

Viewpoint

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ASSET MANAGEMENT | WHITE PAPER

Investment Risk Survey: Insurer Optimism Cools on Markets, Adding Risk; Private Assets Still an Interest but Inflation No Longer a Leading Concern

By Matt Reilly, Head of Insurance Solutions

U.S. insurers appear to remain generally optimistic about investment conditions for 2025 (see Figure 1) and expect to continue to take on more investment risk, according to a recent survey of 310 investment decision makers in the U.S. insurance industry commissioned by Conning.¹

The recently completed election season also seems to be weighing on insurers' minds as the domestic political environment was the top portfolio concern of 10 choices listed, even though the survey was conducted after the November 2024 elections. Portfolio yields and market volatility were tied as the second greatest concern. Inflation, which had ranked as the top concern in Conning's previous three investment risk surveys, fell to seventh among respondents.

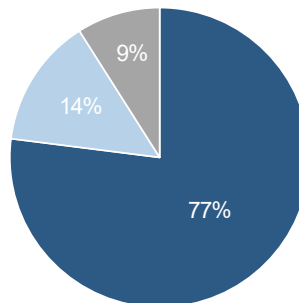
Insurers continue to express interest in private assets and expect their current exposures to grow. The bulk of respondents - 71% - currently have between 5% and 20% in private assets. In two years, a majority - 63% - expect to have between 10% and 25% in private assets.

The majority of respondents also said they expect to maintain or increase duration in 2025 as well as exposure to floating-rate assets, and almost all are confident they can meet the liquidity demands of their business.

Figure 1 - Optimistic About 2025 Investment Environment

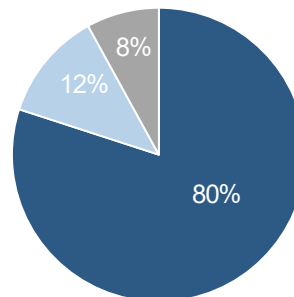
Is your firm optimistic, pessimistic or uncertain about what to expect in terms of the investment climate in the year ahead?

2024 Survey (outlook for 2025)



■ Optimistic
■ Pessimistic
■ Uncertain about what to expect

2023 Survey (outlook for 2024)



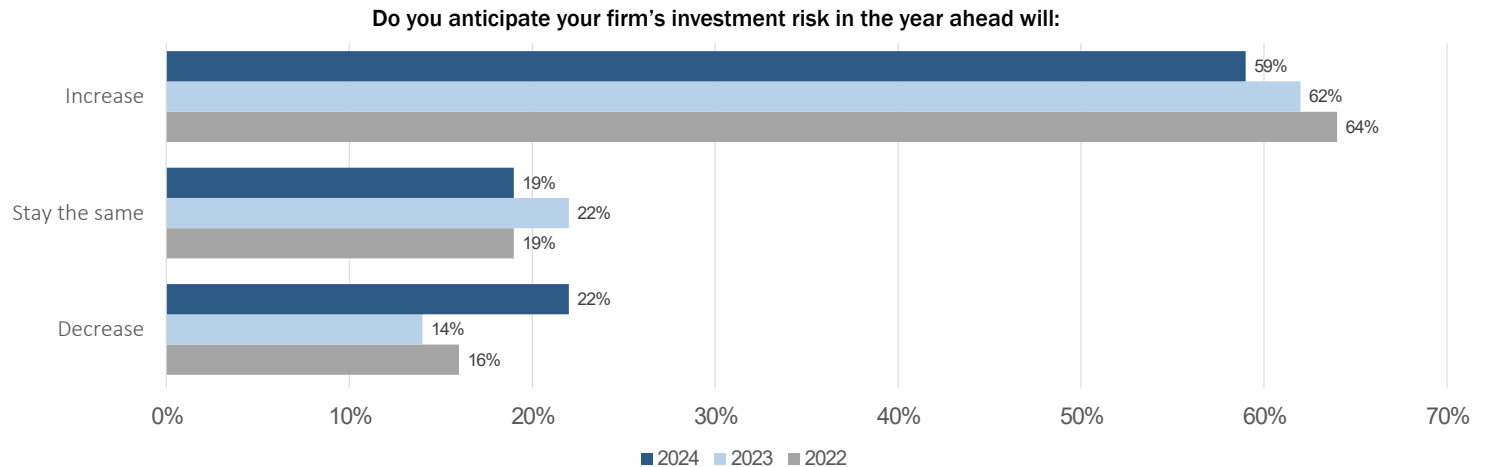
Prepared by Conning, Inc. Source: ©2025 Conning, Inc. The Conning U.S. Insurers Survey – Investment Focus utilized survey technology provided by Qualtrics, LLC.¹ Results may not be representative of any one respondent's experience as they reflect an average of all, or a sample of all, of the experiences of surveyed U.S. insurance company decision makers.

