Six ideas for capital management under Solvency II

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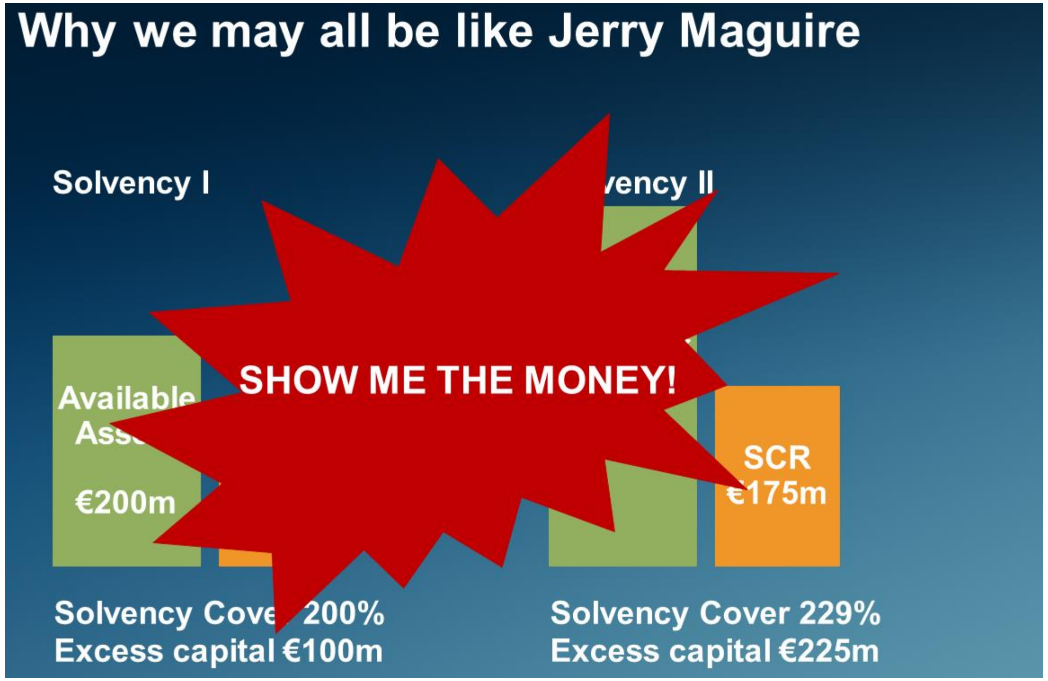
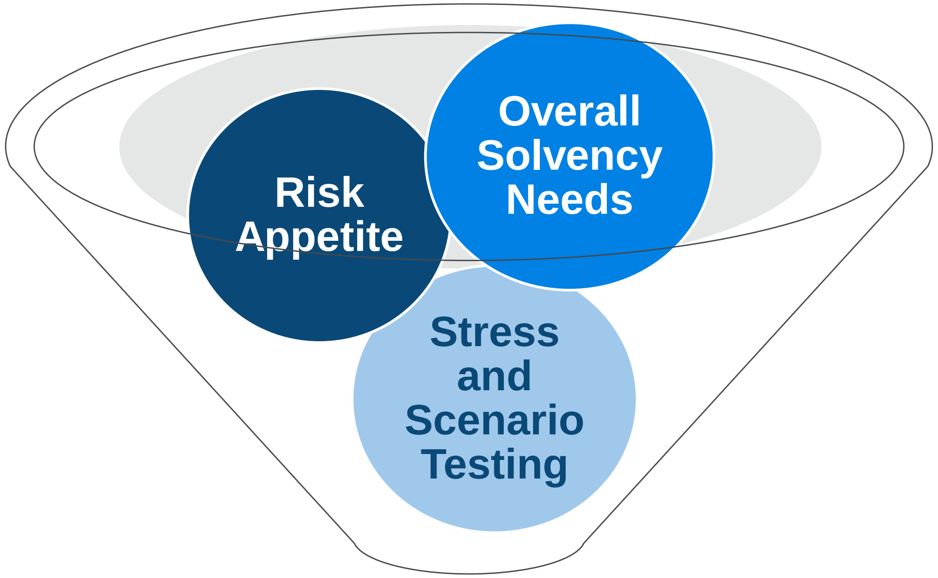
20 October 2016

Previously on “Capital Management under Solvency II”



Current position?

