

Harnessing ICOLI and IDFs for Efficient Private Market Investing

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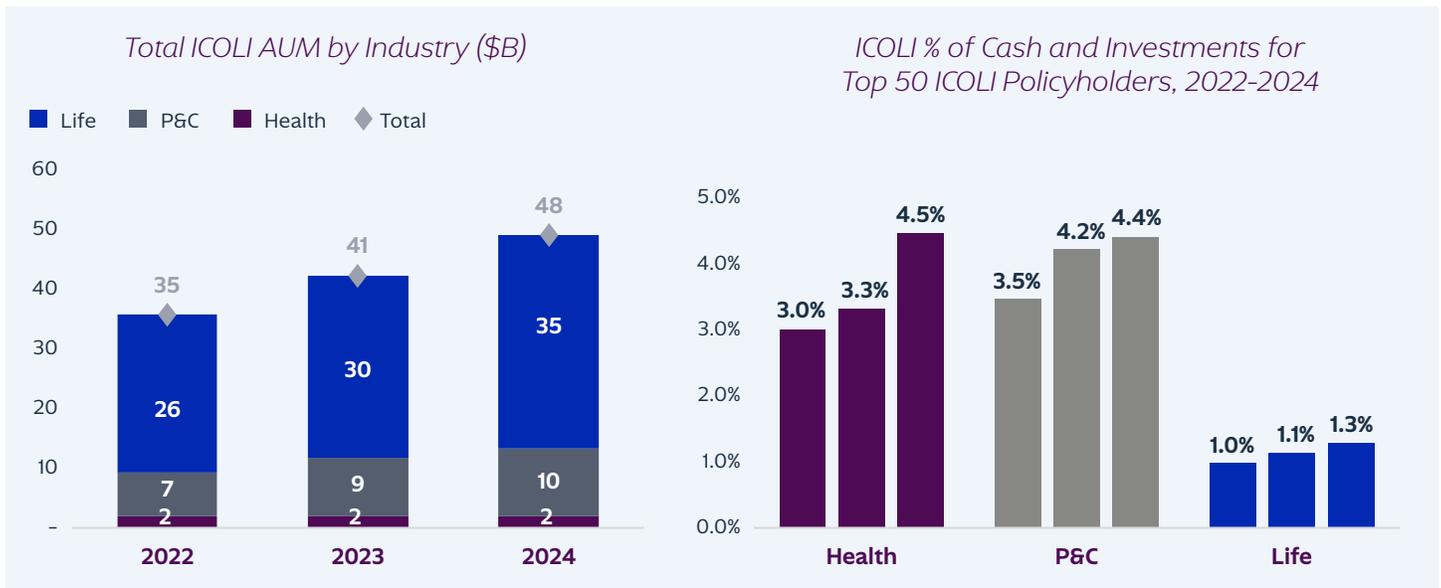
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Introduction

Over the past decade, insurers have increasingly turned to insurance company-owned life insurance (“ICOLI”) and insurance dedicated funds (“IDFs”) to access public and private market strategies with enhanced tax and capital efficiency. This approach has gained traction as carriers navigate a complex portfolio-construction environment shaped by ALM demands, evolving regulation, and tax considerations, all while seeking diversified, long-duration returns. ICOLI’s favorable capital treatment and expanding set of investment options have reinforced its role as a priority balance sheet and portfolio management tool for insurers of all types, especially for allocations to private markets. Reflecting this momentum, industry sources note that hundreds of U.S. insurers hold ICOLI assets, and the market has grown markedly in recent years to an estimated \$50 billion in AUM through year-end 2024.

EXHIBIT 1: ICOLI AUM is growing at a rapid pace...

