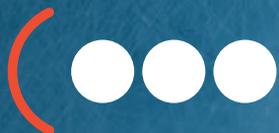




Annual Report 2017

 Property and casualty insurance
company for professionals and businesses





Romain GODEFROY
Chief Executive Officer – Axeria iard

2017 was another great year for Axeria iard. Our momentum from 2016 continued: revenue growth of more than 10% to reach €130 M and an increase in our technical results, delivering a net income of €4.8 M, up 4%.

All of our markets contributed to this growth, which demonstrates the relevance of Axeria iard's strategy carried out for nearly six years and our ability to execute it effectively.

In 2017, our investment efforts focused on improving our IT development tools, our data analysis and structuring tools, and our project approach. The aim of this preliminary step is to further strengthen our ability to transform our business quickly and effectively. At the same time, service quality and innovation to serve our clients and broker partners remained our priority focus.

Encouraged by our results in recent years, we decided with the management team to conduct a strategic review with two main objectives: to verify the adequacy of our model with current and future markets and to reap all the benefits and lessons from our experiences.

Axeria iard therefore enters 2018 with a solid balance sheet, prepared teams unified around a common project, advanced mastery of digital technologies, sound risk and asset portfolios, and the support of the world's top players in reinsurance. It will then be up to our broker partners to support this strategy to offer Axeria iard's solutions and services to their clients and allow us to meet our goals again in 2018.

Governance

Board of Directors

BOARD MEMBERS

André ARRAGO

Chairman

Romain GODEFROY

CEO
Axeria iard

François GOUTAGNEUX

APRIL

APRIL DOMMAGES

APRIL GAMMA

Management Team



Romain GODEFROY

CEO
Axeria iard



François BLAIN

IT
Director



Jean-Louis CLEMENT

Chief Financial
Officer



Corinne PAGE

Director of Studies,
Product Marketing
and Legal



Joëlle THOMAS

Compensation
Manager



Marlène VERRIER

Human Resources
Manager



Stéphanie COR

Motor Department
Manager



Alexandre LEBAS

Professional
Department Manager



Jean-Marc MESSINA

Damage
Department Manager



Xavier TRELCHAT

Sales
Director

The company



Axeria iard, a French insurance company specialising in property and casualty insurance, has been present on this market for 25 years to serve the brokerage network.

Established from the start in **Lyon**, the company has delegations in **Bordeaux** and **Lille**, providing a local presence and dedicated teams.

We offer a range of simple, effective products resolutely adapted to the needs of professional clients and businesses to cover their risks.

Our ambition is to combine innovation, underwriting simplicity and management quality, particularly in compensation.

Our processes and products are reviewed and adapted by our project teams, bringing together the various skills of the company.

Thanks to the expertise and professionalism of all our employees as well as our special relationships with our network of brokers **revenue totalled 130 million euros** in 2017.

Growth can be seen in all markets:

- **Property damage + 4 %**
- **Motor fleets + 17 %**
- **Comprehensive for professionals, garages + 10%**

Our specific and affinity programme activities are growing.

Thanks to its investments, Axeria iard can quickly develop ad-hoc products and solutions for niche markets, specific products and more complex financial arrangements (captives, fronting, etc.).

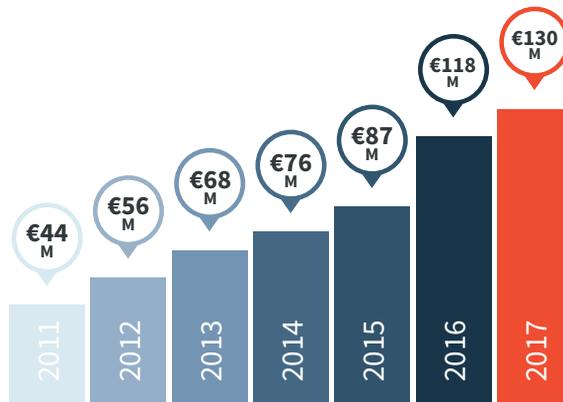
A human-scale company,

our teams swing into action every day and contribute their expertise to serve brokers and their clients.

