

# Insurance Investment Solutions

Strategies and support to optimise capital efficiency,  
deliver yield and meet your long-term commitments

We have over 200 years experience of managing our own and third-party insurance assets – probably no other asset manager understands the long-term needs of this sector better.

## Our insurance investment solutions

We recognise that the investment and regulatory landscape can change rapidly. With our global reach, deep resources and extensive expertise, we look to transform investment ideas into practical answers to the challenges insurers face – or the opportunities they wish to capture.

### Contents

Our capabilities	04
Investment solutions	05
Our services	09
Case studies	11
Benefits of working with us	14

Our capabilities

# Trusted expertise for insurance investors

At Aberdeen Standard Investments, we understand the challenges facing insurance companies across the world.

**More stringent regulation and a challenging economic environment have put unprecedented pressure on insurers' capital, solvency and reporting requirements. Plus they still need to generate strong, sustainable returns to meet commitments to policyholders.**

Given all these pressures, many insurers are looking for an insurance-literate asset manager, with the proven experience and operational infrastructure to provide a range of investment solutions that are both capital efficient and can generate yield.

#### **A proven partner**

Aberdeen Standard Investments has a long heritage of managing assets for insurance investors around the world. Our clients in the sector include life assurers, general insurers and reinsurers, ranging from the biggest global groups to local and specialist insurers. Today, insurers across the UK, US, Europe and Asia trust us to manage assets worth \$549 billion\*.

#### **Expertise across insurance portfolios**

We manage extensive with-profits assets, helping insurers maximise their returns while effectively hedging guarantees, and optimally managing risk and capital requirements. We also have significant experience managing annuity portfolios. This includes developing new asset class capabilities that allow providers to optimise risk-adjusted returns to meet their cashflow obligations.

By working with insurers worldwide over many years, we have built up the experience and knowledge to meet regulatory requirements in multiple jurisdictions. This in turn allows us to support insurers with comprehensive asset and risk reporting so that they can meet their regulatory reporting requirements in a timely way.

#### **Capabilities across asset classes**

To meet the diverse and changing needs of insurers, we have developed investment capabilities across a broad range of asset classes, supported by over 1,000 investment professionals\* worldwide.

#### **Solutions for insurers include:**

- strategies that offer diversification and capital efficiency
- bespoke liability-aware solutions
- where appropriate, the assumption of fiduciary responsibilities for investors that want to outsource all or most investment decisions.

#### **Dedicated investment specialist team**

Insurance clients can also count on support from our dedicated insurance specialist team, which manages relationships with both our internal and external insurance clients. The team includes investment actuaries with significant international experience within the investment industry and detailed knowledge of regulation, risk and actuarial matters.

Members of the team sit on a variety of insurance industry working groups and provide clients with extensive support and industry insight.

\*Source: Aberdeen Standard Investments, as at 31 December 2017. All dollars are Australian dollars unless otherwise specified.

Investment solutions

## Choosing the right investment approach

Your organisation has its own very specific investment objectives. To help you meet them, we can offer a variety of strategic investment approaches.

From individual pooled products to complete outsourcing of all investment decisions – solutions can be as simple or as extensive as your business requires.

### Pooled products

We provide a comprehensive range of pooled products across a wide range of asset classes (see table 'Opportunities across asset classes' over the page). In particular, we offer many strategies with capital efficient and diversification properties that make them ideally suited for insurance companies.

### Bespoke solutions

Some investors prefer or require a more custom-made investment solution. We can work closely with you to build bespoke solutions tailored to your requirements, including portfolios that aim to beat either a traditional or absolute-return benchmark.

### Liability matching

Increasingly, insurance companies are looking to match future liabilities to meet their long-term cashflow needs. We have extensive experience managing a range of liability-aware mandates – and can deliver strategies that either look to match or exceed your cashflow obligations.

### Investment outsourcing

Given the highly complex and technical nature of global insurance regulations, some insurance companies may wish to outsource all or part of their investment strategy to external asset managers. We are highly experienced in this area, working closely with clients to understand their specific objectives in order to develop investment strategies aligned to their own solvency and regulatory requirements.



Increasingly, insurance companies are looking to match future liabilities to meet their long-term cashflow needs.

