MILLIMAN REPORT

Shareholder value reporting in Europe: Solvency and IFRS based metrics

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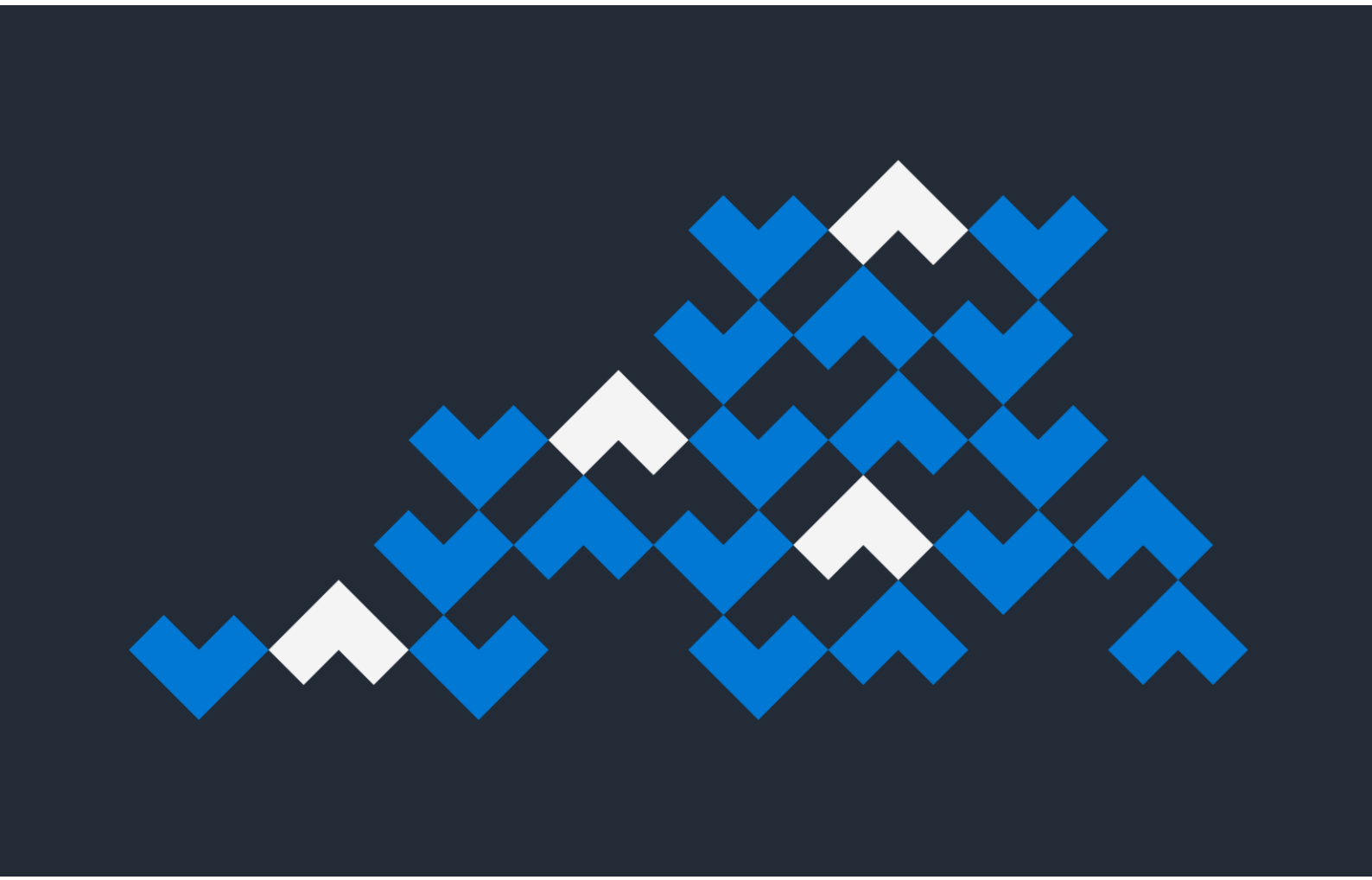

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1 Executive summary

INTRODUCTION

Ten years after the introduction of Solvency II in Europe, solvency based value and capital-generation metrics have become the predominant form of shareholder value disclosure in the market.

In this Report, we review the value and capital-generation metrics based on the Solvency II, Solvency II in the UK (Solvency UK) and Swiss Solvency Test (SST) disclosures (collectively Solvency based metrics) of over 20 companies as at year-end 2025. We consider whether the approaches adopted by firms when determining these metrics have changed since year-end 2024. The list of firms considered in our sample for the year-end 2025 disclosures is set out in Appendix 1.

Following on from this, we consider a breakdown of the movement in Own Funds[1] over 2025, on an aggregate basis, for firms in our survey using their year-end 2025 results. This analysis categorises the movement into 'high-level buckets' which can be broadly grouped into two classes: anticipated and unanticipated items. This Report considers what key themes can be drawn from how firms in our sample have reported their performance over 2025.

We then expand this analysis to look at results from previous year-ends and consider what, if any, conclusions can be made with regard to the anticipated items, noting that market performance over the period under review has seen significant fluctuations.

Additionally, we have used information from IFRS based annual reports to analyse the development of IFRS based value measures. We consider the changes in two value measures, comprehensive equity and the future stock of profits, and have categorised the developments of the components in a consistent manner for all companies in scope to increase comparability.

Finally, we consider recent regulatory developments with an emphasis on their impact on value metrics and disclosures, including:

- Finalisation of the review of the Solvency II Directive (the Solvency II Review) and next steps
- Embedding by the UK government, in particular by HM Treasury (HMT) and the Prudential Regulation Authority (PRA), of the application of Solvency UK, and ongoing developments in relation to funded reinsurance (FundedRe) and alternative capital
- The implementation of the Insurance Capital Standard (ICS)
- Developments in International Financial Reporting Standards 17 (IFRS 17)

THEMES ARISING FROM YEAR-END 2025 RESULTS

Despite continued macroeconomic uncertainty in 2025, including geopolitical tensions and trade disruptions, financial markets remained relatively resilient. Equity markets recovered strongly following a period of volatility in April and generally trended upward over the remainder of the year, whilst interest rates remained relatively stable and at a higher level than during the prolonged low-interest-rate environment preceding 2022.

Across the industry, new business volumes generally increased in 2025, with insurers reporting strong demand across protection, savings and annuity products supported by the favourable interest rate environment. Compared with the previous year, lower volumes of bulk purchase annuity (BPA)/pension risk transfer (PRT)[2] business were written by the UK firms in our sample in 2025. Policyholder behaviour also continued to improve in a number of markets, with lapse and surrender rates generally declining from the high levels that were observed in 2023.

Firms continued to deploy capital into strategic initiatives via mergers and acquisitions (M&A) in 2025 as they pursued growth into new markets or consolidation into their core ones. Capital was also returned to shareholders through dividends and share buybacks.

1. In this report, we use the term Own Funds as a general reference to Solvency II Own Funds, Solvency UK Own Funds and SST Risk-Bearing Capital for European, UK and Swiss firms, respectively.
2. PRT and BPA are used synonymously in this report to describe bulk annuity transactions transferring pension liabilities to insurers.

We consider how firms have reported their performance over 2025, focussing on several key areas:

- **Financial markets**, including management actions related to asset portfolios
- **New business growth**, including trends and strategies adopted to navigate the market landscape
- **Strategic decisions**, focussing on any major changes in the direction and operations of firms
- **Changes in policyholder behaviour** impacting the business, particularly in lapse experience
- **Assumption-setting**, used in financial projections
- **Payments to shareholders**, including dividends, share buybacks and other forms of capital return

In addition, IFRS 17, effective from 1 January 2023, has resulted in some changes to the value metrics disclosed by European insurers, with most firms in our sample now disclosing IFRS 17 key performance indicators (KPIs). The contractual service margin (CSM), or an adjusted CSM, is now a predominant metric for new businesses, with a growing number of firms no longer providing solvency-based/value of new business (VNB) measures in 2025. Several companies continue to present comprehensive equity as a shareholder value measure, and we have expanded our analysis this year to include, for the first time for all companies in our sample, an analysis of the change in comprehensive equity over 2025 (and 2024 for comparison).

SOLVENCY BASED METRICS: YEAR-END 2025 RESULTS

In our publication, 'Shareholder Value Reporting in Europe – Solvency II Based Metrics'[3] (2020 Shareholder Value Report), we observed that companies had started disclosing Solvency based earnings metrics such as 'Solvency II Capital Generation.' However, 'Solvency II Capital Generation' remains a nonstandard term and many companies in our sample disclosed similar metrics with various names and slightly varying definitions (which were set out in that report).

Having reviewed the year-end 2025 disclosures, we found no material changes in the capital-generation metrics disclosed and the approach adopted by companies in our sample over 2025, although generally, the level and detail of Solvency II disclosure at year-end 2025 has decreased. Less detail is disclosed by the companies, both in the number of steps in the movement and in the clarifications, particularly with regard to the solvency-based VNB.

We previously noted that, for our sample of companies, the level of disclosure remains greatest for companies headquartered in the Benelux region and for a number of those headquartered in the UK. This remains true of year-end 2025 disclosures.

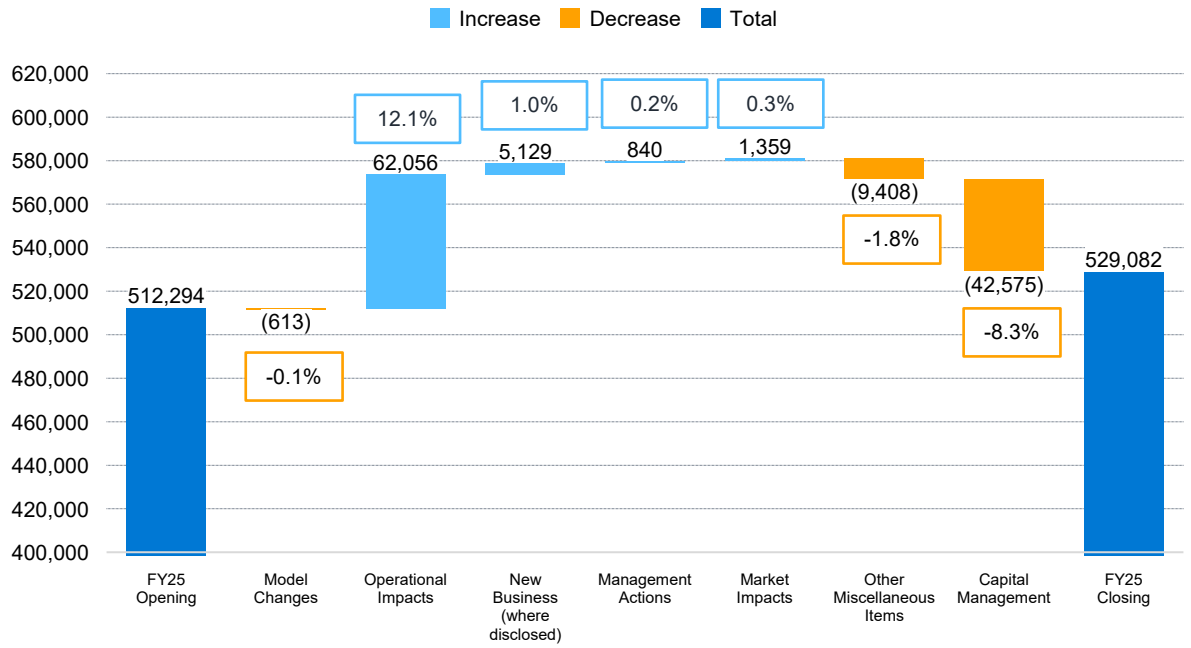
In considering the value of the disclosed metric at year-end 2025 compared with 2024 for our sample companies (as shown in Figures 14 and 15 below), we note that almost all firms increased their capital-generation metric over the year.

As part of our analysis of firms' year-end 2025 disclosures, we also considered a breakdown of the movement in Own Funds over 2025 on an aggregate basis. In Figure 1, we set out our analysis based on the following 'high-level buckets':

- Model changes
- Operational impacts
- New business
- Management actions
- Market impacts
- Other miscellaneous items
- Capital management (which includes payment of dividends)

3. Burgess, S., Burston, D., Reynolds, S., & Wrobel, L. (2020, November 11). *Shareholder value reporting in Europe – Solvency II based metrics*. Milliman. Retrieved August 17, 2026 from https://www.milliman.com/en-GB/insight/shareholder-value-reporting-in-europe-solvency-ii-based-metrics-november-2020.

FIGURE 1: AGGREGATE EVOLUTION OF OWN FUNDS OVER 2025 FOR COMPANIES IN OUR SAMPLE (EUR M)



Notes:

1. The majority of firms included in Figure 1 report results in euros. For the handful of other firms, we have converted results using publicly sourced exchange rates as per 31 December 2025, which may introduce small currency differences with the prior years' closing values.
2. In the 2024 Shareholder Value Report, we used the IFRS 17 CSM as an approximation of the Solvency II VNB for the companies that did not provide a breakdown. Following further investigations and back-testing, we decided not to use that metric in the 2025 results shown here or in Section 5 (including prior years). In theory, the VNB and CSM should not be too different, but the differences in expense assumptions, discount rates, contract boundaries, classification investment contracts/insurance contracts and risk margin can have a significant impact.

Given the non-standardised nature of the disclosures around the movement in Own Funds across firms in our sample, a number of simplifications and judgements were needed to arrive at the breakdown in Figure 1. However, although there are adjustments, the analysis provides useful insight into the key drivers of firms' performance over 2025.

A key anticipated item of any movement in Own Funds over the year is 'Operational Impacts.' Ideally, Operational Impacts provide some indication of the level of capital generation that arises 'naturally' from the existing business on the balance sheet at the start of the period. However, in the absence of the majority of firms in our sample disclosing this level of granularity when reporting the breakdown of movement in Own Funds, this category includes other items such as non-economic experience variances and non-economic assumption changes. In addition, changes to disclosures have made it increasingly challenging to identify the Own Funds impact of new business written during the year. Consequently, this impact is often captured in operational impacts in our analysis, rather than being separately distinguished from the expected evolution of the inforce business. Overall, Operational Impacts contributed a 12.1% increase in Own Funds over 2025.

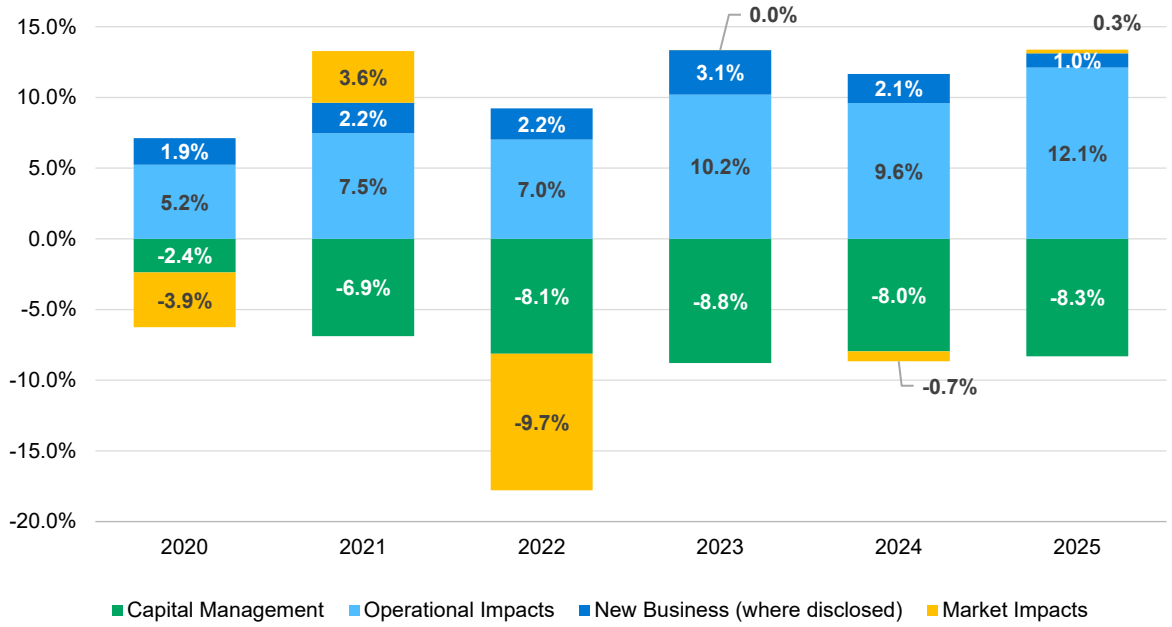
SOLVENCY BASED METRICS: COMPARISON OF EXPERIENCE OVER RECENT YEARS

Expanding on the year-end 2025 movement in Own Funds analysis, we have considered how results over 2025 compare with recent years.

We have limited this expanded analysis to consider year-end 2020 to year-end 2025. All firms in our survey disclosed a breakdown of Own Funds for 2025, and the criteria for determining whether a firm has been included are driven by its size and whether it reports changes in Own Funds to a sufficient level of detail in its public disclosures.

We have focussed on the 'high-level buckets' of the movement in Own Funds, which could be considered to be anticipated rather than unanticipated. Figure 2 shows the results for the anticipated items.

FIGURE 2: EVOLUTION OF CAPITAL-GENERATION DRIVERS FOR ANTICIPATED ITEMS



Note: The figures for years 2020 to 2024 in Figure 2 may differ from the figures in the Shareholder Value Report published in previous years due to changes to the high-level bucket categorisations of some items, and for 2024, the inclusion of new firms into the analysis. Furthermore, in previous reports, we used the IFRS 17 new business CSM for some companies to approximate Own Funds new business impact; however, due to the differences between the valuation of new business under the IFRS 17 framework and Solvency II/ UK/ SST, we no longer feel this is appropriate and so have removed these proxies.

Looking at the 2020 to 2025 results:

- **Market impacts:** From 2020 to 2022, fluctuations broadly tracked market performance, with significant negative impacts arising in periods of market stress, including the Covid-19 pandemic in 2020 and following the outbreak of the Russia–Ukraine conflict in 2022. By contrast, market impacts over the last three years have been relatively small, contributing between −0.7% and +0.3% of opening Own Funds. Despite periods of market volatility during 2025, in particular in response to US tariff announcements, financial markets proved relatively resilient, and insurers have also continued to use hedging strategies to manage their market-risk exposures. As a result, the market impact in 2025 for the companies included in our sample was modest and broadly consistent with the near-neutral outcomes observed in 2023 and 2024.
- **New business:** The contribution from new business reduced to 1.0% of opening Own Funds in 2025, compared with 2.1% in 2024 and 3.1% in 2023. However, this reduction should be interpreted with caution, as an increasing number of firms no longer separately disclose a Solvency II/UK new business contribution in their analysis of Own Funds movements. Instead, these impacts appear to be captured within broader Operational Impacts items. Consequently, the reported new business contribution in this chart is becoming less comparable over time.
- **Operational impacts:** The contribution to the movement in Own Funds from this item appears broadly stable year-on-year. Although the contribution in 2025 is higher than in 2024, it remains within the range observed in recent years, which is above the 5% to 7% range observed between 2020 and 2022.

  The higher contribution relative to the 2020 to 2022 period may reflect insurers using a higher expected real-world return on assets in excess of the Best Estimate Liability (BEL) in their movements analysis following the rise in interest rates since 2022. It may also be attributable to a reduced negative impact from Ultimate Forward Rate (UFR) drag for European insurers in the current environment, as higher EUR interest rates, together with the gradual lowering of the UFR in recent years, have brought the two closer to convergence.

As described above, the increase in 2025 relative to 2024 may be partly attributable to fewer firms separately disclosing an Own Funds movement for new business, with such impacts increasingly captured within Operational Impacts. On a combined basis, the contribution from 'New Business' and Operational Impacts has remained broadly stable over the last three years.

- **Capital management:** This item is broadly consistent in 2025 with 2024 and remains higher than the levels observed prior to 2022. This reflects the general trend of increasing dividend payments declared by companies. Many companies continue to be very well-capitalised in the current high-interest environment and following a strong performance in 2025.

