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IN FOCUS

Private Investments and Insurance Companies

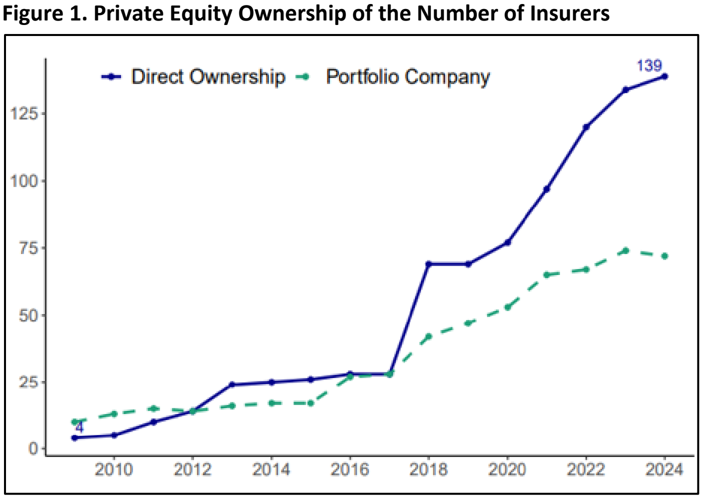
September 23, 2026

Private investments' involvement in the insurance industry often takes two forms: (1) private equity (PE) ownership of insurers and (2) insurance company holdings of private investment assets. Rapid growth in these activities and their associated risks have drawn attention from Congress and financial regulators. Private investments (also known as alternative investments, private placements, or private capital) generally are not available to the public and are exempt from certain regulatory requirements. They include private securities offerings and private funds. Common types of private funds include PE and private credit. This In Focus describes related trends and their policy implications. For general background on PE in selected industries, see CRS In Focus IF13214, *Private Equity in Selected Industries: Policy Background*, by Eva Su.

PE Ownership and Insurer Private Assets

PE ownership of insurers can be through (1) direct ownership, where the insurer is a subsidiary within a PE firm (e.g., Apollo Global Management's direct ownership of Athene), or (2) portfolio company holdings, where PE funds invest in insurance companies. PE firms' direct ownership of insurers generally focuses on capital-intensive life insurance and annuity providers that offer the insurers predictable premium payments coupled with long-term investment horizons and relatively low liquidity needs. An annuity is a common financial product offered by insurance companies to provide periodic payments for income during retirement, often for the life of the annuity holder. PE's involvement in the life insurance sector dates to at least the 1980s and increased after the 2007-2009 global financial crisis. PE ownership of insurance companies has grown over the past decade, with the number of PE-owned insurers increasing from approximately 25 in 2017 to 139 in 2024 (**Figure 1**). In 2024, PE-owned insurers held approximately $700 billion in cash and invested assets, or 7.8% of the U.S. insurance industry total.

Figure 1. Private Equity Ownership of the Number of Insurers



Source: Amy Huber et al., "Buying from the Family: Private Equity-Owned Insurers and Their Affiliated Investments," September 3, 2026.

Insurance companies manage large investment portfolios and invest substantial amounts in private investment assets. One study shows that, in 2025, the U.S. insurance industry's cash and invested assets were approximately $9.6 trillion, including $224 billion in PE and $132 billion in hedge funds, among other private assets. A separate study indicates that life insurers' private credit investments totaled $849 billion, or 14% of their balance sheets, in 2024.

PE-owned insurers and independent insurers may differ in how they manage their investment portfolios. Compared with those of independent insurers, investment portfolios of PE-owned insurers tend to have greater exposure in the following areas:

- **Private investments and illiquid assets.** PE-owned insurers allocate a larger share of their portfolios to private investments and have fewer liquid assets. Studies show that PE-owned life insurers have contributed to the increase and the changing composition of insurer private investments.
- **Affiliated investments.** PE-owned insurers were estimated to be twice as likely to invest in private assets originated or sold by parent companies or other affiliated parties, where the insurer and the asset issuer are both under common control. As of 2025, affiliated investments reportedly represented 7% of the overall life and annuity industry's portfolio. Some PE-owned insurers' affiliated investments reached between 11% and 37% of their portfolios.
- **Use of private ratings.** PE-backed insurers reportedly rely on private credit ratings to a greater degree than non-PE-backed insurers. Private ratings accounted for more than 20% (between 22% and 38% for selected examples) of the bond portfolios of PE-backed insurers, compared with a national average of 12%. Private ratings are credit ratings provided to a limited audience and are generally not available for public review. Their increased use has raised certain policy concerns (see "Policy Issues").
- **Use of financial engineering.** PE-backed insurers reportedly make greater use of financial engineering methods to restructure assets, transfer risks, and manage regulatory capital requirements. They also rely substantially on offshore reinsurance arrangements, including transactions with affiliated reinsurers that are subject to regulatory requirements that differ from those in the United States. In 2024, approximately $928 billion of reinsurance reportedly involved Bermuda-based reinsurers.

