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IG CLOs for insurers: Investability amid regulatory change

An evolving investment case requires a deeper understanding of this market

NOVEMBER 2026



Executive summary

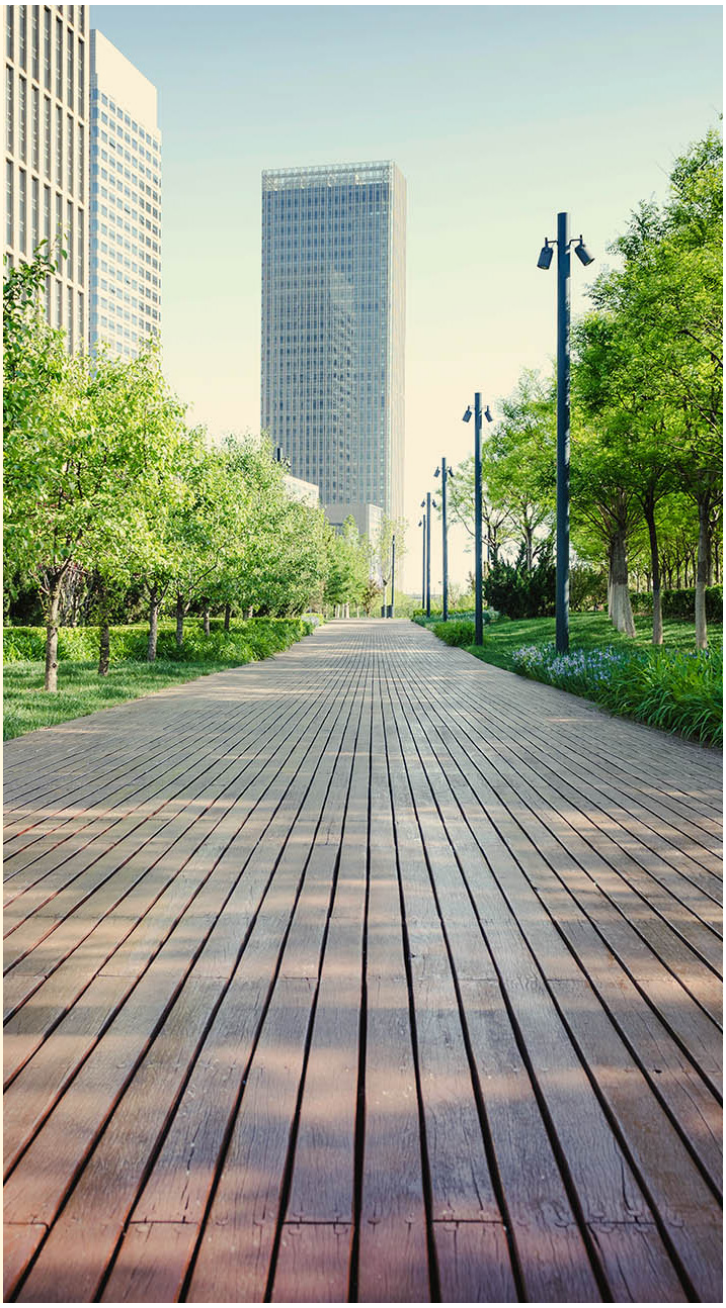
The investment grade collateralized loan obligation (IG CLO) market has already garnered interest from global insurers seeking yield, diversification, floating-rate income and capital-efficient exposure to senior secured corporate credit. Yet this asset class of close to $1T now sits at an inflection point that could make IG CLOs increasingly relevant to insurer portfolios (source: S&P Global, Bank of America).

Historically, securitization capital treatment limited broader adoption of CLOs, especially outside the U.S. However, regulatory frameworks in several regions are moving toward more risk-sensitive treatment that may improve the relative attractiveness of senior CLO tranches.

We believe that these investments can be an attractive insurer asset class when evaluated on a capital-adjusted basis. But the opportunity is not simply one of buying CLOs for spread pickup. Genuine success depends on thoughtful tranche selection, portfolio construction, CLO collateral manager due diligence and operational support. Building an optimized, insurance-aware CLO portfolio demands true depth of analysis. The winners will not be those who just buy into the asset class, but those who build the right portfolio within it.

In this document, we will discuss:

- The broad benefits of IG CLOs for insurers
- Regulatory changes affecting the investability profile of these assets
- Effects on risk–return characteristics of IG CLOs
- Allocation, portfolio construction and strategic implementation issues for insurers to consider
- The importance of collateral manager selection – and working with the appropriate investment manager



Why invest in IG CLOs?

