



Private Equity Backed Asset Intensive Reinsurance



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Introduction: Part 1

The global retirement and life insurance market, a multi-trillion-dollar sector, underpins the financial security of millions. However this market is witnessing a significant trend: the convergence of private capital with the traditional life and annuity insurance sector.

This shift, already prominent in the U.S. and led by the world's largest alternative asset managers—from Apollo and KKR to Blackstone and Brookfield—is now accelerating across other regions.

This white paper analyses the growth of private equity (PE)-backed reinsurance, exploring its strategic drivers, common deal structures, and critical risks. It addresses the challenges for insurers and the path for PE firms to navigate heightened regulatory scrutiny over these asset-intensive transactions. The central issue is the use of higher-yielding, illiquid assets to back traditional insurance liabilities, which creates new considerations for risk management and the safeguarding of policyholder interests.

Part 1 will focus on the strategic rationale, common structures, and key risks of these deals. Part 2 examines the geographic expansion of this trend, analysing where it is already established and where we at RPA anticipate it will go next.

Why PE and Life Insurers Are Partnering

This convergence is built on a mutually beneficial relationship. For life and annuity insurers, partnering with PE offers a strategic solution for enhancing capital efficiency. In return, PE firms gain access to a stable, long-term source of capital, which they can deploy into higher-yielding, alternative investments beyond the scope of a typical insurer's portfolio.

The primary mechanism for this risk transfer is reinsurance, where one firm assumes risk from a primary insurer in exchange for premium income. PE firms are particularly well-suited to this model, leveraging their expertise to maximise investment returns from the collected premiums.

The Insurer's Motivation: Capital Relief

For insurers, the primary motivation is capital relief, driven by a confluence of economic and regulatory forces. Persistently low interest rates pre-Covid have compressed investment margins at the same time as aging populations increase demand for high-guarantee annuity products.

An insurer's business model revolves around effective Asset-Liability Management (ALM). To meet future claims (liabilities), they invest premiums into a portfolio of assets, with the core challenge being to match the value and duration of both while holding a sufficient capital buffer against unexpected losses.

This capital buffer is primarily governed by Risk-Based Capital (RBC) frameworks. These regimes, often aligned with global standards like the International Association of Insurance Supervisors (IAIS) Insurance Capital Standard (ICS), mandate higher capital reserves against long-duration risks. This directly impacts profitability, creating a compelling case for transferring these liabilities. Regulators set minimum capital adequacy ratios, and these mandatory buffers are often increasing, raising the bar for solvency.

Complementing this pressure are new accounting standards, namely International Financial Reporting Standard 17 (IFRS 17) and IFRS 9. While RBC frameworks directly determine solvency and capital requirements, these IFRS changes also influence de-risking decisions by increasing the transparency and potential volatility of reported earnings.

The Impact of Investment Choice on Regulatory Capital

The RBC framework operates by assigning a "risk weight" to each asset, which quantifies its perceived risk level.

- **High-Risk Liabilities:** Products with long-term guarantees, such as fixed annuities or whole life policies, are difficult to match due to uncertainties in interest rates and how long policyholders will live. They therefore attract higher capital charges.
- **High-Risk Assets:** Volatile or illiquid investments pose a greater risk of loss and also require more capital to be held against them.

Consider an insurer that receives a \$10,000 premium for a whole life policy. This creates a long-term liability (the future claim) and an asset (the cash premium) that must be invested.

If the insurer invests the \$10,000 into a PE fund, regulators may assign it a high risk weight—for example, 33.75%.

The Risk-Weighted Asset (RWA), or the amount the regulator considers "at risk," is calculated as follows:

- $\$10,000 \text{ (Investment)} \times 33.75\% \text{ (Risk Weight)} = \$3,375 \text{ (RWA)}$.

This \$3,375 RWA must be backed by the insurer's own capital.

The significance of this capital charge becomes clear when compared to a safer investment. If the same \$10,000 were invested in a highly-rated government bond with a 1% risk weight, the RWA would be just \$100. The private equity investment, therefore, generates over 33 times more in risk-weighted assets, consuming a much larger portion of the insurer's capital buffer.

This mechanism does not prohibit higher-risk investments, but it makes them capital-intensive. It forces an insurer to weigh the potential for higher returns against the direct cost of allocating a larger portion of its own capital to back the risk. Because holding these capital-intensive assets restricts capital that could otherwise be deployed for growth, transferring them to a reinsurer becomes an effective strategy for capital relief. This provides a way to free up capital by removing these risks from the balance sheet.