Optimism, Less Inflation Concern, Comfort with Liquidity

Overall, the respondent group remained optimistic regarding the investment environment in 2025, although as Figures 1 shows the optimism has slipped a few points since the last survey and pessimism has risen slightly.

For the third year in a row, the majority of respondents also said they expect to increase their investment risk in the year ahead (see Figure 2), although their inclination has been easing over the past three surveys. Respondents with the largest firms were the least likely to increase risk and the most likely to decrease investment risk. Those outsourcing asset management were also more likely to decrease investment risk than those managing assets internally.

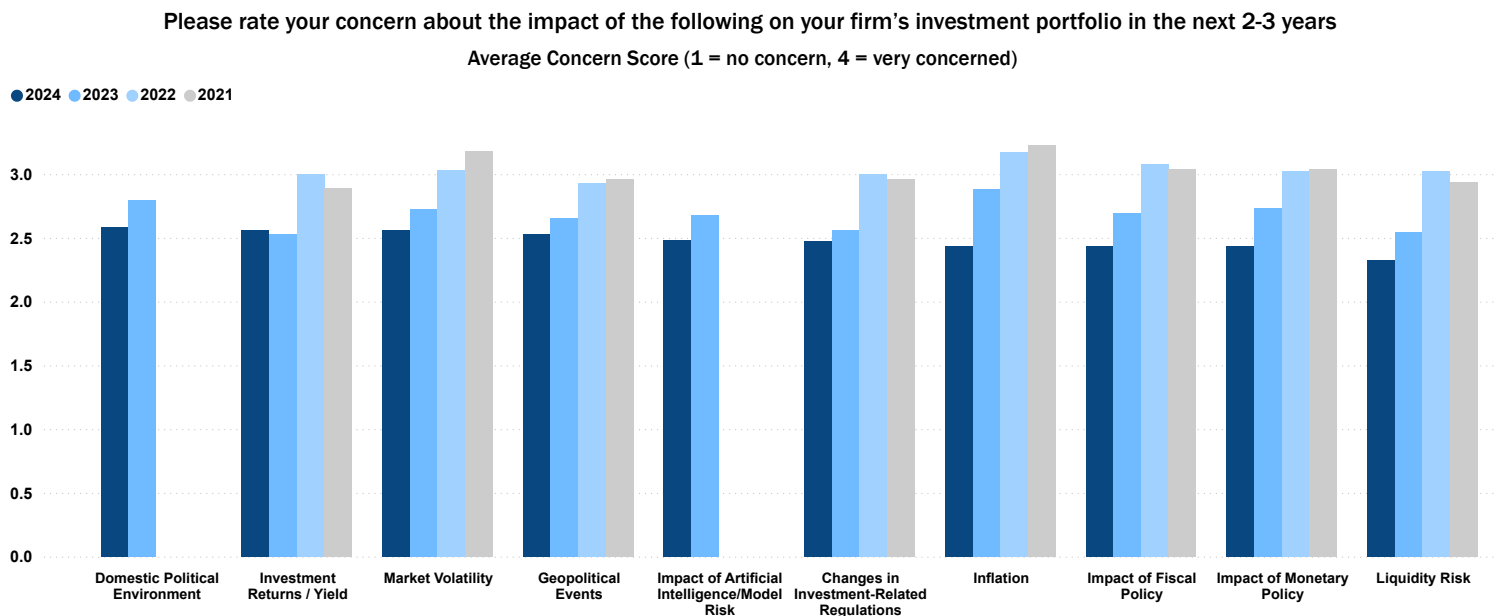
Figure 2 - Expect to Take on More Investment Risk



