



Strategic Asset Allocation for Insurance

An optimization based on your risk tolerance and business specificities

A fresh take on risk and valuation

What is the process for the determination of the target SAA?

ASSET CLASS SPECIFICATION

OBJECTIVES AND CONSTRAINTS

CAPITAL MARKET EXPECTATIONS

OPTIMAL ASSET MIX

ALLOCATION VALIDATION

ASSET CLASS BANDWIDTHS

SAA takes a long-term planning perspective and is the asset allocation that is expected to be effective in achieving the insurer's investment objectives, given pre-defined investment constraints and risk tolerance.

Determining the optimal SAA is a complex multistage process that involves the collaboration of multiple internal functions (Asset Management, ALM, Risk) and must account for the interests of external stakeholders (shareholders, policyholders, regulators).

Finalyse successfully combines an academic perspective with a practical approach to the definition of the target SAA, helping insurers manage this balancing act along each step of the process.



For more information, visit www.finalyse.com/strategic-asset-allocation

Benefits

Finalyse offers support in the following areas:

- Development and implementation of an SAA optimization model and calculation engine;
- Design and implementation of an end-to-end process for the definition of the target SAA;
- Integration with capital planning, balance sheet management and the Risk Appetite Framework;
- Alignment with regulatory requirements (e.g., ORSA and the Standard Formula Appropriateness Assessment);
- Modelling of the Best Estimate Liability cash flows and their relationship with asset cash flows;
- Design of derivatives hedging strategies for managing DV01 and CS01.

Motivation

A properly defined SAA is crucial for managing the insurer's solvency and liquidity risks, while generating returns sufficient to meet policyholder pay-outs and maximize shareholder wealth.

Given the ever increasing regulatory scrutiny in the context of the European Solvency II framework, the SAA must respect the fundamental guiding principles and accepted market practices.

Finalyse offers extensive experience and expertise on both the asset and liability sides, which provides the necessary scope of knowledge and skills to help determine the SAA that is optimal for your business.

AMSTERDAM

BRUSSELS

BUDAPEST

DUBLIN

LUXEMBOURG

WARSAW