



cio investment club

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UK CIO Insurance Whitepaper: Insurers ready capital to private markets



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UK CIO Insurance Whitepaper: Insurers ready capital to private markets

The appeal of allocating to private companies in debt and equity remains, although more experienced insurers are wary about adding to current exposures. Spreads across fixed income are tight, so if the overall business is faring well, insurance CIOs are reluctant to stretch for yield.



The cio investment club UK insurance CIO roundtable began with a very topical question for spring 2025: Are you tariffed? Chris Palmer, senior adviser to AlphaReal and former head of Illiquid Assets Origination at Phoenix, said the answer had to be yes. He queried how business owners deploy resources or balance their books given the uncertainty of decision-making coming out of Washington, DC.

Other panelists agreed that ‘Liberation Day’ had caused huge shocks to financial markets but they saw opportunities, not just risks. David Devlin, Director of Strategic Partnerships at Phoenix Asset Management, noted that volatility can be good for relative value trades – as long as you are comfortable with underlying credit fundamentals. “When you see the volatility caused by technicals we saw in H1 2025, relative value investors took advantage of opportunities to improve risk adjusted return in public markets,” said Devlin. “In fast moving markets, speed of execution is of the essence. However, speed is only possible to do safely and efficiently if you have the right people, technology and risk and control framework.”

Patrick O’Sullivan, head of insurance solutions at Barings, noted that between “Liberation Day”, at the start of April, spreads at the long end of the curve had mostly returned to previous tight levels. And spread volatility for IG assets had been lower than previous bouts of volatility such as March 2020.

Paul Amer, CIO of MS Amlin, said that its fixed income portfolio for reinsurance clients is roughly 2-3 years asset duration and tails off after five years. He noted that overall portfolio Value-at-Risk has been coming down over the last few years. As a general observation, Amer said that UK insurers were focused on liquidity because credit spreads are so tight.

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Vishal Shah, group head of investments and treasury at Chaucer, said its investment portfolio had a duration of three years and underlined the need for liquidity. “We had the Los Angeles wildfires in Q1, which is not the normal catastrophe-loss cycle,” he said. “Pay-outs for these type of losses happen within weeks now, not months, because satellite and drone imagery confirms losses very quickly.”

Historically, Chaucer has invested most of its USD4bn portfolio in Investment Grade (IG) public fixed income, which has served it well since the Global Financial Crisis.

Gareth Russell, CIO of Canopus, gave an even shorter asset duration of 1.4 years to match liabilities under IFRS 17. The duration is slightly longer under Solvency II but for Canopus, IFRS 17 is its “North Star”.

Russell explained that his firm manages the total portfolio, assets backing liabilities and surplus assets, together. “Our focus is to ensure we have sufficient liquidity and to match the PV01 sensitivity of our IFRS 17 liabilities,” said Russell. “When yields fall,

the investment team is challenged as to why the investment portfolio is underperforming peers.”

Palmer suggested a dedicated sleeve for duration matching, using swaps as a means to avoid physical sales. O’Sullivan suggested a middle ground of volatility adjustment.

In spite of some worries, asset owners at the cio investment club roundtable felt their portfolios were in good health. That is in part due to recent years of high returns from money markets. “If your portfolio is sitting there doing 5%, that is ok. It cushions the blow of holding cash,” said Palmer.

Nevertheless, there are concerns for some about where to seek next year’s returns. Amer said that certain Amlin subsidiaries were keen on investing more into illiquids.

Chaucer is potentially setting a new risk tolerance adding additional asset classes. “Is now the right time to allocate to private markets?” asked Shah.



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The Case for Private Debt

There was a positive response from Bernard Galea, managing director in global private credit at Pantheon: “Spreads are likely to widen in private credit, if uncertainty persists” he said, although cautioned that, “they won’t return to the levels we saw two to three years ago” he said.

The persistent gap in buyer and seller valuation expectations continues to hamper deal activity. As a result, holding periods of private assets are being extended. That said, private credit in general remains an attractive asset class with demonstrated returns over the long term. He emphasized the growth of the asset class over the last 10 years. “This is no longer a niche asset class; it’s mainstream,” said Galea.

He disagreed with news stories that valuations in private markets were not veracious. He reckoned that private equity General Partners and third-party valuers were fairly honest in these exercises. Carlos Vilares, head of insurance solutions at Pantheon, chimed in that public debt markets had to be viewed critically too. “There is good data on private markets drawdowns,” he said. “Realised losses have been less severe than mark-downs, whereas public markets frequently overreact, pricing in higher losses than subsequently occur and fuelling volatility.”

For Barings, O’Sullivan mentioned a wide range of private credit offerings to suit different insurers’ needs. These range from infrastructure debt, private placements and real estate debt to direct lending and asset-backed finance. Through its portfolio finance capability, Barings is also a substantial lender to private market managers themselves, placing loans secured against private market funds’ portfolio holdings.

