Alternative capital is part of the solution

The reinsurance landscape is undergoing significant change, shaped by shifting regulatory expectations, growing catastrophe exposures, and the rise of alternative capital and AI-driven tools. For life reinsurers with a foothold in the Dutch market, opportunities in longevity risk transfer and pension risk are expanding – but so is the complexity of the transactions involved. In this interview, Derek Popkes, Global Chief Operating Officer at Canada Life Reinsurance, shares his views on where demand is strongest, what makes deals succeed or fail, and how the industry is balancing innovation with the enduring importance of sound risk management and strong client relationships.

Can you describe your current role at Canada Life Re and the main responsibilities it entails? What are some of the main challenges you face in your day-to-day work? How has your role evolved since you started at Canada Life Re?
"Canada Life Re is a global reinsurer focused on developing specialist transactions that optimise our clients' capital and risk profile. We are part of Great-West Lifeco, North America's fourth largest life insurance company.

I am the Chief Operating Officer, responsible for leading Canada Life Reinsurance's commercial activities, including new business origination, pricing, underwriting, and asset liability management.

I started my career in Canada with our parent group and moved to Ireland in the early 2000s on what was meant to be an 18-month secondment. I joined the actuarial team working on P&C business. Both Ireland and reinsurance proved to be a lot of fun and 18 months has turned into almost 25 years.

Over time I worked in property catastrophe retrocession and then moved into life reinsurance. I also spent about five years as Chief Risk Officer for our group's European insurance business, which gave me a valuable perspective on how reinsurance is viewed by cedents, rather than just by reinsurers.

I moved back to Canada Life Re in 2017, and I have been in my current role for around eight years now. The role itself continues to evolve as we have expanded globally and into the P&C market. Transactions also continue to increase in scale and complexity, it's never been boring!"

How do you typically interact and build relationships with cedents and other clients?
"Our focus is on large, tailored transactions that form a meaningful part of a client's overall risk and capital management strategy. That means relationships are naturally central to what we do. We have been working with many of our clients for decades.

We spend a lot of time understanding what our clients are seeking to achieve with reinsurance from a strategic perspective. This often evolves during the process. The goal is to be able to bring forward a range of structures that genuinely improve outcomes, rather than just offering standard solutions.

DUTCH INSURERS ARE VERY SOPHISTICATED IN HOW THEY THINK ABOUT RISK, CAPITAL, AND PRICING

The process of structuring, pricing, and negotiating a reinsurance transaction is where relationships are really built. You get a detailed understanding of a company's culture, operating practices, constraints, and how they make decisions. A well-constructed contract needs to be balanced, clear, and robust, especially given that many of these agreements run for decades.

We see our role as being a consistent partner. Even when there is no immediate transaction, we still invest time in understanding how client needs are evolving, so that when an opportunity does arise, we already have a shared understanding of the objectives."

What opportunities do you see in the Dutch market and where do you see strongest demand?
"We completed our first transaction in the Netherlands almost 20 years ago. Dutch insurers are very sophisticated in how they think about risk, capital, and pricing. That makes for challenging negotiations, but also very constructive ones, because good ideas are recognised and valued.

The regulatory environment is also an important feature of the market. DNB is rightly very thorough in its review of significant transactions. While that can make processes more demanding, it ultimately supports a more stable and sustainable market, which is in everyone's interest.

In terms of demand, the Dutch longevity market has been the most consistent opportunity over the past two decades, although the form of that demand has evolved quite significantly.

In the mid-2000s, concern around rapidly improving life expectancy drove demand for stop loss style solutions, often with parametric triggers linked to population mortality. These structures were relatively simple to administer and targeted large deviations in mortality improvement and generally included cancellation features so protection could be withdrawn if it was no longer needed.

With the introduction of Solvency II, the focus shifted. Capital requirements for longevity risk increased, and the sensitivity to interest rates became more pronounced. That drove demand towards indemnity-based longevity swaps, which provide more complete risk transfer and therefore greater capital benefit.

We were a lead reinsurer in the earliest longevity swaps, and these highlighted the operational complexity involved, particularly around data management and ongoing settlement. Working through those challenges tends to reinforce the importance of collaboration between cedent and reinsurer.

