

WEBINAR SERIES

The ACLI logo features the letters 'ACLI' in a bold, white, sans-serif font. To the left of the letters are three parallel, slanted white lines of increasing length, creating a stylized graphic element.

# 2024 Industry and Market Outlook: Searching for the Winning Ticket

November 28, 2023 | 1:00 PM ET

Presented by



CONNING®

# 2024 Industry and Market Outlook: Searching for the Winning Ticket

Host:

## Elizabeth Carden

*Senior Managing Director,  
Conference Development &  
Marketing  
ACLI*



**///ACLI**

# 2024 Industry and Market Outlook: Searching for the Winning Ticket

///ACLI

Moderator:



**Sunny Wadhwa**

*Head of Business Development  
Conning*



**Cindy Beaulieu**

*Chief Investment Officer  
Conning*



**Scott Hawkins**

*Managing Director and Head of  
Insurance Research  
Conning*

# About Conning

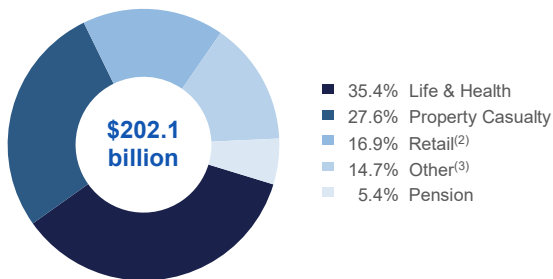
## Conning Overview

- Founded in 1912; investing institutional assets for over three decades
- 510 employees<sup>(\*)</sup> with 192 investment professionals
- Offices in Asia, Europe and North America
- PRI signatory as of 2012, with an integration of ESG factors into our investment process<sup>(\*\*)</sup>

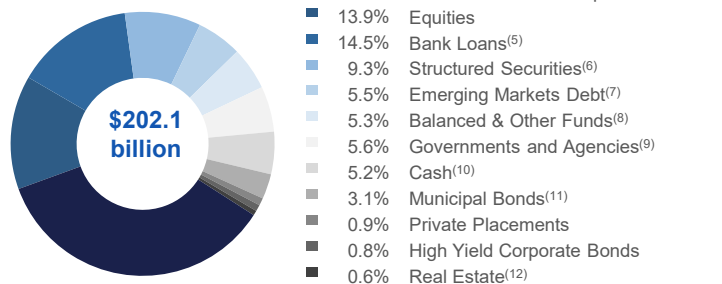
## Recent Developments

- In 2020, acquired a majority interest in Global Evolution, a specialty manager with expertise in emerging market debt strategies
- In 2023, acquired a majority stake in Pearlmark Real Estate, LLC., a commercial real estate debt and equity manager
- In 2023, signed an agreement to be acquired by Generali Group, an Italy-based insurance and financial management firm. Subject to regulatory approvals and expected to close in the first half of 2024

Assets by Client Type<sup>(1)</sup>



Assets by Asset Class<sup>(1)</sup>



\*Excludes Cathay SITE.

\*\*[https://www.conning.com/-/media/marketing/site/documents/other/public\\_transparency\\_report\\_conning\\_2021.pdf](https://www.conning.com/-/media/marketing/site/documents/other/public_transparency_report_conning_2021.pdf).

(1) As of September 30, 2023, represents the combined global assets under management for the affiliated firms under Conning Holdings Limited (CHL) and Cathay Securities Investment Trust Co., Ltd. (SITE). Cathay SITE is a separate entity under Cathay Financial Holding Co., Ltd which is the ultimate controlling parent of all CHL controlled entities.

(2) Retail Funds including Emerging Markets Public Funds, and CLO Funds.

(3) Includes Asset Managers, Banks, Corporations, Foundations, Family Offices, Fund of Funds, Sub-advised /Third-party Funds, Trusts, and other investors.

(4) Includes Convertible Securities.

(5) Includes Bank Loans held in managed CLO funds.

(6) Includes Mortgage-backed Securities, Asset-backed Securities, CLO Debt and CLO Equity.

(7) Includes Emerging and Frontier Markets.

(8) Includes Cathay SITE ILP Funds, Funds of Funds and other Mutual Funds.

(9) Includes Treasuries, Supranational and Sovereigns.

(10) Includes Short Term Includes.

(11) Includes Taxable Municipals and Tax-Exempt Municipals.

(12) Reflects gross investment value for equity investments, outstanding loan receivables for debt investments, and unfunded commitments.

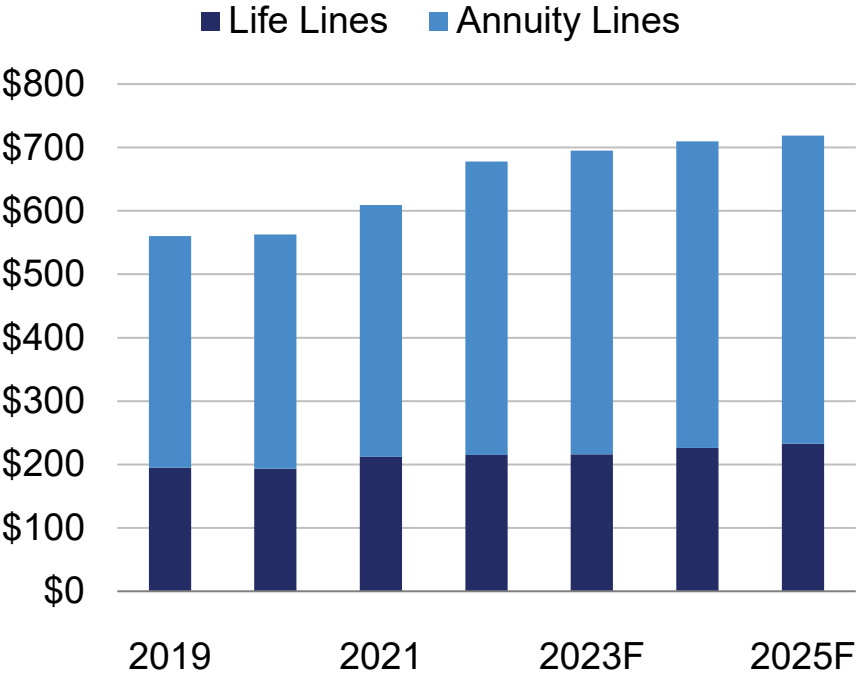
---

# LIFE INDUSTRY OUTLOOK

# Growing Net Operating Gains

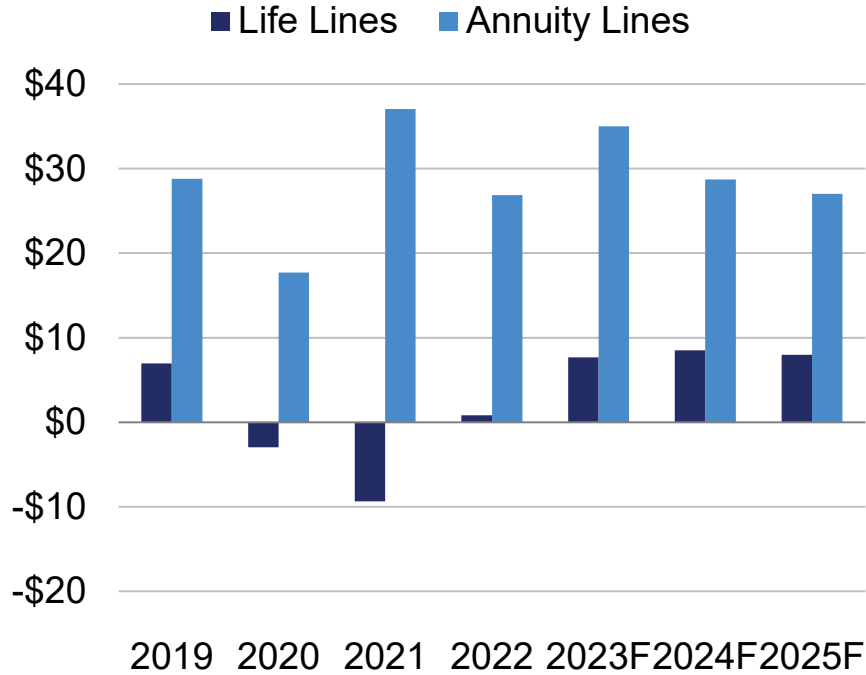
## Life-Annuity Direct Premium Written

\$ in millions



## Life-Annuity Net Operating Gain

\$ in millions



Both charts are prepared by Conning, Inc. Source: Copyright 2023, S&P Global Market Intelligence.