Opportunities across asset classes	
Equities	Includes core, income, small cap and ESG strategies spanning the risk/return spectrum
Fixed income	Comprehensive capabilities covering corporate, government, high yield and emerging market debt, as well as liability-related and absolute return approaches
Multi-asset	Strategies that call on the full range of asset class opportunity, including absolute return, enhanced diversification, traditional balanced and tactical asset allocation strategies
Liquidity	Liquidity and money market solutions tailored to duration, access and yield needs
Quantitative investments	Systematic investments across pure and smart beta and active quant strategies
Private markets	Strategies providing access to the full range of private market assets including real estate, private equity, infrastructure debt and equity, private credit and commercial real estate lending
Real estate	We are a global 'Top 10' manager* of real estate assets, offering pooled, segregated, mutual fund, specialist and global portfolios
Strategic client solutions and multi-manager solutions	Solutions delivering key client outcomes incorporating public and private investments from both Aberdeen Standard Investments and other asset managers
Alternative investment strategies	Solutions include liquid alternatives, alternative factor premia, single-strategy solutions and funds of hedge funds

# \$549 bn

---

Insurers across the UK,  
US, Europe and Asia trust  
us to manage assets  
worth \$549 billion\*



“Offering expertise across the complete investment universe is key to building good investment solutions for insurers. The more asset classes we can use, the more means we can offer to generate yield and manage risk.”

Virginia Martin Heriz,  
Global Multi-Asset Strategist





## Our services

# Supporting you at every stage

In addition to our investment capabilities, we provide a range of ongoing services to support insurers' activities and decision-making.

### Insurance specialist team

Our dedicated insurance specialist team focuses on managing our relationship with you and developing investment solutions in line with your requirements. Team members have deep expertise and experience in the global insurance investment market, allowing you to turn to us for industry insight and trusted opinion at any time.

### Asset and risk reporting

Given the regulatory environment, we understand that providing comprehensive and timely reporting is vital for insurers. We have developed a range of reporting capabilities to support you, including:

- risk and performance attribution
- fund and investment reporting
- asset data reporting.

In addition, we can provide fund accounting and valuation services, as well as transaction processing, trade management, asset servicing and unit pricing. As part of the European Solvency II requirements, we provide full line-by-line asset reporting by working day five for our pooled fund insurance clients, using the industry-standard Tripartite Template.

Accountancy firm KMPG has reviewed our Solvency II asset reporting process and deemed it fit for purpose in October 2017. We can also provide clients with a Data Dictionary glossary.

### Internal ratings processes


Private market assets are becoming highly valued for their illiquidity premium. However, these assets are often not rated publicly, making it hard for investors to assess and compare their risk profile and creditworthiness.

We have substantial experience of rating private market assets using our own internal processes. In June 2016, PwC has reviewed and approved our ratings processes as being fit for purpose under European Solvency II requirements.

### Proactive, ongoing support

From the outset of a relationship, we look to work very closely with you to determine your exact requirements. We believe this is absolutely key to building robust investment solutions that can be relied on to meet your objectives over the long term.

We then engage proactively with you on an ongoing basis, assessing whether the investment solution we have built for you continues to meet your needs. Clear service guidelines regarding the management of your mandate, and your meeting and reporting requirements are put in place, giving you complete control over the level of activity involved.

The background features a dark blue field with several large, overlapping, light blue and white geometric shapes. These shapes are primarily curved and angular, resembling stylized architectural elements or abstract forms. The shapes are layered, with some appearing to be in front of others, creating a sense of depth and movement. The overall aesthetic is modern and clean.

“From the outset of the relationship, we look to work very closely with you to determine your exact requirements. We believe this is absolutely key to building robust investment solutions that can be relied on to meet your objectives over the long term.”

## Case studies

# Putting solutions into action

Real-life case studies of how we have worked with insurers to provide solutions to their specific business challenges.

### Case study 1:

#### Reducing volatility within a with-profits fund

##### The challenge

An insurer approached us because of the high asset volatility within their with-profits fund, which subsequently led to large guarantee costs and capital requirements. They were keen to invest in a simple, pre-packaged solution that could reduce their equity exposure without compromising return potential.

##### Our investment solution

We designed our multi-asset range to provide absolute returns with low volatility to help investors withstand times of great market stress. As a solution, we first tested performance to check it was in line with the client's with-profits fund.

