



Towards industrial excellence

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Group Chief Insurance Officer



LONDON, FOUR SEASONS HOTEL - JANUARY 14th, 2013

Steers and controls the industrial performance of the Group

The guiding principles

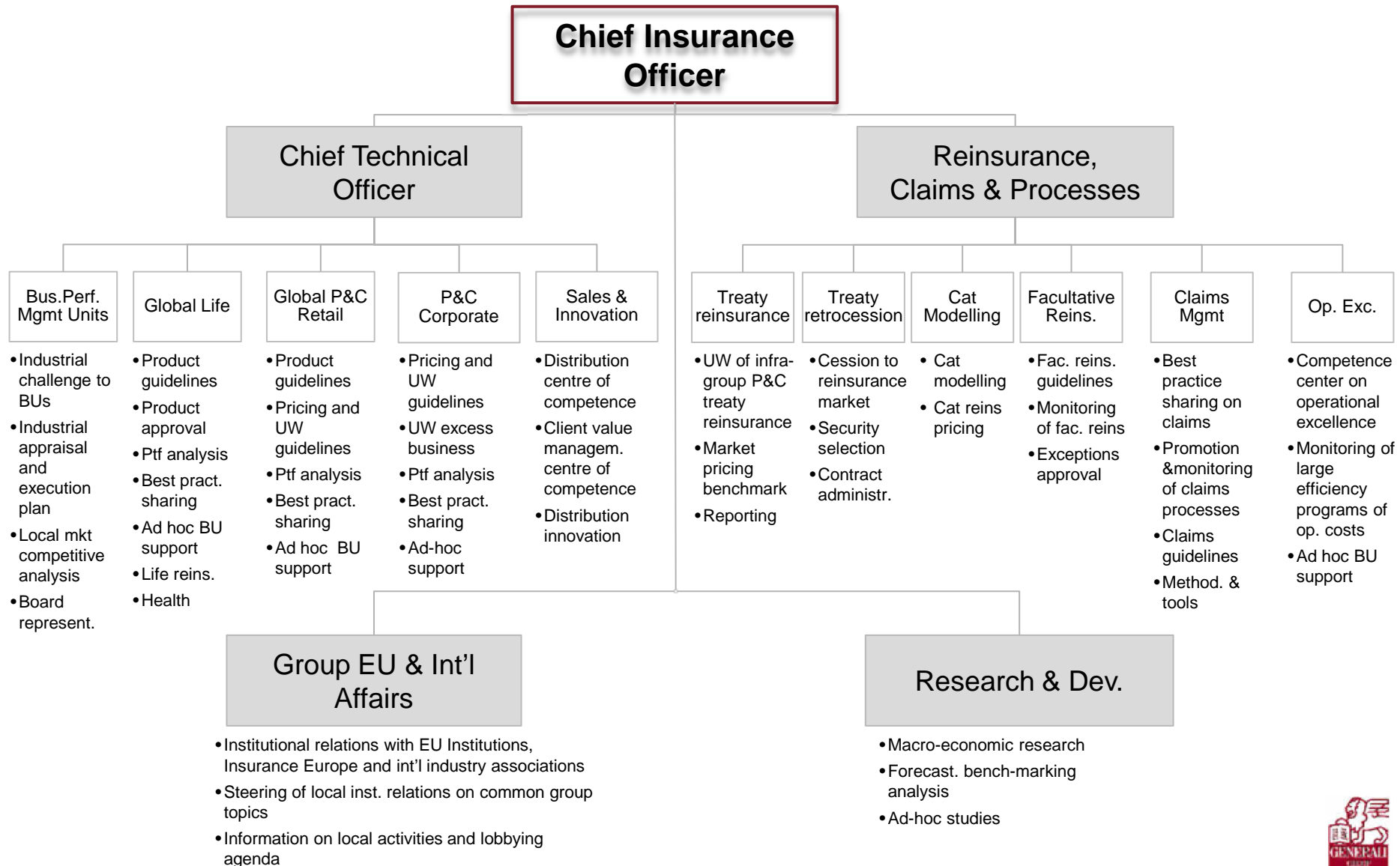
- 1 **Outstanding technical performance**
- 2 **Operational excellence**
- 3 **Reinsurance optimisation**
- 4 **Distribution excellence and customer value**

Technical and operational excellence is an unchanged ambition

§ **The past:** Governance and internal structures hampered implementation

§ **The future:** One Chief Insurance Officer dedicated and empowered to drive change

Chief Insurance Officer: new organisation structure



Strategic priorities

Raising the bar of technical ambition

- § Structured performance review
- § Product excellence
 - ü Group Guidelines (Life, P&C UW limits)
 - ü Group ex-ante life product approval process
- § Group Reinsurance
 - ü 100% Group treaty reinsurance acceptances
 - ü Optimizing fac. reinsurance management

Increasing customer value

- § Maximise the value extracted from the customer base (retention, cross/up-selling)
- § Target new customer segments

Enhancing commercial effectiveness

- § Channel management
- § Direct channel and bancassurance opportunities

How to achieve them

Building capability

- § Strengthening capabilities in all core areas of the business (technical, distribution) in order to achieve the highest level of competitiveness in each market
- § Foster value-adding and business-driven exchange of knowledge and best practices throughout the Group

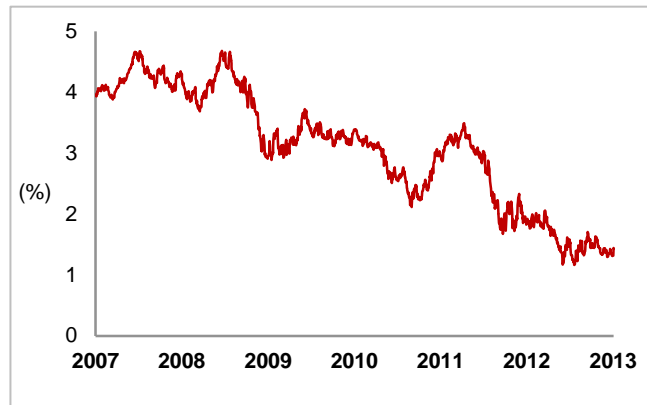
Performance management

- § Strengthen the role of corporate centre
 - ü in a quarterly business performance review
 - ü and addressing issue/gaps of technical performance at local level
- § The quarterly discussions are based on a common set of technical metrics

