

# Ageas' Strategy in Portugal

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AGEAS INVESTOR DAY

6<sup>TH</sup> OF JUNE 2017 | LISBON PORTUGAL





# Agenda

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- Evolution of Ageas' presence in Portugal
- Ocidental : A success story since 2005
- Ageas Seguros : turnaround and independent set-up on track
- Strategic priorities for the coming years
- Conclusion

# Evolution of **Ageas' presence in Portugal**



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2005

Ageas enters Portugal via a partnership with **BCP**

Investment of **EUR 510** mio

# Evolution of Ageas' presence in Portugal

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2014

Step-up from **51% to 100%** of Non-Life / Médis

Investment of **EUR 123** mio

Distribution agreements in **Life and Non-Life** extended until end 2029



# Evolution of Ageas' presence in Portugal

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Acquisition **AXA Portugal**

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# Evolution of Ageas' presence in Portugal

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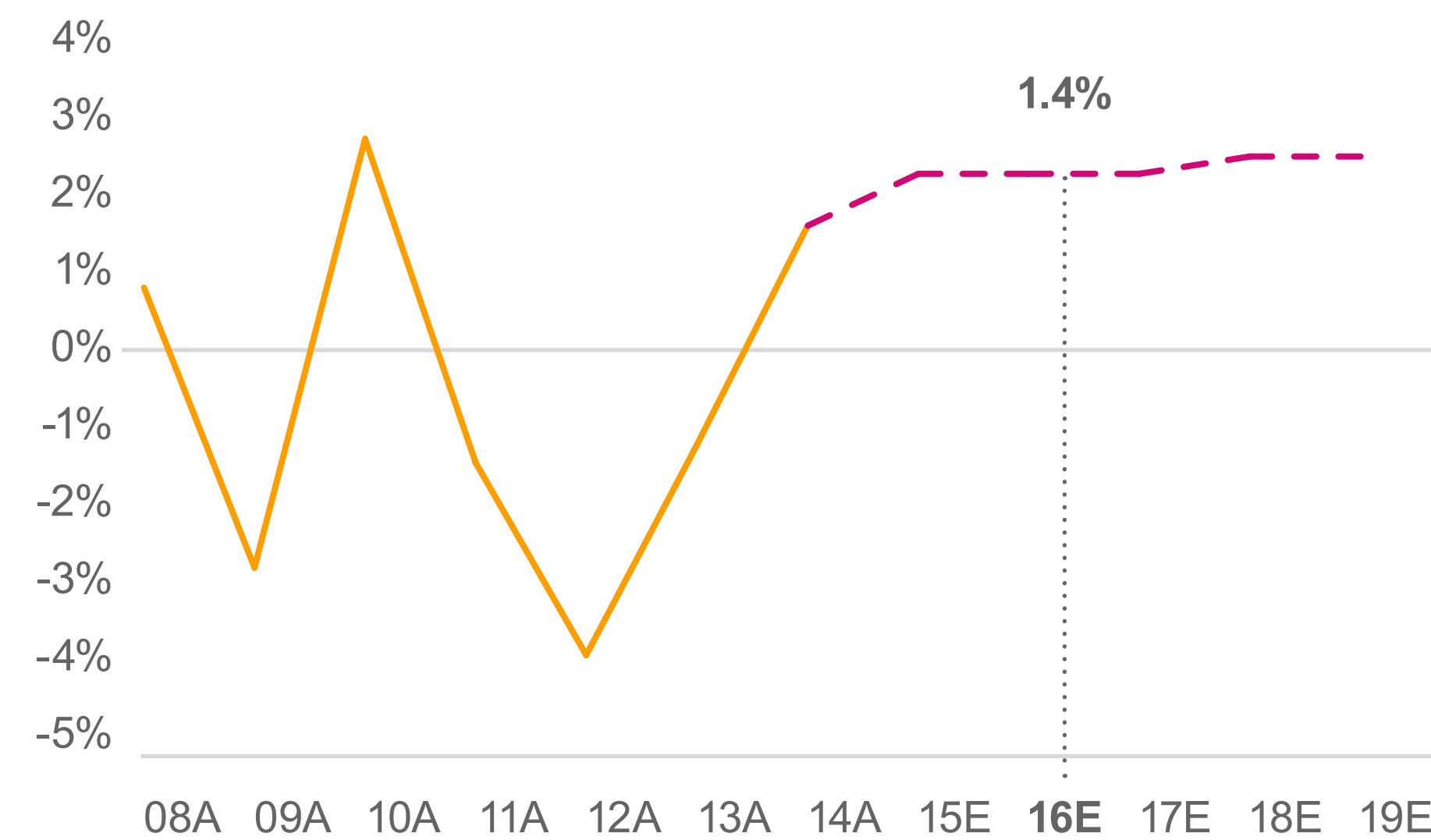
2016

Portugal **new** home market to Ageas

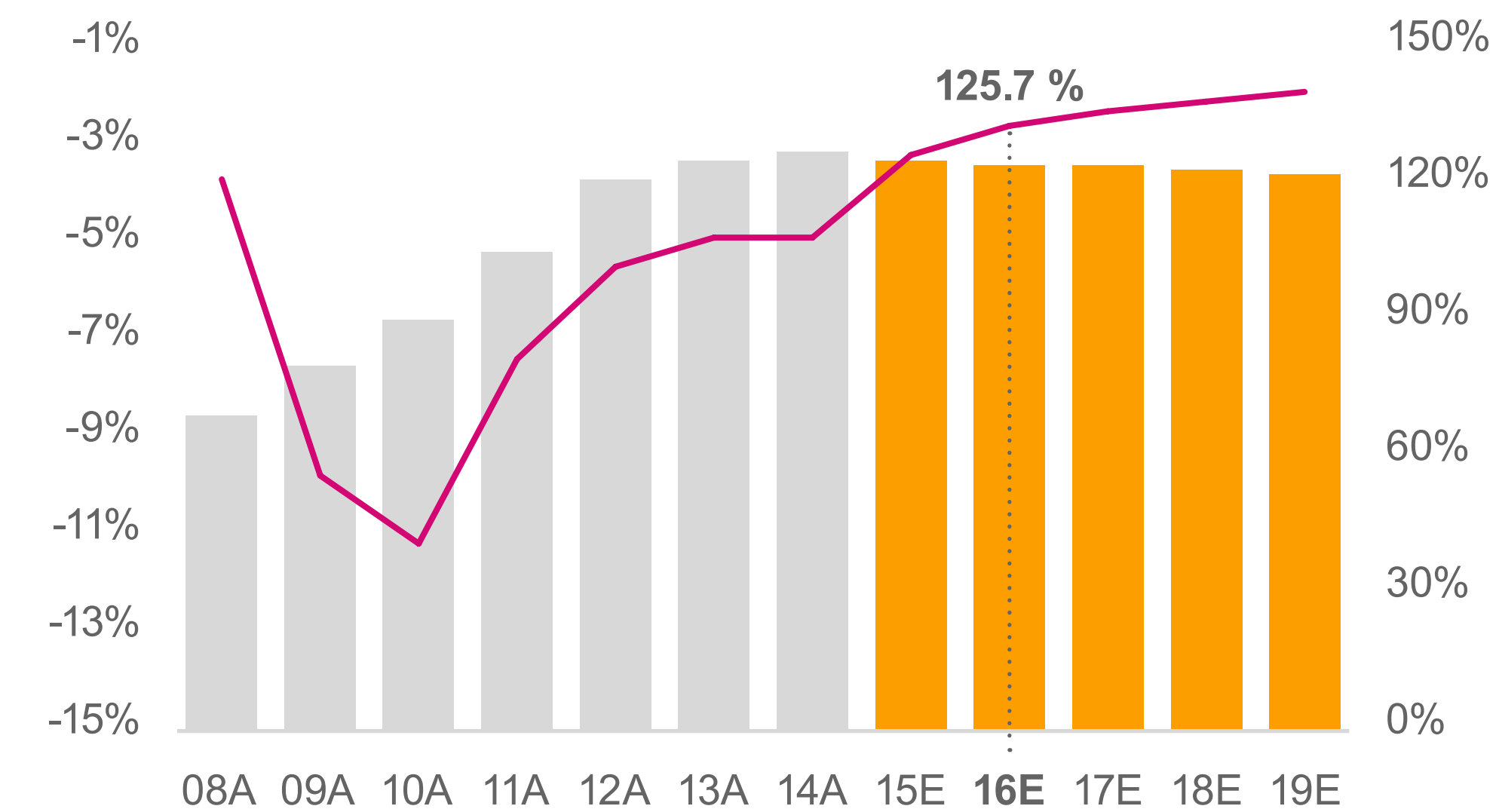
# Portuguese Economic Recovery



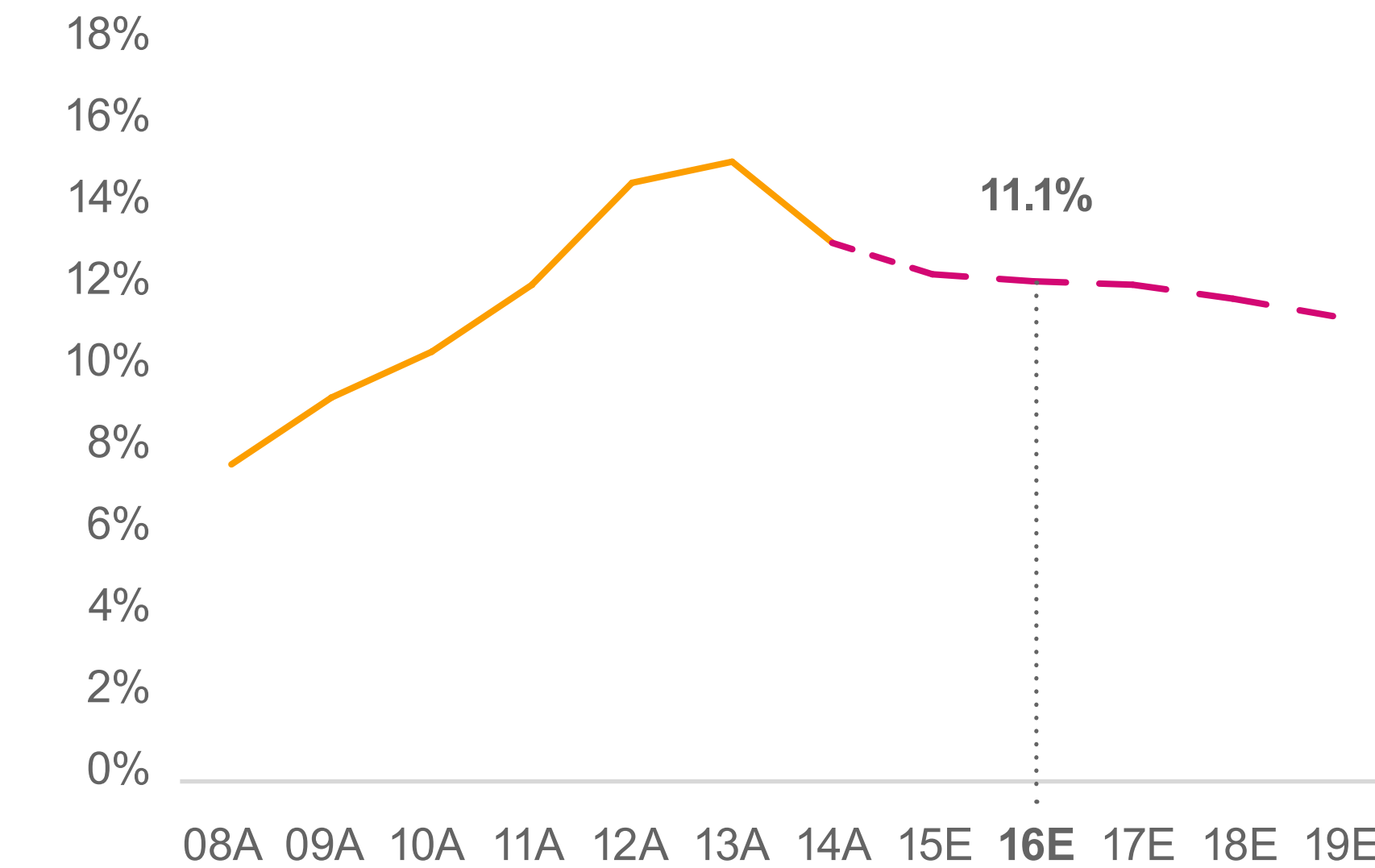
Real GDP Growth (%)



Public Deficit and Debt as % of GDP (%)



Unemployment Rate (%)





# Why Portugal?

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- Strengthen our foothold in a core market we know since more than 10 years
- Capture the growth opportunities in a recovering Portuguese economy
- With Mbcp Ageas, Ageas has showed the capability to generate good returns, even in difficult circumstances
- Ageas can now operate as a multi-channel insurer, addressing all types of clients



# Portugal new home market to Ageas

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**OCIDENTAL**  
GRUPO



**#1**  
in Life

**#1**  
in Pensions

**#2**  
overall insurer

**#2**  
in Health

**#3**  
in Non-Life

## 2 corporate names

Occidental Grupo (Existing business) and Ageas Seguros (Acquired Axa Portugal business)

## 8 entities

active in Life, Non-Life, Pension, Health and Direct businesses

## 6 brands

Occidental Seguros, Occidental Vida, Occidental Pensões, Medis, Ageas Seguros, Seguro Directo



## Portugal new home market to Ageas



**OCIDENTAL**  
GRUPO



## Complementary business mix

Occidental is strong in Life & Health, Ageas Seguros strong in Motor

## Omni-channel:

full range of distribution channels (bancassurance, agents, direct, affinities)

