MILLIMAN REPORT

IFRS 17 Benchmarking: Our key observations on the 2024 annual reports

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Introduction

In 2024, most companies released or had already released their annual reports under IFRS 17 for the second time, allowing for an analysis of the evolution in their financial statements and key performance indicators (KPIs). This report offers a comparative analysis primarily of life insurance companies. An improvement over the 2023 report is the expanded scope, which now includes multiple countries, as well as more bank-insurers and reinsurers.

Given the long-term liabilities held by insurance companies, determining a company's value and the value generated within a reporting period can be complex. This analysis focuses specifically on evaluating the financial position and performance or value creation among a group of insurance companies.

Our goal with this detailed analysis is to offer stakeholders and analysts a deeper understanding of the changing landscape of the insurance industry as it navigates this new reporting standard.

We have analyzed 55 insurance companies from 15 different countries, 5 of which are non-European.

- Austria, with 2 companies (Uniqa, VIG)
- Belgium, with 2 companies (Ageas, KBC)
- Bermuda, with 1 company (Aegon)
- Canada, with 4 companies (Canada Life, Industrial Alliance, Manulife, Sun Life)
- France, with 8 companies (Assurances du Crédit Mutuel [ACM], AXA, BNP Paribas Cardif, BPCE, CNP Assurances SA, Crédit Agricole Assurances [CAA], Société Générale Assurances [SOCGEN], SCOR)
- Germany, with 6 companies (Allianz, Ergo, Hannover Re, Munich Re, R+V Versicherung, Talanx)
- Hong Kong, with 4 companies (AIA, FWD, HSBC Life, Prudential PLC)
- Italy, with 2 companies (Generali, Gruppo Unipol)
- Netherlands, with 6 companies (Achmea, ASR, Athora Life, Athora Netherlands, NN Group, NN Leven)
- Poland, with 1 company (PZU)
- South Africa, with 2 companies (Old Mutual, Sanlam)
- South Korea, with 6 companies (Hanwha, Kyobo, Mirae Asset, Samsung, Shinhan, Tongyang)
- Spain, with 1 company (Mapfre Group)
- Switzerland, with 5 companies (Baloise, Helvetia, Swiss Life, Swiss Re, Zurich)
- UK, with 5 companies (Aviva, Just Group, Legal & General, M&G PLC, Phoenix)

Our observations and analyses are exclusively derived from public information presented in annual reports and/or investor presentations. The information is stored in a database and clients can request the retrieval of specific data and peer group analysis. A second volume of this report will be published soon with the financial results of a number of additional companies from China, Canada, Europe and Africa. The second volume will also include several additional indicators and comparisons, like combined ratios, overview of loss component, comparison with the market capitalization and if available with capital generation.

IFRS 17

Key aims of IFRS 17 are to improve global comparability among firms, implement a source-of-earnings approach for assessing performance, and enhance transparency. The value of an insurance company is mainly based on its equity and contributions from (re)insurance contracts to the profit and loss (P&L) statement over time.

The value of the company under IFRS consists of the amount of equity and the future amounts to be released into the P&L (and added to the retained earnings) over time.

Elements that will be released into the P&L over time and that should be reflected are:

- The contractual service margin (CSM): This represents the expected future profit for insurers when providing services.
- The risk adjustment (RA): This is the compensation an entity requires for managing the uncertainty of cash flow amounts and timing due to nonfinancial risk when fulfilling insurance contracts.
- Revaluation reserves of assets (backing the insurance liabilities) and liabilities due to the election of the fair value through other comprehensive income (FVOCI) option: This represents the expected future profit or losses for insurers over time.

The amounts of the CSM, RA, and revaluations per the reporting date on the balance sheet are informative, but the movement in the amounts and, more specifically, the generation of new business and the release patterns are important for future results. KPIs like normalized CSM growth, the CSM release over time, and return on equity (ROE) are used to give an indication of profitability and its development.

Our analysis concentrates on these three key elements discussed earlier and their impact on the perceived value and future financial performance of the insurers.

1 Financial position analysis

1.1 BALANCE SHEET INFORMATION

This section presents information from the year-end 2024 (YE24) balance sheets, providing an overview of the balance sheet totals, the present value of future cash flows (PVFCF or best estimate), the CSM, and the RA. The main purpose is to offer insight into the relative size of various companies. The data is segmented by different types of insurers, and for bank-insurers, only the insurance segment is presented. All amounts are in euros, using the YE24 exchange rates. Collectively, the companies within scope had a balance sheet total exceeding €11 trillion as of YE24.

BALANCE SHEET TOTALS YE24

	BANK-INSURANCE	EURbn
1	CNP ASSURANCES SA	435
2	CREDIT AGRICOLE ASSURANCES (CAA)	420
3	KBC (*Scope of the bank including insurance*)	373
4	BNP PARIBAS CARDIF GROUP	287
5	SOCGEN ASSURANCES	179
6	CREDIT MUTUEL (ACM)	147
7	HSBC LIFE	143
8	BPCE	107
9	GRUPPO UNIPOL	83

	REINSURANCE	EURbn
1	MUNICH RE	423
2	SWISS RE	122
3	HANNOVER RE	72
4	SCOR	37

	Insurance	EURbn
1	ALLIANZ	1,045
2	LEGAL & GENERAL	656
3	MANULIFE	655
4	AXA	654
5	GENERALI	539
6	AVIVA	427
7	PHOENIX	371
8	ZURICH	345
9	AEGON	327
10	CANADA LIFE	309
11	AIA	294
12	SUN LIFE	248
13	SWISS LIFE	233
14	M&G PLC	222
15	NN GROUP	210
16	SAMSUNG	204
17	TALANX	180
18	PRUDENTIAL PLC	175
19	ERGO	150
20	ASR	139
21	R+V VERSICHERUNG	136

	Insurance	EURbn
22	NN LEVEN	133
23	PZU	118
24	HANWHA	105
25	AGEAS	98
26	KYOBO	91
27	BALOISE	85
28	ACHMEA	82
29	INDUSTRIAL ALLIANCE	73
30	ATHORA NETHERLANDS	68
31	HELVETIA	65
32	OLD MUTUAL	63
33	ATHORA LIFE	63
34	SANLAM	58
35	MAPFRE GROUP	57
36	FWD	52
37	VIG	51
38	JUST GROUP	46
39	SHINHAN	39
40	UNIQA	29
41	TONGYANG	23
42	MIRAE ASSET	21

Our main focus is on business measured using the general measurement model (GMM) and variable fee approach (VFA). These measurement models are generally applied to life and long-term insurance contracts. Within our scope, several insurance companies operate other types of businesses, such as:

- Companies with banking activities and other investment services
- Companies with investment contracts accounted for according to IFRS 9—predominantly insurance companies from the UK and Canada
- Companies with business like health and non-life accounted for via the premium allocation approach (PAA), such as multiline insurers like Allianz, AXA, and Generali, as well as reinsurers

This leads to a significant difference between the balance sheet totals and the present value of future cash flows (PVFCF) of the liabilities measured with the GMM and the VFA, as can be observed in the following tables.

1.2 PVFCF INFORMATION

PVFCF END-OF-PERIOD (GMM AND VFA)

While the total balance sheet amounts exceed €11 trillion, the total amount of the PVFCF is slightly over €6 trillion, averaging €110 billion per company. Values are net of reinsurance when available.

	Bank-insurance	EURbn
1	CNP ASSURANCES SA	339
2	CREDIT AGRICOLE ASSURANCES (CAA)	328
3	BNP PARIBAS CARDIF GROUP	226
4	SOCGEN ASSURANCES	137
5	CREDIT MUTUEL (ACM)	113
6	HSBC LIFE (incl. RA)	91
7	BPCE	89
8	GRUPPO UNIPOL	42
9	KBC	11

	Reinsurance	EURbn
1	MUNICH RE	62
2	SWISS RE	50
3	HANNOVER RE	34
4	SCOR	11

	Insurance	EURbn
1	ALLIANZ	630
2	GENERALI	367
3	AXA	298
4	MANULIFE	285
5	AEGON	190
6	M&G PLC	162
7	SWISS LIFE	153
8	AIA	151
9	ZURICH	137
10	PRUDENTIAL PLC	136
11	NN GROUP	135
12	PHOENIX	129
13	AVIVA	124
14	ERGO	123
15	SAMSUNG	122
16	NN LEVEN	103
17	CANADA LIFE	103
18	R+V VERSICHERUNG	95
19	ASR	92

	Insurance	EURbn
22	SUN LIFE	71
23	HANWHA	63
24	KYOBO	57
25	AGEAS	49
26	ATHORA LIFE	42
27	ATHORA NETHERLANDS	42
28	INDUSTRIAL ALLIANCE	41
29	BALOISE	40
29	HELVETIA	38
31	ACHMEA	33
32	FWD	32
33	OLD MUTUAL	29
34	JUST GROUP	28
35	SHINHAN	26
36	VIG	23
37	MAPFRE GROUP	18
38	TONGYANG	16
39	MIRAE ASSET	16
40	UNIQA	13

	Insurance	EURbn
20	TALANX	90
21	LEGAL & GENERAL	87

	Insurance	EURbn
41	SANLAM	9
42	PZU	2

1.3 THE ELEMENTS THAT FLOW IN THE P&L OVER TIME: CSM, RA, AND REVALUATIONS

This section provides an overview of the amounts reflected in the P&L over time. It presents both absolute amounts and ratios relative to PVFCF, offering insight into relative size and margin over the PVFCF.

