



AN INSURANCE LENS

# Credit Trends and AI Buildout

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FTI Consulting

September 24, 2026

# Outline



## Who is paying for the buildout, and who already owns it?

### Six questions, in order

- 1 Who is paying for the buildout, and who already owns it?
- 2 Is credit cheap or expensive right now?
- 3 What is inside one of these bonds?
- 4 Who really stands behind it?
- 5 What does it do to the statements before anything defaults?
- 6 What if the cycle turns?

### Three things to take away

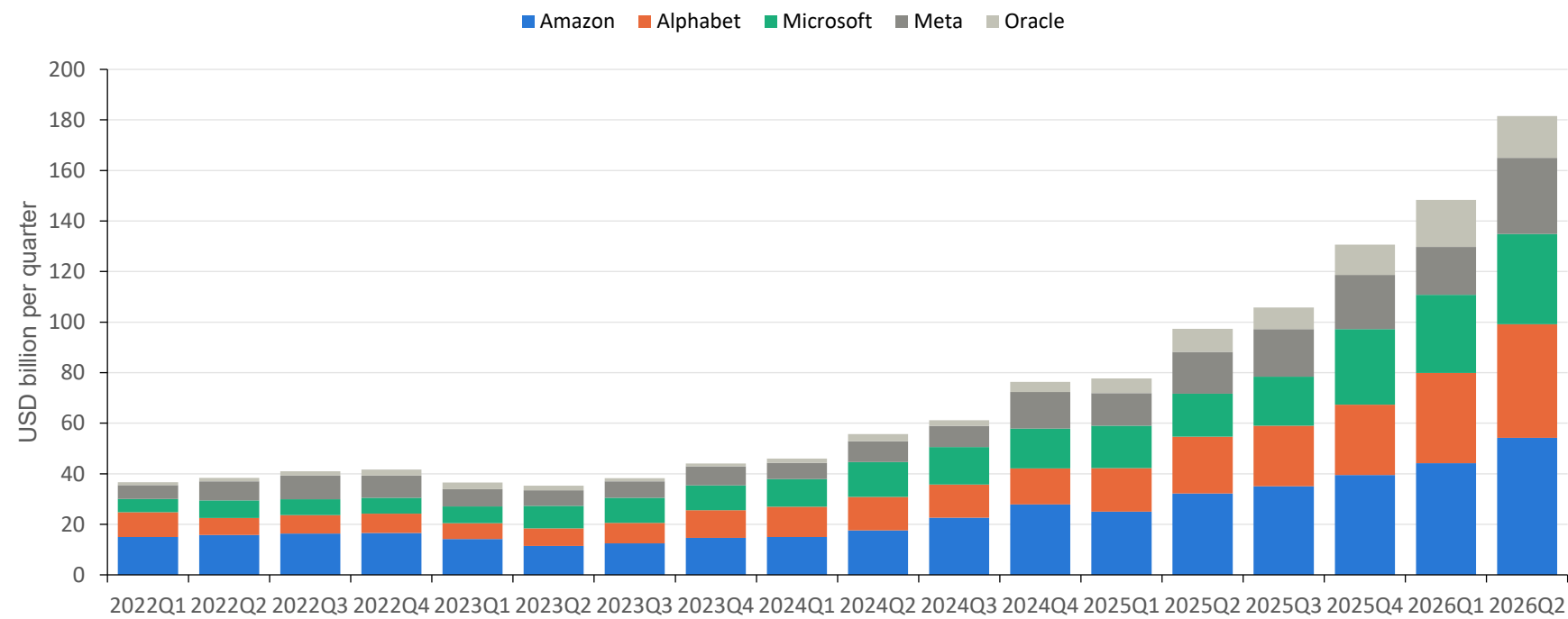
- 1 **The exposure is larger than the allocation.**
- 2 **Insurers lend on the contractual support behind the tenant: narrower, more conditional and more correlated than it looks.**
- 3 **The risk reaches the mark, the designation and the examiner before it reaches a default.**

# The Spending



## Who is paying for the buildout, and who already owns it?

Quarterly company-wide cash capital expenditure, USD billion



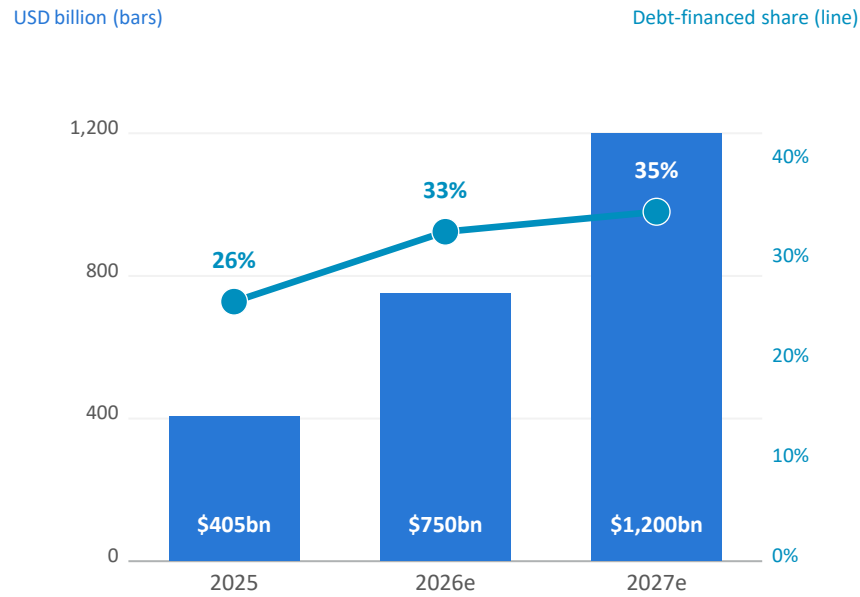
**\$37bn to \$182bn**  
2022Q1 to 2026Q2

Source: Goldman Sachs credit strategy (July 28, 2026); McKinsey, The cost of compute (2025); J.P. Morgan; SEC XBRL company facts (10-Q and 10-K), pulled September 15, 2026.

Forecasts of the buildout through 2030

| Source                   | Estimate                     |
|--------------------------|------------------------------|
| McKinsey, central case   | \$6.7tn; \$5.2tn AI-specific |
| Range across forecasters | \$3tn to \$7tn               |

## One bank's forward path: annual capex and the share that is borrowed

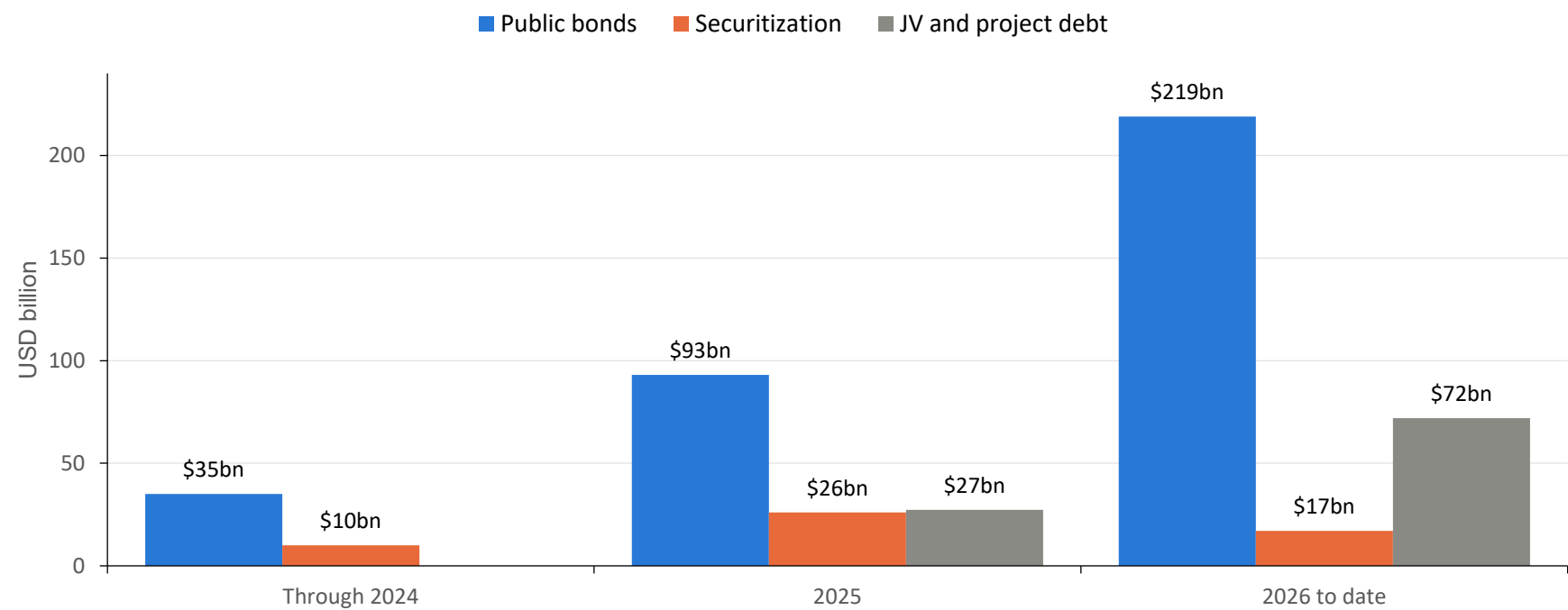


Goldman's own company set, a different perimeter from the five companies on the left, so the two charts are not one series.

# The Financing Migration



Who is paying for the buildout, and who already owns it?



Periods differ by channel and are labeled: public bonds are a 2020 to 2024 average, then 2025, then 2026 to August 20; securitization is 2024, 2025, then first half 2026; joint venture and project debt is 2025 then 2026 to date.

