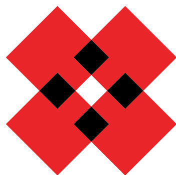

Insurance Asset Management

Spring 2025

Asset management
How asset managers are differentiating themselves

Insurance investment
How Aon is helping insurers to achieve their objectives

A green world
The key sustainable investment news over recent months

Living dangerously?

The key themes that will influence insurers' investment strategies in 2025

AWARDS WINNERS BROCHURE
An overview of the prestigious winners and their talents

AROUND THE GLOBE
Insurance developments occurring across the world

IAM CONFERENCE 2024
The most crucial insurance investment discussions

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Insurance Asset Management has recently doubled its journalist and research capability, to bring you even better news, analysis, research and insight. To help fund the cost of this and to better serve the industry we have launched the Insurance Asset Management Club.

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Editorial Comment

The spring issue of *Insurance Asset Management* is always one of my favourites, as we include our awards winners brochure, detailing the outstanding work of those who entered and took trophies home on the night. It's always a fabulous evening catching up with industry people over lovely food and drink, learning about the different projects that individuals and insurance firms have embarked on across the year. Life can sometimes be all too hectic, so it's very important to have evenings like the awards night to let our hair down and enjoy the moment.

In this issue, we also provide a comprehensive review of our Insurance Asset Management Conference held in November, which saw industry leaders gather to discuss the effects of inflationary pressures, climate change and geopolitical upheaval on investment portfolios. Essential and timely investment presentations could be heard throughout the day from chief investment officers, asset managers, consultants, treasury heads and finance directors, to help navigate the economic landscape. I encourage all of you to attend this year's conference on 27 November 2025 at The Waldorf Hilton, London.

My day-to-day job isn't just about conferences and awards however. Recently, I was delighted to conduct video interviews with both Aon and Schroders covering the outstanding work both firms are doing in the industry. I spoke with Aon about how the firm is helping insurers to achieve their objectives in the current market environment, and with Schroders about the findings of its *Global Investor Insights Survey*. Both of these videos can be viewed on our website and a full write-up of both interviews can be seen in this issue. With technology and AI now affecting society in ways never imagined before, it is always refreshing to conduct interviews face-to-face and with a human!

> *Insurance Asset Management* continues to be the leader in the world of insurance investment coverage

So, with the spring sunshine finally here as I write this, 2025 is set to be another exciting year for *Insurance Asset Management*. Myself, and all of the team, appreciate your continued support for the brand, as *Insurance Asset Management* continues to be the leader in the world of insurance investment coverage.

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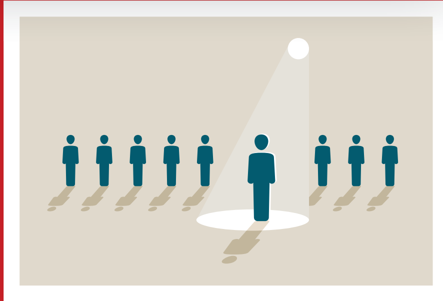

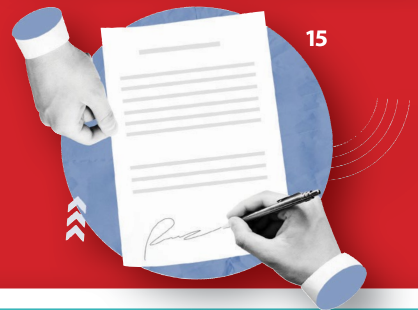
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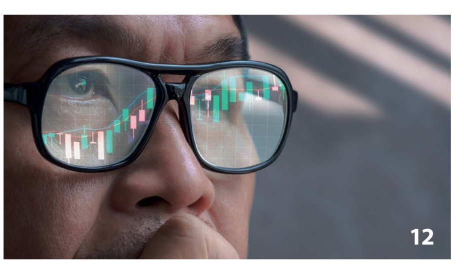
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News focus

Domestic political environment replaces inflation as top investment concern for US insurers

Written by Adam Cadle

US insurers' inflation concerns have faded as the domestic political environment has replaced it as their top investment portfolio worry, according to Conning's annual *Insurance Investment Risk Survey* conducted in November 2024 with 310 US insurance investment decision makers.

Inflation was the top investment portfolio concern for the past three surveys, but fell to seventh place, the latest survey revealed. After domestic politics, P&C and life insurers identified portfolio yields, market volatility,

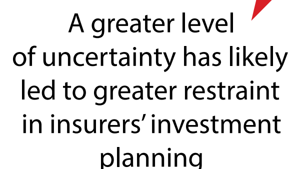
geopolitical events, and the impact of AI, in that order, as their leading concerns.

"A greater level of uncertainty has likely led to greater restraint in insurers' investment planning," Conning's insurance solutions group head, Matt Reilly, stated.

"However, insurers still expect to increase investment risk, expanding beyond their more traditional fixed income portfolio holdings to include greater exposure to private assets, in order to achieve yield and diversification."

Sixty-three per cent of respondents in Conning's 2023 survey expected to increase exposure to investment-grade fixed income. Six other categories saw at least 50% of respondents planning to increase exposures. However, the latest survey showed that none of the 12 asset classes listed saw more than 47% of insurers expecting to add exposure and, generally, their responses were higher in the "no change" or "decrease" options in comparison to last year.

Insurers continued to express interest in adding to private asset exposures. Currently, 71% of respondents hold between 5% and 20% of their portfolios in private markets. In the next two years, the majority – 63% – expect to have between 10% and 25% in private assets. There is some tempering at the higher end of expectations: 17% expect to have 25% or more in private assets, down from the 25% who projected this level in the prior year's survey.



A greater level of uncertainty has likely led to greater restraint in insurers' investment planning

Private assets are not without their own risks, however, and chief among them is their impact on liquidity with 31% of insurers saying they are "very concerned." The liquidity concern is notable as insurers stated they were very comfortable with liquidity overall; 92% of respondents said they are confident their companies are well positioned to meet liquidity needs in the year ahead.

A new section of the survey asked insurers about their portfolio interest rate positioning. While insurers expect to increase exposure to shorter-duration floating-rate assets, overall duration is expected to increase, suggesting the duration barbell will be popular this year.

News in brief

■ Mercer is to acquire SECOR Asset Management. Founded in 2010 by Tony Kao, Ray Iwanowski and partners, SECOR serves the complex needs of institutional investors, including pension funds, insurance companies, endowments and family offices, with a range of end-to-end portfolio solutions, including investment advisory and implementation, fiduciary management and asset liability management.

■ US insurance companies have reported a small YOY decrease in other long-term investments reported on Schedule BA, to $533.7bn in BACV to year-end 2023, compared to $534.8bn at year-end 2022. The NAIC said the decline in Schedule BA assets occurred after strong double-digit YOY growth between 2019 and 2021, which was followed by a lesser, single-digit increase from 2021 to 2022.

■ US insurers reported exposure to securities associated with securities lent totalled almost $48bn in book/adjusted carrying value (BACV) at year-end 2023, pursuant to disclosures held under securities lending agreements, and represented a 7% decrease from about $52bn at year-end 2022. The NAIC said securities lending collateral held by US insurers totalled $51.1bn in BACV, representing a decrease of around 5% from year-end 2022. At year-end 2023, about 80% of US insurers' exposure to securities lending reinvested collateral was with life companies, and almost 90% was with large insurers or those with more than $10bn in AuM.

European insurers' outsourcing of investment management continues to grow

Written by **Adam Cadle**

AuM increase from €1.2trn in 2019 to almost €1.4trn in 2024

European insurers' outsourcing of investment management to external (non-captive) managers has continued to grow steadily from 2019 to 2024, with AuM increasing from €1.2trn in 2019 to almost €1.4trn in 2024, according to a new report by Novantigo.

The report, *2025 Outlook: Insurance Asset Management in Europe – Outsourcing Trends and Opportunities for Asset Managers*, said projections suggest this upward trend will continue, although outsourced investments are expected to grow at a slower pace over the next five years. The CAGR for the past five years was 1.7%, while for the next five years, through 2028, the estimated CAGR is 0.8%, with AuM projected to reach €1.6trn by 2028.

The data also revealed that a larger proportion of French insurers (net 65%) intend to increase the share of externally managed assets over the next three to five years, compared to their counterparts in the UK (net 38%) and Germany (net 31%). Further analysis based on insurer type and size showed that non-life insurers and those with AuM below €5bn are particularly inclined to expand their use of external asset managers during this period.

The report also looked at asset allocation and found that nearly a third (31%) of the outsourced strategies were private investments. The preference for private investment was strongest in the UK and Germany with structured credit, private equity and infrastructure the most popular alternative asset classes.

The survey, which studied 467 outsourced mandates and funds from a survey of 130 European insurers, found that the majority of insurers intend to increase their private asset allocations in the next 12 months, and found that there was a difference in the asset allocations of insurers based on their size.

"Larger insurers tend to be more aggressive in diversifying their exposure across different private asset classes and are seeking niche investment opportunities, while smaller insurers, typically with limited allocations to private assets, are looking to expand their exposure across various private asset strategies," said Andre Schnurrenberger, co-founder and managing partner at Novantigo.

Risk landscape stable for European insurers

Market risks remain a key concern, according to EIOPA's latest Insurance Risk Dashboard

Written by **Adam Cadle**

Risks in the European insurance sector are stable and overall at medium levels, with pockets of vulnerabilities stemming from market volatility and shifts in real estate prices, EIOPA's January 2025 Insurance Risk Dashboard has revealed.

Macroeconomic risks remain stable at a medium level, with GDP growth and inflation forecasts holding steady. Geopolitical tensions are reshaping global dynamics, heightening concerns about declining international cooperation, and escalating risks and uncertainties in the years to come.

> Macroeconomic risks remain stable

Market risks remain at a high level. While bond volatility stabilised, it remains above historical standards.

Liquidity and funding risks are at a medium level but with an upward trend due to a gradual increase of risks across various indicators over the last year and the worsening of funding conditions in Q4 2024.

Solvency and profitability risks are unchanged at a medium level. Solvency ratios for insurance groups and solo undertakings in the non-life segment showed a slight improvement in Q3 2024 while remaining largely unchanged for life undertakings.

Credit risk, insurance risks, market perceptions as well as interlinkages and imbalances risks are all assessed at medium levels.

EIOPA suggests amending capital treatment of insurers' direct exposure to CCPs

EIOPA has published its final technical advice to the European Commission on the standard formula capital treatment of insurers' direct exposure to qualifying central clearing counterparties (CCPs).

This advice aims to more closely align the treatment of such exposures under Solvency II with their treatment under the Capital Requirements Regulation.

(Re)insurers in the European Economic Area (EEA) have up until recently only used central clearing facilities indirectly – through the intermediation of a clearing member – for their derivatives transactions. While Solvency II does prescribe a specific treatment for these indirect arrangements, direct exposures to CCPs have not been accounted for so far and as such would be treated as bilateral exposure, resulting in higher capital requirements. However, clearing houses have in the meantime evolved their access models to allow (re)insurers to become direct members of CCPs, such as under the so-called 'sponsored model'.

Illiquidity premium importance growing for private market investments

Set to overtake long-term and inflation-linked income

Written by **Adam Cadle**

The illiquidity premium is growing in importance as a driver of investments into private markets among institutional investors, according to new research, with 73% of investors also expecting private to outperform public markets over the next five years.

The research, published by Aviva Investors, revealed that in 2023, only a quarter of investors counted the illiquidity premium as a main reason for investing in private markets, against 40% this year – and 47% expect it to be a key reason in the next two years. It is set to overtake long-term and inflation-linked income as a motivator.

Also over five years, 50-60% of respondents expect the strongest risk-adjusted returns to come from the equity portion of private markets – real estate, infrastructure and private equity – while 38-48% expect private debt asset classes to post weaker risk-adjusted returns.

Globally, average declared allocations to private markets rose slightly to just over 11% in the last year, but remained flat in North America, at just above 12%.

Barriers still remain, however, to investing in private markets, the research stated. At a global level, asset valuations and high transaction costs are the two biggest barriers, both for 46% of investors. Views on asset valuations being a barrier are slightly up from last year in Europe and Asia-Pacific, while a growing share of North Americans see high transaction costs as a barrier. Forty per cent of North American investors cite difficulty in benchmarking performance as one of the biggest barriers to investing in private market assets.

This study was conducted by CoreData Research in September and October 2024, and it questioned senior decision makers at 500 institutional investors in Europe (270), North America (90) and Asia-Pacific (140), with combined assets of US$4.3trn.

PRA CEO tells Starmer main focus is 'safety and soundness of banks and insurers'

PRA CEO, Sam Woods, has written to UK Prime Minister, Kier Starmer, declaring the regulator's strong support for Labour's growth goal.

Woods added, however, that the regulator's primary objective is "to promote safety and soundness of banks and insurers".

"Our primary objectives speak mainly to stability, which is the basis for a predictable economic environment that allows households and businesses to be confident in planning ahead and making investment and hiring decisions.

"Financial instability can lead to severe disruptions to the ability of households and businesses to make transactions, manage risks, and access credit, amplifying economic shocks and hindering growth."

Woods said he looks forward to "continuing to work with the Government to help it achieve its mission of driving economic growth and stand ready to discuss this important topic as required".

BoE launches new lending facility for NBFIs to help maintain financial stability in the UK

Facility will lend in times of severe gilt market dysfunction

Written by **Adam Cadle**

The Bank of England (BoE) has announced that applications are now open for the Contingent Non-Bank Financial Institution (NBFI) Repo Facility (CNRF), which will lend to insurance companies, pension schemes and liability driven investment funds in times of severe gilt market dysfunction to help maintain financial stability.

The BoE previously outlined the initial design for the CNRF in July 2024, as part of its work to expand the tools available when severe dysfunction threatens UK financial stability.

CNRF eligibility is targeted at insurance companies, defined benefit (DB) pension schemes and liability driven investment funds as these are major holders of gilts and may be exposed to material risk of gilt sales during shocks.

The collateralised lending facility will give cash in return for gilts, and pricing will be determined at the point of activation.

The BoE confirmed that there will be an annual fee set at £8,000 for the facility, which is intended to recover the ongoing running costs.

It also confirmed that, to maximise effectiveness, firms need to hold more than £2bn gilts alongside meeting other eligibility criteria.

BoE executive director for markets, Vicky Saporta, highlighted the launch of the new facility as a "significant step forward" in the BoE's efforts to deal with future episodes of gilt market dysfunction.

"Having the ability to lend to eligible non-bank financial institutions in times of severe market stress means we are better equipped to protect financial stability for the benefit of households and businesses throughout the UK," she continued.

"To ensure its effective design and implementation, the bank had welcomed views from firms and industry bodies on the first-of-its-kind facility for the UK."

Association of British Insurers (ABI) interim director of regulation, David Otudeko, welcomed the tool, stating that it will be a "helpful emergency liquidity tool to be used during periods of severe market dysfunction only, that could temporarily increase demand for liquidity".

"We are better equipped to protect financial stability for the benefit of households and businesses throughout the UK

UK insurers' riskier asset investments could be eased

BoE planning a 'matching adjustment investment accelerator' to simplify processes

Written by **Adam Cadle**

The UK insurance sector could be given the green light to invest in riskier assets without formal prior approval, the Bank of England (BoE) has said.

The BoE is planning a new mechanism, "a matching adjustment investment accelerator", to ease processes for insurance companies, which need to make rapid investment decisions but often need authorisation before putting money into certain assets.

Speaking to members of the House of Lords financial services regulation committee, PRA head, Sam Woods, said: "So the idea is like a sandbox. They should be able to go ahead, come to us later for approval."

Woods insisted the PRA was not trying to usher in an era of light-touch regulation.

"I do think that we should avoid a race to the bottom, [but] I don't think that that is what Parliament has asked us to do."

Woods said it was an opportunity to review regulation that came into force after the 2008 financial crisis.