In addition, we ensured the look-through data on the underlying fund assets was available within regulatory guidelines. As a result, the client decided to move forward with a multi-asset investment solution.

##### The client benefit

Our multi-asset solutions have a proven track record of generating positive returns with relatively low volatility. From a regulatory perspective, they can therefore help reduce guarantee costs and capital requirements (see Solution 1 graph, over the page).

### Case study 2

#### Enhancing capital-efficient yield

##### The challenge

A European general insurer's asset portfolio predominantly held bank deposits and short-term investment-grade corporate bonds. The investment yield generated by this portfolio was at a historical low given the prevailing financial market environment. The CFO's objective was to increase the expected return of the portfolio by around 100 basis points without allowing a rise in market risk to create an intolerably large increase in their solvency capital requirement (SCR).

##### Our investment solution

Our insurance specialist team worked with the client's investment and actuarial teams to show how our absolute-return capabilities within fixed income could provide a highly efficient route to yield enhancement without substantially increasing their regulatory capital requirements (see Solution 2 graph, over the page).

The viability of the absolute-return bond solution was supported by the chosen strategy's low return volatility (relative to other yield-enhancing strategies under consideration) and low correlation with the client's existing corporate bond portfolio. We were also able to support the client by providing ongoing and timely look-through data for EU Solvency II asset data reporting requirements.

##### The client benefit

The client was materially able to increase the expected return of their asset portfolio while incurring a market risk SCR increase that was efficient relative to other yield-enhancing strategies under consideration.

### Case study 3 Improving annuity-matching cashflow

#### The challenge

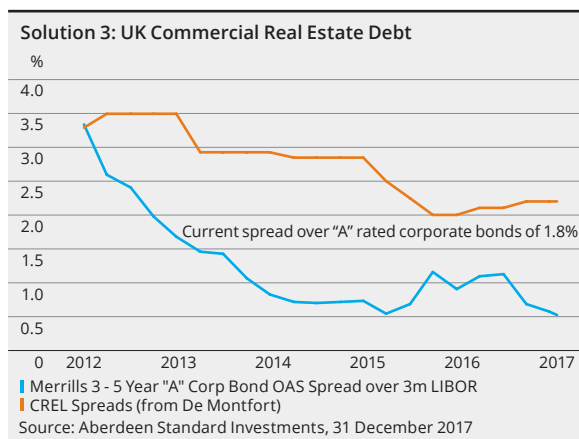
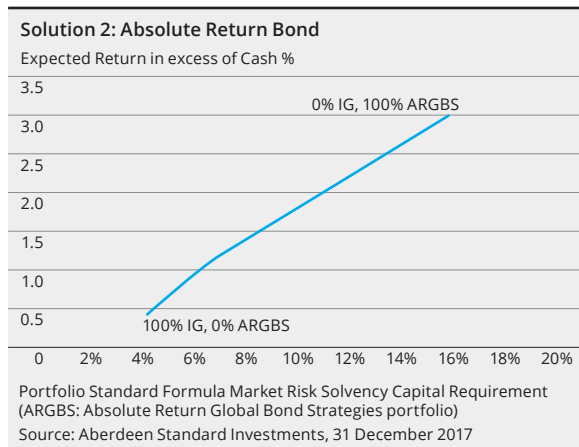
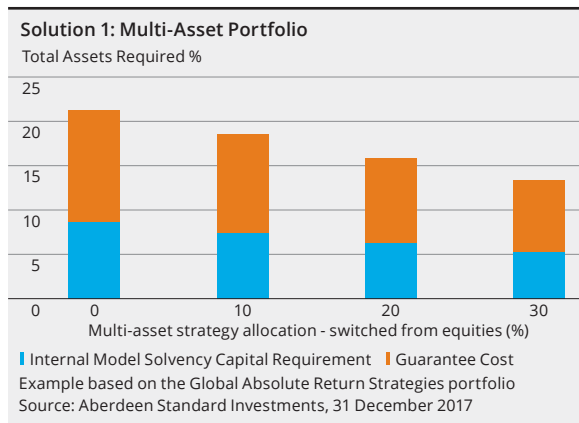
In a low-yield environment, a client asked us to help them increase the risk-adjusted return on the assets backing their annuity business. In doing so, the client expressed a desire to access the illiquidity premium available through private market asset classes such as infrastructure and commercial real estate debt (see Solution 3 graph, right).

