

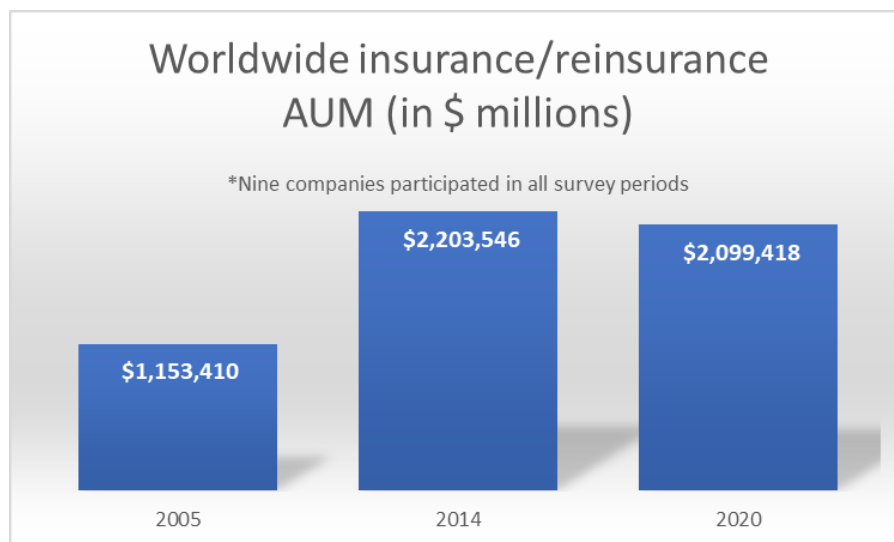
Managing insurance assets

Insurers continue to shift more allocation to outside money managers

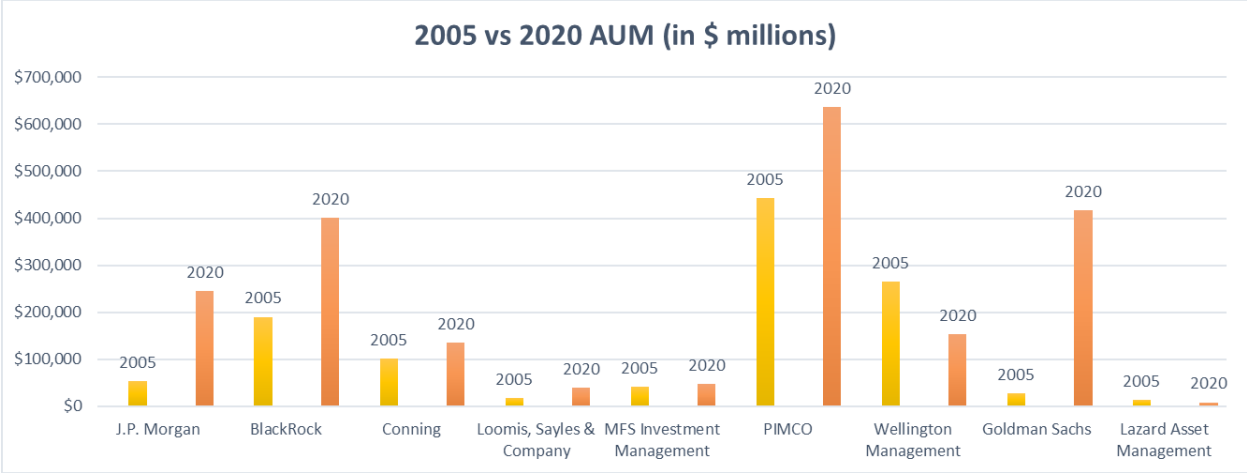
Due to soaring interest in pension risk transfers from plan sponsors as well as the significant increase in investment outsourcing to third-party money managers by insurers, *Pensions & Investments* collected insurance data for the first time since 2014. Technological changes and the decades long low-interest-rate environment have led to increasing complexity in asset management and return pressures, leading to insurance companies seeking external help for all or part of their investments.

Along with insurance asset manager survey data, *Pensions & Investments* aims to paint a clear picture of the insurance industry landscape. Forty-three insurance asset managers participated in the *P&I* survey and posted worldwide insurance/reinsurance assets under management totaling \$6.41 trillion as of Dec 31, 2020. The 10 largest managers in total represented approximately 69.33% of the worldwide insurance AUM. Pacific Investment Management Co. ranked first among the largest insurance asset managers with \$652.7 billion in insurance AUM, followed by Amundi, PGIM, MetLife Investment Management, Goldman Sachs, BlackRock, Schroders, DWS, BNP Paribas Asset Management and J.P. Morgan Asset Management. Seventeen insurance managers filled out both 2014 and 2020 surveys; their worldwide AUM totaled \$2.97 trillion, up 29.7% from \$2.29 trillion in 2014. Goldman Sachs grew its assets significantly to \$416.5 billion, a 160.3% increase from \$160.02 billion in 2014.