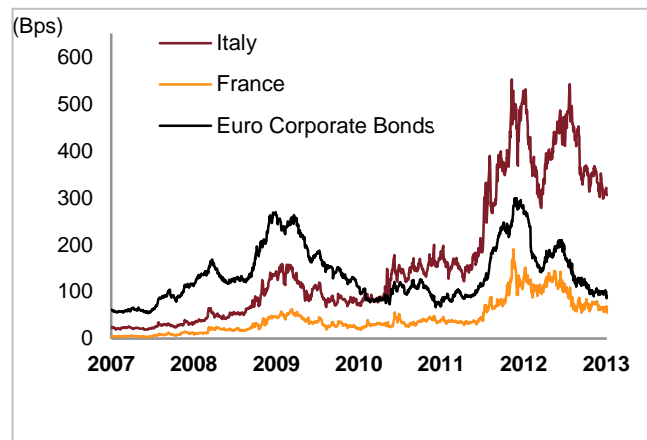
The roadmap

Business performance	Life	<ul style="list-style-type: none"> § Increase life value and reduce capital absorption ü Rebalancing business mix ü Limit capital deployed on guarantees ü Disciplined approach for profit sharing and credit rates
	P&C	<ul style="list-style-type: none"> § Rebalance the mix towards P&C ü Enlarge Corporate & Commercial segment ü Develop Accident & Health offer § Enlarged scope for technical programs
	Customer	<ul style="list-style-type: none"> § Enhance Customer value (present and potential) as driving metric
	Distribution	<ul style="list-style-type: none"> § New direct initiatives (mainly in emerging markets) leveraging on European direct channel expertise § Exploit Bancassurance potential in emerging markets § Tied Agents Excellence
Product excellence	Ex ante life product approval	<ul style="list-style-type: none"> § Starting from 2013, new centralised ex-ante life product approval
	Stricter P&C UW policy	<ul style="list-style-type: none"> § New product development guidelines ü Minimum set of tariff drivers ü Corporate UW authorities
Reinsurance	Reinsurance	<ul style="list-style-type: none"> § Fully centralised treaty reinsurance § Optimisation of facultative reinsurance management

German bund, 10 years



Spreads over 10 year bund

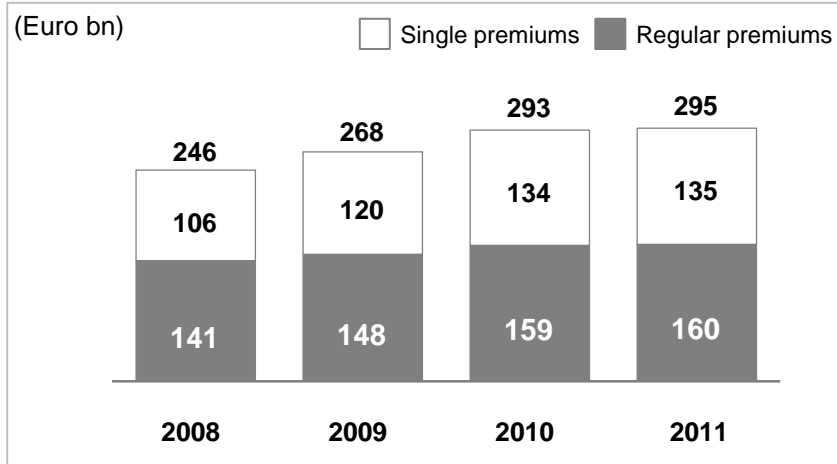


Source: Bloomberg as at 03.01.2013

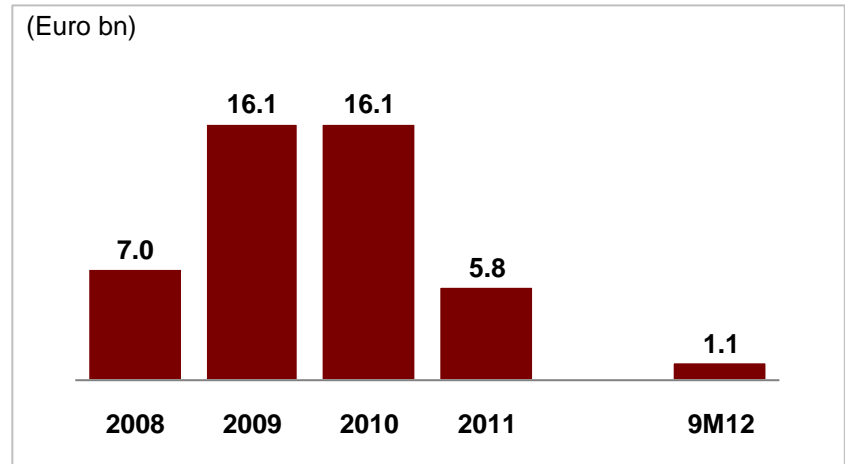
Impacts on life market

- Current macro economic environment and low interest rates impacting life business, both on volumes and on value
- Increased competition from banks
- Less available personal wealth
- But Life business still holds significant potential for future value accretive growth
 - ü withdrawal of state pension systems
 - ü underdeveloped protection business
- Need for a “through the cycle” approach

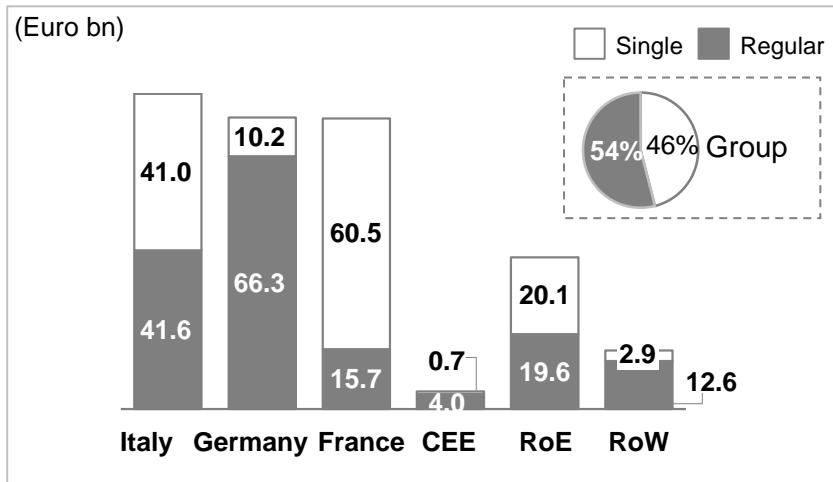
Increasing life reserves ...



