



Luxembourg life insurance market outlook

Insurance Market Insights: 2024 Edition

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Introduction

Life insurance forms a significant part of Luxembourg's financial services industry, providing essential security and wealth-building opportunities.

Despite challenging macroeconomic factors, such as interest rate changes and regulatory evolutions, Luxembourg's life insurance sector remains resilient and robust.

This brochure provides a concise analysis of key statistics and trends, offering valuable insights into the sector's performance and dynamics.



Sources used in this document: CAA Annual Report, Deloitte Benchmarking Tool

Executive summary

- The 2022 surge in interest rates drove a significant fall in premium collection and a rise in surrenders. This continued into 2023 with a 17.8% drop in GWP, mainly due to a decline in investment contracts' GWP.
- Life insurance distribution was mostly through brokers (48.3%) and banks (34.3%), both experiencing slight decreases in 2023. Single premium contracts accounted for 80.7% of the 2023 GWP.
- There was an overall decline across all principal markets in 2023, with France and Italy still leading the pack despite enduring notable premium falloffs. Other EEA and non-EEA markets also suffered significant downticks.
- Investment strategies for traditional life insurance remained bond-focused (65.7%), with a stable proportion of government (~25%) and corporate bonds (~41%). While more index-linked and unit-linked contracts were invested in collective investments and equities.
- The SCR of Luxembourg insurance companies stayed stable at just below 200%, with key contributors being life underwriting and market risks, weighting for a respective 43.7% and 51.9% of basic solvency capital requirement (BSCR) pre-diversification.



Key data FY23

Number of established life insurance companies:

30
(same as FY22)

Gross written premiums (GWP):

€21 billion
(-17.8% versus FY22)

Index-linked and unit-linked contracts account for

68.9% of total GWP
(versus 76% in FY22)

Top five life insurers hold

51.7%
of total GWP

Life products primarily distributed through brokers

(48%) and banking channels **(34%)**

Average solvency capital requirement (SCR):

195%

Employs

3.102 full-time equivalents (FTEs)
(+4.6% compared to FY22)

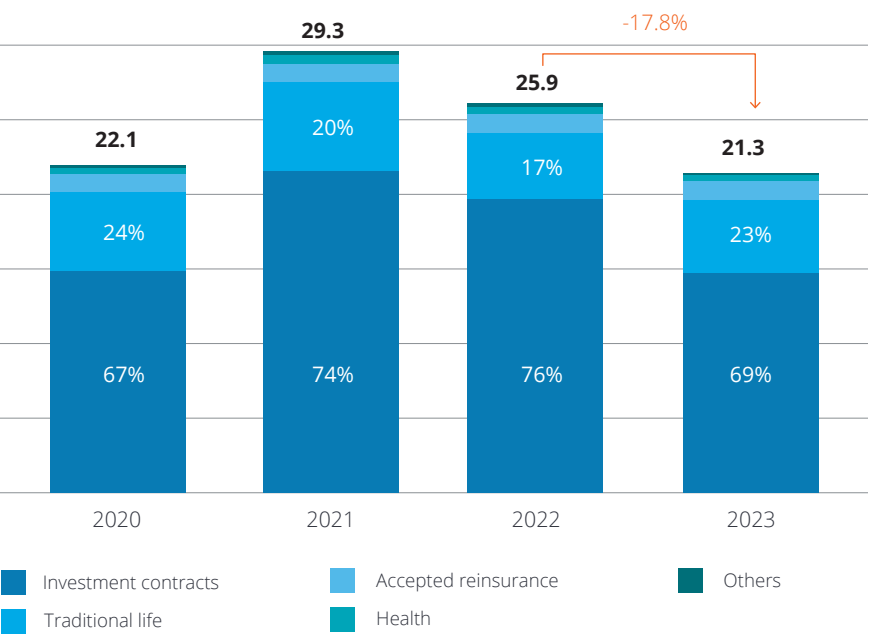


Life industry technical result

€ thousands	FY 2020	FY 2021	FY 2022	FY 2023
Gross written premium	22,114,274	29,327,326	25,922,140	21,306,877
Investment income	3,025,578	20,146,214	-18,808,121	16,374,034
Lapses (surrenders/maturities/claims)	-17,146,991	-16,445,019	-21,939,742	-29,299,617
Changes in technical provisions	-6,608,918	-31,949,864	15,865,936	-6,804,006
Expenses	-1,464,450	-1,431,192	-1,491,677	-1,499,525
Others	72,500	243,307	164,083	108,032
Technical result	-8.008	-109.229	-287.380	185.794
Reinsurance result	182,793	425,626	461,312	195,196
Net technical result	174.785	316.397	173.932	380.990

