Covéa

SOLVENCY AND FINANCIAL CONDITION REPORT 2023

EXECUTIVE SUMMARY TRANSLATION

This document is a free translation of the Solvency and Financial Condition Reports' executive summary, originally issued in French and provided for information purposes only. The original French version takes precedence over this translation.

Summary

The present Solvency and Financial Condition Report (SFCR) has been prepared in accordance with the public disclosure requirements of Articles 51 to 56, 256 and 256a of the Directive 2009/138/EC of the European Parliament and Articles 290 to 298 and 359 to 364 of the Delegated Regulation (EU) 2015/35.

This report covers the period between 1 January 2023 and 31 December 2023. The full report in French consists of an executive summary, five sections (Business and performance, System of governance, Risk profile, Valuation for Solvency purposes and Capital Management) and a set of quantitative reports presented in the appendices.

This report relating to the 2023 financial year was presented to the Audit Committee and the Risks Committee on 7 May 2024 and was approved by the Board of Directors at its meeting of 16 May 2024. It has also been submitted to the French Prudential Supervision and Resolution Authority (ACPR).

Significant events

Following the acquisition of PartnerRe on 12 July 2022, its integration into the Covéa Group's Finance and Risk processes continued in 2023, especially in relation to the Solvency II framework. The Group's solvency ratio as at 31 December 2023 has been calculated with PartnerRe included using the accounting consolidation-based method and the Group's solvency capital requirement has been calculated using the standard formula, in accordance with the Solvency II prudential requirements.

Business and performance

Covéa is a multi-brand mutual group operating in the insurance and reinsurance markets:

- In the French insurance market, Covéa operates primarily via three strong complementary brands – MAAF, MMA and GMF – offering a comprehensive and diversified range of products covering all the needs of its customers and members. Leader in property and casualty insurance in France, Covéa protected 11.4 million customers and members at the end of 2023. Covéa also has insurance operations outside France, primarily *via* Covéa Insurance, its United Kingdom subsidiary operating in the non-life insurance market.

- In the reinsurance market, Covéa operates mainly via PartnerRe, which offers a wide range of non-life reinsurance and life reinsurance cover, and works with insurance companies all over the world. Covéa is also present in the reinsurance market *via* Covéa Coopérations.

Key performance indicators – Insurance France

Gross earned premiums (in € billions)	Net income (Group share) (in € millions)
15.9	**638**

Earned premiums increased by 3.7% in 2023, with all activities contributing to this growth. In non-life insurance, the level of claims was up year-on-year, reflecting an increase in net claims related to natural events compared with 2022 because of less mitigation by outward reinsurance and reversals of equalisation reserves, and a level of claims excluding natural events impacted by the increase in average costs and a higher level of large claims. Life insurance net income rose, mainly because of higher financial and management margins.

Key performance indicators – International insurance

Gross earned premiums (in € billions)	Net income (Group share) (in € millions)
1.0	**(155)**

Earned premiums were down 33.8% in 2023, mainly due to the sale of the Group's subsidiaries in Italy in July 2022. In the United Kingdom, Covéa Insurance's net income continued to be affected by a highly competitive market and a particularly high rate of inflation. A plan was adopted in January 2023 to return to breakeven, including the gradual withdrawal from loss-making and non-strategic businesses. In the United States, CSE has no longer been writing new business or renewing existing policies since 1 January 2024.

Key performance indicators – Reinsurance[1]

Gross earned premiums (in € billions)	Net income (Group share) (in € millions)
9.9	**1,087**

PartnerRe was consolidated over the full year in 2023, representing a contribution to earned premiums of €8.4 billion and a contribution to net income of €1,468 million. Under favourable market conditions, PartnerRe's net income benefited in particular from limited claims arising from natural events, a high level of financial income and non-recurring income related to the enactment of Bermuda's new corporate income tax. The increase in PartnerRe's net income was partly offset by the unfavourable evolution in underwriting result from Covéa Coopérations' reinsurance activities.

Key performance indicators – financial[2]

Net financial income (in € billions)	Average investment yield
2.6	**2.6%**

Net financial income increased by €161 million, mainly because of the increase in income from fixed income products as a result of being reinvested at higher yields. This growth was partly offset by a decrease in property income, an unfavourable change in the currency impact and a lower level of realised capital gains net of impairment. The average investment yield was 2.6% compared with 2.5% in 2022.

