AON

The expert view

Following Aon's *Insurance Investment Consultancy of the Year* award win at the latest Insurance Asset Management Awards, Editor, Adam Cadle, gathers the latest thoughts from partners, **Geoff Bauer** and **Lin Qu**, about the insurance investment space

Adam: What are the emerging issues in the insurance investment space in 2026 and how is Aon adapting to these?

Geoff: There is consensus that the global insurance industry is entering a soft market, which insurers must navigate in the face of ongoing economic volatility, regulatory recalibration, geopolitical uncertainty, and transformative advances in technology. Unsurprisingly, the search for attractive risk-adjusted returns remains the key investment issue.

Additionally, with public investment grade credit spreads remaining compressed, we expect the shift from public to private investments to continue, reflecting the pursuit of the higher yields and growing confidence in managing the associated liquidity risk. Recent industry surveys suggest more than 60% of insurers are considering further increases to their private market allocations.

Given this structural shift, and so that we can support our clients, we are expanding our specialist research in private markets and continually engaging with insurance investors through targeted knowledge-sharing initiatives and roundtable discussions.

Lin: Another issue stems from the current global political climate, which is seeing investors grapple with the potential risks and volatility associated with traditional "safe haven" markets. As a result, asset classes such as emerging market debt (EMD) are worth considering. EMD typically offers a return premium for the same rating in part due to the geopolitical and country-specific credit risk associated. With increasing geopolitical risk in developed markets, it is worth questioning whether emerging market and developed market assets should be assessed within the same credit landscape. Some EMD may provide a better return on capital charge than developed market debt, making it an asset class worth considering in global investment strategies.

Adam Cadle

Geoff Bauer

Lin Qu

With rising macro uncertainty, hard-to-model risks, and the potential for correlated shocks, building portfolio resilience and diversification becomes especially important. For insurers, achieving this resilience is complicated by the fact that some asset classes typically viewed as "diversifiers" may attract higher capital charges – such as gold and some hedge fund strategies – or may be unattractive considering the risks they underwrite – such as insurance linked securities.

Geoff: As ever, the evolution of the legislative and regulatory environment is a key issue. Following Solvency UK reforms of the Matching Adjustment (MA), including allowance for assets with "highly predictable" cashflows within the MA portfolio, we now have the Solvency II securitisation reform expected to come into effect by January 2027.

For non-STS securitisations, this reform will more closely align capital treatment across insurers and banks. For STS securitisations, it will align the spread risk SCR of senior tranches with covered bonds and will also remove the requirement for a double rating. Whilst all securitised assets will benefit from lower SCR charges, the biggest change is for senior non-STS assets.

Adam: Are there any new investment ideas coming through that you are witnessing or expect to see?

Lin: Fund financing strategies, including subscription line finance and net asset value (NAV) lending, are strategies we are discussing with our clients.

Depending on the detailed structure and terms, these can offer diversified exposure to new private-market borrowers and attractive risk adjusted returns.

Fund financing can also be structured with different term lengths to fit various types of insurers' balance sheets. We are also seeing an increasing number of asset managers come to market with semi-liquid, pooled fund variants, which make these strategies more accessible to smaller insurers.

Geoff: Securitisation reform will more closely align the economic view and the Solvency II view of securitised assets, and we expect a meaningful rise in insurer demand for commercial mortgage-backed securities (CMBS) and collateralised loan obligations (CLOs) in particular. Similarly, we expect greater interest in asset backed finance strategies – including consumer loans, SME loans, trade finance, and equipment leasing.

Lin: I'm also expecting further innovation in the structuring of rated feeder notes and similar vehicles that package private loans into capital-efficient formats designed to achieve matching adjustment (MA) eligibility, provide credit enhancement, or deliver other insurer-friendly features.

Geoff: It will be interesting to monitor developments relating to combined public–private credit mandates. These should, in theory, allow insurers to better manage yield, liquidity, and capital efficiency within a unified risk framework. With many asset managers now active in both the public and private credit space, I'd expect continued innovation in mandate design to support insurer objectives.

> **Aon has deep roots and extensive experience in the insurance sector**

Adam: Has there been an uptick in the outsourcing of insurance investment portfolios, part or fully?

Geoff: Yes, this is an area where we are seeing rapid growth. We have just recently completed onboarding a mid-sized insurer's whole portfolio onto Aon's platform.

We have certainly been having more conversations with non-life insurers, in particular, who are considering outsourced models and have also seen an increase in demand for similar services.

Lin: Part of this uptick is linked to growth in insurers' private market allocations but also as a response to the increasingly complex investment environment. I think there is general acceptance of the need for specialist expertise and that outsourced arrangements can provide the benefits of scale, improved fees and commercial terms, nimble execution and other operational capabilities that may be difficult to replicate internally.

We're also seeing appetite from larger insurers looking to outsource specific niche, complex or resource-intensive components of their portfolio, such as private assets, to sit alongside their "core" allocations which they continue to manage themselves.

Geoff: In response to this trend and our rapid growth – which has been driven by both insurers and our wider client base – Aon has invested heavily in our purpose-built platform, ensuring we can provide our clients with access to cutting edge technology that delivers the flexible investment governance solutions they require.

Adam: What are your aims and ambitions at Aon through 2026?

Geoff: In 2026, we will continue to build and solidify our position as the insurance industry's investment adviser of choice – as recognised by our recent *Insurance Investment Consultancy of the Year* award from *Insurance Asset Management*.

In the current economic and political climate, the need for innovative investment solutions and high-quality, independent, analytically grounded advice has never been greater. With insurers balancing their search for yield against increasingly complex investment, risk, regulatory and governance considerations, our primary aim remains unchanged: to continue to support and empower insurers to make better investment decisions for the benefit of their stakeholders, shareholders and policyholders.

We aim, too, to respond to the growing demand for outsourced insurance investment portfolios by leveraging Aon's purpose-built technology platform. The goal is to deliver flexible investment governance solutions, operational efficiency, and access to specialist expertise for both full and partial portfolio outsourcing.

Lin: Aon has deep roots and extensive experience in the insurance sector, with capabilities spanning the entire insurance value chain. Aon's investment team advises on over $4.8trn (30/06/25) in institutional assets and has a unique position as a market leader with an in-depth view of the entire investment manager universe. I hope we can bring this combined experience and expertise from across our business, and from the range of different stakeholders we engage across the market, to deliver innovative insurance investment solutions and create meaningful impact for the industry and its policyholders.