



# **BAI Investor Report: German Insurance Companies 2026**

## **Updates on Asset Allocation in the Current Macroeconomic and Geopolitical Context**

April 2026

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# Executive Summary:

Data from the BAI Investor Survey 2025 and expert interviews provide insights into current trends in alternative investment allocations among German insurance companies. These companies invest more broadly diversified in alternatives than other types of investors; however, their average allocation, at approximately 25.2%, is lower than that of the average institutional investor (30.3%).

The allocations of German insurance companies vary, in some cases significantly. In the report, investors provide insights into their portfolios and highlight the influence of factors such as specific business models, individual investment philosophies, the weight of different insurance lines, and macroeconomic factors on asset allocation. For example, it is evident that a high proportion of traditional life insurance business, particularly through the cover pool, is associated with a lower allocation to alternative investments. The comparatively short duration requirements of industrial insurers also tend to be linked to lower allocations in certain longer-term alternatives. In light of this, the structural decline in the importance of traditional life insurance business in the German market can be interpreted as a potential driver for further expansion of alternative investments among insurance companies with other line-of-business focuses, such as health, property/casualty, or reinsurance.

Over the past three years, the allocation to alternatives by German insurance companies has risen significantly. It can be predicted that this trend will continue in Germany, as it has globally, in the

medium term. Across all major asset classes of alternative investments, with the exception of Real Estate, we see planned increases in allocations on average. This is occurring against the backdrop of rising perceived macroeconomic and geopolitical risks. Due to the imposition of tariffs by the U.S. government and the increase in global government debt, inflation is currently viewed by global insurance companies as the greatest challenge to their investment strategy. However, inflation protection and diversification, even in light of potential correlations between traditional asset classes, are also potential drivers for alternatives in asset allocation.

Furthermore, geopolitical risks are also gaining significance for German insurance companies in their investment activities. They require measures such as a more selective approach and scenario analyses to simulate the impact of geopolitical events on the portfolio.

According to survey data and interviews, the rise in interest rates is not currently leading to a displacement of alternative investments by liquid bonds at the aggregate level. Rather, two trends are emerging in allocations: on the one hand, a strategic reallocation from Real Estate to Infrastructure is evident; on the other hand, the debt sector is gaining relative importance. The rise in interest rates, which is lasting longer than originally expected, is likely a key driver of this trend. Infrastructure Debt, followed by Corporate Private Debt, is currently the asset class in which the largest proportion of the surveyed German insurance companies plan to increase their allocations.

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# 1. Research Questions and Methodology

**What does the current alternatives asset allocation of German insurance companies look like? What is the trend in adjustments to the alternatives asset allocation of German and global insurance companies, and what influence do macroeconomic and geopolitical factors have?**



The report uses data from the BAI Investor Survey, expert interviews, and additional international comparative data to answer these questions. The BAI Investor Survey 2025 is based on representative data from 107 German institutional investors with approximately €2.23 trillion in assets under management. Twenty-nine of the surveyed investors are insurance companies subject to Solvency II or AnIV regulation. Only two of the surveyed insurance companies are regulated solely under AnIV. Another

seven stated that they are subject to both regulatory frameworks. The BAI Investor Survey 2025 can be considered representative given its cross-section of the German institutional investor landscape. However, when examining alternative asset allocations, it must be taken into account that more investors familiar with the BAI are likely to participate and may therefore have an affinity for alternative asset classes, which could slightly skew allocations upward.

**The BAI defines alternative investments as follows:**

Main asset classes:	Sub- or niche asset classes:
Corporate Private Equity	Venture Capital
Corporate Private Debt	Credit Specialties / Opportunities
Infrastructure Equity	ILS / Cat Bonds
Infrastructure Debt	Natural Capital (e.g., Farmland, Timber, etc.)
Real Estate Equity	Other tangible assets (aircraft, ships, etc.)
Real Estate Debt	Commodities
Hedge funds / Liquid alternatives	Cryptocurrencies & Tokenized Assets

Figure 1: Alternative investments as defined by the BAI.

## 2. Allocation of German Insurance Companies in Alternative Investments

According to the BAI Investor Survey 2025, German insurance companies allocate a higher proportion of their assets across all major alternative asset classes, except Hedge Funds/Liquid Alternatives (Figure 2), compared to other LPs.

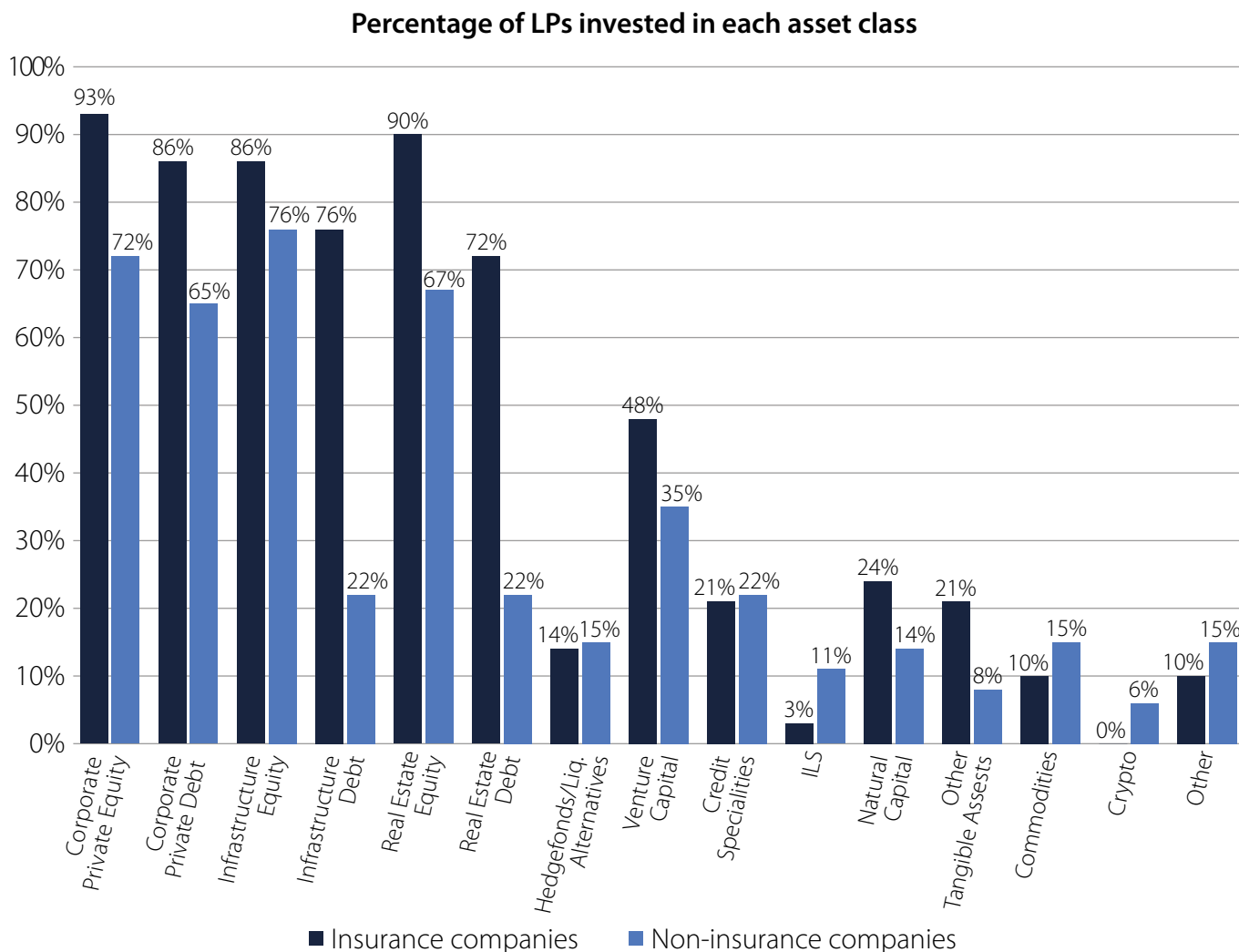


Figure 2: Proportion of investors invested in the respective asset class by investor type. Source: BAI Investor Survey 2025.

