



Analysis of cross-border life business from the Insurance Statistical Review 2008 (the 'Blue Book')

INTRODUCTION

The Financial Regulator published the Insurance Statistical Review 2008 (commonly referred to as the 'Blue Book') on the 24th September 2009. In this Briefing Note we focus on the cross-border sector, examining trends in new business sales, revenue premium income, and some high level expense ratios.

HEADLINES

- Total **new business premiums** for 'foreign risk business' (gross of reinsurance) fell by 23% to €15.17 billion in 2008, down from €19.72 billion in 2007.
- Total **gross premium income** for 'foreign risk business' (gross of reinsurance) fell by 22% to €15.99 billion in 2008, down from €20.46 billion in 2007.
- Total **premium income** for 'foreign risk business' (net of reinsurance) fell by 23% to €14.89 billion in 2008, up from €19.42 billion in 2007.
- **Italian business** saw a fall in **new business volumes** of 38% after some years of high growth (56% growth in 2007), while companies writing **investment business** in **single territories** had growth of 4%.
- Companies with a **multi-country focus** showed a 25% decrease in **new business volumes**.
- 56% of all **protection business premium income** came from regular premium sales, while **investment business** - predominately made up of single premium policies - accounted for 96% of **net premium income**.
- The average **expense ratio** (management expenses as a percentage of average fund size) for all 'foreign risk business' was 0.90% in 2008, down from 1.03% in 2007.

The remainder of this Briefing Note provides more details of the market levels and, as in previous years, breaks down total 'foreign risk business' into four main categories.

SEGMENTING THE MARKET

Categories of Irish life assurance companies writing 'foreign risk' business.

Irish companies writing 'foreign risk business' can be broadly classified into one of four groups:

- **Italian** companies (all of which concentrate on investment business);
- Those writing predominately **investment business** and focusing on a **single territory**;
- Those writing predominately **investment business** and focusing on **multiple territories**;
- Those writing predominately **protection business**.

Using these classification criteria we have arrived at the following groupings:

ITALIAN FOCUS	MULTI COUNTRY FOCUS
Arca Vita Area Life International Axa MPS AZ Life Limited CNP Europe Darta Life Eurizon Life Mediolanum International Sella Life Vicenza Life	Alico Life Allianz Global Eagle Star European Generali PanEurope Limited Hansard HSBC Life Inora Life Limited Irish Life International Ltd. MGM International Assurance Limited Prudential International Scottish Mutual International Skandia Life Ireland Limited The Lawrence Life Ass. UBS International Life Ltd Zurich Life Assurance
PREDOMINATELY SINGLE COUNTRY FOCUS	PROTECTION BUSINESS
Aegon Ireland (UK) Aviva Life International (UK) Axa Life Europe (Germany) Canada Life Ass. Europe Ltd. (Germany) Euroben (Sweden) Hartford Life (UK) Legal & General Intl. Ireland (UK) Life Trust (UK) Metlife Europe (UK) SEB Life Ireland (Sweden) St James' Place (UK) Standard Life International (UK)	Barclays Assurance CACI Life Limited CitiLife Financial Halifax Assurance Oney Life

Our categorisation contains an element of subjectivity – in one or two cases it is debatable whether a particular company should be classified as having a single or multiple country focus. For example we have included in the Italian category some companies who focus predominantly on the Italian market but also write business into other territories, and we have included certain companies in the single country focus category that have operations in multiple countries.

In spite of these difficulties we believe that it is helpful to split the total market in this way.

Our categorisation also excludes some small volumes of ‘foreign risk business’ from domestic insurers, for example ECCU (sales of UK protection business to Irish League of Credit Union members in Northern Ireland) and CUNA Life (sales of UK protection business to UK credit unions). Previously Eagle Star Life was excluded but we have added the renamed Zurich Life Assurance under multi country focus.

New business premium

Total new business premium (gross of reinsurance) for ‘foreign risk business’ fell by 23% to €15.17 billion, down from €19.72 billion in 2007.

