PGIM

THE NEW FRONTIER IN INSURANCE ASSET MANAGEMENT

Building strategic partnerships by turning investment opportunities into portfolios insurers can own, govern, and explain

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In our view, insurance companies are entering a more complex phase of portfolio construction. Higher base rates have restored income in traditional fixed income, while the continued expansion of private corporate credit, asset-based finance (ABF), real asset credit, and securitized credit has broadened the opportunity set. For many insurers, however, the key question is not simply how to find attractive assets. The harder question is how to convert those opportunities into portfolios the insurer can actually own, govern, and explain.

This shift has fundamentally changed the role of the insurance asset manager. A relationship that used to begin with a narrow mandate – a public credit portfolio, private placement allocation, commercial mortgage program, or real estate sleeve – now increasingly starts with a broader balance-sheet challenge. A particular insurer may need incremental spread, capital efficiency, liquidity support, regulatory translation, accounting analysis, a transaction-ready asset strategy, or a structure that makes an otherwise difficult exposure usable within an insurance framework.

The result is a shift in what insurers actually need from an asset manager. Investment performance remains essential, but it is no longer sufficient on its own. What increasingly separates one manager from another is the ability to convert opportunity into something the insurer can own, govern, and explain – across liabilities, regulatory capital, accounting treatment, liquidity, ratings, reinsurance structures, and internal risk management and governance processes. A manager who can do this consistently, across the full balance sheet, naturally becomes something closer to a partner than a vendor of individual mandates.

> The future of insurance asset management lies not simply in better products, but in turning investment opportunities into portfolios insurers can own, govern, and explain."

1. FROM PRODUCT BREADTH TO PORTFOLIO RELEVANCE

A modern insurance platform requires broad investment reach across public credit, private credit, direct lending, structured credit, commercial and residential real estate debt, infrastructure debt, ABF, and other specialty assets that can serve different liability, yield, capital, and liquidity objectives. However, breadth alone is not enough. Many asset managers can show a lengthy list of capabilities, but the more critical question is whether those **capabilities can be effectively assembled into a portfolio that is relevant to the specific insurer.**

We have seen insurers increasingly demand customized menus rather than generic asset-class shelves. A structured credit allocation, for example, may not be useful as a single off-the-rack strategy. One insurer may need a more conservative configuration with tighter rating constraints and less trading flexibility. Another may need a more actively managed version with different sector limits, risk tolerance, duration profile, liquidity terms, and reporting requirements. A third may need model portfolios, assumption support and periodic portfolio updates that can be conducted through internal governance and risk-management processes.

Portfolio relevance also requires a risk management layer. A broad platform becomes more valuable when it has the depth and flexibility to help a client decide not only what to add, but also what to avoid, size more modestly, restructure, phase in, or reserve for a different entity or liability profile. In that sense, customization is not merely a route to more exposure; it is a way to align opportunity with risk appetite.

The same principle applies across private and real asset markets. Real-estate credit is often described as if it were a single allocation, but in practice the insurance use case can vary materially across investment-grade stabilized commercial mortgage loans, transitional lending, residential mortgage loans, agricultural finance, and more opportunistic credit solutions/Mezzanine lending. Each segment can carry different yield, duration, liquidity, collateral, capital, and reporting implications. The value of the asset manager lies not only in having access to these sectors, but in helping the insurer determine which form and combination of exposure best fits its liabilities and constraints.

For one client, the immediate need may be incremental spread in a capital-efficient investment-grade format. For another, it may be access to less liquid assets that can support long-duration liabilities. For a third, it may be a rated feeder, a fund-of-one, a customized separately managed account, or a structure designed to match a reinsurance transaction execution timeline. In each case, the investment answer must be shaped by the insurer's liability profile, regulatory framework, accounting constraints, liquidity posture, and internal approval process.

The practical implication is important: a successful insurance asset manager cannot simply bring a menu. It must present a map. It should be able to say: given your objectives, constraints, jurisdiction, ratings considerations and governance process, here is the subset of the platform that is most relevant, here is how it can be configured, and here is why it belongs in the portfolio - in a form the insurer can actually own, govern, and explain.