Before beginning our analysis of the IG CLO market of today, it's worthwhile addressing the modern track record of the asset class, especially for investors who still associate securitization with the 2008 era. Before the Global Financial Crisis, the so-called "CLO 1.0" structures carried materially less credit enhancement than today's deals, and they were then tested by the worst leveraged credit cycle of the modern era. Loan and high-yield defaults reached double digits in 2009, loan prices fell to distressed levels and on a market-value basis even senior tranches were briefly under-collateralized.

Yet, no AAA tranche defaulted, no AA investor lost principal and total defaults represented 40 of 4,322 U.S. CLO 1.0 tranches (0.9%), of which 15 were originally investment grade (source: S&P Global Ratings). Post-crisis, the subsequent "CLO 2.0" structures added substantially more subordination at every rated level, tighter collateral tests, shorter reinvestment periods and loan-only collateral with no structured-finance exposure. A structure that held through 2008 with thinner cushions is now materially more conservative, which underpins the clean CLO 2.0 IG record we will discuss in the rest of this paper.



We'll begin this analysis of the current market by reviewing how IG CLOs can address several core insurer portfolio needs:

- **Enhanced spread** – CLO tranches have the potential to offer wider spreads than similarly rated corporate bonds.
- **Floating-rate income** – Coupons reset with short-term rates, reducing interest-rate duration. Because coupons are benchmarked to the Secured Overnight Financing Rate (SOFR), income rises with short-term rates. This can provide a partial inflation hedge and help preserve real yield when inflation would otherwise erode fixed rate portfolios.
- **Diversification** – CLOs provide exposure to diversified pools of senior secured loans.
- **Structural protection** – Senior tranches benefit from subordination, overcollateralization tests, interest diversion mechanisms and collateral quality requirements.
- **Favorable historical default and migration experience** – There have been no principal impairments in IG-rated CLOs (BBB and higher) that have been issued since 2012 (sources: S&P Global Ratings, Nomura, 2026); ratings migration has been better than comparable corporate credit.

Rating	CLO 2.0 default rate	Cum. corp. default rates	CLO 2.0 upgrade rate	CLO 2.0 downgrade rate	Corp. upgrade rate	Corp. downgrade rate
AAA	0.00%	0.00%	0.00%	0.58%	0.00%	9.72%
AA	0.00%	0.07%	8.53%	0.90%	0.49%	8.10%
A	0.00%	0.17%	6.25%	3.67%	1.70%	5.70%
BBB	0.00%	0.56%	4.56%	11.55%	3.53%	4.32%

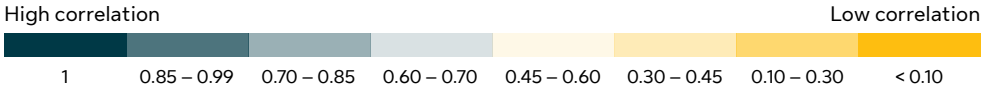
Sources: S&P Global Ratings, Nomura, 2026. Share of U.S. broadly syndicated loan (BSL) CLO tranches rated by S&P that had defaulted as of Dec. 2025; sole AA default had rating lowered to D after the trustee escrowed the note's interest payments but ultimately saw no economic loss. NR-adjusted rates as per S&P convention.

- **Liquidity** – Senior CLO tranches, particularly AAA and AA, generally trade in a large and active secondary market.
- **FHLB income** – CLOs can be used to generate spread income in Federal Home Loan Bank (FHLB) loan programs with low cost of funding, enhancing operating cash flows, supporting profitability and seeding new business.
- **Efficient deployment** – CLO debt can accrue coupon immediately after settlement, helping reduce cash drag compared with drawdown-based private credit strategies.

For insurers, these features make IG CLOs a potential complement to corporate bonds, private credit, asset-backed securities and broader structured credit allocations. For example, the adjacent correlation table illustrates how IG CLOs can diversify fixed income-heavy insurer portfolios, with CLOs' low correlations to U.S. corporate bonds.

IG CLO correlations vs. other fixed income options

	CLO AAA	CLO AA	CLO A	CLO BBB	CLO BB	IG CLO	Senior loans	HY bonds	U.S. corp.	Broad bond mkt.	Treasuries
CLO AAA	1.00	0.95	0.93	0.89	0.83	0.99	0.90	0.69	0.51	0.20	-0.07
CLO AA		1.00	0.96	0.94	0.86	0.98	0.90	0.67	0.48	0.16	-0.10
CLO A			1.00	0.97	0.90	0.97	0.89	0.67	0.46	0.14	-0.12
CLO BBB				1.00	0.94	0.95	0.88	0.68	0.46	0.14	-0.12
CLO BB					1.00	0.88	0.83	0.65	0.43	0.13	-0.12
IG CLO						1.00	0.92	0.70	0.50	0.18	-0.09
Senior loans							1.00	0.79	0.48	0.14	-0.15
HY bonds								1.00	0.73	0.48	0.20
U.S. corp.									1.00	0.90	0.72
Broad bond mkt.										1.00	0.93
Treasuries											1.00



