Insurance Asset Management Awards 2017

THE WINNERS

30 November 2017
Millennium Hotel London Mayfair

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OVERVIEW

The Insurance Asset Management 2017 Awards held at the glitzy Millennium Hotel London Mayfair, played host to hundreds of insurance investment experts celebrating excellence within the insurance asset management industry itself. Comedian Alun Cochrane conducted the evening, helping to present the trophies to the deserving winners. Congratulations to all the prize winners and a very well done to all those shortlisted firms.

Many thanks to all those who helped make the event such a success. Firstly, the partner that helped to support the awards - the CII. Secondly, the judges (see below) who gave their time and expertise to help decide the winners; and finally to everyone who entered and attended the awards.

We look forward to welcoming you all with open arms again in 2018 and rewarding all those that continue to excel in the insurance asset management and investment space.

Visit www.insuranceassetmanagement.net for more details and to read all the latest news and commentary.

JUDGES

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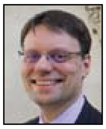

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Investment Director, Insurance Solutions
Aberdeen Standard Investments

Hugh Savill
Director of Regulation
Association of British Insurers

Deepak Seeburrun
Head of Insurance EMEA
HSBC Global Asset Management

Insurance Asset Management Awards 2017

THE WINNERS

INSURANCE COMPANY OF THE YEAR
Phoenix Group

BEST INVESTMENT STRATEGY OF THE YEAR
MS Amlin

ESG INVESTMENT STRATEGY OF THE YEAR
Royal London Asset Management

INSURANCE CONSULTANCY OF THE YEAR
PwC

PASSIVE MANAGER OF THE YEAR
BlackRock

ACTIVE MANAGER OF THE YEAR
Wesleyan

FIXED INCOME MANAGER OF THE YEAR (UP TO €100BN AUM)
Aberdeen Standard Investments

FIXED INCOME MANAGER OF THE YEAR (OVER €100BN AUM)
M&G Investments

ALTERNATIVES MANAGER OF THE YEAR
Deutsche Asset Management

INFRASTRUCTURE MANAGER OF THE YEAR
BlackRock

PROPERTY MANAGER OF THE YEAR
AXA Investment Managers

EMERGING MARKETS MANAGER OF THE YEAR
HSBC Global Asset Management

INDEX PROVIDER OF THE YEAR
MSCI

RISK MANAGEMENT FIRM OF THE YEAR
Conning

BEST SOLVENCY II TECH SOLUTION
Moody's Analytics

TECHNOLOGY FIRM OF THE YEAR
Financial Risk Solutions

INNOVATION PROVIDER OF THE YEAR
Natixis Investment Managers

PIONEER OF THE YEAR
Daniel Blamont, Head of Investment Strategy, Phoenix Group

CHIEF INVESTMENT OFFICER/ INVESTMENT STRATEGIST OF THE YEAR
Jayne Styles, Chief Investment Officer, MS Aml

ACTIVE MANAGER OF THE YEAR

WESLEYAN

WESLEYAN

we are all about you

The Active Manager of the Year Award recognises the investment manager that has demonstrated consistent outperformance and an innovative approach in its investment strategy.

Described by the judges as a firm showing a strong focus on culture and professionalism as well as investment philosophy, with the performance figures bearing this out, the clear winner is Wesleyan, the financial services mutual.

The ability to focus on long-term performance, whilst remaining cognisant but not wedded to the short term, allows Wesleyan's investment department to invest in a way that provides the best possible outcome for its customers. This is supported by the unrivalled performance its flagship funds have achieved since inception, and the superb performance achieved across more recently launched investment funds.

By maintaining a 'buy and hold' strategy throughout the cycle, based around fundamental analysis to derive the true worth of each investment, Wesleyan has built up a track record to be envious of. The strategy is run concurrently with a contra-cyclical approach, identifying out-of-favour stocks with long-term potential. On days markets are down, the firm is likely to be buyers of equities rather than sellers. It assesses the reasons for the fall and if it believes that long term fundamentals are still supportive and the shares show value, it looks to buy. This means that the firm is a liquidity provider, typically acquiring shares without worrying about market impact. Portfolio turnover is extremely low by industry standards, with a preference for investing for the long term; this combined with low market impact means Wesleyan is able to keep direct and indirect trading costs low for customers.

