



# **2014-2017 Business Plan**

## Growth, Investments, Profitability

19 September 2014



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## Key messages

- ❖ **Already today, the Cattolica Group is growing and profitable, despite a difficult and volatile market**
- ❖ **The new Business Plan speeds up profitable growth, enhancing our heritage of assets, skills and distribution channels**
  - +1 billion € of premiums during the period<sup>1</sup>
  - Improving our profitability, in particular on Non-motor and Life business
  - Improving our effectiveness, further rationalising the production centres and the corporate structure
- ❖ **We want to invest ~100 €M in the three-year period, mainly on innovation and technology**
- ❖ **We undertake an ambitious target: 209 €M of net profit in 2017, RoE at ~ 9%, maintaining solidity**
- ❖ **We designed a new organizational structure, fit to support Business Plan development**
- ❖ **We are ready for a Capital Increase up to a maximum of 500 €M**
  - to make the planned investments
  - to fund the business growth
  - to seize M&A and / or partnership opportunities

1. 2013-2017 Non-life premiums written and Life premium collection (insurance premiums and investment contracts) . + 1.4 B€ not including FATA in 2013



# Agenda

## **Cattolica today**

The market in the next years

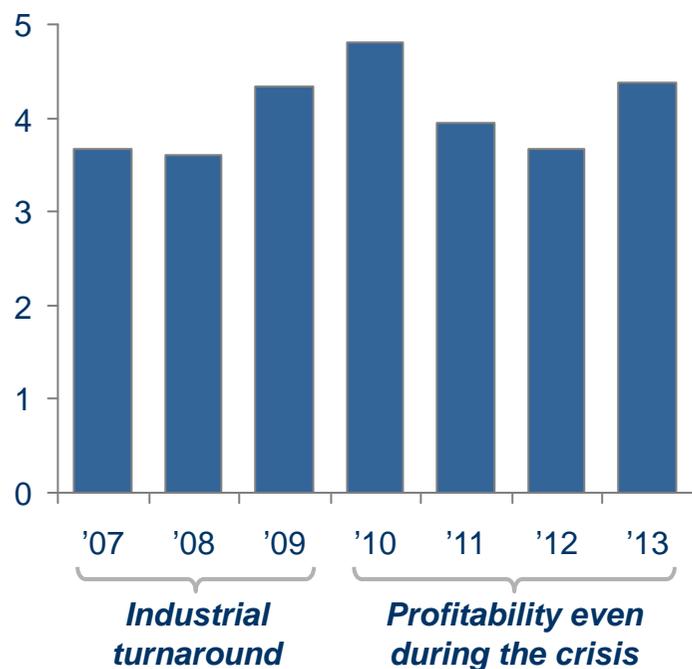
Our ambition

Industrial priorities

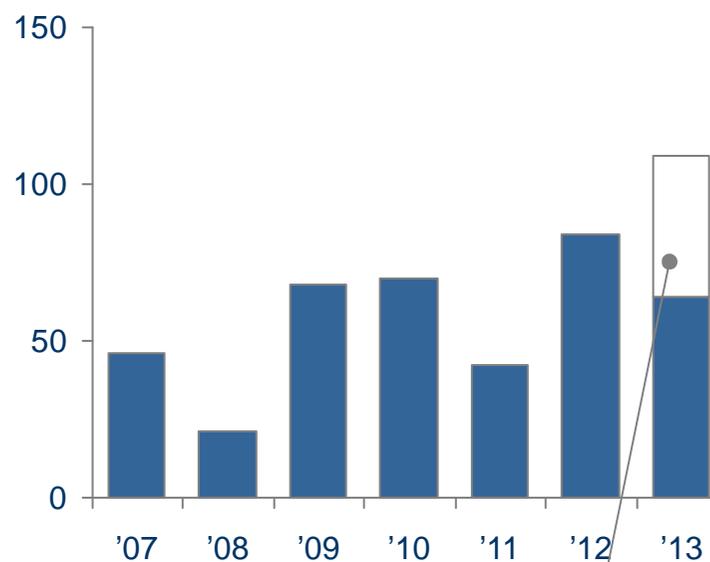


# A solid Group, always profitable at the height of the economic crisis

### Premiums written (€ billion)



### Consolidated net income (€ million)



**246 €M of dividends distributed over the last 7 years**

- 2013 extraordinary effects:**
- Extraordinary additional IRES: - 31 €M
  - Impairments / realized gains: - 14 €M

