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Industry Analysis – Year end 2016

Sinéad Clarke
22 June 2017

The actual bit…

Analysis is based on the SFCRs of 50 Irish insurers. Life, non-life and reinsurance companies that are regulated by the Central Bank of Ireland.

27 Life Insurers. Representing **over 90%** of market based on 2015 premium income. Includes all the main domestic and cross-border Life insurers.

16 Non-Life Insurers. Representing **over 75%** of the market based on 2015 premium income. Focus is on the domestic market but some cross border included in the sample.

7 Reinsurers. Focus is on the global reinsurers based in Ireland, not on captives.

Euro Insurances

CATTOLICA SOCIETA' CATTOLICA DI ASSICURAZIONE DAL 1896

AZ LIFE GRUPPO AZIMUT

AXA

Friends First

PRUDENTIAL INTERNATIONAL

Acorn Life

Allianz

ZURICH

Irish Life health

Vhi HEALTHCARE

CNP Santander

CNP SANTANDER INSURANCE

GREENVAL INSURANCE BNP PARIBAS GROUP

darta saving A company of Allianz

ipb insurance

AEGON

HARCOURT LIFE

RGA

Irish Life

Liberty Insurance

Canada Life

hannover re

SEB

mediolanum BANCA

SCOR

PartnerRe

FBD

CACI EVER VIGILANT

NEW IRELAND ASSURANCE

White Horse INSURANCE IRELAND LTD

MetLife

AXA MPS

GENERALI

Standard Life

AmTrust International

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ST. JAMES'S PLACE

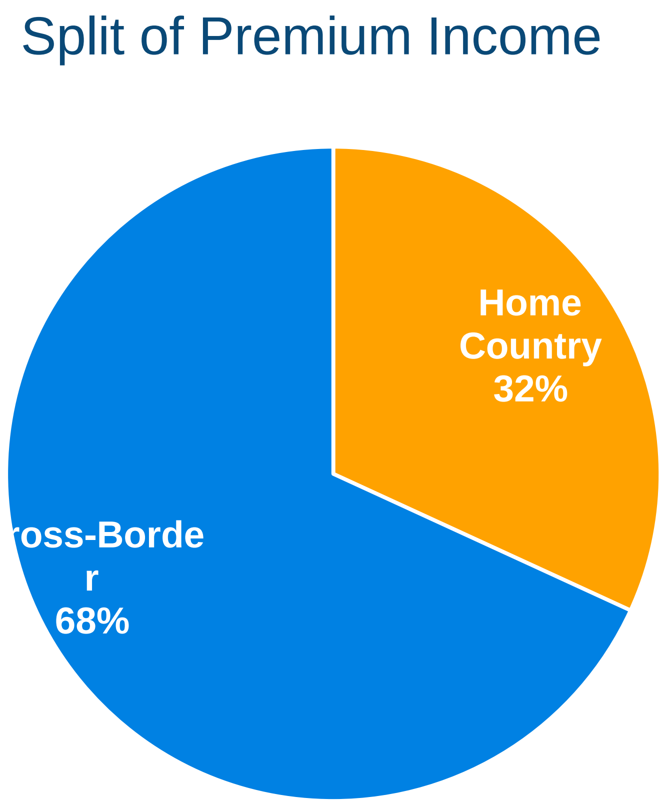
INTESA SANPAOLO

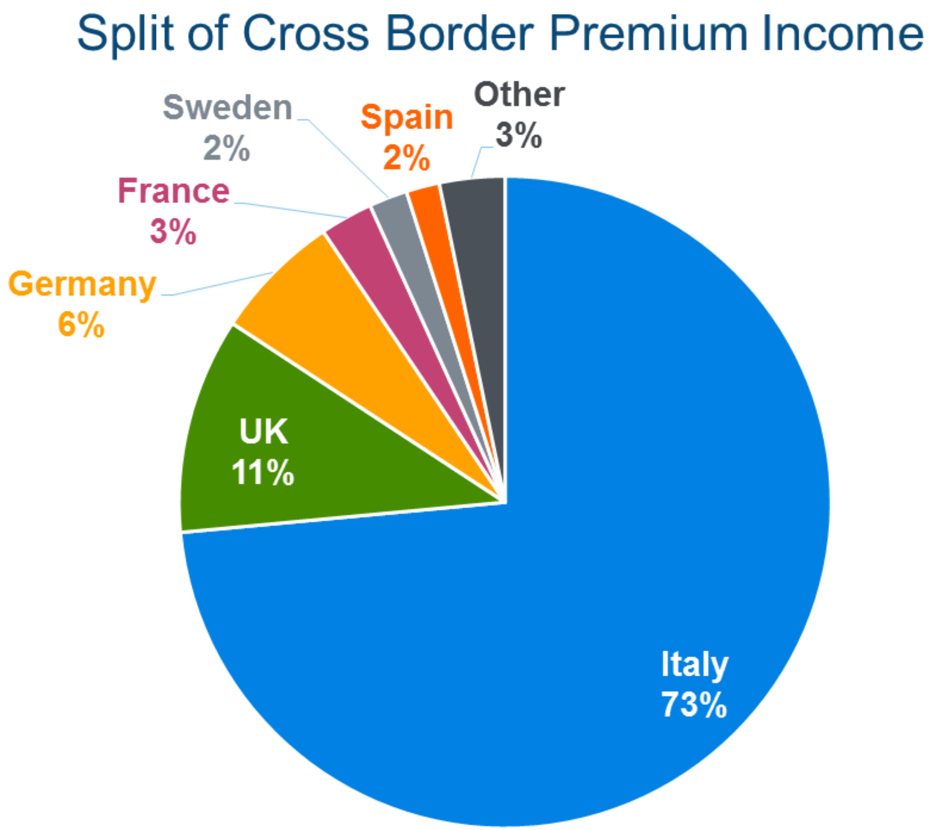
Berkley Re

RSA

Life Premium Income by Country

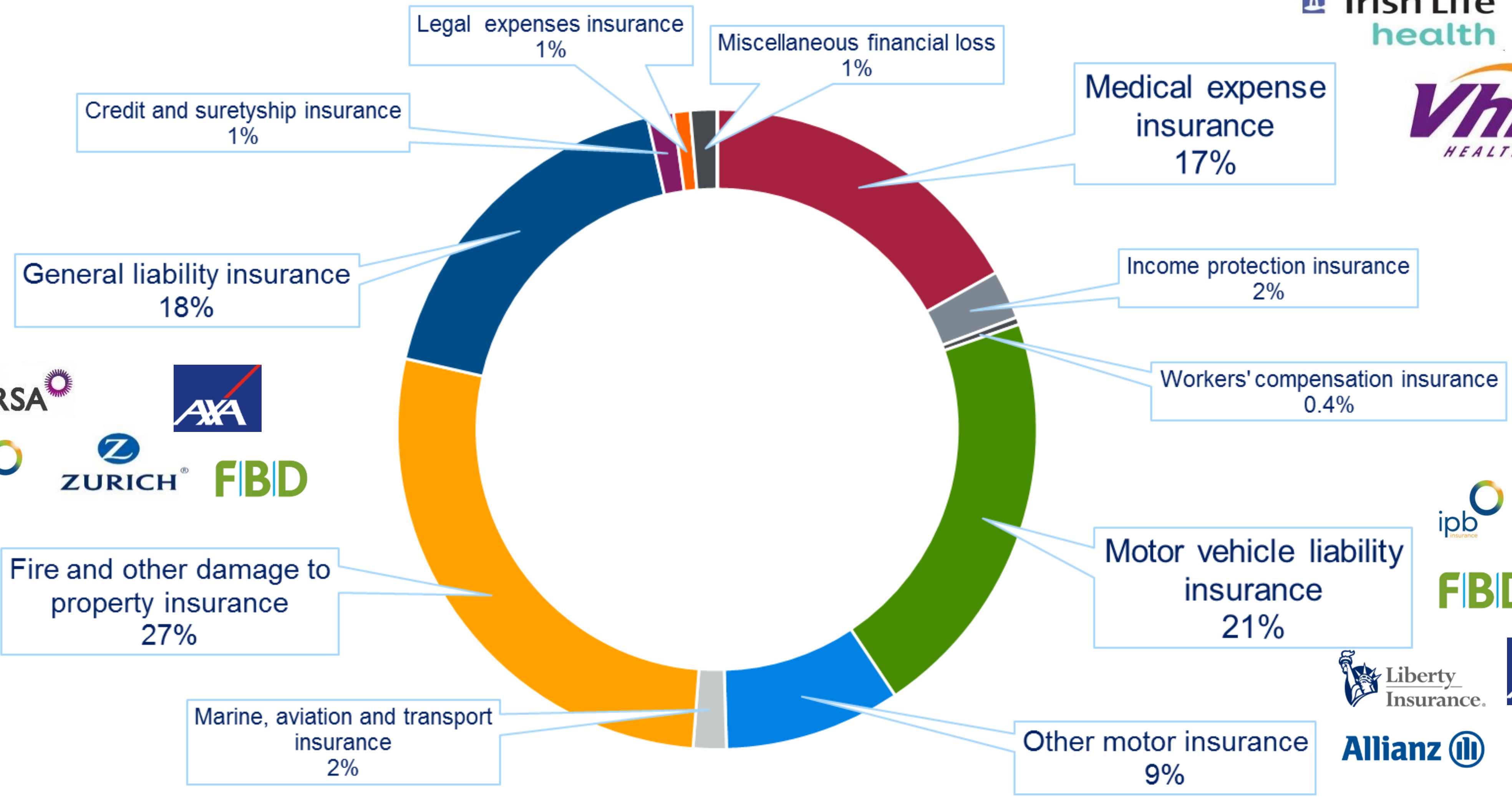
As reported in S.05.02





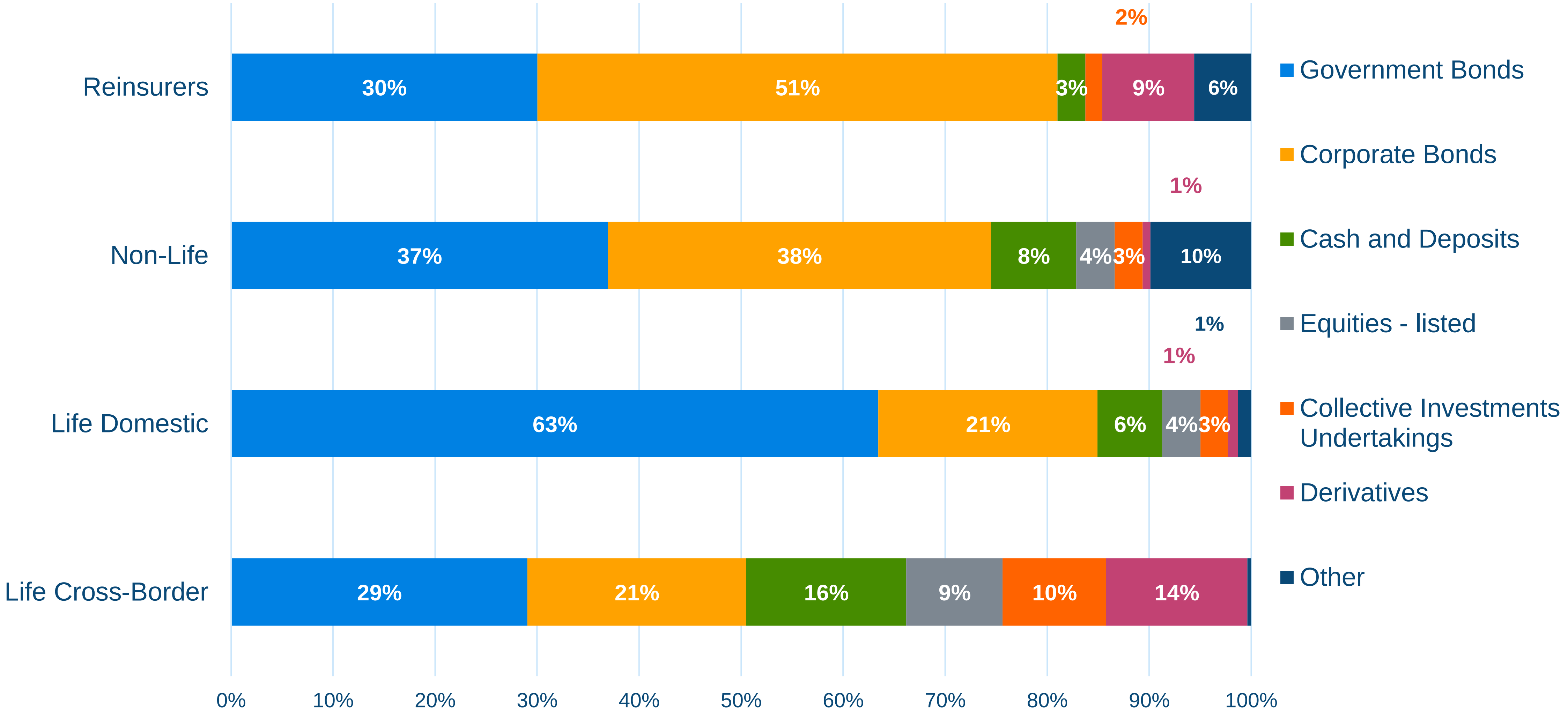
Non-Life Gross Written Premium by Line of Business

