

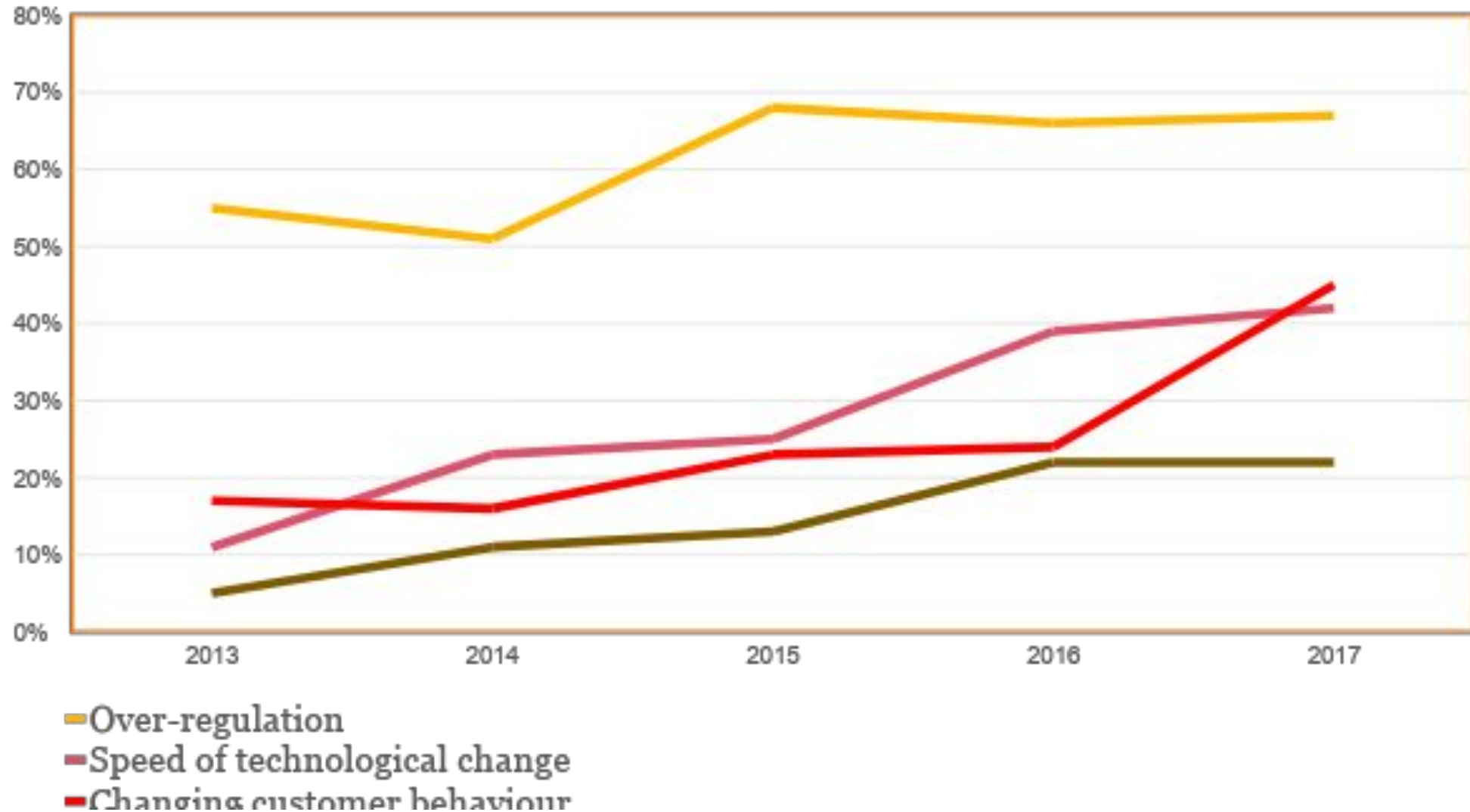
Addressing transformational change

The agenda of the Global Insurance CEO

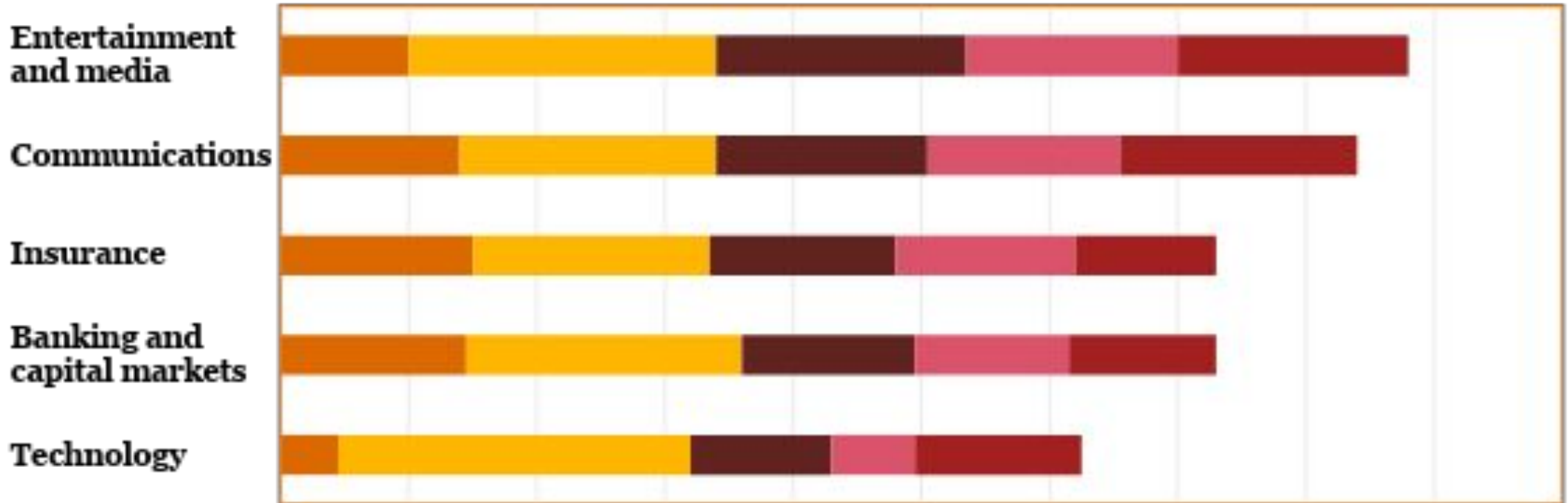
Warsaw
April, 2018



The Disruption of the Insurance Sector is Accelerating



Across 20 sectors, Insurance is among the most disrupted sectors in the global economy

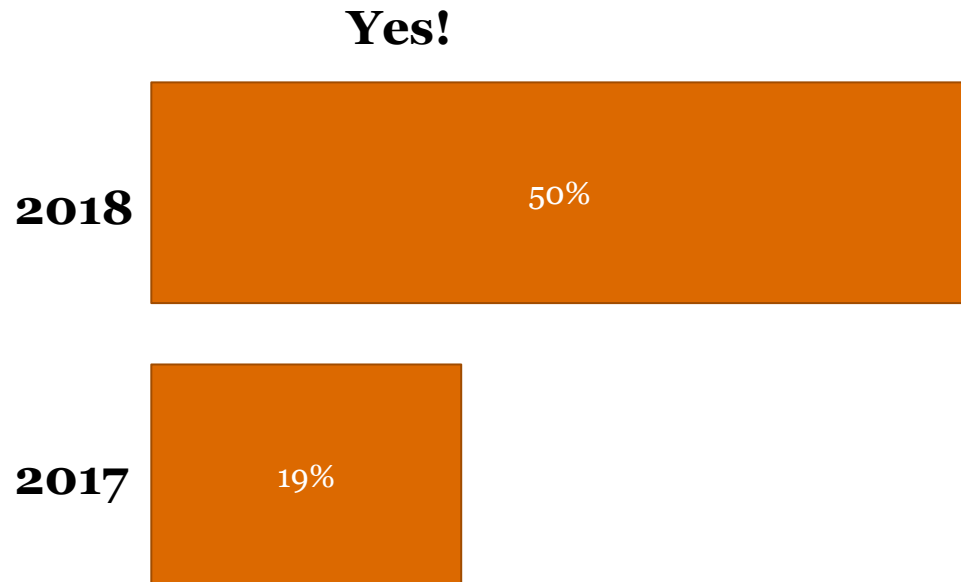


Disruption caused by change in:

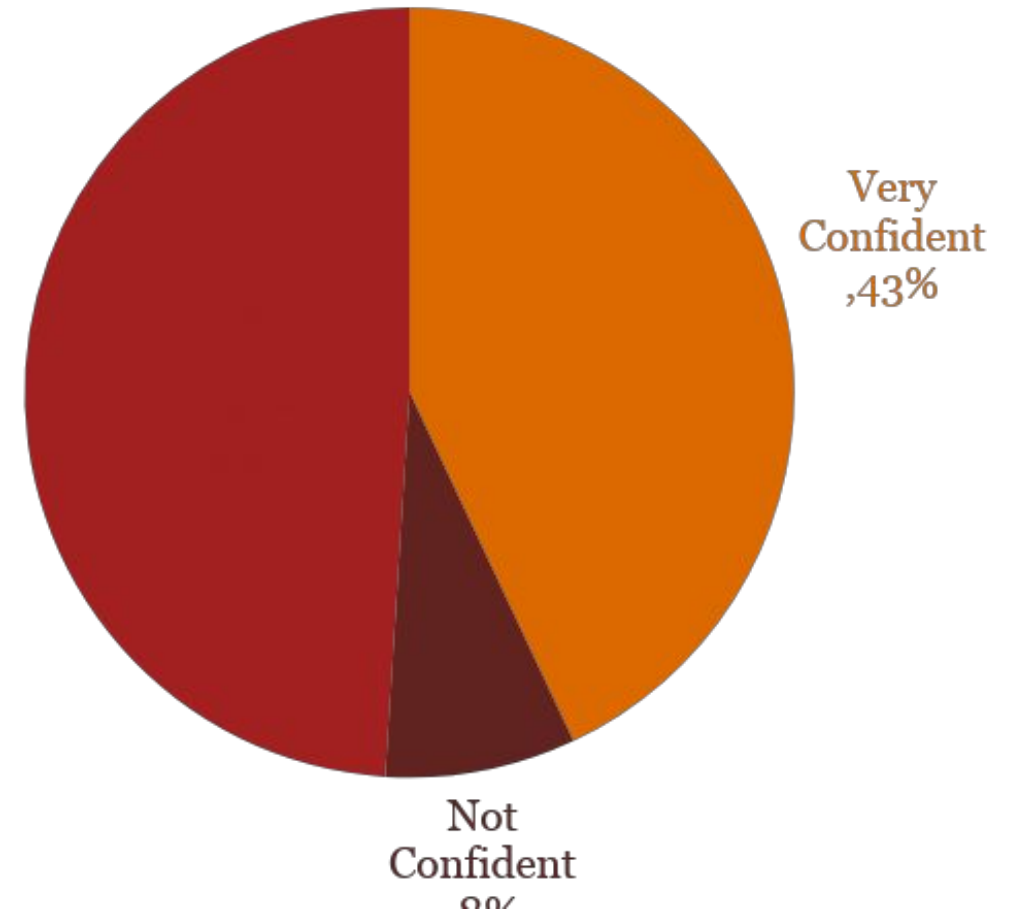
■ Industry regulation ■ Core technologies ■ Customer behaviour ■ Distribution channels ■ New competitors

This disruption is increasingly seen as creating more opportunity than threat

Will global economic growth improve over the next 12 months?



Confidence in own revenue growth over next 3 years?



The Agenda of the Global Insurance CEO

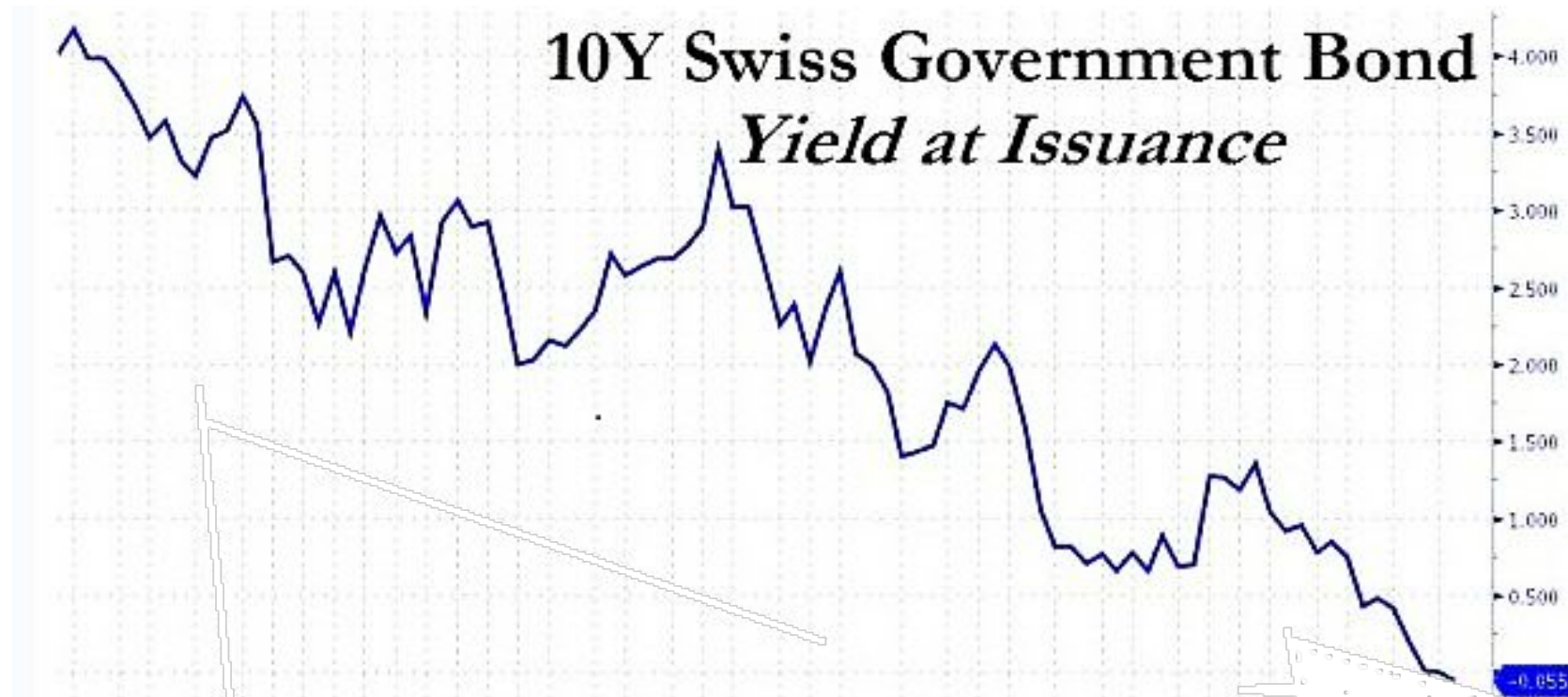




Costs

Backbook distress caused by low interest rates

- A challenge for general insurers
- A crisis for life insurers



.... compounded by soft non-life market even after 2017 hurricanes

Costs

CEO Survey:

Insurance CEOs planning to implement a cost reduction initiative in the coming 12 months

