



THE CONVERGENCE OF INSURANCE, ALTERNATIVES AND PRIVATE EQUITY

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INTRODUCTION

Private Market investing continues to experience robust growth compared to other asset classes. For Private Equity (PE), Alternative Managers and Insurers, this is an opportune moment to consider coming together.

\$9.8 Trillion

size of private market assets
by end of 2021

\$1.2 Trillion

in new funds raised through private
market investments in 2021

14,000

number of private market
transactions in 2021

18.5%

% of portfolio now allocated to
private assets or credit by a typical
asset manager

27%

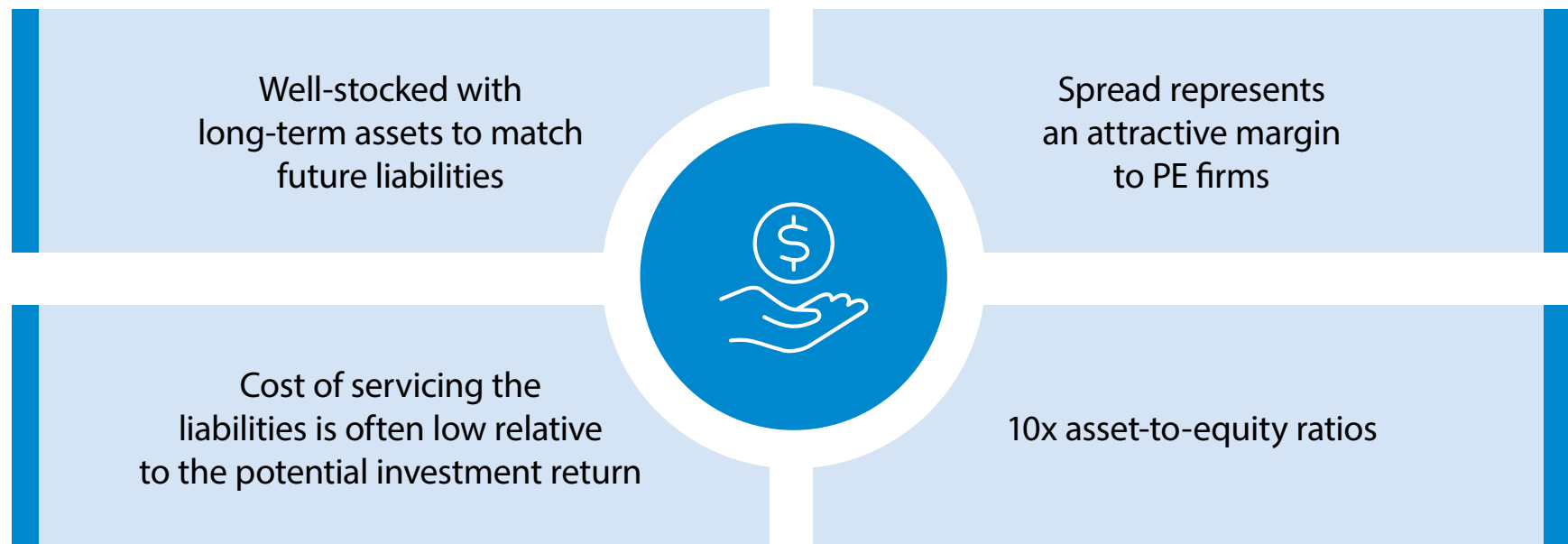
pooled Internal Rate of Return (IRR)
that PE generated in 2021

THE TRENDS

We can look to several market trends currently acting as catalysts driving growth for each side.