One issue that regularly comes up in discussions with insurers here in Europe is the comparatively higher capital charge for securitisations, which precludes many standard formula insurers from investing in even the most senior tranches of structured credit. “As a result, we see little investment in such assets which contrasts sharply with insurers in other geographies,” said O’Sullivan. “Bermudian insurers have long held a high allocation to securitised credit, as do US insurers. We have observed significant interest in structured credit from APAC insurers as well.”



Canopus is one reinsurer that has made a considerable allocation to CLOs. Russell said what he found interesting is what happens when credit spreads widen. “There is potentially the double whammy of widening spreads and extension of bonds which leads to more pronounced mark-to-market losses. “At this point, you could have Insurance boards saying that we shouldn’t have invested.”

Palmer said that extension risk for investors is seen when borrowers want to allow existing debt instruments to remain in issue rather than refinance, as was most investors’ expectation when the debt was issued originally. He noted one notorious example when a major European bank decided not to call a fixed-to-floating subordinated debt instrument to avoid refinancing during a vulnerable period in 2009.

The conversation inevitably returned to how profoundly the pronouncements from the Trump administration affected markets. Russell felt that more bad news would have to land for any recession to set in. Otherwise, he pointed to cash returns and the leverage in insurance as keeping boards satisfied for now.

On balance, Shah believed that certainty would return to financial markets as tensions between the Federal Reserve and US Treasury reduced.

Palmer supported the idea that private markets are one lever at insurers’ disposal to cope with current conditions. “You can reduce volatility by buying private credit, especially if you are sufficiently liquid elsewhere,” he said.



Comforting the Board

Shah responded that his task was ensuring the board at Chaucer is comfortable with these additional asset classes. He noted that other US P&C insurance companies have much more varied portfolios. Lloyd's syndicates, meanwhile, generally have a more defensive position. Non-public debt - outside the ambit of eligible assets for Lloyds - was a big step for the latter to contemplate.



Palmer suggested dividing the risk balance-sheet in half: known liabilities and projected liabilities. He recommended this type of exercise to educate the boards of insurance companies because they are predominantly underwriters, not investment professionals.

Russell said a potential problem of board governance as it relates to investments is that when something goes wrong, they want to bring it back, which could lead to realising losses at the worst time.

Amer agreed and suggested that the board's collective understanding of investments needs constant attention.

One counter-measure is internal investment expertise. Amer's team acts as the investment manager to the various subsidiaries of the MS Amlin group. He added that external asset managers are employed for portfolio management and advice but he was uncertain around the level of interaction the board should have with third-party asset managers.

Russell asked other participants at the cio investment club roundtable what made them nervous about private credit? "The pendulum of power," replied Palmer: "Does the investor or the borrower have control?"

He referred back to periods in the past, e.g. for Commercial Real Estate debt during COVID in 2020, where asset managers had to prove their worth under extraordinary conditions such as rent holidays for tenants in the UK.

"Now is not a bad time because there are enough nervous people ready to disappear from investment markets," said Palmer. "Get your approvals in place in advance of these opportunities so you have levers in place to shift into attractive opportunities when that happens."

Amer warned, however, it could take three to seven years for vintages of private asset allocations to be fully invested. "It's a really clunky process," he said.

Amer's concern about private credit per se was that spreads are still too tight to make it relatively attractive to more liquid assets. MS Amlin decided to allocate to private equity secondaries rather than credit three years ago. Although conditions have changed since and MS Amlin is "hunkering down" from a risk perspective, Amer said that he still found real assets more exciting than private credit.

Galea said that what made him nervous was the overlap between portfolios in the Broadly-Syndicated Loans sector; if LPs were not careful, they could be holding the same issuers via a few different managers. He contrasted Pantheon's offering of secondaries where a typical credit secondaries fund may have as many as 2,000 loans.

O'Sullivan emphasized the variety of ways that Barings, as one of the largest managers, enabled LPs to access private markets. O'Sullivan mentioned that Barings has created a range of structures to support client needs, from perpetual and evergreen strategies to closed ended funds and SMAs.