Life insurance distribution

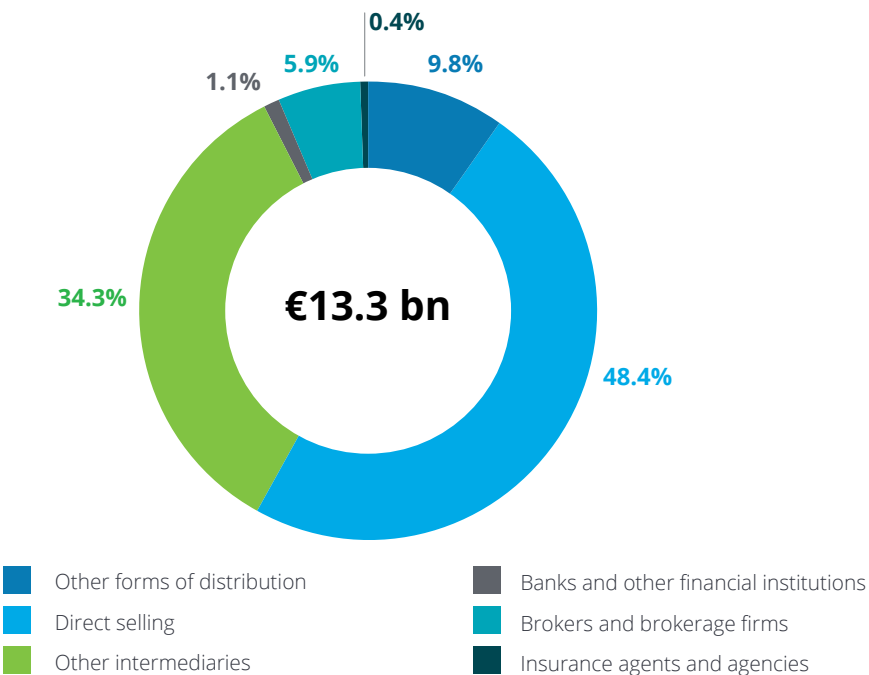
GWP evolution per product (in €bn)



Product offering

- The interest rate surge initiated by the European Central Bank (ECB) in 2022 boosted the appetite for traditional savings products over life insurance investments. Overall, this has significantly decreased the collection of premiums and increased surrenders, with gross premiums issued in 2023 falling by 17.8%, mainly due to a decline in unit-linked contract premiums.
- Despite a 25.2% decrease (-€5 billion) compared to 2022, investment fund-linked products remained central to the market in 2023, accounting for €14.7 billion (69% of the total GWP).
- Traditional life GWP rose from €4.4 billion in 2022 to €4.9 billion in 2023 (€0.5 billion, or +10.6%).