For example, while both Hong Kong and Singapore have implemented risk-based capital frameworks rooted in common international principles, their specific applications differ. The shared objective of each regime is to ensure insurers hold sufficient capital commensurate with their risk profiles to safeguard policyholders.

However, the technical details diverge, as each jurisdiction sets its own distinct calculation methodologies, minimum capital thresholds, and levels for supervisory intervention. Insurers operating in these and other markets must therefore navigate separate sets of technical rules.

Figure 1: Evolving Capital Regulations Across Asia-Pacific¹

Market	Capital regulation
Australia	Revised prudential and reporting standards incorporating AASB 17, and updates to LAGIC framework commenced 1 July 2023 for all insurers reporting to APRA.
China	Transition period for C-ROSS II was extended to end-2025.
Hong Kong	Risk-based solvency regulation started in July 2024. Early adoption was allowed upon approval. Case-by-case transition measures allowed.
Japan	Economic value-based solvency regulation (J-ICS) will start from end-March 2026. No transition period.
Korea	Adopted Korean-ICS from Jan 2023. 10-year transition period allowed. Regulator plans to enhance regulatory solvency requirements to strengthen quality of capital.
New Zealand	Interim Solvency Standard effective Jan. 1, 2023 was updated Dec. '24 with the second amendment effective Mar. 1, 2025 in part to capture NZ IFRS 17.
Taiwan	ICS will be adopted in Jan 2026. 15-year transition period allowed. The fourth wave of transitional measures announced end 2024.
Singapore Malaysia Thailand	RBC-2 implemented in Singapore (2020) & Thailand (2019). Malaysia: BNM reviewing second impact study feedback for proposed changes to the RBC framework (implementation intended from Jan 1, 2027).

1. Source: S&P Global Ratings Asia Pacific Insurance Mid-Year Outlook 2025

AASB--Australian Accounting Standards Board, LAGIC--Life and General Insurance Capital (LAGIC), APRA--Australian Prudential Regulation Authority, C-ROSS--China Risk-Oriented Solvency System, ICS--Insurance Capital Standard, RBC--Risk-Based Capital, BNM--Bank Negara Malaysia

The PE Firm's Motivation: Permanent Capital

For a PE firm, a life and annuity insurer's long-dated liabilities offer access to a stable, long-term pool of capital. This provides patient capital for investment; however, a deep understanding of RBC regimes is needed to tailor transactions that meet insurers' specific capital needs.

The appeal of this strategy is magnified by the current macroeconomic landscape. Higher interest rates and uncertainty driven by trade and geopolitical risks have constrained traditional exit routes such as initial public offerings (IPOs) and strategic sales. This has subdued the level of distributions returned to investors, which in turn has dampened their appetite for committing capital to new funds. In this environment, these reinsurance deals offer a strategic alternative, creating a new source of capital.

How Reinsurance Deals Work

These transactions typically use one of three main structures, or a combination:

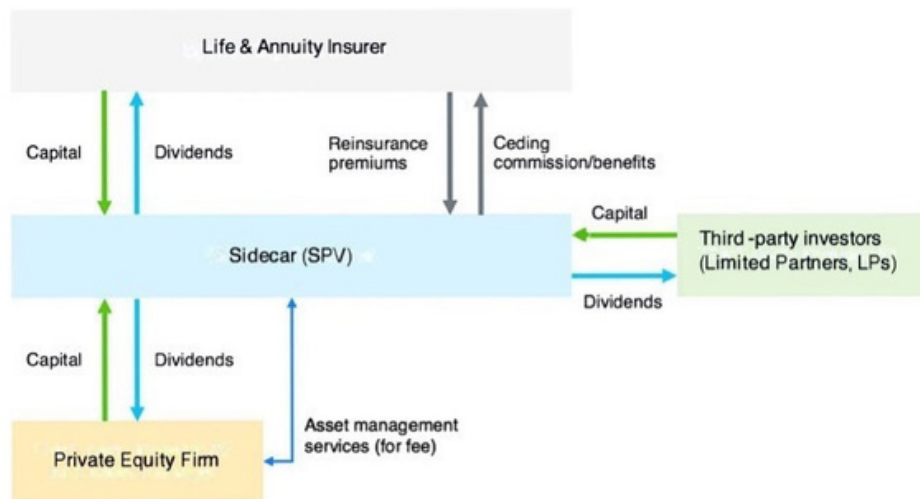
- **Block Reinsurance:** A one-time deal to transfer a specific portfolio of existing ("in-force") policies. This allows an insurer to exit a non-core line of business and release a large amount of trapped capital at once.
- **Flow Reinsurance:** An ongoing agreement to reinsure a set percentage of new policies as they are written. This provides the insurer with continuous capital relief and the reinsurer with a predictable inflow of assets.
- **Coinsurance:** A structure, usable for both block and flow deals, where the reinsurer takes a proportional share of everything—premiums, claims, and the assets backing the policies. This gives the PE-affiliated asset manager direct control over the investment portfolio. Variations like modified coinsurance or funds withheld allow for risk transfer while the ceding insurer retains control of the assets.