Change in key figures

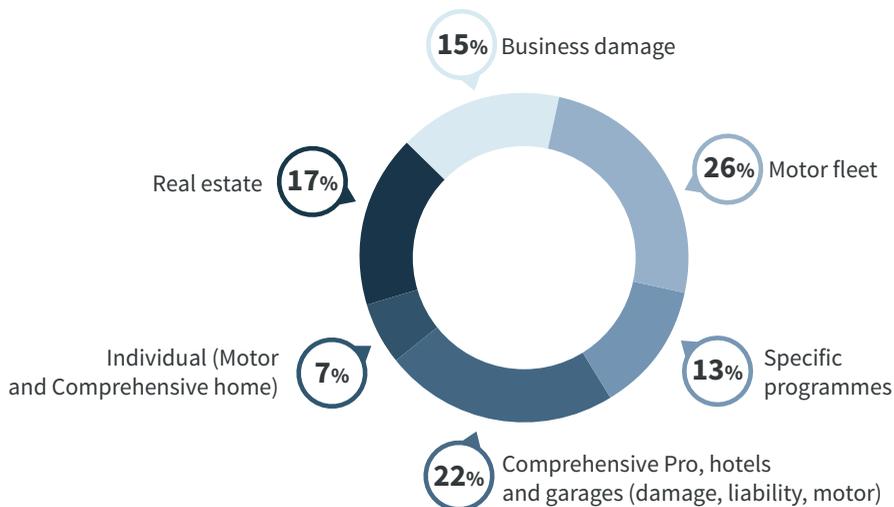


CHANGE IN REVENUE



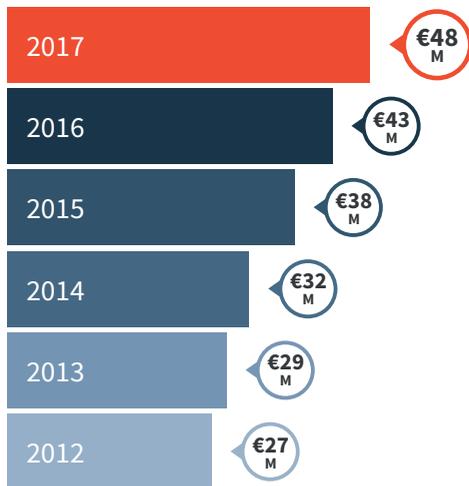
REVENUE DISTRIBUTION

on our strategic markets at 31/12/2017

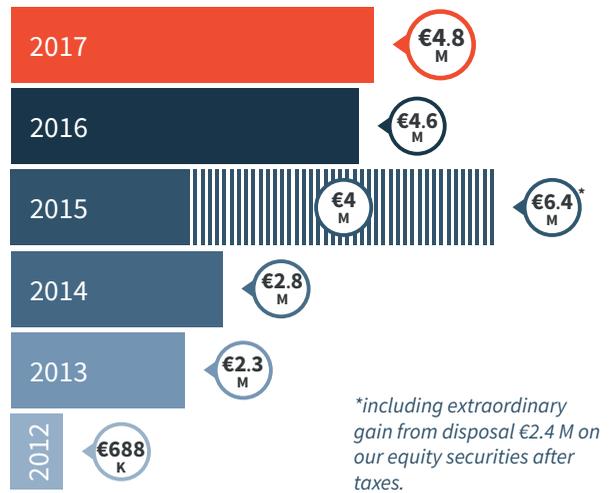


(in premiums earned excluding affinity)

EQUITY



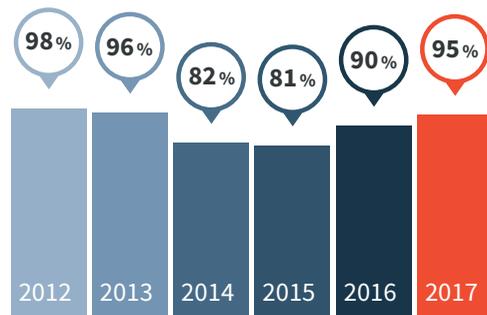
CHANGE IN NET INCOME



TECHNICAL RESERVES



CHANGE IN COMBINED RATIO



Financial strength

Regulatory requirement covered nearly 5 times at 482% under Solvency I.

