

LocalTapiola Group's half-yearly report 1 January–30 June 2022: Insurance business achieves strong result, challenging investment environment affects total result

Revenue from LocalTapiola Group's insurance business remained strong in January–June and the Group's solvency developed positively. Poor performance of the investment market negatively affected our total result. In early 2022, we paid our owner-customers nearly EUR 400 million in non-life insurance claims and EUR 193 million in life insurance claims.

- Premiums written, direct non-life insurance: EUR 837 million, + 3.9%
- Premiums written, life insurance: EUR 233 million, – 4.8%
- Assets under management (gross): EUR 26.7 billion
- Customer bonuses: EUR 66 million, + 3%
- Non-life insurance combined ratio 93.9%, cost ratio 30.4%
- LocalTapiola Group's operating result: EUR 72 million, – 74%
- LocalTapiola Group's total result: EUR –451 million, – 188%

Comment by CEO Juha Koponen:

“Poor performance of the investment market decreased LocalTapiola Group's total result significantly over the same period of the previous year. Tightening monetary policy, the increase in interest rates and rising inflation resulted in a depreciation in the value of investments in several asset classes. Russia's war of aggression in Ukraine and the related extensive sanctions increase uncertainty in the operating environment by deteriorating economic prospects. So far, the impact of global economic uncertainty on insurance operations has been moderate, and our insurance business revenue remained strong both in non-life insurance and in life insurance. Additionally, LocalTapiola Group's solvency developed positively in the first half of the year.

In line with our strategy, we focus on increasing lifelong security and customer benefit. We increased our customer benefits in term life insurance, in alignment with our ownership strategy confirmed in June. In new sales, we brought down the term life insurance premiums by 20 per cent, while raising existing LocalTapiola Life customers' level of insurance cover by 25 per cent free of charge.

We will continue to contribute to both local and nationwide sustainability projects and charity initiatives. In Finland, we support the promotion of mental health in particular, and in early 2022 we also supported several universities through donations. Additionally, we provided donations to help those affected by the war in Ukraine and to deliver humanitarian aid to people who need it most.”

LocalTapiola Group's key performance elements in January–June 2022

LocalTapiola Group's total result was EUR –451 million. Our total result was particularly affected by a challenging investment environment, owing to which our investment business showed a negative result for early 2022, with investment income at fair value at –5.1 per cent. The Group's operating result was EUR 72 million. Our solvency ratio strengthened further to 194 per cent at the end of the review period.

Non-life insurance

LocalTapiola Group's premiums written in direct non-life insurance stood at EUR 837 million, a growth of 3.9 per cent over the same period of the previous year. Premiums written witnessed growth both among private and corporate customers, and in respect of our insurance lines growth was fastest in personal insurance, which recorded a growth of 7.5 per cent. The positive development of premiums written is supported by LocalTapiola Group's high customer retention rate as well as sales stepping up from the previous year especially among private customers. At the onset of summer, travel insurance policies sold particularly buoyantly.

The restrictions introduced as a result of the COVID-19 pandemic were lifted in the spring and, following increasing social activity, the claims paid were also on the increase, with several lines of insurance having already returned to pre-pandemic levels. As a whole, however, claims development was moderate and the risk ratio, which describes the profitability of the core insurance business, is at long-term average level.

Non-life insurance operating expenses increased EUR 22 million year on year. This increase was affected by growth in the volume of non-life insurance, by investments in operational development, and by increased social activity after the lifting of the pandemic restrictions.

Non-life insurance balance on the technical account stood at EUR 34 million. Balance before the change in the equalisation provision is composed of premiums earned less the claims incurred and operating expenses.

Life insurance

LocalTapiola Life's operating result continued to remain strong at EUR 46 million. Total result stood at EUR –119 million owing to the demanding market conditions affecting the investment business. Solvency has reinforced in 2022, with the solvency ratio at 307 per cent.

Gross premiums written went down to EUR 233 million following a 13.0 per cent decrease in the premiums written in savings amidst a challenging market environment. Of Life's priority areas, in term life insurance premiums written grew 4.7 per cent and in group pension 8.9 per cent. LocalTapiola Life is the market leader in term life insurance and in group pension emerged as the second biggest insurer in the sector.

Asset management

LocalTapiola Asset Management Group was launched on 1 January 2022 when LocalTapiola Asset Management Ltd (parent company), Seligson & Co Fund Management Company Plc, LocalTapiola Real Estate Asset Management Ltd, LocalTapiola Alternative Investment Funds Ltd and their subsidiaries formed a group. At the same time LocalTapiola Group also centralised the investment sales and customer service organisation with LocalTapiola Asset Management.

