

Investors' Day 2010

**Swiss Life Switzerland: Delivering on targets**

Ivo Furrer, CEO Switzerland  
Zurich, 24 November 2010

# Agenda

## → Key messages and strategy 2008–2012

Customer value and new business profitability

Individual customers

Corporate customers

Operational result

Distribution quality and power

Summary

Ivo Furrer

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H.-J. Stahel

Martin Suter

Ivo Furrer

Ivo Furrer

## Key messages

**Swiss Life Switzerland will remain the main contributor to the Group result and secure a sustainable strong market position in a low interest rate environment by:**

▶ **Shifting to modern and risk products based on best-in-class product management**

▶ **Reducing the cost base significantly and enforcing margin management of new and in-force business**

▶ **Enhancing effectiveness and efficiency of tied agents and increasing focus on multichannel management**

# Swiss Life CH with a leading market position in Switzerland



## Product mix

### Individual customers

Investment	Traditional products with guarantees	Modern and risk products with guarantees	Modern and risk products without guarantees
Risk			
Annuities			
Endowments			

### Corporate customers

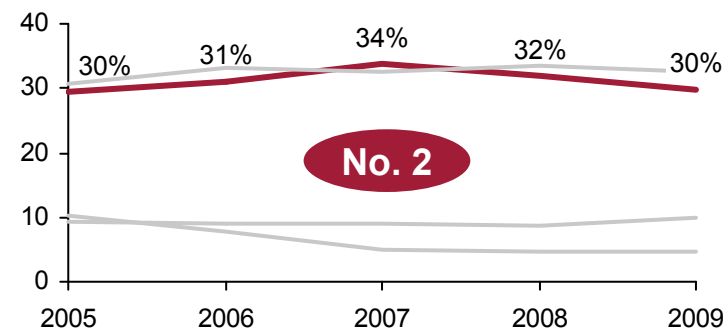
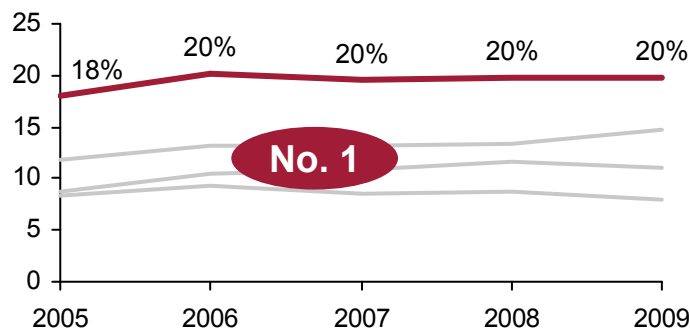
Investment	Full insurance solutions	Semi-autonomous solutions	Full-autonomous solutions
Risk			
Advice			
Administration			

## Distribution mix

Multichannel management			
Own sales force (Tied agents)	AWD	Brokers	Others

Multichannel management	
Own sales force (Tied agents and key account management)	Brokers

## Market share



# Right strategy in place

## Planned achievements for 2010 on track

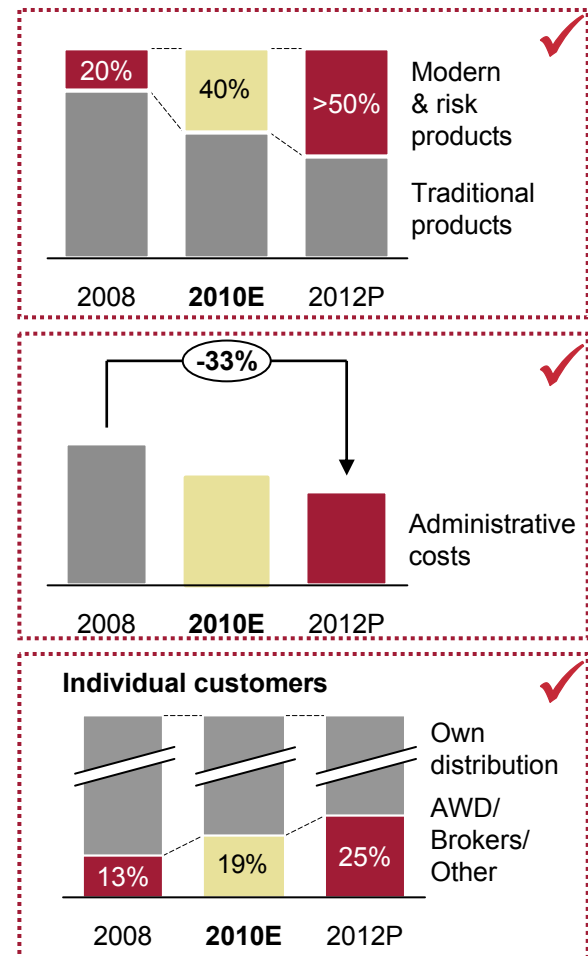
### Strategic Ambition 2012

- Most preferred distribution partner in market
- Cultural change towards proactive and team oriented execution
- Secure strong market position in corporate and individual customers segments
- Main contributor towards Group profit

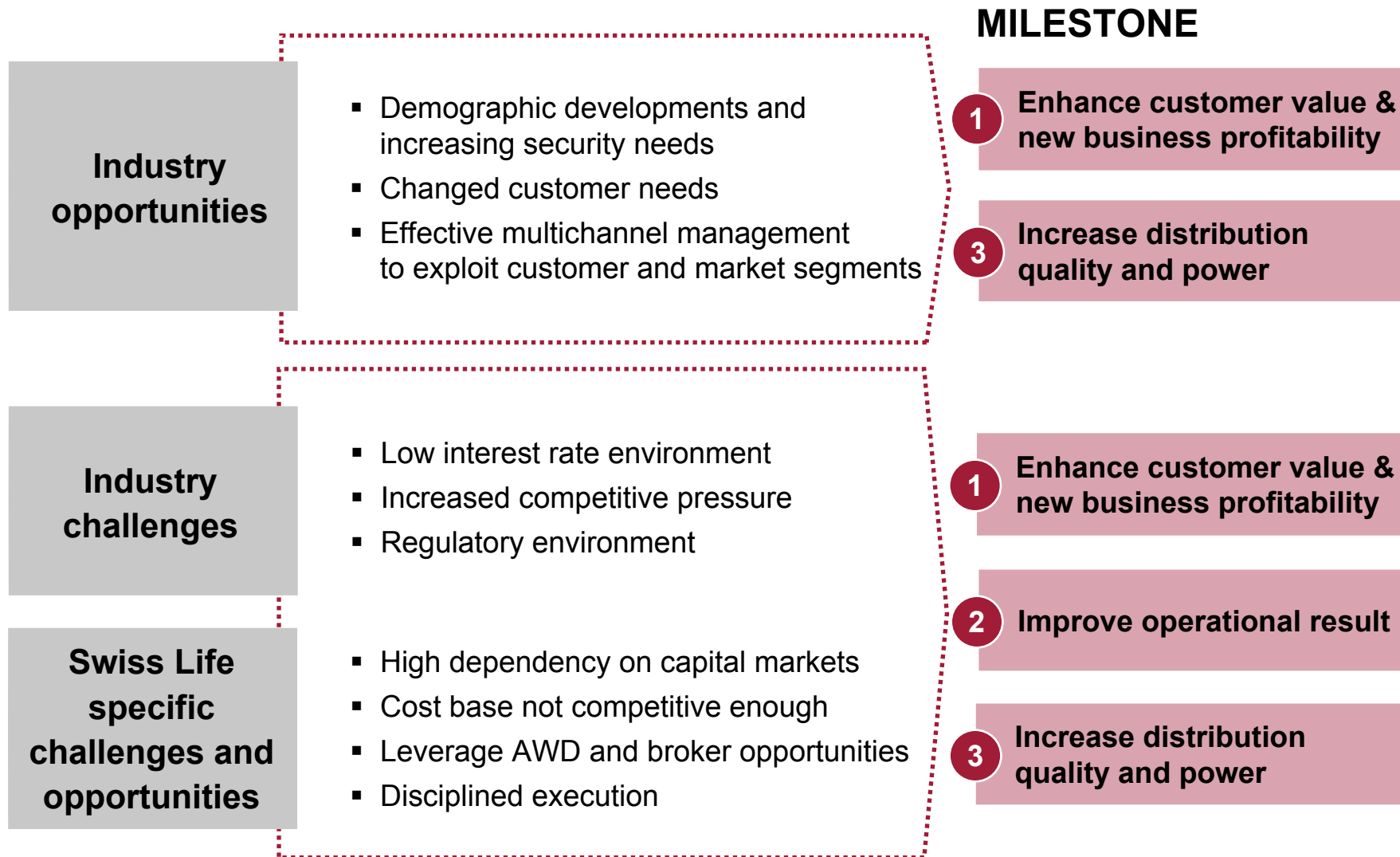
### MILESTONE Objectives 2012

<p><b>1</b></p> <p><b>Enhance customer value and new business profitability</b></p>	<ul style="list-style-type: none"> <li>▪ 68% of NBP from modern and risk products in the individual customers segment</li> <li>▪ 15% of NBP from modern and risk products in the corporate customers segment</li> </ul>
<p><b>2</b></p> <p><b>Improve operational result</b></p>	<ul style="list-style-type: none"> <li>▪ CHF 188 m reduced cost base vs. 2008</li> <li>▪ Improve diversification of profit streams from in-force business</li> <li>▪ Contribute towards Group's new business margin &gt; 2.2%</li> </ul>
<p><b>3</b></p> <p><b>Increase distribution quality and power</b></p>	<ul style="list-style-type: none"> <li>▪ Optimise multi-channel approach by             <ul style="list-style-type: none"> <li>- leveraging AWD and brokers</li> <li>- implementing bank and internet as additional channels</li> </ul> </li> <li>▪ Increase tied agents' productivity</li> </ul>

