

IRISH
INSURANCE
FEDERATION
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FACTFILE



Who are we?

The Irish Insurance Federation (IIF) is the representative body for insurance companies in Ireland representing 63 member companies, which employ over 15,000 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 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 seventeenth 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 2008 and for the five-year period 2004 – 2008. The data is derived from data collected from members of the IIF unless otherwise indicated.



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Executive Summary

THE IRISH INSURANCE MARKET – A COMPARATIVE OVERVIEW

- Gross insurance premium income for 2008 for life and non-life insurance combined was €13,431m in 2008, compared to €18,205m in 2007 – a fall of 26%.
- Premium income as a percentage of GDP was 7.4% (down from 9.7%). Premiums per capita decreased by nearly a third from €4,335 in 2007 to €3,052 in 2008.
- The capital values of assets in many investment areas fell sharply in 2008: assets comprising life policyholders' funds and non-life technical reserves decreased by 21% to just over €73 billion at the end of the year.
- The insurance sector is a major employer in the Irish economy. IIF member insurance companies employed over 15,000 people in Ireland as at the end of December 2008.

LIFE ASSURANCE AND PENSIONS MARKET

- IIF's life assurance members' aggregate domestic premium income was €10,097m for 2008. This represents a reduction of almost 31% on the previous year (€14,594m).
- New annual premium (AP) business was €1,011m, down 14% from €1,179m in 2007. A significant decrease was recorded for new single premium (SP) business last year, with sales falling from €10,032m to €5,615m, a decline of 44%. New business Annual Premium Equivalent (AP sales + 10% of SP sales) fell 28%

to €1,573m in 2008, compared with €2,183m in 2007.

- €8,688m in benefits and claims was paid by domestic life assurance companies during 2008, a decrease of 12% on 2007 (€9,891m).
- The total value of life assurance protection in force at the end of 2008 was estimated at €382.7bn, compared to €378.4bn in 2007, an increase of just over 1.1%. The value of policyholders' funds managed by IIF life members decreased by 22.5% to €63,818m in 2008 from €82,342m in 2007. The value of equity investments decreased 42% from €48,111m in 2007 to €27,699m. Unsurprisingly, given the turmoil in the markets the proportion of assets invested in equities decreased from 58.4% of total policyholder funds at the end of 2007 to only 43.4% at 31st December 2008. The value of life assurance funds invested in gilts increased by 12%, from €16,932m in 2007 to €18,989m in 2008, and gilts now represent 29.8% of life assurance investments.
- Cash holdings amounted to 11.5% of the total value of policyholders' funds, with investments of €7,308m at the end of 2008, an increase of 15% from €6,359m in 2007. Property assets fell by a third to €5,522m in 2008, from €8,231m in 2007, and represented 8.7% of total investments at the end of 2008.
- New foreign life business fell almost 30%, from €845m Annual Premium Equivalent (APE) in 2007 to €592m in 2008.

- Notwithstanding the downturn in 2008, during the period 2004 – 2008, total new foreign business written by IIF life members increased by 8.6% per annum on an APE basis.
- Business in other EU countries has grown strongly by an annual average 11.6%, whereas non-EU foreign business fell sharply by 33% per annum in the period 2004 – 2008.

NON-LIFE INSURANCE MARKET

- IIF's 23 domestic non-life members write in excess of 95% of Irish non-life insurance business. Combined, IIF members wrote gross premiums of €3,334m in 2008 compared to €3,611m in 2007 (a decrease of 7.7%). Premium income decreased across all classes of business, however employer's liability insurance (-18.2%), commercial motor (-11.7%) and public liability insurance (-9.9%) experienced the largest falls. Motor insurance remains the largest class of non-life insurance at almost €1,421m (43% of all non-life business). Property is the second largest class of non-life business (29%).
- Net written premiums (i.e. total premiums after reinsurance costs have been deducted) were €2,901m, a decrease of 7.8% on 2007.
- Net earned premiums were €3,026m in 2008 (down 5.4% on 2007).
- The number of new claims notified to IIF members rose significantly in 2008 to 605,883 from 532,734 in 2007, representing an increase of almost 14%. 53% of new claims were motor claims, while 32% were made on property insurance policies (household and commercial property).
- Net incurred claims costs increased significantly by 23.3% to €2,126m leading to a reduced net underwriting profit in 2008 of €94m. This shows a decline of 86.4% compared to 2007.
- The year-end value of assets representing non-life technical reserves fell 9.4% to €9.216 billion.
- The combined operating profit, after investment income, of the 23 companies in the non-life market was €228m for 2008, down 79% on 2007.

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 (2004 – 2008) and 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

2008 Premium Income – Life and Non-Life

Year	Life	Non-Life	Total
Gross Premium Income (€m)	10097.0	3333.5	13430.5
Premium Income: GDP (%)	5.55	1.83	7.39
Premiums per capita (€)	2295	758	3052
Investments* (€m)	63818	9216	73034

* Policyholders' funds (life assurance) and Technical Reserves (non-life) at 31st December 2008.

Gross insurance premium income for 2008 for life and non-life insurance combined was €13,431m in 2008, compared to €18,205m the previous year (a decrease of 26%). Premium income as a percentage of GDP was 7.4% (down from 9.7% in 2007). Premiums per capita decreased from €4,335 in 2007 to €3,052 in 2008.

The combined value of life policyholders' funds and assets representing non-life technical reserves was just over €73 billion as of the end of 2008, down 21% on 2007.

IIF Members' Gross Premium Income 2004 – 08 (€m)

Year	Life €m	Non-Life €m	Total €m
2004	7929.7	3999.8	11929.5
2005	9738.6	3841.1	13579.7
2006	12327.2	3822.9	16150.1
2007	14594.4	3610.7	18205.1
2008	10097	3333.5	13430.5

Life gross premium income fell by 31% to €10,097m in 2008 from €14,594m in 2007. Non-life gross written premiums dropped by 8% from €3,611m in 2007 to €3,334m in 2008.

Gross Insurance Premium Income and Gross Domestic Product 2004 – 2008 (€m)

Year	Gross Insurance Premium Income €m	GDP €m	Premium Income: GDP %
2004	11929.5	148556	8.0%
2005	13579.7	161498	8.4%
2006	16150.1	174705	9.2%
2007	18205.1	187971	9.7%
2008	13430.5	181815	7.4%

Despite falls in 2008, total premium income has grown over the five year period 2004 – 2008 by an annual average of 3%. Premium income as a percentage of GDP rose from 8% to 9.7% between 2004 – 2007, but fell to 7.4% in 2008.

