

IRISH
INSURANCE
FEDERATION
7
FACTFILE





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Irish Insurance Federation (IIF)
Insurance House
39 Molesworth Street
Dublin 2

t. +353 1 676 1820
+353 1 676 1914 (Insurance Information Service; Consumer Information)
1890 333 333 (Insurance Confidential LoCall; To Report Suspect Fraud)

f. +353 1 676 1943
e. fed@iif.ie
w. www.iif.ie



Who are we?

The Irish Insurance Federation (IIF) is the representative body for insurance companies in Ireland representing 62 member companies, which employ over 14,000 people.

What do 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 2007 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 fifteenth 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.

Factfile focuses on statistics for 2006 and for the five-year period 2002 — 2006. The data is derived from data collected from members of the IIF unless otherwise indicated.

Foreword

This is the fifteenth year of publication for IIF's Factfile, a valued source of statistics and commentary on the Irish insurance market.

Factfile 2007 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.

Positive results in 2006 for the non-life market are good news not only for shareholders but also for consumers. A strong, profitable market means greater choice for consumers and lower premiums. Annual studies carried out by the IIF found that motor premiums, for example, have fallen by over 50% in the last four years.

Trends in the insurance industry are typically cyclical and we are continuing to experience a positive period following a phase of heavy losses in 1999 — 2001.

One key area of concentration for the industry is motor insurance. Net incurred claims costs for motor insurance rose by 13% in 2006 and there was a 12% increase in the number of new motor claims notified during 2006 compared to 2005. This is an area that requires considerable focus and we will continue to work closely with the Road Safety Authority and the Gardai towards reversing these trends. Traffic law enforcement plays a vital role in seeing a decrease in the figures over the coming years.

The life and pensions market was characterised by positive results for 2006. Gross written premium grew by almost 27% from €9738.6m in 2005 to €12327 last year. Strong growth was recorded for both new annual premium business and new single premium business in 2006, with A.P.E (annual premium equivalent) up by almost 20%.

Policyholders' funds invested by IIF life members increased by 17% to €80.5bn compared to €68.8bn in 2005.

MICHAEL LEAHY
President

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Executive Summary

The Irish Market — A Comparative Overview

- Gross insurance premium income for 2006 for life and non-life insurance combined was €16150.1m compared to €13579.7m in 2005 (an increase of 18.9%).
- Total premium income reached just over 9.2% of GDP (up from 8.7% in 2005).
- As a reflection of the buoyant market for life products, life gross written premium grew by 26.6% from €9738.6m in 2005 to €12327.2m in 2006. Non-life gross written premiums dropped by 0.5% from €3841m in 2005 to €3823m in 2006.
- Total insurance industry assets increased by 15.3% in 2006 and amounted to €90.99bn at the end of the year.
- The insurance sector is a major employer in the Irish economy. IIF member insurance companies employed over 14,200 people in Ireland as at the end of December 2006. 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 US\$5564.7 is higher than other European countries such as Germany, Spain and Sweden but is lower than the United Kingdom. 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 22 domestic non-life members write in excess of 95% of Irish non-life insurance business. IIF members collectively wrote gross premiums of €3823m in 2006 compared to €3841m during the previous year (a decrease of 0.5%). Premium income from household insurance (-4%) and personal accident/travel insurance (-4%) experienced the largest falls, with an increase of 3.5% in liability insurance (employer's liability, public/products liability and professional indemnity).
- Net written premiums (i.e., total premiums after reinsurance costs have been deducted) were just under €3330m, a decrease of 0.2% on 2005.
- Net earned premiums (i.e., premiums relating to 2006 cover) were €3339m (down 2.3% on 2005).
- The number of new claims notified to IIF members rose in 2006 to 482,493 from 426,131 in 2005. This represents an increase of just over 13%.
- Net incurred claims costs (i.e., claims payments made plus changes in claims reserves) declined by 1.5% to €1866m leading to a net underwriting profit in 2006 of €697m compared to €745m in 2005 (down 6%). The combined operating profit — after adding investment income to underwriting profits — of the 22 companies in the non-life market was €1077m for 2006.
- The operating ratio for the non-life market remained the same as in 2005 at 79%.
- Gross written premium for motor insurance was €1631.5m in 2006, up 0.4% from nearly €1625m in 2005. The decline in net earned motor premiums continued in 2006. Net earned motor premiums reduced from €1599m in 2005 to €1559m in 2006 (a decrease of 2.5%).

- The number of new motor claims notified during 2006 increased by 12% compared to 2005. The cost of claims (net incurred claims costs) increased by 13% from €911m in 2005 to €1030.7m in 2006. Combined with the continuing decline in premiums earned, the increase in claims costs resulted in a fall in underwriting profits in motor insurance, from €414m in 2005 to €246m in 2006.
- IIF members wrote gross property insurance premiums of €1030m in 2006, down by almost 4% from the previous year. While net earned premium fell by almost 7% to €828.2m, net incurred claims rose by 9% to €414m, resulting in property insurers recording a reduced net underwriting profit of €176.3m, down by one-third on 2005's €261m.
- IIF liability insurance members wrote gross liability premiums of €822.5m in 2006, up by almost 4% from the previous year. Net earned premium rose by almost 3%, from €695m in 2005 to €715m in 2006. Net incurred claims dropped by almost 31% in 2006. As a result, liability insurers made an improved net underwriting profit of €205m in 2006.
- IIF members wrote €67m of personal accident and travel insurance in 2006 — a decrease of almost 4% from 2005 — and generated a net underwriting profit of €17.9m.
- 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 €272m in gross written premium to IIF members in 2006, a decrease of just over 3% from 2005. These classes produced a net underwriting profit of almost €52m for 2006.

Life & Pensions

- IIF's life assurance members' aggregate domestic premium income was €12327.2m for 2006. This represents an increase of almost 27% on the previous year (€9738.6m).
- New annual premium (AP) business was €992.6m (up 7.5% from €923.7m in 2005). A significant increase was recorded for new single premium (SP) business last year, with growth to €7848.2m from €5611.7m in 2005 (up 40%). Overall, the new business Annual Premium Equivalent (AP sales + 10% of SP sales) rose strongly by almost 20% to €1777.4m last year from €1484.9m in 2005.
- Domestic life assurance companies paid €7963.6m in benefits and claims during 2006. This represents a significant increase of 62% from €4909.6m in 2005. 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. Maturing SSIA's will have contributed to the increase in 2006.
- The total value of life assurance protection in force at the end of 2006 was estimated at €349.6bn compared to €308.9bn in 2005, which is an increase of just over 13%.
- Policyholders' funds invested by IIF life members increased by 17% to €80521m in 2006 from €68823m in 2005. Equities now represent 63% of total policyholders' funds, up from 58.4% at the end of 2005.
- Annual premium business increased from €3579m to €4479m over the five years 2002 to 2006, which represents an average rise of 5.8% per annum.

