

IRISH
INSURANCE
FEDERATION
10
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 14,300 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 2010 is part of a series published by the IIF annually, providing the key facts and figures on the insurance industry in Ireland. This is the eighteenth 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 2009 and for the five-year period 2005–2009. The data is derived from data collected from members of the IIF unless otherwise indicated.

Contents

- 4** Executive Summary
- 6** The Irish Insurance Market – A Comparative Overview
- 11** Life Assurance & Pensions Market 2005–2009
- 22** Non–Life Insurance Market 2005–2009

Executive Summary

The Irish insurance Market – A Comparative Overview

- Gross insurance premium income for life and non-life insurance combined was €12,470m in 2009, compared to €13,431m in 2008 – a fall of 7.1%.
- Premium income as a percentage of GDP was 7.5% (up from 7.4%). Premiums per capita decreased by 9.2% from €3,052 in 2008 to €2,771 in 2009.
- The capital values of assets in many investment areas increased in 2009: assets comprising life policyholders' funds and non-life technical reserves increased by 7.9%, to over €78 billion at the end of the year.
- The insurance sector is a major employer in the Irish economy. IIF member insurance companies employed over 14,300 people in Ireland as at the end of December 2009.

Life Assurance and Pensions Market

- IIF's life assurance members' aggregate domestic premium income was €9,346m for 2009, which is a reduction of 7.4% on the previous year (€10,097m).
- New annual premium (AP) business was €611m, down 39.6 % from €1,012m in 2008.
- A decrease of 3.4% was recorded for new single premium (SP) business in 2009 (€5,424m).
- New business Annual Premium Equivalent (AP sales + 10% of SP sales) fell 27% to €1,154m compared with €1,573m in 2008.
- €8,576m in benefits and claims was paid by domestic life assurance companies during 2009, a decrease of 1.3% on 2008.
- The total value of life assurance protection in force at the end of 2009 was estimated at €400.1bn, compared to €382.7bn at the end of 2008, which is an increase of just over 4.5%. The aggregate value of policyholders' funds managed by IIF life members increased by 10% to €70,015m (following a decrease of 22% from 2007–2008). The value of equity investments increased 27% from €27,699m in 2008 to €35,224m in 2009. Equities represented 50.3% of total policyholders' funds at 31/12/09, compared to 43.4% at the end of 2008. The value of life assurance funds invested in gilts decreased by 1.3% to €18,733m in 2009, and now represents 26.8% of life assurance investments.

- Cash holdings dropped slightly from 11.5% of the total value of policyholders' funds in 2008 to 11% (€7,717m) in 2009. Property assets fell 27% to €4,005m in 2009, from €5,522m in 2008, and now represent 5.7% of total investments.
- IIF's life assurance members wrote foreign annual premium business of €81.7m in 2009, an increase of 33% on 2008 (€61.4m). Over the 5 years 2005–2009, foreign AP business has increased by an annual average of 28%.

Non-Life Insurance Market

- IIF's 22 domestic non-life members write in excess of 95% of Irish non-life insurance business in the established market. Combined, IIF members wrote gross premiums of €3,123m in 2009 compared to €3,334m in 2008 (a decrease of 6.3%). Premium income decreased across almost all classes of business. Employer's liability (-18.3%), commercial motor (-12.7%) and commercial property insurance (-11.6%) experienced the largest falls.
- Motor insurance remains the largest class of non-life insurance at almost €1,333m (43% of all non-life business). Property is the second largest class of non-life business (30%).
- Net written premiums (i.e., total premiums after reinsurance costs have been deducted) were €2,726.5m, a decrease of 6% on 2008. Net earned premiums were €2,808m in 2009 (down 7.2% on 2008).
- The number of new claims notified to IIF members rose by 3.1% in 2009 to 624,967. 51% of new claims were motor claims while 33% were made on property insurance policies (household and commercial property).
- Net incurred claims costs increased by 6% to €2,254m leading to a net underwriting loss in 2009 of €179m. After investment income is added, the market made an operating profit of €135m, down 41% on 2008.

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 (2005–2009) 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

2009 Premium Income – Life and Non-Life

	Life	Non-Life	Total
Gross Premium Income (€m)	9346.4	3123.2	12469.6
Premium Income: GDP (%)	5.62	1.88	7.50
Premiums per capita (€)	2077	694	2771
Investments* (€m)	70015	8742	78757

* Policyholders' funds (life assurance) and Technical Reserves (non-life) at 31st December 2009.

Gross insurance premium income for life and non-life insurance combined was €12,470m in 2009, compared to €13,431m in 2008 – a fall of 7.1%. Premium income as a percentage of GDP was 7.5%. Premiums per capita decreased by 9.2% from €3,052 in 2008 to €2,771 in 2009.

The capital values of assets in many investment areas increased in 2009: assets comprising life policyholders' funds and non-life technical reserves increased by 7.8%, to just over €78 billion at the end of the year.

IIF Members' Gross Premium Income 2005 – 2009 (€m)

Year	Life €m	Non-Life €m	Total €m
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
2009	9346.4	3123.2	12469.6

Life gross premium income increased from €9,739m in 2005 to €14,594m in 2007 but fell to €9,346m in 2009. Non-life gross written premium declined from €3,841m in 2005 to €3,123m in 2009.

Gross Insurance Premium Income and Gross Domestic Product 2005–2009 (€m)

Year	Gross Insurance Premium Income €m	GDP €m	Premium Income: GDP %
2005	13579.7	161498	8.4%
2006	16150.1	174705	9.2%
2007	18205.1	187971	9.7%
2008	13430.5	179989	7.5%
2009	12469.6	166345	7.5%

Market combined life and non-life premium income rose by 34% from €13,580m in 2005 to €18,205m in 2007, but declined to €12,470m in 2009. Premium income as a percentage of GDP fluctuated over the 5 years from 2005 to 2009 but levelled out at 7.5% in 2009.

