

IRISH INSURANCE FEDERATION FACTFILE 2006



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## WHO WE ARE

THE IRISH INSURANCE FEDERATION (IIF) IS THE REPRESENTATIVE BODY FOR INSURANCE COMPANIES IN IRELAND REPRESENTING 62 MEMBERS, COMPANIES WHICH EMPLOY OVER 14,000 PEOPLE.

## WHAT WE DO

THE IIF SEEKS TO INFLUENCE THE DOMESTIC AND INTERNATIONAL REGULATORY, LEGAL, POLITICAL AND SOCIAL ENVIRONMENTS IN WHICH ITS MEMBERS OPERATE, IN ORDER TO ADVANCE THE INTERESTS OF THE INSURANCE INDUSTRY AND ITS CUSTOMERS.

## ABOUT FACTFILE

FACTFILE IS PART OF A SERIES OF FACTFILES PUBLISHED BY THE IIF ANNUALLY THAT PROVIDES THE KEY FACTS AND FIGURES ON THE INSURANCE INDUSTRY IN IRELAND. THIS IS THE FOURTEENTH YEAR OF PUBLICATION AND THE FACTFILE IS NOW A WELL-ESTABLISHED PRIMARY SOURCE OF INFORMATION ON THE DOMESTIC AND INTERNATIONAL BUSINESS OF INSURERS BASED IN IRELAND.

THIS EDITION OF FACTFILE FOCUSES ON STATISTICS FOR 2005 AND FOR THE FIVE-YEAR PERIOD 2001 — 2005. THE DATA IS DERIVED FROM DATA COLLECTED FROM MEMBERS OF THE IIF UNLESS OTHERWISE INDICATED.

## FOREWORD



*Factfile* is a well-established source of statistics and commentary on the Irish insurance market from IIF. 2006 marks its fourteenth year of publication.

*Factfile* comprises three sections. The first chapter sets the Irish insurance market in both a recent historical and international context. The second section focuses on the non-life insurance market and the third section on the life assurance market.

2005's positive results for the non-life market are not just good news for shareholders but also for consumers. A strong, profitable market means greater choice for consumers and lower premiums. A study carried out by IIF earlier this year found that motor premiums have fallen by an average of 45% in the past three years alone.

The 2005 results are a continuation of a welcome change in trends for the insurance industry and underline the cyclical nature of this business which experienced heavy losses between 1999 and 2001.

While net incurred claims cost for motor insurance fell by 17% (largely as a result of the market reforms which the Government and the industry have driven), there was a 10% increase in the number of new motor claims notified during 2005 compared to 2004. In order for the positive environment to continue, efforts need to be focused on ensuring that the upward movement in the number of new claims notified last year to insurers does not become a trend. This will mainly require greater focus on traffic law enforcement.

The life and pensions market was characterised by positive results for 2005. Gross written premium grew by almost 23% from €7929.7m in 2004 to €9738.6m last year. Strong growth was recorded for both new annual premium business and new single premium business in 2005, with A.P.E up by over 23%.

Policyholders' funds invested by IIF life members increased by 24.4% to €68823m in 2005 compared to €55308m in 2004.

There is a growing realisation that as a society and an economy, we are facing a serious gap in funding for retirement. While a recent proposal to introduce mandatory pensions is useful from the perspective of stimulating the debate, IIF is not convinced that compulsion is the right solution. While mandatory schemes may guarantee full coverage, they may do so to the detriment of depth of coverage.

However, there are a number of interesting proposals, which the Pension Board put forward in a report earlier this year, such as greater tax incentives for employees on the standard rate of taxation, that merit further consideration in order to plug the pensions gap.

**John O'Neill**  
President

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## EXECUTIVE SUMMARY

### THE IRISH MARKET

- Gross insurance premium income for 2005 for life and non-life insurance combined was €13,579.7m compared to €11,863.3m in 2004 (an increase of 14.5%).
- Premium income as a percentage of GDP was 8.7% (up from 2004).
- As a reflection of the buoyant market for life products, life gross written premium grew by 22.8% from €7,929.7m in 2004 to €9,738.6m in 2005. In contrast, non-life gross written premiums dropped by 4% from €3,999.8m in 2004 to €3,841.1m in 2005 — at a time when the economy continued to expand and consequently, exposure continued to increase.
- Total insurance industry assets increased by almost 21% in 2005 and amounted to nearly €79bn at the end of the year.
- The insurance sector is a major employer in the Irish economy. IIF member insurance companies employed 14,303 people in Ireland as at the end of December 2005. This is in addition to the numbers employed in the wider insurance industry e.g. in broking and loss adjusting etc.
- Ireland's premium per capita of €3,233 is higher than other European countries such as Germany, Spain and Sweden but is lower than the United Kingdom and Switzerland. When making comparisons, it is worth noting that in other European states e.g. France, Germany and Sweden which have higher taxation rates and more developed social insurance systems, a greater proportion of the costs associated with accidents are catered for through the social insurance system. This has an impact on the level of compensation awarded in personal injury claims paid by insurance companies, and ultimately on premium rates.

### NON-LIFE INSURANCE

- IIF's 24 domestic non-life members write in excess of 95% of Irish non-life insurance business. Combined, IIF members wrote gross premiums of €3,841m in 2005 compared to just under €4,000m during the previous year (a decrease of 4%). Premium income from public liability insurance (-10%) followed by commercial property insurance (-6%), experienced the largest falls.
- Net written premiums (i.e. total premiums after reinsurance costs have been deducted) were just under €3,338m, a decrease of 1.4% on 2004. Net earned premiums were nearly €3,417m in 2005 (down 2.8% on 2004).
- The number of new claims notified to IIF members rose in 2005 to 426,131 from 398,668 in 2004. This represents an increase of almost 7%.
- Net incurred claims costs declined by 10% to €1,894.2m leading to a net underwriting profit in 2005 of almost €745m compared to €673m in 2004 (up 10.7%). The combined operating profit of the 24 companies in the non-life market was €1,170m for 2005.
- The operating ratio for the non-life market improved from 82% in 2004 to 79% in 2005.
- Gross written premium for motor insurance was €1,624.5m in 2005, down 4.6% from nearly €1,704m in 2004. The decline in net earned motor premiums continued in 2005. Net earned motor premiums declined from €1,682.5m in 2004 to just under €1,599m in 2005 (a decrease of 5%).

- There was a 10.3% increase in the number of new motor claims notified during 2005 compared to 2004. However, the cost of claims (net incurred claims costs) decreased by almost 17% from €1094.3m in 2004 to €910.6m in 2005. The net underwriting profit in motor insurance rose from €322m in 2004 to €414m in 2005.
- IIF members wrote gross property insurance premiums of €1,071m in 2005, down by almost 6% from the previous year. While net earned premium fell slightly by over 2% to €888.5m, net incurred claims fell by over 10% to €379m, resulting in property insurers recording a net underwriting profit of €260.5m (up from €241m in 2004).
- IIF liability insurance members wrote gross liability premiums of €794.4m in 2005, down by almost 7% from the previous year, reflecting the reduction in premium rates for business consumers. Net earned premium fell by almost 5%, from €728.8m in 2004 to €695.1m in 2005. Net incurred claims remained virtually unchanged (up 0.6%) in 2005.
- Although, the underwriting result for employer's liability insurance has improved since the annual losses recorded in 2001 — 2003 period, the 2005 result of almost €63m represents a fall of 12.5% on 2004's profit result. Overall, this class of business produced a cumulative net underwriting loss of over €7m (-0.5% of NEP) between 2001 and 2005.
- Insurers have continued to sustain underwriting losses in public liability insurance. Although losses fell from €101m in 2001 to a loss of only €1m in 2004, the level of losses grew again in 2005 to €49m. Over the five years 2001 — 2005, net underwriting losses aggregated to €204m or 13% of NEP which highlights the difficulties this market presents for insurers. Meanwhile, net incurred claims costs have steadily and persistently climbed over the five years from €268m in 2001 to €319m in 2005 — an increase of 19%.
- IIF members wrote €70.1m in personal accident and travel insurance in 2005 — an increase of 6.2% from 2004, and generated a net underwriting profit of €15.6m, down from €16.5m in 2004.
- Other classes of non-life business including marine, aviation and transit (MAT), credit and suretyship, other financial loss covers and legal expenses insurance, were worth over €281m in gross written premium to IIF members in 2005, an increase of €38m from 2004. These other classes produced a combined net underwriting profit of almost €41m for 2005.

