

# IMIA 2019 COUNTRY ANALYSIS

## FRANCE

### Global Business Environment outlook:

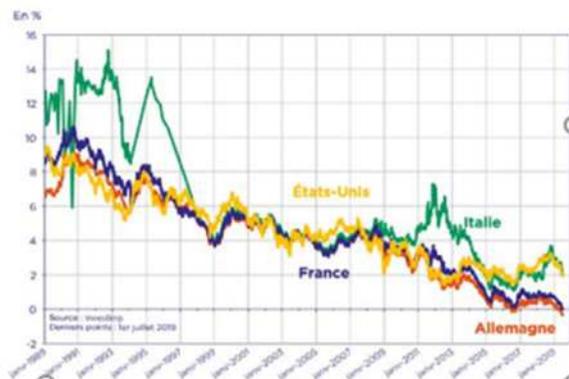
#### *Economic and financial environment,*

In the euro zone, 2018 and 2019 will have been marked by a slowdown and a rebound in gross domestic product, (respectively, + 1.9% and +, 2.8% after + 2.4% in 2017), as well as a further increase in inflation, all in all limited, as well as a further fall in the unemployment rate (7.9% in December), which is now at a low since the 2008 financial crisis.

On the other side of the Atlantic, the American economy will have experienced a particularly dynamic year, boosted by the tax reform launched by President Trump, with the reduction of the corporate tax rate by 35% at 21%.

Interest rates remain low

Under these conditions, short-term rates continued to fall until they became negative, approaching the rate of the ECB's deposit facility (−0.4% since March 2016). The 3 months Euribor thus remained at the end of 2018 at the historically low threshold of −0.31% compared to −0.33% at the end of 2017.



In 2018, after three years of increase, the Cac 40 index recorded its largest decline in seven years with a fall of 11.0% (after + 9.3% in 2017). In 2019 The CAC 40 jumped 26.37% its best annual performance since the year ... 1999, despite the pessimistic forecasts of analysts at the end of 2018. A year ago, the difficulties encountered by the equity markets in 2018 had urged forecasters to be cautious. The majority of large financial institutions were expecting a 2019 index growth stable or in slight decline and few expected gains. In a context of strong trade tensions, a great unknown in Brexit and a general slowdown in the world economy, the double-digit performances signed by the majority of the major stock market indices were difficult to anticipate. Whether in Asia, Europe or the United States, over the past twelve months, the world's stock markets have experienced record growth levels: historic on Wall Street, decadal in Europe!

Analysts' forecasts for 2020 are just as conservative as they were for 2019. On average, they anticipate, for example, an increase of less than 3% in the S&P 500 according to CNBC growth records: historic on Wall Street, decennial in Europe!

### Premium development:

Globally there is a big increasing in incomes of Engineering insurance premium compared with 2018 (+60%).



All the products EAR, MB, CAR business are getting well . For the CAR it is due to the Great Paris Construction project, representing a global invest of nearly 40B€ on 10 years of which 7 b€ are for modification and contingencies for the coming years of the project. Global works are tunnelling and stations providing a large premium income. Decenial Liability is also impacted.

2019 Was also the starting of the construction of the offshore wind parks in France with the launching of the Saint Nazaire windfarm construction, and the decision to provide French grid with 3 more offshore wind parks. The Fécamp park construction will start in 2020, followed by the Courseules one, and the Engie’s ones in Le Tréport and Noirmoutier. The Saint Brieux and Dunkerque wind parks will be for 2022 to 2024.

