



# UNIQA Insurance Group AG

## Solvency Capital and Embedded Value 2019

16 April 2020  
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## Solvency Capital

Solvency  
Capital Ratio<sup>1</sup>

**216%**

Unrestricted  
Tier 1 Capital

**80%**

Part of risk profile  
covered by  
internal model

**78%**

Standard & Poor's  
rating

**A-**

- Solvency Capital position remains strong above 200%
- Approval of partial internal model for market risk increases scope of risk profile covered by the partial internal model
- Quality of capital in Own Funds remains strong

## Embedded Value

Life & Health  
MCEV

**-14.4%**

New Business  
Value

**EUR 92m**

Free Surplus  
Generation

**EUR 89m**

New Business  
Margin

**4.3%**

- Decrease in Life & Health MCEV, primarily as a result of lower interest rates in 2019
- Negative impact of lower interest rates on the New Business Value for Life dampened by diversification with Health and increased Health volumes

## I. Group Solvency Capital

- Risk Strategy
- Results
- Sensitivities and other analysis

## II. Market Consistent Embedded Value

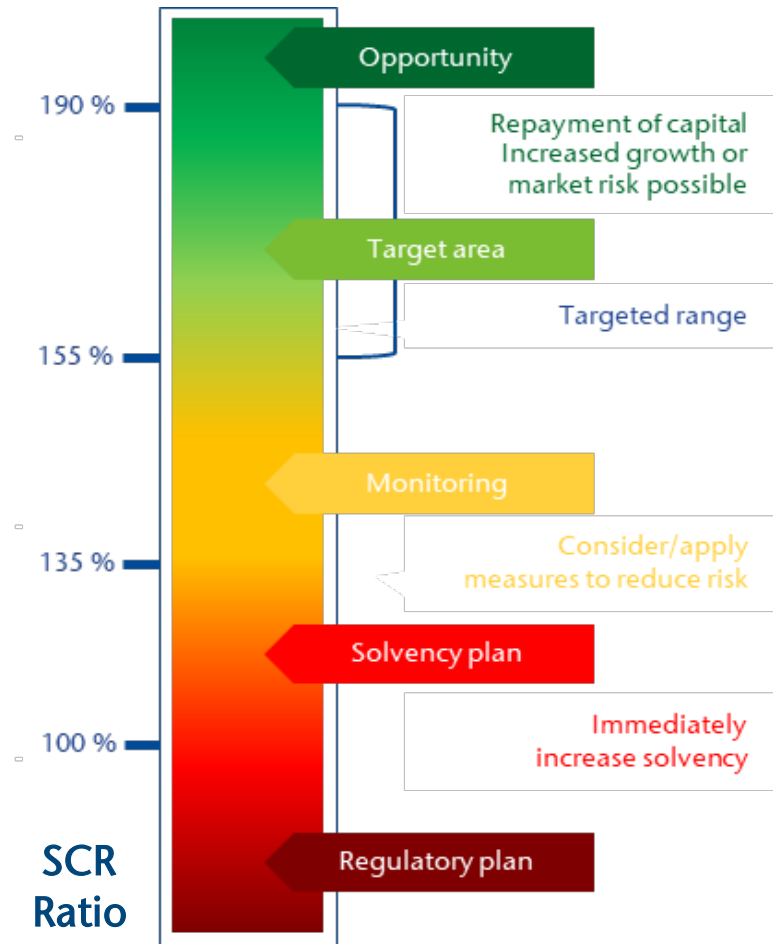
- Results
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## III. Appendix

- SCR Methodology
- MCEV Methodology
- Assumptions
- Glossary & Disclaimer

### Key Elements of our Risk Strategy

- Target Range of 155% - 190% for SCR Ratio
- We focus on underwriting risks and take market/credit risks only to the extent necessary
- Target market risk share of total SCR is ~65%
- The target rating for UNIQA Group is category “A” by Standard & Poor’s

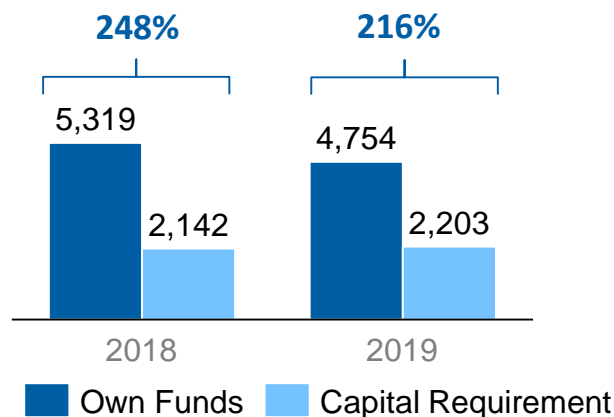


# I. Group Capital Requirement

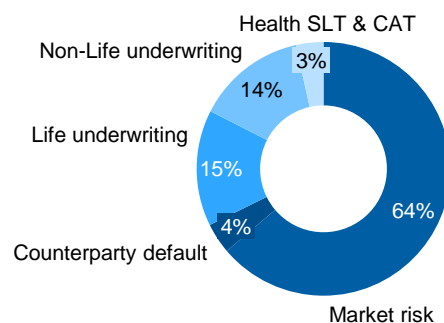
## SII capital ratio

### SII capital position<sup>1</sup>

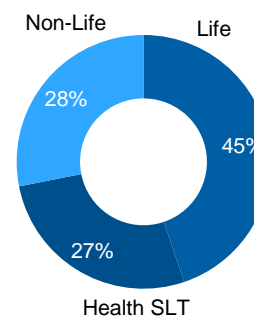
EUR mn



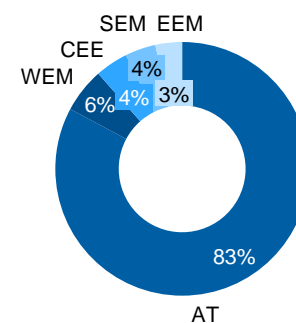
### By Risk Module



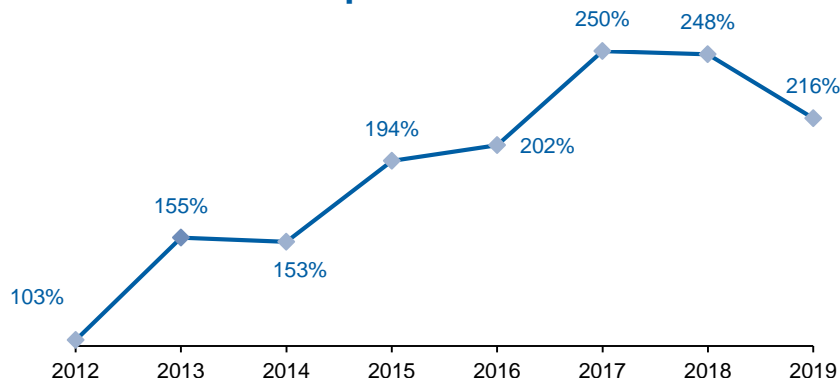
### By Segment



### By Region<sup>3</sup>



### SCR<sup>2</sup> ratio development



- With approval of the partial internal model for market risk by the Austrian regulator the economic capital position (ECR) and the regulatory capital position (SCR) have been unified
- Features of UNIQA's capital position
  - Including risk charge on sovereign bonds
  - Including dynamic volatility adjustment
  - Including downside-shocks on negative interest rates
  - No use of transitionals
  - No use of matching adjustment