BlackRock, Goldman Sachs, Conning, J.P. Morgan, Lazard Asset Management, Loomis, Sayles & Co., MFS Investment Management, PIMCO and Wellington Management participated in all *P&I* surveys since 2005. Their total AUM increased 80.59% to \$2.09 trillion in 2020.

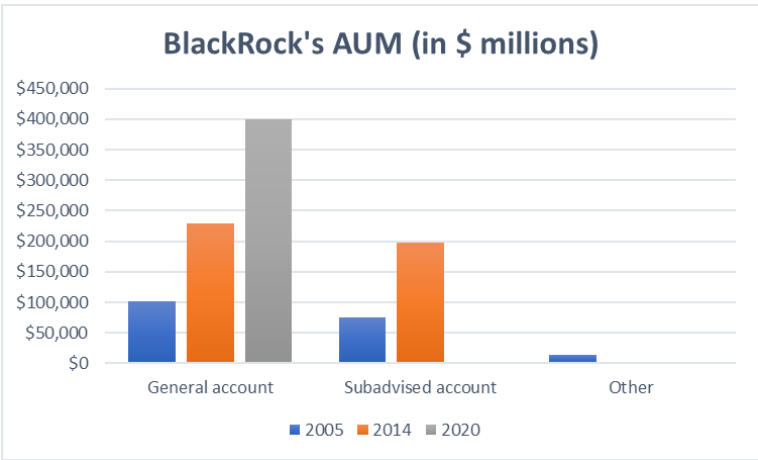


PIMCO's worldwide insurance AUM was up 47.3% to \$652.7 billion from \$443.1 billion in 2005. Goldman Sachs's AUM increased 1,376% from \$28.2 billion in 2005. Goldman Sachs acquired the variable life insurance and variable annuity business of Allmerica Financial Corp. with roughly \$11 billion AUM in 2005.



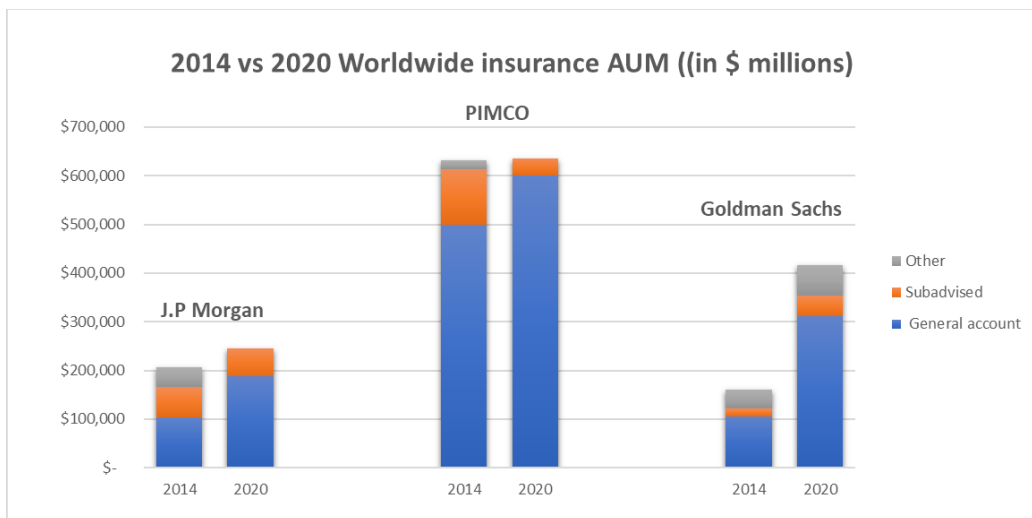
Based on the available data provided by insurance managers in the 2020 survey, 14 firms had 100% of their insurance assets managed in general accounts. Some 79.5% of worldwide insurance AUM came from general accounts and 11.2% from subadvised accounts. The other 9.3% was mostly from separate account, commingled fund, variable life and annuity products. Among the 10 largest insurance managers, 80.12% of worldwide assets were managed in general accounts and 10.06% in subadvised accounts. However, Schrodgers and MFS Investment Management had 81% and 84% of their insurance AUM managed in subadvised accounts, respectively.

