Brave New World: 2024 European Insurance Outlook

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Insurers likely face a very different investment regime today than they have in the past, with higher and more volatile interest rates as well as structurally higher inflation. We think this will intensify the focus on strategic asset allocation. We offer three themes for insurance investors as 2024 gets under way.

A New Investment Regime

There's a strong case that insurers face a very different investment regime than in the three decades before the COVID-19 pandemic, compounded by two years of enormous cyclical changes in policy and markets since that watershed event. The next one to two years will likely be critical in determining how much the structural environment has actually changed.

Deglobalization, demographic change (a declining working-age population in the developed world and China) and the need for an energy transition seem poised to define the investment environment in the years ahead. Each structural force either curbs or reverses key forces that drove inflation and bond yields down in recent decades. Debt is a looming question, too. The level of public debt to gross domestic product (GDP) in developed economies—and the share of public spending needed to cover interest payments—will spur debate about the attractiveness of government bonds in real terms.

As a result, we'll likely see equilibrium inflation that's higher than the pre-pandemic norm and lower real growth. There's an active debate about the extent to which artificial intelligence could mitigate these forces, but it seems hard at this stage to say that it could compensate for all of them.

DISPLAY 1: SLOWER GROWTH, HIGHER INFLATION AHEAD

	Real Growth (%)		Inflation (%)		Official Rates (%)		Long Rates (%)		FX Rates vs. USD	
	2023F	2024F	2023F	2024F	2023F	2024F	2023F	2024F	2023F	2024F
Global	2.4	2.1	5.1	3.5	5.40	5.44	3.83	3.19	—	—
Emerging Countries	3.7	3.7	6.3	5.1	6.83	5.71	4.62	4.17	—	—
US	2.2	0.5	3.8	2.5	5.38	4.38	4.00	3.00	—	—
Europe	0.3	0.6	5.2	2.2	4.22	3.13	2.93	2.13	1.14	1.18
Euro Area	0.3	0.5	5.0	2.3	4.00	3.00	2.75	2.00	1.10	1.15
UK	0.2	1.0	6.0	2.0	5.25	3.75	3.75	2.75	1.30	1.30
Japan	1.5	1.0	2.5	1.5	0.00	0.25	0.75	0.75	140	130
China	4.8	4.5	1.5	1.5	1.75	1.50	2.50	2.25	7.35	7.50
Asia ex Japan and China	3.9	4.3	3.9	3.5	4.64	4.03	5.07	4.68	—	—
Latin America	1.8	1.7	20.4	13.3	25.04	18.32	9.76	7.82	—	—

Current forecasts do not guarantee future results.

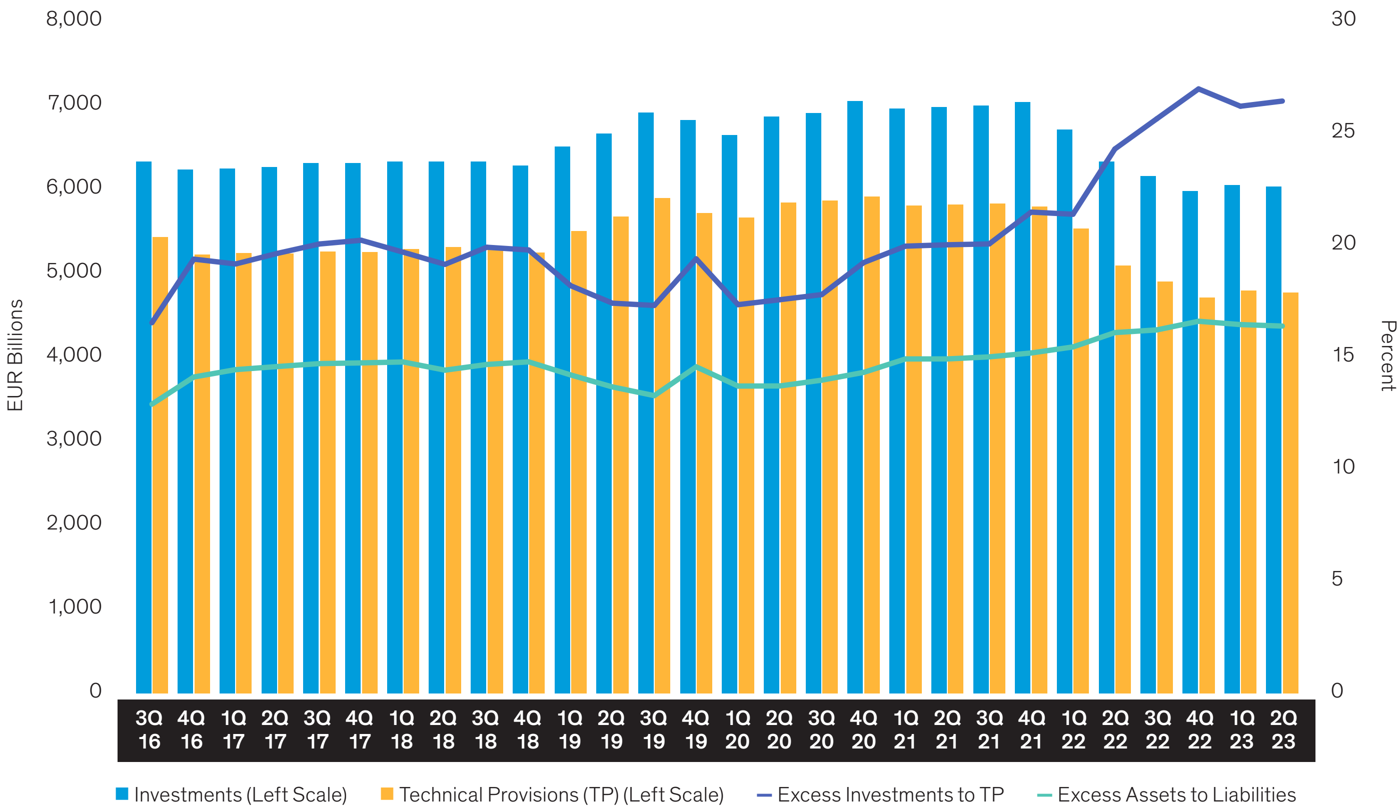
As of November 30, 2023 | **Source:** AllianceBernstein (AB)

An outlook of moderately higher inflation and lower real growth (*Display 1*) isn't necessarily bearish. Given the enormous shifts in bond yields in recent years, we can sketch out a future in which the expected real return on major asset classes is firmly in positive territory. But it's a more challenging outlook that warrants insurers revisiting their asset allocations, particularly exposure to growth assets.