More recently, we have seen growth in Pension Risk Transfer activity, where insurers assume pension liabilities and seek reinsurance support at the point of pricing the underlying transaction. That integration of reinsurance into primary pricing is becoming increasingly important.

There is also emerging interest in asset intensive reinsurance, where the reinsurer takes on both longevity and asset risk. This is still developing in the Dutch market, and it is appropriate that regulators are examining these structures closely, particularly where policyholder backing assets are involved."

IT IS IMPORTANT THAT REINSURANCE REMAINS FIRMLY GROUNDED IN SOUND RISK MANAGEMENT PRINCIPLES

Reinsurance is fundamentally about the sharing of risks, and, from a risk management perspective, there are clear benefits to leveraging global diversification of risk. How do you view the increasing regulatory focus on reinsurance placements outside the EU, and what opportunities and key points of attention do you see in this context?
"That is correct, there are clear benefits in allowing cedents to transfer risk to well rated global reinsurers with diversified portfolios. That diversification can improve resilience at both the company and system level.

At the same time, Europe has a strong regulatory framework, and it is important that reinsurance remains firmly grounded in sound risk management principles. In practice, most insurers have well established governance processes to ensure that regulators understand and are comfortable with major transactions.

Regulators are right to focus on potential build-up of systemic risk, particularly where transactions involve complex collateral structures, lower rated counterparties, or transfer of significant asset portfolios. We have to always remember these funds are intended to pay benefits to people in times of need and may represent the majority of some people's retirement income.

In that sense, the increased scrutiny is helpful. The industry benefits from a clear focus on counterparty strength and long-term security. Strong oversight supports confidence in reinsurance as a risk management tool, which is ultimately positive for the market as a whole."

What are the most common reasons deals fail late in the process, data quality, terms, basis risk, governance?
"In our experience, it is relatively uncommon for transactions to fail due to data quality or contractual terms. Those issues are usually addressed early in the process, and there is typically scope to find pragmatic solutions.

More often, transactions lose momentum because there is not full alignment within the ceding organisation on what they are trying to achieve. For example, whether the objective is full risk transfer, earnings stability, or risk and capital optimisation.

If that alignment is not clear, it becomes difficult to make decisions on structure, pricing, and risk retention, and the process can stall. That is why we often encourage clients to run a feasibility phase and involve all key stakeholders early on, so that there is a shared understanding before entering a formal process."

From a catastrophe risk perspective: What scenarios worry you most right now, pandemic recurrence, interest rate volatility, mass lapse, longevity improvement. What is your view on the impact of climate change on reinsurance pricing and coverage?
"These are very topical questions. From our perspective, diversification remains the first line of defence. We ensure that no single event or risk type can materially impact our overall financial position – this is where being part of large global insurance group is very helpful.

At a systemic level, inflation is one of the more challenging uncertainties, because it feeds into claims costs across a wide range of products in ways that are not always easy to model.

The frequency and severity of natural catastrophe events is attracting ever increasing levels of investor and risk management attention, which in turn is driving increased demand for reinsurance protection."

Where has AI meaningfully improved outcomes, risk selection, triage, claims, lapse prediction, and where has it not. What challenges and opportunities do you foresee for reinsurers balancing innovation with regulatory compliance?
"To date, and this is an important caveat since things are moving so quickly in this field, AI has been most useful in triaging complex data, particularly where time is limited. It can significantly improve efficiency in initial data analysis or in reviewing large volumes of documentation. It is critical that the pricing analyst always owns the outcome though – AI is a tool, not an answer.

It therefore does not replace the need for experienced pricing and risk teams – it improves efficiency. Reinsurance transactions require a deep understanding of the underlying risk, careful assumption setting, and the ability to structure solutions that meet specific objectives. That judgement has to sit with experienced people, not with a model.

There is also a strong governance dimension, and this is one we take seriously. Where clients share data with us – whether for pricing, experience analysis, or transaction structuring – that data needs to be handled with care and used only for the purpose it was provided. We have robust data protection frameworks in place, aligned with GDPR and our own internal standards, and we are very deliberate about not using client data in ways that fall outside the agreed scope. Regulatory expectations around AI are continuing to evolve, and we are engaged in that process, but our starting point is always that the pricing actuary owns the answer. AI can help get there more efficiently; it does not get to set the price."

