INSIGHT FOR INSURERS

AT INSIGHT WE MANAGE £29.4BN FOR 50 INSURERS GLOBALLY¹, PROVIDING INVESTMENT SOLUTIONS THAT UTILISE A RANGE OF CASH, FIXED INCOME AND MULTI-ASSET CAPABILITIES, TAILORED TO THE INSURER’S LIABILITY PROFILE AND REGULATORY CONSTRAINTS.

OUR SPECIALIST INSURANCE TEAM HAVE A BREADTH OF EXPERIENCE WHICH IS USED TO CONSTRUCT CAPITAL EFFICIENT INVESTMENT SOLUTIONS AND PROVIDE ONGOING REPORTING, ANALYSIS AND TECHNICAL SUPPORT.

OUR FRAMEWORK

When constructing an investment solution for an Insurer, we consider three distinct components that work together to achieve the desired investment objectives:

1. **Liquidity management portfolio**
   - Money market funds
   - Cash
   - Cash flow-driven investment

2. **Liability management portfolio**
   - Government bonds
   - Corporate bonds
   - ABS
   - High yield
   - CRE loans
   - CLO
   - CMBS
   - Private corporate debt
   - Emerging Market debt
   - Abs.
   - Structured credit
   - Absolute Return

3. **Growth portfolio**
   - Leveraged loans
   - Trade receivables
   - Leveraged loans
   - Government bonds
   - ABS RMBS
   - ABS
   - RMBS
   - Corporate debt
   - Emerging market debt
   - Alt.
   - Structured credit
   - Diversified Growth

Our cash investment strategies aim to provide a high degree of liquidity, combined with low risk and consistent returns, available across a range of currencies and underlying instruments, designed to meet our clients’ specific requirements. On a look-through basis, money market funds incur a lower capital charge than bank deposits, which fall under the counterparty risk module.

We have well-resourced and highly experienced financial solutions and fixed income teams, which are top-rated by independent consultants². By incorporating an insurer’s liabilities onto our systems we can construct investment solutions that target an appropriate degree of matching – from close cash flow matching to broad duration matching – to meet the desired risk profile, taking account of regulatory and accounting constraints.

We offer an extensive range of strategies which seek to target attractive long-term returns. This includes derivative solutions for equities and credit to achieve specific payoff profiles as well as actively managed pooled funds combining a broad range of asset classes to generate more predictable and less volatile returns.

Benefits for insurers

Insurers could achieve significant diversification and capital efficient outcomes whilst reducing the performance drag from conventional cash deposits.

Benefits for insurers

Insurers could access a wide range of fixed income, with different risk profiles, to help build bespoke solutions with appropriate levels of diversification and achieve the desired investment outcomes.

Benefits for insurers

Insurers could access growth strategies that help to achieve their return objectives whilst delivering a more stable balance sheet with the benefits of capital efficiency.

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¹ As at 31 December 2021. Assets under management (AUM) are represented by the value of cash securities and other economic exposure managed for clients.
² Source: Greenwich Associates 2021. Results are based on interviews with 11 UK consultants evaluating LDI and fixed income managers. Greenwich Quality Index Overall is a composite of Investment and Service scores.
OUR OPPORTUNITY SET

For Insurers, fixed income investments are typically a large and important component of the investment solution. At Insight we have specialist teams managing the following strategies:

<table>
<thead>
<tr>
<th>Strategy</th>
<th>Active</th>
<th>Passive</th>
<th>Buy and maintain</th>
<th>Absolute return</th>
<th>Efficient beta/beta+</th>
</tr>
</thead>
<tbody>
<tr>
<td>Money market strategies</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Global Government bonds</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Global Corporate bonds (investment grade and high yield)</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td></td>
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<tr>
<td>Municipal bonds</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Emerging market debt, including government and corporate, local currency and hard currency</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Asset-backed securities</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Illiquid credit strategies (including secured finance, trade receivables)</td>
<td>✓</td>
<td></td>
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</tr>
<tr>
<td>Synthetic credit strategies</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Synthetic currency strategies</td>
<td>✓</td>
<td>✓</td>
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</tbody>
</table>

Active: Management of portfolio to achieve a return above a reference index, typically a traditional fixed income market benchmark. The risk profile will vary depending on the outperformance objective.