**Business model resistant to crisis and to market volatility, and focus on the shareholders remuneration**

Source: Cattolica Financial statements



# We have built up an heritage of assets, skills and channels

Group key numbers, excluding FATA, 2013

## Assets

- Link with the cooperative world, with deep roots in local communities
- Careful management

**3** partnerships with major financial institutions with cooperative structure

**162%** of Solvency I ratio<sup>1</sup>

**~178%** of Non-life cover ratio<sup>2</sup>

## Skills

- Excellent Non-life technical skills
- Pension and Welfare
- Agricultural sector

**93.5%** of Non-Life net Combined Ratio<sup>3</sup>

**63.6%** of Claims Ratio on motor TPL<sup>4</sup>, 5.0 p.p. lower than the market

**~20%** of market share in the agricultural sector<sup>5</sup> in Italy (after FATA acquisition)

## Distribution channels

- Agents
- Banking partners
- Pension and financial advisors, brokers

**1,422** agencies, plus ~170 from the acquisition of FATA. Skills on multi-mandate

**~6,000** bank branches through long-term distribution agreements

**~500** pension products advisors, professionally certified by the ISO/UNI standards

1. Value at the end of 2013, before the acquisition of FATA 2. Non-life technical provisions (premiums and claims) of direct business on gross premiums written of direct Non-life business. Excluding FATA 3. 2013 value, calculated as: (1-retained technical balance) /retained premiums for the period. Excluding FATA 4. Calculated on retained business 5. Sum of the 2013 market shares of the Cattolica Group (~ 5%) and of FATA (~ 15%), calculated on atmospheric and person 's risks for customers of the agricultural sector



# Profit of the first half of 2014 up sharply compared to 2013

Final figures, excluding FATA

Key indicators	30/6/13	30/6/14	Δ	Comments
Total premiums 1H 2014	2,251	2,914	+29.5%	
Non-life premiums (€M)	875	844	-3.5%	Decreasing average premium, but increasing number of policies and market share
Non-Life Combined Ratio <sup>1</sup>	93.5%	91.5%	-2 p.p.	
Life premiums written <sup>2</sup> (€M)	1,376	2,070	+50.5%	Strong growth, higher than the market and observable on all types of product and channel
Life Net Flows <sup>3</sup> (€M)	373	799	+214%	
Consolidated net income (€M)	43	56	+30.2%	Annualised ROE of ~7%

**Positive trend in growth and profitability in the 1st half of 2014**

1. Calculated on retained business 2. Includes insurance premiums and investment contracts 3. Only Class I and Class V  
Source: Presentation of the Results as at 30 June 2014 of 6 August 2014



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**The market in the next years**

Our ambition

Industrial priorities



# We have considered as a reference point ECB's macroeconomic scenario

## Context

### Macroeconomic scenario stable in the short term, with gradual and moderate recovery in 2016-2017

- Inflation recovering by 2016
- Gradual growth of Eurozone GDP, including Italy
- Effectiveness of monetary policies aimed at eliminating the current credit crunch phase

### Low interest rates, recovering in 2017

- Extraordinary monetary measures are expected to last until 2016, similar to the Fed experience<sup>1</sup>
- Gradual return to the "ordinary" scenario on rates and inflation starting from 2017

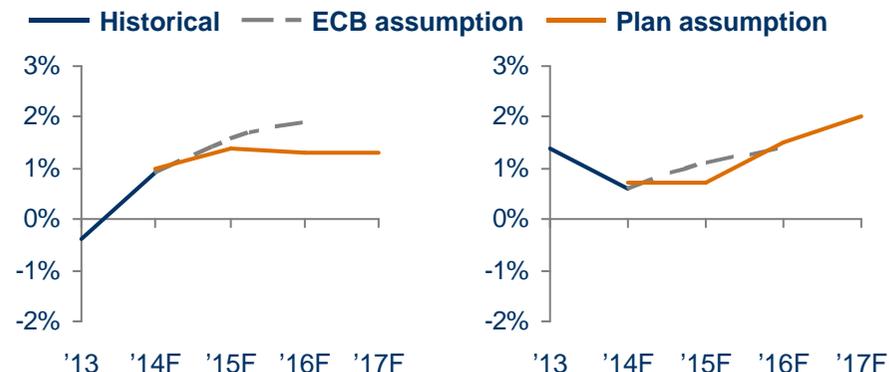
### Necessary surrounding conditions

- Completion of structural reforms expected in the countries of the Eurozone
- Confirmation of current growth forecast worldwide

