



Unlocking Capital Efficiency with Rated Feeder Structures: Insights from Clearwater Analytics and Angel Oak Capital Advisors

In this Q&A, Adam Beeler, Head of Institutional Sales at Angel Oak Capital, leads a discussion on the growing appeal of rated feeder structures among insurance investors, spotlighting their role in easing access to structured credit. He and Christina Spagnola, Senior Private Markets Solutions Consultant at Clearwater Analytics, explore how technology and smart structuring reduce regulatory burdens and operational complexity, enabling broader adoption of alternative assets.

Q: What is Angel Oak Capital Advisors? What kind of products and markets does it specialize in?

Angel Oak: Angel Oak is a leader in structured and securitized credit, with a vertically integrated platform that combines mortgage origination and asset management. This integration provides us with a distinct competitive advantage in helping investors find yield across all economic environments. We offer a wide range of liquid and illiquid credit products across mortgage credit and fixed income. This allows investors to tailor their portfolios to meet their specific liquidity and risk-return needs, whether they are looking for more stable returns or higher-yielding, structured opportunities.

We are one of the largest originators of securitized non-qualified mortgages in the U.S. Our experienced team is solely focused on serving fixed income investors, and we have built one of the most comprehensive structured credit platforms in the industry.

Q: Can you give a bit of background on Clearwater Analytics and what sets it apart in the investment technology space?

Clearwater: Clearwater Analytics is a technology platform focused on investment accounting, reporting, and analytics. Our mission is to be a single-stop shop for managing the full life cycle of investment portfolios—public and private—end to end. What differentiates us is our ability to bring together both public and private asset data, integrating front-office decision-making with back-office accounting and reporting. We offer comprehensive reporting and management of portfolios across all investment types.

Q: Why has Angel Oak focused so heavily on the insurance vertical when developing structured credit solutions?

Angel Oak: We have spent years listening to our global clients, but the insurance vertical has been a major focus for us. One key takeaway is that “one size does not fit all.” Some insurers prefer to directly own residential mortgage loans (RMLs), while others pledge them to the Federal Home Loan Bank—or choose not to. Meanwhile, many insurers prefer the simplicity of a fund structure to help manage operational and regulatory complexities. This need for flexibility led us to expand solutions like rated feeder fund strategies.

Q: What is a rated feeder structure, and why are insurance companies drawn to it?

Angel Oak: A rated feeder structure typically involves a fund with a debt/equity split—say, 80% rated debt and 20% equity. This format helps insurers navigate look-through accounting, regulatory classification (Schedule BA vs. Schedule D), and risk-based capital (RBC) treatment. It simplifies access to high-yield assets like non-QM subordinated tranches, which insurers traditionally could not reach.

With Angel Oak being one of the largest securitizers of non-QM loans, these structures now allow insurers to access those tranches in a capital-efficient, operationally streamlined way.

Clearwater: Insurance companies are expanding into alternative assets like RMLs, but entering this space can be daunting. RMLs require substantial infrastructure, data management, and accounting expertise, and can involve hundreds of individual loan line items—creating a significant operational and reporting burden. Rated feeder funds simplify this. Instead of managing hundreds of positions, insurers get a single line item—typically classified under Schedule BA—which dramatically lowers the barrier to entry.

Q: What makes the rated feeder structure appealing from a structural and investment perspective?

Clearwater: These structures typically include a mix of equity and rated debt, making them more accessible and capital-efficient for insurers. We are seeing growing interest not just in RML-based feeders but also in versions backed by middle market or syndicated loans. The debt portion provides liquidity for general partners or fund managers, often funneling into a larger master fund, while also creating an easier, more attractive way for insurers to participate in these complex credit strategies.

Q: How does Clearwater support insurance companies investing in complex structures like rated feeders, and how are regulatory reporting and risk-based capital handled?

Clearwater: Supporting insurance companies requires an understanding of their unique regulatory and operational demands. At Clearwater, we recognized this early and began building capabilities specifically for the insurance vertical in the early 2010s. One of the most critical components we developed was a robust regulatory reporting engine to support filings like Schedules B, D, and BA, which are central to insurers’ RBC calculations and compliance requirements.

Rated feeder structures typically involve complex assets like RMLs or other credit structures. Without the right technology, insurers might face the daunting task of manually entering hundreds of individual loans into their statutory schedules, turning a simple investment into an operational burden.

Clearwater helps eliminate that complexity by:

- Aggregating and reconciling data daily from fund managers like Angel Oak
- Automating accounting for GAAP and STAT reporting
- Calculating book value, book yield, and RBC charges automatically
- Enabling push-button reporting at quarter-end, turning what used to be a time-consuming manual process into a streamlined, automated workflow

Ultimately, our goal is to lower the barrier to entry for insurers, giving them access to asset classes like RMLs through rated feeder structures—without the operational drag—so they can focus on strategic investing.

