

Global Insurance Market Report (GIMAR)

SPECIAL SECTION EXCERPT

Insurers' increasing investments in private credit

December 2025



Acronyms and abbreviations

| | |
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| IAIS | International Association of Insurance Supervisors |
| IMF | International Monetary Fund |
| SWM | Sector-wide monitoring |
| PIK | Payment-in-kind |

About the GIMAR

This is an excerpt from the thirteenth issue of the Global Insurance Market Report (GIMAR). The GIMAR reports on the outcomes of the IAIS' Global Monitoring Exercise (GME). The GME is the IAIS' framework for monitoring risks and trends in the global insurance sector and assessing the possible build-up of systemic risk.

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3.2 INSURERS' INCREASING INVESTMENTS IN PRIVATE CREDIT

In November 2025, the IAIS published its final [Issues Paper on structural shifts in the life insurance sector](#).

The paper emphasises the sector's increasing allocation to "alternative assets," including the growing exposure to private credit.

Private credit has witnessed significant growth in recent years. As of 2023, global private credit assets, including undeployed capital, reached approximately \$2.1 trillion, primarily driven by growth in North America and Europe.¹⁸ IMF analysis indicates that in North America, private credit accounts for 7% of credit to non-financial corporations, comparable to leveraged loans and high-yield corporate bonds. Between 2018 and 2023, annual growth rates averaged 20% in North America and 17% in Europe, with Asia also experiencing rapid growth in high-yield and distressed segments.

While private credit is emerging as a key component of insurer's investment strategies,¹⁹ its true measure is difficult to quantify due to the lack of a clear definition. Some market participants consider private credit to be direct lending, where lenders provide loans directly to companies, primarily middle markets without bank intermediaries. On the other hand, increasing investment allocation to private credit, particularly by insurers, has largely been attributed to more complex non-bank investment-grade private placements to larger borrowers and privately structured asset-based finance securitisations. Some metrics may also include mortgage lending, both commercial and residential, in quantifications.

Although data challenges remain, preliminary analyses highlight that private credit exposures remain relatively low on aggregate, despite its growing prominence. IAIS data indicates that insurers' exposures to private credit differs across regions. However, this data varies based on different definitions of private credit. With the objective of gathering more complete data, the IAIS is refining both the definition it uses to measure private credit and its data requests from supervisors. Supervisors were asked to provide their qualitative assessment of private credit and a quantification estimate. For most jurisdictions, the estimates were below 5% of insurance sector total assets. Jurisdictions indicated in their SWM feedback that the allocations they reported are likely to increase in the coming years.

There have been several external efforts to quantify insurers' exposures to private credit, which can vary widely depending on the definition. For example, the inclusion of mortgage loans, a key insurer allocation, can increase the measurement significantly.²⁰

3.2.1 Key characteristics and exposures of private credit

As noted above, private credit is difficult to define, but can largely be thought of as non-bank, non-public lending. It encompasses a variety of instruments such as direct loans, securitised products and infrastructure debt (Table 1). Its bespoke nature, illiquidity and potential transparency issues distinguish it from traditional public credit markets, particularly when lending occurs through non-bank financial institutions without disclosure or reporting requirements.

¹⁸ IMF GFSR 2024.

¹⁹ IMF GFSR 2024.

²⁰ IMF GFSR 2025.

Even among financial institutions with disclosure requirements, such as insurers, the level of disclosure can vary significantly across jurisdictions and often lacks the detail stakeholders need to fully understand or compare aggregate exposures. Furthermore, the inherently opaque nature of individual investments, particularly in private assets, makes it difficult for insurers and supervisors to assess the terms and characteristics of specific holdings. This is especially true for complex structures involving multiple layers of investment, such as securitisations. Such information is often neither standardised nor easily accessible for broader market analysis. The lack of consistent definitions across IAIS member jurisdictions further complicates efforts to monitor and assess private credit exposures globally. In some cases, private credit is intertwined with other forms of lending, such as public or bank lending, making it more difficult to distinguish between private credit and traditional bank-originated loans. For instance, corporate loans may include both bank-originated private placements and non-bank middle-market direct lending. The IAIS, in its Issues Paper on structural shifts in the

life insurance sector, proposes a principles-based definition of alternative assets – namely, those assets characterised by high levels of valuation uncertainty, illiquidity, complexity or a combination of these factors. The paper also highlights the importance of considering local regulatory frameworks and market conditions when applying this definition. To support the measurement of private credit exposures, the table below provides examples of potential private credit categories.

