

MILLIMAN RESEARCH REPORT

# Analysis of Solvency and Financial Condition Reports: Year-end 2022

Life insurers based in Ireland

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## Table of Contents

<b>INTRODUCTION</b> .....	<b>1</b>
<b>IRISH MARKET COVERAGE</b> .....	<b>1</b>
<b>UNDERLYING DATA</b> .....	<b>1</b>
<b>ANALYSIS OF IRISH LIFE INSURERS</b> .....	<b>2</b>
<b>ANALYSIS OF PREMIUMS</b> .....	<b>2</b>
<b>DOMESTIC BUSINESS</b> .....	<b>2</b>
<b>CROSS-BORDER BUSINESS</b> .....	<b>4</b>
<b>ANALYSIS OF INVESTMENTS</b> .....	<b>6</b>
<b>ANALYSIS OF SOLVENCY COVERAGE</b> .....	<b>7</b>
<b>SOLVENCY COVERAGE RATIOS</b> .....	<b>7</b>
<b>SCR: INTERNAL MODEL COMPANIES</b> .....	<b>8</b>
<b>LONG-TERM GUARANTEE AND TRANSITIONAL MEASURES</b> .....	<b>9</b>
<b>SUMMARY</b> .....	<b>9</b>
<b>APPENDIX 1: LIFE INSURERS INCLUDED IN THE ANALYSIS</b> .....	<b>10</b>

## 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 and reinsurers 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 2021 calendar year.<sup>1</sup> These reports are not available on the CBI's website for year-ends in 2022 at the date of publication of this briefing note. However, most are available on the website of each life insurance company. We have produced 2022 information using SFCRs that we have sourced for 34 of the 35 life insurance companies that were authorised in Ireland as at 31 December 2022. Where SFCRs are produced in other currencies we have used an exchange rate to convert to euro.

There were 36 life insurers authorised in Ireland as at 31 December 2021. During 2022, the insurance business of Ark Life Assurance Company dac transferred to Irish Life Assurance plc and the insurance business of Quilter International Ireland dac was transferred to Utmost PanEurope dac. This leaves 34 life insurers remaining that we have included in our analysis for year-end 2022. Two new entities have been authorised that we have not included:

- Phoenix Life Assurance Europe dac was authorised in September 2022 with insurance business transferred from Phoenix Life Limited and ReAssure Life Limited via a portfolio transfer approved by the courts in England and Ireland. However, the transfer of business was effective from 1 January 2023 so we have left it out of our analysis as at 31 December 2022.
- Saol Assurance dac was authorised in February 2023, a joint venture between Allied Irish Banks plc and Great-West Lifeco.

Thus, at the date of publication of this research report, there are 36 life insurance entities authorised in Ireland but we have only included 34 in our analysis at 31 December 2022.

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 data published 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 12 May 2023 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 has fallen to €40.6 billion for financial year-ends in the 2022 calendar year. It had increased significantly to €48.1 billion in 2021, up from €37.3 billion the previous year.

### GROSS WRITTEN PREMIUMS

for life insurance have  
**fallen significantly**  
 over the year



The 10 Irish life insurers with the highest total written premiums in 2022 (gross of reinsurance) 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)	2022	2021	2020
<b>Irish Life Assurance</b>	7,103 (+1%)	7,005 (+13%)	6,205 (-7%)
<b>Zurich Life Assurance</b>	4,490 (+2%)	4,394 (+35%)	3,249 (-5%)
<b>Darta Saving Life Assurance</b>	3,244 (-37%)	5,166 (+41%)	3,667 (+23%)
<b>New Ireland Assurance Company</b>	3,028 (+14%)	2,668 (+16%)	2,301 (+9%)
<b>Intesa SanPaolo Life</b>	2,850 (-48%)	5,513 (+45%)	3,800 (-23%)
<b>Standard Life International</b>	2,678 (-12%)	3,059 (+38%)	2,214 (+23%)
<b>Utmost PanEurope</b>	2,291 (+18%)	1,948 (+57%)	1,237 (+35%)
<b>Aviva Life &amp; Pensions Ireland</b>	1,746 (+3%)	1,689 (+3%)	1,637 (+17%)
<b>MetLife Europe</b>	1,431 (+4%)	1,373 (+12%)	1,229 (+2%)
<b>Seb Life International</b>	1,428 (-39%)	2,356 (+136%)	996 (+19%)

As can be seen, there has been mixed performance in 2022 compared with 2021. The top 10 companies shown represent 77% of the total gross written premium in 2022. Domestic companies appear to have fared better than the larger cross-border companies, which have seen some large falls in premium income since 2021. Domestic and cross-border premiums are analysed in more detail below.