### Achievements 2010



# Strategy fits challenges but also enables us to exploit opportunities



# Strategic execution specifically addresses low interest rates and will shift profit sources



Strategy execution

## Short-term special focus due to low interest rates

- Strengthen profitability on new and in-force business
- Timely delivery on cost savings

Interest rate curve  
10Y CHF government bonds



## Impact of strategy execution by 2012

### Profit sources

Investment income	↓	Reduce relative importance but mitigate margin deterioration
Risk result	→	Maintain good risk result
Cost result	↑	Improve cost result
Fee income	↑	Increase fee income

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## **Customer value and new business profitability**

### **→ Individual customers**

Corporate customers

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Operational result

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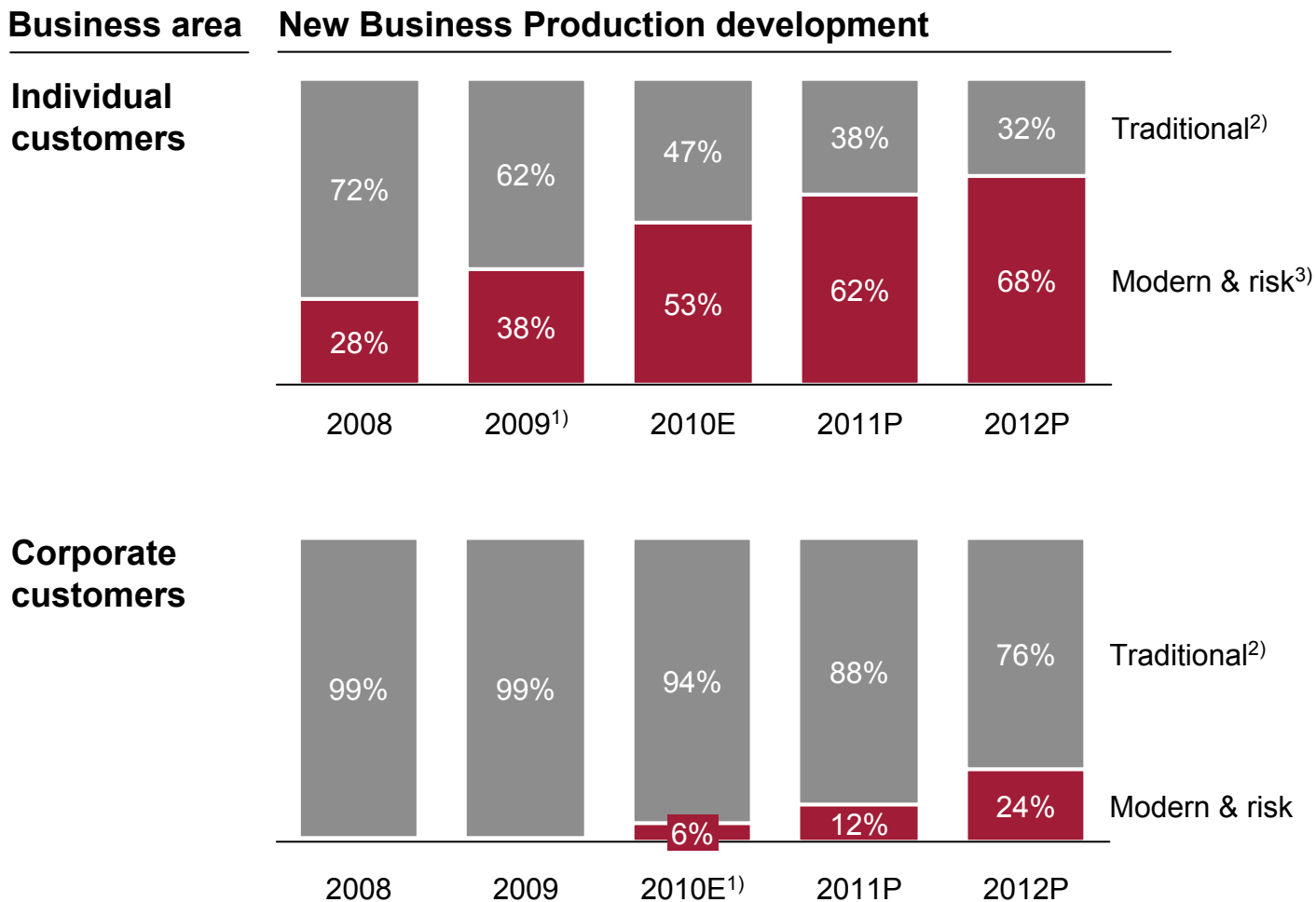
Summary

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# Shift to modern products successfully initiated and will continue



**Continue the shift to modern and risk products for individual and corporate customers**

1) Shift initiated    2) Incl. risk components of traditional products    3) Pure risk products (SL Protection, SL Umbrella, SL Airbag)

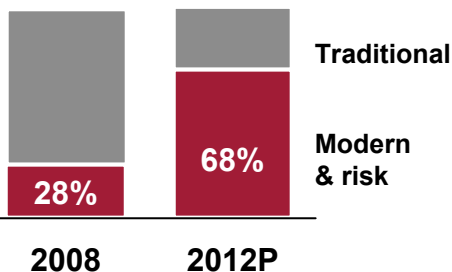
# Individual customers: Continuous introduction of modern products

## MILESTONE

## Achievements 2010

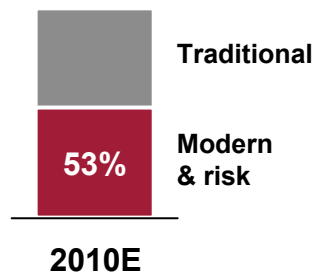
## Outlook 2011

**Strengthen the shift to modern & risk products in new business**



New modern products

SL Champion Uno  
SL Premium Junior Plan  
SL Champion Timeplan  
SL Premium Select  
SL Classic ProtectEasy



**Product development and time to market**



Product development

Time to market: 6-8 weeks  
Development of channel-specific products

**Services**



Advisory software  
Segment management

Introduction new software tool for overall consultation  
Implementation of segment managers

### New modern & risk products

Savings products	Bundle product with mortgages <span style="float: right;">new</span>
Funds products	Structured product tranches Mid-term investment <span style="float: right;">new</span>
Risk products	Online term insurance <span style="float: right;">new</span>
Bank products	Interim account <span style="float: right;">new</span>

### Services

Packages for customers	Pension & retirement plan, family & asset check <span style="float: right;">new</span>
Online channel	Premium payment by credit card <span style="float: right;">new</span>

# Individual customers: Successful product launches in 2010 and by channel

## Achievements 2010

### SL Champion Timeplan



- Launch of a guaranteed unit-linked payout plan (GMWB = Guaranteed minimum withdrawal benefit)
- 100% liquidity at all times
- Alternative to a traditional life annuity product
- Volume since launch: approx. CHF 120 m
- Launched in May 2010

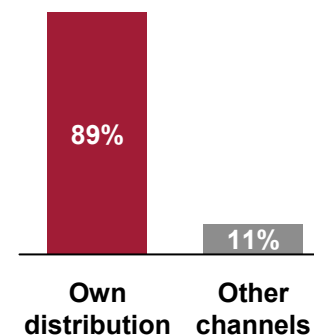
### SL Premium Select



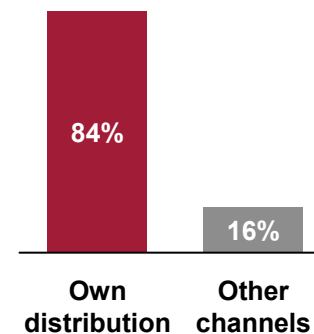
- Launch of fund-based structured product tranches with Barclays Bank PLC
- Capital protection (115%) on single premium by Barclays Bank PLC
- Volume: CHF 30 m
- Distribution time 27 work days (1/2 planned distribution time)

