

Milliman Breakfast Briefing

13th June 2018



Industry Update

Dermot Corry

Milliman Breakfast Briefing
JUNE 13TH 2018

Agenda



Market trends



M&A Activity



Brexit related activity

Market Trends

Ireland and further afield



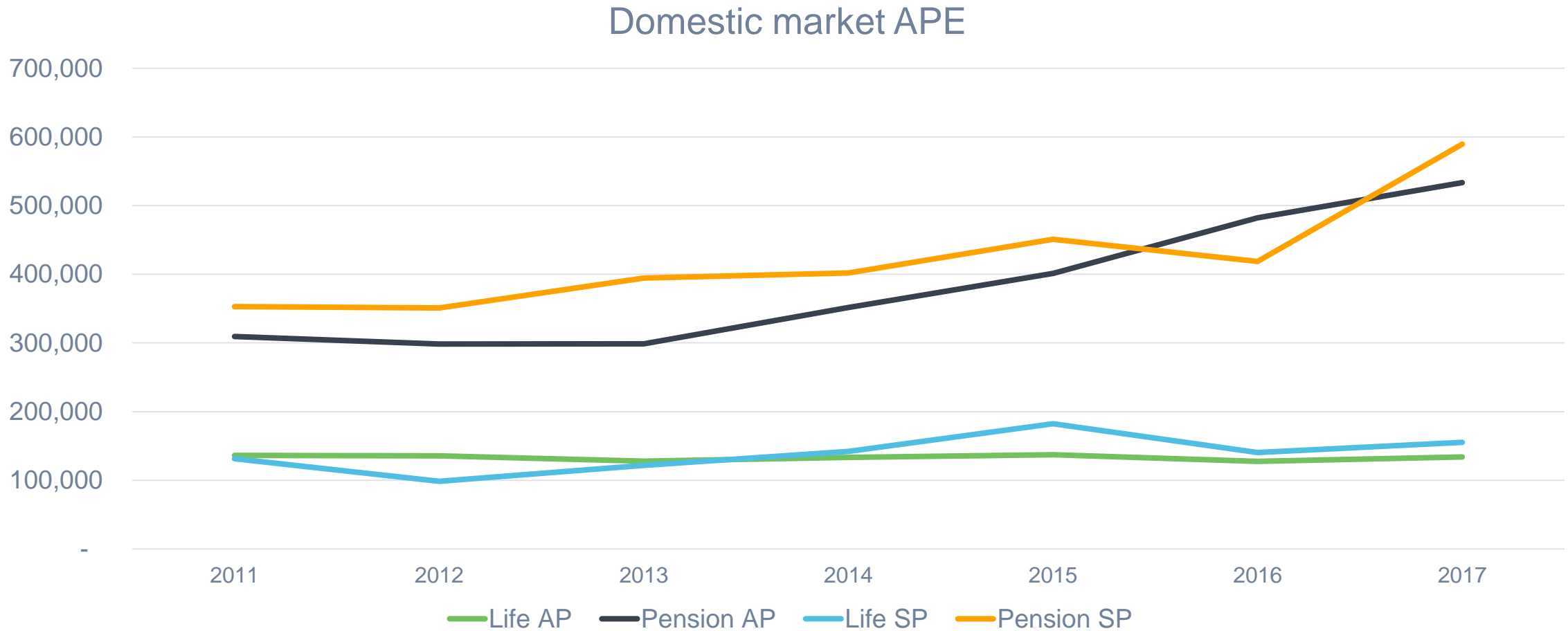
- Concerns about Long Term Savings
 - Low Interest Rates
 - Capital
 - Regulation
- Move to Protection
- Consolidation
- Insurtech
- IFRS 17
- Focus on Asia / Africa

All (Re)insurance entities in Ireland

	2016 (€bn)	2017 (€bn)	% change
Total Assets	301	312	3.6%
Life Unit Linked TP	189	204	8.3%
Life Non Linked TP	37	37	(1.5%)
Non Life TP	25	26	2.9%
Equity	24	23	(3.3%)

Source: CBI Insurance Corporation Statistics

New business sales – domestic market



M&A Activity

Ireland and further afield



- Lots of M&A activity in 2017 continuing into 2018
- Impact both domestically and across European and World insurance markets
- Friends First / Aviva
- Wanted to highlight activities of three groups in particular...

M&A Activity

Athora



- Aegon Ireland
- Athene Lebensversicherung (formerly Delta Lloyd operation in Germany)
- Generali Belgium (in progress)
- Athora Life Re



M&A Activity

Monument



- Monument Re (Bermuda)
- ABN Amro Life (Belgium)
- Aspecta (Luxembourg)
- Laguna Life (Ireland), including a portfolio from Ethias SA
- Barclays Insurance (Ireland)
- Barclays Assurance (Ireland)



M&A Activity

LCCG



- Harcourt Life Ireland
 - IBRC Assurance
 - Scottish Mutual International
 - Augura Life Ireland
 - Union Heritage Life
- Utmost Wealth
 - Aviva International
 - Axa Isle of Man
 - Generali PanEurope (announced)
 - €1bn portfolio from Axa
 - €3bn portfolio from Aegon Ireland
- Reliance Life
 - Reliance Mutual UK



Numbers of (Re)Insurers in Ireland

	2008	2013	2018
Life Insurers	60	53	46
Non-Life Insurers	136	105	97
Reinsurers	121	77	
Total	317	235	206*

** 2018 figures include 11 entities that are not regulated under Solvency II*

Brexit Activity

Ireland



- Aetna
- Arch
- Aspen
- Aviva
- Beazley
- Chaucer
- Equitable Life
- Everest
- Neon Underwriting
- North
- Royal London
- Standard Club
- Standard Life
- Travelers
- XL