Distribution network of



**1,233**  
employees

**671** branches

**3,350** agents and brokers

Direct platform

Médis network



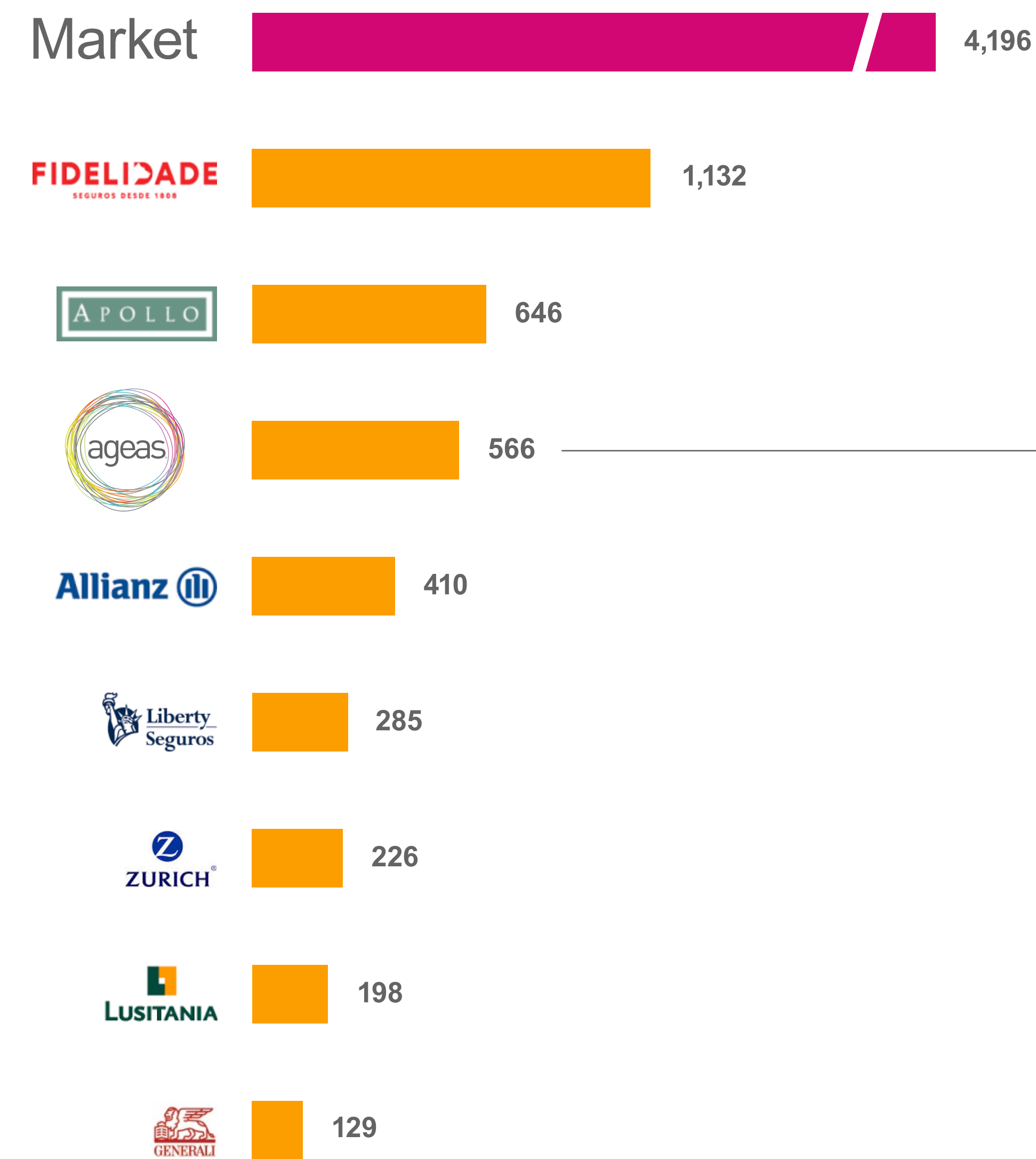
# N°3 in Non-Life after acquisition

## Consolidation likely to continue



### Premiums Non-Life 2016

in EUR mio



With the acquisition of AXA, Ageas becomes the **3rd player in the market (From 7% to 14%)**

**Better diversified and more balanced portfolio** : Motor & Health major Lines of Business each counting for 33% of premium volumes

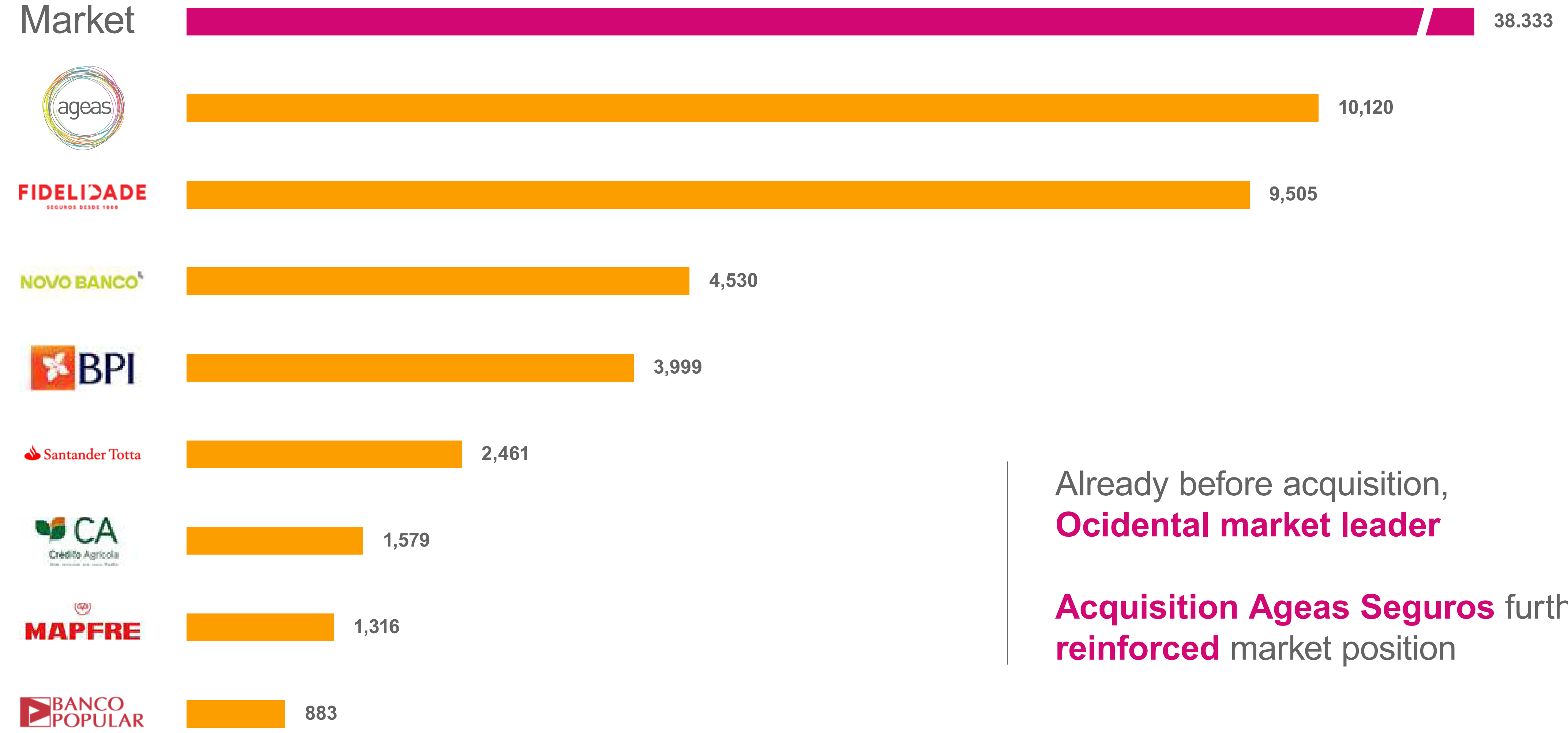
**New agency & direct distribution** channel offers complementary distribution capacity besides existing bancassurance channel



# N°1 Position in Life confirmed after acquisition

## Provisions Life based on technical liabilities 2016

EUR mio



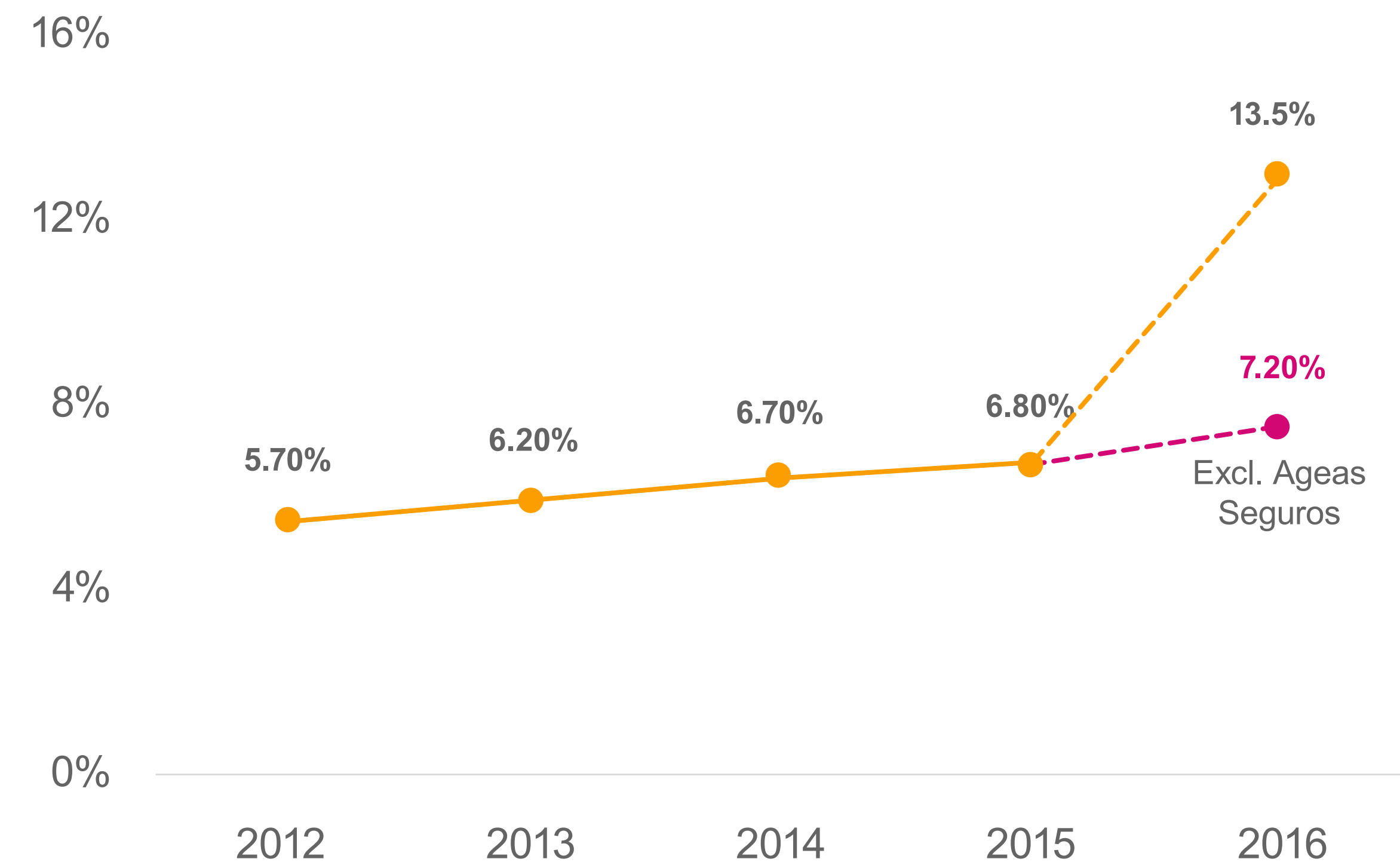
Already before acquisition, **Ocidental market leader**

