

Media release

St.Gallen, 25 August 2020

Helvetia reports growth in non-life and a robust balance sheet – consequences of COVID-19 and special effect negatively impact the half-year result

Helvetia provided information on the consequences of COVID-19 in June. The statements made at the time continue to apply unchanged. Despite COVID-19, the non-life portfolio is resilient with a very good underlying combined ratio and growth. In addition, Helvetia posted a one-off write-down following the re-focusing of a project to renew the system landscape. This special effect of around CHF 40 million before tax will lead to a half-year loss of approximately CHF 20 million.

As announced at the start of June, the consequences of COVID-19 are affecting Helvetia's investment result and the earnings in its non-life business. The approximate figures stated at the time continue to apply unchanged. For the investment result, Helvetia expects a negative impact on the Group result in the low three-digit millions before tax (net, after policyholder dividends in the life business). Since Helvetia classifies a significant portion of the equity portfolio as "held for trading", gains and losses are incorporated directly into the income statement. To avoid further losses, Helvetia adapted its hedging strategy at the time of the substantial losses on the equity markets, making more use of futures instead of options. As well as providing effective protection against further falls in the markets, this hedging strategy also meant that Helvetia was only able to participate in the subsequent upturn in the equity markets to a limited extent.

Non-life business proves resilient despite COVID-19

The non-life business has proven resilient despite the consequences of COVID-19, reporting a combined ratio well below 100% for the first half of the year. All countries were profitable. In total, the consequences of the pandemic will lead – as announced – to a net claims burden in the non-life business in the high double-digit millions (before tax). Most of the claims payments Helvetia has incurred due to COVID-19 have been in connection with business interruption cover and travel and assistance insurance, primarily in Switzerland. The claims figures include the settlement solution for Swiss gastronomy companies with a pandemic exclusion in epidemic insurance announced by Helvetia in May. This settlement solution was very well received, with over 95% of the affected companies agreeing to it to date. The successful implementation of the settlement solution provides security for customers and Helvetia.

One-off negative special effect has additional impact on half-year result

The half-year result has also been affected by the refocusing of a project in non-life, which has resulted in a one-off write-down of around CHF 40 million before tax. As part of its digitalisation plans, Helvetia subjected the focus of its own project portfolio to a thorough review. This led to the decision to terminate a multi-year development programme for the comprehensive renewal of the non-life back-end systems and to focus more consistently on digitalisation in customer and partner contact. The purpose of this decision is to take account of the requirements for digital interaction in the insurance business, which have again increased significantly over recent months. Moreover, additional standardisation will further enhance process efficiency in the core business.

With this special effect and the impact of COVID-19 on the investment result and the non-life business, Helvetia has experienced three key effects that are extraordinary in this form and will lead to a half-year loss of some CHF 20 million. Without the special effect, Helvetia would be reporting a profit for the first half of the year, despite the consequences of COVID-19.

Growth in the non-life business despite COVID-19

The business volume developed as expected, despite COVID-19 and the associated restrictions on sales. There was substantial growth in the non-life business, with Specialty Markets and Europe making a significant contribution alongside Switzerland. In the Swiss group life business, the introduction of a new tariff has led, as announced, to an expected decline in premiums in the low double-digit percentage range, for which reason the business volume will be down year-on-year in the entire life business. Worthy of special mention here is the fact that Helvetia's diversification with the Europe segment as a second pillar and a balanced mix of life and non-life business is paying off, in terms of both earnings and the development of the business volume.

Solvency and capital position remain solid

Helvetia continues to be solidly capitalised. According to estimates, the SST ratio remained within the strategic target range of 180% to 240% as of the end of June.

Helvetia will publish the half-year result including the balance sheet consolidation of Caser on 15 September 2020.

Remarks

- A conference call for **media professionals** will be held today in German at 9 a.m. (CET). It will be possible to dial in from 8.45 a.m. on the following numbers:
Switzerland/Europe: +41 (0) 58 310 50 00
United Kingdom: +44 (0) 207 107 06 13
US: +1 (1) 631 570 56 13
- A conference call for **analysts** will follow in English at 10 a.m. (CET). It will be possible to dial in from 9.45 a.m. on the following numbers:
Switzerland/Europe: +41 (0) 58 310 50 00
United Kingdom: +44 (0) 207 107 06 13
US: +1 (1) 631 570 56 13
- You can also access this media release on our website at www.helvetia.com/media.

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About the Helvetia Group

In over 160 years, the Helvetia Group has grown from a number of Swiss and foreign insurance companies into a successful international insurance group. Helvetia is one of the leading all-line insurers in its home market of Switzerland. With the countries Germany, Italy, Austria and Spain, which have been combined to form the Market Area Europe, the company has a second strong pillar. With its Specialty Markets market area, Helvetia is also present in France and in selected regions worldwide. Some of its investment and financing activities are managed through subsidiaries and fund companies in Luxembourg. The Group is headquartered in St.Gallen, Switzerland.

Helvetia is active in the life and non-life business, and also offers customised specialty lines and reinsurance cover. Its business activities focus on retail customers as well as small and medium-sized companies and larger corporates. With some 11,500 employees, the company provides services to more than 7 million customers. With a business volume of CHF 9.45 billion, Helvetia generated an IFRS result after tax of CHF 538.1 million in financial year 2019. The registered shares of Helvetia Holding are traded on the SIX Swiss Exchange under the symbol HELN.

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the performance of financial markets; (3) changes in interest rates; (4) changes in currency exchange rates; (5) changes in laws and regulations, including accounting policies or practices; (6) risks associated with implementing our business strategies; (7) the frequency, magnitude and general development of insured events; (8) mortality and morbidity rates; (9) policy renewal and lapse rates as well as (10), the realisation of economies of scale as well as synergies. We caution you that the foregoing list of important factors is not exhaustive; when evaluating forward-looking statements, you should carefully consider the foregoing factors and other uncertainties. All forward-looking statements are based on information available to Helvetia Group on the date of its publication and Helvetia Group assumes no obligation to update such statements unless otherwise required by applicable law.