Reinsurance Sidecars

Reinsurance sidecars are special purpose vehicles (SPVs) that serve as a key structural component, enabling transactions by attracting and channelling capital from third-party investors, such as a PE firm's own limited partners.

While not always used in transactions, the mechanics of this structure, as illustrated in the Figure 2 involve several key flows:

Figure 2: The Reinsurance Sidecar Model²



- The PE, third-party investors, and life & annuity insurer all provide the initial capital to the sidecar.
- The sidecar receives reinsurance premiums from the life & annuity insurer in exchange for assuming its liabilities and paying ceding commission/benefits.
- The PE firm provides asset management services (for fee) to the sidecar, investing the premium assets.
- The capital providers share in the investment outcomes. Successful strategies result in profits being returned as dividends. Conversely, any losses from the investment strategy or underwriting performance are absorbed by their contributed capital.

Key Risks to Manage

Successfully navigating this model requires a disciplined approach to risk management. For ceding insurers, this places a heightened emphasis on managing counterparty risk, an issue that becomes particularly acute in asset-intensive, cross-border reinsurance transactions.

- **Counterparty Risk:** The ceding insurer cannot transfer its ultimate responsibility to reinsures. If the reinsurer defaults, the financial and reputational risk returns to the insurer, necessitating thorough diligence on the reinsurer's investment strategy and probability of default.

2. Source: Retirement Journal Income: Reinsurance Sidecars: A Capital Idea and Milliman, 2024

- **Collateral and Trust Arrangements:** To secure these risk transfer transactions, the reinsurer posts collateral—a portfolio of assets—for the benefit of the ceding insurer. This collateral is typically held within a legally separate trust, designed to serve as a safeguard to ensure that claims can be paid if the reinsurer defaults. While needed for risk mitigation, this structure introduces its own set of risks.
- **Asset Risk:** The collateral, depending on the type of instrument, may itself be subject to market and liquidity risk. This creates uncertainty about whether the funds can be accessed at their expected value when required.
- **Legal and Fiduciary Risk:** The trust agreement itself may be legally challenged, or administrative issues with the trustee could delay access to the assets. This risk is most acute during a complex, cross-border insolvency, potentially preventing the ceding insurer from accessing the collateral when it is most needed.
- **Structural Complexity:** The use of layered structures like reinsurance sidecars can reduce transparency. These SPVs can be structured to be off-balance sheet, meaning the assets and liabilities they hold do not appear on the sponsoring insurer's primary financial statements. This complexity can make it difficult for stakeholders and regulators to fully assess the firm's aggregate risk exposure.

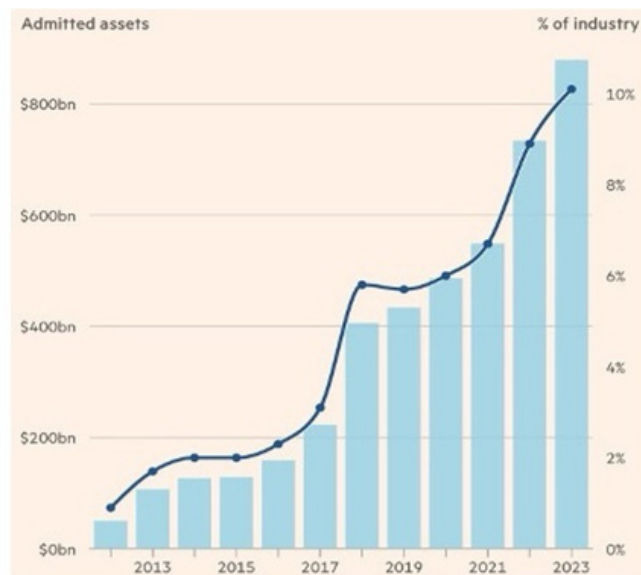
Reinsurers must operate in a landscape of heightened regulatory scrutiny designed to ensure their credibility and operational soundness. The Bermuda Monetary Authority's (BMA) April 2025 update, which requires prior approval for new long-term block reinsurance deals, is a key indicator of more formalised oversight. One such requirement is a clear outline and reconciliation of capital requirements between the ceding insurer's regime and Bermuda's regime.

