
Solvency and Financial Situation Report MAF 2020

Summary

The Solvency and Financial Situation Report presents information on the activities of the MAF Group and its solvency as at 31 December 2020. It also contains information relating to the insurance and reinsurance entities of the MAF Group subject to Solvency 2:

- Mutuelle des Architectes Français Assurances (Mutual Insurance for French Architects);
- EUROMAF.

This report has been drawn up in accordance with the regulations of Solvency 2¹, according to the plan referred to in Appendix 20 of the Delegated Regulation:

- Activity and results;
- Governance system;
- Risk profile;
- Valuation;
- Capital management.

Unless otherwise specified, the figures presented in this report are in millions of Euros.

Activity and results

The MAF Group was established in 1931 through its consolidating entity, Mutuelle des Architectes Français Assurances (MAF Assurances).

The MAF Group has always provided insurance for French architects and has gradually opened up to other construction developers with the creation of its subsidiary EUROMAF in 2000.

The Group's activity therefore consists for the most part of construction insurance and more specifically professional and civil liability insurance (92% of gross reinsurance premiums acquired in 2020).

The main factors affecting the development of the MAF Group's business are linked to building activities in the different countries in which the two main companies operate, to inflation in view of the long-term liquidation of commitments, the competitive environment and the development of techniques and technologies in the construction sector.

2020 was marked above all by the health crisis, whose technical repercussions will continue to be felt in the long term. However, the MAF established a form of organisation adapted to the circumstances and worked to support its members and policyholders.

In 2020, the MAF Group recorded a net result of €4.9m, which was down by €39.3m:

- The contribution to the result of MAF Assurances was down €42.1m due to the decline in financial results in line with market conditions;
- The contribution to the result of Euromaf was up €3.6m;
- The brokerage companies' result was down €0.3m;
- The real estate result was up €+0.5m compared with 2019;
- The Group's gross earned reinsurance premiums were up €6.2m following on from a rise in issues from MAF Assurances and in spite of an estimated decrease in member activity in 2020;

¹ Directive 2009/138/EU of the European Parliament and Council of 25 November 2009
Delegated Regulation 2015/35 of the Commission of 10 October 2014 supplementing the Directive

- The cost of claims and other technical provisions was up slightly including a provision linked to the consequences of the health crisis;
- Financial products were down significantly (-55%);
- The reinsurance result has declined by €3.3m.

Governance system

The Group's Board of Directors, together with that of the consolidating company MAF Assurances, is responsible for defining the strategic lines and general policy of the Group and ensuring that they are implemented. Without prejudice to the role and specific prerogatives of the Board of Directors of each entity, the Board of Directors of the consolidating company is able to obtain a general overview and ensures that the defined strategy is implemented within each entity.

Furthermore, the General Management is granted full authority to act in all circumstances in the name of the Group. It is underpinned in particular by:

- A specific Steering Committee for the French companies within the Group whose role is to deal with the operational implementation of the defined strategy;
- The Financial and International Business Department, which is in charge of the operational supervision and coordination of activities conducted abroad.

In addition, some of the key functions of the Group embody the same function within the main Group entities. Their role is also to coordinate the work carried out within the other entities. The organisation offers them the independence required to complete their assignments, the necessary human and material resources and direct access to the different decision-making bodies (managers, board of directors, audit committee, etc.).

Risk profile

The solvency capital requirement (SCR), calculated on the basis of the standard formula, is used by the MAF Group to assess its risk profile. This consists essentially of non-life underwriting risks (61.7% of the basic SCR before diversification) and market risks (35.3% of the basic SCR before diversification).

The basic SCR of the MAF Group is up €48m compared with the previous year, which can largely be explained by the increase in the market SCR following on from the increase in the share SCR due to the increase in the base figure and the gradual amortisation of the transitional measure.

It should be pointed out that the components of the risk profile presented in this report are associated with mitigation mechanisms to reduce their volatility.

Valuation

The prudential scope of the MAF Group corresponds to the statutory consolidation scope. The consolidation methods applied at statutory level are also used at prudential level for the consolidated entities (full integration after elimination of inter-company transactions).

The main categories of assets and liabilities constituting the Solvency 2 balance sheets of the consolidated entities within the MAF Group have been valued according to the prudential standards of Solvency 2 at amounts for which they could be exchanged in the context of a transaction concluded at arm's length between informed, consenting parties.

The valuation methods implemented on 31 December 2020 are presented in this report.

Capital management

The share equity management process is governed by a policy validated by the Board of Directors, which specifies the aims, governance and resources implemented in relation to share equity management to ensure that the Board of Directors and the General Management possess the information required to monitor and manage the economic capital in accordance with the intended aims and strategy relating to each entity and the Group.

The MAF Group's share equity management system aims to limit risks to a level in line with risk appetite whilst allowing the Group to increase the level of share equity in order to guarantee the durability and development of its business.

The share equity of the MAF Group, which has increased to €1,308m, consists exclusively of non-restricted level 1 share equity. The full amount of this share equity is therefore eligible for the solvency capital requirement (SCR) and the minimum capital requirement (MCR) assessed according to the Standard Formula.

At the end of 2020:

- The SCR coverage ratio stands at 175.6%, which is higher than the previous year (+5 points) as a result of the increase in economic equity;
- The MCR coverage ratio stands at 515.4% and is higher than the previous year (+20 points).

It should be pointed out that no non-compliance with the coverage requirements for the SCR and MCR was noted during the financial year.