Source: eVestment, January 1, 2012 to May 6, 2026. The following asset classes are represented by the following indices – CLO AAA: JPM CLOIE AAA Index; CLO AA: JPM CLOIE AA Index; CLO A: JPM CLOIE A Index; CLO BBB: JPM CLOIE BBB Index; CLO BB: JPM CLOIE BB Index; IG CLO: JPM CLOIE IG Index; senior loans: Morningstar LSTA US Leveraged Loan; high yield bond: ICE BofAML US High Yield; U.S. corporates: ICE BofAML US Corporate; broad bond market: Bloomberg US Aggregate; Treasuries: ICE BofAML Treasury Master. Past performance does not guarantee future results. It is not possible to invest directly in an index.

CLOs more investable due to regulatory change

A key driver of future insurer demand is the evolution of regulatory capital treatment. Historically, CLOs and other securitizations were often penalized relative to similarly rated corporate bonds. But that is beginning to change.

United States: NAIC

The National Association of Insurance Commissioners (NAIC) has been reviewing CLO-specific capital treatment for U.S. life insurers. The likely direction is toward more granular treatment by tranche risk rather than broad reliance on corporate-style bond factors. Senior IG CLO tranches may compare favorably under a more risk-sensitive framework, while below-IG and deeply subordinated tranches could face higher capital requirements.

A key feature of the new framework is its treatment of tranche thickness – a tranche's size relative to the overall CLO capital structure. Thinner tranches carry greater tail risk. For BSL CLOs, tranches rated at or below Baa3/BBB- with thickness of 4% or less would be subject to higher risk-based capital (RBC) factors through the imposition of an 11.77% thin-tranche surcharge, as outlined in the newly adopted chart developed by the American Academy of Actuaries. These newly adopted CLO capital factors are scheduled to become effective for December 31, 2026, risk-based capital calculations, pending final approval from higher-level NAIC committees.

Pre-tax CLO bond RBC

Rating	Old RBC	New RBC adopted	
		Thickness > 4%	Thickness ≤ 4%
Aaa	0.16%	0.04%	--
Aa1	0.27%	0.05%	--
Aa2	0.42%	0.05%	--
Aa3	0.52%	0.05%	--
A1	0.66%	0.17%	--
A2	0.82%	0.17%	--
A3	1.02%	0.97%	--
Baa1	1.26%	2.18%	--
Baa2	1.52%	3.24%	--
Baa3	2.17%	3.28%	15.05%

Source: American Academy of Actuaries, 2026. The Academy applies a tax rate of 21% with the assumption of 80% tax recovery.



The new factors, other than the higher factors tied to thin tranches, would apply not only to BSL CLOs but also to middle market (MM) CLOs, collateralized debt obligations (CDOs) and collateralized bond obligations (CBOs). The thin-tranche surcharge of 11.77%, however, would apply only to BSL CLOs, and not to MM CLOs, CDOs or CBOs. The 45% RBC factor for residual interests in CLOs, CDOs and CBOs was also adopted by the NAIC.

The Academy introduced a portfolio adjustment factor (PAF) to account for diversification across CLO deals and underlying loan issuers. The NAIC has adopted PAF = 1 and incorporated a request from the American Council of Life Insurers to include unique CLO issuer count in the non-CLO PAF calculation. This represents an interim solution and the PAF methodology will be reviewed for 2027 and going forward.

The implication: U.S. insurers may increasingly focus on capital-efficient senior and middle IG tranches, with more careful analysis required for BBB and below-IG exposure. Lower RBC charges for AAA through A-rated tranches are likely to support continued participation by life insurers, which remain key buyers of CLO securities. We may see some creativity in structuring in BSL CLOs around A- (thin) tranches and MM CLOs unaffected by the thin-tranche surcharge to deliver higher capital efficiency.

Europe: Solvency II

The E.U. Solvency II reforms are expected to improve capital treatment for senior non-STS (simple, transparent, standardized) securitizations, including senior CLOs. This could materially improve the relative economics of AAA CLO tranches for European insurers when adjusted for solvency capital requirements (SCRs).

The implication: European insurer demand may increase for high-quality U.S. CLO tranches, especially where spreads remain attractive compared with similarly rated corporate bonds after capital charges.

Singapore: MAS

The Monetary Authority of Singapore (MAS) is moving toward more rating-based treatment for debt-based securitizations, while retaining securitization loading. MAS lowered its RBC 2 capital charge for senior securitizations, removing excessive penalties for high-quality, transparent securitized debt, with the biggest impact on AAA- and AA-rated tranches. As of March 31, 2026, MAS explicitly relies on the credit rating assigned by recognized external credit assessment institutions to the specific tranche of securitized assets.

