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Cattolica Group approved

*Testo del comunicato*

Vedi allegato.

## PRESS RELEASE - Results at 30 September 2021

**GROUP NET PROFIT OF €116M (+178.6% COMPARED WITH €42M AT 9M2020)**

**STRONG GROWTH IN PREMIUM INCOME (+16.5%) WITH AN OPTIMUM MIX**

**SOLVENCY RATIO OF 193%**

- **TOTAL PREMIUM INCOME INCREASING TO €3.7BN, IN BOTH DIRECT NON-LIFE PREMIUMS (+2.0%) AND LIFE PREMIUMS (+29.5%)<sup>1</sup> - UNIT-LINKED PRODUCTS REPRESENT MORE THAN 50% OF NEW BUSINESS**
- **COMBINED RATIO CONFIRMED AT AN OPTIMUM LEVEL (89.7%, -0.3 p.p.)**
- **OPERATING PROFIT OF €190M (-20.3%)**
- **GUIDANCE FOR YEAR-END OPERATING INCOME REMAINS CONFIRMED (€265M TO €290M)**
- **SHARP INCREASE IN ADJUSTED PROFIT TO €175M (+51.7%) ALSO DUE TO CAPITAL GAINS ON DISPOSAL**

**AS OF 5 NOVEMBER 2021, THE GENERALI GROUP IS THE CONTROLLING SHAREHOLDER OF THE CATTOLICA GROUP AFTER OBTAINING 84.475% OF THE SHARE CAPITAL OF CATTOLICA ASSICURAZIONI DUE TO A VOLUNTARY TENDER OFFER**

*Verona, 16 November 2021.* The Board of Directors of Cattolica Assicurazioni met today in Verona, chaired by Davide Croff, to approve the results at 30 September 2021.

**Carlo Ferraresi, Chief Executive Officer of the Cattolica Assicurazioni Group,** commented: *“The Group’s industrial skills and its disciplined business management allow us, from a technical and operational point of view, to present today some very solid results. Premium income is up in both our business segments, with strong growth in unit linked products and an excellent Non-Life profitability index. In addition, the net profit, which has grown sharply in these first nine months of the year, confirms the solid technical and commercial performance of the Group. These results are the expression of our*

<sup>1</sup> Changes calculated on a like-for-like basis.

*ability to generate profits, also thanks to an extensive and widespread presence throughout the Italian territory as well as the professionalism of our people and of the agency and banking networks. The partnership with the Generali Group has accelerated our performance and the ever-greater integration of skills and technologies will allow us, also in light of the new control structure, to become increasingly appreciated by the market and by the communities in which we operate”.*

The income statement data of Lombarda Vita (disposed of on 12 April 2021) at 30 September 2020 and 2021 have been reclassified to specific "discontinued" items pursuant to IFRS 5. The data commented on here are shown like for like, without the contribution of Lombarda Vita, which is synthetically represented in profit from discontinued operations together with capital gains on disposal.

**Total premium income from direct and indirect business**, both Non-Life and Life,<sup>2</sup> grew by 16.5% to €3,700 million. In the Life segment, there was a 29.5% increase due to the recovery in business. Premiums from the direct Non-Life business also increased by 2.0% due to Non-Motor premiums.

At 89.7%, the **combined ratio** remains at an optimum level, down 0.3 percentage points compared with 9M2020. It will be recalled that the period to 9M2020 benefited from a sharp drop in claims frequency as a result of the very strict lockdown. The **operating result**<sup>3</sup> decreased by -20.3% to €190 million. In the Non-Life segment the result increased slightly (€175 million vs. €172 million a year previously), while the Life result dropped sharply (€17 million vs. €69 million) mainly due to the provision (€11 million) established to cover any disbursement related to dormant policies and a seasonal effect in the allocation of financial income that, it is estimated, may be recovered in the fourth quarter. The **operating RoE**<sup>4</sup> was therefore 5.6%.