- New annual premium business decreased in 2003 by 28.3% before recovering in 2004 and continuing this upward trend in 2005 and 2006.
- New single premium business has steadily increased over the five-year period with a 40% increase between 2005 and 2006. Over the five years there was an average increase of 20.9% per annum.
- New business on an Annual Premium Equivalent (APE) basis fell by almost 20% between 2002 and 2003 before starting to recover in 2004. This upward trend has continued into 2006 with an increase of almost 20% on 2005.
- IIF's life assurance members wrote foreign annual premium business of €83.5m in 2006. This is a substantial increase from €30.2m in 2005.
- The bulk of foreign life business is single premium investment business. Last year new single premium business increased by 10.5% to €6146.7m from €5562.4m in 2005.
- New Annual Premium Equivalent (APE) foreign sales increased from €586.4m in 2005 to €698.2m in 2006 — an increase of 19%. This is a result of the significant growth in both single premium and annual premium business.
- Over the five years from 2002 to 2006, IIF Life members offices' APE in EU countries has grown very strongly by on average 44.1% per annum over 5 years, whereas non-EU business fell by 16.4% per annum.
- During the period 2002 — 2006, total new foreign business written by IIF life members increased by 33.3% per annum on an APE basis.

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 (2002 — 2006) 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

2006 Premium Income — Life and Non Life

	Life	Non-Life	Total
Gross Premium Income (€m)	12327.2	3822.9	16150.1
Premium Income: GDP (%)	7.06	2.19	9.24
Premiums per capita (€)	3007	932	3939
Investments* (€m)	80521	10469	90990

* Policyholders' funds (life assurance) and Technical Reserves (non-life) at 31st December 2006.

Gross insurance premium income for 2006 for life and non-life insurance combined was €16150.1m compared to €13579.7m in 2005 (an increase of 18.9%). Premium income as a percentage of GDP was 9.2 per cent (up from 2005). Premiums per capita increased from €3233 in 2005 to €3939 in 2006. Total market assets (comprising life policyholders' funds and non-life technical reserves) increased by 15% from €78.9bn in 2005 to €90.9bn in 2006.

IIF Members' Gross Premium Income 2002 — 2006

Year	Life €m	Non-Life €m	Total €m
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
2006	12327.2	3822.9	16150.1

As a continuing reflection of the buoyant market for life products, life gross written premium grew by 26.6% from €9738.6m in 2005 to €12327.2m in 2006. Non-life gross written premiums dropped by 0.5% from €3841m in 2005 to €3823m in 2006.

Gross Premium Income and GDP 2002 — 2006

Year	Gross Insurance Premium Income €m	GDP €m	Premium Income: GDP%
2002	11208.2	127992	8.8%
2003	11883.5	134786	8.8%
2004	11929.5	148556	8.0%
2005	13579.7	161498	8.4%
2006	16150.1	174705	9.2%

Premium income has grown steadily over the five year period 2002 — 2006 by an annual average of 9.6%, premium income as a percentage of GDP fell marginally from 8.8% in 2002 to 8% in 2004 before rising to 9.2% in 2006.

Life & Non-Life Premiums as a Percentage of GDP for Ireland 2002 — 2006

Year	Life Premium as % of GDP	Non-Life Premium as % of GDP	Total
2002	5.7	3.1	8.8
2003	5.7	3.1	8.8
2004	5.3	2.7	8
2005	6.2	2.5	8.7
2006	7.1	2.2	9.2

Life premiums as a percentage of GDP fell from 5.7% in 2002 to 5.3% in 2004, before rising back to 6.2% in 2005 and on to 7.1% in 2006.

Non-Life premiums as a percentage of GDP remained at 3.1% in 2002 and 2003 and dropped to 2.5% in 2005. This downward trend continued in 2006 to 2.2%, as rates in all the main classes continued to fall.

Year-End Value of Investments

Year	2002 €bn	2003 €bn	2004 €bn	2005 €bn	2006 €bn	% change per annum
Life	38.047	44.575	55.308	68.823	80.521	20.6
Non-Life	8.597	9.626	9.955	10.066	10.469	5.0
Total	46.644	54.201	65.263	78.889	90.990	18.2

Total insurance industry assets increased by 15.3% in 2006 and amounted to €90.99bn at the end of the year. Average annual growth in investment values was 18.2% per annum between 2002 and 2006. On the life side, there has been a continued recovery in policyholder funds and in 2006, year-end investments were valued at almost €80.5bn. Non-life technical reserves continued to grow in 2006 and an average annual growth of 5% was recorded over the over 2002 — 2006 period.

Life Assurance Benefits and Claims Paid 2002 — 2006

Year	Amount €m
2002	3731
2003	3683
2004	4370
2005	4910
2006	7964

Almost €8bn was paid out by life assurance companies in benefits and claims in 2006 (up 61% from 2005). 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. Maturing SSIA's will have contributed to this increase.

Non-Life Insurance Premiums and Claims 2002 — 2006

Year	Gross Earned Premium €m	Gross Incurred Claims €m
2002	3641	2870
2003	4169	2669
2004	4102	2431
2005	3931	2066
2006	3859	2032

The downward trend in gross earned premiums for non-life insurance continued in 2006 when premium fell by almost 2%. Similarly 2006 saw a continuation in the downward trend in gross incurred claims. Gross incurred claims fell by 1.6% last year and have fallen by almost 30% between 2002 and 2006.

Employment in Insurance Companies in Ireland as at 31st December 2006

Life	6837
Non-Life	7419
Total	14256

The insurance sector is a major employer in the Irish economy. IIF member insurance companies employed over 14,200 people in Ireland as at the end of December 2006. This is in addition to the numbers employed in the wider insurance industry e.g. in broking and loss adjusting etc.

