

PRIVATE EQUITY AND ALTERNATIVE ASSET MANAGERS IN THE PENSION RISK TRANSFER MARKET

Defined Benefit Plan Consulting



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Executive Summary

- **The pension risk transfer market has grown materially.** Many newer insurer entrants have relationships with alternative asset managers that focus on private assets, many of which are known as “private equity” or “PE” firms.
- In some cases, **PE firms or alternative asset managers own insurers;** however, the common theme is the PE firm is acting as an asset manager, often focusing more heavily on private or securitized assets. Offshore reinsurance is used at the PE-related insurers but is also used widely across the insurance industry.
- All asset classes come with certain risks, and those associated more with PE firms require their own considerations, particularly around ratings, transparency and potential conflicts. Such concerns also apply to the strategies of non-PE-associated insurers.
- Private investment-grade credit can offer improved security and is an appropriate asset class to support long-dated, illiquid pension liabilities. However, it requires strong origination insights to get it right.
- **Each insurer is unique.** Pension plan fiduciaries are encouraged by Department of Labor Bulletin 95-1 to select the “safest annuity available”, and to make that determination, consideration must be given to the specifics of the investment portfolio, capital, reserves and other drivers of risk. The growth in the PRT market and evolution of insurer strategies requires vigilance, but it is too simplistic to penalize an insurer solely because of a PE relationship or ownership.

Introduction

Private Equity (PE) firms and other alternative asset managers have become increasingly engaged in the Pension Risk Transfer (PRT) market over the past decade. Several US insurers are either partially owned by PE firms or have asset management relationships with them. In the US insurance industry more widely, the National Association of Insurance Commissioners (NAIC) identified 137 PE-owned insurance companies at year-end 2024, investing a total of \$704 billion, or 7.8% of all US insurers’ total invested assets.¹

The involvement of insurers with these relationships is part of a wider trend of growth in US PRT, which has seen the number of participating insurers increase from 8 in 2012 to over 20 at the end of 2025. Pre-2012 transaction volumes for the market as a whole were typically less than \$3bn per annum but in recent years have grown to frequently exceed \$40bn per annum.² A greater number of participating insurers has increased competition in the PRT market and has expanded the market’s capacity to absorb pension liabilities in the face of rising demand from pension plans seeking to de-risk.

However, there have been questions raised regarding participant benefit security in the context of this expansion and the evolving strategies that the insurance industry uses to back these liabilities:

- In 2022, the US Senate Committee on Banking, Housing and Urban Affairs requested a formal briefing (“Brown Presses Admin to Study How Private Equity Companies Are Endangering Workers’ Retirements”³). The NAIC responded to this request in which they defended the robustness of the regulatory regime,⁴ and subsequently adopted a plan to address a list of considerations “applicable (but not exclusive) to private equity-owned insurers.”
- In 2024, the US Department of Labor (DOL) delivered its report to Congress reviewing Interpretive Bulletin 95-1 (which describes the obligations of fiduciaries when selecting an insurer for PRT⁵). The review considered a number of the issues described in this article. No changes to existing guidelines were proposed by the DOL.
- In 2024 and onwards, at least 10 lawsuits were filed, challenging specific PRT transactions. These cases are in a variety of phases with some dismissed and others proceeding at the time of this writing.

¹Private Equity-Owned U.S. Insurer Investments as of Year-End 2024 – NAIC, Capital Markets Special Report <https://content.naic.org/sites/default/files/capital-markets-pe-owned-ye2024.pdf>

²U.S. Group Annuity Risk Transfer Activity – Buy-Out Sales (2025 Third Quarter) and U.S. Group Annuity Risk Transfer Activity – Buy-In Sales (2025 Third Quarter)

³<https://www.banking.senate.gov/newsroom/majority/brown-admin-study-private-equity-companies-workers-retirements>

⁴<https://content.naic.org/sites/default/files/government-affairs-letter-naic-pe-response-sen-brown-220531.pdf>

⁵<https://www.dol.gov/sites/dolgov/files/EBSA/laws-and-regulations/laws/secure-2.0/report-to-congress-on-interpretive-bulletin-95-1.pdf>