## By channel

As % of production volume



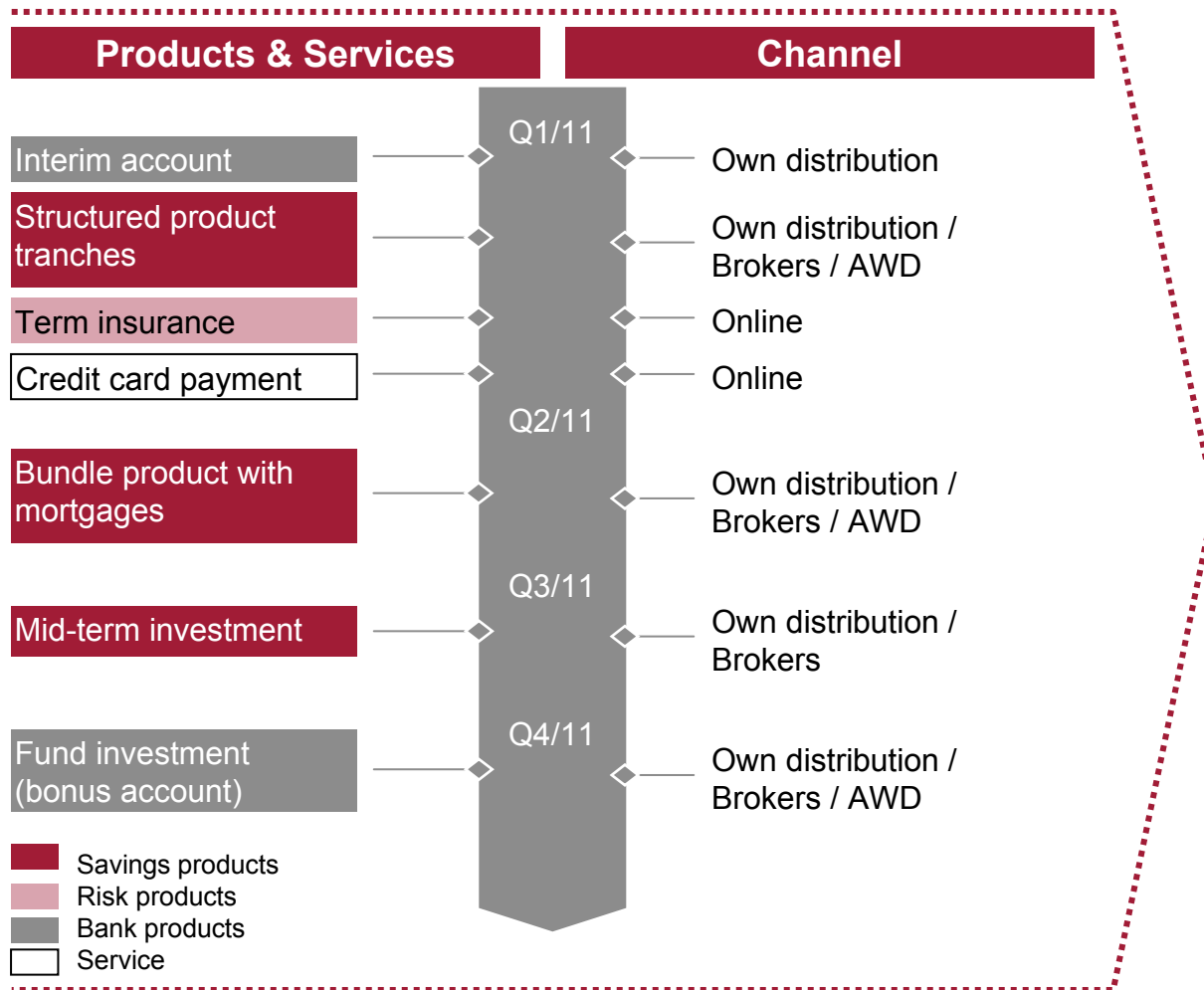
As % of production volume



# Individual customers: Introduction of new modern products for all distribution channels

## Outlook 2011

## Impact



**Strengthen the shift to modern insurance products and push risk products**

**Increase share of wallet, avoid drain of assets**

**Optimise product features and expand product related services**



## Individual customers: Key messages

▶ **Shift to modern and risk products well under way**

▶ **High innovation power with strong product pipeline**

▶ **Radically reduced time to market**

▶ **Services refined to customer needs**

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## **Customer value and new business profitability**

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### → **Corporate customers**

**H.-J. Stahel**

Operational result

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Distribution quality and power

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# Corporate customers: Expansion of product and services portfolio

## MILESTONE

## Achievements 2010

<b>Expansion of the SME product portfolio by launching semi- autonomous solutions</b> 	Investment	<b>Full insurance solutions</b>	<b>Business Invest</b> (semi-autonomous standard)	<b>Prisma Invest</b> (semi-autonomous customised)
	Risk			
	Advice			
	Administration			
<b>Development of services for large-scale enterprises and (semi-) autonomous pension funds</b> 	Investment	<b>Investment advisory services</b>		
	Risk			
	Advice	<b>Pension fund services advice</b>		
	Administration			
<b>Modernise and optimise IT and the system landscape</b> 		<ul style="list-style-type: none"> <li>▪ Launch of new offer system, web-based platform in April 2010</li> <li>▪ Efficient contract management</li> <li>▪ Ready for multichannel approach</li> </ul>		
<b>Introduction of variable rate vested benefit policies</b> 		<ul style="list-style-type: none"> <li>▪ Introduction of variable rate benefit policies without fixed interest guarantees</li> </ul>		

## Outlook 2011

### Full-coverage provider

- Offer full-coverage for corporate customers

### Semi-autonomous solution

- Support shift to off-balance
- Semi-autonomous solutions for corporate customers with higher risk capability

### SL Pension Services

- All market services (investment, risk, advice, execution, governance) covered by SLPS experts

### IT system updates

- New SME portfolio administration system (migration to new system)

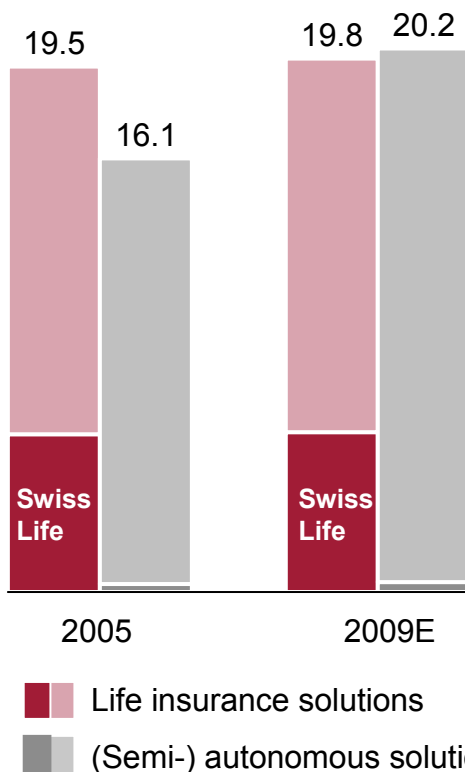
### Market cultivation

- New market development model with clear functions, interfaces to customer, and which increases customer retention

# Market opportunities for full and (semi-) autonomous solutions

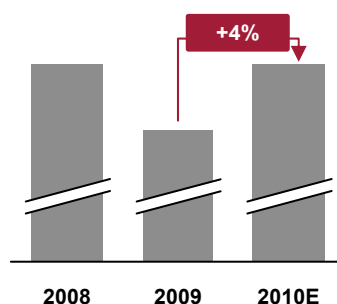
## Market development

Volume of contribution as per pension fund statistics 2008, CHF bn



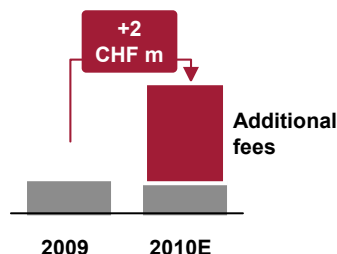
## Achievements 2010

Periodic premium, full insurance, CHF million



More than 4% increase in periodic premiums compared to 2009

Autonomous solution (SL Pension services)



- Services for large-scale enterprises and (semi-) autonomous pension funds
- Pension fund experts

**Swiss Life as full-coverage provider for corporate customers**



**New offer platform for SMEs**

- >10 000 offers, >3 000 potential customers
- ~20% of periodic premiums in semi-autonomous solutions



**SL Pension Services**

- Fee income significantly increased
- Consulting: > 30 clients
- IFRS: > 100 mandates
- Administration: > 20 000 insured persons