This is accompanied by the fact that insurance companies, on average, diversify into more alternative asset classes than other investors (Figure 3). The broader diversification into alternatives in the asset allocation of insurance companies can be

explained by their, on average, larger AuM, greater in-house expertise, and larger workforce, which enable them to pursue more specialized alternative strategies as well as to invest in sub- or niche asset classes.<sup>1</sup>

<sup>1</sup> Overall, there has been little change from the previous year's figures regarding insurance companies' greater expertise in alternative investments compared to other types of investors; see *German Insurance Companies 2024*, p. 8.

## Number of alternative asset classes in the portfolios

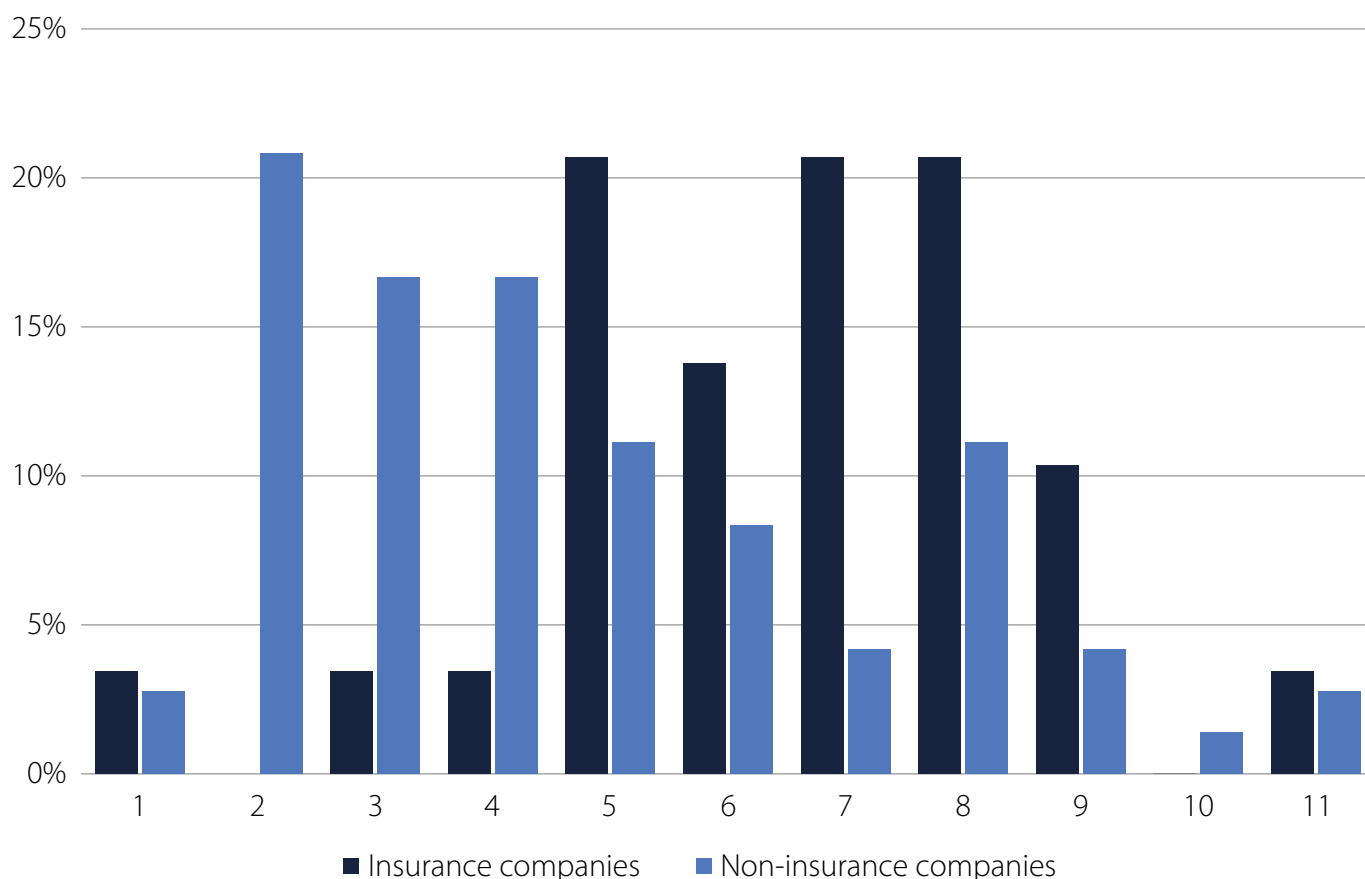


Figure 3: Number of alternative asset classes invested in by investor type. Source: BAI Investor Survey 2025.

### 2.1. Alternative asset allocation of German insurance companies compared to other investor types

Although German insurance companies allocate, on average, to more alternative asset classes than other types of investors, the average insurance company surveyed has a lower proportion of alternatives in its portfolio, approximately 25.2%, than the average across all investor types (30.3%). Investors with high risk tolerance, particularly single-family offices and pension funds, positively influence the average across all investors. Single-family offices operate largely free from regulatory restrictions in their investment activities and frequently pursue long-term value-enhancement strategies, which explains their high allocation to alternatives (47.0%). Pension funds also have very long-term liability structures

and a high tolerance for illiquidity, which determines the central role of alternative investments in their strategic asset allocation (44.3%). Insurance companies subject to Solvency II regulations, unlike AnIV investors, are not subject to quotas for alternative asset classes.<sup>2</sup> However, stricter regulatory capital requirements and higher liquidity needs, in practice, lead to lower allocations to alternatives than among pension funds.<sup>3</sup>

<sup>2</sup> BAI Investor Supervision Law.

<sup>3</sup> See Commission Delegated Regulation (EU) 2015/35 of October 10, 2014, supplementing Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II).

### Share of alternative investments by investor types

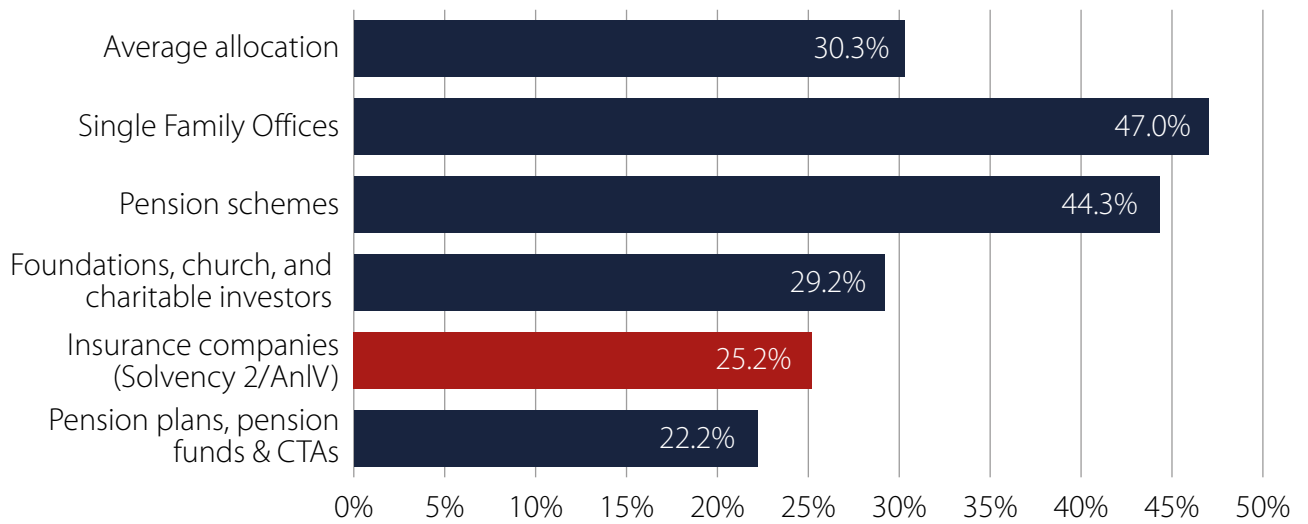


Figure 4: Average share of alternative investments in asset allocation by investor type. Source: BAI Investor Survey 2025.