**Acquisition Ageas Seguros** further reinforced market position

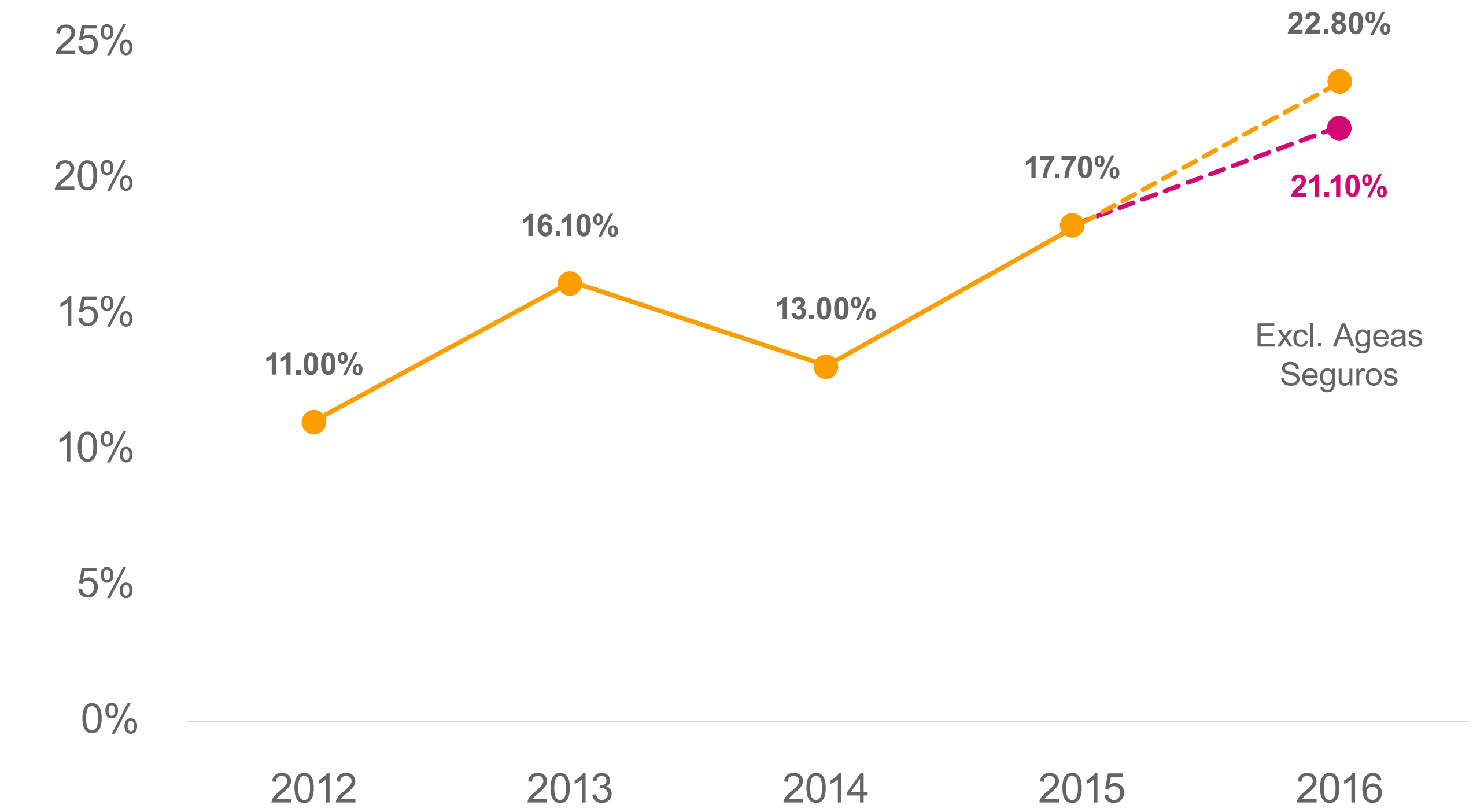


# Portugal Market Share

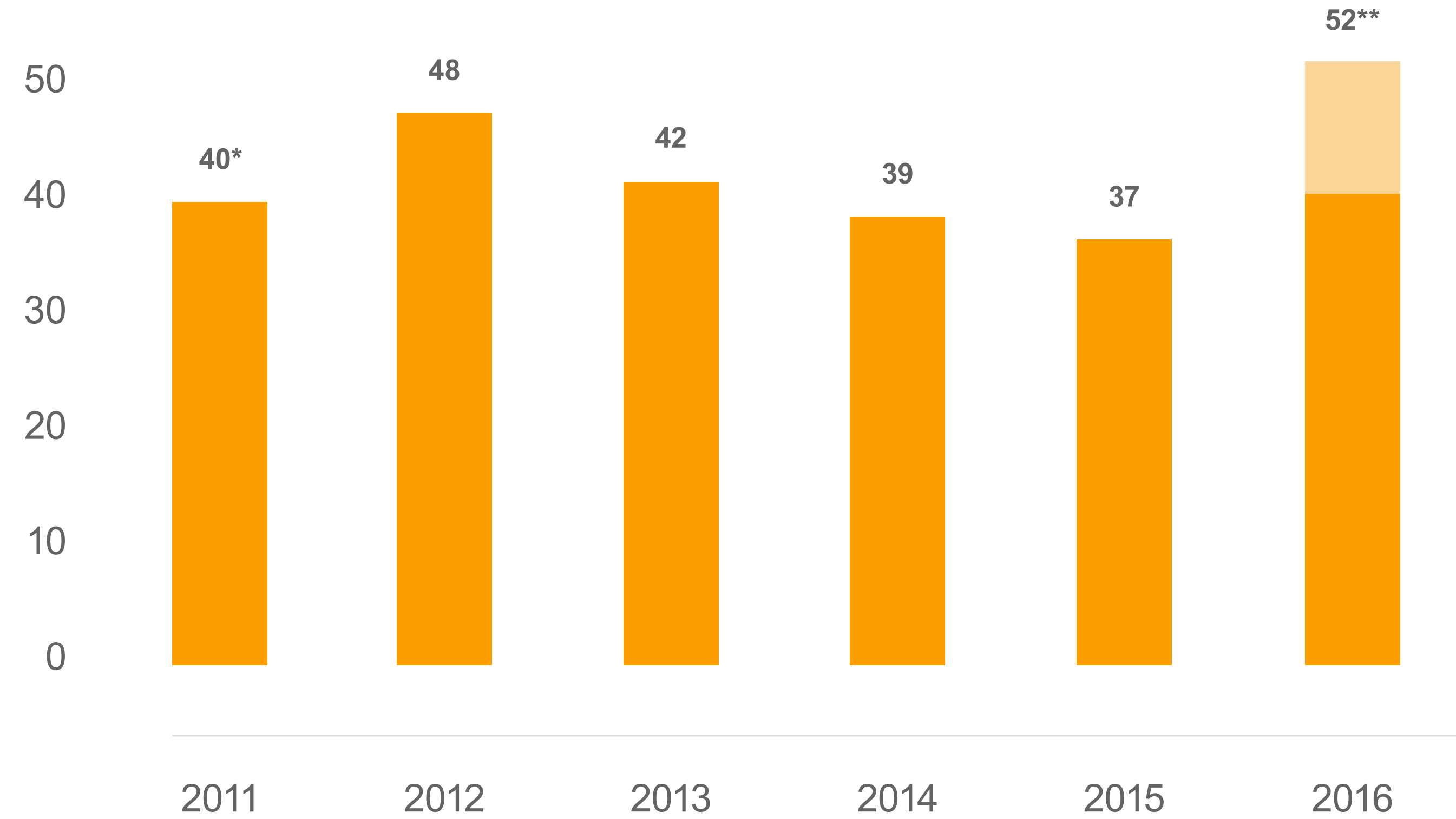
## Portugal Non-Life gross inflows Market Share



## Portugal Life gross inflows Market Share



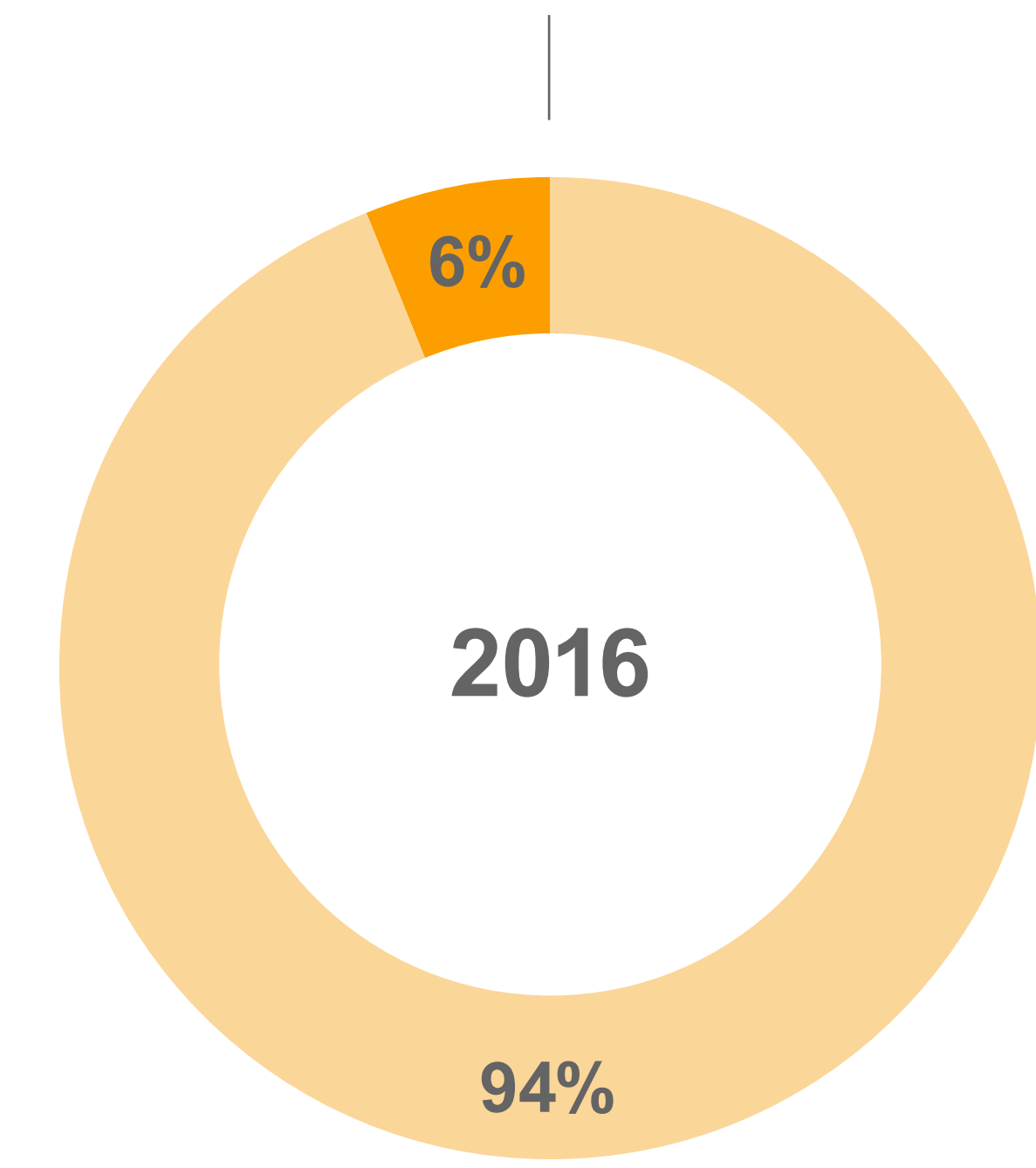
# Portugal within Ageas & CEU Net Profit



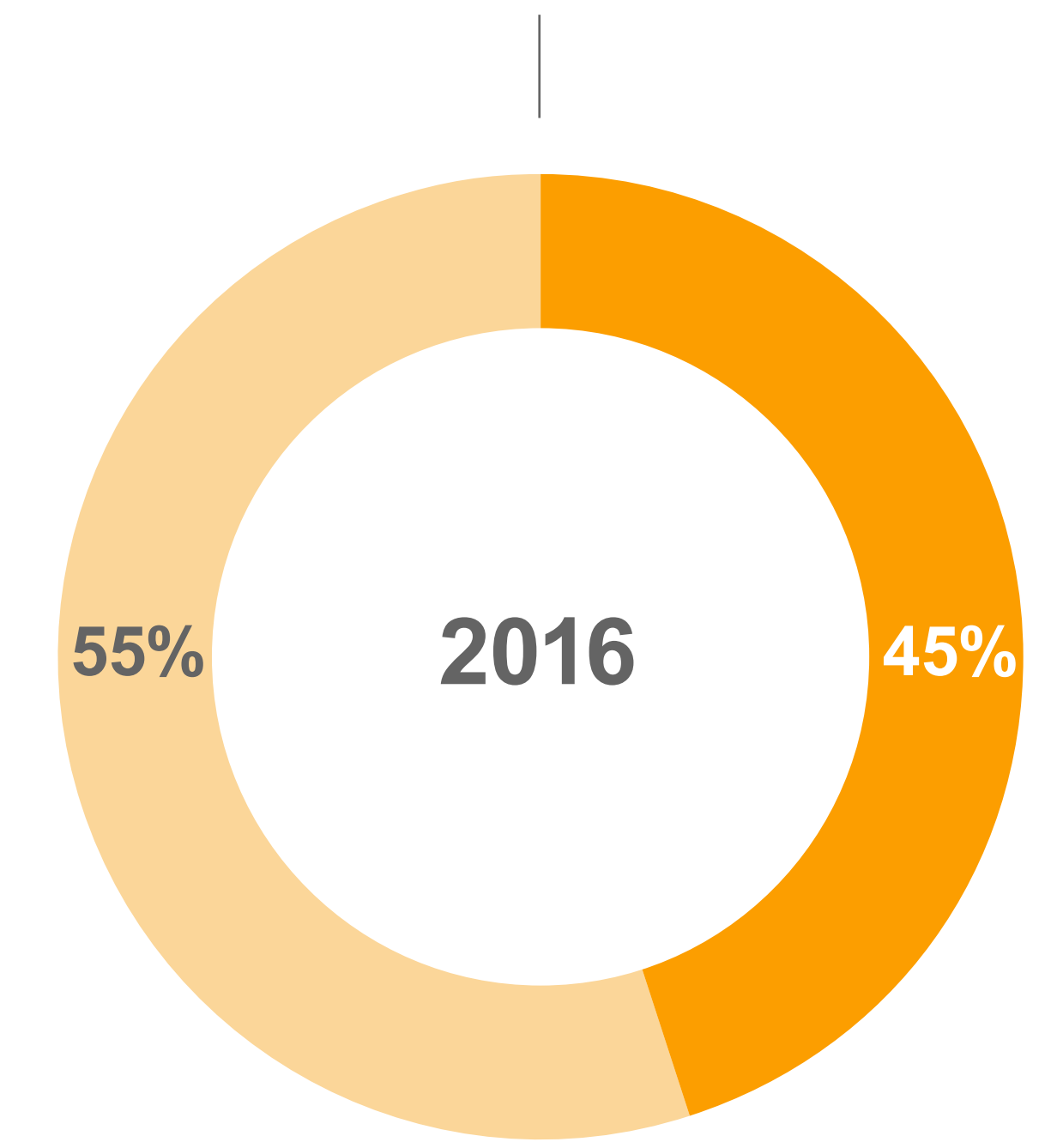
\* 2011 adjustment for impairments on fixed income investments