The CSM and the RA are measures of profitability, helping us understand how the business is performing and how it is managed. Positive amounts in the CSM and RA are recognized as income in the P&L statement. The amount of revaluations (or other comprehensive income, or OCI) is an indicator of the amounts that will be recycled into P&L over time. The amounts of the revaluation are volatile and depend on the level of financial parameters such as interest rates and the mismatch between assets and liabilities. Mismatches can arise from differences in the volumes between assets and liabilities as well as from accounting.

The amount of CSM by the end of 2024 is primarily influenced by the amount recognized at the time of transition. Additionally, growth is driven by new business and interest accretion. Over time, the CSM will be reflected in the P&L statement and can be used to strengthen insurance liabilities until it is depleted. There are notable differences in CSM amounts across companies and countries, influenced by portfolio size, business profitability, and the transition method employed.

RA amounts vary significantly among companies and depend on the chosen methodology for risk measurement and drivers. Canadian companies stand out for having a relatively high RA. The use of internal models for Solvency II also affects the amount and comparability for several European companies. The RA has the benefit of providing a steady contribution to the P&L; however, it isn’t as effective as the CSM in handling unexpected changes in the portfolio.

Companies that choose to disaggregate insurance finance income or expenses and investment revenue between P&L and OCI for the period will show these amounts as revaluations in equity. This decision helps mitigate the impact of fluctuations in financial markets and mismatches, both in accounting and between assets and liabilities. These amounts can vary due to changes in investment portfolios and financial market conditions.

1.3.1 CSM end of period

At the end of 2024, the total CSM for the companies analyzed was approximately €870 billion. It must be noted that the top 10 companies accounted for €287 billion, representing 33% of the total CSM among the 55 companies in scope. Companies based in Canada and Switzerland or those with substantial volumes of business in Southeast Asia tend to have relatively higher CSMs. Comparatively, companies in the Netherlands, South Africa, and South Korea have smaller CSM volumes. This comparison needs to be viewed in the context of each company’s business size. (The ratio of CSM and the PVFCF is presented in Figure 1.)

	BANK-INSURANCE	EURbn
1	CREDIT AGRICOLE ASSURANCES (CAA)	25.0
2	BNP PARIBAS CARDIF GROUP	17.5
3	CNP ASSURANCES SA	16.0
4	HSBC LIFE	12.2
5	SOCGEN ASSURANCES	8.7
6	CREDIT MUTUEL (ACM)	6.6
7	BPCE	5.6
8	GRUPPO UNIPOL	2.8
9	KBC	2.3

	REINSURANCE	EURbn
1	SWISS RE	19.2
2	MUNICH RE	15.0
3	HANNOVER RE	8.2
4	SCOR	5.5

	INSURANCE	EURbn
1	ALLIANZ	54.2
2	AIA	54.1
3	AXA	33.9
4	GENERALI	31.0
5	PRUDENTIAL PLC	21.1
6	LEGAL & GENERAL	16.0
7	MANULIFE	15.7
8	SWISS LIFE	15.2
9	ERGO	12.9
10	ZURICH	12.6
11	TALANX	11.4
12	AVIVA	9.4
13	AEGON	9.2
14	SUN LIFE	8.9
15	CANADA LIFE	8.9
16	HANWHA	8.3
17	SAMSUNG	8.0
18	NN GROUP	7.9
19	M&G PLC	7.3
20	R+V VERSICHERUNG	6.0
21	ASR	5.6

	INSURANCE	EURbn
22	VIG	5.5
23	UNIQA	5.3
24	FWD	5.0
25	BALOISE	4.8
26	HELVETIA	4.6
27	SHINHAN	4.5
28	KYOBO	4.2
29	INDUSTRIAL ALLIANCE	4.1
30	PHOENIX	3.9
31	NN LEVEN	3.8
32	AGEAS	3.7
33	OLD MUTUAL	3.1
34	JUST GROUP	2.8
35	MAPFRE GROUP	2.5
36	PZU	2.1
37	ATHORA LIFE	2.0
38	ATHORA NETHERLANDS	2.0
39	TONGYANG	1.7
40	SANLAM	1.4
41	MIRAE ASSET	1.3
42	ACHMEA	1.0

1.3.2 RA end of period

At the end of 2024, the total amount of RA for the companies analyzed was approximately €150 billion. While companies have the discretion to choose their approach for calculating RA, there is a noticeable convergence at the regional level. Variations can be seen among companies based on their use of internal models and the choice of drivers. Companies based in Canada or those with significant business volumes in Southeast Asia tend to have relatively higher RAs. Values are net of reinsurance when available.

	BANK-INSURANCE	EURbn
1	SOCGEN ASSURANCES	3.6
2	CREDIT AGRICOLE ASSURANCES (CAA)	3.1
3	BPCE	1.9
4	BNP PARIBAS CARDIF GROUP	1.9
5	CREDIT MUTUEL (ACM)	1.8
6	CNP ASSURANCES SA	1.4
7	GRUPPO UNIPOL	0.7
8	KBC	0.3

	REINSURANCE	EURbn
1	SWISS RE	7.2
2	MUNICH RE	4.1
3	HANNOVER RE	4.0
4	SCOR	3.4

	INSURANCE	EURbn
1	MANULIFE	11.5
2	TALANX	4.5
3	AEGON	4.4
4	ALLIANZ	4.1
5	SUN LIFE	3.9
6	CANADA LIFE	3.2
7	AIA	3.2
8	PRUDENTIAL PLC	2.5
9	ASR	2.3
10	INDUSTRIAL ALLIANCE	1.9
11	SAMSUNG	1.9
12	LEGAL & GENERAL	1.9
13	HANWHA	1.8
14	GENERALI	1.6
15	ZURICH	1.5
16	AXA	1.5
17	VIG	1.4
18	NN GROUP	1.1
19	R+V VERSICHERUNG	0.9
20	ERGO	0.9
21	KYOBO	0.9

	INSURANCE	EURbn
22	AVIVA	0.9
23	SHINHAN	0.8
24	ACHMEA	0.7
25	PHOENIX	0.6
26	ATHORA LIFE	0.6
27	ATHORA NETHERLANDS	0.6
28	M&G PLC	0.6
29	FWD	0.5
30	SANLAM	0.5
31	AGEAS	0.4
32	JUST GROUP	0.4
33	NN LEVEN	0.4
34	PZU	0.4
35	SWISS LIFE	0.3
36	TONGYANG	0.3
37	OLD MUTUAL	0.3
38	MIRAE ASSET	0.2
39	BALOISE	0.2
40	UNIQA	0.2
41	HELVETIA	0.2
42	MAPFRE GROUP	0.2

1.3.3 REVALUATIONS (OCI) end of period

The application of the FVOCI option can be made by the company based on the type of assets. Typically, the FVOCI option for the liabilities aligns with the accounting decision made for the assets. The main goal of using FVOCI is to reduce the volatility of the P&L caused by changes in financial parameters. The amounts flowing through OCI are presented as revaluations and are part of equity. If financial parameters remain stable, these amounts are recycled into P&L and ultimately flow into equity as retained earnings. The amount of the revaluations depends not only on whether an amount was established per the transition date, but also on the mismatch between assets and liabilities, both accounted for under FVOCI. Such mismatches mostly exist in volumes, modified durations, convexity, spreads, and/or currency.