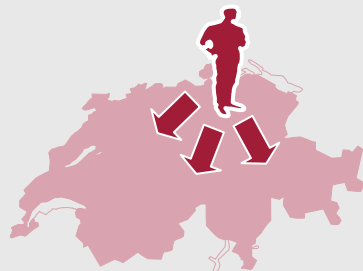




# Expanding the service range with Swiss Life Pension Services



## Resources



**Largest office of pension fund experts in Zurich**

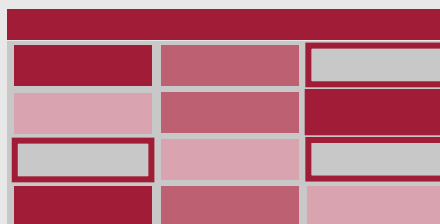
- 7 experts

**Experienced and well qualified experts**

- 3 SAV actuaries

**Exploits Swiss Life's specialist knowledge (e.g. in asset management)**

## Offering



### Expert mandates

- Actuarial reports
- Statistics / portfolio projections

### Risk management

- Asset & liability management studies
- Governance & compliance audits

### Advice

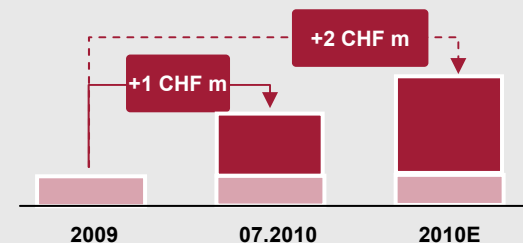
- IFRS/US GAAP/FER reporting, consolidations
- Restructuring concepts

### Administration

- Foundation accounting
- Management of active insured persons/pensioner portfolios

### Governance

## Success



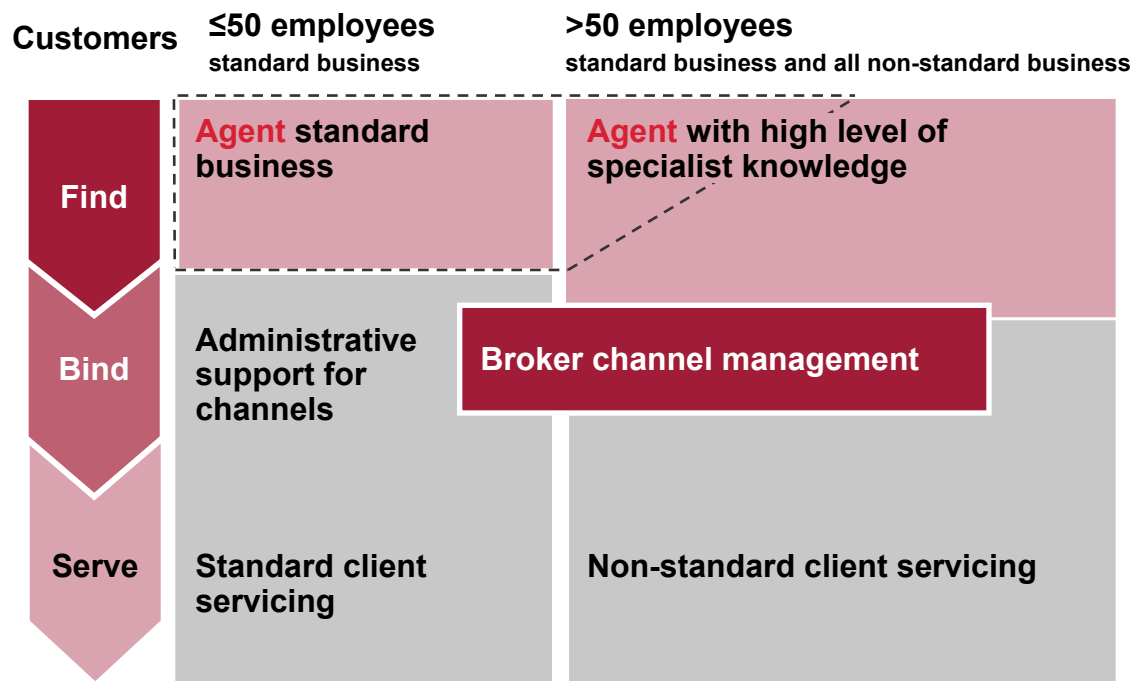
### Fee income

- Fee income increased to CHF 1 m for the first 7 months 2010 (CHF 2 m in 2010E)

### Clients

- **Consulting:** over 30 clients in expert mandate and risk management area to date (5 clients with over 2 000 active insured persons)
- **IFRS:** in total more than 100 mandates
- **Administration:** manage over 20 000 insured persons

# New superior market development model insures customer proximity and loyalty



- In the finding stage, tied agents are predominantly responsible for customers ≤50 selectively ≤250 employees
- In the binding and serving stages, customer services will be increasingly responsible for the customer interface
- Brokers remain an important distribution channel and will be part of the new Multichannel Management business unit
- Large customers will be served one-stop by SLPS

## Corporate customers: Key messages

**Swiss Life is fully committed to the full insurance business**

**Semi-autonomous solutions successfully launched to support shift to modern and risk products and to ...**

**... further exploit long-term growth in the group life market**

**... respond to potential changes in regulatory environment**

**State-of-the-art services and advisory**

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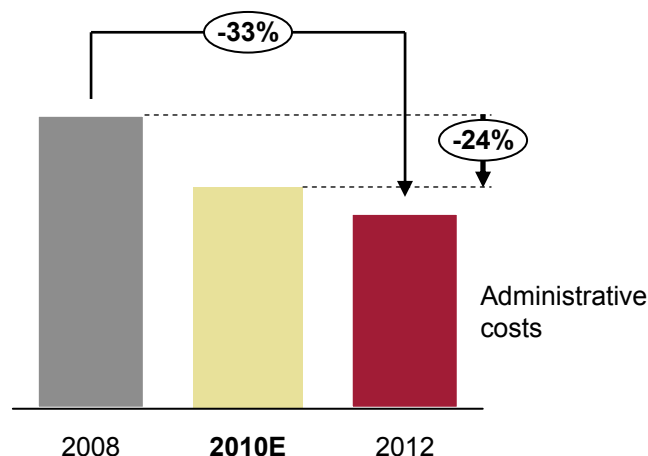
# Operational result: Disciplined execution of cost and balance sheet measures

## MILESTONE

## Achievements 2010

## Outlook 2011

✓  
**Improve operational excellence**



✓  
**Preserve the balance sheet and optimise in-force business**

- Crediting policy and asset allocation optimised
- Profit contribution from operational result further increased
- Low interest rate effects on margins compensated

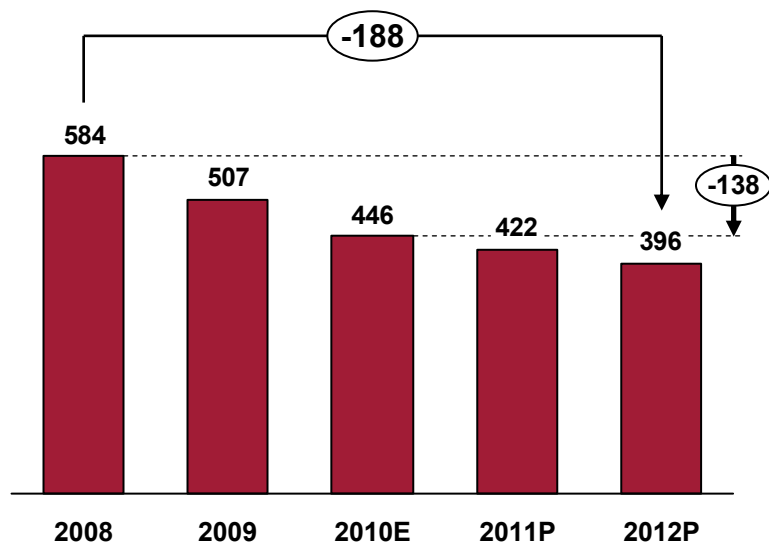
- Continuous execution of cost-saving measures
- Increase efficiency
- Operational excellence
- Focused investments enabling future growth

- Optimise profit streams
- Disciplined crediting policy
- Capital preserving business mix and asset allocation

