

# Investors' Day 2012

## **Swiss Life Switzerland**

Ivo Furrer, CEO Switzerland  
Zurich, 28 November 2012

# Key messages

Swiss Life Switzerland is evolving from a pure life insurer into a comprehensive life and pensions and financial solutions provider, broadening its business model, diversifying and strengthening its long-term profitability and fortifying its market position

Swiss Life is **the largest provider of life and pensions and financial solutions** in Switzerland with an annual premium volume of over CHF 8 billion and about 1.2 million customers

Swiss Life **implemented the MILESTONE programme ahead of schedule** and fully achieved its goals in the three areas of products, profitability and costs

Swiss Life **will expand its activities** and offer new products in savings, healthcare insurance, property and asset protection and private housing

Swiss Life **will increase the effectiveness of its distribution and optimise market development** through consistent multi-channel management and thanks to its “teaming up” with Swiss Life Select Switzerland

Swiss Life **will intensify its margin management** through integrated product, distribution and margin steering and **continue to practise disciplined cost management**

# Swiss Life Switzerland with a strong and leading market position



FY 2011, in CHF

## Strategic positioning and market share

- Largest provider in Switzerland of comprehensive life and pensions and financial solutions for private and corporate customers
- Outstanding customer proximity with 40 general agencies and 15 Swiss Life Select branches located throughout Switzerland
- Market share (GWP):
  - Private customer business: 20%
  - Corporate customer business: 29%

## Key strengths

- Customised products and solutions for corporate customers
- Individual products and solutions catering to the various needs of private customers
- In addition “Best-Select” and package solutions for private customers and open platform for partners
- Wealth of expertise and high level of know-how

## Financials

- Swiss Life Switzerland
  - GWP: 8.1 bn  
(81% group life, 19% individual life)
  - Segment result: 476 m
  - Insurance reserves: 72.8 bn
- Swiss Life Select Switzerland
  - Revenues: 89.1 m
  - EBIT: 7.0 m

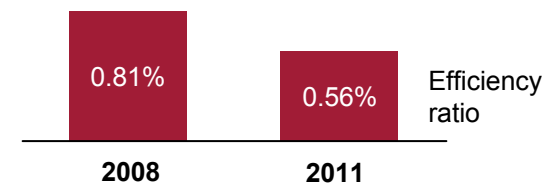
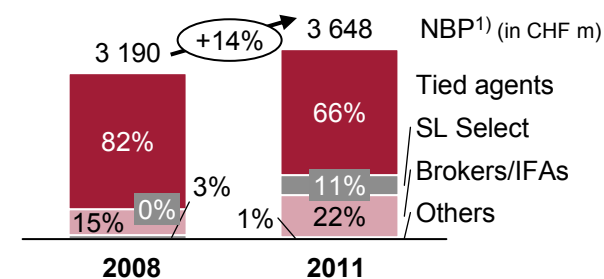
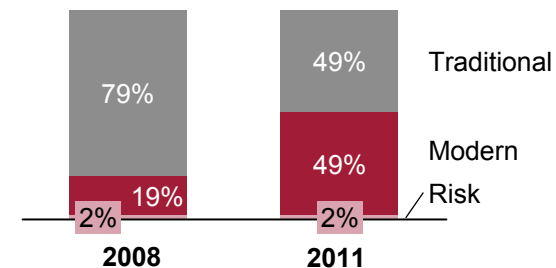
## Other key figures

- Customers:
  - About 1.2 million private customers<sup>1)</sup>
  - Approximately 38 000 corporate customers
- Distribution:
  - 600 Swiss Life tied agents;
  - 350 Swiss Life Select senior financial advisors, 220 FA's
  - 680 accredited brokers/IFAs; 60 Swiss Life Select partners
- Staff (incl. distribution):
  - 1995 Swiss Life FTE's
  - 675 Swiss Life Select head count

1) Including 515 000 beneficiaries in group life

# MILESTONE goals fully achieved ahead of schedule

Workstream	Achievements
<p><b>Enhance customer value &amp; new business profitability</b></p>	<ul style="list-style-type: none"> <li>Attractive new products launched with and without guarantees</li> <li>Sales force trained intensely on modern products</li> <li>NBM of 0.3% at FY11 (vs 1.2% FY08) due to challenging capital market environment; at HY12 0.7% due to repricings with promising FY12 forecast</li> </ul>
<p><b>Increase distribution quality and power</b></p>	<ul style="list-style-type: none"> <li>Tied agents' productivity increased</li> <li>Swiss Life Select and broker channels leveraged</li> <li>Bank and internet as additional channels implemented</li> <li>New sales cooperation with Nationale Suisse in Group Life established</li> </ul>
<p><b>Improve operational excellence</b></p>	<ul style="list-style-type: none"> <li>Cost savings of CHF 188 m since 2008 successfully implemented leading to a significantly improved efficiency ratio</li> </ul>