\*\* Excluding EUR 11 mio net impact integration costs Ageas Seguros

### Portugal Net Profit as % of Total Ageas Insurance Net Profit



### Portugal Net Profit as % of Total CEU Net Profit



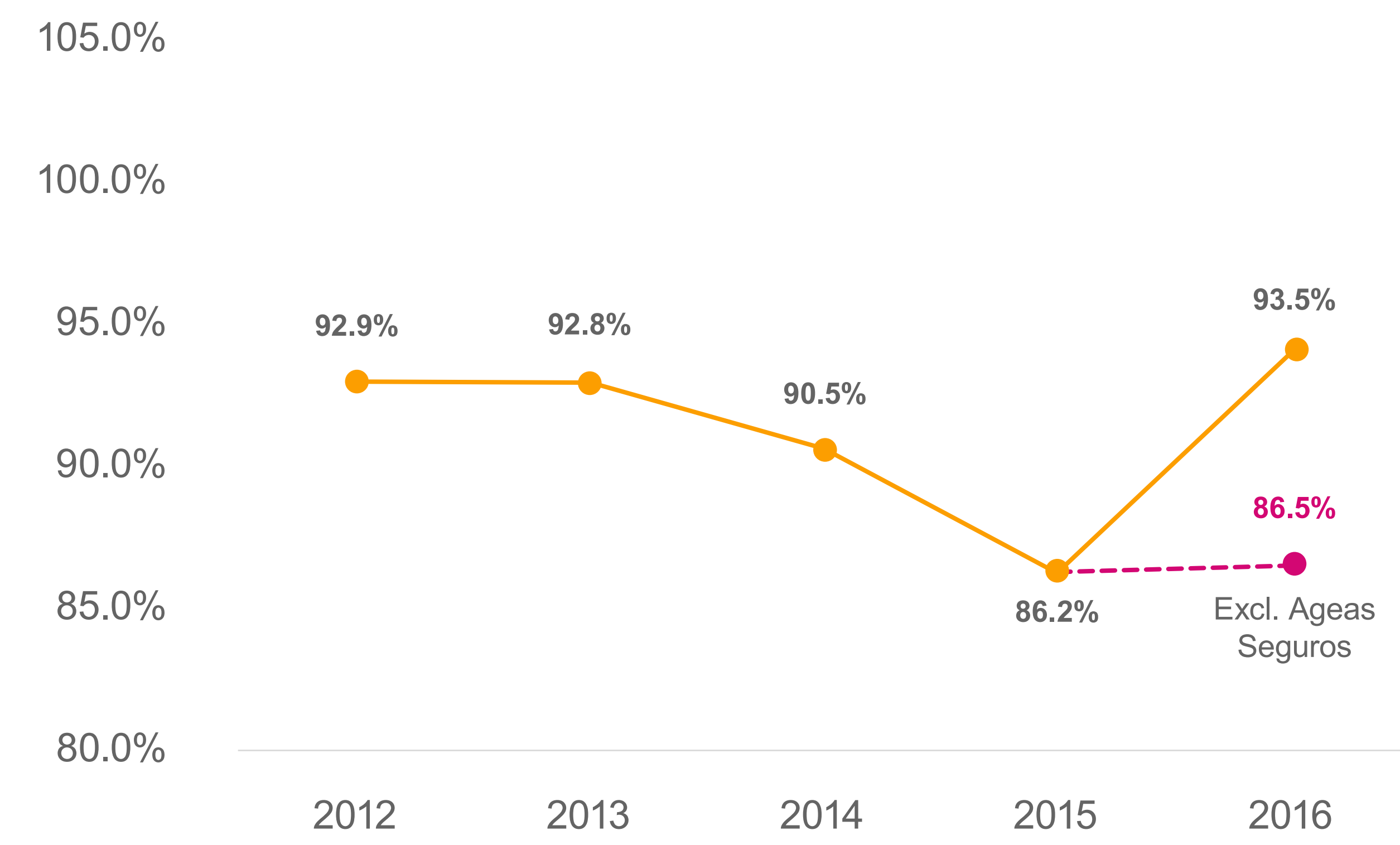
- Portugal
- Other



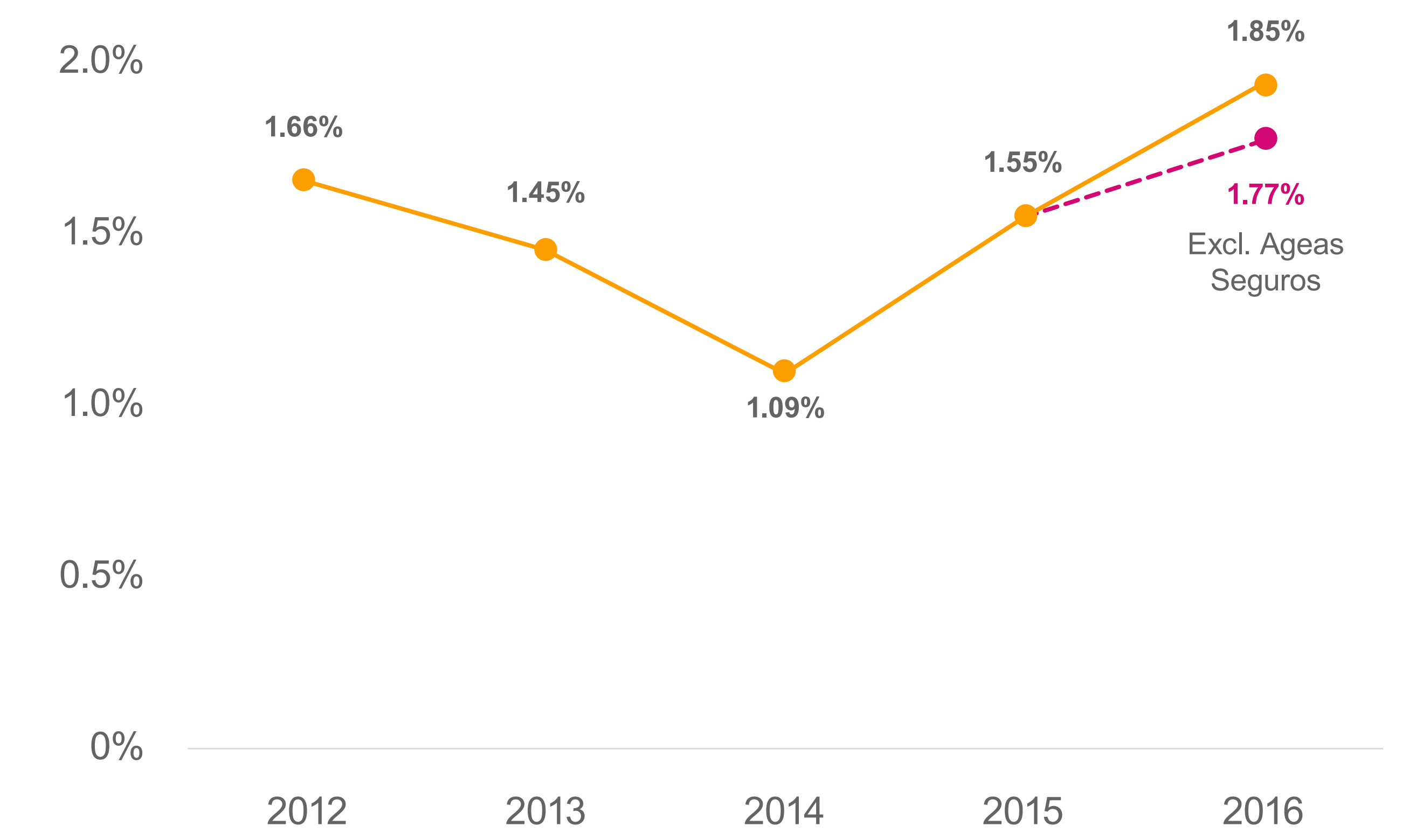
# Portugal within Ageas & CEU Operating Performance



**<97% COMBINED RATIO NON-LIFE** | Portugal Combined Ratio



**LIFE OPERATING MARGIN GUARANTEED 85-90 BPS UNIT-LINKED 40-45 BPS** | Portugal Operating Margin Guaranteed

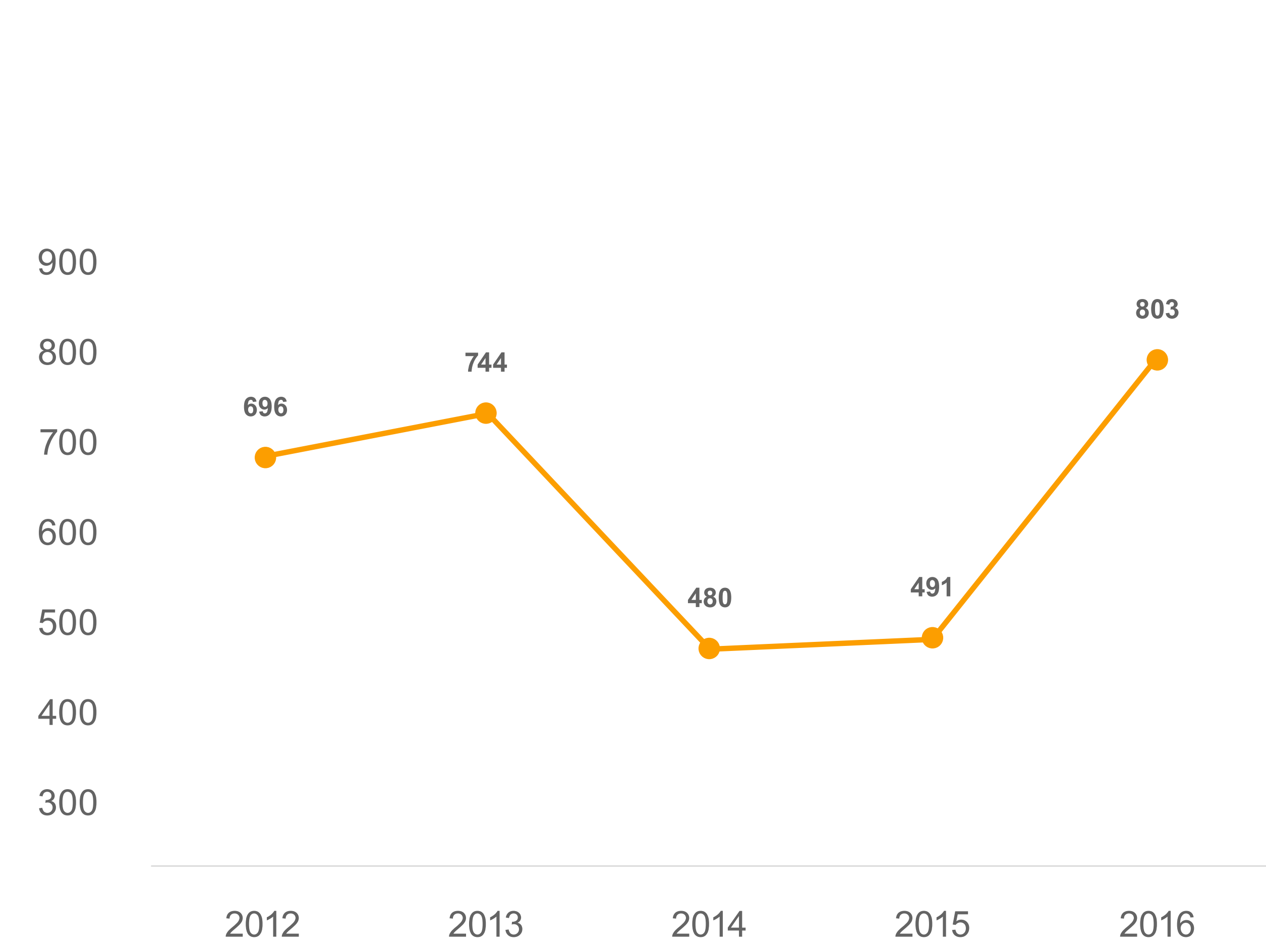


# Portugal within Ageas & CEU Equity & Dividend



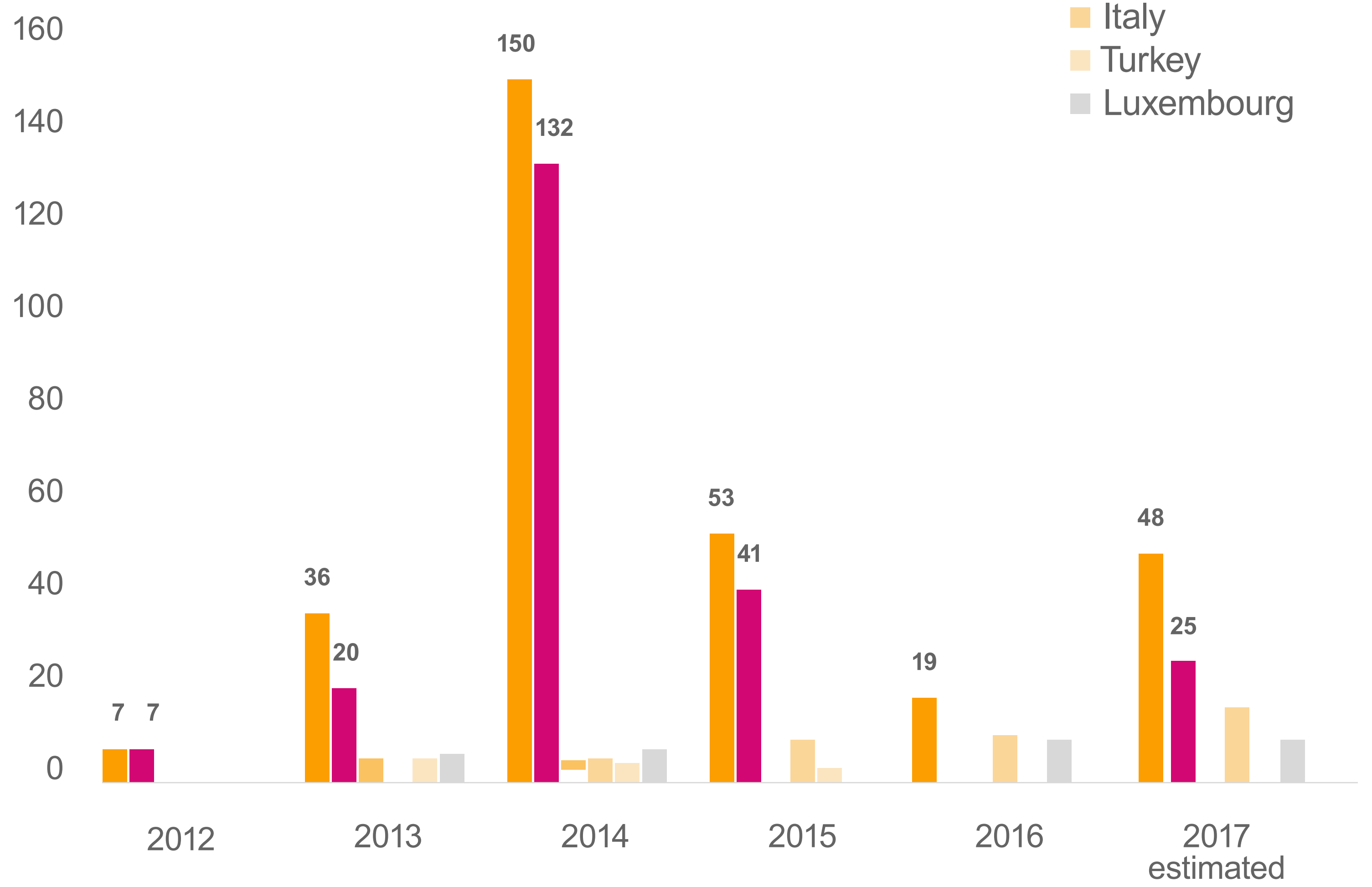
## Portugal Shareholder's Equity

in EUR mio



## CEU & Portugal Dividend Upstream

in EUR mio





# Ocidental

# A success story since 2005



# Success factors in a nutshell

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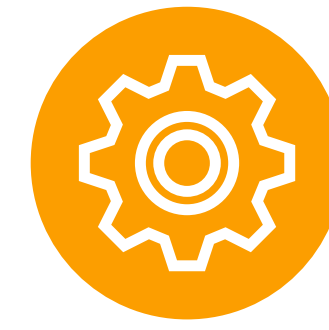
## Manage well profitability