...and becoming a larger part of insurer portfolios

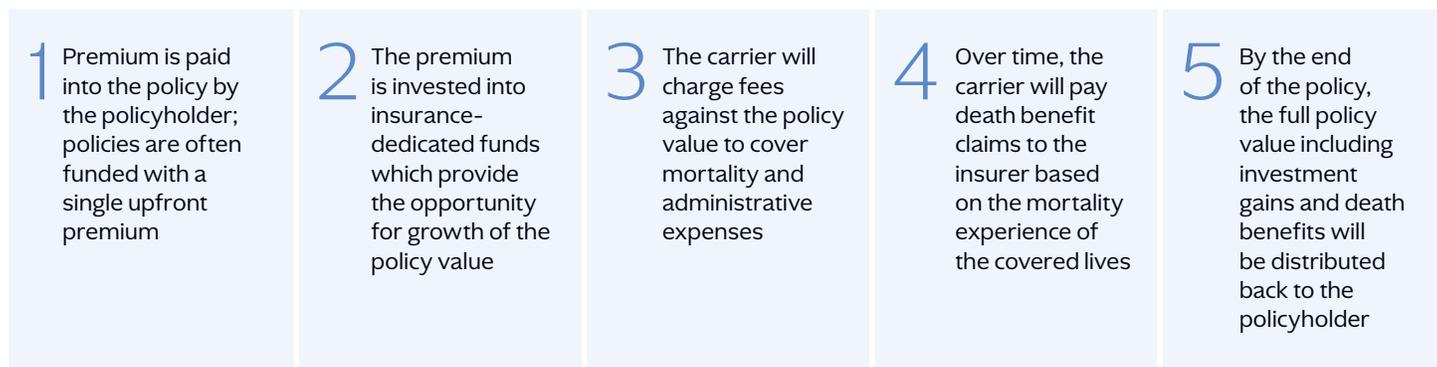


Source: Statutory financials as of December 31, 2024 via S&P Global Market Intelligence, KKR analysis

While IDFs within ICOLI policies can be a powerful investment tool, they come with several unique considerations relative to traditional fund investments, and insurers need to assess whether IDFs are appropriate for their specific objectives. This paper provides an overview of the ICOLI and IDF structures and highlights key considerations for insurers evaluating these vehicles.

ICOLI: A Tax- and Capital-Efficient Investment Structure

Insurance company-owned life insurance allows an insurance company (the policyholder) to purchase group life insurance policies on select executives for the primary benefit of the insurance company balance sheet, with the policy being provided by another insurer (the carrier). It typically works as follows:



The ICOLI structure has several compelling benefits for insurers to access alternative investments relative to traditional formats, including:

Feature	Description
Tax Efficiency	Investment returns and reallocations are tax-free, provided they are distributed as part of death benefits within the policy; deferred taxes may be due if the policy is lapsed
Capital Efficiency	Low risk-based capital charges (often 0-5%) in both regulatory and rating agency models regardless of the underlying investments, which might otherwise carry charges of 20+%
Accounting	Generally held at cash surrender value with changes in value flowing through income statement similar to fund investments; follows ASC 325-30 for GAAP and SSAP 21 for U.S. statutory accounting
Stable Value Wrap (Optional)	A stable value wrap helps to stabilize earnings volatility on the income statement

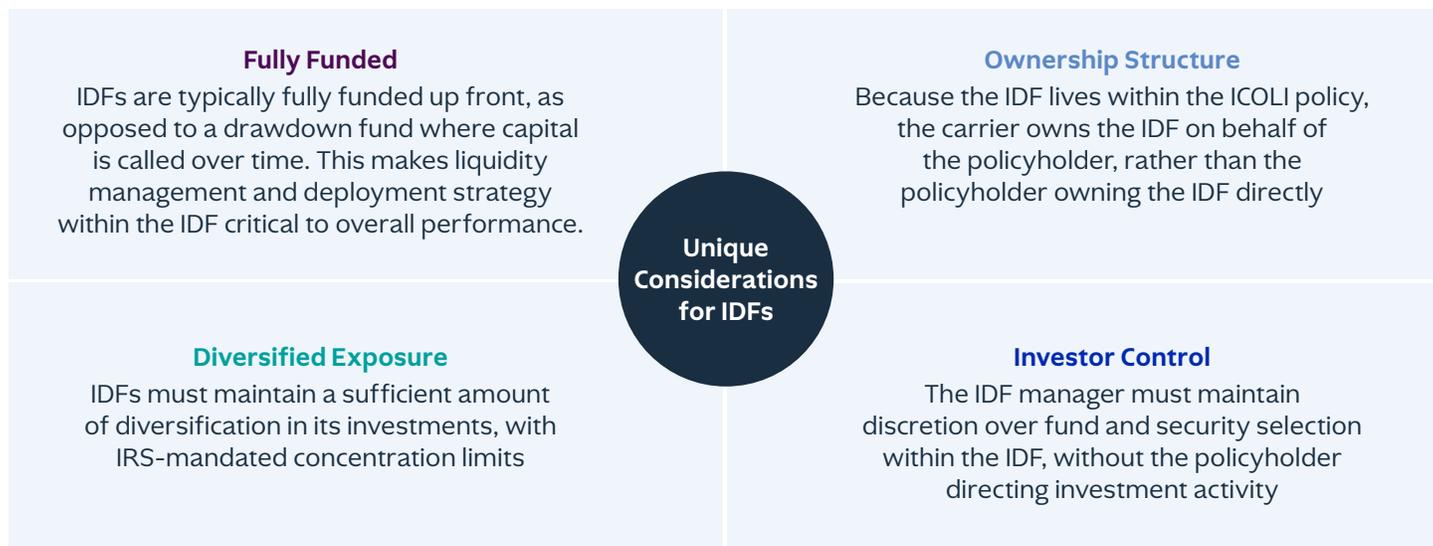
ICOLI policies are meant to be held for the full lifetime of the covered lives, which allows for a long-term investment horizon for assets held in the policy. The benefits are tangible and clear but purchasing an ICOLI policy can also be complex and require a significant amount of internal and external coordination. Accordingly, many insurers use specialized brokers to help them navigate the process, choose the right carrier and product features, and oversee the product over its lifetime.

