

Global Trends

Lessons for Ireland

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7 SEPTEMBER 2017



Agenda

1. Technology
2. Low Interest Rates
3. Growth
4. Regulation

Technology

Recent Global Trends



Non-Life is now interesting!

- Telematics
- Instant approval
- Data Analytics
- What is insurance now?
- Autonomous cars

Life

- Straight through underwriting
- Analytics
- Genetics/Diagnostics
- Longevity/Long Term Care

Non-Life rapidly changing

Telematics

Much better information on what is really happening in the car.

Leading to better pricing **and safer driving**

Instant Approval

Better technology leading to ability to accept/decline instantly

Leads to new players and challengers



Most Interesting
Line

Changing definitions

When do we buy?

What do we buy?

Who do we buy from?

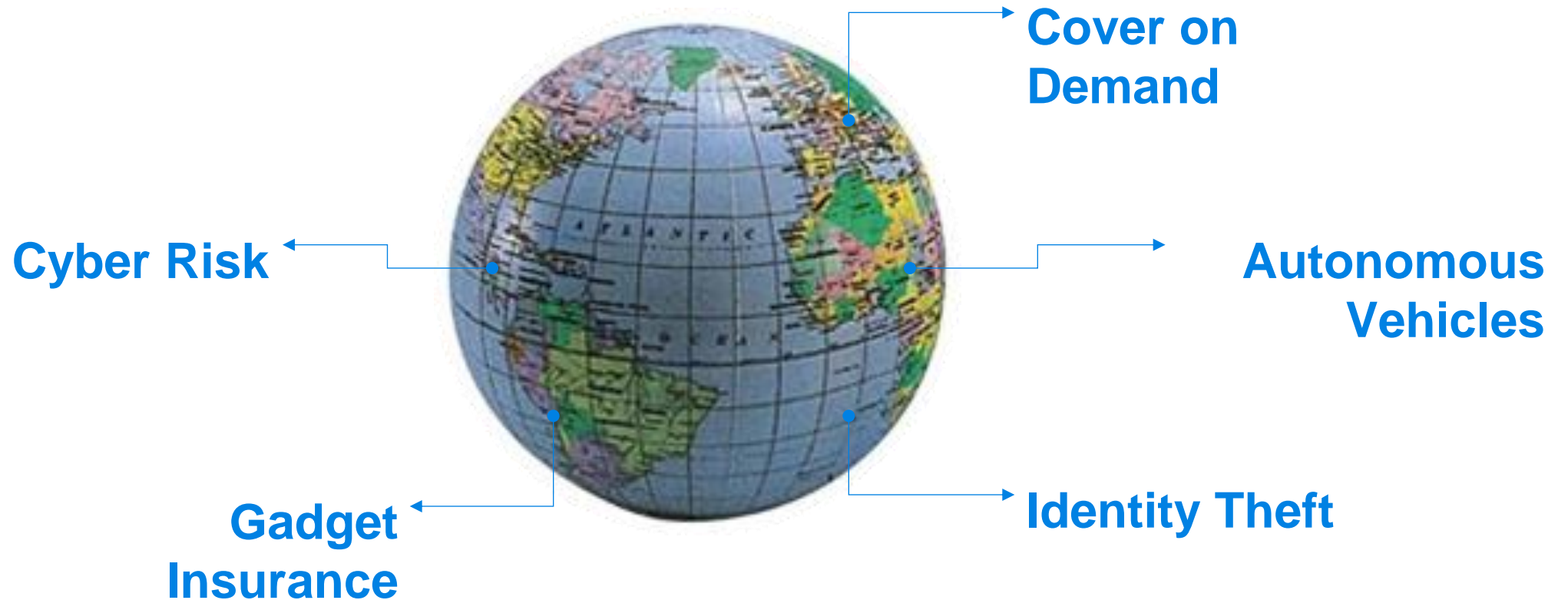
Analytics

Motor

Weather Events

Natural Disasters

And the market of insurable risks is changing



Life Insurance trying to catch up

Analytics

Propensity to lapse

Propensity to buy

Applications to group purchases

Instant Approval

Photo Recognition

Facial Scans

Drug Analysis



More to do

Genetics/Diagnostics

Possible ability to intervene in major illnesses

Huge potential, many ethical issues

But may reduce need for insurance!