Source: J.P. Morgan; Barclays; Impax; company releases.

**The order of the migration**

1. Cash flow, about half of the spending
2. Public bonds, in the sponsor's own name
3. Securitization, secured on the buildings
4. Joint ventures, off the sponsor's balance sheet

**\$170bn vs \$600bn**

cohort free cash flow against net income, last twelve months

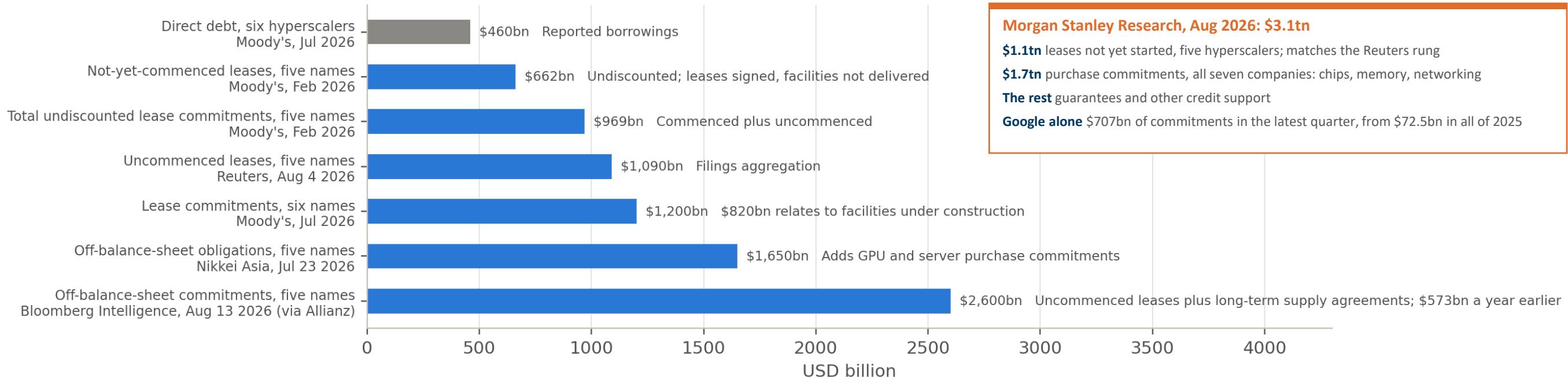
**\$2.9tn**

of financing through 2028: about half from operating cash flow, the rest borrowed or raised

# Obligations Off the Balance Sheet



Who is paying for the buildout, and who already owns it?



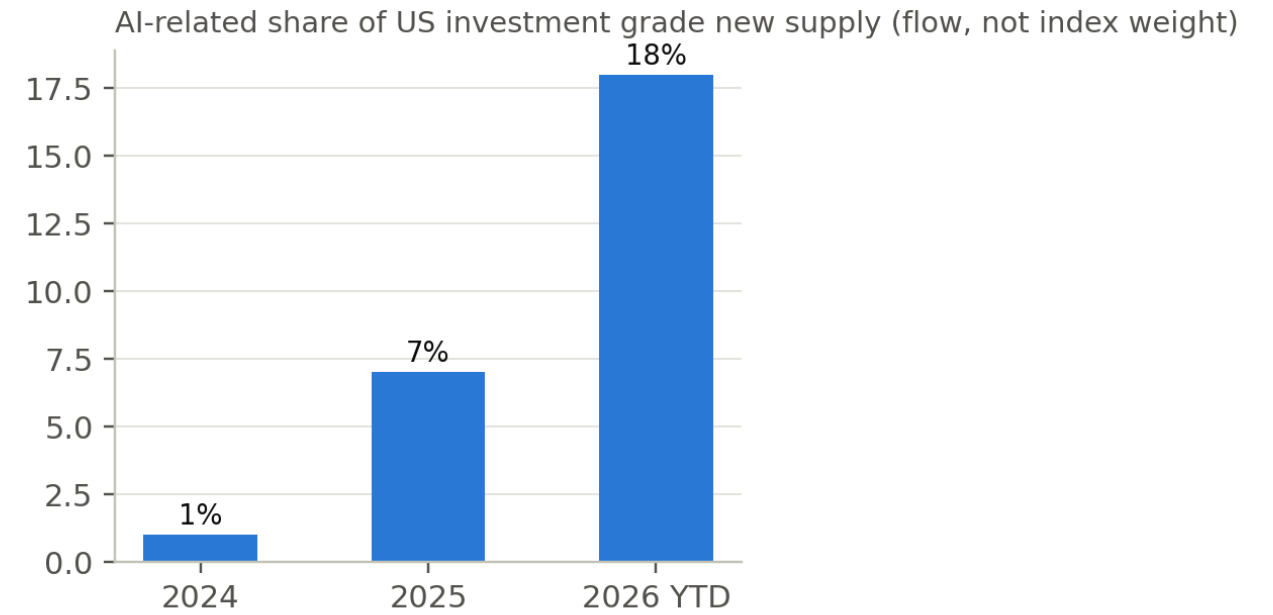
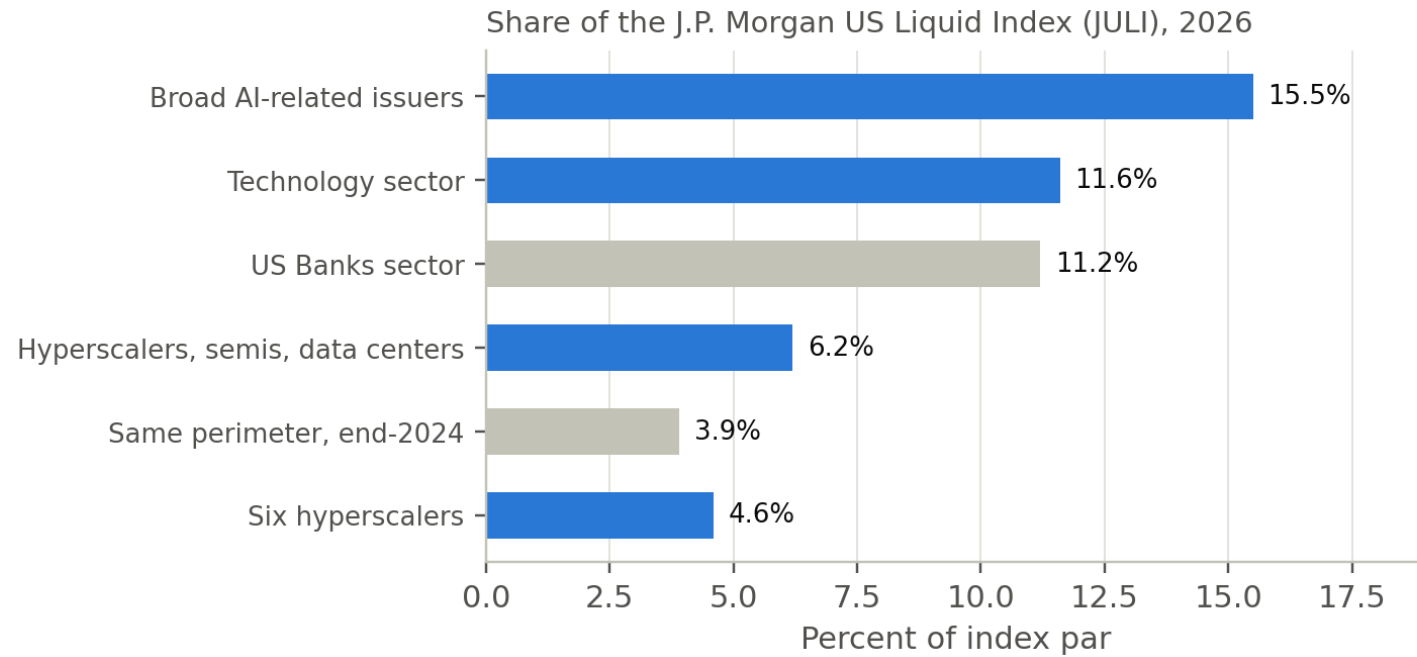
Gray: on-balance-sheet debt for reference. Blue: off-balance-sheet measures, each on its own scope; the bars overlap and should not be summed. Morgan Stanley's Aug 2026 count is the widest, because it adds purchase commitments and guarantees to leases.

**1 to 2 notches** lower model-implied credit quality with full recognition (Allianz)

Source: Moody's Ratings; Reuters; Nikkei Asia; Bloomberg Intelligence; Allianz Research; Morgan Stanley Research (August 24, 2026); Financial Times.

# Technology in the Index

## Who is paying for the buildout, and who already owns it?



Left: index weight, the accumulated stock, on JULI's sector split (a wider banking perimeter is about a quarter of the market). Right: share of the year's new issuance, a flow. Perimeters differ and are labeled.

Source: J.P. Morgan; Goldman Sachs Research and Exchanges.

**~40%** of this year's issuance with fifteen years or more to maturity is AI-related

**Nearly half** fall in insurer participation in \$50mn+ tickets of 30-year AI tranches

# What Insurers Hold



Who is paying for the buildout, and who already owns it?

By name: the 25 largest obligors held by US life insurers

0.3%

the largest single obligor, as a share of aggregate US life insurer invested assets

16bp

Oracle, the only AI-related name among the twenty-five

Utilities and banks make up most of the list. Year-end 2025 Schedule D.

By dependency: Moody's insurer survey, September 2026

| Held by rated insurers  | Life   | P&C   |
|-------------------------|--------|-------|
| Data center assets      | \$8bn  | \$2bn |
| Related energy projects | \$26bn | \$1bn |

up to \$20bn

sector-wide exposure to data centers

35%

of life invested assets is already private credit

More than 40% of insurers surveyed plan to add private debt.