As reported in S.05.01

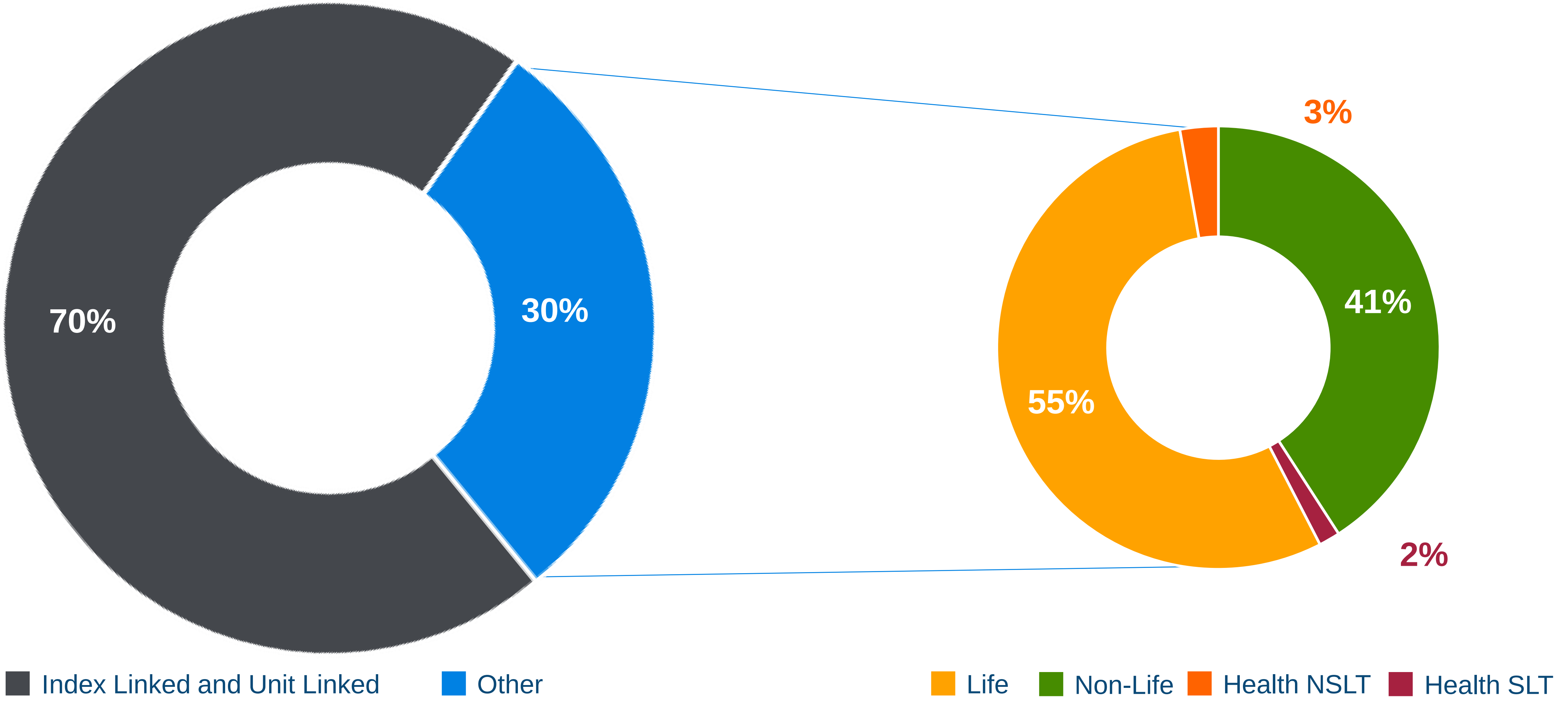


Split of Investments, including cash and cash equivalents

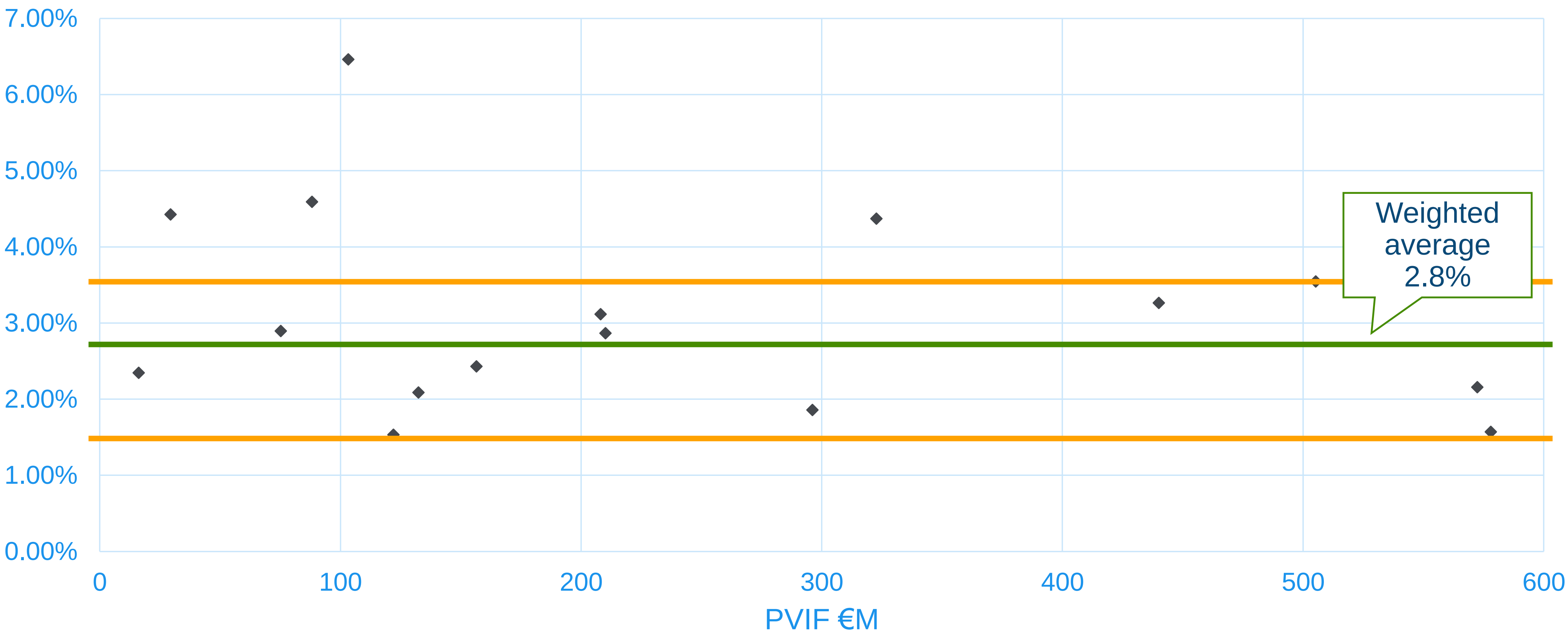
Other than assets held for index-linked and unit-linked contracts