### 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 €40.6 billion gross written premiums in 2022, we estimate €17.6 billion (c. 44%) was written in the “home country” (i.e., Ireland) compared to an estimate of €17.0 billion (c. 35%) in 2021. This represents a 3% increase in domestic gross written premiums in 2022.

The five Irish life insurers with the highest gross written premiums in the domestic Irish market in 2022 are shown in the table in Figure 2 along with a comparison to previous years.

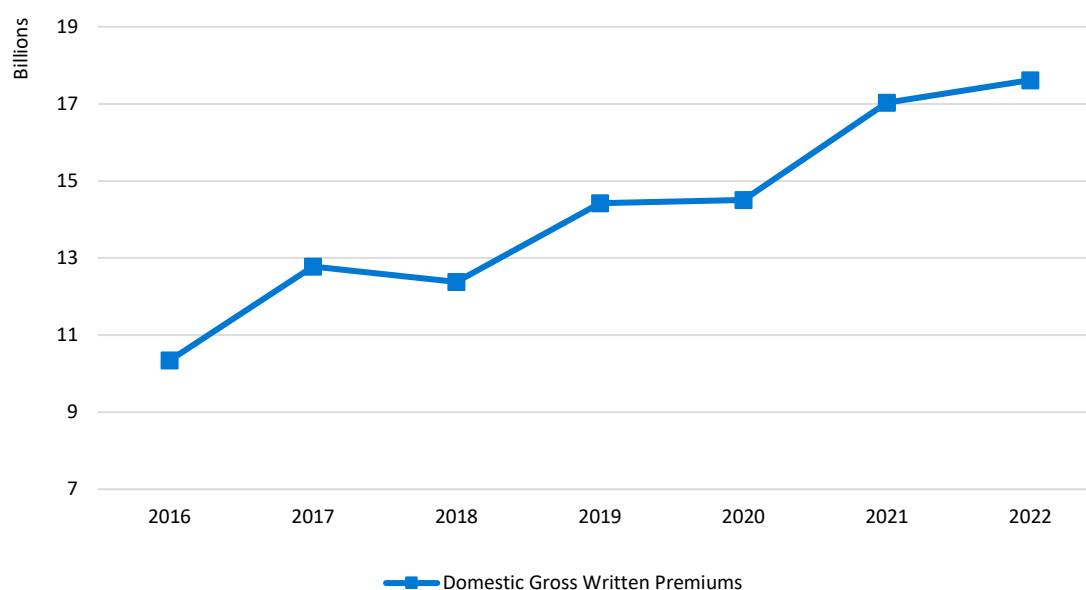
**FIGURE 2: TOP FIVE GROSS WRITTEN PREMIUMS IN HOME COUNTRY**

IRELAND GROSS WRITTEN PREMIUMS (€ MILLIONS)	2022	2021	2020	2019	2018	2017
Irish Life Assurance	7,103	7,005	6,205	6,665	6,132	7,268
Zurich Life Assurance	4,426	4,315	3,158	3,289	3,087	2,620
New Ireland Assurance Company	3,028	2,668	2,301	2,108	2,175	1,792
Aviva Life & Pensions Ireland	1,621	1,689	1,557	1,341	634 <sup>2</sup>	961
Standard Life International	838	872	689	492	0 <sup>3</sup>	0

Note that the figures shown in Figure 1 above for these companies may differ where the company writes business outside Ireland. Standard Life International is the only insurer in Figure 2 with any material premiums written in countries other than Ireland (in Germany and the UK in particular, with some in Austria). (Aviva Life & Pensions Ireland has some premiums in Germany, Belgium, Iceland, Sweden, Italy and France, and Zurich Life Assurance has some premiums in Germany, Italy, Sweden and Spain.)

