

Irish Life Assurance plc

Year-End 2020

This report has been commissioned by Brokers Ireland from Milliman who has granted a special distribution permission of this report to the Brokers Ireland members.

The report provides a summary of publicly available information. The information contained in the booklet is of a general nature and should not be construed as advice of any kind on an individual situation or company. Neither Milliman nor Brokers Ireland have certified the information contained in the booklet, nor do Milliman or Brokers Ireland guarantee the accuracy and completeness of such information. Use of such information is voluntary and should not be relied upon. Neither Milliman nor Brokers Ireland owe any duty of care to any reader of this report and each expressly disclaims any responsibility for any judgements or conclusions which may result therefrom. Milliman accepts no responsibility or liability for any loss or damage of any nature occasioned to any reader as a result of acting or refraining from acting as a result of, or in reliance on, any conclusions, statement, fact, figure or expression of opinion or belief contained in this booklet.

This booklet and any information contained therein is protected by Milliman's copyrights and must not be distributed, modified, or reproduced without the express consent of Milliman.



1. COMPANY PROFILE

The information in this section has been sourced from the Solvency and Financial Condition report (“**SFCR**”) for Irish Life Assurance plc (“**ILA**”) or “**the Company**” as at 31 December 2020.

1.1. OWNERSHIP STRUCTURE

ILA is a part of the Great-West Lifeco group of companies, which is regarded as one of the world's leading and most secure life assurance organisations.

1.2. PRODUCT TYPES

The Company operates through two main divisions, Irish Life Retail (Retail Life) for its individual and small business customers and Irish Life Corporate Business (Corporate Life) for its corporate customers. ILA provides pensions, life and investment products to individual and small business customers in Ireland and sells pensions and risk products to corporate customers, namely employers and affinity groups in Ireland. The Company is regulated by the Central Bank of Ireland.

1.3. MARKETS

The Company's SFCR describes that it has the number one market share position with ILA now having a 40.4% market share (this has improved by 4% from 2019). ILA's business is almost exclusively in Ireland, with only a very small number of existing U.K. policies relating to products that are no longer sold. To prepare for Brexit, its sister company in the UK transferred a portfolio of European annuities to ILA in 2020.

1.4. RISK PROFILE

Insurance companies must hold capital to protect against risks that might threaten the solvency of the company. This capital is called the Solvency Capital Requirement (“SCR”). A different capital calculation is carried out for each risk type based on the company's exposure to that risk. This can be a useful metric to show the most material risks to which the company is exposed. A breakdown of the SCR for ILA is shown in the table below. These values can be compared to a total available Own Funds amount of €2,010 million at 31 December 2020 which is available to cover these risks.

€000's	2020	2019
Life underwriting risk	728,934	723,650
Market risk	718,545	719,931
Health underwriting risk	243,947	273,393
Counterparty default risk	40,685	33,622
Diversification	(474,468)	(483,895)
Non-life underwriting risk	0	0
Intangible asset risk	0	0
Basic SCR	1,257,642	1,266,700
Operational Risk	62,353	58,975
Loss-absorbing capacity of deferred taxes	(162,999)	(163,384)
Loss-absorbing capacity of technical provisions	(15,271)	(17,605)
SCR	1,141,725	1,144,686

This shows that the largest risk to which ILA is exposed are:

1. Those relating to its activities underwriting **life insurance** business including mortality, longevity, disability, morbidity, lapse, expense and catastrophe.
2. **Market risk** which captures the sensitivity of the insurer's balance sheet to changes in the values of market parameters and also the risk of concentration of the assets held by the insurer.

3. Those relating to its activities underwriting **health insurance** business which are similar to those for life insurance. Note that in the context of Solvency II, health insurance has a broader meaning than we would typically consider and may include benefits such as income protection and standalone specified illness.
4. **Counterparty default** risk which relates to the insurer's reliance on counterparties (usually reinsurers or banks) and the likelihood of default.
5. **Operational risk** which is intended to capture risks arising from inadequate or failed internal processes, personnel or systems, or from external events.

As might be expected for a large established insurer, the risk profile of the Company has remained relatively stable over 2020. It should be noted that the table above reflects the standard regulatory reporting of the SCR contained in the Appendix to ILA's SFCR. In the body of its SFCR, ILA presents the risk profile somewhat differently to this, however, the total SCR is the same and the broad relativity of the different risk categories is not materially different.

2. EXPERIENCE AND EXPERTISE OF COMPANY

2.1. COMPANY EXPERIENCE

ILA has been operating in the Irish life and pensions market for more than 80 years. It is one of Ireland's leading financial services brands, and has over 1.3 million customers.

2.2. EMPLOYEES

The company employs around 2,000 people in Ireland.

