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Press Release

Milliman analyses embedded value reporting in the European insurance market

London – October 19, 2016 – Milliman, Inc., a premier global consulting and actuarial firm, today announced the availability of new research detailing embedded value (EV) results for 23 major insurance companies in Europe. The report examines trends among companies reporting EVs as of year-end 2015. The report compares practises followed by major insurance companies and discusses EV reporting issues given the move toward Solvency II in Europe and the global adoption of International Financial Reporting Standards.

“For European insurers the end of 2015 was a watershed with the introduction of the new pan European system of insurance regulation, Solvency II, on January 1st 2016. Some firms have reduced or ceased their Embedded Value reporting whilst others have sign posted that they will be incorporating elements of Solvency II into their future Embedded Value reporting.

Embedded Value remains a useful metric for companies to report as it gives consistency with past years' reporting and is not constrained by some of the artificial limitations of Solvency II,” said Milliman Principal and Consulting Actuary Philip Simpson.

Key insights from the European report include:

- There has been a noticeable reduction in firms reporting on an embedded value basis in 2015, compared with 2014.
- The Solvency II directive has been implemented, and companies continued looking into aligning their EV methodologies with Solvency II, mainly those relating to the risk-free curve - there has been a continued trend of using volatility adjustment to the risk-free rate instead of liquidity premia.
- The CFO Forum members (that disclosed their embedded values at the end of 2015) reported a combined embedded value of GBP 248 billion (EUR 337 billion) at the end of 2015 compared with GBP 228 billion (EUR 294 billion) at the end of 2014. The majority of companies included in the study experienced an increase, of varying degrees, in their group embedded values compared with 2014.
- Overall, results for new business were fairly positive for the majority of companies in our sample. The total value of new business (VNB) written by the current CFO Forum members (that disclosed their values of new business at the end of 2015) was GBP 9.7 billion (EUR 13.2 billion) in 2015, compared with GBP 10.3 billion (EUR 13.2 billion) in 2014.

Interested parties may obtain a copy of the Milliman studies at www.milliman.com/ev-research or receive further information by telephoning or emailing:

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About Milliman

Milliman is among the world's largest providers of actuarial and related products and services. The firm has consulting practices in healthcare, property & casualty insurance, life insurance and financial services, and employee benefits. Founded in 1947, Milliman is an independent firm with offices in major cities around the globe. For further information, visit milliman.com.

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