In this article, we examine the involvement of PE firms (or, more generally, alternative asset managers) in the US insurance industry and address some of the risks cited by observers, including the use of reinsurance to affiliates and the use of structured and private credit. We focus on the US insurance market but note that some of the same PE firms or alternative asset managers have recently announced acquisitions in the UK PRT market, with Brookfield acquiring Just Group,⁶ and the Apollo-backed company Athora acquiring the insurer Pension Insurance Corp.⁷

Some of the concerns expressed may be too extreme, or at least too simplistic, in our view and not supported by clear evidence. Making generalized observations on insurer safety referencing factors such as company ownership and asset management relationships alone could risk ruling out otherwise good insurers or possibly gaining false comfort in less reliable insurers.

Regarding the insurers cited in the recent lawsuits, we have not observed material declines in overall credit quality, capital coverage or service. That said, fiduciaries should focus on the future and particularly risks that may emerge in more challenging economic conditions than the past decade has seen. The strategies that each PE-backed insurer and each traditional insurer are using should be understood and monitored.

This article is an update to a similar article by the same author, published in 2022, that was cited in the DOL's 2024 report to Congress.⁸ The author also gave written and verbal testimony to the DOL's ERISA advisory council in July 2023 on these topics. All data and observations in this article are based on publicly available data, predominantly US statutory filings.

⁶"Brookfield Wealth Solutions Announces Just Shareholder Approval of Acquisition," *Brookfield Wealth Solutions*

⁷"European savings and retirement services group Athora to acquire Pension Insurance Corporation Group," *Athora*

⁸<https://www.dol.gov/sites/dolgov/files/EBSA/laws-and-regulations/laws/secure-2.0/report-to-congress-on-interpretive-bulletin-95-1.pdf>



What is private equity, and how has the industry evolved into alternative asset management?

The traditional core business of PE firms has been leveraged buyouts — where the firm raises capital from investors, which is then deployed alongside debt — to buy out target firms. These are then managed for a period of time, typically five to ten years, before being sold for (hopefully) a higher price.

PE has grown significantly over the past 30 years. The three largest publicly traded firms known for PE are Apollo Global Management, Blackstone Group, and Kohlberg Kravis Roberts & Co. (KKR), and all three are involved in the PRT market in some form. These larger PE firms have evolved their businesses beyond the traditional leveraged buyout fund. Although buyouts still provide significant levels of earnings, they are no longer the single dominant component of their businesses. These firms are increasingly alternative asset managers to the reality that debt origination, rather than traditional private equity, dominates assets under management.

The growth of the lending side of these businesses has been partly facilitated by the retrenchment of investment banks in these financing activities following the global financial crisis of 2008/2009 and the subsequently tighter regulatory regimes that followed. PE firms look and feel more and more like private credit asset managers with an increasingly blurry line distinguishing them from the banking sector.

Given this evolution, we also reference the large alternative asset manager Brookfield in this article. Brookfield is not known as a PE firm but is active in the PRT market, and their US insurance strategy has some similarities to PE-backed insurers. The term PE in this article is effectively referring to firms that have historically been best known for PE, as well as alternative asset managers. In both cases the majority of assets under management are credit of some form rather than equity.

It is critical to note that the insurers in the PRT market have not been the target of traditional leveraged buyout funds where the intention is to own the insurer for a relatively short period of time.

Rather, the common theme is the use of the insurer’s policies as a source of long-dated funding, i.e., the PE firm is acting as an asset manager backing the liabilities of the insurer. This is not dissimilar to the model of traditional insurance asset management, where affiliate asset management subsidiaries (or external asset managers) are utilized.

Defining the involvement in PRT

All firms transacting pension risk transfer must be legally established as insurance companies and are regulated as such. It is not the case that an asset manager or PE firm can write annuities directly. There are a range of ownership structures such that, in some cases, the PE firm or alternative asset manager may ultimately own the insurance company, or it may not, as we described below. However, the PE firms or alternative asset managers listed below are all ultimately publicly traded with a variety of shareholders. Funds managed by the PE firms do not themselves have material ownership stakes in the insurers. In summary, stating an insurer is PE-owned or PE-backed is not a well-defined, uniform concept.

