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## Insurers fret about meeting 'return targets': Cerulli

By Editorial Staff    *Wed, Dec 15, 2021*

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*'Eighty-one percent of insurers are concerned about meeting return targets given the low interest rates,' Cerulli's latest products report said. It also documented heavy outflows from low-volatility ETFs.*

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ETF asset growth during October nearly reached 6.0% as assets climbed to just below the \$7.0 trillion mark, according to the latest issue of *The Cerulli Edge—U.S. Monthly Product Trends*, which analyzes mutual fund and exchange-traded fund (ETF) product trends.

Asset growth on the mutual fund side was slower, but still an impressive 3.8% during the month, Cerulli found. Total mutual fund assets now rest at \$20.8 trillion. Net flows were positive across both mutual funds (\$4.9 billion) and ETFs (\$79.1 billion).

A vast majority of insurers (81%) are concerned about their ability to meet return targets given the historically low interest rate environment. The National Association of Insurance Commissioners institutes risk-based capital requirements that obligate insurers to hold a certain level of capital to offset potential losses based on the credit quality of their investment holdings. Without the ability to “move up the risk spectrum” by investing in high-yield fixed-income products, insurers expect to increase their use of private structured products. These are considered high-quality investment-grade products that provide a relatively higher yield than publicly traded investment-grade fixed income.

After inflows in January and February 2020, low volatility ETFs have endured 19 straight months of outflows, while low volatility mutual funds have suffered 11 straight months of outflows since October 2020. Managers hoping to reinstate confidence in their funds will need to work to ensure proper education for investors, aligning a proper understanding of how the fund functions with investor expectations.

If market volatility remains low, it is unlikely we'll see the trend of outflows reverse in a meaningful way in the near term. However, a reversal in bull market conditions may spur demand for the category, provided investors have relinquished their distaste for the products.