## LIFE AND PENSIONS

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- IIF's life assurance members' aggregate domestic premium income was €9738.6m for 2005. This represents an increase of almost 23% on the previous year (€7929.7m).
- New annual premium (AP) business was €923.7m (up 14.3% from €808.2m in 2004). A significant increase was recorded for new single premium (SP) business last year, with growth to €5611.7m from €3957.4m in 2004 (up 41.8%). Overall, the new business Annual Premium Equivalent (AP sales + 10% of SP sales) rose strongly by 23.3% to €1484.9m last year from €1203.9m in 2004.
- Domestic life assurance companies paid €4909.6m in benefits and claims during 2005. This is an increase of 12.4% from €4369.8m in 2004. These payments and benefits cover a wide range of products, which take a number of forms; for example, a one-off lump sum payment to a policyholder in the event of serious illness; or in the case of pensions, the payment of a regular income paid to a policyholder/beneficiary.



- The total value of life assurance protection in force at the end of 2005 was estimated at €308.9bn compared to €266bn in 2004, which is an increase of over 16%.
- Policyholders' funds invested by IIF life members increased by almost a quarter (24.4%) to €68.8bn in 2005 from €55.3bn in 2004. Equities now represent 58.5% of total policyholders' funds.
- Annual premium business increased from €2953m to €4151m over the five years 2001 to 2005, which represents an average rise of 8.9% per annum. Total premium income grew steadily during this period.
- New annual premium business increased by 14.5% between 2001 and 2002, fell back by 28.3% in 2003, before recovering in 2004 — 2005.
- New single premium business dropped from €4215m in 2001 to €3674m in 2002, then started picking up from 2003 onwards, reaching €5612m in 2005. Over the five years there was an average increase of 7.4% per annum.
- New business on an Annual Premium Equivalent (APE) basis grew by 5.5% between 2001 and 2002 before falling in 2003 by almost 20% to €1093m. It recovered in 2004 and this upward trend continued in 2005.
- IIF's life assurance members wrote foreign annual premium business of €30.2m in 2005. This is a substantial increase of 53.2% on 2004.
- Last year, foreign new single premium business increased by over 37% to €5562.4m from €4056.2m in 2004.
- New Annual Premium Equivalent (APE) foreign sales increased from €425.3m in 2004 to €586.4m in 2005 — an increase of 37.8%. This is a result of the significant growth in both single premium and annual premium business.
- Over the five years from 2001 to 2005, IIF life members' offices APE in EU countries has grown strongly by on average 26.6% per annum over 5 years, whereas non-EU business fell by 45.7% per annum. The change in these proportions was partly due to the increase in the number of EU member countries from 15 to 25 in 2004 and consequent reclassification of ten countries as EU member states.
- During the period 2001 — 2005, total new foreign business written by IIF life members increased by 15.7% per annum on an APE basis.

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## THE IRISH INSURANCE MARKET — A COMPARATIVE OVERVIEW

This chapter provides an overview of trends in the Irish insurance market both from a recent historical perspective (2001 — 2005) as well as in an international context. In addition, data is provided which sets the insurance sector in the context of the wider economy in terms of Gross Domestic Product (GDP), premiums per head of population and employment.

### THE INSURANCE MARKET IN THE ECONOMY

#### 2005 PREMIUM INCOME — LIFE AND NON-LIFE

Year	Life	Non-Life	Total
Gross Premium Income (€)	9738.6	3841.1	13579.7
Premium Income: GDP (%)	6.25	2.47	8.72
Premiums per capita (€)	2319	915	3233
Investments* (€)	68823	10066	78889.0

\* Policyholders' funds (life assurance) and Technical Reserves (non-life) at 31st December 2005.

Gross insurance premium income for 2005 for life and non-life insurance combined was €13,579.7m compared to €11,863.3m in 2004 (an increase of 14.5%). Premium income as a percentage of GDP was 8.7% (up from 2004). Premiums per capita increased from €3,028 in 2004 to €3,233 in 2005.

Assets comprising life policyholders' funds and non-life technical reserves increased by almost 21% from €65.3bn in 2004 to €78.9bn this year.

#### IIF MEMBERS' GROSS PREMIUM INCOME 2001 — 2005

Year	Life €m	Non-Life €m	Total €m
2001	7167.7	3229.0	10396.7
2002	7253.3	3954.9	11208.2
2003	7644.4	4239.1	11883.5
2004	7929.7	3999.8	11929.5
2005	9738.6	3841.1	13579.7

As a reflection of the buoyant market for life products, life gross written premium grew by 22.8% from €7,929.7m in 2004 to €9,738.6m in 2005. In contrast, non-life gross written premiums dropped by 4% from €3,999.8m in 2004 to €3,841.1m in 2005 — at a time when the economy continued to expand and consequently exposure continued to increase.

## GROSS INSURANCE PREMIUM INCOME AND GROSS DOMESTIC PRODUCT 2001 — 2005

Year	Gross Insurance Premium Income €m	GDP €m	Premium Income: GDP%
2001	10396.7	115433	9.0%
2002	11208.2	127992	8.8%
2003	11883.5	134786	8.8%
2004	11929.5	148556	8.0%
2005	13579.7	155723	8.7%

Although premium income has grown steadily over the five year period 2001 — 2005 by an annual average of 6.9%, premium income as a percentage of GDP fell from 9% in 2001 to 8% in 2004 before rising to 8.7% last year.

## LIFE AND NON-LIFE PREMIUMS AS A PERCENTAGE OF GDP FOR IRELAND 2001 — 2005

Year	Life Premium as % of GDP	Non-Life Premium as % of GDP	Total
2001	6.2	2.8	9.0
2002	5.7	3.1	8.8
2003	5.7	3.1	8.8
2004	5.3	2.7	8.0
2005	6.2	2.5	8.7

Life premiums as a percentage of GDP were 6.2% in 2001, were lower in 2002, 2003 and 2004, before rising back to 6.2% again in 2005.

Non-Life premiums as a percentage of GDP rose to 3.1% in 2002 and remained at this level until 2004 when they dropped to 2.7%. This downward trend continued in 2005.

## YEAR END VALUE OF INVESTMENTS\* 2001 — 2005

	2001 (€bn)	2002 (€bn)	2003 (€bn)	2004 (€bn)	2005 (€bn)	% Change p.a.
Life	40.058	38.047	44.575	55.308	68.823	14.5
Non-Life	7.354	8.597	9.626	9.955	10.066	8.2
<b>Total</b>	<b>47.412</b>	<b>46.644</b>	<b>54.201</b>	<b>65.263</b>	<b>78.889</b>	<b>13.6</b>

\* Policyholders' funds (life assurance) and Technical Reserves (non-life).

Total insurance industry assets increased by almost 21% in 2005 and amounted to nearly €79bn at the end of the year. Average annual growth in investment values was 13.6% per annum between 2001 — 2005. On the life side, there has been a continued recovery in policyholder funds and in 2005, year-end investments were valued at almost €69bn. This is an increase of 24.4% from 2004. This recovery follows a period of stagnation during 2001 and 2002. This improvement may be attributable to the upturn in the stock market and a more favourable investment climate. Non-life technical reserves continued to grow in 2005 and an average annual growth of 8.2% was recorded over the over 2001 — 2005 period.

#### LIFE ASSURANCE BENEFITS AND CLAIMS PAID 2001 — 2005

	Total €m
2001	4139m
2002	3731m
2003	3683m
2004	4370m
2005	4910m

Almost €5bn was paid out by life assurance companies in benefits and claims in 2005 (up 12.4% from 2004). These payments and benefits cover a wide range of areas. Examples include income and payouts on investment policies for policyholders; payment of death benefits which protect family income; payment of annuity income to pension policyholders; repayment of mortgages in the event of death of policyholders and lump sum payouts to policyholders with serious illness cover.

#### NON-LIFE INSURANCE PREMIUMS AND CLAIMS 2001 — 2005

Year	Gross Earned Premium €m	Gross Incurred Claims €m
2001	2905	2624
2002	3641	2870
2003	4169	2669
2004	4102	2431
2005	3931	2066

The downward trend in gross earned premium for non-life insurance, which started in 2004, continued in 2005 when premium fell by 4.2%, even though the economy continued to expand and exposures increased for insurers.

2005 was no exception to the downward trend since 2003 in gross incurred claims. Gross incurred claims fell by 15% last year and have fallen by 5.8% per annum on average between 2001 and 2005.

## EMPLOYMENT IN INSURANCE COMPANIES IN IRELAND AS AT 31ST DECEMBER 2005

	Employment
Life	7073
Non-Life	7230
<b>Total</b>	<b>14303</b>

The insurance sector is a major employer in the Irish economy. IIF member insurance companies employed 14,303 people in Ireland as at the end of December 2005. This is in addition to the numbers employed in the wider insurance industry e.g. in broking and loss adjusting etc.

