

Interim Statement 9M-Q3

## Deutsche Familienversicherung increases premium volume despite COVID-19 to over EUR 120 million and expects full-year growth to exceed 25%

- Hardly any COVID-19 impacts thanks to strong online sales and substantially more business in the property insurance segment
- New business achieves premium volume of EUR 22.3 million in the first nine months of 2020 as planned
- Gross premiums written increased significantly by 27.1%, to reach EUR 83.5 million
- Existing premiums up by 18.9%, to EUR 120.3 million
- Annual operating targets for 2020 affirmed: EUR 30 million in new business; existing premium volume > EUR 125 million, gross premiums +30%
- Preparations for launch of 'CareFlex' on target – growth to > EUR 200 million in existing premium volume expected for end-2021

**Frankfurt/Main, November 12, 2020** – DFV Deutsche Familienversicherung AG ("DFV", "Deutsche Familienversicherung"), a fast-growing and leading InsurTech company in Europe, affirms its planned forecast for the full year 2020 after very good new business trends continued in the third quarter.

***"We are benefiting from considerably more property insurance policies and ongoing good results recorded in health insurance. We have also succeeded in boosting premiums per new policy. Accordingly, we are on track in meeting the premium volume targeted. In addition, we have noted increased willingness to take out online insurance policies. Our consistent digitalization is therefore paying off in full. However, of course we are also impacted by the pandemic. If people cannot travel any longer, this makes it difficult to sell foreign health insurance policies. As these only account for about EUR 25 per unit p.a. this loss remains manageable,"*** comments Dr. Stefan Knoll, CEO and Founder of Deutsche Familienversicherung.

### Digital sales advantage pays off particularly in times of Corona

The volume of new business in the first nine months of 2020, reaching a premium volume of EUR 22.3 million, is in line with our plan. Owing to the sharp decline in foreign health insurance

caused by the pandemic, the number of policies acquired by end-September turned out slightly lower than planned, reaching 67,285 policies. Considering, however, that the nine-month period of 2019 had been influenced highly positively by the added 'Henkel contracts' and the shortfall of almost 10,000 foreign health insurance policies year-on-year, the originating performance by DFV was impressively confirmed. Accordingly, DFV sales turned out to be highly robust as regards the cyclical collapse due to COVID-19. In fact, the share accounted for by online direct sales was boosted yet again. This bears testimony to the competitive edge of DFV as a digitalized, online-based insurance company.

In addition, in accordance with its current group strategy that provides e.g. for increasing diversification of the DFV product portfolio, the company managed to increase the share of newly generated premium volume accounted for by property insurance policies by 16.5 percentage points, to 23.4% (9M 2019: 6.9%).

### **Existing premiums reach EUR 120.3 million, affirming the growth target**

As a result of the successful new business, the total underwriting portfolio as at September 30, 2020 was up by 6.6%, to around 548 k policies (December 31, 2019: 514 k policies). This includes about 37,919 policies in the electronic equipment insurance segment that is no longer part of DFV's core business, a portfolio that is undergoing liquidation (run-off). Adjusted for these technical insurance segments, the underwriting portfolio in core business was up by approx. 8.6% in the first nine months of the current fiscal year.

Existing premiums increased by 18.9% as at September 30, 2020, to EUR 120.3 million (December 31, 2019: EUR 101.2 million), or by as much as 25.6% compared to EUR 95.8 million as at September 30, 2019.

Gross premiums written were likewise up substantially by 27.1% in the first nine months, to reach EUR 83.5 million (9M 2019: EUR 65.7 million). This reflects both the robust growth in the supplementary health insurance segment, up by 26.3% to EUR 77.4 million as well as in the property insurance business with an increase by 37.4%, to EUR 6.1 million.

### **Operating result developed in line with expectations**

Distribution costs in the first nine months amounted to EUR 24.3 million, nearly equivalent to the previous year (9M 2019: EUR 24.6 million). The combined ratio (of claims to expenses), amounting to 106.0% in the period under review, remained at roughly the same level as the previous year (9M 2019: 105.7%, full year 2019: 102.6%). The claims ratio is stable at 61.2% and remains below average (9M 2019: 61.2%, full year 2019: 60.5%). The company continues to adhere to the target combined ratio of below 100% and, therefore, to the expected profitability.

Group EBIT declined to -EUR 6.9 million in the first nine months, as expected (9M 2019: -EUR 3.3 million). Key drivers for the development of results are the updated values of distribution expenditure, the poorer capital investment result due to COVID-19 with a decline of EUR 3 million

year-on-year and higher internal costs (personnel costs: +EUR 1.5 million, IT costs: +EUR 2.5 million) also attributable to the preparation for 'CareFlex'.

The result after taxes came to -EUR 4.7 million (9M 2019: -EUR 2.9 million). The underwriting result (HGB) declined to -EUR 5.5 million (9M 2019: -EUR 2.3 million).

## Solvency II ratio considerably higher at 402%

The solvency II ratio of Deutsche Familienversicherung as at September 30, 2020 amounted to 402%, considerably higher than the end-2019 value of 264%. This increase is chiefly attributable to the 10-per-cent capital increase successfully implemented early in July 2020. At the same time, a number of effects impacted the ratio. These included the capital employed for the significant growth in business, increased investments for the implementation of 'CareFlex' (personnel and IT) and a yield curve of the European Central Bank adjusted in the first half of 2020. Accordingly, the solvency II ratio will return to the long-term target corridor of 180-220%, to which DFV continues to adhere.