The average allocations of the surveyed German insurance companies across the individual alternative asset classes show that Real Estate Equity continues to hold the largest weight at 7.9%. Infrastructure

Equity follows, with an average portfolio weight of 4.3%. Values for all asset classes can be found in Figure 5.<sup>4</sup>

### Average allocation by investor type

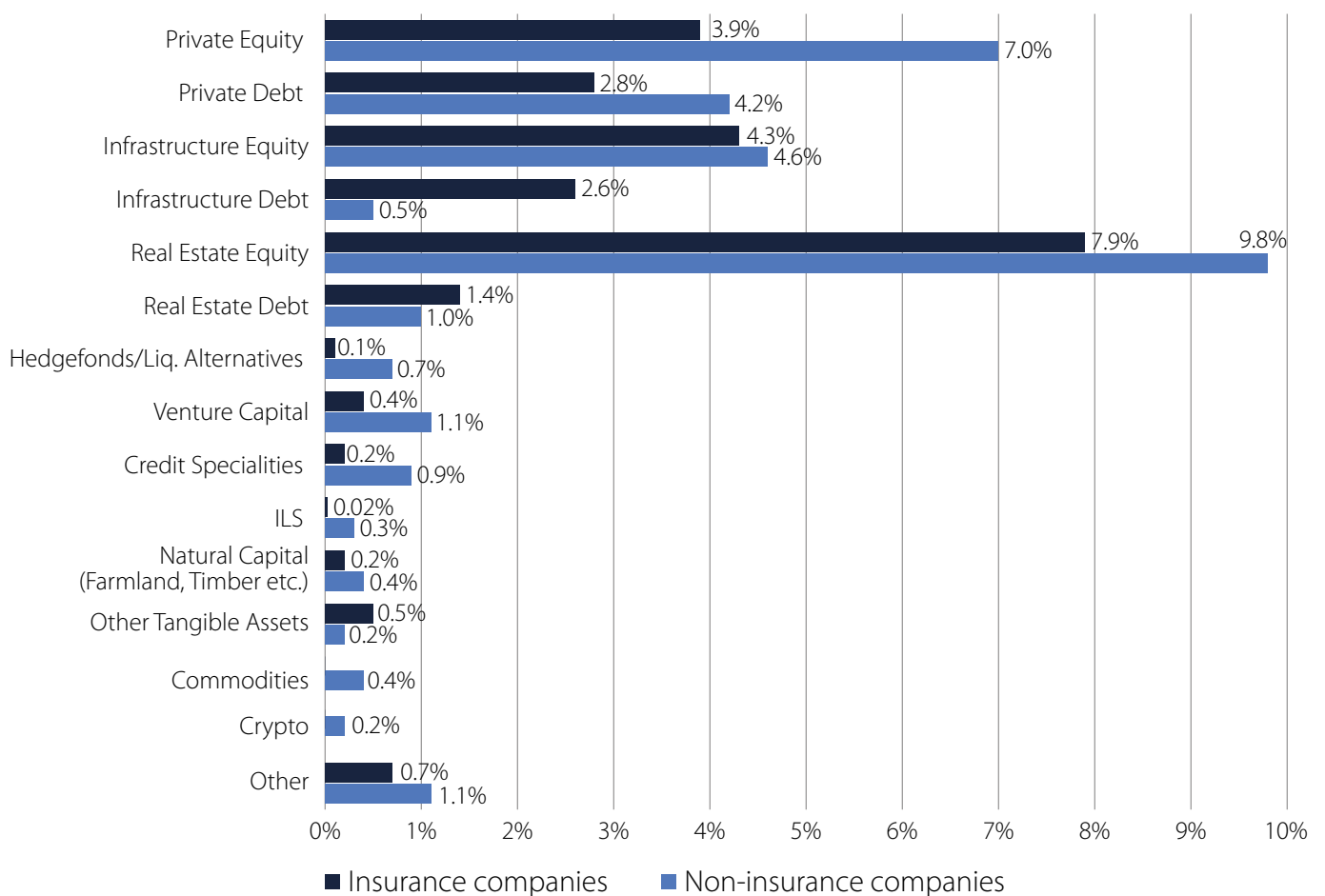


Figure 5: Average allocation by investor type. Source: BAI Investor Survey 2025.

<sup>4</sup> As noted, all data from the BAI Investor Survey must be viewed with the caveat that there may be a slight bias due to a higher proportion of participants with an affinity for alternative investments.

There are striking differences in the relative importance of Infrastructure Debt and Corporate Private Equity for insurance companies compared to other investor types: Infrastructure Debt has already achieved significantly greater relevance among insurers than among other investor types. In Corporate Private Equity, however, they still lag significantly behind the average of other investors.

## 2.2. Differences depending on the characteristics of the insurance company

According to data from the BAI Investor Survey 2025, there is significant variation among insurers. The standard deviation of their alternative asset allocation is 14.3%. Individual investment philosophies and path dependencies play just as much of a role here as differing focuses across insurance lines.



*Christoph Wichmann, Head of Asset Management, INTER Insurance Group*

**Christoph Wichmann, Head of Asset Management at INTER Insurance Group,**

provides an illustrative insight into alternative asset allocation:

According to him, the share of alternative investments, including Real Estate, at INTER Insurance Group stands at

approximately 36%. Real Estate has been part of the investment portfolio for a very long time, supported by a direct portfolio that has grown historically. In addition, the alternative portfolio includes Private Equity, Private Debt, and Private Infrastructure. The company has been most actively engaged in Private Equity, having entered the sector in the mid-2000s. Infrastructure and Private Debt investments, on the other hand, were only built up during the period of low and negative interest rates beginning around 2015/2016.

In addition to historically established allocations, the sectoral structure of the insurance business also significantly shapes investment strategies. Life

insurers, in particular, have traditionally been characterized by large portfolios of liquid bonds, which served to cover guaranteed obligations over the long term. However, with the declining importance of traditional life insurance business and changing market conditions, strategic investment priorities are also increasingly shifting.



*Dr. Johannes Scheier, Head of Asset Management, Planning, and Control, VGH Versicherungen*

**Dr. Johannes Scheier, Head of the Asset Management, Planning, and Control Department at VGH Versicherungen,**

provides an example of an alternative investment allocation that is low by market standards for an insurance company. He explains that VGH

Versicherungen's allocation to

alternative investments totals around 8 to 9 percent, including Real Estate, and, when owner-occupied Real Estate is factored in, exceeds 10 percent on a pro-rata basis. However, there are significant differences across individual insurance lines of business, so it is not meaningful to consider only a uniform overall ratio.

Scheier attributes the observed differences to VGH's specific investment philosophy, which deviates from the market average in certain respects. Within the group, life insurance continues to play a disproportionately large role, even as its share declines. A high proportion of life insurance is inevitably accompanied by a stronger focus on fixed-income investments, particularly due to the long duration requirements. If one compares VGH's life insurance business in isolation with other life insurers, there would therefore likely be no noticeable deviations. At the group level, the structure is primarily explained by the fact that well over half of the tied-up capital is still attributable to life insurance. In addition, Scheier points out that VGH deliberately did not invest in Private Debt and did not follow this growth path in recent years, which further explains the deviation from the market average.