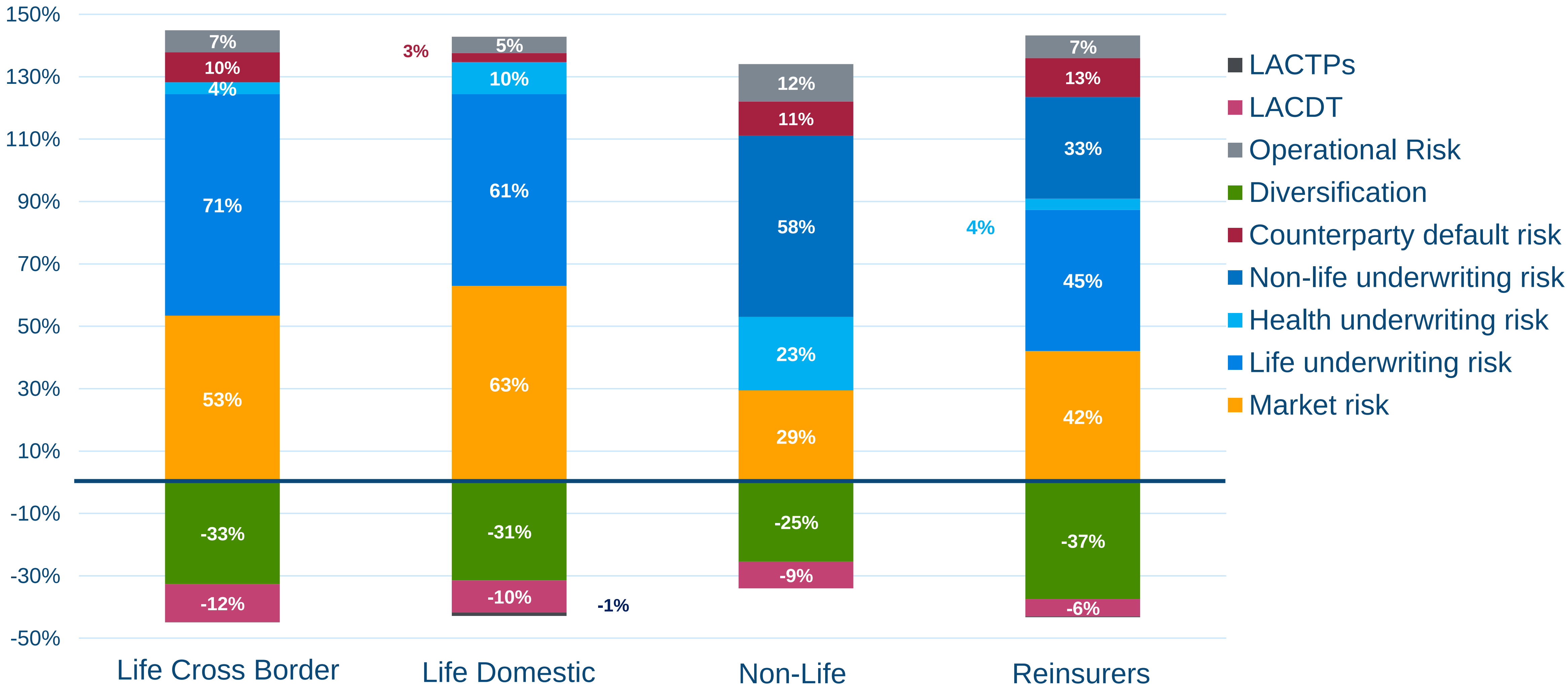
Split of Technical Provisions by Line of Business



