

The Rising Cost of Complexity in Asian Insurance Investment

Private markets, global diversification and derivatives are transforming how Asia's insurers invest. The systems they rely on haven't kept up.

A Quiet Crisis in the Engine Room

Asia-Pacific's insurance industry is sitting on a quiet operational crisis. Investment portfolios that were built around government bonds and investment-grade credit are being rapidly transformed, diversifying into private markets, global equities, derivatives, and alternative credit as insurers hunt for yield and resilience in a more volatile world. The strategies are becoming more sophisticated. The systems running them, in many cases, are not.

As Deloitte's *Global Insurance Outlook 2026* notes, insurers are "increasingly diversifying into private markets, equities and global assets," a shift that is straining the operational infrastructure most were never designed to handle.

While government bonds and investment-grade credit remain core portfolio allocations, this shift is being driven by the need to enhance yield, improve diversification and build more resilient portfolios in a more volatile and uncertain market environment. Fixed income still represents roughly 60-65% of total insurer assets globally, according to the OECD, but the edges of that portfolio are changing fast, and those edges are where the complexity lives.

Against this backdrop, regulators across the region are strengthening risk-based capital frameworks and increasing supervisory scrutiny of alternative investments, derivatives and cross-border exposures.

As portfolios expand across asset classes, geographies and external managers, investment complexity is increasing significantly, placing greater demands on risk management, data integration and asset-liability alignment.

Collectively, these developments are exposing the limitations of legacy systems built for simpler, single-asset investment models. As complexity increases, insurers are being forced to modernise investment operations, centralise data and adopt integrated platforms capable of supporting multi-asset, multi-manager strategies.

Artificial intelligence is a focus, and advanced analytics are emerging as critical enablers, helping automate workflows, improve data quality and deliver faster, more actionable investment insights.

The challenge goes beyond diversification. It is also about balancing asset-liability management and integrating fragmented data across increasingly complex portfolios.

Key Takeaways

- 1** Insurers across Asia-Pacific are diversifying portfolios beyond traditional asset allocations, and the operational infrastructure supporting those portfolios is struggling to keep pace
- 2** Private markets, global equities and derivatives are compressing capital efficiency, straining regulatory compliance, and exposing the limits of systems built for a simpler era
- 3** Asset-liability management is growing more complex as portfolios diversify into illiquid and global assets, making duration alignment and liquidity management harder to maintain
- 4** The growing use of external asset managers is expanding capabilities but fragmenting data and oversight
- 5** Risk-based capital regimes and regulatory expectations are increasing reporting, governance, system and data requirements
- 6** Insurers must consolidate investment data to maintain visibility of risk, performance and asset-liability alignment

From One Spreadsheet to a Dozen Time Zones

A decade ago, a senior investment officer at a mid-sized Asian insurer could oversee the entire portfolio from a single spreadsheet.

Government bonds, investment-grade credit, predictable cash flows, and manageable duration. Today, that same portfolio might span private credit funds in Luxembourg, infrastructure debt in Australia, global equity mandates run by three different external managers, and a derivatives overlay hedging currency risk across four currencies. The spreadsheet is long gone. In many cases, so is the visibility.

Asia-Pacific insurers manage trillions of dollars in institutional assets, representing one of the fastest-growing pools of capital globally, with investment portfolios historically shaped by liability-driven objectives and regulatory constraints.

Historically, insurer portfolios were anchored in government bonds and investment-grade credit, reflecting the need to match long-duration liabilities and deliver predictable income. Globally, fixed income continues to represent the majority of insurer portfolios, typically accounting for approximately 60–65% of total assets, according to the Organisation for Economic Co-operation and Development (*Global Insurance Market Trends 2025*).

This relatively simple portfolio structure supported straightforward asset-liability management frameworks and required far less operational complexity than today's increasingly multi-asset investment models.

As the composition of insurer portfolios evolves, persistently lower yields, expanding private capital markets and increasing access to global investment opportunities are encouraging insurers to broaden their investment universe beyond traditional domestic bond portfolios. Industry commentary from Deloitte highlights that insurers are increasingly diversifying into private markets, equities and global assets in search of higher yield and long-term growth.

At the same time, a more uncertain global environment characterised by interest-rate volatility, currency fluctuations, geopolitical tensions, and increasing climate and sustainability-related risks is reinforcing the importance of actively managing duration, liquidity, and risk exposures across portfolios. Regional analysis from AsianInvestor indicates that insurers across Asia are gradually increasing allocations to alternative assets and global markets as part of broader diversification strategies.