IFRS BASED RESULTS: YEAR-END 2025 RESULTS

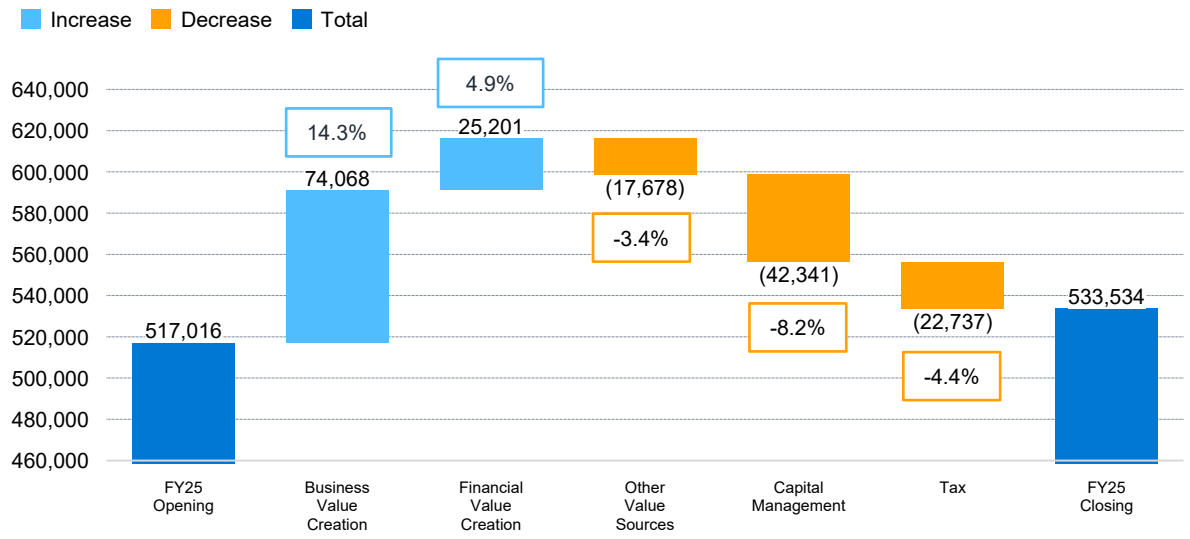
A growing number of insurance companies are voluntarily disclosing comprehensive equity, also referred to by some firms as economic value, adjusted book value, or adjusted shareholders' equity, a shareholder value metric defined as the IFRS shareholders' equity plus the post-tax CSM. Some firms further refine this figure by incorporating other adjustments (e.g., intangible asset deductions or adding the value of the risk adjustment [RA]).

For the first time in the Shareholder Value Report, we have considered the movement in comprehensive equity for all firms within our sample over 2024 and 2025 and present the results of an analysis of the movement broken down into the following main categories:

- **Business value creation** – including new business, inforce profit emergence and operational performance
- **Financial value creation** – market- and investment-related impacts
- **Other value sources** – non-core earnings such as fees and commissions, non-attributable expenses and other miscellaneous movements
- **Capital management** – dividends, share buybacks and other capital actions
- **Tax** – corporate tax and tax impacts on the movement in future profits

Figure 3 shows the movement of comprehensive equity for the firms in our sample for 2025 and shows that business value creation was the primary driver of comprehensive equity growth, with insurance service revenue representing 92% of that category. The percentages per category are similar to those in the Own Funds movement analysis shown in Figure 1, although the categories are not completely equivalent. In particular, business value creation would broadly align with the combined operating impacts (excluding expected returns over the year) new business value creation and model changes, whereas financial value creation is more comparable to market movements and the portion of operating impacts arising from expected returns over the year. The negative contribution from 'other value sources' is broadly consistent with the impact in 2024 and primarily reflects non-attributable expenses that reduce comprehensive equity as they are incurred.

FIGURE 3: AGGREGATE EVOLUTION OF COMPREHENSIVE EQUITY OVER 2025 FOR COMPANIES IN OUR SAMPLE (EUR M)



Note: The majority of firms included in Figure 3 report results in euros. For the handful of other firms, we have converted results using publicly sourced exchange rates as per 31 December 2025, which may introduce small currency differences with the prior year closing values shown in Figure 28.

An advantage of the comprehensive equity movement analysis, relative to that of Own Funds, is that it leverages existing, standardised IFRS reporting components, including the income statement, equity movement schedules and CSM movement analysis. This enables a more consistent comparison across companies than is possible under solvency-based frameworks, where Own Funds movement disclosures often vary in both granularity and methodology, making it a useful measure for stakeholders and investors.

REGULATORY DEVELOPMENTS

After years of review by various regulatory bodies, we are now starting to see these efforts culminate in finalised versions of standards or reforms to existing regulations locally and internationally.

Although developments continue in the regulatory space, which may also have an impact on the shareholder value metrics adopted by firms in future years, the introduction of more stable versions of Solvency II, Solvency UK, IFRS 17 and ICS will help provide clarity and consistency for stakeholders going forward.

Solvency II

The Solvency II Review has now largely concluded, with the amended Solvency II Directive in force and implementation scheduled for 30 January 2027. During 2025 and early 2026, the European Commission (EC) and EIOPA have finalised much of the detailed supporting framework, including amendments to the Delegated Regulation and updated guidance covering risk-free rates, the volatility adjustment (VA) and supervisory requirements.

The most significant changes arising from the amended Solvency II Directive are changes to the Risk Margin, Solvency Capital Requirement (SCR) and long-term guarantee measures (in particular, the extrapolation methodology used for determining risk-free rates and VA).

Solvency UK

Solvency UK is now fully effective, and the PRA continues to build on the framework through targeted reforms and supervisory initiatives. The most significant regulatory developments in 2025 and early 2026 relate to the Matching Adjustment Investment Accelerator (MAIA), FundedRe, alternative life capital and the publication of the results of the 2025 Life Insurance Stress Test (LIST).

The MAIA, implemented through PS17/25[4] in October 2025, allows insurers to claim a Matching Adjustment (MA) benefit on certain eligible assets for up to 24 months whilst applying for permission to expand the scope of their MA portfolios. This is intended to improve access to time-sensitive investment opportunities and enhance capital efficiency.

The PRA has also increased its focus on FundedRe. Through CP8/26,[5] published in April 2026, it proposed changes to the counterparty default adjustment (CDA) applied to FundedRe transactions, with the intention of aligning the capital treatment more closely with economically similar directly held assets. The proposals could materially reduce the capital benefit currently obtained from FundedRe transactions and may affect the attractiveness of FundedRe as a mechanism for supporting future BPA growth.

Alongside this, the PRA has begun exploring alternative life capital structures through DP2/25.[6] The discussion paper considers whether insurers should be able to access additional forms of long-term capital through structures such as insurance special purpose vehicles (ISPVs), synthetic risk transfer (SRT) arrangements and sidecars. Such structures could provide insurers with alternative sources of funding for growth and partially offset some pressures arising from proposed reforms to FundedRe.

The results of LIST 2025 indicated that major UK annuity writers remained resilient under the PRA's core stress scenario. However, the inclusion of FundedRe recapture and asset concentration scenarios reflects the PRA's continuing focus on changing asset strategies and FundedRe arrangements in the BPA market.

4. *PS17/25 – Matching Adjustment Investment Accelerator*. (2025, October 23). Bank of England. Retrieved August 17, 2026, from https://www.bankofengland.co.uk/prudential-regulation/publication/2025/october/matching-adjustment-investment-accelerator.

5. *CP8/26 – Funded reinsurance*. (2026, April 29). Bank of England. Retrieved August 17, 2026, from https://www.bankofengland.co.uk/prudential-regulation/publication/2026/april/funded-reinsurance-consultation-paper.

6. *DP2/25 – Alternative Life Capital: Supporting innovation in the life insurance sector*. Bank of England. Retrieved August 17, 2026, from https://www.bankofengland.co.uk/prudential-regulation/publication/2025/november/alternative-life-capital-discussion-paper.

Insurance Capital Standard

Following adoption of the ICS by the International Association of Insurance Supervisors (IAIS) at the end of 2024, the focus has shifted towards the implementation and assessment of the global prescribed capital requirement that applies to Internationally Active Insurance Groups (IAIGs).

During 2025 and early 2026, the IAIS has continued developing its implementation assessment methodology and supporting materials to facilitate consistent application across jurisdictions, with IAIS members (i.e., supervisors) performing a self-assessment of their progress in implementing the ICS in 2026, and the IAIS commencing in-depth targeted assessments of ICS implementation across relevant jurisdictions in 2027.

IAIGs in Europe continue to await confirmation that local capital regimes (e.g., Solvency II, Solvency UK) will be recognised as producing outcomes equivalent to the ICS, therefore removing the need to manage both ICS and local solvency regimes in parallel.

International Financial Reporting Standards

IFRS 17 has now been embedded into business-as-usual reporting processes and no major amendments have been made since the standard became effective in January 2023. Changes to the IFRS® Foundation Due Process Handbook (the Handbook) in 2026 have increased flexibility regarding the timing of the IFRS 17 post-implementation review, which is now expected to commence no later than 2028.

IFRS 18, which replaces IAS 1, introduces a new structured income statement format that requires companies to categorise income and expenses into five defined categories: operating, investing, financing, income taxes and discontinued operations. For insurance companies, this may be less relevant, as they already clearly separate and present the insurance service results within the new operating category framework. The standard also introduces stricter rules around management-defined performance measures (MPMs), requiring insurers to provide enhanced disclosures and reconciliations when using non-GAAP metrics. Solvency and value metrics are frequently used and may need to be redefined. IFRS 18 is effective for annual reporting periods beginning on or after 1 January 2027, meaning most insurance companies will publish their first IFRS 18-compliant financial statements in early 2028 (covering financial years 2027 and 2026).

Whilst Solvency II, Solvency UK and SST remain the main frameworks that we observe being used for capital management, the assessment of dividend capacity and valuation work as part of M&As in Europe, we noted some evidence of firms placing greater emphasis on IFRS 17 value and capital metrics in their 2025 disclosures, in particular where comparable solvency and IFRS 17 metrics are available.

2 Introduction

The level of Own Funds (and its change over time) is a widely publicly disclosed value metric. In this publication (Section 3 and Section 4), we consider the key themes arising from year-end 2025 results for the firms in our sample. We explore this for a number of areas, such as the movement in financial markets over the year and new business and policyholder behaviour.

Following on from this, we set out whether the approaches adopted by companies when disclosing supplementary reporting metrics have changed over 2025 (since those previously reported in the 2024 Shareholder Value Report[7]) and the change in the values of such metrics.

We then explore, at an aggregate level, the movement of Own Funds over the year for companies in our survey, and consider how this movement can be split into key drivers that may be expected to happen again in the future (e.g., for example, the contributions of existing and new business) and those that may be considered to be one-offs (e.g., model or methodology changes) or capital management actions (e.g., the issuance or repayment of debt and payment of dividends).

In Section 5, we extend the movement in Own Funds analysis presented in Section 4 and consider historical results for the firms in our sample. We consider what, if any, trends can be identified for each key driver, with particular focus on those drivers which can be considered to be 'anticipated.' We then estimate for each year-end a payout ratio and an expected capital-generation metric based on the back-book, and consider what conclusions can be drawn from these results.

In Section 6, we consider alternative shareholder value and capital-generation metrics that can be derived from the IFRS based annual reports. In particular, we consider the movement in the IFRS comprehensive equity value metric in 2025, a metric that several companies have started to disclose that consists of the amount of IFRS shareholder equity plus the CSM (all post-tax).

In Section 7, we conclude by reviewing recent regulatory developments affecting European insurers, with a focus on their impact on the metrics disclosed for both reporting and transaction purposes. The section covers the finalisation of the Solvency II review in Europe, the UK's implementation of Solvency UK, progress on the ICS and emerging developments in IFRS.

As part of this research, the main sources of information for each company were the company's annual report, analyst presentations or other investor communications and its Solvency and Financial Condition Report (SFCR).

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7. Burgess, S., et al. (2024, September). *Shareholder value reporting in Europe: Solvency II based metrics*. Milliman. Retrieved August 17, 2026, from https://edge.sitecorecloud.io/millimaninc5660-milliman6442-prod27d5-0001/media/Milliman/PDFs/2024-Articles/9-16-24_3545LF_SHV-report-2024.pdf.

3 Themes arising from year-end 2025 results

In this section, we consider how firms in our sample have reported their performance over 2025. We have evaluated several areas:

- Financial markets
- New business growth
- Strategic decisions
- Changes in policyholder behaviour impacting existing business (e.g., lapse experience)
- Assumption-setting used in projections
- Payments to shareholders, including dividends and buybacks
- IFRS 17 and the impact it has had on disclosures

FINANCIAL MARKETS

Resilience during a period of adverse macroeconomic shocks, including the announcement of US tariffs, heightened geopolitical tensions and ongoing conflicts in the Middle East and Ukraine, has characterised 2025. Despite this uncertainty, financial markets have remained relatively robust.

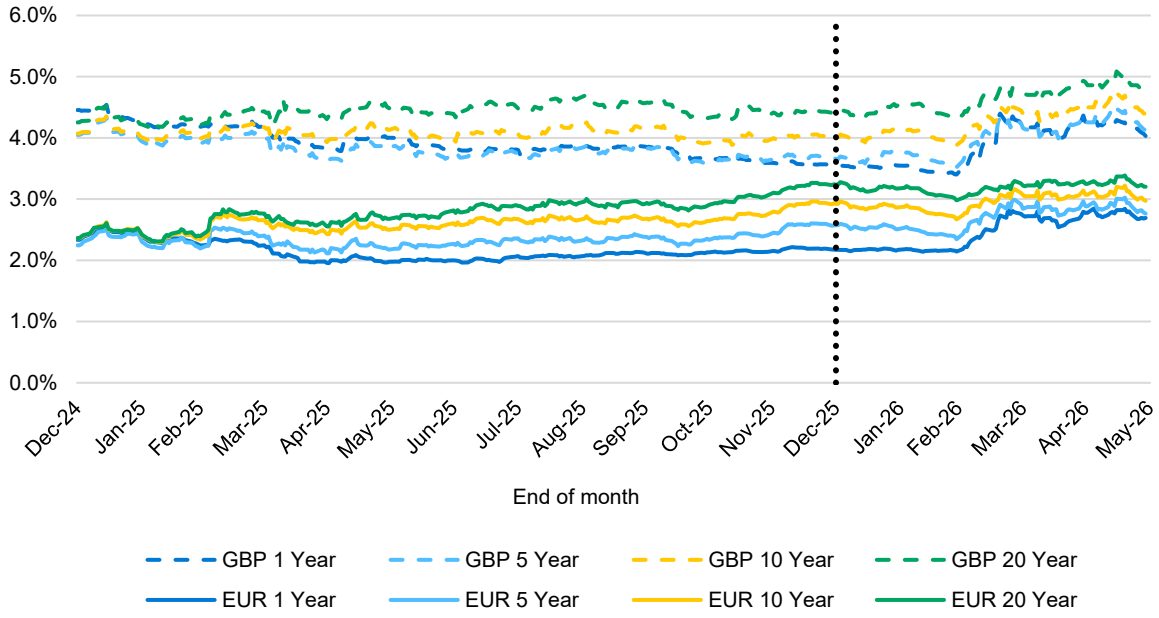
Short-term interest rates generally trended downward over the year as central banks began to ease their previously tight monetary policies implemented in response to elevated post-pandemic inflation. Equity markets have performed strongly, and European corporate bond spreads have tightened overall in 2025. However, the outlook for these financial indicators remains uncertain, with external shocks, including the US–Iran War and subsequent disruption to oil shipments, contributing to inflationary pressures and prompting the ECB's first interest-rate increase in three years in June 2026. There is similar concern in the UK, and although the Bank of England has not changed its Bank Rate[8] yet in 2026, two members of the Monetary Policy Committee voted for a rate rise in June 2026 in response to inflation risks stemming from higher energy prices.

The macroeconomic environment continued to have a significant impact on performance and influence pricing, product demand and investment strategies across the life insurance sector. Active monitoring of interest-rate and inflation dynamics remains a necessary part of business-as-usual activities for life insurers.

Figure 4 to Figure 7 illustrate movements in several key financial indicators over the course of 2025 and into early 2026.

8. The Bank Rate is the base interest rate that the Bank of England charges other banks and financial institutions for overnight borrowing.

FIGURE 4: RECENT TRENDS IN GBP AND EUR SWAP RATES



Source: Bloomberg

Figure 4 shows that interest rates remained elevated at the start of 2025 in the UK and Europe, with short-term rates falling slightly in anticipation of, and in response to, central bank rate reductions, given the easing of inflationary pressures.

Short-term interest rates started to fall in April 2025 as the announcement of US tariffs weakened growth expectations and increased trade uncertainty, with the resulting deterioration in the economic outlook prompting the European Central Bank (ECB) to accelerate its central bank rate cuts.

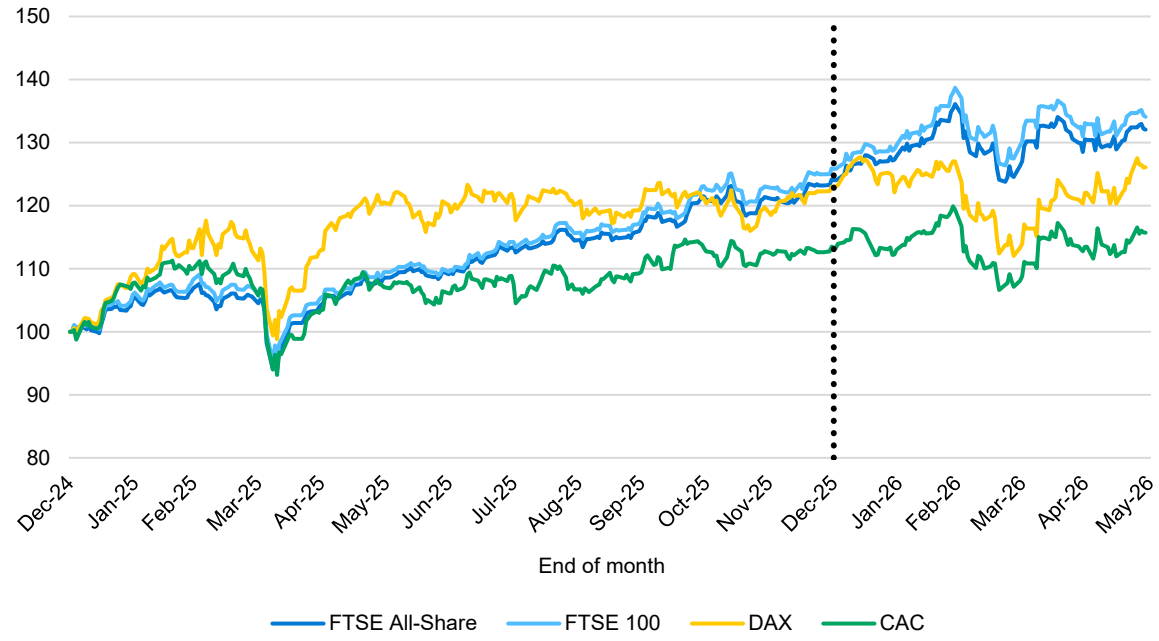
After April, interest rate movements diverged across European economies and durations:

- Short-term GBP interest rates continued to fall over the remainder of the year, in line with central bank rate reductions (the Bank Rate in the UK was reduced from 4.75% to 3.75% in 2025), whereas long-term rates remained broadly stable, contributing to a steepening of the GBP interest rate curve over 2025.
- Short-term EUR interest rates increased slightly, ending 2025 slightly above the levels at the start of the year and broadly consistent with the end-of-year central bank rate (the ECB reduced its deposit rate[9] from 3.00%, which was well above the start-of-year EUR 1-Year Rate, to 2.00% in 2025). Long-term rates increased more significantly, contributing to a steepening of the EUR interest rate curve over 2025.

Overall, the impact of interest rate movements on the Own Funds of firms within our sample varied, given differences in the duration of their liabilities, asset–liability matching strategies and geographic exposures. However, none experienced the significant interest rate impacts observed in earlier years. Several firms disclosed the beneficial impact of higher long-term interest rates on their earned investment return for the year.

9. The deposit facility rate is the interest rate at which banks can place overnight deposits with the Eurosystem via the ECB's deposit facility.