Investment Regulation of Insurers

PE-owned insurers face the same regulatory structure as other insurers. Insurers are chartered and regulated solely by the states. There is no federal regulator akin to those for banks and capital markets. National coordination of insurance regulation is undertaken by the National Association of Insurance Commissioners (NAIC), a standards-setting organization.

However, NAIC models, such as the Investments of Insurers Model Act, do not have legal effect until enacted by the states. The NAIC does have an accreditation process, which has resulted in many states adopting broadly similar laws and regulations of insurers. Insurance companies' investment portfolios are subject to regulatory restrictions, such as threshold limits and risk-based capital requirements, that could affect the degree to which insurers can invest in private assets.

Mergers and acquisitions involving insurers, including PE-related transactions, are also often subject to close regulatory scrutiny. Regulations vary by state, but generally acquisitions or mergers require the filing of substantial information and may be subject to disapproval in some states. Grounds for disapproval include concerns regarding financial strength or the impact on competition and consumers.

Policy Issues

PE firms' involvement in insurance companies may provide additional funding sources, investment expertise, and management capacity. Access to private assets originated by PE firms may also offer insurers higher yields to compensate for their generally higher perceived risks and lower liquidity. From investment horizon perspectives, private assets may also align with insurers' long-term liabilities and cash flow needs. These investments became especially attractive during the prolonged low-interest-rate environment following the 2007-2009 global financial crisis, which some research identifies as a factor contributing to PE's expansion into the insurance industry. However, private investment's influence on the insurance industry may present policy concerns, including the following:

Interconnectedness and financial stability. As previously discussed, PE-affiliated investments and reinsurance arrangements may concentrate risk exposures among PE-owned insurers, their parent companies, and other affiliated entities. For example, an insurer may invest in financial products originated by its parent company while simultaneously transferring risks to affiliated offshore reinsurers, resulting in risks circulating within the PE-linked group rather than being dispersed to unaffiliated parties. Such interconnectedness has drawn financial stability concerns because overlapping exposures could transmit distress across affiliated entities and, during periods of market stress, contribute to correlated asset sales, fire-sale events, and broader market spillovers.

Perceived regulatory arbitrage through offshore reinsurance and private ratings. Regulatory arbitrage generally refers to practices that take advantage of differences or gaps across regulatory regimes to reduce regulatory requirements or generate other advantages. Insurers, including PE-owned insurers, use offshore reinsurance arrangements, in Bermuda or other offshore locations, to obtain tax and regulatory capital advantages. The use of private credit ratings has raised similar concerns regarding potential arbitrage of insurer capital requirements. One study finds that private ratings systematically understate credit risk relative to public ratings, thereby reducing related insurers' regulatory capital requirements for the affected investment portfolios. Given the widespread use of private ratings by U.S. life insurers, especially PE-owned insurers, potential changes to their regulatory treatment could affect insurers' capital requirements and risk buffers. A related policy question is whether reforms under consideration by NAIC would adequately address these concerns.

Policyholder protection. PE-linked insurers have a significant presence in the life insurance and annuity markets, where policyholders may rely on insurer payments for retirement income and other financial needs. In 2024, PE-owned life insurers accounted for 18% of the overall annuity market and 33% of the indexed annuity market. Some observers are concerned about whether increasingly complex investment strategies, affiliated transactions, and risk-transfer arrangements could affect insurers' ability to meet their obligations. Potential losses or insufficient risk management could affect policyholders' financial security and quality of life.

Annuity and life insurance policyholders are protected to some degree through individual state insurance guaranty funds. These funds, however, have limited maximum coverage so annuity holders may not be made whole after an insurer insolvency. In addition, most guaranty funds are funded by assessments on other insurers after an insolvency, thus increasing the cost of annuities and life insurance for everyone else.

Opacity and complexity. Private investments are generally associated with less transparency, less investor access, lower liquidity, greater valuation challenges, and higher fees and expenses than public investments. Some observers argue that consistent disclosure of private asset holdings, valuation practices, liquidity profiles, and the terms and flows of cross-border reinsurance is necessary for stakeholders to assess risks and to support effective regulatory and systemic oversight.

Considerations for Congress

Given the scale of PE investment involvement in the insurance industry and the notable differences in investment allocations, risk exposures, and operational practices between PE-influenced and independent insurers, policymakers may consider approaches to better monitor and mitigate related risks.

Should Congress consider related legislative changes, certain existing and potential federal, state, and international regulatory or coordination frameworks could be relevant for further analysis, including (1) the federal securities regulatory framework overseen by the primary capital markets regulator, the Securities and Exchange Commission; (2) the state-based insurance regulatory system operating under the federal McCarran-Ferguson Act of 1945; (3) potential changes to federal insurance oversight, including options to establish a new federal insurance regulator or enhance federal capabilities to promote more targeted and consistent state regulatory oversight; (4) broader interagency approaches through existing regulatory bodies, such as the Financial Stability Oversight Council; and (5) coordination and information sharing with international regulatory counterparts through collaborative bodies, such as the International Organization of Securities Commissions and the International Association of Insurance Supervisors.

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