<sup>1</sup> Audit on Solvency & Financial Condition Report (SFCR) ongoing

<sup>2</sup> PIM NL applied from 31.12.2017, PIM Market applied from 31.12.2019

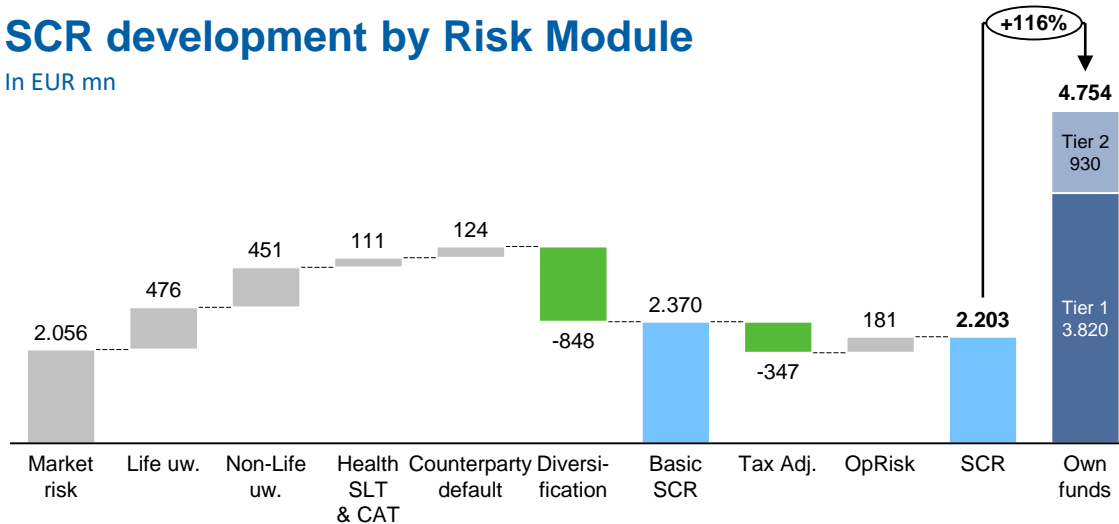
<sup>3</sup> Region WEM includes internal risk transfer to UNIQA Re and business in Liechtenstein

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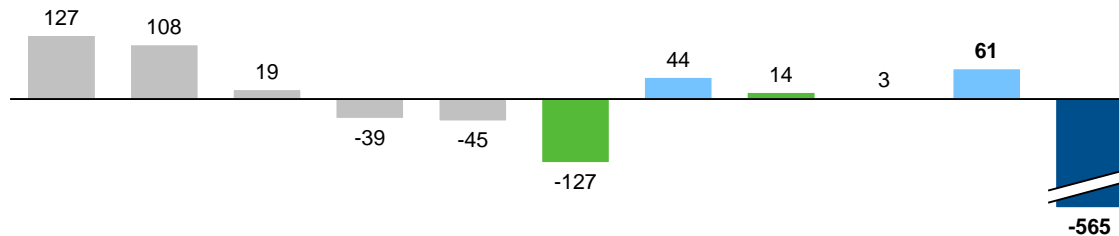
## Details on SII capital ratio

### SCR development by Risk Module

In EUR mn



### Change<sup>1</sup> vs. 2018



### SCR increase by 61 MEUR

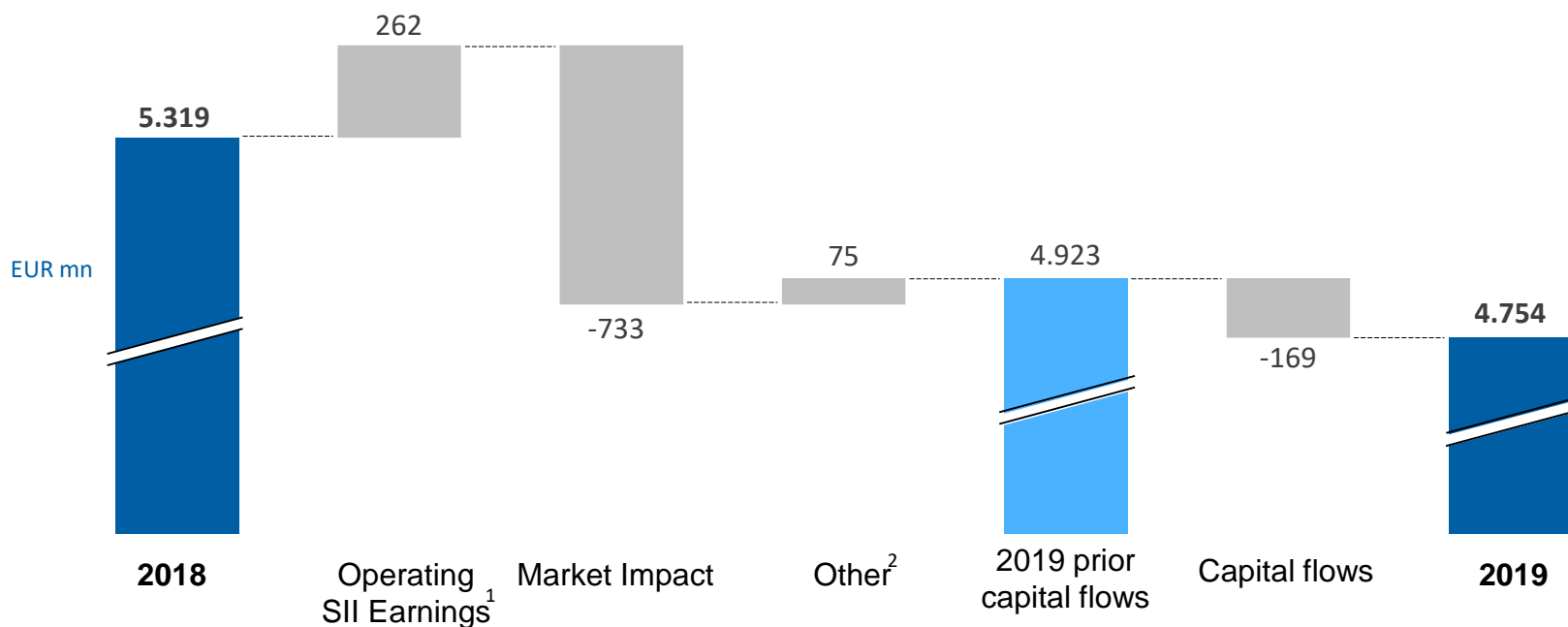
- Increase of market risk by 127 EUR mn compared to 2018
  - Driven by increased market values because of the decrease of interest rates
- Increase of life underwriting risk by the amount of 108 EUR mn
  - Driven by lapse risk (stemming from Austrian life portfolio), which increased due to lower interest rates (relevant scenario is "decrease")
- A higher diversification effect partly mitigates the increase in those two modules

