

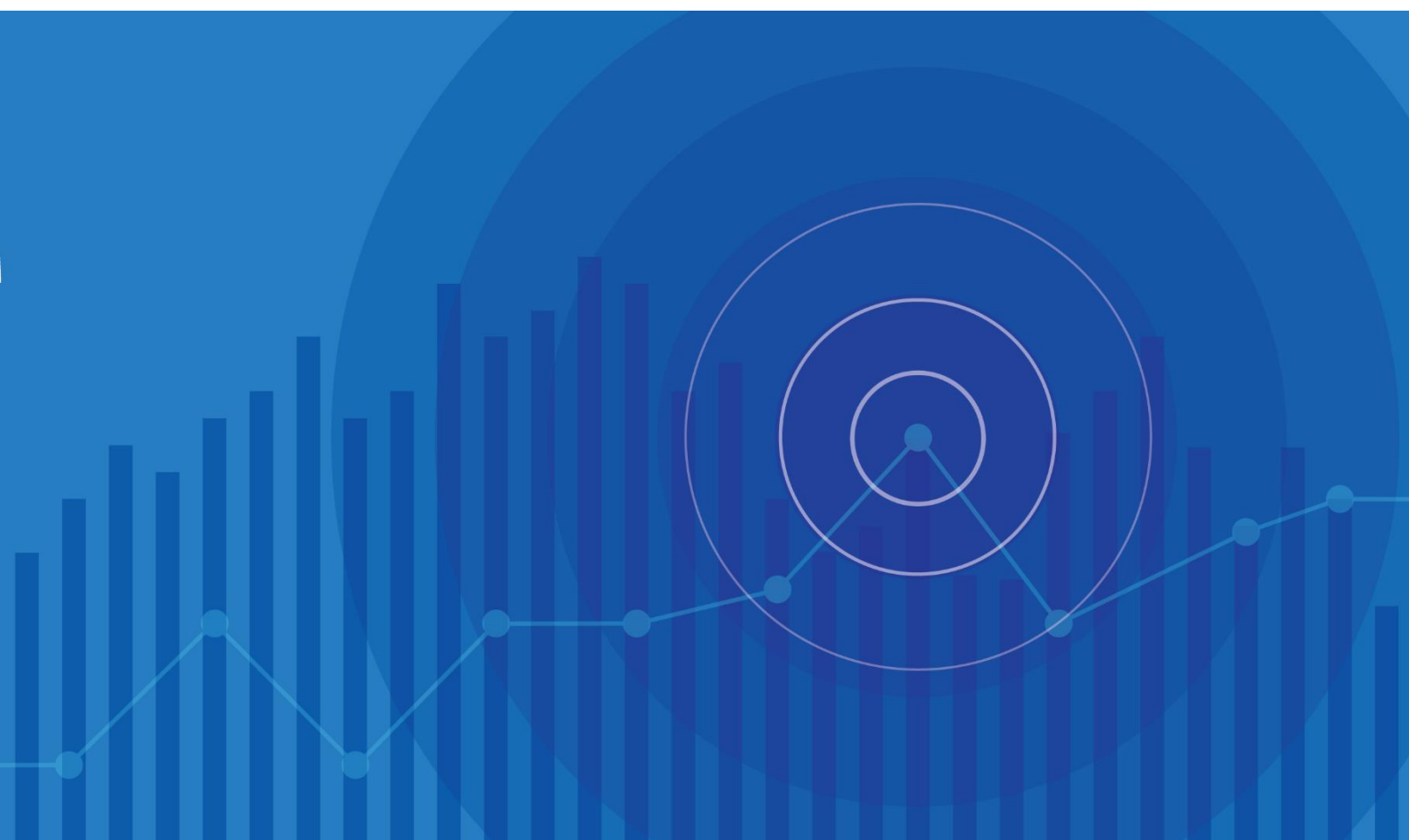
MILLIMAN RESEARCH REPORT

# Analysis of Solvency and Financial Condition Reports: Year-end 2021

Life insurers based in Ireland

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## Introduction

Under Solvency II, European insurers and reinsurers are required to publish Solvency and Financial Condition Reports (SFCRs). The SFCRs contain a significant amount of information, including details on business performance, risk profile, balance sheet and capital position. Insurers are also required to publish quantitative information in the public Quantitative Reporting Templates (QRTs) included within the SFCRs.

### IRISH MARKET COVERAGE

All SFCRs for Irish insurance companies are available on the website of the Central Bank of Ireland (CBI) for financial year-ends in the 2016 calendar year to financial year-ends in the 2020 calendar year.<sup>1</sup> These reports are not yet available on the CBI's website for year-ends in 2021. However, most are available on the website of each life insurance company. We have produced 2021 information using SFCRs that we have sourced for 35 of the 36 life insurance companies that were authorised in Ireland as at 31 December 2021. For the one that we couldn't source we have set these figures equal to the equivalent 2020 figures. Where SFCRs are produced in other currencies we have used an exchange rate to convert to euro.

