



Run-off – A strategic approach

AXA Liabilities Managers

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Overview and trends in the P&C legacy market

Trends in P&C legacy

Initial phase

US asbestos crisis

EU insurers exit reinsurance

Use of Schemes of Arrangements



London market insolvencies

Emergence of run-off teams, service providers, legacy acquirers, commutations rdvs



...Difficulty to get claims paid...
...Image issues for legacy players...



Trends in P&C Legacy

Current phase

HOW TO DEFINE RUN-OFF



Company in run-off

Obsolete IT

Line of business in run-off

Non transferable skills

ACTIVE MANAGEMENT



Internal run-off teams self-managing the business which could be followed by:

Retention

- ✓ AXA
- ✓ AIG
- ✓ Aviva
- ✓ Generali
- ✓ Zurich
- ✓ RSA
- ✓ Munich Re
- ✓ Swiss Re
- ✓ QBE
- ✓ SCOR

Reinsurance

- ✓ AIG
- ✓ Aviva
- ✓ RSA
- ✓ QBE

Sale

- ✓ Zurich
- ✓ RSA
- ✓ Equitas
- ✓ Globale Rück
- ✓ Munich Re
- ✓ Generali
- ✓ QBE



Trends in P&C Legacy

A progressive definition

1 Asbestos & Reinsurance

Initial drivers

2 Insurance

Current phase – Insurance portfolios disposed of after a self-managed period

3 Green run-off

Emerging phase - *'Exit & Sell'*

Trends in P&C Legacy

Redefinition of legacy business in a changing world

NOW



**Greater transparency (Solvency II),
low interest rate environment &
shareholder pressure to deliver
returns**



**Disruption & focus
(new products, new IT, new distribution)**

FUTURE?

Obsolescence of existing products,
IT platforms and distribution channels?