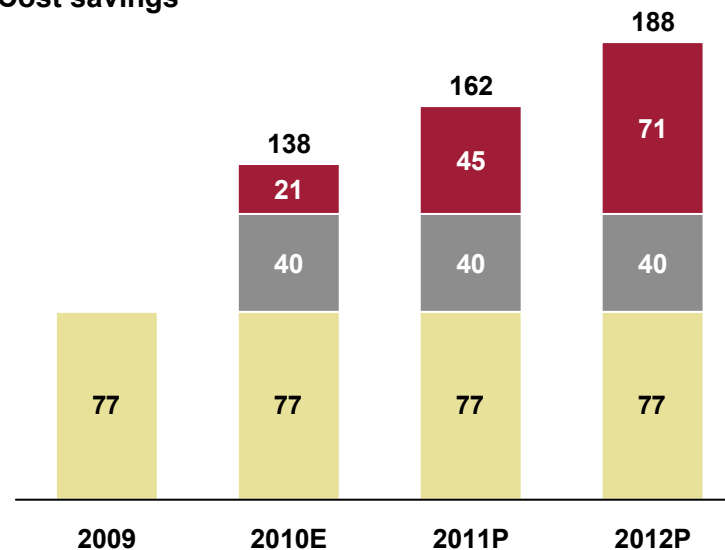


# Cost savings on track

Administrative cost 2008 – 2012, market unit Switzerland, in CHF m



## Cost savings



■ Expected to be realised by end of corresponding year  
■ Realised YTD 2010, excl. YE 2009  
■ Realised by YE 2009

- Sustainable cost savings of CHF 138 m (73%) will be realised YE 2010
- Total cost savings of CHF 188 m will be realised in 2012
- No upcoming or postponed projects to destroy previous savings
- Key success factor - **disciplined execution**: binding measures, efficient controlling and a continuous improvement process



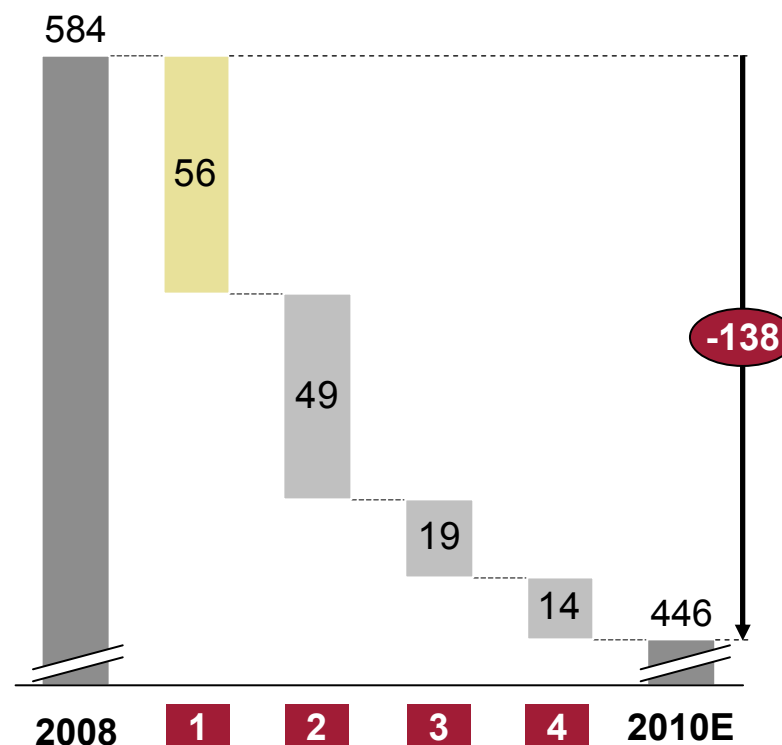
# Delivering sustainable efficiency gains

## Implemented measures 2009/10

- 1 Efficiency gains**
  - Personnel
  - IT system maintenance
  - Infrastructure management
- 2 Alignment of services**
  - Personnel / external consultants
  - Focused marketing activities
  - Hardware / software
- 3 Project portfolio reduction**
  - Optimisation IT platform development
  - Reduce professional services
- 4 Further impacts**
  - Depreciation and amortisation
  - Tax on capital

## Impact 2009/10

CHF million



**Total savings: CHF 138 million**

- Efficiency gains of CHF 56 m could be realised so far
- 41% of all realised savings are based on efficiency improvements

# More focused investments due to reduced cost budgets

## Programme: New corporate customers platform

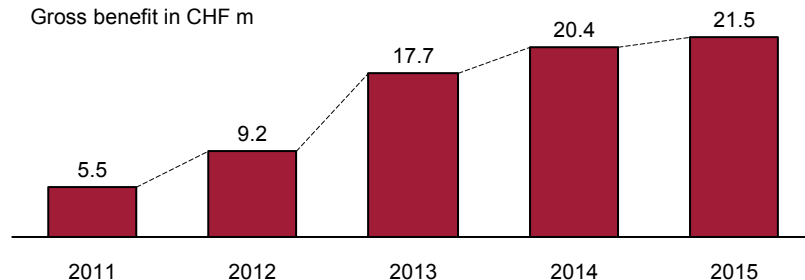
Description

- Supports both full coverage and autonomous pension solutions
- Based on off the shelf pension solution, customised to our needs
- Fully integrated end-to-end workflows, including customer online interface

Benefits

- Increases efficiency
- Raises operational quality
- Reduces time to market
- Reduces operational costs
- Increases flexibility in product design

Gross benefit in CHF m

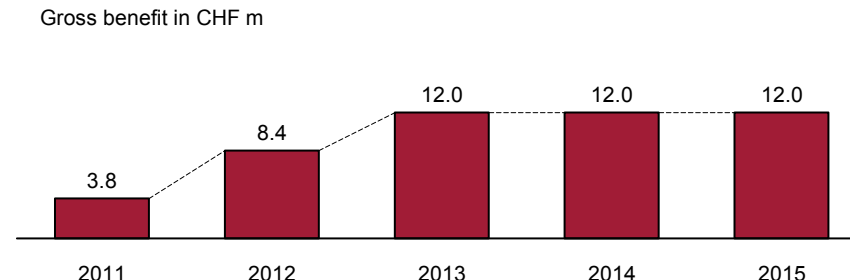


## Programme: Distribution booster

- Fully integrated and system-based sales workflow management
- State-of-the-art financial planning and controlling tool
- Sales performance tracking and controlling
- Systematic lead management
- Optimised sales structure and efficiency

- Raises operational quality, increases sales efficiency
- Enables future business and strengthens financial consulting
- Creates additional sales opportunities
- Improves customer support and service

Gross benefit in CHF m



Investments concentrate on important programmes with clear benefits, such as “new corporate customers platform” and “distribution booster”: Large future-oriented investments to boost growth and to greatly support the efficiency targets.

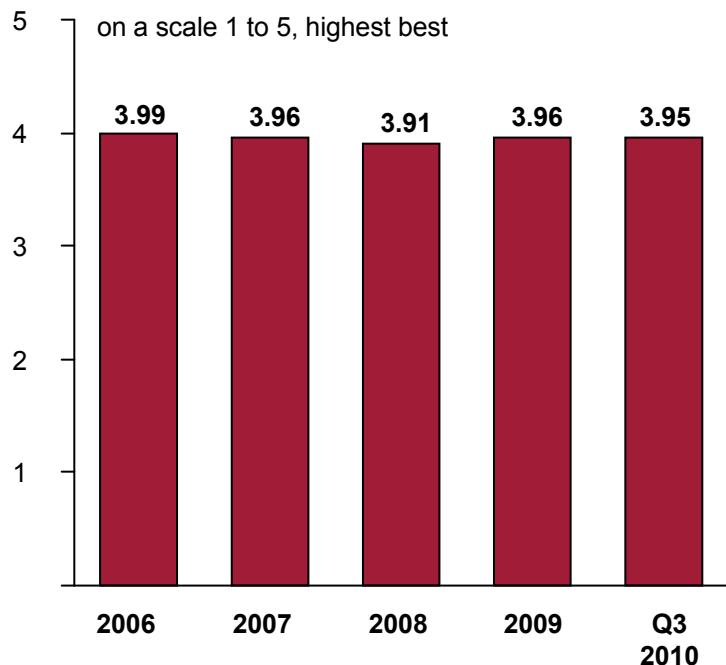




# High level of service quality unchanged

## Customer satisfaction index individual customers<sup>1)</sup> and other Indicators for service quality

### Customer satisfaction index



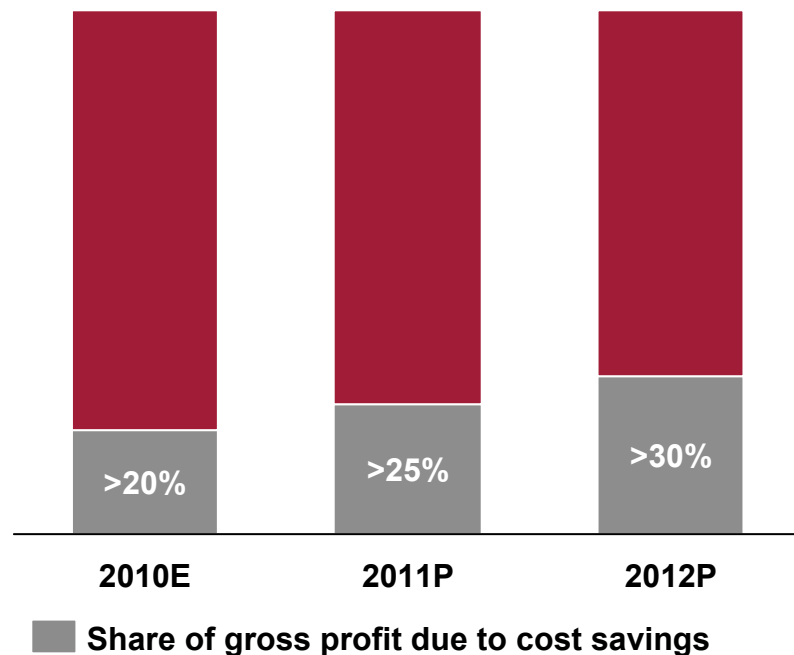
- Customer satisfaction at steady and high level
- For corporate and individual customers, unchanged and even improving:
  - Contract termination rate
  - Broker satisfaction index
  - Customer complaints rate