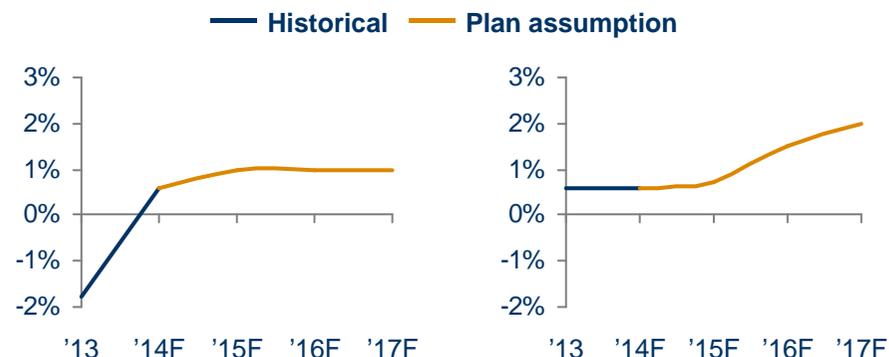
## GDP

## Inflation

EU



Italy



**The Group is ready to compete in a complex scenario and to capture the opportunities of the assumed recovery**

1. Duration from 3 to 4 years, starting from 2012 Note: Average values for the period. Source: ECB, Panel of financial institutions

## Major changes taking place in the market

### 1 Customers

- More informed and sophisticated **Retail** customers, looking for **digital and multichannel access**
- Generally **more dynamic** and **price conscious** (both retail customers and small companies)
- Higher needs of **protection and welfare**

### 2 Technology

- **Telematics** with further growth on Motor and development on Non-motor (e.g. Home, Health)
- Introduction of "**Big Data**" technologies (advanced analysis of clients, risk, external databases)
- Process **automation** and **paperless**, which allows structural cost reduction

### 3 Regulations

- **Solvency II**: capital and risk requirements more sophisticated and linked to advanced models
- **IMD2**: greater transparency on commissions and increase of administrative requirements on Life

### 4 Competition

- **Increased competition** on Motor prices and on Agent recruitment
- **Consolidation** of the market and strong initiatives of rationalisation and efficiency improvement
- **New entries** (e.g. Banks on Motor), but partnership opportunities as well



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## Cattolica 2014-2017: a new phase of success

2008 - 2010

- Industrial turnaround
- Confirmation of strategic partnerships
- Strengthening of the organisation

2010 - 2013

- Sustainable profitability, despite macroeconomic scenario
- Growth of Motor core business
- Development of welfare skills
- Strengthening of distribution networks

2014 - 2017

- Speed up of the development trend
- Group synergies, recovery of productivity gap
- Strengthened competitive positioning
- Maintenance of capital solidity



# Our ambition: Growth, Investments, Profitability

## Growth

**Growth of business to 2017**  
 (~ 15% Non-life, ~ 25% Life)

- Market share increase
- Further growth in the case of new distribution agreements/ M&A

Premiums written (€ billion)

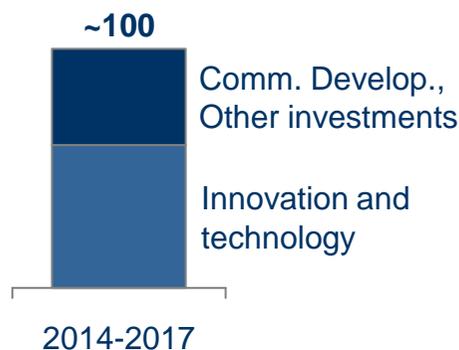


## Investments

**~ 100 €M of investments in 3 years to support the Plan**

- Mainly in innovation and technology

Cumulative investments (€M)

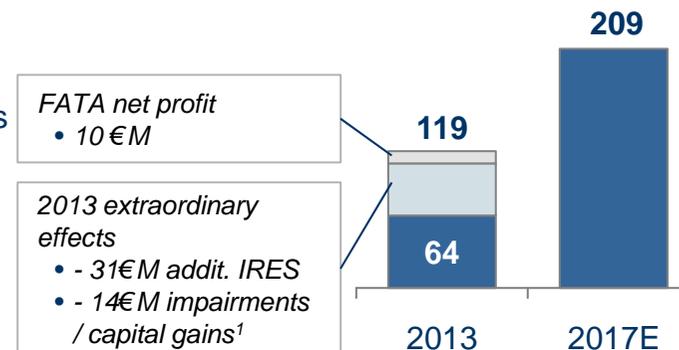


## Profitability

**Consolidated net income of 209 €M in 2017**

- RoE 2017 equal to ~ 9%
- Maintaining focus on profit distribution

Consolidated net income (€M)