ORSA 2016



Dividend Capacity?

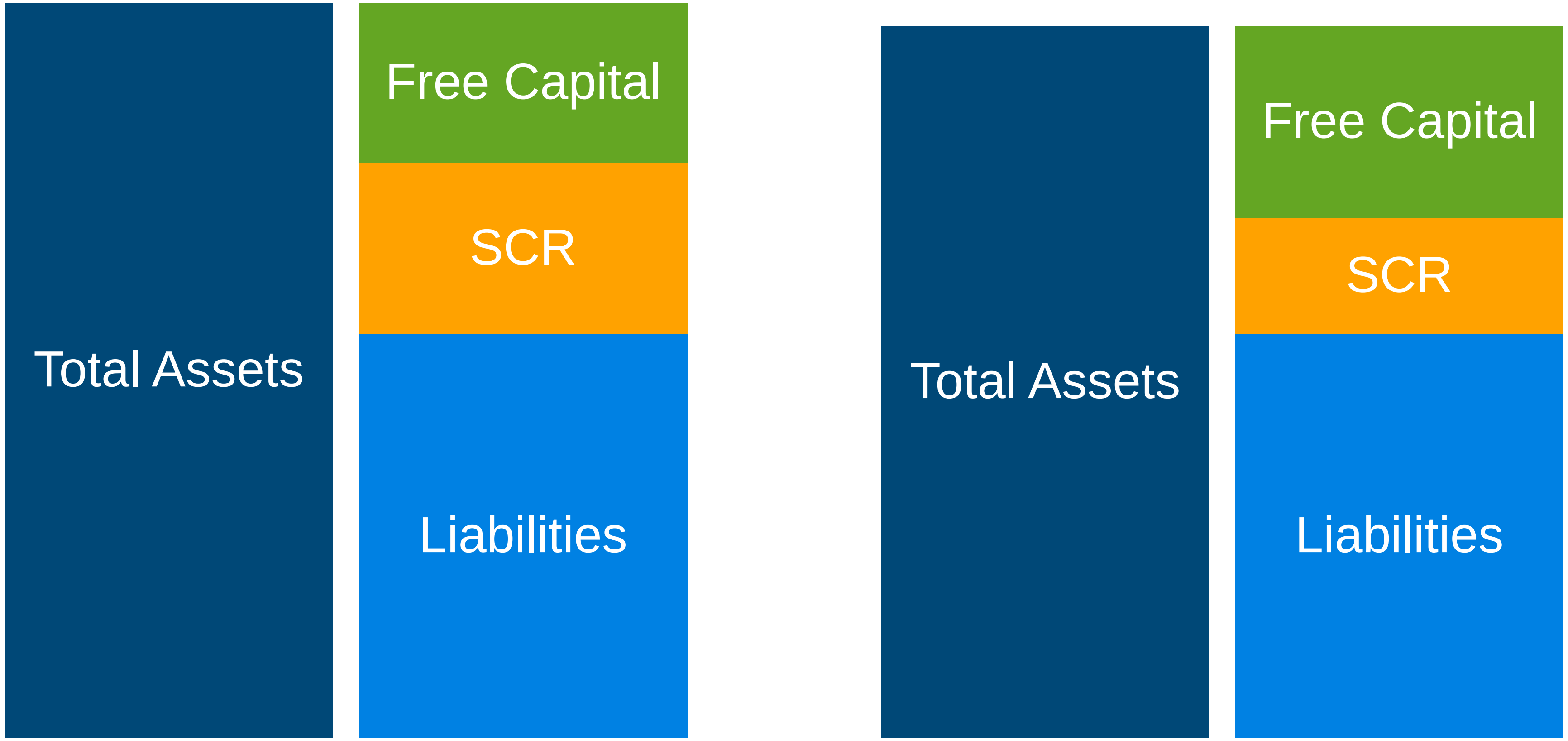
Capital Management Policy

- **Solvency Cover**
- **Asset Liability Matching**
- **Liquidity Needs**
- **Own Funds – cost and quality**