### Eligible own funds

- Due to the longer maturities of liabilities negative interest rate development has a larger impact on the technical provisions than on the value of the investments
- To a smaller extent this is counteracted by positive revaluations of real estate as well as other holdings (biggest driver 20% increase in value of STRABAG shares)
- Originally planned full dividend for 2019 deducted

<sup>1</sup> Changes compared to the regulatory SCR position as published in the 2018 Solvency & Financial Condition Report

### Own Funds development



#### Development of Own Funds

- Operating earnings driven by new business and in-force business coming from Life & Health
- The reduction coming from market variance is the result of a negative development of interest rates in 2019
- Capital flows reflect the 2019 final dividend

<sup>1</sup> Includes external debt interest expenses

<sup>2</sup> Residual category including model changes, variations in capital basic own fund items and in deferred tax positions and income tax.

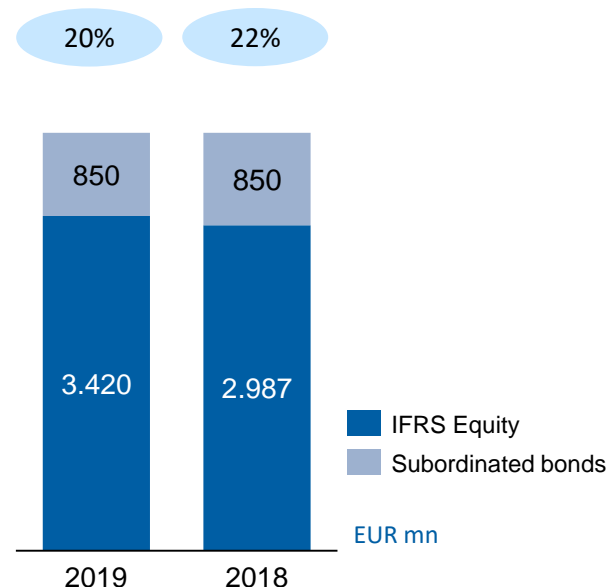
### IFRS reconciliation

(EUR mn)	2019	2018
<b>IFRS total equity</b>	<b>3.420</b>	<b>2.987</b>
- Goodwill	-291	-296
- Intangible assets and VBI	-226	-171
- Deferred acquisition costs (DAC)	-1.124	-1.152
+ Revaluation (after deferred taxes)	2.258	3.236
<i>Revaluation of assets</i>	1.106	1.036
<i>Revaluation of technical provisions</i>	1.153	2.200
+ Subordinated liabilities	930	919
- Foreseeable dividends	-169	-163
- Capping of minority interests	-45	-40
<b>Economic Own Funds to cover SCR</b>	<b>4.754</b>	<b>5.319</b>

#### IFRS reconciliation

- Goodwill, value of business in force, deferred acquisition costs and intangible assets are valued at zero according to Solvency II.
- Other revalued assets include property (appraisal value instead of amortized cost), participations (market value instead of IFRS book value) and loans.
- Gross technical provisions and the reinsurer's share of the technical provisions are revalued to discounted best estimate reserves.
- Subordinated liabilities are subject to eligibility restrictions, depending on their quality ("Tiering"). All of UNIQA's subordinated liabilities are included in Eligible Own Funds.
- Foreseeable dividends have to be subtracted from Eligible Own Funds according to Solvency II.

### Financial leverage



#### Financial leverage

- Subordinated bonds included with nominal value
- Financial leverage calculated as  $\frac{\text{Subordinated\_nomial}}{\text{IFRS Equity} + \text{Subordinated\_nomial}}$

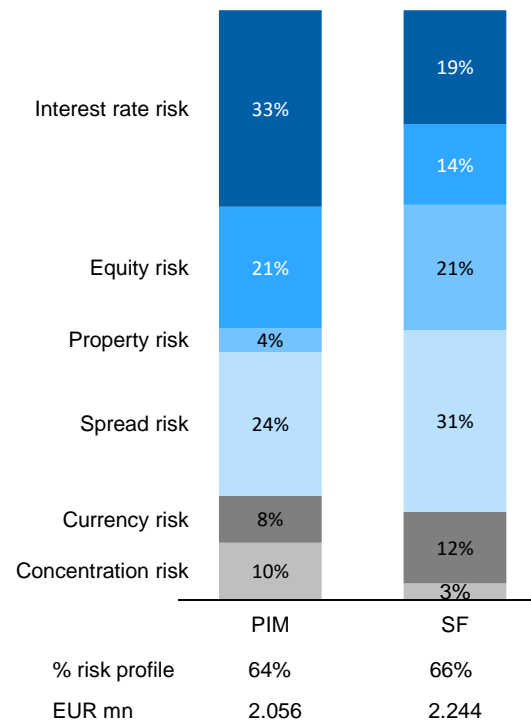
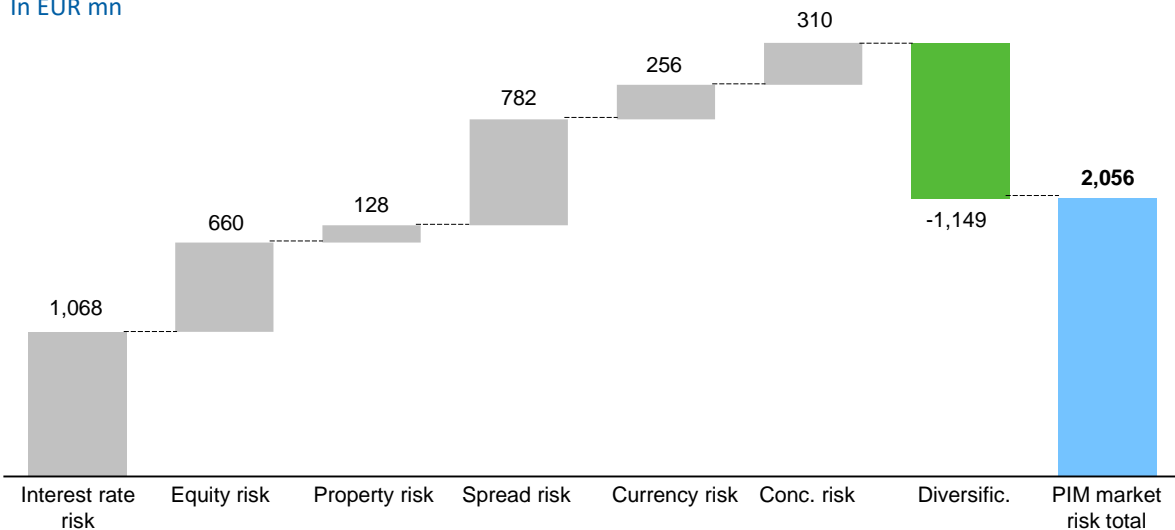