This breaks down as follows:

	2008 TOTAL (AP+SP) €000	2007 TOTAL (AP+SP) €000	% INCREASE
Italian focus	6,531,013	10,554,923	-38%
Single country focus	5,303,120	5,102,478	4%
Multi country focus	2,392,668	3,192,118	-25%
Protection business	944,627	871,845	8%
Total	15,171,428	19,721,364	-23%

The Italian focused companies have seen a large fall in new business premiums. The top three companies – Axa MPS (formerly Montepaschi Life), Eurizon Life, and Mediolanum International Life - represent 77% of new business in this category. Eurizon Life still has the highest sales at €2,656m but this is a large drop from its 2007 sales of €4,851m. Vicenza Life is the only company to show an increase in sales volumes in this category with new business premiums increasing from €199m in 2007 to €310m in 2008.

The ‘single country’ focus companies increased new business volumes by 4%. Not all companies in this category showed a positive growth in volumes. Some companies experienced significant growth (Hartford Life, Legal & General, Metlife Europe, Aviva Life International, SEB Life and Standard Life International). Others experienced large falls in new business premiums (Axa Life Europe, Canada Life Ass. Europe Ltd., Euroben and St James' Place International). Aegon Ireland has the highest sales in this category with volumes increasing slightly from €1,208m in 2007 to €1,222m in 2008. This category includes one new entrant in 2008, Life Trust, which unfortunately entered voluntary liquidation on 30 June 2009.

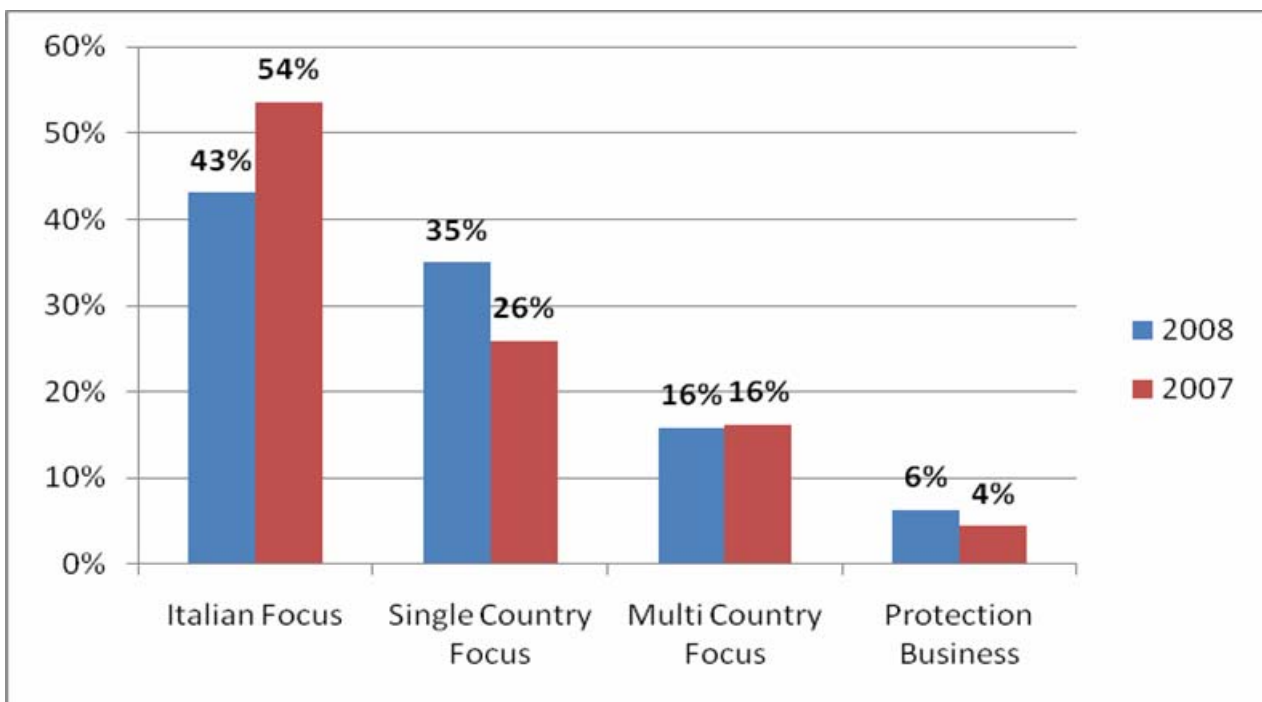
The ‘multi-country’ focus category showed a 25% decrease in volumes. This is largely driven by UBS International Life Ltd whose sales fell from €978m in 2007 to €402m in 2008. Most companies showed