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

**FIGURE 3: GROSS WRITTEN PREMIUMS IN IRELAND**



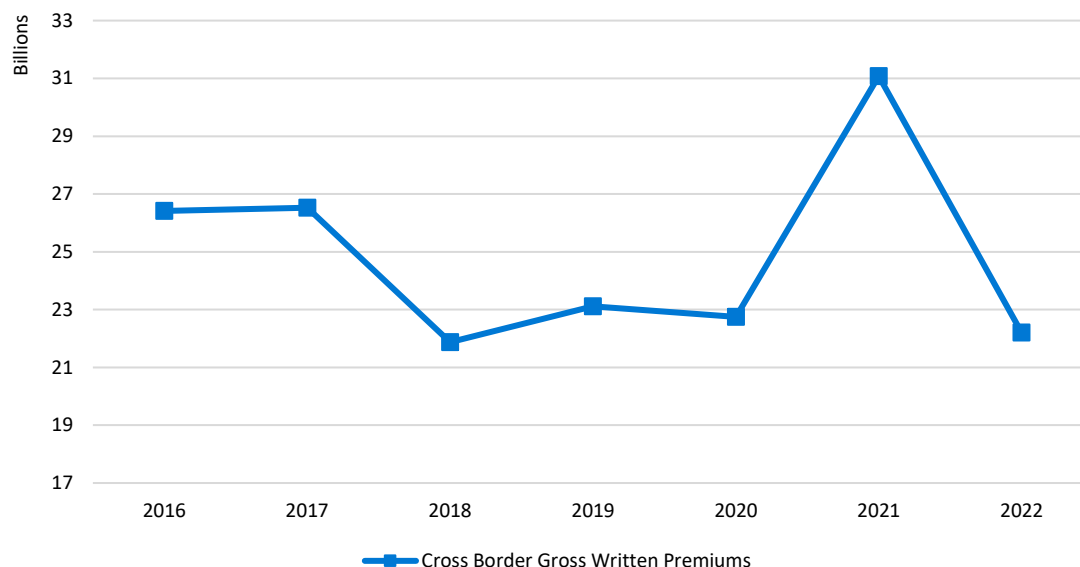
<sup>2</sup> Aviva Life and Pensions Ireland completed the acquisition of Friends First in June 2018 but the merger of their balance sheets did not take place until 2019. Due to this acquisition, the 2019 figure shows a substantial increase in Aviva Life & Pensions Ireland's premiums as the balance sheets 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 €40.6 billion gross written premiums in 2022, we estimate €23.0 billion (c. 57%) was written “cross-border” (i.e., outside Ireland) compared to an estimate of €31.1 billion (c. 65%) in 2021. This represents a 26% decrease in cross-border gross written premiums in 2022. Figure 4 shows gross written premiums for cross-border life insurers since 2016.