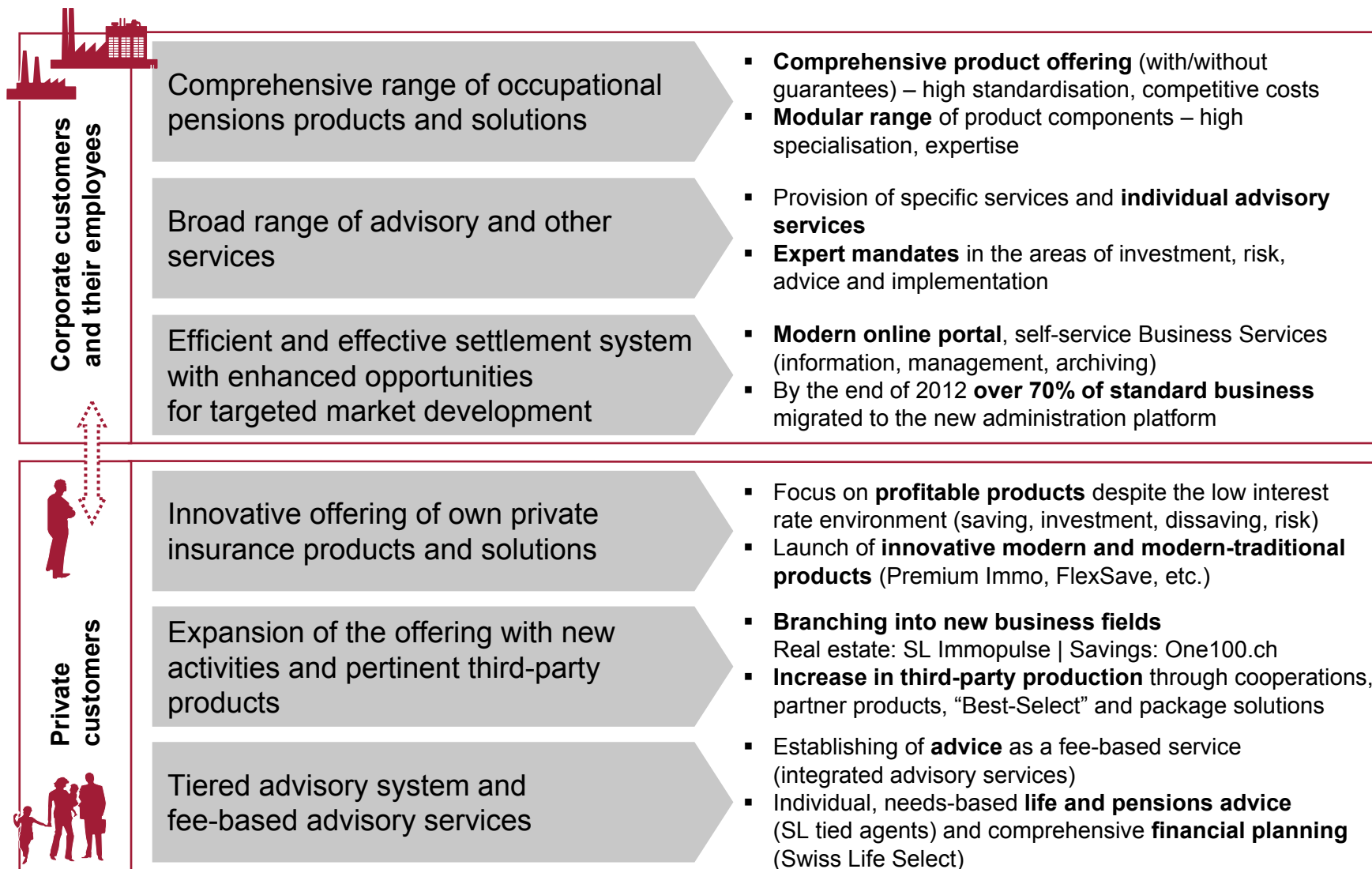


1) New business production





# Focus on broader business model for corporate and private customers



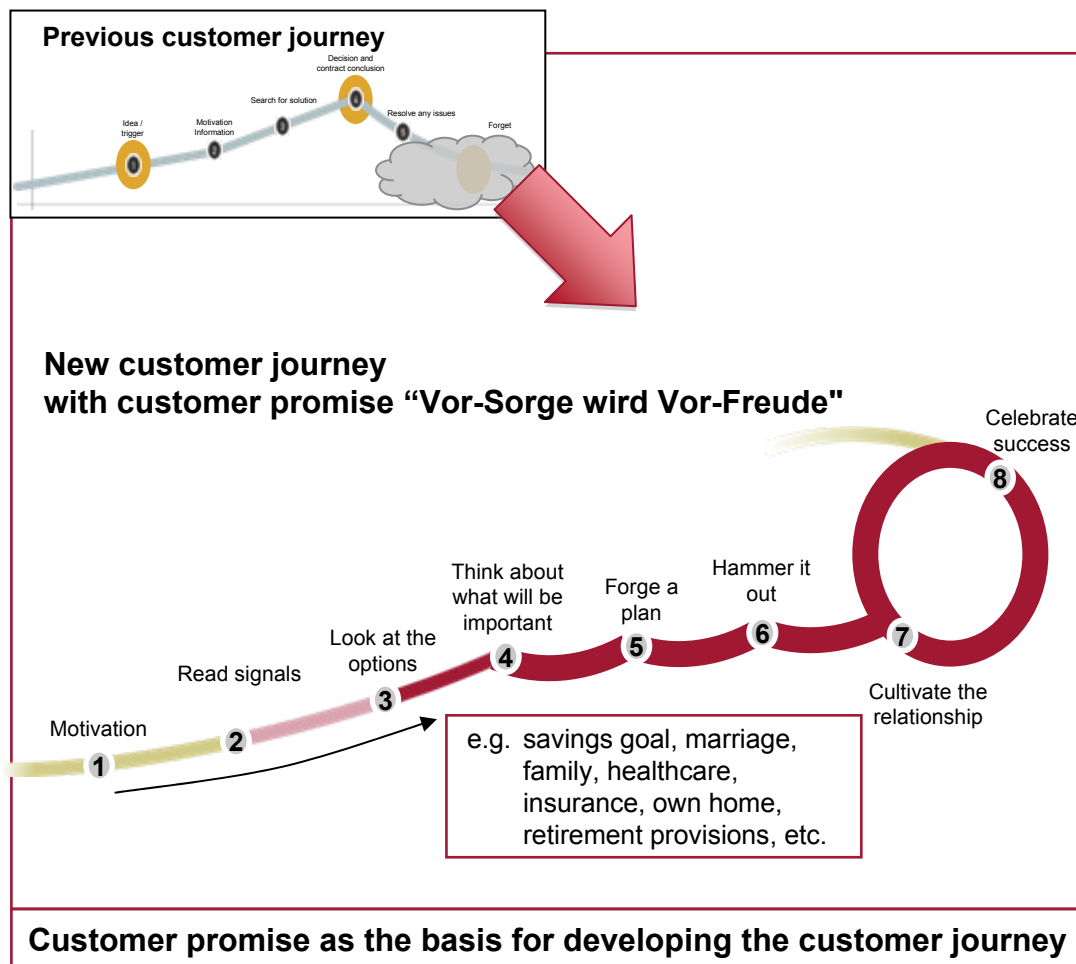
Expansion of the business model



# Initiatives with a sound impact by 2015

	Objectives	Initiatives	Impact	
1	<b>Customer promise</b>	Transformation towards customer satisfaction	<ul style="list-style-type: none"> <li>Establishing a new customer focus</li> <li>Perceptible implementation of the new customer promise</li> </ul>	<b>Increase in NBP</b> <b>CHF +100 to +200 m</b> <ul style="list-style-type: none"> <li>↗ Share of wallet</li> <li>↗ Reinvestment rate</li> <li>↗ Recommendation rate</li> </ul>
2	<b>Offering</b>	Expansion into a comprehensive life and pensions and financial solutions provider	<ul style="list-style-type: none"> <li>Strengthening of full-range provider role</li> <li>Expansion of advisory services offering</li> </ul>	<b>Improvement in VNB</b> <b>&gt; 1%, target 1.3%</b> <ul style="list-style-type: none"> <li>↗ Product margin &amp; capital efficiency</li> </ul> <b>Increase in fee business</b> <b>CHF +30 to +40 m</b> <ul style="list-style-type: none"> <li>↗ Fee business with third-party products &amp; services</li> </ul>
3	<b>Distribution</b>	Individual enhancement of distribution channels Continuation of product, distribution and margin management	<ul style="list-style-type: none"> <li>Strength-based positioning of distribution channels and “teaming up” with Swiss Life Select</li> <li>Intensification of multi-channel management</li> </ul>	<b>Increase in NBP</b> <b>CHF +200 to +300 m</b> <b>Increase in fee business</b> <b>CHF +10 to +15 m</b> <ul style="list-style-type: none"> <li>↗ Market penetration</li> <li>↗ Opening up of new customer segments</li> <li>↗ Distribution margin</li> </ul>