The CBI also publishes a report (the CBI report) giving a consolidated view of the publicly available data for insurance firms under Solvency II. This is available for year-ends in 2017 to year-ends in 2020 accompanied by a data repository spreadsheet with detailed QRT information by company. The CBI report is not yet available for year-ends in 2021. (The CBI report was not produced for year-ends in 2016. Where we show 2016 figures, they are based on our own analysis of the SFCRs of a sample of 39 life insurers authorised in Ireland in 2016. We believe this gives close to 100% of Solvency II balance sheets in 2016.)

There were 36 life insurers authorised in Ireland as at 31 December 2021 compared to 37 at 31 December 2020. Euroben Life & Pension DAC was merged into SPP Pension & Försäkring AB in Sweden during 2021.

There were 41 life insurers authorised in Ireland as at 31 December 2019. The following Irish life insurers had their portfolios of business transferred during 2020:

- The business of Area Life International Assurance DAC transferred to Aviva Life & Pensions Ireland DAC
- The business of Cattolica Life dac was renamed Omega Life dac and subsequently transferred to Monument Assurance Luxembourg SA
- The business of Inora Life dac transferred to Monument Life DAC
- The business of Monument Assurance dac transferred to Monument Life DAC

In this report our analysis of the Irish life insurance market includes direct writers only as per the institution type categorisation in the CBI report. We have not included any reinsurers in this analysis. Appendix 1 contains a list of all Irish life insurers included in our analysis in this report.

### UNDERLYING DATA

In carrying out our analysis and producing this research report, we relied on the data provided by the CBI and the data provided in the SFCRs and QRTs of Irish life insurers as described above. We have not audited or verified this data and other information. If the underlying data or information is inaccurate or incomplete, the results of our analysis may likewise be inaccurate or incomplete.

We performed a limited review of the data used directly in our analysis for reasonableness and consistency and did not find material defects in the data. It should be noted that in some cases we have made minor adjustments to the data to correct known inconsistencies among QRTs in order to better inform our analysis. However, we have not made any material changes to the underlying data.

This research report is intended solely for educational purposes and presents information of a general nature. This report is not intended to guide or determine any specific individual situation and persons should consult qualified professionals before taking specific actions.

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<sup>1</sup> CBI. Solvency and Financial Condition Reports (SFCRs). Retrieved 6 May 2022 from <https://www.centralbank.ie/regulation/industry-market-sectors/insurance-reinsurance/solvency-ii/solvency-and-financial-condition-report-repository>.

# Analysis of Irish life insurers

## Analysis of premiums

The total volume of gross premiums written increased significantly to €48.1 billion for financial years with their year-end falling within the 2021 calendar year, up from €37.3 billion the previous year, with most life insurers experiencing an increase in gross written premiums. Domestic and cross-border premiums are analysed in more detail later in this report.

**GROSS WRITTEN PREMIUMS**  
for life insurance have  
**increased significantly**  
over the year



The 10 Irish life insurers with the highest total written premiums (gross of reinsurance) in 2021 are shown in the table in Figure 1 along with a comparison to previous years. These figures are provided in the QRT S.05.01, where gross written premiums are defined as all amounts due during the financial year. Therefore, it represents all premium income during the year (not just new business premiums), including recurring premiums on regular premium business.

**FIGURE 1: TOP 10 GROSS WRITTEN PREMIUMS**

TOTAL GROSS WRITTEN PREMIUMS (€ MILLIONS)	2021	2020	2019
<b>IRISH LIFE ASSURANCE</b>	7,005 (+13%)	6,205 (-7%)	6,665
<b>INTESA SANPAOLO LIFE</b>	5,513 (+45%)	3,800 (-23%)	4,914
<b>DARTA SAVING LIFE ASSURANCE</b>	5,166 (+41%)	3,667 (+23%)	2,981
<b>ZURICH LIFE ASSURANCE</b>	4,394 (+35%)	3,249 (-5%)	3,431
<b>STANDARD LIFE INTERNATIONAL</b>	3,059 (+38%)	2,214 (+23%)	1,803
<b>NEW IRELAND ASSURANCE COMPANY</b>	2,668 (+16%)	2,301 (+9%)	2,108
<b>SEB LIFE INTERNATIONAL</b>	2,356 (+136%)	996 (+19%)	839
<b>UTMOST PANEUROPE</b>	1,948 (+57%)	1,237 (+35%)	915
<b>AXA MPS FINANCIAL</b>	1,732 (+32%)	1,308 (-14%)	1,529
<b>AVIVA LIFE &amp; PENSIONS IRELAND</b>	1,689 (+3%)	1,637 (+17%)	1,394

As can be seen, most companies experienced a material increase in gross written premiums in 2021. The top 10 shown represent 77% of the total gross written premium in 2021.