Although there may be certain trends associated with the involvement of PE firms, ownership in and of itself is much less of a material risk factor than how an insurer is investing assets and managing capital. A PE-backed insurer is capable of investing in riskier or more complex strategies, but so is a traditional insurer and all the major insurance companies, regardless of PE involvement, invest in private assets of some form.

Who are the PRT providers with links to PE firms or alternative asset managers?

Insurer brand name	Year entered PRT market	PE firm/alternative asset manager	Insurer ownership	Investment management by PE firm/alternative asset manager?
American National	2022	Brookfield Asset Management	American National is wholly owned by Brookfield Wealth Solutions, which is publicly traded. Brookfield Corporation is a shareholder of Brookfield Wealth Solutions and owns the majority of Brookfield Asset Management. There appears to be a high degree of interaction between the insurance business and Brookfield management.	Yes. Insurer assets managed by Brookfield Asset Management.
Athene	2017	Apollo Asset Management, Inc.	Athene and Apollo Asset Management are affiliates, and there appears to be a high degree of interaction between the two sides of the business. Both are subsidiaries of Apollo Global Management, which is the publicly traded holding company.	Yes. Insurer assets managed by Apollo Asset Management.
Corebridge (formerly AIG Life and Retirement)	1977	Blackstone Inc.	Corebridge is publicly traded, with Blackstone owning a 12% stake as of September 2025. Blackstone waives voting rights ⁹ and restrictions apply to prevent the ownership level from increasing. ¹⁰ Little observed management influence from Blackstone.	Yes. Outsourcing arrangement with Blackstone to manage some, but not all, invested assets (\$29 billion at end 2024, committed to rise to \$93 billion in 2027)
Fidelity & Guaranty (“F&G”)	2021	Blackstone Inc.	Fidelity National Financial, Inc. (FNF, not a PE firm) took ownership in 2020 and later spun off F&G in Dec. 2022. F&G remains 70% owned by FNF at the end of 2025. Little observed management influence from Blackstone.	Yes. Outsourcing arrangement with Blackstone to manage most assets.
Global Atlantic	2023	KKR & Co.	Global Atlantic is wholly owned by KKR & Co., therefore, there is a high degree of interaction with and influence from KKR.	Yes. All insurer assets are managed by KKR.

⁹Corebridge: Amendment and Waiver of consent and voting rights

¹⁰COREBRIDGE FINANCIAL, INC. 2025 Proxy Statement page 98-99

The chart on page 4 highlights that there are a variety of PE firm ownership and engagement models. No two insurers are the same in this regard.

We have excluded from the above list Banner Life and Midland National, who have no PE ownership and no PE affiliates. However, it was announced in 2025 that Banner Life, via Legal and General, plans to invest in private assets originated by Blackstone.¹¹ Midland National does outsource some asset management to Guggenheim Partners Investment Management.

Although certain trends have been associated with PE-linked insurers — higher proportions of assets in private credit, structured securities and greater use of reinsurance, which we discuss further later — these trends do not apply rigidly. For example, the PRT provider with one of the highest proportions of private assets is Delaware Life, not included above, which itself is privately owned with asset management mostly in-house.

Concerns that have been raised regarding the involvement of PE firms or alternative asset managers:

1. Are investment portfolios riskier, driven by higher exposures to private and structured credit? Specifically:

- **Lower credit quality?** While one PE-related insurer does have a relatively lower average credit quality than other providers in the market, other PE-related insurers are similar, if not slightly better, than the wider PRT market average.¹² Using statutory ratings classifications, many traditional insurers have lower credit quality portfolios than those that have PE involvement.
- **More private credit and reliance on internal credit ratings?** Most PE-linked insurers in the PRT market do hold moderately higher allocations to private credit than the industry average. In this context, private credit is typically investment-grade direct loans and private placements, direct mortgage loans and private structured securities (discussed further below). Real estate lending and private placements have been mainstays at most life insurers for a long time, with recent attention focusing on increases to the more esoteric private asset classes from lower starting allocations. This topic warrants a separate article, but to summarize:

