Securitized Solutions for Insurance Asset Management

Enhancing Insurer Value with DoubleLine's Expertise in Securitized Fixed Income and Risk Management Focus

"Our team brings over a decade of experience working with insurance clients, providing tailored, multi-asset solutions that align with their portfolio and liability objectives."

Executive Summary

Macroeconomic Volatility and Investment Implications
Insurance companies today are navigating an increasingly complex environment shaped by shifting macroeconomic trends, evolving regulation and geopolitical disruptions. Following a prolonged period of low interest rates that drove insurers into less traditional investments, the rise in interest rates has generated new opportunities across fixed income markets. However, reduced risk premium in most credit markets and heightened global uncertainty – including disruptive U.S. policy shifts – present risks that cannot be ignored and underscore the need for selectivity and diversification.

At DoubleLine, we believe the path forward for insurers lies in building resilient portfolios – emphasizing securitized products that may provide attractive risk-adjusted returns across varied market regimes. We believe resilient, income-generating assets with lower correlation to traditional markets could offer insurers valuable downside protection and performance stability.

Broadening Fixed Income Allocations
U.S. insurers held over $8.5 trillion in cash and invested assets at year-end 2023.[1] While traditional bonds have rebounded, insurers have continued allocating toward structured credit, private credit and real assets seeking to enhance yield and improve capital efficiency.

Insurers' fixed income portfolios have been increasing allocations to:

Securitized Credit: Residential and commercial real estate (CRE), CLOs and ABS that may offer higher risk-adjusted returns than corporate bonds with robust historical performance and low default rates.

Real Assets: Investments in railcars, aircraft and renewable energy infrastructure typically provide long-duration, essential-use income streams – aligning with insurers' long-term liabilities.

Securitized Fixed Income in Today's Market Environment
With growing uncertainty around trade policy, interest rates and potential credit cycle shifts, the relative value of securitized credit is increasingly attractive. Many securitized subsectors still price wide of long-term medians. This indicates that valuations remain historically cheap despite strong structural protections and improving fundamentals in underlying loan portfolios. In a market where many traditional fixed-income sectors appear fully valued, securitized credit has shown the potential to continue to deliver on it its historical promise – yield, capital efficiency and risk-adjusted returns – making it even more essential to insurance portfolios today.

Insurers' Asset Allocations Have Broadened

Insurance companies are not monoliths and face different claim types, some of which are more easily modeled than others. This means that some insurers put a premium on predictability and liquidity while others are willing to accept less liquidity and **slightly higher risk for enhanced returns.**

Securitization Allows Managers to Target Risk and Duration

Securitized fixed income refers to bonds backed by pools of individual loans generating contractual cash flows. This universe, including Agency mortgage-backed securities, non-Agency residential MBS and commercial MBS, asset-backed securities and collateralized loan obligations, **accounts for approximately 25% of outstanding U.S. fixed income** but is often underrepresented in insurers' portfolios, which tend to display a corporate credit bias.[3]

DoubleLine Securitized Fixed Income Experience

As a forward-thinking investment firm, our ideas and rigorous processes are anchored in decades of experience in securitized products and asset-based lending, placing us at the forefront of investment opportunities. We deploy capital across the entire investment risk spectrum from senior to mezzanine tranches, including structured equity, which leads to **stronger partnerships, as we are a one-stop solution to issuers'** debt-financing needs.

What Is Securitized Fixed Income?

Securitized fixed income refers to bonds backed by pools of underlying loans that generate contractual cash flows. Unlike unsecured corporate bonds, securitized structures allow investors to directly access specific asset classes with transparency into collateral performance and structure. These instruments are divided into tranches that vary by seniority, maturity, coupon and credit rating, allowing investors to tailor exposures to fit cash flow needs and return objectives. (Figure 1)