## DOMESTIC BUSINESS

Within the Irish 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 €48.1 billion gross written premiums in 2021 we estimate €17.0 billion (c. 35%) was written in the “home country” (i.e., Ireland) compared to an estimate of €14.5 billion (c. 39%) in 2020. This represents a 17% increase in domestic gross written premiums in 2021.

The five Irish life insurers with the highest gross written premiums in the domestic Irish market in 2021 are shown in the table in Figure 2 along with a comparison to previous years.

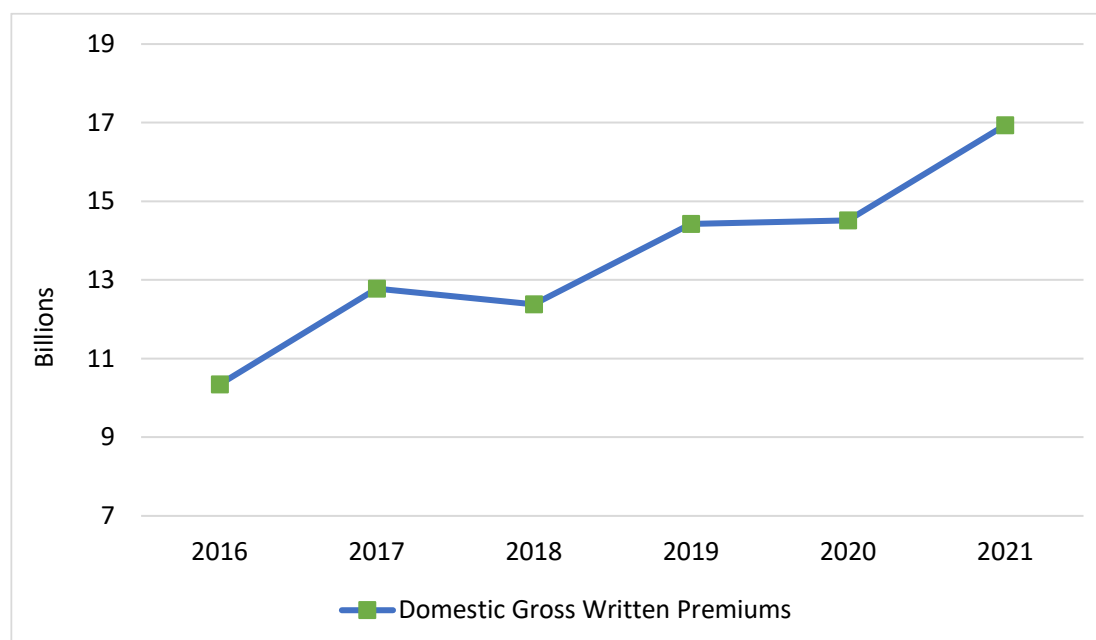
**FIGURE 2: TOP FIVE GROSS WRITTEN PREMIUMS IN HOME COUNTRY**

IRELAND GROSS WRITTEN PREMIUMS (€ MILLIONS)	2021	2020	2019	2018	2017
Irish Life Assurance	7,005	6,205	6,665	6,132	7,268
Zurich Life Assurance	4,315	3,158	3,289	3,087	2,620
New Ireland Assurance Company	2,668	2,301	2,108	2,175	1,792
Aviva Life & Pensions Ireland	1,689	1,557	1,341	634 <sup>2</sup>	961
Standard Life International	872	689	492	0 <sup>3</sup>	0

Standard Life International is the only insurer in Figure 2 with any material premiums written in countries other than Ireland.

Figure 3 shows gross written premiums for domestic life insurers since 2016.

