prominent UK-regulated insurer’.
- **Mar 25** – [InEvo Re](#) complete their first Funded Re transaction with a UK insurer.
- **July 25** – [Athora](#) announces acquisition of PIC.
- **Feb 26** - [L&G](#) completes transaction with Meiji Yasuda
- **Mar 26** – [Brookfield](#) completes acquisition of Just.
- **Mar 26** – [Japan Post Insurance](#) enters agreements with Aflac Re Bermuda and Talcott Life Re

# LIST25



# Overview of Life Insurance Stress Test 2025 (“LIST25”)

LIST25 is the PRA’s 2025 stress test of UK life insurer resilience under severe market stress.



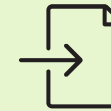
**LIST25** is the PRA’s Life Insurance Stress Test for 2025, designed to assess how UK life insurers would perform under a severe but plausible, multi-factor financial market stress.

It represents the first life insurance stress test conducted under the Solvency UK regime, marking an important evolution in the PRA’s supervisory approach.



## Scope

**LIST25** covers 11 UK life insurers, largely active in the bulk purchase annuity market. The exercise is applied at the solo legal entity level and is based on balance sheets as at 31 December 2024, with participating firms representing over 90% of UK annuity liabilities.



## Purpose

**LIST25** aims to assess sector-wide and firm-level solvency resilience and identify potential weaknesses in business models and risk frameworks. It is designed to inform future supervisory focus rather than act as a pass-or-fail exercise and is the first life stress test to include public firm-level disclosure of core scenario results.

Companies with significant Bermuda exposure include **Aviva, Canada Life** and **L&G**

# LIST 25 Scenario Design, Results and Observations

## Scenario Design

Stress A: Core scenario  
Multi-factor and staged  
-Falls in risk-free interest rates  
-Widening credit spreads  
-Credit downgrades and defaults  
-Equity and property value declines

Stress B: Asset concentration stress

Stress C: Funded Re recapture stress

## Results



Under core stress scenario, SCR coverage reduced from 185% to 154%, with all firms remaining **above 100%** SCR coverage.



**Credit downgrades, defaults, and property value declines** were the primary drivers of capital impacts



Firms with **higher residential property exposure** generally experienced larger reductions in SCR coverage, reflecting the severity of the property stress.



The **asset concentration stress** had limited impact on SCR coverage, though the PRA highlighted methodological limitations in this scenario.



The **Funded Re recapture stress** resulted in a more material reduction in SCR coverage, reinforcing it as an area of ongoing supervisory focus.

While results confirmed overall **sector resilience**, differences across firms with similar exposures emphasized the role of **hedging** strategies, **asset** classification, and **modelling** approaches.

# Funded Re Consultation Paper

# Funded Re Regulatory Changes

The PRA continues to focus on capital rules for the Funded Re market. On 29 April 2026 they issued CP8/26 on proposed changes to strengthen the regulatory treatment of Funded Reinsurance

## What has led to the increasing use of Funded Re?



In recent years, the use of funded re has increased significantly to **support the growth** of the BPA market and **enrich pricing**.



Insurers are able to **free up capital** by transferring risks associated with capital-intensive policies to reinsurers.



Efficiency is gained by leveraging the less penal capital requirements in **overseas geographies**.



Enables insurers to access **more diverse** and potentially profitable **investment opportunities** through specialized reinsurers.



## PRA concerns highlighted in CP8/26



Potential **underestimated** counterparty risk. The current framework is misaligned in the treatment of funded re assets compared to economically similar directly held assets.



In the event of a market downturn there is a risk of widespread **recapture** of liabilities by UK insurers



Potential increased exposure to more complex, illiquid and private credit related assets



Increased international scrutiny on funded reinsurance deals e.g. US asset adequacy testing requirements, Dutch Regulatory Approvals



Offshore reinsurance arrangements often deploy assets transferred under funded-re deals into non-UK assets

# CP8/26 Key proposed changes

The PRA is proposing to update the calculation of the **counterparty default adjustment (CDA)** for funded reinsurance.