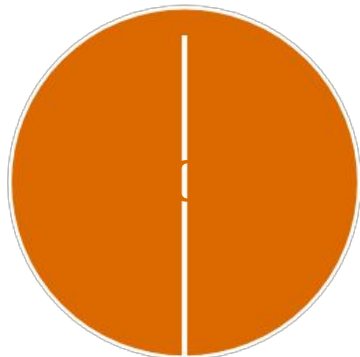
2016



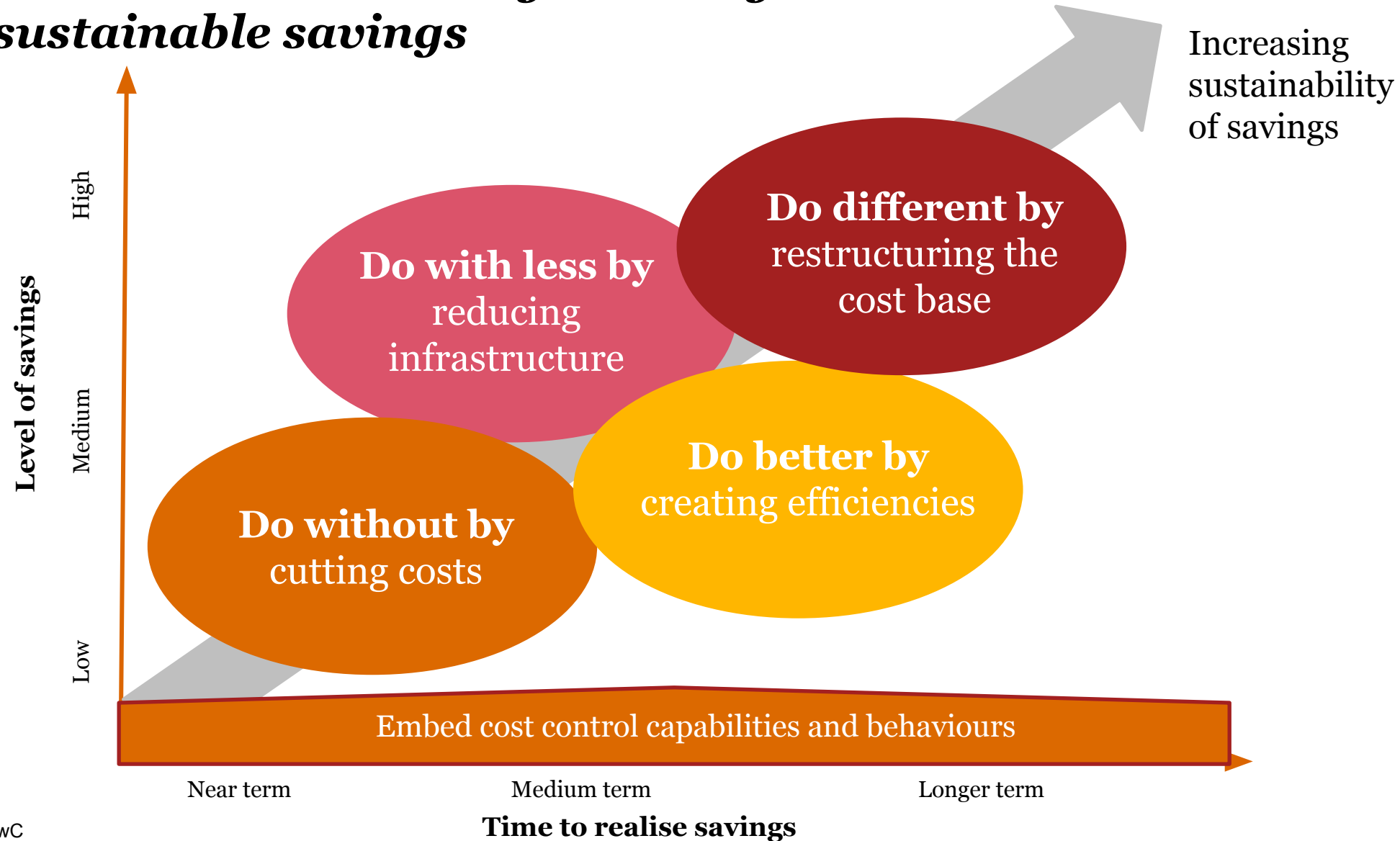
2017



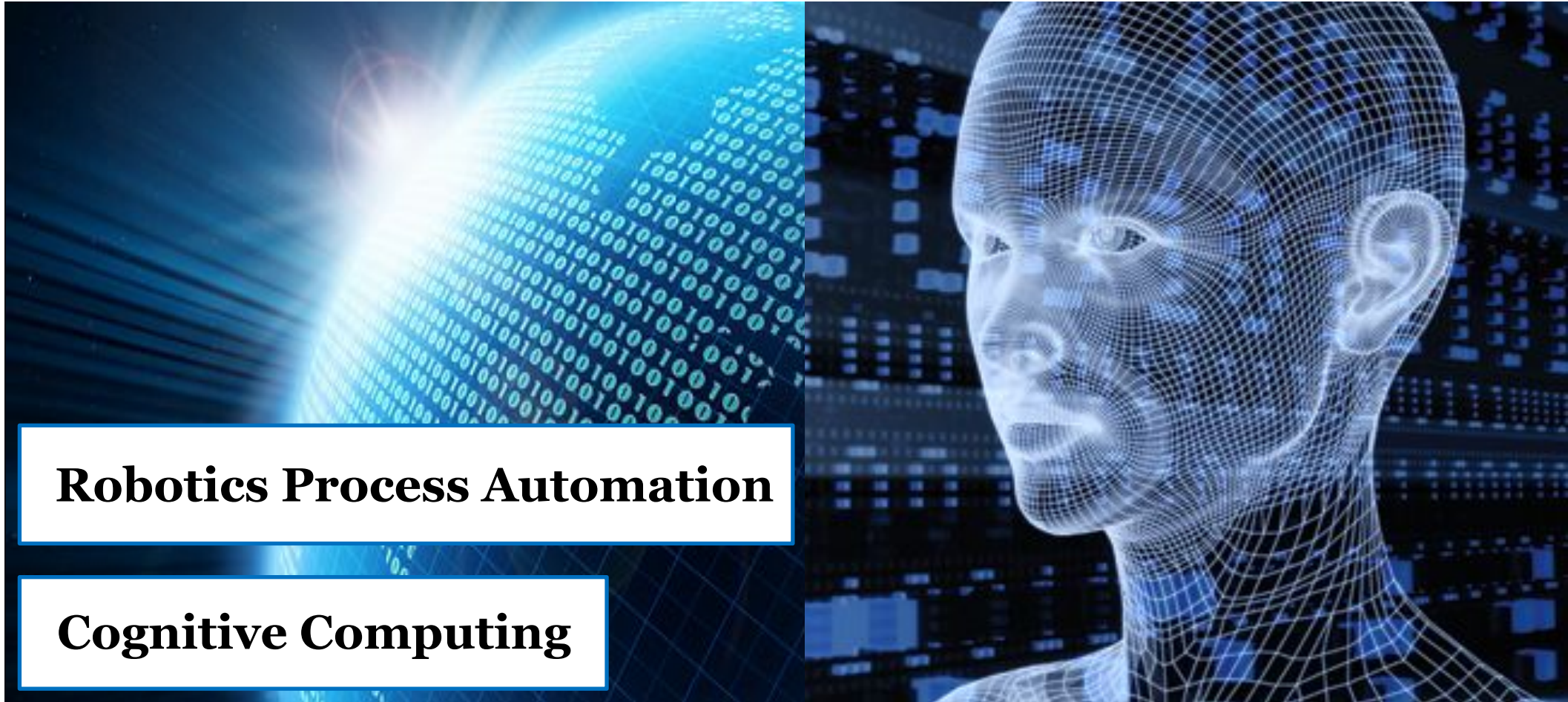
2018



Insurers are exhibiting a much greater commitment to sustainable savings



Is labor arbitrage really the answer?



Robotics Process Automation

Cognitive Computing

Costs

*Is Blockchain the next
killer app?*

*A permanent, tamper proof
history of transactions.*

Absolutely! 66% of insurers expect use cases in production in 2018



Costs

Blockchain Insurance Use Cases

Documentation of commercial contracts

KYC / AML Compliance

Claims management

The Key to Automation? *The Simplification of Processes.*

Data Centers

- Step 1
- Step 2
- Step 3
- Step 4
- Step 5
- Step 6
- Step 7
- Step 8
- Step 9
- Step 10
- Step 11
- Step 12
- Step 13
- Step 14
- Step 15
- Step 16
- Step 17