FY23 new business GWP per distribution channel

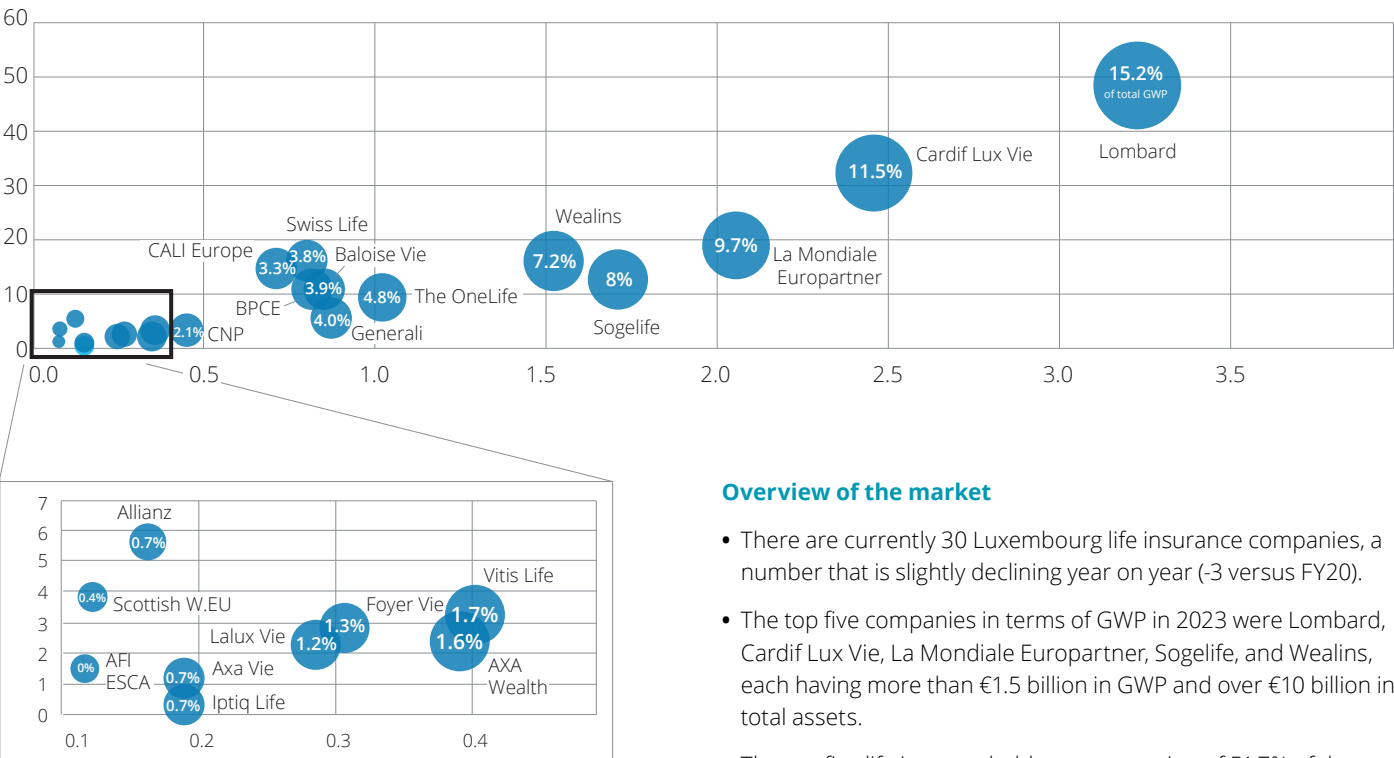


Main distribution channels

- Brokers and brokerage firms represented the life insurance sector's leading distribution channel (48.3% of total new business GWP, +0.7% versus 2022).
- While banks and other financial institutions remained the second most important distribution channel (34.3% of new business GWP), their share fell compared to 2022 (-4.6% of total new business GWP).

Market overview

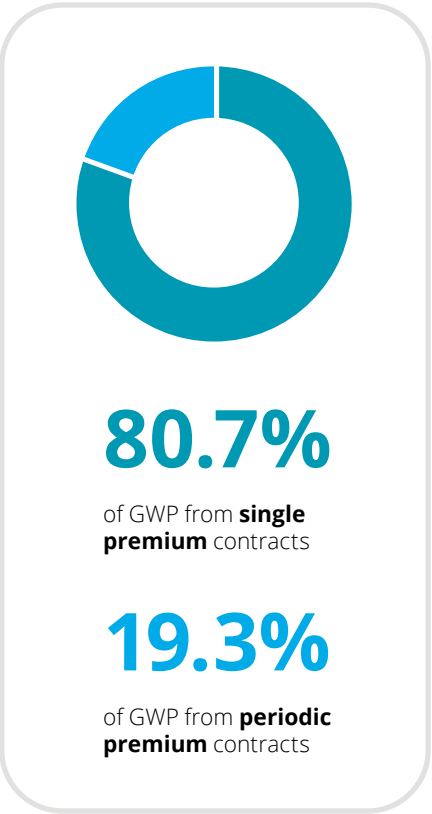
Life insurance undertakings with GWP >€50 million



Overview of the market

- There are currently 30 Luxembourg life insurance companies, a number that is slightly declining year on year (-3 versus FY20).
- The top five companies in terms of GWP in 2023 were Lombard, Cardif Lux Vie, La Mondiale Europartner, Sogelife, and Wealins, each having more than €1.5 billion in GWP and over €10 billion in total assets.
- The top five life insurers held a concentration of 51.7% of the total GWP, while the top 10 held 72.2% of the total GWP.

