



**2018**  
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# Plenary Session IV – Market Outlook and Investment Strategy for Insurance Companies

## Moderator:

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## Panelists:

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*Ms Sally YIM*

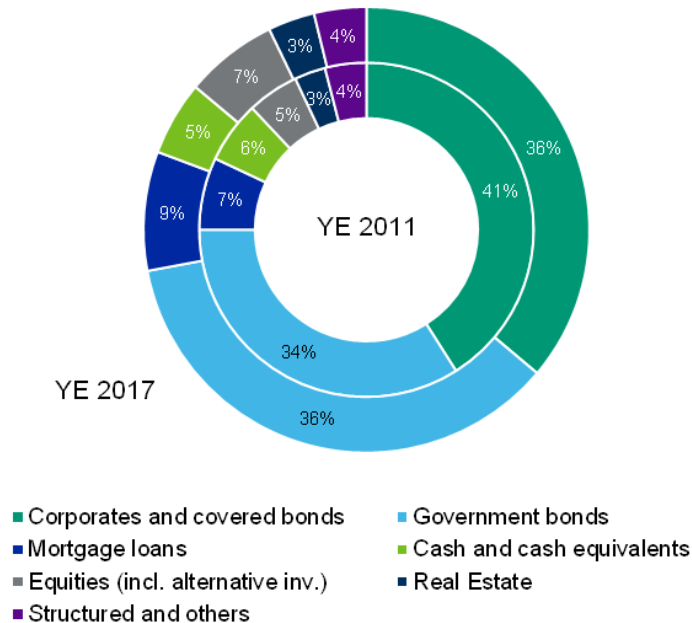
Associate Managing Director  
Moody's Investors Service



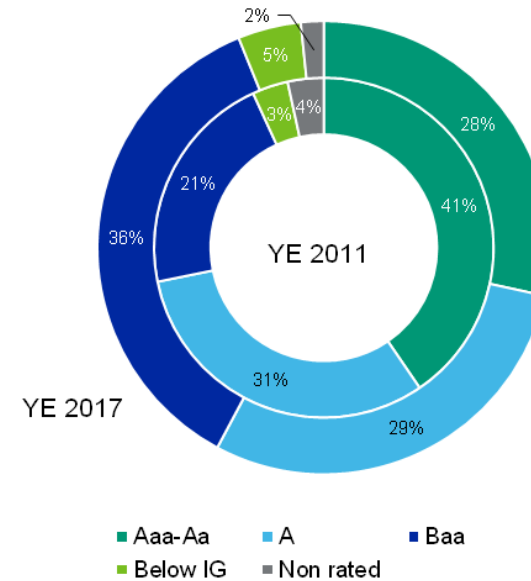
# Re-Risking Assets: Marginal but Incessant