Systems/Processes





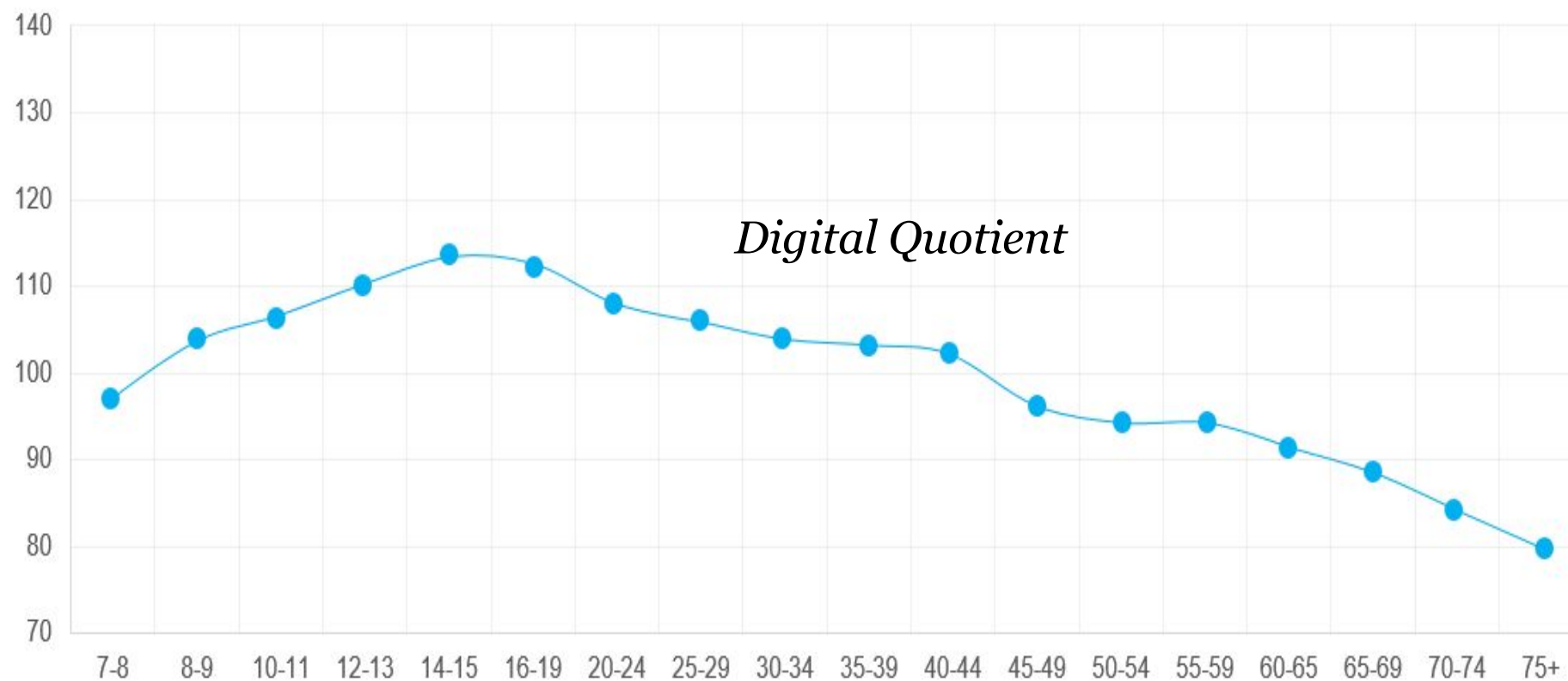
Innovation

Digital: a sharper focus on the customer



Innovation

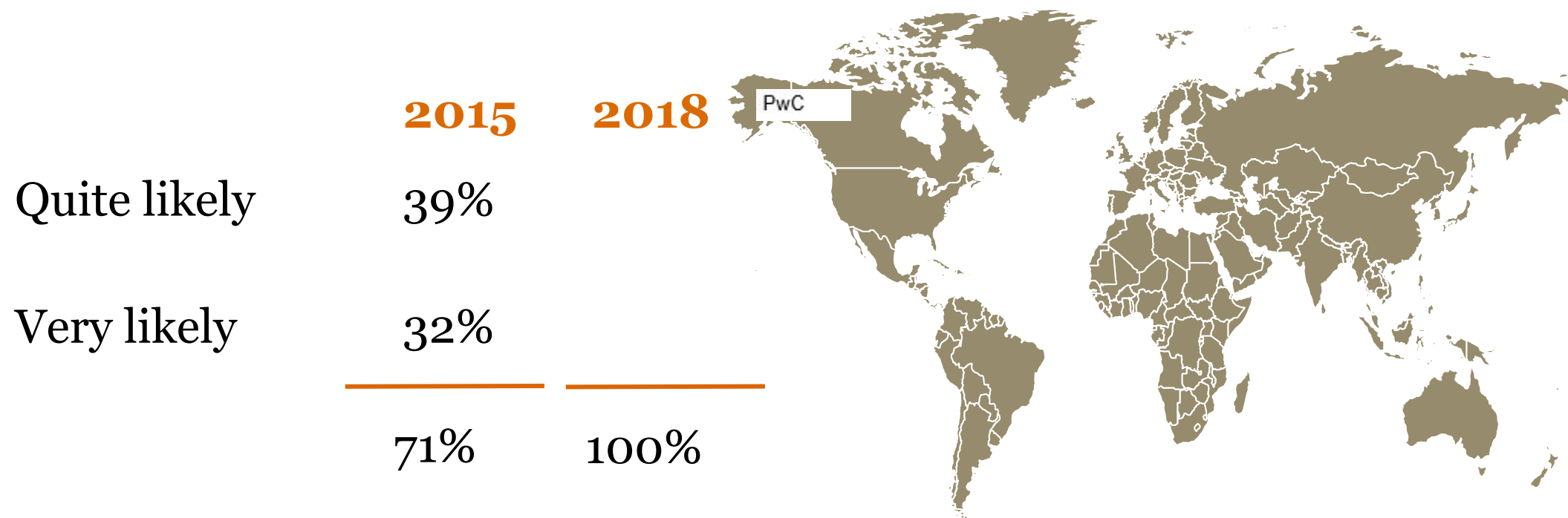
6yr olds show the same confidence with technology as 45yr olds



Innovation

CEO Survey:

How likely is it that your Insurance company will face competition from non-FS companies in next 3 years?



Source: 2015 CEO Survey

Innovation

New entrants gaining stronghold of large consumer groups

The screenshot shows the Google Compare car insurance website. At the top left is the Google logo, and at the top right is a 'Sign In' button. The main content area features a large white box with the heading 'Get car insurance quotes from up to 127 providers' and a sub-heading 'You could save up to £220.11*'. Below this is a form to 'Enter the car's registration number:' with a dropdown menu set to 'GB' and a 'START QUOTE' button. To the right of the form is a 'Retrieve quotes' button and a 'How it works' section with three steps: 1. Fill in our short form, 2. We'll find you quotes from up to 127 providers, and 3. Buy online or by phone. Below the main content area is a blue bar with '127 providers' on the left and 'View all' on the right. Underneath this bar is a grid of 30 insurance provider logos, including CENTRAL, AA, ACORN, Admiral, Aim, ASDA money, autonet, BG INSURANCE, Bell, Budget, carline direct, CAR.net, carxtra, Central, Charwell Insurance, Chancer Direct, churchill, City Insurance, clements, Collingwood, and Greenpeace. At the bottom of the page, there is a small disclaimer: '* 51% of consumers could save up to £220.11 with Google Compare. 80% of consumers could save up to £68.10 with Google Compare. Based on Online independent research by Consumer Intelligence during 01 September 2014 to 30 September 2014. Our service is free to you, but we are compensated by the providers on our panel.'

Average UK Motor Premium has dropped from £420 to £360 over last 3 years

Innovation

The eCommerce player Alibaba is transforming the Chinese market and innovating in financial services and insurance



Three companies joined together to launch

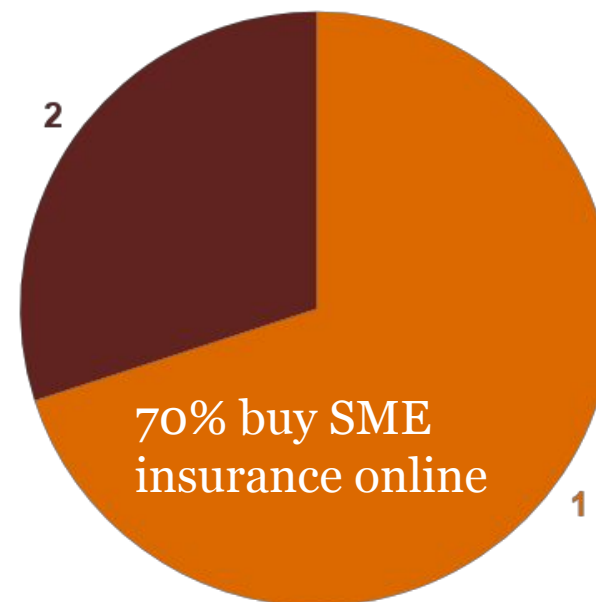


...Zhong An - the first online insurance company in China

The SME market is quickly following retail

SME Survey, 2017

Of those who buy personal Insurance online



Will this trend work its way up the commercial ladder?

