Are “alternatives” still alternative?

Assessing structural shifts in the insurance industry

A CWAN RESEARCH INSIGHT

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Table of contents

Summary from CWAN's Head of Research

In recent years, the alternatives space has garnered increased attention from strategists and pundits alike, with blockbuster growth during the pandemic driving renewed discourse. Less discussed in alts research and commentary, however, are allocations within overall portfolios. While invested assets and dry powder have risen to new heights, the extent to which alternatives have displaced traditional investments, notably publicly traded bonds and equities, warrants further exploration.

This research report investigates the alts universe at large and homes in on the insurance industry. It deploys aggregated data and, for the first time, leverages CWAN's proprietary database to investigate how, in real time, insurers have embraced (or shunned) certain asset classes.

Have alternatives grown in size but not portfolio stature? Are select institutional investors driving demand? Just how *alternative* are alternatives?

Our findings suggest that though the distribution is wide, **alternatives can no longer be called a fringe strategy.** For insurers that previously shied away, they constitute an ever-larger diversifier. For most others, they are a cornerstone, if not the portfolio centerpiece.

Matthew Vegari
Head of Research at CWAN

Our key findings

01 Alternative investments have grown substantially over the past decade, though asset growth has cooled since the pandemic boom.

02 Alternatives comprise a large share—nearly a third—of invested assets within the US insurance industry.

03 Alternatives exposure has been climbing steadily for years, though the distribution across insurer portfolios is wide.

04 Investment strategies can prove cyclical or structural. The shift toward alternatives has been structural in nature.

About our data

The insights in this report are drawn from CWAN's platform, where trillions in assets across thousands of firms are recorded and reconciled daily. The underlying data has been cleaned, anonymized, and aggregated to reveal meaningful trends in insurer allocations and investment strategies over time. While each portfolio is unique, these collective patterns provide a clear view of how insurers are positioning their portfolios amid evolving market dynamics.

Database summary statistics

~400 insurers	with at least $500 million in assets under management (AUM)
$4.4 trillion	in combined AUM as of August 2025
73% US-based	with the UK as the next-largest share at 10%, according to AUM
$2.0 billion	median AUM, with an interquartile range—25th to 75th percentiles—of $950 million to $5.9 billion
8 years	average length on CWAN—the shortest at 2 months and the longest at 19 years
44% Life 22% P&C 8% Health 26% Other	share of insurer AUM on CWAN

SECTION 1

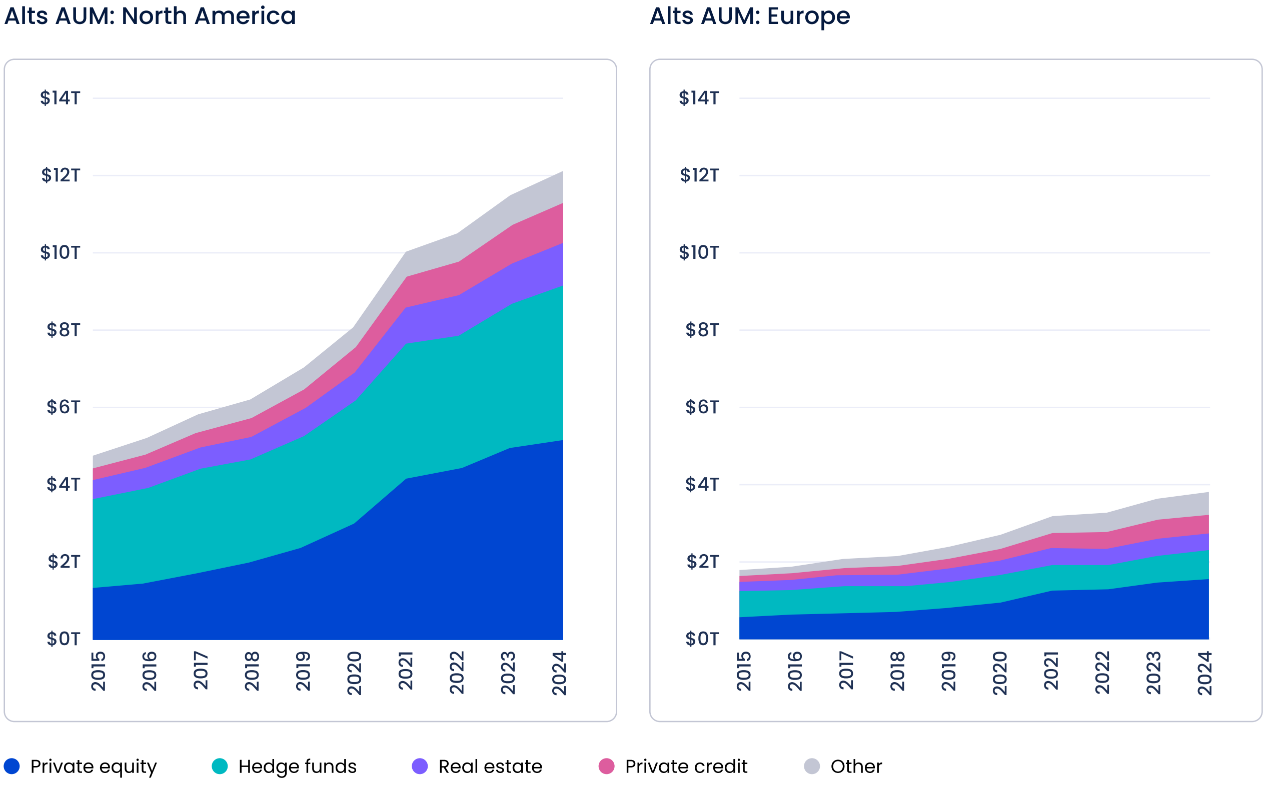
An alternative universe

What we talk about when we talk about alternatives

For years "alternative investments" ("alts") have been loosely defined across markets, industries, and portfolios. Today, the moniker itself may no longer serve its initial purpose. What constitutes an alt has changed over time, evolving into a catch-all term for assets that fall outside the traditional realm of public equities and bonds. Beyond such basics, alternatives tend to be more illiquid, longer-held, and riskier in nature. While many investments can be classified as alts, there are meaningful differences underneath so broad a financial umbrella.

No matter which asset classes are included in counting exercises, however, the alternatives universe has grown materially, with the last decade seeing a notable expansion. This rise, while pronounced in the United States, was global in scope. In Europe, for example, the market is far smaller, though assets under management doubled between 2015 and 2024 (Chart 1.1).

Chart 1.1 Alternative assets have surged globally, though North America remains the world's largest market.



