Insurance Asset Management

Summer 2025

Cryptocurrency
Does crypto deserve a place in portfolio construction?

A green world
Sustainable investment updates from across the globe

Mergers & acquisitions
A round-up of the latest insurance deals

The sinner takes it all?

The use of sin stocks in insurance investment portfolios

TRADE TARIFFS
Developments in this area and the effects on insurers

AROUND THE GLOBE
Insurance developments occurring across the world

IAM SUMMIT REVIEW
The latest investment thinking from the insurance industry

Editorial Comment

If you speak to many institutional investors about crypto, the conversation suddenly becomes one of caution and wariness

Summer is here! As I pen this editorial comment the glorious sunshine is out, so let's hope it continues over the coming months.

If, like me, you like to take a book out into the garden to relax, then why not take this latest edition of *Insurance Asset Management* with you! This issue includes some really interesting features on the subject areas of sin stock investing and cryptocurrency. For many, summer is seen as a time to banish sins. The season is connected with themes of harvest and abundance, which can be interpreted as a time for renewal and reflection. Whether asset owners and investors choose this time to reflect on their sin stock holdings, I'm not entirely sure however! As our cover feature explains, sinfulness is in the eye of the beholder, of course. Insurers' perspectives on this issue are also complicated by the fact that as well as investing in sin stocks, sin stocks may also provide them with insurance cover which enables them to be operational and functional.

Our other feature in this issue explores cryptocurrency.

Much like the debate on whether snails are good for your garden or not — after all, they act as natural decomposers, recycling nutrients back into the soil — crypto divides opinion among many investors. I know a fair few people that have made a fortune from the asset class, but if you speak to many institutional investors about crypto, the conversation suddenly becomes one of caution and wariness. After all, recent months have seen EIOPA propose a 100% stress test on the holdings of crypto-assets, despite the fact that these holdings are currently considered immaterial, representing a small portion of EU insurers' overall assets. Furthermore, the prudential treatment is not sufficiently clear.

Our feature looks at whether crypto will ever really take-off in the insurance space, and whether the industry can learn from others in incorporating it as part of its investment sphere.

We also cover Trump's trade tariffs in this issue, and look at how this subject is affecting the investment landscape for institutional investors.

So with lots to read in this issue, I summon you to your chosen green spaces of relaxation to ponder over all of these topics.

Adam Cadle
Editor

The team

Editor
Adam Cadle
adam.cadle@insuranceassetmanagement.net

News Editor
Michael Griffiths
michael.griffiths@perspectivepublishing.com

Content Editor
Dan McGrath
dan.mcgrath@perspectivepublishing.com

Commercial
John Woods
+44 20 7562 2421
john.woods@insuranceassetmanagement.net

Lucie Fisher
lucie.fisher@perspectivepublishing.com

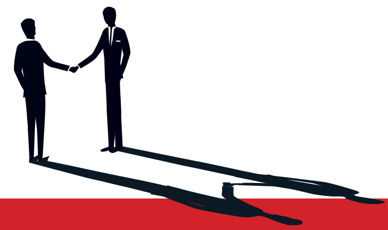
Tom Pickford
tom.pickford@perspectivepublishing.com

Design & Production
Amanda Scope
amanda.scope@perspectivepublishing.com

Accounts
Mohamed Saidani
mohamed.saidani@
insuranceassetmanagement.net

insuranceassetmanagement.net
2nd Floor, 5 Maidstone Buildings
Mews, London. SE1 1GN
ISSN 2516-8096


2025
U.S. TARIFFS
IMPACT


46

Summer 2025

News focus

Insurance investment outsourcing hits record $4.5trn as insurers expand further into private markets

Written by **Adam Cadle**

Insurance investment outsourcing has almost tripled to a record $4.5trn over the last decade, according to latest figures published by Clearwater Analytics, with private asset class AuM surging from less than $50bn to over $800bn.

In its annual *2025 Insurance Investment Outsourcing Report (IIOR)*, Clearwater Analytics said the dramatic growth in insurance investment outsourcing reflects several market forces, including the need for specialised expertise in merging asset classes, the search for yield in a challenging market environment, and structures and asset classes that address increased regulatory complexity. These factors have created an unprecedented demand for sophisticated investment management technology platforms capable of handling complex multi-asset portfolios.

At a top-level view, 79% of insurance AuM is publicly traded assets, with 21% now held in private assets. Public fixed income still comprises 68% of reported insurance AuM, but private fixed income now accounts for 14%, showing insurers are gradually diversifying from traditional assets. Corporate bonds make up 37% of public fixed AuM while cash/government/agency assets make up 20%.

Public equities account for only 11% of total insurance AuM, and private equity and equity alternatives make up 6.9%. Twenty-eight per cent of private equity-alts AuM is allocated to real estate equity, 35% is in private equity and venture capital and 39% of private equity-alts AuM is in private equity-alts broadly.

Managers still dominating the charts include BlackRock, PGIM, Invesco and State Street, however, there is a growing contingent of specialist managers, generally focused on private market strategies. The presence of multi-asset specialists such as Wellington, Schroders and Conning is increasing, reflecting growing insurer appetite for customised mandates that blend private and public exposures.

Geographically, managers headquartered in EMEA are increasingly offering private fixed income, implying European insurers may be leaning into higher-yielding illiquid assets despite traditionally conservative regimes. Insurers in Europe are also likely using consultants to enter new asset classes, including infrastructure debt and real assets.

US companies with global footprints dominate when it comes to APAC-insurance mandates.

Over 80% of participating investment managers in the research said they now provide customised portfolio reporting, cash flow projections, accounting analytics, and regulatory assistance – all powered by advanced technology solutions.

Insurers are increasingly leveraging external managers for both traditional fixed income and complex alternative assets

"Insurers are increasingly leveraging external managers for both traditional fixed income and complex alternative assets, including private credit—a shift that was barely visible five years ago. The IIOR serves as a key resource for insurers to identify and research managers with the expertise, asset class strategies, and related services and technology needed to support their investment operations," said Steve Doire, owner of DCS Financial Consulting and strategic adviser to Clearwater.

News in brief

■ **Royal London has announced it has agreed to acquire Dalmore Capital, a UK-based infrastructure asset manager, subject to regulatory approvals. As part of the acquisition, Royal London will commit up to £500m to future Dalmore funds. The transaction supports Royal London's strategy to broaden its private asset capabilities and provide customers access to a wider range of investment options to support their retirement goals. Following completion, ownership of Dalmore Capital and its asset servicing arm, Resolis, will transfer to Royal London Asset Management.**

■ **Schroders Capital's private debt and credit alternatives business has raised €2bn in total commitments from third-party investors, including insurers, for its sub-investment grade (IG) infrastructure debt strategy. The strategy focuses on the infrastructure mid-market across a range of sectors, such as data centres, energy companies and renewables. It targets predominantly brownfield assets in core European countries. Other investors included global pension schemes, asset managers and sovereign wealth funds.**

■ **Zurich has announced the successful placement of US$750m of dated subordinated notes. The notes, which will mature in November 2055 and are first callable in May 2035, will be issued by Zurich Finance (Ireland) II DAC. The annual coupon is fixed at 6.25 % until November 2035. The transaction was targeted at European and Asian institutional investors and has been conducted for general corporate purposes.**

UK insurers join Emerging Markets and Developing Economies (EMDE) Investor Taskforce

Taskforce to unlock private investment to tackle climate change across emerging markets

The UK Minister for International Development and the Economic Secretary to the Treasury have announced the launch of the Emerging Markets and Developing Economies (EMDE) Investor Taskforce, an industry-led initiative dedicated to unlocking private investment aimed at tackling climate change and seizing sustainable growth opportunities across emerging markets and developing economies.

Leaders from 15 major financial services firms, including insurers, pension funds, asset managers, banks, investment consultants, and development finance institutions, will come together alongside Government expertise from the Foreign, Commonwealth and Development Office (FCDO) and HM Treasury to drive meaningful change.

Practical solutions will be developed such as capacity building and product innovation to overcome barriers that currently constrain long-term private capital from investing at scale into climate, transition, and sustainable investment opportunities in regions including Latin America and the Caribbean, South and Southeast Asia, and Africa.

Hendrik du Toit, founder and CEO of Ninety One and industry co-chair of the Taskforce, said: “Momentum is building for the energy transition in emerging markets and developing economies. While real risks exist, they are often overstated compared to historical outcomes. To date, institutional investment in EMDEs has largely focused on public equities and sovereign debt. However, achieving a just and effective energy transition requires a significant increase in private equity, private debt, project finance, and corporate capital in emerging markets.

“Accelerating sustainable investment across EMDEs is key to confronting climate risks and enabling durable, inclusive economic growth globally. The newly formed EMDE Investor Taskforce is a vital step forward.”

Participating organisations include: Aviva Investors, BII, Church of England Pensions Board, HSBC, Legal & General, Lloyds, Nest, Ninety One, People’s Pension, Phoenix Group, Private Infrastructure Development Group (PIDG) and S&P Global Ratings.

US insurers record double-digit decrease in foreign investments

Russia-Ukraine war, Middle East turmoil, and increased trade tensions partly to blame

Written by **Adam Cadle**

US insurers' exposure to foreign investments (bonds and stocks) decreased by more than half over the last decade ending 2024, to about $260bn in BACV, down from almost $675bn in BACV at year-end 2025, according to the National Association of Insurance Commissioners (NAIC).

The NAIC said this trend may be due in part to various geopolitical events over the last few years, including the Russia-Ukraine war, turmoil in the Middle East, and increased trade tensions between the US and China, to name a few. In addition, climate risk, the COVID-19 pandemic, and macroeconomic influences such as interest rate trends may have also influenced investment decisions away from foreign investments.

> **Exposure among P&C insurers has been increasing**

Foreign investments were 3% of total cash and invested assets at year-end 2024, decreasing from 12% in 2015.

The majority of US insurers' foreign investments were bonds, almost 90% of which were corporate bonds; foreign stocks comprised a much smaller but increasing proportion.

While exposure among P&C insurers has been increasing, life insurers still accounted for the majority of the industry's foreign investments, at three-quarters of the total, followed by P&C insurers at 23%.

Large insurers, or those with more than $10bn in AuM, accounted for 83% of total US insurer foreign investments.

US insurance industry's cash and invested assets close in on $9trn, NAIC finds

The US insurance industry's total cash and invested assets increased by 5.3% YOY, reaching $898trn as of year-end 2024, according to the National Association of Insurance Commissioners (NAIC).

Bonds, common stocks, mortgages, and other long-term invested assets reported in Schedule BA remained the four largest asset classes.

Schedule BA assets and mortgage investments grew faster than US insurers' overall investment portfolio, increasing by 7.8% and 6.5%, respectively, compared to the prior year.

The share of bonds in the US insurance industry's investment portfolio declined slightly to 60.4% at year-end 2024, while the share of cash and short-term investments increased to 6.3%.

Among bond holdings, the fastest-growing segments in 2024 included private-label residential mortgage-backed securities (RMBS), agency-backed RMBS, and asset-backed securities (ABS) and other structured securities.

Real estate investments on UK insurers' agendas

Written by **Adam Cadle**

UK insurers plan to move more towards both value-added and opportunistic real estate investments over the next two years as they look to be more risk-on in the sector, Nuveen's latest global institutional investor survey has revealed.

Seventy-nine per cent said they want to move towards value-added real estate investments, and 75% said they want to move towards opportunistic real estate investments. Fifty-four per cent said they want to move more towards core real estate investments.

Furthermore, more than 70% of the surveyed UK insurers aim to scale up private asset allocations in the coming years, making a leap from 59% last year.

Over 60% of the surveyed UK insurers plan to expand their private fixed income investments within the next two years, signalling a strong upward trend.

Nuveen also revealed that 90% of the surveyed UK insurers actively consider or plan to integrate environmental impact into their asset allocation strategies.

> **"75% said they want to move towards value-added real estate investments**

Nuveen's fifth-annual survey, offered insights from over 800 global institutional investors, including 235 global insurers. This year, alongside an in-depth analysis of global institutional trends, the survey explored insights from over 30 UK insurers, focusing on market dynamics, asset allocation trends and sustainability priorities.

BoE weighs up further action on funded reinsurance

Limits set by insurers to manage funded reinsurance exposures not aligned with BoE

The BoE might consider further action on funded reinsurance arrangements used by pension insurers as it seeks to minimise risk to the wider UK economy, executive director, insurance supervision, Gareth Truran has stated.

Speaking at the City Annual Bulk Annuities Conference in London, Truran said: "There are areas where some firms are falling short. In particular, the limits which insurers have set to manage their funded reinsurance exposures are not always aligned with our expectations. It is also not clear that the frameworks firms have in place for managing their funded reinsurance adequately mitigate the potential for a build-up of systemic risk in aggregate.

"While our expectations were designed to set important baselines for prudent risk management practices, they have not so far appeared to materially alter the outlook for funded reinsurance volumes, nor do they appear to have prevented a trend towards weaker collateral standards.

"This work will remain a supervisory priority for us."