Innovation

New entrants in the robo-advisor space are developing new models of assisted and automated omni-channel education and advice



LV LEARNVEST™
By The Numbers

Launched in 2009

Raised \$75 Million

\$299 Fee for a Planner

Budget Tip: 50/20/30 Rule

Bloomberg

CONGRATULATE YOUR BUDGET IS AS SMART

YOU'RE ON TRACK TO YOUR BUDGET

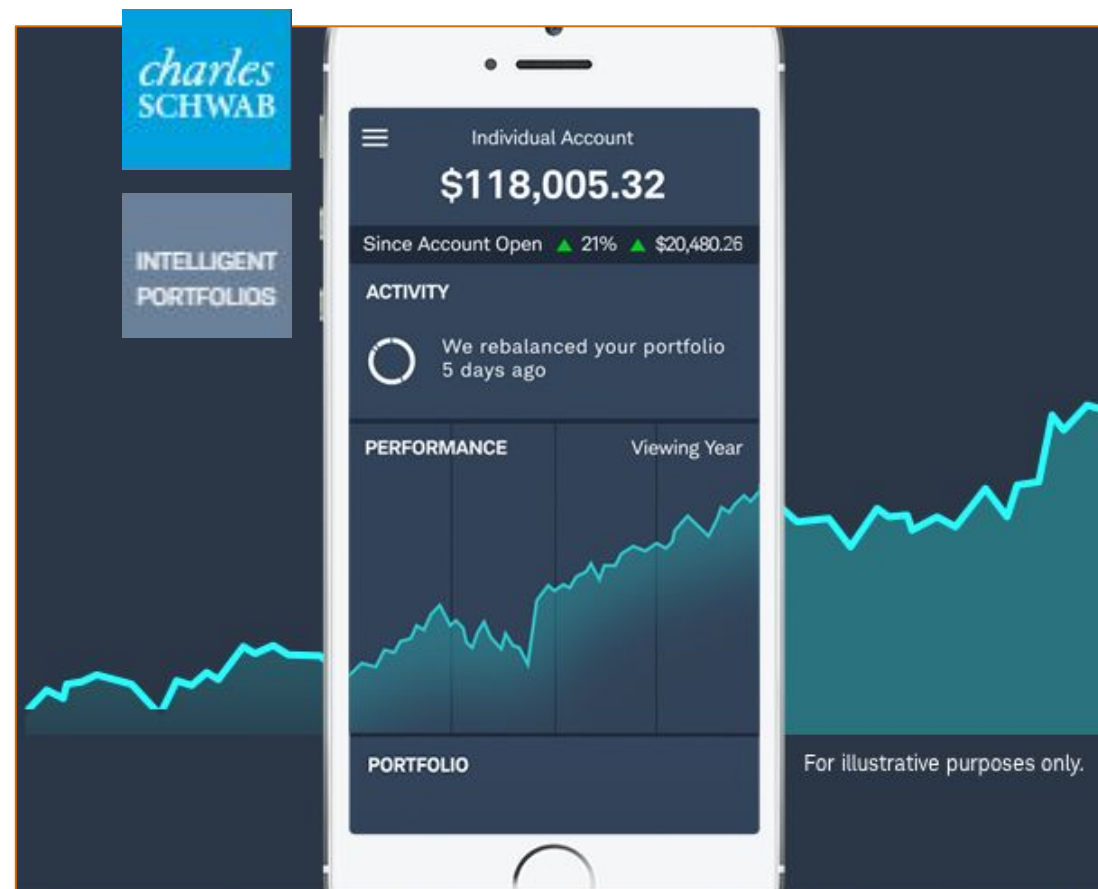
LEARNVEST

50/20/30 Rule

50% Stocks, 20% Bonds, 30% Cash

50% Stocks, 20% Bonds, 30% Cash

50% Stocks, 20% Bonds, 30% Cash



charles SCHWAB

INTELLIGENT PORTFOLIOS

Individual Account

\$118,005.32

Since Account Open ▲ 21% ▲ \$20,480.26

ACTIVITY

○ We rebalanced your portfolio 5 days ago

PERFORMANCE Viewing Year

PORTFOLIO

For illustrative purposes only.

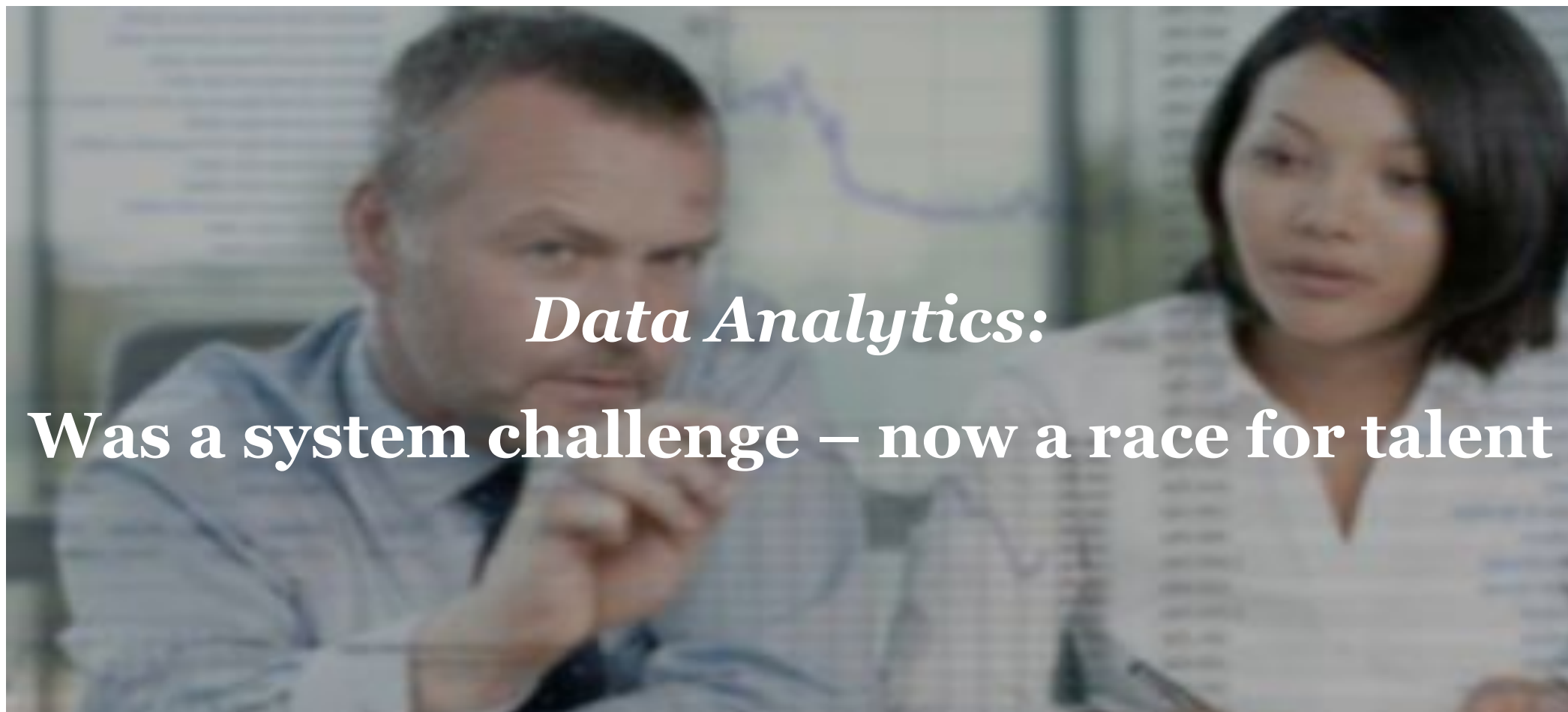
The Key to Automation? The Simplification of Products.

Liberal Customization



Modular Building Blocks

Innovation



Data Analytics:

Was a system challenge – now a race for talent

Innovation

Progressing from refined segmentation...