Thank you

Dermot Corry

dermot.corry@milliman.com

ORSA 2018 hot topics

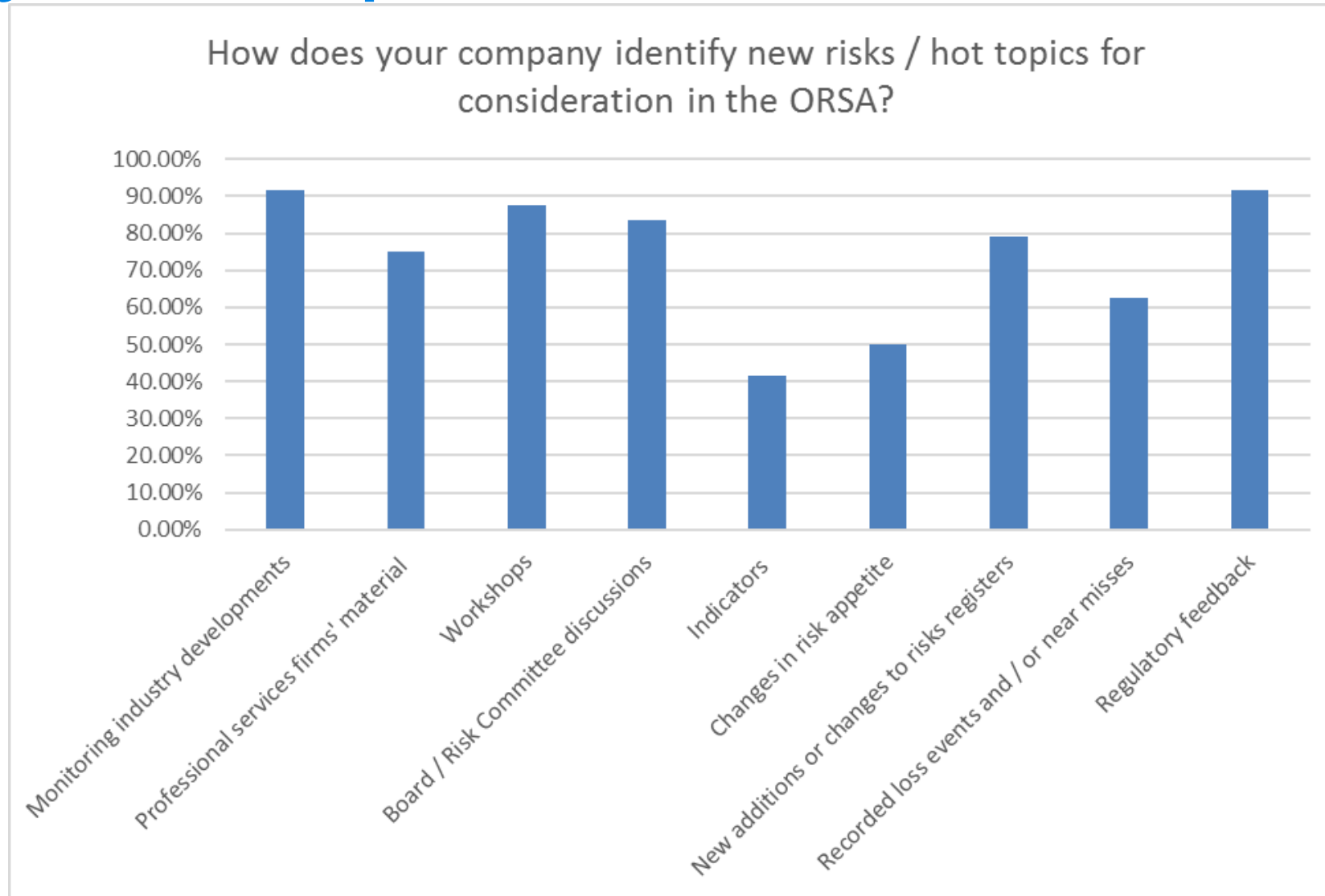
Eoin King

13 JUNE 2018

Why the ORSA is like baking

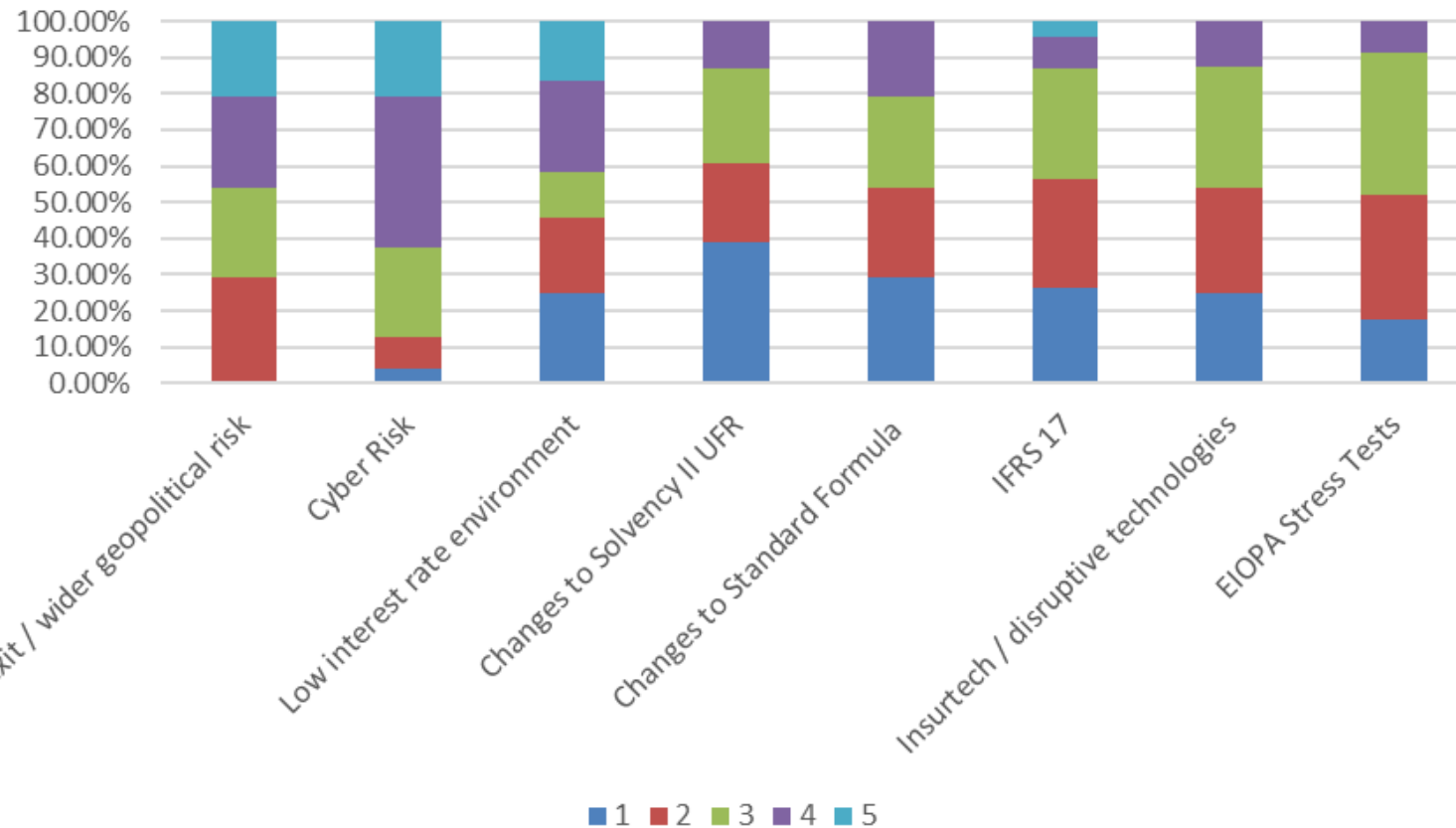
- It's a process
 - Many shiny new tools put in place to help with the process
 - Fun for all the family
 - Lots of different parts that if combined correctly lead to something wonderful
- But,
