# GROUPAMA GROUP

# SOLVENCY AND FINANCIAL CONDITION REPORT 2017

## EXECUTIVE SUMMARY

# SUMMARY

- **Business**

The Group is a major insurance player in France for property and casualty insurance as well as life and health insurance.

At 31 December 2017, combined group premium income had grown 2.9% to €13.8 billion (80.1% in France, 18.9% international and 1.1% from the financial businesses). Premium income for insurance in France amounted to €11.1 billion, up 2.6%, and that of international insurance to €2.6 billion, up 4.1%.

The Group's economic operating income rose to €349 million in 2017, but the harsh impact of regulatory changes in France (including tax surcharges and statutory enhancements) weighed on the Group's net income, which stood at €292 million on 31 December 2017.

- **Governance**

No significant changes in governance were made during the 2017 fiscal year, but the board of directors now includes more female members.

- **Risk profile**

Considering the diverse nature of its businesses, the Group has a balanced risk profile that is spread out across non-life, life and health underwriting risks, respectively representing 23%, 11% and 10% of the basic solvency capital requirement (SCR) excluding diversification effects.

The Group implemented an insurance risk mitigation system comprising a number of principles and rules related to underwriting and reserves which were rolled out in the Group's entities, and an internal and external reinsurance system.

The most significant risk is that of the financial market, which accounts for 47% of the basic SCR excluding diversification effects.

The Group implemented a market risk mitigation system that is operational within all of the Group's entities (regional mutuals, Groupama SA's French and international subsidiaries) with primary limits (major asset classes) and secondary limits (within each asset class) in an endeavour to control investments in risky assets and diversify holdings (issuers, sectors, countries).

- **Main changes to valuation methods for solvency purposes**

The Group introduced the notion of future premiums to its economic review. Additionally, the best estimate for premiums includes one component for unearned premium reserves (UPR) and a new component for future premiums.

- **Capital management**

The Group uses a partial internal model to calculate its SCR. This model covers non-life and Not Similar to Life Techniques (NSLT) health underwriting risks.

The Group's SCR and MCR coverage ratios stood at 315% and 418% respectively on 31 December 2017, versus 289% and 393% on 31 December 2016. Excluding the effects of the transitional measure on technical reserves carried out by two subsidiaries, the Group's SCR and MCR coverage ratios were 174% and 259% respectively at 31 December 2017.