Despite selective staff reduction customer service quality maintained

1) Figures for corporate customers not available for 2009/2010

# Operational efforts with increasing impact on profit

## Gross profit<sup>1)</sup> analysis market unit Switzerland



- Reducing dependency on investment result
- Proven to be effective
- Support reduction of volatility and new product mix
- Impact of operational efforts on result increasing

Significant increase in earnings quality for 2010 and ongoing

1) Gross profit = Profit before policyholder participation and taxes

# Strict margin management to maintain sound profitability margin



Interest rate boundaries trigger measures, e.g.

1.2 %

1.4 %

1.8 %

**Worst Case**

**Bad Case**

**Good Case**

**Best Case**

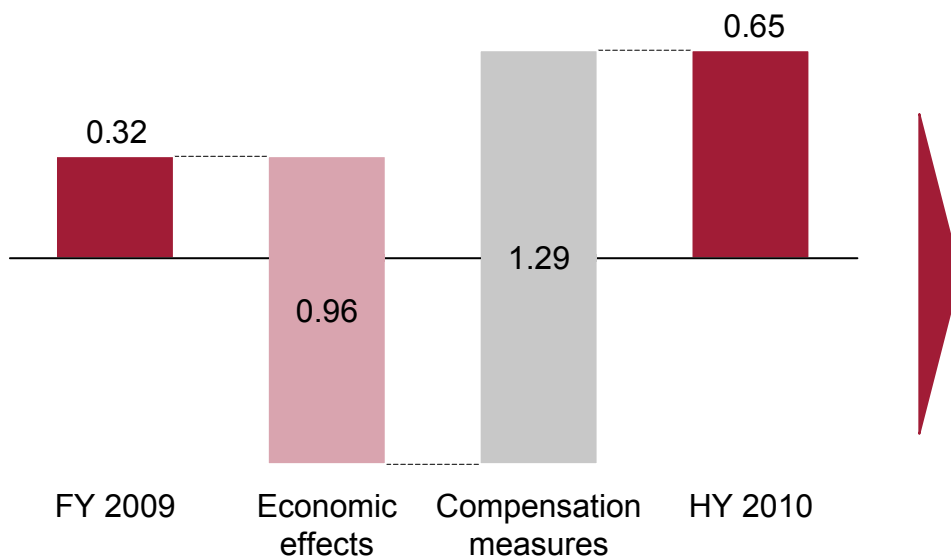
<p>e.g.</p> <ul style="list-style-type: none"> <li>▪ Reduction of commission</li> <li>▪ Even sharper decrease in guarantee</li> <li>▪ Fund portfolio with equity share below 15%</li> <li>▪ Increase in issuing commission</li> <li>▪ Sales freeze</li> </ul>	<p>e.g.</p> <ul style="list-style-type: none"> <li>▪ Significant decrease in guarantee</li> <li>▪ Fund portfolio with 15% equity share</li> <li>▪ Increase in issuing commission</li> </ul>	<p>e.g.</p> <ul style="list-style-type: none"> <li>▪ Slight decrease in guarantee</li> <li>▪ Fund portfolio with equity share slightly above 15%</li> <li>▪ Review possible increase in issuing commission</li> </ul>	<p>e.g.</p> <ul style="list-style-type: none"> <li>▪ Increase in issuing commission</li> <li>▪ Guarantee and funds remain unchanged</li> </ul>
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Individual repricing per product in line with current market interest rates can be executed in short time (6-8 weeks)

# Margin management on new business compensates for negative economic effects

## Development of new business margin market unit Switzerland

VNB as % of PVNBP



### Positive operating effects

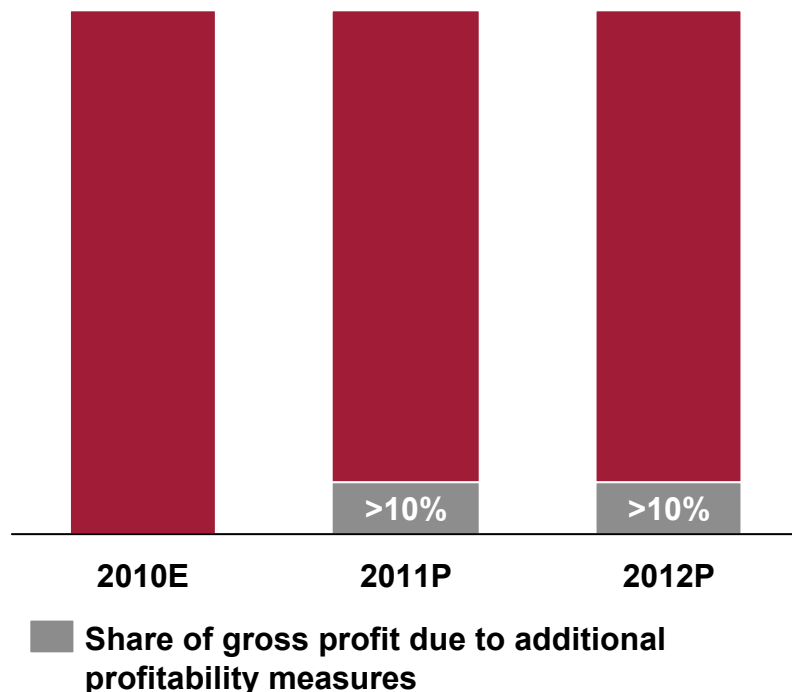
- Repricing and lowering profit sharing
- Cost-saving initiatives
- Shift to modern products
- Change in business mix
- Biometrical changes

### Negative economic effects

- Lower interest rates
- Higher volatilities
- No liquidity premium for FY09 and HY10

# Margin management including in-force business with strong effects

## Gross profit<sup>1)</sup> analysis market unit Switzerland



- Given the low interest rate environment, a package of additional profitability measures has been defined and implemented
- Most important measures:
  - adjusted crediting policy
  - adjusted product pricing
- Reducing dependency on investment result

Profitability measures compensate risk-reduced asset allocation and lower interest rates

1) Gross profit = Profit before policyholder participation and taxes

## Operational result: Key messages

- ▶ **Measures are on track and sustainable**
- ▶ **Service quality maintained at high level**
- ▶ **Stable profit contribution despite low interest rate environment**

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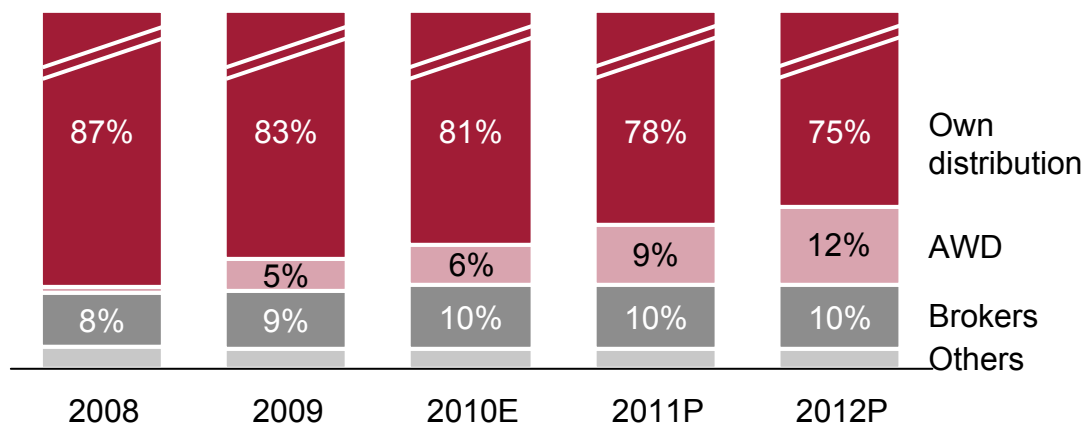
Summary