> "They should be able to go ahead, come to us later for approval

"We've built up all of this machinery over the last 10 or 15 years. Are there some places where it's a bit overcooked? Are there some places where it's a bit overlapping, some places where it's a bit complex, where, if we were making that [decision] again with our new objective, we'd do it differently? And in many cases, the answer to that question will be 'yes'. And that's what we're focused on."

Pension insurers invested £178bn in UK assets in 2023, ABI data reveals

Report shows most investment channelled into UK housing and infrastructure

Written by **Adam Cadle**

Sixty-five per cent (£178bn) of assets held by participating firms providing bulk and individual annuities were invested in the UK in 2023, new data from the ABI has revealed.

Quantifying the scale of pension investment in the UK, the ABI's report *Powering UK Growth Through Pensions*, sets out how providers invest across DC pensions, bulk annuities, and individual annuities. The report also highlighted how to create the conditions for UK investment to increase.

Much of the £178bn from bulk and individual annuities investment is channelled into UK housing and infrastructure, including regeneration projects, renewable energy and social housing which, in turn, supports a range of sectors and creates jobs. This contribution compares favourably to an estimated DB pension scheme investment of 55% of total assets in the UK economy, the ABI stated.

ABI director of policy, long-term savings, health and protection, Yvonne Braun, said: "The power of the insurance and long-term savings industry as a major investor in the UK is enormous."

Two distinct camps emerge among institutional investors' active ETF adoption

27% are 'early adopters' whereas 73% are 'considerers'

Written by **Adam Cadle**

Two distinct camps are emerging among institutional investors concerning their perceptions of active ETFs, according to latest research, with 27% being 'early adopters' and 73% being 'considerers'.

J.P. Morgan Asset Management's (JPMAM) latest survey found that those 'early adopters' are leveraging active ETFs for tactical and strategic goals, particularly to navigate market volatility and align with thematic goals, and the 'considerers' are those facing resistance due to a preference for passive ETFs, knowledge gaps, and structural hurdles.

ETF usage varies widely across Europe, the survey found. Typically, ETFs account for 15%-30% of asset owner portfolios with allocations at their highest in Italy, France and Germany, while UK institutional investors currently lag behind in their ETF adoption.

> **Nearly 30% of large asset owners in Europe are already utilising active ETFs**

Momentum for increased allocations is building, however, thanks to cost pressures and more interest and awareness of what ETFs can offer in areas like risk and transition management.

"These are encouraging results. Given the majority of active ETFs globally are less than three years old, it's impressive to see that nearly 30% of large asset owners in Europe are already utilising active ETFs," said Travis Spence, global head of ETFs at J.P. Morgan Asset Management.

"We expect institutional investor adoption to increase in the coming years as active ETF track records mature and scale is achieved. Our research highlights the need for greater education and clarity around the benefits of active ETFs – transparency, flexibility, liquidity, cost-efficiency, and potential for outperformance – to unlock their full potential in institutional portfolios, so that Europe's institutions aren't missing out on the active ETF opportunity."

Institutional investors 'concerned' about sustainability under Trump presidency

Sustainable investing commitment remains however

Written by **Adam Cadle**

Nearly all (93%) UK and European institutional investors, including insurance companies, have expressed significant unease over the future of sustainability practices under a Trump presidency, research from Pensions for Purpose has revealed.

The inaugural *Impact Lens Survey Shorts* found that while no respondents indicated that US sustainability practices "critically" shape their strategies, 83% reported some level of influence, with 22% citing a significant impact and 39% noting a moderate impact.

> Survey results both encouraging and eye-opening

In addition to this, less than a fifth (17%) said that US sustainability developments have no influence on their investment decisions, which Pensions for Purpose highlighted as demonstration of a prevailing awareness of America's role in shaping global environmental, social and governance (ESG) trends.

However, the survey also found that, despite these concerns arising from across the Atlantic, there is a growing commitment among UK and European institutional investors and asset managers to sustainable investing.

More than half (58%) of respondents said they plan to increase their impact allocations over the next 12 months, rather than decrease them or keep them at the same level, reflecting a positive commitment and optimism for the returns of these assets.

Just over two fifths (42%) expect to maintain current levels, while notably, no respondents intend to decrease allocations.

The survey also found that nearly two thirds (61%) of organisations have set or are planning to set specific targets for impact investments, although 39% currently lack such plans, pointing to an opportunity for greater engagement and education.

Pensions for Purpose research manager, Bruna Bauer, said: "The survey results are "both encouraging and eye-opening".

"The fact that 93% of investors are concerned about the state of sustainability in the US, combined with the significant influence of US developments on their strategies, highlights the interconnected nature of sustainability in today's global economy," Bauer continued.

"At the same time, that no one is planning to decrease their impact allocation over the next 12 months is interesting."

US asset owners increasingly demanding transparency around responsible investing

Reflects broader push for responsible and accountable business practices

Written by Adam Cadle

Over half of US institutional investors (58%) require or plan to require asset managers to provide portfolio-level exposure to financially material ESG risks, along with impact and thematic reporting, according to Cerulli.

Furthermore, 23% of asset owners require their asset managers to report on ESG-related engagement activities – a similar proportion (22%) will implement this requirement within the next two years.

"This demand for transparency reflects the broader push for responsible and accountable business practices across industries," said Gloria Pais, analyst at Cerulli.

"Institutional investors want to ensure ESG considerations are not just a passing trend, but a fundamental part of the investment process. As such, asset managers must step up their reporting efforts to meet the expectations of asset owners and remain competitive in the evolving market," she added.

The industry's efforts to standardise terminology and measurement frameworks for ESG reporting are ongoing, but significant hurdles remain. More than one-third of asset owners (38%) cite the difficulty of defining ESG boundaries as a key challenge, particularly when differentiating between ESG and impact investing.

FRC reveals growing industry backing for UK Stewardship Code

297 signatories, representing £52.3trn

Written by Adam Cadle

Backing for the UK Stewardship Code has continued to grow over the past year, as the Financial Reporting Council (FRC) confirmed that there are now 297 signatories to the code, representing £52.3trn in assets under management.

Following the latest round of applications in autumn 2024, the FRC revealed that the list of signatories now includes 199 asset managers, 77 asset owners and 21 service providers.

The FRC said it was also "encouraged" to see some signatories take up the voluntary interim reporting measures introduced in July, which helped to reduce the length of their reports as intended.

"It's great to see the number of signatories to the UK Stewardship Code continuing to grow and even better to see that some have already begun to apply the measures we introduced last summer, which has had the desired outcome of shorter reports," FRC executive director of regulatory standards, Mark Babington, said.

The FRC is also currently consulting formally on its proposals to amend the UK Stewardship Code, including changes to amend the definition of stewardship and reduce industry reporting requirements.

Following the consultation, the FRC plans to publish an updated code that will come into effect in 2026.

However, it confirmed that those submitting reports this year should continue reporting to the 2020 code.

People on the move

ALEXANDRE MINCIER

Head of Insurance EMEA, Franklin Templeton

Franklin Templeton has appointed Alexandre Mincier as head of insurance EMEA. Mincier will drive the strategic development for the firm's insurance business across the EMEA region, with a primary focus on continental Europe and the UK. He will partner closely with Franklin Templeton's specialist investment managers and local distribution teams to develop investment strategies to improve client outcomes.

MINAL PATEL

Global Head of Infrastructure, Schroders Capital

Schroders Capital has announced the appointment of Minal Patel as global head of infrastructure. In this newly-created role, Patel will lead Schroders Capital's global infrastructure business and, alongside the wider senior team, set the global strategy. Patel joined what was previously Greencoat Capital in 2019 as a partner. She has 18 years of renewable energy investment experience.

TRACY BLACKWELL

CEO, PIC

Pension Insurance Corporation (PIC) CEO, Tracy Blackwell, has informed the board of her intention to retire, having served almost 20 years with the company. PIC will now proceed with a formal search for a successor, considering internal and external candidates. Blackwell will support the board in ensuring an orderly transition. She was responsible for leading PIC's management team in carrying out the company's strategy.

FABRICE PELLOUS

Co-Head of Global High Yield, Aviva Investors

Aviva Investors has announced the appointment of Fabrice Pellous as co-head of global high yield. Pellous will work alongside Sunita Kara (co-head of global high yield) to lead the firm's high yield team and will report directly to Fraser Lundie, global head of fixed income. Pellous most recently working as a high yield and emerging market portfolio manager at Invesco.

JOHN NEAL

Global CEO, Aon's reinsurance business

Lloyd's of London CEO, John Neal, will leave in 2025 to join insurance broker Aon. Neal will become global CEO of Aon's reinsurance business and global chairman of climate solutions, Lloyd's said in a statement. Neal has headed Lloyd's for more than six years, and was previously group CEO of insurer QBE. His departure follows that of chairman Bruce Carnegie-Brown.

GEORGE HINDMARSH

Head of Sales and Business Development, Asia Pacific, Clearwater Analytics

Clearwater Analytics has appointed George Hindmarsh as head of sales and business development for Asia-Pacific. He joins Clearwater from Citigroup, where he held senior roles in securities services across London, Edinburgh, Singapore, and Hong Kong. Most recently, Hindmash was responsible for Japan, Asia North and Australia strategic client sales at the firm.

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Living dangerously?

David Adams considers the key themes that will influence insurers' investment strategies in 2025

Maybe every era of history has been just as unpredictable and surprising as the first half of the 2020s? But even if that were the case, today it sometimes feels as if life has gone a little crazy, and many of us are suffering from a kind of collective breakdown over current affairs, propelled by compulsive doomscrolling and the shrieks of social media. If we make it to old age perhaps much younger people will ask what it was like to live through the age of the pandemic, accelerating climate change and the second coming of Trump. I'm not quite sure how I will answer them.

But at least all I have to do is write about it. It must be much more stressful having to make decisions about investment strategy for insurance companies, on behalf of those companies' employees, shareholders and policyholders. So which factors will be at the forefront of decision makers minds in 2025, as they try to identify and exploit investment opportunities safely, in a world full of uncertainty, instability and risk?

The answer to that question will vary, depending on the type of insurer in question, the nature of the liabilities they hold, their risk appetite and where they operate. But there are some identifiable themes, linked to the economic backdrop and the continuing evolution of asset classes and investment vehicles; and of the regulations that govern insurers' use of them.

Amid all the apparent chaos, William Keen-Tomlinson, vice-president and senior analyst at Moody's, says his company's view is that the macroeconomic environment is actually "pretty favourable" for insurers. He points out that while interest rates are expected to fall during the next year they will still be at levels that can be helpful for many insurers' portfolios. Inflation is also falling in most countries, while wages rise. But he does highlight one major source of uncertainty: "The potential for policy changes to have a global impact."

Innes McFee, managing director at Oxford Economics, has a similar view. He starts by suggesting that maybe things are not quite so chaotic as they might seem.

"Think back over the last couple of years, to all the negative headlines and volatility – those questions that were being asked: have central banks done too much, or too little, has the US gone into recession?" he says. "The reality is, the growth picture has been remarkably steady. We had growth last year, there will be growth this year."

But McFee contrasts conditions in the US, China and Europe – where he sees the three big macroeconomic stories of the moment. "The US is outperforming all the other advanced economies, China is in the midst of a serious structural slowdown, and Europe continues to bump along the bottom," he says. "Those three outlooks mean markets are going to come under a bit of pressure. People are going to have to be selective about where they choose to invest."

A divided world

The Oxford Economics house view is that, whatever additional volatility the new presidential administration will bring, the US will continue to grow at a healthier rate than any other economy. McFee points out that US companies and consumers are currently in a strong position, with healthy balance sheets and incomes, and strong productivity growth, driven in part by investments in technology. Inflation should remain somewhere in the two to three per cent range and interest rates will continue to fall. If the Trump administration introduces tax cuts this should also help to boost growth.

> **Insurers must remain nimble in the liquid parts of their portfolios**

If protectionist measures likely to be introduced over the next year turn out to have more negative impacts than positive for the US economy, those policies may be adapted.

China, by contrast, is experiencing "a pretty major structural slowdown", hamstrung by "a demand-deficient economy" that overstocking of inventory and protectionist policies have not yet fixed, says McFee. In Europe, many national economies continue to suffer from the long term effects of a global industrial slowdown and the impact of high energy prices, linked to problems caused by the war in Ukraine. McFee says he expects interest rates to fall faster in Europe than elsewhere.

One other global factor he highlights is that in these conditions, inflation could continue to display some volatility, partly as a consequence of the continued potential for supply chain shocks, themselves caused either by trade wars, or other factors, including political conflict and climate risks, that may cause disruption in global supply chains.

Overall, says McFee, this adds up to "quite a complex landscape for markets and investment returns" – which feels like an understatement. That being so, which principles might help to maintain the success of insurers' investment strategies?

Sam Gervaise-Jones, managing director of client consulting at bfinance, says the fact we are in a falling rate environment is one of the few certainties in this market, but it is difficult to say where that will lead.

"Stagnation? A hard landing? A soft landing? However you characterise those potential outcomes, insurers must remain nimble in the liquid parts of their portfolios," he says. "It's about ensuring governance is in place to make any necessary decisions – although this isn't an industry that has always been viewed as being very good at making quick decisions."

In fixed income markets, McFee expects to see higher bond yields continue for some time – but not necessarily as long as some market participants seem to think.

"Fixed income is going to offer some moderate returns over the long run," he says.

"We think policy rates will end up a bit below where the markets think they will in the long run. [Markets] are pricing in a view that yields will remain at the current level, if not higher for the next five years. That doesn't seem right to us. We think policy rates will fall. The risks around inflation will start to fall back."

Alternative views

Insurers also seem likely to continue to increase their use of alternative assets – including real estate, private credit, private equity, infrastructure, alternative funds, mortgages, loans and collateralised securities.

"We're seeing continued growth and interest in private markets, particularly around private credit," says Punil Chaubal, insurance investment advisory leader at WTW. "Life insurers are thinking about how new structures for private credit can be used alongside Solvency II in the UK.

"I think private credit will continue to be an increasingly important asset class going into 2025 and beyond," he continues. "The high yield market is more concentrated now, partly because private credit has grown as an asset class. Corporates now have more flexibility and choice in terms of where they can borrow, from a myriad of different sources."

Chaubal expects the UK's solvency regime to help encourage use of these assets, but also expects non-life insurers will find them attractive as a means of diversification and a source of liquidity, particularly if their loss ratios continue to be affected by major loss events such as those linked to extreme weather.

Mercer principal Chris Bewley also highlights the ongoing evolution of liquid products within this asset class as a reason for insurers to use them, including the growing availability of evergreen, rather than closed end products. These "offer multiple means for insurers to access private markets, and to use private markets in parts of their portfolios where it would have been difficult to use them before," Bewley says. He suggests these options could be particularly useful for non-life insurers trying to align with solvency regulatory requirements.

But Chaubal points out the need for insurers to take care when working with these types of assets. "They have more risk appetite and risk budget to allocate … [and] the quality of private risk assets has increased as the segment has grown," he says. "But it's really important for insurers to understand what they're allocated to, and to understand the risks."

Technical issues

Equities are not currently seen as a primary focus in many insurers' portfolios, but McFee suggests there may be some useful opportunities available in this asset class during the next year. "We think equity markets in the US, Japan, Spain and Switzerland might hold some decent returns," he says. "While the Eurozone as a whole is growing very slowly, the periphery economies are outperforming, largely because they are more weighted towards the services side of the economy, but also because of investments in renewables." By contrast, he suggests, many stocks in Germany, France and Italy are more exposed to the effects of energy price shocks.

But there are also some reasons to be cautious about volatility in equity markets. Gervaise-Jones highlights recent market volatility related to AI and other tech stocks. He cites big market movements that followed announcements made by the Chinese AI firm DeepSeek in January. "We've seen massive movements over nothing that was actually proven," he says. "These [market movements] … were a bit more sentiment-driven."