## IRISH INSURANCE MARKET IN AN INTERNATIONAL CONTEXT

## THE IRISH INSURANCE MARKET IN THE WORLD 2005

	GLOBAL SHARE %					Total Gross Premiums as % of GDP	Total Gross Premiums Per Capita USD
	Population	GDP	Life Gross Premiums	Non-Life Gross Premiums	Total Gross Premiums		
Ireland	0.06	0.45	1.01	0.67	0.87	8.56	4177
EU	7.03	30.07	37.21	32.06	35.03	8.37	2459.5
OECD	18.03	78.54	90.51	91.22	90.81	8.68	2606.5
Europe	12.37	34.89	38.98	35.71	37.6	7.78	1513.8
America*	13.67	36.23	29.12	48.58	37.37	7.95	1452.8
Asia	59.41	24.97	29.04	12.85	22.18	6.83	197.9
Oceania	0.50	2.03	1.45	2.01	1.69	6.38	1789.3
Africa	14.06	1.88	1.41	0.84	1.17	4.8	44.2
<b>World</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>7.52</b>	<b>518.5</b>

Figures are rounded USD

Sources: Swiss Re Sigma World Insurance Report No 5/2006; CSO and IIF

\* Includes Latin America and Caribbean

The Irish insurance market is set in both a European and a global context in the above table. Similar to Ireland's GDP, its share of global insurance premiums is high relative to the population. This reflects the strength of the Irish economy; the developed market in Ireland for insurance; and the relatively high levels of coverage in major classes of business (motor, property, liability, pensions and mortgage protection) compared to other countries, particularly in less industrially-advanced regions.

#### INSURANCE DENSITY: PREMIUM PER CAPITA 2005 IN SELECTED ADVANCED INDUSTRIALISED COUNTRIES

Country	Premium Per Capita 2005 (USD)
Switzerland	5558.4
United Kingdom	4599.0
Ireland	4177.0
Japan	3746.7
United States	3875.2
Denmark	3876.2
Belgium	3985.6
France	3568.5
Sweden	3092.1
Australia	2569.9
Germany	2310.5
Italy	2263.9
Spain	1454.5

Sources: Swiss Re Sigma No 5/2006

The premium spent per capita for 2005 in Ireland is compared to some other advanced industrialised countries in the above table. The figure for Ireland of US\$4,177 is higher than many other European countries such as Italy, Germany and Sweden but lower than the United Kingdom and Switzerland. A factor which needs to be noted particularly when making comparisons with other European states is that countries such as Germany and Sweden have higher taxation rates and developed social insurance systems. Therefore, a greater proportion of the costs associated with accidents are catered for through the social insurance system. This has an impact on the level of compensation awarded for insurance claims made against insurance companies and ultimately on premium rates.

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## GLOSSARY OF NON-LIFE INSURANCE TERMS

### COMMISSION

The money paid out to an insurance intermediary in recognition of the business written by the insurer through the agency of the intermediary.

### COST OF CLAIMS INCURRED

The total amount paid out in claims during a given period, plus the movement in technical reserves during that period. For example, if an insurer pays out €10m in claims during 2005, and technical reserves stood at €50m at the beginning of the year and increase to €55m by the end of the year, then the insurer's claims incurred cost for 2005 would be €15m (€10m + €(55m-50m)).

### INVESTMENT INCOME

Income received on investments PLUS gains/losses realised on disposal of investments PLUS unrealised gains/losses over the period in question on investments held at the end of the period.

### MANAGEMENT EXPENSES

The internal expenses of an insurer incurred in acquiring and servicing insurance business.

### OPERATING RESULT

A non-life insurer's profit or loss after its investment income has been added to its underwriting result.

### PREMIUM — GROSS AND NET

Gross premium is the total amount of premium income of an insurer. Net premium is the premium retained by the insurer after it pays for its reinsurance protection. Similarly, gross claims costs are the total claims costs for which the insurer is liable under the policies it issues. Net claims costs take account of reinsurance claims recoveries due to the insurer from its reinsurers.

### PREMIUM — WRITTEN AND EARNED

Written premium is the actual premium paid by a policyholder for an insurance policy. Earned premium is the premium allocated to the actual exposure to risk arising during a particular period. For example, if an insurance company issues a 12-month policy for a premium of €500 on 1st January 2005, the written premium for 2005 will be €500, and so will the earned premium. But if the same policy is issued on 1st July 2005, the written premium will be €500, but the earned premium will only be €250; the other half of the premium will be allocated to an unearned premium reserve which will be credited to 2006 earned premium. This is because half of the premium written will be in respect of the exposure to loss during the first half of 2006.

### REINSURANCE

Insurance protection bought by an insurer to limit its own exposure. The availability of reinsurance protection allows an insurer to expand its own capacity to take on risk. Without a reinsurance facility, each insurer would be able to accept less business.

### TECHNICAL RESERVES

The amounts insurers hold against future payment of claims. There is Government supervisory control of the proper estimation of outstanding claims and the nature and spread of assets which can be used to cover technical reserves.

### UNDERWRITING RESULT

A non-life insurer's underwriting result is the profit or loss left after the cost of claims incurred, management expenses, commissions and other costs are deducted from earned premium income.

## 2005 NON-LIFE KEY STATISTICS

Class of Business	PREMIUMS €m			CLAIMS		Net Underwriting Result €m	Estimated Investment Income €m	Estimated Net Operating Result €m
	WRITTEN		EARNED	Net Incurred €m	No. of new claims notified			
	Gross	Net	Net					
Private Motor	1126.0	1086.7	1110.3	628.3	185229	288.2	145.3	433.6
Commercial Motor	498.5	472.5	488.4	282.4	57521	126.0	70.7	196.7
<b>All Motor</b>	<b>1624.5</b>	<b>1559.2</b>	<b>1598.7</b>	<b>910.7</b>	<b>242750</b>	<b>414.2</b>	<b>216.1</b>	<b>630.3</b>
Household	572.5	495.6	507.7	261.0	103802	99.9	19.8	119.7
Commercial	498.4	370.6	380.8	118.3	19695	160.6	29.9	190.5
<b>All Property</b>	<b>1070.9</b>	<b>866.2</b>	<b>888.5</b>	<b>379.2</b>	<b>123497</b>	<b>260.5</b>	<b>49.7</b>	<b>310.2</b>
Employer's	373.7	326.3	335.5	206.2	7393	62.6	63.5	126.1
Public/Products	420.7	350.0	359.5	319.2	12435	-49.1	82.9	33.7
<b>All Liability</b>	<b>794.4</b>	<b>676.2</b>	<b>695.1</b>	<b>525.4</b>	<b>19828</b>	<b>13.5</b>	<b>146.4</b>	<b>159.8</b>
Personal Accident/ Travel	70.1	57.6	56.8	24.7	11182	15.6	3.1	18.7
Other Business	281.0	178.6	177.7	54.2	28874	40.9	10.0	51.0
<b>Total</b>	<b>3841.0</b>	<b>3337.8</b>	<b>3416.7</b>	<b>1894.2</b>	<b>426131</b>	<b>744.7</b>	<b>425.3</b>	<b>1170.0</b>

## OVERVIEW OF NON-LIFE RESULTS FOR 2005

IIF's 24 domestic non-life members write in excess of 95% of Irish non-life insurance business. Combined, IIF members wrote gross premiums of €3841m in 2005 compared to just under €4000m during the previous year (a decrease of 4%). Premium income from public liability insurance (-10.3%), followed by commercial property insurance (-6%), experienced the largest falls.

Motor insurance continues to be the largest class of non-life insurance at almost €1624.5m (42.3% of all non-life business). Property is the second largest class of non-life business (27.9%).

Net written premiums (i.e. total premiums after reinsurance costs have been deducted) were just under €3338m, a decrease of 1.4% on 2004. Net earned premiums were nearly €3417m in 2005 (down 2.8% on 2004).

The number of new claims notified to IIF members rose in 2005 to 426,131 from 398,668 in 2004. This represents an increase of almost 7%. 57% of new claims were motor claims while 29% were made on property insurance policies (household and commercial property).

Net incurred claims costs declined by 10% to €1894.2m, largely as a result of market reforms which the Government and the industry itself have driven. The net underwriting profit in 2005 was almost €745m compared to €673m in 2004 (up 10.7%). The combined operating profit of the 24 companies in the non-life market was €1170m for 2005.

### MOTOR INSURANCE

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Gross written premium for motor insurance was €1624.5m in 2005, down 4.6% from nearly €1704m in 2004. Over two-thirds (69%) of motor insurance premiums are earned from the private motor insurance market and just under one-third (31%) from commercial motor business.

The decline in net earned motor premiums continued in 2005. Net earned motor premiums fell from €1682.5m in 2004 to just under €1599m in 2005 (a decrease of 5%).

There was a 10.3% increase in the number of new motor claims notified during 2005 compared to 2004. This increase in motor claims was the largest for any class of business in the non-life sector during 2005.