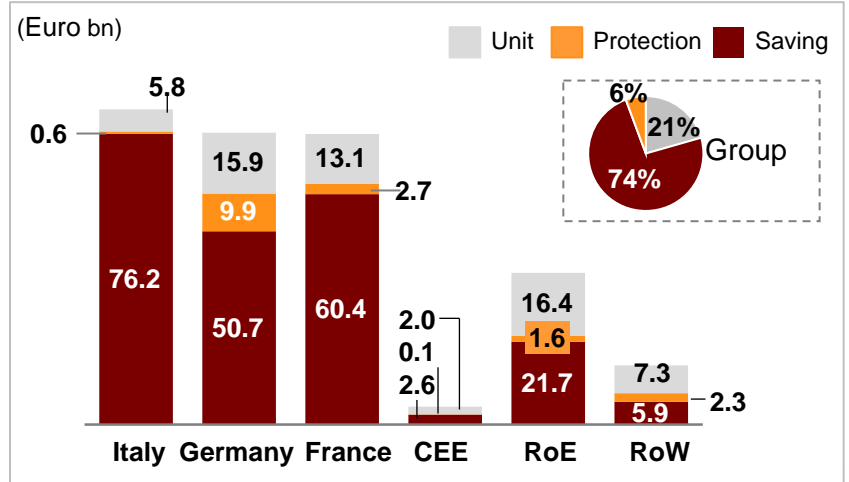
... fuelled by positive net inflows



Life reserves by country & type of premium (FY 2011)



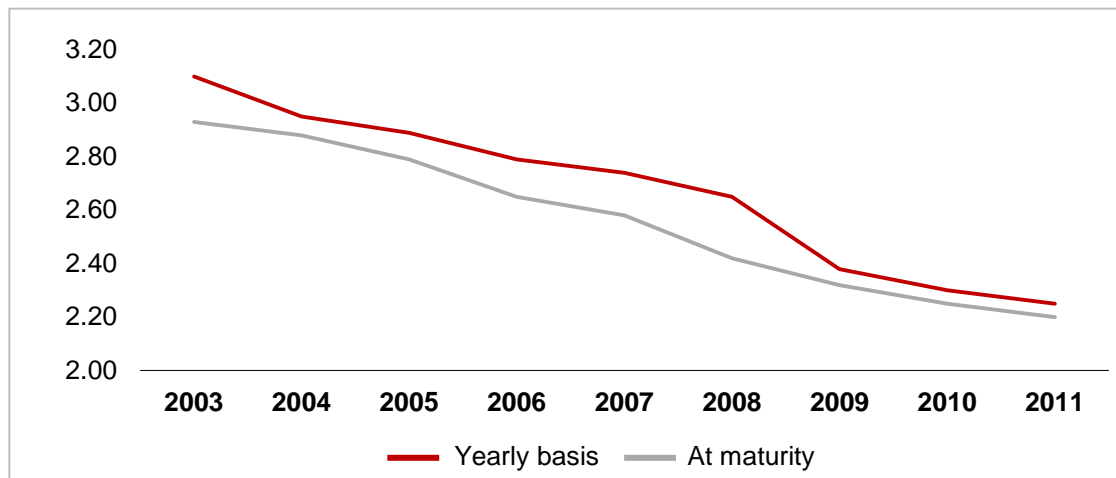
Life reserves by country & product (FY 2011)



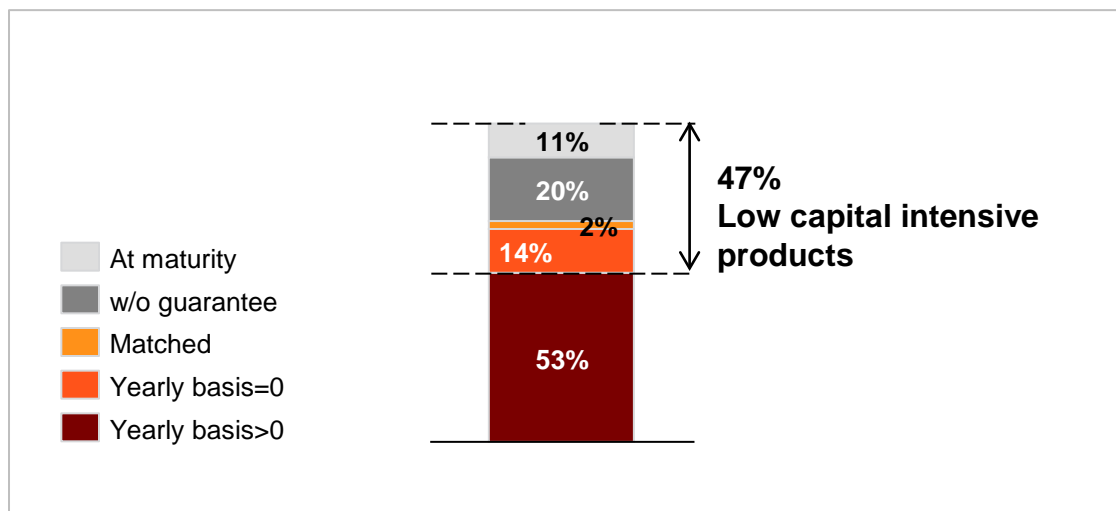
Note: all figures net of minorities, except net inflows which are gross



