



2019 Annual Report

*This is a free translation into
English of the French report
which is provided solely
for the convenience of English
speaking readers.*

CO
vea **COMMITTED
MUTUAL
INSURANCE
GROUP**

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Committed Mutual Insurance Group

3 COMPLEMENTARY BRANDS



Mutual insurer with its own distribution network providing general personal and commercial lines insurance.



Mutual insurer with tied agents providing multi-specialist insurance for individuals, small and large businesses, non-profits and local authorities.



Mutual insurer with its own distribution network providing insurance for individuals and leading mutual for French public-sector employees.

SPECIALIST STRUCTURES, AFFILIATED MUTUALS AND PROTECTION INSURER



Asset management, reinsurance, affinity insurance, legal protection and assistance.

Non-life, health and protection insurance.

WORKFORCE



Headcount

23,000

employees

with 21,000 in France



Diversity

65.7% women

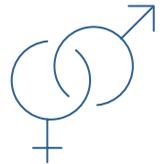
34.3% men

53.3%

4.1%

women managers

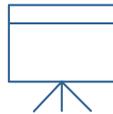
rate of employment of people with a disability



Training

68.5%

training access rate



Age and seniority

43.4 average age*

15.7 average seniority*

* in years

ENVIRONMENT

Energy consumption



Operating property

93,378,144 kWh

-5.1% compared with 2018

Investment property

59 kWh/m²

-3.4% compared with 2018

Carbon footprint (energy consumption-related emissions)



Operating property

9,224.9 t CO₂ eq**

15.0 kg CO₂ eq/m²***

-1.8% compared with 2018

Investment property

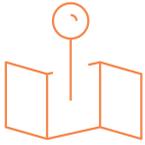
6,253.4 t CO₂ eq**

10.1 kg CO₂ eq/m²***

-3.4% compared with 2018

** Tonnes of CO₂ equivalent *** Kilograms of CO₂ equivalent/m²

POINTS OF SALE



2,495

EARNED PREMIUMS

€17.4bn



€15.2bn
in France



€2.2bn
internationally

Italy, United Kingdom,
United States
and Luxembourg

PORTFOLIOS IN FRANCE

11.5 
million members and
customers

10.7 
million vehicles insured

8.1 
million homes insured

3.0 
million health
beneficiaries

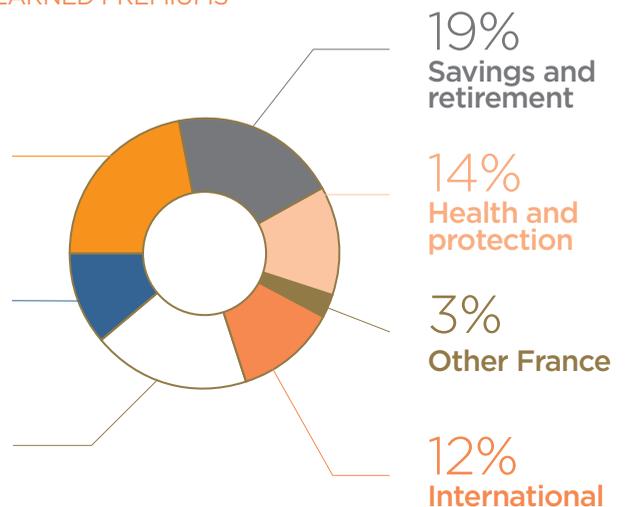
DIVERSE EXPERTISE

BREAKDOWN OF EARNED PREMIUMS

22%
Motor

11%
Home and other
personal risks

19%
Commercial
lines



LEADING POSITIONS IN FRANCE

(BY MARKET SHARE)

No1
Motor
19.4%

No1
Home
17.2%

No1
Legal
protection
17.0%

No2
Commercial
11.3%

No4
Individual
health
4.8%

“The Covéa Group’s results for 2019 are satisfactory and in line with its goals. Covéa’s robust position enables all of the Group’s entities to continue supporting its members and customers, while upholding its mutual values”

Thierry Derez,
Covéa Chairman and Chief Executive Officer



PROFITABLE DEVELOPMENT



ROBUST FINANCIAL FOUNDATIONS RECOGNISED BY THE RATING AGENCIES

S&P Global Ratings*
AA-

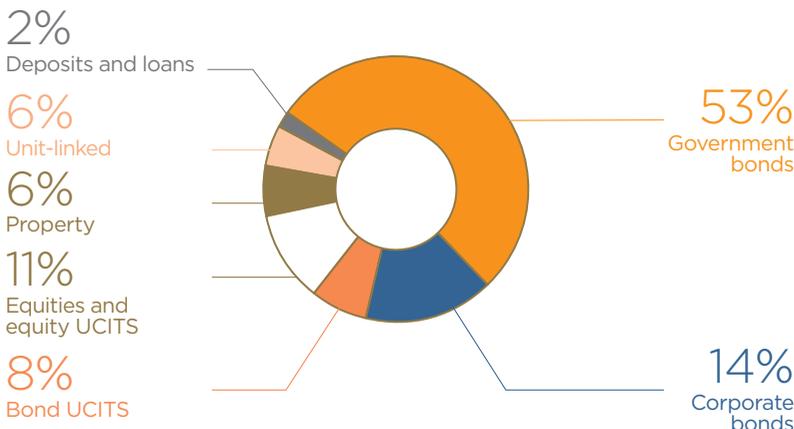
VERY ROBUST BALANCE SHEET



Moody's **
Aa3

A.M. Best **
A (Excellent)

€111bn of assets under management



CONSTANTLY IMPROVING RATING



*Entities rated: Covéa Coopérations, MMA IARD SA, MMA VIE, MAAF VIE, GMF VIE, Covéa Insurance, Covéa Life
** Entity rated: Covéa Coopérations

About Covéa



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1.

1.1 History

Covéa, a group two centuries in the making

The first mutuals: The mutual societies that flourished during the 19th century and the first half of the 20th century left a lasting imprint on the French insurance sector. Covéa has inherited a legacy from that era of three powerful brands and three core values — commitment, prudence and long-term thinking — that are firmly embedded in its culture.

Development: During the second half of the 20th century, mutual societies expanded across France. They also embarked on a period of international expansion, establishing and building up subsidiaries and partnerships.

Union: In 2003, and then again in 2005, France's longstanding mutual societies decided to join forces. Initially, they set up Covéa SGAM, a vehicle establishing cross-support mechanisms and paving the way for the adoption of a common strategy. Subsequently, they founded Covéa Coopérations and pooled their operational capabilities. The final step was to unify the employment status of all their employees in France

1819-1950: Powerful mutual societies with deep roots in the French insurance sector

- 1819: Formation of Assurances Mutuelles de France
- 1828: Formation of Mutuelles du Mans Assurances
- 1934: Formation of La Garantie Mutuelle des Fonctionnaires
- 1950: Formation of MAAF Assurances

1958-2001: International diversification

- 1958: MMA established Norman Insurance in the United Kingdom, which was to become Covéa Insurance
- 1981: GMF bought a stake in CSE in the United States, before subsequently gaining full ownership
- 2001: MAAF and MMA became shareholders in the Spanish group Caser

2003-2005: Covéa SGAM is formed

- 2003: MAAF Assurances and MMA decided to establish a mutual insurance group company (or SGAM to use the French acronym), a new type of corporate vehicle under French law.
- 2005: Azur-GMF joined Covéa SGAM, making it a leading property and casualty insurer in France, with four mutual insurer "clusters" under its umbrella.

2011: External growth in France and Europe

- Personal protection insurer APGIS joined Covéa SGAM, bringing on board its research, development, distribution and management capabilities in group health insurance.
- Covéa SGAM acquired 81% of Bipiemme Vita and of Bipiemme Assicurazioni in Italy.
- Provident in the United Kingdom was acquired and its activities transferred to Covéa Insurance.

2012: Covéa Coopérations is founded

Covéa Coopérations was founded to streamline the Group's corporate structure. It is held jointly by the four clusters of mutual insurance companies within Covéa SGAM. Covéa Coopérations directly or indirectly holds the bulk of the Group's operational activities.

2013: Integration of SMI

SMI, a mutual company serving various trades and professions, joined the fold, strengthening the Group's positions in group health insurance.

2015: More diversification

- Covéa Coopérations adopted reinsurance company status to build up its inwards reinsurance business.
- It acquired Sterling Insurance Group in the United Kingdom and integrated its non-life activities within Covéa Insurance.

2017: Employee status is harmonised

Under the June 2017 agreement with the social partners, all 21,000 employees in France were given the same employment rights and conditions, making Covéa more agile and boosting its ability to innovate and effectively serve its 11.5 million members.

2018: Further streamlining

- DAS Assurances Mutuelles, DAS SA and Assistance Protection Juridique (APJ), the Covéa Group's specialists in legal protection, combined their operations under the Covéa Protection Juridique banner.
- The Swinton group, a non-life insurance broker, was sold to focus the Group's UK business on underwriting activities.

1.2 Profile and organisation

The core mission of the Covéa mutual insurance Group is to grow and develop affiliate companies and their subsidiaries and to safeguard their continued operation.

The Covéa Group's ultimate holding company is a SGAM, the French acronym for *société de groupe d'assurance mutuelle*, or group of insurance mutuals. It exercises dominant influence, coordinating decision-making (including in financial affairs) by its affiliates and possessing control powers. It forges and manages strong and enduring relationships with affiliate companies that provide for two-way support mechanisms.

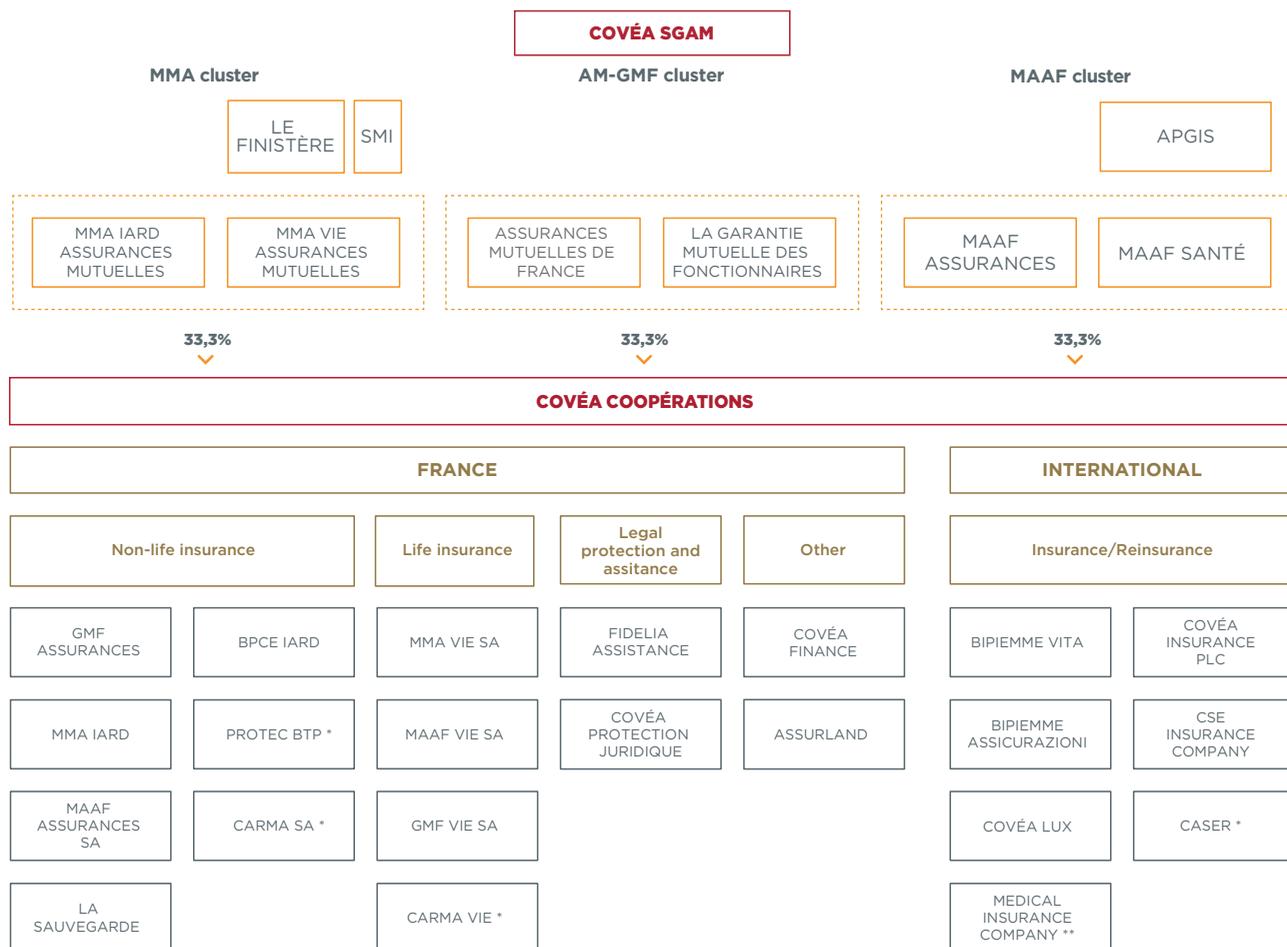
The nine mutual insurance entities that are affiliated with Covéa SGAM are divided into the following four families.

- **MMA:** MMA IARD Assurances Mutuelles, MMA Vie Assurances Mutuelles, Le Finistère Assurance, SMI;
- **MAAF:** MAAF Assurances, MAAF Santé, APGIS;
- **AM:** Assurances Mutuelles de France;
- **GMF:** La Garantie Mutuelle des Fonctionnaires.

Some of the Covéa SGAM affiliates are shareholders in Covéa Coopérations, a French-registered reinsurance company that owns, directly or indirectly, all or part of the capital of the Group's operational companies.

Covéa Coopérations serves as the hub coordinating the SGAM's affiliate companies and the Group's operational companies.

Simplified organisational chart of the Covéa Group at 31 December 2019



* Accounted for using the equity method ** Owned by MMA IARD Assurances Mutuelles

1.3 Activities and distribution networks

1.3.1 In France

1.3.1.1 BUSINESS ACTIVITIES

Insurance

Covéa operates in France principally under three strong brands:

- **MMA**, a mutual insurer with a third party-operated distribution network of tied agents and brokers, provides cover for individuals, small and large businesses, non-profits and local authorities.
- **MAAF**, a mutual insurance company with its own distribution network, offers comprehensive solutions for individuals and small businesses.
- **GMF**, a mutual insurance company with its own distribution network, is the leading provider of personal insurance to French public-sector employees.

Through Covéa SGAM affiliate companies APGIS and SMI, the Group is also present in the health and protection market.

Covéa offers an extensive product range, which is tailored to meet the needs of all the Group's customers and members, via MMA, MAAF, GMF, APGIS and SMI, and strive to deliver the best possible insurance experience.

In property and casualty, Covéa offers a range of products for individuals, small and large businesses, non-profits and local authorities. The Group has built a comprehensive range of personal lines, principally covering motor insurance, home insurance, personal assistance and legal protection needs. In commercial lines, Covéa's general liability, property and casualty, corporate fleet, construction and agricultural insurance solutions cater for a wide range of demand in the self-employed professionals, micro-businesses and SME markets.

In health insurance and protection, Covéa offers a full range of products providing cover for individuals and small businesses. The Group's solutions also meet the needs of employees of companies of all sizes, in both complementary health insurance and protection. Under Covéa's individual and group policies, it caters for a vast range of needs. These include cover for healthcare expenses, together with related services, and income protection should policyholders be unable to work, suffer a disability or die. The Group's protection solutions encompass temporary individual death insurance policies, borrower insurance products, whole life and funeral policies, as well as policies covering everyday accidents.

In savings, Covéa provides life insurance products and multi-unit capitalisation policies including a wide range of carefully selected unit-linked funds providing an alternative to "euro-denominated" guaranteed payout products. "Madelin" products and PERP plans form the cornerstone of its **retirement** offering. In 2019, the Group devised an individual PER savings plan for MMA and MAAF, due for introduction in the first half of 2020.

Reinsurance

Covéa is also active in international non-life inwards reinsurance, chiefly property and casualty, automotive, engineering and personal injury lines. Insured risks are located in over 30 countries on four continents.

Since early 2016, the Group has been developing a health and protection inwards reinsurance business. Traditional health and protection risks are the main focus, principally under group policies. Insured risks are chiefly located in France. As part of a drive to diversify the Group's risk exposure internationally, it expanded this business in 2019 into three new European markets – Portugal, Spain and the Netherlands.

Asset management

Covéa Finance is the Covéa Group's asset management company. It has more than €101.6 billion in assets under management and at 31 December 2019 had equity holdings worth close to €16.9 billion in the 49 funds it manages.

The Group's three core brands' resources and expertise in managing investment and operational properties are housed centrally in Covéa Immobilier. At 31 December 2019, its portfolio of investment properties was worth €5.5 billion. It consists of 211 buildings located in the Paris region – 65% commercial and 35% residential properties.

1.3.1.2 DISTRIBUTION NETWORKS

Covéa distributes its products through various networks mainly operated by employees, tied agents and brokers. The Group's distribution strategy is predicated on complementary networks ensuring it responds effectively to the needs of customers and members.

Principal third party-operated distribution networks

All MMA's products and services are sold via tied agents – independent business owners acting as intermediaries. Tied agents bring to bear their insurance expertise and local knowledge to sell MMA's insurance solutions and also to provide the high-

calibre, seamless service its customers expect. The MMA network has 1,614 points of sale and a sales force of over 5,500 agents and employees throughout France.

MMA also possesses a network of brokers mainly covering commercial lines.

Principal employee-operated networks

MAAF and GMF have their own distribution networks. Each brand employs its own workforce to distribute its products.

The MAAF network has over 3,000 employees dedicated to building relationships with its members and customers from its 549 points of sale and 9 call centres. GMF's distribution network has over 2,400 employees, 328 points of sale and 11 call centres.

Partnerships

In 1996, the Covéa Group and Banques Populaires formed BPCE IARD in which each have 50% stakes. BPCE IARD's motor insurance, comprehensive home insurance, legal protection and comprehensive business insurance products are distributed via the Banques Populaires, Caisses d'Épargne and Foncia networks. Given the new direction in Covéa's partnership with Natixis Assurances, BPCE IARD will gradually focus on expanding in the small business market from 2020.

1.3.2 International

Outside France, the Group is present in six countries, predominantly the United Kingdom and Italy.

United Kingdom

Covéa Insurance provides property, casualty and liability coverage for personal and business clients. In February 2015, the Group further strengthened its positions in the United Kingdom by acquiring Sterling, a group specialised in mid- to high-end home insurance and protection. Sterling's non-life activities were integrated within Covéa Insurance in late 2015. Under its multi-channel distribution strategy, Covéa Insurance distributes its products via brokers, direct sales networks and affinity insurance partners.

Italy

Covéa operates in Italy through Bipiemme Vita and Bipiemme Assicurazioni, and the Banco BPM group distributes these subsidiaries' products.

Bipiemme Vita operates in the personal life insurance market,

with euro-denominated and unit-linked savings products its main focus. Bipiemme Assicurazioni provides a range of property, casualty and liability cover for individuals, including motor, home and borrower insurance products.

United States

Civil Service Employees (CSE) Insurance Company is a multi-line provider of personal and commercial property and casualty insurance products. In personal lines, CSE mainly provides motor and home insurance. While California is CSE's main geographical base, it is also present in Utah, Nevada and Arizona. It distributes its products via a network of non-exclusive agents and a partnership with a Utah-based broker.

Luxembourg

Covéa Lux, a Luxembourg-registered reinsurance company, enables the Covéa Group to manage its retention capacity more flexibly and supplement the reinsurance capacity of its reinsurance programmes when necessary. Covéa Lux mainly reinsures the companies within the Covéa Group's combination scope.

Ireland

Medical Insurance Company, which used to sell medical malpractice insurance mainly in France, ceased its underwriting activities in November 2015.

Spain

Covéa owns a 20% stake in the Caser group, which provides life and non-life insurance for both individuals and businesses.

French subsidiaries

Covéa's French subsidiaries also accept reinsurance risks, provide affinity insurance and underwrite other risks in other EU countries under the freedom to provide services. MMA also provides coverage for the foreign operations of its French customers.

1.4 Strategy

A firm foundation

The strategy at Covéa is shaped by its mutual values and long-term business model that is predicated on a moderate and selective risk appetite to maintain a high capital protection buffer and enable it to weather even the most extreme events. This is why the Group is also working to build up its financial strength, which is underpinned by consistently effective long-term investment management and market-leading solvency levels.

After building the corporate and financial pillars that support the Group's strategy (SGAM and Covéa Coopérations, respectively), Covéa consolidated the third pillar, human resources, with the June 2017 collective agreement to harmonise the status of the Group's 21,000 employees in France.

Real traction

As the pace of change in the regulatory and competitive environment speeds up, these three pillars provide the foundation for everything the Group does, enabling it to embark on ambitious sales and marketing initiatives, accelerate the transformation of its business model and increase profitability to create more value for the Group, its our members and employees.

The strategic and operational priorities of the Cové@venir 2021 plan serve four main purposes:

Focus on higher-value segments and markets

In personal lines, the Group continues to pursue profitable growth and target products and markets that create value for policyholders, such as personal protection, legal protection and health insurance. In commercial lines, Covéa is ambitiously targeting high-value market segments. The Group has also achieved real growth momentum in affinity insurance partnerships.

In life insurance, the Group's priority is to maintain margins over the long term. To achieve this, it aims to shift the product mix more towards unit-linked products and expand in retirement savings and protection.

Reinsurance remains a key driver of business diversification, and the Group is exploring growth opportunities, alongside organic expansion in individual property and casualty insurance and in health and protection insurance.

Deliver a first-class customer experience

Covéa continues to invest in providing excellent standards of service to its members and customers. The goal is to build strong personal relationships and overhaul customer journeys to deliver an unparalleled experience.

The Group plans ahead and devises the digital models of the future by investing in educating members and customers so it can offer them the products and services they need.

Hone operational efficiency

By placing the customer relationship at the core of its strategy, Covéa is seeking to continuously improve operational efficiency and competitiveness. This objective will be achieved primarily by upgrading the Group's information systems and streamlining business processes and offerings.

Harness the efforts of Covéa's committed teams

Covéa knows that its success would not be possible without the engagement and commitment of its employees and that they must be supported in their efforts to meet the professional challenges of the future. The Group rewards collective and individual contributions to value creation, and has adapted its managerial model to encourage cooperation and collaboration, which it regards as crucial.

Execution

The Covéa Group's strategy is implemented through the relationships that its brands develop with their members and customers in each market and their efforts to provide a first-class customer experience:

“MAAF, for individuals and small businesses”

As it has over the past few years, MAAF aims to further increase its share of the commercial lines market and is forging ahead with its digital transformation to bolster its positions in personal lines. MAAF's ambition is best reflected by its motto: “the customers' choice”.

“MMA, Covéa's general insurer”

MMA is now a leader in the French personal and business insurance markets and in the affinity insurance market. It will continue this expansion while supporting Covéa's leadership in personal lines. Its networks of tied agents and brokers are the driving force behind the development of the commercial lines business.

“GMF, the leading insurance provider for French public-sector employees”

GMF aims to make itself “the natural choice” when it comes to providing affinity insurance for French public-sector employees. GMF is strengthening its business model to further improve its high loyalty rate, sound risk management and excellent value for money.

Covéa's governance framework



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2.

2. Covéa's governance framework

Covéa is a mutual insurance group made up of four families of affiliate companies – MAAF, MMA, AM and GMF. In all, it comprises six mutual insurance companies, two "1945 mutuals", which were established to provide complementary health insurance, and a personal protection company.