Before 2014, 51.8% of BlackRock’s worldwide insurance AUM came from general accounts and 38.4% were from subadvised accounts. Conning had half of its assets managed in general accounts and half managed in subadvised accounts. In 2020, based on data provided by BlackRock and Conning, all their assets were managed in general accounts.



Before 2014, 50% and 30% of J.P. Morgan’s assets were managed in general accounts and subadvised accounts, with the remaining 20% placed in separate accounts. In 2020, 77% of its assets came from general accounts and 23% from subadvised account. Before 2014, Pacific Investment Management Co. had 56.23% and 24% of its assets in general accounts and subadvised accounts, respectively. In 2020, 92.01% of its assets were managed in general accounts and 5.46% in subadvised accounts. Goldman

Sachs had 47.72% of its assets in general accounts before, and in 2020, 74.73% were managed in general accounts.



According to the data provided by 41 insurance managers, non-affiliated insurance companies AUM and affiliated/parent AUM totaled \$2.98 trillion and \$2.35 trillion as of Dec 31, 2020, respectively. DWS, J.P. Morgan, Goldman Sachs, Wellington Management and Western Asset Management managed assets exclusively for non-affiliated insurance companies. Securian Asset Management, Amundi and Northern Trust mostly managed assets for affiliated/parent companies with only 11% assets from non-affiliated insurance companies. Insurance-owned MetLife Investment Management had 87% of its assets from affiliated/parent companies, and at least 70% of assets for PGIM, PPM America and Voya Investment Management came from affiliated/parent companies.

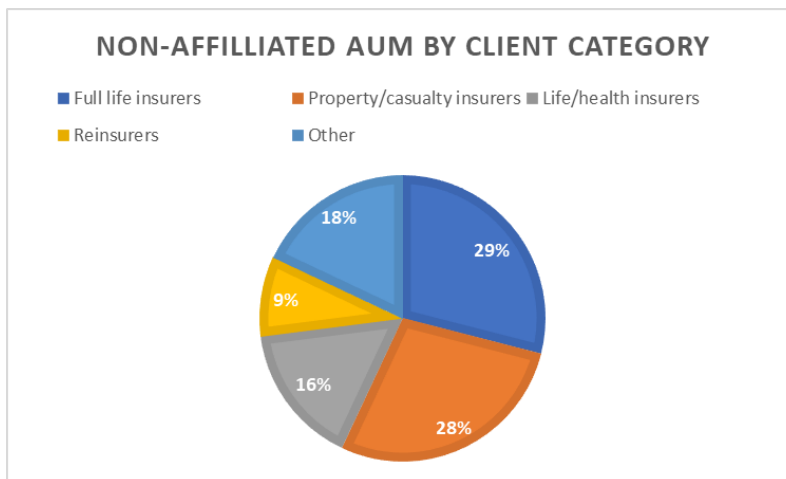
Of the 17 insurance managers that filled out both the 2014 and 2020 surveys, their non-affiliated insurance companies AUM and affiliated/parent AUM increased 41.33% to \$1.98 trillion and declined 18.92% to \$447 billion in 2020, respectively.

Out of the insurance managers that filled out all surveys since 2005, Goldman Sachs’s non-affiliated insurance companies AUM grew 1,376% to \$416.5 billion from \$28.2 billion in 2005. In the same category, BlackRock’s assets rose to \$352.7 billion, up 247% from \$101.5 billion in 2005. It used to manage assets exclusively for non-affiliated firms, but now 12% of its assets were managed for affiliated/parent companies in 2020. Conning’s non-affiliated insurance companies AUM increased 56.41% to \$78.5 billion. In 2005, 98.23% of Conning’s assets were from non-affiliated insurance companies but by 2020, 41.72% of assets were managed for affiliated/parent companies. J.P. Morgan’s non-affiliated insurance companies AUM grew by 1,195.77% to \$244.6 billion from \$18.9 billion in 2005. In 2005, 28.8% of its AUM came from affiliated/parent companies; now J.P. Morgan managed assets exclusively for non-affiliated insurance companies.

With the increasing need from insurers to optimize investment strategies to produce the best risk-adjusted income in the most cost-effective way, 39 insurance managers reported their non-affiliated general account AUM rose to \$2.3 trillion as of Dec 31, 2020. BlackRock ranked first with \$351.1 billion in non-

affiliated GA AUM, followed by Goldman Sachs, DWS Group, J.P. Morgan, Wellington Management, PIMCO, BNP Paribas Asset Management, PGIM, Conning and New England Asset Management.