Majority of institutional investors see ETFs as core portfolio holdings

Active ETFs also being used to access new asset classes by investors

Written by Adam Cadle

The majority (82%) of institutional investors think that exchange-traded funds (ETFs) are moving from short-term asset allocation strategies to core portfolio holdings, research from Carne Group has revealed.

The research revealed that active ETFs are expected to increase market share dramatically over the next three years, with almost two-thirds of investors suggesting that active ETF assets will grow from around 2% market share of total European ETF assets today to between 6-9% before the end of the decade.

Investors are also using active ETFs to access new asset classes, as one-quarter of respondents said they invested in crypto for the first time following innovation in the ETF market, while more than half (56%) said they increased their allocation to the asset class. In addition to this, 13% of institutional investors said that they are likely to increase allocations to esoteric asset classes via the ETF market.

However, the study showed that there is some concern from investors that some ETFs are not living up to their active labels. In particular, the group found that there are issues around the rise of 'shy active' ETFs that follow a benchmark-aware approach, meaning they deviate less from the benchmark index than traditional active mutual funds, offering lower active share and tracking error.

Carne found that 88% of the investors surveyed thought that managers operating such shy active funds are misleading the market.

Commenting on the findings, Carne Group managing director of business development, Patrick O'Brien, said: "Active ETFs will provide the momentum for the next stage of the ETF growth story to take flight.

"Unlocking the opportunity in this highly competitive space requires careful consideration and speed of execution, which is why we are seeing managers increasingly partner with third parties. We share concerns about the risk of 'shy active' ETFs, which can be problematic for investors because they often operate under the guise of active management while closely hugging a benchmark index. Fund managers need to be sure they are transparent about the strategies they offer."

Institutional investors concentrate assets with valued strategic partners, research finds

Written by **Adam Cadle**

Institutional investors are concentrating a huge share of their assets with large and highly capable asset managers they consider strategic partners, new research from Coalition Greenwich has found.

Globally, 59% of investors employ asset managers that they consider "strategic partners". For these investors, asset managers viewed as strategic partners now manage 62% of their institutional assets, an average that spans a high of 71% in the UK and a low of 51% in the US.

US asset owners typically maintain relationships with four strategic partners, while institutional investors in other markets usually have two to three strategic partners.

Half of institutional investors overall and roughly 70% in Continental Europe say they prioritise strategic partners when awarding new mandates. Slightly more than half of institutional investors give strategic partners extra time to turn things around during periods of under-performance, including 31% who give strategic partners an additional year.

"Managers that achieve the strategic partner role have more opportunities to grow the relationship," Mark Buckley, global head of investment management at Crisil Coalition Greenwich, said.

"For example, more than 40% of institutions in North America and Europe provide their strategic partners with access to senior decision makers that are normally off limits for other asset managers."

In the eyes of institutional investors, three things define a strategic partner. First, to be considered a strategic partner, a manager must take the time to develop a deep understanding of the institution's goals and challenges. Next, the manager must have the broad capabilities to act on that understanding to provide advice and other forms of added value. Finally, managers must have trusted relationships—not just with the investment team, but across all the institution's functional areas.

In addition, roughly 40% of institutions using strategic partners rely on these managers for general education and knowledge transfer about investment topics, and almost the same share asks strategic partners for advice on risk management.

"Thought leadership plays an important role in these strategic relationships," Buckley said.

"That's especially the case in the US, where institutional investors value thought leadership on specific asset classes and access to the manager's economists, portfolio managers and other thought leaders."

Coalition Greenwich interviewed 372 institutional investors globally to gain insights into how they perceive their manager relationships, particularly those that they consider strategic partnerships. Interviews took place between February and September 2024.

> **More than 40% of institutions in North America and Europe provide their strategic partners with access to senior decision makers that are normally off limits for other asset managers**

Written by **Adam Cadle**

Insurer supply exceeds demand in UK DB risk transfer market

'Fundamental transformation' occurring, Hymans Robertson suggests

The UK's defined benefit (DB) risk transfer market is witnessing a "fundamental transformation" with insurer supply now exceeding demand for the first time in several years, Hymans Robertson has suggested.

The consultancy said the change in the market follows a 'surge' in transactions for DB pension schemes valued under £100m.

In 2024, the UK bulk annuity market had a record number of buy-ins, with insurers completing almost 300 transactions and writing more than £47bn of total premiums.

Schemes under £100m represented just over 10% of the total value but made up around 80% of all buy-in and buyout transactions in 2024.

It credited a combination of growing insurer appetite, efficiency innovations and new providers joining the market for "significantly" boosting capacity, particularly for schemes under £100m, which it said is leading to greater insurer competition across all transaction sizes.

> **The transformation of the market is unprecedented**

Hymans Robertson warned that on the post-transaction side insurer capacity continues to be varied, which is a key challenge for smaller schemes as there is an increasing backlog of schemes looking to convert from buy-in to a buyout.

The consultancy expects a busy second half of 2025 in the DB risk transfer market.

Hymans Robertson head of core transactions, Iain Church, said this changing makeup of the UK risk transfer market is an "exciting" time for smaller schemes.

"The transformation of the market is unprecedented; it has moved from a supply-constrained market to one where competition among insurers is intensifying with insurers increasingly able to meet the specific needs of small schemes," he continued.

EIOPA launches survey to assess adoption of generative AI solutions across EU insurance sector

EIOPA has launched a new survey to assess the adoption of generative AI solutions across the EU's insurance sector.

The survey will gather insights both on the current state of implementation and future plans, as well as the governance frameworks that undertakings are developing to address the specific characteristics of this emerging technology.

EIOPA intends to use the aggregated responses to the survey to help stakeholders have a clear view on the evolution of generative AI across the sector in the EU, and to enhance supervision by drawing on real-life experiences. By doing so, EIOPA aims to maintain robust consumer protection safeguards and promote better outcomes for consumers as insurers adopt novel digital technologies.

The survey on generative AI will be distributed to insurance companies via their National Competent Authorities.

Asset managers stalling on responsible investment progress

87% of global asset managers don't meet ShareAction's standards

Written by **Adam Cadle**

Eighty-seven per cent of global asset managers don't meet half of the standards set out by ShareAction concerning responsible investment.

The fifth edition of *Point of No Returns* ranks 76 of the largest players in the market, who together control over $80trn AuM, on whether they meet achievable responsible investment standards. ShareAction set 20 attainable standards that asset managers are expected to achieve, including robust climate policies, avoiding damage to important ecosystems and protecting human rights.

> **"There will be considerable economic consequences**

Across the board investment firms are failing to consider the long-term interests of asset owners, with progress in the industry stagnating as social and environmental crises deepen, ShareAction said. Asset managers failing to take steps to protect people and the planet included the four largest asset managers in the world – BlackRock, Fidelity Investments, State Street Global Advisors and Vanguard.

Claudia Gray, head of financial sector research at ShareAction, said: "We are seeing progress stagnate on responsible investment at a time when rapid action is needed. As critical middlemen of the financial sector, asset managers are making decisions on behalf of clients like pensions funds who ultimately represent the interests of millions of people. If the financial sector keeps failing to address climate change, nature loss and social inequality, there will be considerable economic consequences, threatening the safe and healthy world we all want to live in."

A few European asset managers are demonstrating robust responsible investment policies and practices, with Robeco landing the top spot in the benchmark for the third successive time.

At a time of intensifying climate crisis, ShareAction identified only four asset managers with sufficiently strong fossil fuel policies across major fuel types, all based in Europe: APG Asset Management, Nordea Asset Management, Ofi Invest Asset Management and SEB Asset Management.

Less than a third of asset managers have a restriction on all major controversial weapon types. Exceptions in firms' policies mean that only six out of the 76 managers in ShareAction's assessment can be reliably expected not to profit from the production of nuclear weapons.

German insurers call for more practical sustainability reporting

ESRS should be more closely aligned with the business models of companies - GDV

Written by **Adam Cadle**

European Sustainability Reporting Standards (ESRS) should be more closely aligned with the business models of companies, rather than following purely formal requirements, the German Insurance Association (GDV) has argued.

GDV CEO, Jörg Asmussen, said: "We advocate for a reporting framework that is simple, feasible, and meaningful, without losing sight of its purpose. Climate change is increasing risks for the economy and society, and insurers are key players in managing and covering these risks. To do this, they need a robust regulatory framework."

Asmussen added that "companies should have more flexibility" and that sustainability reports should present an accurate picture of both positive and negative sustainability activities of an insurer and not merely be seen as a checklist of individual requirements.

The GDV also argued that the content of the ESRS reports should be better tailored to the needs of their users. "The main addressees are investors," Asmussen said.

"By focusing on figures and streamlining the qualitative requirements, the scope of the report could be significantly reduced without compromising its informative value."

Sustainability principles key for annuity provider selection

88% of pension professionals keen

Written by **Sophie Smith**

Sustainability issues are a key consideration for pension schemes selecting a bulk annuity provider, research from the Society of Pension Professionals (SPP) has suggested, as 88% of those polled agreed that the Sustainability Principles Charter is likely to be a factor.

The survey found that more than half (55%) of pension professionals were aware of the Sustainability Principles Charter, which launched last year, while 45% were not aware.

In addition to this, the poll asked respondents to what extent the Sustainability Principles Charter is likely to be a factor in selecting a bulk annuity provider for the schemes that attendees advise.

A third (33%) of respondents said "yes, for most of the schemes I advise" whilst 55% said, "it will be a factor for some of the schemes I advise, but not the majority".

However, the remaining 12% chose the option, "I do not expect this to be a factor for many/any schemes I advise".

SPP event chair and Accounting for Sustainability executive director, capital markets, Kerry King, said: "I was pleased to see that a majority of pension professionals are aware of the Sustainability Principles Charter.

"It was also really encouraging that 88% of those who responded to the polling agreed that it would be a factor in their selection of a bulk annuity provider."

People on the move

RICHARD ROBERTS

Chief finance and investment officer, Pool Re

Pool Re has appointed Richard Roberts to the newly created role of chief finance and investment officer. The appointment is part of a succession plan with outgoing CIO, Ian Coulman, and chief finance and operation officer, Peter Aves, both retiring during 2025. Prior to joining Pool Re, Roberts held the position of head of EMEA and Asia insurance business development at AllianceBernstein.

DOUGLAS STEWART

Head of distribution EMEA, Nomura Asset Management

Nomura Asset Management has announced the appointment of Douglas Stewart as head of distribution EMEA. In this role, Stewart will lead the firm's distribution strategy across EMEA and Latin America—driving growth, strengthening client engagement, and overseeing coverage of institutional and intermediary channels. He worked at Silicon Valley Bank prior to this.

PATRICK TIERNAN

CEO, Lloyds of London

Lloyd's of London has announced that Patrick Tiernan has been appointed as CEO by the Council of Lloyd's. Tiernan joined Lloyd's in May 2021 as the organisation's first chief of markets, responsible for underwriting, claims, exposure management, market oversight and international regulation, distribution, new entrant strategy, Lloyd's Global Network, Lloyd's Lab, Lloyd's Academy and Lloyd's global agents.

DAVID OTUDEKO

Director of regulation, ABI

The Association of British Insurers (ABI) has appointed David Otudeko as director of regulation. Otudeko joined the ABI in June 2021 as assistant director, head of prudential regulation, and has been acting as interim director of regulation since November 2024, following the departure of Charlotte Clark. Prior to joining the ABI, Otudeko held various risk-focused roles at the PRA, PwC, and AmTrust.

SUBI SETHI

Chief operating officer, Clearwater Analytics

Clearwater Analytics has announced the promotion of Subi Sethi to chief operating officer. As COO of the integrated company, she will elevate the client experience through operational innovation and AI-driven solutions, while driving efficiency across operations. Sethi will prioritise AI-powered tools to deliver real-time data insights and domain-specific AI specialists to streamline investment operations.

