BETTER FINANCE
The European Federation of Investors and Financial Services Users
Fédération Européenne des Épargnants et Usagers des Services Financiers

BUND DER VERSICHERTEN
Offensiv für Versicherte

The body-mass-index of the life-insurance industry

A close look at the SFCRs* of 2021

* Solvency and Financial Condition Reports

Background

Solvency II – the three-pillar-regime

- Pillar 1: Quantitative solvency requirements
- Pillar 2: Quality requirements for risk management
- Pillar 3: Transparency

Starting point

- Since May 2017 insurance companies are obliged to publish the “Solvency and Financial Condition Reports (SFCR)”
- Objective of the SFCR: to provide information about solvency and financial strength

Relevance for BdV and BETTER FINANCE

- Consumers, policy-holders and users of financial services sign a contract with life-insurance companies often in the hope to maintain a successful long-lasting contract.
- Because of the expected long-term duration of the contract the information in the SFCRs is of crucial importance!
- **Is the promise given to the policy-holder by the insurance company a valid promise?**

Warning ! *The informations given by the SFCR concern the solvency ratio and other figures. These data are based on the end of the year value of the assets and liabilities and the ratio are calculated to cover 99.5% of the risk or insolvency within one year. It doesn't give to the policy holder any insurance that the company will not go bankrupt during the remaining years of the contract.*

Relevance for BdV and BETTER FINANCE

Important note:

This study refers to life-insurance companies as overall entities and <u>not</u> to specific contracts.

Please keep in mind, that for a part of the insurance companies, is has to be considered, that they belong to a multinational group with cross border effects.

Therefore: **the quality and appropriateness of specific contracts and conditions are not subject of the study.**

BETTER FINANCE
The European Federation of Investors and Financial Services Users
Fédération Européenne des Épargnants et Usagers des Services Financiers

BUND DER VERSICHERTEN
Offensiv für Versicherte

The main parameters

Most figures are evaluated like a “*body-mass-index*” (BMI). Just like for BMI, the aim is for these figures to be neither too high, nor too low… The rest is evaluated normally.

1. Transparency:	the higher, the better
2. Solvency ratio:	neither too much, nor too little
3. Expected profits:	neither too much, nor too little
4. Market risk:	neither too much, nor too little
5. Government bonds:	neither too much, nor too little
6. Diversification:	The higher the better
7. Surplus Fonds:	the lower the better
8. Risk margin:	neither too much, nor too little

The BdV traffic lights to assess the parameters

green:	Valuation of the parameter seems to be appropriate.
yellow:	Not perfect, not bad – there is space for optimisation.
red:	There is a need for improvement.
grey:	No need for improvement to this high solvency.

Evaluated companies

The 10 biggest life insurance companies (by premium income) of the following Member States are covered in the study:

- France
- Germany
- Italy
- Netherlands
- Spain

Germany:

Looking at all German life insurers, 13 % fail to reach solvency if they could not use transitionals or volatility adjustments and/ or surplus funds. The situation has improved in comparison to the year before (52 %).

The use of those surplus funds is a „speciality“ that is common for German life insurance industrie and was included in Solvency II by successful lobbying of German industrie.

BdV sees this as a strong part of the „legalized fraude“ in life insurance.

Germany: overview

BETTER FINANCE
The European Federation of Investors and Financial Services Users
Fédération Européenne des Épargnants et Usagers des Services Financiers

