



Private Asset-Based Finance: Adding Value for Insurers

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Insurers today are operating in a structurally more complex and less forgiving investment environment. Persistent inflation, multiple sources of geopolitical instability, and interest rate uncertainty — among other issues — continue to challenge the robustness of traditional fixed income allocations. At the same time, evolving regulatory frameworks and higher capital costs are putting pressure on solvency ratios.

Amid this backdrop, private credit has become an established alternative asset class for many insurance portfolios, offering the potential for attractive risk-adjusted returns, differentiated exposures, and greater alignment with evolving liability structures.

Within the private credit universe, Private Asset-Based Finance (ABF) is emerging as a particularly relevant solution. Characterised by contractual cash flows and real or contractual collateral, Private ABF can offer insurers differentiated credit exposure that is structurally distinct from traditional corporate or sovereign debt.

Regulatory Alignment and Capital Efficiency

Perhaps one of the most compelling features of Private ABF is its compatibility with recent regulatory reforms. Updates to the Solvency II Matching Adjustment (MA) framework have improved capital treatment for a broader range of privately-structured assets. When appropriately structured, Private ABF instruments can offer predictable, long-dated cash flows that align well with MA criteria.

This can make Private ABF an attractive addition to an existing private credit allocation as it supports not only the objective of meeting return targets, but also reinforces resilience against mark-to-market volatility and regulatory headwinds.

Structural Protections and Portfolio Control

A key feature of Private ABF is the degree of control and protection it can afford to investors. These strategies are typically built on highly structured exposures backed by the value of a tangible asset, such as consumer assets, residential housing, commercial real estate, or hard assets like infrastructure or equipment. Transactions are housed in bankruptcy-remote Special Purpose Vehicles (SPVs), insulating collateral from sponsor-related credit risk and ensuring a direct link between underlying cash flows and investor returns.

Insurers may also benefit from customised transaction terms. Payment structures can be designed to mirror liability cash flows, reducing prepayment or reinvestment risk. Direct negotiation enables asset managers and insurers to implement bespoke covenant packages and gain access to granular, often proprietary, asset performance data. This informational edge not only strengthens underwriting but supports more precise cash flow modelling — a critical consideration in the context of MA portfolios.

Diversification and Uncorrelated Credit Exposure

Private ABF can offer insurers a source of diversification that is both meaningful and measurable. Unlike corporate credit, which is often exposed to correlated economic and market risks, Private ABF provides access to sectors with distinct cash flow drivers and credit behaviours. These include consumer finance (such as credit cards, auto loans, or student finance), residential and commercial mortgage-related assets, fund finance (e.g. NAV loans and CFOs), and operational real assets like digital infrastructure, equipment, or trade receivables.

These sectors have historically demonstrated lower sensitivity to interest rate shifts and a reduced correlation to both public credit and equity markets. This diversification can serve as a counterbalance to broader market drawdowns or volatility. In an environment where insurers are seeking ways to reduce concentration risk and enhance downside protection, the uncorrelated nature of Private ABF exposures can be a compelling complement.

Figure 1 | Potential MA Eligible Sectors Within Private ABF

Sector	Equipment Lease	Collateralised Loan Obligation (CLO)	Commercial PACE	Fiber Network Lease	Data Center Lease
Collateral	Equipment leases for manufacturing, construction, transportation, agriculture	BSL Middle Market	Commercial Property Assessed Clean Energy	Lease contracts on fiber-optic infrastructure to multiple, investment-grade telecom operators, stable contracts with enterprise customers	Multi-year contracts with investment-grade hyperscale tenants for data center space, power, connectivity
MA Eligibility Comments	- Limited prepayment risk compared to other asset classes “Hell-or-high-water” lease structured as non-cancellable contracts for a fixed term - Fixed payments over the lease term, with no embedded options - Senior tranches first in line for payments with lowest risk of loss	- Transactions designed with senior tranches that offer fixed or highly predictable cash flows, robust legal documentation - Portfolios of high-quality, often investment-grade, underlying loans - Senior tranches first in line for payments with lowest risk of loss	- Designed to deliver highly predictable cash flows in both timing and amount, due to their fixed, tax-lien-based repayment structure and level amortization schedules - Low prepayment and extension risk; Prepayment penalties or require payment of all outstanding principal and accrued interest - Senior tranches first in line for payments with lowest risk of loss	- Long-term, fixed-rate contracts, “hell-or-high-water” leases with no early termination rights, clear amortizing payment schedule - Structured with payment waterfalls and credit enhancement features - Senior tranches first in line for payments with lowest risk of loss	- Long-term contracts with high-credit-quality tenants, stable lease revenues and predictable operating expenses “Take-or-Pay” contracts requiring tenants make contractual payments regardless of actual usage - Senior tranches first in line for payments with lowest risk of loss

Source: MetLife Investment Management, as of September 2025.

Spread Premiums and the Complexity Advantage

Finally, Private ABF also offers the potential for enhanced returns through a combination of illiquidity and complexity premia. Well-structured Private ABF strategies can deliver a material spread premium above comparable investment-grade public credit, without necessarily taking on additional credit risk. This excess return is largely driven by the private nature of the transactions, the customisation required, and the limited competition for certain asset types.

