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Trend Review  
October 20, 2025\*

During the last decade, life/annuity insurers' private credit holdings more than doubled while publicly traded investments remained relatively flat

## Managing Risk is Critical as Private Credit Holdings Increase

### Principal Takeaways

- Life/annuity insurers' total private placement holdings, including 144a, increased over 6% in 2024, and has more than doubled over the last ten years while publicly traded investments remained relatively flat.
- Non-144a private placement holdings, which are more illiquid, topped \$940 billion in 2024, accounting for 24% of the bond portfolio and 17% of invested assets.
- Private letter rating (PLR) bonds accounted for nearly half of the industry's private credit investments in 2024.
- Although the bulk of private credit investments are issuer obligations, there has been a steady shift toward structured non-mortgage-backed securities (non-MBS).
- A notable difference in credit quality emerges for structured non-MBS and unaffiliated bank loans for those with a PLR compared to those with public ratings.

Increasing over 6% in 2024, insurers have been steadily adding to their private credit holdings over the last decade. This can come in various forms, from direct lending to corporations to, more recently, structured non-MBS private credit investments. According to two attendee polls of insurance executives taken at AM Best's Review & Preview conference in March 2025, over a quarter of respondents said they would be allocating new money to private credit in 2025. In a separate question, 46% stated that asset-backed securities are currently the most attractive sub-component of private credit (**Exhibit 1**).

Following the Great Financial Crisis (GFC), stricter regulations and higher capital requirements were placed on banks, resulting in less willingness from banks to provide commercial loans. Non-bank lenders, such as PE/AM firms, stepped in to fill the commercial lending gap, leading to more issuance of private credit. At the same time, PE/AM firms, some of which originate these assets, continue to enter the life/annuity market in a variety of ways, including outright acquisitions of insurance companies to use as platforms to provide permanent capital and acquire additional blocks of business, or through minority investment to earn fee income from managing large portions of a company's investment portfolio.

Additionally, the number of insurers outsourcing investments to asset managers continues to grow and is discussed in greater detail in a recent AM Best report, [\*Growing Number of Insurers Outsourcing Their Investment Needs\*](#). Life/annuity (L/A) insurers that use third-party asset managers may be able to invest in more complex asset classes, such as various asset-backed securities (ABS) and private credit that they may not otherwise have the sources or capabilities to. Insurance companies that use unaffiliated investment managers to manage at least 50% of their invested assets in 2024 were generally more active in these asset classes compared to companies that do not. Insurers do strong due diligence and favor managers with a strong track record of performance, particularly given the complexity and opaqueness within structured private credit securities.

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### Rising Allocations and Illiquid Assets

What started as a search for yield in a post-GFC persistently low-interest rate market has turned into a rapidly growing asset class for L/A insurers. During the last decade, L/A insurers' private credit holdings more than doubled while publicly traded investments remained relatively flat. In 2024, private placement bonds grew 6.3% to nearly \$1.8 trillion, accounting for over 45% of the L/A industry's bonds (**Exhibit 2**). These private placement holdings include a mix of 144a, which are more liquid and freely tradable on secondary markets, and more illiquid non-144a bonds, which are sold directly to qualified institutional investors and do not have a secondary market on which they can be resold. Non-144a bonds, which are less liquid, topped \$940 billion in 2024, accounting for 24% of the bond portfolio and 17% of invested assets. Growth of these more illiquid non-144a bonds has steadily outpaced that of 144a bonds. The top 10 companies that have exposure to non-144A bonds have 35% of their invested assets in this asset class (**Exhibit 3**). These private credit instruments are bespoke, less transparent, and less liquid, which results in a higher risk premium for investors.