Q: How has the insurance industry evolved in its approach to alternative investments, and how does the rated feeder structure fit into this trend?

Angel Oak: Over the years, we have seen insurance companies—particularly on the general and investment account sides—become much more sophisticated in their approach to deploying capital. They are increasingly seeking alternative investments that are not necessarily esoteric but offer diversification and yield. One trend that has emerged is the rated feeder structure, and we think it is here to stay. We are often asked, “What is this structure? How is it different? How do I account for it? What is the look-through treatment?” The challenge is not just access to these assets but also how they show up operationally—from accounting to performance tracking. This is where the collaboration between technology providers, asset managers, and insurance companies becomes essential.

Q: Why is the distinction between investing in a fund versus direct assets important for insurance companies from a capital treatment perspective?

Clearwater: It is a critical distinction. On the surface, funds seem like an easier entry point—especially for complex assets like RMLs. Insurers often say, “Whole loans are too complicated; I’ll just invest in the fund.” And while that does reduce operational complexity, it comes at a steep regulatory cost.

For life insurers, investing in a private fund automatically results in a 30% RBC charge—which is even more punitive than investing in below-investment-grade bonds. P&C insurers face a slightly lower penalty, but it is still around 20%. By contrast, investing directly in the assets—and reporting them correctly, like placing RMLs or commercial mortgage loans on Schedule B instead of Schedule BA—leads to significantly more favorable RBC treatment. We are talking about sub-15% or even sub-10% for prime assets. The goal is to lower this regulatory burden, which Clearwater helps facilitate.

Q: Can you explain how Clearwater makes this process easier for insurers, especially with rated note feeder structures?

Clearwater: Absolutely. We have focused on reducing the operational burden so insurers can easily access alternative investments without getting bogged down by complex data and regulatory hurdles.

One option is the rated note feeder structure, which aggregates a pool of RMLs (for example) into a securitized product—such as a rated note—and places it on Schedule D, offering significantly more favorable capital treatment. This approach helps eliminate the hefty 30% RBC charge typically associated with funds. By packaging the underlying assets into a single, rated security, the structure simplifies data management and makes it easier for insurers to handle.

Q: What challenges do insurers face when working with rated note feeder structures, particularly around data and reporting?

Clearwater: One of the biggest challenges with rated note feeder structures is data complexity, especially when it comes to how the information is delivered and processed. These structures often pool hundreds of underlying assets like RMLs into a securitized product (a rated note), which insurers can then report on Schedule D—a far more favorable capital treatment compared to a fund reported on Schedule BA.

However, most of the data from the general partners (GPs) managing these funds is sent in PDF format, which makes it hard to ingest and reconcile. Clients are often stuck navigating to their GP’s web portal, downloading PDFs, then manually pulling out data and tracking things like capital calls, distributions, and NAV statements in Excel. Then that data is passed across accounting and performance teams—who often need different versions of the same data.

Q: How is Clearwater solving these data and reporting issues for clients?

Clearwater: We have fully automated the private fund data processing side. Using advanced AI technologies, Clearwater gathers PDF statements from GP portals, organizes and stores them, then extracts critical information from GP-issued documents like capital account statements, capital calls, and distributions. We automatically generate accounting entries, update reporting, and ensure the equity investment is correctly placed on Schedule BA. We’re also taking it a step further by rolling out full support for the debt component of rated feeder structures. This means all details of the debt note are extracted, recorded as distinct line items, processed through our accounting system, and mapped to the appropriate NAIC schedules—typically Schedule D.

The goal is to eliminate manual work, reduce errors, and make it much easier for insurers to access these structures while maintaining compliance and gaining preferential RBC treatment.

Q: What do you think is the most critical factor in achieving wide adoption of rated feeder structures, and what is needed to push this forward?

Angel Oak: The most critical factor for wider adoption of rated feeder structures is simplifying the process for asset managers and insurers. As we have discussed, technology is key. It is not enough to just have a great investment strategy or a good product; if the back-end processes are cumbersome, it makes it difficult for insurers to integrate these investments into their portfolios. The real challenge lies in automating the accounting, reporting, and compliance processes so that these investments can be implemented easily. The more we can do to make these back-end processes smoother, the more likely rated feeder structures will be adopted.

Q: Do you see rated feeder structures being used more by small, medium, or large life insurance companies? And how does it compare to interest from P&C companies?

Clearwater: We are seeing interest from both life and P&C insurers, but the heavier uptake is on the life insurance side. That said, it is not limited by company size—we are seeing engagement from small, medium, and large insurers across the board.