**We will continue the remuneration policy of shareholders, coherently with the cooperative model and constant focus on members**

1. Source: Consolidated financial statements

Financial ratios		2013 (Cattolica excl. FATA)	2017 target
<b>Non-Life</b>	<b>Premiums (€ billion)</b>	<b>1.7<sup>3</sup></b>	<b>2.4</b>
	Combined ratio <sup>1</sup> (%)	93.5%	~ 93%
	<b>Consolidated net income (€M)</b>	<b>50<sup>4</sup></b>	<b>139</b>
<b>Life</b>	<b>Technical provisions (€ billion)</b>	<b>13.2</b>	<b>15.9</b>
	<b>Consolidated net income (€M)</b>	<b>14<sup>5</sup></b>	<b>70</b>
<b>Total</b>	<b>Consolidated net income (€M)</b>	<b>64</b>	<b>209</b>
	<b>ROE<sup>2</sup> (%)</b>	<b>4.1 %</b>	<b>~ 9%</b>
	<b>Shareholders' equity (€ billion)</b>	<b>1.6</b>	<b>2.4</b>
	<b>Solvency I</b>	<b>162%</b>	<b>&gt; 160%</b>

*Includes 2013 extraordinary effects*

- - 31 €M additional IRES
- - 14 €M impairments and realized gains<sup>6</sup>

*Does not include FATA contribution (10 €M)*

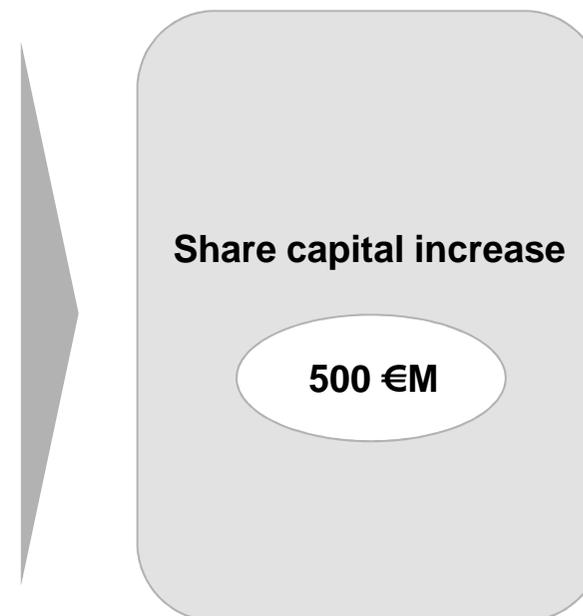
*Up to 500 €M of Share capital increase to support the Plan*

1. Retained business 2. Ratio of net profit/shareholders' equity; the latter calculated as the average of the values at beginning and end of period, including profits to be distributed  
3. It does not include FATA Non-Life premiums (equal to 0.4 € billion in 2013) 4. It does not include FATA net profit (10 €M in 2013) 5. Includes 1M€ profit of other non-insurance BUs  
6. Source Consolidated financial statements Note: Technical provisions include financial liabilities



## Share capital increase up to a maximum of 500 €M to support growth, investments and flexibility on the market

- ➔ **Support business growth,  
~15% on Non-life Premiums and ~25% on Life Premiums**
- ➔ **Finance the industrial transformation  
and investments in innovation and technology**
- ➔ **Act as an aggregating pole on the market,  
assessing M&A and new distribution agreements opportunities**