European insurers are increasing investments in illiquid assets

European insurers' asset mix: some more risk taking



Quality of corporate bonds portfolio deteriorates

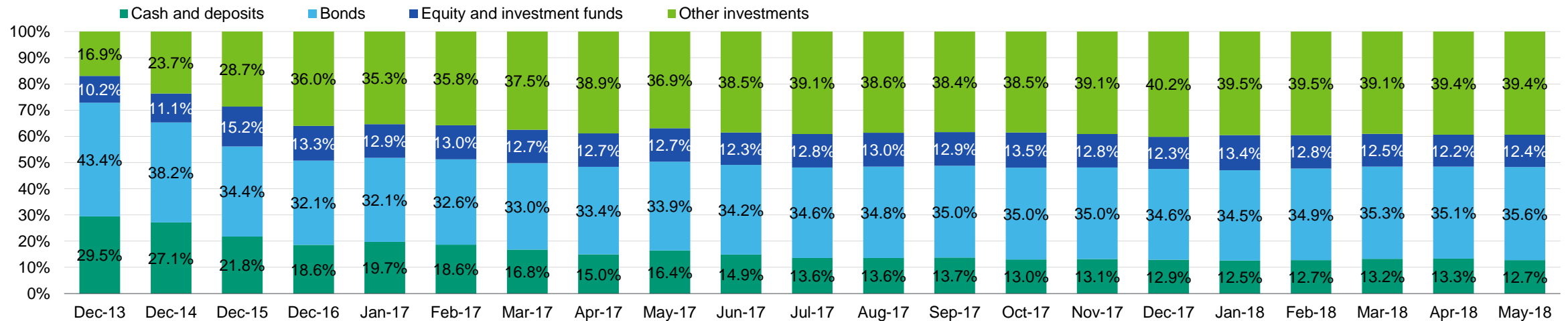


Sources: Data disclosed by Aviva, Allianz, AXA, Aegon, Zurich, Generali, Munich Re – Moody's Investors Service

# Rising asset risk (1) – e.g. China

- » Chinese life and P&C insurers are raising their investment allocation to riskier assets as they seek higher yields amid a low rate environment
- » This is reflected in the increase in alternative investments (AIs), which include mostly infrastructure debt schemes, long term equity investments and asset management products
- » AIs' complicated transaction structures and lack of disclosure standards make it more difficult to assess their risk/ return profiles. They also introduce additional layers of credit risks which weaken asset transparency, return stability and liquidity profile.

**Investment mix of Chinese insurers: 2013- May 2018**



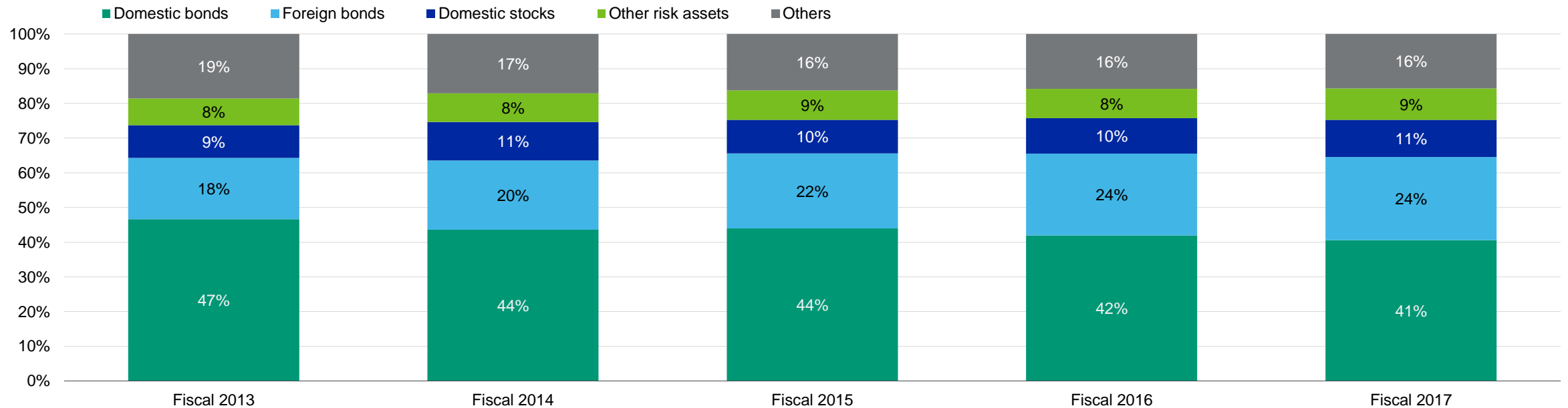
Sources: CBIRC, Moody's Investors Service

# Rising asset risk (2) – e.g. Japan

- » Japanese life insurers continue to turn to riskier foreign investments for yield enhancement
- » Additional investment risk comes from potential unhedged foreign currency exposure as hedging costs stay high

## Asset allocations to foreign bonds are gradually increasing

Investment mix of rated Japanese life insurers - FY2013-2017



Sources: Disclosures from Dai-ichi, Dai-ichi Frontier, Fukuoku, Fukuokushinrai, Meiji Yasuda, Mitsui, Nippon and Sumitomo, Moody's Investors Service