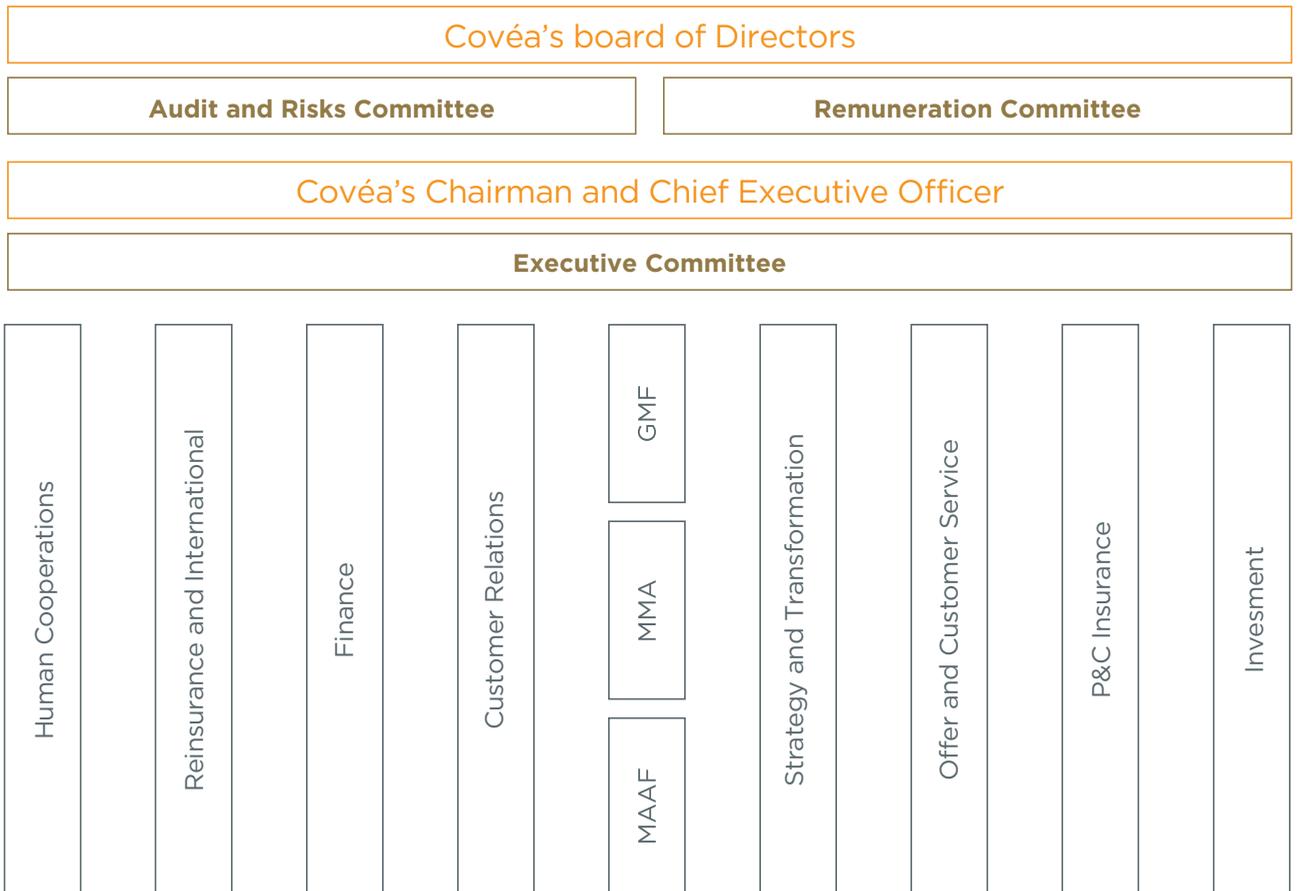
Since Covéa does not have any shareholders, the members of the affiliate companies have supreme authority, which they exercise via the representatives they elect at their general meetings, where the members of their boards of directors are appointed.

Covéa SGAM, the Covéa Group's parent company, is managed by a Board of Directors, with its Chairman also serving as Chief Executive Officer.

Covéa SGAM's Board of Directors is made up of directors from the affiliate companies, which are all represented at its general meeting. This is to ensure that the interests of all members are represented.

The Group's governance framework is perfectly aligned with its business model and activities, and supports the implementation of its strategy.

Covéa's operational organisation, which is built around the Executive Committee, is an essential component of its governance framework. It fosters cross-disciplinary cooperation, ensures that the full range of the Covéa Group's skills and technical resources can be harnessed for its activities and those of its affiliates, and provides effective oversight. Its centralised support functions meet the needs of all the Covéa Group companies.



2.1 Board of Directors

Covéa SGAM (hereinafter referred to as simply “Covéa”) is managed by a Board of Directors, which comprised 28 members at 31 December 2019:

- **Thierry Derez**, Chairman,
- **Jean-Claude Seys**, Vice-Chairman,
- **Christian Baudon**, director and assistant chairman,
- **Jean-Michel Banlier**, director,
- **Monique Berger**, director,
- **Éric Lagarde**, director,
- **Christophe Crepin**, director,
- **Diane Hamen**, director,
- **Rémy Vergès**, director,
- Assurances Mutuelles de France represented by **Jean-Marie Meckler**, director,
- APGIS represented by **Gilbert Lebrument**, director
- Covéa Protection Juridique represented by **Hélène Béjui-Hugues**, director,
- Fidélia Assistance represented by **Xavier Dejaiffe**, director,
- Fidélia Services represented by **Jean-Pierre Gualazzi**, director,
- MAAF Vie represented by **Michèle Beyt**, director,
- La Garantie Mutuelle des Fonctionnaires represented by **Hubert Ivanoff**, director,
- GMF Assurances represented by **Hélène Martini**, director,
- GMF Vie represented by **Christiane Maurech**, director,
- MAAF Assurances represented by **Michel Castagné**, director,
- MAAF Assurances SA represented by **Bernard Barbottin**, director,
- MAAF Santé represented by **Michel Gougnard**, director,
- MMA IARD Assurances Mutuelles represented by **Michel Coursat**, director,
- MMA IARD represented by **Anne-José Fulgéras**, director,
- MMA Vie Assurances Mutuelles represented by **Christophe Guettier**, director,
- Prony Habitations represented by **Christian Delahaigue**, director,
- La Sauvegarde represented by **Jean Fleury**, director,
- SMI represented by **Philippe Bailly**, director,
- Téléassurances represented by **Marie-France Orti**, director.

The directors' appointments are monitored carefully to ensure they abide by the regulations capping the number of corporate offices that may be held concurrently. Members of the Board of Directors are appointed for a six-year term of office.

The Board of Directors sets the company's strategic direction and oversees its implementation. Subject to the powers expressly granted to general meetings and within the restrictions set by the corporate purposes, the Board deals with all matters that may affect the company's operation and through its decisions resolves any issues arising in relation to the company.

The Board of Directors thus lays down the Covéa Group's strategy. It reviews the Group's management priorities, including in financial affairs, its performance and any modifications that require approval. The Board exercises control over the Covéa Group's affiliate companies and, more generally, over all Group companies. It also monitors compliance with the rights and obligations set forth in affiliation agreements and the Articles of Association.

The Board of Directors meets as often as the company's interests may require. In 2019, it met 11 times, with an attendance rate of 89.3%.

2.2 Board committees

2.2.1 Audit and Risks Committee

The remit of the Audit and Risks Committee, which operates under the authority of Covéa's Board of Directors, extends to all insurance and reinsurance companies controlled by the Covéa Group.

At 31 December 2019, Covéa's Audit and Risks Committee had nine members:

- **Jean Fleury**, permanent representative of La Sauvegarde, Chairman,
- **Bernard Barbottin**, permanent representative of MAAF Assurances SA,
- **Michèle Beyt**, permanent representative of MAAF Vie,
- **Michel Coursat**, permanent representative of MMA IARD Assurances Mutuelles,
- **Christian Delahaigue**, permanent representative of Prony Habitations,
- **Anne-José Fulgéras**, permanent representative of MMA IARD,
- **Hubert Ivanoff**, permanent representative of La Garantie Mutuelle des Fonctionnaires,
- **Marie-France Orti**, permanent representative of Téléassurances,
- **Jean-Jacques Vouhé**.

The Audit and Risks Committee is responsible for monitoring:

- the preparation of financial information. It also reviews individual and consolidated financial statements when the annual accounts are being prepared;
- the statutory auditing of the annual financial statements by the Statutory Auditors;
- the independence of the Statutory Auditors;
- the effectiveness of internal control systems;
- the risk management policy, procedures and systems, and their effectiveness;
- the work of the key functions.

In addition, the Audit and Risks Committee must approve any non-audit services provided by the Statutory Auditors.

The Chairman of the Audit and Risks Committee regularly reports on the Committee's work to Covéa's Board of Directors.

In 2019, the Audit and Risks Committee met seven times with an attendance rate of 96.8%.

2.2.2 Remuneration Committee

The remit of the Remuneration Committee, which operates under the authority of Covéa's Board of Directors, extends to all companies controlled by the Covéa Group.

At 31 December 2019, Covéa's Remuneration Committee had three members:

- **Jean Fleury**, permanent representative of La Sauvegarde, Chairman,
- **Hélène Béjui-Hugues**, permanent representative of Covéa Protection Juridique,
- **Christian Delahaigue**, permanent representative of Prony Habitations.

The Remuneration Committee's duties include:

- examining remuneration arrangements and criteria (fixed salary, variable remuneration and any additional amounts) for non-executive and executive officers in the light of the Covéa Group's risk profile. Executive officers refer to effective managers and senior executives, including key function holders as defined in insurance regulations,
- monitoring overall remuneration trends,
- ensuring that the human resources policies of the Covéa Group's companies are consistent with the principles of the Covéa Group's remuneration policy.

The Remuneration Committee can make proposals to Covéa's Board of Directors, General Management or Human Resources Department.

Once a year, the Committee's Chairman reports to Covéa's Board of Directors on any priorities the Committee has set and on any analyses, assessments or initiatives it has undertaken within the scope of its remit.

In 2019, the Remuneration Committee met nine times with an attendance rate of 96.3%.

2.3 General Management

Thierry Derez, Chairman and Chief Executive Officer, is assisted by two Chief Operating Officers, Maud Petit and Amaury de Hauteclocque, who were appointed on 14 February 2018.

The Chairman and Chief Executive Officer and the Chief Operating Officers hold the broadest powers to act in all circumstances on behalf of the Covéa Group. They exercise these powers subject to those expressly reserved by law for general meetings and the Board of Directors. They represent Covéa in its dealings with third parties and are authorised to delegate their powers.

The Executive Committee, which operates under the authority of the Chairman and Chief Executive Officer, Thierry Derez, is the Covéa Group's key operational decision-making body. It is composed of the two Chief Operating Officers and the chief executives of the main insurance companies and heads of the Group's support functions.

The Executive Committee proposes and implements the principles and objectives that will ensure the Covéa Group's development, operational efficiency and effective risk management. The Executive Committee has a comprehensive overview of the Group and deals with all matters pertaining to its companies, which share their resources, tools and know-how in accordance with Group policies. The Committee meets twice monthly or as often as necessary to protect the interests of the Covéa Group and its companies.

The Executive Committee members were also assisted in 2019 by Project Officers reporting to the Chairman and Chief Executive Officer.

At 31 December 2019, the Executive Committee had 13 members (including the Chairman and Chief Executive Officer).

2.4 Remuneration policy

The remuneration policy, which applies to the Covéa Group, its affiliate companies and entities over which it exercises a dominant influence, sets forth the rules for determining the compensation and/or remuneration of all corporate officers, senior executives and employees.

It is consistent with the overarching goal of promoting sound, prudent and effective risk management that does not encourage risk-taking beyond what can be tolerated.

It also aims to attract, motivate and retain the skills the Covéa Group needs.

It lays down general principles and their associated criteria and defines processes for implementing, monitoring and controlling the remuneration system.

The remuneration policy and its appendix, the Remuneration Committee's Code of Conduct, have been approved by Covéa's Board of Directors.

2.4.1 Remuneration of directors and Committee members

Covéa awards attendance fees to the directors and Committee members up to the maximum allocation approved by the General Meeting.

The amount of these fees is based on the attendance of Board members and on the seats they may hold on the Audit and Risks Committee and the Remuneration Committee.

At 31 December 2019, the Board of Directors had 28 members, the Audit and Risks Committee had nine members, and the Covéa Remuneration Committee had three members.

The directors and Board Committee members receive:

- a fixed annual sum paid unconditionally in remuneration for preparatory work;
- a variable amount that consists of a fee for each meeting attended to encourage a high level of attendance.

In 2019, the amounts allocated by Covéa were as follows:

- for attending Board of Directors' meetings: a fixed annual sum of €4,000 plus €2,000 per meeting (excluding the assistant chairman);
- for attending Audit and Risks Committee meetings: a fixed annual sum of €5,000 (€10,000 for the Chairman) plus €2,500 per meeting;
- for attending Remuneration Committee meetings: a fixed annual sum of €4,000 plus €2,000 per meeting;
- for Covéa's assistant chairman: a fixed payment of €60,000 excluding tax and employer's charges paid at the end of the year, to which attendance fees may not be added.

Directors who are also employees of a Covéa Group entity do not receive any such fees.

In respect of the 2019 financial year, the overall amount of remuneration paid to members of Covéa's Board of Directors for their duties at all Covéa Group entities (including affiliate and controlled entities) was €1,279,154 (including €872,500 for their appointments at Covéa).

Directors and Committee members do not benefit from pension plans, share or stock option awards in respect of their appointments.

2.4.2 Executive remuneration

2.4.2.1 CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The gross remuneration paid to the Covéa Group's Chairman and Chief Executive Officer in respect of 2019 was €1,679,554, including gross annual variable compensation of €1,615,008 and maximum annual variable compensation assessed on the basis of three-year targets of €64,546 gross.

This remuneration is determined by the Board of Directors on the recommendation of the Remuneration Committee.

The cost of the fixed and variable remuneration paid to the Chairman and Chief Executive Officer is borne by the various entities at which he serves as Chairman, namely Covéa, MMA IARD Assurances Mutuelles, MMA VIE Assurances Mutuelles, MAAF Assurances, La Garantie Mutuelle des Fonctionnaires and Assurances Mutuelles de France.

The Chairman and Chief Executive Officer is not awarded any shares or stock options.

2.4.2.2 OTHER EXECUTIVE OFFICERS

The two Chief Operating Officers receive a fixed sum for their Covéa appointments. The gross amount they each received for this in 2019 was €66,741. This remuneration is set by the Board of Directors.

They also hold an employment contract covering their other duties within the Covéa Group, which are separate from their duties as a corporate officer.

2.4.2.3 SENIOR EXECUTIVES

The total gross remuneration of all senior executives² (other than the Chairman and Chief Executive Officer) under their employment contracts was €5,524,599 in 2019. There were an average of 13 senior executives over the year.

In addition, depending on the entity they worked for originally, they benefit from either employee incentive and profit-sharing agreements under the common status agreement or from the Covéa Group³ incentive plan.

The senior executives making up the general management team (other than the Chairman and Chief Executive Officer) may perform duties outside the strictly defined scope of the entity at which they serve as senior executives or employees. Where this occurs, the cost is recharged pursuant to Article 261 B of the French General Tax Code.

2.4.2.4 OTHER REMUNERATION COMPONENTS

Supplementary pension plans

Senior executives are entitled to supplementary pension plans, the provisions of which vary according to the entity employing them⁴. Senior executives are covered by one of three plans established within the Covéa Group:

- the plan provided by MMA IARD Assurances Mutuelles, MMA VIE Assurances Mutuelles, MMA IARD, MMA VIE and DAS (hereinafter collectively referred to as "MMA"), which comprises an "Article 83" defined contribution pension plan and an "Article 39" defined benefit plan;

1. *Technical and administrative assistance and a company car are provided.*
2. *Fixed salary plus bonus.*
3. *Capped at 0.5 times the French annual social security ceiling.*
4. *At the end of 2019, one member of the General Management team was covered by the MMA plan, 11 by the Covéa plan and one GMF employee was not covered under any supplementary pension plan.*

- Covéa's plan, which comprises an "Article 83" defined contribution pension plan and an "Article 39" defined benefit plan;
- the plan provided by MAAF entities, which consists of an "Article 39" defined benefit plan.

Since 1 January 2019, on a recommendation of the Remuneration Committee approved by the Board of Directors, the Chairman and Chief Executive Officer has benefited from the supplementary pension plan for Covéa's senior executives.

Under the defined benefit plans:

- the beneficiary must have exercised his/her pension rights and cashed in all of his/her rights under mandatory pension plans;
- the beneficiary must satisfy the minimum length of service and age-related requirements specified by the pension plan to be eligible for pension benefits;
- the top-up pension brings income, after all components of the mandatory pension, including mandatory defined contribution plans for which the beneficiaries qualify, have been taken into account:
 - › for MAAF plan beneficiaries, up to 55% of the reference salary, increasing by 1% per year after 60 years of age, subject to an upper limit of 60%;
 - › for Covéa plan beneficiaries, up to 55% of the reference salary, increasing by 1% per year after 62 years of age to a maximum of 58%. Note that from April 2019, on the recommendation of the Remuneration Committee approved by the Board of Directors, gross benefits paid to beneficiaries under the Covéa SGAM plan are capped at eight times the annual social security ceiling, and this cap may not be any lower than 30% of the reference salary;
 - › for MMA plan beneficiaries, the additional component is 1% of the reference salary per year of service, subject to the following limits:
 - the additional amount may not exceed 15% of the reference salary;
 - the overall aggregate amount of all pension income received (including from mandatory and defined contribution plans) may not exceed 60% of the reference salary;
- where the reference salary is:
 - › for employees covered by the Covéa and MMA plans, their gross average annual salary over the last 36 months, excluding benefits in kind
 - › for employees covered by the MAAF plan, the average gross remuneration in the five best years among the last 10, excluding non-recurring remuneration components.

In accordance with the order of 3 July 2019 published in the Official Journal of 4 July 2019 concerning supplementary pension plans, a decision was made to:

- close three of the Covéa Group's defined benefit plans to new

members with effect from 4 July 2019

- freeze rights accrued under the plans at 31 December 2019. The following coefficient is applied to the benefit resulting from the calculation provided for by the plans: number of years of plan membership at 31 December 2019 divided by the number of years of plan membership at the member's prospective retirement date.

Other benefits

Every member of the General Management team has the use of a company car, except for the Chairman and Chief Executive Officer, to whom a service vehicle is made available for business purposes.

They benefit from the same healthcare and protection cover as all Covéa Group⁵ employees.

Accommodation may be provided when their main residence is outside the Paris region.

They do not receive any contractual severance payments, shares or stock options.

5. Senior executives are also entitled to an annual medical check-up.

2.5 Risk management and internal control

2.5.1 Risk management system

Covéa's risk management system is designed to detect, analyse, measure, manage, monitor and report continuously and prospectively all the risks to which the Covéa Group is exposed.

The Risks Department, which reports directly to the Covéa Group's Chairman and Chief Executive Officer, has overall responsibility for implementing the risk management system. It has direct lines of communication open at all times to the senior executives and the company's Board of Directors.

The risk management system:

- covers risks fully, partially or not specifically included in the solvency capital requirement under the Solvency II Directive, risk mitigation techniques and the risks associated with the valuation methods used for the prudential balance sheet;
- maps risks by company and Group-wide, using a methodology, process framework and a shared risk taxonomy harmonised at Group level;
- uses the ORSA⁶ processes for internal risks and solvency assessment. The risk management system produces reports on each company's risks for the governance bodies, including the annual ORSA report;
- operates under a general risk management policy and detailed policies managing specific types of risks (e.g. underwriting, reserving, reinsurance, investment, ALM, etc.). The Board of Directors approves these policies on an annual basis.

In addition, the risk management system must ensure Covéa's strategy is translated into effective operational priorities and that its risk appetite is appropriate. It includes a critical review of company business plans, to ensure that they comply with the Covéa Group's overall risk appetite limits and that the risks inherent in these business plans can be controlled. The risk management system thus helps to promote sound decision-making. To this end, it draws on the detailed risk management policies that specify each business line's responsibilities on the basis of strategic objectives and confirms that the operational limits set for each type of risk are consistent with the overall risk appetite of the Covéa Group's strategy. Different risk levels and

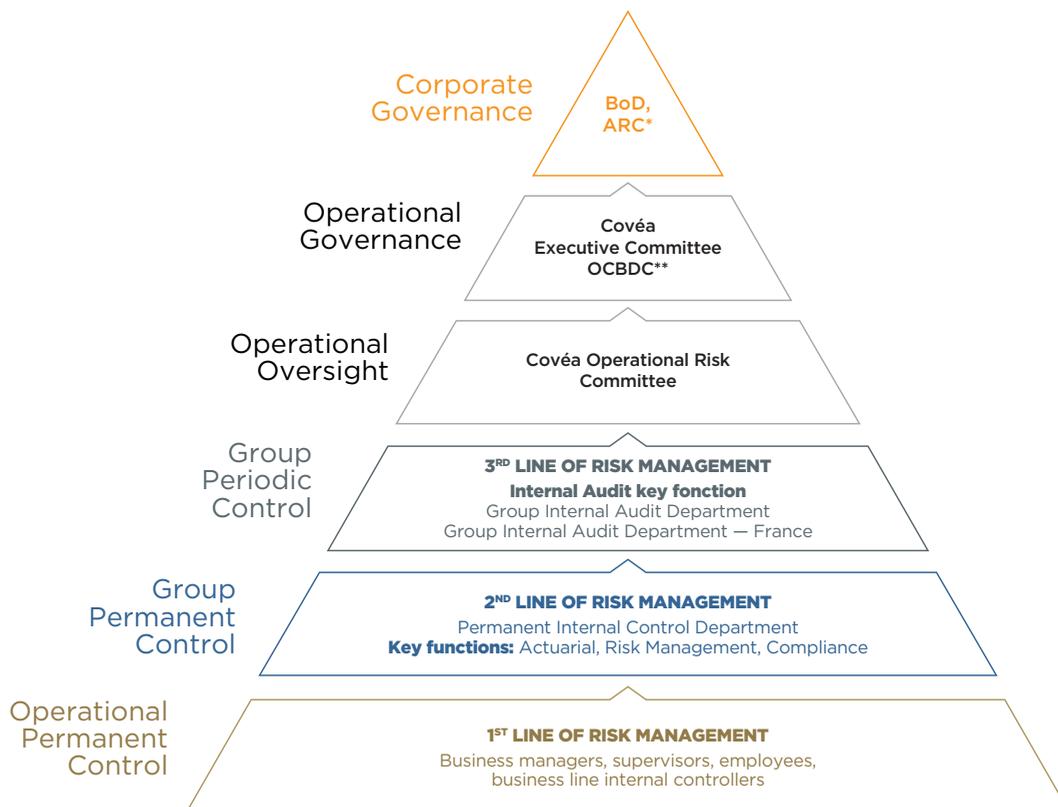
limits are tested to ensure that the risks taken will not compromise survival of the Covéa Group or its entities or protection of those insured.

The governance of Covéa's risk management system is part of its general internal control system.

The Risk Management function reports on its work to General Management, the Risks and Audit Committee and the Board of Directors on a regular basis. At least once a year, it compiles a report of the ORSA analyses. This report is submitted for the approval of the Covéa Group's governing bodies.

Covéa's Operational Risk Committee is the decision-making body that has authority on operational issues relating to the ORSA analyses, Covéa Group and company risk maps, internal control work (control plans, results of key controls, review of key incidents, rating of company risks, follow-up on action plans, alerts, etc.) and the Compliance Department's work. It also serves as a forum for sharing the insights gained from the work carried out by the Internal Audit Department.

6. ORSA: *Own Risk and Solvency Assessment*



* Board of Directors, Audit and Risks Committee.
 ** Operational Coordination and Brand Development Committee.

2.5.2 Periodic Control: Internal Audit

The Internal Audit function’s role is to assist the Board of Directors and General Management with safeguarding the company’s assets, reputation and viability. By performing periodic controls, it provides independent and objective assurance on the design, relevance and effectiveness of governance, internal control and risk management systems. It issues recommendations on actions to correct any failings detected and follows up on these actions.

The Internal Audit function plays a key part in tightening up risk control and improving overall performance. The scope of the Internal Audit function’s oversight encompasses:

- the achievement of strategic objectives and the viability of the business model;
- the technical, economic and financial situation;
- compliance with the law and regulations;
- the effectiveness of resources and organisations;
- operational performance and the effectiveness of operational controls;
- risk oversight (including strategic, emerging and reputational risks) as well as the relevance and performance of the associated risk management system;

- procedures to prevent internal and external fraud;
- strategic outsourcing and the monitoring of this;
- the reliability of financial information, and the quality of management data in general.

The Internal Audit function is the responsibility of the Covéa Group’s Internal Audit Department. It reports directly to the Covéa Group’s Chairman and Chief Executive Officer and operates under the functional authority of Covéa’s Audit and Risks Committee. It has direct access at all times to the company’s senior executives and the Board of Directors.

It produces reports on a regular basis and sends them to members of the Covéa Group’s Executive Committee, including:

- a quarterly internal audit of KPIs showing the progress made on the audit plan and on the implementation of recommendations;
- the annual report of the Covéa Group’s Internal Audit function, which presents audit results, progress on the implementation of recommendations, and an assessment of compliance with the internal audit policy based on various performance indicators.

The Internal Audit function is regularly and independently assessed by IFACI Certification. The function's certification was last renewed in 2018. This certification assures all stakeholders that the quality of the services provided and of the internal audit system has been maintained.

2.5.3 Compliance and internal control system

Compliance system

Covéa's Chief Compliance Officer oversees the compliance system and reports on compliance activities regularly to Covéa's Audit and Risks Committee.

The Compliance Assurance function is tasked with:

- advising the executive bodies on all legislative, regulatory and administrative aspects of insurance and reinsurance activities;
- assessing the likely impact of any change in the legal environment on the company's business;
- identifying and assessing non-compliance risks.