The Irish Insurance Market in an International Context

The Irish Insurance Market in the World 2006

	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	0.46	1.69	0.66	1.27	10.4	5564.7
EU	7.03	29.92	40.98	32.35	35.03	8.37	2459.5
OECD	17.98	76.5	89.44	89.96	89.65	8.81	2765.1
Europe	12.23	34.99	42.57	35.95	39.88	8.27	1745.7
America*	13.66	33.52	27.24	48.08	35.71	7.61	1486.3
Asia	59.47	24.91	27.26	13.11	21.51	6.63	205
Oceania	0.50	1.80	1.32	1.92	1.57	6.7	1787.3
Africa	14.14	2.16	1.61	0.94	1.33	4.77	53.6
World	100	100	100	100	100	7.52	554.8

Figures are rounded USD

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

* Includes Latin America and Caribbean

The Irish figure for the percentage of GDP differs from the figure appearing in the Table entitled "2006 Premium Income — Life and Non-Life" (page 7) as the calculation of premium volume is based on data for the entire market, not just IIF members; and includes non-insurance "investment-only" business administered by life insurers."

The Irish insurance market is set in both a European and a global context in the table above. As with GDP, Ireland's share of global insurance premiums is high relative to the population of the country. 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 economically-developed regions.

Insurance Density: Premiums per capita 2006 in Selected Advanced Industrialised Countries (USD)

United Kingdom	6466.7
Ireland	5564.7
Switzerland	5561.9
Denmark	4271.4
France	4075.4
United States	3923.7
Japan	3589.6
Belgium	3442.5
Sweden	3226.2
Australia	2580.8
Germany	2436.8
Italy	2302.2
Spain	1514.6

Source: Swiss Re Sigma No 4/2007

The premium spent per capita for 2006 in Ireland is compared to some other advanced industrialised countries in the above table. The figure for Ireland of US\$5564.7 is higher than most other European countries such as Italy, Germany and Sweden but is lower than the United Kingdom. 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.

Non-Life Insurance Market 2002 — 2006

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 2006, 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 2006 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 serving 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 2006, the written premium for 2006 will be €500, and so will the earned premium. But if the same policy is issued on 1st July 2006, 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 2007 earned premium. This is because half of the premium written will be in respect of the exposure of loss during the first half of 2007.

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 incurred claims, management expenses, commissions and other costs are deducted from earned premium income.

2006 Key Non-Life Statistics

Class	Premiums €m			Claims		Net Under-Writing €m	Estimated Investment Income €m	Estimated Net Operating Result €m
	Written		Earned	Net Incurred €m	Number of new claims Notified			
	Gross Written €	Net Written Premiums €	Net €m					
Private Motor	1139.7	1098.0	1092.0	726.3	205837	163.3	133.6	296.9
Commercial Motor	491.8	464.0	467.2	304.4	66097	83.0	63.7	146.7
All Motor	1631.5	1562.0	1559.2	1030.7	271934	246.3	197.3	443.6
Household	549.5	471.6	482.7	266.9	104704	69.2	17.1	86.2
Commercial Property	480.5	354.7	345.5	147.0	28765	107.1	24.9	132.1
All Property	1030.0	826.3	828.2	413.9	133469	176.3	42.0	218.3
Employer's Liability	381.6	337.3	338.4	179.2	7456	93.1	54.2	147.3
Public Liability	440.9	379.3	376.6	184.0	12909	111.5	76.2	187.7
All liability	822.5	716.6	715.0	363.2	20365	204.6	130.4	335.0
PA/Travel	67.3	56.2	56.9	19.2	11080	17.9	2.5	20.4
Other Business	271.7	168.6	179.7	39.2	45645	51.6	7.9	59.5
Total	3823.0	3329.7	3339.0	1866.2	482493	696.7	380.1	1076.8

Overview of Non-Life Results for 2006

IIF's 22 domestic non-life members write in excess of 95% of Irish non-life insurance business. Combined, IIF members wrote gross premiums of €3823m in 2006 compared to €3841m during the previous year (a decrease of 0.5%). Premium income from household insurance (-4%) and personal accident/travel insurance (-4%), experienced the largest falls with increases in liability insurance (employers and public) of 3.5%.

Motor insurance remains the largest class of non-life insurance at almost €1631.5m (43% of all non-life business). Property is the second largest class of non-life business (27%).

Net written premiums (i.e. total premiums after reinsurance costs have been deducted) were just under €3330m, a decrease of 0.2% on 2005. Net earned premiums were €3339m in 2006 (down 2.3% on 2005).

The number of new claims notified to IIF members rose significantly in 2006 to 482,493 from 426,131 in 2005. This represents an increase of just over 13%. 56% of new claims were motor claims while 28% were made on property insurance policies (household and commercial property).

Net incurred claims costs declined by 1.5% to €1866m leading to a net underwriting profit in 2006 of €697m compared to €745m in 2005 (down 6%). The combined operating profit of the 22 companies in the non-life market was €1077m for 2006 (down 12% from €1222m in 2005).

Motor Insurance

Gross written premium for motor insurance was €1631.5m in 2006, up 0.4% from nearly €1625m in 2005. Over two-thirds (70%) of motor insurance premiums are earned from the private motor insurance market with the remaining premiums (30%) derived from commercial motor business.

The decline in net earned motor premiums continued in 2006. Net earned motor premiums reduced from just under €1599m in 2005 to €1559m in 2006 (a decrease of 2.5%). There were worrying increases in both the number of new motor insurance claims notified to insurers in 2006 and in the incurred cost of motor claims.

The number of new motor claims notified during 2006 increased by 12% compared to 2005, and the cost of claims (net incurred claims costs) increased by 13% from €911m in 2005 to €1030.7m in 2006.

Combined with the continuing decline in premiums earned, the increase in claims costs resulted in a fall in net underwriting profit in motor insurance to €246m in 2006, compared to €414m in 2005, a reduction of 40.6%.

Property Insurance

The property insurance class 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 €1030m in 2006, down by almost 4% from the previous year. While net earned premium fell by almost 7% to €828.2m, net incurred claims rose by 9% to €414m, resulting in property insurers recording a reduced net underwriting profit of €176m, down 32% from €260m in 2005.

Liability Insurance

IIF liability insurance members wrote gross liability premiums of €822.5m in 2006, up by almost 4% from the previous year. Net earned premium rose by almost 3%, from €695m in 2005 to €715m in 2006.

Net incurred claims dropped by almost 31% in 2006. As a result, liability insurers made an increased net underwriting profit in this class of €205m in 2006.