**Key lever to support the Plan, to be completed in 2014**



## A new organisational structure to support the Plan





# Agenda

Cattolica today

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**Industrial priorities**



## 6 industrial priorities in order to exploit the Group assets

### Strategic vision of the Cattolica Group

1

Profitable growth of Non-Life business

2

Leadership in the Agri-food segment

3

Development of Life, Pension and Welfare businesses

4

Distribution excellence and digital transformation

5

Operational efficiency and productivity

6

New approaches to capital and financial asset management

Investments in innovation and resources

New organisational structure

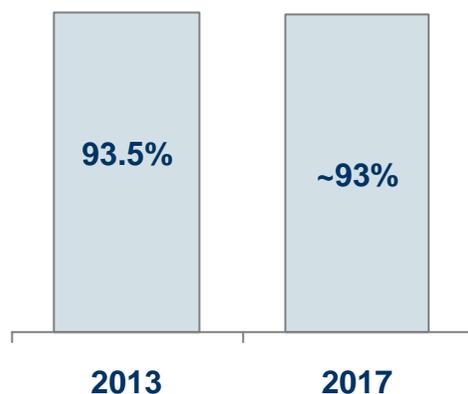


# Profitable growth of the Non-life business

1

## KPI

*Non-life Combined Ratio<sup>1</sup>, %*



## Transformation initiatives

**Technical excellence in the Motor business and offer development for retail and small businesses**

- **Technical underwriting excellence** (pricing, data analytics)
- Strong boost to **Retail / Accident and injury**, rebalancing Corporate / TPL
  - Refocusing of Corporate business on attractive sectors of small companies
- Development of **Telematics offer** on Motor and potentially Non-Motor
- Sharp actions in order to continue the **claims cost control**
  - Complex claims settlement, management of trustees, anti-fraud tools

1. 2013 value for the Cattolica Group, before the acquisition of FATA

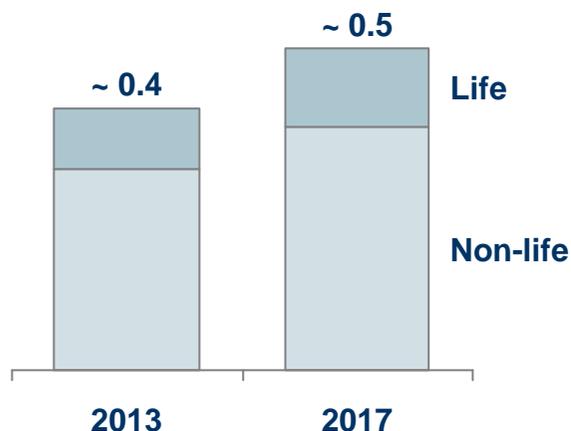


# Leadership in the Agri-food segment

2

## KPI

*Premiums on the agricultural portfolio<sup>1</sup>, € billion*



## Transformation initiatives

**Full development of the potential related to the insurance needs of the sector**, leveraging the leadership position built with the acquisition of FATA

- Increase in the **penetration of Non-life products** related to the agricultural business
- **Cross-selling on individuals** and households of the agricultural sector (e.g. Pension and Welfare)
- Direct interaction with key **players of the industry** (e.g. associations)
- **Cross-fertilisation** of skills between FATA and Cattolica, distribution synergies
- Development of **products/innovative services** to improve the management of the agricultural risk

1. Includes FATA contribution also in 2013

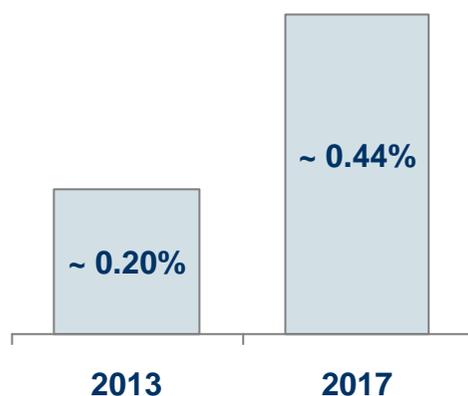


# Development of Life, Pension and Welfare businesses

3

## KPI

*Life net profit on Life technical provisions, %*



## Transformation initiatives

**Improvement of the weighted return on capital and growth priority on Pension and Welfare**

- Focus on products with **less capital absorption** in terms of Solvency 2
- Advanced **Life products** (e.g. multi-class integrated with Protection)
- Development of **Pension and Welfare offer** also on bank and agent channels
- **Integration of the specialised skills** of Cattolica Previdenza
- Rationalization of Life segregated funds management and **efficiency of operating processes**

