

# Growing Your Business in a World at Risk

10 SEPTEMBER 2024



# Agenda

## 2:10 SOURCES OF GROWTH

2:10 Opportunities for organic growth in the Irish domestic market  
Kevin Manning

2:35 Update on M&A activity - growth via acquisition  
Michael Culligan

3:00 Industry panel: Examples of innovative growth  
Aidan Redmond, Gavin Maguire, Mike Claffey

3:30 Coffee Break

## 4:00 ENABLERS OF GROWTH

4:00 Operating model – Preparing your actuarial and finance teams for growth  
Paul Marron, Alan McDonagh

4:30 How the risk function supports growth  
Sinéad Clarke

4:45 Stakeholder engagement – Capital, regulatory engagement and finances  
Eamon Comerford

5:00 Q&A panel  
Moderator: John Mulvihill

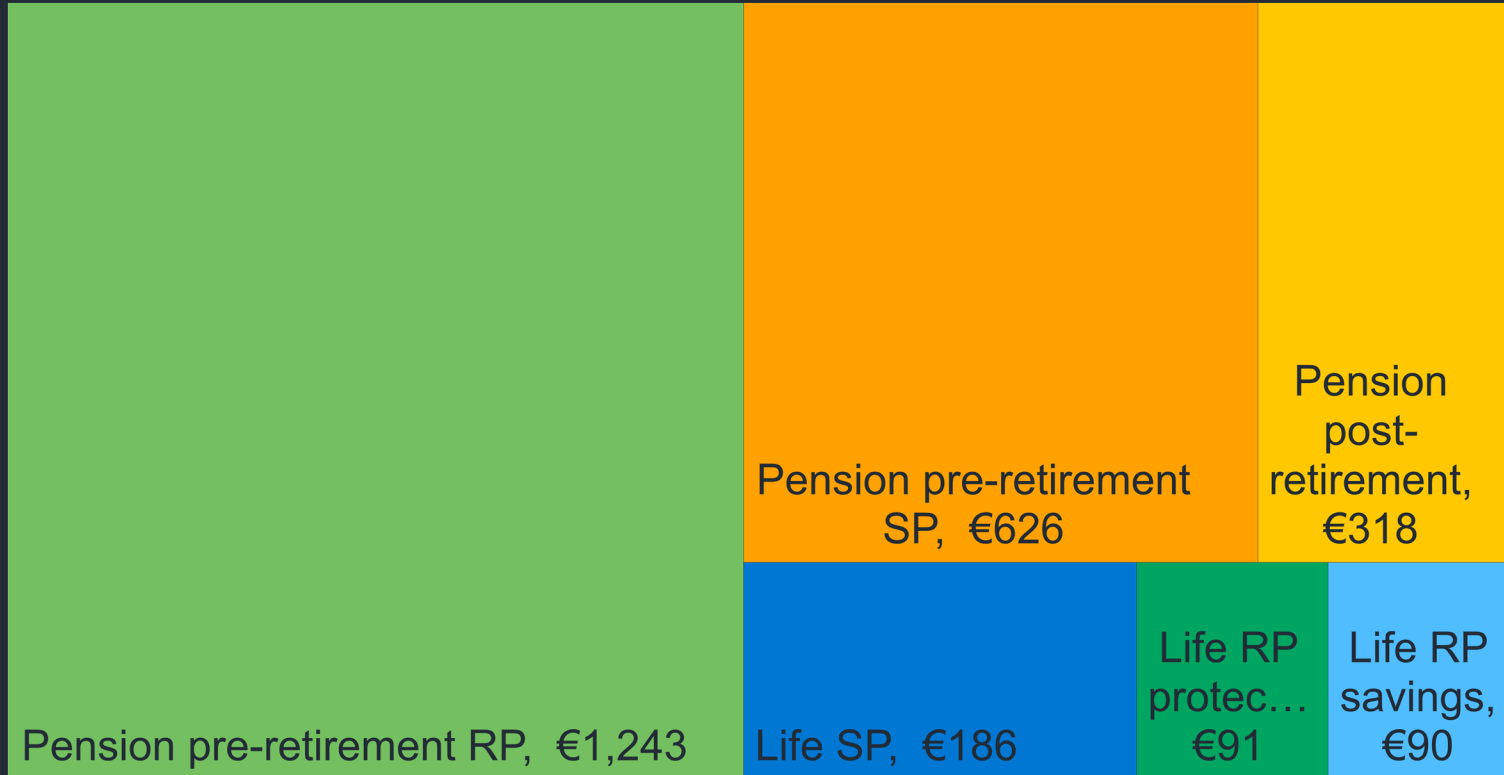
## 5:30 NETWORKING AND DRINKS RECEPTION



# The Life and Pensions Market in Ireland – Opportunities for Growth

Kevin Manning

# Irish Life and Pensions Market – New Business APE

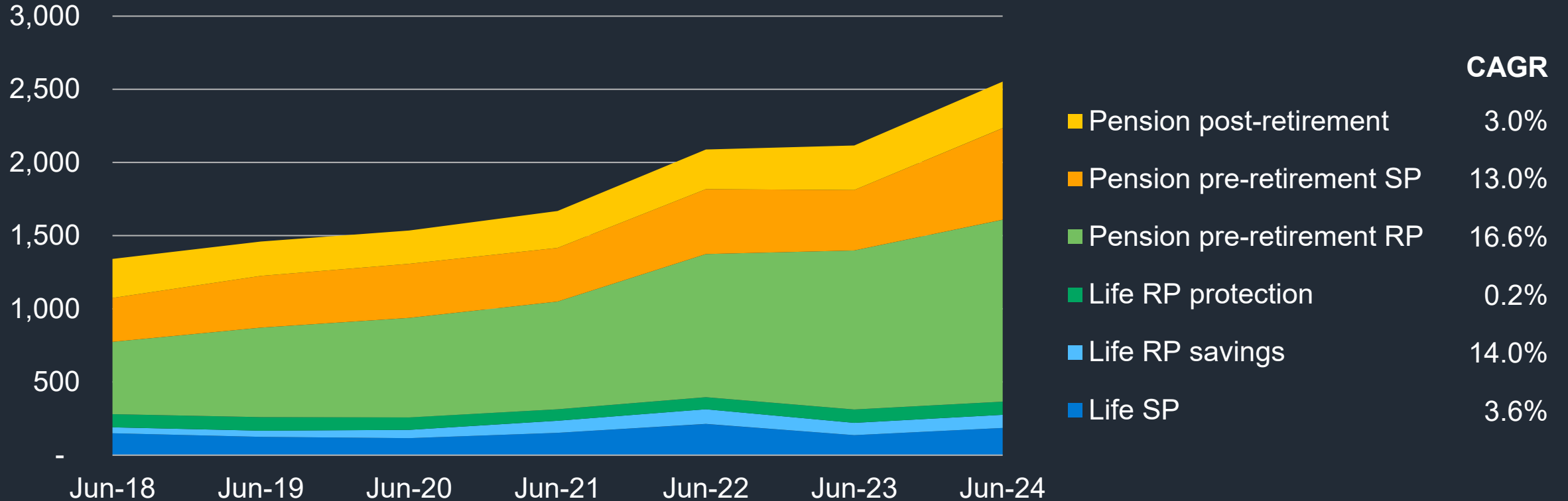


**12 months new business  
APE (€m's)  
(July 2023 - June 2024)**

**APE = one year of new  
business annual premiums  
plus 10% of single  
premiums**

Source: Milliman analysis of life company surveys

# Irish Life and Pensions Market – Evolution of New Business APE



Source: Milliman analysis of life company surveys

# Looking Forward – Factors Impacting Growth



Macroeconomics – Ireland



Demographics



Technology



Competition



Macroeconomics – Global



Policy / Regulation / Tax



Distribution



Climate



# Macroeconomic Outlook for Ireland



**GDP** is expected to grow by 2.5% and 3.2% in 2024 and 2025



**Unemployment rate** is projected to decrease to 4.1% in 2024 and 4.0% in 2025



**Real income** is set expected to increase by 2.0% and 3.0% in 2024 and 2025

Sources:

- CBI Money and Banking Statistics – July 2024
- ESRI Summer Report
- CBI paper on the Evolution of Irish Household Wealth Inequality since 2013

## Behind the Data Distributional Wealth

November 2022

Irish household net wealth has become **more equally distributed** in recent years, though there are indications of a **growing concentration** in some forms of wealth.