4	<b>Efficiency and quality</b>	Maintaining high cost discipline Implementing “teaming up” with Swiss Life Select	<ul style="list-style-type: none"> <li>Increasing effectiveness and efficiency</li> <li>More selective exchange of best practices</li> <li>Realisation of synergies over time</li> </ul>	<b>Costs savings</b> <u>Operating expense:</u> <b>CHF -25 to -30 m</b> <ul style="list-style-type: none"> <li>↘ Operational costs</li> <li>↘ IT costs</li> </ul> <u>Variable expense:</u> <b>CHF -10 to -15 m</b> <ul style="list-style-type: none"> <li>↗ Distribution effectiveness</li> </ul>

## Increase in number of touchpoints leads to higher new business production



### Focus areas

- Increase in number of touchpoints along customer journey for new and existing customers (e.g. health insurer, real estate, final payout)
- Embedding of a sustainable customer relationship and lifecycle management

### Impact

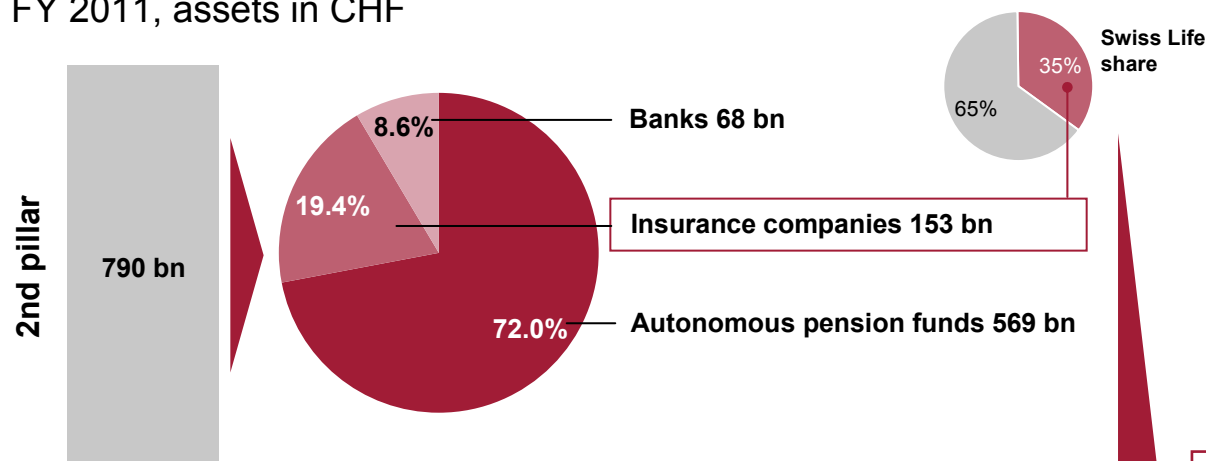
- Significant increase in reinvestment rate: doubling from ~10% to >20%
  - Substantial increase in cross- and up-selling rate (share of wallet): from 1.4 to 2 contracts per active customer
  - Net increase in number of customers
- Leads to an increase in new business production of CHF +100 to +200 m





# Strong, healthy corporate customer business

FY 2011, assets in CHF



Source: FINMA & Swiss Life estimate

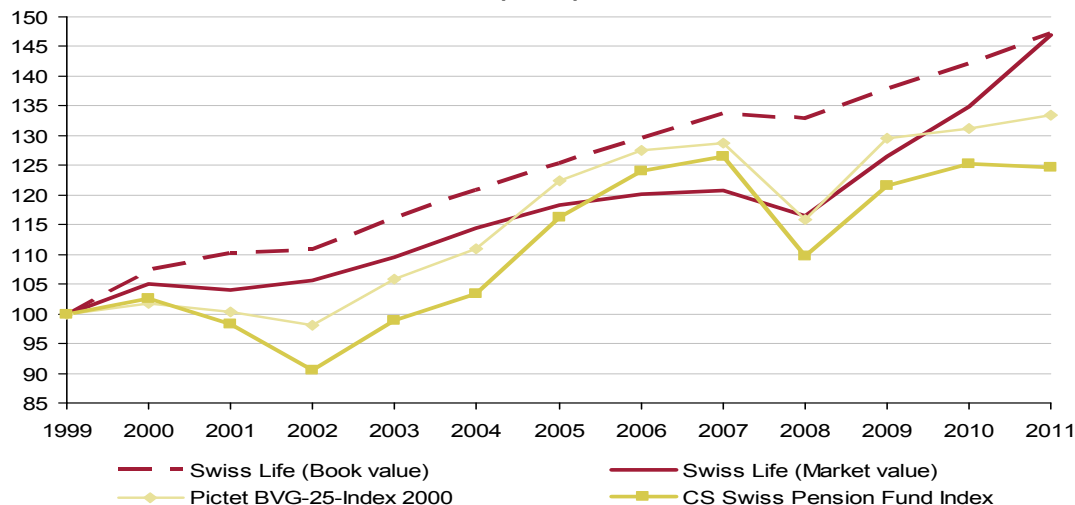
## Market and competition

- Market volume for insurance: Approx. CHF 153 billion assets, plus biometric risks and fee business
- Annual tariff adjustments for new and in-force business possible
- Insurer of tied assets always with cover ratio >100%
- Some public-sector funds with shortfalls and poor investment performance