- Solid equity at **€48 M** up **11% from 2016**.
- Coverage of regulated commitments guaranteed by financial assets for **€120 M**.
- Gross technical reserves of **€157 M, stable compared with 2016**.
- **Loss experience controlled** for several years with a claims expense for the company's current financial year of **49% in 2017**.
- **Axeria iard has finalised its preparations for Solvency II.**

The Solvency II ratio stands at **231% for 2017** and demonstrates Axeria iard's excellent financial strength.

It is assessed according to the standard formula, as the company has decided not to use an internal model.

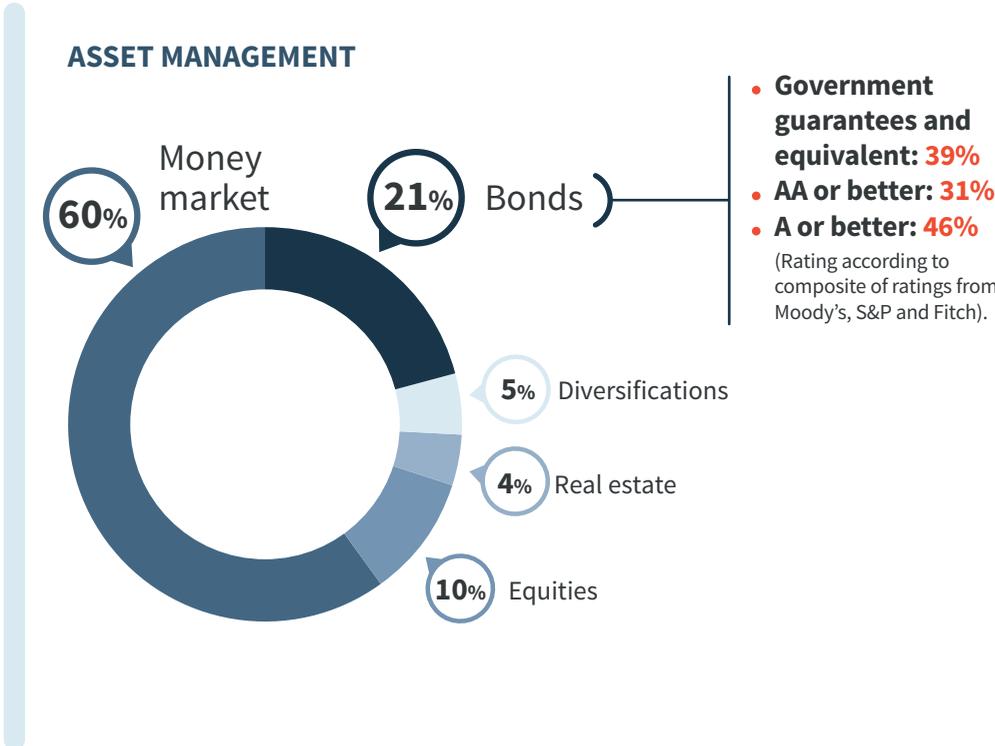
Reinsurance

The market's leading reinsurers support Axeria iard in its reinsurance programme, such as Arch Re, CCR, Hannover Re, Munich Re Group, Odyssey RE, Partner Re, QBE Re, Scor and Swiss Re.