OUR STARTING POINT WITH AI IS ALWAYS THAT THE PRICING ACTUARY OWNS THE ANSWER

How do you see catastrophe risk fitting into Canada Life Re's broader strategy for European, and specifically Dutch, clients in the coming years?
"Canada Life Re has a long established catastrophe reinsurance business, which provides useful diversification alongside our life reinsurance activities.

We see increasing demand for solutions that help clients manage volatility associated with both individual loss events and, increasingly, the accumulation of modest loss events in any one financial reporting period. Companies are very actively looking for ways to manage their exposure to volatility to underwriting results. At present, our focus is on larger global exposures, and we do not yet have deep local expertise in specific Dutch catastrophe risks."

COMPANIES ARE VERY ACTIVELY LOOKING FOR WAYS TO MANAGE THEIR EXPOSURE TO VOLATILITY TO UNDERWRITING RESULTS

How do insurance linked securities, Industry Loss Warranties (ILWs), cat bonds, impact the competitive catastrophe reinsurance landscape?
"They clearly increase competition and influence pricing, but they also play an important role in expanding the overall pool of available capital.

Loss exposures are growing, and demand for risk transfer continues to increase, so additional sources of capital are needed. Traditional reinsurers still play a core role, particularly given their experience in underwriting through stressed conditions and in managing complex risks over time."

An Industry Loss Warranty (ILW) is a specialized reinsurance contract or derivative that pays out based on the total, industry-wide losses resulting from a catastrophic event, rather than on the actual losses incurred by the individual buyer. It enables insurers and reinsurers to protect themselves against risks affecting the entire market (though based on predetermined payout thresholds).

How do you see the role of alternative capital in the market?
"Alternative capital is part of the solution, given the scale of risks that need to be absorbed across many markets, including the natural catastrophe and pension markets discussed above.

Structures such as sidecars allow that capital to support traditional underwriting, and they are likely to remain a feature of the market. Over time, we will get a better sense of how stable that capacity is, particularly through periods of adverse experience, which will depend on the quality of underwriting behind it."

An insurance (or reinsurance) sidecar is a special temporary entity established to allow investors to share in the risks and returns of specific insurance portfolios.

Which emerging structures have the potential to disrupt the traditional market? What challenges do you face when structuring new reinsurance solutions?
"Innovation in reinsurance tends to follow changes in regulation, accounting, and the broader economic environment.

There is a broad trend towards managing volatility and capital more actively. Structured reinsurance solutions can be seen as a wrapper around traditional reinsurance, helping clients achieve specific portfolio level outcomes.

The challenge for reinsurers is to stay ahead of that curve, continuing to design solutions that genuinely add value rather than becoming commoditised."

What's your view on using external data, wearables, prescription, credit or proxy data, and the governance and ethics around it?
"Reinsurance data is often imperfect, and the use of proxy variables, such as geographic or socio-economic indicators, can sometimes provide useful additional insight, particularly in managing basis risk.

At the same time, data usage needs to be proportionate and carefully governed. We place a strong emphasis on data protection and regulatory compliance, including GDPR in Europe, and aim to keep our data requirements targeted and appropriate for the risk being assessed." ■

Derek Popkes serves as the Global Chief Operating Officer (COO) of Reinsurance at Canada Life Reinsurance. Based in Dublin, Ireland, he is responsible for overseeing the group's global marketing, pricing, underwriting, and administrative operations.

Derek Popkes began his career with the Great-West Life group in 1996, working in various domestic actuarial roles. He transitioned into the reinsurance division in 2001.

From 2012 to 2017, he served as the European Chief Risk Officer, managing corporate risk across European insurance and reinsurance platforms. In July 2017 he promoted to Global Chief Operating Officer of Reinsurance. Derek Popkes earned a Bachelor of Commerce (B.Comm) in Actuarial Science from the University of Manitoba (1991–1996).

He is a qualified professional actuary holding Fellowships with the Canadian Institute of Actuaries (FCIA) and the Society of Actuaries / Irish Institute of Actuaries (FIA).