	BANK-INSURANCE	EURbn
1	KBC	0.9
2	CREDIT MUTUEL (ACM)	0.7
3	GRUPPO UNIPOL	0.2
4	SOCGEN ASSURANCES	0.0
5	HSBC LIFE	-0.0
6	CREDIT AGRICOLE ASSURANCES (CAA)	-0.7
7	CNP ASSURANCES SA	-1.7

	REINSURANCE	EURbn
1	HANNOVER RE	-0.3
2	SCOR	-1.2
3	MUNICH RE	-1.9

	INSURANCE	EURbn
1	NN GROUP	9.0
2	SAMSUNG	8.6
3	NN LEVEN	8.6
4	MANULIFE	3.2
5	MAPFRE GROUP	1.4
6	SUN LIFE	1.1
7	ZURICH	1.1
8	SWISS LIFE	0.5
9	R+V VERSICHERUNG	0.4
10	TALANX	0.3
11	VIG	0.3
12	PZU	0.2
13	LEGAL & GENERAL	0.1
14	FWD	-0.1
15	MIRAE ASSET	-0.1

	INSURANCE	EURbn
16	BALOISE	-0.2
17	PRUDENTIAL PLC	-0.3
18	HELVETIA	-0.3
19	TONGYANG	-0.7
20	SHINHAN	-1.0
21	HANWHA	-1.0
22	AIA	-1.1
23	UNIQA	-1.1
24	GENERALI	-1.3
25	KYOBO	-1.4
26	ERGO	-1.9
27	AGEAS	-2.3
28	AEGON	-4.4
29	ALLIANZ	-5.2
30	AXA	-8.1

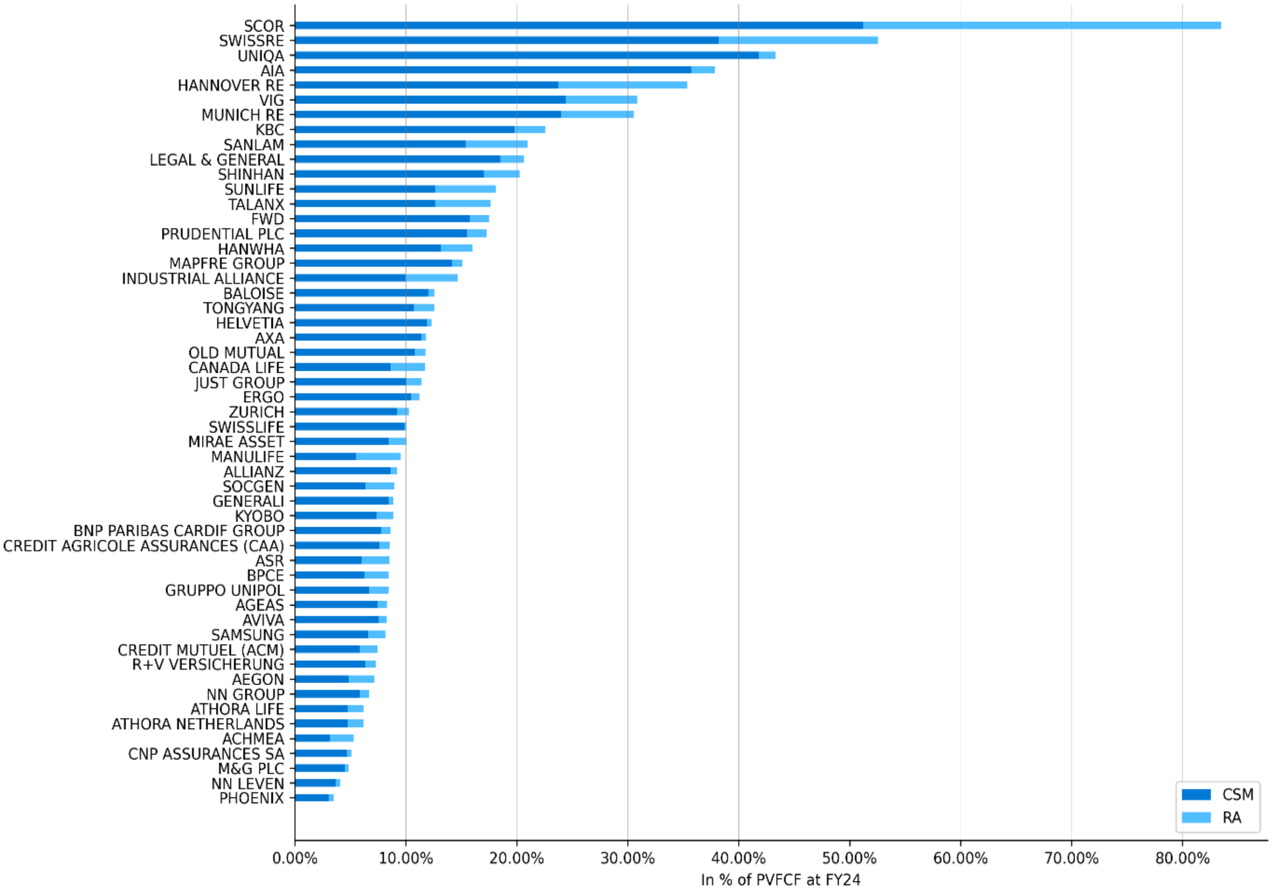
1.4 CSM/PVFCF AND RA/PVFCF RATIO

Given the differences in the size of liabilities, it is relevant to measure the ratios of CSM and RA relative to the PVFCF. These ratios serve as indicators of the “profit” margin per euro of PVFCF. However, it is important to note that these ratios are heavily influenced by both the maturity and the type of business.

Examples include:

- **Term insurance contracts:** These typically exhibit minimal PVFCF, which can even be negative due to the absence of an accumulation amount. The CSM and RA generally follow a linear decreasing pattern until maturity.
- **Savings contracts:** For these contracts, the PVFCF tends to increase until maturity, while the CSM and RA decrease linearly. Consequently, the ratios will decrease over time.
- **Annuities in payment:** Initially, these contracts have a high PVFCF, which diminishes over time as payments are made to the policyholder. The CSM and RA decrease in a similar pattern, resulting in relatively stable ratios.

FIGURE 1: CSM/PVFCF AND RA/PVFC RATIO AS OF YE24 (VALUES ARE NET OF REINSURANCE WHEN AVAILABLE)



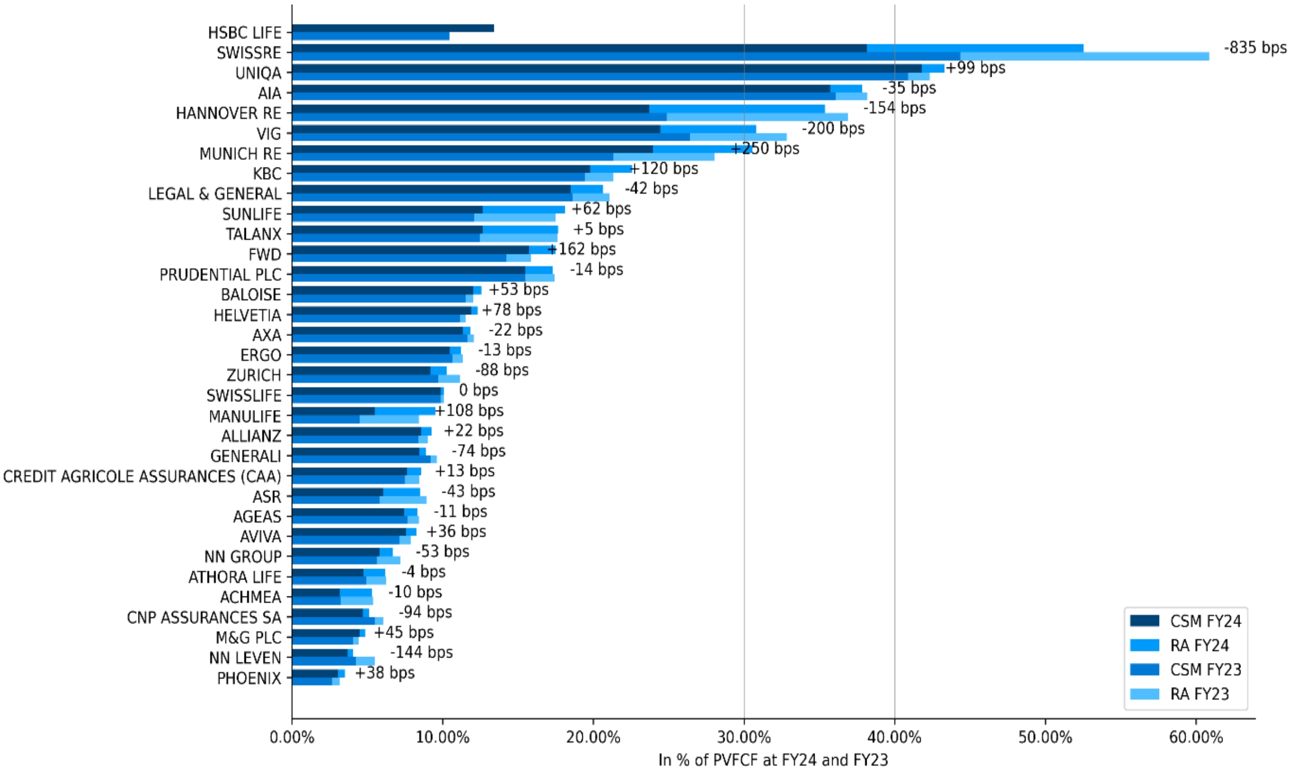
More than 60% of companies in Figure 1 show a CSM and RA ratio with PVFCF below 12%. HSBC Life is not displayed as only the combined total of PVFCF and RA was published. PZU was excluded because it reported a CSM and RA totaling 122% of PVFCF, with the CSM alone at 104%, which is due to the low PVFCF for their protection and rider (accident and health) contracts.