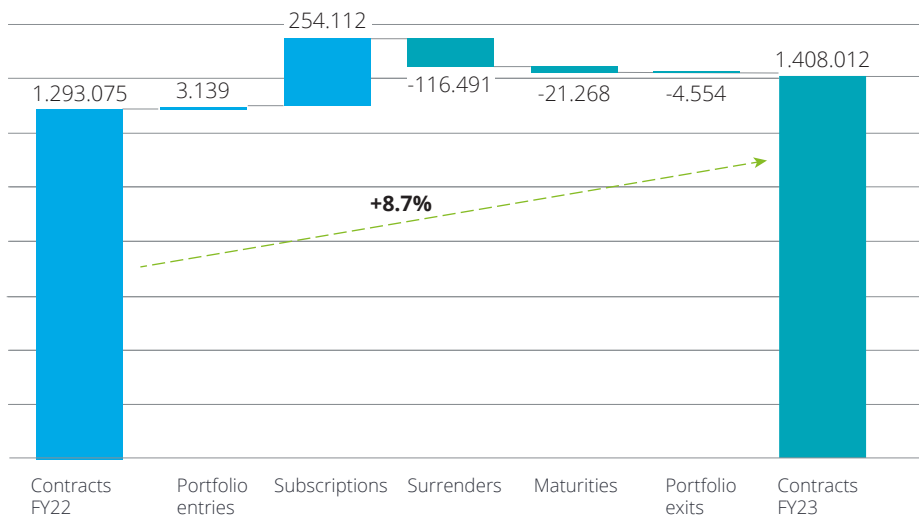
Number of insurance contracts



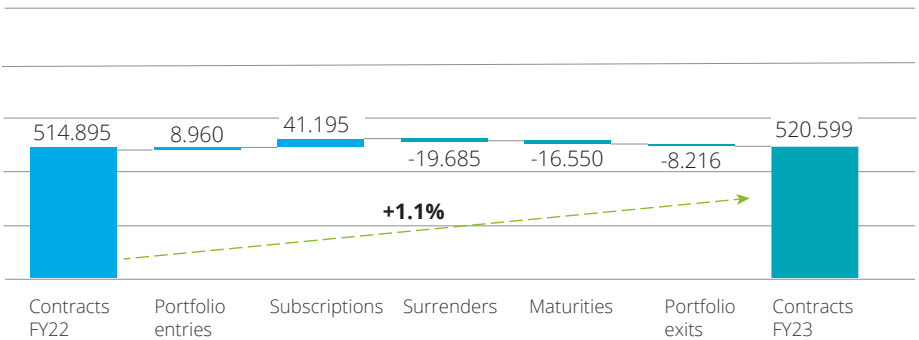
Insurance contracts

- In 2023, periodic premium contracts represented 73% of the total number of contracts, which has remained stable over recent years. However, single premium contracts accounted for 80.7% of 2023's GWP.
- While the total number of contracts rose in 2023, period premium contracts (+8.7%) increased more than single premium contracts (+1.1%), mainly due to the relatively higher number of subscriptions.