FIGURE 5: RECENT EQUITY MARKET PERFORMANCE



Source: Bloomberg

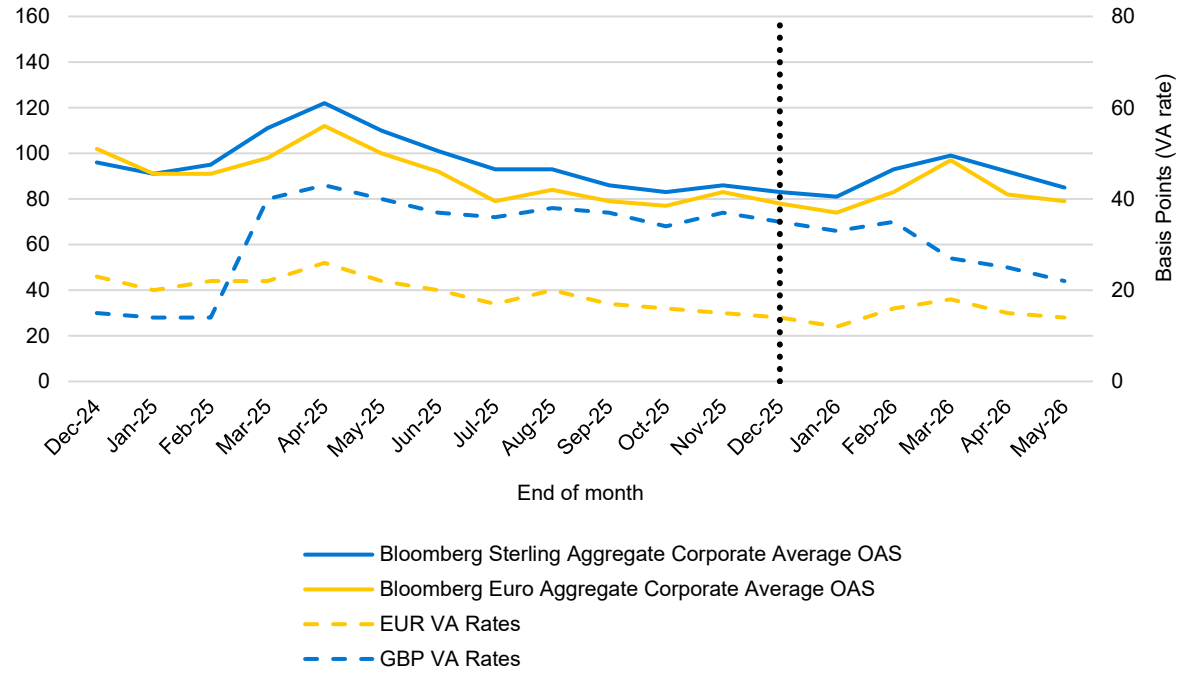
Note: Indices above are the gross total return indices and have been rebased to 100 as at 31 December 2024.

Figure 5 illustrates that equity markets performed strongly in 2025, despite a severe shock in April following the introduction of new US tariff policies. Markets subsequently recovered, culminating in a general upward trend toward the end of the year, driven in part by optimism surrounding the development and deployment of artificial intelligence, and the anticipated productivity gains and cost savings that could result. This is consistent with firms in our survey generally reporting a positive impact on their performance from financial markets over the year.

Of the indices shown, the German DAX was the quickest to recover from the decline in April, with the recovery possibly aided by significant changes to its fiscal policies in the first half of 2025, including a €500 billion domestic infrastructure and defence stimulus package alongside the easing of long-standing limits on government borrowing, with other indices subsequently following. However, consistent with the trend in 2024, the French CAC index delivered weaker returns than the other European indices, perhaps reflecting ongoing political and fiscal uncertainty and its impact on equity markets.

The combination of strong equity-market performance and sustained long-term interest rates appeared to support demand for life-insurance products during the year, with several firms in our sample noting stronger demand for unit-linked savings products in particular, reflecting the current attractiveness of market-linked investment opportunities.

FIGURE 6: RECENT TRENDS IN CORPORATE SPREADS AND VA RATES (BPS)



Source: Bloomberg, Barclays and EIOPA[10]

Figure 6 shows that credit spreads tightened over 2025, following a temporary widening in April 2025, amid market uncertainty following the announcement of US tariffs. The market quickly recovered, with credit spreads narrowing over the remainder of the year.

The tightening occurred despite political uncertainty in Europe, ongoing geopolitical tensions and an increase in primary debt issuance in 2025 (up 12% relative to 2024, driven largely by investment grade corporate issuances[11]). Normally, higher issuance would put upward pressure on credit spreads, but strong demand for credit instruments outweighed the increased supply. Consequently, several firms in our sample reported that the tightening of credit spreads had a favourable impact on Solvency II coverage ratios during 2025.

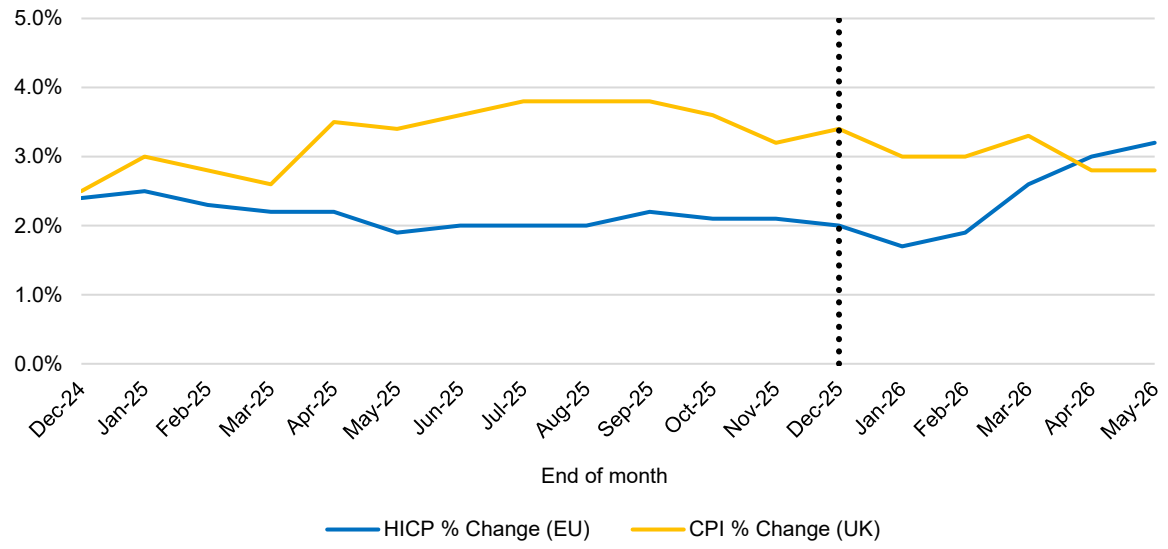
Although narrower credit spreads can have a favourable impact on Solvency II coverage ratios for some firms, they may also reduce the returns available on new asset purchases and place pressure on new business margins. This is particularly relevant for insurers active in BPA and PRT markets, where asset yields are an important component of transaction pricing and profitability. According to recent Milliman analysis,[12] UK bulk annuity transaction activity in 2025 fell short of the exceptional levels observed in 2023 and 2024, with narrowing credit spreads noted as placing pressure on insurers' deal economics.

10. The VA rates used in Figure 5 are based on the rates published by EIOPA. The VA rates published by the PRA may be different.

11. *End of year debt capital markets update: EOY 2025*. (2026, January). London Stock Exchange. Retrieved August 17, 2026, from https://docs.londonstockexchange.com/sites/default/files/documents/eoy-2025-debt-capital-markets-update.pdf.

12. Ginghina, F., Booth, C., Yang, K., & Modasia, M. (2026, March 27). *UK bulk annuity insurers' year-end 2025 results: Signs of a steadying market*. Milliman. Retrieved August 17, 2026, from https://uk.milliman.com/en-GB/insight/uk-bulk-annuity-insurers-year-end-2025.

FIGURE 7: RECENT TRENDS IN INFLATION



Source: ECB Data Portal,[13] Office for National Statistics (UK)

Figure 7 shows that inflation in the UK increased slightly in 2025 and remains above the Bank of England target of 2%. Despite this, some UK firms in our sample reported that the more stable inflationary environment and inflation outlook was beneficial.

Inflation in Europe generally declined over the course of 2025, although a significant increase was observed in early 2026, driven largely by the US–Iran War and the subsequent disruption to oil shipments through the Strait of Hormuz, which resulted in higher energy prices and may indicate that some of these disinflationary trends are beginning to reverse. As Figure 7 reflects inflation at an aggregate European level, variations in local market conditions may result in differing impacts on insurers, depending on their geographic exposures.

Overall, 2025 disclosures indicate continued active use of hedging across the sector, although evidence of a broad increase in hedging is mixed. Some firms, including Generali, AXA and SCOR, disclosed specific extensions or increases in equity, foreign exchange or interest-rate hedging, whereas others appeared to maintain existing hedging positions.

NEW BUSINESS

The volumes of new business for most companies in our sample increased in 2025, and insurers disclosed that they saw strong demand and growth in protection, savings and annuity products, with notable increases in new business volumes across major markets and segments. This was supported by favourable interest rates and strategic initiatives.

We observed a continuing trend in our sample of fewer firms disclosing a solvency-based new-business value metric in 2025. For companies that did disclose this, this value has been presented separately in the Own Funds movement analysis in Section 4. For companies that did not provide this disclosure, the VNB on a Solvency II/UK basis will generally be included within the broader Operational Impacts category. IFRS 17, however, requires the disclosure of information on newly recognised contracts in the annual report (i.e., CSM for new business).

There are differences between solvency-based VNB and IFRS based new-business value metrics; the main differences are set out in Figure 8.

13. The underlying HICP data is based on the revised ECOICOP version 2 classification introduced by the EC in February 2026.

FIGURE 8: DIFFERENCES BETWEEN SOLVENCY II/UK VALUE NEW BUSINESS (VNB) AND IFRS 17 CSM FOR NEW RECOGNISED CONTRACTS

ITEM	SOLVENCY II/UK VNB	IFRS 17 NEW BUSINESS CSM
Loss-making contracts	Included	Not included in the CSM, but loss component can be included[14]
Contracts measured with the Premium Allocation Approach (PAA)	Included	Not included. Do not have an explicit CSM and RA
Investment contracts (IFRS 9)	Included	Not included
Effect of minority shares (Non-controlling interests [NCIs])	Commonly, the VNB only represents the part relevant to the shareholder	The CSM is related to the consolidated business
Non-attributable expenses	Commonly included	Not included
Risk margin/RA	Regulated approach	RA based on the approach used by the company
Renewals beyond the contract boundary	Sometimes included	Not included
Discount rate	Solvency II/UK or SST curve	IFRS curve
Corporate tax	Included	Not included

Despite these differences, new business CSM disclosures can be used to gain some insight into how new business may have impacted a firm's solvency-based shareholder value and capital generation over the year. We therefore present the IFRS based new business information in this Section, but we do not try to use it to make an allowance for new business in the Own Funds movement analysis in Section 4.

Volumes

In this section, we analyse the volumes of new business, focussing on the inflow of new business measured with the General Measurement Model (GMM) or Variable Fee Approach (VFA) under IFRS 17.

GMM and VFA are predominantly used for contracts where the Premium Allocation Approach (PAA) cannot be applied. Generally, GMM or VFA are applied for contracts with a duration longer than one year, such as life, health and disability/workers' compensation contracts.

The volumes analysis does not provide the full picture of new business volumes, as it does not consider the inflow of premiums measured with the PAA and the volume of payment inflows on investment contracts, as they are not included in the mandatory IFRS disclosure regarding new recognised contracts. As set out in Figure 8, under Solvency II/UK new-business metrics, such contracts would be included. This is particularly relevant when interpreting the results for companies that write insurance contracts with a minimum level of insurance coverage (that under Solvency II/UK are considered insurance contracts, but under IFRS would be categorised by some firms as investment contracts), and for those that are increasingly expanding their service offerings to include asset management, wealth management and banking.

Figure 9 shows the total volume of new business measured with GMM and VFA for 2025, alongside 2024 for comparison, and shows that the present value of premiums for new business increased by 0.7% in 2025 for the firms in our sample. If the same interest rates had been used for 2024 and 2025, the present value's increase would have been slightly higher.

The companies that showed the highest increase are a.s.r. and Generali. Aviva, Rothesay and Standard Life realised significantly lower volumes of sales than in 2024.

14. Under IFRS 17, loss-making (onerous) contracts do not generate CSM, but instead give rise to a loss component. Some insurers include the impact of the loss component in their new business metric, whereas others disclose new business CSM before allowing for these losses.

FIGURE 9: VOLUME OF NEW BUSINESS (INSURANCE CONTRACTS MEASURED USING GMM/VFA ONLY)

COMPANY	PRESENT VALUE OF PREMIUMS OF CONTRACTS RECOGNISED (EUR M)		CHANGE IN VOLUME (PV PREMIUMS)
	2025	2024	
ACHMEA	Not disclosed	Not disclosed	
AGEAS	5,315 (↑)	5,020	6%
ALLIANZ	76,076 (↓)	89,833	−15%
ASR	6,720 (↑)	2,300	192%
AVIVA	9,365 (↓)	13,961	−33%
AXA	26,041 (↑)	25,823	1%
GENERALI	82,544 (↑)	61,290	35%
GJENSIDIGE	105 (↑)	88	20%
GRUPPO UNIPOL	Not disclosed	Not disclosed	
HANNOVER RE	28,463 (↑)	25,745	11%
LEGAL & GENERAL	15,881 (↓)	18,223	−13%
M&G	8,833 (↑)	7,372	20%
MUNICH RE	40,197 (↑)	33,258	21%
NN GROUP	7,981 (↑)	7,595	5%
ROTHESAY	5,942 (↓)	18,884	−69%
SCOR	9,733 (↑)	9,439	3%
SCOTTISH WIDOWS	7,375 (↓)	7,547	−2%
STANDARD LIFE	5,751 (↓)	8,670	−34%
SWISS LIFE	11,814 (↑)	11,716	1%
SWISS RE	39,370 (↓)	39,991	−2%
ZURICH	19,492 (↑)	17,288	13%
Total	406,998 (↑)	404,042	0.7%

The large increase in 2025 for a.s.r. was in part due to higher PRT sales, executing three buyout deals with a total volume of €2.8 billion in the year, compared with a near-zero level in 2024. Elsewhere, more modest growth was observed in its defined contribution, annuities in payment and workers' compensation new-business volumes.

Generali disclosed that it experienced strong growth in its protection and health lines of business, with volumes of savings contracts also slightly higher than in 2024, driven by higher volumes in Asia. Its hybrid and unit-linked portfolios experienced slightly lower inflows of new business.

In the UK, volumes of new business were lower in 2025 than in the prior year for most firms in our sample, driven in part by lower PRT volumes consistent with the wider market:

- Aviva experienced, on a gross of reinsurance basis, a significant decrease in new-business volumes in its life-protection business segment. This segment contains the annuities (bulk-purchase and individual annuities) and pension savings contracts that will likely be converted into annuity contracts at retirement. Aviva disclosed that the volume of BPA deals decreased from £7.8 billion in 2024 to £4.6 billion in 2025. The outflow of reinsurance premiums for new recognised contracts also decreased significantly relative to 2024.
- Rothesay, a UK pensions insurer that is also active in the PRT market, disclosed a volume of new-business premiums of £5.2 billion, significantly lower than the value of £15.7 billion in 2024, reflecting the highly competitive UK PRT market. Its largest disclosed bulk-annuity transaction in 2025 was a £900 million buy-in with the National Grid UK Pension Scheme, whereas the 2024 transactions included much larger transactions (such as the buy-in transaction of £9.6 billion of liabilities with NatWest Group Pension Fund), the acquisition of Scottish Widows' bulk-annuity portfolio from Lloyds Banking Group and PRTs with four other pension schemes.

- Standard Life experienced a significant decrease in new-business premiums in 2025 compared with 2024. Comparable to Aviva and Rothesay's situation, the volume of PRT contracts decreased by £1.2 billion (from £5.1 billion to £3.9 billion).

In the reinsurance market, both Hannover Re and Munich Re reported growth in life and health reinsurance new business in 2025. They both noted high demand in the longevity reinsurance market.

Profitability

In this section, we analyse the profitability of new business, focussing on the inflow of new business measured with GMM or VFA under IFRS 17. The profitability of the new or renewed contracts that applied the PAA is measured via the combined ratio. The results of the PAA contracts are not included in this analysis but are relevant for the total profitability and value of composite and non-life insurance companies.

Overall, the profitability measured on an IFRS basis decreased in 2025, with the IFRS new-business margin of the companies in our sample decreasing from 7.9% to 7.2%.

FIGURE 10: PROFITABILITY OF NEW BUSINESS IN 2025 AND 2024 (INSURANCE CONTRACTS MEASURED USING GMM/VFA ONLY)

	2025		2024	
COMPANY	NEW-BUSINESS MARGIN (BASED ON IFRS)[1]	NEW-BUSINESS CSM MINUS LOSS COMPONENT[1] (EUR M)	NEW-BUSINESS MARGIN (BASED ON IFRS)[1]	NEW-BUSINESS CSM MINUS LOSS COMPONENT[1] (EUR M)
ACHMEA	Not disclosed		Not disclosed	
AGEAS	6.1% (↑)	323 (↑)	5.5%	277
ALLIANZ	7.1% (↑)	5,411 (↓)	6.8%	6,148
ASR	2.0% (↓)	135 (↑)	3.6%	83
AVIVA	5.8% (↓)	547 (↓)	6.5%	903
AXA	8.7% (↑)	2,254 (↑)	8.6%	2,226
GENERALI	3.6% (↓)	3,003 (↑)	4.6%	2,814
GJENSIDIGE	21.7% (↓)	23 (↑)	22.4%	20
GRUPPO UNIPOL	Not disclosed		Not disclosed	
HANNOVER RE	15.9% (↓)	4,539 (↑)	16.6%	4,262
LEGAL & GENERAL	2.5% (↓)	403 (↓)	5.1%	932
M&G	2.3% (↓)	199 (↑)	2.5%	187
MUNICH RE	7.6% (↓)	3,062 (↓)	9.8%	3,251
NN GROUP	9.3% (↑)	745 (↑)	8.0%	608
ROTHESAY	0.6% (↓)	37 (↓)	2.6%	497
SCOR	18.0% (↓)	1,753 (↑)	18.6%	1,753
SCOTTISH WIDOWS	-1.3% (↓)	-95 (↓)	−0.5%	−40
STANDARD LIFE	8.6% (↑)	493 (↑)	5.6%	488
SWISS LIFE	5.8% (↓)	682 (↑)	6.3%	736
SWISS RE	11.0% (↓)	4,317 (↓)	13.4%	5,379
ZURICH	7.0% (↓)	1,359 (↑)	7.2%	1,247
Total	7.2% (↓)	29,190 (↓)	7.9%	31,772

Note: Gross of reinsurance and before tax.

Whilst a few companies had an improvement in their IFRS new-business margin, for the majority, there was a decrease, with firms commenting on profit margins tightening due to shifts in business mix (towards less profitable product lines), higher acquisition expenses and higher RAs.

For example, Ageas, Allianz, NN Group and Standard Life experienced an increase in their new-business margin in 2025, relative to 2024. a.s.r., Generali, Legal and General and Rothesay, however, reported a significant decrease in the level of the new-business margin.

Gjensidige is a non-life insurer, so only a small portion of the portfolio included in Figure 10 consists of contracts accounted for under GMM. These contracts have relatively short coverage periods and are priced prudently. Gjensidige reported for its entire portfolio (including PAA contracts) a combined ratio of 83.4% in 2025.

The reinsurance companies in our sample (SCOR, Hannover Re and Swiss Re) stand out as having a high level of profitability relative to the other firms. Many of the underlying risks are based more on property and casualty (P&C) insurance and have a relatively high profitability. For the reinsurance companies in our sample, the ratio of the present value of claims, benefits and related expenses (i.e., expected outgo) and the present value of future premiums for newly recognised contracts in 2025 is 81.9%. That ratio is 93.1% for the life-insurance companies and 87.2% for the composite companies. The lower ratio is the largest contributor to the profitability of the reinsurance companies.

STRATEGIC DECISIONS

M&A continued to be a key tool for firms to enact their strategic priorities in 2025, typically in pursuit of growth in core markets, simplification of business models or selective expansion into strategically important lines of business. The M&A market was active in 2025; notable transactions that impact the companies included in our sample are:

- **Achmea** completed a major transaction with Sixth Street on 1 October 2025, under which Achmea Pensioen- en Levensverzekeringen N.V. (AP&L) acquired Lifetri Group N.V., including Lifetri Verzekeringen and Lifetri Uitvaartverzekeringen. The transaction, which included a share exchange, a merger of Lifetri Group into AP&L and the recognition of a Tier 2 note in eligible own funds, supports Achmea's strategy to strengthen its pensions and life operations.
- **Ageas** expanded its UK personal-lines presence through the acquisitions of Acromas Insurance Company Limited and esure Group, whilst completing partial disposals of minority interests in Ageas Federal Life Insurance.
- **Aviva** completed the acquisition of Direct Line Insurance Group plc on 1 July 2025 for £4.0 billion in cash and shares. The transaction represents a significant consolidation of Aviva's UK general insurance position, with integration of the Direct Line entities becoming a major board priority following completion. Aviva also reported management actions in Insurance, Wealth & Retirement during the year, aimed at strengthening the solvency position following the Direct Line acquisition.
- **AXA** completed the sale of AXA Investment Managers to BNP Paribas and entered into a long-term partnership, under which BNP Paribas will provide investment management services to AXA. This represents a strategic simplification of AXA's business model and resulted in a significant release of capital. AXA also completed the acquisition of a majority stake in Prima Assicurazioni, strengthening its motor and direct-to-consumer insurance position in Italy.
- **Munich Re** completed the full takeover of Next Insurance Inc., giving ERGO entry into the US small and medium-sized enterprise insurance market. The transaction represents a targeted market-entry acquisition and an expansion of Munich Re's digital insurance capabilities.
- **Swiss Re** continued to reshape the iptiQ business, including the sale of iptiQ Americas, run-off of iptiQ EMEA Life & Health and the completion of sales of iptiQ EMEA P&C and Australian operations. These actions are consistent with Swiss Re's strategic decision to withdraw from iptiQ and refocus on its core reinsurance and commercial insurance businesses.