1. Subordinated debt / contingent debt

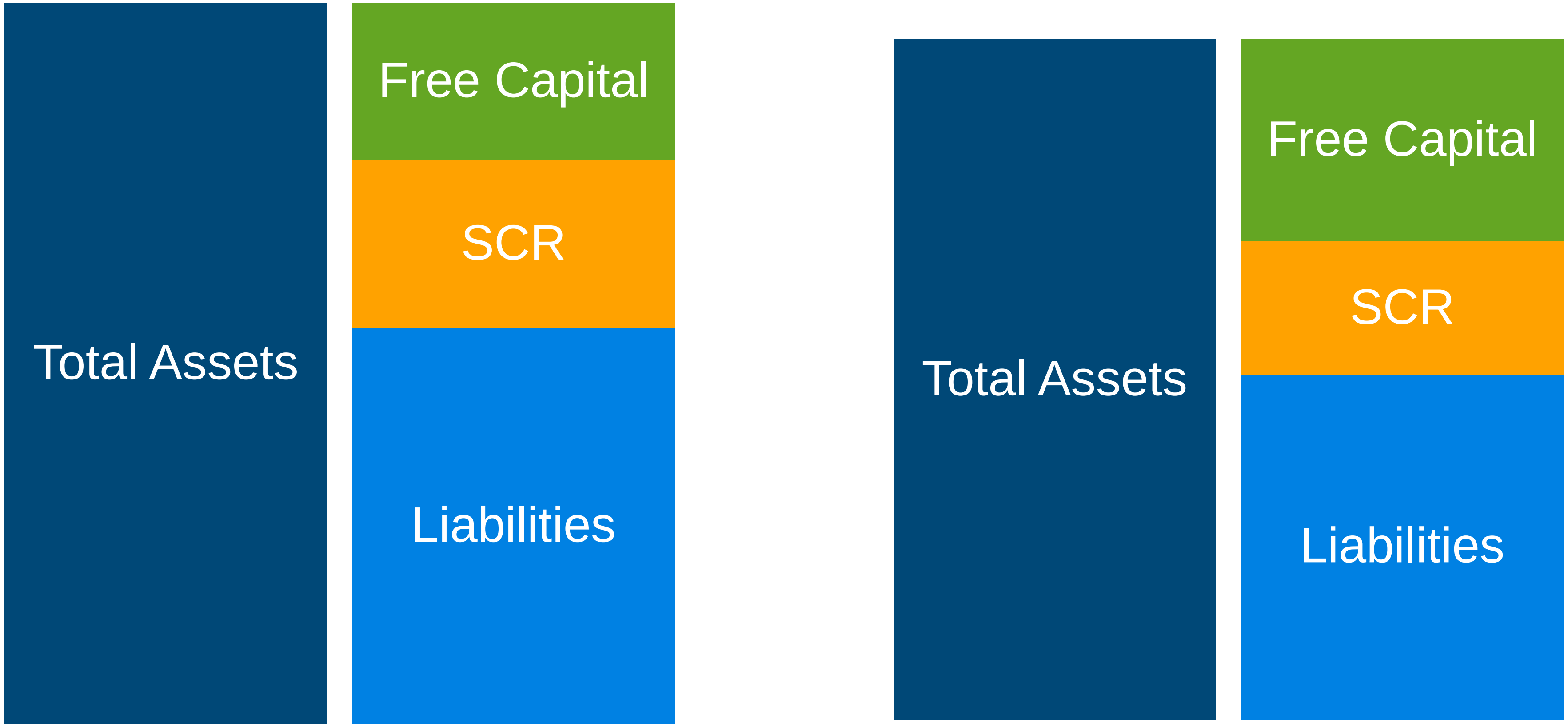
Assets and Free Capital increased

2. VIF monetisation



