
Outsourcing will persist in management of insurer general account assets: Cerulli

By Editorial Staff *Thu, Feb 1, 2018*

The 'pause that refreshes,' said the old Coca-Cola tagline. That's also how Cerulli characterizes the recent slowdown in the practice of assigning management of insurance carrier general account assets to third-party asset managers.

Insurance general accounts remains “a strong, growing institutional asset management segment,” despite a pause in the allocation of assets to nonaffiliated third-party asset managers.

That’s according to the first quarter 2018 issue of The Cerulli Edge - U.S. Institutional Edition, which examines the recent hiatus and an anticipated increase in growth of insurance general accounts and investment outsourcing.

Between 2015 and 2016, the growth rate for the placement of assets with nonaffiliated managers largely flattened out,” said Cerulli director Alexi Maravel in a release. In that period, the percentage of total assets entrusted to nonaffiliated managers changed 0.3%, following a 1.0% change between 2014 and 2015, according to Cerulli’s calculations.

But stronger growth will resume in the next few years, Cerulli predicts, because asset managers will pursue it. “According to a 2017 survey by Cerulli, insurance offers the second-longest client relationship, after public DB plans, at 6.6 years,” Maravel said. “The attractiveness of the business and the potential for gaining long-term client assets should encourage institutional asset managers to attempt to engage insurance chief investment officers for many years to come.”

Nonetheless, “insurance-related merger and acquisition transactions in the asset management industry will likely cool in the near term,” she said. Respondents to a Cerulli survey of insurance asset managers showed that 81% plan to grow their insurance capabilities organically in the next 12 months and 82% report that they are unlikely to do an acquisition soon.

Cerulli believes that while the overall institutional asset management industry expects insurance client assets to grow, managers are pausing to “take stock of their investments, deepen client relationships, employ strategic hiring, and showcase strategies and capabilities that might be new to insurance companies.”

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