- Track record
- Diversified mix in Life
- Above market average efficiency level



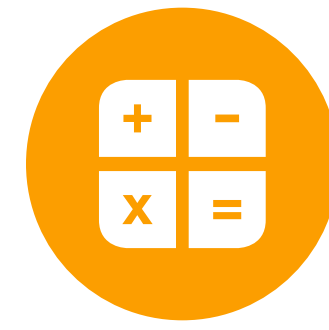
## Bancassurance specialist

- Strong capacity to automate, standardize and simplify processes
- Intimate relationship with main distributor



## Simple products

**OCIDENTAL**  
GRUPO



## Focus in profitable customer segments



## Distinctive value proposition in Health

- Successful brand – Médis
- Innovative
- Multi-channel distribution

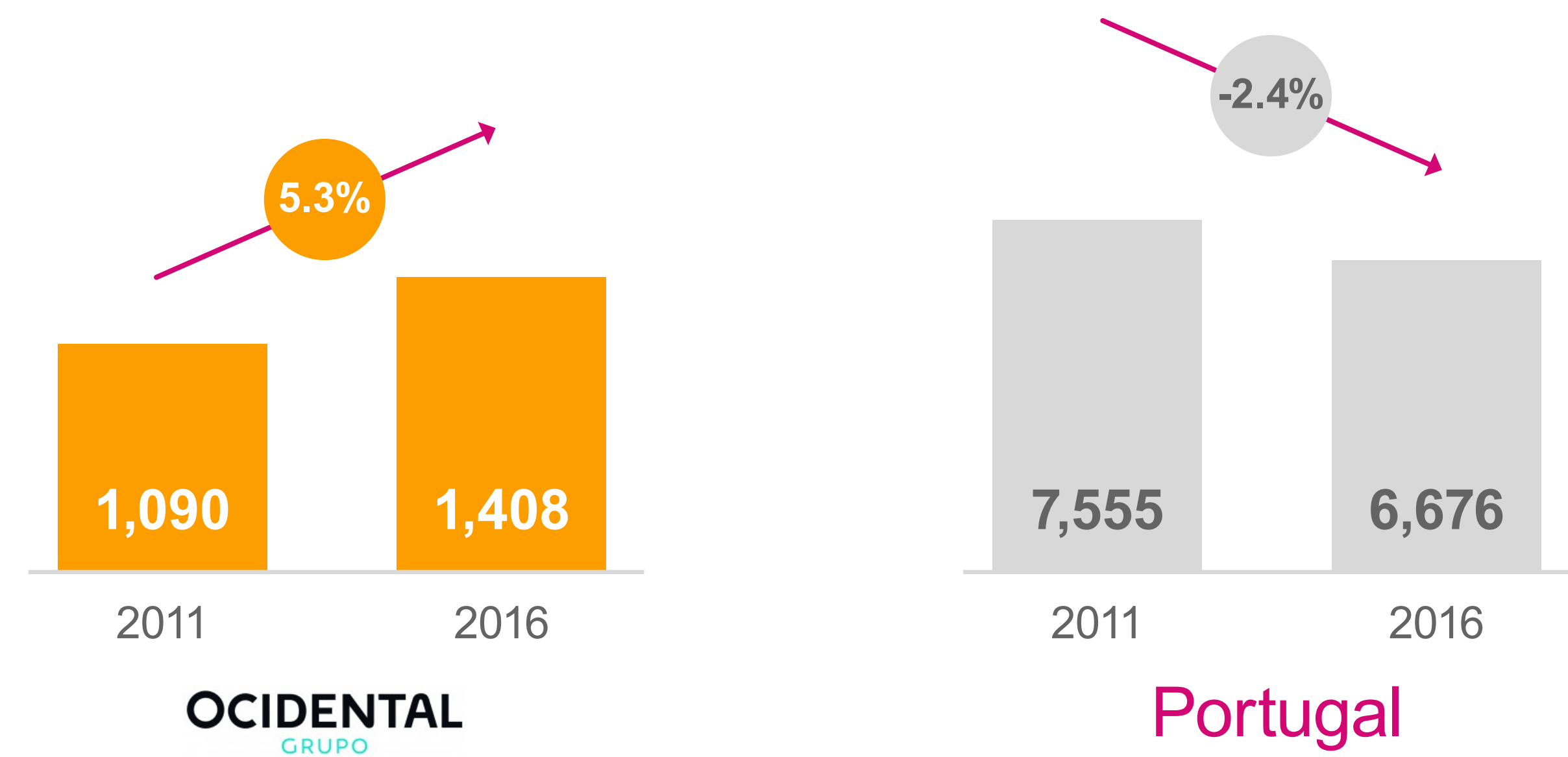


# Life

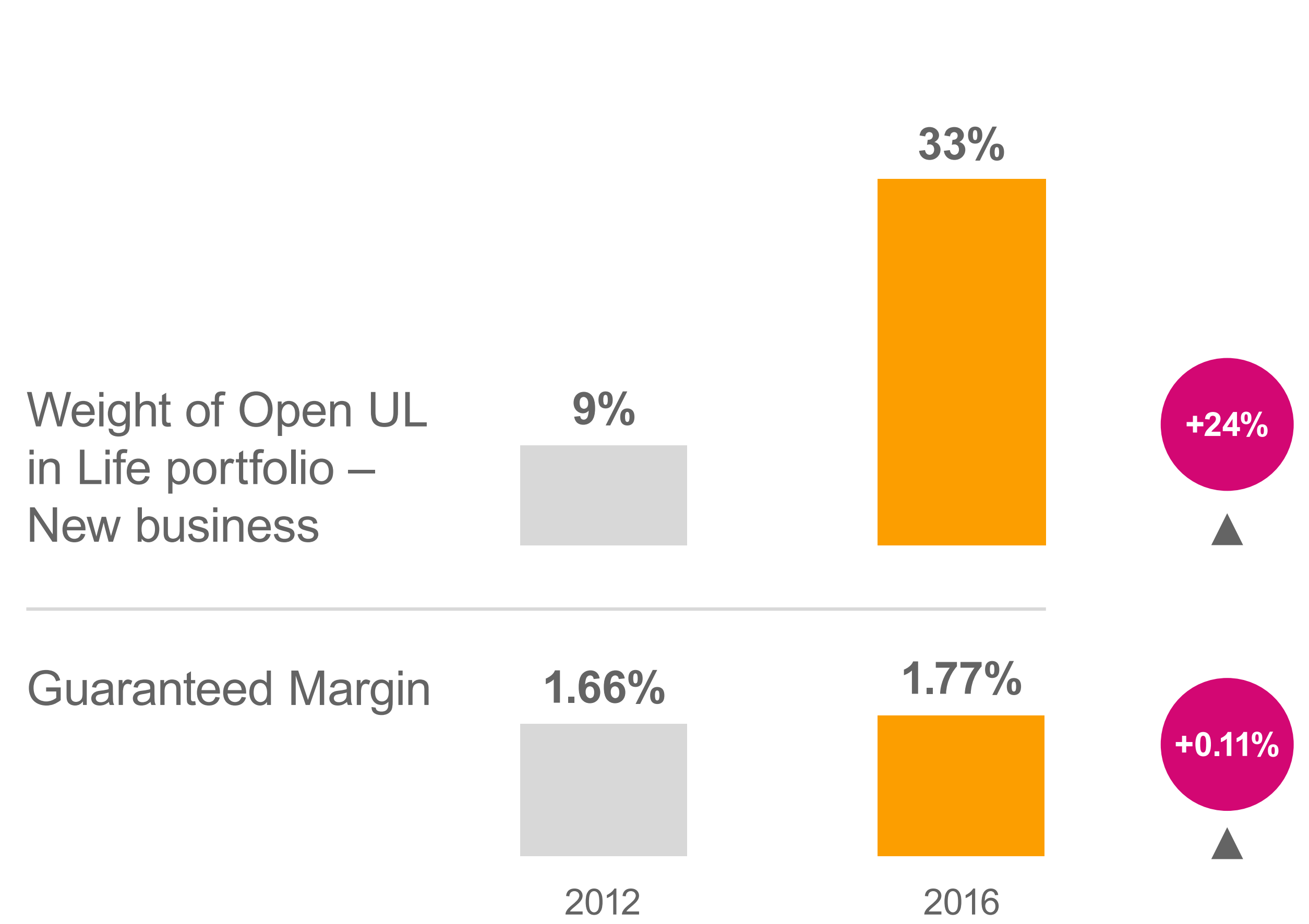
Growing in a declining market with strong profitability



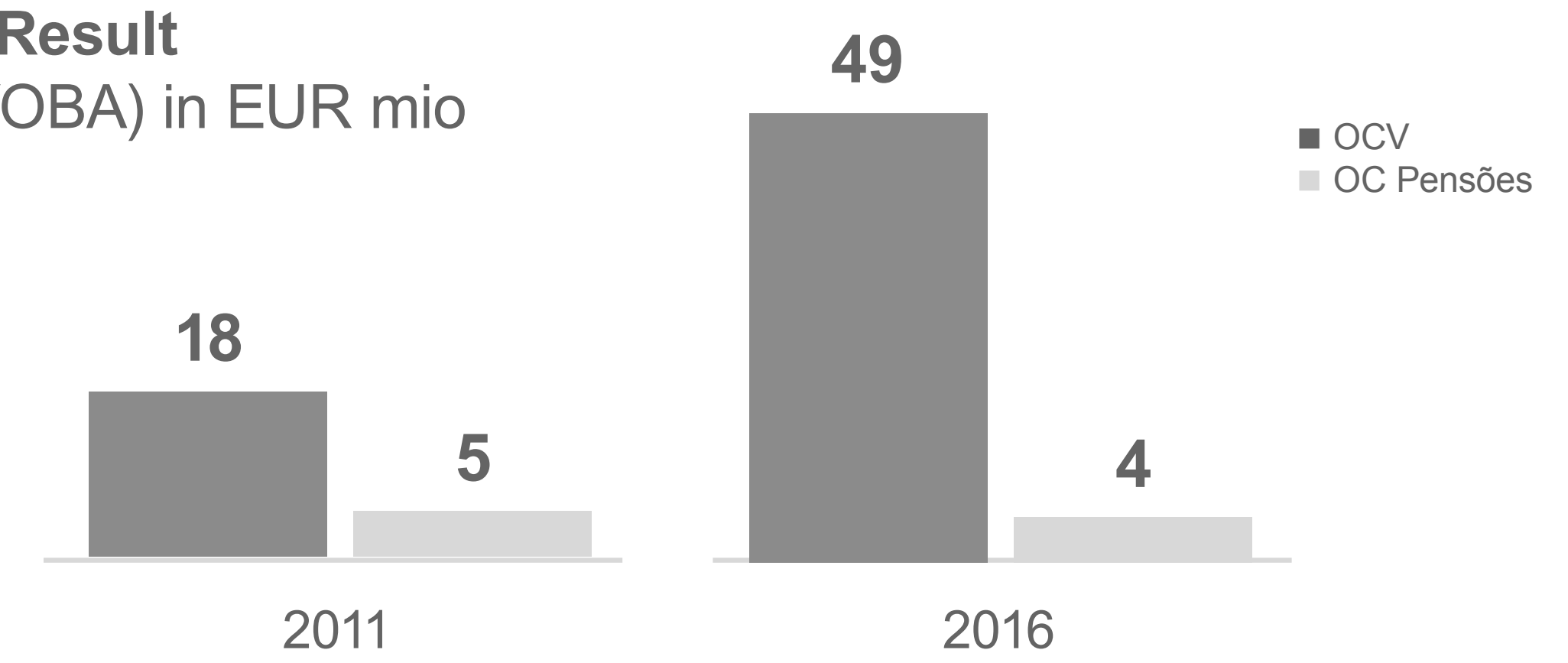
Life Inflows growing in a declining market



