

Chairman's Opening Remarks

Presented by
Dermot Corry
Principal and Dublin Practice Leader

November 23, 2010



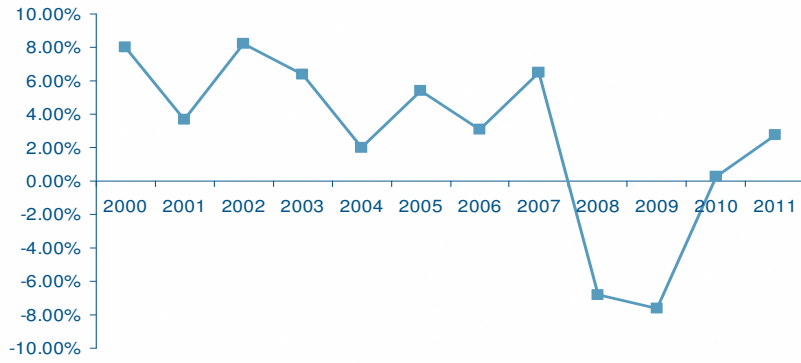
Agenda

- Irish Economy
- Domestic Insurance Market
- Cross Border Insurance Market
- Key Issues for the Insurance Market

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GDP Growth

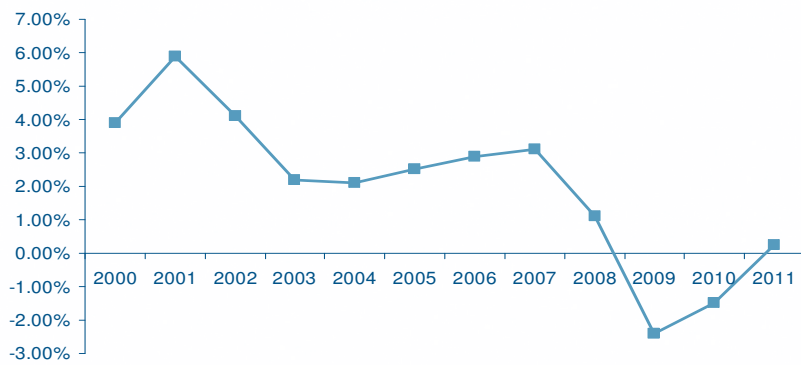


Source: CSO for Historic, ESRI for Projections

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Inflation (HICP)

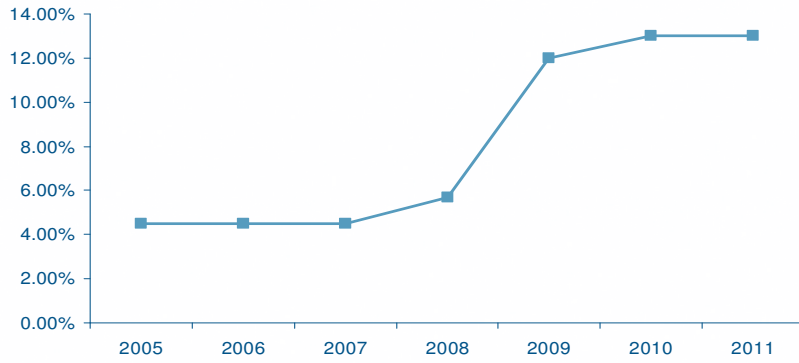


Source: CSO for Historic, ESRI for Projections

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Unemployment (% Labourforce)

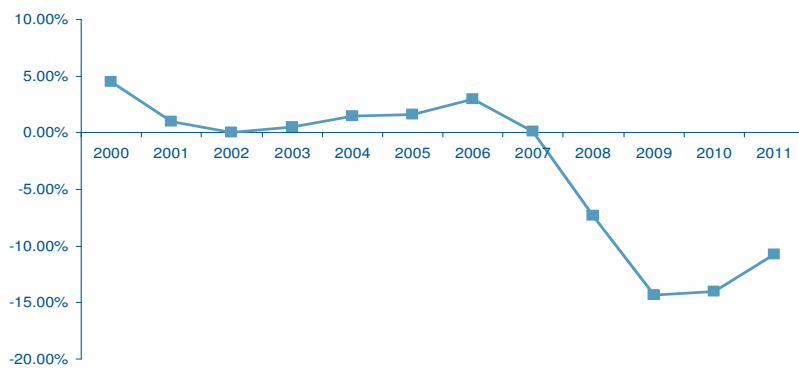


Source: CSO for Historic, ESRI for Projections

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Government Surplus/Deficit as % GDP