# Four Key Themes Changing The Landscape

## AI and Insurance Technology



## The Growing Senior Market



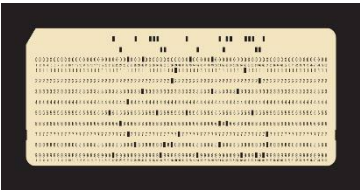
## Regulation



## The Economy



# Look Where We've Come From!



**The 60s & 70s**



**The 80s & 90s**



**The 90s & 00s**

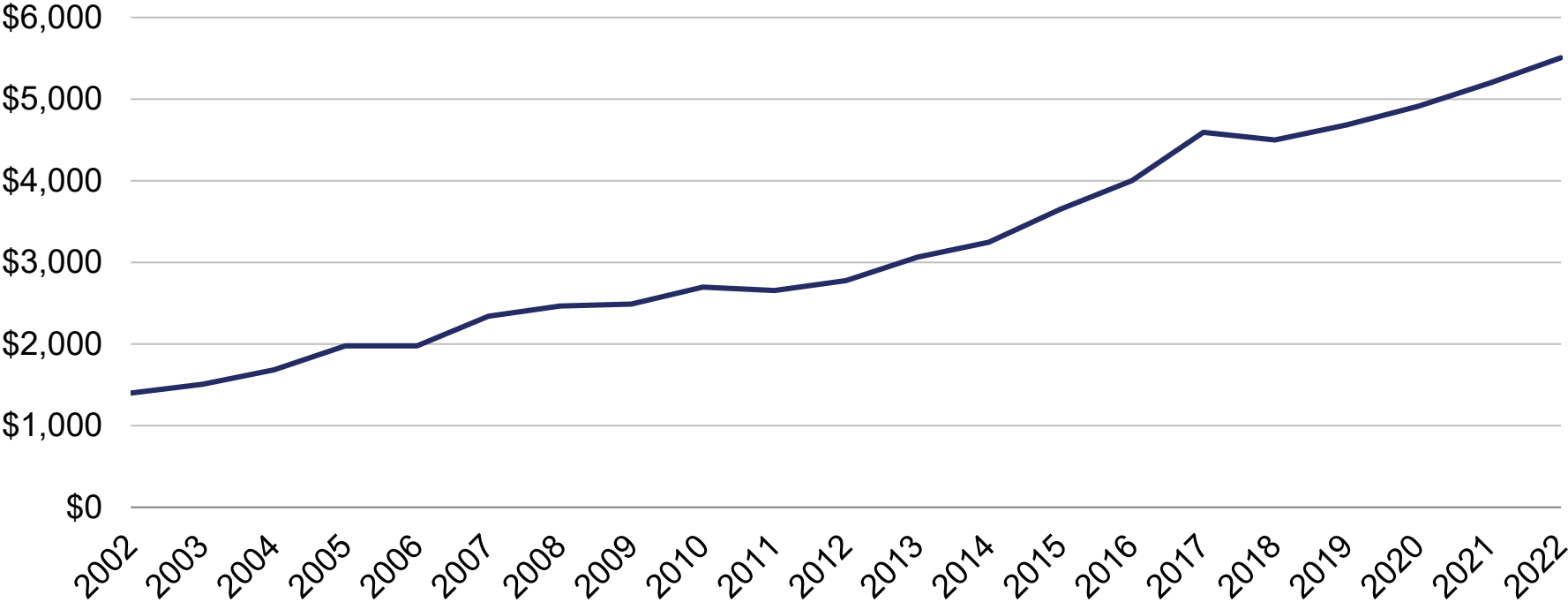


**Today**

# IT Investment Growing Faster Than Liabilities

## Life-Annuity Amortization of EDP Expenses

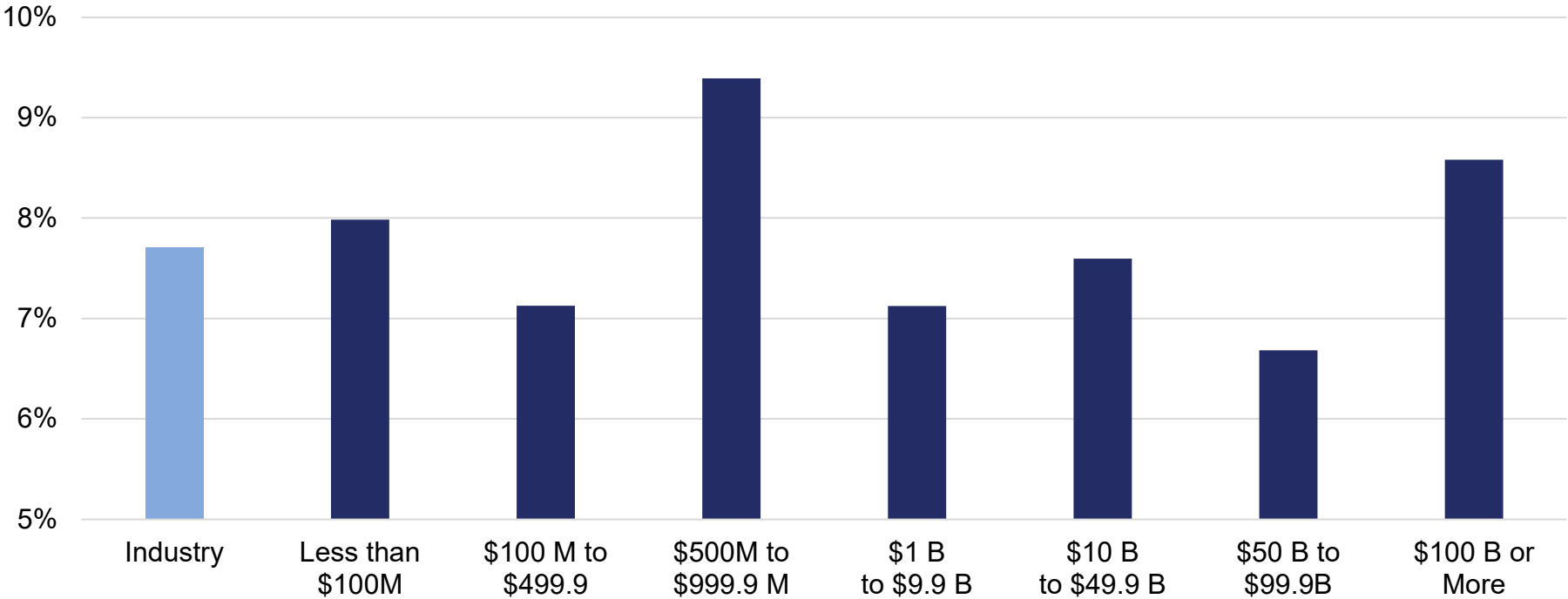
\$ in billions



Prepared by Conning, Inc. Source: Copyright 2023, S&P Global Market Intelligence.