Successful strategic effort led to stronger operational position in Life



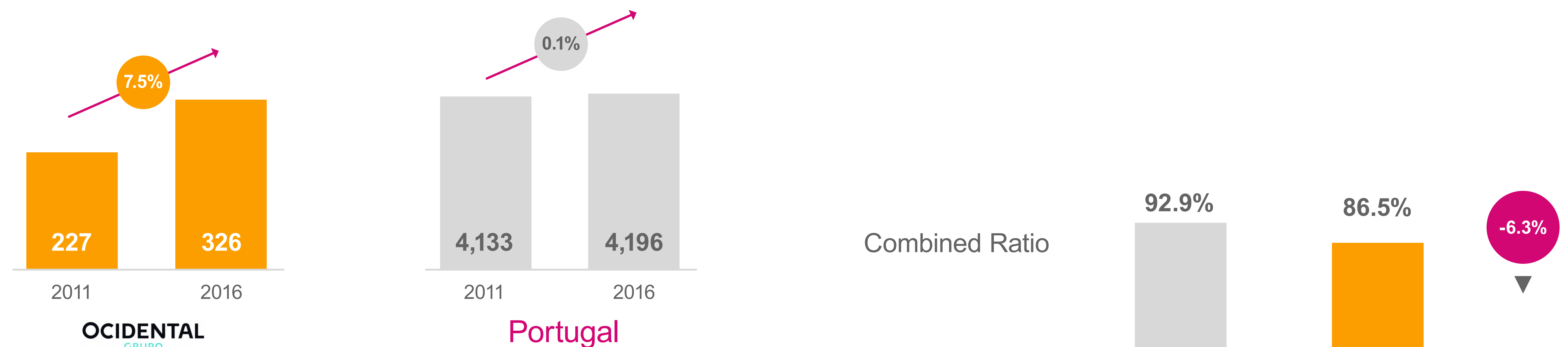
Life Net Result (before VOBA) in EUR mio



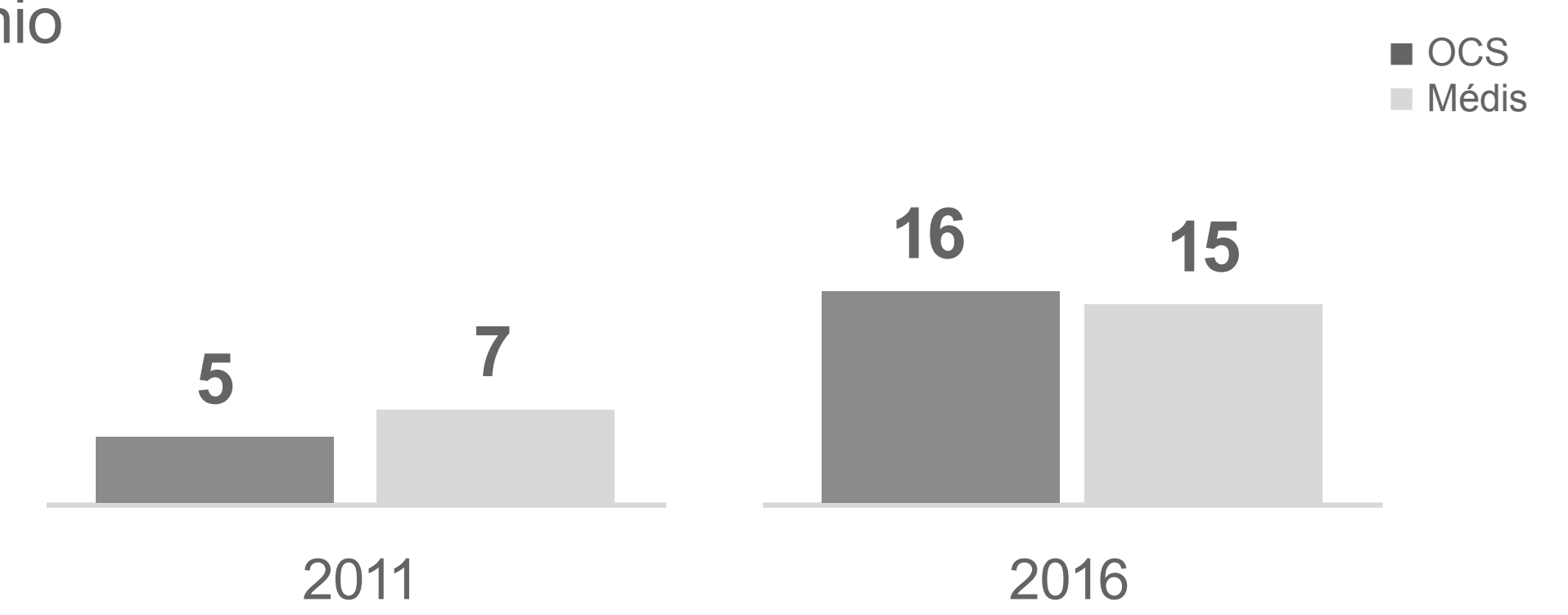
# Non-Life

Growing in a flat market

Non-Life (incl. health) strongly overperforming the market and growing market share



Non-Life Net Result  
in EUR mio





# Occidental

Defined a strategic vision with four strategic choices

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## Vision statement

“Be the recommended Insurance Group in Portugal”

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## 4 Strategic Choices

### Partners

Focus on partners as our primary distribution choice

- Integrated Plug-In concept

### Customers

Exceed expectations with the highest efficiency and transparency

- Proximity
- Operational excellence
- Understanding customer needs

### Innovation

Challenge boundaries to create innovative value propositions

- Innovative value propositions
- Foster entrepreneurial mindset

### People

Be a top-notch organization, agile and socially committed

- Distinctive HR value proposition
- Learning & mentoring
- Empowerment
- Shared value approach with social impact

**Ageas Seguros :**  
turnaround and independent  
set-up on track





Milestones in  
**Acquisition**  
**AXA Portugal**

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7 Aug.  
2015

Signing

15 Mar.  
2016

Approval from  
all Regulators

1<sup>st</sup> Apr.  
2016

Closing & start of  
Inclusion in  
Q2 results

26 Apr.  
2016

Rebranded into  
Ageas seguros

# Ageas Seguros Profile

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**675**  
Employees  
(May '16)



**> EUR 400** mio  
premiums  
(Life + Non-Life)

**> 650.000**  
Customers

Mainly Motor  
**+/- 60%**  
of business mix



# Ageas Seguros

## Key priorities

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### Rebranding and boost commercial dynamics

- Launch of Ageas Seguros by the end of April 2016
- Increase proximity with business partners

As from day 1



### Managing towards full independence

- Management and monitoring of Temporary Service Agreements (TSA)
- Execution Carve-out Plan

Deadline: September 2017



### Business transformation

- Turning unprofitable Lines Of Business (LOB) into profit
- Grow the profitable business and extend footprint
- Reduce costs

From mid 2016 until 2018



### Synergies and Integration

- Moving towards the Target Operating Model for Ageas in Portugal
- Simplify legal structure

Staged approach starting with top governance and support functions

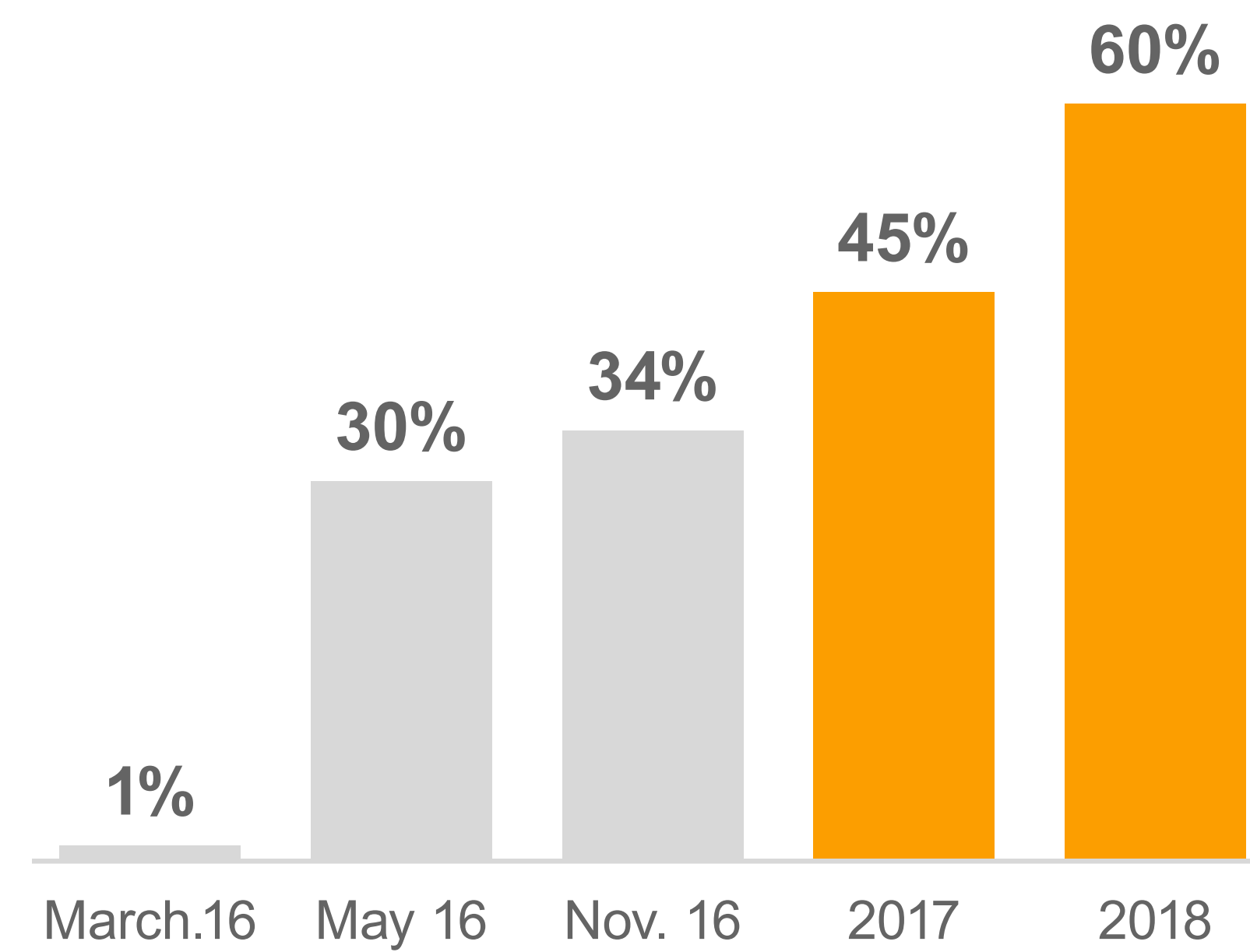
# Ageas Seguros Key Objectives

1

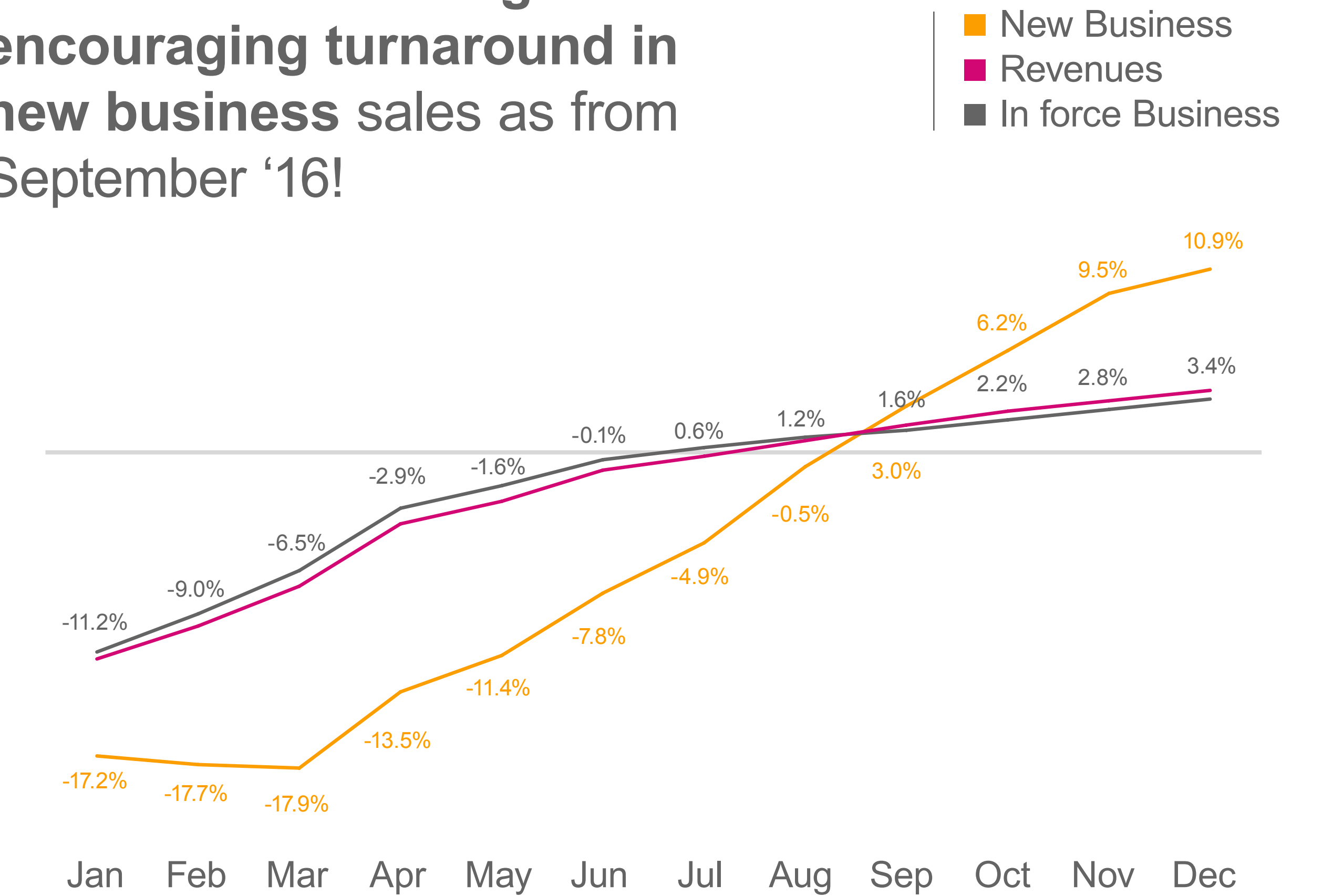
Rebranding and boost commercial dynamics

## Successful brand launch

A fast growing brand awareness: **ambitious objectives!**



1<sup>st</sup> promising signs of transformation **leading to encouraging turnaround in new business** sales as from September '16!