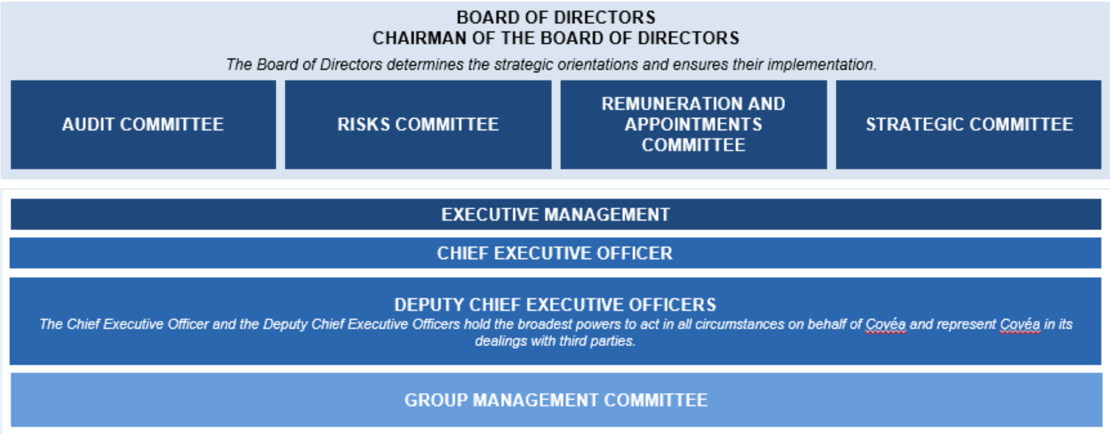
[1] Reinsurance activities include all entities of PartnerRe as well as Covéa Coopérations' reinsurance activities. They do not include Covéa Coopérations' holding activities, which come under the "Holding and other activities" segment.

[2] Average yield from investments (including properties used in operations) held by all the Group's entities, excluding bank accounts, investments accounted for using the equity method and investments held to cover unit-linked liabilities, and excluding financing expenses.

System of governance

- The Covéa mutual insurance group aims to bolster the long-term success and growth of its affiliated entities and their subsidiaries. The Covéa Group's parent company is a group of insurance mutuals (SGAM – Société de Groupe d'Assurance Mutuelle) that establishes and maintains strong and lasting financial relationships with its affiliated companies. The Group is governed by a Board of Directors.

- The Group's governance system is aligned with its business model and activities and facilitates the implementation of its strategy. It is based on a clear separation of duties and an effective communication system, made possible in particular by the information and decision-making bodies in place. This operational governance fosters cooperation and ensures sound and prudent management of the Group's businesses.



- The control system deployed within the Covéa Group ensures the risks to which it is exposed are effectively controlled and managed. It provides the governance bodies with regular access to the information necessary for overseeing and managing the Group's risks and activities. The risk management, internal control, compliance and internal audit systems as well as the actuarial function contribute in particular to the overall control system.

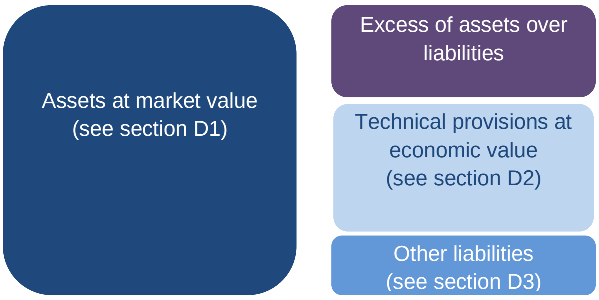
Risk profile

Breakdown by risk module[3]

- As an insurance group, Covéa's business by nature consists in creating value by managing risks, most of which are inherent to its activity. The risks to which the Group is exposed are managed and monitored continuously by the control system implemented within the Group.
- The standard formula suits the Group’s overall risk profile. As such, the solvency capital requirement assessed under Solvency II rules adequately quantifies the risks to which the Group is exposed. Other risks not covered by the standard formula are also monitored and managed.
- Sensitivity testing is performed as part of forward-looking solvency and ongoing monitoring processes. These have demonstrated the resilience of the Group’s solvency capital requirement coverage ratio in highly adverse circumstances.