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A major change in the leading portfolio concerns during the next two to three years among respondents was the significant decline in inflation worries, which had been the top concern among respondents the past three surveys (and remained the primary worry for the smallest firms). Of a list of 10 portfolio concerns, the domestic political environment was first, followed by investment yields and market volatility (tied), geopolitical events and the impact of artificial intelligence/model risk (see Figure 3).

Figure 3 - Inflation Concerns Recede; Politics, Yields, Volatility Lead



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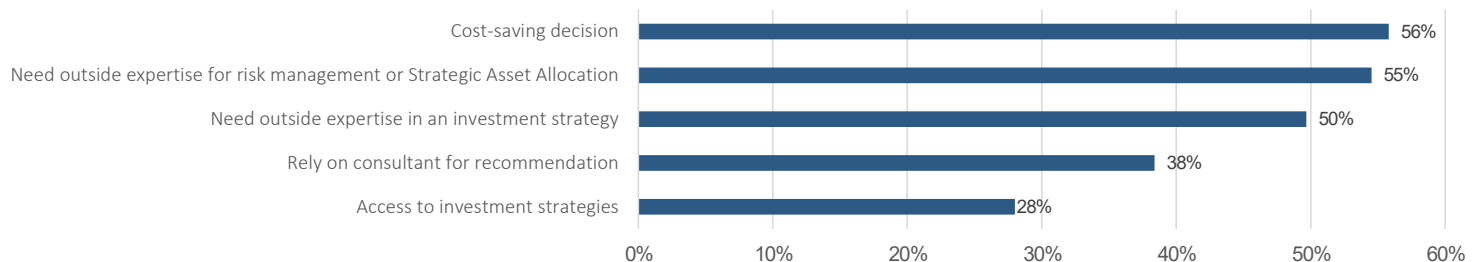
The political environment category was added in the prior year's survey and proved to be a major worry again in this survey, although it was not a leading concern for the largest insurers, who identified yields and market volatility as their top threats. Monetary policy rated among the lowest in the list of concerns (except for insurers with between \$5 billion and \$10 billion assets).

Liquidity was the lowest concern (it was slightly higher for property-casualty firms than life), a point to note given the increasing interest in adding less liquid private assets to portfolios. In separate questions, respondents voiced confidence in having the necessary portfolio liquidity to meet business needs. Nearly half - 48% - said their portfolios had an appropriate amount of liquidity, and 30% said they had too much. Only 12% said they had too little. And the vast majority - 92% - agreed or strongly agreed that their companies are well positioned to address liquidity needs for their operations.

Cost control and the need for expertise in analytical capabilities in risk management and asset allocation remained the top reasons for insurers to outsource asset management (see Figure 4). The next greatest reason to consider outsourcing was accessing different investment strategies.

Figure 4 - Drivers of Outsourcing Decisions

Which attributes does your firm consider in order to determine outsourcing its investment assets?



