



**RANKING OF THE LARGEST**



**EUROPEAN NON-LIFE**



**INSURANCE GROUPS**



**2014**

Insurance and Social Protection Area

July 2015

## 1. Presentation

This is the eleventh edition of the “Ranking of the largest European Non-Life insurance groups” published by FUNDACIÓN MAPFRE, for 2014 on this occasion. As with previous years, the classification was done based on the gross premium volume (direct insurance plus accepted reinsurance) that each of the groups earned in 2014 in that business segment, from all of the countries that they operate in. Groups whose main line of business is reinsurance are not included.

After several years forming part of this study, the Dutch group Achmea (previously Eureko) has been excluded from this edition due to the specificity of its business make-up with respect to the other groups. 77 percent of Achmea Non-Life premium volume comes from Health insurance in Holland, a country where private insurance companies manage Public Health System cover. For other insurers, this revenue is not major. In 2014, Achmea earned 17,293 million euros in Non-Life premiums.

Millions of euros

| EUROPE'S LARGEST NON-LIFE INSURANCE GROUPS IN 2014 |                        |                |                   |        |      |                                 |      |
|--|------------------------|----------------|-------------------|--------|------|---------------------------------|------|
| Ranking by gross premium volume                    |                        |                |                   |        |      |                                 |      |
| N o.   | Group                  | Country        | Non-Life premiums |        | % Δ  | Combined Ratio <sup>(*)</sup> % |      |
|  |                        |                | 2013              | 2014   |      | 2013                            | 2014 |
| 1  | ALLIANZ                | Germany        | 46,579            | 48,322 | 3.7  | 94.3                            | 94.3 |
| 2  | AXA                    | France         | 32,002            | 32,872 | 2.7  | 96.6                            | 96.9 |
| 3  | ZURICH <sup>(**)</sup> | Switzerland    | 27,397            | 27,558 | 0.6  | 98.0                            | 97.3 |
| 4  | GENERALI               | Italy          | 20,940            | 20,617 | -1.5 | 95.6                            | 93.8 |
| 5  | MAPFRE                 | Spain          | 16,278            | 16,409 | 0.8  | 96.1                            | 95.7 |
| 6  | TALANX                 | Germany        | 15,412            | 15,845 | 2.8  | 97.1                            | 97.9 |
| 7  | ERGO                   | Germany        | 11,316            | 11,291 | -0.2 | 96.7                            | 95.2 |
| 8  | AVIVA                  | United Kingdom | 11,012            | 11,141 | 1.2  | 97.3                            | 95.7 |
| 9  | COVÉA                  | France         | 10,750            | 11,171 | 3.9  | 100.0                           | 98.3 |
| 10   | RSA                    | United Kingdom | 10,748            | 10,310 | -4.1 | 99.6                            | 98.8 |

|              |         |         |     |
|--------------|---------|---------|-----|
| Total Top 5  | 143,196 | 145,778 | 1.8 |
| Total Top 10 | 202,435 | 205,537 | 1.5 |

Source: FUNDACIÓN MAPFRE. Prepared internally based on consolidated financial statements (under IFRS criteria)

(\*) Combined Ratio is the one submitted by each company in its annual report. If the Non-Life and Health ratios are given separately, we have used the Non-Life ratio. Covéa submits the combined ratio for the group in France

(\*\*) Farmers premiums not included

## 2. Comments about the ranking

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In 2014, Non-Life premiums in world insurance registered a growth of 2.9 percent, slightly higher than the previous year, thanks to greater strength in the advanced markets. Growth in emerging markets is still significant although slightly lower than in previous years<sup>1</sup>. Market conditions are still highly competitive and, combined with low interest rates, exchange rate activity and modest levels of economic growth, they have not been favorable for bringing about a larger increase.

The 10 top Non-Life insurance groups operated in this context in 2014, with unequal behavior with reference to revenue, reaching a joint premium volume of 205,537 million euros, which represents an increase of 1.5 percent with regard to 2013. Seven groups grew with respect to the previous year and three showed a decrease in premiums.

Allianz continues to top the ranking, followed by AXA, Zurich and Generali, who hold the same places as the previous year. The change introduced in this edition of the ranking, in other words, Achmea not being included, means that the other groups move up a place. In this regard, MAPFRE moves up to fifth place, followed by Talanx, Ergo and Aviva. The French Covéa becomes part of the classification in ninth place and the decrease in RSA premiums positions this group in tenth place.

The sum of the Non-Life earnings of eight of the ten groups that make up the ranking<sup>2</sup> grew 6.6 percent thanks to the extraordinary growth of six of the groups, which compensated for the decrease of the two insurers with greatest earnings, Allianz and AXA. The technical result — measured through combined ratio — improved for seven of the groups, remain unchanged at Allianz and worsened in the case of AXA and Talanx.