However, the cost of claims (net incurred claims costs) decreased by almost 17% from €1094.3m in 2004 to €910.6m in 2005. The net underwriting profit in motor insurance rose from €322m in 2004 to €414m in 2005.

### PROPERTY INSURANCE

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Property insurance is the second largest sector in the Irish non-life market after motor insurance. The property insurance market is split roughly equally between household (53%) and commercial property (47%). IIF members wrote gross property insurance premiums of €1071m in 2005, down by almost 6% from the previous year, which is not surprising given the continued fall in premium rates for consumers, although offset to some extent by the continued increases in sums insured. While net earned premium fell slightly by over 2% to €888.5m, net incurred claims fell by over 10% to €379m, resulting in property insurers recording a net underwriting profit of €260.5m (up from €241m in 2004).

### LIABILITY INSURANCE

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IIF liability insurance members wrote gross liability premiums of €794.4m in 2005, down by almost 7% from the previous year, reflecting the reduction in premium rates for business consumers. Net earned premium fell by almost 5%, from €728.8m in 2004 to €695.1m in 2005.

Net incurred claims remained virtually unchanged (up 0.6%) in 2005. Insurers made an underwriting profit in this class of business for the second year in a row following a number of years of underwriting losses. However, the underwriting profit for 2005 of €13.5m represents a steep decline of 81% in underwriting profits compared to the previous year's result of €71.6m.

### OTHER NON-LIFE LINES

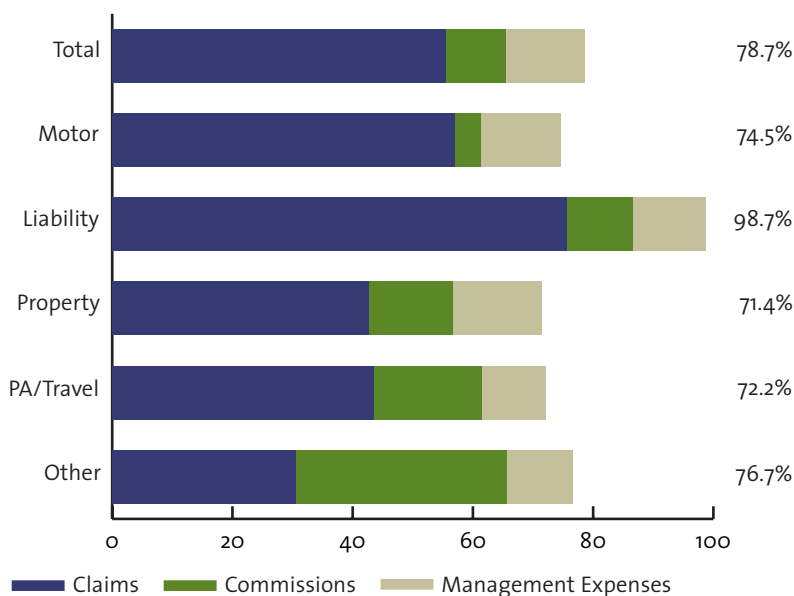
IIF members wrote just over €70m in personal accident and travel insurance in 2005 — an increase of 6.2% from 2004. This class of business generated a net underwriting profit of €15.6m, down from €16.5m in 2004.

Other classes of non-life business including marine, aviation and transit (MAT), credit and suretyship, other financial loss covers and legal expenses insurance were worth over €281m in gross written premium to IIF members in 2005, an increase of €38m from 2004. These other classes produced a combined net underwriting profit of almost €41m for 2005.

### INVESTING NON-LIFE PREMIUM INCOME

Non-life insurers' technical reserves are mainly invested in cash and gilts, with only 10 — 15% invested in equities. This is because of the need for security balanced by liquidity in order to meet claims and other short-term liabilities. This investment approach is in contrast to the investment portfolios of life and pensions companies, which are principally invested in assets that give a better long-term return, in particular equities.

### NON-LIFE INSURANCE OPERATING RATIOS 2005



A number of key ratios are used to assess the cost of claims, and the efficiency and profitability of non-life insurance business.

- The **claims ratio** measures the cost of claims incurred as a proportion of premiums earned. In 2005 the IIF non-life market produced a net claims ratio of 55% — in other words claims cost 55 cent out of every €1 earned in premium. The claims ratio varied between sectors: in motor insurance it declined from 65% in 2004 to 57% in 2005 whereas the property claims ratio declined from 47% in 2004 to 43% in 2005. In contrast, the liability claims ratio climbed from 72% in 2004 to almost 76% in 2005 which is the highest ratio of any of the main classes of non-life insurance.
- The **management expenses** and **commission ratios** are calculated by comparing the internal management expenses of insurance companies and commissions paid to intermediaries with premiums written. The net commission ratio in 2005 was 10% compared to 9.2% in 2004. The net management expenses ratio for the non-life market in 2005 was 13% in comparison to 12.5% in 2004.
- The **net combined** or **operating ratio** combines the claims, commissions and management expenses ratios. The operating ratio for the non-life market improved from 82% in 2004 to 79% in 2005. In monetary terms this means that the non-life market made 21 cent on underwriting insurance for every €1 of premium in 2005.

#### NON-LIFE INSURANCE MARKET RESULTS 2001 — 2005 <sup>1</sup>.

	Gross Written Premium	Net Underwriting Result	Investment Income	Operating Result	Profit: Premium %
	€ million	€ million	€ million	€ million	
2001	3,323	-390	317	-73	-2.20%
2002	4,120	-42	268	226	5.49%
2003	4,388	417	340	757	17.25%
2004	4,319	689	375	1,064	24.64%
2005	3,841	745	425	1,170	30.46%
<b>5 years</b>	<b>19,991</b>	<b>1,419</b>	<b>1,725</b>	<b>3,144</b>	<b>15.73%</b>

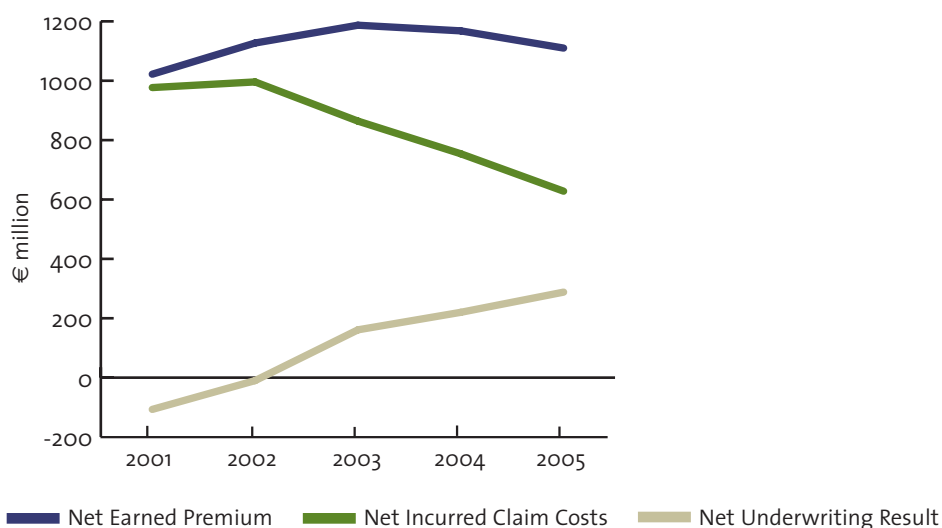
Sources: 2001 to 2004 data is taken from the Department of Enterprise, Trade & Employment's *Insurance Annual Reports*; (2001 & 2002) and from the Financial Regulator's *Insurance Statistical Review* (2003 & 2004); 2005 data — IIF.

*Figures are Rounded*

<sup>1</sup> The data for 2001—2004 is taken from the Department of Enterprise, Trade & Employment's *Insurance Annual Reports* (2001 & 2002) and from the Financial Regulator's *Insurance Statistical Review* (2003 & 2004). The *Insurance Statistical Review* (ISR) contains returns for all insurers. The data for 2005 is based on data supplied by IIF members as the ISR has yet to be published. As the ISR does not provide a breakdown for every class of business, the data in the seven subsequent charts has been created from data supplied by IIF members. This explains the discrepancies between the first and main chart and the seven subsequent charts, which provide details by class of business.