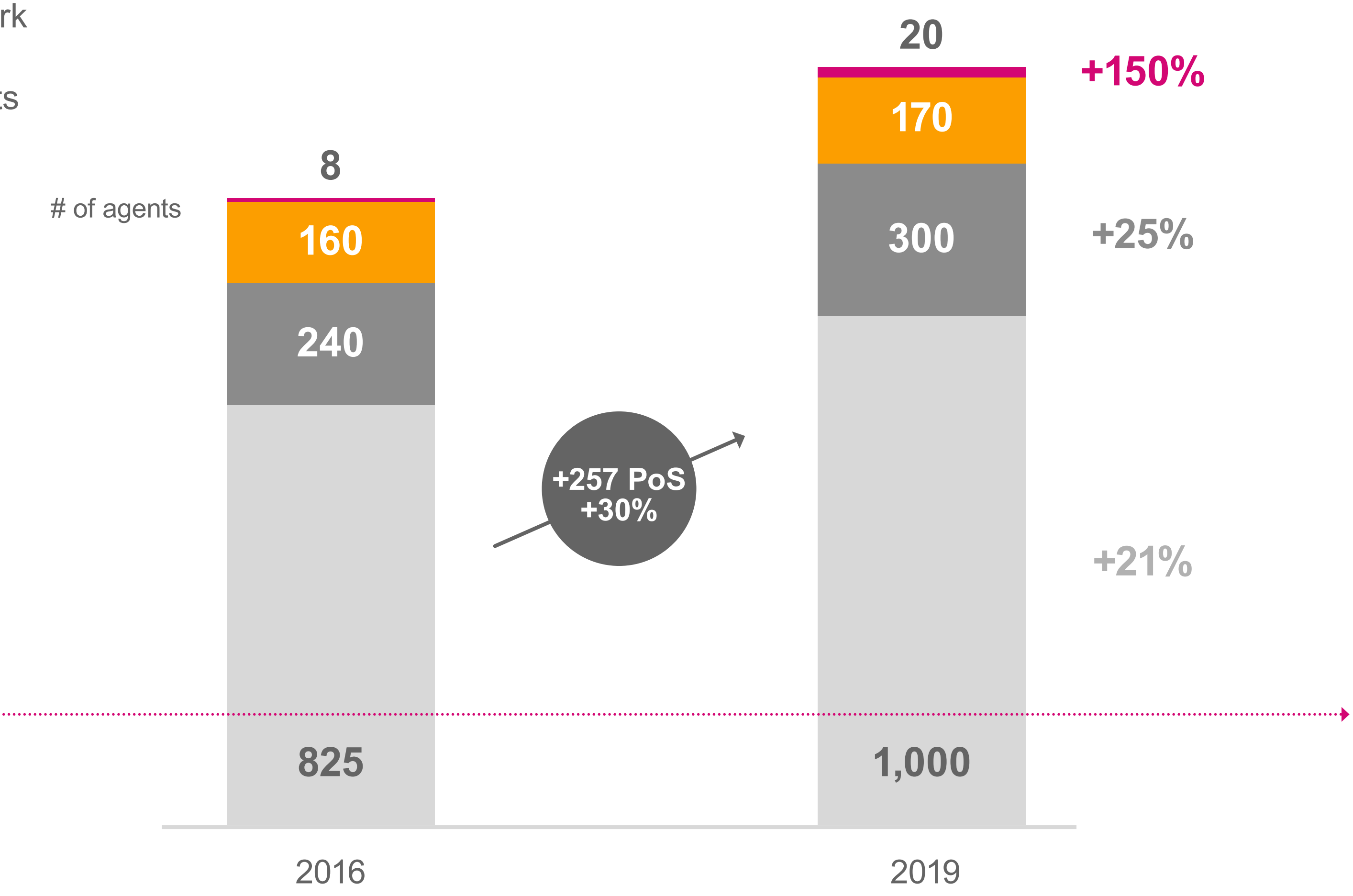
# Ageas Seguros Key Objectives

1  
Rebranding and  
boost commercial  
dynamics

## Extending the distribution footprint to spur growth in Life and Non-Life

- Premium Brokers
- Exclusive Network
- Private
- Multibrand agents

in EUR mio  
**253**  
 Non-Life GWP  
**121**  
 Life GWP  
**374**  
 Total



- **Brokers** grow share through selective choices. Progressively evolve from 8 to 20 Brokers.
- Organic growth of **Exclusives** and increase x-sell in Client base
- **Private** network size enlargement; focus on growth in Life (protection), Health and Home.
- **Multibrand** increase share of "wallet"

CAGR of  
**15%**  
 horizon 2019

Figures do not include the 2,015 agents that are not assigned to a commercial manager

# Ageas Seguros Key Objectives

2  
Managing towards  
full independence

## IT Carve-out program - substantial investment to become fully independent

**January 16** → 18 projects, 120 people, many internal and external stakeholders, rebuilding of most of the IT team, massive data-centre transfer, build up and/or technological upgrades in most applications... in 18 months, until September 2017 → **September 17**



### Some achievements

- Rebranding & Direct business operations integration
- Aprox. 60 applications updated
- New Ageas data center in Portugal
- New solutions (eg Finance and call center) implemented from a country perspective

### Integration Costs

- 2016 included ~EUR 10 mio integration costs
- Declining costs expected in 2017 – 2018

# Ageas Seguros Key Objectives

3

**Business transformation to become profitable**

## Comprehensive Programme ...

14 areas for improvement

2 years program

25 projects

> 3,000 Expected IT man-days in 2017

## ... based on 3 axes

**Improve profit in underperforming Lines of Business**

**Growth of Networks and profitable business**

**Fixing operational setup**

## ... with diverse challenges

- Improve granularity and time to market
- Preparing for Claims upscale

- Restore confidence
- Turn from pruning towards growth
- Extend footprint

- Optimize cost base
- Ensure efficient IT
- Move towards digital

## ... and achievements

- Pruning of the portfolio
- New tariff in Workers Compensation
- New Motor tariff
- Upgraded claims operating model in property

- New Household product
- Strengthening of sales tools and processes
- Changed sales organization
- Growing the exclusive network

- Improved collection process



# Ageas Seguros Key Objectives

3

**Business transformation to become profitable**

## Improve profit underperforming LOB – Motor

### Market Context

- +/- 60% of business
- Motor accounted for 46% of Portuguese Non-Life premiums excluding Health (December 15, Portuguese Insurance Association)
- **Distribution** dominated by agents
- **Price competition** to capture new business **high, price sophistication** relatively low

### Actions taken by Ageas

Launch of granular **New Business tariff**

Optimization of renewals



Repair with non-OEM parts



Strengthening of technical teams



Innovative covers on auto insurance



Increase of **internal controls and follow-up**

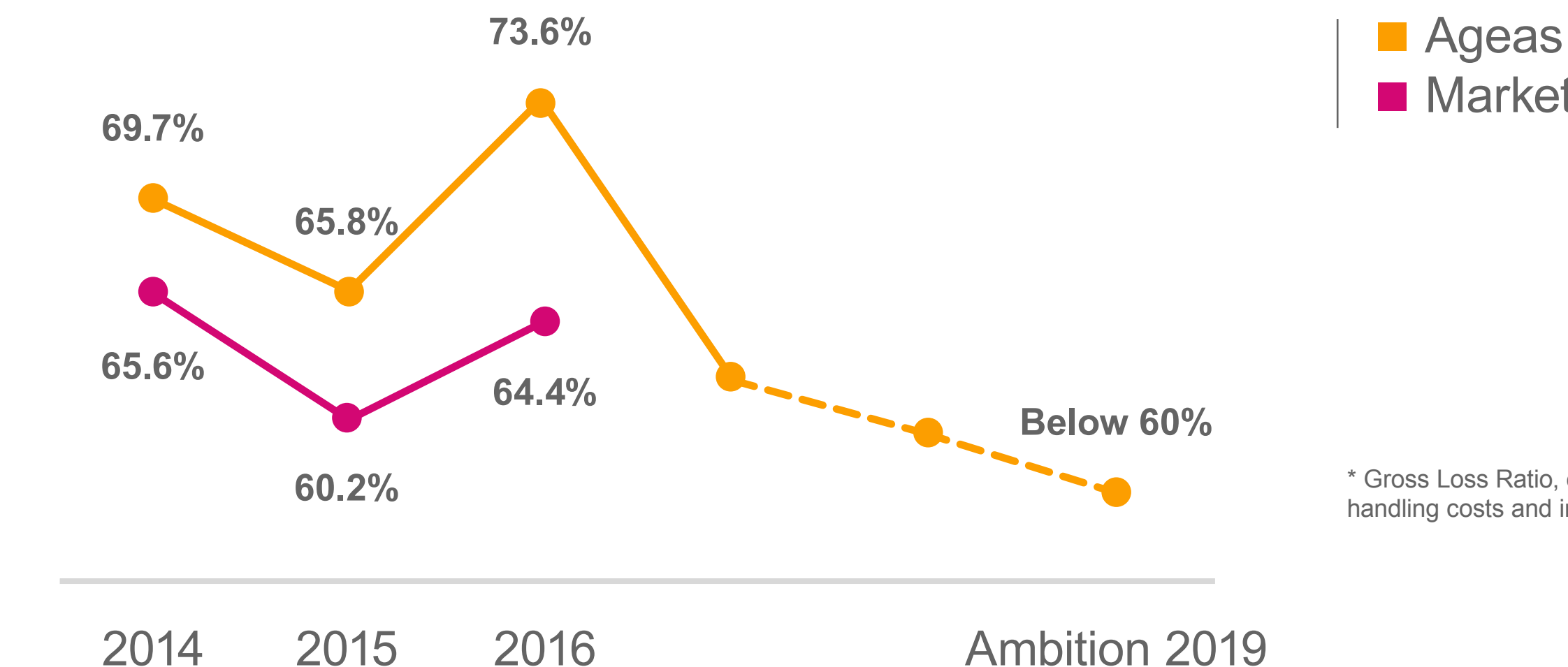


Improve **Steering** to selected Bodyshops



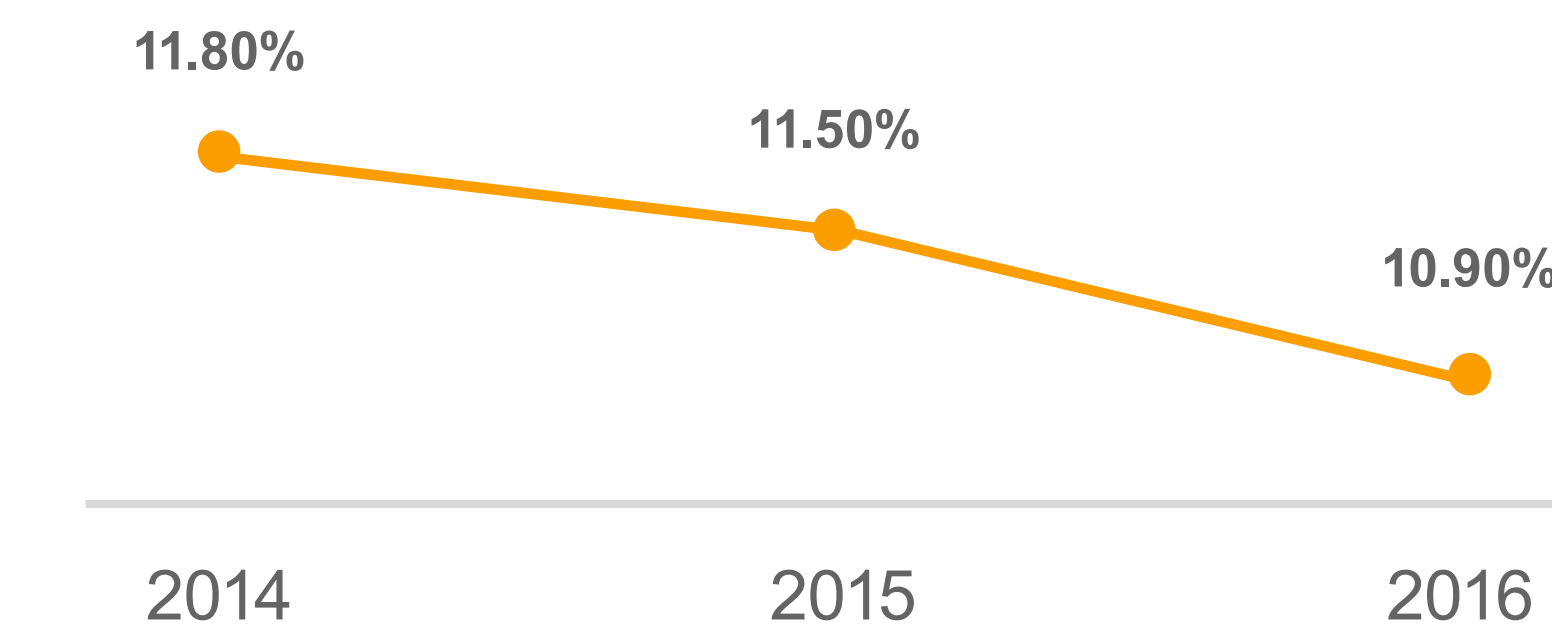
**Reserves strengthening**

### Motor Market Loss Ratio vs. Motor Ageas Loss Ratio\*



\* Gross Loss Ratio, excluding claims handling costs and investment income.

