Market insight from year-end 2019 SFCRs: Sample of life insurers based in Luxembourg

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This briefing note looks at the year-end 2019 Solvency and Financial Condition Reports (SFCRs) of a sample of life insurers based in Luxembourg[1] and includes analysis of key information included in the Quantitative Reporting Templates (QRTs) published with the SFCRs.[2]

Introduction

The SFCRs at year-end 2019 represent the fourth set of annual SFCRs published by European insurers. In this briefing note, we have analysed the SFCRs of 15 Luxemburgish life insurers selected based on gross premium written in 2019. The insurers selected are outlined in the table in Figure 1.

FIGURE 1: LIFE INSURERS INCLUDED IN THE SAMPLE

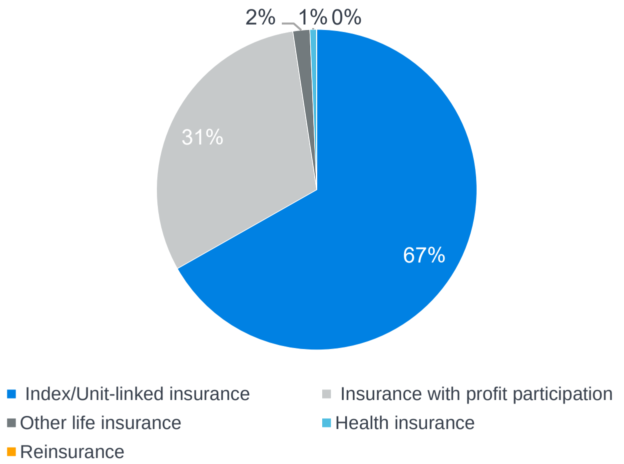
COMPANY NAME	PREMIUM 2019 (€ BLN)
1. Lombard International	4.0
2. Crédit Agricole Life	3.6
3. Sogelife	2.3
4. Cardif Lux Vie	2.1
5. La Mondiale Europartner	2.1
6. R+V Luxembourg Leben	1.3
7. Swiss Life	1.1
8. Allianz Life	1.1
9. Wealins	1.0
10. Natixis Life	1.0
11. Generali	0.9
12. The OneLife Company	0.8
13. Bâloise Vie	0.8
14. CNP	0.8
15. AXA Wealth Europe	0.7

The insurers included in the sample have been ranked based on gross written premium. A selection based on own funds or total balance sheet could produce a different list of insurers. The total premium included in this analysis sums to about €24 billion, representing about 90% of the total gross premium written by direct life insurers based in Luxembourg during 2019.

Analysis of premiums

Our analysis of premium written by the insurers included in our sample shows that unit-linked business represents 67% of life premium written in 2019. The remaining premium mainly consists of insurance with profit participation (31%).

FIGURE 2: SPLIT OF 2019 PREMIUM BY LINE OF BUSINESS IN THE SAMPLE



[1] This analysis is based on direct writers only. Reinsurers were excluded from the analysis. Companies were selected based on gross written premium in 2019.

[2] The data analysed in this note has been sourced from Solvency II Wire Data and companies' disclosed SFCRs. The data is available via subscription from https://solvencyiiwiredata.com/about/.

DOMESTIC BUSINESS

Within the Luxemburgish 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 total life premiums written by Luxemburgish life insurers in 2019, only about €2 billion (7%) were written in the "home country" (i.e., Luxembourg).

The five Luxemburgish life insurers with the highest gross written premiums in the domestic market in 2019 are shown in Figure 3.

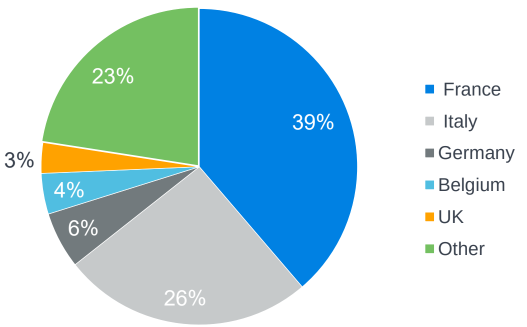
FIGURE 3: TOP FIVE PREMIUMS IN HOME COUNTRY

COMPANY NAME	PREMIUM 2019 (€ BLN)
Crédit Agricole Life	0.3
La Luxembourgeoise Vie[3]	0.2
Foyer Vie	0.2
Cardif Lux Vie	0.2
Swiss Life	0.2

CROSS-BORDER BUSINESS

Insurers show a split of gross written premiums between their top five countries in the QRT S.05.02. For the 15 life insurers included in the sample, the split by the country of the insurers' combined top five countries in 2019, excluding Luxembourg, is depicted in Figure 4.

