



Investments in harmony with you<sup>SM</sup>

RESULTS OF

# Opus Insurance Survey 2023



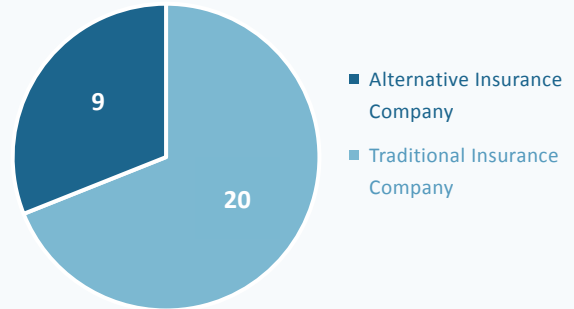
# Introduction

The 3rd annual Opus Insurance survey was conducted throughout the first quarter of 2023. This year's format was structured as multiple choice again. Participants included traditional P&C insurers, captives, and risk-retention groups.

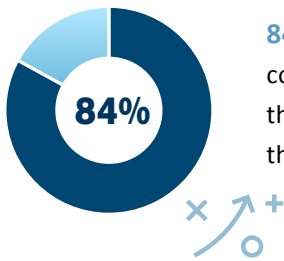
The respondents:

- 20 traditional insurers (mutuals and co-operatives)
- 9 alternative insurers (risk-retention, captives and self-insurance groups)

## 2023 SURVEY RESPONDENTS



## Themes — Executive summary



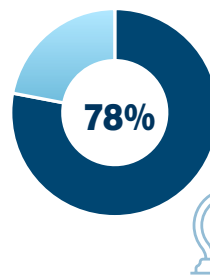
**84% of respondents** view their companies' prospects in 2023 as the same or more advantageous than 2022.



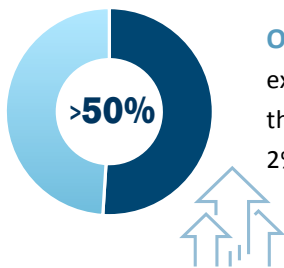
**Approximately 1/3** of respondents feel there is a probability of a recession in the U.S. in 2023.



**Underwriting** is viewed as the greatest driver of net income, both in 2022 and 2023.



**78% of respondents** are planning on maintaining the investment risk in their portfolio despite the market volatility of 2022.



**Over 50% of respondents** expect inflation to persist above the Federal Reserve's target of 2% for the next 2-3 years.



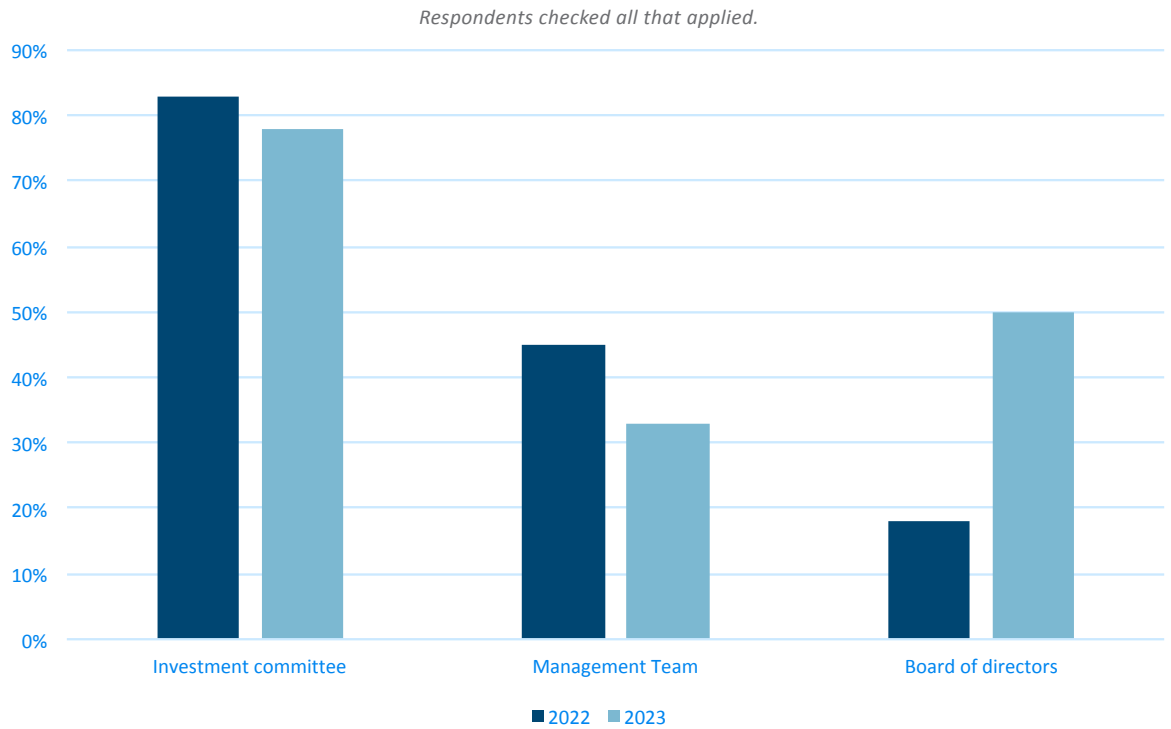
**ESG** (environmental, social, governance) is an **increasingly relevant topic** in both the traditional and alternative insurance markets, due to regulator involvement. A majority of respondents stated that ESG objectives are less important compared to financial goals for their companies.

