

12.

Finance and Technology



When it comes to 2020, the business experienced a number of upturns, including in the health branch, up by 4.8%, and Multirisk (4%) in addition to the series of Non Life branches as a whole (4%). Furthermore, Life Risk (3.1%) experienced positive growth, as did the Motor branch, although to a lesser extent, by 1.5%. Savings managed in insurance products, measured through technical provisions, came in at close to EUR 195 billion, up by 3.4%. Pension fund assets increased by about 9% over the course of 2020, to more than EUR 116 billion.

The Caser Group ended 2020 with turnover of more than EUR 1.43 billion. This figure is worth special mention, especially coming after 2019 in which the insurance sector showed little growth. Over the course of the year, the acquisition of a 69.4% holding in

Helvetia acquired a 69.4% holding in the Caser Group in 2020

the Caser Group by Swiss insurer Helvetia was completed, representing another step towards a more international, stable and solvent position. In this sense, the insurer remained profitable, innovative, competitive and efficient.

Also, over the course of the third year of the 2018-2022 Strategic Plan approved by the Board of Directors in December 2017, Caser met its targets. It maximised the personalisation and customer experience, enhanced the digital transformation of its operating model and maximised the growth of its powerful banking distribution network, through the exclusive agreements entered into, in addition to enhancing its network of Agents and Brokers. Furthermore, it also prioritised measures aimed at reducing cancellation fees and increasing cross-selling rates as part of different loyalty actions.



ANTONIO GARCÍA
FINANCE AND TECHNOLOGY
DIRECTOR

What would you highlight about 2020?

First of all, Helvetia's new holding in the Caser Group, consolidating our position in the market; secondly, our ability to respond to the new scenario caused by Covid-19 and its different impacts on health, the economy and society as well as the new regulations.

On both fronts, we have proven that we are able to handle the circumstances and that a forward-looking approach, which has been a strategic line of work for us for some time, is an advantage. In this sense, our continued commitment to innovation and digitalisation has served the Company in good stead.

What is the outlook for the coming year?

Without a doubt, we have the same attitude that we are known for, especially during this very complicated year. We will continue to remain attentive to the needs of the market to continue developing skills that allow us to provide a unique and innovative range of insurance and services. We will also continue to enhance our commitment to accompanying our customers over the course of their entire lives. To this end, we have a top team that has already demonstrated everything it is capable of.

The Non-Life branches experience growth of approximately 3%, above the sector average (1.1%) while Life was affected by low interest rates in Savings. At the same time, the sector recognised the Group's capacity in terms of the development and launch of innovative and insurance products that adapt, in particular during this complex year, to the needs and demands of customers with products including CochexCoche, Caser Remoto, Cling cling or Caser Hipoteca Inversa.

Furthermore, the Group reduced the time to market of products further still and made progress with technological development through smart pricing in the Motor branch, allowing for greater segmentation and customisation of the price of this insurance. The digitalisation required by the Company involved the definition and implementation of new innovative technologies amongst information systems that made it possible to move towards multichannel services and processes.

At the same time, activities related to additional services such as Acierta Asistencia, Hospitals and Elderly care homes were enhanced, in addition to the selective opening of new dental clinics and the consolidation of roadside assistance activity. With a view to continuing with the pursuit of excellence in the customer experience, new agile and collaborative methodologies were rolled out that involved all business areas and the commitment to online positioning remained, in addition to developing the online channel as an active sales channel.

The Company's solvency, marked by the new regulations that came into force in 2016 and that substantially changed and increased the requirements regarding the calculation of the solvency of insurance institutions, maintained a comfortable surplus. Furthermore, once conservative criteria were applied to asset valuation, financial investment and provisioning, results were strong.

Considering extraordinary impacts, the final result after taxes amounts to 45.1 million euros.

ADMINISTRATION

A variety of actions were performed to consolidate the action plans underway, supporting new initiatives, focussed on achieving maximum efficiency in administrative and management processes, including but not limited to:

- Helvetia's acquisition of a holding in the Group at the end of the first half of 2020 required the conversion of accounting information recorded in local systems to the accounting structure and regulations of its financial systems. With this in mind, the Mosaic project was set up as the framework for analysing and including Caser's financial processes and systems into those of Helvetia.
- The involvement of the Management Area in the Systems project launched in 2020 to adapt its accounting systems. To this end, the tool created will continue to be used during 2021, until the local environment is fully migrated from Caser to Helvetia Switzerland in January 2022.



INTEGRATION INTO THE SWISS GROUP HELVETIA

Over the course of 2020, Helvetia completed the acquisition of a majority stake in the Caser Group of about 70%. As part of the Mosaic project, local financial systems were revised and converted in line with those used by the Helvetia Group, thus starting the integration process.



- Management also focused on guaranteeing daily activities that, given their importance, require special control, such as the sending of direct debits and bank refunds. As for the indicators in terms of default management, they performed very positively during the year. The percentage of outstanding bills on premiums issued net of cancellations dropped from 5% to 3.96% over the past year and the average collection period stood at 17.4 days in December 2020.