Identifying behavioral segments

1. Sustainers



Older, Financially Comfortable, Trust Advisors to Make Decisions

*Age: 55+
Income: \$130k
Savings: \$370k*

2. Builders



Younger, Confident, Prefers Direct Channel

*Age: < 40
Income: \$130k
Savings: \$280k*

3. Strugglers



Middle Aged, Worried, Relies on Advisor

*Age: 40 – 54
Income: \$100k
Savings: \$160k*

4. Consolidators

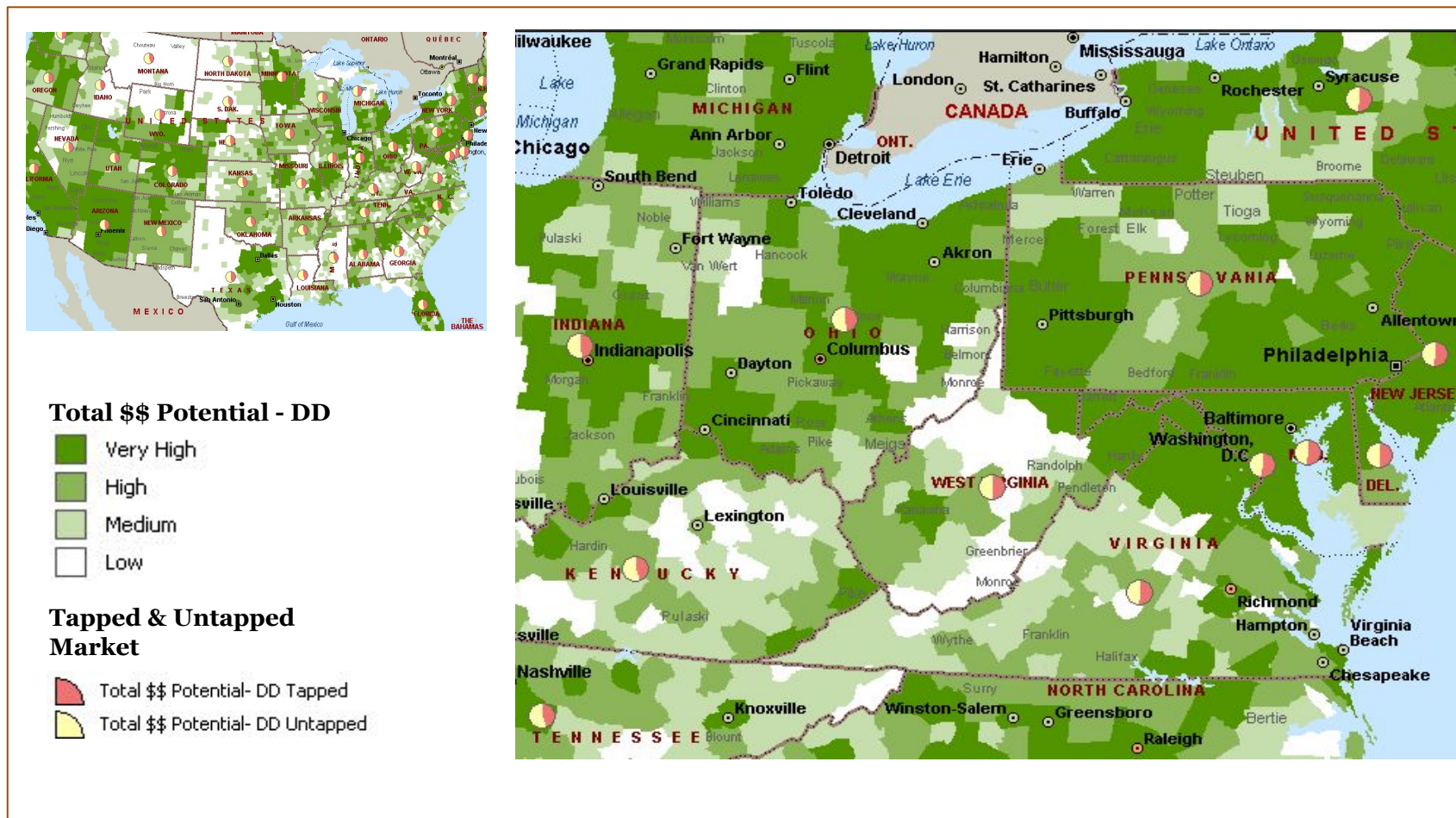


Approaching Retirement, Financially Confident, Active Decision-makers

*Age: 45 – 64
Income: \$120k
Savings: \$280k*

Innovation

Targeting desired segments



Innovation

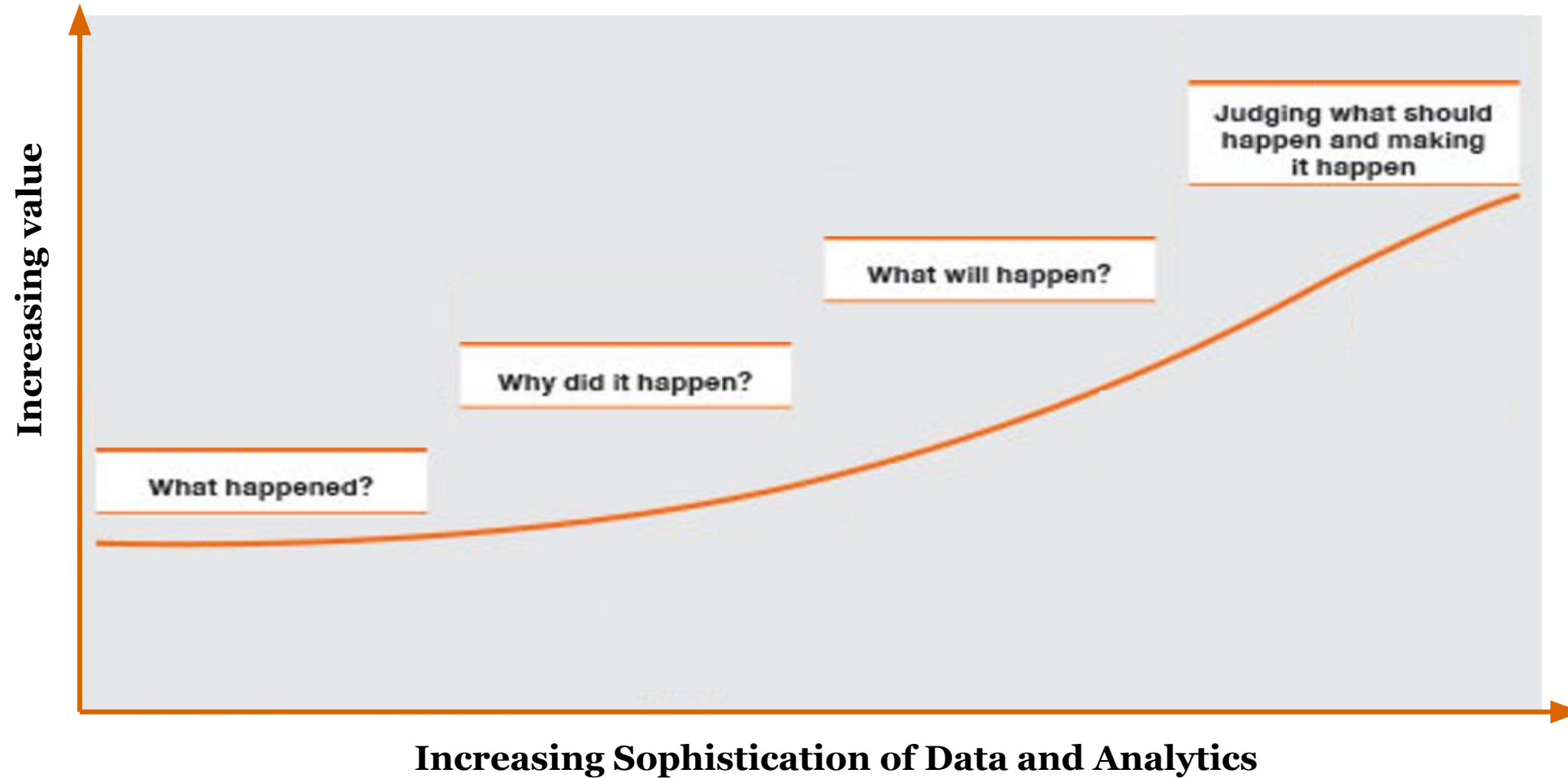
... to knowing the individual?



What are the wants and worries of this person?

Innovation

Progressing from probabilistic to deterministic: Influencing outcomes



Innovation

Data Analytics is transitioning the insurer from a reactive claims payer to a preventative risk advisor



Innovation

The vast majority

of consumers would be willing to have a sensor attached to their home or car if doing so would lower their premiums



Innovation

Sensors are also allowing insurers to monitor health, deliver personalized underwriting and change customer behavior

Single member | **Member plus one** (dependent aged 18 years and older)

DIAMOND STATUS: Maintain Gold for 3 consecutive years

GOLD STATUS: 50,000 points

SILVER STATUS: 30,000 points

BRONZE STATUS: 15,000 points

BLUE STATUS: Start at Blue status

For each additional member aged 18 years and older, add: 10,000 (Bronze), 20,000 (Silver), 30,000 (Gold).

