

Tryg – Strengthening the Core, while Embracing the Future

Capital Markets Day

London, 20 November 2017

Agenda



09:30-11:30

Targets and initiatives

- Follow-up on CMD targets and initiatives 2015 – 2017 3
- Targets and initiatives 2018 – 2020 9

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- Claims Excellence 14
- Digital Empowerment of Customers 19
- Product & Service Innovation 24
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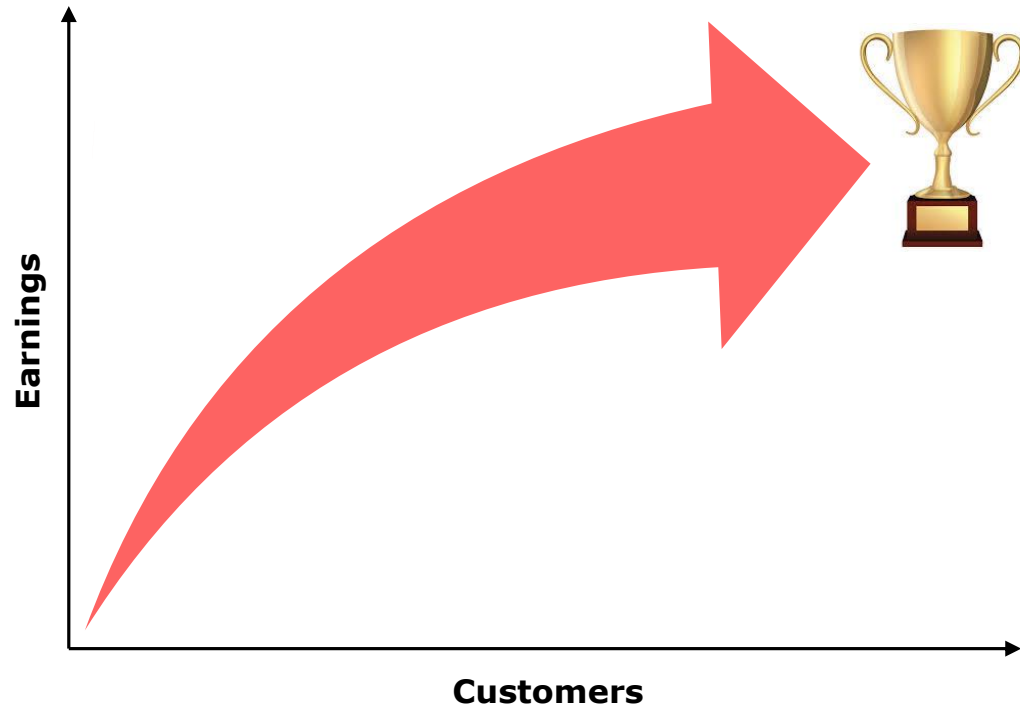
A photograph of two women with long dark hair embracing warmly. The woman on the left is smiling and looking towards the right, with sunglasses perched on her head. The woman on the right is looking directly at the camera with a gentle expression. They are in an indoor setting with a red wall and a framed picture in the background. A red banner is overlaid at the bottom of the image.

Follow-up on CMD targets and initiatives 2015 - 2017

Tryg 2015 – 2017: Aiming for world class



Target picture 2015 - 2017: Simultaneously providing world class earnings and customer experiences



- Utilising the mutual benefits of a cost effective operation and customer experiences that strengthen loyalty

Target drivers 2015 - 2017

1

**Next Level
Pricing**

2

**Leading in
Efficiency**

3

**Customer
Care worth
Recommending**



4

**Low Risk,
High Return**

Delivering on 2017 targets



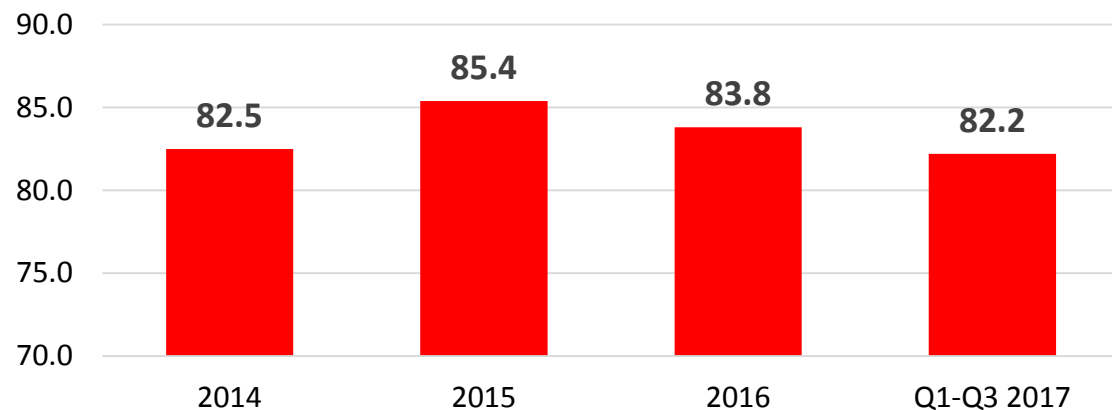
Targets presented on Capital Markets Day, 5 November 2014

Category	Key Performance Indicators	Targets 2017	Q1-Q3 2017	Comments
 Earnings	Combined ratio	≤ 87	83.8	Delivered as promised ✓
	Expense ratio	≤ 14	14.1	Delivered as promised ✓
	Return on equity	$\geq 21\%$	30.9%	Delivered as promised ✓
	Efficiency programme	DKK 750m	DKK 633m	On schedule ✓
 Customers	Net Promoter Score	+100% (22)	22	Delivered as promised ✓
	Retention rate	+1pp (88.9)	87.8	Delivered in DK, not in NO (✓)
	≥ 3 products	+5pp (61.3)	58.9	Delivered in DK, not in NO (✓)

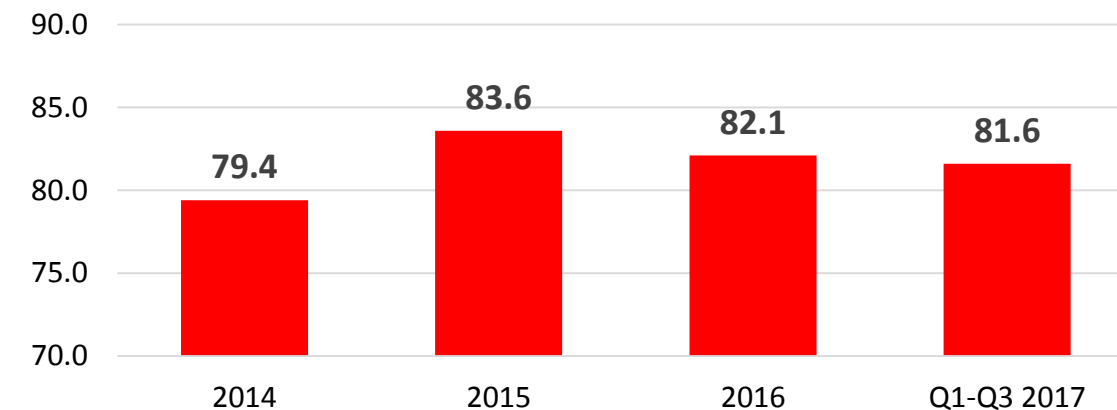
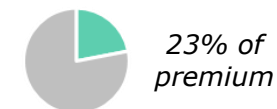
Solid performance across all core businesses



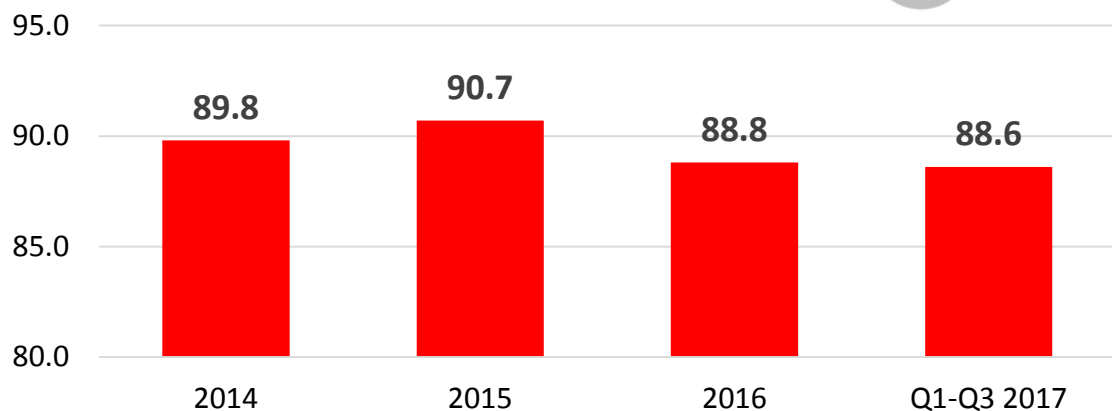
Combined ratio - Private (DK & NO)



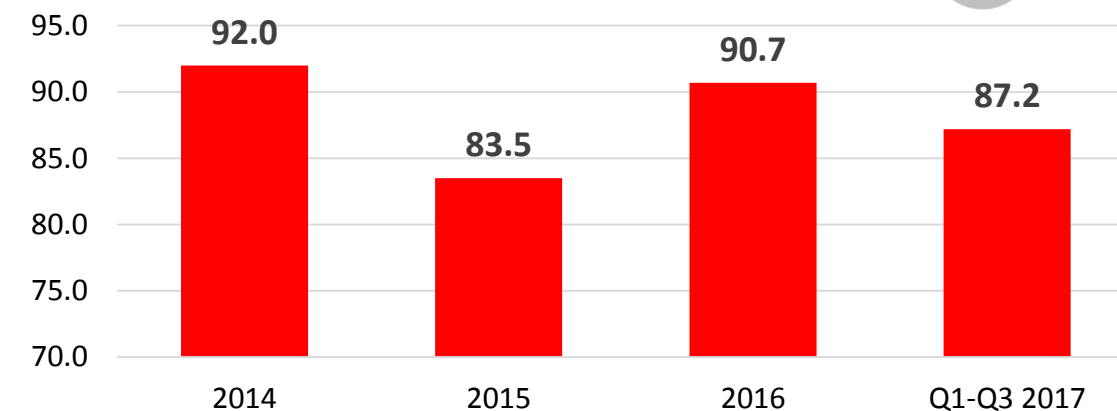
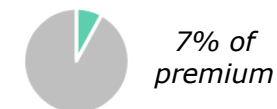
Combined ratio - Commercial (DK & NO)



Combined ratio - Corporate



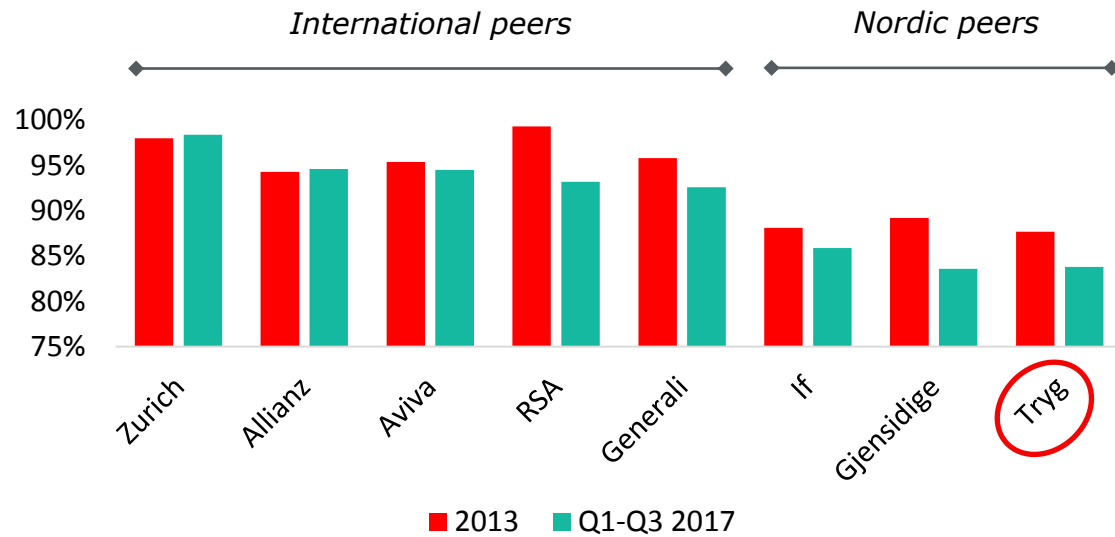
Combined ratio - Sweden (Private)



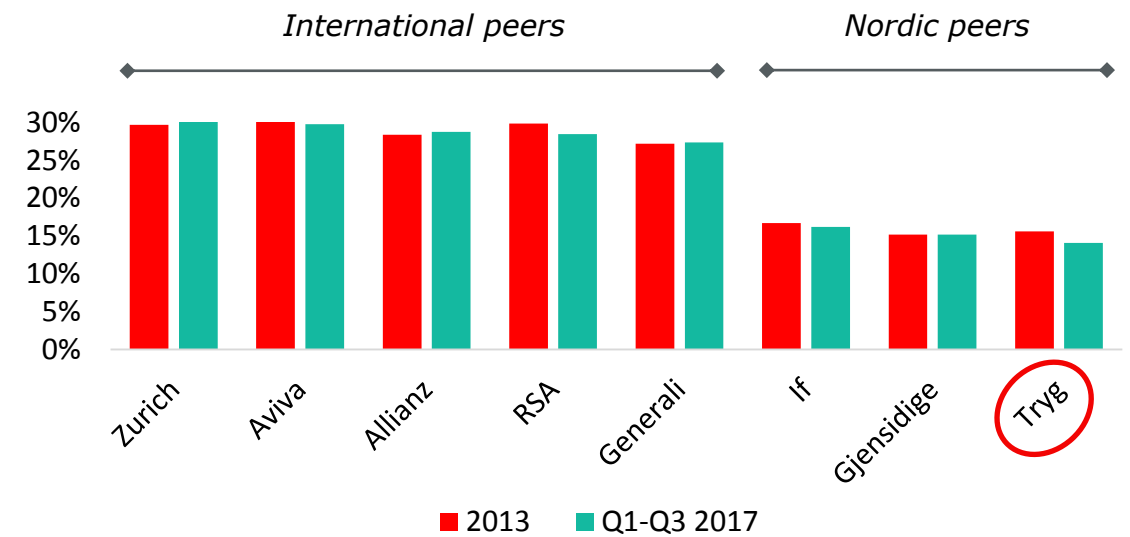
World class achieved on earnings



Combined ratio: Strong Nordic performance

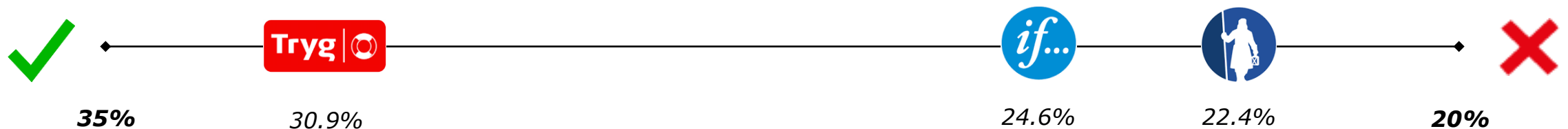


Expense ratio: Best in class



Likewise a strong performance on ROE – benchmark top 3 Nordic players

Return on equity (Q1-Q3 2017)

