

Market insight from year-end 2020 SFCRs: Sample of life insurers based in Luxembourg

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This briefing note looks at the year-end 2020 Solvency and Financial Condition Reports (SFCRs) of a sample of life insurers based in Luxembourg¹ and includes analysis of key information included in the Quantitative Reporting Templates (QRTs) published with the SFCRs.²

Introduction

The SFCRs at year-end 2020 represent the fifth set of annual SFCRs published by European insurers. In this briefing note, we have analysed the SFCRs of 15 Luxembourgish life insurers selected based on gross premiums written in 2020. The insurers selected are outlined in the table in Figure 1.

FIGURE 1: LIFE INSURERS INCLUDED IN THE SAMPLE

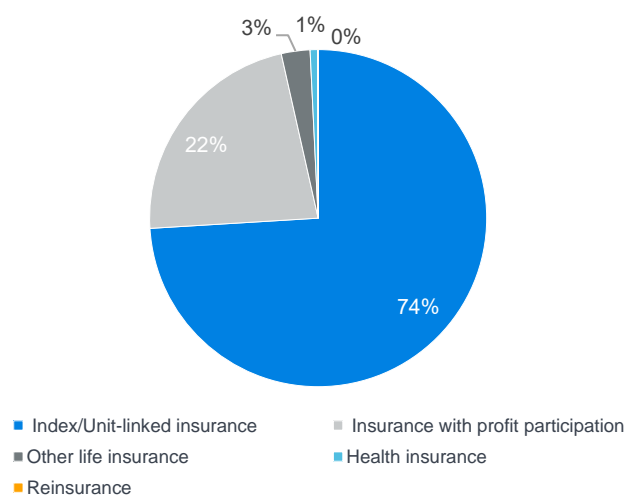
COMPANY NAME / PREMIUMS €BLN	2020	2019	CHANGE
1. Lombard International	3.13	3.98	-0.85
2. La Mondiale Europartner	2.08	2.08	=
3. Cardif Lux Vie	1.76	2.13	-0.38
4. Wealins	1.72	1.02	0.70
5. Sogelife	1.72	2.33	-0.61
6. R+V Luxembourg	1.14	1.28	-0.14
7. Swiss Life	1.11	1.11	=
8. Crédit Agricole Life Insurance	1.07	3.57	-2.50
9. Bâloise Vie	0.93	0.82	0.11
10. Allianz Life	0.92	1.07	-0.15
11. The OneLife Company	0.83	0.85	-0.02
12. Generali	0.77	0.95	-0.18
13. CNP	0.65	0.79	-0.14
14. Natixis Life	0.59	0.96	-0.37
15. AXA Wealth Europe	0.45	0.67	-0.22

The insurers included in the sample have been ranked based on gross written premiums in 2020. A selection based on own funds or total balance sheet could produce a different list of insurers. The total premiums included in this analysis sum to about €19 billion, representing about 90% of the total gross premiums written by direct life insurers based in Luxembourg during 2020. Overall, the gross written premiums in our sample decreased by 20% between 2019 and 2020.

Analysis of premiums

Our analysis of premiums written by the insurers included in our sample shows that unit-linked business represents 74% of life premiums written in 2020. The remaining business mainly consists of insurance with profit participation (22%), a decrease of 9% compared to 2019.

FIGURE 2: SPLIT OF 2020 PREMIUMS BY LINE OF BUSINESS IN THE SAMPLE



¹ This analysis is based on direct writers only. Reinsurers were excluded from the analysis. Companies were selected based on gross written premiums in 2020.

² The data analysed in this note has been sourced from Solvency II Wire Data and companies' disclosed SFCRs. The data is available via subscription from <https://solvencyiiwiredata.com/about/>.

DOMESTIC BUSINESS

Within the Luxembourgish insurance industry, a significant number of companies are selling cross-border life insurance, generally into the EU on a Freedom of Services or Freedom of Establishment basis. Of the total life premiums written by the selected Luxembourgish life insurers in 2020, only about €1.3 billion (7%) were written in the “home country” (i.e., Luxembourg).

The five Luxembourgish life insurers with the highest gross written premiums in the domestic market in 2020 are shown in Figure 3.

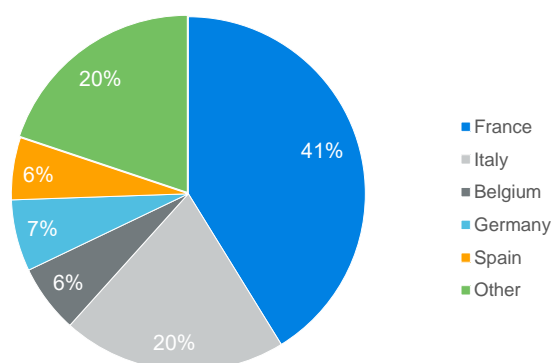
FIGURE 3: TOP FIVE PREMIUMS IN HOME COUNTRY

COMPANY NAME	PREMIUMS 2020 (€ BLN)
Lombard International	0.29
La Luxembourgeoise Vie ³	0.22
Crédit Agricole Life	0.19
Foyer Vie	0.18
Swiss Life	0.16

CROSS-BORDER BUSINESS

Insurers show a split of gross written premiums between their top five countries in the QRT S.05.02. For the 15 life insurers included in the sample, the split by country (excluding Luxembourg) of the insurers’ gross written premiums in 2020 is depicted in Figure 4.