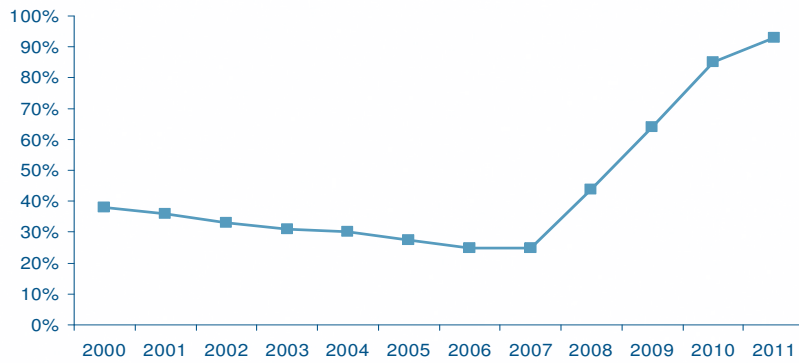


Source: CSO for Historic, ESRI for Projections

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Government Debt as % GDP



Source: CSO for Historic, ESRI for Projections

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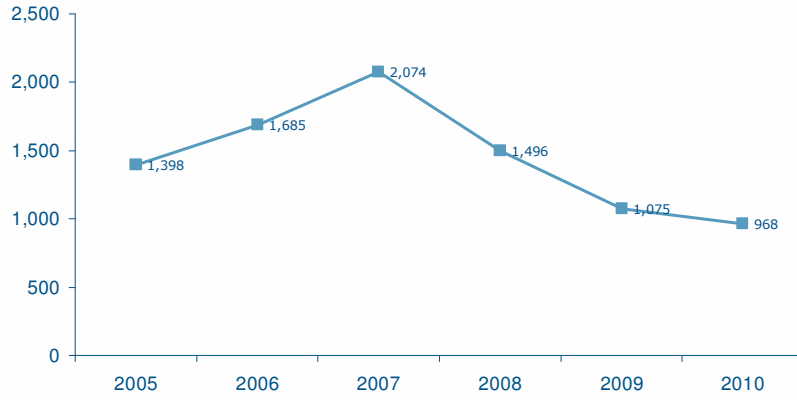
Government Economic Plans

- Slides written on Friday 19th!
- IMF/ECB/EU in town
- Expectation at this time
 - €15bn in further cuts
 - Bring down the deficit to 3% of GDP by 2014
 - €6bn in cuts this year
 - Additional EU funding for banks
 - Some EU support for the Government borrowing requirement
 - 12.5% corporation tax rate???

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Domestic Sales (excl Investment only)

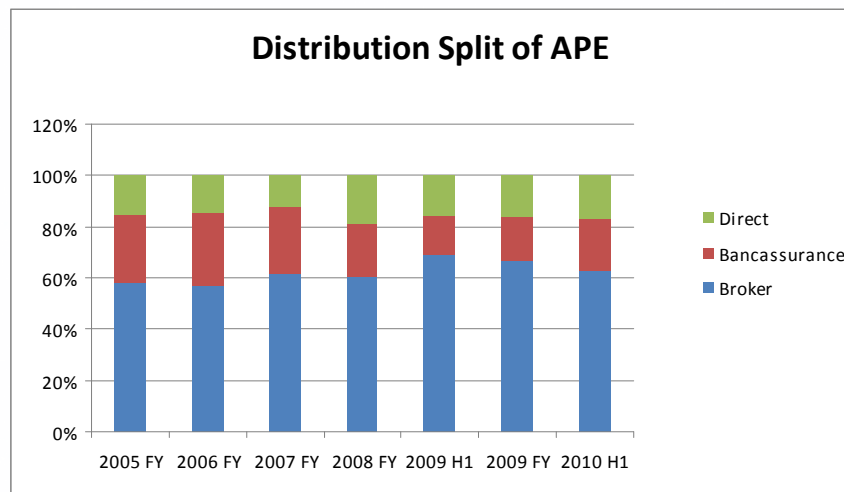


Source: Milliman analysis for domestic companies, Milliman forecasts

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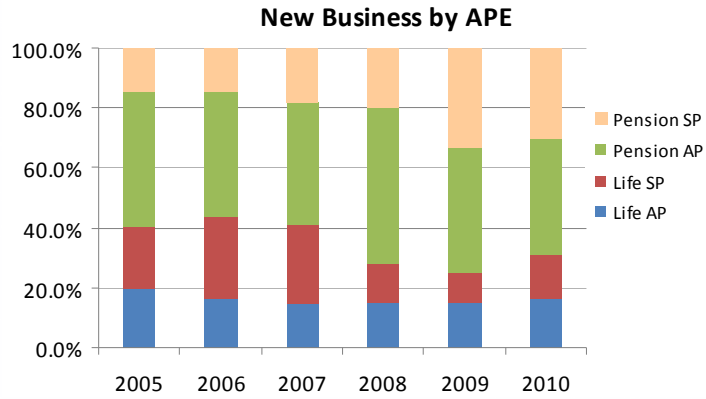
Distribution dominated by Broker



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Product share of APE



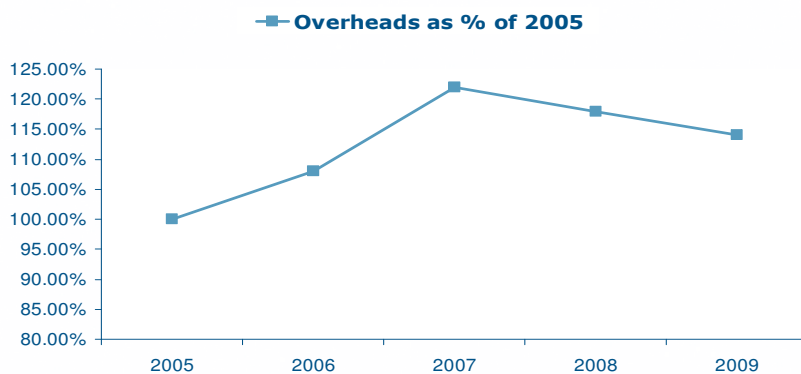
- Pensions and protection business more resilient in economic downturn - sharp decline in Investment business (Life SP) in 2008 and 2009