Note: According to Preqin's "primary region focus."
Source: Preqin, CWAN Research

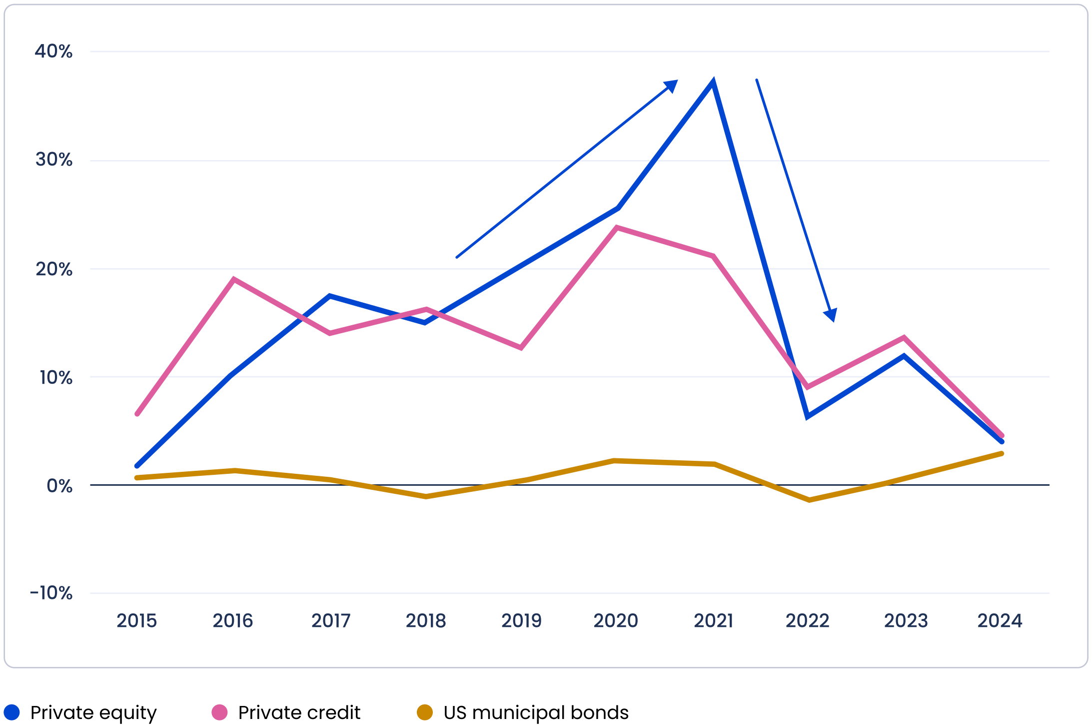
Estimates for the scale of the alternatives universe vary, given the lack of a common definition. The above charts deploy data from a third party, for example, whose database excludes hundreds of billions in additional private credit assets.[1]

Furthermore, such numbers, large-seeming, lack wider financial context, especially when accounting for inflation. To make matters somewhat more concrete: the AUM for North American alternatives in Chart 1.1 equated to about a quarter of US GDP in 2015. In 2024, that number had grown to over 40%.[2]

What has this meteoric rise looked like in growth terms? Several asset classes saw double-digit growth for much of the last decade. Such trends were particularly pronounced during the pandemic (Chart 1.2).

Chart 1.2 Growth in alts has eased off pandemic highs and fallen in line with more traditional asset classes.

Annual growth in outstanding assets under management (AUM)



Note: Alternatives data is for North America.
Source: Preqin, SIFMA, CWAN Research

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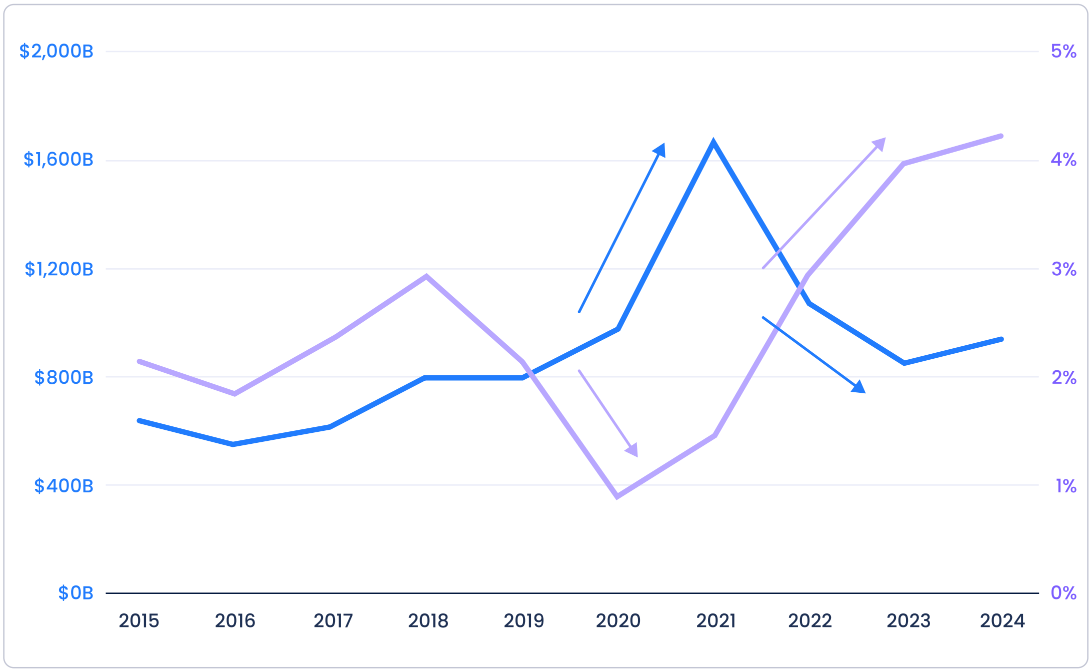
[1] E.g., Rule 144A bonds.
[2] As noted, this figure understates the alts universe.

Growth has since cooled, however. Last year (2024), North American private equity and credit assets under management grew at a similar clip to municipal bonds. While growth stalled, uninvested assets (so-called "dry powder") sat at near-record levels for many alternatives.

What gave rise to the pandemic surge? Several factors played a role, with falling interest rates among the most significant. In 2020, a return to the zero lower bound and quantitative easing by central banks left investors facing rock-bottom yields, prompting a scramble for higher returns. This period saw multiple expansion (and increased deal flow) followed by multiple compression, as rates rebounded to confront post-Covid inflation (Chart 1.3). Future cash flows were suddenly discounted more heavily, and the opportunity cost of illiquid capital rose.

Chart 1.3 A rise in deal volumes and values coincided with plummeting interest rates, a trend which swiftly reversed.