Other firms also undertook more targeted portfolio actions, although these were generally less central to the overall strategic narrative. For example, Allianz completed several acquisitions and disposals, including the acquisition of RAA Insurance Holdings Limited in Australia, the acquisition of iptiQ EMEA P&C S.A. in Luxembourg, the sale of its 50% stake in UniCredit Allianz Vita and preparations for the disposal of its Indian life and non-life joint ventures with Bajaj. Unipol also undertook a number of restructuring actions, including participation in the Cronos Vita demerger, acquisition of the remaining 50% of BIM Vita and acquisition of full control of Pegaso through Unipol Finance.

Further information on global M&A activity in the life and health insurance sector can be found in the 2026 Milliman Life and Health Insurance M&A Report.[15]

Among UK retirement and savings specialists, strategic activity continued to focus on pensions, annuities, asset management capability and capital-efficient growth:

- **Legal & General** agreed to the sale of its US insurance entity to Meiji Yasuda, completed in early 2026, whilst retaining 80% of existing and new US PRT through reinsurance. The transaction supports Legal & General's focus on institutional retirement, asset management and retail.
- **M&G** announced a strategic partnership with Dai-ichi Life, under which Dai-ichi Life plans to acquire a 15% stake in M&G for £815 million. As part of the partnership, M&G will become Dai-ichi Life's preferred asset manager in Europe. The partnership is expected to support M&G's growth in private markets, generate new business flows and open new business channels in Japan and across Asia. M&G also acquired a majority stake in P Capital Partners, broadening its private and structured credit capabilities, and reported management actions including transaction profits from asset trading within the non-profit annuity portfolio and implementation of a longevity swap in respect of certain 2024 BPA deals.
- **Rothesay** continued to focus on the UK BPA market, executing 17 transactions in 2025.
- **Scottish Widows** completed the transfer of its bulk annuity business to Rothesay in June 2025, allowing it to focus on its other core insurance, pensions and investments activities in Lloyds Banking Group.
- **Standard Life** continued to focus on retirement savings and retirement income, with no major disclosed M&A activity during the period.

Product and commercial strategy developments were less prominent in the 2025 disclosures than M&A and portfolio reshaping. However, several firms continued to emphasise growth in selected product areas, particularly protection, pensions, retirement solutions and capital-light business. For example, Generali's 2025 to 2027 plan, 'Lifetime Partner 27: Driving Excellence,' emphasises customer retention, growth in protection, health and pensions and stronger operating performance in both P&C and Life. Unipol launched Unica, a modular omnichannel retail-protection platform, as part of its 2025 to 2027 plan, 'Stronger | Faster | Better.'

Capital management remained an important strategic theme in 2025, with several firms using debt issuance and redemptions to manage solvency and optimise capital structures. For example:

- **Achmea** issued two Restricted Tier 1 instruments with a total amount of €600 million, and the repurchase of Tier 2 notes.
- **Aviva** undertook the cancellation of preference shares, issuance of £500 million of Restricted Tier 1 notes, issuance of €600 million of Tier 2 notes and redemption of €900 million of Tier 2 reset notes.[16]
- **Legal & General** redeemed and replaced subordinated debt and completed a £500 million buyback.
- **SCOR** issued Tier 2 notes amounting to €119 million, increasing the proportion of Tier 2 capital within total eligible own funds from 16.9% to 19.6%.

15. Humphries, I., et al. (2026, April). *Life and health insurance M&A: A review of 2025 and an outlook for 2026 and beyond*. Milliman. Retrieved August 17, 2026, from https://media.milliman.com/v1/media/edge/images/millimaninc5660-milliman6442-prod27d5-0001/media/Milliman/PDFs/2026-Articles/4-7-26_2026-Milliman-MA-Report.pdf.

16. These reset notes were subordinated debt instruments that paid a fixed interest rate initially before resetting to a floating rate based on prevailing market rates.

POLICYHOLDER BEHAVIOUR

In 2023, the persistency of life insurance business in several European markets was adversely impacted by sustained high interest rates and increased competition from alternative low-risk savings products (e.g., banking products or government-backed savings products[17]), particularly in Italy and France, where several insurers reported increased lapse activity and took management actions in response.

This trend partially reversed in 2024 and appears to have continued into 2025. More stable macroeconomic conditions, alongside targeted retention strategies implemented by insurers, have supported improved persistency outcomes in a number of European markets.

In France and Italy, two markets where companies in our sample reported higher levels of surrenders in 2023, insurers have reported further improvements in persistency in 2025. In France, AXA reported lower levels of surrenders on its Unit-Linked and General Account business, whereas Generali noted that lower surrenders contributed to increased net inflows. In Italy, Generali reported a significant reduction in lapses across its protection and health, as well as traditional savings business, with levels returning to those last observed in late 2022, and Unipol also reported a gradual decline in lapse rates compared with 2024. At the broader market level, an analysis published by Associazione Nazionale fra le Imprese Assicuratrici (ANIA),[18] an association of insurance companies in the Italian market, also indicates some improvement in 2025. The surrender rate shown in ANIA's analysis was 9.40% in 2025 for life insurance, unit and index-linked and savings business,[19] a notable drop from the higher rates that were observed through 2023 and 2024 (2024: 10.38%, 2023: 10.55%), although still significantly higher than the 5.5% to 6.7% range observed between 2020 and 2022.

In the UK, persistency experience in 2025 was mixed, but there was little evidence of any significant changes overall. Aviva reported no significant worsening in persistency despite ongoing cost-of-living pressures. M&G, by contrast, reported adverse persistency experience for some products, which resulted in changes to lapse assumptions that adversely affected capital generation over the year. However, the overall effect did not appear to be significant. Legal & General reported reductions in lapse assumptions for several protection lines of business, including UK-level term, decreasing term and accelerated critical illness, whereas other lines of business saw either no change or only small increases. Scottish Widows also reported minor increases and decreases in lapse assumptions across its portfolio.

Elsewhere in Europe, disclosures on policyholder behaviour experience were more limited for the firms in our sample, potentially suggesting less notable developments.

More broadly, data from the EIOPA risk dashboard[20] supports the observation that surrender rates have stabilised across Europe. The median lapse rate for life insurance business fell to 4.0% in 2025 (from 5.0% in 2024), with the upper quartile also falling to 5.8% and the lower quartile increasing slightly to 2.5% (quartiles were 6.7% and 2.2% in 2024). This is the second consecutive year in which the interquartile range has narrowed, which suggests that overall lapse rates decreased in 2025 and that there were fewer extreme values than in 2023 and 2024.

Several insurers in our sample provided forward-looking commentary on persistency or updated their best-estimate persistency assumptions in 2025, reflecting changes in their outlook for future policyholder behaviour. For example, AXA noted that its management expects persistency to improve going forward. In addition, several insurers updated their Solvency II, Solvency UK or IFRS 17 best-estimate persistency assumptions (Achmea, Allianz, Aviva, Generali, Hannover Re, Legal & General, M&G, Scottish Widows and Standard Life). These assumption changes may affect shareholder value to the extent they materially change expected capital generation/profit emergence.

17. Two examples are Italian government bonds (BTP) and Livret A tax-free savings accounts in France.

18. *Trends*. (2026, February). ANIA. Retrieved August 17, 2026, from https://www.ania.it/wp-content/uploads/2026/03/Newsletter-Vita-flussi-e-riserve_IV-trim.2025.pdf.

19. The surrender rate presented in the analysis is derived as the ratio between the amounts paid on redemption and the average amount of mathematical reserves.

20. *Insurance Risk Dashboard*. (2026, April). EIOPA. Retrieved August 17, 2026, from https://nexteuropa-multisites.s3.eu-west-1.amazonaws.com/www.eiopa.europa.eu/assets/insurance-risk-dashboard/EIOPA-BoS-26-170_2026-April-insurance-risk-dashboard.html.

ASSUMPTION-SETTING USED IN PROJECTIONS

During 2025, the impact of changes in non-economic assumptions on Own Funds was rarely disclosed separately by firms in the sample. Where disclosed, these items were often included within broader operating capital generation or technical provision movement categories, making it difficult to isolate the effect of assumption changes from non-market experience variances, model developments or management actions. Nonetheless, several firms disclosed some updates to non-economic assumptions during the year.

Revisions to mortality and longevity assumptions continued to be an area of focus for some firms. Legal & General reported that its most material assumption change was an update to its mortality assumptions, reflecting the most recent experience and annuitant mortality trends. M&G also reported a beneficial Own Funds impact from non-market assumption changes, largely driven by positive changes to longevity assumptions reflecting a reduction in the rate of expected future mortality improvements.

Expense and persistency assumptions were also updated by several firms in our sample, and some of the more material impacts affected Own Funds adversely over the year (Achmea: expenses and expense inflation; M&G: expense and persistency assumptions; Scottish Widows: persistency and expenses[21]).

Given the limited insight provided by Solvency II/UK disclosures, we also reviewed firms' IFRS 17 disclosures as a potential additional source of information. IFRS 17 disclosures typically provide more extensive information on movements in the CSM and loss component during the year, including movements arising from changes in assumptions, non-economic experience variances, economic variances for VFA contracts and changes in methodology. Although there may be differences between the best-estimate assumptions and methodologies used under Solvency II/UK and IFRS 17, some consistency might be expected in the broad size and direction of movements where the underlying assumption changes are similar.

However, this analysis did not provide a meaningful basis for comparing non-economic assumption changes across firms. The IFRS 17 disclosures are not designed to isolate non-economic assumption changes alone, and reported movements may also include non-economic experience variances, methodology changes and, for VFA business, economic variances that can be material. As a result, we could not robustly identify or compare the impact of non-economic assumption changes using IFRS 17 data.

PAYMENTS TO SHAREHOLDERS

Companies in the sample continued to make payments to shareholders during 2025, through ordinary dividends, special dividends and/or share buyback programmes.

For the purpose of this analysis, we collected information from the consolidated statements of changes in IFRS equity over 2025. These statements provide details of dividend payments and repayments of shares or share buybacks during the reporting year.

Figure 11 presents the combined value of these items, labelled as capital repatriation. Additionally, the table contains the ratio of the capital repatriation, with the amount of end-of-year IFRS equity.

21. The adverse impact included both assumption changes and economic variances in relation to these items.

FIGURE 11: TOTAL AMOUNTS OF CAPITAL REPATRIATION IN 2025 (EUR M)

COMPANY	CAPITAL REPATRIATION	CAP REPATRIATION/IFRS EQUITY (EOP) PRE-CAP REPATRIATION[22]
ACHMEA	78	0.7%
AGEAS	854	6.9%
ALLIANZ	6,427	8.8%
ASR	669	6.2%
AVIVA	2,028	13.8%
AXA	9,613	16.2%
GENERALI	3,341	8.8%
GJENSIDIGE	424	15.1%
GRUPPO UNIPOL	677	5.9%
HANNOVER RE	1,122	7.5%
LEGAL & GENERAL	2,006	43.1%
M&G	567	13.4%
MUNICH RE	4,494	11.9%
NN GROUP	939	4.3%
ROTHESAY	559	9.6%
SCOR	322	6.8%
SCOTTISH WIDOWS[1]	246	1075.0%
STANDARD LIFE	642	30.2%
SWISS LIFE	1,595	16.6%
SWISS RE	2,562	10.5%
ZURICH	4,393	14.6%
Total	**43,559**	**11.0%**

Note: Scottish Widows paid dividends during the year. Combined with negative retained earnings and a reduction in the firm's share capital from 70 million shares to 50 thousand shares, this resulted in a negative amount of IFRS equity. Consequently, the ratio appears unusually high, as the denominator (IFRS equity plus capital repatriation) is small relative to the dividend payment. The Solvency ratio of Scottish Widows is 140% and is the main indicator for capital management.

22. Ratio = Capital Repatriation / (Equity End of Period + Capital Repatriation).

INTERNATIONAL FINANCIAL REPORTING STANDARDS 17

IFRS 17 came into force from 1 January 2023, and year-end 2025 was the third year companies disclosed their financial results on this basis.

We continue monitoring developments in IFRS 17 disclosures and KPIs, and whether IFRS 17 and Solvency based metrics are becoming further aligned in companies' disclosures.

Many companies in our sample view CSM or CSM plus RA as a stock of future profits, and, on top of disclosing CSM organic growth, some companies provide a detailed analysis of changes in CSM (or CSM plus RA). Firms provide a fairly granular breakdown of the movement in CSM over the year into the following categories:

- Expected return on in-force business
- Market impact (with foreign exchange impact) for VFA
- New business impact
- Operating changes (sometimes further split into assumption changes and experience variances)
- Release of CSM

For the RA, the movement is comparable to the movement in CSM and consists of the following categories:

- Expected return and market impact (with foreign exchange impact)
- New business impact
- Operating changes in the RA reflected in CSM
- Operating changes in the RA not reflected in CSM, but in the Profit and Loss (P&L)
- Development with the incurred claims
- Release of RA due to expired risks

The movements do not look that dissimilar to what life insurance companies used to disclose in their embedded value reports, and what companies often currently present on analysis of change of Own Funds (see Section 4 of this Report).

We have continued to see the majority of companies in our sample disclosing the CSM on new business as a key metric where applicable, and a general trend to use it as a new business value measure. Many of the companies are composite insurers that also write P&C insurance. For P&C portfolios, the PAA is commonly applied. The PAA is a simplification, and the main differences relative to the default GMM are the absence of an explicit CSM and RA during the coverage period. The measurement of the profitability of PAA portfolios is the combined ratio or insurance service ratio (i.e., the ratio between insurance service expenses and insurance revenue).

Some firms apply adjustments to the CSM for items such as taxes, non-attributable expenses and IFRS 17 scope to more accurately reflect their views of the VNB for the shareholders and market analysts. Some companies also continued to present a KPI of normalised growth of new business (based on the CSM metric), where the growth is normalised for experience and other variances, to monitor the performance of new-business sales and profitability.

We first observed in 2023 that CNP and SCOR disclosed a new metric of IFRS Equity adjusted for CSM, which they referred to as economic value or comprehensive equity. Since then, we have observed that more firms in (and outside) our sample have adopted this metric, and some also added a movement analysis.

We observe that there are strong similarities between the movement of the Own Funds and the movement of comprehensive equity. An advantage of the movement of comprehensive equity is that it uses components from the income statement, the movement of equity and the CSM. Those components are highly standardised and hence enhance comparability between companies.

We did not observe firms moving across to IFRS based metrics for their capital generation or shareholder-value disclosures, although firms are starting to consider how to improve the comparability between their IFRS and capital-generation disclosures. The differences in the methodology and the IFRS-specific mechanisms, such as CSM, a loss-recovery component for reinsured business and risk mitigation, make the comparability difficult.

4 Solvency based metrics: Year-end 2025 results

BACKGROUND

Ten years after the introduction of Solvency II in Europe, solvency-based value and capital-generation metrics have become the predominant form of shareholder value disclosure in the market, replacing embedded value reporting.

In this section, we have focussed on the value-/capital-generation disclosures of over 20 companies in the European market. The list of firms considered in our sample for the year-end 2025 disclosures is set out in Appendix 1.

This section of the Report is split into three parts:

- A recap on the Solvency II/UK related metrics (other than the level of Solvency II/UK Own Funds or Solvency II/UK Coverage Ratio) that companies in our sample chose to include in their supplementary disclosures.
- An overview of the results at year-end 2025 for two of these measures, normalised capital generation (NCG) and organic capital generation (OCG), indicates that both aim to isolate the element of capital generation that is more directly controllable by management.
- A look at the movement in the Solvency II/UK Own Funds shareholder valuation metric over the year and, when possible, a discussion of common themes for evolution of the metric over 2025, including:
  - Market movements
  - Operational impacts
  - New business
  - Management actions
  - Dividends/capital management

As part of this research, the main sources of information for each company were the company's annual report, analyst presentations or other investor communications and its SFCR.

SOLVENCY II-RELATED METRICS DISCLOSED BY COMPANIES IN OUR SAMPLE

All companies in our sample disclose a movement in Own Funds (Own Funds Generation in Figure 12), and we use this analysis later in this section to compare the main drivers of Own Funds development over 2025. However, Own Funds movements include both operating and non-operating items and do not, on their own, necessarily isolate the element of capital generation that is more directly controllable by management.

Companies therefore continue to disclose Solvency based earnings or capital-generation metrics such as 'Solvency II Capital Generation,' albeit with various names and slightly varying definitions. These metrics are useful because they focus on the recurring or operating component of solvency-based capital generation.

We defined four potential capital-generation metrics in the 2022 Shareholder Value Report[23]. These four metrics are shown in Figure 12. A full definition of these was given in the 2022 Shareholder Value Report.

FIGURE 12: POTENTIAL CAPITAL-GENERATION METRICS

Capital-generation metrics	Full amount	Part of amount
No allowance for SCR	Own Funds generation	NCG
Allowance for SCR	Free Capital generation	OCG

[23] Burgess, S., Egoshina, T., Reynolds, S., Stansfield, I., & Wrobel, L. (2023, November 13). *Shareholder value reporting in Europe – Solvency II based metrics*. Milliman. Retrieved August 17, 2026 from https://www.milliman.com/en/insight/shareholder-value-reporting-in-europe-solvency-ii-based-metrics-2023.

Based on our review of the year-end 2025 disclosures of firms in our sample, no firms report a free capital-generation metric, showing convergence in approach to either NCG or OCG (or both).

In reviewing these disclosures, we have distinguished between different levels of disclosure evidence for NCG and OCG:

- **Level 1: Explicit firm metric:** The company clearly presents NCG, OCG or an equivalent metric as a standalone capital-generation metric in its public disclosures, and it appears to be a core management KPI. This is the strongest evidence that the metric is used by management or is considered a key performance measure.
- **Level 2: Waterfall/table only:** The relevant item appears in a disclosed movement analysis, waterfall or table, but is not clearly discussed elsewhere as a standalone metric or management KPI.
- **Level 3: Derived from disclosed figures:** The metric can be easily calculated from figures disclosed by the company, but the company does not explicitly present or name the metric itself.
- **Level 4: Not disclosed:** Insufficient information is available to identify or derive the metric on a comparable basis.

Figure 13 summarises this classification for NCG and OCG across the companies in our sample. The metric name is included where an explicit NCG or OCG metric exists, and in some cases where these are derived or included in waterfalls/tables when they have been clearly defined.

FIGURE 13: DISCLOSURE STATUS OF NCG AND OCG METRICS AT YEAR-END 2025

FIRM	NCG STATUS	NCG METRIC NAME	OCG STATUS	OCG METRIC NAME
ACHMEA	Derived		Explicit	Operating Free Capital Generation
AGEAS	Explicit	Operational Capital Generation	Explicit	Operational Free Capital Generation
ALLIANZ	Explicit	Operating SII Earnings/OCG	Derived	
ASR	Derived		Explicit	Organic Capital Creation
AVIVA	Explicit	Operating Own Funds Generation	Explicit	OCG
AXA	Waterfall/Table	NCG	Derived	
GENERALI	Explicit	NCG - Own Funds	Explicit	NCG - Excess Own Funds
GJENSIDIGE	Waterfall/table	Operating SII earnings	Derived	
HANNOVER RE	Waterfall/table	OCG/Operating Impact	Derived	
LEGAL & GENERAL	Waterfall/table	Operational Surplus Generation (Own Funds)	Explicit	Operational Surplus Generation
M&G	Waterfall/table	OCG - Own Funds	Explicit	OCG
MUNICH RE	Waterfall/table	Operating Impact	Not Disclosed	
NN GROUP	Waterfall/table		Explicit	OCG
ROTHESAY	Waterfall/table	Operating Own Funds Movement	Waterfall/table	Operating Surplus Generation
SCOR	Waterfall/table	Underlying OCG	Derived	
SCOTTISH WIDOWS	Derived[24]		Derived	

24. Scottish Widows do have an 'Operating Impacts' heading in its analysis of change in Own Funds; however, it does not provide the total value for this movement item. Instead the value must be derived by summing its components. It has therefore been classified as 'Derived.'

