

# The Actuary's Role in Life Insurance M&A

## Professional and Valuation Topics

May 12, 2015

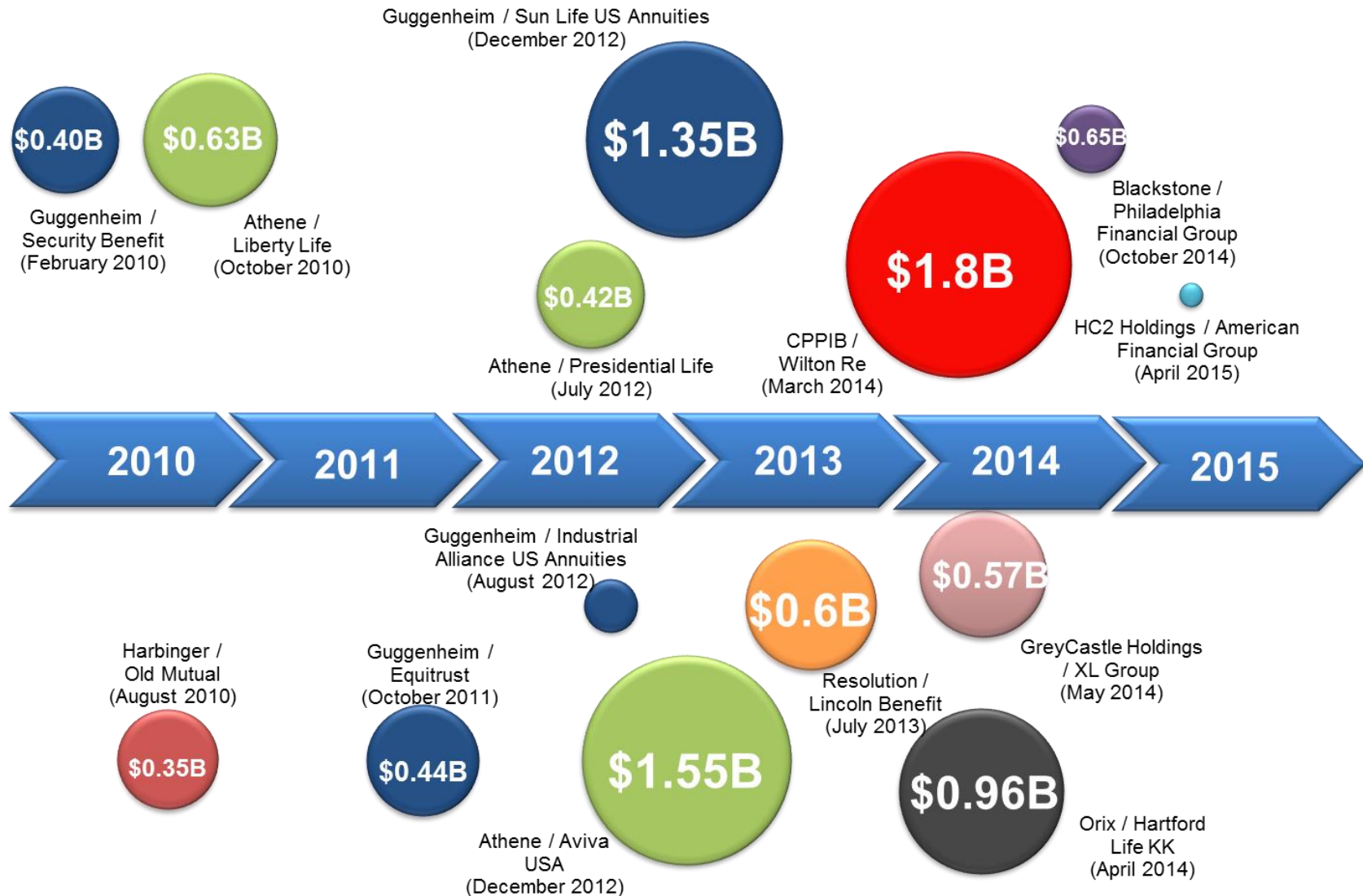
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# Agenda

- I. Overview of North American M&A market
- II. Role of life actuaries through case studies (Scott Sheefel, Wilton Re)
- III. Background on actuarial appraisal value
- IV. Standards of practice
- V. Considerations for the actuarial appraisal
- VI. Considerations for actuarial due diligence
- VII. Key takeaways