To further reduce the volatility of returns for customers, risk is managed through diversification both across and within asset classes. Assessment of fund manager performance is typically based on a minimum of the past three years, removing the pressure to make short-term decisions or alter strategic positioning.

Wesleyan has never closed an investment fund. Despite its refusal to 'game the system', over the past five years, 80% of the investment funds managed are top quartile, 60% top decile and, over the past ten years three quarters are in the top quartile. Its flagship life fund, the Life Managed Fund, is a top performer in its sector since launch.

The firm's qualities do not stop there as it is continuing to develop the next generation. By recruiting at trainee analyst level, Wesleyan is able to instil both its investment philosophy and its focus on doing what is best for the customer. Training incorporates formal exams and in-house mentoring, and as members in the department grow into their role, they become mentors for the next generation of analysts whilst still undertaking continuous personal development and gaining experience on the job.

Well done to an outstanding firm.

WESLEYAN

we are all about you

...AND ARE PROUD TO BE AWARDED THE ACTIVE MANAGER OF THE YEAR

Rated top for our With Profits fund

Wesleyan has topped an independent survey of With Profits funds.

The report by Barnett Waddingham, the UK's largest provider of actuarial, administration and consultancy services, ranked 46 with profits funds across 20 firms and rated us number one for investment returns in 2016.

Customer satisfaction

9 out of 10 of our customers agree that we make them feel valued.*

Heritage and Mutuality

Since we were founded over 175 years ago, we have cherished our mutual status. It's an integral part of who we are and with no shareholders, our focus is on members and customers. We work to benefit those who invest in our business. Not only today, but also in the future.

Contact us today, quoting 80850

- financialreview@wesleyan.co.uk
- 0800 294 9174
- wesleyan.co.uk/appointment

Past performance is not a reliable guide to future performance and the value of your investment can go down as well as up, so you could get back less than you have invested.

Follow us for regular updates on social media

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*Wesleyan Customer Survey 2017 (8, 9 & 10 out of 10. Base size: 3731)

Advice is provided by Wesleyan Financial Services Ltd.

EMERGING MARKETS MANAGER OF THE YEAR

HSBC GLOBAL ASSET MANAGEMENT

HSBC Global Asset Management

The Emerging Markets Manager of the Year Award recognises the firm that has truly embraced the emerging market space to the benefit of UK and European insurance clients.

The winner of this year's award is HSBC Global Asset Management. The judges said the asset manager has shown proven excellence, innovation and commitment over the past year, placing it firmly in many of the fastest growing insurance markets.

With over $130bn in emerging market assets worldwide, managed by over 200 dedicated professionals in 10 emerging market locations, the firm is a true leader in this field. The firm's offering is one of the widest, covering both equities and fixed income markets, and includes an array of products and solutions including a comprehensive range of EM debt and equity strategies. Its global EM debt offering includes hard and local currency strategies, investment-grade, corporate, inflation-linked and total-return strategies.

On the EM equity side, it offers one of the longest running (with a seven year track record) and most differentiated frontier markets equity offerings in the industry.

HSBC Global Asset Management has over 40 years of experience in managing liability-focused portfolios, shareholder funds and unit-linked assets and has focused its efforts on providing insurance clients with investment solutions that take full account of the changes in their respective regulatory framework. The asset manager is able to assist its insurance clients in optimising their overall asset allocation for Solvency II and can also customise individual investment strategies including EM strategies for increased Solvency II capital efficiency and predictability.

Furthermore, the business has also developed a customised version of its EMD Total Return Strategy that reduces SCR usage by around 50% whilst retaining the return potential from EM currency appreciation.

The three-step process to create a Solvency II friendly version of the EMD Total Return Strategy involves an optimisation of the bond portfolio to reduce SCR spread, hedging only the USD exposure to base currency and reducing the use of CDS. The firm's EMD Total Return Strategy actively allocates among the various opportunities available in emerging market debt and currencies without an inherent bias to any particular emerging market asset class. This strategy has a high SCR, which is mostly driven by the currency risk. SCR Currency is calculated using a 25% adverse shock. Currency hedging will significantly reduce the SCR, but it will also reduce the expected returns. By selectively hedging FX risk the strategy eliminates SCR FX for unrewarded currency exposures, whilst remaining exposed to the appreciation potential of certain emerging market currencies.

