



## How is Generali Investments addressing longevity risk in insurance portfolios?

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COMMUNICATION ONLY FOR PROFESSIONAL INVESTORS IN ITALY, FRANCE, AUSTRIA, GERMANY, SPAIN, PORTUGAL, AND LUXEMBOURG.

With rising life expectancies, individuals and institutions face the critical challenge of ensuring financial security over extended retirement periods. Generali Investments – the asset management arm of the Generali Group – explains how they are leveraging a variety of innovative investment approaches to address the complex issue of longevity risk.

*The world is entering what is being called the "Age of Ageing," marked by a surge in life expectancy and a rapidly expanding elderly population. By 2050, the number of people aged 65 and over will double to 1.6 billion, with 1 in 6 over 65 and nearly 450 million over 80. At the same time, fertility rates are declining below replacement levels across much of the world, leading to a shrinking working-age population.*

*This presents urgent challenges for financial systems, healthcare infrastructures, and retirement planning, particularly around the management of longevity risk – which is the possibility that individuals will outlive their financial resources. Asset managers and insurers are therefore under growing pressure to adapt and respond.*

*At Generali Investments we recognize the profound implications of increasing life expectancy. We seek to tackle these challenges through a holistic and innovative approach that integrates diverse investment capabilities with tailored protection strategies, ensuring that clients benefit from both enhanced returns and effective risk mitigation.*

*Our strategy integrates private asset investments into life-cycle funds, democratizes access to private markets for retail clients, develops thematic funds targeting the longevity economy, and offers tailored annuities and pension solutions. We further strengthen our approach with advanced risk mitigation tools, including longevity swaps and dynamic asset allocation. Together, these initiatives aim to deliver sustainable income, enhance portfolio resilience, and capitalize on the opportunities presented by a longer-living world.*

### LONGEVITY RISK – WHY IT MATTERS

Increasing life expectancy creates both societal opportunities and economic vulnerabilities. Longer life does not necessarily equate to extended periods of good health. The World Health Organization notes a nearly ten-year gap between average life expectancy and healthy life expectancy globally, a gap that is widening.

An ageing population strains healthcare systems, with elderly individuals costing significantly more than younger age groups. Meanwhile, the shift from Defined Benefit (DB) to Defined Contribution (DC) pension systems has transferred retirement security responsibilities to individuals, requiring better financial strategies for accumulation, decumulation, and longevity protection.

Retirees also tend to underspend, preserving assets for fear of outliving them. Data from Japan, Italy, and the United States show that substantial

wealth is often retained well into retirement. Thus, financial products must address not only longevity itself, but also behavioural dynamics associated with retirement spending.

### GENERALI INVESTMENTS' HOLISTIC APPROACH TO LONGEVITY RISK

Given the complexity of longevity risk, and leveraging the specialist asset management affiliates within the Generali Investments platform, we have built a diversified framework that combines robust investment capabilities with insurance-based solutions. Our focus is on providing sustainable income, portfolio resilience, and exposure to demographic growth opportunities. We detail the key strands of our approach below.

#### 1. DEMOCRATIZING ACCESS TO PRIVATE ASSETS

Generali Investments' most significant innovation has been democratizing access to private assets, which historically, were previously accessible mainly to institutional investors. This is particularly important because private assets are typically long-dated with an illiquidity premium – and thus helpful for covering increasingly extended retirement periods.

Now, individual investors can participate in private assets through insurance-backed products, which allow for bite-sized investments. Insurance companies pool these funds, enabling asset managers to create tailored investment solutions.

Infrastructure is the longest-dated segment of private assets, with investment horizons reaching 30–35 years. It serves as an ideal hedge against longevity risk. Meanwhile, private debt structures can range from short to long duration; for example, real estate private debt is typically shorter-term. Trustees and investors can strategically layer different maturities to effectively manage longevity risk.

Through our insurance-backed products, retail clients can participate in private markets via structured vehicles with shorter lock-up periods, mitigating traditional barriers like the "J-curve" effect.

With Generali Group acting as the cornerstone investors for these funds, investors benefit from an alignment of interest. Our private assets offerings include a private debt strategy investing in Euro-denominated senior secured floating loans aiming to support the expansion of sustainable European SMEs; clean energy equity infrastructure strategy focused on greenfield investing; private equity, private and debt infrastructure; and sustainable real estate.

<sup>1</sup>Source: The World Health Organization, October 2024 [link](#)



## 2. PRIVATE ASSETS WITHIN LIFE-CYCLE FUNDS

As mentioned, private debt, infrastructure, and real estate debt generate stable income streams critical for extended retirement periods. For the purpose optimize returns for clients with longer investment horizons, we integrate private asset investments within life-cycle funds. These funds adjust asset allocations dynamically over time, gradually shifting from growth-oriented investments to more stable income-generating assets as clients approach retirement<sup>2</sup>.

Through our affiliate firms at Generali Investments, we offer a unit-linked multi-strategy, multi-manager strategy that is integrated within LDI-managed life-cycle funds and combined with a liquidity-bridge solutions. This ensures that asset allocations adjust progressively from growth-oriented to income-focused investments. This approach enhances return potential while providing greater stability as clients approach and move through retirement.

## 3. THEMATIC INVESTMENTS IN THE LONGEVITY ECONOMY

Through our affiliates at Generali Investments, we offer active thematic equity strategies targeting sectors that are poised to benefit from demographic shifts. These strategies invest in companies driving innovation in:

**Healthcare and biotechnology:** Pharmaceuticals, medical devices, and biotech firms addressing age-related diseases and personalized medicine.

**Longevity technologies:** AI-driven healthcare, telemedicine, robotics for elderly care, and wearable health monitoring devices.

**Senior living and assisted care services:** Real estate investments in retirement communities, assisted living facilities, and at-home care services.

By capitalizing on these growth sectors, investors may generate strong returns while indirectly hedging against the financial risks associated with longer life spans<sup>2</sup>.

## 4. ADVANCED RISK MITIGATION TECHNIQUES IN LDI PORTFOLIOS

We employ several advanced risk mitigation techniques to manage longevity risk effectively in LDI client portfolios. These include but are not limited to:

**Longevity swaps and reinsurance solutions:** These financial instruments allow insurers and pension funds to transfer longevity risk to counterparties, reducing balance sheet strain.

**Dynamic asset allocation:** A flexible investment approach that adjusts portfolios based on market conditions and longevity projections, helping to generate sustained growth and income .

**Enhanced mortality and longevity data analytics:** We integrates AI-driven analytics to refine longevity predictions, enabling more precise risk assessment and product pricing.

## CONCLUSION

Longevity presents both a significant challenge and an investment opportunity. As life expectancy continues to rise, traditional financial strategies must evolve to meet the demands of extended retirement periods. Generali Investments aims to be at the forefront of this transformation, offering holistic solutions through our affiliated, specialist firms, that integrate private asset investments, thematic funds, and life-cycle products.

By combining long-term growth strategies with innovative risk mitigation tools, we aim to help clients to confidently navigate the financial implications of increased longevity, and are committed to delivering sustainable, future-ready strategies that secure financial well-being across generations.

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<sup>2</sup>Capital invested is not guaranteed and the initial investment capital may be lost