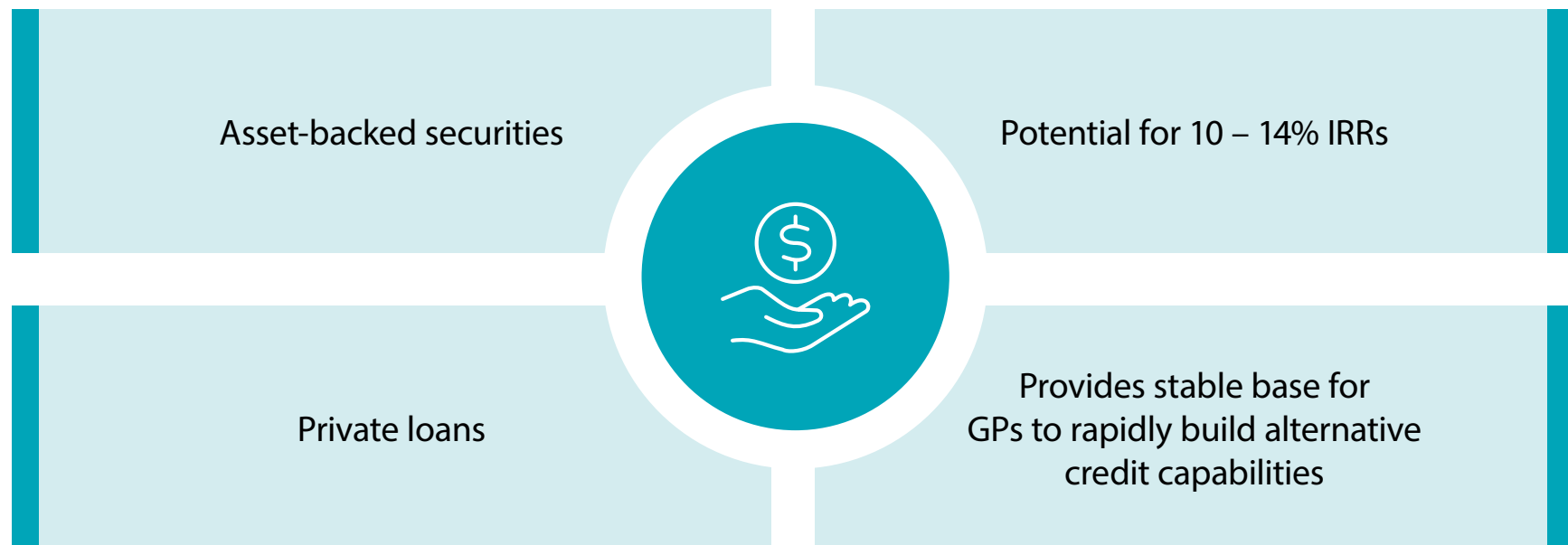
Rising interest rates and inflation caused by pent up consumer demand to shop and travel coupled with supply chain shortages	→	Opportunity for attractive private credit transactions
Labor market challenges and the great migration due to the global pandemic and shift to remote work	→	Driving demand for more housing and residential real estate investment opportunities
Growth in online shopping	→	Fueling opportunities to invest in commercial real estate projects such as warehouses, data centers and transportation-related logistics
Increased focus on Environmental Social, Governance (ESG) and sustainable investing	→	Spurring opportunities to invest in multi-family/affordable housing and clean energy infrastructure/technologies through partnerships/joint ventures
Limited partnerships (LP) are increasing exposure to earlier stage private investments	→	Opportunity to generate higher rate of returns

Against this backdrop, PE and life and annuity companies have an opportunity to help each other. The insurance side of the equation represents a stable source of permanent capital for investment and PE brings domain expertise, a pipeline of unique deals and access to higher yield investments. Here are some reasons why this is true.



Next, we'll discuss Insurance and Alternatives M&A, its potential, key considerations and requirements.

General Partners (GP) are setting up insurers and acquiring/reinsuring books from other insurers, then applying their investment expertise to generate higher alpha on certain assets. Below, we see how PE Limited Partners (LP) are applying their expertise to different types of private investments to generate higher returns on the insurance books they are building or acquiring.



THE IMPACT: BY THE NUMBERS

5 – 50%

Percentage of total AUM that the top 5 private equity firms now have invested in life insurance holdings

\$200 Billion

Amount of liabilities acquired or reinsured in the US by private investors in 2021

\$620 Billion

Amount of life and annuity assets now owned by private investors equating to 12% of their total assets

\$760 Billion

Current size of the collateralized loan obligations (CLO) market

\$6 Trillion

In general account assets and variable annuity liabilities among US life and annuity companies – offering potential for scale