Counted by name, the exposure is small. Counted by what the cash flows depend on, it is larger, and I have found no published count of it.

Source: J.P. Morgan; NAIC filings; Moody's Ratings insurer survey (September 18, 2026); The Wall Street Journal.

# Insuring Data Centers

Who is paying for the buildout, and who already owns it?

**\$20-30bn**

annual data center premiums by 2030 (Swiss Re)

**4x to 6x**

the global aviation insurance market (S&P)

**\$20-30bn**

insurable value of one hyperscale campus (S&P)

## What the market sees

About \$10bn of new premium this year, on S&P's estimate.

Technology firms retain a large share of the risk themselves.

New structures, including outside capital, are being built for hyperscale risk.

## What underwriters report weighing

40% of US capacity sits in tornado-prone areas (Swiss Re).

The largest carriers take low single-digit billions of a campus each (S&P).

The claims record for hyperscale campuses is still short.

**Both sides of the insurance balance sheet meet at the same campuses.**

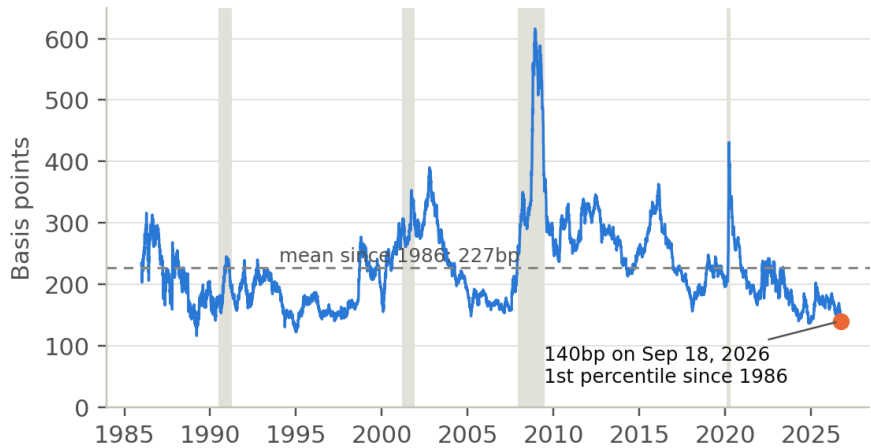
Source: Swiss Re; S&P Global; Lloyd's of London; The Wall Street Journal (September 5, 2026).

# Spreads

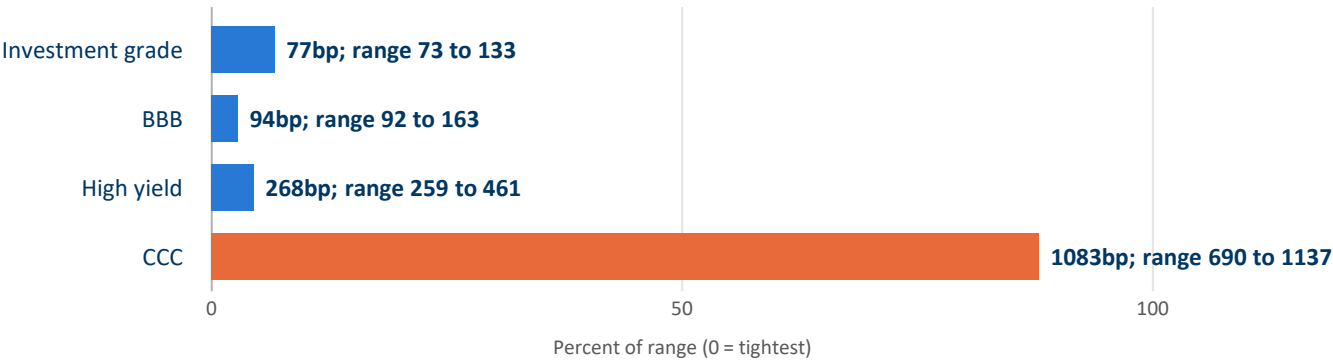


## Is credit cheap or expensive right now?

Moody's Baa corporate yield less the 10-year Treasury, daily since 1986; recessions shaded



Position of each rating bucket within its own three-year range (ICE BofA option-adjusted spreads, September 18)



Source: J.P. Morgan; FRED (Moody's BAA10Y; ICE BofA option-adjusted spreads), data to September 18, 2026; Citi.

6.02%

J.P. Morgan investment grade index yield, September 21; above 6% for the first time since 2023

140bp

Moody's Baa yield less the 10-year Treasury, September 18; bottom two percent of readings since 1986, mean 227bp

CCC near its wide

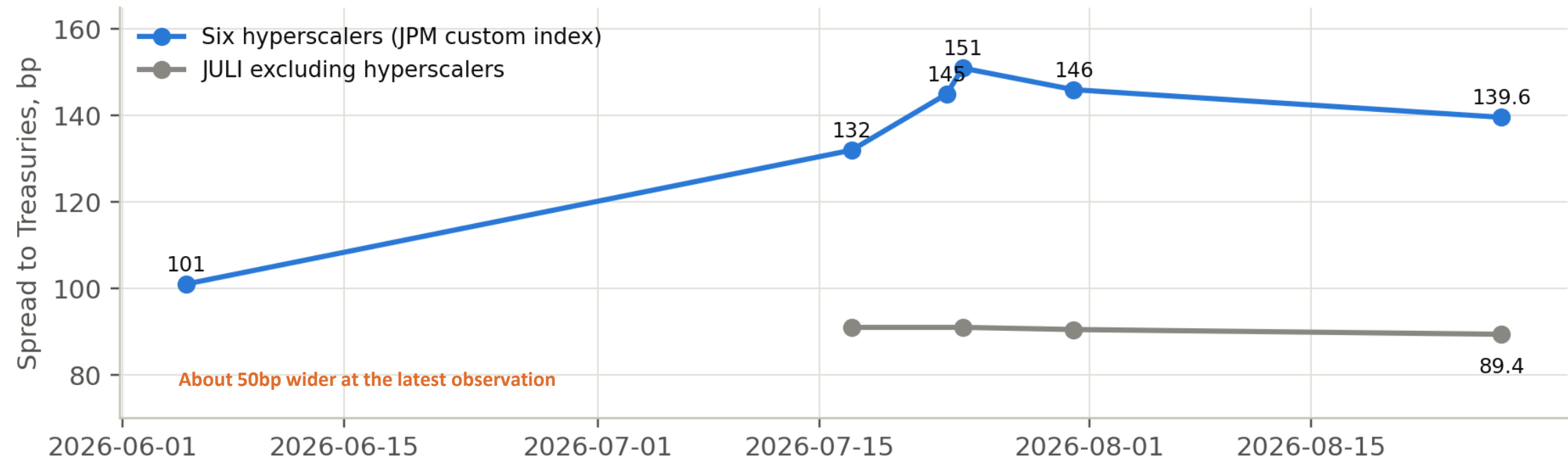
1,083bp against a three-year maximum of 1,137; investment grade near its tight end

5%

the level to watch on the ten-year Treasury, which stood at 4.96% on September 21: market commentary treats a decisive move above 5% as where the risk-free yield competes with the AI trade

# The Hyperscaler Premium

Is credit cheap or expensive right now?



This chart shows dated points as quoted, not a continuous series.

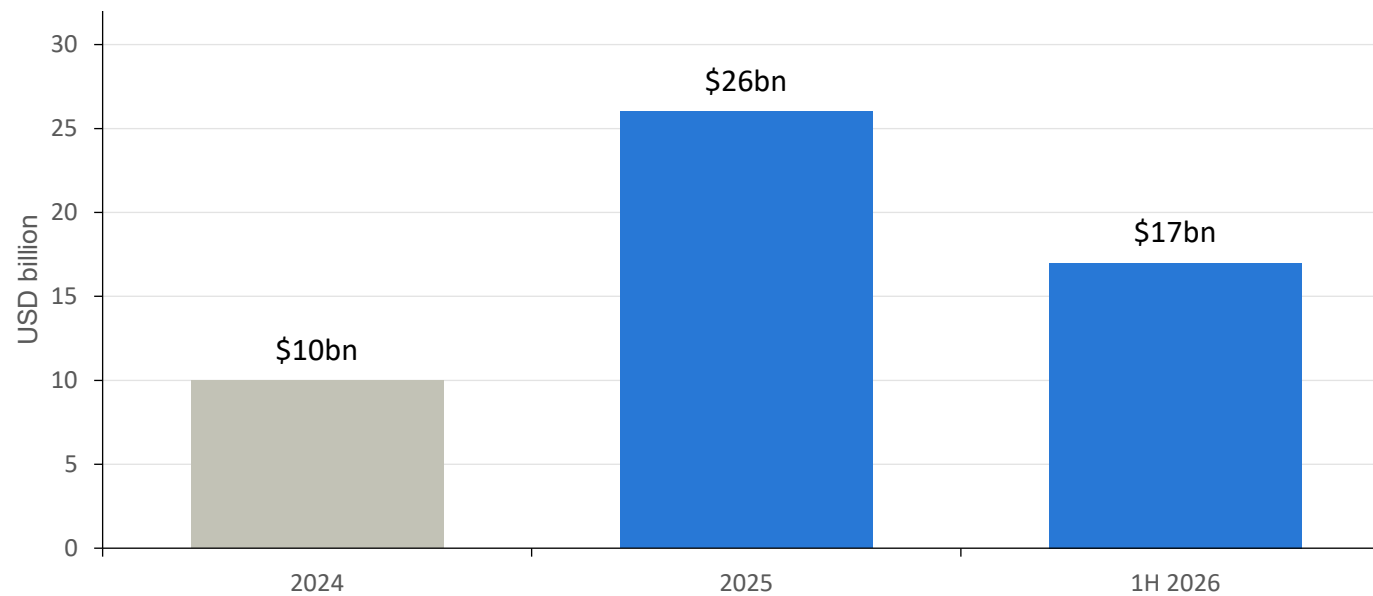
**Highly rated** no default, no recession, and still about 50bp wider

Source: J.P. Morgan; Goldman Sachs Exchanges.

