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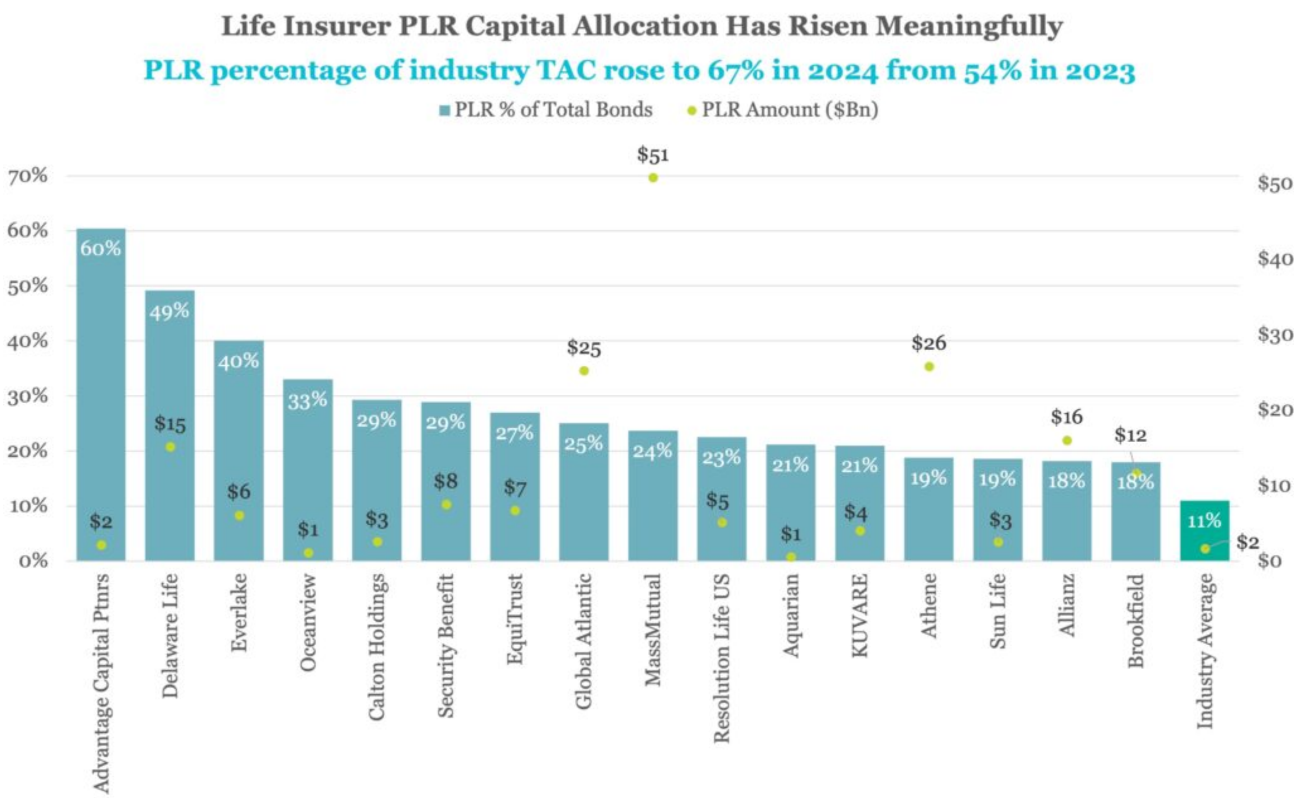
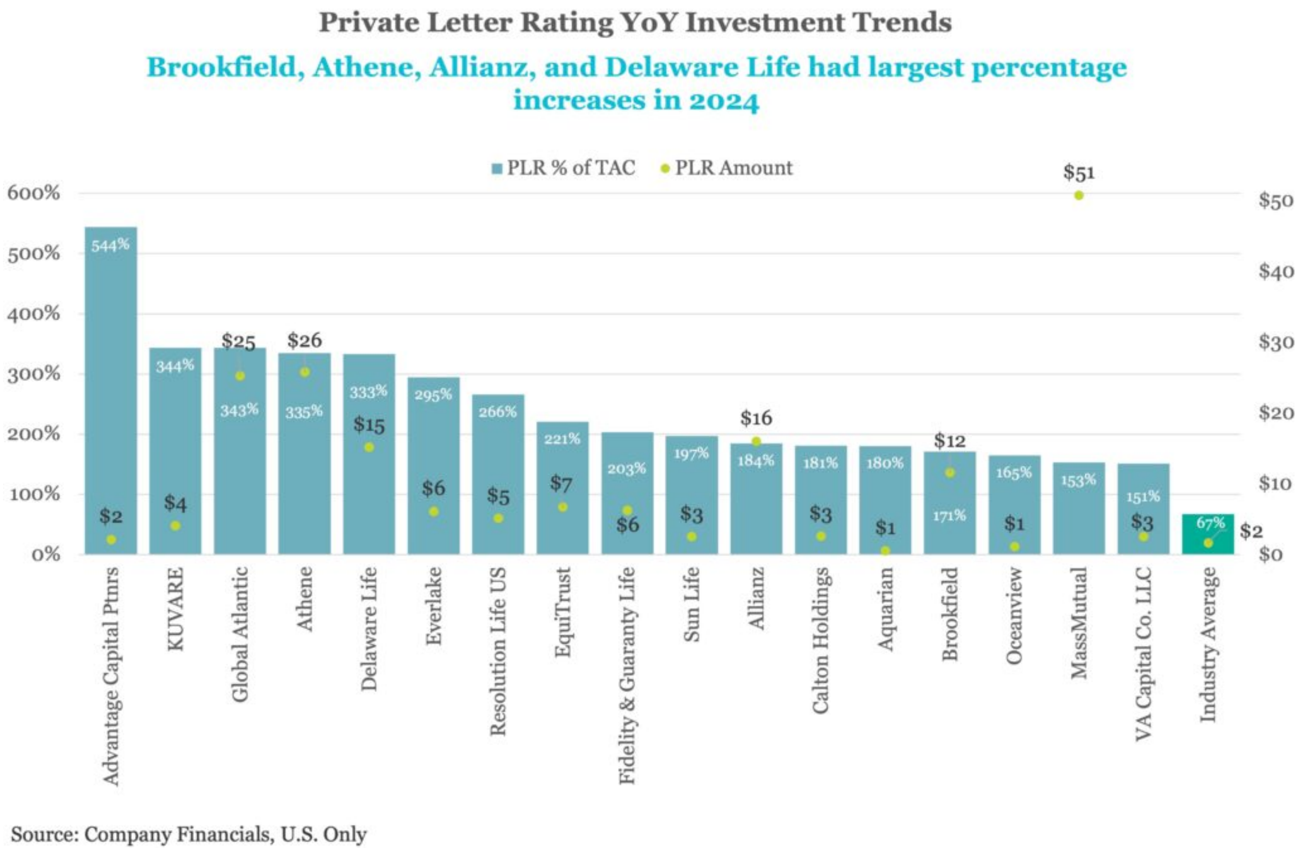
US Life Insurer Investment Risk Rising from Private Letter Ratings

Fitch Ratings | December 3, 2025



PLR - Private letter rating. TAC - Total adjusted capital. U.S company financials only.
Source: Fitch Ratings.



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The rapid growth of private letter ratings (PLRs) raises risks for U.S. life insurers as it coincides with the industry’s move toward more complex, opaque investments untested by a macroeconomic downturn. Key watch items include effectiveness of impending regulation, percentage of capital invested in PLR-rated issuers, illiquidity, and valuation methodologies regarding governance, subjectivity, reliability, and transparency.

The National Association of Insurance Commissioners (NAIC) Valuation of Securities Task Force (VOSTF) is implementing tighter controls around PLRs in 2026, including an override ability for ratings that differ from VOSTF’s own analysis by more than three notches, and a new credit rating provider due-diligence framework. A report published by the Bank of International Settlements (BIS) in October found that private ratings tend to be issued among smaller ratings firms, raising the risk of “inflated assessments of creditworthiness,” the BIS said. The impending regulatory controls should improve credit discipline, at the margin, and require certain sub-scale private credit managers to enhance infrastructure and reporting processes which could result in additional investment management agreements with larger investment managers.