a decrease in new business premiums, except Generali PanEurope which showed growth of 40% and Prudential International with growth of 7%. There is one new entrant in this category, Allianz Global. We have also added the international business of Zurich Life Assurance (former Eagle Star Life) which was previously excluded.

The protection category increased by 8% in 2008. Barclays Assurance and CACI Life Limited increased volumes by 26% and 31% respectively. CitiLife Financial Limited and Halifax Assurance (Ireland) Ltd. had a fall in sales of 24% and 48% respectively. Oney Life is a new entrant to this category offering creditor insurance in France.

A more detailed breakdown of the new business figures is provided in Table 1 on pages 8 and 9.

The following table shows the proportions of new business in each category over 2007 and 2008.



The charts show that 43% of the new business volumes written from Ireland in 2008 were in the Italian category, still the largest category overall, although this has fallen from 54% in 2007. The Italian companies represent 24% of the number of companies writing 'foreign risk business' (10 out of 42 companies). The single country proportion has increased to 35% of the total in 2008 from 26% in 2007. The multi country focus category has remained stable at 16%.

Total Revenue Premium Income

Total revenue premium income for 'foreign risk business' (net of reinsurance) fell by 23% to €14.89 billion, down from €19.42 billion in 2007.

This breaks down as follows:

	2008 TOTAL (AP+SP) €000	2007 TOTAL (AP+SP) €000	% INCREASE
Italian focus	6,665,156	10,680,014	-38%
Single country focus	5,341,891	5,039,333	6%
Multi country focus	2,236,401	3,067,589	-27%
Total Investment Business	14,243,448	18,786,936	-24%
Protection business	632,316	631,489	0%
Other	15,817	3,667	331%
Total	14,891,581	19,422,092	-23%

The similarity of the Italian premium income figure to the corresponding new business figures indicates that virtually all of the business in this sector is single premium with relatively little outward reinsurance. This is in line with what we have seen in previous years.

The 'single country' category shows a slight increase in revenue premiums of 6% which also corresponds to new business figures which show an increase of 4%.

The 'multi-country' category shows a decrease of 27% in 2008, which is similar to the 25% decrease in new business volumes for this category.

The 'protection' category revenue has remained stable. Regular premium revenue accounts for 56% of this category's total revenue.

The 'other' category relates to a small amount of 'foreign risk' business written by domestic Irish companies. This is not significant in the context of the total cross-border market.

A more detailed breakdown of the premium income figures is provided in Table 2 on pages 10 to 12.

Expense Ratios

As included in last year's report, we have included some expense ratios for each category of business. These are high level ratios reflecting the detail of the expenses and fund information available in the Blue Book. The expense ratio is defined as management expenses (excluding all commission, but including acquisition expenses) divided by the average funds held in the year.

These numbers need to be used with caution – the classification of management expenses may or may not include investment management expenses or commissions paid under TPA agreements.

We have also presented the expenses as percentages of the average funds under management – this favours more established companies and companies writing predominately single premium business, and is not necessarily a useful figure for companies writing protection business. As a result, we recommend more in-depth analysis is undertaken when comparing expense ratios for individual companies.