## Current Approach

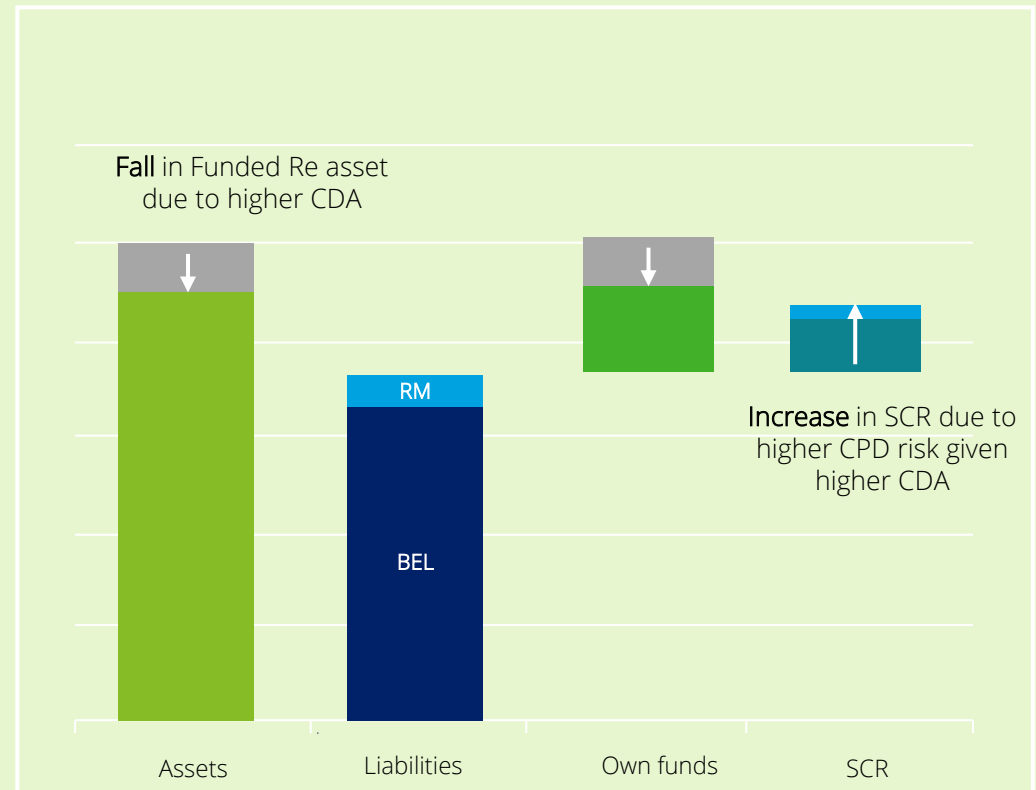
- Reinsurance recoverable asset is valued in line with the technical provision valuation.
- As such, the **CDA** on funded re is calculated in a similar manner i.e. **expected present value** of loss given default.

## Proposed Approach

- **CDA** for funded reinsurance would be set by reference to the **Fundamental Spread** for financial corporate bonds.
- The applicable spread would be determined based on the **CQS** and **maturity** of the corresponding funded re cashflow
- Relief provided for:
  - Adequate collateral – more than the premium
  - Absence of a need for collateral transformation
  - Credit enhancing nature of the collateral

## Expected Impact of Proposal

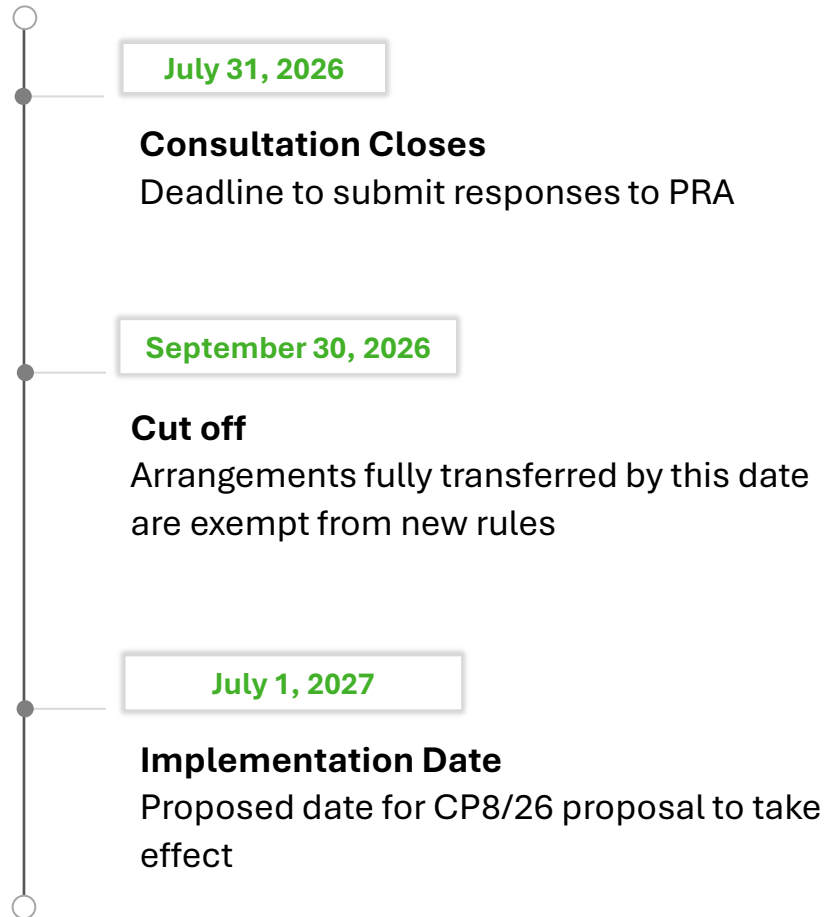
Capital held as a proportion of funded re exposure expected to go up due to lower funded re asset value and higher SCR