Other Non-Life Lines

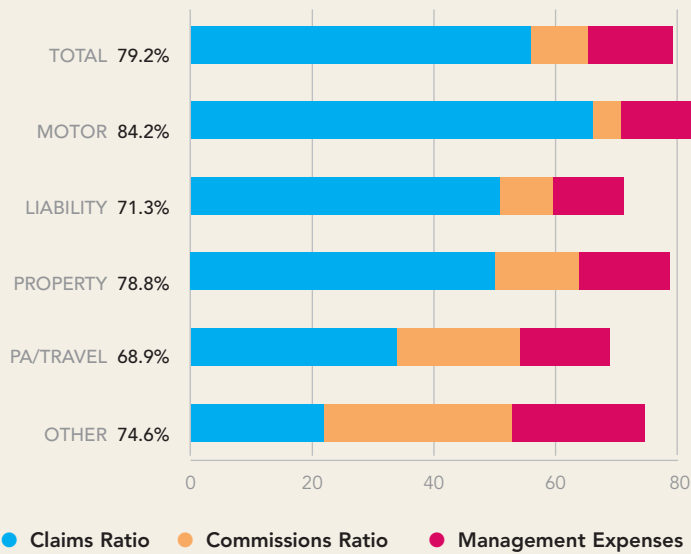
IIF members wrote €67m of personal accident and travel insurance in 2006 — a decrease of almost 4% from 2005. This class of business generated a net underwriting profit of €17.9m in 2006.

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 €272m in gross written premium to IIF members in 2006, a decrease of just over 3% from 2005. These "other" classes produced a net underwriting profit of almost €52m for 2006.

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.

Insurance Operating Ratio



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 2006 the IIF non-life market produced a net claims ratio of 56% — in other words claims cost 56 cent out of every €1 earned in premium. The claims ratio varied between sectors: in motor insurance it rose sharply from 57% in 2005 to 66% in 2006 and the property claims ratio also rose from 43% in 2005 to 50% in 2006. In contrast, the liability claims ratio declined from 76% in 2005 to almost 51% in 2006.
- 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 2006 was 9%(2005: 10%). The net management expenses ratio for the non-life market in 2006 was 13.9% in comparison to 13% in 2005.
- The **net combined** or **operating ratio** combines the claims, commissions and management expenses ratios. The operating ratio for the non-life market remained the same as in 2005 at 79%. In monetary terms this means that the non-life market made 21 cent on underwriting insurance for every €1 of premium in 2006.

Non-Life Insurance Market Results 2002 — 2006

	Gross Written Premium	Net Underwriting Result	Investment Income	Operating Result	Profit Premium %
	€m	€m	€m	€m	
2002	4120	-42	268	226	5.49%
2003	4388	417	340	757	17.25%
2004	4319	689	375	1,064	24.64%
2005	4099	802	420	1,222	29.81%
2006	3823	697	380	1,077	28.17%
5 Years	20749	2563	1783	4346	20.95%

The data for 2002 — 2005 is taken from the Department of Enterprise, Trade & Employment's *Insurance Annual Reports* (2002) and from the Financial Regulator's *Insurance Statistical Review* (2003 — 2005). The *Insurance Statistical Review* (ISR) contains returns for all insurers.

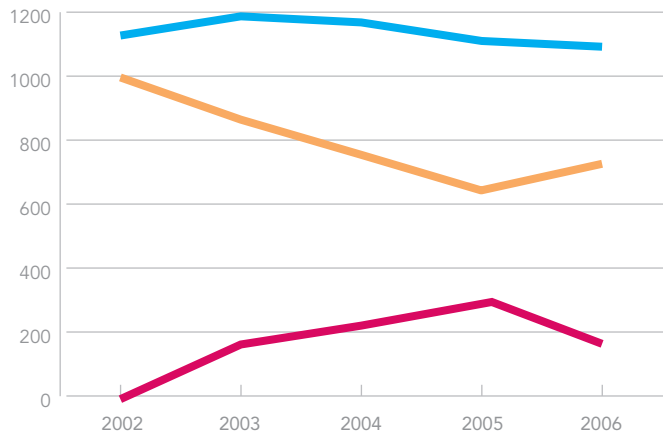
The data for 2006 is based on data supplied by IIF members as the ISR has yet to be published. As the ISR does not provide a breakdown for every class of business, the data in the seven subsequent charts has been created from data supplied by IIF members. This explains the discrepancies between the first and main chart and the seven subsequent charts, which provide details by class of business.

The chart illustrates the net underwriting result, investment income attributable to the underwriting account and the operating result for the non-life business market for the years 2002 to 2006. The underwriting result has improved from a loss of €42m in 2002 to a profit of €697m in 2006, this however represents a 13% decrease on the 2005 result.

The cumulative underwriting result for 2002 — 2006 was a profit of €2563m, equivalent to 12.4% 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. After investment income was taken into account, the 22 non-life insurers made a combined operating profit of €1077m last year.

Private Motor 2002 — 2006

€ MILLIONS

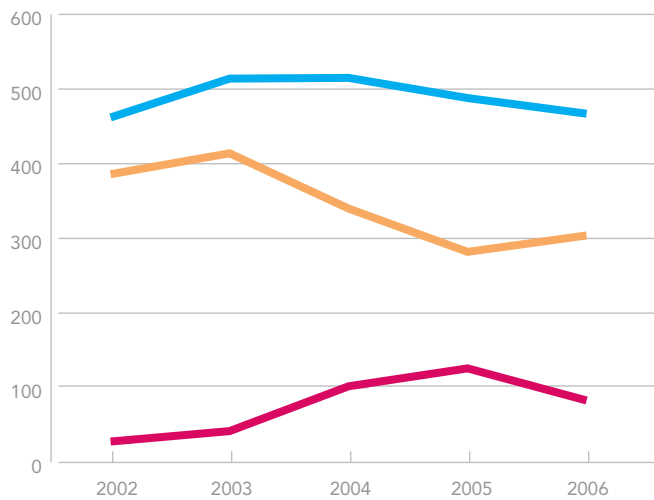


● Net Earned Premium ● Net Incurred Claims Costs ● Net Underwriting Result

Net Earned Premium (NEP) in the private motor market has been dropping since 2003 from €1187m to €1092m in 2006. Claims costs decreased between 2002 and 2005 but then rose by 16% to €726m in 2006. The cumulative market net underwriting profit for the 5 years 2002 — 2006 was €822m, however profits decreased by 43% in 2006 to €163m when compared to 2005.