FIGURE 4: PROPORTION OF TOP FIVE WRITTEN PREMIUMS BY COUNTRY IN THE SAMPLE



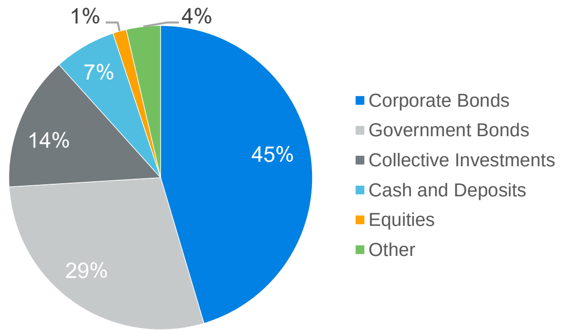
The largest cross-border market for Luxemburgish life insurers included in the sample is France, which accounts for 39% of cross-border gross written premiums in 2019.

[3] La Luxembourgeoise Vie and Foyer Vie are added to the sample for the purpose of the analysis of the domestic market.

Analysis of investments

The asset side of the balance sheets for the Luxemburgish life companies are primarily composed of financial investments. Total balance sheet assets as per the end of 2019 for the insurers included in the sample are €196 billion. Most of these relate to assets held for index-linked and unit-linked contracts (about €135 billion, or 69%). There are €38 billion (19%) in reinsurance recoverable. The breakdown of the financial investments of €22 billion (11%) is shown in Figure 5.

FIGURE 5: INVESTMENTS MIX AS AT 31 DECEMBER 2019 IN THE SAMPLE

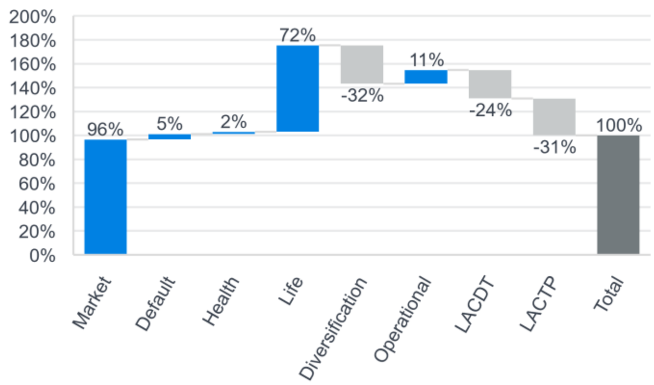


Life insurers included in our sample focus on fixed interest investments (about 75%) with significant investment in corporate bonds. It is important to note that this includes assets backing technical provisions in addition to shareholder assets.

Solvency Capital Requirement

The standard formula Solvency Capital Requirement (SCR) at 31 December 2019 for the companies in our sample is dominated by market risk followed by life underwriting risk, offset by diversification effects as well as the loss-absorbing capacity of deferred taxes (LACDT) and the lost-absorbing capacity of technical provisions (LACTP). Figure 6 shows a breakdown of the SCR for the companies included in the sample.

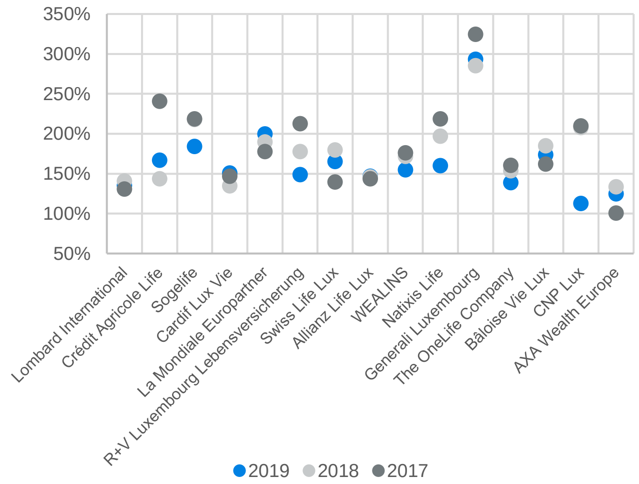
FIGURE 6: BREAKDOWN OF STANDARD FORMULA SCR IN THE SAMPLE



Analysis of solvency coverage

The average solvency coverage ratio for the companies included in our sample, calculated as total own funds divided by total SCR, was 160% at 31 December 2019. This shows that life insurers based in Luxembourg continue to hold a significant capital buffer in excess of the required solvency coverage ratio of 100%. In 2019, the majority of companies have a solvency coverage ratio between 140% and 175%, with the minimum in the sample amounting to 113% and the maximum to 293%. Solvency coverage can change year-on-year for a variety of reasons, including capital management solutions. Figure 7 shows the solvency coverage ratio of the companies included in our sample for the past three years.

FIGURE 7: SCR COVERAGE RATIO IN THE SAMPLE



What's next?

If you have any questions or comments on the information above or want to discuss further capital management solutions for life insurers, please contact your usual Milliman consultant.

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