	2008 AVERAGE FUNDS €000	2008 MGT EXPENSES €000	2008 RATIO %
Italian focus	29,998,676	75,826	0.25%
Single country focus	12,849,319	280,197	2.18%
Multi country focus	12,910,370	120,988	0.94%
Total Investment Business	55,758,364	477,011	0.86%
Protection business	898,318	29,746	3.31%
Other	112,476	2,828	2.51%
Total	56,769,157	509,585	0.90%

	2007 AVERAGE FUNDS €000	2007 MGT EXPENSES €000	2007 RATIO %
Italian focus	27,613,685	83,270	0.30%
Single country focus	11,499,831	333,055	2.90%
Multi country focus	13,681,251	109,643	0.80%
Total Investment Business	52,794,767	525,968	1.00%
Protection business	1,286,027	26,992	2.10%
Other	185,678	4,420	2.38%
Total	54,266,472	557,380	1.03%

Overall the average expense ratio for 'foreign risk business' decreased from 1.03% in 2007 to 0.90% in 2008. Management expenses reduced in 2008 and average funds increased only slightly.

Italian focused companies have the lowest expense ratio of all the categories. Funds for these companies account for 53% of total funds across all the cross-border companies but they incurred only 15% of the total expenses across the sector. This probably reflects the single premium focus of the companies, their maturity (most companies are now established at least 3 years), and their typical approach to distribution (normally through branches of the parent bank) leading to lower sales and marketing costs.

The 'single country' category has a high expense ratio, but this category does not contain a homogenous group of companies. This category includes a mix of regular premium business and single premium investment business. The expense ratio for this category has fallen from 2.90% in 2007.

The 'multi country' category has seen an increase in expense ratio from 0.80% in 2007 to 0.94% in 2008. Overall, the expenses in this category increased while the average funds decreased.

The 'protection' category expense ratio has increased significantly from 2.10% in 2007 to 3.31% in 2008. Overall, expenses in this category have increased while average funds have fallen.

It must be remembered that comparisons of expense ratios across such a wide range of companies and markets is expected to give large variations.

MILLIMAN IN EUROPE

In December 2009, Life Strategies became Milliman Limited following its acquisition by Milliman Inc., one of the premier worldwide consulting and actuarial firms.

Milliman has offices throughout Europe covering life, non-life, and health practices including in:

- Dublin
- London
- Paris
- Milan
- Amsterdam
- Zurich
- Munich

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TABLE 1: NEW BUSINESS PREMIUM (GROSS OF REINSURANCE)

	2008 TOTAL (AP+SP) €000	2007 TOTAL (AP+SP) €000	% INCREASE
Italian focus			
Arca Vita	23,658	1,208,307	1%
Axa MPS	1,526,040	1,584,186	-4%
AZ Life Limited	26,706	111,230	-76%
CNP Europe	541,653	1,010,006	-46%
Darta Life	558,390	1,119,989	-50%
Eurizon Life	2,655,895	4,850,595	-45%
Mediolanum International	832,188	1,483,029	-44%
Sella Life	56,799	85,129	-33%
Vicenza Life	309,684	199,291	55%
	6,531,013	10,554,923	-38%
Other - predominately single country focus			
Aegon Ireland	1,221,995	1,208,307	1%
Axa Life Europe	234,397	287,482	-18%
Canada Life Ass. Europe Ltd	106,485	152,588	-30%
Euroben	289,010	866,461	-67%
Hartford Life	875,614	665,302	32%
Legal & General Intl. Ireland	124,509	26,491	370%
Life Trust	715		-
Metlife Europe	111,643	52,799	111%
Aviva Life International	893,360	707,690	26%
SEB Life (Ireland)	419,301	268,258	56%
St James' Place	289,411	463,384	-38%
Standard Life International	736,680	403,716	82%
	5,303,120	5,102,478	4%
Other - multi country focus			
Alico Life	247,932	430,615	-42%
Allianz Global	27,845		-
Eagle Star European	168	281	-40%
Generali PanEurope Limited	383,041	272,731	40%
Hansard	113,322	162,551	-30%
HSBC Life	165,288	180,007	-8%
Inora Life Limited	130,189	164,682	-21%
Irish Life International Ltd.	303,952	393,138	-23%
MGM International Assurance Limited	19,361	21,807	-11%
Prudential International	563,226	527,403	7%
Scottish Mutual International	0		-
Skandia Life Ireland Limited	14,779	23,931	-38%
The Lawrence Life Ass.	2,075	36,747	-94%
UBS International Life Ltd	401,793	978,225	-59%
Zurich Life Assurance	19,697		-
	2,392,668	3,192,118	-25%
TOTAL "investment business"	14,226,801	18,849,519	-25%

