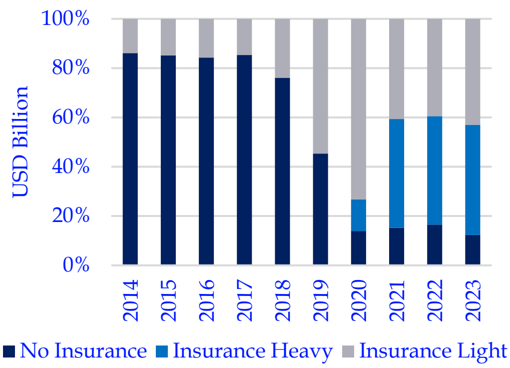
The Insurance Advantage

A New Blueprint for Alternative Asset Managers

Funding for alternative asset managers (AAMs) such as private equity funds has traditionally been a lumpy affair, fueled by episodic fundraising rounds and subject to the whims of the market and the need to return capital to limited partners. By integrating life-insurance and reinsurance platforms, a growing group of firms has been able to effect a structural change in this funding architecture. This has permitted a funding transformation, reshaping the product scope, equity valuations, growth capacity, revenue channels, and more for insurance-backed firms.

Exhibit 1: Total AuM - By Insurance Type



Source: State Street Associates

In our recent paper "Permanent Capital Meets Private Markets: The Transformation of Alternative Asset Managers", we analyze the transformative impact of insurance platform integration on the business models, financial profiles, and market valuations of prominent AAMs.

We find that:

- **Insurance-backed AAMs benefit from a steady stream of capital inflows** via annuity liabilities, which in turn enables AAMs to scale assets under management (AUM) more rapidly, particularly in credit strategies, and to plan investment pipelines with greater predictability.
- **Revenue streams diversify**: spread income from insurance operations becomes a significant and stable component, complementing traditional fee and performance income.
- **The market assigns a valuation discount to insurance-integrated AAMs,** reflecting concerns about capital intensity, regulatory complexity, and conglomerate risk.
- **Risk exposures evolve**: while earnings volatility declines, equity beta remains elevated, indicating continued sensitivity to broader market movements.

Investors can use these results to understand how the integration of permanent insurance capital fundamentally alters the growth dynamics, risk profile, and earnings stability of AAMs—enabling more accurate assessments of scalability, revenue diversification, and valuation trade-offs in the evolving private markets landscape.

For more on this topic, see our 2025 working paper: **"Permanent Capital Meets Private Markets: The Transformation of Alternative Asset Managers"** by Alexander Cheema-Fox, Megan Czasonis, Piyush Kontu and George Serafeim

State Street Associates

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