



SIAS: Can non life / general insurers generate better investment returns?

Tuesday, 2nd October 2018



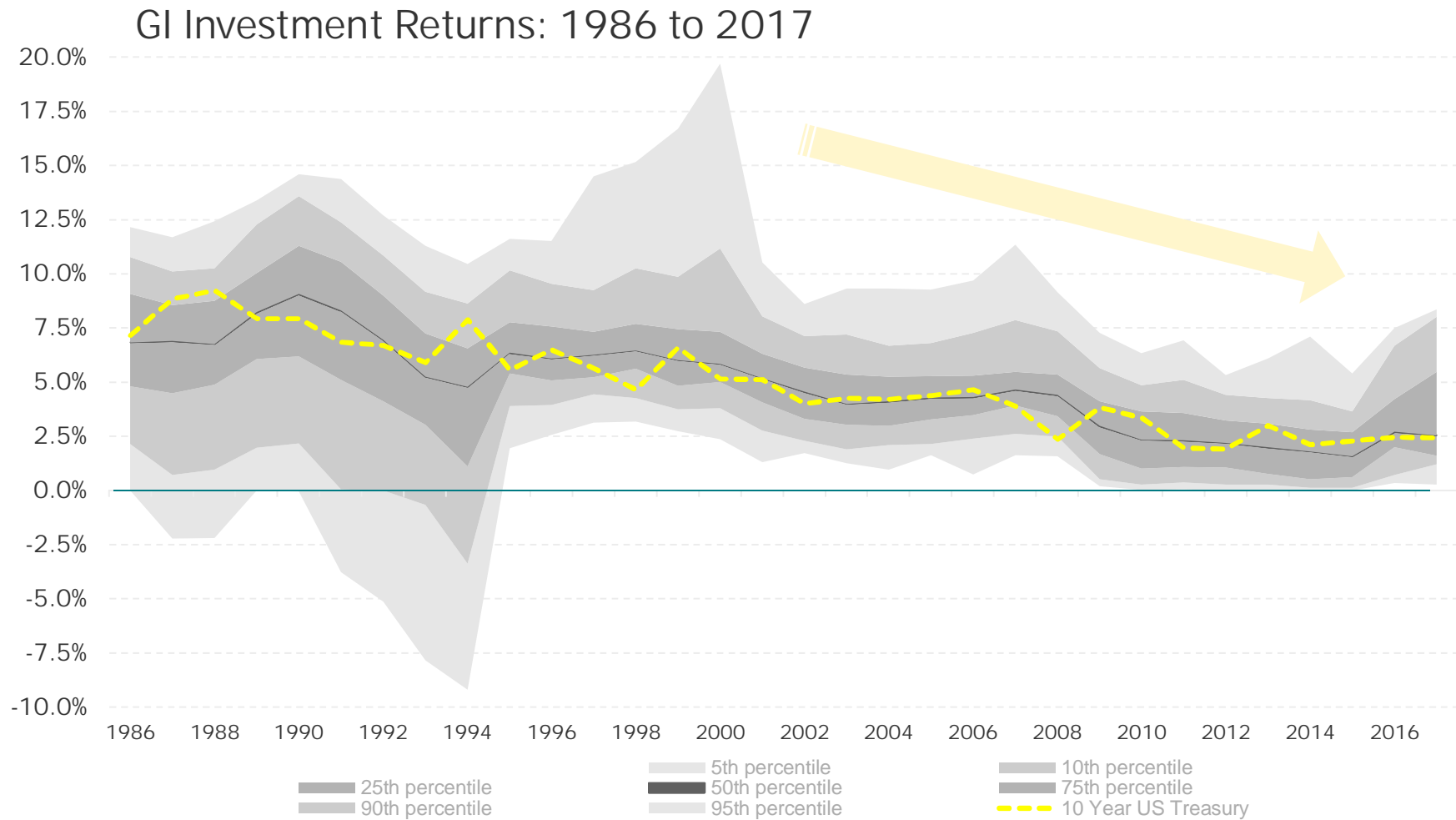
Welcome and introduction

Simy Prakash, EY

1. What challenges are insurers facing?
2. What approaches are they taking to investments?
3. What have investment results been like?
4. Why are insurers reviewing their asset strategy?
5. Why do insurers use asset managers & how do they and other (institutional) investors select them?