THE VALUE-CREATION PLAYBOOK

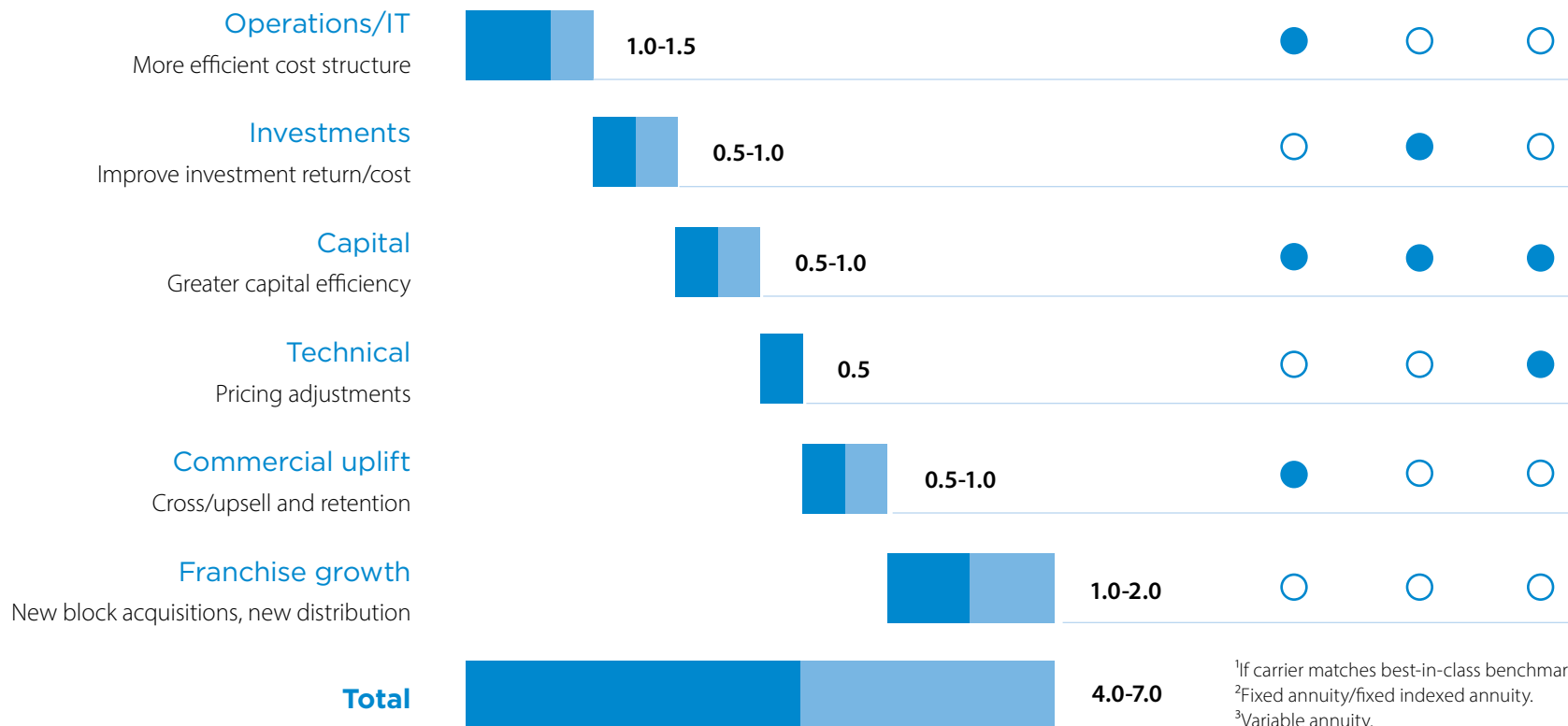
Once invested, there are levers that PE managers and LPs can apply to life, fixed or variable annuity portfolios to increase returns on investment by 4-7%.

Potential increase in return on equity by lever¹, percentage points

Relevance to book type

● Fully ○ Moderately

Life FA/FIA² VA³



KEY CONSIDERATIONS AND REQUIREMENTS

For PE Firms Interested in Life and Annuity Investments



Requirements

- Strong and proprietary deal pipeline
- Value-creation skills and expertise to maximize closed deals
- Strong risk management capabilities



Considerations

- Liquidity and credit risk – maintaining liquidity needs for policyholders, managing mark-to-market volatility
- Regulatory uncertainty – engaging with regulators, ratings agencies, etc.
- Optics – public opinion, LP reactions to acquisitions of a life company

