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## U.S. Insurance Industry Outsourcing to Unaffiliated Investment Managers

49% of U.S. insurers reported outsourcing to an unaffiliated investment manager as of year-end 2017.

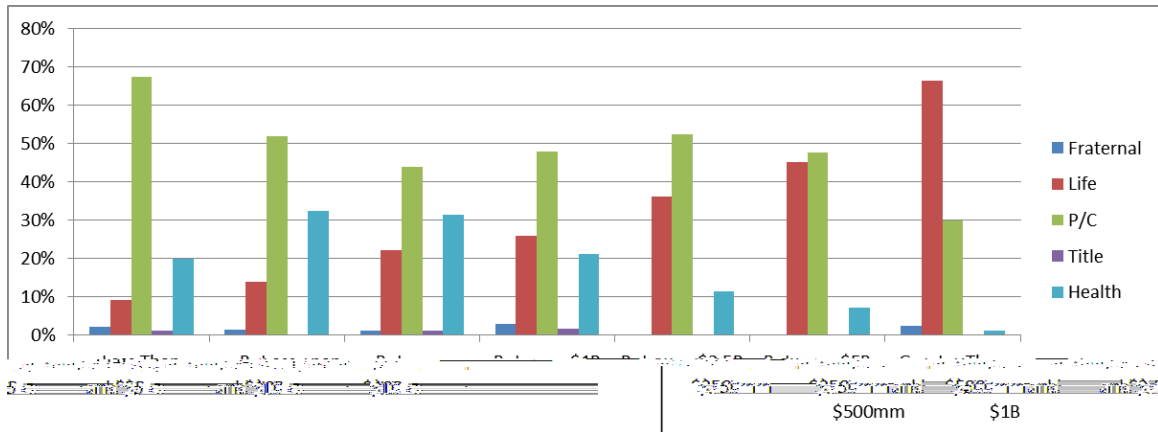
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into private assets such as secured loans, structured products and private debt. As such, the

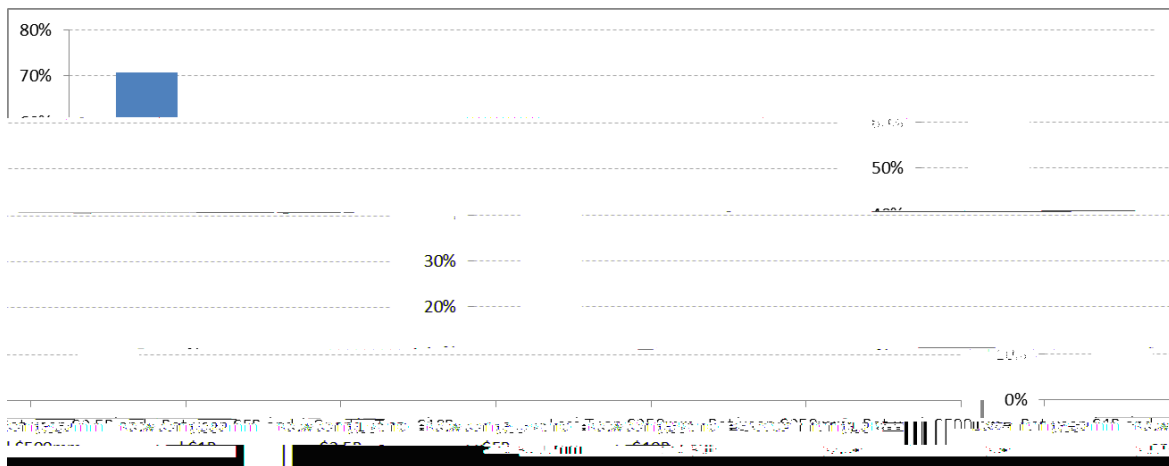


For smaller insurers, outsourcing to an unaffiliated investment manager may represent a more cost-effective way to invest some or all of their assets. An insurer, for example, with limited resources (financial, staff or otherwise) may gain access to greater resources—such as investment expertise and capabilities—at a lower cost by working with an unaffiliated manager. A company with a small asset base may not be able to cost-effectively replicate the skills or deep experience of an unaffiliated investment manager, particularly for specialty asset classes such as high-yield, real estate or private equity.

Among U.S. insurers with up to \$10 billion in AUM, P/C companies accounted for the majority of outsourcing to unaffiliated investment managers, as shown in Chart 2. Among large U.S. insurers (those with assets above \$10 billion), life companies comprised the majority of those that outsourced, at 66% of all large insurers. This trend is a function of the number of insurers within each AUM category, as well as the percentage of the total insurer population that outsources. The number of P/C companies in the U.S. insurance industry is larger than the number of life companies, especially among small insurers, whereas the number of life companies is greater than the number of P/C companies as AUM increases. Chart 2 also shows an increase in life companies that outsource as AUM increases, and a decrease in health companies that outsource as AUM increases.



As of year-end 2017, as shown in Chart 3, small insurers accounted for 71% of insurers that had more than 10% of their assets managed by a single unaffiliated investment manager, which was unchanged from year-end 2016. Additionally, the percentage of small insurers that outsourced more than 50% of their assets to unaffiliated investment managers was 72% at year-end 2017, compared to 73% in 2016.



P/C companies accounted for an average 61% of insurers with AUM of \$10 billion or less that outsourced more than 50% of their assets to unaffiliated investment managers. Among large insurers, life companies accounted for 73% that outsourced more than 50% of their assets to unaffiliated investment managers.



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