Life and Non-Life Premiums as a Percentage of GDP for Ireland 2004 – 2008

Year	Life Premium as % of GDP	Non-Life Premium as % of GDP	Total
2004	5.3	2.7	8.0
2005	6.2	2.5	8.7
2006	7.1	2.2	9.2
2007	7.8	1.9	9.7
2008	5.6	1.8	7.4

Life premiums as a percentage of GDP rose from 5.3% in 2004 to 7.8% in 2007, but fell back to 5.6% in 2008. Non-life premiums as a percentage of GDP have fallen consistently since 2004 and dropped to 1.8% in 2008.

Year End Value of Investments

	2004 €bn	2005 €bn	2006 €bn	2007 €bn	2008 €bn	% Change p.a.
Life	55.308	68.823	80.521	82.342	63.818	3.6
Non-life	9.955	10.066	10.469	10.174	9.216	-1.9
Total	65.263	78.889	90.990	92.516	73.034	2.9

The value of life policyholders' funds fell back sharply in 2008 but overall has grown by an annual average of 3.6% over the period 2004 – 2008. Non-life technical reserves have fallen for two successive years and are now below the figure for the end of 2004.

The total value of life and non-life assets grew steadily from €65.3 billion in 2004 to €92.5 billion in 2007 but fell back by over 21% in 2008, to just over €73 billion. Over the 5 – year period, investment values have grown slightly, at an annual average of 2.9%.

Life Assurance Benefits and Claims Paid 2004 – 2008

Year	Amount €m
2004	4370
2005	4910
2006	7964
2007	9891
2008	8688

€8,688m was paid out by life assurance companies in benefits and claims in 2008. These payments and benefits cover a wide range of areas, including:

- income and payouts on investment policies for policyholders;
- payment of death benefits which protect family income;
- payment of annuity income to pension policy holders;
- repayment of mortgages in the event of death of a policyholder; and
- lump sum payouts to policyholders with serious illness cover.

Non-Life Insurance Premiums and Claims 2004 – 2008

Year	Gross Earned Premium €m	Gross Incurred Claims €m
2004	4102	2431
2005	3931	2066
2006	3859	2032
2007	3683	1858
2008	3472	2342

The downward trend in gross earned premium for non-life insurance continued during this five year period and stood at €3,472m in 2008. Gross incurred claims followed a similar downward trend from 2004–2007 but the trend reversed in 2008, increasing by 26%.

Employment in Insurance Companies in Ireland as at 31st December 2008

Life	5316
Non-Life	9717
Total	15033

The insurance sector is a major employer in the Irish economy. IIF member insurance companies employed over 15,000 people in Ireland as at the end of December 2008. This is in addition to the numbers employed in the wider insurance industry e.g. in brokering and loss adjusting etc.

IRISH INSURANCE MARKET IN AN INTERNATIONAL CONTEXT

Clearly the unprecedented conditions in the later half of 2008 will have had a distinguishing impact on the Irish market as highlighted elsewhere in the Factfile and undoubtedly have altered the Irish markets position in an international context.

The Irish Insurance Market in the World 2008

	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	2.09	0.61	1.05	7.90	4914.5
EU	7.39	30.48	40.31	34.81	38.01	8.28	3061.3
OECD	17.73	71.73	86.20	87.03	86.56	8.32	3015.2
Europe	12.01	36.72	42.19	39.48	41.06	7.46	2043.9
America*	13.87	32.98	25.14	40.45	31.52	7.29	1552.7
Asia	58.99	25.92	27.74	13.62	21.86	5.95	234.3
Oceania	0.51	1.83	1.76	1.90	1.82	7.02	2271.9
Africa	14.62	2.54	1.52	0.95	1.28	3.57	55.6
World	100	100	100	100	100	7.07	633.9

Figures are rounded USD

Sources: Swiss Re Sigma No 3/2009; CSO; and IIF

*Includes Latin America and Carribean

The Irish insurance market is set in both a European and a global context in the above table. As with Ireland's GDP, its share of global insurance premiums is high relative to the population. This reflects 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 areas.

Insurance Density: Premiums Per Capita 2008 in Selected Advanced Industrialised Countries

Countries	Premium Per Capita 2008 (USD)
United Kingdom	6857.8
Switzerland	6379.4
Denmark	5418.9
Ireland	4914.5
Belgium	4298.8
France	4131.0
United States	4078.0
Sweden	3996.2
Japan	3698.6
Australia	3386.5
Germany	2919.2
Italy	2263.7
Spain	1909.1

Source: Swiss Re Sigma No 3/2009

The premium spent per capita for 2008 in Ireland is compared to some other advanced industrialised countries in the above table. The figure for Ireland of US\$4,915 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 more 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 and volumes.

Life Assurance and Pensions Market 2004 – 2008

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.

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 the serious illnesses specified in the policy documentation. 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."

Income Protection Insurance

Income Protection Insurance (also known as Permanent Health Insurance) is a protection policy that provides an income if the policyholder is unable to work because of sickness or disability. Each 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. Cover 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

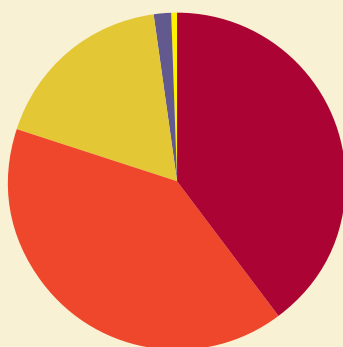
A lump sum life investment or pension policy under which the policyholder makes a one-off payment to the life office. The life office uses the money to provide life assurance protection or invests it on the policyholder's behalf, for repayment, with investment gains, at the end of the policy term (or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

2008 Key Life Assurance and Pensions 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	221.2	2097.4	430.9	1919.3	4016.7
Pension Scheme Business	531.2	2288.1	760.0	1790.8	4078.9
Self-employed Pensions (Incl. PRSAs)	214.3	1220.9	336.4	554.6	1775.5
Permanent Health Insurance	44.8	8.7	45.7	183.9	192.6
Industrial Branch Business	0.0	0.0	0.0	33.3	33.3
Total	1011.5	5615.1	1573.0	4481.9	10097.0

IIF's life assurance members' aggregate domestic premium income was €10,097m for 2008. This represents a reduction of 31% on the previous year (€14,594m). New annual premium (AP) business was €1,011m, down 14% from €1,179m in 2007. A significant decrease was recorded for new single premium (SP) business last year, with sales falling from €10,032m to €5,615m, a decline of 44%. New business Annual Premium Equivalent (AP sales + 10% of SP sales) fell 28% to €1,573m in 2008, compared with €2,183m in 2007.