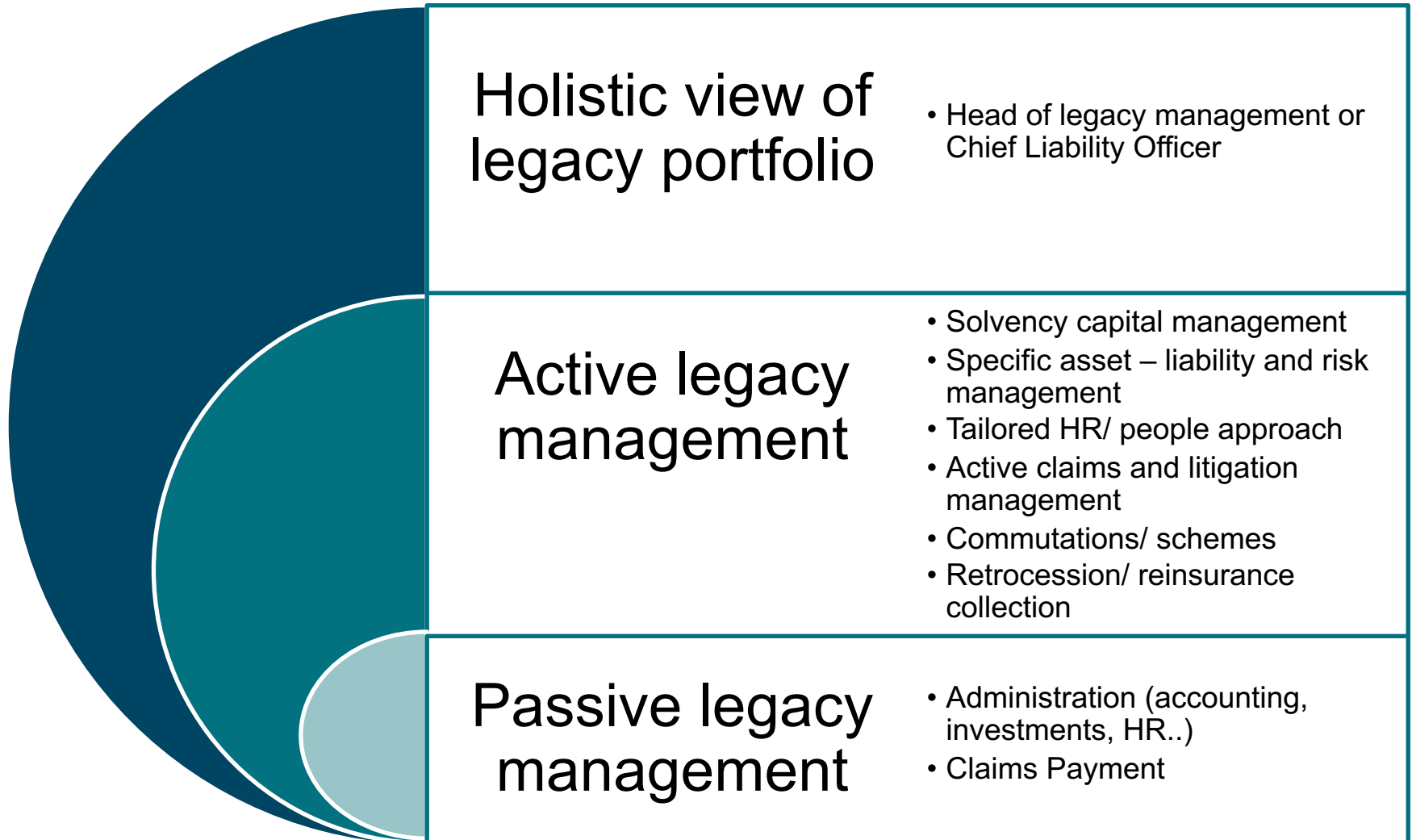
Maintain a high level of trust



2

Why sell?

It takes more than a back-office team



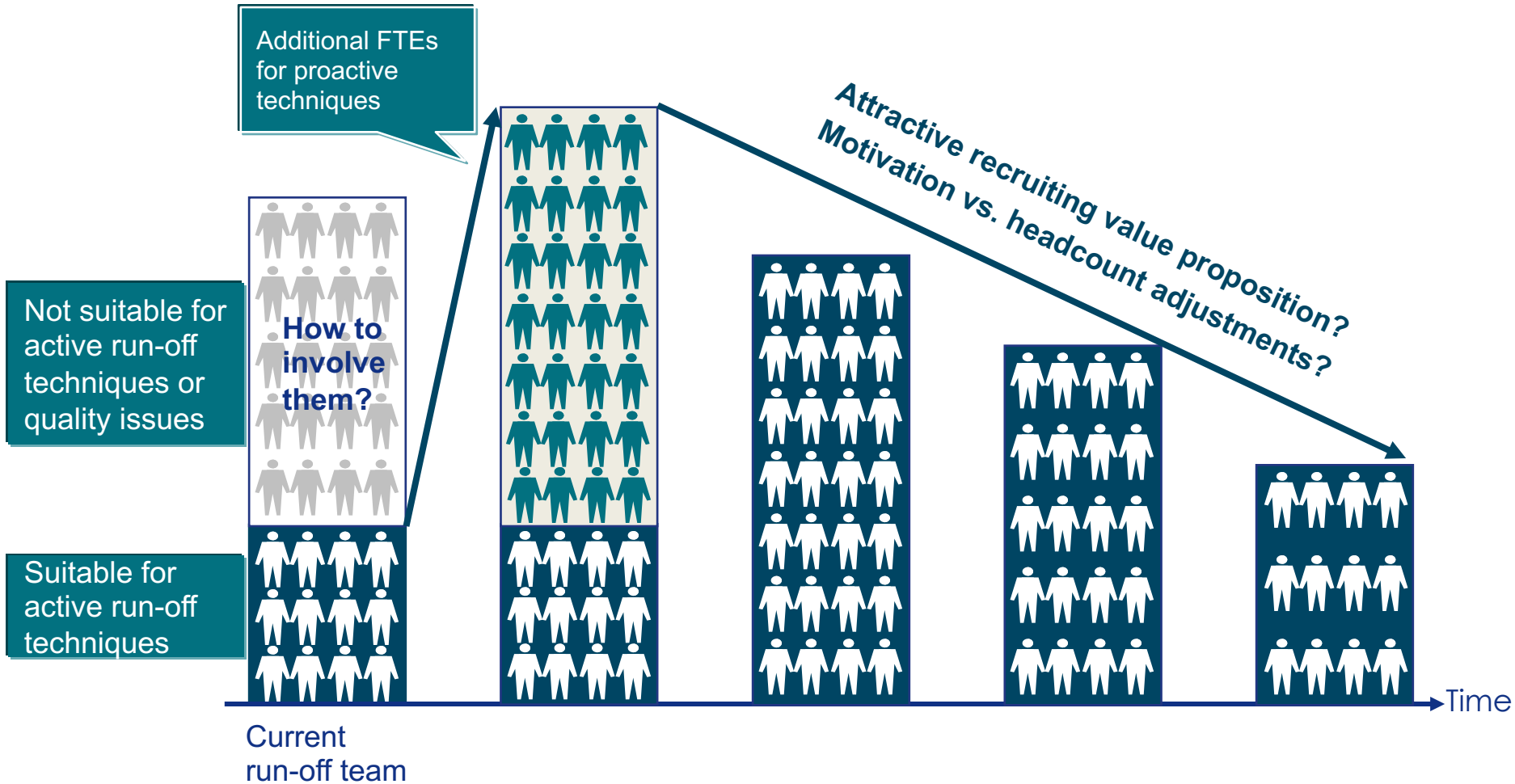
A truly active approach need several specific ingredients