McFee agrees that the susceptibility of the markets to such shocks could be seen as a source of vulnerability, but he is less concerned than are some analysts about the possibility that equity markets could be adversely affected by the trials and tribulations of the emerging AI industry. He points out that the benefits of all new technologies tend to take several years to arrive – consider the delays before the full benefits of investing in the home computing industry in the 1980s, or in internet stocks in the late 90s were translated into solid profitability and investment returns.

With AI technologies too, McFee suggests: "There are likely to be disappointments and changes in

peoples' perceptions of value over the next five years."

Environmental wealth

Another potential source of uncertainty is the role that the environmental, social and governance (ESG) agenda will play in guiding investment strategies during the next few years. Insurers in most markets, certainly in Europe, will face further pressure from regulators, investors and policyholders to continue to improve the environmental performance of their businesses and investments, with additional disclosure regulations also likely to be introduced in the near to medium term.

But momentum towards the green transition of economies in Europe may now be checked by the actions of policymakers in the US and elsewhere.

Even so, Moody's William Keen-Tomlinson observes that while insurance industry initiatives linked to carbon reduction and sustainability now seem to have a lower profile than was the case in some previous years, many insurance companies remain committed to their own ESG policies and net-zero targets.

Chaubal says WTW is also continuing to help insurers work on transitions to more climate and ESG-friendly strategies. "We're helping clients develop more detailed transition plans with implementation actions," he says. "Each insurer's goals are different, but they need to be taking action now, because we're getting closer to 2030 and 2035 and a lot of the changes needed can take years to implement."

Insurers in the UK are also likely to be incentivised by policymakers to invest in green infrastructure projects in the country during the next few years. While the UK Government's primary targets among institutional investors have so far appeared to be pension funds, it seems likely that larger insurers will also be asked to invest at scale.

Not that this would necessarily be a bad thing, says Gervaise-Jones: "If Government makes significant progress on creating projects and assets that are investable and attractive for pension schemes then they're going to be attractive to insurers as well, because they're long-term, stable assets."

Regulatory revelations

The final influence on how insurers shape investment strategies and portfolios during the rest of 2025 and beyond is the continued development of the Solvency UK regime. Perhaps the most important consequence of the

> **"Each insurer's goals are different, but they need to be taking action now, because we're getting closer to 2030 and 2035**

changes introduced during the past two years has been a widening of the range of assets insurers can use within Matching Adjustment Portfolios (MAPs), which match long-term liabilities with cashflows from long term assets. This has enabled insurers to invest in longer term assets and those with Highly Predictable (HP) cashflows.

As we have seen, the new regulatory regime is already influencing insurers' use of fixed income and alternative asset classes. Kareline Daguer, insurance regulation director at Deloitte's EMEA Centre for Regulatory Strategy, thinks one trend that will be visible during the next 12 months will be a slow increase in the number of insurers starting to use securities with HP cashflows.

"It will be gradual, but I would expect that over the next 12 months we will see more firms asking for the necessary

permissions to invest in these types of assets," she says – adding that another precondition for this to happen at scale will be an increase in the supply of these assets. Insurers will also need to wait for further feedback from the Prudential Regulation Authority (PRA) on the matching tests that will be used to assess the risks associated with HP assets.

Daguer also expects the roll-out of a new form of Life Insurance Stress Test (LIST) to have an impact on life insurers, as the PRA will publish individual firm results of these tests for the first time.

"They could influence the shape of portfolios for the first time," says Daguer. "Life insurers will get results of those tests published, so the way firms invest might be affected by the type of stress that the PRA requires and the calibration of those exercises." She emphasises the need for insurers to continue to invest in their capabilities for gathering the information needed to be able to calculate exposures and allocations linked to all of these regulatory developments.

Overall, then, 2025 seems set to be another eventful year, during which many different factors will influence insurers' investment strategies. Age-old principles of balancing risk and resilience will continue to apply, even if the craziness of the world outside makes it more difficult to understand those risks. May you all enjoy great success in 2025 and – with luck – we'll look at these issues again in 12 months' time…

Navigating insurance investment

Insurance Asset Management Editor, **Adam Cadle**, talks to Aon partner, **Geoff Bauer**, about how the firm helps insurers to achieve their objectives

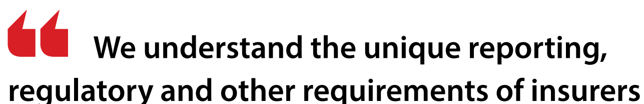
Adam: Insurers are continually balancing long-term strategic investment objectives with short-term tactical risks and opportunities. Re-evaluating strategic asset allocations to increase diversification, maximise returns and to mitigate risk all come into the fold. So how is Aon helping insurers with this balancing act?

Geoff: Aon is one of the world's largest investment advisory firms, so through that scale, depth and breadth of expertise, we're well placed to help insurers not only achieve their strategic objectives in the longer term but also navigate the shorter-term risks and opportunities that inevitably arise. Setting a strategic asset allocation is of course key and will be the biggest determinant of ultimate investment success. We work with insurers to derive strategic asset allocations that are efficient, that are well diversified, and that meet their unique needs and requirements. We work with them to optimise the strategic asset allocation across the three key dimensions of risk, return and solvency capital, and of course, we understand and can navigate any constraints that might apply, be that duration and currency matching, be that liquidity, be that responsible investment and climate objectives, or even broader business objectives, like dividends or earnings. Once you've got the strategic asset allocation set, the key questions are around which managers are you using to implement that, and how do you structure or how do you shape the portfolio considering current market conditions. In both those areas, we can draw on our global investment manager research team as well as our global asset allocation team. The former is a large team of colleagues operating on a global basis who carry out full time investment manager research across traditional, emerging and alternative asset classes. The asset allocation team is a team of economists and investment strategists who carry out economic research and in-depth analysis to essentially form views on the most compelling investment opportunities and also to set out our own medium-term views. So, we understand the unique reporting, regulatory and other requirements of insurers, and we're very well placed to identify managers that can really deliver those. Now, one thing that wasn't in your question is cost, which is also, of course, a key determinant of success. And on that, we've built up a unique and unmatched database of investment manager costs and leveraging that we can help our insurance clients compare and benchmark the fees they're paying. We have a demonstrable track record of helping a broad range of client types negotiate more favourable fee arrangements.

Adam: Where does Aon see current growth opportunities among UK and global insurers in terms of asset classes?

AON

Geoff: The biggest opportunity for growth is in private markets and for insurers, especially in private credit. Of course, a lot of insurers have already made allocations to these asset classes. I think there's more room to increase them further, and I do think we'll see that. Aon carried out a survey of UK based P&C insurers in 2024, and it's interesting that a lot of the respondents to that seem to feel the same. A number of them cited private markets as the biggest opportunity in the next one to two years. That survey was also clear that where those respondents did see changes to their asset allocations, the asset classes that were most likely to see increases were private credit, but also things like infrastructure debt and equity, and even private equity, and public equity. I do think there's a responsible investment link there as well. I think some of the respondents see allocations to some of those asset classes I mentioned as supporting broader responsible investment initiatives or objectives. So, for infrastructure debt, for example, not only is it a good risk return trade off, a good fit for certain types of insurance liabilities, but it's also generally well aligned with climate transition goals. The extent to which that gets focused on, of course, does vary by region. Certainly, I think it's more prevalent in the UK and Europe than North America. Insurers looking to make their first allocations to these asset classes, there are important challenges to bear in mind. Not least of which is an assessment of what it'll mean for overall liquidity. And generally, it does require a bit more sophistication, or perhaps a bigger in-house team, given the greater complexity associated with these assets. Beyond private markets, I think there are still opportunities in the core fixed income space. Investment grade spreads are obviously very compressed at the moment, but if they were to widen, I think that would create an opportunity. We also view certain types of asset backed or securitised strategies quite favourably, but that does of course then depend on the specific capital regime you're working under and the capital treatment involved.



Adam: Turning to AI now, where do you see the industry standing in the AI journey at the moment, and how do you believe it will aid investment decision making among insurers as they go along?

Geoff: Now I'm, of course, no AI expert, to be clear. But obviously, I'm aware that a number of insurers, especially larger insurers, are already testing AI models and systems to see where the benefits are. My view is the insurance industry, like many other industries, to be fair, is probably still finding its way a little bit with AI. I think given the prudential nature of insurance business, there's still challenges to be overcome in things like risk management, compliance and data privacy. I think more time is needed to understand how AI models can best interact with existing systems and processes, and how existing insurance data can be made more accessible to AI models. Now, all of that is, of course, going to take some time, but I do think the first mover advantage for those that get it right will be significant. In terms of investments, I think it is probably fair to say that AI has had less of a focus. But again, that's not to say it won't. There are a number of areas where I can see AI playing a role. We talked a little bit about strategic asset allocation earlier. That can be a very time-consuming process looking at a lot of different candidate portfolios. So, it would seem to me that there's efficiencies to be had there. I also think things like trend identification or even scenario analysis might be a role for AI. And in scenario analysis, perhaps it's around really understanding the types of changes in market variables that would cause problems, and then in terms of framing economics that would result in that kind of environment.

Adam: How are insurers integrating climate change within their investment decision making?

Geoff: Insurers are exposed to a number of physical climate related issues. For example, hurricanes, floods and wildfires, but there's also a number of insurance lines that are very much impacted by climate transition risks. Insurers have a role to play in driving the global climate transition, given the consequences that climate change and a disorderly transition would have on their business and their policyholders. I don't think it's any surprise that we've seen a large number of European and UK insurers being part of broader responsible investment initiatives. They've got clear net-zero targets and they are reporting in line with the TCFD requirements, etc. I think that will only continue. Insurers are now engaging more with the companies that they invest in, so trying actively to encourage better climate practices, rather than just divesting from carbon intensive industries. A lot of them are developing climate specific metrics and really trying to incorporate those in their decisions across a wide range of asset classes. They are also carrying out things like climate scenario analysis as well to really assess the robustness of their portfolios. For a number of insurers as well, climate change hasn't necessarily always got the priority at the board level or got broader stakeholder buy in. So, I think others are actively trying to change that, and taking steps to look at their governance bodies, their investment beliefs and their operating models to really try and prioritise these sorts of issues.

Adam: Going forward, what do you see as the main challenge facing UK, European and global insurers, and how will Aon adapt to fit with this?

You can watch the video on *https://insuranceasset management.net* by clicking on the video tab

Geoff: Geopolitical risk and geopolitics is always a challenge, and I don't think that's any different now. These can have a profound impact on capital markets and institutional investors. Volatility remains elevated, and that's a challenge in its own right. I think there might also be challenges for reinvestment and generation of investment income if, as consensus forecasts expect, we do see declines in global interest rates. Beyond that, regulatory change is always another key challenge, and I don't think that's going to change anytime soon either. I think it's still to be seen exactly how the flexibilities and the changes coming in under Solvency UK will play out in practice. In particular, I think it will be interesting to see how the change to the matching adjustment rules to allow highly predictable income plays out and whether that will actually result in a change in bulk annuity pricing. Again, on the regulatory front, I think IFRS 17 is still to be fully worked through and again, I think it will be interesting to see how that plays out, and the extent to which IFRS 17 considerations interact with IFRS 9, and whether that starts to impact asset allocation decisions. I think there's still more to be done in areas of responsible investment and really implementing sustainable investment policies. We talked about private markets as being a big opportunity but that's not a one-way street and there are important challenges. Not least is around, how do you assess, how do you identify, and how do you select and then monitor best in class managers for those asset classes, especially with regards to things like their back office capabilities and their risk management functions. Bearing in mind these may be new managers that aren't necessarily part of the core fixed income portfolio. Aon is one of the world's largest investment advisory firms, and is also one of the world's largest insurance and reinsurance brokers. So, we very much understand the insurance industry and the challenges that our clients are grappling with. We have the data, the analysis, the insights, to help them navigate those challenges, and that's how we adapt. It is just what we do.

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A secure environment

Insurance Asset Management rounds up some of the major pension scheme de-risking deals that have taken place over the past couple of months

The **COMPASS GROUP PENSION PLAN** has secured a £1.5bn buy-in with **STANDARD LIFE**, covering the benefits of over 14,000 pensioner members and 11,000 deferred members. The deal, which completed in December 2024, covers the majority of the scheme's members, and is expected to "significantly" reduce risk exposure for the scheme and sponsoring employer, Compass Group PLC. Mercer was the lead broker on the project and transaction adviser to the trustee, and also provided additional actuarial advice.

Eversheds Sutherland provided legal advice to the trustee, while Aon provided investment advice and XPS acted as the scheme's administrator. LCP was the lead transaction adviser for the sponsoring employer and provided actuarial and strategic advice, while Freshfields provided legal advice for the company.

LUFTHANSA UK PENSION TRUSTEE LIMITED has secured a £120m agreement with Royal London, which insures Lufthansa Group's three UK defined benefit (DB) pension schemes in one integrated transaction. Whilst each of Lufthansa's pension schemes has unique features, the parties worked together to run the transactions efficiently, offering bespoke contractual terms where appropriate. Cardano supported the trustee of the schemes in completing the deal. The transaction also marks Royal London's first bulk purchase annuity transaction of 2025 and was highlighted by the group as demonstration of its ambitions in the bulk purchase annuity market, with further business currently in exclusive negotiations.

***Prudential Financial** has agreed to reinsure a portion of its recently originated Japanese whole life policies with a subsidiary of Prismic Life (Prismic), a Bermuda-based life and annuity reinsurance company. Under the terms of the agreement, Prismic will reinsure approximately $7bn of reserves backing USD-denominated Japanese whole life insurance policies which were recently originated by Prudential's Japanese affiliates. Prudential's obligations to these policyholders will remain unchanged following the reinsurance arrangement, and Prudential will continue to administer the contracts.*

The **COLTHROP BOARD MILL PENSION SCHEME** has completed a £23m buy-in with Aviva, securing the benefits of 69 deferred members and 152 pensioners. First Actuarial, which led the transaction, worked closely with Aviva and legal advisers Osborne Clarke to complete the deal in a matter of weeks. The consultancy firm already provided actuarial, investment, and administration services, and the trustees asked the firm's risk transfer team for guidance. First Actuarial partner and head of risk transfer, Declan Keohane, said that while the trustees had been keen to help the employer de-risk, they were initially concerned that the buy-in would involve a substantial cash injection.

***L&G** has sold its US protection business to Japanese life insurer, Meiji Yasuda, and announced the creation of a long-term strategic partnership between the two for $2.3bn. L&G and Meiji Yasuda will collaborate to seize the market opportunity in US pension risk transfer and drive asset management growth globally, including by co-investing in private markets. Meiji Yasuda also intends to acquire a 5% shareholding in L&G.*

UTMOST LIFE AND PENSIONS has confirmed its successful entry into the bulk purchase annuity (BPA) market. The company, building on its existing annuity business, has established a strong and credible offering to address the significant demand for pension risk transfer in the UK. With the BPA market projected to generate over £400bn in volumes over the next decade, Utmost Life and Pensions offers a new and attractive choice for pension schemes to secure their members' benefits. The next phase of Utmost Life and Pensions' strategy is being led by CEO, Andrew Stoker, who has been appointed following the retirement of Stephen Shone. Stoker is a qualified actuary with extensive financial services experience. He was most recently the CFO at Rothesay.

The **SANOFI PENSION SCHEME** has completed a £1.4bn buy-in with Legal & General (L&G) Assurance Society Limited, securing the benefits of 4,900 retirees and 5,600 deferred members. This transaction marks a further buy-in with L&G by the scheme, following a £760m partial buy-in announced in 2021, and means that all scheme members are now insured through buy-ins with L&G. The scheme benefited from an umbrella agreement established with L&G as part of the 2021 buy-in, ensuring a "very smooth" documentation process. L&G received legal advice from Slaughter and May, while Aon acted as the risk settlement adviser to the trustee, and legal advice was provided by CMS.

Standing out from the crowd

Many asset managers are beginning to look to partner with and work alongside insurance companies. But what can they do to distinguish themselves?

WRITTEN BY **PETE CARVILL**, A FREELANCE JOURNALIST

It is no secret that there are many, many asset management firms, and that these firms are handling incredible amounts of money and asset under management (AuM) across the UK and the continent.