# Survey responses

## Who is responsible for investment oversight?

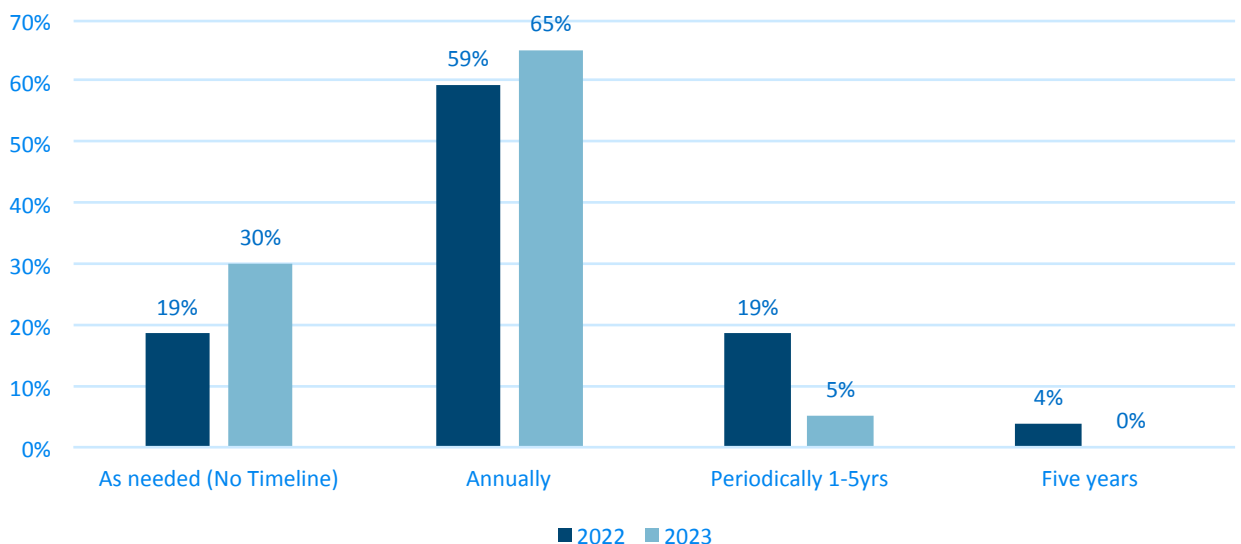
**78%**

of respondents surveyed have an investment committee that is responsible for investment oversight. Those with investment committee involvement have a higher frequency of investment policy statement reviews.



## How often do you assess investment strategy and asset allocation decisions?

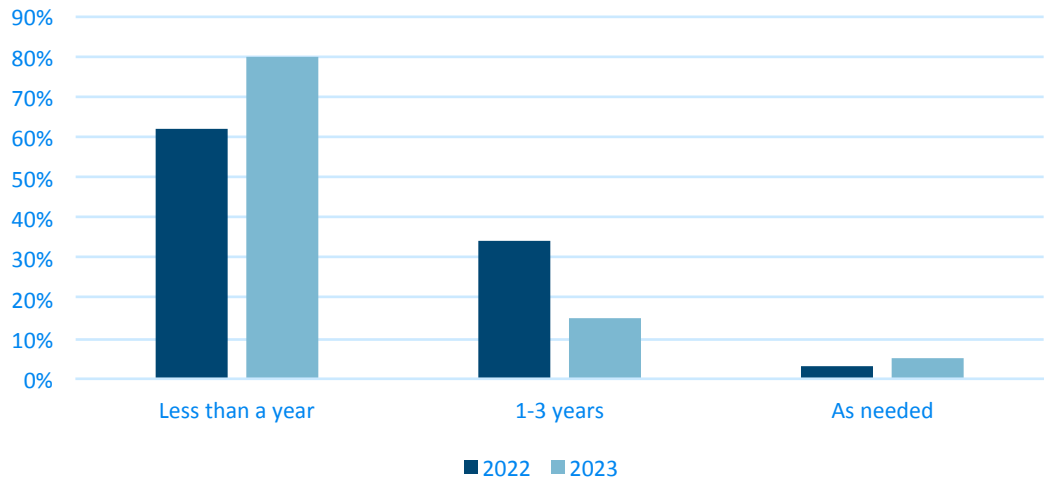
Most respondents assess their investment strategy and asset allocation annually.