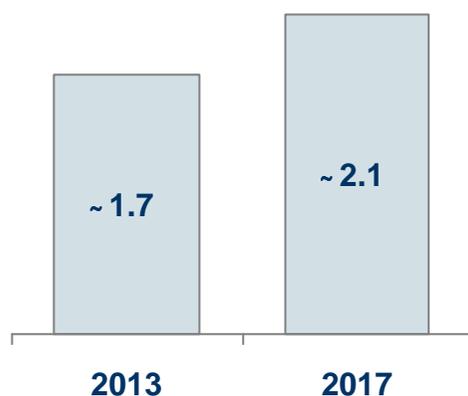


# Distribution excellence and digital transformation

4

## KPI

*Agency average portfolio<sup>1</sup>, €M*



## Transformation initiatives

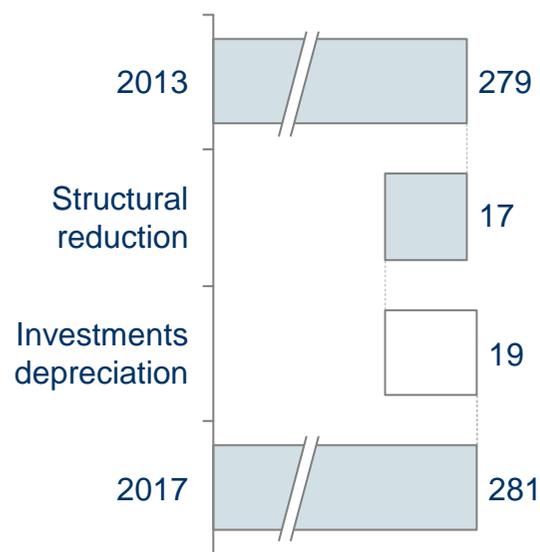
**Focus on customer centricity and service to distribution channels,** through the integrated management of the various networks, also by leveraging technology and multi-channel distribution models

- **Digital agency** (e.g. paperless, mobile sales) and simplification
- Strengthening of the **on-line presence**, with a multi-access service model built around physical networks
- Enhancement of the **Cattolica Previdenza network**, to support banks and agents
- Investments on **CRM and campaigns**, to strengthen customer centricity
- **Strengthening of Agents network**, even with an increase in the sales force, exploring new models of agencies management / segmentation

1. Average portfolio of Cattolica agency network

## KPI

Group operating costs<sup>1</sup>, € M



1. Excluding FATA

## Transformation initiatives

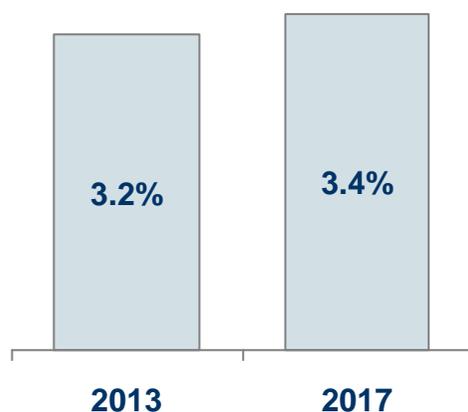
**Simplification of structures, processes and organisation,**  
looking for automation opportunities to increase productivity

- Rationalisation of the **corporate structure** and review of organisational assets
- **Rationalisation** of the offices locations and work procedures
- Upgrade of **applications, IT infrastructure, and "lean" processes**
- **Operational integration of FATA** in the Group's IT/ Claims systems
- Transformation of the **procurement model** and structural reduction of external costs



## KPI

*Profitability of Non-life investments<sup>1</sup>, %*



## Transformation initiatives

**Greater sophistication in capital allocation and investment management, to optimise profitability and capital solidity**

- New strategic planning and **capital allocation** process
- New model of **ALM** and financial asset management, compliant with the new regulatory requirements, and investment in new tools and skills
- Optimised **asset management** by evaluating diversification opportunities
- **Cash flow** management to reduce the need of cash and cash equivalents
- Strengthening of the policy of **profit distribution**

1. 2013 Value for the Cattolica Group, before FATA acquisition



# The strategic lines of the 2014-2017 Business Plan

## Final summary

- ❖ **Already today, the Cattolica Group is growing and profitable, despite a difficult and volatile market**
- ❖ **The new Business Plan speeds up profitable growth, enhancing our heritage of assets, skills and distribution channels**
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- ❖ **We are ready for a Share capital Increase up to a maximum of 500 €M**
  - to make the planned investments
  - to fund the business growth
  - to seize M&A and / or partnership opportunities

**Attention to shareholders' and members' satisfaction, with attractive profit distribution policies, while maintaining high solidity**

1. 2013-2017 Life and Non-life premiums written. Pro-forma 2013 value due to the inclusion of FATA



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## Growth, Investments, Profitability

19 September 2014