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Trend Review
August 5, 2025

Growing Number of Insurers Outsourcing Their Investment Management Needs

A competitive annuity market leads more mid-sized insurers to utilize outside investment managers

Principal Takeaways

- The number of insurers outsourcing investments to asset managers continues to grow, particularly in the life/annuity (L/A) industry.
- More private equity/asset manager (PE/AM) companies have been investing in L/A insurers, and in some instances the PE/AM company manages a significant portion of the insurers portfolio.
- The investment shift by the L/A insurance industry to structured assets, private credit, and other alternative asset classes has led to a greater need for this investment expertise, which may not lie with in-house investment management teams.
- Property and casualty insurers are more likely to use unaffiliated investment managers, but growth has been stagnant.

The percentage of insurers outsourcing investments to asset managers continued to rise in 2024. PE/AM companies that are acquiring annuity companies are engaged in these transactions for a strategic fit and it also provides the asset managers with a steady stream of assets to manage. In order to compete with the aforementioned annuity companies and offer the same kind of crediting rates, mid-sized companies with lesser investment resources turn to external asset managers for their niche investment managers so that they remain competitive in the annuity market.

Mid-Sized Carriers Drive the Rise

Based on 2024 data aggregated from the annual NAIC statutory statements, General Interrogatories line 29.05, more than 43% of life/health (L/H) insurers relied on a single third-party investment manager to actively manage at least 10% of their invested assets, up from 32% in 2016 (**Exhibit 1**). Similarly, the percentage of insurers using one or more unaffiliated investment managers to manage more than 50% of invested assets has risen steadily, to 35.5%, from 26.8% in 2016.

Exhibit 1
Insurers Continue to Outsource Investment Management
%

	Outsourcing >10% Invested Assets to One Manager	
	L/H Insurers	P/C Insurers
2016	32.1	55.6
2017	32.2	55.6
2018	35.5	50.3
2019	36.7	49.0
2020	38.6	49.7
2021	39.4	49.3
2022	40.0	48.9
2023	41.1	49.9
2024	43.1	50.8

	Outsourcing >50% of Total Invested Assets	
	L/H Insurers	P/C Insurers
2016	26.8	44.9
2017	27.2	44.5
2018	30.0	39.4
2019	30.4	40.3
2020	32.1	42.1
2021	32.5	42.6
2022	33.4	43.0
2023	34.6	43.6
2024	35.5	44.9

Source: BESTLINK

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Companies of all sizes use unaffiliated investment managers, though the largest and smallest insurers comprise a smaller share of outsourcing more than 50% of invested assets to asset managers. Mid-sized L/H insurers more frequently outsource more than half of their invested assets.

For insurers in the middle, outsourcing

to unaffiliated investment managers tends to be an avenue to remain competitive and maintain adequate spreads, translating to a cost-effective way to manage their assets. Larger insurers usually have sophisticated affiliated or in-house investment shops with significant expertise, while smaller insurers may have a limited infrastructure and lack the expertise or capabilities to cover diverse asset classes. Partially driven by the growth in structured assets and private credit, even larger market players are using outside managers to source and manage certain investments for higher yields (**Exhibit 2**).

Competitive Annuity Growth Leads to More Outsourcing

P/C lines tend to have a larger share of those companies outsourcing more than 50% of their invested assets. With a focus on underwriting expertise and profitability, P/C companies generally find it more cost-effective and beneficial to outsource investment management functions. This is particularly true for P/C companies with longer tail liabilities, such as medical professional liability (MPL), and workers' compensation.

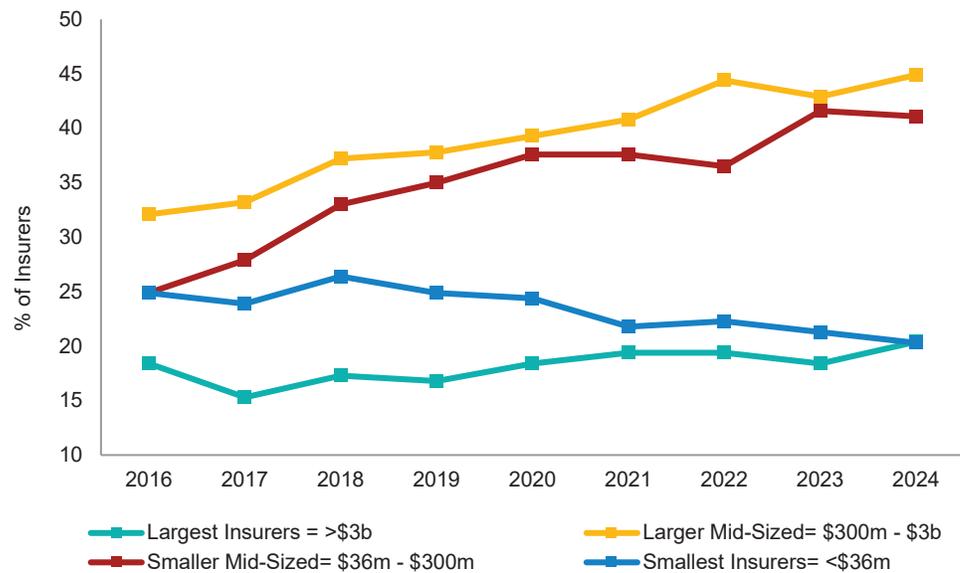
Individual annuity companies unaffiliated with larger groups are more likely to outsource over 50% of invested assets (49%) than those affiliated with larger groups (27%). Those unaffiliated companies may feel competitive pressures on crediting rates from larger companies, some of which may be backed by private equity or asset managers with significant investment expertise, and determine the best approach is to outsource their investment management to stay competitive and maintain adequate spreads.

