

EY's leadership in the insurance sector



Building a better
working world



Insurance sector

An industry refocused on growth

I am delighted to introduce you to our *Leadership in the insurance sector* publication on insurance in Ireland and abroad.

The global insurance market is remarkably strong, despite continued fallout from the financial crisis. Low interest rates coupled with relatively poor investment returns have impeded growth. However, demand for insurance products and services remains high.

Ireland is an amplified case where the impact of the Eurozone crisis has been very visible. Over the last decade the domestic Irish market has grown rapidly and subsequently contracted such that the current market is lower than it was 10 years ago. It remains a critically important industry to the Irish economy, contributing over €1.1bn in tax to the Irish exchequer, employing over 15,000 in jobs and providing links between Ireland and the wider global economy. The size and importance of the industry is also reflected in its diversity and complexity, with the industry comprising both domestic and international businesses in insurance and reinsurance.

Expansion in the market mirrored the economic and property cycle to a peak in 2007. Contraction in premium has similarly mirrored the contraction in the overall economy. With premium volumes at less than half of pre-crisis levels for life insurers and 75% for general insurers and no apparent or identifiable upturn in volumes imminent, there is a clear pressure to rightsize the industry through consolidation and revisiting the operating platforms used to deliver products. Despite the falling premium levels, there are a number of companies using Ireland as a pan-European insurance base.

Added to economic pressures is the regulatory landscape which is continually evolving. The regulatory agenda remains at the forefront of insurance executives' concerns for the future. In particular, it is the number one risk in our most recent risk management survey and is expected to remain at the top of the agenda for the foreseeable future. Local prudential regulation is giving way to European regulation in the form of Solvency II and further globalised regulation, with the IAIS driving forward the common framework for internationally active groups and additional FSB requirements for those companies identified as globally systemically important insurers. Regulatory change however has not all been prudentially focused with increasing attention being paid to conduct of insurers whether in respect of fairness and suitability considerations right through to operating considerations and on into compliance risks.

At EY, we strive to keep you prepared by providing insights into the nuances of your market as well as global trends putting pressure on the industry. Our website, www.EYFinancialServicesThoughtGallery.ie, is regularly updated with new content on the issues affecting your business.

This document is designed to provide you with a short, practical guide to the services we provide to our insurance clients, both in Ireland and abroad. You will also find details for the relevant contacts.

I hope that you find it useful. Please do not hesitate to contact me, or any of the insurance team, with any queries or comments.



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EY's leadership in the insurance sector



Our global reach

We are the most globally integrated Big Four organisation and bring a truly borderless approach to the global markets we serve. This unique structure delivers a reliable, efficient and high quality service to our clients. As a result, our clients can benefit from fast response time and customised services, as well as broad, experienced teams with deep industry knowledge and a consistent approach.

Our commitment

Whether it is audit services, managing risk, replacing and developing systems or enhancing data quality, we are committed to helping your organisation reach its full potential.

Global Insurance industry overview

- ▶ Distribution of premiums shifted significantly across the past 50 years from US and Europe towards Asia and other non-Asian emerging markets.
- ▶ In advanced markets, while difficult economic conditions affect insurers, insurance premium growth outpaced economic growth for the first time in several years.
- ▶ In emerging markets, premium growth hit a soft spot in 2012 but is expected to accelerate again. The relative importance of emerging markets will continue.
- ▶ Insurers are focused on rebuilding their businesses after the financial crisis. Signs of improvements were observed especially in the last six months.
- ▶ M&A activity in the insurance industry continued to move north in 2013, largely driven by acquisitions made by private equity firms seeking diversification.
- ▶ Regulations are here to stay and insurers will need to continue to make investments in advanced risk management and reporting capabilities.
- ▶ Maintaining a strong and stable capital position remains a common strategic priority while the European insurers continue to prepare for Solvency II implementation.

How EY can help

- ▶ Insurance is one of EY's largest sectors, with approximately 9,600 professionals worldwide dedicated to the industry and its business issues.
- ▶ EY has approximately 5,000 assurance professionals worldwide working in insurance who have dedicated over 2.7 million hours in the past fiscal year serving our clients.
- ▶ EY services 9 of the Forbes Global 2000 top 10 insurance companies, and audits 24% of the insurance companies on the list providing us with the second largest market share.
- ▶ EY is the largest Insurance consulting provider by client spend in 2012 (source: Kennedy Consulting Research and Advisory Estimates).

