The NAIC Capital Markets Bureau monitors developments in the capital markets globally and analyzes their potential impact on the investment portfolios of U.S. insurance companies. Previously published NAIC Capital Markets Bureau Special Reports are available via its web page and the NAIC archives (for reports published prior to 2016).

U.S. Insurers’ Outsourcing to Unaffiliated Investment Managers Holds Steady at Year-End 2023

Analysts: Jennifer Johnson and Jean-Baptiste Carelus

Executive Summary

- The number of U.S. insurers that reported outsourcing investment management to an unaffiliated firm at year-end 2023 remained relatively consistent with year-end 2022, increasing only by less than 1% (to 2,356 from 2,339).
- Property/casualty (P/C) companies accounted for 58% of U.S. insurers that outsourced to unaffiliated investment managers, a small percentage increase from year-end 2022.
- Small insurers, or those with less than $250 million in assets under management (AUM), accounted for the largest percentage (61%) of the total number of U.S. insurers that outsourced investment management at year-end 2023.
- At year-end 2023, nearly 90% of U.S. insurers who outsourced to an unaffiliated investment manager had more than 10% of their assets managed by a single investment manager, which was slightly higher than at the end of 2022.
- The top 10 reported unaffiliated investment management firms have not changed over the last three years ending year-end 2023; the most-named firm has not changed over the past five years.

The number of U.S. insurers that outsource investment management capabilities increased slightly and accounted for half of all U.S. insurers that filed annual statements with the NAIC at year-end 2023. The percentage was the same as it was at year-end 2022, as well as the two years prior. The number of U.S. insurers that outsource investment management capabilities has been on the rise, as insurers had increased exposure to nontraditional, higher-yielding alternative investments during a lower-for-longer interest rate environment. In turn, insurers require particular expertise and infrastructure to manage these assets, especially when they lack the necessary in-house capabilities.
Per the NAIC Annual Statement Instructions, U.S. insurers must disclose certain data on unaffiliated investment managers, such as whether more than 10% or more than 50% of their investment portfolios are managed by a third party. U.S. insurers are not, however, required to report the actual book/adjusted carrying value (BACV) of the outsourced assets. In addition, not all U.S. insurers include investment management firm names in their annual reporting.

The total number of U.S. insurers that outsourced investment management increased to 2,356 in 2023 from 2,339 in 2022 (refer to Table 1), but the percentage of insurers that reported outsourcing investment management was consistent year over year (Y/O/Y). About 58% of U.S. insurers that outsourced investment management were property/casualty (P/C) companies, which was a slight increase from 57% in 2022. P/C companies that outsourced investment management capabilities in 2023 represented 30% of the total number of U.S. insurers, compared to 29% in 2022. Y/O/Y, the number of P/C companies that outsourced investment management increased to 1,366 in 2023 from 1,343 in 2022.

### Table 1: U.S. Insurers Outsourcing to Unaffiliated Investment Managers: 2023 and 2022

<table>
<thead>
<tr>
<th>Statement Type</th>
<th>Number of U.S. Insurers Outsourcing</th>
<th>Percent of Total U.S. Insurers Outsourcing</th>
<th>Percent of All U.S. Insurers</th>
<th>Number of U.S. Insurers Outsourcing</th>
<th>Percent of Total U.S. Insurers Outsourcing</th>
<th>Percent of All U.S. Insurers</th>
</tr>
</thead>
<tbody>
<tr>
<td>P/C</td>
<td>1,366</td>
<td>58%</td>
<td>30%</td>
<td>1,343</td>
<td>57%</td>
<td>29%</td>
</tr>
<tr>
<td>Health</td>
<td>565</td>
<td>24%</td>
<td>12%</td>
<td>570</td>
<td>24%</td>
<td>13%</td>
</tr>
<tr>
<td>Life</td>
<td>402</td>
<td>17%</td>
<td>9%</td>
<td>405</td>
<td>17%</td>
<td>9%</td>
</tr>
<tr>
<td>Title</td>
<td>23</td>
<td>1%</td>
<td>1%</td>
<td>21</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>Total</td>
<td>2,356</td>
<td>100%</td>
<td>51%</td>
<td>2,339</td>
<td>100%</td>
<td>51%</td>
</tr>
</tbody>
</table>

Note: The total number of U.S. insurers filing annual statements was reported to be 4,576 in 2023 and 4,554 in 2022. Numbers in the table have been rounded.