Based on the detailed non-affiliated general account data submitted by 31 insurance managers, 29% of assets were managed for full life insurers, 28% for property/casualty insurers, 16% for life/health insurers and 9% for reinsurers. The remaining 18% of assets came from multiline insurers, general insurance, corporate cash, car insurance, professional liability and workers' compensation.

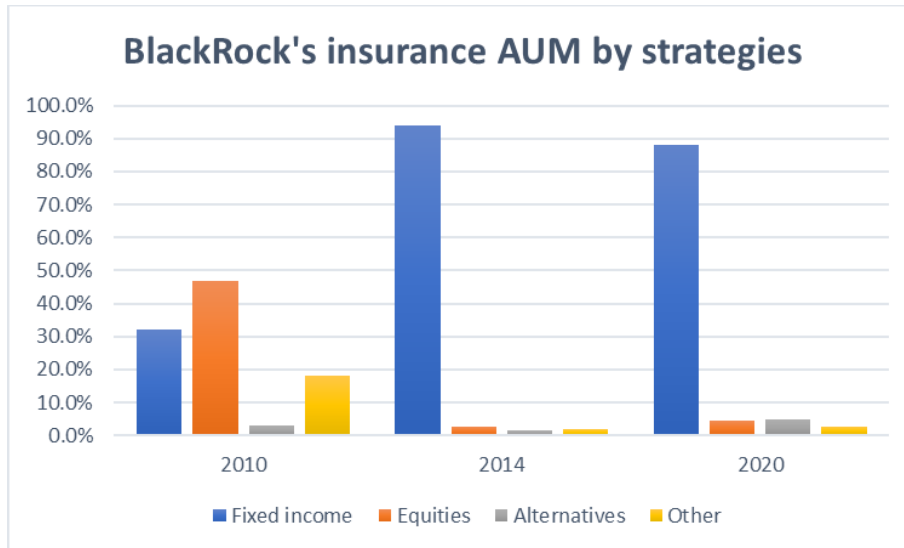


Thirteen out of 17 insurance managers that filled out both 2014 and 2020 surveys provided detailed non-affiliated general account data, 55.91% for full life and life/health insurers, 32.03% for others, 11.31% for reinsurers and 0.75% for property/casualty insurers in 2014.

Among the top 10 insurance managers in this subcategory, 36% of insurance assets came from property/casualty insurers, 31% came from full life insurers, 10% from life/health insurers and 10% from reinsurers in 2020. Some 86% of MetLife Investment Management's non-affiliated GA assets were managed for full life insurers. 75% of New England Asset Management's AUM came from property/casualty insurers, 53% of Western Asset Management's AUM came from life/health insurers and 53% of HSBC Asset Management AUM came from multiline insurers.

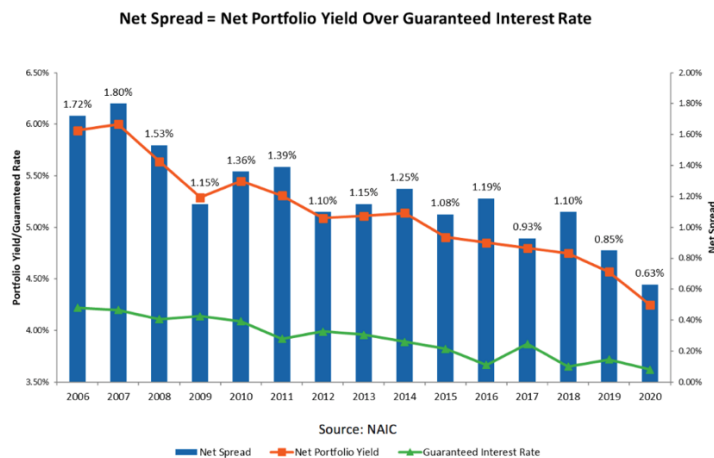
Thirty-six insurance managers provided asset class level allocation data on non-affiliated general account assets in *P&I's* 2020 survey. Fixed income accounted for 79.94% of AUM, followed by 6.8% in equities, 5.91% in alternatives and the rest was invested in multiasset, LDI and cash. The data indicates that the industry will mostly likely still be fixed income-centric as 13 insurance managers allocated more than 90% of total assets to fixed income in 2020. Western Asset Management, Payden & Rygel and Guggenheim Investments exclusively manage fixed-income allocations. Securian Asset Management, Voya Investment Management and PIMCO weighted their portfolios heavily to fixed income, with a 98% allocation.