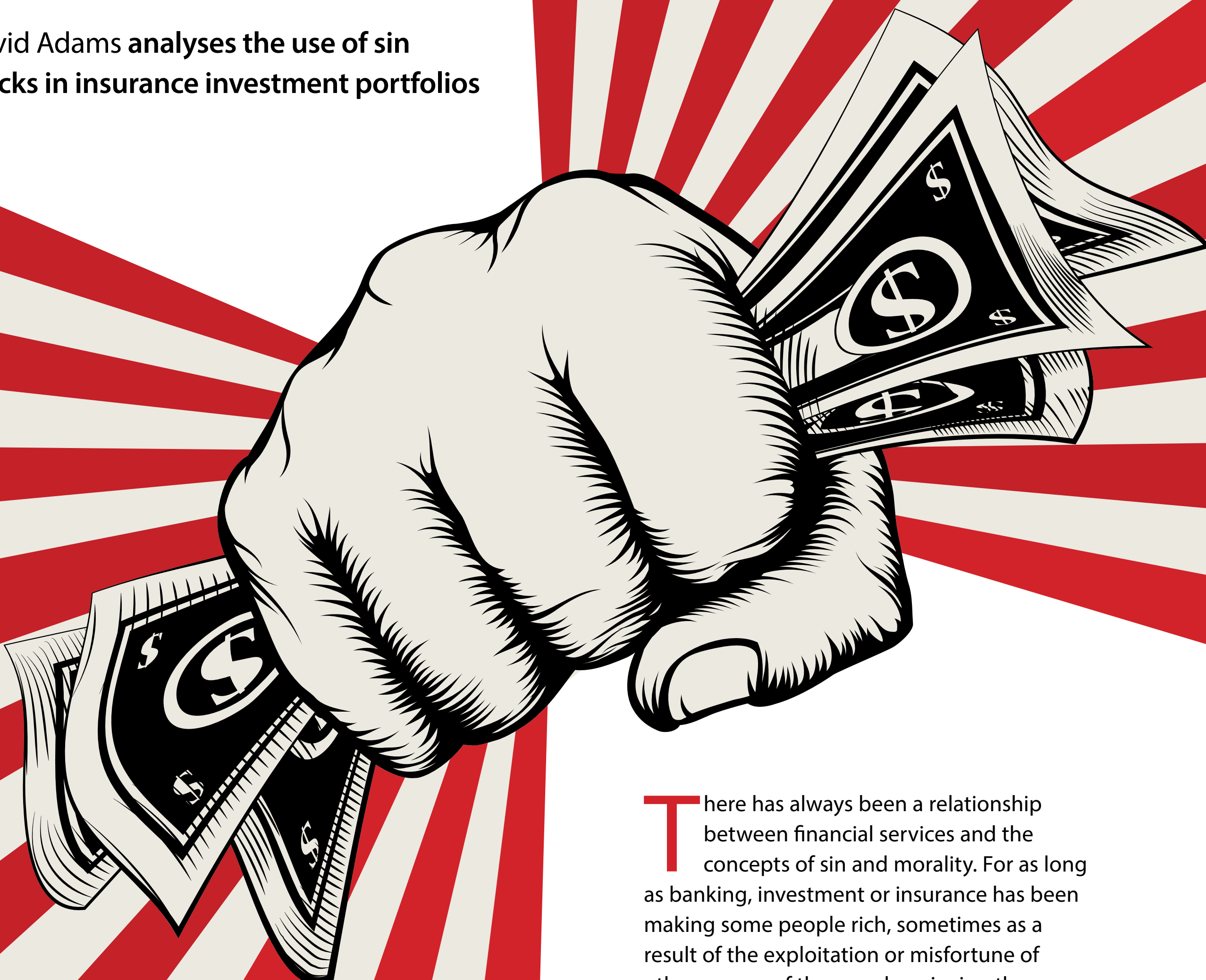
BRUCE CARNEGIE-BROWN

Chair, Rothesay

Rothesay has announced the appointment of Bruce Carnegie-Brown as the company's new chair. Carnegie-Brown has also been appointed as an independent non-executive director. With a long track record in financial services, Carnegie-Brown has been chairman of Lloyd's of London since 2017. He is also chair of the Leadership Council of TheCityUK, chairman of Cuvva, and Ebury.

The sinner takes it all?

David Adams **analyses the use of sin stocks in insurance investment portfolios**



There has always been a relationship between financial services and the concepts of sin and morality. For as long as banking, investment or insurance has been making some people rich, sometimes as a result of the exploitation or misfortune of others, some of the people enjoying those material rewards have sought to make amends for the sins that may have contributed to their gains. It's notable that every major religion stresses the responsibilities that come with wealth, in terms of using money within society.

Most of us now live in a largely secular world, but echoes of those inherited traditions and moral beliefs persist, and contribute to modern assumptions about socially acceptable behaviour and the treatment of other people and of the environment. Today, if people, or the businesses and institutions they deal with, appear to be making lots of money out of activities that might be deemed sinful, immoral or unethical, even if few people worry about going to hell as a result, most are still concerned by any negative consequences of those activities.

Hence the concept of sin stocks: investments in activities or businesses that are, in the eyes of at least some of us, immoral. The basic categories of sin stocks today are generally defined as those associated with weapons manufacturing and trading, or with the tobacco, alcohol, gambling and adult entertainment industries.

Sinfulness is in the eye of the beholder, of course: there are some stocks associated with each of those industries that would probably not be regarded as sin stocks by at least some investors. Insurers' perspectives on this issue is also complicated by the fact that as well as investing in them they may also provide them with insurance cover without which those businesses could not operate.

As institutional investors, bearing in mind the decades-long public campaigns against the arms trade, or the well-documented harms that can be caused by tobacco, alcohol, gambling or pornography, in an era when environmental social and governance (ESG) factors play a huge role in shaping investment strategies and the reputation of insurance brands, you might have thought many insurers would want to avoid investing in sin stocks. But is that the case?

The wages of sin

The inconvenient truth for insurers that might aspire to a sin-free investment strategy is that many sin stocks deliver healthy investment returns. One could argue that insurers benefitting from those returns and putting themselves in a stronger financial position will be better able to provide efficiently priced insurance products and services that deliver positive value to businesses, other organisations and societies across the world.

But trying to argue that these positive impacts outweigh the negative impacts of some sin stock businesses may be quite difficult. Research published by the campaign group Boycott Bloody Insurance in spring 2025 found that major insurance companies active in the UK increased their investments in businesses manufacturing "controversial weapons" (including those based on the use of phosphorous, depleted uranium, or nuclear weapons) by 13%, or $260m, during the final quarter of 2024. The group has also found that insurance businesses increased investments in businesses supplying military equipment to Israel during 2024, as the country's war in Gaza continued.

> Sinfulness is in the eye of the beholder, of course

When publishing a report detailing the former findings, a spokesperson for the group, Andrew Taylor, castigated insurers for "providing money and underwriting services to companies whose core business is mass slaughter, mutilation of children and machines of devastation".

Boycott Bloody Insurance claims that between November 2024 and February 2025 four out of five of the insurers whose investments it had analysed increased their investments in businesses involved with the manufacture of controversial weapons. Insurers mentioned in the research included Aviva, Axa and Zurich; and the businesses in which they are invested included BAE Systems, Safran, Bechtel, Boeing, Northrup Grumman, and Rolls-Royce.

Besides the potential for weapons to be used to kill people and damage social infrastructure, campaigners and some scientists have also highlighted a second form of negative impacts that can be linked to investments in weapons manufacturing, or in the defence sector more broadly: the links between war and climate change. Conflicts such as those underway in Gaza and Ukraine at present produce enormous quantities of carbon emissions, helping to escalate the scale and impact of climate change, which can in turn be a contributary factor in creating war, through depleting resources and forcing large-scale movement of people.

Naturally, campaigning groups like Boycott Bloody Insurance are doing everything they can to try to encourage insurance companies to stop investing or doing business with defence sector companies. The group's activities have not yet involved highly disruptive protests: instead, a spokesperson says campaigners are hoping to influence the thinking of people working in the insurance industry, or graduates considering starting a career in the industry. The spokesperson points out that some insurance companies have emailed staff to try to reassure them about the company's investments in, or work with, businesses involved in both weapons manufacturing and fossil fuel extraction.

There is no doubt that public campaign groups could have some impact on the public image of a business. But to

what extent do concerns about the ethical or moral implications of investing in specific businesses or industries influence investment strategies? In terms of the list of sin stocks above, the available evidence suggests such influence is limited. As Rachel Whittaker, head of sustainable investment research at Robeco points out, investments in sin stocks are less likely to be excluded from sustainable or ethical investment strategies than are investments in businesses involved in environmentally damaging practices.

"Policies related to the traditional list of sin stocks have been overshadowed by the focus on net-zero and the shift towards renewables," says Whittaker, although she says she is speaking primarily about Robeco's own SI funds and feedback the business receives from its clients.

Basis for exclusion

Whittaker says approaches taken to exclusion lists for investment strategies have become noticeably more sophisticated over the past 20 years. Robeco uses two exclusion lists: one for all its funds, which only excludes the most controversial weapons, such as cluster bombs, chemical weapons, biological weapons and anti-personnel landmines (she points out that there are not many public companies that actually sell these weapons), and another, considerably longer, exclusion list for its sustainable investment funds.

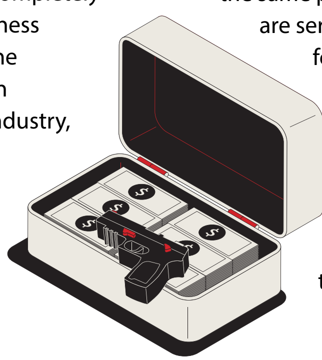
The latter list may include businesses excluded for specific, behaviour-based reasons linked to controversial or illegal actions, and also includes investments linked to 23 countries, but most exclusions are linked to weapons, fossil fuel extraction, environmental degradation and tobacco.

The principles that guide Robeco's approach to weapons-related exclusions illustrate the problems encountered when attempting to understand the full range of activities with which a business may be involved. A sin stock may be on an exclusion list based on the amount of revenue it derives from specific activities, so, for example, a business that builds weapons may be excluded if more than 25% of its revenue is derived from specific types of weapons or military contracting activities. But Robeco has to use external data sources to try to establish the facts, because, as Whittaker says "these kinds of things are not always reported in an annual report".

"The reason we exclude them from our sustainable funds is that we don't know who these products are being sold to," she says. "We err on the side of caution. It's too high a risk in terms of a link to possible human rights violations."

Whether exclusions are determined by a fund manager or by an institutional investor, lists of excluded stocks tend not to feature many of the full range of sin stocks. So while exclusions for a sustainable fund are likely to include tobacco businesses, this is much less likely to be the case for a business making and selling alcohol. As Whittaker says, there has long been a feeling among many investors "that not all of these activities were universally bad".

Such judgements may also be applied to investments in the defence sector. In part, this is because it is difficult to overlook completely the hardheaded business reasons to invest in the defence sector. It is an extremely lucrative industry, and at present, investment in defence is spiking across Europe and elsewhere, driving growth. This is particularly true in Europe, where Mario Draghi's September 2024 report outlining a new competitive strategy for Europe picked out investment in defence as a key focus for the next decade – and this was before the actions of the new Trump administration in the US at the start of 2025 made it likely this trend will continue to accelerate for the foreseeable future.



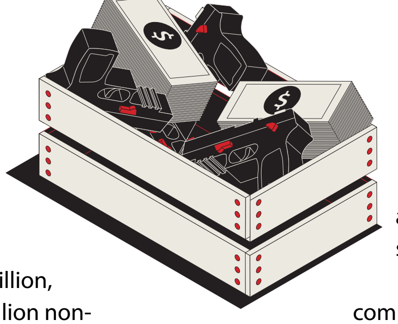
Investments in businesses linked to the defence sector may also increase insurers' exposure to other industries that can provide strong returns , such as aerospace, transport, energy production and digital technologies, including those linked to cyber security.

It is also necessary to bear in mind that not all defence sector business activity is viewed in the same light. At present, for example, some investors view the morality of selling weapons to Ukraine in a very different way to selling weapons to Israel. (There are, of course, plenty of businesses that are doing both.)

Risks and rewards

There are also interesting discussions to be had about the pros and cons of investing in other types of sin stocks. Tobacco businesses are viewed by many investors as beyond the pale from an ethical perspective, but the MSCI World Tobacco Index delivered an annualised net return of 13% between 1994 and 2024, compared to an 8% return for the MSCI World Index over the same period. Tobacco businesses are serving an international market for their products that is still growing, even if consumption of many of their products is declining in some markets.

Assuming an investor is prepared to tolerate the huge number of people



smoking kills worldwide every year – 8 million, including 1.5 million non-smokers killed by second-hand smoke, according to the World Health Organisation (WHO) – the only practical downside is that the industry is likely to be targeted by further punitive tax and regulatory measures by Governments in many different countries during the years to come.

Alcohol also kills a lot of people: the WHO estimates that about 2.6 million deaths per year are linked to alcohol consumption worldwide, but you are much less likely to find alcohol excluded from funds or investment portfolios. Instead, parts of the alcohol industry are often highlighted by politicians as important beneficiaries of international trade deals. Retail and institutional investors can invest in alcohol in many different ways, from investing in specific sub-sectors, such as whiskey or wine, to investing in the biggest and most successful businesses in the sector.

There are certainly healthy returns to be found within this complex and varied sector, but again, regulatory or tax changes could squeeze these in future. Share prices and dividend growth has also generally slowed in many markets during recent years as consumers in some markets, including the UK, tend to buy and drink less alcohol.

But while alcohol can certainly be regarded as socially damaging, there is also an argument that some aspects of the industry, such as the existence of traditional pubs in the UK, offer some social benefits too, and the industry certainly employs a lot of people, in businesses ranging from multinational drinks businesses to microbreweries or small distilleries. Alcohol also makes a notable contribution to the profits of some retail sector businesses that are very unlikely to be regarded as sin stocks, such as supermarkets.