- » Historically at least, forms of private credit have evidenced more attractive security terms and thus higher recoveries in the event of default compared to public bonds.¹³ In addition, utilization of a wider set of asset classes, for example, infrastructure lending or direct residential mortgage loans, arguably provides improved diversification compared to a portfolio of publicly traded bonds alone.
- » Private credit usually has a higher yield than public equivalents but is less liquid. While this is very suited to backing sticky liabilities, such as PRT, there should be careful consideration as to the liquidity risks inherent in the insurer's other liabilities.
- » Private assets often do not have a credit rating that is publicly available. Insurers obtain a private letter rating, which in some instances will originate from a smaller, less-established rating agency. Some have argued that such smaller rating agencies may be assigning too generous scores (see "Rating agencies in public brawl over scores for private credit" — FT, May 2025¹⁴).
- » In summary, greater use of private credit is not necessarily detrimental in and of itself, but it does come with potential pitfalls and in particular requires the asset manager to have strong origination knowledge to get it right.

- **More securitized assets?** There are a variety of publicly traded, securitized asset classes that have been held by the insurance industry for a long time, but Collateralized Loan Obligations (CLOs) in particular have become more popular at US insurers in the past decade, particularly at some of the PE-related firms. Historically, the higher-rated tranches of CLOs (which are the tranches that insurers typically own) have experienced lower credit losses than publicly traded bonds with equivalent ratings; it's reasonable to expect this trend to continue in the future. Moody's remarkably reports zero ultimate credit losses on CLOs rated A or better during the period 1994-2023.¹⁵ However, there are some signs of weakening underwriting standards in the wider loan market more generally. The inherent complexity and reduced transparency of the asset class mean there may be scope for a faster decline in credit rating and liquidity compared with traditional public bonds in the event of a crisis. Manager skill is required to select the underlying loans, which are generally sub-investment grade.

¹¹"L&G and Blackstone Announce Strategic Partnership to Accelerate Growth Ambitions," *Blackstone*

¹²Based on end-2024 statutory filings, using invested general account assets and average credit quality calculated using statutory rating definitions only.

¹³Moody's 1987-2023 experience for term loans is 71%, vs senior unsecured bonds at 47%. The Society of Actuaries reported 0.06%-0.15% pa lower annualized loss, controlling for credit rating, on private placements vs public equivalents (Source: 2003-2015 Credit Risk Loss Experience Study: Private Placement Bonds)

¹⁴Rating agencies in public brawl over scores for private credit

¹⁵Moody's Data Report (Structured Finance) — Impairment and loss rates of global CLOs: 1993-2023 (24 Jun 2024)

- **More affiliate assets?** PE-linked insurers do generally hold a higher proportion of assets that are classified as affiliates, but this varies by insurer. Affiliate investments, in some instances, are loans to, or investments in, companies owned by the PE-affiliate asset manager, which could give rise to conflicts if not governed properly. However, in many other cases, assets classified as affiliated in fact have risk exposures to genuine outside parties but are being held in a vehicle owned by the asset manager, which is less of a conflict concern. Again, many traditional insurers have significant affiliate asset managers where these same dynamics and potential for conflicts exist. Conversely, if a PE firm is being utilized as an independent third-party asset manager, there may be less potential for conflicts if asset allocation decisions are truly at arm's length.

The table below compares allocations for all US PE-linked insurers vs non-PE-linked. This sample is all US insurers, not just those that write PRT business.

Average % of total investments	All PE-linked insurers	Non-PE-linked insurers
Structured securities	26%	11%
Private letter ratings	23%	8%
Affiliated assets	14%	8%

Source: BIS: The transformation of the life insurance industry: systemic risks and policy challenges¹⁶

2. Could a PE firm somehow extract capital from the insurer, impacting solvency?

- No, not generally possible. While we have seen reorganizations of ownership structures and use of reinsurance impact where capital sits across different insurance entities, this has not impacted coverage ratios materially.
- The insurance companies that write group annuity contracts are highly regulated companies. Extracting capital out of the company is not straightforward and requires regulatory approval.
- Insurers will pay their asset manager a fee, which, for private credit assets, is likely to be higher than public equivalents. However, these fees are at a materially lower level than traditional private equity funds will charge.