Higher inflation with lower growth implies that the stock-bond correlation remains in positive territory, which is normal if we zoom out beyond the experience of the last 30 years. So, more attractive nominal return potential from duration may have to be balanced with the need for inflation protection and any semipermanent shift in asset-class correlation.

In our view, this will intensify the focus on strategic asset allocation for many types of investors, with potentially large distinctions among them depending on the need to protect against inflation, which is typical for property and casualty (P&C) insurers. Life insurers, with their larger exposures to known nominal liabilities, face different prospects and may have an opportunity to de-risk.

DISPLAY 2: INSURERS ENTER 2024 ON STRONG FINANCIAL FOOTING



Past performance does not guarantee future results.

As of June 30, 2023 | **Source:** European Insurance and Occupational Pensions Authority (EIOPA) and AB

Overall, insurers enter 2024 on robust footing. As rates rose, asset values fell sharply, by 4.7% from 2Q 2022 to 2Q 2023 (the latest available at time of writing), but technical provisions fell further—by 6.3% (*Display 2*).

This leaves insurers on very steady solvency footing to address the challenges and opportunities ahead. Given the different investment regime insurers face, our 2024 outlook focuses on three key themes:

1. Be ready to operate in a higher-rate regime with more rate volatility.
2. Prepare for a strategically higher inflation level than central bank targets.
3. Review and refine asset allocations in light of a reshaped landscape.

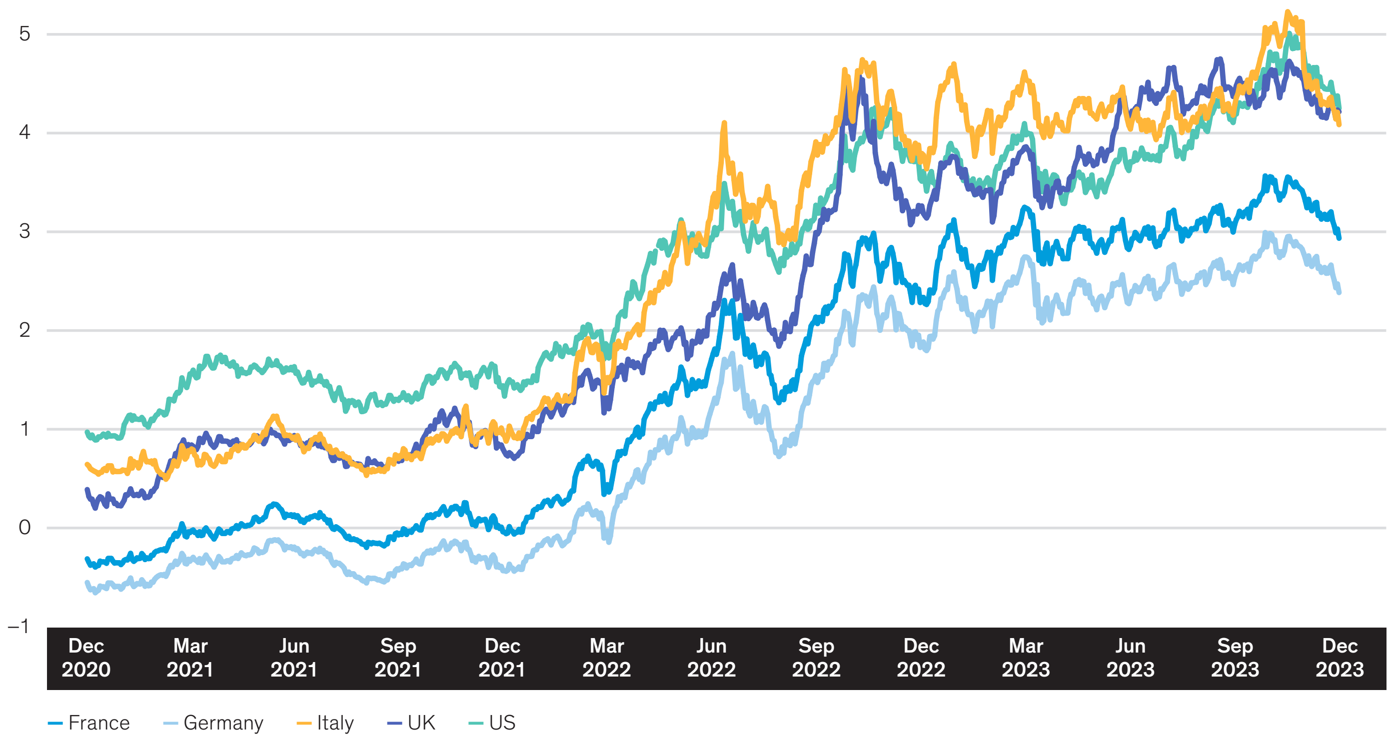
1. Be Ready to Operate in a Higher-Rate Regime with More Rate Volatility

The year 2023 was a period of adjustment for insurance investors, with surging interest rates creating a very different picture from what was in place for more than a decade (*Display 3*). Higher rates generally benefit insurers: they earn more on their investments; the spread between investments and liabilities may rise; and guaranteed products become more attractive/less costly.