First, some numbers. The European Fund and Asset Management Association (EFAMA) says that the continent has more than 4,600 asset management firms that, in turn, employ more than 130,000 people. EFAMA adds that 85 per cent of asset management activity within Europe takes place across just six countries—the UK, France, Switzerland, Germany, the Netherlands, and Italy. Other analysis, this time by Clearwater Analytics, says that the amount of AuM managed by investment firms rose from $1.4 trillion to $3.6 trillion between 2014 and 2023—the most-notable rise in this period came in just one year, with AuM jumping from £3.2 billion to $3.6 trillion in just the 12 months between 2022 and 2023.

That is a lot of money and a lot of people to manage it. And then there is the overlap of these developments with insurance firms.

As the Swiss Re Institute wrote in its 2024 publication *Competing for Assets: Life Insurance in Growth Mode*: "We forecast a 40 per cent rise in investment income, on average, for insurers in the largest eight life markets in the five years to 2027, driven primarily by higher bond yields. With higher rates today, competition between insurance companies to acquire and grow their assets, either through new business sales or acquiring blocks of AuM from sectors such as pensions, is intense."

The same report added: "Asset management capabilities will be the first differentiator in the race for assets. The 'hunt for yield' in the low-rate years led to deeper integration of life insurance and asset management. Large insurers built sophisticated asset management divisions, including expertise in private asset origination, and expanded their investment-linked product offerings in which policyholders bear more of the investment risk."

It is a move that Man Group's global head of insurance Nick Humphreys says began more than a decade ago. It is, he says, much like what he calls the 'rapid growth' of passive investing in public equities. Its place of most evidence, he says has been in the asset classes such as core public fixed income, where the market has become 'highly crowded'.

He adds: "The practical challenge of demonstrating investment outperformance in a highly constrained portfolio has meant that scale, service, and efficiency have become key considerations when insurers are selecting a manager."

Humphreys goes on: "This has resulted in a clear bifurcation: Among the largest managers by insurance AuM, there has been meaningful consolidation as they continue to pursue economies of scale. This segment also includes a number of large-scale, full-service alternatives managers that have rapidly expanded their insurance platforms, either by owning an operating an insurance company or by forming strategic partnerships with insurers."

Specialist managers on the other hand, he says, with unique investment capabilities continue to enjoy healthy demand and business retention but are finding it challenging to scale up their overall insurance AuM. Meanwhile, he says

that sub-scale managers competing in crowded asset classes may be facing the greatest challenges as this megatrend continues to unfold.

Concurrently, it appears that many asset management firms are looking to insurers as a source of new business as more and more defined benefit pension schemes move towards buyouts, transferring their AuM and liabilities to the balance sheets of large insurance firms.

And, yet, there seems to be a move within insurance to embrace not more asset managers, but for insurers to demand more from the ones that they are already engaged with.

The air, it seems, is getting thinner. Especially when everything is so… specialised.

It is a situation underscored by WTW's insurance investment advisory leader, Punil Chaubal. He says: "Unlike pension schemes, insurance companies are a lot more sophisticated as institutional investors—they require a lot more support in terms of technical modelling, regulatory compliance. There are also different rules and treatments, and different types of cash and asset classes. They're also operating in a more-controlled, regulatory landscape or environment, and how they allocate and the sort of demands that they have for their third party investment managers are markedly different."

And there are other issues. One, says Barings's head of international insurance solutions, Patrick O'Sullivan, is that the current situation has led to a bottleneck: There are not enough qualified people to undertake this work.

He adds: "Finding the right talent has been difficult because the right insurance people are hard to find. You're asking for knowledge across actuarial and regulatory consideration. You also need investment knowledge and the ability to communicate that."

> It's either that insurers want the same experience, but for less; or that they want more bang for their buck

Why is the air becoming thinner?

Despite this, there is still pressure on asset managers when it comes to dealing with insurers.

"There is pressure on fees," says Conning's managing director for risk solutions, Mark Saunders, reflecting on the current landscape. "It's either that insurers want the same experience, but for less; or that they want more bang for their buck. At Conning, we've always been about providing good investment returns while adding value at the same time. When it comes to strategic asset allocation, we have a sophisticated modelling software that's part of our investment process to set strategies. That's something we feel that differentiates us."

There are also added layers of complexity and grading between public and private investment. Private investing, says Mercer's senior insurance investment consultant, William Gibbons, has always been in the minority on balance sheets, but is now increasing and taking a larger share as there are more opportunities there for high yields and diversification—a situation that naturally leads to it becoming more attractive to investors.

His words are backed by the company's research—last year, it released its *Global Insurance Investment Survey*, which said that 73 per cent of insurers were either investing or looking to invest in private markets in 2024. That was a rise of six percentage points on the previous year. The 2024 survey also found that nearly four in 10 respondents said that they planned to increase their private markets allocations in 2024.

Other such as Novantigo's co-founder and managing partner, Justina Deveikyte, say that there has been no significant change in the managers that insurers work with, but that the real difference is between public and private assets.

She told *Insurance Asset Management* by email: "The data on the number of external managers appointed in 2024 by insurers in France, Germany, Italy, and the UK reveals notable market-specific trends in managing public and private assets. In France, insurers predominantly appoint five

managers for both public and private investments, with 23 per cent using this approach for public AuM and a similar proportion for private assets."

Deveikyte went on to say that there was greater variability in Germany, with a quarter of insurers looking for five managers for public assets, with 19 per cent using two managers. On the private side, 28 per cent of German insurers appointed four managers. This, she says, shows a clear preference for fewer managers for private investments than for public ones. Meanwhile, Italy has a strong preference for five managers for public AuM (39 per cent), followed by two and three managers. On the private side, Italian insurers similarly tend to use five managers, with 24 per cent selecting this number.

She added: "In addition, the number of managers appointed by French insurers also varies significantly based on the insurer's size. Insurers with AuM below €5 billion typically work with an average of four managers for public investments and seven for private assets. In contrast, insurers with AuM exceeding €5 billion appoint an average of nine managers for public investments and 13 for private assets. This highlights distinct approaches to asset management depending on insurer size and asset class."

The reaction from asset managers

This has left asset management firms in something of a quandary in how to make themselves stand out from their peers. Despite EFAMA's figure of there being more than 4,600 such firms on the continent, the number qualified to deal with insurers is relatively low, with Chaubal estimating it to be at 100 or fewer. As a percentage, that is a little over two per cent. Even so, the bar to entry is fairly high with onerous demands from insurance companies around expertise and manpower.

Humphreys says that there are several ways that firms have looked to respond to the evolving needs and demands on insurers. These include seeking to acquire or develop differentiated investment capabilities that appeal to insurers, such as private credit strategies like direct lending and asset-based financing. Other approaches have been to provide value-added services beyond traditional investment management, including advice on asset allocation, capital management, regulation, and accounting.

Insurers are looking for those who have experience with other insurers

Some of the largest alternative managers, he says, now look to offer capital markets and M&A advisory services, along with direct connectivity to capital. There is also a drive from managers to increasingly provide capital directly to secure long-term insurance AuM, ranging from minority-stake investments to launching fully licensed re/insurance operating companies.

Others point elsewhere.

"Brand is an interesting one," says Novantigo's other co-founder and managing partner André Schnurrenberger. "While some people say that it doesn't play a role, that is definitely not our experience. We did some research for a pair of asset managers based in Germany who wanted to grow their presence in the European market. We tested their brand and their services domestically. For one of those firms, the insurers said they didn't know who they were. So you need to have those boots on the ground in countries and to be recognised in them as an asset manager."

There are other things that asset management firms can do in order to stand out. Cerulli Associates' associate director on the institutional team, Chris Swansey, acknowledges that picking up insurance clients is difficult for many firms. One thing that is high in importance for him is client service, and he says that many insurers look on asset managers as an extension of their own investment office. As a result, he claims that many insurers call on their asset management partners at a much-higher frequency than other institutional investors.

They are also, he remarked, looking for common ground.

"Typically," he says, "insurers are looking for those who have experience with other insurers. The reason for this is that insurers' portfolios and AuM are unique and completely unlike other institutional investors. The traditional route is that you need a dedicated insurance team within your firm that can serve those types of clients. They'll be able to look at, assess, and work within the different tax requirements and reporting standards—an asset manager needs to speak that language in order to win those assets."

Others take a different tack, saying that is important to, at first, get the basics right. When interviewed, Allianz Global Investors' European head of sales Edouard Jozan repeatedly emphasised the phrase 'Keep ALM and Carry On'. Firms, he said, need to make sure that they are helping insurers deliver on their promises to policyholders about stable and continuous income in evolving market conditions.

He adds: "It's about performing assets, with the right risk-return across public and private markets, with insurance know how and exceptional servicing as a one-stop shop."

Chaubal also chimes in on how an asset manager can set themselves apart.

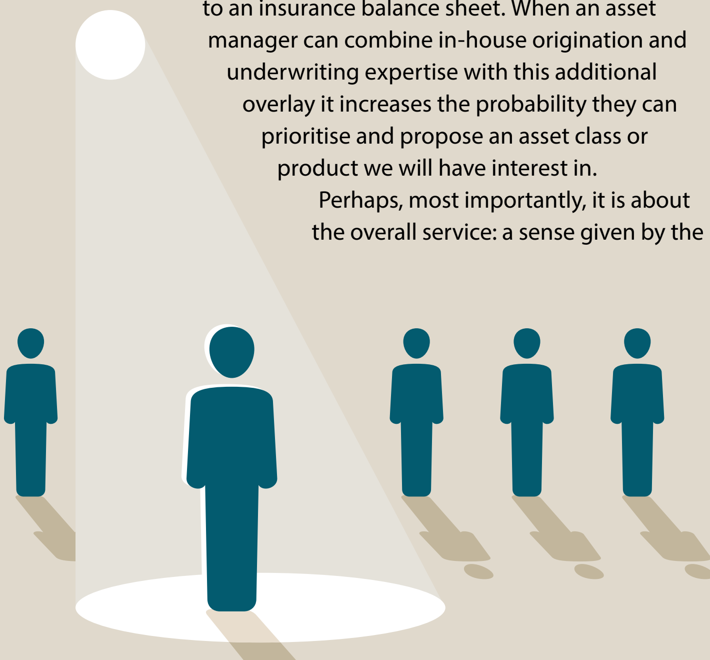
He says: "The main things are having a well set up and established insurance solutions team that are basically dedicated insurance investment experts within your business who can act as the go-to, client-facing end of things, that can provide support with portfolio optimisation, provide support with regulatory requirements, reporting, and any other sort of technical requirement."

He adds: "You also need to have a track record of managing insurance assets. So it's a little bit chicken and egg whereby, if you don't already do this, it's very unlikely insurers are going to trust you."

From a UK perspective, says L&G'S investment director, Darragh Culley, a good asset manager will be able to demonstrate knowledge of Solvency II.

He adds: "That will help them decide how best to optimise their investment capabilities to an insurance balance sheet. When an asset manager can combine in-house origination and underwriting expertise with this additional overlay it increases the probability they can prioritise and propose an asset class or product we will have interest in.

Perhaps, most importantly, it is about the overall service: a sense given by the asset manager to their client that the latter is in safe hands with experts who know how to navigate the vagaries and complexities of their AuM and investments.



"By positioning itself as a comprehensive 'solutions' provider," says Humphreys, "the firm can go beyond traditional investment management to deliver a broader range of services. These include asset allocation, ALM, balance sheet advisory, capital markets and M&A advisory, accounting and regulatory support, insurance product design and pricing assistance, technology solutions, and serving as a flexible source of growth capital."

The way forwards

As to where 2025 goes from here, there are indications that this segment of the market will continue to see incremental changes, opening by one degree after another.

Deveikyte, in her email to *Insurance Asset Management*, said that when it comes to private assets, France has a 'substantial' proportion saying that they plan to increase their external manager relations.

She writes: "[This signals] a growing dependence on external expertise to manage more complex or diversified portfolios. Italy follows with net of 21 per cent of insurers considering increasing the number of managers for private assets, while Germany shows the smallest expected growth in external asset manager relationships for private investments."

There will be other things for asset managers to look at, says Jozan. "The recent market changes and volatility have been a reminder of the importance of managing properly the lifecycle of investments, even more so for insurers with a long investment horizon."

Apart from providing a diversified-and-well-performing range of investment capabilities tailored to the needs of insurers, another absolute must for these clients will be operational structuring and client servicing across all assets. Added to this, he says, will be 'proper' ESG reporting.

His company, he says, invests a lot to stay ahead of these curves and to deliver strong, good-quality data in a timely fashion.

Going forwards, it may be the way forwards for the rest of the market, too.

Around the globe

Insurance Asset Management looks at the latest insurance developments happening around the world

Skandia has reported a "stable" 2024 performance, which it said has continued to "satisfy" customers. Over the year, the group's premiums amounted to SEK 46.4bn, with assets under management (AuM) amounting to SEK 863bn. The total capital managed by the life insurance company reached SEK 617bn, and its solvency ratio was 205%. The total return for Skandia Liv, its traditional management fund, was 6.8%. In 2024, it distributed SEK 27bn in bonuses to savers in this portfolio, corresponding to a bonus rate of 5.4%. Of the assets in the life portfolio, unlisted shares (private equity) were the asset class that, with 15.9%, had the best return during the year. Skandia's strategic business assets, which include its insurance operations and Skandiabanken, also developed well, with a return of 9.4%.

Nordea Liv has delivered its "best ever" result in 2024 with a profit of NOK 1,722m, before tax, an increase of almost 40% on its 2023 result. Publishing its full-year results, Nordea Liv also revealed it has strengthened its position as a market leader with its self selected Egen Pensjonskonto (EPK), own pension account, with total assets increasing by a full 80% in 2024. "We are experiencing strong growth, and in the past year, we have had an increase in the volume of self-selected EPK of almost NOK 7bn. We work every day to ensure that our customers get more out of their pension, so it is gratifying to see that more and more people are taking action," Nordea Liv CEO, Hans-Erik Lind, said.

Finnish pension insurance company, Ilmarinen, achieved an investment return of 8.6% in 2024, alongside a "significant" cut in the carbon intensity of its pension investments, its latest update has revealed. The provider's latest financial statement showed that the market value of its investments increased to €63.3bn, as investments yielded a return of €5bn. In particular, Ilmarinen's equity investments yielded 14.1%, while fixed income investments returned 4.4%. The group noted that global equity market returns were generally positive, although there were large regional and sector-specific differences, as whilst the equity market return in the United States was 25%, this was 9% in Europe. In Finland in particular, the equity market return remained at 0%, as short-term interest rates fell in line with central bank interest rate cuts. However, despite the decline in short-term policy rates, long-term government bond interest rates rose moderately during the year, according to Ilmarinen. The update also revealed that while the return on real estate investments was -0.9%, the return on other investments 6.7%, meaning that the long-term average return on investments since 1997 has been 5.8%. Solvency capital also strengthened further to €13.9bn and the solvency ratio increased to 127.5%.

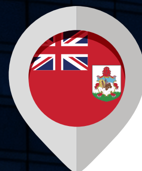
China has launched a pilot program allowing 10 insurance firms to invest in gold as part of their medium-to-long-term asset allocation strategies because of low interest rates, shrinking investable assets, and rising gold prices. People's Insurance Company of China, China Life Insurance, China Pacific Property Insurance, China Pacific Life Insurance, and six other insurers can begin gold investment activities effective immediately, the National Financial Regulatory Administration said in a statement. The 10 insurance companies can potentially inject CNY200bn (US$27.4bn) into the gold investment market through the pilot scheme, according to a research report by China Merchants Securities.