## Swiss Life's position

- Swiss Life is market leader in Swiss corporate customer business
  - Comprehensive full-range provider offering
  - High level of know-how
  - Mathematical reserve of 35% with a market share of 29% (GWP)
  - Above-average investment return (2011: CS PF Index 125% | Swiss Life 147%)
  - New innovative business model based on a new administration system
- **Stable, sustained income**
- **VNB margin >1%, target 1.3%**

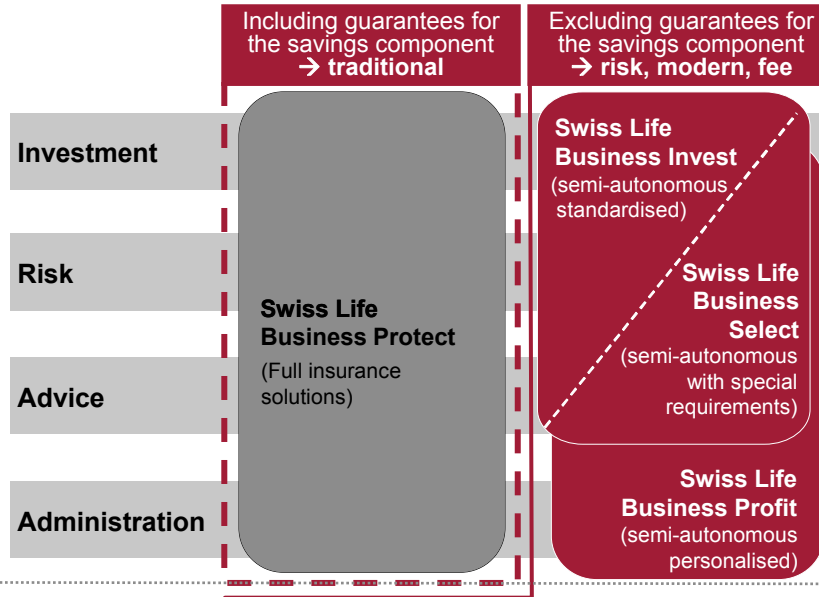
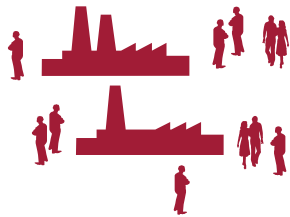
## Accumulated investment return (in %)



# Own production - Corporate customers: Comprehensive, modular offering



Smaller and medium-sized enterprises

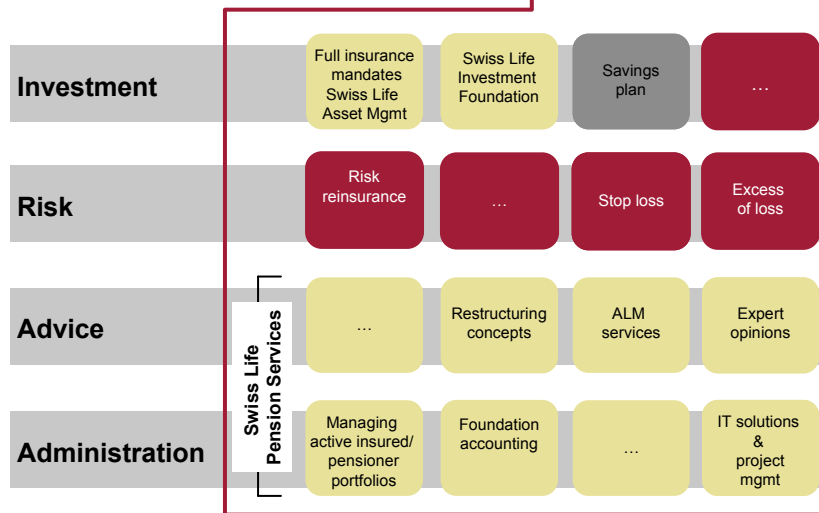


Traditional  
 Modern  
 Fee

### Focus areas

- Full-range offering with possibility to push off-balance and modern solutions
- Generation of fee business through Swiss Life Pension Services
- Investment in expansion of modern portfolio management system