On a MAS RBC capital adjusted basis, Singaporean insurers can consider senior CLO tranches in comparison to corporate credit, as it offers comparable or higher yield and diversify their balance sheet while enhancing profitability. This may make CLO capital treatment more transparent and usable for Singaporean insurers. However, the MAS RBC 2 framework for CLOs remains more punitive compared to corporate credit.

The implication: there may be increased demand for IG CLOs as a result, as the additional spread of the asset class can offset remaining capital loadings.

Other regions

Bermuda, the U.K., Japan, Hong Kong, South Korea, Canada and Taiwan may also become meaningful sources of demand depending on local capital rules, rating agency treatment, FX hedging costs and insurer balance sheet needs.

Regulatory regimes reform summary

Region	Prior treatment	Direction of change	Likely demand impact
U.S./NAIC	Broad corp. bond-style treatment	More CLO-specific capital modeling	More focus on capital-efficient senior IG
Europe/Solvency II	Punitive securitization charges	Lower charges for senior securitizations	Potential demand growth for AAA/AA
Singapore/MAS	High structured-product treatment	Rating-based treatment with loading	More transparent path to investing in IG CLOs
Bermuda (BSCR); Asia (Japan ESR; Hong Kong RBC; S. Korea K-ICS; Taiwan TW-ICS); U.K. (U.K. Solvency II); Canada (LICAT/MCT)	U.K. Solvency II introduced matching adjustment (MA) and highly predictable (HP) frameworks; other regions mixed	Positive for bespoke structured CLOs for U.K. annuity and lifecos; entity-specific evolution for other regions	Increase in demand for U.K. MA CLOs or HP modeled CLOs; selective growth for other regions

Source: NAIC, European Insurance and Occupational Pensions Authority (EIOPA), MAS and applicable regional regulatory frameworks, 2026.



Capital-adjusted relative value

Insurers often use CLOs to enhance yield relative to corporate credit and to hedge duration, since the floating rate resets against SOFR each quarter. CLOs can offer attractive spread pick-up after adjusting for regulatory capital, rating agency capital, liquidity, accounting treatment and operational complexity.

The previously discussed regulatory changes are likely to have a substantial impact on the risk–return profile of CLOs. In our analysis, we first compare the new capital charges under U.S., E.U. and Singaporean regulatory reforms that favor senior CLO bonds given their strong credit, default/loss history and structural protections.

IG CLO capital charges and capital-adjusted spread delta (Δ) post regulatory reforms

	NAIC (lifecos. RBC)			E.U. Solvency II (EIOPA, senior non-STS)			MAS RBC 2		
Rating	**Current RBC**	**Revised/ proposed RBC**	**RBC-adjusted spread Δ**	**Prior capital charge**	**Revised capital charge**	**SCR-adjusted spread Δ**	**Prior capital charge**	**Revised capital charge**	**RBC 2-adjusted spread Δ**
AAA	0.16%	0.04%	0.06%	67.9%	14.7%	3.79%	18.7%	7.7%	1.98%
AA	0.42%	0.05%	0.18%	90.4%	22.3%	4.85%	50.0%	11.6%	6.91%
A	0.82%	0.17%	0.31%	100.0%	31.2%	4.90%	50.0%	15.4%	6.22%
BBB (Sr)	1.52%	3.24%	-0.83%	100.0%	53.8%	3.29%	50.0%	24.8%	4.54%

Sources: NAIC, EIOPA, MAS, 2026. Assumes Solvency II cost of capital: 4.75%; economic cost of capital (CoC): 12%; RBC ratio: 400%; E.U. SCR ratio: 150%; MAS capital adequacy ratio: 150%. MAS RBC 2 assumes new-issue CLO bonds. The RBC 2 will go lower as the CLO bonds season and spread duration reduces. Capital-adjusted RBC delta = (current/prior capital charge – revised capital charge) x CoC x solvency ratio. Assumes CLO new issue spread duration as follows: AAA (5.43 yr), AA (6.75 yr), A (7.10 yr) and BBB (7.18 yr), and equivalent duration for corporate credit.

Next, we'll apply these data in a simple framework to evaluate the relative value of CLO bonds against equivalent-duration corporate credit.

CLOs vs. corporates after regulatory reforms

	Capital market assumptions			Capital adj. CLO relative value (basis points [bps])		
Rating	**U.S. 5-yr corp. yield**	**U.S. BSL CLO yield**	**Net relative value**	**NAIC RBC (lifecos.)**	**E.U. Solvency II (sr. non-STS)**	**MAS RBC 2**
AAA	4.4%	5.0%	0.69%	75	16	24
AA	4.7%	5.3%	0.51%	69	-40	-50
A	5.0%	5.5%	0.47%	78	-90	-82
BBB (Sr)	5.3%	6.4%	1.09%	26	-109	-116

Sources: NAIC, EIOPA, MAS, 2026. Capital-adjusted yield = market yield – capital charge x solvency ratio x cost of capital. Pricing as of Aug 14, 2026.