Portfolio strategy	Clear mid-term action plan on how to actively manage portfolio, e.g. prioritization of key litigations, commutations, ...
Experienced specialists	Employees with experience in specific active run-off techniques, e.g. commutations, litigation, specific actuarial expertise
Active run-off mindset	<ul style="list-style-type: none">• Proactive, financial management approach on run-off portfolio, not passive, follow-the-fortune back-office admin attitude
Skills in key risks	Specific expertise in key long-tail risks, e.g. asbestos, D&O, and general liability teams including former underwriter from original time period
Presence in key locations	Commutations and claims teams with specific market and language skills in key locations, e.g. London market, Dubai
Management attention	Senior management with independence from active business and significant time focused on active run-off techniques, e.g. commutation negotiations or regulator interactions

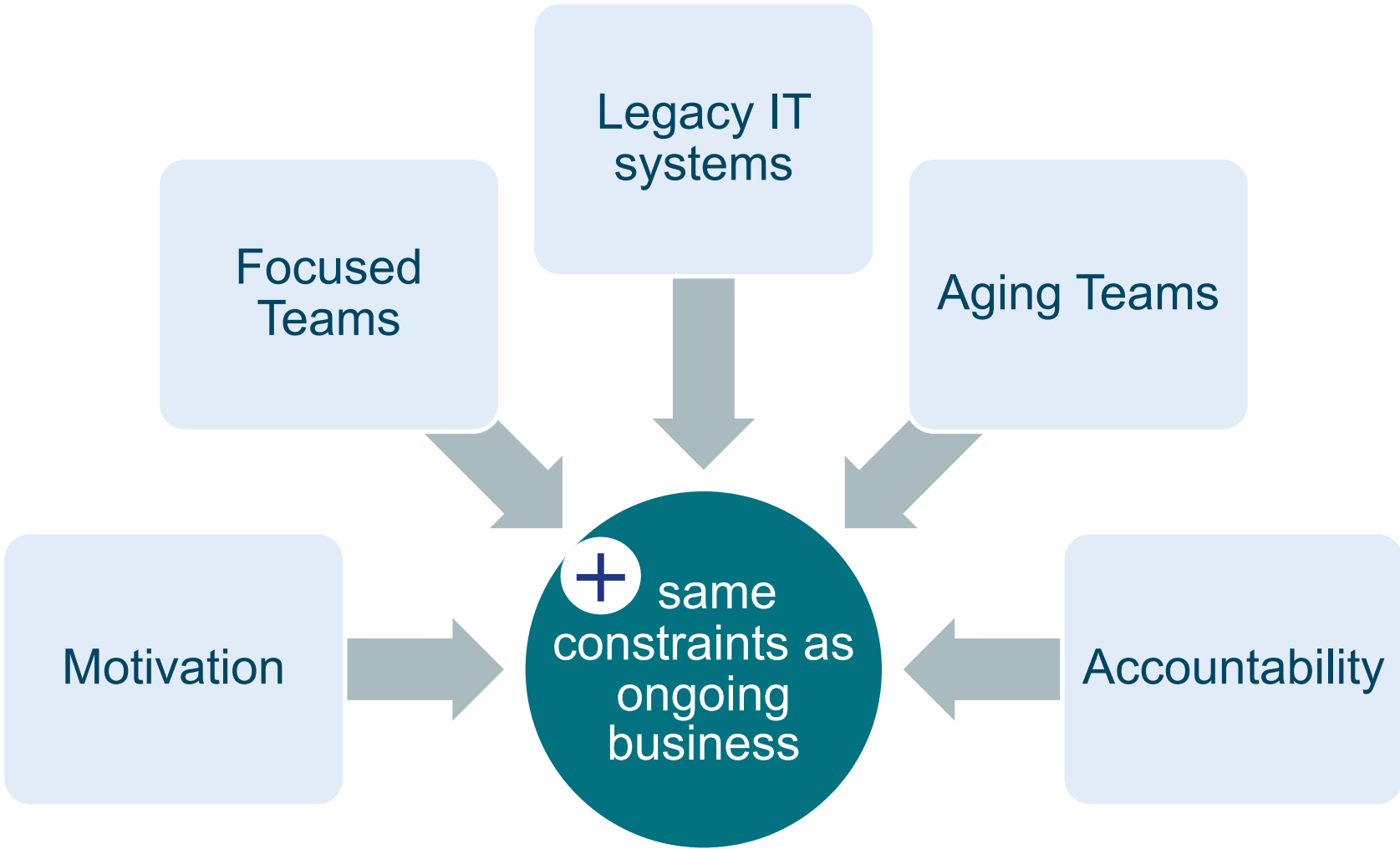


Should one build up the resources internally?