Asset Managers Help Some Insurers Diversify into Structured Asset Markets

Over half of the asset managers listed in the 2024 annual NAIC statement General Interrogatories line 29.05 with the ability to make investment decisions are identified as unaffiliated, while affiliated and individuals comprise about 22% each. Nearly two-thirds of companies list just one investment manager that has authority to make investment decisions, while roughly 10% of companies list five or more managers. BlackRock is the most listed investment manager, by nearly 10% of companies. The top five

Exhibit 2

% Insurers That Outsource > 50% of Invested Assets by Size of Invested Assets



Source: AM Best data and research

investment managers manage assets for over one-third of insurers with decision-making capabilities (**Exhibit 3**).

The selection of an asset manager has a material impact on performance over time, especially in the private and alternative asset classes. Once an insurer determines allocation as well as risk tolerance, they will look for a manager with a proven track record of performance. If performance declines, insurance companies may scale back their investments if higher returns are available in traditional markets. Insurers, while maintaining a focus on diversification, typically prefer to invest with managers they have had success with in the past. On the other hand, asset managers are more likely to prioritize insurers who have stayed committed during periods of volatility, which is increasingly common in the current market environment.

Life/health insurers that use third-party asset managers may be able to access the capability to invest in more complex asset classes, such as various asset-backed securities (ABS) and private credit, that they may not otherwise have access to. Insurance companies that use unaffiliated investment managers to manage at least 50% of their invested assets in 2024 were more active in these asset classes compared to companies that do not. These insurers had an average of 16% of invested assets allocated into the residential, commercial, and other mortgage-backed securities markets as of year-end 2024, whereas companies that choose to invest the majority of their assets themselves had allocated under 12% to the same asset classes. We did not observe a stark difference in asset allocations for similar analysis for P/C companies (**Exhibit 4**). A similar dynamic occurs for P/C insurers, whereby those companies that outsource more than half of their invested assets to investment managers tend to have higher allocations to structured securities.

Exhibit 3

Investment Managers That Have Investment Decision Making Authority for More than 50 Insurance Companies*

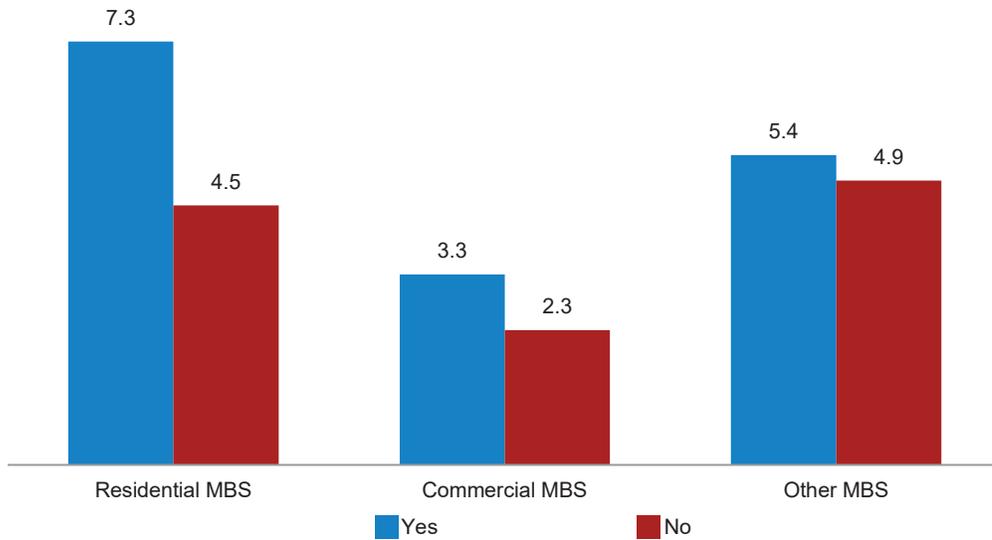
Company	# of Insurers	% of Insurers that Outsource
BlackRock	312	9.5
New England Asset Management	250	7.6
Conning Asset Management	206	6.3
Wellington Management	201	6.1
JP Morgan	167	5.1
Asset Allocations & Management	140	4.3
Goldman Sachs	136	4.1
DWS	110	3.3
Pimco	109	3.3
Liberty Mutual Asset Management Group	91	2.8
Sun Life Capital Management	84	2.6
Loomis Sayles	80	2.4
Voya Investment Managers	76	2.3
Apollo	76	2.3
Metlife	67	2.0
Morgan Stanley	63	1.9
Allstate Investments LLC	60	1.8
Northern Trust Company	60	1.8
Brown Brothers Harriman & Co	53	1.6
Income Research and Management	52	1.6

* Excludes individuals

Source: AM Best data and research

Exhibit 4

Average Asset Allocations for L/H Insurers Using Unaffiliated Investment Managers for >50% of Invested Assets



Source: AM Best data and research

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