Gambling sector companies also tend not to be excluded from many investment strategies, despite the fact that gambling addiction can cause individual misery and social harm. A UK Government report in 2018 estimated that about 40% of adults in the country gambled some of the time (not including buying tickets for the National Lottery, the most common source of gambling, conducted by a further 14% of adults). The report suggested that about 0.5% of the population were "problem" gamblers, while a further 3.8% were likely to be "gambling at elevated risks", meaning "they might experience some kind of negative consequences due to their gambling". A number of national Governments, including that of the UK, seem likely to examine the question of regulating or taxing gambling in the years ahead.

> “Certain weapons might be necessary to maintain the peace, but can we be certain about how those weapons are being used?

Whittaker says one of the principles that guides Robeco's approach to investing in these companies is the question of how negative impacts derived from their activities can be addressed. But these are now more complicated questions than in the past, because of the way many people gamble in the internet age.

"20 years ago the gambling stocks were the big casino companies, but today the discussion is more about which of the tech companies are providing the platforms for these companies, or about how new regulation coming in will help [reduce negative impacts]," she says.

The same could be said for adult entertainment. Whittaker points out that it can also be difficult to define exactly what could or should be included under that heading; and that adult content may be produced or distributed by businesses that also undertake other types of activity that might not be deemed unethical.

Overall, says Whittaker, when it comes to defining how an investor might use sin stocks, "you always have to apply some common sense". But at present, she continues, most conversations about excluding any of these businesses from investment strategies tend to be linked either to the defence sector or to environmental or climate impacts.

"These discussions are driven by what's happening in the world," she says. "Since [the invasion of] Ukraine the subject of weapons has come up very frequently and very thoughtfully. Certain weapons might be necessary to maintain the peace, but can we be certain about how those weapons are being used? What's our sphere of influence? We can engage with companies and try to promote change, but sometimes we don't have much of an influence."

It is surely a good thing for insurers and other institutional investors to try to consider the best way to balance a duty to seek financial returns with concerns about the activities upon which some of those returns may be based. You can take that view because of a moral outlook, or for colder business reasons linked to the bottom line or an organisation's reputation, but either way, we should all consider the possible consequences of what we might as well call our sins.

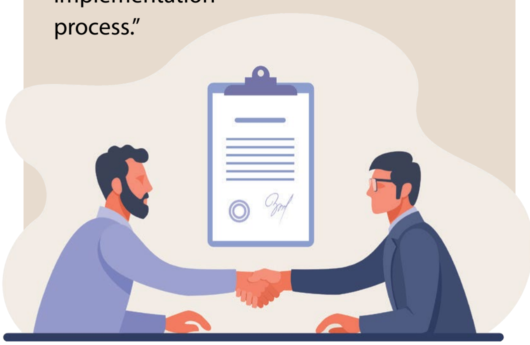
A secure environment

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 trustees of the **ANDREW LIMITED PENSION AND LIFE ASSURANCE PLAN** have secured a £63m bulk annuity policy with **AVIVA**, securing the pensions of all 570 scheme members. XPS led the transaction, having been appointed to the mandate following a competitive process in mid-2024.

The trustees received legal advice from Brabners LLP, while scheme actuarial advice was provided by Mercer Limited.

Aviva BPA senior deal manager, John Fothergill, added: "Throughout the process we've engaged directly with the trustees and that's been massively helpful. We quickly developed a shared understanding of what was most important to them, and what they could expect from Aviva, including our robust Aviva Clarity implementation process."



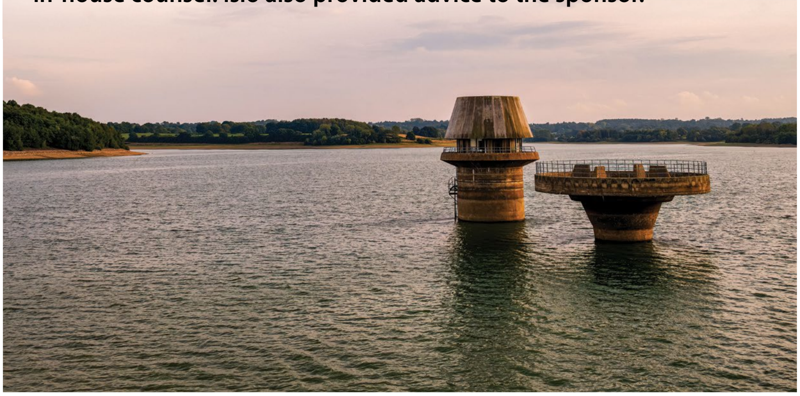
ROTHESAY has completed a £120m full scheme buy-in with the **AQA PENSION SCHEME**. The scheme is sponsored by AQA Education, an independent non-profit charity and examination board providing GCSEs, A-levels and vocational qualifications with a focus on assessment and curriculum development. The transaction, completed in January 2025, secures the benefits of all 869 scheme members, comprising 471 pensioners and dependents and 398 deferred members. WTW acted as the lead adviser on the deal, as well as scheme actuary and investment adviser; Mayer Brown provided legal advice to the trustee, and Rothesay received legal advice from Gowling.

Monument Re *has transferred a legacy €1.4bn reinsurance portfolio, comprising annuity and other life insurance liabilities acquired as part of the 2020 Greycastle transaction, to RGA. This transaction releases capital resources that Monument Re will redirect to its core strategy of consolidation in European life insurance markets. Monument Re has taken significant steps in recent months to strengthen its business operations by consolidating its European group support functions in Dublin and by aligning with the recently strengthened regulatory regime in Bermuda.*

The **ELG HANIEL METALS LIMITED PENSION AND ASSURANCE SCHEME** has completed a £28m buy-in with **JUST GROUP**, securing the benefits of 99 deferred members and 81 pensioners. The firm said that the accelerated transaction, which concluded in December 2024, leveraged favourable pricing conditions for rapid de-risking and guaranteed member benefits using Just Group's 'beacon' service. Mercer acted as the scheme's lead risk transfer adviser, Walker Morris provided legal advice to the trustees, and Just Group's in-house legal counsel advised. This transaction was one of 299 defined benefit (DB) pension scheme buy-ins completed in 2024.

*The **Cancer Research UK Pension Scheme** has agreed a £280m buy-in with **Standard Life**, covering the benefits of 2,800 members. Mercer acted as the trustee's lead transaction adviser, with investment advice from LCP and legal advice from Sackers. The deal, which concluded in March 2025, saw the trustee and Cancer Research UK collaborate closely with Standard Life to meet the scheme's de-risking objectives and secure the buy-in through a 'bespoke' offering.*

The SOUTH EAST WATER PENSION SCHEME has completed a £120m buy-in with JUST GROUP, securing the benefits of around 700 pensioner and dependent members and almost 300 deferred members. This included a number of member benefits that were complex to insure, such as non-standard pension increases and member options, as Just was able to structure the deal to incorporate these. The deal, which concluded in December 2024, also builds on a previous buy-in agreed with Just in 2015, completing the scheme's objective of guaranteeing all member benefits, including more complex non-standard benefits. Hymans Robertson acted as lead transaction adviser to the trustee, while Squire Patton Boggs provided legal advice to the trustee and Just was represented by in-house counsel. Isio also provided advice to the sponsor.



The **COLLEGE OF LAW PENSION AND ASSURANCE SCHEME** has agreed to a £85m buy-in with **ROYAL LONDON,** meaning that all scheme liabilities are now fully covered by insurance contracts. Hymans Robertson and Linklaters advised the trustees on the buy-in, while Hogan Lovells advised Royal London. The deal, which marked the ninth buy-in secured by Royal London's bulk purchase annuity (BPA) business to date, means that the group has now passed the milestone of £1bn of liabilities insured, with three further pension schemes in exclusive contract negotiations.

In a comment, Royal London said that it worked closely with the pension scheme trustees and their advisers to progress the transaction.

The **OSG SHIP MANAGEMENT (UK) LIMITED RETIREMENT BENEFITS PLAN** has completed a £16m full scheme buy-in with **AVIVA**, covering the defined benefit (DB) liabilities for 53 members from OSG. Entrust provided support on the deal, acting as sole corporate trustee of the scheme, with additional support from Aon. Entrust trustee director and executive chairman, Patrick Kennedy, highlighted the deal as a "significant milestone" for the members, thanking the parties involved, including the plan's sponsor and the parent company International Seaways Inc, who collaborated in closing this transaction.

LEGAL AND GENERAL ASSURANCE SOCIETY LIMITED (L&G) has insured more than £800m of pension liabilities using L&G Flow, its tailored solution for smaller pension schemes. L&G Flow offers resources to smaller pension schemes to work with existing administration processes to enable "efficient data cleansing, payroll matching and project management". In the past year, it has worked with 15 different consultancies, including buy-ins with the pension schemes of Walkers Shortbread, The Leprosy Mission International, and John Graham Construction and a recently announced £112m full buy-in with the Fuller, Smith & Turner scheme. Of the pension schemes that have completed a buy-in under L&G Flow, nearly 20% have completed a full buyout, while other schemes made progress on guaranteed minimum pension (GMP) equalisation, data cleansing and payroll handover to L&G.

*Life insurer **Talcott Financial Group** has announced a block reinsurance transaction between its subsidiary, Talcott Life Re, and Japan Post Insurance. Under the terms of the agreement, Talcott Life Re will reinsure a ¥550bn ($3.6bn) block of in-force payout annuities. Japan Post Insurance will continue to service and administer the policies, with the transaction to be effective from 31 March 2025.*

ROTHESAY has completed a £105m full scheme buy-in with the **SKIPTON BUILDING SOCIETY** (2015) Group Pension Scheme. The transaction, completed in January 2025, secures the benefits of all 705 scheme members which comprises 396 pensioners and dependants as well as 309 deferred members. The scheme is sponsored by Skipton Building Society, the UK's fourth largest building society, offering mortgages, savings and financial advice through a network of 82 branches.

Moving the needle?

Recent months have seen EIOPA propose a 100% stress test on the holding of cryptoassets. What does this mean for insurers and are we likely to see more inflows in this direction, or less?

There are few technological advances as divisive as cryptocurrencies and their related ilk. From nowhere, the last decade has seen the nascent technology not only rise from nowhere (and, seemingly, from nothing), but bring with it debates about its efficacy, its safety, and whether any or all of it can be trusted.

What has been true is that the value behind cryptocurrencies has risen sharply in that time. Bitcoin (BTC), the foremost cryptocurrency, has seen its value skyrocket from €7,7887 per BTC in early 2020 to €99,000 at the end of May. Ethereum, another cryptocurrency, has seen its value go from €117 to €2,356 in the same period.

Many rational, sensible people have put their money into cryptocurrency, however, and lost. In 2021, research had then suggested that up to 10% of the money in US stimulus checks during the Covid-19 pandemic may have been used to buy cryptocurrency and stocks. Research from Mizuho Securities at the same time posited that 60% of incremental spend from stimulus checks had been used to buy Bitcoin.

Even within the insurance industry, the growth potential has been recognised, albeit minimally. Goldman Sachs Asset Management's *Global Insurance Survey 2025* found that 9% of respondents thought cryptocurrencies would deliver the best returns over the next twelve months, with only 11% saying that they would deliver the worst.

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

Tellingly, 95% of respondents to the survey said that they do not invest in cryptocurrency.

One of the major problems that cryptocurrencies have—and, arguably, it may be their biggest problem—is a terrible public image.

As an example, social media/viral stay Hailey Welch launched her cryptocurrency, the $HAWK memecoin, back in December. The market capitalisation of that peaked at nearly $500m, but imploded just days later to just $25m, essentially losing 95% of its value almost overnight. Welch, who claims not to have understood any of what she had gotten herself into, subsequently disappeared from view for months before resurfacing and promising to work with litigants to discover what went so wrong with the very 'product' that she put her name to.

There was a consensus amongst those spoken to for this story that the cryptocurrencies landscape is overwhelmingly full of scammers and grifters, with the commonly cited proportion of scams-to-genuine being around 19 to one.

"We see it as BTC and then everything else," says Arash Nasri, senior investment consultant at Cartwright. "That's an important distinction. Cryptocurrencies are 99% rubbish and 1% useful protocol. In the 'everything else' bucket, you have memes, jokes, and scams. There are useful protocols like Ethereum and Tron that may have some useful cases in certain areas. We see them as technological business that may or may not work, which is very different to BTC."

There was agreement.

"The overwhelming majority only exists for speculation with no intrinsic value," says Andras Sasdi, director at Fitch Ratings. "Use cases are debatable, but we would still differentiate between BTC and everything else. BTC is something that you look at as an investment and as a store of value that could provide protection against currency debasement, the rest is either just for speculation like meme coins or is used as a medium of exchange to support their own networks."

"There is a bad public image," says Menno Martens, crypto specialist at VanEck Europe, "and especially for those who are outside of the crypto world. It's a growing industry with a lot of outside investment, and that attracts a lot of bad actors who are looking to exploit those willing to invest a lot of money into it. When it comes to those investors,

> (Re)insurers currently classify their crypto-assets without a consistent approach

most of them are not doing due diligence into what they're investing in, and it's that that leads to scams and the like. The large majority of coins, more than 95%, are not worth looking into because they're just garbage."