Following this line of reasoning, one would expect the importance of the life insurance business for an insurance company to correlate negatively with the allocation to alternatives. However, the long duration requirements of life insurance, which tend to be associated with lower proportions of alternative investments, do not automatically imply that shorter durations lead to high alternative investment ratios. Rather, the decisive factors are an insurer's specific business model, as well as its risk profile, regulatory framework, and strategic investment objectives. While the duration of insurance liabilities significantly determines the scope for illiquid investments, this relationship is not linear. Very long durations generally allow for illiquid investments but also require a high degree of predictability and stable cash flows, which may hinder alternative allocations under certain circumstances. On the other hand, short durations also limit the scope for illiquidity due to higher liquidity requirements:



*Kai Bünker, Investment Manager bei HDI Global*

**Kai Bünker, Investment Manager at HDI Global**, explains that the alternative investment allocation at the Talanx Group's corporate and specialty insurer is in the low double digits. Detailed figures are published only at the group level.

HDI Global's lower allocation to alternative investments compared to other investors stems primarily from its international business model as a globally active industrial insurer. The relatively short duration of its cash flows would limit the use of illiquid investments. At the same time, international capital markets continue to offer attractive investment opportunities for a globally positioned corporate and specialty insurer, even within traditional asset classes. Furthermore, regulatory and internal risk appetite requirements would further limit the scope,



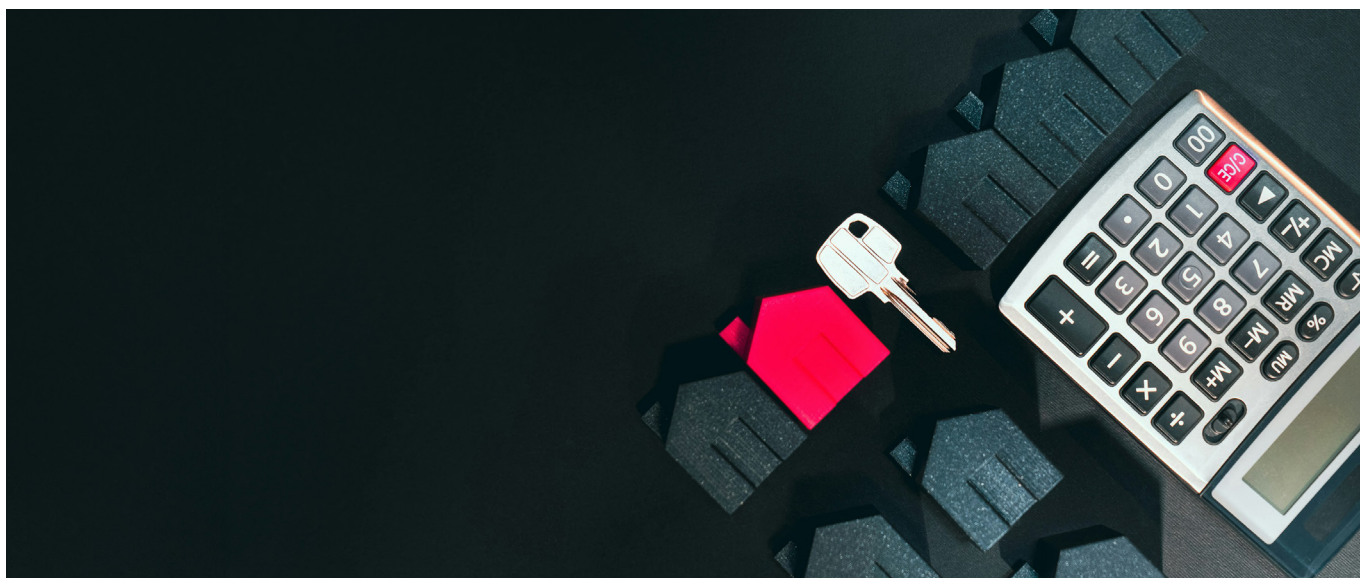
particularly when compared to less-regulated investors such as family offices. A differentiated assessment of the nature of alternative investments is also crucial. While equity investments primarily open the door to long-term value appreciation and structural growth themes, debt strategies provide stable cash flows, illiquidity premiums, diversification, and an attractive yield premium relative to liquid markets. Overall, the duration of liabilities plays a central role: insurers with longer maturities could structurally hold higher proportions of illiquid assets, while for shorter durations, liquid capital market investments appear more economically sensible.

An internationally oriented business model may accordingly require more liquid investment opportunities. The optimal allocation to alternatives, therefore, depends less on the pure duration than on the interplay of business model, cash flow structure, and risk-bearing capacity.

**In summary, the allocation of alternative investments among German insurance companies varies significantly. Factors such as an insurer's specific business model, risk profile, regulatory framework, and strategic investment objectives influence this allocation just as much as individual investment philosophies and path dependencies do. The weight of different insurance lines also influences the allocation. According to the investors surveyed, a high proportion of life insurance business, for example, as well as the short duration requirements of an industrial insurer, tend to be negatively correlated with the level of alternative asset allocation.**

### 3. Dynamics: Adjustments to the alternative investment allocation of German and global insurance companies

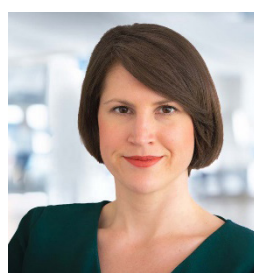
The average allocation to alternative investments among German insurance companies in the BAI Investor Survey has risen significantly over the past three years, from 18.6%<sup>5</sup> to 25.2%<sup>6</sup>.



As data from the BAI Investor Survey 2025 show, this trend continues. For Infrastructure Equity and Debt (Figure 7), Corporate Private Equity, and Corporate Private Debt (Figure 9), significantly more surveyed investors intend to increase their allocations than to reduce them. Only Real Estate shows a negative trend (Figure 8). A comparison with data from the BAI Investor Survey 2024 reveals that existing trends from the previous year have intensified in each case.<sup>7</sup>

This development among German insurance companies aligns with the global trend. According to the BlackRock Global Insurance Survey 2025, 79% of insurance companies surveyed plan to increase their allocation to private markets by 1% to 5%. 14% of respondents even plan an even larger increase. In contrast, only 2% of the insurance companies surveyed globally intend to reduce their private

markets allocation (Figure 6). Of the 463 insurance companies surveyed worldwide, 26 are based in Germany.<sup>8</sup>



Nicola Schierz, Head of the Insurance Segment, Mercer Investments

According to **Nicola Schierz, Head of the Insurance Segment at Mercer Investments**, capital investment is becoming increasingly important for German insurers in achieving their overarching corporate goals. Private markets play a central role in this, and allocations are expected to continue rising. At the same time, it is becoming clear that strong governance is indispensable, and risks associated with poorly diversified portfolios and gaps in manager selection are coming to light.

<sup>5</sup> German Alternative Investor Landscape: Insurance Companies – Focus on Interest Rate Turnaround, Inflation, and ESG, 2023, p. 5.

<sup>6</sup> The figures should be viewed with the caveat that there may be a slight bias due to a higher proportion of alternative-oriented participants in the BAI Investor Survey. Part of the increase in the ratio can also be explained by technical effects. Among other things, the 2025 survey queried individual asset classes in greater detail and provided the option to specify "other alternative asset classes." This results in better coverage of alternative portfolios in the data.

<sup>7</sup> BAI: German Insurance Companies 2024: Sophisticated Investors in the Global Alternatives Market

<sup>8</sup> Handelsblatt, October 21, 2025.