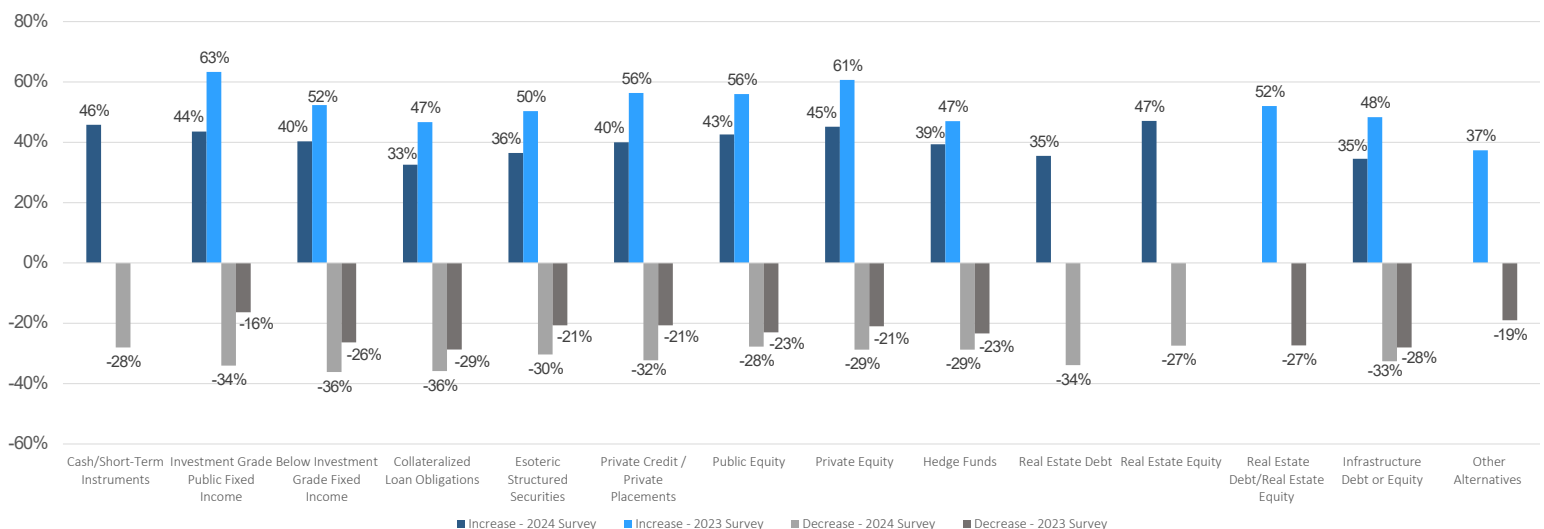
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Patience with Asset Allocation, Seeking More Private Assets

Respondents also indicated they do not anticipate a rush into particular asset classes, another sign of restraint compared to the prior year's survey, as we illustrate in Figure 5. For example, 63% of respondents to Conning's 2023 survey expected to increase exposure to investment-grade fixed income, not surprising given the opportunities apparent from rising yields in late 2023. Six other categories saw at least 50% of respondents expect to increase exposures. In our most recent survey however, none of the 12 asset classes listed saw more than 47% of insurers expecting to add exposure; responses generally were higher in the "no change" or "decrease" options in comparison to the prior year results.

Figure 5 - Asset Allocation Considerations for 2025

What changes do you expect in your asset allocation in 2025?
(% who expect to increase or decrease allocations to each asset category)



