WHEN INVESTMENT MANAGEMENT BECOMES A PARTNERSHIP

For insurance companies, investment management does not reside in a vacuum. Each entity faces unique circumstances, and to obtain a favorable investing outcome, an insurance company must identify, understand, and manage all the risks involved. This is done through Enterprise Risk Management (ERM). The list of potential risks is long, and they are all interconnected.

Risks include:

- **Investment Risk** - Risk associated with the underlying securities within your investment portfolio.
- **Operational Risk** - Risk the insurance company takes when issuing policies and the likelihood that claims are excessive and severe which could induce losses greater than the premiums or operational losses.
- **Strategic Risk** - Events or decisions that could potentially stop an organization from achieving its goals.
- **Technology Risk** - Potential for any technology failures to disrupt business operations.
- **Human Resource Risk** - Risks that employees of an organization pose to the business.

Today's political, geopolitical, and economic environments have brought forth extreme volatility. This volatility increases the chance that one or more of the risk factors become a problem. It is simply not enough to buy quality investment assets and hope for the best. The understanding and knowledge that an insurance company's assets work in conjunction with its liabilities and operational structure are vital. It may seem obvious, but this concept is lost on many.

CHOOSING AN INVESTMENT MANAGER

The choice of asset manager also takes on added importance when you understand the interconnected nature of all the risks facing the insurance company. For instance, the concept of the protection and growth of Surplus is foreign to most outside of the insurance industry – a simple total return approach on the part of the investment manager could harm the financial integrity of the company when investment risk is too high or when investment losses are realized. Insurance companies are not hedge funds and cannot be managed as such. A close eye must always be kept on the interest of policyholders and the ability to be there financially in their time of need.

Working with an investment manager that understands all of the insurance risks facing your insurance company is vital. Over time, this relationship grows into a partnership where management, the board, and the investment manager work as a seamless team for the betterment of the organization. The Insurance Solutions Team at Madison Investments has a thirty-year history of working with insurance companies and taking the relationship beyond that of just an investment manager. We strive to become a part of the management team, helping your company thrive and grow – through a true partnership that induces confidence and trust knowing we find the correct solutions together.

From start to finish, your input is a critical component of our approach.

Company Needs Assessment and Cash Flow Analysis
(Client & Consultant Support Capabilities)

Investment Recommendations, Implementation & Monitoring
(Investment Management Capabilities)

Insurer's Goals → **Investment Objectives** → **Assess risk and Constraints** → **Investment Policy** → **Portfolio Construction** → **Portfolio Surveillance**

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