

# New Ireland Assurance Company 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 New Ireland Assurance Company (“NI”) or “the Company” as at 31 December 2020.

### 1.1. OWNERSHIP STRUCTURE

The Company is part of the Bank of Ireland Group plc (the ‘Bank’). The Bank is a diversified financial services group with total assets on its balance sheet of €134 billion.

### 1.2. PRODUCT TYPES

The Company sells a broad range of protection, investment and pension products to individual and corporate customers in the Republic of Ireland. NI is regulated by the Central Bank of Ireland

### 1.3. MARKETS

New Ireland operates across a broad range of life and pensions markets in Ireland, selling protection, investment, saving and pension products through the broker market as well as a direct sales force and bancassurance channel. As per the 2020 SFCR, NI has a market share of 19% in the Irish life and pensions market.

### 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 NI is shown in the table below. These values can be compared to a total available Own Funds amount of €903.7 million at 31 December 2020 which is available to cover these risks.

€000's	2020	2019
Life underwriting risk	388,091	406,972
Market Risk	367,646	353,962
Health underwriting risk	56,722	39,280
Counterparty default risk	6,371	5,065
Diversification	(198,831)	(187,637)
Non-life underwriting risk	0	0
Intangible asset risk	0	0
<b>Basic SCR</b>	<b>619,998</b>	<b>617,641</b>
Operational Risk	44,904	37,365
Loss-absorbing capacity of deferred taxes	(40,826)	(49,222)
Loss-absorbing capacity of technical provisions	0	0
<b>SCR</b>	<b>624,076</b>	<b>605,784</b>

This shows that the largest risk to which NI 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, and can include risks arising from critical illness and income protection business.
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.

NI's risk profile has remained broadly stable over the course of 2020 with increases in exposure to health risk and market risk offset by a reduction in life underwriting risk. The risk profile is consistent with an insurer selling primarily unit-linked business and protection business. The two biggest components of underwriting risk relate to lapse risk (the risk of higher than expected levels of policy lapses), and expense risk. The most material components of market risk are equity risk (the impact of falls in equity values) and spread risk (the financial impact of widening credit spreads on bonds held as investments). For companies writing material volumes of unit-linked business, much of the market risk originates from the impact of market movements on unit-linked assets, which in turn impact expected future fee income earned by the company.

## 2. EXPERIENCE AND EXPERTISE OF COMPANY

### 2.1. COMPANY EXPERIENCE

Established over one hundred years ago, NI was the first wholly Irish owned life assurance company to transact business in Ireland. As at 31 December 2020 the Company has in excess of 580,000 customer contracts and funds under management of €18.8 billion.

### 2.2. EMPLOYEES

NI is part of the Bank of Ireland Group which employs over 11,000 people, they are one of Ireland's largest employers.

### 2.3. EXPERTISE

NI 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 II - Contracts of insurance to provide a sum on marriage or on the birth of a child expressed to be in effect for a period of more than one year
- Class III – unit-linked life and pensions business
- Class IV – income protection business
- Class VII – group pensions business

The main product types written by NI are listed in section 1.2 and to provide a sense of the scale of NI'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

NI notes comments on the following material changes and events in 2020 in its SFCR:

"2020 was an exceptional year with a myriad of challenges for our customers and the communities where we operate. The impact of COVID-19 on the Irish economy during 2020 has been significant. The Company quickly focused our resources and efforts on protecting and supporting their customers, colleagues and communities from the start of the COVID-19 crisis. The Company's proactive response to COVID-19 was to protect the financial wellbeing of customers. These supports included reducing the minimum premiums on savings and pensions products and granting six month mortgage protection premium waivers for customers who had been granted a mortgage payment break by their lender."

"During the year the Company:

- developed and launched our broker portal with a leading international partner. It provides a secure access point for external and internal advisors and customers to access self-service options and policy information, including digital connection to brokers and their customer relationship management systems; and
- launched a new Group Pension platform 'MyPension365' providing customers with a modern, digital and customer-friendly experience and a significantly faster on boarding process"

### 3. SOLVENCY AND FINANCIAL CONDITION REPORT FIGURES

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

- **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
<b>Premiums Written</b>		
Gross Premiums Written	2,301,075	2,107,816
Net Premiums Written	2,024,883	1,922,800
<b>Technical Provisions</b>		
Gross Technical Provisions	18,907,902	18,070,758
Net Technical Provisions	17,460,649	16,878,304
<b>Eligible Own Funds</b>	903,692	898,092
<b>SCR</b>	624,076	605,784
<b>Solvency Ratio</b>	145%	148%

The figures above show a relatively stable position for NI over 2020 with a modest increase in both gross and net premiums written against a backdrop of Covid related uncertainty. Both Eligible Own Funds and the SCR grew slightly over the year, with a slightly larger growth in the SCR eroding the solvency ratio slightly.

### 4. SPLIT OF TECHNICAL PROVISIONS BY LINE OF BUSINESS

Line of Business	2020	2019
Insurance with Profit Participation	0	0
Index Linked and Unit Linked Insurance	16,265,874	15,787,278
Health	267,264	223,688
Other Life Insurance	2,374,763	2,059,792

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	1,849,628	1,792,874
Other Life Insurance	389,545	267,520
Health	61,902	47,422
Insurance with Profit Participation	0	0

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

Like many insurers New Ireland Assurance plc does not have a credit rating of its own. It is part of The Bank of Ireland group whose financial ratings are shown below, obtained from Bank of Ireland's website as at 13 July 2021. In the absence of a credit rating of its own, the strength of an insurer's parent can be a useful indicator of overall financial strength as this will be the most common source of capital support if an insurer runs into financial difficulties.

Entity	S&P	Moody's	A.M.Best	Fitch
The Bank of Ireland Group	BBB- (Negative)	Baa2 (Stable)	-	BBB (Negative)

## 7. REGULATORY ACTION

There has been no regulatory action taken against New Ireland Assurance plc 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 NI. 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.