LocalTapiola Asset Management Group's turnover was EUR 27.3 million and operating result was EUR –1.5 million. Operating result without amortisation of goodwill on consolidation stood at EUR 1.0 million. The demanding early part of the year on the investment market was felt, particularly, in the values of equity investments and of fixed-income investments and, consequently, in commissions and fees. Commissions and fees received from alternative investment funds rose 28 per cent year on year as a result of increased alternative investment fund capitals.

The assets under management by the LocalTapiola Asset Management Group companies totalled EUR 26.7 billion (gross). Of these, EUR 12.4 billion was in assets in portfolio management, and EUR 9.5 billion was in fund capitals, EUR 1.8 billion in other contractually managed assets and EUR 3.0 billion in real estate.

In the second half of the year, LocalTapiola Asset Management Group will focus on developing the activities of the sales organisation, the digital service experience and the range of products and services offered.

Motor vehicle finance

The growth of LocalTapiola Finance's finance portfolio continued to be strong, and at the end of June it stood at EUR 2.0 billion. Profit before taxes was EUR 10.3 million. S&P Global Ratings upgraded the company's credit rating to BBB. In order to secure refinance, despite the challenging market conditions, in early spring the company concluded a successful securitisation transaction of more than EUR 600 million to European investors. In the second half of the year, increases in interest rates will raise the company's refinancing costs, yet the company's operations are anticipated to remain competitive.

Claims and customer benefits

LocalTapiola Group paid its owner-customers a total of EUR 398 million in non-life insurance claims in January–June. Additionally, we credited to our customers EUR 47 million in non-life insurance loyalty bonuses and EUR 18 million as S Group bonuses on insurance premiums.

We paid a total of EUR 193 million in life insurance claims to our owner-customers.

Appointments

Eeva Salmenpohja, LocalTapiola Group's Vice President, Sustainability & Public Affairs, was also appointed to take charge of LocalTapiola Group's Communications as of 23 March 2022.

Susa Nikula started as LocalTapiola Group's Chief People & Culture Officer on 1 May 2022.

Pasi Haarala started as Managing Director at LocalTapiola Life on 1 August 2022.

Minna Metsälä started as Managing Director at LocalTapiola Pirkanmaa on 15 August 2022.

Key figures for 1 January –30 June 2022

The figures are unaudited.

LocalTapiola Group

Non-life insurance

	1–6/2022	1–6/2021	1–12/2021
Premiums written, EUR million	861	832	1,294
Change, %	3.4	-2.5	-0.5
Direct premiums written, EUR million	837	806	1,267
Change, %	3.9	2.5	3.0
Combined ratio excl. unwinding of discount expense, %	93.9	85.5	91.8
Risk ratio, %	63.5	57.6	64.1
Cost ratio, %	30.4	27.9	27.8

Life insurance

Premiums written, EUR million	233	244	480
Change, %	-4.8	8.6	10.7

Group's result and solvency

Operating result, EUR million	72	271	388
Total result, MEUR	-451	514	774
Solvency ratio at end of review period, %	194	174	183

LocalTapiola General

	1–6/2022	1–6/2021	1–12/2021
Premiums written, EUR million	291	285	305
Change, %	2.1	-12.6	-11.5
Direct premiums written, EUR million	228	219	238
Change, %	4.1	0.2	3.6
Combined ratio excl. unwinding of discount expense, %	108.9	85.2	95.5
Risk ratio, %	83.2	62.4	72.2
Cost ratio, %	25.7	22.8	23.3
Net investment income at fair value, %	-3.2	4.6	8.2
Operating result, EUR million	19	87	145
Total result, MEUR	-122	155	258
Solvency ratio at end of review period, %	316	297	323

LocalTapiola Life

	1–6/2022	1–6/2021	1–12/2021
Premiums written, EUR million	233	244	480
Change, %	-4.8	8.6	10.7
Net investment income at fair value, %	-4.0	3.2	6.3
Operating result, EUR million	46	90	92
Total result, MEUR	-119	128	171
Solvency ratio at end of review period, %	307	201	213

LocalTapiola Asset Management Group

	1–6/2022
Turnover, EUR million	27.3
Operating result, EUR million	-1.5
Cost-to-income ratio, %	96.3
Assets managed at Group companies at end of period (gross), EUR billion	26.7

LocalTapiola Finance

	1–6/2022	1–6/2021	1–12/2021
Operating result, EUR million	10.3	4.5	13.9
Finance portfolio at end of review period, EUR billion	2.0	1.3	1.7