



# Asian Actuarial Conference 2025 Bangkok

## Capital Optimization in the Face of Uncertainty

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## Vanessa Lou

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# Asian Actuarial Conference

## Capital Optimisation in the Face of Uncertainty

November 2025



The better the question. The better the answer.  
The better the world works.



# Capital as a strategic engine for growth and resilience

## Flexibility defines success

The ability to reallocate capital quickly in a volatile environment shows resilience and optionality

## Capital is more than compliance

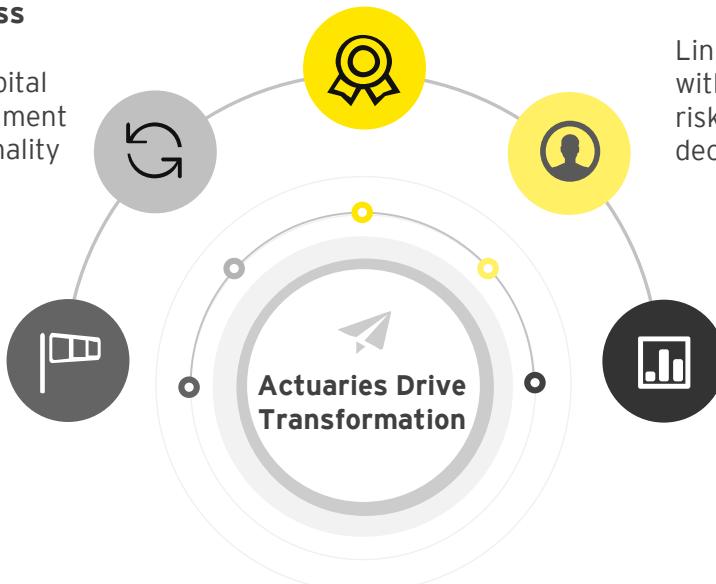
It is a strategic resource to maximise returns and long-term growth

## Optimisation is a discipline

Balancing solvency, liquidity and profitability requires structured and data driven environment

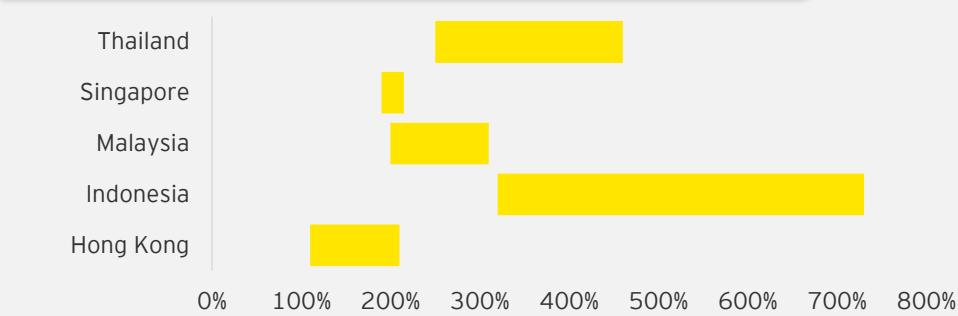
## Integrated capital strategy

Linking capital management with product, investment and risk strategies ensure every decisions strengthens resilience

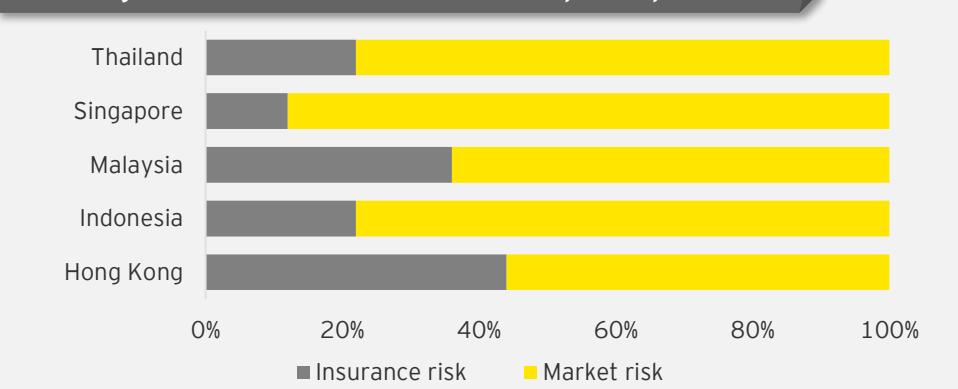


# The evolving capital landscape | Understanding what shapes regional strength

Industry solvency ratio level



Risk charge breakdown - insurance vs market capital requirement



## Trends & Insights

### Solvency & Regulatory Environment:



Solvency ratios in SEA have remained broadly stable, with higher ratios in ID driven by their factor-based RBC regime.