According to Standard & Poor's, the rating as a % of ceded reserves for outstanding claims is as follows:

- A or better: 97.6%
- AA or better: 43.8%
- Ceded claims reserves: €73 M
- Pledge of reinsurers eligible to cover regulated commitments: €76.9 M

Asset management ●●●

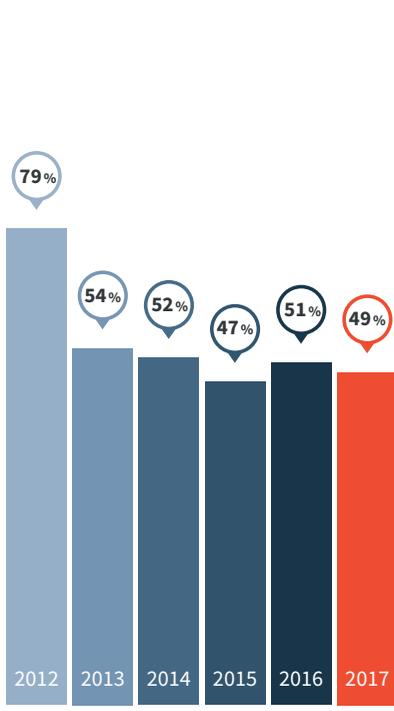


The prudence of its asset management guarantees Axeria iard's ability to honour its commitments.

- Net investment income totals **€1,5 M** or 1% of gross earned premiums.
- Book yield of **2.25 %** on average managed financial assets.
- Liquidity was kept very high to the detriment of bonds, as their yields were not considered attractive under current market conditions.

Loss experience ●●●

An excellent loss experience in 2017



The loss experience improved this year: the overall loss ratio observed for 2017 occurrences was 49% versus 51% in 2016.

- **The significant weather events of 2017 did not affect Axeria iard's accounts** and there was only one severe loss amounting to an estimated total cost of €3 M (real estate market: fire).
- **In relation to prior years, several significant movements were noted:**
 - > a €1 M loss on a fire claim from 2016,
 - > a €1.8 M loss on a bodily injury case from 2016,
 - > and a large gain of €3 M on a bodily injury case from 2009.
- **The bodily injury claim activity** fell within our average in this area.
- **Attrition remained stable at a good level.**

There were no changes to the reserving policy. The results show that the prudent policy applied for several years is appropriate. It is checked by the quarterly calculation of claim liquidations by branch and by year of occurrence.

Expense triangle by occurrence

| Charge | N | N + 1 | N + 2 | N + 3 | N + 4 |
|--------|---------|---------|---------|---------|---------|
| 2013 | €36.8 M | €32.3 M | €31.5 M | €30.3 M | €30.5 M |
| 2014 | €39.6 M | €36.1 M | €33.7 M | €33.9 M | |
| 2015 | €40.9 M | €37.0 M | €35.8 M | | |
| 2016 | €58.5 M | €62.2 M | | | |
| 2017 | €61.8 M | | | | |

Commercial insurance



The downtrend observed on the industrial risk market continued in 2017 with a great deal of aggressiveness by many players, including in sensitive activities.

Despite this difficult environment and an index that did not increase as of 01/01/2017, Axeria iard managed to **continue its development**, without modifying its underwriting policy. We relied on the **technical abilities of our teams and our**

great responsiveness to provide a **quality service to our brokers**. This also allowed us to strengthen our relationships with our partners.

To support this development, we reinforced our team by recruiting an **experienced Property Damage underwriter**.

We are therefore ready to continue this controlled development throughout 2018.

- business damage risks
- comprehensive residential property (non-resident owners)
- comprehensive professional property (non-operator owners)

- We offer a capacity of up to €50 M for businesses.
- Axeria iard also underwrites policies that are 100% in leading insurance or with co-insurance shares.
- We work on both the Axeria iard wording and our brokers' wording.
- Our underwriting policy is based on the quality of the risk rather than the activity of the business.

Professional market

2017 saw steady growth in our revenue, both for the traditional activity of professional property protection (+9% of revenue in comprehensive professional) and for specific offerings. This year's performance stemmed from our ability to support the market's transformation, particularly with great successes with the Aesthetics and Wellbeing offering and our policy specifically designed for Food Trucks.

