

# Aviva Life & Pensions Ireland dac

## Year-End 2020

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## 1. COMPANY PROFILE

The information in this section has been sourced from the Solvency and Financial Condition report (“**SFCR**”) for Aviva Life & Pensions Ireland dac (“**ALPI**”) or “**the Company**” as at 31 December 2020.

### 1.1. OWNERSHIP STRUCTURE

ALPI is a subsidiary of Aviva Life & Pensions UK Limited (“**UKLAP**”) in the UK. Its ultimate parent is Aviva Plc.

UKLAP purchased Friends First from Achmea on 31 May 2018. Friends First was subsequently renamed ALPI.

Prior to 29 March 2019, Aviva operated in Ireland via an Irish branch of UKLAP. This business was transferred to ALPI on 29 March 2019 along with a portfolio of European life insurance business.

### 1.2. PRODUCT TYPES

ALPI provides protection, retirement and investment solutions including:

- **Individual income protection**, providing an alternative income if illness or injury stops you from working long-term
- **Individual mortgage and life insurance protection**, providing security in the event of illness, accident or death
- **Income protection and life insurance protection for Groups** (usually employees of specific companies) known as group risk business
- **Pension funding products**, including group, personal and executive pensions, annuities and retirement drawdown products known as approved retirement funds (ARFs), allowing their customers to really enjoy their retirement when it comes
- **Savings and investment products**, including lump sum bonds and regular premium savings products, to help its customers fund the future they want

ALPI’s products and services in Ireland are introduced to customers solely by Financial Brokers. ALPI is regulated by the Central Bank of Ireland.

### 1.3. MARKETS

In addition to its Irish life and pensions business, ALPI also insures a block of overseas European life insurance business, which was previously written in UKLAP prior to Brexit. This business is written in Belgium, France, Germany, Iceland, Italy and Sweden.

### 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 ALPI is shown in the table below. In absolute terms the SCR components give a sense of the relative materiality of the risks that the insurer is exposed to and how these have moved in the last year. These values can be compared to a total available Own Funds amount of €659 million at 31 December 2020 which is the total amount available to cover these risks.

€000's	2020	2019
Life underwriting risk	322,058	305,319
Market Risk	162,482	271,846
Health underwriting risk	108,424	100,393
Counterparty default risk	69,827	61,670
Diversification	(177,033)	(206,581)
Non-life underwriting risk	0	0
Intangible asset risk	0	0
<b>Basic SCR</b>	<b>485,757</b>	<b>532,646</b>
Operational Risk	30,938	33,678

Loss-absorbing capacity of deferred taxes	(7,975)	(14,759)
Loss-absorbing capacity of technical provisions	(71,932)	(74,912)
<b>SCR</b>	<b>436,788</b>	<b>476,652</b>

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

1. Those relating to its activities underwriting **life insurance** business including mortality, longevity, disability, morbidity, lapse, expense and catastrophe. The capital requirement for these risks have increased due to changes in ALPI's assumptions in relation to future experience.
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. ALPI has taken actions during 2020 to reduce its exposure to market risk. These actions include purchasing derivatives, selling and re-allocating assets and reducing new business sales in certain markets and products.
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. ALPI's main source of counterparty risk is its reinsurance of European life assurance business to UKLAP. The increase in 2020 is due to an increase in cash and other counterparty exposures.
5. **Operational risk** which is intended to capture risks arising from inadequate or failed internal processes, personnel or systems, or from external events.

## 2. EXPERIENCE AND EXPERTISE OF COMPANY

### 2.1. COMPANY EXPERIENCE

Aviva has been active in the Irish market for over 180 years. ALPI has approximately 250,000 Irish customers.

UKLAP purchased ALPI (then called Friends First) from Achmea on 31st May 2018. ALPI is now fully owned by its parent company, UKLAP, which is ultimately owned by Aviva plc. Aviva has over 33 million customers in 16 countries worldwide. Aviva is the UK's largest insurer and they also have a strong international presence in Europe, Canada and Asia.

### 2.2. EMPLOYEES

Aviva Insurance Ireland dac is a general insurance company based in Ireland. Between the general insurance company and the life and pensions company, Aviva employs over 1,450 employees in Ireland.

### 2.3. EXPERTISE

ALPI 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 VII – group pensions business

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

ALPI notes the following material changes or events in its 2020 SFCR:

- On 11 March 2020, the World Health Organisation declared the outbreak of novel coronavirus disease, COVID-19, a global pandemic. As an insurer ALPI is impacted by the COVID-19 pandemic through its life protection products as a result of increased mortality and income protection and critical illness products as a result of increased morbidity. The Company's balance sheet exposure has been reviewed and actions were taken in 2020 to further reduce the sensitivity to economic shocks. The Company has a robust capital and liquidity position. We have monitored the impact of COVID-19 in terms of claims and the net impact has been relatively modest i.e. increases in claims in some lines of business offset by reduced claims in other areas.
- In March 2020 a related company, Area Life International Insurance DAC made an application to the High Court under Section 13 of the Assurance Companies Act 1909, Section 36 of the Insurance Act 1989 and Regulation 41 of the European Union (Insurance and Reinsurance) Regulations 2015. The application asked the court to sanction the transfer of the life assurance business of Area Life International Insurance DAC to Aviva Life & Pensions Ireland DAC. This was approved by the High Court in March 2020 and took effect on 1st April 2020. This portfolio consisted of €52m of liabilities and is small in the context of the ALPI book.

### 3. SOLVENCY AND FINANCIAL CONDITION REPORT FIGURES

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

- **Gross Premiums Written** are all amounts due during the financial year in respect of insurance contracts. Therefore, it represents all premium income during the year (not just new business premiums) including recurring premiums on regular premium business;
- **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	1,636,545	1,393,590
Net Premiums Written	1,468,162	(30,631)
<b>Technical Provisions</b>		
Gross Technical Provisions	13,975,585	13,479,656
Net Technical Provisions	12,099,075	11,618,729
<b>Eligible Own Funds</b>	659,455	716,912
<b>SCR</b>	436,788	476,652
<b>Solvency Ratio</b>	151%	150%

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

Line of Business	2020	2019
Index Linked and Unit Linked Insurance	9,708,868	9,210,642
Other Life Insurance	2,492,941	2,504,771
Insurance with Profit Participation	1,484,993	1,493,234
Health	288,782	271,010

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	1,313,597	1,094,012
Other Life Insurance	233,293	226,859
Insurance with Profit Participation	20,269	6,110
Health	69,386	66,609

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 Aviva Life & Pensions Ireland dac does not have a credit rating of its own. It is a subsidiary of Aviva Life & Pensions UK Ltd, whose financial rating is displayed below as shown on its website at 22 June 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
Aviva Life & Pensions UK Ltd	AA- (Stable)	Aa3 (Stable)	-	AA- (Stable)

## 7. REGULATORY ACTION

There has been no regulatory action taken against Aviva Life & Pensions 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 ALPI. 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.