EIOPA's approach

So it is no wonder that the European Insurance and Occupational Pensions Authority (EIOPA) has started in recent months to take a look at the investment landscape when it comes to cryptocurrency and tried to ascertain best practice for institutional investors in this field.

Back in March, the body produced technical advice for the European Commission (EC). Amongst its findings was that there was 'unrecognised potential' in the European insurance sector for cryptocurrency, despite minimal use.

"A few examples," wrote EIOPA in *Technical Advice on Standard Formula Capital Requirements for Investments in Crypto-Assets*, "were identified for accepting premium payments in crypto-assets, mostly outside the EU. Also, respondents considered that investments on crypto-assets by (re)insurance undertakings will increase over the next three years."

Still, the landscape is largely unknown, unmapped, and unregulated with little guidance on how investors should treat cryptocurrencies. It is something that EIOPA is looking to tackle with its proposals.

EIOPA writes: "There is no previous EIOPA advice on the standard formula capital requirements for crypto-assets. However, several publications and a warning that are relevant for crypto-assets have been issued. In 2024, EIOPA published a report on the digitalisation of the European insurance sector. In 2022, EIOPA publicly consulted on a discussion paper on blockchain and smart contracts in insurance and published a feedback statement on that consultation. Additionally, the European Supervisory Authorities (ESAs) issued a warning to consumers about the risks associated with crypto-assets."

The body made reference to two regulations that came in in 2013 and 2023: the Capital Requirements Regulation (CRR) and the Markets in Crypto-Assets Regulation (MiCAR). Acknowledging their place in the landscape, EIOPA said that while they include transitional measures for crypto-assets, the EU's regulatory framework for insurers and reinsurers so far has lacked specific provisions for crypto-assets.

"As a result," writes EIOPA, "(re)insurers currently classify their crypto-assets without a consistent approach. This raises concerns about the risk sensitivity of these practices and the level of prudence associated with them."

Even Solvency II has no real classification for crypto-assets, says EIOPA, saying that the investment in such within the insurance and reinsurance spheres is 'currently immaterial' and that the prudential treatment is 'not sufficiently clear'.

The body's analysis in this regard talks about the inherent, high risks that come in this area, citing extreme price movements, market manipulation, lack of price transparency, and low liquidity. There are also, it says, other risks such as misleading information, absence of consumer protection, product complexity, fraud and malicious activities, hacks, and security issues.

All of this harkens back to a European Central Bank (ECB) paper from 2019 that identifies three main sources of risk for cryptocurrencies.

The ECB listed those dangers: "First, since crypto-assets lack underlying claims, they lack fundamental value, leading to speculative valuation and extreme price movements, exposing holders to significant losses. Second, crypto-assets can be unregulated, meaning holders may lack legal protection, making them vulnerable in cases of bankruptcy or hacking of service providers. Third, the decentralised nature of distributed ledger technology complicates risk management and addressing operational risks such as cybersecurity and fraud."

Overall, EIOPA takes a dim view on crypto-assets.

"At the same time," it writes, "crypto-assets are high risk investments which may result in total loss of value. Therefore, the prudential treatment of crypto- assets should be harmonised, sufficiently prudent, and proportionate."

It was on this background that EIOPA considered four policy options: No change to current treatment; stressing crypto at 80% without diversification; stressing at 100% without diversification; and tokenised assets are subject to look through and stressed according to the underlying assets' risk

Eventually, EIOPA was to conclude that the third option was the most appropriate.

It said: "Investment of (re)insurance undertakings in crypto-assets is currently immaterial and their prudential treatment is not sufficiently clear. At the same time, crypto-assets are high-risk investments which may result in total loss of value. Therefore, the prudential treatment of crypto-assets should be harmonised, sufficiently prudent and proportionate."

Broad support

Those that *Insurance Asset Management* spoke to were broadly supportive of EIOPA's decision to add a 100% stress test to the holding of crypto-assets. Being so volatile calls for such an approach they said, even if the 100% was possibly excessive.

"It is high," says Nasri, "but it does need to be higher than equities. The question is whether EIOPA is going to incorporate some level of diversification reduction into that number. That's something that it should do."

Sasdi agrees, saying that even Bitcoin is still in the early days of mass adoption.

"It's barely used anywhere else," he says, "outside of trading, so this approach by the regulator is one that I we expect. We expect regulatory authorities in general would be highly conservative when it comes to crypto-assets. Even with a change in the wind under the new US administration and how it looks at crypto, Europeans are likely to remain way more conservative. Any change in sentiment from a regulatory point of view is still fair away."

There are downsides to EIOPA's thinking with the one-size-fits-all approach to cryptocurrency. Even considering the fact that possibly 95% of cryptocurrencies are worth less than the paper they are (not) printed upon, there is no differentiation under the guidance between those assets considered to be more stable—such as Bitcoin, Ethereum, or Tron—and the hundreds, possibly thousands of others, that make up the rest.

Another failing in that regard is that some investors now look to place money into ETFs that hold crypto as part of their assets. That indirect exposure is not considered in EIOPA's proposals, just direct exposure through the owning of a crypto-asset or (or crypto-assets) by themselves.

The prudential thinking behind the proposal is to protect the end consumer—retail investors, policyholders—against the vagaries of a gold rush/get-rich-quick scheme that may backfire within a few months or years. So there seems to be no great push on the part of EIOPA to either encourage or discourage speculation in this area.

Those spoken to said that they saw little appetite for insurers to invest into this area. And, more importantly, little incentive.

"I don't believe crypto-assets are currently very suitable for the asset allocation of insurers," wrote Generali's group CIO Francesco Martorana in an email to *Insurance Asset Management*. "Their speculative nature and lack of transparency on ownership and flows represent a hurdle, while correlation with other assets is highly unstable."

The 100% stress test proposed by EIOPA will also deter many from moving into this area, says Sasdi, who maintains that is not a 'stress test', but a 'capital charge'.

He adds: "The capital required to hold crypto-assets is so high that it would likely deter any insurer from holding crypto-assets in their investment portfolios because capital efficiency is a big topic for insurers. 100% capital charge is very high and will make people want to stay away unless the returns can justify it. And they won't because of volatility. Insurers are also naturally conservative, too."

He goes on: "The 100% capital charge, which is what this is as opposed to a 'stress test', will eat up a lot of their capital. That's not good for Solvency and the rest. Insurers, too, are not going to have that much capital to risk on a gamble. This regulation is to keep insurers away from the riskier stuff. Regulators don't like it if policyholders get into trouble."

Even if the onus is on protection, Nasri says that insurers should not rule out investment in this area, saying it depends on the capital requirement budgets.

"They could still make an allocation," he says. "They could make an allocation to BTC and simultaneously increase their capital requirements. But there are other strategies where they could keep capital requirements the same and barbell the exposure."

He adds: "At Cartwright, we advised the first UK defined benefits scheme to make an allocation last year. This was the first of its kind from a pensions perspective in the UK. So, we think that the momentum is gathering pace and there's a small-but-growing interest from institutions to make allocations in this area. We do think that BTC is on the list of asset classes to be discussed."

And while the little exposure insurers have to crypto is located mainly in Luxembourg and Sweden, it is not thought that this exposure is unlikely to spread beyond those borders. In fact, it may already have done so, explains Nasri.

> That's the beautiful thing about crypto - it's open source and verifiable

"The idea that 90% of exposure is in those territories is a bit of a red herring," he says. "It's just a technicality based on where those funds are domiciled for tax reasons. I could hold a Luxembourg-denominated fund in my account in London but it would show us as being domiciled still in Luxembourg."

Due diligence

For any insurer that did look into getting into cryptocurrency or crypto-assets, there would have to be a process of due diligence.

"Due diligence on any of this is different," says Martens, "to how you would do it on a company that has a local entity somewhere. Crypto is driven by decentralisation and it has an open-contribution model. That's the beautiful thing about crypto – it's open source and verifiable. That's the part that allows you to understand what it is that you are participating in."

Looking at the codes and understanding is the hard part, says Martens, and there is a steep learning curve for those outside the IT world or who lack the technical expertise.

"But what we would do," he says, "is look at the network or protocol, and try to understand who the team is, who is building it, and what their background is. We'd be asking what substance, if any, is behind the network. And we'd be looking at the people, asking whether they'd have significant experience, looking at their backgrounds. We'd also be looking at how people are using the crypto-asset, asking about the valuation of the token and where there was some kind of revenue-sharing model."

The opportunities are there, even if the door is slightly barricaded. The road forwards may not be in insurers investing directly in cryptocurrencies or crypto-assets, but in the indirect route of linked securities.

"There is an increasing number of companies," says Sasdi, "that employ a BTC treasury strategy, where a company invests a significant portion of its free cash into BTC. Investing in traditional securities issued by these entities (for example equities, bonds and other structured notes) result in underlying crypto exposure for the investor. Fitch believes regulators would employ a look through approach and treat such investments the same as direct crypto investments, however there are no clear precedents at the moment."

Around the globe

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

US insurance premiums are to hit $4.5trn by 2029, double the combined total of China, the UK, Germany, and India, new data published by Stocklytics.com has revealed. Stocklytics.com said the main reasons are that the US healthcare system is mainly private and insurance-driven, leading to much higher per capita spending than other countries. High levels of wealth have also been a major driver behind insurance growth, with individuals and businesses regularly buying different types of policies. As a result, the US has grown into a country with one of the highest insurance penetration rates globally and much higher insurance spending than any other country.

During the first quarter of 2025, Nordea Liv **increased its market share for self-selected pension accounts (EPK) and reported growing interest in life insurance despite an "unpredictable" global economy. Nordea Liv delivered a pre-tax profit of NOK 356m in the first quarter, compared to NOK 431m in the same period last year, which the firm said was due to weaker risk and return results. However, the life insurance company has overseen an increase in total AuM, from NOK 227bn in the first quarter of the previous year to NOK 245bn this year. Indeed, Nordea Liv continued its growth and increased its market share to 28.9%, up 0.9 percentage points from the previous quarter. This resulted in an AuM for self-selected EPK of NOK 15.7bn at the end of the first quarter of 2025.**

Finnish insurer, **Varma,** avoided a negative investment return in the first quarter of 2025, as it said European equities compensated against the losses from US equities. As a result, the market value of its investments remained at €64bn after the first quarter, and its investment return was 0% for the period. Varma CEO, Risto Murto, said: "Investment markets have been volatile in the first half of the year. Unusually, during the first quarter of the year, European equity markets outperformed US markets. This compensated for Varma's early-year returns." He continued: "The Finnish economy has been showing signs of a budding recovery. It would be very unfortunate if the trade war were to interrupt the recovery. Over the past five years or so, the Finnish economy has faced an exceptional amount of headwinds from the international economic environment."

Allianz Group **is supporting female-focused education in Turkey with a €2m investment. In collaboration with Allianz Turkey, Allianz Group is investing the money in a new dormitory project aiming to increase the capacity of Turkish charity, the Koruncuk Foundation, to provide a safe and nurturing environment for more girls in need. The new dormitory, located in Arnavutköy, Istanbul, will cover an area of 2,230 square meters and include rooms, social and recreation areas, a library, and a dining hall. It will offer comprehensive support, including access to education, sociocultural activities, and counselling, to foster the development and well-being of the girls.**

Folksam Group has divested its entire shareholding in Tesla, after the Swedish insurer said Tesla's approach to employee rights had violated its investment criteria. The Swedish company's stake in the electric carmaker, headed by Elon Musk, was valued at SEK 1.6bn ($160m). Folksam's investment criteria is based on international conventions and the UN Global Compact, and concerns climate and the environment, human rights, and anti-corruption. The insurer has divested its stake after describing Tesla's attitude towards its employees' union rights as "problematic", and stating that its dialogue and advocacy efforts with the carmaker had been "fruitless".

Total assets of Chinese insurance and asset management companies amounted to RMB 35.9trn as of the end of 2024, up by RMB 4.4trn or 13.9% from the beginning of the year, according to latest figures published by the National Financial Regulatory Administration (NFRA). Among those, assets of property and casualty insurance companies registered RMB 2.9trn, up by 4.3%; assets of personal insurance companies reached RMB 31.6trn, up by 15.3%; asset of reinsurance companies reached RMB 827.9bn, up by 10.8%; and assets of insurance asset management companies were RMB 127.7bn, up by 8.5%. In 2024, insurance companies had recorded primary insurance premium income of RMB 5.7trn, up by 5.7% year on year.