To get started
Find out your **Vitality Age** on www.discovery.co.za and understand how healthy you are relative to your actual age.

Your Vitality Age: **34**
Where I am doing well (green) | Where I need to improve (red)

Follow a recommended or chosen Vitality LiveWell Programme
There are five Vitality LiveWell Programmes that are tailored to support your individual health needs. After finding out your Vitality Age, Vitality will recommend tailored programmes according to your health results. You can also choose your own Vitality LiveWell Programme based on your personal health goals.

The Vitality LiveWell Programmes

- LOSE WEIGHT
- MANAGE HEART HEALTH
- MANAGE DIABETES
- GET FIT
- EAT HEALTHY

Vitality LiveWell Programmes include a tailored combination of:

- Online assessments
- Face-to-face health consultations
- Weight, nutrition and fitness trackers
- Tools, calculators and expert advice
- Support tools

Icons include: Checklist, Biometric, Diets, Trackers and apps, Social support, HealthID, Healthyfood, Gym, Outdoor activities, Sports club, Meal plans, Weight loss clubs, Recipes, and Articles and blogs.



Innovation

Motor Insurance ... not so far away



Innovation

InsurTechs: the new normal is partnership not rivalry

Incumbents...	2016 Survey	2017 Survey
... not engaged with InsurTechs	25%	9%
... currently partnering with InsurTechs	32%	45%
... planning to partner with InsurTechs	-	82%

Innovation

The investment model has quickly matured

Innovation Hub

Company SMEs internally interate
new ideas

Incubator

Company expert panel hears
pitches and invests and
experiments

Insurer as Venture Capitalist

Company funding of externally
sourced ideas and
experimentation

Outlet for Venture Capitalists

Company experimentation of
Venture Capitalist funded ideas

Innovation

The incumbent challenge is mainstreaming innovation



Leading CEO's:



- Out front, not delegating
- Articulating a clear strategy



- Digitally literate
- Endorsing experimenting



Trust is of critical importance to the Insurance Promise

74%

***of Insurance CEO's see
lack of trust in the business
as a threat to growth***

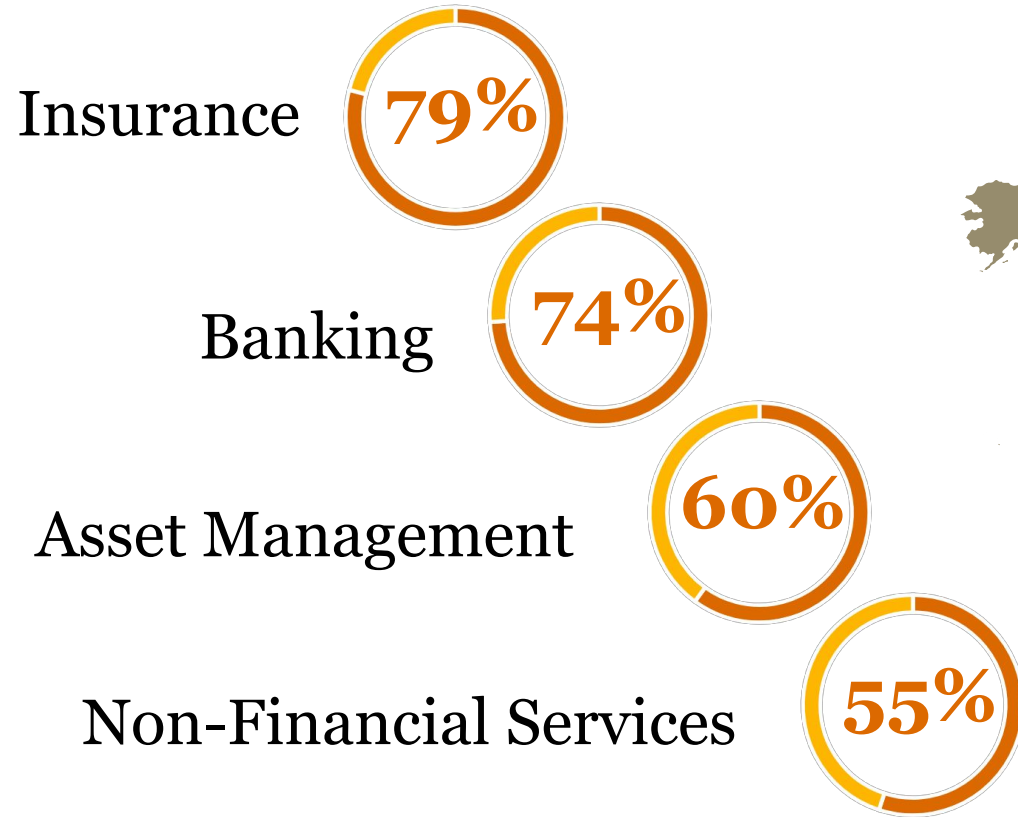


27% of consumers trust their insurance provider

Innovation

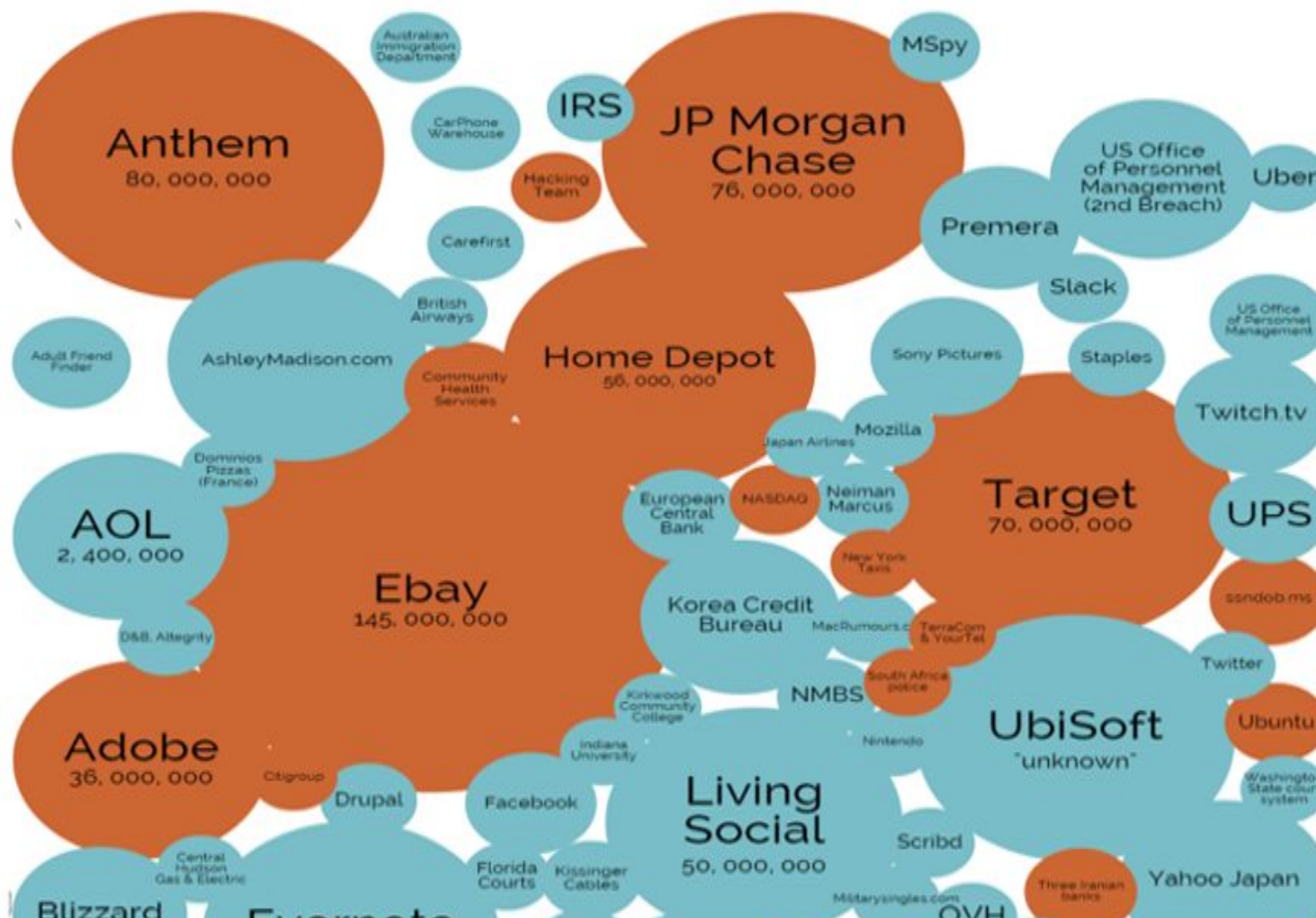
CEO Survey:

Concerned about Cyber threats?