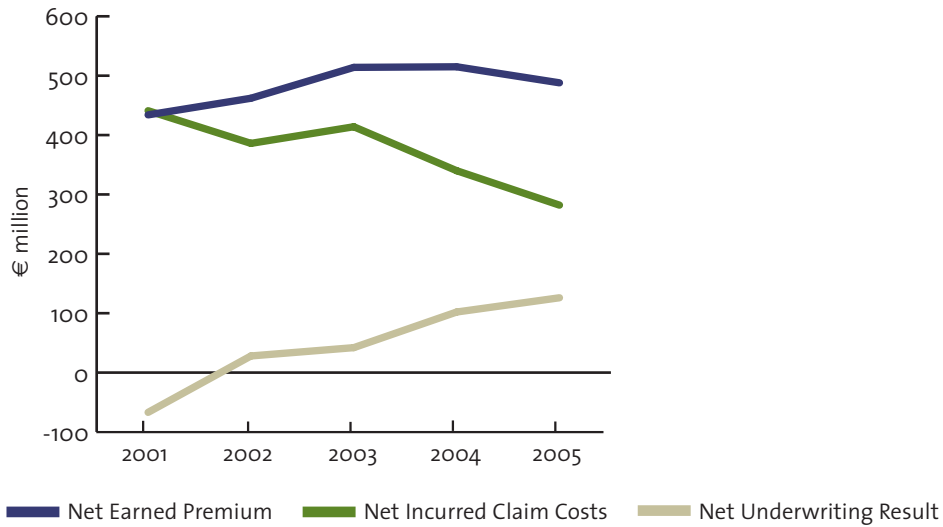
The table on the previous page illustrates the net underwriting result, investment income attributable to the underwriting account and the operating result for the non-life market for the years 2001 to 2005. The underwriting result has improved significantly from a loss of €390m in 2001 to a profit of €745m in 2005. The cumulative underwriting result for 2001 — 2005 was a profit of €1419m, equivalent to 7.1% of aggregate gross written premium. Investment income on technical reserves (income plus realised gains/losses on disposal of investments and unrealised gains/losses on year-end investment holdings) has in the past, when underwriting results were weak, generally enabled insurers to generate an operating profit. Although investment income was insufficient to offset underwriting losses in 2001, the situation turned round in 2002 and this upward trend has continued since. After investment income was taken into account, the 24 non-life insurers made a combined operating profit of €1170m last year.

#### PRIVATE MOTOR 2001 — 2005



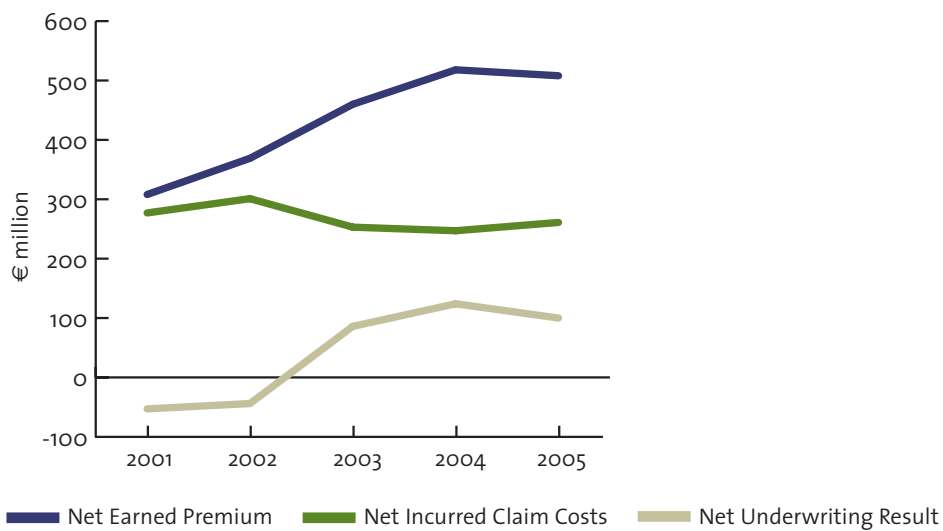
Net Earned Premium (NEP) in the private motor market grew until 2003 to €1187m before falling in the past two years to €1110m in 2005. Earned premium initially increased in the five-year period under review as the number of vehicles grew significantly due to the economic boom, which dominated much of this period. In addition, continuing high claims costs in 2001 — 2002 inevitably led to higher premiums. From 2003, claims costs began to fall and this in turn meant that premiums began to reduce and this trend continued into 2005. The cumulative market net underwriting profit for the 5 years 2001 — 2005 was €552m. 2005 was the third successive year that the market achieved a positive underwriting result.

COMMERCIAL MOTOR 2001 — 2005



The size of the commercial motor insurance market in NEP terms increased in the five-year period 2001 to 2005 from €434m in 2001 to a peak of €515m in 2004 before falling back to €488m in 2005. In 2001, insurers made an underwriting loss of €67m but the following year the market returned to profit (€28m) and this upward trend has continued since. Overall, the cumulative underwriting result for 2001 — 2005 was a profit of €231m.

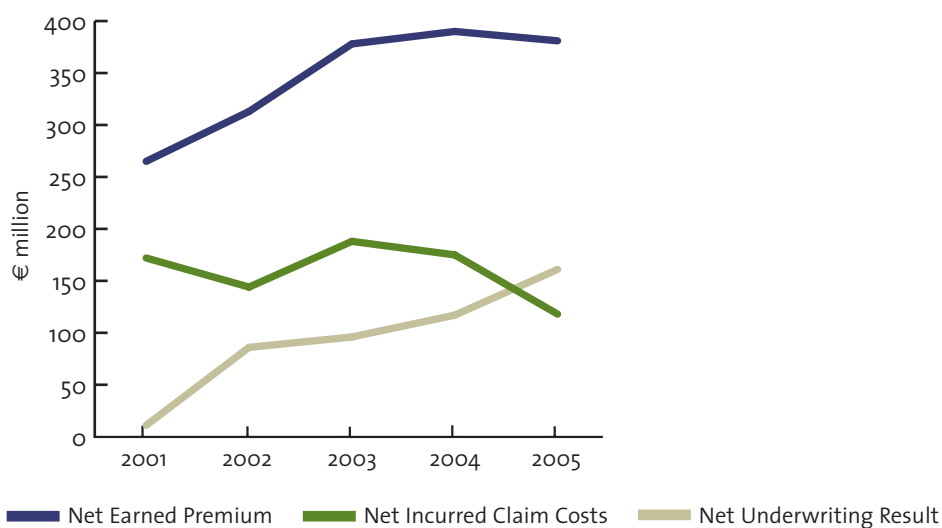
HOUSEHOLD 2001 — 2005



Net earned premium for household insurance increased each year from 2001 (€308m) to 2004 (€518m) before falling slightly in 2005 to €508m. The upward trend in net incurred claims began to reverse in 2003 and 2004 before rising again in 2005.

The net underwriting result for household insurance fell by 20% from €124m in 2004 to €100m last year. The downward trend in net incurred claims costs for insurers over the past few years was reversed last year when claims increased from €247m in 2004 to €261m in 2005.

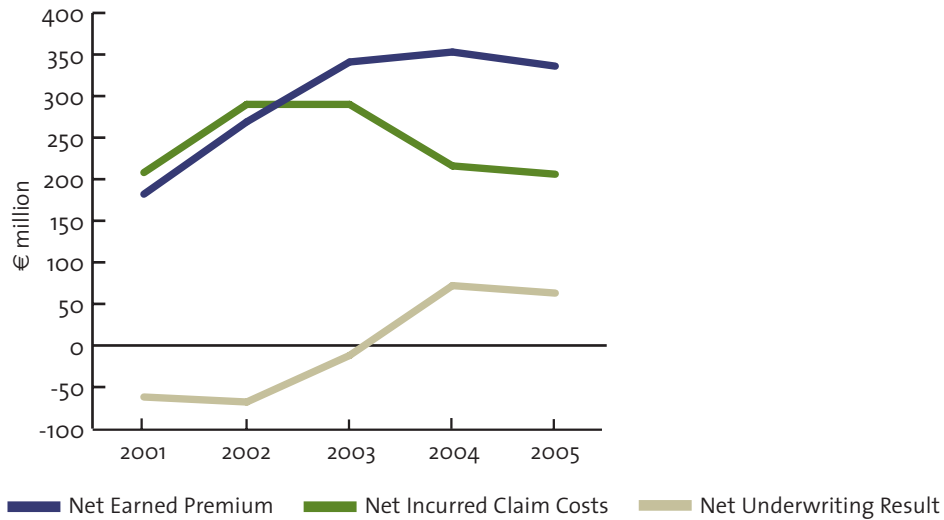
#### COMMERCIAL PROPERTY 2001 — 2005



In contrast to the trend in household insurance, the upward trend in the net underwriting profit for insurers of commercial property since 2001 continued last year with a result of €161m. Net incurred claims costs continued to fall in 2005 to €118m. This is largely attributable to a lower claims costs environment and benign weather conditions in recent years.