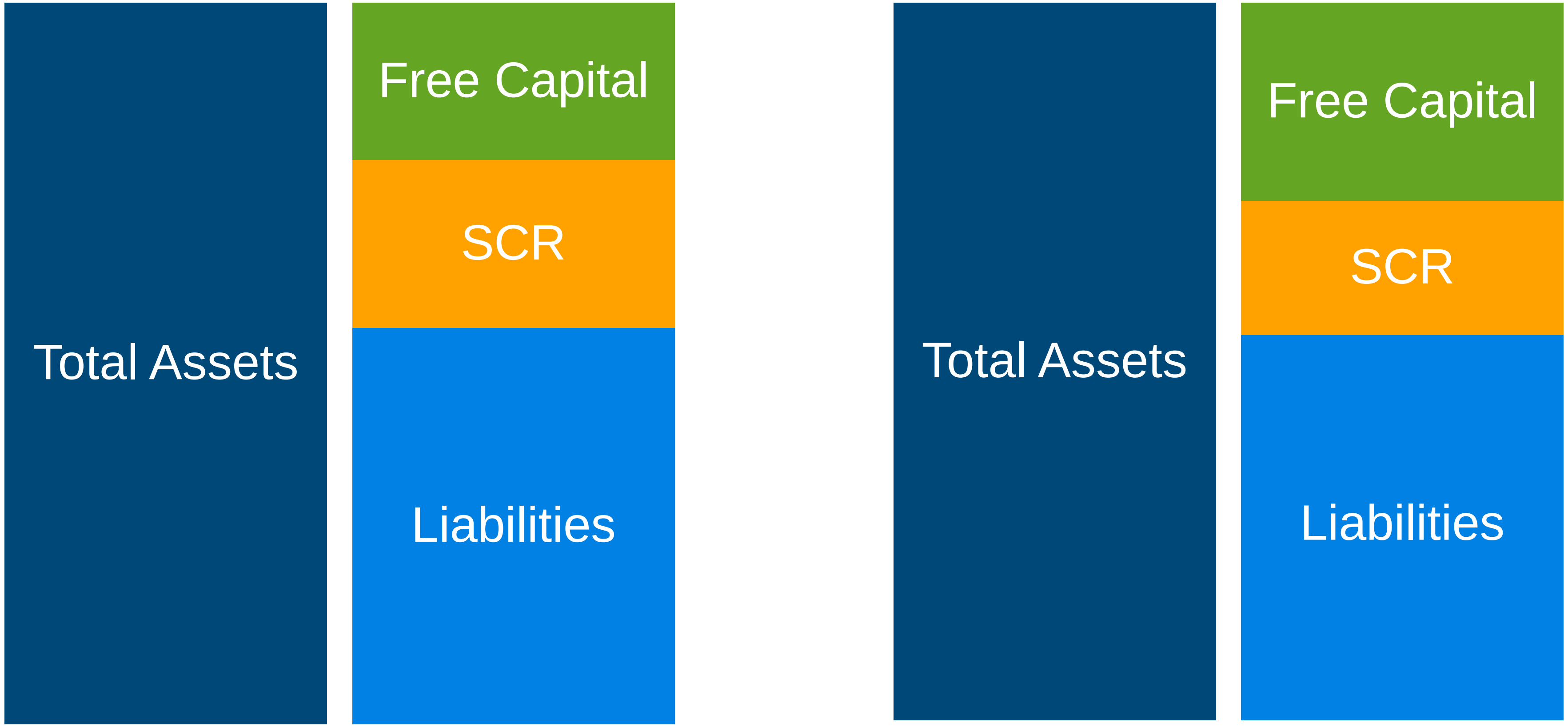
Assets reduce slightly. SCR reduces more significantly. Free capital increases.