Valuation for solvency purposes

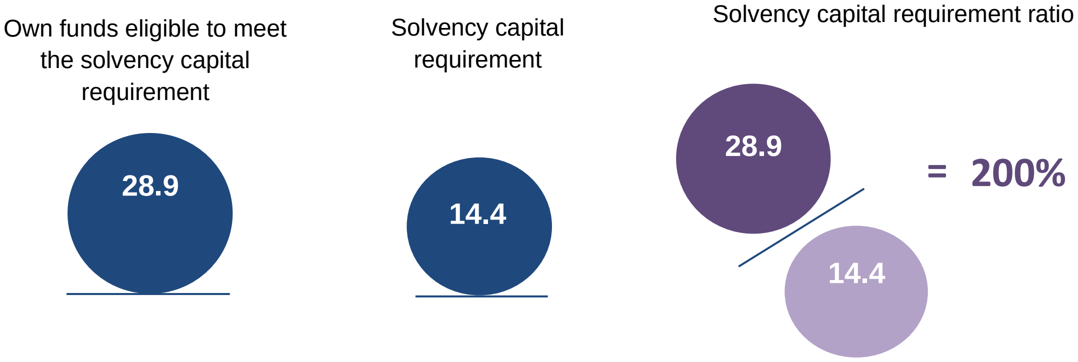
- The categories of assets and liabilities that make up the prudential balance sheet have been valued in accordance with Solvency II standards at the amount for which they could be exchanged as part of an arm’s length transaction.
- Prudential accounting standards differ from French accounting standards. The main valuation differences relate to the Group’s investment assets, recognised at market value, and technical provisions assessed in the prudential balance sheet at their economic value, which corresponds to a transfer value.



[3]As a percentage of the sum of risk modules of the diversified solvency capital requirements net of loss-absorbing capacity of technical provisions, before loss-absorbing capacity of deferred taxes and diversification effect between risk modules.

Capital management

(in € billions)



- The solvency capital requirement is calculated by applying the standard formula. The Group has used the volatility adjustment referred to in Article 77d of the Directive 2009/138/EC in relation to its main life and non-life insurance entities[4]. The impact of this measure represents an additional 3 points for the solvency capital requirement ratio as at 31 December 2023. No other long-term guarantee measures (matching adjustment) or transitional measures (concerning technical provisions or the risk-free interest rate term structure used to discount technical reserves) are applied.

- 97% of the Group's own funds are unrestricted Tier 1, corresponding to the highest quality own funds. Own funds eligible for the Group's solvency capital requirement coverage totalled €28,862 million compared with €28,143 million in 2022. The amount of own funds eligible for the minimum consolidated capital requirement amounted to €28,591 million compared with €18,707 million in 2022.

- The Group's solvency capital requirement, calculated using the standard formula, amounted to €14,396 million compared with €12,464 million in 2022.

- The resulting ratio of eligible own funds to solvency capital requirement equalled 200%, compared with 226% at the end of the previous financial year.

- The Group's minimum consolidated capital requirement, calculated using the standard formula, corresponded to €6,368 million compared with €4,064 million in 2022.

- The Group's ratio of eligible own funds to the minimum consolidated capital requirement came out at 449%, compared with 460% at the end of the previous financial year.

- The change in the solvency capital requirement and the minimum capital requirement ratios was due to the integration of PartnerRe in 2023 using the accounting consolidation-based method. At 31 December 2022, PartnerRe was included in the Covéa Group's solvency ratio, on an exceptional and transitional basis using the deduction and aggregation method, based on local regulatory requirements (BMA), adjusted for i) the impact of the revision of the BMA BSCR model, ii) the eligibility of debts as own funds based on Solvency II regulatory requirements, and iii) a 5% add-on required by the Covéa Group's supervisor (ACPR).

- No breach of the Group's applicable solvency capital requirement occurred during the period under review.

[4] MMA Vie SA, GMF Vie SA, MAAF Vie SA, MMA IARD SA, MAAF Assurance SA, GMF Assurances, Covéa Protection Juridique, MMA IARD AM, AM-GMF, Fidélia Assistance, La Sauvegarde, MAAF Assurances, BPCE IARD, MAAF Santé and Covéa Lux

Combining our strengths,
protecting tomorrow

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