### Risk Drivers & Capital Requirements:



Capital requirements remain dominated by interest rate risks, with MY's ILP exposure shifting investment risk away from insurers, reducing their market risk capital requirement.

### Evolving Investment Strategies:



Insurers are diversifying away from traditional investments into structured products, private assets and infrastructure bonds to enhance yield and duration matching, while regulators enhance frameworks to strengthen oversight of these riskier investments.

### Product Mix & Liability Structures:



Product strategies are shifting towards capital-efficient & flexible designs, with IUL gaining traction in SG and HK.

# External pressures demand a more agile capital strategy

## Macroeconomics      Regulatory      Behavioural



Market volatility influence asset-liability valuations, while inflation and slower growth erode margins and tighten solvency buffers

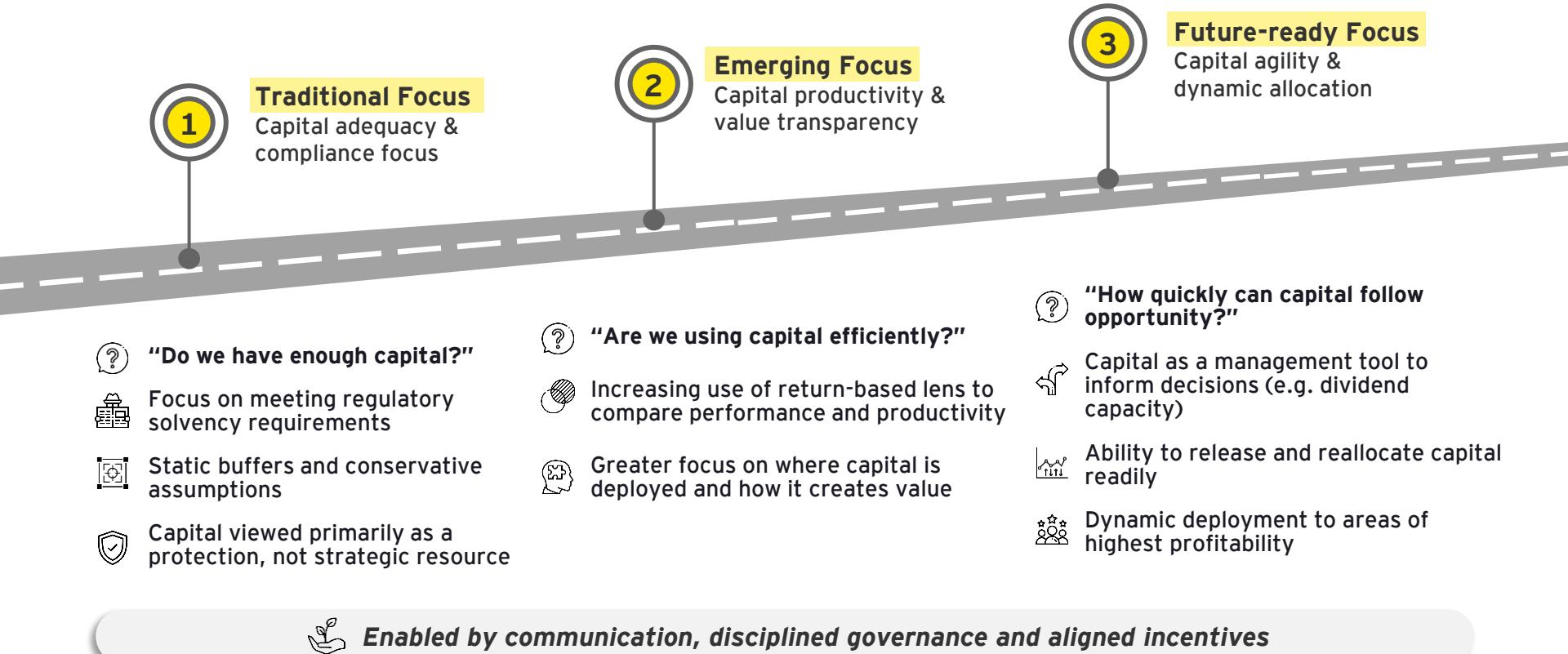


Emerging valuation and capital frameworks like Solvency II, IFRS 17, and RBC are reshaping the landscape of capital allocation and optimisation, introducing tighter constraints that challenge flexibility and influence shareholder return strategies