We expect yields on 10-year government bonds to decline throughout 2024, but not back to levels that have prevailed over the last 10–15 years. So, insurers should be prepared to

DISPLAY 3: A SURGE IN RATES CREATES A VERY DIFFERENT MARKET PICTURE

10-Year Government Bond Yields (Percent)



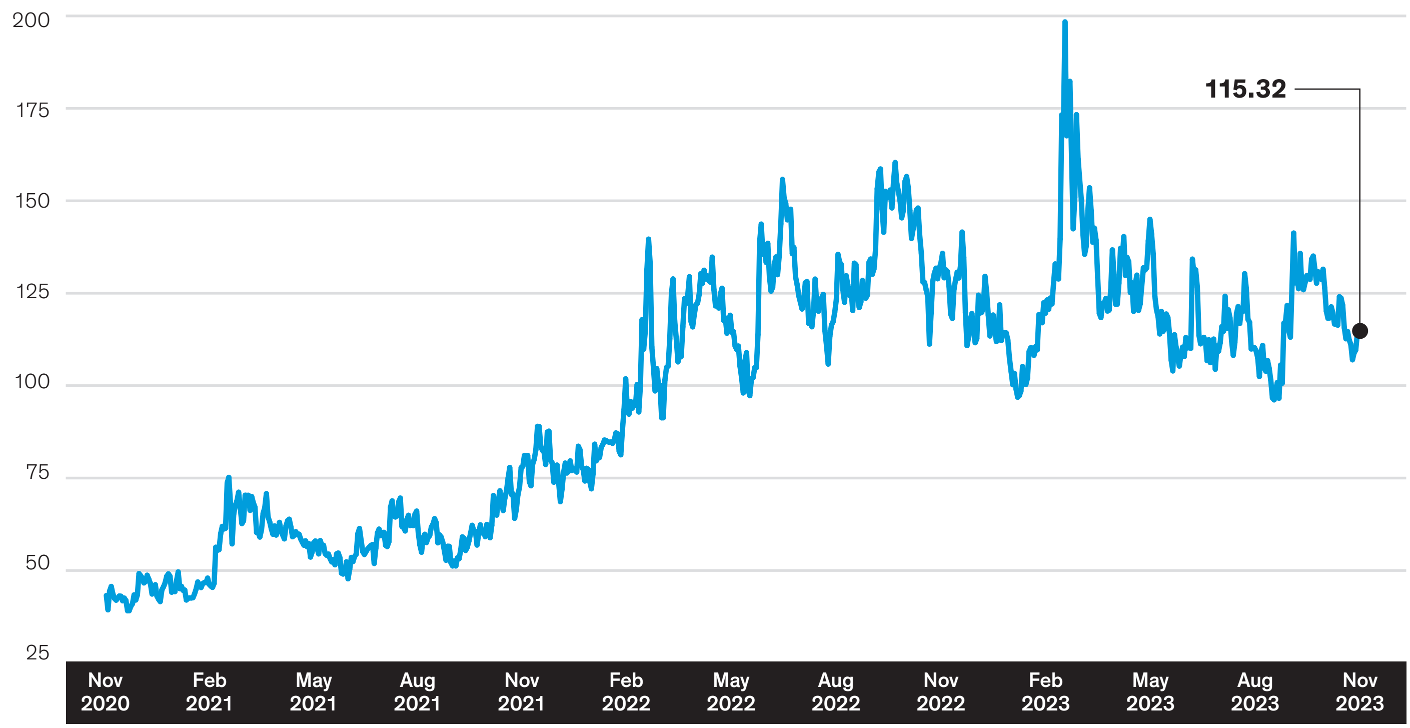
Past performance does not guarantee future results.

As of December 1, 2023 | **Source:** Bloomberg and AB continue operating in an environment of higher rates and—more important—higher volatility in rates. Over the past 24 months, interest-rate volatility has surged (*Display 4*), and macro forces such as deglobalization increase the risk of localized shocks and rate volatility.

We think this is a good time to revisit several areas of investment strategy and to assess whether the approach taken under the low-rate regime still holds.

DISPLAY 4: HIGHER RATE VOLATILITY SHOULD REMAIN A CONSIDERATION

Interest-Rate Volatility (Index)



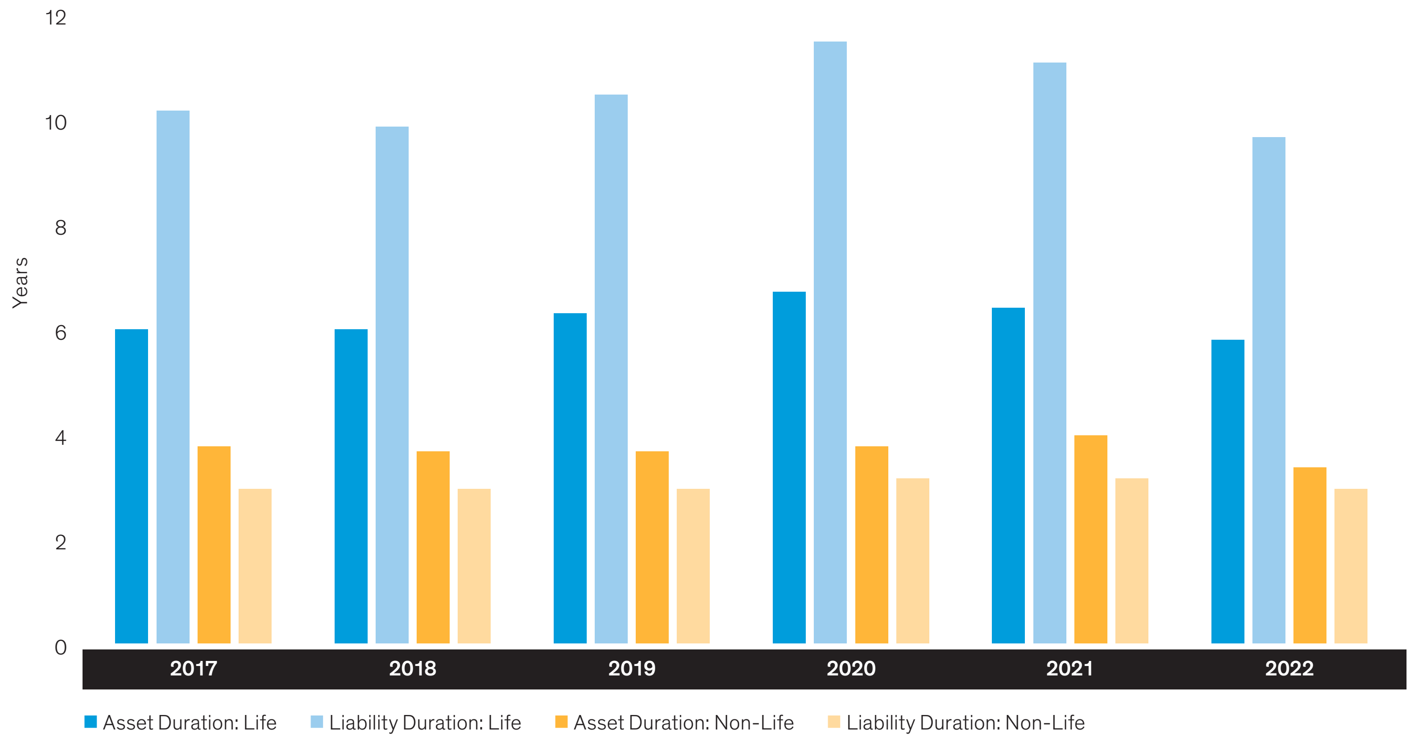
Past performance does not guarantee future results.

