Buying from the Family: Private Equity-Owned Insurers and Their Affiliated Investments

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Discussion

Dominik Damast (LUISS)

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Public concerns regarding (PE-owned) insurers and private credit

STATE REGULATORS

Sen. Warren probes private equity's bet on life insurers

By Kate Berry

Published September 14, 2026, 4:11 p.m. EDT | Updated September 15, 2026, 3:36 p.m. EDT 4 Min Read



Figure: Kate Berry on americanbanker.com, on September 14.

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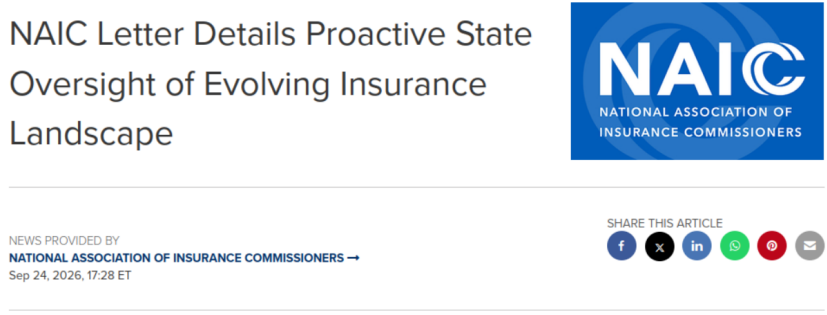
NAIC Letter Details Proactive State Oversight of Evolving Insurance Landscape

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Figure: prnewswire.com, on September 24.

Public concerns regarding (PE-owned) insurers and private credit



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→ **Active academic interest in the topic!**

(Foley-Fisher et al., 2023; Kirti and Sarin, 2024; Kartasheva, 2024; Carlino et al., 2025; Meisenzahl et al., 2025; Li et al., 2026; Gschossmann et al., 2026; Sen et al., 2026)

Open questions and this paper's contribution

1. **Why does PE acquire insurers to invest in private credit?**

   Stable long-term funding (Knox and Sørensen, 2026)

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2. **Consequences for policyholders and financial stability?**

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   This paper: Significant exposure to systematic risk

→ **Novel insights into how PE reshapes insurers' asset side**

This paper

#1 **Document a significant increase in insurers' affiliated investments**

→ PE(-owned) insurers the main driver

#2 **Security-level evidence:**

Affiliated PE ownership ↑ → Valuation dispersion ↑

Followed by lower arm's-length fair values

#3 **PE insurers pay up to 47 bps higher par price for affiliated secs**

#4 **PE-owned insurers' affiliated CLOs perform worse in stress tests**

→ Increase PE insurers' losses in stress scenarios by $>$**50%** of current equity

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- Plan for today:
  - Comment #1: Assessing the security-level evidence
  - Comment #2: Explaining the pricing differences
  - Comment #3: A phenomenon limited to affiliation?

Comment #1: Background information

#1 PE almost exclusively **(>95%)** acquired life insurance assets

2024: $675 bn in life vs. $29.4 bn in P&C and health

(Meisenzahl et al., 2025; Carelus and Johnson, 2024)

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2022: Unaff structured secs of $93 bn (P&C) vs. $396 bn (life)

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#3 Statutory accounting rules vary by insurer type and classification of security:

NAIC risk	**Life**	**P&C**	$\frac{\textbf{P\&C}}{\textbf{Industry}}$
NAIC 1 & 2	AC	AC	19%
NAIC 3 – 5	AC	min(AC, FV)	11%
NAIC 6	min(AC, FV)	min(AC, FV)	29%

Comment #1: Assessing the security-level evidence

$$Outcome_{s,t} = \beta\, Affiliated\ PE\ Ownership\ Share_s + FEs + \epsilon_{s,t}$$

- **Outcome variables:**
  - Valuation Dispersion = SD(FVs of insurers at **arm's length**)
    → *Key finding #1: PE insurers buy harder-to-value securities*
  - Mean FV estimate / loss across **arm's-length** positions
    → *Key finding #2: PE insurers' affiliated securities perform worse*

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! **BUT:** P&C and life might estimate FVs at different precisions due to accounting

- Example: P&C could inflate values (for NAIC 3–5) to boost capital (Sen et al., 2026)

→ Bias *against* finding #2, i.e., the performance is even worse

→ Sign of bias not clear finding #1

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  - (−) Absorbs differences in the level of fair values but not in precision of estimates
- **Option 2:** *Compute arm's-length moments from life insurers only*
  - (+) Surely resolves the problem
  - (+) Natural step as PE almost exclusively acquired life insurers

Comment #1: Assessing the security-level evidence

Suggestion 1b: Provide robustness checks

- Split samples by NAIC 1–2 vs NAIC 3–5
- Use alternative measures to calculate the outcome variables
  → MAD instead of SD in *Valuation Dispersion*
  → *Spread* (Sen et al., 2026) in an insurer-security-year panel
- Control for the number of arm's-length holders (see Suggestion A1)
- Check other proxies for the prevalence of internal models
  → Schedule D info on fair-value method/source column

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Suggestion 1c: Provide supportive evidence

- Examine heterogeneities in the effects across market conditions, e.g., 2020 and 2022
- How many securities are held only by affiliated PE insurers?