BUND DER VERSICHERTEN
Offensiv für Versicherte

Germany	transparency rating	solvency ratio: pure without surplusfonds	solvency ratio: pure	solvency ratio: disclosed	expected profit	market risk	government bond ratio	diversification	surplus fund	risk margin	transparency rating	solvency ratio	expected profit	market risk	government bond ratio	diversification	surplus fund (for F and GER)	risk margin
Allianz Leben	5 13	101 157	183 157	415 355	12,6 13,8	82,5 64,3	3,3 4,4	26,5 20,3	4,7 4,6	0 0				- -		+		
Alte Leipziger	18 19	233 300	311 300	317 300	54,2 55	31,6 33,8	46,3 47,2	28,7 29,6	2,9 2,8	1,6 1,6								
AXA	17 8	99 158	164 158	284 332	17,5 16,4	47,9 46,2	29,2 29,5	30,6 32,4	3,4 3,1	1,5 0,7								+
Bayern Leben	13 14	200 122	325 127	568 287	10,3 7,6	72,6 72,9	25 17,1	18 17,9	3,4 3,2	1,3 0			-		+			++
Debeka	9 10	53 36	107 36	506 362	2,6 -1,1	68,5 67,1	24,7 21,9	20,1 20,8	3,9 3,2	0 0			++					
Generali Deutschland	10 10	300 271	331 274	411 388	23,2 15,1	66 57,9	33,5 36,2	39,4 42,2	1,9 2	1,2 0,7								+
Nürnberger Leben	7 10	251 316	465 316	558 473	39 41,6	38,6 34	36,3 38,5	27,2 26	5,9 5,5	3,1 4,1								
Proxalto	14 10	93 296	243 296	536 525	7,9 8,5	41,6 33	25,7 25,5	29,3 30,3	4,1 3,2	0,4 0,3			+	+				
R+V AG	6 8	166 149	315 155	1002 553	14,4 6,6	65,3 67,4	11,4 12,5	21,6 20,7	2,4 2,7	0,2 0,4			-				+	
Zürich	15 15	134 167	190 167	355 347	17,4 17,3	47,5 42,4	42,9 45,2	27,3 27,3	3 3,3	2,2 2,8								+

Germany

- The transparency of the SFCRs is still good but declined in some cases (e.g. Allianz).
- 2 companies (Debeka, Proxalto) need transitionals/VA or surplus funds to achieve solvency.
- No company among the 10 biggest has a negative expected profit (like one company had in the year before).
- Transitionals/VA are still of high importance in the market.
- Surplus funds are of high importance in the market.
- Market risk, governmental bond ratio and diversification seem to be balanced

France:

While the use of surplus funds was not common in the past, the French industry uses now this possibility.

Especially BdV feared, that this copy-cat-behaviour could spread even further to other countries, but this didn‘t happen.

France: overview

BETTER FINANCE
The European Federation of Investors and Financial Services Users
Fédération Européenne des Épargnants et Usagers des Services Financiers

BUND DER VERSICHERTEN
Offensiv für Versicherte

France	transparency rating	solvency ratio: pure without surplusfonds	solvency ratio: pure	solvency ratio: disclosed	expected profit	market risk	government bond ratio	diversification	surplus fund	risk margin	transparency rating	solvency ratio	expected profit	market risk	government bond ratio	diversification	surplus fund (for F and GER)	risk margin
Allianz Vie	7 10	89,23 108,35	114,1 108,35	160 167	1,606 2,34	69,66 68	39,76 41,3	18,65 18,1	2,075 1,87	0,814 0,916								
ASSURANCES DU CRÉDIT MUTUEL VIE SA	10 10	144,3 253,47	238,1 253,47	240,9 262	6,253 9,5	85,07 85,9	27,02 28,5	10,13 9,71	5,54 5,71	1,359 1,144			+					
AXA France Vie	12 11	111,2 101,95	122,6 101,95	173,1 165	7,477 5,1	57,6 53,4	48,04 50,2	21,36 22,8	0,817 0,57	0,861 0,944					+			
BPCE Vie **	6 5	103,3 129,85	170,1 129,73	327,2 303	11,86 14,3	85,21 84,5	25,18 24,9	10,47 10,9	2,875 2,85	0,797 1,23								-
Cardif Assurance Vie	6 5	141,1 205,7	225,3 205,7	228,4 216	39,14 44	89,2 88,7	29,35 31,2	7,701 8,03	5,574 5,06	1,166 1,719								
CNP Assurances (solo)	14 10	158 210,85	232 210,85	236 221	4,097 4,59	80,53 76,8	35,32 38,5	13,49 15,8	4,452 4,3	1,237 1,269				-		-		
Generali Vie	6 6	111,5 124,25	132,6 132,34	186,7 194	9,957 9,11	59,41 54,3	45,07 46	27,38 29,6	1,727 1,35	0,47 0,455								
La Mondiale **	7 7	147,2 129,84	189,2 129,84	262,3 195	0,145 0,16	78,02 77,2	30,71 31,1	14,57 14,9	3,792 3,63	1,83 2,344								+
PREDICA	3 5	163,6 220,32	269,4 220,32	281,1 239	6,505 5,41	89,46 89,7	29,18 31,3	7,48 7,34	4,969 4,42	0,494 0,558	-							-
SOGECAP	5 6	142,6 210,52	261,7 200,89	266,6 212	3,633 4,55	88,98 85,6	30,9 31,9	7,934 10,1	5,062 4,64	0,871 1,276			+				-	-