Commercial Motor 2002 — 2006

€ MILLIONS

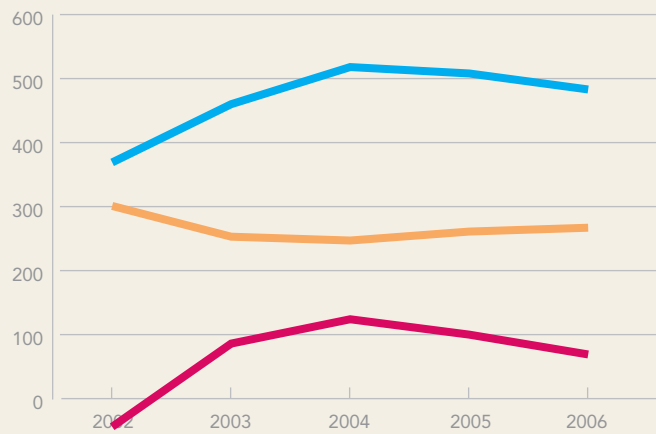


● Net Earned Premium ● Net Incurred Claims Costs ● Net Underwriting Result

The size of the commercial motor insurance market in NEP terms increased in the period from €462m in 2002 to €515m in 2004 before falling to €488m in 2005 and further, to €467m in 2006. Since 2002 insurers have made an underwriting profit which peaked in 2005 at €126m and dropped back to €83m in 2006. Overall, the cumulative underwriting result for 2002 — 2006 was a profit of €381m.

Household 2002 — 2006

€ MILLIONS

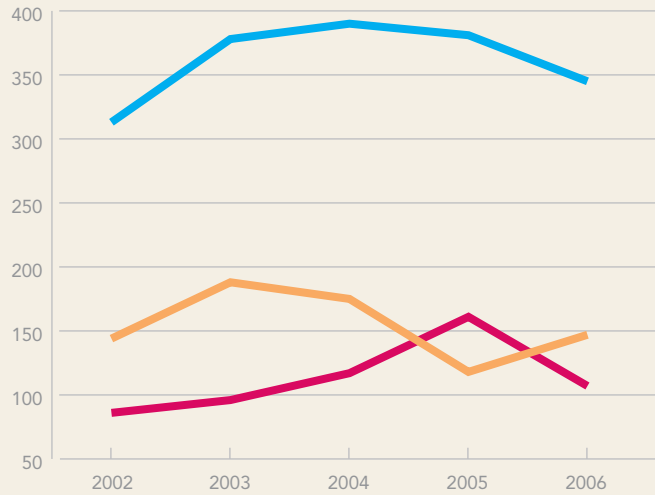


● Net Earned Premium ● Net Incurred Claims Costs ● Net Underwriting Result

Net earned premium for household insurance increased from 2002 (€369m) to 2004 (€518m) before falling slightly in 2005 to €508m and in 2006 to €483m. The net underwriting result for household insurance fell by 44% from €124m in 2004 to €69m last year. Net incurred claims costs in household insurance fell from 2002 to 2004 but have increased from €247m that year to €267m in 2006.

Commercial Property 2002 — 2006

€ MILLIONS

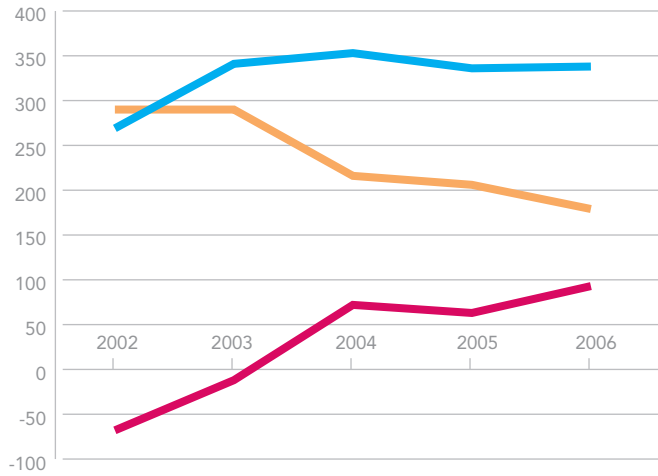


● Net Earned Premium ● Net Incurred Claims Costs ● Net Underwriting Result

The upward trend in the net underwriting profit for insurers of commercial property since 2002 was reversed in 2006 with a result of €107m, a fall of 33.5% on 2005. Net incurred claims costs have fluctuated in the period between 2002 and 2006, falling by 37% between 2003 and 2005, but rose last year by 25% to €147m.

Employer's Liability 2002 — 2006

€ MILLIONS

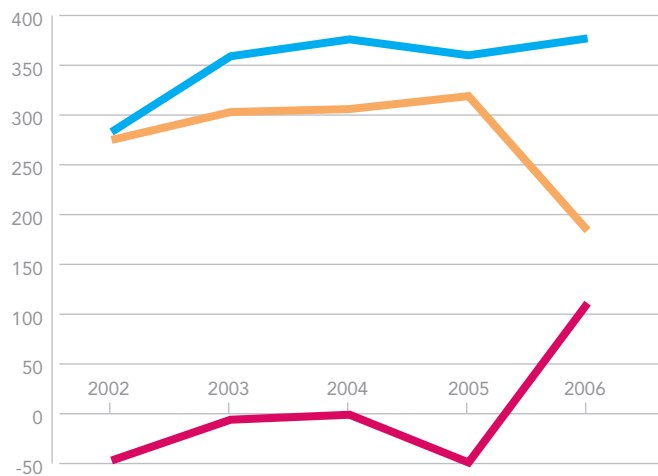


● Net Earned Premium ● Net Incurred Claims Costs ● Net Underwriting Result

Net earned premium increased over the period from €269m in 2002 to €338m in 2006. Net incurred claims have fallen from €290m in 2002 to €179m in 2006. The underwriting result has improved since the annual losses recorded in 2002 (-€68m) and 2003 (-€12m) to an underwriting profit of €93m in 2006. Overall, this class of business produced a cumulative net underwriting profit of €148m (9% of NEP) between 2002 and 2006.

