

# HALF YEAR REPORT

2016

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## **VIRIDIUM GROUP**

The Viridium Group (rebranded from Heidelberger Leben Group in October 2016 following the period end) is the leading specialist in the consolidation and the efficient management of life insurance portfolios in Germany. The foundation of the consolidation platform is a customer-focused service organisation combined with efficient portfolio management.

As at 30 June 2016, the Viridium Group includes two life companies: Heidelberger Lebensversicherung AG and Skandia Lebensversicherung AG. Within and as part of the consolidation platform they are established brand identities in the marketplace and for policyholders.

As at period end, the Group's portfolio companies together managed a total of nearly 830,000 insurance policies and unit linked assets, totalling approximately €10.9 billion. In addition, third-party administration services – provided on behalf of Scottish Widows – were carried out for around 100,000 holders of Clerical Medial policies in Germany and Austria.

The Group's shareholders are Cinven, a leading international private equity firm, and Hannover Re, the world's third-largest reinsurance company.

## **STRATEGY AND AGENDA**

In line with expectations, 2016 is the second and final year of the Group's reorganisation. The focus in 2015 was on integrating all companies within the Group into a newly implemented IT infrastructure and incorporating all core processes within a sustainable organisation, with the appropriate personnel. In 2016, the main focus is on migrating policy portfolios to the Group-wide, uniform administration system and aligning the organisation in accordance with the overall Target Operating Model (TOM).

The "Strategic Platform and Migration Programme" continues to form the foundation for the consolidation and migration of the life insurance portfolios onto the new portfolio management platform.

## HIGHLIGHTS – FIRST HALF YEAR

### M&A

Following the completion of the sale of Skandia's activities in Austria in January 2016, Viridium Group is fully focused on the implementation of the consolidation strategy in its German core market. The Group continues to see significant potential for consolidation in this market and is currently reviewing further potential acquisitions as part of the execution of this strategy.

### IT

The specific IT projects undertaken in the first half of the year have progressed in line with expectations and according to plan. In the first half of the year, the first portfolio of Heidelberger Lebensversicherung was successfully migrated onto the new platform and transferred to productive operation. The additional portfolio migrations are progressing well, according to plan – forming a good basis for the migration of the second portfolio of Skandia Lebensversicherung in the second half of the year.

### CUSTOMER SERVICE

The Group's Customer Service operations were realigned during the period to meet the requirements of the newly operational portfolio management platform. Specialist service teams were created to provide a large pool of expertise for dealing with and responding efficiently to customer enquiries on the new systems.

The cancellation and complaints rates underwent further improvement and the Group continues to focus on improving these further in the future.

The desired service levels for Skandia Germany and Clerical Medical were achieved. Short-term processing backlogs were experienced at Heidelberger Leben in parallel with the scheduled migration. They were gradually reduced in the months following the period end by an improvement in service levels and the provision of additional short-term resources.

## RISK

In 2015, two major projects were launched: one to meet the reporting requirements of the Solvency II Directive which came into effect on 1 January 2016; the other in relation to implementing new internal control systems (ICS). Both of these have been successfully implemented in 2015. Compliance with all the new reporting requirements in 2016 was achieved on schedule and the Group's risk management and key functions have been strengthened throughout the organisation.

As part of the Solvency II Directive, the Viridium Group underwent an Own Risk and Solvency Assessment (ORSA) in 2015. On the basis of the findings from the ORSA process, additional measures were developed, designed to further improve the Group's solvency requirements.

## FINANCIALS

The results achieved in the first half of the year continued to be strong and exceeded expectations. Expenses were within the budget, lapses were lower than expected and assets under management surpassed expectations.

These positive developments were also reflected in the TEV (Traditional Embedded Value) of the Viridium Group. Furthermore, the solvency ratios of the life insurance companies continued to remain not only unchanged, but also significantly above target levels and minimum requirements of the regulator as at 30 June 2016.

## OUTLOOK

### M&A

The large number of ongoing discussions with market players are proof of the steadily increased overall interest in portfolio consolidation and the solutions provided by Viridium Group in particular. The Group remains highly confident of its ability to continue successful consolidation of the German life insurance market.

Post-period end, Heidelberger Leben Group was rebranded “Viridium Group” in order to position the Group’s overall consolidation platform independently from its underlying portfolio companies. In particular, the rebranding is intended to remove any confusion with the portfolio company “Heidelberger Leben”.

### IT

Additional portfolios will be migrated into the new IT platform in the second half of the year. A new standard software release is also scheduled for roll-out in the current financial year. The software will implement upgrades required under statutory legislation as well as enhancing functionality. Overall, these steps are further evidence that the Group’s portfolio management platform can achieve both technical and regulatory innovation, using standardised software, and strong financial performance.

### CUSTOMER SERVICE

The group has been rebranded to Viridium Group post-period end, however, the established risk carriers – with which our customers have contact – remain unchanged and there will be no impact on service levels, and no changes for policyholders or sales partners.

While the focus will be initially on the introduction of the new IT platform for the entire Group, the final building blocks for the realigned organisational structure are likely to be put in place towards the end of the year. This will comprise a fully harmonised structure and reporting processes across all Customer Service locations which will pave the way for sustained strong service levels for our customers.

## **RISK**

The new integrated process modelling and risk management system will be gradually rolled out from the second half of the year. Internal processes will be further optimised and streamlined to ensure its successful integration.

## **FINANCIALS**

During the second half of the year, the Viridium Group expects its financial performance to continue to perform strongly, principally as a result of continued low lapses, good investment performance and effective cost control.



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