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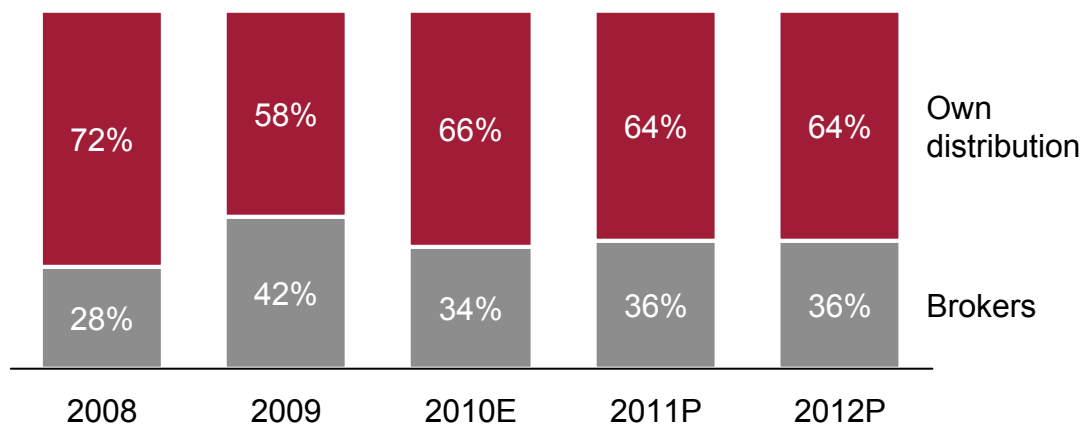
# Own distribution still the most important sales channel, now and in the future

## Business area New business production split

### Individual customers






### Corporate customers





# Multichanneling: Expand distribution channels and strengthen own distribution



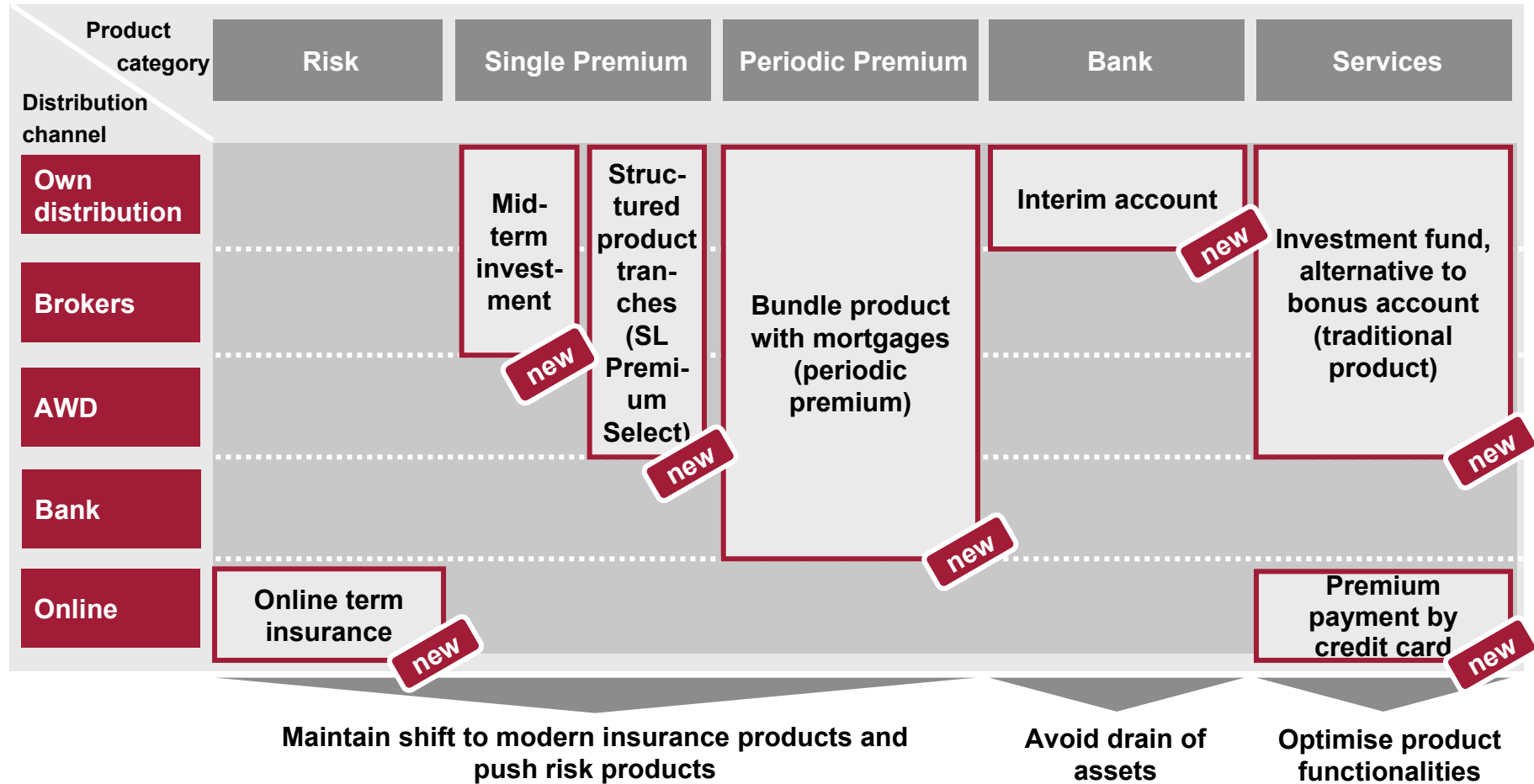
Topic	Achievements 2010		Outlook 2011
<b>Own sales distribution (tied agents)</b> 	Sales efficiency programme	Decrease churn rate from 23% to 16%	<b>Own sales distribution</b> <ul style="list-style-type: none"> <li>▪ Continue sales efficiency programme</li> <li>▪ Enhance advisory services &amp; quality</li> <li>▪ Continuous reduction of infrastructure costs</li> </ul>
<b>Brokers</b> 	Successful shift	Increase NBP of modern and risk products from 34% to 45%	<b>Brokers</b> <ul style="list-style-type: none"> <li>▪ Focus on high rated brokers</li> <li>▪ Segment-specific advisory &amp; products</li> </ul>
<b>AWD</b> 	Restructured sales structure	Reduce infrastructure costs by 16%	<b>AWD</b> <ul style="list-style-type: none"> <li>▪ Increase share of wallet of AWD</li> <li>▪ Increase service level</li> <li>▪ Joint product development</li> </ul>
<b>Partners</b>	Assessment & segmentation of brokers	Modern product share increase more than doubled (>200%)	<b>Partners</b> <ul style="list-style-type: none"> <li>▪ Strengthen existing cooperation</li> </ul>
<b>Bank</b>	Competitive commission system	New launch unit-linked payout plan (SL Timeplan) with over CHF 15 m NBP	<b>Bank</b> <ul style="list-style-type: none"> <li>▪ Exclusive bank cooperation</li> <li>▪ Bank-specific products with guarantees</li> </ul>
<b>Online</b>	Packaged solution	Packaged solution (products and services) successfully implemented	<b>Online</b> <ul style="list-style-type: none"> <li>▪ End-to-end online selling process through new online risk products</li> </ul>
	Customised incentive program	Swiss Life share of AWD NBP increased from 8.5% in Jan. 2010 to 28.6% in Oct. 2010	
	Direct debit procedure	Progress in production > 20% with 3 of 4 cooperation partners	
	Increase partner production		



# Multichanneling: Introduction of new modern and risk products for all distribution channels

SwissLife

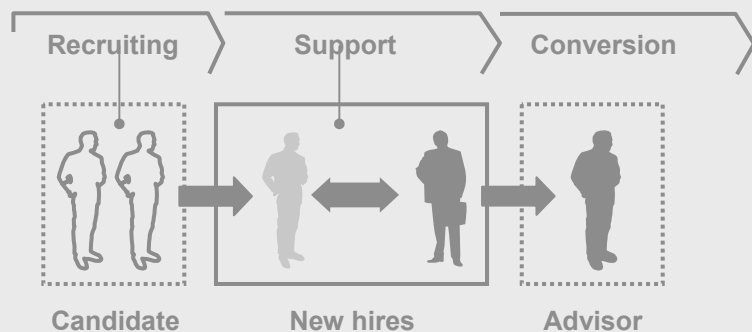
## Product pipeline for the distribution channels 2011



# Own distribution: Sales power increasing through sales efficiency programme

## Decrease churn rate

- Adjustments in recruiting process and commission system
- Decrease the span of control (introducing a new job profile 'sales manager') through 50 new 'sales managers'
- Increase head office support and assistance of customers