# A New Market

## What is inside one of these bonds?

Data center ABS and CMBS issuance, USD billion



**\$4bn to \$61bn**

securitization outstanding, 2020 to now

**Within a year**

AAA ratings arrived on data center pools

### How new the rules are

**July 2026:** the SEC first addressed whether these deals are ABS for disclosure

**2026:** by now four agencies have assigned AAA; S&P still will not go above single A

**Year-end 2026:** the first structure-sensitive capital factors arrive, for CLOs

### Where the covenants are

**Oracle's and Meta's own indentures:** "does not contain any financial covenants"; unsecured

**QTS, a real data center ABS:** cash trap at 1.35x DSCR, sweep at 1.20x

**A new structure gets priced before anyone has seen it through a cycle.**

Source: Barclays; Impax; Moody's; S&P; SEC (July 29, 2026); NAIC.

# Chips, Buildings and Amortization



What is inside one of these bonds?

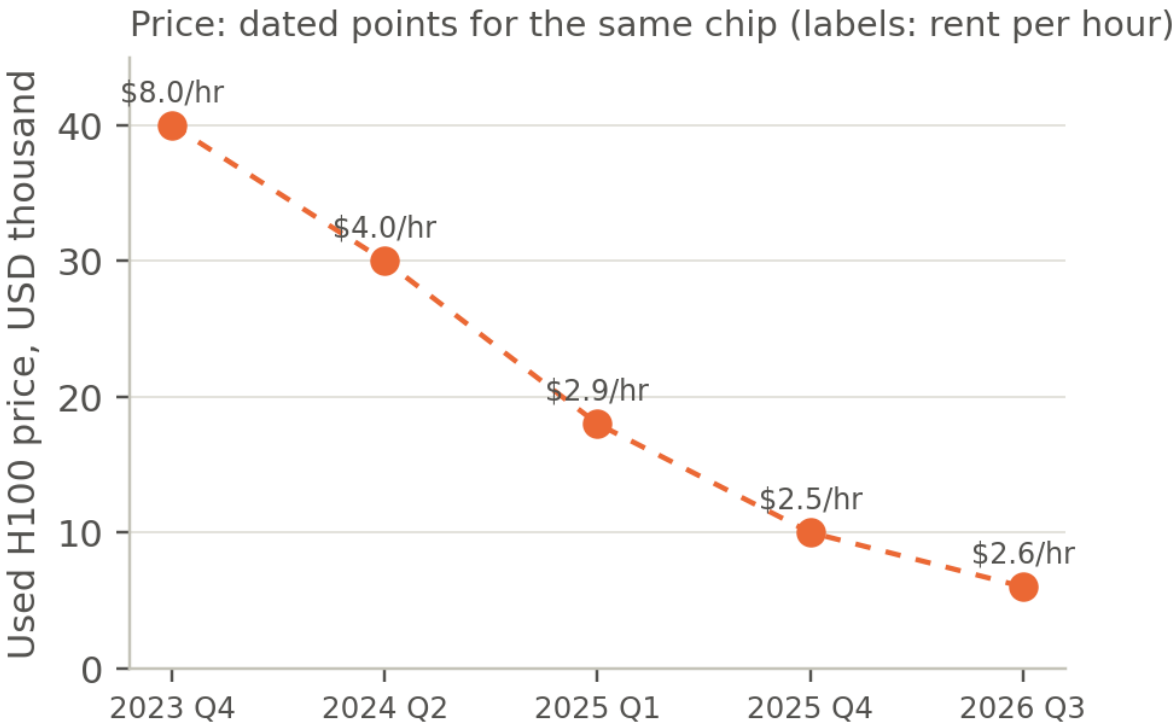
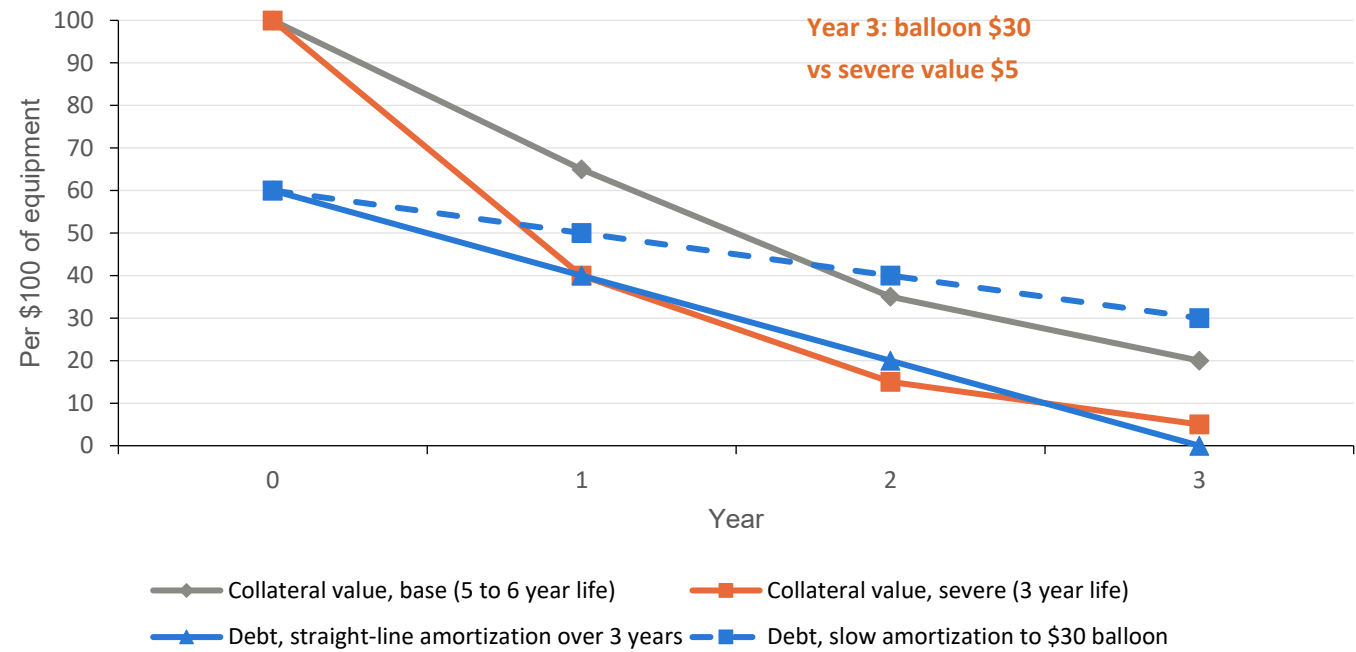


Illustration: \$100 of GPUs financed at a 60% advance rate



**28 years old**  
the borrower on a hundred-year bond, counting from Google's founding in 1998

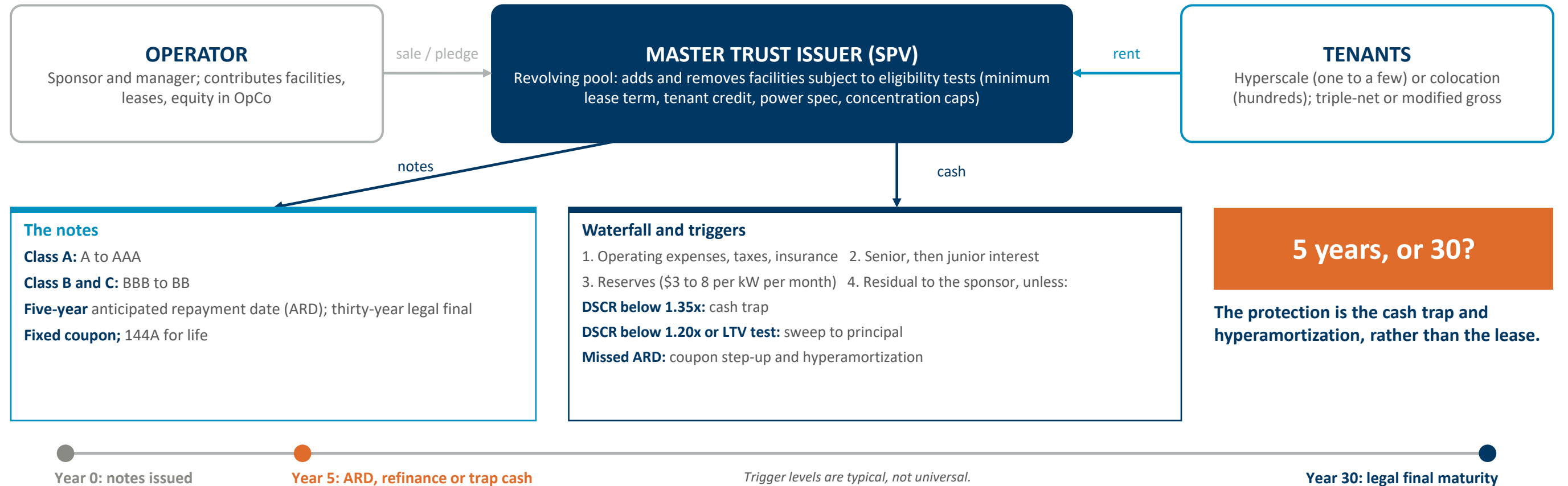
**3 years** for a chip to lose most of its resale value

**20+ years** for the building and power around it

Source: Hashrate Index; Silicon Data; Ornn Data; Morgan Stanley; FTI Consulting illustrative model.