Reinsurance companies tend to have a high ratio since their business primarily focuses on protection. This results in a low PVFCF combined with a high level of premiums (mostly periodical premiums), leading to high ratios.

Companies with a relatively low ratio of CSM to PVFCF are more susceptible to creating a loss component. It is not uncommon for adverse changes in the PVFCF to reach 2% or more per year. Consequently, companies at the lower end of the ranking face a greater risk of depleting their CSM and creating loss components.

When analyzing companies' results under IFRS 17, it is valuable to examine the evolution of KPIs from one reporting period to the next. This analysis helps determine whether strategies have changed, especially since we are still in the early years of implementing this regulation. For a subset of the companies within scope, we analyzed the movement in the ratios from YE23 to YE24.

FIGURE 2: CSM/PVFCF AND RA/PVFCF RATIO AS OF YE24 AND YE23 (VALUES ARE NET OF REINSURANCE WHEN AVAILABLE)



The delta numbers shown in the figure represent the sum of the CSM and RA relative to the PVFCF For most companies, the ratios remained relatively stable. The largest changes were driven by the CSM, while the RA ratio remained relatively stable for most companies.

It is expected that for companies operating in saturated markets and primarily using the GMM accounting model, the CSM/PVFCF ratio will decrease over time. During the accumulation phase, the PVFCF will increase while the CSM is released. For companies using the VFA as the predominant accounting model, the CSM ratio can increase due to developments in financial markets. However, this can also lead to more volatility.

2 Reporting period movement and KPIs

2.1 CSM NORMALIZED GROWTH

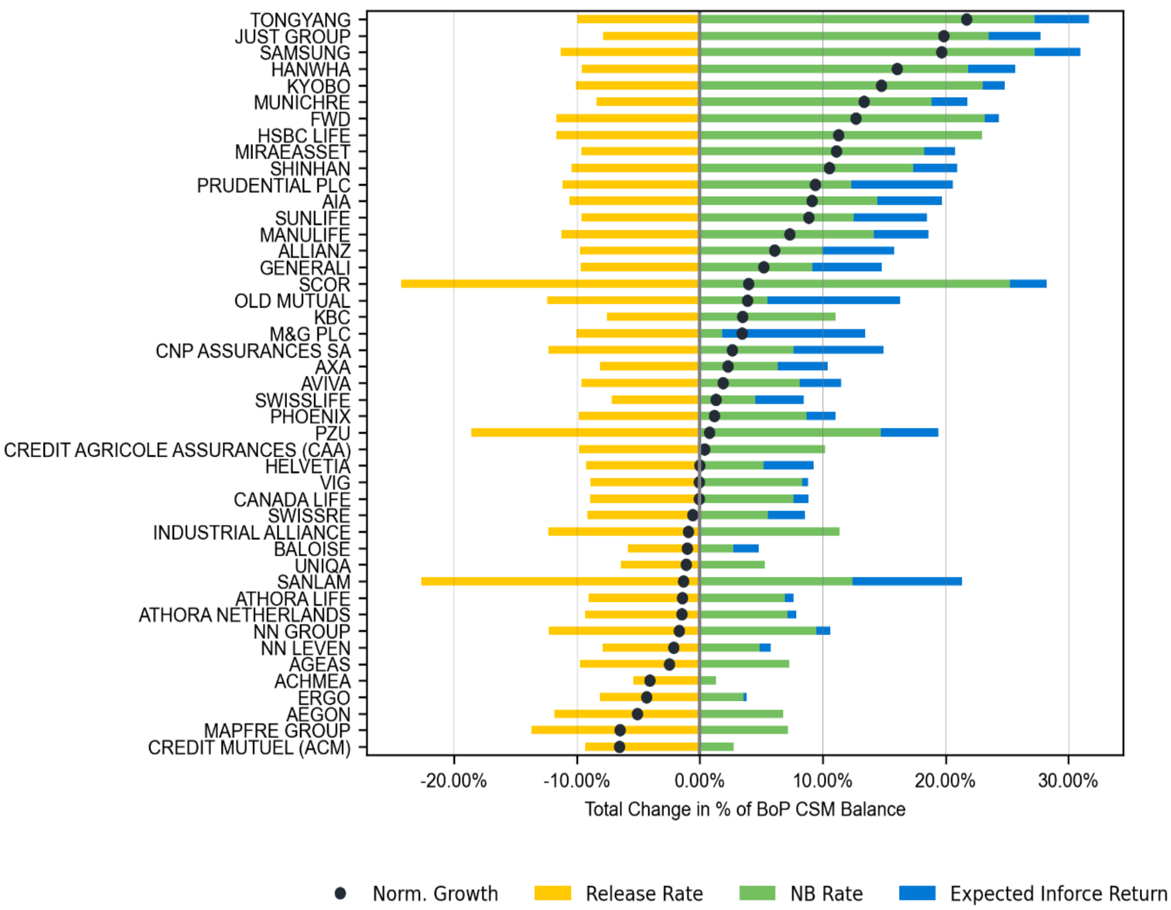
The CSM can be seen as a store for future profits. Normalized growth, which aims to remove some of the one-off movements, can be an indicator of how stably a firm can grow this reserve of profit from one period to the next. The normalized growth is defined as the CSM generated by new business plus expected return minus the release of CSM into P&L from provided services. The “expected return” component is calculated as the interest accretion at the locked-in rate for portfolios accounted for under GMM. For portfolios using the fair value approach (FVA) at transition, the locked-in rate is relatively low for many companies. For portfolios under VFA, the expected return is sometimes adjusted to strategically optimize normalized CSM growth. Overly optimistic expectations are adjusted in the economic variance and are not included in normalized CSM growth.

This indicator must be analyzed carefully. For companies applying the VFA, no financial insurance income is applied to the CSM, which implies an underestimation of the normalized growth for these companies. This underestimation can be significant for bank-insurance companies.

The highest growth can be observed in the Asian market, whereas companies operating in more saturated markets or in run-off exhibit negative CSM growth rates.

The medium-value normalized growth rate is 1.86%.

FIGURE 3: NEW KPI, NORMALIZED CSM GROWTH



2.2 CSM AND RA SUSTAINABILITY

An alternative KPI to the normalized CSM growth is the CSM and RA sustainability KPI.

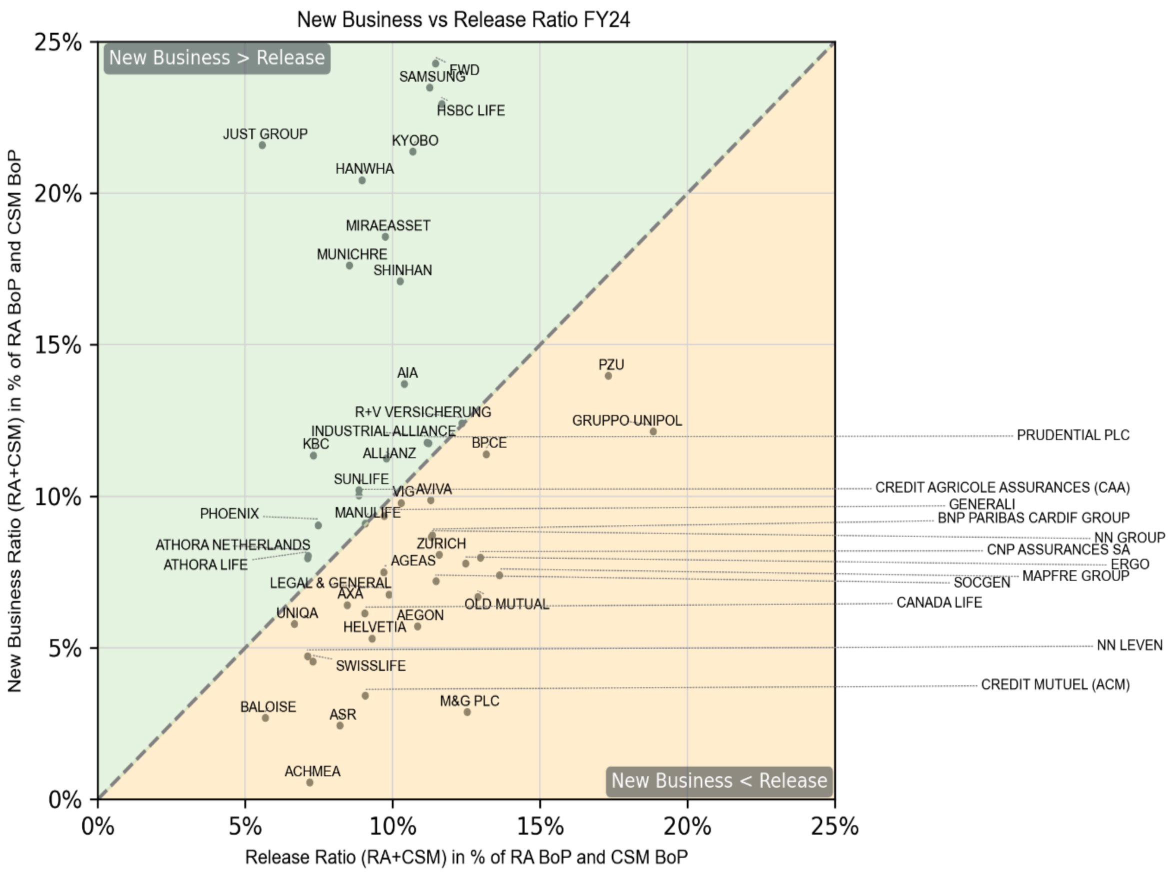
Considering the RA is useful, as it is also released into the P&L over time, like the CSM. Many companies view both CSM and RA as reserves of future profits on the balance sheet. Below, we compare the release of the CSM and RA with the new business contribution for both CSM and RA.