Large businesses and pension funds



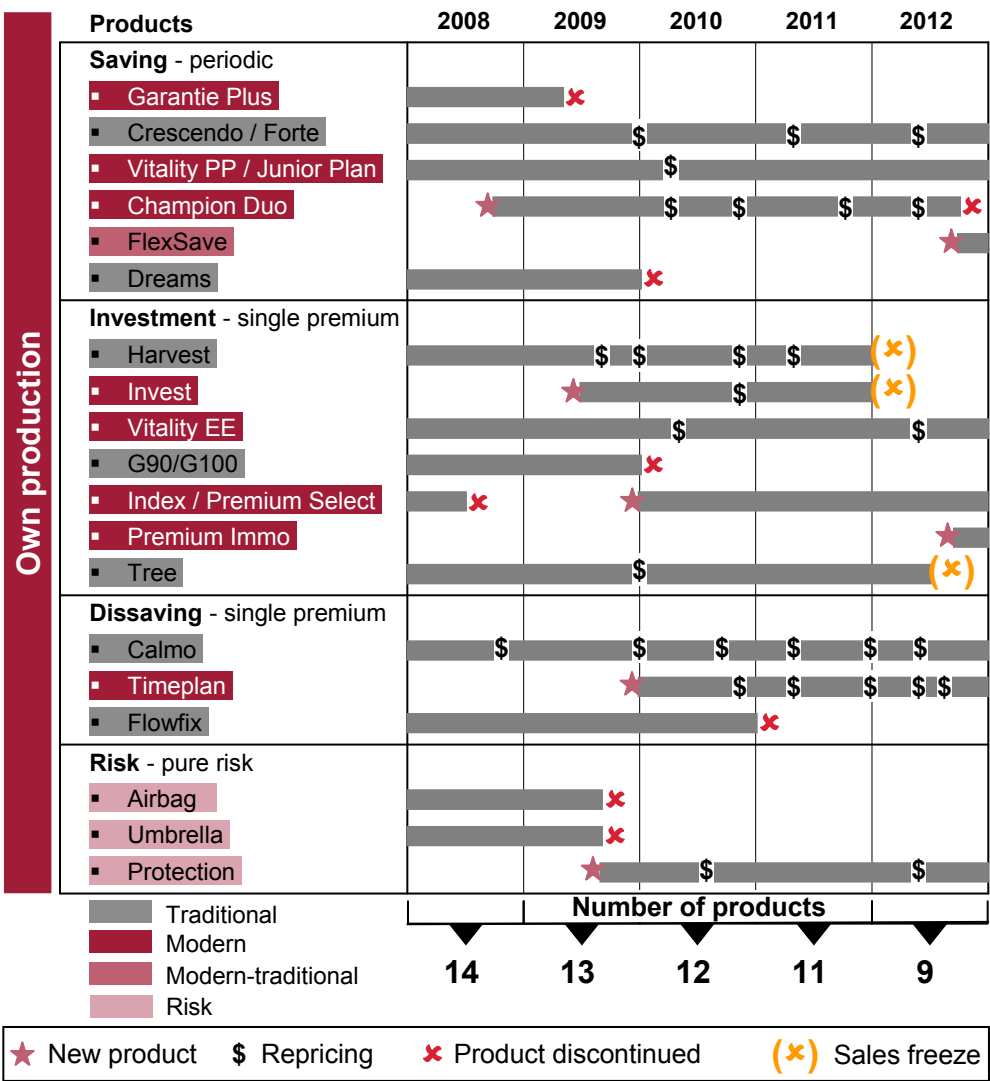
### Impact

- Profitable products
- Mix of on- and off-balance income streams incl. fee business

→ Contains VNB and bottom-line contribution

→ **Substantial share in increase of fee business of a total of CHF +30 to +40 m across businesses**

# Own production - Private customers: Innovative, streamlined product range



- ### Focus areas
- Maintaining a streamlined product range and continue intense margin management
    - Economic pricing
    - New and lower guarantees
    - Strict management process
  - Development of innovative products including and excluding guarantees (e.g. Premium Immo, FlexSave)
  - Compensation of volume shifts in distribution through increase in third-party production

- ### Impact
- Sale of profitable products
  - Improvement in new business margin
- ➔ VNB margin >1%, target 1.3%

# Own production - Private customers: Active margin management

Assumed interest rate



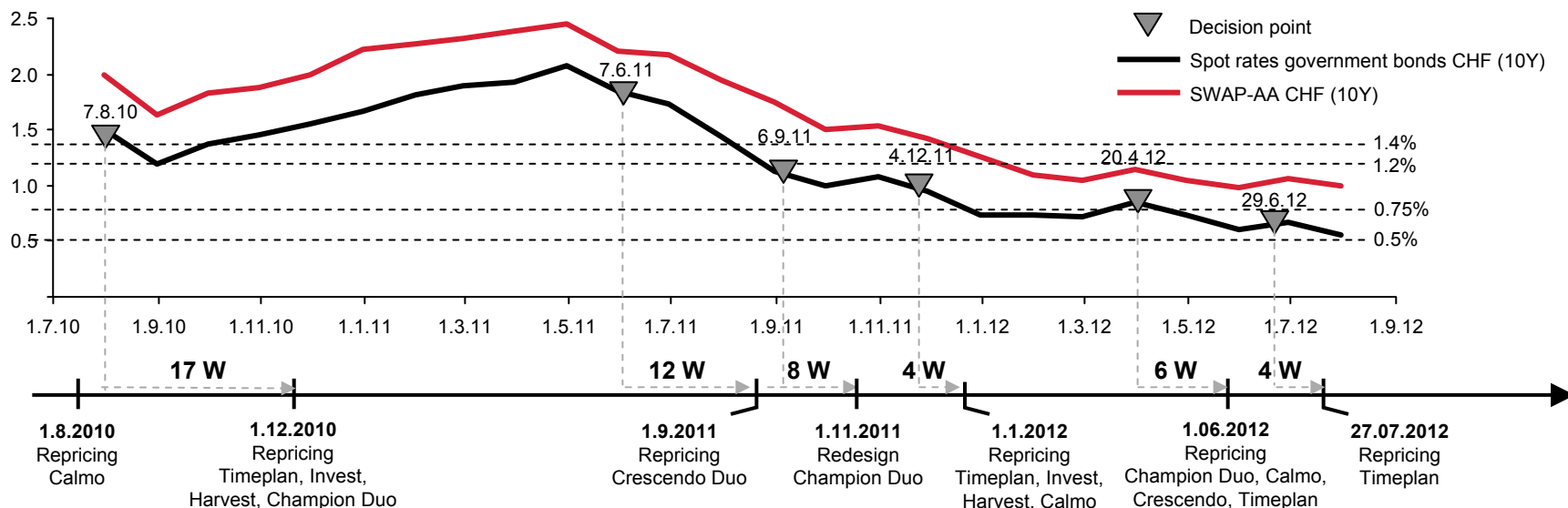
1.5%<sup>1)</sup>  
0.6%<sup>2)</sup>

< 1.0%  
< 0.4%

1.5%  
0.6%

2.0%  
0.9%

<p>e.g.</p> <ul style="list-style-type: none"> <li>Very strong reduction in guarantee level</li> <li>Strong reduction in distribution fees = virtual sales freeze</li> </ul>	<p>e.g.</p> <ul style="list-style-type: none"> <li>Appreciable reduction in guarantee level</li> <li>Fund portfolio with equity exposure of 15%</li> <li>Reduction in distribution fees</li> <li>Restriction of scope of application (e.g. duration)</li> </ul>	<p>e.g.</p> <ul style="list-style-type: none"> <li>Slight reduction in guarantee level</li> <li>Fund portfolio with equity exposure above 15%</li> </ul>	<p>e.g.</p> <ul style="list-style-type: none"> <li>Guarantee level and participation level remain unchanged</li> <li>Distribution fees at normal level</li> </ul>
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- Repricing possible within 4-8 weeks, in exceptional cases even within 2-3 weeks
- Monthly assessment and measures by the Swiss Executive Committee

