

## Interview: Insurance And Wealth Management - Lombard International Assurance

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### [News Analysis](#)

*Editor's note: This is the third of an occasional series of articles examining the insurance-linked wealth management industry. To view the previous article, click [here](#). This publication interviewed Lombard International Assurance, the Luxembourg-based firm. Comments are from David Steinegger, its chief executive.*

#### **What sort of services and distribution channels do you use?**

“Lombard offers compliant unit-linked solutions to wealthy and high-net worth individuals, which is a long way from the traditional concept of life assurance policies. We coined the concept ‘privatbancassurance’ that expresses what we do: Financial engineering that combines sophisticated private banking services with the fiscal advantages of life assurance to achieve financial security for wealthy investors.”

“Lombard provides tailor-made solutions to meet the long-term tax and estate planning needs of HNW individuals and their families. We don’t offer investment advice and we don’t deal directly with clients, instead, we partner with a small number of specialised advisers to HNW individuals, such as private banks, independent financial advisers and increasingly, other independent practitioners such as lawyers and family offices.”

“The size of policies varies dramatically, from our minimum target for HNW individuals of €1 million (around \$1.39 million) to UHNW individuals with a wealth of more than €10 million and this latter category now accounts for 40 per cent of our annual turnover.”

#### **What would you say are your strongest markets at present?**

“Lombard has built its business over 20 years through the cross-border opportunities created by the EU’s Third Life Directive. We have marketing consultants based in the UK, Germany, France, Italy, Spain, Finland, Sweden and Belgium, as well as a presence in Asia and Latin America. In Switzerland we also market our services to non-residents through our partners and from our base in Luxembourg we’re just starting to market our solutions to residents. Our largest markets are in Italy, the UK, Belgium, Germany and Spain and we see strong growth prospects in Asia.”

“Lombard doesn’t market its services to US citizens or residents, but we do offer services outside Europe to clients in Asia and Latin America - the main attraction of Lombard’s solutions there is the way life assurance policies can help offer financial security, which in our case is greatly aided by Luxembourg’s very strong policyholder protection regime. In a volatile climate, this is highly valued by our clients as they

can count on the rigorous regulatory regime in Luxembourg to protect their assets - something they feel they don't enjoy in their home country."

**How do you view the insurance-linked wealth management market as a whole, in terms of growth potential?**

"The market has tremendous potential. For example, the recent Cap Gemini Merrill Lynch report into global wealth, estimates that the global HNW individual population grew 8 per cent to almost 11 million people, with their total wealth growing to \$42.7 trillion last year. Lombard strongly believes that by offering compliance, security and succession planning benefits against the backdrop of such large-scale generational wealth transfer, there is a substantial opportunity. This will fuel strong growth into the future and we maintain ambitious plans."

"We see the market as a whole growing quickly too, with new competitors helping to expand the market. At the same time, the benefits vary greatly from market to market and so understanding the cultural and fiscal realities of each market is essential for success."

**Where do you see the most promising growth and why?**

"From our European base, we're developing stronger distribution partner relationships in general. Promising growth should also come from generational planning, as the large quantity of wealth - highlighted in the global wealth report - is passed on to the next generation in future decades. From the current crisis, there are many signals that the variety of taxes imposed on wealth will increase, which, when coupled with a general erosion of banking secrecy, should attract more people to our niche, compliant solutions. Outside Europe, we see tremendous potential in the Asian market and we're actively expanding our presence there."

**Where do you see the slowest rate of growth and why?**

"There are opportunities in most markets, though there is a short-term impact from the financial crisis and a subsequent slowdown and this has impacted on our business results in the first half of 2011. In the longer term, there is significant growth potential across all our markets."

**Who do you see as your main competitors?**

"We have seen a significant increase in competition, which is not bad news at all, as it prevents us from becoming complacent! It also helps create a much larger market opportunity and encourages the wider recognition of life assurance as one of the most effective succession planning tools. Trusts were sometimes in competition with us too, but now compliant trust structures can be used in conjunction with life assurance for some of our markets."

"Amongst our direct competitors who operate from Luxembourg, most do not target the same segment of the wealth pyramid. Instead, they focus on more standard products and typically their concentration tends to be at the more affluent end rather than tailor-made solutions, which are our speciality."

**What sort of risks/challenges face your firm/industry?**

"The challenge for both Lombard and our industry is to provide attractive solutions and to ensure we are always ahead of the curve in terms of regulatory changes. A big challenge for the industry is the implementation of the Solvency II Directive concerning insurance companies, which we are gearing up to meet. But, we suspect that the additional costs of Solvency II could make some smaller market players uncompetitive and lead to consolidation in the market."

“A big concern for partners is the security of clients’ assets and this is why Luxembourg’s “Triangle of Security” is so advantageous, as it guarantees protection for the assets of policyholders from the custodian banks where they are held.”

**How widely understood are your products and services?**

“In general, the concept of privatbancassurance is now widely recognised, but the tax and regulatory environment changes all the time and there is a need for on-going explanation to advisers. Lombard’s solutions are well understood amongst our partners in the private banking world, but there is room for greater awareness to be developed across the broader wealth management sector.”

**How big is your business? How has growth been over the past 10 years?**

This year, Lombard hit €20 billion in assets under management, which coincides with our 20th anniversary celebrations. In terms of growth, our compound annual growth rate exceeds 20 per cent per annum over the past 10 years and we’re confident we can continue to grow strongly in future. In fact, our assets under management have doubled in the past 5 years.

To view more about Lombard International Assurance, click [here](#).