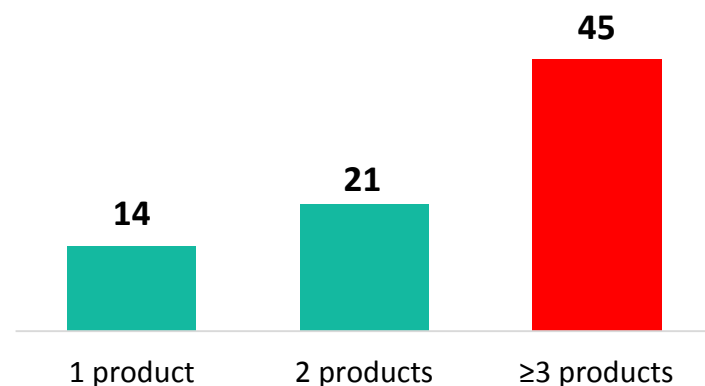


Number of products drives value



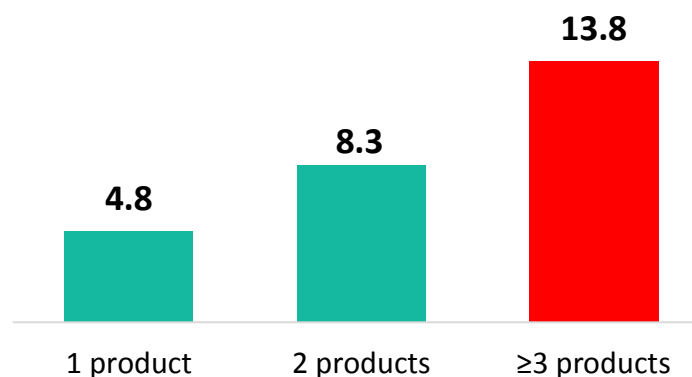
Customer targets put into perspective (case: Private Denmark)

Net Promoter Score (NPS)



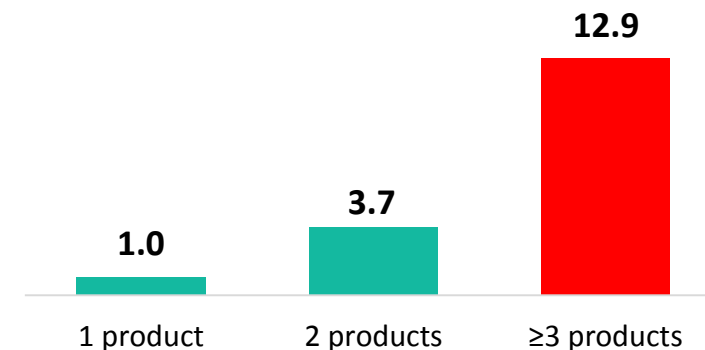
- A ≥3 product engagement correlates to a 3X satisfaction score

Avg. customer lifetime (years)



- A ≥3 product engagement increases avg. customer lifetime by ~3X

Lifetime value following number of products

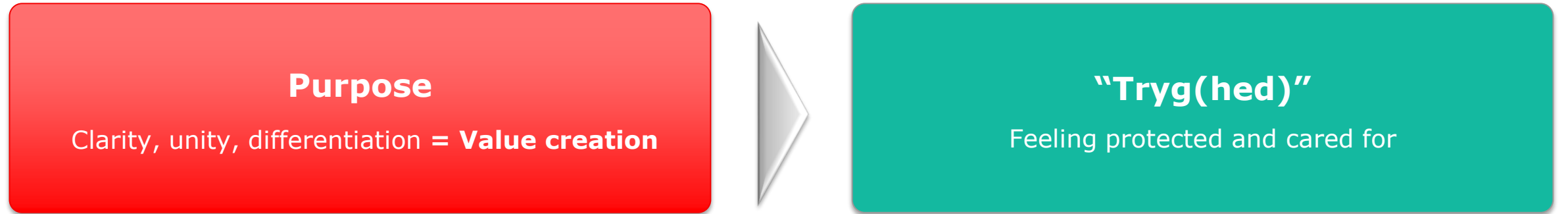


- A ≥3 product engagement renders a value increase of 12.9X

A photograph of a woman and a young girl in a garden. The woman, with long blonde hair, is leaning over and smelling a lavender plant. The girl, with brown hair, is also leaning over and smelling a small purple flower. In the background, there are yellow and red flowers, a green lantern, and a wooden fence. A red banner with white text is overlaid on the bottom half of the image.

Targets and initiatives 2018-2020

Introducing a new guiding purpose for Tryg



”As the world changes, we make it easier to be tryg”

Grasping opportunities to develop rather than defend our business i.e.:

- Digitalisation
- New products
- Analytics

Adjusting to customer preferences and needs i.e.:

- Self-service
- Straight through processes
- Packaging of products

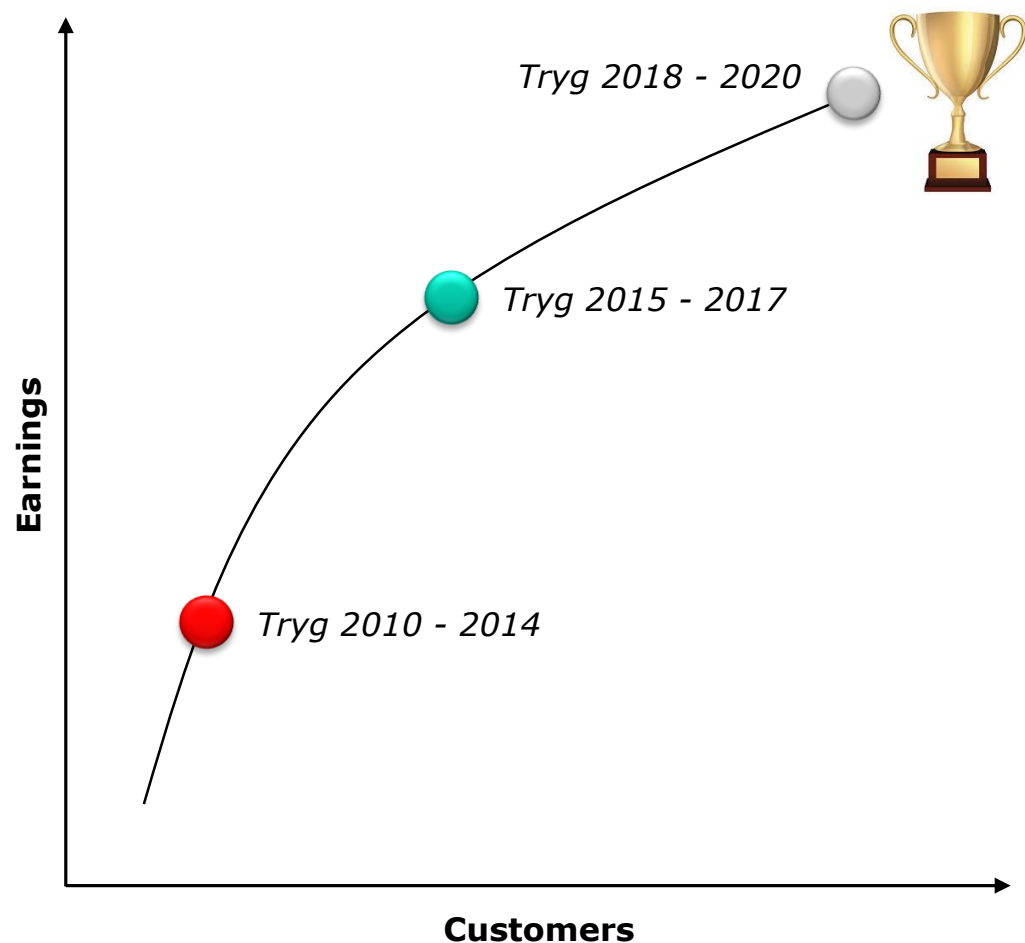
Staying relevant to maximise share of wallet i.e.:

- Product innovation
- Prevention
- Add-on services

Tryg 2018 – 2020: Strengthening the core, while embracing the future



Target picture 2018 - 2020: Continuously aiming for a healthy balance between earnings and customers



Targets 2020

Earnings	
Technical result	DKK 2.8bn
Combined ratio	≤ 87
Expense ratio	~14 reaffirmed
ROE	≥ 23%

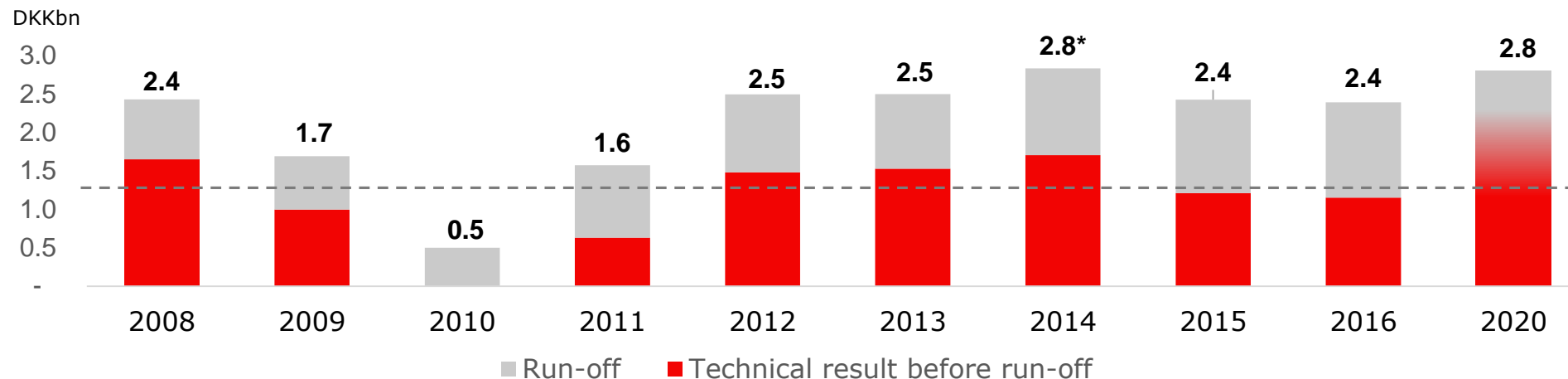
Customers	
TNPS*	70
No. products per customer	+10%

* Measured as level of satisfaction in point of contact

Targeting the highest technical result before run-off ever



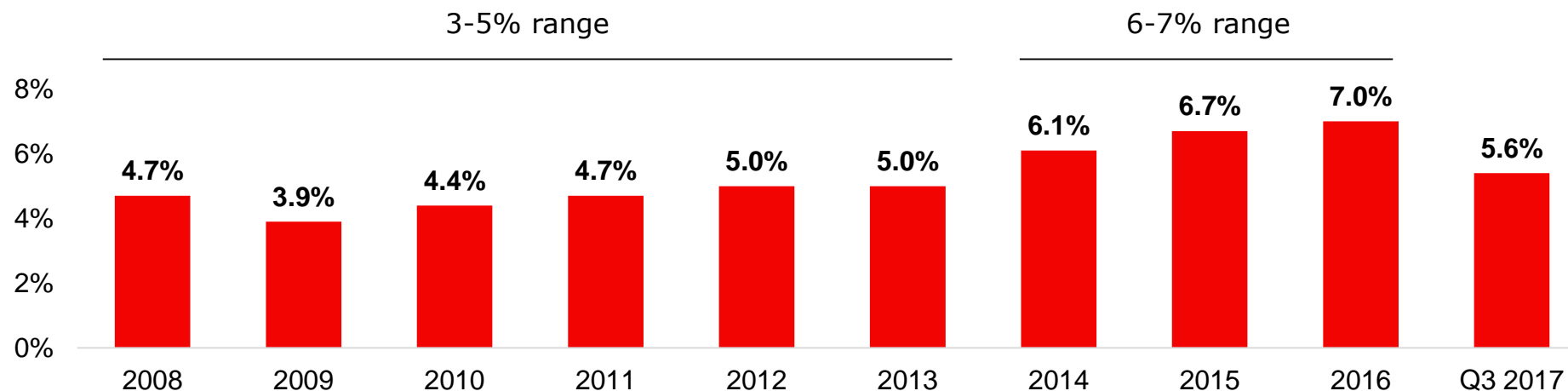
Technical result: Historical performance vs. 2020 target



- Highest technical result before run-off ever!
- 2008-2016 average technical result before run-off

**DKK 2.8bn adjusted for one-off relating to the Norwegian pension scheme and the change of IT suppliers*

Run-off levels will return to normal with a 3 - 5% run-off level in most years going forward



- Current strategy period run-off level of 6-7%
- Next strategy period elevated run-off level gradually reducing
- Expected 2020 run-off to be in range 3-5%

Strategic target drivers & key performance indicators



1

Claims Excellence

KPI: **DKK 600m** in claims cost reduction

2

Digital Empowerment of Customers

KPI: Straight through processing level of **50%** on claims

KPI: Self-service level of **70%** on all contacts

3

Product & Service Innovation

KPI: Portfolio of **DKK 1bn** from new products and services

(2020+ ambition)

4

Distribution Efficiency

KPI: **DKK 150m** in technical result impact



IT investment

DKK 0.5bn investment in IT 2018 – 2020: Infrastructure, digitalisation & data analytics



A close-up photograph of a woman with long brown hair and blue eyes, smiling warmly. She is wearing a black headset with a microphone. The background is blurred, showing another person in a similar setting.

Strategic Theme: Claims Excellence

Why is claims excellence important?

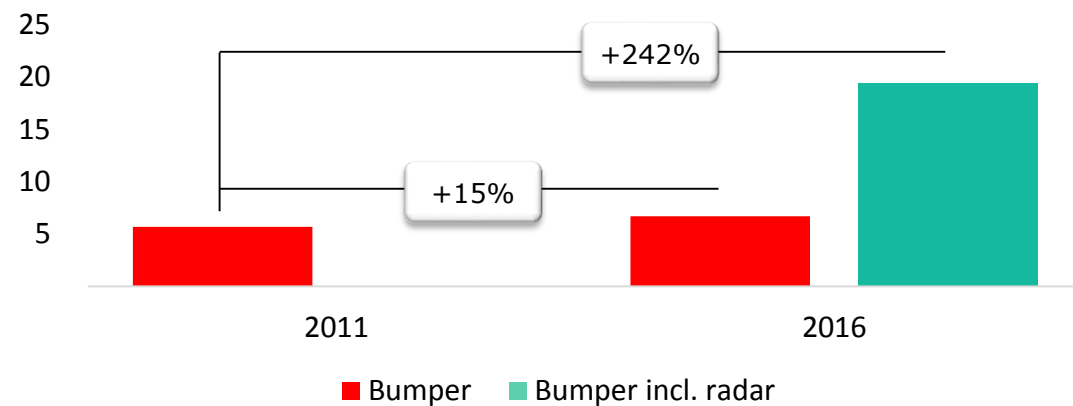


Targets the bulk of our cost (Q1-Q3 2017)



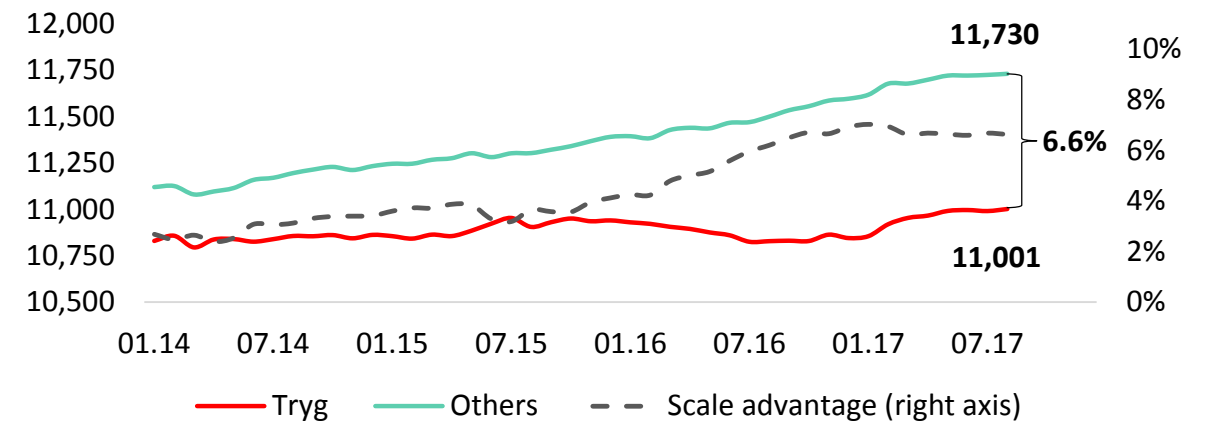
A bulwark against claims inflation jumps