Seventeen insurance managers that filled out both 2014 and 2020 surveys raised their average fixed-income allocation to 80%, from 74.07% and maintained equity exposure of 18%-19% and reduced alternatives allocation to 1%-2%.



Since 2014, Conning has invested 97% in fixed income and 3% in equities. J.P. Morgan had 76% of its assets invested in fixed income, 8% in alternatives, 7% in equities and 8% in other assets over the years. Fixed income accounted for an average of 97% and 95% of PIMCO and Wellington Management’s assets over the years.

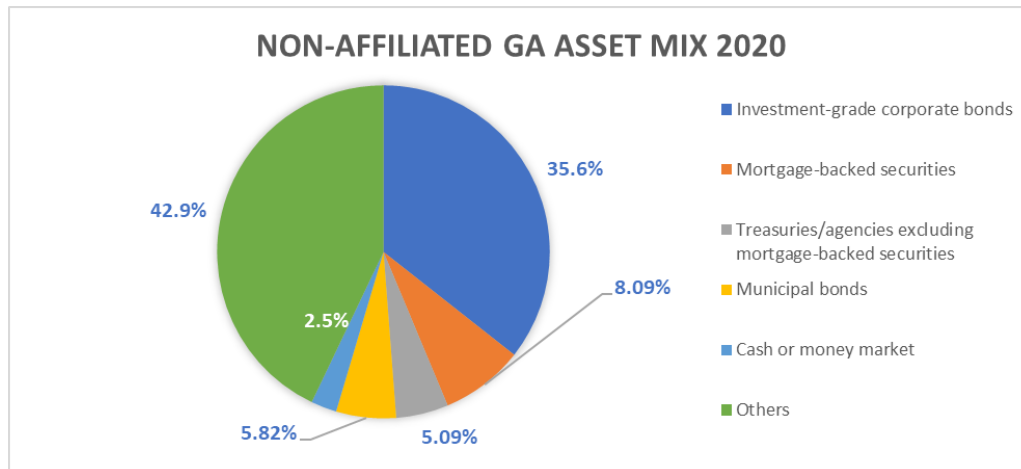
The National Association of Insurance Commissioners has been tracking the spread between investment returns and the guaranteed rates of payout on liabilities. The chart below indicates the low-interest-rate environment has created spread compression, which might have also led to insurers’ diversification into more aggressive asset classes for alpha or better returns and less correlated asset classes based on each firm’s liability and risk tolerance level.



According to NAIC’s risk-based capital rules, insurance companies must hold certain levels of regulatory capital. Risk-based capital charges range from 10%-15% and 22.5%-45% for alternative allocations for property/casualty and life insurers, respectively. Hexavest and Mondrian Investment Partners invested 100% of non-affiliated GA assets in equities in 2020. MFS Investment Management and Dimensional Fund Advisors also aggressively allocated 90% of AUM in equities. Pathway Capital Management had

100% of assets invested in alternatives and Ares Management invested 90% of AUM in alternatives. Private equity accounted for 57% of Unigestion’s non-affiliated GA assets. Principal Global Investors and MetLife Investment Management invested 66.13% and 48% in real estate, respectively.

Based on the data provided by insurance managers, income strategies had been the dominant approach for insurers to match liabilities. Fourteen out of 30 insurance managers disclosed detailed income strategy data in *P&I*’s 2020 survey.



The 42.9% in “other” strategies includes high-yield, global fixed income, emerging market debts, multisector income strategies and bank loans.

TD Asset Management and Wellington Management invested 73% and 64.1% of AUM in investment-grade corporate bonds, respectively. Treasuries/agencies excluding mortgage-backed securities accounted for 35% and 23.86% of Payden & Rygel and TD Asset Management’s non-affiliated GA AUM, respectively. J.P. Morgan and Conning invested 21.7% and 17.9% of managed assets in mortgage-backed securities. BNP Paribas Asset Management had a cash allocation of 15.95%.

In the past, the insurance companies only invested in conservative asset classes with most of domestic fixed-income investing managed in-house. Some insurers have now chosen to invest more globally or expanded their portfolio exposures to mezzanine finance, distressed debt and other less correlated but more risky asset classes to generate alpha to match the liabilities to the revenue streams. Eighteen out of 34 insurance managers disclosed more detailed strategy level asset allocation data on non-affiliated GA assets — on average 68.08% of AUM were invested in traditional fixed income including government and high-yield bonds, followed by 7.27% in private credit, 4.2% in real estate, 3.67% in emerging markets debt, 3.18% in U.S. equities, 3.1% in global equities and 1.95% in non-U.S. equities.