Interest-rate volatility is represented by the Merrill Lynch Option Volatility Estimate (MOVE).

As of November 30, 2023 | **Source:** Bloomberg and AB

DISPLAY 5: LIFE ASSET DURATION TENDS TO BE SHORTER THAN LIABILITY DURATION

Asset and Liability Duration Profiles by Life and Non-Life



Historical analysis does not guarantee future results.

Figures shown are medians of the modified duration for fixed-income assets and technical provisions.

As of December 31, 2022 | **Source:** EIOPA and AB

Reassess the duration gap target. The obvious impact from higher rates is on the market value of the asset and liability base. On average, life insurers run a net short duration position (*Display 5*), with P&C insurers tending to keep rate exposure closer to neutral. A net short position on the asset side has benefited from recent rate increases, but can be painful if rates move in the other direction. We think insurers should be deliberate with their risk appetites.

A net short duration would hurt surplus levels if interest rates fall even modestly, which is feasible in the current environment. And neutralizing rate exposure isn't necessarily straightforward. Closing a duration gap may require significant allocation shifts or implementing derivative hedging programs, which can bring operational burdens and raise liquidity considerations. It may also involve crystallizing unrealized losses on current assets, which could strain profit and loss (P&L) positions.

Still, we think insurers, particularly on the life side, should examine whether their historical appetite for a duration gap still holds. Where possible, considering reducing that gap seems sensible, given an outlook for stabilizing and then marginally declining rates. Such a shift may lead insurers into longer-duration assets, and inverted yield curves challenge a view of value in long-duration government and corporate bonds.

This will likely lead insurers to pursue prudent long-duration exposure in other areas, such as infrastructure or mortgages. There's inevitably a link to the shape of the yield curve, but the potential spread advantage makes them more appealing. The key is to be intentional with risk appetites while considering how different scenarios could impact surplus, capital requirements, financial results and desired economic positioning.

Fully leverage scenario-analysis testing methods. At a more micro level, liquidity drivers that have been benign in recent years may change. Insurers are no strangers to scenario-testing approaches, particularly those supporting areas such as Own Risk and Solvency Assessment requirements. These methods should be fully embedded in everyday portfolio management. Even insurers with strong balance sheets will face some reduced flexibility, given that portfolios will include many bonds with unrealized losses. Forced selling could hurt P&L, so areas that might generate liquidity requirements should be scrutinized closely.

Derivatives should be a focus area of stress-testing. The UK liability-driven investing crisis brought collateral firmly back into focus, but as fully funded investors, insurers typically use derivatives to hedge rate and foreign-exchange risks—not to create exposures. Insurers also tend to operate more flexible credit support annexes, often with the ability to post government or corporate bonds as collateral. Still, rate movements—especially short, sharp ones—can create large collateral requirements, so insurers should stress-test exposures again to identify possible vulnerabilities.

Interest-rate changes also alter the attractiveness of insurers' consumer offerings. First-order impacts happen as competing products—even money-market funds—may become more attractive than insurers' savings products, spurring lapses. Second-order impacts can arise as inflation boosts the cost of living, making insurance products less affordable.

Given this, insurers should carefully analyze how their liabilities have behaved over the past 18 months. What happened as rates rose? Are there lessons about how behavior may evolve in future bouts of rate volatility? Did lapses make liability moves more significant than duration alone implies? These changes point to liability convexity, which can directly impact liquidity levels insurers may need. So, recent experience may help inform scenario planning for the future.

2. Prepare for a Strategically Higher Inflation Level than Central Bank Targets

The inflation environment is inextricably linked to and is the key driver of higher rates. A combination of post-pandemic supply chain strains, Russia's invasion of Ukraine and tight labor markets drove cyclical inflation up sharply, prompting central banks to rapidly tighten monetary policy.

Will these actions cool inflation to the pre-pandemic level? Or will other long-term factors cause inflation to settle at a more elevated equilibrium level? We believe that there's a strategic case for higher levels of equilibrium inflation going forward, driven by the mega-forces of deglobalization, a shrinking working-age population and climate change.

Both high but falling near-term inflation and potentially higher long-term inflation matter for insurers. As with interest rates, we believe inflation is another area that requires investment teams to take a broader view beyond the direct impact on asset and liability values. However, that direct impact does seem to be a sensible starting place.

Life: Fixed Liabilities, but Expenses Create an Inflation Link

Most life liabilities are in nominal terms, so rising inflation doesn't increase the benefits to be paid out. However, expenses relating to the claims process do rise, so even nominal liabilities have an element of inflation linkage in terms of the ending liability value.

Given fixed benefit payments, life insurers typically haven't allocated large amounts to assets with direct inflation links, and the regulatory framework provides little incentive to focus on this risk. So, a higher inflation environment presents both a challenge and an opportunity. Insurers could simply allow inflation to reduce the future value of policyholder promises and the asset base, or they could seek to outperform the liability by allocating to assets that are in some way inflation-linked.

For insurers, the choice requires trade-offs. Inflation-linked bonds are an option at the right price. Real assets are also a sensible consideration, especially when seeking protection against longer-term strategic inflation rather than short-term elevated inflation. However, the solvency capital requirement will likely rise, too, putting a natural limit on the extent to which insurers can position for this issue.