Bumper prices 2011 – 2016, Ford Focus (DKK 1,000m)



Utilises scale

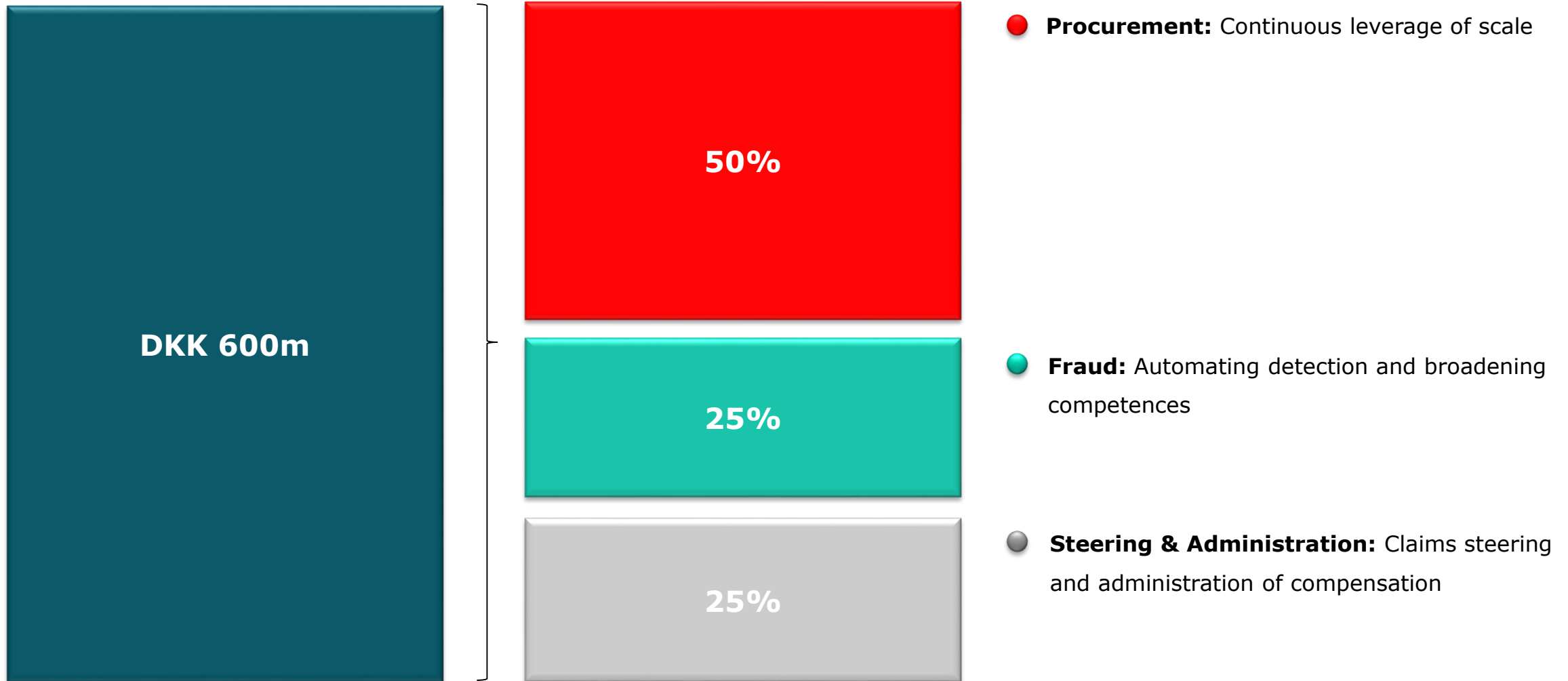
Avg. claim cost car – Tryg vs. others



What will improve claims excellence?



New efficiency programme 2018 – 2020: DKK 600m

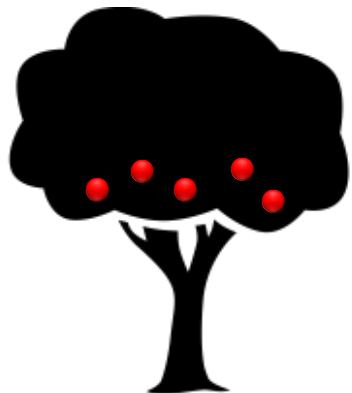


How procurement supports claims excellence



Concept: Targeting unaddressed spend

2012 – 2017: Harvesting the low-hanging fruits



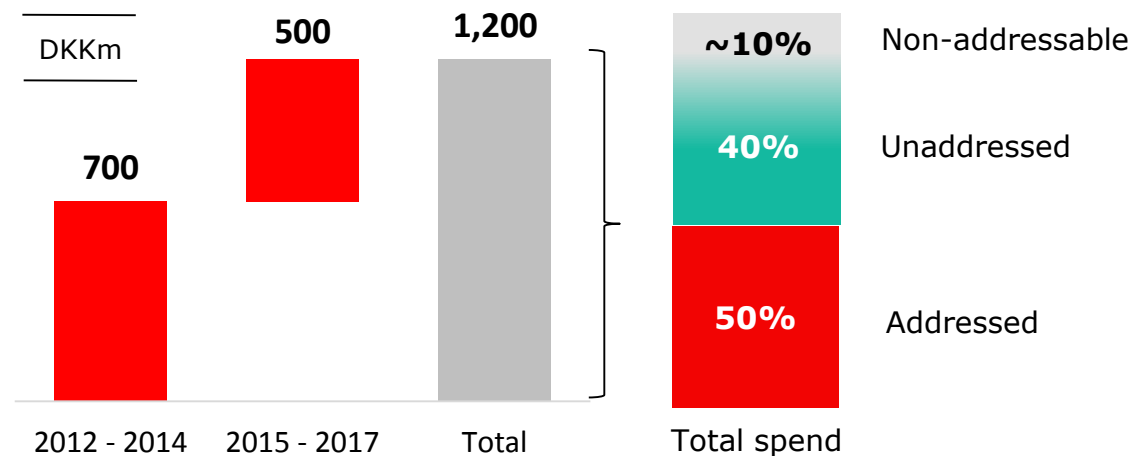
- Renegotiating supplier network
- Outsourcing
- E-auction, Scalepoint

2018 – 2020: Reaching for the upper branches

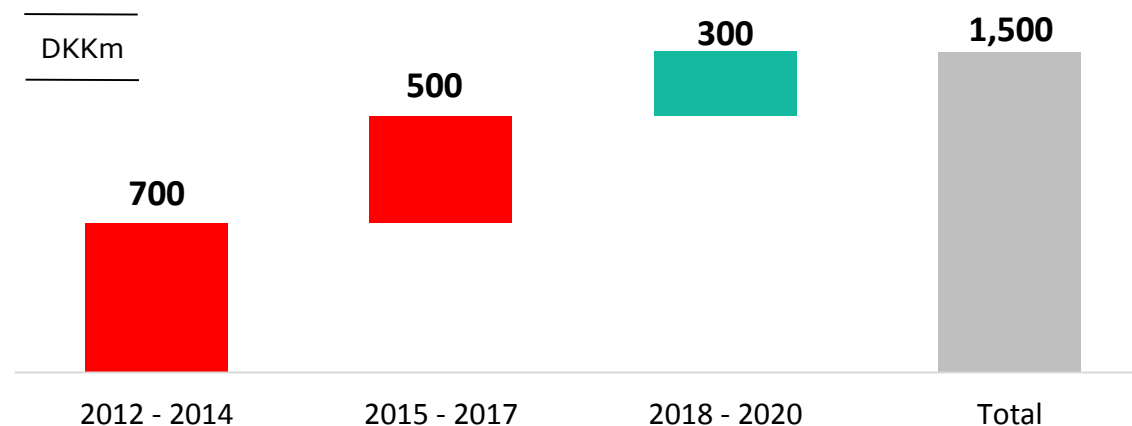


- Further reducing number of suppliers
- Multi-supplier industries e.g. Health
- Large and complex claims

Evidence: Savings of DKK 1.2bn realised



Potential: Bringing total saving to DKK 1.5bn



How fraud and claims steering supports claims excellence



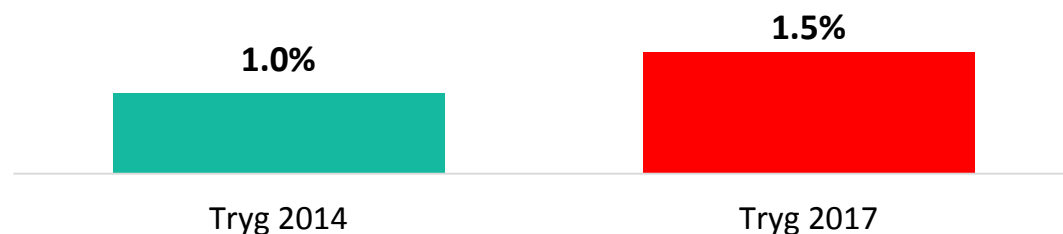
Fraud

Concept: Broadening competences and introducing automation

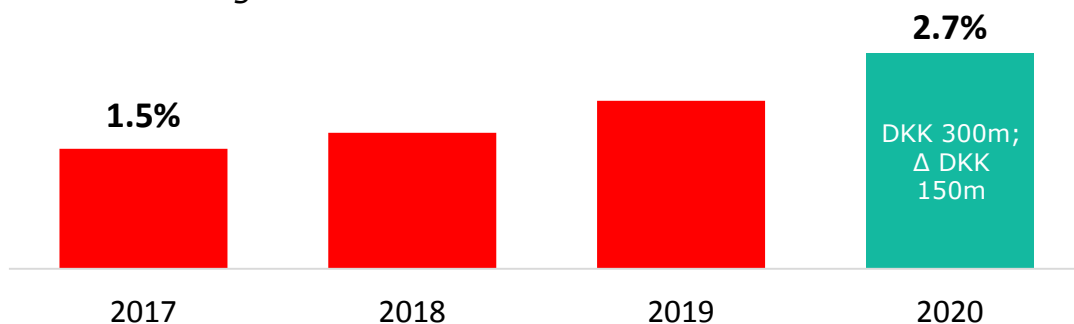


Only ~20% of claims employees excel in fraud detection

Evidence: Employees generated improvement in fraud detection



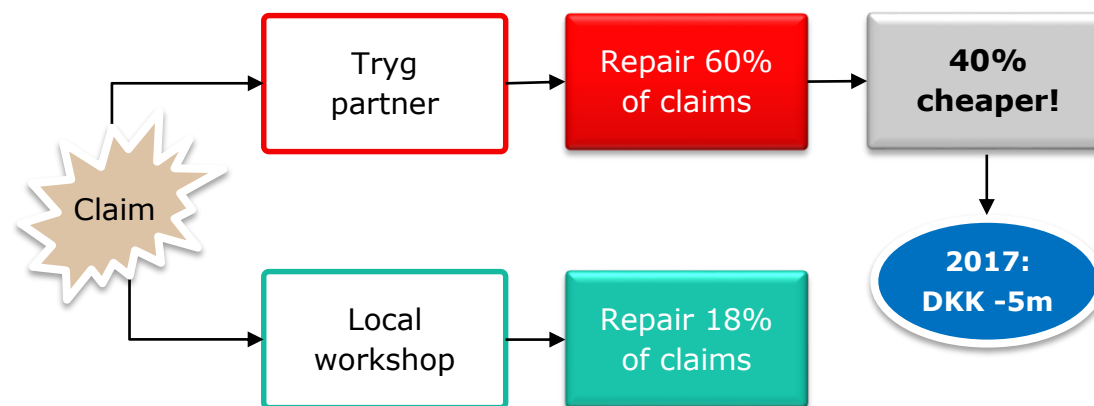
Potential: Targeted 2020 detection level



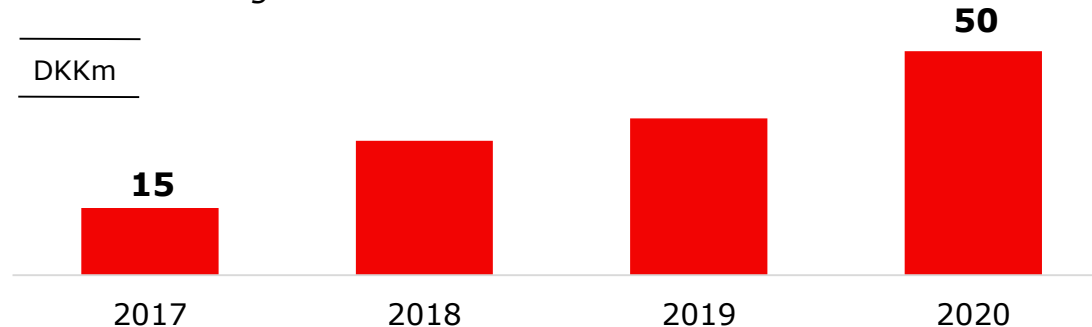
Claims steering

Concept: Better steering of claims to Tryg partners for lower cost

Evidence: Improved steering of car glass claims



Potential: Targeted 2020 cost reductions



A young woman with long, wavy brown hair is smiling and looking down at a glass of coffee she is holding. She is wearing a grey and white patterned sweater. She is sitting on a grey couch in a bright room with large windows in the background. A red banner is overlaid on the bottom half of the image.

Strategic Theme: Digital Empowerment of Customers

Why digital customer empowerment?



Customers increasingly request...