Private equity deal value vs. 10-year Treasury yield



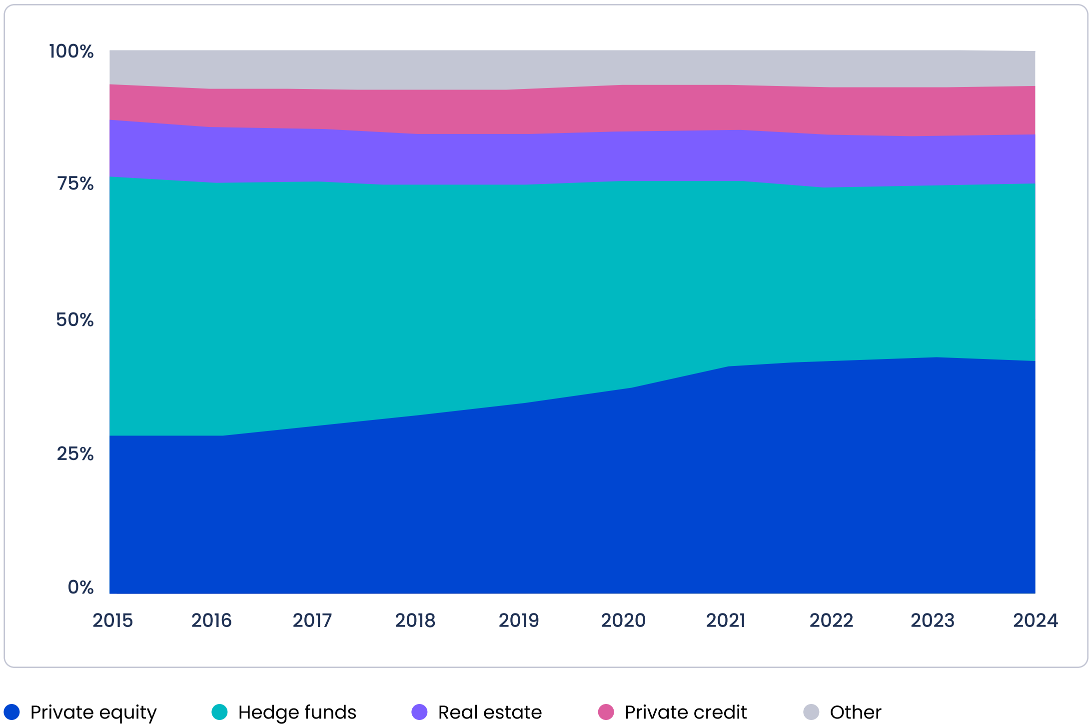
PE aggregate deal value (left axis)   US 10-year Treasury yield (right axis)

Note: Deal value data is aggregated for North America.
Source: Preqin, Federal Reserve, CWAN Research

Amid this backdrop, the composition of the alternatives universe has also shifted (Chart 1.4). Hedge funds no longer comprise an outsized share, a trend driven in part by years of lackluster performance and high fees, which prompted a concerted divestment by many institutional investors. At the same time, the rise of "alternative" alternatives has diverted flows elsewhere, with private credit in particular attracting meaningful allocations.[3]

Chart 1.4 Hedge funds now comprise a smaller share of the alts universe, while private equity and credit have gained ground.

Alts universe mix shift



Note: Shares are for North America.
Source: Preqin, CWAN Research

[3] As Preqin understates the universe of private credit, the share shown in Chart 1.4 is again understated.

The alts universe according to insurers

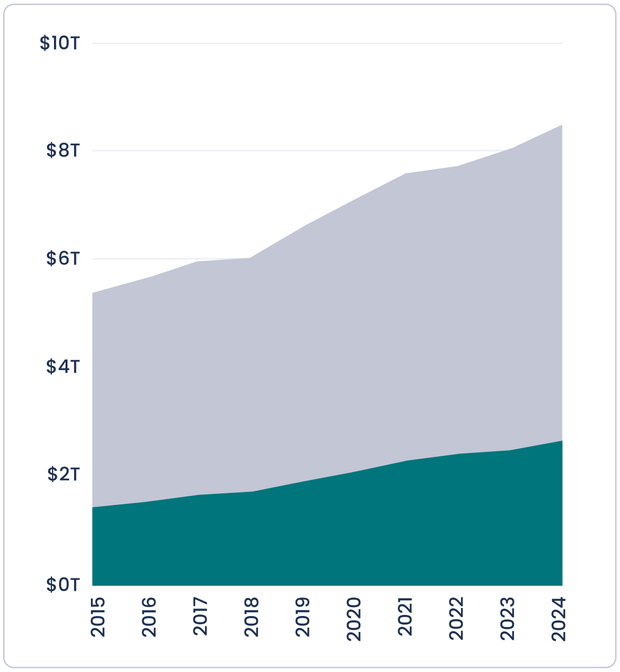
A slow, steady embrace

As noted in Section 1, the alternatives universe is vast and evolving. To focus our analysis, the remainder of this report turns to the insurance industry, whose embrace of alternatives has been longstanding, if gradual.

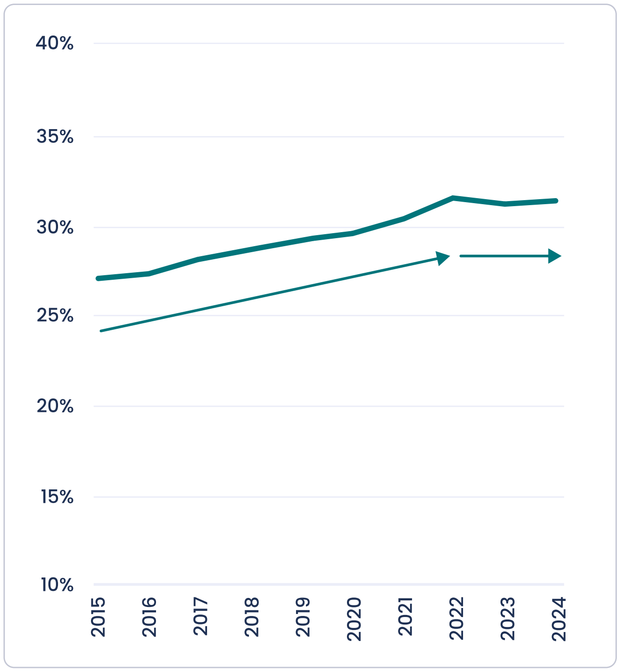
Today, as a share of AUM, alternatives comprise roughly one third of US insurer holdings, up from 27% in 2015 (Chart 2.1). To arrive at these figures, we relied on NAIC data, leveraging Schedule BA reports and broadening the definition of alternatives to include privately placed corporate bonds.

Chart 2.1 Alternatives now comprise nearly a third of US insurer holdings.