3. Longevity risk transfer



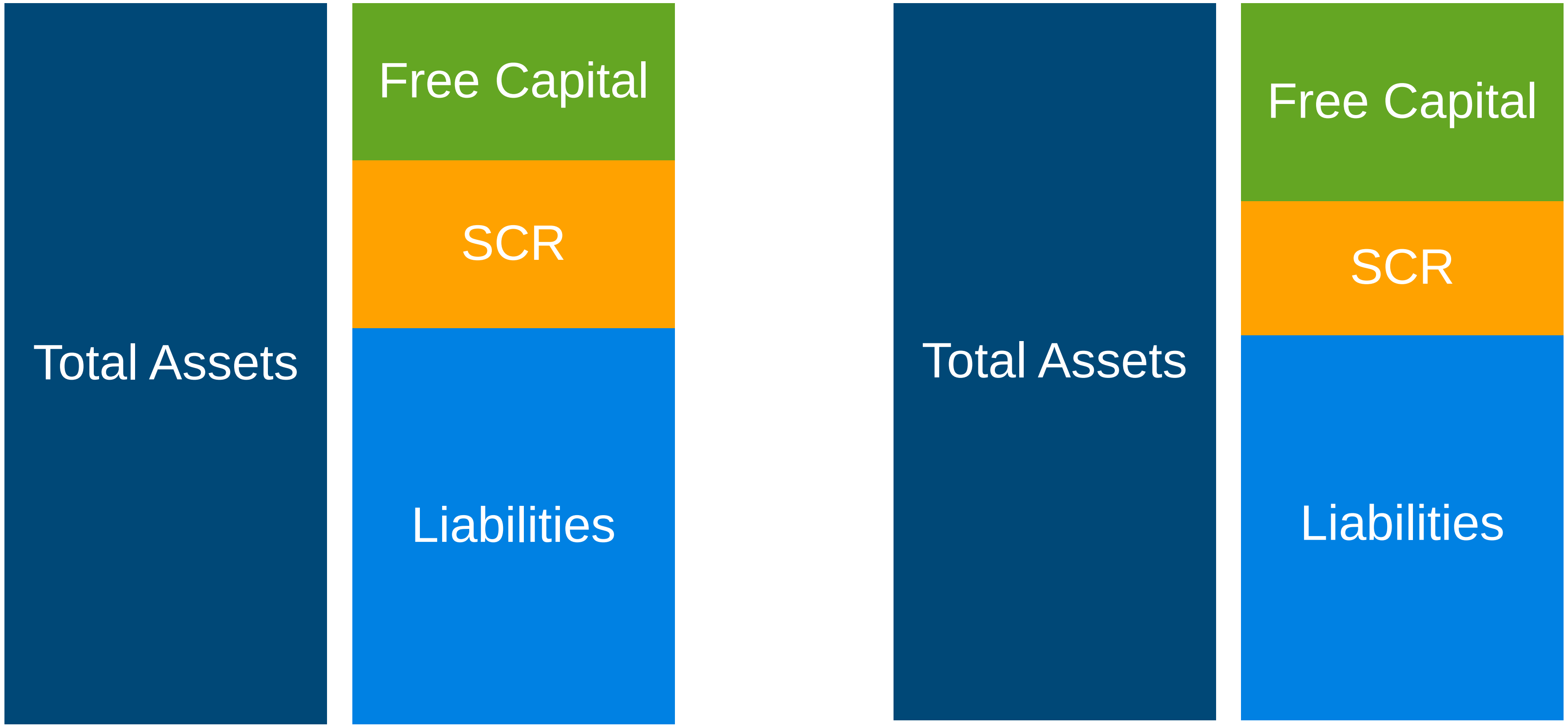
Assets reduce – cost of reinsurance v. introduction of a reinsurance asset. Liabilities reduce because of impact on risk margin. SCR reduces. Free capital increases.