**FIGURE 3: GROSS WRITTEN PREMIUMS FOR DOMESTIC IRISH BUSINESS**



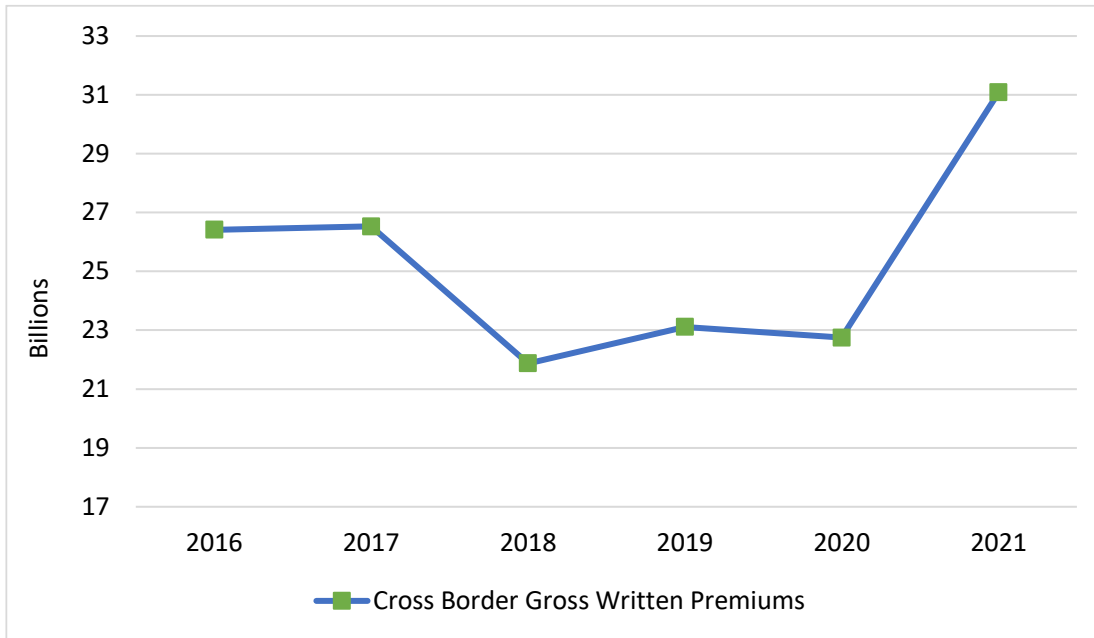
<sup>2</sup> Aviva Life and Pensions Ireland completed the acquisition of Friends First in June 2018 but the merger of their balance sheets did not take place until 2019. Due to this acquisition, the 2019 figure shows a substantial increase in Aviva Life & Pensions Ireland’s premiums as the balance sheets have now been amalgamated.

<sup>3</sup> Prior to 2019, Standard Life Assurance wrote business in Ireland via a branch. Standard Life completed the transfer of its Irish branch business to an existing Irish subsidiary, Standard Life International, in 2019 and any new domestic business is now written through this subsidiary.

**CROSS-BORDER BUSINESS**

Of the €48.1 billion gross written premiums in 2021 we estimate €31.1 billion (c. 65%) was written “cross-border” (i.e., outside Ireland) compared to an estimate of €22.7 billion (c. 61%) in 2020. This represents a 32% increase in cross-border gross written premiums in 2021. Figure 4 shows gross written premiums for cross-border life insurers since 2016.

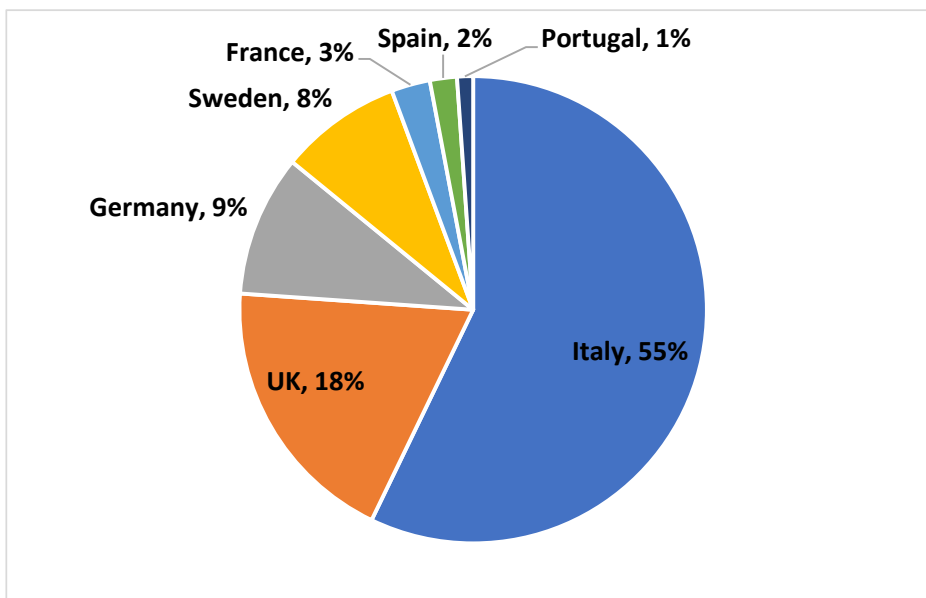
**FIGURE 4: GROSS WRITTEN PREMIUMS FOR CROSS-BORDER IRISH BUSINESS**



Insurers show a split of gross written premiums between their top five countries in the QRT S.05.02. The total top five countries shown by cross-border life insurance companies at year-end 2021 account for €30.0 billion of our estimated €31.1 billion cross-border life insurance business from Ireland. This leaves just €1.1 billion sold into countries that aren’t included in companies’ top five markets.

The split by country of Irish life insurers’ top five countries, excluding Ireland, in the QRT S.05.02 in 2021 is shown in Figure 5 (excluding several countries with less than 1%).

