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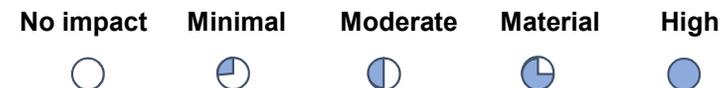
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# Areas of Focus



# Operational



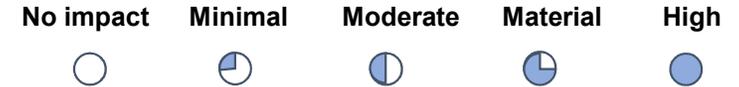
Implications:	Scale of impact:	Likely impact on US insurers:
Governance and operational infrastructure		<ul style="list-style-type: none"> <li>• <b>Passporting arrangement changes</b> may affect product distribution and regulatory costs.</li> <li>• Probable change in the <b>right to work cross-border in all current EU countries</b> may lead some insurers to <b>relocate or bilocate</b> to properly serve client base.</li> <li>• Bilocation may result in a need for <b>separate boards and governance structures</b>.</li> <li>• Relocation / bilocation could <b>raise tax issues (e.g., employment tax)</b> and training costs</li> </ul>
Cost of doing business		<ul style="list-style-type: none"> <li>• Current policy terms and conditions will have to be reviewed and <b>new policy information prepared and distributed based on UK or EU location</b>.</li> <li>• <b>Supplier costs may rise</b> with possible loss of open EU market.</li> <li>• Insurers may face <b>uncertainty on Solvency II equivalence for the U.K.</b></li> <li>• <b>Systems may need to be reconfigured</b> to reflect the new reality</li> </ul>
Legal and tax impacts		<ul style="list-style-type: none"> <li>• <b>Legal entity structures</b> may need to be reconsidered.</li> <li>• Insurers previously planning to have the UK regulator oversee all of their EU operations may need to <b>revise business plans, including tax planning</b>.</li> <li>• UK changes toward <b>global tax policies</b> previously agreed by the EU should be considered.</li> <li>• <b>Contractual obligation and arrangements with customers</b> and commercial counterparts need to be re-evaluated.</li> </ul>

# Financial Implications



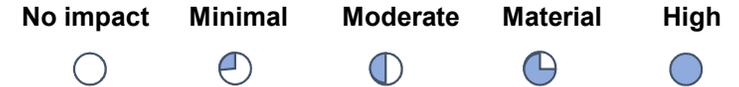
Implications:	Scale of impact:	Likely impact on US insurers:
Interest rates		<ul style="list-style-type: none"> <li>Increases pressure on central banks <b>to maintain low interest rates</b> to mitigate economic risks.</li> <li>Prolongs the period of <b>low investment returns</b>, requiring revision of investment strategy and allocations.</li> <li>Increases the <b>need for tighter asset liability management</b> as well as <b>improved underwriting and pricing models</b>.</li> </ul>
Foreign exchange and currency volatility		<ul style="list-style-type: none"> <li>Clear <b>short-term earnings implications</b> for US insurers with EU operations.</li> <li>Possible <b>increased collateral requirements</b> to cover open positions that may lead to liquidity challenges.</li> <li>Potential <b>impact on hedging strategies</b>.</li> </ul>
Capital cost		<ul style="list-style-type: none"> <li><b>Cost of raising capital may rise</b> because of associated volatility and possible reduction in available funds.</li> </ul>

# Regulatory



Implications:	Scale of impact:	Likely impact on US insurers:
Global regulatory standards		<ul style="list-style-type: none"><li>• <b>Regulatory uncertainty</b> will increase for the foreseeable future.</li><li>• Prior to Brexit, the prospect was for a <b>lengthy debate on various measures</b>, including capital standards. This vote may extend that process.</li><li>• Prolonged uncertainty may be the new normal, with <b>concomitant increased risk</b>.</li></ul>
Fragmentation		<ul style="list-style-type: none"><li>• Strong national regulators may <b>reassert control over country-specific regulatory environments</b>, slowing the process towards creating a level playing field.</li><li>• <b>Cost of compliance</b> to meet differing regulatory authorities may increase.</li></ul>
Regulatory arbitrage		<ul style="list-style-type: none"><li>• At a time of heightened volatility and uncertainty, <b>regulators may drop standards</b> because of the need to make their countries attractive as a place to do business.</li><li>• This may increase the risk profile of insurers, making it more important to <b>maintain effective risk management</b> and not rely on local regulators.</li></ul>

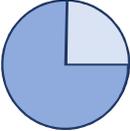
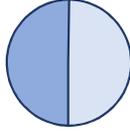
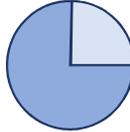
# Strategic



Implications:

Scale of impact:

Likely impact on US insurers:

<p>Economic and political uncertainty leading to a slowdown in global economy</p>		<ul style="list-style-type: none"> <li>• May spur more carriers to <b>consider consolidation</b>.</li> <li>• Increases <b>pressure on underwriting</b> in an environment of limited premium growth and lower investment returns, where earning opportunities may be limited.</li> </ul>
<p>Competitive positioning and investment decisions</p>		<ul style="list-style-type: none"> <li>• Need to <b>reevaluate strategy for growth opportunities</b>, particularly for insurers that may have been looking into the EU for future economic expansion.</li> </ul>
<p>Opportunities</p>		<ul style="list-style-type: none"> <li>• <b>M&amp;A options likely to expand as non-US insurers seek to acquire US carriers</b> for diversification, as well as to capitalize on the stable and profitable U.S. market amidst global volatility.</li> <li>• EU uncertainty <b>may create disruption but also expansion opportunities for US insurers</b>, as affected EU or non-EU companies evaluate where they do or seek to do business.</li> </ul>

# Contingency Planning



Implications:

Scale of impact:

Likely impact on US insurers:

Risk management		<ul style="list-style-type: none"><li>Companies have an opportunity to build out their <b>risk frameworks through the ORSA process</b> and use these new tools to examine the risk and financial implications on their business.</li></ul>
Potential political changes		<ul style="list-style-type: none"><li>Brexit vote may possibly be followed by other <b>political shifts</b>, necessitating preparation for significant changes in the EU operational climate. Among the considerations:<ul style="list-style-type: none"><li>- What does the British withdrawal mean for the <b>remaining EU states</b>?</li><li>- How will <b>company risk</b> be affected in the context of a new EU that could possibly shrink further?</li></ul></li></ul>
Sovereign debt		<ul style="list-style-type: none"><li>The ability of various EU countries to service their sovereign debt may be affected, a <b>consideration for capital management</b>.</li></ul>