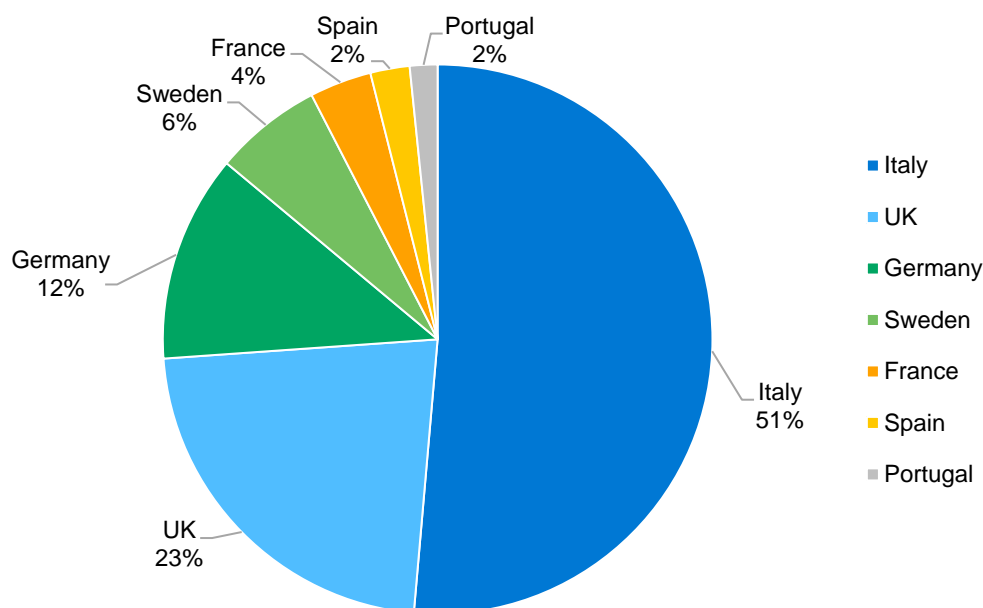
FIGURE 4: GROSS WRITTEN PREMIUMS CROSS-BORDER



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 2022 account for €22.0 billion of our estimated €23.0 billion cross-border life insurance business from Ireland. This leaves €1.0 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 2022 is shown in Figure 5 (excluding several countries with 1% or less).

FIGURE 5: 2022 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 accounted for 49% of cross-border gross written premiums in 2022. The five Irish life insurers with the highest written premiums (gross of reinsurance) in Italy in 2022 are shown in Figure 6, along with a comparison to previous years.

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

ITALY GROSS WRITTEN PREMIUMS (€ MILLIONS)	2022	2021	2020	2019	2018	2017
Darta Saving Life Assurance	3,244	5,166	3,667	2,981	2,304	3,075
Intesa SanPaolo Life	2,821	5,480	3,774	4,897	5,731	7,941
Azimut Life	1,048	1,126	666	679	631	1,526
AXA MPS Financial	962	1,732	1,308	1,529	1,353	1,642
Allianz Global Life	664	908	423	453	608	857

Intesa SanPaolo Life (ISPL) has fallen from the top of the table for the first time, with Darta Saving Life Assurance overtaking it. However, both companies experienced a significant fall in premium volumes from 2021 levels. Overall total gross written premiums in Italy from Ireland in 2022 were €10.8 billion, a significant fall from the 2021 figure of €16.5 billion. We note that ISPL's recently published SFCR includes a statement that the company has initiated a project to merge with its parent in Italy and establish a branch in Ireland.

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 2022 are shown in Figure 7.

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

UK GROSS WRITTEN PREMIUMS (€ MILLIONS)	2022	2021	2020	2019	2018	2017
Canada Life International Assurance (Ireland)	975	664	521	1,037	834	715
St James's Place International	897	1,031	628	712	646	539
Utmost PanEurope	884	798	456	221	112	288
Standard Life International	816	928	556	570	694	844
Prudential International Assurance	552	446	431	832	778	762

Where SFCRs are produced in other currencies we have used an exchange rate at 31 December 2022 to convert to euro. Overall total gross written premiums in the UK from Ireland in 2022 were €4.7 billion down from the 2021 figure of €5.5 billion. (However, Monument Life Insurance reported gross written premiums in the UK in 2021 of €1,042 million, which related to acquisitions rather than genuine new business.)

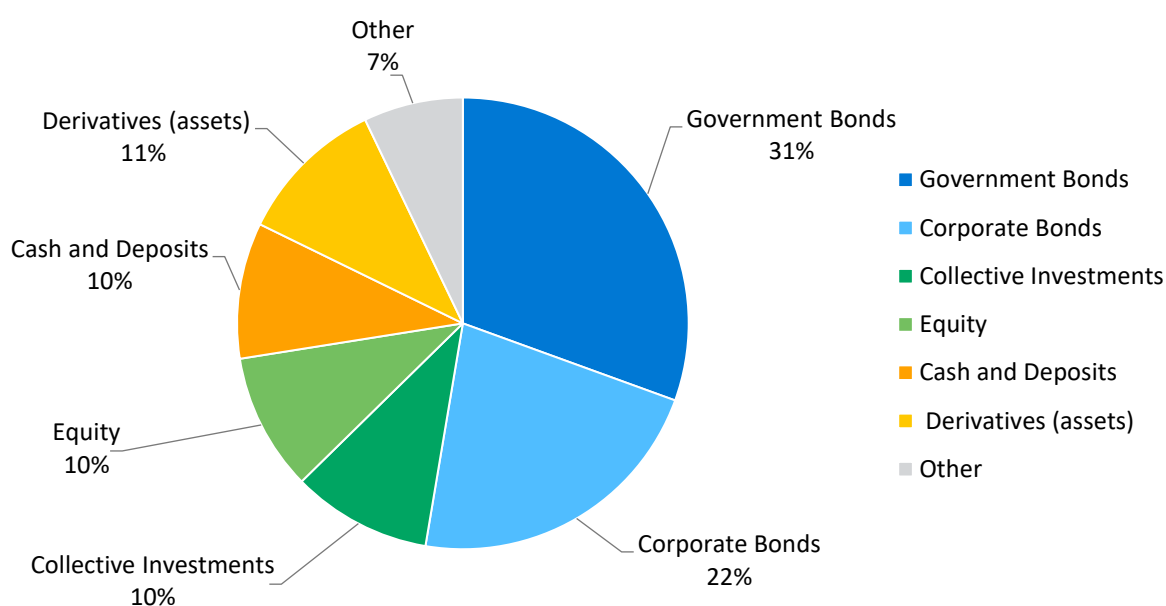
Of the top five life insurance companies writing business in the UK, all bar Canada Life International Assurance have gross written premiums in countries other than the UK, as shown in the QRT S.05.02.