P&C: A Very Real Inflation Challenge, but Protection Is Available

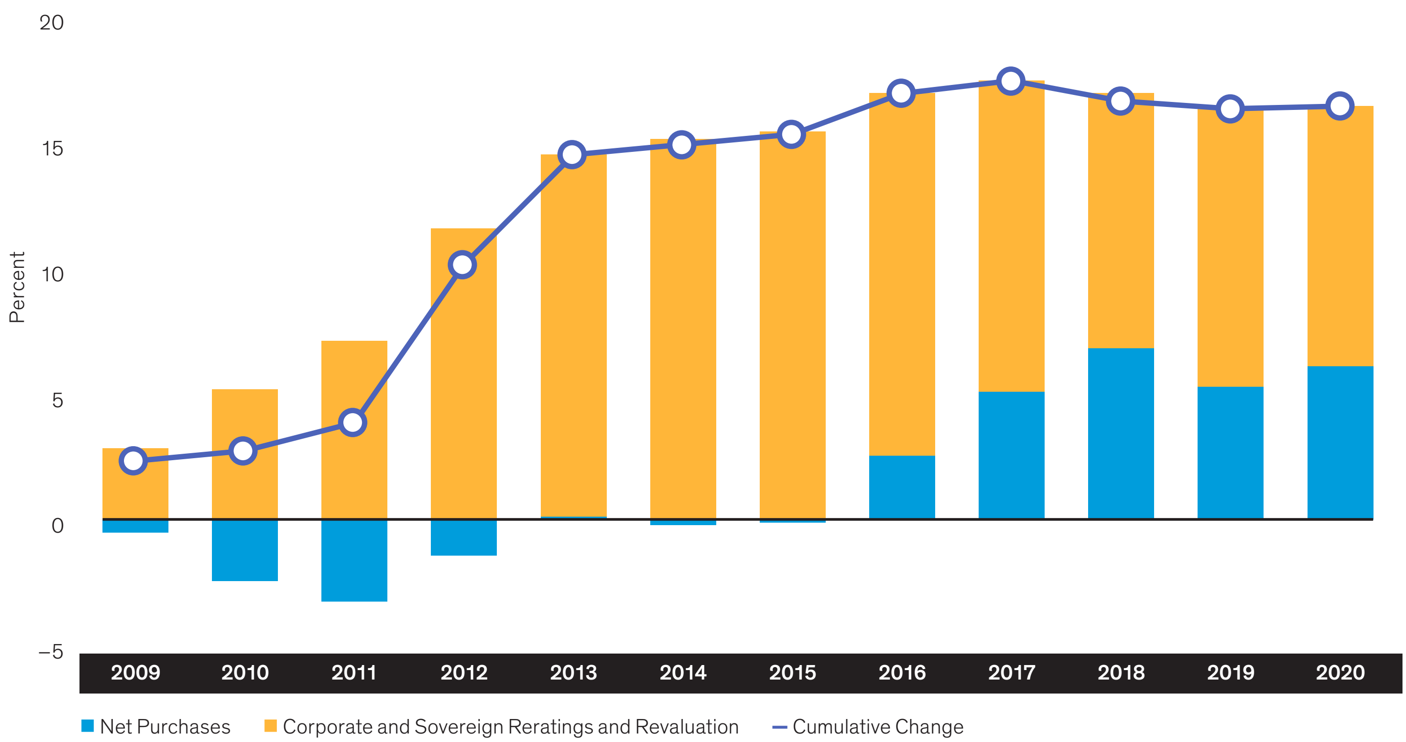
The inflation challenge for P&C insurers is very real—and potentially painful. Unexpectedly high inflation makes claims more costly than initially assumed, and claims inflation has tended to outpace the Consumer Price Index. But expected inflation doesn't have to be a problem if insurers can adjust prices within their annual cycle without too much impact on competitiveness.

Because higher rates have been driven somewhat by unexpected inflation, this is the most painful stage for P&C insurers. Their options for dealing with longer-term inflation remain much the same as those for life insurers. In fact, given that P&C insurers tend to hold more equities, which should help hedge long-term inflation, it can be argued that they're better positioned for that challenge.

In the current regime, it seems sensible to reassess the inflation sensitivity of portfolio assets. A broad range of investments can help, though their attractiveness in terms of asset and liability management, volatility, and solvency differ. In our view, inflation-linked bonds, real assets and—to a certain extent—equities seem the most likely candidates. It's also advisable to assess the relative exposures of floating- and fixed-rate assets.

DISPLAY 6: UNPACKING THE INCREASE IN BBB CREDIT EXPOSURE

Cumulative Changes to BBB Bond Holdings, by Factor



Historical analysis does not guarantee future results.

As of September 2, 2022 | **Source:** EIOPA, International Monetary Fund, S&P and AB

3. Review and Refine Asset Allocations in Light of a Reshaped Landscape

Given the reshaped landscape with a host of implications from interest-rate levels, volatility and inflation, asset allocation is an obvious focal point. We're aware that insurers face many objectives and constraints, and must balance achieving attractive economic returns with solvency budgets and accounting impacts, which a CIO from a Nordic insurer labeled "the triangle" of objectives.

It's an acute challenge to make significant allocation shifts today without hurting accounting metrics, because the interest-rate surge has left many insurers sitting on unrealized investment losses. The crystallization of those losses typically flows through the P&L statement, setting up potential CIO/CFO conflict. This limits the size and speed of insurers' actions, but it doesn't preclude action in totality.

We suggest three considerations as we move into 2024:

- Reallocate within credit-quality cohorts.
- Access sources of uncorrelated returns.
- Resume deploying capital into private markets.

Reallocate Within Credit-Quality Cohorts

An International Monetary Fund working paper tried to determine whether insurers fell in love with risk during the lower-for-longer rate era. It's common knowledge that they've markedly expanded their BBB-rated bond holdings since the global financial crisis (GFC) (*Display 6*). It's less certain how much of this trend was driven by purely active risk/yield seeking or a general ratings deterioration in the market.

The study attempts to quantify this to isolate insurers' net purchases—or increases in active risk. Based on the analysis, insurers sought to reduce risk in the four years after the GFC and were relatively neutral for the next three years, before ramping up net purchases for the following five years. The takeaway: insurers are more active in credit allocation than many may assume. With that in mind, we consider the argument for being active in reducing allocations to BBB holdings.