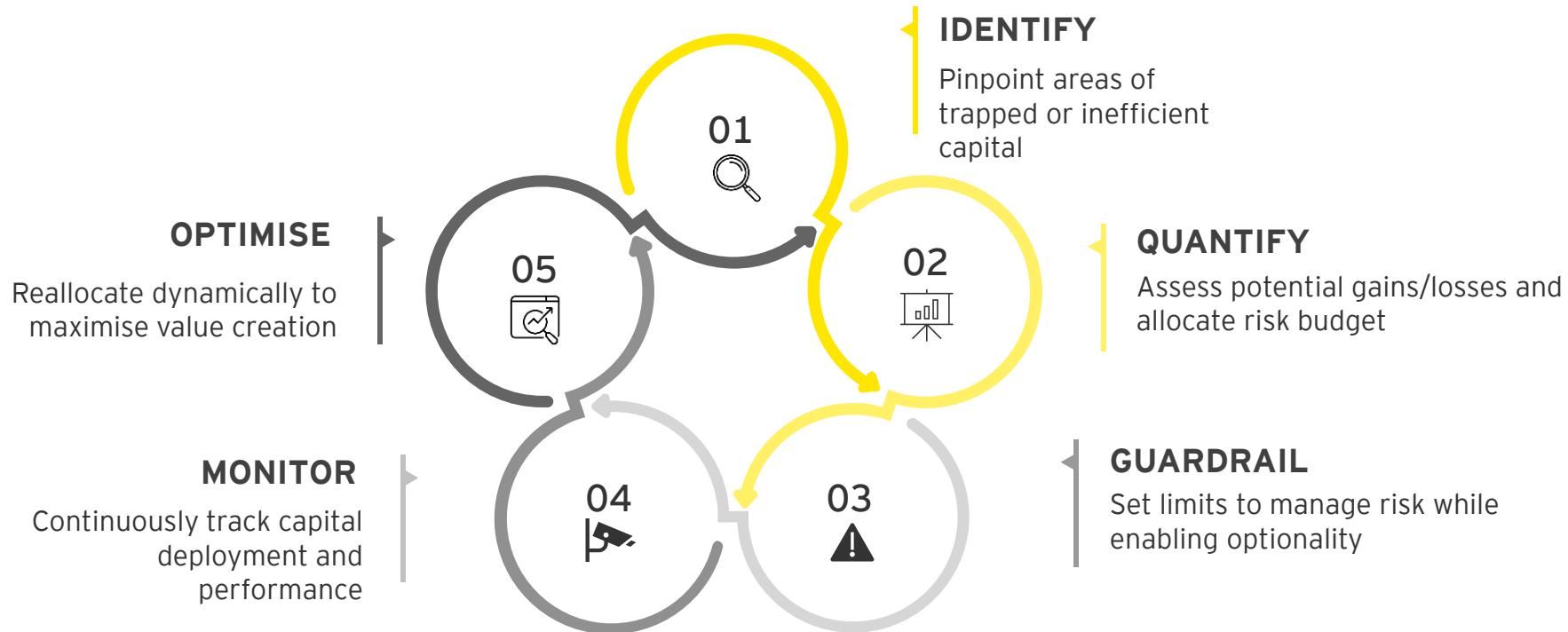


Intensifying market competition drives innovative product designs, and the resulting demand, alongside evolving policyholder behaviors, creates significant implications for capital utilisation and allocation

# Capital management is evolving; From adequacy to productivity and agility



# Structured methodology turns insight into continuous action



# Measuring what matters; Metrics that drive smarter allocations

Dashboard ...