Health companies were the second-largest type of insurer to outsource investment management, accounting for 12% of all U.S. insurers or 24% of the U.S. insurers that reported outsourcing investment management. The latter percentage was consistent with the same figure at year-end 2022. While a small increase in the number of U.S. insurers outsourcing investment management occurred across P/C and title companies Y/O/Y, a small decrease occurred in the number of life and health companies.

### Small Insurers Continue to Dominate Outsourcing Investment Management

As in previous years, small insurers accounted for the largest number of U.S. insurers that outsource investment management to unaffiliated investment managers at year-end 2023. That is, 61% of the total number of U.S. insurers that reported outsourcing to an unaffiliated investment manager at year-end 2023 were small insurers, which was a slight decrease from 62% at year-end 2022. (Refer to Chart 1 and Chart 2.) Countering this decrease was a small increase in the percentage of insurers with $250 million to $500 million assets under management (AUM) that reported outsourcing to an unaffiliated investment manager (12% at year-end 2023 up from 11% at year-end 2022).
For small insurers, outsourcing investment management could be a more cost-effective way to manage some or all of their assets, rather than attempting to replicate the necessary skills or experience in-house. This might be because some smaller insurers lack access to the resources needed for investment expertise and capabilities. This was particularly true when insurers increased investing in specialty or nontraditional asset classes, such as alternative investments, when interest rates were low for longer than anticipated.

Among small insurers, P/C companies represented the majority, or 66%, of those that outsourced investment management at year-end 2023, compared to 62% of small P/C insurers that outsourced...
investment management at year-end 2022. Note that the number of P/C companies in the U.S. insurance industry is greater than the number of life companies.

**Vast Majority Outsource At Least 10% of Assets to a Single Investment Manager**

About 89% of U.S. insurers that outsourced to an unaffiliated investment manager (2,086) did so with a single investment manager for more than 10% of their assets at year-end 2023. This is a slight increase from 87% at year-end 2022 and also represents an increase in the number of U.S. insurers that outsourced more than 10% of their assets.

Similar to year-end 2022, small insurers accounted for two-thirds of all U.S. insurers that reported more than 10% of their assets were managed by a single unaffiliated investment manager in 2023. (Refer to Chart 3.) And insurers having less than $500 million in AUM accounted for almost 80% of U.S. insurers that reported more than 10% of their assets were managed by a single unaffiliated investment manager at year-end 2023 (which was also the same as year-end 2022). Large life companies tend to not account for a large portion of insurers that outsource (1% of the total) partly due to an increasing affiliation with, and/or acquisitions by, private equity firms that they leverage for investment management capabilities.

**Chart 3: U.S. Insurers Outsourcing At Least 10% of Their Assets to a Single Investment Manager (%), Year-End 2023**

Among the small insurers that outsourced at least 10% of their assets to a single investment manager in 2023, P/C companies accounted for the largest industry type at 66% of the total, which was consistent with year-end 2022. Health companies followed at 21%, which was one percentage point higher than year-end 2022.
Small Increase in Proportion of U.S. Insurers Outsourcing More Than 50% of Assets to a Single Investment Manager

The number of insurers that outsource more than 50% of assets to a single asset manager increased to 1,727 at year-end 2023 from 1,693 at year-end 2022. That is, at year-end 2023, about 73% of U.S. insurers that reported outsourcing investment management capabilities outsourced more than 50% of their assets to unaffiliated investment managers, compared to 72% at year-end 2022.