Convenience



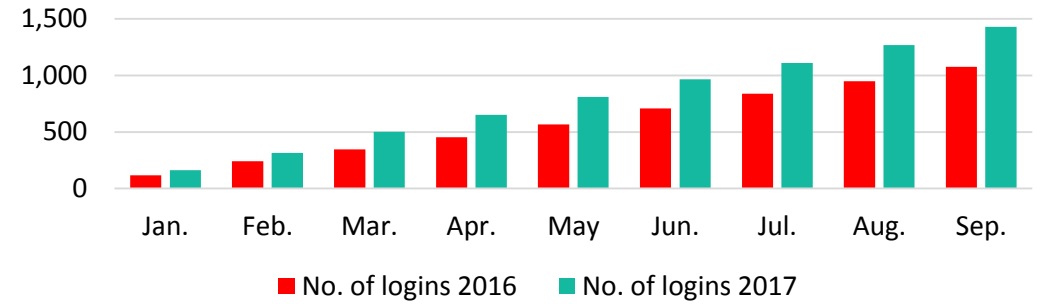
Transparency



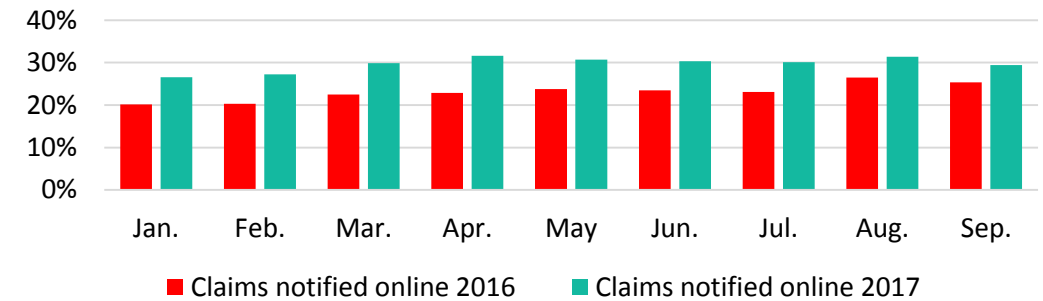
Empowerment

Growing interest in, and use of Tryg's digital solutions

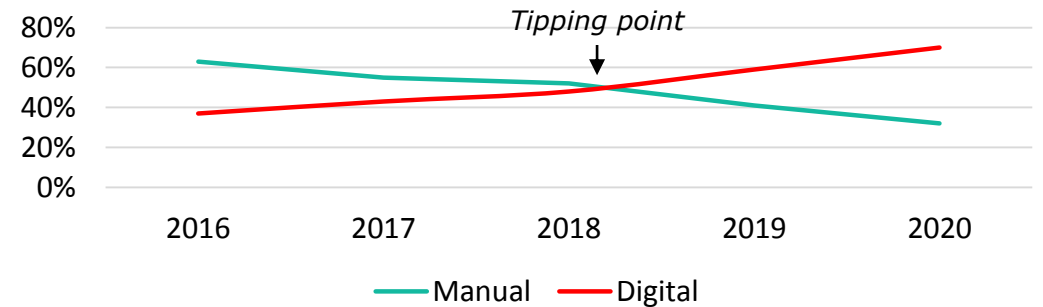
Logins My Page /
My Company **+34%**



Online claims
+36%



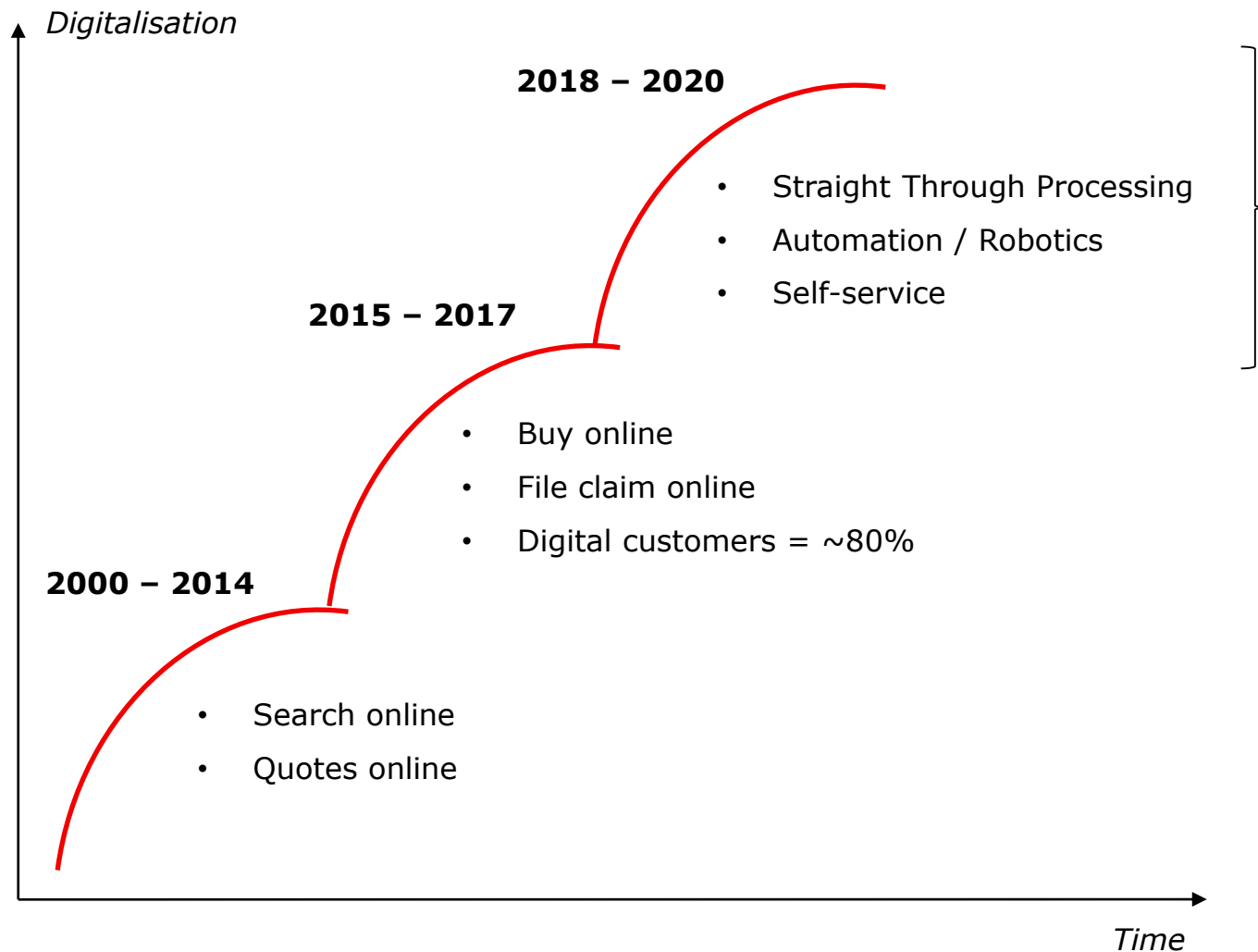
Digital contact
~70% in 2020



What are we doing to empower our customers?



Tryg's digital journey



Digital targets 2020

**50% Straight Through Processing
on claims**

**70% Self-service level
on all contacts**

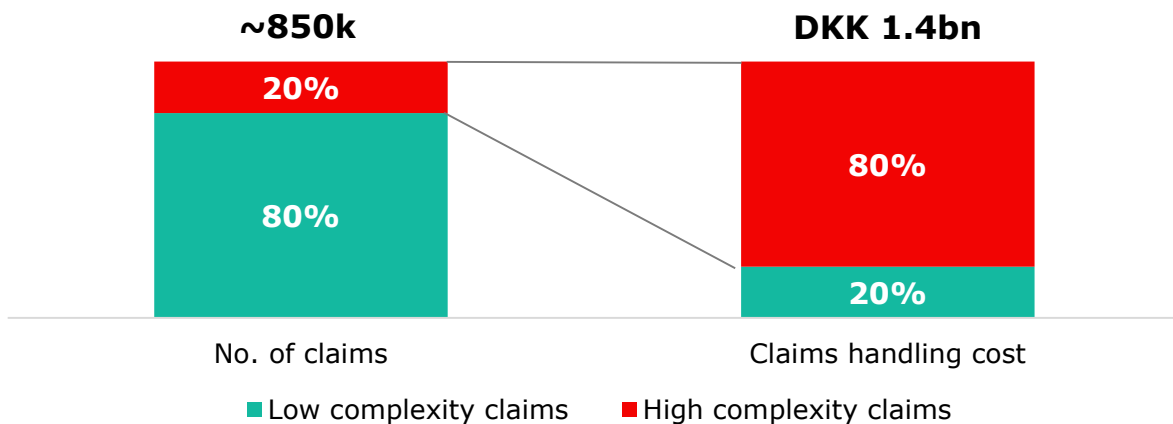
**Total benefit 2020 =
~DKK 100m**

How to work with straight through processing

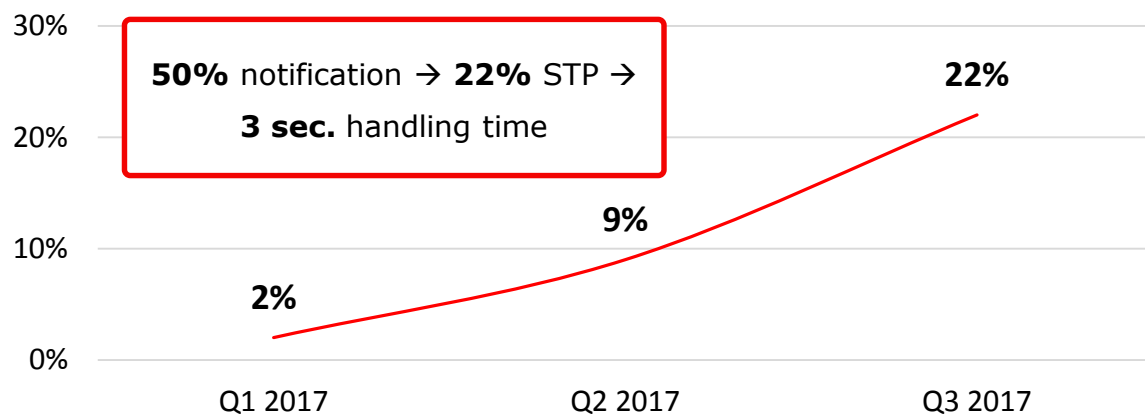


Concept: STP if simple, automation if complex

Distribution of claims (number) and claims handling cost

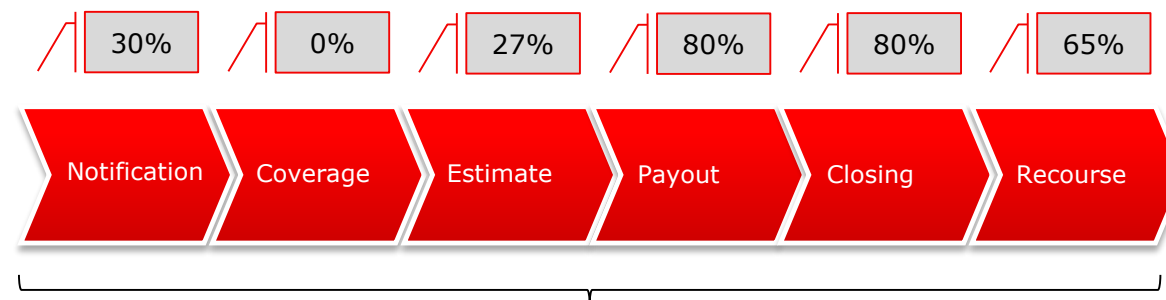


Evidence: STP - Travel, NO (low complexity)



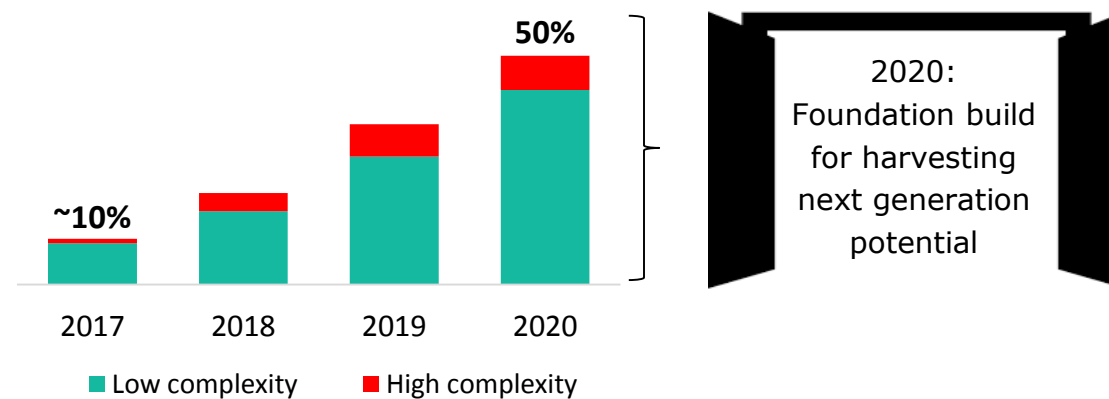
Evidence: Automation – Private Car, DK (high complexity)

Automation level



Total automation = **34%**

Potential: STP = 50% / ~DKK 70m by 2020

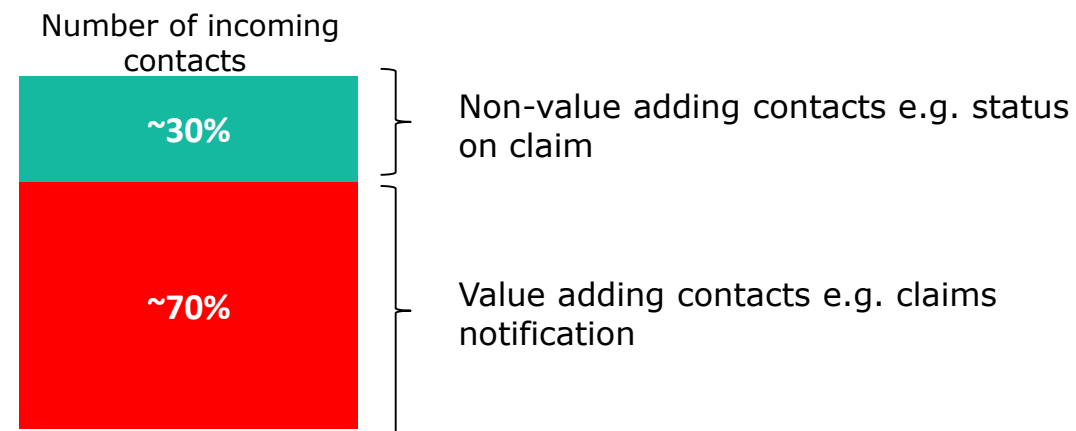
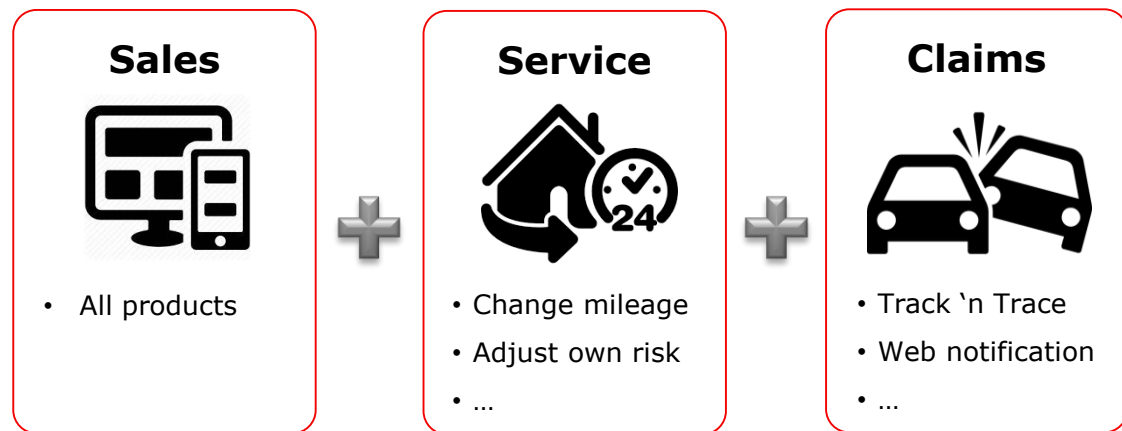