Life Assurance Gross Premium Income 2008 (by type of Policy)

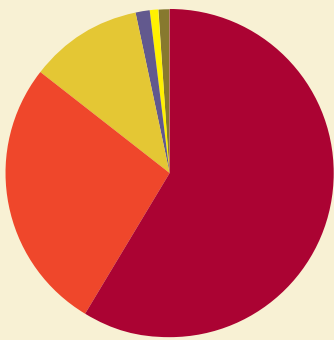


- Individual Assurances and Annuities €4,016.7m (39.8%)
- Pension Scheme Business €4,078.9m (40.4%)
- Self-Employed Pensions & Associated Business (Incl. PRSAs) €1,775.5m (17.6%)
- Permanent Health Insurance (PHI) €192.6m (1.9%)
- Industrial Branch (IB) Business €33.3m (0.3%)

Individual assurances and annuities (39.8%) and pension scheme business (40.4%) continue to be the two main segments of life assurance gross premium income. Self-employed pensions & associated business (including PRSAs) increased 14.4% in 2007 to 17.6%.

Premium income from permanent health insurance (PHI) as a percentage of life assurance gross premium income increased from 1.2% in 2007 to 1.9%. Industrial branch business in 2008 remained at the same level as 2007 (0.3% of life assurance gross premium income).

Life Assurance Benefits & Claims Paid 2008 (by type of policy)



- **Individual Assurances & Annuities** €5,112.7m (58.8%)
- **Pension Scheme Business** €2,339.9m (26.9%)
- **Self-Employed Pensions & Associated Business** €968.3m (11.1%)
- **Permanent Health Insurance (PHI)** €110.5m (1.3%)
- **Industrial Branch (IB) Business** €81.7m (0.9%)
- **Critical Illness** €75.0m (0.9%)

€8,688m in benefits and claims was paid by domestic life assurance companies during 2008, a decrease of 12% on 2007 (€9,891m). 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. Some of this decrease may be due to the impact of maturing SSiAs in 2007.

The majority of claims were paid under individual assurance/annuity contracts (58.8%) and pension schemes (26.9%) followed by self-employed pensions and associated business (11.1%).

The total value of life assurance protection in force at the end of 2008 was estimated at €382.7bn, compared to €378.4bn in 2007, which is an increase of just over 1.1%

Benefits and Claims By Type (€m)

Surrenders and Maturities	7452.0
Death / Critical Illness Claims	790.0
Annuities	446.1
Total	8688.1

The chart provides a breakdown of benefits and claims by type:

- The largest category is benefits paid on policy surrenders and maturities, with €7,452m paid in 2008, down from €8,796m in 2007 (a decrease of 15%). This category represents over four-fifths (86%) of total payments made last year;
- Death and critical illness claims under protection contracts amounted to €790m, up 12% from €704m in 2007; and
- Annuity payments totalled €446m in 2008, compared to €390m in 2007 (up 14%).

Sources of Life Assurance Business 2008

		Brokers %			Agents %			Tied Agents %			Employee & Company Representatives %			Direct %		
		'06	'07	'08	'06	'07	'08	'06	'07	'08	'06	'07	'08	'06	'07	'08
Annual Premium	Life	10	9	8	2	2	2	8	4	3	10	9	6	1	5	3
	Pensions	44	46	45	1	2	3	11	4	4	11	10	10	3	9	15
	Total	54	55	53	3	4	5	19	8	7	21	19	16	4	14	18
Single Premium	Life	24	19	10	1	2	1	10	5	2	15	12	8	1	23	30
	Pensions	20	21	34	1	1	1	3	2	2	2	2	2	21	14	8
	Total	44	40	44	2	3	2	13	7	4	17	14	10	22	37	38

The chart provides a breakdown of the proportion of new business written through the various sales channels. Brokers' new business market share reduced by two percentage points in 2008 to 53% for annual premium (AP) business. Brokers' share of single premium (SP) business increased by four percentage points to 44% in 2008.

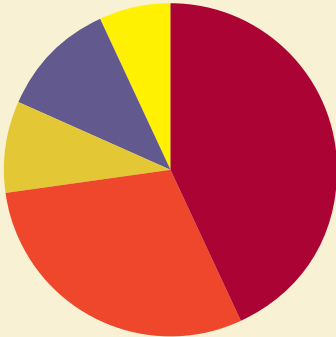
Life office employees and company representatives (direct sales forces) saw their share of AP drop 3 percentage points to 16%, with their share of SP business also dropping 4 percentage points to 10%.

Direct sales other than through employed salespeople (e.g. telephone, internet and direct response sales) rose by four percentage points to 18% for AP. SP direct sales increased one percentage point to 38% in 2008.

Independent agents' AP business rose from 4% to 5% in 2008, while their SP business reduced from 3% to 2%.

The percentage of AP business written through tied agents dropped 1 percentage point to 7% in 2008. SP business written via tied agents dropped in 2008 to 4%.

Life Assurance Investments 2008 (Policyholders' Funds)



- **Equities €27,699m (43.4%)**
- **Gilts €18,989m (29.8%)**
- **Property €5,522m (8.7%)**
- **Cash €7,308m (11.5%)**
- **Other €4,300m (6.7%)**

The aggregate value of policyholders' funds managed by IIF life members decreased by 22% to €63,818m in 2008 from €82,342m in 2007. The value of equity investments decreased 42% from €48,111m in 2007 to €27,699m. Equities represented 43.4% of total policyholders' funds at 31/12/08, compared to 58.4% at the end of 2007.

The value of life assurance funds invested in gilts increased by 12% from €16,932m in 2007 to €18,989m in 2008, and now represent 29.8% of life assurance investments.

Cash holdings amounted to 11.5% of the total value of policyholders' funds, with investments of €7,308m at the end of 2008, an increase of 15% from €6,359m in 2007.

Property assets fell 33% to €5,522m in 2008, from €8,231m in 2007, and represent 8.7% of investments.