Estimate of PVIF as % unit linked assets



Standard Formula SCR breakdown by risk module



Internal Models

Allianz

SCOR

AXA

beazley

ZURICH

AXA MPS

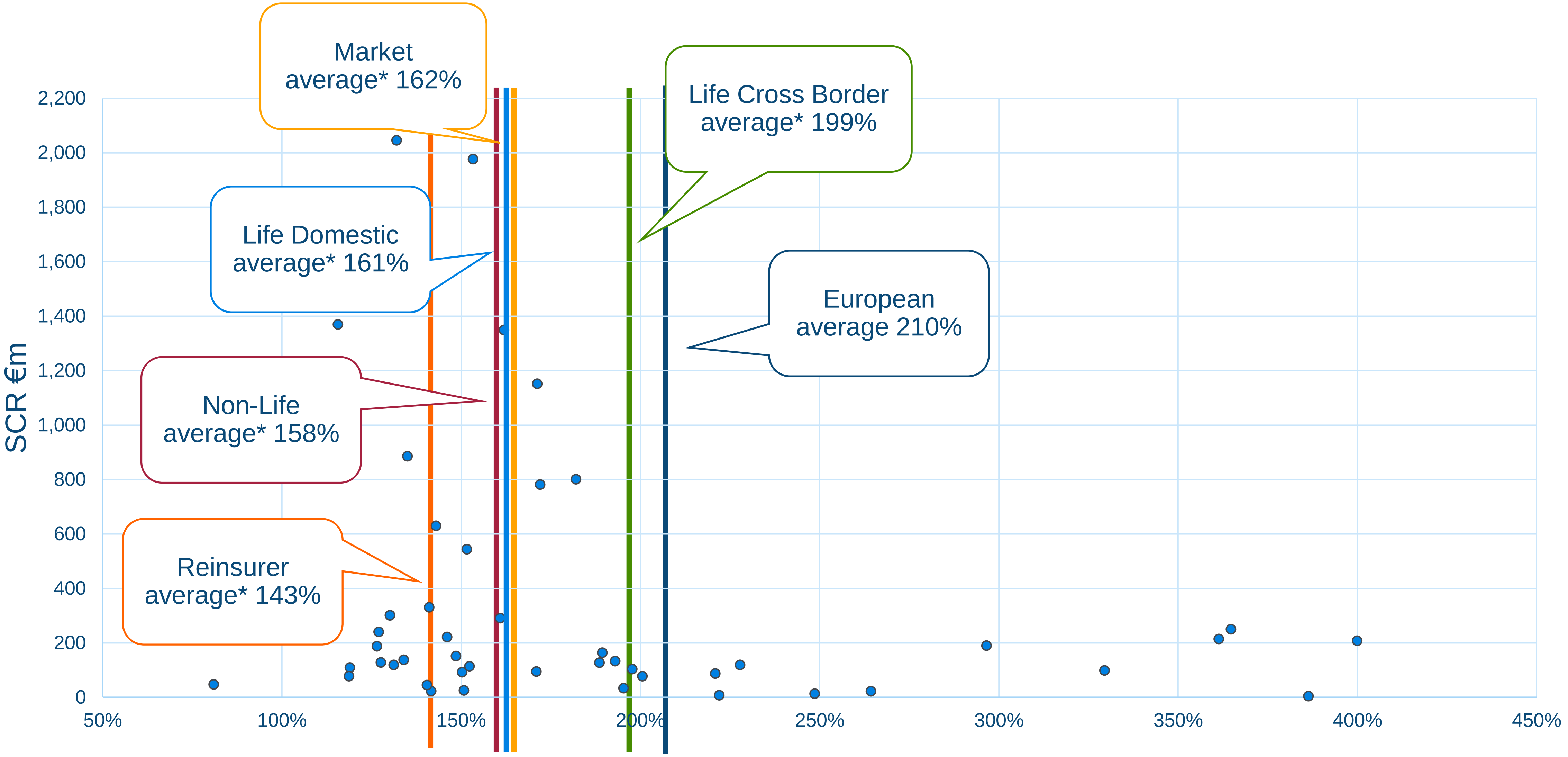
PRUDENTIAL INTERNATIONAL

hannover re

“[Analysts are making arguments] as if a company that had a solvency ratio of 100% would be insolvent. That is definitely not true and [shows] a lack of understanding of how the regime works.”

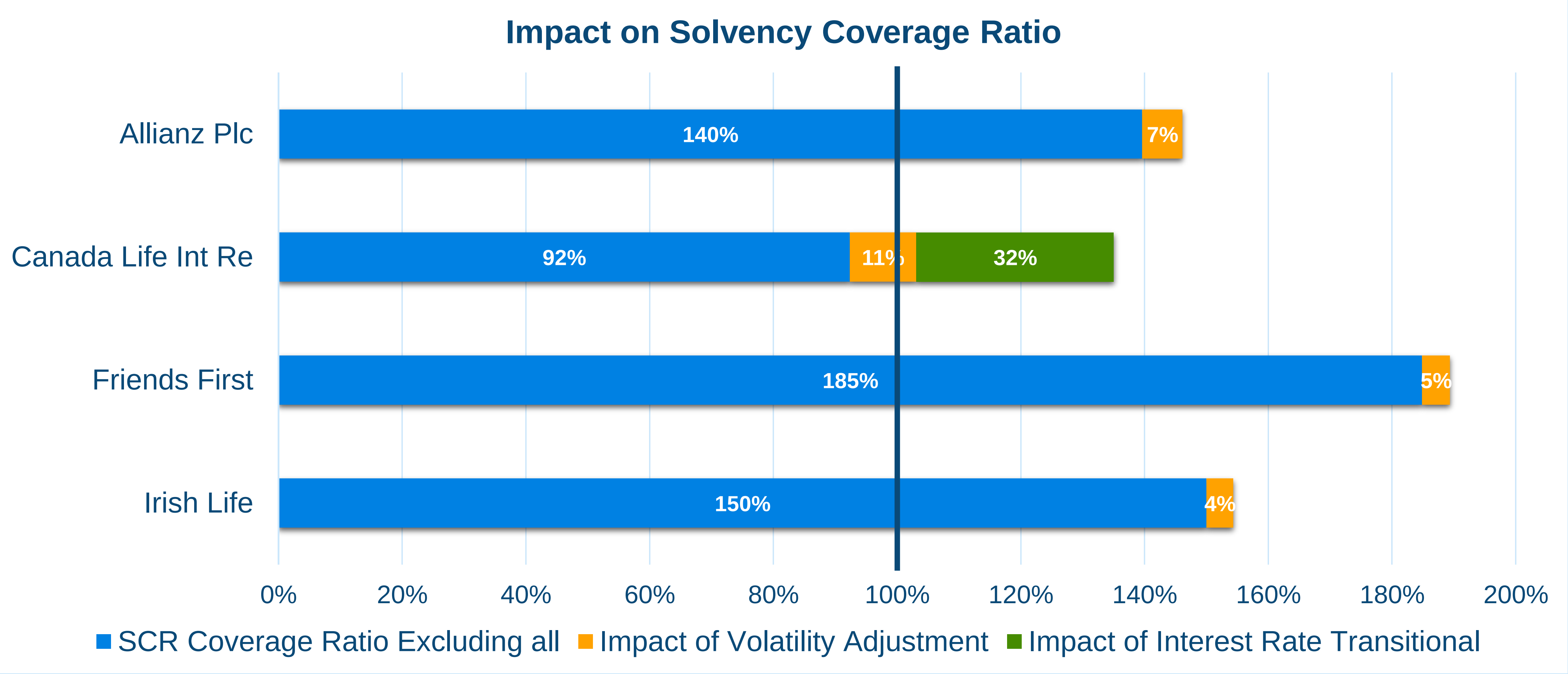
- Gabriel Bernardino, Chairman of EIOPA, September 2015

