

# Market insight from year-end 2021 SFCRs: Sample of life insurers based in Luxembourg

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This briefing note looks at the year-end 2021 Solvency and Financial Condition Reports (SFCRs) of a sample of life insurers based in Luxembourg<sup>1</sup> and includes analysis of key information included in the Quantitative Reporting Templates (QRTs) published with the SFCRs.<sup>2</sup>

## Introduction

The SFCRs at year-end 2021 represent the sixth set of annual SFCRs published by European insurers. In this briefing note, we have analysed the SFCRs of 15 Luxembourgish life insurers selected based on gross premium written in 2021. The insurers selected are outlined in the table in Figure 1.

FIGURE 1: LIFE INSURERS INCLUDED IN THE SAMPLE

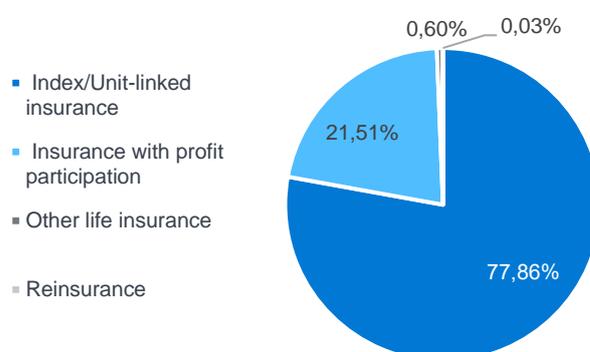
COMPANY NAME / PREMIUM €BLN	2021	2020	CHANGE
1. Lombard International	5,27	3.13	2,14
2. Cardif Lux Vie	3,39	1.76	1,63
3. La Mondiale Europartner	2,58	2.08	0,51
4. Sogelife	2,25	1.72	0,53
5. Crédit Agricole Life Insurance	2,20	1.07	1,13
6. Wealins	2,01	1.72	0,29
7. Generali	1,43	0.77	0,66
8. Baloise Vie	1,22	0.93	0,29
9. The OneLife Company	1,09	0.83	0,25
10. Swiss Life	0,96	1.11	-0,14
11. CNP	0,83	0.65	0,18
12. Natixis Life	0,82	0.59	0,23
13. AXA Wealth Europe	0,61	0.45	0,16
14. Allianz Life	0,39	0.92	-0,53
15. Vitis Life	0,37	0.45	-0,08

The insurers included in the sample have been ranked based on gross written premium in 2021. A selection based on own funds or total balance sheet could produce a different list of insurers. The total premium included in this analysis sums to about €25.4 billion, representing about 92% of the total gross premium written by direct life insurers based in Luxembourg during 2021. Overall, the gross written premium in our sample increased by 40% between 2020 and 2021, primarily driven by the growth in the unit-linked business.

## Analysis of premiums

Our analysis of premium written by the insurers included in our sample shows that unit-linked business represents 78% of life premium written in 2021. The remaining business mainly consists of insurance with profit participation (22%), which is stable compared to 2020.

FIGURE 2: SPLIT OF 2021 PREMIUM BY LINE OF BUSINESS IN THE SAMPLE



<sup>1</sup> This analysis is based on direct writers only. Reinsurers were excluded from the analysis. Companies were selected based on gross written premium in 2021.

<sup>2</sup> The data analysed in this note has been sourced from Solvency II Wire Data and companies' disclosed SFCRs. The data is available via subscription from <https://solvencyiiwiredata.com/about/>.

### DOMESTIC BUSINESS

Within the Luxembourgish insurance industry, a significant number of companies are selling cross-border life insurance, generally into the EU on a Freedom to Provide Services or Freedom of Establishment basis. Of the total life premiums written by the selected Luxembourgish life insurers in 2021, about €2.8 billion (11%) were written in the “home country” (i.e., Luxembourg).

The five Luxembourgish life insurers with the highest gross written premiums in the domestic market in 2021 are shown in Figure 3.

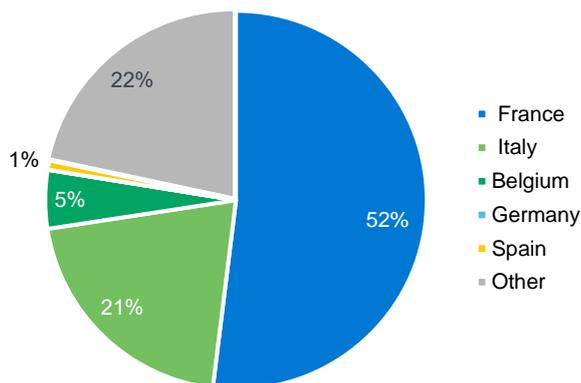
FIGURE 3: TOP FIVE PREMIUMS IN HOME COUNTRY

COMPANY NAME	PREMIUM 2021 (€ BLN)
Lombard International	1.44
Crédit Agricole Life	0.29
La Luxembourgeoise Vie <sup>3</sup>	0.24
Swiss Life	0.20
Foyer Vie	0.19

### CROSS-BORDER BUSINESS

Insurers show a split of gross written premiums between their top five countries in the QRT S.05.02. For the 15 life insurers included in the sample, the split by country of the insurers’ gross written premiums in 2021 (excluding Luxembourg) is depicted in Figure 4.