Reserve guarantee development (%)



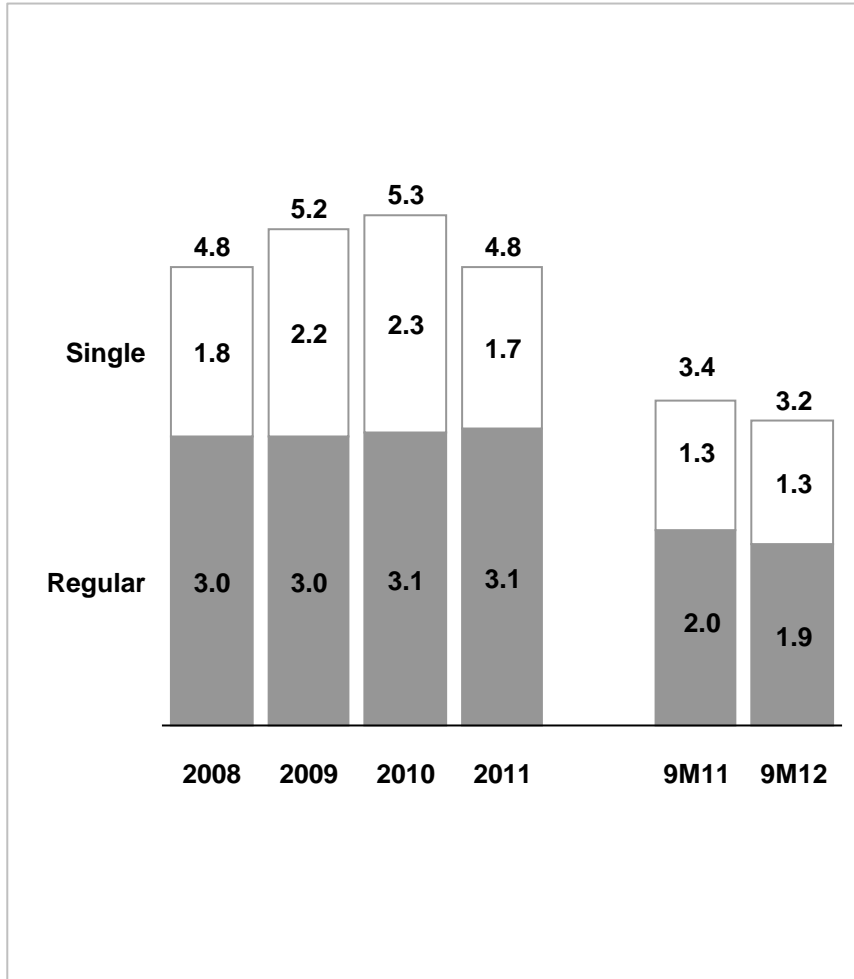
Life reserves by type of guarantee (FY 2011)



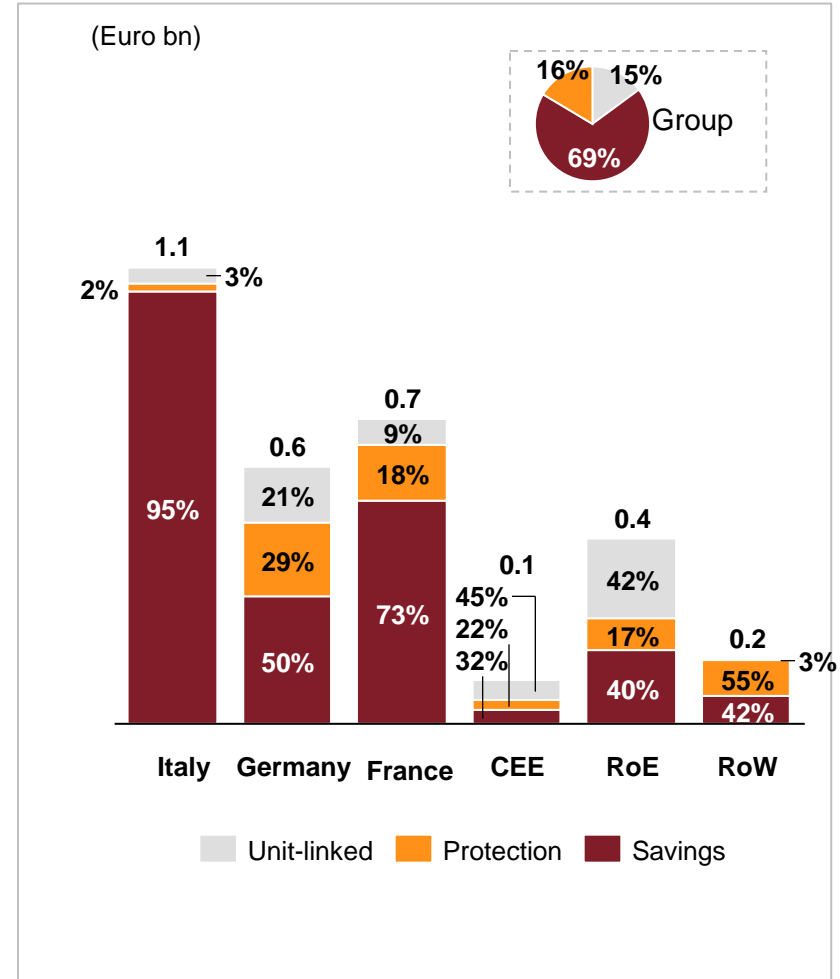
Highlights

- Over the last 8 years portfolio average guarantee has reduced by about 90 bps
- The share of “at maturity” guarantee has reached 11%
- Reserves of products with zero guarantee increased by more than 40% over the last 4 years
- Roughly 50% are low capital intensive products
- Healthy buffer from interest rate return to average minimum guaranteed

APE development: stable regular premiums (Euro bn)



9M 2012 APE by country & product (Euro bn)