What's the challenge for GI firms?



Various internal pressures at insurers



Risk Takers
CEOs, CFOs, CIOs ?

Risk Reducers
CROs, CCOs?

“Are we an insurer or an investor?”

“Is trying to achieve a positive investment return like last year possible?”

“Are we taking unintended risks?”

GI Investment Strategy Approaches

Conservative

Targets <1% and holds traditionally “Core” assets like cash & short duration fixed income to closely match liabilities.

“We’re looking to minimise capital, not lose money and target a conservative return”

Mixed

Targets <2%. Holds “Core” and some “Non Core” assets like diversifying credit, property or absolute return style strategies.

“We want to make some extra returns for some extra risk”

Innovative

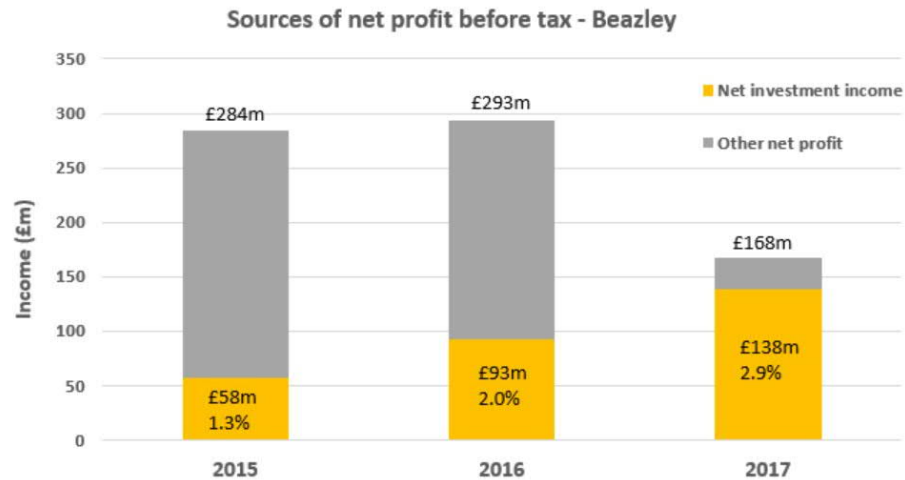
Holds a mix of diversified strategies with an aim to generate risk-adjusted returns in line with business objectives and can react quickly to markets.

“We have an investment strategy and holistically think about risk and return and accept a higher capital charge”



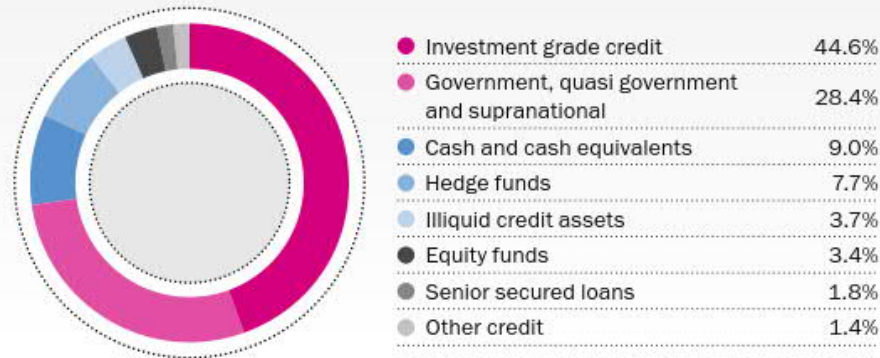
Complementary archetypes – no ‘one size fits all’ or ‘correct’ approach