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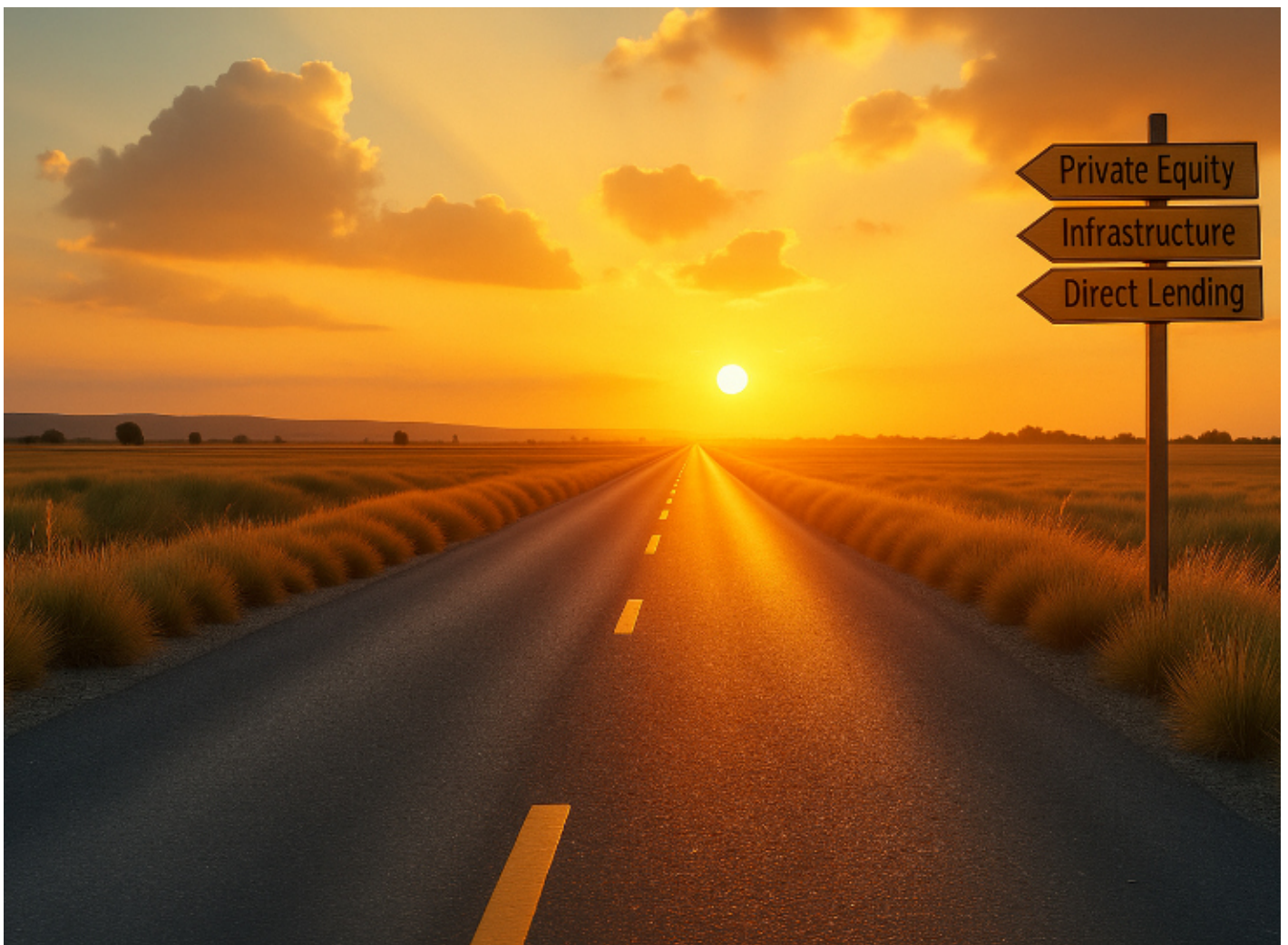


Financing Retirement

The cio investment club roundtable finished with some thoughts on how private markets will play a role in long-term investments in the future.

Palmer noted that more and more people are relying on a mix of income drawdown from pension and continued employment, so that an immediate purchase of an annuity was no longer a foregone conclusion as people plan for retirement. O'Sullivan said that investment products had to be to and through the normal retirement age. Given these trends, allocations to private markets seem only likely

to rise. Devlin said that for Phoenix's annuity funds and unit-linked pensions, the goal is to maximise income and savings at retirement, respectively. Following the Mansion House Accord, Phoenix has committed to allocate 10% of unit linked savings to unlisted assets. "As an industry we have a duty to care about maximising net returns for customers, not fees in isolation," concluded Devlin.



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Participants



David Devlin

Director, Strategic Partnerships, Phoenix Group

David is a Director in the Strategic Partnerships team at Phoenix as has been a qualified actuary since 2010. He joined Phoenix from Scottish Widows where he was Head of Shareholder Assets.

His role at Scottish Widows was focused on annuity fund investment strategy in a Solvency 2/UK Matching Adjustment context. This included portfolio optimization, portfolio trades, ALM, bulk annuity pricing/proposition and new asset/instrument implementation. David was also responsible for asset manager and investment bank relationships, including manager selection. David's existing role focuses on asset manager performance, commercials and operating model, as well as significant SME input on M&A.



Bernard Galea

Managing Director, Pantheon

Bernard is a Managing Director in Pantheon's Global Private Credit team.