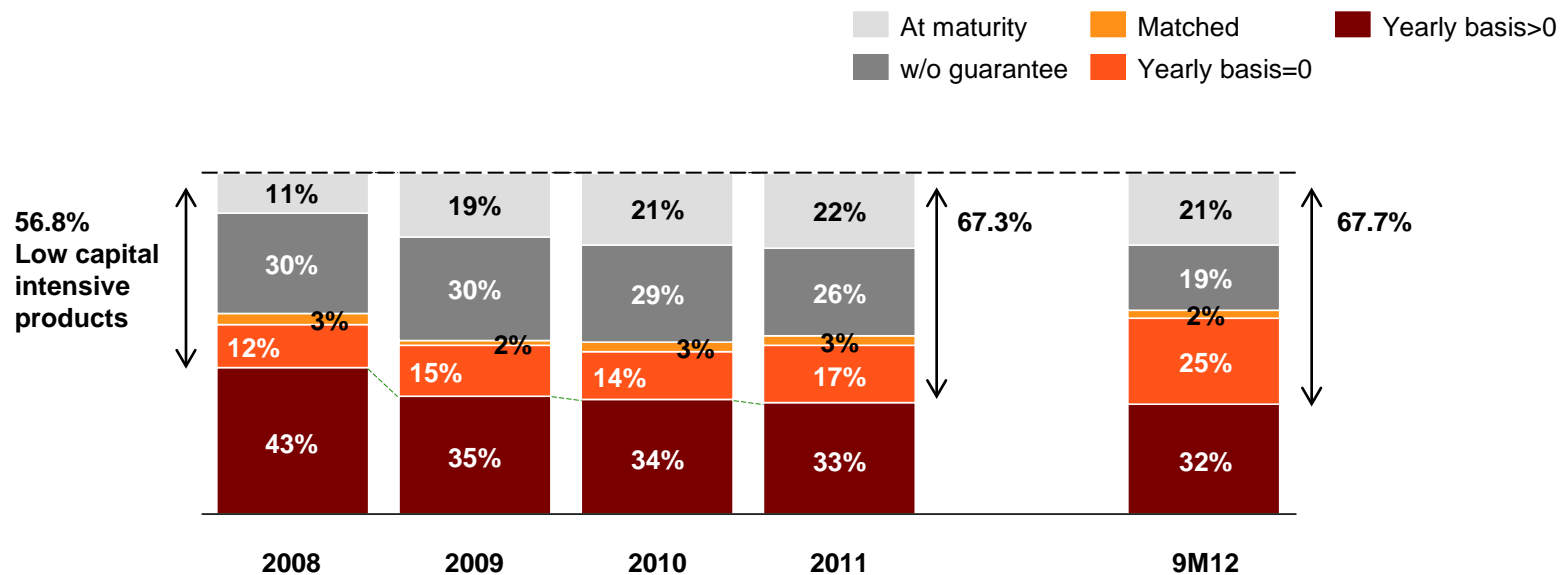


Note: 9M figures are pro-forma for the disposal of Migdal. Figures may not add due to rounding



Increasing share of low capital intensive products

APE by type of guarantee



Average Guarantee	2008	2009	2010	2011	9M12
Average Guarantee	1.56%	1.56%	1.58%	1.62%	1.37%
Yearly basis	1.50%	1.37%	1.39%	1.45%	1.12%
At maturity	1.90%	2.04%	2.01%	2.00%	2.06%

Profitability enhancement

- § Emphasis on both technical sources of profit and safeguarding financial margin in low interest environment
- § Business managed to foster long-term economic value creation through more stringent metrics

Key levers

- § Rebalance product mix
- § Optimise product design
- § Reduce guarantees and optimise crediting rates
- § Reduce expenses
- § Focus distribution on value creation

Key metrics

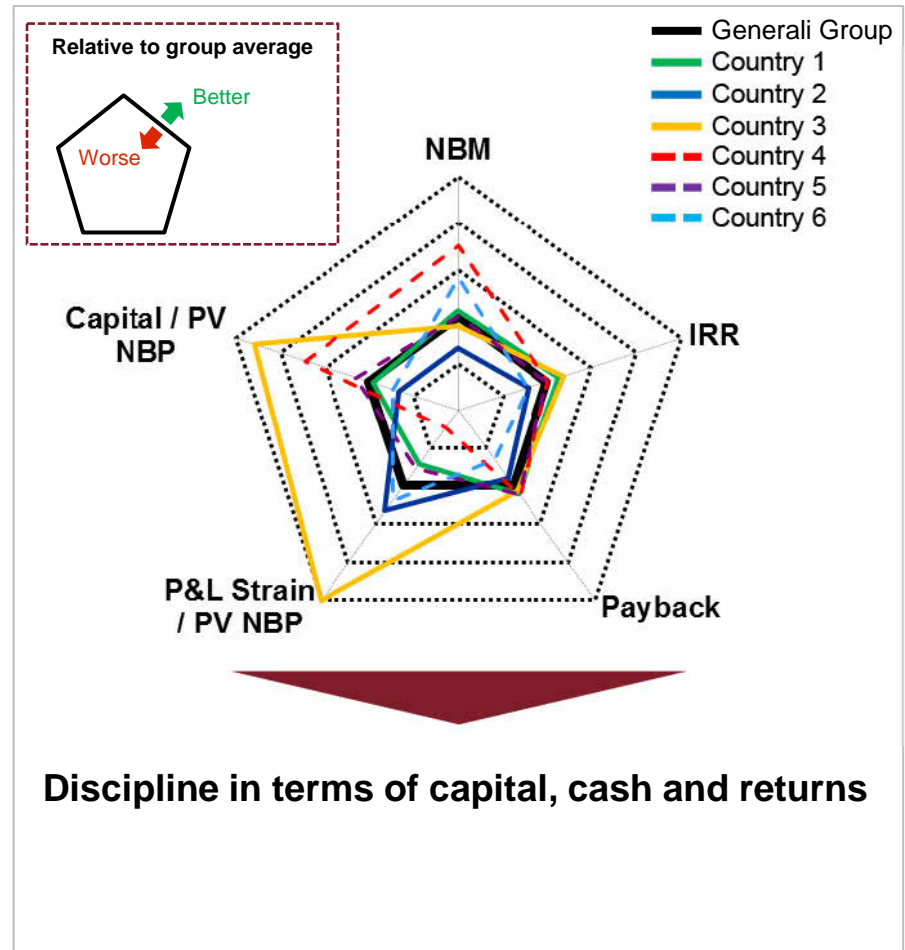
- § Riskiness/capital absorption
- § Profitability
- § Capital remuneration
- § 1st-year P&L impact
- § Payback period



