Life Insurance Industry Investments

Mary Pat Campbell, FSA, MAAA
Vice President, Conning
Conning Overview, Insurance Research & Consulting Solutions

Conning Firm Overview

- Global asset management firm founded in 1912
- $145.5 billion in assets under management\(^{(1)}\)

Assets by Client Type\(^{(1)}\)

- 35.8% Life & Health
- 30.2% Property Casualty
- 13.8% Other\(^{(2)}\)
- 12.2% Retail\(^{(3)}\)
- 8.0% Pension

$145.5

Insurance Research and Consulting

- 17 professionals, with average experience of 24+ years\(^{(4)}\)
- Backgrounds include actuarial, strategic planning, equity research, underwriting, investment banking
- Insurance expertise supports asset management business and is key differentiator for Conning, Inc.

Publications and Services

- Strategic Studies
- Forecast & Analyses
- Segment Reports
- 30 Lines of Business

Consulting & Proprietary Research

- Business development and strategic planning
- Advisory services, including modeling and M&A support
- Peer and competitor analyses
- Ratings support and related services

---

\(^{(1)}\) As of June 30, 2019, represents the combined global assets under management for the affiliated firms under Conning Holdings Limited, Cathay Securities Investment Trust Co., Ltd. ("SITE") and Global Evolution Fondsmæglerselskab A/S and its group of companies (the "Global Evolution Companies"). The Global Evolution Companies are affiliates of Conning. SITE reports internally into Conning Asia Pacific Limited, but is a separate legal entity under Cathay Financial Holding Co., Ltd. which is the ultimate controlling parent of all Conning controlled entities.

\(^{(2)}\) Includes Asset Managers, Banks, Corporations, Foundations, Family Offices, Fund of Funds, Sovereign Wealth Funds, Sub-advised /Third-party Funds, Trusts, and other investors.

\(^{(3)}\) Retail Funds including Emerging Markets Public Funds, CLO Funds and SITE Mutual Funds.

\(^{(4)}\) As of August 2019
Book Yield Remains a Challenge

Gross Book Yield by Insurer Size

As % of Average Investable Assets

Prepared by Conning, Inc. Source: ©2019 A.M. Best Company—used by permission.
Life-Annuitiy Insurers Shift More To Mortgages
Allocation by Asset Class

As % of Investable Assets

<table>
<thead>
<tr>
<th>Year</th>
<th>Cash &amp; Bonds</th>
<th>Mortgages &amp; Real Estate</th>
<th>Preferred Stock</th>
<th>Common Stock</th>
<th>Schedule BA</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>84.0%</td>
<td>11.8%</td>
<td>1.2%</td>
<td>3.0%</td>
<td>1.8%</td>
<td>0.0%</td>
</tr>
<tr>
<td>2015</td>
<td>83.6%</td>
<td>12.5%</td>
<td>1.9%</td>
<td>3.1%</td>
<td>1.8%</td>
<td>0.0%</td>
</tr>
<tr>
<td>2016</td>
<td>83.1%</td>
<td>12.8%</td>
<td>1.9%</td>
<td>3.1%</td>
<td>1.8%</td>
<td>0.0%</td>
</tr>
<tr>
<td>2017</td>
<td>82.5%</td>
<td>13.3%</td>
<td>1.9%</td>
<td>3.0%</td>
<td>1.8%</td>
<td>0.0%</td>
</tr>
<tr>
<td>2018</td>
<td>81.6%</td>
<td>14.1%</td>
<td>1.9%</td>
<td>3.0%</td>
<td>1.8%</td>
<td>0.0%</td>
</tr>
</tbody>
</table>
Mortgage Holdings Increase Since 2010
Mortgage Holdings- Total Industry

As % of Investable Assets
Mortgages Used More by Largest Insurers, Cash by Smallest
Allocations to Major Asset Classes in 2019 by Insurer Size

As % of Investable Assets

Prepared by Conning, Inc. Source: ©2019 A.M. Best Company—used by permission.
Shifting Credit Quality in the Bond Portfolio to BBB-Rated Bonds

Bond Quality Distribution
As % Total Bonds

Prepared by Conning, Inc. Source: ©2019 A.M. Best Company—used by permission.
Shifting to BBB-Rated Bonds has Affected Insurers of All Sizes

BBB-Rated Bond Allocation by Insurer Size

As % Total Bonds

Prepared by Conning, Inc. Source: ©2019 A.M. Best Company—used by permission.
Rate Environment Low and Volatile
10-Year Treasury Rates Compared to 10-Year Moving Average
Increasing Spread, Increasing Risk?
10-Year Treasury Rates Compared to 10-Year Moving Average