In just the past six to nine months, over 30 clients have approached us, saying, “We are investing in these rated feeder structures, but it is extremely manual and painful to manage. How can you help?” That growing demand is what is driving us to continue building out automation—not just on the private fund side, where we already offer support, but on the rated note side as well.

We are also seeing an interesting mix of users. It is not just insurers anymore—asset managers are coming to us, too. They are investing in these structures on behalf of their clients and telling us, “This is too operationally painful, and our end clients are struggling.” It is becoming a broader issue across both investors and managers, which highlights the need for seamless, tech-enabled solutions to manage these complex structures.

Q: Let us revisit the broader trends you are seeing in the industry. Could you share a success story—either with an insurance company or an asset manager? What is a real-world example where Clearwater made a difference?

Clearwater: Of course. First, it is important to understand that while Clearwater has a dominant presence with insurers—we work with about 65% to 70% of the insurance market in the U.S.—we also have a strong footprint with asset managers. We are currently processing nearly \$9 trillion in assets across our platform every single day, and that is not just from insurers. That includes asset managers, pensions, corporations, and OCIOs. What is interesting is that while the needs of insurers and asset managers are different, they both have similar infrastructure challenges, particularly around data aggregation, normalization, and accounting.

One of the biggest trends we are seeing right now is asset managers reaching out to us as they expand further into alternatives.

Many of them are doing everything they can on their side to make these investments more accessible to insurers, but they still face massive infrastructure issues, especially when it comes to delivering clean, consistent data. That is where Clearwater has been able to add tremendous value. We can ingest their data, clean and reconcile it, and then automatically generate the necessary statutory and GAAP reports. We have also rolled out new capabilities that let us send that data directly to their insurance clients, regardless of whether those clients are using Clearwater.

What is especially powerful is our move toward creating a single private security master, much like we’ve done for public securities. In the public space, Clearwater has a single shared security master across all clients, so when we fix an issue, it is resolved for everyone. We are now doing the same thing for private assets, giving asset managers the ability to curate their own centralized data set for all private credit assets like syndicated loans, middle market loans, direct lending, collateralized loan obligations, collateralized debt obligations, and more. Instead of having to recreate those instruments in every client portfolio, the asset manager can establish a private security master once and we disseminate it automatically to all relevant clients. Each insurer still gets their own books and records, with their own accounting elections, but everyone is working off the same base information. That dramatically reduces reconciliation headaches and prevents the kind of back-and-forth that eats up time and resources.

We are in the middle of implementing a shared private security master for one of our largest asset manager clients. They will be using it to sync their security master with four to five of their biggest insurance investors, all of whom actively invest in mortgage loans, middle market lending, direct lending and more private credit instruments. It is a great example of how we can eliminate manual pain points on both sides—helping asset managers operate more efficiently while lowering the barrier to entry for insurers.

To learn more about how Clearwater Analytics supports insurers and asset managers with investment data management and regulatory reporting, visit www.clearwateranalytics.com.

For more information about Angel Oak Capital Advisors and its structured credit investment solutions, visit www.angeloakcapital.com.



Christina Spagnolo
Senior Solutions Consultant,
Alternative Assets
Clearwater Analytics



Adam Beeler
Head of Institutional Sales
Angel Oak Capital Advisors

The views expressed represent the opinion of Angel Oak Capital Advisors which are subject to change and are not intended as a forecast or guarantee of future results. Stated information is derived from proprietary and non-proprietary sources which have not been independently verified for accuracy or completeness. While Angel Oak Capital Advisors believes the information to be accurate and reliable, we do not claim or have responsibility for its completeness, accuracy, or reliability. Statements of future expectations, estimate, projections, and other forward-looking statements are based on available information and management's view as of the time of these statements. Accordingly, such statements are inherently speculative as they are based on assumptions which may involve known and unknown risks and uncertainties. Actual results, performance or events may differ materially from those expressed or implied in such statements.

All investing involves risk, including the loss of principal. There is no guarantee that investment objectives will be attained. Results may vary. There is no guarantee that risk can be managed successfully.

This document does not constitute advice or a recommendation or offer to sell or a solicitation to deal in any security or financial product. It is provided for informational purposes only and on the understanding that the recipient has sufficient knowledge and experience to be able to understand and make their own evaluation of the proposals and services described herein, any risks associated therewith and any related legal, tax, accounting or other material considerations. To the extent that the reader has any questions regarding the applicability of any specific issue discussed above to their specific portfolio or situation, prospective investors are encouraged to contact Angel Oak Capital Advisors or consult with the professional advisor of their choosing.

There is no guarantee that the investment objectives will be achieved. Moreover, the past performance is not a guarantee or indicator of future results.