We also continued our efforts to improve the client penetration rate in **personal protection for executives**, with a portfolio that grew by 39%.

Our **ability to innovate** remains a **recognised know-how** and was demonstrated through the launch of the **Cyber Risks** product: a simple, complete offering – at a competitive price. We are ready to intensify the development of this segment in 2018, a **pivotal year in terms of data protection**.

The professional motor market also enjoyed strong growth with good momentum in new business (with +23% in value) seen in the portfolio (revenue +10%). **With more than 10 years** of experience on this highly competitive market segment, we can **provide the right advice** to make a difference and develop our partners' portfolios.

-  **cyber risks**
-  **executive liability**
-  **comprehensive for professionals and small business**
-  tradesmen - merchants
-  food trucks
-  aesthetics and wellness
-  health
-  hotel
-  etc.

-  **comprehensive for automotive professionals**
-  mechanics - body repairers
-  concessions
-  motorcycles and equivalent
-  recyclers
-  etc.
-  **environmental protection for automotive professionals**

- **Axeria iard offers simple, effective, innovative policies to cover all of our clients' risks.**

Motor market

The French motor insurance market is extremely competitive. 2017 was a year of strong development for Axeria iard's motor insurance, with over 17% growth, now representing a portfolio of more than 50,000 vehicles and machines.

Technically, the results of this branch are exposed to **frequency risks**, with average costs that continued to increase by 4% (inflation in labour, parts and glass breakage due to technological advances embedded in windshields) and **peak risks** related to bodily injury claims for which French law does not provide for compensation limits (the Badinter Act).

In addition, Axeria iard's position as challenger on this segment requires **irreproachable**

positioning in terms of both **risk selection** and **management cost**. Axeria iard is also recognised for its **responsiveness thanks to its effective extranet**.

Our teams provide support in analysing risk and loss experience and arranging cover.

Our solution also adapts to **single vehicles** with a possibility of comprehensive options to cover activities, such as those of craftsmen and merchants.

Our approach aims to protect both vehicles and road users, applying a principle of **sustainable pricing policy in line with the loss experience and road risk prevention efforts** with which we are associated.



- With a specialisation in company-owned transport, we offer our brokers policies to insure motor fleets from 3 vehicles up to several thousand machines (light vehicles, heavy goods vehicles, machinery, trailers, etc.), with specific arrangements if necessary.

Distribution

Axeria iard exclusively distributes its solutions to brokers specialising in property and casualty insurance for businesses and professionals.

Axeria iard's sales strategy responds to our goals of development and technical profitability.

- **Selection of our partners** to build an effective geographic network according to their ability to provide expertise to their clients in line with our underwriting targets. Target receipts of more than €250,000 K.
- **Adapted, customised support for our brokers:** visit and development plans, risk visits, product and extranet training, EDI implementation, participation in new product projects, etc.
- **With 454 partners,** our network maintains a human-scale dimension that favours direct relationships.
- **More than 10 partners** each generate more than €1,000,000 in revenue with Axeria iard.

The quality of our distribution relies on our values and teams.

- **Our structuring in three dedicated departments** (property damage, motor fleets and professionals) makes our activity clearer for our partners.
- **The proximity and responsiveness of our teams** are decisive competitive advantages.
- **Our governance promotes a short decision-making chain.**
- **Our regional teams** have dual sales and underwriting expertise. Their knowledge of the local market allows for a finer selection of risks.

They put their trust in us

Axeria iard targets businesses of all sizes, calls for tenders for public contracts and public housing offices, and large businesses in Europe.



- Aéroport de Pau ● Aéroport de Saint-Etienne ● Alliade ● Béarnaise Habitat ●
- CCI de Pau ● CHU Nancy ● CCI Auvergne Rhône-Alpes ● Funiculaire Bourg St Maurice ●
- Musée des Confluences ● SACVL

- The company strives to maintain a good balance in its revenue among its partners to ensure its durability and independence.