# New entrants have emerged as key players in the M&A market

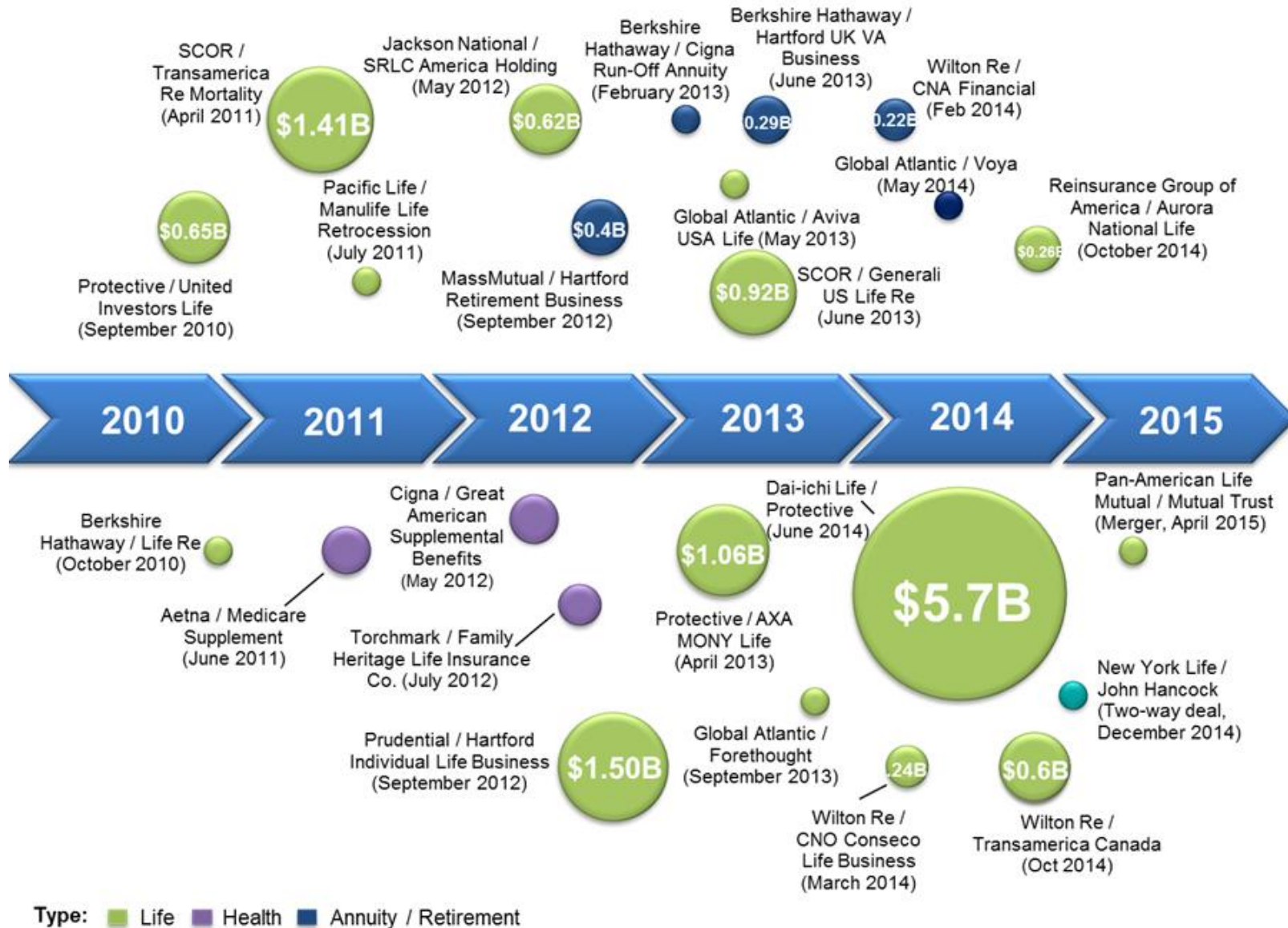
## Acquirer/Seller (Date)



**Acquirers:** Athene Blackstone Guggenheim Harbinger Resolution CPPIB ORIX GreyCastle Holdings HC2 Holdings

# There is still significant M&A activity by primary insurers and reinsurers

## Acquirer/Seller (Date)



# Background on actuarial appraisal value

Value Component	Risk Discount Rate		
	8%	10%	12%
(1) Adjusted Net Worth (ANW)	200.0	200.0	200.0
Value of In-force (VIF)			
Present Value of Future Profits (PVFP)*	153.8	133.3	117.6
Cost of Capital (CoC)	(78.0)	(94.3)	(106.8)
(2) VIF Total	75.7	39.0	10.9
(3) Value of New Business (VNB)	27.9	9.5	(4.6)
<b>Actuarial Appraisal Value (1) + (2) + (3)</b>	<b>303.6</b>	<b>248.5</b>	<b>206.3</b>
Present Value of Distributable Earnings	303.6	248.5	206.3

