



Asian Actuarial Conference 2025 Bangkok

Capital Optimization in the Face of Uncertainty

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Asian Actuarial Conference

Capital Optimisation in the Face of Uncertainty

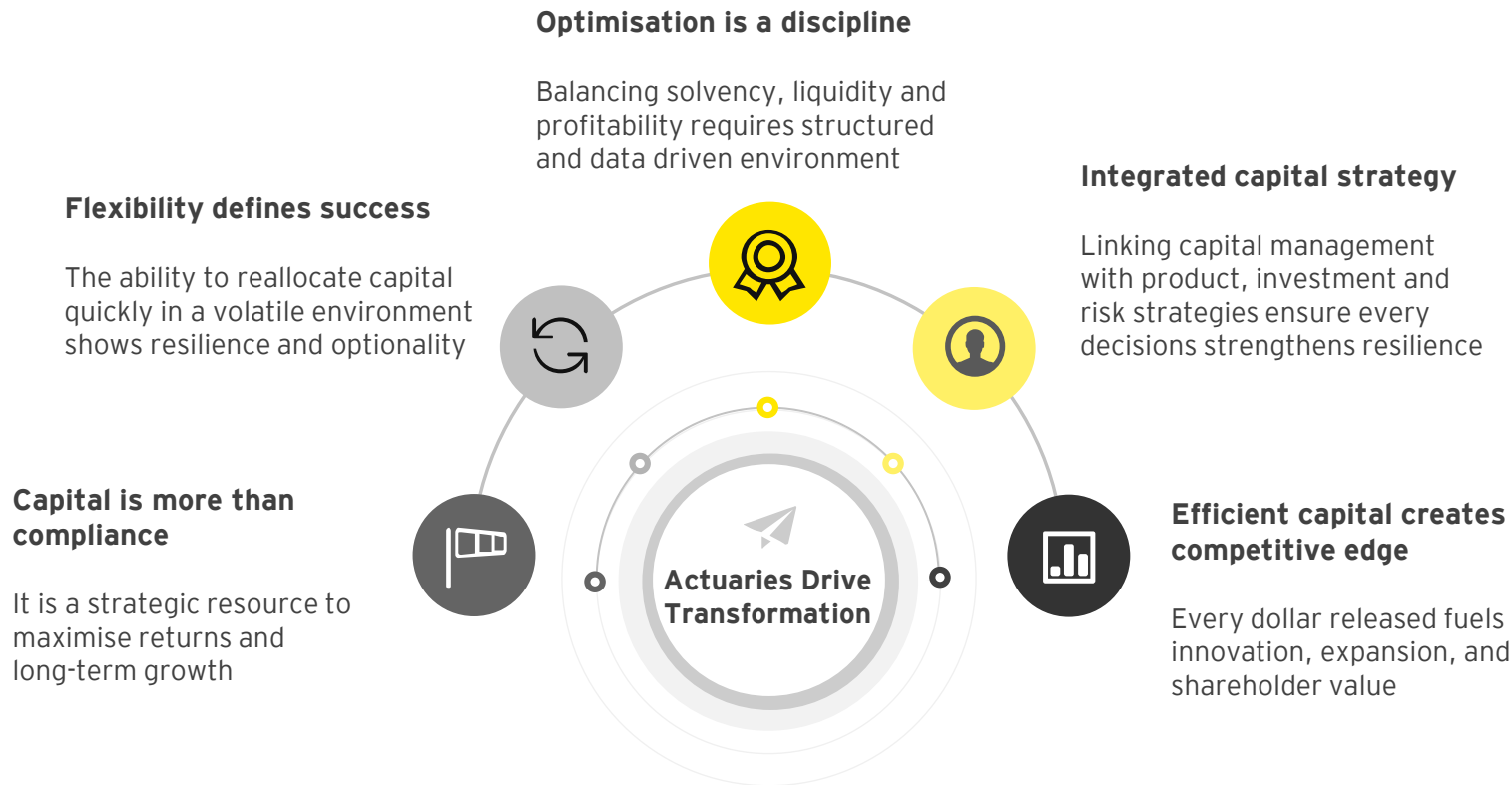
November 2025



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

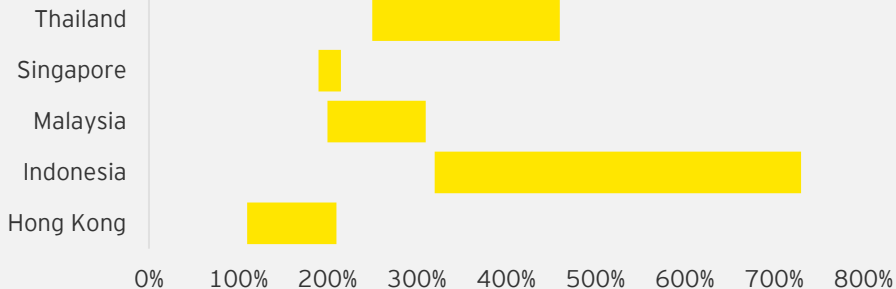


Capital as a strategic engine for growth and resilience

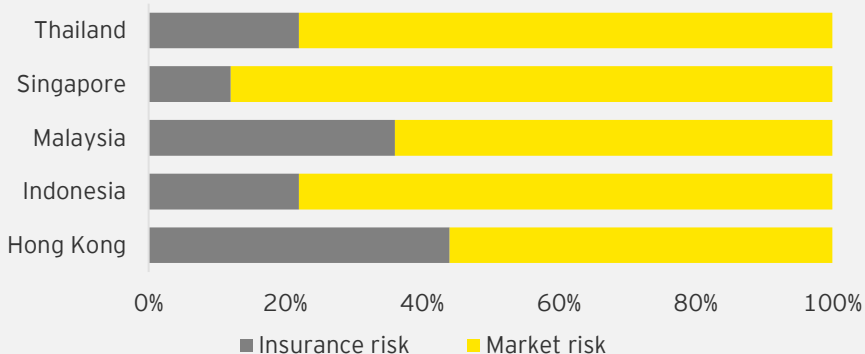