Periodic premium contracts

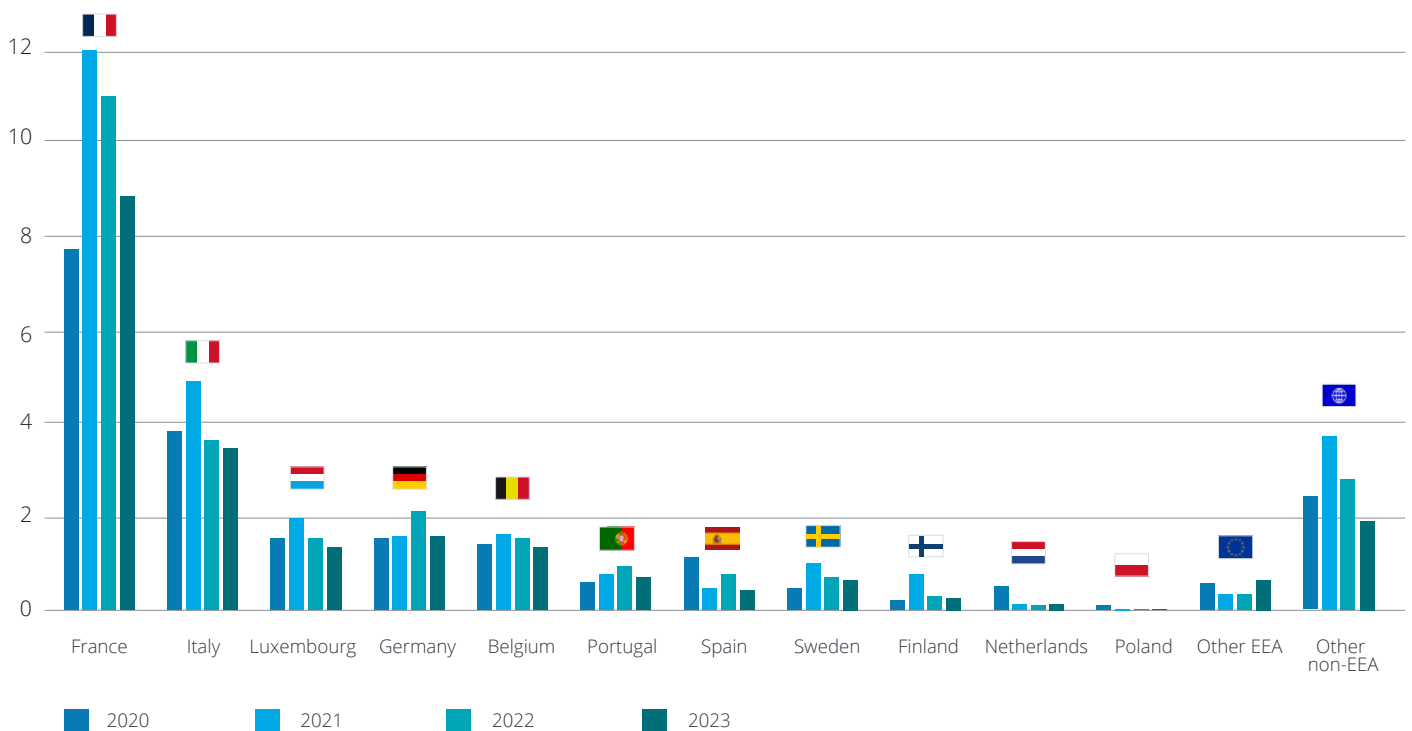


Single premium contracts



Geographical presence

Premiums per country (in €bn)



Distribution countries

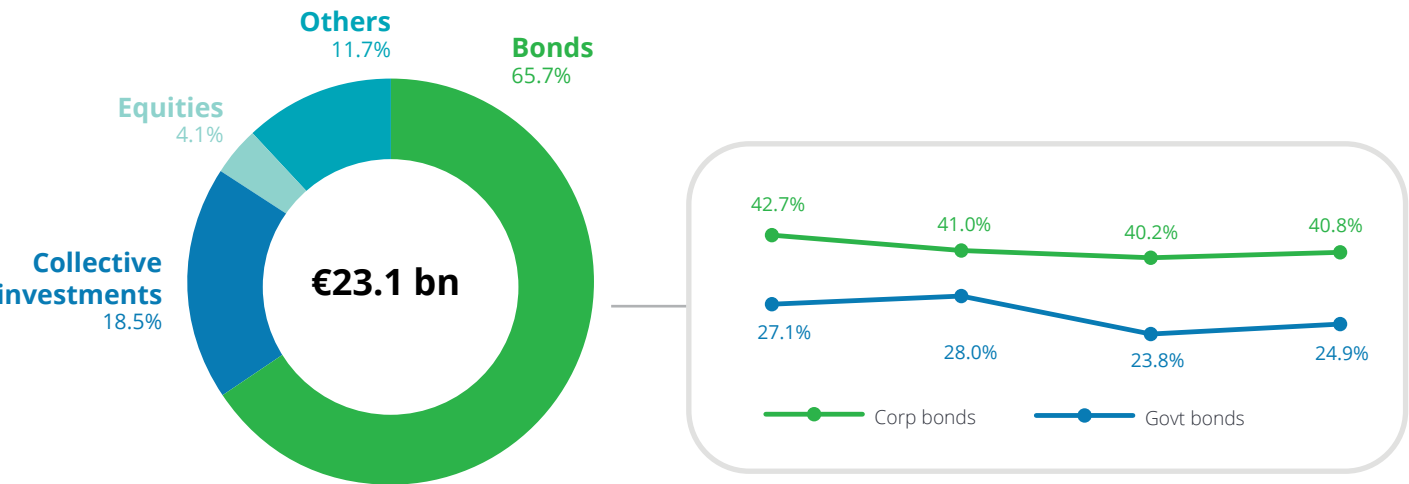
- All principal markets of Luxembourg life insurance sector witnessed a decline in 2023 compared to 2022.
- France maintained its leading position in international life insurance despite a 19.2% decrease in premiums, representing 41.7% of the total GWP. Italy remained the second-largest market, with a 4.9% fall, accounting for 16.2% of the total GWP.
- Several EEA countries reported significant downturns, such as Germany (-26%), Portugal (-24%), and Spain (-45%). Non-EEA markets also followed this GWP falloff trend (-31%), including a 49.6% drop in the UK, which saw a similar decline in 2022.
- Twelve companies make 67% of their premiums from their primary market, while seven make 90%.