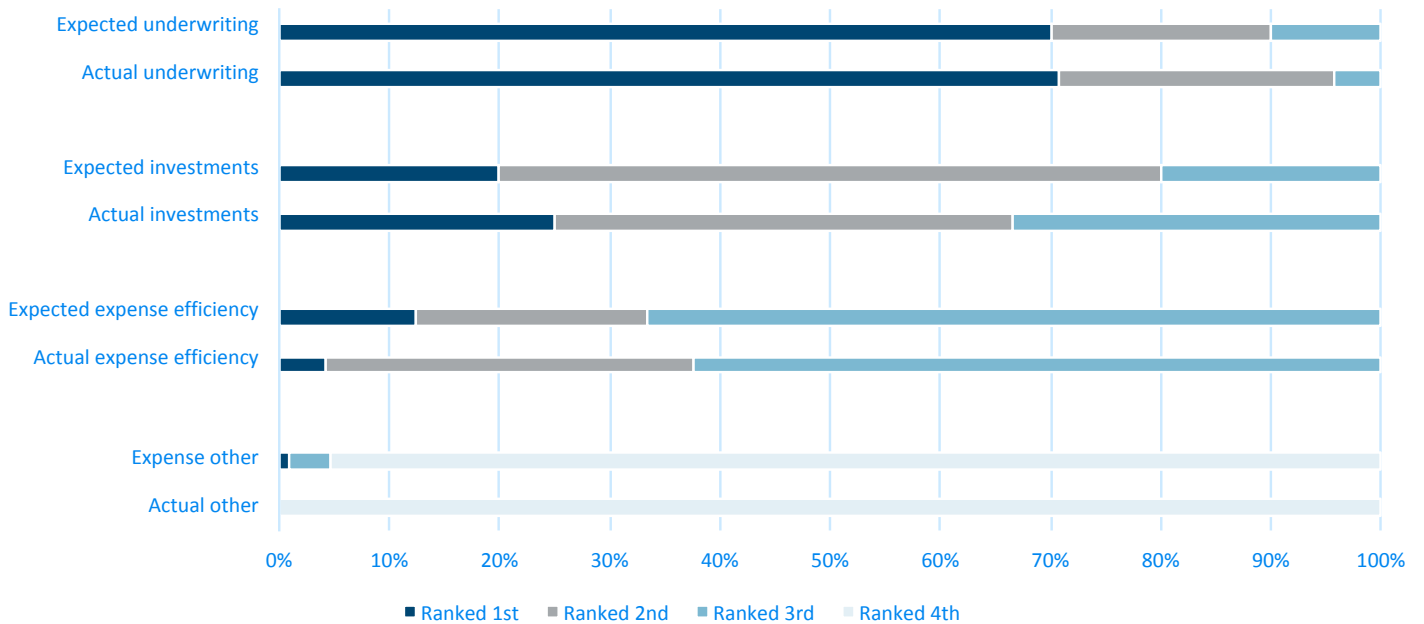
## When was the last time you reviewed your investment policy statement?

**80%**

of respondents have reviewed their investment policy statement in the past year, an increase from 2022, when only 60% did. Given the market volatility of 2022, it appears more companies took the opportunity to revisit their IPS.

