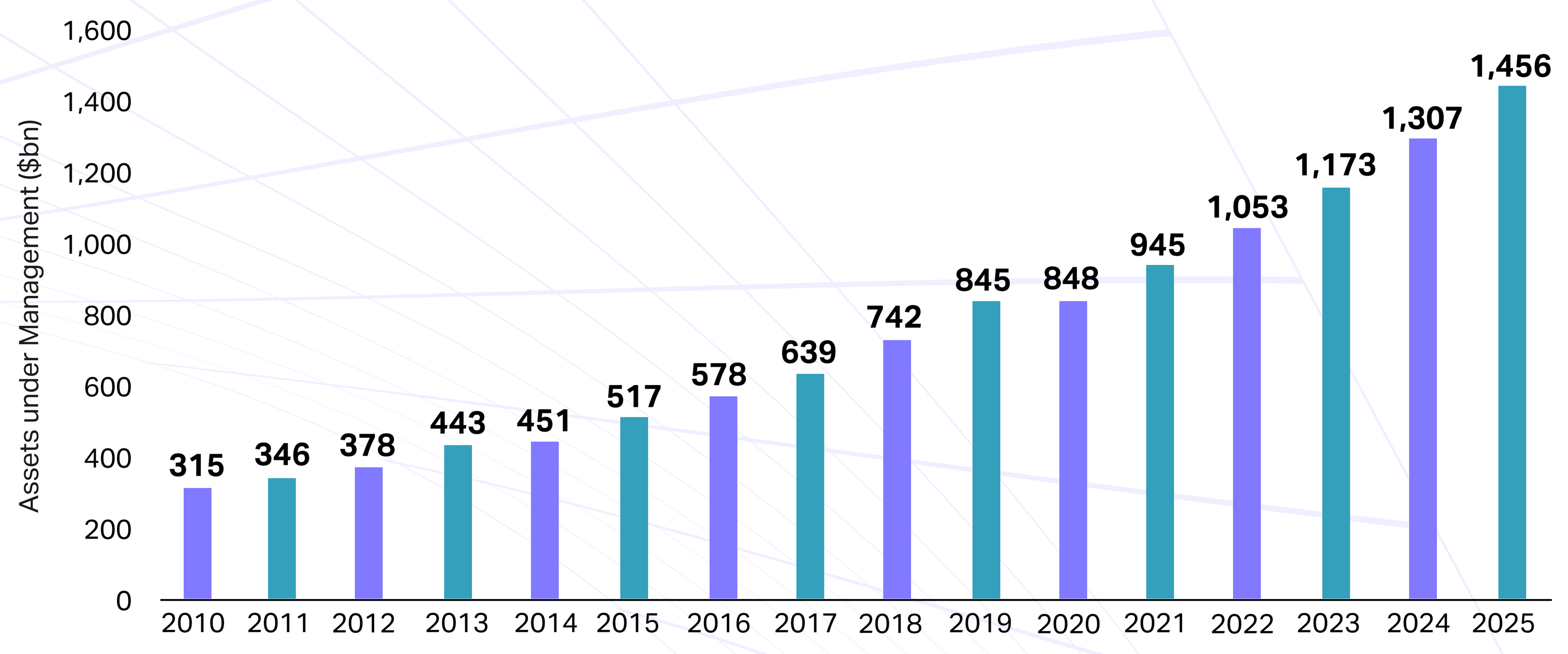
Insurance Companies & Private Debt

Trends to Watch

For proactive, operationally prepared insurance companies, the COVID era created unprecedented opportunities to capitalize on market dislocation in the credit markets. Private Debt has emerged as a dominant component of that strategy, supported by its low correlation with the public markets, and as a hedge against rising interest rates.

The Growing Private Debt Trend in Alternative Investments

Private Debt Assets under Management and Forecast, 2010-2025*



*2020 figure is annualized based on data to October. 2021-2025 are Preqin's forecasted figures.
Source: Preqin, Future of Alternatives 2025: Private Debt's Spectacular Rise Will Continue

62% **of private fund managers surveyed expect private debt funds to play a bigger role over the next 5 years.**

Source: Preqin

How Have Insurance Companies Adapted?