Life and Non-Life Premiums as a Percentage of GDP for Ireland 2005–2009

Year	Life Premium as % of GDP	Non-Life Premium as % of GDP	Total %
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
2009	5.6	1.9	7.5

Life premiums as a percentage of GDP rose from 6.2% in 2005 to 7.8% in 2007, but dropped to 5.6% in both 2008 and 2009. Non-Life premiums as a percentage of GDP fell each year from 2005 to 2008, but rose slightly in 2009 from 1.8% to 1.9%.

Year End Value of Investments

	2005 €bn	2006 €bn	2007 €bn	2008 €bn	2009 €bn	% Change p.a.
Life	68.823	80.521	82.342	63.818	70.015	0.4
Non-life	10.066	10.469	10.174	9.216	8.742	-3.5
Total	78.889	90.990	92.516	73.034	78.757	-0.04

The value of life policyholders' funds fell back sharply in 2008 but overall grew to €70bn in 2009, an annual average growth rate of 0.4% over the period 2005–2009. Non-life technical reserves fell to €8.7bn in 2009.

The total value of life and non-life assets increased from 2005 to 2007, fell 21% in 2008 but increased again by 7.8% to €78.7bn in 2009

Life Assurance Benefits and Claims Paid 2005–2009

Year	Amount €m
2005	4910
2006	7964
2007	9891
2008	8688
2009	8576

€8,576m was paid out by life assurance companies in benefits and claims in 2009. 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 2005–2009

Year	Gross Earned Premium €m	Gross Incurred Claims €m
2005	3931	2066
2006	3859	2032
2007	3683	1858
2008	3472	2342
2009	3219	2584

The downward trend in gross earned premium for non-life insurance continued during this five year period and stood at €3,219m in 2009.

Gross incurred claims followed a similar downward trend from 2005–2007 but the trend reversed in 2008, and claims costs continued to increase in 2009 (to €2,584m).

Employment in Insurance Companies in Ireland as at 31st December 2009

Life	5025
Non-Life	9279
Total	14304

The insurance sector is a major employer in the Irish economy. IIF member companies employed over 14,300 people in Ireland as at the end of December 2009. In addition significant numbers are employed in the wider insurance industry e.g. in broking, loss adjusting and assessing, and in outsourced service providers.

IRISH INSURANCE MARKET IN AN INTERNATIONAL CONTEXT

Clearly the unprecedented conditions in the later half of 2009 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 2009

	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	0.07	0.39	1.52	0.53	1.1	8.90	4515.7
EU	7.30	28.26	38.89	33.15	36.44	8.42	2774.6
OECD	17.49	69.89	84.85	87.57	85.26	8.2	2808.4
Europe	11.83	34.11	40.9	37.88	39.61	7.58	1861.5
America*	13.43	33.54	24.86	44.38	33.19	6.91	1470.2
Asia	59.44	27.90	31.41	14.83	24.33	6.08	243.1
Oceania	0.53	1.85	1.44	1.94	1.65	6.24	1862.9
Africa	14.77	2.60	1.40	0.96	1.21	3.26	48.8
World	100	100	100	100	100	7.0	595.1

Figures are rounded USD

Sources: Swiss Re Sigma No 2/2010; CSO; CIA's – The World Factbook and IIF

*Includes Latin America and Caribbean

The Irish insurance market is set in both a European and a global context in the above table. 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 2009 in Selected Advanced Industrialised Countries

Countries	Premium Per Capita 2009 (USD)
Netherlands	6554.6
Switzerland	6257.6
Denmark	5528.9
Luxembourg	5226.9
United Kingdom	4578.8
Ireland	4515.7
France	4269.1
Finland	4253.0
Japan	3979.0
United States	3710.0
Sweden	3540.0
Belgium	3494.0
Germany	2878.4
Australia	2832.7
Italy	2729.1
Spain	1801.8

Source: Swiss Re Sigma No 2/2010

The premium spent per capita for 2009 in Ireland is compared to some other advanced industrialised countries in the above table. The figure for Ireland of US\$4,516 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 2005–2009

Glossary of Life Assurance Terms

Annual/Regular Premium Policy

A policy under which 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 new life and pensions 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 a broker or agent who advises 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, purchases retirement benefits for the policyholder at retirement).

2009 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	160.1	1834.9	343.6	1485.9	3320.8
Pension Scheme Business	289.8	1922.1	482.0	1581.5	3503.6
Self-employed Pensions (Incl. PRSAs)	123.3	1666.8	290.0	652.8	2319.6
Permanent Health Insurance	38.0	0.0	38.0	178.3	178.3
Industrial Branch Business	0.0	0.0	0.0	24.1	24.1
Total	611.2	5423.8	1153.6	3922.6	9346.4

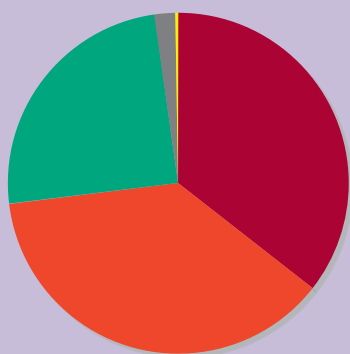
IIF's life assurance members' aggregate domestic premium income was €9,346m for 2009, which is a reduction of 7.4% on the previous year (€10,097m).

New annual premium (AP) business was €611m, down 39.6 % from €1,012m in 2008.

A decrease of 3.4% was recorded for new single premium (SP) business in 2009 (€5,424m).

New business Annual Premium Equivalent (AP sales + 10% of SP sales) fell 27% to €1,154m compared with €1,573m in 2008.