Senior CLOs offer potentially attractive capital-adjusted spreads relative to similarly rated corporates, while lower-rated IG tranches require greater selectivity and stronger portfolio surveillance. The capital charge reforms across the U.S. NAIC, E.U. Solvency II and Singaporean MAS RBC 2 have further enhanced the attractiveness of IG CLO bonds on a capital adjusted basis. Our key observations include:

1. U.S. life insurance companies should broadly benefit from exposure to CLOs in the AAA–A range on an RBC adjusted basis. The relative value can be further enhanced by investing in middle market CLOs, which offer a spread pick up of 25–50 bps over their BSL counterparts, as the revised NAIC CLO RBCs apply to both BSL and MM CLOs.
2. E.U. Solvency II reforms make CLO AAAs attractive compared to similarly rated short-duration corporate credit. Capital charges remain punitive for non-AAAs, which screen negative on a capital-adjusted basis.
3. While MAS RBC 2 relaxes CLO capital charges, it is still punitive for non-AAA bonds. Nonetheless, CLO AAAs could appear attractive to Singaporean insurers on an RBC 2 adjusted basis.



Portfolio construction: Finding the right CLO blend

The optimal insurer CLO allocation is unlikely to be a single rating bucket. In our view, it can be a blended portfolio designed around each insurer's capital regime, return target, liquidity needs, accounting treatment and rating agency constraints.

Common allocation profiles include:

Conservative senior portfolios

- Primarily AAA and AA.
- Focus on capital efficiency, liquidity and downside protection.
- Suitable for conservative insurers or regimes with high capital sensitivity.

Income-enhanced IG portfolios

- Blend of AAA, AA, A and select BBB.
- Higher income potential.
- Requires more active monitoring and collateral manager selection.

