

Distribution : how to handle different models to address different market places ?

Nicolas Schimel – CEO, Aviva France

1. Aviva Group Distribution Thesis

2. French marketplace and distribution: diverse and competitive but still traditional
3. Aviva France today : a multi-distribution model driven by an adaptive proposition value
4. Aviva France tomorrow : from adaptive multi-distribution to a true composite multi-access model

MARKET CONTEXT

HOW DISTRIBUTION WORKS TODAY

- Historically a people business between customer, distributor and insurer
- 3 main distribution models: "Anglo-Saxon" dominated by Brokers/IFAs, "Mediterranean" dominated by Banks, "Traditional" dominated by Agents
- Complicated products and cumbersome paper process with limited integration between contact media (F2F, phone, internet...).

WHERE DISTRIBUTION IS GOING

- More digital – significant increase in communication, services and transactions being driven by digital
- Bancassurance centre of gravity moving East to Asia and Eastern Europe
- Reducing share of distribution of Brokers/IFAs and Tied Agents/ Direct Sales Forces (DSF).

AVIVA DISTRIBUTION TODAY

- **Concentrated distribution**
 - C. 70% of our profit in each market comes from the main distribution channel
- **Under-represented in proprietary channels**
 - We have strengths in brokers/ IFAs and Bancassurance but are under-represented in direct and agents/DSF
- **Low degree of Digital integration**
 - Low share of Direct sales in our markets
 - Lack of integration of communication media (F2F, telephone, mobile, social...)
 - Low use of new technology (analytics, automation...).

OUR DISTRIBUTION THESIS:

GROW OWNERSHIP

- A higher proportion of our sales through proprietary channels
- Better use of other BUs experience in developing distribution

MAINTAIN DIVERSIFICATION

- More balanced distribution portfolio in each country
- Rebalancing bancassurance towards Asia & Eastern Europe

BUILD DIGITAL

- More digital across all channels both in sales and in communication/ servicing.



OWNERSHIP

Grow share of business generated from own channels

- 1 Build stronger direct relationships with customers
- 2 Rejuvenate existing and build new innovative owned distribution models

ENABLED BY

- 1 Building global direct capabilities
- 2 Modernising and expanding DSF & Agents (F2F in emerging markets)



DIVERSIFICATION

Maintain diversified distribution mix in each market

- 1 Reduce strategic risk of dependency on dominant channels
- 2 Build multi channel capabilities in each market

ENABLED BY

- 1 Rebalancing bancassurance towards emerging markets
- 2 New technology supporting different channels across our markets



DIGITAL

Introduce new technology for distributors & customers

- 1 Increase share of direct digital channel
- 2 Anticipate the evolving ways in which customers will want to interact with us

ENABLED BY

- 1 Digitisation of end to end processes
- 2 Bringing talent from both inside and outside insurance industry