The evolving capital landscape | Understanding what shapes regional strength

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



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

Regulatory



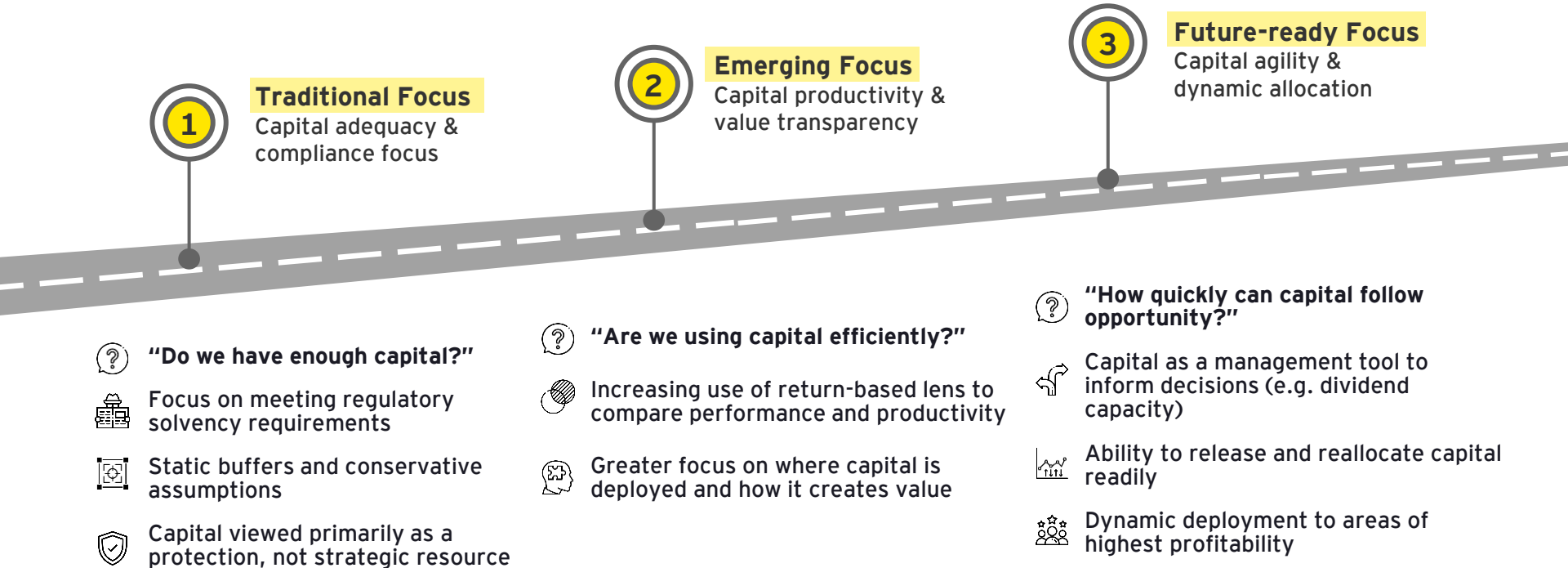
Emerging valuation and capital frameworks like Solvency II, IFRS 17, and RBC are reshaping the landscape of capital allocation and optimisation, introducing tighter constraints that challenge flexibility and influence shareholder return strategies