1) First half-year 2011 2) First half-year 2012



# Tied agents and Swiss Life Select offering: Attractive own and partner products

Tied agents	Customer need	Providers	2012	2013	2014	2015
	<ul style="list-style-type: none"> <li>Own production IL<sup>1)</sup> / GL<sup>2)</sup></li> <li>Fee-based advisory services</li> <li>New business fields (SL Impopulse, One100, advice)</li> </ul>	<ul style="list-style-type: none"> <li>Healthcare insurance</li> <li>Property/liability insurance</li> <li>Personal insurer Corp.</li> <li>Investing / Financing</li> </ul>	Sanitas	[Bar chart showing presence from 2012-2015]		
<b>Partner offerings</b>	Various a)		[Bar chart showing presence from 2012-2015]			
		Helsana	[Bar chart showing presence from 2012-2015]			
		Various b)	[Bar chart showing presence from 2012-2015]			

Own and partner products	Customer need	Product partners 1-n
	<b>"Best-Select"</b> <ul style="list-style-type: none"> <li>Property and asset protection</li> <li>Healthcare insurance</li> <li>Mortgages</li> <li>Life insurance</li> <li>Income protection</li> <li>Investment / capital investments</li> <li>Insurance through banks</li> <li>Vested benefits</li> <li>Personal insurance Group</li> </ul>	

Swiss Life Select	Customer need	Providers	2012	2013	2014	2015
	<b>Package solutions</b> <ul style="list-style-type: none"> <li>Sorglos Property and asset protection</li> <li>Sorglos Healthcare insurance</li> <li>Glück</li> <li>Other packages</li> </ul>	Helvetia c)	[Bar chart showing presence from 2012-2015]			
Sanitas c)		[Bar chart showing presence from 2012-2015]				
		[Bar chart showing presence from 2012-2015]				
		[Bar chart showing presence from 2012-2015]				

a) Nationale Suisse, Mobiliar, DAS, Vaudoise  
 b) CS, Coop, SL Time Account (proprietary & third-party funds)  
 c) No exclusivity

## Focus areas

- Swiss Life tied agents: Main channel for own products
- Swiss Life Select: Open platform for partners and "Best-Select" for customers
- Strengthen third-party production with selected partners
- Development of attractive package solutions
- Fee-based advisory services (integrated advisory offering)

## Impact

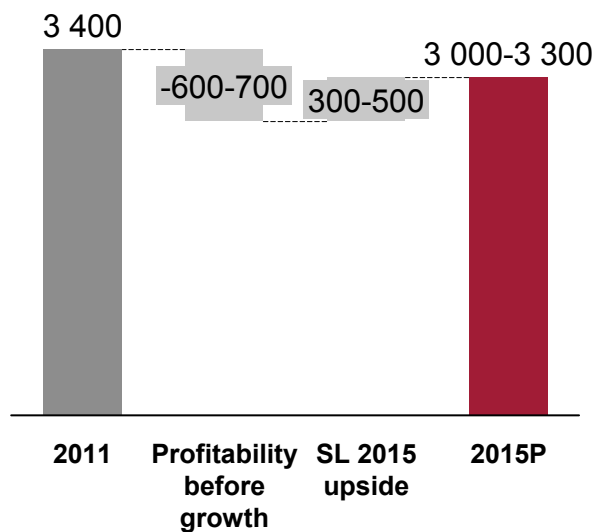
- Increase in third-party production
- Compensation for fall in volume of own production
- Customer franchise and exploitation of distribution asset
- **Increase in VNB > 1%, target 1.3%**
- **Substantial share in increase of fee business of a total of CHF +30 to +40 m across businesses**

1) IL = Individual Life  
 2) GL = Group Life

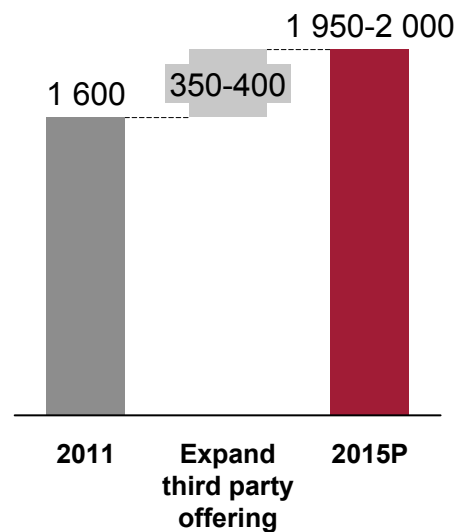
# Compensation for own production through third-party products and/or fee business

In CHF m

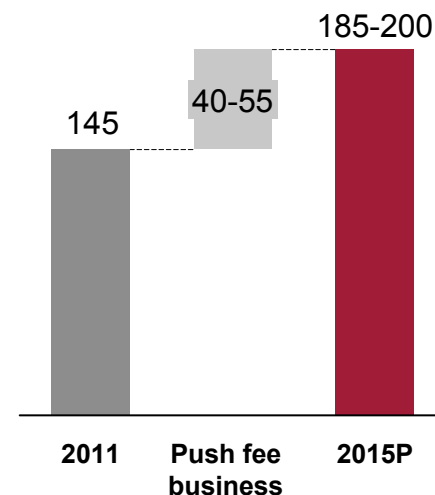
**New business production of Swiss Life own products**



**New business production of Swiss Life Select and third-party production tied agents**



**Fee income of Swiss Life and Swiss Life Select<sup>1)</sup>**



**Profitability before growth:**

- Lower new business production as a result of repricing measures and margin management
- Partly compensated by focusing on customer promise and distribution activities