The U.S.-Bermuda Blueprint

The development of the PE-backed reinsurance model accelerated significantly in the period following the 2008 Great Financial Crisis (GFC), driven by regulatory and economic pressures. Post-crisis regulations made it more capital-intensive for investment banks to own insurance companies, leading many to divest their life and annuity platforms.

Simultaneously, many insurers faced their own capital constraints amid market uncertainty, making it difficult to support their long-duration businesses. This environment created an opportunity for alternative asset managers, who became the primary acquirers of these divested or spun-off platforms, particularly in the U.S. As of 2023, PE/asset manager owned firms represented circa 10% of total U.S. life and annuity market's assets.

Figure 3: Growth of U.S. PE/Asset Manager Owned Life & Annuity Insurers³



These PE firms leverage Bermuda's status as a global hub for insurance and reinsurance, operating through Bermuda-domiciled platforms to manage their capital and tax more efficiently. These reinsurance platforms are either established as new affiliates or were already part of an acquired insurer's structure.

Apollo Global Management exemplifies this model, operating through its U.S. platform Athene and its European insurer Athora, which utilise their respective reinsurance vehicles, Athene Life Re and Athora Life Re. Other prominent examples of this structure include KKR's ownership of Global Atlantic, Carlyle's majority stake in Fortitude Re, and Ares's control of the Aspida Re platform.

However, the regulatory and tax landscape for these offshore reinsurance hubs is dynamic, creating a competitive environment between jurisdictions. The Cayman Islands is emerging as a potential alternative to Bermuda. A key driver is Bermuda's introduction of a 15% corporate income tax, effective January 1, 2025, for large companies.

The Cayman Islands, which currently has no such direct corporate tax, has therefore become a more attractive domicile from a tax perspective. This is complemented by a clear rise in appetite for reinsurance in the jurisdiction. The Cayman Islands Monetary Authority (CIMA) granted 21 new international insurer licenses in the first half of 2025, with another nine approved in principle. This activity puts the jurisdiction on track to potentially surpass its 2024 total, signalling its growing prominence as a hub for these transactions.

Part 2 examines the geographic expansion of this model. It will analyse the markets where this trend is already established and where it is likely to grow next.

3. Source: Financial Times, Inside the Private Equity-Insurance Nexus, 2025

Introduction: Part 2

This part examines the geographic expansion of this trend, analysing where it is already established beyond the U.S., and where at RPA anticipate it will go next. We explore how distinctly different strategies adopted by key players - Apollo and Blackstone - are reshaping an industry that underpins the financial security of millions.

The Expansion into Asia: Japan Leads the Way

The PE-backed reinsurance model is undergoing a significant expansion into Asia, with Japan emerging as the primary market. A confluence of factors underpins this trend. Japan's status as one of the world's largest insurance markets, coupled with the considerable longevity risk presented by its aging population, creates a need for capital solutions.

This environment is further catalysed by the upcoming implementation of Japan's new economic value-based solvency framework, the Japan Insurance Capital Standard (J-ICS), which becomes effective in March 2026 and is expected to accelerate de-risking activity among insurers. This regulatory development is complemented by recent revisions to Japan's Corporate Governance Code. These reforms, particularly those effective from 2021, encourage listed firms to disclose plans to improve capital efficiency, a measure designed to improve corporate valuations and attract global investors. For insurers, this creates additional pressure to optimise capital efficiency.

Consequently, Japan has attracted substantial activity from major PE-backed reinsurance platforms. As illustrated in Figure 4, recent risk transfer transactions involve reinsurers affiliated with firms such as KKR, Carlyle, Ares and others, demonstrating the broad-based appeal of the Japanese market for these asset-intensive deals.

