

A man with a beard and curly hair, wearing a blue suit and tie, is smiling and shaking hands with another person whose arm is visible from the right. They are in an office with large windows in the background showing a city view. A dark blue square with white text is overlaid on the image.

# Corner Office Views



CERULLI  
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# Corner Office Views

Timely Insights to Inform  
your Business Strategy

Lead with knowledge and perspective. Connect with secular trends impacting financial services, interpret what they mean for your business, and drive new opportunities. Cerulli's Corner Office Views provides market-leading insights and tangible takeaways for senior executives seeking to strengthen and scale their business models.



# About the Author



## **Justina Deveikyte, CAIA**

Associate Director,  
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Justina joined Cerulli Associates in February 2014 and heads the European institutional asset management research practice. In her role, she is responsible for all research activities relating to institutional investors, the firm's analysis of alternative investments, the newly created ESG section, and all data-science-based activities. She also contributes to multiple strategic consulting engagements and the Cerulli Edge series.

Justina is the lead author of several Cerulli reports, covering insurance, retirement, ESG, and alternative investments. Throughout her career, she has successfully developed partnerships with industry associations and has presented at several conferences and events across the Europe.

She graduated from London South Bank University with a M.Sc. degree in International Finance & Investment. She also has a B.Sc. degree in Finance Economics from Vilnius University and a M.Sc. degree in Data Science from Birkbeck, University of London. Currently, Justina is a Ph.D. student in the computer science and information systems department at Birkbeck.



# How can managers grow strategic partnerships in Europe's insurance industry?

Driven by the need to improve operational efficiencies and profits, insurers are increasingly consolidating their relationships with external asset managers.

## Key Implications

- Strategic partnerships are becoming more common as general account insurers try to streamline their relationships with asset managers. A variety of types of partnership exist, but the most common involves supplying a range of additional services to insurers to help them manage their assets more efficiently.
- On average one-quarter of European general account insurer respondents plan to decrease the number of external asset managers they work with over the next 12 to 24 months. However, this number is much higher in France, where almost 40% of respondents are considering decreasing the number of managers they work with.
- Cerulli's survey of asset managers found that 27% of respondents expect to significantly increase the number of strategic partnerships they have over the next three to five years. Another 67% believe that the number of strategic partnerships they have will increase slightly over the same period.
- Developing long-lasting strategic partnerships with insurers should be a priority for asset managers with dedicated insurance solutions teams. Cerulli believes that managers should prioritize revenues and the stability of those revenues rather than asset growth, because competition in the European insurance asset management industry is set to grow.

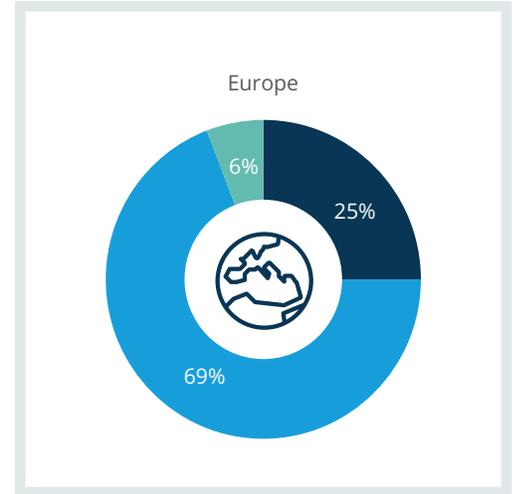
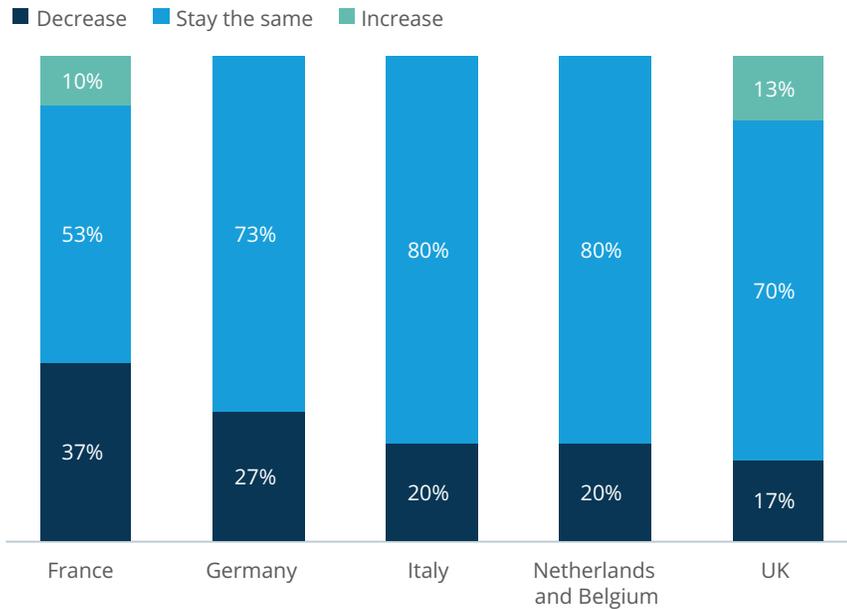
## Consolidating relationships

