



2025 Insurance Gathering

# From the Banker's Chair: Trends in Insurance

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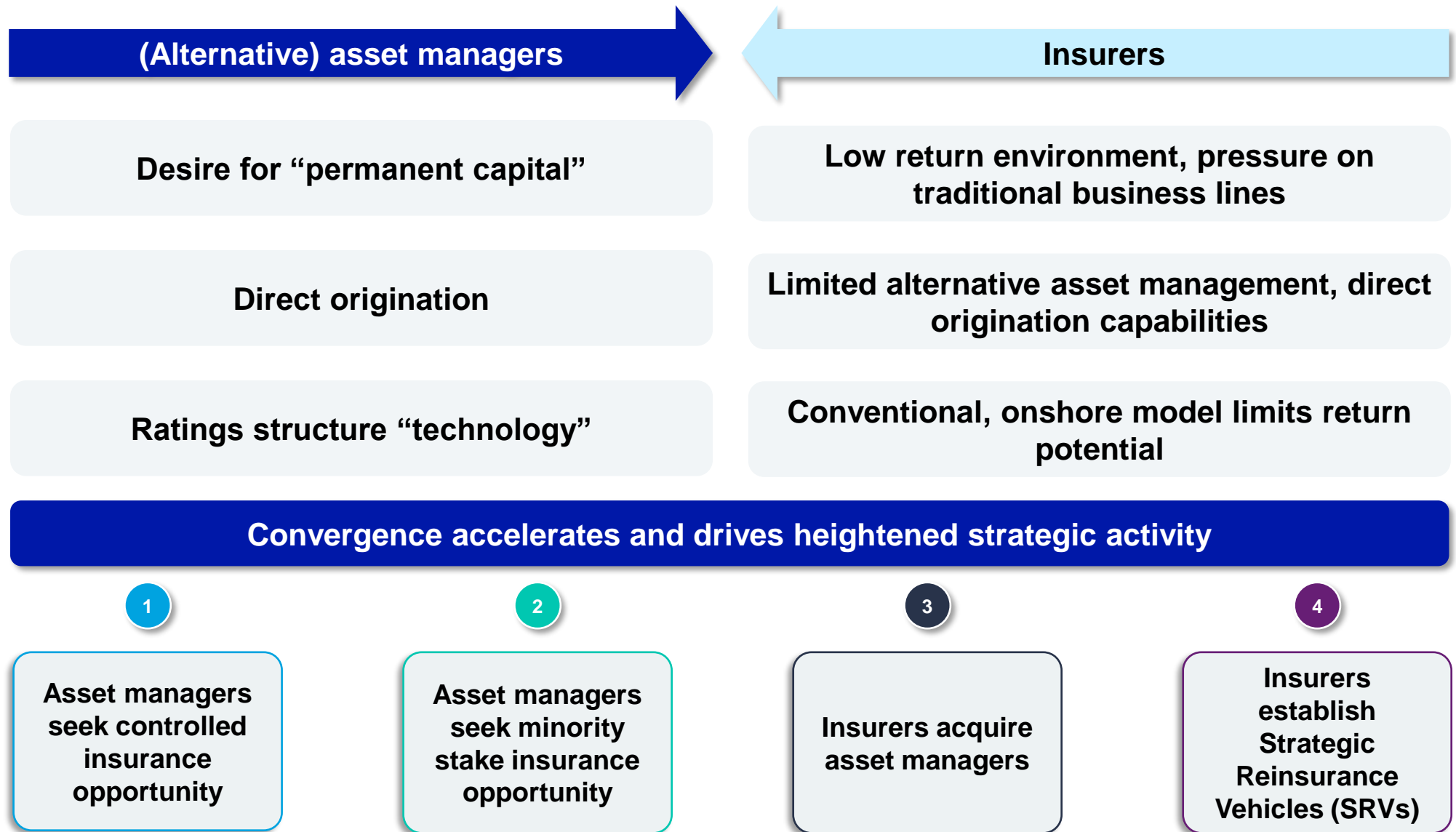
# From the Banker's Chair: Trends in Insurance



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# The convergence between Insurance and Asset Managers continues to accelerate



# Various strategies used to accelerate insurance capital

1

## Asset managers seek controlled insurance opportunity

### Purchase Control / Utilize GP Capital



### Utilize LP Capital

2

## Asset managers seek minority stake insurance opportunity

### Equity Stake / Partnership



3

## Insurers acquire asset managers

### Equity Stake / Partnership



4

## Insurers establish Strategic Reinsurance Vehicles (SRVs)

### Strategic Reinsurer



# Theme 1: With insurance capital, alternative asset managers are turning to private solutions for IG companies

## Alternative asset manager demand for IG assets is growing fast

- Insurance companies need high yielding mid / long duration NAIC-2 assets to match liabilities
- Robust capital raising for infrastructure and real assets funds which tend to be IG profile assets
- Growing private equity willingness to own minority position in JVs / subs

## IG issuers seeing value to flexible solutions private equity can provide

- Private capital can provide confidentiality and certainty on off-the-run instruments / solutions
- Private capital can invest across the entire capital stack and support customized instruments
- Convergence of M&A / capital markets execution and structuring techniques resulting in more efficient capital structure solutions



## **Theme 2:** Extending duration to take advantage of current rate environment

### Alternative 1

**Converting floating rate assets to fixed via hedges on insurance company balance sheet**

### Alternative 2

**Entering into bond forwards to extend duration (buy 10y UST 2Y forward)**

### Alternative 3

**Terming out shorter duration assets via credit portfolio trades**



## Theme 3: Liquidity management has also been a big theme for insurance companies

Structure	Description	Risks / considerations	Leverage treatment
Traditional repo	<ul style="list-style-type: none"> <li>- Repo IG bonds in the event of a liquidity need</li> </ul>	<ul style="list-style-type: none"> <li>- No certainty of availability or repo spreads</li> </ul>	<ul style="list-style-type: none"> <li>✗ Financial leverage (if drawn)</li> </ul>
Funded repo / collateral upgrade	<ul style="list-style-type: none"> <li>- Borrow cash or UST against IG bonds</li> </ul>	<ul style="list-style-type: none"> <li>- Funding cost</li> <li>- Sizing of buffer</li> </ul>	<ul style="list-style-type: none"> <li>✗ Financial leverage (repo)</li> <li>✓ Off balance sheet (collateral swap)</li> </ul>
Back-to-back CSA / Contingent Liquidity Facility	<ul style="list-style-type: none"> <li>- Transact under both clean cash CSA and corporate bond CSA to generate liquidity on a trade-by-trade or macro basis</li> </ul>	<ul style="list-style-type: none"> <li>- Market risk transfer and liquidity hedge are separated</li> <li>- Limited collateral set</li> </ul>	<ul style="list-style-type: none"> <li>✓ Operating leverage</li> </ul>
Committed repo	<ul style="list-style-type: none"> <li>- Guaranteed future capacity and price for IG repo</li> </ul>	<ul style="list-style-type: none"> <li>- Facility fee</li> <li>- Sizing of facility</li> </ul>	<ul style="list-style-type: none"> <li>✗ Financial leverage (repo if drawn)</li> </ul>



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