Congratulations to an outstanding firm on a deserved award win at the Insurance Asset Management Awards 2017.

Emerging market debt under Solvency II: Could you have your cake and eat it?

Andries Hoekema global head for the insurance sector looks at the steps that European insurers can take to reap the rewards from emerging market debt

Emerging market debt (EMD) has enjoyed a renaissance of sorts over the past couple of years as investor appetite returned, supported by improving global growth and an intrinsic improvement in emerging market (EM) balance sheets. However, beyond cyclical returns, we believe EM's are positioned to deliver a superior return profile over the long term too, as structural factors will enable them to continue outstripping developed markets. This is particularly true for EM currencies which, over the long term, should benefit from the region's productivity and growth differentials vis-à-vis the developed world.

For European insurers under Solvency II, seizing this opportunity is not a straightforward choice, principally because of the high regulatory capital charge for currency risk under the Standard Model. An investment in EMD that is not hedged back to the insurer's base currency could attract a stand-alone SCRMarket of well over 30%, whereas a currency-hedged investment might attract less than half of that. This difference has prompted many insurers to invest in hard-currency EM debt, often driven by the lower transaction costs of hedging back to base currency.

The choice of investing in hard-currency EMD is certainly understandable from a regulatory capital perspective, but the nature of the asset class means that an investor who hedges back to base currency may leave a lot of potential return on the table. Investing in EM currencies provides investors with access to fast-growing economies with relatively high interest rates. The economic growth prospects of a number of EMs help to create the potential for future currency appreciation as well, which further adds to the investment case for local currency EM debt.

Although the value of investments and the income from them can go down as well as up and investors may not get back the amount originally invested, it is still clearly worth investigating whether insurance investors could access some of this return potential in a form that would not break the bank in terms of SCRMarket. One way to do this could be to apply a number of optimisation steps to an EMD Total Return strategy, which itself has become increasingly popular with insurers as a form of gaining exposure to the asset class.

There are broadly three types of exposure within EMD strategies: hard-currency debt, local-currency debt, and local currency. Hard-currency EM debt is most often issued by countries that may find itw more difficult to issue in their local currency, and by corporates that may have a hard-currency revenue base. Local-currency EM debt will typically be issued by countries whose better credit profile gives local and international investors a greater level of comfort with the currency exposure. Finally, direct currency investments allow investors to gain exposure to emerging markets' potential for currency appreciation without taking a duration view.

HSBC Global Asset Management's EMD Total Return strategy uses a mix of hard-currency, local-currency and EM Cash exposures with the aim of producing positive absolute returns while reducing volatility normally associated with EMs. The strategy has a lot of investment freedom, which can make the Solvency II capital usage high and relatively volatile. We apply three steps to make this strategy more efficient in terms of SCRMarket:

1. Applying a re-weighting algorithm to increase the expected return on SCRSpread by 15% to 25%;
2. Hedging USD positions only, to EUR and leaving non-USD positions unhedged;
3. Only using CDS to buy protection (i.e. to hedge risk), and not to sell protection.

These steps can be implemented without significantly affecting the performance potential of the strategy. Taken together, they have the potential to reduce the standalone SCRMarket from well over 30% to between 15% and 20%, depending on the strategy's positioning. This significantly increases the relative attractiveness of EM Debt under Solvency II.

European insurance companies that may not have investigated this asset class until now – because of perceived regulatory capital usage – can now look into applying these steps to take advantage of the expected return and diversification benefits of EMD.

Andries Hoekema - Global Head, Insurance Sector

HSBC Global Asset Management

RISK MANAGEMENT FIRM OF THE YEAR

CONNING

With risk management at the top of insurance companies' agendas, de-risking propositions have flooded the market.

The Insurance Asset Management Awards rewards the firm that has provided innovative solutions to truly help insurance companies to manage, or remove, their risks.

