

The Phoenix Group recently announced a strategic partnership with Standard Life which involves buying the Standard Life insurance business in Ireland and Germany



As a consequence, Diarmuid Kelly, CEO, Brokers Ireland spoke to Michael McKenna, Managing Director, Standard Life Ireland to discuss the implications of this move for Financial Brokers in Ireland... and also other matters

Michael, thank you for talking to Irish Broker. Can you tell us about your background to date?

Thanks Diarmuid. I'm delighted to get to speak to you at such an interesting point in Standard Life's history.

I'm Managing Director of Standard Life Ireland. I've been in the company for almost ten years - initially as Financial Controller, then as Financial Director and was appointed MD of Standard Life Ireland in 2016.

I started my career in PricewaterhouseCoopers and was based between Dublin and Edinburgh - so I've had a connection with Lothian Road (Standard Life's headquarters) for quite some time.

Standard Life is adept at change, and that experience is proving useful. We're planning for Brexit and managing the announcement of Standard Life Aberdeen's enhanced strategic partnership with Phoenix Group in addition to concentrating on our core business. Our focus is to make investing for a better future, simpler for our customers and advisers. It's at the centre of everything we do.

Naturally the Phoenix announcement will be of interest to our readers. Brokers have expressed concerns about the proposed partnership between Standard Life and Phoenix, especially given Phoenix's poor history and

service in the past. What will the deal mean for brokers in Ireland?

Standard Life is changing and I understand change can concern people. Throughout this process, I'm committed to listening to feedback from advisers and customers and keeping people up to date. We have ambitious plans in Standard Life, and these plans remain firmly in place. We are committed to the market; to providing high quality products, propositions, technology and service to customers and advisers.

I'm delighted to say that post the completion date, service will continue to be provided by the same teams, using the same systems and processes. Advisers can look forward with confidence to the same levels of service.

The proposed sale of Standard Life Assurance Limited includes all of our people in Ireland. The Standard Life brand will remain. We're working behind the scenes to ensure the transition is seamless and in many ways customers and advisers won't notice any difference. Our parent company is changing with over 3,000 Standard Life people joining Phoenix's circa 1,200 workforce, Phoenix is acquiring a fully functioning business. Our people, our values and our purpose remain the same.

People value the service we provide. We know it's a factor in advisers choosing to place business with us and we know it

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is critically important to you and to us that we maintain those high standards. Advisers and customers will continue to be supported by the same Standard Life people as today and will continue to receive the same high standards of customer service.

The announcement seems to have taken the Irish market by surprise. This doesn't provide any comfort that the transfer will be free of grief. How do you propose to deal with this?

I can understand that the announcement may have taken people by surprise. The proposed partnership is taking place between two listed London Stock Exchange companies, which means we have to comply with the appropriate listing rules. As a result, we were unable to communicate with advisers or customers in advance of the announcement. That said, I think it's important to look at the broader market and what's led to this proposed deal.

Standard Life has been in business since 1825 and it's been through a lot of change in that time. Change is part of what makes us successful, so it's no surprise that we're changing again.

This proposed partnership is a strategic move that Standard Life Aberdeen has been building towards for some time. In 2010, the Group sold Standard Life Bank, subsequently the Canadian business, and the merger with Aberdeen Asset Management last year. We've seen Standard Life Aberdeen focus on building a "world class investment company". The proposed sale of the insurance business simplifies things for Standard Life Aberdeen; it moves the Group further along its journey to being a capital light, fee-based business.

This change is against the backdrop of the rapidly evolving insurance industry. The structure of life companies is changing globally. Corporate strategies are becoming more about size and scale. We're seeing a shifting trend towards companies consolidating their books with other providers and focusing on core competencies.

For Standard Life in Ireland, this deal means we'll be part of the Phoenix Group which is an insurance business. In many ways, this fits our business model better.

You can see the logic for this deal on both sides. I believe this trend of businesses simplifying and specialising is something we're going to see more and more of in the Irish market.

Can you guarantee our readers that Standard Life will remain open for new business post the partnership with Phoenix Group?

Yes, Phoenix Group sees Standard Life Ireland as a core part of their enlarged group post the transaction. They're committed to writing profitable new business in Ireland in line with our existing market plans. Our growth strategy remains the same. We're progressing at pace with business as usual. We are full steam ahead on new fund launches, recruitment, investment in technology and building our brand. This partnership represents the start of a new journey for Phoenix. And it's a "partnership" on many levels. On a corporate level, Standard Life Aberdeen will become Phoenix's biggest shareholder owning just under 20% share of the enlarged group. This shareholding places two Standard Life Aberdeen non-executive directors on Phoenix's board. The deal also maintains our close links with Aberdeen Standard Investments.