To perform these functions, the compliance system has processes for anticipating and analysing new regulatory requirements, overseeing the implementation of these requirements, assessing their impact on the Covéa Group's activities, and ensuring they are observed.

Every year, the Compliance Department and the Permanent Internal Control Department jointly draw up a compliance assurance plan consisting of in-depth controls on specific risks and annual permanent controls on the key Compliance function areas and scopes specified in Covéa's compliance policy.

Internal control system

The role of the internal control system is to identify, assess and manage operational risks. It helps to ensure that activities are compliant, that operations are effective and that resources are used efficiently.

It is the responsibility of Covéa's Permanent Internal Control Department, which reports to the Risk Department, and is based on the COSO⁷ framework.

The role of the internal control system is to ensure that:

- the company complies with the applicable laws and regulations;
- General Management's instructions and priorities are complied with;
- the company's internal processes are effective, especially those safeguarding its assets, both tangible and intangible (such as its business secrets and reputation);

- financial information is reliable, for example by segregating duties, identifying information sources, observing accounting rules, etc.

The organisation of the internal control system is designed to ensure its independence and enable it to fulfil its role effectively.

Regular internal control reports are submitted to managers, senior executives and governing bodies in accordance with an annual reporting plan.

2.5.4 Actuarial function

The role of the Actuarial function, which is overseen by Covéa's Prudential Actuarial Services Department, is to ensure that appropriate methodologies, models and underlying assumptions are used to calculate technical reserves. It also assesses the quality of the data used to establish prudential reserves and reviews the underwriting and reinsurance policies. By improving the understanding and management of underlying operational risks, the Actuarial function's work makes the risk management system more robust.

The Actuarial function's work is supported by the company's permanent internal control system and Internal Audit function, whose findings and recommendations on the quality assessment of reserving processes, data, underwriting and reinsurance enable the Actuarial function to identify priorities for more thorough investigation during the year. The coordination of key functions, and in particular the work of the Operational Risk Committee, also guides the efforts of the Actuarial function in accordance with the knowledge gained of the material risks and issues involved.

The Actuarial function prepares an annual report in which it presents its conclusions on the assessment of technical reserves and issues an opinion on the underwriting and reinsurance policies. This annual report is sent to Covéa's Executive Committee and Board of Directors.

⁷ COSO stands for the Committee of Sponsoring Organizations of the Treadway Commission, a body that has established a standard definition of internal control and a framework for evaluating its effectiveness.

Covéa's commitment to social responsibility



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3.

3.1 Structured approach with clear social and environmental objectives

Covéa ensures its business activities address environmental and social concerns. Its commitments to corporate social responsibility and those of its brands are set forth in the Covéa Group's CSR policy. These commitments serve three goals:

- Responsible management of human resources, by promoting and supporting social dialogue, diversity in the workplace, skills development, employability, occupational health and quality of life at work.
- Responsible business transformation, by adapting products and services to evolving social and environmental needs and new consumer habits.
- Responsible governance, by making sure Covéa conducts business ethically, fights corruption, purchases responsibly and manages social and environmental risks.

These three goals are underpinned by 15 objectives, which have been prioritised on the basis of discussions with the Covéa Group's employees, customers, suppliers, partners and civil society stakeholders. These objectives give concrete meaning to Covéa's CSR motto: "Covéa is taking and encouraging action". All stakeholders are engaged in a virtuous process of mutual

support and contribution. Covéa will build on this policy in 2020 to satisfy the evolving social and environmental expectations of customers and the desire of its employees for deeper engagement.

The Group's CSR policy is monitored and led by its CSR Committee, which reports to the Executive Committee. The CSR Committee is led by the CSR Department, which reports on the policy compliance of internal and external stakeholders. The Department's efforts are supported by two dedicated networks, organised respectively by geographic region and business line, which disseminate the policy to all Group entities so it may be observed by their employees and external stakeholders.

Covéa has published a voluntary Non-Financial Performance Statement that includes all its French entities, except for SMI and APGIS. This statement describes how Covéa addresses the social and environmental consequences of its activities. It presents the main CSR risks and the policies, due diligence practices and key performance indicators that are used to monitor and manage these risks.

3.2 CSR risks and performance

The environmental and social risks that have been identified are based on the Covéa Group's activities, as described in the Activities and Distribution Networks section of this report (1.3), and in the business model presented in the integrated report, which also describes value-creation resources and activities.

3.2.1 The main social and environmental risks of Covéa's activities

Covéa's CSR Department has assessed the Group's main CSR risks on the basis of the FFA's study of the French insurance industry, the Covéa Group's business model and its materiality matrix. These risks were then checked against the Group's risk map.

Risk of deteriorating employment relations

There are several reasons why employment relations may deteriorate: there is no or little constructive social dialogue, issues of occupational health and quality of life at work are not being

addressed, nothing is done to ensure employability, and diversity in the workplace is not supported. The deterioration of employment relations can demotivate employees, make it harder to retain talent, weigh on the Group's performance and damage its image.

Cyber risk

Some Covéa employees process the personal data that is entrusted to the Group and its brands, which exposes Covéa to the risk of failing to protect these data. Personal data that are lost, altered or disclosed could be used maliciously and have an adverse impact on the data owners. Covéa may also be exposed to a cyber attack that adversely affects the information system's availability, confidentiality, integrity and/or traceability.

Reputational risk

Failure to observe its principles of responsible governance and business ethics could tarnish Covéa's reputation and expose it to administrative sanctions, fines or constraints. Business ethics at Covéa encompass efforts to prevent corruption and tax evasion, a duty of care, responsible purchasing, and supporting the socio-economic development of local communities.

Technical and commercial risks

There are several technical and commercial risks that could weaken Covéa's competitive position, such as product and service offerings that fail to effectively address customer needs (and in particular the consequences of climate change and social change), misunderstandings about policies and coverage, or failing to properly advise customers during all phases of the business relationship, from policy selection and risk prevention to claims filing.

ESG investment risk

The failure to control the impacts of its investments on the environment, society and corporate governance (ESG) may expose Covéa and its stakeholders to reputational, financial and regulatory risks. This may also adversely affect the performance of the Group's investments. Regulations and "soft law" are being strengthened and are requiring investors to accord more importance to social, environmental and governance criteria in their investment processes and to be more transparent about their investments.

Environmental risks arising from business activities

The direct impact of Covéa's insurance activities on the environment is relatively limited and is mainly attributable to the ownership and management of property and the Group's investment policy. This impact is measured using the net balance of greenhouse gas emissions, which are mainly generated by the ownership and use of buildings and equipment and by the commuting and business travel of employees. Consumers, corporate customers and self-employed professionals also need insurance that covers the risks of climate change and major social changes. Lastly, accounting for environmental impacts when designing products and services and repairing damage is also quite challenging.

Covéa has defined policies and implemented actions with clear objectives to mitigate or eliminate each of these risks.

3.2.2 Employment relations risk mitigation objectives

Excluding SMI and APGIS, Covéa employs 20,332 employees in France under permanent and fixed-term contracts. This figure does not include suspended employment contracts.

65.7% of these employees are women and 45.7% are managers (*cadres*). On average they are 43.4 years old and have been employed with the Group for 15.7 years.

Supporting career management and the sustainable development of human capital

Covéa could not meet the challenge of developing its business without the commitment and efforts of its employees. Career-

long training and career management are essential components of the Group's competitive strategy. This commitment to maintain and develop the skills of its employees and facilitate their career development is set forth in Covéa's GPEC collective agreement on Employment, Skills and Career Management.

Actions and accomplishments in 2019

- **62%** of vacant positions were filled internally (compared with 67% in 2018).
 - › The First 100 Days training kit was distributed to first-time managers and the Horizon Manager tool for managers of managers was deployed.
 - › The first 100% digital training course for policy underwriters was created.
 - › New project management methods, such as the agile method and design thinking, were implemented.
- **68.5%** of employees received training⁸ (compared with 58.8% in 2018).

Ensuring employee health and quality of life at work

Covéa's occupational risk prevention policy is designed to improve the quality of life at work in accordance with the Group's CSR and human resources policies, preserve the physical and mental health of employees, anticipate occupational health and safety requirements, contribute to the Group's sustainable performance, and assist employees with their career and life choices.

Actions and accomplishments in 2019

- The three-year remote working agreement signed in 2018 was rolled out.
 - **77%** of the 2,300 people who work remotely believe that this setup has had a positive impact on their work/life balance.
- A work group was formed to study absenteeism and implement preventive measures.
- The priority risks of the DUER Single Occupational Risk Assessment Document were identified and an annual safety programme was implemented.
 - **31** Covéa employees have completed the initial Occupational Emergency Response and First-Aid training and 518 have completed the OERFA refresher course.

Promoting diversity and equal opportunities

Covéa's diversity policy is in keeping with its inclusive approach, which values each employee's differences and seeks to establish a work environment that is conducive to individual well-being and effective teamwork. Covéa is also committed to employing people with disabilities hiring the unemployed and combating all forms of discrimination.

⁸ The percentage of permanent employees who participated in at least one face-to-face training session during the past year.

Actions and accomplishments in 2019

- An e-learning course on the importance of diversity in the workplace was disseminated.
50% of employees have thus been made aware of the adverse impact of stereotypes and the importance of addressing discrimination issues.
- The Handicap Mission and its network of **64** committed volunteer employees pursued their efforts to keep disabled employees employed, to recruit people with disabilities and to raise the awareness of Covéa Group employees.
41 people with disabilities were recruited in 2019 (compared with 37 in 2018).
- A Women's Career Paths and Projects training module was created which enabled **50** women to develop their leadership skills and gain enough confidence to apply for a position of responsibility.
- The Cov&elles women's network organised 13 events to promote women's careers and gender diversity in the workplace.
53.3% of managerial staff are women (compared with 52.8% in 2018).

Corporate philanthropy and partnerships to advance equal opportunities

Finding jobs for disadvantaged youth

Since 2015, Covéa has been partnering with Nos Quartiers ont des Talents, a non-profit that promotes equal opportunity employment. More than 70 of the Group's employees use their professional experience and networks to help young graduates from underprivileged neighbourhoods or backgrounds find jobs.

The FACE foundation

As a member of *Fondation Agir Contre l'Exclusion* (FACE), a network of French companies which undertake local initiatives to combat all forms of exclusion, Covéa has signed a charter to support the economic, social and cultural development of the department of Sarthe and of its disadvantaged communities in particular. For several months now, nine Covéa employees have been mentors to young people seeking employment.

Supporting people with disabilities through the MAAF and MMA foundations

For many years, the MAAF Initiatives & Handicap Foundation and the MMA Solidarity Foundation have been supporting people with disabilities and financing innovative projects that improve their daily lives.

GMF provides funding for France's National Parks

Since 2008, GMF has been supporting the Sharing Nature initiative, in partnership with *Parcs Nationaux de France*. This initiative has two main objectives: to enable people, and particularly people with disabilities, to experience nature; and to preserve and restore biodiversity.

Maintaining constructive social dialogue

Social dialogue at Covéa is conducted through the Economic and Human Resources Committee (EHRC) and meetings with trade unions. The dialogue process has been adapted to accommodate the changes that Covéa must face.

Actions and accomplishments in 2019

- Two new social dialogue committees were established: the EHRC (see above) and the Health and Working Conditions Committee (HWCC).
- The Group's collective agreement was amended to adapt the procedure for negotiating the project to recognise the Economic and Social Unit and its consequences in terms of staff representation and the exercise of trade union rights.
- Agreements were signed on the extension of Group Committee mandates, working hours, the ESU recognition project, and the Group's profit-sharing system.

Covéa's Employee and Labour Relations Department devoted 35% of its time to meetings with employee representatives and trade unions.

3.2.3 Cyber risk mitigation objectives

Protecting personal data and respecting privacy

Covéa is committed to protecting the personal data of its customers and employees and works with French data protection authority CNIL to implement the General Data Protection Regulation (GDPR) in the insurance industry. Covéa ensures that all of its businesses observe these regulations.

Actions and accomplishments in 2019

- The obligation to comply with GDPR requirements was specified in contracts with service providers and partners.
- The procedures that enable policyholders to exercise their rights were updated.
- A "GDPR Mission" e-learning module was created for all employees.
89% of employees were trained in personal data protection.

Protecting information systems from cyber attacks

Covéa has implemented a policy of cyber attack awareness and prevention that encompasses all employees.

Actions and accomplishments in 2019

- A "Cybersafe" employee awareness programme was created that includes:
- Videos, documents, a discussion group and games.
 - Phishing simulation exercises.
 - Distribution of a cyber-attack and malware awareness kit.

- “My first steps in information security” training.
- 22%** of Covéa employees have received training in cyber security measures (compared with 18% in 2018).

3.2.4 Reputational risk mitigation objectives

Promoting CSR through responsible governance

Covéa’s CSR policy is based on a materiality analysis that is conducted with internal and external stakeholders. Its guiding principle, “Take and Encourage Action”, is reflected in the commitments that Covéa has made to and with its customers, employees and civil society. The CSR policy’s three overarching goals comprise 15 main objectives. One of these goals is responsible governance, which includes combating corruption and tax evasion, responsible purchasing and ethical business practices in general.

Fighting Corruption

Covéa’s anti-corruption programme includes an anti-corruption code of conduct, a whistle-blowing procedure, a practical guidebook, training and an internal control system.

Actions and accomplishments in 2019

- Mandatory anti-corruption training for the Group’s executives and managers.
- 75%** of managers have received anti-corruption training.

Making a positive impact through responsible purchasing

Covéa seeks to ensure that its procurement practices will have positive environmental and social impacts. The Purchasing policy provides guidelines for due diligence on compliance with human rights and fundamental freedoms, occupational health and safety rules, and environmental regulations. It also seeks to make Covéa a sustainable economic partner to local communities. It does this by promoting the involvement of SMEs and local companies in the tendering process, involving at least one company that employs people with disabilities, and including social employment clauses in supplier contracts.

Actions and accomplishments in 2019

- Responsible purchasing practices were assessed and supplier monitoring and rating and other initiatives were recommended to accelerate the positive impacts of responsible purchasing.
- Purchasing policy performance indicators were implemented.

Combating tax evasion

Covéa complies with its tax reporting obligations in each country. The Group is not established in countries or territories that are considered to be uncooperative by France, the OECD or the European Union. Covéa helps ensure that its customers observe their tax obligations.

Contributing to the social and economic development of local communities

Covéa’s size and presence enable it to play a substantial role in the social and economic development of local communities.

- MMA employs 3.5% and 4.3% respectively of the active population of the Chartres and Le Mans labour market areas⁹.
- MAAF employs 5.5% of the active population of the Niort labour market area.

Covéa actively supports local businesses in and around the major cities where it is present, through foundations, incubators and other actions, and forges partnerships with local non-profits. With three major insurance brands and 2,491¹⁰ points of sale throughout France, Covéa is always close at hand to serve its customers.

Actions and accomplishments in 2019

- During the year Covéa joined the collective of companies for a more inclusive economy, which endeavours to harness its members’ economic resources to assist people in financial hardship throughout France.
- Innovative and socially responsible local initiatives were honoured and supported by the Grand Prix des Bonnes Nouvelles des Territoires (sponsored by the MMA Future Entrepreneurs Foundation), the Prix territoriaux award (sponsored by La Gazette des communes and GMF), and the Prix Hélioscope and Prix Chercheurs en Actes awards, which GMF also co-sponsors.
- Regional partnerships with Niort Tech and Le Mans Tech supported start-ups working on applications for blockchains, artificial intelligence, big data, customer journeys and other advanced technologies.
- The Community Outreach Day programme was continued. More than 200 employees volunteered one of their days off to help with various local projects, such as gardening with people in social integration programmes, sorting donations in Emmaus centres and helping young students in second-chance schools.

3.2.5 Technical and commercial risk mitigation objectives

Creating a supportive customer experience that goes beyond insurance

Improving the customer experience is a key objective of the CSR policy and a major component of the Group’s 2019-2021 strategy. Customers must have a positive and fruitful experience throughout their relationship with Covéa. In a world that is undergoing profound changes that are driven by scientific advances, the boom in new technologies, longer lifespans, and social media, Covéa and its companies must provide the coverage and services its customers need and expect. Serving customers more effectively today means providing products and services that are simpler and more reliable

⁹ INSEE, 2016

¹⁰ Concerns MAAF, MMA and GMF only.

and delivering them more rapidly.

Actions and accomplishments in 2019

- Self-employed professionals and corporate customers gave delayed-response satisfaction ratings of **8/10** and **8.1/10** to MMA and MAA, respectively.
- GMF was given a **8.1/10** delayed-response satisfaction rating by its members in 2018.
- Covéa customers gave its Fidélia assistance service an **8.8/10** immediate-response satisfaction rating.
- The services platform was enhanced with the following new home and travel services:
 - › Advice and assistance with energy-saving renovation work.
 - › A network of trade professionals who are qualified in adapting home facilities to enable the elderly and people with disabilities to continue to live in their homes.
 - › Vacation suggestions for people with disabilities and the arrangement of medical monitoring.
- There were **1.5 million** log-ins to the services platform (97,800 in 2018), of which **200,000** were to CSR partner services.

Developing environmentally and socially responsible insurance products and services

Covéa incorporates social and environmental criteria in its products and services to ensure that they meet the new and evolving needs of its customers.

Actions and accomplishments in 2019

How insurance coverage is adapting to new uses and practices:

- Motor insurance: pay-per-mile cover, discounts for electric vehicles and public transport users, liability coverage for new motorised personal transport vehicles, insurance solutions for renting or renting out a personal vehicle, car sharing and car pooling.
 - Home insurance: reduced rates for improving energy efficiency, and coverage and services for vacation rentals and home swapping. Policies that include coverage of renewable energy installations, and if necessary power sales to the grid.
 - Commercial lines: environmental coverage of the financial consequences of damage to biodiversity.
 - Family policies have been enhanced with services to assist caregivers, help with shared custody, and provide psychological support for children who suffer from bullying at school or cyberbullying.
- 56%** of Covéa health insurance customers used the services of Santéclair's partner opticians and paid less for guaranteed quality.

Sharing expertise to increase safety awareness and risk prevention

Corporate responsibility at Covéa also includes improving its understanding of the current and future needs of French consumers and companies, sharing its knowledge of safety to raise awareness and protect those who are most at risk, and

implementing effective safety measures.

Actions and accomplishments in 2019

- Research programmes funded with Covéa's partners: the Clinatéc biomedical research centre (tetraplegics and people with Parkinson's); the Prevent'Horizon Chair (preventive healthcare); the BiomecAM Innovation and Disability Chair (osteoarticular pathologies); the France Tutelle association (loss of autonomy); and the Demographic and Economic Transitions Chair (on ageing well).
 - **€5 million** was allocated to the corporate philanthropy initiatives by Covéa and its brands.
 - Preventive healthcare: awareness raising actions and screening at National Hearing and Visual Health Days, memory assessments for seniors, and nutrition and sleep coaching.
 - Road safety: the zero - Safety actions intended for self-employed professionals and corporate customers: **1,300** inspections to detect fire, malicious act and natural catastrophe risks in 2019 (compared with 900 in 2018), road safety awareness actions, implementation of business continuity plans, and cyber security audits.
 - Climate-related risks: the Coventéo risk-modelling tool and a Weather Alerts Chatbot that sends safety messages and facilitates claims filing.
- 2.5 million** weather alerts were issued in 2019 (compared with 1.5 million in 2018).

3.2.6 ESG investment risk mitigation objectives

Covéa's mutual values and its commitment to address major environmental and social challenges are also reflected in its investments. Covéa Finance and Covéa Immobilier, which respectively manage the Group's financial and property assets, ensure that its environmental, social and governance practices are adhered to in a process of continuous improvement. Covéa's ESG report clearly describes how this ESG approach is an integral part of asset management.

Integrating ESG criteria into the investment strategy

Covéa is convinced that its ESG approach adds value to the management of its portfolios. This is why, in addition to financial criteria, Covéa Finance uses ESG criteria to assess the risks and opportunities of its investments. The five pillars of the ESG approach are:

- voting policy;

- exclusion policy;
- corporate engagement policy, as assessed on the basis of shareholder communication and an analysis of ESG performance;
- environmental and Socially Responsible investment funds;
- calculation of the carbon intensity of most portfolios.

Actions and accomplishments in 2019

- **66** votes at the annual General Meeting of portfolio companies (compared with 69 in 2018).
- **58** companies met with to discuss their ESG practices (compared with 26 in 2018).
- **85%** of the assets managed by Covéa Finance had been subjected to an ESG analysis by the end of 2019.

Investing in property responsibly

Covéa Immobilier is a centre of excellence with expert teams who combine their talents to select, purchase, manage and renovate the Covéa Group's operational and investment properties. Covéa Immobilier continuously adapts its investments to comply with environmental standards and keep pace with social change and has made a strong commitment to green and virtuous property that includes clear objectives and concrete action plans.

The management of property assets is indeed a major environmental concern, the main objectives of which are:

- To select properties that create value for Covéa and its tenants, not only because of their intrinsic qualities but also the potential environmental, social and health-related benefits of their location, accessibility and integration in local communities.
- To offer tenants a comfortable work environment that will increase their productivity.
- To increase the value of property assets with buildings that are innovative, efficient and attractive.
- To engage tenants by including environmental clauses in leases and regularly updating them.
- To target energy efficiency in redevelopment projects.
- To protect the planet by designing, constructing and renovating buildings from an environmental perspective, taking into account their energy efficiency, CO₂ emissions, resource management and waste recycling.
- To preserve biodiversity and natural resources.
- To continue Covéa's efforts to get its buildings certified to increasingly higher standards.

It is with these objectives in mind that Covéa Immobilier has continuously proven its capacity to innovate and to manage its properties in a sustainable and responsible manner.

Covéa Immobilier has signed the Sustainable Building Plan Charter, which promotes the energy efficiency of public and private commercial buildings and the well-being of their occupants, the Circolab Charter for the circular economy in the property and construction industries, and the City of Paris's Charter for private residential water management. These

charters serve to improve the energy efficiency and environmental performance of Covéa's property assets.

Actions and accomplishments in 2019

- Instrumented energy management and action plans were implemented.
- Awareness guides were issued for commercial and residential tenants.
- Five new sites undertook BREEAM and High Environmental Quality certification procedures.
- Regulatory energy audits were conducted to help manage the energy consumption of the Group's most energy-intensive buildings.
- The energy consumption of redeveloped and certified buildings was reduced by **40%** for the five types of regulatory uses.
- Studies were launched to improve the biodiversity of Covéa's buildings.

Since 2012, more than **170,000 m²** of Covéa's property assets have received a construction/renovation or operation environmental quality label or certification, including **95%** of the commercial buildings redeveloped.

Every year, Covéa Immobilier assesses the greenhouse gas emissions of the buildings it manages on behalf of the Group's companies. The carbon footprint of property investment assets in 2019 was **10.14 kgCO₂eq/m²** which is 3.4% less than the previous year.

3.2.7 Environmental risk mitigation objectives

Reducing the environmental footprint of the Group's operations

Covéa Immobilier's Sustainable Development Charter describes the policy, key principles, objectives and actions implemented to reduce the environmental impact of operational buildings. This charter will be progressively strengthened. Its principles and objectives are implemented through procedures that are made available to all employees, for whom awareness-raising actions are also organised. These procedures provide concrete examples of applications. The primary tool for monitoring compliance is the greenhouse gas emissions assessment. The bulk of emissions result from the ownership and use of the buildings and equipment that are required for business activities.

Actions and accomplishments in 2019

- Good governance practices, efforts to inform employees and raise their awareness, and the encouragement of local initiatives should enable an ambitious yet pragmatic policy.
- Environmental protection and improvement studies are regularly conducted before any concrete action is taken, such as using a renewable energy source or a heat recovery system, creating beehives or planting trees.
- BREEAM In-Use certification was renewed at the Wacken site in Strasbourg, as was the Saran site's ISO 50001 certification.
- An environmental quality label or certification is systematically sought for all major redevelopment projects.
- Building management technology has been implemented at all sites to monitor, analyse and reduce energy and other consumptions.
- The management of excessive consumption alerts was improved.
- A waste reduction and recycling policy was implemented at all major sites.

By the end of 2019, over **61,000 m²** of the operational buildings at the Group's main sites had received a Construction quality label or certification and over **58,000 m²** had received an Operations quality label or certification.

The carbon footprint of the operational buildings was **15.02 kgCO₂eq/m²** of greenhouse gas emissions. This is 1.8% less than in 2018.

Limiting the environmental impact of new

products and services and of reconstruction work

Covéa strives to reduce the environmental impact of its business activities not only when it designs new products and services, but also when it repairs property damage and provides assistance services. When selecting providers of vehicle repair services in particular, Covéa pays close attention to environmental, economic and traceability criteria, and to service provider diversification and certification.