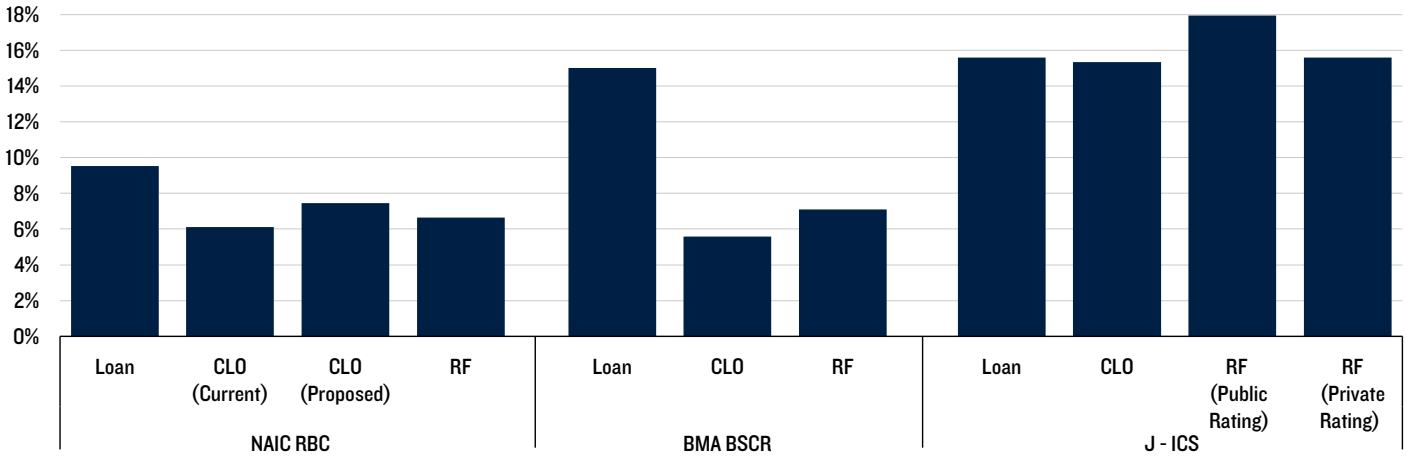
None of this means every relationship requires a bespoke structure. Not every client needs a full balance-sheet mandate: some insurers are well served by an existing strategy or commingled fund executed within a proven framework, while others need a separately managed account, customized guidelines, jurisdiction-specific reporting, a rated note, a fund-of-one, or a transaction-specific solution. A strong insurance solutions platform supports both models without treating one as inherently superior, and even a traditional single-strategy mandate benefits from a manager who understands where it sits within the broader portfolio, how it affects capital and liquidity, and what reporting or governance support the client requires. The map, in other words, should be able to point toward a standard product just as readily as toward a customized one.

2. JURISDICTIONAL ALIGNMENT TURNS ASSET ALLOCATION INTO BALANCE-SHEET STRATEGY

Jurisdictional alignment is one of the clearest tests of whether an asset can actually be owned and governed as intended. For insurers, jurisdiction fundamentally changes the investment landscape. Differences in regulatory and accounting regimes can lead to distinct sets of investable assets and investment constraints, often altering both portfolio design and risk-management priorities. A U.S. life insurer evaluating assets under statutory accounting and risk-based capital (RBC) may prioritize book yield, designations, C-1 capital treatment, asset adequacy testing, IMR implications, and state supervision. A Bermuda reinsurer may evaluate the same asset through a market-value solvency framework, solvency capital requirements, liquidity, Bermuda default & downgrade charge, duration and convexity considerations, scenario-based approach (SBA) eligibility and the interaction between asset yield and liability discounting. A Japanese insurer may be preparing for ESR and J-ICS adoption, while a UK annuity writer may focus on Solvency II or UK Matching Adjustment eligibility.

The practical implication is that asset allocation cannot be separated from regulatory translation. The same asset can have different capital efficiency, income recognition, volatility, liquidity, and governance implications depending on where

Exhibit 1: A Hypothetical portfolio of direct lending loans can have different capital charges under different regulatory regimes.



