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Lifers Stay Abroad — and July's Reinsurance Rules, Not the New Working Group, Are What Bind GPs

Japanese life insurers are not bringing money home at scale yet, and their foreign bid is narrowing toward hedged, floating-rate credit. The FSA's new insurance working group will not change what lifers may buy. The rule that does reach GPs took effect on 1 July: Japanese insurers must now police the collateral that offshore reinsurers hold against the business the insurers cede (pass on to them).

Japanese life insurers hold ¥438.6tn of assets. Between end-March and end-June 2026, their JGB share fell from 36.3% to 35.4% and their foreign-securities share rose from 26.6% to 27.1%. These balances are marked to market, so they mix price moves with flows and cannot prove net buying either way. They do not show money coming home. A State Street portfolio manager explained the hesitation to Reuters: "Nobody wants to catch the falling knife". His colleague said repatriation "can start to pick up steam in 2027".

The insurers' own plans point the same way. Of the ten major lifers, four plan to increase JGB holdings in FY2026 and three plan to reduce them. None plan to add unhedged foreign bonds, and those adding hedged foreign bonds favour floating-rate assets. Nippon Life and Sumitomo Life Insurance are marked "increase" for hedged foreign bonds. Meiji Yasuda Life Insurance doubled its planned FY2026 JGB purchases to more than ¥2tn.

Now the rulebook. The FSA announced on 24 September that the Financial System Council's new Insurance System Working Group meets for the first time on 1 October. Its brief, set by the Minister on 31 August, has two items only:

- a new regime for reinsurance captives covering corporate non-life risk;
- the future of the life-insurance safety net, whose government-subsidy backstop expires at end-March 2027. It has been extended six times and never triggered.

Neither item touches asset-intensive reinsurance, ESR calibration or private-asset treatment. For GPs the group matters only indirectly: a debate on how lifer failures are funded could, at the margin, raise the FSA's bar on lifer risk-taking.

The rule that binds is the amended reinsurance guideline, in force since 1 July 2026. It targets asset-intensive reinsurance (AIR). In an AIR deal, a Japanese lifer passes a block of savings or annuity policies, and the assets behind them, to a reinsurer. The reinsurer then takes both the investment risk and the underwriting risk. The definition also covers deals where the assets stay

with the Japanese insurer. The guideline does not ban AIR, and it never names private credit. Instead, it makes the Japanese insurer police the reinsurer's collateral:

- The collateral policy must set limits by asset class, rating range and single issuer, and rules for low-rated and securitised assets.
- Because AIR collateral "may be long-term, illiquid assets", insurers must test its liquidity and resilience and whether the reinsurer can top it up in a crisis.
- Insurers need conflict-of-interest standards for reinsurers linked to investment funds, including reinsurers with an asset manager in the same group.
- Large AIR needs stress scenarios in which several reinsurers fail or recapture at once. Insurers should hold early-recapture rights (the right to take the business back) and can limit what assets come back.

The FSA says the change does not force insurers to reopen existing contracts. Its 2025 survey found more than 70% of AIR by stock was intra-group, and just under 30% went outside the group, led by listed Japanese insurers. It noted that reinsurers set up by private-equity funds are active in AIR, and it meets the Bermuda Monetary Authority, which it calls the main ceding jurisdiction.

Group-pension returns show where the real pressure sits. The Pension Fund Association's FY2025 figures put five of nine lifers in positive territory, from Taiju at 5.73% down to Daido at -4.93%. All nine were negative in FY2024. Daido's account is 71.3% domestic bonds and carries a -21.5% unrealised loss on securities. Taiju holds 11.9% domestic equity and 20.4% cash. On this evidence, the Taiju-Daido gap is a story of bond duration and equity exposure, not of alternatives or hedging.

Allocation Signal: The foreign bid holds but narrows. Lifers want hedged, floating-rate, investment-grade credit, and they are adding long JGBs at the same time. Private credit reaches them by two routes, and both now carry more paperwork. The direct route runs through ESR capital charges. The indirect route runs through offshore reinsurers, whose collateral the Japanese insurer's risk team now reviews for rating, liquidity, concentration and conflicts. A GP whose loans sit in a Bermuda reinsurer's collateral pool is, in practice, now answering to a Japanese insurer's risk team.

Which GPs Have Opportunities:

GP profile	Why this fits	What they'd need
Private-credit and ABF managers whose loans sit inside AIR reinsurers' collateral pools	Japanese insurers must now apply asset-class, rating, single-issuer, securitisation and liquidity tests to that collateral	Loan-level data, a rating or designation per asset, independent valuation, and a clear statement of any common ownership between reinsurer and manager
Floating-rate IG structured credit (CLO senior tranches, IG ABF) sold FX-hedged	Lifers adding hedged foreign bonds favour floating rate	An IG rating on the vehicle or notes, a yen-hedged class or rated-note feeder, and ESR-ready reporting
Yen or yen-hedged income strategies for mid-size lifers with heavy yen-bond books	Daido has had negative group-pension returns for five straight years and holds 71.3% in domestic bonds	Yen cash flows or low-cost hedging, a low ESR charge, quarterly marks

GP profile	Why this fits	What they'd need
Reinsurance-sidecar and insurance-solutions sponsors	Outside-group AIR is led by listed Japanese insurers, who now need recapture rights and exposure caps	Trust or funds-withheld structures, early-recapture triggers, collateral top-up capacity

Recommended Actions: Watch the 1 October working-group stream or materials to confirm investment rules stay off the agenda. Before the next lifer meeting, build a one-page map of your product against the July guideline's clauses: asset-class limit, rating range, single-issuer limit, securitisation, liquidity under stress and conflicts. When all FY2025 ESR figures appear, expected around November 2026, rank target lifers by capital headroom.

Sources: note 3.

Sources

[3] Lifers Stay Abroad — July's Reinsurance Rules Bind GPs.

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