 - Some people were better at it than others
 - If the output is left sitting there it can go stale
 - If not nurtured, after a while people lose interest
- So how do you keep the ORSA fresh?

Try a new recipe

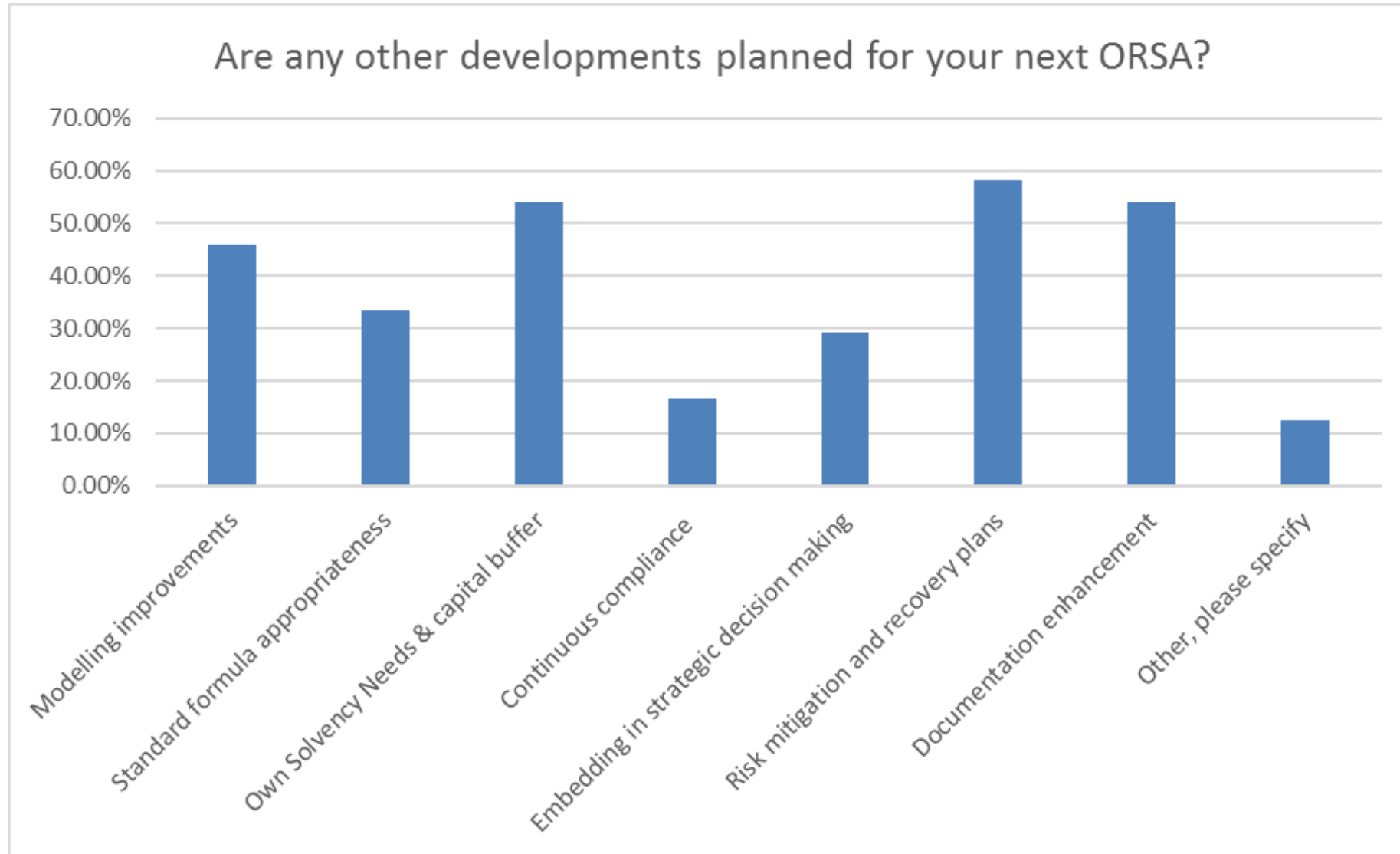


Try a new recipe

In terms of their importance for your company and hence your ORSA, please score the following hot topics on a scale of 1 (not important) to 5 (very important)