Egypt's Financial Regulatory Authority (FRA) has issued Decision No. 2 of 2025, introducing new investment rules and ratios for the funds of insurance and reinsurance companies. This initiative aligns with the authority's ongoing efforts to establish flexible regulatory frameworks that allow companies to diversify their investment channels, improve efficiency, and enhance the financial stability of the insurance sector, all while adhering to governance and risk management principles. Under the revised rules, insurance and reinsurance companies must allocate a minimum of 5% of their free funds to open-end investment funds focused on listed stocks on the Egyptian Exchange (EGX). With FRA approval, direct investments in listed stocks may contribute to this 5%, provided that investments do not exceed 5% of the company's paid-up capital or 15% of a fund's net asset value, whichever is lower.

The life insurance sectors of **Germany, Italy** and **France** are adequately capitalised overall, with French insurers enjoying an advantage over their Italian and German peers, according to Moody's Capital Tool (MCT). The capital ratio of French life insurers has been measured at just under 500%, with Italy around 200% and Germany at around 150%. In contrast, a straight comparison of their Solvency II regulatory ratios suggests that German insurers have the strongest capitalisation. Moody's said this divergence mainly reflects the use of transitional measures in Solvency II and M'CT's more economic modelling of insurers' balance sheets notably with regard to profit sharing reserves and sovereign risk. Moody's added that the French market is most exposed to the risk of customers surrendering their policies (lapse or surrender risk), the German market to interest rate and equity risk, while the Italian market is most exposed to credit risk, notably domestic sovereign risk. Interest rate risk is lowest in Italy and highest in Germany, reflecting differences in product design and asset liability management practices.of 1.8%.

BPCE and Generali are to create the largest asset manager in Europe by revenues. A non-binding Memorandum of Understanding (MoU) has been signed to create a joint venture between their respective asset management operations Generali Investments Holding (GIH) and Natixis Investment Managers (Natixis IM). The joint venture will have €1.9trn in AuM, ranking ninth worldwide by AuM, and €4.1bn in revenues, ranking number one.

BPCE and Generali are to create the largest asset manager in Europe by revenues



Bermuda's insurance market will have a "meaningful share" of insured losses from the recent California wildfires for both primary business and reinsurance, Fitch Ratings has warned. However, the credit rating agency said that Bermuda-based insurers would not be affected due to "plentiful capital levels". A new report by Fitch suggested that underwriting results for Bermudan insurers and reinsurers could deteriorate in 2025 as premium rates are pressured and loss costs increase.

Nippon Life has joined the alliance of TISFD (Taskforce on Inequality and Social-related Financial Disclosures), an international initiative for information disclosure related to inequality and social issues. Additionally, Takeshi Kimura, executive officer of the company and PRI board member, has been appointed to the steering committee, the primary decision-making body of TISFD. "Moving forward, our participation in the TISFD alliance will enable us to enhance sustainability management efforts," Nippon Life stated. "Additionally, through the participation of our executive officer in the steering committee, we will contribute to global rule-making."

South Korea's financial companies had an outstanding balance of KRW56.3trn in overseas real estate investment as of end-June 2024, down KRW0.7trn from three months earlier, figures published by the Financial Supervisory Service have revealed. By sector, insurance companies' investments came in at KRW31.2trn at the end of June 2024, holding the largest share of 55.3%. By region, the majority of investment went to North America representing 62.5%. Investments in Europe accounted for 18.6%, and Asia held 7%. The FSS said it will monitor and improve the financial companies' alternative investment-related process in a consistent manner in order for them to have sound investment practices in place.

Saudi Arabia's sovereign wealth fund, the Public Investment Fund (PIF), has acquired a 23.08% stake in Saudi Re by way of a capital increase and subscription to new shares, with the suspension of pre-emptive rights in accordance with Capital Market Authority (CMA) regulations. The fund said its capital investment aims to enhance Saudi Re's growth potential by adding to its financial capacity and further strengthening its credit rating. The investment also supports Saudi insurance firms by enabling Saudi Re to deliver high-quality reinsurance, permitting Saudi insurance companies to manage risk more effectively.

Schroders

Schroders Global Investor Insights Survey

Adam Cadle talks to Debbie McKay, Insurance Strategist, on the themes uncovered in Schroders' global survey of 200+ insurance companies.

Adam: Schroders has a long history of working with insurance companies. Can you share how Schroders prioritises its insurance clients?
Debbie: We're in the fortunate position at Schroders to manage over $140 billion of assets for insurance companies across the globe. We're set up with 60 different specialists to work with those insurance companies, including our Insurance Solutions team. They work very closely with insurance clients, and they help them to manage various parts of their business including ESG integration, liability matching, and access to private markets. This allows us not just to be a service provider to insurance companies, but to be a strategic partner to insurance companies.

Adam: Schroders recently conducted the Global Investor Insights survey. Can you share some of the background please, on the survey?
Debbie: Schroders has conducted a survey of institutions for many years now. But in 2024, for the first time, we tailored some questions that were specifically for insurance companies. We surveyed 2800 plus institutions, and 205 of those were insurance companies. They were life, non-life, composite, and reinsurance companies, and it has given us some really fantastic insight into the thoughts and worries of insurance companies.

Adam: What insights stood out for the insurance sector?
Debbie: There were a number of prominent themes. The first one, you'll probably be unsurprised to know, is sustainability. Seventy per cent of the insurance companies who responded to our survey told us that they have net-zero goals or similar. The second theme would be private markets. We learned there that insurance companies are interested in private equity, infrastructure and real estate, amongst others. We also had feedback regarding global equities being of increased interest to insurance companies. They are looking at that regarding their asset allocation, a different way to manage actively the equities. Rather than focus on country and regional, they are using global equities for that purpose.

Adam: What about the blending of public-private fixed income?
Debbie: The survey told us that insurance companies are looking to increase their fixed income allocation by increasing the private credit that they invest in. As we know, fixed income is a central pillar for all insurance companies, and this is a recent trend that the survey has highlighted, that they will be increasing their allocation to private credit.

Adam: AI also emerged as a theme. What did the survey say about that?
Debbie: As you would expect from data-rich organisations like insurance companies, they are embracing AI, and they have the wherewithal to do so. They are looking to increase their operational efficiency, and they're also looking to use analytics to assess risk as well.

Adam: Sustainability, as you mentioned, has become a real focus. How is Schroders helping insurance clients achieve their ESG and decarbonisation goals?

Debbie: Sustainability is at the core of our strategy within Schroders. What we're doing is for insurance companies, we are making available to them green bonds, for example, or renewable infrastructure investments. What we're also doing is we have very in-depth ESG reporting so that we can help insurance companies and other institutions to really measure their goals and their progress towards them. Then finally, in terms of stewardship, we have a really robust process within Schroders and in order to help companies to move towards sustainability, and that's of particular interest for insurance companies in terms of reaching their own goals.

Adam: You mentioned private markets as being a growing area of attractiveness for insurers. Why is that area significant for insurers?

Debbie: The survey told us about three things, really. It gives them access to a steady income stream. It gives them diversification in their portfolios, and it also gives them access to increased growth. Those were the three things that they shared with us. They also told us that there is a slightly different approach emerging with regard to how to access those private markets. The first is some insurance companies are building and managing their own in-house. Some are going with a whole-of-market approach, whereby they are looking at the market and partnering with a number of providers. The third most recent is whereby they select just one partner, and that allows them to have a much more bespoke arrangement that's tailored to their own specific needs. Once that's up and running and established, they can then broaden that out and share it with the rest of the market as well.

Adam: Can you say anything more about the global equity space and the attractiveness there for insurance companies?

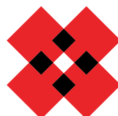
Debbie: Yes, the survey made some comments about it being an effective way to address the dominance of US equities. That was one of the comments, but also in terms of inflation, we had a significant proportion of the insurance responders who told us that they are worried about inflation, and inflation being high and inflation being higher for longer as well. We have also separately, with regard to equities, from a different source, been advised that global equities is in the top three searches with consultants from insurance companies. So global equity is definitely an emerging theme.

You can watch the video on *https://insuranceassetmanagement.net* by clicking on the video tab

Adam: Looking ahead, what do you see as the major opportunities and challenges for insurance companies?

Debbie: Insurance companies are highly regulated. Their solvency and capital requirements are forever changing. That will be a constant concern for insurance companies, and that was reflected in the survey also. But with the challenge of dealing with those sorts of things, also comes the opportunity for innovation. We have had feedback from various insurance companies that tell us that they are using these opportunities to develop new systems and to increase operational efficiency as well.

Adam: Its been a pleasure to hear the work that Schroders is doing In the industry. It really is outstanding.



Insurance Asset Management

Insurance Asset Management magazine is now also available as an e-edition for tablets (iPad and Android devices), and can also be read on a PC.

The new interactive digital format allows readers to easily search, browse and navigate the latest news stories, in-depth analysis, features, commentary and even adverts.

All content is hyperlinked for a richer online experience.

Through the print magazine, website, twitter, videos and now the digital edition, Insurance Asset Management ensures that you always receive the latest news from the insurance industry, in the most convenient format for you.

To sign up, visit www.insuranceassetmanagement.net

Insurance Asset Management Awards 2024

Celebrating excellence in the UK
and global insurance space

Winners Brochure

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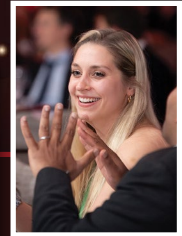

Overview

The eigth annual Insurance Asset Management Awards saw hundreds of industry professionals gather at the Waldorf Hilton, London, after the Insurance Asset Management Conference 2024 earlier in the day, to celebrate excellence, professionalism and innovation in the insurance space. Insurance companies, asset managers, technology providers and consultants were all in attendance, as trophies were handed out by comedian Zoe Lyons.

Many thanks to all those who helped make the event such a success, particularly our sponsors. Your ongoing support allows a fantastic night like this to happen. We look forward to welcoming you all with open arms again this year and rewarding all those who continue to excel in the insurance arena.

For more information on our events please visit www.insuranceassetmanagement.net, where you can also read all the latest news and commentary from the global insurance industry.

Adam Cadle, Editor,
Insurance Asset Management

Insurance Asset Management Awards 2024

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Judging Panel

Chair of the judges:
Adam Cadle,
Editor,
Insurance Asset Management

Neil Holmes
Director – Insurance, Client Consulting
bfinance

Rebecca Lea
Manager, Investment & Climate, Association of British Insurers

Sumit Mehta
Head of Strategy, L&G

James Mitchell
Head of Strategic Partnerships and Research, Phoenix Group

Deepak Seeburrun
Head of Global Insurance & Key Partnerships,
HSBC Asset Management

Winners Gallery

PASSIVE MANAGER OF THE YEAR

abrdn

ACTIVE MANAGER OF THE YEAR

HSBC Asset Management

INSURANCE COMPANY OF THE YEAR

Rothesay

FIXED INCOME MANAGER OF THE YEAR (UP TO €100BN AUM)

Ardea Investment Management

INVESTMENT STRATEGY OF THE YEAR

Ares Management

FIXED INCOME MANAGER OF THE YEAR (OVER TO €100BN AUM)

Legal & General Investment Management

ESG INVESTMENT STRATEGY OF THE YEAR

Columbia Threadneedle Investments

ALTERNATIVES MANAGER OF THE YEAR

M&G Investments

INSURANCE INVESTMENT CONSULTANCY OF THE YEAR

Mercer

INFRASTRUCTURE MANAGER OF THE YEAR

AXA IM Alts

Insurance Asset Management Awards 2024

PROPERTY MANAGER OF THE YEAR
Nuveen

DIVERSITY AWARD
HSBC Asset Management

MULTI-ASSET MANAGER OF THE YEAR
Schroders

HIGHLY COMMENDED:

EMERGING MARKETS MANAGER OF THE YEAR
Robeco

INSURANCE COMPANY OF THE YEAR
LV=

TECHNOLOGY FIRM OF THE YEAR
Clearwater Analytics

INVESTMENT STRATEGY OF THE YEAR
Lloyd's of London

INNOVATION PROVIDER OF THE YEAR
Schroders Capital

ESG INVESTMENT STRATEGY OF THE YEAR
Royal London Asset Management

STEWARDSHIP INITIATIVE OF THE YEAR
Robeco

ALTERNATIVES MANAGER OF THE YEAR
Nuveen

Winner

Passive Manager of the Year
abrdn

abrdn Investments

With £86 billion of assets under management, including £60 billion managed on behalf of UK insurers[1], abrdn's Quantitative Index Solutions (QIS) team offers a wide range of building blocks for investors. These aim to enable investors to implement their own long-term investment strategy and can be broken down into three main approaches: market value indexation, indexation with sustainable criteria, and enhanced indexation.

abrdn's QIS team offers passive equity and fixed income indexation strategies across a wide range of global, regional and local markets, and for its sustainable criteria offering, it collaborates with index providers to design customised equity and fixed income indices that aim to deliver improved sustainable outcomes while retaining a risk and return profile similar to their parent indices. For enhanced indexation, the team focuses on multiple 'risk premia' such as value, quality, and momentum to target above-benchmark returns in a risk-controlled manner.

All three strategies can be adapted to integrate ESG. Through its indexation offering, abrdn can track third-party ESG indices, apply negative screens at portfolio level, and/or optimise the portfolio ESG credentials at the portfolio construction phase. Through its sustainable criteria offering, it can partner with index providers to design bespoke sustainable criteria indices to meet its clients' specific needs and then replace the indices in its portfolios. Finally, through its enhanced indexation offering, it has the ability to incorporate ESG targets as part of the portfolio construction whilst applying its quantitative approach to achieve index outperformance.

abrdn's insurance asset management approach is characterised by close partnerships with clients.

In 2020 abrdn launched a range of seven customised equity indices to help investors address their sustainability concerns. These differ from traditional market-capitalisation indices by excluding companies that undertake specific activities and optimising the remaining universe to target improved sustainable outcomes.

The seven customised indices are the result of a close partnership with a leading UK insurer. The client was looking for equity indices that target broad sustainable improvements, and a gap in the market was identified.

abrdn has also worked with clients on passive fixed-income propositions, tailoring solutions to their ESG criteria. For more details about how abrdn partners with clients, see the company's article in our award winners' brochure.

Since the QIS team's inception in 2005, abrdn has evolved its approach to meet the changing needs of its client base and accompany insurance companies on their journey towards efficient risk-aware investing.

Congratulations on a very successful year.

[1] Source: abrdn Investments, as at 31st December 2024.

abrdn Investments

For professional investors only.

Custom-made for you

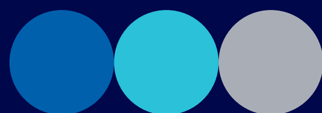
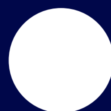
Supporting 150 insurers globally. From public to private, active to passive, across life and non-life.

We create true partnerships with insurers, because one-size is rarely a perfect fit, and we know you need more than just funds.

So choose an asset manager with the expertise to tailor your bespoke solution.

Capital at risk.

Visit us at **abrdn.com** and let us help you meet your goals.

abrdn.com

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Why are passive investments increasingly attractive for insurers?

Tailor-made systematic solutions are now available.

Authors:

Sean Phayre,
Head of Quantitative Index Solutions

Matthew Smith,
Director, Head of Insurance Clients

For professional investors only – not for use by retail investors or advisers.

Insurers are active investors, matching liability streams with assets and evolving allocations to meet income and liquidity needs. Their portfolios also require a high degree of customisation due to various constraints.

Viewed as 'one size fits all' solutions, passive strategies haven't always been popular with insurers. However, innovation has recently opened the door to a new era.

Meeting client needs

Index solutions can now be customised to meet specific needs. Whether you're looking for pure passive index exposures, tailored sustainable outcomes, or index outperformance in a risk-controlled way, it's possible to invest in systematic and rules-based solutions across listed equities and fixed-income strategies.

With £86 billion of assets under management, including £60 billion managed on behalf of UK insurers[1], our Quantitative Index Solutions team offers a range of investment building blocks, including market value indexation, indexation with sustainable criteria and enhanced indexation.

As managers of index solutions since 2005, we've been at the forefront of innovation, from designing customised client mandates, to launching our own proprietary range of indices with sustainable attributes.

How can asset managers help?