### Return on Capital (ROC)

- Considers the total capital required to be held
- Evaluates **how efficiently capital is deployed**
- Connecting capital to real performance



### Forward-looking Metrics

- **Builds foresight**, anticipating stress before it hits
- **Embedding early warning indicators**, enabling timely management interventions



### Cost of Capital (COC)

- EV explicitly calculates a **capital charge on required capital**
- Reveals **true value creation vs. value erosion**
- **Ensures capital is deployed profitably**



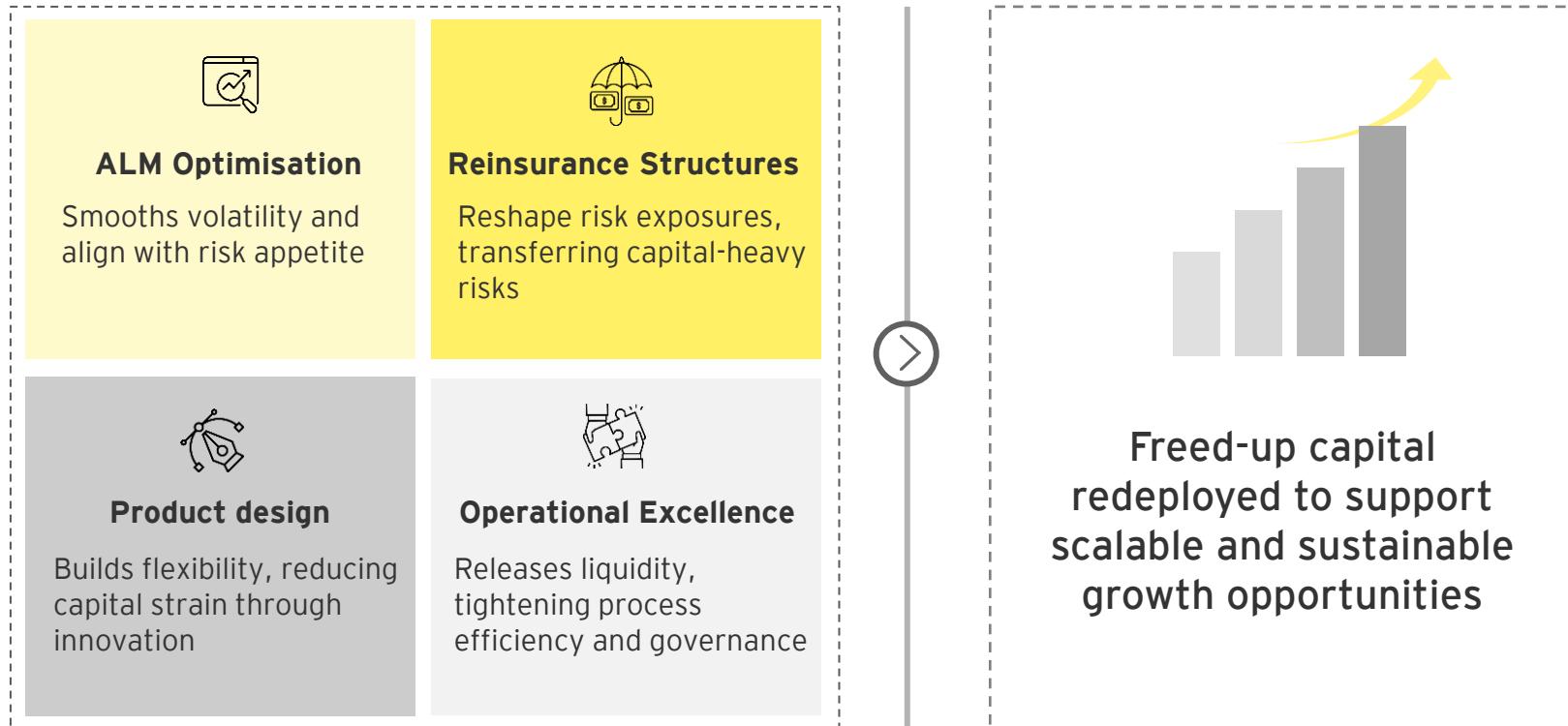
### Risk-adjusted Metrics (RAROC)

- Embeds the **full cost of holding capital and diversification benefits**
- **Links risk and return** across diverse portfolios





# Activating hidden capital through integrated levers



# Case study 1 | Theory delivered and translated into measurable value

Return on Capital (ROC) improves when returns increase or when capital is freed up - achievable through targeted strategic levers.

$$ROC = \text{Return} / \text{Capital}$$

## Increase Returns

-  **Capital reinvestment:** redeploy capital to profitable products
-  **Yield enhancement:** optimise investment strategies for higher risk-adjusted returns
-  **Reinsurance for return optimisation:** leverage cash financing structures to unlock liquidity
-  **Operational synergies:** Cost efficiency and digitalisation to lift profits