Consistent with year-end 2022, small insurers accounted for 69% of insurers that outsourced investment management for more than 50% of their assets at year-end 2023. (Refer to Chart 4.) In addition, similar to year-end 2022, insurers with less than $500 million in AUM accounted for about 80% of U.S. insurers that outsourced more than 50% of their assets to unaffiliated investment managers at year-end 2023.

Chart 4: U.S. Insurers by Total AUM Outsourcing At Least 50% of Their Total Assets, Year-End 2023

Within small insurers, P/C companies accounted for 69% of those that outsourced more than 50% of their assets to unaffiliated investment managers at year-end 2023. Health companies accounted for 18% of total small insurers outsourcing more than 50% of assets to unaffiliated investment managers at year-end 2023, down from 21% the year prior.

Most-Named U.S. Insurer Unaffiliated Investment Managers

The top 10 unaffiliated investment managers reported by U.S. insurers at year-end 2023 have been unchanged over the past three years. BlackRock maintains the top listing, followed by Conning Asset Management and New England Asset Management (NEAM). BlackRock has consistently been the most-named manager throughout the past five years leading up to 2023.
Table 2: Investment Managers Most Often Listed by U.S. Insurers, 2019–2023

<table>
<thead>
<tr>
<th>Most Listed Investment Firms</th>
<th>2023 Rank</th>
<th>2022 Rank</th>
<th>2021 Rank</th>
<th>2020 Rank</th>
<th>2019 Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Black Rock Financial Management, Inc.</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
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<tr>
<td>Conning Asset Management</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>New England Asset Management, Inc. (NEAM)</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Wellington Management Co.</td>
<td>4</td>
<td>4</td>
<td>4</td>
<td>6</td>
<td>7</td>
</tr>
<tr>
<td>J.P. Morgan Asset Management Inc.</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>Goldman Sachs Asset Management</td>
<td>6</td>
<td>6</td>
<td>6</td>
<td>8</td>
<td>9</td>
</tr>
<tr>
<td>Asset Allocation &amp; Management Co. LLC (AAM)</td>
<td>7</td>
<td>7</td>
<td>7</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>DWS Investment Management Americas</td>
<td>8</td>
<td>8</td>
<td>8</td>
<td>7</td>
<td>5</td>
</tr>
<tr>
<td>Pacific Investment Management Co (PIMCO)</td>
<td>9</td>
<td>9</td>
<td>9</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>Loomis, Sales &amp; Company, L.P.</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td>NA</td>
<td>NA</td>
</tr>
</tbody>
</table>

Outsourcing Investment Management Trends

A market value decline on fixed income (i.e., rising interest rates) and equity markets in 2022 resulted in a slight decrease in total global insurer AUM that were outsourced to third-party asset managers for the first time in a decade. According to the Insurance Asset Outsourcing Exchange’s1 annual survey, total global AUM decreased to $3.2 trillion2 in 2022 from $3.4 trillion in 2021 (refer to Chart 5). In addition to the number of insurers outsourcing investment management, the number of investment managers managing insurer assets also increased YOY. The increase in the number of insurers outsourcing is attributed to the rise in private investment allocations by insurers due to persistent, low yields over the past 10 years. In addition, North American insurers accounted for 55% of total global AUM outsourced (or $1.7 trillion), according to the same survey. (Refer to Chart 6).

Chart 5:

![Chart 5: Insurance AUM Reported over Time](source)

Source: Clearwater Analytics

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2 If the lost market value was added back to AUM, total global insurer AUM that were outsourced to third-party asset managers would have totaled $3.7 trillion in 2022.
Over the last decade, outsourced insurer AUM have doubled, growing from $1.4 billion globally in 2013. The increasing outsourced AUM trend coincides with insurers’ increased exposure to alternative investments and, more recently, private credit, even though U.S. insurers’ core investments continue to be in fixed income.

The NAIC Capital Markets Bureau will continue to monitor trends in the outsourcing of investment management for U.S. insurer assets and report as deemed appropriate.

Questions and comments are always welcome. Please contact the Capital Markets Bureau at CapitalMarkets@naic.org.

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