# Smaller Insurers Not Lagging in IT Investments

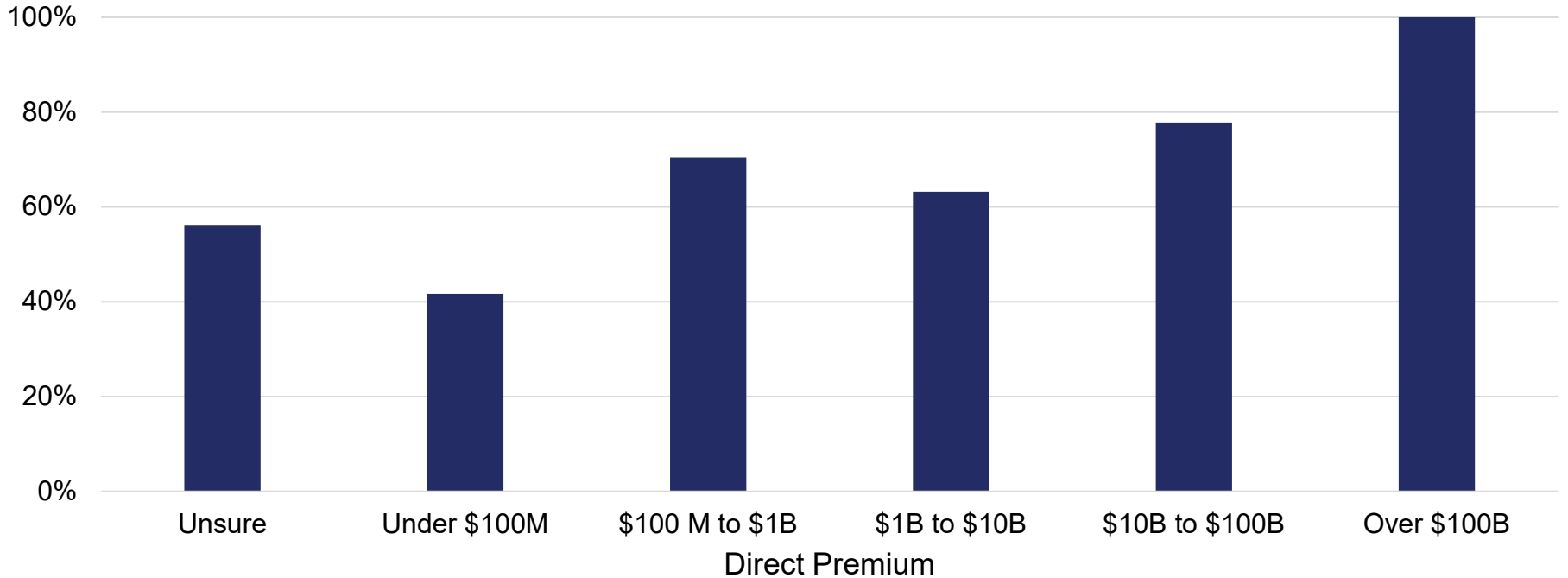
Life & Annuity IT Expenditures CAGR by Asset Size: 2002-2022



Prepared by Conning, Inc. Source: Copyright 2023, S&P Global Market Intelligence.

# AI Adoption Widespread

## Have Implemented AI or Are in the Process of Implementing an AI Project?



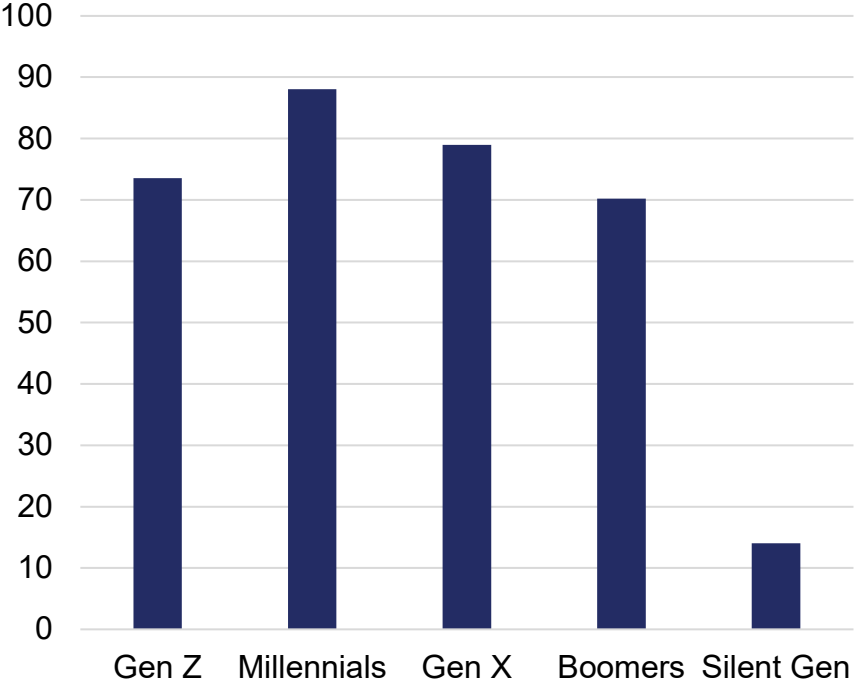
Prepared by Conning, Inc. Source: 2022 Conning AI Survey.

# The Senior Market's Expanding Growth Opportunity

U.S. Population Age Distribution, 2021



*In millions*

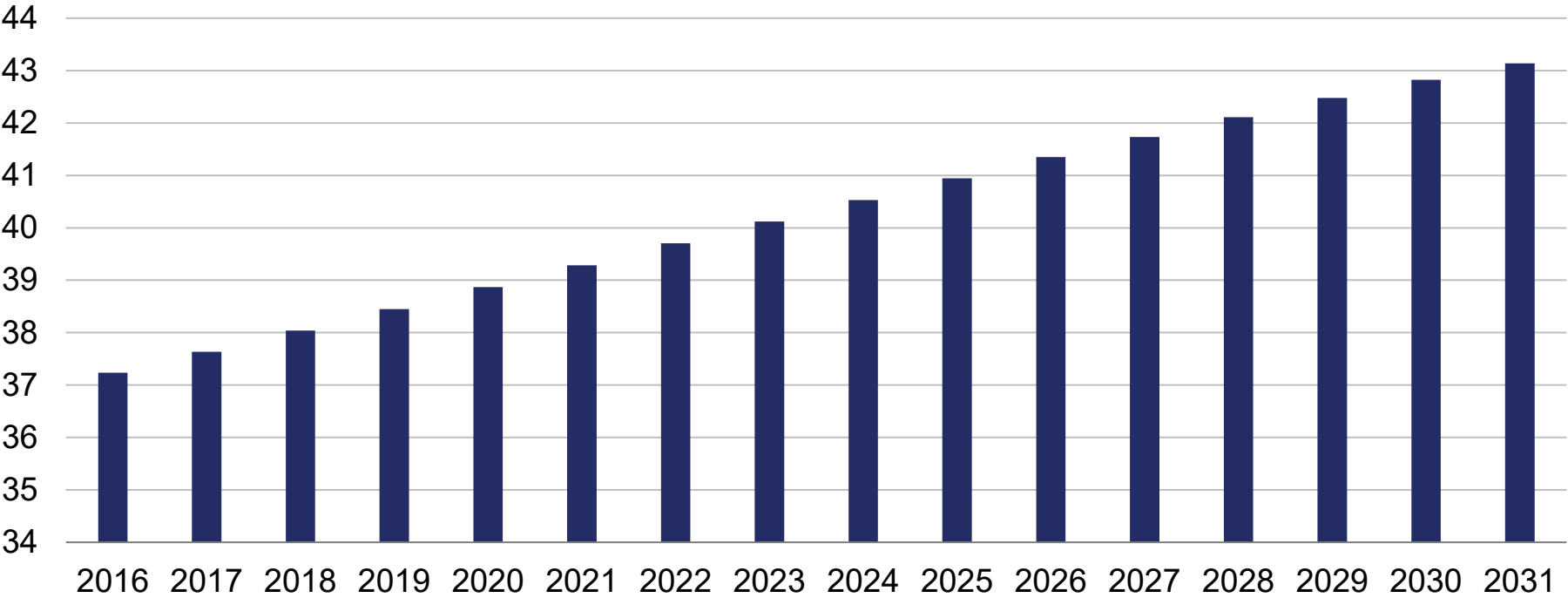


Prepared by Conning, Inc. Source: Census Bureau, U.S. Department of Commerce (2023).