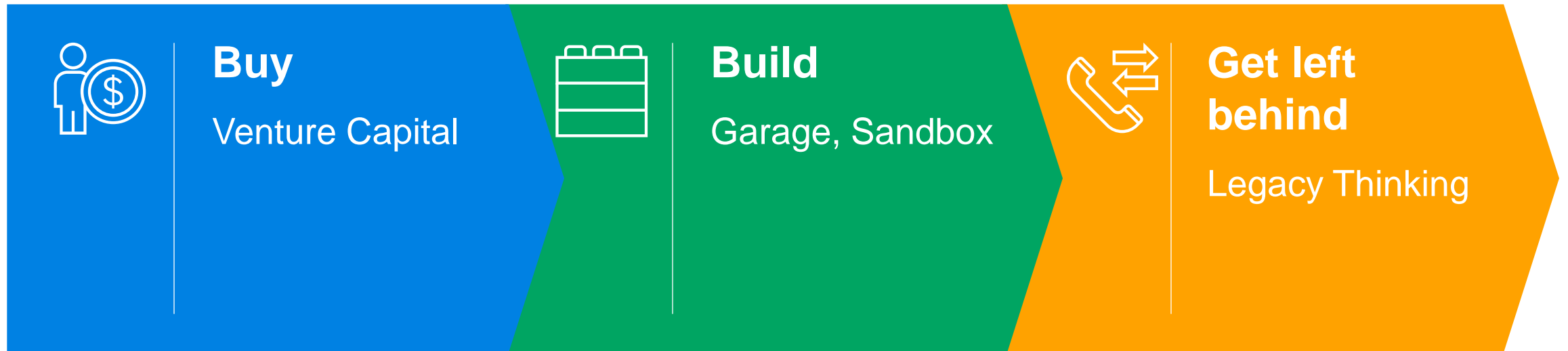
Longevity/Long Term Care

Increasing focus from industry

Becoming the real need

More needed to be creative in designing solutions

Lessons for Ireland



Low Interest Rates

Euro interest rates since 2008



Last ten years:

- Strain on balance sheets – especially for traditional writers
- Difficult to price attractive savings products
- Increase in capital
- Greater volatility
- Look for other ways to improve performance

Costs

Spread

Mix and type of business

Sample disclosure (Allianz)

PRESENT VALUE OF NEW BUSINESS PREMIUMS (PVNBP) BY LINES OF BUSINESS

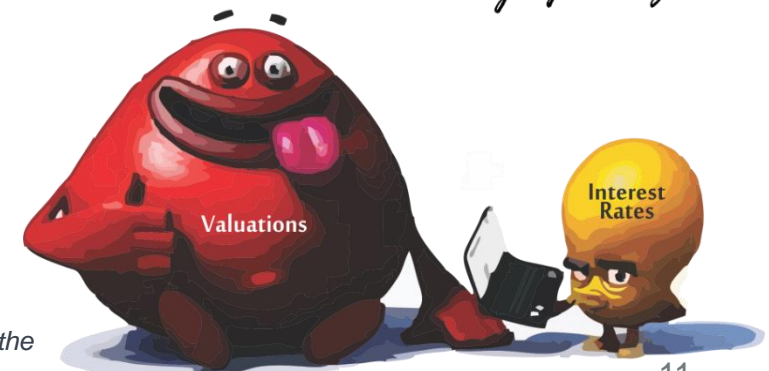
%

six months ended 30 June	2017	2016	Delta
Guaranteed savings & annuities	23.6	29.3	(5.7)
Protection & health	16.7	16.0	0.7
Unit-linked without guarantee	26.1	19.4	6.7
Capital-efficient products	33.6	35.3	(1.7)
Total	100.0	100.0	-