## Expected adjustment to the private markets allocation of global insurance companies

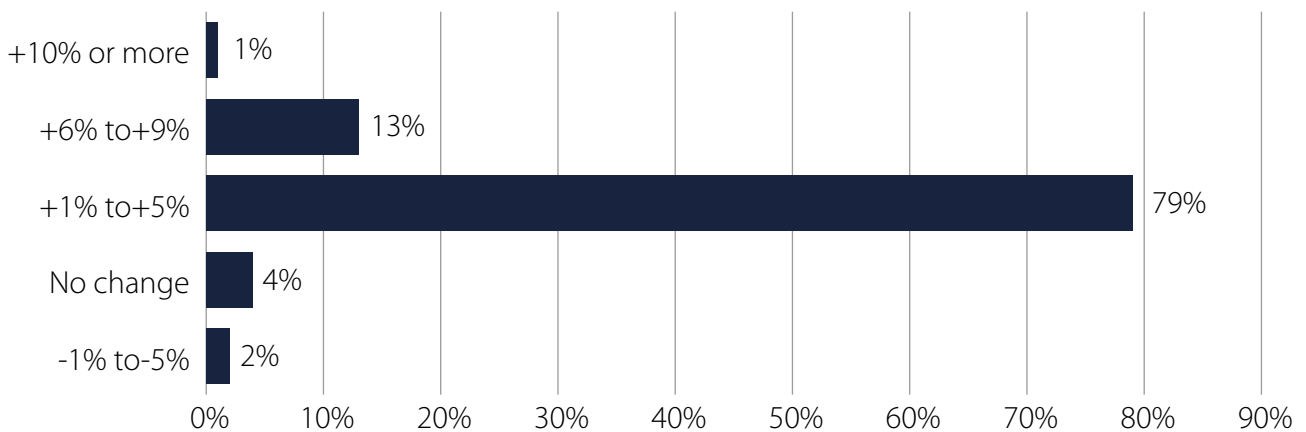


Figure 6: Expected adjustment of private market allocation by global insurance companies. Source: BlackRock Global Insurance Survey, June–September 2025.

In the previous section, 2.2, we discussed varying portfolio allocations across insurance segments, citing life insurers and commercial insurers as specific examples. The weightings of different sectors within the insurance business also influence the dynamics of alternative asset allocation. The key factor here is the very different growth trajectories of various lines of business, such as life, health, and property and casualty insurers. While health insurers and property and casualty insurers in particular continue to grow, both in the insurance business and on the investment side, a clear countertrend has been observed among life insurers for several years. The reason for this is the fundamental shift in the business model of life insurance. Traditional insurance assets have already peaked and are shrinking, as new business is increasingly shifting from guaranteed-return products to unit-linked products. In this context, customers build their own fund portfolios and participate directly in the capital market.

**Dr. Johannes Scheier of VGH Versicherungen** emphasizes that in shrinking segments, the reduction of alternative portfolios must be strategically managed. Unlike with liquid asset classes, however, exposure cannot be adjusted in the short term. Rather, clear exit strategies are required, just as predefined accumulation paths were necessary in the past.

The key is to systematically reduce the absolute volumes in alternatives while keeping the allocation ratio constant.

In contrast, growing sectors such as health and, in particular, property and casualty insurers have the opportunity to moderately expand their alternative investment ratio. In his view, alternative investments are particularly well-suited for these sectors due to their long-term investment horizon, their risk-return profile, and their potential inflation-hedging properties. In practice, this means that while non-life insurers are increasing their investment sizes in certain asset classes, such as Private Equity, life insurers are deliberately reducing them.

**The shifts in the importance of individual insurance sectors are driving changes in the asset allocation of German insurance companies. In particular, the decline in the importance of life insurance can be identified as a driver for the continued growth in the significance of alternative investments. At the same time, the views of the surveyed investors indicate that, after years of building up allocations, the reduction of allocations is now also becoming relevant in shrinking insurance segments. However, shifts in alternative allocations across all insurance**

segments are predominantly driven by reinvestments rather than withdrawals from existing investments. According to the survey data and investor interviews, the alternative investment ratios of insurance companies are expected to continue rising overall or at least remain constant.

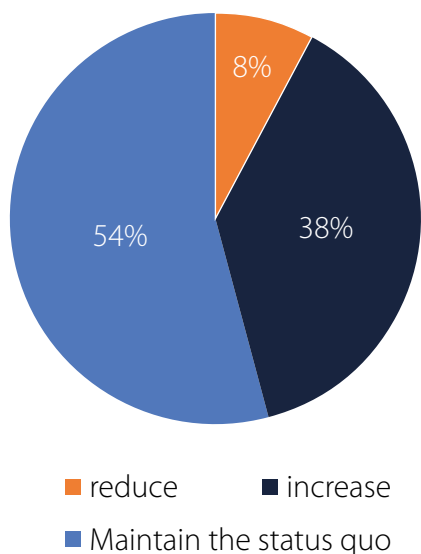
### 3.1. Trends in individual alternative asset classes

Below, we examine how the overall trend toward the growing importance of alternative investments is reflected in the planned adjustments to individual alternative asset classes.

Data from the BAI Investor Survey 2025 shows that Infrastructure continues to gain weight in the portfolios of German insurance companies. On the equity side, 38% of the German insurance companies surveyed plan to further increase their allocation, compared to 8% who wish to reduce it. On the debt side, the trend is even more pronounced. Here, 62% plan to expand their investments, and none of the respondents indicated they intend to reduce them.

The reasons for this trend are similar to those of other investor types. Characteristics of the asset classes, such as inflation protection, regular returns, and diversification, are just as relevant here as the megatrends of ecological and digital transformation.<sup>9</sup>

**Planned Adjustment to the Infrastructure Equity Allocation of German Insurance Companies**



**Planned Adjustment to the Infrastructure Debt Allocation of German Insurance Companies**

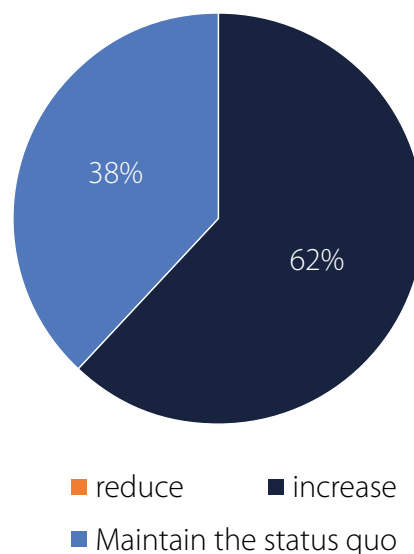


Figure 7: How do you plan to adjust your allocations in Infrastructure Equity/Debt? Responses from German insurance companies. Source: BAI Investor Survey 2025.

The current strong momentum in Infrastructure Debt within the portfolios of German insurance companies aligns with the global trend, in which the asset class is widely perceived as the most attractive among all strategies and sub-asset classes

in the Private Debt sector. According to the BlackRock Global Insurance Survey 2025, 57% of the surveyed insurance companies expect the best opportunities in the global Private Debt market to be in Infrastructure Debt over the next 12 months.<sup>10</sup>

<sup>9</sup> Cf. Infrastructure Report Germany 2025

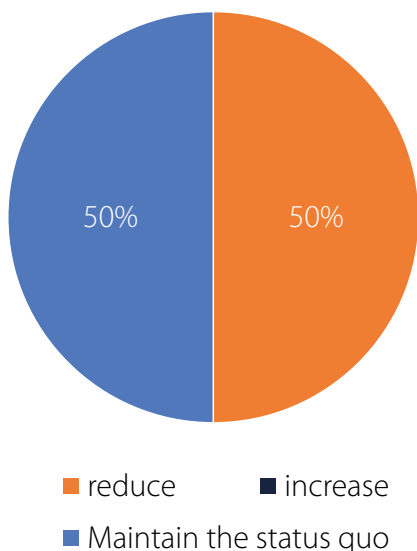
<sup>10</sup> BlackRock 2025 Global Insurance Report, p. 21.

**Kai Büniger of HDI Global** identifies two key trends in alternative asset allocation: first, a strategic shift from Real Estate toward Infrastructure; and second, the growing importance of debt strategies, even as equity investments continue to play a central role.

At HDI Global, too, Infrastructure is gaining strategic importance. The asset class benefits from structural growth, predictable long-term cash flows, its significance for sustainable future and transformation investments, and natural inflation protection, while also offering an attractive risk/return profile.