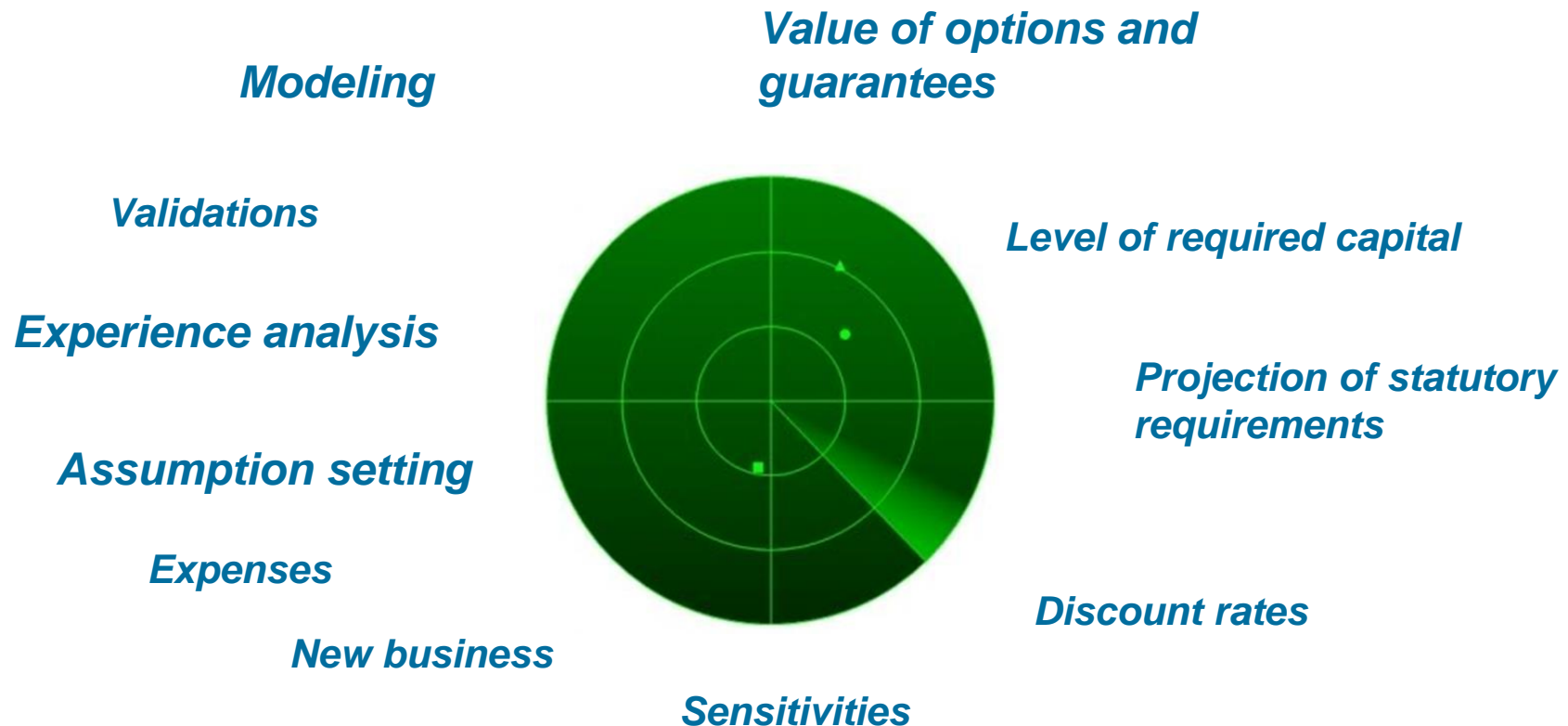
\*PVFP is after corporate taxes

# Standards of practice<sup>1</sup>

- 1 **ASOP No. 19 (*Appraisals of Casualty, Health and Life Insurance Businesses*)**
- 2 **ASOP No. 7 (*Analysis of Life, Health, or Property/Casualty Insurer Cash Flows*)**
- 3 **ASOP No. 23 (*Data Quality*)**
- 4 **ASOP No. 41 (*Actuarial Communications*)**