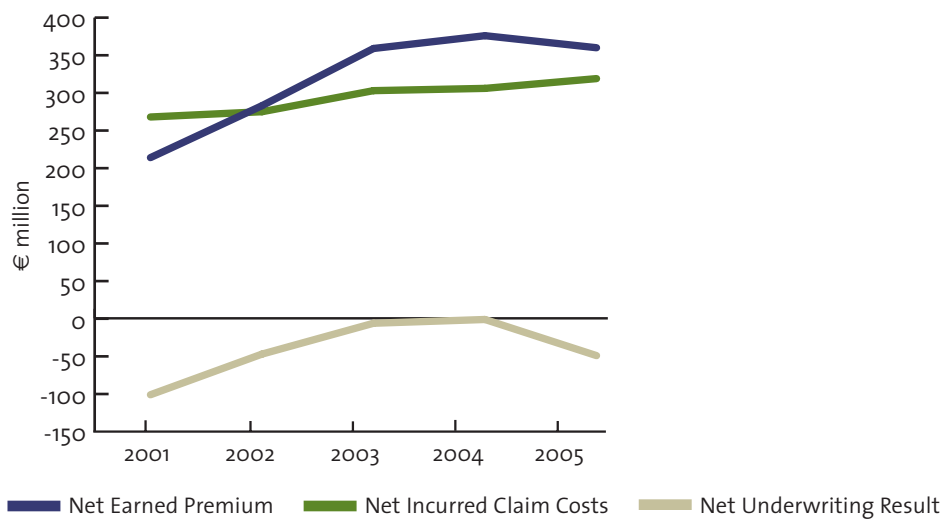


EMPLOYER'S LIABILITY 2001 — 2005



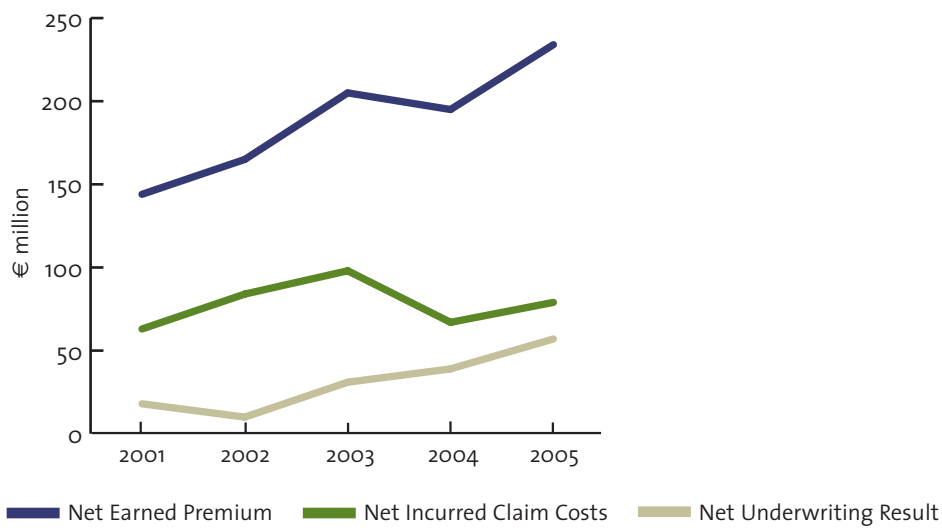
Net earned premium increased over the period from €182m in 2001 to €336m in 2005, albeit with a fall of 4.8% in 2005. Net incurred claims plateaued in 2002/03 and have fallen subsequently (to €206m in 2005). Although the underwriting result has improved since the annual losses recorded in 2001 (-€62m), 2002 (-€68m) and 2003 (-€12m), the 2005 result of almost €63m represents a fall of approximately 12.5% on 2004's profit. Overall, this class of business produced a cumulative net underwriting loss of over €7m (-0.5% of NEP) between 2001 and 2005.

PUBLIC LIABILITY 2001 — 2005



Net earned premium grew between 2001 and 2004 before falling by €16m to €360m in 2005 while net incurred claims costs increased each year from €268m in 2001 to €319m in 2005 — an increase of 19% over the period. The persistent underwriting losses experienced by insurers for this class of business continued in 2005. Although the level of losses fell from €101m in 2001 to a loss of only €1m in 2004, losses grew again in 2005 to €49m. Over the five years under examination, net underwriting losses aggregate to €204m or 13% of NEP which highlights the difficulties this market presents for insurers.

#### OTHER CLASSES 2001 — 2005



Other classes of insurance include personal accident, travel, and financial loss insurances. The situation for these business lines is positive. In the period under review, there was an underwriting profit annually with profits increasing every year except 2002, from €18m in 2001 to €57m in 2005. Net incurred claims costs, however, which had fallen by 32% in 2004, increased again in 2005 to €79m.

## APPENDIX 1

### IIF NON-LIFE MEMBERS' GROSS WRITTEN PREMIUM 2005

€'ooo Company	Motor	Property	Liability	PA/Travel	Other Classes	Total
ACE	1157	7521	18173	13149	8724	48724
AIG Europe	36470	39542	53274	15883	29259	174428
Allianz	140679	187955	110411	2520	36712	478277
AXA	326749	79057	2	2683	0	408491
Cardif Pinnacle	0	0	0	2616	11660	14276
Combined	0	0	0	0	61555	61555
DAS	0	0	0	0	5773	5773
Eagle Star*	144433	111924	45405	618	3500	305880
Ecclesiastical	3	5484	2320	30	0	7837
FBD	194440	110279	77047	3761	3945	389472
Genworth Financial	0	0	0	0	66712	66712
Halifax	0	0	0	0	0	0
HCC International	0	0	0	0	4683	4683
Hibernian	376492	229204	135154	10655	4479	755984
Irish Public Bodies	10110	23242	93673	0	284	127309
London General	0	1580	23275	0	33459	58314
MAPFRE	0	0	0	1738	1974	3712
New Technology	0	0	0	0	2315	2315
Probus	1047	0	0	0	221	1268
Quinn-Direct	279314	15908	128861	0	0	424083
Royal & SunAlliance	72887	237371	57857	16445	5719	390279
Santam Europe	242	0	0	0	0	242
St Paul Travelers	30199	14008	45753	0	0	89960
Zurich ROI Branch	10348	7869	3223	0	43	21483
<b>Total</b>	<b>1624570</b>	<b>1070944</b>	<b>794428</b>	<b>70098</b>	<b>281017</b>	<b>3841057</b>

\* Zurich Insurance Ireland Limited t/a Eagle Star

1

2

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## GLOSSARY OF LIFE INSURANCE TERMS

### ANNUAL (REGULAR) PREMIUM

A policy where the policyholder makes annual/regular payments of premium to finance life assurance protection cover or to build up an investment or retirement fund. Premiums are invested by the life office as they are received and they build up over time, with accumulated investment gains, to provide a lump sum on maturity, for payment to the policyholder or purchase of a retirement annuity.

### ANNUAL PREMIUM EQUIVALENT (APE)

An industry standard formula for calculating levels of life and pensions new business over a period of time, to smooth out the effect of large, one-off payments. It's the total of new annual premiums plus 10% of single premiums.

### CRITICAL ILLNESS

Critical illness insurance pays the policyholder an agreed sum if he/she contracts one of a number of specified serious illnesses. Typical illnesses covered include cancer, stroke, heart attack, multiple sclerosis and kidney failure.

### INDUSTRIAL BRANCH BUSINESS

This refers to regular premium protection business where the life assurance company representative collects premiums, usually on a weekly basis. The importance of this type of business has declined over the years.

### INTERMEDIARY

An intermediary is someone who advises potential clients about their insurance needs, helps them to select the most appropriate policy and provides an ongoing service in all subsequent matters relating to the policy.

### MATURITY VALUE

This is the final value of a savings policy if it is allowed to run for the full term specified in the contract.

### PENSIONS/ANNUITIES

For many people, the income they receive from the State on retirement will not be sufficient to support them. For this reason, increasing numbers of people have chosen to provide for their retirements by taking out pensions with a life assurance company. This is usually done by way of a contract where, in return for a lump sum or a series of regular payments to the life assurance company, the policyholder will receive a regular income at retirement. This regular income during retirement is called an "annuity."

### PERMANENT HEALTH INSURANCE

Permanent Health Insurance (also known as income protection insurance) is a protection policy that provides an income if the policyholder is unable to work because of sickness or disability. Each PHI policy includes a "deferred period". The individual must be off work because of illness for longer than the deferred period before an income is payable under the policy. The deferred period is usually 13, 26 or 52 weeks. PHI is available on an individual or group basis (e.g. where an employer establishes a scheme for employees).

### PERSONAL RETIREMENT SAVINGS ACCOUNTS

Personal Retirement Savings Accounts were introduced as new easy access, low cost, and flexible personal pensions, to encourage individuals who have not already done so to make a provision for retirement. PRSAs pensions products were launched on the market in early 2003.