1,100+ broker
visits/year

13 BROKERS
REVENUE > €1,000,000



Digital

Extranet

1st place award for Best Insurance Company Extranet according to the C.S.C.A. 2015 ranking. This ranking was based on votes from users of the various services of our broker partners.

Simplicity and effectiveness of our tool, offering real time-saving features.

The site provides complete independence to:

- **Determine** a price and print a quote,
- **Generate** a contract or an amendment and then print the various documents, such as special conditions, certificates and green cards,
- **Pay** invoices and settle disputes by bank card,
- **Submit** a claim, request an adjuster, pay compensation and track a claim file,
- **Track** a portfolio in terms of contracts, commission documentation, dashboards.

E.D.I.

- **Axeria iard has developed tools that communicate with our broker partners' tools** to improve the fluidity of data exchanges since 2006. These tools are flexible and adaptable to the various formats used by our partners. We have completely overhauled our tools by migrating to the latest technologies. A process has been put in place to ensure the quality and integrity of our developments and data.
- Data exchanges concern policies, premium invoices and payments, and compensation in the information received and sent (claims management and settlement).

HR Policy

Key figures

Axeria iard's HR policy supports the company's growth by continuing its organisational and structuring work.

- The underwriting teams are organised into **3 profit centres specialising** in risks of business equipment and real estate damage, vehicle risks and professional risks.
- These departments interact with the sales teams, making it easier to **provide our expertise to our partners**.
- The work begun in 2016 to structure the compensation department enabled us to **optimise our management of high-frequency, severe and bodily injury claims** in 2017 and improve the service provided to our brokers and end-clients.
- The company's growth also depends on our **ability to transform and adapt** every day. To do this, we worked on increasing our **capacity to lead large-scale projects** by reinforcing our project teams and synergies with the IT teams.
- **The work to foster cross-disciplinary operation that drove 2017 will continue in 2018.** The diversity of the company's profiles is a strength cultivated also through our recruitments.



- **The company ensures diversity, equality and work/life balance** and renews its commitments and concrete actions in these areas:
 - **During recruitment:** our newcomers were aged 24 to 58 and 57% of the people recruited for permanent contracts were women.
 - And also throughout careers at Axeria iard by giving attention to:
 - > **The relationship between work and family responsibilities:** flexible working time, cribs provided in intercompany crèches.
 - > **Equal pay**, especially between men and women, in view of training, skills, experience and level of responsibility. Respect for equal pay guidelines undergoes a special review every year.
- This HR policy approach allows us to have **dynamic teams united around a business project** that everyone wants to carry out with increased cohesion: **our employees rated the working atmosphere 8.6/10.**

Technical income statement

Financial Year 2017

| Technical income statement In thousands of euros | Financial Year 2017 at 31/12/2017 | | | Financial Year 2016 at 31/12/2016 |
|---|--------------------------------------|----------------------------|----------------|--------------------------------------|
| | Gross Operations | Cessions and Retrocessions | Net Operations | Net Operations |
| Earned premiums | 130,197 | 88,210 | 41,988 | 33,842 |
| Premiums | 131,828 | 88,521 | 43,306 | 37,350 |
| Changes in unearned premiums | -1,630 | -311 | -1,319 | -3,507 |
| Allocated investment income | 972 | 0 | 972 | 1,635 |
| Other technical income | 94 | 0 | 94 | 157 |
| Claims expenses | -62,203 | -43,452 | -18,751 | -12,567 |
| Benefits and expenses paid | -60,177 | -44,034 | -16,143 | -14,580 |
| Claims reserve expenses | -2,026 | 582 | -2,608 | 2,013 |
| Expenses for other technical reserves (current risks, liquidity risks, actuarial reserves) | 185 | 0 | 185 | -1,562 |
| Policyholder bonuses | 0 | 0 | 0 | 0 |
| Acquisition and administrative expenses | -59,774 | -42,682 | -17,092 | -13,607 |
| Acquisition expenses | -58,252 | 0 | -58,252 | -53,821 |
| Administrative expenses | -1,522 | 0 | -1,522 | -1,589 |
| Commissions received from reinsurers | 0 | -42,682 | 42,682 | 41,802 |
| Other technical expenses | -2,564 | 0 | -2,564 | -2,862 |
| Change in equalisation reserve | 0 | 0 | -0 | -249 |
| TECHNICAL RESULT FOR THE YEAR | 6,907 | 2,076 | 4,831 | 4,787 |