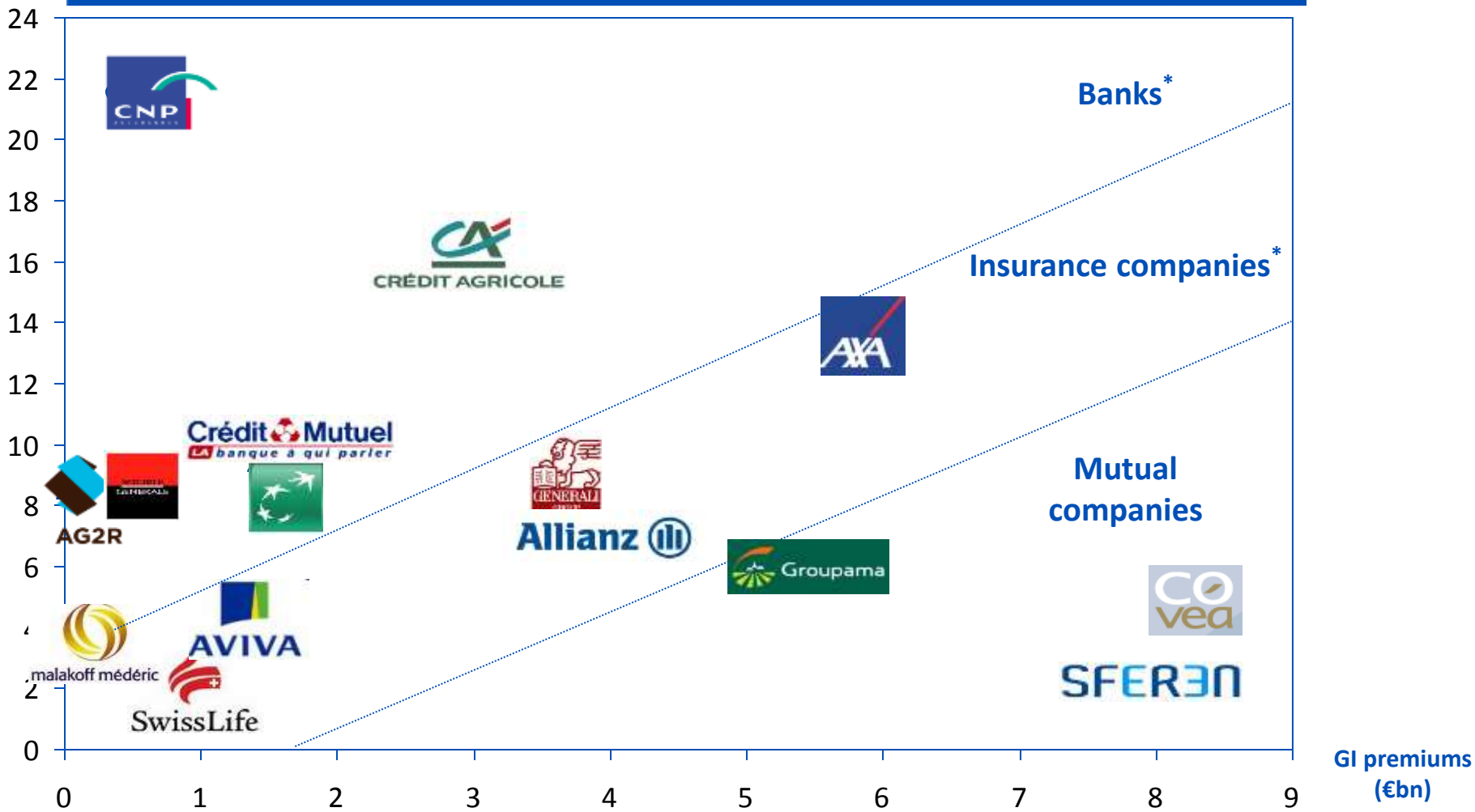
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The French insurance market is fragmented, dominated by composite players, bancassurers and mutuals



Life, Protection &
Health premiums (€bn)

Top 15 insurance companies according to total premiums (2012, €bn)

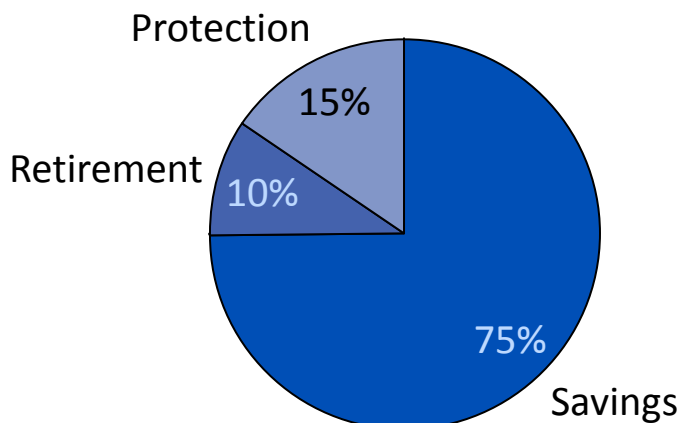


Source : companies 2012 annual reports
* Include also Institutions de Prévoyance AG2R-La Mondiale and Malakoff Mederic

French life market: resilience of Life insurance and opportunities in protection and retirement