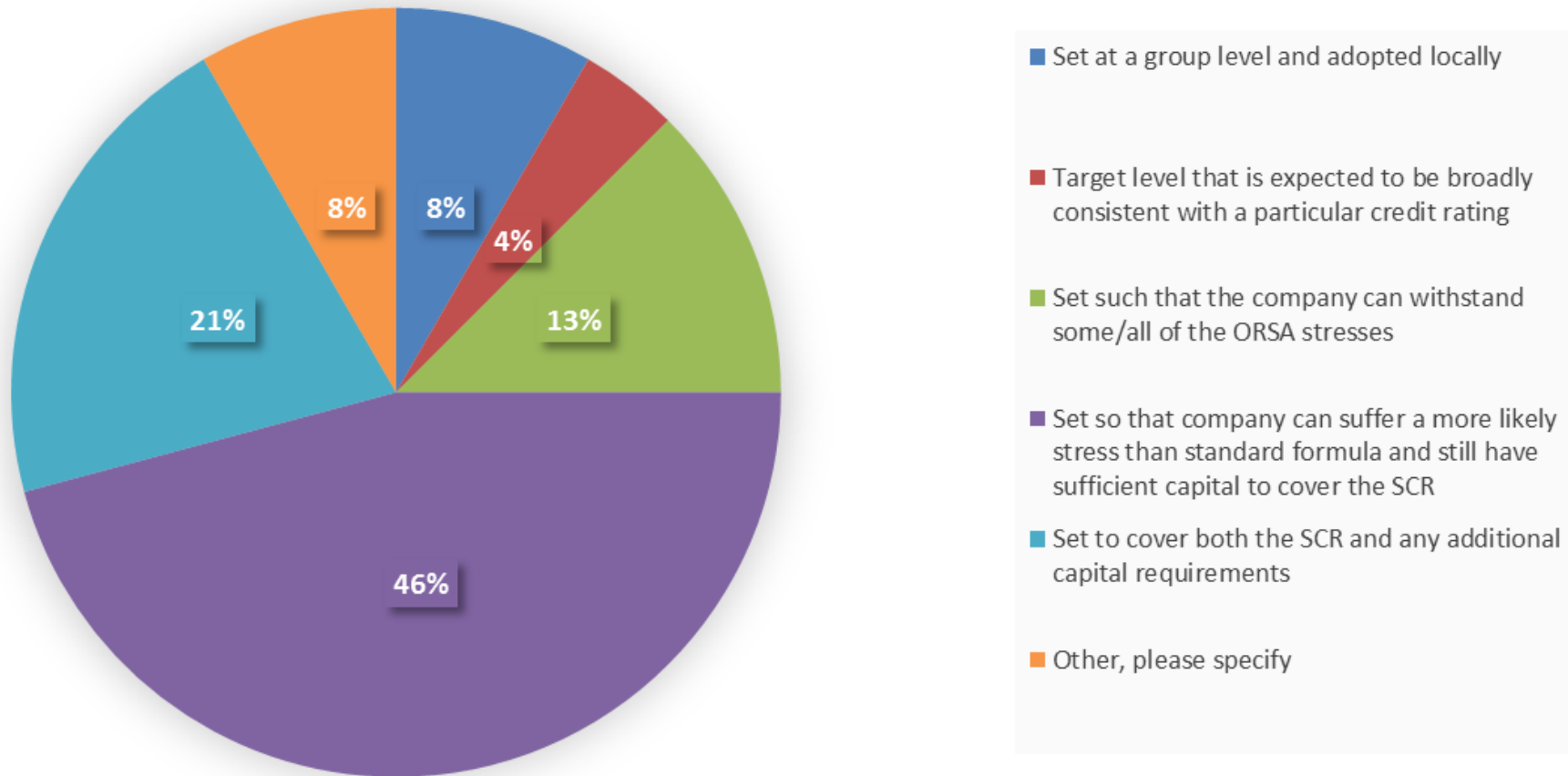


Try a new recipe

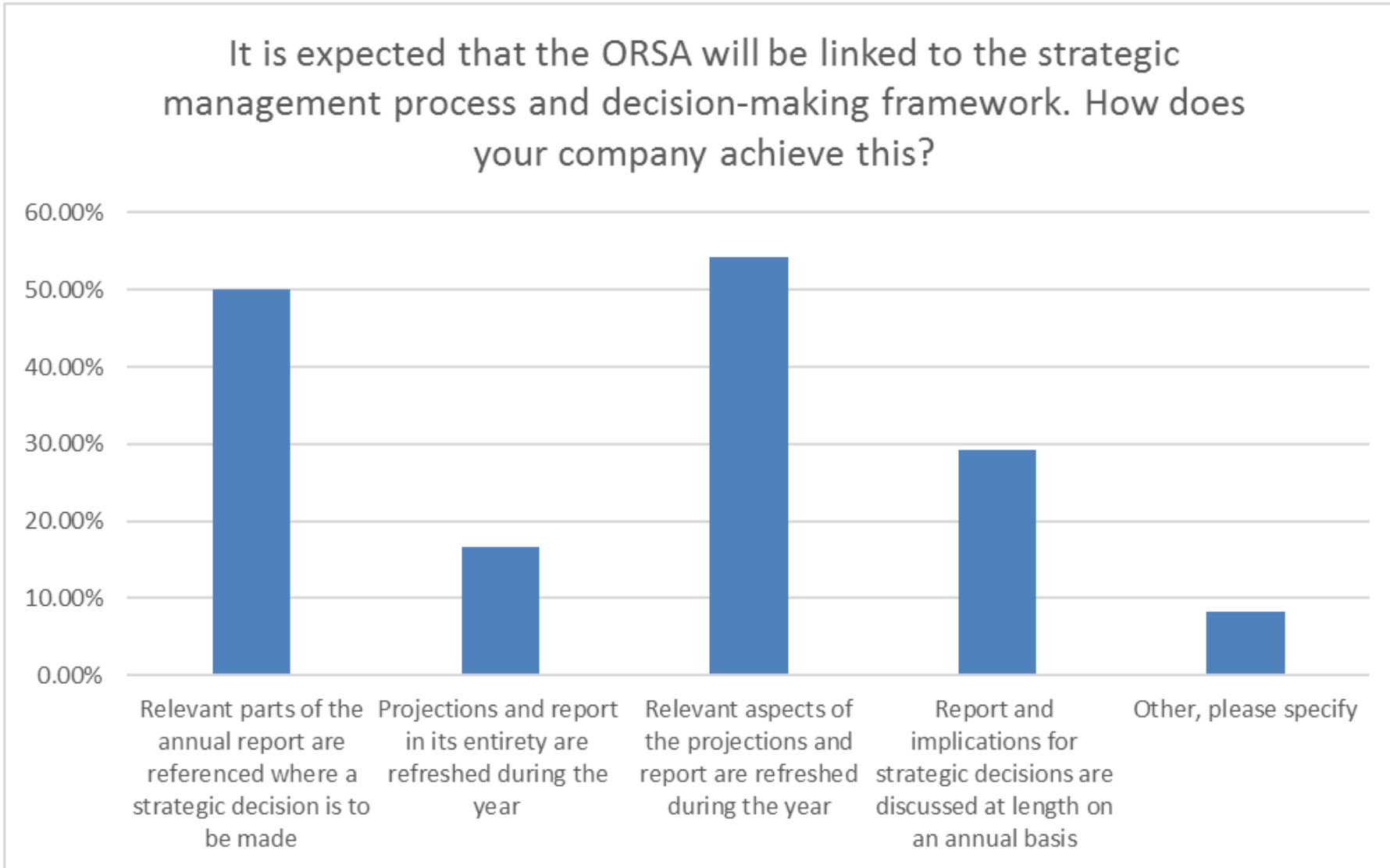


Put it to an alternative use