Guiding principle

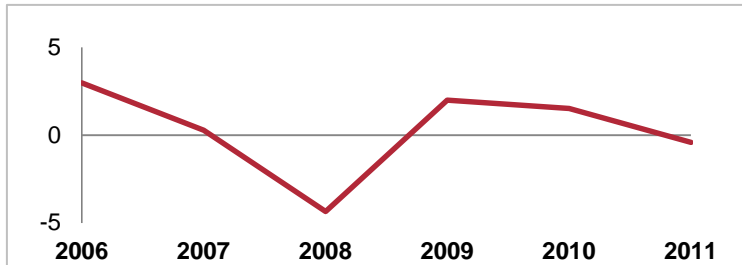
All new products approved by the Corporate Centre and the full range of products open for sale revised twice a year monitoring their profitability against the economic scenario

Assessment of life product by country (1)

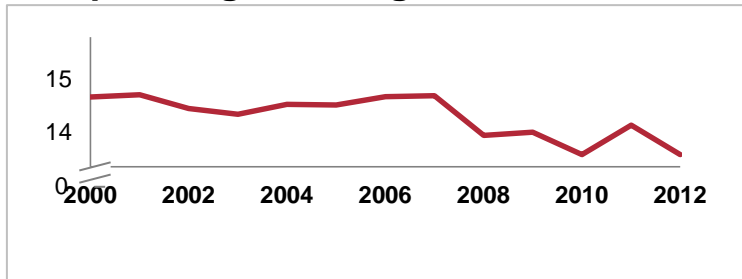


(1) Country lines are relative to the group average indicated

GDP evolution in Eurozone (%)

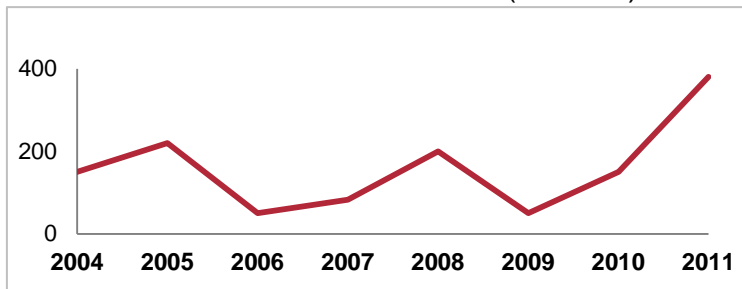


New passenger car registration in W.E. (m)



Source: ACEA

World NatCat overall losses (USD bn)



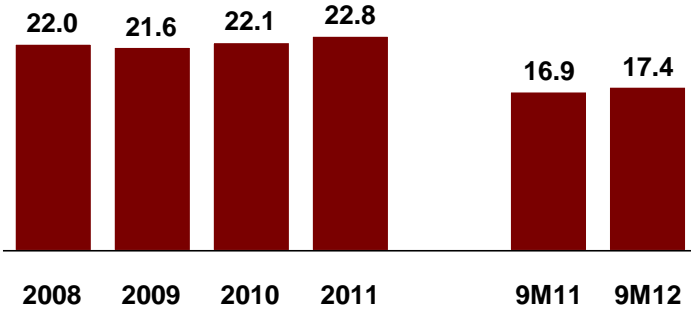
Source: Munich Re

Trends on P&C market

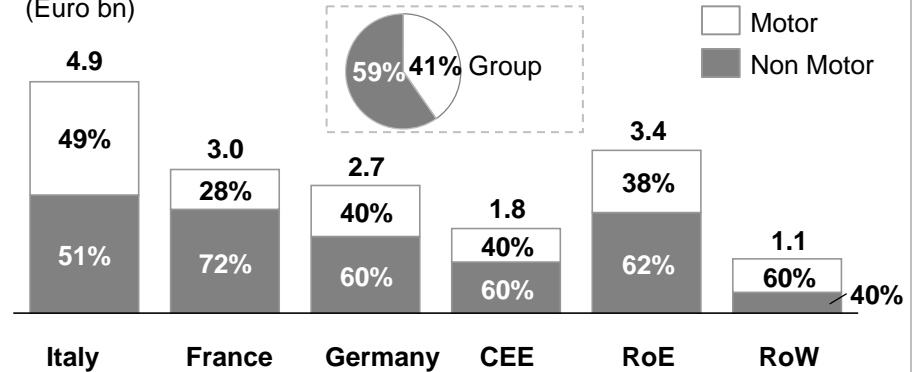
- § The Eurozone GDP performance had a negative impact on the market
 - ü Commercial Lines technical performance has deteriorated as companies are more price sensitive (seek to reduce costs)
 - ü Personal Lines - especially on individual protection - are under pressure due to reduced demand
- § Falling vehicle registrations have also put the Motor Line under pressure due to increased competition
- § The property segment has been negatively affected by events: recession - that generates fraudulent claims spikes - and an increase in NatCat Losses - that generates higher loss ratio and higher cost of reinsurance

Not only growth but also focus on portfolio profitability

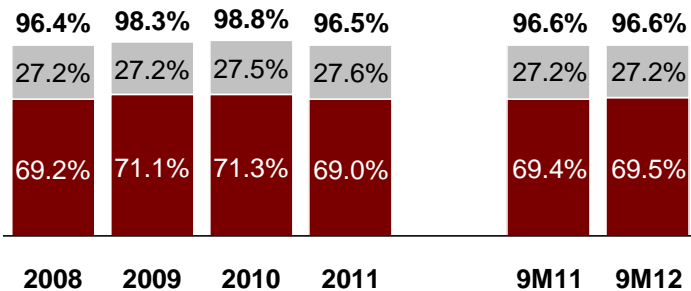
GWP development
(Euro bn)