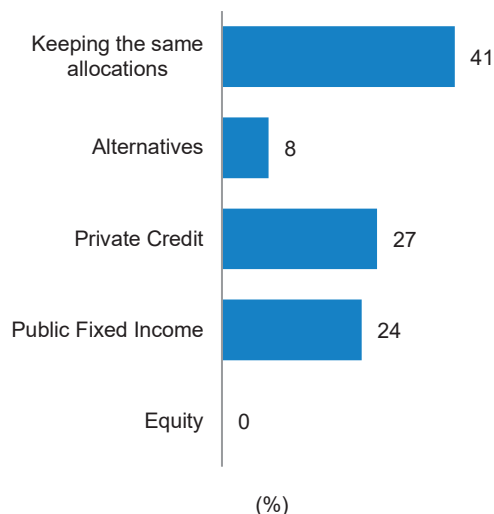
### Steady Shift to Non-MBS

Insurers have been investing in private credit for decades, but the type of issuer has continued to shift. Issuer obligations—lending directly to companies—make up the majority of private credit allocations. Allocations fell from 77% in 2014 to 58% at the end of 2024.

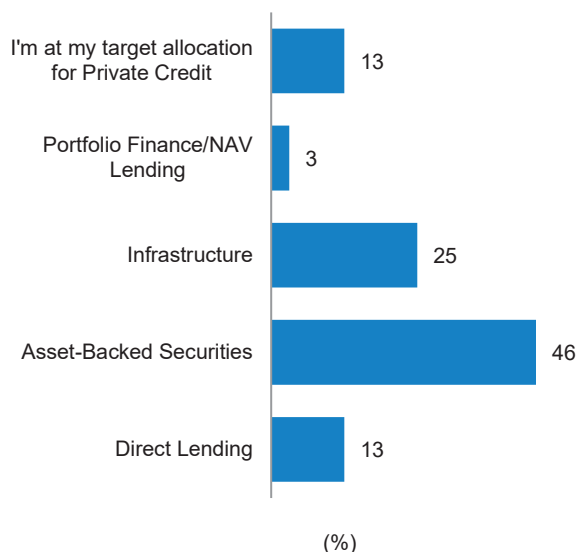
The proliferation of structured credit by private equity and other asset origination firms has led to steady growth of structured other asset-backed, non-MBS securities (**Exhibit 4**). Structured non-MBS securities are the second largest issuer type and accounted for 28% of private credit holdings in 2024, up from 17% in 2014. Although each of these issuer types have been steadily growing over the last decade, structured non-MBS securities have a compounded annual growth rate of 13% compared to issuer obligations at just 5%. We note that residential mortgage-backed securities (RMBS) have also seen recent high growth, around 20% in each of the last three years.

Exhibit 1

### Where do life/annuity organizations expect to invest the majority of its new money in 2025?



### What private credit subcomponents appear to be the most attractive for new money investments?



Source: AM Best data and research - Review & Preview Conference Polls

Exhibit 2

**Private Placement Bond Holdings Steadily Increase**

(\$ billions)