Total household net wealth



Up **117%** since 2013

10% of Irish households own



of total household net wealth

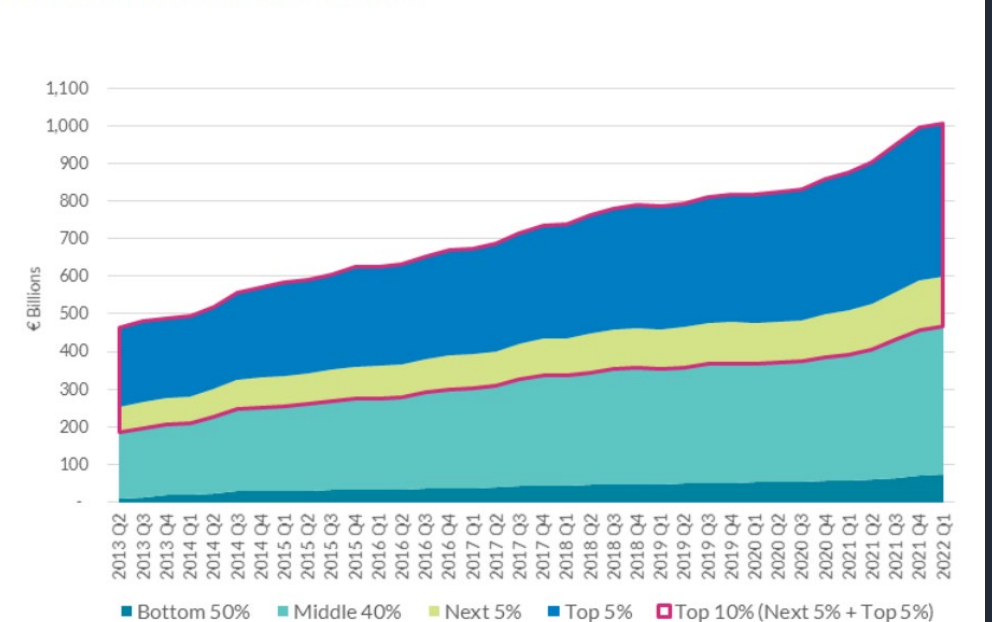
% of households with €1m+ net wealth



**doubled** in the last eight years

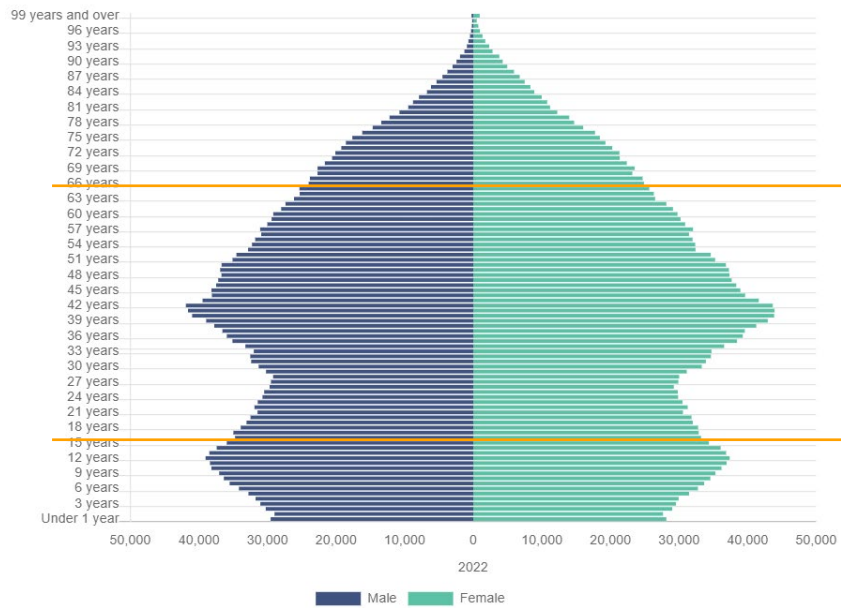
Source: Source: ECB Experimental Distributional Wealth Accounts (DWA) – Q1 2022. Total net wealth as measured by the Experimental DWA differs to that from Quarterly Financial Accounts (QFA), as some asset classes are not captured in the former.

Chart 1: Net Wealth Growth Across the Distribution



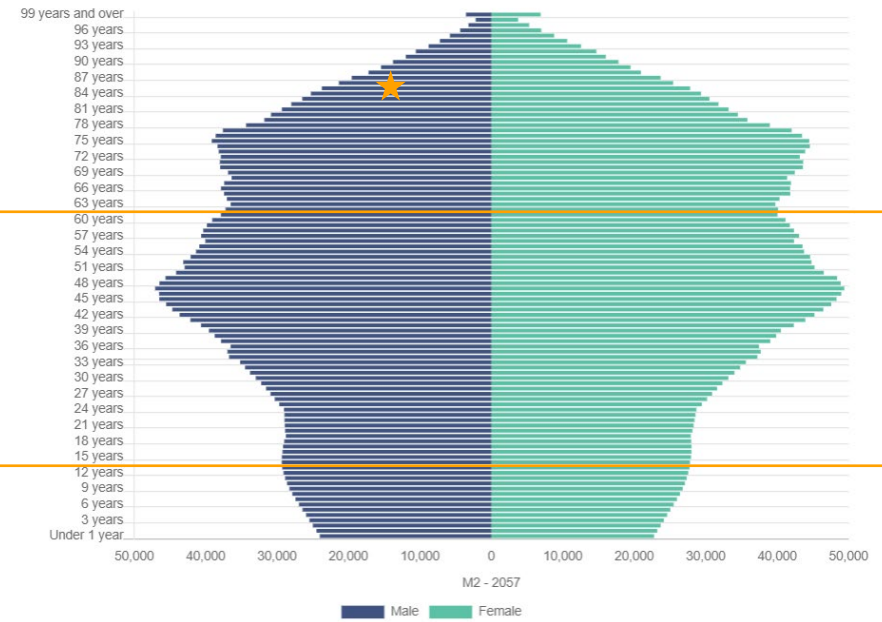
# Demographics

Figure 2.9 Population Pyramid by single year of age, 2022



© Central Statistics Office, Ireland  
<https://data.cso.ie/table/PEC19>

Figure 2.11 Population Pyramid by single year of age based on M2 assumptions, 2057



© Central Statistics Office, Ireland  
<https://data.cso.ie/table/PEC19>

Source: Central Statistics Office Labour Force and Population Projections 2023-2057



# Policy / Regulation / Tax



IORP II



Auto-enrolment (AE)



General Election



Pan European  
Pension Plans



Pension Reform Agenda  
(Simplification)



Standard Fund Threshold



Defined Benefit  
Developments

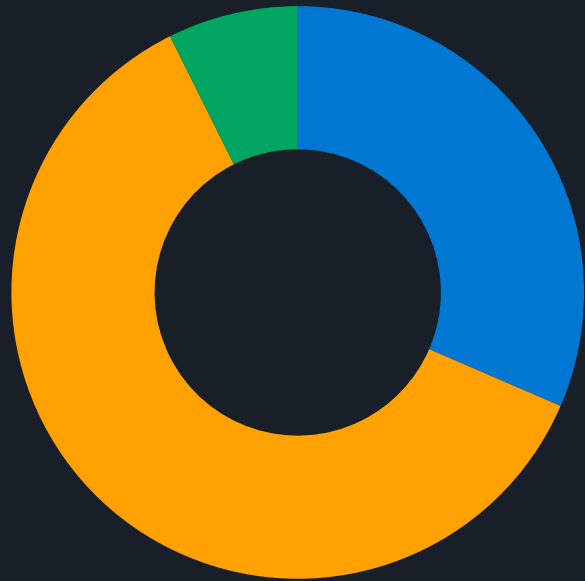


Fair Deal?