# CP8/26 Expected impacts and next steps

Below are the key dates for feedback, grandfathering and implementation date

## Next Steps



## Expected Impacts from CP8/26 Proposal

### Increased capital requirements on Funded Re



The PRA Estimates that the new proposal is likely to increase the capital held in respect of funded re deals from c.2-4% of assets to c.10%

### Change in effectiveness of Funded Re strategies



Firms using funded re as a tool to **reduce capital strain** on new business may be forced to lower business volume or raise additional capital elsewhere.

Firms that used it as a **pricing lever** to offer lower rates would be forced lower premiums or profit margins

### Increased scrutiny on collateral quality



Increased scrutiny on collateral quality, as the PRA places less reliance on collateral alone in determining credit risk, instead emphasizing reinsurer strength and the **robustness and transparency** of collateral arrangements

### Potential change in investment strategy by reinsurer



Potential for a “race to the bottom” in asset quality, as firms seek to maintain competitive pricing by targeting higher-yielding, lower-rated assets to offset increased capital requirements

# Special Purpose Vehicles



# Special Purpose Vehicles

SPVs provide a collaborative reinsurance solution which enable the sharing of risks while expanding capacity.

## What is a SPV?

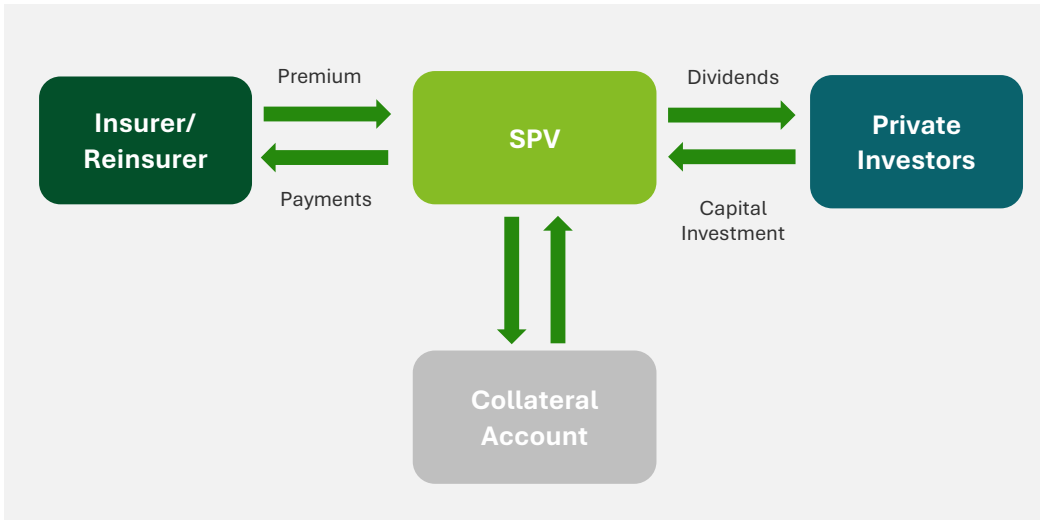


An SPV is a **financial structure** set up by a (re)insurer to transfer risk to capital markets



The (re)insurer enters into a risk transfer agreement with the SPV, and the SPV assumes that risk and fully funds it by issuing debt or equity instruments to investors

## Basic SPV Structure



## Opportunities arising from the use SPV



SPVs broaden access to capital by transferring insurance risk to capital market investors rather than a limited set of reinsurers. This results in a more diversified funding base, reducing reliance on individual counterparties



Risks transferred to SPVs can be more tailored towards institutional investors specific needs than traditional reinsurance e.g. an insurer could passively carve out their BPA business to provide investors a chance to share in returns.