Holdings of all US insurers



Alternatives' share of all holdings



Alternative assets All else

Note: Data through 2024.
Source: NAIC, CWAN Research

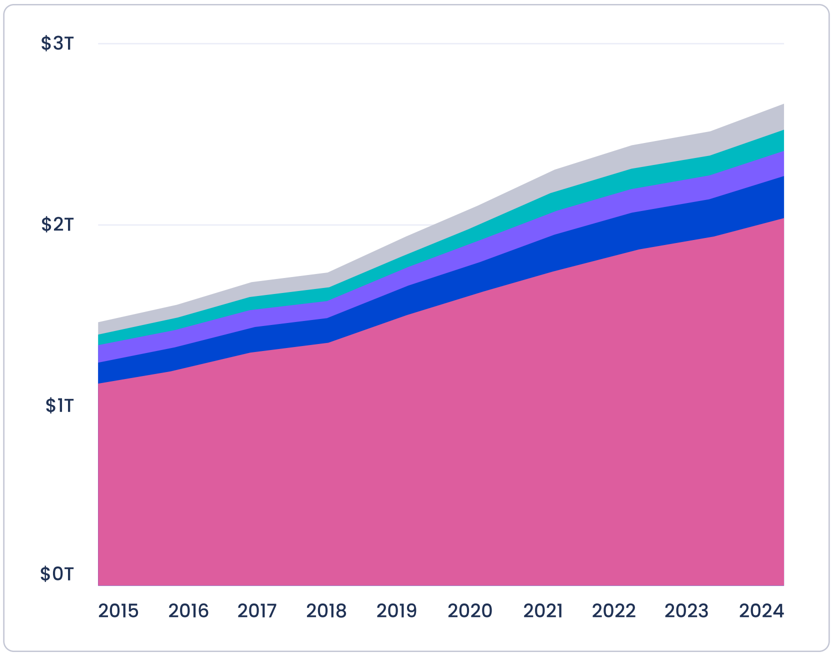
For insurers, the increase in alternatives exposure proved linear for much of the last decade, at nearly 1 percentage point per year, before stalling after 2022.

What prompted the slowdown? Pinpointing one culprit is a fool's errand, though the shift corresponded to a rise in global interest rates in the wake of post-pandemic inflation. As growth in alternatives slowed (see Section 1, Charts 1.2 and 1.3), it's likely that allocators turned back to previously unloved asset classes, including, but not limited to, cash and equivalents.

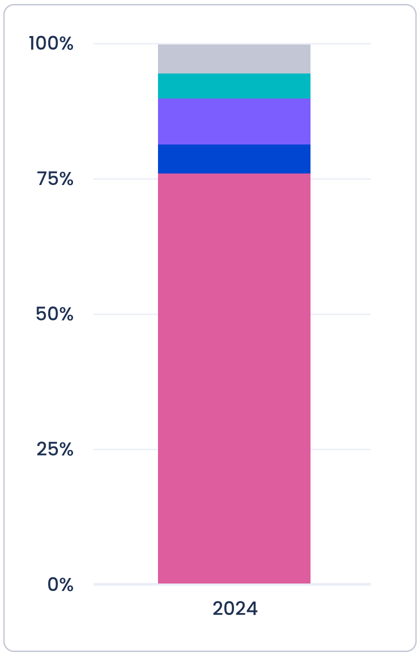
For insurers, what does the breakdown in alternative assets look like? Here, classifications matter. For the purposes of this report, we group mortgage loans under private credit, not real estate (Chart 2.2).[4] Why do insurers hold so much private credit? For the same reasons they are often overweight fixed income: the asset class aligns well with investment mandates, which seek stable yields and capital preservation in order to match long-term liabilities.

Chart 2.2 The alternatives universe for US insurers.

Insurer alts holdings



Latest shares



Private credit · Private equity · Real estate · Hedge funds · Other

Note: Shares for 2015-17 rely on NAIC's 2018 Schedule BA report. As such, charts assume constant shares for the first four years as a best proxy.
Source: NAIC, CWAN Research

[4] As a result, to some readers, private credit's share of assets might appear high.

Insurers occupy but a small corner of the alts universe for North America. Rough estimates suggest holdings at just 4% of all North American hedge fund assets. For private equity, that number stands at 3%. Given their high exposure to private credit, insurers should logically occupy a larger segment. As the scope of private credit is much harder to pin down, determining the exact share that belongs to insurers requires some guesswork. **With a broader definition, inclusive of mortgage loans and Rule 144A bonds (among other assets), we estimate insurers hold 30 – 50% of the private credit universe for North America.**

SECTION 3

Alternatives at CWAN

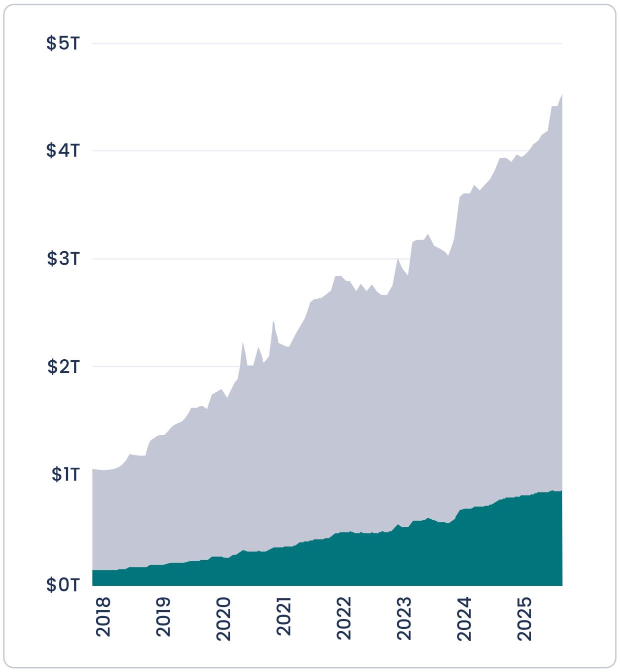
No longer alternative

We have examined the broader alternatives universe through the lens of the insurance industry, leveraging public disclosures for our analysis. Going forward (and for the first time), we will leverage CWAN data to gain deeper insights into how alternatives fit inside insurance portfolios. By looking at holdings across CWAN's client base (~400 insurers, $4.4 trillion in combined assets), we can map the alts universe at a more granular level, pinpointing the extent to which individual insurers expose themselves to—or shun—alternatives.

