Annuity issuers borrowed $153B from FHLBs in 2025: AM Best

By Editorial Staff *Wed, Jul 1, 2026*

Sixteen large life/annuity companies, led by Athene Annuity and Life's $23B, received advances totaling almost $90 billion from the Federal Home Loan Bank in 2025 (see chart at right). In other news, Cayman regulator aims for 'jurisdictional maturation'; Apollo caps withdrawals from private credit fund; AM Best discusses reinsurance 'sidecars'; Sixth Street invests in Monument Re.

U.S. life/annuity insurers' borrowings from the Federal Home Loan Banks (FHLBs) slowed in 2025, but still grew by 10% year-over-year, driven predominantly by funding agreements, according to a recent AM Best report.

The *Best's Special Report*, "Funding Agreements Drive FHLB Borrowings for the L/A Industry in 2025," states that borrowings in the form of funding agreements totaled $153 billion in 2025, compared with $136 billion in the previous year, as annuity writers have been able to leverage the lower cost of borrowing from the FHLBs and gain a favorable spread on investments. Although the FHLBs provide an inexpensive short-term financing option potentially used to increase investment income, an insurer may be exposed to credit risk, collateral risk and market risk.

The FHLBs are a system of 11 regionally based government-sponsored banks providing liquidity to financial institutions to promote housing and community initiatives. Insurers can gain access to the FHLB if they engage in mortgage lending and purchase FHLB stock and must post collateral to receive advances.

According to the report, borrowing capacity grew at a faster rate than borrowings in 2025, increasing by 18%, again heavily driven by annuity writers.

"Borrowing capacity is still broadly available, although it is somewhat more limited than in 2019, before the more recent annuity sales boom amid private capital heavily entering the life/annuity industry," said Jason Hopper, associate director, Industry Research and Analytics. "Two-thirds of companies used less than half its available capacity in 2025, which is up from 62% in 2019; however, a notably higher share of companies have outstanding borrowings today as compared with 2019."

Other takeaways in the report include:

- Favorable crediting rates have led to a surge in deposit-type contracts by insurers, including guaranteed investment contracts (GICs). While the amount of FHLB funding agreements reported as GICs and as premium or other deposit funds rose notably over

the last two years, the share of the total balance has hovered steadily around 22% for the industry in aggregate.
- Since FHLB funding agreement borrowers are predominantly companies that sell annuities and spread-play business, the investment profile of these borrowers closely mirrors that of the individual annuity composite in asset classes such as private placements and affiliated and high-risk investments, as well as bond yields.

Cayman regulator aims for 'jurisdictional maturation'

The Cayman Islands Monetary Authority (CIMA) issued a Thematic Review of Reinsurance Companies last month, finding that corporate governance accounts for 68% of all weaknesses identified across the Class B(iii) and Class D reinsurers examined.

While Bermuda is still the main reinsurance domicile for life/annuity companies, Cayman's reinsurance industry has expanded to an institutional level, with 114 reinsurers, around US$30 billion in premiums, and US$102 billion in assets.

The review covered both life/annuity and P&C reinsurers holding these license classes, but the governance findings are "particularly material for commercial platforms with billion-dollar balance sheets," according to one **assessment** by Walkers, a legal, compliance, and fiduciary firm.

"Cayman is aligning its governance expectations with the institutional standards that cedants, their US state regulators, rating agencies, and other key stakeholders already expect from major reinsurers," Walkers attorneys wrote. "As the industry grows, supervisory standards are evolving accordingly.

"Jurisdictions with significant reinsurance markets that are reviewed by the IAIS already adhere to these governance standards; similarly, all Cayman platforms serving the same cedants must meet these expectations. This is a sign of jurisdictional maturation and a call to action to strengthen documentation, processes, and service-delivery frameworks across the industry."

Apollo caps withdrawals from private credit fund

Apollo Global Management Inc. is again limiting withdrawal requests from its largest non-traded private credit fund for retail investors, as broader concerns about the asset class persist, Bloomberg reported.

Apollo Debt Solutions, which has roughly $25 billion in assets, capped withdrawals at 5% of

outstanding shares on Monday after investors asked to redeem 16.8%, according to a shareholder letter. Redemption requests in the quarter were higher than the 11.2% investors wanted to pull in the prior period.

The fund reported that it has generated an 8.1% total net return since it was launched.

Apollo is the latest alternative asset manager to cap investor withdrawals for the second quarter running as concerns over private credit's exposure to software firms and the potential for AI disruption rumble on.

Apollo President Jim Zelter said in May that redemptions from BDCs are likely to continue for the next two quarters following a turbulent first quarter for the sector, and that such requests could even increase.

'Sidecars': A source of funds and fees for Bermuda Triangle players

Strong U.S. annuity sales has led to increased formations of sidecars, with total ceded reserves to sidecars or entities engaged in sidecar-like activity increased to more than $90 billion in 2025 from $55 billion in 2023, according to a new AM Best report.

"The vast majority of reserves ceded are covering liabilities for indexed and fixed annuities," said *Best's Special Report*, "Big Year of Growth for Life/Annuity Sidecar-Like Activity in 2025."

The formation of reinsurance sidecars has been confined generally to private equity/asset manager-backed insurers or insurers with investment management subsidiaries, the report's author said. These sidecars can earn fees for the contributing owners, providing additional revenue streams for diversification.

"Individual annuities have experienced significant growth amid rising interest rates over the last few years, which has created space for additional capital to enter the reinsurance market and provide capacity as annuity writers aim to manage growth and maintain adequate capitalization. "As a result of managing strong premium growth through reinsurance, the individual annuity composite has steadily seen its reinsurance leverage double since 2019. In addition, overall surplus relief of nearly 11% in 2025 was double that of the previous year."

"Sidecars… have become more pronounced in the life/annuity industry since 2021," said Jason Hopper, associate director, Industry Research and Analytics, AM Best, adding that

“reinsuring a block of fixed-indexed annuities to a sidecar… could go on for decades.” By contrast property/casualty sidecars have finite lives funding short-term risks with liquid assets.

The report also said:

- Sidecars currently account for a range from low single digits up to over three-quarters of ceded reserves (i.e., reserve credit taken plus modified reinsurance reserves) by the ceding company, signaling more counterparty concentration at some companies.
- Companies ceding reserves to sidecars have an outsized share of funds withheld in coinsurance compared with the industry aggregate. While sidecars account for approximately 4% of the industry reserve credit taken at primary insurers, they account for 10% of funds withheld.

Sixth Street invests in Monument Re

Investment firm Sixth Street has agreed to acquire a majority stake in Monument Re, a life insurer and reinsurer that acquires and manages in-force life insurance portfolios in Europe. Hannover Re will remain a shareholder and reinsurance partner in Monument Re.

Sixth Street Insurance said it advises on more than $125 billion in insurance company assets.

Investment vehicles that Sixth Street manages or advises will acquire the stake, the release said. Monument Re will gain capital and resources to accelerate its business plans and continue to operate as a standalone company. The transaction is expected to close by year-end. Hannover Re said it will remain a reinsurance partner and shareholder.

The combined market presence and experience of Sixth Street and Hannover Re positions Monument Re for ongoing growth, Monument Re Group CEO Carlo Elsinghorst said in a statement.

Last year, Monument Re transferred a €1.4 billion ($1.56 billion) legacy reinsurance portfolio to RGA Americas Reinsurance Co. Ltd., to focus on European life insurance consolidation. It said the portfolio was comprised of annuity and other life insurance liabilities it acquired in a 2020 Greycastle Holdings Ltd. Transaction.

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