Helvetia Group analysts’ conference call
Full-year results 2019
Wednesday, 4 March 2020

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(The spoken words take precedence)

Philipp Gmür, CEO Helvetia Group

(Slide 19) Update on strategy implementation
Thank you, Paul, for the details of our financial performance in the 2019 financial year.
In the last part of the presentation I would like to briefly show you an update on strategy implementation.

(Slide 20) On the home stretch on implementing our strategy
The implementation of our strategy helvetia 20.20 is proceeding successfully. If you have followed us through the last periods, you might know that our strategy is built on three pillars: we aim 1) to strengthen our core business, 2) to explore new business models and 3) to promote targeted innovations. The relevant projects and measures are on track. In addition, we are well on our way to exceeding the financial targets set for the end of 2020, thereby laying a solid foundation for further successful development. With helvetia 20.20, we are creating added value for our key stakeholder groups: customers, employees and shareholders.

A milestone to strengthen the core business was reached at the beginning of 2020 with the acquisition of the Spanish insurer Caser. I will go into details on the next slide.

The acquisition of Caser is an important, but not the only, step Helvetia has taken. In order to meet the changing needs of customers even better, Helvetia has launched new products such as cyber-coverage or its own fund insurance policies, opened up new business lines such as aviation and revised existing offers, for example the property insurance in
Switzerland. The new products are very well received by customers. Helvetia has also introduced a new tariff in the Swiss group life business. I will provide you with more details in a few minutes.

With regard to distribution channels, Helvetia significantly expanded its bank distribution in Italy and Spain as well as its brokerage business in Spain. Via the B2B2C channel, Helvetia also enables its customers to purchase insurance covers directly at the point of sale, thus taking into account the need to insure specific items individually.

Another focus in strengthening the core business was increasing the level of automation, especially in claims processing. In Spain, for example, Helvetia customers can report household insurance claims directly in the new customer portal or via smartphone. In Switzerland, Austria and Italy in particular, claims processing for motor vehicle claims has been simplified and automated. This with the aim of offering the customer more comfort.

We have always known that strengthening the core will not be sufficient to meet the challenges that the future brings. Thus, Helvetia is opening up new business models, among other things by setting up eco-systems, in Switzerland in particular with the eco-system "Home" with MoneyPark as a strong anchor. The new app from Smile, the leading Swiss online insurer, gives Helvetia access to the mobile world.

In 2019, Smile received the Swiss insurance industry's Innovation Award for its "Customer Experience Revolution" project, by introducing numerous innovations such as a flexible monthly subscription with a monthly cancellation period, a monthly payment option by credit card, the changeover to a "Du-Kultur" and its own app. The jury was impressed by the holistic approach, which consistently puts the customer at the centre.

Helvetia is also taking another important step with the launch of offers in the asset management segment. Helvetia Asset Management AG was founded for this purpose. In future, this company will make Helvetia’s investment expertise in the real estate sector available to third parties. The first property fund will be launched in April 2020. Helvetia is thus broadening its product range and diversifying its sources of income in the form of fee business.

Finally, Helvetia is making targeted use of innovations in customer interaction: We are increasingly using chatbots to handle customer concerns. For example, 20 percent of all bicycle thefts in German-speaking Switzerland are processed via chatbot. But also in other areas, such as the extension of contracts, for us chatbots are becoming more popular.
Furthermore, Helvetia has important access to innovation with its own Venture Fund, which is in contact with 600 to 700 start-ups every year. In 2019, the Venture Fund invested, among others, in two companies with a strong focus on the B2B2C business. Let's move on to slide 21.

(Slide 21) Strengthening the core business by the acquisition of Caser, reinforcing the European business

As I have already mentioned we have also made a major step to strengthen our core business by the acquisition of Caser. Helvetia's European businesses have developed very well in recent years: we have been increasing profitability, and the net combined ratio in the non-life business improved significantly, reflecting our efforts to increase portfolio quality. The acquisition of Baloise Austria helped us to substantially improve our market position in the non-life business in Austria. In the life business we continuously improved our business mix by increasing the share of modern products on new business to over 80 percent for products with regular premiums. Also in life business, new business margin developed nicely.

We repeatedly emphasised that further acquisitions in Germany or Spain would be very interesting, and now we have been seizing the opportunity offered to us. The acquisition of Caser in Spain considerably reinforces the European business as a second pillar of the Group. We will be gaining substantial market share in Spain and together with Caser we will improve our positioning to a meaningful number 7 in non-life. Moreover, we will also improve the business mix for the Group through a higher share of non-life and a more balanced geographical mix. Helvetia is also significantly improving its distribution channel mix by increasing its presence in the area of bank distribution. Caser operates very successfully in Spain. For our shareholders the good news is that Caser will also immediately make a significant profit contribution and the acquisition is EPS accretive. Furthermore, Helvetia will be preserving its strong capital position.

The Annual Shareholders' Meeting will decide on the creation of new shares by way of an authorised capital of 10 percent of the outstanding share capital. Around half of this authorised capital is to be used to partially refinance the acquisition of Caser. It is planned that one third of the financing will be equity and two thirds debt. The newly created authorised share capital is intended to give the Board of Directors the greatest possible flexibility to implement this equity financing in the best interests of the company, taking into account the relevant market
conditions. Patria Genossenschaft as anchor shareholder supports the acquisition and the proposed creation of authorised capital.

(Slide 22) Improving profitability of life business by introducing a new tariff in Swiss group life

Another measure to strengthen the core business was the introduction of a new tariff in Swiss group life business as from 1 January 2020. In addition to selective premium increases, the key element of the new tariff is the gradual reduction of the conversion rate for the mandatory pension up to 2023 to 6%, while the conversion rate for non-mandatory pensions will be cut on a step-by-step basis to 4.4%. Helvetia is introducing the so-called crediting principle for the pension conversion rate and is thus following a path that many pension funds have already successfully embarked upon. Helvetia is now the first insurance company that has decided to take this step in order to enable it to still offer its customers the full range of products.

At the same time the new tariff will improve the profitability of the life business as it has a positive impact on future conversion rate losses. We also expect a balance sheet shortening and a positive effect on the SST ratio in the single-digit percentage points range.

Due to the premium adjustments, customers however had an extraordinary right of contract termination, which is why there will be a premium decline in full insurance solutions in 2020. With the modern capital-efficient products of Swisscanto and BVG Invest Helvetia offers attractive alternatives for customers, and a large number of customers has already made use of these alternatives. We have thus succeeded in mitigating the decline in premiums and significantly strengthening the modern capital-efficient insurance solutions of Swisscanto and BVG Invest.

(Slide 23) On track to reach our financial targets

Finally, slide 23 shows that we are well on track to reach our financial targets. We are pleased with the development of the individual financial figures so far. The acquisition of Caser supports Helvetia’s growth ambition without compromising its financial targets. It is very important for me, to emphasise that together with Caser, Helvetia will reach its volume ambition of CHF 10 billion by 2020 but without jeopardising profitability. To the contrary: the transaction supports our strategy of profitable growth!

Overall, we are happy with what we have achieved so far and we are confident that we are well prepared to remain fit for the future!
This brings us to the end of the presentation.
My colleagues and I would now be pleased to answer your questions. Thank you for your attention.