Conning offers a rich collection of risk analytic capabilities with a wealth of experience and the ability to serve clients with any combination of consulting and licensed software. Furthermore, the combination of asset management, capital and risk management software, strategic advisory, investment accounting, and insurance research allows it to implement holistic, customised business and investment solutions that help clients achieve their financial goals.

Conning's Risk Solutions Group has been developing and using sophisticated financial modelling systems since 1995. The GEMS® Economic Scenario Generator is an award-winning state-of-the-art ESG using some of the most technologically advanced financial models in the industry. It enables users to simulate future states of the global economy and financial markets, including the pricing of derivatives and alternative assets. Advanced modelling and calibration technology is utilised to produce empirically validated, realistic economic behaviour to give clients a better understanding of risk.

FIRM® Portfolio Analyzer is an investment risk modelling capability which combines the capital markets capabilities of the GEMS ESG with a sophisticated asset module for full stochastic modelling of investment risk. The system provides multi-portfolio trading strategies across entities, on both economic and book value, and analyses on an aggregate or individual security basis.

ADVISE® Enterprise Risk Modeler is a stochastic simulation tool designed for insurance risk analysis, and users can project a range of possible outcomes in order to assess and manage risks properly. ADVISE covers liabilities, investments, accounting and economic scenarios for comprehensive, enterprise-wide modelling with the flexibility of a toolkit or spreadsheet. It is the only modelling platform on the market that can credibly model all the financial risks on both sides of the balance sheet, capturing their correlations and dependencies. Further enhancing Conning's solutions is GEMS Stress Test Scenario Package, a package of stress test scenarios that simulate significant economic events of the past hundred years, from the 1981 U.S. Interest Rate Spike to the European Debt Crisis.

Overall, the judges were impressed with the firm's comprehensive risk modelling tools used in practice to add value for clients.

Congratulations to a stand-out firm for an excellent year.

Enhancing stochastic analysis with stress testing

Conning explores how this method can boost insurance firms' performance

Increasingly, insurance companies are incorporating stochastic analysis into their risk management practices. Whether that analysis is part of an economic capital model or used for strategic asset allocation, the resulting distribution of results can yield valuable insights into how company decisions impact risk and reward. That being said, explaining the results of a stochastic analysis, especially to senior management, can often be difficult. Specifically, "simple" questions like "What is a 1 in 100 event?" or "How do we know the model has the right amount of risk embedded in it?" do not lend themselves to easy answers.

In trying to help clients communicate their modelling results, Conning looked to other modelling areas that deal with similar situations and we found that catastrophe models face many of the same challenges: both run thousands of plausible future scenarios, both produce valuable insights into risk and rewards, and both can be challenging for non-practitioners to understand. However, one of the advances that has made catastrophe models widely accepted as a key risk management tool is the incorporation of historical events; being able to see where a recurrence of a Hurricane Katrina or Hurricane Sandy falls against a stochastic distribution can be a powerful way to get buy-in for the stochastic analysis results.

So, how do we apply this concept of using a historical scenario as an illustrative tool with economic modelling? Clearly there are plenty of large financial events that are good candidates for a historical stress test within a stochastic analysis — for example, the 2008 Financial Crisis, Black Monday, or the Great Depression. However, we must address a number of questions to make sure that these stress tests enhance rather than confuse our analysis. First, most catastrophes play out over a few days, but financial events can play out over months or even years; as a result, we need to develop a methodology for determining when an event begins and ends. Consider the 2008 Financial Crisis: did it start when the first US bank failed in July 2008? Or, was it when Lehman Brothers collapsed in September 2008? Or, was it at some other time, say, when the S&P 500 peaked? Furthermore, since many stochastic models are simulating multiple years or decades, we will also need to address what happens to the economy after the stress event.

Additionally, we are interested in how these events would impact a company's results today, not decades ago. For catastrophe models, this means addressing changes in construction codes, building density, and coverages. For financial events, this means creating a clear way of establishing what has changed and what hasn't since the event took place. Consider the period from July 1980 to July 1981; as a result of the Fed's drive to stamp out inflation, the 10-Year Treasury Yield rose over 400 basis points in that 12-month period. However, the impact of that rapid increase in yields would be very different for today's insurance portfolios, since yields are around 2% today, not the 10% they were in 1980. We also need to be able to extend our analysis to investments that did not exist when the event occurred; for example, there were no hedge funds during the Great Depression.