Innovation

Cyber is the Corporate Terror





Growth

The M&A pendulum is swinging from selling noncore to filling gaps...



and scale does reduce expense ratios and fund innovation

... but discipline is required amidst analyst pressure.

Growth

Two clear opportunities

Emerging Markets



Western Retirement Market



Growth

The Insurance landscape today is decidedly tilted to Asia

Top 10 insurers by market capitalization (in USD billion)

2007		2017	
Company	Market Capital	Company	Market Capital
AIG	186	PingAn	191
Allianz	88	AIA Group	102
AXA	85	Allianz	101
Generali	56	China Life	91
Manulife	52	AXA	71
Metlife	45	Chubb	68
Pru US	42	Prudential UK	66
Aviva	41	China Pacific	57
Allstate	41	AIG	54
Zurich	39	Metlife	53

New to top 10
since 2007



Regulation

95%

of insurance CEOs see over regulation as a threat to their growth prospects.

No other sector comes close



Sources: PwC 21th Annual Global CEO Survey

Regulation

Capital

Is the path clearer or murkier?

Conduct

Intervention into distribution: truly changing the business model, with the potential to reestablish credibility and confidence in the long term
Directives on personal taxation

Data Analytics

Balancing privacy and precision

Corporate Taxes

BEPS Transparency
Corporate taxes: a significant concern today and protectionist policies forthcoming?

Accounting

IFRS 17
requiring finance transformation and a greater alignment of risk, actuarial, and finance

46% of Insurance CEOs cite unclear/inconsistent regulations as a barrier

Regulation

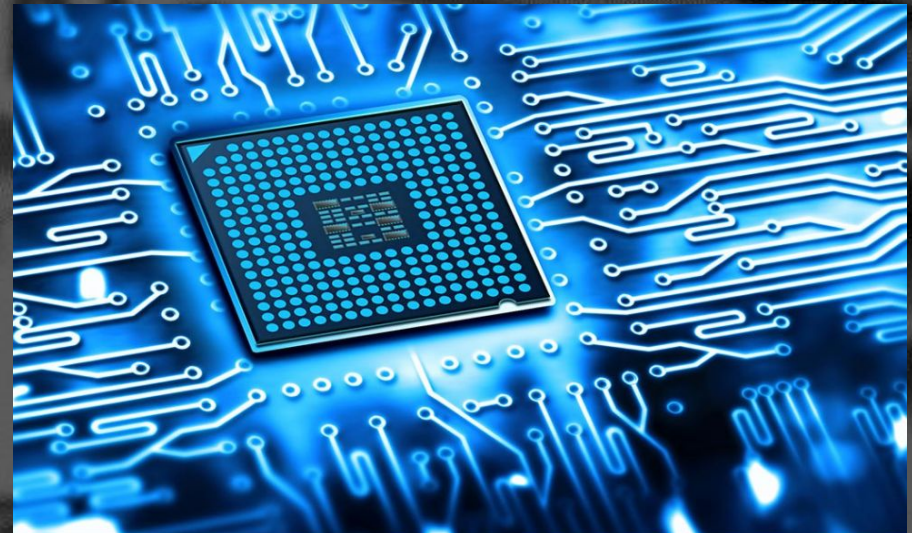
“There are three main risks to the offshore insurance business, Trump, Trump and Trump.”

- Bermuda survey participant

Regulation

RegTech has the potential to transform the compliance function

- **Lower costs**
- **Improve compliance**
- **Aid risk management**





Talent

81%

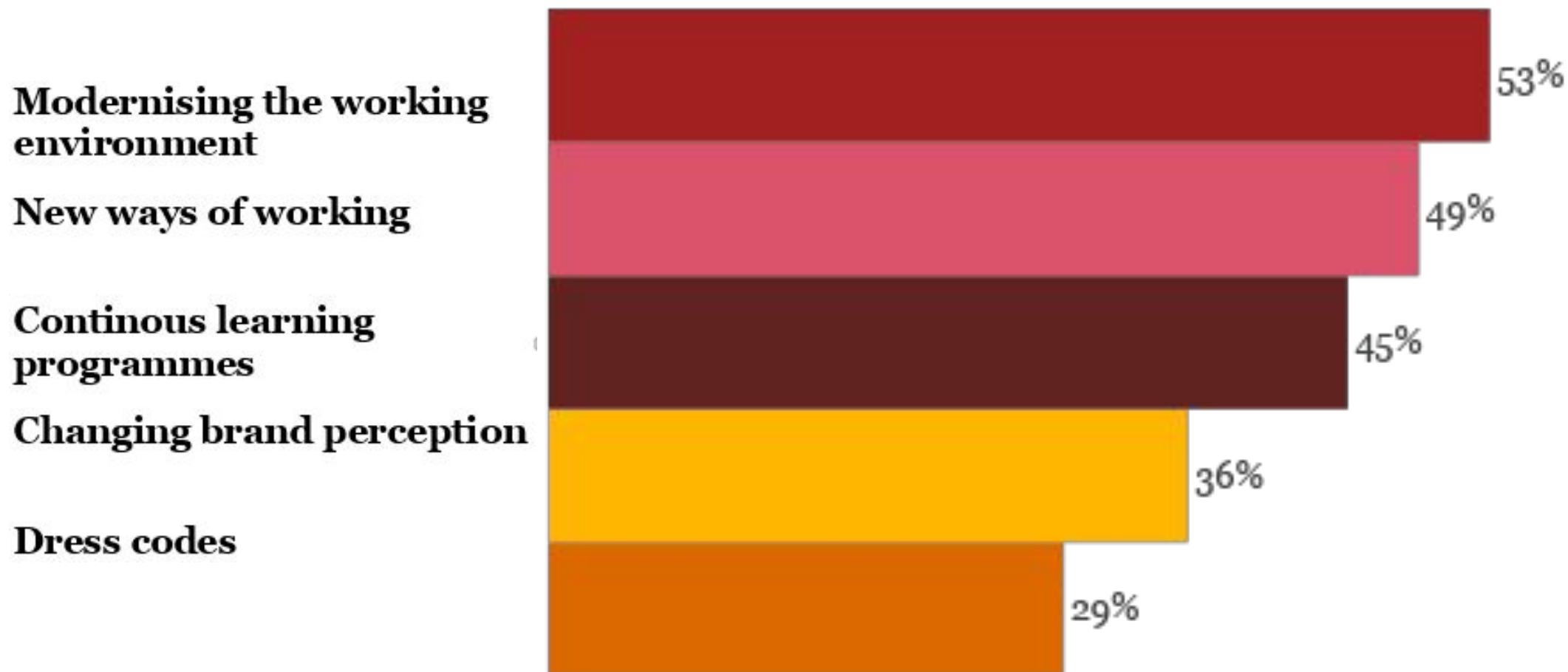
of insurance CEOs see limited availability of digital skills as a significant concern

More than any other sector



Talent

And, steps are being taken to attract digital skills



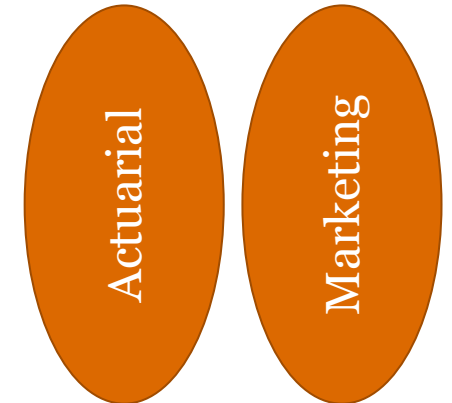
Talent

But, the real answer is to build a culture of machines and humans working together across the company – the Bionic organisation

Machines augmenting humans, not replacing them



Combine science and emotion across the company, not in separate silos



66% of Insurance CEOs feel increasing pressure to deliver results in shorter timeframes, much higher than the global average



“Resist short-termism. Focus on long-term value”

Larry Fink
February, 2016

Fortune Favours the Bold and Persistent.



Thank you for having me!

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