**Adjusted profit**<sup>5</sup> grew strongly to €175 million in 9M2021, compared with €116 million in 9M2020. This KPI includes the capital gain of €104 million from the disposal of Lombarda Vita. The Group **net profit**<sup>6</sup> of €116 million (€42 million in 9M2020) is a marked improvement on the previous year, even taking €69 million of write-downs into account (of which €51 million relates to write-downs of goodwill of joint ventures with the BancoBPM Group).

<sup>2</sup> This figure includes the insurance premiums and investment contracts of the Life classes as defined in IFRS 4.

<sup>3</sup> See the Glossary

<sup>4</sup> Operating RoE is calculated as the operating result, less the cost of employees, taxes and minority interests, over the Group's average shareholders' equity (excluding the AFS reserve).

<sup>5</sup> Defined as the measure of Group profit minus the amortisation of the VOBA (value of business acquired, net of the related tax effects and for the Group's share) and goodwill impairment, which are relevant to the Group's profit but do not affect the Solvency position.

<sup>6</sup> Net of the minority-interest share.

## Non-Life business

**Premium income from direct business** increased by 2.0% to €1,513 million. The **Non-Motor segment** contributed €776 million to the result, with premium income up markedly on the previous year (+7.0%). Premiums in the **Motor segment** amounted to €737 million, down compared with 9M2020 (-2.8%): this change is due to the decline in average premium due to the current competitive pressure on the market and initiatives for policyholders, including vouchers. The Motor Vehicle Liability policy portfolio was down slightly, by approximately 22,000 policies in 9M2021.

The **combined ratio**<sup>7</sup> was 89.7% (-0.3 p.p.), an excellent result that benefits from the positive performance of both Motor and Non-Motor segments. The claims ratio for retained business increased to 58.7% (+2.6 p.p.) while the expense ratio stood at 29.5% (+0.4 p.p.), up slightly due to the various extraordinary expenses related to the remedial plan agreed with the supervisory authorities and to company transactions. The component of other technical items on premiums decreased from 4.8 to 1.5 p.p.: it will be recalled that last year the voucher had an effect of 3.3 p.p.

## Life business

In the Life segment, **premium income from direct business** grew strongly, with premiums of €2,172 million (+29.5%). In addition, there was a significant increase in unit-linked products in the business mix (+176%), which accounted for 53% of new business.

The with-profits component of new Life policies with a minimum guaranteed rate of zero drove a gradual decline in the Group's average guaranteed minimum reserves to 0.58% (-2 bps compared with FY2020). In addition, the new traditional policies written are characterised by low capital absorption overall due to their limited risk profile.

With regard to the Life operating result of €17 million, the decision to set aside a provision for risks of €11 million for potential claims related to the "dormant policies" reported by IVASS had a negative effect. This entry relates to the emergence of reports of deaths subject to term life insurance policies, of which the Group companies were not aware and which have not yet been reported.

## Financial management and financial position

**Investment income**<sup>8</sup> amounted to €231 million (€231 million in 9M2020), with an increase in the ordinary Non-Life component (+5.2%).

**Investments** amounted to €25,242 million. The **gross technical provisions of the Non-Life classes** amounted to €3,428 million (€3,496 million in FY2020) and the **provisions of the Life classes**, including financial liabilities from investment contracts, amounted to €19,422 million (€19,123 million in FY2020).

<sup>7</sup> Combined ratio for retained business: 1- (Technical balance/net premiums), inclusive of the other technical items.

<sup>8</sup> Financial assets, excluding investments whose risk is borne by the policyholders, before tax.

The figures at 30 September 2021 indicate continuing capital solidity, with **consolidated shareholders' equity** of €2,691 million, an increase on FY2020 (€2,613 million).

The Group's **Solvency II ratio** at 30 September 2021 was 193%. The ratio is calculated according to the Standard Formula using the Group Specific Parameters (GSPs) authorised by the supervisory authority. The ratio recovered compared with FY2020 (187%).

### **Distribution network**

At 30 September 2021, the agency network consisted of 1,338 agencies and there were 5,327 bank branches distributing the Group's products.