Non-technical income statement



Financial Year 2017

| Non-technical income statement In thousands of euros | Financial Year 2017 at 31/12/2017 | Financial Year 2016 at 31/12/2016 |
|---|---|---|
| Non-Life insurance technical result | 4,831 | 4,787 |
| Life insurance technical result | 0 | 0 |
| Investment income | 1,979 | 2,836 |
| Investment revenue | 1,771 | 2,173 |
| Other investment income | 18 | 2 |
| Income from liquidation of investments | 190 | 661 |
| Allocated investment income (Life) | 0 | 0 |
| Investment expenses | -439 | -298 |
| Internal and external portfolio management expenses and interest expenses | -203 | -205 |
| Other investment expenses | -176 | -64 |
| Losses from liquidation of investments | -60 | -29 |
| Transferred investment income | -972 | -1,635 |
| Other non-technical income | 128 | 151 |
| Other non-technical expenses | 0 | 0 |
| Extraordinary result | 24 | 18 |
| Extraordinary income | 27 | 19 |
| Extraordinary expenses | -3 | 0 |
| Employee profit-sharing | 0 | -63 |
| Corporate income tax | 777 | 1,201 |
| PROFIT (LOSS) FOR THE YEAR | 4,774 | 4,595 |

Balance sheet assets



for financial year 2017

| Balance sheet assets In thousands of euros | Financial Year 2017 at 31/12/2017 | Financial Year 2016 at 31/12/2016 |
|---|---|---|
| Subscribed capital uncalled or reciprocal account with headquarters | 0 | 0 |
| Intangible assets | 79 | 32 |
| Investments | 116,190 | 111,812 |
| Land and buildings | 0 | 0 |
| Investments in related companies | 0 | 0 |
| Other investments | 116,190 | 111,812 |
| Receivables for cash deposits with ceding companies | 0 | 0 |
| Investments representing technical reserves relating to unit-linked policies | 0 | 0 |
| Share of reinsurers and retrocessionnaires in technical reserves | 74,418 | 74,688 |
| Reserves for unearned premiums | 1,081 | 769 |
| Life insurance reserves | 0 | 0 |
| Claims reserves - Life | 0 | 0 |
| Claims reserves - Non-Life | 73,337 | 73,919 |
| Reserves for bonuses and rebates - Life | 0 | 0 |
| Reserves for bonuses and rebates - Non-Life | 0 | 0 |
| Equalisation reserves | 0 | 0 |
| Other technical reserves - Life | 0 | 0 |
| Other technical reserves - Non-Life (current risks, liquidity risks, actuarial reserves) | 0 | 0 |
| Technical reserves for unit-linked policies | 0 | 0 |
| Receivables | 31,255 | 21,375 |
| Direct insurance receivables | 0 | 0 |
| Earned premiums not written | 8,937 | 4,796 |
| Other direct insurance receivables | 19,376 | 15,489 |
| Reinsurance receivables | 2,377 | 962 |
| Other receivables | 0 | 0 |
| Staff | 3 | 6 |
| State, social security agencies, local authorities | 12 | 11 |
| Other debtors | 550 | 112 |
| Capital called but not paid | 0 | 0 |
| Other assets | 2,415 | 3,312 |
| Tangible operating assets | 384 | 312 |
| Current accounts and cash | 2,030 | 3,001 |
| Treasury shares | 0 | 0 |
| Accruals – Assets | 3,813 | 3,646 |
| Accrued interest and rent not yet due | 1,477 | 1,494 |
| Deferred acquisition expenses | 2,194 | 2,058 |
| Other accruals | 142 | 94 |
| Suspense accounts | 880 | 1,296 |
| TOTAL ASSETS | 229,050 | 216,162 |