BETTER FINANCE
The European Federation of Investors and Financial Services Users
Fédération Européenne des Épargnants et Usagers des Services Financiers

BUND DER VERSICHERTEN
Offensiv für Versicherte

France

- 1 company (Allianz) does not achieve sufficient solvency without using either transitionals/VA or surplus fonds
- The transparency of the SFCRs is still not the best
- 6 out of 10 companies are exposed to high market risk, without an adequate portfolio diversification rate (5 in the year before).
- It is still common practice to use transitionals/VA in a noticeable way.
- The use of surplus funds has a grown impact

Italy: overview

BETTER FINANCE
The European Federation of Investors and Financial Services Users
Fédération Européenne des Épargnants et Usagers des Services Financiers

BUND DER VERSICHERTEN
Offensiv für Versicherte

	transparency rating	solvency ratio pure	solvency ratio disclosed	expected profit	market risk	government bond ratio	diversification	risk margin	transparency rating	solvency ratio	expected profit	market risk	government bond ratio	diversification	risk margin
Italy															
Alleanza Assicurazioni S.p.A.	11 13	260 252,87	265 265	62,8 71,8	84,9 47,8	45,1 48,6	20,2 21,9	0,9 0,975				-			
Allianz S.p.A.	6 7	223 199,5	225 205	9,2 9,9	62,6 58,9	36 37,2	30 31,4	0,9 0,77							
Cardif Vita	10 8	158 149,95	167 164	0,7 3,58	89,4 66,8	46,5 47,1	8 18,8	0,8 0,843				- -		-	
Unicredit Allianz Vita	6 4	204 182,17	207 188	5 17,2	72,2 70,4	41,1 37,4	18,1 19,1	0,2 0,963	+		+				-
Fideuram Vita S.p.A.	10 11	272 267,2	276 276	14 14	46,6 47,4	68,7 69,8	22,7 22,9	1 1,117							
Generali Italia S.p.A.	15 15	276 221,4	276 230	0,2 10,6	98,5 49,5	1,3 45,6	4,7 16,7	2,6 0,475			+	-	-	-	
Genertellife S.p.A.	12 13	175 173,89	182 196	3,2 2,91	89,1 26,9	60,1 65	15 13,3	0,3 0,193							
Intesa Sanpaolo Vita S.p.A.	8 9	275 196,91	287 215	6,4 4,51	62,6 50,2	64,4 65,1	20,8 22,7	0,9 1,549							-
Poste Vita S.p.A.	10 11	256 246,33	288 300	4,7 4,01	81,5 85	60,9 64	12,6 10,3	0 0,023							
UnipolSai Assicurazioni S.p.A.	14 13	321 315	326 318	5 3,84	50,5 62,1	48,7 51,7	34 34	0,8 0,871			-		+		

Italy

- High exposure to governmental/Italian bonds; therefore dependent on the financial situation of Italy
- While rising interest rates and inflation it will become difficult to earn appropriate “value-for-money”
- If used at all, transitionals/VS have no big impact
- Surplus funds are of no relevance due to the system in Italy.
- The market gives a quite homogenous impression
- The solvency ratios are reasonable

Netherlands: overview

BF BETTER FINANCE
The European Federation of Investors and Financial Services Users
Fédération Européenne des Épargnants et Usagers des Services Financiers