# Auto-enrolment – Opportunity and Threat?

## Taxpayer “units”



■ Higher rate ■ Standard rate ■ Exempt

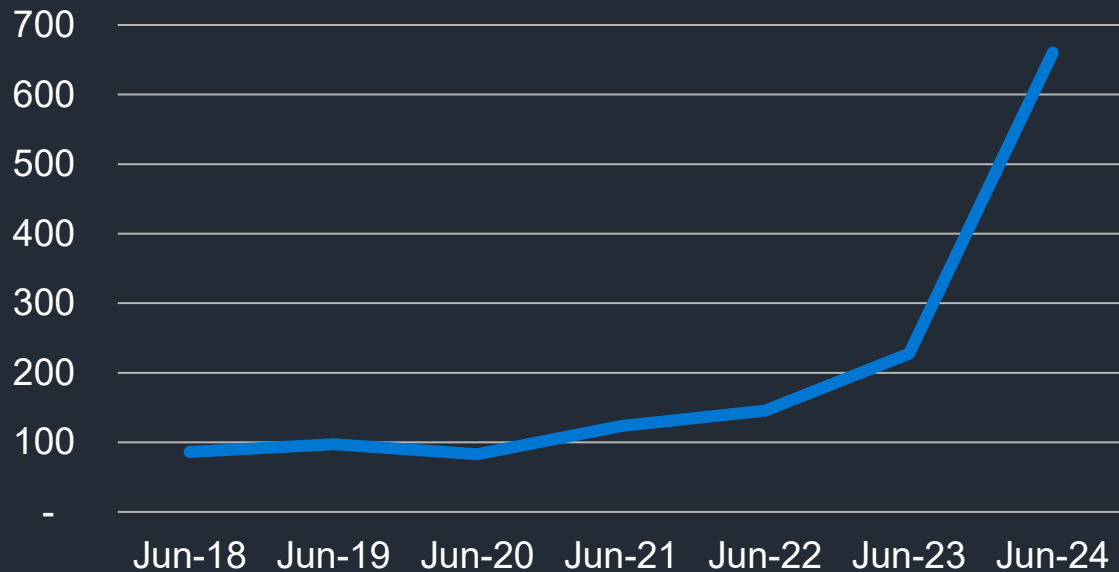
Source: Revenue Ready Reckoner pre-budget 2025

## Effective tax relief rate

	Pension	AE
Higher rate taxpayer	40%	25%
Standard rate taxpayer	20%	25%

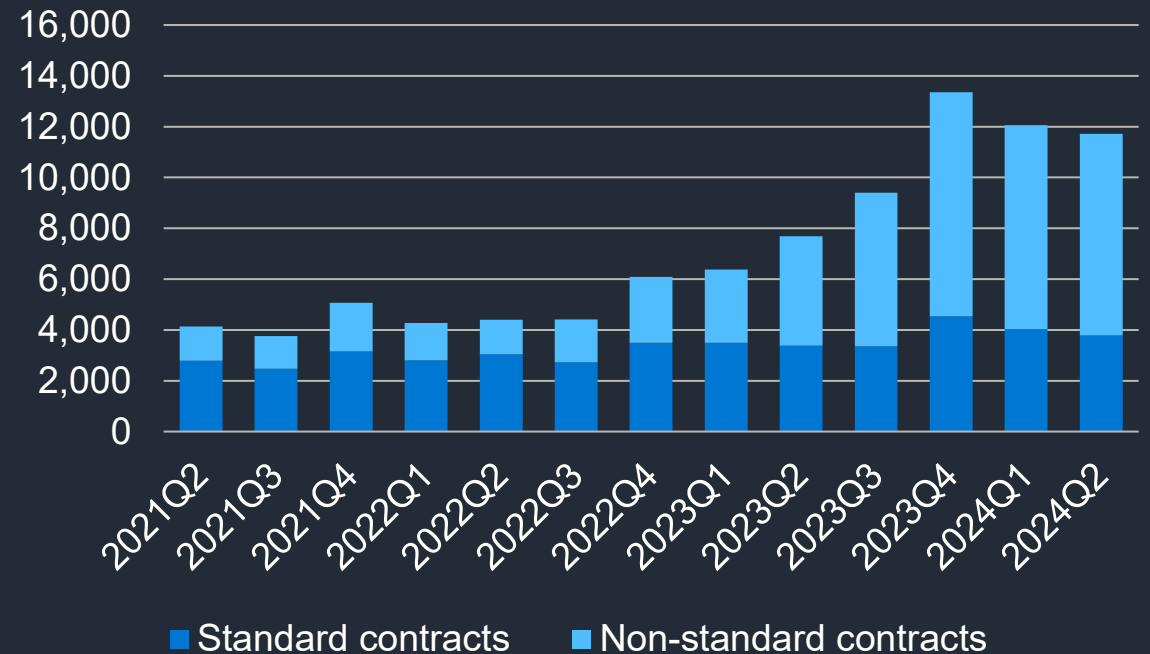
# PRSA – The Pre-retirement Growth Opportunity?

PRSA APE €m's



Source: Milliman analysis of life company surveys

Change in number of in-force contracts

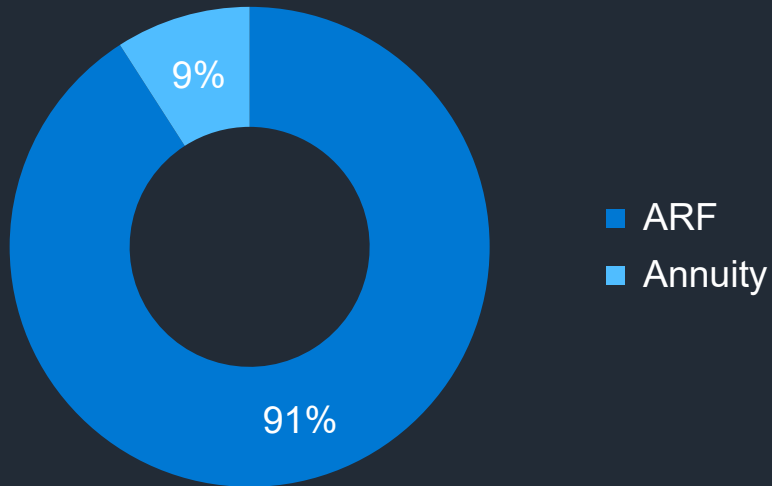


Source: Pensions Authority statistics

# Post-retirement Product Offerings

Understanding of pension drawdown products such as annuities or Approved Retirement Funds (ARFs), is particularly low, with only **18% of consumers claiming a good understanding of the different products.**

## 2023 individual retirement product sales



Source: Milliman analysis of life company surveys

## Approved Retirement Fund

- Unit linked products
- Managed fund typically
- Annual income drawdown
- Typically driven by tax rules