Phoenix has described this deal as "transformative" for their business. The acquisition gives them the opportunity to increase their footprint through the UK and Europe. Standard Life in Ireland and Germany gives them two chips on the European table.

What will happen to guarantees attaching to the business, for example contracts with guaranteed annuity rates. Can you assure readers that Standard Life will offer brokers a better experience on this occasion?

Some Irish brokers have had previous experience dealing with Phoenix on contracts with guaranteed annuity rates. Advisers will have a better experience with Standard Life for two reasons. First, we have only a small number of policies with Guaranteed Annuity Rates attached. And second, the nature of our relationship with Phoenix will be very different to other companies in Ireland in the past.

Phoenix has paid over £3bn to buy Standard Life and is committed to maintaining profitable new business in Ireland. They have not bought the business with the intention of devaluing it. They are excited about this acquisition. They want to make it a success. Making the business a success in Ireland depends on maintaining the relationship and levels of trust Standard Life has built with advisers over 184 years.

How do brokers recover the time lost in dealing with this issue?

When the announcement was made, feedback from brokers included concern over our future service and whether we'll remain open for new business. With our commitments on both fronts, the vast majority of brokers are dealing with us as usual and the Phoenix news is not taking up their time.

However, for brokers receiving queries from customers, we have useful information available on StandardLife.ie.

We're committed to keeping the channels of communication open from announcement right through to the proposed completion date in Q3. Brokers can keep up to date through their Business Managers, or they can find videos, documents and articles on Brokerzone.ie.

The UK is currently going through the formal process of divorcing itself from the EU. What impact will Brexit have on Standard Life and also the industry in general?

Brexit is a game changer for us in Standard Life Ireland. We've been preparing for Brexit for over a year and the plans are progressing well. We're proposing to transfer our Irish

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and German businesses to our Dublin-headquartered, Irish insurance company, Standard Life International. This is a really exciting development. It's a real endorsement of how well we do things in Ireland. Once the proposed business transfer is approved and completed, we expect Standard Life International to be the second largest insurer in Ireland, with over 600,000 policy holders and an expected €31 billion in policy holder assets.

We'll be keeping customers and advisers informed as our plans progress.

The creation of adequate pension provisions for retirement is a growing concern. What is the solution in your view?

There is no one size fits all solution to ensuring adequate pension provision. The adequacy of pension contributions is dependent on every individual's pension expectations at the time they choose to retire. However, following the recent publication of the Pensions Roadmap, the introduction of an auto enrolment scheme should go a long way to addressing this issue. It's important the base contribution rates are pitched at sustainable levels while not diluting existing good occupational schemes. There needs to be a strong communications campaign to highlight the benefits that typical contribution rates will provide over an employee's lifetime and a strategy put in place either by the Pensions Authority or government to action this. Auto enrolment should result in increased pension coverage across the population, however a key concern is whether this will meet individuals' pensions expectations.

It is critical that an active and robust private pension market remains in Ireland to ensure that individuals can plan for their retirements with confidence. Clearly financial advice is key to ensuring that individuals understand what they require in terms of pensions and take the necessary actions at the right time. Simplification of the private pension market, through harmonised tax treatments across pension products and consistent regulatory regimes will help in this regard.

What do you see as Standard Life's key strengths?

I'm delighted to say that all of Standard Life's key strengths will continue following the proposed completion date and into the future. Our people, our propositions and our brand.

Our people are our greatest strength. We care about each other, about our customers and about our advisers.

Investments remain core to our proposition. We believe the strength of our investment solutions and our superior long-term investment performance sets us apart. Our partnership with Aberdeen Standard Investments will continue to be central to our future investment offering and will continue to be a successful combination for advisers and clients. Post the transition Aberdeen Standard Investments will continue to be our preferred asset management partner for insurance investment solutions.

And finally, our brand. Standard Life has been in Ireland for 184 years. It is a trusted name. Our business will continue to operate under the Standard Life brand. Customers and advisers will continue to be supported by the same Standard Life people who look after them today and will continue to receive the same high standards of service.

How important is the Financial Broker channel to Standard Life?

The Financial Broker channel is our key distribution channel. We have deep rooted ambition. We want to make investing for a better future simpler for everyone. Our partnerships with Financial Brokers is the only way we can deliver on that ambition.

Like any other relationship, our relationship with brokers is based on trust. Trust comes from recognising and knowing the person and business you are working with.

We will stand together with advisers. We recognise and act on how we can do more for them so they in turn can do more for clients.

We're proposing to transfer our Irish and German businesses to our Dublin-headquartered, Irish insurance company, Standard Life International. This is a really exciting development. It's a real endorsement of how well we do things in Ireland. Once the proposed business transfer is approved and completed, we expect Standard Life International to be the second largest insurer in Ireland, with over 600,000 policy holders and an expected €31 billion in policy holder assets.