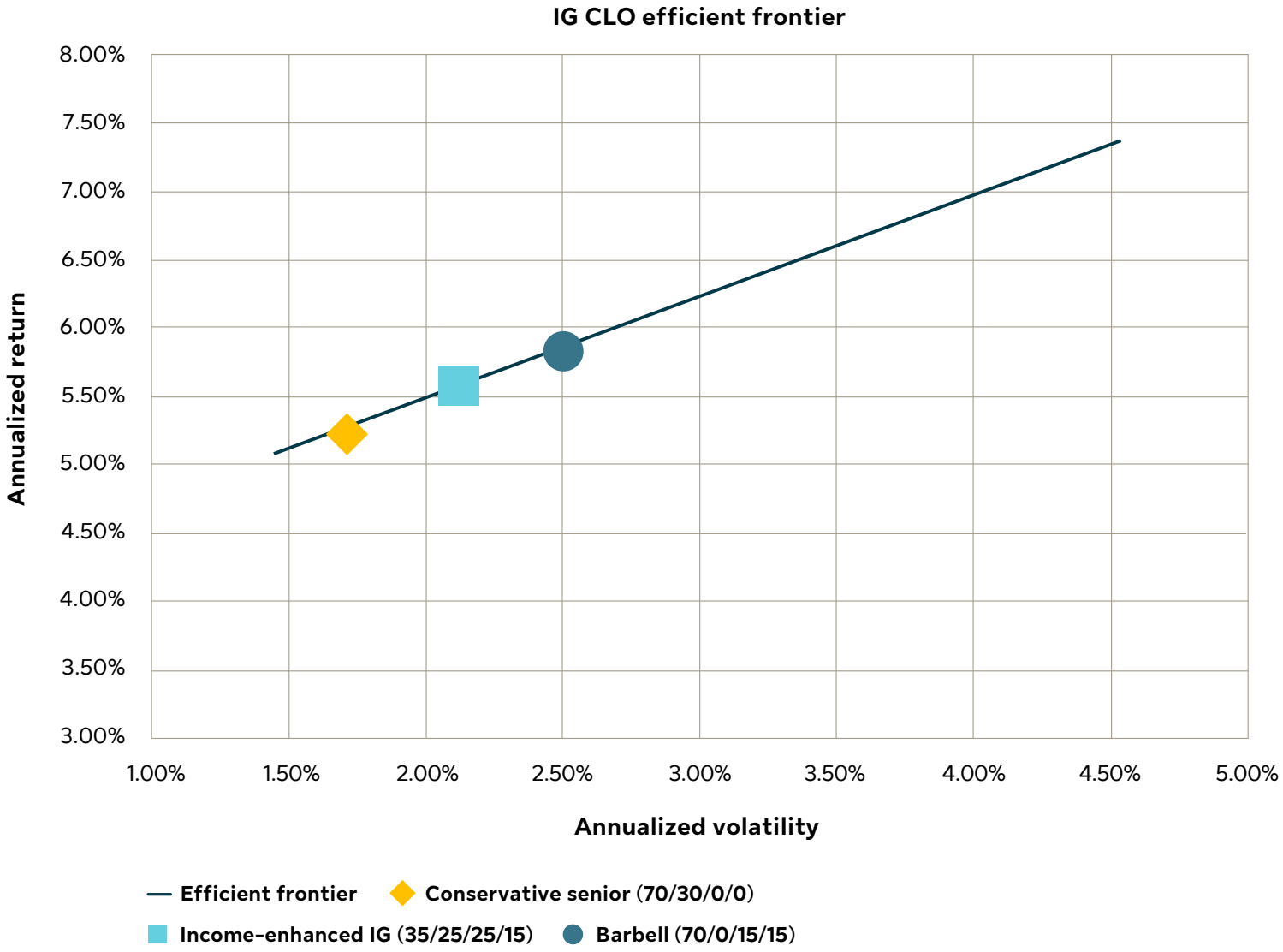
Barbell portfolios

- AAA liquidity anchor.
- Select A/BBB exposure for spread enhancement.
- Seeks to balance average quality with improved carry.

Corporate credit substitution

For E.U. Solvency II and MAS RBC 2 investors, replacing AAA corporate credit with AAA CLOs can offer potential capital-adjusted spread pick-up.

To illustrate this potential benefit, we have constructed an efficient frontier graph comparing the five-year historical performance of the three previously mentioned allocation profiles over their annualized volatility.



Portfolio construction assumptions: conservative senior CLO portfolio: 70% AAA/30% AA; income-enhanced IG CLO portfolio: 35% AAA/25% AA/25% A/15% BBB; barbell CLO portfolio: 70% AAA/15% A/15% BBB.

Source: J.P. Morgan, January 1, 2021–July 31, 2026. Historical CLO returns are based on J.P. Morgan CLOIE indices. Annualized returns and volatility are calculated from five years of monthly return observations. Past performance does not guarantee future results. It is not possible to invest directly in an index. Portfolio construction assumptions are shown for illustrative purposes only. They do not represent actual portfolios or recommended allocations, and there can be no assurance that any allocation will achieve similar returns, volatility or capital efficiency.

Implementation: ramp, liquidity and ongoing management

IG CLO portfolios can be deployed efficiently, but implementation matters: even a well-constructed CLO allocation can be undermined by poor execution, and speed without discipline can sacrifice relative value, liquidity structure and capital efficiency.

Key implementation considerations include:

- **Ramp efficiency** – Secondary market purchases can enable timely, scaled deployment, potentially of a substantially invested portfolio within weeks, helping reduce cash drag during the ramp period.
- **Coupon accrual** – CLO debt begins accruing coupon at settlement, so capital can be income-producing shortly after deployment, supporting early income generation.
- **Primary/secondary mix** – New issues offer clean documentation, current structural protections and allocation control; secondary issues offer speed, seasoning transparency and relative-value opportunities. An effective ramp typically blends both based on market conditions.
- **Liquidity tiers** – AAA/AA tranches have historically traded in size with comparatively tight bid–ask spreads, including through stressed periods such as in 2020 and 2022; A/BBB positions generally warrant smaller sizing, higher return hurdles and explicit exit assumptions.
- **Stress testing** – Portfolios should be tested against loan default scenarios, rating migration, CLO spread widening, liquidity haircuts and prospective capital rule changes, so regulatory reform is a modeled input rather than a surprise. Cash-flow-level modeling (e.g., Intex-based) and alignment with emerging NAIC stress scenarios should be standard practice.
- **Ongoing surveillance** – CLOs are actively managed pools and collateral quality can drift. Monitoring overcollateralization (OC) cushions, CCC-rated buckets, weighted average rating factor (WARF) migration, collateral manager trading behavior and par build should be continuous rather than periodic, helping identify deterioration early.

1. Ramp
Initial period
- Primary/secondary mix
- Coupon from settlement
- Reduced cash drag

→

2. Deploy
Build-out
- Liquidity-tiered sizing
- Capital-aware blend
- Explicit exit assumptions

→

3. Monitor
Continuous
- OC, CCC, WARF drift
- Stress + capital scenarios
- Manager surveillance

Surveillance drives rebalancing and investment





Why the right investment manager matters

For insurers, CLO investing is operationally and analytically demanding. An experienced third-party investment manager does more than source bonds. It helps convert a complex asset class into an investable, reportable and regulator-ready portfolio.

Two distinct managers matter in CLO investing: the CLO collateral manager and the investment manager. The latter is the insurer's third-party asset manager, responsible for constructing and overseeing the insurer's portfolio of CLO tranches – including deciding which collateral managers' deals to own – and providing the institutional investment support insurers require.