Public Liability 2002 — 2006

€ MILLIONS

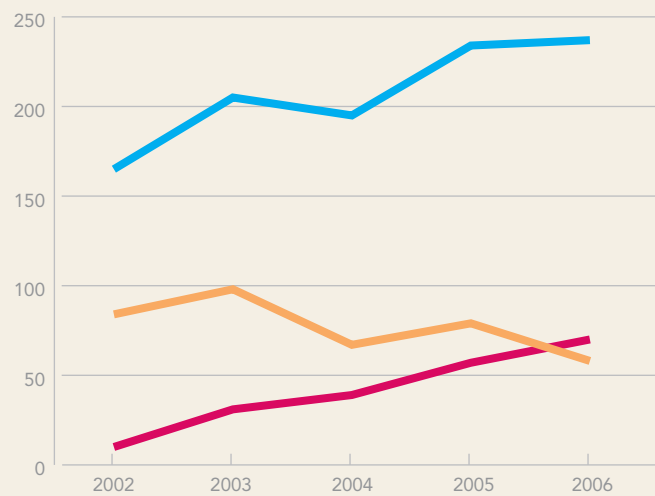


● Net Earned Premium ● Net Incurred Claims Costs ● Net Underwriting Result

Net earned premium grew between 2002 and 2004, dipped by 4% in 2005 and rose back to 2004 levels at €377m in 2006. Net incurred claims costs, which had steadily climbed from €275m in 2002 to €319m in 2005 dropped sharply to €184m in 2006. The persistent underwriting losses experienced by insurers for this class of business were reversed in 2006. The net underwriting profit for 2006 was €111m and this is the first year in the five years under examination that produced a profit with net underwriting results over the period aggregating to a small profit of €8m or 0.5% of NEP.

Other Classes 2002 — 2006

€ MILLIONS



● Net Earned Premium ● Net Incurred Claims Costs ● Net Underwriting Result

Other classes of insurance include personal accident, travel, and financial loss insurances. In the period under review, there was an underwriting profit annually with profits amounting to €70m in 2006. Net incurred claims costs, which had risen in 2005 to €79m, 18% up on the previous year, decreased in 2006 to €58m.

Appendix I

IIF Non-Life Members' Gross Written Premium 2006

Company (€'000)	Motor	Property	Liability	PA/Travel	Other Classes	Total
ACE	1148	7846	19003	14365	7216	49578
AIG Europe	41559	28963	48185	16223	50024	184954
Allianz	124663	183311	97927	2377	35105	443383
AXA	312132	78759	-11	2682	0	393562
Cardif Pinnacle	0	0	0	1319	8066	9385
Combined	0	0	0	0	66869	66869
DAS	0	0	0	0	6215	6215
Eagle Star*	137909	107744	48417	648	2762	297480
Ecclesiastical	2	5508	2242	27	0	7779
FBD	203881	118185	77058	4037	4095	407256
Genworth Financial	0	0	0	0	43459	43459
HCC International	0	0	0	0	6859	6859
Hibernian	364685	217784	195050	8162	4717	790398
Irish Public Bodies	10300	24431	87920	0	245	122896
London General	0	1658	15649	0	28507	45814
MAPFRE	0	0	0	2049	2153	4202
New Technology	0	3100	0	0	0	3100
Quinn-Direct	317217	16988	125730	0	0	459935
Royal & Sun Alliance	79746	211879	59246	15458	4836	371165
Santam Europe	2100	1829	0	0	0	3929
St Paul Travelers	26070	13705	41998	0	0	81773
Zurich ROI Branch	10061	8262	4044	0	531	22898
Total	1631473	1029952	822458	67347	271659	3822889

* Zurich Insurance Ireland Limited t/a Eagle Star

Life Assurance and Pensions Market 2002 — 2006

Glossary of Life Assurance 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 Insurance:

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's 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:

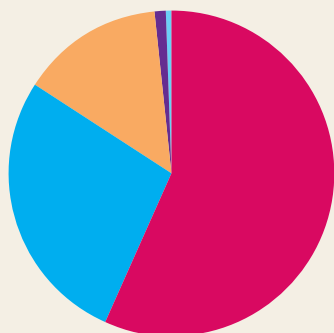
A lump sum life investment or pension policy under which the policyholder makes a one-off payment to the life office. The life office uses the money to provide life assurance protection or invests it on the policyholder's behalf, for repayment, with investment gains, at the end of the policy term (or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

2006 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	280.0	4892.2	769.2	2116.9	7009.1
Pension Scheme Business	488.7	1860.9	674.8	1506.4	3367.3
Self-employed Pensions (incl. PRSAs)	204.7	1059.6	314.2	672.7	1768.3
Permanent Health Insurance	19.2	-0.5	19.2	134.5	134.0
Industrial Branch Business	0.0	0.0	0.0	48.5	48.5
Total	992.6	7848.2	1777.4	4479.0	12327.2

IIF's life assurance members' aggregate domestic premium income was €12327.2m for 2006. This represents an increase of almost 27% on the previous year (€9738.6m). New annual premium (AP) business was €992.6m (up 7.5% from €923.7m in 2005). A significant increase was recorded for new single premium (SP) business last year, with growth to €7848.2m from €5611.7m in 2005 (up 40%). Overall, the new business Annual Premium Equivalent (AP sales + 10% of SP sales) rose strongly by nearly 20% to €1777.4m last year from €1484.9m in 2005.

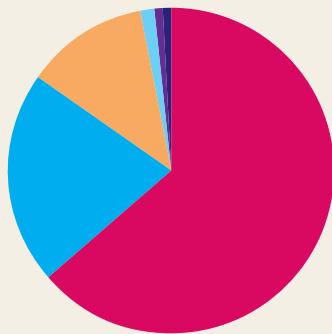
Life Assurance Gross Premium Income 2006 (by Type of Policy)



- Individual Assurances and Annuities €7009.1m (56.9%)
- Pension Scheme Business €3367.3m (27.3%)
- Self-Employed Pensions & Associated Business (incl. PRSAs) €1768.3m (14.3%)
- Permanent Health Insurance (PHI) €134.0m (1.1%)
- Industrial Branch (IB) Business €48.5m (0.4%)

Individual assurances and annuities (56.9%) and pension scheme business (27.3%) continue to be the two main segments of life assurance gross premium income. Self-employed pensions & associated business (including PRSAs) dropped from 16.2% in 2005 to 14.3% in 2006. Premium income from permanent health insurance (PHI) as a percentage of life assurance gross premium income declined very slightly from 1.3% in 2005 to 1.1% in 2006. Similarly, the decline in industrial branch business continued in 2005 from 0.6% in 2005 to 0.4% of life assurance gross premium income last year.