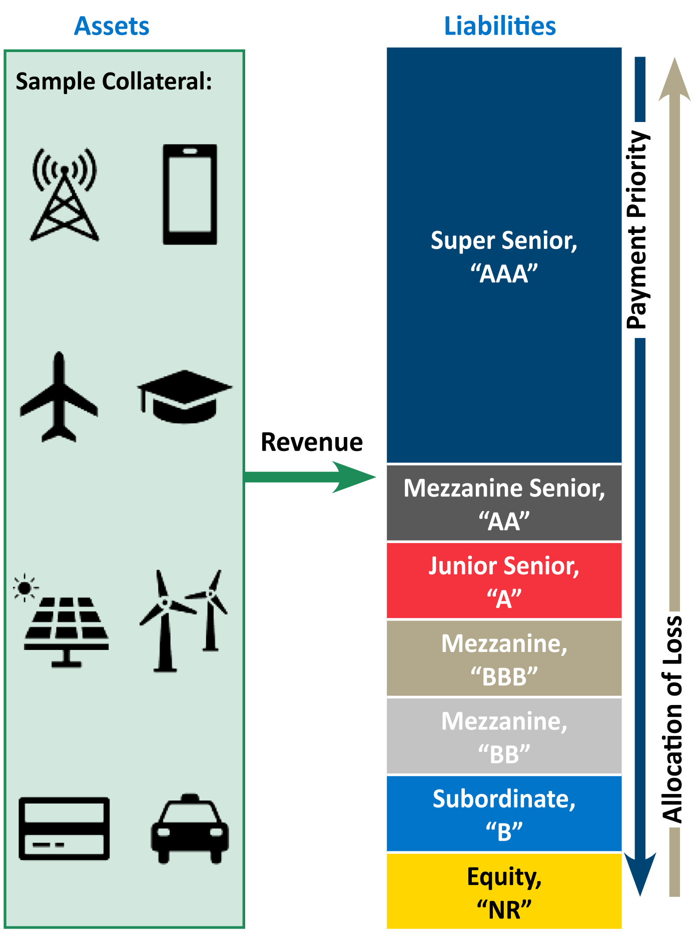


Figure 1
Source: DoubleLine

Agency Mortgage-Backed Securities

Overview: Agency MBS are backed by residential mortgages issued by Ginnie Mae, Fannie Mae or Freddie Mac. These securities carry guarantees of timely principal and interest, eliminating credit risk but exposing investors to prepayment risk.

Potential Benefits for Insurers: Agency MBS offer high-quality, liquid exposure with favorable capital treatment. The prepayment risk generates a yield premium over U.S. Treasuries, enhancing book yield and return on capital (ROC), and supporting efficient duration management. Additionally, Agency collateralized mortgage obligations can vary by maturity, coupon and payment priority, allowing insurers to better match asset and liability needs.

Non-Agency Residential MBS

Overview: Non-Agency RMBS are issued by private entities and carry both credit and prepayment risk. The underlying loans typically do not meet government-sponsored enterprise standards due to borrower credit profiles or documentation.

Potential Benefits for Insurers: These securities offer higher yields than Agency MBS and include structural protections like subordination and excess spread. They provide insurers with flexibility to match liabilities and improve risk-adjusted returns, often with favorable capital treatment.

Non-Agency Commercial MBS

Overview: Non-Agency CMBS bonds comprise one or more first mortgage loans secured by CRE properties. Through the securitization process, a loan or loans are split into bonds rated AAA down to below investment grade.

Potential Benefits for Insurers: Non-Agency CMBS deliver diversified CRE exposure and allow selection across seniority and credit quality. They typically offer higher book yields than comparable corporates and support income generation and portfolio diversification. Additionally, CRE CLOs provide investors with access to floating-rate securitizations.

Asset-Backed Securities

Overview: ABS are backed by a variety of consumer and commercial loans, including auto loans, credit cards, student loans and equipment leases.

Potential Benefits for Insurers: ABS offer short-duration, high-quality exposure with low correlation to other fixed income sectors. They provide stable income, incremental yield over Treasuries and capital efficiency – making them attractive for liability matching and diversification.

Collateralized Loan Obligations

Overview: CLOs are actively managed portfolios of senior secured bank loans, funded through tranches of rated debt and equity.

Potential Benefits for Insurers: CLOs provide access to diversified corporate credit with strong structural protections. Investment grade (IG) CLO tranches offer attractive risk-adjusted returns and low historical default rates. Their floating-rate nature enhances income potential and resilience across economic cycles, with efficient capital treatment for insurers.