SCR coverage ratio by Company as at 31 December 2016



* Weighted by SCR

Impact of Transitional and Long Term Guarantee Measures



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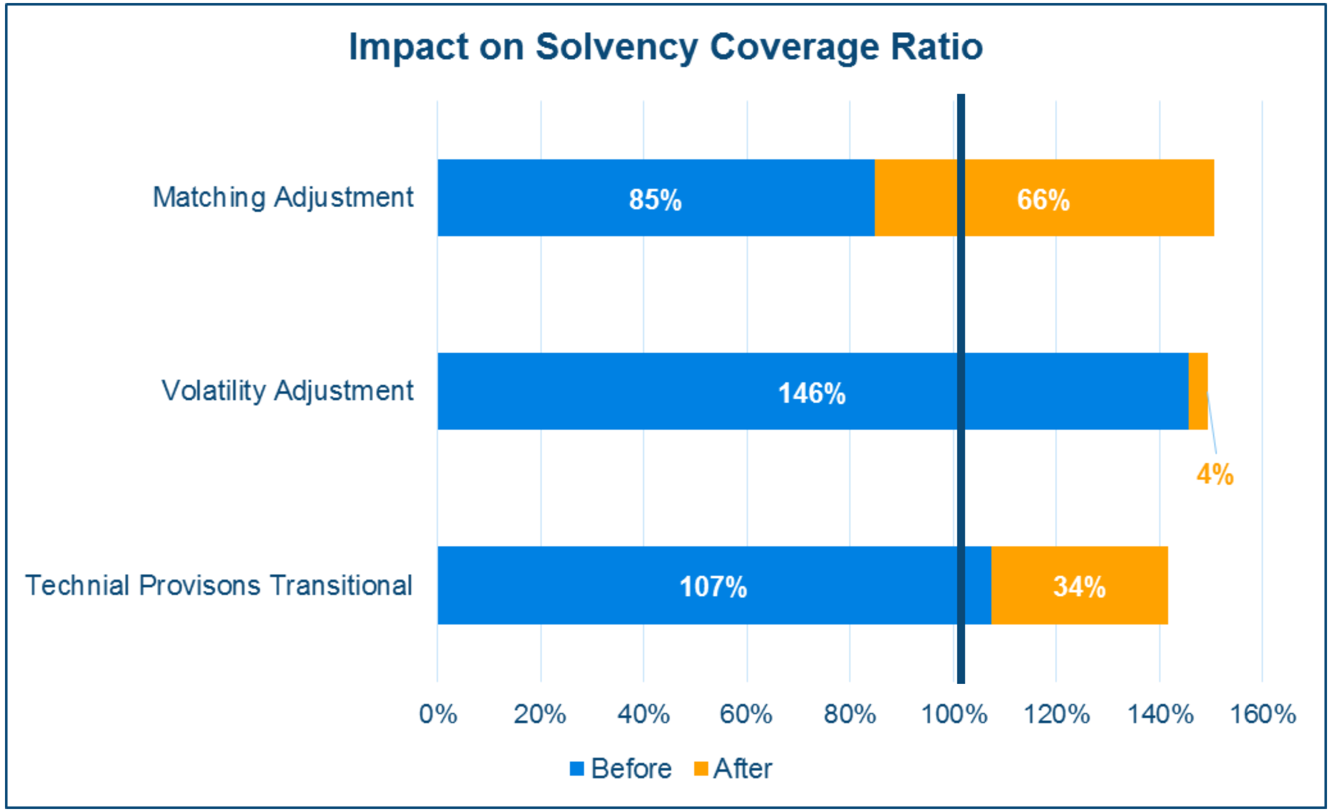
Note that the Irish Life figures quoted above have been adjusted to reflect the repayment of subordinated debt in February 2017.

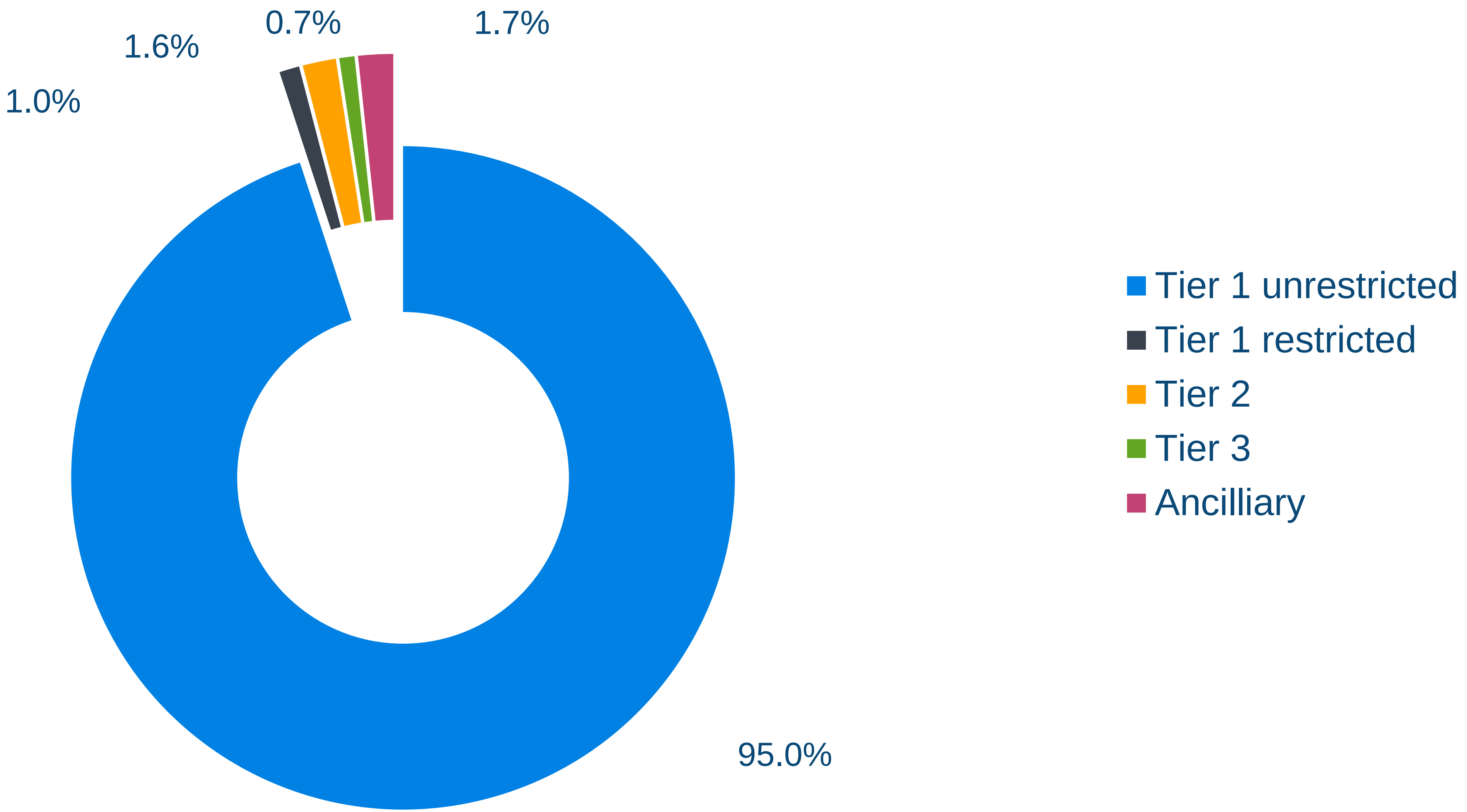
Impact of Transitional and Long Term Guarantee Measures