Balance sheet



equity and liabilities

for financial year 2017

| Balance sheet equity and liabilities In thousands of euros | Financial Year 2017 at 31/12/2017 | Financial Year 2016 at 31/12/2016 |
|--|---|---|
| Shareholders' equity | 48,110 | 43,336 |
| Share capital or initial capital and additional registered funds | 38,000 | 38,000 |
| Additional paid-in capital | 0 | 0 |
| Revaluation reserves | 0 | 0 |
| Other reserves | 10,010 | 10,010 |
| Retained earnings | -4,674 | -9,268 |
| Profit (loss) for the year | 4,774 | 4,595 |
| Subordinated liabilities | 0 | 0 |
| Gross technical reserves | 157,188 | 153,717 |
| Reserves for unearned premiums | 14,459 | 12,829 |
| Life insurance reserves | 0 | 0 |
| Claims reserves - Life | 0 | 0 |
| Claims reserves - Non-Life | 124,734 | 122,708 |
| Reserves for bonuses and rebates - Life | 0 | 0 |
| Reserves for bonuses and rebates - Non-Life | 0 | 0 |
| Equalisation reserves | 249 | 249 |
| Other technical reserves - Life | 0 | 0 |
| Other technical reserves - Non-Life (current risks, liability risks, actuarial reserves) | 17,747 | 17,932 |
| Technical reserves for unit-linked policies | 0 | 0 |
| Reserves for contingencies and charges | 264 | 317 |
| Payables for cash deposits received from outward reinsurers | 1,380 | 1,711 |
| Other debts | 20,851 | 15,969 |
| Direct insurance payables | 10,031 | 6,862 |
| Reinsurance payables | 6,017 | 3,773 |
| Debenture loans (including convertible bonds) | 0 | 0 |
| Debts owed to credit institutions | 0 | 0 |
| Other debts | 0 | 0 |
| Negotiable debt securities issued by the company | 0 | 0 |
| Other loans, deposits and guarantees received | 0 | 0 |
| Staff | 1,255 | 1,026 |
| State, social security agencies, local authorities | 2,339 | 2,714 |
| Other creditors | 1,209 | 1,593 |
| Accruals - Liabilities | 542 | 563 |
| Suspense accounts | 715 | 548 |
| TOTAL EQUITY & LIABILITIES | 229,050 | 216,162 |

Commitments received and given

for financial year 2017

| Commitments received and given In thousands of euros | Financial Year 2017 at 31/12/2017 | Financial Year 2016 at 31/12/2016 |
|--|---|---|
| Commitments received | 0 | 0 |
| Commitments given | 0 | 0 |
| Credit sureties and guarantees given | 0 | 0 |
| Securities and assets acquired with resale commitment | 0 | 0 |
| Other commitments on securities, assets or income | 0 | 0 |
| Other commitments given | 0 | 0 |
| Securities received as collateral from outward reinsurers and retrocessionaires | 76,896 | 75,312 |
| Securities given by reinsured entities with joint and several guarantee | 0 | 0 |
| Securities belonging to social welfare institutions | 0 | 0 |
| Other securities held on behalf of third parties | 0 | 0 |



 **Axeria iard**

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Axeria iard - a public limited company (société anonyme) with a capital of €38,000,000 - Lyon Trade and Companies
Register 352 893 200 - Company governed by the French Insurance Code
ACPR (Prudential Control and Resolution Authority) - 4, Place de Budapest - CS 92459 - 75436 PARIS CEDEX 09