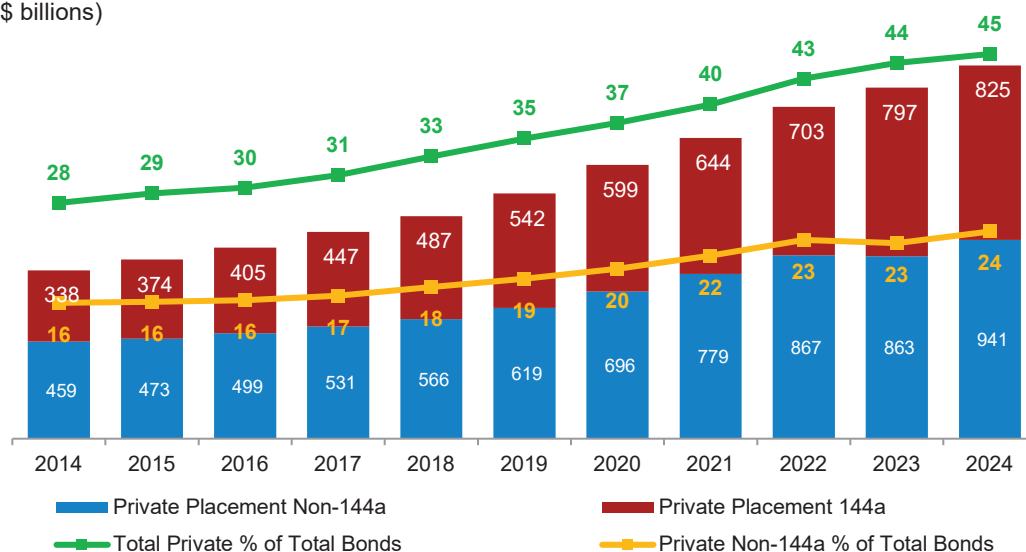
Source: **BESTLINK**

Exhibit 3

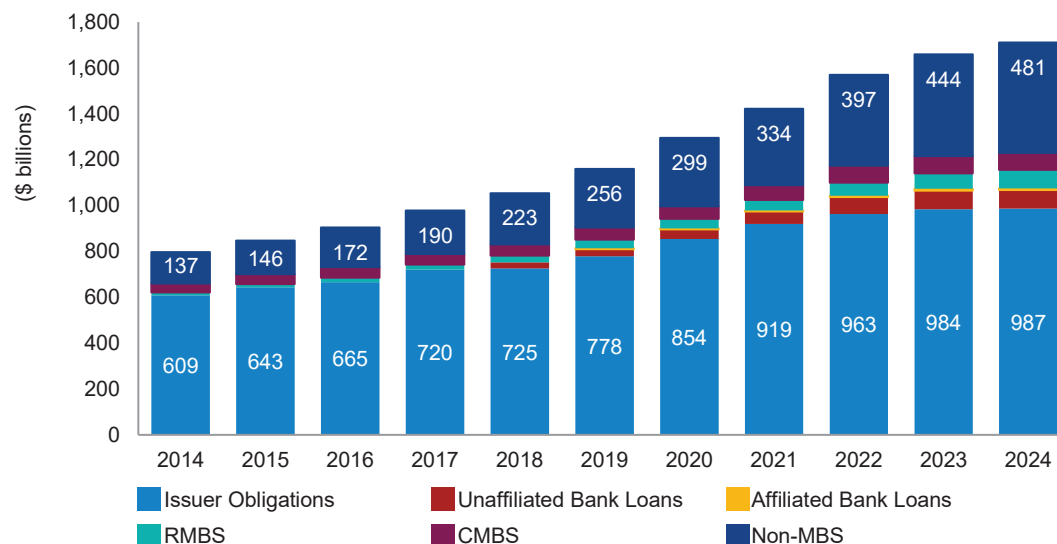
**Highest Exposure to Non-144a Private Placements Relative to Invested Assets**

	% of Invested Assets	Book Value (\$ millions)	% of Bonds	2024 YoY Increase (%)
Group 1001 Life & Annuity Group	42.8	18,354	59.4	15.2
Advantage Capital Life Group	40.0	2,456	68.6	-15.2
CL Life and Annuity Insurance Company	38.3	241	81.0	3,437.8
Principal Financial Group Inc.	35.5	31,808	53.1	9.6
Upstream Life Insurance Company	35.0	128	49.6	1,284.6
EquiTrust Life Insurance Company	32.3	10,327	41.4	6.0
Calton Holdings Group	29.5	3,154	35.5	18.7
Everlake Life Group	29.2	6,714	44.1	7.4
Sun Life Financial Group	27.3	4,917	35.8	8.2
Investors Life Ins Co of North America	26.6	80	31.0	3,218.9
<b>Top 10</b>	<b>35.0</b>	<b>78,179</b>	<b>49.5</b>	<b>10.0</b>
<b>Industry</b>	<b>16.7</b>	<b>940,510</b>	<b>24.2</b>	<b>8.9</b>

Source: **BESTLINK**

Driving the growth of structured non-MBS securities includes middle market collateralized loan obligations (CLOs) as well as private structures backed by traditional collateral, such as credit cards and autos, but also more esoteric asset-backed securities such as equipment financing, data centers, and healthcare royalties. Middle market CLOs are structured similarly to broadly syndicated CLOs but differ in that the underlying assets are private direct loans to mid-size companies. Middle market CLOs are also subject to risk retention rules, which require the CLO manager to retain a portion on their balance sheet, usually the equity piece, which is the first to absorb any potential loss. This ensures that the asset manager takes on risk alongside its investors.