Life Assurance Benefits and Claims Paid 2006 (by Type of Policy)



- Individual Assurances and Annuities €5073.3m (63.7%)
- Pension Scheme Business €1692.2m (21.2%)
- Self-Employed Pensions & Associated Business (incl. PRSAs) €974.8m (12.2%)
- Permanent Health Insurance (PHI) €94.5m (1.2%)
- Industrial Branch (IB) Business €80.9m (1.0%)
- Critical Illness €47.9m (0.6%)

€7963.6m in benefits and claims was paid by domestic life assurance companies during 2006. This is an increase of 62% from €4909.6m in 2005. 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 (63.7%) and pension schemes (21.2%) followed by self-employed pensions and associated business (12.2%).

The total value of life assurance protection in force at the end of 2006 was estimated at €349.6bn compared to €308.9bn in 2005, which is an increase of just over 13%

Benefits and Claims by Type

Surrenders and Maturities	€6942.3m
Death/Critical Illness Claims	€694.8m
Annuities	€326.5m
Total	€7963.6m

The chart provides a breakdown of benefits and claims by type. The largest category is benefits paid on policy surrenders and maturities, with €6942.3m paid in 2006, up from €4000m in 2005 (an increase of 73.5%). This category represents over four-fifths (87%) of total payments made last year. Death and critical illness claims under protection contracts amounted to €694.8m, up from €560.5m in 2005; and Annuity payments totalled €326.5 in 2006, compared to €349.1m in 2005 (down 6.5%).

Sources of Life Assurance Business

		Brokers %			Agents %			Tied Agents %			Employee & Company Representatives %			Direct %		
		'04	'05	'06	'04	'05	'06	'04	'05	'06	'04	'05	'06	'04	'05	'06
Annual Premium	Life	12	11	10	1	1	2	8	8	8	10	11	10	1	1	1
	Pensions	43	45	44	1	1	1	9	11	11	10	10	11	5	2	3
	Total	55	56	54	2	2	3	17	19	19	20	21	21	6	3	4
Single Premium	Life	26	19	24	1	1	1	8	10	10	18	15	15	4	2	1
	Pensions	34	25	20	1	0	1	4	5	3	3	2	2	3	22	21
	Total	60	44	44	2	1	2	12	15	13	21	17	17	7	24	22

Percentages are rounded

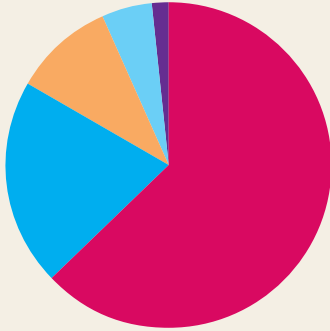
The chart provides a breakdown of the proportion of new business written through the various sales channels. Brokers' new business market share remained largely unchanged (down 2 percentage points to 54% in 2006 for annual premium (AP) business). Brokers' share of single premium (SP) business, which fell by 16 percentage points in 2005, remained static at 44% in 2006.

Independent agents' AP business rose by a single percentage point to 3% in 2006, similarly their SP business increased by 1 percentage point to 2%. The percentage of AP business written through tied agents remained static at 19%. SP business written via tied agents dropped in 2006 to 13% following a rise in 2005.

Life office employees and company representatives (direct sales forces) saw their share of AP remain static at 21%. Their share of SP business was also unchanged at 17%.

Direct sales other than through employed salespeople (e.g. telephone, internet and direct response sales) rose by one percentage point to 4% for AP. In contrast, SP direct sales, which had experienced significant growth in 2005, dropped 2 percentage points to 22% of SP business.

Life Assurance Investments 2006 (Policyholders' Funds)



- Equities €50720m (63%)
- Gilts €16473m (20.5%)
- Property €7992m (9.9%)
- Cash €4201m (5.2%)
- Other €1135m (1.4%)

Policyholders' funds invested by IIF life members increased by 17% to €80521m in 2006 from €68823m in 2005. The value of equity investments increased from €40229m in 2005 to €50720m in 2006. Equities now represent 63% of total policyholders' funds, compared to 58.4% at the end of 2005.

Although the value of life assurance funds invested in gilts increased by 1% in value (to €16473m), the proportion of life assurance investments held in gilts fell from 23.7% to 20.5%.

Property assets grew to €7992m (up 58% from €5069m in 2005) and represent 9.9% of investments in 2006 (a 2.5% increase on 2005).

Cash holdings amounted to 5.2% with investments of €4201m at the end of 2006, down 28% from €5869m in 2005.

Investments (Policyholders' Funds) by Type & Location 2006

	Irish €m	Foreign €m	Total €m
Equities ¹	20521	30199	50720
Gilts ²	3934	12539	16473
Property ³	5663	2329	7992
Cash	4007	194	4201
Other	922	213	1135
Total	35047	45474	80521

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.

The table illustrates the breakdown of investments by location. 43.5% of life companies' investments were in Ireland in 2006 compared to 42% in the previous year, thus reversing a slight downward trend over the previous 4 years. Domestic investment at the end of 2006 was €35047m, with foreign investment at €45474m.

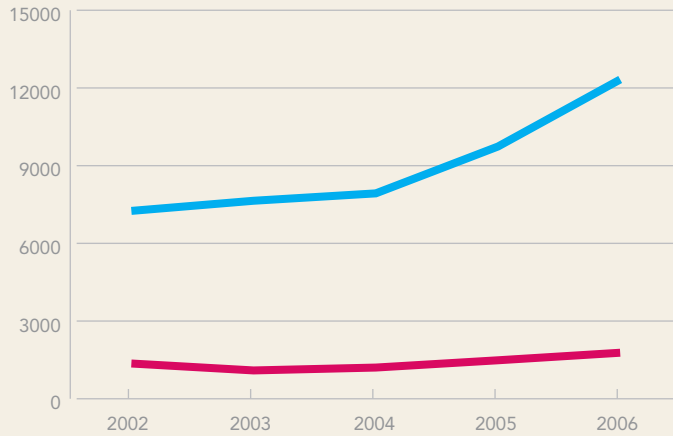
59% of Irish investments are in equities (up from 49.3% in 2005), with 11% now in gilts (down from 14.3% in the previous year). Cash holdings decreased to 11% from 19.6% in 2005. Property holdings were up at 16% from 13.2% in 2005.