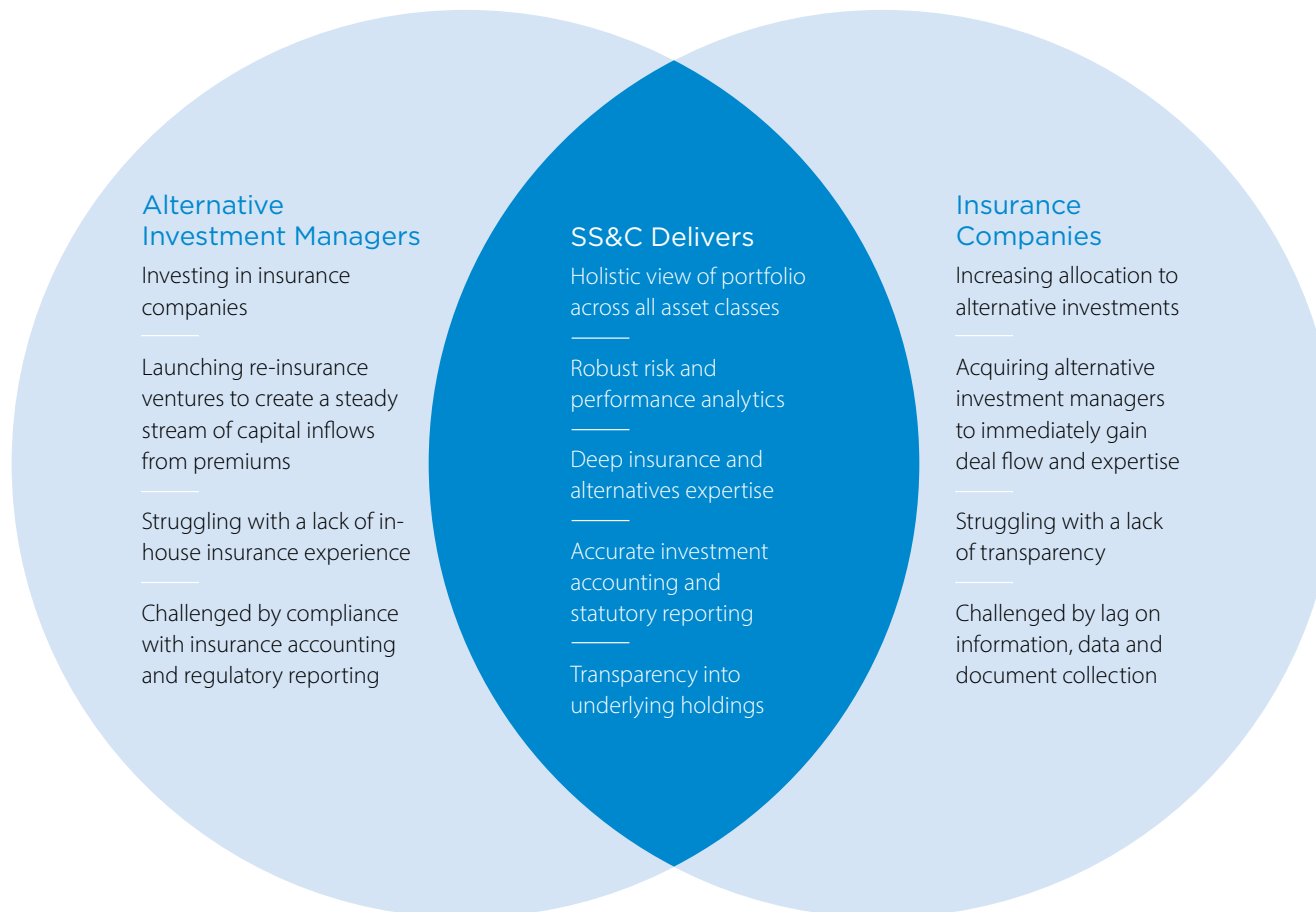
HOW SS&C CAN HELP

Operational Scale
and Efficiency

Technical Excellence

Risk Management

Regulatory Assistance



ABOUT SS&C

SS&C is a leading innovator in technology-powered solutions and operational services for the global investment management industry, with a long track record in insurance investment operations and expertise across the full range of alternative investments, including hedge funds, private equity, funds of funds, real estate, real assets and direct investments. SS&C serves a worldwide clientele with a network spanning the major financial and commercial centers of North America, Europe, Asia and Australia.

Source for pages 3,4,5,7,8: McKinsey – [[Why private equity sees life and annuities as an enticing form of permanent capital](#)]. February 2, 2022

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