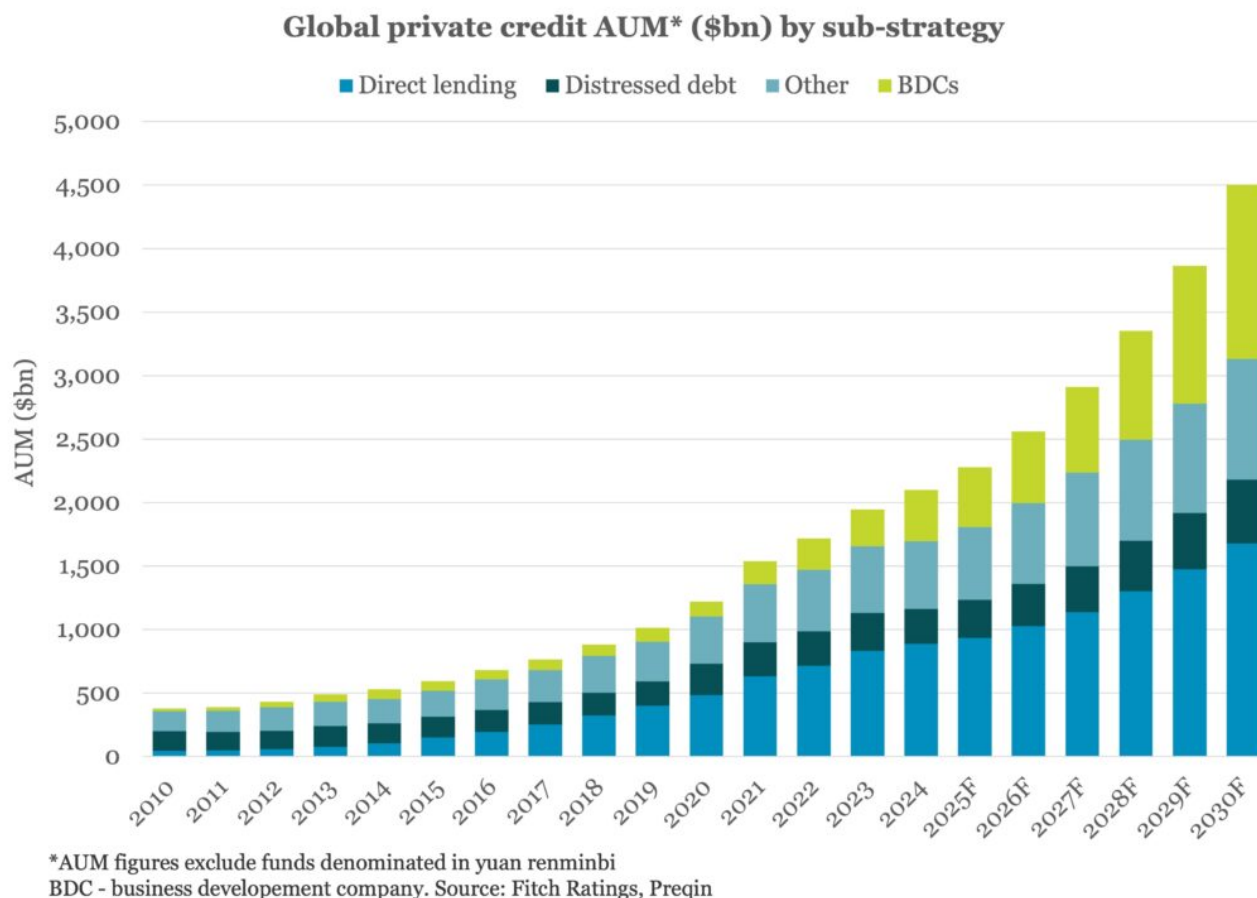


US Life Insurer Investment Risk Rising from Private Letter Ratings

Fitch Ratings | December 11, 2025



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Signs of emerging bubbles have increased in 2025 amid robust investor risk appetite, high market valuations, a rush of capex in AI-related industries and continued growth in private lending channels. The dichotomy between the favorable funding and liquidity environment and a lackluster macro-economic outlook underscores that there may be growing asset bubble risks.

Fitch has long maintained that private credit by itself does not pose a systemic risk to the financial system and the asset class is not in a bubble, even with its high, sustained growth over the past decade and with some bubble-like attributes emerging. Global private credit assets under management (AUM) totaled USD2.1 trillion

as of end-2024, according to Preqin; this remains small compared to the financial system as a whole.

That said, the private credit universe is growing in reach and complexity and, given its relative opacity, an exogenous shock could reveal transmission channels that could amplify the shock and lead to wider-ranging negative effects on both borrowers and lenders. Pension and sovereign wealth funds, insurance companies, endowments, high net-worth individuals, banks and even retail investors could be affected.