Life Assurance Gross Premium Income 2009 (by type of Policy)



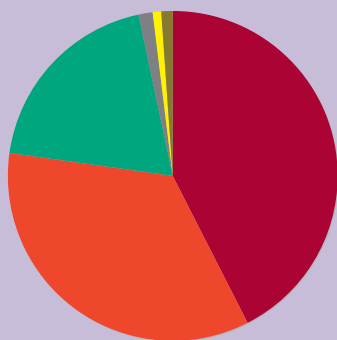
- **Individual Assurances and Annuities €3,320.8m (35.5%)**
- **Pension Scheme Business €3,503.6m (37.5%)**
- **Self-Employed Pensions & Associated Business (Incl. PRSAs) €2,319.6m (24.8%)**
- **Permanent Health Insurance (PHI) €178.3m (1.9%)**
- **Industrial Branch (IB) Business €24.1m (0.3%)**

Pension scheme business (37.5%) and individual assurances and annuities (35.5%) continue to be the two main segments of life assurance gross premium income.

Significant growth was reported in the self-employed pensions & associated business (including PRSAs) segment, which increased from 17.6% in 2008 to 24.8% in 2009.

Premium income from permanent health insurance (PHI) as a percentage of life assurance gross premium income remained static at 1.9%. Similarly industrial branch business in 2009 remained at the same at 0.3%.

Life Assurance Benefits & Claims Paid 2009 (by type of policy)



- **Individual Assurances & Annuities €3,636.9m (42.4%)**
- **Pension Scheme Business €2,995.7m (34.9%)**
- **Self-Employed Pensions & Associated Business €1,655.8m (19.3%)**
- **Permanent Health Insurance (PHI) €114.1m (1.3%)**
- **Industrial Branch (IB) Business €83.9m (1.0%)**
- **Critical Illness €89.5m (1.0%)**

€8,576m in benefits and claims was paid by domestic life assurance companies during 2009, a decrease of 1.3% on 2008. These payments and benefits cover a wide range of products, which take a number of forms: for example, one-off lump sum payments to policyholders in the event of serious illness; or in the case of pensions, the payment of regular incomes to policyholders/beneficiaries.

The majority of claims were paid under individual assurance/annuity contracts (42.4%, down from 58.8% in 2008) and pension schemes (34.9%, up from 26.9% in 2008) followed by self-employed pensions and associated business (19.3%, up from 11.1% in 2008). The most notable rise in benefits and claims paid out was in self-employed pensions and associated business which increased 71% from €968m in 2008 to €1,656m in 2009, and pension scheme business which increased 28% year on year. There was also a 19% rise in critical illness payouts (to €89.5m).

The total value of life assurance protection in force at the end of 2009 was estimated at €400.1bn, compared to €382.7bn at the end of 2008, which is an increase of just over 4.5%

Benefits and Claims By Type (€m)

Surrenders and Maturities	7331.9
Death / Critical Illness Claims	772.0
Annuities	472.0
Total	8575.9

The above table provides a breakdown of benefits and claims by type:

- The largest category is benefits paid on policy surrenders and maturities, with €7,332m paid in 2009, (a decrease of 1.6% on 2008). This category represents nearly 85% of total payments made last year.
- Death and critical illness claims under protection contracts amounted to €772m, down 2% on 2008; and
- Annuity payments totalled €472m in 2009, up 6% on 2008.

Sources of Life Assurance Business 2009

		Brokers %			Agents %			Tied Agents %			Employee & Company Representatives %			Direct %		
		'07	'08	'09	'07	'08	'09	'07	'08	'09	'07	'08	'09	'07	'08	'09
Annual Premium	Life	9	8	11	2	2	2	4	3	8	9	6	5	5	3	1
	Pensions	46	45	54	2	3	1	4	4	7	10	10	8	9	15	3
	Total	55	53	65	4	5	3	8	7	15	19	16	13	14	18	4
Single Premium	Life	19	10	5	2	1	1	5	2	4	12	8	7	23	30	18
	Pensions	21	34	45	1	1	1	2	2	4	2	2	2	14	8	14
	Total	40	44	50	3	2	2	7	4	8	14	10	9	37	38	32

The above table provides a breakdown of the proportion of new business written through the various sales channels. Brokers' new business market share increased significantly by 12 percentage points (having reduced by 2 percentage points in 2008 to 53%) for annual premium (AP) business, and by 6 percentage points for single premium (SP) business, to 50% in 2009.

Both brokers' AP and SP pensions business increased: AP pensions business increased 8 percentage points between 2007–2009 and SP pensions business increased 24 percentage points for the same period. AP for life business increased 2 percentage points between 2007–2009, but SP life business fell 14 percentage points for the same period.

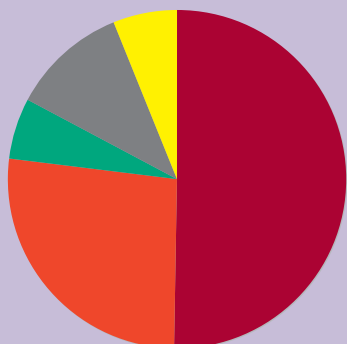
Life office employees and company representatives (direct sales forces) saw their share of AP drop 3 percentage points to 13%, with their share of SP business also dropping 1 percentage point to 9%.

Direct sales other than through employed salespeople (e.g. telephone, internet and direct response sales) dropped significantly from 18 percentage points to 4 percentage points for AP. SP direct sales also dropped 6 percentage points to 32%.

Independent agents' AP business dropped from 5% to 3% in 2009, while their SP business remained at 2%.

The percentage of AP business written through tied agents increased from 7% to 15%, while SP business written via tied agents increased from 4% in 2008 to 8% in 2009.

Life Assurance Investments 2009 (Policyholders' Funds)



- **Equities €35,224m (50.3%)**
- **Gilts €18,733m (26.8%)**
- **Property €4,005m (5.7%)**
- **Cash €7,717m (11%)**
- **Other €4,336m (6.2%)**

The aggregate value of policyholders' funds managed by IIF life members increased by 10% to €70,015m (following a decrease of 22% from 2007–2008). The value of equity investments increased 27% from €27,699m in 2008 to €35,224m in 2009. Equities represented 50.3% of total policyholders' funds at 31/12/09, compared to 43.4% at the end of 2008.