FIGURE 4: PROPORTION OF TOP FIVE WRITTEN PREMIUMS BY COUNTRY IN THE SAMPLE



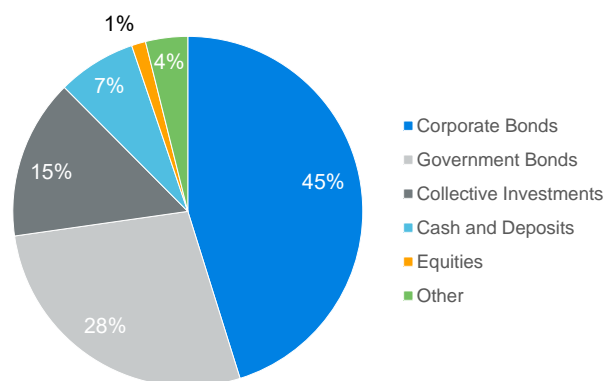
The largest cross-border market for Luxembourgish life insurers included in the sample is France, which accounts for 41% of cross-border gross written premiums in 2020.

³ La Luxembourgeoise Vie and Foyer Vie are added to the sample for the purpose of the analysis of the domestic market.

Analysis of investments

The asset side of the balance sheets for the Luxembourgish life companies is primarily composed of different investments. Total balance sheet assets as per the end of 2020 for the insurers included in the sample are €204 billion. Most of these relate to assets held for index-linked and unit-linked contracts (about €143 billion, or 71%). There are €38 billion (19%) in reinsurance recoverable. The breakdown of the remaining investments of €22 billion (11%) is shown in Figure 5.

FIGURE 5: INVESTMENTS MIX AS AT 31 DECEMBER 2020 IN THE SAMPLE

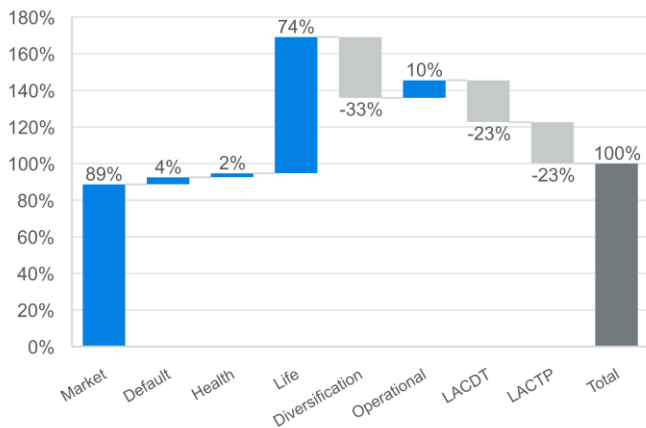


Life insurers included in our sample focus on fixed interest investments (about 73%) with significant investment in corporate bonds. It is important to note that this includes assets backing technical provisions in addition to shareholder assets.

Solvency Capital Requirement

The standard formula Solvency Capital Requirement (SCR) at 31 December 2020 for the companies in our sample is dominated by market risk followed by life underwriting risk, offset by diversification effects as well as the loss-absorbing capacity of deferred taxes (LACDT) and the loss-absorbing capacity of technical provisions (LACTP). Figure 6 shows a breakdown of the SCR for the companies included in the sample.

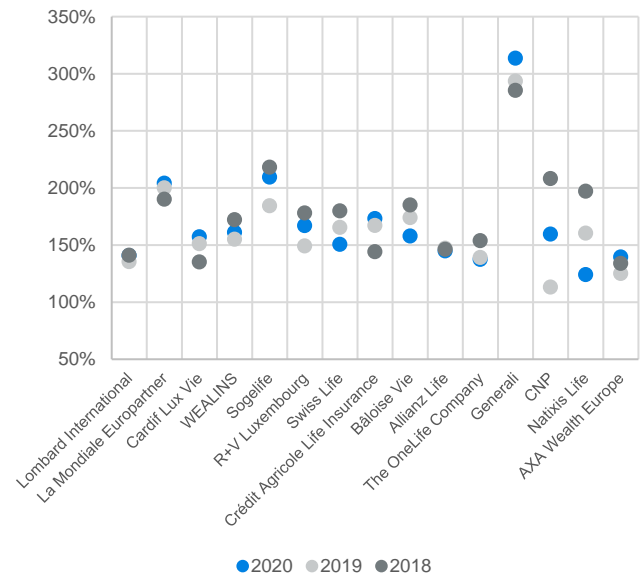
FIGURE 6: BREAKDOWN OF STANDARD FORMULA SCR IN THE SAMPLE



Analysis of solvency coverage

The average solvency coverage ratio for the companies included in our sample, calculated as total own funds divided by total SCR, was 165% at 31 December 2020, an increase of 5% compared to 2019. This shows that life insurers based in Luxembourg continue to hold a comfortable capital buffer in excess of the required solvency coverage ratio of 100%. In 2020, the majority of companies have a solvency coverage ratio between 140% and 170%, with the minimum in the sample amounting to 124% and the maximum to 313%. Solvency coverage can change year-on-year for a variety of reasons, including capital management solutions. Figure 7 shows the solvency coverage ratio of the companies included in our sample for the past three years.

FIGURE 7: SCR COVERAGE RATIO IN THE SAMPLE



What's next?

If you have any questions or comments on the information above or want to discuss further capital management solutions for life insurers, please contact your usual Milliman consultant.



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