# Senior Market Population 16% Growth Attracting Attention

## U.S. Senior Market Population Projection: 2016-2031

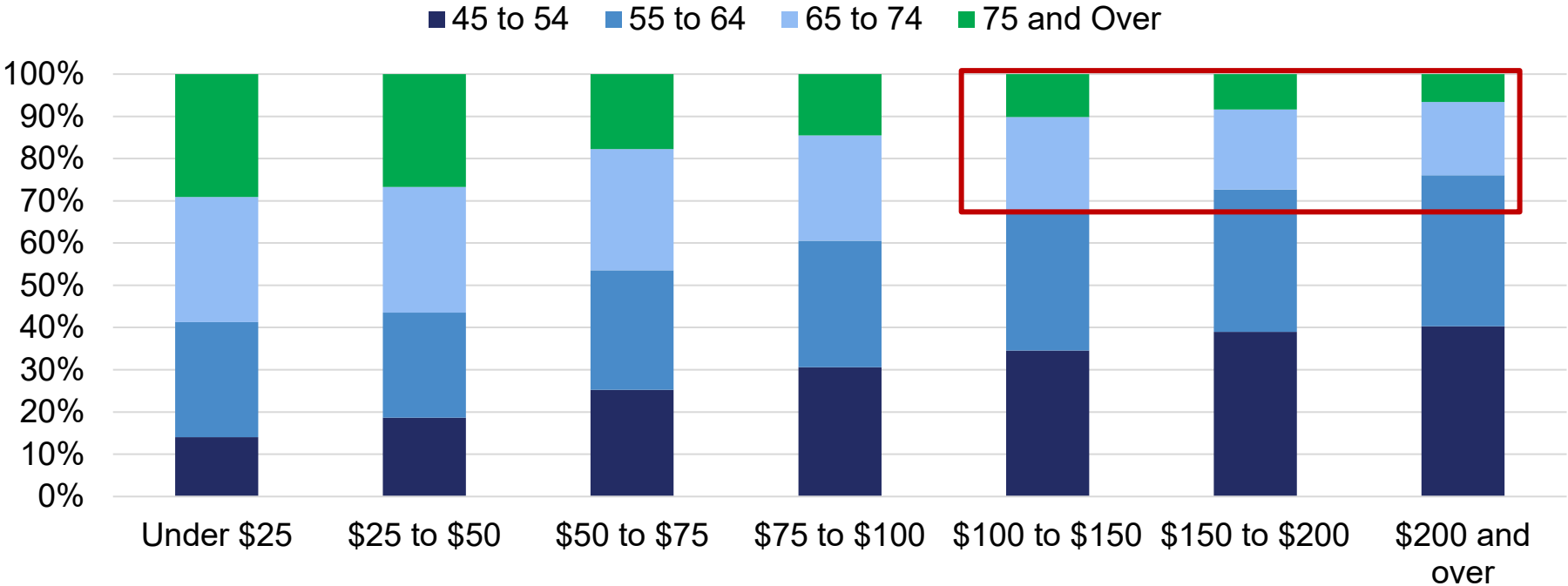
*Population in millions*



Prepared by Conning, Inc. Source: Census Bureau, U.S. Department of Commerce (2023).

# 30% of Senior Market Households Have \$100k of More of Income

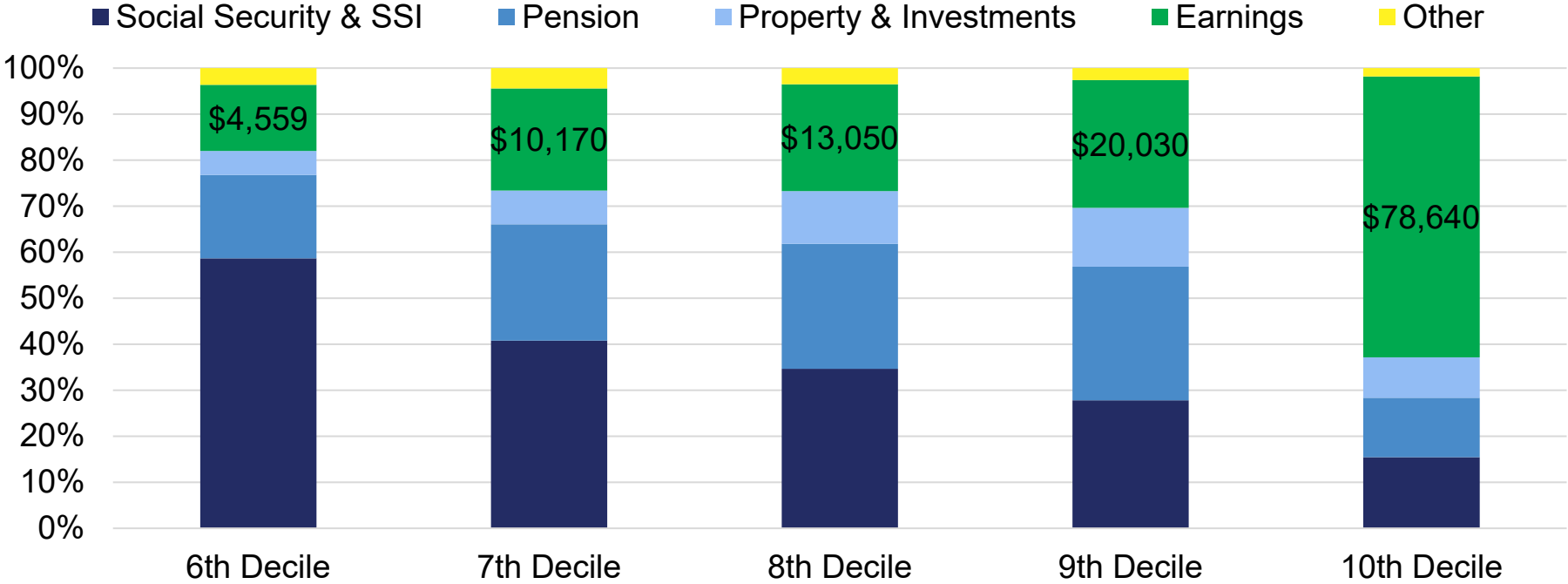
## Household Share by Income and Age



Prepared by Conning, Inc. Source: Census Bureau, U.S. Department of Commerce (2023).