Life premiums by market segment

2013 Total premiums: €138bn



Source : FFSA - breakdown based on 2012 figures

Highlights

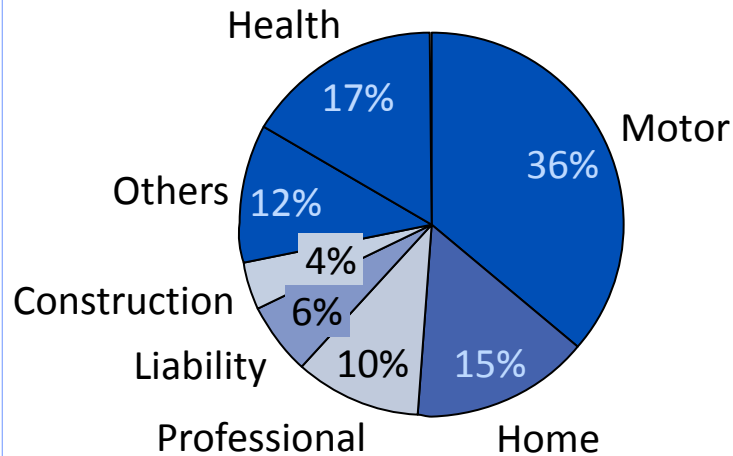
- Attractive tax framework (**preferred savings vehicle** in France, with €1.5tn in force)
- **Past long term performance of life insurance being driven by fiscal benefits and decrease in interest rates**
- Captive **bancassurance players** dominating the market
- 85/15 with-profit/UL mix in savings
- **Protection and pension still underpenetrated**
- Demographic trend (ageing, smaller household size) and life style trends (diverse careers across companies/ sectors) already present
- Strong risk aversion from the consumers exacerbated by the financial and sovereign debt crisis

French GI and Health market: dynamic health and commercial lines segments, pressures on personal lines' profitability



G.I & Health premiums by market segment

2013 Total premiums: €50bn



Source : FFSA - breakdown based on 2012 figures

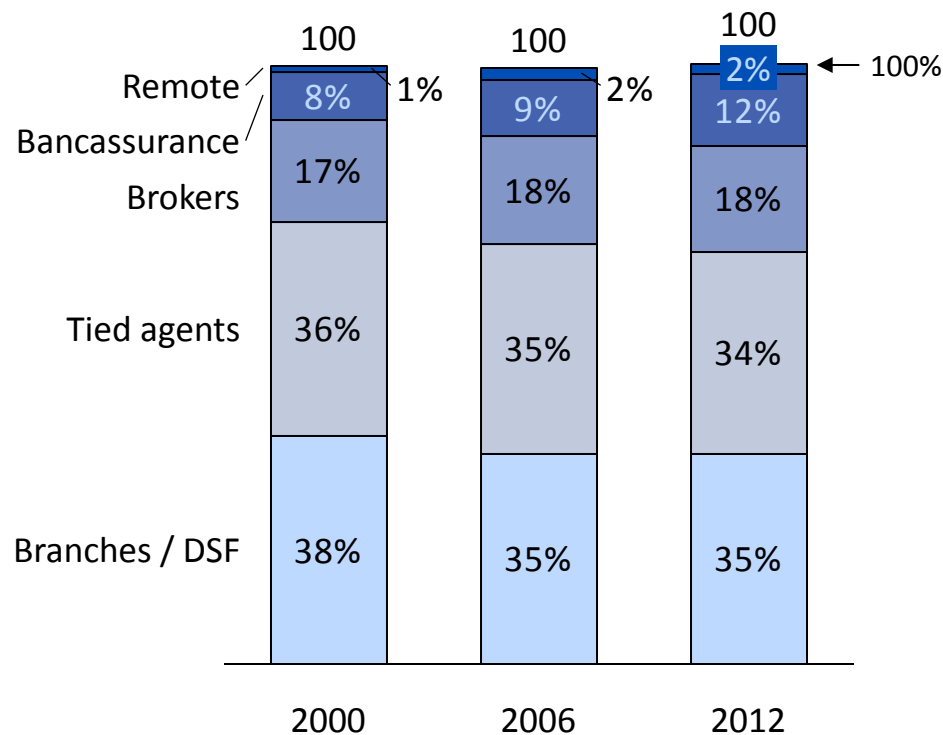
Highlights

- **Stable market growth driven by inflation and to a lesser extent volume**
- **High retention rate** (10% zone lapse rate)
- **Mutuals driving prices down** in personal lines (market COR in Motor and Property above 100% in 2013)
- **Attractive commercial lines** (market COR 95%)
- Distribution remains overall largely dominated by tied agents (thanks to a diversified footprint in individuals and SMEs) and mutuals (especially in the motor and health segment). Bankinsurance is steadily growing. Brokers have a monopoly on the large P&C segment
- Pure direct only accounting for 3% of the premiums