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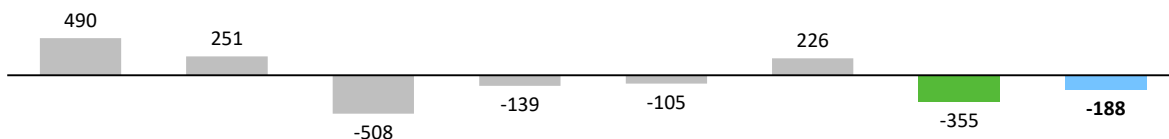
## PIM Market risk profile & comparison with standard formula

### SCR PIM market risk profile

In EUR mn

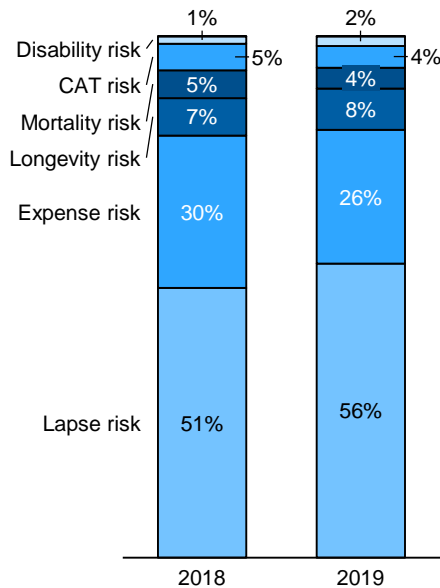


### Change vs. Standard Formula



- Increase in interest rate risk due to allowing for negative interest rate movements and including interest rate volatility
- Increase in equity risk as shocks are calibrated more conservative in PIM, especially for strategic participations
- Property risk decreases due to calibration on own data
- Spread Risk is affected by the inclusion of governmental bonds as well as the use of the dynamic volatility adjustment
- Currency risk is decreasing due to full recognition of FX-derivatives
- Concentration risk is linked to spread risk in PIM with a conservative treatment of those bonds where no single treatment is feasible

### Life underwriting risk



% risk profile	12%	15%
EUR mn	367	476

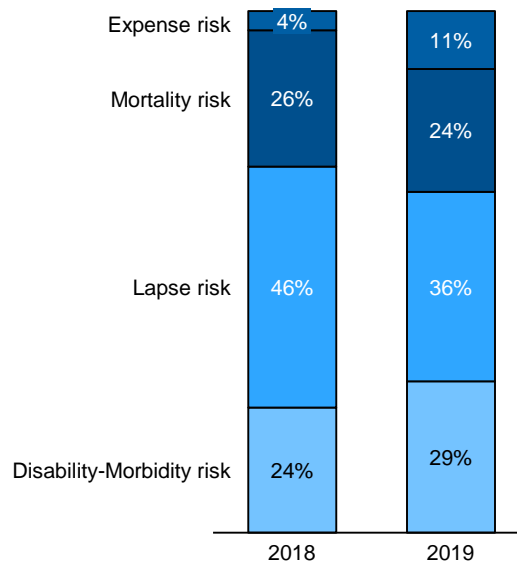
#### Key underwriting risks

- Biometric risks still have minor relevance
- Lapse risk remains a key issue for life underwriting risk (lapse “decrease” risk as relevant risk, in 2018 it was “mass”)

#### Measures

- Ongoing In force management initiative
- Further expense monitoring and cost optimization

### Health underwriting risk



% risk profile	5%	3%
EUR mn	151	111

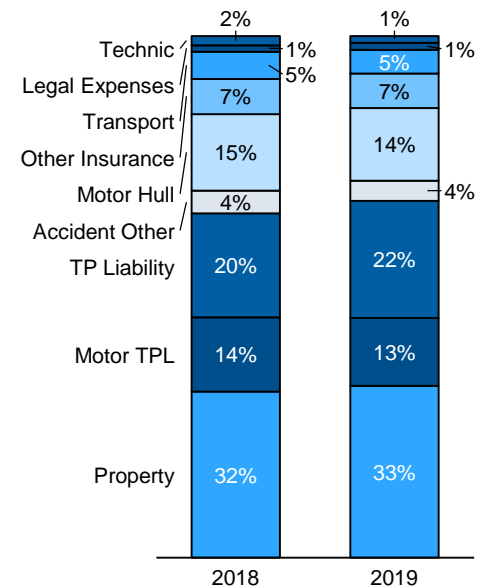
#### Key underwriting risks

- Lapse risk as main risk, reduced in 2019 due to improved consideration of affected contracts in lapse scenario
- Disability-morbidity risk and mortality risk as the next relevant risks following lapse

#### Measures

- Premium adjustments in case of negative performance
- Strict profitability monitoring of portfolio