Exhibit 4

**Private Placement Holdings by Issuer**

Source: BESTLINK

**Private Letter Ratings—Impact on Credit Quality**

Credit quality of the overall private placement portfolio for the insurance industry appears favorable, with 92% being investment grade, out of which 37% are rated NAIC-2. Private placements (including 144a) make up 90% of L/A insurers' non-MBS portfolio and 85% of bank loans. Combined, non-MBS bonds and bank loans account for 17% of bonds and 12% of invested assets. These two issuer types have a higher share of private letter ratings (PLRs) than most other issuer types.

PLRs are assigned to securities by a nationally recognized statistical rating organization (NRSRO). These ratings are usually not publicly available and are only communicated to the issuer and a select group of investors, making them less transparent to the marketplace. In 2018, the NAIC required insurance companies to submit PLRs for verification to the Securities Valuation Office (SVO) to ensure the letter is for the appropriate security and for the current year. Effective as of 2022, insurers are required to file the full rationale report to the SVO when submitting PLRs for verification. The full report includes an explanation of the transaction structure, methodology, and analytical review of the credit, which includes business, financial, industry, and legal risks.

A notable difference in credit quality emerges in these two asset classes between private placements with a PLR and those without. For example, 54.7% of bank loans without a PLR were rated below investment grade (BIG) but in contrast, over 70% of bank loans with a PLR carried an investment grade rating, including 49% classified as NAIC-1 (**Exhibit 5**). Although less stark in contrast, 76.0% of structured non-MBS with a PLR were rated NAIC-1, compared to 65.3% that were not privately rated. The securities with the higher ratings would have lower charges for risk-based capitalization. The top ten companies with investments with PLRs accounted for more than half of the industry's total PLR investments (**Exhibit 6**).

**Concentration Risks Relative to Capital and Surplus**

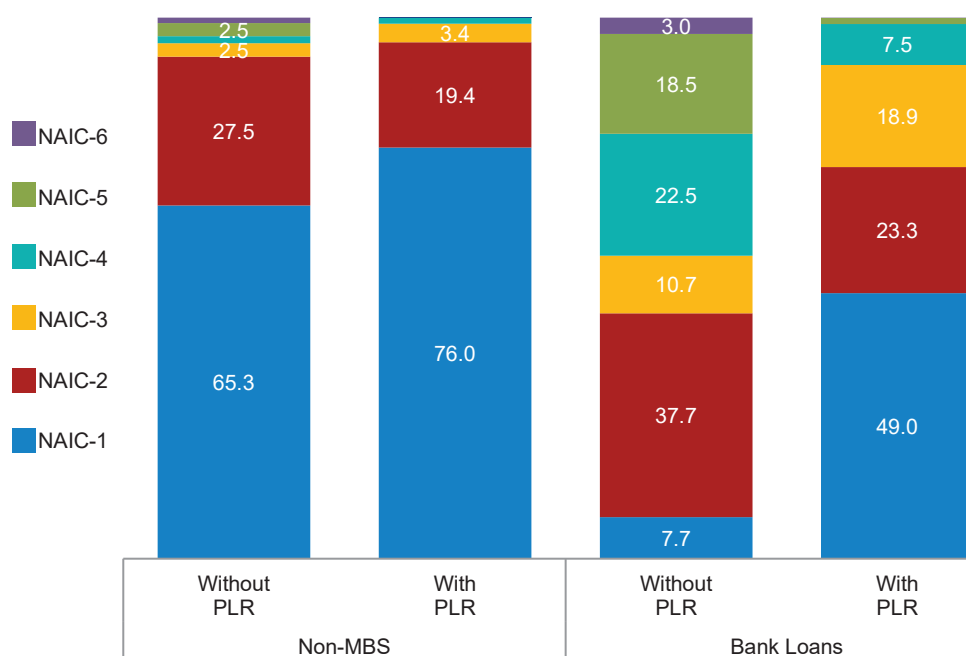
A high ratio of below investment grade bonds, and particularly BIG private credit, to capital and surplus can signal elevated risk. Since private credit can be difficult to trade on the secondary market at fair value, and some of these investments are not tradeable at all, it can create liquidity stress should an insurer need quick access to cash. Seven companies have BIG private placement holdings exceeding