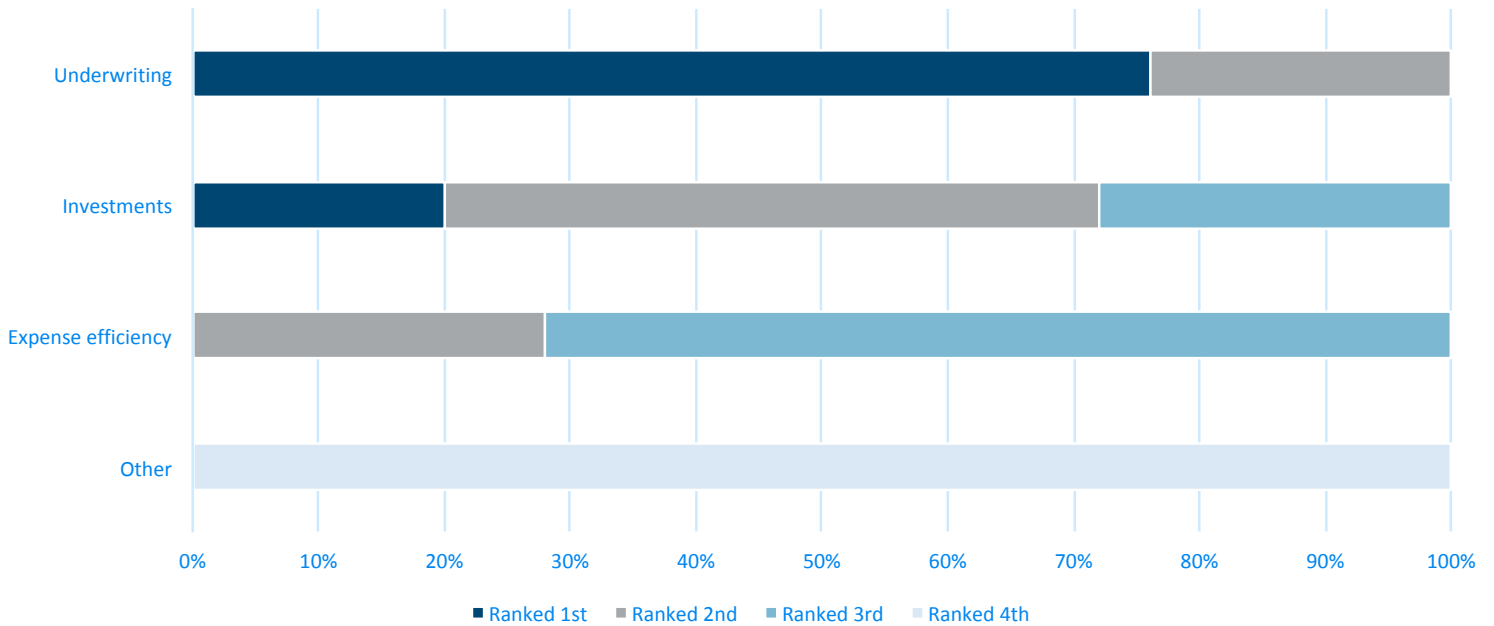


## Please rank in order of importance the factors that had the greatest opportunity to increase net income for your company in 2022.



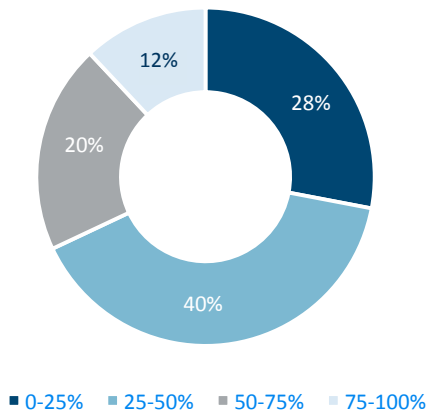
As expected, Underwriting was the greatest driver of net income in 2022. Surprisingly, even with the increase in interest rates over the last year investments had less of an impact than expected. Expense efficiency had a greater impact than expected, perhaps driven by inflationary pressures.

Please rank in order of importance the factors that have the greatest opportunity to increase net income for your company in 2023.



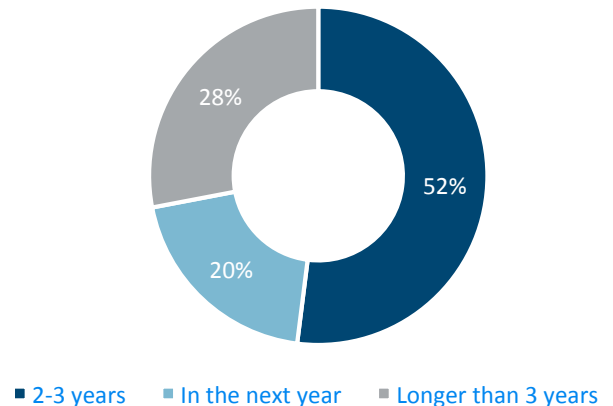
Underwriting is listed as the most important opportunity to increase net income in the next year, same as last year’s survey.

In your opinion, what is the probability of a U.S. recession in the next year?



**32%** of respondents believed there was at least a 50% chance of a U.S. recession in 2023.

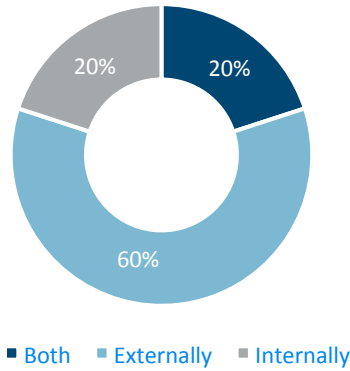
When do you expect inflation to return to the Federal Reserve’s target of 2%?