Investments (Policyholders' funds) By Type & Location 2008

	Irish €m	Foreign €m	Total €m
Equities ¹	4702	22997	27699
Gilts ²	2087	16902	18989
Property ³	3504	2018	5522
Cash	6753	555	7308
Other	3636	664	4300
Total	20682	43136	63818

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. Just under a third of life companies' investments were in Ireland in 2008 compared to 43.4% in the previous year. The value of domestic investments at the end of 2008 was €20,682m (down 42% on 2007). As at the end of 2008, the value of foreign investments was €43,136m, down 7.4% on 2007.

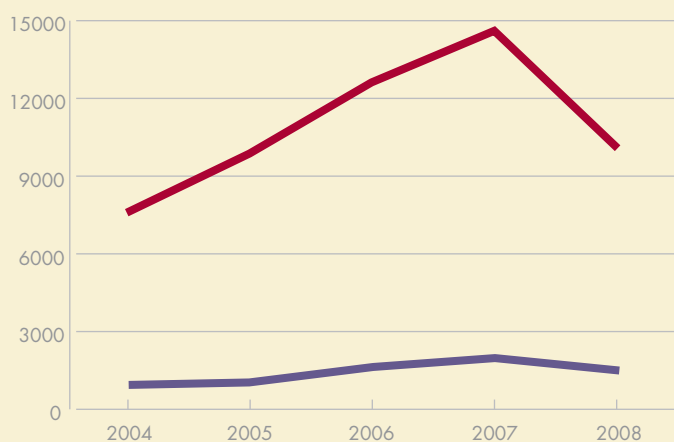
23% of Irish investments are in equities (down from 50% in 2007), with 10% in gilts (up marginally 9.5% at the end of 2007). Cash increased from 17% in 2007 to 33% at the end of 2008, reflecting the uncertainty besetting investment markets as a result of the economic crisis. Property holdings increased marginally from 16% to 17%.

53% of the foreign holdings are equities at the end of 2008 (65% in 2007). The second largest foreign asset class is gilts at 39% (up from 29% in 2007). The proportion of foreign holdings invested in property decreased from 5.4% in 2007 to 4.7% in 2008. The percentage invested in cash increased significantly from 0.3% in 2007 to 1.3%.

Market Trends 2004 – 2008

	2004 €m	2005 €m	2006 €m	2007 €m	2008 €m	Annual Change 2004 – 2008 %
Premium Income						
(Annual Premium Business)	3972	4127	4479	4563	4482	3.1
Premium Income						
(All Business)	7930	9739	12327	14594	10097	6.2
New Business						
· Annual Premiums	808	924	993	1179	1012	5.8
· Single Premiums	3957	5612	7848	10032	5615	9.1
· Annual Premium Equivalent (APE)	1204	1485	1777	2183	1573	6.9
Benefits & Claims	4370	4910	7964	9891	8688	18.7

Life Assurance Premium Income 2004 – 2008



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

Despite the fall in aggregate premium income in 2008, there is still an upward trend over 5 years, with growth of 6.2% p.a. for 2004 – 2008.

New annual premium business increased from €808m in 2004 to €1,179m in 2007, but this upward trend was reversed in 2008 and AP business fell 14% to €1,012m.

New single premium business, which steadily increased by an average of 36% annually during the four-year period between 2004 – 2007, fell 44% from €10,032m in 2007 to €5,615m in 2008, an annualised growth rate of only 9.1% over the five-year period.

Similarly new business on an Annual Premium Equivalent (APE) had been showing steady growth for the four-year period between 2004 – 2007, but this was reversed in 2008 with a 28% fall from €2,183m in 2007 to €1,573m in 2008, equivalent to growth of 6.9% p.a. over 5 years.

Benefits and claims paid between the years 2004 – 2007 increased by an average of 31% per annum from €1,204m to €2,183m. Benefits and claims paid fell 12% on 2007 (€9,891m) to €8,688m in 2008, for 5 – year growth of 18.7% p.a.

Investments (by Type) % of Total Value

Asset Category	2004	2005	2006	2007	2008
Equities ¹	52.6	58.4	63.0	58.4	43.4
Gilts ²	29.0	23.7	20.5	20.6	29.8
Property ³	7.1	7.4	9.9	10.0	8.7
Cash	8.1	8.5	5.2	7.7	11.4
Other	3.2	2.0	1.4	3.3	6.7
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

Investment in equities, as a proportion of total policyholders' funds increased between 2004 and 2006, but fell back from 63% in 2006 to 43.4% in 2008. Gilts dropped from 29% of total investment in 2004 to less than 21% in 2006/07, but rose again to 29.8% in 2008. The relative value of property assets rose steadily from 7.1% in 2004 to 10% in 2007, but has fallen to 8.7% in 2008. Cash holdings have risen and fallen over the 5 – year period, but reached a 5 – year high at the end of 2008 (11.4%).

Investments (by Location) 2004 – 2008

% of total value	2004	2005	2006	2007	2008
In Ireland	44.1	42.1	43.5	43.4	32.4
Outside Ireland	55.9	57.9	56.5	56.6	67.6

The trend of an increasing proportion of policyholders' funds being invested outside Ireland continued in 2008. Approximately two – thirds of assets by value are now foreign, with just under one – third of total funds invested in Ireland at the end of 2008.

IIF Life Assurance Members' Foreign New Business 2004 – 2008 €m

		Annual Premium	Single Premium	A.P.E.
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
2007	EU	91.9	7148.0	806.7
	Non EU	1.0	371.9	38.2
	Total	92.9	7519.9	844.9
2008	EU	61.0	5213.7	582.4
	Non EU	0.4	97.5	10.2
	Total	61.4	5311.2	592.5
Annualised Change % (APE)	EU			11.6%
2004–2008	Non EU			–32.5%
	Total			8.6%

IIF's life assurance members wrote foreign annual premium business of €61.4m in 2008, a decrease of 34% on 2007 (€93m), although still significantly above 2004 levels. Over the five years 2004 – 2008, foreign AP business has increased by an annual average of 33%.

The bulk of foreign life business is single premium investment business. Last year, new single premium business fell 29% to €5,311m. This figure is lower than for any year since 2004 (€4,056m).

New Annual Premium Equivalent (APE) sales dropped 30% from €845m in 2007 to €592m in 2008. Over the five years from 2004 to 2008, APE sales grew by an average 8.6% p.a. whilst sales within the EU increased strongly by an annual average of 11.6%, the smaller sector of extra – EU foreign business has fallen by nearly 33% per annum.