How to work with self-service

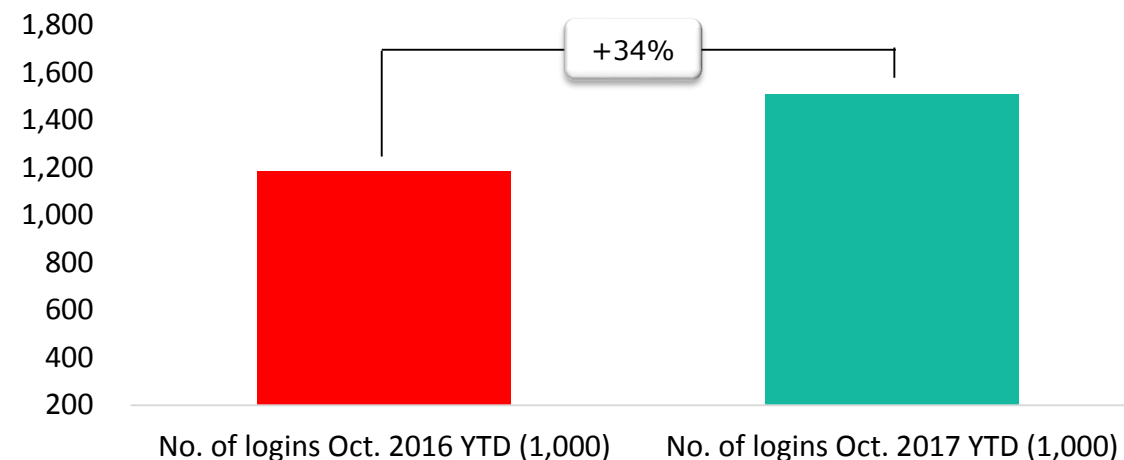


Concept: Empowerment & fewer non-value contacts

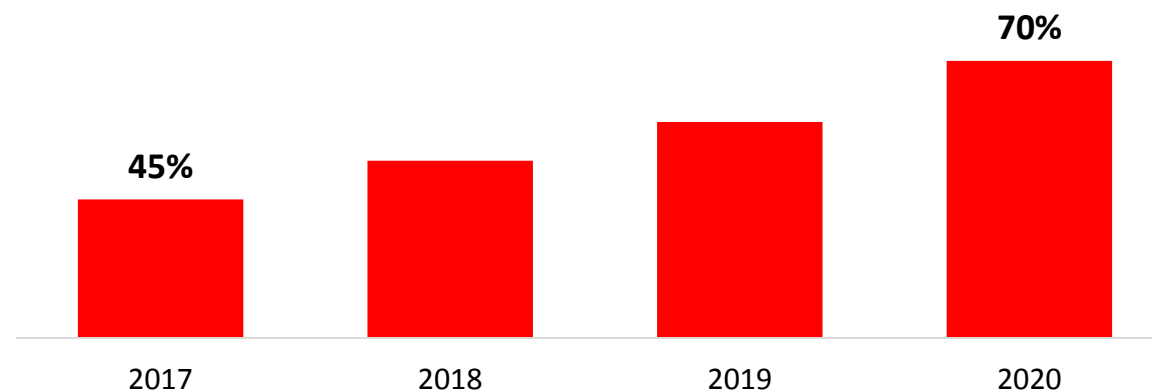
Empowerment across functionalities



Evidence: My Page / My Company



Potential: Self-service = 70% / ~DKK 30m by 2020





Strategic Theme: Product & Service Innovation

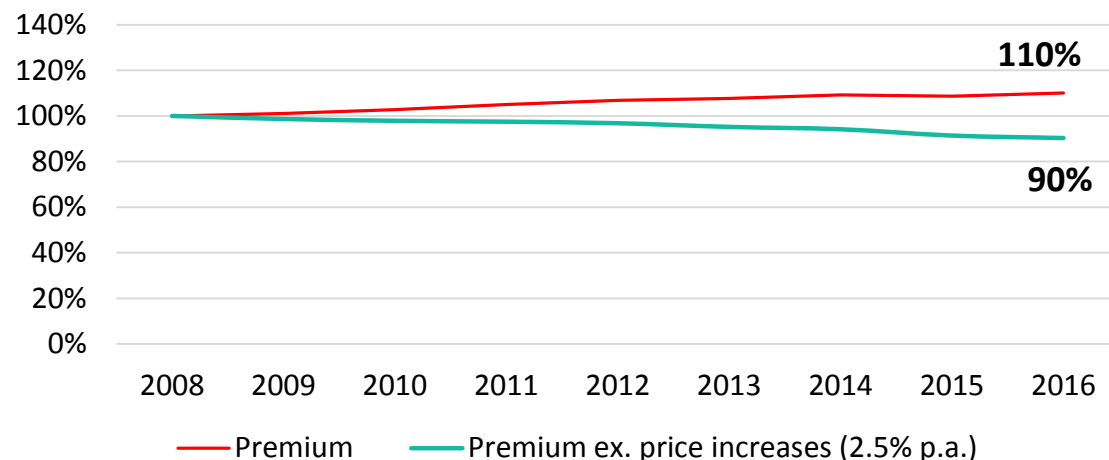


Why is product and service innovation important?



Transformation of traditional risk pools

Denmark: Premium development 2007 – 2016 (index: 2008)*

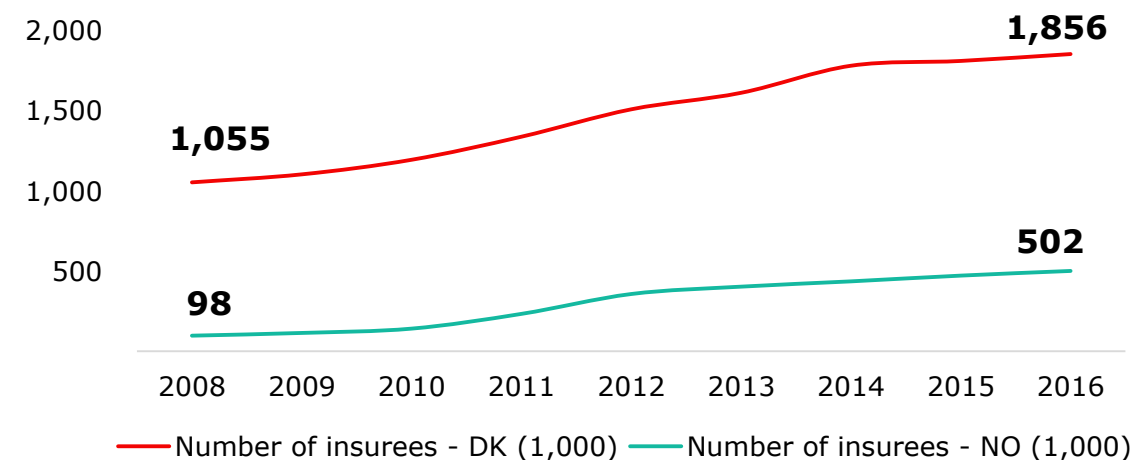


* Source: F&P (incl. Workers' Comp., Car, House/Contents, Accident)

- Drivers: Safety, loss prevention, technology
- Further impact from technology in the long-term e.g.:
 - Car: Assisted driving
 - Home/Contents: IOT devices like intelligent alarms

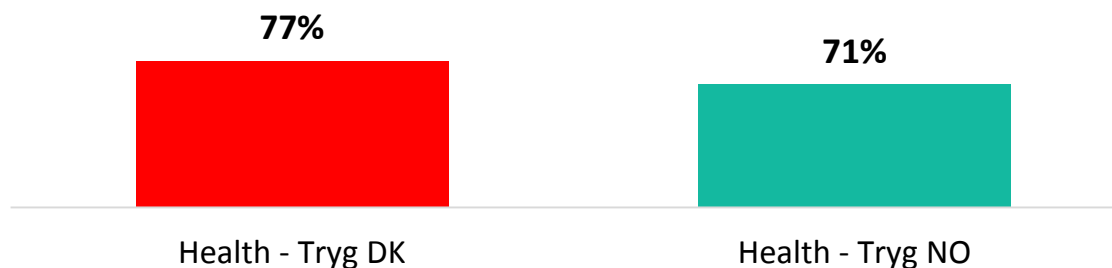
...and emergence of new ones

Example: Health insurance market DK & NO 2008 - 2016



Source: F&P ; FNO.no

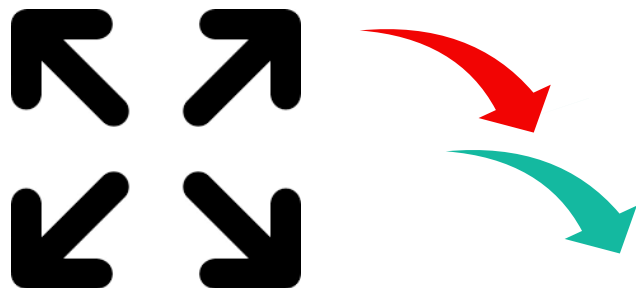
Tryg: Avg. claims ratio on Health 2014 - 2016



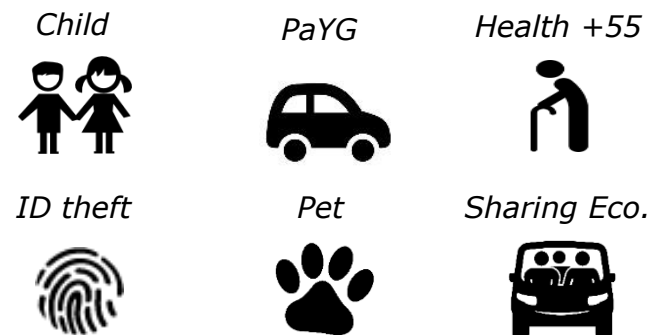
What will boost product and service innovation?



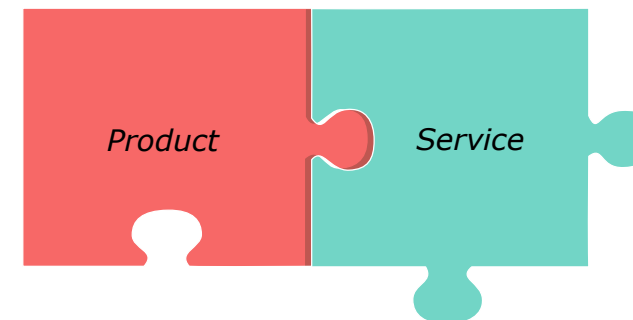
Expanding existing business



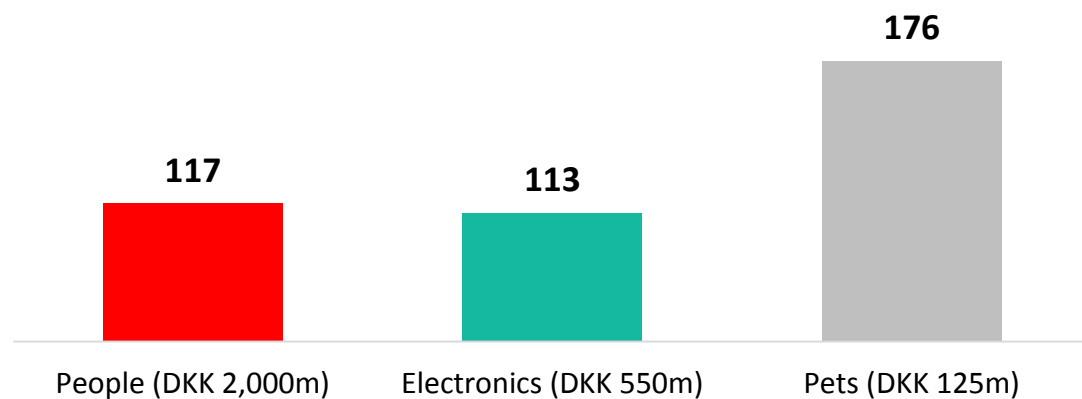
Development of new products



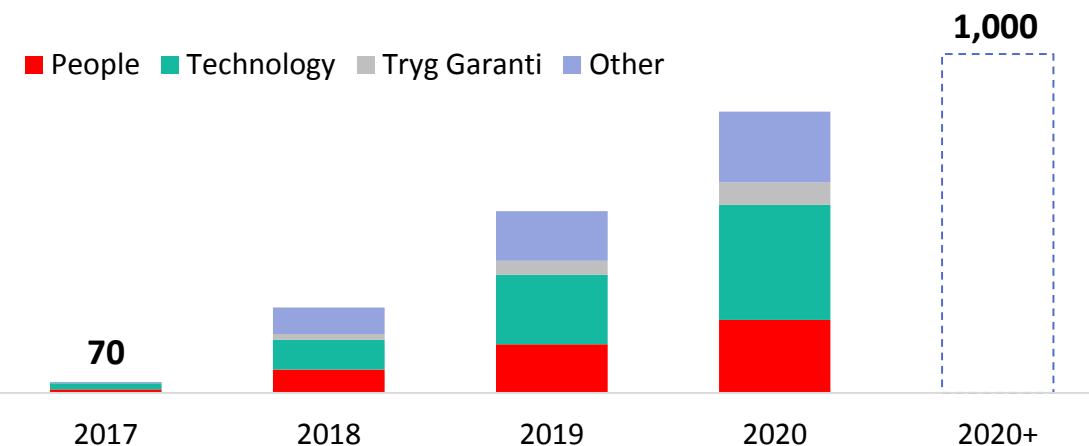
Add-on services



Strong traction in new growth products (index = 2014)



Target 2020+: DKK 1bn in new products & services



How to expand existing business



Concept: Expanding Tryg Garanti's market

- Offers surety contracts and trade credit insurance with very strong performance ratios (Q1-Q3 2017):

6.5

Expense
ratio

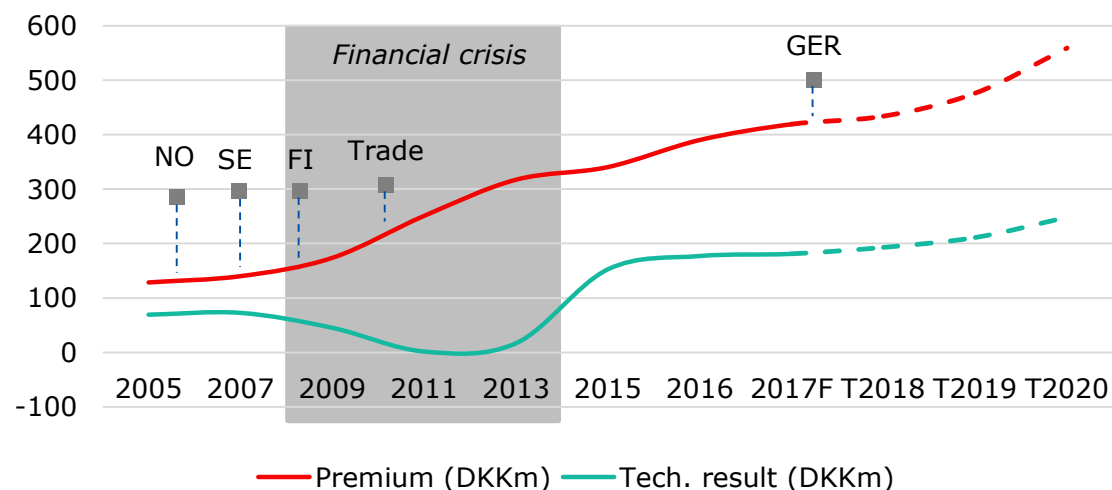
61

Combined
ratio

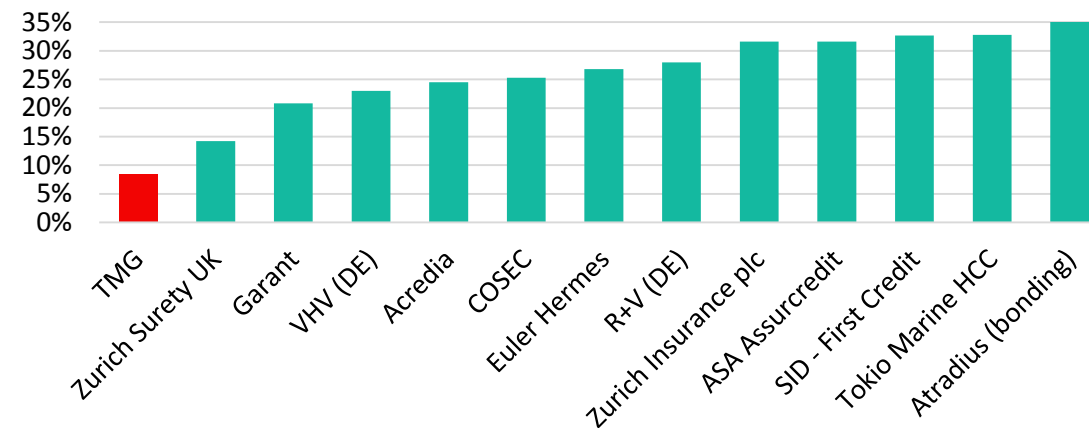
63

Net Promoter
Score

Potential: Topline growth of 20% in 2020 (CAGR)