Passive: Providing efficient exposure to a broad-based index, typically using synthetic equity or fixed income indices.

Buy and maintain: Providing exposure to broad based asset classes (typically investment grade credit) whilst incorporating an active approach to security selection. Avoids the pitfalls of passive management by diversifying both sector and issuer exposures. Can be used to achieve structural exposure to markets, to target a given yield or to deliver a client a set of regular cashflows.

Absolute return: Combining both long and short exposures to fixed income markets, often aiming to generate returns in excess of a cash benchmark.

Efficient beta/beta+: Insight’s efficient beta approach incorporates ‘active’ decisions to offset the performance drag that results from high bid/ask spreads and necessary turnover in certain asset classes, utilising proprietary credit model, quality, momentum and value factors to enhance security selection. In addition, our innovative trading enhancements also reduces the cost to trade. The result is a portfolio that is able to achieve the full index returns at very low tracking error volatility.

OUR APPROACH

- **Insurers can address many of their investment challenges through a liability-driven approach:** We help our insurance clients focus on the key characteristics of their liabilities and then to identify the most appropriate investment strategies given their investment objectives and constraints.

- **Key building blocks to help insurers achieve their desired outcomes:** Our broad range of specialist capabilities covers liability-driven investment, fixed income, absolute return, multi-asset and derivative risk management, enabling us to support insurers’ unique investment challenges.

- **Solutions that take account of both insurers’ liabilities and external constraints:** Insurers can focus on strategies suitable for their liability profile, while also paying due regard to insurance capital, accounting and risk frameworks, using our investment expertise and strong derivatives management capability.

- **Fully transparent reporting capabilities enabling insurers to model and realise capital efficiencies:** Our clients benefit from indicative Solvency Capital Requirement (SCR) and Risk Based Capital (RBC) estimates and indicative credit ratings for financial instruments without public ratings.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

ESG within investment management

At Insight, we believe all risks, including environmental, social and governance, can affect the value of an investment. Since 2002, Insight has been analysing and integrating ESG factors into investment analytical processes and decision-making. This is an approach that we adopt for all portfolios, whether they explicitly incorporate ESG parameters or not. In 2017, we introduced our climate risk ratings – the investment industry’s first comprehensive ranking of fixed income corporate credit issuers focusing on climate change-related risks and opportunities.

Changing environment

- **ESG issues have become an increasing priority for the financial services sector, including insurers.** The Paris Agreement in 2016 was a landmark event for climate action with the adoption of a legally binding international treaty on climate change. Financial services are accelerating their activities in this space. For insurers, this includes integrating
ESG within the core business and operations, as part of underwriting, investing, risk management and developing ESG products and services.

- Regulations within the ESG space are continually evolving with regulators increasingly focusing on sustainability risks and reporting. The European Commission has published draft regulation specifying that insurers should integrate sustainability risks in their risk management and Own Risk & Solvency Assessment (ORSA). Additionally, the Task Force on Climate-related Financial Disclosures (TCFD) has issued recommendations to encourage companies to disclose climate-related information.

How Insight drives Responsible Investment

- **Develop in-depth data models to support effective analysis and engagement:** There is an overwhelming array of data on ESG factors, including climate change. However, the data available also has inconsistencies and gaps. We decided to apply our years of experience in analysing ESG risks in taking data from multiple inputs, adjusted using our in-house expertise, to generate ESG ratings that we believe more accurately and reliably reflect material risks. This led us to create Prime: Insight’s proprietary ESG ratings.

- **Prime climate ratings are aligned with the framework developed by the TCFD and factors related to the UN Sustainable Development Goals.** More information on our Prime ratings & model is available at [http://www.insightprime.com](http://www.insightprime.com).

- **Conduct qualitative research and proactive engagement to understand risks and encourage improvement:** We use data to highlight and help us identify potential risks, but we believe qualitative judgement is required to help ensure we are assessing risks appropriately. Where we identify potential material risks, or we believe improvement is possible, we may engage proactively with an entity to find out more or encourage change.