These shifts are not happening in isolation. Five structural forces, each reinforcing the others, are reshaping how Asia's insurers invest, and exposing the operational gaps that come with it.

Five Structural Forces Reshaping Insurance Investment

1 Private Markets Are Becoming Strategic Asset Allocation

For years, private markets were a footnote in insurer portfolios. Now they are becoming a strategic cornerstone and bringing with them a set of operational challenges that traditional investment infrastructure was never designed to handle.

In an environment of lower yields in traditional fixed-income markets, insurers are expanding allocations to private credit, infrastructure debt, and other alternative investments in search of higher income and improved diversification. While allocations today typically range from 10–20%, projections from the International Association of Insurance Supervisors and AsianInvestor suggest some portfolios could reach up to 33% in alternative assets over the coming decade.

Private market investments introduce significant challenges for asset-liability management. Compared with public securities, private assets often involve less frequent valuation cycles, irregular cash flows, and more complex reporting structures. These characteristics can make it more difficult to align asset duration with liabilities and maintain appropriate liquidity buffers.

Consider what this means in practice. An insurer holds a private credit position in a mid-market lending fund. Valuations arrive quarterly, six weeks in arrears. In the intervening period, credit spreads have moved materially. The risk-based capital calculation due at month-end is based on a number that is already out of date. The investment team knows the position has moved. The system does not.

Delays in valuation data or inconsistencies between investment managers and administrators can reduce portfolio visibility and affect investment decision-making. Combined with fragmented data across managers and custodians, these factors increase operational complexity and limit insurers' ability to maintain a consistent, consolidated view of portfolio exposures.

2 Global Diversification Is Expanding Insurer Portfolios

Insurance portfolios are becoming increasingly diversified across geographies and asset classes. While fixed income continues to represent the majority of insurer portfolios, allocations are gradually expanding across equities, private markets, infrastructure, and real assets. Many insurers are allocating capital to external asset managers to access specialist expertise across global equities, credit, and alternative investment strategies.

"Insurers are increasingly diversifying portfolios beyond traditional fixed-income assets as they seek higher yields and greater diversification in a changing investment environment." — CIO respondent cited in *Global Insurance Survey*, Goldman Sachs Asset Management (2025)

From an asset-liability management perspective, regulatory requirements are becoming more closely linked to capital, liquidity, and risk exposures, increasing the importance of accurate, timely, and consistent investment data across systems and reporting frameworks.

As portfolios diversify, monitoring exposures becomes significantly more complex, particularly regarding currency risk, cross-border positions, and performance across global markets. Insurers are also expected to adopt more active hedging strategies and deploy more sophisticated risk management frameworks to reduce volatility in regulatory capital and balance-sheet risk measures.

In Asia-Pacific, the challenge is compounded by regulatory fragmentation. An insurer operating across Singapore, Hong Kong, Malaysia, and Japan must navigate four distinct capital regimes, multiple accounting frameworks, and varying disclosure requirements, all while maintaining a consolidated view of a portfolio that spans a dozen asset classes and several external managers. The data does not arrive in the same format, on the same timeline, or with the same conventions. Reconciling it is not a quarterly exercise. It is a permanent operational condition.

These complexities hinder real-time portfolio visibility and slow down decision-making, underscoring the need for integrated platforms and unified data architectures.

3 The Growing Role of External Asset Managers

As insurers diversify portfolios across public and private markets, many institutions are allocating capital to specialist asset managers with expertise in global equities, credit, infrastructure and alternative strategies. This model allows insurers to access investment capabilities that may be difficult to build internally, particularly in complex asset classes or global investment strategies.

While external asset managers extend an insurer's investment reach, the differences in valuation methodologies, reporting timelines and data formats across managers create significant reconciliation challenges between managers, custodians and internal accounting systems.

Think about what month-end looks like for an investment operations team managing mandates across five external managers. Each delivers data in a different format. Each operates on a different reporting timeline. Each applies different valuation conventions to similar instruments. Reconciling those positions against internal accounting records, regulatory reporting requirements, and risk systems is not a technology problem. It is a weekly operational crisis for the teams responsible for it.

These reconciliation gaps not only increase operational cost but delay access to reliable portfolio information and limit the ability to maintain a consistent, consolidated view of exposures.