Comment #2: Explaining the pricing differences

- **Claim:** PE insurers pay **up to 47 bps** higher par price for affiliated securities
- NAIC Model Law 440 regulates transactions between affiliated entities

  Any (security) transaction must "be fair and reasonable" (MO-440, Sec. 3)

→ **Up to 47 bps** difficult to reconcile with arm's-length standard

! **Potentially serious as regulation tries to prevent "disguised dividends"**

! One of the key policy considerations by the NAIC, e.g., kslaw.com

→ **What justifies the 47 bps?**

Comment #2: Explaining the pricing differences

Suggestion 2a: Assess the underlying driver

- Acquisition cost = par price + fees & other
- Two tests of what drives the premium:
  - Premia ↑ → Fees to affiliates ↑? (Schedule Y, Part 2)
  - Vendor = PE firm's own dealer → Premium ↑? (Schedule D, Part 3)

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Suggestion 2b: Explore heterogeneity in pricing differences

- Are there differences across RBC ratios and dividend limits?
- Stronger in recent years (net of the 2022 affiliation-reporting change)?
- Does the effect depend on the domicile state?

  → Differences in state-level regulation of "insurance company holding systems"

  → State-level oversight varies

Comment #3: A phenomenon limited to affiliation?

- **Key claim:** Organizational ties weaken arm's-length discipline

→ Benchmark: independent insurers trading on an unaffiliated basis

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- Outsourcing of (life) insurers' asset management also by independent insurers (Vento and Wong, 2026; Ozdagli and Ryfe, 2025)
  → Similar dynamics as with affiliation?

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Guggenheim-linked insurers financed LeBron James with private bonds

08.25.2026



Source: sportsbusinessjournal.com.

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Suggestion 3: Provide robustness checks with a clean benchmark

- "General Interrogatories" feature investment management arrangements

  → Drop such investments / examine effects in this subset

→ Potentially the outlined issues are even bigger

Assessment

- **Assessment:** Timely paper on a key trend!
  - PE sells insurers opaque securities at prices above market level...
  - ...that expose insurers to severe losses in stress scenarios

→ **Important input for (policy) discussions of PE in insurance**

  - **Big picture:** Wealth transfer or efficient internal capital market?

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- **Potential next steps:**
  - Consider methodological choices in security-level evidence
  - Explain the price premium
  - Rethink the benchmark regarding non-affiliated PE ties

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- **Thank you for the presentation, and good luck with the paper!**

Data comment #1: Context on variables

Suggestion A1: More context on variable construction

- To understand better the variation you use in the data, I would have liked more accompanying information on the variables, e.g.,

#1 **What is the underlying variation in the data for the variable $\bar{P}_{s,t}^{Benchmark}$?**

→ How many same-day transactions are there on average?

→ Do you incorporate security-day pairs if there is only one (benchmark) transaction of an independent insurer trading on a non-affiliated basis?

#2 **What is the underlying variation in the data for the *Valuation Dispersion*$_{s,t}$?**

→ Is it correct that at least 2 insurers need to hold the same security for the security to be included in the sample?

→ If yes, for a given security (in your sample), how many insurers do hold the same security on average?

→ How many observations are dropped because only one insurer holds the security?

Data comment #2: Details on sample construction

Suggestion A2: Introduce a data appendix to clarify details on sample construction

- For a non-insurance reader, more details on the identification of affiliation status and "other loan-backed and structured securities" might be helpful
- The current description could be (language-wise) misleading:
  - To my knowledge, the NAIC annual statements do not provide a "flag" (e.g., a binary indicator) indicating affiliation
  - Security type and affiliation is usually identified through the line codes in NAIC annual statements, e.g., lines 3500001–3599999 vs 5200001–5299999 in 2017
  - (Unless you have the data from S&P which might have a flag for affiliation which I imagine to be defined as above)

→ I would mention this in an appendix section (it also clarifies footnote 7)

Data comment #3: Attention to sales and acquisitions data (heads-up!)

- Annual statements aggregate transactions of the same security *on different days*:

Column 4 – Date Acquired

For public placements use trade date, not settlement date. For private placements, use funding date. Each issue of bonds or stocks acquired at public offerings on more than one date may be totaled on one line and the date of last acquisition inserted.

For SVO Identified Funds (Exchange Traded Funds), enter date of last purchase.

Source: Annual Statement Instructions P&C 2024.

- Insurers report only the last transaction date
  - For trades with different vendors, they usually write "VARIOUS" in the vendor field
  - If it's the same vendor, they might write only the name of the vendor (to be verified)

Suggestion A3: Consider some cheap solutions

- Drop acquisitions with vendor "VARIOUS"

Minor comments: Other data questions

- Please provide a summary statistics table of the key variables!
- You write: "This classification includes three broad categories of assets: CLOs, ABS tied to collateral ranging from auto loans to business loans, and privately-placed securities that do not have a CUSIP" (p. 9f.). How do you identify these three types of securities?
- How do you classify the "Hybrid Securities" that are within "Other Loan-Backed Structured Securities"?
- Do you consider in the analysis also the structured securities of public entities, e.g., securities listed in annual statements under "U.S. governments," "U.S. states, territories, and possessions," or "U.S. political subdivisions of states, territories, and possessions"?

  → If yes, does excluding them affect the results?

Minor comments: Institutional background

Suggestion A4: Introduce an institutional background section on PE and insurance

- For (non-insurance) readers, some of the institutional background is not obvious, e.g., the regulatory treatment of affiliated investments and the admissibility of investments
- You could align this discussion with the data section

Typos and other

- "Other Loan-Backed Structured Securities" (p. 9): The asset class in Annual Statements is called "Other Loan-Backed **and** Structured Securities"
- The notes for Table 4 mention that private placements are identified by pseudo-CUSIPs while the data section states in another context that privately-placed securities do not have a CUSIP. It might be confusing.

Literature I

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