U.S. equities accounted for 64% of non-affiliated GA AUM managed by NISA Investment Advisors, followed by 48% for Dimensional Fund Advisors and 41% for Northern Trust Asset Management. Non-U.S. developed market equities accounted for 81% of non-affiliated GA AUM managed by Mondrian Investment Partners, followed by 29% for Dimensional Fund Advisors and 20% for MFS Investment Management. Hexavest invested 100% of non-affiliated GA assets exclusively in global equities. MFS Investment Management and Lazard Asset Management allocated 35% and 25% of assets to global equities, respectively.

Pathway Capital Management and Unigestion had 100% and 57% of their non-affiliated GA AUM managed in private equity. Principal Global Investors invested 66% of AUM in real estate, followed by 21% for MetLife Investment Management. Private credit accounted for 77% of Securian Asset Management's asset allocation, Ares Management and MetLife Investment Management diversified 50% and 37% of their AUM into this sector. Structured finance was a top pick for Ares Management with 22% of assets invested, and AllianceBernstein looked to emerging market debts with 19% of assets invested.

Non-affiliated GA asset allocation by strategy	
Insurance Asset Manager	U.S. equities
NISA Investment Advisors	64%
Dimensional Fund Advisors	48%
Northern Trust Asset Management	41%
MFS Investment Management	32%
Morgan Stanley	10%
Insurance Asset Manager	Non-U.S. developed markets equities
Mondrian Investment Partners	81%
Dimensional Fund Advisors	29%
MFS Investment Management	20%
TD Asset Management	14%
Unigestion	12%
Insurance Asset Manager	Global equities
Hexavest	100%
MFS Investment Management	35%
Lazard Asset Management	25%
Morgan Stanley	19%
Mondrian Investment Partners	19%
Insurance Asset Manager	Private equity
Pathway Capital Management	100%
Unigestion	57%
Insurance Asset Manager	Real estate
Principal Global Investors	66%
MetLife Investment Management	21%
Securian Asset Management	15%
TD Asset Management	12%
Morgan Stanley	11%
Insurance Asset Manager	Emerging markets debt
AllianceBernstein	19%
Western Asset Management Company	12%
Payden & Rygel	9%
Lazard Asset Management	8%
Insurance Asset Manager	Structured finance
Ares Management Corporation	22%
New England Asset Management	17%
Loomis, Sayles & Company	11%
Payden & Rygel	10%
Guggenheim Investments	9%
Insurance Asset Manager	Private credit
Securian Asset Management	77%
Ares Management Corporation	50%
MetLife Investment Management	37%
Macquarie Asset Management	27%
Voya Investment Management	21%

Only Sage Advisory Services had 5% of assets managed in ETFs. Fifteen insurance managers achieved an 80%+ ESG integration in their investment decision-making process. Ares Management, Conning, Guggenheim Investments, Lazard Asset Management, Mondrian Investment Partners, PIMCO, Pathway Capital Management, Payden & Rygel and Federated Hermes claimed that 100% of their non-affiliated general account assets were managed under ESG principles.

With most employees working remotely during the pandemic and more investment management being outsourced, cyberattack risks keep rising. *P&I's* survey indicates that J.P. Morgan employs 1,331 cybersecurity professional, followed by 160 hired by MetLife Investment Management and 97 hired by Prologis.

Based on the data provided by 24 insurance managers, 269 new non-affiliated clients were gained in 2020, and new non-affiliated GA assets acquired as of Dec 31 totaled \$83.5 billion. BNY Mellon Investment Management gained 49 new clients, followed by 39 for J.P. Morgan and 27 for Ares Management. DWS Group gained \$29.5 billion, followed by \$12.90billion for J.P. Morgan, \$8.4 billion for PGIM and \$6 billion for Voya Investment Management.

Out of 30 insurance managers, the average asset size of non-affiliated clients is \$470 million. PGIM had the largest average non-affiliated GA asset size of \$1.59 billion, followed by PPM America of \$1.33 billion and DWS Group of \$1.11 billion.