The value of life assurance funds invested in gilts decreased by 1.3% to €18,733m in 2009, and now represents 26.8% of life assurance investments.

Cash holdings dropped slightly from 11.5% of the total value of policyholders' funds in 2008 to 11% (€7,717m) in 2009.

Property assets fell 27% to €4,005m in 2009, from €5,522m in 2008, and now represent 5.7% of total investments.

Investments (Policyholders' funds) By Type & Location 2009

	Irish €m	Foreign €m	Total €m
Equities ¹	7804	27420	35224
Gilts ²	5657	13076	18733
Property ³	1984	2021	4005
Cash	6755	962	7717
Other	3214	1122	4336
Total	25414	44601	70015

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. 36% of investments were in Ireland in 2009 compared to 32% the previous year. The value of domestic investments at the end of 2009 was €25,414m (up 23% on 2008). Foreign investments increased 3% in 2009 to €44,601m.

31% of Irish investments are in equities (up from 23% in 2008). Cash decreased from 33% in 2008 to 26.6% in 2009, with 22% in gilts (up from 10% at the end of 2008). Property holdings dropped from 17% to 8%.

61% of the foreign holdings are equities (53% in 2008). The second largest foreign asset class is gilts at 29% (down from 39 in 2008). The proportion of foreign holdings invested in property decreased from 4.7% to 4.5% in 2009. The percentage invested in cash increased from 1.3% in 2008 to 2.2% in 2009.

Market Trends 2005 – 2009

	2005 €m	2006 €m	2007 €m	2008 €m	2009 €m	Annual Change 2005 – 2009 %
Premium Income						
(Annual Premium Business)	4127	4479	4563	4482	3923	-1.3
Premium Income						
(All Business)	9739	12327	14594	10097	9346	-1.0
New Business						
· Annual Premiums	924	993	1179	1012	611	-9.8
· Single Premiums	5612	7848	10032	5615	5424	-0.8
· Annual Premium Equivalent (APE)	1485	1777	2183	1573	1154	-6.1
Benefits & Claims	4910	7964	9891	8688	8576	15.0

Life Assurance Premium Income 2005 – 2009



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

There was a downward trend in aggregate premium income over the five year period 2005–2009 resulting in negative growth of –1.3% p.a. for this period.

New annual premium business increased from €924m in 2005 to €1,179m in 2007, but this upward trend was reversed in 2008 when AP business fell 14% on 2007 and continued to fall another 40% to €611m in 2009.

New single premium business, which increased from 2005–2007, fell 44% from €10,032m in 2007 to €5,615m in 2008 and fell a further 3% in 2009. On an annualised basis, new SP business contracted slightly at –0.8% p.a. over the 5–year period.

Similarly new business on an Annual Premium Equivalent (APE) basis had been showing steady growth from 2005–2007 but fell 28% from 2007 to 2008 and fell a further 27% from 2008 to 2009, equivalent to a reduction of –6.1% p.a. over 5 years.

Benefits and claims paid increased year on year until 2007 and then fell, by 12% in 2008 and by a further 1% last year. However, over 5 years annual claims payments grew by 15% p.a.

Investments (by Type) % of Total Value

Asset Category	2005	2006	2007	2008	2009
Equities ¹	58.4	63.0	58.4	43.4	50.3
Gilts ²	23.7	20.5	20.6	29.8	26.8
Property ³	7.4	9.9	10.0	8.7	5.7
Cash	8.5	5.2	7.7	11.4	11.0
Other	2.0	1.4	3.3	6.7	6.2
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 2005 and 2006, fell back from 63% in 2006 to 43.4% in 2008, but increased again in 2009 to 50.3%. Gilts dropped from 23.7% of total investments in 2005 to 20.6% in 2007. Having risen to 29.8% in 2008, gilts then fell again to 26.8% of total investments in 2009. Property assets, which had risen as high as 10% of the total in 2007 declined to 8.7% in 2008 and fell again to 5.7% by the end of 2009. Cash holdings rose from 2% in 2005 to 6.7% in 2008, before falling to 6.2% in 2009.

Investments (by Location) 2005 – 2009

% of total value	2005	2006	2007	2008	2009
In Ireland	42.1	43.5	43.4	32.4	36.3
Outside Ireland	57.9	56.5	56.6	67.6	63.7

Policyholders' funds invested outside Ireland declined in 2009. Approximately 64% of assets by value are now foreign, with just over one-third of total funds invested in Ireland at the end of 2009.

IIF Life Assurance Members' Foreign New Business 2005 – 2009 €m

		Annual Premium	Single Premium	A.P.E.
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
2009	EU	81.3	4608.2	542.1
	Non EU	0.4	181.8	18.6
	Total	81.7	4790.0	560.7
Annualised Change % (APE)	EU			-1.6%
2005–2009	Non EU			20.2%
	Total			-1.1%

IIF's life assurance members wrote foreign annual premium business of €81.7m in 2009, an increase of 33% on 2008 (€61.4m). Over the 5 years 2005–2009, foreign AP business has increased by an annual average of 28%.

The bulk of foreign life business is single premium investment business. New single premium business fell a further 10% to €4,790m in 2009.

New Annual Premium Equivalent (APE) sales dropped 5% to €560.7m in 2009. Over the five years from 2005 to 2009, APE sales declined by an average 1.1% p.a. Whilst sales within the EU decreased slightly by an annual average of 1.6%, the smaller sector of non-EU foreign business has risen sharply by nearly 20% per annum.