INSURANCE INDUSTRY FIGURES IN 2020

The year 2020 has proven to be a complex year for society and the business sectors. As far as the insurance sector is concerned, which was considered essential throughout the state of alarm, Covid-19 also had an impact.

Even so, the savings managed by insurers remained at around EUR 194 billion. In terms of the revenue secured during the year, EUR 37,046 million corresponded to the Non-Life branches and the remaining EUR 21,804 million to Life (ICEA). Non-Life billing remained positive, in particular property insurance, which grew by 3.08%, to EUR 7,753 million.

It is worth noting the insurance sector maintains high level of solvency that far exceed the requirements of the regulations and that it has also demonstrated its ability to adapt while providing services to its customers as normal over the course of the year.

ORGANISATION AND PROJECT OFFICE

The Organisation area coordinated and managed the deployment of the Business Continuity Plan, prior to the state of alarm being declared in March as well as the gradual return to in-person activities, through the Business Continuity Committee. It is worth noting, thanks to the internal measures and technological means implemented, that the insurer was able to minimise the impact of the health crisis on its activities and ensuring the normal development of its projects.

Pursuant to the 2018-2022 Strategic Plan, the improvement and efficiency of processes was promoted with the implementation of various initiatives (150 in Life and just over 30 at Acierta Asistencia) with a focus on high-impact results and short turnaround times. The implementation of RPA (Robotic Process Automation) is also worth note, applying the Lean methodology to the management of Acierta Asistencia cases, with a substantial reduction in time spent, which could be dedicated to activities with a higher added value.

To this end, the Lean and Agile methodology was consolidated and developed as an alternative to the management of technological projects and expanded to other business areas; it was ultimately implemented in just over 10% of projects with an ambitious horizon of 2021.

Progress was also made in the development of the paperless office through the digitalisation of processes, reducing the number of letters sent by more than one million over the past two years. Furthermore, the progress made with the Digital Transformation and the Omnichannel Approach helped to significantly expand the services offered online and the customer area, as well as the implementation of the first information domain.

INVESTMENTS

The Group has ended this historic year marked by the collapse of markets in March and the uneven recovery during the following quarters. The Ibex 35 was the stock market that experienced the biggest contraction in 2020 and that recovered the least, due to various reasons including the resentment of the Spanish economy in relation to the measures to contain the pandemic.

In the second quarter of the year, the market came back strong and made a spectacular recovery, with the Nasdaq hitting all-time highs. Over the course of this period, central banks, governments and institutions took similar action; a series of ultra-expansive monetary and fiscal policies was launched, resulting in the major stock markets experiencing growth of 20%. The final quarter of the year was marked

by the race to secure a vaccine, with Pfizer and Moderna at the helm, the election of the new US president, leading to an intense campaign between Donald Trump and Joe Biden, and avoiding a no-agreement Brexit.

As for the performance of fixed income in 2020, the fixed income assets in the Group's portfolio, consisting mostly of Spanish public debt, appreciated significantly from May onwards. Elsewhere, as the return on public debt dropped so low, there was an uptake in new investments in private fixed income, where there was a significant increase in the issuance of corporate securities. In this sense, and following the investment policy established, only investment grade quality assets were purchased, rejecting issuers who had no rating or are considered high risk.

Despite low exposure to equity markets, the strategies implemented during 2019 remained in place to build a portfolio of securities with high returns per dividend, protecting them in the event of market declines.

Furthermore, the investment programme in new venture capital funds established for the year was completed successfully, as were investments through Aldebarán in Spanish industrial companies with high returns per dividend. Furthermore, the infrastructure investment programme approved by the Group remained in place.



REAL ESTATE

The Covid-19 pandemic had a significant impact on economic activity and the real estate sector during 2020. According to estimates from the CBRE, investment in offices decreased by 53% to EUR 2 billion, while the performance of earnings in this market was mixed, stabilising in prime areas and falling in secondary and periphery areas.

In this regard, measures were taken to make rent payments more flexible through partial write offs and moratoriums for tenants whose activities were most affected by the lockdown measures, mainly commercial premises and SMEs.

As regards the residential market, it was not until the third quarter that an improvement in the number of transactions become apparent. Prices experienced moderate growth of 1.7%, with uneven performance between second-hand (+0.8%) and new

properties (+7.5%). Likewise, Arrienda Gestión, the Group's residential property rental company, ended the year on 87 properties.

TECHNICAL MANAGEMENT LIFE AND UNDERWRITING

The services offered were not affected during 2020, despite the complex circumstances seen during the year; all service channels remained open in both the Underwriting and Claims areas, with no impact on any of the management indicators.

To achieve this goal, work was performed to adapt arrangement and delivery processes based on the new scenarios arising as a result of the state of alarm as well as on the roll out of the working-from-home model for all professionals employed by the Company.