In Figure 4, the ratios are defined as follows:

- On the y-axis: the CSM plus RA generated by new business divided by the CSM and RA at the end of the year
- On the x-axis: the release of the CSM and RA into the P&L divided by the CSM and RA at the end of the year

Like normalized growth, this comparison ignores some of the impacts that move the CSM over a reporting period.

FIGURE 4: NEW BUSINESS VS. RELEASE RATIO YE24 (VALUES ARE GROSS OF REINSURANCE)



Ideally, the release of the CSM and RA into the P&L should be sufficient to meet return and dividend requirements. If the CSM and RA generated by the new business exceed the amount released in the P&L, the stability of the future P&L can be expected.

For companies that follow a closed-book approach or sell new business with thin margins, balancing the CSM release and the CSM generated by new business is challenging. Typically, the CSM release is much higher. Companies with short-term contracts and many renewals, such as reinsurance companies, can be found in the top half of the graph. Also in the top half of the graph are companies that sell profitable business with a high CSM and have a relatively low CSM on the in-force business.

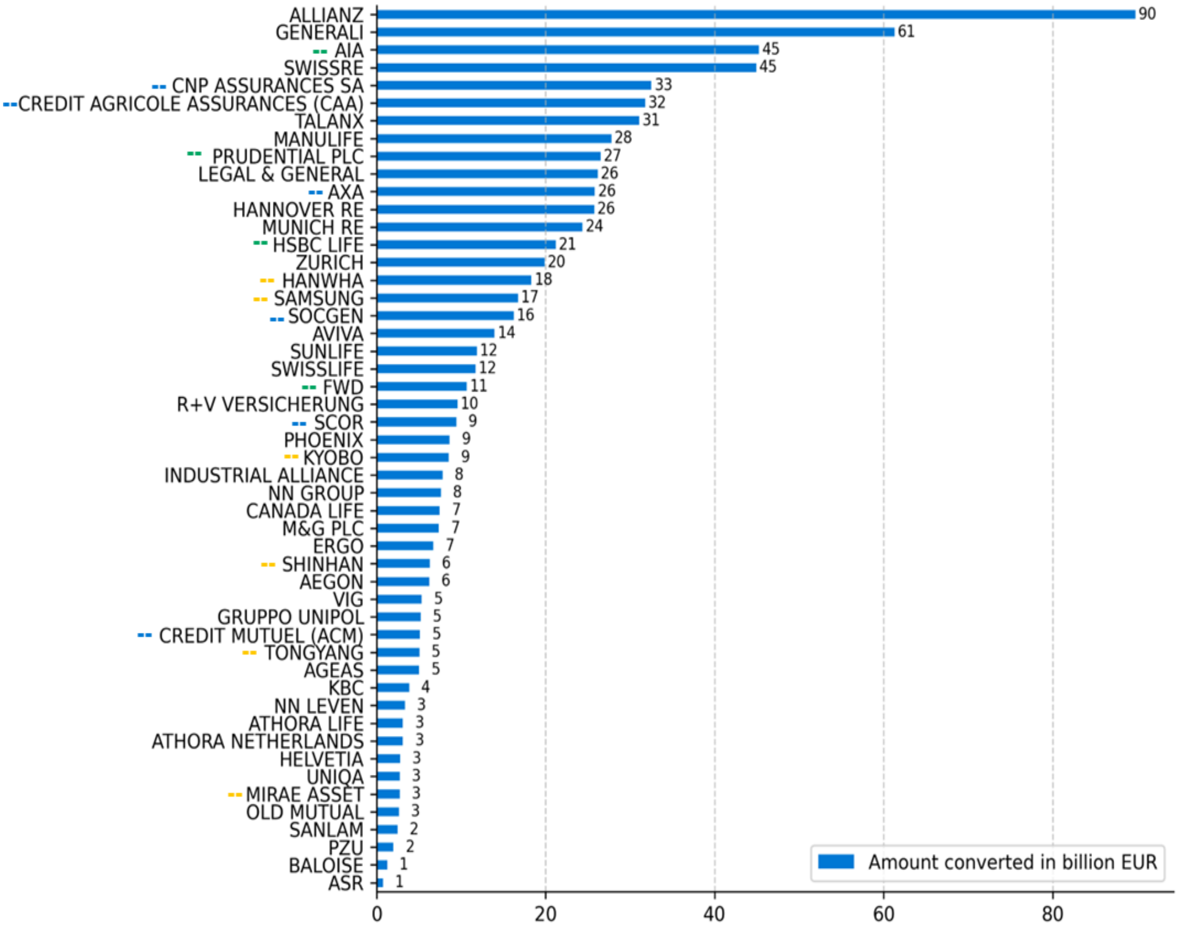
For Korean companies, a reason for the high new business ratio is the sale of long-term protection policies with high CSM, while lower CSM at the end of the period is measured due to a higher proportion of CSM calculated with the FVA at transition. The CSM calculated with the FVA at transition was relatively low in South Korea.

2.3 FOCUS ON NEW BUSINESS

As mentioned earlier, analyzing new business is crucial for understanding a company's strategy and provides insights into how the P&L stability is supported by new business. Most companies disclose information on their new business separately.

Figures 5 through 9 depict the information available regarding new business, including both onerous and non-onerous contracts.

FIGURE 5: NEW BUSINESS PRESENT VALUE OF CASH INFLOWS AS OF YE24

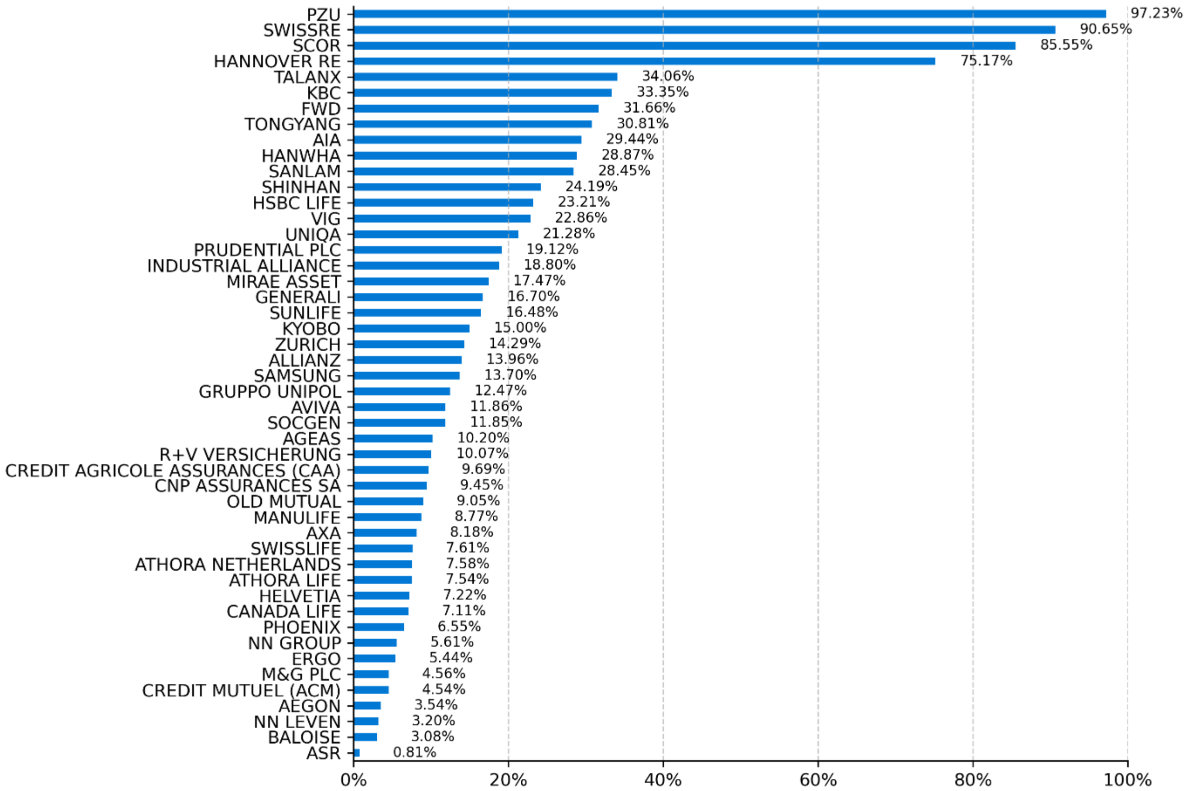


There are significant differences between companies and countries. Large entities like Allianz, Generali, and AXA continue to maintain the volume of their portfolios with high volumes of new business. Reinsurance companies, which have long-term products with regular premiums as well as short-term business, also maintain considerable volumes.