3. Do policyholders experience a materially lower level of service?

- We have not observed materially inferior service at the PE-related firms.
- Most of the PE or alternative asset manager backed insurers listed above do outsource PRT administration services to third-party providers, as do many newer entrants to the PRT market who are not PE-backed. Outsourced providers include Alight Solutions and Conduent, both of which are large providers of pension and annuity administration services directly to both pension plans and the insurance industry.

4. Do PE-related insurers use offshore reinsurance, and is that risky?

- This varies by insurer, but most of the PE-related insurers do make substantial use of offshore reinsurance. A common arrangement for PRT is to use modified coinsurance, abbreviated as mod-co. The assets and reserves associated with an annuity contract remain on the US insurer's balance sheet, and assets remain under its control. However, the risks associated with both the assets and liability of the contract are transferred to the reinsurer, which are typically affiliates based in Bermuda.
- While the PE-related insurers have generally completed more material volumes of offshore reinsurance, this strategy is not their sole domain. Other insurers such as Banner Life, MassMutual, MetLife, Principal, Prudential and Pacific Life also use this tool to help manage their life and annuity businesses. The use of onshore affiliate reinsurance more generally is a standard practice in the US insurance industry, particularly in respect of life insurance.
- Reinsurance has legitimate business justifications and does not necessarily imply a riskier offering. Bermuda, in particular, is an established venue with a sophisticated regulatory regime. That said, from a due diligence perspective, material use of reinsurance admittedly does add a layer of complexity requiring a deeper dive. The crucial matter from the policyholder perspective is the counterparty risk being introduced to the US-based insurer. To assess this risk, it is necessary to evaluate the amount of reserves and capital being held at the reinsurer, allowing for the riskiness of the asset portfolio in particular. We would want to help ensure the capital held in an offshore reinsurance entity meets similar or higher standards of adequacy that would apply if the risk had not been reinsured and had remained at the US-originating insurer. In addition, we consider the collateralization mechanisms in place and how the ceded business could be recaptured back to the US if it had to be.

¹⁶BIS: The transformation of the life insurance industry: systemic risks and policy challenges

Conclusion

Insurers with PE relationships have been competitive in the US PRT market. If any insurer is quoting a significantly lower price than others, it is critical to understand the drivers for that lower price and whether those drivers add material risk. We focus on many potential risk factors but particularly on the credit quality, adequacy of credit ratings, appropriateness of illiquid assets in the context of liabilities, origination capabilities of the insurer and capital adequacy. It is too simplistic to penalize an insurer solely because of a PE relationship or ownership, as a traditional insurer with no such relationships could fall short on these factors.

Pension plan fiduciaries are encouraged by Department of Labor Bulletin 95-1 to select the “safest annuity available” and to “conduct an objective, thorough, and analytical search.” That search should consider the underlying facts and circumstances regarding the investment portfolio, capital, reserves and other drivers of risk. These considerations are unique to each insurer.

In addition, as we described in our article from 2025 (Annuity purchases and guaranteed separate accounts,¹⁷), the structure of the group annuity contract and the presence of the state guaranty system can also substantially alter potential participant losses in the event of an insurer failure and need to be considered on a deal-by-deal basis. Sponsors undertaking an annuity transaction should also remember that the security of participant benefits is likely to remain higher in an insurance company, with associated guarantees, than it is in most corporate-sponsored pension plans. No insurers providing US PRT contracts have failed since the current DOL guidance was issued in 1995.

It is critical that plan fiduciaries undertake thorough due diligence on insurance companies ahead of a PRT transaction. The involvement of PE-backed insurers in the market and some of the strategies that have been associated with them require vigilance, but it does not necessarily result in reduced security for policyholders.

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¹⁷Annuity Purchases and Guaranteed Separate Accounts

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