This however reduces the level of risk diversification



The fully funded nature of SPVs reduces counterparty risk and mitigates recapture risk

# Use of SPV/sidecar structures in Bermuda vs. UK

We've seen a number of life/annuity sidecars that have been set up in Bermuda, with business predominantly originating in the US. Given the growing capital needs we expect use of sidecars and other SPVs to increase in UK

Item	Bermuda	UK
Capital Framework	Capital requirements calculated using Bermuda Solvency Capital Requirements (BSCR)	Capital requirements calculated under Solvency UK
Collateral & Funding Requirements	Structures are generally required to be fully collateralised, with a formal minimum solvency margin of 100%.	Assets must, at all times, fully cover the aggregate maximum risk exposure and be fully paid-in
Speed to Market & Regulatory Efficiency	<p>Bermuda's mature ILS and sidecar market allows structures to be established efficiently, which is particularly important for time-sensitive transactions such as catastrophe bonds and ILS issuances. The BMA has noted that certain catastrophe bond SPI approvals can be completed within three business days while the process is lengthier for life sidecars but is still more efficient than other jurisdictions.</p> <p>This efficiency is supported by a proportionate, risk-based regulatory framework and extensive market experience with alternative capital structures.</p>	The UK SPV market is still developing, although recent PRA publications have provided increased clarity around regulatory expectations and the approval process. As the market evolves and transaction volumes increase, operational efficiency and market depth are expected to continue improving over time.
Strategic Rationale	Bermuda remains the leading global hub for alternative capital and SPV/sidecar structures. (Re)insurers are typically attracted by the depth and scale of the ILS, sidecar, ISAC and broader SPV market, together with the established regulatory framework and specialist service provider ecosystem supporting these structures.	UK SPVs may appeal to firms seeking an onshore, PRA-regulated structure with closer alignment to UK legal, regulatory and governance expectations. They may also provide greater proximity to UK insurance and capital markets participants.

# Recent Regulatory Changes and Updates (UK Market)

SS 2/25 set out the PRA's expectations on the transfer of risk to Special Purpose Vehicles.

## Risk Arrangements

### Use of limited Recourse Clauses

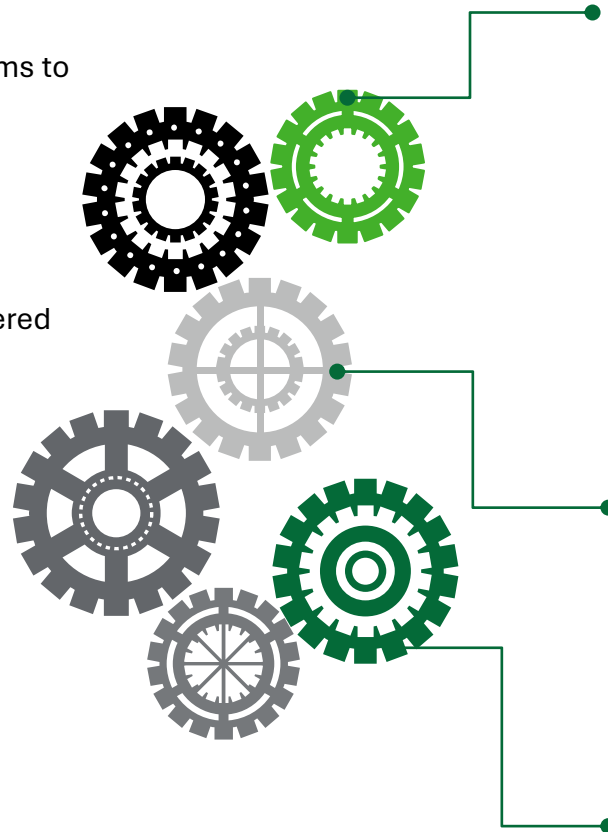
Where an SPV has a limited recourse clause the PRA requires firms to assess:

- The risk of SPV non-payment
- Perform stress/scenario testing of risk transfer to assess the economic and legal robustness of the structure
- Check for funding shortfalls / residual liabilities if the risk covered by the SPV were to revert to the insurer

### Exception to no co-mingling requirements

The SPV must continue to comply with all requirements applicable to each risk transformation transaction. This includes:

- being fully funded at all times,
- ensuring the risk transfer is effective and incontrovertible, and
- that payment obligations to investors are at all times subordinated to the obligation to pay cedant
- claims.