BUND DER VERSICHERTEN
Offensiv für Versicherte

Netherlands	transparency rating	solvency ratio pure	solvency ratio disclosed	expected profit	market risk	government bond ratio	diversification	risk margin	transparency rating	solvency ratio	expected profit	market risk	government bond ratio	diversification	risk margin
Achmea	12 7	125 122	180 166	10 13,2	33,3 37,1	23,7 22,6	25,4 25,2	4,6 4,8							
Aegon Leven	8 9	126 102	186 159	10,3 6,9	30,5 48,8	35,1 35,9	40,5 41,7	3,2 4,9			-	-			
ASR	11 15	173 185	186 185	10 11,2	59,7 56,7	28,8 30,3	21,9 22,6	31,6 5,9							
De Goudse	2 0	145 161	145 181	14,1 1,8	46,8 39	74,8 74,1	24,3 23,9	2,4 2,3			- -	+			
Dela	11 11	269 277	269 277	40,3 47,4	56,5 54,8	17,8 13	24,9 21,3	16,9 14,4							
Klaveblad 1.)	11 11	260 180	260 183	50,5 32,4	39,1 28,8	30,3 44,8	29,4 33,8	-85 35,9					+		
Nationale Nederlanden	-4 -3	82 98	219 220	15,1 2	53 51,5	48,9 48,1	51,3 44,3	5 5,6			- -				
OLM	10 11	188 173	188 173	23,4 18,7	40 34,6	1,2 42,4	23,6 23,5	3,8 3,3				+	-		
Scildon	8 -2	192 170	192 178	39,2 50,4	34,3 29,6	42,6 46	16,5 17,1	15,7 0,5	++						-
SRLE/Athora	16 18	236 163	242 163	6,9 18,8	37,1 53,5	73,6 51,7	26,3 23,3	5,5 3			+	- -		+	

Netherlands

- Only in rare cases do transitionals/VA have a noticeable impact
- Surplus funds are of no relevance due to the system in the Netherlands.
- The expected profits and the risk margins are high, this is seen as a sign of a conservative approach to the calculation of the products (or as a sign of significant hope).
- Market risk and diversification seem to be mostly balanced, but the governmental bond ratio tends to be too high

Spain: overview

BETTER FINANCE
The European Federation of Investors and Financial Services Users
Fédération Européenne des Épargnants et Usagers des Services Financiers

BUND DER VERSICHERTEN
Offensiv für Versicherte

	transparency rating	solvency ratio		expected profit	market risk	government bond ratio	diversification	risk margin	transparency rating	solvency ratio	expected profit	market risk	government bond ratio	diversification	risk margin
		pure	disclosed												
Spain															
Allianz	10 8	157 186	158 189	50,8 43,5	30,2 29,1	47 47,6	34,8 34,9	4 4,2							
AXA	8 4	157 162	160 165	42,2 31,2	52,9 58,1	45,8 46,6	22,8 21,3	3,2 3,2	+						
Catalana	16 12	286 199	286 218	14,7 2,4	38,4 60,5	1,4 28,2	43,1 24,6	36 7,4			- -	- -	- -	+	
Generali	14 8	190 193	191 196	49,2 48,8	40,9 40,5	50,4 52,1	32,7 32,8	6,3 6							
Mapfre	12 10	585 483	585 483	0,8 1	54,2 59,1	70,6 70,2	32,9 20,9	1,5 1,7						+	
Mutua Madrilena	16 8	434 464	434 464	0 0	72,1 72,1	4,8 5,7	17,5 17,5	0,8 0,7							
Santalucia	13 8	239 213	252 217	1,5 0	68,3 62,9	18,6 15,4	21,1 24,3	7 9,2			++				
Santander	9 6	266 113	297 217	0 2	49,9 42	71,8 75	22,9 23,2	1,7 2,4			- -				+
Vida Caixa	11 6	231 106	203 195	52 52,1	6,6 33,4	84,3 84,8	22,8 21,1	1,8 1,8							
Zurich	3 3	352 363	353 368	21,2 0	56,3 56,7	48,4 49,7	21,8 21	4,3 4,3							

Spain

- The transparency of the SFCRs is now the best in Europe!
- The government bond ratio is in most cases very high.
- While rising interest rates and inflation it will become difficult to earn appropriate “value-for-money”
- If used at all, transitionals/VA have no big impact;
- Surplus funds are of no relevance due to the system in Spain;
- The expected profits and the risk margins are high in most cases, and this is seen as a sign of a conservative approach to the calculation of the products.