**OVER 50%** of respondents expect elevated inflation to persist for an additional 2 – 3 years.

## How is your company’s investment portfolio managed?

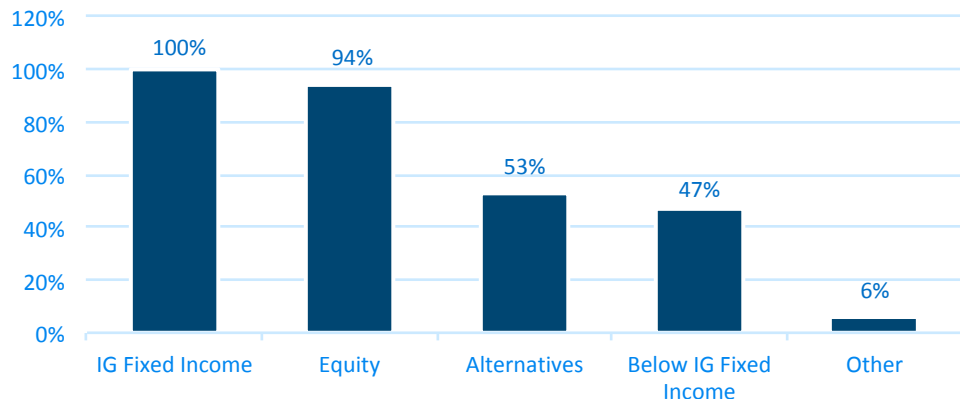
Most insurance companies utilize outside resources. A third-party manages all the investments for 60%, 20% rely on both internal and external resources, and 20% manage everything internally.



*(Only if previous answer is externally or both)*

## Which of your asset classes are externally managed?

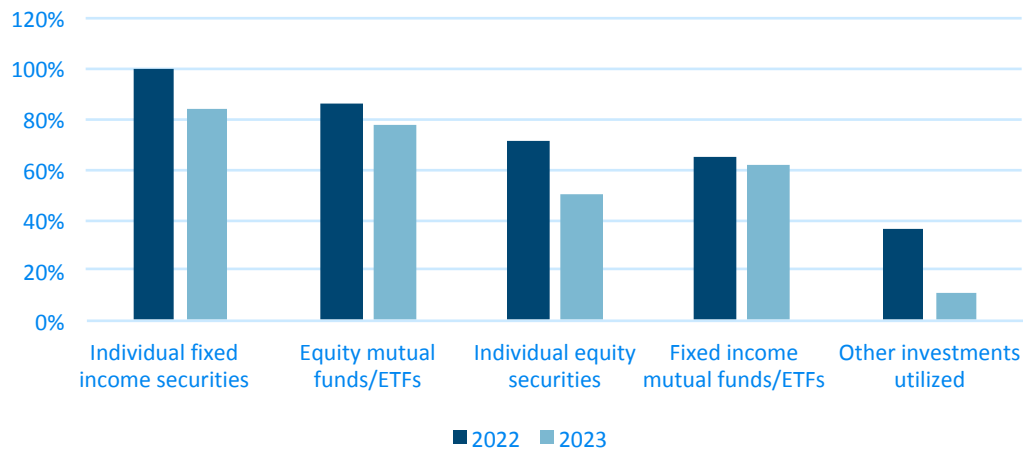
Of those utilizing third-party managers, traditional asset classes are most common, with 100% using IG Fixed Income and 94% for equity. Alternatives and Below IG FI, though not found in all respondent portfolios, are exclusively managed by a third-party manager.



## What types of investments do you utilize?

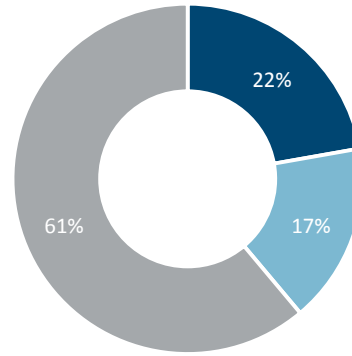
The most notable change is the 21% decrease in usage of individual equity securities. Also notable is the decreased usage of Individual Fixed Income Securities. The decline in both supports greater acceptance of ETFs in insurance portfolios. Lastly, entities that are internally managed tend to rely on funds/ETFs to gain asset class exposure.