The general insurance industry in Vietnam **is projected to grow at a compound annual growth rate (CAGR) of 7% from VND80trn ($3.2bn) in 2025 to VND104.8trn ($3.9bn) by 2029, in terms of gross written premium (GWP), according to GlobalData. This growth is attributed to the increasing frequency of natural disasters, a growing awareness of insurance benefits, the expansion of health insurance offerings, demand for microinsurance products, and favourable regulatory reforms.**

The Insurance Commission of the Philippines **(IC) has released two regulatory measures aimed at modernising investment practices for the country's insurers and reinsurers. Insurance Commissioner Reynaldo Regalado said the changes are designed to enable these entities to respond more effectively to evolving financial markets. Among the changes is the inclusion of new permitted investment instruments such as structured securities, supranational organisation bonds, and specific collective investment vehicles. These no longer require pre-approval from the commission if they meet regulatory safeguards, including minimum credit ratings or exchange listings, which are intended to uphold market integrity and oversight. In addition, the measures remove the prior approval requirement for select investments denominated in Philippine pesos and foreign currencies that conform to accepted standards, including those reviewed externally or listed on regulated exchanges.**

South Korea's new capital requirements, including a lower capital adequacy benchmark, are to relieve insurers' capital burden while raising their flexibility and quality, according to Fitch Ratings. The reduced burden would also alleviate financial pressure on insurers, making it easier for them to comply with regulatory requirements. Fitch believes these new capital requirements, which were announced by the Financial Supervisory Service earlier this month, are partly in response to the excessive reliance on capital security issuance to maintain capital adequacy, which could threaten insurers' financial soundness. The new rules are likely to decrease the need for capital issuance, Fitch added, depending on the insurers' capital structure and risk appetite.

Insurance Asset Management Summit 2025

Delegates heard from leading insurance professionals on the latest investment and regulatory trends in the industry

The picturesque Lingfield Park Racecourse was the setting for the inaugural Insurance Asset Management Summit in March.

Over a day and a half, the insurance industry's leading experts came together to discuss the key issues facing CIOs and heads of investment in 2025, amid an ever-evolving economic and geopolitical environment.

A series of panels and presentations delved into investment topics and explored the fixed income space and the growth of private credit, NAV finance, alternatives such as CLOs, as well as the latest developments on ESG and the climate transition.

Chairing the conference across both days was head of insurance and partner at KPMG UK, Huw Evans, who first delivered a welcome speech to all in attendance, before introducing the conference's first speaker.

Climate migration

The opening presentation on day one was provided by Insight Investment's head of global rates and macro research, Gareth Colesmith, who delivered a stark warning to investors about the climate.

He detailed analysis by Insight Investment which suggests that by 2050, based on increasingly likely pessimistic scenarios, an estimated 211 million people around the globe could be displaced due to climate-related issues. While the majority of these would remain within their country of origin, 65 million people could become international climate refugees.

Colesmith told the room that developed countries may need to start planning for 27 million climate refugees, both internally and from elsewhere, and that these trends may also intensify after 2050, when an acceleration in rising sea levels compounds the world's climate problems.

"Some countries will face a significant fiscal strain either from mitigating climate change effects or from dealing with displaced people," Colesmith said.

"As investors, it is our responsibility to our clients to manage their money, not just for how we or they would like the world to be, but also

Insurance Asset Management Summit

to take account of the risks inherent in how the world is likely to be."

While Colesmith's speech presented the Summit's delegates with some challenging truths about the climate emergency, he did also highlight the potential for longer-term boosts to GDP, productivity and tax revenues – should climate migrant policies be integrated effectively – which in turn may create investment opportunity.

The themes from this first talk and where that investment opportunity lies were delved into more deeply in the following sessions, as several of the day's speakers applied Colesmith's climate scenarios to the fixed income universe.

One of these presentations was given by partner at Park Square Capital, Andrew Haywood, who suggested that in the early months of Donald Trump's second term there was already "huge pressure on Governments around the world", and investors would see a "generational change" in the way the UK and Europe are thinking about taxation and spending.

"Equity market valuations have been extremely fragile for a while, highly concentrated in a small number of technology stocks, and ripe for a correction," he said. "There's something quite important going on; a resettling of the economy, a resettling of valuations, and people turning to credit.

"Minimising losses is the way to outperform the credit over the long-term, not necessarily a structure that's been rewarded for the last period, but I think it is about to be rewarded."

Also speaking on private credit, head and CIO at Schroders Capital Solutions, Vikram Bhandari, discussed the significance of creating a diversified portfolio of strategies for insurance balance sheets that target returns from multiple sources.

"We centralise our resources around sustainability," Bhandari told delegates. "That allows us to have conversations with institutions that want to effectively tap into all the segments of private markets."

"Equity market valuations have been extremely fragile for a while

Bhandari suggested that investors who can leverage a variety of internal and externally managed strategies can enhance deployment speed, diversify risk, and improve risk adjusted returns.

"Fascinatingly, private credit's worst five years would have still given you a positive return," he added. "If you have the ability to stick it through, even net of losses, you still generate a very attractive risk adjusted return, certainly in absolute terms."

Pemberton Asset Management's head of NAV financing, Thomas Doyle, also took to the stage to discuss the growth and "huge relevance" of NAV financing for insurance companies.

He discussed the development of the market and "adoption rates", before outlining Pemberton's place in the private credit sphere, and then exploring the benefits of NAV finance in providing liquidity and capital to private equity funds.

Doyle also highlighted the investment-grade ratings, low volatility and diversification benefits of NAV financing, which he suggested make it an attractive proposition for insurance investors and, in particular, those with an appetite for private credit.

Reacting to volatility

A recurring theme on day one, private credit was still on everyone's lips when it came to

a fixed income panel. Aon's co-head of global fixed income manager research, Paul Whelan, chaired a discussion that included representatives from Phoenix Group, Aviva, L&G and Chaucer.

Whelan quizzed the panellists on the investment objectives they each face at their firms, as the panel discussed a variety of geopolitical and environmental issues currently affecting the world of fixed income.

Director in the strategic partnerships team at Phoenix, David Devlin, highlighted the ongoing volatility in the market and emphasised the tight spreads in investment-grade bonds and the attractiveness of gilts, stating that "now is not a bad time to be invested in Government bonds".

Aviva's head of shareholder investments, Keith Goodby, focused on long-term investment strategies, particularly in sectors such as utilities and renewables.

"We naturally invest in sectors that have strong long-term credit fundamentals, which naturally means things that have a societal imperative," Goodby said.

Also sitting on the panel was group head of investments and treasury at Chaucer, Vishal Shah, who discussed the importance of liquidity, highlighting the balance of a "steady flow of maturities and cash flow generative business" in short-duration investments.

L&G's head of strategy, Sumit Mehta, also discussed how opportunities in other private markets, including real estate, are shaping up.

"Real estate has been a sector that we and others have been cautious on in the last few years," Mehta commented. "There's a lot of bottoming there that's happened in some sectors, but still from a primary pricing perspective, we need interest rates to fall for real estate to become attractive again."

> " Now is not a bad time to be invested in Government bonds

In another session on day one, Evans introduced head of taxation at the Association of British Insurers (ABI), Dan Gallon, who provided an overview of several topical tax issues that could either facilitate or hinder insurers' investments.

Gallon discussed the evolving international tax landscape, focusing on the OECD's efforts to combat "aggressive" tax avoidance and profit shifting, as well as the challenges posed by reluctance in the US to adopt certain OECD rules.

He also emphasised the need for "early tax analysis" in investment strategies to avoid potential liabilities and ensure compliance with evolving regulations.

'Green hushing'

Towards the end of the Summit's first day, Colesmith's environmental warnings from the opening session were back on the agenda as an ESG panel took to the stage to discuss strategy in the world of responsible investing.

The ESG panel was chaired by insurance investment director at PwC, Derek Steeden, and included speakers from Phoenix and LV=.

Steeden conducted a discussion which covered the challenges of balancing ESG goals with financial returns, the role of governance in long-term value, and the potential for transition finance to support climate resilience.

Insurance Asset Management Summit

He asked former chief sustainable investment officer at Phoenix, Sindhu Krishna, about what had changed in the public discourse around ESG integration, and Krishna introduced the phrase "green hushing" as she spoke of the political environment moving on from greenwashing.

"If you rewind a few years, you had to be publicly disclosing where you stood in terms of net-zero, there were income targets, and the worry then was greenwashing," Krishna said.

"Today, we are worried from a political perspective of saying too much and being caught up on the other side. The phrase is green hushing. Some don't want to say anything and be muted about what they're doing, so we're seeing the opposite.

"But in terms of the planet, nothing's changed. From a pure investment perspective, there are risks we must include in our portfolio. There are also lots of opportunities coming in, especially from the global south in terms of mass migration. "There are opportunities, there is risk, but publicly, how we talk about ESG has changed, without doubt."

In response, head of sustainable investment research office at Phoenix, Hetal Patel, was in agreement but added that "elections have consequences" in terms of the public discourse around ESG.

"You now have a very different side in charge in the US, and that has enabled a space for some people to step back," Patel warned.

"There are those who might have the opportunity to lean into sustainability, but there are others who can step away and even withdraw their net-zero objectives altogether or push back the targets. There are potential repercussions of [the US election] which could create real world change."

> "The phrase is green hushing

Also focusing on events in the US, CIO at LV=, Adam Ruddle, broke down the way disclosures are being made on each element in ESG.

"On S, the social, and G, the governance, those disclosures remain pertinent, and we're still seeing that continue to grow," Ruddle told the room. "We had this period of greenwashing, and then regulators and taxonomies started to define what counts as greenwashing. They wanted the pendulum to move into the middle, but instead, the pendulum is starting to swing to green hushing.

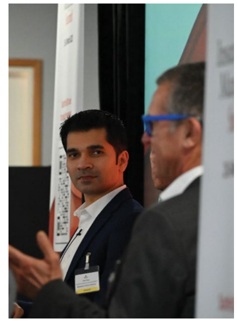
"We're seeing a lot of firms, particularly US and large firms, now not saying anything about the environmental side. Not wanting to bring too much attention to whether they are net-zero.

"This is going to make it harder for us to look at those disclosures, as we try to see how we are performing and if we're investing in enough companies that are aligning or not. It's hard to demonstrate that now, and increasingly difficult.

"Does it get to a point where the US becomes uninvestable? Highly unlikely, you're going to keep investing in the US, but you could have some strain there."

As the opening day was ending, Evans delivered some closing remarks and summarised the main talking points from day one.

Taking a break from the climate theme



and investment conditions in the US, the evening's events allowed for delegates to network over a drinks reception followed by a three-course dinner. Attendees were treated to an entertaining after-dinner speech from Michael Edwards, the former Winter Olympian and much-loved British ski jumper best known as Eddie the Eagle.

Following an overnight stay, the next morning saw the Summit's attendees return to the conference room at Lingfield for another round of insightful presentations, with attention on day two turning to the alternative investment world.

Diversification

Evans introduced three more sessions for delegates to get stuck into on the second morning, the first of which was an alternatives panel chaired by insurance investment advisory lead at WTW, Punil Chaubal. He quizzed a packed panel for where they are seeing opportunities within the alternatives landscape, and how these fit into their investment strategies.

CIO at Pool Re, Ian Coulman, first highlighted the importance of diversifying alternatives in the portfolio and commented: "Our approach around the alternative risk premium is that it should be market neutral. The idea is that if they're like hedge fund types of strategies and more systematically driven, there's therefore still a justification to hold on to them."

Also discussing diversification was managing director and head of investment solutions at Reinsurance Group of America, Moiz Khan.

"You've got diversification of risk, diversification of return, but then within private asset sourcing, you can also bring diversification of origination," Khan said.

Royal London's group investment operations director, Daniel Blamont, discussed the role of real estate as a diversifier.

"Real estate is a good asset class that performs over the cycle and an asset class we're happy to let fluctuate over time," Blamont told the room. "It's going to underperform in some years but also did

Insurance Asset Management Summit

“We’re seeing some sectors leaning towards shorter dated credit rather than longer dated

well in 2022, for example. We remind people these are diversified investments and that we’re looking through a cycle of work.”

Amid talk of rising yields and falling rates, head of private assets at Aviva UK Life, Prasun Mathur, added: “We’re seeing some sectors leaning towards shorter dated credit rather than longer dated because people want to have flexibility and optionality in the future as well as to finance at a lower rate, ultimately.

“We’re also seeing more people going floating rate instead of fixed rate, because directionally, there will be lower rates coming down the track.”

In response, CIO at L&G Assurance Society and L&G Institutional Retirement, Gareth Mee, said there is “almost no value” in investment-grade traded credit from a UK funding perspective, and warned that investors must “work harder to squeeze out the additional returns” in some sectors.

“Private assets still make an important part of our overall allocation to generate shareholder returns, but we do have to be pickier and there is now a narrower field of assets that we can look at,” Mee added.

There was still time for two more presentations on day two as the room heard about two more rapidly growing markets.

The first of these was given by global loans portfolio manager at Muzinich & Co., Stuart Fuller, who discussed the European loans market.

Fuller gave his thoughts on the evolution of lending to corporates across Europe and how a bank partnership model can provide an improved risk and return opportunity to investors.

He suggested that banks are “evolving” by freeing up lending capacity and forming partnerships with asset managers, before highlighting the importance of cash flow, leverage, and strong relationships in the European loan market.

In the final session of the Summit, Cameron McKenzie, who works in the structured credit investing team at BSP-Alcentra, explored one more investment opportunity in the form of the $1.3trn CLOs market.