Show focus on UL, protection and capital-efficient

Want to replace falling guaranteed sales

The “Low Rate” Trap
Technically Speaking



Lessons for Ireland

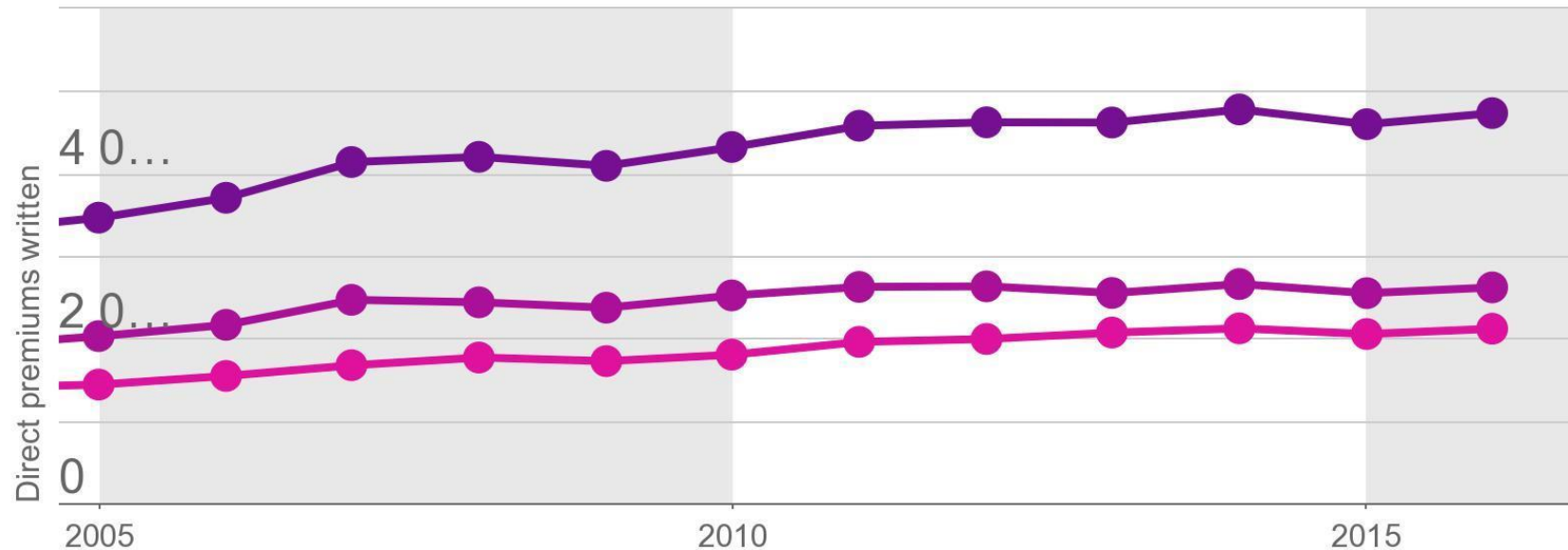
- Global Insurers don't want to invest the capital required for guarantees
- Savings products are very difficult to sell in a low interest rate environment
- Therefore need to focus on “Protection”
 - Life/Critical Illness/Disability
 - Longevity
 - Long Term Care
- Find ways to manage the longevity risk for policyholders
- Innovative solutions are needed to reduce costs of features/guarantees