The way insurers engage with asset managers is changing. Driven by the need to improve operational efficiencies and profits, insurers are increasingly consolidating their relationships with external asset managers. Managers also increasingly prefer partnership-type engagements as a result of fee pressure and growing consolidation across the industry.

Cerulli's Insurer Investment Survey found that one-quarter of European general account insurer respondents plan to decrease the number of external asset managers they work with over the next 12 to 24 months. However, this number is much higher in France, where almost 40% of respondents are considering decreasing the number of managers they work with. These results are in line with last year's findings, which showed that more French and German insurers were considering reducing the number of external asset managers they worked with.

## Insurers: Expected Changes to the Number of External Managers Used for General Account Mandates by Insurers' Country, 2020

Source: Cerulli Associates



Size is also important when it comes to consolidating relationships with external asset managers. Cerulli's research suggests that the largest and smallest insurers are the most keen to consolidate their relationships with managers. Around 30% of the large and small insurers we surveyed said that they plan to decrease the number of asset managers they work with over the next 12 to 24 months, whereas fewer than 15% of mid-sized insurers plan to do so.

### The strategic partnership model

Under the strategic partnership model, insurers have relationships with fewer managers and each manager has wide discretion. In exchange for the broader mandate, the manager must provide more in-depth input to the client. Strategic partnerships require a variety of services beyond basic investment management, including strategic asset allocation optimization, Solvency II optimization, risk and scenario analysis, liquidity analysis, technology provision, and specialized investment accounting and reporting services.

Some asset managers consider all of their insurance mandates strategic partnerships, simply because they meet a certain AUM threshold, say €500 million or €1 billion. However, Cerulli defines a strategic partnership as one that includes a wide range of services and is much more than a simple outsourced mandate. It will

also involve a significant portion of assets; for example, the strategic partner will manage more than 50% of the insurer's investment assets. Strategic partnerships are much more than simply outsourced mandates.

Although it is difficult to estimate the size of a typical strategic partnership engagement, Cerulli's survey of asset managers found that partnerships tend to be preferred by smaller insurers and that the average size of strategic partnership mandates range between €1 billion and €25 billion. Building long-lasting strategic partnerships will be the priority for many insurance asset managers over the next three to five years. Cerulli's survey of asset managers found that 27% of respondents expect to significantly increase the number of strategic partnerships they have over the next three to five years. Another 67% believe that the number of strategic partnerships they have will increase slightly over the same period.