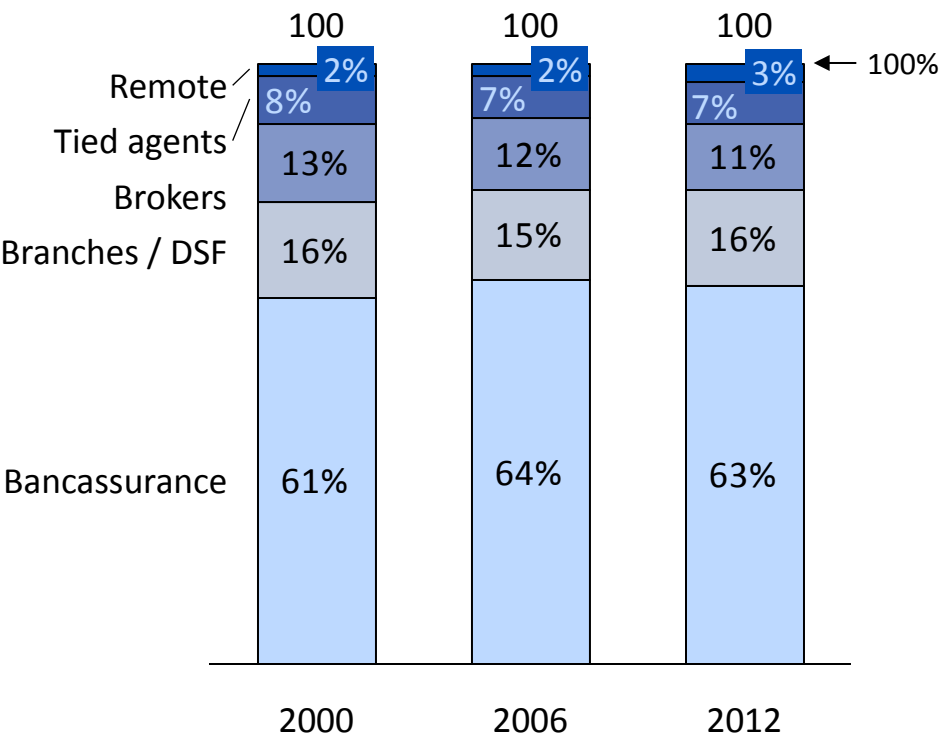
G.I is mostly distributed through branches and tied agents while life is dominated by bancassurers