McKenzie discussed why CLOs are inherently defensive, how they outperform similarly rated corporate debt, and why they fit into a well-diversified portfolio.

He summarised four key points for CLO tranche investing, highlighting the “highly diverse” nature of the asset class, floating rate, high cash flow, and “customisable risk”.

McKenzie also suggested misconceptions are still holding investors back in the CLO market but added that ultimately, they are “impossible to ignore”.

With this, the first ever Insurance Asset Management Summit came to a close as conference chair Evans once again delivered some closing remarks to sum up the previous day and a half of fascinating insights and rounded off proceedings at Lingfield Park.

Written by
Corrado Pistarino,
chief investment officer,
Foresters Friendly Society

All days are nights: Rethinking the US Trade Deficit Debate

There's been a lot of talk about trade deficits lately—what causes them, who's to blame, and how to fix them. This piece looks at why simple explanations often miss the point. Trade imbalances aren't just about foreign countries "cheating" or domestic policy mistakes—they reflect a deeper, two-way relationship between capital flows and economic structure. It traces how globalisation, reserve accumulation, and shifting patterns of saving have shaped the US economy, and why recent trade policies might bring more lasting consequences than expected—especially for how the world views the US as a destination for investment and trust.

The appeal of a single cause

As we grapple with complex economic phenomena, there is a natural temptation to isolate a single, overarching cause—one that suggests a correspondingly simple solution. If a problem can be traced to a single source, then perhaps one targeted set of policies might reverse it. In the case of the US, political discourse—perhaps unavoidably shaped by the demands of electoral communication—has converged on a familiar narrative: the decline of the

American working class is the result of "unfair" practices by foreign trading partners.

Trade deficits as proof of foreign malpractice

This framing positions the persistent US trade deficit as unambiguous evidence of economic malpractice abroad—most notably, currency manipulation and other distortive policies by countries such as China. The solution, accordingly, appears straightforward: impose sweeping tariffs on imports to punish or discipline these partners, whether through economic pressure or treaty renegotiations. A shrinking trade deficit would serve as validation of this approach, presumably followed by resurgence in domestic manufacturing employment.

…or of domestic policy failures

Even outside the bounds of political messaging, the instinct to assign singular blame persists. Yet here, the focus often turns inward. Rather than blaming foreign malfeasance, some observers locate the source of the trade deficit in specific domestic policies: a spendthrift federal government, an overly accommodative Federal Reserve, or a tax system that encourages consumption and penalises saving. Each version points to a distinct institutional failure, each with its own prescriptive fix.

Trade and capital: a two-sided imbalance

In reality, global trade imbalances are shaped by both domestic choices and foreign dynamics. Policies enacted abroad—deliberately or not—carry real domestic consequences. Moreover, trade flows are the mirror image of capital flows. Whether the US trade deficit enables foreign capital inflows or vice versa remains a topic of legitimate debate, but the causality is likely circular. Either way, capital mobility and global asymmetries in savings behaviour complicate any diagnosis that relies on trade data alone.

The long arc of manufacturing decline

The decline in US manufacturing employment is not a recent or sudden development. It has proceeded steadily since the end of World War II, as the US economy transitioned toward services. Beginning in the 1990s, globalisation accelerated this shift, facilitating the off-shoring of low–value-added production to emerging economies. The resulting inflow of cheaper goods into advanced markets contributed to what became known as the "Great Moderation"—a period of sustained disinflation, stable growth, and muted market volatility.

Capital outflows and the reserve accumulation era

While goods flowed westward, capital moved east. In the wake of the 1990s currency crises, many emerging economies—determined to avoid future balance-of-payments vulnerabilities—embarked on an aggressive build-up of foreign exchange reserves, primarily in US dollars. This strategy relied on export-driven growth and helped sustain full employment. At the same time, underdeveloped social safety nets and, more recently, aging demographics suppressed domestic consumption and encouraged high precautionary savings.

Capital reoriented: From reserves to US assets

Although the composition of these flows shifted after the Global Financial Crisis (GFC), their net impact remained similar. China's foreign reserves peaked at $3.99trn in 2014, of which roughly 58% was held in dollar assets. But the trend toward diversification had already begun: in 2005, nearly 79% of reserves were in dollars. Even as appetite for traditional reserves moderated, global demand for US assets remained robust—no longer just for precautionary reasons, but increasingly as a vote of confidence in US markets. The post-GFC recovery in the US, fuelled by innovation and productivity, gave rise to what is now widely described as "US exceptionalism."

US monetary and fiscal response to capital inflows

The Federal Reserve's natural response to persistent capital inflows was to maintain low interest rates and accommodative financial conditions. This encouraged domestic dissaving with foreign capital inflows outpacing the creation of new productive investment opportunities. Households saved less out of income, yet wealth increased via credit expansion and rising asset prices. Government deficits also widened, serving as an alternative channel for absorbing excess capital. Meanwhile, the deflationary impulse from imported goods further justified the Fed's dovish stance. Importantly, this dissaving was not the result of labour market weakness—the US job market remained resilient throughout.

Unbalanced equilibrium

Is global trade balanced—fair, in the normative sense? Are capital flows symmetrical or efficiently allocated?

Clearly not. In that respect, the US administration is justified in calling attention to structural distortions. China, in particular, illustrates the issue. Its centrally planned system imposes real costs on households to support industrial competitiveness. Capital controls constrain investment efficiency. Consumers are implicitly taxed via low deposit rates, currency controls erode foreign purchasing power, labour regulation and restrictions on mobility suppress the effective value of human capital, and environmental externalities are tolerated. These are not marginal frictions.

The mutual gains from asymmetry

And yet, the US has thrived amid these asymmetries. One could argue that access to cheap labour and low-cost imports has enabled the US to specialise in high–value-added sectors and services. It is difficult to argue, on balance, that these conditions have harmed American workers in aggregate. Since the onset of globalisation, US unemployment has followed a standard cyclical pattern, falling from 9.9% in the wake of the GFC to 3.5% by early 2020, and recovering swiftly after the Covid shock. Real median personal income—just over $30,000 in the mid-1990s—has risen by nearly 50% over that period. This does not, however, discount the deep economic decline experienced in parts of the former industrial heartland—conditions more appropriately addressed through targeted domestic policy—focused on education, mobility support, and regional investment incentives—rather than trade measures.

The current trade war

We are now in the midst of a trade war. Its ultimate objectives remain ambiguous. Is the aim to slow domestic consumption via a stealth tax? To foster the reshoring of manufacturing jobs, particularly in sectors tied to strategic resilience? Or to use tariffs as leverage in extracting concessions from trading partners? These goals are, in many respects, mutually exclusive—full reshoring would, for example, eliminate tariff revenues. But a hybrid outcome may define the new equilibrium: modest gains in government revenue financed by a reduction in real consumption; selective reshoring in critical industries, especially defence and cybersecurity; and targeted trade agreements focused on regulatory alignment rather than market access.

Immediate effects

If one accepts that the US trade deficit stems from a complex interplay of domestic and foreign policy choices, demographic trends, human capital dynamics, and shifts in global asset allocation preferences, then the immediate effects of this trade war are likely to be limited and temporary. A short-term contraction in US output appears likely, accompanied by a spike in inflation. Financial markets seem partially out of sync: pricing in two 25-basis-point rate cuts before year-end, while underestimating the risk of a one-off price shock. At the same time, equity valuations suggest lingering optimism about corporate earnings. This disconnect may call for tactical adjustments in portfolio positioning in the weeks ahead, as signs of economic weakness begin to surface.

> Has the long-standing appeal of the US as the preferred destination for global savings begun to wane?

Long-term effects

The longer-term implications may prove more ominous. This episode has exposed vulnerabilities in US governance, cast doubt on the defensive nature of US Treasuries in global portfolios, and raised fresh questions about the role of the dollar as the world's reserve currency. Are we witnessing a structural reconfiguration of global trade and capital flows? Has the long-standing appeal of the US as the preferred destination for global savings begun to wane?

Conclusion

That appeal has historically rested on solid foundations: a consistent drive for innovation, translating into sustained productivity growth; an extraordinary capacity to attract and develop human capital, particularly through the draw of its higher education system; the depth and accessibility of its financial markets; and the credibility of the rule of law. To the extent that recent actions and rhetoric from the current administration undermine confidence in those pillars, the United States' role as the world's borrower of last resort may be fundamentally redefined.

The views expressed in this content belong to the author and not their organisation.

A green world

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

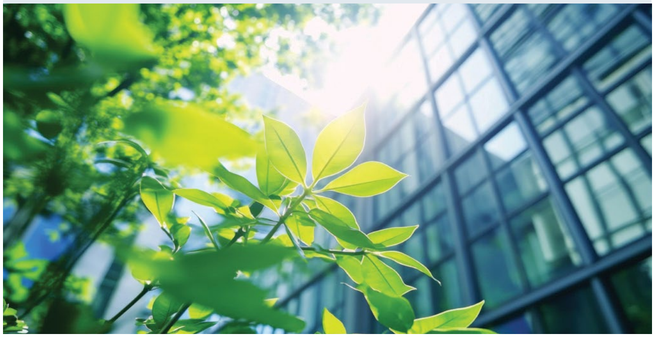
1 The 2024 annual sustainability report of Finnish earnings-related pension provider **Elo** shows "consistency is the key to sustainability," according to its chief financial officer, Sarianne Kirvesmäki. Elo published its financial statements and board of directors' report for 2024 alongside sustainability assessments based on a dual materiality assessment, which defined Elo's material sustainability topics and the related impacts, risks and opportunities. The material sustainability topics included mitigating and adapting to climate change, securing our customers' livelihoods and rights, and ensuring employees' working conditions and equality. The report revealed that the carbon intensity of Elo's listed equity investments decreased by 59%, and that of listed corporate bonds decreased by 60% from the 2019 benchmark.

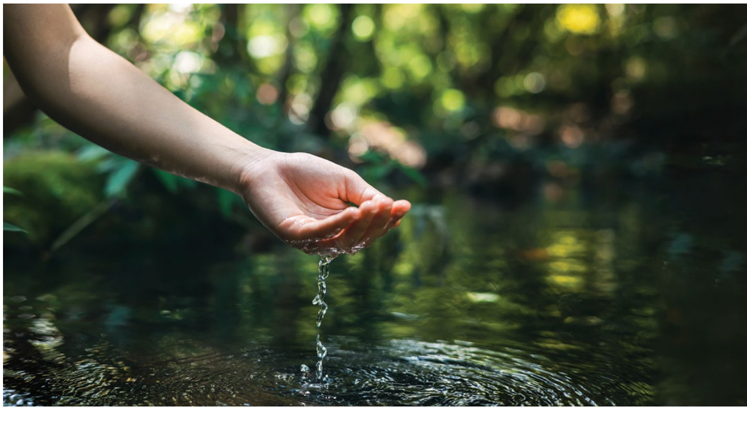
2 **Insurance and Pension Denmark** (I&P Denmark) has said it is 'available' for dialogue with authorities to support the climate-proofing of Denmark. It has welcomed a report from the Danish Council on Climate Change that shows the country's 2025 climate target of reducing CO2 emissions by 50-54% can be achieved with "great certainty". The report also found that with the Government's planned measures, it has been "demonstrated" that Denmark can also achieve a 70% reduction in emissions compared to 1990 levels by 2030 if the plans put forward are realised.

3 **Talanx Group is investing double-digit millions of euros in expanding solar and wind energy capacity in Austria's Burgenland region. The group's move is part of the largest renewable energy project finance transaction in Austria to date and underscores its responsible ESG-based investment policy and its role as a leading renewables investor.**

4 Climate considerations are becoming more material for asset owners, with a growing emphasis on climate-related risks and accountability, according to Morningstar Sustainalytics head of sustainable investing research, Hortense Bioy. Speaking at the Pensions and Lifetime Savings Association's (PLSA) Investment Conference 2025, Bioy acknowledged that climate change is difficult to predict even for scientists but emphasised the importance of asset managers starting somewhere. "It starts with the target. We are not sure where we are going but we need to start somewhere. We need to have commitments," she stated. "Companies need to know what risk they are facing. It is about monitoring those companies and holding them to account." Bioy also argued that the transition to net-zero is the most material environment issue to asset owner decisions, as the firm's research suggested that 55% of asset owners identified this as their top concern in 2024, up from 52% in 2023.

5 European Sustainability Reporting Standards (ESRS) should be more closely aligned with the business models of companies, rather than following purely formal requirements, the German Insurance Association (GDV) has argued. GDV CEO, Jörg Asmussen, said: "We advocate for a reporting framework that is simple, feasible, and meaningful, without losing sight of its purpose. Climate change is increasing risks for the economy and society, and insurers are key players in managing and covering these risks. To do this, they need a robust regulatory framework." Asmussen added that "companies should have more flexibility" and that sustainability reports should present an accurate picture of both positive and negative sustainability activities of an insurer and not merely be seen as a checklist of individual requirements. The GDV also argued that the content of the ESRS reports should be better tailored to the needs of their users. "The main addressees are investors," Asmussen said. "By focusing on figures and streamlining the qualitative requirements, the scope of the report could be significantly reduced without compromising its informative value."