C&S (**Exhibit 7**). The amount of private credit on L/A insurers' balance sheets, as well as the expertise required for these holdings, raises the importance of a well-defined risk tolerance for this investment class. As private credit supply continues to grow, asset/liability management, enterprise liquidity, stress testing, particularly given the rise of payment-in-kind (PIK) usage, rigorous due diligence, and monitoring of these assets will play a key part in managing the risk exposure.

Exhibit 5

**Bank Loans and Structured Non-MBS by NAIC Designation, 2024**

(%)



Note: excludes short-term and cash equivalent bond investments.  
Source: AM Best data and research

Exhibit 6

**Highest Exposure to Private Letter Rating Bonds**

		PLR % of Total Bonds (%)	PLR Bonds (\$ millions)	% of Invested Assets	% of C&S
062559	CL Life and Annuity Insurance Company	61.9	184	29.2	1,124.4
070486	Advantage Capital Life Group	60.4	2,161	35.1	648.4
069798	Group 1001 Life & Annuity Group	51.5	15,189	35.3	365.5
006853	Ohio State Life Insurance Company	50.4	146	28.6	158.4
070106	Everlake Life Group	40.0	6,086	26.4	350.6
006861	American Life & Security Corp.	35.7	842	22.0	662.6
006381	Federated Life Insurance Company	35.6	848	30.3	116.8
060701	Oceanview Life and Annuity Company	34.3	1,137	11.1	172.5
070530	Calton Holdings Group	33.6	2,605	23.6	177.3
070612	SBL Holdings Group	30.3	7,515	15.1	119.6
<b>Top 10</b>		<b>41.0</b>	<b>36,713</b>	<b>24.3</b>	<b>235.3</b>
<b>Industry Total</b>		<b>11.2</b>	<b>418,347</b>	<b>7.4</b>	<b>70.8</b>

Note: excludes short-term and cash equivalent bond investments.

Source: AM Best data and research.

## Exhibit 7

**Highest Exposure to Below Investment-Grade Private Placements Relative to Capital & Surplus**

AMB #	Company Name	BIG Private Placement to C&S (%)	Best's FSR	BIG Private Placements (\$ millions)	% of Private Placement Portfolio	% of Total Bonds
062559	CL Life and Annuity Insurance Company	324.1	B++	53.0	22.0	17.8
070518	SILAC Insurance Group	162.0	B	865.7	17.3	11.0
007378	Ability Insurance Company	149.8	nr	43.1	8.9	4.8
070435	Wilton Re Group	128.0	A+	1,107.8	14.1	4.4
008094	Upstream Life Insurance Company	111.0	nr	30.0	23.3	11.6
006939	Polish Natl Alliance of the U.S. of N.A.	109.9	nr	19.4	9.7	4.6
070403	Fidelity & Guaranty Life Group	107.7	A	1,781.5	6.6	4.0
070478	Athene US Life Group*	91.3	A+	3,578.2	3.6	2.6
006065	American Home Life Insurance Company	89.1	B++	16.3	24.4	7.4
060097	Universal Life Insurance Company	88.6	B	177.1	33.4	11.7
006861	American Life & Security Corp.	86.5	B++	109.9	12.9	4.5
070171	Nassau Insurance Group	82.5	B++	383.8	7.4	4.0

Ratings as of August 29, 2025. \*070478 Athene US Life Group data record displays the FSR of its lead operating company, 006199 Athene Life and Annuity Company

Source: 

**\*Updates to the Report**

This report was revised on January 13, 2026, to reflect updated data in Exhibits 2 and 3.

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