4 Regulatory Expectations Are Increasing

Regulatory oversight of insurance investment portfolios is increasing across Asia-Pacific. Regulatory frameworks across the region are evolving rapidly as supervisors strengthen risk-based capital regimes and expand governance and disclosure requirements. Markets including Hong Kong, Singapore, Malaysia, Thailand, Indonesia, and Japan operate under a range of accounting and solvency regimes including IFRS reporting, national GAAP frameworks, and risk-based capital regimes.

The pace of regulatory change is worth pausing. Below is a snapshot of where the major markets currently stand:

Market	Regime	Status
Singapore	RBC2	Implemented 2020
Hong Kong	Risk-Based Capital	Introduced 2024, phased implementation to 2027
Japan	Economic Value-Based Solvency	Transition ongoing
Malaysia	RBC Framework	Established, under review
Thailand	Risk-Based Capital	Implemented
Indonesia	Risk-Based Capital	Implemented

For example, Singapore implemented its RBC2 framework in 2020, introducing more risk-sensitive capital requirements and enhanced asset-liability management considerations. Hong Kong introduced its Risk-Based Capital regime in 2024 to replace the previous solvency margin framework, with the regime continuing to be phased in and further reform of regulatory capital computation and financial disclosure under its three pillars expected by 2027.

It is also worth noting that IFRS 17, which came into effect in 2023, is reshaping how insurers report insurance contract liabilities across the region. By changing the measurement and presentation of insurance liabilities, IFRS 17 has direct implications for how assets must be managed and reported in relation to those liabilities, adding another layer of complexity to ALM frameworks that are already under pressure.

Supervisory authorities increasingly expect insurers to demonstrate robust oversight of outsourced investment managers, transparent valuation processes, and accurate regulatory reporting. At the same time, regulatory scrutiny is increasing as portfolios diversify into private markets, derivatives, and other complex assets. These developments are placing greater emphasis on valuation transparency, liquidity risk management, and capital adequacy.

Analysis of the Hong Kong insurance sector highlights that the introduction of the Risk-Based Capital regime is reshaping the operating environment for insurers, increasing focus on risk-based supervision, capital management, and enhanced regulatory transparency across the industry, as outlined in *Hong Kong Insurance Market: Navigating Opportunities and Challenges in 2026* by RGA.

Failure to maintain appropriate governance and reporting standards can lead to supervisory intervention, remediation requirements, or financial penalties.

5 Derivatives Are Playing a Growing Role in Asset-Liability Management

Derivatives are widely used within asset-liability management frameworks to help insurers manage duration, currency, and market risk exposures.

Interest-rate derivatives, including interest-rate futures and forwards, are commonly used to reduce risk exposure on portfolio duration and sensitivity to rate movements, supporting alignment between asset profiles and short- and long-dated liabilities. These instruments help align asset cash-flow profiles with liability structures and can be deployed to reduce earnings and regulatory capital volatility in line with ALM objectives.

Currency derivatives, including FX forwards and cross-currency swaps, support hedging of foreign exchange exposures arising from globally diversified portfolios. By mitigating currency mismatches, they help ensure that asset cash flows remain aligned with local currency liabilities.

In certain cases, insurers also employ options and other structured derivatives to manage downside risk or protect against adverse market movements, adding tactical flexibility to risk management strategies.

As insurers expand into private markets and other less liquid asset classes, derivatives are becoming even more critical. They allow risk profiles to be adjusted efficiently without requiring the sale of underlying assets, an increasingly valuable capability given liquidity constraints and long-term investment horizons.

The operational demands of running a derivatives programme, however, are substantial. Insurers must manage collateral requirements, monitor counterparty exposures, and ensure robust valuation and reporting across multiple regulatory and accounting frameworks. Limited visibility into derivatives positions does not just create reporting inconvenience. It can distort capital calculations, trigger regulatory queries, and leave investment teams making decisions based on an incomplete picture of the portfolio they are supposed to be managing.

The Operational Consequences, Summarised

Private market investments introduce more complex valuation, monitoring, and reporting requirements

Delays in valuation or reconciliation can impact directly on capital calculations under RBC frameworks

Limited visibility of exposures can lead to inefficient capital allocation and reduced portfolio returns

Fragmented data and processes increase the risk of reporting errors, with potential regulatory and financial consequences

The growing use of external asset managers requires insurers to aggregate and reconcile data across multiple investment partners

Managing derivatives and globally diversified portfolios requires accurate, near real-time monitoring of risk exposures and performance

Insurers increasingly require integrated platforms that unify investment data, accounting, and analytics infrastructure

These challenges converge in the investment operations function, where the consequences of fragmented data, disconnected systems, and manual processes are most acutely felt.