## Expanded product range

As part of the growth strategy of Deutsche Familienversicherung, at present the organization focuses in particular on extending the DFV product range, especially in the property insurance segment. For instance, early in August 2020 a new version of the liability insurance policy for dog owners was marketed, facilitating a sale in combination with pet health insurance – an insurance product that has been successfully marketed under the PETPROTECT brand on the TV channels of the ProSieben/Sat.1 media group since May 2019. In addition, the animal health insurance, under the name DFV-TierkrankenSchutz, is marketed just as successfully via the company's own channels.

## Outlook for 2020 affirmed

DFV's outlook for the year 2020 remains unchanged following the very good business development in the first nine months of the year: in 2020 the company plans to raise the volume of its existing premiums to over EUR 125 million and thus achieve an increase in gross premiums written by at least 25%. Owing to its high growth investments, DFV continues to anticipate its expected operating loss (EBIT) between EUR 9 to 11 million.

The capital markets had essentially recovered by September 30, 2020, returning the market values of the company's capital investments to their original cost prices on average. However, owing to the intensified COVID-19 pandemic beginning in October, Deutsche Familienversicherung expects a renewed decline in market values for the fourth quarter of 2020. The impact on earnings cannot be reliably estimated at present, which is why it has not been taken into account in the operating forecast.

## ‘CareFlexChemie’ to deliver growth impetus in 2021

**“Our growth figures reflect the difference between an insurance company like Deutsche Familienversicherung and a simple distribution outlet. Our volume of existing premiums realized to date, amounting to EUR 120 million, represents recurring premium income that we will also have next year. This is what makes the difference in the stability of an insurer. This will be augmented in 2021 by originating new business as well as the policies under the ‘CareFlex’ deal. For this reason, we will rise into a new dimension next year and advance to become market leader in the supplementary care insurance sector in Germany. For a business with no more than 166 employees, this is an impressive performance that would not be possible without leading-edge technology,”** comments Dr. Stefan Knoll, CEO and Founder of Deutsche Familienversicherung.

Thanks to the further increase in premiums expected for 2021, driven in particular by the new “CareFlexChemie” policies, Deutsche Familienversicherung assumes it will achieve full compensation for the preparatory expenses incurred for this product in the year 2020. The volume of existing premiums including ‘CareFlex’ will most probably grow to exceed EUR 200 million at the end of the year 2021. In 2021, the company expects the number of policies to double, to reach approx. 1.1 million policies. On the whole, Deutsche Familienversicherung plans to continue its current business policy, achieving positive results as of the year 2021.

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## About DFV Deutsche Familienversicherung AG

DFV Deutsche Familienversicherung AG (ISIN DE000A0KPM74) is a fast-growing insurtech company. As a digital insurance company, DFV covers the entire value chain with its own products. The aim of the company is to offer insurance products that people really need and understand immediately (“Simple & Sensible”). DFV offers its customers award-winning supplementary health insurance (dental, health and long-term care insurance) as well as accident and property insurance policies. Based on its ultra-modern and scalable IT system developed in-house, the company is setting new standards in the insurance industry with consistently digital product designs and the option of taking out policies via digital language assistants.

[www.deutsche-familienversicherung.de](http://www.deutsche-familienversicherung.de)

## DFV Group Key Financials 9M 2020:

in € thousand	9M 2020	9M 2019	Change in %
<b>New business</b>			
Policies (number)	67,285	70,539	-4.6
- Supplementary health insurance (number)	49,308	65,045	-24.4
- Property insurance (number)	17,977	5,494	227.2
Premium volume	22,326	22,831	-2.2
- Supplementary health insurance	17,092	21,267	-19.6
- Property insurance	5,234	1,564	234.7
<b>Total gross premiums written</b>			
Total	83,481	65,693	27.1
Gross premiums written supplementary health insurance	77,425	61,288	26.3
Gross premiums written property insurance	6,056	4,406	37.4
Combined Ratio	106.0%	105.7 %	0.3 PP
Claims ratio	61.2%	61.2 %	0.0 PP
<b>EBIT</b>	<b>-6,930</b>	<b>-3,294</b>	<b>-110.4</b>
Net result	-4,747	-2,869	-65.5
<b>Underwriting result</b>	<b>-5,455</b>	<b>-2,308</b>	<b>-136.4</b>

in € thousand	30.09.2020	31.12.2019	Change in %
<b>Total portfolio (number)</b>			
Policies	548,284	514,104	6.6
- Supplementary health insurance	440,583	412,001	6.9
- Property insurance	107,701	102,103	5.5
<b>Total existing premiums</b>			
Premium volume	120,278	101,168	18.9
Existing premiums supplementary health insurance	110,098	94,786	16.2
Existing premiums property insurance	10,180	6,382	59.5
<b>Equity</b>	<b>91,434</b>	<b>64,496</b>	<b>41.8</b>
Solvency ratio	402 %	264 %	138 PP
Employees (average)	166	122	36.1