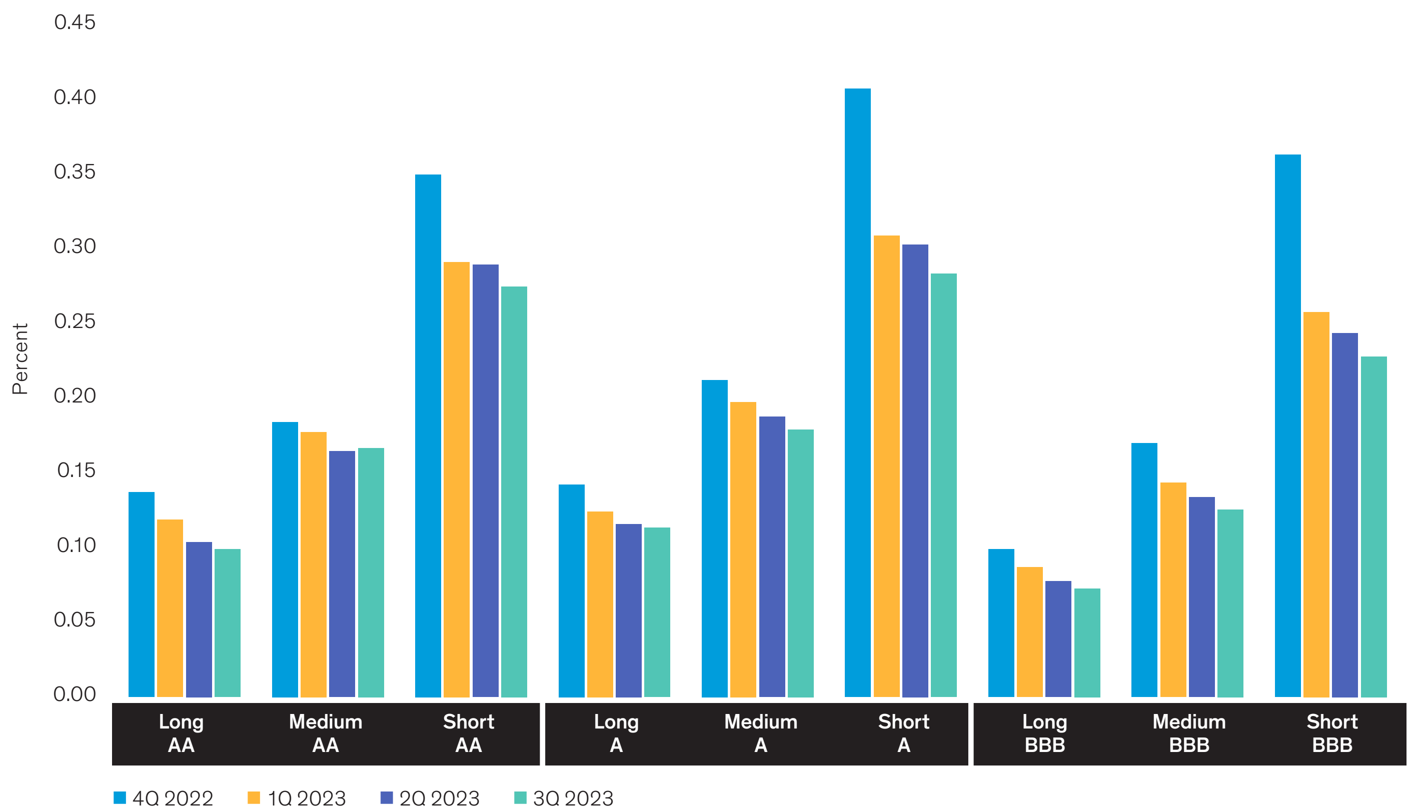
Of course, fundamentals vary greatly within the BBB segment. But in terms of overall investment-grade credit allocation, we think it's time to consider reducing BBB in favor of higher-quality credit and private debt. For UK and euro credit, we think a focus on quality will be important in 2024, given the likely daunting economic conditions. Weaker issuers will face growing refinancing risks; quality issuers will likely be able to refinance maturing bonds at reasonable rates. Beyond economics, this argument has strong support from the lens of solvency capital allocation.

Let's look at the potential impacts from different incremental allocations away from BBB credit.

Spread over solvency capital requirement (SCR). In terms of the value of European credit based on spreads above the SCR to hold them (*Display 7*), spreads aren't rising with duration at the same rate as the required capital, so shorter-duration credit offer a more attractive return on spread capital. AA and A credit offers similar returns on spread risk capital, but BBB is less efficient, supporting a shift toward AA and A and away from BBB, aligning with our market view. Spreads tightened slightly during 2023, leaving less compensation for credit risk and emphasizing caution as a watchword.