### Non-life underwriting risk



% risk profile	14%	14%
EUR mn	432	451

#### Key underwriting risks

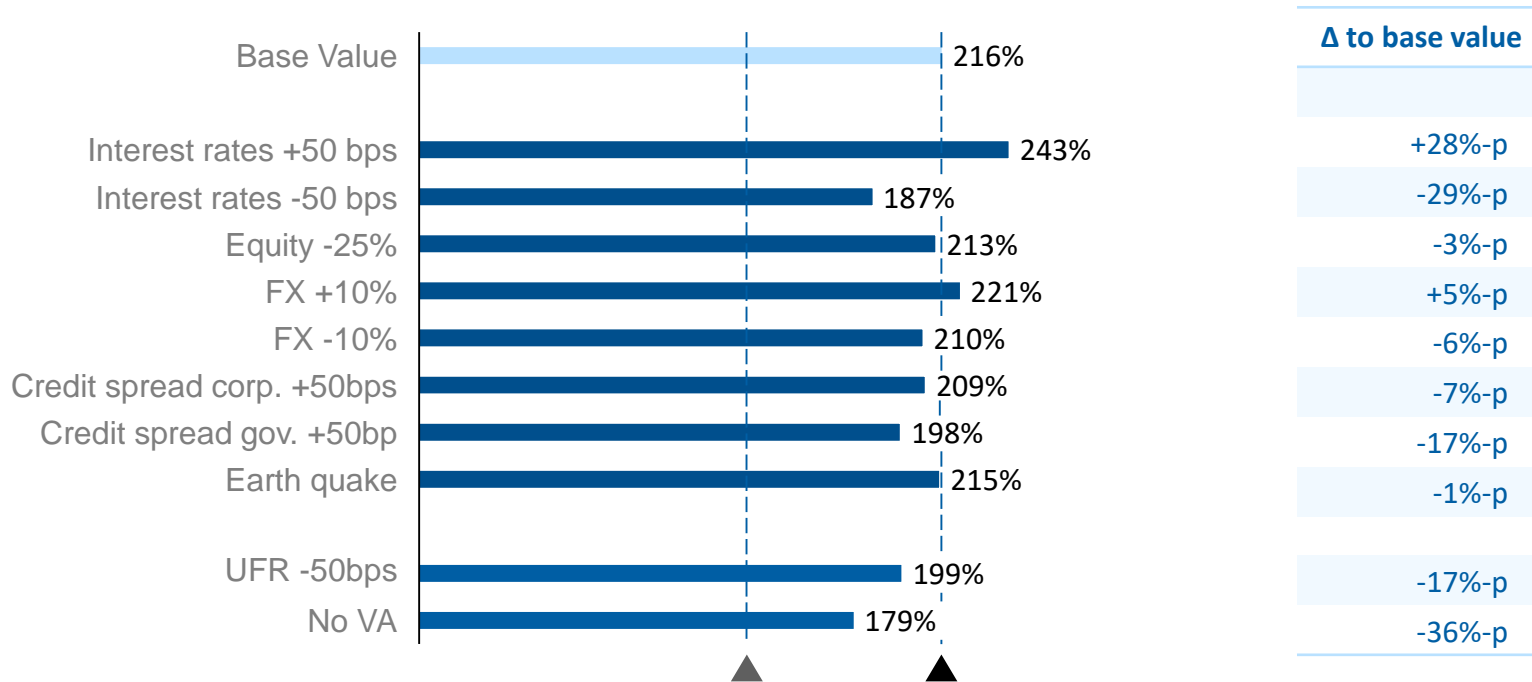
- Overall increase in line with portfolio growth
- Change in allocation method applied also to 2018 results for a better comparability with 2019

#### Measures

- On-going optimization of pricing processes
- Orientation on profitable lines of business

## Impact of sensitivities on SCR-ratio

## Change in SCR-ratio



- **Interest rate sensitivities:** stress applied to liquid part of the curve (negative and non-negative), extrapolation to UFR
- **Equity sensitivity:** a general decrease of 25% in the value of all equities
- **Currency sensitivities:** a rise/fall of exchange rates by 10% uniformly across all currencies
- **Credit spread sensitivity:** a widening of credit spreads by 50bps separated for corporate and government bonds
- **Nat-Cat sensitivity:** assumed earthquake with epicentre in Austria and return period of 250 years
- **UFR sensitivity:** Ultimate Forward Rate reduced by 50bps
- **No VA sensitivity:** yield curve without volatility adjustment.

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## II. Market Consistent Embedded Value

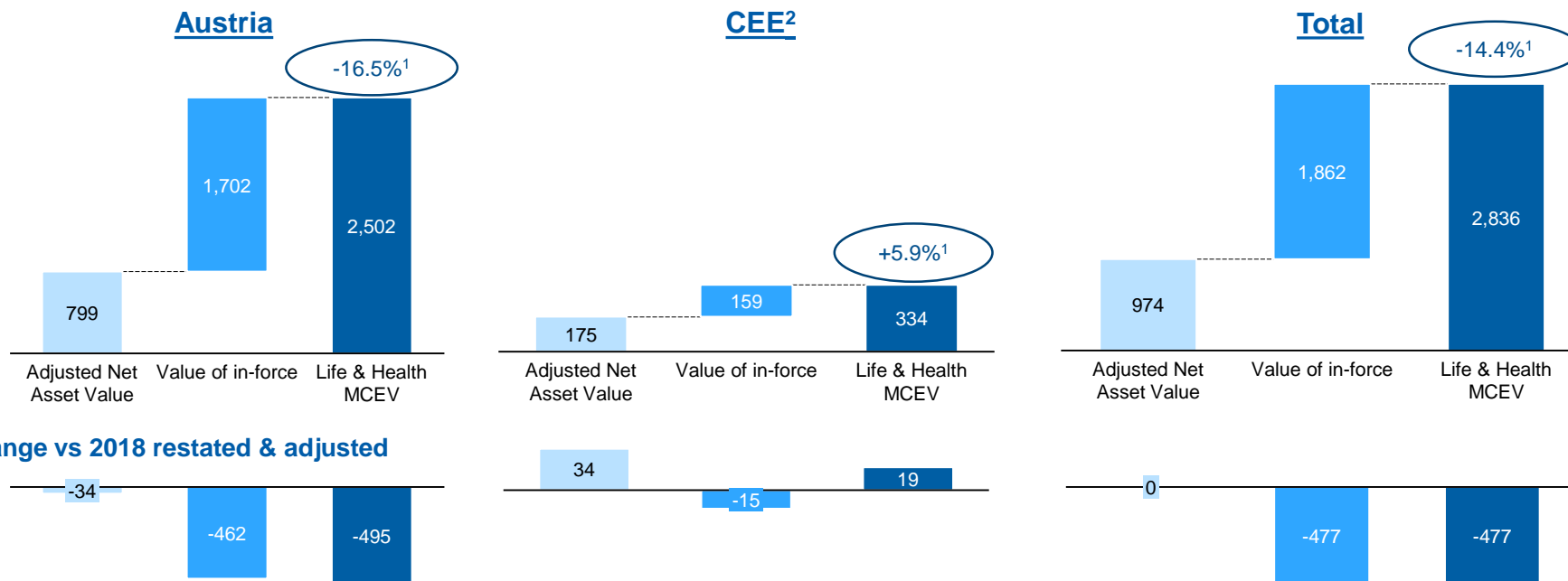
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## Life & Health Embedded Value 2019