# The Master Trust

What is inside one of these bonds?



Source: J.P. Morgan; CREFC; NEAM; Fitch Ratings; KBRA presale materials (2026); FTI Consulting.

# Four Agencies and S&P



## What is inside one of these bonds?

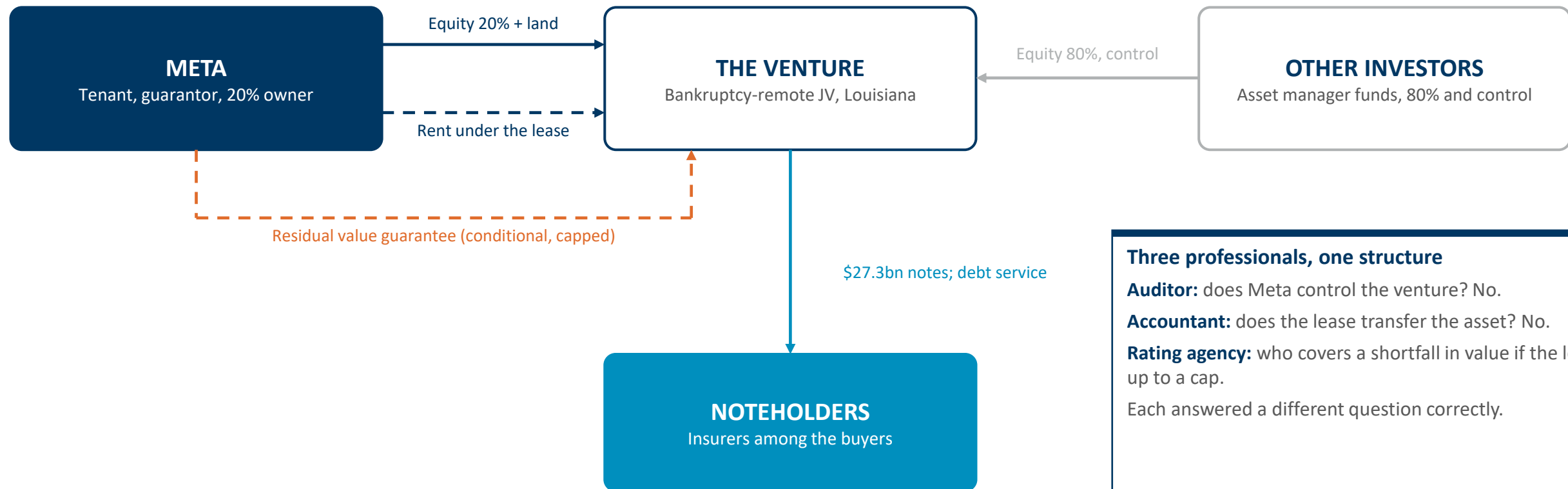
| Agency             | Highest rating on data center debt                                                                       | First AAA                                | What drives the answer                                                                                           | NAIC designation     | Life base factor | P&C base factor |
|--------------------|----------------------------------------------------------------------------------------------------------|------------------------------------------|------------------------------------------------------------------------------------------------------------------|----------------------|------------------|-----------------|
| S&P Global Ratings | A category on ABS (70 tranches 2020 to 2025: 42 at A-, 12 at A; A+ permitted, never used); A+ on Beignet | None                                     | Technology change and tenant renewal; assumes three recessions in 35 years; single-tenant notes track the tenant | 1.E (A+) to 1.G (A-) | 0.66% to 1.02%   | 1.0% to 1.5%    |
| Moody's Ratings    | AAA                                                                                                      | Feb 12, 2026, Compass (\$500m of \$830m) | Contracted cash flow; liquidation on land value                                                                  | 1.A                  | 0.16%            | 0.2%            |
| Fitch Ratings      | AAA                                                                                                      | Jul 29, 2026, Cloud Capital (\$520m)     | Criteria draft Jun 2025; stabilized IG-tenant pools reach AAA                                                    | 1.A                  | 0.16%            | 0.2%            |
| Morningstar DBRS   | AAA                                                                                                      | Oct 2025, Compass 2025-2                 | Lease cash flow and tenant quality                                                                               | 1.A                  | 0.16%            | 0.2%            |
| KBRA               | AAA                                                                                                      | Jul 29, 2026, Cloud Capital (\$520m)     | Revenue haircuts even without tenant default                                                                     | 1.A                  | 0.16%            | 0.2%            |

**4x to 7x** the life capital charge, S&P's letter vs the other four

Source: GlobalCapital; Data Center Knowledge; Cloud Capital; Clifford Chance; NAIC LR002 and PR006.

# Beignet: The Structure

Who really stands behind it?



## Three professionals, one structure

**Auditor:** does Meta control the venture? No.

**Accountant:** does the lease transfer the asset? No.

**Rating agency:** who covers a shortfall in value if the lease ends? Meta, up to a cap.

Each answered a different question correctly.

Source: Meta Platforms 10-Q (June 30, 2026) and press release; S&P Global Ratings; IFR.

# Beignet: The Terms



## Who really stands behind it?

| Term                     | Detail                                                                                                        |
|--------------------------|---------------------------------------------------------------------------------------------------------------|
| Notes issued             | \$27.3bn of senior secured notes, amortizing to 2049                                                          |
| Coupon and spread        | 6.581%, 225 basis points over Treasuries                                                                      |
| Rating                   | A+ from S&P alone, one notch below Meta                                                                       |
| Ownership                | Asset manager funds 80%, with control; Meta 20%, contributed the land                                         |
| Lease                    | Four-year terms from June 2029; renewal points 2033, 2037, 2041, 2045; last term ends May 2049 with the notes |
| Residual value guarantee | Sixteen years of operations, 2029 to 2045; at each renewal point, sized to the debt then outstanding          |
| Meta's disclosure        | Maximum exposure to loss \$46bn; no liability recorded; an EY critical audit matter                           |

\$46bn

maximum exposure to loss Meta discloses; no guarantee liability recorded, payment not judged probable

### Why the terms matter

Every renewal point sits inside the guarantee; the last lease term and the notes end together.

The rating rests on one agency's letter.

Every protection is a Meta promise: the rent, the guarantee, and the guarantee of the guarantee.

S&P rates one notch below Meta because nothing pledges the campus, and would move the notes in tandem with Meta.

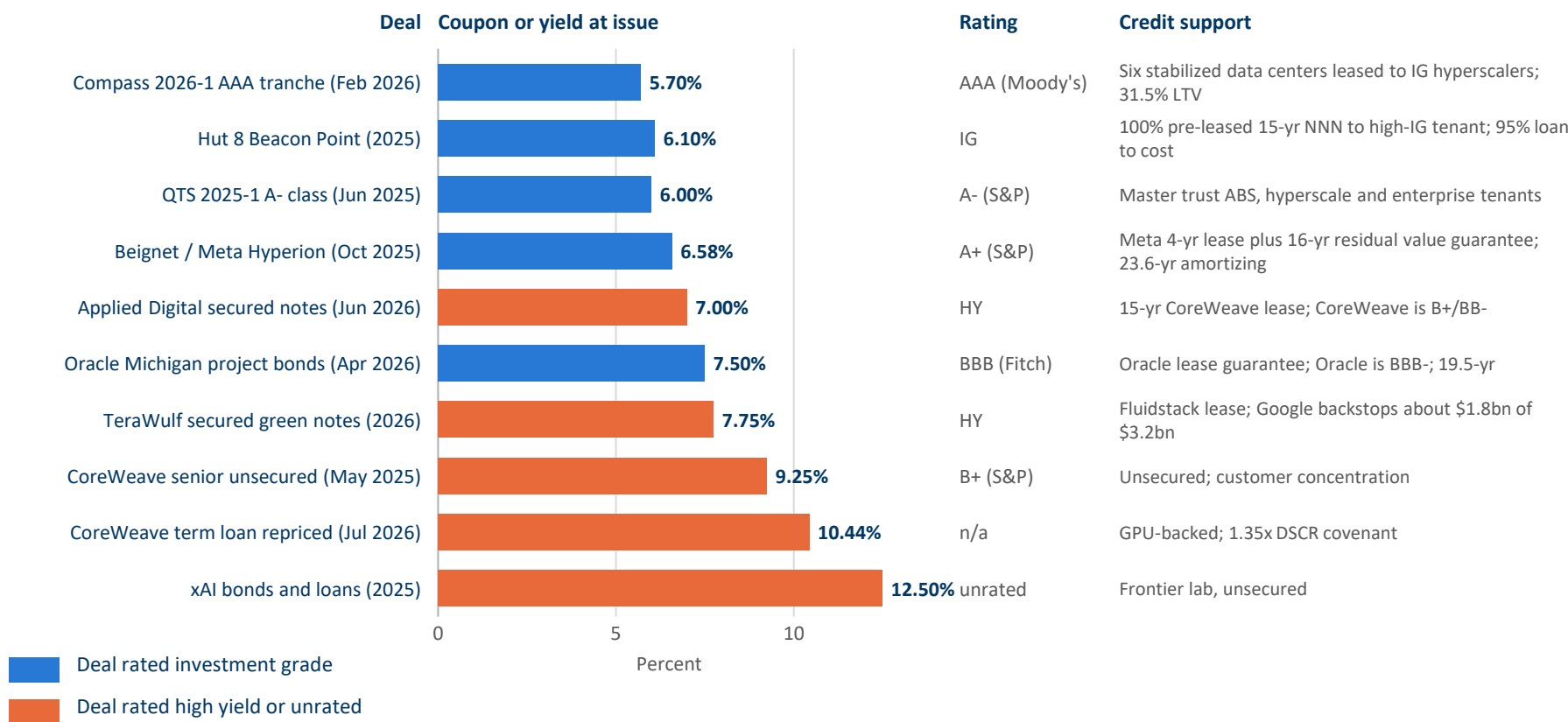
Source: Meta Platforms 10-Q (June 30, 2026) and press release; S&P Global Ratings; IFR; Financial Times (September 19, 2026); S&P Global Ratings rating report (October 23, 2025).