The Role of Insurance Dedicated Funds

Insurance dedicated funds (IDFs) serve as the investment vehicles through which assets within ICOLI policies are deployed. Insurers can use IDFs to access a full spectrum of investments across public and private markets, and they can be fully customized to each insurer's requirements.

As a component of the ICOLI policy, IDFs are heavily regulated and have unique requirements relative to traditional private fund investments, such as:

EXHIBIT 4: IDF Considerations



These unique structural factors mean that manager selection and guideline construction are particularly important when setting up an IDF. The IDF manager needs to be able to efficiently deploy capital in a manner aligned with the policyholder's objectives, manage liquidity needs, and respond to evolving market conditions without being directed too closely by the policyholder. And given the long-term nature of the ICOLI policy, the policyholder is entering a similarly long-term relationship with the IDF manager.

Launching an IDF involves coordination across multiple stakeholders – including the time required to set up the ICOLI policy, it can take several months.

Working with an experienced IDF manager that has existing relationships with ICOLI carriers, brokers, and administrators can help ensure a smoother onboarding experience.

The below illustrates key steps in the process:

Step 1	Engagement (2+ months) The insurer sizes the ICOLI policy and selects a carrier.
Step 2	IDF Manager Selection (4-8 weeks) The carrier and policyholder work with potential managers to align IDF strategies with the insurer's investment objectives.
Step 3	IDF Design and Setup (4-8 weeks) Investment guidelines and documentation are finalized with the selected IDF manager.
Step 4	Funding and Deployment Capital is fully funded and initially invested in liquid assets before transitioning into private markets over time.
Step 5	Ongoing Oversight Continuous monitoring, rebalancing, and liquidity management.

KKR's Integrated IDF Platform

KKR Solutions is a leading provider of private market IDFs for many of the largest ICOLI programs across the industry. Our deep experience enables us to navigate the unique regulatory and operational complexities of these structures and ensure efficient execution from inception through full deployment.

Each IDF is tailored to align with the insurer's risk, return, and liquidity objectives. We have developed a proven framework to deliver:

- **Comprehensive private market offering:** Clients can access the full breadth of KKR's \$~723B¹ global platform across private equity, credit, and real assets, customized to clients' preferences
- **Thoughtful pacing strategies:** Dynamic pacing of commitments and capital calls over a multi-year horizon to balance vintage diversification with capital efficiency
- **Holistic liquidity management:** Liquidity sleeves invested in cash, Treasuries, and liquid credit instruments overseen by a cross-functional liquidity solutions management program



Private Equity

Buyout
Growth Equity
Middle Market
Core Investments



Credit

Direct Lending
Asset-Based Finance
Corporate Junior Debt
Opportunistic Credit



Real Assets

Infrastructure
Climate
Real Estate Equity
Real Estate Credit

KKR's "one-firm, one-stop" approach to IDF construction and management allows insurers to efficiently translate strategic objectives into compliant, high-performing investment programs within their ICOLI policies.

Conclusion

The complex and evolving investment landscape has made ICOLI and IDFs essential tools for modern insurers to improve balance sheet efficiency. Given the long-term lifecycle and nuances of IDF management, it is especially important for insurers to choose an experienced IDF manager that can deliver customized solutions and strong performance through close partnership.

Whether you are just beginning your ICOLI research or actively evaluating IDF managers, we welcome the opportunity to further discuss the ICOLI and IDF market and how a KKR IDF can fit your objectives.

Note: 1. All figures are as of September 30, 2025 unless otherwise noted. Please see Important Information for important information regarding the calculation of AUM.

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