Actions and accomplishments in 2019

- Vehicle service provider certifications for pollutant management were checked.
- CESVI France promoted the repair and reuse of certain vehicle parts, instead of replacing them.
- Mobile dent removal platforms were provided to repair hail-damaged vehicles on site.
- A procedure was implemented to empower policy-holders to take their own standardised photos of minor motor vehicle damage and send them to an approved repair shop for appraisal.
- Partnerships were set up with major paint manufacturers to procure solvent-free paint.
- A network of sustainable construction and renovation experts was set up to adjust home insurance claims.

Board of Directors' management report to the General Meeting



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4.

4.1 Market environment

4.1.1 Financial and property markets

Economic uncertainty remained high in 2019, as did trade tensions between China and the United States, which resulted in tariff barriers between the two countries. The Brexit negotiations also contributed to the general lack of visibility. These uncertainties had repercussions on economic activity, which has slowed sharply worldwide. According to the IMF's estimates, global growth was 2.9% in 2019, the lowest level since the 2008 financial crisis. 2019 also saw a return to the easing of central banks' monetary policies.

Within the eurozone, growth slowed to 1.2%, compared with 1.9% in 2018. Several countries have flirted with recession, especially Germany, which was hit hard by the slowdown in global trade. Growth in the eurozone was mainly driven by domestic demand, with foreign trade making a negative contribution. The European Central Bank maintained its support with three accommodative measures in September: a 0.1 point reduction in its deposit rate to -0.5%, reactivation of its asset purchase programme, and a tiering scheme that set the interest charge on mandatory reserves at 0%.

In the United Kingdom, growth slowed to 1.2% in 2019 (compared with 1.4% in 2018), due in part to the poor visibility ahead of the December elections. In the face of the uncertainty about the outcome of Brexit, the Bank of England preferred to wait and see and maintained its monetary policy and key rate at 0.75%.

Although there was less growth in the United States than in 2017 and 2018, it was still solid at 2.3% while unemployment fell to its lowest level in 50 years. After steadily increasing its key rates between 2015 and 2018, the Fed radically changed its tune in the spring by abandoning its policy of monetary tightening and in July initiating a series of three preventative 25 basis point rate cuts to bring its Fed Funds rate down to 1.75%.

Caught between its trade war with the United States and weakening domestic demand, China's growth continued to slow and ended the year at 6.1%.

2019 was marked by a lack of momentum in the major emerging countries, with the exception of India. Growth was barely positive in Russia, Brazil and Mexico, while Venezuela, Turkey and Argentina saw their financial and economic situation deteriorate.

Bond markets

Eurozone bond markets in 2019 were characterised by a collapse in yields, with record low after record low set during the summer in all countries. The catalyst for this collapse was the European Central Bank's policy reversal in the spring, which pushed back the horizon for the normalisation of policy interest rates indefinitely. The search for positive returns further flattened yield curves, as investors were forced to invest in ever longer maturities. At the end of 2019, the yields on French debt of less than 9-year maturity were still negative and the 10-year yield was only 0.1%.

In the United States, yields also fell sharply after the Fed abandoned its plan to normalise its monetary policy and subsequent rate cuts. Over the year, 2-year and 10-year yields fell by 92 and 77 basis points respectively to 1.57% and 1.92%.

Despite an unprecedented amount of issuance in 2019, there was strong demand for eurozone corporate bonds which was fuelled by the search for positive returns and the resumption of the ECB's bond purchases in November. The average eurozone risk premium thus fell 68 basis points in 2019, to end the year 104 basis points above the German Bund yield.

Equity markets

Despite a relatively weak economic and geopolitical context and a general stagnation in corporate earnings, equity markets had an excellent year with all stock market indices posting strong gains. The French CAC 40 index, for example, ended the year at 5,978 points, after briefly breaking through the symbolic 6,000-point mark, a spectacular annual gain of 26.4%. The US equity market showed similar behaviour, with the Dow Jones and S&P 500 indices gaining 22% and 29% respectively.

Foreign exchange markets

With the exception of Sterling, there was relatively little volatility in the foreign exchange market in 2019. The euro fell against most major currencies while the US dollar was steady.

This caused the EUR/USD rate to decline 2.2% over the year, from 1.15 to 1.12. The pound sterling, which had suffered from the Brexit process, began to appreciate considerably in mid-August. The EUR/GBP exchange rate ended the year at 0.85, an annual gain of 6%. The yen also rose against the euro, albeit by a more modest 3%.

Property markets

In line with 2018, investment in French commercial property (i.e. office, retail and industrial properties) continued to grow in 2019, reaching nearly €36 billion. Against a background of a turbulent global economy and extremely low bond yields, the French property market continued to attract both domestic

and foreign capital. Office properties in traditional business districts were once again the preferred choice of investors. After reaching what appeared to be a low point at 3.0%, prime office property yields fell further in the last quarter of 2019, to 2.85%.

The Paris region commercial rental market shrank once again in 2019, to 2.3 million m², a 10% annual decrease. The declining volume of rental activity is attributable to the densification of workspaces, high rent levels and the lack of supply. With no significantly large development projects delivered, the supply of available office space continued to shrink. The vacancy rate in the Île-de-France region was 4.9% at the end of 2019, compared with 5.1% a year earlier. Although this situation pushed rents in central districts even higher, deals were still being sweetened with special terms and offers.

Sales of existing homes in Paris were boosted by low interest rates and renewed interest in residential investment properties, which enabled the market to recover and posted 3% growth by volume over the year. The average price per m² in Paris rose once again in 2019, by 6.9%, and surpassed the €10,000/m² mark at €10,170/m². The rate of rent growth in the Paris metropolitan area will once again be constrained by the city's rent control system, which was re-introduced in July 2019.

Covéa's investment performance

The Covéa Group's investments continued to do well, with an average rate of return of 2.7%. Unrealised capital gains rose sharply by 32%, to end the year at €14 billion.

4.1.2 Insurance markets in France¹¹

Life insurance and annuities¹²

In 2019, premiums rose 4% to €144.6 billion, driven by a 27% surge in group policy business and a 1% increase in individual policies.

Gross inflows on unit-linked policies grew 2% to €39.6 billion and accounted for 27% of contributions at the end of 2019. Payments into euro-denominated products rose 4%, to €105 billion.

Net life insurance inflows were €25.9 billion, compared with €22.4 billion in 2018. They were fuelled by a positive net inflow of €19.8 billion on unit-linked policies.

Total life insurance and capitalisation policy assets under management grew by 6%, to €1,788 billion at the end of 2019.

11. Source: French Insurance Federation (FFA)

12. Life insurance, death and capitalisation policies

Covéa's position in the savings and pensions market

With bond yields historically low, the Group maintained its prudent policy of limiting inflows to euro-denominated policies. Total gross inflows in France fell by 3.7% to €3.3 billion in 2019, with unit-linked policies now accounting for 16% of this amount.

Rates credited to policyholders

In 2019, the rates credited to holders of the Group's main policies decreased slightly but continued to exceed the market average. They were 1.9% for GMF Vie, 1.75% for MAAF Vie and 1.47% to 1.97% for MMA Vie.

Health and protection

Premiums from personal accident insurance rose 4.6% in 2019, to €24.8 billion. Premiums for medical expenses and disability, long-term care and accidental death insurance grew by 4.5% and 4.7%, respectively. Group policies posted the strongest growth across all insurance categories.

Claims increased 6.3% in 2019, to €16.5 billion. This increase is mainly attributable to the 7.1% growth of medical expenses.

Covéa's position in the health and protection market

With €2.4 billion in earned premiums in 2019, a 5% annual increase, the Group continued to grow its health and protection business. Group insurance policies posted robust 9% growth of earned premiums over the year, and accounted for 36% of Covéa's business in this market.

Property and casualty

The property and casualty insurance market grew by 3.5%, the strongest pace over the past eight years. Commercial lines posted slightly higher growth of 3.7%, which is largely attributable to the construction sector and company car fleets. Personal lines posted 3.4% premium growth.

As in previous years, growth was strong in both the comprehensive home insurance market (3.2%) and the motor insurance market (3.2%), with the latter benefiting from the increase in the number of vehicle registrations.

Although motor insurance claim rates were more or less stable, higher average costs increased total claims. In the comprehensive home insurance market, total claims fell by 2.6%, as most claim rates declined.

Covéa maintains its leading positions in the French property and casualty market

- No 1 in **motor** insurance, with a market share of 19.4%¹³. Earned premiums on personal lines rose 1.2% in 2019, to €3.8 billion;
- No 1 in comprehensive **home** insurance, with a 17.2% market share¹⁴. Earned premiums grew by 2.9% in 2019, to €1.95 billion;
- No 2¹³ in the **commercial lines** market with earned premiums of €3.3 billion in 2019, for 6.9% annual growth;
- No 1 in **legal protection insurance**, with a 17% market share¹³.

4.2 Significant events

Reinsurance protection collateralised by catastrophe bonds

Covéa has taken out reinsurance protection in the amount of €120 million with Irish reinsurer Hexagon II Reinsurance DAC, also known as "Hexagon II Re". For this transaction, Hexagon II Re issued a class of cat bonds maturing in 2024. These bonds will serve to cover Covéa's French property and casualty insurance companies against storm risk and other weather loss events, primarily in mainland France and as of 1 January 2020.

These new bonds will enable the Covéa Group to pursue the diversification of its reinsurance capacity and strengthen its access to global capital markets, within a secure legal and financial framework.

Partnership with the BPCE group and Natixis renewed

In May 2019, Covéa renewed its partnership with the BPCE group and Natixis to insure the commercial risks of Caisses d'Épargne and Banques Populaires clients. As of 1 January 2020, Natixis Assurances will take over the new non-life insurance business of Banques Populaires' consumer clients in addition to those of Caisses d'Épargne. BPCE IARD, which is jointly owned by Natixis Assurances and the Covéa Group, will continue to insure the commercial risks of the clients of both banks. The renewal of this partnership will support Covéa's growth in the commercial lines, in accordance with its Cové@venir 2021 strategic plan.

Financial ratings

On May 27, 2019 - **Moody's** assigned a Aa3 insurance financial strength rating to Covea Cooperations, with a stable outlook.

On 26 September 2019, **AM Best** affirmed Covéa Coopérations' financial strength rating of A (Excellent) and long-term issuer credit rating of a+. The outlook for these ratings is stable.

On 21 January 2020, **S&P Global Ratings** raised the financial strength rating of all rated Covéa Group companies from A+ to AA- with a stable outlook.

Scor

On behalf of the Covéa Group, Covéa Coopérations began negotiations with Scor in August 2018 to discuss a potential merger between the two parties. Given the reaction with which the proposal was met, the Covéa Group announced on 29 January 2019 that it no longer considered a merger with Scor a realistic strategic option. Immediately afterwards, Scor announced it was bringing civil and criminal action against the Covéa Group (Covéa, Covéa Coopérations and their Chairman). At their meetings of 30 January 2019, the boards of directors of Covéa and Covéa Coopérations took note of this information, rejected the unfounded accusations and confirmed that the Covéa Group would exercise its legal rights.

At the date at which the 2019 financial statements were approved, given the progress of these procedures and given the Covéa Group refutes all allegations made against it by Scor, no expense was recognised in respect of this litigation.

¹³. Source: French Insurance Federation (FFA)

¹⁴. Source: Argus de l'Assurance

4.3 Results and financial position

4.3.1 Group activities and financial results

Net income (Group share) was €858 million compared with €940 million at 31 December 2018:

<i>In € millions</i>	2019	2018
Earned premiums	17,400	16,925
Economic current operating income from insurance activities	1,406	1,416
Of which non-life insurance	975	1,055
Of which life insurance	431	361
Economic current operating income from other activities	27	55
Income from investments accounted for using the equity method	18	21
Income tax	-553	-529
Other	-40	-23
Net income (Group share)	858	940

Earned premiums grew by 2.8% to €17.4 billion, driven by business in France and around the world.

<i>In € millions</i>	2019	2018
Property and casualty insurance	9,623	9,291
Life, health and protection insurance	5,616	5,629
Total Insurance - France	15,239	14,920
Total Insurance - International	2,161	2,006
Total Insurance activities	17,400	16,925

- **In France**, the Group continued to develop its property and casualty insurance business, with a 3.6% increase in earned premiums, which was driven mainly by the continued robust growth of commercial lines business. With regard to life, health and protection insurance, the increase in earned premiums in health and protection was fully offset by the decline in gross inflows into savings and retirement contracts, reflecting the more prudent stance that was adopted in response to persistently low interest rates.
- The earned premiums of **international subsidiaries** grew 7.7% in 2019 to €2.2 billion and accounted for 12.4% of the Group's revenue. This growth was driven by subsidiaries in Italy and the United Kingdom, which are Covéa's largest international markets.

Economic current operating income from insurance activities was €1.4 billion, stable compared with 2018. The combined ratio remained satisfactory at 98.1%. Despite a difficult market environment, investments continued to do well, with an average yield of 2.7%.

Economic current operating income of other activities totalled €27 million, compared with €55 million in 2018, which included an overall net gain of €27 million on the disposal of the brokerage firm Swinton. Excluding this item, the economic current operating income of other activities remained stable.

Income tax expense increased in 2019, mainly due to the tax rate changes introduced under the French Finance Act and the GAFA Act.

4.3.2. Activities and results in France

BUSINESS ACTIVITIES

Group earned premiums

<i>In € millions</i>	2019	2018
Motor insurance	3,802	3,757
Home and other personal lines	1,954	1,900
Commercial lines	3,346	3,130
Legal protection and assistance	292	283
International reinsurance	164	149
Other	64	73
Total property and casualty insurance	9,623	9,291
Health and protection	2,356	2,245
Savings and retirement	3,260	3,384
Total life, health and protection insurance	5,616	5,629
Total insurance activities	15,239	14,920

In **property and casualty**, all major business lines contributed to the growth of earned premiums in 2019:

- **Personal lines** saw their earned premiums increase 1.8%, to €5.8 billion. Motor insurance and home and other personal lines posted 1.2% and 2.9% growth respectively, mainly as a result of pricing measures.
- Covéa also continued to grow its **commercial lines business**, and did particularly well in the affinity and partnerships segment, where earned premiums surged 13.2%. In the other market segments, earned premiums rose by 5.1% to €2.6 billion. The Construction portfolio, ICSPL (Industry, Commerce, Services and Liberal Professionals) portfolio, and the Corporate Fleet portfolio accounted for most of this growth.
- In the **legal protection insurance** market, earned premiums ended the year at €247 million. This 3.7% annual growth was driven by the increase in stand-alone policies and optional guarantees. Earned premiums on **assistance** insurance were stable at €45 million.
- Earned premiums on **International Reinsurance** rose 10.8% in 2019. The bulk of this growth was in property and casualty and was driven by the ongoing expansion of commercial relationships and the increased capacity deployed in historical and newly targeted markets.

Regarding **life, health and protection insurance**, earned premiums were stable, at €5.6 billion:

- In the **health and protection** segment, Covéa continued to expand its group insurance business, where premiums grew by 9.1%, largely as a result of the development of Covéa Coopérations' reinsurance business. Individual policies posted premiums growth of 2.8%, which was largely driven by the health and protection markets, where premiums rose 1.7% and 4.9% respectively.
- In **savings and retirement**, given the persistently low interest rates, the Group maintained its prudent stance on euro-denominated policies which caused gross inflows to fall 1.8%, to €2.7 billion. Gross inflows into unit-linked policies, which accounted for 16% of total inflows, also declined.

Earned premiums* of the main non-life and mixed entities in France

<i>In € millions</i>	2019	2018
MMA IARD	4,944	4,805
MAAF Assurances SA	2,625	2,571
GMF Assurances	1,758	1,716
Fidélia Assistance	454	442
MAAF Santé	437	425
APGIS	476	510
COVÉA Protection Juridique	264	259
SMI	170	175

* Company financial statements

MMA IARD continued to develop its commercial lines business, with 6% earned premiums growth, and did particularly well in the affinity and partnerships segment, where earned premiums surged 13.2%. The 3.5% growth of earned premiums in the health and protection market was largely driven by group insurance. Earned premiums on personal lines decreased 1%, mainly due to the decision to terminate relationships with some brokers in the motor insurance market.

MAAF Assurances SA's earned premiums rose 2.1% in 2019. This growth is mainly attributable to motor and home insurance business, which grew 2.1% and 2.9% respectively. MAAF Assurances SA also continued its growth in the protection insurance market, where premiums increased 8.4%. The 2.6% drop in earned premiums on small business policies is attributable to the construction segment.

GMF Assurances grew its premiums by 2.4%, with all market segments making a positive contribution. Motor and home insurance premiums rose 1.3% and 2.5% respectively. As over the past few years, GMF Assurances' health and protection business continued to grow in 2019, with premiums rising 7.1%.

Fidélia Assistance's earned premiums rose 2.8% in 2019, mainly due to the increase in the premiums charged by the Group's brands. Premiums on direct business were stable at €34 million.

MAAF Santé's earned premiums were up 2.7% at the end of 2019. This growth is mainly attributable to the 3.1% increase in earned premiums on individual health policies, which was driven by the increase in the number of policyholders and in average premiums.

APGIS's earned premiums shrank 6.6% in 2019, to €476 million. This negative growth is largely attributable to the entry of a large pharmaceutical company in the client portfolio in 2018. When premiums are restated to account for this client they decreased 0.9%, mainly due to the decline in life protection business.

Covéa Protection Juridique continued to develop its core business of legal protection insurance, with earned premiums growth of 3.7% that is mainly attributable to the increase in the volume of policies. Financial loss insurance premiums continued to fall as Covéa Protection Juridique withdrew from this market.

SMI recorded a 3.3% decrease in earned premiums that is mainly attributable to declines in group and individual health insurance business.

Premiums* of the major French life insurance entities

<i>In € millions</i>	2019	2018
MAAF Vie	780	855
GMF Vie	1,278	1,351
MMA Vie	1,391	1,359

* *Company financial statements*

MAAF Vie saw its premiums fall 8.8% in 2019, mainly due to the decrease in inflows into euro-denominated retirement savings policies in keeping with the Group's strategy of limiting inflows on these policies given the extremely low level of interest rates. As in 2018, unit-linked policies accounted for 16% of total gross inflows. MAAF Vie continued to expand its protection business, with 6.5% premiums growth.

The 5.4% decrease in **GMF Vie's** premiums may also be attributed to the decline in gross inflows on euro-denominated savings products. Unit-linked policies accounted for 6.6% of

total gross inflows, which is 1.1 points more than in 2018. GMF Vie also continued to expand its protection business, with 3.3% premiums growth.

MMA Vie saw its premiums rise 2.4% largely as a result of gross inflows on euro-denominated retirement savings policies, which increased 10.9% in 2019, with net inflows still negative at the end of the year. Unit-linked policies accounted for 24% of total gross inflows, compared with 30% in 2018. MMA Vie posted 6.3% growth in protection premiums, to which both group and individual policies contributed.

Revenue* from other activities in France

<i>In € millions</i>	2019	2018
Covéa Finance	98	92
Other	13	11
Total	111	103

* *Contribution of companies to revenue from other activities*

The revenue from other activities is mainly contributed by **Covéa Finance**, the asset management company of the Covéa Group's French insurance entities. Covéa Finance's revenue

excluding intercompany sales was €98 million, which is 6% more than in 2018. This growth was driven by the increase in assets under management which increased fund management fees.

FINANCIAL PERFORMANCE

Net income (Group share) from Covéa's business activities in France totalled €856 million in 2019, compared with €899 million in 2018.

Income from insurance activities

<i>In € millions</i>	2019	2018
Earned premiums	15,239	14,920
Economic current operating income from insurance activities	1,378	1,381
Of which non-life insurance	995	1,064
Of which life insurance	383	317
Income from Equity-accounted investments	4	3
Income tax	-528	-503
Other	-20	-3
Net income (Group share)	834	878

Economic current operating income of insurance activities was stable year on year at €1,378 million.

- **Non-life insurance** business contributed €995 million to economic current operating income compared with €1,064 million in 2018. The combined ratio improved by 0.7 points, to 97.3% compared with 98% in 2018. 2019 brought lower loss experience on personal lines and a decrease in overheads that is partly attributable to a lower cost of long-term employee benefits. These positive factors were offset however by a deterioration of loss experience on commercial lines and the continued high cost of weather events. In a difficult environment for financial markets, financial revenue from asset management in 2019 was €771 million, which is €175 million less than in 2018. This is largely explained by a decrease in realised capital gains as a result of efforts to secure the investment portfolio.
- **Life insurance** business contributed €383 million to economic current operating income in 2019. This €66 million annual growth is mainly due to an increase in the underwriting margin.

This is attributable to a lower provision for the guaranteed minimum return, which was made possible by rising financial markets in the last quarter of 2019, and to an increase in annual management fees. Although rates credited to policyholders decreased slightly in 2019, they were still at the high end of the market. Covéa also continued to increase its provision for profit sharing as a hedge against the likelihood of persistently low interest rates in the foreseeable future.

Equity-accounted investments (essentially Carma and Protec BTP) contributed €4 million to net income in 2019.

Income tax expense rose €25 million in 2019, mainly due to the new tax rates introduced under the French Finance Act and the GAFA Act.

Net income (Group share) from insurance activities in France totalled €834 million, compared with €878 million in 2018.

Income from other activities

<i>In € millions</i>	2019	2018
Covéa Finance	22	18
Other		3
Net income (Group share)	22	21

Net income (Group share) from other activities was €22 million, compared with €21 million in 2018. This increase is attributable to a €4 million increase in Covéa Finance's

contribution. The latter was driven by the growth of revenue and operating income, and in realised capital gains.

4.3.3 International activities and results

BUSINESS ACTIVITIES

Insurance activities

The Covéa Group saw a 7.7% increase in **earned premiums** in 2019, to €2,160 million. Italy and the United Kingdom, the

Group's two largest international markets, accounted for 49% and 42% of total premiums, respectively.

<i>In € millions</i>	2019	2018
United Kingdom	904	863
Italy	1,064	961
Other countries	193	182
Total insurance activities	2,161	2,006

In **Italy**, the Group operates through its subsidiaries Bipiemme Vita and Bipiemme Assicurazioni, whose products are distributed by Banco BPM. Bipiemme Vita's life insurance premiums rose 11%, with stronger inflows for both euro-denominated and unit-linked policies. In the non-life insurance segment, Bipiemme Assicurazioni saw its earned premiums rise 1.8% to €31 million.

In the **United Kingdom**, Covéa Insurance continued to develop its business, with an increase of 4.8% in its earned premiums. This sustained growth is largely attributable to the commercial lines and protection markets, as the expansion of policy portfolios grew business by 5% and 19% respectively.

FINANCIAL PERFORMANCE

Insurance activities

<i>In € millions</i>	2019	2018
United Kingdom	-8	10
Italy	23	17
Other countries	-7	-10
Total insurance activities	8	17

In the **United Kingdom**, the decrease in Covéa Insurance's contribution to net income is explained by the decline of the net technical margin, due to the increase in average costs in the motor insurance market and in general expenses as a result of the ongoing restructuring of the company's IT system.

Bipiemme Vita and Bipiemme Assicurazioni in **Italy** contributed €23 million. This increase is explained by higher realised capital gains on the equity portfolio. When the amortisation of goodwill, valuation adjustments and other consolidation adjustments are excluded, the Italian subsidiaries contributed €33 million compared with €29 million in 2018.

The increase in earned premiums of the **other countries** (essentially CSE, Covéa's subsidiary in the United States) was entirely attributable to the euro's depreciation against the US dollar.

Other activities

Following the disposal of the brokerage firm Swinton in the United Kingdom, as of 31 December 2018 international entities have contributed no revenue from other activities. In 2018, Swinton contributed €106 million to the Group's revenue.

The contribution of the **other countries** represents the activity of CSE, the Group's subsidiary in the United States, the Medical Insurance company, its subsidiary in Ireland, and its stake in the Caser group in Spain. This contribution was relatively stable compared with 2018.

Other activities

Other activities contributed -€6 million compared with €24 million in 2018. The 2018 accounts included a total net gain of €27 million on the sale of Swinton.

4.3.4 Combined balance sheet

• **Group equity:** Covéa's combined equity (after net income for the year) was €16 billion euros compared with €15.2 billion in 2018.

• **Technical reserves:** €90.4 billion, compared with €88 billion in 2018.

• **Debt:** subordinated liabilities totalled €193 million and accounted for 1.2% of Group equity at 31 December 2019.

<i>In € millions</i>	2019	2018
Non-life technical reserves	26,976	26,022
Life technical reserves	63,472	62,011
Total technical reserves	90,447	88,033

• **Investments:** the net book value of investments in property, in financial assets and in associates (accounted for using the equity method) was €97.6 billion at the end of 2019, compared with €94.4 billion a year earlier.

• **Unrealised capital gains:** €14 billion at 31 December 2019 compared with €10.6 billion a year earlier.