Growth

Global Insurance premiums almost flat since 2005

Source: Swiss Re Sigma

Direct premiums written
in USD m



Business line

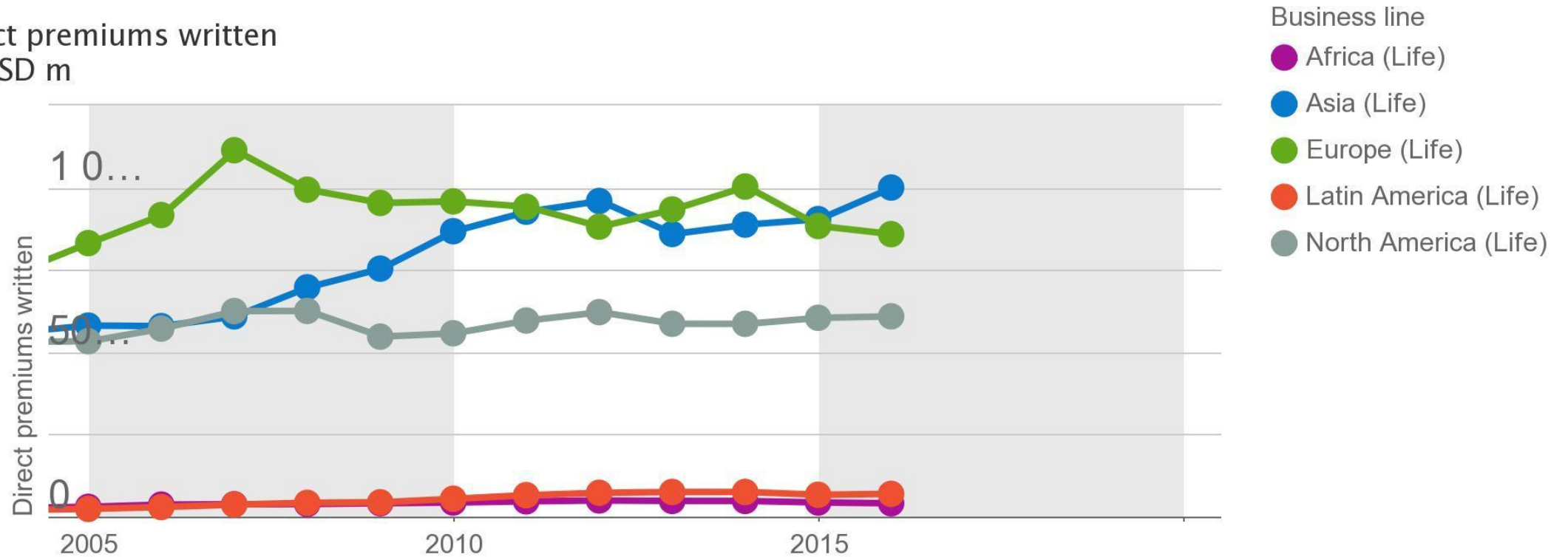
● World (Total) ● World (Life) ● World (Non-life)

Source: sigma world insurance database

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Interesting pattern by continent

Direct premiums written
in USD m



Source: sigma world insurance database
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Outlook for various continents

EUROPE

- Slow growth, political instability
- Difficulty generating attractive products
- Ageing population – shift to longevity
- Move to capital efficient products
- Use technology to reduce distribution costs and drive efficiency

NORTH AMERICA

- Similar to Europe
- Baby Boom generation
- Long Term Care

ASIA

- Engine of growth
- Rising incomes
- Increasing penetration
- Traditional models
- Some markets much more open to technology