A strong investment manager should support:

- Portfolio construction.
- CLO tranche selection.
- CLO collateral manager due diligence.
- Pre-trade and post-trade capital analytics.
- Valuation support.
- Look-through reporting.
- Rating agency and regulatory reporting.
- Stress testing.
- Liquidity management.
- Board and audit-ready reporting.

This is especially important for insurers that need to satisfy NAIC, Solvency II, MAS, rating agency, accounting and/or internal governance requirements.

In our view, an effective investment manager and partner is one with deep CLO experience across the full ecosystem: investing in CLO tranches, issuing CLOs, analyzing underlying loans, managing structured credit portfolios and operating within an insurance-oriented risk culture.

CLO collateral manager selection as alpha

Collateral manager selection can materially affect outcomes, even among similarly rated CLO tranches. Investors should avoid relying only on tranche rating and spread.

A strong due diligence process should combine:

Quantitative analysis

- Default history.
- CCC management.
- WARF migration.
- OC cushion.
- Par build or erosion.
- Trading gains and losses.
- Rating migration.
- Deal call behavior.

Qualitative analysis

- Investment process.
- Credit research depth.
- Team stability.
- Risk culture.
- Workout capability.
- Documentation discipline.
- Issuance behavior.
- Alignment with debt investors.

In our view, the core point is that quantitative data identify patterns, but qualitative judgment determines whether those patterns are repeatable. A disciplined manager selection process can help insurers avoid weak structures, identify the right collateral managers and improve capital-adjusted results.

To illustrate, in the adjacent exhibits we anonymized some of the highest-ranked overall CLO collateral managers and CLO deals in the current market according to Intex. We then compared their quartile rankings according to widely used deal metrics. These exhibits show a notable disparity across certain metrics, even among these higher-ranked managers and deals.

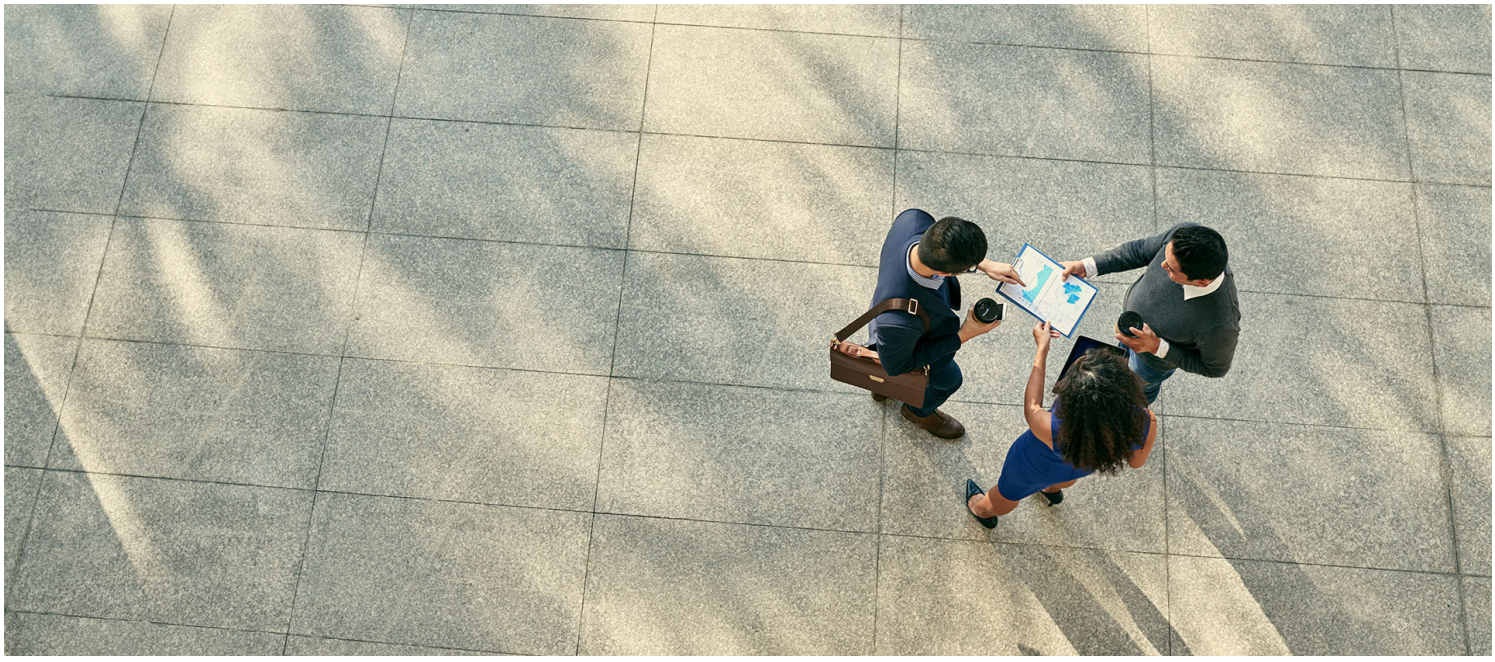
Quartile rankings comparison of top Intex-ranked CLO collateral managers and their portfolio metrics

