# Asset-intensive reinsurance and recent regulatory developments

## How to address structural shifts in the life insurance sector

- English summary version -

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## Content



Note: This is an English summary version of the original article in Japanese. Sections 1 and 5 are full translations of the original version. Sections 2 to 4 provide one sentence summaries that describe what is written in the original version.

## 1. Introduction

In recent years, international organisations and insurance supervisory authorities have been paying increasingly close attention to the growing use by life insurers of reinsurance transactions known as asset-intensive reinsurance and to their increasing investment in alternative assets.

The International Association of Insurance Supervisors (IAIS), the international standard-setting body for insurance supervision, stated in its Issues Paper entitled 'Structural Shifts in the Life Insurance Sector', published in November 2025, that, given the scale of the insurance sector's exposures to alternative assets and asset-intensive reinsurance, at present, the risks to global financial stability are limited, but continued monitoring remains necessary. In the U.K., the Prudential Regulation Authority (PRA) has expressed its concerns regarding reinsurance transactions that take advantage of differences in capital regulations across jurisdictions. In the U.S., the National Association of Insurance Commissioners (NAIC) adopted guidelines in August 2025 requiring life insurers meeting certain thresholds with respect to asset-intensive reinsurance to conduct asset adequacy analysis.

In Japan, the Financial Services Agency (FSA), in its Insurance Monitoring Report published in July 2025, stated that interest in asset-intensive reinsurance transactions is also increasing in Japan and, as the supervisory authority, the FSA would conduct monitoring in a manner that is commensurate with the associated risks. Thereafter, in April 2026, the FSA released for public consultation a proposed amendment to the Comprehensive Guidelines for Supervision for Insurance Companies (hereinafter referred to as the 'Insurance Supervisory Guidelines'), aimed in part at encouraging insurers to enhance their risk management relating to asset-intensive reinsurance.

Discussion concerning such asset-intensive reinsurance and investment in alternative assets is closely related not only to the insurance sector but also to global capital markets, including private capital markets. In its April 2024 Global Financial Stability Report (GFSR), the International Monetary Fund (IMF) noted that private credit has grown alongside the rise of private equity, which has been increasing its involvement in the life insurance sector, and the two are closely interconnected. In the following year's October GFSR, the IMF also pointed out the need to consider the appropriate regulatory and supervisory approach to the 'private credit ecosystem', in which traditional financial institutions and non-traditional non-bank institutions co-exist.

Against this backdrop, and with an eye also on developments in private markets, whose presence in the financial system is said to be growing further, this paper organises the recent course of discussion regarding life insurers' use of asset-intensive reinsurance and investment in alternative assets and examines the appropriate design of regulation and supervision, updating the report published in April 2024 'Private Equity Funds' Entry into the Life Insurance Business and Its Potential Risks: The Need for Regulation and Supervision of Reinsurance Transactions'.

## 2. What is asset-intensive reinsurance

This section describes how asset-intensive reinsurance is defined in certain jurisdictions, including Japan (FSA), Europe (EIOPA, U.K. PRA and DNB) and the Americas (U.S. NAIC and Bermuda BMA). For details, please refer to the Japanese version of this article.

## 3. Recent developments in international fora

This section summarises recent discussions on life insurers' asset-intensive reinsurance and investment in alternative assets at the International Association of Insurance Supervisors (IAIS), the International Monetary Fund (IMF) and the Financial Stability Board (FSB). For details, please refer to the Japanese version of this article.

## 4. Recent developments in major jurisdictions

This section provides a historical summary of discussions on those themes in the following major jurisdictions: the U.K., Europe, the Netherlands, the U.S. and Bermuda. For details, please refer to the Japanese version of this article.

## 5. Discussion and conclusion

Since the publication in April 2024 of the report entitled 'Private Equity Funds' Entry into the Life Insurance Business and Its Potential Risks: The Need for Regulation and Supervision of Reinsurance Transactions', regulatory and supervisory discussions regarding life insurers' use of asset-intensive reinsurance and investment in alternative assets have progressed in Japan.

In its Insurance Monitoring Report published in July 2025, the FSA addressed asset-intensive reinsurance in the context of life reinsurance in Japan, referring to the appropriateness of the purposes for which asset-intensive reinsurance is used and to the need to strengthen risk management. Moreover, in April 2026, the FSA released for public consultation a proposed amendment to the Insurance Supervisory Guidelines, the main purpose of which is to require insurers to ensure thorough risk management with respect to asset-intensive reinsurance. More precisely, the proposed amendment requires insurers, among other things, to do the following:

- substantively assess whether risk has been transferred in a reinsurance transaction from the perspective of the appropriateness of provisioning of policy reserves (technical provisions);
- strengthen governance and risk management relating to asset-intensive reinsurance, including the following:
  - formulation of ceding policies and related policies, etc., (including policies and standards concerning the financial

soundness of assuming reinsurers, concentration of exposures, collateral and recapture) and ensuring the appropriateness of their contents;

  - ensuring the appropriateness of the terms and conditions of reinsurance contracts; and

  - monitoring compliance with the above policies and related policies, etc.; and

- conduct effective stress testing relating to asset-intensive reinsurance.