In EUR mn



- Total Life & Health Embedded Value decreased by -14.4% (net of dividends and foreign exchange effects) to EUR 2,836mn
- In Austria and in CEE, the decline in the VIF is driven by the lower interest rate environment in 2019
- In CEE, the increase in ANAV is driven by the transfer from the VIF to the Free Surplus
- The Return on Life & Health MCEV decreased from EUR 107mn (3.3%<sup>1</sup>) to EUR -477mn (-14.4%<sup>1</sup>)
- The Life & Health Free Surplus Generation remained level at EUR 89mn (2.7%<sup>1</sup>)

<sup>1</sup> As % of adjusted opening Life & Health MCEV (net of dividends and foreign exchange effects)

<sup>2</sup> Defined as the following countries for MCEV purposes: Slovakia, Czech Republic, Hungary, Poland, Russia and Croatia

# II. Market Consistent Embedded Value

## New Business Value

### New Business Value

In EUR mn



■ NBV

○ NBM

\* Restated

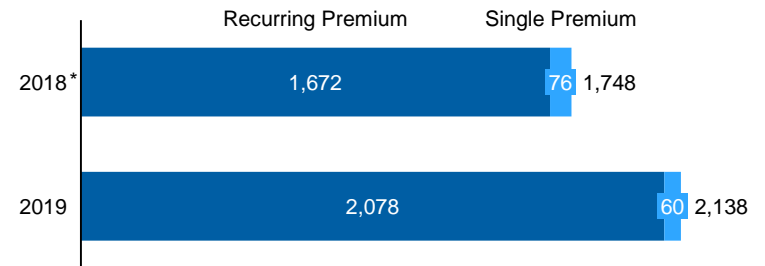
### New Business Margin

As a % of PVNBP



### Present Value of NB Premiums

In EUR mn

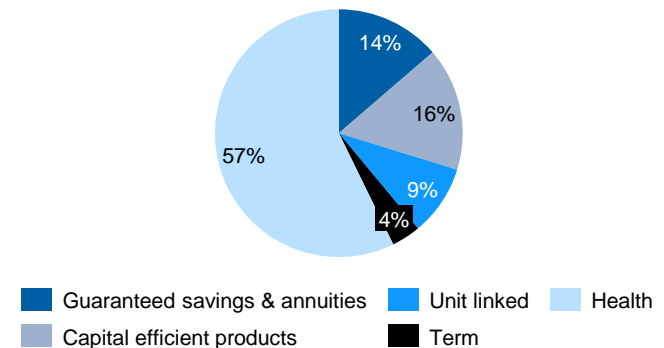


### Split by region

In EUR mn

	2019			2018 restated		
	Austria	CEE	Total	Austria	CEE	Total
NBV	71	21	92	76	27	103
PVNBP	1,875	263	2,138	1,485	263	1,748
% of PVNBP	3.8%	8.1%	4.3%	5.1%	10.4%	5.9%

### PVNBP split by LoB



- Negative impact of lower interest rates on the New Business Value for Life dampened by diversification with Health and increased Health volumes
- Lower volumes in Russia also contribute to the lower New Business Value in the CEE region
- Higher PVNBP volumes driven by the lower interest rate environment and higher volumes for Health

## II. Market Consistent Embedded Value

### Analysis of Change: In-Force Business

Restatement and opening adjustments include:

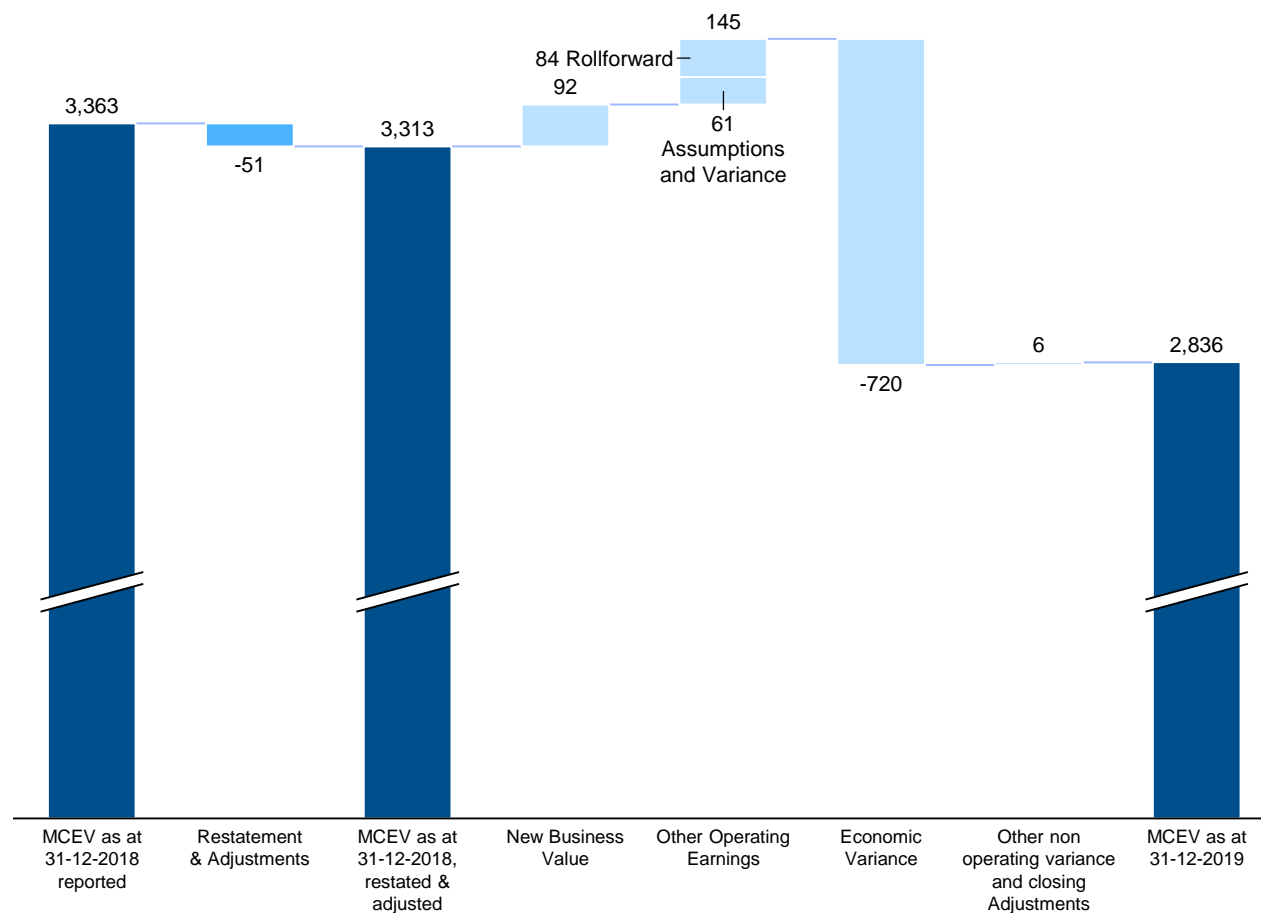
- Capital and dividend flows (EUR -58mn)
- Foreign exchange variance (EUR +7mn)