# The Price Ladder



## Who really stands behind it?

Coupon or yield at issue, with the credit support behind each deal



### The template repeated

**Beignet, Louisiana (Oct 2025):** \$27.3bn, A+, 225bp over; Meta's sixteen-year residual value guarantee

**Sopaipilla, El Paso (Jul 2026):** above 7%, about 65bp wide of Beignet; same sponsor and structure, a different campus, nine months later

**Oracle Michigan (Apr 2026):** \$14bn of 7.5% notes due 2045, BBB (Fitch), one anchor buyer

**Nvidia, Ohio (Aug 2026):** residual value guarantee on part of OpenAI's campus, up to \$105bn; contingent, phased from fiscal 2029; pays only if OpenAI defaults

**Broadcom for Anthropic (Jun 2026):** \$29bn on chips leased through a vehicle, Google alongside

**The convention (FT, Sep 2026):** guaranteed deals price 100-150bp over the guarantor's own debt

Source: deal documents and press; J.P. Morgan; Fitch Ratings; Nvidia 8-K; Meta 10-Q; Financial Times (September 19, 2026).

# Two Kinds of Paper



## Who really stands behind it?

### The borrower's own promise

**What it is:** hyperscaler senior unsecured bonds; regulated utility debt.

**Who pays:** the company itself, from its own cash flow.

**What protects the holder:** the company's credit and rating. No financial covenants, no collateral; a deep market.

**What it costs:** about 50bp over the rest of investment grade.

### A tenant's rent, passed through a structure

**What it is:** data center ABS; Beignet-type notes; developer project bonds; loans on chips.

**Who pays:** the structure, from the tenant's rent and whatever guarantee or collateral stands behind it.

**What protects the holder:** the lease term, the guarantee's scope and tenor, amortization, the refinancing date.

**What it costs:** from under 6% to over 12%, set by who stands behind the tenant.

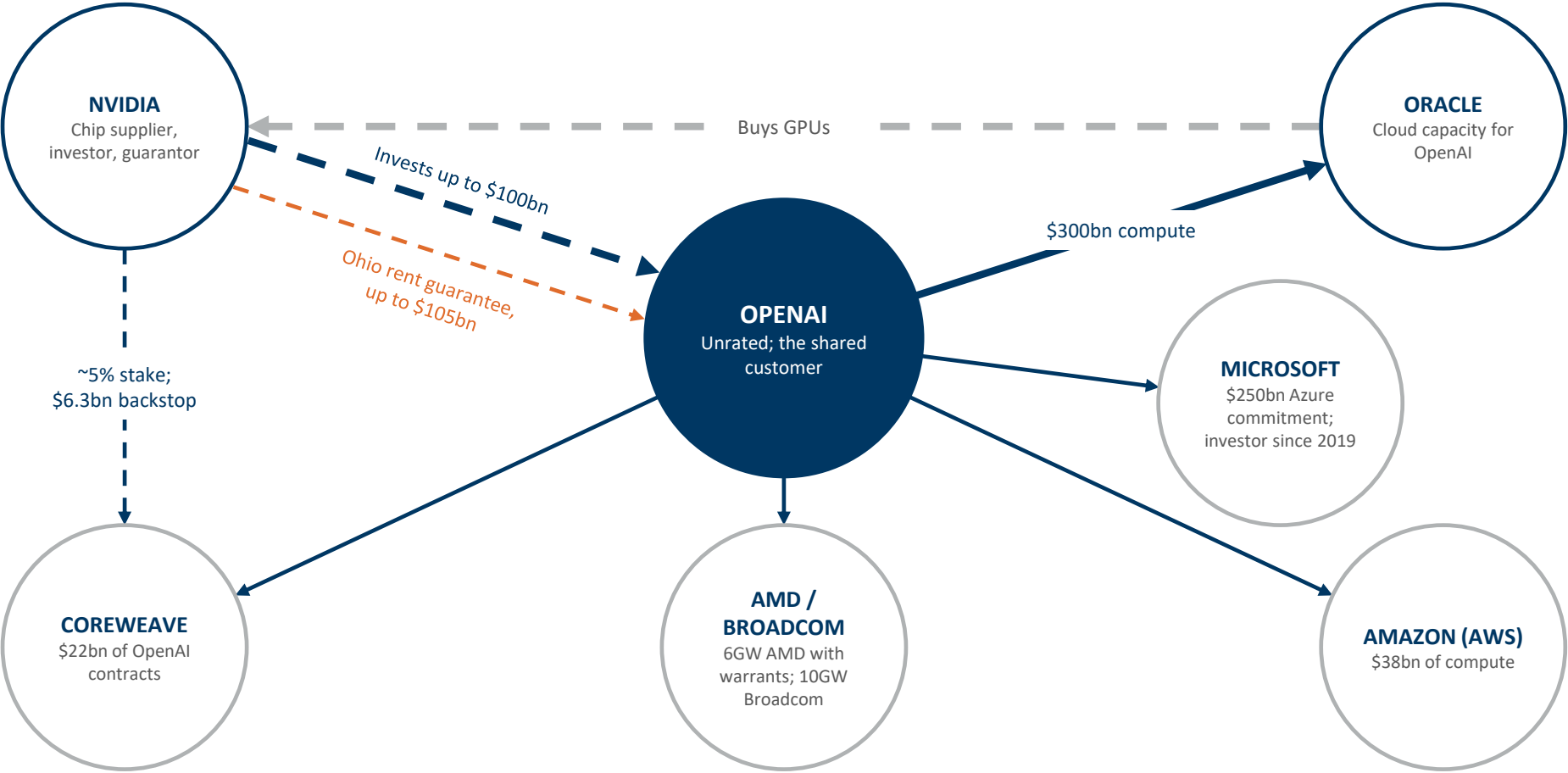
For paper that is a tenant's rent, the analysis is of the tenant: who stands behind it, for how long, and what happens at the refinancing date.

Source: deals and spreads shown earlier in this presentation; FTI Consulting.

# Circularity



## Who really stands behind it?



— Customer commitment  
 - - - Equity investment  
 - - - Purchases  
 - - - Guarantee  
 — Heavy line: the loop

**The credit test, deal by deal**

1. Does the vendor's revenue depend on capital the vendor supplied?
2. Does repayment assume today's GPU rents?
3. Does a guarantee reconnect the ring-fenced vehicle to its sponsor?

**Morgan Stanley on the same web**

**Research, Oct 2025:** Its research team mapped the contracts, stakes and vendor financing.

**Credit, Aug 2026:** Its credit analysts put Nvidia's all-in exposure near \$200bn by 2028, about \$170bn contingent.

**\$800bn+**  
of such arrangements (Bloomberg tally)

**\$29bn**  
Broadcom's June guarantee, chips leased to Anthropic, Google alongside

Source: company announcements; Bloomberg, "AI Circular Deals"; Nvidia 8-K and 10-Q; Financial Times (September 19, 2026); Morgan Stanley Research, AI: Mapping Circularity (October 8, 2025) and Nvidia credit initiation (August 25, 2026).

# One Holding Through the Accounts



What does it do to the statements before anything defaults?

\$10 million

of the Beignet notes on a life insurer's books, illustrative

| Decision       | What decides it                                                                                                | Where it lands on this holding                                                                                  |
|----------------|----------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------|
| Classification | SSAP 26R and 43R: meaningful cash flows and substantive credit enhancement                                     | Schedule D under the bond definition; the designation rests on a filing-exempt letter the SVO can now challenge |
| Measurement    | Statutory carrying value follows the designation; fair value disclosure follows whether inputs stay observable | Amortized cost; a fair value disclosure where trading may be sparse                                             |
| Capital        | The rating letter: 0.657% at A+ today, 2.168% at BBB-, 3.151% at BB+                                           | \$65,700 today; \$216,800 at BBB-, the last investment grade step; \$315,100 one notch further                  |
| Disclosure     | The insurer's own schedules and fair value hierarchy                                                           | Schedule D listing, designation, and the file behind the price                                                  |

The holding is illustrative. The bond test, the designation and the IMR figures are not.

Source: SSAP 26R and 43R; NAIC LR002; ASC 820; statutory filing showing Beignet at 1.E; Meta 10-Q; FRED; NAIC SAPWG.

\$65,700 to \$315,100

base capital on this holding: A+ today; BBB-, the last investment grade step, \$216,800; one notch further, \$315,100

Even without a downgrade

Negative IMR, industry-wide: \$11bn in 2023, \$21bn in 2025.