Finally, we need this extension to be something we can easily maintain; ideally, companies would simply be able to make a few changes to their existing stochastic model to add in these stress tests, with no need to support two separate models and no need to reconcile the different approaches of stochastic and deterministic modelling.

Conning has developed a robust approach that allows our clients to meet these challenges. With the GEMS® Stress Scenario Package, we have identified the key drivers for a wide range of historical events and performed the calculations necessary to bring them forward to today's environment. They can be seamlessly incorporated into an existing stochastic analysis framework to provide an insight into stochastic results.

Daniel Finn, FCAS
Director, Risk Solutions
Conning

To find out more about the GEMS® Stress Scenario Package, please visit Conning's website, www.conning.com.

CONNING®

ESG INVESTMENT STRATEGY OF THE YEAR

ROYAL LONDON ASSET MANAGEMENT

ROYAL LONDON
ASSET MANAGEMENT

The ESG Investment Strategy of the Year award is given to the UK/European insurance company that can demonstrate that it has conscientiously considered its investment decisions in an ethical and fair way, and produced exceptional returns for its clients. The methodology of fund selection, the underlying definition of ESG and how this is maintained and reviewed is also essential.

Scooping the award for the 2017 awards was Royal London Asset Management (RLAM), one of the UK's leading asset managers, managing over £113.6bn of assets. It is committed to being a responsible investor and this means being a good steward of assets and promoting responsible investing with other stakeholders.

The firm's overall aim is to generate sustainable, risk-adjusted returns that reflect a wider understanding of what will drive economic performance in the future. Its distinctive strategy integrates the consideration of ESG issues alongside financial analysis throughout the investment process.

RLAM has built up a performance track record over 14 years which demonstrates the effectiveness of integrating ESG investment themes and their ability to respond to market, economic and social cycles. The firm's range of five sustainable funds also offers reassurance from certain areas of avoidance, in particular human rights abuses, tobacco and armaments manufacture, household and cosmetic products which involve experiments on animals and the generation of nuclear power. In addition the funds avoid investments in companies which derive a material proportion of their business from animal fur products, pornography, irresponsible gambling, irresponsible drinking and worker exploitation.

As part of its ESG analysis, each company the sustainable funds are looking to invest in is considered for its corporate governance performance, environmental and social performance, business quality and valuation.

Each of these areas is scored, and any company considered for the portfolio will meet a minimum threshold on all of them – to rule out companies that score highly on ESG factors but poorly on the financials, or vice versa. The investment opportunity is then calibrated with the total score.

RLAM's sustainable team itself consists of two full-time sustainable Fund Managers, a Corporate Governance Manager and two Responsible Investment Analysts. The latter also provide ESG insights for the rest of RLAM, including its fixed income team.

RLAM impressed the judges with its clear approach to ESG investing showing clear examples of how the approach can lead to better returns.The superb work from the firm must be applauded. It has clearly excelled in an investment field that is continuing to gain momentum, as insurers begin to pay increasing attention to the benefits that ESG investing can bring to a portfolio.

FIXED INCOME MANAGER OF THE YEAR (OVER €100BN AUM)

M&G INVESTMENTS

Fixed income has evolved from a safe sleepy asset class into a dynamic and diverse option for insurance firms today.

The Insurance Asset Management Awards recognises those firms that have not only displayed innovation in this area to take advantage of the opportunities out there, but also have the performance numbers to prove their expertise.

The Fixed Income Manager of the Year (over €100bn) AUM award for 2017 went to M&G Investments, a leading European active asset manager, investing £281bn of assets across fixed income (both public and private debt), equities, multi-asset and real estate on behalf of third-party clients and its parent Prudential.

The firm manages £134.7bn on behalf of insurers. Its fixed income strategy centres on taking the skills, expertise and strategies it has developed initially to manage its internal insurance funds and offering them externally. Central to this is the belief that high-quality credit research and a patient, value-based investment policy benefit M&G's clients. M&G's extensive fixed income experience helps clients generate the cashflows they need, whilst optimising the trade-off between risk and return.