FIRM	NCG STATUS	NCG METRIC NAME	OCG STATUS	OCG METRIC NAME
STANDARD LIFE	Waterfall/table	Recurring Own Funds	Explicit	Recurring Net Capital Generation
SWISS LIFE	Not Disclosed		Not Disclosed	
SWISS RE	Waterfall/table	Net OCG	Derived	
UNIPOL	Explicit	Organic Capital Generation	Not Disclosed	
ZURICH	Not Disclosed		Not Disclosed	

Of the 21 firms in our sample, we identified or derived an NCG measure for 19 at year-end 2025. However, only five firms appear to disclose this as an explicit metric. For 11 firms, the relevant amount appeared only within a waterfall or movement table, whereas for three firms, the metric could be derived from disclosed figures but was not explicitly presented as a metric.

The position for OCG is different. We identified or derived an OCG measure for 17 firms, of which 9 disclosed the measure explicitly. This suggests that OCG is less widely available across the sample than NCG, but when it is disclosed, it is more often presented as a standalone management or performance metric.

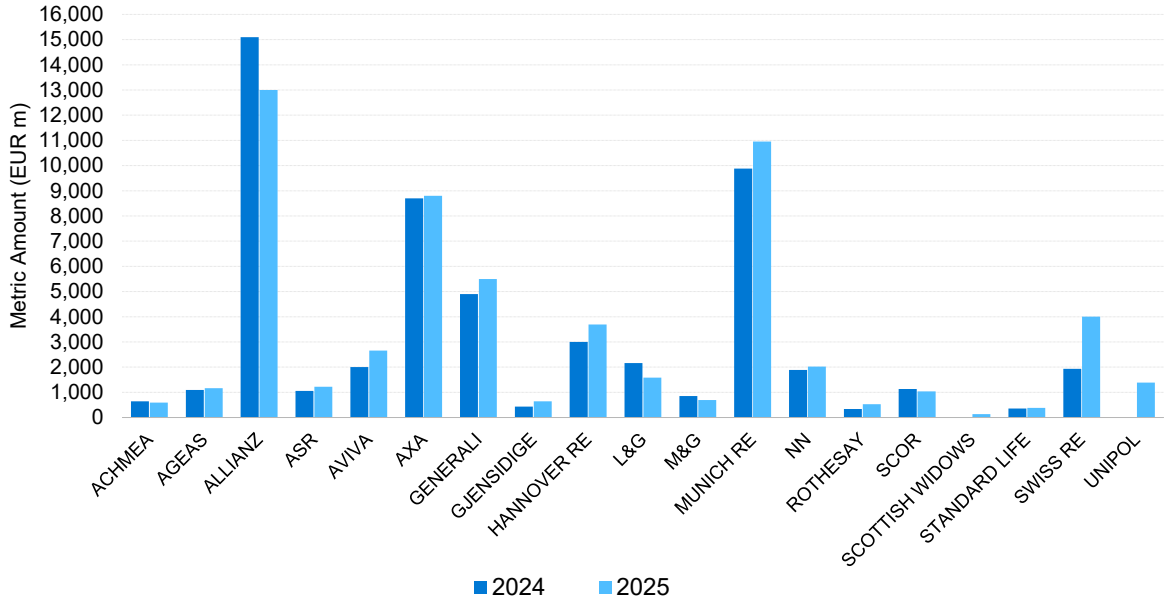
In our review of the movement in Own Funds, NCG and OCG metrics, we have found no material changes in the approach adopted by companies in our sample over 2025. Generally, however, the level and detail of Solvency II disclosure at year-end 2025 have decreased. Less detail is disclosed by the companies, both in the number of steps in the movement and in the clarifications. We also observed the following minor changes in some disclosures in our sample:

- **a.s.r.** did not disclose the VNB in the text explaining its Own Funds movements, and so we have been unable to isolate the impact of this item in the Own Funds analysis shown in Figure 17.
- **SCOR** reduced the level of detail provided in its Own Funds movement analysis in its investor presentation. In particular, the details of the components of its ‘Underlying OCG’ metric were not disclosed this year, meaning we can no longer split out the operational impacts from new business and capital management items (e.g., debt costs) in the Own Funds analysis shown in Figure 17.
- **Munich Re** did not publish its Solvency II disclosure, a standalone document that contains useful breakdowns into its Solvency II operating impacts, in particular the new business impact.
- **Unipol** did not disclose Own Funds movement analysis or capital-generation metrics in 2024, whereas it has introduced such metrics in 2025.

RESULTS AT YEAR-END 2025

In Figure 14, we consider the NCG metric over the year across our sample companies for those that explicitly disclosed this metric, included it in a waterfall/table or where the value could be derived easily based on information in disclosures.

FIGURE 14: NCG (IN EUR M) DISCLOSED AT YEAR-END 2024 AND YEAR-END 2025

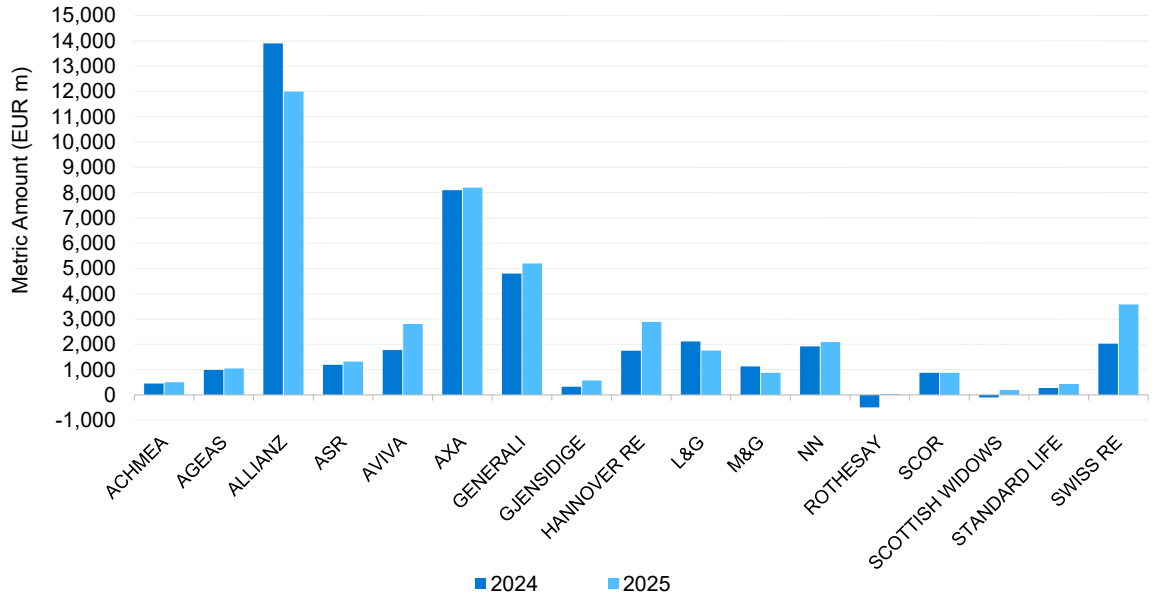


Note: There are some differences in the items included in the NCG metrics disclosed by firms. For example, some firms include new business strain or debt costs within the metric, whereas others do not. The results in this chart do not attempt to standardise these metrics and instead use the disclosed metric as reported by each firm. As such, comparability between firms is limited, although trends over time for a given firm remain meaningful.

Looking at the results across the sample, most firms reported an increase in the amount of NCG over 2025. Swiss Re reported a significant increase in the metric, more than doubling its reported NCG relative to 2024, whilst Hannover Re and Munich Re also reported notable increases. Allianz reported the largest decrease in absolute terms, although it still reported the largest NCG in the sample in 2025.

In Figure 15, we consider the OCG metric over the year across our sample companies for those that explicitly disclosed this metric, included it in a waterfall/table or where the value could be derived easily based on information in disclosures.

FIGURE 15: OCG METRIC (IN EUR M) DISCLOSED AT YEAR-END 2024 AND YEAR-END 2025



Note: There are some differences in the items included in the OCG metrics disclosed by firms. For example, some firms include new business strain or debt costs within the metric, whereas others do not. The results in this chart do not attempt to standardise these metrics and instead use the disclosed metric as reported by each firm. As such, comparability between firms is limited, although trends over time for a given firm remain meaningful.

The chart shows that, looking initially at the data in its entirety, almost all firms in our sample reported an increase in their OCG metric over 2025, consistent with the NCG results. Several firms reported strong year-on-year growth in OCG in relative terms, in particular Aviva, Gjensidige, Hannover Re, Standard Life and Swiss Re. By contrast, Allianz, Legal & General and M&G were among the few firms to report a lower OCG metric in 2025 than in the prior year.

BREAKDOWN OF THE MOVEMENT IN OWN FUNDS OVER 2025

Figure 16 details a proposed 'ideal' breakdown in Solvency based earnings metrics to help explain the key drivers of a firm's performance.

FIGURE 16: SUGGESTED IDEALISED TEMPLATE FOR THE BREAKDOWN IN CAPITAL-GENERATION METRIC

1.	Opening adjustments
2.	Existing business contribution, split into:
	a. The expected real-world return[25] on assets in excess of the BEL
	b. The expected real-world spread[26] on assets backing the BEL (including the impact on the BEL)
	c. The impact of the unwinding of the UFR/UFR drag
	d. The release of the Risk Margin (on existing business)
	e. The impact of run-off of the Solvency II/UK transitionals (on existing business)
3.	New business contribution
4.	Impact of management actions (typically relating to actions taken with respect to the SCR, such as reinsurance and hedging)
5.	Financing costs
6.	Changes to operating/non-economic assumptions
7.	Operating/non-economic experience variances (where the variances are with reference to the expected return/spread levels in 2a and 2b above)[27]
8.	Changes to non-operating/economic assumptions, including UFR and VA
9.	Non-operating/economic experience variances
10.	Other items, including tax, holding company expenses, pension scheme impacts, M&A activity, portfolio and business transfers[28]
11.	Capital management, such as the issuance and repayment of debt, share buybacks and dividends
12.	Closing adjustments

Similar to previous years, we set out a breakdown of the movement in Own Funds over 2025 for companies in our sample on an aggregate basis to identify which factors had the most material impact and, potentially, the most widespread impact across firms, split into the following 'higher-level buckets':

- Model changes
- Operational impacts
- New business
- Management actions
- Market impacts
- Other miscellaneous items
- Capital management (which includes payment of dividends)

25. If possible, details of the expected real-world returns assumptions should be disclosed.

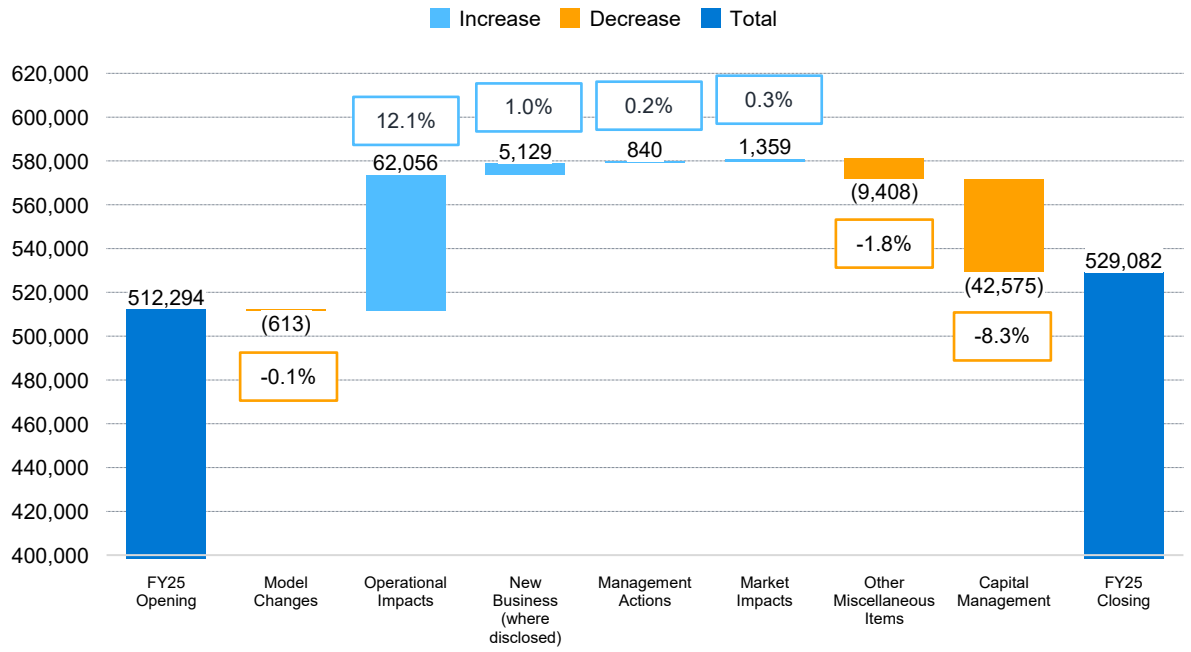
26. This expected real-world spread is the expected return over the risk-free rate used in the calculation of the BEL, so it will include the VA and MA if they are relevant for the company.

27. Some companies (and even the PRA) have suggested grouping the impact of changes in operating assumptions and operating variances into one source, but we believe that splitting them out, where possible, provides useful additional information.

28. Shareholder transfers from with-profits funds may also be included for companies with participating business.

Given the non-standardised nature of the disclosures around the movement in Own Funds across firms in our sample, a number of simplifications and judgements have been required to arrive at the breakdown in Figure 17. However, although there are adjustments, the analysis provides a useful insight into the key drivers of firms' performance over 2025. Where future iterations of this analysis benefit from improved disclosures or refined classification approaches, we may update prior years to ensure consistency and comparability over time.

FIGURE 17: AGGREGATE EVOLUTION OF OWN FUNDS OVER 2025 FOR COMPANIES IN OUR SAMPLE (EUR M)



Notes:

1. The majority of firms included in Figure 17 report results in euros. For the handful of other firms, we have converted results using publicly sourced exchange rates as per 31 December 2025, which may introduce small currency differences with the prior year closing values.
2. In the 2024 Shareholder Value Report, we used the IFRS 17 CSM as an approximation of the Solvency II VNB for the companies that did not provide a breakdown. Following further investigations and back-testing, we decided not to use that metric in the 2025 results shown here or in Section 5 (including prior years). In theory, the VNB and CSM should not be too different, but the differences in expense assumptions, discount rates, contract boundaries, classification investment contracts/insurance contracts and risk margin can have a significant impact.

It should be noted that the results shown in Figure 17 reflect a weighted-average approach. That is, firms in our sample that have a larger Own Funds amount (and hence potentially have a larger contribution to the high-level buckets) have a greater weight in the results compared with those firms that may have a smaller (relative) amount of Own Funds.

Figure 17 shows that total capital generation, as measured by growth in Own Funds over the year, before capital distributions such as dividends, subordinated debt repayments and share buybacks, was a positive return of 11.6%, with positive operational impacts outweighing negative impacts from other sources. Capital distributions then reduced Own Funds by 8.3% to end with a 3.3% year-on-year increase.

Any events after the date of the statement of the financial position were not taken into account in the analysis of the Own Funds movement. Hence, it excludes events such as acquisitions, divestments, capital injections or other events that may impact the amount of eligible own funds after the reporting year. For example, for Legal & General, the Meiji Yasuda transaction and the related future share buyback are not included.

FIGURE 18: CHANGES IN THE OWN FUNDS PER CATEGORY IN 2025 AND 2024

CATEGORY	2025	2024
Model changes	−0.1%	−0.6%
Operational impacts	12.1%	9.6%
New business (where disclosed)	1.0%	2.1%
Management actions	0.2%	0.0%
Market impacts	0.3%	−0.7%
Other miscellaneous items	−1.8%	−2.2%
Capital management	−8.3%	−8.0%

The sections below provide further details of the items reported by companies in our sample in each category listed above.

COMMON THEMES FOR BREAKDOWN OF THE MOVEMENT IN OWN FUNDS OVER 2025

Model changes

In our categorisation, this includes both model and methodology changes. Companies in our sample disclosed negative and positive impacts, resulting in an overall small negative contribution of −0.1%.

The small negative impact in 2025 arises primarily due to model changes at the German life subsidiary of Allianz that reduced Own Funds for the Allianz Group, offset by positive contributions from other firms in our sample. For example, a.s.r. developed a partial internal model (PIM), which was approved by the Dutch supervisor and could be used by the end of 2025. The application of the PIM impacted the SCR and reduced the value of the risk margin, resulting in an increase of Own Funds of €198 million.

Operational impacts

The following components could be included under Operational Impacts:

- The impact of the unwinding of the UFR/UFR drag
- The release of the Risk Margin (on existing business)
- The impact of run-off of the Solvency II/UK transitionals
- Changes to operating/non-economic assumptions
- Operating/non-economic experience variances (where the variances are with reference to the expected real-world return/spread levels)[29]

It would be most useful for firms to provide some indication of the level of capital generation that arises ‘naturally’ from the existing business on the balance sheet at the start of the period. The majority of firms in our sample did not disclose this level of granularity when reporting the breakdown of movement in Own Funds. Therefore, the Operational Impacts category includes other items such as non-economic experience variances and non-economic assumption changes.

Overall, Operational Impacts contributed a 12.1% increase in Own Funds over 2025, higher than in 2024 and prior years. The higher value relative to recent years may reflect insurers using a higher expected real-world return on assets in excess of the BEL in their movements analysis following the rise in interest rates since 2022. It may also be attributable to a reduced negative impact from UFR drag for European insurers in the current environment, as higher EUR interest rates, together with the gradual lowering of the UFR in recent years, have brought the two closer to convergence. The increase in 2025 relative to 2024 may be partly attributable to fewer firms separately disclosing an Own Funds movement for new business, with such impacts increasingly captured in Operational Impacts.

29. Considering the impact of each of these components (in isolation) on Own Funds: The impact of the unwinding of the UFR/UFR drag and the impact of the run-off of the Solvency II transitionals would be expected to reduce Own Funds; the release of the RM would be expected to increase Own Funds; and changes to operating/non-economic assumptions and operating/non-economic experience variances could serve to either increase or reduce Own Funds.

The companies in our sample all disclosed a positive operational impact over 2025, in most cases at a higher level than 2024.

Similar to previous years, Generali provided a considerable level of granularity in breaking down its operational impact, citing positive Own Funds generation for Life and Non-Life business. The contribution from non-economic variances was negative and was linked to its life business, but was significantly better relative to the adverse non-economic variance in 2024.

New business

This category reflects the impact on Own Funds of writing new business over 2025.

Several companies in our sample do not provide a separate breakdown of the impact of new business on Own Funds. As discussed earlier, this trend became more pronounced in 2025, with a number of insurers that had previously disclosed this information no longer doing so this year.

Consequently, these impacts appear to be captured within broader Operational Impacts items. Consequently, the reported new business contribution in this chart is becoming less comparable over time. On a combined basis, the contribution from New Business and Operational Impacts has remained broadly stable over the last three years. For this reason, alternative IFRS based new business measures may provide a more meaningful basis for assessing underlying new business profitability trends across firms and over time (as presented in Section 3 of this Report).

As discussed in Section 3 of this Report, the change in firms' overall VNB depends both on the volumes of different types of business written and any changes to the profitability of these product groups.

Generally, for the firms in our sample that do disclose new business impacts, they reported a similar level (as a percentage of the Own Funds at the beginning of the period) in 2025, when compared with 2024, with NN Group and Rothesay being notable exceptions. NN Group reported favourable growth in new business contributions from its life business in its 'Insurance Europe' and 'Japan Life' business segments in 2025, with it focussing on simple capital-light and protection business. The new business generated robust new business margins (see Figure 10) and was supported by a favourable economic environment over the year.

By contrast, Rothesay reported a reduction in the value generated by new business in 2025, with new business contributing negatively to Own Funds in the year, compared with a positive contribution in 2024. The volume of new business written in 2025 decreased significantly, as shown in Figure 9. Given the volatility and competitiveness of the BPA market, firms can experience material year-on-year swings in volumes and profitability. Lower volumes may also mean that fixed acquisition costs are spread over a smaller volume of business, increasing the risk of losses on new business.

Management actions

A couple of companies in our sample provided disclosures around specific management actions taken during 2025.

Similar to last year, the impact of 'Management Actions' on Own Funds is very small, contributing a 0.2% (rounded to the nearest 0.1%) increase in Own Funds over 2025 from the opening position.