Investments overview

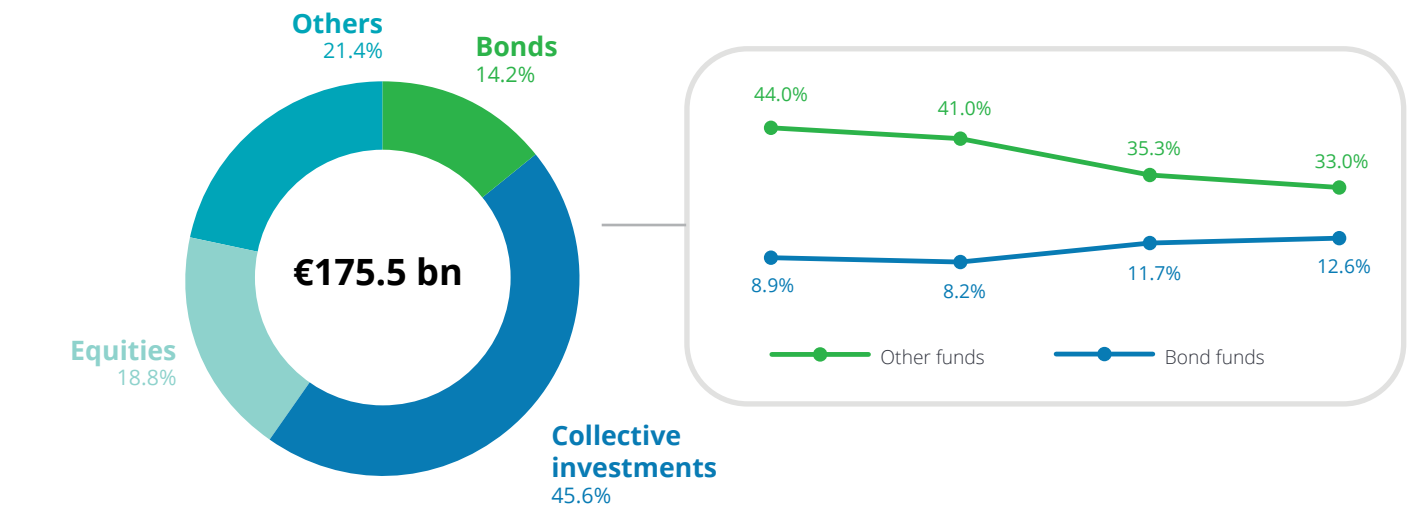
Investments breakdown

- As expected, most of the assets for traditional life insurance contracts were invested in bonds (65.7%), with a stable share of around 41% in corporate bonds and 25% in government bonds.
- Assets relating to index-linked and unit-linked contracts were more invested in collective investments (45.6%) and equities (18.8%), with exposure toward bond funds rising slightly compared to 2022.

Breakdown of investments (other than assets held for index-linked and unit-linked contracts)

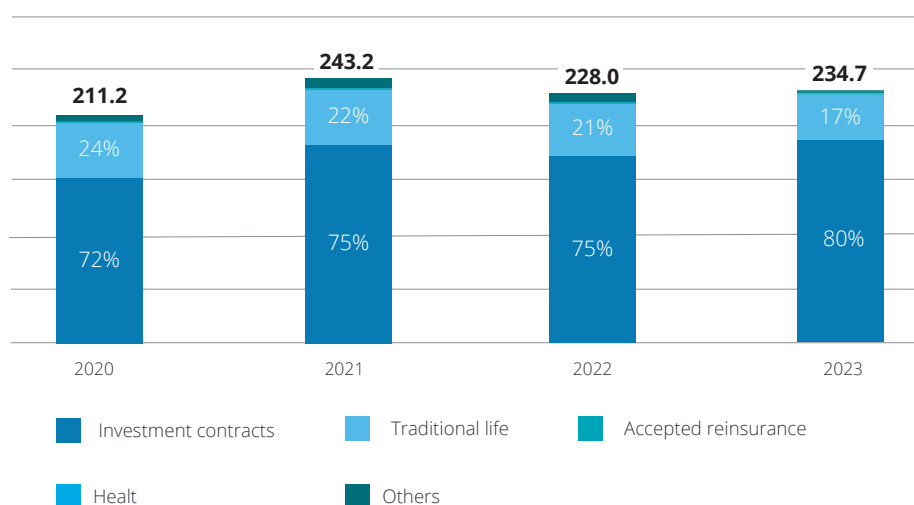


Breakdown of investments (index-linked and unit-linked contracts)



Life technical provisions

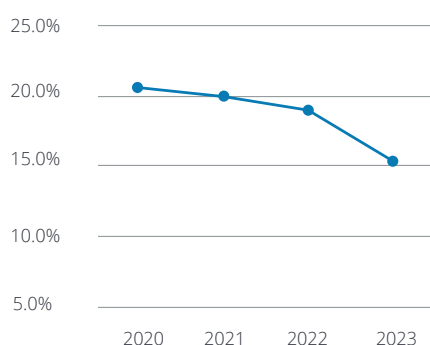
Technical provisions evolution (in €bn)