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	2008 TOTAL (AP+SP) €000	2007 TOTAL (AP+SP) €000	% INCREASE
Protection business			
Barclays Assurance	554,723	441,099	26%
CitiLife Financial Limited	5,265	6,928	-24%
CACI Life Limited	241,406	184,609	31%
Halifax Assurance (Ireland) Ltd.	125,520	239,209	-48%
Oney Life	17,713		
TOTAL "protection business"	944,627	871,845	8%
Other			
CUNA Mutual Life	10,433	5,687	83%
Eagle Star Life		6,305	
TOTAL "other"	10,433	11,992	-13%
GRAND TOTAL	15,181,861	19,733,356	-23%

TABLE 2: REVENUE PREMIUM INCOME (NET OF REINSURANCE)

	2008 SP €000	2008 RP €000	2008 TOTAL €000	2007 SP €000	2007 RP €000	2007 TOTAL €000	SP INCREASE %	RP INCREASE %	TOTAL INCREASE %
Italian focus									
Arca Vita	23,658	0	23,658	111,468	0	111,468	-79%	-	-79%
Area Life International	0	18,277	18,277	-41	22,511	22,470	-100%	-19%	-19%
Axa MPS	1,524,829	10,757	1,535,586	1,574,091	13,166	1,587,257	-3%	-18%	-3%
AZ Life Limited	26,706	0	26,706	111,230	0	111,230	-76%	-	-76%
CNP Europe	541,586	0	541,586	1,009,799	0	1,009,799	-46%	-	-46%
Darta Life	558,252	138	558,390	1,119,989	0	1,119,989	-50%	-	-50%
Eurizon Life	2,647,131	68,802	2,715,933	4,787,995	128,006	4,916,001	-45%	-46%	-45%
Mediolanum International	811,432	64,831	876,263	1,458,023	56,133	1,514,156	-44%	15%	-42%
Sella Life	56,799	486	57,285	85,129	770	85,899	-33%	-37%	-33%
Vicenza Life	307,828	3,644	311,472	198,585	3,160	201,745	55%	15%	54%
	6,498,221	166,935	6,665,156	10,456,268	223,746	10,680,014	-38%	-25%	-38%
Other - predominately single country focus									
Aegon Ireland	1,221,310	3,206	1,224,516	1,200,880	6,500	1,207,380	2%	-51%	1%
Axa Life Europe	192,542	145,712	338,254	211,406	63,734	275,140	-9%	129%	23%
Canada Life Ass. Europe Ltd	50,891	348,805	399,696	77,666	311,097	388,763	-34%	12%	3%
Euroben	288,986	33,244	322,230	854,149	18,082	872,231	-66%	84%	-63%
Hartford Life	882,259	0	882,259	665,302	0	665,302	33%	-	33%
Legal & General Intl. Ireland	119,429	0	119,429	26,467	0	26,467			
Life Trust	714	0	714						
Metlife Europe	111,643	0	111,643	52,657	0	52,657	112%	-	112%
Aviva Life International	453,018	15,437	468,455	376,163	4,642	380,805	20%	233%	23%
SEB Life (Ireland)	419,301	6,179	425,480	268,258	6,722	274,980	56%	-8%	55%
St James' Place	286,858	25,677	312,535	458,169	33,723	491,892	-37%	-24%	-36%
Standard Life International	736,680	0	736,680	403,716	0	403,716	82%	-	82%
	4,763,631	578,260	5,341,891	4,594,833	444,500	5,039,333	4%	30%	6%