Behavioural



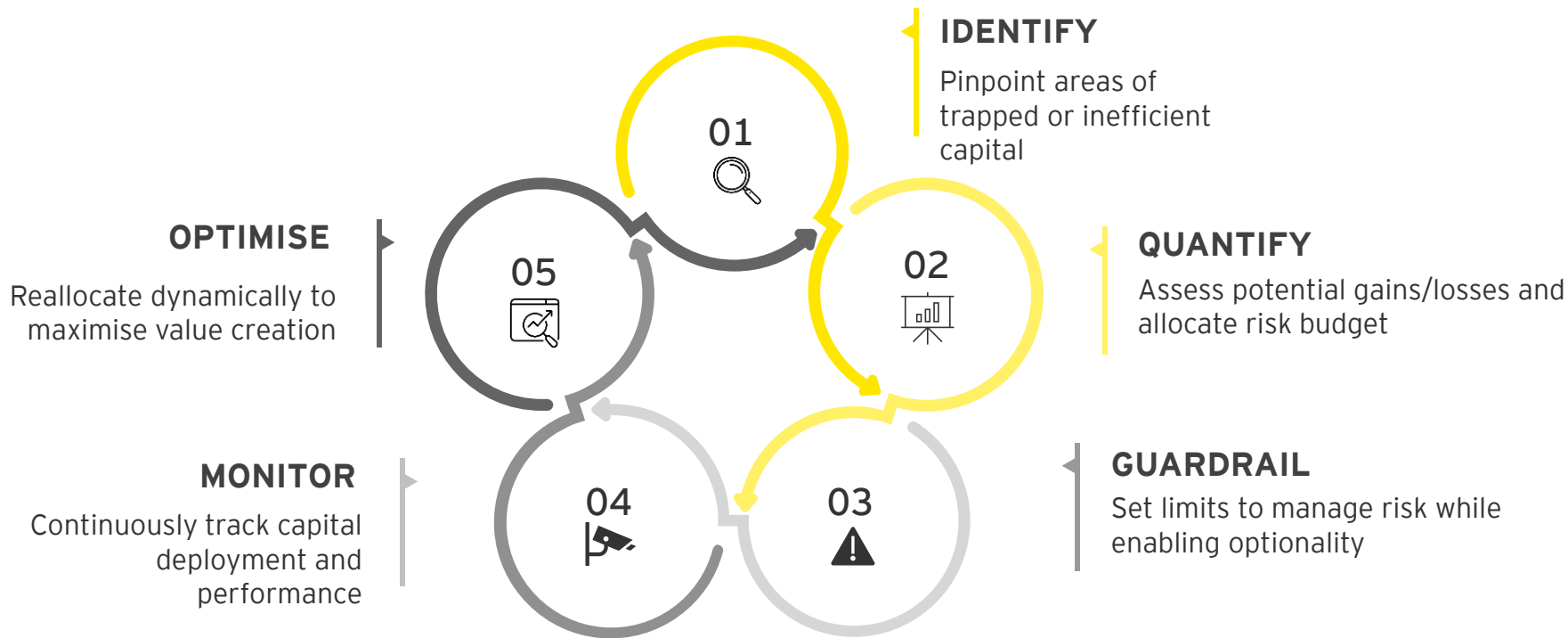
Intensifying market competition drives innovative product designs, and the resulting demand, alongside evolving policyholder behaviors, creates significant implications for capital utilisation and allocation