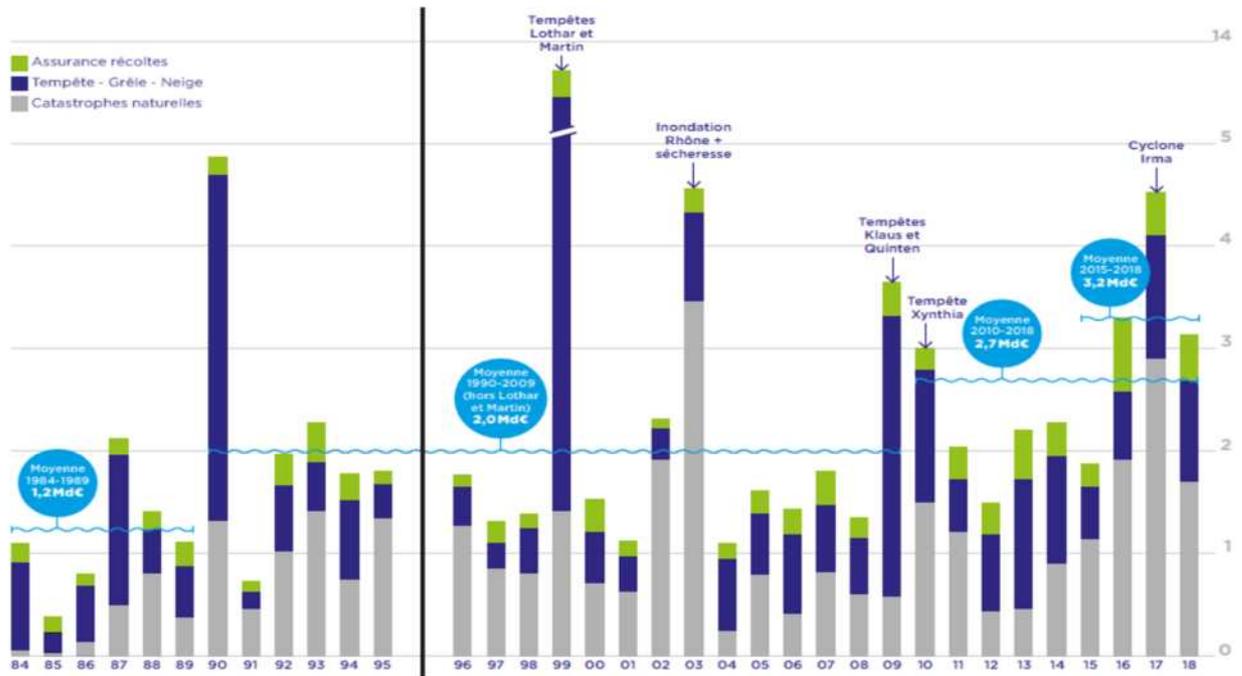


The typical technical project model is based on a unit electric power range of 6 to 8 MW/unit with number of about 80 units to get, according to the location, a 500MW to 650MW electric power range wind park. Each of them is fit with 2-time 50% range electric off shore substation, then both cables to shore. In 2025, the French grid will be equipped with 6 000MWe offshore wind power. At that time, the French market will become the second market for offshore wind park in Europe after UK.

**Claim development:**

Globally the 2019 figures are lower than 2018 and 2017 (No major claims) and the natural catastrophic events slow down .

*Below, Natural events market trend from previous decades showing reduction of the natural events:*

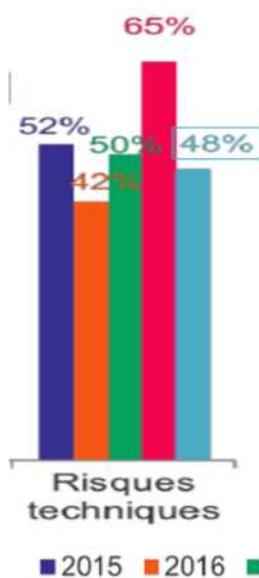


As the premiums are going up (2018 & 2019), and the claims values are reduced, results are showing a great improvement.

As said above, L/R is good about 26% (68% in 2018) for all products, the reduction is of (-42%), without taking into account possible late claims which is one of the best result from years.

This result is due to the very good return from MB, nevertheless that shall be taken with caution as one of the active markets did not answer this year.

**Underwriting profitability:**



The Competition on the Engineering lines business is always strong and results not as anticipated, some markets decide to withdraw their capacities from construction (CAR and Decennale Liability) giving a new breath to the remaining markets.

Profitability is coming back to usual outlook after a huge loading in 2018, below the engineering lines of business L/R comparative results from 5 years (including all segments but without Public Markets and Industrial Risks):

## Construction markets

After 6 consecutive years of decline and in a market marked by numerous failures by companies operating under the freedom to provide services, construction insurance receipts are increasing (+ 4.7%). Decennial CR increased by 5.1% and damage-to-work by 3.7%. The branch benefited from the good performance of the building activity (production up 2% in volume) following difficult years.

In connection with the low construction activity in recent years, services fell slightly in 2018 (– 0.9%, after + 3.7% in 2017). The combined ratio rose to 99.3% in 2018 compared to 108.5% in 2017.

*Building activity ECR .*



Concerning CAR, main players are always SMABTP, COVEA and AXA including the XLSE subsidiary.

60% of the market on 6 companies.

Specialists are noting that after a restart of grow, a new bellowing of the number of new CAR contracts and premium will follow, (2020). Concerning the prices, the repairing of the damages are always above the costs of new works, showing an inflation above average inflation ratios in the country.

For EAR, main players are Allianz, Zurich, AXA. the market remains difficult due to the bellowing of investments. The French exporting figures are showing a reduction, then excepted some jumbo companies which have anticipated and which are living on previous years orders, medium size are impacted by the slowdown of the global activity.

## Conclusion

2019 was good year for the results of the Engineering markets, slowdown of claims on all Insurance products and increasing of the premiums. The 2020 year will be a new challenge due to the pandemic of the COVID 19 and specific difficulties which are link to the subject. The impacts on the products will be different according to the provided guaranties, the reduction of the total worked hours on the construction sites will have impacts in both directions...The management of the conditions of cocooning of the construction sites, the possible failure in the payment of premiums will also drive results...