### **The Covid-19 emergency**

To cope with the health and economic crisis caused by the spread of the pandemic, business continuity and workforce protection were guaranteed through the immediate adoption of smartworking extended to all Group employees. By September 2020, the activities necessary for the return to safety in the operating offices had already been completed and from 15 October 2021 a process of gradual return to work in presence is underway, on a voluntary basis and always with a view to maintaining the precautionary measures, limiting simultaneous access to offices to a maximum of 25% of employees.

To guarantee and protect customers, the same tools created during the year 2020 remain available (remote payments, Motor and Life distance selling), while as regards the Motor Voucher granted in 2020, after the year of validity has ended at the end of May 2021, a complete reabsorption of the same is not applied to the renewal of the policy. Following the Government's extension also in 2021 of the so-called "Superbonus 110%", initially part of the measures promulgated in May 2020 in support of the economic recovery, the initiative was promoted by Cattolica by offering to its customers the tax credit purchase service by recognizing favorable conditions and combining the possibility of taking advantage of a series of insurance coverage addressed according to the type of applicant.

As regards the implications for the Group's business, the following macro-trends were recorded after the first three quarters:

- 2021 new production levels do not seem materially impacted by the partial lockdown continued in the first months of the year;
  - although there is an increase compared to the lockdown periods, the average number of weekly redemptions in 2021 is substantially in line with that of the second half of 2020 and in any case lower than in the pre-Covid period;
  - 2021, influenced by the only partial lockdown, did not record the same decreases as the claims in the Non-Life classes, while the decline persists as regards the management of the TPL class, albeit to a lesser extent;
- in 2020 there were no particularly significant claims following the pandemic, neither in the Non-Life business nor in the Life business. The only Non-Life

branch affected is that of pecuniary losses, due to business interruption and repayment of income.

### **Assicurazioni Generali becomes Cattolica's controlling shareholder**

Following the success of the voluntary Tender Offer promoted on all the shares of Società Cattolica di Assicurazione S.p.A. and the fulfilment of all conditions of effectiveness, starting from 5 November 2021 Assicurazioni Generali S.p.A. became the controlling shareholder of the Cattolica Group with 84.475% of the share capital.

By formal deed, on 28 September 2021 the Board of Directors of Società Cattolica di Assicurazione S.p.A. took note of the terms and, after taking into account the fairness opinions respectively issued by Citigroup Global Markets Europe AG and KPMG Corporate Finance as financial advisors and the favorable opinion of Cattolica's Related Parties Committee, which had Lazard S.r.l. as an independent financial expert, expressed its own assessments on the matter, deeming the consideration of 6.75 euros for each ordinary Cattolica share tendered to the Offer to be adequate from a financial point of view. Consequently, the Board of Directors unanimously resolved to subscribe to the Offer with all the treasury shares owned by Cattolica, with the exception of those serving the LTI plans.

Following this operation, the Cattolica Group has become part of the leading sector player in Italy and of one of the main worldwide players, with which it shares an insurance tradition over a hundred years old and a solid presence in the communities in which it operates. The transaction offers the opportunity to further enhance Cattolica's distinctive areas, guaranteeing benefits for all stakeholders through brand continuity, local roots, strengthening of the distribution networks and by enhancing the experience and professionalism already present in the Cattolica Group today.

### **Business outlook**

On 28 January, the Cattolica BoD provided an operating result forecast for the current year of between €265 million and €290 million. This forecast has been confirmed in the previous quarters. To date, no elements have been identified that would result in this guidance being updated, also considering the current developments in the pandemic scenario, with the easing of restrictions on travel and economic activities and taking into account the changes in the financial markets.

However, some potential risks should be mentioned, including the occurrence of significant adverse events not yet reported or a particularly negative trend in claims in the last period of the year.

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Pursuant to paragraph 2 of Article 154-*bis* of the Consolidated Law on Finance, Financial Reporting Officer Atanasio Pantarrotas declares that the accounting information contained in this press release matches the company documents, books and financial records.