Appendix I

IIF Life Members' Gross Premium Income 2009

Companies	Life Business			Pensions Business		Total €'000
	Annual	Single	Industrial Branch	Annual	Single	
	Premiums €'000	Premiums €'000		Premiums €'000	Premiums €'000	
Acorn Life	50089	3322	0	20043	3261	76715
Anglo Irish	0	13860	0	0	27365	41225
Augura Life Ireland \$ ~	331	-38	0	79	0	372
Aviva #	297779	308581	0	328965	522967	1458292
Bol Life *	294671	502330	1674	500972	380573	1680220
Caledonian Life	46744	29902	0	3023	315	79984
Canada Life	97909	23762	0	95541	281120	498332
Danica Life	161	15562	0	622	405	16750
Friends First Life	113623	47755	0	137036	230686	529100
Genworth Financial	0	1455	0	0	0	1455
Irish Life	516986	434651	0	781206	806124	2538967
Phoenix Ireland ^	10756	36139	0	11630	1236	59761
Quinn Life-Direct	4072	2951	0	4872	6830	18725
Royal Liver Assurance	29846	0	22402	4390	700	57338
Standard Life	17338	35302	0	83880	504404	640924
Zurich Life	183864	379391	0	262055	822957	1648267
Total	1664169	1834925	24076	2234314	3588943	9346427

\$ formally Combined Life Assurance

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

including Ark Life

* Bank of Ireland Life (including New Ireland Assurance)

^ formally Scottish Provident

Non-Life Insurance Market 2005 – 2009

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 2009, 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 2009 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 throughout 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 2009, the written premium for 2009 will be €500, and so will the earned premium. But if the same policy is issued on 1st July 2009, 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 2010 earned premium. This is because half of the premium is in respect of the exposure to loss during the first half of 2010.

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.

2009 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 €	Net € m					
Private Motor	971.9	951.2	964.2	825.9	243411	-76.3	104.0	27.7
Comm. Motor	360.7	344.6	364.9	220.5	72707	68.2	47.3	115.5
All Motor	1332.6	1295.8	1329.1	1046.4	316118	-8.1	151.3	143.2
Household	560.5	489.5	463.0	487.3	159932	-174.6	26.4	-148.2
Comm. Property	384.0	295.2	307.5	241.2	44076	-22.7	22.6	-0.1
All Property	944.5	784.7	770.5	728.5	204008	-197.3	49.0	-148.3
Employer's Liability	207.8	185.5	204.6	94.1	8343	58.4	38.6	97.0
Public Liability	324.4	278.3	294.2	259.5	16841	-41.5	64.4	22.9
All Liability	532.2	463.8	498.8	353.6	25184	16.9	103.0	119.9
PA/Travel	65.2	53.3	56.4	25.9	11233	16.4	2.8	19.2
Other Business	248.7	129.0	153.4	100.0	68424	-6.6	8.0	1.4
TOTAL	3123.2	2726.6	2808.2	2254.4	624967	-178.7	314.1	135.4

Overview of Non-Life Results for 2009

IIF's 22 domestic non-life members write in excess of 95% of Irish non-life insurance business in the established market. Combined, IIF members wrote gross premiums of €3,123m in 2009 compared to €3,334m in 2008 (a decrease of 6.3%). Premium income decreased across almost all classes of business. Employer's liability (-18.3%), commercial motor (-12.7%) and commercial property insurance (-11.6%) experienced the largest falls.

Motor insurance remains the largest class of non-life insurance at almost €1,333m (43% of all non-life business). Property is the second largest class of non-life business (30%).

Net written premiums (i.e., total premiums after reinsurance costs have been deducted) were €2,726.5m, a decrease of 6% on 2008. Net earned premiums were €2,808m in 2009 (down 7.2% on 2008).

The number of new claims notified to IIF members rose by 3.1% in 2009 to 624,967. 51% of new claims were motor claims while 33% were made on property insurance policies (household and commercial property).

Net incurred claims costs increased by 6% to €2254m leading to a net underwriting loss in 2009 of €179m. After investment income is added, the market made an operating profit of €135m, down 41% on 2008.

Motor Insurance

Gross written premium for motor insurance was €1,333m in 2009, down 6.2% from €1,421m in 2008. 73% of motor insurance gross written premium is accounted for by private motor business with the remaining 27% derived from commercial motor business. Net earned motor premiums reduced 6.7% from €1,424m in 2008 to €1,329m in 2009.

The number of new motor claims notified during 2009 decreased by 1.7% compared to 2008.

The net underwriting result deteriorated from a profit of €20m in 2008 to a loss of €8.1m in 2009.

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 (59% of premium income) and commercial property (41%). IIF members wrote gross property insurance premiums of €944m in 2009, down by 3.4% from the previous year. Net earned premium decreased by 5.3% to €771m and net incurred claims cost fell by 1.8%. The property insurance market recorded a net underwriting loss of €197m in 2009 and, even after taking account of investment income attributable to the class, there was a substantial operating loss of €148m.

Liability Insurance

IIF members wrote gross liability premiums of €532m in 2009, down 10.9% from the previous year. Net earned premium decreased by 12.3%, from €569m in 2008 to €499m in 2009.

Net incurred claims increased by almost 47% in 2009 to €354m. Liability insurers made a net underwriting profit of €17m in 2009, which is down 91% from €180m in 2008.

Other Non-Life Lines

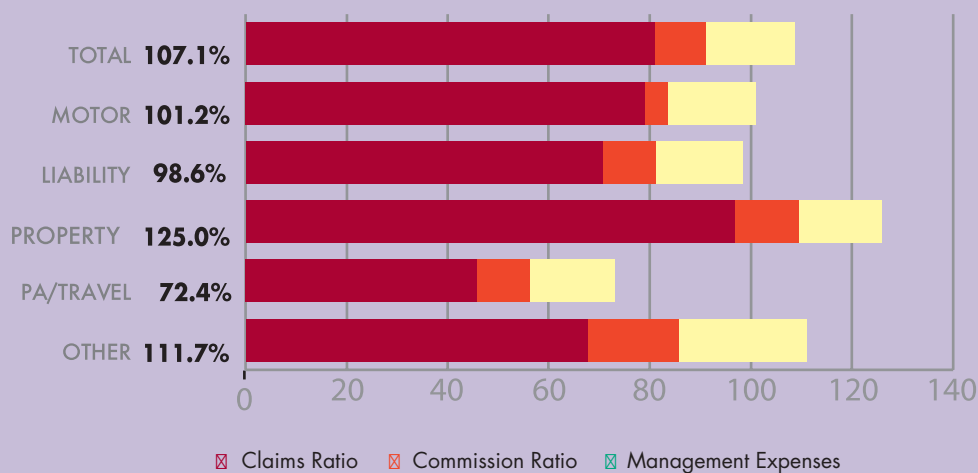
IIF members wrote €65m of personal accident and travel insurance in 2009 – a decrease of 10.6% on 2008. This class of business generated a net underwriting profit of €16.4m in 2009.