**FIGURE 5: 2021 PROPORTION OF IRISH LIFE INSURERS’ TOP FIVE CROSS-BORDER GROSS WRITTEN PREMIUMS BY COUNTRY**



As can be seen, cross-border business is dominated by Italy and the UK. The main Irish players in each country are set out in the tables in Figures 6 and 7, respectively. Of the two next-largest markets, business written in Germany is mostly from Canada Life Assurance Europe and Standard Life International, while business written in Sweden is almost entirely from Seb Life International.

Italy accounts for 55% of cross-border gross written premiums in 2021. The five Irish life insurers with the highest written premiums (gross of reinsurance) in Italy in 2021 are shown in Figure 6 along with a comparison to previous years.

**FIGURE 6: TOP FIVE GROSS WRITTEN PREMIUMS IN ITALY**

<b>ITALY GROSS WRITTEN PREMIUMS (€ MILLIONS)</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Intesa SanPaolo Life	5,480	3,774	4,897	5,731	7,941
Darta Saving Life Assurance	5,166	3,667	2,981	2,304	3,075
AXA MPS Financial	1,732	1,308	1,529	1,353	1,642
Azimut Life	1,126	666	679	631	1,526
Allianz Global Life	908	423	453	608	857

Of the top five life insurance companies writing business in Italy, only Allianz Global Life has any material gross written premiums in countries other than Italy, as shown in the QRT S.05.02. The companies writing significant business volumes in Italy therefore tend to have a single country focus.

The United Kingdom is the second-most popular market for gross written premiums. The five Irish life insurers with the highest written premiums (gross of reinsurance) in the UK in 2021 are shown in Figure 7.

**FIGURE 7: TOP FIVE GROSS WRITTEN PREMIUMS IN UK**

<b>UK GROSS WRITTEN PREMIUMS (€ MILLIONS)</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
St James's Place International	1,031	628	712	646	539
Standard Life International	928	556	570	694	844
Utmost PanEurope	798	456	221	112	288
Canada Life International Assurance (Ireland)	664	521	1,037	834	715
Prudential International Assurance	446	431	832	778	762

Where SFCRs are produced in other currencies we have used an exchange rate to convert to euro.

Monument Life Insurance actually reported the highest gross written premiums in the UK in 2021 of €1,042 million. However, the premiums shown are largely reflective of acquisitions as its portfolios are generally closed to new business.<sup>4</sup> We have therefore not included it in the table in Figure 7.

Of the top five life insurance companies writing business in the UK, all bar Canada Life International Assurance have gross written premiums in countries other than the UK, as shown in the QRT S.05.02.

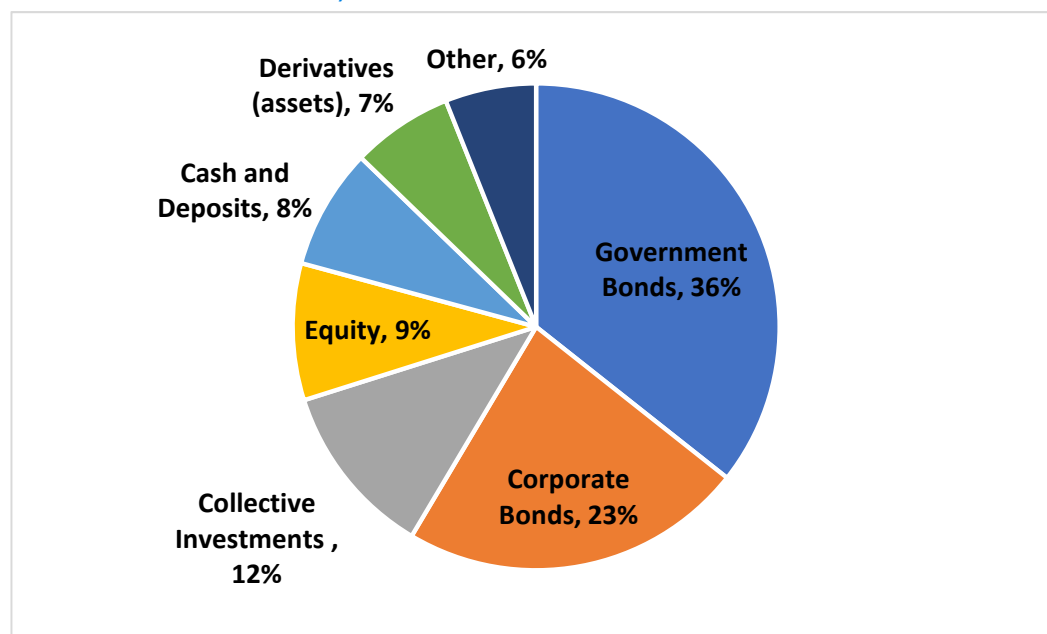
<sup>4</sup> The increase in 2021 premiums in the UK (and Germany) was mainly due to the take-on of a closed portfolio of variable annuity business from Athora Ireland plc in December 2021. In 2020 most of its UK premiums arose from the transfer of unit-linked international Portfolio Bond policies from Zurich Life Assurance plc.