Insurance services

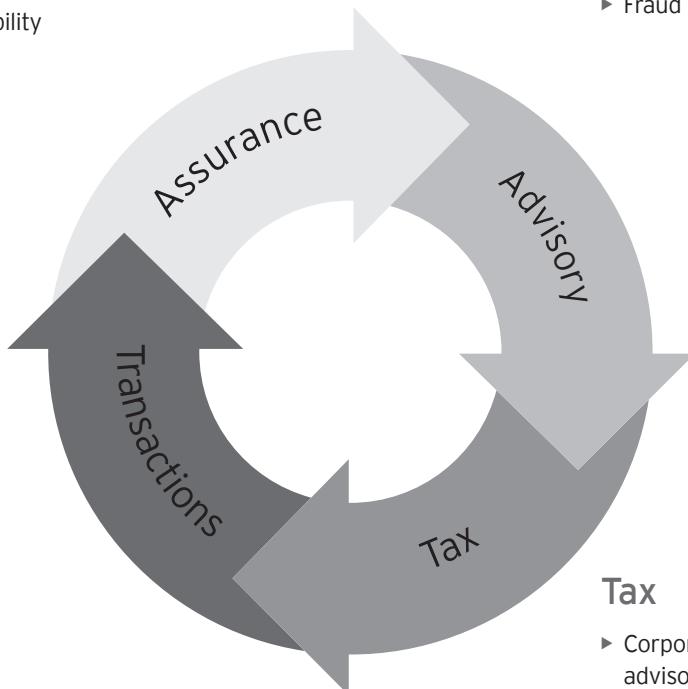
We provide global services in four main areas

Assurance

- ▶ Accounting compliance and reporting
- ▶ Financial accounting advisory services (FAAS)
- ▶ International financial reporting standards (IFRS)
- ▶ Climate change and sustainability services

Advisory

- ▶ Risk management
- ▶ Finance management
- ▶ Operations improvement
- ▶ Integrated actuarial risk management
- ▶ Fraud investigation and disputes



Transactions

- ▶ Transaction support
- ▶ Transaction tax
- ▶ Restructuring
- ▶ Mergers and Acquisitions (M&A) Advisory
- ▶ Sell-side
- ▶ Valuation and business modeling
- ▶ Transaction integration
- ▶ Transaction real estate

Tax

- ▶ Corporate tax compliance and advisory services including iXBRL
- ▶ Tax-efficient structuring and financing
- ▶ Tax aspects of Solvency II including recognition of deferred tax assets
- ▶ Tax risk management
- ▶ FATCA impact analysis, implementation and compliance
- ▶ Transaction taxes, e.g. FTT, Stamp Duty, Transfer Taxes
- ▶ Insurance premium tax assessment and compliance



Assurance

Strong independent assurance provides a timely and constructive challenge to management, a robust and clear point of view to audit committees, and critical information for investors and other stakeholders.

Our audit quality starts with assurance professionals who have experience auditing many of the world's leading financial services institutions. We respond swiftly, mobilise to meet your needs and customise an audit plan that focuses on the early identification of business and control vulnerabilities as well as opportunities. And as a leader in the use of technology to facilitate audit execution and client communication, our teams have ready access to the latest accounting and auditing information.

Our global audit methodology focuses on how your business works and on understanding the risks related to financial statements and internal controls over financial reporting. We provide a flexible audit framework with a systematic approach to planning an efficient and effective audit.

On this foundation, we collaborate with clients to co-develop expectations, reduce risk and provide an audit tailored to their needs. Our audit services draw upon:

- ▶ An in-depth understanding of the industry supported by a professional team dedicated full-time to the asset management sector
- ▶ Leading practice insights resulting in recommendations for improvement of internal controls and operational efficiency
- ▶ A global audit methodology, consistently applied

In addition to external audit, we provide other attestation services as required by global or local regulations, or both, including:

Financial accounting advisory services (FAAS)

FAAS brings our deep experience in technical accounting matters together with capabilities from across all four service lines. We provide clients with timely, customised insights regarding significant accounting changes and GAAP conversions (including IFRS), accounting support for due diligence, assistance on IPOs, accounting guidance for finance function transformation, and support for implementing new standards and improving financial communication including iXBRL.

International financial reporting standards

The development of a new accounting standard for insurers is a key initiative in financial reporting. Its impact extends far beyond accounting to affect every important decision you make, not just how you report it. EY has developed the global resources – people and knowledge – to support our client teams. And we work to give you the benefit of our broad industry experience, our deep subject matter knowledge and the latest insights from our work worldwide.