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 €249m in gross written premium in 2009. These classes of business produced a net underwriting loss of €6.6m in 2009.

Investing Non-Life Premium Income

Non-life insurers' technical reserves are mainly invested in cash and gilts, with only approximately 13% 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 2009 the IIF non-life market produced a net claims ratio of 80%. In other words claims cost 80 cent out of every €1 earned in premium. The claims ratio varied between sectors: in motor insurance it increased from 76.8% in 2008 to 78.7% in 2009. The property claims ratio rose from 91% in 2008 to 94.5% in 2009. The liability claims ratio increased from 42.3% to 70.9% in 2009.
- The *management expenses* and *commission ratios* are calculated by comparing the internal management expenses of insurance companies and commissions paid to intermediaries with premiums. Both ratios decreased in 2009, the net commission ratio to 9.5% (from 10.2% in 2008), and the net management expenses ratio to 17.4% (from 17.6% in 2008).
- The *net combined or operating ratio* combines the claims, commissions and management expenses ratios. The operating ratio for the non-life market rose significantly from 98% in 2008 to 107% in 2009. In monetary terms this means that the non-life market made a loss of 7 cent on underwriting insurance for every €1 of premium in 2009.

Non-Life Insurance Market Results 2005 – 2009

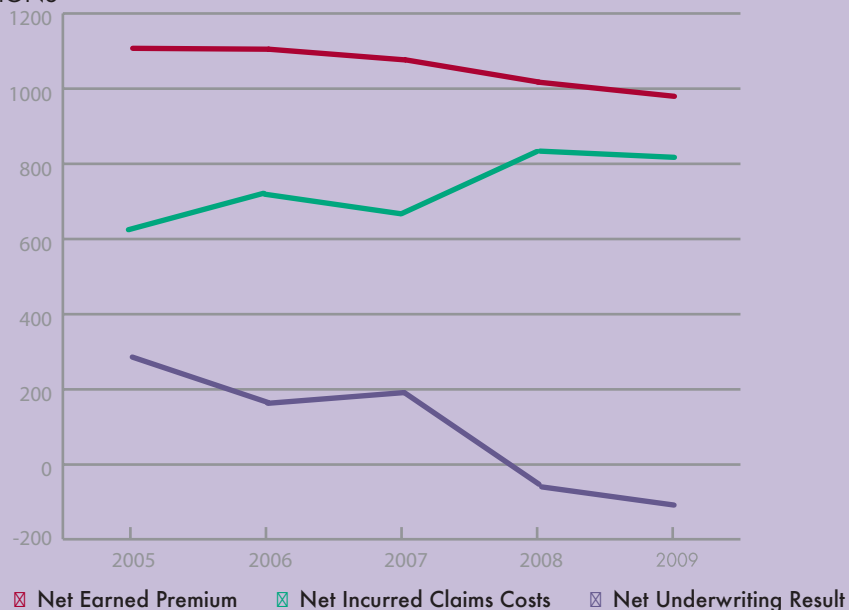
	Gross Written Premium	Net Underwriting Result	Investment Income	Operating Result	Profit:Premium
	€m	€m	€m	€m	%
2005	4099	802	420	1222	29.81%
2006	4179	718	391	1109	26.54%
2007	4018	704	369	1073	26.70%
2008	3863	122	95	217	5.62%
2009	3123	-179	314	135	4.32%
5 Years	19282	2167	1589	3756	19.48%

The data for 2005–2008 is taken from the Financial Regulator’s Insurance Statistical Review (2005 – 2008). The Insurance Statistical Review (ISR) contains returns for all insurers. The data for 2009 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 the seven subsequent charts.

The table 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 2005 to 2009. The underwriting result has deteriorated from a net underwriting profit of €802m in 2005 to a net underwriting loss of €179m in 2009. After investment income was taken into account, the 22 non-life insurers made a combined operating profit of €135m in 2009, a decrease of 38% from 2008.

Private Motor 2005 – 2009

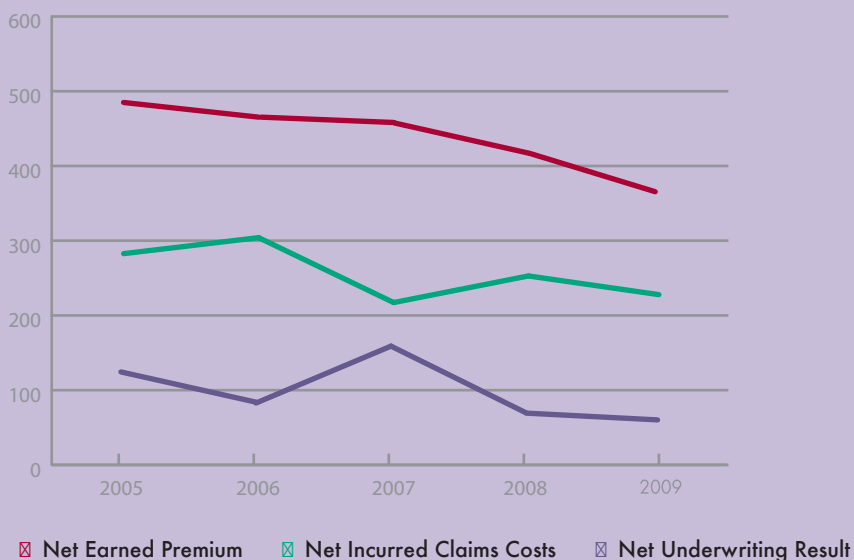
€ MILLIONS



Net Earned Premium (NEP) in the private motor market has been dropping since 2005, from €1,110m to €964m in 2009. Claims costs fluctuated up and down between the years 2005–2009 but the most significant rise occurred in 2008 when claims costs rose by 26.6%, before dropping slightly in 2009.