### Use of grace periods

For SPVs with grace periods on the fully funded requirements firms are required to have:

- Effective risk management arrangements in place to ensure that the firm can meet any **shortfalls** during the **grace period**
- Monitor and set limits on exposure to SPVs with grace periods
- Where risks are seasonal, ensure that grace periods do not overlap with that season

### Long Tail Risks

Firms are expected to consider the market, credit and interest rate risks involved in the transfer of long-tail risks to SPVs.

### Capital

Given the SPV does **not** have the risk diversification of a traditional reinsurer, the transfer of annuity business to a SPV should **not** result in a reduction in overall capital requirements

# Recent Regulatory Changes and Updates (UK Market)

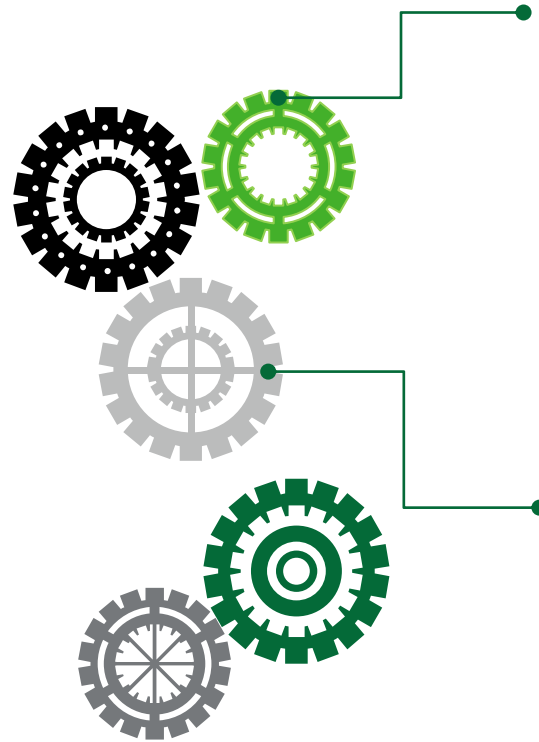
SS 2/25 set out the PRA's expectations on the transfer of risk to Special Purpose Vehicles.

## Risk Arrangements

### SPV in third countries

Firms entering into SPV in a different country are expected to:

- Demonstrate how the SPV meets the fully funding, effective risk transfer and subordination conditions
- Verify at all times that the transfer meets the definition of a risk transfer



### Multiple cedants to an SPV

Where risks are ceded to an SPV with multiple cedents, there is a clear allocation of any losses

Insurers are expected to have appropriate arrangements in place to mitigate the risks that arise from multiple cedants

### Reinsurance Recoverable

Firms are not expected to recognize a reinsurance recoverable for expenses that are not expected to be paid by the SPV until an equal amount is received from the insurer

# Bermuda Regulatory Enhancements and Trends

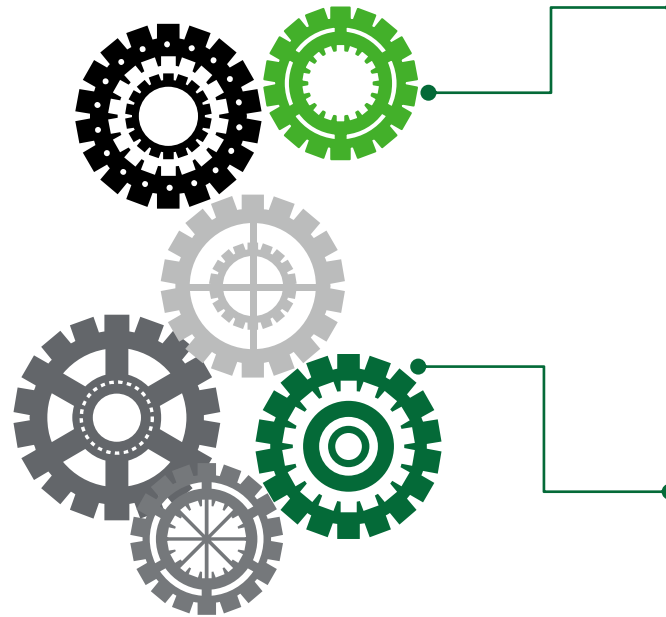
The background features a large, abstract composition. On the right side, there is a large, semi-transparent sphere with a green and yellow gradient, containing internal structures that resemble a molecular or biological model. To its left is a smaller, textured blue sphere. Scattered around these are several metallic, reflective spheres of varying sizes, some appearing to be in motion or floating. The overall aesthetic is clean, modern, and scientific.