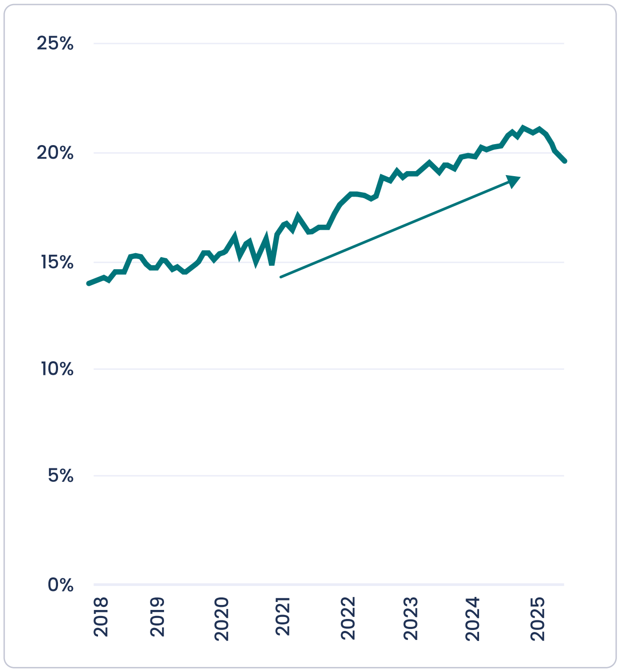
By and large, trends in CWAN data tend to mirror Section 2's NAIC aggregates (Chart 3.1). While NAIC data pointed to roughly 1/3 exposure to alternatives for US insurers, CWAN data is closer to 20%. This discrepancy is less a function of data and/or asset definitions and instead follows the distribution of clients by insurance type. Simply stated, CWAN's subsample of the industry is not perfectly proportional to the US industry at large.[5]

Chart 3.1 CWAN data shows a steady rise in alternative assets, which now comprise 1 in 5 dollars of insurer holdings on our platform.

CWAN insurance holdings



Alternatives' share of all CWAN holdings



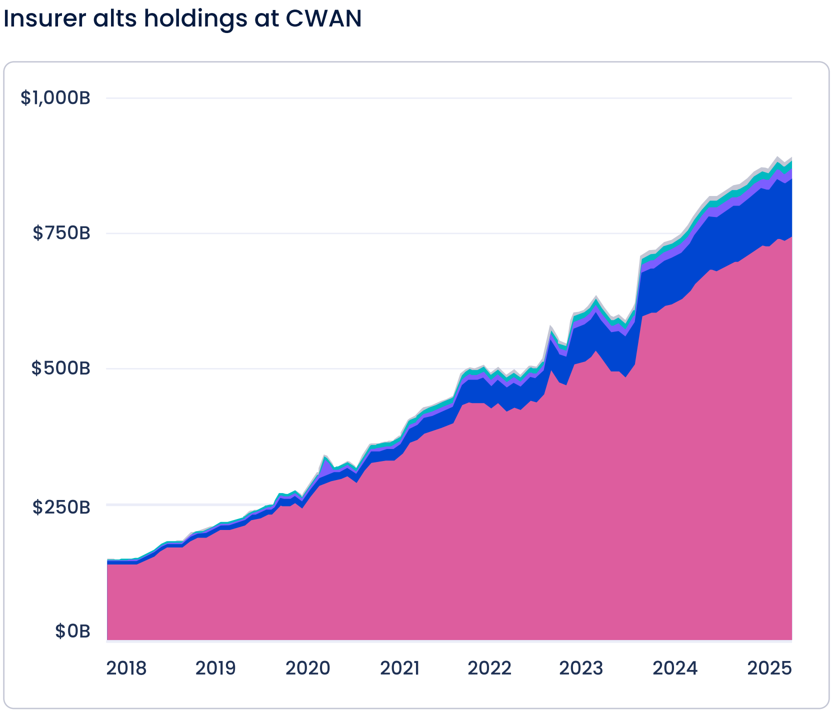
● Alternative assets ● All else

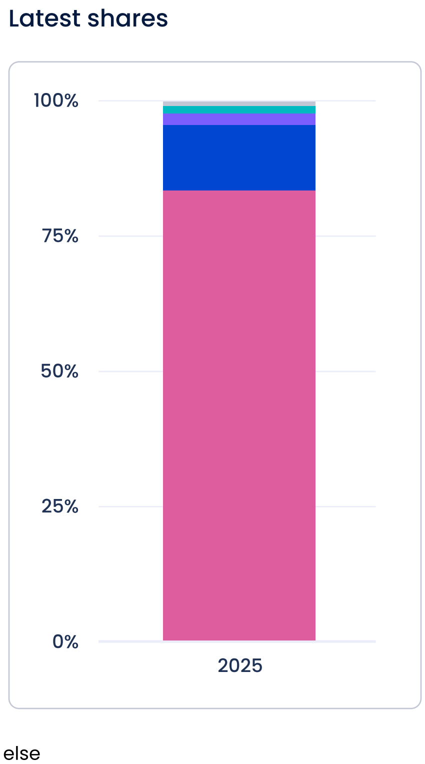
Note: Data through 8/2025.
Source: CWAN

[5] For example, alts-heavy life insurers, which comprise the majority of NAIC AUM, are a smaller share of CWAN holdings.

As before, private credit comprises the vast majority of exposure (Chart 3.2). Within private credit, the leading shares are 51% for private bonds, 24% for mortgage loans, and 16% for limited partnerships.[6]

Chart 3.2 What insurers' alts holdings look like at CWAN.





Note: Data as of 8/2025. As not all limited partnerships are classified by clients (e.g., as private equity, private credit, etc.), a large, representative sample of LP classifications was applied to the whole.
Source: CWAN

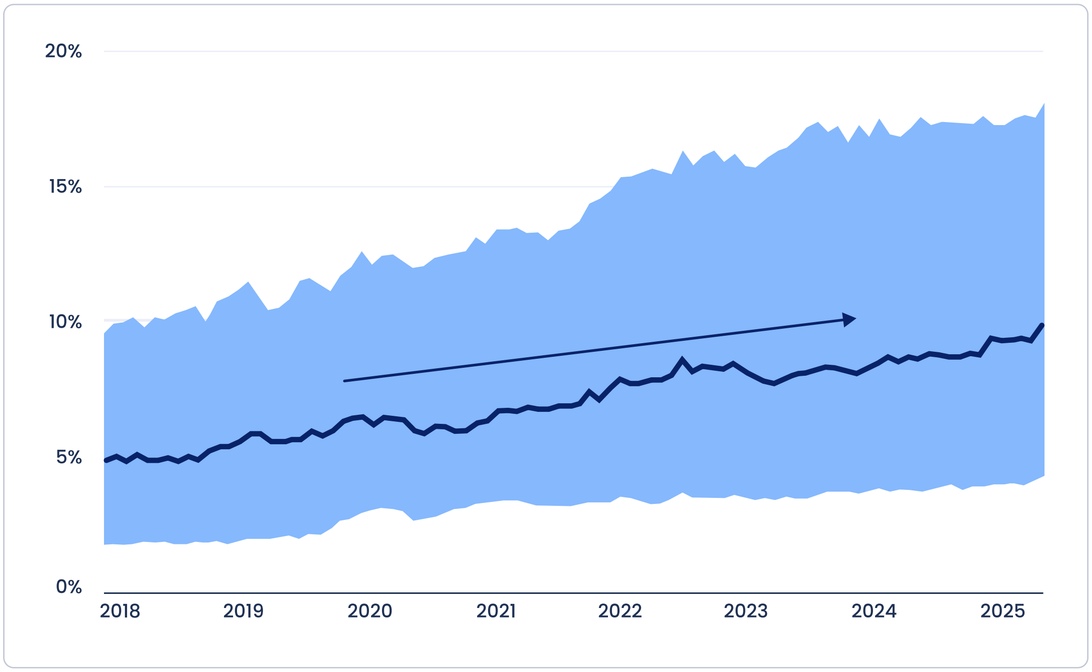
[6] A report on private credit will follow in 2026.