# Occupational Differences Drive Higher Earnings Among Seniors

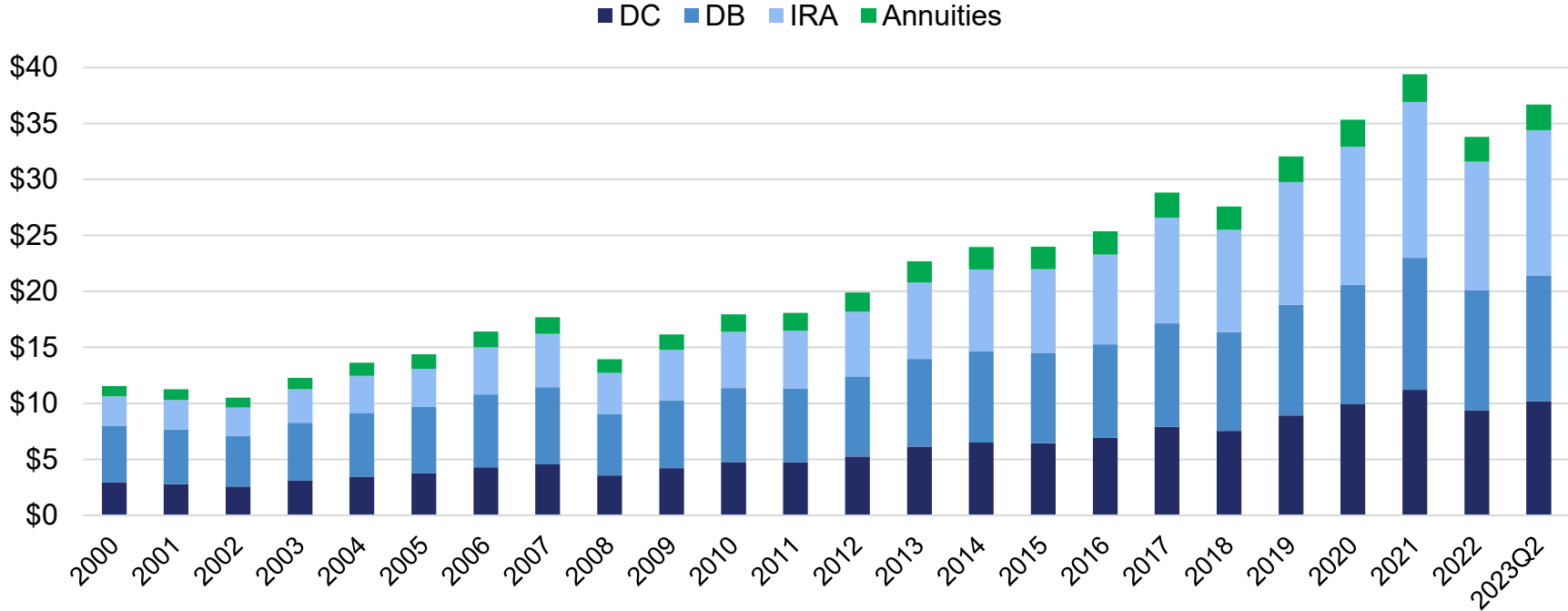
Household by Source: Age 65+



Prepared by Conning, Inc. Source: Census Bureau, U.S. Department of Commerce (2023).

# U.S. Retirement Plan Assets Triple Since 2000

## Assets by Product \$ in trillions



Prepared by Conning, Inc. Source: Copyright 2023, S&P Global Market Intelligence.

# Four Paths To Retirement Income

**In-Plan Guaranteed**

**TDF/Annuity Combos**

**TDF/SPIA Combos**

**TDF/DIA Combos**

**Out of Plan Guaranteed**

**Individual SPIAs**

**Individual DIAs**

**Individual GLWB**

**In-Plan Non-Guaranteed**

**Managed Withdrawals**

**Systematic Withdrawals**

**Out of Plan Non-Guaranteed**

# Fiduciary Regulation: Let's Get Ready To Rumble!

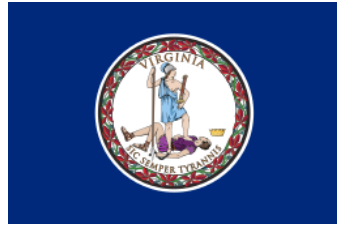


National Association of  
Insurance Commissioners



Insured Retirement Institute

# AI Regulation: Just Started and Gathering Steam



# AI Legislation: States Activity Explodes in 2023

## AI Regulations in Effect:

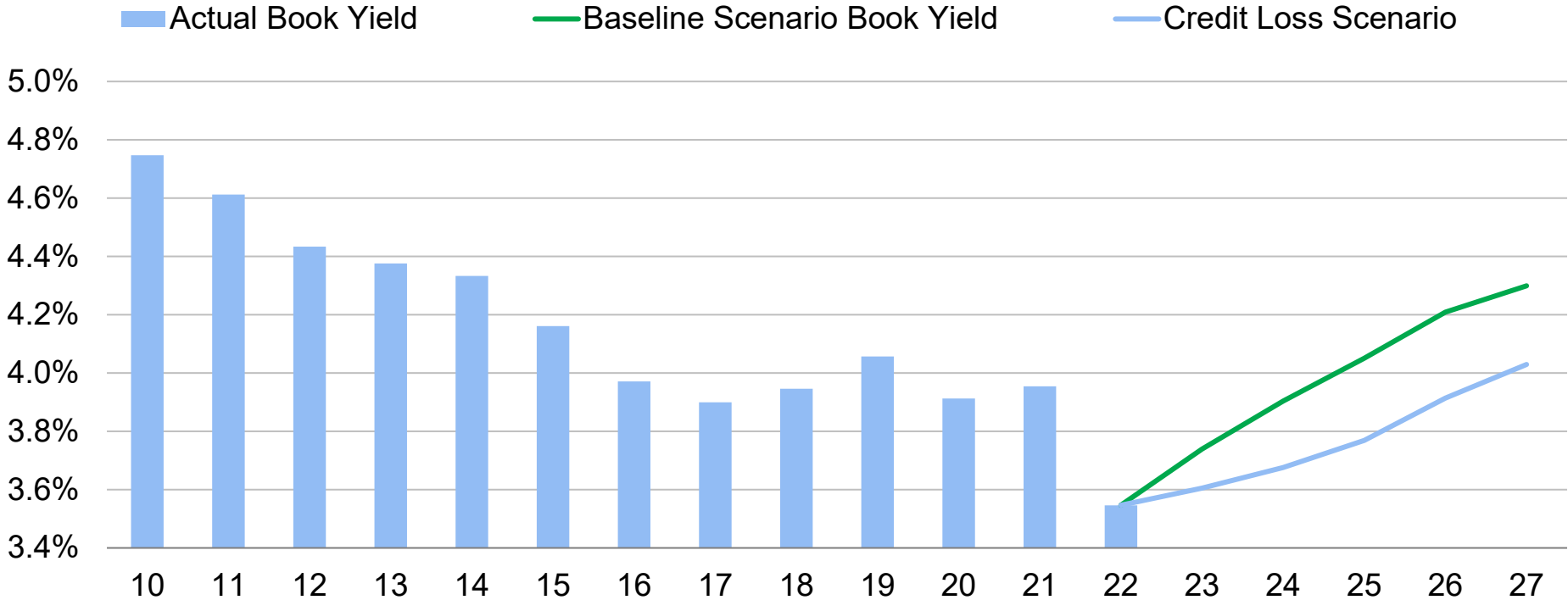
- California
- Connecticut
- Delaware
- Georgia
- Hawaii
- Indiana
- Maryland
- Montana
- New York City
- North Dakota
- Oregon
- Tennessee
- Texas
- Virginia
- Utah

## AI Regulations Introduced:

- California
- D.C.
- Hawaii
- Illinois
- Maine
- Massachusetts
- Minnesota
- Nevada
- New Hampshire
- New Jersey
- New York
- Pennsylvania
- Rhode Island
- Vermont
- Washington

