



STRATEGIC ASSET ALLIANCE
THE INSURANCE INVESTMENT SPECIALIST

Insurer Investment Forum: Sample Case Study The Battle of InterGen: Balancing Low Rates, Risk Assets and ESG

Background/Set-Up

InterGen Insurance Company is a multi-line property/casualty insurer with \$120 million in assets, \$60 million in surplus and an investment portfolio of \$100 million. That portfolio consists of \$20 million in various Risk Assets (equity index funds divided 20% EAFE, 80% S&P 1500) and an \$80 million investment grade bond portfolio with duration of 4.5 years and average credit rating of A-. The Company was founded twenty years ago, and is family owned.

InterGen is facing some of the lowest interest rates in US history. The difference between the book yield on their core fixed income portfolio and today's market yield has widened to 200 basis points (2%). However, risk assets have provided some terrific upside returns, but at increased volatility and, correspondingly, increased downside risk.

To add to this situation, InterGen is regulated by the California Department of Insurance, whose Commissioner "has appointed the nation's first Deputy Insurance Commissioner of Climate and Sustainability in the United States."

Thus, the issues surrounding investing with ESG (environmental, social, governance) in mind are becoming a larger concern for the regulator. And that will likely become a larger concern for all insurers in the state.

Albert InterGen, Chairman, has convened a Board meeting to specifically discussing the following:

Questions/Decisions:

1. Should we make any material changes to our bond portfolio?
 - a. Yes, increase duration
 - b. Yes, increase cred it risk
 - c. No
2. Should we make any material changes to our Risk Assets portfolio?
3. Should we consider ESG in our investment process?



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Participant Roles:

1. Albert “Boomer” Intergen, Chair
2. Benjamin “X” Intergent, President & CEO
3. Charlie “Millennial” Intergen, CFO & Treasurer
4. Don “Zoomer” Intergen, Chief Information Officer
5. External Board Members