- **Transparent reporting on ESG risks and engagement:** To meet increased investor reporting requirements, we seek to offer detailed reports to our clients, outlining ESG risks and providing details of engagements, both to support their decision making and to help them comply with local regulations.

- **Participate in collaborative initiatives:** Many of the most pressing ESG issues we face require a collective response from the investment community and from wider society. We therefore seek to work with our clients, other investors, governments, companies and civil society organisations to build knowledge and awareness, to share expertise and to create a common voice on these issues when engaging with stakeholders in relations to our clients’ investments.

Insight’s Responsible Investment credentials

- **Insight was a founding signatory to the UN-supported Principles for Responsible Investment (PRI) in 2006, the world’s leading proponent of responsible investment.**

- **In 2020, we were awarded A+ ratings across the relevant categories in the PRI survey, including corporate and sovereign debt.**

- **We have been supporters of the Institutional Investors Group on Climate Change (IIGCC) and CDP (formerly the Carbon Disclosure Project) initiatives for over 15 years.**

- **Insight manages ESG strategies including those with best-in-class, climate, positive impact and exclusion objectives and criteria. We manage more than £15.2bn in ESG strategies.**

Insight as a business

- **Insight Investment is a member of the Net Zero Asset Managers initiative, committed to reach net zero greenhouse gas emissions by 2050 or sooner.** Additionally, recognising the business’ commitment to comply with environment, human rights, labour and anti-corruption principles, Insight was accepted as a participant in the United Nations Global Compact (UNGC – the world’s largest corporate sustainability initiative).

- Insight recognises that diversity of thought, talent and experience is critical to the continued success of our business, industry and society. Diversity, equity and inclusion are strategic priorities at Insight. We believe that having a workforce that reflects the broader society in which we operate enhances the way we think; adds significant value to decision making and is the right thing to do.

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3 As at 31 December 2021. The ESG assets under management figure shown reflects the sum of assets to which one or more of the following criteria apply within the investment guidelines/objectives of segregated mandates/strategies/pooled funds: exclusions, sustainability goals, managed using an ESG benchmark, ESG enhancement, best in class, impact or climate change related approaches. Assets under management (AUM) are represented by the value of cash securities and other economic exposure managed for clients. Includes legacy Mellon fixed income assets municipal bonds, stable value, efficient beta, taxable fixed income and also asset-backed securities, equities, foreign exchange. Figures shown in GBP. Reflects the AUM of Insight, the corporate brand for certain companies operated by Insight Investment Management Limited (IIML). Insight includes, among others, Insight Investment Management (Global) Limited (IIMG), Insight Investment International Limited (IIIL), Insight Investment Management (Europe) Limited (IIIMEL) and Insight North America LLC (INA), each of which provides asset management services.
ABOUT INSIGHT INVESTMENT

- Insight Investment has over the past 15 years built a unique investment platform that delivers outcome-oriented investment solutions to clients. We currently manage £867bn.
- Our clients are among the most sophisticated institutional investors in the world and include leading insurers, pension funds, sovereign wealth funds and corporations.
- We build insurance portfolios aimed at targeting an insurer’s investment objectives whilst taking account of their liabilities and incorporating the regulatory restrictions that they face. Our investment strategies are designed to evolve to meet changing needs and stay ahead of market developments.
- Insight is at the forefront of developing new ways of investing, providing institutional investors with access to innovative investment strategies, coupled with robust risk management techniques.
- Liability-driven investment (LDI) has been a significant contributor to protecting funding levels for pension funds over the past decade and a similar process allows us to build capital efficient solutions for insurance clients operating under different regulatory environments.

- At Insight we believe that our insurance clients should have access to the full range of our portfolio management capabilities, rather than being assigned to a specific subset of the investment management team. This ensures that they benefit from all of the cross sharing of ideas and investment views that takes place at Insight.
- However, across the company we do have extensive experience of working with all types of insurers across different jurisdictions, from Portfolio Managers and Investment Specialists through ALM specialists and quantitative analysts to Client Directors and Client Service Specialists, helping to ensure that an insurer’s specific requirements are taken into account in all areas of our relationship with them.
- In addition to the above, we have a team of dedicated insurance specialists who can provide more technical input into the relationship with our insurance clients.