Among other fixed income strategies, M&G offers buy and maintain solutions. The firm has extensive experience managing assets for both its parent and bespoke mandates for third party insurance clients.

Since 2009, M&G has managed 'buy and maintain' style segregated portfolios for third party insurance clients who seek to use corporate bonds to meet future liabilities. These low turnover mandates also seek to capture credit returns through stock selection and credit beta, and to build a buffer against future credit deterioration through substituting bonds, which have become overvalued, with attractively priced undervalued bonds.

In 2017, M&G has won a significant volume of mandates from insurers. M&G launched its pooled commercial real estate (CRE) debt strategy in 2009, which now has over 70 investments in Europe.

Over £4bn of external insurance assets are invested in this strategy and the firm has recently launched its third generation of investment vehicles dedicated to CRE debt, predominantly in the UK and Europe.

Furthermore, insurance companies in the Netherlands, Belgium, the UK, France, Sweden, Switzerland, Israel and South Korea currently invest in the firm's European loan strategy.

The judges said M&G Investments is a firm showing a good strong performance against benchmarks and strong degrees of innovation throughout its business.

ALTERNATIVES MANAGER OF THE YEAR
DEUTSCHE ASSET MANAGEMENT

Deutsche
Asset Management

Alternatives have become an essential part of a UK and European insurance firm's portfolio. The Insurance Asset Management Awards recognise those firms that have shown a true flair for extracting value from the alternatives space to the benefit of their insurance clients.

Standing head and shoulders above the rest is Deutsche Asset Management (Deutsche AM). With around €711bn of AUM, the firm is one of the world's leading investment managers and has over 40 years of experience in the alternatives space and now manages €80.4bn in assets. Just over half is in private real estate (€42bn), €7.9bn is in private infrastructure, €21.4bn in liquid real assets, €6.5bn in private equity, €1.6bn in sustainable investments and €0.9bn in hedge funds. It constantly monitors the developments in the global economy and local markets which empowers the firm to create quality strategies to navigate today's complex and ever-changing environment.

Alternatives represent around 4% of its €175bn of insurance assets, and this proportion is expected to grow substantially. At the centre of the firm's offering is a 24-person global client solutions team - a team of actuaries, accountants and insurance experts who work to help insurers understand the implications of investing in alternatives. This team has helped facilitate €2.7bn worth of investments in the infrastructure equity and debt space; over €4bn in reasl estate and debt; around €200m in private equity; and in the unit-linked space, the firm has an array of investors in its liquid infrastructure and liquid real estate securities capabilities.

Deutsche AM is also keeping ahead of its rivals by launching an infrastructure debt note, which has a unique structure that provides a capital benefit to European insurers. The firm was also an early provider of ETFs that provide access to alternatives - its real estate securities, private equity and listed infrastructure ETFs have over €800m in AUM. This is an area that particularly affected the judges.

Deutsche AM's expertise is also exemplifed by the its clients results. Several clients have invested in alternatives for the first time with the firm. These investments, particularly those in the infrastructure debt and real estate debt space, were challenging to realise, largely because of the aforementioned barriers. Deutsche AM helped all of these clients increase the efficiencies of their portfolios through the addition of alternatives and it continues to help many more insurers along this journey.

The firm prides itself on its strong fiduciary focus, thought leadership and strategic research pieces, proves access to investments, and a rigorous approach to risk management. It also has a clear ability to help clients engage in enterprise strategic asset allocation, and to facilitate investment into alternatives when they come to believe there is a benefit in doing so. A great amount of praise must go to an exemplary firm.

BEST SOLVENCY II TECH SOLUTION

MOODY'S ANALYTICS

Moody's Analytics

Insurance firms across the UK and Europe are continuing to deal with the implementation of Solvency II regulation and want robust technology systems to support them in conducting this process. The Insurance Asset Management Awards rewards those firms which are at the forefront of market offerings in this space and those that have also helped insurance companies succeed in this regulatory challenge.