Source: Milliman analysis on behalf of domestic life insurers

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Sales Pressure = greater Costs focus



Source: Milliman analysis of annual regulatory returns for companies representing 75% to 80% of the market

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Another hot topic - persistency

- Persistency started to deteriorate from mid 2007
 - Surrenders, lapses, PUPs, premium reductions
- Deterioration peaked in 2009, improving trend since then
- Some of the measures taken by companies:
 - Dedicated retention teams
 - Increased MIS and activity management
 - Commission changes e.g. overrides on protection business replaced with future persistency commissions

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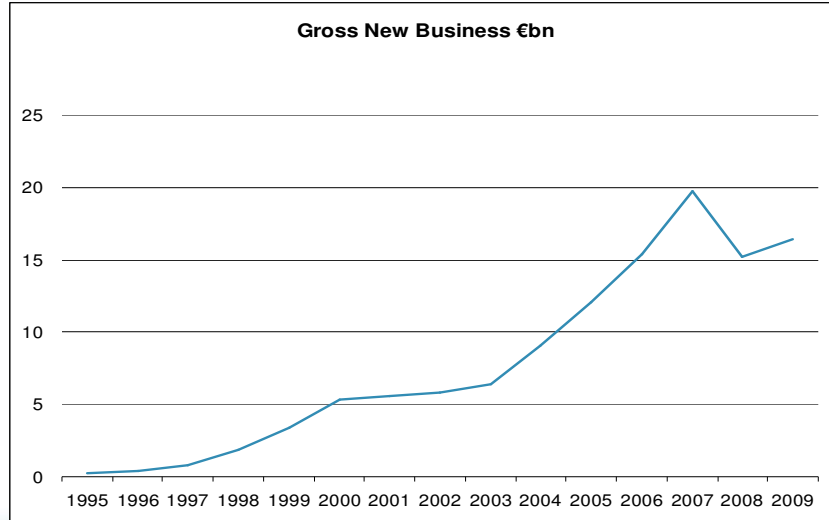
Opportunities in Life/Pension

- Demographic changes
- National Pensions Framework
 - Soft Compulsion
 - ARFs for Defined Contribution
 - Sovereign Annuities
- Opportunity to develop investment products with some guarantees
- Consolidation – New Ireland? Others?
- European Hubs

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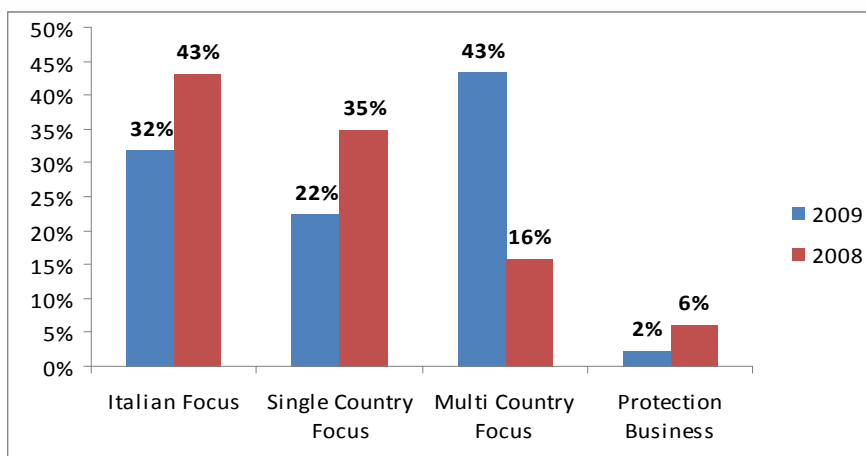
Cross Border sales growth since 1995



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Share of Cross Border Market



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Cross Border Market – Reasons for Resilience

- European markets performing better overall – though UK poor
- New Entrants
- New Distribution arrangements
- Spread of companies – some have done well and others poorly
- Widening beyond Unit Linked – Credit, Variable Annuity etc

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Key issues and challenges for insurers

- Getting sales back on a growth trajectory
- Distribution – e.g. UK Retail Distribution Review
- Managing persistency
- Getting cost base in line
- Solvency II
- Building Risk Management Culture
- Strategic developments – merger, sale, European Hub
- Scale to justify overheads

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Agenda for the day

Insights from the UK	Nick Dumbreck
An Italian Perspective	Paolo Luraschi
<i>Coffee Break</i>	
Managing Your Risks	Padraic O'Malley
Examining the Regulatory Pipeline	Kevin Manning
Closing Remarks	
<i>Finish by 6.00</i>	