Aggregates can distort underlying distributions, however. Not all insurers invest heavily in alternatives. While alternatives comprise 1 in 5 dollars of insurance holdings on CWAN's platform, alternatives do not comprise 1 in 5 dollars of *every* insurer's portfolio.

Today, the median allocation across all CWAN insurance clients is 10%, up from 5% in 2018 (Chart 3.3). The interquartile range (25th to 75th percentiles) points to a much wider distribution. While exposure remains smaller for some, Chart 3.3's direction of travel is noteworthy.

Chart 3.3 The distribution of alts exposure on CWAN's platform is broad. Today, 1 in 4 insurers holds more than 18%, while half hold at least ~10%.

Individual insurer allocations to alts



25th to 75th percentile
Median

Note: Data through 8/2025.
Source: CWAN

The data above does not quite capture the extreme range of exposure. To accommodate an even wider distribution, we assessed the latest share of alternatives for all CWAN insurance clients (Chart 3.4).

Chart 3.4 Alternative? Today, many insurers see upwards of 40-50% of their portfolios allocated to alts.

Distribution of insurers' exposure to alternatives (share of portfolio)

Note: Data as of 8/2025. As data is client-reported, some shares may be over- or understated if insurers have not uploaded their entire portfolios to CWAN.
Source: CWAN

What accounts for this distribution? Is it the size of invested assets, i.e., the bigger the insurer, the greater the alts exposure? Not quite. CWAN data reveals little-to-no relationship between AUM and alts exposure (Chart 3.5).

Chart 3.5 The relationship between size and alternatives exposure is not present in CWAN data.

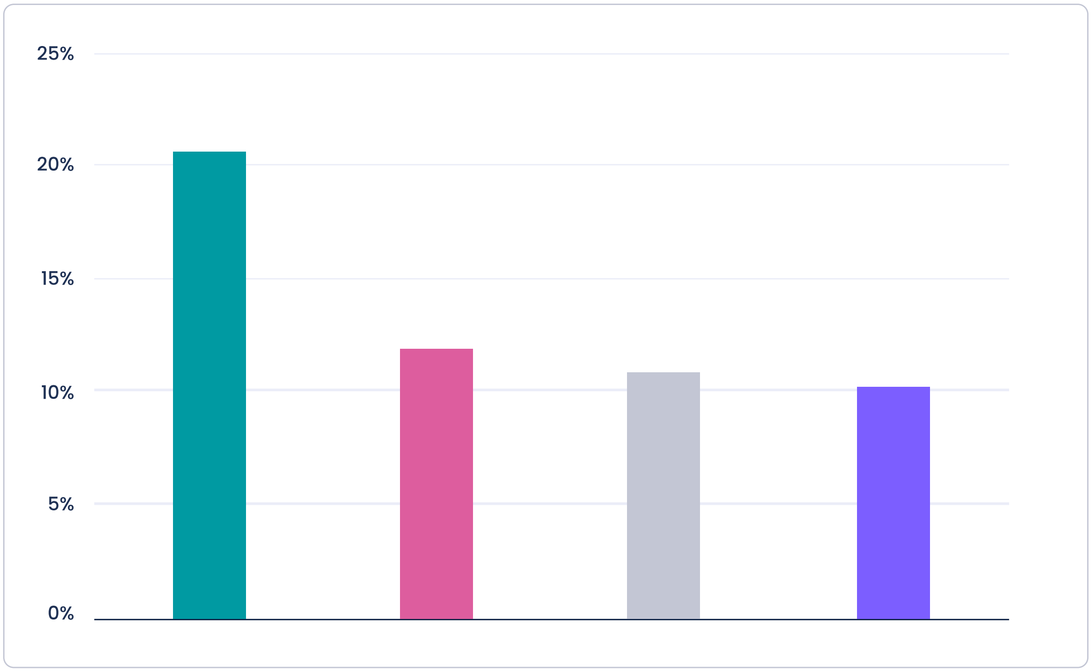
AUM vs. Alts exposure

Note: Data as of 8/2025. As data is client-reported, some shares may be overstated and AUMs understated if insurers have not uploaded their entire portfolios to CWAN. X-axis truncated for scale.
Source: CWAN

A far better explanatory variable is insurer type. Life insurers maintain greater exposure to alternatives relative to their industry peers (Chart 3.6).

Chart 3.6 Alternatives exposure varies by type of insurer.

Average exposure to alts



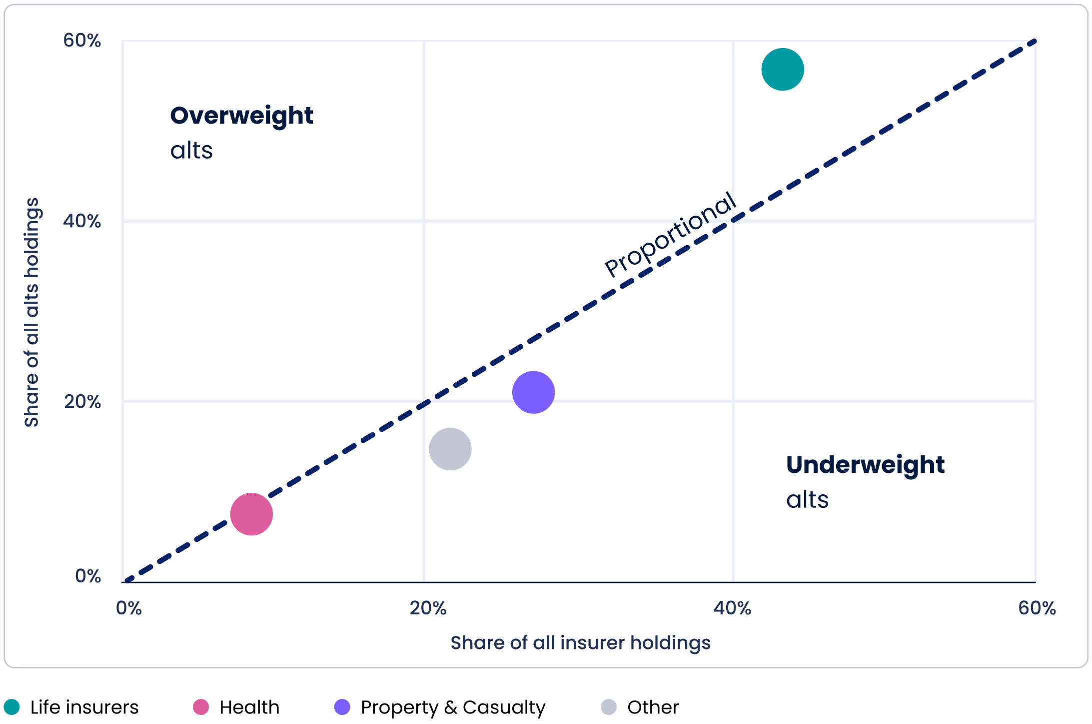
Life insurers Health Other Property & Casualty