Insurers are becoming more aware that it's possible to design an indexation mandate based on a variety of rules and guidelines.

Considerations for insurer investment portfolios include accounting, regulation, and solvency capital. Sustainability and ESG (environmental, social and governance) reporting are two additional important considerations, and these are at the heart of the innovation process across our index products. To help investors achieve their desired outcomes, we adapt our three approaches to further integrate ESG:

- Through our Indexation offering, we can track third-party ESG indices, apply negative screens at portfolio level, and/or optimise the ESG credentials at the portfolio construction phase.
- Through our Sustainable criteria offering, we partner with index providers to design bespoke indices to meet our clients' needs and then replicate those indices in our portfolios.
- Through our Enhanced Indexation offering we can incorporate ESG targets as part of portfolio construction while applying our quantitative approach to aim for index outperformance.

We've been working closely with several UK insurance clients to design customised mandates and indices.

Case Study - Proprietary indices

In 2020 we launched a range of seven customised equity indices to help investors address their sustainability concerns.

These differ from traditional market-capitalisation indices by excluding companies that undertake specific activities and optimising the remaining universe to target improved sustainable outcomes (higher ESG score, lower carbon intensity, and higher exposure to green revenues).

Both the exclusions and the targeted outcomes aim to improve investors' long-term returns by managing sustainability risks and benefiting from climate transition activities.

The indices stem from our close partnership with a leading UK insurer. Our client was looking for equity indices that target broad sustainable improvements, and a gap in the market was identified. We partnered with MSCI to design a range of customised indices covering World, APAC, Europe, North America, Emerging Markets, UK, and Japan equities. These are exclusively licensed to abrdn.

Our purpose is to retain the core characteristics and benefits of passive investing with improved sustainable outcomes.

These characteristics include a similar risk and return profile to traditional indices, low cost to investors, and diversified exposure, as well as controlled turnover and implementation costs.

The key sustainable improvements integrated into the design include the exclusion of controversial companies and industries with significant sustainability risk, and the enhancement of the parent index ESG scores. Another benefit is the management of climate risks and opportunities through exclusions, portfolio carbon reduction targets and increased exposure to companies with green revenues.

To date, we've built six segregated portfolios and launched three pooled funds tracking these indices. The portfolios represent over £38 billion of assets, including £36 billion managed on behalf of UK insurers[1]. Our team has been working towards evolving those indices and studying the potential of launching a new range of decarbonisation indices. We've also worked with insurance companies on sustainable fixed-income propositions, tailoring solutions to their ESG criteria.

Conclusion

The insurance industry is in a unique position.

In terms of liabilities, it's massively exposed to climate change. Insurers hold a responsibility to help policyholders recover with the right kind of insurance in place, but they can also help tackle environmental challenges via sustainable investment.

Innovative index solution providers can answer sustainability concerns and create tailor-made portfolios built to meet each client's specific ESG standards. This enables insurers to reallocate towards cost-efficient passive mandates.

Since the QIS team's inception in 2005, we've evolved our index solutions approach to meet the changing needs of our client base and accompany insurers on their journey towards efficient risk-aware investing.

[1] Source: abrdn Investments, as at 31st December 2024.

Important information

The value of investments, and the income from them, can go down as well as up and an investor may get back less than the amount invested.

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Insurance Asset Management Awards 2024

Winner

Multi-Asset Manager of the Year
Schroders

Schroders

Schroders' entry detailed how a leading UK closed book consolidator decided to modernise and consolidate its investment manager relationships and needed a strategic partner with the experience and capabilities to deliver these portfolios.

The client already had a large number of mandates, many of which were invested in a balanced mix of the same asset classes and regions, albeit with differing levels of risk and across four different asset managers. In designing a new investment strategy, Schroders' objective was to deliver policyholders' investment expectations efficiently, to generate the potential for returns over and above the portfolio's benchmark through active management, and to generate operational and cost efficiencies for the consolidator.

Schroders' solution was to develop a bespoke pooled fund managed by its multi-asset investment team which the existing balanced and managed funds could use as a core holding. The use of a pooled fund enabled the underlying balanced and managed funds to own a single unit holding thereby simplifying administration while the strategic asset allocation (SAA) of the bespoke fund retained a similar risk/return profile to the existing investments along with a suitable benchmark that was consistent with policyholders' expectations.

This approach allowed the client's other mandates to allocate a portion of their assets to the new bespoke pooled fund, as well as investing in other Schroders funds to complete their SAAs, including duration solutions where required.

Key to delivering the solution for this insurer was setting an appropriate SAA. In addition to considering its unique requirements, regulations such as Solvency II (as well as a range of PRA specific regulations) result in additional complexities and constraints.

Schroders began by understanding the client's goals, considering risk, return, capital, liability and cashflow needs. It identified asset classes suitable for achieving these objectives, taking a long-term view. Second was a model supported step where Schroders made use of its models, asset universe, asset class assumptions and constraints, to understand the possible spectrum of portfolios, in terms of risk-and-return, to satisfy requirements. The third and final step refined the model portfolios produced in the second step by qualitative tailoring of the allocations model driven portfolios to counteract barbelling and capture any features of asset classes that may make the model driven framework less appropriate.

The approach described resulted in a significant reduction in the number of individual fund holdings owned by the client, simplifying administration, reporting, and reducing costs. By using the bespoke pooled fund, economies of scale and investment benefits were achieved.

Congratulations!

Marketing material. Capital at risk.

SCHRODERS INSURANCE ASSET MANAGEMENT

KNOWLEDGE, EXPERIENCE AND FLEXIBILITY

A trusted partner to our insurance clients. We apply a consultative approach to design and deliver innovative investment solutions across public and private markets, tailored to insurers' specific needs and challenges.

Scan the QR code below to learn more

Schroders

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Insurance Asset Management Awards 2024

Winner

Innovation Provider of the Year
Schroders Capital

Schroders capital

Over the last five years, Schroders' specialist private markets investment division, Schroders Capital, has led the way in innovation when it comes to building solutions for the long-term savings sector and in particular life insurers.

In 2024, Schroders built on its already strong partnership with Phoenix. This culminated in the launch of two exciting ventures, firstly the UK Government's Long-Term Investment for Technology and Science (LIFTS) initiative and more recently the launch of a new joint venture private markets asset manager Future Growth Capital.

LIFTS was seeded with a cornerstone investment of £300m from both the British Business Bank (BBB) and Phoenix. LIFTs has been designed to aim to stimulate the UK venture capital and productive finance ecosystem by mobilising institutional investment into UK technology and life science companies. It will seek to provide investors including Phoenix's policyholders, with opportunities to invest long-term into early-stage growth businesses. It has the potential to realise significant value for both investors and for the UK economy.

Schroders' successful bid for the LIFTS initiative is a testament to its continued commitment to give clients access to the potential returns of a broader range of assets, in line with their international counterparts. This collaboration underscores Schroders' commitment to fostering innovation in the insurance sector and supporting the UK's position as a global leader in science and technology. This launch has reinforced Schroders as the industry leader in the LTAF space, having launched the UK's first LTAF in 2023, the Schroders Capital Climate+ LTAF, enabling a wide range of investors access to the benefits of private markets that wouldn't have otherwise been available.

Future Growth Capital is the first private market investment manager to be established in the UK to promote the objectives of the Mansion House Compact and provide access and diversified exposure to a broad range of UK and global private market opportunities.

Future Growth Capital will also promote the UK as an attractive private market investment destination internationally and spotlight the many world-leading private companies that the UK has.

Schroders core aim when working with insurers is to build long-term partnership centred around innovation that delivers for client needs and its successful relationship with Phoenix and the ventures they have launched together are evidence of this.

Congratulations on an outstanding entry and on a fantastic 2024.

Marketing material. Capital at risk.

SCHRODERS INSURANCE ASSET MANAGEMENT

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Insurance Asset Management Awards 2024

Winner

Insurance Company of the Year
Rothesay

Rothesay

Performance, innovation and service are at the heart of everything Rothesay does.

In 2023, Rothesay enabled 12 pension schemes to de-risk, including two of the largest de-risking trades in the market: Co-op (£4bn) and Thales (£2.7bn). Overall, Rothesay generated £12.7bn of new business premiums in 2023, representing the largest volume of UK new bulk annuity business for an insurer in that year.

In early 2023, Rothesay established a dedicated 10-person illiquid assets transition team based in London and New York which focused on providing illiquid asset solutions tailored specifically to each scheme's needs and asset holdings to help maximise certainty for trustees and sponsors.

Rothesay harnessed the expertise of its in-house asset management team to innovate new, highly bespoke solutions for both illiquid and liquid assets. This allowed Rothesay to take on more than £3bn of pension assets as premium payment which would not have been possible historically resulting in schemes being able to access the de-risking market that were previously not able to do so.

Large repurchase agreement (repos) holdings can be complex and time-consuming to novate to insurers as part of the premium payment. However, over the course of 2023, Rothesay was able to offer novation of these repos as well as an alternative bespoke solution that enables the scheme to close out its positions without relying on external or sponsor financing.

Rothesay continues to provide outstanding service to clients, the industry and to its staff. It has successfully navigated the changing marketplace and dynamically adapted the business to meet the needs of clients, all whilst staying true to its core risk management values and maintaining the highest levels of service for its policyholders, staff, industry, and community with 94% of Rothesay's policyholders rating its service as excellent or good, and nine in 10 Rothesay employees saying that they are 'proud to work at Rothesay'. A range of new employee benefits designed to foster an inclusive company culture was also introduced in 2023.

> 94% of Rothesay's policyholders rated its service as excellent or good

The judges praised this company's strength at winning deals, its ability to bring together systems, technology and people, as well as an understanding of what makes its clients tick. Congratulations.

Rothesay
Protecting Pensions

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At Rothesay, we look after over one million pensions,
securing the future for every one of our policyholders.

Find out how our award-winning approach to risk management
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Rothesay
Protecting Pensions

Rothesay Life Plc is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. Firm Reference Number: 466067.

Insurance Asset
Management Awards 2024
Winner
Insurance Company of the Year

Winner

ESG Investment Strategy of the Year
Columbia Threadneedle Investments

The ESG Investment Strategy of the Year award recognises the insurance company or asset manager that can demonstrate it has conscientiously considered its investment decisions in an ethical and fair way and produced exceptional returns for its clients.

Leading the way in this area is Columbia Threadneedle Investments. Its CT UK Social Bond Fund is exemplary and offers a liquid, diversified bond portfolio that delivers positive social outcomes, as well a market-like risk-adjusted returns in line with traditional UK corporate bond portfolios. In partnership with The Big Issue Group, it uses a unique social research methodology, alongside an independent advisory committee to guide investment decisions. Its unique methodology focuses investments towards key social outcome areas and populations in need across the UK.

In 2023 and over longer 3-year and 5-year periods, the fund outperformed its broad credit index. The fund's bottom-up credit selection, alongside its aggregate risk positioning has benefitted medium and longer-term performance.

In terms of impact, the fund invested during 2023 to support affordable housing, essential healthcare, education, employment and community services. It ended 2023 with its highest allocation to high and medium socially rated issues to date. In primary markets it supported issues like the NatWest gender bond, social bonds from Motability and many others.

Columbia Threadneedle Investments also engages with issuers, including government-related entities, multilateral development banks, non-profit organisations, financials and corporates, to encourage them to target and report their social impact, including specifying the communities likely to be affected.

Another positive development in the climate change space has seen important progress in recognising the Just Transition. This considers the social impacts (both negative and positive) of the global transition to a low carbon economy including the shift in job availability, required skills and impact on local communities. Representatives from the fund serve as active members of the International Capital Market Association (ICMA) Social Bond Working Group to help mitigate the negative social consequences of transitioning to a low carbon economy.

Overall, the judges said they were impressed with the fund's strong 2023 performance as well as a partnership with the Big Issue, adding credibility.

For professional investors only

A fund built to generate positive social and financial outcomes.

CT Global Social Bond Fund is a global credit strategy that actively targets bonds combining clear social benefits with sound financial attributes.

The fund benefits from our robust credit capabilities, the expertise of social partner The Good Economy and our rich heritage in fixed income impact investing; since 2013 we've amassed over £1 billion in AUM across a range of social bond strategies.[1] By tapping into a global universe of specific use of proceeds bonds that has grown to over $5 trillion,[2] the fund unlocks the power of the bond market to target both social and financial returns.

Capital is at risk. The value of investments can fall as well as rise and investors might not get back the amount originally invested.

Learn more at
columbiathreadneedle.co.uk/positive-impact

[1] Source: Columbia Threadneedle Investments as at 30/09/2024. [2] Source: Bloomberg, Columbia Threadneedle Investments, as at 30/09/2024.

Important information: Columbia Threadneedle Specialist Funds (UK) ICVC ("CTSF") is an open-ended investment company structured as an umbrella company, incorporated in England and Wales, authorised and regulated in the UK by the Financial Conduct Authority (FCA) as a UK UCITS scheme. This material should not be considered as an offer, solicitation, advice or an investment recommendation. This communication is valid at the date of publication and may be subject to change without notice. Information from external sources is considered reliable but there is no guarantee as to its accuracy or completeness. The CTSF's current Prospectus, the Key Investor Information Document (KIID), latest annual or interim reports and the applicable terms & conditions are available from Columbia Threadneedle Investments at PO Box 10033, Chelmsford, Essex CM99 2AL, your financial adviser and/or on our website www.columbiathreadneedle.com.

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Insurance Asset Management Awards 2024

Winner

Fixed Income Manager of the Year (over €100bn AuM)

Legal & General Investment Management

Legal & General Investment Management (LGIM) manages c.£667bn* of fixed income assets overall, with around c.£648bn* of public fixed income investments and c.£19bn* of private debt investments; of which, c.£90bn* is on behalf of insurance clients.

The judges applauded LGIM for an outstanding entry displaying evidence of strong returns/ performance, ESG credentials and client service.

LGIM designs and structures insurance mandates in line with targeted client outcomes (ALM, accounting, solvency risk, regulatory capital, prudent person etc.) and offers clients access to the public corporate bond market, via its active, buy & maintain, index and LDI strategies. It has also built a private debt capability, to help diversify and increase the yield on its own insurance balance sheet and to provide access to high-quality private debt opportunities for 3rd parties – an important part of its fixed income capability for insurance clients.

Traditional investment grade fixed income continues to play an integral role in an insurer's core fixed income portfolio. However, LGIM believes that emerging market debt, high yield bonds and investment grade private debt can enhance total return potential, improve diversification and help insurers navigate a wide range of market environments while preserving credit quality.

The firm's innovation in responsible investments is exemplary. Its Global Research & Engagement Groups (GREGS) draw on LGIM's Active View ESG scoring tool, engagement activities and proprietary frameworks for aligning to net-zero and the UN's SDGs. Furthermore, LGIM has developed LGIM Destination@Risk as a proprietary toolkit to assess climate-related risk for its investments and to provide scenario analysis to explore a range of possible future climate pathways and their potential impacts. As part of the toolkit, LGIM uses forward looking temperature alignment metrics to enhance climate alignment outcomes for clients. These unique metrics improve on current industry climate metrics, such as Weighted Average Carbon Intensity (WACI) – which provides a snapshot of the amount of carbon a company produces today, by integrating forward-looking carbon reduction analysis.

The judges were also impressed with LGIM's strong use of case studies to support its entry information. The firm was the standout in the category.

*Source: LGIM internal data as at 31 December 2023. The AUM disclosed aggregates the assets managed by LGIM in the UK, LGIMA in the US and LGIM Asia in Hong Kong and LGIM Singapore. The AUM includes the value of securities and derivatives positions.

Active through opportunity.
Fixed on results.
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Find out more at
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Winner

Alternatives Manager of the Year
M&G Investments

M&G Investments' (M&G) scale and experience in private markets is underpinned by its investment philosophy of bottom-up value investing with a focus on fundamental credit research and patient stock picking over a long-term investment horizon. With over 750 investment professionals it has exceptional access to deals and now manages £73bn of private assets for over 450 institutional clients.