## Analysis of investments

We estimate total balance sheet assets at financial year-ends in 2022 of €344 billion. Total balance sheet assets at financial year-ends in 2021 were €393 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 2022 to have been €275 billion (in 2021, €311 billion).

Most of the remaining assets relate to €33 billion in financial investments (in 2021, €38 billion) and €31 billion in reinsurance recoverables (in 2021, €40 billion). The breakdown of the financial investments of €33 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 **31% AND 22%**  
of **financial investments**, respectively.

The majority of Irish life insurers are heavily invested in bonds, with 31% of total investments in government bonds and 22% of investments in corporate bonds. The remainder of investments are split as shown in the table in Figure 9.

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

	2022	2021	2020
<b>Government Bonds</b>	31%	36%	37%
<b>Corporate Bonds</b>	22%	23%	23%
<b>Collective Investments</b>	10%	12%	9%
<b>Equity</b>	10%	9%	7%
<b>Cash and Deposits</b>	10%	8%	10%
<b>Derivatives (assets only)</b>	11%	7%	10%
<b>Other</b>	7%	6%	4%



# Analysis of solvency coverage

## SOLVENCY COVERAGE RATIOS

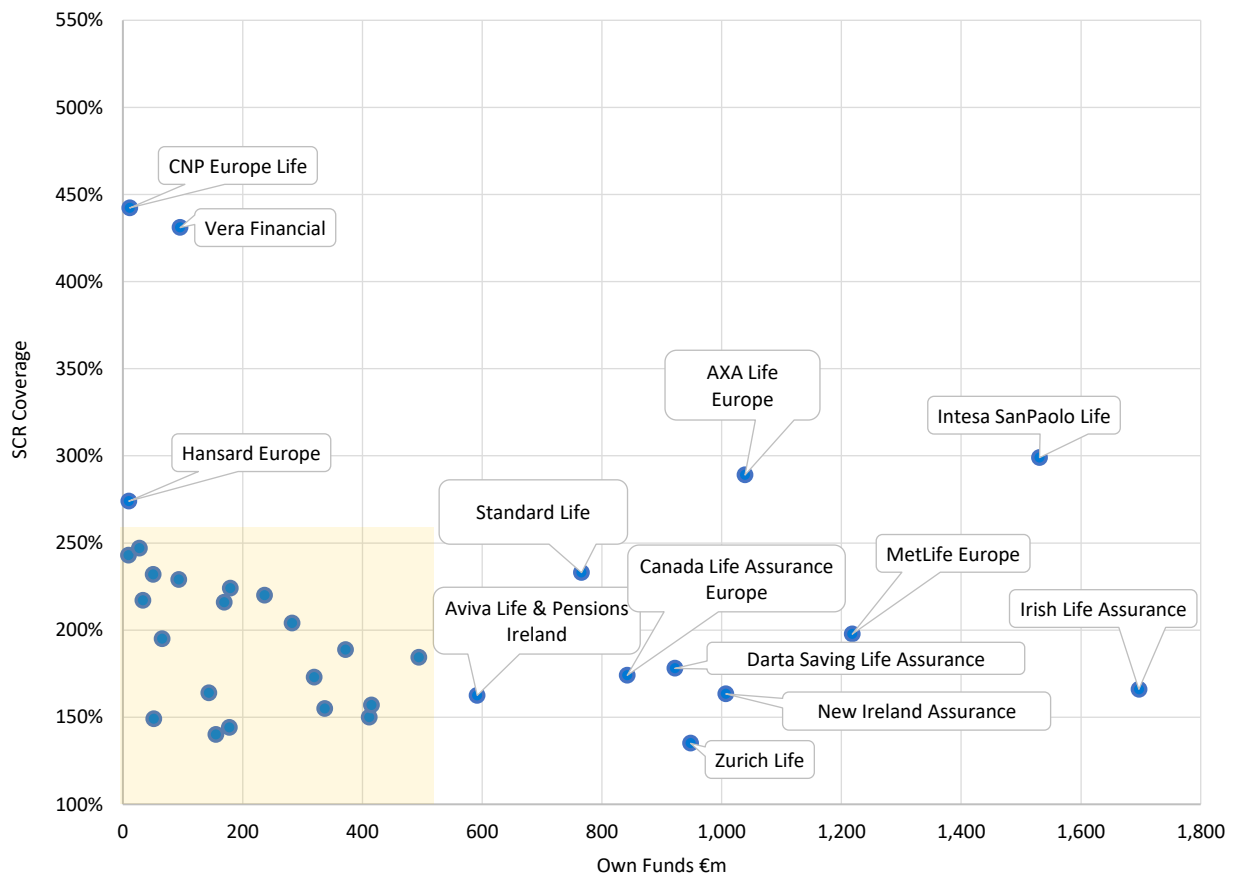
The aggregate solvency coverage ratio for Irish life insurers was 188% for financial year-ends in 2022 (in 2021, 177%). This is calculated as total eligible Own Funds divided by total Solvency Capital Requirement (SCR) for all entities included in our analysis, based on the figures reported in SFCRs. 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 2022.