## Optimise Capital

-  **Capital optimisation:** Rationalise overcapitalised portfolios and optimise legal entity structure
-  **ALM & Hedging:** Reduce volatility to lower the capital requirements and buffers
-  **Reinsurance for capital relief:** Use of asset-intensive reinsurance and optimisation of reinsurance cession to transfer risks with higher capital requirements
-  **Portfolio rebalancing:** Exit capital-inefficient products or restructure mix

# Case study 2 | MI powering capital, profit and risk decisions

Management Information (MI) converts fragmented metrics into a **single, decision-ready view**, powering faster, bolder calls on capital, profit and risk

## Capital Allocation

*Aim capital where it earns the most*

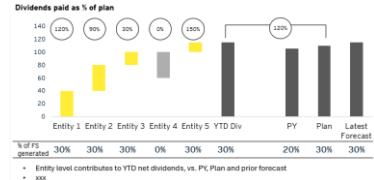
MI turns static ratios into actionable insights, enabling informed capital redeployment



## Free surplus & Dividends

*Turn surplus into reliable payouts*

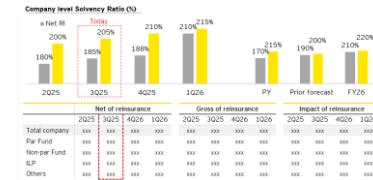
MI connects FSG with dividend targets, guiding disciplined, transparent decisions



## Capital-Profit Trade-off

*Maximise return per unit of capital*

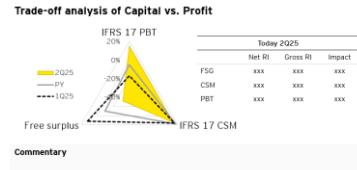
MI maps profit vs. capital outcomes, guiding effective allocation and pacing



## Reinsurance Impact

*How does RI really affect capital?*

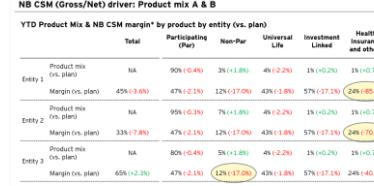
MI quantifies how different RI structures affect capital, guiding smarter negotiations



## Product Rationalisation

*Evaluate & optimise product strategy*

MI allows product comparisons, triggering actions to reprice, redesign, invest or exit



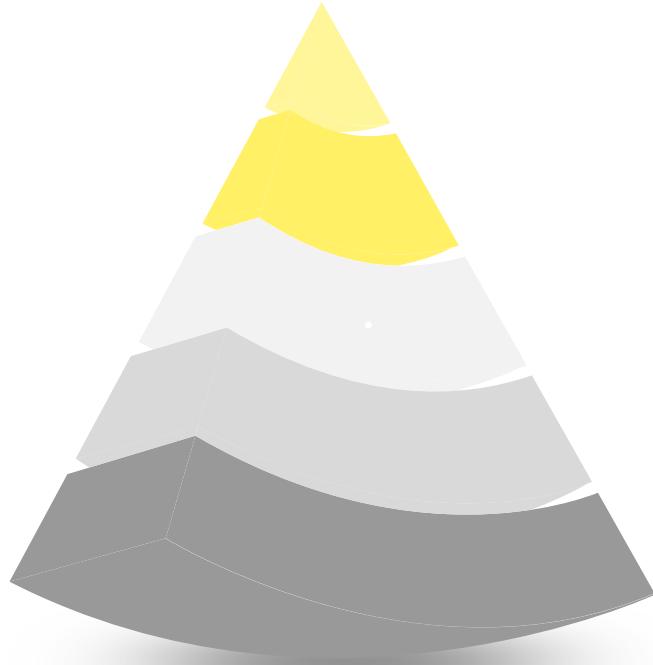
## ALM Effectiveness

*Keep market risks within budget*

MI gives a single view of gaps, liquidity, hedge effectiveness, prompting rebalancing



# Culture, governance, and incentives ensure long-term impact



## Culture

Risk-aware culture builds foresight, as early identification of inefficiencies prevents capital strain



## Governance

Governance creates discipline, embedding capital considerations into all strategic decisions



## Incentives

Aligned incentives drive behaviour; rewarding efficient deployment instead of the size of balance sheet



## Capability building

Empowering teams with tools to manage capital proactively ensures continuity in capital efficiency



## Continuous learning

Staying updated on regulations and market trends, adapting to frameworks as they evolve to sustain advantage

# From compliance to competitive edge; Smart capital for sustainable growth