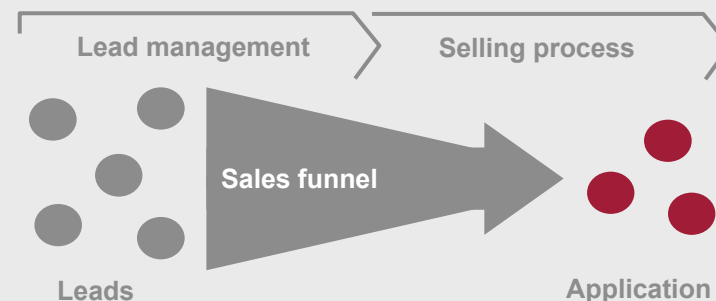


Decrease churn rate from 23% to 16%  
(-7% since December 2009)



## Systematic sales funnel with leads

- Systematic work and leadership method
- Qualified contact stimuli out of lead management
- Central appointment scheduling
- CRM tool starting 2011



> 3 000 conclusion of contracts due to centrally assigned leads (since September 2009)





# Own distribution: Increase share of modern products through high quality advisory services

## Products

Product extension 



## Expertise

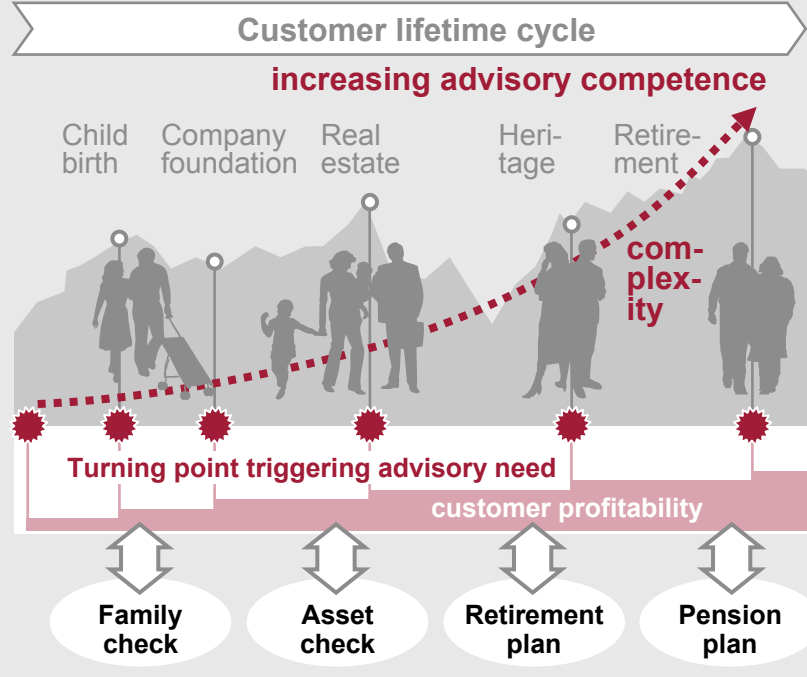
- 1. Build expert knowledge** 
  - New training course concept
  - Training for all tied agents
- 2. Manage mindshift** 
  - Interaction / Best Practice
- 3. Adapt commission system for general and sales agents** 

## Services

Sales effectiveness through high quality advisory services

Customer lifetime cycle

increasing advisory competence



Turning point triggering advisory need

customer profitability

Family check, Asset check, Retirement plan, Pension plan

Theme packages for customer advisory services

High quality overall consultation will increase the share of wallet by strengthening customer relationships and fostering sales opportunities

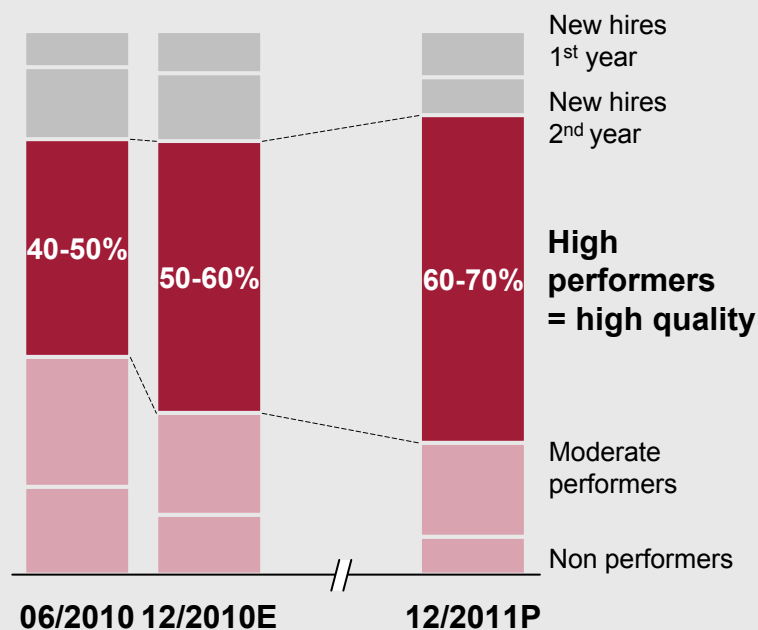
1) E.g. Champion Duo, Premium Select, Timeplan, etc.

# Own distribution: Increase distribution quality through focused and adapted sales power



## Increase advisory quality

Increase high performance advisory quality



Increased distribution quality combined with high quality advisory services will leverage overall distribution performance and quality.

## Quality measures

Decrease the number of moderate and non performers

- 2010: Decrease the number of non performers since June 2010
- 2011: Continuous tracking of moderate and non performers; Checkpoints for each quarter, incl. definition of measures



Tracking new hires

- 2010: Checkpoints for each quarter, incl. Definition of measures defined
- 2011: Strict coordination of target achievement between training and line



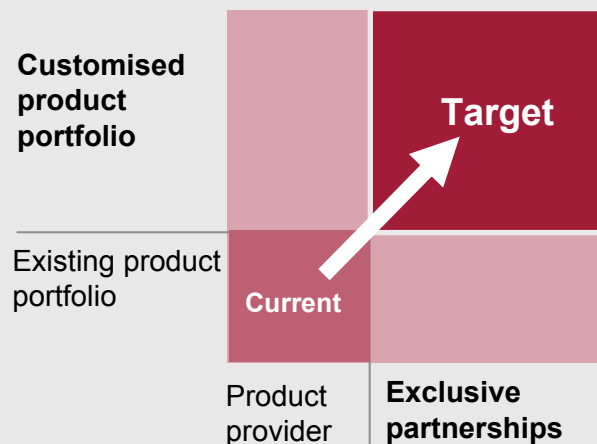
Strengthen economic responsibility

- 2011: Introduction of a proxy contribution margin at agency level
- 2011: Adjust incentive system at agency level

# Other channels: Increase distribution quality and power in bank and internet channels

## Banking

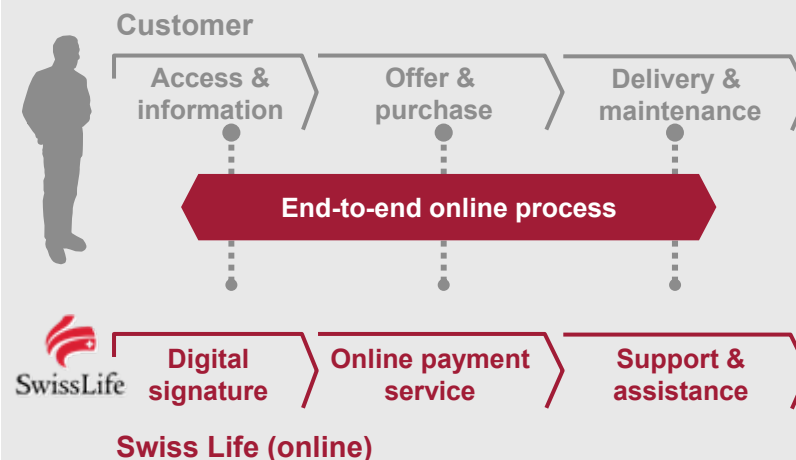
Further expansion with exclusive partnerships



- Partnership segmentation and corresponding prioritisation
- Further strengthen existing partnerships
- Further develop corporate customers products and services

## Internet (special focus)

Leverage the internet as sales channel



- Implement end-to-end online sales process by introducing new risk online product for individual customers (Swiss Life Classic ProtectEasy) 2010
- Expand online product offering 2011



# Distribution quality and power: Key messages

SwissLife

▶ Own distribution will remain major distribution channel with increased effectiveness and efficiency

▶ Multichannel approach will unlock growth potential

▶ Customer segmentation will drive distribution channels and product development

# Agenda

Key messages and strategy 2008–2012

Ivo Furrer

Customer value and new business profitability

Individual customers

Ivo Furrer

Corporate customers

H.-J. Stahel

Operational result

Martin Suter

Distribution quality and power

Ivo Furrer

→ **Summary**

**Ivo Furrer**



# Swiss Life Switzerland acts from a position of strength and is ready for the future

**Engagement value:  
Swiss Life 62% vs. industry average 50%**



# Cautionary statement regarding forward-looking information



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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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