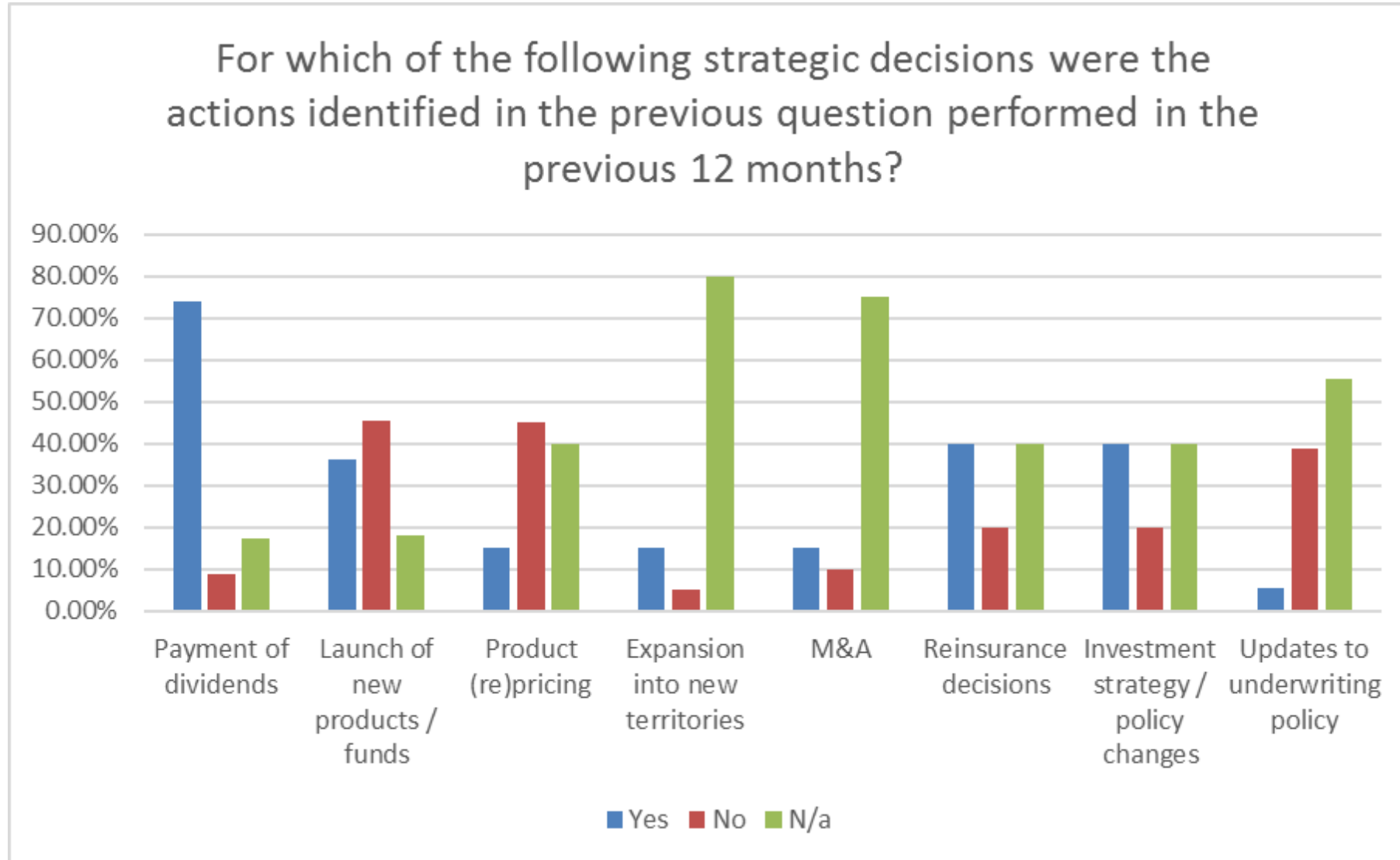
How does your company assess its overall solvency needs and the target level of capital / target SCR coverage ratio?