This can be referred to as a form of “complexity arbitrage”, where institutional insurers, with the scale and sophistication to structure bespoke transactions, can secure better economics than available in more commoditised markets. These transactions are not only structured to reflect the needs of long-duration liabilities, but also designed to avoid early redemption, incorporate robust investor protections and maintain performance visibility through direct asset-level reporting.

Conclusion

In the context of rising uncertainty, changing regulation, and increasingly constrained public markets, we believe Private ABF provides insurers with a credible and flexible path forward. It combines the attributes most needed by insurance investors today: yield enhancement, stable predictable cash flows, downside protection, and portfolio diversification.

When managed by an experienced partner with access to proprietary origination and underwriting platforms, Private ABF can help insurers access these benefits in a disciplined and scalable way. For insurers seeking to strengthen solvency, reduce capital drag and improve long term return profiles, Private ABF is emerging as a potential core building block of the next generation of insurance portfolios.

Drawing on more than a decade of experience managing private credit portfolios for insurers globally, MetLife Investment Management (MIM) has seen growing institutional demand for Private ABF strategies that align with Matching Adjustment (MA) requirements while delivering consistent long-term returns. MIM's platform is designed to meet these needs, combining private market sourcing, structuring expertise and regulatory awareness across jurisdictions.

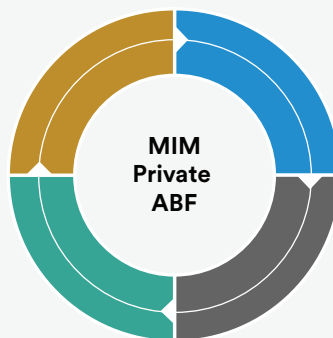
Figure 2 | MIM's Differentiated ABF Platform

Disciplined Relative Value Approach to Investing

Seek strong risk-adjusted spread to investment grade public deals
Consideration given to risk-based capital charges and illiquidity premiums

Scale & Robust Sourcing

Act as preferred lender to issuers, sourcing deal flow
Utilizing established, long-standing relationships and strong structured products industry reputation to source deals and create new structures



Rigorous Credit Underwriting

40+ sector specialists diligence high quality, investment-grade opportunities
Investment-grade focus with opportunistic below investment-grade risk

Structuring Expertise

Customize structures and tenors to meet client objectives
Risk mitigation for downside scenarios, prepayment protections

MetLife Investment Management's Private ABF Team



JASON YOUNG, CFA

Head of U.S. & APAC Corporate Private Placements and Private Structured Credit, Private Capital

Jason Young is Head of U.S. Corporate Private Placements and Private Structured Credit for MIM's Private Capital Team. He is responsible for leading MIM's U.S.-based Private Placement team covering the Corporate and Structured Debt Private Placement markets in the U.S and APAC

Prior to joining MIM in 2024, Jason held various transactional and organisational roles across global corporates, structured corporates and direct origination across his 17-year career at Corebridge Financial fka AIG Investments. Prior to Corebridge Financial, Jason completed a three-year formal credit training program within Citigroup's middle market lending group.

Jason earned an M.B.A. from Southern Methodist University's Cox School of Business and a B.B.A. from Texas Christian University's Neeley School of Business. He is a CFA® charterholder.



PAUL CARROLL, CFA

Private Asset Based Finance, Private Capital

Paul Carroll is responsible for sourcing, underwriting and managing the Private Asset Based Finance portfolio for MIM.

In previous roles within MIM, Carroll acted as the Head of Strategy for MIM's Structured Finance team and as a lead credit analyst for US Esoteric and International ABS. He previously worked at Bank of America Merrill Lynch managing the ABS lending portfolio.

He graduated Cum Laude with a degree in Finance from the Isenberg School of Management at the University of Massachusetts, Amherst and received his MBA with Distinction from the Tuck School of Business at Dartmouth College. He is a CFA® charterholder.



PRIYA DESAI, CFA

Managing Director, Private Capital

Priya Desai is a Managing Director of MIM's Private Capital group, focused on Asset Backed Finance.

Priya began her career in 2004 and prior to joining the Private Capital team, she served as the sector head of MIM's Public ABS group for four years.

Prior to joining MetLife, Priya worked as a structured products banker at JPMorgan and Lehman Brothers, structured products trader at Shinkin Central Bank, ABS structurer at Deutsche Bank, and in ABS capital markets at fintech firms. Priya earned an MBA and MS in Finance from Boston College and is a CFA® Charterholder.



MICHAEL HUANG, CFA

Managing Director, Residential Credit

Michael Huang is a Managing Director of Private Assets. In this role, he works across MIM's private credit strategies in various assets classes including residential credit, single family rental lending and other private structured credit assets.

Previously, Michael served as a senior executive at Avenue One, where he led investment strategy and platform operations across a large network of real estate sponsors and operators. Prior to Avenue One, he was a Managing Director at Fortress Investment Group, where he managed a portfolio of over \$15bn in credit sensitive assets and lead its capital markets strategy across private and public vehicles.

Throughout his career, Michael has developed and managed investment programs spanning whole loans, securitizations, and structured products. He brings a hands-on, entrepreneurial approach to sourcing, underwriting, and managing assets, with a focus on scalable platform growth.

Michael holds a Bachelor of Science in Operations Research and Computer Science from Cornell University and is a CFA® Charterholder.

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