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Insurers nearly double private credit fund investments



Mumbai: Insurance companies have nearly doubled their exposure to private credit funds over the past two years seeking to diversify their portfolios and improve returns for policyholders. Bajaj Life and Bajaj General Insurance, for instance, have increased their commitments to alternative investment funds (AIFs) to Rs 650 crore from Rs 200 crore over the past two years, with most additional allocation directed towards private credit rather than equity strategies. "Insurance companies are increasingly looking to diversify their investment portfolios, with Alternative Investment Funds (AIFs) emerging as one of the available avenues," said Amit Joshi, chief investment officer, Bajaj General Insurance.

"Especially for General Insurance companies, credit AIFs can offer the potential for relatively predictable returns and regular income distributions, making them a consideration within a diversified investment strategy. Such allocations are guided by the insurer's investment objectives, risk appetite and applicable regulatory requirements." Another CIO of a large life insurance company said they have doubled exposure to AIFs, without giving details. The insurers have backed funds managed by Acertis, ICICI Prudential AIF and other private credit platforms.

SBI Life Insurance has also stepped up its investments in the segment. Under the current regulatory framework, insurers can invest up to 3% of their shareholders' funds in specified alternative investment funds. The industry is seeking to raise this limit to 5%, arguing that greater flexibility would help insurers diversify their investments and enhance portfolio returns. "The growing interest from insurers comes as institutional investors look for income-generating assets beyond traditional fixed-income investments," said Kanchan Jain, head of Ascertis Credit Group, whose fourth private credit fund has crossed $700 million in commitments and is targeting $1 billion. Jain said performing private credit offers insurers exposure to a diversified pool of borrowers, with regular distributions and financing structures tailored to the needs of individual businesses.

The interest is coming from both life and general insurance companies, broadening the investor base for private credit funds. Earlier this year, the Insurance Regulatory and Development Authority of India (IRDAI) widened insurers' investment options, including by allowing investments in equity and debt instruments of private limited companies and easing norms for financing infrastructure projects through special purpose vehicles.

It has clarified that single-AIF exposure limits will aggregate direct investments and indirect exposure through fund-of-funds structures, while restricting overseas deployment of capital sourced from policyholders. Under the revised framework, life insurers can invest up to 3% of their life or segregated funds, and general insurers up to 5% of their investment assets, in private limited companies, AIFs and venture funds combined.