AFRICA / LATIN AMERICA

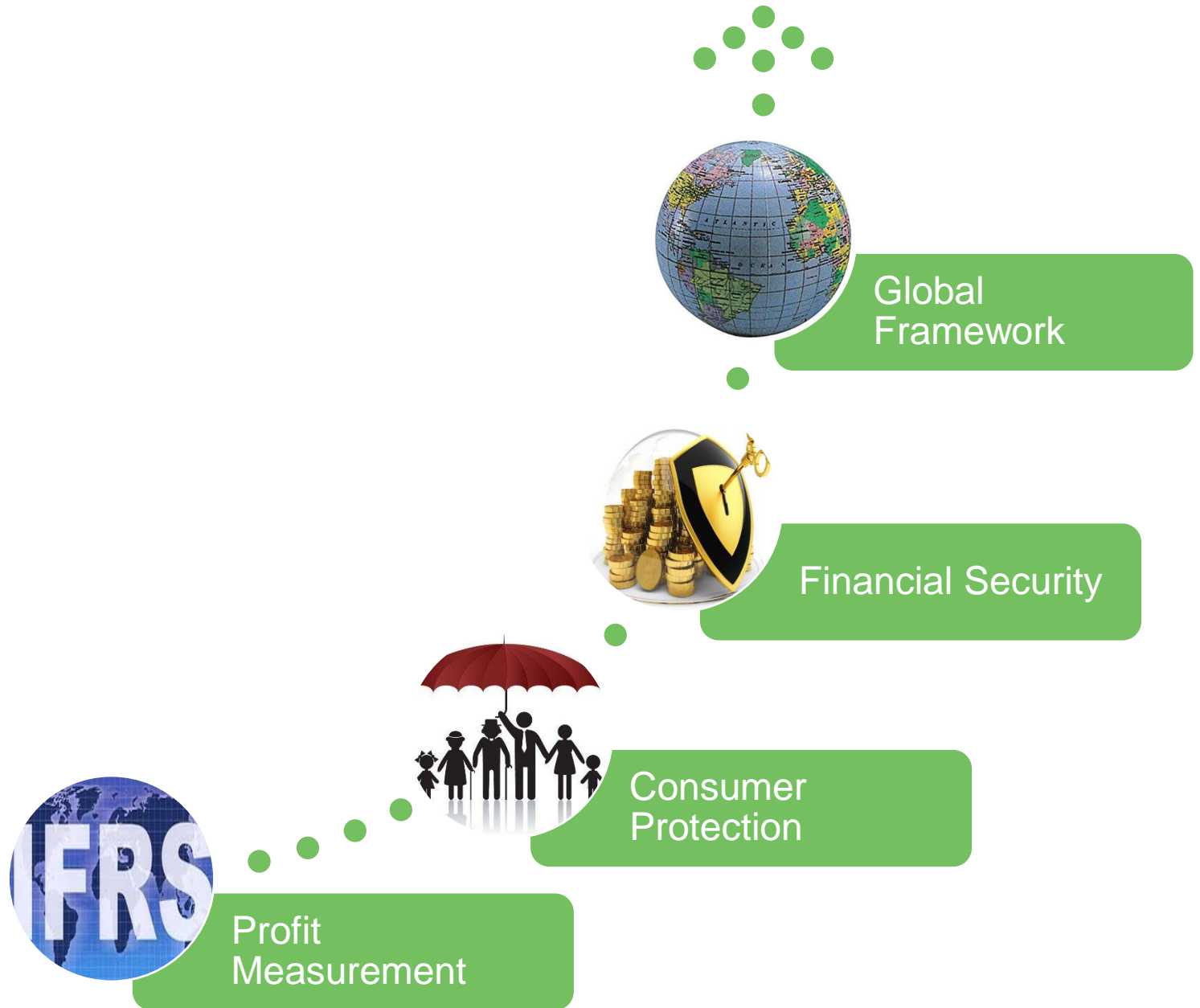
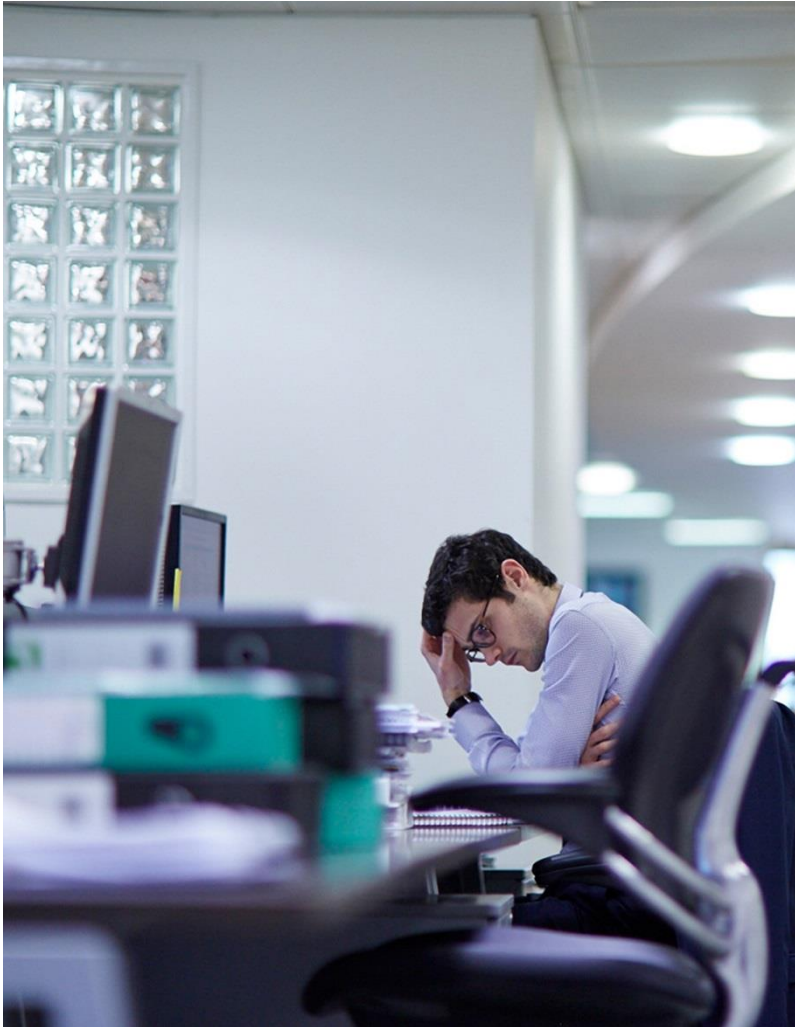
- Long term play
- Microinsurance
- Some rapidly developing economies
- “Clean sheet” technology