OUR INSURANCE SPECIALISTS

Heneg Parthenay
Head of Insurance
Fellow of the French Institute of Actuaries

Simon Richards
Head of Insurance Solutions
Fellow of the UK Institute and Faculty of Actuaries

Joshay Harkoo
Insurance Specialist
Fellow of the UK Institute and Faculty of Actuaries

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IMPORTANT INFORMATION

RISK DISCLOSURES
Past performance is not indicative of future results. Investment in any strategy involves a risk of loss which may partly be due to exchange rate fluctuations.

ASSOCIATED INVESTMENT RISKS

Fixed income, liability-driven investment and cash

- Where the portfolio holds over 35% of its net asset value in securities of one governmental issuer, the value of the portfolio may be profoundly affected if one or more of these issuers fails to meet its obligations or suffers a ratings downgrade.

- The issuer of a debt security may not pay income or repay capital to the bondholder when due.

- Derivatives may be used to generate returns as well as to reduce costs and/or the overall risk of the portfolio. Using derivatives can involve a higher level of risk. A small movement in the price of an underlying investment may result in a disproportionately large movement in the price of the derivative investment.

- Investments in bonds are affected by interest rates and inflation trends which may affect the value of the portfolio.

- Where high yield instruments are held, their low credit rating indicates a greater risk of default, which would affect the value of the portfolio. The investment manager may invest in instruments which can be difficult to sell when markets are stressed.

- Our cash investment strategies are not banking products and whilst preservation of capital is a major component of their objectives it is not guaranteed. Neither Insight nor any other BNYM group company will provide capital support in the event of any capital loss.

ESG

- **Investment type:** The application and overall influence of ESG approaches may differ, potentially materially, across asset classes, geographies, sectors, specific investments or portfolios due to the nature of the specific securities and instruments available, the wide range of ESG factors which may be applied and ESG industry practices applicable in a particular investable universe.

- **Integration:** The integration of ESG factors refers to the inclusion of ESG risk factors alongside financial risk factors in investment analysis and research to judge the fair value of a particular investment and may also include the monitoring and reporting of such risks within a portfolio. Integrating ESG factors in this way will not typically restrict the potential investable universe, but rather aims to ensure that relevant and material ESG risks are taken into account by analysts and/or portfolio managers in their decision-making, alongside other relevant and material financial risks.

- **Ratings:** The use and influence of our ESG ratings in specific investment strategies will vary, potentially significantly, depending on a number of factors including the nature of the asset class and the structure of the investment mandate involved. For an investment portfolio with a financial objective, and without specific ESG or sustainability objectives, a high or low ESG rating may not automatically lead to a buy or sell decision: the rating will be one factor among others that may help a portfolio manager in evaluating potential investments consistently.

- **Engagement activity:** The applicability of Insight firm level ESG engagement activity and the outcomes of this activity relating to buy, hold and sell decisions made within specific investment strategies will vary, potentially significantly, depending on the nature of the asset class and the structure of the investment mandate involved.

- **Reporting:** The ESG approach shown is indicative and there is no guarantee that the specific approach will be applied across the whole portfolio.

- **Performance/quality:** The influence of ESG criteria on the overall risk and return characteristics of a portfolio is likely to vary over time depending on the investment universe, investment strategy and objective and the influence of ESG factors directly applicable on valuations which will vary over time.

- **Costs:** The costs described will have an impact on the amount of the investment and expected returns.

Insight applies a wide range of customised ESG criteria to mandates which are tailored to reflect individual client requirements. Individual investor experience will vary depending on the investment strategy, investment objectives and the specific ESG criteria applicable to a Fund or portfolio. Please refer to the investment management agreement or offering documents such as the prospectus, Key Investor Information Document (KIID) or the latest Report and Accounts which can be found at www.insightinvestment.com and where applicable information in the following link for mandates in scope of certain EU sustainability regulations https://www.insightinvestment.com/regulatory-home/sustainability-regulations/, alternatively, speak to your main point of contact in order to obtain details of specific ESG parameters applicable to your investment.

FIND OUT MORE

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