Stable New Business Value contribution of EUR 92mn

Positive development of operating earnings resulted in an increase of EUR 145mn

- Positive contributions from roll forward for the Austrian Health & Life business
- Positive variance for Austria Health from portfolio shift to new tariffs with lower technical rates, resulting in higher premium volumes

The lower interest rate environment is the dominant cause of the lower Life & Health MCEV in 2019

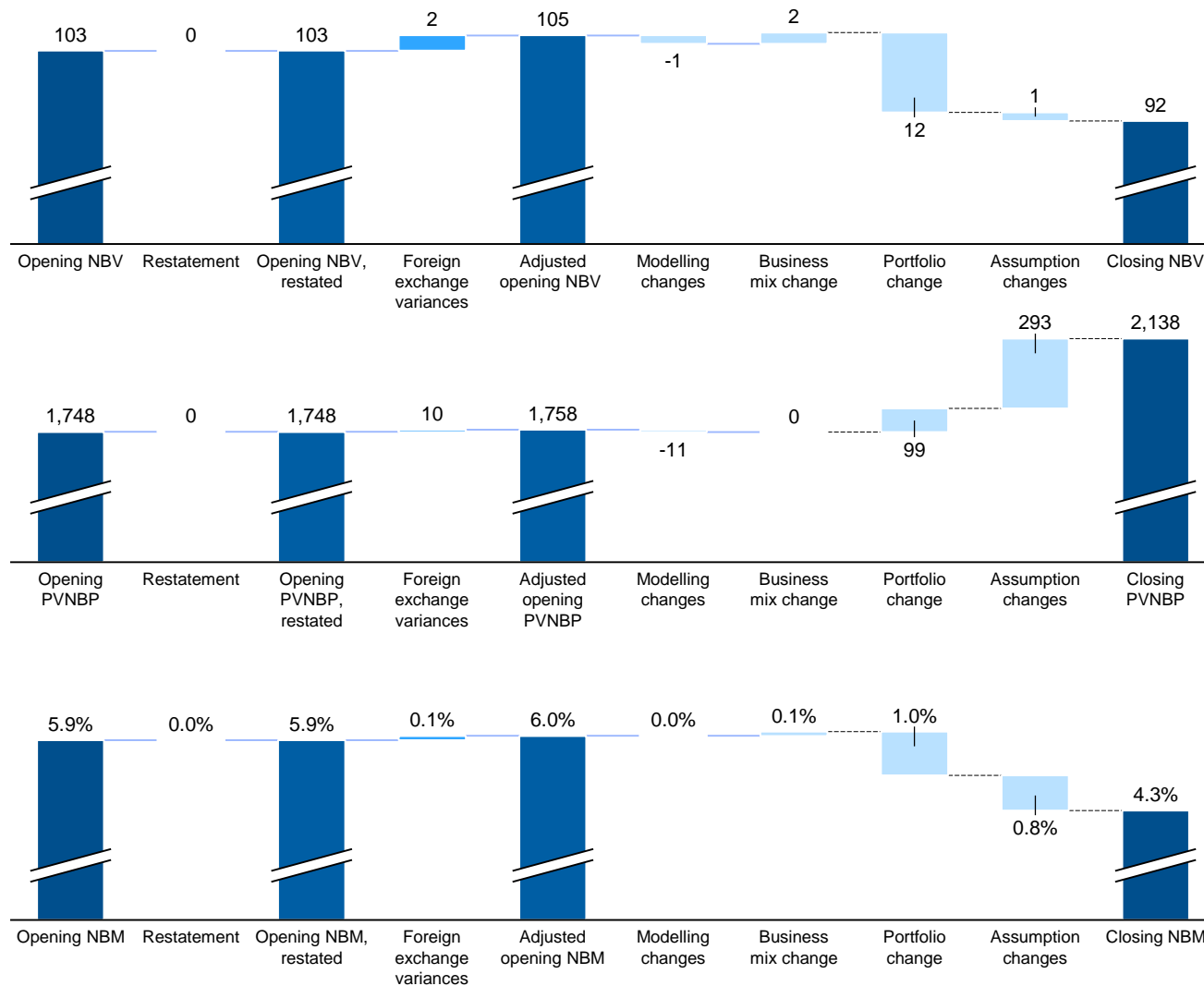


Adjusted net asset value	1,030	-56	974	-59	105	-46	-	974
Value of in-force business	2,333	5	2,338	152	40	-674	6	1,862
<b>Life &amp; Health MCEV</b>	<b>3,363</b>	<b>-51</b>	<b>3,313</b>	<b>92</b>	<b>145</b>	<b>-720</b>	<b>6</b>	<b>2,836</b>

# II. Market Consistent Embedded Value

## Analysis of Change: New Business

- Minor effects from foreign exchange variances, modelling changes and business mix changes
- Portfolio change effect driven by lower volumes in Russia and higher acquisition costs than anticipated for the Unit-Linked business in Austria
- Lower interest rates result in lower NBV for Life, offset by higher NBV for Health
  - For Health, the decrease in interest rates results in an increase in NBV and a larger increase in PVNBP
  - Therefore, the Group NBM is more affected than the Group NBV from the lower interest rate environment





## II. Market Consistent Embedded Value

### Life & Health Sensitivities

- Changes in interest rates remain the most relevant sensitivities for the Life & Health Embedded Value
- Higher sensitivity to interest rates in 2019 due to the lower level of interest rates in the base scenario
- Decreased lapse rates show positive impact due to longer remaining time of profitable products in the portfolio

in EUR mn	Change in Embedded Value				Change in New Business Value			
	2019		2018		2019		2018	
Base value	2,836	100%	3,363	100%	92	100%	103	100%
EV change by economic factors								
Risk free yield curve -50bp	-325	-11%	-229	-7%	-10	-11%	-2	-2%
Risk free yield curve +50bp	285	10%	162	5%	4	4%	0	0%
Equity and property market values -10%	-142	-5%	-167	-5%	0	0%	0	0%
EV change by non-economic factors								
Maintenance expenses +10%	-84	-3%	-73	-2%	-9	-9%	-4	-3%
Lapse rates -10%	84	3%	95	3%	11	11%	11	11%
Mortality for assurances -5%	38	1%	57	2%	1	1%	2	2%
Mortality for annuities -5%	-8	0%	-6	0%	-1	-1%	0	0%
Additional sensitivity								
Removal of liquidity premium	-79	-3%	-203	-6%	-3	-4%	0	0%
UFR -50 bps	-166	-6%	-112	-3%	-4	-5%	-2	-2%