Moody's Analytics helps capital markets and risk management professionals worldwide respond to an evolving marketplace with confidence. The company offers unique tools and best practices for measuring and managing risk through expertise and experience in credit analysis, economic research, and financial risk management. By providing leading-edge software, advisory services, and research, including the proprietary analysis of Moody's Investors Service, Moody's Analytics integrates and customises its offerings to address specific business challenges.

The firm's RiskIntegrity™ Suite and Scenario Generation Solutions are designed to address the risk and solvency Enterprise Risk Management needs for insurance companies, regulatory and internal management requirements. The RiskIntegrity Suite offers an end-to-end regulatory risk and solvency solution delivering out-of-the-box Standard Formula and Internal Model capabilities and regulatory reporting QRT capabilities. It has comprehensive risk module coverage for standard formula and offers complete flexibility for Monte Carlo aggregation to support internal model calculations. This is combined with robust data management capabilities and integrated regulatory reporting.

Moody's Analytics has provided system enhancements to ensure firms compliance with regulatory changes made by EIOPA and local regulators. The RiskIntegrity Suite can provide customisable and tailored solutions offering greater flexibility for evolving business needs. For example, the availability of fund "look-through" asset data and deployment of the Moody's Analytics solution allows firms to perform regulator-compliant Solvency II market risk stress calculations on an industrial scale. These results are then used in the wider SCR calculation undertaken. Knowing the underlying composition of an investment fund accommodates identification of "lower risk" asset categories, thereby permitting the application of optimal capital charges to determine a final capital position. Moody's Analytics has also provided firms with a solution to model capital requirements in preparation for internal model approval applications to regulators.

The judges were extremely impressed with the firm's comprehensive suite of Solvency II tech solutions supported by case studies.

Well done to a fantastic firm on scooping this prestigious award.

Insurance Asset Management Awards 2017

◆ Winner ◆

Best Solvency II Tech Solution

Insurance Asset Management Awards 2017

INNOVATION PROVIDER OF THE YEAR

NATIXIS INVESTMENT MANAGERS

The low rate environment has forced life insurers to increasingly look at new asset classes with the risk/return and the risk/charge/return equations becoming more and more prevalent in their thinking.

The Innovation Provider of the Year award aims to reward those insurance providers/asset managers excelling in the area of investment, product design and technology or any other area, and those who have met the needs of their clients.

Over the course of last year, Natixis Investment Managers worked in close conjunction with a number of insurers and EY to bring an innovative solution to the life insurance market enabling investment into a diverse portfolio real estate with a stable and inflation linked income.

Natixis Investment Managers has created a bespoke MA portfolio solution which solves key challenges for annuity providers in a single product.

First, it isolates cashflows which are stable from returns which are variable, meaning the insurer has access to a fixed cash flow stream that is MA compliant.

Second, it gives access to a secure, long-term, investment grade asset with 4%-5% coupon on the senior tranche and, importantly, a potential for inflation linkage.

Third, it has the potential to be a source of long-term investment growth through the junior tranche of the structure.

In short, the solution is MA compliant, offers secure cashflows and also has the potential to boost the capital value of the portfolio. The solution involves maximising investment efficiency. This involves improving the base balance sheet position of UK life companies with internal models through investment into matching adjustment efficient assets.

It also focuses on re-establishing the investment universe. This includes access to the broad illiquid investment universe and liquidity premium - not just Commercial Real Estate Debt. In addition to this, the firm incorporates an in-house credit model based on a blend of Moody's rating methodologies, to target an investment grade rating on the senior note.

The model has been customised to incorporate the unique features of the type of assets within the AEW Real Return Fund and tenants have been profiled and mapped to a diversity score, based on the sector they operate in. The firm uses their bespoke credit rating model to calculate a probability distribution of default rates, applied to the projected cash flows.

Units in the AEW UK Real Return Fund are acquired by a special purpose vehicle. The structure separates the stable cashflows inherent within the AEW UK Real Return from the uncertain cashflows, A credit line and separate cash buffer can be used to support the investment grade rating of the MA compliant Senior note, providing an enhanced credit rating and a subsequently improved MA benefit.

The judges applauded the firm for providing structured credit solutions with good detail on the need to diversify assets.

Congratulations to a firm that has excelled in so many different ways throughout the year.

Insurance Asset Management Awards 2017