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	2008 SP €000	2008 RP €000	2008 TOTAL €000	2007 SP €000	2007 RP €000	2007 TOTAL €000	SP INCREASE %	RP INCREASE %	TOTAL INCREASE %
Other - multi country focus									
Alico Life	247,795	22,423	270,218	427,066	26,820	453,886	-42%	-16%	-40%
Allianz Global	27,845	0	27,845				-	-	-
Eagle Star European	155	1	156	21,818	513	22,331	-99%	-100%	-99%
Generali PanEurope Limited	373,648	32,969	406,617	262,157	35,750	297,907	43%	-8%	36%
Hansard	113,648	14,316	127,964	160,924	12,368	173,292	-29%	16%	-26%
HSBC Life	40,625	8,050	48,675	74,105	10,309	84,414	-45%	-22%	-42%
Inora Life Limited	130,189	33,314	163,503	164,672	32,609	197,281	-21%	2%	-17%
Irish Life International Ltd.	303,824	0	303,824	392,962	0	392,962	-23%	-	-23%
MGM International Assurance Limited	18,078	0	18,078	22,385	0	22,385	-19%	-	-19%
Prudential International	269,885	84,594	354,479	164,454	97,046	261,500	64%	-13%	36%
Scottish Mutual International	79	687	766	216	0	216	-63%	-	255%
Skandia Life Ireland Limited	17,676	2,279	19,955	23,893	2,294	26,187	-26%	-1%	-24%
The Lawrence Life Ass.	2,001	21	2,022	36,726	2	36,728	-95%	950%	-94%
UBS International Life Ltd	385,924	85,023	470,947	969,331	129,169	1,098,500	-60%	-34%	-57%
Zurich Life Assurance	16,998	4,354	21,352				-	-	-
	1,948,370	288,031	2,236,401	2,720,709	346,880	3,067,589	-28%	-17%	-27%
TOTAL "investment business"	13,210,222	1,033,226	14,243,448	17,771,810	1,015,126	18,786,936	-26%	2%	-24%
Protection business									
Barclays Assurance	112,712	144,165	256,877	125,425	74,837	200,262	-10%	93%	28%
CitiLife Financial Limited	0	9,515	9,515	0	9,453	9,453	-	1%	1%
CACI Life Limited	160,546	90,674	251,220	120,555	83,330	203,885	33%	9%	23%
Halifax Assurance (Ireland) Ltd.	7,414	102,862	110,276	11,767	206,122	217,889	-37%	-50%	-49%
Oney Life	0	4,428	4,428						
TOTAL "protection business"	280,672	351,644	632,316	257,747	373,742	631,489	9%	-6%	0%

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	2008 SP €000	2008 RP €000	2008 TOTAL €000	2007 SP €000	2007 RP €000	2007 TOTAL €000	SP INCREASE %	RP INCREASE %	TOTAL INCREASE %
Other									
Ark	0	786	786	0	963	963	-	-18%	-18%
CUNA Mutual Life	0	4,942	4,942	0	5,680	5,680	-	-13%	-13%
Eagle Star Life				0	2,118	2,118			
ECCU	8,274	0	8,274	8,538	0	8,538	-3%	-	-3%
Irish Life	14	1,801	1,815	36,440	-50,072	-13,632	-100%	-104%	-113%
TOTAL "other"	8,288	7,529	15,817	44,978	-41,311	3,667	-82%	-118%	331%
GRAND TOTAL	13,499,182	1,392,399	14,891,581	18,074,535	1,347,557	19,422,092	-25%	3%	-23%