# Customer Needs Driven Approach

Need / Risk	ARF – Balanced Fund	+ Extended Life Styling	+ Downside Protection	+ Annuity Component
Essential income	Light Green	Light Green	Light Green	Green
Lifestyle income	Red	Orange	Yellow	Yellow
I don't outlive my fund	Red	Orange	Yellow	Light Green
My income is not ruined by a market event	Yellow	Red	Light Green	Light Green
Tax efficiency	Light Green	Light Green	Light Green	Light Green
Something to pass on on death	Yellow	Yellow	Light Green	Yellow
Long term care needs?	Orange	Orange	Orange	Yellow

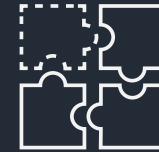
# Update on M&A Activity - Growth via Acquisition

Michael Culligan

# Why M&A?



- **Build scale quickly**
- **Diversification**
- **Broader offering**
- **Cost synergies**
- **Improved capabilities**



- **Divest non-core**
- **Refocus & streamline**
- **Defensive**

# What M&A?



## Acquisitions

- Entities
- Business units
- Portfolios



## Joint ventures

- Distribution
- Complementary products / services



## Investments

- Insurtech
- New technologies
- Distribution



## Disposals

- Entities
- Business units
- Portfolios



# Examples



## Acquisitions

- AXA / Laya Health
- Irish life cos.
- Consolidators
- Broker consolidation



## Joint ventures

- Aviva / Health
- Irish Life / AIB



## Investments

- Multinational VC Funds
- Irish example



## Disposals

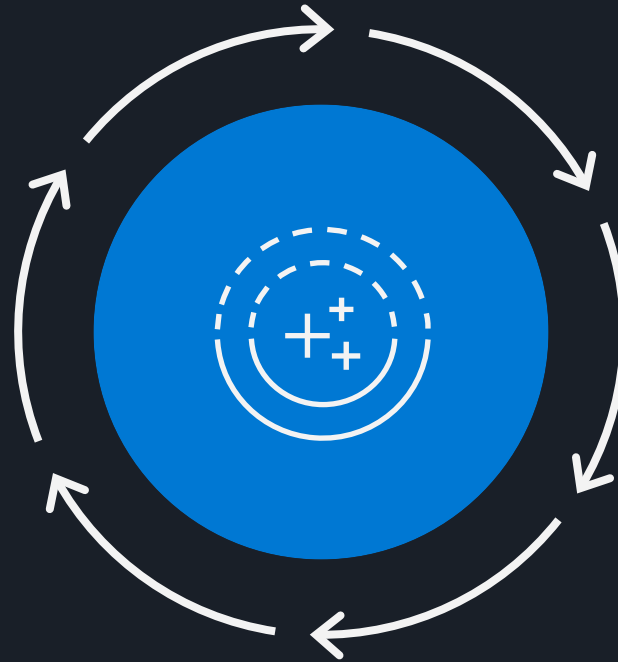
- Non-core portfolios
- Various multinationals divesting
- IPSI / FNZ

# How M&A?



**Integrating**

**Identifying**



**Executing**

**Screening**



# Summary

- Useful tool
- Critical success factors
- Means to an end
- But should always be considered
- Not always easy
- But we can help



# How Milliman can help

We have your M&A needs covered

## Why choose Milliman to support you on M&A?

We have been involved in more than three-quarters of the major M&A transactions in the industry over the past decade, representing more than €100 billion. You benefit from our unique depth of knowledge on pricing, market views of potential transactions, advanced modelling, and post-deal capabilities.



### Strategic support

We can help you with strategy formulation and with identifying targets that could help you achieve your strategic objectives. We will work with you to identify and screen potential targets or potential buyers.



### Buy-side services

We carry out a comprehensive actuarial valuation and due diligence of the potential target. We help identify synergies or deal-breakers and assess key risk and value drivers.



### Sell-side services

A detailed appraisal valuation report and buyer due diligence are essential for a successful M&A transaction. We identify the key actuarial considerations and assumptions to ensure the best sale price.



### Industry insights

We have knowledge of strategic growth markets and understand the main players in M&A activity. We offer industry insights into current and emerging M&A trends and drivers across the Irish, European and global markets.



### Cross-border expertise

We understand the challenges and opportunities when engaging in cross-border transactions. We have knowledge of various regulatory regimes and can offer insights into local market considerations.



### Post-deal integration

The work doesn't end when the contract is signed. We help you harmonise competing product offerings and meld financial systems, asset liability management strategies, and investment portfolios.

# Panel Discussion



**Aidan Redmond**

Director of Pricing, Underwriting and Customer Analytics,  
AXA Insurance



**Gavin Maguire**

Head of UK and Ireland, SCOR



# Coffee Break

# Enablers of Growth

# Agenda

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## 5:30 NETWORKING AND DRINKS RECEPTION





# Operating Model – Preparing your Actuarial and Finance Teams for Growth

Paul Marron

# Why is Changing your Operating Model Important?

## Actuarial and finance landscape

- Post IFRS17 and SII the actuarial and finance departments are more intertwined
- Desire for faster, more granular information
- More difficult to recruit, retain, and motivate staff
- Remote working has become normalised

## Why change?

- Growth is much harder if your operating model is holding you back
- An efficient operating model will help empower and motivate staff
- Getting the most from your most valuable headcount will give you a competitive advantage

**But change is really hard!**

# Establish your Vision

Identify where you are and where you need to get to



## Health check

Operating model fit for purpose?  
Peer comparison?



## Implementation effort & horizon

Material investment vs  
continuous improvement



## Risk transfer! Why not task transfer!

Are there activities ideally  
transferred to another organisation



## Organisational structures

Is your org structure a growth enabler  
or BAU facilitator?

# Manage All Stakeholders



## Is change embraced or imposed?

Sustainable change is embraced change – who are your change agents?

## The big reveal vs periodic releases

Big reveal is tempting – periodic releases result in a better outcome

## Stakeholder engagement

The task is bigger than actuarial and financial reporting – are all stakeholders engaged?

