

Investors' Day 2010

**Beyond 2012: Response to the Key Challenges in
the Life Insurance Industry**

Bruno Pfister, Group CEO
Zurich, 24 November 2010

Regulatory changes will impact the value proposition on all levels

CHALLENGES FOR LIFE INSURERS IN THE NEXT 10 YEARS

New rules with significant impact on business

- Risk-based capital requirement
- Tighter consumer protection
- New accounting rules

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- Preserve financial flexibility and balance sheet solidity
- Further strengthen risk management
- Continue disciplined ALM
- Create a product management function at corporate level with a functional line into the market units
- Establish a systematic margin management approach
- Modernise product offering towards less interest rate sensitive, capital lighter solutions with lower guarantees
- Optimise the in-force business
- Refine Group-wide compliance organisation regarding legal and regulatory requirements
- Intensify dialogue with political stakeholders and regulatory bodies

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- Strictly pursue value based management
- Transform risk management towards a prospective approach in all relevant dimensions
- Further strengthen the balance sheet, improve operational profitability and reduce the dependency on capital markets to a profit contribution of below 50%
- Achieve an adequate return on risk adjusted capital
- Make the various value proposition elements more transparent to customers

Operational excellence is an inevitable prerequisite for participating in the game

CHALLENGES FOR LIFE INSURERS IN THE NEXT 10 YEARS

Operational excellence is the basis for maintaining / improving competitiveness

- Combines cost efficiency with customer driven quality and speed
- Is moving target since competition is also constantly improving and customer requirements are evolving over time, too

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- Instil spirit of disciplined execution of the initiatives and measures decided
- Regularly monitor quality requirements of customers
- Establish strict cost management to eliminate cost deficits
- Further modernise and upgrade IT platforms to increase performance while reducing costs and sources for errors
- Significantly reduce time-to-market for product development from several months to a few weeks
- Improve relevant processes to optimise customer value

SWISS LIFE RESPONSE: BEYOND 2012

- Establish a culture of driving for continuous improvements
- Further increase cost efficiency and raise productivity as well as effectiveness
- Constantly optimise quality and time-to-market based on market research data
- Leverage Group synergies
- Constantly upgrade IT according to market developments and customer needs
- Digitalise interface with intermediaries and customers
- Challenge in-house solutions for any part of the value chain and consider outsourcing where strategically and operationally meaningful

New value propositions and innovative solutions are key for market success

CHALLENGES FOR LIFE INSURERS IN THE NEXT 10 YEARS

Innovation and creativity in designing a competitive, value adding and profitable offering necessary to attract and retain customers

- Segmentation as basis
- Services will complement products
- Open architecture broadens offering

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- Introduce new products with higher value added to customers
- Design specific products for global clients
- Diversify offering away from traditional products towards unit-linked solutions with flexible or no guarantees, structured and portfolio-linked products and risk coverage riders
- Strengthen underwriting
- Decommission or reprice unprofitable products
- Leverage AWD's market intelligence and market research's insights to create better products and solutions
- Further sophisticate pricing skills
- Simplify general terms and conditions for new products
- Initiate cultural change towards a more market-oriented and customer centric organisation

SWISS LIFE RESPONSE: BEYOND 2012

- Refine customer segmentation and thoroughly understand their holistic needs
- Make or buy segment specific solutions to satisfy the respective holistic needs
- Create more flexible products allowing customers to adapt product features to their changing needs during the life of the policy
- Further increase product transparency (beyond regulatory requirements) and use it as a differentiating competitive advantage
- Fully integrate forward-looking risk management into product steering
- Expand the offering towards product independent, customer segment oriented services



Customer access decides on future growth

CHALLENGES FOR LIFE INSURERS IN THE NEXT 10 YEARS

Distribution and client access remain key for growth

- Multi-channelling expands access
- From selling to advising increases customer satisfaction and loyalty
- From product push to holistic customer view expands the space for solution offerings

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- Increase distribution quality and sales effectiveness
- Add distribution power by better leveraging AWD, increasing bank distribution in all markets and negotiating new partnerships with broker organisations
- Reduce turnover of sales force at both Swiss Life and AWD
- Establish Swiss Life as a successful and respected player in Singapore and Dubai
- Intensify the international businesses with HNWI, affluent customers, MNCs as well as large corporates and expand their geographic reach
- Improve the relationships with existing customers through more frequent interactions
- Systematically expand further the multi channel approach including electronic means of communications by i.e. leveraging the internet as a lead generator and a point of sale for highly standardised offerings

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- Ensure organic growth at Swiss Life and AWD as the basis for future market success
- Empower proprietary distribution to give financial advice by leveraging existing talent, training and recruiting missing skills
- Accompany and support customers along their lifecycles according to their needs and expectations
- Further grow the international businesses through broadening the product offer, widening the target customer segments and expanding the geographic footprint
- Selectively acquire small insurance portfolios, distribution capacity and/or product know-how

Trust and reputation are the foundation of every business

CHALLENGES FOR LIFE INSURERS IN THE NEXT 10 YEARS

Trust and reputation have to be further improved with all stakeholders involved

SWISS LIFE RESPONSE: MILESTONE / MIDTERM PERSPECTIVE / 2012

- Deliver on promises and reach the MILESTONE 2012 targets
- Upgrade leadership and management skills by learning on the job, internal and external training, rotating managers as well as recruiting new talent
- Lead employee engagement and commitment to above industry levels
- Strengthen reputation-management by intensifying public appearances, the dialogue with media and the interactions with the regulatory authorities and political bodies
- Establish a Group-wide state-of-the-art compliance organisation
- Expand risk management from reducing financial risks to also mitigating enterprise risks, including reputation risks
- Handle the pending litigations successfully

SWISS LIFE RESPONSE: BEYOND 2012

- Become recognised as the reference for what and how things should be done in the industry
- Achieve A-rating
- Further develop a strong leadership culture within the firm
- Maintain employee engagement and commitment at values significantly above the industry average
- Keep employees' awareness of compliance and reputational risks high
- Pursue highly effective reputation management and minimise litigation risks
- Keep high standards in managing stakeholder relations, especially in public affairs and public relations

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Contact details and financial calendar

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Financial calendar

Full-year results 2010	2 March 2011
Interim statement Q1 2011	3 May 2011
Annual General Meeting 2011	5 May 2011

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