**Increase in third-party production:**

as a result of launch of relevant offerings with product partners

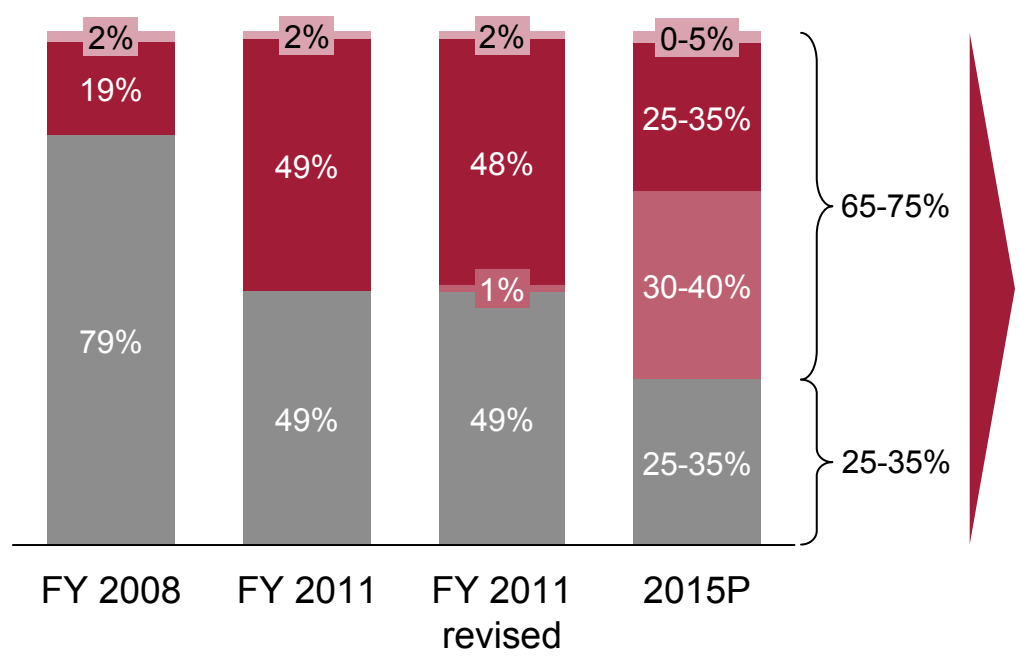
**Increase in fee business:**

from Swiss Life Pension Services, real estate offering for private customers, One100, third-party production sales force, Swiss Life Select commission income and fee-based advisory services

1) Pro forma

# Consistent modification of product offering

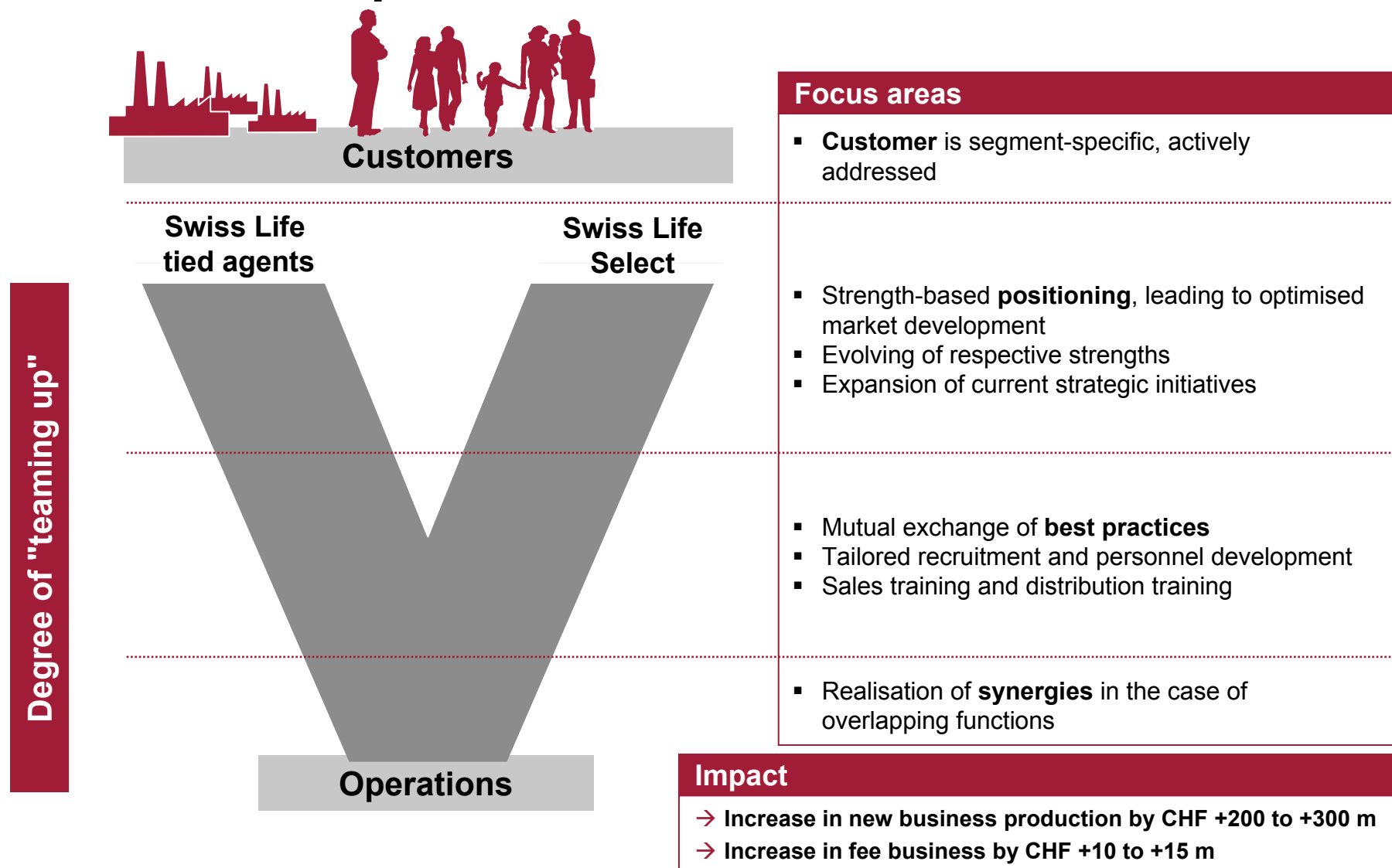
New business mix (in NBP)



- First modern-traditional product with an alternative guarantee concept introduced in Q3 2012 (Individual life saving 'SL FlexSave')
- Development and launch of further alternative guarantee concepts in appropriate segments
- Continue tranche products
- Promote off-balance and modern product solutions in Group Life