Figure 4: Recent Reinsurance Transactions in Asia⁴

PE Backer	Reinsurer	Insurer	When	Location	Value (USDbn)	Transaction Type
Ares	Aspida Re	Undisclosed	Jul-25	Japan	Undisclosed	Flow
Sixth Street	Talcott Life Re	Japan Post Insurance	Mar-25	Japan	3.7	Block
Carlyle	Fortitude Re	Taiyo Life Insurance Company	Feb-25	Japan	4	Undisclosed
Warburg Pincus	Prismic Life	Prudential Financial	Jan-25	Japan	7	Block
Sixth Street	Talcott Life Re	Dai-ichi Frontier Life	Aug-24	Japan	Undisclosed	Flow
KKR	Global Atlantic	Manulife (Japan)	Feb-24	Japan	9.6	Block
Apollo	Athene Holdings Ltd	FWD Life Insurance Corp	Nov-23	Hong Kong	Undisclosed	Block

These transactions are predicated on the ability of PE-affiliated asset managers to deploy capital into higher-yielding, alternative investments. The specific strategies deployed are determined by the asset manager's core expertise. Typically, the preferred strategies are those that generate stable, predictable cashflows, such as private credit and infrastructure.

4. Source: (Re)inAsia, Resolution Life signs new asset-intensive reinsurance deal with Japan's Taiju Life, 2025; S&P Global, Private equity-backed reinsurers expand into Asia's life market, 2024

The Investment Strategies Generating Yield

These transactions are predicated on the ability of PE-affiliated asset managers to deploy capital into higher-yielding, alternative investments. The specific strategies deployed are determined by the asset manager's core expertise. Typically, the preferred strategies are those that generate stable, predictable cashflows, such as private credit and infrastructure.

- **Private Credit:** represents a common strategy where capital is used to originate or participate in private loans to companies (e.g. direct lending) or backed by assets (e.g. private asset backed financing), rather than to purchase publicly traded corporate bonds. The strategy is designed to capture an illiquidity premium—compensation for holding a non-tradable asset—and often benefits from stronger covenants than are available in public debt markets. Examples of the solutions include direct lending to middle-market companies and financing for infrastructure, real estate, aircraft, or other structured credit solutions.
- **Infrastructure:** consists of direct investment in long-life physical assets that produce predictable, often inflation-linked, income streams. Returns are generated from long-term contracts and the potential for capital appreciation of the physical asset, providing a hedge against inflation. Examples include the ownership of infrastructure such as data centers, toll roads, or renewable energy projects.

The Next Wave: Taiwan and South Korea

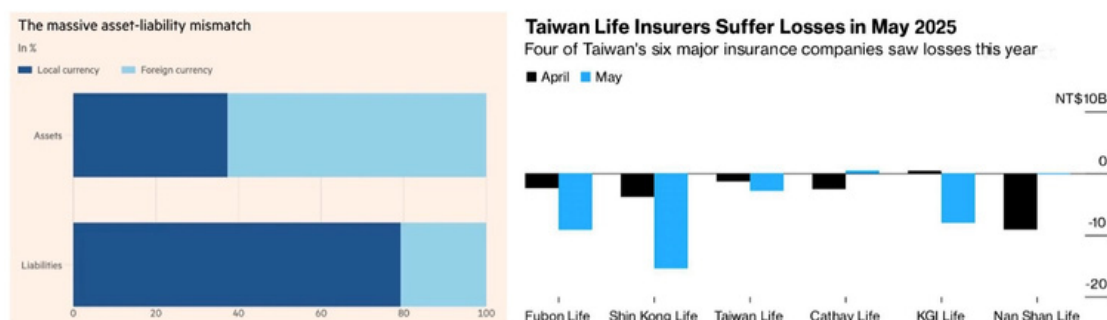
Following Japan's emergence as the primary Asian market for these transactions, we anticipate that Taiwan and South Korea are poised to become the next key geographies. Both nations feature large life insurance sectors and are confronting significant demographic pressures. As two of the world's fastest-aging societies with high Old-Age Dependency Ratios (OADRs), the long-term strain on their insurance and retirement systems is intensifying. Although the foundational drivers are similar, the specific drivers in each market differ.