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<sup>1</sup> Swiss Re. Sigma No. 4/2015

<sup>2</sup> The segmentation of the Ergo and Talanx groups means the results of the Non-Life lines cannot be calculated

Millions of euros

| Non-Life result <sup>(*)</sup> 2013/2014 |               |            |               |            |                      |
|--|---------------|------------|---------------|------------|----------------------|
| Group                                    | 2013          | % Premiums | 2014          | % Premiums | % change 2014 / 2013 |
| ALLIANZ                                  | 5,563         | 12%        | 4,976         | 10%        | -10.6                |
| AXA                                      | 3,315         | 10%        | 2,996         | 9%         | -9.6                 |
| ZURICH                                   | 2,357         | 9%         | 2,631         | 10%        | 11.6                 |
| GENERALI                                 | 1,513         | 7%         | 1,662         | 8%         | 9.8                  |
| MAPFRE                                   | 1,194         | 7%         | 1,332         | 8%         | 11.6                 |
| COVÉA                                    | 651           | 6%         | 1,289         | 12%        | 98.0                 |
| AVIVA                                    | 568           | 5%         | 946           | 8%         | 66.5                 |
| RSA                                      | -239          | -          | 75            | 1%         | -                    |
| <b>TOTAL</b>                             | <b>14,922</b> |            | <b>15,907</b> |            | <b>6.6</b>           |

Source: FUNDACIÓN MAPFRE. Prepared internally based on annual reports.

<sup>(\*)</sup> Result before tax and minority interest

**Allianz** earned 48,322 million euros in Non-Life premiums in 2014, with a rise of 3.7 percent, which exceeds the growth rate of the global market (2.9 percent). The boost clearly comes from the increase in the portfolio size, which was partially counteracted by the negative impact of the exchange rate brought about by the depreciation of the Australian dollar, the Argentinian peso and the Turkish lira as opposed to the euro, although it was compensated by the positive effects of the pound sterling. It is worth highlighting the increase in private sales in the Automobile business in countries such as the United Kingdom, Germany, Asia-Pacific and Australia. The operating profit was boosted by the heavy growth of premiums accrued and by a stable combined ratio. The significantly lower losses due to natural disasters partly compensated for the greater impact of large claims and a lower run-off contribution compared to last year. Nonetheless, profit was reduced by a special non-operating effect caused by the revaluation of intersegment pensions.

In the case of **AXA**, revenue from Non-Life premiums increased 2.7 percent to 32,872 million euros. Personal lines grew mainly in France, Switzerland and in direct sales business. Automobile insurance grew as the result of the increase in rates and greater volumes of direct sales business and in the Asian market, in contrast with a lesser volume of business in the Mediterranean region and Latin America. Commercial lines increased due to the increase in rates in all lines, and also portfolio growth in high-growth markets. Gross premiums in the international segment also registered growths (5.5 percent). The contribution to earnings of some markets was negative due — among other reasons — to a lower technical result, on account of a greater claims ratio derived from incidents that took place during the year, above all due to larger charges due to natural disasters (hailstorm Ela in Europe, hurricane Odile in Mexico), and also due to lower positive prior year reserve developments.

The gross premiums of the general insurance division of **Zurich** increased 0.6 percent to 27,558 million euros. In United States dollars, the currency in which Zurich submits its accounts, premiums decreased 0.3 percent. This drop was the result of a growth in the group's priority markets, which was counteracted by a decrease in North America. In the second half of the year, Zurich completed the sale of its general insurance retail business in Russia. Separately, profit increased 10.3 percent, boosted by the improvement in the technical result, thanks to the decrease in the claims ratio, influenced — among other reasons — by the absence of large disasters and weather-related losses.

Gross written Non-Life premiums for the **Generali** group amounted to 20,617 million euros, which means a slight decrease of 1.5 percent with regard to the previous year. Automobiles grew moderately in the emerging markets and in Germany, which partially compensated the decrease in the markets most affected by the current macroeconomic situation. The other Non-Life lines remained stable thanks to the positive behavior of commercial and industrial lines. The earnings before tax registered a significant increase of 9.8 percent thanks to the improvement of the technical result. The combined ratio decreased almost two percentage points due to a lower claims ratio on account of a lesser impact of disaster risks. The cost ratio remained unchanged.

**MAPFRE** earned a Non-Life premium volume of 16,409 million euros in 2014, with a slight increase of 0.8 percent with regard to the previous year. The growth of insurance in Spain, Latin America and the USA meant the effect of the intense competition in company insurance and reinsurance could be counteracted. During the last quarter of the year, the following stands out: the increase in issue in Spain and Latam South, the positive effect of the exchange rate on business denominated in United States dollars and the renewal of large accounts in the Global Risks business in Europe, which compensated for the lesser volume of reinsurance, due to time difference in issue, and in Brazil, due to the increase in competition and the economic slowdown. The improvement in the technical result, thanks to an important improvement in the cost ratio in Brazil and in the reinsurance business, combined with higher financial revenue, favored a growth of 11.6 percent in Non-Life earnings.