## Communication

All stakeholders need to be informed, from the new graduate to the Board chair

# Create your System and Process Philosophy

Create your system and process philosophy to empower and engage your staff – addressing the cure, not the symptoms



## The symptoms

- “No Excel”
- “FULLY AUTOMATED!”
- “Build it or buy it”
- “Everything should be available”

**Empowered and engaged staff**

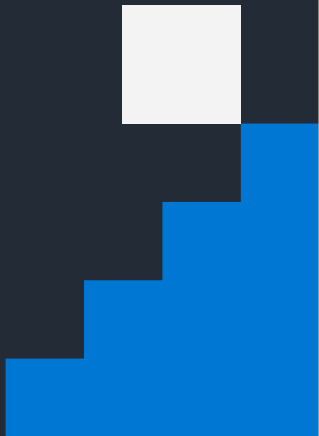


## The cure

- Interoperability
- Modern technology stack
- Modular design
- Sustainability

# Implementing your Revised Operating Model

Something old,  
something borrowed,  
and something new



## Something old

- Ensure the project aligns your company's project management ethos

## Something borrowed

- Handful of SME's critical to success, if it's not available internally – borrow it from another team, from Group, or from Milliman!

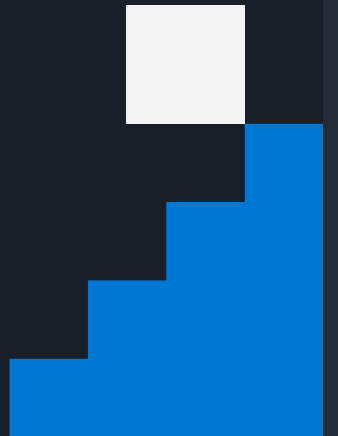
## Something new

- Future-proofing your business to leverage GenAI, intelligent architecture, and crowd-driven innovation to stay ahead in the evolving actuarial landscape

# Conclusion

- Operating model change is hard but necessary
- But it may be getting easier!
  
- A successful implementation will deliver
  - Robust and scalable organisation
  - Getting the best from your most valuable staff
  - A competitive advantage verses peers

A foundation for growth!!!!



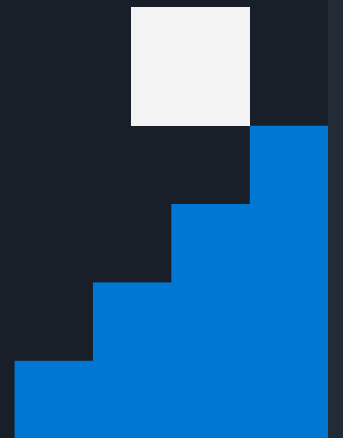
# Preparing Your Organisation for Tomorrow's Challenges

Alan McDonagh



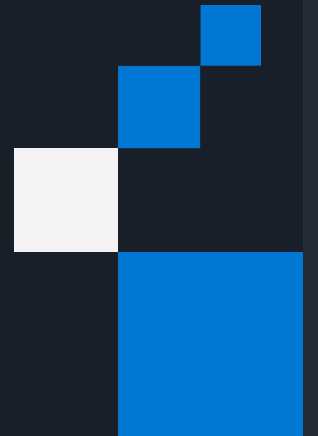
# Introduction

- The nature of actuarial work is changing; are you ready for the change? Most insurers aren't.
- Focus on the importance of IT architecture and habitat
- Case studies to illustrate the importance of making good decisions now



# Leverage the Knowledge of the Crowd

- The high level of regulation in our industry means that we simply are not going to be on the cutting edge of innovation like the tech giants
- With this in mind, we need to structure our actuarial work in a way that allows us to easily leverage the innovation of less regulated industries in our day-to-day work
- Learning from the wisdom of the crowd rather than adopting a trial-and-error approach is key



# Demo – Futureproofing an ETL Process written in DCS

**Demo:**

**Now we're going to show what live suggestions from Gen AI look like in practice**



## It's not as easy as it looks

- It takes time to work with IT to build the right habitat
- An unstructured rolling out of tools like this to your entire organisation will increase costs and yield little value
- A pilot program with a single champion from actuarial and IT is a key ingredient for success
- It is better to identify all the issues with a small sample before scaling out

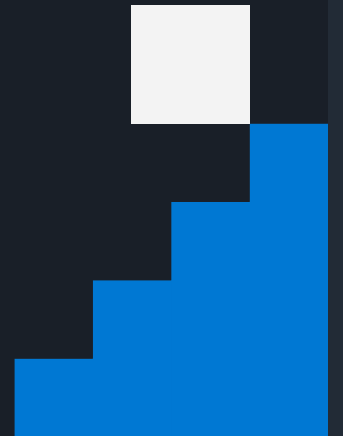


# Conclusion

- We can use technology lags to our organisations' advantage if we watch and understand developer trends
- It is also key for actuaries to use tools and approaches that can easily take advantage of new innovations

**Don't:** Reinvent the wheel

**Do:** Stand on the shoulders of giants



# How the Risk Function Supports Growth

Sinéad Clarke

# How the Risk Function Supports Growth

The risk function can support growth by enabling insurers to make informed decisions and innovate, while maintaining financial stability and compliance

A financially sound business will have a strong reputation and high consumer trust



Support a flexible risk management system



Inform strategic decision making through expertise, stress testing & scenario analysis



Advise on capital management and risk mitigation to support growth



Identify opportunities to take on more risk or new risks

# Three Significant Economic Transitions – What are the Risks?

- Demographic Change
- Climate Change
- Digitalisation

**“One characteristic of all these transitions is that the choice to remain as we are isn’t available. **The status quo option does not exist.**”**

**What does exist is the opportunity to manage the transitions.”**

Remarks by Governor Makhlouf at EPA Annual Climate Change Conference, 15 May 2024



