

## U.S. Insurance General Accounts 2020

*Finding Solutions Outside the Core*

### OVERVIEW & METHODOLOGY

The report examines asset allocation to fixed income and other asset classes within U.S. insurers' general account investment portfolios in light of the sharply lower interest rate environment in 2020. It details asset classes, strategies, and vehicles that insurers are considering and—if they employ outside investment management—how they are using unaffiliated managers to source and oversee investments.

The report also examines the extent to which consultants are gaining acceptance among insurance general accounts and where opportunity exists for them to further penetrate this market. Finally, the report offers insight into what resources third-party insurance asset managers are bringing to tap growing opportunities in insurance asset management, and also reviews the influence of private equity and alternatives managers that continue to seek insurance assets through mergers and acquisitions.

### USE THIS REPORT TO

- Understand the impact of the COVID-19 pandemic on insurers and the way they are managing their asset pools in light of new norms and familiar challenges
- Size the current and prospective insurance general accounts market in the U.S.
- Review key trends and opportunities in outsourcing insurance general account management
- Explore the insurance asset management sales landscape and review recommendations for managers to win business in a competitive environment
- Gain insight into the organization structures among insurance asset managers

### QUESTIONS ANSWERED

- What are insurers' greatest investment concerns?
- To which asset classes do insurers intend to allocate?
- Toward which vehicles/structures will insurance general accounts gravitate?
- Which strategies do insurers plan to outsource in 2020/2021?
- How are unaffiliated managers targeting the insurance general account channel?
- How frequently do key personnel interact with insurance general account clients?

### PRODUCT DETAILS

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- Digital report in PDF format
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- Exhibits in Excel
- Key findings
- Analyst support
- Interactive Report Dashboards

#### Interactive Report Dashboards

*Interact and explore select report data with Cerulli's visualization tool.*

- **Perspectives Comparison:** Weigh the perspectives of asset managers against those of insurers on expected changes to insurance clients' allocations across fixed income, equity, and alternatives asset classes, as well as across vehicles. Gauge insurers' greatest investment concerns, the effect of COVID-19 on insurers' relationships with unaffiliated managers, and changes to insurers' third-party manager relationships.
- **Consultant Penetration vs. Insurers' Investment Holdings:** Gain a deeper understanding of asset managers' expected change in consultant penetration over the next 24 months in the health, property and casualty, and life insurance business lines. Additionally, explore the distribution of investment holdings for each business line to understand the asset allocation mixes most likely to be targeted by consultants.
- **Fee Pressure Comparison:** Evaluate the relationship between asset managers' estimates of negotiated fee pressure changes by asset class in the next 24 months and insurance investment management fees paid for each asset class.
- **Asset Managers' Anticipated RFP Volume and Relationship Data:** Assess asset managers' anticipated changes in request for proposal (RFP) volumes, as well as their average lengths of client relationships and sales cycles across all major institutional client types.



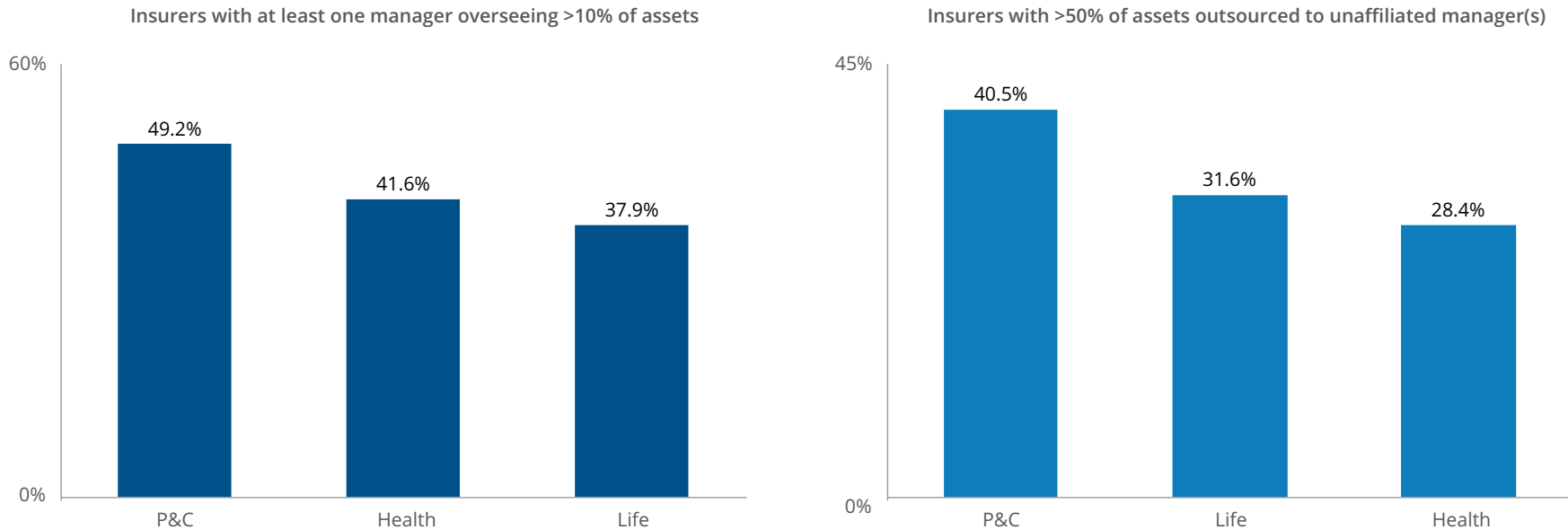
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**Exhibit 4.03**

**Portion of Insurers That Outsource Investment Management Responsibilities by Business Line, 2019**

Source: A.M. Best



- Property and casualty (P&C) insurers are most likely to have a majority of their assets outsourced to an unaffiliated manager and are also most likely to have a concentration among their outsourced managers.

**Key Implication:** Outsourced asset management among insurers is generally more common outside of the life channel, where insurers have the largest asset pools as well as the longest-dated liabilities and as such, have developed internal proficiency at managing the investment-grade bonds that constitute the majority of their portfolios. With shorter liabilities and smaller internal investment offices on average, P&C and health insurers are more likely to outsource. Here, we get a deeper look into concentration and share of outsourcing. Life insurers are least likely to have a single manager with more than 10%, although greater than one-third meet this threshold, while health insurers are least likely to have greater than 50% of their general account assets with unaffiliated managers.




Click for Interactive Report Dashboard of indicated exhibit

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