

Sector View

Insurance

Italian earthquake likely to have a limited impact on the insurance industry

	1 M	3 M	6 M	31/12/15
Insurance	2.3%	-10.4%	-5.0%	-19.5%
DJ Stoxx 600	0.8%	-1.5%	3.2%	-5.8%

*Stoxx Sector Indices

Companies covered

AEGON	NEUTRAL	EUR6
ALLIANZ	BUY	EUR180
AXA	BUY	EUR29
CNP ASSURANCES	NEUTRAL	EUR15
COFACE	NEUTRAL	EUR5.4
EULER HERMES	BUY	EUR89
HANNOVER RE	SELL	EUR110
MUNICH RE	SELL	EUR185
SCOR	BUY	EUR38
SWISS RE	NEUTRAL	CHF100
ZURICH INSURANCE	NEUTRAL	CHF270

The Italian earthquake is likely to have a limited impact on the insurance industry as there is a low density of infrastructures and industrial plants in the affected area, and only c. 44% of the Italian population has house insurance (it is not compulsory to have one in Italy), o/w only 3-4% of these contracts have an earthquake cover extension.

ANALYSIS

- Last week's earthquake in central Italy should have a limited impact on the insurance industry. According to Moody's, the insured losses should be lower than for the 2009 earthquake, which cost EUR383m.
- The main reasons for this are: 1/ the low density of infrastructure and industrial plants in the affected area, 2/ only c. 44% of the Italian population has house insurance (it is not compulsory to in Italy), and only 3-4% of these contracts have an earthquake cover extension.
- Based on market share, Generali (26%), UnipolSai (22%) and Allianz (11%) are likely to suffer the most.
- Reinsurers should only be marginally impacted, as insured losses are likely to be too low to activate many reinsurance transfers (high triggering point).

VALUATION

- The insurance industry is currently trading on a 0.9x P/NAV, with AXA suffering the strongest discount (0.6x P/NAV) relative to the quality of its fundamentals.

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