2.3. EXPERTISE

ILA is authorised by the Central Bank of Ireland to underwrite a number of different broad types (referred to as Classes) of life assurance business. These are:

- Class I – which includes non-linked life insurance and annuity business
- Class III – unit-linked life and pensions business
- Class IV – income protection business
- Class VI – capital redemption operations
- Class VII – group pensions business

The main product types written by ILA are listed in section 1.2 and to provide a sense of the scale of ILA's business across the main product lines, section 4 provides details of the size of its technical provisions by line of business (effectively its liabilities to policyholders, giving an indication of the materiality of the main lines of business it writes), while section 5 provides details of the annual gross written premium by line of business.

2.4. MATERIAL CHANGES OR EVENTS

ILA's SFCR does not call out any material changes or events in 2020, but notes that, while 2020 was a year that tested the resilience of its business, it made sure that their customer services and processes remained open, while at the same time, addressing the challenges that the pandemic placed on all. It notes that its strategic ambitions remain as relevant now in a virtual and socially distant environment as they did pre-pandemic. The Company notes that it actively reviewed and amended its strategy during 2020 to speed up developments to help customers and advisers face the challenges introduced by the COVID-19 pandemic. This included launching a fully digital advice process.

3. SOLVENCY AND FINANCIAL CONDITION REPORT FIGURES

The table below shows some of the figures reported in the 2020 SFCR for ILA.

- **Gross Premiums Written** comprise all amounts due during the financial year in respect of insurance contracts regardless of the fact that such amounts may relate in whole or in part to a later financial year;
- **Net Premiums Written** are Gross Premiums Written less premiums paid by the insurer to reinsurers where the insurer has passed some of the risk on to a reinsurance company;
- **Gross Technical Provisions** are the financial reserves that an insurer must aside to meet its liabilities to policyholders;
- **Net Technical Provisions** are the Gross Technical Provisions net of any premiums to be paid to a reinsurer and recoveries expected to be received from a reinsurer;
- **Eligible Own Funds** are the total assets less the total liabilities of an insurance company that are available to meet the SCR;
- **SCR** is the level of additional assets a company must hold in excess of its technical provisions and other liabilities. It is a prescribed calculation which reflects the size of a company, and also the riskiness of its balance sheet as discussed in section 1.4 above.
- **Solvency Ratio** is the ratio of Eligible Own Funds to the SCR. It should be at least 100% and most companies will aim to maintain a buffer of Eligible Own Funds in excess of the SCR.

€000's	2020	2019
Premiums Written		
Gross Premiums Written	6,204,787	6,664,909
Net Premiums Written	5,840,859	6,437,451
Technical Provisions		
Gross Technical Provisions	54,183,299	51,728,492
Net Technical Provisions	52,586,066	50,249,906
Eligible Own Funds	2,010,189	1,933,836
SCR	1,141,725	1,144,686
Solvency Ratio	176%	169%

The table demonstrates a stable year for ILA over 2020. While there was some reduction in premiums written, the Company's eligible own funds grew somewhat against the backdrop of a relatively unchanged SCR, leading to a modest increase in the solvency ratio.

4. SPLIT OF TECHNICAL PROVISIONS BY LINE OF BUSINESS

Line of Business	2020	2019
Index Linked and Unit Linked Insurance	48,802,649	46,568,194
Other Life Insurance	4,588,037	4,345,866
Health	709,075	706,540
Insurance with Profit Participation	83,538	107,892

Note that in the context of Solvency II, health insurance has a broader meaning than we would typically consider and may include benefits such as income protection and standalone specified illness.

5. SPLIT OF GROSS WRITTEN PREMIUMS BY LINE OF BUSINESS

Line of Business	2020	2019
Index Linked and Unit Linked Insurance	5,605,703	6,104,331

Other Life Insurance	502,803	460,663
Health	95,082	98,403
Insurance with Profit Participation	1,198	1,513

Note that in the context of Solvency II, health insurance has a broader meaning than we would typically consider and may include benefits such as income protection and standalone specified illness.

6. FINANCIAL RATING

Irish Life Assurance plc's credit rating is shown below, from fitch ratings website as at 12 July 2021

Entity	S&P	Moody's	A.M.Best	Fitch
Irish Life Assurance plc	-	-	-	AA- (Negative)

7. REGULATORY ACTION

There has been no regulatory action taken against Irish Life Assurance plc Ireland in the last 5 years.

Historic enforcement actions are available on the website of the Central Bank of Ireland at this link:

<https://www.centralbank.ie/news-media/legal-notice/enforcement-actions>

8. COMPENSATION SCHEME

The Insurance Compensation Fund protects consumers of authorised non-life insurance companies that go into liquidation and are unable to pay insurance claims. It does not currently apply in respect of life insurance companies, and is therefore not relevant for ILA. In the event of the winding-up of an insurer, including a life insurer, the assets representing the technical provisions take absolute precedence over all other claims with the exception of winding-up expenses. In this way, the rights of policyholders take precedence over other creditors of the insurer.