FIGURE 4: PROPORTION OF TOP FIVE WRITTEN PREMIUMS BY COUNTRY IN THE SAMPLE



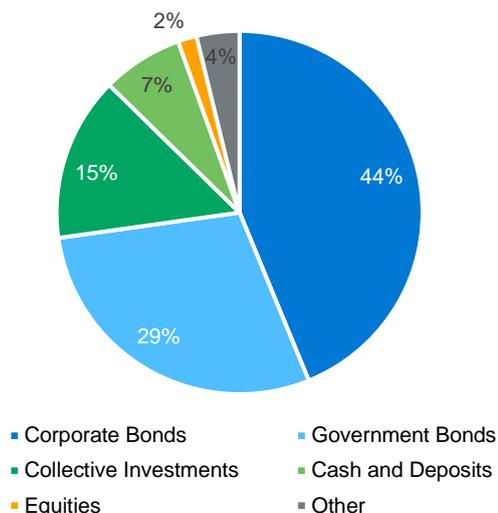
The largest cross-border market for Luxembourgish life insurers included in the sample remains France, which accounts for 44% of cross-border gross written premiums in 2021.

<sup>3</sup> La Luxembourgeoise Vie and Foyer Vie are added to the sample for the purpose of the analysis of the domestic market.

### Analysis of investments

The asset side of the balance sheets for the Luxembourgish life companies is primarily composed of different investments. Total balance sheet assets as per the end of 2021 for the insurers included in the sample are €220 billion. Most of these relate to assets held for index-linked and unit-linked contracts (about €161 billion, or 73%). There are €37 billion (17%) in reinsurance recoverable. The breakdown of the remaining investments of €21.4 billion (10%) is shown in Figure 5.

FIGURE 5: INVESTMENTS MIX AS AT 31 DECEMBER 2021 IN THE SAMPLE

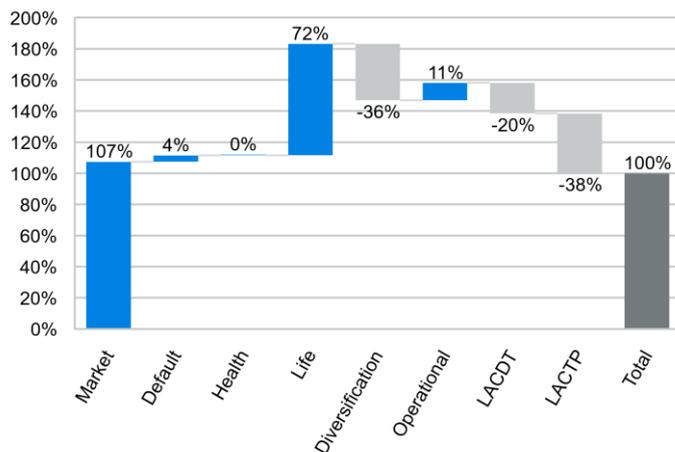


Life insurers included in our sample focus on fixed interest investments (about 73%) with significant investment in corporate bonds. It is important to note that this includes assets backing technical provisions in addition to shareholder assets.

## Solvency Capital Requirement

The standard formula Solvency Capital Requirement (SCR) at 31 December 2021 for the companies in our sample is dominated by market risk followed by life underwriting risk, offset by diversification effects as well as the loss-absorbing capacity of deferred taxes (LACDT) and the lost-absorbing capacity of technical provisions (LACTP). Figure 6 shows a breakdown of the SCR<sup>4</sup> for the companies included in the sample.

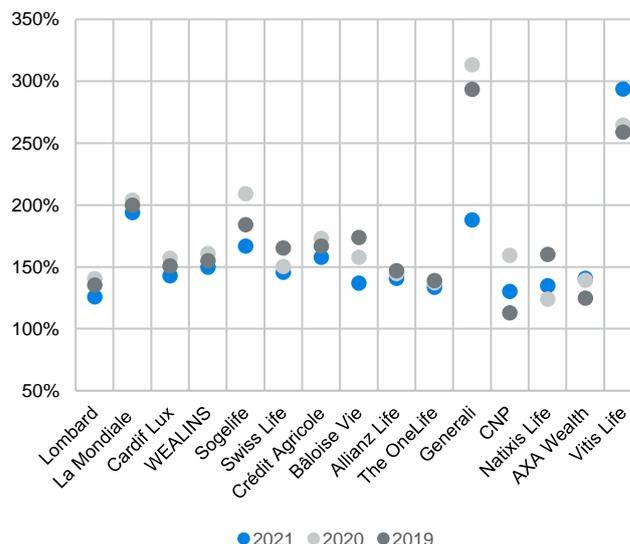
FIGURE 6: BREAKDOWN OF STANDARD FORMULA SCR IN THE SAMPLE



## Analysis of solvency coverage

The average solvency coverage ratio for the companies included in our sample, calculated as total own funds divided by total SCR, was 150% at 31 December 2021, a decrease of 18% compared to 2020. This shows that life insurers based in Luxembourg continue to hold a comfortable capital buffer in excess of the required solvency coverage ratio of 100%. In 2021, the majority of companies had a solvency coverage ratio between 130% and 180%, with the minimum in the sample amounting to 126% and the maximum to 294%. Solvency coverage can change year-on-year for a variety of reasons, including capital management solutions. Figure 7 shows the solvency coverage ratio of the companies included in our sample for the past three years.

FIGURE 7: SCR COVERAGE RATIO IN THE SAMPLE



## What's next?

Milliman Benelux has developed an interactive application to efficiently compare the metrics of insurers as disclosed in their QRTs. If you want to know more and get free access to it, please follow the link [https://apps.nl.milliman.com/sfcr\\_life\\_lu/](https://apps.nl.milliman.com/sfcr_life_lu/) or send an email to [Benelux.tools@milliman.com](mailto:Benelux.tools@milliman.com)

If you have any questions or comments on the information above or want to discuss further capital management solutions for life insurers, please contact your usual Milliman consultant.

<sup>4</sup> Net and Gross SCR values are aggregated. LACTP values of insurers reporting net SCR values are not taken into account in the breakdown.



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