4. “Clever” reinsurance



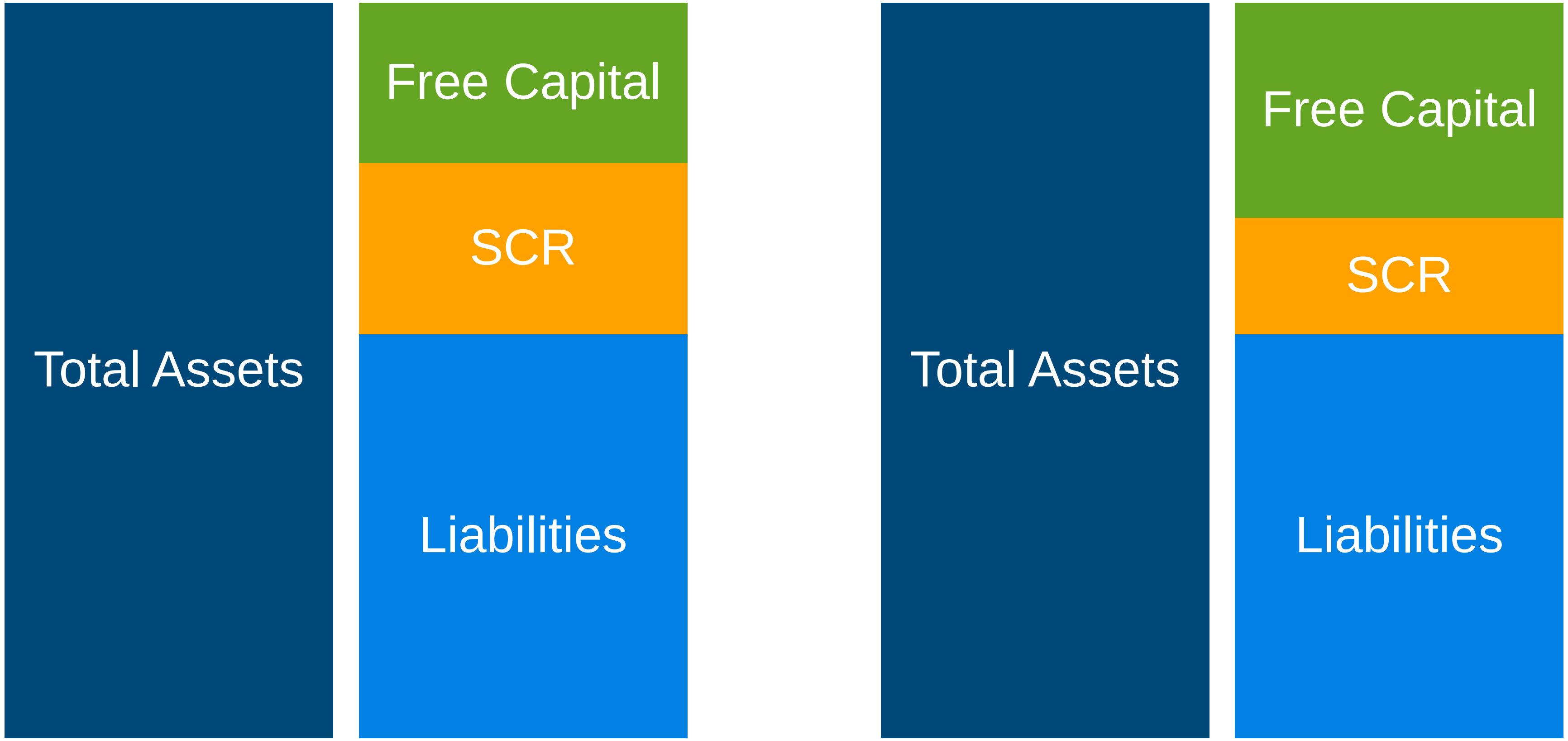
Reduced SCR.
Increased Free Capital.
Possible diversification benefit at Group level.

5. Corporate Restructuring



Depends on approach and drivers: Typically reduced liabilities (e.g. through risk margin) and reduced SCR (through diversification).

6. Unit under-funding



Can reduce SCR and hence increase Free Capital.
Can improve liquidity position.

The future…

Capital Management Strategy

Optimise capital efficiency

Address liquidity needs

Free up cash for dividends

Without compromising Overall Solvency Needs

Milliman

IT TAKES VISION

Thank you

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