- Currently no Irish Companies use the matching adjustment
- Sample of **24** UK Life Insurers, representing **70%** of the UK life insurance market
- **11** using the matching adjustment
- **11** using the technical provisions transitional
- **5** using the volatility adjustment
- Some companies use more than one measure



Source: Milliman UK

Own Funds - Split of Total Own Funds



Own Funds – use of lower tier Own Funds

Company	Type of capital	Tier	% Eligible Own Funds for SCR coverage
New Ireland	Subordinated debt of €80m	Tier 2 BOF	10%
Axa Life Europe	Unpaid ordinary shares of €75 million	Tier 3 Ancillary	5%
RSA	Unpaid and uncalled ordinary share capital of €90m	Tier 2 Ancillary	39%
FBD	€70m subordinated bond	Tier 2 BOF	23%
Liberty	€40m of uncalled and unpaid share capital	Tier 2 Ancillary	18%
Hannover Re	Subordinated own funds of €340m	Tier 2 BOF	15%
	Uncalled subordinated loan of €214m	Tier 3 Ancillary	9%
RGA	Subordinated loan note of €90m	Tier 1 restricted	19%

Note that Irish Life had tier 1 restricted subordinated debt of €200m as at 31 December 2016, but this was repaid in full in February 2017.

Pillar 3 Reporting: What does the CBI think?

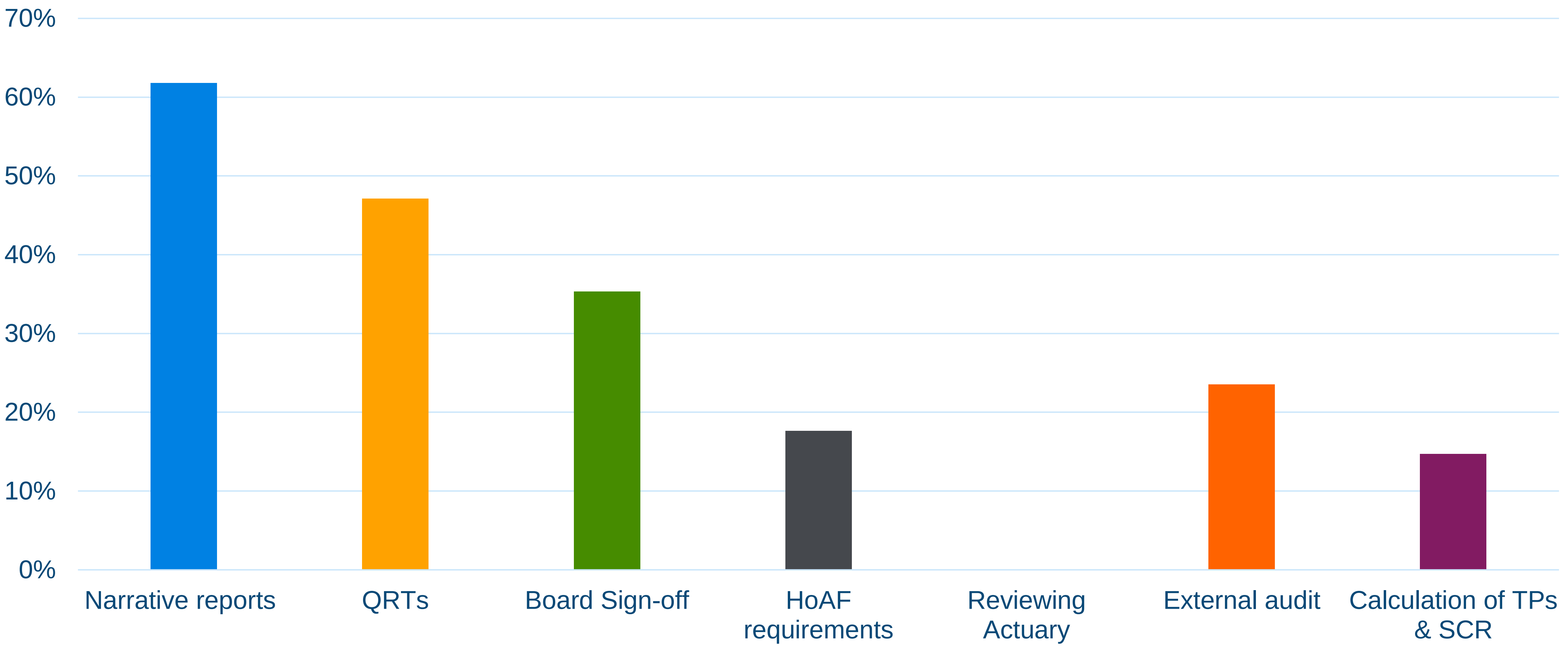
- Stated that they found issues with over half of the Pillar 3 submissions reviewed

- Review of Pillar 3 reporting will focus on:
  - Governance and controls, policy and procedures and Board sign off
  - Validation of QRTs, data quality assurance and reconciliations

- Concerns over the calculation of the SCR
  - 2/3rd of Annual reported SCRs changed by more than 2.5% when compared to the Q4 2016 QRTs
  - Inadequate controls and inaccurate application of the regulations

Survey Results: What do you think?