Substantial volumes are generated in Southeast Asia (--) and France (--). In contrast, continental Europe (excluding France) and South Korea (--) have smaller volumes of new business.

To understand the relative volume of new business, the ratio between the PVFCF cash inflow and PVFCF at YE24 is determined. The PVFCF YE24 includes all cash flows, but represents the amount recorded on the balance sheet. The present value of cash inflow refers to the amount received and invested after reduction of the acquisition expenses.

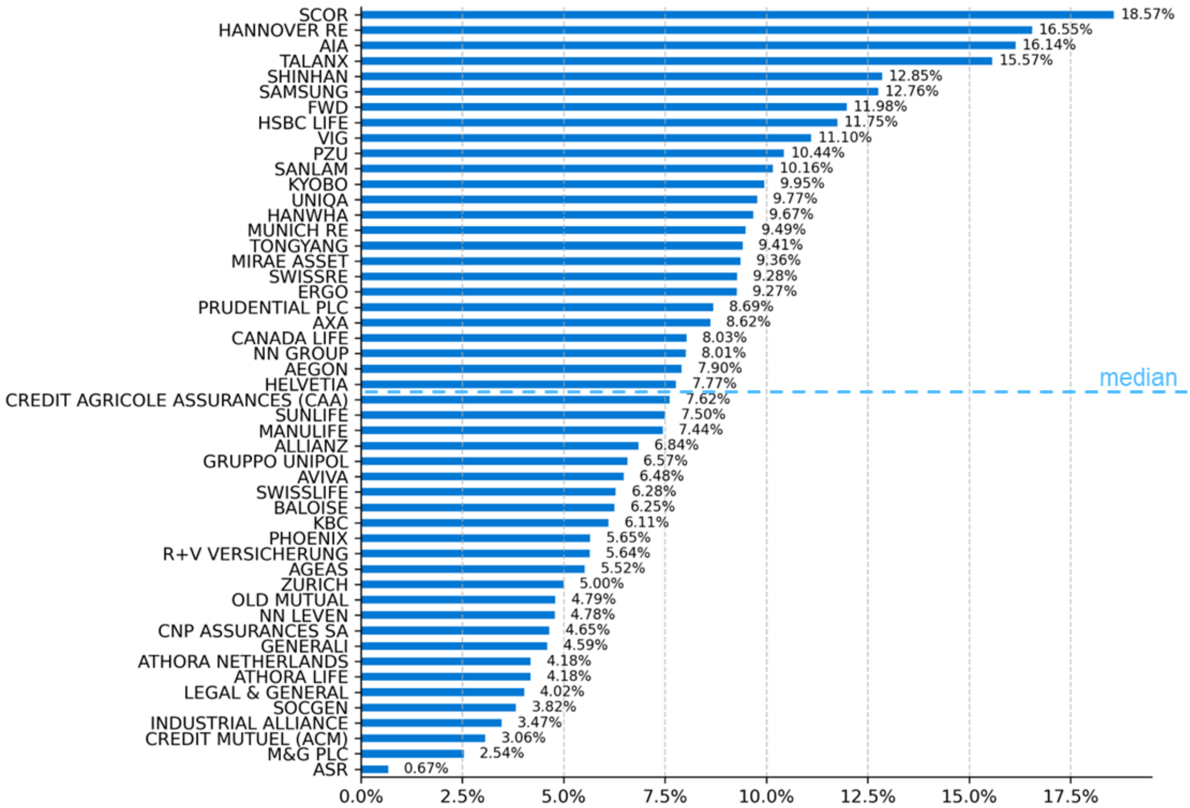
FIGURE 6: NEW BUSINESS PRESENT VALUE OF CASH INFLOWS IN RELATION TO THE TOTAL PVFCF YE24



The differences between companies and countries observed in volumes are also reflected in the proportion of new business PVFCF compared to the total PVFCF at the end of the period. Reinsurance companies frequently renew their portfolios, explaining the high proportion of new business in the PVFCF.

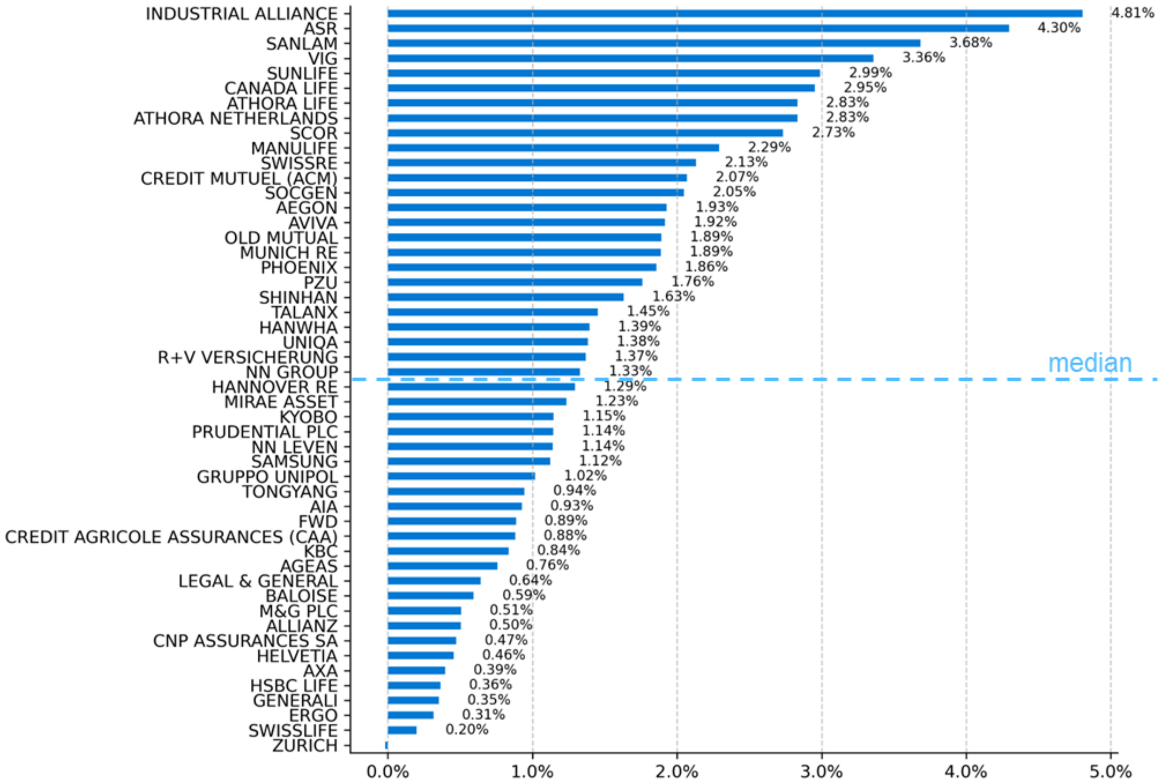
PZU stands out among the reinsurers because of its low PVFCF for in-force business, as it is related to protection business. Southeast Asia and South Korea also have a relatively high proportion of new business compared to France (respectively, a medium value of 26.3% for Southeast Asia, 20.8% for South Korea, and 9.8% for France). Despite France’s high volume, it represents a smaller proportion of its total PVFCF. The portfolios in Southeast Asia are less mature, whereas the French portfolios are more mature.

FIGURE 7: NEW BUSINESS CSM AND LOSS COMPONENT IN RELATION TO THE NEW BUSINESS PRESENT VALUE OF CASH INFLOWS YE24



Reinsurance companies typically exhibit a high ratio due to their frequently renewed portfolios. South Korean companies, on the other hand, engage significantly in profitable protection business. Although their PVFCF is not high, they achieve substantial margins, resulting in a high ratio. Meanwhile, companies operating in saturated markets with aging populations are focused on selling annuities in payment and pension fund transfers, which tend to have relatively thin margins.