# Three Significant Economic Transitions – What are the Opportunities?



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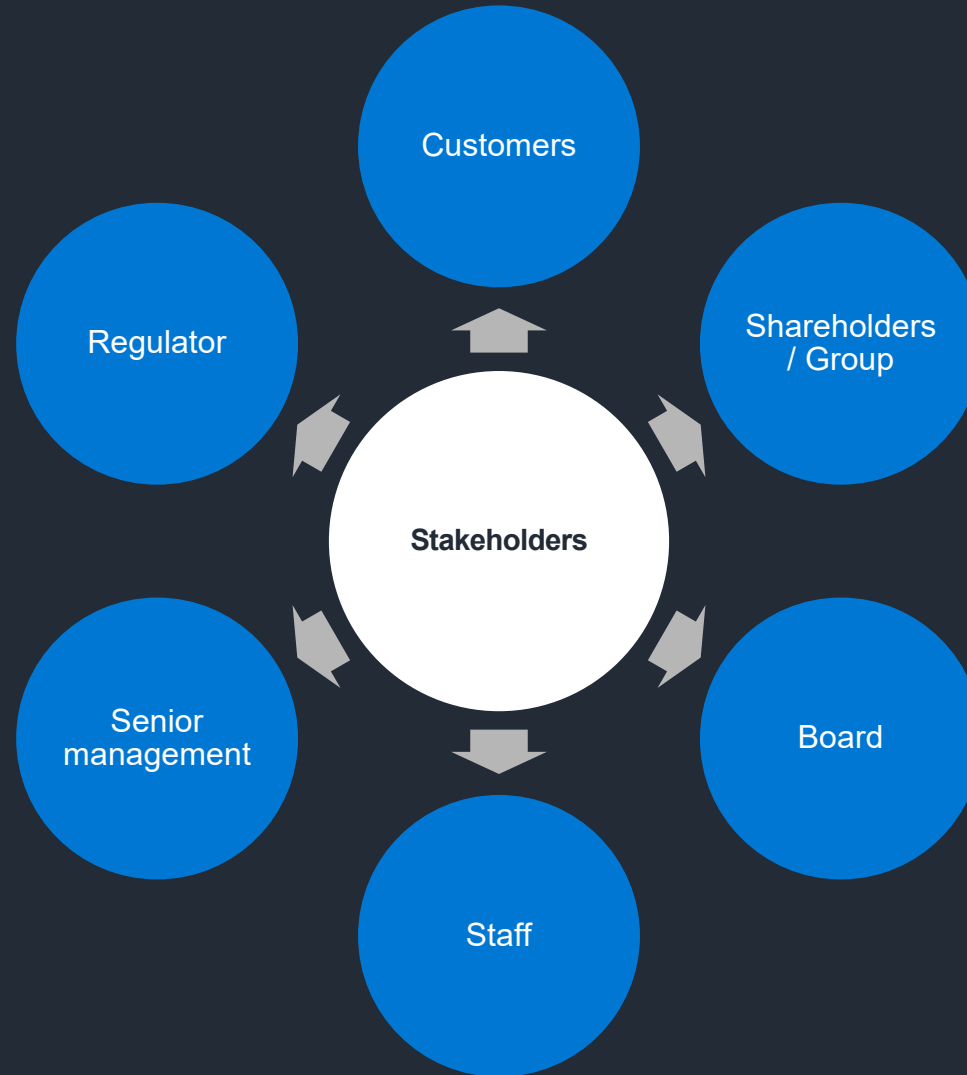
# Three Significant Economic Transitions – What are the Opportunities?