Standard Life continued to implement a range of management actions over 2025, which increased Solvency UK Own Funds. This includes recurring management actions primarily comprising value-accretive asset-management-related initiatives[30] and one-off management actions undertaken to optimise the balance sheet.

30. In its disclosures, Standard Life allocates this to its 'Recurring capital generation' and 'Recurring Own Funds' metrics. Recurring management actions are considered by Standard Life to be either genuinely repeatable, repeatable in nature but subject to diminishing returns or not repeatable but benefits are expected from similar types of actions in the future. Whilst this is treated by the firm as an anticipated source of capital, in Section 5, we allocate all management actions to unanticipated (see Figure 15) for consistency with the treatment by other firms in our sample and prior years.

Market impacts

The following components could be included under ‘Market Impacts’:

- Expected real-world return on assets in excess of the BEL
- Expected real-world spread on assets backing the BEL (including the impact on the BEL)
- Changes to non-operating/economic assumptions, including the impact of any changes to Solvency II/UK parameters provided by EIOPA or the PRA, such as the UFR or VA
- Non-operating/economic experience variances

As discussed in Section 3, financial markets were volatile at points during 2025 but remained relatively resilient overall, with strong equity-market performance, generally stable or higher long-term interest rates and tightening corporate spreads. Consistent with this backdrop, the aggregate market impact for firms in the sample was modest, contributing 0.3% to Own Funds over the year.

However, individual impacts varied by firm, reflecting differences in geographic exposure, asset mix, liability duration and asset–liability matching strategies. Several firms reported favourable effects from higher long-term interest rates, credit-spread movements or real-estate-investment returns, whereas others reported adverse investment variances or foreign-exchange impacts. For example, Legal & General reported a negative investment variance, reflecting in-year investment performance below expected returns, including adverse returns on real estate and venture capital. SCOR also reported adverse foreign-exchange effects.

Other miscellaneous items

In our categorisation, this includes such items as tax, changes in eligible Own Funds restrictions, pension-scheme impacts, M&A activity and portfolio and business transfers.

Overall ‘Other Miscellaneous Items’ contributed a 1.8% decrease in Own Funds over 2025 from the opening position.

Similar to last year, this category has not been a significant driver of the change in Own Funds this year.

Capital management

In our categorisation, this includes capital-management actions such as the issuance and repayment of debt, share buybacks and the payment of dividends, as well as the payment of financing costs (such as interest on outstanding debt). For some firms it also includes corporate centre and head office costs incurred in the year.

Dividends and share buybacks form the majority of the capital-management impact, which, on aggregate for the companies in our sample, reduced Own Funds by 8.3%.

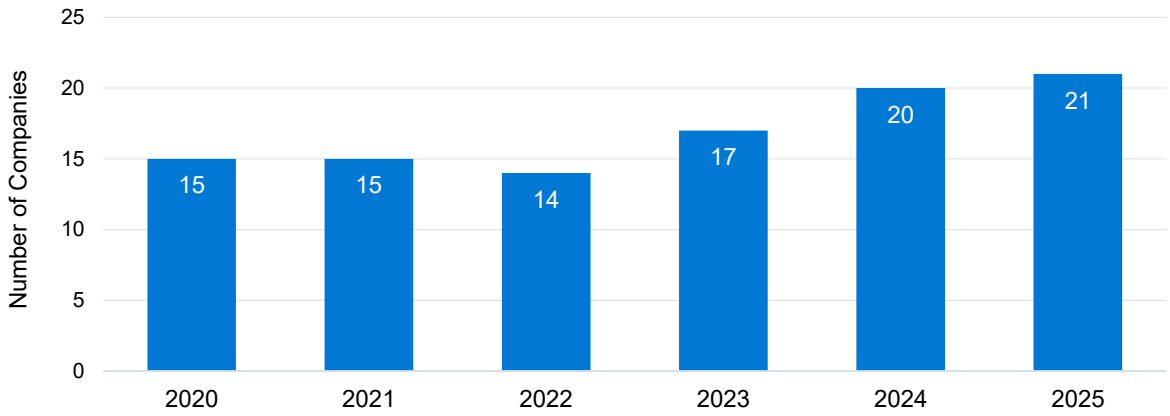
Despite the ongoing challenges of the current macroeconomic environment, companies continued to pay dividends in line with their policies, and many announced a commitment to progressive dividend and/or share buyback policies.

5 Solvency based metrics: Experience over recent years

In this section, we expand on the movement in Own Funds analysis set out in Section 4, which looked at the breakdown in isolation over 2025. More specifically, we have considered how results over 2025 compare with prior years.

Figure 19 shows the number of firms included in each year's analysis. The criteria determining whether a firm has been included are solely based on whether a firm reports a sufficient level of detail in its public disclosures (i.e., reporting a movement in Own Funds over the year with sufficient granularity). The list of firms considered in our sample for the year-end 2025 disclosures is set out in Appendix 1.

FIGURE 19: NUMBER OF FIRMS INCLUDED IN MOVEMENT IN OWN FUNDS ANALYSIS



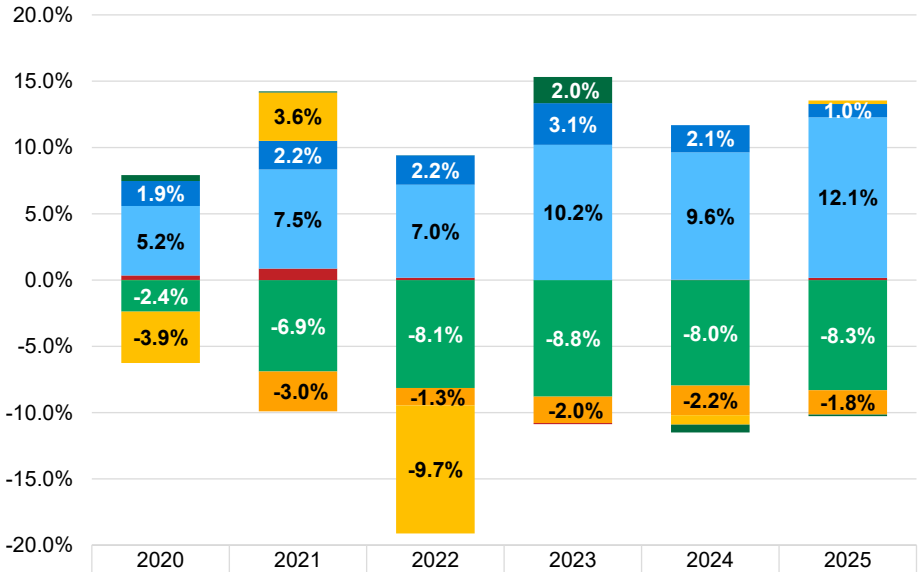
Notes:
1. The results shown in the 2024 Shareholder Value Report were based on 17 firms for 2024. The 2024 results have been updated this year to include three new firms (Gjensidige, Rothesay and Swiss Life) consistent with the 2025 result. 2023 and earlier results have not been adjusted.
2. The 2025 results include one new firm in the sample (Unipol) relative to the 2024 results.

Although Solvency II took effect in Europe on 1 January 2016, disclosure quality and detail improved significantly after year-end 2016 and 2017. In particular, breakdowns of movements in Own Funds were uncommon at year-end 2016 but became much more common from year-end 2017 onward, with further granularity in later years.

We have thus been able to increase the number of companies in our sample over time. Although we have data from earlier years, we have limited the analysis in this report to year-end 2020 through year-end 2025, making the analysis more robust by reducing the impact of changes in the number of firms included year-on-year.

Figure 20 shows the combined results for year-end 2020 to year-end 2025, split according to the seven 'high-level buckets' set out in Section 4.

FIGURE 20: EVOLUTION OF CAPITAL-GENERATION DRIVERS



	2020	2021	2022	2023	2024	2025
Model Changes	0.4%	0.1%	0.0%	2.0%	-0.6%	-0.1%
Market Impacts	-3.9%	3.6%	-9.7%	0.0%	-0.7%	0.3%
New Business (where disclosed)	1.9%	2.2%	2.2%	3.1%	2.1%	1.0%
Operational Impacts	5.2%	7.5%	7.0%	10.2%	9.6%	12.1%
Management Actions	0.3%	0.9%	0.2%	-0.1%	0.0%	0.2%
Other Miscellaneous Items	0.0%	-3.0%	-1.3%	-2.0%	-2.2%	-1.8%
Capital Management	-2.4%	-6.9%	-8.1%	-8.8%	-8.0%	-8.3%

Note:
1. The figures for years 2020 to 2024 in Figure 20 may differ from the figures in the Shareholder Value Report published in previous years due to changes to the high-level bucket categorisations of some items, and for 2024, the inclusion of new firms into the analysis. Furthermore, in previous reports we used the IFRS 17 new business CSM for some companies as an approximate Own Funds new business impact, but due to the differences between the valuation of new business under the IFRS 17 framework and Solvency II/UK/SST, we no longer feel this is appropriate and so have removed these proxies.

Looking at the 2020 to 2025 results:

- **Model changes:** The impact from this item is variable year-on-year; overall, it has a small impact each year, with 2023 being higher than in other years, mainly due to regulatory changes. The small negative impact in 2025 arises primarily due to model changes at the German life subsidiary of Allianz that reduced Own Funds for the Allianz Group, offset by positive contributions from other firms in our sample, such as a.s.r., which benefited from the implementation of its PIM as at year-end 2025 (as discussed in Section 4 of this Report).
- **Market impacts:** From 2020 to 2022, fluctuations broadly tracked market performance, with significant negative impacts arising in periods of market stress, including the Covid-19 pandemic in 2020 and following the outbreak of the Russia–Ukraine conflict in 2022. By contrast, market impacts over the last three years have been relatively small, contributing between −0.7% and +0.3% of opening Own Funds. As outlined in Section 3, despite periods of market volatility during 2025, in particular in response to US tariff announcements, financial markets proved relatively resilient and insurers have also continued to use hedging strategies to manage their market-risk exposures. As a result, the market impact in 2025 for the companies included in our sample was modest and broadly consistent with the near-neutral outcomes observed in 2023 and 2024.
- **New business:** The contribution from new business reduced to 1.0% of opening Own Funds in 2025, compared with 2.1% in 2024 and 3.1% in 2023. However, this reduction should be interpreted with caution, as an increasing number of firms no longer separately disclose a Solvency II/UK new business contribution in their analysis of Own Funds movements. Instead, these impacts appear to be captured within broader Operational Impacts items. Consequently, the reported new business contribution in this chart is becoming less comparable over time. For this reason, alternative IFRS based new-business measures may provide a more meaningful basis for assessing underlying new-business profitability trends across firms and over time (as presented in Section 3 of this Report).

- **Operational impacts:** The contribution to the movement in Own Funds from this item appears broadly stable year-on-year. Although the contribution in 2025 is higher than in 2024, it remains within the range observed in recent years, which is above the 5% to 7% range observed between 2020 and 2022.

  The higher contribution relative to 2020 to 2022 may reflect insurers using a higher expected real-world return on assets in excess of the BEL in their movements analysis following the rise in interest rates since 2022. It may also be attributable to a reduced negative impact from UFR drag for European insurers in the current environment, as higher EUR interest rates, together with the gradual lowering of the UFR in recent years, have brought the two closer to convergence.

  As described above, the increase in 2025 relative to 2024 may be partly attributable to fewer firms separately disclosing an Own Funds movement for new business, with such impacts increasingly captured within Operational impacts. On a combined basis, the contribution from New Business and Operational Impacts has remained broadly stable over the last three years.
- **Management actions:** Whilst the impact from this item is variable year-on-year, overall, it has a small impact each year, with 2021 being higher than in other years, mainly due to the contribution from Allianz as a result of a reinsurance transaction.
- **Other miscellaneous items:** The impact from this item is variable year-on-year, which may be expected given that this category includes M&A activity. The contribution has remained approximately −2% for the last three years.
- **Capital management:** This item is broadly consistent in 2025 with 2024 and remains higher than the levels observed prior to 2022. This reflects the general trend of increasing dividend payments declared by companies. Many companies continue to be very well-capitalised in the current high-interest environment and following a strong performance in 2025.

Based on results shown in Figure 20, we have calculated the implied total return 'pre-dividend' and 'post-dividend' in Figure 21. The 'pre-dividend' return has been calculated by including all items set out in Figure 20, except for the effect of capital management. This has been assumed to be a proxy for a pre-dividend position. The 'post-dividend' return has been calculated with all seven items (i.e., including capital management).

FIGURE 21: TOTAL RETURN IMPLIED BY CAPITAL-GENERATION DRIVER ANALYSIS

TOTAL RETURN	2020	2021	2022	2023	2024	2025
'Pre-dividend'	4.0%	11.2%	−1.6%	13.2%	8.1%	11.6%
'Post-dividend'	1.7%	4.3%	−9.7%	4.5%	0.2%	3.3%

Note. The figures for years 2020 to 2024 in Figure 21 may differ from the figures in the Shareholder Value Report published in previous years due to changes to the high-level bucket categorisations of some items, and for 2024, the inclusion of new firms into the analysis.

The implied 'pre-dividend' return varies over the period considered, with the volatility arising largely from the contribution of market impacts. The higher return in 2025 compared with 2024 is driven by a positive contribution (rather than negative) from market movements, and a higher combined impact from operational and new business.

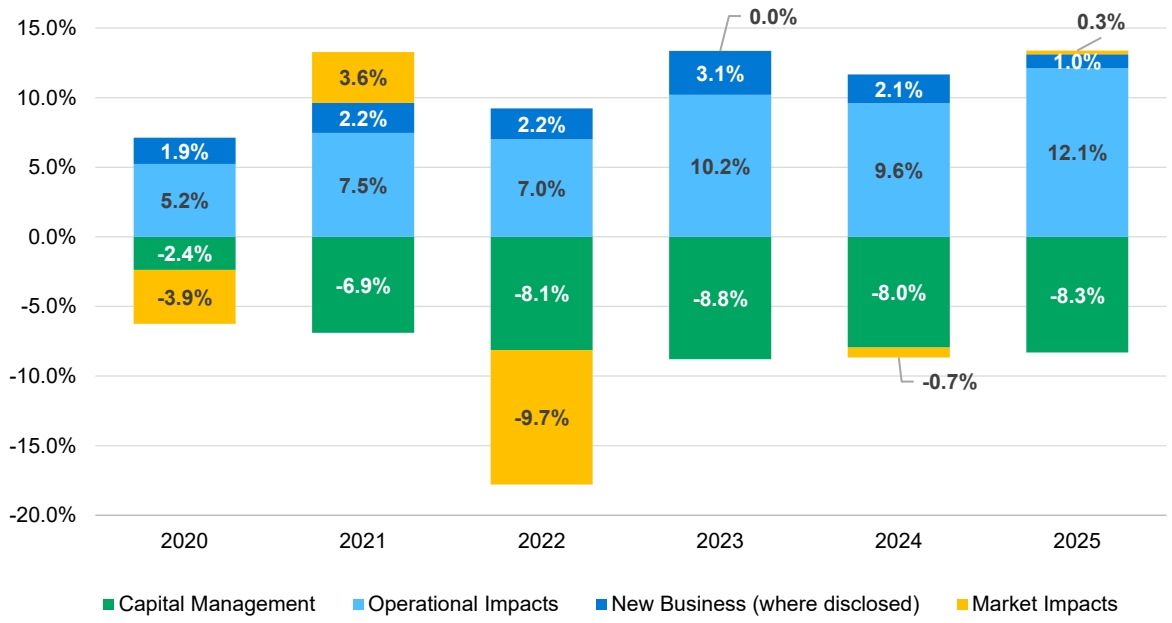
In terms of the seven ‘high-level buckets’ set out in Section 4, Figure 22 shows the judgement we have made.

FIGURE 22: CATEGORISATION OF HIGH-LEVEL BUCKETS INTO ANTICIPATED VERSUS UNANTICIPATED

CATEGORYY	ANTICIPATED/ UNANTICIPATED?	REASONING
Model changes	Unanticipated	Typically, modelling changes are not anticipated year-on-year
Operational impacts	Anticipated	A contribution from the operations of existing business to Own Funds would be anticipated
New business	Anticipated	If a firm is open to new business, some contribution to Own Funds would be anticipated
Management actions	Unanticipated	Typically, all actions taken by management throughout the year cannot be anticipated at the start of the year
Market impacts	Anticipated	Although the exact impacts are unknown at the start of the year, a contribution from market movements would be anticipated
Other miscellaneous items	Unanticipated	Typically, miscellaneous items are not anticipated year-on-year
Capital management	Anticipated	Although some components of capital management may be unanticipated, some may be anticipated (e.g., payment of dividends)

Figure 23 shows the results, as presented in Figure 21, but only for the anticipated items (as classified in Figure 23).

FIGURE 23: EVOLUTION OF CAPITAL-GENERATION DRIVERS FOR ANTICIPATED ITEMS



Note: The figures for years 2020 to 2024 in Figure 23 may differ from the figures in the Shareholder Value Report published in previous years due to changes to the high-level bucket categorisations of some of the items, and for 2024, the inclusion of new firms into the analysis. Furthermore, in previous reports, we used the IFRS 17 new business CSM for some companies as an approximate Own Funds new business impact, but due to the differences between the valuation of new business under the IFRS 17 framework and Solvency II/UK/SST, we no longer feel this is appropriate and so have removed these proxies.

Based on these four ‘anticipated’ drivers, we have considered whether the ‘dividend payout’ can be estimated as a function of the earnings made over the year (i.e., considering the capital management driver as a function of the other three drivers).

In a previous analysis, we suggested that market impacts may have a limited bearing on the level of dividends being paid out and calculated a payout ratio as: Capital Management Contribution / (Operational Impacts + New Business) (i.e., ignoring market impacts). In using this approach, the effect of capital management was assumed to be a proxy for the payment of dividends.

In addition, we have considered the expected capital generation based on the back-book alone (i.e., ignoring new business). In considering this metric, we looked at which 'one-off' items could be removed from the Operational Impacts bucket, along with the expected market return over the period,[31] to derive an estimate. In adopting this approach, we recognise that there is a high degree of subjectivity and limitations given the level of disclosure of firms' results, which also varies across firms in our survey. Results for these metrics, expanded to now include 2025, are shown in Figure 24.

FIGURE 24: PAYOUT RATIO AND EXPECTED CAPITAL GENERATION BASED ON BACK-BOOK

ITEM	2020	2021	2022	2023	2024	2025
Payout ratio	33%	72%	88%	66%	68%	63%
Expected back-book capital generation	6.4%	8.9%	8.5%	14.5%	13.9%	15.7%

Note: The figures for years 2020 to 2024 in Figure 24 may differ from the figures in the Shareholder Value Report published in previous years due to changes to the high-level bucket categorisations of some items and the methodology for approximating the estimated market return over the period, and for 2024, the inclusion of new firms into the analysis.

Results in Figure 24 show that the payout ratio is approximately 50% if we average the results in 2020 and 2021, which we thought could be considered to offset each other due to the extra restrictions that were placed on firms in terms of paying out dividends in 2020. This result is consistent with the 2018 and 2019 payout ratio that was provided in earlier Shareholder Value Reports. However, 2022 appears to be an exceptional year, with the payout ratio materially exceeding the ones observed until then, as a sharp rise in interest rates increased solvency ratios for many firms, which allowed them to pay dividends in line with their capital management policies.

Since then, we have seen a more modest payout in comparison with 2022, with the payout ratio being approximately 65% on average for 2023 to 2025, but still considerably higher than the average payout before 2022 as companies generated more capital than in recent years, mainly due to operational impacts. There is growing evidence that this higher average payout ratio reflects a 'new normal' in the current higher-interest-rate environment, as most companies continue to announce dividends at a similar, or even higher, level between 2022 and 2025, with some companies also announcing a commitment to progressive dividend policies.

In addition, the expected capital generation based on the back-book has increased in recent years, with 2025 remaining at this higher level, so it appears that mid-double digits may be the norm in the current interest-rate environment. However, looking to the future, this may change due to the economic environment and if solvency rules are revised (e.g., a lower expected release of Risk Margin for European insurers following the planned reduction in the Risk Margin; see Section 7 for further details).

31. The expected market return over the period approximates the real-world investment return on assets backing Own Funds for the year. It is estimated using the EUR risk-free rate at the start of the year, plus a spread over the risk-free rate, net of a representative tax rate. The investment spread is calculated as the weighted average risk premium for different asset types, based on a high-level representative portfolio of a European life insurer. This methodology captures changes in risk-free rates, risk premia, tax rates and asset allocation over time.

It is unclear whether the expected return on Own Funds assets is already included in the figures reported by firms under Operational Impacts. We have assumed it is not, and we consider that the resulting expected back-book capital-generation figures derived under this approach are reasonable for a European life insurer.

