

## INSURANCE SOLUTIONS UPDATE

# SFVegas 2025 Conference Highlights

March 2025

### Notes From the West

Record attendance at the recent SFVegas 2025 Conference highlights the growing demand for securitized assets from insurance companies. This demand has significantly contributed to the increase in securitized supplies, particularly in the esoteric asset-backed securities (ABS) space. The conference, which drew over 10,000 attendees, covered topics such as supply and demand in the securitized market, the latest developments in banking and insurance regulations, and the impact of big data on the securitized market. Our key takeaways from the conference, along with views from our West Coast clients, are summarized below.

### Supply/Demand

Increased private transactions and insurance investor participation continues to catch the attention of conference participants. Insurance demand for securitized assets has increased in recent years due to strong annuity sales, as shorter-duration securitized opportunities have provided attractive returns with a better Asset Liability Matching (ALM) fit compared to longer-duration insurance products. Combined with strong demand elsewhere in the fixed income market, this has pushed public spreads to local tights. Our ABS analysts have observed that issuers are generally positive about future volume and are being opportunistic in exploring diverse funding sources, including warehouse facilities and forward flow purchase agreements, in addition to term ABS transactions. In fact, "Forward Flow Agreement" has become the buzzword heard mostly from the Auto and Unsecured Consumer panel sessions. Through forward flow, investors can lock up size and yield with a premium to spreads that are trending tighter in term ABS deals, making this investment vehicle more popular for insurance capital with large flows from annuity product sales and an expanded footprint into private credit debt. In the residential market, we are seeing and hearing that more issuers are looking to issue across various products – whole loans, Home Equity Investments, HELOCs, and other derivatives that would tap the housing market for financing needs. We expect increased issuance tied to borrowers' home equity values.

### Fundamentals

Conference participants discussed tariffs extensively. While there were few specific details at the time of the conference, participants pointed to both the positive and negative impacts of tariffs on consumer and commercial ABS. Tariffs on autos and auto parts would make new cars more expensive, potentially slowing down new loan origination volumes. However, higher new car prices could support used car prices, benefiting rental car ABS. Interestingly, tariffs could also be advantageous for certain issuing industries we met with, such as container leasing and fleet leasing. In the container leasing industry, any disruption to shipping (e.g., Red Sea and Panama Canal disruptions) results in increased shipping times and containers being on lease for longer periods, thereby increasing the revenue stream from container lease payments. In fleet leasing, tariffs could cause disruptions similar to those seen during the COVID supply chain crisis; with less OEM supply, fleet lessees are holding onto vehicles longer. This results in increased revenue from extended lease contracts, although new fleet lease originations will decline. However, leasing companies can compensate for reduced originations through servicing side activities (maintenance contracts, fuel cards, roadside assistance, fleet management, etc.). On the flip side, tariffs could have a negative effect on global trade and inflationary pressures. If tariffs disrupt global trade enough to cause significant inflation or recession, any potential upside could be easily negated. Overall, it seems that in the near term, tariffs won't be a major factor for the ABS market. Current data shows that consumers have been resilient, which has translated to continued upgrade trends in the ABS market. A robust labor market supports the strengths in the housing market as well, with delinquency remaining low despite a significant rise in mortgage rates since the Fed increased interest rates. Most investors expressed concerns about leveraged loans and the private credit markets. In leveraged loans, increased PIK'ing (fact-finding needed) and other LME activities gave investors pause in going down the capital stack. In private credit, concerns are more about the unknown unknowns due to the lack of publicly available information. We first wrote about the market's quest to ["make private public" in 2023](#), and we believe incremental steps will be taken by many participants, especially regulators. However, we think that is a long journey with questionable timing.

### Insurance and NAIC Updates

ACLI and SOA held their joint annual ReFocus conference right next door to the SFVegas conference. Regulators attended both, and we had several meetings, including a closed-door meeting with senior members of the NAIC. The newly elected NAIC president, Commissioner Godfred, stated that the NAIC has three priorities, both domestically and internationally, for 2025:

1. Improve communication on how the NAIC should present itself.
2. The RBC model task force to conduct a gap analysis, especially developing an understanding of U.S. competitiveness with peers (BMA was specifically mentioned).
3. Provide more transparency at the executive levels and focus on governance.

We expect continued focus on securitized and private assets. For more details about the closed-door meeting, please contact your AB advisors.

## Overall

Strong fundamentals in a decent economy would likely support spreads staying on the tighter end of their historical range. Tight public spreads would continue to push investors to look into privates to earn additional spread pick which bring out more issuances and more privates deal could go public as we march into 2025. Increased regulatory focus could lead to increased headline risks could be good for non-mark-to-market investors to enter when spreads widen. Of course, if everyone complains about tight spreads and hope for wider spreads – only one or two things could happen – 1) spreads won't widen meaningfully until the next catalyst to reprice risks; or 2) when spreads widen meaningfully, a V-shape recovery is likely as everyone is waiting for that window to buy.

**Have questions on this insight or anything insurance-related? Contact our contributors.**

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