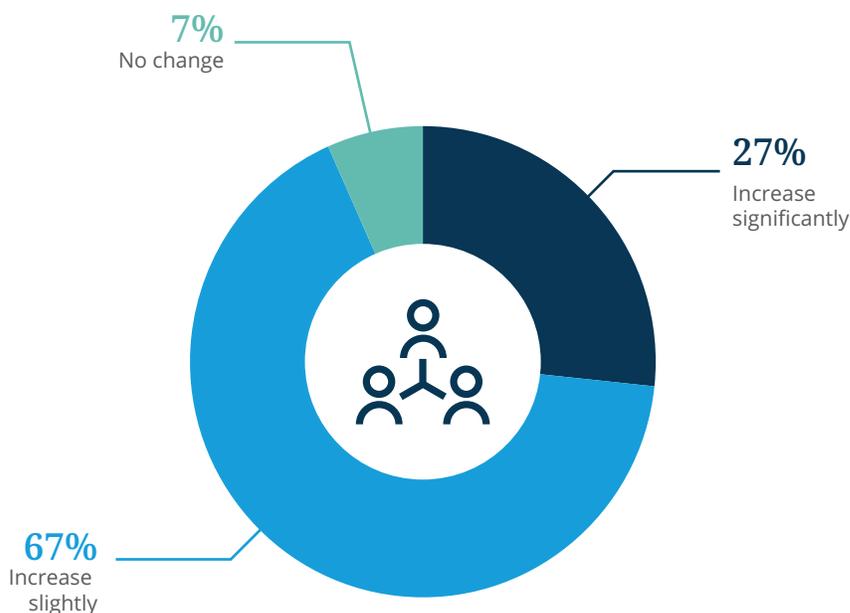
Strategic partnerships are much more than simply outsourced mandates.

There will be an increasing number of strategic partnership opportunities for external asset managers who can demonstrate the ability to develop ESG products.

Asset managers aiming to secure strategic partnerships with insurers should be willing to accept fee cuts.

## Asset Managers: Expected Increase in Number of Strategic Partnerships With Insurers Over the Next Three to Five Years, 2020

Source: Cerulli Associates



### Where to find strategic partnerships

Asset managers will also find partnership opportunities in the unit-linked insurance industry. Some insurers are keen to partner with managers to develop innovative funds for their unit-linked products; others prefer to partner with managers that can offer extended technological and distribution capabilities. For instance, in 2017, DWS Group teamed up with German insurer Volkswohl Bund Lebensversicherung to offer fund-backed life insurance products via its digital platform.

In addition, there will be an increasing number of strategic partnership opportunities for external asset managers who can demonstrate the ability to develop ESG products (e.g., low carbon products that reduce carbon footprint by 30% compared with the benchmark) and provide assessment of climate-related risks such as transition and physical risks in insurers investment portfolios. Asset managers should leverage their advisory capabilities when building such partnerships.

Cerulli expects strategic partnerships to become more common, although only the largest insurance asset managers that have insurance solutions teams will be able to seize such opportunities. Insurance companies want to work with managers that understand the complexity of the environment and prefer managers with experience managing insurance assets under Solvency II constraints.