FIGURE 8: NEW BUSINESS RA IN RELATION TO THE NEW BUSINESS PRESENT VALUE OF CASH INFLOWS YE24



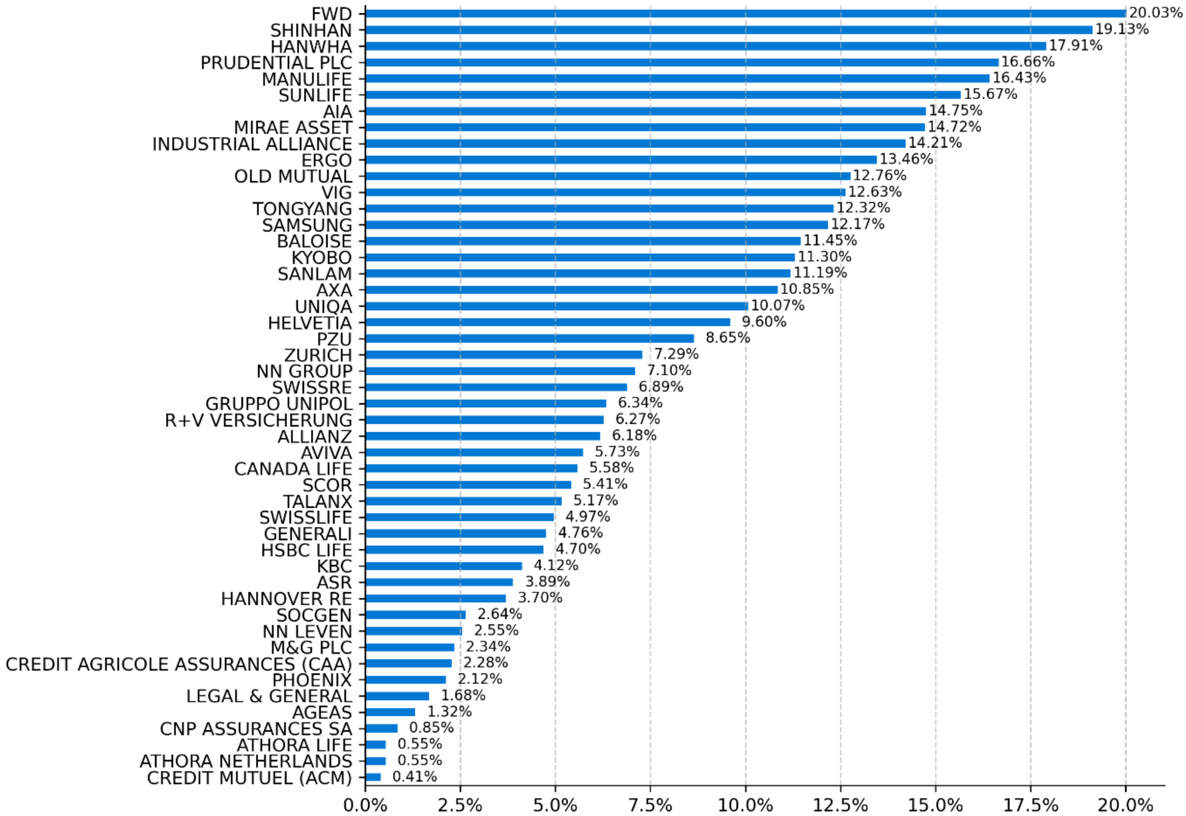
Note: Zurich's ratio is negative because its RA is net negative.

Some companies have very low ratios of RA to the present value of inflow cash flows. This is likely due to the minimal risk associated with new business and shorter durations. Diversification effects with the in-force portfolio can also reduce the amount of RA of the new business.

It is interesting to observe that some companies with a high ratio, such as Industrial Alliance, ASR, and Athora, appear in the lower part of the ranking for the CSM and present value of cash inflows. This shows the communicating vessels as of the inception date.

In Europe, companies displaying low RA percentages have often developed internal models for Solvency II or have implemented specific calibrations for certain risks, such as lapse risk, even though this information is not publicly disclosed.

FIGURE 9: NEW BUSINESS ACQUISITION EXPENSES IN RELATION TO THE NEW BUSINESS PRESENT VALUE OF CASH INFLOWS YE24



Some companies with relatively high acquisition cost ratios have a small volume of new business. For instance, FWD has €11 billion and Shinhan has €6 billion, compared to Allianz's €90 billion in new business volume. Acquisition expenses often include a nonproportional component, which can significantly increase the ratio.

The distribution models in Southeast Asia and South Korea are more expensive compared to those in other regions.

In some cases, acquisition expenses are partly categorized as non-attributable, which reduces the ratio while simultaneously increasing the CSM generated by the new business. Annual reports provide varying levels of detail on non-attributable expenses. Our observations suggest that between 20% and 30% of all expenses are categorized as non-attributable.

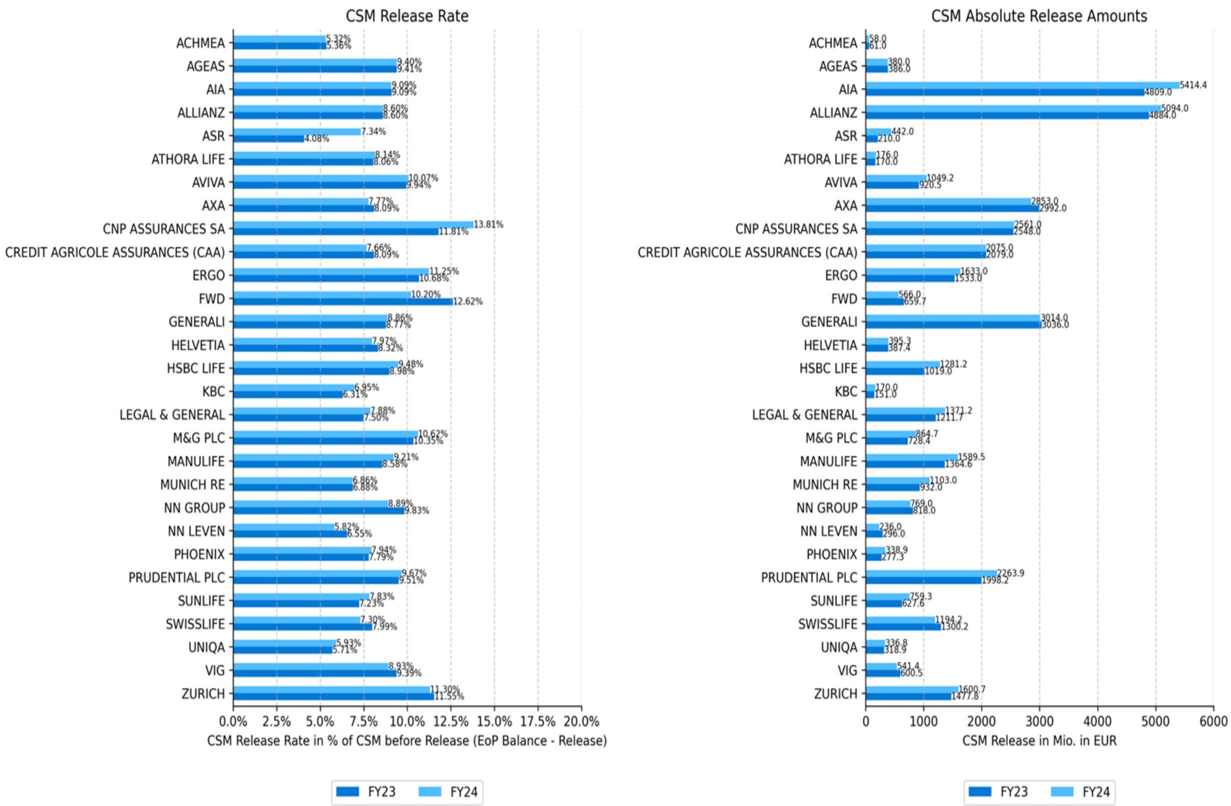
2.4 CSM RELEASE

The CSM release is a major tool for managing profit release in alignment with the provision of insurance services.

In Figures 10 and 11, two values are analyzed: the release rate of the CSM and the nominal amount of CSM released. If only the amount were analyzed, the impact of the variation in the beginning-of-period of the CSM would be overlooked.

The release rate is determined by dividing the CSM released during the period by the CSM balance before release at year-end. The analysis focuses on the situations for 2023 and 2024, which is why fewer companies are depicted.