Commercial Motor 2005 – 2009

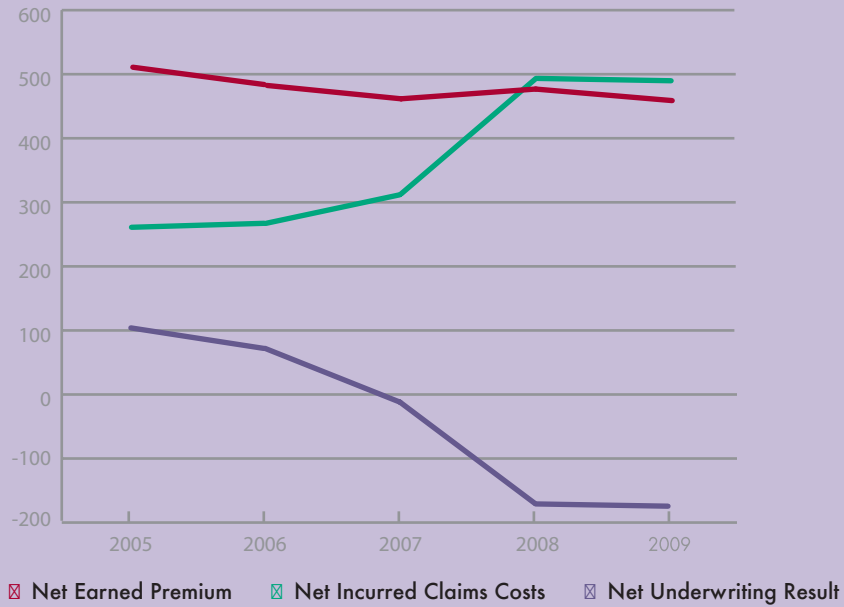
€ MILLIONS



Net earned premium in the commercial motor insurance market has been declining since 2005 when NEP was €488m compared with €365m in 2009 (a fall of 25%). Net incurred claims costs have fluctuated during this period, reaching a high of €304m in 2006, and a low of €212m in 2007 before levelling off at €221m in 2009. Underwriting profits peaked at €160m in 2007 but dropped sharply to €68m in 2009.

Household 2005 – 2009

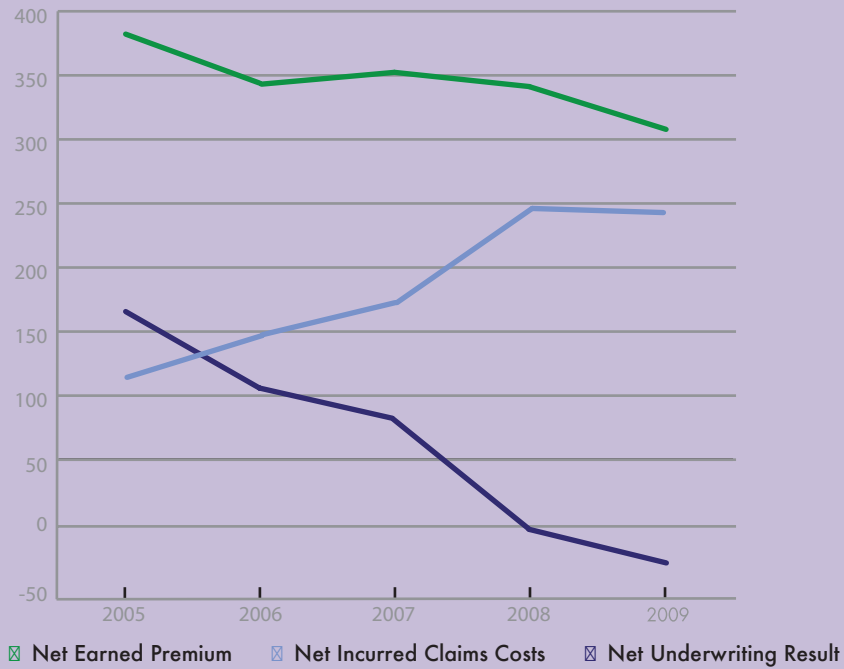
€ MILLIONS



Net earned premium for household insurance fell steadily from €508m in 2005 to €457m in 2007 before rising slightly to €463m in 2009. The net underwriting result for household insurance fell from a profit of €100m in 2005 to a loss of €175m in 2009. Net incurred claims costs in household insurance have been rising steadily since 2005 and over the 5-year period as a whole have increased from €261m to €487m.

Commercial Property 2005 – 2009

€ MILLIONS



The underwriting result for insurers of commercial property has been steadily worsening since 2005 (€161m profit), falling to a loss of €23m in 2009. Net incurred claims costs rose from €118m in 2005 to €249m in 2008 before falling slightly to €241m in 2009.