Gross Book Yield
Moving Average 10-Year Treasury

Prepared by Conning, Inc. Source: ©2019 A.M. Best Company—used by permission.
Mortgage Yield Higher than Bonds, But Less Spread Over Time

Gross Book Yields, Bonds vs. Mortgages
As a % of average underlying investable assets

Prepared by Conning, Inc. Source: ©2019 A.M. Best Company—used by permission.
Continuing Challenging Environment
U.S. 10-Year Treasury Yield

FOMC = Federal Open Market Committee of the Federal Reserve
Disclosures

Conning, Inc., Goodwin Capital Advisers, Inc., Conning Investment Products, Inc., a FINRA-registered broker dealer, Conning Asset Management Limited, Conning Asia Pacific Limited and Octagon Credit Investors, LLC are all direct or indirect subsidiaries of Conning Holdings Limited (collectively, “Conning”) which is one of the family of companies owned by Cathay Financial Holding Co., Ltd., a Taiwan-based company. Conning has offices in Boston, Cologne, Hartford, Hong Kong, London, New York, and Tokyo. Global Evolution Fondsmæglerselskab A/S and its group of companies (“Global Evolution”) are affiliates of Conning with their head office located in Kolding, Denmark.

Conning, Inc., Conning Investment Products, Inc., Goodwin Capital Advisers, Inc., Octagon Credit Investors, LLC, and Global Evolution USA, LLC are registered with the Securities and Exchange Commission (“SEC”) under the Investment Advisers Act of 1940 and have noticed other jurisdictions they are conducting securities advisory business when required by law. In any other jurisdictions where they have not provided notice and are not exempt or excluded from those laws, they cannot transact business as an investment adviser and may not be able to respond to individual inquiries if the response could potentially lead to a transaction in securities.

Conning, Inc. is also registered with the National Futures Association and Korea’s Financial Services Commission. Conning Investment Products, Inc. is also registered with the Ontario Securities Commission. Conning Asset Management Limited is Authorised and regulated by the United Kingdom’s Financial Conduct Authority (FCA#189316). Conning Asia Pacific Limited is regulated by Hong Kong’s Securities and Futures Commission for Types 1, 4 and 9 regulated activities, and Global Evolution Fondsmæglerselskab A/S (FSA #8193) is regulated by Finanstilsynet (the Danish FSA). Conning and Global Evolution primarily provide asset management services for third-party assets.

Conning and Global Evolution predominantly invest client portfolios in fixed income strategies in accordance with guidelines supplied by its institutional clients.

All investment performance information included within this material is historical. Past performance is not a guarantee of future results. Any tax related information contained within this presentation is for informational purposes only and should not be considered tax advice. You should consult a tax professional with any questions.

For complete details regarding Conning and its services, you should refer to our Form ADV Part 2 (for all US entities), which may be obtained by calling us.

Legal Disclaimer

©2019 Conning, Inc. This document and the software described within are copyrighted with all rights reserved. No part of this document may be distributed, reproduced, transcribed, transmitted, stored in an electronic retrieval system, or translated into any language in any form by any means without the prior written permission of Conning and Global Evolution, as applicable. Neither Conning nor Global Evolution make any warranties, express or implied, in this document. In no event shall Conning or Global Evolution, as applicable be liable for damages of any kind arising out of the use of this document or the information contained within it. This document is not intended to be complete, and we do not guarantee its accuracy. Any opinion expressed herein is subject to change at any time without notice. This document contains information that is confidential or proprietary to Conning (or their direct and indirect subsidiaries or Global Evolution, as applicable). By accepting this document you agree that: (1) if there is any pre-existing contract containing disclosure and use restrictions between your company and Conning or Global Evolution, as applicable, you and your company will use this information in reliance on and subject to the terms of any such pre-existing contract; or (2) if there is no contractual relationship between your company and Conning or Global Evolution, as applicable, you and your company agree to protect this information and not to reproduce, disclose or use the information in any way, except as may be required by law.

ADVISE®, FIRM®, and GEMS® are registered trademarks of Conning, Inc. Copyright 1990-2019 Conning, Inc. All rights reserved. ADVISE®, FIRM®, and GEMS® are proprietary software published and owned by Conning, Inc.

This material is for informational purposes only and should not be interpreted as an offer to sell, or a solicitation or recommendation of an offer to buy any security, product or service, or retain Conning or Global Evolution for investment advisory services. This information is not intended to be nor should it be used as investment advice.