G.I premiums by distribution channel



Life premiums by distribution channel



Source : McKinsey

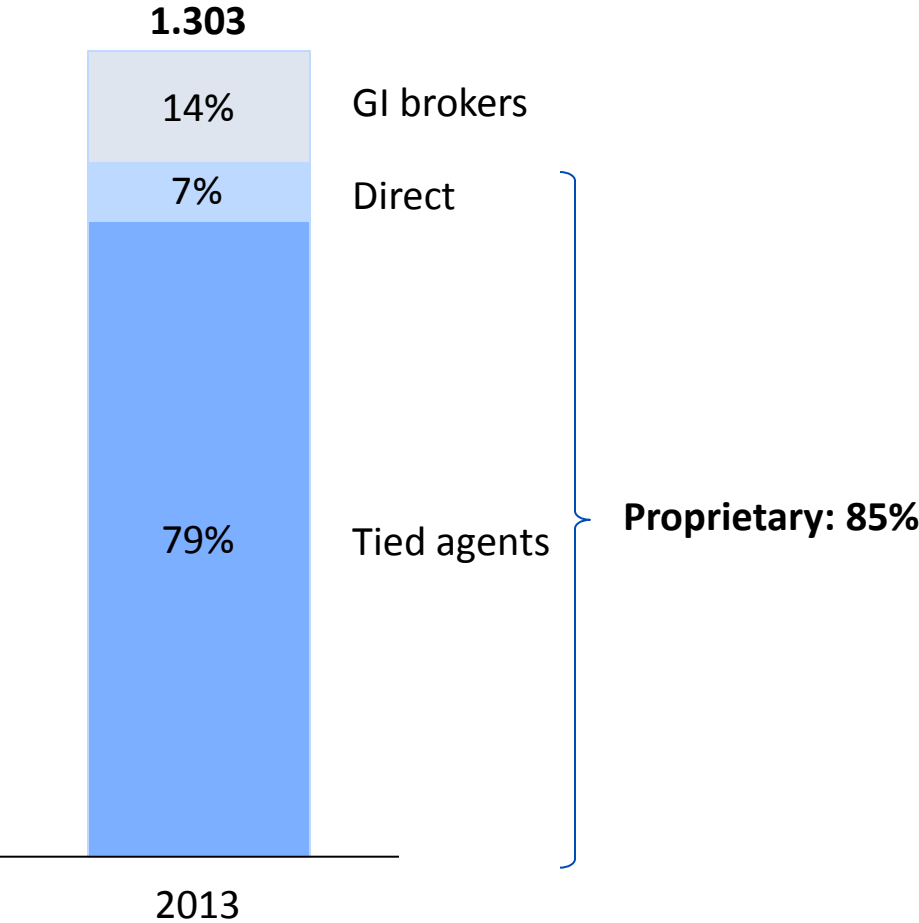
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Aviva France is a well diversified business, with solid proprietary distribution, a strong partnership with AFER & targeting positions in profitable segments



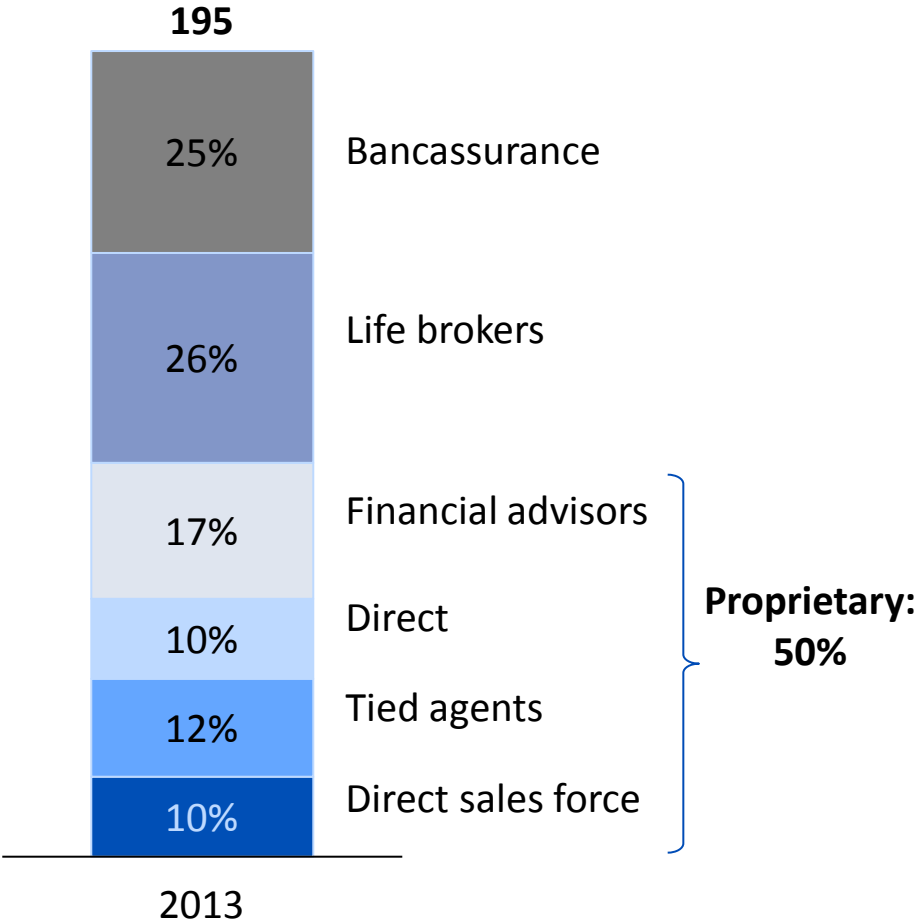
More than 85% of GI business is generated by proprietary networks..