Securitized Fixed-Income Potential Advantages

Benefits	Securitized Credit	Traditional Credit
Secured & Ring-Fenced Investments	✓	✗
Structural Protections	✓	✗
Amortization	✓	✗

Why Insurers Find Securitized Attractive

Securitized fixed income appeals to insurers due to its ability to balance yield, risk management, liquidity and regulatory capital efficiency. With diverse liability structures, insurers vary in their tolerance for liquidity and credit risks, making the flexibility of securitized products particularly valuable.

Higher Book Yield for Comparable Risk: Securitized bonds often offer higher yields than similarly rated corporate bonds. Insurers prioritize book yield – income relative to original cost – because it generally provides stable, predictable cash flows that align with liability management and pricing models. Unlike market yield, which fluctuates with interest rates, book yield remains fixed, enhancing liability management and supporting competitive premiums and profitability.

Favorable Return on Capital (ROC): Insurers typically assess investments via ROC: income divided by regulatory risk-based capital charges (RBC). Securitized products typically offer higher income with relatively low capital charges, improving capital efficiency. This frees up capital for other uses, supports return on equity and helps avoid regulatory triggers tied to RBC thresholds.

Impairment and Downgrade Sensitivity: Impairments and credit downgrades are especially disruptive for insurers, increasing capital charges and straining asset-liability management. Securitized products with structural protections (e.g., subordination, credit enhancement) can help mitigate downgrade risk, preserving portfolio stability and regulatory compliance.

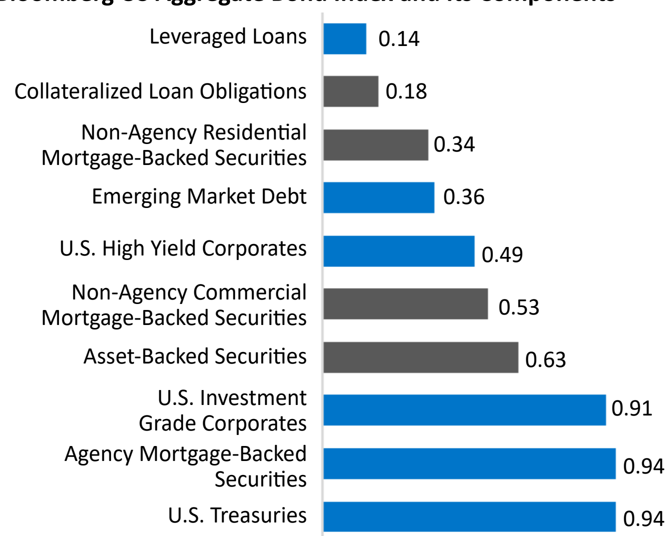
Liquidity Spectrum Matches Liability Needs: Different insurers have different liquidity needs:

- Life insurers, with long-dated and predictable liabilities, can pursue illiquidity premiums in less-liquid securitized assets like private ABS or CLOs, accepting reduced liquidity for higher yield.
- Property & Casualty (P&C) and health insurers, facing frequent and unpredictable claims, value the growing market liquidity and transparency in securitized markets post-2008. These improvements make securitized products more viable for shorter liability structures.

Diversification and Capital Efficiency: Securitized assets provide diversification away from traditional corporate and government bonds, reducing concentration risk. (Figure 2)

Their varied collateral types – ranging from mortgages to consumer loans – can improve portfolio resilience and allow active fixed-income managers to seek outsized risk-adjusted returns using bottom-up analysis. In some cases, this diversification also lowers aggregate RBC charges under National Association of Insurance Commissioners (NAIC) rules.

Securitized Credit Can Provide Diversification from the Bloomberg US Aggregate Bond Index and Its Components



Correlation to the Bloomberg US Aggregate Bond Index

Figure 2
Source: DoubleLine, StyleAdvisor, Bloomberg, from December 2013 through June 2025. List of indices can be found under disclosures. You cannot invest directly in an index.

DoubleLine's Securitized Capabilities

DoubleLine is an independent, employee-owned investment management firm committed to helping insurers achieve their investment goals. We offer an array of investment strategies and vehicles backed by a consistent and tested portfolio management team. Led by CEO-CIO Jeffrey Gundlach, DoubleLine was founded in 2009 when Mr. Gundlach came to believe his goal of asset management excellence was not shared by owners of the firm that his team had built to prominence over the preceding 24 years.