Appendix I

IIF Life Members' Gross Premium Income 2008

Companies	Life Business			Pensions Business		Total €'000
	Annual Premiums €'000	Single Premiums €'000	Industrial Branch €'000	Annual Premiums €'000	Single Premiums €'000	
Acorn Life	53116	10850	0	27360	4044	95370
Anglo Irish	0	78709	0	5193	45491	129393
Bol Life *	637992	869989	1674	291055	545142	2345852
Caledonian Life	47946	54619	0	3412	661	106638
Canada Life	103851	40564	0	136122	235161	515698
Combined Life ~	266	- 430	0	84	0	- 80
Danica Life	53	73	0	0	0	126
Friends First Life	113454	24923	0	155081	208420	501878
Genworth Financial	0	3394	0	0	0	3394
Hibernian Aviva #	335965	454960	0	420027	473015	1683967
Irish Life	566685	403454	0	886145	861974	2718258
Phoneix Ireland ^	15912	20844	0	14677	1293	52726
Quinn Life-Direct	5620	6294	0	5532	6479	23925
Royal Liver Assurance	18636	0	31593	4154	526	54909
Standard Life	23530	25022	0	116314	382497	547363
Zurich Life	180191	112891	0	280265	744307	1317654
Total	2103217	2106156	33267	2345421	3509010	10097071

* Bank of Ireland Life (including New Ireland Assurance)

~ Negative figures represent refunds on Single Premium Business in a run - off situation

including Ark Life

^ formally Scottish Provident

Non-Life Insurance Market 2004 – 2008

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 2008, 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 2008 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.

Gross and Net Premium

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.

Written and Earned Premium

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 2008, the written premium for 2008 will be €500, and so will the earned premium. But if the same policy is issued on 1st July 2008, 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 2009 earned premium. This is because half of the premium is in respect of the exposure to loss during the first half of 2009.

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 supervisory control by the Financial Regulator 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.

2008 Key Non-Life Statistics

CLASS	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 Written €	Net Written Premiums €	Net € m					
Private Motor	1007.6	973.8	1010.6	841.3	241142	-52.9	93.2	40.3
Comm. Motor	413.0	391.4	413.5	251.9	80486	72.9	38.6	111.5
All Motor	1420.6	1365.2	1424.1	1093.2	321628	20.0	131.8	151.8
Household	543.7	473.0	470.8	492.6	153357	-174.3	13.0	-161.3
Comm. Property	434.3	335.3	342.6	249.2	42011	-4.4	-12.6	-17.0
All Property	978.0	808.3	813.4	741.8	195368	-178.7	0.4	-178.3
Employer's Liability	254.4	229.1	250.6	82.1	7071	105.0	8.6	113.6
Public Liability	343.0	300.2	318.5	158.7	17627	75.1	-16.9	58.2
All Liability	597.4	529.3	569.1	240.8	24698	180.1	-8.3	171.8
PA/Travel	72.9	54.0	54.8	8.0	11165	27.9	1.2	29.1
Other Business	264.7	144.7	164.9	42.6	53024	44.3	9.0	53.3
TOTAL	3333.6	2901.5	3026.3	2126.4	605883	93.6	134.1	227.7

Overview of Non-Life Results for 2008

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 €3,334m in 2008 compared to €3,611m in 2007 (a decrease of 7.7%). Premium income decreased across all classes of business, however employer's liability insurance (-18.2%), commercial motor (-11.7%) and public liability insurance (-9.9%) experienced the largest falls. Motor insurance remains the largest class of non-life insurance at almost €1,421m (43% of all non-life business). Property is the second largest class of non-life business (29%).

Net written premiums (i.e. total premiums after reinsurance costs have been deducted) were €2,901m, a decrease of 7.8% on 2007.

Net earned premiums were €3,026m in 2008 (down 5.4% on 2007).

The number of new claims notified to IIF members rose significantly in 2008 to 605,883 from 532,734 in 2007, representing an increase of almost 14%. 53% of new claims were motor claims while 32% were made on property insurance policies (household and commercial property).

Net incurred claims costs increased significantly by 23.3% to €2,126m leading to a reduced net underwriting profit in 2008 of €94m. The combined operating profit of the 22 companies in the non-life market was €228m for 2008, down 79% on 2007.

Motor Insurance

Gross written premium for motor insurance was €1,421m in 2008, down 8% from €1,544m in 2007. 71% of motor insurance premiums were earned from the private motor insurance market with the remaining 29% derived from commercial motor business. Net earned motor premiums reduced 6.4% from €1,521m in 2007 to €1,424m in 2008.

The number of new motor claims notified during 2008 increased by 5.3% compared to 2007.

The net underwriting result, which was €348m in 2007 dropped by 94% to €20m.

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

between household (56% of premium income) and commercial property (44%). IIF members wrote gross property insurance premiums of €978m in 2008, down by 4.2% from the previous year. Net earned premium increased by 0.8% to €813m, net incurred claims rose by 53%, resulting in property insurers recording a loss of €178.7m compared with an underwriting profit of €75.4m in 2007. Although there was a small increase in net earned premium for household, there was a 57% increase in claims cost. This led to a significant underwriting loss and an increase in household insurance rates.

Liability Insurance

IIF members wrote gross liability premiums of €597.4m in 2008, down 13.6% from the previous year. Net earned premium decreased by almost 9.7%, from €630m in 2007 to €569m in 2008.

Net incurred claims dropped by over 14% in 2007. As a result, liability insurers made a net underwriting profit in this class of €180m in 2008, which is down from €200m in 2007.