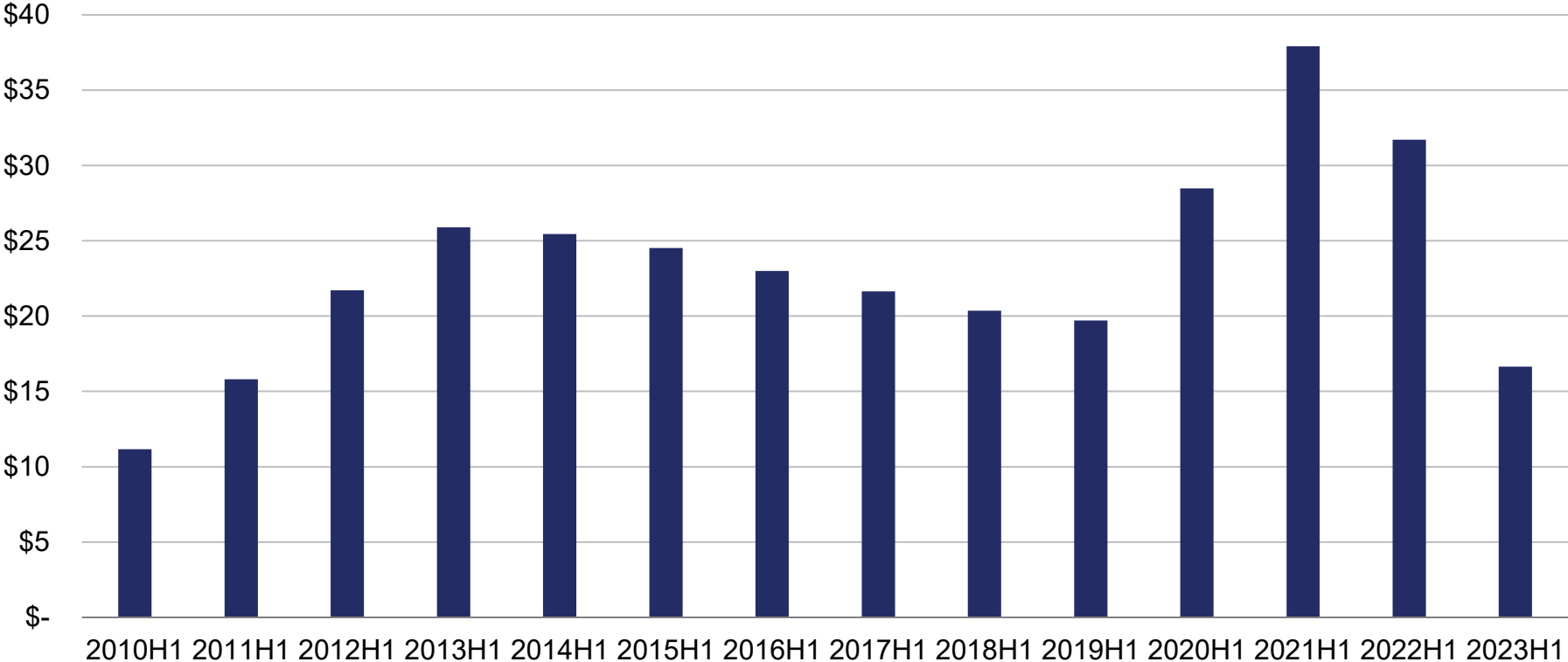
# Low-Rate Relief on the Horizon

## Life Industry Portfolio Book Yield—Illustrative Scenarios



Prepared by Conning, Inc. Source: Copyright 2023, S&P Global Market Intelligence.

# Disappearing IMR as Rates Rise



Prepared by Conning, Inc. Source: Copyright 2023, S&P Global Market Intelligence.

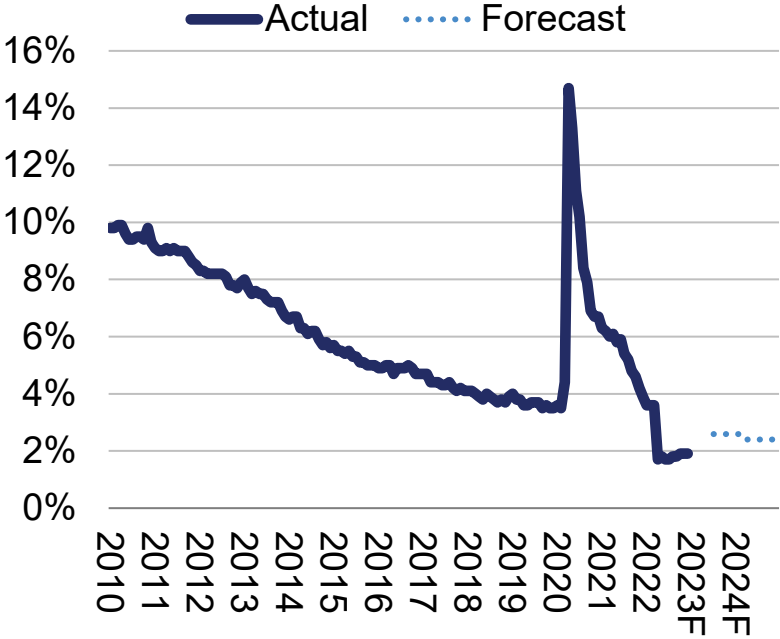
---

# ECONOMIC OUTLOOK

# Economy Still Supportive of Growth, but Moderating

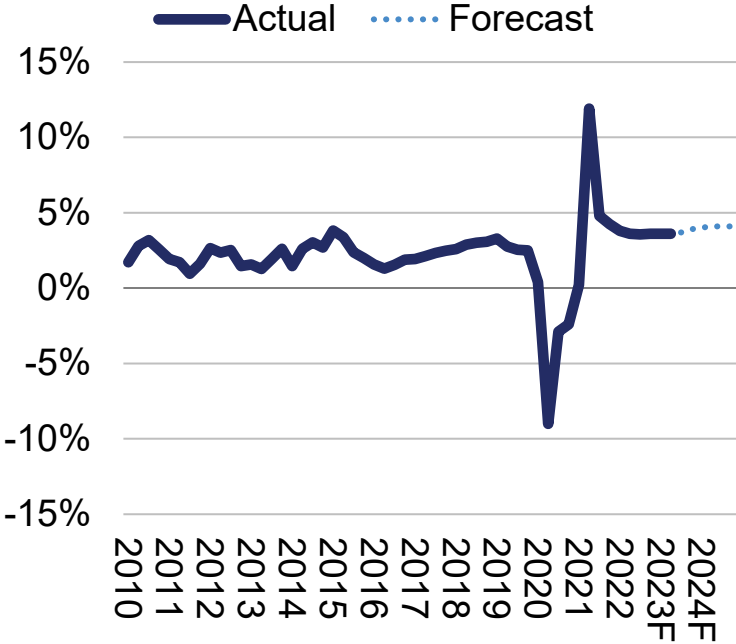
## Real Gross Domestic Product

Year-over-year change



## Unemployment Rate

Seasonally adjusted

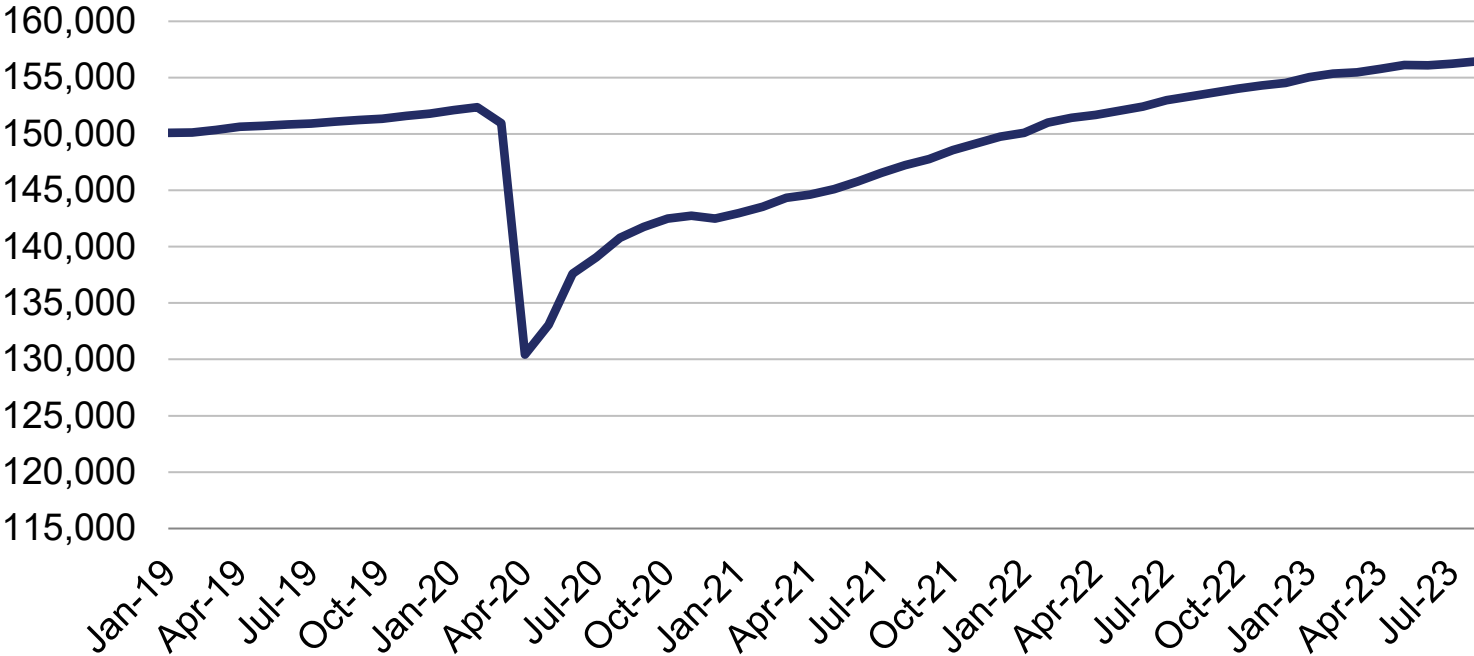


Prepared by Conning, Inc. Source: Bureau of Labor Statistics, U.S. Department of Labor (2023).

