Capital Markets Update: Companies Are Increasingly Relying on Insurance Strategies to Raise Capital

As liquidity in the economy tightens and the cost of capital begins to rise along with interest rates, many companies, especially those in higher risk sectors, are finding borrowing costs to be growing more expensive. As a result, they are turning to additional strategies, such as "insurance capital" to de-risk their business model and raise cheaper debt in both the public and private markets.

"There are currently very few options for companies seeking to grow their businesses when risk-based capital is non-existent in both today's marketplace and in the foreseeable economic future," says Edge Management Managing Member, Nemo Perera. "Edge has developed a proprietary technique, using insurance as an alternative form of capital, to help mitigate risks associated with, for example, green technologies, which enables companies to raise debt without equity dilution in both private and public debt offerings."

Perera explains that "'Insurance capital' helps smaller businesses leverage the balance sheet of billion-dollar insurers to help raise comparatively cheaper debt that is duration-matched to a company's off-take agreements. An insurer's balance sheet also provides our clients with a "shadow rating" for the purposes of securing low-cost debt. Edge has developed the most efficient path forward for risk-adjusted ESG-related investments, benefiting both entrepreneurs and investors."