Other Non-Life Lines

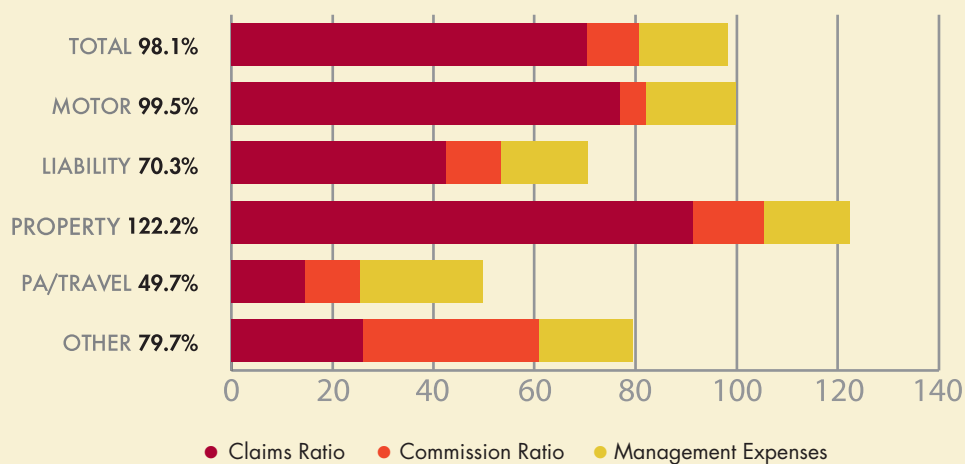
IIF members wrote €73m of personal accident and travel insurance in 2008 – a decrease of 1.4% on 2007. This class of business generated a net underwriting profit of €27.9m in 2008.

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 almost €265m in gross written premium to IIF members in 2008. These classes of business produced a net underwriting profit of €44.3m in 2008.

Investing Non-Life Premium Income

Non-life insurers' technical reserves are mainly invested in cash and gilts, with only approximately 12% 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 historically 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 2008 the IIF non-life market produced a net claims ratio of 70% in other words claims cost 70 cent out of every €1 earned in premium. The claims ratio varied between sectors: in motor insurance it increased from 58% in 2007 to 76.8% in 2008. The property claims ratio rose from 60% in 2007 to 91% in 2008. In contrast, the liability claims ratio declined from 45% in 2007 to 42.3% in 2008.
- 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 2008 was 10.2% (2007:9.9%). The net management expenses ratio for the non-life market in 2008 was 17.6% in comparison to 15.1% in 2007.
- The *net combined or operating ratio* combines the claims, commissions and management expenses ratios. The operating ratio for the non-life market, which had remained static at 79% for 2006 & 2007, rose significantly to 98% in 2008. In monetary terms this means that the non-life market made 1.9 cent profit on underwriting insurance for every €1 of premium in 2008.

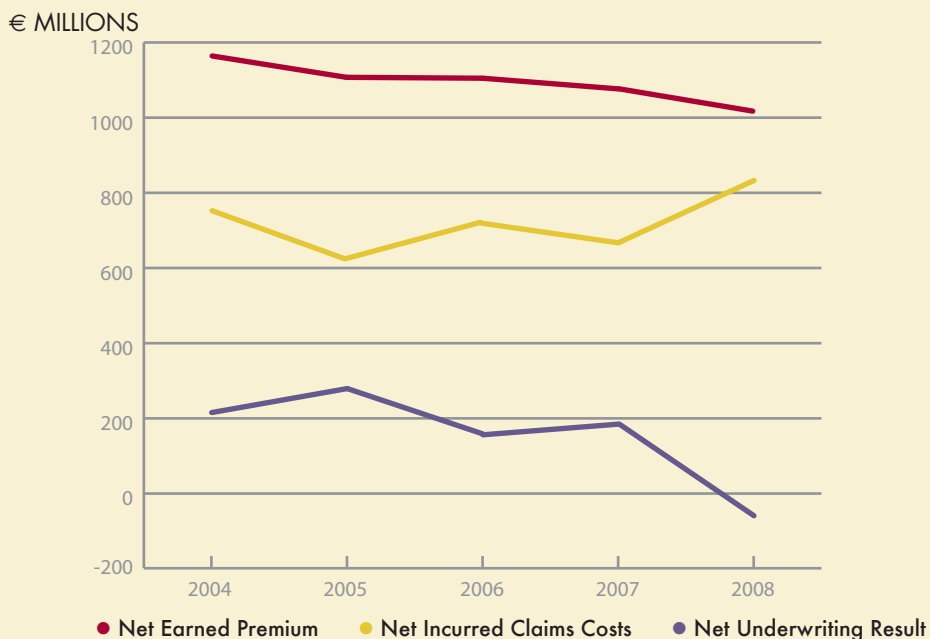
Non-Life Insurance Market Results 2004 – 2008

	Gross Written Premium €m	Net Underwriting Result €m	Investment Income €m	Operating Result €m	Profit:Premium %
2004	4319	689	375	1064	24.64%
2005	4099	802	420	1222	29.81%
2006	4179	718	391	1109	26.54%
2007	4018	704	369	1073	26.70%
2008	3334	94	134	228	6.84%
5 Years	19949	3007	1689	4696	23.54%

The data for 2004–2007 is taken from the Financial Regulator’s *Insurance Statistical Reviews* (2004 – 2007); and 2008 data – IIF. The Insurance Statistical Review (ISR) contains returns for all insurers. The data for 2008 is based on data supplied by IIF members. 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 (for all years). This explains the discrepancies between the first and main chart and the seven subsequent charts, which provide details by class of business.

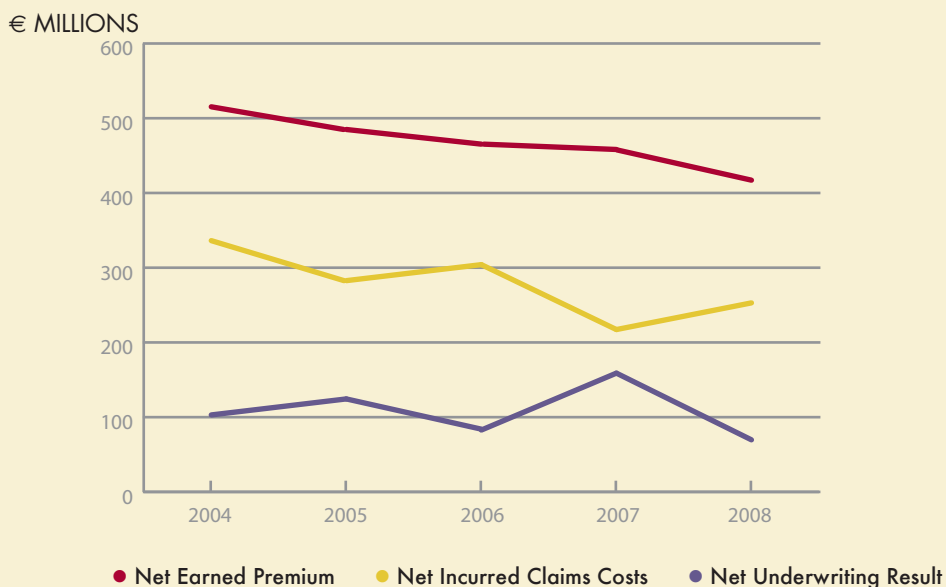
The chart illustrates the net underwriting result, investment income attributable to the underwriting account and the operating result for the non-life business market for the years 2004 to 2008. The underwriting result showed a reduction of 86.3%, dropping from €689m in 2004 to €94m in 2008. After investment income was taken into account, the 23 non-life insurers made a combined operating profit of €228m, a decrease of 78.7% on 2007.