*Respondents checked all that applied.*



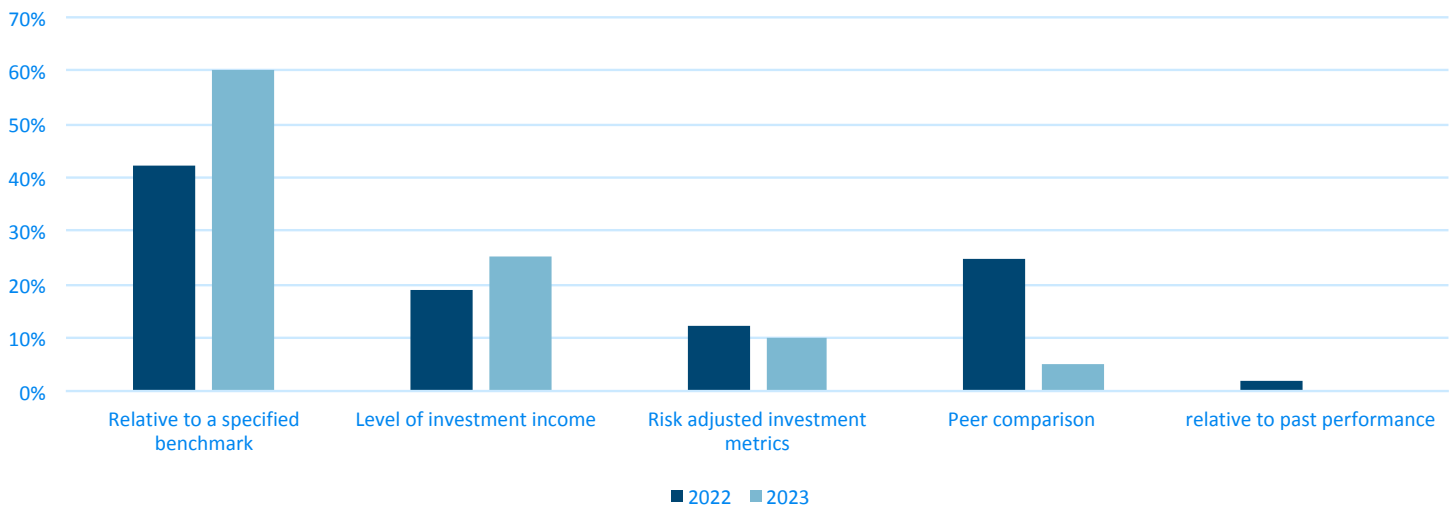
## What is the goal of your investment portfolio?

Most respondents have a hybrid goal of both total return and investment income. This is consistent with the previous year.



■ Total return ■ Investment income ■ Both

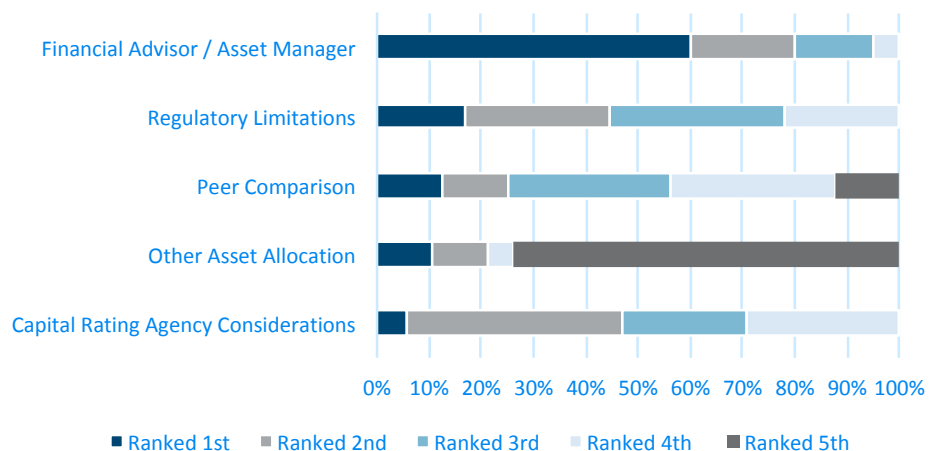
## How do you measure investment performance?



Measurement of investment performance relative to a specified benchmark is again the number one response.

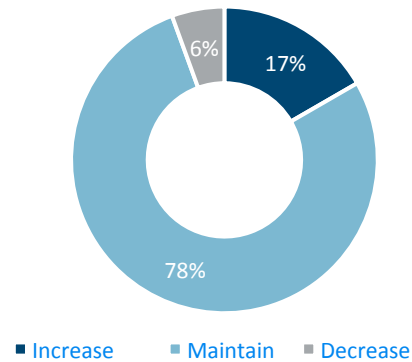
## How do you determine your asset allocation exposure?

Guidance from a financial professional was ranked highest when determining the asset allocation of an insurer.



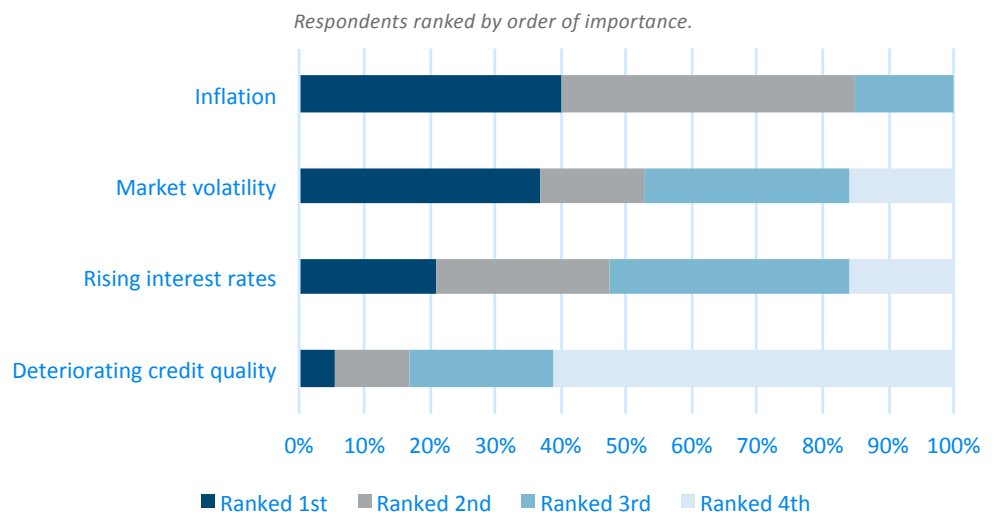
## In the next twelve months, are you planning on increasing, decreasing, or maintaining the investment risk in your portfolio?