The Non-Life premiums of the different divisions of the **Talanx** group amounted to the sum of 15,845 million euros in 2014, 2.8 percent more than the previous year. The industrial line registered a growth in premiums due mainly to the increase in the volume of revenue in international business. The private business in Germany remains stable. International private business grew, boosted by the main strategic markets, which are Brazil, Mexico, Poland and Turkey. The gross Non-Life reinsurance premiums increased slightly in spite of a more selective underwriting policy.

The German **Ergo** earned 11,291 million euros in Non-Life premiums in 2014, with a slight decrease of 0.2 percent with regard to 2013. The growths in premiums in the international and direct insurance segments did not compensate for the decreases in domestic business for Property & Casualty, Health and Travel insurance.

The appreciation of the pound in comparison with the euro led to **Aviva** Non-Life premiums growing 1.2 percent in euros, compared with a drop of 4.5 percent in the local currency, due mainly to lower sales in the United Kingdom and Ireland. The operating profit remained practically unchanged, with a good technical result, which compensated for lower performances of investments. The combined ratio decreased 1.6 percentage points to 95.7 percent, due mainly to solid earnings in the United Kingdom and Ireland. The boost for this improvement came from the combination of several factors: a rigorous underwriting policy, good expense management and positive reserve development. Earnings before tax of continuous operations amounted to 946 million euros (759 million pounds), which means a significant increase of 66.5 percent.

The Non-Life premium volume for the **Covéa** group showed an increase of 3.9 percent to 11,171 million euros. Non-Life business earnings increased exceptionally to 1,289 million euros, representing an increase of 98 percent. The year was characterized by the excellent performance of financial management and a combined ratio 1.7 percentage points lower than 2013.

Premium revenue for **RSA** decreased 4.1 percent (-9.4 percent in pounds). This drop is related to the group's disinvestment, its action plan for its business portfolio and the competitive conditions of the market. In 2014, the group reached agreements to sell its subsidiary in China and its operations in Singapore, Hong Kong and Italy, and completed the sale of its businesses in the Baltic states and Poland. Net earnings before tax were positive, 75 million euros, compared with losses experienced in 2013 (-239 million euros).

| Group                | % Claims ratio |      | % Expense ratio |      | % Combined ratio |      |
|----------------------|----------------|------|-----------------|------|------------------|------|
|                      | 2013           | 2014 | 2013            | 2014 | 2013             | 2014 |
| GENERALI             | 68.5           | 66.7 | 27.1            | 27.1 | 95.6             | 93.8 |
| ALLIANZ              | 65.9           | 66.0 | 28.4            | 28.3 | 94.3             | 94.3 |
| ERGO                 | 60.7           | 58.6 | 36.0            | 36.6 | 96.7             | 95.2 |
| MAPFRE               | 67.0           | 68.0 | 29.1            | 27.7 | 96.1             | 95.7 |
| AVIVA <sup>(*)</sup> | 64.5           | 64.0 | 32.8            | 31.7 | 97.3             | 95.7 |
| AXA                  | 70.1           | 70.9 | 26.5            | 26.0 | 96.6             | 96.9 |
| ZURICH               | 68.3           | 66.8 | 29.7            | 30.5 | 98.0             | 97.3 |
| TALANX               | 70.8           | 70.8 | 26.3            | 27.1 | 97.1             | 97.9 |
| COVÉA                | n/d            | n/d  | n/d             | n/d  | 100.0            | 98.3 |
| RSA                  | 69.5           | 68.3 | 29.9            | 30.5 | 99.4             | 98.8 |

**Source:** FUNDACIÓN MAPFRE. Prepared internally based on annual reports.

**Note:** In ascending order by combined ratio for 2014

<sup>(\*)</sup> Continuing operations

## Methodological aspects

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- The ranking was prepared using gross premium volume (direct insurance plus accepted reinsurance) in the Non-Life lines. It should be noted that the ranking does not include Health insurance premiums that are assigned to the Life insurance business<sup>3</sup>, but it does feature those which are classified as part of Non-Life or explicitly differentiated.
- Groups whose main line of business is reinsurance are not included in the ranking. We have maintained the criterion of including accepted reinsurance premiums from groups that have reinsurance subsidiaries, but do not rely on them as their main line of business.
- The earnings figures refer to the Non-Life sector, before taxes and minority interests.
- The report uses the term "operating result" to refer to earnings from insurance activities, including revenue from investments linked to this line of business. Losses or gains from other investments are included under the heading "non-operating result".
- For comparative purposes, we have updated revenue and earnings figures for 2013 that were published by the insurance groups in their annual reports for 2014.
- Average exchange rate used<sup>4</sup>:

| CURRENCY             | 2013  | 2014  |
|----------------------|-------|-------|
| Pound sterling (GBP) | 1.176 | 1.246 |
| Dollar (USD)         | 0.752 | 0.758 |

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<sup>3</sup> In general, in those cases in which Health insurance generates mathematical provisions, this line is classified together with Life

<sup>4</sup> Direct quote