Taiwan: The Currency Mismatch

In Taiwan, a primary catalyst is a significant asset-liability currency mismatch. This structural imbalance stems from the industry practice of holding a substantial portion of assets—estimated at 60-70%—in foreign currencies, predominantly the U.S. dollar, while liabilities remain denominated in the New Taiwan Dollar (TWD). Its origins are largely traced to extensive investment in "Formosa bonds," which are foreign currency-denominated bonds issued in Taiwan as part of a strategy to internationalise the local capital market.

The financial risks inherent in this mismatch were illustrated in May 2025. A sharp appreciation of the TWD against the U.S. dollar, driven by shifts in U.S. trade policy post Liberation Day and heightened concerns over the U.S. fiscal deficit, resulted in significant FX losses across the life insurance sector. This event prompted credit rating agencies to revise their outlook on the industry to negative, underscoring the considerable risk associated with maintaining large, unhedged foreign currency positions.

Figure 5: Taiwan's Structural Currency Mismatch and FX Losses⁵



The Mechanics and Implications of FX Risk

To understand the mechanics of this risk, consider a simplified example.

A Taiwanese insurer receives a TWD\$30,000 premium for a policy, creating a long-term liability denominated in TWD. To generate a return, the insurer converts this premium and purchases a U.S. dollar-denominated bond. This creates an asset-liability mismatch: the asset is denominated in USD, while the corresponding liability is denominated in TWD. If the USD depreciates against the TWD, the value of the bond, when converted back into the local currency, will be less than the original TWD\$30,000. This generates a direct financial loss for the insurer, unless the foreign exchange risk is mitigated through hedging.

While this investment strategy can be advantageous during periods of U.S. dollar strength, it creates a material vulnerability in an environment of potential dollar weakness. The market events of May 2025, as shown in Figure 2, underscore this exposure. In that month, losses for four of the largest Taiwanese life insurers reached a combined NT\$35.4 billion, with Shin Kong Life Insurance Co. posting the largest individual loss.

This pressure is set to intensify with the adoption of IFRS 17 and a new capital regime, the Taiwan Insurance Capital Standard (TW-ICS), in January 2026.

5. Source: Financial Times, Inside the Private Equity-Insurance Nexus, 2025; Bloomberg, Taiwan Life Insurer Losses Swell to \$1.2bn in May on FX, 2025

These standards will require mark-to-market valuation for both assets and liabilities, increasing potential volatility in reported earnings. Furthermore, the TW-ICS framework will impose higher capital charges on the unhedged portion of an insurer's foreign currency exposure, which is substantial given high hedging costs.

In response, and as part of broader government initiatives such as the "Trillion Dollar Investment National Development Plan," Taiwan's Financial Supervisory Commission (FSC) has sought to encourage domestic investment. The FSC has progressively reduced the risk weight for onshore private equity funds that invest entirely in domestic infrastructure projects, lowering it from 33.75% to 10.18% in December 2023, and subsequently to 1.28% in September 2024.

Despite these measures, the challenge remains a lack of suitable domestic investment opportunities. Consequently, reinsurance is likely to be a tool for achieving capital relief and de-risking balance sheets, particularly for insurers exposed to currency volatility in May 2025.

South Korea: Legacy Liabilities and New Reforms

The impetus for reinsurance in South Korea arises from an interplay between legacy liabilities, new regulatory standards, and a national agenda for corporate reform.

The foundation of the issue lies in the historical product offerings of its life insurers. During the high-interest-rate era of the 1980s and 1990s, when rates reached as high as 19.5%, a significant volume of long-duration policies with high guaranteed returns were sold. In today's lower-rate environment, this legacy portfolio has created a significant asset-liability duration gap—a mismatch between the interest rate sensitivity of assets and liabilities—placing considerable pressure on profitability and balance sheet stability.

Because the long-duration liabilities of Korean insurers are more sensitive to rate changes than their shorter-duration assets, a decline in interest rates causes the value of these liabilities to increase more than the value of the assets. This erodes the insurer's solvency margin and capital, creating a significant financial risk that must be managed.

This imbalance is now being acutely felt due to the 2023 implementation of the new Korean Insurance Capital Standard (K-ICS) and the accounting standard IFRS 17. IFRS 17 requires that liabilities be valued using market-consistent interest rates, a change that makes an insurer's capital position highly sensitive to interest rate movements, while transparently exposing the financial implications of its legacy guarantees.