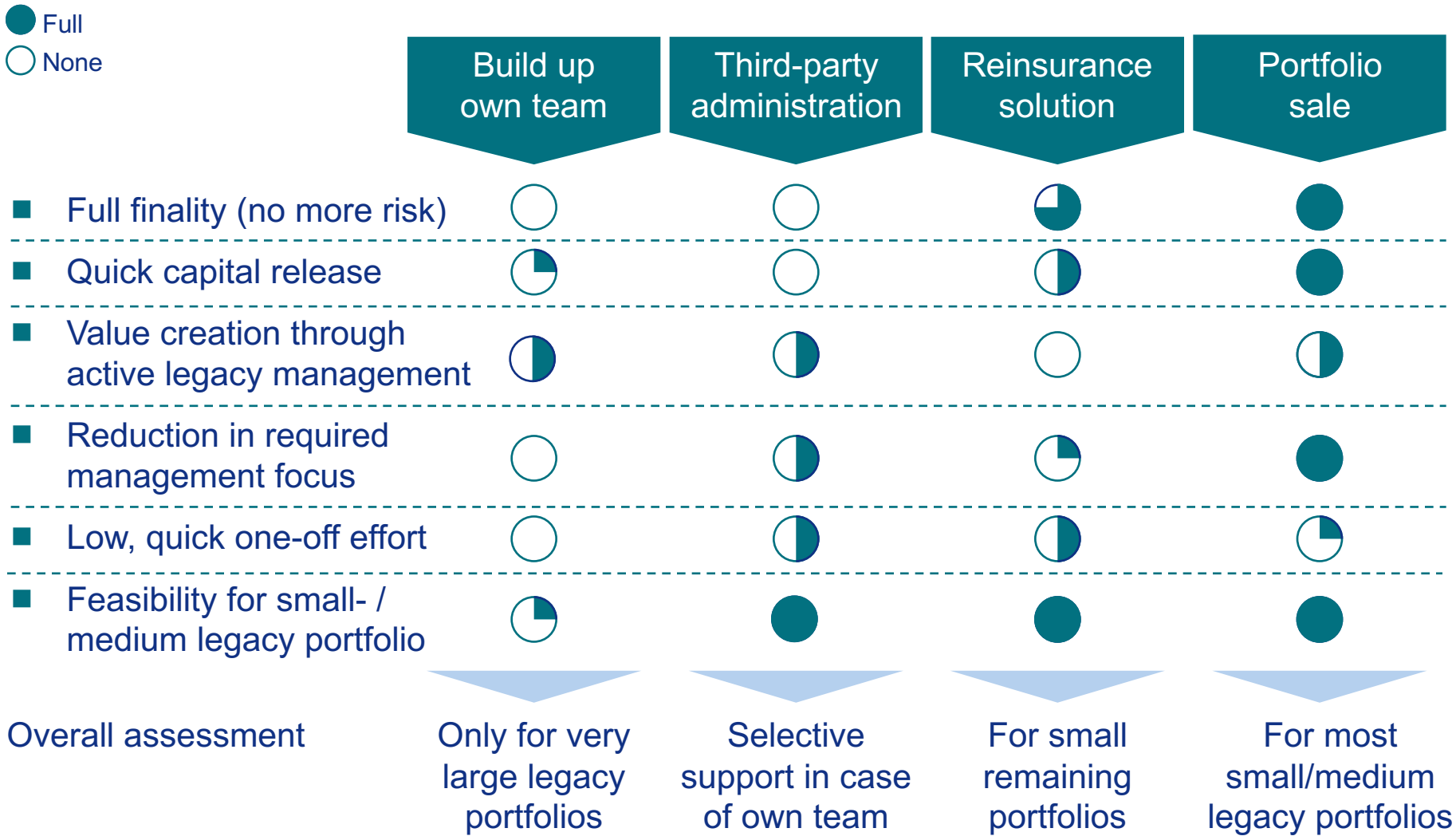
Number of FTEs in run-off management



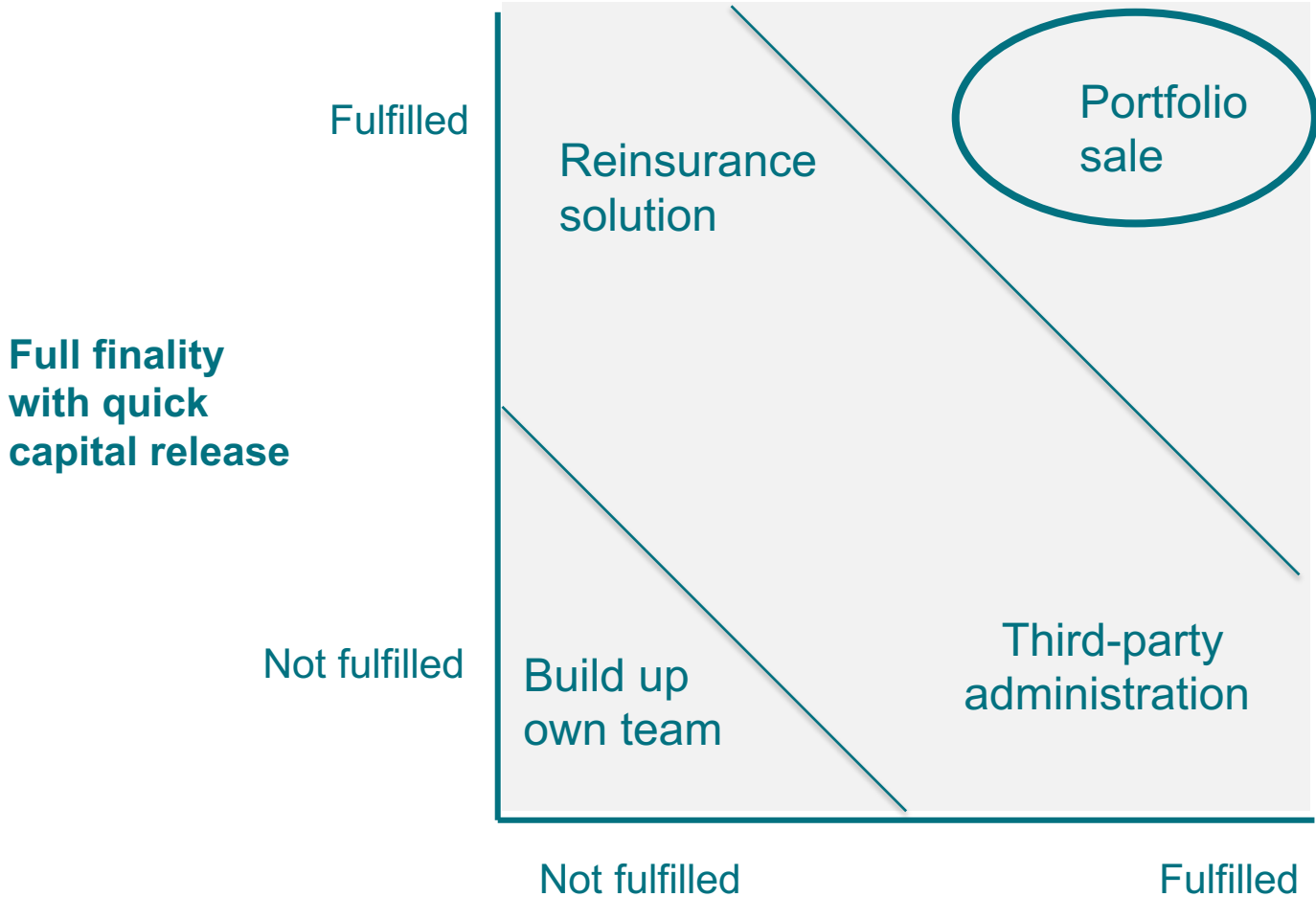
Key operational challenges



The 4 main options



Sale most attractive option



Proactive approach without high management attention required





AXA LM in UAE

AXA LM in the UAE

Overview

- Emirates Re
 - Licensed at DIFC
 - Takaful license
 - Operational team
- Footprint for future development in the region
- Dedicated M&A team to support local team on acquisitions



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