## Analysis of investments

We estimate total balance sheet assets at financial year-ends in 2021 of €393 billion. Total balance sheet assets for 2020 in the CBI report are €349 billion (in 2019, €332 billion). Most of the Irish life insurance companies' balance sheet assets are assets held for index-linked and unit-linked contracts. We estimate unit-linked assets at year-end 2021 to have been €311 billion (in 2020, €266 billion; 2019, €256 billion).

Most of the remaining assets relate to €38 billion in financial investments (in 2020, €42 billion) and €40 billion in reinsurance recoverables (in 2020, €36 billion). The breakdown of the financial investments of €38 billion is shown in Figure 8.

**FIGURE 8: SPLIT OF FINANCIAL INVESTMENTS BY ASSET CLASS (EXCLUDING ASSETS HELD FOR INDEX-LINKED AND UNIT-LINKED CONTRACTS)**



GOVERNMENT AND CORPORATE BONDS  
account for **36% AND 23%**  
of **financial investments**, respectively

The majority of Irish life insurers are heavily invested in bonds, with 36% of total investments in government bonds and 23% of investments in corporate bonds. The remainder of investments are split as shown the table in Figure 9.

**FIGURE 9: SPLIT OF FINANCIAL INVESTMENTS BY ASSET CLASS (EXCLUDING ASSETS HELD FOR INDEX-LINKED AND UNIT-LINKED CONTRACTS)**

	2021	2020
Government Bonds	36%	37%
Corporate Bonds	23%	23%
Collective Investments	12%	9%
Equity	9%	7%
Cash and Deposits	8%	10%
Derivatives (assets only)	7%	10%
Other	6%	4%



## Analysis of solvency coverage

### SOLVENCY COVERAGE RATIOS

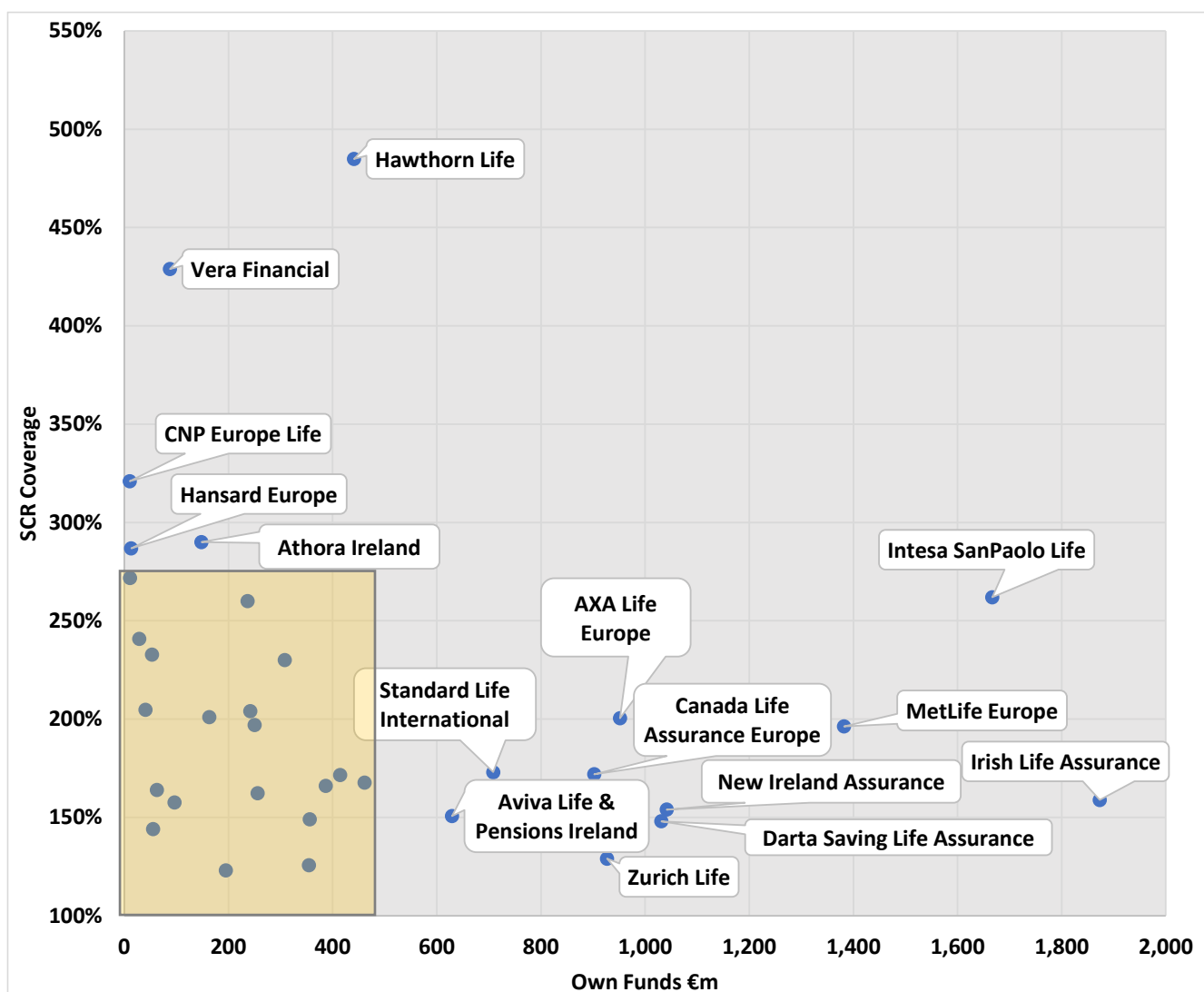
The aggregate solvency coverage ratio for Irish life insurers was 177%<sup>5</sup> at financial year-ends in 2021 (in 2020, 173%; 2019, 178%) based on the figures reported in SFCRs. This is an increase on the 2020 solvency coverage ratio and a return closer to the 2019 figure which, in turn, represented a reduction from the 2018 figure of 189%.