Private credit offers life insurers diversification, illiquidity risk premiums and improved asset-liability matching, but also has potential risks that require robust governance and risk management.

TABLE 1: EXAMPLES OF POTENTIAL PRIVATE CREDIT CATEGORIES

| Direct lending | Infrastructure debt | Real estate and mortgage-related investments | Securitised or structured products | Other debt instruments | Private credit funds and vehicles |
|---|--|---|---|---|-----------------------------------|
| <ul style="list-style-type: none"> • Corporate loans • Commercial loans • Mortgage loans • Policyholder loans | <ul style="list-style-type: none"> • Infrastructure loans | <ul style="list-style-type: none"> • Commercial real estate loans • Equity release mortgages • Real estate lending | <ul style="list-style-type: none"> • Asset-backed securities (ABS) • Collateralised loan obligations (CLOs) • Securitisations of credit portfolios • Structured notes | <ul style="list-style-type: none"> • Mezzanine financing • Distressed debt • Synthetic risk transfer (SRT) | |

Source: IAIS 2025

Private credit, as a distinct subset of alternative assets, offers insurers several potential benefits. These include portfolio diversification, the ability to mitigate risk through protections such as covenants and security, access to illiquidity premiums, and the provision of stable, long-term cash flows, making it particularly appealing to life insurers aiming to match long-duration liabilities. However, these benefits are accompanied by notable challenges, including credit risk, liquidity constraints, valuation uncertainty, and the presence of hidden leverage, all of which necessitate strong risk management practices and effective supervisory oversight.

3.2.2 Key benefits associated with private credit investments for insurers

Improved asset-liability matching has been highlighted as a key benefit to insurers for private credit, with the ability to structure cash flows to be more closely aligned with liability outflows. Life insurers, in particular, note that private credit offers additional returns in the form of illiquidity risk premium, while still matching well with certain illiquid life insurance liabilities.

Diversification benefits from a private credit allocation could drive better portfolio results. Insurers are able to access a wider range of issuers as well as a variety of market sectors through asset-backed financing arrangements.

The nature of certain private credit products (eg lending to infrastructure projects) benefits the real economy by providing long-term capital that aligns with life insurance liabilities.

Given the potential for increased illiquidity risk premiums, insurers could benefit from higher yields in their private credit allocations, often while also being able to negotiate lender-friendly covenants and other protective

features. A private credit allocation can be advantageous in a rising rate environment, as many are structured as floating rate assets. In some cases, investors can also benefit from call protection (additional fees on early repayment) and equity kickers (optional equity stakes or warrants that allow lenders to participate in equity upside). Payment-in-kind (PIK) features, which enable the borrowers to capitalise interest in lieu of a cash payment, can help them withstand temporary cash flow pressures without triggering a payment default.

3.2.3 Key risks associated with private credit investments

Credit risk has been highlighted as the most significant concern for private credit investments, particularly in regions with higher exposure levels. Elevated interest rates, geopolitical instability and economic slowdowns exacerbate default risks, especially among smaller or highly leveraged borrowers. The use of PIK features, while offering temporary relief during periods of financial stress, can also obscure deteriorating credit quality and increase the likelihood of covenant breaches or outright defaults. In some cases, lenders may agree to restructure loan terms, such as introducing PIK features to accommodate missed interest payments, which can further complicate risk assessment. Credit ratings from agencies, though sometimes private, are often used for supervisory purposes, including in internal risk models. Greater public disclosure of private ratings and related information, such as the identity of the rating provider, could improve transparency and facilitate more informed decision-making regarding credit risk exposure. In response to these challenges, supervisory authorities in affected regions are prioritising enhanced supervisory reporting and public disclosure, stress testing and stricter capital requirements. At the same time, insurers are bolstering credit risk models, diversifying their portfolios and conducting thorough due diligence.