DoubleLine is well positioned to manage assets for insurers, particularly those looking to take advantage of the opportunity set in securitized fixed income. Since our inception, the firm has focused on investing in securitized assets, aligning with the capital allocation strategies of many insurers. In 2023, securitized products comprised 25% of insurers' bond allocations, up from 22% in 2017.[2] From its inception, DoubleLine has been committed to risk management and delivering strong risk-adjusted returns. The firm integrates risk management with the pursuit of excess returns, ensuring it does not exceed acceptable risk levels, which aligns with insurers' needs to avoid impairments and downgrades.

Additionally, DoubleLine employs a long investment horizon of 18 to 24 months, which we believe enhances the potential for attractive risk-adjusted returns. This long investment horizon helps reduce portfolio turnover, potentially managing liquidity risk. Low turnover and effective liquidity management are also consistent with the investment needs of many insurers.

Why DoubleLine for Insurers?

DoubleLine has been managing assets for insurers since the firm's inception in 2009. DoubleLine currently oversees $9.4 billion in insurance assets, with $1.8 billion allocated to general account assets as of June 2025. These assets are diversified across various strategies at the firm, including multi-sector strategies as well as dedicated strategies like residential mortgages, commercial real estate, and asset-backed finance. Insurance portfolios are constructed with personalized considerations in mind, which can result in different portfolios for the same strategies.

Since our inception, we have a history of customizing portfolios based on insurers' unique needs, resulting in objectives that can range from total return- to book yield-focused investment styles, from buy and hold to fully active, and maturity profiles from long to short.

Our insurance team collaborates with each insurer to understand their unique goals and objectives, including yield targets, liability profiles, strategies, types of insurers, gain/loss budgets, regulatory requirements, and accounting and reporting considerations. We offer custom solutions for insurers and provide regular access to our investment professionals. Our investment philosophy of focusing on risk-adjusted returns is ideal for insurers, as it has historically provided attractive capital and risk-adjusted yields. The growth of our insurance business is a strategic priority for the firm, and we are committed to managing assets for insurers. ■

Endnotes

1 SIFMA

2 National Association of Insurance Commissioners, as of May 8, 2024

3 Bloomberg, as of February 3, 2025

Indices for Figure 2: Leveraged Loans: Morningstar LSTA US Leveraged Loan Index; CLOs: J.P. Morgan CLO Index ; Non-Agency RMBS: Amherst Non-Agency Mortgage Index; Emerging Markets Debt: ICE BofA emerging markets indices; U.S. HY Corp.: Bloomberg US Corporate High Yield Index; Non-Agency CMBS: ICE BofA U.S. Fixed-Rate CMBS Index; ABS: ICE BofA ABS fixed- and floating-rate indices; U.S. IG Corp.: Bloomberg US Corporate Index; Agency MBS: Bloomberg US MBS Index; U.S. Treasuries: Bloomberg US Treasury Index

Agency – Refers to mortgage-backed securities (MBS) whose principal and interest are guaranteed by a U.S. government agency such as Fannie Mae (FNMA) or Freddie Mac (FHLMC).

Amherst Non-Agency Mortgage Index – This index, updated monthly by Amherst, tracks the performance of non-Agency mortgages.

Asset-Backed Securities (ABS) – Investment securities, such as bond or notes, that are collateralized by a pool of assets, such as loans, leases, credit card debt, royalties or receivables.

Bloomberg US Corporate High Yield (HY) Index – This index measures the U.S. dollar-denominated, HY, fixed-rate corporate bond market. Securities are classified as HY if the respective middle ratings of Moody's, Fitch and S&P are Ba1, BB+ or BB+ or below. The Bloomberg US HY Long Bond Index, including bonds with maturities of 10 years or greater, and the Bloomberg US HY Intermediate Bond Index, including bonds with maturities of 1 to 9.999 years, are subindices of the Bloomberg US Corporate HY Index.

Bloomberg US Corporate Index – This index measures the investment grade, fixed-rate taxable corporate bond market. It includes U.S. dollar-denominated securities publicly issued by U.S. and non-U.S. industrial, utility and financial issuers.