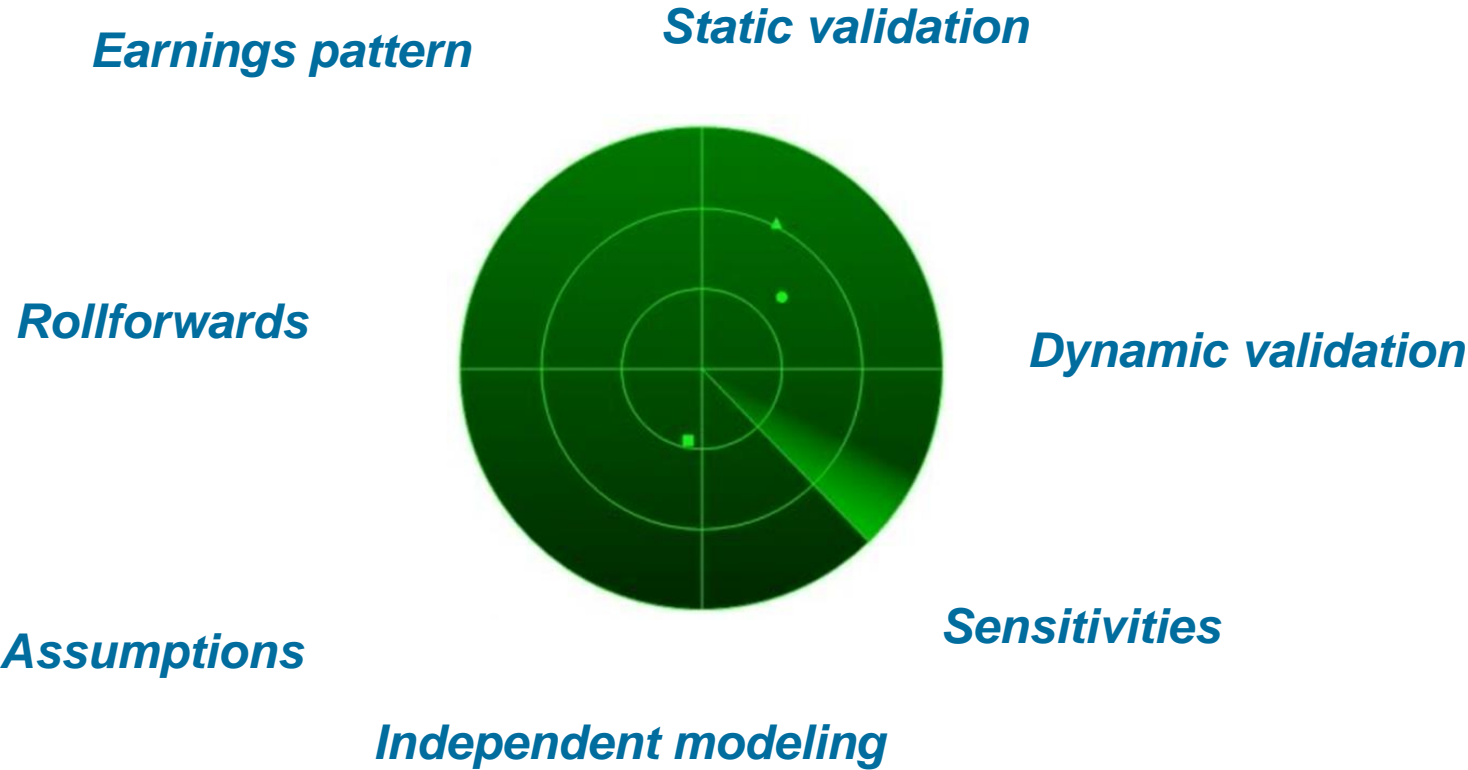
<sup>1</sup> Actuaries should consider other ASOPs that may also apply

# Sample considerations for the actuarial appraisal



The actuarial appraisal report should identify the data, assumptions, and methods used by the actuary with sufficient detail such that another actuary could evaluate the reasonableness of the actuary's work

# Sample considerations when performing actuarial due diligence



Appropriate communication and disclosures, including all reliances and limitations, are essential due to constraints such as limited time for analysis and lack of availability of key information



# Key takeaways

- 1 Actuarial involvement in M&A should consider all applicable ASOPs**
- 2 Communication and disclosure is critical**
- 3 M&A is an exciting professional challenge for actuaries**