Furthermore, its large and experienced team of over 150 credit analysts assess the underlying fundamental credit worthiness of issuers across private debt and alternative assets. This thorough analysis is expressed through its independent internal credit rating rather than relying on external credit rating agencies.

Innovation is at the heart of the firm, something which the judges applauded, and during Q4 2023, M&G launched the firm's first European Long-term Investment Fund (ELTIF), the M&G Corporate Credit Opportunities Fund, which is the first open-ended, semi-liquid, private credit, ELTIF in the market. It also launches its first semi-liquid private debt multi-asset fund, the M&G Secure Income Fund, providing greater liquidity to institutional investors looking to invest in a diverse range of private and illiquid debt asset classes, such as leveraged loans, direct lending, SRTs, infrastructure debt, real estate debt, and public and private ABS. The portfolio has been designed to be resilient in all market conditions, and constructed with a bottom-up, value-based approach and is targeting steady, reliable income, while incorporating strong ESG credentials, including a 25% allocation to sustainable investments and typically 15% of impact assets. By applying its bottom-up approach to investing across a variety of assets, M&G is able to maximise the opportunity set where it seeks to provide a premium to comparably rated public securities.

> Innovation is at the heart of the firm, something which the judges applauded

A strong ambition to deliver transformational environmental and social change is also something which M&G prides itself on. Its £5bn Catalyst programme and fund raising across other private market strategies is exemplary and M&G has become a renowned investor in green projects, including financing forestry, solar, green infrastructure & bio-medical innovation amongst other impactful initiatives.

Congratulations to all at M&G on an outstanding entry and on an extremely successful past year.

Marketing communication for professional investors only.

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ORIGINAL THINKING. MODERN APPROACH.

CONNECTING THE DOTS TO REVEAL OPPORTUNITIES IN PRIVATE MARKETS FOR OVER 25 YEARS.

We've been private market innovators since 1997 – developing one of Europe's broadest capability sets across the full spectrum of alternative investing, including sustainability and impact. We connect different perspectives from our global team of investors and analysts to uncover opportunities for our clients.

mandg.com/institutional

Capital at risk

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Winner

Infrastructure Manager of the Year
AXA IM Alts

The Infrastructure Manager of the Year Award recognises the investment firm that understands this complex asset class the most and is working hard to help insurance firms reap the potential rewards.

AXA IM Alts is a global leader in alternative investments with €185bn AuM comprising c.€81bn of primarily private real estate, €92bn of private debt and alternative credit, as well as c.€12bn in infrastructure and private equity. It takes a 360° approach to real estate and infrastructure investing with over €126bn of assets under management in direct opportunities, held indirectly through debt and listed equities and via long term private equity investments into operating platforms.

AXA IM Alts began investing in infrastructure in June 2013 upon the launch of the Infrastructure Debt platform with a commitment from the AXA Group to invest up to €10bn in infrastructure. Since 2013, AXA IM Alts has invested over €20bn in European infrastructure.

Furthermore, its debt platform has made 180 investments to date and is managing €11bn across 133 instruments. Its equity platform has made 13 investments since 2016 and is managing c.€4.6bn where c.50% is invested in digital and renewable energy.

The infrastructure platform encompasses a diverse range of infrastructure projects across the digital, energy, social, transportation, and utility sectors, spanning key European markets such as the UK, France, Germany, the Nordics, Benelux, Spain, Portugal, and Italy.

In August 2023, AXA IM Alts participated in the financing of a data centre company located in Europe with 34 data centres currently in operation with total capacity of over 130 MW. The financing will support the company in expanding its capacity, with nine data centres currently in development totalling 92MW and over 655MW of secured and confirmed gros power capacity in the pipeline.

On the infrastructure equity side, AXA IM Alts completed the acquisition of a 25% stake in Finerge from Igneo Infrastructure Partner, a renewables platform across the Iberian Peninsula. The acquisition reflects AXA IM Alts' conviction around the critical role that infrastructure will play in the energy transition needed to create a net-zero economy and mitigate against future climate risk. It also aligns with AXA IM Alts' strategy of investing in assets that enable decarbonisation, electrification, and digitalisation of society to this end.

Overall, the judges applauded AXA IM Alts' impressive portfolio, its strong ESG focus and investment profile.

Congratulations to all at the firm for winning this award for the second year running.

AXA Investment Managers

Building Europe's future with global vision and local expertise

Infrastructure is key to the transition to a Net Zero economy. As a responsible asset manager, we focus on operating, developing and financing infrastructure that supports a decarbonizing, electrifying, and digitalizing world. Specializing in the European infrastructure market, we have deployed over **€15 billion across digital, energy, social, transportation, and utility infrastructure.** Our investments span both debt and equity strategies, ensuring diversification, resilience, and long-term stability.

Learn more about AXA IM Alts

alts.axa-im.com

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Winner

Property Manager of the Year
Nuveen

nuveen

Nuveen Real Estate is one of the largest global investment managers[1], overseeing a diverse portfolio of funds and mandates across public and private sectors, debt and equity, and various geographies and investment styles. Nuveen serves clients worldwide and acts on behalf of its parent company, TIAA.

Nuveen has committed to deploying billions in healthcare, student housing, single-family rental properties, manufactured housing, and data centres. In the UK, it provided a £150 million loan for 1,400 high-quality, affordable single-family houses and apartments, aiming to improve the rental market.

This year, Nuveen acquired Self Storage Group (SSG) in Scandinavia for NOK 4.9 billion, becoming one of the Nordic region's largest self-storage platforms[2]. It also acquired Omni Holding Company's U.S. real estate portfolio, increasing its affordable housing assets under management to $6.4 billion[3]. Nuveen launched its U.S. Affordable Housing platform, securing a $250 million commitment from the TIAA General Account.

Nuveen has demonstrated a strong focus on sustainability, earning praise from judges. The firm's green loan framework has originated $1.3 billion in green loans, and it developed a proprietary ESG scorecard for the European Debt Fund. It issued Australia's first green loan, financing an AU$61.5 million Senior Green Loan for a 5 Green Star logistics warehouse in Melbourne.

On the issue of net-zero carbon (NZC), Nuveen is making significant progress toward decarbonising its global property portfolio and achieving NZC by 2040. The firm recently brought forward its target of a 30% reduction in energy intensity by 2030 to 2025[4], thanks to successful energy efficiency strategies. To date, Nuveen has achieved a 28% reduction and is just two index points away from its target .

Congratulations to all at Nuveen for an outstanding entry and for leading the way in property investment management for insurers.

[1] Pensions & Investment Real Estate Managers Special Report, Oct. 2024. Ranking included 72 real estate managers and ranked them by total worldwide real estate assets as of 30 Jun 2024. Real estate assets are reported net of leverage, including contributions committed or received but not yet invested; REOCs are included with equity; REIT securities are excluded.

[2] IPE Real Assets news, 20 September 2023.

[3] Press release issued 9th May 2023 that announces Nuveen's investing in affordable housing by acquiring Omni Holding Company's Real Estate Portfolio: Nuveen Deepens its Commitment to Investing in Affordable Housing by Acquiring Omni Holding Company's Real Estate Portfolio | Nuveen Institutional

[4] The data and claims included in the report have not been verified by an independent third party

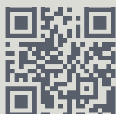
nuveen
A TIAA Company

How can you benefit from evolving real estate sectors?

Leverage our deep understanding of the structural trends framing the future of real estate investing.

One of the top 5 largest real estate managers in the world[1]	90+ years of real estate investing experience[2]	Committed to delivering net zero carbon real estate portfolios by 2040

That's the power of Nuveen



nuveen.com/realestate

1 Pensions & Investment Real Estate Managers Special Report, Oct. 2024. Ranking included 72 real estate managers and ranked them by total worldwide real estate assets as of 30 Jun 2024. Real estate assets are reported net of leverage, including contributions committed or received but not yet invested; REOCs are included with equity; REIT securities are excluded.

2 Nuveen, 31 Dec 2024.

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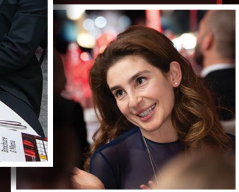
Insurance Asset Management Awards 2024



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Celebrating excellence in the UK and global insurance space

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27 November 2025

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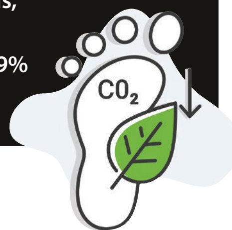
A green world

Insurance Asset Management **looks at the key sustainable impact investment developments over recent months**

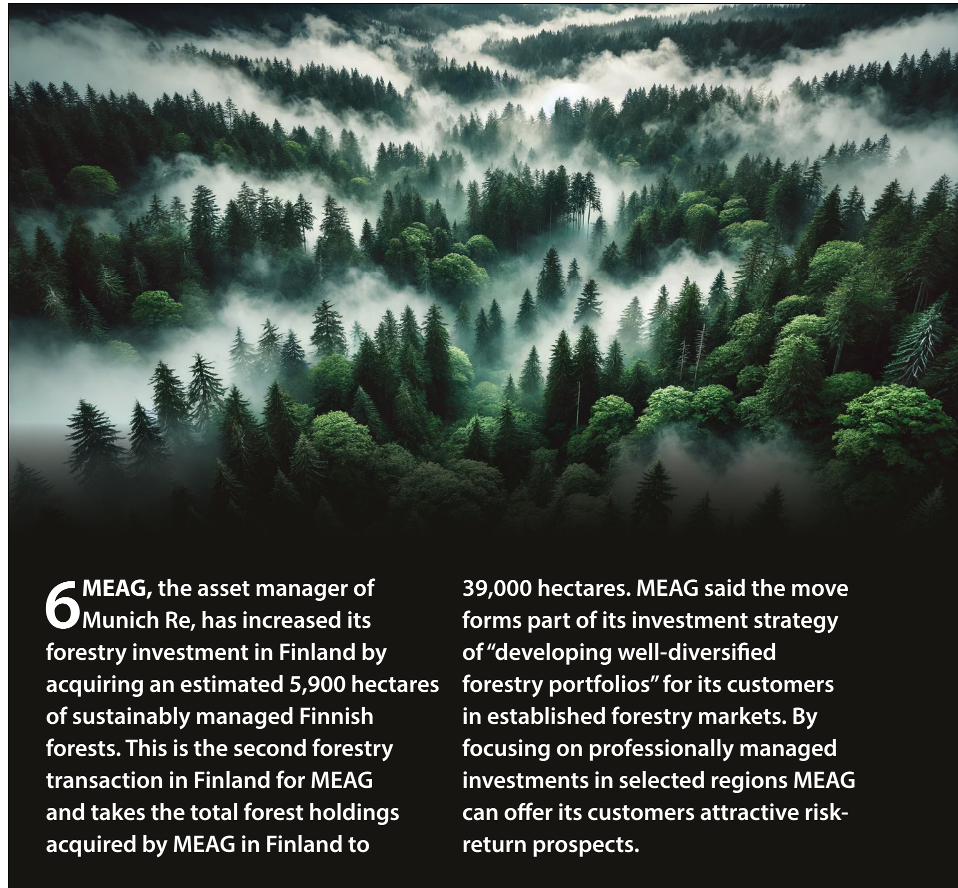
1 The UN's **International Fund for Agricultural Development (IFAD)** has issued its 10th sustainable bond for SEK 900m under its Sustainable Development Finance Framework to Swedish pension investors Skandia and Kåpan. Skandia is investing SEK 400m in the bond, which aims to combat hunger and poverty, while Kåpan is contributing the remaining SEK 500m. The proceeds from the issue will help finance IFAD's development projects globally, with a focus on transforming rural areas into more productive and prosperous areas. IFAD-supported projects work with rural populations to access tools, inputs, and technologies to increase production sustainably and to access credit, markets and value chains. Through these projects, IFAD provides guidance and support on the best agricultural crops and practices required to adapt to a changing climate.

2 **Folksam Group** has adopted new climate targets to reach net-zero emissions in its asset portfolios by 2050. One of the new targets is to reduce the CO2 footprint by 50% for stocks, corporate bonds, alternative investments, and real estate by 2030. Folksam has already met the previous climate targets as of 1 January 2025. For example, the CO2 footprint for stocks, corporate bonds, and real estate decreased by 29% from 2019.



3 Ping An's subsidiary, **Ping An Bank,** has provided a RMB2.3bn loan to Yulin Chemical, to support its Coal Clean and Efficient Conversion Demonstration Project, which promotes cleaner and more efficient coal processing, aligning with China's low-carbon development goals. The project is listed in the National Development and Reform Commission's 2024 Catalogue for Guiding Industry Restructuring. It uses advanced technologies to convert organic and inorganic sulfur into usable sulfur and repurposes slag, a byproduct of turning coal into a fuel gas, for building materials. This approach embodies a circular economy model of "reduce, reuse and recycle," maximising resource use and minimising environmental impact. "We are delighted to partner with Yulin Chemical," Ping An Bank said.

4 **Achmea** is investing €50m in the new Achmea Dutch Residential Impact Fund (ADRIF). The money will be used to buy older, poorly insulated rental homes and to make them more sustainable. It is expected that it will mainly be housing complexes that will be taken over from business parties. Achmea is inviting other institutional investors, such as pension funds, to participate in this fund, which can grow to a size of €1bn by 2030. Daphne de Kluis, member of the executive board of Achmea, said: "Together, we are facing an enormous task when it comes to making existing homes in the Netherlands more sustainable. We need to work on this energetically and this requires considerable investments. With our investment, we are taking the first step."



6 MEAG, the asset manager of Munich Re, has increased its forestry investment in Finland by acquiring an estimated 5,900 hectares of sustainably managed Finnish forests. This is the second forestry transaction in Finland for MEAG and takes the total forest holdings acquired by MEAG in Finland to 39,000 hectares. MEAG said the move forms part of its investment strategy of "developing well-diversified forestry portfolios" for its customers in established forestry markets. By focusing on professionally managed investments in selected regions MEAG can offer its customers attractive risk-return prospects.

> Together, we are facing an enormous task when it comes to making existing homes in the Netherlands more sustainable

5 The **Green, Social, and Sustainability (GSS) bond market** reached its highest point in three years – with issuances hitting just under $1trn ($966bn) in 2024, according to the latest quarterly GSS report by MainStreet Partners. This marks an 8% increase on 2023 issuances and means that total cumulative GSS bond issuance has exceeded the $5.5trn mark. Green bond issuance had its second most active year in 2024 since market inception and the most active Q1 on record, accounting for 58% of issuance during the year – reaching $561bn. Social bond issuances saw the biggest increase in 2024 hitting $251bn, while sustainability bond issuance suffered the largest drop to $152bn (2023: $203bn). Transition bonds also saw a revival displaying significant growth activity in 2024, particularly led by Japanese issuers. The market remains European-centric, with approximately 60% of total issuance volumes coming from European issuers, and 56% from EUR-denominated bonds. Asia, amidst rapid regulatory advances, keeps a notable presence in the social and sustainability bond market.

7 The **German Insurance Association (GDV)** has welcomed the European Commission's initiative to simplify sustainability reporting through the planned Omnibus Simplification Package. This package aims to bundle existing and future reporting obligations and reduce administrative burdens on companies. "Sustainability information is important for us as investors and providers of risk coverage. However, the reports must be more focused," said Jörg Asmussen, CEO of the GDV. "Excessive requirements are detrimental to competitiveness and do not help the economy in the green transition. The original goal of the last Commission to reduce reporting obligations by 25% is a good signal. We need sustainability reporting that focuses less on quantity and more on the quality of the information. The better the data, the easier it is for insurers to take sound decisions in terms of sustainability."

8 The UN-convened **Net-Zero Asset Owner Alliance (NZAOA)** has released a new paper emphasising the critical role of top-down regulatory mandates in overcoming data and disclosure challenges related to Scope 3 emissions. As regulations on these emissions evolve worldwide, with the Corporate Sustainability Reporting Directive (CSRD) in the European Union and emerging regulatory frameworks in Japan and California, the NZAOA's new paper highlights the growing urgency for standardising disclosure and the need for policymakers to act decisively.