Lessons for Ireland

- Europe is not a very attractive home for insurer's capital
- Focus on insurance consolidation and global expansion
- Expense control
- Reduce costs of distribution
 - National moves on Auto Enrolment / Mandatory Pensions?
- Move towards longevity and long term care
 - €34bn in assets for retirees in DB pensions (Ireland)

Regulation

Regulation



Global Framework - IAIS Insurance Core Principles

26 Principles in 5 categories



- Conduct including AML, Intermediaries



- Enforcement and intervention



- Supervisory powers
- Group supervision
- Licensing and cooperation



- Solvency
- Valuation of Assets and Liabilities
- Disclosure
- Capital levels

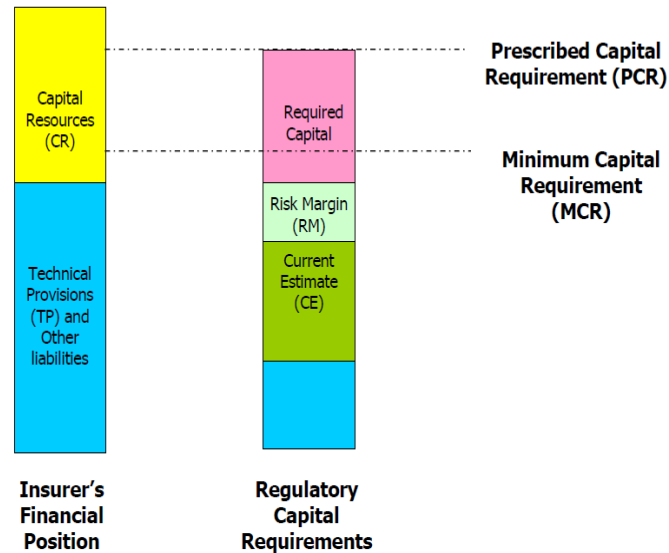


- Governance, Suitability, Risk Management systems

IAIS Core Principles drive some familiar features

- PRIIPS
- Product Oversight and Governance (POG)
- Insurance Distribution Directive (IDD)
- Consumer Protection Risk Assessment (CPRA)
- Consultation on Commission