Private Motor 2004 – 2008



Net Earned Premium (NEP) in the private motor market has been dropping since 2004 from €1,168m to €1,011m in 2008. Claims costs fluctuated up and down between the years 2004 – 2007 but the most significant rise occurred in 2008 when claims costs rose from €664m in 2007 to €841m, an increase of 26.6%.

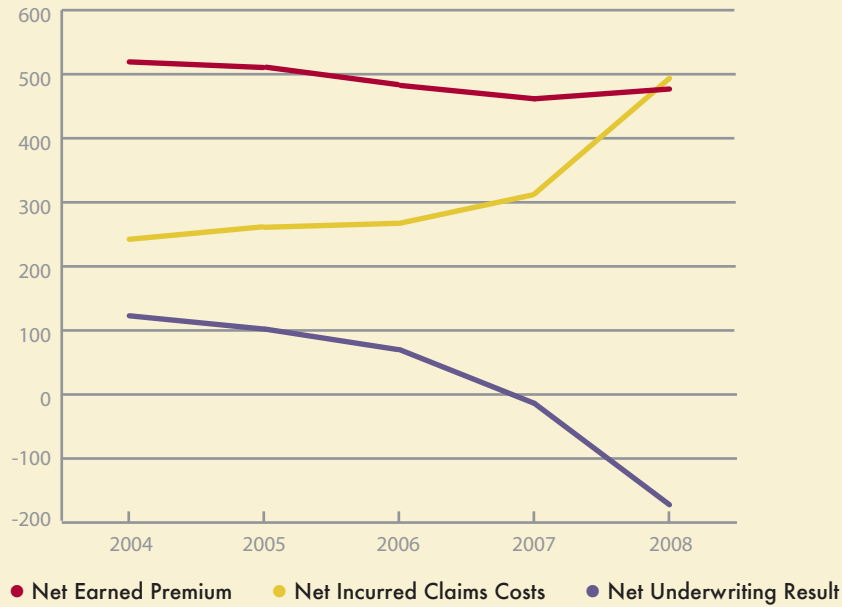
Commercial Motor 2004 – 2008



The size of the commercial motor insurance market in net earned premium terms decreased in the period from €515m in 2004 to €414m in 2008. Since 2004 underwriting profits have risen and fallen year to year. Underwriting profits peaked at €160m in 2007 but dropped sharply to €73m in 2008 – a fall of 54%.

Household 2004 – 2008

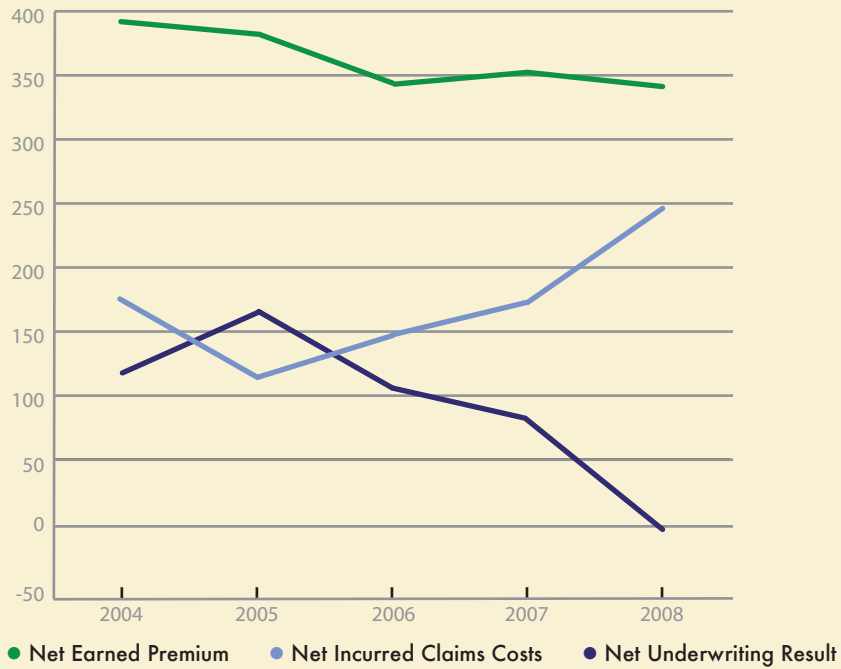
€ MILLIONS



Net earned premium for household insurance has fallen steadily from €518m in 2004 to €457m in 2007, but increased in 2008 to €471m. The net underwriting result for household insurance fell from a profit of €124m in 2004 to a loss of €174m in 2008. Net incurred claims costs in household insurance have been rising since 2004 and over the 5-year period as a whole have increased from €247m in 2004 to €493m in 2008. The most notable increase during this period is the 57% rise in claims costs from €314m in 2007 to €493m in 2008. Household claims arising from the August 2008 floods accounted for €48m of this.

Commercial Property 2004 – 2008

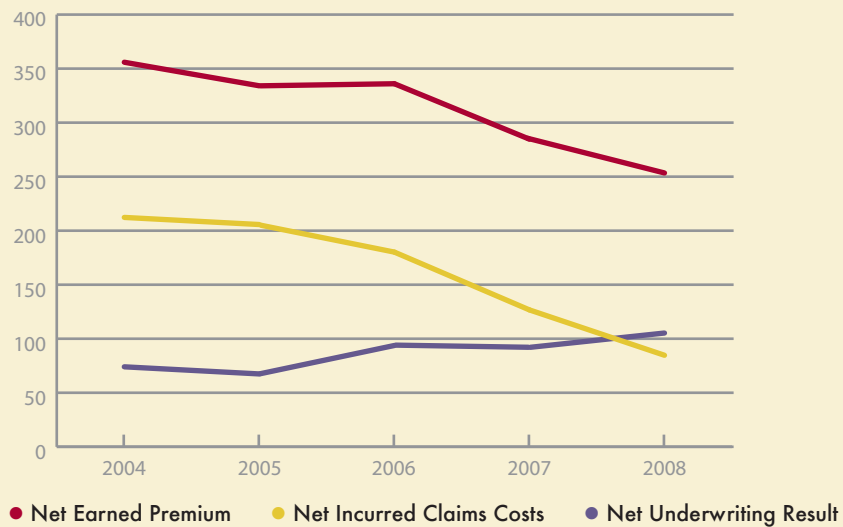
€ MILLIONS



The upward trend in the net underwriting profit for insurers of commercial property since 2004 was reversed in 2006 and continued to fall to a loss of €4m. Net incurred claims costs have risen steadily since 2005, rising by 46% between 2007 and 2008. Commercial property claims arising from the August 2008 floods amounted to €42m.