Put it to an alternative use

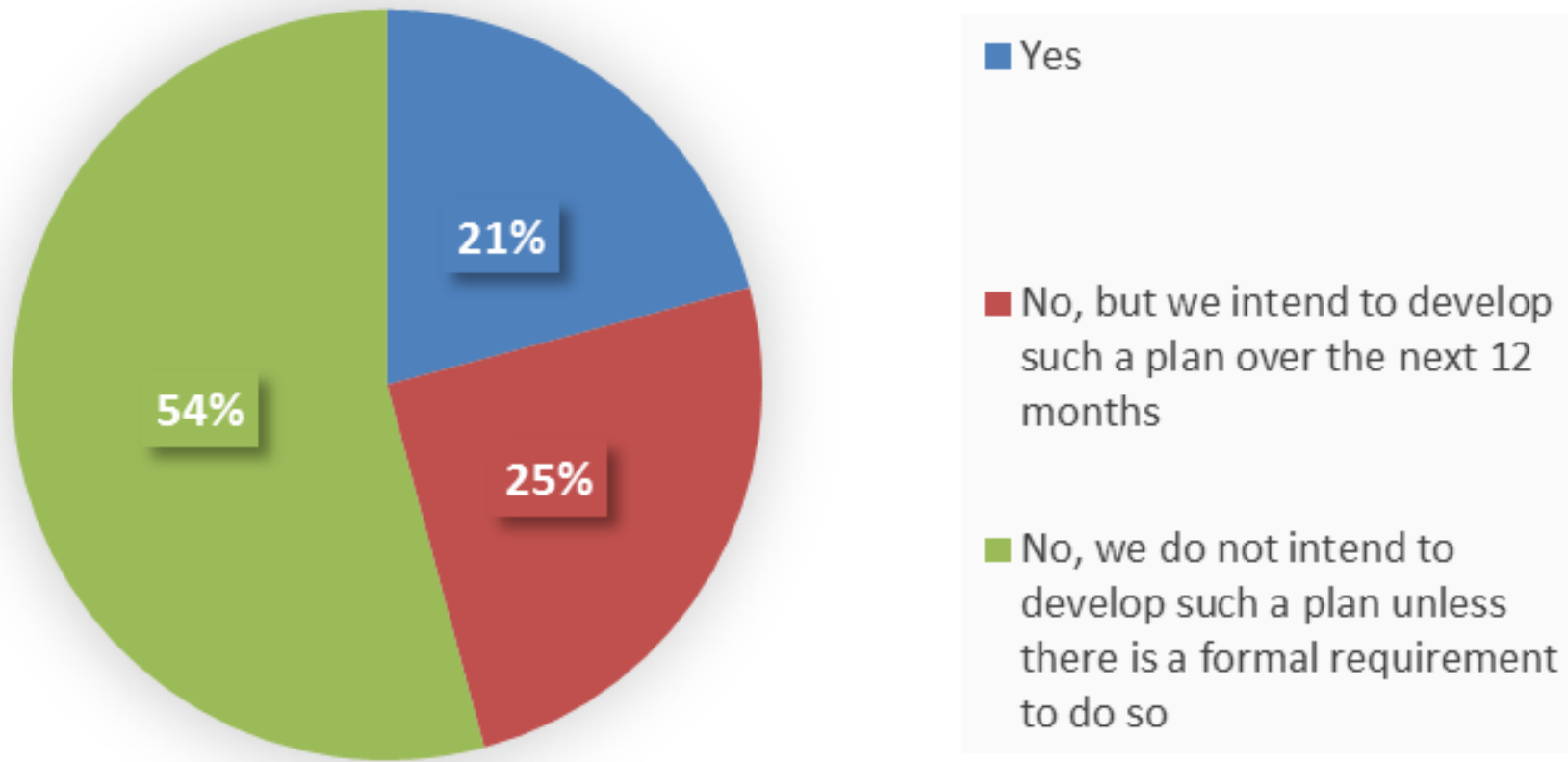


Put it to an alternative use



Put it to an alternative use

As an extension of the ORSA, do you prepare a pre-emptive recovery plan?



In Conclusion

- Lots of good practice being exhibited, but,
 - Some companies clearly doing more than others
 - Scope to consider new scenarios or ways of assessing scenarios
 - ORSA process is not the finished article – developments still planned
 - Looks like more could be done to link the ORSA to strategic decision making



Thank you

Eoin King

eoin.king@milliman.com



Banc Ceannais na hÉireann
Central Bank of Ireland

Eurosystem

Diversity of Thought - Sylvia Cronin, Director of Insurance

Contents

- The European level review of fitness and probity requirements in financial services;
- Recommendations relevant to Irish insurance companies;
- Diversity of thought and the implications for risk culture and governance of Irish insurers;
- Outline of the Central Bank's plans in this area for the year ahead and highlight what this means for regulated (re)insurance entities.