Bloomberg US Mortgage-Backed Securities (MBS) Index – This index measures the performance of investment grade, fixed-rate, mortgage-backed, pass-through securities of the government-sponsored enterprises (GSEs): Federal Home Loan Mortgage Corp. (Freddie Mac), Federal National Mortgage Association (Fannie Mae) and Government National Mortgage Association (Ginnie Mae).

Bloomberg US Treasury Index – This index measures U.S. dollar-denominated, fixed-rate nominal debt issued by the U.S. Treasury with a remaining maturity of one year or more. Treasury bills are excluded by the maturity constraint but are part of a separate Short Treasury Index.

Collateralized Loan Obligation (CLO) – Single security backed by a pool of debt.

Collateralized Mortgage Obligation (CMO) – Refers to a type of mortgage-backed security that contains a pool of mortgages bundled together and sold as an investment. Organized by maturity and level of risk, CMOs receive cash flows as borrowers repay the mortgages that act as collateral on these securities. In turn, CMOs distribute principal and interest payments to investors based on predetermined rules and agreements.

Correlation – A statistical measurement of the relationship between two variables. Possible correlations range from +1 to -1. A zero correlation indicates no relationship between the variables; -1 indicates a perfect negative correlation; +1 indicates a perfect positive correlation.

Duration – A commonly used measure of the potential volatility of the price of debt securities in response to a change in interest rates prior to maturity. Securities with longer duration generally have more volatile prices than securities of comparable quality with shorter duration.

Fannie Mae (FNMA) – The Federal National Mortgage Association (Fannie Mae) is a government-sponsored enterprise (GSE) chartered by Congress in 1938 during the Depression to stimulate home ownership and provide liquidity to the mortgage market. Its purpose is to help moderate- to low-income borrowers obtain financing for a home.

Freddie Mac (FHLMC) – The Federal Home Loan Mortgage Corp. (Freddie Mac) is a stockholder-owned, government-sponsored enterprise (GSE) chartered by Congress in 1970 to keep money flowing to mortgage lenders in support of homeownership and rental housing for middle-income Americans. Freddie Mac, purchases, guarantees and securitizes mortgages to form mortgage-backed securities (MBS).

Ginnie Mae (GNMA) – The Government National Mortgage Association (Ginnie Mae) is a federal government corporation that guarantees the timely payment of principal and interest on mortgage-backed securities (MBS) issued by approved lenders. Ginnie Mae's guarantee allows mortgage lenders to obtain a better price for MBS in the capital markets.

Government-Sponsored Enterprise (GSE) – Quasi-governmental entity established to enhance the flow of credit to specific sectors of the American economy. Created by acts of Congress, these agencies – although they are privately held – provide public financial services. GSEs help to facilitate borrowing for a variety of individuals, including students, farmers and homeowners.

ICE BofA U.S. Fixed-Rate Commercial Mortgage-Backed Securities (CMBS) Index – This index tracks the performance of U.S. dollar-denominated, investment grade (IG), fixed-rate commercial mortgage-backed securities (CMBS) publicly issued in the U.S. domestic market. Qualifying securities must have an IG rating (based on an average of Moody's, S&P and Fitch), a fixed coupon schedule, at least one year remaining to final maturity and at least one month to last expected cash flow.

Investment Grade (IG) – Rating that signifies a municipal or corporate bond presents a relatively low risk of default. Bonds below this designation are considered to have a high risk of default and are commonly referred to as high yield (HY) or "junk bonds." The higher the bond rating the more likely the bond will return 100 cents on the U.S. dollar.

J.P. Morgan Collateralized Loan Obligation Index (CLOIE) – This market value-weighted index comprises U.S. dollar-denominated collateralized loan obligations (CLOs).

Morningstar LSTA US Leveraged Loan Index – This market capitalization-weighted index tracks the U.S. leveraged loan market.

Mortgage-Backed Securities (MBS) – Investment similar to a bond that is made up of a mortgage or bundle of mortgages bought from the banks that issued them. Investors in MBS receive periodic payments similar to bond coupon payments.

Ring-Fence – Structural barrier that seeks to mitigate risk exposure of an asset.

You cannot invest directly in an index.

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