78% of respondents are planning on maintaining the investment risk in their portfolio. It appears that 2022's difficult underwriting and market performance didn't translate into decreased risk tolerance.



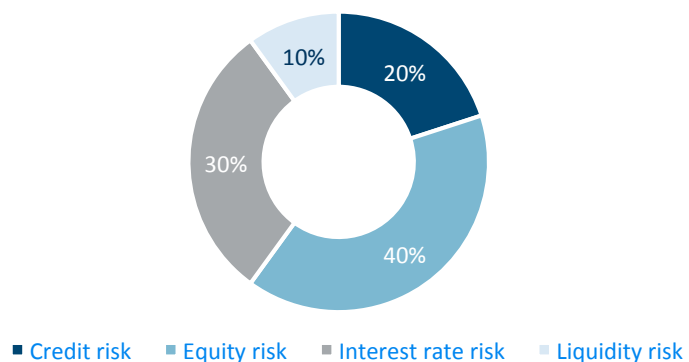
## When thinking about your investment portfolio, what concerns you?

Inflation and market volatility were the two major concerns, with rising interest rates ranking third. This is a slight change from 2022, where low interest rates were a top concern. Respondents appear more concerned with the mark-to-market of their portfolio and not as concerned with the credit quality.



## Which investment risk are you most concerned with?

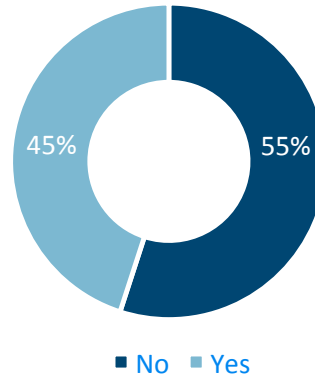
Equity risk is the greatest concern for 2023 respondents.





## Has the financial market volatility of 2022 changed how you view your investment objectives?

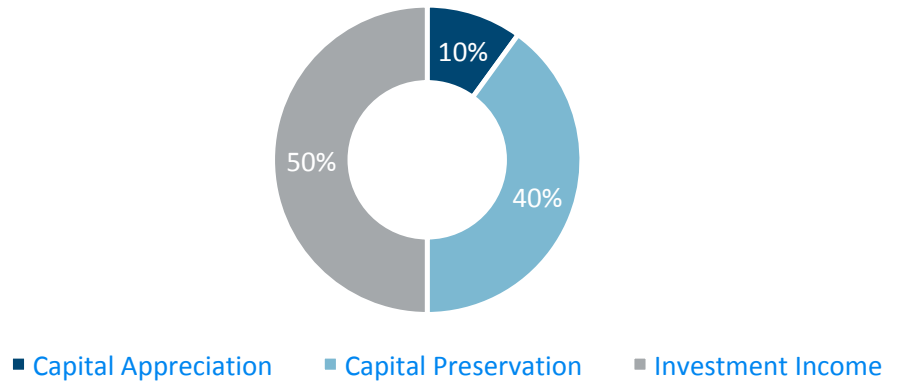
Financial market volatility has not changed how most respondents view their investment objectives.



*(Only if previous answer is yes, please answer)*

## All else equal, which investment objective will have greater prominence?

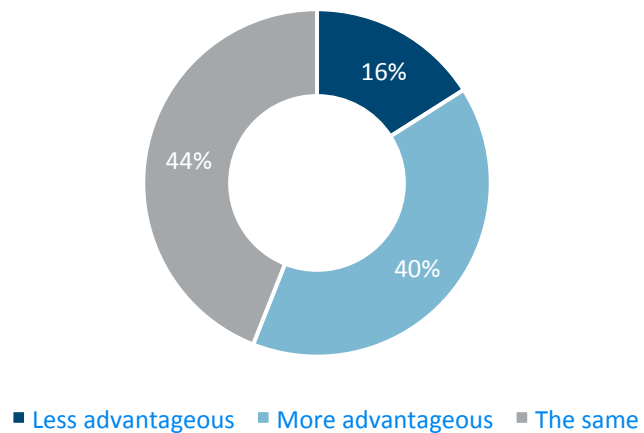
For those whose viewpoints changed last year, investment income (50%) and capital preservation (40%), were named the most important investment objectives. We believe the changes reflect emphasis on stability of results, and away from strategies that may involve greater volatility.



