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Press Release

Milliman analysis shows uncertain future for embedded value reporting in European insurance market

LONDON – July 24, 2017 – Milliman, Inc., a premier global consulting and actuarial firm, today announced the availability of a new report detailing embedded value (EV) results for 19 major insurance companies in Europe. The report examines trends among the companies reporting EVs as of year-end 2016, comparing practices adopted and discussing reporting issues following the implementation of Solvency II in Europe and the move toward the global adoption of International Financial Reporting Standards (IFRS).

“The future of embedded value reporting in Europe remains uncertain – although there has been increased alignment between EV and Solvency II reporting, we have continued to witness a gradual reduction in the number of firms reporting on an EV basis,” said Philip Simpson, a principal and consulting actuary in Milliman’s London office. “And with Solvency II disclosures via the SFCR lacking information around new business or analysis of change, for example, there is potentially a void appearing in the level of granularity of financial information reported.”

The release of the final IFRS 17 standard in May 2017 could signal an alternative reference point for Market Consistent Embedded Value (MCEV). And with substantial disclosure requirements involved, this may allow a sufficient amount of information to be obtained about the profitability of the business. However, the preparation of accounts under IFRS 17 gives rise to a different interpretation and timing of profit and loss compared with an EV basis which will need to be considered. Ultimately time will tell whether companies use Solvency II or IFRS 17 as the reference point for MCEV.

Key insights from the European report include:

- There has been an ongoing, though moderate, reduction in firms reporting on an embedded value basis in 2016 compared with 2015.
- An amendment to the European Insurance CFO Forum Market Consistent Embedded Value Principles¹ (the MCEV Principles¹) was issued in May 2016 which permits the use of the projection methods and assumptions for market consistent solvency regimes (e.g. Solvency II) in EV reporting. In light of this, during 2016 companies continued to change their approaches, with a continued trend to align EV and Solvency II reporting.
- The CFO Forum members (that disclosed their embedded values at the end of 2016) reported a combined embedded value of GBP 263 billion (EUR 308 billion) at the end of 2016 compared with GBP 246 billion (EUR 288 billion) at the end of 2015. Experience amongst the companies studied was mixed, with around half of companies experiencing an increase in embedded value compared with 2015.

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- Overall, results for new business were fairly positive for the majority of companies in the report. The total value of new business (VNB) written by the current CFO Forum members (that disclosed their values of new business at the end of 2016) was GBP 11.3 billion (EUR 13.3 billion) in 2016, compared like-for-like with GBP 10.1 billion (EUR 11.9 billion) in 2015.

Interested parties may obtain a copy of the Milliman study at <http://www.milliman.com/insight/2017/2016-Embedded-Value-Results-Europe/> or receive further information by telephoning or emailing:

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About Milliman

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