In addition to the perceived growing importance of Infrastructure investments among insurance companies, the BAI Investor Survey 2025 (Figure 8) also reveals a countervailing trend in Real Estate allocations. Half of the respondents intend to reduce their equity exposure, and none of the surveyed insurance companies plan to increase it. In Real Estate Debt, a higher proportion of companies plan to reduce their allocation, although at least 6% aim to increase it.

**Planned Adjustment to the Real Estate Equity Allocation of German Insurance Companies**



**Planned Adjustment to the Real Estate Debt Allocation of German Insurance Companies**

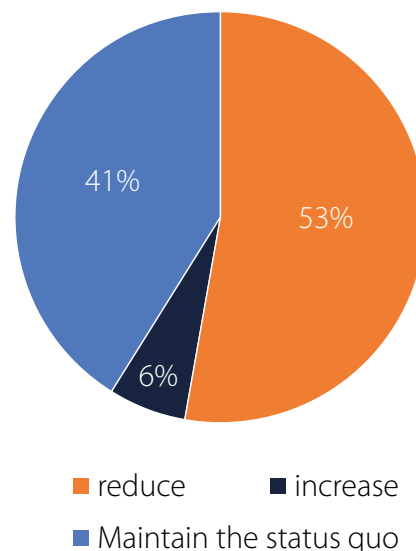


Figure 8: How do you plan to adjust your allocations in Real Estate Equity/Debt? Responses from German insurance companies. Source: BAI Investor Survey 2025.

Regarding the split between equity and debt in the alternative investment sector, **Kai Büniger of HDI Global** emphasizes that while HDI Global focuses on equity investments, debt strategies have been gaining importance since interest rates began rising in 2022. Their appeal remains strong even compared to traditional debt investments. Illiquidity premiums, diversification effects, and a yield pickup relative to traditional markets remain decisive factors. In addition, alternative debt strategies grant access to investment themes, such as in the sectors of real assets, impact investing, and megatrends, that can

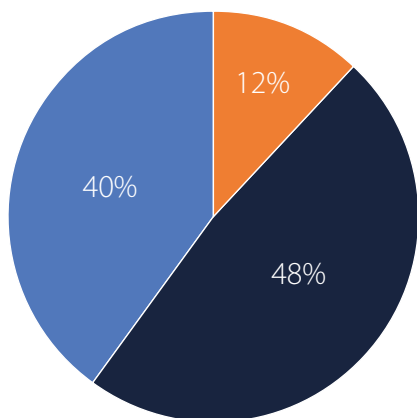
only be partially replicated through liquid capital markets.

The trend toward the growing importance of debt asset classes in the wake of the interest rate turn-around since 2022 is also evident in the data from the BAI Investor Survey 2025. According to the survey, more insurance companies intend to increase their allocation on the debt side than on the equity side for both Infrastructure (Figure 7) and Real Estate (Figure 8).

Corporate Private Debt is currently showing the strongest momentum in the portfolios of German insurance companies. Nearly two-thirds intend to increase their allocation here, compared to 9% who wish to reduce it (Figure 9). On the Corporate Private

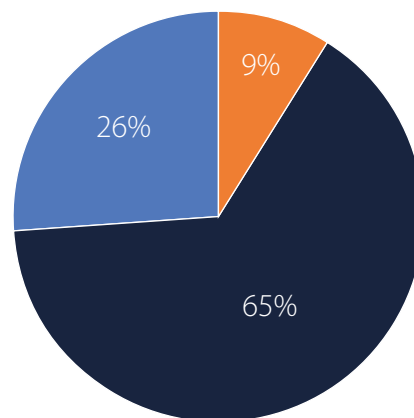
Equity side, the trend is not quite as optimistic. However, with 48% of respondents planning to increase their allocation, the outlook is the most positive among all equity asset classes.

**Planned Adjustment to the Corporate Private Equity Allocation of German Insurance Companies**



■ increase  
■ Maintain the status quo  
■ reduce

**Planned Adjustment to the Corporate Private Debt Allocation of German Insurance Companies**



■ increase  
■ Maintain the status quo  
■ reduce

Figure 9: How do you plan to adjust your allocations to Corporate Private Equity/Debt? Responses from German insurance companies. Source: BAI Investor Survey 2025.

**In summary, we see Infrastructure Equity and Infrastructure Debt, as well as Corporate Private Equity and Corporate Private Debt, gaining increasing importance in the portfolios of German insurance companies. According to the data, however, Real Estate is losing ground. Two trends are emerging: on the one hand, strategic shifts from Real Estate to Infrastructure; on the other hand, an increasing weight of debt asset classes. The latter is also reflected in the fact that Infrastructure Debt, followed by Corporate Private Debt, are the asset classes in which the largest proportion of the surveyed German insurance companies plan to expand their allocation.**

### 3.2. The situation regarding Corporate Private Debt

The outlook regarding the importance of Corporate Private Debt for German insurance companies is currently very positive: 65% wish to increase their allocation, compared to just 9% who plan to reduce it (Figure 9).

However, these figures date from last summer and fall. Since then, particularly in the wake of the First Brands bankruptcy, there has been extensive media discussion regarding default risks and systemic risks in the Private Debt sector<sup>11</sup>. It is crucial, however, to approach media coverage critically and fact-based to properly contextualize the debate, particularly regarding potential systemic risks. A look at the research literature, however,

<sup>11</sup> See, e.g., *Börsen-Zeitung*, Nov. 14, 2024; *Handelsblatt*, Nov. 26, 2025.

can put some of the narratives prevalent in media coverage into perspective.<sup>12</sup>

This raises the question of how German insurance companies are addressing this issue and whether they are recognizing increasing risks and credit defaults.

**Nicola Schierz of Mercer Investments** sees Private Debt as firmly anchored in the portfolios of German insurance companies. Today, however, the focus is more on careful selection, structuring, and ongoing monitoring rather than on the sheer size of the allocation. Robust portfolio structuring with diversification is therefore indispensable. According to Schierz, diversification is seen as necessary, e.g., across asset-based finance, specialized financing, fund finance, trade finance, and structured solutions. Insurance companies are showing increased interest in further nuances of the spectrum.

Investors surveyed from German insurers confirm the overall positive assessment of Private Debt, but note a stronger emphasis on careful selection, structuring, and monitoring.

**Christoph Wichmann of the INTER Insurance Group** continues to view Private Debt positively and emphasizes that the allocation will be kept stable. To date, there have been no significant defaults in the portfolio, with which they are very satisfied, even if the resilience of this assessment will only become apparent in the long term. The risks of rising credit defaults, widely discussed in recent years, have not materialized, in his view, and he expressly confirms this for his own portfolio.

Wichmann cites the consistent structuring of investments as the key reason for this. All alternative asset classes are implemented exclusively through external

managers; the firm's own direct investments play no role. In the Infrastructure and Private Equity sectors, the firm even relies exclusively on fund-of-funds to achieve a particularly high level of diversification. In the Private Debt sector, single funds are also subscribed to, but only on the condition that they themselves are highly granular and broadly diversified. As a result, the portfolio is structured so that individual defaults have virtually no impact on the overall portfolio.

Wichmann also attributes this heavy outsourcing to considerations of capacity and expertise. The team is deliberately lean, and the focus is therefore clearly on manager and fund-of-funds selection. These are predominantly long-term relationships. The structure of private market vehicles does not allow for short-term manager changes anyway, as investors are typically locked in for very long durations.

The discussions also show that asset managers' experience and proven track record are becoming increasingly important in the current market environment.

**Kai Büniger of HDI Global** argues that, regarding the default risks in the Private Debt sector that have recently attracted increased discussion, a selective approach to manager and partner selection is crucial. HDI Global places great emphasis on established investment processes, a mature risk management framework, and comprehensive due diligence of asset managers and individual investments. Given the recent narrowing of spreads coupled with high market sensitivity, Private Debt investments are currently being made only selectively with experienced partners who can demonstrate sound credit analysis capabilities and a convincing track record. Büniger does not view systemic risks as a dominant scenario, but emphasizes the necessity of a structured manager and investment selection process.