Risk      Modern-traditional  
 Modern      Traditional

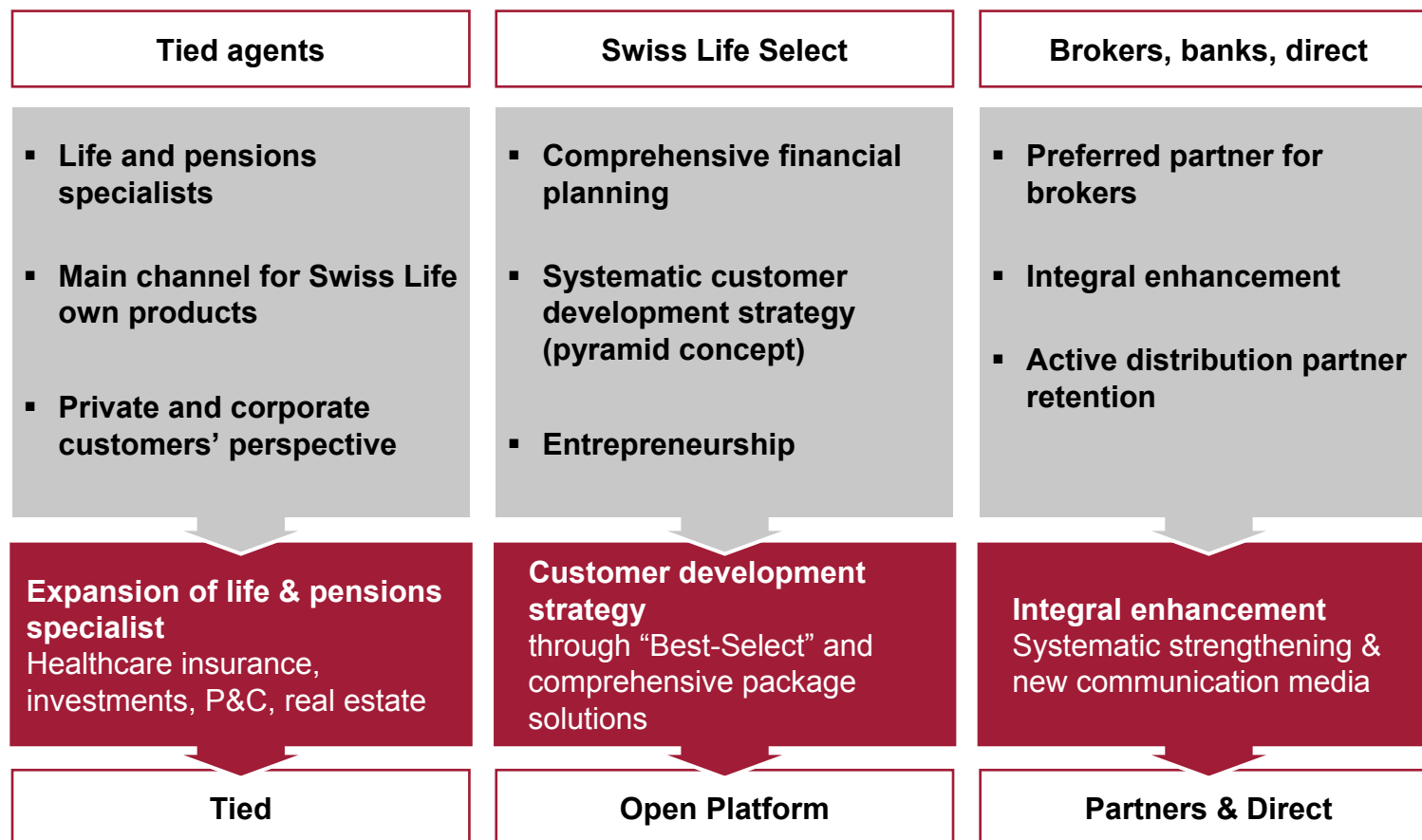
# Sophisticated “teaming up” allows optimised market development





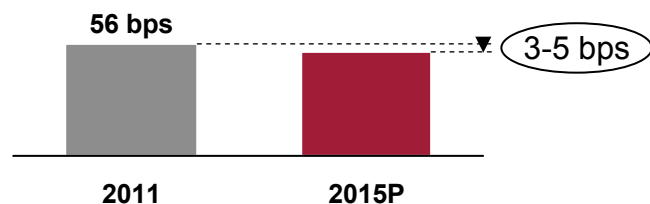


# Enhancement of individual strengths



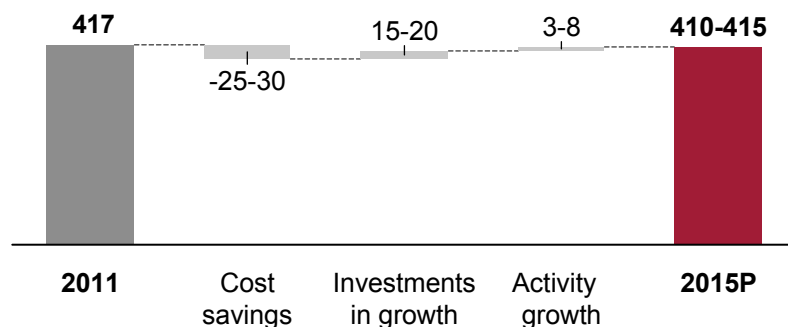
# Strict cost management will further improve efficiency ratio

### Efficiency ratio<sup>1,2)</sup>



Despite flat costs, efficiency ratio will be further improved over the period from 2011 to 2015

### Operating expense<sup>2)</sup> (in CHF m)



All investments are financed from current income

### Quality measures

- Profitability before growth
- Fee business and grow risk business
- Customer centricity

### Variable expense

- Reduction in distribution costs

### Operating expense

- **Cost savings**
  - Synergies “teaming up” with Swiss Life Select and within IT
- **Investments in growth**
  - Growth programme
  - New administration system for corporate customers
  - Sanitas sales support
- **Activity growth**

### Impact

- ➔ Reduction in operating expense by CHF -25 to -30 m
- ➔ Reduction in variable expense by CHF -10 to -15 m

1) Operating expense in % of average technical reserves

2) Pro forma adjusted incl. Swiss Life Select

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# Contact details and financial calendar

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## Financial calendar

Full-year results 2012	27 February 2013
Publication of Annual Report 2012	18 March 2013
Annual General Meeting	23 April 2013
Interim Statement Q1 2013	23 May 2013

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