# Payrolls Healthy, but Jobs Being Added at a Decelerating Rate

## Non-Farm Monthly Payroll Employment

# in thousands

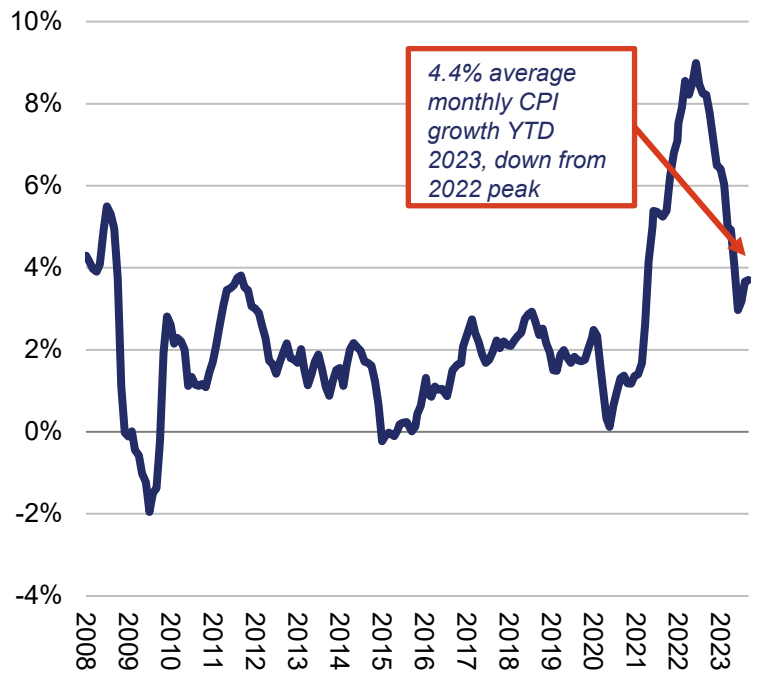


Prepared by Conning, Inc. Source: Federal Reserve Bank of St. Louis (2023).

# Inflation Down from 2022 Peak While Input Costs Remain Elevated

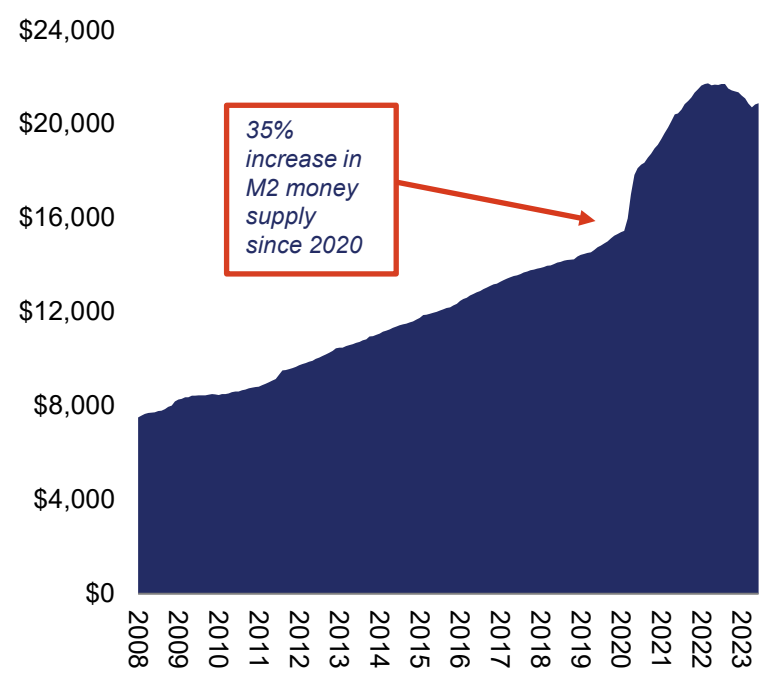
### CPI All Items

Year-over-year % change



### M2 Money Supply

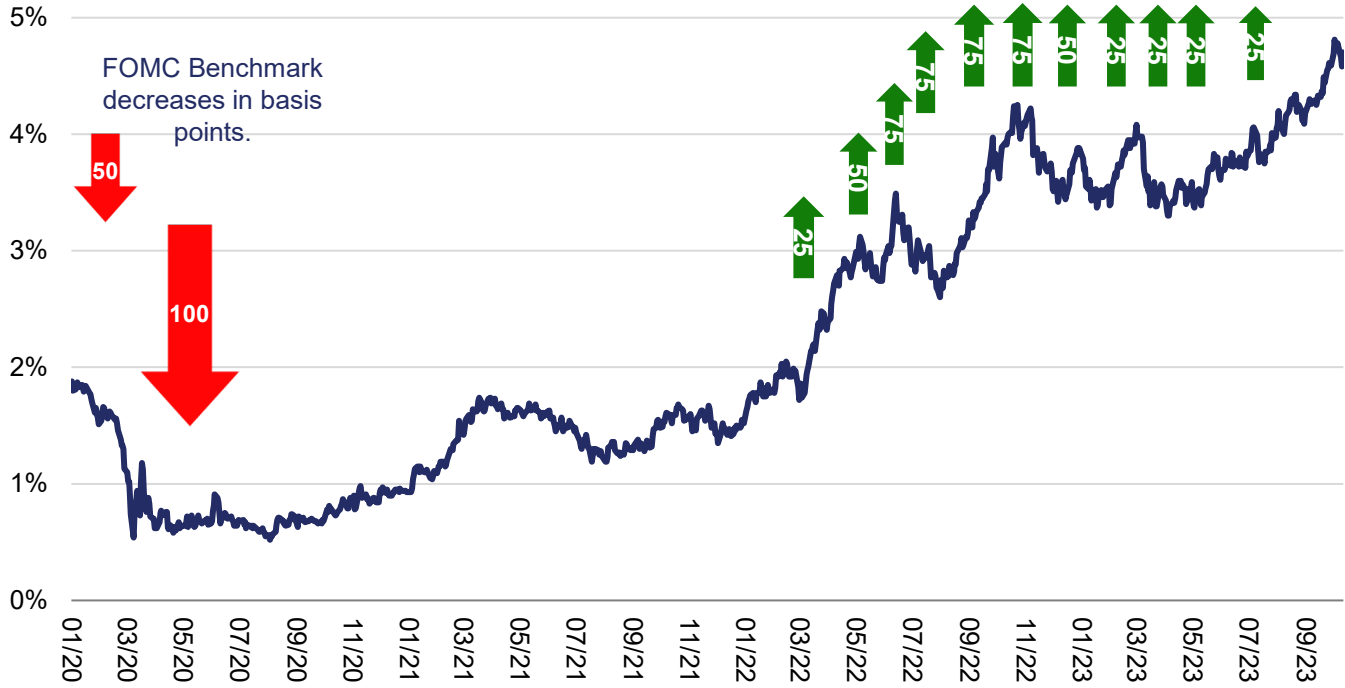
\$ in billions



Prepared by Conning, Inc. Source: Bureau of Labor Statistics, U.S. Department of Labor (2023).