Prior to joining Pantheon Bernard worked as a Director in Muzinich and Co's European Direct Lending team, before which he was a member of Lincoln International's Debt Advisory team having started his career at KPMG.

Bernard holds a LL.M in International Business Law from the University of London, is a qualified accountant and a Chartered Financial Analyst (CFA).





Vishal Shah

Chief Investment Officer, Chaucer Group

Vishal manages the \$4bn investment portfolio at Chaucer Group, a non-life insurer, alongside the treasury and capital functions.

Vishal has over 15 years investment experience in the insurance market having spent 7 years at Brit and 7 years at Catlin.

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Paul Amer

Chief Investment Officer, MS Amlin

Paul has been MS Amlin's Chief Investment Officer since 2019 having joined the firm in 2015. As CIO, he is responsible for the development and implementation of the firm's strategic asset allocation and external manager monitoring.

Prior to joining MS Amlin, Paul fulfilled numerous senior portfolio management roles at Insight Investment and Barings Asset Management with a focus on multi-asset investing. He started his career at State Street Global Advisors.

He holds a degree in Economics and Statistics from Birmingham University and is a CFA Charterholder.

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Gareth Russell

Group Chief Investment Officer, Canopius

Gareth is currently Group Chief Investment Officer at Canopius, a global speciality lines (re)insurer.

Gareth leads the in-house investment team which is responsible for managing a \$4.5bn largely outsourced investment infrastructure.

Gareth has over 20 Years of Consultancy and Investment experience with a particular focus on asset research, portfolio construction, manager selection and operations. He is a qualified Actuary, holds an Executive MBA from Cass Business School and has a BSc in Mathematics from the University of Nottingham.

Previously, lead investment consultant on fiduciary and advisory aspects of Willis Towers Watson's investment business.



Patrick O'Sullivan

Managing Director, Head of International Insurance Solutions, Barings

Patrick O'Sullivan is Head of International Insurance Solutions, responsible for the design and implementation of insurance solutions for global insurance companies.

Patrick has worked in the asset management industry since 2016 following a period in academia. Patrick joined Barings in London in 2024 from Schroders where he was Head of Insurance Solutions. Before that, Patrick was a senior associate at JP Morgan Asset Management in London following two years as a lecturer at the University of Southampton.

He holds a PhD in financial economics from University College Dublin and 1st Class BSc. in Financial and Actuarial Mathematics from Dublin City University.





Chris Palmer

Chris Palmer, Independent Consultant

Chris is a senior advisor to Alpha Real Capital, the secure income asset manager and also a consultant to a number of UK infrastructure and social housing investors.

He was previously Head of Illiquid Assets Origination at Phoenix Group plc, before that Head of Market Risk, Credit at Swiss Reinsurance and a credit portfolio manager at Legal & General, Old Mutual Asset Managers and Allied Irish Banks.

Chris is a graduate of the University of Cambridge and a fellow of the London Institute of Banking & Finance. He is Chair of Sporting Wellness, a charity that supports young sportsmen and sportswomen across the UK.

In attendance



Brendan Maton (Moderator)

Director, Crayford Ash

Brendan Maton has been covering pensions and investments as a journalist for almost thirty years. He began his career at FT Business before going independent in 2003. Since then, he has chaired roundtables, moderated investor conferences and hosted the IPE channel of sponsored webcasts. He still writes on pensions and investments for IPE as well as freelancing for a host of organisations.



PANTHEON

Carlos Vilares

Managing Director, Pantheon

Carlos is a Managing Director in Pantheon's Investor Relations team and is Head of Insurance Solutions.

He has 23 years' experience in finance and investment management, having worked as Head of Insurance, UK & Ireland at Natixis Investment Managers and prior to that in business development and structuring roles at PIMCO and Man Group.

Carlos started his career as a financing and loans lawyer at Norton Rose Fulbright.

He is a CFA Charterholder and holds an MBA from London Business School and a Law degree from the University of Nottingham.



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Thomas Lowton

Senior Director – Institutional Investments, Barings

Thomas Lowton is a member of Barings' Global Business Development Group and is responsible for managing relationships with institutional clients and investment consultants. Thomas has worked in the industry since 2012.

Prior to joining the firm in 2017, he was at Legal and General Investment Management where he was responsible for a portfolio of strategic clients while specializing in fixed income and de-risking strategies.

Thomas holds bachelor's and master's degrees from Durham University and is a member of the CFA Institute.



Sean Thompson

Founder & Director, cio investment club

Sean has nearly 40 years of experience working in London's financial services sector and the insurance market. After 10 years as Managing Director of CAMRADATA, Sean launched the cio investment club on 1st January 2024.

The cio investment club's mission is to become the voice of chief investment officers and investment professionals at institutional firms. To help achieve this the club hosts events throughout the year that educate and inform, whilst providing thought-provoking content to its members.



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