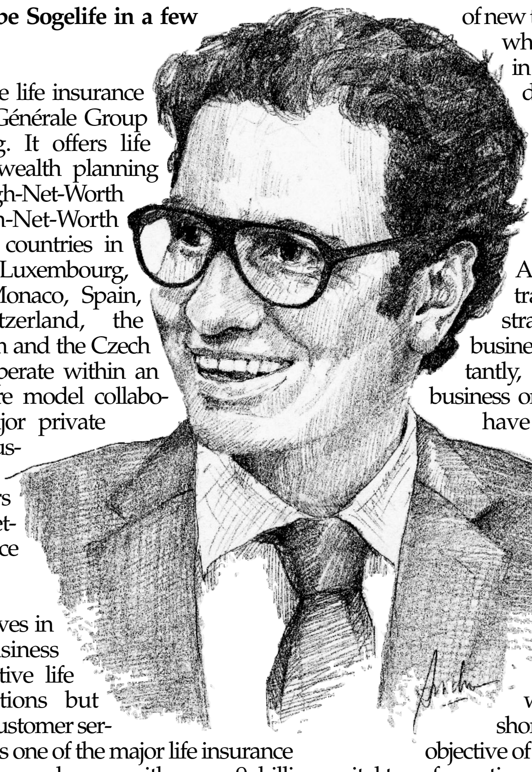
Interview of Jean ELIA, CEO at SOGELIFE

Making the customer journey with Sogelife, a delightful one



Can you describe Sogelife in a few words?

SOGELIFE is the life insurance arm of Société Générale Group in Luxembourg. It offers life insurance and wealth planning solutions to High-Net-Worth and Ultra-High-Net-Worth Clients in nine countries in Europe namely Luxembourg, France, Italy, Monaco, Spain, Belgium, Switzerland, the United Kingdom and the Czech Republic. We operate within an open architecture model collaborating with major private banks but also custodian banks, asset managers and a large network of insurance intermediaries.

We pride ourselves in developing business through innovative life insurance solutions but also in efficient customer service that made us one of the major life insurance companies in Luxembourg with over 9 billion euros of Assets under Management. This represents over 50% of growth over the last 5 years notably in Unit-Linked assets.

How is digital transformation evolving in your company?

In today's world, digital transformation is a fact and not a myth. We are witnessing the emergence of new technologies that are being used wholly or partially by some actors in order to disrupt industries and disintegrate their value chain. Incumbent actors such as insurance companies have therefore to adapt their business models in order not to lose value.

At Sogelife, we look at digital transformation as part of our strategy to further develop the business of course, but more importantly, to challenge the way we do business on daily basis. For instance, we have launched recently a digital transformation project unit that operates as internal start-up or as internal InsurTech. It is composed of "hybrid" teams from all areas of business: change specialists, project managers, finance specialists and developers who have to work in an agile framework and shorten the time to market. The objective of this unit is to accelerate the digital transformation within the company but also to propagate the start-up and innovative mind-set across the organisation.

What is the main objective of this digital transformation?

All of these projects and digital initiatives have one main objective: making the customer journey with Sogelife, a delightful one. This starts from the sales process with our distributors to the servicing of our end customers on a daily basis, i.e. across the whole value chain of our business model. An example of "delightfulness" across the value chain is the way we present our products to our distribution network: we have developed a virtual reality game to introduce our Specialised Insurance Fund product whereby the distributors could discover this product while playing a virtual reality game "FAS0017".

Having said that, technology is merely a tool for this digital transformation. One of the critical success factors for a successful transformation is to embark everyone within the company in this journey. That is why at Sogelife, we continue to invest heavily in our people to help them develop their skills but also invest considerably in our working environment to make it more fun, friendly and convenient, and try to provide our people with a delightful employee experience!

BNP Paribas Cardif acquiert la part d'Ageas dans Cardif Lux Vie

L'assureur BNP Paribas Cardif annonce la signature d'un accord avec la société Ageas afin d'acquérir sa participation de 33,33% dans Cardif Lux Vie. BNP Paribas Cardif devient actionnaire majoritaire de Cardif Lux Vie avec 66,67% de participation.

Jusqu'alors détenue par BNP Paribas Cardif (33,34%), Ageas (33,33%) et BGL BNP Paribas (33,33%), la compagnie d'assurance luxembourgeoise Cardif Lux Vie commercialise des offres d'épargne et de prévoyance à destination des particuliers et des entreprises.