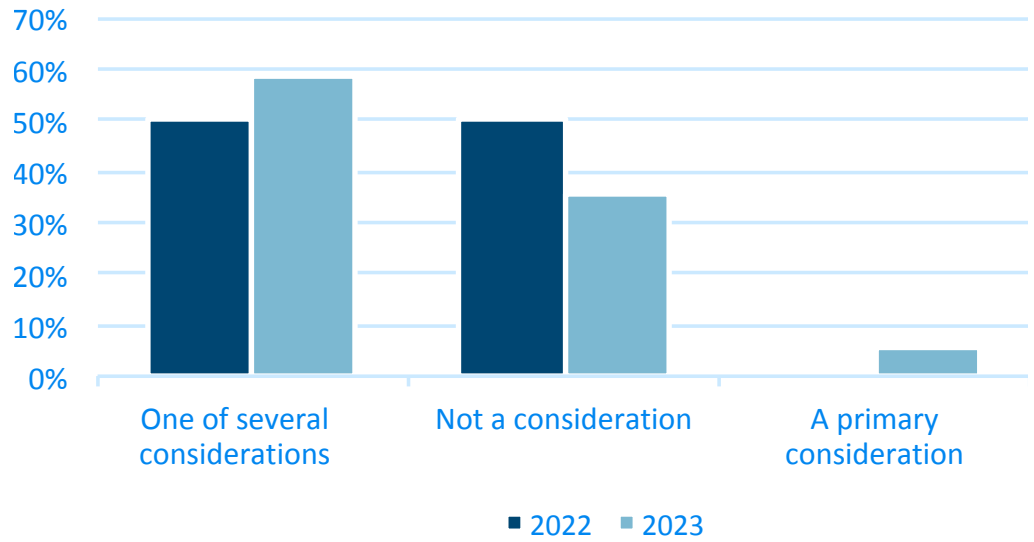
## How do you view your company's prospects compared to the previous year?

# 84%

of respondents view their companies' prospects in 2023 as the same or more advantageous than 2022.

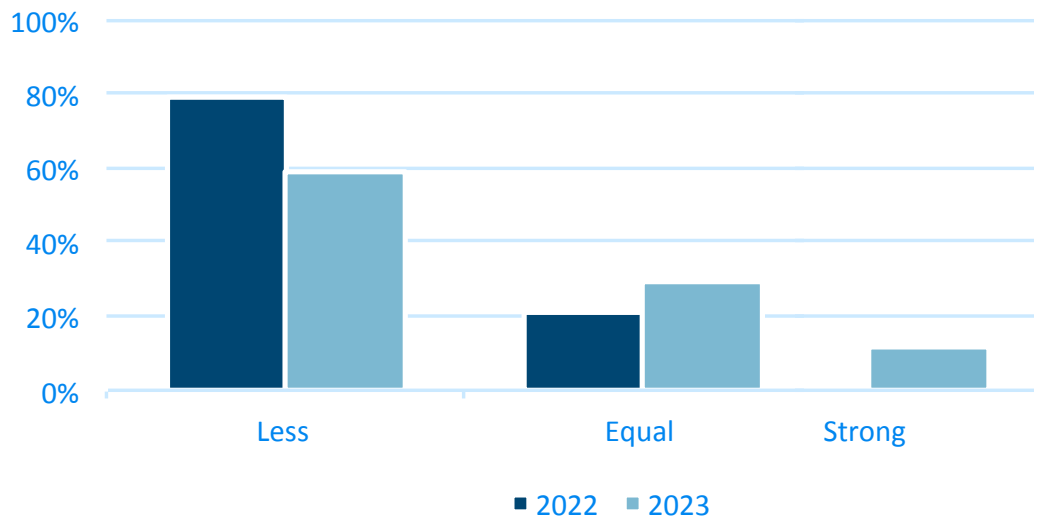


## To what extent is ESG an investment consideration?



ESG continues to gain importance as an investment objective for an insurance company.

## How do ESG objectives rank compared to financial goals?





## Questions for insurers/captive managers

If you could ask your peers one question about their investment portfolio, what would it be?

How can we do better as a group?

What is the makeup of your portfolio? And, why?

Why haven't you already divested of fossil fuels?

In the last year, where did you find the best opportunity in the market to benefit your entity?

How did you arrive at the split in your portfolio?

Have you accounted for disintermediation risk associated with massive potential withdrawals from one provider's standard ETF?

How do you monitor for other than temporary impairments?

Do you anticipate ESG considerations to grow in importance in the next 5 years?

How much do you hold in equity securities as a percentage of surplus?

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