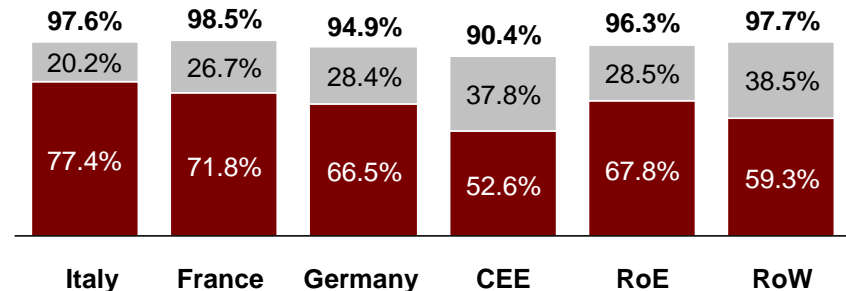
Gross direct premiums by country (9M 2012)
(Euro bn)



Combined ratio development
(%)



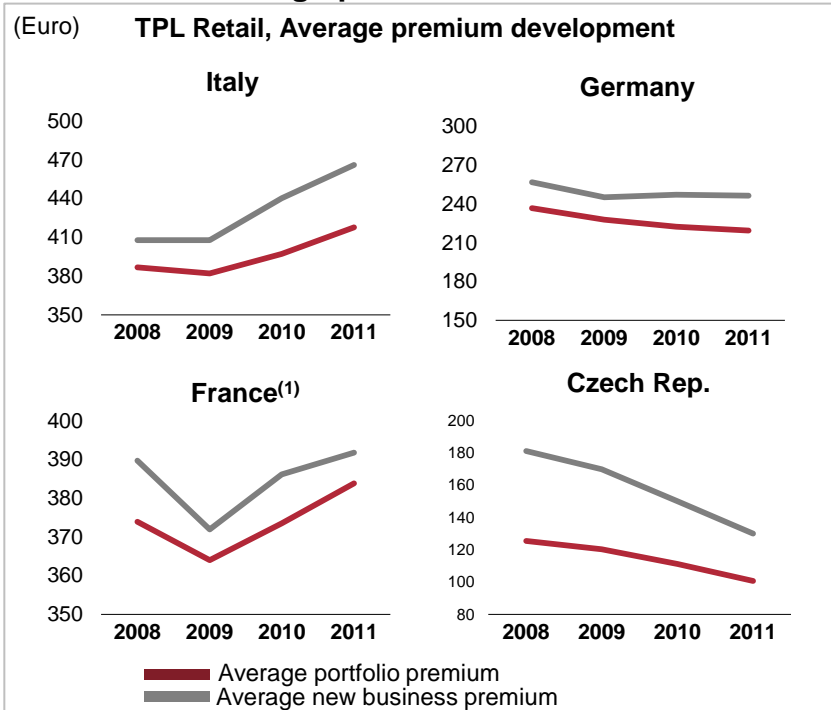
Combined ratio by country (9M 2012)
(%)



■ Expense ratio ■ Loss ratio



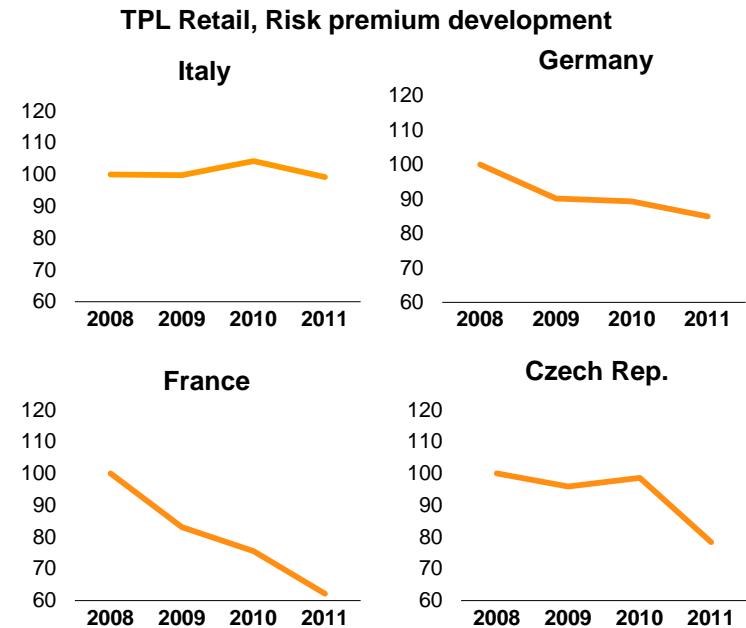
Pressure on Average premium ...



- § Clear signs of portfolio average premium growth in some key countries, consequence of a more benign competitive environment
- § Still competitive pressure on portfolio average premium in countries with high technical margins
- § Commercial constraints to a more aggressive implementation of price increases at renewals in some jurisdictions

(1) TPL and other combined

...largely compensated by Risk premium decrease



Claims frequency, key driver of the risk premium improvement, due to external and internal factors in most of the countries:

- § improved road-safety conditions
- § improved quality of insured vehicles
- § more strict traffic control
- § economic crisis and fuel cost increase

Average cost of claim under control thanks to improved claims settlement process:

- § mitigation of material damage claim inflation (e.g. Bodyshop agreements)
- § reduced litigation for bodily injury claims

Risk premium = Claims frequency x Average cost of claim



Create Value

- § Increase weight of P&C in our portfolio
- § Foster technical excellence to improve performance

Improve current profitability

- § **Pricing:** greater sophistication in pricing (more discrimination of individual risk profiles) to spin a virtuous cycle of portfolio cleaning and better risk selection/attractiveness over time
- § **Claims management:** stronger “leakage” reduction and better service to fairly retain customers
- § **Reinsurance:** centralisation of choice on risk retention (treaty cessions) and less use of facultative to increase retention on profitable contracts

Capture new opportunities

- § **Expand our presence in A&H,** particularly in emerging markets
- § **Grow presence in Commercial & Corporate segment,** serving medium sized companies at international level, leveraging our global presence