Solvency coverage is significantly in excess of the required 100% coverage level, indicating that, in aggregate, Irish life insurers were in a very healthy solvency position at year-end 2021.

The solvency coverage ratio **INCREASED** from **173%** to **177%** at year-end 2021

Figure 10 shows the individual solvency coverage ratios by company for Irish life insurers at year-end 2021. The horizontal axis shows the corresponding own funds by company.

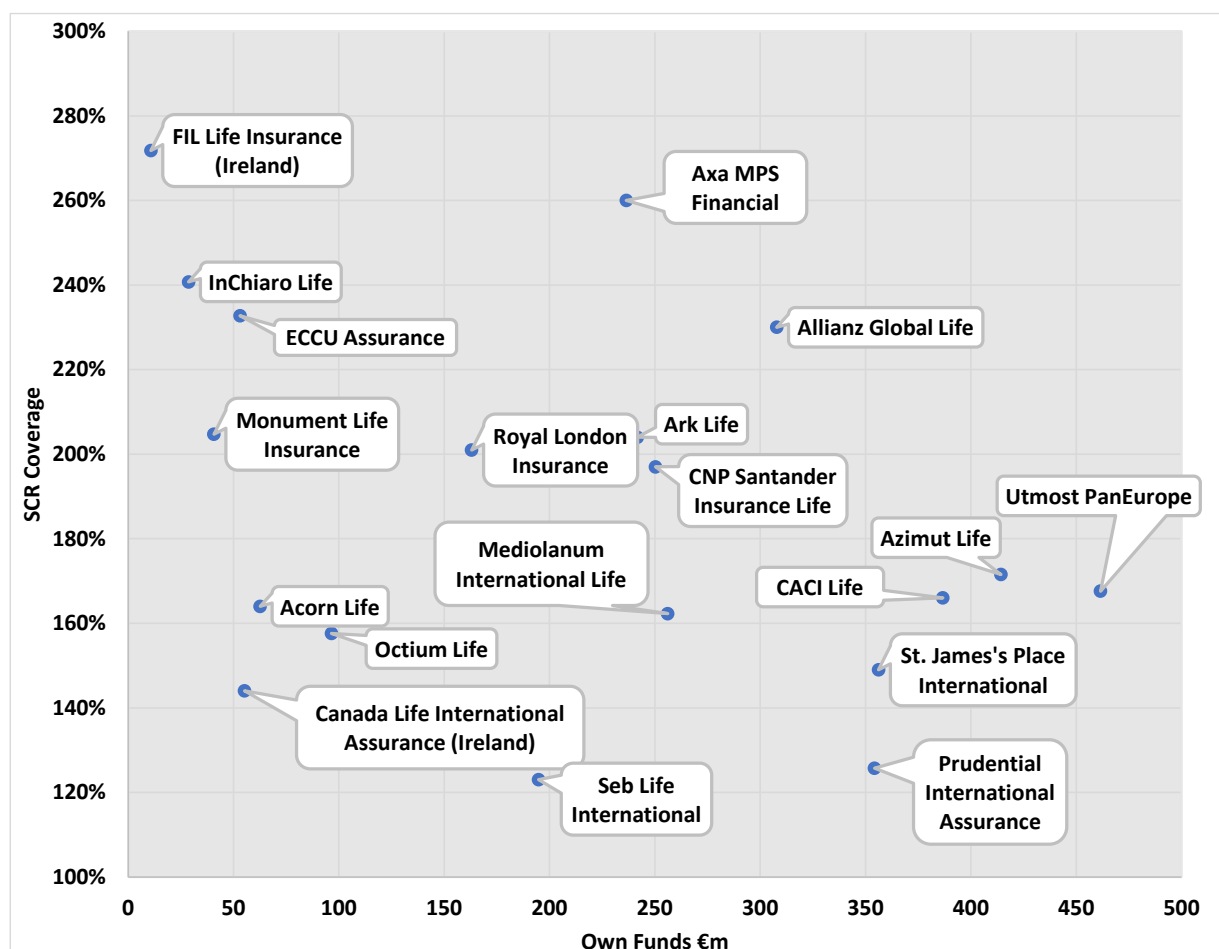
**FIGURE 10: 2021 DISTRIBUTION OF SOLVENCY COVERAGE RATIOS**



<sup>5</sup> Total eligible own funds divided by the total SCR for Irish life insurers included.