### SINGLE PREMIUM

A lump sum life investment or pension policy under which the policyholder makes a one-off payment to the life office. The life office uses the money to provide life assurance protection or invests it on the policyholder's behalf, for repayment, with investment gains, at the end of the policy term (or in the case of a pension, for purchase of retirement benefits when the policyholder retires). for purchase of retirement benefits when the policyholder retires).

## 2005 KEY LIFE ASSURANCE STATISTICS

	NEW BUSINESS €m			Total Annual Premium €m (3)	All Business €m (2) + (3)
	Annual Premium (1)	Single Premium (2)	A.P.E. (1) + 10% of (2)		
Individual Assurances and Annuities	275.8	3179.3	593.7	2105.4	5284.7
Pension Scheme Business	443.4	1480.1	591.4	1211.5	2691.6
Self-employed Pensions (Incl. PRSAs)	173.8	953.5	269.2	625.7	1579.2
Permanent Health Insurance	30.1	-1.2	30.0	129.1	127.9
Industrial Branch Business	0.6	0	0.6	55.2	55.2
<b>Total</b>	<b>923.7</b>	<b>5611.7</b>	<b>1484.9</b>	<b>4126.9</b>	<b>9738.6</b>

IIF's life assurance members' aggregate domestic premium income was €9738.6m for 2005. This represents an increase of almost 23% on the previous year (€7929.7m). New annual premium (AP) business was €923.7m (up 14.3% from €808.2m in 2004). A significant increase was recorded for new single premium (SP) business last year, with growth to €5611.7m from €3957.4m in 2004 (up 41.8%). Overall, the new business Annual Premium Equivalent (AP sales + 10% of SP sales) rose strongly by 23.3% to €1484.9m last year from €1203.9m in 2004.

## LIFE ASSURANCE GROSS PREMIUM INCOME 2005 (BY TYPE OF POLICY)



Individual assurances and annuities (54.3%) and pension scheme business (27.6%) continue to be the two main segments of life assurance gross premium income. Self-employed pensions & associated business (including PRSAs) grew from 12.3% of life assurance gross premium income in 2004 to 16.2% in 2005.

Premium income from permanent health insurance (PHI) as a percentage of life assurance gross premium income declined slightly from 1.9% in 2004 to 1.3% in 2005. Similarly, the decline in industrial branch business continued in 2005 from 0.8% in 2004 to 0.6% of life assurance gross premium income last year.

#### LIFE ASSURANCE BENEFITS AND CLAIMS PAID 2005 (BY TYPE OF POLICY)



€4909.6m in benefits and claims was paid by domestic life assurance companies during 2005. This is an increase of 12.4% from €4369.8m in 2004. These payments and benefits cover a wide range of products, which take a number of forms; for example, a one-off lump sum payment to a policyholder in the event of serious illness; or in the case of pensions, the payment of a regular income paid to a policyholder/beneficiary.

The majority of claims were paid under individual assurance/annuity contracts (59.4%) and pension schemes (18.7%) followed closely by self-employed pensions and associated business (17.7%).

The total value of life assurance protection in force at the end of 2005 was estimated at €308.9bn compared to €266bn in 2004, which is an increase of over 16%.

#### BENEFITS AND CLAIMS BY TYPE

	€m
Surrenders and Maturities	4,000.0
Death/Critical Illness Claims	560.5
Annuities	349.1
<b>Total</b>	<b>4909.6</b>

The chart provides a breakdown of benefits and claims by type. The largest category is benefits paid on policy surrenders and maturities, with €4000m paid in 2005, up from €3528.7m in 2004 (an increase of 13.4%). This category represents just over four-fifths (81%) of total payments made last year. Death and critical illness claims under protection contracts amounted to €560.5m up from €503m in 2004 while annuity payments totalled €349.1m in 2005 compared to €337.1m in 2004 (up 3.6%).

#### SOURCES OF LIFE ASSURANCE BUSINESS 2005

		Brokers %			Agents %			Tied Agents %			Employee & Company Representatives %			Direct %		
		2003	2004	2005	2003	2004	2005	2003	2004	2005	2003	2004	2005	2003	2004	2005
Annual Premium	Life	16	12	11	1	1	1	9	8	8	5	10	11	5	1	1
	Pensions	42	43	45	1	1	1	7	9	11	5	10	10	9	5	2
	<b>Total</b>	<b>58</b>	<b>55</b>	<b>56</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>16</b>	<b>17</b>	<b>19</b>	<b>10</b>	<b>20</b>	<b>21</b>	<b>14</b>	<b>6</b>	<b>3</b>
Single Premium	Life	24	26	19	2	1	1	14	8	10	11	18	15	10	4	2
	Pensions	29	34	25	1	1	0	2	4	5	1	3	2	8	3	22
	<b>Total</b>	<b>53</b>	<b>60</b>	<b>44</b>	<b>3</b>	<b>2</b>	<b>1</b>	<b>16</b>	<b>12</b>	<b>15</b>	<b>12</b>	<b>21</b>	<b>17</b>	<b>18</b>	<b>7</b>	<b>24</b>

Percentages are rounded

The chart provides a breakdown of the proportion of new business written through the various sales channels. Brokers' new business market share remained largely unchanged (up 1 percentage point to 56% in 2005 for annual premium (AP) business. Brokers' share of single premium (SP) business, which had recovered to 60% in 2004, fell again in 2005 to 44%.

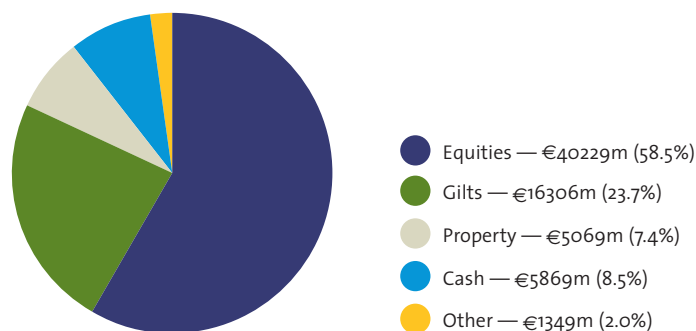
Independent agents' AP business remained static again in 2005 at 2% whereas SP business decreased by 1 percentage point to 1%. The percentage of AP business written through tied agents increased by 2 percentage point to 19%. SP business written via tied agents also grew in 2005 to 15 percentage points following a drop in 2004.

While life office employees and company representatives (direct sales forces) saw a slight increase in their share of AP (up 1% to 21%) their share of SP business fell by four percentage points following a surge in 2004.

Direct sales other than through employed salespeople (e.g. telephone, internet and direct response sales) fell by three percentage points to 3% for AP. In contrast, SP direct sales, which had declined dramatically in 2004, experienced large growth in 2005 and as a sales channel now accounts for almost a quarter (24%) of SP business.



## LIFE ASSURANCE INVESTMENTS 2005 (POLICYHOLDERS' FUNDS)



Policyholders' funds invested by IIF life members increased by almost a quarter (24.4%) to €68823m in 2005 from €55308m in 2004. The value of equity investments increased from €29093m in 2004 to €40229m in 2005. Equities now represent 58.5% of total policyholders' funds, compared to 52.6% at the end of 2004.

Although the value of life assurance funds invested in gilts increased by 1.6% to €16306m, proportion of life assurance investments held in gilts fell from 29% to 23.7%.

Property assets grew to €5069m (up 28.2% from €3954m in 2004) and represent 7.4% of investments in 2005 which is broadly similar to 2004 (7.1%). Cash holdings amounted to (8.5%) with investments of €5869m at the end of 2005, up from €4465m in 2004.

## INVESTMENTS (POLICYHOLDERS' FUNDS) BY TYPE AND LOCATION 2005

	Irish €m	Foreign €m	Total €m
Equities <sup>1</sup>	14270	25959	40229
Gilts <sup>2</sup>	4126	12180	16306
Property <sup>3</sup>	3829	1240	5069
Cash	5685	184	5869
Other	1037	312	1349
<b>Total</b>	<b>28948</b>	<b>39875</b>	<b>68823</b>

<sup>1</sup> Inc. preference, guaranteed and ordinary stocks and unit trusts

<sup>2</sup> Inc. Government, local & public authority securities

<sup>3</sup> Inc. own use buildings, office, residential, commercial & individual investment properties & debenture stocks

The table on the previous page illustrates the breakdown of investments by location. 42% of life companies' investments were in Ireland in 2005 compared to 44% in the previous year. Domestic investment at the end of 2005 was €28948m, with foreign investment at €39875m. 49.3% of Irish investments are in equities (up from 45.2% in 2004), with 14.3% now in gilts (down from 19.5% in the previous year). Cash holdings increased to 19.6% from 16.6% in 2004. Property holdings were also up slightly at 13.2%, from 12.8% in 2004.