In this sense, new conditions were designed for taking out Life policies, with a view to adapting the selection of risks to these new circumstances. Furthermore, as a testament to the quality of our processes, AENOR renewed its ISO 9001 certification for Production and Claims in relation to both Individual Life Risk and Savings.

At the same time, following the innovation and customer orientation guidelines set out in the 2018-2022 Strategic Plan, work began to design a comprehensive solution for Individual Life Risk products with the incorporation of new policies and an approach tailored to each customer during the arrangement process. The project to standardise and automate the technical margin launched in 2019 also continued.

Finally, the new Group Life Risk product aimed at SMEs was launched, consisting of a simplified sales and pricing process.



INFORMATION SYSTEMS

During the 2020 financial year, Information and Communications Technologies (ICTs) proved essential for companies, and in particular insurers, to continue providing their services. The Caser Group, thanks to its role as an essential company during the pandemic, kept its services functioning 24 hours a day (home care, hospitals, insurance management, elderly care homes, accident assistance, etc.), including communication with customers and related companies (suppliers, brokers, institutions, etc.).

At the same time, the entire workforce adapted to working from home measures with collaboration tools, video calls and telephone systems provided and extended to brokers and suppliers, significantly increasing the digital relationship with these partners .

Work was also performed on developing projects aimed at increasing digital services to customers and significant improvements were made to all channels of interaction. Furthermore, an advanced version of the

app dedicated to Health customers was rolled out, allowing specialist medical assistance to be offered by chat, video conference or remote consultation, with access to the Caser Medical Centre that, in the form of telemedicine, connects the patient to the doctor. At the same time, work to install Wi-Fi at care centres was completed, allowing users to make multiple video calls at the same time. This functionality was widely used at care homes and hospitals as a result of the pandemic.

In line with the latest innovations and trends in the insurance sector, the Caser Group continued work to implement and improve services to insurance customers across different sectors. Highlights include the new version of Caser ReMoto for real-time assistance in the event a motorbike user is involved in an accident or the new Life product, Cling-Cling, which offers savings on the usual payments. Furthermore, a connection to wrist devices and sensors for reading health data (activity tracking, pulse, calorie consumption, kms, etc.) was incorporated. At the same time,



MANUEL BLANCO
INFORMATION SYSTEMS
DIRECTOR

How has the Information Systems Area developed in 2020?

In line with the provisions of the Strategic Plan, we have continued with work to develop digitalisation processes. While it is true that the commitment to ICTs has been an essential factor in the continuity of the services sector, this is particularly true in the case of insurance companies that were considered essential during lockdown.

Thanks to the ability of our staff to work from home, this has allowed our services to remain operational 24 hours a day, including interactions with customers and related companies (suppliers, brokers, institutions, etc.).

What are the priorities for 2021?

The Information Systems Area will continue to maintain the same rate of progress in terms of project volume with a view to continuing to support all the Group's businesses. Specifically, facilitating the experience of our customers, brokers and employees, providing greater autonomy in the management and arrangement process, immediacy and improved efficiency, in addition to excellence in distribution through the different channels.

special efforts were made to increase online processes and information aimed at Life and Pension insurance customers.

With a view to continuing to improve the entire insurance lifecycle, work was performed to automate operations as requested by brokers using IBM's Artificial Intelligence application, Watson. In terms of the commercial work of insurance agents, a dedicated platform was created to facilitate their work. This platform included the websites of agents dedicated to the Expatriate Network, aimed at foreigners residing in Spain. At the end of 2020, more than 250 websites had been included and the platform allowed for the integration of Twitter, LinkedIn, Instagram and Facebook profiles associated with the agent, facilitating access from the agent and office search engine.

When it comes to Information Technologies, work was performed to define the criteria and architecture to be used in the new generation of applications and software developed internally for the coming years. Likewise, all aspects of system and data security were enhanced.

In 2021, work will continue on initiatives launched in addition to the Project Plan, consisting of more than 120 lines of development, including the Helvetia Group's financial-administrative management systems and the new processes and calculations to ensure compliance with IFRS 17.



DIGITALISATION, A KEY TOOL IN MINIMISING THE IMPACT OF COVID-19

The Technology Area focused on providing access to collaboration systems and tools, video calls and telephone systems. These tools were also immediately extended to brokers and agents to facilitate the interaction with customers and suppliers.

In addition to the other projects planned, a priority has been placed on developments aimed at increasing digital services to customers, incorporating significant improvements across all channels. As regards other solutions, the implementation of an advanced version of the app dedicated to Health customers was accelerated, allowing specialist medical assistance to be offered by chat, video conference or remote consultation, with access to the Casar Medical Centre that, in the form of telemedicine, connects the patient to the doctor.

Furthermore, the availability of Wi-Fi across all care centres was enhanced to allow users to perform multiple video calls at the same time, thus improving the service.