

INSURERS NEED STRATEGIES TO MANAGE INCREASING COMPLEXITY, REPORT SAYS

- **Global study shows a need for greater transparency and regulatory pressure is driving insurer spending on scenario analysis and stress testing**
- **ESG and greenwashing are emerging as new risks alongside lingering concerns about inflation**

Insurers are working hard to tackle increasing investment complexity with a greater focus on strategies to address a growing range of challenges, a new global study* among investment management professionals in Life Insurers, London Markets (re)insurers and investment managers who support insurers, shows.

More than four out of five (84%) believe the level of investment complexity and challenges the industry faces will increase over the next two years, according to the report from Ortec Finance, the leading global provider of risk and return management solutions for insurers and other financial services companies.

Those concerns are driving increased spending on scenario modelling, optimisation and testing across the sector as a whole with 86% surveyed predicting a rise over the next three years, research found.

The full research findings can be read in Ortec Finance's report, entitled 'Insurers are taking on more Investment Management risk and are investing more in tools to manage it' which is available via their website.

Key issues highlighted in the report include changing attitudes to risk and changes in asset allocations as well as the emergence of new challenges such as ESG and greenwashing while firms continue to grapple with inflation worries.

Over the next 12 months, 59% questioned believe the risk profile of their funds will rise with just 39% believing it will fall. Increasingly they are switching to alternative assets - 89% of those surveyed expect a rise in allocations to alternative assets in the next 12 months as investment choice expands.

They are planning to increase allocations to green bonds and specialist climate focused funds but are concerned that the range of investments insurers can access will shrink over the next two

years due to increasingly stringent ESG requirements. Almost all (98%) are concerned about the current level of greenwashing when it comes to investing, the study found.

Hamish Bailey, Managing Director UK, and Head of Insurance & Investment said: “In these volatile and challenging times, insurers need to be aware of the many risks facing their investment portfolios and be in a position to monitor these and have strategies in place for managing them.

“As they look to expand on the range of asset classes they invest in and diversify their portfolios, they need to invest more in scenario analysis and stress testing and have a strong oversight of their investment funds and how they would be affected by varying changing risk factors.

“Scenario modelling and stress testing is vital to the success of insurers and their investment programmes and that is reflected in the increasing budgets. While firms are generally happy with the software available there is room for improvement and a growing demand for specialist support.”

Ortec Finance provides insurers with a range of services to help them confront challenges like complex liabilities, low yields, increasing investment performance analysis demands, or to assess climate change related risks and opportunities.

Specific services Ortec Finance provides to insurers are around asset liability management, asset allocation, risk management, economic scenario testing and performance measurement & attribution. For further information visit <https://www.ortecfinance.com/en/industries/insurance-companies>

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Notes to editors:

*Ortec Finance commissioned independent research company Pureprofile to interview 100 investment management professionals at life insurance companies, Lloyds of London insurer and reinsurers and at fund managers who support insurers in November 2023. Survey respondents are located in the UK, the USA, France, Germany, Hong Kong, Italy, Netherlands, Singapore and South Korea. Collectively the organisations they work for manage around \$5 trillion.

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About Ortec Finance

Ortec Finance is the leading provider of technology and solutions for risk and return management. It is Ortec Finance’s purpose to enable people to manage the complexity of investment decisions.

This is accomplished via the delivery of leading technologies and solutions for investment decision-making to financial and real estate institutions around the world. Ortec Finance’s strength lies in an effective combination of advanced models, innovative technology, and in- depth market knowledge. This combination of skills and expertise supports investment professionals in achieving a better risk-return ratio and thus better results.

Headquartered in Rotterdam, The Netherlands, Ortec Finance has offices in Amsterdam, London, Toronto, Zurich, Melbourne, Singapore and New York. www.ortecfinance.com