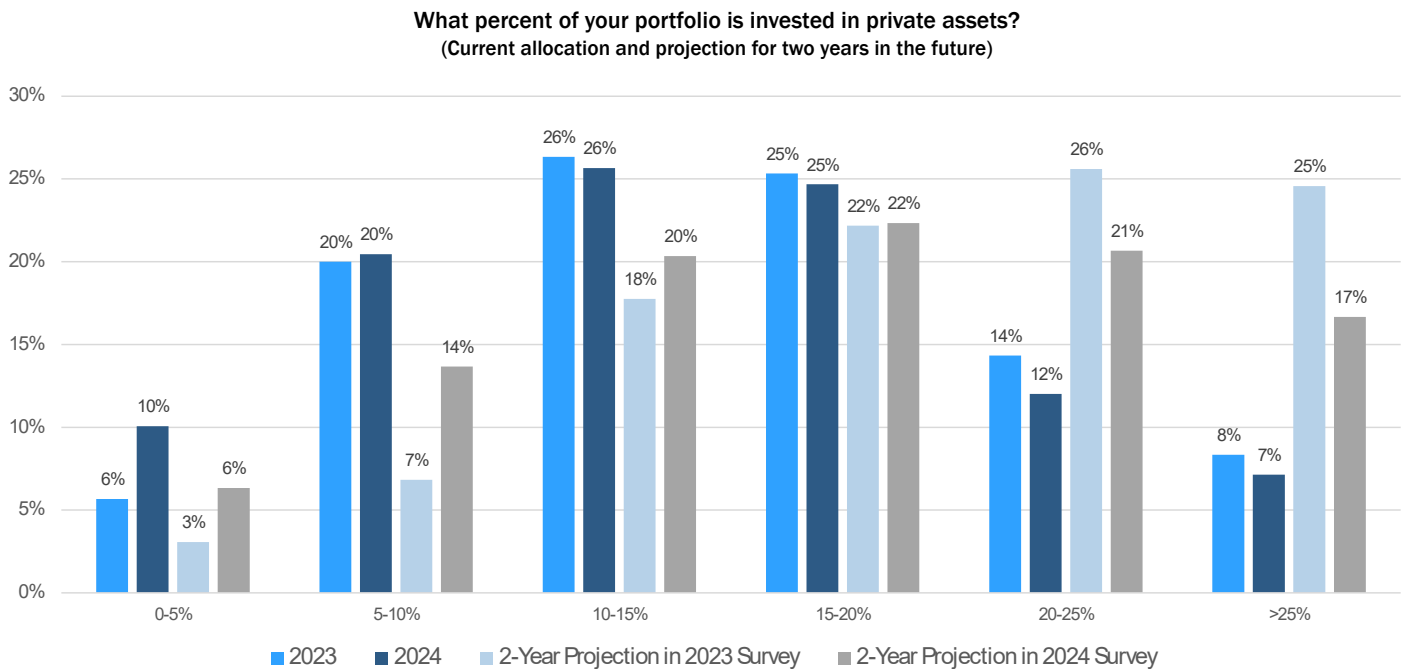
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However, momentum appears to remain for moves into private assets.

The exposures to private assets from our most recent survey respondents almost matched the prior year's survey, with 71% currently holding between 5% and 20%. While respondents expect moderate growth in their exposures, there was some tempering at the higher end: 17% expect to have 25% or more in the asset class, down from the 25% who projected this level of exposure in the prior year's survey (see Figure 6).

Private assets are not without their own risks, as insurers know, and tops among them for respondents was the impact on liquidity; 31% said they were "very concerned" about it, clearly an area of focus for insurers given their stated comfort with current portfolio liquidity overall. Concern about sourcing private assets, having data/analytics to support them, and management/board approval, were less of a concern.

Figure 6 - Private Assets Remain Area of Interest



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Floating Rate Strategies and Duration

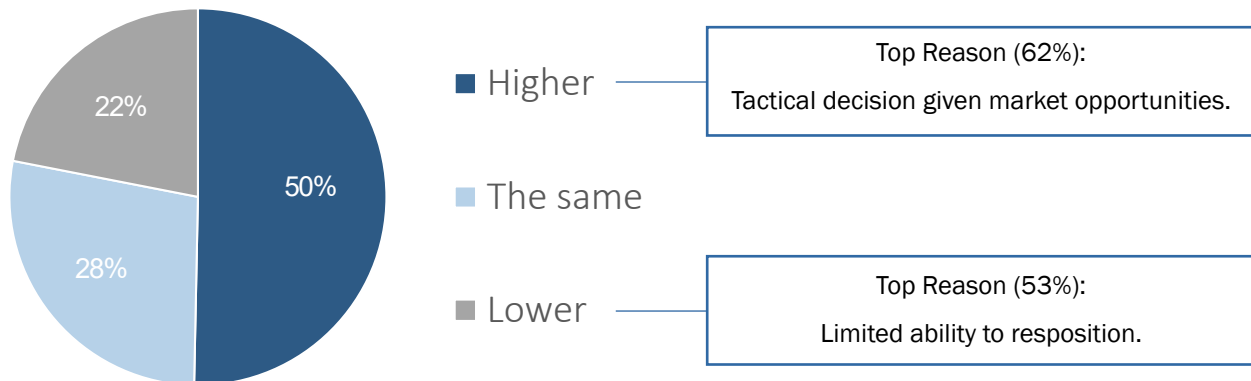
Responding to a separate question, the large majority of those surveyed said U.S. Federal Reserve policy affects their investment strategy "moderately" or "significantly," and Fed policy has a significant impact on floating-rate strategies. In the year ahead, 53% said they expect to increase exposure to floating-rate strategies and another 25% said their exposure will remain the same.