Magnifying the lower-left quadrant makes the remaining cluster of companies clearer, as shown in the chart in Figure 11.

**FIGURE 11: 2021 DISTRIBUTION OF SOLVENCY COVERAGE RATIOS, LOWER-LEFT QUADRANT ONLY**



Smaller firms tend to have higher solvency coverage ratios. Of the 24 life insurers with own funds in excess of €100 million at financial year-ends in 2021, 15 had solvency coverage ratios in the range of 150% to 250%. Four had solvency coverage ratios greater than 250% and five were less than 150% (with the lowest being 123%).

#### SCR: INTERNAL MODEL COMPANIES

At year-end 2021, three Irish life insurers used full internal models: Allianz Global Life dac, AXA Life Europe dac and AXA MPS Financial dac. This is unchanged from year-end 2020. Prior to year-end 2020 Prudential International Assurance plc had been using an internal model but it changed to use the standard formula.

Standard Life International notes in its SFCR that it has received approval to use a partial internal model to calculate its solvency position from 30 June 2022. The partial internal model will replace the counterparty default risk and operational risk modules of the standard formula.

## Long-term guarantee and transitional measures

A number of measures are available to insurers both in terms of transitioning to the Solvency II regime and in terms of allowing for the impact of long-term guarantees. The measures include the use of the volatility adjustment or the matching adjustment (long-term guarantee measures), transitional measures on technical provisions or the risk-free interest rate term structure and transitional measures relating to the Solvency Capital Requirement (SCR).

The following seven Irish life insurers were using the volatility adjustment as at year-end 2021:

- Athora Ireland plc (impact is an improvement of eight percentage points in solvency ratio)
- Aviva Life & Pensions Ireland DAC (impact is an improvement of two percentage points in solvency ratio)
- Irish Life Assurance plc (impact is an improvement of one percentage point in solvency ratio)
- MetLife Europe dac (impact is an improvement of one percentage point in solvency ratio)
- Monument Life Insurance dac (impact is an improvement of one percentage point in solvency ratio)
- New Ireland Assurance Company plc (impact is an improvement of one percentage point in solvency ratio)
- Standard Life International (impact is an improvement of one percentage point in solvency ratio)

This is an increase from three Irish life insurers that were using the volatility adjustment as at year-end 2020 (Aviva, Irish Life and New Ireland), all of which benefited from a greater improvement in solvency ratio at year-end 2020 as a result of using the volatility adjustment. This is due to the lower level of the volatility adjustment as at 31 December 2021—3 basis points (bps) compared with 7 bps as at 31 December 2020—which resulted in a lower addition to the yield curve used.

No Irish life insurer is using the matching adjustment or the other transitional measures.

## Summary

In summary, the key points noted in our analysis of Irish life insurers' SFCRs are:

- Significant growth in gross written premiums in 2021 and in total balance sheet assets
- An improvement in solvency coverage ratios
- An increased use of the volatility adjustment (although the benefit of using the adjustment at year-end 2021 was lower)

## Appendix 1: Life insurers included in the analysis

The following table sets out the 36 life insurers based in Ireland included in our year-end 2021 analysis.

COMPANY
Acorn Life DAC
Allianz Global Life DAC
Arca Vita International dac*
Ark Life Assurance Company dac
Athora Ireland Plc
Aviva Life & Pensions Ireland
AXA Life Europe DAC
AXA MPS Financial DAC
Azimut Life dac
CACI Life dac
Canada Life Assurance Europe PLC
Canada Life International Assurance (Ireland) DAC
CNP Europe Life dac
CNP Santander Insurance Life DAC
Darta Saving Life Assurance dac
ECCU Assurance dac
FIL Life Insurance (Ireland) dac
Hansard Europe DAC
Hawthorn Life DAC
InChiaro Life dac
Intesa SanPaolo Life dac
Irish Life Assurance plc
Mediolanum International Life DAC
MetLife Europe d.a.c.
Monument Life Insurance DAC
New Ireland Assurance Company plc
Octium Life dac
Prudential International Assurance plc
Quilter International Ireland dac
Royal London Insurance DAC
Seb Life International Assurance Company DAC
Standard Life International DAC
St James's Place International plc
Utmost PanEurope dac
Vera Financial dac
Zurich Life Assurance plc

\* 2020 figures used



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