The report finds barriers to tackling these emissions—which account for three-quarters of most companies' total emissions—persist. For asset owners, the barriers include limited data quality, inconsistent accounting frameworks, and double-counting risks, which make it challenging to integrate these emissions into portfolio steering and overall climate strategy. The paper sets out actionable advice for asset owners, enabling them to make meaningful progress, while driving public discourse and pushing for regulatory change. The NZAOA recommends corporates to focus in the first instance on their two most significant categories, which would allow them to cover on average 81% of the overall Scope 3 emissions intensity in each sector.

9 The Danish Government's new bill is expected to make it more attractive to "invest green", by making it possible for pension funds and insurance companies to own and operate forests through a subsidiary, Denmark's Forsikring & Pension (F&P) has said. F&P noted that whilst a broad political majority agreed in 2022 that it would allow the pensions and insurance industry to do this, the EU Commission has now confirmed that this is also possible within EU rules. Given this, F&P deputy director, Torben Weiss Garne, highlighted the bill as a "step forward for customers, the climate and the economy", explaining that investments in forests also usually fit well with the funds' investment profile. He continued: "With the bill, the government aims to strengthen the green transition and better regulation. The proposed option for companies to own and operate forests through subsidiaries is a clear step in the right direction. "We have long had a desire to play a greater role in the green transition. With this change, insurance companies will have a better opportunity to invest in forestry and thus contribute to sustainability. "Pension companies will have the opportunity to generate returns for customers while supporting the green transition, sequestering CO2 and promoting biodiversity."

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Insurance Asset Management Conference 2024

Delegates heard from some of the leading spokespeople in the insurance sector on the latest developments in the industry

Experts from the insurance sector gathered at the Insurance Asset Management Conference 2024 to discuss the current state of the industry, its outlook and what the market can reflect on in the past year.

The day began with a welcome from director of policy and public affairs at the Chartered Insurance Institute, Matthew Connell, who chaired the morning's events.

First to take to the stand was director of wholesale buy side at the Financial Conduct Authority (FCA), Camille Blackburn, who outlined the current and emerging issues in the asset management sector.

A critical year

Blackburn described 2025 as a "critical year", with new business, collaborations, control transactions, products and new Government priorities all being listed as changes for the year ahead.

With £14.3trn in assets under management in the UK at the time of the conference, Blackburn said this was "not just a number", but "an opportunity" for the industry moving forward, following "market disruptions and adjustments over the last few years".

She called on those in the room and further afield to look at innovation and engagement with the regulator on these plans, through the FCA's innovation pathways and digital sandbox.

Up next was a fixed income panel, sponsored by LGIM, which was chaired by partner and co-head of global fixed income manager research at Aon, Paul Whelan.

The panellists discussed the fixed income market and agreed it remains a "significant area of opportunity" for insurance investors in a landscape filled with economic adjustments and geopolitical tensions, following the US presidential election.

Head of global bond strategies at LGIM, Matthew Rees, said that 2024 saw a "great year of volatility", with Germany and the US being the markets to watch. He told those at the conference to watch if "US growth strengthens" and if inflation strengthening causes a rise in the US rate.

Chief investment and treasury officer at Hiscox, Todd Isaac, said that the fixed income market, despite being "unloved", is the place that gets "meddled with the most", adding that "repositioning the portfolio" and "taking advantage of the

Insurance Asset Management Conference

higher rates" was key at this moment.

Chief investment officer at Allianz Holdings, Ying Ye, stated that Allianz was looking towards private credit and impact credit strategies, which incorporates climate and social consideration, adding that "sustainability is part of our business".

Finally, chief investment officer at Foresters Friendly Society, Corrado Pistarino, argued for the importance of investment strategy diversification. He said that while the "rates will be staying higher for longer", investors can "deal with that in the UK" while also thinking about the "balance of the duration".

The event then moved to the real estate market, with managing director of real estate research at Nuveen, Stefan Wundrak, taking to the stand.

He said that now is a "good time to enter real estate", with a period of high inflation resulting in "high rental growth".

Wundrak supported this by stating that "real estate has been through quite a restructuring", with a wider variety of risk and return available, depending on the property type and its location geographically.

However, he added that this investment needs to "remain relevant", especially in the office space, which Wundrak said remained stronger in Asia and Europe compared to the US because of working from home routines.

Another morning session came from abrdn, which hosted an insurance investment special of 'The Strongest Link'.

This saw portfolio managers from the firm, including Sameer Amin, Brett Diment, Shelley Morrison and Mark Munro, place their case for whether they would invest in infrastructure equity, emerging market debt, short-dated public credit or fund finance.

The arguments were then put to the floor to vote on what they saw as the best decision.

Morrison won the popular vote with 46% of the floor agreeing with her argument for fund finance, which she argued had "no risk curve".

> Now is a good time to enter real estate

Opportunities

Following a short coffee break, attendees gathered back in the conference room to listen to partner and co-head of European credit at Ares, Michael Dennis, who explored the private credit sphere, the opportunities in this space and how it fits into current investment portfolios.

He noted that research from Bane has revealed that assets under management in the global alternatives market are set to increase from $26trn in 2022 to $61trn in 2032.

Dennis added that there are several trends in the private credit space that have only come to fruition in the past couple of years. This includes the shift by investors from liquid to illiquid assets and the availability of private credit allocation in the past five to 10 years.

He concluded by stating that at Deloitte, private credit volumes in Q2 2024 had hit a record high in the last five years.

The next panel, sponsored by Schroders, remained on the same topic. Led by insurance investment advisory lead at WTW, Punil Chaubal, the panel discussed the areas of private credit that are being utilised in portfolios and how this

is enhancing risk/return investment profiles.

Head of private assets at Aviva UK Life, Prasun Mathur, said that in this field, "asset classes behave differently in terms of the linkage to the public market" and this makes it "very hard to actually get people to get comfortable with changing prices".

Chief investment officer at Just Group, David Ramroop, added that the ethos around the sector is to "expand the opportunity set and manifest that into tangible opportunities", describing it as a "journey". However, by working with regulators in these new portfolios, Ramroop stated that it will "take time" to put these plans in place.

As part of these opportunities, portfolio manager for infrastructure debt at Schroders Capital, Augustin Segard, noted that there had been a shift in the perception of this form of debt, stating that it has now become "more sophisticated" as an asset class while still being attractive "risk wise".

Head of ALM and investment solutions at Lloyd's, Angel Kansagra, said that these opportunities depend on the duration and "how much complexity premium you get and how much illiquidity" there is.

When looking at risk, head of strategic partnerships at Phoenix Group, James Mitchell, added that continuing to apply a "robust profile" to its investment assets was "critical" in the private credit sector.

The panel was followed by a talk from Mike Leonard, head of insurance solutions at Aviva Investors. He explored the role of liquidity in a total portfolio allocation, both in perspectives of private asset cash flows and ongoing insurance liquidity needs.

He stated that exiting an illiquid investment can "take time" and warned that in this sector, regulators are now starting to focus on this area.

Therefore, he called on the conference to "be smarter about allocating liquidity", adding that he thinks that using "some of the asset classes which traditionally are not used to make liquidity" is a way to optimise this investment.

To conclude the morning agenda, head of infrastructure at AXA IM Alts, Mark Gilligan, discussed infrastructure in Europe and the challenges that it faces.

Looking forward, Gilligan stated that climate change is the sector's "challenge of the generation" and that as a result, there has been a "real shift in parts of opportunities for development and in the kind of demand" that is being seen in infrastructure.

He added that there has been a "shift" in the type of investment going into renewables, with

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85% of investments going into this space in 2023, compared to 15% in 2012, adding that this brings some "optimism" to the market.

Following lunch and the opportunity for delegates to network, the afternoon agenda saw a change of chair as assistant director and head of prudential regulation at the ABI, David Otudeko, returned to the Insurance Asset Management Conference to oversee proceedings.

Back in the conference room, Otudeko first introduced a fresh panel to discuss how insurers can manage credit in their portfolios. Columbia Threadneedle Investments sponsored this panel, with senior portfolio manager, Nabil Owadally, chairing a discussion that included representatives from Phoenix Group, LV= and Zurich.

Selective exercise

Owadally first set the scene of the current credit environment, noting that spreads have tightened despite "strong credit fundamentals" and "limited net supply".

Head of sustainability/ESG research at Phoenix Group, Anand Rajagopal, then suggested that going into the credit market is now a "selective exercise", in both public and private markets.

"There's increasing focus on private markets and private credit, where we are seeing opportunities come up in the UK, European markets, but importantly, in the US too,"

> "Private credit must be the area of focus

Rajagopal said. "Private credit must be the area of focus. It does tend to be shorter on duration though, that's the problem."

However, head of investments at Zurich, Lizzie Staunton, added: "It's long-term for us. We use external house managers, and my role is all about thinking of the long-term strategic position of our balance sheets and delivering to our customers what was promised.

"Credit, if it is yielding 5.5%, is not just about the spread but the absolute yield. That level is attractive in a 2-3% inflation environment. The spreads are tight, but there's an attractive yield on the balance sheet side that is generating some attractive income."

Owadally also quizzed the panel for their views on managing credit defaults and transition risk. From the asset management perspective, senior portfolio manager at Columbia Threadneedle, Tammie Tang, said: "There is non-ignorable value in life spreads at 80-100 basis points, where historically, there may be de minimis near zero in terms of actual default.

"We have that job to communicate mitigating the consequences of transition. There's a role for us, as the asset manager, to be aware of the strength of sensitivity to transition risk."

In response, chief investment officer at LV=, Adam Ruddle, said: "What we need from an asset manager is that protection in those times of stress, when the tide goes up, when markets are not performing well, not to experience some of that default capability.

"The asset manager needs to find which securities have the right fundamentals, so that in managing transition risk they are not likely to downgrade the default. That's critical."

Another session continued the private credit theme and explored which areas of the asset class are proving popular with insurers.

HSBC Asset Management hosted a fireside chat between its head of private credit, Scott McClurg, and head of global insurance and key partnerships, Deepak Seeburrun, as the pair

focused on the evolution of private credit markets.

McClurg emphasised the "shift from low-rate environments to higher rates" and the "growing interest in sustainability and infrastructure investments".

Other key points raised by the pair included the increasing exposure of legacy institutions to private credit, the demand for capital solutions addressing specific risks, as well as the emergence of new investment opportunities in emerging markets.

The HSBC conversation also highlighted the importance of ESG principles, which was a theme explored further in another presentation given by portfolio manager at Robeco, Aliki Rouffiac.

Rouffiac emphasised the importance of a "robust framework" to identify investment opportunities and build portfolios in a way that doesn't just result in investors moving away from carbon-intensive companies, but also reduces real-world emissions.

She said: "It is important to support and accelerate climate action by investing in high-emitting companies that are investing in technology for the future. In other words, investing in the climate transition."

Growth

Rouffiac took delegates through the ways that Robeco's insurance clients are investing in the transition and mentioned corporate bonds, a topic explored more deeply in another afternoon session from senior vice president, portfolio manager, and research analyst at Franklin Templeton, Robert Nelson.

In particular, Nelson discussed emerging market corporate bonds, emphasising its recent growth as an asset class.

He addressed several misconceptions about the asset class and presented it as a "rich and diverse opportunity".

"This is an asset class that is now sufficiently large and diversified by country, issuer type and sector," he said. "It possesses real underappreciated quality, in terms of rating, the fundamentals, and default outlook. It also offers really attractive risk adjusted returns.

"At $1.4trn, EM corporate debt is now larger than the US high-yield index. Undoubtedly, it is large enough to be a credible asset class in its own right."

Another asset class that has shown strong growth in recent times is infrastructure, and vice president at IFM Investors, Katerina Roele, gave a

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> “What’s important for infrastructure is being incumbent in the market

presentation on how its role is changing in asset owners’ portfolios.

Roele said: “What’s important for infrastructure investing is being incumbent in the market. It’s that incumbency and scale that we’ve built up over time. As a result, we’re able to pair our experience with an ability to provide liquidity despite being in private markets. We’ve seen this asset class evolve over the last 30 years.

“We believe that healthy returns depend on healthy economic, environmental, social systems, and all of those are going to keep evolving on a scale that’s frankly unprecedented.”

The infrastructure asset class was discussed further in the final session of the day, a real assets panel sponsored by Manulife Investment Management.

Having chaired the full afternoon’s presentations, Otudeko sat once more as the chair for this panel’s discussion, which also featured representatives from Aspen, Phoenix Group and Royal London.

Otudeko quizzed the speakers on where they see opportunity in the real assets space, and head of asset allocation and senior portfolio manager at Manulife Investment Management, Luke Browne, said that clients are increasingly “looking to dig deeper than just a top-level message of private credit”.

“The main thrust of conversations we’re having in the real asset space is around allocations to areas such as natural capital, which is a fascinating place particularly when you start looking at the regeneration of assets,” Browne commented.

“Beyond that, infra has been very popular. Real estate has been popular.

“Where do you go in the macro landscape? What are going to be those asset classes that have the highest probability of adding value over the medium-term? It’s very different depending on which part of the world you’re in.”

Group investment operations director at Royal London, Daniel Blamont, then highlighted geopolitical tension and increasing volatility, and said that markets must be prepared for “short bouts of inflation” and potential “price discrepancies”.

The panellists continued to debate the importance of policy initiatives in unlocking capital and encouraging private investment, before head of real estate at Phoenix Group, Prabby Mann, added a closing remark: “We shouldn’t give the politicians all the credit for the work that’s been done.

“Investment is really driven by industry. We say what works, we make sure of no unintended consequences, and in doing so we protect our customers.”

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Current ponderings on industry themes

On L&G raising £510m for its affordable housing investment strategy

The level of interest we have seen in this fund since its inception last year is a testament to the attractive proposition that investors see in contributing to much-needed affordable housing in the UK, while seeking to invest in steady inflation-linked returns and positive social impact. I am pleased to welcome our new partners as we leverage our sector-leading platform to execute our strategy and deliver high quality housing in areas of acute need.

ALI FARRELL
Fund manager at L&G

SAM WOODS
PRA CEO

On the PRA's main objectives in a letter to Labour PM Kier Starmer

Our primary objectives speak mainly to stability, which is the basis for a predictable economic environment that allows households and businesses to be confident in planning ahead and making investment and hiring decisions. Financial instability can lead to severe disruptions to the ability of households and businesses to make transactions, manage risks, and access credit, amplifying economic shocks and hindering growth.

URS RAMSEIER
CEO of Twelve Securis

On Twelve Capital and Securis merging to create ILS manager

This merger marks a new era for insurance-linked investments. By bringing together two highly experienced teams with a shared vision, we are strengthening our ability to deliver outstanding investment solutions to our global client base and create long-term value for them.

STEPHEN ROSEMAN
CEO and founder of 1970 Group

On Bain Capital's investment into 1970 Group

Bain Capital's investment will further support 1970 Group's mission to help companies unlock liquidity and operate at their fullest potential, enabling us to bring our solutions to a greater number of businesses across the United States and Canada.

On PIC CEO, Tracy Blackwell's, decision to retire

The board would like to thank Tracy for her leadership of the company. Tracy has had a long and distinguished career at PIC, and in the wider insurance and pension industry, and we are very grateful for her significant contribution, which was most recently recognised by her award of a CBE. She will leave PIC in a strong position as it enters the next phase of its growth.

DAVID WEYMOUTH
PIC chairman

On insurance companies expecting to deepen ties with private credit

We expect the synergy between insurance companies and alternative asset managers to only strengthen, propelled by the growing use of asset origination platforms to generate assets.

MANOJ JETHANI,
Vice president at Moody's Ratings.

Phoenix Group

On Phoenix Group merging AM and retirement divisions under CIO Mike Eakins

This structure will create many opportunities for Phoenix Group to deliver real benefits from bringing the capital intensive elements of its business into one place and develop retirement propositions together.

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