## Fees and resources in strategic partnerships

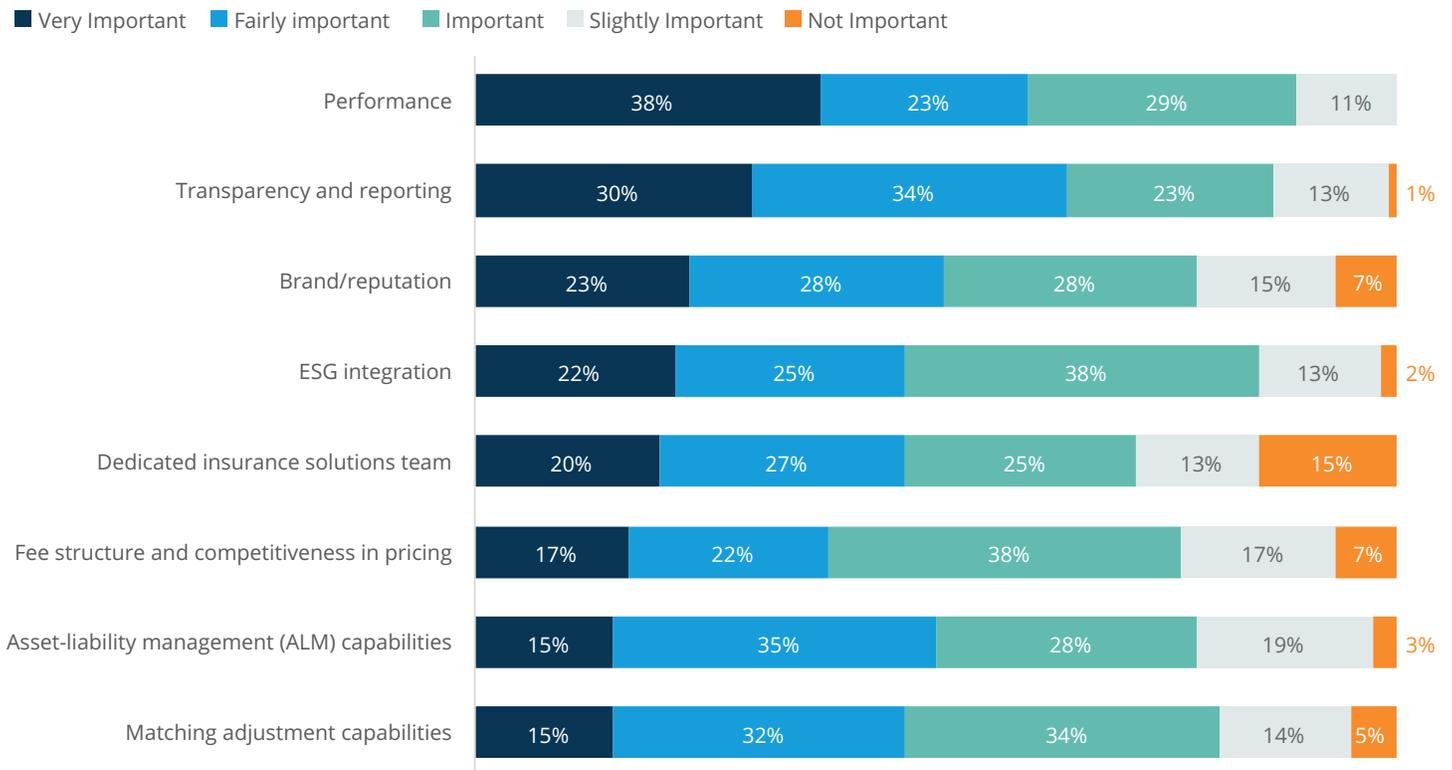
Asset managers aiming to secure strategic partnerships with insurers should be willing to accept fee cuts. The managers Cerulli spoke to said that strategic partners can receive fee discounts of 20% or more.

Managers with both scale and dedicated insurance solutions teams are best positioned to commit time and resources to partnerships with insurers. One large French asset manager told Cerulli that partnership engagements can involve weekly committee discussions and quarterly and annual reviews to discuss business changes, governance, risk, and performance. Though most contact will be with the CIO, the CFO and CEO will also be involved, albeit less frequently, and there is often ad hoc contact with the wider investment team.

Insurance asset managers that are part of banks are among the ones that will benefit the most from the growing demand for strategic partnerships. For closed insurance book acquisitions, much work is undertaken before deal completion—asset managers can leverage their M&A teams to provide valuation and portfolio analysis to help the acquiring party assess feasibility and negotiate pricing. Relationships with consolidators can be intensive as a result; however, those offering the best solutions are sure to gain to a share of assets once deals are closed.

## Insurers: Factors Insurers Consider Most Important When Selecting Asset Managers, 2020

Source: Cerulli Associates



# Cerulli for Research and Consulting

For nearly 30 years, Cerulli has provided global asset and wealth management firms with unmatched, actionable insights.

Headquartered in Boston with fully staffed offices in London and Singapore, Cerulli Associates is a global research and consulting firm that provides financial institutions with guidance in strategic positioning and new business development. Our analysts blend industry knowledge, original research, and data analysis to bring perspective to current market conditions and forecasts for future developments.

Cerulli's research product line includes the Cerulli Report series, the Cerulli Edge series, and Cerulli Lodestar.

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