In practice, the revised Insurance Supervisory Guidelines, once finalised, may require insurers to reconsider their reinsurance strategies and product strategies. In addition, in the context of ensuring the appropriateness of provisioning of policy reserves (which also contributes to ensuring the protection of policyholders, including in the event of an insurer's failure), it is also conceivable that the responsibilities of those who are in a position to examine matters such as the likelihood of recoverability (including appointed actuaries and external auditors) will further increase. Moreover, insurers may be required not only to provide sufficient accountability for all reinsurance transactions they undertake, including as to whether such transactions make use of opportunities for regulatory arbitrage, but also to conduct in-depth monitoring of the financial soundness of the assuming reinsurers.

To ensure the effectiveness of such monitoring by ceding insurers of the assuming reinsurers, it is also essential that the assuming reinsurers further enhance transparency regarding their ownership structures and asset management practices. With respect to the transparency of asset management, it would be meaningful to examine this issue while taking into account the increasing number of cases in which exposures to private credit are rated by smaller rating agencies. In addition, to ensure such improvements in the transparency of assuming reinsurers, it is also crucial to strengthen regulation and supervision in the jurisdiction where the relevant reinsurer is located, as well as to promote cooperation between the Japanese supervisory authorities and the supervisory authorities of that jurisdiction.

Although not explicitly addressed in the current amendment to the Insurance Supervisory Guidelines, other regulatory measures can also be considered. In light of practices in other jurisdictions, possible measures include, for example, requiring insurers to conduct asset adequacy analysis in relation to asset-intensive reinsurance (including requiring them to establish additional policy reserves and other such measures based on the results) and requiring prior approval for asset-intensive reinsurance transactions. With respect to the latter, for example, requiring authorisation or prior or subsequent notification for reinsurance transactions exceeding a certain threshold could further enhance transparency regarding the purpose of the cession, the soundness of the counterparty (including retrocessionaires) and the appropriateness of the reinsurance transaction.

There is also room for further efforts toward regulatory convergence. If asset-intensive reinsurance transactions are being undertaken for the purpose of taking advantage of opportunities for regulatory arbitrage, then it will be necessary to take measures to eliminate such opportunities for arbitrage, which may include reviewing domestic regulations. With respect to cross-border regulatory convergence, for example, the conduct of equivalence assessments under the Solvency II framework in the European Union is one possible approach to ensuring such convergence. At the same time, it should be noted that such assessments by particular jurisdictions may be significantly influenced by political factors. In order to avoid such influence, it may also be worth pursuing international initiatives to assess the degree of regulatory equivalence through, for example, the IMF's Financial Sector Assessment Programme (FSAP) and/or the IAIS's Implementation Assessment of the observance of its standards.

Where private equity funds or other asset management companies are able, through ownership of (re)insurance companies, to effectively conduct the insurance business or manage the assets backing insurance liabilities, it is natural that the question may arise as to whether such entities should be subject to regulations equivalent to those applicable to insurers. In that sense, strengthening regulation of the parent companies and major shareholders of (re)insurers also merits consideration. When private equity funds or other asset management companies seek to become parent companies or major shareholders of (re)insurance companies, it would be effective to conduct regulatory and supervisory reviews from such perspectives as to whether their business models and practices materially diverge from those of the relevant (re)insurers. Moreover, it is important not only that supervisory authorities possess powers such as on-site inspection and administrative sanction over the parent companies and major shareholders of (re)insurers, but also that the exercisability of those powers be ensured.

These discussions should not be conducted solely within the insurance sector. For example, it would be meaningful to engage in these discussions from a forward-looking perspective, bearing in mind the possibility that bulk purchase annuities (BPA), which have grown significantly in scale in the U.K., may also become active in Japan. In addition, there is room to consider the appropriate approach to the regulation and supervision of private funds and private markets. The former may be capable of being considered in the context of discussions on the regulation and supervision of non-bank financial intermediation (NBFI). With respect to the latter, initiatives such as those undertaken by the Australian Securities and Investments Commission (ASIC) regarding private capital markets may provide useful reference points.

Going forward, it is hoped that discussions on these broad themes concerning the appropriate design of regulation and supervision will continue to advance, thereby ensuring the protection of policyholders, financial stability, and much more. Insurers are expected to conduct their business with these uncertainties in mind.

End of the Article

Note: Any opinions expressed in this paper are the author's own and should not be regarded as the official opinions of the organisations to which the author is or was affiliated.

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This is a list of materials referenced in the Japanese version. The order of the referenced materials is in line with their order in the Japanese version.

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【Major publication】

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