6 IFRS based metrics: Year-end 2025 results

COMPREHENSIVE EQUITY

An increasing number of companies are disclosing the amount and breakdown of comprehensive equity, a shareholder value metric based on the IFRS results. Examples of those companies from our sample are Ageas, Aviva, a.s.r., Legal & General, SCOR, Standard Life and Swiss Re. Additionally, we are aware of other companies that disclose this (e.g., Aegon, AIA, Chesnara, CNP, iA Financial, Manulife, Prudential and Sun Life). Some of these companies also disclose the breakdown of the movement of comprehensive equity during the reporting year in their investor presentations. Comprehensive equity is not an official name but is used by several companies. Other names are economic value, adjusted book value, adjusted shareholders' equity and stock of future profits.

In general, the value of comprehensive equity consists of:

- Shareholders' equity
- *plus* the CSM
- *less* allowance for expected tax

In some cases, we observe that companies make additional adjustments to this value, for example:

- Reducing it by the amount of intangible assets
- Adding the value of the RA
- Allowing for the difference between the market value and book value of amortised cost investments
- Adjustments related to the profitability of P&C, asset management, banking and other services

The basic components of comprehensive equity (shareholder equity and CSM) are an indication of the economic value for the shareholder. In principle, these components are paid out to shareholders over time. Although the resulting values are not directly comparable, both comprehensive equity and Solvency II Own Funds seek to provide a measure of the economic value attributable to shareholders. The similarities and differences between the two frameworks, in particular focussing on capital generation, are discussed in more detail in a Milliman case study.[32]

There is a parallel with the reconciliation of equity under IFRS to Own Funds under Solvency II per the reporting date (reported in the SFCR in the Own Funds section). In that reconciliation, the CSM of the insurance and reinsurance contracts is added to equity. In addition, adjustments are made for items such as the discount rate, the difference between the risk margin and the RA, attributable expenses, contract boundaries and classification. Furthermore, assets accounted for at amortised cost are valued at market value, intangible assets are written off and expected dividend payments are taken into account.

For the analysis in this section, we use the definition of shareholders' equity plus post-tax CSM, with no other adjustments made. One advantage of analysing the movement in comprehensive equity is that existing elements of IFRS reporting can be used, namely the income statement, the movement in equity and the movement analysis of the CSM. These elements are highly standardised and need to be compliant with the various IFRS standards.

The income statement contains the insurance result, investment result, fee result, other income and expenses and tax. The movement in equity contains the amounts of the income statement, other comprehensive income (OCI) and capital movements. The steps in the analysis are then grouped into business-value generation, financial-value generation, other sources of value generation, capital management and tax effects. Figure 25 provides an overview of the elements for each category.

32. Van Delft, L., Boekel, P., Brethouwer, S., & Ruissaard, M. (2023, April). *Bridging the gap between IFRS and Solvency II capital generation: A case study*. Milliman. Retrieved August 17,2026, from https://media.milliman.com/v1/media/edge/images/millimaninc5660-milliman6442-prod27d5-0001/media/Milliman/PDFs/2023-Articles/5-12-23_Bridging-the-gap-between-IFRS-and-Solvency-II-Capital-Generation.pdf.

FIGURE 25: ELEMENTS PER CATEGORY OF THE MOVEMENT OF COMPREHENSIVE EQUITY

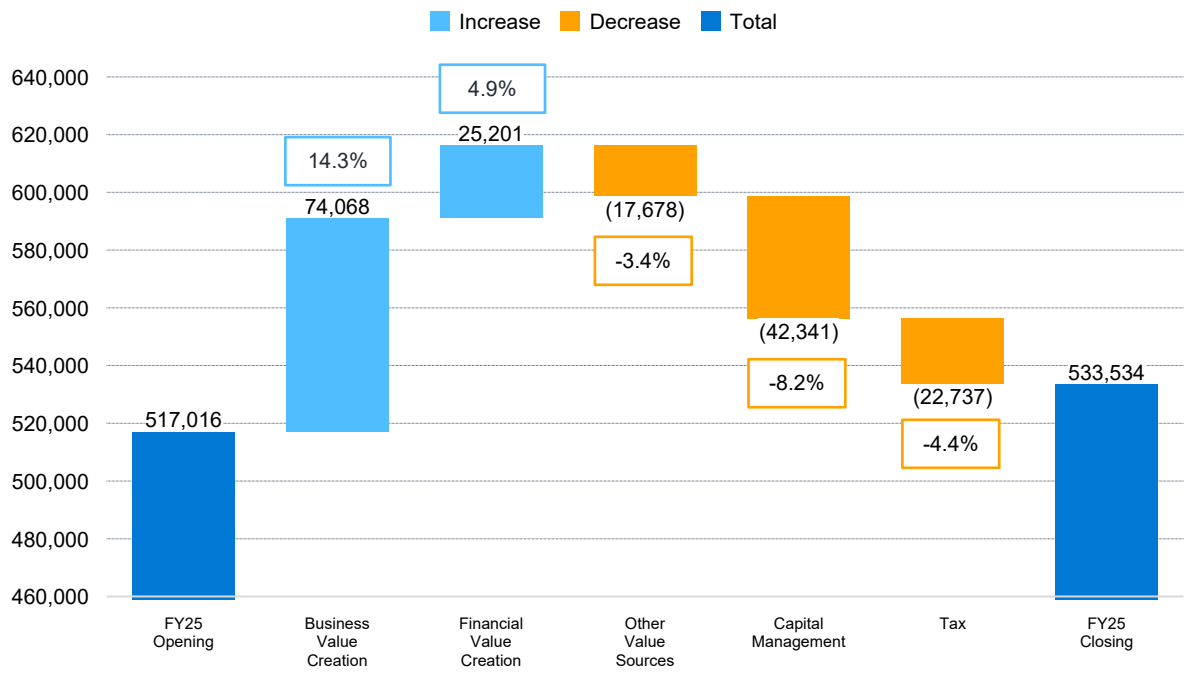
CATEGORY	ELEMENTS
Business value creation	Insurance service result New business CSM, Changes in best estimate (present value of future cash flows [PVFCF]) and/or RA reflected in CSM, release of CSM
Financial value creation	Investment and finance result (including insurance finance income and expense) FX effects on CSM Amounts through OCI
Other sources of value creation	Fee result, other income and expenses, operational expenses, result from discontinued business, other changes in CSM
Capital management	Dividends, share buybacks, capital injections and other movements in capital (e.g., movements in share option plans, employee trusts, change in consolidation, acquisitions and divestments)
Tax effects	Corporate tax from income statement and tax on movement of CSM (except for amounts in the income statement)

The release of the CSM reduces the CSM and flows via the insurance service result (P&L) into the equity. On a consolidated basis the release from the CSM and amount in the P&L cancels itself out. The same is applicable for the interest accretion on the CSM (i.e., an increase in the CSM and decrease in the investment and finance result in the P&L).

This movement analysis can be made consistently for all companies included in the scope of this analysis.

Figure 26 shows the movement of comprehensive equity for the firms in our sample for 2025.

FIGURE 26: AGGREGATE EVOLUTION OF COMPREHENSIVE EQUITY OVER 2025 FOR COMPANIES IN OUR SAMPLE (EUR M)



Note: The majority of firms included in Figure 26 report results in euros. For the handful of other firms, we have converted results using publicly sourced exchange rates as per 31 December 2025, which may introduce small currency differences with the prior year closing values shown in Figure 27.

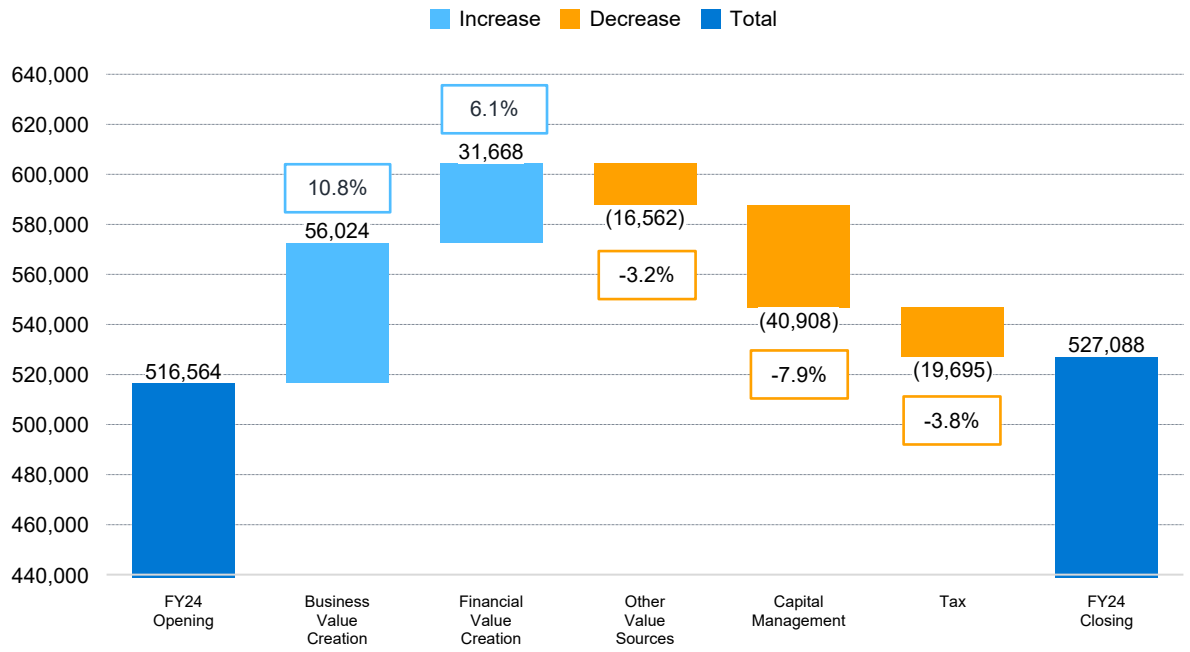
The percentages per category are similar to those in the Own Funds movement analysis shown in Figure 17, although the categories are not completely equivalent. In particular, business value creation would broadly align with the combined operating impacts (excluding expected returns over the year), new business and model changes, whereas financial value creation is more comparable to market movements and the portion of operating impacts arising from expected returns over the year.

The main driver for the change in comprehensive equity in 2025 for the firms in our sample is the business value creation. For the firms in our sample, the insurance service revenue is 92% of the business value creation in 2025.

The category of other sources of value creation is negative due to the non-attributable expenses. Capital management actions have a broadly consistent impact to that shown in the Own Funds movement analysis in Section 4. A difference between the movement of eligible Own Funds and comprehensive equity from this item is that the former includes changes in capital of lower-tier instruments.

Figure 27 presents a comparable movement analysis for 2024 and shows a broadly similar result.

FIGURE 27: AGGREGATE EVOLUTION OF COMPREHENSIVE EQUITY OVER 2024 FOR COMPANIES IN OUR SAMPLE (EUR M)



Note: The majority of firms included in Figure 27 report results in euros. For the handful of other firms, we have converted results using publicly sourced exchange rates as per 31 December 2024.

STOCK OF FUTURE PROFITS

This section presents the development of the stock of future profits of the companies in this analysis. Some European companies use the KPI “Stock of future profits” in their presentations. The Stock of future profits is the sum of the CSM and RA. Over the period of providing services the CSM and RA are both released in the P&L or the CSM can be used to strengthen the PVFCF and/or RA. In the annual reports are movement tables available of the CSM, and RA. The information from the tables was used to create a combined table of the movement of the stock of future profits. In this movement the interaction between the CSM and the RA are consolidated and a “net” result can be derived.

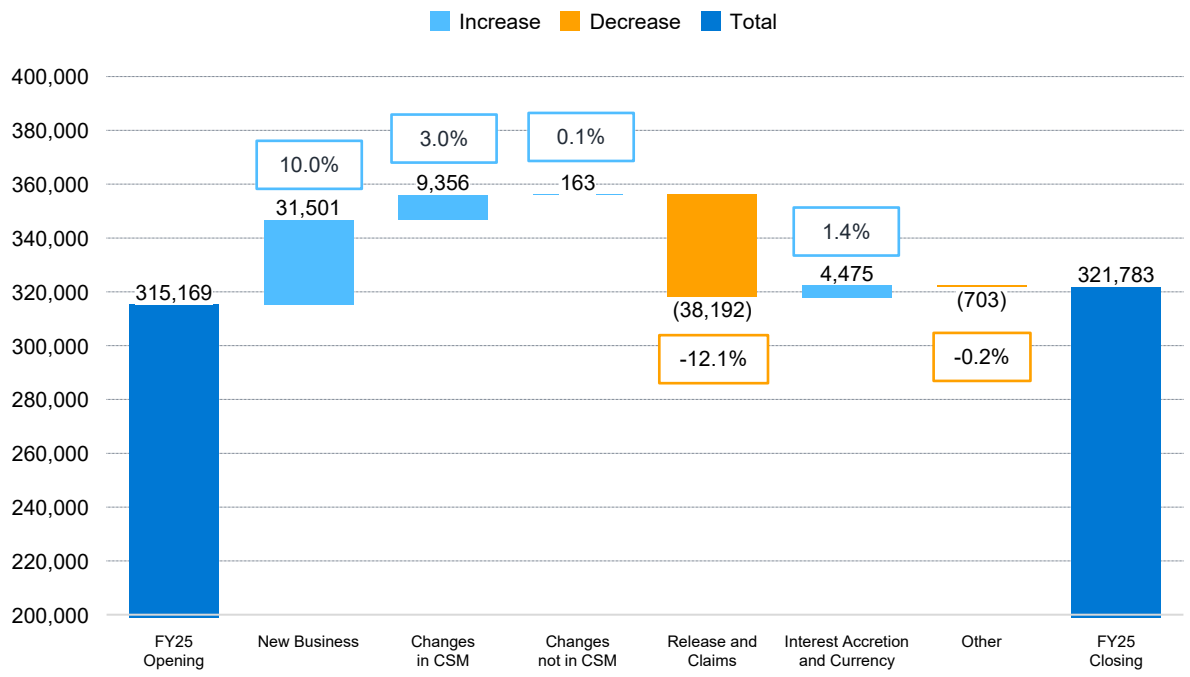
Figure 28 provides an overview of the elements per category in the movement analysis.

FIGURE 28: ELEMENTS PER CATEGORY OF THE MOVEMENT OF STOCK OF FUTURE PROFITS

CATEGORY	ELEMENTS CSM	ELEMENTS RA
New business	New business impact	New business impact
Changes reflected in CSM	Changes in CSM	Changes in the RA reflected in CSM
Changes not reflected in CSM		Changes in the RA not reflected in CSM, but in the P&L
Release and claims	Release of CSM	Release of RA due to expired risks Development with the incurred claims for liability-incurred claims RA. This can be an increase or decrease.
Interest accretion and reporting FX	Market impact	Market impact
Other	Primarily result of M&A	Primarily result of M&A

Figure 29 shows the movement of the stock of future profits for the firms in our sample for 2025.

FIGURE 29: AGGREGATE EVOLUTION OF STOCK OF FUTURE PROFITS OVER 2025 FOR COMPANIES IN OUR SAMPLE (EUR M)



Note: The majority of firms included in Figure 29 report results in euros. For the handful of other firms, we have converted results using publicly sourced exchange rates as per 31 December 2025.

The total stock of future profits for the firms included in our sample, measured in euros, remained relatively stable in 2025:

- The impact of new business on future profits of €31.5 billion was more than offset by the release of CSM and RA in the P&L of €38.2 billion from exiting business.
- Changes in the CSM on an aggregated basis increased the stock of future profits by €9.4 billion. This comprised an increase in the CSM for existing business of €10.6 billion due to changes which are reflected in the CSM (related to future service), offset by a reduction of the RA of almost €1.2 billion that led to an increase in the CSM.
- The amount in the category 'other' is driven by the investments and divestments from M&A transactions. In particular, the sale of the Group US and PRT business of Legal & General to Meiji Yasuda has had a significant impact (i.e., a reduction of € 1.6 billion).[33]

33. The L&G transaction was not included in the change in Own Funds for 2025 shown in Sections 4 and 5, as that analysis excluded any events after the date of the statement of the financial position.

7 Regulatory developments

This section summarises recent regulatory changes in the European insurance market, with an emphasis on their impact on shareholder value reporting. Specifically, we examine:

- Finalisation of the Solvency II Review and next steps
- Embedding by the UK government, in particular by HMT and the PRA, of the application of Solvency UK, and ongoing developments in relation to FundedRe and alternative capital
- The implementation of the ICS
- Developments in IFRS 17

Milliman has published papers covering the following regulatory developments in more detail and an analysis of their expected impact on firms; we have indicated in this section where this is the case.

The impact of IFRS 17 on shareholder value and disclosures in 2025 has been considered separately in Section 3; this section discusses future developments to those standards.

SOLVENCY II

Following years of effort, the Solvency II Review has ended, and the amended Solvency II Directive, Directive (EU) 2025/2,[34] was published in the *Official Journal of the European Union* and came into force in January 2025, with EU member states expected to adopt and publish the measures necessary to achieve compliance by 29 January 2027, ahead of implementation on 30 January 2027.

- The EC released for consultation its draft amendments to the Solvency II Delegated Regulation in July 2025, to align the Solvency II Delegated Regulation (EU) 2015/35 with the amended Directive. The EC has since closed this consultation and the final text was adopted on 29 October 2025. The key proposals from this consultation are summarised in a Milliman paper.[35]
- EIOPA has continued to refine its Guidelines and Technical Standards through several rounds of Consultation Papers (CPs),[36,37,38] with the process culminating in July 2026 when EIOPA published final Guidelines and draft Technical Standards and announced the completion of its Solvency II Review mandate.[39] EIOPA has also published the risk-free rate Technical Documentation, which will become applicable from 30 January 2027 and offers a comprehensive overview of the revised calculations, in particular reflecting the updated methodology for the extrapolation of risk-free interest rates and changes to the VA.[40] Milliman has developed impact assessment curves reflecting the updated methodology. These are designed to support firms in assessing the potential impact of these changes on their portfolios.[41]

34. *Directive (EU) 2025/2 of the European parliament and of the Council of 27 November 2024 amending Directive 2009/138/EC as regards proportionality, quality of supervision, reporting, long-term guarantee measures, macro-prudential tools, sustainability risks and group and cross-border supervision, and amending Directives 2002/87/EC and 2013/343/EU (Text with EEA relevance)*. (2025, January 8). EUR-Lex. Retrieved August 18, 2026, from https://eur-lex.europa.eu/eli/dir/2025/2/oj/eng.

35. Broens, J., et al. (2025, August 19). *Solvency II review – proposed amendments to the Delegated Regulation*. Milliman. Retrieved August 18, 2026, from https://ie.milliman.com/en-GB/insight/solvency-ii-review-proposed-amendments-delegated-regulation.

36. *EIOPA opens consultations on revised guidelines on group solvency calculations and on reporting*. (2025, December 5). EIOPA. Retrieved August 18, 2026, from https://www.eiopa.europa.eu/eiopa-opens-consultations-revised-guidelines-group-solvency-calculations-and-reporting-2025-12-05_en

37. *EIOPA updates its Guidelines on supervisory review process and on market and counterparty risk exposure following Solvency II review*. (2026, February 13). EIOPA. Retrieved August 18, 2026, from https://www.eiopa.europa.eu/eiopa-updates-its-guidelines-supervisory-review-process-and-market-and-counterparty-risk-exposures-2026-02-13_en.

38. *Consultation on the shortening of additional Guidelines under Solvency II*. EIOPA. Retrieved August 18, 2026, from https://www.eiopa.europa.eu/consultations/consultation-paper-shortening-additional-guidelines-under-solvency-ii_en.

39. *EIOPA completes Solvency II Review mandate with final guidelines and draft technical standards before revised framework takes effect early next year*. (2026, July 15). EIOPA. Retrieved August 18, 2026, from https://www.eiopa.europa.eu/eiopa-completes-solvency-ii-review-mandate-final-guidelines-and-draft-technical-standards-revised-2026-07-15_en.

40. *EIOPA publishes the RFR Technical Documentation to become applicable from 30 January 2027*. (2026, May 26). EIOPA. Retrieved August 18, 2026, from https://www.eiopa.europa.eu/eiopa-publishes-rfr-technical-documentation-become-applicable-30-january-2027-2026-05-26_en.

41. *Solvency II Review – Impact assessment curves*. (n.d.). Milliman. Retrieved August 18, 2026, from https://www.milliman.com/en/Insurance/Solvency-II-Impact-Assessment-Curves.