2013, Premiums, €m



...and 50% of life VNB

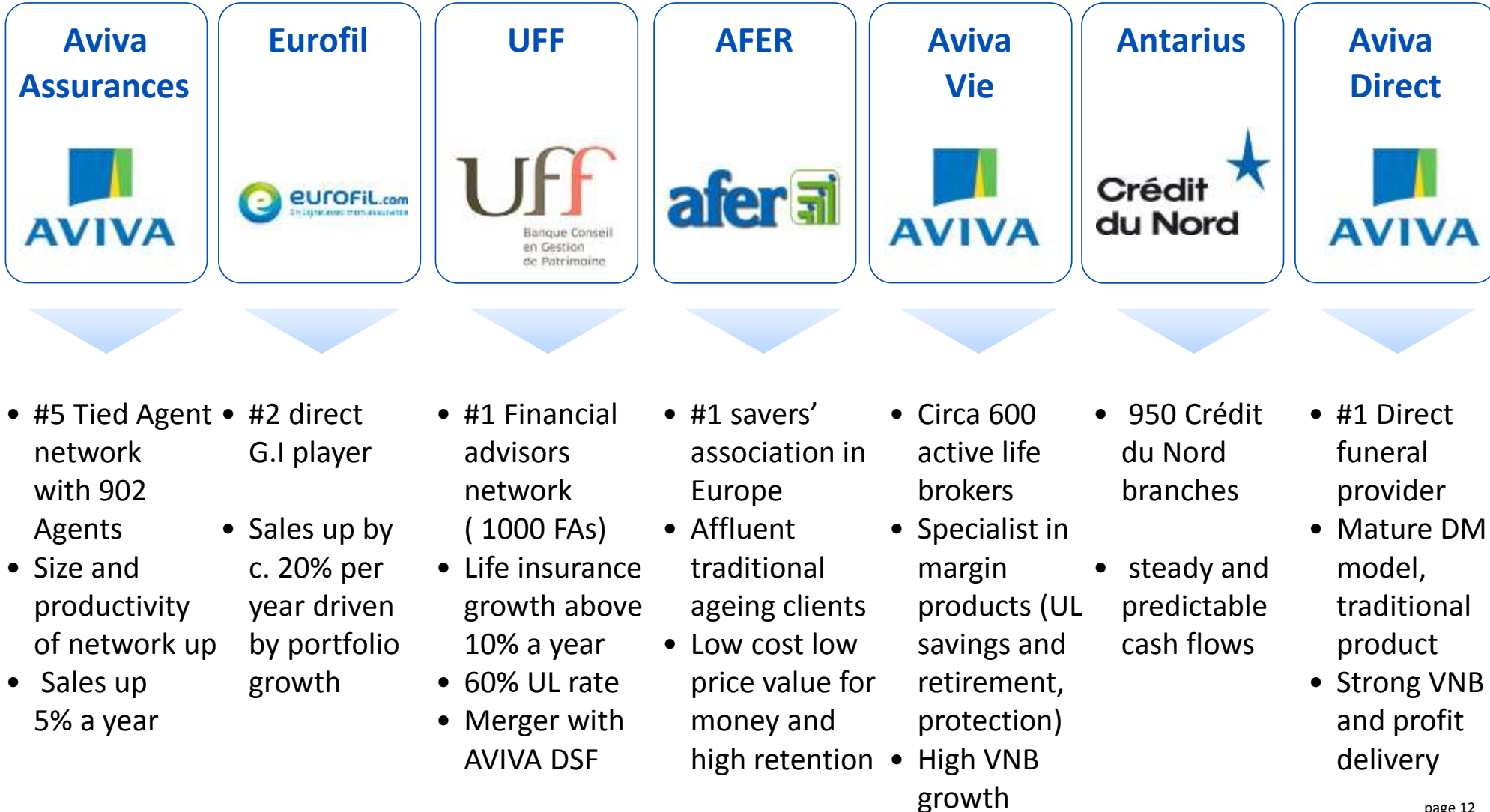
2013, VNB, €m



Our distribution and product business model is adapting a specific value proposition to different segment markets