Operational Implications for Insurance Investment Teams

As insurers expand into private markets, global investments, and multi-manager portfolios, the operational complexity of managing investment portfolios is increasing significantly. This complexity is no longer confined to individual functions. It is reshaping how investment, finance, risk, and operations teams work together across the organisation.

Picture a month-end close at a regional insurer with mandates spread across six asset managers, three custodians, and four jurisdictions. The finance team is waiting on valuations from two private credit managers whose data arrives on different schedules. The risk team is trying to reconcile derivatives positions against the previous day's margin calls. The investment team needs a consolidated exposure report for a board presentation in 48 hours. Each team is working from a different system, a different data extract, and a different version of the same number. This is not an unusual situation. For many insurers across Asia-Pacific, it is a routine one.

All of these teams depend on accurate, timely, and consistent data to support decision-making, reporting, and risk oversight. Yet maintaining a unified and up-to-date view of portfolio exposures, valuations and performance across asset classes, managers, and geographies is becoming increasingly difficult. At the same time, insurers must manage asset-liability management, multi-GAAP accounting, and multi-jurisdiction regulatory reporting while navigating evolving risk-based capital frameworks.

Fragmented data across custodians, asset managers, and internal systems remains a core constraint. Differences in valuation methodologies, reporting timelines, and data formats make it difficult to reconcile positions, aggregate exposures, and establish a single, trusted view of the portfolio.

As a result, insurers are under growing pressure to integrate investment data, standardise processes, and improve coordination across functions. This is particularly critical for asset-liability management, where limited visibility into cash flows, valuations and risk exposures can materially impair decision-making.

These pressures are accelerating the shift toward integrated investment data and operations platforms that provide a consistent, real-time view across asset classes, managers, and geographies. Insurers are increasingly adopting solutions that centralise data, automate reconciliation and support multi-GAAP accounting, risk-based capital calculations, and regulatory reporting, ultimately enhancing visibility of risk, performance, and asset-liability management.

The Gap is Growing. So is the Cost of Ignoring it.

Insurance investment strategies across Asia are undergoing a profound structural transformation. The investment portfolios Asia-Pacific insurers are building today would be largely unrecognisable to the teams that managed them a decade ago. The systems many are using to run them would not.

Private market expansion, greater global diversification, and growing reliance on external asset managers are reshaping how insurers construct and manage portfolios. At the same time, evolving regulatory expectations and increasingly sophisticated risk-based capital frameworks are raising the bar for governance, transparency, and reporting.

Asset-liability management remains at the core of insurance investing, but the complexity required to maintain effective alignment is increasing rapidly. As portfolios become more diversified, more illiquid, and more global, ALM is no longer achievable through traditional processes or fragmented systems. It now depends on having a consistent, timely, and integrated view of investment data across the entire organisation.

Without such visibility, insurers face a series of escalating risks: reduced transparency of exposures across asset classes, managers and counterparties; delays in valuation, reconciliation, and regulatory reporting; misalignment between assets and liabilities; and rising pressure from RBC frameworks and regulatory scrutiny. These are no longer routine operational challenges. They directly affect capital efficiency, regulatory compliance, and overall financial performance.

The widening gap between increasingly complex portfolios and legacy operational infrastructure is becoming a critical concern. Fragmented processes, disconnected systems, and inconsistent data flows slow decision-making, complicate risk management and increase the likelihood of capital misallocation. As this gap grows, so does the risk of regulatory breaches and impaired investment outcomes.

To address these challenges, leading insurers are adopting integrated investment data and operations models. By centralising data, standardising processes, and improving transparency across asset classes, managers, and geographies, these models enable a consistent, real-time view of exposures, valuations, risks, and performance. This supports more accurate ALM, more efficient capital management, and more reliable regulatory reporting.

Insurers that modernise their investment infrastructure will be better positioned to manage risk, optimise capital and respond with agility to market change. Those that do not face a compounding problem: operational strain that grows with every new asset class added, every new manager engaged, and every new regulatory requirement introduced. In an environment that shows no signs of becoming simpler, standing still is itself a choice, and an increasingly costly one.

About the Sector Brief

This brief draws on industry research, regulatory publications, and proprietary market insights. The analysis incorporates findings from the Clearwater Analytics APAC Insurance Investment Independent Survey (2026).

Sources

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