<i>In € millions</i>	2019	2018
Property	2,817	2,600
Equities & equity UCITS	3,789	2,142
Bonds & bond UCITS	7,383	5,879
Other	4	5
Total	13,994	10,626

4.3.5 Other information

As a “combining entity” under Article 173-6 of the French Ecological and Energy Transition Act, Covéa prepares a separate report on how it incorporates environmental, social and

governance criteria in its investment process. This report will be accessible on its website.

4.4 Subsequent events

Covid-19

After first surfacing in December 2019, Covid-19 spread rapidly across the globe in the first quarter of 2020 causing government authorities in many countries to declare a health emergency. This health crisis has led to a sudden contraction in economic activity and considerable uncertainty about the outlook for growth, which as a result has provoked a high level of volatility in financial markets. The economic slowdown has affected every industry, including the insurance sector.

In response, the Covéa Group has set up several crisis units that meet daily to deploy the range of measures necessary to protect employees and maintain business continuity in order to uphold services provided to members and customers, many of whom operate in areas that are of essential importance to the country.

The Group has implemented a number of actions, including a significant shift to remote working wherever possible. After shutting a great many branch offices and facilities, business continuity and communication plans have been put in place to safeguard business activity. Although almost all employees are now working primarily from home, certain employees responsible for essential or critical tasks are required to travel to certain sites on a daily or regular basis to maintain service continuity for members, customers and partners (including networks and suppliers).

The uncertainty as to the way in which the Covid-19 pandemic will develop means it is currently not possible to accurately assess the extent and duration of the damage to the macroeconomy, and consequently, the potential impact on the Group’s business and results in 2020. The main risks associated with this crisis involve in particular: business development, changes to the value of investments made by insurance companies and the impact of insurance coverage (property, life, health and protection). Nevertheless, the assessment of these risks is being constantly monitored within an exceptional risk management system set up within the Group. At this point in time, nothing has been identified as having a material impact on the financial strength of the Covéa Group.

The strength and solidity of the Covéa Group inspires confidence in the future and the ability to weather this crisis. The Group’s employees remain fully engaged to support its members, customers and partners.

Covéa’s project to acquire PartnerRe and form a leading diversified insurance and reinsurance group

On 3 March 2020, Covéa announced that it had agreed a memorandum of understanding with Exor to acquire 100% of the ordinary share capital of PartnerRe, a major global reinsurance company in exchange for a total cash consideration of \$9.0 billion. This amount would be fully financed by the Group’s available resources.

Founded in 1993, PartnerRe is a highly renowned global reinsurer with significant technical expertise. With \$7.3 billion in premiums written at year-end 2019, it offers a wide range of products and enjoys a strong presence in “property and casualty” and “speciality property”, which account for approximately 80% of its business. In recent years, PartnerRe has sought to diversify into life and health reinsurance, which now represents 20% of its premiums. Its portfolio is also spread across a wide geographic footprint, covering North America, Europe and the rest of the world. PartnerRe presents a high level of financial strength and has demonstrated robust technical and financial performance throughout various market cycles. The company employs over 1,000 people who are mainly based in Europe.

This transaction is in line with with Covéa's growth strategy, which has been built around anticipating long-term changes in the market. The planned take-over reflects this approach, bolstering Covéa's presence throughout the entire insurance value chain. It would help the further diversification and international expansion of Covéa to create a leading European insurance and reinsurance group that is positioned at the forefront of property and casualty insurance in France and as a major diversified reinsurer operating throughout the world. Covéa and PartnerRe share the same high

standards in terms of technical discipline, financial strength and long-term value creation. The transaction would help to build to future of the members, customers and employees of the new entity.

The take-over has been put to the employee representative bodies, which have been asked to give their opinion, due mid-May, before the acquisition contract is signed. The completion of the transaction is subject to approval from the relevant competition and regulatory authorities.

After this planned acquisition was announced on 3 March 2020, S&P Global Ratings affirmed the financial strength rating of all rated Covéa Group companies as AA- with a stable outlook.

On 4 March 2020, Moody's affirmed the rating of Covéa Coopérations' financial strength as Aa3 with a stable outlook.

On 5 March 2020, AM Best placed the A (Excellent) rating of Covéa Coopérations' financial strength “Under Review with Developing Implications”.

4.5 Outlook

In addition to the special measures put in place by Covéa to protect its employees, support its members and customers and monitor the risks in response to the Covid-19 pandemic (see paragraph on Subsequent Events), the Group intends to continue working towards the strategic and operational objectives defined in the Cové@venir 2021 plan. In keeping with its commitment as a mutual organisation, Covéa strives to create

ever more value for its members, employees and the Group. This strategic orientation is structured around high quality services for members and the Group's financial strength, which is reflected in its high solvency ratio that allows it to apply a long-term view to its business model. The Group also intends to finalise the planned acquisition of PartnerRe.

Financial statements



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5.

5.1 Combined financial statements and notes

5.1.1 Combined balance sheet

In € thousands

ASSETS	Notes	Gross amount	Amortisation and impairment	Net amount 2019	Net amount 2018
Values of purchased insurance business	Note 8	693,087	-653,052	40,035	53,960
Intangible assets	Note 9	482,521	-202,637	279,884	277,572
Values of purchased insurance business		149,801	-99,826	49,975	49,976
Other		332,720	-102,811	229,909	227,596
Insurance undertakings' investments	Note 10.1	91,890,551	-1,152,660	90,737,891	88,374,780
Land and buildings		4,109,267	-621,370	3,487,897	3,502,321
Investments in subsidiaries and affiliates		1,096,332	-192,653	903,679	749,188
Other investments		86,684,952	-338,637	86,346,315	84,123,271
Investments representing unit-linked policy commitments	Note 10.4	6,415,886		6,415,886	5,582,117
Other undertakings' investments	Note 10.5	216,626	-58,154	158,472	121,669
Equity-accounted investments	Note 10.6	283,716		283,716	274,873
Outward reinsurers' share of technical reserves	Note 18	2,780,788		2,780,788	2,486,005
Receivables arising from insurance and reinsurance transactions	Note 11	4,130,187	-119,165	4,011,022	3,789,798
Receivables from banking sector companies	Note 12	3,264,234		3,264,234	3,572,986
Other receivables	Note 13	1,286,780	-29,022	1,257,758	1,309,962
Other assets	Note 14	446,090	-284,623	161,467	178,216
Accruals – Assets	Note 15	2,993,936		2,993,936	2,775,217
Deferred acquisition costs		1,021,687		1,021,687	966,398
Deferred tax assets		915,074		915,074	789,189
Other		1,057,175		1,057,175	1,019,630
TOTAL ASSETS		114,884,402	-2,499,313	112,385,089	108,797,155

In € thousands

LIABILITIES	Notes	2019	2018
Group equity	Note 16.1	15,968,048	15,196,458
Share capital or equivalent		1,129,698	1,124,386
Additional paid-in capital		6,358	6,358
Reserves		13,973,511	13,125,985
Net income		858,481	939,729
Minority interests	Note 16.2	90,737	82,672
Subordinated liabilities	Note 17	192,885	187,572
Gross technical reserves	Note 18	84,004,502	82,397,902
Life technical reserves		57,028,885	56,375,641
Non-life technical reserves		26,975,617	26,022,261
Technical reserves for unit-linked policies	Note 18	6,442,705	5,635,226
Provisions for liabilities and charges	Note 19	817,398	679,808
Liabilities arising from insurance or reinsurance transactions	Note 20	1,208,430	1,174,470
Debt with banking sector companies	Note 21	394,920	448,365
Other liabilities	Note 22	1,903,828	1,703,564
Accruals – Liabilities	Note 23	1,361,636	1,291,118
TOTAL LIABILITIES		112,385,089	108,797,155

5.1.2 Commitments received and given

In € thousands

	2019	2018
Commitments received		
Insurance companies	383,811	340,601
Other companies	964	855
Commitments given		
Insurance companies	961,288	752,118
Other companies	762	108
Pledged securities received from reinsurers	1,453,784	1,455,655
Derivative instruments		

5.1.3 Combined income statement, all activities

In € thousands

	Notes	Non-life insurance business	Life insurance business	Other activities	2019	2018
Written premiums		12,906,462	4,585,266		17,491,728	17,011,043
Change in unearned premiums		-92,142			-92,142	-85,573
Earned premiums	Note 28.5	12,814,320	4,585,266		17,399,586	16,925,470
Revenue or income from other activities		0	0	111,198	111,198	209,780
Other operating income		7,297	52,322	31,139	90,758	86,825
Net financial income	Note 26	803,850	2,377,736	3,325	3,184,911	2,373,164
Total current operating profits		13,625,467	7,015,324	145,662	20,786,453	19,595,239
Claims expenses		-9,324,684	-6,206,042	0	-15,530,726	-13,999,061
Net result from outwards reinsurance		-54,816	-3,801	0	-58,617	-183,306
Expenses on other activities		0	0	-148,241	-148,241	-289,904
Management expenses		-3,231,976	-383,556	0	-3,615,532	-3,652,041
Total current operating expenses		-12,611,476	-6,593,399	-148,241	-19,353,116	-18,124,312
Current operating income	Note 28	1,013,991	421,925	-2,579	1,433,337	1,470,927
Inter-segment transfers		-38,683	8,785	29,898		
Economic current operating income		975,308	430,710	27,319	1,433,337	1,470,927
Other net income					-10,591	12,468
Non-recurring items	Note 27				989	-1,107
Income tax	Note 24				-552,742	-529,657
Net income of consolidated undertakings					870,993	952,631
Group's share in net income from discontinued operations						
Group's share in net income from equity-accounted investments					17,910	21,184
Goodwill amortisation					-14,156	-20,217
Combined net income					874,747	953,598
Minority interests					-16,266	-13,869
Net income (Group share)					858,481	939,729

5.1.4 Notes to the combined financial statements

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1. Significant events

Long-term post-employment benefits

In a context of high rate volatility, the Covéa Group opted to apply the corridor method in accordance with ANC Recommendation No. 2013-02, making it possible to provide financial information that is not sensitive to sudden changes in discount rates when commitments concern long-term benefits. The change of method is treated in accordance with the prospective application conditions from Article 122-3 of the French general chart of accounts (PCG), considering the complexity of a retrospective calculation due to the large number of underlying assumptions. This led to actuarial gains and losses being recorded off-balance sheet at 31 December 2019, representing €53 million before tax and €37 million after tax.

In addition, to present all the commitments arising from past service costs as liabilities, the Group has adopted Method 2 from ANC Recommendation No. 2013-02, with past service costs arising from the introduction or modification of plans recognised immediately on the balance sheet. This new accounting method is applied retrospectively as of 1 January

2019. An amount of €118 million in respect of past service costs not yet amortised and recorded as off-balance sheet items on the previous reporting date was deducted from equity to offset a €164 million provision for long-term employee benefits and €46 million of deferred tax. Based on a comparable method, net income for 2018 would have been approximately €7 million higher after tax, corresponding to the net impact of one year's amortisation

Non-life mathematical annuity reserves

The financial statements take into account the application of ANC Regulation No. 2018-08 of 11 December 2018, which came into force on 1 January 2019, amending the discount and revaluation rates for non-life mathematical annuity reserves (see Note 3.8 – Technical reserves). The impact of these provisions, measured at 31 December 2019, on current annuities, represents €35 million of income after tax, offset by the reduction in the average rate for French government bonds (TME), resulting in an expense of €62 million after tax.

2. Subsequent events

Covid-19

After first surfacing in December 2019, Covid-19 spread rapidly across the globe in the first quarter of 2020 causing government authorities in many countries to declare a health emergency. This health crisis has led to a sudden contraction in economic activity and considerable uncertainty about the outlook for growth, which as a result has provoked a high level of volatility in financial markets. The economic slowdown has affected every industry, including the insurance sector.

In response, the Covéa Group has set up several crisis units that meet daily to deploy the range of measures necessary to protect employees and maintain business continuity in order to uphold services provided to members and customers, many of whom operate in areas that are of essential importance to the country.

The Group has implemented a number of actions, including a significant shift to remote working wherever possible. After shutting a great many branch offices and facilities, business continuity and communication plans have been put in place to safeguard business activity. Although almost all employees are now working primarily from home, certain employees responsible for essential or critical tasks are required to travel to certain sites on a daily or regular basis to maintain service continuity for members, customers and partners (including networks and suppliers).

The uncertainty as to the way in which the Covid-19 pandemic will develop means it is currently not possible to accurately assess the extent and duration of the damage to the macroeconomy, and consequently, the potential impact on the Group's business and results in 2020. The main risks associated with this crisis involve in particular: business development, changes to the value of investments made by insurance companies and the impact of insurance coverage (property, life, health and protection). Nevertheless, the assessment of these risks is being constantly monitored within an exceptional risk management system set up within the Group. At this point in time, nothing has been identified as having a material impact on the financial strength of the Covéa Group.

The strength and solidity of the Covéa Group inspires confidence in the future and the ability to weather this crisis. The Group's employees remain fully engaged to support its members, customers and partners.

Planned acquisition of PartnerRe

On 3 March 2020, Covéa announced that it had agreed a memorandum of understanding with Exor to acquire 100% of the ordinary share capital; a major global reinsurance company

in exchange for a total cash consideration of \$9.0 billion. This amount will be fully financed by the Group's available resources.

The planned transaction has been put to the employee bodies, which have been asked to give their opinion, due mid-May, before the acquisition contract is signed. The completion of the transaction is subject to approval from the relevant competition and regulatory authorities.

3. Notes on accounting principles

Note 1 Accounting standards

The Covéa Group's combined financial statements are drawn up in accordance with CRC Regulation No. 2000-05 of 7 December 2000 relating to the rules for the consolidation and combination of companies governed by the French Insurance Code, including subsequent changes made thereto by other accounting regulations (CRC or ANC).

Subject to the specific provisions provided for in the abovementioned consolidation and combination rules:

Disposal of CASER

On 23 January 2020, Covéa Coopérations finalised an agreement to sell its 20% stake in the Spanish group CASER to Helvetia. This transaction is subject to approval by the relevant competition and markets authorities, which is expected to be announced during the first half of 2020.

- the financial statements of the Covéa Group's French insurance undertakings are prepared in accordance with the rules set by ANC Regulation No. 2015-11 of 26 November 2015 relating to the annual financial statements of insurance companies;
- the financial statements of the Covéa Group's other French companies are prepared in accordance with the rules set by ANC Regulation No. 2014-03 relating to the French general chart of accounts.

Note 2 Combination methods

2.1 Combination and consolidation methods

Combination by aggregation applies to mutual entities and protection institutions.

Exclusively-controlled companies are consolidated using the full consolidation method. Exclusive control exists when a majority of the voting rights for shareholders' meetings are held directly or indirectly.

Companies for which there is a shareholder agreement in place giving joint control to a limited number of shareholders are proportionately consolidated.

Companies over which the Group exercises a significant influence are consolidated using the equity method. A significant influence is considered to exist when the Group holds an interest of at least 20%, provided that these companies do not meet the criteria defined above.

2.2 Goodwill and intangible assets (policy portfolios)

2.2.1 GOODWILL

Goodwill on initial consolidation is recognised when a company enters the combination scope. It represents the difference between the acquisition cost of the securities and the parent company's interest in the equity of the company concerned.

This difference is recognised as a valuation adjustment if it relates to identifiable tangible and intangible items. Any unallocated balance is recognised as goodwill.

In accordance with ANC Regulation No. 2015-09 of 23 November 2015, applicable for financial years starting on or after 1 January 2016, goodwill with a limited useful life is amortised on a straight-line basis over the period during which it will provide the Group with economic benefits or, if it cannot be reliably determined, over a 10-year period. Conversely, goodwill with an unlimited useful life is not amortised.

Goodwill concerning a company with unfavourable indicators is tested for impairment based on its business outlook. If its discounted value is lower than its consolidated net value, an impairment loss is recognised and the amortisation schedule is adjusted accordingly. Goodwill with an unlimited useful life is tested for impairment every financial year, whether or not there is any evidence of impairment.

With regard to goodwill recognised on the opening combined balance sheet for the 2016 financial year, the Group opted to use the first-time application measures provided for in ANC Regulation No. 2015-09 of 23 November 2015 by maintaining the existing amortisation schedule for the remaining period.

Badwill generally corresponds to either a potential capital gain resulting from a bargain purchase or insufficient profitability of the company acquired. It is recognised in profit or loss over a period that reflects the assumptions used and the objectives set at the time of the acquisition.

2.2.2 INTANGIBLE ASSETS

2.2.2.1 Values of purchased non-life insurance business

Non-life insurance business values arise from various contributions and acquisitions of P&C activities. They correspond to portfolio values representing identifiable intangible assets recognised at acquisition cost.

As there are no legal or contractual limits on the acquiring companies' use of these insurance portfolios and because of their absorption into these companies' other portfolios and these companies' ability and intention to continue developing them, they are considered to have an unlimited useful life, in accordance with ANC Regulation No. 2015-06.

They are tested for impairment when there is evidence of impairment, i.e. if significant events impact the portfolios. If the gross carrying amount is higher than the forecast economic value over 10 years, an impairment loss is recorded for the difference between these two values.

2.2.2.2 Values of purchased life insurance business

Life insurance business values result from the acquisition of life insurance activities.

Recognised at acquisition cost, they include:

- on the one hand, the values of business in force at acquisition: because they relate to existing business and have a limited useful life, they are amortised as profits emerge over the lifetime of the portfolios;
- on the other hand, the values of new business: in the absence of a foreseeable time limit on the consumption of the expected economic benefits, they are considered to have an unlimited useful life, in accordance with ANC Regulation No. 2015-06; accordingly they are not amortised but tested for impairment if there is any evidence of loss of value. If the gross carrying amount is higher than the forecast economic value over 10 years, an impairment loss is recorded for the difference between these two values.

2.3 Translation methods

The financial statements of non-eurozone foreign subsidiaries are translated into euros using the closing rate method, with assets, liabilities and commitments received and given translated at the year-end exchange rate, and income and expenses translated at the average exchange rate for the period.

No company is located in a high-inflation country.

The share of translation differences attributable to the Group is recognised in equity, and the share attributable to third parties in minority interests.

2.4 Year-end

All combined and consolidated entities prepare their financial statements as at 31 December.

Note 3 Valuation methods and rules

3.1 Investments

3.1.1 PROPERTY ASSETS

Land, buildings and shares of unlisted property companies are presented under "Land and buildings" and recorded at their acquisition cost or cost price.

Transaction costs are recognised as an expense for the year. In accordance with the legislation in force on 1 January 2005

relating to the component-based approach (restated in ANC Regulation No. 2014-03), the Covêa Group breaks down the overall cost price of buildings (excluding land) into four components: shell, wind and water-tight facilities, technical installations, and fixtures and fittings.

Amortisation periods vary depending on the type of building and the components; they correspond to the technical lifespan of components rather than their actual period of use, and do not take into account residual values.

Impairment

Property assets are tested for impairment based on their market value or value in use.

With regard to investment property, the realisable value is based on the market value (generally using the mandatory appraisal) when the property is intended to be sold in the short term. For assets intended to be retained, the realisable value corresponds to the value in use determined on the basis of the expected future economic benefits.

The value in use of long-term operating property is generally equal to its carrying amount, except when the asset is intended to be sold in the short term.

3.1.2 EQUITY HOLDINGS

Equity holdings are recorded at acquisition cost. Impairment may be recognised if the historical cost is higher than the realisable value.

3.1.3 EQUITIES AND UNITS OF UCITS – VARIABLE-INCOME SECURITIES

Equities are recorded at their acquisition cost, based on the purchase price and excluding transaction costs.

Their realisable value is calculated in accordance with Article R.343-11 of the French Insurance Code, in other words:

- for listed securities, using their last price on the closing date;
- for unlisted securities, based on their value in use for the Group.

Units of UCITS are recognised at their last published redemption price.

Impairment

For securities governed by Article R.343-10 of the French Insurance Code (variable-income securities, etc.), a provision for long-term impairment is recognised, line by line, if their value in use or market value shows a significant discount relative to their cost price.

The methods used to calculate the long-term impairment provision are set out in Articles 123-6 *et seq.* of ANC Regulation No. 2015-11.

Unrealised capital losses are presumed to be long-term in the following cases:

- where there was already a provision for impairment of this investment line at the previous year-end;
- where, in the case of non-property investments, the investment has constantly had a significant unrealised capital loss position relative to its book value for a period of six consecutive months;
- where there is objective evidence that the company will be unable to recover all or part of the historical value of the investment in the foreseeable future.

Depending on the level of market volatility observed, the criterion for a significant capital loss can be generally defined, for French equities, as 20% of the book value if the markets are experiencing low volatility, rising to 30% in volatile market situations.

Considering the market volatility observed during the last financial year, the criterion for long-term impairment was 20% at 31 December 2019.

In addition to this assumption of impairment, all securities showing a significant unrealised capital loss were subject to a specific review. When an impairment was considered intrinsic to the security, as opposed to resulting from a general downturn affecting the financial markets or the relevant economic sector, a provision was recorded based on the realisable value.

In determining the realisable value of an investment, the company's intention and ability to hold the investment for a given period is taken into account. A provision is recorded for securities based on:

- their market value at 31 December 2019;
- a recoverable value at the end of their intended holding period.

The impairment provision is equal to the difference between the cost price and the realisable value defined above.

3.1.4 FIXED-INCOME SECURITIES

Bonds are recognised at their acquisition cost excluding accrued interest. The difference between the acquisition cost and the redemption value is recognised in profit or loss over the remaining term of the securities based on an actuarial or straight-line calculation depending on the entity. This difference is recorded on the balance sheet under investments. The realisable value of these securities corresponds to their last quoted price or, by default, their market value.

In accordance with Article R.343-9 of the French Insurance Code and Articles 123-1 *et seq.* of ANC Regulation No. 2015-11, a provision for impairment is recognised if the debtor is unable to meet its commitments (interest payment and principal repayment).

In accordance with Article 123-7 of ANC Regulation No. 2015-11, the Group applies the following provisioning methods for

depreciable securities governed by Article R.343-10 of the French Insurance Code:

- if the company has the ability and intention to hold the investment to maturity, only the corresponding proven counterparty default risk is provisioned, with no impairment set aside for any unrealised capital loss linked to an increase in risk-free rates;
- if the company does not have the ability or intention to hold the security to maturity, the provision is calculated by analysing all the risks identified over the intended holding period.

In accordance with Article R.343-9 of the French Insurance Code and Article 121-9 of ANC Regulation No. 2015-11, the option for recognition under the terms of Article R.343-10 of the French Insurance Code is applied for bonds convertible into shares with a negative yield to maturity on acquisition

3.1.5 INVESTMENTS REPRESENTING UNIT-LINKED POLICY COMMITMENTS

Investments representing unit-linked policy commitments are recognised on the balance sheet at market value.

3.1.6 OTHER INVESTMENTS

Loans and other receivables are subject to specific impairments in the event of a counterparty default risk.

3.2 Derivative instruments

The Covéa Group does not use hedging strategies based on derivative instruments.

3.3 Receivables

Receivables are recognised at their nominal value.

An impairment is recognised when their recoverable value is less than their net book value.

Receivables arising from insurance transactions mainly comprise debit balances on policyholders' accounts and earned premiums that have not yet been written.

3.4 Foreign currency receivables and payables

Foreign currency receivables and payables are translated into euros based on the closing exchange rates.

In accordance with the regulations in force for insurance companies, translation differences relating to long-term investments are recognised on the balance sheet and translation differences relating to operating items on the income statement. In 2019, all the differences were recognised in profit or loss.

3.5 Other assets

Other assets consist mainly of operating property, plant and equipment. They are recorded as assets on the balance sheet at their acquisition cost and are amortised annually over periods ranging from four to 15 years.

3.6 Accruals — assets and liabilities

Asset and liability accruals primarily include deferred tax assets, accrued interest, rent accrued but not due, deferred acquisition costs, other deferred expenses, prepaid expenses and technical reinsurance valuations.

Deferred acquisition costs

Non-life deferred acquisition costs

In non-life insurance, the portion of acquisition costs not attributable to the financial year is recognised as an asset on the balance sheet and amortised on a basis consistent with that used to defer unearned premiums.

Covéa's French entities apply the provisions of Article 151-1 of ANC Regulation No. 2015-11, taking into account the termination probabilities resulting from the French Hamon Act to determine the period for allocating acquisition costs.

Life deferred acquisition costs

In life insurance, the deferrable acquisition costs for all life insurance policies (excluding term life insurance) corresponding to the operating costs and fees incurred to produce new policies and associated directly with a given generation of policies are carried forward based on the pattern of recognition for future profit margins, and within the limits of these margins.

These future margins are calculated by grouping together products with similar characteristics.

They take into account product management costs and the related financial margin.

Loadings for acquisition costs are recorded as income to be deferred over several years and recognised in profit or loss at the same rate.

Deferred taxes are recorded in connection with the recognition of these deferred acquisition costs and loadings.

3.7 Capitalisation reserve

Article 19 of French decree No. 2015-513 of 7 May 2015 rescinded the capitalisation reserve mechanism for French non-life insurance companies.