The full extent of the impact of the Solvency II Review on firms will take time to assess, but among the changes, those most relevant to shareholder value include:

- **Calculation of the Risk Margin, including a reduced cost of capital factor (4.75% rather than 6%) and a new lambda factor accounting for the time dependency of risks:** The changes will result in a reduction in the Risk Margin for long-term liabilities that will reduce the cost of capital significantly for many firms going forward and, all else being equal, enhance firm valuations by accelerating the release of the Risk Margin surplus with less impact from the cost of capital and time value of money. In recent years, Milliman has been allowing for the planned reduction to the Risk Margin in valuation work of European insurers for M&A projects.
- **Extrapolation methodology used for risk-free rates:** A revision to the extrapolation methodology for risk-free interest rates will impact the euro in particular. This revision will affect the value of the BEL and therefore Own Funds, and could influence shareholder value to the degree that valuation is based on the surplus emerging over a target-level regulatory capital. However, due to recent increases in long-term swap rates, the differences between the new and current extrapolation methods are now substantially smaller than they were prior to 2022 and, combined with a phasing-in mechanism available for moving to the new rates, the impact of this change is likely not to be significant.
- **VA, including a revision to make the adjustment more company-specific**, **dynamic and responsive to market credit-spread movements:** The degree of impact from the change will depend on whether firms use the VA, and their asset−liability matching, with better-matched insurers getting a higher VA via the company-specific factor. The changes, which will impact the value of the BEL and Own Funds for affected firms, could influence shareholder value to the degree that valuation is based on the surplus emerging over a target-level regulatory capital.
- **SCR:** A revision to the interest-rate calibration, designed to address past underestimation of liability sensitivity in low-rate environments, will result in more onerous stresses being applied. Whilst the exact impact on a firm will depend on the duration of its liabilities and asset portfolio, as well as the degree of matching, it is expected that the change could result in higher market-risk capital requirements. This may cause a higher cost of capital in relation to the SCR, which would need to be considered in the shareholder value of a firm.

Firms domiciled in the UK are no longer bound by Solvency II. However, UK-based firms which form part of an EU-based group will need to provide results on a Solvency II basis to the group and, as a result, these amendments will be relevant to such firms.

The emerging divergence in approach between Solvency II and Solvency UK may introduce added complexity for such firms in terms of reporting and capital management. For example, whilst the change to the Risk Margin will align the calculation methodology under Solvency II and Solvency UK, the parameterisation under Solvency II is more onerous and results in a higher Risk Margin.

SOLVENCY UK

Over the past few years, the UK has made a number of amendments to Solvency UK. This continued in 2025 and early 2026, with the PRA publishing several CPs clarifying aspects of the restated framework, addressing reporting inconsistencies and making targeted refinements to the rules and expectations (CP4/26,[42] CP22/25[43]).

The more significant regulatory developments in 2026 considered in this section are linked by the PRA's continuing focus on the capital framework for UK life insurers, particularly in the context of growth in the BPA market. The reforms are not all directionally the same: Some are intended to improve flexibility and capital efficiency, whereas others are intended to address areas where the PRA considers that the current framework may understate risk or create distorted incentives. The main developments considered are:

- The MAIA, which provides firms with a faster route to include certain self-assessed eligible assets in MA portfolios, subject to limits and governance requirements
- FundedRe, where the PRA is proposing to increase the capital held against such transactions in the future, reflecting concerns that the current treatment may understate risk relative to economically similar exposures
- Alternative Life Capital, where the PRA is considering whether new structures could allow insurers to access long-term capital in a way that supports sustainable BPA growth and wider product innovation
- The LIST, where the 2025 results provided a view on the resilience of major annuity writers in the UK, including the risks associated with FundedRe.

MATCHING ADJUSTMENT INVESTMENT ACCELERATOR

Following consultation CP7/25,[44] the PRA published PS17/25[45] in October 2025 that introduced a new framework, the MAIA, which allows firms to include MA-eligible assets in their MA portfolio whilst applying to vary the scope of their MA permission for up to 24 months.

Under the framework, firms can include self-assessed, MA-eligible assets in their MA portfolios, subject to an exposure limit of 5% of the BEL of the MA portfolio and no more than £2 billion (€2.4 billion) for new assets and asset classes. Firms must also maintain a board-approved MAIA policy and contingency plan, and submit a MAIA use report to the PRA within 18 weeks of year-end, covering policy compliance and any breaches.

Given that firms can include a limited proportion of self-assessed, MA-eligible assets in their MA portfolio without waiting for full MA permission, they can immediately utilise the MA benefits (i.e., capital relief) on these assets. This change should allow firms to access attractive investment opportunities more quickly, including those that may previously have been missed due to the need for prior regulatory approval, supporting capital-efficient investment strategies, capital generation and improving shareholder value.

Further detail on the MAIA is provided in a Milliman briefing note.[46]

42. *CP4/26 – UK Solvency II Own Funds: Updates and fixes to rules and expectations*. (2026, February 25). Bank of England. Retrieved August 18, 2026, from https://www.bankofengland.co.uk/prudential-regulation/publication/2026/february/uk-solvency-ii-own-funds-updates-and-fixes-to-rules-and-expectations.

43. *CP22/25 – UK Solvency II reporting and disclosure: Post-implementation amendments*. (2025, December 4). Bank of England. Retrieved August 18, 2026, from https://www.bankofengland.co.uk/prudential-regulation/publication/2025/december/solvency-uk-reporting-and-dislosure-consultation-paper.

44. *CP7/25 – Matching Adjustment Investment Accelerator*. (2025, April 8). Bank of England. Retrieved August 18, 2026, from https://www.bankofengland.co.uk/prudential-regulation/publication/2025/april/matching-adjustment-investment-accelerator-consultation-paper.

45. *PS17/25 – Matching Adjustment Investment Accelerator*. (2025, October 23). Bank of England. Retrieved August 18, 2026, from https://www.bankofengland.co.uk/prudential-regulation/publication/2025/october/matching-adjustment-investment-accelerator.

46. Ford, M., & Ginghina, F. (2025, May 1). *Implications of CP7/25 – Matching Adjustment Investment Accelerator: Impacts and commercial implications*. Milliman. Retrieved August 18, 2026, from https://uk.milliman.com/en-GB/insight/cp7-25-matching-adjustment-investment-accelerator.

Funded Reinsurance

In September 2025, the PRA set out further concerns on the growing use of FundedRe in the UK BPA market, noting that BPA market growth had increased firms' need for capital and that FundedRe had become one route for supporting this growth.[47] The PRA questioned whether the existing Solvency UK framework appropriately reflected the risks of these transactions, including whether the investment component of FundedRe should be separated from the longevity reinsurance component for Solvency UK valuation purposes (i.e., 'unbundling').

Following engagement with firms, the PRA published CP8/26 *Funded reinsurance* in April 2026[48], proposing a more targeted change to the CDA applied to FundedRe assets, rather than pursuing a full unbundling approach. The consultation closed on 31 July 2026, with the proposed rules expected to apply from 1 July 2027. The proposals would apply to future transactions but would not apply to arrangements where the risks have already been fully transferred by 30 September 2026.

Under the proposals, the CDA would be calculated using a standardised methodology linked to the Solvency UK fundamental spread, with the aim of aligning the treatment of FundedRe more closely with economically similar directly held assets. The PRA has indicated that, for the average FundedRe transaction, capital held could increase from approximately 2% to 4% of the value of the underlying annuity liabilities to approximately 10%, compared with 11% to 15% for similar investments. This would materially reduce the current capital benefit of FundedRe, particularly for transactions involving lower-rated reinsurers, as the proposed framework appears to place more weight on reinsurer financial strength ratings than collateral and contractual protections.

The full extent of the impact of the changes to FundedRe on UK insurers will take time to assess, but concerns for insurers relevant to shareholder value include:

- **Potentially lower future BPA value:** In the event that FundedRe becomes less capital-efficient, some UK life insurers may write lower volumes of BPA business, or write it at lower margins. This could reduce the value that shareholders currently place on future BPA growth, particularly where market valuations assume continued strong new business volumes.
- **Different impact by firm:** The proposed change is unlikely to affect all insurers equally. Among firms where FundedRe has been widely used, larger or stronger firms may be relatively advantaged through better access to highly rated reinsurers or an ability to source attractive assets directly, given that the additional capital requirements via the CDA mechanism depend on reinsurer financial strength ratings. Firms that have not historically relied on FundedRe are likely to be largely unaffected.
- **Market structure and M&A:** If FundedRe becomes a less-efficient route into the BPA market, those wishing to access the market may instead seek direct access by acquiring or establishing UK insurers. The proposals could therefore support further consolidation among UK BPA players. Strategic partnerships may also become more important, allowing third parties to participate in the UK PRT market growth through asset origination or investment management arrangements with established BPA insurers (for example L&G and Blackstone in 2025).

47. White, V. (2025, September 18). *Funded realignment: Balancing innovation and risk – speech by Vicky White*. Bank of England. Retrieved August 18, 2026, from https://www.bankofengland.co.uk/speech/2025/september/vicky-white-speech-at-the-bank-of-america-annual-ceo-conference.

48. *CP8/26 – Funded reinsurance*. (2026, April 29). Bank of England. Retrieved August 18, 2026, from https://www.bankofengland.co.uk/prudential-regulation/publication/2026/april/funded-reinsurance-consultation-paper.

Alternative Life Capital

In November 2025, the PRA published DP2/25[49], opening an industry discussion on whether UK life insurers should be able to access alternative forms of capital by transferring defined tranches of risk to capital markets, with responses requested by 6 February 2026. The paper was published in response to growing pressure on traditional capital routes (debt, equity, traditional reinsurance), a shift by some firms towards capital-light business models and the offshoring of risk via reinsurance. The PRA does not propose detailed rules at this stage, but explores structures including ISPVs, significant SRT structures and life insurance sidecars or joint ventures.

Whilst the exact outcomes of this review remain uncertain, alternative life capital could provide insurers a more flexible, and potentially lower-cost, way to support growth, manage risk and deploy long-term capital. If investors are willing to provide the PRA-defined 'patient capital' aligned with the long duration of life insurance liabilities, insurers may have greater capacity to write annuity or BPA business, support larger transactions, diversify away from traditional reinsurance counterparties and retain more economics within the UK insurer rather than ceding profits offshore. Alternative Life Capital could therefore help firms offset some of the challenges for BPA introduced by the changes in FundedRe outlined earlier in this section.

In addition, if alternative capital enables insurers to take a longer-term approach to asset deployment, it may support investment in higher-yielding productive assets over time, with a possible positive impact on capital generation and hence value.

Life Insurance Stress Test

The PRA developed LIST 2025 to prescribe insurers to run regular stress-testing exercises to test their resilience to scenarios set out by the PRA and to publish the individual firm results. LIST 2025 was launched in January 2025 through a letter to CEOs[50] of UK insurers with the largest annuity portfolios that are participating in the BPA market, with a deadline for submissions in June 2025. Since then, the PRA published the Main Report and Technical Annex on 17 November 2025,[51] followed by the Annex containing individual firm results on 24 November 2025.[52]

The LIST 2025 results indicated that the major UK annuity writers remained resilient under the PRA's core market stress. However, the inclusion of asset concentration and FundedRe recapture scenarios highlights the PRA's focus on risks arising from broader asset strategies and increased use of FundedRe in the BPA market, with the results directly used to help inform decision-making regarding FundedRe.

Given this, future LIST exercises could be considered an indicator of potential future regulatory change, as they can uncover systemic, industry-wide issues, or may provide support to perceived issues. The PRA intends to run the LIST every two years; therefore, the next exercise is due to take place in 2027. Firms that are within scope will be notified 12 months prior to the launch.[53]

49. *DP2/25 – Alternative Life Capital: Supporting innovation in the life insurance sector*. (2025, November 24). Bank of England. Retrieved August 18, 2026, from https://www.bankofengland.co.uk/prudential-regulation/publication/2025/november/alternative-life-capital-discussion-paper.

50. Truran, G. (2025, January 16). *Life Insurance Stress Test 2025 (LIST 2025)*. Bank of England. Retrieved August 18, 2026, from https://www.bankofengland.co.uk/-/media/boe/files/prudential-regulation/letter/2025/list-2025-launch.pdf.

51. *Life Insurance Stress Test: 2025 results*. (2025, November 17). Bank of England. Retrieved August 18, 2026, from https://www.bankofengland.co.uk/prudential-regulation/publication/2025/november/list-2025-results-report.

52. *Annex 4: Life Insurance Stress Test 2025 insurer-specific results*. (n.d.). Bank of England. Retrieved August 18, 2026, from https://www.bankofengland.co.uk/-/media/boe/files/prudential-regulation/publication/2025/list-2025-results-report-insurer-specific-results.pdf.

53. *Approach to life insurance stress test 2025*. (2024, July). Bank of England. Retrieved August 18, 2026, from https://www.bankofengland.co.uk/-/media/boe/files/prudential-regulation/publication/2024/approach-to-list-2025.pdf.

INSURANCE CAPITAL STANDARD

The ICS is a global consolidated risk-based capital standard applicable to active IAIGs. The ICS is part of a wider framework for the supervision of IAIGs developed by the IAIS, aiming to improve the consistency of the supervision of the global insurance industry.

Following the adoption of the ICS in 2024, the IAIS has shifted to the implementation phase of the ICS to ensure that the ICS is being applied consistently across relevant jurisdictions.

In 2025, the IAIS commenced work on developing an ICS implementation assessment methodology, which sets out how the IAIS will assess whether jurisdictions are implementing the ICS in a consistent and comparable way. This was supported with the publication[54] of the following in 2025:

- An ICS technical note containing examples and explanatory text to facilitate the understanding and implementation of the ICS, supporting practical implementation by firms and supervisors
- ICS high-level principles for the development of the ICS implementation assessment methodology
- An ICS explanatory note on the high-level principles for the development of the ICS implementation assessment methodology, providing further clarity on how consistent and comprehensive implementation will be assessed
- An ICS-related CP on the Common Framework (ComFrame) for the Supervision of IAIGs, which closed on 5 February 2026, continuing to develop the disclosure and supervisory framework underpinning the ICS
- An ICS Online Tool that includes the current Level 1 and Level 2 texts, explanatory content and examples to help IAIS members navigate the standard and support its implementation

The IAIS high-level timeline for implementation is as follows:

- **2026:** The IAIS will coordinate a self-assessment to be performed by IAIS members (i.e., supervisors) in assessing their progress in implementing the ICS. This self-assessment will serve as a baseline for future implementation progress monitoring. The IAIS also plans to finalise its implementation assessment methodology by the end of 2026, and will consult on an Application Paper on the availability of capital.
- **2027:** The IAIS will commence in-depth targeted assessments of ICS implementation across the 19 current jurisdictions.

In the US, it was concluded in 2024 that the Aggregation Method (AM), developed as an alternative approach to implementing the ICS, provides a basis for producing comparable outcomes.[55] However, areas were identified that require further work as part of developing the final AM approach. The final AM will be subject to the same timeline as the ICS implementation assessments in other jurisdictions stated above.

Of the IAIGs included in the sample of European insurers that we reviewed, we observed several explicit references to the ICS in their 2025 disclosures. The implications of the ICS for IAIGs will largely depend on whether the local jurisdiction is considered to implement the ICS through a regime that is deemed to produce at least the same level of prudence, with firms in the UK and Europe still awaiting confirmation in relation to Solvency UK and Solvency II. Some firms indicated that, despite this uncertainty, Solvency II, Solvency UK or the SST are expected to serve as the relevant local implementation of the ICS. Where impacts were discussed, these were generally framed in terms of potential increases in operational complexity, compliance costs and competition, with firms noting the risks associated with potentially having to manage both ICS and local solvency regimes in parallel. In the event that local solvency regimes are accepted as local implementation of the ICS, we do not anticipate a significant impact on public disclosures or solvency-based capital generation and shareholder value metrics.

54. *Insurance Capital Standard*. (2024). International Association of Insurance Supervisors. Retrieved August 18, 2026, from https://www.iais.org/activities-topics/standard-setting/insurance-capital-standard/.

55. *Report on the Aggregation Method Comparability Assessment*. (2024, November 14). International Association of Insurance Supervisors. Retrieved August 18, 2026, from https://www.iais.org/uploads/2024/11/Report-on-Aggregation-Method-comparability-assessment.pdf.

INTERNATIONAL FINANCIAL REPORTING STANDARDS 17

Firms are reporting under the new standards as a business-as-usual process, with no notable issues arising since implementation on 1 January 2023.

In December 2024, the IFRS Foundation Trustees published the Exposure Draft[56] proposing amendments to the Handbook, and following enhancements from the Due Process Oversight Committee, an updated version of the Handbook was published on 30 April 2026.[57]

The International Accounting Standards Board (IASB) was expected to launch a post-implementation review of IFRS 17 by the end of 2025 under the rules set out in the Handbook at the time. However, it was also noted that, based on the experience of other IFRS reviews, the review would be unlikely to take place before 2027. In the updated Handbook, the timeframe for a post-implementation review has changed, with paragraph 6.58 stating that the review can take place at any time within a 5-year period after the requirements become effective. On that basis, the post-implementation review should launch by the end of 2028 at the latest.

In general, the IASB has not made any major changes to the standard since it became effective; however, plans are in place to address any challenges identified through the post-implementation review, whenever that may take place.

From a shareholder-value-reporting perspective, we observed in this year's disclosures a potential shift towards IFRS 17 based metrics and away from solvency-based disclosures in some areas where there are directly comparable measures, for example:

- Removing the disclosure of the Solvency II impact of new business in favour of IFRS 17 New Business CSM
- Reducing the granularity of analyses of change of Own Funds with more detailed analysis provided on the change in shareholder equity, CSM or comprehensive equity

The above observed changes may be driven by a desire to not confuse investors with multiple similar metrics, or to help reduce the operational burden of producing multiple parallel metrics.

Despite this observed change, in our experience the primary focus in M&A work in Europe remains the projected profit emergence under the Solvency II/UK balance sheet, with lighter consideration of any potential IFRS 17 constraints to the projected dividend profile. Solvency-based value and capital-generation metrics also remain the more established benchmark for setting and reviewing capital-management and dividend policies, although we see some evidence this year of firms starting to refer to IFRS 17 value measures in their dividend policies.

Finally, IFRS 18, which replaces IAS 1, introduces a new structured income statement format, requiring companies to categorise income and expenses into five defined categories: operating, investing, financing, income taxes and discontinued operations.

For insurance companies, this may be less relevant, as they already clearly separate and present the insurance service results within the new operating category framework. The standard also introduces stricter rules around MPMs, requiring insurers to provide enhanced disclosures and reconciliations when using non-GAAP metrics. Solvency and value metrics are frequently used and may need to be redefined. IFRS 18 is effective for annual reporting periods beginning on or after 1 January 2027, meaning most insurance companies will publish their first IFRS-18-compliant financial statements in early 2028 (covering financial years 2027 and 2026).

56. *Exposure Draft: Due Process Handbook*. (2024, December). IFRS® Foundation. Retrieved August 18, 2026, from https://www.ifrs.org/content/dam/ifrs/project/2024-due-process-handbook-review/exposure-draft/ed-2024-due-process-handbook.pdf.

57. *Due Process Handbook*. (2026, April). IFRS® Foundation. Retrieved August 18, 2026, from https://www.ifrs.org/content/dam/ifrs/about-us/legal-and-governance/constitution-docs/due-process-handbook-2026.pdf.

Appendix 1: Companies included in current year's analysis

The firms considered in our sample for review of their year-end 2025 results and disclosures are large insurance groups in key markets across Europe that disclose the movement of their Own Funds over 2024 and 2025. The sample of firms spans the following countries (based on their headquarters): Belgium, France, Germany, Italy, the Netherlands, Norway, Switzerland and the UK. This sample is consistently used in all sections of this report.

FIGURE 30: FIRMS CONSIDERED IN OUR SAMPLE

▪ Achmea	▪ Gjensidige Forsikring	▪ Rothesay
▪ Ageas	▪ Gruppo Unipol	▪ Standard Life Group
▪ Allianz Group	▪ Hannover Re Group	▪ SCOR Group
▪ a.s.r. Nederland	▪ Legal & General Group	▪ Scottish Widows
▪ Assicurazioni Generali	▪ M&G	▪ Swiss Life Group
▪ Aviva	▪ Munich Re Group	▪ Swiss Re Group
▪ AXA Group	▪ NN Group	▪ Zurich Insurance Group

Note: Swiss Life Group, Swiss Re Group and Zurich Insurance Group are included in the analysis, with results based on the capital generation and available capital based on the SST balance sheet.

As shown in Figure 19, the firms considered in the sample for 2024 and earlier years differ slightly from the above list, with some new firms added to the sample over time, and some removed.

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