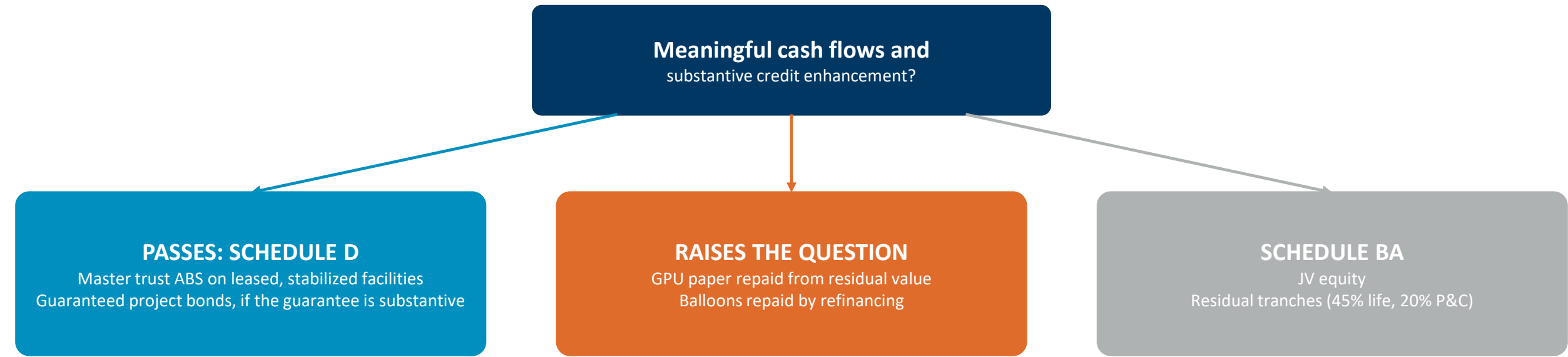
The sponsor's filings are underwriting evidence

Meta discloses \$279bn of uncommenced leases; the venture is not consolidated.

None of it is the insurer's own accounting.

# Is It a Bond?

What does it do to the statements before anything defaults?



## SEC interpretive letter, July 29, 2026: decides disclosure

Staff concluded the transactions described sit outside Exchange Act ABS rules: Regulation AB, risk retention, repurchase reporting.

Supply rises; the risk is unchanged.

## SSAP 26R and 43R: decides whether it is a bond

A bond is an issuer credit obligation, or ABS with meaningful cash flows and substantive credit enhancement; otherwise Schedule BA.

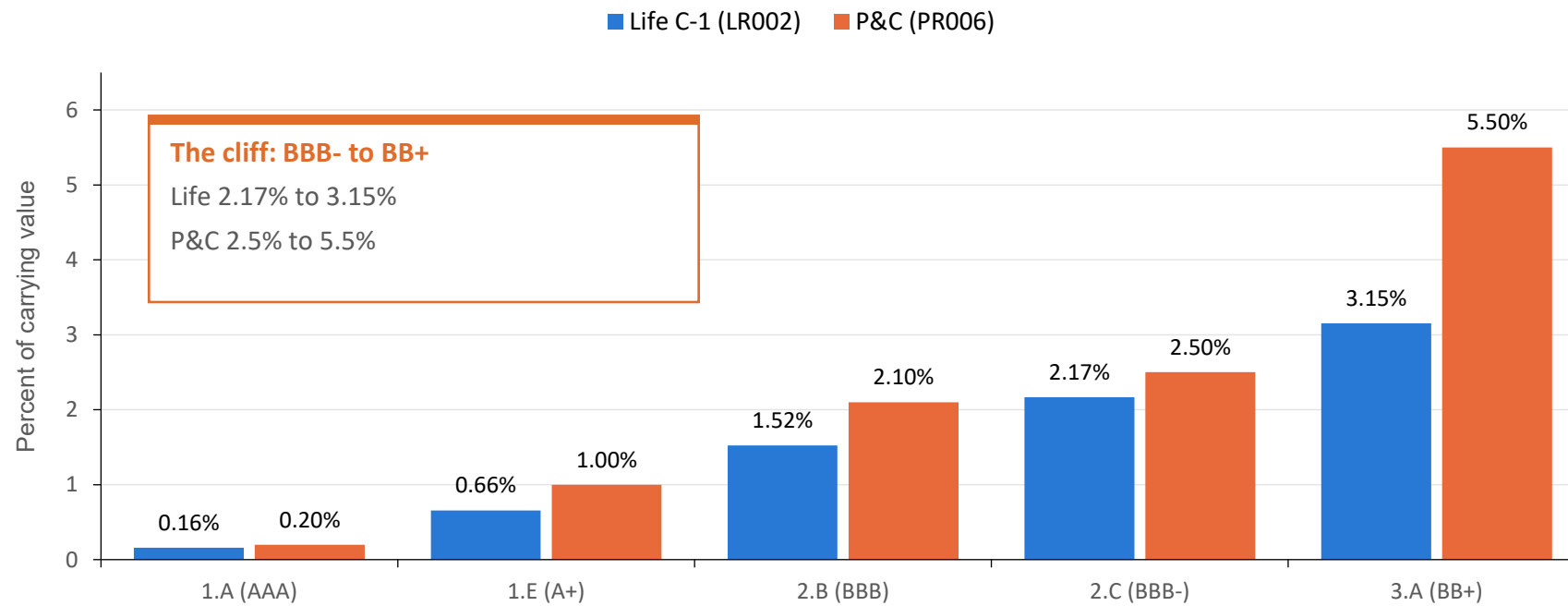
Exposed: SSAP 26 revision on embedded ALM risk, comments to October 2, 2026.

Source: SEC (July 29, 2026); NAIC SSAP 26R and 43R; SAPWG (August 2026).

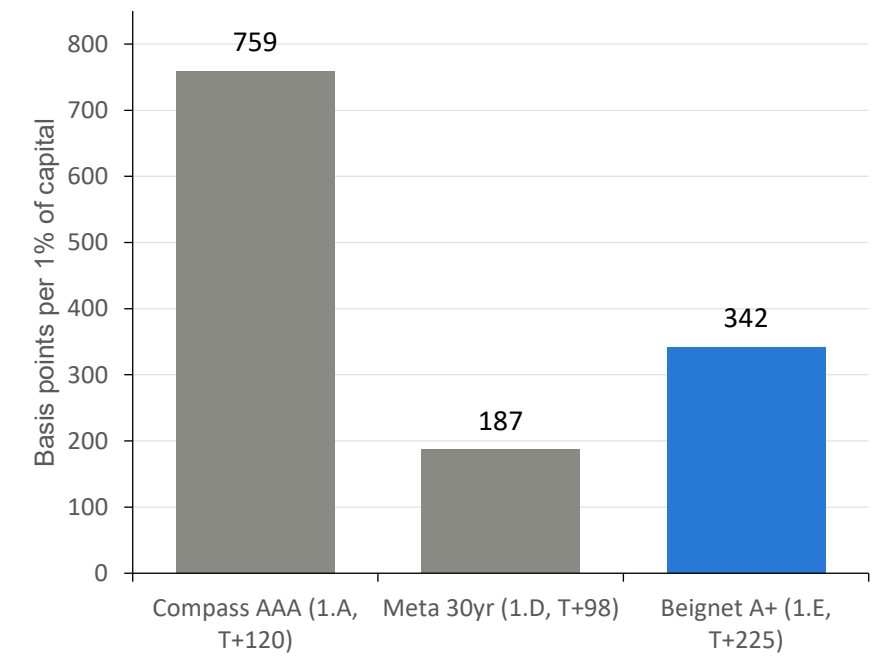
# Capital and the Cliff

What does it do to the statements before anything defaults?

Pre-tax base RBC factor at the designations that matter



Spread per point of life base factor, at issue



Residual tranches: 45% life, 20% P&C and health. CLO factors move to a structure-sensitive model at year-end 2026. Since January the SVO can challenge a filing-exempt rating three or more notches from its own view; operational July 2026. Right panel: issue spread divided by the life base factor, before size factor, covariance and tax; illustrative.

Source: NAIC LR002 and PR006; J.P. Morgan; Mayer Brown; FTI Consulting.

# Questions to Be Ready For

What does it do to the statements before anything defaults?

## Questions an examiner could reasonably ask

1. Concentration by ultimate tenant and guarantor, aggregated across bonds, equities, private placements and guarantees
2. The bond-definition memo for each structured position
3. Current rationale reports for private letter ratings
4. Capital sensitivity to a designation downgrade
5. Guarantee tenor shown next to debt tenor
6. What benchmark an external manager is paid against, and whether the liabilities chose it

## Where disputes have gone when deals failed

Appraisal and rent assumptions at issuance  
 Servicer actions after a cash trap  
 Delivery on a fragmented construction contract  
 Reliance on a rating the SVO later challenges  
 First securities class action in the sector: CoreWeave, January 2026

## The NAIC's own analyst guidance

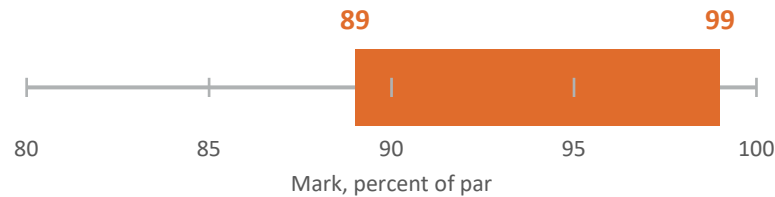
Lists most of the same items. A file that answers them is easier to assemble in advance.

Source: NAIC analyst guidance; court filings; FTI Consulting.

# The Mark

What does it do to the statements before anything defaults?

## Private credit marks (Kubali and Watson, 2024)



One borrower at year-end 2023; 14 points apart a quarter later.

## Liquidity at size, investment grade, 1H 2026

0.4% of the market trades daily, an 18-year high

82% of volume comes from the most active fifth of bonds

1.5% of trades are larger than \$5mn

1 in 5 ABS and CMBS investors has bought data center ABS

144A-for-life: outside the Bloomberg Aggregate; no published turnover series

## MODEL

Assumptions a second source can reproduce

## DEALER INDICATION

Indicative, not firm

## EXECUTABLE PRICE

At the size actually held, in a stressed window

## ASC 820

The level follows whether significant inputs stay observable. When comparables stop trading, which inputs are left?