#### Our investment solution

Our private market assets team developed an investment solution incorporating commercial real estate lending and infrastructure debt to deliver the cashflow profile required for annuity matching. Having done this, the client was able to switch a portion of their bond portfolio into these assets.

#### The client benefit

Following the implementation of our solution, the client materially increased the expected risk-adjusted return on their overall portfolio. In addition, the portfolio was also compliant for matching adjustment. There was also a positive impact on IFRS profits.



# Voted Best Insurance Asset Manager, 2018\*

---

\*Asia Asset Management



Benefits of working with us

## Proven, focused expertise by your side

Choosing Aberdeen Standard Investments to support your insurance assets brings a wealth of potential benefits.

### Trusted experience

We have long-standing industry experience and now manage insurance assets worth \$549 billion\* for a wide range of clients – from the biggest global insurers to specialist and local players.

### Dedicated specialist team

Our highly-experienced insurance specialist team, supported by experienced insurance professionals and actuaries, can give you dedicated support around the world. Their knowledge and experience translates into deep industry and regulatory insight and support.

### Full-service investment capabilities

We offer genuine global reach with capabilities across a broad range of asset classes. Each asset class is supported by strong and experienced investment teams, a full product range and a compelling performance record.

### Breadth of investment solutions

You can choose how you access our investment capabilities – from pooled products to bespoke portfolios to the complete outsourcing of investment decisions.

### Comprehensive asset reporting

We can provide comprehensive regular reporting that meets your jurisdiction's regulatory requirements and monthly deadlines.

### Important information

Issued by Aberdeen Standard Investments Australia Limited ABN 59 002 123 364 AFSL No. 240263. Aberdeen Standard Investments is a brand of the investment businesses of Aberdeen Asset Management and Standard Life Investments. This document has been prepared with care, is based on sources believed to be reliable and all opinions expressed are honestly held as at the applicable date. However it is of a general nature only and we accept no liability for any errors or omissions. It has been prepared without taking into account the particular objectives, financial situation or needs of any investor. It is important that before acting investors should consider their own circumstances, objectives and financial situation, the information's appropriateness to them and consult financial and tax advisers. You must not copy, modify, sell, distribute, adapt, publish, frame, reproduce or otherwise use any of this material without our prior written consent.

### Risks of investing:

**Equities:** Securities in certain markets may be more volatile, harder to price and less liquid than securities in other markets. They may be subject to different accounting and regulatory standards, and political and economic risks. These risks may be enhanced in emerging markets countries.

**Fixed Income:** Fixed income securities are subject to certain risks including, but not limited to: interest rate, credit, prepayment, and extension.

**Multi-asset:** Investment in multi-asset involves diversification across a wide range of asset classes including equities, fixed income, real estate and certain alternative investments - all which involve different degrees of risk.

**Real estate:** Investments in property may carry additional risk of loss due to the nature and volatility of the underlying investments. Real estate investments are relatively illiquid and the ability to vary investments in response to changes in economic and other conditions is limited. Property values can be affected by a number of factors including, inter alia, economic climate, property market conditions, interest rates, and regulation.

**Quantitative:** Quantitative Investments may involve extensive use of derivatives for investment purposes. Due to the leveraged nature of derivatives, gains and losses can be greater than associated with traditional investment instruments.

**Alternative investments:** Alternative investments may engage in speculative investment practices; involve a high degree of risk; and are generally considered to be illiquid due to restrictions on transferring interests. An investor could lose all or a substantial portion of their investment. Investors must have the financial ability, sophistication / experience and willingness to bear the risks of such an investment.

**Derivatives:** Some styles of investment may involve use of derivatives either for Efficient Portfolio Management (EPM) or extensively for investment purposes. Due to the leveraged nature of derivatives, gains and losses can be greater than associated with traditional investment instruments.

**Diversification:** Diversification does not necessarily ensure a return or protect against a loss.

This is not a complete list or explanation of the risks involved and investors should read the relevant offering documents and consult with their own advisors before investing.

To find out more about our insurance capabilities,  
please speak to your local Aberdeen Standard  
Investments representative.

Visit us online  
[aberdeenstandard.com.au](http://aberdeenstandard.com.au)