6 Finland's Ilmarinen has said water is the "most important" natural resource for its investment targets, according to its latest biodiversity analysis. The report assessed how its direct listed equity and corporate bond investments depend on and impact natural capital and ecosystem services. This analysis revealed that approximately 38% of the investments have been invested in industries where environmental impacts and dependencies play a "significant" role.

7 **L&G** has completed a $50m investment with Iceland's National Power Company and largest energy provider, Landsvirkjun, on behalf of the former's institutional retirement business. This latest investment reinforces L&G's commitment to sustainable development in Europe, further supporting its private credit business, which currently manages £34bn in investments for institutional clients worldwide. Steve Bolton, head of corporate debt Europe, asset management, L&G, said: "We're delighted to strengthen our relationship with Landsvirkjun and support their continued delivery of renewable energy infrastructure. With our deep expertise and longstanding relationships, we are able to access attractive investment opportunities that can drive meaningful social and environmental impact, delivering value for investors and society."

" We are able to access attractive investment opportunities

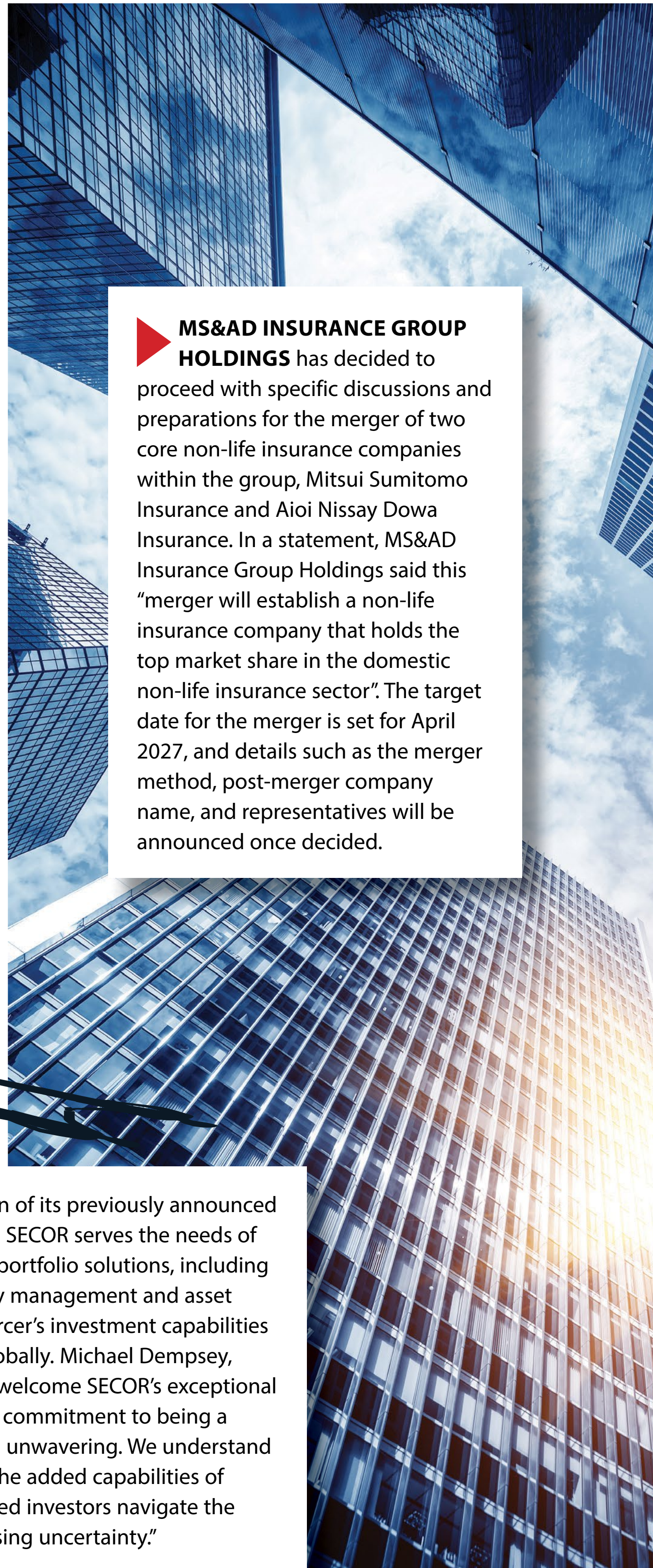
8 **Varma** is on track to be carbon-free in heating and electricity across all its real estate investment properties by 2030, as it has now achieved this status in its residential properties. This achievement means that Varma has taken a step forward in achieving its climate targets. Varma has around 4,600 investment homes across the country, concentrated in major cities. Significant emission reductions have been achieved through energy upgrades to the properties, such as geothermal projects and renewable district heating.

9 **CNP Assurances** has announced plans to obtain certification from the Forest Stewardship Council (FSC) for 100% of its forests by 2030. The group has more than 50,000 hectares of forest in France managed by Société Forestière. CNP Assurances was the first company to own forests in France and the first French corporate investor to commit to FSC certification for the sustainable management of its forests. The FSC, a non-governmental organisation (NGO), is a global benchmark for responsible forest management and its certification encompasses 160 million hectares worldwide and 64,500 certified companies.

Mergers and acquisitions

Insurance Asset Management rounds up the latest insurance mergers and acquisitions from across the globe

M&A activity in the global insurance market hit a historic low in 2024, with only 204 transactions being completed, significantly less than the 10-year average of 380, **CLYDE & CO**'s latest *Insurance Growth Report* has revealed. Against a far from ideal economic backdrop, many carriers turned to managing general agents (MGAs) to provide a flexible method of entering new markets and accessing specialist expertise, without having to commit to a traditional acquisition. The US led the way in terms of M&A activity, with a total of 69 transactions completed across the full year. In Europe, the UK saw the highest volume of acquisitions, with broker consolidation continuing to be a key driver. In the Middle East, regulatory effort to drive consolidation across the market, particularly in the UAE and Saudi Arabia, have led to an uptick in activity, while the M&A market across the APAC region continues to be muted.



MS&AD INSURANCE GROUP HOLDINGS has decided to proceed with specific discussions and preparations for the merger of two core non-life insurance companies within the group, Mitsui Sumitomo Insurance and Aioi Nissay Dowa Insurance. In a statement, MS&AD Insurance Group Holdings said this "merger will establish a non-life insurance company that holds the top market share in the domestic non-life insurance sector". The target date for the merger is set for April 2027, and details such as the merger method, post-merger company name, and representatives will be announced once decided.

MERCER has today announced the completion of its previously announced acquisition of **SECOR ASSET MANAGEMENT.** SECOR serves the needs of institutional investors, with a range of end-to-end portfolio solutions, including investment advisory and implementation, fiduciary management and asset liability management. The acquisition expands Mercer's investment capabilities for its institutional client base and asset owners globally. Michael Dempsey, Mercer's wealth President, said: "We are thrilled to welcome SECOR's exceptional team to Mercer. As we move forward together, our commitment to being a dedicated partner to our clients' portfolios remains unwavering. We understand that each investment journey is unique, and with the added capabilities of SECOR, we are better equipped to help sophisticated investors navigate the markets and optimise asset allocation amid increasing uncertainty."

NOMURA is set to acquire **MACQUARIE**'s US and European public asset management business for $1.8bn. Through the move, Nomura will gain $180bn in retail and institutional client assets across equities, fixed income and multi-asset strategies. Nomura's investment management franchise's total assets under management are expected to increase to approximately $770bn upon completion of the deal, with more than 35% being managed on behalf of clients outside of Japan. Kentaro Okuda, Nomura president and group chief executive said: "This acquisition will align with our 2030 global growth and diversification ambitions to invest in stable, high margin businesses. It will be transformational for our investment management division's presence outside of Japan, adding significant scale in the US, strengthening our platform, and providing opportunities to build our public and private capabilities."

HELVETIA and **BALOISE** are to merge to create Switzerland's second-largest insurance group with a combined business volume of 20bn Swiss francs ($24.69bn). The new group will be called Helvetia Baloise Holding, and will become one of the ten largest insurers in Europe. The deal is expected to be completed in Q4 2025, and Helvetia CEO Fabian Rupprecht will take the helm of the new firm, while Thomas von Planta, currently chairman at Baloise, will lead the combined group's board of directors. "The transaction will ensure the long-term attractiveness and competitiveness of the two long-standing Swiss companies in the local and international insurance market and generate superior value for customers, partners, employees, the public and shareholders," von Planta said.

Ageas has agreed a £1.3bn deal to buy esure from private equity group **Bain Capital** for £1.3bn. esure has been owned by Bain since it paid £1.2bn to take the group private in 2018. The transaction will be financed through a combination of surplus cash and newly issued senior and hybrid debt and/or equity within the existing authorisations and subject to market conditions.

A consortium including **ALLIANZ, BLACKROCK** and **T&D HOLDINGS** will acquire ownership of **VIRIDIUM GROUP (VIRIDIUM)** from Cinven for around €3.5bn. Generali Financial Holdings and Hannover Re remain investors and the consortium is structured to also enable the addition of other long-term financial investors. Through this transaction, Cinven exits from its majority investment in Viridium after more than a decade of developing a highly successful insurance business. Viridium will remain an independent stand-alone platform, led by the current management team. It will continue to specialise exclusively in consolidating and managing life insurance portfolios and operate as a long-term partner to the European insurance industry.

This partnership between leading financial institutions and Viridium will contribute to the development of the European closed-life market and will further provide the European insurance industry with optionality for the management of closed-life books.

Current ponderings on industry themes

ZURICH

On successfully placing US$750m of dated subordinated debt

The notes, which will mature in November 2055 and are first callable in May 2035, will be issued by Zurich Finance (Ireland) II DAC. The annual coupon is fixed at 6.25% until November 2035. The transaction was targeted at European and Asian institutional investors and has been conducted for general corporate purposes.

On Octopus launching new institutional brand Octopus Capital

We know there isn't a trade-off between delivering financial returns and having a positive impact on society and the planet. By investing in the right people, ideas and industries, institutional capital can be a force for good and has the power to make our vision of tomorrow a reality. We're incredibly excited about our new brand and how it underlines our intention to deliver investment excellence on behalf of our investors.

LIEVEN DEBRUYNE
Octopus Capital CEO

THE FCA

On smaller asset managers seeking to grow their private markets offerings

For firms seeking to grow their private markets offerings, assessing capabilities, oversight frameworks and controls is essential to enable confident customer investment in this growing asset class, aligning with our 2025 review.

MOODY'S RATINGS

On European insurer solvency remaining robust from US tariff effects

Insurers entered this period of market volatility with very strong solvency ratios, averaging a high 220% for large players, so the deterioration has been viewed as moderate at this stage. Insurers' equity sensitivities vary, with UK companies typically less susceptible to equity market volatility than European peers because of lower equity investments, or investments concentrated in with-profit funds which include significant loss absorbing policyholder buffers.

On EIOPA surveying European insurers on generative AI usage

EIOPA intends to use the aggregated responses to the survey to help stakeholders have a clear view on the evolution of generative AI across the sector in the EU, and to enhance supervision by drawing on real-life experiences. By doing so, EIOPA aims to maintain robust consumer protection safeguards and promote better outcomes for consumers as insurers adopt novel digital technologies.

EIOPA

ERIC ADLER
L&G CEO, asset management

On acquiring a 75% stake in real estate investor, Proprium

Recognising that international scale in private markets is key to delivering against L&G's growth strategy, this strategic investment in Proprium will expand our geographical footprint, deepen our capabilities, broaden our investment strategies, and diversify our product offering. Through this acquisition, we are bringing clients a differentiated and diversified opportunity to access value creation in real estate sectors positioned for growth and scalability.

LUKAS MUEHLBAUER
IPOX, research analyst

On Aspen announcing launch of initial public offering

With ongoing recessionary concerns, we anticipate continued interest in sectors perceived as more defensive and less sensitive to macroeconomic headwinds or tariffs. Insurance fits this profile.

On reduced reporting for the Danish insurance and pension industry

Our industry is subject to many industry-specific reports, and that's how it should be. Regulation and reporting are important when they lead to better consumer protection. But it's important to always keep in mind whether the beneficial effects are reasonably proportional to the costs of complying with the regulation. Our industry has continuously been subject to increasing reporting requirements, and existing requirements are rarely removed when new ones are introduced.

TORBEN WEISS GARNE
I&P Denmark, deputy director

CHRIS BEAUCHAMP
IG Prime chief market analyst

On 44% of hedge funds considering dropping traditional '2-and-20' fee structure

Many managers are feeling the pressure to be more flexible when it comes to their fees. There is a perception that the industry as a whole has delivered lacklustre returns over the last decade. That has led to asset allocators getting tougher in fee negotiations.

While the '2-and-20' structure has served hedge funds well, many funds and their clients no longer feel it's appropriate.