Q1: Which of the following did you find most onerous in completing the 2016 Solvency II process? (Survey respondents were asked to select all that apply)



Year end 2017: What can we do better?

Appropriate processes and procedures	Model Industrialisation	Automated Reporting
Peer Review	Education and Training	Compliance assessment tools

Year end 2017: what's changing?

The good news…

- External Audit should be easier (in theory)
- No requirement to produce a full Regulatory Supervisory Report (unless requested by CBI)

…the bad news

- Deadlines reduce by 2 weeks for annual reporting – 18 weeks timeline (6th May 2018)
- Deadlines reduce by 1 week for quarterly reporting – 6 weeks timeline from Q1 2018
- Additional Variation Analysis QRTs and more analysis of change in the SFCR
- Reviewing Actuary for Medium/High and High companies
- Changes to the UFR

Pillar 3 blog series

https://thebusinessofrisk.com

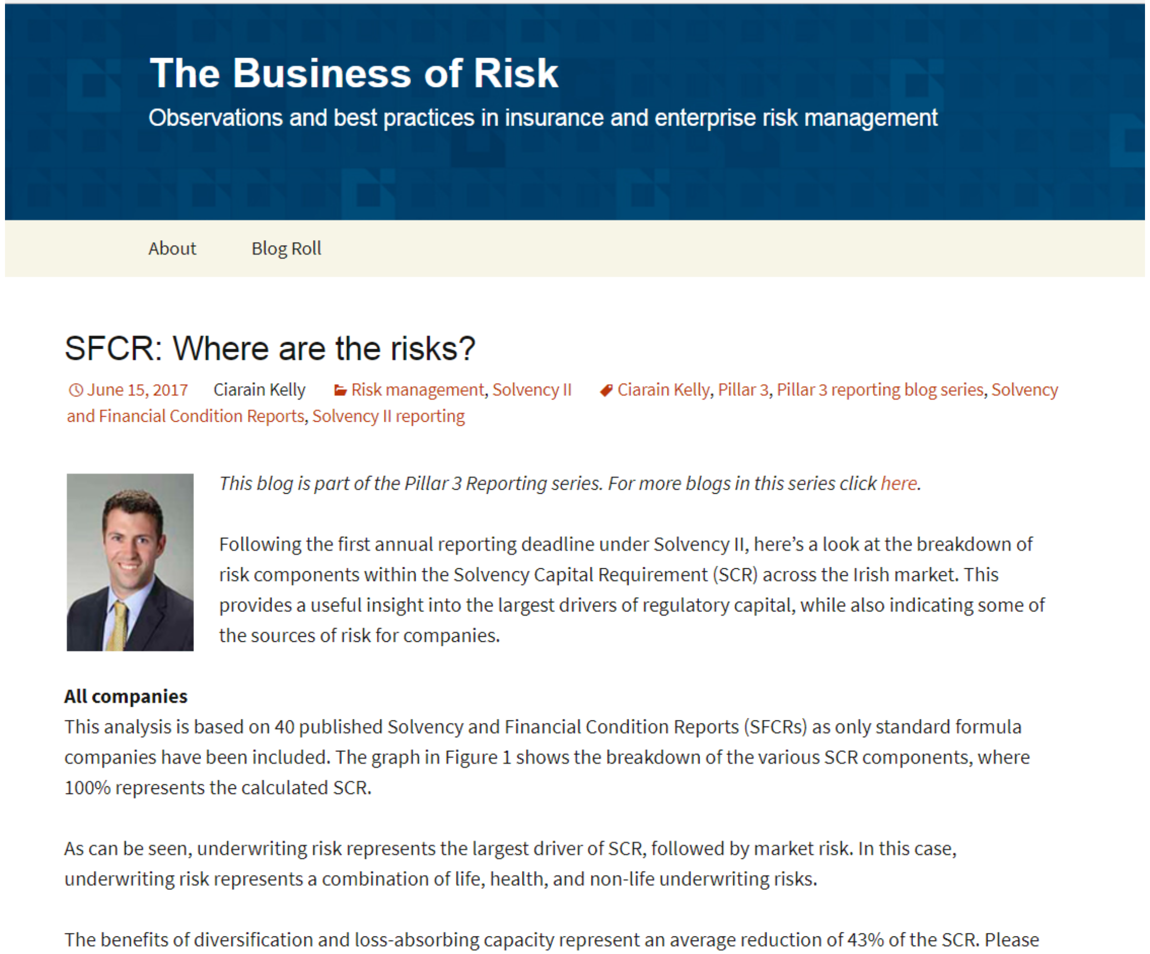
SFCR: Where are the risks?

SFCR: More reports to explore

SFCR: A taste of what's out there

SFCR: Who's doing what?

SFCR: An initial picture



The Business of Risk

Observations and best practices in insurance and enterprise risk management

About Blog Roll

SFCR: Where are the risks?

June 15, 2017 Ciarain Kelly Risk management, Solvency II Ciarain Kelly, Pillar 3, Pillar 3 reporting blog series, Solvency and Financial Condition Reports, Solvency II reporting

This blog is part of the Pillar 3 Reporting series. For more blogs in this series click here.

Following the first annual reporting deadline under Solvency II, here's a look at the breakdown of risk components within the Solvency Capital Requirement (SCR) across the Irish market. This provides a useful insight into the largest drivers of regulatory capital, while also indicating some of the sources of risk for companies.

All companies

This analysis is based on 40 published Solvency and Financial Condition Reports (SFCRs) as only standard formula companies have been included. The graph in Figure 1 shows the breakdown of the various SCR components, where 100% represents the calculated SCR.

As can be seen, underwriting risk represents the largest driver of SCR, followed by market risk. In this case, underwriting risk represents a combination of life, health, and non-life underwriting risks.

The benefits of diversification and loss-absorbing capacity represent an average reduction of 43% of the SCR. Please

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These slides are for general information/educational purposes only. Action should not be taken solely on the basis of the information set out herein without obtaining specific advice from a qualified adviser.

Thank you

Sinead Clarke
22 June 2017

Sinéad Clarke
Consulting Actuary

Dublin, IE
T: +353 1 6475912
E: sinead.clarke@milliman.com
https://ie.linkedin.com/in/sinead-clarke-449859b0

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