About **35%** of all U.S. insurers reported outsourcing

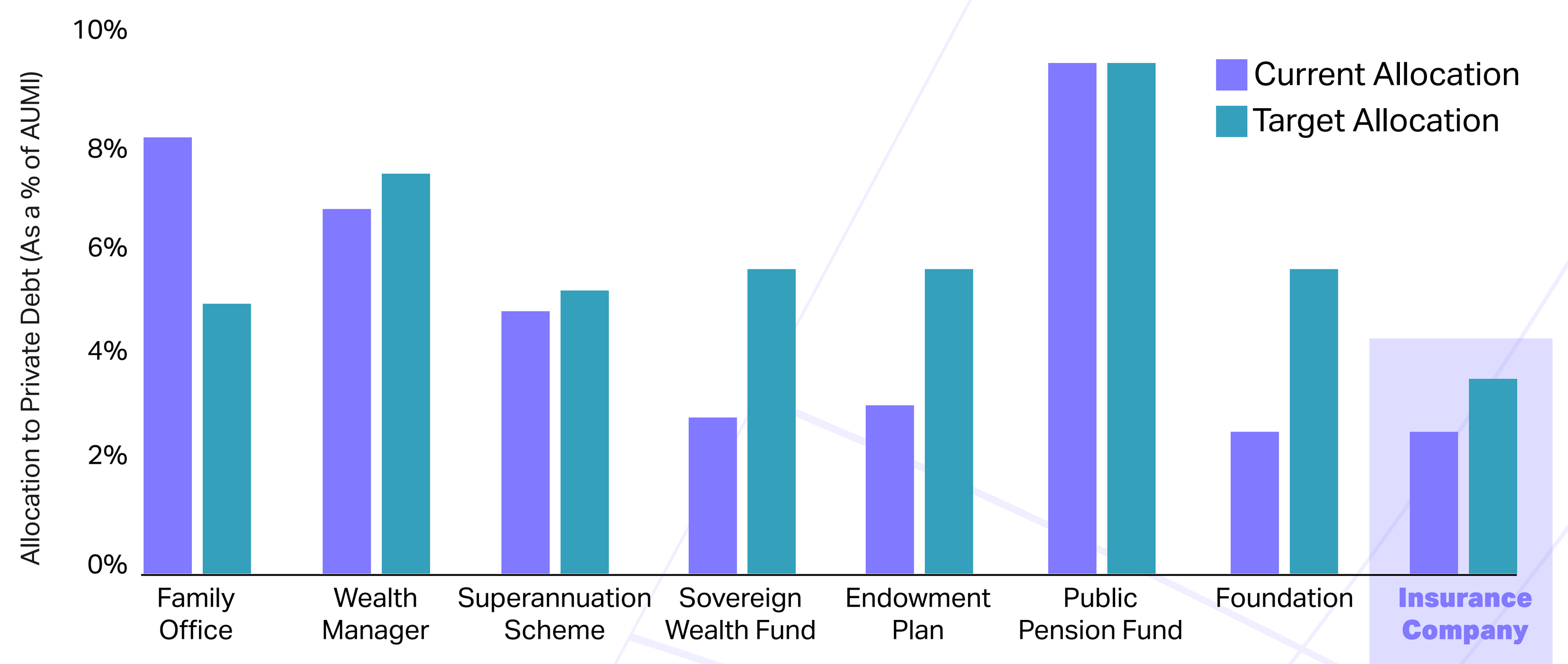
more than **50%** of their assets to unaffiliated investment managers, compared to 32% at year-end 2018.

Source: NAIC.org, Capital Markets Special Report

“ *After the 2008 financial crisis pushed rates toward historical lows, we saw* **broad shifts in the way insurance companies invested.** *One shift was reduced liquidity driven by the* **large increase in private debt investment** *(high quality Corporate Private Placements and Commercial Mortgage Loans). Another was a move lower in credit quality.* ”

Chitrang Purani, Portfolio Manager
Source: Insurance AUM Journal

Investors' Median Current and Target Allocations to Private Debt by Investor Type



Source: Preqin, 2021 Global Private Debt Report

“ According to the Insurance Asset Outsourcing Exchange's survey of **46 Investment Managers** at year-end 2019, insurers globally outsourced about **$2.6 trillion** to unaffiliated investment managers, up from $2.2 trillion at year-end 2018.

According to the **same** survey...

Insurers have significantly increased outsourcing to specialized investment mandate solutions over the past several years, particularly in specialized fixed income strategies and alternative investments.

Source: NAIC.org Capital Markets Report ”

How has the COVID-19 Disruption Impacted Insurance Investors?

“ *The pandemic really highlighted that insurers who took the appropriate risk management steps prior to the COVID-19 outbreak were able to take advantage of huge dislocations in all the markets.* ”

Louis Pelosi, Senior Director, SLC Management
Source: Institutional Investor

Private Debt 2020 Performance

69%	12%	11%
Met Expectations	**Exceeded**	**Not Met / Will Reduce Allocation**

Source: Preqin, 2021 Global Private Debt Report

“ *The very sophisticated insurance companies which were able to pivot during the dislocations are the ones that have separated themselves. All insurers, by regulation, are very conservative in their portfolios. But the folks who were being a bit more reactive weren't able to buy-in to a very tight window of opportunity.* ”

Andrew Coupe, Senior Consultant, NEPC
Source: Institutional Investor

What Does the Future of Private Debt Investing Look Like for Insurance Companies?

Insurance companies stand poised to combat the challenges of persistently low interest rates, tight investment grade credit spreads, and economic uncertainty by taking advantage of opportunities in public and private credit markets.

Source: Insurance AUM Journal

79% of respondents agree their insurer has been challenged to plan for and invest in targeted areas where they can have a competitive advantage post-COVID-19.

Source: Deloitte 2021 Insurance Outlook

Adoption of In-House Portfolio Management Solutions

“ *For many portfolio managers, volatility can provide opportunities to reap outsized returns. Most obviously, significant prospects are emerging due to price dislocation in the debt markets. Interest in Allvue's solution, which spans multiple asset classes, and is robust enough to withstand volatile markets, is growing rapidly. But the rationale for our holistic solution extends beyond the current challenges facing private debt and equity markets. The solution provides more timely and reliable data so managers can make better decisions, mitigate risks, exploit opportunities, and improve business performance by increasing capital efficiency.* ”

Ryan Keough, Chief Revenue Officer, Allvue Systems
Source: Pitchbook Q&A

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