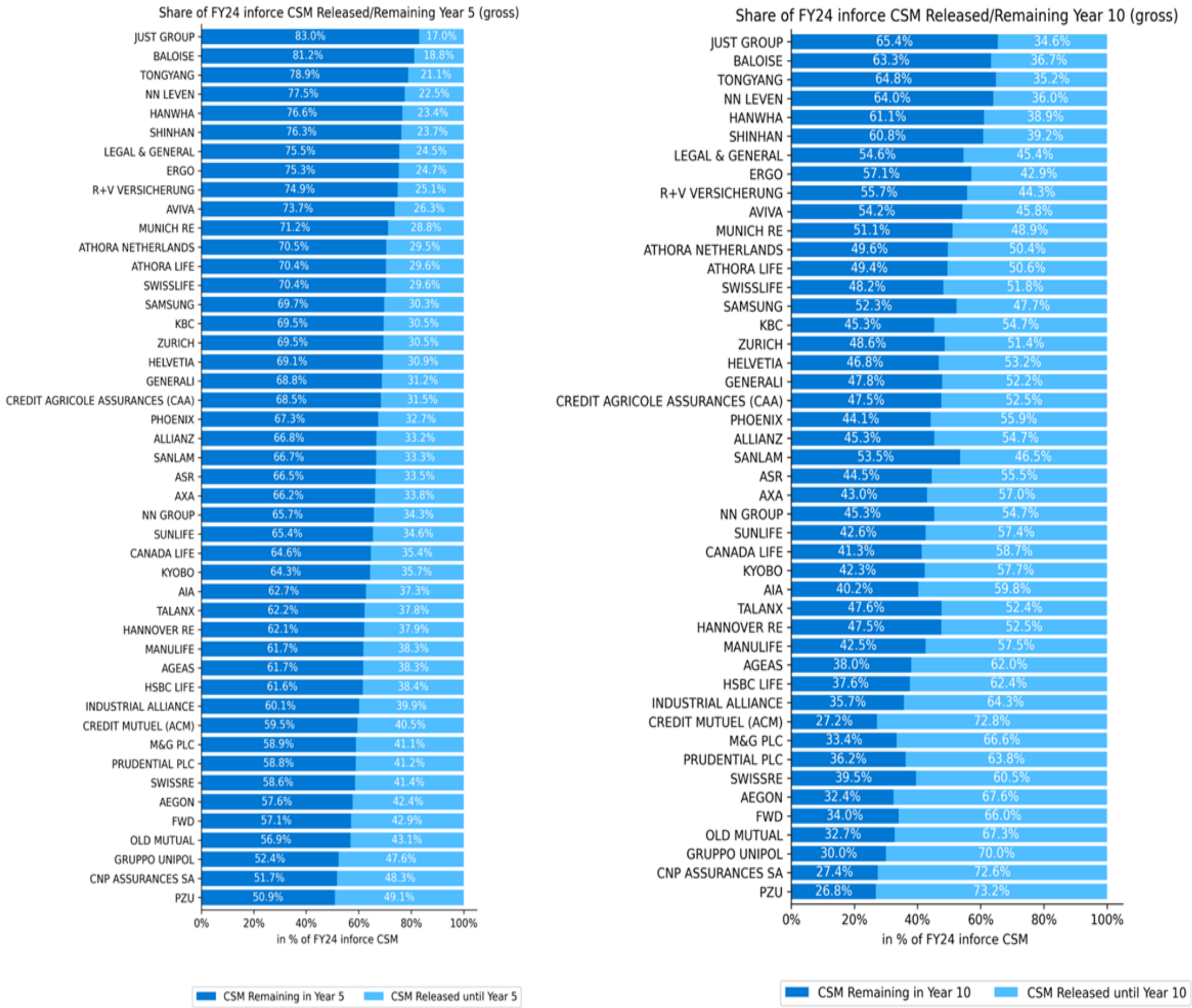
FIGURE 10: CSM ANALYSIS (ABSOLUTE AMOUNTS ARE IN EUROS; VALUES ARE NET OF REINSURANCE WHEN AVAILABLE)



For most companies, CSM release rates remain relatively stable between YE23 and YE24. In cases where the VFA is used, mechanisms to mitigate the bow wave effect are frequently employed. Most companies have a release rate of between 7% and 10%. Of course, the nominal amount is dependent on the amount of the CSM before the release.

2.5 OVERVIEW OF MATURITIES: HOW QUICKLY DOES THE YE24 IN-FORCE CSM RELEASE?

FIGURE 11: CSM MATURITIES OVER 5 AND 10 YEARS YE24 (VALUES ARE GROSS OF REINSURANCE)



The annual reports provide a segmentation of the CSM by maturity. Although the segmentation varies across companies, terms of 5 and 10 years can be established for nearly all of them. Figure 11 is ranked by the CSM amounts related to maturities after 5 years. While there are some changes in ranking from 5 to 10 years, these shifts are generally minor, suggesting that the liability durations across companies are similar. The companies at the top of the ranking have larger portfolios in pension products in the accumulation and payout phases. Some companies are excluded from this overview because their segmentation in maturities did not match the preferred segmentation used in the presentation.

2.6 NET IFRS 17 RESULT / IFRS 17 EQUITY

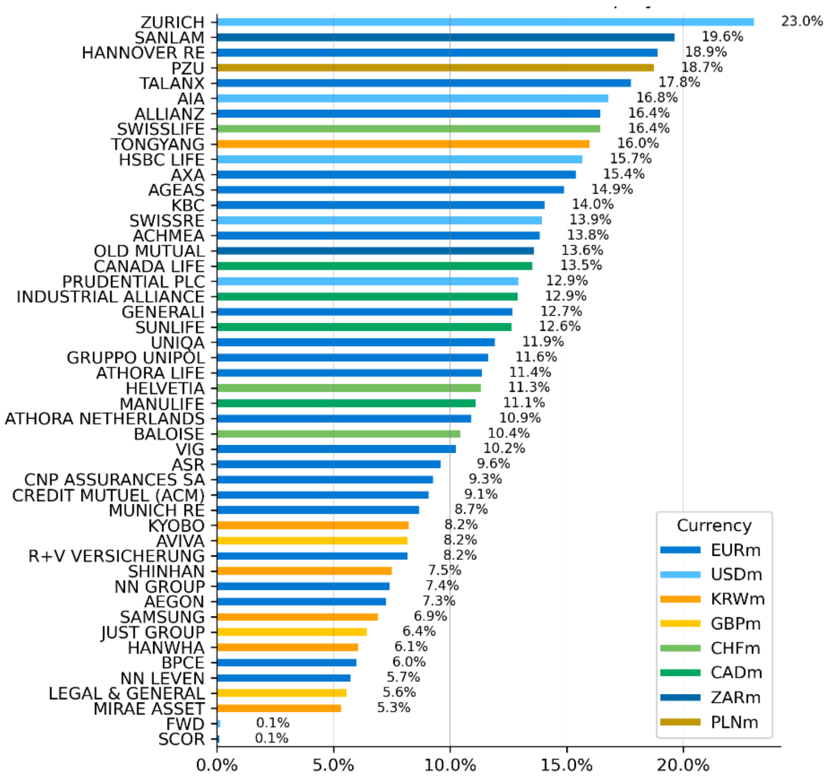
ROE is commonly disclosed as a KPI, reflecting how companies manage their capital to generate profit. However, since ROE is not available for all companies and different methodologies are used by different companies, we developed a similar ratio for our analysis. This ratio is not intended to be directly compared to the ROE values published by companies.

The ratio is calculated as the net result divided by the year-end amount of equity. This straightforward approach facilitates easy comparisons. However, incidental income and expenses can distort the results. These incidental gains and losses are included in our ratio, leading to some high and low (even negative) ratios. The average ratio is 11.3%. The colors of the bars in Figure 12 are based on the reporting currency of the company.

Companies reporting in Canadian dollars tend to have very comparable ratios. In contrast, the ratios of companies in euros exhibit more variation, although these are mostly clustered around the median. Most companies reporting in British pounds or South Korean won have comparable ratios, but these are generally lower than the average for the entire group. The lower ratios for the South Korean companies can be attributed to their relatively low CSM and relatively high equity at transition.

Regarding the differences between the average 10-year illiquid rate used for the valuation of insurance liabilities and the ratios calculated in this section, most companies show a difference of between 5% and 10%. The most illiquid curve includes the maximum spread on fixed income assets. Investors expect the "return" to at least exceed the return on the illiquid fixed income assets. On average the difference for all companies in scope is 8%.

FIGURE 12: NET IFRS 17 RESULT COMPARED TO THE IFRS 17 EQUITY YE24



3 Convergence of reports

There is increasing alignment among companies in the detail and structure of their annual reports. However, several differences remain, and further streamlining would benefit analysts. Notable differences include:

- Aggregation of insurance liabilities movement: Some companies present VFA and GMM separately, while others provide aggregated figures.
- Data points for CSM maturities: Companies use different time steps to disclose the pattern of the CSM maturities.
- Presentation of discount rates: There are differences in the time horizons and presentation formats for discount rates. A presentation of the applied discount rates versus the swap rate or risk-free rate would be beneficial.
- Level of detail for presenting insurance income and insurance expenses: For example, NN Group offers a more detailed breakdown that provides insights into the experience variances of different components. Other companies give limited detail about the components of income and expenses.
- Information about the split of attributable and non-attributable expenses is difficult to find and analyze. A bridge from total expenses in the notes to the attributable expenses in the PVFCF is rarely available.
- Sensitivities focus and presentation:
  - European companies mainly focus on changes in the Solvency Capital Requirement ratio. However, sensitivities related to the CSM and overall results would also be beneficial.
  - Using an additional base-case sensitivity with the swap curve or a risk-free curve could facilitate easier comparison between companies.

Further harmonization in disclosures would enhance understanding and improve the quality of financial analysis. Establishing joint principles on these points would contribute to better comparability of results across companies.

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