GI “Innovative” Case Study: Beazley



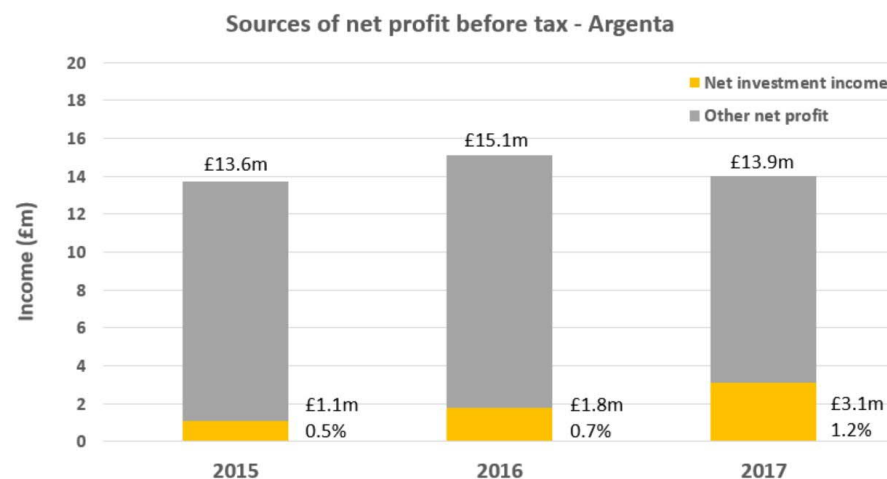
Stuart Simpson, who took on the role of chief investment officer from 2016, observes: “In investment management, conservatism does not mean being slow off the mark and decisiveness need not be rash. Sometimes you need to act quickly and decisively in pursuit of a conservative strategy, to extract additional value or to protect returns.”

Beazley investment portfolio mix



“We see a role for active stock picking in emerging markets and our managers delivered a good return, net of expenses, on these investments in 2017,” says Stuart Simpson. “However in developed markets we prefer essentially passive and systematic strategies with lower fees.”