Source: PGIM, as of 9/30/26, based on currently published NAIC Life RBC C-1 risk charges, BMA BSCR factors and JFSA J-ICS credit risk factors. "CLO (Proposed)" reflects the NAIC Capital Adequacy (E) Task Force's adoption of Proposal 2026-12-IRE MOD, scheduled to become effective for year-end 2026 filings. Hypothetical illustration.
Notes: Assumes the vertical tranche (including residual) is held, for comparison purposes. Actual balance sheet suitability varies. Assumes a portfolio of B-rated senior secured direct lending loans. CLO structure with residual tranche of 12%; Rated Feeder (RF) with residual tranche of 10%.

it is held and which liabilities it supports. For multi-entity insurers and cross-border reinsurers, the challenge becomes even more complex: the portfolio must often be explained through multiple solvency languages at once.

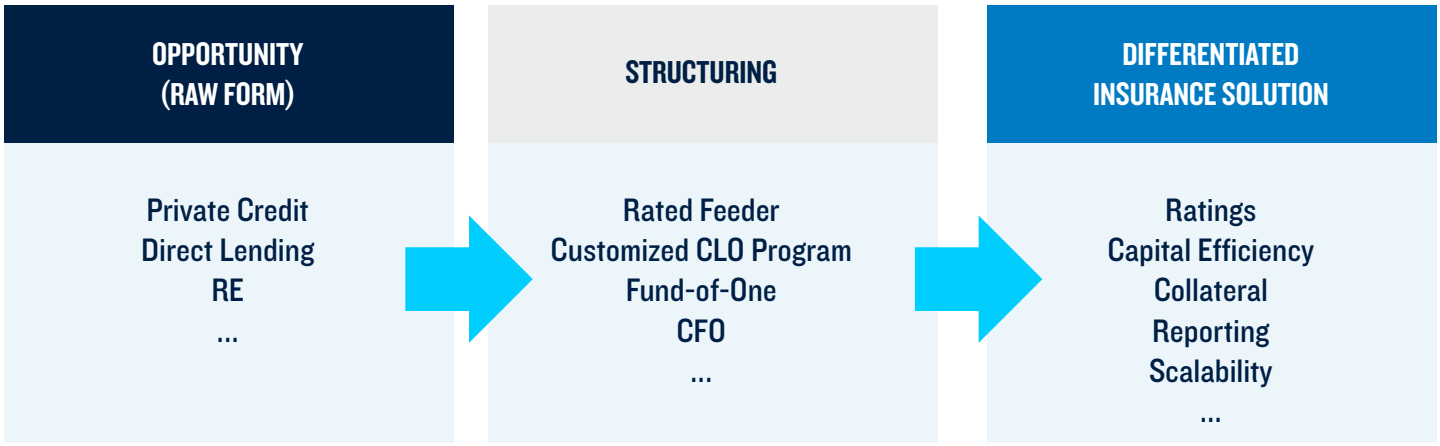
This is not about reducing insurance investing to regulatory engineering. It is about recognizing that the balance sheet is the true investment context. A spread opportunity that looks attractive on a pure investment basis may be less compelling once factors such as book yield, capital charges, admissibility, liquidity, market-value sensitivity, rating agency treatment, and implementation cost are considered. Conversely, an asset that appears less compelling in one regime may be more attractive in another if it better supports liability economics, capital efficiency, liquidity management, or governance objectives.

This is where specialized insurance portfolio strategy becomes essential. A robust process should translate asset characteristics into **regime-specific economics** and then compare opportunities with capital, liquidity, accounting, and implementation as key considerations.

3. STRUCTURING HAS BECOME A CORE INSURANCE CAPABILITY

As insurers seek increased exposure to private and less liquid asset classes, structuring has become a core capability rather than a nice-to-have. The objective is rarely to deliver economic exposure in a format that fits the insurer's balance sheet, governance process, and operational infrastructure.