### Ageas Motor Claims Frequency



# Ageas Seguros Key Objectives

3

**Business transformation to become profitable**


## Improve profit underperforming LOB – **Workers Compensation**


### Market Context

- +/- 15% of business
- Market has **underperformed** recently
- Increased **pressure & scrutiny** from regulator
- Mergers & Acquisitions leading to **increased focus** on underwriting margins


### Actions taken by Ageas

 Launch of granular **New Business tariff**

 **Reserves** strengthening

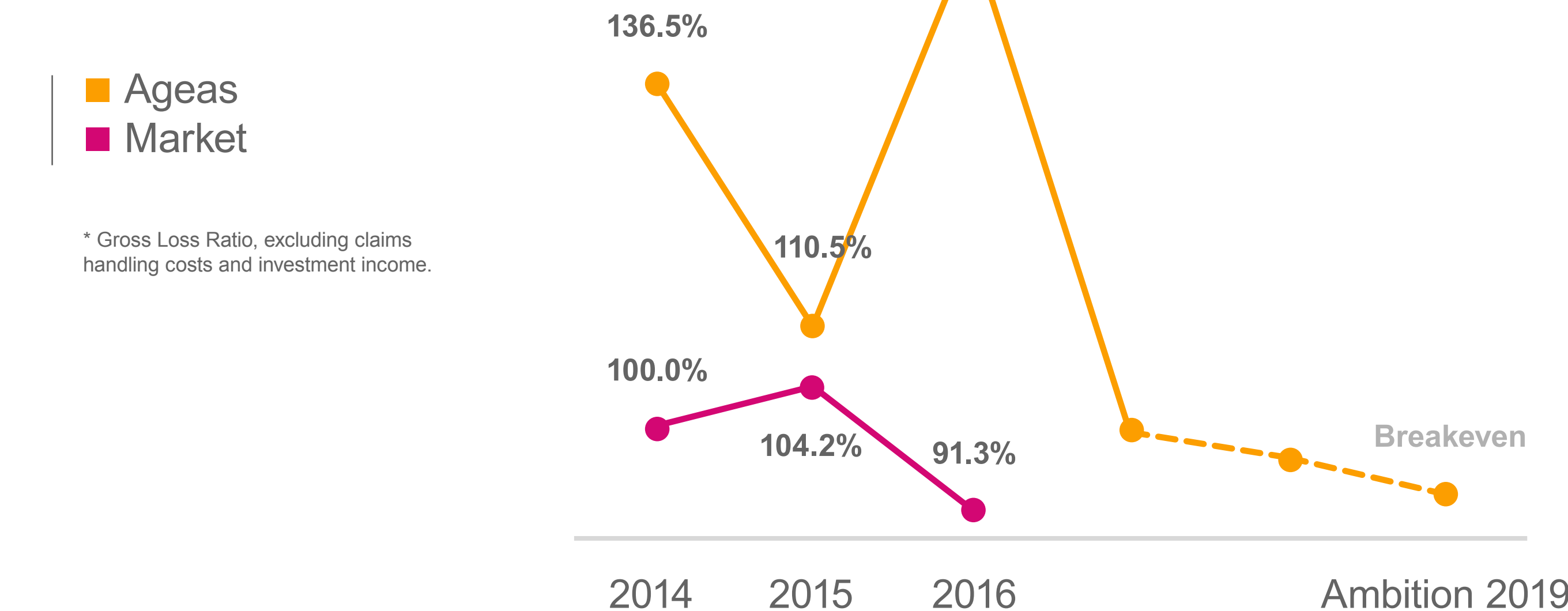
 **Optimization** of renewals

 **Portfolio** review

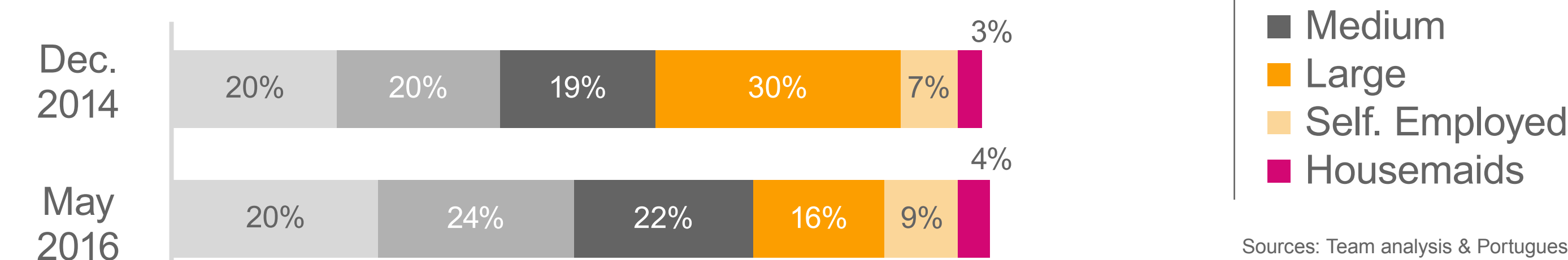
 Underwriting **focus on more profitable micro & small segments**

 **Clinical network** optimization

**WC Market Loss Ratio vs. WC Ageas Loss Ratio\***



**WC Portfolio composition per Sum Insured in EUR mio**



Sources: Team analysis & Portuguese Insurance Association.

# Strategic priorities for the coming years





**Ageas Portugal  
to become a  
reference in 3 areas  
in the next 5 years  
and to operate as  
1 single company**

**External**

Position Ageas in the market as distinctive player (role in society)

Customer focus and emotions in the center

Inorganic and organic growth in each channel

**3**  
Areas of reference: Ageing people, Health, Connected homes

**Vision**

Ageas to become a reference in the Portuguese market, a second home market for Ageas Group and a great place to work for entrepreneurial people

**Mission**

Deliver an emotional and meaningful insurance experience into people's lives

**Internal**

Boost Innovation and entrepreneurship

Be an outstanding employer with professional people

Operate as **1** company

**1**  
Ageas Portugal identity, culture and spirit

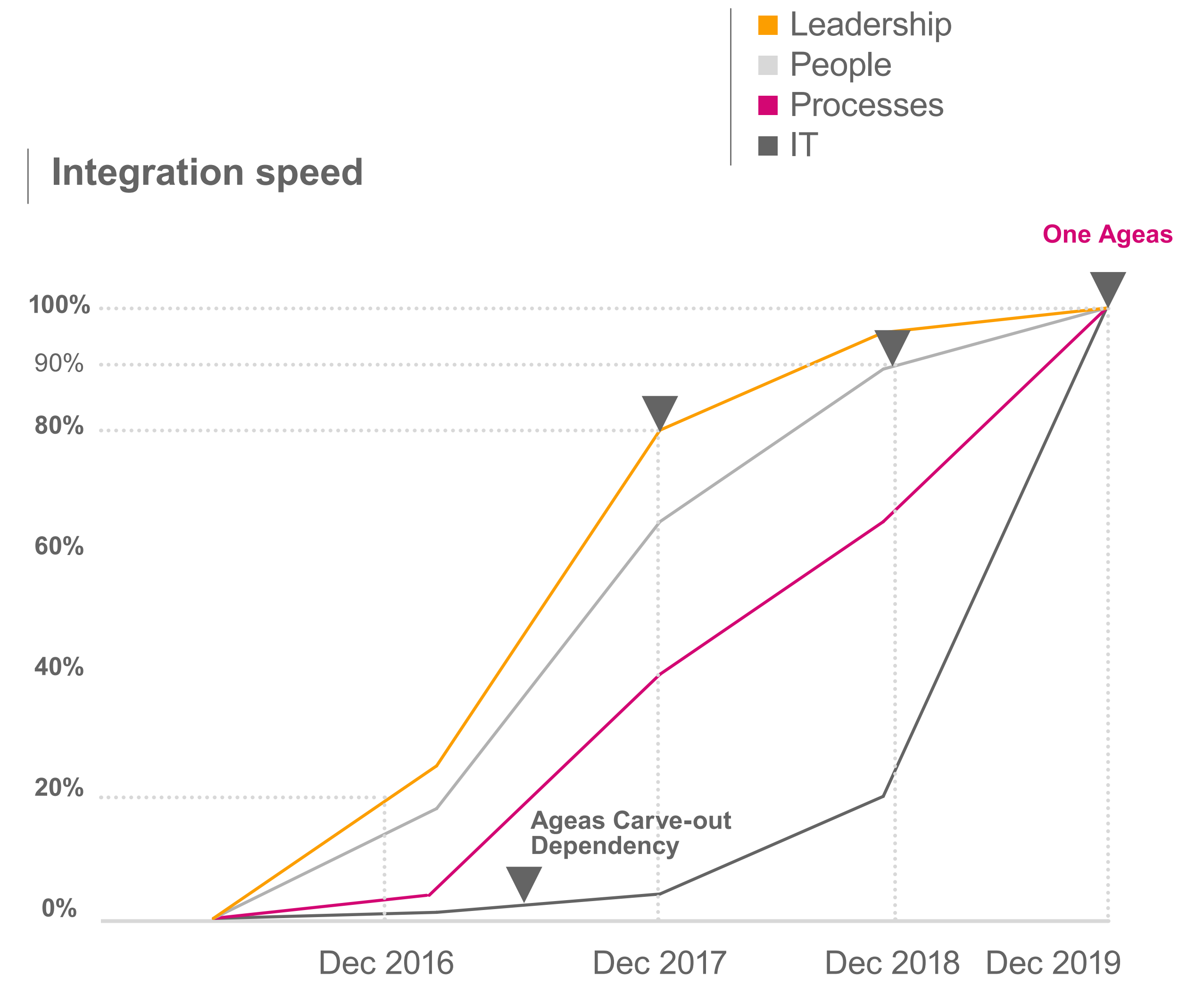
# Integration process will run in different speeds along 4 main dimensions

To achieve full integration it is necessary to ensure...



### Keys to success

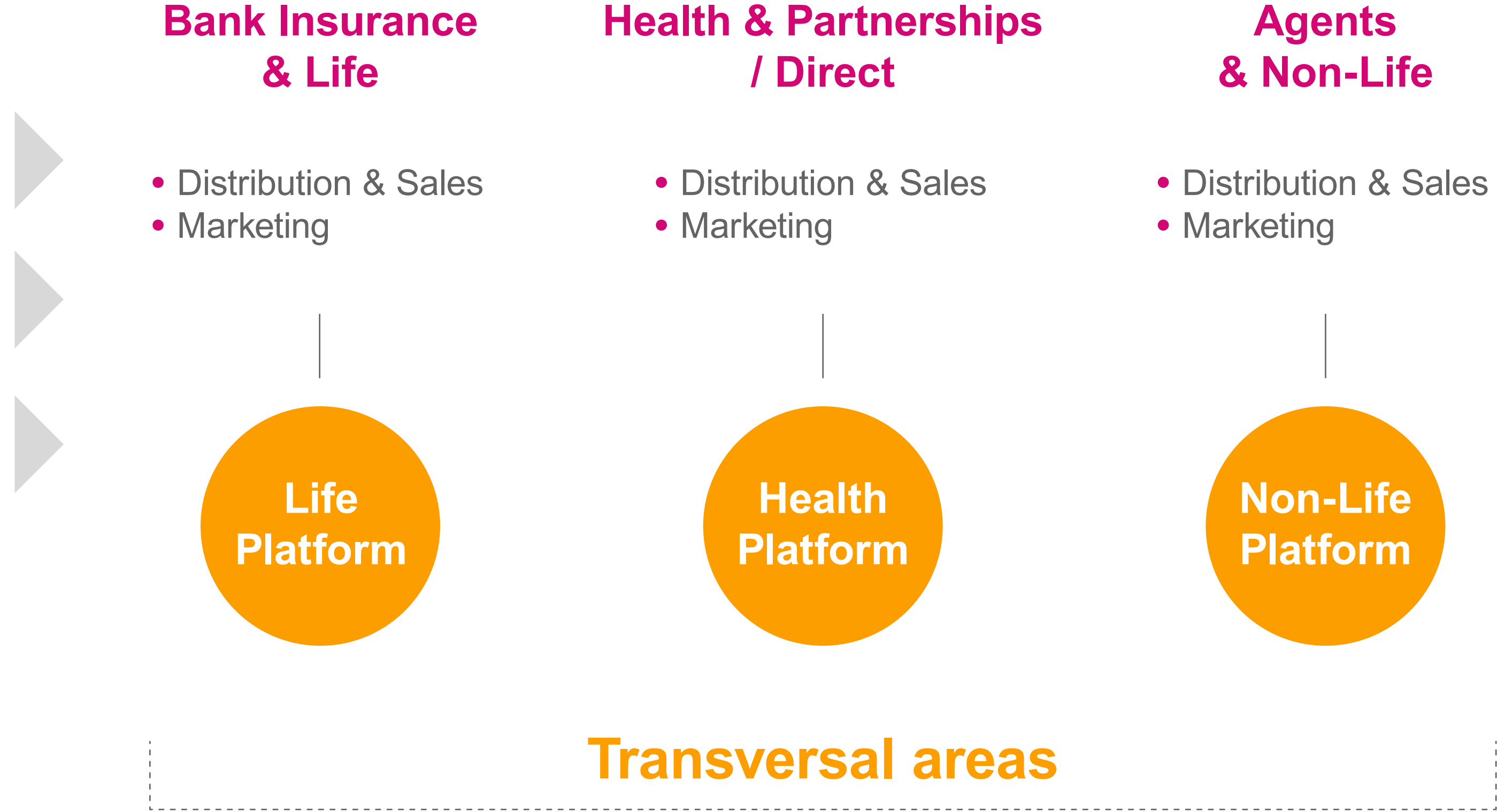
- **Management taking up new responsibilities** is a driving force for the implementation
- **Focus on non-IT integration first**
- **Full harmonisation** of processes is dependent on disentanglement and IT implementation (tools and core)
- **Full synergy potential to be harvested from 2019**



# One Ageas Integration Program



From 2 groups working on an integrated way



To 3 Business Units within Ageas Portugal Group,  
supported by transversal areas



# Integration waves as from 2017, critical to keep the rythm

## One Ageas - Integration Program



# Conclusion



- Portugal new **“home market”** for Ageas
- Ageas may participate to **market consolidation in Non-Life**
- Work towards **“One Ageas Portugal”** by 2019

# Conclusion

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Ageas Portugal will reach by  
2019 the Group  
**ROE Target of 11%-13%**