This reserve, which is now specific to French life insurance companies, is classified in the Group's combined equity. Allocations to and reversals from the capitalisation reserve are cancelled through profit or loss in the consolidated financial statements. If a capital loss is highly likely to be recorded on the sale of securities that are subject to this reserve, these restatements result in the recognition of deferred policyholder participation net of related deferred tax.

3.8 Technical reserves

Reserves are calculated gross of reinsurance, with the share payable by the reinsurers shown as an asset.

For foreign companies, the local rules for calculating technical reserves are applied (use of the risk tables and discount rates that are recognised locally as appropriate).

Non-life unearned premium reserves

For all outstanding policies, unearned premium reserves record the share of written premiums that relates to the period between the closing date and the next premium payment date or otherwise the policy maturity date.

Non-life claims reserves

In accordance with Article R.343-7.4 of the French Insurance Code, claims reserves represent the estimated value of expenses in principal and fees, both internal and external, required to settle all incurred claims that are not yet paid, including those that might be paid in annuities. They are estimated with a sufficiently conservative approach to cover costs incurred in connection with adverse developments or scenarios. They reflect an estimated ultimate cost of settling insurance claims and include case-by-case reserves for reported claims, reserves for claims incurred but not reported, reserves for recoveries to be collected and reserves for claims handling costs.

Reported claims cases are valued at their estimated actual cost, including both principal and ancillary amounts. For certain types of risks, cases are opened on a fixed-cost basis. The valuations are revised periodically in view of any relevant new information obtained.

An ultimate value is estimated for reserves for claims incurred but not reported and for changes in reported claims using statistical methods such as claims development triangles. Reserves for recoveries to be collected are estimated with

reference to historical collection rates.

For construction risks, the reserves recorded are as a minimum equal to the sum of the total cost of outstanding incurred claims, whether reported or not, and the estimated cost of future claims expected to occur by the end of the 10-year limitation period.

A claims handling costs reserve is calculated to cover future expenses associated with outstanding claims. This reserve takes into account the Group's internal costs.

Non-life other technical reserves

Mathematical annuity reserves (French entities – paragraph 1 of Article R.343-7 of the French Insurance Code)

In accordance with Article 143-2 of ANC Regulation No. 2015-11, the table used to calculate mathematical reserves for annuities arising from policies covering risks referred to in paragraph 3 of Article L.310-1 of the French Insurance Code is the regulatory mortality table TD 88-90, and the discount rate is capped at 60% of the *Taux Moyen des Emprunts d'État* (TME) - the average rate on French government bonds - over the last 24 months, plus 10 basis points from 1 January 2019 following the amendment introduced by ANC Regulation No. 2018-08 of 11 December 2018, i.e. 0.39% for the year ended 31 December 2019.

For accidents that occurred on or after 1 January 2013, upward revisions of the annuities awarded to victims are exclusively payable by the insurers. This transfer of expenses from the insurance guarantee fund (*Fonds de Garantie des Assurances Obligatoires de dommages*, FGAO) to insurers makes it necessary to set aside reserves in the financial statements for future revaluations. The inflation rate used in the financial statements was set at 2% from 1 January 2019, in accordance with Article 143-2 of ANC Regulation No. 2015-11, amended by ANC Regulation No. 2018-08.

In accordance with Article 143-12 of ANC Regulation No. 2015-11, the tables used to calculate mathematical annuity reserves arising from policies covering risks referred to in paragraph 2 of Article L.310-1 of the French Insurance Code are the regulatory incapacity and disability tables, and the discount rate is capped at 75% of the *Taux Moyen des Emprunts d'État* (TME) — average rate on French government bonds — over the last 24 months, i.e. 0.36% for the year ended 31 December 2019.

Unexpired risk reserve

The unexpired risk reserve represents future losses, i.e. the portion of claims, inclusive of management costs, that exceeds the fraction of the premium carried forward to the next financial year and subsequent financial years, plus financial income on premiums received. It is calculated using a statistical method for each insurance category as a whole.

Equalisation reserves

Equalisation reserves, intended to deal with fluctuations in the loss ratio relating to risks such as natural events, atomic risks and pollution risks, and extended to include terrorist risks since 2001, were recorded in the companies' individual financial statements. They are eliminated in the consolidated financial statements if they are not intended to offset future risks and events characterised by a low frequency and high unit cost.

Life insurance reserves

Mathematical reserves are calculated in accordance with the French and foreign regulations in force and represent the difference between the present value of the commitments made by insurers and policyholders respectively.

For French life insurance companies, mathematical reserves are non-Zillmerized, where appropriate, in the consolidated financial statements. Deferred acquisition costs and associated reserves for deferred acquisition costs are eliminated on consolidation (also see Note 3.6 on the recognition of deferred acquisition costs in the consolidated financial statements).

The Covéa Group opted not to apply the preferential method provided for in the applicable regulations, under which life insurance reserves must be determined using discount rates no higher than the conservatively estimated expected rates of return on assets backing policyholder liabilities.

The difference between the technical reserves calculated using the two methods is not material.

Unit-linked policies

Mathematical reserves for unit-linked policies are valued with reference to the underlying assets. Gains and losses resulting from the remeasurement of these assets are recognised in profit or loss in order to eliminate the impact of the change in the technical reserves.

Life annuities

Mathematical reserves for life annuities are calculated based on the mortality tables established by the French decree of 1 August 2006 (tables TGH 05 and TGF 05 for annuities taken out between 1 January 2007 and 20 December 2012; table TGF 05 for life annuities taken out since 20 December 2012).

Policyholder participation reserves

They correspond to profit sharing allocated to policyholders, but not included in the mathematical reserves.

They comply with the minimum allocation provided for by the French Insurance Code (90% of the technical profits and 85% of the financial profits to be distributed within eight years), as well as the contractual clauses and the discretionary policies approved by the boards of directors.

In the cases provided for by the regulations, this reserve may be supplemented with deferred profit sharing calculated on consolidation adjustments.

Reserves for management costs

These reserves make provisions for future management expenses not covered by the loadings on premiums or the financial margin, in accordance with the calculation methods specified in Article 142-6 of ANC Regulation No. 2015-11. It is calculated by grouping together policies with similar characteristics.

Reserve for financial contingencies

If, at the closing date, the actual rate of return on assets reduced by one-fifth is less than the quotient obtained by dividing the total amount of the guaranteed interests on policies by the average amount of the mathematical reserves, an addition is made to the reserve for financial contingencies pursuant to Article 142-8 of ANC Regulation No. 2015-11.

Reserves for liquidity risk

Intended to cover commitments in the event of unrealised capital losses on the assets referred to in Article R.343-10 of the French Insurance Code, the liquidity risk reserve is calculated in accordance with Article R.343-5 of the French Insurance Code.

This reserve is recognised in the individual company financial statements if appropriate, but is eliminated on consolidation.

3.9. Provisions for liabilities and charges and contingent liabilities

Provisions for liabilities and charges are determined by each combined and consolidated entity. These provisions are intended to cover clearly identifiable liabilities and charges that past or ongoing events make likely to occur (see Note 19).

Provisions for liabilities and charges include deferred tax liabilities, provisions for litigation, goodwill, long-term employee benefit liabilities and other provisions for liabilities and charges.

Provisions for long-term employee benefits**Post-employment benefits**

The Group applies the preferential method and recognises provisions for all post-employment commitments in accordance with method 2 and the corridor approach under ANC Recommendation No. 2013-02 of 7 November 2013, subject to the changes of methods introduced in 2019 (see "Significant events").

From 1 January 2019, past service costs arising from the introduction or modification of plans are recognised immediately on the balance sheet and in profit or loss. As a result of the French “PACTE” Law No. 2019-486 of 22 May 2019, the Group froze, as of 31 December 2019, the conditional entitlements gained for the French defined benefit pension plans or the French defined benefit pension plans and recorded the impact as a past service cost.

Following the corridor’s first application at 31 December 2019, the actuarial gains and losses for the year were restated for the change in provisions, with this amount recognised in off-balance sheet commitments. From 1 January 2020, a percentage of these gains and losses will be recognised in profit or loss. This percentage corresponds to the amount of aggregate actuarial gains and losses not recognised at the start of the year exceeding more or less 10% of the actuarial liability, divided by the average remaining period until retirement.

Provisions recognised in liabilities correspond to the actuarial valuation of commitments, less actuarial gains and losses that have not yet been recognised, and less, where applicable, the value of non-Group life insurance policies taken out as cover for retirement benefits.

The actuarial valuation of post-employment benefits covered by common agreements is based on the following main assumptions:

- discount rate: iBoxx € Corporates AA 10+ rate;
- mortality tables: INSEE 2012-2014 tables;
- future pay growth rate (including long-term inflation): 2% to 2.50%.

Contributions to pension time savings accounts are payable by the employer:

- in the event of early announcement of retirement, depending on the notice period;
- in the event of liquidation of pension time savings accounts for full early retirement, depending on the number of days saved.

Other long-term benefits

Long-term commitments giving rise to the payment of benefits during the working life of employees, such as long-service awards and long-service leave, are not treated as post-employment commitments. They are covered by the specific provisions from section 7 of CNC Recommendation No. 2003-R-01 of 1 April 2003, referred to by ANC Recommendation No. 2013-02, which requires actuarial gains and losses and past service costs to be recognised immediately in profit or loss.

Provisions for liabilities correspond to the actuarial valuation of commitments.

Contingent liabilities

Contingent liabilities correspond to an obligation that is neither probable nor certain on the reporting date, or a probable

obligation for which no outflow of resources is likely. Contingent liabilities, which are not provisioned, are presented in the notes to the financial statements (see Note 19).

3.10 Deferred tax

Income taxes include all taxes on income, both current and deferred. A temporary difference, which gives rise to deferred tax, arises when the carrying amount of an asset or liability is different from its tax value.

Deferred tax assets and liabilities are recognised separately on the combined balance sheet under “Accruals — Assets” and “Provisions for liabilities and charges” respectively.

Deferred taxes are calculated using the balance sheet approach based on temporary differences between the carrying amounts and tax values of assets and liabilities, referring to the tax rules and rates in force at the end of the reporting period and applicable when the temporary differences are reversed. The main temporary differences correspond to:

- temporary differences between the accounting result and the taxable result, particularly on the realisable values of UCITS and certain technical reserves for non-life insurance companies;
- differences between the consolidated carrying amount and the tax value of assets and liabilities;
- tax loss carryforwards;
- capital gains subject to deferred taxation;
- consolidation adjustments.

In the event of a net tax liability position, deferred taxes are systematically recorded. However, for a net tax asset position, deferred tax is recognised only when the company expects to generate sufficient taxable profits against which the deductions represented by deferred tax assets can be offset.

As from 1 January 2008, Covéa SGAM opted for the tax group regime provided for in the second paragraph of Article 223 A of the French General Tax Code.

3.11 Segment accounts: net investment income

The breakdown of combined net investment management income between the technical and non-technical income share for each company is determined in proportion to the consolidated technical reserves and the contribution to consolidated equity before elimination of securities, except where there are segregated assets for which the associated financial income is allocated to equity.

Note 4 **Preferential methods**

As stated in CRC Regulation No. 2000-05, certain methods are considered preferential in the combined financial statements.

The Covéa Group opted to apply these methods for:

- the cost of post-employment benefits (see Note 3.9);

- assets for which the Group has a finance lease agreement, which, if applicable, are treated as lease-financed fixed assets.

Regarding life insurance reserves, non-application of the preferential method has no significant impact (see Note 3.8).

Note 5 **Adjustments relating to the main differences between French and foreign regulations**

The financial statements of subsidiaries located abroad are restated to make them compliant with French regulations.

- With regard to the UK, Irish and Italian subsidiaries, local regulations require investments to be measured at market value through profit or loss.

In accordance with French accounting rules, these investments were restated at historical cost and the corrections recognised by the subsidiary, net of deferred tax, were eliminated on consolidation. In addition, a long-term impairment was calculated on these shares in

accordance with French regulations and the Group's rules set out in Note 3.1.3.

- With regard to the Spanish subsidiary, which is accounted for using the equity method in the combined financial statements, its local financial statement presentation standards differ from French standards, particularly concerning the valuation and impairment of financial assets. Its financial statements are therefore restated before being included in the Covéa Group's financial statements.

Note 6 **Elimination of intra-Group transactions**

The following intra-Group transactions are eliminated:

- current accounts recording the use of shared goods and services in particular;
- dividends paid by subsidiaries to parent companies or between subsidiaries;
- intra-Group lending transactions;
- intra-Group reinsurance transactions;
- capital gains and losses on intra-Group disposals (the assets sold are kept at their historical value);
- provisions for impairment of consolidated equity holdings (with no impact on deferred taxes).

Note 7 **Combination scope**

The Covéa Group presents combined financial statements in accordance with the regulations, which state that when insurance undertakings constitute a group whose cohesion does not result from capital ties, one of them must prepare and publish combined financial statements.

The combining agreement appoints Covéa SGAM as the combining undertaking. At 31 December 2019, it linked the following companies: Covéa SGAM, APGIS, Assurances Mutuelles de France, La Garantie Mutuelle des Fonctionnaires, Le Finistère, MAAF Assurances, MAAF Santé, MMA IARD Assurances Mutuelles, MMA Vie Assurances Mutuelles and Mutuelle Interprofessionnelle SMI.

These entities have close relationships in many areas, such as:

- common management;
- shared operational services;
- joint subsidiaries;
- co-insurance or reinsurance agreements.

The following undertakings are consolidated:

- companies that one or more parties to the combination agreement control exclusively or jointly;
- companies in which one or more parties to the combination agreement have a significant influence, which is presumed to exist when they directly or indirectly hold more than 20% of the voting rights;
- “special-purpose” entities created specifically to manage a transaction or group of similar transactions on an undertaking’s behalf. These entities must be included in the combination scope if one or more of the Group’s entities control them and are shareholders or associates thereof.

The following are not included in the combination scope:

- investments considered immaterial at Group level, with materiality assessed in relation to the Group’s equity, income and revenue;
- companies in which the Group holds an interest of 20% or higher, but which are being liquidated and are not material;
- undertakings for collective investment in transferable securities, as they are held for the purpose of covering insurance technical commitments and are therefore excluded pursuant to CRC Regulation No. 2000-05;
- property investment companies (*Sociétés Civiles Immobilières*, SCI) whose income for the financial year is included in their holders’ accounts at the same financial year-end;
- companies that are held temporarily or in which the Group is not entitled to participate in their financial and operational policies;
- economic interest groups (*Groupements d’Intérêt Économique*, GIE).

The tangible and intangible assets of the economic interest groups formed by Group companies to pool and operate their IT resources (GIE MMA SI, GIE EUROPEX and GIE AGSI), manage customer relations (GIE Atlas), manage claims (GIE Europac, GIE Européenne de Règlement and GIE Covéa AIS), manage in-house operating property (GIE CIBail) and manage procurement (GIE Logistic and GIE Covéa Agora) are excluded from the combined balance sheet, while their net income is recorded in the Group companies’ separate financial statements.

These exclusions do not affect the true and fair view given by the combined financial statements

Main changes in the Covéa Group’s combination scope

- No companies were added to or removed from the combination scope in 2019.

For each entity in the scope, the following table presents its activity, the consolidation method, the country where its head office is located and its business segment (see segment reporting – Note 28).

Name	Activity	Head office location	Consolidation method	Business segment	% Control	% Interest
Covéa SGAM	Mutual holding company	France	Cmb	Other		
Assurances Mutuelles de France	Non-life insurance	France	C	Non-Life		
Le Finistère	Non-life insurance	France	C	Non-Life		
La Garantie Mutuelle des Fonctionnaires	Non-life insurance	France	C	Non-Life		
MAAF Assurances	Non-life insurance	France	C	Non-Life		
MAAF Santé	Complementary health insurance	France	C	Life/non-life		
MMA IARD Assurances Mutuelles	Non-life insurance	France	C	Non-Life		
MMA Vie Assurances Mutuelles	Life insurance	France	C	Life		
APGIS	Group health insurance and protection	France	C	Life/non-life		
SMI	Protection	France	C	Life/non-life		
Covéa Coopérations	Holding and reinsurance activities	France	F	Life/non-life	100.00	100.00
Covéa PJ	Legal protection insurance – Unpaid rent – Financial loss	France	F	Non-Life	100.00	100.00
Fidélia Assistance	Assistance	France	F	Non-Life	99.99	99.99
GMF Assurances	Non-life insurance	France	F	Non-Life	100.00	100.00
La Sauvegarde	Non-life insurance	France	F	Non-Life	99.99	99.99
MAAF Assurances SA	Non-life insurance	France	F	Non-Life	100.00	100.00
MMA IARD SA	Non-life insurance	France	F	Non-Life	100.00	100.00
BPCE IARD	Non-life bancassurance	France	F	Non-Life	49.98	49.98
CSE Insurance Company	Non-life insurance	United States	F(1)	Non-Life	100.00	100.00
Covéa Insurance plc	Non-life insurance	United Kingdom	F	Non-Life	100.00	100.00
Bipiemme Assicurazioni	Non-life insurance	Italy	F	Non-Life	100.00	81.00
GMF Vie	Life insurance	France	F	Life	100.00	100.00
MMA Vie SA	Life insurance	France	F	Life	100.00	100.00
MAAF Vie	Life insurance	France	F	Life	100.00	100.00
Bipiemme Vita SpA	Life insurance	Italy	F	Life/non-life	81.00	81.00
Covéa Lux	Reinsurance	Luxembourg	F	Life/non-life	100.00	100.00
Medical Insurance Company	Non-life insurance	Ireland	F	Non-Life	99.90	99.90
Covéa Finance	Third party asset management	France	F	Other	100.00	100.00
Midepp	Asset management	France	F	Other	100.00	100.00
Assurland	Online insurance price comparison	France	F	Other	100.00	100.00
G.M.F. Financial	Holding company	United States	F	Other	100.00	100.00
MMA Holdings UK plc	Holding company	United Kingdom	F	Other	100.00	100.00
SA Immobilière des MMA	Property company	France	F	Life	100.00	100.00
SCI Flèche Mizola	Property company	France	F	Life	100.00	100.00
SCI Boissy Royale	Property company	France	F	Non-Life	100.00	100.00
SCI Sécurité Pierre	Property company	France	F	Non-Life	100.00	100.00
Prifinance	Defeasance company	France	F(1)	Other	62.00	62.00
Carma	Partnership with Carrefour – Personal property & casualty insurance	France	EM		49.99	49.99
Carma Vie	Partnership with Carrefour – Credit insurance	France	EM		49.99	49.99
Protec BTP	Non-life insurance	France	EM		35.00	35.00
CASER	Life and non-life insurance	Spain	EM(1)		20.00	20.00

Cmb = Combining entity. C = Combined entity. F = Full consolidation. EM = Equity method.

(1) Companies consolidated based on their consolidated financial statements.

4. Notes to the balance sheet

Note 8 Goodwill

In € thousands

	2019	2018
Gross values	693,087	692,671
Amortisation and impairment	-653,052	-638,711
Net values	40,035	53,960

Net values break down as follows:

	2019	2018
MMA IARD SA	2,722	5,442
GMF Financial Services Corp.	3,069	3,683
Covéa Insurance	4,379	4,972
Bipiemme Vita SpA.	29,865	39,863
Total	40,035	53,960

Note 9 Intangible assets

9.1 Breakdown by category

In € thousands

	2019		2018	
	Gross	Amortisation and impairment	Net	Net
Values of purchased insurance business	149,801	-99,826	49,975	49,976
Other intangible assets	332,720	-102,811	229,909	227,596
Compensation paid for agencies and share of agents' licensing fees financed by the Group	192,578	-4,899	187,679	187,726
Software	86,221	-77,344	8,877	12,044
Lease rights	12,715	-584	12,131	11,436
Other	41,206	-19,984	21,222	16,390
Total	482,521	-202,637	279,884	277,572

9.2 Intangible assets of economic interest groups

In € thousands

	2019		2018	
	Gross	Amortisation	Net	Net
FIXED ASSETS				
Intangible assets				
Software and development costs	774,223	-592,552	181,671	170,365

Note 10 Investments

10.1 Summary of insurance undertakings' investments

In € thousands

2019					
	Gross value	Amortisation and impairment Adjustments	Net value	Realisable value	Unrealised capital gain/loss
Investment property	4,109,267	-621,370	3,487,897	6,271,875	2,783,978
Equities and variable-income securities	3,809,280	-195,259	3,614,021	5,852,100	2,238,079
Units of equity UCITS	4,863,345	-35,984	4,827,361	6,372,558	1,545,197
Bonds and other fixed-income securities	67,360,560	-291,184	67,069,376	74,036,712	6,967,336
Units of bond UCITS	8,848,340		8,848,340	9,262,476	414,136
Other investments	2,899,759	-8,863	2,890,896	2,896,904	6,008
Total	91,890,551	-1,152,660	90,737,891	104,692,625	13,954,734
Total listed investments	84,281,329	-303,603	83,977,726	95,019,426	11,041,693
Total unlisted investments	7,609,222	-849,057	6,760,165	9,673,199	2,913,041
Share of non-life insurance investments	31,974,011	-847,135	31,126,876	36,286,347	5,159,473
Share of life insurance investments	59,916,540	-305,525	59,611,015	68,406,278	8,795,261

In € thousands

2018					
	Gross value	Amortisation and impairment Adjustments	Net value	Realisable value	Unrealised capital gain/loss
Investment property	4,098,383	-596,062	3,502,321	6,069,851	2,567,530
Equities and variable-income securities	5,215,187	-169,243	5,045,944	6,429,885	1,383,941
Units of equity UCITS	4,186,416	-37,920	4,148,496	4,903,982	755,486
Bonds and other fixed-income securities	67,200,089	-262,884	66,937,205	72,426,059	5,488,854
Units of bond UCITS	7,065,520		7,065,520	7,453,534	388,014
Other investments	1,682,115	-6,821	1,675,294	1,679,897	4,603
Total	89,447,710	-1,072,930	88,374,780	98,963,208	10,588,428
Total listed investments	83,100,120	-271,320	82,828,800	90,711,399	7,882,599
Total unlisted investments	6,347,590	-801,610	5,545,980	8,251,809	2,705,829
Share of non-life insurance investments	30,776,210	-766,329	30,009,881	34,224,395	4,214,514
Share of life insurance investments	58,671,500	-306,601	58,364,899	64,738,813	6,373,914

N.B. for policies with a profit-sharing clause, the realisation of capital gains generates rights for the beneficiaries.

10.2 Investments in subsidiaries and affiliates

In € thousands

2019					
	Gross value	Amortisation and impairment Adjustments	Net value	Realisable value	Unrealised capital gain/loss
Insurance undertakings' investments	1,096,332	-192,653	903,679	1,250,446	346,767
Equities and variable-income securities	816,926	-192,653	624,273	968,410	344,137
Other investments	279,406		279,406	282,036	2,630
Other undertakings' investments(1)	84,511	-38,080	46,431	50,919	4,488
Equities and variable-income securities	84,407	-38,080	46,327	50,815	4,488
Other investments	104		104	104	
Total	1,180,843	-230,733	950,110	1,301,365	351,255

(1) Included in "Other companies' investments" on the balance sheet.

10.3 Equity holdings

The information below covers equity holdings for which the Group's investment exceeds €1 million.

10.3.1 EQUITY HOLDINGS IN PROPERTY COMPANIES

Securities recorded under "Land and buildings" on the asset side of the balance sheet of insurance companies.