Exhibit 2: Structuring Bridges the Gap Between Opportunity and Implementation



Rated feeders are one example. For some insurers, the underlying exposure may be economically attractive, but it is difficult to hold directly because it is unrated, capital intensive, operationally burdensome or not well aligned with internal investment guidelines. A rated feeder can potentially transform access by creating a more insurance-usable format, supported by third-party ratings, defined structural protections, customized reporting, and a clearer capital and governance path. The value is not the wrapper itself; it is the ability to make a previously difficult-to-access exposure more explainable, scalable, and portfolio-relevant.

The same principle can apply to **customized CLO** programs, **fund-of-one** structures, **collateralized fund obligations,** and other solutions designed around insurer needs. A customized CLO program may allow an insurer to tailor its exposure regarding collateral, rating, attachment point, risk appetite, and reinvestment terms. A fund-of-one may provide access to a private market strategy while preserving a higher degree of control over guidelines, reporting, and deployment pacing. A collateralized fund obligation may provide a way to obtain diversified exposure to a menu of private assets in a more structured format.

This type of solutioning requires more than legal engineering. It requires coordination among investment teams, insurance portfolio strategists, structuring professionals, rating agency specialists, tax and legal advisors, operations teams, and the client's own investment, risk, finance, and actuarial stakeholders. The best structures are not generic wrappers. They are built around the client's risk appetite, capital objectives, liquidity requirements, reporting needs, and internal approval path.

For insurers, structuring should not be viewed as a way to manufacture capital outcomes in isolation. The more durable use of structuring is to make risk more transparent, better governed, and better aligned with the client's constraints. Effective structures should clarify who bears which risks, how those risks are monitored, and how the exposure behaves if assumptions change.

Strong structuring capability also changes client dialogue. Instead of asking whether an insurer can buy a given asset, the discussion becomes: **what version of this exposure would be most useful for this insurer,** in this jurisdiction, for this liability profile, under this capital and accounting framework? That question is where differentiated insurance solutions are created.

4. REINSURANCE REQUIRES REAL-TIME, SIDE-BY-SIDE PARTNERSHIP

Reinsurance transactions put these capabilities to the test in real time: can the asset manager adapt as deal terms evolve, mobilize specialized expertise, and construct portfolios that remain robust as collateral requirements, timelines, and transaction structures shift?

In a reinsurance transaction, investment strategy is inseparable from liability economics, collateral arrangements, capital treatment, cash-flow timing, asset eligibility, ratings impact, and the strategic objectives of both cedent and reinsurer. The asset manager who only speaks in terms of portfolio yield may miss the real issue. The client may be solving reserve financing, negotiation of the investment guidelines, risk transfer economics, collateral efficiency, regulatory comfort, liquidity, post-close portfolio migration, or the ability to defend the asset strategy in a competitive transaction process.

In competitive transactions, asset assumptions can become a source of pressure. Incremental spread may improve headline economics, but it can also introduce downgrade risk, liquidity strain, collateral inefficiency, or post-close reinvestment challenges. A credible partner helps the client distinguish between economics that are merely more aggressive and economics that are more resilient .

These deals are also dynamic. The asset strategy may evolve as negotiations progress, as collateral terms change, as rating agency or regulator questions emerge, or as the transaction timeline shifts. A traditional service model – receive a request, analyze it in isolation, and return later with a static answer – is often not enough. The client may need a partner who can work side by side in real time, understand the back-and-forth nature of the deal, update assumptions, and other deal parameters quickly, and help connect investment decisions to deal economics as facts change.

A more sophisticated partner can support the client before, during, and after the transaction lifecycle. Before signing, it can evaluate asset eligibility, identify reinvestment opportunities, test liquidity needs, explain asset assumptions, and help assess whether the proposed investment strategy is credible. During negotiation, it can help respond to changing constraints and transaction sensitivities. After closing, it can support portfolio migration, reinvestment, ongoing monitoring, reporting, and governance.

This is why the phrase "Insurance Solutions" should mean more than an insurance sales channel. It should mean a team that understands how insurers and reinsurers make decisions, how reinsurance structures work, how liabilities behave, and how assets need to support the broader corporate objective. At PGIM, this is the model we have deliberately built toward, and the one we believe holds up best under real transaction pressure.