# Stakeholder Engagement – Capital, Regulatory Engagement and Finances

Eamon Comerford

# Identify Stakeholders



# Regulatory Interaction



→  
**Early  
Engagement**



→  
**Transparency  
&  
Clear  
Articulation**



→  
**Realistic  
Timelines**



→  
**Regular  
Interaction**



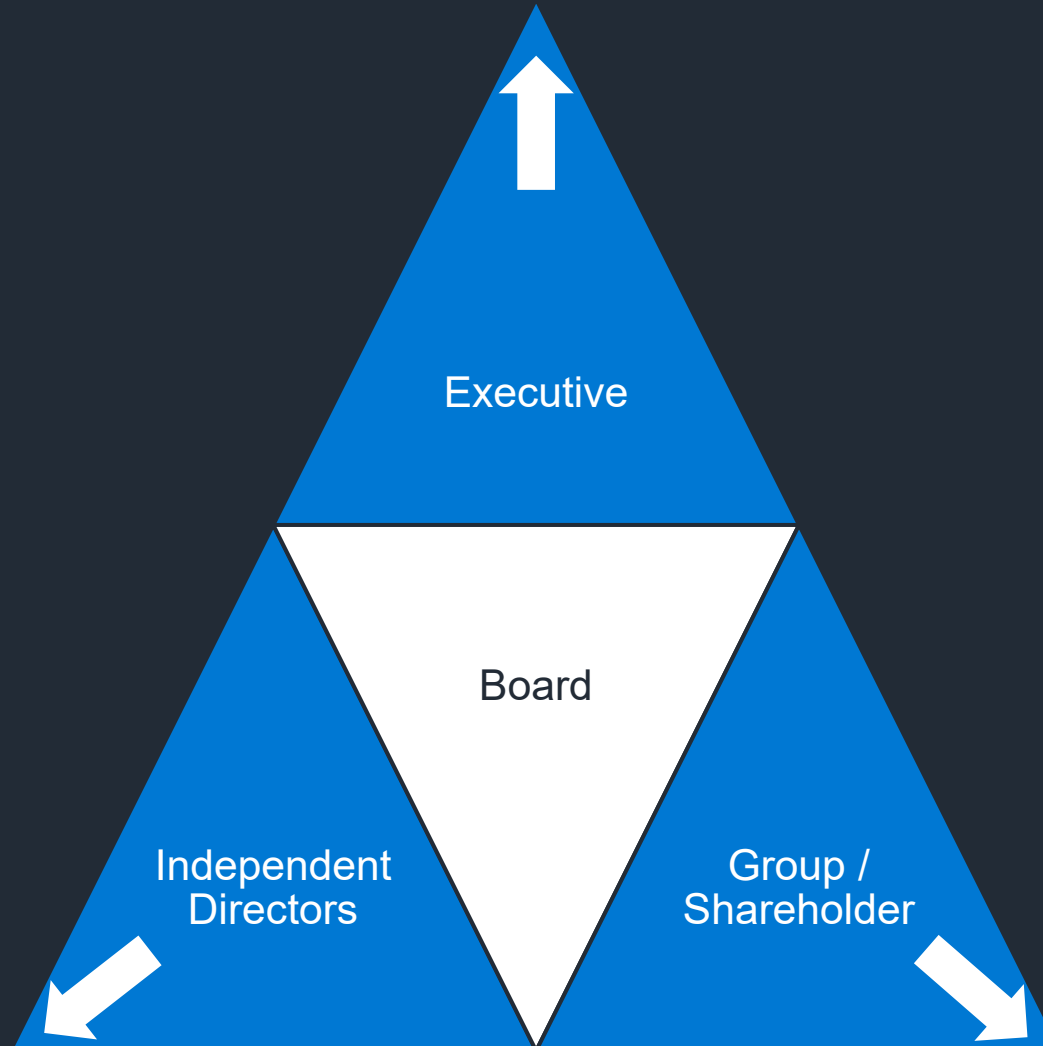
→  
**Thorough  
Analysis**



→  
**COBP  
Submission?**



# Different Perspectives



# Shareholders



**Protect value of investment**

**Dividend amounts and timing**

**External reporting**

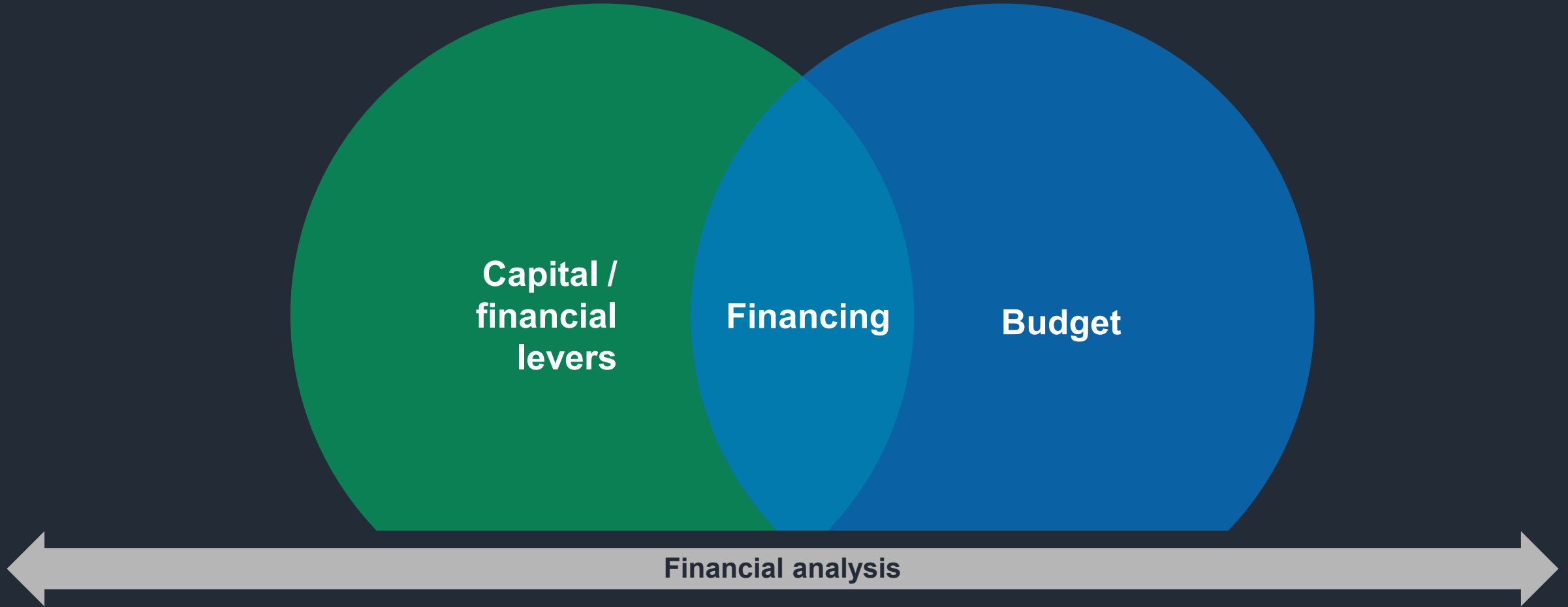
**What impacts will growth have on these?**

**What value creation from new growth?**

**What positive news for the market?**

**What financing is needed?**

# Financing Strategy



# Capital Management Toolkit



## Capital raising

- Equity
- Sub-debt
- AOF



## Reinsurance

- Traditional risk
- Financial
- Other e.g., mass lapse



## Investment

- ALM
- Hedging
- Capital / risk vs. return



## Solvency II - related

- Volatility adjustment
- (Partial) internal models
- LACDT



## Future management actions

- Expense-related
- Charge-related
- Benefit-related



## Other strategic

- Product design / mix
- Portfolio transfer of legacy business
- Outsourcing / strategic partnership

# Q&A

## Panel:

- Paul Marron
- Alan McDonagh
- Sinéad Clarke
- Eamon Comerford

**Moderator: John Mulvihill**





**Thank you**