In € thousands

Company	Head office location	Percentage held by Group	Group investments		Equity (2)	Net income (loss) at 100% (2)	Realisable value (1)	Revenue (2)
			Gross	Impairment				
SCI Immobilière Générale Française	France	100.00%	166,310		60,324	21,415	265,687	9,426
SAS SPI	France	88.52%	163,551		184,435	7,458	325,508	13,208
SCI Marble Haussmann	France	50.00%	141,808		-25,959	-28,572	447,300	3,120
SCI 6 Avenue Kléber	France	100.00%	35,000		31,828	-3,172	204,827	1,908
SCI Prony Bureaux	France	100.00%	143,857		145,225	6,284	362,000	12,223
SCI Séquana Rive Gauche	France	100.00%	106,743		96,599	6,599	174,947	10,125
SC Breteuil Ségur	France	100.00%	58,800		28,804	-1,196	166,608	0
SCI Califimmo	France	100.00%	114,911		121,985	3,944	152,739	6,740
SCI Silverseine	France	100.00%	30,984		16,205	6,205	115,227	10,252
SAS Prony Habitation	France	100.00%	83,962		89,221	1,703	174,246	6,932
SCI Le Tropic	France	100.00%	12,000		15,894	3,894	93,722	6,753
SARL MDM Kellermann	France	100.00%	13,070		11,985	121	102,696	0
SCI Foncière Opéra Gaillon	France	100.00%	66,248	-9,748	41,248	-954	74,388	652
SCI Dalle 1	France	100.00%	44,656		31,894	-3,060	93,712	924
SCI Dalle 2	France	50.00%	53,650		73,306	4,771	109,801	10,311
SCI Londres Athènes	France	100.00%	33,989		37,550	2,699	87,844	0
SCI MGF Immobilier	France	100.00%	26,225		9,942	337	26,542	1,094
SCI Espace Performance	France	100.00%	23,581		23,952	649	24,003	1,187
SCI Cital Wacken	France	100.00%	17,809	-1,505	12,987	1,791	16,564	3,398
SARL Boulogne Ailes MDM	France	100.00%	8,897		9,004	536	17,285	1,156
SCI Placements DAS	France	100.00%	8,661		8,679	19	11,735	191
SARL Lyon MDM	France	100.00%	8,067		7,905	473	19,746	1,126
SCI 36 Bd St Marcel	France	100.00%	6,582		763	762	14,250	985
SCI MDM Vie	France	100.00%	5,641		6,317	676	11,916	937
SCI Maison des quatre	France	100.00%	2,964		2,257	-304	5,269	291
SARL Le Mans 37 Chanzy	France	100.00%	4,334	-361	3,963	10	3,974	0
SCI Groupe MMA	France	100.00%	3,681		-964	-759	4,190	4,201
SA Chauray Valeur	France	100.00%	2,020		1,982	59	5,218	362
SCPI Foncia Pierre Rendement	France	0.43%	1,502		304,355	18,394	1,502	23,209
SCI Cored	France	100.00%	17,951		39	-4	24,430	
SCI Core Long Terme	France	100.00%	99,750				100,658	
Total			1,507,205	-11,614				

(1) Group share

(2) Equity, net income and revenue for the 2018 financial year

10.3.2 OTHER EQUITY HOLDINGS

Securities recorded under “Investments in subsidiaries and affiliates of insurance undertakings” on the asset side of the balance sheet.

In € thousands

Company	Head office location	Group share percentage	Group investments		Equity (2)	Net income (loss) at 100%(2)	Realisable value (1)	Revenue (2)
				Gross Impairment				
Covivio	France	7.09%	355,711				625,109	
GMF Recouvrement	France	100.00%	136,008	-72,966	62,831	112	63,042	303
Lagune International	Luxembourg	25.25%	58,278		228,519	1,096	62,340	118
3602214 Canada Inc.	Canada	29.77%	26,082		78,717	6,209	35,776	
La Capitale Participations Inc.	Canada	0.00%	23,642		257,940	20,309	60,216	
AME Life Lux	Luxembourg	100.00%	25,910	-25,910	20,434	337		37,895
IENA Investissements Participations	France	100.00%	47,965		7,867	-123	50,394	
MMA Participations	France	100.00%	5,414		8,851	2,607	4,882	
Covéa Next	France	100.00%	6,023	-1,883	20,826	-96	4,137	
Eurazur (3)	Luxembourg	100.00%	5,916	-3,483	3,750	91	2,433	
CESVI France	France	90.00%	5,501				5,853	
AZ Plus	France	100.00%	5,268		4,621	17	4,641	
La Capitale Assurances Général	Canada	0.00%	4,303	-61	277,805	20,309	4,243	421,977
Gespré Europe	France	80.00%	3,808	-659			3,151	
Covéa Solutions Prévention	France	100.00%	3,482	-2,884	749	-74	598	871
MMA Gestion	France	100.00%	3,095				4,562	
SC Holding	France	50.00%	2,908				4,780	
OCG	France	100.00%	2,005		1,628	-263	2,039	1,162
RL Finance	France	18.36%	1,453		9,600	351	1,956	
CAT SA	France	100.00%	1,417		6,771	4,221	6,726	15,525
Darva	France	22.57%	1,042				4,514	
Fidélia Services	France	100.00%	1,011		1,225	48	1,224	879
Humensis	France	10.32%	2,629	-314			2,314	
Other			88,055	-84,493				
Total unconsolidated equity holdings recorded under “Shares and securities of subsidiaries and affiliates”			816,926	-192,653				

(1) Group share

(2) Equity, net income and revenue for the 2018 financial year

(3) Company in liquidation with licence withdrawn in 2011 - 2011 equity

10.4 Investments representing unit-linked policy commitments

Investments representing unit-linked policy commitments are recognised on the balance sheet at market value.

In € thousands

	2019	2018
Investment property	59,647	61,416
Equities and variable-income securities		
Units of bond UCITS	1,436,465	954,249
Units of other UCITS	4,753,370	4,446,498
Bonds and other fixed-income securities	166,404	119,954
Total	6,415,886	5,582,117

10.5 Other undertakings' investments

In € thousands

	2019				
	Gross value	Amortisation and impairment Adjustments	Net value	Realisable value	Unrealised capital gain/loss
Investment property	28,839	-14,246	14,593	47,622	33,029
Equities and variable-income securities	91,865	-38,133	53,732	59,874	6,142
Units of equity UCITS					
Bonds and other fixed-income securities	87,342	-800	86,542	88,146	1,604
Units of bond UCITS					
Other investments	8,580	-4,975	3,605	1,775	-1,830
Total	216,626	-58,154	158,472	197,417	38,945

In € thousands

	2018				
	Gross value	Amortisation and impairment Adjustments	Net value	Realisable value	Unrealised capital gain/loss
Investment property	28,439	-13,793	14,646	47,622	32,976
Equities and variable-income securities	62,957	-36,439	26,518	29,251	2,733
Units of equity UCITS					
Bonds and other fixed-income securities	77,560	-621	76,939	78,673	1,734
Units of bond UCITS					
Other investments	8,521	-4,955	3,566	3,566	
Total	177,477	-55,808	121,669	159,112	37,443

10.6 Equity-accounted investments

In € thousands

	Share capital	Equity	Including 2019 net income at 100%	Consolidated balance sheet value(1) 2019	2018
Non-life insurance companies					
Carma	23,270	75,999	6,728	58,796	55,265
Protec BTP	28,140	53,659	2,353	18,780	18,318
Life insurance companies					
Carma Vie	6,100	9,828	620	4,913	4,771
Mixed (life and non-life) insurance companies					
Caser(2)	647,724	1,008,986	67,062	201,227	196,519
Total	705,234	1,148,472	76,762	283,716	274,873

(1) Percentages held presented in Note 7 – Combination scope

(2) Group presenting consolidated financial statements

Note 11 Receivables arising from insurance or reinsurance transactions

11.1 Breakdown by type

In € thousands

	2019			2018
	Gross	Provisions	Net	
Earned premiums not written	457,296		457,296	327,641
Other receivables from direct insurance transactions	3,408,079	-114,681	3,293,398	3,229,986
Receivables arising from reinsurance transactions	264,812	-4,484	260,328	232,171
Total	4,130,187	-119,165	4,011,022	3,789,798

11.2 Breakdown by activity

In € thousands

	2019			2018
	Life	Non-life	Total	
Earned premiums not written	13,237	444,059	457,296	327,641
Other receivables from direct insurance transactions	32,064	3,261,334	3,293,398	3,229,986
Receivables arising from reinsurance transactions reassurance	1,283	259,045	260,328	232,171
Total	46,584	3,964,438	4,011,022	3,789,798

11.3 Breakdown by maturity

In € thousands

	2019			Total
	1 year	1 to 5 years	More than 5 years	
Earned premiums not written	457,296			457,296
Other receivables from direct insurance transactions	3,272,523	20,791	84	3,293,398
Receivables arising from reinsurance transactions	258,470	1,858		260,328
Total	3,988,289	22,649	84	4,011,022

Note 12 Receivables from banking sector companies

12.1 Breakdown by type

In € thousands

	2019			2018
	Gross	Provisions	Net	
Current accounts and cash	3,264,234		3,264,234	3,572,986
Total	3,264,234		3,264,234	3,572,986

12.2 Breakdown by activity

In € thousands

	2019			Total	2018
	Non-life	Life	Other		
Current accounts and cash	2,386,215	786,268	91,751	3,264,234	3,572,986
Total	2,386,215	786,268	91,751	3,264,234	3,572,986

12.3 Breakdown by maturity

In € thousands

	2019			Total	2018
	1 year	1 to 5 years	More than 5 years		
Current accounts and cash	3,264,234			3,264,234	3,572,986
Total	3,264,234			3,264,234	3,572,986

Note 13 Other receivables

13.1 Breakdown by type

In € thousands

	2019			2018
	Gross	Provisions	Net	
Staff and related accounts	12,423		12,423	9,062
State and social security organisations	299,688		299,688	418,951
Other receivables	974,669	-29,022	945,647	881,949
Total	1,286,780	-29,022	1,257,758	1,309,962

13.2 Breakdown by activity

In € thousands

	2019			Total
	Non-life	Life	Other	
Staff and related accounts	11,711	551	161	12,423
State and social security organisations	114,295	181,806	3,587	299,688
Other receivables	705,283	226,008	14,356	945,647
Total	831,289	408,365	18,104	1,257,758

13.3 Breakdown by maturity

In € thousands

	2019			Total
	1 year	1 to 5 years	More than 5 years	
Staff and related accounts	12,245	178		12,423
State and social security organisations	289,149	10,539		299,688
Other receivables	915,823	27,826	1,998	945,647
Total	1,217,217	38,543	1,998	1,257,758

Note 14 Other assets

14.1 Breakdown by type

In € thousands

	2019			2018
	Gross	Provisions	Net	
Deposits and guarantees	6,208		6,208	6,238
Inventory				
Other tangible assets	439,882	-284,623	155,259	171,978
Total	446,090	-284,623	161,467	178,216

14.2 Breakdown by activity

In € thousands

	2019			Total
	Non-life	Life	Other	
Deposits and guarantees	5,501	707		6,208
Inventory				
Other tangible assets	147,457	5,440	2,362	155,259
Total	152,958	6,147	2,362	161,467

14.3 Tangible assets of economic interest groups

In € thousands

	2019			2018
	Gross	Depreciation	Net	
FIXED ASSETS				
Tangible assets				
IT hardware and other equipment	303,911	-189,815	114,096	118,195

Note 15 Accruals-assets

In € thousands

	2019				2018
	Non-life	Life	Other	Total	
Deferred tax assets	888,936	21,518	4,620	915,074	789,189
Accrued interest and rent not yet due	175,702	519,356		695,058	771,462
Deferred acquisition costs	625,516	396,171		1,021,687	966,398
Other deferred expenses	987			987	921
Prepaid expenses	6,051	1,296	3,321	10,668	10,303
Technical reinsurance valuations - assets	128,852			128,852	67,659
Other accruals - assets	217,065	4,545		221,610	169,285
Total	2 043,109	942,886	7,941	2,993,936	2,775,217

Note 16 Group equity

16.1 Changes in equity

In € thousands

	Initial capital	Additional paid-in capital	Consolidated reserves	Net income	Total equity capital
Equity capital at 31.12.2017	1,120,794	6,358	12,308,259	817,782	14,253,193
Appropriation of 2017 net income			817,782	-817,782	
Net income for 2018				939,729	939,729
Additional capital raised	3,592				3,592
Translation difference			-1,727		-1,727
Changes in scope					
Other			1,671		1,671
Total changes	3,592		817,726	121,947	943,265
Equity capital at 31.12.2018	1,124,386	6,358	13,125,985	939,729	15,196,458
Appropriation of 2018 net income			939,729	-939,729	
Net income for 2019				858,481	858,481
Additional capital raised	5,312				5,312
Translation difference			24,939		24,939
Changes in scope					
Other (1)			-117,142		-117,142
Total changes	5,312		847,526	-81,248	771,590
Equity capital at 31.12.2019	1,129,698	6,358	13,973,511	858,481	15,968,048

(1) Impact of the change to Method 2 for long-term employee benefits from 1 January 2019, as described in the section on "Significant Events".

Equity capital at 31 December 2019 includes €1,129,698,000 corresponding on the one hand to the initial capital of affiliated entities and on the other hand to Covéa SGAM's initial capital of €20,590,000.

16.2 Minority interests

In € thousands

	Consolidated reserves	Net income	Total equity
Position at 31.12.2017	62,237	13,701	75,938
Appropriation of 2017 net income	13,701	-13,701	
Net income for 2018		13,869	13,869
Translation difference			
Distribution	-6,563		-6,563
Changes in scope	-569		-569
Other	-3	0	-3
Total changes	6,566	168	6,734
Position at 31.12.2018	68,803	13,869	82,672
Appropriation of 2018 net income	13,869	-13,869	
Net income for 2019		16,266	16,266
Translation difference			
Distribution	-7,367		-7,367
Changes in scope			
Other	-834		-834
Total changes	5,668	2,397	8,065
Position at 31.12.2019	74,471	16,266	90,737

Note 17 Subordinated debts

In € thousands

	Maturity			2019	2018
	1 year	1 to 5 years	More than 5 years		
Insurance undertakings					
Subordinated liabilities			158,835	158,835	153,522
Redeemable subordinated liabilities		26,050	8,000	34,050	34,050
Total		26,050	8,000	34,050	34,050

Note 18 Technical reserves

18.1 Technical reserves by type

In € thousands

	2019			2018
	Non-life	Life	Total	
Gross reinsurance reserves				
Unearned premium reserves	3,142,789		3,142,789	3,027,001
Life insurance reserves		53,328,765	53,328,765	52,864,926
Claims reserves	20,312,792	523,244	20,836,036	20,036,325
Policyholders' participation reserve	93,152	3,063,272	3,156,424	3,001,944
Equalisation reserve	927,278	94,531	1,021,809	1,016,990
Mathematical annuity reserves	2,307,005		2,307,005	2,216,804
Other technical reserves	192,601	19,073	211,674	233,912
Sub-total gross technical reserves	26,975,617	57,028,885	84,004,502	82,397,902
Technical reserves of unit-linked policies		6,442,705	6,442,705	5,635,226
Total	26,975,617	63,471,590	90,447,207	88,033,128
Reinsurers' share of technical reserves				
Unearned premium reserves	26,580		26,580	23,620
Life insurance reserves		228,847	228,847	219,851
Claims reserves	2,035,651	13,035	2,048,686	1,776,023
Policyholders' participation reserve	733		733	397
Equalisation reserve	2,151	80,807	82,958	82,667
Mathematical annuity reserves	389,957		389,957	379,161
Other technical reserves	1,805	1,222	3,027	4,286
Total	2,456,877	323,911	2,780,788	2,486,005
Net technical reserves			87,666,419	85,547,123

18.2 Breakdown of the policyholder participation reserves (net of reinsurance — excluding unit-linked policies)

In € thousands

	2019	2018
Reserve payable	2,987,199	2,837,560
Unconditional deferred reserve		
Conditional deferred reserve	168,492	163,987
Total	3,155,691	3,001,547

Note 19 Provisions for liabilities and charges and contingent liabilities

In € thousands

	2018 year-end	Changes in scope	Translation differences	Allocations	Reversals	2019 year-end
Provision for deferred tax liabilities	42,195			4,856		47,051
Provisions for long-term employee benefits (1) (2)	424,514		191	186,691	-69,755	541,641
Provision on receivables	1,627			3,972	-31	5,568
Provision for tax inspections	140,607			4,169	-22,716	122,060
Provision for commitments to subsidiaries, divested companies	9,866				-841	9,025
Badwill	0					
Other provisions	60,999		350	34,239	-3,535	92,053
Total	679,808		541	233,927	-96,878	817,398

(1) Provisions for long-term employee benefits:

The provisions reflect the amount of long-term employee benefits not covered by a non-Group life insurance policy, including those of Economic Interest Groups, after deducting actuarial differences not yet accounted for and presented off balance sheet. These commitments cover retirement benefits, contributions to pension time savings accounts, other retirement benefits, long-service awards and long-service leave.

(2) Provision: reflecting the impact of the change to Method 2 for long-term employee benefits from 1 January 2019, as described in the section on "Significant Events".

Contingent liabilities

Le Crédit Martiniquais

Since May 2000, MMA Vie Assurances Mutuelles, as a former director of the bank Crédit Martiniquais (now called *Financière du Forum*) between March 1990 and December 1994, has been involved in proceedings commenced by the *Fonds de Garantie des Dépôts et de Résolution* (FGDR) against former de jure and de facto corporate officers, statutory auditors and all directors of Crédit Martiniquais.

The purpose of these proceedings was to obtain repayment from all the parties concerned of a sum estimated at €178.5 million, corresponding to the difference between payments made by FGDR to address the bank's situation and those that it was able to recover.

On 9 January 2019, the Court of Cassation ruled in favour of the defendants, definitively settling these proceedings, thereby releasing MMA Vie Assurances Mutuelles from any further legal action. No provision was recorded in the financial statements given the degree of uncertainty in the case for MMA Vie Assurances Mutuelles.

Alongside this, on 27 April 2018, new proceedings to cover liabilities were filed in the commercial court by FIDES, liquidator of *Financière du Forum*, in which MMA Vie Assurances Mutuelles is involved with other parties.

The purpose of these proceedings is to obtain payment by MMA Vie Assurances Mutuelles of a maximum sum of €100 million.

However, at 31 December 2019, there were no objective grounds for raising a provision in connection with this litigation.

Scor

Covéa Coopérations, Covéa SGAM and their chairman are the subject of proceedings commenced in 2019 by Scor, comprising a direct summons (criminal action) and a civil writ of summons before the Paris commercial court.

The proceedings are the result of the events described in the Management Report.

At year-end 2019, given the state of progress with these proceedings and on the basis that the Covéa Group contests all of the allegations made by Scor, no charge has been recorded in respect of this litigation.

Note 20 Liabilities arising from insurance or reinsurance transactions

20.1 Breakdown by activity

In € thousands

	2019			2018
	Non-life	Life	Total	
Liabilities from direct insurance transactions	779,303	66,442	845,745	851,852
Liabilities from reinsurance transactions	254,275	10,229	264,504	233,679
Liabilities for cash deposits received from reinsurers	95,756	2,425	98,181	88,939
Total	1,129,334	79,096	1,208,430	1,174,470

20.2 Breakdown by maturity

In € thousands

	2019			Total
	1 year	1 to 5 years	More than 5 years	
Liabilities from direct insurance transactions	842,453	3,282	10	845,745
Liabilities from reinsurance transactions	264,049	455		264,504
Liabilities for cash deposits received from reinsurers	98,181	0		98,181
Total	1,204,683	3,737	10	1,208,430

Note 21 Debt with banking sector companies

21.1 Breakdown by activity

In € thousands

	2019				2018
	Non-life	Life	Other	Total	
Debt owed to credit institutions	327,762	66,989	169	394,920	448,365
Total	327,762	66,989	169	394,920	448,365

21.2 Breakdown by maturity

In € thousands

	2019			Total
	1 year	1 to 5 years	More than 5 years	
Debt owed to credit institutions	380,881	10,317	3,722	394,920
Total	380,881	10,317	3,722	394,920

Note 22 Other liabilities

22.1 Breakdown by activity

In € thousands

	2019				2018
	Non-life	Life	Other	Total	
Other borrowings, deposits and sureties received	82,857	6,457	41,869	131,183	135,220
Staff and related accounts	273,505	20,083	11,690	305,278	305,311
State and social security organisations	357,402	95,803	155,332	608,537	404,193
Other liabilities	644,886	162,279	51,665	858,830	858,840
Total	1,358,650	284,622	260,556	1,903,828	1,703,564

22.2 Breakdown by maturity

In € thousands

	2019			Total
	1 year	1 to 5 years	More than 5 years	
Other borrowings, deposits and sureties received	81,291	44,439	5,453	131,183
Staff and related accounts	304,020	1,258		305,278
State and social security organisations	600,358	8,179		608,537
Other liabilities	845,249	13,520	61	858,830
Total	1,830,918	67,396	5,514	1,903,828

Note 23 Accruals - liabilities

In € thousands

	2019				2018
	Non-life	Life	Other	Total	
Deferred income	51	133,615		133,666	141,767
Other accruals - liabilities	1,189,582	11,041	2,360	1,202,983	1,125,182
Prepaid income	23,946	75	966	24,987	24,169
Total	1,213,579	144,731	3,326	1,361,636	1,291,118

Note 24 Income tax

24.1 Breakdown of the tax expense

In € thousands

	2019				2018
	Non-life	Life	Other	Total	
Current tax	-479,619	-136,447	-12,329	-628,395	-384,656
Deferred tax	85,291	-11,834	2,196	75,653	-145,001
Total	-394,328	-148,281	-10,133	-552,742	-529,657

24.2 Deferred tax

In € thousands

	2019	2018
Deferred tax arising from temporary differences	-884,218	-752,429
Deferred tax arising from consolidation adjustments	16,195	5,435
Total deferred tax recognised in the balance sheet	-868,023	-746,994
Of which:		
assets (accruals - assets)	-915,074	-789,189
liabilities (provisions for liabilities and charges)	47,051	42,195

Deferred tax assets are shown as negative amounts

Changes in deferred tax recognised in the balance sheet include the impact of the transition to Method 2 for long-term employee benefits in 2019, recorded as an adjustment to equity, as described in the section on "Significant Events".

The 2020 Finance Law No. 2019-1479 of 28 December 2019 changes the schedule for reducing corporation tax in France, targeting 25.83% by 2022, by setting the rates for the 2020 and

2021 financial years at 32.02% and 28.41% respectively, including the social security contribution on earnings, for taxpayers with revenue in excess of €250 million.

Rates on deferred tax assets and liabilities have been adjusted to reflect the timeframes for reversing time of reversal of temporary differences to take account of changes in the tax rates in the 2020 Finance Law.

24.3 Analysis of the tax expense

In € thousands

	2019	2018
Consolidated net income	874,747	953,598
Goodwill amortisation	-14,156	-20,217
Group's share in net income from equity-accounted investments	17,910	21,184
Income tax	-552,742	-529,657
Income before tax	1,423,735	1,482,288
Theoretical current tax rate	34.43%	34.43%
Theoretical tax expense	-490,192	-510,352
Impact of tax rate differences	-56,554	-31,325
Impact of permanent differences	-1,710	12,285
Impact of adjustments and other items	-4,286	-265
Group tax expense	-552,742	-529,657
Effective tax rate	38.82%	35.73%

The impact of tax rate differences on the theoretical tax expense reflects the difference between the tax calculated for each entity using the standard rate applicable locally and the tax calculated using the rate in force in France.

The standard income tax rate in France for 2019 is 34.43%, including the social security contribution on earnings, for taxpayers with revenue in excess of €250 million, in accordance with the GAFA Act No. 2019-759 of 24 July 2019.

Note 25 Commitments received and given

Commitments received and given by insurance undertakings

In € thousands

	2019	2018
Commitments received	383,811	340,601
Commitments given	961,288	752,118
Guarantees, sureties and credit collateral given	203,452	276,052
Long-term employee benefits	52,855	165,172
Commitments on securities, assets or revenue	303,890	58,426
Other commitments	401,091	252,468
Pledged securities received from reinsurers	1,453,784	1,455,655
Outstanding derivative instruments		
Securities conferred by reinsured organisations with joint guarantee or with substitution		
Securities belonging to provident institutions		
Other securities held on behalf of third parties		

Commitments in respect of retirement benefits and contributions to pension time savings accounts of entities that signed the common employment agreements, including Economic Interest

Groups, are covered by hedging assets or give rise to the recognition of provisions for liabilities and charges, and/or off-balance-sheet commitments at 31 December 2019, as follows:

In € thousands

	Retirement benefits		to pension time savings accounts		Total	
	2019	2018	2019 Employer's contributions	2018	2019	2018
Commitments	322,736	288,866	144,084	124,902	466,820	413,768
Non-Group plan assets (insurance policies)	2,139	1,922			2,139	1,922
Provisions for liabilities and charges	292,617	229,545	130,324	18,528	422,941	248,073
Off-balance-sheet						
Commitments given (*)	27,980	57,557	13,759	107,615	41,739	165,172
Commitments received (**)		158				158

(*) At 31 December 2018, these commitments corresponded to past service costs not yet amortised using Method 1 from ANC Recommendation No. 2013-02. At 31 December 2019, following the adoption of the corridor method, these commitments represented unrecognised actuarial gains and losses.

(**) Share of commitments not recognised on the balance sheet already financed by non-Group hedging assets.

Actuarial losses not yet accounted for on other defined benefit pension plans represent €11,116,000, as shown under commitments given.