Climate change and sustainability services

Our Climate Change and Sustainability Services can help you demystify the highly complex world of sustainability and assist you in taking concrete actions to identify competitive advantages, increase operational efficiency and mitigate risk.

Through our assurance services, we help our clients improve accuracy and reliability when reporting transparently in the market. We help organisations make better business decisions by bringing ESG concepts out of the sole purview of the sustainability function into strategic risk, supply chain, marketing, product development, finance and internal audit. We assist organisations in managing corporate compliance and operational improvement by helping organisations manage environmental and sustainability regulations and voluntary initiatives using a pragmatic business approach that focuses on improving client operations by providing cost-effective solutions to material risks.

Our Assurance contacts:



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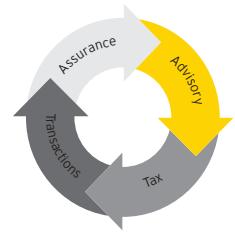
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Advisory

Operations, risk and finance management activities, as well as compliance and internal audit programs, are not just functional parts of a business – they are complex and interlinked, and their effectiveness impacts the bottom line.

By first identifying and helping you understand your institution's business risks and areas of improvement, our advisory professionals then develop pragmatic plans to enhance processes, address issues and assist with implementing measurable and sustainable performance enhancements. With former industry practitioners and regulatory professionals, as well as recognized business leaders, we bring together diverse perspectives and experience to work with you across the following key areas:

Risk management

Decision-makers today must plan to manage, mitigate and capitalise on the risks they know; respond to new risks as they emerge; and manage a range of compliance activities. Our risk management, compliance and regulatory professionals help assess options and improve processes, and assist with the management of risk as an enterprise-wide discipline. Whether you are facing challenges managing credit risk, market risk, operational risk and quantitative analysis or regulatory compliance, our team has a broad range of experience.

Finance management

As it becomes clear that the finance function affects every corner of the enterprise, today's finance departments are under growing scrutiny. Accordingly, an approach to people, processes and technology is needed.

As a trusted advisor of chief financial officers, we can help you develop or refine the vision of your finance function. We will help you focus on processes and reduce costs, provide guidance on accounting process changes – such as a conversion from US Generally Accepted Accounting Principles (GAAP) to International Financial Reporting Standards (IFRS) – and support information technology (IT) initiatives.

Operations management

In the unprecedented economic environment many clients have already embarked on cost reduction programs. Our performance improvement professionals help organisations to examine options, implement their programmes, accelerate their cost efficiency programmes and ensure that low cost performance is sustainable. We understand it is essential to build and maintain effective and efficient operations that support strategic goals, regulatory requirements and emerging demands. By providing practical recommendations that assist in making tough decisions on how to align, optimise and sustain operating environments, we can help improve and integrate processes and controls, enhance productivity and reduce costs.

Integrated actuarial risk management

We work with financial institutions (insurance companies, banks, pension funds, private equity firms, sovereign funds, etc.) as well as with local regulators to provide actuarial advisory services including:

1. Capital and risk management (ALM, Solvency II, ERM, hedging, economic capital, MCEV/EEV, etc.)
2. Financial reporting (US GAAP, IFRS, Statutory valuation)
3. Internal and external audit (SOX404, actuarial process and control review, etc.)
4. Merger and acquisition
5. Actuarial transformation
6. Actuarial modeling (Our modeling services include modeling outsourcing, ALM and capital modeling, model conversion/ enhancement, stochastic modeling, pricing modeling, etc.),
7. Distribution and claim advisory

Fraud investigation and disputes

Dealing with the complex issues of fraud and business disputes detracts from efforts to achieve your company's potential. Our investigative and dispute professionals deliver the analytical and technical skills needed to quickly and effectively conduct financial investigations, quantify economic damages and gather and analyse electronic evidence.

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Tax

EY's global insurance tax practice brings together the broad industry and tax knowledge of thousands of professionals. With offices worldwide, we are the leading service provider to the insurance industry having been named by Kennedy Consulting Research & Advisory as the leading provider of insurance consulting services globally.

In Ireland we provide tax services to both the domestic and international insurance industry covering life, insurance and reinsurance entities. We also provide tax services to insurance related service providers who have operations here.

Our team has significant experience of the insurance industry which enables us to provide clear and practical tax advice. Our clients benefit from our close interaction with our advisory colleagues which ensures that the tax advice we give takes into account regulatory and commercial considerations.

The breadth of our tax services ranges from compliance and tax audit assistance through to tax planning.