Note: Data as of 8/2025. While many insurers have a breadth of business lines (property, auto, etc.), CWAN has selected the predominant classification per firm across all investment accounts. “Other” includes reinsurers, among others.
Source: CWAN

We can see who "punches above their weight" by cross-referencing shares of total CWAN insurance holdings with shares of alternatives holdings. Unsurprisingly, life insurers are "overweight" alternatives (Chart 3.7).

Chart 3.7 Life insurers on CWAN punch above their weight with alternatives exposure.

Shares of all holdings vs. alts



Note: Data as of 8/2025. While many insurers have a breadth of business lines (property, auto, etc.), CWAN has selected the predominant classification per firm across all investment accounts. "Other" includes reinsurers and auto insurers, among others.
Source: CWAN

SECTION 4

Assessing structural shifts

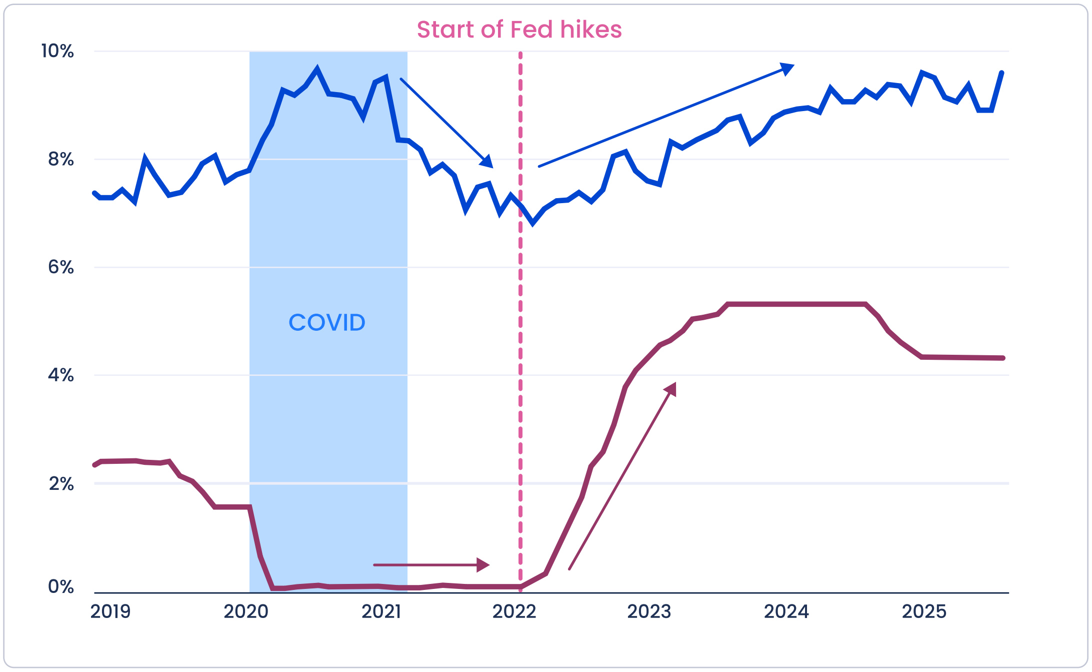
Out with the old, in with the new

We've established that alternatives have grown in stature in insurance portfolios. The remaining question, however, is whether the increase is structural. That is to say: are alternatives here to stay, and will they keep growing?

Insurance allocations are hardly static, and managers do adjust their exposures according to market gyrations. One cyclical dynamic easy to spot is cash investments. During the pandemic, cash (and equivalent) allocations spiked, likely due to trepidation on the part of allocators (Chart 4.1). These assets were then redeployed elsewhere, whereupon cash holdings hit a fresh low in Q1 2022. As central banks hiked rates to combat inflation, cash allocations swiftly rebounded. Here, investment decisions evolved from the push-pull of the business cycle.

Chart 4.1 Down and up: cash allocations move **cyclically.**

Fed funds rate and cash allocations for insurers



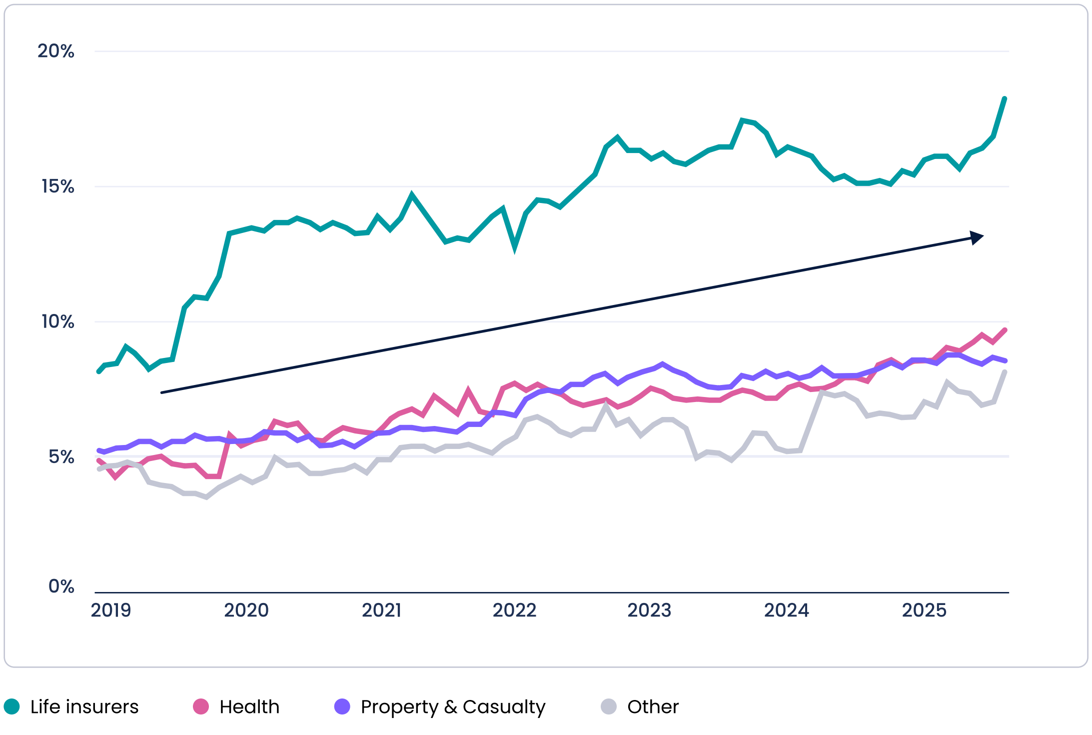
Average cash allocation   Fed funds rate