Given the potential lack of active secondary tradeable markets in some regions, private credit is typically seen as illiquid in nature. *Liquidity risk* significance for private credit has been assessed as low to medium by supervisory authorities that responded to the SWM. This assessment of *liquidity risk* has been interpreted in the context of liquidity positioning and its potential impact on the overall investment portfolio. Monitoring private credit liquidity risk should be viewed in the context of the overall liquidity risk monitoring framework. Insurers are enhancing such liquidity monitoring frameworks, conducting scenario analyses and aligning investments with their overall risk appetite. Supervisors are focusing on stress testing exposure monitoring and improving liquidity reporting standards.

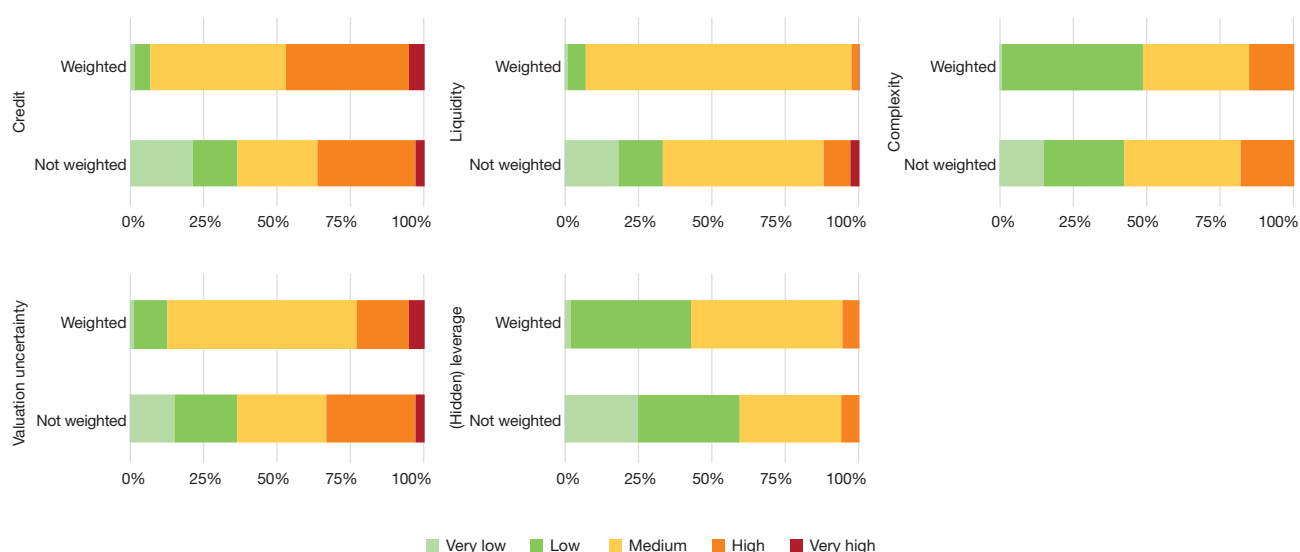
The bespoke nature of some private credit structures, combined with varying regulatory frameworks across jurisdictions and limited transparency, can give rise to complexity risk. For instance, while private credit exposures are commonly held in fund structures in some regions, insurers in others may utilise

fund financing through feeder structures, where they hold notes issued by private credit funds, to achieve similar outcomes. Investment structures with multiple layers can further increase complexity and opacity. To address these challenges, supervisors are conducting targeted reviews and introducing enhanced disclosure requirements. In response, insurers are proactively managing *complexity risk* by establishing specialised teams, performing rigorous due diligence and drawing on external expertise.