Le positionnement de l'entreprise est basé sur la diversification internationale des marchés de résidence des clients, des marchés de distribution, des partenaires et des solutions proposées. Depuis 2011, les trois actionnaires de cette entreprise, issue de la fusion de Cardif Lux International et de Fortis Luxembourg Vie, ont développé les activités de Cardif Lux Vie pour en faire un acteur majeur du marché de l'assurance vie luxembourgeoise. En 2017, Cardif Lux Vie a enregistré un chiffre d'affaires de 2,8 milliards d'euros et un Résultat Net Avant Impôts de 52,9 millions d'euros.

A travers cette opération, BNP Paribas Cardif continue à développer son activité d'épargne au sein de ses marchés domestiques (France, Italie, Luxembourg) et se renforce au Luxembourg, son troisième marché en termes de chiffres d'affaires. BNP Paribas Cardif devient actionnaire majoritaire d'une entreprise ayant une vraie expertise européenne, qui est en croissance sur l'ensemble de ces lignes de métier et en pointe sur la collecte en unités de compte. Cette opération est soumise à l'obtention des autorisations réglementaires et devrait être finalisée au plus tard au premier trimestre 2019.

Rebond du marché des assurances au 3e trimestre 2018

Le 3e trimestre 2018 connaît un net rebond pour ce qui concerne l'évolution de l'encaissement du secteur des assurances directes après l'évolution plutôt décevante du trimestre précédent : toutes branches d'assurances confondues, les primes augmentent de 17,84% par rapport à la même période de l'exercice 2017.

Sur les neuf premiers mois de l'exercice 2018 l'encaissement global progresse de façon peu spectaculaire avec une croissance de 2,00%. Des différences notables sont à noter suivant les branches : les primes demeurent en recul de 1,24% en assurance-vie et mais progressent de 23,16% dans l'assurance non vie.

En assurance-vie la décroissance de 1,24% de l'encaissement sur les trois premiers trimestres de 2018 masque des évolutions divergentes suivant le type de produits, évolutions qui confirment les tendances observées au cours du premier semestre.

La croissance de l'encaissement est imputable exclusivement aux produits à rendements garantis dont les primes augmentent de 51,27% alors que l'encaissement relatif aux produits en unités de compte recule de 17,85%.

La croissance de l'encaissement des activités à rendements garantis est non seulement due au développement d'une importante activité de produits de protection, déjà signalée pour le 1er trimestre 2018, mais également et surtout à des opérations d'épargne. Le total des provisions techniques des assureurs vie s'établit à 180,64 milliards d'euros à la fin septembre 2018, en progression de 7,16% par rapport à la fin septembre 2017 et de 2,31% par rapport à la fin juin 2018. La hausse de 4,03 milliards du 3e trimestre 2017 est essentiellement imputable une collecte nette positive, les nouvelles primes étant supérieures de 3,45 milliards au montant des rachats, alors que la revalorisation des contrats n'y intervient qu'à hauteur de 0,58 milliard. Le taux de rachat est revenu à un niveau historiquement bas de 5,91% des provisions techniques.

L'assurance non vie progresse de 23,16% sur les neuf premiers mois de 2018, cette progression remarquable continuant d'être impactée de manière significative par les retombées de l'agrément de compagnies ayant choisi le Luxembourg comme lieu d'installation suite à la décision du Royaume-Uni de quitter l'Union européenne. Les assureurs travaillant essentiellement, sinon exclusivement sur le marché luxembourgeois, enregistrent une croissance de leur encaissement de 8,92%.

Avec une augmentation de 36,89% de leurs primes, les entreprises opérant à l'étranger dans les branches d'assurances non vie hors assurances maritimes progressent de manière beaucoup plus importante. L'assurance maritime pour laquelle seuls les chiffres du 2e trimestre sont disponibles et qui est essentiellement le fait de quelques grandes mutuelles dont l'encaissement reflète l'évolution des sinistres a reculé de 15,61% au cours de cette période.

L'ensemble des données est disponible sur le site internet www.caa.lu

Source : Commissariat aux assurances

Taking care of investments

By Giovanni PERIN, Managing Partner, Threestones Capital

'Only buy something that you'd be perfectly happy to hold if the market shuts down for ten years.' These words of wisdom from Warren Buffet, the 'Oracle of Omaha', could be an apt clarion call to savvy investors with half a mind on opportunities related to the world's rapidly ageing population.

Specifically, the opportunity is in the burgeoning elderly care and nursing homes real estate sector, where a brief look at the statistics quickly paints a compelling picture.

According to the OECD, over the next 30 years, an extra 15,000 people per day will be reaching retirement in Europe. By 2025 more than 20% of Europeans will be 65 or over; and the number of over 85s is projected to rise from 14 million to 20 million by 2020. The World Health Organisation predicts that by 2045 the elderly will have become the largest age group worldwide – a phenomenon it describes as 'a demographic milestone'.