Capital management is evolving; From adequacy to productivity and agility

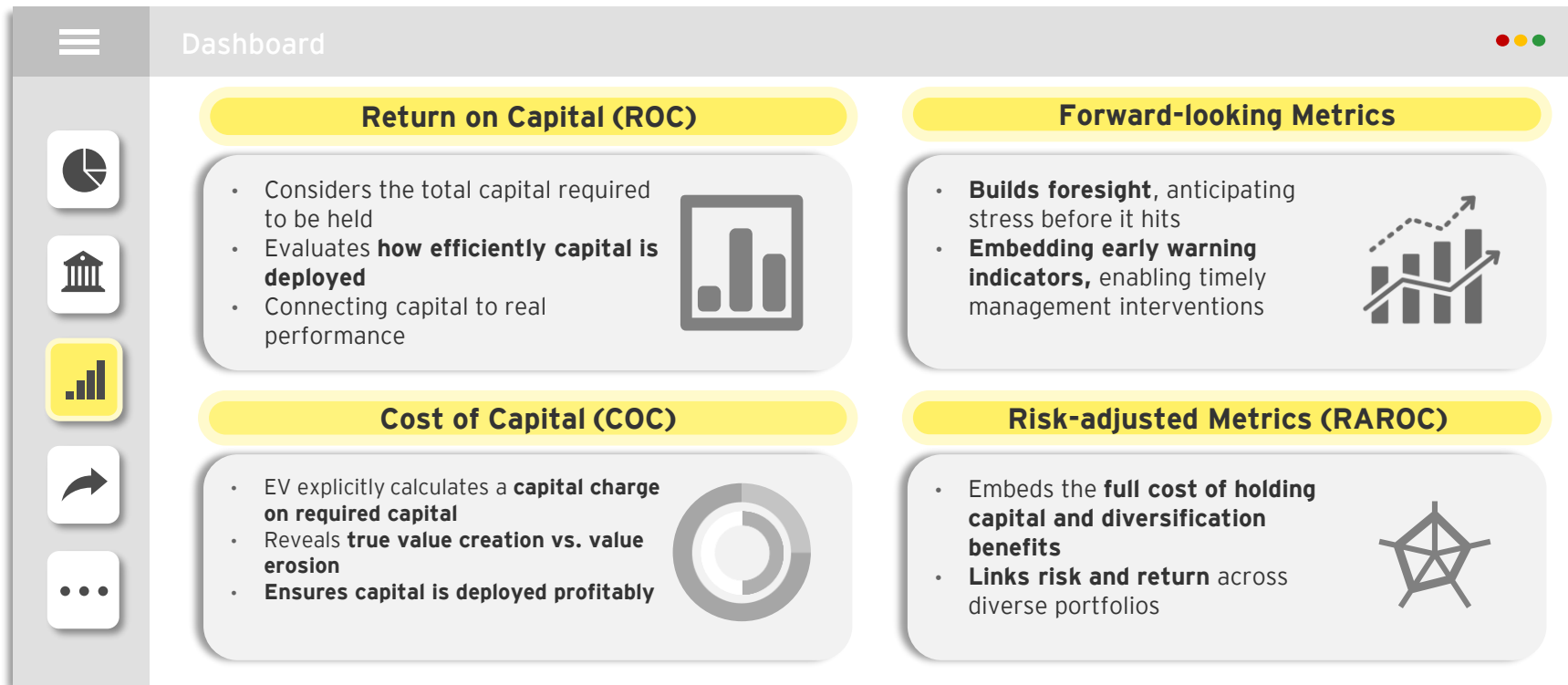


Enabled by communication, disciplined governance and aligned incentives

Structured methodology turns insight into continuous action



Measuring what matters; Metrics that drive smarter allocations



Activating hidden capital through integrated levers



ALM Optimisation

Smooths volatility and align with risk appetite



Reinsurance Structures

Reshape risk exposures, transferring capital-heavy risks



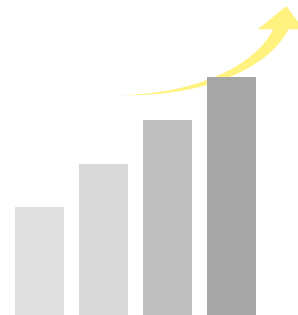
Product design

Builds flexibility, reducing capital strain through innovation



Operational Excellence

Releases liquidity, tightening process efficiency and governance



**Freed-up capital
redeployed to support
scalable and sustainable
growth opportunities**

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

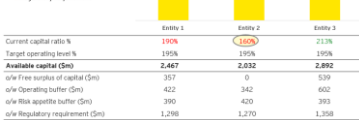
Capital Allocation

Aim capital where it earns the most

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

Drivers of regulatory capital

- Free surplus of capital
- Operating buffer
- Risk appetite buffer
- Regulatory requirement

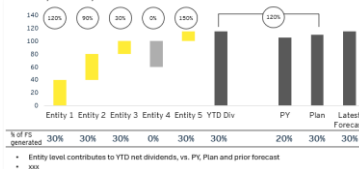


Free surplus & Dividends

Turn surplus into reliable payouts

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

Dividends paid as % of plan

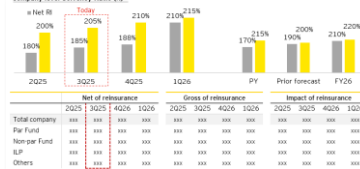


Capital-Profit Trade-off

Maximise return per unit of capital

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

Company level Solvency Ratio (%)

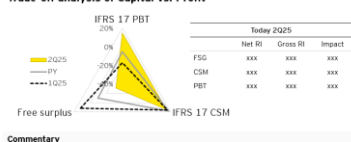


Reinsurance Impact

How does RI really affect capital?

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

Trade-off analysis of Capital vs. Profit

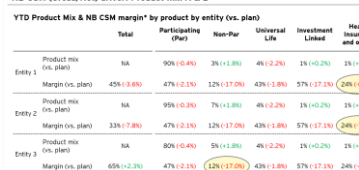


Product Rationalisation

Evaluate & optimise product strategy

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

NB CSM (Gross/Net) driver: Product mix A & B

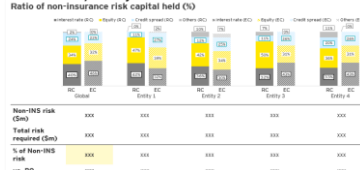


ALM Effectiveness

Keep market risks within budget

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

Asset-liability management risks



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