Evidence: Cost ratio benchmark (2015)



Evidence: Market characteristics - Germany

- Expense ratio 30
- Claims ratio 43
- Average price twice as high vs. Nordics
- Banks to face increasing capital requirements



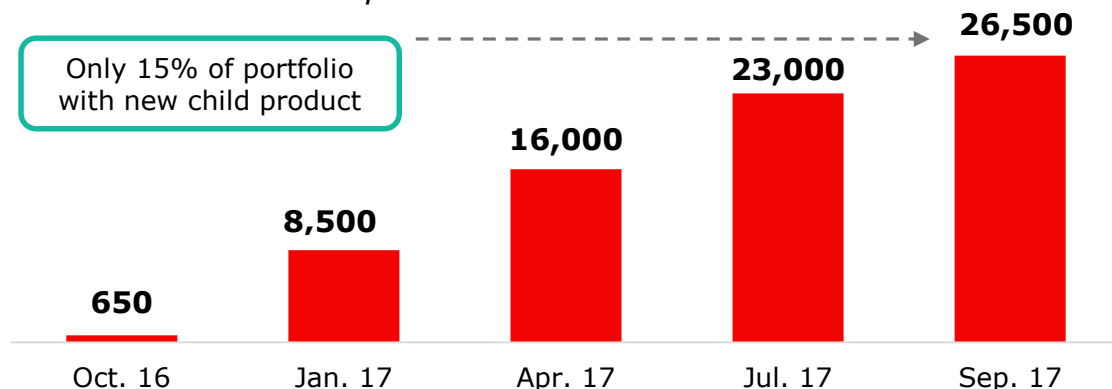
How to add new products and services



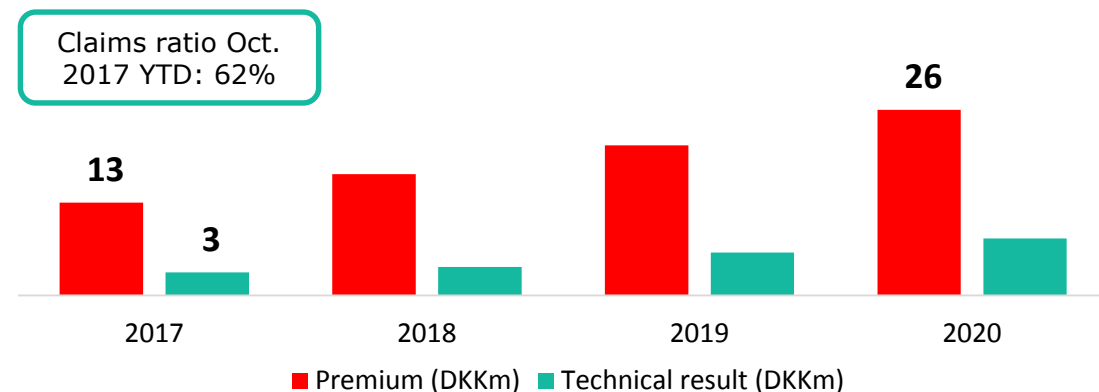
Child insurance – Private DK

Concept: Child insurance packages (Minimum, Basic, Super)

Evidence: number of policies sold since launch



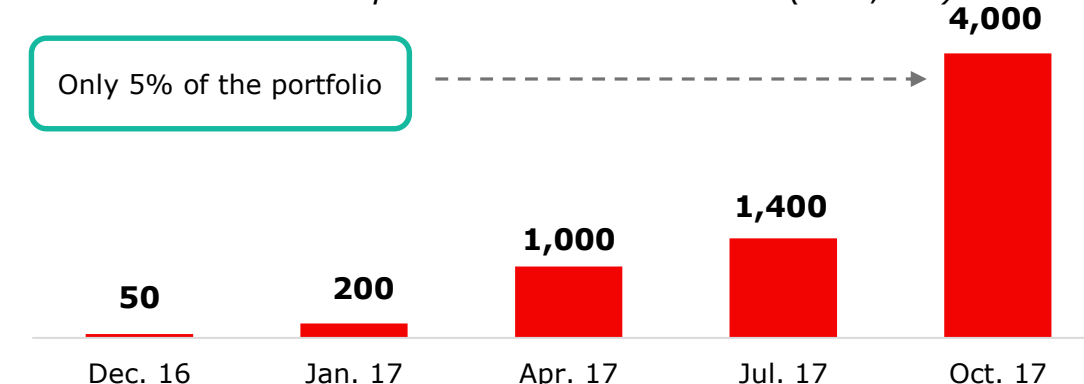
Potential: Targeted portfolio of DKK 26m in 2020



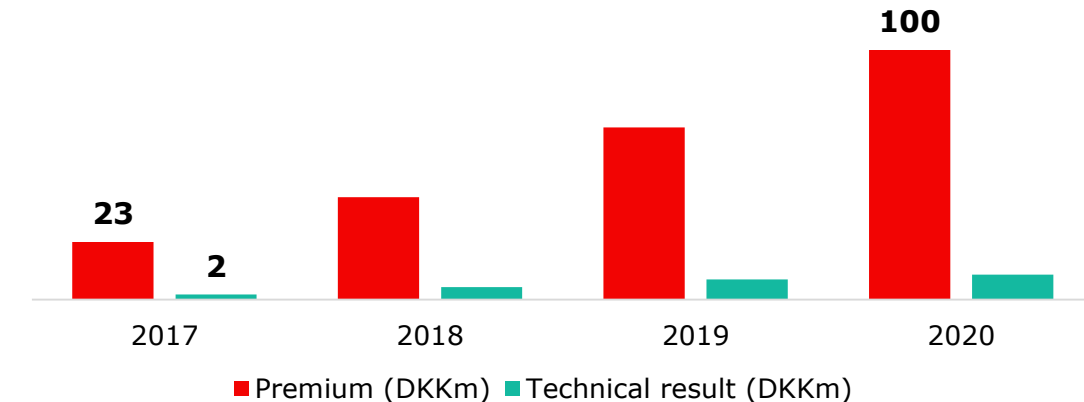
SME cyber insurance, DK

Concept: Cyber product in coop. with numerous domain experts

Evidence: number of policies sold since launch (SME, DK)



Potential: Targeted portfolio of DKK 100m in 2020 (Nordic)

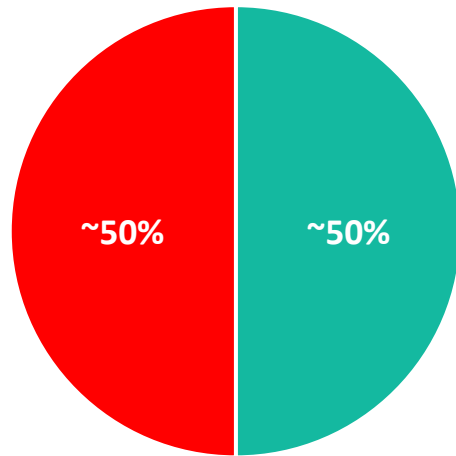






Strategic Theme: Distribution Efficiency

Why is distribution efficiency important?

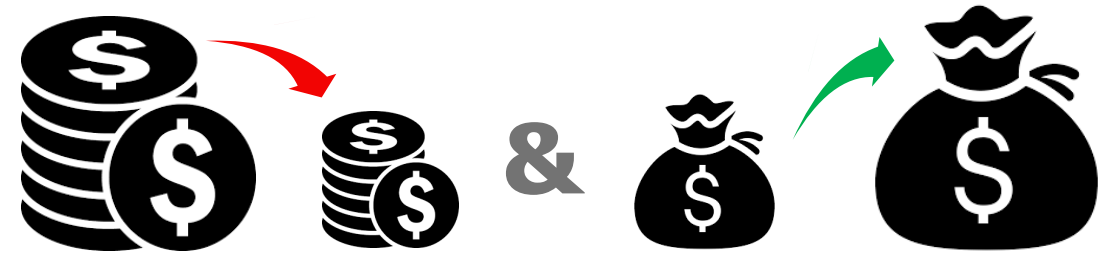
Constitute half of total cost



Distribution cost as a % of total cost:

-  Claims & admin. cost
-  Distribution cost

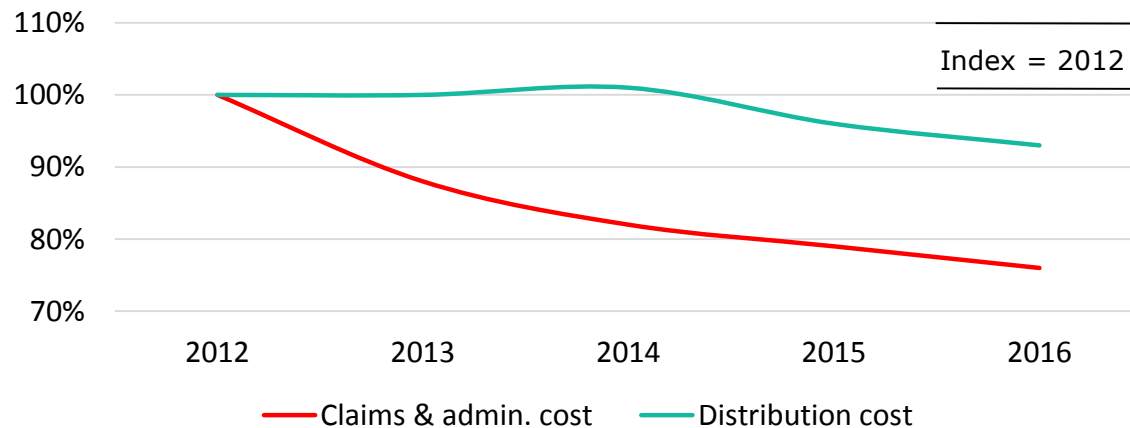
Need for improving both cost and sale



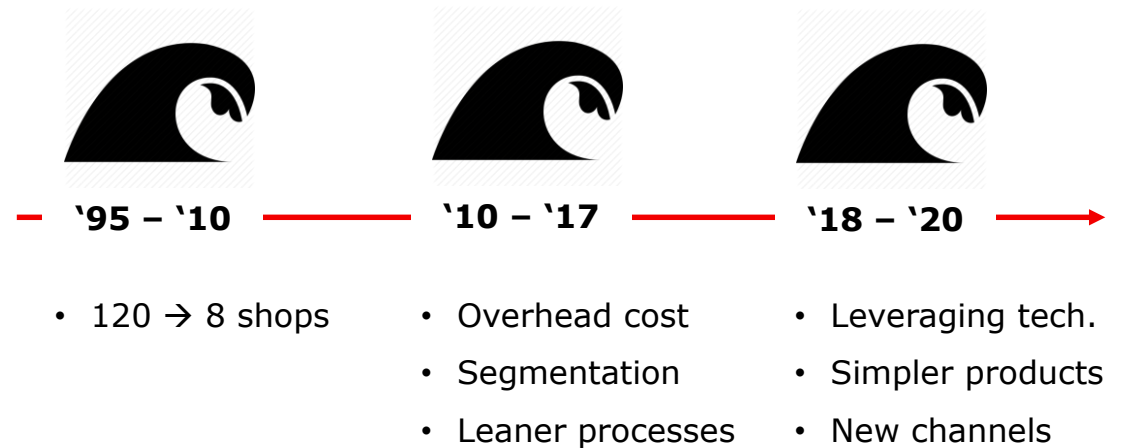
Lower cost

... and more sale

Distribution cost improved the least since 2012



A continuation of previous efforts



What will increase distribution efficiency?



Focus areas

Levers (examples)

Target 2020



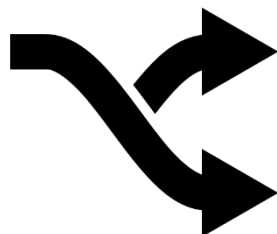
Efficiency through technology

- Digital integration to partners
- Analytics



Product simplification

- Packaging
- Pay as you go



Exploring new channels

- Integrating claims and sales
- Online

DKK 150m in technical result impact

150

How to boost efficiency through technology



Concept: Moving from push to pull through digital integration to partners

Total Nordic portfolio of large partners



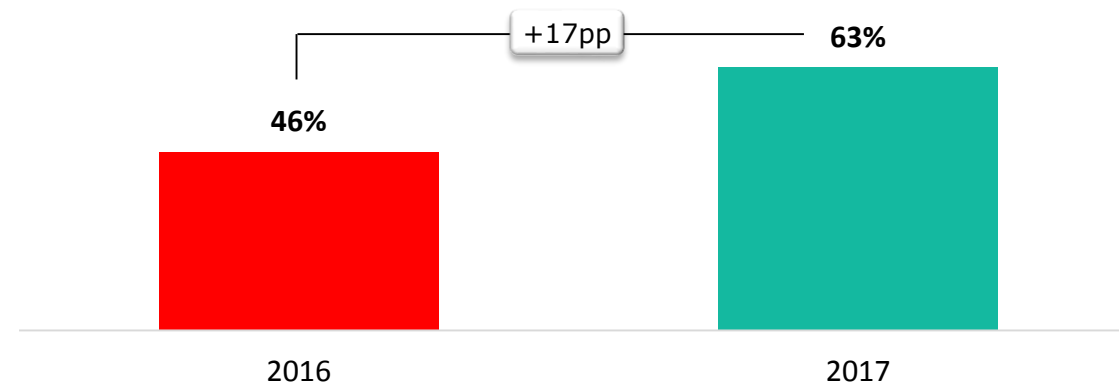
Utilising partners' customer relation to leverage digital sale



- Direct integration
 - Sale
 - Service
 - Claims
- Create call to action
- Broad range of online offers and services
- Unbiased advisor

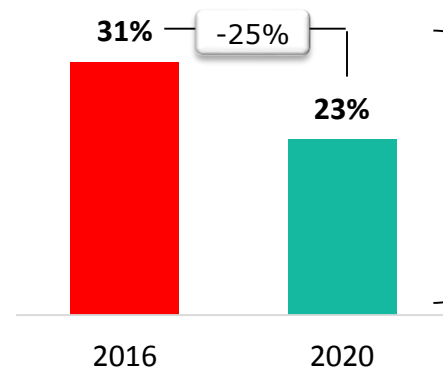
Evidence (case: large Norwegian partner):

17 percentage points increase in pull distribution year 1

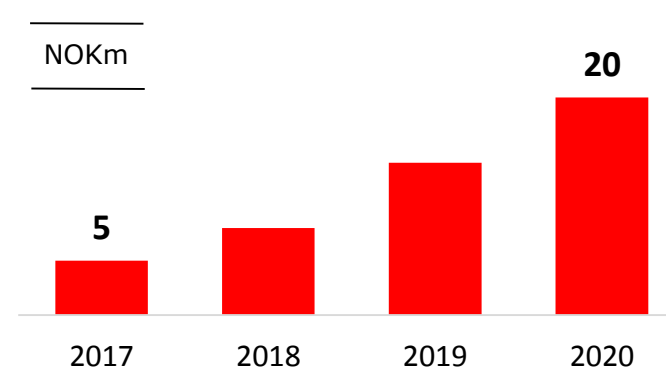


Potential (case: large Norwegian partner):