By contrast, there is currently a chronic undersupply of quality care home facilities. This is particularly true in the industrialised world, where socio-economic factors have eroded traditional family structures and caring for elderly relatives at home is much less prevalent now than in previous years.

In Germany alone, over €55 billion of investments in new construction and replacements will be required by 2030 for care facilities that are viable and in line with market requirements, according to the Care Home Market Report 2016/17*. Although most care-dependent people are currently being cared for at home, close to 30% (and rising) already live in nursing homes. Estimates consequently foresee a shortage of up to 350,000 nursing home places by 2030. This is a plight that, given today's public budget restraints in just about every country across the world, can only be tackled with private investments.

Hardly surprising then, that there is growing interest in the health and elderly care sector from investors who recognise its potential as a viable asset class. With an estimated overall volume of €2.4 billion in the first three quarters of 2016, healthcare real estate transactions accounted for 7% of the overall commercial real estate transaction volume in Germany. And at a European level, PwC's recent Emerging Trends in Real Estate report ranked 'Retirement/assisted living' as having the second highest investment potential in 2018.

Care home investments have become popular only recently. They are considered as a way to provide greater portfolio diversification while avoiding fierce competition for highly priced traditional real estate assets. The less cyclical nature of this specialist property type is appealing to investors, particularly in today's volatile markets. But, most importantly, investor interest is fuelled by the sector's potential to deliver a long-term stable income stream, built around a steady demand for the provision of better quality spaces and services from ageing, affluent 'baby boomers'.

Compared to traditional property investment sectors, the prime yields on modern care homes – currently between 5.5% and 6% – are a good 190 basis points above those of first-class commercial or retail properties in core markets. The yield margin over hotels is currently 100 basis points. Real estate investment companies are the largest group of investors in this sector, followed by insurance companies, open-ended property funds and special funds. Belgian and French investors are currently the most active in Europe, accounting for more than half of the overall transaction volume in 2017. Non-domestic investors placed roughly €1.8 billion during the same period, accounting for 61% of total investment turnover. Regionally, Asian and European capital accounted for the highest increases in allocation to the sector, followed by the Americas, the Middle East and Africa.

On average in the EU there are approximately 46 beds in residential long-term care facilities for every 1,000 people over 65. The top five countries with the best ratio of beds to people are Belgium (71.2/1,000), Luxembourg (70.8/1,000), Sweden (66.2/1,000), the Netherlands (65.5/1,000) and Finland (59.7/1,000). By contrast, in the UK alone 6,600 care homes are at risk of closure within the next five years and it is expected that, by 2021, demand for market standard care home beds will far outstrip supply with an estimated shortfall of 148,777.

But a word to the wise: while the market opportunity is significant, the sector is not without its challenges. Overall, the healthcare market is tightly regulated and frequently subject to reforms. There are significant differences in the regulations that apply to the separate member states of the EU, and, as illustrated by Germany's Bundesländer, even divergences between states within a single country.

For investors, knowing which country to invest in is critical, as is having a sound strategy for stock selection and partnering with operators. Having entered the elderly care and nursing homes sector a decade ago, Threestones Capital Management SA, has observed the twists and turns of the market at first hand. And being in the vanguard of the sector's evolution over 10 years, has provided the firm with valuable insight and expertise.

With more than 6,000 beds in 75 nursing homes across three core markets – Germany, Italy and Spain – Threestones Capital draws on its unrivalled knowledge of individual European markets to inform investment decisions. It's this sort of detail that ensures its investors participate in successful real estate portfolios.

Another key factor for investors is unlocking value enhancement. In the nursing and elderly care homes sector, a significant part of the solution comes from adopting a resident-centric approach to asset management. That means listening carefully to the needs and aspirations of residents and incorporating this insight into the way nursing homes are run. It's a lesson that Threestones Capital learnt early on and has continued to apply to its assets, working in close partnership with 20 of the leading nursing home operators across Europe.

This level of focus has helped to maintain Threestones Capital's accelerated growth which, with total AUM of over €850 million, shows no signs of abating, with the firm consistently delivering annual returns in excess of 10% across its four funds. Continuing its expansion into southern Europe, Threestones Capital has completed eight investments in the past year – seven in Italy and one in Spain – and is set to capitalise on the buoyant market in Europe through additional investment opportunities.

The general investment prognosis for the nursing homes and elderly care sector, certainly looks positive over the long term. And for investors seeking healthy returns, now might be the most opportune time to start caring about the European healthcare property market as it continues to mature. As for the 'Oracle of Omaha', well he too seems to be putting his money where his mouth is. Earlier this year Berkshire Hathaway, Amazon and JP Morgan announced a joint venture to try and tackle the $3.3 trillion deficit in the US healthcare sector with the help of private institutional investors.

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