7 businesses with specific value propositions (brand/product/channel/customers)

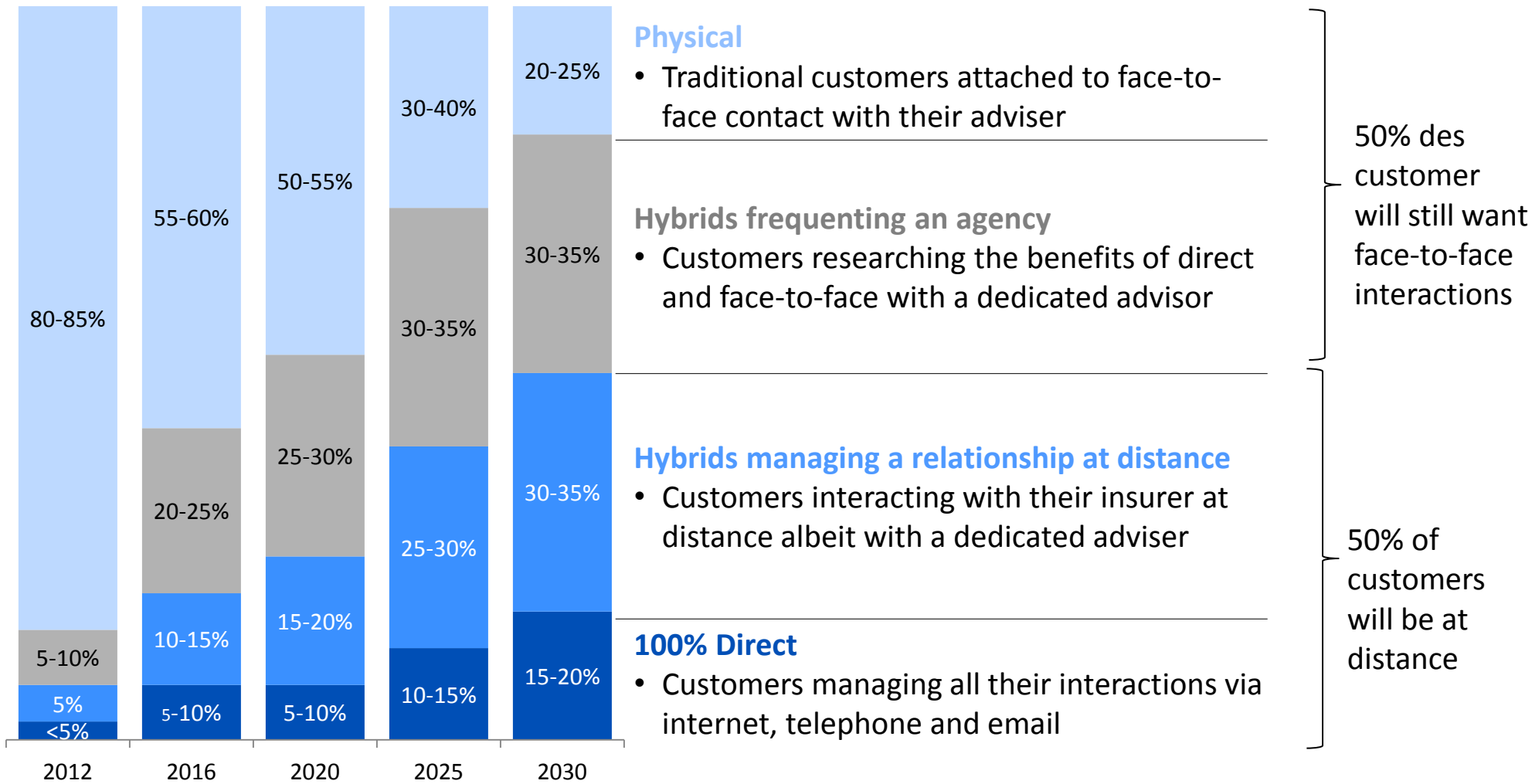


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By 2020, pure directs and hybrid journeys may become the dominant channel in GI personal lines