Two-thirds (66%) of the foreign holdings continue to be in equities (65% in 2005). The second largest foreign asset class is gilts at 27.5%. This represents a decrease from 2005 when 30.5% were in gilts. The proportion of foreign holdings invested in property (5%) increased since 2005 (3.1%) while the percentage invested in cash fell very slightly from 0.5% to 0.4%.

Market Trends 2002 — 2006

	2002 €m	2003 €m	2004 €m	2005 €m	2006 €m	Annual Change 2002 — 2006 %
Premium Income (Annual Premium Business)	3579	3838	3972	4127	4479	5.8
Premium Income (All Business)	7253	7644	7930	9739	12327	14.2
New Business						
• Annual Premiums	994	713	808	924	993	-0.03
• Single Premiums	3674	3806	3957	5612	7848	20.9
• Annual Premium						
Equivalent (APE)	1361	1093	1204	1485	1777	6.9
Benefits and Claims	3731	3683	4370	4910	7964	20.9

Life Assurance Premium Income 2002 — 2006



- Total Premium Income
- New Business (Annual Premium Equivalent)

Annual premium business increased from €3579m to €4479m over the five years 2002 to 2006, which represents an average rise of 5.8% per annum. New annual premium business decreased in 2003 by 28.3% before recovering in 2004, and continuing this upward trend through 2005 and 2006. New single premium business has steadily increased over the five-year period with a particularly noteworthy 40% increase in 2006. Over the five years there was an average increase of 20.9% per annum.

New business on an Annual Premium Equivalent (APE) basis fell by almost 20% between 2002 and 2003 before starting to recover in 2004. This upward trend has continued into 2006 with an almost 20% increase over 2005. The average increase over the five years is 6.9%. Benefits and claims paid increased by an average of 20.9% per annum over the period 2002 — 2006, from €3731m in 2002 to €7964m in 2006.

Investments (by Type)
% of Total Value

Asset Category	2002	2003	2004	2005	2006
Equities ¹	55.5	58.1	52.6	58.4	63
Gilts ²	22.4	21.7	29	23.7	20.5
Property ³	10.1	7.8	7.1	7.4	9.9
Cash	9.4	9.5	8.1	8.5	5.2
Other	2.6	2.9	3.2	2	1.4
Total	100	100	100	100	100

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 2002, investment in equities has increased slightly as a percentage of total investments, from 55.5% in 2002 to 63% in 2006, with intermediate rises and falls. Investment in gilts has decreased slightly during the same period.

The relative size of life offices' property portfolio dipped from 2002 to 2005 and then increased to 9.9% in 2006, almost to the same level as in 2002.

Cash holdings have gradually decreased from 9.4% in 2002 to 5.2% in 2006.

Investments (by Location) 2002 — 2006
% of Total Value

Location	2002	2003	2004	2005	2006
In Ireland	50.1	47.3	44.1	42.1	43.5
Outside Ireland	49.9	52.7	55.9	57.9	56.5

The trend of an increasing proportion of policyholders' funds being invested outside Ireland changed slightly in 2006, dropping to 56.5% from 57.9% in 2005. Currently, just over two-fifths (43.5%) of funds are invested in Ireland.

IIF Life Assurance Members' Foreign New Business 2002 — 2006 €m

		Annual Premium	Single Premium	A.P.E.
2002	EU	61.4	928.4	154.2
	Non EU	6.4	605.4	66.9
	Total	67.8	1533.8	221.1
2003	EU	40.3	1884.3	228.7
	Non EU	1.6	381.1	39.7
	Total	41.9	2265.4	268.4
2004	EU	15.1	3610	376.1
	Non EU	4.6	446.2	49.2
	Total	19.7	4056.2	425.3
2005	EU	28.6	5489.8	577.6
	Non EU	1.6	72.6	8.9
	Total	30.2	5562.4	586.4
2006	EU	82.4	5831.9	665.6
	Non EU	1.1	314.8	32.6
	Total	83.5	6146.7	698.2
Annualised Change % (APE) 2002 — 2006	EU			44.1%
	Non EU			-16.4%
	Total			33.3%

IIF's life assurance members wrote foreign annual premium business of €83.5m in 2006. This is a substantial increase from €30.2m in 2005.

The bulk of foreign life business is single premium investment business. Last year, new single premium business increased by 10.5% to €6146.7m from €5562.4m in 2005.

New Annual Premium Equivalent (APE) foreign sales increased from €586.4m in 2005 to €698.2m in 2006 — an increase of 19%. This is a result of the significant growth in both single premium and annual premium business.

Over the five years from 2002 to 2006, IIF life members offices' APE in EU countries has grown very strongly by on average 44.1% per annum over 5 years, whereas non-EU business fell by 16.4% per annum. During the period 2002 — 2006, total new foreign business written by IIF life members increased by 33.3% per annum on an APE basis.

Appendix II

IIF Life Members' Gross Premium Income 2006

Companies	Life Business			Pensions Business		
	Annual Premiums €'000	Single Premiums €'000	Industrial Branch €'000	Annual Premiums €'000	Single Premiums €'000	Total €'000
Acorn Life	61431	20165	0	22032	8255	111883
Anglo Irish	0	282355	0	8352	62396	353103
Bol Life *	497331	1686273	2418	445480	529508	3161010
Caledonian Life	41842	148838	0	4436	3616	198732
Canada Life	184923	138896	0	142211	222028	688058
Combined Life	338	-3890	0	86	0	-3466
Eagle Star Life	165324	325731	0	196108	450475	1137638
Friends First Life	118277	277506	0	138174	266593	800550
Genworth Financial	0	2254	0	0	0	2254
Hibernian Life Holdings Ltd.**	457595	733452	0	383629	496321	2070997
Irish Life	561933	1081134	0	676549	631534	2951150
Royal Liver Assurance	43913	10006	44614	5350	1458	105341
Scottish Legal	1964	0	1444	118	0	3526
Scottish Provident	24192	25329	0	19811	766	70098
Standard Life	83760	128025	0	133075	274174	619034
Quinn Life-Direct	8635	35620	0	3644	9423	57322
Total	2251458	4891694	48476	2179055	2956547	12327230

* Bank of Ireland Life (including New Ireland Assurances)

** Including Ark Life

Irish Insurance Federation (IIF)
Insurance House
39 Molesworth Street
Dublin 2

t. +353 1 676 1820
+353 1 676 1914 (Insurance Information Service; Consumer Information)
1890 333 333 (Insurance Confidential LoCall; To Report Suspect Fraud)

f. +353 1 676 1943
e. fed@iif.ie
w. www.iif.ie