## 134bp vs 9bp

severe-scenario mark on invested assets vs realized credit loss; illustrative general account with 10% in AI infrastructure paper; assumptions in the notes

## Three questions for every evaluated price

1. Can it be supported?
2. Can someone else reproduce it?
3. Could it be sold at that size in a stressed window? A liquidity question, distinct from fair value.

Mark and realized loss are different measures; they are not additive.

Severe case: realized loss about 9bp, mark 134bp. The investment survives; the disclosure and the designation move long before the credit does.

Source: Kubali and Watson, FTI Consulting (2024); J.P. Morgan; Bloomberg; FTI illustrative model.

# If the Buildout Slows



## What if the cycle turns?

**Can repay without growth**  
 Stabilized, leased facilities with amortizing debt  
 Hyperscaler senior bonds  
 Regulated utilities with minimum bills

**Needs a future event**  
**Construction-phase debt:** the next lease  
**Guarantees shorter than the debt:** whatever pays the remaining balance  
**GPU loans with balloons:** a repayment source at maturity  
**Commitments from unrated labs:** the next capital raise  
**Campuses stalled by local opposition:** a permit

**What is hard to see**  
**Leases** in footnotes  
**Guarantees** that are capped and phased  
**Marks** set privately by the lender  
**Tenants** with no rating at all

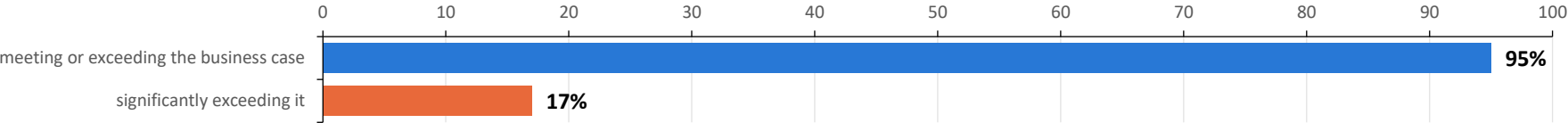
**If the spending stopped tomorrow, what moves first**  
 1. Bids widen and marks move before any default.  
 2. Repayment dates get missed; cash traps and hyperamortization engage.  
 3. Designations and capital follow the letters.

**\$1.2tn**  
 signed across six names

**Zero**  
 guidance cuts, any hyperscaler, this cycle

### The realistic downside is slower monetization, not a failed technology

FTI Consulting, 2026 Private Equity AI Radar (200 fund and operating leaders): share reporting that AI initiatives are...

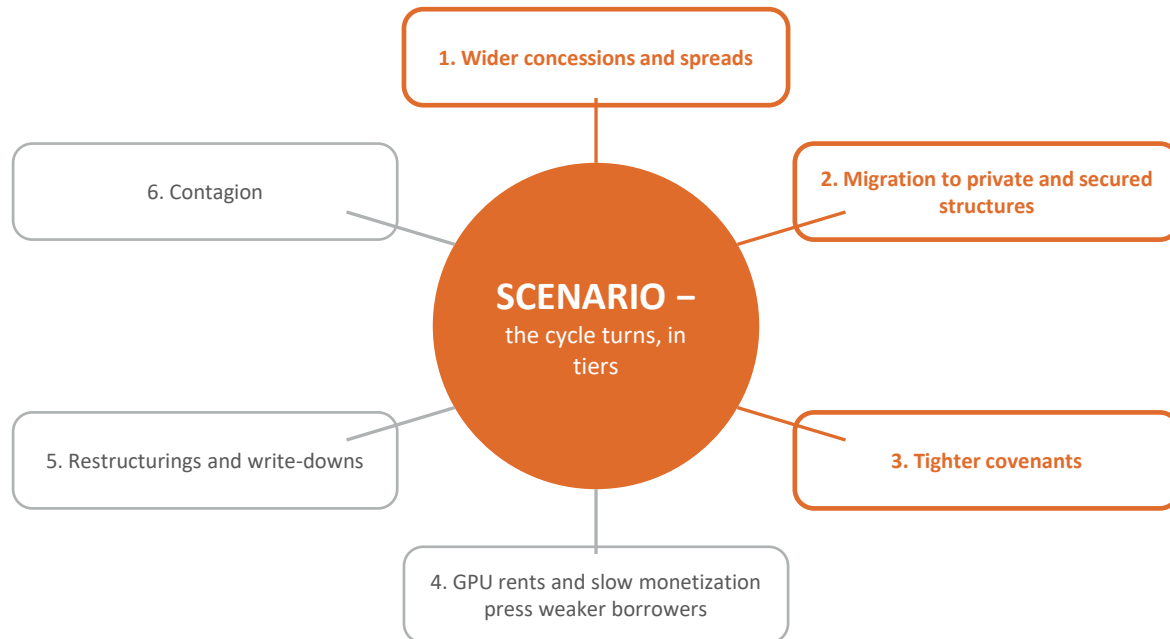


**3 months to 2 years**  
 lag from AI spending to revenue (Goldman Sachs Exchanges)

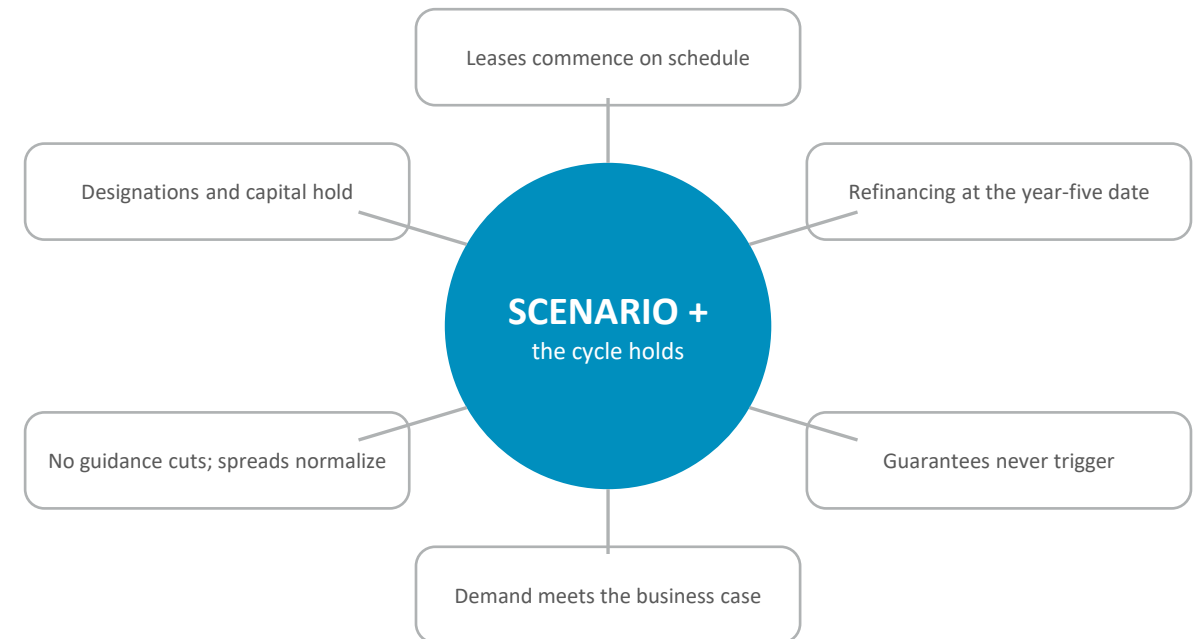
Source: FTI Consulting, 2026 Private Equity AI Radar; Goldman Sachs Exchanges; Moody's Ratings (July 2026); The Wall Street Journal (July 15, 2026) on local opposition.

# Credit Cycle and Analogies

## What if the cycle turns?



*Bold: seen so far. Order is ordinal, not dated.*



*Conditions under which the financing performs as expected.*

### Two analogies, each for one job

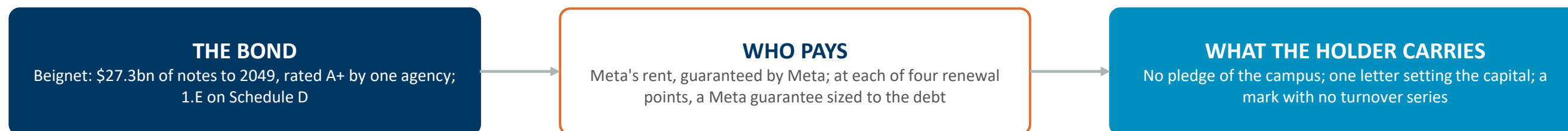
**Telecom 2000, demand:** capacity built ahead of demand; monetized later than balance sheets assumed; the fiber got lit; the bondholders were not repaid.

**Mortgage 2007, financing:** confidence in collateral values; dependence on refinancing; risk moved through vehicles; marks moved before defaults. Neither is a prediction.

Source: Money for the Rest of Us; Goldman Sachs Exchanges; Bloomberg Intelligence; Marketplace Tech; Citi; FCIC (2011); deals and sources shown earlier in this presentation.

## Back to Beignet

What if the cycle turns?



- 1 An insurer's exposure is larger than its allocation.
- 2 Insurers are lending on the contractual support behind the tenant; it is narrower, more conditional and more correlated.
- 3 The risk is a mark, a designation and an examiner question before it is a default.

*One question to take home: what pays an insurer's own Beignet, and how many other holdings depend on the same payer?*

**The exposure is concentration: one payer behind many holdings.**

Long before a default, the risk shows up in the mark, the designation and the examiner's questions.

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## Questions

# Speaker

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