Employer's Liability 2005 – 2009

€ MILLIONS

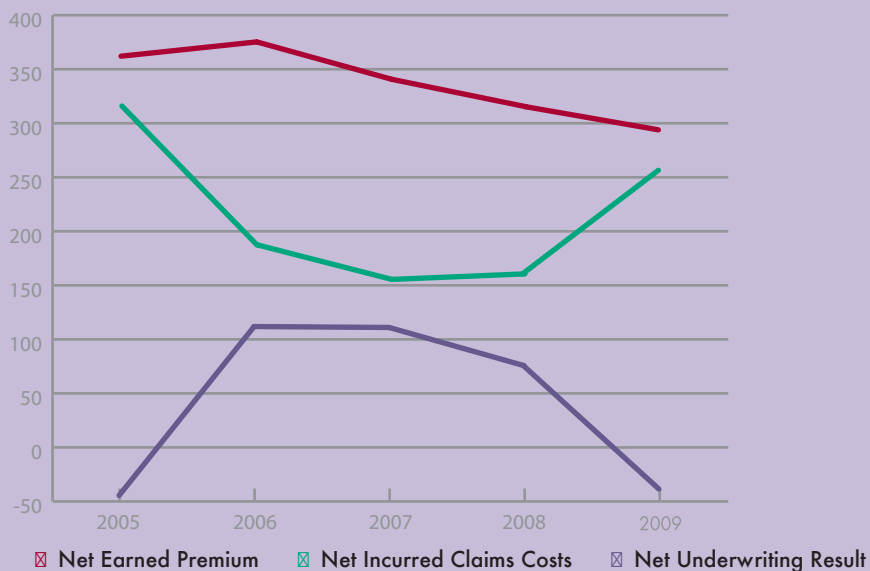


Net earned premium decreased from €336m in 2005 to €205m in 2009. Net incurred claims costs have fallen substantially during this period, from €206m in 2005 to €82m in 2008, before rising in 2009 to €94m.

The underwriting profit increased during the period 2005–2008, reaching €105m in 2008, but fell 45% to €58m in 2009.

Public Liability 2005 – 2009

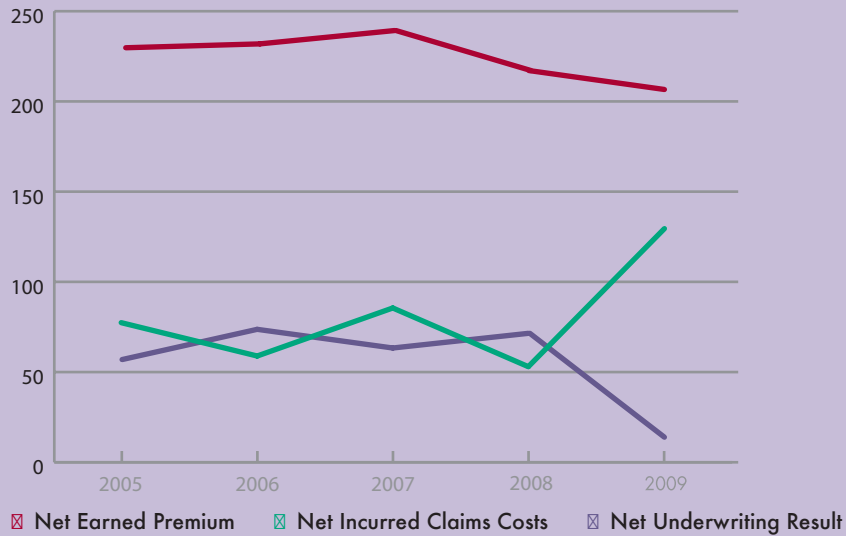
€ MILLIONS



Net earned premium increased in 2006 but decreased for the period 2007–2009, falling to €294m in 2009. Net incurred claims costs, which had been falling, increased 63% to €259m in 2009. A net underwriting loss of €49m was recorded in 2005, which increased to a profit of €111m in 2006 and fell to €109m in 2007. In 2009 a net underwriting loss of €42m was recorded, compared with a net underwriting profit of €75m in 2008.

Other Classes 2005 – 2009

€ MILLIONS



Other classes of insurance include personal accident, travel, and financial loss insurances. The net underwriting profit, which fluctuated from €57m in 2005 to a 5-year high of €72m in 2008, declined 86% to €10m in 2009. Net incurred claims costs, which had also fluctuated since 2005 increased 147% from €51m in 2008 to €126m in 2009. Net earned premiums fluctuated during this five-year period and reached a low of €210m in 2009.

Appendix II

IIF Non-Life Members' Gross Written Premium 2009* (figures in €000)

Company	Motor	Property	Liability	PA/Travel	Other Classes	Total
ACE	531	8854	17306	15118	3108	44917
Allianz	103242	154586	67535	2954	20674	348991
Aviva	240660	174669	77663	5282	4167	502441
AXA	259782	73277	304	2372	0	335735
Cardif Pinnacle	0	0	0	420	6939	7359
Chartis	45975	25041	37930	13984	58723	181653
Combined	0	0	0	0	64499	64499
DAS	0	0	0	0	6626	6626
DeCare	0	0	0	4599	0	4599
Ecclesiastical	9	5539	2793	27	403	8771
FBD	159598	122462	65658	5086	4440	357244
Genworth Financial	0	0	0	0	34832	34832
HCC International	0	0	0	0	4953	4953
Irish Public Bodies	8008	25065	82788	0	321	116182
London General	0	598	- 23	0	21315	21890
MAPFRE	0	0	0	1959	2855	4814
New Technology	0	6254	0	0	0	6254
Quinn Insurance	226108	40423	59331	0	0	325862
RSA	98151	173358	50495	12867	12946	347817
Travelers	50180	23286	26235	0	0	99701
Zurich	133609	107741	39717	494	1680	283241
Zurich ROI Branch	6785	3312	4530	0	205	14832
Total	1332638	944465	532262	65162	248686	3123213

* excludes health insurance

Published: September 2010

Material from Factfile may be reproduced provided the source is fully acknowledged.

Disclaimer

The data published in this report has been compiled from information supplied by IIF member companies unless otherwise indicated. While every effort has been made to ensure the accuracy of the collated information, IIF does not accept responsibility for errors or omissions.

Irish Insurance Federation (IIF),
Insurance House,
39 Molesworth St.,
Dublin 2

T: (01) 676 18 20

E: fed@iif.ie

W: www.iif.ie

T: 1890 333 333 – Insurance Confidential LoCall (to report suspected fraud)

T: (01) 676 19 14 Insurance Information Service (consumer information)