5. Notes to the income statement and segment reporting

Note 26 Life and non-life net financial income

In € thousands

	2019			2018
	Non-life insurance activity	Life insurance activity	Total	
Investment income	612,524	1,429,325	2,041,849	2,195,488
Other investment income	26,949	67,232	94,181	130,427
Internal and external investment management expenses and interest	-37,431	-65,636	-103,067	-173,839
Other investment expenses	-156,415	-176,575	-332,990	-337,454
Net investment income	445,627	1,254,346	1,699,973	1,814,622
Gains realised on investments	436,471	522,357	958,828	1,385,904
Losses realised on investments	-78,247	-151,069	-229,316	-461,098
Gains and losses realised on investments	358,223	371,288	729,511	924,806
Adjustments on unit-linked policies (gains)		785,827	785,827	47,143
Adjustments on unit-linked policies (losses)		-33,725	-33,725	-498,441
Adjustments on unit-linked policies		752,102	752,102	-451,298
Net financial income	803,850	2,377,736	3,181,586	2,288,130
Of which total investment income	1,075,944	2,804,741	3,880,685	3,758,961
Of which total investment expenses	-272,094	-427,005	-699,099	-1,470,831

Note 27 Non-recurring items

In 2019, the main components of non-recurring items were as follows:

In € thousands

	2019
Tax and social security (URSSAF) litigation	-1,959
Other	2,948
Non-recurring items	989

Note 28 Segment reporting

28.1 Non-life insurance technical account

In € thousands

	2019					2018
	Gross transactions	Outwards reinsurance	Net transactions	Inter-segment transfers	Transactions net of inter-segment transfers	
Earned premiums	12,814,320	-973,958	11,840,362		11,840,362	11,410,280
Premiums	12,906,462	-976,394	11,930,068		11,930,068	11,493,882
Change in unearned premiums	-92,142	2,436	-89,706		-89,706	-83,602
Net financial income	544,967		544,967	5,382	550,349	686,133
Allocated investment income	544,967		544,967	5,382	550,349	686,133
Other technical income	7,297		7,297		7,297	26,814
Claims expenses	-9,252,659	815,951	-8,436,708		-8,436,708	-8,145,023
Claims and expenses paid	-8,549,724	558,805	-7,990,919		-7,990,919	-7,773,486
Change in claims reserves	-702,935	257,146	-445,789		-445,789	-371,537
Other technical reserve expenses	-60,000	-1,859	-61,859		-61,859	16,461
Profit sharing	-15,870	337	-15,533		-15,533	-36,625
Acquisition and administrative expenses	-2,867,148	103,716	-2,763,432		-2,763,432	-2,625,702
Acquisition costs	-1,689,356		-1,689,356		-1,689,356	-1,611,066
Administrative expenses	-1,177,792		-1,177,792		-1,177,792	-1,108,856
Commissions received from reinsurers		103,716	103,716		103,716	94,220
Other technical expenses	-331,781		-331,781	24,520	-307,261	-477,538
Change in equalisation reserves	3,846	998	4,844		4,844	46,823
Non-life technical income	842,972	-54,815	788,157	29,902	818,059	901,623
Employee profit sharing			-57,568		-57,568	-67,103
Net investment income excluding share allocated to technical income			244,719	8,781	253,500	275,644
Current operating income			975,308	38,683	1,013,991	1,110,164
Elimination of inter-segment transfers				-38,683	-38,683	-54,769
Economic current operating income			975,308		975,308	1,055,395

28.2 Life insurance technical account

In € thousands

	2019					2018
	Gross transactions	Outwards reinsurance	Net transactions	Inter-segment transfers	Transactions net of intersegment transfers	
Premiums	4,585,266	-55,723	4,529,543		4,529,543	4,521,824
Investment income	2,019,013		2,019,013	-99	2,018,914	2,364,880
Adjustments on unit-linked policies (gains)	785,827		785,827		785,827	47,143
Other technical income	72,842		72,842	-20,520	52,322	55,129
Claims expenses	-4,784,573	49,765	-4,734,808		-4,734,808	-4,468,169
Claims and expenses paid	-4,741,925	48,604	-4,693,321		-4,693,321	-4,431,277
Change in claims reserves	-42,648	1,161	-41,487		-41,487	-36,892
Technical reserve expenses	-270,898	-2,383	-273,281		-273,281	657,771
Change in life	707,643	-2,679	704,964		704,964	648,152
Change in unit-linked	-976,829		-976,829		-976,829	8,086
Change in other	-1,712	296	-1,416		-1,416	1,533
Profit sharing	-1,150,570		-1,150,570		-1,150,570	-1,356,296
Acquisition and administrative expenses	-300,288	4,540	-295,748		-295,748	-296,558
Acquisition costs	-184,759		-184,759		-184,759	-176,871
Administrative costs	-115,529		-115,529		-115,529	-121,525
Commissions received from reinsurers		4,540	4,540		4,540	1,838
Other technical expenses	-83,116		-83,116	3,673	-79,443	-84,676
Investment expenses	-401,441		-401,441	8,161	-393,280	-587,229
Adjustments on unit-linked policies (losses)	-33,726		-33,726		-33,726	-498,441
Investment income transferred	-96,206		-96,206	-495	-96,701	-112,446
Life technical income	342,130	-3,801	338,329	-9,280	329,049	242,932
Employee profit sharing			-3,825		-3,825	-4,407
Net investment income excluding share allocated to technical income			96,206	495	96,701	112,446
Current operating income			430,710	-8,785	421,925	350,971
Elimination of inter-segment transfers				8,785	8,785	9,621
Economic current operating income			430,710		430,710	360,592

28.3 Income from other activities

In € thousands

	2019			2018
	Net	Other inter-segment transfers	Transactions after elimination of inter-segment transfers	
Revenue	164,642	-53,444	111,198	209,780
Other operating income	31,139		31,139	4,882
Operating expenses	-171,787	23,546	-148,241	-289,904
Operating income	23,994	-29,898	-5,904	-75,242
Net financial income	3,325		3,325	85,034
Current operating income	27,319	-29,898	-2,579	9,792
Elimination of inter-segment transfers		29,898	29,898	45,148
Economic current operating income	27,319		27,319	54,940

28.4 Technical reserves by category

28.4.1 GROSS LIFE TECHNICAL RESERVES BY CATEGORY

In € thousands

Direct business							
	Capitalisation policies Single/ Variable premium	Capitalisation policies Recurring premium	Personnal protection	Individual savings policies Single/Variable premium	Individual savings policies recurring premium	Group life policies	Group savings policies
Claims reserves	3,499		20,243	395,219	26,583	13,072	4,955
Insurance reserves	1,180,042		31,062	49,511,484	1,774,700	223,380	380,943
Equalisation reserves				107		82,820	11,604
Technical reserves for unit- linked life policies							
Policyholders' income reserve	3,697		855	3,045,347	15,467	822	-4,971
Other technical reserves	64		5,190	4,848	901		542
Total	1,187,302		57,350	52,957,005	1,817,651	320,094	393,073

28.4.2 GROSS NON-LIFE TECHNICAL RESERVES BY CATEGORY

In € thousands

Direct business								
	Accident and health		Motor		Property & casualty		Natural disasters	General third party
	Individual policies	Group policies	Third party	Damage	Personal	Commercial		
Unearned premium reserves	219,383	52,856	325,653	842,073	591,179	224,229	61,906	32,279
Claims reserves	442,085	285,559	7,862,507	1,403,682	1,560,528	1,850,130	763,674	1,485,493
Equalisation reserves		80,390		52,782	248,829	48,589	16,376	57
Profit sharing		7,437		35,087		7,977		
Other technical reserves	96,993	437,448	1,686,199	7,408	67,087	57,196	58,283	86,177
Total	758,461	863,690	9,874,359	2,341,032	2,467,623	2,188,121	900,239	1,604,006

Direct business									Total
Unit-linked insurance Single/ Variable Premium	Unit-linked insurance Recurring premium	Retirement savings plans (PERP)	Accident and health Individual policies	Accident and health Group policies	Financial loss	Total Direct business	Inwards reinsurance	Total	
874	10	252	7,830	103		472,640	50,604	523,244	
478		202,461	727			53,305,277	23,488	53,328,765	
						94,531		94,531	
6,091,758	287,544	63,403				6,442,705		6,442,705	
-34	-27	2,095	0			3,063,251	21	3,063,272	
		549	5,628			17,722	1,351	19,073	
6,093,076	287,527	268,760	14,185	103		63,396,126	75,464	63,471,590	

Direct business										Total
Legal protection	Assistance	Miscellaneous financial losses	Transport	Construction		Surety	Freedom to provide services	Total direct business	Inwards reinsurance	
				Damage	Third party					
85,704	76,562	49,377	13,396		25,462		478,991	3,079,050	63,739	3,142,789
170,524	20,963	46,837	54,773	598,328	3 076,616	6,186	77,923	19,705,808	606,984	20,312,792
			1,025					448,048	479,230	927,278
5,411	2,425	24,088					9,484	91,909	1,243	93,152
		58	455		61		150	2,497,515	2,091	2,499,606
261,639	99,950	120,360	69,649	598,328	3,102,139	6,186	566,548	25,822,330	1,153,287	26,975,617

28.5 Breakdown of premium income

By geographical area

In € million

Earned premiums	France	International	Of which Italy	Of which United Kingdom	Of which other	Total
2018	14,919	2,006	961	863	182	16,925
2019	15,239	2,161	1,064	904	193	17,400

By type of cover

In € million

Earned premiums	LIFE												
	Direct business											Total Inwards reinsurance	Overall total
	Capitalisation policies		Individual Insurance			Group Insurance		Unit-linked Policies		Retirement savings plans (PERP)			
	Single/Variable premium	Recurring premium	Protection	Savings Single/Variable premium	Savings Recurring premium	Protection	Savings	Single/Variable premium	Recurring premium				
2018	103		133	3,296	120	67	21	774	13	22	4,549		
2019	130		141	3,283	127	66	16	725	12	34	4,534	51	4,585
% 2019 overall total	2.84		3.08	71.60	2.77	1.44	0.34	15.81	0.26	0.74		1.12	100.00

Premiums earned	NON-LIFE												
	Direct business											Total Inwards reinsurance	Overall total
	Accident		Motor		Property & casualty			General third party	Transport	Construction	Other		
	Individuals	Group	Third party	Damages	Personal lines	Commercial							
2018	1,176	685	1,400	3,457	1,976	1,210	313	57	454	1,175	11,903		
2019	1,264	794	1,375	3,582	2,038	1,278	339	50	481	1,254	12,455	360	12,815
% 2019 overall total	9.87	6.19	10.73	27.95	15.90	9.97	2.65	0.39	3.75	9.79		2.81	100.00

Note 29 Staff costs and headcount

	2019	2018
Staff costs <i>In € thousands</i>	1,335,554	1,403,046
Headcount (full-time equivalents)	16,862	16,926
Employees	8,564	8,780
Managers	8,298	8,146

Headcount includes the staff of combined and fully-consolidated companies. The reduction in staff costs over the year is due to the Swinton group being removed from the Group's scope of consolidation on 31 December 2018. Staff costs of €62 million were included in the Covéa Group's financial statements up to that date as if Swinton's staff had left on 31 December 2018.

The headcount of non-consolidated entities dedicated to

management activities, whose staff are not included in the above data, is 6,155 employees.

The breakdown of this headcount is as follows:

- MAAF Economic Interest Groups: 3,469 employees;
- Téléassurances and MMA Gestion: 882 employees;
- Covéa Insurance Services Limited: 1,804 employees.

Note 30 Remuneration of corporate officers

The remuneration paid to members of the Boards of Directors and management bodies in respect of their corporate mandates in the combining entity, affiliated entities and

consolidated subsidiaries amounts to a gross total of €3,092,000 for 2019 (including €64,500 of gross variable remuneration for 2019).

Note 31 Statutory Auditors' fees

The following table shows the fees recorded in the consolidated income statement for the financial year for each of the Group's Statutory Auditors, distinguishing between fees for the

statutory audit of the financial statements and for other services provided.

In € thousands

	2019				Total
	PwC (*)		Mazars (*)		
	Statutory Auditors	Network	Statutory Auditors	Network	
Statutory audit of financial statements					
Covéa SGAM	218		218		436
Fully or proportionally consolidated subsidiaries	2,259	792	949		4,000
Sub-total	2,477	792	1,167		4,436
Other Services					
Covéa SGAM	78		50		128
Fully or proportionally consolidated subsidiaries	310	610	95		1,015
Sub-total	388	610	145		1,143
Total	2,865	1,402	1,312		5,579

(*) Statutory Auditors of Covéa's combined financial statements

Other services provided by the Statutory Auditors of the Group's financial statements to Covéa SGAM and its subsidiaries and affiliates are as follows:

- Consulting in relation to the financial statements and financial information;
- Services other than audit required of statutory auditors by law;
- Services other than audit required of statutory auditors by French or foreign supervisory authorities responsible for insurance, competition and tax;
- Certification;
- Services relating to social and environmental information;
- Solvency II review;
- Review of regulatory compliance;
- Review of and advice on practices and procedures of closing the financial statements;
- Preparation of tax declarations outside France;
- Findings arising from the agreed procedures.

5.2 Statutory Auditors' report on the combined financial statements

Financial year ended 31 December 2019

To the General Meeting
COVÉA SGAM
 86 - 90, rue Saint-Lazare
 75009 Paris, France

Opinion

In accordance with the mandate entrusted to us by your General Meeting, we have audited the combined financial statements of Covéa SGAM for the year ended 31 December 2019 that accompany this report. These financial statements were adopted by the Board of Directors on 6 April 2020 based on the information available at that date within the evolving context of the Covid-19 health crisis.

In our opinion, the combined financial statements give a true and fair view, in accordance with French accounting rules and principles, of the income for the past financial year and of the financial position, assets and liabilities at the end of the financial year of the Group constituted by the persons and entities included in the combination.

The opinion expressed above is consistent with the content of our report to the Audit and Risk Committee.

Basis for our opinion

Audit framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the information we collected is sufficient and appropriate to form the basis of our opinion.

Our responsibilities under those standards are set out in the "Responsibilities of the statutory auditors for the audit of the combined financial statements" section of this report.

Independence

We conducted our audit for the period from 1 January 2019 to the date our report was issued in accordance with the

independence rules applicable to us and, among other things, we have not provided services prohibited by Article 5, paragraph 1 of EU Regulation No. 537/2014 of the professional code of ethics of statutory auditors.

Observations

Without qualifying the opinion expressed above, we draw your attention to the changes in accounting method set out in the paragraph "Significant events of the financial year" in the notes to the combined financial statements concerning:

- Application of the corridor method of accounting for actuarial gains and losses arising from the calculation of long-term commitments to employees;
- Adoption of Method 2 of ANC Recommendation No. 2013-02 resulting in immediate balance sheet recognition of past service costs arising from the introduction of or changes to rules.

Justification of assessments - Key audit matters

In accordance with the requirements of Articles L.823-9 and R.823-7 of the Commercial Code relating to justification of our assessments, we bring to your attention the key audit matters relating to material misstatement risks which, in our professional judgment, were of greatest significance in our audit of the combined financial statements for the financial year, and our responses to these risks.

The assessments were made in the context of our audit of the combined financial statements as a whole, which were adopted in the circumstances mentioned earlier, and of forming the opinion we gave above. We do not provide an opinion on specific items of the combined financial statements.

Key audit matter 1: Valuation of the non-life claims payable reserves

Risk identified

According to the insurance code and accounting regulations, non-life insurance companies must estimate the claims payable reserves required for settlement of both principal and incidental amounts including management expenses of all claims incurred but not paid, whether or not advised at year-end.

Reserves for non-life claims payable of €20,313 million are recorded in the Group balance sheet at 31 December 2019. They represent one of the largest liability items and assessment of their value involves a number of assumptions. They therefore constitute a key audit matter.

Different methodologies may be used to value these reserves; the main methods are explained in Note 3.8 in the notes to the combined financial statements:

- Valuation of known claims is performed case by case at actual cost or at a fixed rate;
- In order to estimate the ultimate cost of all known and unknown claims, these reserves are supplemented using statistical and actuarial methods requiring a high degree of judgment, making it possible to cover adverse liquidation scenarios; and
- In the construction segment, claims not yet reported are valued according to methods provided by law by applying coefficients defined by regulation to premiums or known claims.

This judgment required is greater in long-tail segments (Motor third-party liability, General third-party liability and Construction). Estimating claims reserves therefore entails a significant degree of judgment and special attention had to be paid to the level of audit procedures implemented.

Our audit approach

In order to assess the reasonableness and adequacy of the estimate of claims reserves and their compliance with regulations, our audit approach was based on the information provided to us and involved the following work carried out jointly with our actuarial experts:

- Obtaining an understanding of the internal control system for claims management and testing the design and effectiveness of the key controls identified;
- Assessing the relevance of statistical and actuarial methods and the appropriateness of the actuarial assumptions made by the Group, and compliance of those assumptions and methods with those prescribed by regulations;
- Checking the reliability of the statements prepared by your Group in terms of the integrity of data produced and used to estimate claims reserves, and testing source documents;
- Assessing how significant events and management actions likely to affect cost forecasts for the financial year are taken into account;
- Carrying out an independent estimate of claims reserves in a selection of segments and in particular those with long tails;
- Analysing the liquidation of provisions booked at the preceding year-end in the light of actual charges in order to check whether they support previous estimates provided by the Group;
- Assessing the consistency of methods for calculating the adequacy of the reserves for claims recorded; and
- Finally, we also checked the appropriateness of the financial information in the notes to the combined financial statements.

Key audit matter 2: Estimate of life insurance reserves

Risk identified

Life technical reserves amounted to €59,771 million at 31 December 2019, of which €53,329 million against policies in Euros and €6,443 million against unit-linked policies.

These reserves, mostly consisting of mathematical reserves, represent the difference between the present value of commitments made by the insurer and those made by policyholders. The estimation methods and assumptions used to determine the mathematical reserves are set out in Note 3.8 to the combined financial statements.

The mathematical reserves created by policyholder contributions net of withdrawals and revaluations paid by the insurer (policies in euros) or changes in the value of investment vehicles (unit-linked policies) must, where necessary, be supplemented by additional reserves to cover the insurer's other commitments.

Calculation of these additional reserves, even though governed by regulations, involves the use of actuarial assumptions and management judgment (see Note 3.8 of the notes to the combined financial statements).

Given the preponderance of these mathematical reserves in the balance sheet at 31 December 2019 and the judgment required to estimate the additional reserves, we considered this item a key audit matter.

Our audit approach

In order to assess the adequacy of the estimate of life insurance reserves, we carried out the following work jointly with our actuarial experts:

- Updating of our knowledge and testing of the control system for the underwriting management and claims payment processes;
- Analysis of compliance with regulatory requirements relating to the accounting treatment in life insurance transactions of the contractual conditions of different policies;
- Control of management data transfers in the accounting system;
- Assessment of the consistency of methods used and compliance with the requirements of applicable regulations;
- Checking the roll-over of mathematical reserves and analysis of the sources of margin (fees, financial margin);
- Assessment of the methodology and assumptions used to estimate the additional reserves covering Group commitments;
- Recalculation of mathematical reserves relating to certain products or annuities; and
- Control of compliance with regulations in the calculation of overall reserves.

Key audit matter 3: Valuation of insurance companies' unlisted financial and property investments and of equity-accounted securities

Risk identified

The net book values on the asset side of the balance sheet of insurance companies' unlisted financial and property investments and of equity-accounted securities are €6,760 million and €284 million respectively at 31 December 2019.

According to insurance sector accounting regulations, these assets or securities must be valued at each year-end in order to ensure there is no loss of value that could lead to an impairment.

These assets are difficult to value because their market value is not easily discoverable or there is no market value, and their valuation therefore requires professional judgment on the assumptions used.

Note 3.1 to the combined financial statements sets out the valuation methods for investment assets and in particular the methods and assumptions used for the various types of unlisted assets.

The weight of these assets or unlisted securities in the Group's balance sheet and the high degree of judgment required for their valuation led us to consider this a key audit matter.

Our audit approach

In order to assess the reasonableness of the valuations used for the various types of unlisted assets, and any resulting impairments, we specifically carried out the following checks:

- Evaluation and testing of the design and effectiveness of key controls on valuation methods;
- Assessment of the methodologies used to value unlisted assets;
- Assessment of the relevance of assumptions used for these valuations compared with market practices;
- Comparison with available external valuations, particularly for property assets (property and shares in property companies);
- Preparation of counter-valuations using our own models;
- Analysis of the consistency of changes in valuations in comparison with the preceding year-end and the global economic context;
- Checking of the calculation of any impairments required.

Specific checks

In accordance with professional standards applicable in France, we have also carried out the specific checks required by law and regulations on information relating to the Group

provided in the Board of Directors' management report adopted on 6 April 2020.

With regard to events that have transpired and information that has come to light since the year-end in relation to the effects of the Covid-19 crisis, management has informed us that there will be communication on them at the General Meeting called to approve the financial statements.

We make no comment as to the fair presentation and consistency with the combined financial statements of this information.

Information on other legal and regulatory obligations

Appointment of statutory auditors

PricewaterhouseCoopers Audit and Mazars were appointed as statutory auditors of Covéa SGAM by the General Meeting of 18 June 2003. At 31 December 2019, PricewaterhouseCoopers Audit and Mazars were in the 17th uninterrupted year of their appointment, and two years have passed since the Group came under the framework of Public Interest Entities as defined by European law.

Responsibilities of management and persons responsible for corporate governance for the combined financial statements

Management is responsible for preparing combined financial statements that give a true and fair view in accordance with French accounting rules and principles, and for establishing the internal control it deems necessary for the preparation of combined financial statements free of material misstatements, whether resulting from fraud or error.

In preparing the combined financial statements, management is responsible for assessing the Group's ability to continue as a going concern and for disclosing in those financial statements, where applicable, the requisite going-concern information and applying the going-concern basis of accounting, unless the Group is expected to be liquidated or cease trading.

The Audit and Risk Committee is responsible for monitoring the process of preparing the financial information and the effectiveness of internal control and risk management systems and, where applicable, internal audit, in relation to the procedures for preparing and processing of accounting and financial information.

The combined financial statements were adopted by the Board of Directors.

Responsibilities of the statutory auditors for the audit of the combined financial statements

Audit objective and approach

Our role is to issue a report on the combined financial statements. Our objective is to obtain reasonable assurance that the combined financial statements as a whole do not include material misstatements. Reasonable assurance is a high level of assurance without, however, being a guarantee that an audit carried out in accordance with professional standards will invariably detect any material misstatements. Misstatements may result from fraud or error and are considered material if, individually or cumulatively, they could reasonably be expected to influence the economic decisions of users based on these combined financial statements.

As stated in Article L.823-10-1 of the Commercial Code, our statutory audit of the financial statements does not include an assurance on the viability or quality of the Group's management.

Under the framework of an audit performed in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit.

In addition, the statutory auditor:

- Identifies and assesses the risks of material misstatements in the combined financial statements, whether these result from fraud or error, establishes and implements audit procedures to address these risks, and gathers the evidence they deem sufficient and appropriate to form the basis for their opinion. The risk of not detecting a material misstatement resulting from fraud is greater than that of a material misstatement resulting from error, because fraud may involve collusion, forgery, deliberate omissions, false declarations or bypassing internal control;
- Obtains an understanding of internal control relevant to the audit to establish audit procedures appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control;
- Assesses the appropriateness of accounting methods used and the reasonableness of accounting estimates made by management, and the related disclosures provided in the combined financial statements;
- Assesses the appropriateness of management's use of the going-concern basis of accounting and, based on the evidence obtained, whether or not material uncertainty exists relating to events or circumstances that casts doubt on the Group's ability to continue as a going concern. This assessment is based on evidence gathered up to the date of their report, however it should be noted that subsequent circumstances or events could cast doubt on the ability to continue as a going concern. If they conclude that there is material uncertainty, they draw the attention of readers of their report to the disclosures provided in the combined financial statements on the subject of this uncertainty or, if these disclosures are not

provided or are not relevant, they qualify their report or refuse to sign it;

- Assesses the overall presentation of the combined financial statements and assesses whether the combined financial statements give a true and fair view of the underlying transactions and events;
- With regard to the financial information of the consolidated persons or entities, they gather the information deemed sufficient and appropriate for providing an opinion on the combined financial statements. They are responsible for managing, supervising and conducting the audit of the combined financial statements and for the opinion expressed on these financial statements.

Report to the Audit and Risk Committee

We submit a report to the Audit and Risk Committee setting out, in particular, the scope of the audit and the programme of work implemented, and the conclusions resulting from our work. We also bring to its attention, where appropriate, material weaknesses with internal control that we identified in relation to the procedures for preparing and processing accounting and financial information.

Included in the information provided in the report to the Audit and Risk Committee are the material misstatement risks that we consider to have been the most significant in the audit of the combined financial statements for the financial year and which therefore constitute the key audit matters we have described in this report.

We also provide the Audit and Risk Committee with the declaration prescribed by Article 6 of Regulation No. 537-2014 confirming our independence within the meaning of the rules applicable in France, as laid down specifically by Articles L.822-10 to L.822-14 of the Commercial Code and by the professional code of ethics of statutory auditors. Where appropriate, we discuss the risks to our independence and the safeguarding measures applied with the Audit and Risk Committee.

Signed in Neuilly-sur-Seine and Courbevoie, 10 April 2020

The Statutory Auditors

PricewaterhouseCoopers Audit

G rard Courr ges

MAZARS

Nicolas Dusson



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