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<sup>12</sup> See *Credit Funds and Banks: Cooperation Stabilizes the Financial System, Bunnenberg 2026, BAI Newsletter I/2026.*

**According to data from the BAI Investor Survey 2025, we see an increasing importance of Corporate Private Debt in the portfolios of German insurance companies. Surveyed investors do not see any increased default risks yet. However, they point out a stronger emphasis on careful selection, structuring, and monitoring, as well as the importance of experienced managers.**

### **3.3. Impact of Macroeconomic Factors**

A key driver behind the growth of alternative allocations by German insurance companies in the past was the low-interest-rate environment following the global financial crisis. Since around 2009, illiquid alternatives have often served as a substitute for liquid bonds. However, in the wake of the COVID-19 pandemic, Russia's war of aggression in Ukraine, and the temporary sharp rise in inflation, central banks around the globe have responded with interest rate hikes.

In light of the recent rise in interest rates, **Christoph Wichmann of the INTER Insurance Group** emphasizes that the strategic asset allocation is reviewed annually through a clearly defined process. The significant expansion of alternative investments in the past was a direct consequence of the low-interest-rate environment. However, the return of higher interest rates does not mean a departure from the existing strategy. Rather, the further expansion of alternatives has merely been halted, while the existing allocation is maintained. Returns are reinvested within the individual asset classes, so that the current portfolio structure is essentially carried forward.

Another channel through which interest rates and inflation indirectly influence asset allocation is the changing role of alternative investments in portfolio diversification. Rising interest rates and an inflationary market environment can alter the correlation among traditional asset classes, thereby increasing the diversification benefits of alternatives.

Over the past two decades, the correlation between stocks and bonds has been predominantly negative, providing diversification benefits through traditional asset classes. Historical patterns show, however, that prior to the 2000s, the correlation was often positive, and stocks and bonds moved in tandem. This correlation is largely determined by the dynamics between economic growth and inflation news. In the event of structurally higher inflation or inflation uncertainty, the probability of a positive correlation between stocks and bonds increases, and bonds consequently lose some of their diversification role. Alternatives become correspondingly more important for portfolio diversification.<sup>13</sup>

In the BlackRock Global Insurance Survey, 63% of the global insurance companies surveyed, the largest share, stated that inflation risk is an important macroeconomic risk for investment strategy over the next 12 months (Figure 11). Particularly due to the U.S. government's introduction of tariffs under President Trump and the growing discussion of retaliatory tariffs, the issue of inflation is once again coming to the forefront for market participants.<sup>14</sup> The rise in global government debt must also be mentioned here as a potential influencing factor.<sup>15</sup>

Against the backdrop of a structurally increased correlation between stocks and bonds, **Kai Büniger of HDI Global** also underscores the continued importance of alternative investments for portfolio

<sup>13</sup> Brixton, Brooks, Hecht, Ilmanen, Maloney & McQuinn, AQR, 2023; BAI: Interest Rate Turnaround and Inflation—Implications for Alternative Investments in Asset Allocation, 2022.

<sup>14</sup> Cavallo, Llamas & Vazquez 2026.

<sup>15</sup> Rees & Kyrklund, Schroders, 2025.

diversification. This correlation was also evident during the COVID-19 pandemic. At HDI Global, the percentage allocation is to be kept stable for the time being, even if adjustments may occur within the individual sub-asset classes. In absolute terms, the volume of alternative investments is rising anyway, as the company's investment portfolio grows. A moderate percentage increase is also conceivable in the long term.

The BlackRock Global Insurance Survey 2025 lists the so-called high-yield environment ("higher for longer") as the third-largest macro risk over the next 12 months (Figure 11). "High-interest-rate environment" may seem inappropriate at first glance in a historical context when looking at current interest rates. However, from the perspective of insurance companies, the reference point here is the low-interest-rate phase mentioned above.

The rise in interest rates in 2022, which brought this period of low interest rates to an end, can be considered dramatic in terms of its pace. Due to the higher discount factor, the market values of bonds in the portfolios of average German life insurers fell below their book values. Hidden reserves, which had been built up through interest-bearing investments during the low-interest-rate phase, consequently turned into hidden liabilities. However, the initial expectation during the subsequent phase of relative stability in interest rates was that this difference between book value and market value would narrow in the medium term. The increasing maturity of existing bonds and reinvestment in new, higher-yielding bonds should actually lead to a convergence between book value and market value. However, according to the consulting firm WTW, the renewed rise in interest rates in 2025 ("higher for longer") presents German insurance companies with the challenge that an elevated level of hidden liabilities persists in their

portfolios. On the other hand, there are the aforementioned opportunities for higher returns due to higher interest rates on newly acquired bonds. Higher interest rates may also reduce regulatory capital requirements for insurance companies. The reasons for this are the lower market values of the bonds in the portfolio as the basis for calculation, as well as a greater discounting of liabilities.<sup>16</sup>

This raises the question of how the various, sometimes counteracting channels of influence collectively affect the relative weight of liquid bonds and alternatives in the portfolios of German insurance companies. Data from the BAI Investor Survey show that currently, the majority of German insurance companies wish to maintain the status quo in their allocation of liquid bonds (Figure 10). Furthermore, a higher proportion plans to reduce their bond allocation rather than expand it, which is why in general no increase in the bond allocation of German insurance companies can be forecasted.

### Planned Adjustment to the Bond Allocation of German Insurance Companies

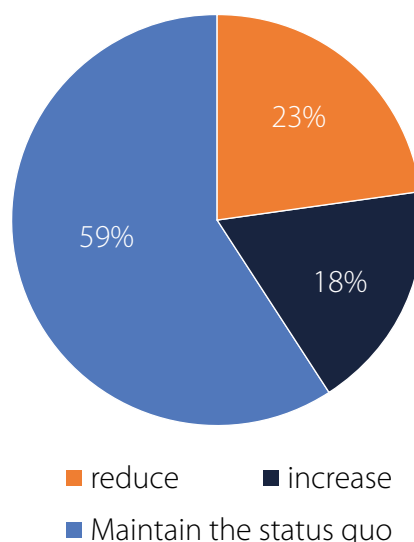


Figure 10: How do you plan to adjust your allocations to liquid bonds? Responses from German insurance companies. Source: BAI Investor Survey 2025.

<sup>16</sup> Portfolio Institutional 2026.

Furthermore, the rise in interest rates does not necessarily result in shifts between liquid bonds and other asset classes. Rather, it can also trigger shifts within the liquid bond segment.

**Christoph Wichmann of the INTER Insurance Group** makes it clear that, with interest rates on the rise, there is a renewed focus on investing in high-quality fixed-income securities, as these bonds are once again offering adequate returns. At the same time, he emphasizes that the return of attractive coupons in the liquid bond market is welcome, without calling into question the fundamental appeal of illiquid alternatives. During the low-interest-rate phase, the fixed-income portfolio was strategically diversified across credit and liquidity tiers, shifting, for example, from government bonds to state, municipal, and municipal-owned enterprises or comparable issuers. With the normalization of the interest rate environment, this strategy will no longer be pursued; instead, the focus is now back on high-quality government bonds, without this leading to structural shifts in the overall allocation.

**In summary, while the persistently higher interest-rate environment does affect insurance companies' portfolios, directly or indirectly through various channels, there is by no means a displacement of alternative investments by liquid bonds at the aggregate level. Shifts are occurring in part between different categories of liquid bonds or between alternative assets. Debt asset classes, in particular, are benefiting from rising interest rates. Furthermore, the importance of diversification continues to grow, resulting in an increase in the average allocation to alternatives.**

### 3.4. Impact of Geopolitical Factors

In addition to the macroeconomic risks discussed, the BlackRock Global Insurance Survey 2025 indicates that "increasing geopolitical tensions and fragmentation" also pose a risk to the investment strategy of global insurance companies (Figure 11).