The K-ICS framework, in turn, requires that insurers hold capital commensurate with their risks, compelling insurers to address the balance sheet impact of long-held liabilities.

The Impact of Corporate Governance

Complementing these regulatory changes is a broader government agenda for corporate reform, similar in objective to initiatives seen in Japan. The “Corporate Value-up Program” developed by the Financial Services Commission (FSC) in 2024 is designed to address the so-called “Korea discount” by improving the capital efficiency of listed companies. For insurers, demonstrating prudent capital management and de-risking their balance sheets is therefore no longer solely a matter of regulatory compliance.

This combination of factors creates a greater incentive for insurers to seek solutions.

Major companies like Samsung Life Insurance, Kyobo Life Insurance, and Hanwha Life Insurance, who were historically large sellers of these guaranteed products, now manage substantial pools of the long-term liabilities that are suited for asset-intensive reinsurance transactions.

As a result, South Korea represents a notable market for capital relief transactions to reinsurers. We expect PE-backed reinsurers, with their stronger investment and asset management capabilities, may be better positioned to navigate these market dynamics.

Beyond Asia: and to the UK

This expansion of private capital into insurance is not limited to Asia; a parallel trend is unfolding in the United Kingdom's retirement sector. It represents a central theme of alternative asset managers seeking access to stable, long-term sources of permanent capital—in this case, from corporate pension schemes.

This is most evident in the pension risk transfer (PRT), or bulk annuity, market. Where it is estimated British companies will transfer approximately £500 billion of defined benefit pension obligations to insurers over the next decade.

The Rationale for Pension Risk Transfer

- In a **Defined Contribution (DC)** scheme, the employer and employee contribute to a retirement pot, and the final pension value depends on investment performance. The investment and longevity risk are borne by the individual.
- In a **Defined Benefit (DB)** scheme, however, the company promises to pay a specified income to an employee for life upon retirement, typically based on salary and years of service. This structure places the investment risk (ensuring assets grow sufficiently to meet promises) and longevity risk (uncertainty over how long payments must be made) on the company's balance sheet.

This trend is illustrated by several significant transactions announced in 2025, including M&A activity such as Brookfield's acquisition of retirement specialist Just Group and the planned acquisition of Pension Insurance Corporation (PIC) by the Apollo-affiliated insurer, Athora, alongside a strategic asset management partnership between Legal & General (L&G) and Blackstone.

An analysis of these transactions reveals the distinct strategic models being deployed by some of the largest private equity firms, each with different implications for risk management and return generation.

The Apollo Model: Vertical Integration

Apollo's model is predicated on vertical integration, which involves the direct acquisition of insurance companies (such as Athene and Athora) to gain access to permanent, liability-driven capital. This structure allows Apollo to link insurance liabilities directly with its high-yield, alternative credit investment platforms. While this approach is designed to maximise synergies between insurance operations and asset management, it also entails direct exposure to underlying insurance risks and heightened regulatory scrutiny.

The Blackstone Model: Asset Management at Scale

Blackstone's strategy centers on expanding its scale in asset management. It targets large pools of permanent capital, such as insurance balance sheets, through fee-based investment management agreements, exemplified by the L&G partnership. This model leverages insurance assets as predictable, long-duration capital for its credit platforms without the firm taking on the risks of owning an insurer outright. Consequently, its principal risk exposure is tied to asset valuation and financial market performance, which affect the stability of fee-based revenues.

Conclusion

The acceleration of convergence between private equity and the global life and retirement sector is driven by several components addressed in this series, founded on a dual incentive: the demand from insurers for capital efficiency and the search by large investment managers for long-term sources of capital.

This has resulted in the development of distinct strategic models and reinsurance structures, ranging from third-party asset management and block reinsurance transfers to the vertical integration of insurance platforms. This evolving landscape is also compelling insurers to enhance their asset-liability management, particularly concerning sensitivity to foreign exchange and interest rate risk.

Alongside these strategic opportunities are risks inherent in the model, particularly those related to governance and asset quality. The 2024 failure of 777 Re serves as a salient example; the Bermuda-based reinsurer's license was cancelled following issues reportedly linked to its substantial exposure to high-risk, illiquid assets connected to its parent, the PE firm 777 Partners.

This case underscores that the sustainability of the PE-backed model in reinsurance is predicated on a disciplined framework, requiring effective governance, a clear alignment of interests, and strong counterparty risk management from ceding insurers.

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