Conclusion:

Along with the insurance market expansion, there has been significant growth in non-affiliated general account AUM and the increasing hires of external managers by insurers over the years. The more complex investing and low-interest-rate environment have led insurance managers to question the traditionally overweighted fixed income asset allocation and thus seek to solve the income issues through diversification. Regulations including risk-based capital rules imposed on alternatives as well as each insurer's unique liability structure, return objective as well as risk level determine how differently insurers construct their portfolios.

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Appendix 1:

Chart 1: List of top insurance asset managers by WW AUM

Insurance/reinsurance AUM 12/31/2020 \$ million					
Rank	Insurance Asset Manager	WW AUM	General account	Subadvised	Other
1	Pacific Investment Management Co.	\$652,659	\$600,542	\$35,666	\$16,452
2	Amundi	\$631,849			
3	PGIM	\$620,783	\$458,729	\$7,173	\$154,881
4	MetLife Investment Management	\$568,506	\$492,726		\$75,780
5	Goldman Sachs	\$416,524	\$311,248	\$42,480	\$62,796
6	BlackRock	\$401,155	\$399,671		\$1,484
7	Schroders	\$281,060	\$52,436	\$228,624	
8	DWS Group	\$266,182	\$198,906		\$67,276
9	BNP Paribas Asset Management	\$253,395	\$253,395		
10	J.P. Morgan Asset Management	\$244,577	\$187,420	\$57,157	
11	AllianceBernstein	\$190,599	\$112,903	\$67,375	\$10,321
12	HSBC Asset Management	\$182,398			
13	Wellington Management Group	\$153,440	\$153,440		
14	Guggenheim Investments	\$149,496	\$149,443		\$53
16	Principal Global Investors	\$134,680	\$105,040	\$691	\$28,948
17	Conning	\$134,661	\$134,661		
18	New England Asset Management	\$109,128	\$109,128		
19	Voya Investment Management	\$97,967	\$92,084		\$5,883
20	Western Asset Management Company	\$90,155	\$67,364	\$22,791	
21	PPM America	\$87,725	\$44,431		\$43,294
22	Macquarie Asset Management	\$84,073	\$54,499	\$20,687	\$8,887
23	Morgan Stanley	\$80,822	\$36,080	\$27,919	\$16,822
24	Northern Trust Asset Management	\$69,839	\$64,480	\$5,359	
25	MFS Investment Management	\$47,834	\$5,520	\$40,031	\$2,283
26	PineBridge Investments	\$47,025			
27	BNY Mellon Investment Management	\$46,580	\$46,580		
28	Loomis, Sayles & Company	\$39,842	\$17,933	\$21,909	
29	Securian Asset Management	\$36,369	\$32,102	\$494	\$3,772
30	Ares Management Corporation	\$25,862	\$25,862		

Appendix 2:

Chart 2: List of top insurance asset managers by non-affiliated insurance companies AUM

Rank	Insurance Asset Manager	Non-affiliated insurance companies	Affiliated/parent
1	Goldman Sachs	\$416,458	\$67
2	BlackRock	\$352,645	\$48,509
3	DWS Group	\$266,182	
4	J.P. Morgan Asset Management	\$244,577	
5	PGIM	\$162,054	\$458,729
6	Pacific Investment Management Co.	\$157,278	
7	Wellington Management Group	\$153,440	
8	BNP Paribas Asset Management	\$104,350	\$149,045
9	Western Asset Management Company	\$90,155	
10	HSBC Asset Management	\$85,366	\$97,032
11	Macquarie Asset Management	\$84,073	
12	Morgan Stanley	\$80,822	
13	Conning	\$78,482	\$56,180
14	New England Asset Management	\$76,810	\$32,318
15	MetLife Investment Management	\$75,780	\$492,726
16	AllianceBernstein	\$63,173	\$127,426
17	Amundi	\$62,175	\$464,366
18	Guggenheim Investments	\$51,438	\$98,058
19	MFS Investment Management	\$47,571	
20	BNY Mellon Investment Management	\$46,580	
21	Principal Global Investors	\$42,308	\$92,372
22	Loomis, Sayles & Company	\$39,842	
23	Voya Investment Management	\$29,986	\$67,981
24	Dimensional Fund Advisors	\$25,392	
25	Ares Management Corporation	\$23,618	\$2,243

Appendix 3:

Chart 3: List of top insurance asset managers by non-affiliated GA AUM

Rank	Insurance Asset Manager	Non-affiliated GA
1	BlackRock	\$351,162
2	Goldman Sachs	\$311,181
3	DWS Group	\$198,906
4	J.P. Morgan Asset Management	\$187,420
5	Wellington Management Group	\$153,440
6	Pacific Investment Management Co.	\$105,160
7	BNP Paribas Asset Management	\$104,350
8	PGIM	\$79,550
9	Conning	\$78,482
10	New England Asset Management	\$76,810
11	MetLife Investment Management	\$75,780
12	HSBC Asset Management	\$68,218
13	Western Asset Management Company	\$67,364
14	Macquarie Asset Management	\$54,499
15	Schroders	\$52,436
16	Guggenheim Investments	\$51,385
17	BNY Mellon Investment Management	\$46,580
18	Morgan Stanley	\$36,080
19	AllianceBernstein	\$25,304
20	Voya Investment Management	\$24,103
21	Ares Management Corporation	\$23,618
22	Payden & Rygel	\$22,284
23	Loomis, Sayles & Company	\$17,933
24	TD Asset Management	\$15,213
25	Principal Global Investors	\$12,750

Appendix 4:

Chart 4: List of top insurance asset managers by non-affiliated GA product type

Non-Affiliated GA Insurance Assets					
Insurance Asset Manager	Full life	Property/casualty	Life and health	Reinsurers	Other
DWS Group	\$93,193	\$57,588	\$11,734	\$27,619	\$8,773
J.P. Morgan Asset Management	\$103,009	\$37,299	\$17,226	\$15,912	\$13,974
Wellington Management Group	\$30,162	\$84,239	\$27,540	\$11,498	
Pacific Investment Management Co.	\$29,143	\$40,983	\$16,891	\$18,143	
BNP Paribas Asset Management					\$104,350
Conning	\$22,740	\$46,447	\$3,331	\$5,964	
New England Asset Management		\$57,891	\$9,615	\$9,210	\$94
MetLife Investment Management	\$64,836	\$4,970	\$122		\$5,852
HSBC Asset Management	\$27,151	\$2,513	\$1,352	\$1,137	\$36,065
Western Asset Management Company		\$25,767	\$35,814	\$5,782	
Macquarie Asset Management	\$2,530	\$558	\$48,595		\$2,816
Guggenheim Investments	\$22,941	\$3,952	\$3,021	\$21,472	
BNY Mellon Investment Management					\$46,580
Morgan Stanley		\$805	\$16,733	\$1,332	\$17,210
AllianceBernstein		\$3,047	\$15,532	\$2,603	\$4,122
Voya Investment Management	\$15,244	\$1,155	\$6,632		\$1,071
Ares Management Corporation	\$9,768	\$8,410	\$155	\$2,094	\$3,191
Loomis, Sayles & Company	\$2,903	\$7,883	\$4,789	\$2,357	

Appendix 5:

Chart 5: Non-affiliated GA asset allocation mix

Non-affiliated GA asset allocation %				
Insurance Asset Manager	Fixed income	Equities	Alternatives	Other
Payden & Rygel	100			
Western Asset Management Company	100			
Guggenheim Investments	99.66		0.34	
Voya Investment Management	98.49	0.49	1.02	
Securian Asset Management	98.09	1.9		
Pacific Investment Management Co.	98	<1	1	1
Sit Investment Associates	97.7	2.3		
Conning	96.4	3.6		
Macquarie Asset Management	94.7	5.3		
Loomis, Sayles & Company	94.23	5.77		
New England Asset Management	94	1		5
Sage Advisory Services	94	6		
Wellington Management Group	92.98	6.87	0.15	
BlackRock	87.9	4.5	4.9	2.7
BNY Mellon Investment Management	87	2	4	7
DWS Group	80	12	5	3
Nikko Asset Management	74.26	15.41	0.04	10.29
J.P. Morgan Asset Management	74	4.7	4	17.3
PGIM	67.66	1.85	17.32	13.17
AllianceBernstein	58.3	28.2	13.5	
TD Asset Management	56.35	25.2	16.2	2.25
Lazard Asset Management	55.46	44.54		
MetLife Investment Management	52			48
Northern Trust Asset Management	52	48		
BNP Paribas Asset Management	42.44	15.3	14.2	28.06
NISA Investment Advisors	34	66		
Principal Global Investors	33.87			66.13
Morgan Stanley	20	34	27	19
Dimensional Fund Advisors	10	90		
Ares Management Corporation	9		91	
MFS Investment Management	8.38	91.62		
Unigestion		24	19	57
Hexavest		100		
Mondrian Investment Partners		100		
Federated Hermes	87.1	11.97	0.93	
Pathway Capital Management			100	