# Fed Hikes Rates to Combat Inflation: Bond Values Affected

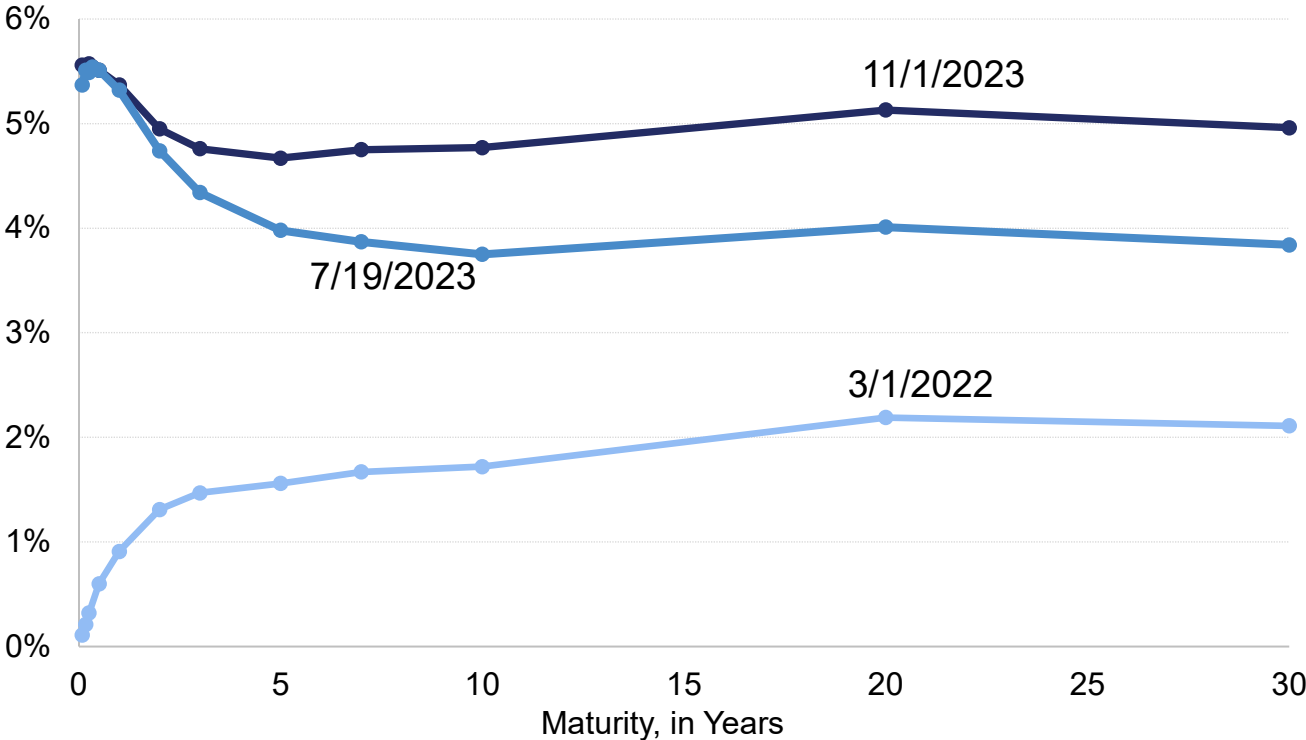
## U.S. 10-Year Treasury Yield



FOMC = Federal Open Market Committee of the Federal Reserve. As of July 26, 2023  
Prepared by Conning, Inc. Source: Federal Reserve Bank of Philadelphia (2023).

# Increasing Rates, Chasing Shapes in the Yield Curve

## Constant Maturity Treasury Yield Curves on Selected Dates



Prepared by Conning, Inc. Source: U.S. Department of the Treasury (2023).

# Sector Recommendations

Sector	Fundamentals	Valuation	Sentiment	Technical	Recommendation
Investment Grade Corporates	Neutral	Neutral	Neutral	Positive	Marketweight
High Yield	Negative	Neutral	Neutral	Positive	Marketweight
Emerging Markets	Negative	Negative	Neutral	Neutral	Underweight
Taxable Municipals	Neutral	Negative	Neutral	Positive	Overweight
Tax-Exempt Municipals	Neutral	Neutral	Neutral	Negative	Marketweight
Agency Mortgage-Backed Securities	Neutral	Positive	Neutral	Neutral	Overweight
Non-Agency Mortgage-Backed Securities	Neutral	Neutral	Positive	Positive	Overweight
Commercial Mortgage-Backed Securities	Negative	Neutral	Neutral	Positive	Underweight
Traditional Asset-Backed Securities	Neutral	Negative	Neutral	Negative	Underweight
Esoteric Asset-Backed Securities	Positive	Neutral	Neutral	Neutral	Overweight

# Key Takeaways for 2024

- ✓ **Our Industry Outlook Remains Positive**
- ✓ **Technology Investments Continue Transforming Industry**
- ✓ **AI Accelerating Industry Transformation**
- ✓ **Senior Market Strong Growth Driver**
- ✓ **New Regulations Could Slow Growth and Transformation**
- ✓ **General Account Portfolio Yields Turning Around**
- ✓ **U.S. Economic Growth Is Decelerating**
- ✓ **Fixed Income Fundamentals Remain Solid**
- ✓ **All In Yields Are Attractive**

---

# QUESTIONS/DISCUSSION



**Sunny Wadhwa, Head of Business Development**

Sunny.Wadhwa@Conning.com

860-299-2248

---

Thank you! Please reach out to Sunny Wadhwa with any questions.

---

# DISCLOSURES

# Additional Source Information

Copyright 2023, S&P Global Market Intelligence. Reproduction of any information, data or material, including ratings (“Content”) in any form is prohibited except with the prior written permission of the relevant party. Such party, its affiliates and suppliers (“Content Providers”) do not guarantee the accuracy, adequacy, completeness, timeliness or availability of any Content and are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such Content. In no event shall Content Providers be liable for any damages, costs, expenses, legal fees, or losses (including lost income or lost profit and opportunity costs) in connection with any use of the Content. A reference to a particular investment or security, a rating or any observation concerning an investment that is part of the Content is not a recommendation to buy, sell or hold such investment or security, does not address the suitability of an investment or security and should not be relied on as investment advice. Credit ratings are statements of opinions and are not statements of fact.

# Disclosures

Conning, Inc., Goodwin Capital Advisers, Inc., Conning Investment Products, Inc., a FINRA-registered broker-dealer, Conning Asset Management Limited, Conning Asia Pacific Limited, Octagon Credit Investors, LLC, Global Evolution Holding ApS and its group of companies (“Global Evolution”), and Pearlmark Real Estate, L.L.C. 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 investment centers in Asia, Europe and North America.

Conning, Inc., Conning Investment Products, Inc., Goodwin Capital Advisers, Inc., Octagon Credit Investors, LLC, Global Evolution USA, LLC, and PREP Investment Advisers, L.L.C. 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. SEC registration does not carry any official endorsement or indication that the adviser has attained a level of skill or ability.

Conning, Inc. is also registered with the National Futures Association. 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, Global Evolution Fondsmæglerselskab A/S is regulated by Finanstilsynet (the Danish FSA) (FSA #8193), Global Evolution Fondsmæglerselskab A/S (London Branch) is regulated by the United Kingdom’s Financial Conduct Authority (FCA# 479582) and Global Evolution Manco S.A. is regulated by The Commission de Surveillance du Secteur Financier (the Luxembourg FSA) (CSSF# S00001031). Conning primarily provides asset management services for third-party assets.

All investment performance information included in this document is historical. Past performance is not a guarantee of future results. Any tax-related information contained in this document 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 in the U.S., you should refer to our Form ADV Part 2, which may be obtained by calling us.

## Legal Disclaimer

©2023 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. Conning does not make any warranties, express or implied, in this document. In no event shall Conning 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 in this document is subject to change at any time without notice.

This document contains information that is confidential or proprietary to Conning (or their direct or indirect subsidiaries). 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, you and your company will use the information in this document in reliance on and subject to the terms of any such pre-existing contract; or (2) if there is no contractual relationship between you and your company and Conning, you and your company agree to protect the information in this document 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 in the U.S. of Conning, Inc. Copyright 1990-2023 Conning, Inc. All rights reserved. ADVISE®, FIRM®, and GEMS® are proprietary software published and owned by Conning, Inc.

*This document 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 for investment advisory services. The information in this document is not intended to be nor should it be used as investment advice.*

C#17638180