Banc Ceannais na hÉireann
Central Bank of Ireland

Eurosystem

The European level review of fitness and probity requirements in financial services

■ Developments within the area of fitness and probity requirements in financial services

- Fit and Proper requirements incorporated into European Directives;
- FSB has developed a toolkit for strengthening governance frameworks to mitigate misconduct risk;
- The EIOPA peer review of F&P requirements was led by the Central Bank.

■ Recommendations relevant to Irish insurance companies:

- A number of NCAs recommended to seek legislative changes to strengthen the national regulatory frameworks for their fitness and probity regimes;
- An ongoing focus on fitness and probity post the initial approval of individual PCF applications;
- Measures will be taken to strengthen cross border cooperation among the NCAs.



Diversity of thought and the implications for risk culture and governance

“Thought diversity allows for differing perspectives on ideas and unique insights into problems. It creates opportunities for innovation, entrepreneurship, and partnerships in unexpected places. It allows you to take a “reality check” before plunging into new activities. Most important, it helps you avoid groupthink.”
[Fernandez, 2007].

A lack of diversity of thought:

- Increases the risk of group think;
- Increases the risk of poor decision making; and
- Has a negative impact on the culture of a business.



Risk culture and diversity of thought

- **Leadership** - The commitment to risk management that leaders show through what they say and do.
- **Governance** - The awareness among staff of their responsibilities and accountabilities, the appropriateness of policies and level of adherence to same.
- **Decision Making** - The validity and reliability of information feeding into the decision making process, the aggregation of same and the reward system in place.
- **Competency** - The consideration given to acquiring and developing robust risk skills in the firm and the allocation of resources.



Figure 2. – Insurance Directorate Risk Culture Model

- Any initiative in promoting diversity will fail without a change in culture;
- Diversity of thought is a key foundation of good decision-making;
- A culture of inclusivity is required for diversity to be valued; and
- Good culture drives good customer experience.



Observations and findings relevant to Irish insurance companies*

	Executive directors	Non-executive directors
Age: Largest grouping	41 – 50 years of age for both male & female	51 – 60 years of age (male) 61 – 70 years of age (female)
Gender split	Male 82.74% and female 17.24%	Male 88.89% and female 11.11%
Remarks:	As the age decreased the percent of females increased Female CEOs – 12.73% ¹	No female < 51 years, 14.5% male directors in 30s and 40s range Female Chairman – 9.09% ²

¹ European study equivalent 2.9% female CEOs in financial sector (EWB, 2016).

² European study equivalent is 7.2% female Chairman in financial sector (EWB, 2016).

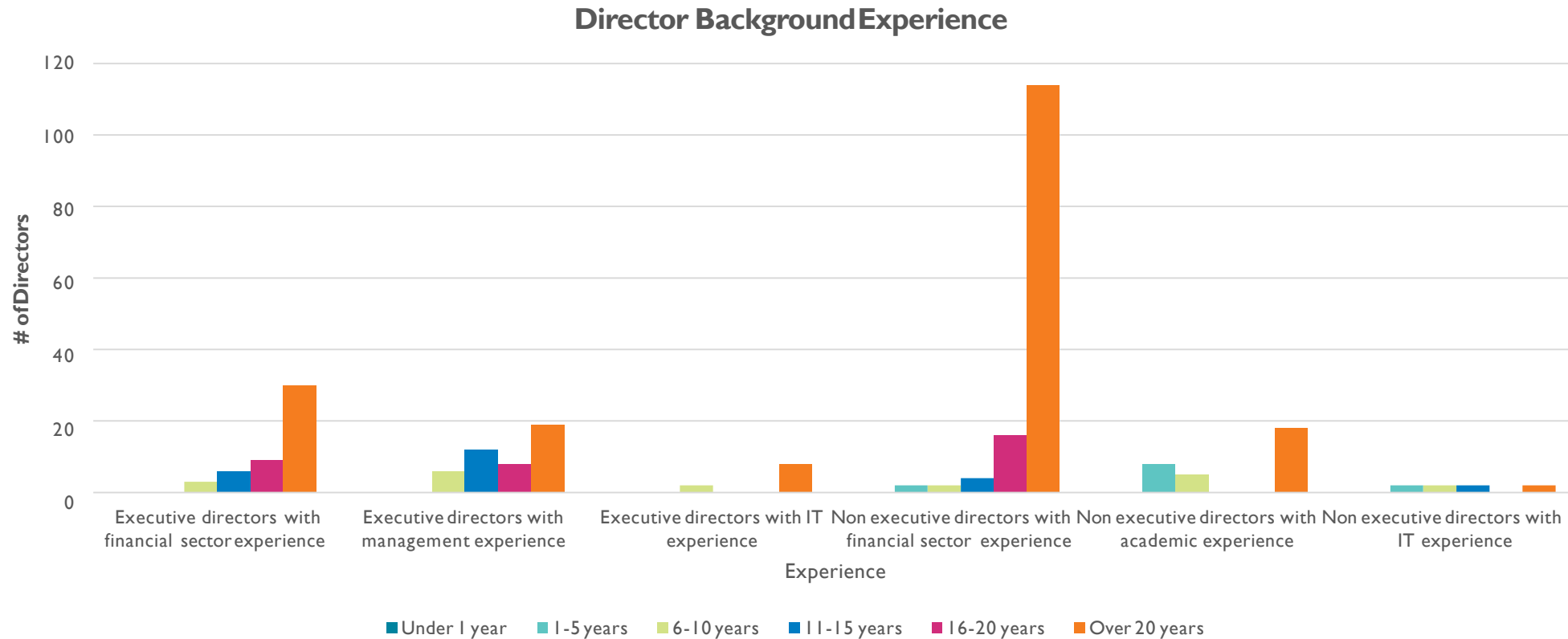
53% of companies in the sample population have all male boards.