Distribution cost



Technical result impact 2020 (delta)

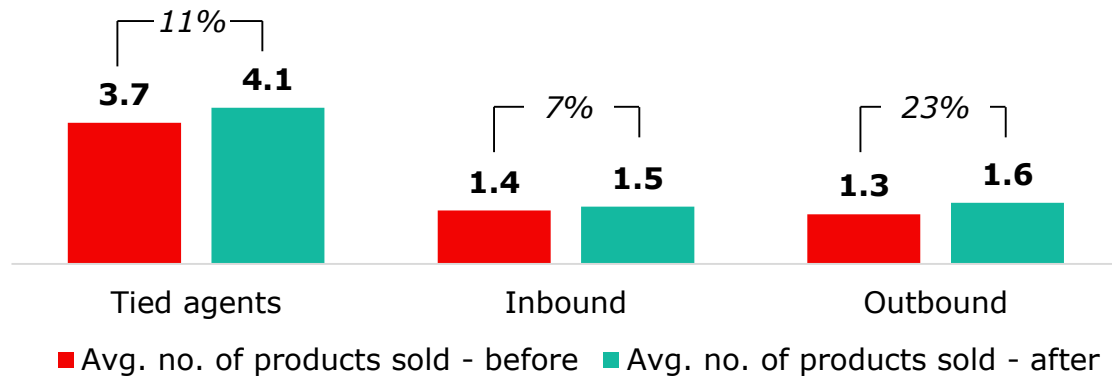


How to simplify products and explore new channels

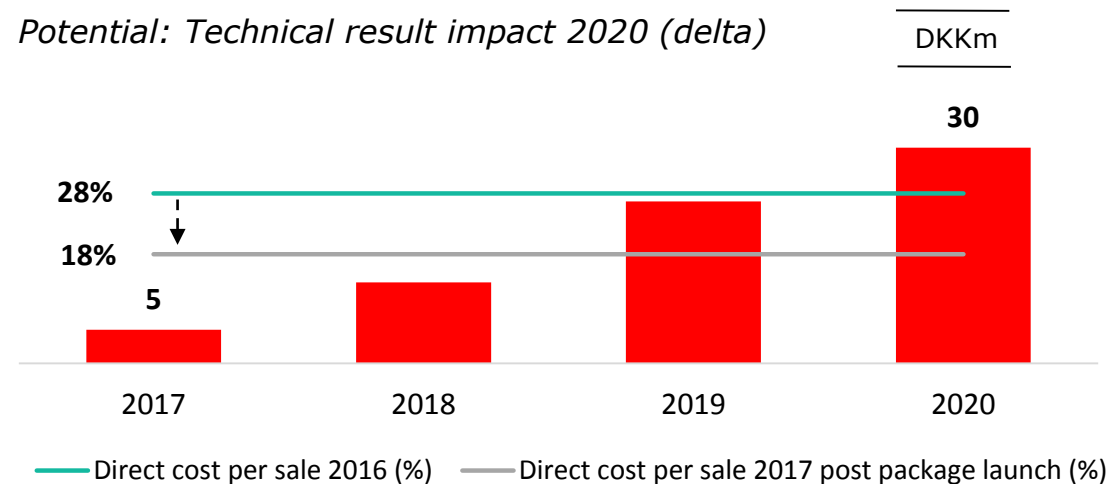


Concept: Packaging of products

Evidence: Increase in avg. number of products sold

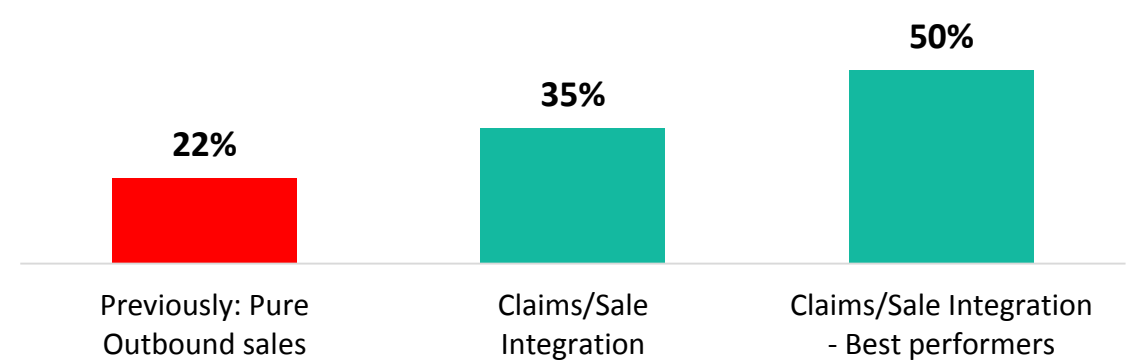


Potential: Technical result impact 2020 (delta)

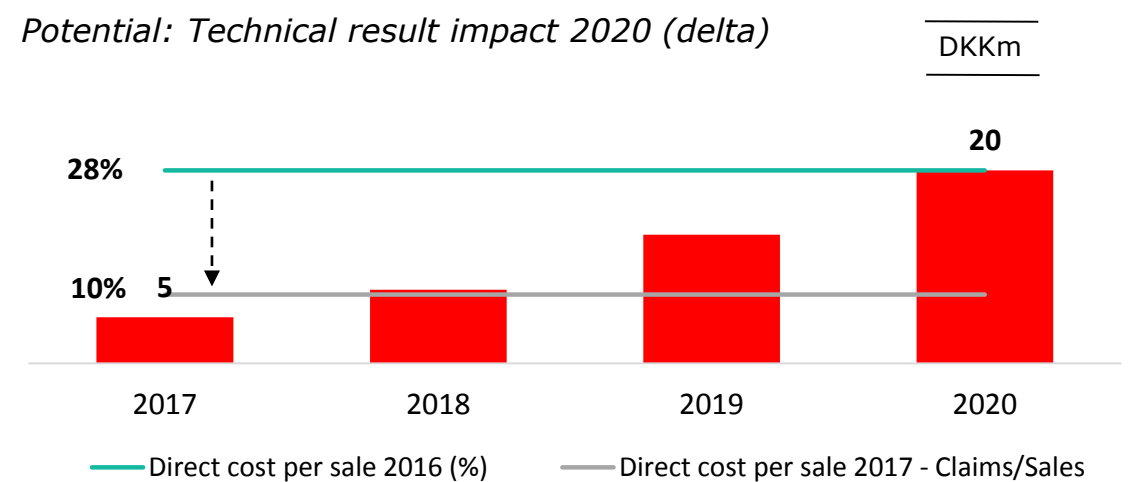


Concept: Sales & low complexity claims handling

Evidence: Win-rates improved 13pp on average



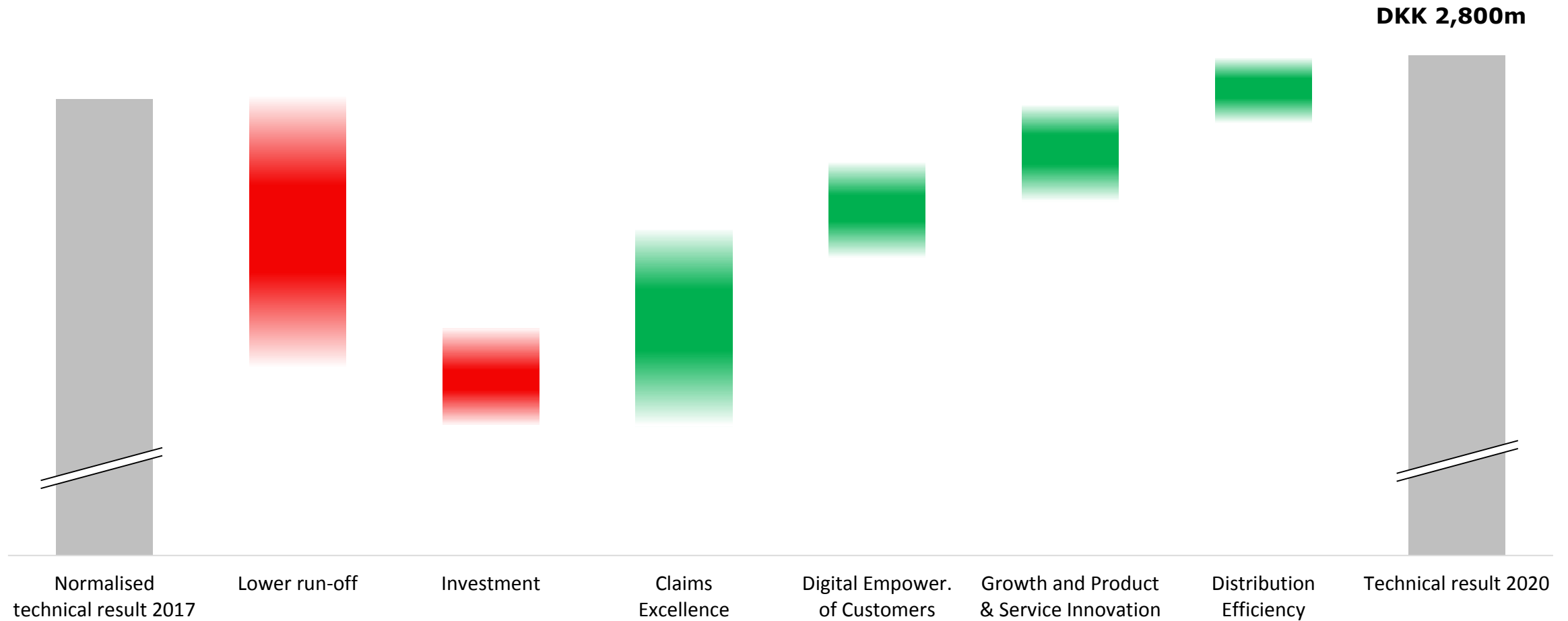
Potential: Technical result impact 2020 (delta)



A close-up photograph of a person's hands and forearms. The person is wearing a grey suit jacket. Their left hand is holding a white mug, and a luxury wristwatch with a black leather strap and a silver-toned case is visible on their left wrist. The watch face is light-colored with Roman numerals. Their right hand is resting on their lap. A red banner is overlaid across the middle of the image.

Financial impact of strategic initiatives

Total financial impact of strategic initiatives



** Normalised assumptions for weather claims and large claims*

A photograph of three business professionals walking through a modern office hallway. On the left, a woman with long dark hair, wearing a dark blazer over a maroon top, holds a red folder. In the center, a man with grey hair and a beard, wearing a dark suit over a white shirt, gestures with his hands while speaking. On the right, a woman with long blonde hair, wearing a dark blazer, walks with her hands in her pockets. They are walking on a wooden floor towards a large glass door that opens up to a bright outdoor area with greenery. The hallway has white walls and large windows on the left side.

Balance sheet optimisation

Shareholder return & balance sheet optimisation



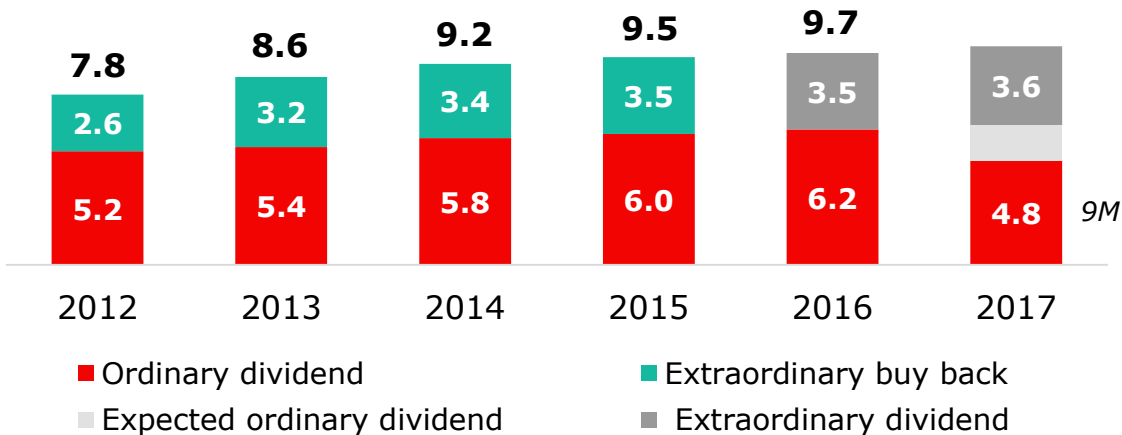
Sustained focus on shareholder return

- Maintain ordinary dividend policy: Nominal stable growing dividend
- ROE target increased from 21% to 23%
- Extraordinary dividend to adjust capital structure

Extraordinary dividends of DKK 1bn

(to be paid after AGM 2018)

Historical shareholder remuneration



Balance sheet optimisation remains core

2012 - 2014

- New dividend policy
- Reduced investment volatility
- Side-way reinsurance cover

2015 - 2017

- SII and partial internal model
- Increased subordinated debt
- Quarterly dividend

2018 - 2020

- SCR improvement
- Potential Tier 1 issue
- IT investment

SCR reduction, potential Tier 1 issue & IT investment



SCR reduction through model improvements

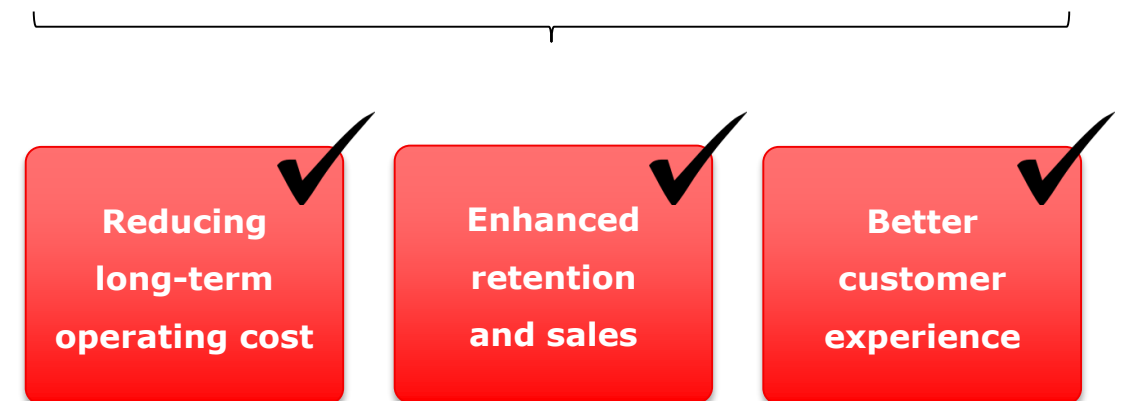
- SCR using partial internal model. Further optimisation = ~ -10%
- Workers' Comp. DK approval = ~ DKK -100m (all else equal)
- Further work to be done on Sweden and other parts of the model