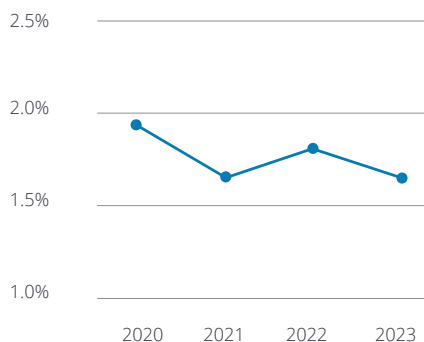
Technical provisions

- Life technical provisions increased slightly in 2023 by €6.7 billion (2.9%) compared to 2022.
- The share of technical provisions for traditional life insurance fell from 21% to 17% (-€7 billion), while technical provisions for investment contracts rose from 75% to 80% (+€15.6 billion). The reinsurance ceded ratio declined slightly to 15%, which was previously around 20%.
- The risk margin share in technical provisions remained stable between 1.5% and 2%.
- The impact of the volatility adjustment to zero was limited for technical provisions, eligible funds and SCR.

Ceded ratio to reinsurance



Risk margin in technical provisions



Impact of zero volatility adjustment

+ 0.32%
on technical provisions

- 1.90%
on eligible own funds
to meet SCR

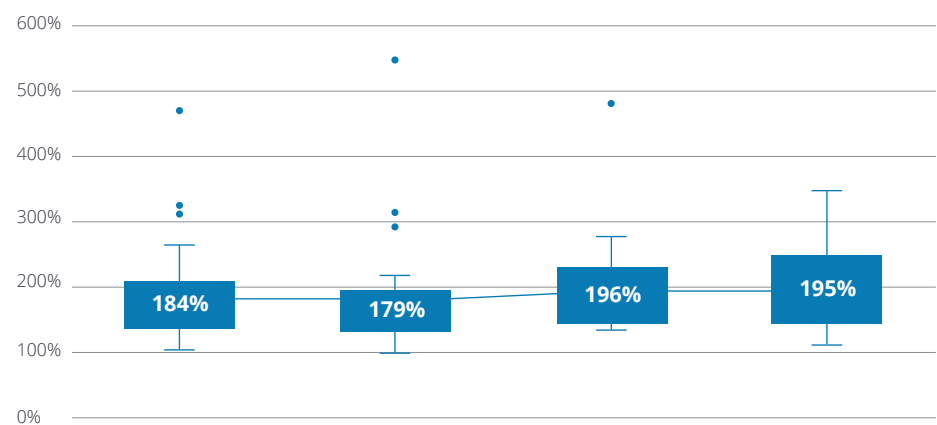
+ 0.64%
on SCR

Solvency capital requirement

Solvency capital requirement

- In recent years, despite significant differences between certain companies, the average SCR of Luxembourg insurance companies has stayed relatively stable at slightly below 200%.
- Most of 2023's SCR came from life underwriting risk (43.7%) and market risk (51.9%), while operational risk and counterparty risk had a lower weight in the basic solvency capital requirement.

Evolution of distribution of SCR ratio and average



Average market ratios

3.0%	SCR/total balance sheet
4.0%	SCR market/total investments
2.9%	SCR underwriting/technical provisions