The solvency coverage ratio **INCREASED**  
 from **177%** to **188%** at year-end 2022

This increase can be attributed to increases in solvency coverage ratios for some of the larger entities, in particular AXA Life Europe dac (ALE), ISPL and Standard Life International dac (SLIL). ALE attributes its increase in ratio to the increase in interest rates reducing its risk margin and its SCR. ISPL has a lower SCR due to lower funds under management driven by exits exceeding new premiums. SLIL has implemented a partial internal model which has helped to reduce its SCR. These impacts are partly offset by a large decrease in solvency coverage for Hawthorn Life dac due to a large dividend payment reducing Own Funds along with a significant increase in SCR due to a new inwards financing reinsurance contract.

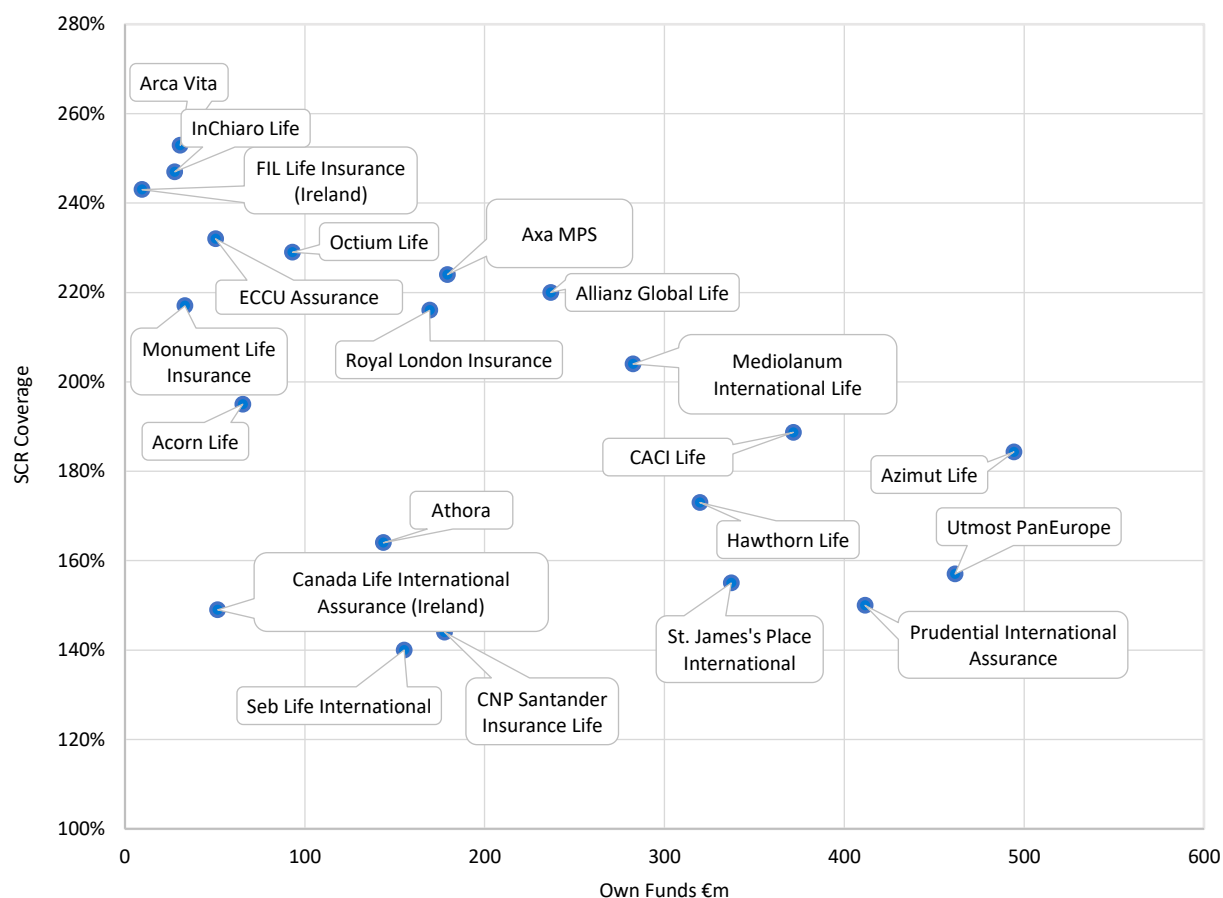
Figure 10 shows the individual solvency coverage ratios by company for Irish life insurers at year-end 2022. The horizontal axis shows the corresponding own funds by company.

FIGURE 10: 2022 DISTRIBUTION OF SOLVENCY COVERAGE RATIOS



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

**FIGURE 11: 2022 DISTRIBUTION OF SOLVENCY COVERAGE RATIOS, LOWER-LEFT QUADRANT ONLY**



Smaller firms tend to have higher solvency coverage ratios. Of the 23 life insurers with Own Funds in excess of €100 million at financial year-ends in 2022, 17 had solvency coverage ratios in the range of 150% to 250%. Two had solvency coverage ratios greater than 250% (ALE and ISPL, shown in Figure 10) and four were less than 150% (with the lowest being Zurich Life at 135%, shown in Figure 10).

### SCR: INTERNAL MODEL COMPANIES

At year-end 2022, three Irish life insurers used full internal models: Allianz Global Life dac, AXA Life Europe dac and AXA MPS Financial dac. Standard Life International is using a partial internal model to calculate the counterparty default risk and operational risk modules of the SCR.

## 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 2022:

- Athora Ireland plc
- Aviva Life & Pensions Ireland dac
- Irish Life Assurance plc
- MetLife Europe dac
- Monument Life Insurance dac
- New Ireland Assurance Company plc
- Standard Life International

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:

- A significant fall in gross written premiums in 2022 and in total balance sheet assets, driven by decreases in cross-border premiums in particular
- An improvement in solvency coverage ratios overall
- Limited use of internal models and moderate use of the volatility adjustment

## Appendix 1: Life insurers included in the analysis

The following list sets out the 34 life insurers based in Ireland included in our year-end 2022 analysis.

- Acorn Life dac
- Allianz Global Life dac
- Arca Vita International 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
- Dartá 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 dac
- Monument Life Insurance dac
- New Ireland Assurance Company plc
- Octium Life dac
- Prudential International Assurance plc
- 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

\* 2021 figures used

The following companies have since registered as life insurance companies in Ireland but had no insurance business at 31 December 2022:

- Phoenix Life Assurance Europe dac
- Saol Assurance dac



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