* Participants in the 2016 Diversity survey



Banc Ceannais na hÉireann
Central Bank of Ireland
Eurosystem

Directors' Background Experience – including IT

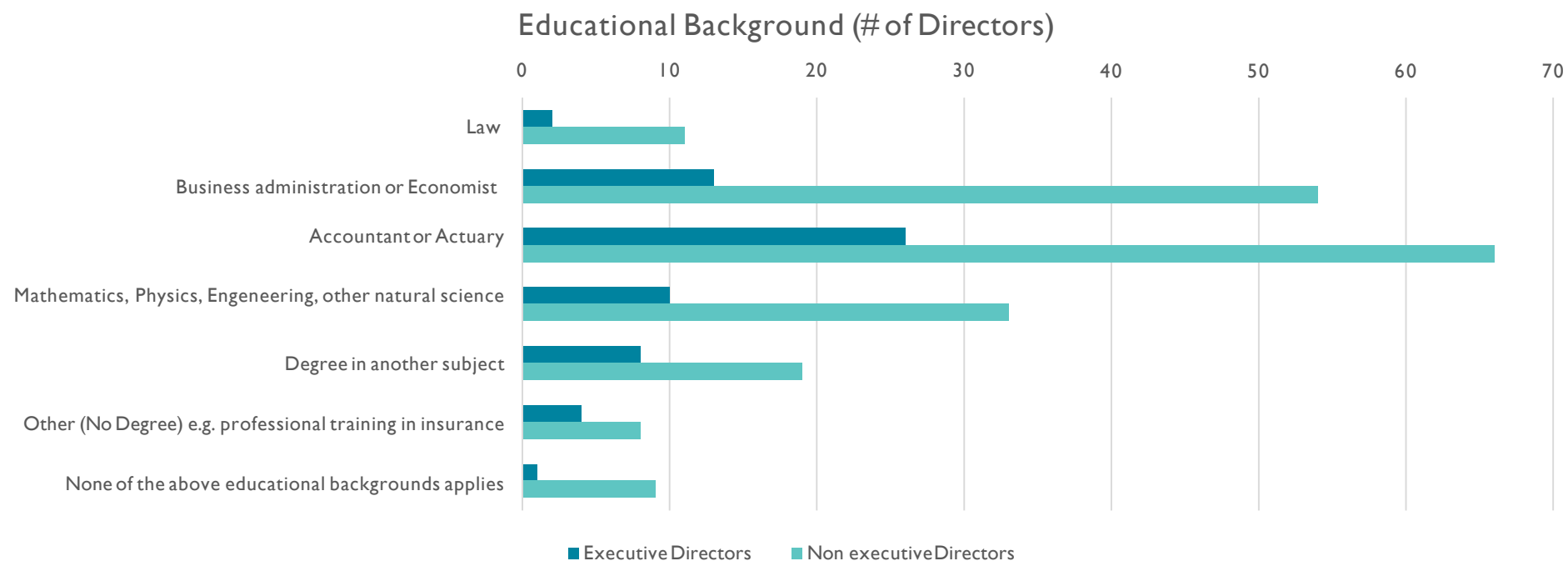


Our survey showed that less than 7% of directors (exec and non-exec) who responded were listed as having IT experience.



Banc Ceannais na hÉireann
Central Bank of Ireland
Eurosystem

Directors' Educational Experience



- The average profile of executive directors in our survey is male aged 41 to 60 years of age (64%) with a large proportion holding professional qualification as an Accountant or Actuary.
- The average profile of non-executive directors in our survey is male aged 51 to 70 years of age (71%) with a large proportion holding a professional qualification as an Accountant or Actuary.



Diversity Policy review

Impact Rating	High			Medium High							Medium Low										
Company	H1	H2	H3	MH1	MH2	MH3	MH4	MH5	MH6	MH7	ML1	ML2	ML3	ML4	ML5	ML6	ML7	ML8	ML9	ML10	ML11
Standard of Diversity Policy	Green	Green	Green	Green	Green	Green	Green	Yellow	Red	Green	Red	Green	Red	Yellow	Yellow	Green	Green	Yellow	Green	Red	Green
Level of Board Diversity	Red	Green	Yellow	Yellow	Green	Green	Yellow	Yellow	Red	Red	Yellow	Red	Red	Red	Green	Red	Red	Red	Yellow	Green	Green

- How does the Board measure and monitor Board diversity?
- Is the Board in line with its own policy with respect to diversity of Board nominations and appointments?



The Central Bank's plans in this area

- The supervision teams will be reviewing individual companies' succession plans and challenging PCF holders during the PRISM interviews on the levels of diversity on the Board and in senior management. We will require more transparency from companies in their succession planning process for all PCFs;
- The Central Bank will be expecting that Boards should critically assess if they have been achieving the levels of diversity as set out in their diversity policies and if not, what plans are in place to achieve this;
- The Insurance directorate will repeat the diversity survey in 2019, making it mandatory, and will publicise the results.



Key Messages

- Address diversity and inclusion in the boardroom, at the executive level and the pipeline of talent needed to run the organisation in the long-term, and in doing so avoid the pitfalls of group think and experience the benefits that can be gained;
- Diversity of skillset is a critical ingredient in the diversity of thought needed at all levels of the organisation; and
- Consider who represents the voice of the consumer at the highest levels of your organisation and how this is factored into the decision making process.



Thank you



Banc Ceannais na hÉireann
Central Bank of Ireland

Eurosystem