5. ANALYTICS, REPORTING, AND RISK GOVERNANCE ARE ESSENTIAL

If jurisdiction, structuring, and reinsurance are about whether an asset can be owned and governed, **analytics and reporting play a key role in making it explainable.** Insurers need more than investment ideas. They need analysis that informs investment decisions and addresses the requirements of investment committees, regulators, rating agencies, auditors, and internal risk teams. That requires robust data, analytics, and a clear narrative. A strong partner should be able to help strengthen cash-flow projections, stress testing, liquidity analysis, capital estimates, rating migration assumptions, private asset pacing, capital call planning, scenario analysis, and portfolio monitoring.

A useful risk-governance framework should help answer four recurring questions: What risks are being added? Where do they appear on the balance sheet? How do they behave under stress? And how will they be monitored after implementation? This type of framework connects sourcing and structuring decisions to the oversight disciplines that insurers already use to manage capital, liquidity, and long-term obligations.

The most useful support is not generic. It starts with understanding where the questions come from. A capital estimate may be needed because a chief risk officer is evaluating a new private asset program. A liquidity stress may be needed because an actuarial team is testing lapse or surrender behavior. A cash-flow projection may be needed because under Bermuda SBA framework scenario-dependent cash flow is a critical element in the reserve calculation. A model portfolio update may be needed because the investment committee wants to understand whether a new opportunity is additive or merely different. An insurance-native manager with deep experience across asset classes, regimes, and client situations can recognize the underlying decision that the analysis is meant to support, and act proactively to provide these value-added services to the client.

This is particularly valuable for less liquid assets. Private credit, real estate, infrastructure, and other drawdown-oriented strategies bring pacing questions, capital calls, distributions, valuation dynamics, and stress-period liquidity considerations. The insurer needs to know not only the expected return, but also the path and distribution: when capital may be called, when cash may be returned, how liquidity needs could evolve, and how the allocation behaves under stress. An analytics framework can make these questions discussable rather than abstract.

The same is true for the analytical approach to strategic asset allocation (SAA). At PGIM, we have built a flexible SAA framework that helps insurers translate constraints into portfolio choices by incorporating client-specific targets, risk limits, capital requirements, liquidity needs, asset eligibility, income objectives, and other practical considerations. This turns the conversation from "here is what we manage" to "here is how your balance sheet could evolve." More detailed frameworks for insurance-native portfolio design may deserve their own treatment, but the core point is simple: **analytics are most powerful when they connect investment choices to the real decisions insurers must make.**

CONCLUSION: OWN, GOVERN, EXPLAIN

The next stage of insurance asset management will be defined by the ability to bring together investment breadth, insurance balance-sheet expertise, regulatory fluency, structuring creativity, and analytical support – and to convert all of it into portfolios insurers can actually own, govern, and explain. The winners will not simply be those with the most products, but those who can make **complex assets usable, explainable, and strategically aligned** for sophisticated insurers.

Getting there requires humility as much as expertise. Whether a client's need is best met by an existing strategy, a customized structure, a reinsurance-specific investment strategy, or a narrow asset-class mandate, the task is the same: listen carefully, diagnose the real constraint, and bring the right combination of investment capability, structuring, analytics, and insurance knowledge to the problem rather than forcing every relationship into a single mold.

Done well, this work naturally produces a deeper relationship: an asset manager who can source assets, design structures,

support governance, respond to transaction needs, and navigate jurisdictional complexity, repeatedly, for the same client. Partnership, in that sense, **is the byproduct of consistently getting the fundamentals right, not a substitute for them.** For asset managers with true insurance heritage, this is the opportunity: to move beyond mandate execution and become the team an insurer turns to when investment ideas need to be translated into balance-sheet-ready portfolios.

The frontier is not any single product, asset class, or jurisdictional expertise. It is the ability to combine them in ways that make it easier for insurers to build, manage, and explain portfolios aligned with their risk, capital, liquidity, and long-term obligations.



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