Figure 17.2: Solvency control levels and regulatory capital requirements



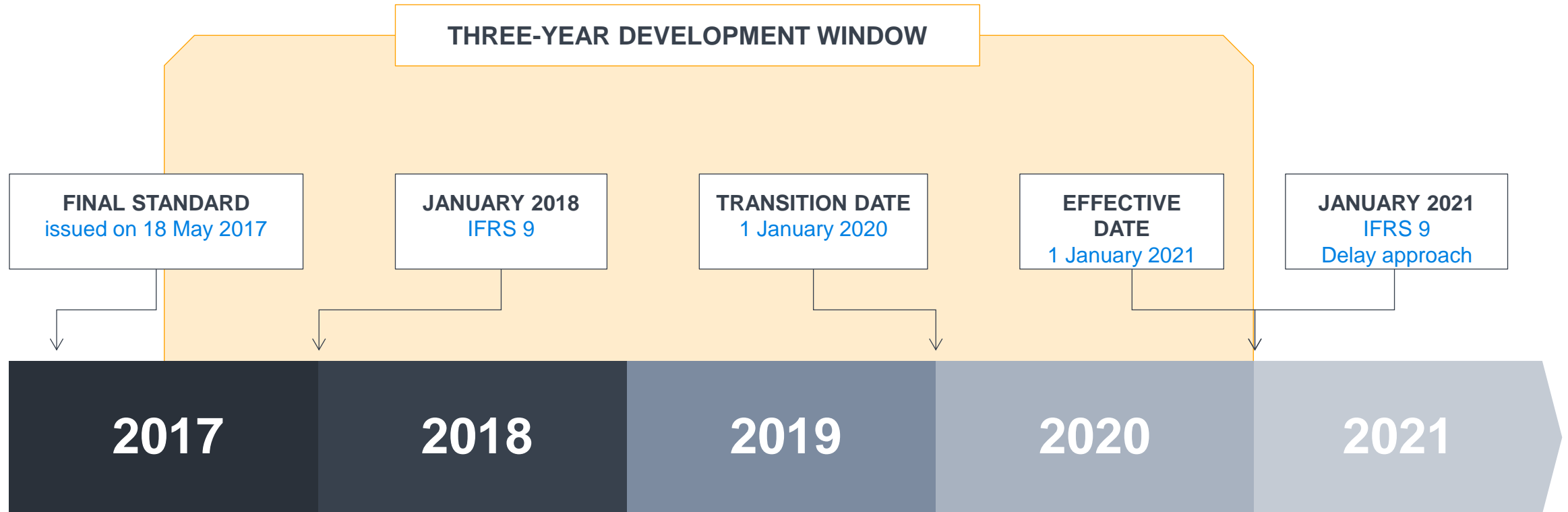
DATE	MILESTONE
September 2017	Data due for 2017 field testing process Discussion of ICS Version 2.0 begins
2 nd Quarter 2018	Launch of 2018 field testing process
Mid-2018	Publication of comprehensive ComFrame consultation including ICS Version 2.0
3 rd Quarter 2018	Data due for 2018 field testing process
Late 2018	Comments due on ICS Version 2.0 and ComFrame consultation
Late 1 st / early 2 nd Quarter 2019	Launch of 2019 field testing process
Early 3 rd Quarter 2019	Data due for 2019 field testing process
IAIS 2019 General Meeting	Adoption of ComFrame, including ICS Version 2.0

Conduct
(ICP 19)

Regulatory Capital
Requirements (ICP 17)

ComFrame (International
Capital Standards) and
G-SIIs

Timelines IFRS 17 and IFRS 9



Lessons for Ireland

- Global system is now connected
- Pace of change is increasing
- Increased (and more complex) reporting
- Timelines shortening
- Increased disclosure to customers
- Greater process control on customer interaction

- All in a world where there is increased focus on costs

- Industrialise / Automate – completely rethink the processes

Summary

Summary



- **Technology**
- Disrupt, transform, invest, automate



- **Interest Rates** – plan for lower for longer
- Move from interest margin to insurance margin



- **Growth agenda**
- Europe high capital low return
- Be ready to seek returns elsewhere
- Consolidate



- **Regulation**
- Global system now connected
- Focus on consumer protection



Thank you

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