Strong Group commitment to technical expertise

Technical initiatives based on new designing principles

- § Extended scope by geography and LoB
- § Stringent application
- § Direct link with budget

Pricing - key levers

- § Driver selection
- § Fleet pricing
- § Innovation
- § Capital absorption optimisation
- § Customer relationship management
- § Life time value
- § Portfolio management



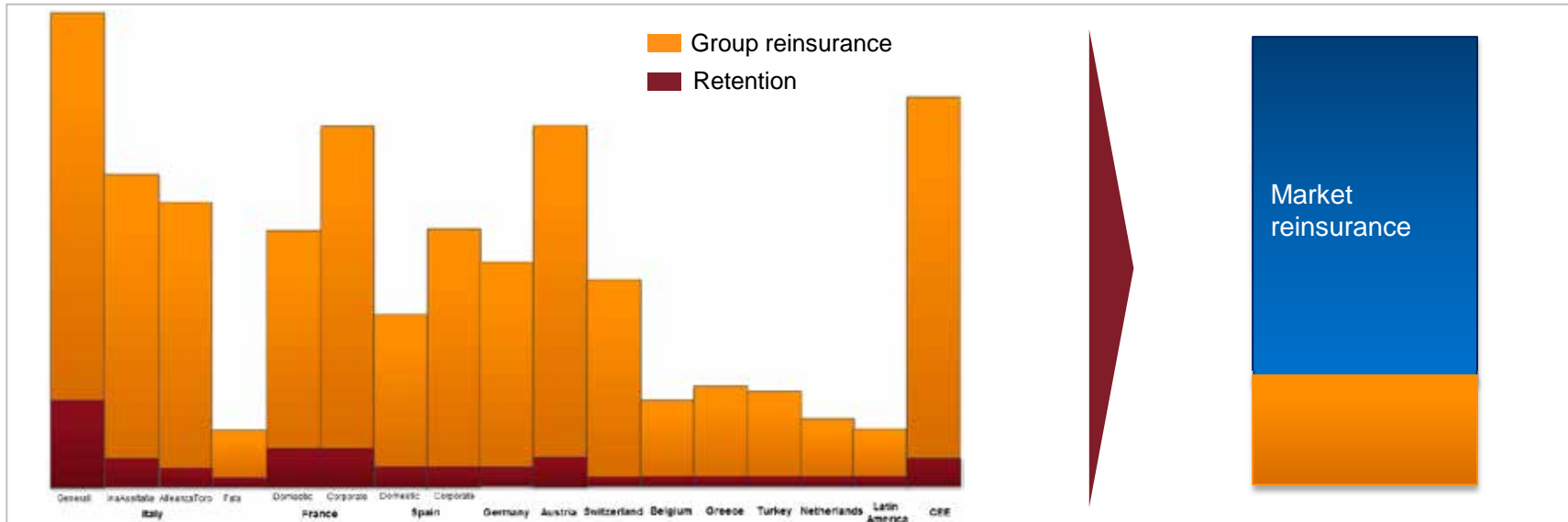
Claims management - key levers

- § Body shop management
- § Bodily injury management
- § Fraud management
- § Wreck and remain management
- § Partner cooperation management
- § Proactivity and customer care

Full centralisation and optimisation of treaty reinsurance, from 2013

Moving from local ...

Country view



... to Group protection

Group reinsurance view

The rationale

Reinsurance in P&C is a key tool in the strategic management of Risk capital

Risk transferred via reinsurance allows:

- § Significant capital saving
- § Reduced volatility of bottom line in a given period

The benefits

Geographical spread and diversification allow the implementation of **Group reinsurance model aiming at more efficient capital management**

- § Allowing a reduced need of capacity at Group level
- § Increasing the Group risk retention
- § Increasing the purchasing power of the buyer

New reinsurance structure ...

- § Internal reinsurance provided at market terms and conditions, in compliance with requirements of local regulators and fiscal authorities
- § Performance of Group subsidiaries unaffected by internal reinsurance
- § Exceptions adopted for joint ventures or markets with regulatory constraints
- § Facultative reinsurance process further strengthened in the coming years

... maximising group efficiency

- § Maximum efficiency and diversification benefit
- § Centralised management of Group risk appetite
- § Control of Group reinsurance expenditure
- § Optimisation of cycle management for reinsurance
- § Improvement of counterparts credit risk management

Client value maximisation

Key levers

Leverage on our most valuable asset	§ Strengthen retention	§ Mapping Group best practices in customer value management
	§ Increase cross & up-selling	§ Identification of the drivers for extracting customer potential and codification of guidelines for action
	§ Optimise customer satisfaction	§ Development of country specific action plans
	§ Customer value measurement	§ Monitoring of the performance in customer value management

Channel excellence

Key levers

Effective multi-channel management	TRADITIONAL NETWORKS	§ Modern sales processes, tools and front-end applications
	§ Consolidate leadership, increase efficiency & effectiveness of traditional networks	§ Innovative value-based compensation schemes
		§ Sales force lifecycle management
		§ Efficient resource allocation through sales force performance-based segmentation
	DIRECT & MULTI-ACCESS	§ Seamless integration with other channels
	§ Leverage direct presence and develop multi-access	§ Reduced time to market
		§ Digital enabled services
		§ Best-in-class performance levels
	BANCASSURANCE	§ Strong integration with bank operating model
	§ Develop Bancassurance opportunities	§ Innovative product offering
	§ Customer base exploitation	
	§ Current & new partnerships full potential exploitation	

Strong commitment on industrial excellence

Raising the bar of Life and P&C technical ambition

Increasing customer value

Enhancing commercial effectiveness

Final remarks

Mario Greco
Group Chief Executive Officer



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Reshaped approach to maximise value creation

- 1 Focused on core insurance business, with greater contribution from P&C**
- 2 Stronger capital position and disciplined balance sheet management**
- 3 Superior customer acquisition and retention, with focus on retail and affluent space**
- 4 Consistent technical excellence and tight control of costs**



**The mission is to deliver
top quartile shareholder returns and profitability**