# Bermuda Regulatory Updates and Trends

In Bermuda, the BMA has continued to develop its regulatory oversight and supervision, in line with broader regulatory focus on asset-intensive reinsurance practices.

## Steps taken by the BMA

- **Enhancing regulatory oversight**, by:
  - collaboration with other regulators
  - increasing own supervisory capacity
  - augmenting governance requirements
  - closer engagement with (re)insurers focused on key investment risks
- **Targeted enhancements** to regulatory and supervisory regime for **commercial insurers**, impact calculation of TPs, BSCR and flexibility of BSCR framework
- Introduction of **transaction approval process** for long-term block reinsurance
- Increased focus on assets and **explicit asset approval requirements** for structured assets
- **Increasing disclosures requirements** relating to insurers' investment portfolios (particularly illiquid assets) and liability profiles which is discussed in the next slide.



## Risk Management & Governance

- Application of **Prudent Person Principle (PPP)**, ensuring investment decisions are made in best interests of policyholders
- **Recovery planning** regime
- **Liquidity management** frameworks
- **Affiliate**, related parties or connected **parties** require prior approval and should be identified on look-through basis
- Increased on island process of C-suite members

## SBA Process Governance

- Model documentation and data requirements for Scenario-Based Approach (SBA) process
- Model risk management process requiring model inventory, documentation, validations, review and development
- Additional internal controls relating to SBA modelling
- Extending accountability of C-suite members, internal audit and approved actuary for elements of SBA process

# Enhanced Bermuda Regulatory Requirements

In Bermuda, the BMA has continued to develop its regulatory oversight and supervision, in line with broader regulatory focus on asset-intensive reinsurance practices.



## *Strengthened disclosure & transparency requirements – LL SBA and A&L*

- The **LL SBA** (Lapse, Liquidity and Scenario-Based Approach) and the **A&L** (Asset & Liability Statement) are regulatory returns required by the BMA for commercial long-term insurers, designed to enhance supervisory visibility over lapse risk, liquidity risk and asset - liability management under both base and stressed economic conditions, and require enhanced and more granular disclosures covering:
- **LLSBA:**
  - Scenario-Based Approach (SBA) assumptions and stresses
  - Asset cashflow projections, including reinvestment and default/downgrade impacts
  - Lapse sensitivity and liquidity projections under stressed conditions
  - Forward-looking assessment of balance-sheet and capital resilience
  - Asset-liability matching metrics such as the key-rate duration disclosures
  - Enhanced and more granular structural disclosures supporting ALM assessment
- **A&L:**
  - Detailed asset composition, characteristics and risk profile
  - Detailed Liability composition such as nature, type etc.



## *2025 Global Financial Crisis Stress Test*

- **Severe 2008-style stress:** applied consistently across the Bermuda long-term sector (106 insurers; \$1.17tn assets), calibrated to IAIS standards and assessed on an EBS basis.
- **Strong sector resilience:** average ECR coverage reduced from **424% to 348%** (median 270% to 215%), with most firms remaining well above minimum requirements even after a “double stress”.
- **Limited systemic risk:** only 11 firms initially fell below 100% ECR and after management actions, just 3 entities (~2% of reserves) lacked sufficiently credible mitigation.
- **Regulatory framework performed as intended:** SBA materially dampened spread and interest-rate volatility while allowing genuine losses (equity, defaults) to flow through.
- **Supervisory focus forward:** credit concentration (notably BBB exposure), robustness of non-contractual recovery actions, and recapture risk for unaffiliated cedents.

# Panel Discussion on the Future of Bermuda/UK Reinsurance



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