	Rank	WARF	MINCUSH	LNPX	DIV	CCC%	MVOCBB	<80%
CLO manager 1	1	1	1	1	4	1	1	1
CLO manager 2	1	1	1	2	3	2	1	2
CLO manager 3	1	1	2	1	1	2	1	1
CLO manager 4	1	1	2	2	1	1	2	2
CLO manager 5	1	2	1	2	4	1	2	3

Comparison of quartile rankings of top Intex-ranked CLO deals and their deal metrics

	Rank	WARF	MINCUSH	LNPX	DIV	CCC%	MVOCBB	<80%
Deal 1	1	1	1	1	4	1	1	1
Deal 2	1	1	1	3	4	2	2	3
Deal 3	1	2	2	1	4	2	1	1
Deal 4	1	3	1	2	2	3	1	1
Deal 5	1	1	2	2	3	1	2	3

Quartile rankings based on data from Intex, as of August 30, 2026. Deal metrics cited are as follows – WARF: weighted average rating factor; MINCUSH: minimum overcollateralization cushion; LNPX: weighted average loan price; DIV: diversity score; CCC%: pct. of CCC-rated securities in underlying collateral pool; MVOCBB: market value overcollateralization ratio for the BB CLO tranche; <80%: pct. of underlying collateral pool priced below $80. Rankings are shown for illustrative purposes only, do not represent investment recommendations or a complete assessment of any CLO manager or deal, and are subject to change.



What to look for when evaluating a CLO collateral manager

In our view, a sound approach for insurers toward CLO collateral manager selection combines quantitative analysis of a collateral manager's portfolios with a qualitative assessment of the collateral manager and its investment platform. Alongside a detailed underlying analysis, such an approach should rank collateral managers across three broad areas: credit profile, structural performance and market-implied risk. In many ways, we believe these are the same or similar considerations that selective investors apply when managing their own portfolios – understanding the risks being taken, how those risks are structured and managed, and how the market is pricing them.

- **Credit profile** – Credit composition has a meaningful impact on both expected performance and the range of potential outcomes. Managers with greater exposure to lower-quality credits, including CCC-rated assets, can skew potential outcomes to the downside, particularly when credit conditions deteriorate.
- **Structural performance** – Insurers should evaluate managers and structures on how they demonstrate lower defaults and losses while preserving, or building, par over time. Par performance provides another way to evaluate how effectively a manager has navigated the underlying loan portfolio, avoided permanent impairment and actively managed the portfolio without consistently eroding collateral value.
- **Market-implied risk** – Sound management includes market pricing of the underlying securities issued by a CLO. Secondary market pricing provides an independent and forward-looking assessment of the risks associated with a manager's CLOs at a given point in time. Market prices reflect investor expectations regarding collateral performance, structural protections and the likelihood that the securities will perform in line with their contractual obligations. As a result, market pricing serves as a valuable complement to fundamental and structural analysis when evaluating manager quality and portfolio risk.

In our view, a qualitative assessment of the collateral manager should complement these quantitative analyses. This includes the experience and continuity of the investment team, investment committee structure, decision-making process, organizational resources and the broader strength of the platform. By bringing this analysis together with analyses of credit risk, risk management, structural performance and market pricing, insurers can expect to gain a consistent and replicable framework for comparing and ranking collateral managers, one that is grounded in discipline while still allowing for investment judgment and qualitative due diligence.

Conclusion

We expect IG CLOs to become more relevant for insurers as regulatory capital frameworks evolve and investors seek efficient sources of spread income. Senior CLO tranches may offer attractive capital-adjusted value compared with similarly rated corporate bonds, while a thoughtful blend of AAA, AA, A and selective BBB exposure can help balance income, risk, liquidity and capital usage.

The CLO investment case depends on execution. Insurers need the right tranche mix, rigorous collateral manager selection, efficient ramp strategy, ongoing surveillance and robust reporting. With the appropriate third-party investment manager, IG CLOs can become a scalable, capital-aware allocation within global insurance portfolios.



Sources: S&P Global Ratings, Bank of America, Nomura, Bloomberg, eVestment, J.P. Morgan, National Association of Insurance Commissioners, European Insurance and Occupational Pensions Authority, Monetary Authority of Singapore, American Academy of Actuaries, Intex, 2026.

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