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- Disclosure of Solvency Capital Requirement (SCR) results:
  - UNIQA discloses SCR results 2019 on the basis of the principles and requirements as defined in the Solvency II framework directive as well as the corresponding delegated regulation
  - UNIQA uses an approved partial internal model for the risk categories non-life, health NSLT and market
  - All other risk categories are calculated based on the SII standard formula
  - UNIQA discloses the Own Funds and SCR details by risk classes
  - All figures are disclosed after the risk absorbing effects of future discretionary benefits
  
- Important valuation principles for the Available Own Funds
  - Valuation of assets and liabilities based on EC Delegated Acts
  - Goodwill is set to zero according to EC specifications (EUR 291mn)
  - Market value of properties and loans replace the IFRS values
  - Participations are valued at market price as of 31.12.2019
  - Technical provisions and reinsurance recoverables are valued on a discounted best estimate basis

- Disclosure of Life & Health Market Consistent Embedded Value (MCEV) results:
  - UNIQA discloses 2019 Life & Health results on the basis of the Market Consistent Embedded Value (MCEV) principles
  - Includes MCEV using bottom-up, market consistent methodology for main Life and Health businesses
  - Minority interests are taken into account
  - Split by the regions Austria and CEE<sup>1</sup>
  
- The Property & Casualty business is not taken into account

<sup>1</sup> Defined as the following countries for MCEV purposes: Slovakia, Czech Republic, Hungary, Poland, Russia and Croatia

- Consistent assumptions for MCEV and SCR valuation
- Reference rates based on swap rates as at 31 December 2019 including a liquidity premium (volatility adjustment). The liquidity premium is derived from observable market data and based on the approach used for internal risk capital calculations
- The 2019 calibration of the economic scenarios is based on (normal) implied volatilities

Reference rates <sup>1</sup>	EUR		CZK		HUF		PLN		RUB		HRK	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
1 year	-0.42%	-0.33%	2.15%	1.96%	0.02%	0.44%	1.02%	0.94%	6.20%	9.22%	-0.04%	0.08%
5 years	-0.23%	0.10%	1.96%	1.71%	0.96%	2.24%	1.73%	2.13%	6.24%	9.19%	0.19%	1.14%
10 years	0.11%	0.73%	1.61%	1.65%	1.94%	3.13%	2.03%	2.77%	6.84%	8.90%	0.59%	2.18%
15 years	0.36%	1.11%	1.69%	1.77%	2.62%	3.61%	2.19%	2.94%	6.86%	8.41%	1.09%	2.69%
20 years	0.50%	1.28%	1.95%	2.02%	3.05%	3.83%	2.41%	3.10%	6.63%	7.85%	1.54%	2.98%
25 years	0.83%	1.56%	2.21%	2.28%	3.32%	3.95%	2.62%	3.23%	6.37%	7.36%	1.89%	3.16%

Liquidity premium in bp	EUR	CZ	HU	PL	RUB	HRK
Base premium – 100%	11	20	2	12	0	0
Participating life business – 65%	7	13	1	8	0	0
Unit and index linked business – 65%	7	13	1	8		0
Health business – 65%	7					

Exchange rates and tax rates	Exchange rate		Tax rate	
	2019	2018	2019	2018
Austria	-	-	25.00%	25.00%
Czech Republic	25.41	25.72	19.00%	19.00%
Hungary	330.53	320.98	9.00%	9.00%
Slovakia	-	-	21.00%	21.00%
Poland	4.26	4.30	19.00%	19.00%
Russia	69.96	79.72	20.00%	20.00%
Croatia	7.44	7.41	18.00%	18.00%

Other economic assumptions (EUR)	2019	2018
Interest rate volatility <sup>2</sup> - Normal	57 bp	63 bp
Equity volatility <sup>3</sup>	16.8%	17.9%
Expense/medical inflation	2%/2%	2%/2%

<sup>1</sup> Excluding liquidity premium

<sup>2</sup> 10 to 10 implied swaption volatility

<sup>3</sup> 10 years

<b>ABS</b>	Asset Backed Securities
<b>ALM</b>	Asset Liability Management
<b>ANAV</b>	Adjusted Net Asset Value
<b>CAT</b>	Catastrophe Risk
<b>CDR</b>	Counterparty Default Risk
<b>EC</b>	European Commission
<b>EV, MCEV</b>	Embedded Value, Market Consistent Embedded Value
<b>FS</b>	Free Surplus
<b>Health NSLT</b>	Health Not Similar to Life Techniques (short term health and accident business)
<b>Health SLT</b>	Health Similar to Life Techniques (long term health business)
<b>IFRS</b>	International Financial Reporting Standards: set of accounting standards, developed and maintained by the International Financial Reporting Standards Board (IASB) with the intention of assuring standardisation of financial statements across the market
<b>MAT</b>	Marine, Aviation, Transport
<b>OF</b>	Own Funds
<b>PIM</b>	Partial Internal Model
<b>Regions</b>	<b>AT</b> – Austrian Operating Companies, <b>WEM</b> - Western European Markets (Liechtenstein, Italy, Switzerland), <b>CEE</b> – Central Eastern Europe (Slovakia, Czech Republic, Hungary, Poland), <b>SEE</b> – Southern Eastern Europe (Croatia, Serbia, Bosnia, Bulgaria), <b>EEM</b> – Eastern Emerging Markets (Romania, Russia, Ukraine)
<b>S&amp;P</b>	Standard & Poor’s Financial Services LLC, a part of McGraw Hill Financial
<b>SII</b>	Solvency II
<b>SCR</b>	Solvency Capital Requirement
<b>UFR</b>	Ultimate Forward Rate
<b>VA</b>	Volatility Adjustment
<b>VaR</b>	Value at Risk: risk measure used within UNIQA’s partial internal model for deriving the capital requirement for the non-life and health NSLT underwriting risk
<b>VIF</b>	Value of in-force business
<b>VNB</b>	New Business Value

- This presentation contains forward-looking statements
- Forward-looking statements involve inherent risks and uncertainties, and it might not be possible to achieve the predictions, forecasts, projections and other outcomes described or implied in forward-looking statements
- A number of important factors could cause results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in these forward-looking statements
- These forward-looking statements will not be updated except as required by applicable laws