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The results at 30 September 2021 will be presented to the financial community at 09:30 hours CET tomorrow, 17 November 2021, in a conference call (with Italian, English and original audio). The numbers to be called are: + 39 02 805 88 11 from Italy, + 44 1 212818003 from the United Kingdom and +1 718 7058794 from the United States. Journalists may follow the event by calling +39 02 805 88 27 (listen-only mode). The results presentation will be available in the Investor Relations section of the homepage of the website at [www.cattolica.it](http://www.cattolica.it).

## SOCIETÀ CATTOLICA DI ASSICURAZIONE

*Cattolica Assicurazioni is one of the main players in the Italian insurance industry and has been listed on the Milan Stock Exchange since November 2000. With around 3.5 million customers who trust in the insurance solutions and products it distributes, the Group has total premium income of €5.7 billion (2020). At Group level, Cattolica has 1,338 agencies throughout Italy, covering both large cities and smaller towns, and a network of 1,840 agents. For further information: [www.cattolica.it/profilo-societario](http://www.cattolica.it/profilo-societario)*

### **CONTACT INFORMATION**

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*Summary of Group key figures:*

(amounts in € millions)	30.09.2020	30.09.2021	% chge
Net premiums	3,022	3,557	17.7%
Net claims-related expenses	-2,332	-3,144	34.8%
Operating expenses	-510	-543	6.4%
<i>of which commissions and other acquisition expenses</i>	-361	-391	8.2%
<i>of which other administrative expenses</i>	-149	-152	2.2%
Other revenues net of other costs (other technical income and expenses)	-83	-61	-27.0%
Class C gross ordinary investment income	305	303	-1.0%
Class D gross ordinary investment income	-88	160	280.8%
Operating net income from equity investments in subsidiaries, associates and joint ventures	-1	4	388.6%
Commission income net of commission expenses	-1	-1	35.6%
Investment management expenses	-35	-37	6.1%
<b>RESULT OF INSURANCE AND FINANCIAL MANAGEMENT</b>	<b>277</b>	<b>238</b>	<b>-13.7%</b>
Other revenues net of other operating costs	-39	-48	26.8%
<b>OPERATING RESULT</b>	<b>238</b>	<b>190</b>	<b>-20.3%</b>
Income from disposals and valuation	-4	-12	204.3%
Subordinated interest	-22	-24	6.0%
Non-operating net income from equity investments in subsidiaries, associates and joint ventures	-12	-2	-79.9%
Other revenues net of other non-operating costs	-96	-77	-20.2%
<b>RESULT FOR THE PERIOD BEFORE TAXES</b>	<b>104</b>	<b>75</b>	<b>-28.1%</b>
Taxes	-76	-61	-20.4%
<b>PROFIT (LOSS) FOR THE YEAR AFTER TAXES</b>	<b>28</b>	<b>14</b>	<b>-49.4%</b>
<b>PROFIT (LOSS) ON DISCONTINUED OPERATIONS</b>	<b>44</b>	<b>108</b>	<b>145.9%</b>
<b>CONSOLIDATED PROFIT (LOSS)</b>	<b>72</b>	<b>122</b>	<b>70.4%</b>
of which attributable to the Group	42	116	178.6%
of which attributable to minority interests	30	6	-78.5%

**Glossary**

Operating result: the operating result does not include the more volatile components (realised gains, write-downs and other one-off items). In detail, the Non-Life operating result is defined as the sum of the technical balance, net of reinsurance, ordinary financial revenues and other non-technical net charges (depreciation, amortisation and write-downs of insurance receivables, etc.). The operating result does not include financial gains and losses on disposals, write-downs of other assets, the cost of financial debt (subordinated debt), amortisation of the value of business acquired (VOBA), voluntary redundancy incentives, the staff severance indemnity and other one-off items. The Life operating result is defined in a similar way, with the difference that all financial income contributing to the return of securities pertaining to separate accounts and those classified as class D is considered part of the operating result.



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