Employer's Liability 2004 – 2008

€ MILLIONS

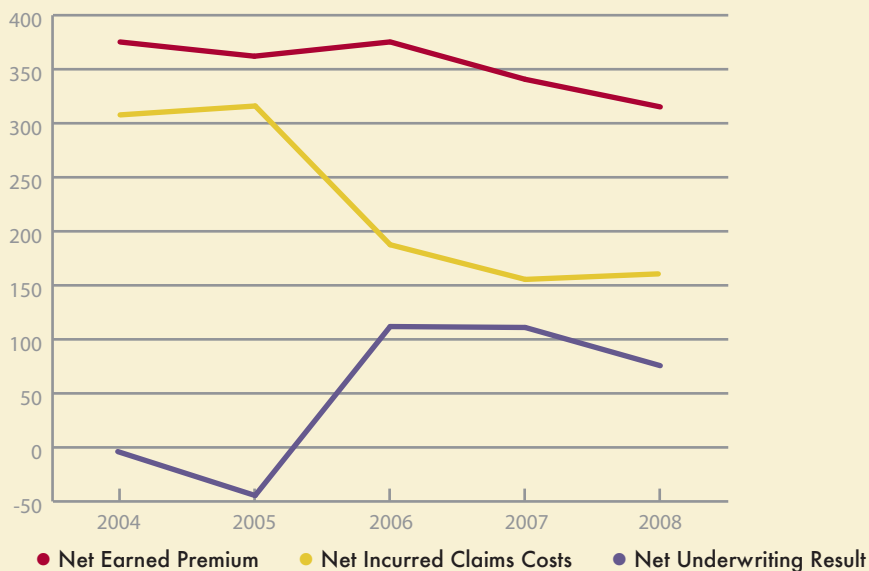


Net earned premium decreased from €353m in 2004 to €251m in 2008. Net incurred claims costs have fallen substantially during this period, from €216m in 2004 to €82m in 2008.

The underwriting profit fell during the period 2004 – 2005, but has continued to improve since then to an underwriting profit of €105m in 2008.

Public Liability 2004 – 2008

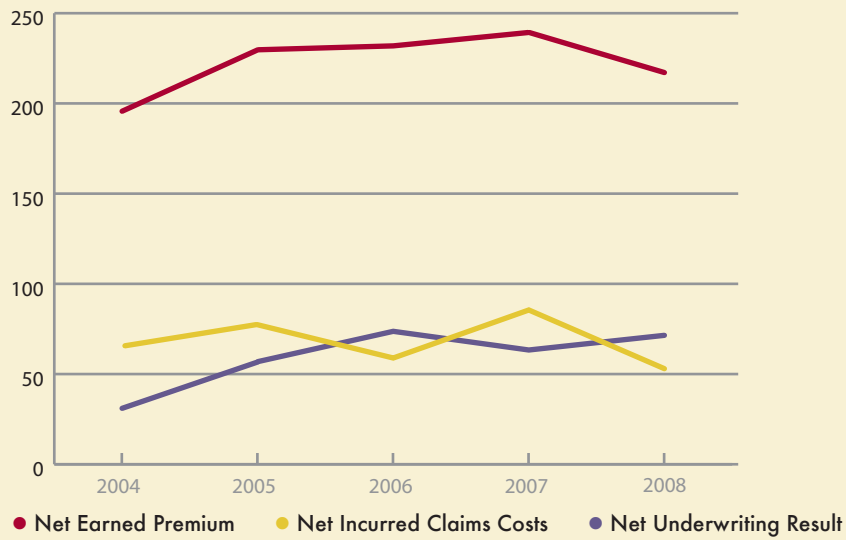
€ MILLIONS



Net earned premium fell between 2004 and 2005, rose by 5% in 2006, fell again in 2007 and reached a five year low of €319m in 2008. Net incurred claims costs have nearly halved during this five year period, reaching a low of €154m in 2007 but increasing slightly to €159m in 2008. The net underwriting profit for 2008 was €75m, a 31% decrease from the previous year's profit.

Other Classes 2004 – 2008

€ MILLIONS



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 €72m in 2008. Net incurred claims costs increased to €81m in 2007 (up 39% on 2006), and decreased by 37% to €51m in 2008.

Appendix II

IIF Non-Life Member's Gross Written Premium 2008*

Company €'000	Motor	Property	Liability	PA/Travel	Other Classes	Total
ACE	1121	6092	15034	16641	4900	43788
AIG Ireland	37163	23163	37285	15876	49819	163306
Allianz	116787	166400	76419	2793	19652	382051
AXA	261111	69404	0	3043	0	333558
Cardif Pinnacle	0	0	0	259	9437	9696
Combined	0	0	0	0	73460	73460
DAS	0	0	0	0	6766	6766
DeCare	0	0	0	6671	0	6671
Ecclesiastical	6	5126	2771	28	305	8236
FBD	182435	126605	71106	4868	624	385638
Genworth Financial	0	0	0	0	43226	43226
HCC International	0	0	0	0	7056	7056
Hibernian Aviva	307975	209581	110718	4196	6427	638897
Irish Public Bodies	8182	23601	73884	0	245	105912
London General	0	938	- 84	0	32673	33527
MAPFRE	0	0	0	2176	2983	5159
New Technology	0	6124	0	0	0	6124
Quinn Insurance	266786	31700	75479	0	0	373965
RSA	79118	189207	58213	15540	4706	346784
Travelers	15664	10983	27697	0	0	54344
Zurich	136633	105519	46121	819	2300	291392
Zurich ROI Branch	7601	3517	2696	0	170	13984
Total	1420582	977960	597339	72910	264749	3333540

* excludes health insurance

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Disclaimer

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