SCR breakdown by module



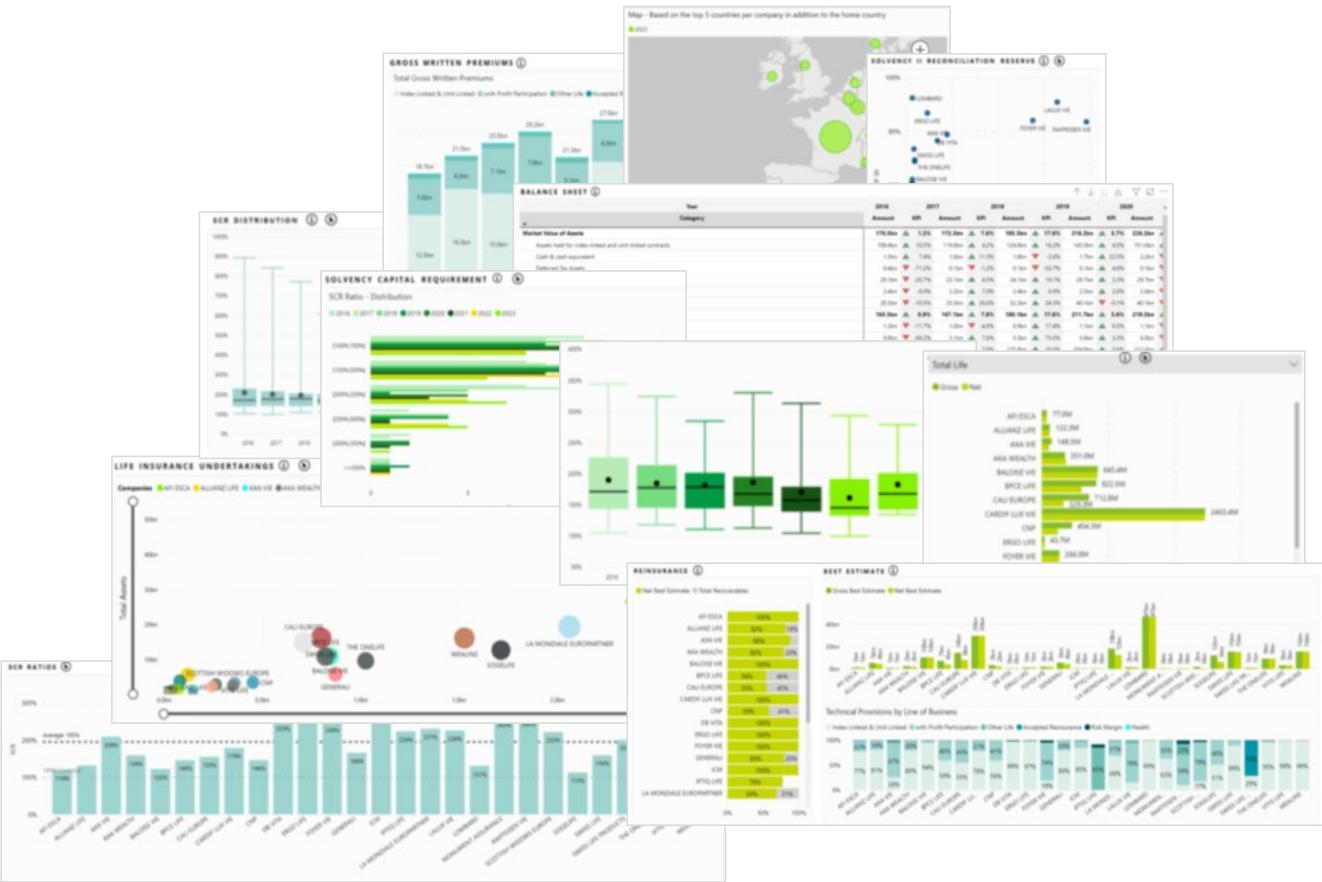
Deloitte benchmarking tool

Deloitte Luxembourg has developed a benchmarking tool for Luxembourg insurance companies, offering interactive dashboards and comprehensive data on most of the sector's actors.

Our platform allows clients to compare (re)insurers by leveraging detailed public reports on solvency and financial conditions to identify strategic opportunities and weaknesses.

Access the tool here

For most
Luxembourg insurers...
... A history from 2016 to 2023
... Of 3,500+ data points.



Why benchmarking is critical for insurance



1

Empower strategic decision-making

Gain a comprehensive understanding of market dynamics and competitor strategies, helping you make informed, strategic decisions that fuel growth and innovation.

2

Enhance overall performance

Identify strengths and weaknesses across various facets of your business to drive targeted improvements and gain a competitive edge.

3

Achieve regulatory and risk management excellence

Ensure compliance with regulatory standards while adopting best practices in risk management, strengthening your company's resilience and long-term stability.

Benchmarking is **not just about measuring performance**—it's a **powerful strategic tool** that drives improvement, innovation, and competitiveness. By **gaining insights** into **industry standards and best practices**, your insurance company can make **informed decisions, boost performance**, and ensure **regulatory compliance**.

Benchmarking your insurance business

Partner with Deloitte to harness the full power of our benchmarking services and break away from the pack with:

Comprehensive market insights

We provide detailed analyses of market trends, competitor strategies and the regulatory landscape, ensuring your company remains well-informed and strategically positioned.

Custom benchmarking

We can conduct benchmarking exercises and provide insights across various aspects of your business, including financial performance, regulatory compliance, product offering, strategy, international presence and partnerships.

Specialist recommendations

Our industry specialists deliver strategic advice and practical recommendations to support your strategic thinking, help refine your market positioning and address critical strategic issues.

Data-driven insights

By leveraging extensive and reliable data points from the Luxembourg insurance market, we can guide your strategic planning and decision-making with precise, data-driven insights.

Holistic market view

Thanks to our deep understanding of the Luxembourg insurance market, we offer a comprehensive market view and quantitative analyses, helping you grasp the sector's broader context and dynamics at play.



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