Our tax services include:

- ▶ Corporate tax compliance services including iXBRL
- ▶ Corporate tax advisory services
- ▶ Feasibility and set up advice
- ▶ Tax-efficient structuring and financing
- ▶ Tax aspects of Solvency II including recognition of deferred tax assets
- ▶ Tax accounting and risk advisory (tax risk management)
- ▶ Minimising operational taxes such as foreign withholding tax
- ▶ FATCA impact analysis, implementation and compliance
- ▶ Due diligence
- ▶ International tax planning, including transfer pricing and global tax analysis
- ▶ Tax implications of rationalisation of group structure including mergers
- ▶ Transaction taxes, e.g., FTT, Stamp Duty, Transfer Taxes
- ▶ Insurance premium tax assessment and compliance
- ▶ VAT planning and compliance
- ▶ Human capital, including performance and reward
- ▶ Tax controversy including pre-Revenue Audit assistance
- ▶ Research and development tax credits, in particular for significant IT spend

From an industry perspective, we are active members of An Taoiseach's insurance committee, which is a representative body for the insurance industry in Ireland. In particular, we have played a key role in the development of tax policy and legislation through our representation on the Tax Sub-Committee.

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Transactions

Because transactions are inherently risky, they require a particular set of skills. Our transaction professionals around the globe work with some of the world's largest and fastest-growing companies, including leading private equity firms, on thousands of transactions across markets and industry segments. We can bring together the people you need, wherever you need them.

Transaction support

You want to reduce the risks and uncertainty surrounding transactions. Our team can assist you in analysing target companies by identifying critical factors affecting historical operating results and evaluating an entity's ability to generate sustainable earnings. We also can help you prepare for a buyer's rigorous scrutiny of your business.

Transaction tax

Every transaction has tax implications. By understanding them, you can mitigate risk and strengthen your negotiating position. By combining diverse cross-border transaction experience with local tax knowledge, our transaction tax advisors can help you make informed decisions about taxes across a range of industry sectors. We can suggest ways to balance investor sensitivities, promote exit readiness and increase opportunities for improved returns.

Restructuring

Our global network of restructuring professionals can help you find financial and operational methods to improve liquidity, credit availability and returns to your stakeholders. Our multidisciplinary teams offer integrated, objective advice and help you evaluate opportunities, improve transactions and achieve your strategic goals – whether you are buying or selling a distressed asset, restructuring your business or dealing with underperformance or cash management.

Mergers and Acquisitions (M&A) advisory

Our global network of M&A professionals can help you achieve your objectives across acquisitions, disposals, buy-outs, buy-ins, fund-raising, initial public offerings, takeovers, and mergers. These multidisciplinary teams work with you from conception through close of a transaction. Whatever your needs, we focus on helping you choose the right transaction for your investors. Our strong track record in advising market-leading businesses and private equity firms demonstrates our commitment to securing your long-term success.

Sell-side

EY can help your company achieve its objectives via disposals, spin-offs and carve-outs. We assemble skilled teams to help you link transaction strategy with business strategy, reduce complexity and mitigate risk. We can help you fulfill your fiduciary duties to shareholders, boards, partners and others who need objective financial analysis. We can also help facilitate your move from public to private ownership.

Valuation and business modeling

Increased regulatory obligations and market scrutiny heighten your need to objectively value strategies, assets and transactions. Our valuation and business modeling team can help you make informed decisions by advising you on the value of businesses, shares or commercial assets and by aiding you with building, reviewing and strengthening business models.

Transaction integration

Integration can make the difference between a market-leading asset and a write-off. EY can help you rapidly increase transaction value by planning effective strategies for integration or separation, identifying synergies and sources of value, and mitigating risk. We can advise you on successfully transitioning operations, functions and people.

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A selection of thought leadership

We work proactively to provide our clients with the latest information on trends and issues affecting the insurance industry and value the opportunity to share our insights with clients through our extensive catalogue of thought leadership and client briefings.



The EY Financial Services Thought Gallery

The EY Financial Services Thought Gallery is a new resource for you to keep abreast of the latest news, regulatory issues and ideas from thought leaders in the insurance industry. Our ambition for the Thought Gallery is to provide you with engaging content on the most important topics facing the insurance industry while also providing a platform for you to respond with your own commentary.

The Thought Gallery will also host Events which will bring together financial practitioners, academics and regulators to share ideas, experiences and the impending implications of new regulations.

Please visit www.eyfinancialservicesthoughtgallery.ie for more.

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

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