And while insurers expect to increase exposure to shorter-duration floating-rate assets, overall duration is expected to increase, suggesting the duration barbell will be popular this year. A number of insurers in 2024 sought to extend duration in the portfolio, a strategy that appears popular for 2025: nearly two thirds of insurers - 64% - said they expect to increase duration this year, and only 14% expect to decrease.

Market conditions in 2024 seemed to suggest that portfolio turnover might be on the rise, and half of all respondents confirmed that they had more turnover in 2024 than the prior year; only 22% said it was lower, with 28% saying it was the same (see Figure 7). Of those who had more turnover, the leading reason - 62% - was a tactical decision given market opportunities. Of those who had lower turnover, their leading reason - 53% - was a limited ability to reposition. In both groups, change in risk preference was the least-chosen reason.

Figure 7 - Portfolio Turnover Comparison, 2023-24

In 2024, the turnover in our portfolio compared to 2023 was



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A Continued Need for Custom Solutions

Conning's survey finds that insurers remain a generally optimistic group but do see challenges in the year ahead. While the scourge of inflation appears to have eased, at least for the time being, and interest rates have declined, uncertainty remains over the future direction of rates and the potential for volatility, both in markets and the political environment. Insurers continue to broaden and diversify their portfolios and are expressing clear interest that they expect to add more private assets, and they will likely be careful to assure that they can maintain their confidence in meeting their companies' needs for liquidity.

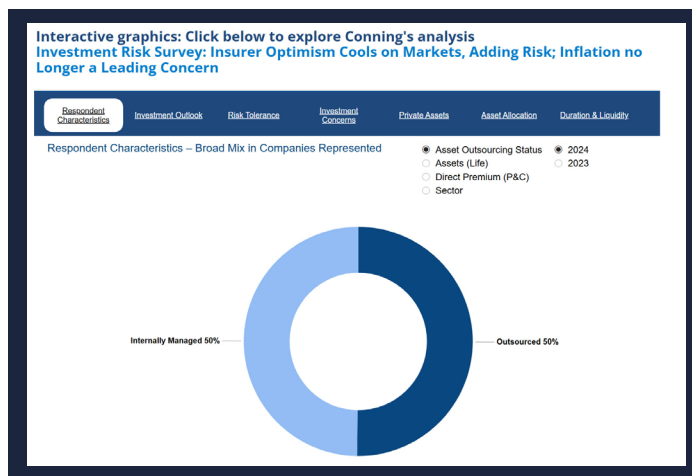
The circumstances of each insurer's business goals, risk tolerance, and book of business help reinforce the view that insurers often require customized solutions to address their unique needs. They may be best served by investment managers with a deep understanding of the nuances of insurance asset management to help them develop valued investment strategies and navigate any volatility that may arise.

A Closer Look at Select Findings

View Our Interactive Survey Results

Please visit our [website](#) to view some of the survey results in an interactive format.

You may also scan the QR code below to access the interactive charts.





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About Conning

Conning (www.conning.com) is a leading investment management firm with a long history of serving insurance companies and other institutional investors. Conning supports clients with investment solutions, risk modeling software, and industry research. Founded in 1912, Conning has investment centers in Asia, Europe and North America. Conning is part of the Generali Group.

Footnote:

¹ In 2024, surveys were sent to approximately 2,000 U.S. insurance company investment professionals and yield 310 responses. In 2023, surveys were sent to approximately 2,000 U.S. insurance company investment professionals and yielded 300 responses. In 2022, surveys were sent to approximately 4,000 U.S. insurance company decision makers with 303 qualified responses. 2021 survey was sent to approximately 7,000 U.S. insurance company decision makers with 280 qualified responses. Qualtrics, LLC was paid a fee for services rendered.

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