Valuation uncertainty may arise from increased liquidity risks and the opaque nature of private credit, where information is not assimilated outside the investor base and market prices are often not observable. During periods of market stress, reliance on model-based valuations can lead to delayed recognition of losses. Insurers are adopting robust valuation methodologies, conducting independent appraisals and integrating valuation risks into broader risk management strategies. Supervisors are requiring detailed disclosures and regular reviews of valuation models.

FIGURE 23

Private credit: perception of risk (n=35)



Source: IAIS IIM 2025

Hidden leverage is viewed by supervisors as a moderate concern, particularly in complex fund structures and securitisations. While leverage can amplify risks during downturns, conservative investment frameworks and due diligence help mitigate this exposure. Supervisors are emphasising transparency, requiring detailed reporting and promoting look-through approaches to identify embedded leverage.

3.2.4 Financial stability implications and systemic risk impact

Private credit investments currently account for a relatively small share of insurers' overall portfolios, limiting their potential impact on financial stability. However, it is important to consider not only direct exposures to private credit but also any off-balance sheet exposures arising from asset-intensive reinsurance agreements, in instances where these have not already been aggregated. While the principles of complexity, illiquidity and valuation uncertainty are inherent to several types of private credit, these risks have also been identified in other parts of insurers' asset portfolios, as highlighted in the Issues Paper on Structural Shifts in the Life Insurance Sector. This paper also notes the potential risk of asset recapture by a cedent in asset-intensive reinsurance arrangements.

Nevertheless, the ongoing growth of private credit could pose risks to financial stability, particularly if insurers' allocations to this asset class become a significant portion of their portfolios. During periods of market stress, concentrated exposures, hidden leverage and procyclical behaviour could amplify vulnerabilities, increasing the likelihood of contagion risks across the financial system due to the interconnectedness of financial sectors. Concerns around private credit often centre on the lack of transparency and the challenges of identifying potential systemic risks, especially as many market participants are not subject to disclosure or reporting requirements beyond their direct investor base. While insurers and their asset managers participate in private credit lending, existing investment disclosure requirements help mitigate the insurance sector's contribution to these broader concerns, although inconsistencies in disclosure remain. Furthermore, the bespoke nature of private credit instruments, combined with limited visibility into their characteristics and valuation uncertainties, adds to the challenges insurers and supervisors face in assessing these risks.

To address these issues, supervisors are strengthening both micro- and macro-level monitoring, implementing stress tests, including those that account for the risk of asset recapture, and developing enhanced reporting frameworks to better track interconnected exposures. Collaboration with international regulators and market participants is critical to tackling emerging risks and preventing regulatory arbitrage. By supporting sound governance, improving data transparency, and encouraging prudent risk management, the insurance sector can continue to harness the diversification and yield benefits of private credit while mitigating risks to financial stability. Measures being undertaken by supervisors to address these challenges are outlined in the box on the next page.

**Supervisors
and insurers are
strengthening oversight
and risk management
to address private
credit risks and ensure
financial stability.**

Overview of measures regarding insurers' private credit investments

Key measures by supervisors:

- Conducting monitoring and reviews of private credit exposures at sectoral and individual levels
- Requiring enhanced reporting on valuation, leverage and concentration risks
- Implementing stress tests and scenario analyses to assess resilience, along with on-site inspections
- Enforcing capital requirements, governance frameworks and pre-approval for complex investments
- Setting concentration limits to avoid overexposure to specific sectors or asset classes
- Strengthening supervisory expertise and risk assessment tools, including potentially the use of external expertise
- Promoting international collaboration to address cross-border risks.

Key measures by insurers:

- Strengthening risk management frameworks and governance structures
- Conducting thorough due diligence on fund structures, covenants and risk profiles
- Adopting robust valuation practices with independent appraisals
- Performing stress tests and scenario analyses to assess portfolio resilience
- Diversifying portfolios to manage exposure and reduce concentration risks
- Building specialised teams and providing staff training for private credit management (or managing access to external expertise)
- Enhancing liquidity monitoring and conducting scenario testing for stressed conditions.



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