DISPLAY 7: BBB IS LESS EFFICIENT, SUPPORTING THE SHIFT TOWARD AA AND A

Spread Return on SCRs for European Credit

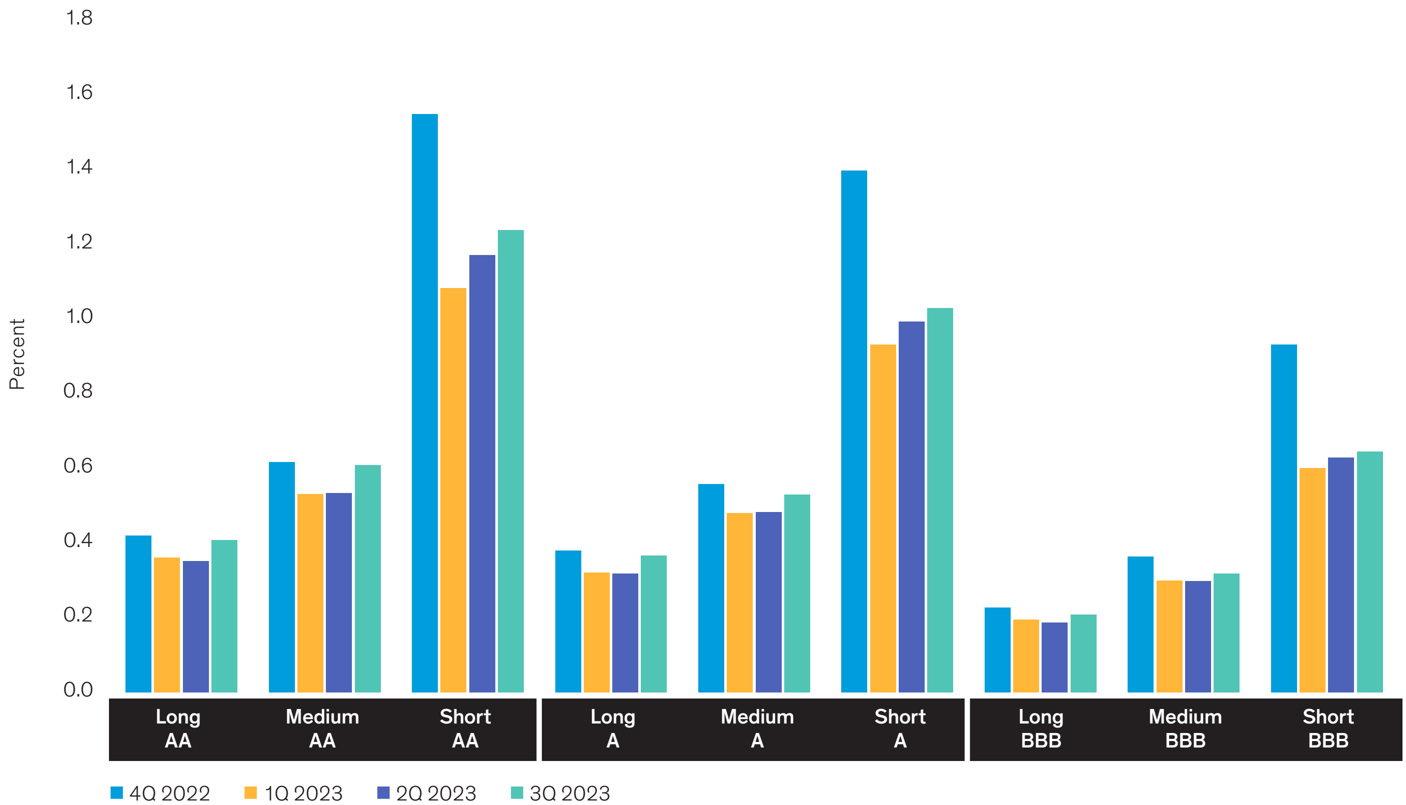


Past performance does not guarantee future results.

As of September 30, 2023 | **Source:** Bloomberg and AB

DISPLAY 8: SHORT-DURATION CREDIT OFFERS MORE RETURN FOR THE SCR

Yield Return on SCRs for European Credit



Past performance does not guarantee future results.

As of September 30, 2023 | **Source:** Bloomberg and AB

Yield over SCR. We believe spread over SCR gives a purer view of solvency efficiency, but yield over SCR (*Display 8*) is also informative, incorporating the risk-free rate and yield-curve shape as well as spread information. The yield-curve slope is a constant variable, while the SCR has fixed factors and remains upwardly sloping. That means short-duration credit provides more return for the SCR, arguing strongly for keeping credit shorter-term and higher-rated.

So, there's a compelling case, including spread over SCR and yield over SCR, that argues for shifting toward higher-rated public credit. Because insurance investors are largely investment-grade fixed-income investors, how would reducing BBB credit in favor of higher-rated credit, private assets and government bonds affect broader portfolio metrics?

DISPLAY 9: HYPOTHETICAL BASE PORTFOLIO ALLOCATION

Asset Class	Allocation (%)	Duration (Yrs.)	Yield (%)	Spread (bps)	Spread SCR (%)
Sovereigns	25	7.5	3.5	—	—
Public BBB Short	28	3.0	4.8	168.4	7.4
Public BBB Long	28	13.0	4.8	167.2	23.0
Public AA Short	5	2.9	4.0	87.9	3.2
Public AA Long	5	13.5	4.1	100.4	10.1
Private Credit	5	6.0	7.0	275.0	16.7
CRE Debt	5	3.0	8.0	550.0	9.0
Overall Portfolio	**100**	**7.5**	**4.6**	**142.9**	**10.3**
Portfolio Efficiency*			**45.2**	**13.9**	

Current analysis does not guarantee future results.

Numbers may not sum due to rounding. Public credit is represented by the Bloomberg Euro Aggregate Bond Index. CRE: commercial real estate

***Portfolio efficiency is calculated by taking the total portfolio yield and spread and dividing by the total portfolio spread SCR.

As of September 30, 2023 | **Source:** Bloomberg and AB

We can illustrate this through the following case study representing a series of incremental shifts from a base allocation (*Display 9*) with a duration of 7.5 years, a yield of 4.6% and spread SCR requirement of 10.3%. Each move is made on a duration-equal basis by adjusting government bond exposure, so we don't consider interest-rate risk capital. Because all assets are euro-denominated, we don't consider currency risk capital. The allocations are simplified, stylized examples to illustrate directional impacts on key metrics; actual recommendations would be specific to individual insurers.

Scenario 1: Increase AA credit exposure funded from BBB credit. Reducing BBB credit by 10% in favor of AA credit has a limited impact on market yield (*Display 10 , page 12*) but a more significant one on required capital. This allocation strengthens alignment between the economic outlook and asset allocation, and it increases solvency efficiency without doing much for investment income.

Scenario 2: Increase private markets exposure, again funded by BBB credit. Incrementally, reducing BBB credit by another 10% in favor of private markets (private credit and commercial real estate debt, both unrated for purposes of calculating solvency capital) further improves key metrics. Yield is higher than that of the initial portfolio and required capital is further reduced (because overall credit duration is now shorter, offset by longer-duration government bond exposure). Ultimately, solvency efficiency is increased again alongside investment income. We don't go in depth here on the diverse avenues for exposures within private credit and real estate debt, but risk-adjusted return potential is attractive in a number of areas, given the rate environment and thematic aspects such as bank retrenchment.

Scenario 3: Reduce BBB credit another 10% and increase the government bond allocation. As would be expected, this change reduces yield from the previous step but also reduces spread risk capital significantly, making it the most solvency-efficient allocation in the case study. We believe credit fundamentals will weaken but from a strong starting position, so our base case would not be to reallocate from credit to government; instead, we would actively position toward higher-quality names and benefit from the spread. However, for the sake of completeness (and perhaps for investors who are very solvency-sensitive), it's worthwhile to at least demonstrate the impacts of such an allocation.