GI “Conservative” Case Study: Argenta

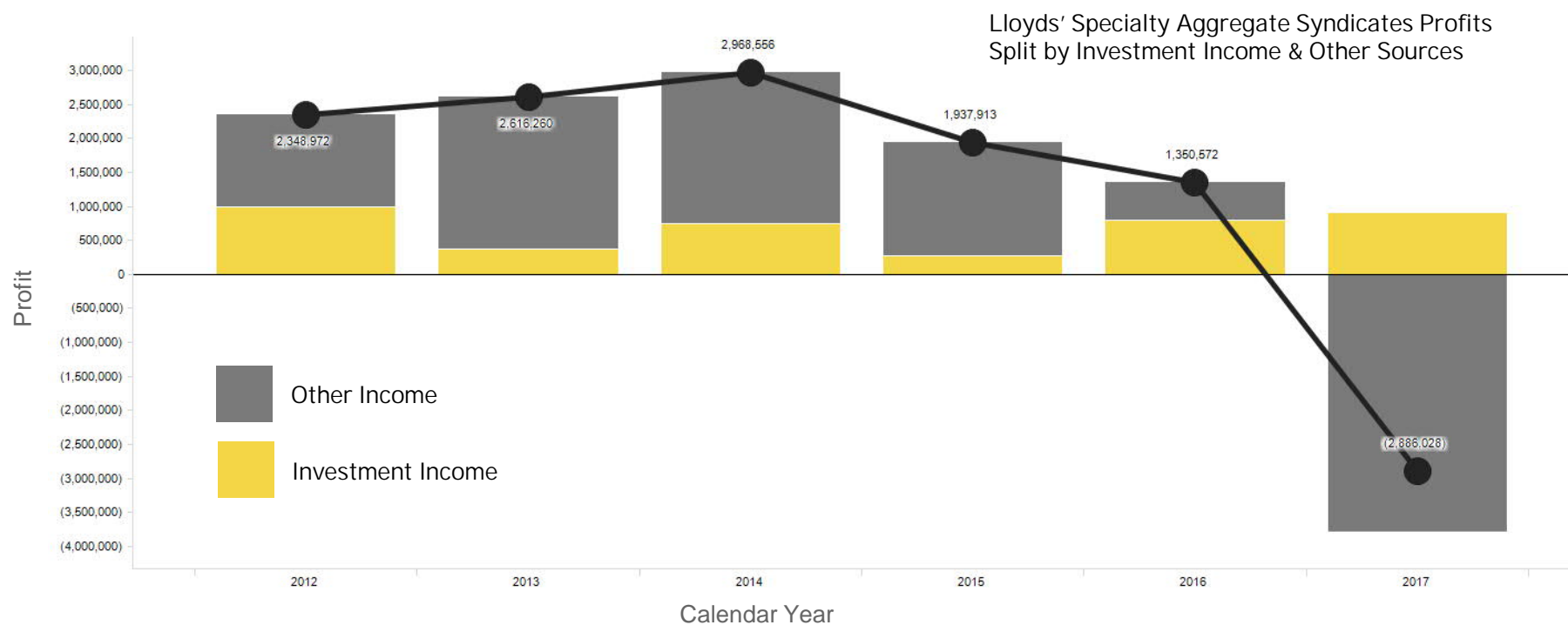


Investment managers and policy

During 2017 **Insight Investment Management (Global) Limited (“Insight”)** has been responsible for investing the vast majority of the syndicate’s assets within a fixed income portfolio. The syndicate’s Canadian dollar assets in the regulated trust funds are managed by **Lloyd’s treasury** within a fixed income portfolio. The returns achieved on these portfolios are measured with reference to appropriate benchmarks.

In addition to the fixed income portfolios Insight also managed a separate portfolio of **multi asset absolute return funds** within a UCITS structure. Initially this represented approximately 18% of the syndicate’s assets although it was reduced to closer to 14% by the year end. The objective of this asset class is to optimise investment returns consistent with capital preservation and liquidity, within regulatory constraints, whilst using assets that give diversification from the fixed income portfolio.

Investment income increasingly important



Conclusion

- | | | |
|----|---|--------------------------------|
| 1. | What challenges are insurers facing? | Many |
| 2. | What approaches are they taking to investments? | Varies |
| 3. | What have investment results been like? | Positive, but declining |
| 4. | Why are insurers reviewing their asset strategy? | Growth |
| 5. | Why do insurers use asset managers & how do they and other (institutional) investors select them? | Expertise, varies |

Thank you

Simy Prakash, EY

simy.prakash@uk.ey.com

Simy Prakash leads EY's Investment Advisory practice for non-life insurers and has experience working with insurers and pension schemes on a range of investment topics including investment strategy, asset allocation, risk management and manager selection. She joined EY from Schroders in 2017 and prior to this she advised a number of non-life insurers at River & Mercantile and worked in MS Amlin's investment front office team responsible for investing group assets. She was a member of Aon Hewitt's Global Investment Management team where she lead on researching and selecting asset managers across a number of asset classes for institutional clients.



EY | Assurance | Tax | Transactions | Advisory

Ernst & Young LLP

© Ernst & Young LLP. Published in the UK.
All Rights Reserved.

ED None

The UK firm Ernst & Young LLP is a limited liability partnership registered in England and Wales with registered number OC300001 and is a member firm of Ernst & Young Global Limited.

Ernst & Young LLP, 1 More London Place, London, SE1 2AF.

[ey.com](https://www.ey.com)

Disclaimer

The views expressed in this presentation are those of the presenter and not necessarily those of EY. EY do not endorse any of the views stated, nor any claims or representations made in this presentation and accept no responsibility or liability to any person for loss or damage suffered as a consequence of their placing reliance upon any view, claim or representation made in this presentation.

The information and expressions of opinion contained in this publication are not intended to be a comprehensive study, nor to provide investment advice or advice of any nature and should not be treated as substitute for specific advice concerning individual situations. On no account may any part of this presentation be reproduced without the written permission of the author.