**Macroeconomic risks to the investment strategies of global insurance companies over the next 12 months**

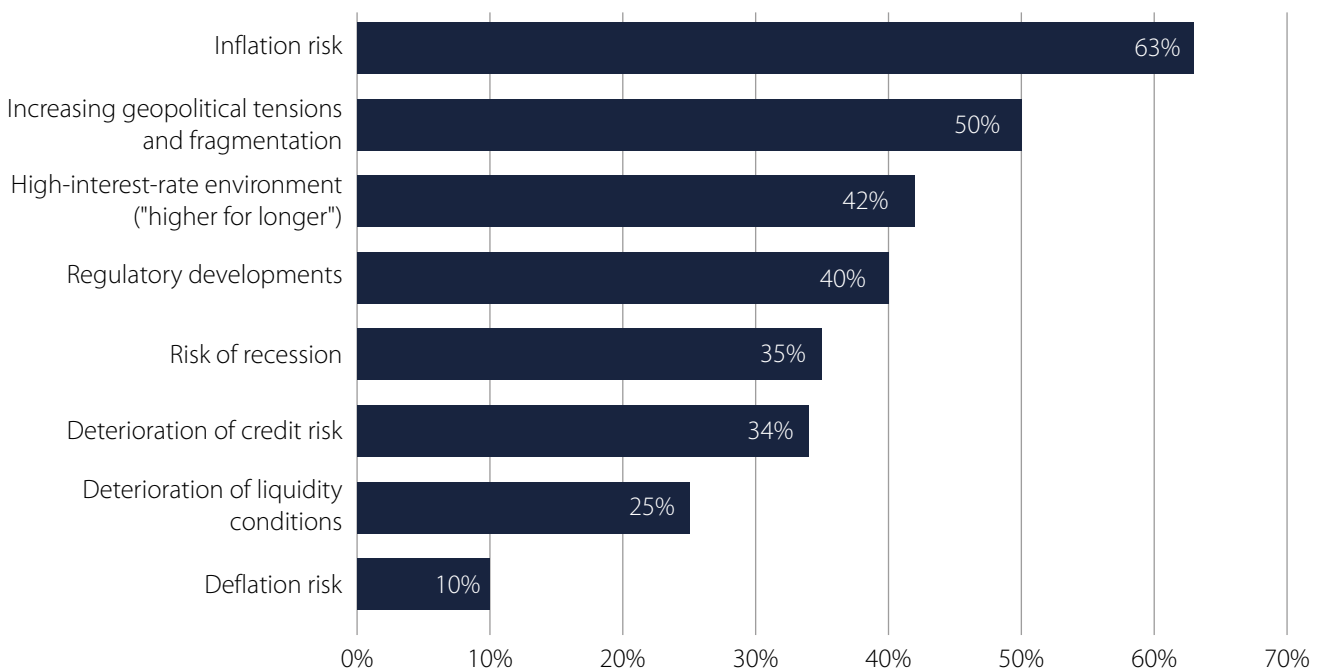


Figure 11: Which of the following factors do you consider to be the most important macroeconomic considerations for your company's investment strategy over the next 12 months? Source: BlackRock Global Insurance Survey, June–September 2025.

**Nicola Schierz of Mercer Investments** explains that German insurers are affected by macroeconomic risks such as inflation, geopolitical tensions, and fragmentation. Rising underwriting volatility and capital intensity are increasing the overall importance of investment management. The investment strategy is therefore increasingly focused on resilience, capital efficiency, and balance sheet stability.

BaFin also lists geopolitical upheavals as one of the major “Risks in Focus for 2026” for the German financial market. According to BaFin, the German economy and financial sector’s strong global interdependence gives rise to particular dependencies and vulnerabilities. For BaFin, geopolitical developments do not constitute a separate risk category. Rather, there are direct and indirect impacts on supervised entities across virtually all types of supervision-related risks. Credit and market risk exposures in affected regions are cited as examples of potential direct negative effects. Indirectly, disruptions in foreign trade and supply chains, for example, can have an impact. The significance of hybrid channels, such as cyberattacks or acts of sabotage, is also increasing. For companies in the financial sector, such as insurance companies, geopolitical risks have a particular impact in that they make the valuation of assets, especially illiquid assets, more difficult due to increased market volatility, according to BaFin. Insurance companies are also feeling the impact of rising volatility, as valuation uncertainties could lead to write-downs on their investments, which would weigh on their earnings. Furthermore, declining solvency ratios could negatively impact risk-bearing capacity. BaFin therefore recommends that market participants conduct stress tests and scenario analyses regarding geopolitical events, from which appropriate measures could be derived. Furthermore, the importance of sufficient capital and liquidity reserves, as well as sound management of operational risks, is increasing.<sup>17</sup>

Insurance companies are taking these recommendations, such as scenario analyses, to heart:

Macroeconomic and geopolitical risks are currently a greater focus, according to **Kai Büniger of HDI Global**. Scenario analyses are used to regularly assess potential impacts and to approximate the adverse effects on the investment portfolio. At the sector and individual investment levels as well, the potential impacts of macroeconomic developments and political decisions are being factored more heavily into investment reviews. Overall, alternative asset classes remain attractive, especially when risk premiums on traditional assets are low. A selective approach to investment decisions makes it possible to address the higher complexity and illiquidity and capture corresponding premiums, whereas the risk-return profile of traditional fixed-income investments can currently be improved only to a very limited extent.

Despite increasing geopolitical uncertainties, however, it is generally advisable, in line with the views of the surveyed investors, not to make abrupt allocation decisions, but rather to keep a clear head.

**Christoph Wichmann of the INTER Insurance Group**, for instance, views the current challenges in day-to-day business as relatively minor, as the investor deliberately adopts a market-agnostic approach. Short-term market issues, therefore, play hardly any role. In the fixed-income sector, no timing is practiced; rather, the liquidity that becomes available each month is consistently invested in accordance with the specified duration targets. Decisions are based on maturity and structural requirements, not on short-term market assessments.

In the area of alternative investments as well, the approach follows a clear, predefined plan. Annual commitment planning is implemented with disci-

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<sup>17</sup> BaFin 2026.



pline, without tactical deviations. Overall, Wichmann describes the approach as a “steady hand” investment policy that emphasizes continuity, process discipline, and a long-term focus.

**Geopolitical risks are also becoming increasingly significant for German insurance companies in their investment activities. They require measures such as scenario analyses to simulate**

**the impact of geopolitical events on the portfolio. At the same time, however, it is advisable not to make abrupt allocation decisions and to proceed with a “steady hand”. Especially in times of low risk premiums for traditional asset classes, alternatives remain attractive to the surveyed investors and offer premiums stemming from higher complexity and illiquidity.**

## 4. Conclusion



### *What does the current allocation to alternatives look like for German insurance companies?*

According to data from the BAI Investor Survey 2025, German insurance companies currently invest approximately 25.2% of their portfolios in alternative asset classes. This places them slightly below the average across all investor types.

Real Estate Equity continues to have the largest weighting, at an average of 7.9%. Infrastructure Equity follows, with an average portfolio weighting of 4.3%, ahead of Corporate Private Equity at 3.9%.

### *What is the trend in adjustments to the alternative asset allocation of German and global insurance companies, and what influence do macroeconomic and geopolitical factors have?*

The average allocation to alternative investments among German insurance companies in the BAI Investor Survey has risen very significantly over the past three years, from 18.6% to 25.2%. According to current data, this trend is continuing. In the asset classes of Infrastructure Equity and Debt, Corporate Private Equity, and Corporate Private Debt, significantly more surveyed investors intend to increase their allocation than to reduce it. Only in Real Estate is a negative trend currently observable. The momentum already present last year has intensified accordingly. Persistently rising interest rates and inflation concerns are affecting insurance companies' portfolios directly or indirectly through various channels. Like geopolitical risks, they require a more selective approach. Overall, however, the importance of alternatives continues to grow even against the backdrop of current challenges, with debt asset classes benefiting in particular.

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