DISPLAY 10: REDUCING BBB ALLOCATIONS MAY BOOST SOLVENCY EFFICIENCY

Scenario 1: Increase AA Credit 10%					
Asset Class	**Allocation (%)**	**Duration (Yrs.)**	**Yield (%)**	**Spread (bps)**	**Spread SCR (%)**
Sovereigns	25	7.5	3.5	—	—
Public BBB Short	23	3.0	4.8	168.4	7.4
Public BBB Long	23	13.0	4.8	167.2	23.0
Public AA Short	10	2.9	4.0	87.9	3.2
Public AA Long	10	13.5	4.1	100.4	10.1
Private Credit	5	6.0	7.0	275.0	16.7
CRE Debt	5	3.0	8.0	550.0	9.0
Total Portfolio	**100**	**7.5**	**4.6**	**135.6**	**9.4**
Portfolio Efficiency*			**48.4**	**14.4**	

Scenario 2: Increase Private Credit 10%					
Asset Class	**Allocation (%)**	**Duration (Yrs.)**	**Yield (%)**	**Spread (bps)**	**Spread SCR (%)**
Sovereigns	25	8.6	3.6	—	—
Public BBB Short	18	3.0	4.8	168.4	7.4
Public BBB Long	18	13.0	4.8	167.2	23.0
Public AA Short	10	2.9	4.0	87.9	3.2
Public AA Long	10	13.5	4.1	100.4	10.1
Private Credit	10	6.0	7.0	275.0	16.7
CRE Debt	10	3.0	8.0	550.0	9.0
Total Portfolio	**100**	**7.5**	**4.9**	**160.1**	**9.2**
Portfolio Efficiency*			**52.8**	**17.4**	

Scenario 3: Increase Government 10%					
Asset Class	**Allocation (%)**	**Duration (Yrs.)**	**Yield (%)**	**Spread (bps)**	**Spread SCR (%)**
Sovereigns	35	8.6	3.6	—	—
Public BBB Short	13	3.0	4.8	168.4	7.4
Public BBB Long	13	13.0	4.8	167.2	23.0
Public AA Short	10	2.9	4.0	87.9	3.2
Public AA Long	10	13.5	4.1	100.4	10.1
Private Credit	10	6.0	7.0	275.0	16.7
CRE Debt	10	3.0	8.0	550.0	9.0
Total Portfolio	**100**	**7.5**	**4.7**	**143.3**	**7.7**
Portfolio Efficiency*			**61.6**	**18.6**	

Current analysis does not guarantee future results.

Numbers may not sum due to rounding. Public credit is represented by the Bloomberg Euro Aggregate Bond Index. CRE: commercial real estate

***Portfolio efficiency is calculated by taking the total portfolio yield and spread and dividing by the total portfolio spread SCR.**

As of September 30, 2023 | **Source:** Bloomberg and AB

To summarize, as we enter a period of weakening credit fundamentals, we believe shifting toward higher-quality segments of public fixed income and taking advantage of attractive risk-adjusted return potential in private credit are better alternatives for some portion of insurers' BBB credit allocations.

Access Sources of Uncorrelated Returns

Much has been made of the higher stock-bond correlation in recent years and whether it's worthwhile to continue holding bonds, given their lower returns than equities and somewhat reduced diversification capabilities.

For insurance investors, who are liability-aware and will undoubtedly remain heavy bond investors, the argument can be flipped on its head. Insurers might ask whether their relatively limited equity allocations continue to provide the same diversification benefits today. While equities are likely to offer both higher long-run returns and inflation-hedging benefits that exceed those of bonds, the higher equity-bond correlation amplifies the need to consider sources of diversification elsewhere in the portfolio.

Debt-like asset classes would be an obvious place to focus, and one area rising in prominence lately is systematic strategies, which have become common in equities.

Given the vast data history required, it's not as straightforward to operate a fixed-income strategy that seeks to identify and exploit alpha factors. In equities, investors can track the stock of a single company over time; fixed income features multiple issues from that same firm that periodically mature and are replaced with new issues. However, if run effectively, these strategies can complement insurers' more traditional fundamental credit management, and an argument can be made to consider a satellite allocation alongside those traditional approaches.

Beyond public markets, we think it's worthwhile to consider a broader swath of private debt return streams, too—with the specific investments depending on an insurer's base portfolio. Examples of private segments that are typically less correlated to corporate-credit risk (likely a significant risk factor on most insurers' books) include asset-based lending, residential mortgages and commercial real estate debt. They occupy different positions on the risk/return spectrum but will likely diversify the typical corporate-credit universe.

Resume Deploying Capital into Private Markets

As is likely apparent from the previous sections, we also believe this is an opportune time for insurers to resume allocating to private markets. As insurers worked through the impacts of higher interest rates during 2023, several factors would have caused them to slow capital deployment into private markets.

For one thing, private allocations would have increased, without any action, as public market valuations react to rising rates in real time and private markets do so with a lag. However, much of this impact will have worked itself out at this point. Another factor that may have paused private capital deployment relates to the business side. A higher-rate environment may have slowed new-business levels and increased policy lapses, representing reduced inflows and increased outflows. These would have to be funded from the asset base, so insurers would have been well placed to review whether their capacity to house illiquid assets required tweaking.

A final reason behind thinner capital flows into private markets has been unrealized losses across insurers' books. These would have slowed active purchases and sales of assets, so capital deployment into new asset classes was more positively correlated to the natural roll-off and reinvestment of debt books than in recent years before central bank rate hikes. This condition could remain for a while.

These factors relate to insurers' ability to continue allocating to private markets, but the strategic argument for greater private market exposure is unchanged, because this offers genuine portfolio diversification. For the return side of the equation, we believe private market assets will continue to exhibit a premium over public market equivalents in the long term, driven largely by illiquidity and complexity premiums. The complexity premium can be broadly defined as the incremental return for the ability to source, assess and execute customized deals.

Summary: The Big Picture

Insurers face a very different investment regime today, with two years of enormous cyclical changes as well as long-term structural factors that either stop or reverse key forces that drove inflation and bond yields down in recent decades. Growing government debt remains a key question, too.

The current outlook is for moderately higher inflation and lower real growth—a more challenging view that calls for revisiting asset allocations, particularly growth-asset exposure. The stock-bond correlation may also be higher than it has been in past decades.

Insurers enter 2024 on robust footing as they seek to address the challenges and opportunities of the year ahead. In our view, we think they should be ready to operate in a world of higher rates and volatility as well as inflation that will likely be strategically higher than central bank targets. They should also take a fresh look at their asset allocations to ensure they're optimized for a different investment landscape.

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