Note: For cash and cash equivalents.
Source: Federal Reserve, CWAN

Allocations to alternatives look decidedly different. While there are month-to-month dips and spikes, for many years the trend has moved one way: up. Notably, increased exposure tracks across all insurer types in CWAN's database (Chart 4.2).

Chart 4.2 Up and up: allocations to alternatives are growing **structurally**.

Insurer allocations to alts by type

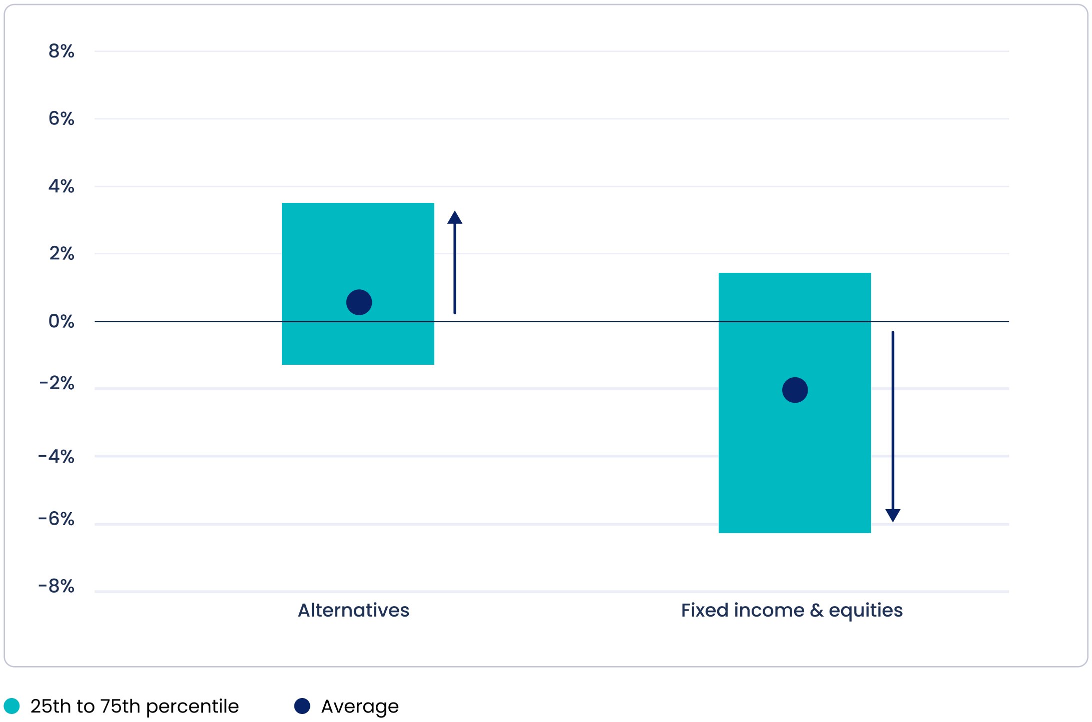


Note: For median allocations to alternatives.
Source: CWAN

What have insurers pushed to the wayside to make room for alternatives? For some, stocks; for others, bonds. The net effect is a sharp downward pull for traditional assets and upwards push for alternatives (Chart 4.3).

Chart 4.3 Traditional stocks and bonds have had to make room for alternatives.

Average change in allocations since 2022



Note: Change = percentage-point differences in portfolio allocations from 1/2022 to 8/2025.
Source: CWAN

Conclusion and looking ahead

Across global markets and within the insurance industry, “alternatives” have evolved from a fringe allocation to a core component of investor portfolios. The evidence—both from industry aggregates and CWAN’s proprietary client data—shows steady, structural growth in exposure, with private credit allocations leading the charge. **Today, many insurers maintain meaningful allocations that would have been uncommon only a decade ago.**

The pattern is clear: alternatives are no longer “alternative.” They have displaced allocations to traditional equities and bonds, weathered cyclical shifts, and become embedded in long-term strategies. For insurers, this transformation is likely driven by a need for diversification, strong, predictable yields, and liability matching—factors unlikely to fade anytime soon.

As the definition of “alternatives” continues to blur, the more relevant question today is not whether alts are here to stay but how portfolios will adapt to their permanence. **Looking ahead, several lines of inquiry have emerged here at CWAN:**

1. To what extent are insurers shifting from limited partner vehicles to directly held assets?
2. Where and in what form is new capital being deployed, both geographically and across sectors?
3. Within broad alternative categories such as private credit, what is the composition by instrument type —loans, funds, securitized products—and how is that mix changing?
4. Which investment pools and managers are winning the lion’s share of invested assets?
5. How widely are insurers embracing Rated Note Feeder Funds (RNFs), and what does this indicate about their evolving approach to capital efficiency, risk, and regulatory considerations?

The answers to these questions (and many others) will shape not only the trajectory of alternative allocations, but also the contours of insurer investment strategy in a market where the unconventional has become core.

About the CWAN Research Desk

The Research Desk delivers timely investment and portfolio strategy insights at the intersection of macroeconomics, markets, and CWAN's proprietary database. Drawing on holdings and transaction data from thousands of institutional investors—representing $10 trillion in assets, including insurers, corporates, asset managers, and other large institutions—we identify key shifts that matter for tactical and long-term decision-making.

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About CWAN

CWAN (NYSE: CWAN) is transforming investment management with the industry's most comprehensive cloud-native platform for institutional investors across global public and private markets. While legacy systems create risk, inefficiency, and data fragmentation, Clearwater's single-instance, multi-tenant architecture delivers real-time data and AI-driven insights throughout the investment lifecycle. The platform eliminates information silos by integrating portfolio management, trading, investment accounting, reconciliation, regulatory reporting, performance, compliance, and risk analytics in one unified system. Learn more at www.CWAN.com.

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