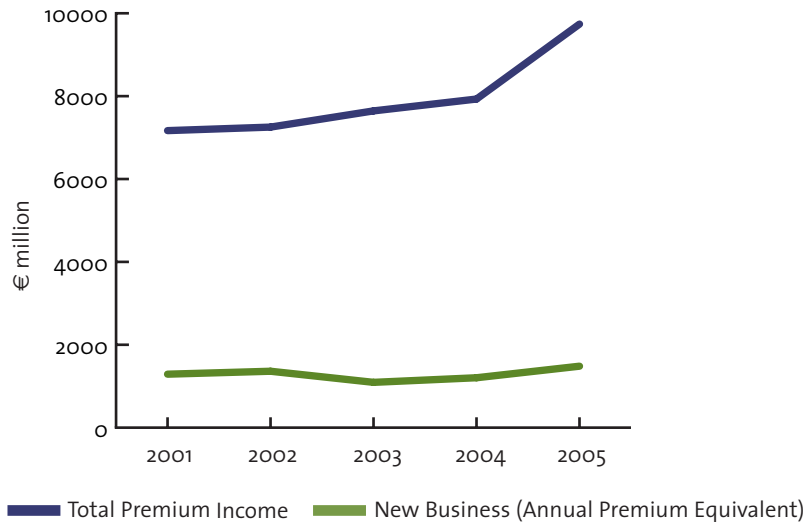
Almost two-thirds (65%) of the foreign holdings are in equities — up from 58.4% in 2004. The second largest form of investment is gilts with almost a third (30.5%) of foreign holdings in this category. This represents a decrease from 2004 when 36.5% were in gilts. The proportion of foreign holdings invested in property (3.1%) increased since 2004 (2.7%) while the percentage invested in cash fell from 1.4% to 0.5%.

Overall, property and cash holdings are mainly in Ireland while foreign investments are mainly in equities and gilts.

#### MARKET TRENDS 2001 — 2005

	2001	2002	2003	2004	2005	Annual Change 2001 – '05 %
	€m	€m	€m	€m	€m	%
Premium Income (Annual Premium Business)	2953	3579	3838	3972	4151	8.9%
Premium Income (All Business)	7168	7253	7644	7930	9739	8.0%
New Business						
— Annual Premiums	868	994	713	808	924	1.6%
— Single Premiums	4215	3674	3806	3957	5612	7.4%
— Annual Premium Equivalent (APE)	1290	1361	1093	1204	1485	3.6%
Benefits & Claims	4139	3731	3683	4370	4910	4.4%

## LIFE ASSURANCE PREMIUM INCOME 2001 — 2005



Annual premium business increased from €2953m to €4151m over the five years 2001 to 2005, which represents an average rise of 8.9% per annum. Total premium income grew steadily during this period.

New annual premium business increased by 14.5% between 2001 and 2002, fell back by 28.3% in 2003, before recovering in 2004. This recovery continued in 2005.

New single premium business dropped from €4215m in 2001 to €3674m in 2002, then started picking up from 2003 onwards, reaching €5612m in 2005. Over the five years there was an average increase of 7.4% per annum.

New business on an annual Premium Equivalent (APE) basis grew by 5.5% between 2001 and 2002 before falling in 2003 by almost 20% to €1093m. It recovered in 2004 and this upward trend continued in 2005.

Benefits and claims paid increased by an average of 4.4% per annum over the period 2001 — 2005, from €4139m in 2001 to €4910m in 2005.

### INVESTMENTS (BY TYPE) % OF TOTAL VALUE

Assets Category	2001	2002	2003	2004	2005
Equities <sup>1</sup>	60.1	55.5	58.1	52.6	58.4
Gilts <sup>2</sup>	20.5	22.4	21.7	29.0	23.7
Property <sup>3</sup>	9.4	10.1	7.8	7.1	7.4
Cash	7.6	9.4	9.5	8.1	8.5
Other	2.4	2.6	2.9	3.2	2
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

*1 Inc. preference, guaranteed and ordinary stocks and unit trusts*

*2 Inc. Government, local & public authority securities*

*3 Inc. own use buildings, office, residential, commercial and individual investment properties and debenture stocks*

Since 2001, investment in equities has decreased slightly as a percentage of total investments, from 60.1% in 2001 to 58.4% in 2005, with intermediate rises and falls.

Similarly, investment in gilts has increased slightly during the same period with increases and decreases in the intervening years.

The property portfolio increased slightly between 2001 and 2002 before declining in 2003 and 2004. 2005 marked an increase in property as a percentage of total investments.

Cash holdings grew marginally from 7.6% in 2001 to 9.5% in 2003, before dropping back to 8.1% in 2004 and increasing slightly to 8.5% in 2005.

### INVESTMENTS (BY LOCATION) 2005

% of total value	2001	2002	2003	2004	2005
In Ireland	53.0	50.1	47.3	44.1	42.1
Outside Ireland	47.0	49.9	52.7	55.9	57.9

The trend of an increasing proportion of policyholders' funds being invested outside Ireland continued in 2005. Currently, just over two-fifths (42.1%) of funds are invested in Ireland.

## IIF LIFE ASSURANCE MEMBERS' FOREIGN NEW BUSINESS 2001 — 2005

		Annual Premium €m	Single Premium €m	A.P.E. €m
2001	EU	94.9	1299.2	224.8
	Non EU	2.4	1001.5	102.6
	<b>Total</b>	<b>97.3</b>	<b>2300.7</b>	<b>327.4</b>
2002	EU	61.4	928.4	154.2
	Non EU	6.4	605.4	66.9
	<b>Total</b>	<b>67.8</b>	<b>1533.8</b>	<b>221.1</b>
2003	EU	40.3	1884.3	228.7
	Non EU	1.6	381.1	39.7
	<b>Total</b>	<b>41.9</b>	<b>2265.4</b>	<b>268.4</b>
2004	EU	15.1	3610.0	376.1
	Non EU	4.6	446.2	49.2
	<b>Total</b>	<b>19.7</b>	<b>4056.2</b>	<b>425.3</b>
2005	EU	28.6	5489.8	577.6
	Non EU	1.6	72.6	8.9
	<b>Total</b>	<b>30.2</b>	<b>5562.4</b>	<b>586.4</b>
<b>Annualised Change % (A.P.E.) 2001 — 2005</b>	<b>EU</b>			<b>26.6%</b>
	<b>Non EU</b>			<b>-45.7%</b>
	<b>Total</b>			<b>15.7%</b>

IIF's life assurance members wrote foreign annual premium business of €30.2m in 2005. This is a substantial increase of 53.2% on 2004.

Last year, new single premium business increased by 37% to €5562.4m from €4056.2m in 2004.

New Annual Premium Equivalent (APE) sales increased from €425.3m in 2004 to €586.4m in 2005 — an increase of 37.8%. This is a result of the significant growth in both single premium and annual premium business.

Over the five years from 2001 to 2005, IIF life members' offices APE in EU countries has grown strongly by on average 26.6% per annum over 5 years, whereas non-EU business fell by 45.7% per annum. The change in these proportions was partly due to the increase in the number of EU member countries from 15 to 25 in 2004 and consequent reclassification of ten countries as EU member states.

During the period 2001 — 2005, total new foreign business written by IIF life members increased by 15.7% per annum on an APE basis.

## APPENDIX 11

### IIF LIFE ASSURANCE MEMBERS' GROSS PREMIUM INCOME 2005 — € ,000

€'000 Companies	LIFE BUSINESS			PENSIONS BUSINESS		
	Annual Premiums	Single Premiums	Industrial Branch	Annual Premiums	Single Premiums	Total
Acorn Life	59781	4665	0	17067	4442	85955
Anglo Irish	0	261681	0	7969	209575	479225
Ark Life	272238	253138	0	129289	116028	770693
Bol Life*	462970	1011014	2931	371094	436982	2284991
Caledonian	36808	80145	0	5751	2925	125629
Canada Life	170824	74775	0	66394	278011	590004
Combined Life	364	-4356	0	92	0	-3900
Eagle Star Life	153694	145863	0	166138	286126	751821
Friends First Life	11463	209822	0	130065	170039	621389
Genworth Financial	0	2972	0	0	0	2972
Hibernian Life	221786	232817	0	219437	309625	983665
Irish Life	523245	649479	0	565006	462087	2199817
Quinn Life-Direct	9465	15220	0	1702	10509	36896
Royal Liver	87129	110724	50592	7584	1474	257503
Scottish Legal	2300	0	1715	98	0	4113
Scottish Provident	27708	32607	0	22937	3303	86555
Standard Life	92930	97601	0	125994	142489	459014
<b>Total</b>	<b>2232705</b>	<b>3178167</b>	<b>55238</b>	<b>1836617</b>	<b>2433615</b>	<b>9736342</b>

\* Bank of Ireland Life (including New Ireland Assurance)