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**QE uncertainty hurting insurers' income streams and driving them into riskier assets, says new BlackRock study**

*~ 73 per cent of insurers say low yields are biggest driver of change for industry*
*~ 80 per cent say change needed to produce adequate shareholder returns over three years*
*~ 52 per cent plan to diversify into new fixed income investments, a third with riskier assets, and a fifth with more illiquid assets*

25 September 2013, New York – Quantitative easing ('QE') and uncertainty around tapering of asset purchases by the Federal Reserve and other central banks is limiting the ability of insurance companies to generate returns, and driving them to diversify towards riskier assets, according to new research into the investment strategies of over 200 insurers globally.

Unveiled in a report called *Global Insurance: Investment strategy at an Inflection Point?*, produced by BlackRock, Inc. (NYSE:BLK) in partnership with The Economist Intelligence Unit ('EIU'), the results highlight insurers' changing investment attitudes in response to central bank policy. With last Wednesday's decision to continue QE at its current pace, the report suggests insurers need to consider how this uncertainty affects their overall strategic asset allocation and the potential impact on their businesses.

Low yields on investments were identified as the most critical driver of change affecting the industry with 73 per cent of respondents citing this. 80 per cent agreed their business will have to change to produce adequate shareholder returns over the next three years.

When QE ends or tapers, however, insurers are expecting rising interest rates, but there are widely divergent views on when QE will end. The majority of insurers internationally (52 per cent) believe QE will end within one and two years, while 35 per cent think it will continue for more than two years. 13 per cent, however, see QE ending within a year.

In a 'QE-infinity' world before potential tapering was discussed by the Fed, insurers said they were highly likely to increase allocations to riskier, higher-yielding fixed income instruments such as bank loans and lower rated debt (73 per cent), and illiquid strategies (68 per cent). In an environment where QE tapering was expected, however, insurers changed their investment approaches and risk appetite. After the Fed's introduction of an unofficial tapering timeline in late June, just 52 per cent said they were looking to invest in new, diversifying fixed income asset classes; only 33 per cent were willing to take on more investment risk; and just 17 per cent were seeking illiquidity premia.

The report shows that despite the uncertainty in markets and concerns over restrictive regulations, many insurers see opportunities and are confident of growth prospects. Of note, insurers are using exchange-traded funds (ETFs) to diversify out of cash and access certain asset classes, while remaining liquid. ETFs also help insurers deal with supply issues, allowing them to invest in assets classes through ETFs that may be difficult to access directly. 83 per cent of survey respondents agree or strongly agree that more insurers will use ETFs over the next three years, while 70 per cent agree that these vehicles are suitable as a long-term strategic holding for both core and satellite holdings.

Most respondents identified home markets as offering the best potential for growth, with organic growth (75 per cent) and product innovation (63 per cent) identified as the chief catalysts for growth.

**David Lomas, global head of BlackRock's insurance business, comments:**
*"'QE or not QE?' - That is the question insurers need the Fed to answer definitively as the implications for portfolios, investment returns and ultimately their businesses are so dramatic. As the Fed continues with asset purchases, our research shows insurers are much more likely to buy higher yielding fixed income assets, invest in less liquid assets and increase duration risk. However, tapering or even the suggestion of tapering is 'risk-off' with firms seeking to reduce duration in fixed income instruments.*

*"The market will continue to be dominated by several major themes - reduced liquidity, constrained supply, idiosyncratic credit risk and the unwind of unprecedented monetary stimulus. This study demonstrates the incredible challenges insurers face in the coming months and the nimbleness required when determining asset allocations.*

*"No matter the direction of central bank policy, insurers are opting to increase allocations to illiquid assets like infrastructure debt and real estate debt to meet long-term liabilities.*

*We also see the appeal of ETFs growing as they provide cost-efficient access to markets and are suitable both as long-term strategic investments and interim beta for core and satellite holdings. Lastly, risk management is clearly an area where insurers are strengthening to handle market volatility and a more diverse set of products. This increased focus on risk is giving them the confidence to grow their businesses organically and innovate with new products – even whilst some product lines are being challenged."*

The full report can be accessed at www.blackrock.com/intlfig.

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**About Global Insurance: Investment strategy at an Inflection Point**

The Economist Intelligence Unit surveyed 206 insurers worldwide in April and May 2013 on behalf of BlackRock. 102 had more than $25bn in assets, 20 had AUM of $11bn to $25bn, 22 with $6bn to $10bn, 24 had AUM of $2bn to $5bn, 11 reported assets of $500 to $1bn and 27 insurers had $100m-$500m AUM. Life companies accounted for 53 responses, non-life for 61 and composite amounted to 75 respondents. Seventeen were reinsurers. Regionally respondents were split as follows: 103 from Europe, Africa and Middle East; 63 from North America; and 40 from Asia-Pacific. An additional survey was conducted in July 2013, of 100 respondents with a similar demographic to the main survey. Additionally, in-depth interviews were conducted with 17 experts from insurance companies, regulators and trade bodies.

**About BlackRock Financial Institutions Group**

BlackRock has unrivalled insights into the management of insurance company assets. Its Financial Institutions Group manages $306 billion for 151insurers in 20 countries as at the end of June 2013. In addition to these asset management relationships, BlackRock also provides risk management services to 56 insurers through BlackRock Solutions, BlackRock's risk management and advisory business.

**About BlackRock**

BlackRock is a leader in investment management and risk management services for institutional and retail clients worldwide. At June 30, 2013, BlackRock's AUM was $3.857 trillion. BlackRock helps clients meet their goals and overcome challenges with a range of products that include separate accounts, mutual funds, iShares® (exchange-traded funds), and other pooled investment vehicles. BlackRock also offers risk management, advisory and enterprise investment system services to a broad base of institutional investors through BlackRock Solutions®. Headquartered in New York City, as of June 30, 2013, the firm had approximately 10,700 employees in 30 countries and a major presence in key global markets, including North and South America, Europe, Asia, Australia and the Middle East and Africa. For additional information, please visit the Company's website at www.blackrock.com.

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BlackRock's Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and BlackRock's subsequent filings with the SEC, accessible on the SEC's website at www.sec.gov and on BlackRock's website at www.blackrock.com, discuss these factors in more detail and identify additional factors that can affect forward looking
statements. The information contained on the Company's website is not a part of this press release.