Potential Tier 1 issue

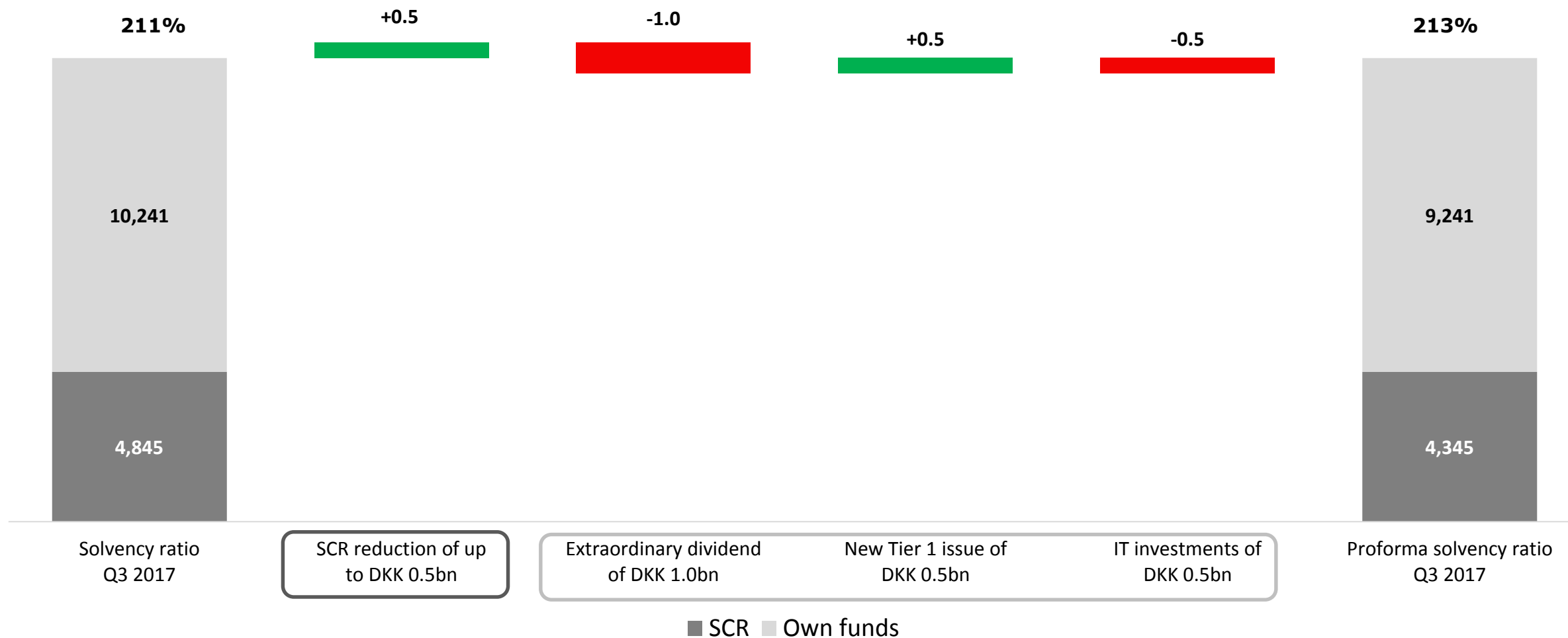
- Outstanding Tier 1 capacity of approximately DKK 1.1bn
- Potential Tier 1 issue H1 2018 subject to market conditions, amount likely to be ~ DKK 500m to retain some financial flexibility

IT investment supporting 2020 targets

- Increased IT spend impact P&L within 14% expense ratio, DKK 0.5bn impact balance sheet.
- IT investment support:
 - IT infrastructure upgrade
 - Channel digitalisation
 - Fraud detection
 - Analytics
 - New products & services



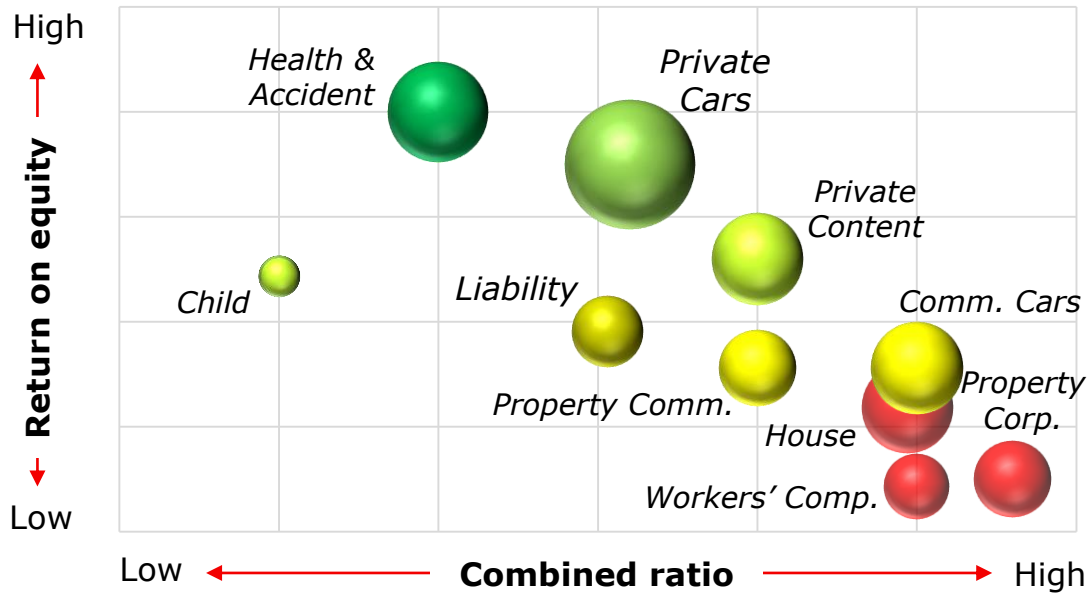
Pro-forma solvency ratio of 213 supports further shareholder returns



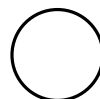
Portfolio rebalancing and M&A

Solvency ratio improvement via portfolio rebalancing

- Portfolio overview as of Q3 2017

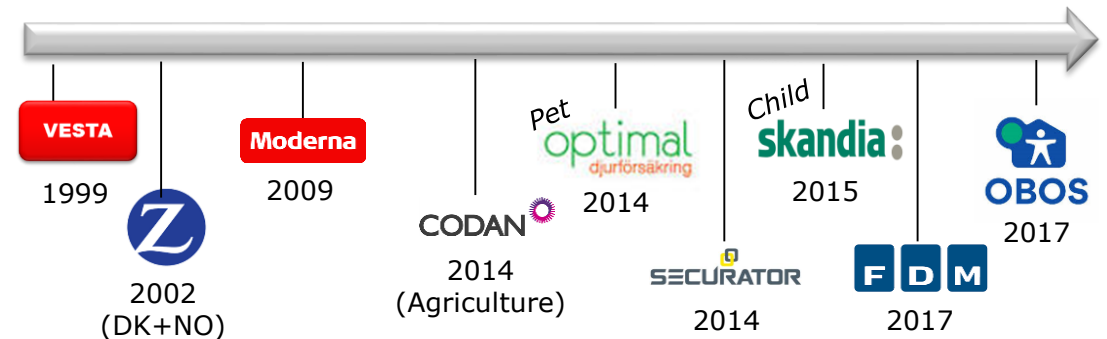


- Portfolio optimisation across businesses, segments and products
- Constantly seeking to allocate capital for highest returns

 Bubble size = Premium

Continuously considering M&A opportunities

Long history of M&A



Strict criteria for value creating M&A

- ✓ Value creative
- ✓ Potential synergies
- ✓ Strategically supportive
- ✓ Product / distribution enhancing



A young boy with brown hair, wearing a blue shirt and a patterned scarf, is looking down at a red paper airplane held by an adult's hand. The background is a blurred green field with trees.

Concluding remarks

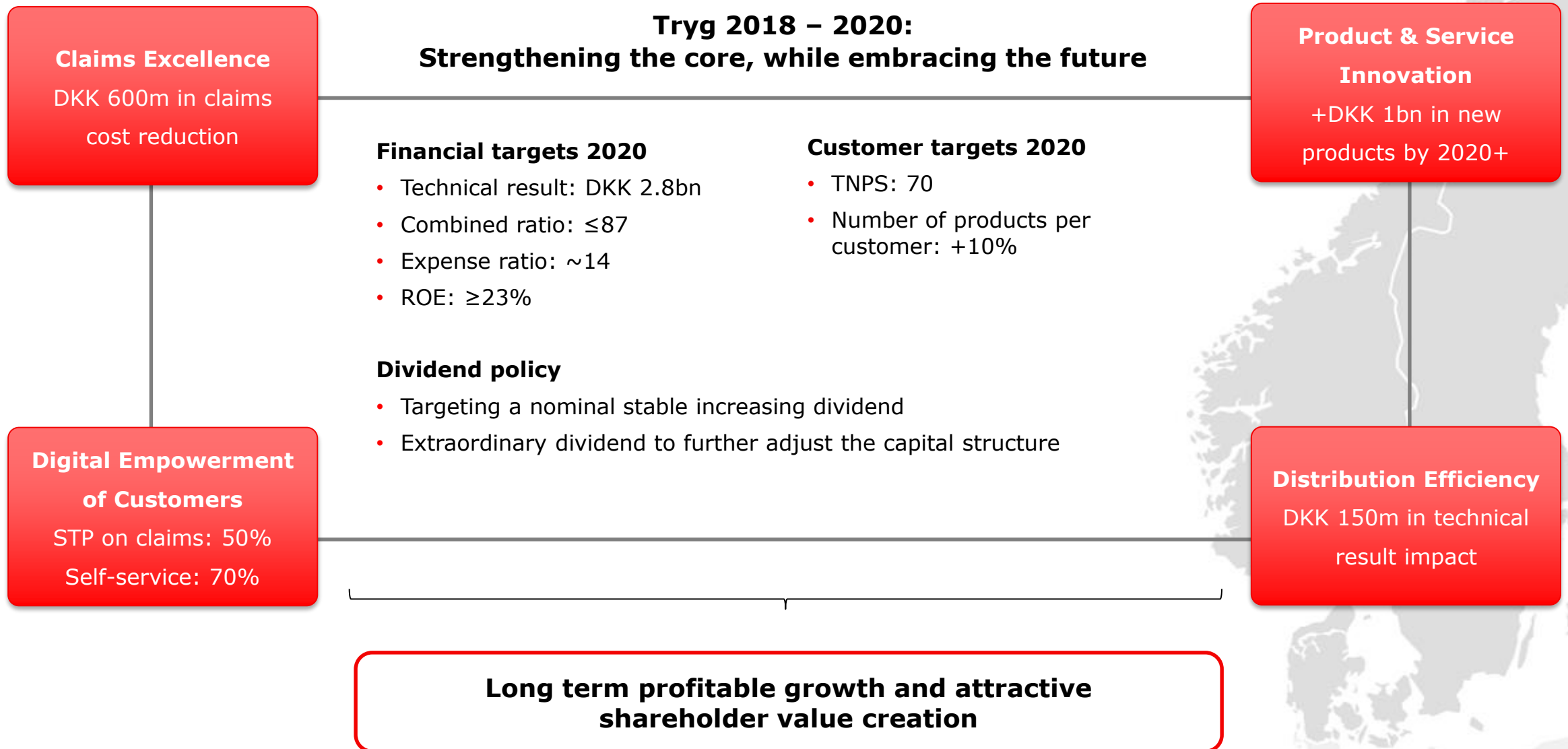
Delivering on 2017 targets



Targets presented on Capital Markets Day, 5 November 2014

Category	Key Performance Indicators	Targets 2017	Q1-Q3 2017	Comments
 Earnings	Combined ratio	≤ 87	83.8	Delivered as promised ✓
	Expense ratio	≤ 14	14.1	Delivered as promised ✓
	Return on equity	$\geq 21\%$	30.9%	Delivered as promised ✓
	Efficiency programme	DKK 750m	DKK 633m	On schedule ✓
 Customers	Net Promoter Score	+100% (22)	22	Delivered as promised ✓
	Retention rate	+1pp (88.9)	87.8	Delivered in DK, Not in NO (✓)
	≥ 3 products	+5pp (61.3)	58.9	Delivered in DK, not in NO (✓)

Tryg's equity story – a leading Scandinavian non-life insurer

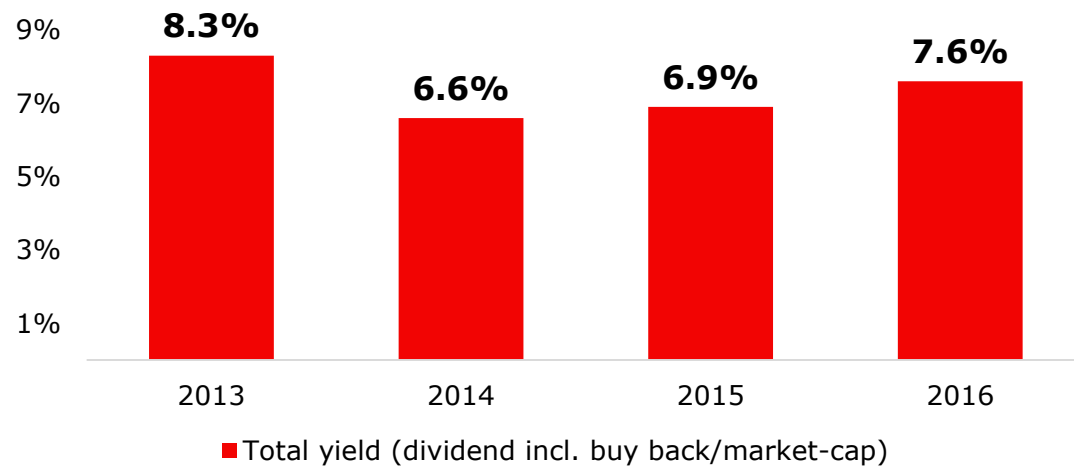


Tryg: A dividend stock



Tryg's historical yield 2013 – 2016

- Continuous and attractive shareholder remuneration

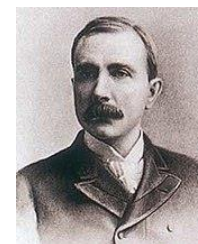
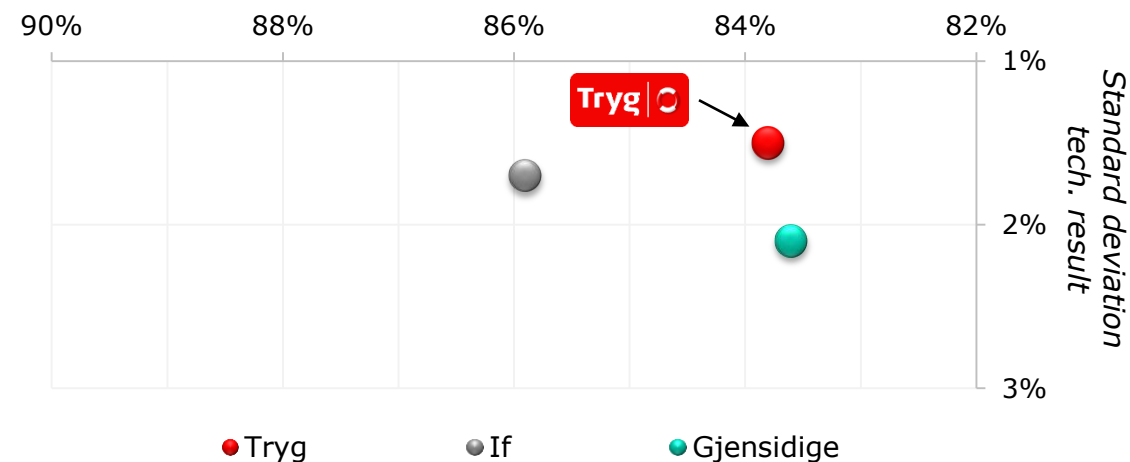


- Nominally stable and increasing ordinary dividend
- Potential extraordinary dividend to further adjust the capital structure

Benchmark of combined ratio vs. volatility

- Leading combination of CR and volatility

Avg. combined ratio 2012 – Q1-Q3 2017



"Do you know the only thing that gives me pleasure? It's to see my dividend coming in".

- John D. Rockefeller