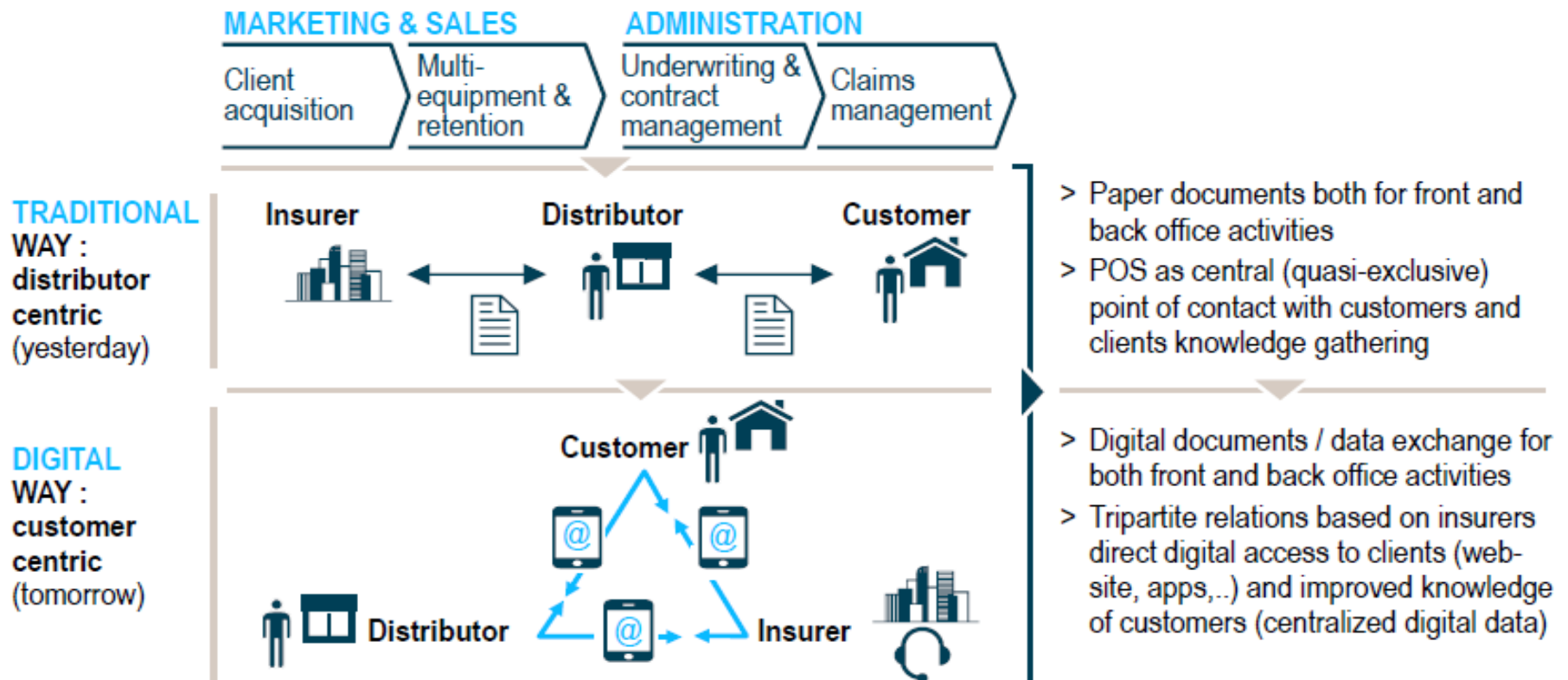


New business by channel of access, %



Digitization will deeply transform the respective roles of insurers and distributors along the whole insurance value chain

Insurance distribution value chain transformation



Objectives

Develop a multi-access platform

- Develop a single new multi access platform combining the strengths of Direct and Agents to better address hybrid customers
- Create a single view of the customer to better understand all needs & potential and increase x-selling and retention

Transform our physical network

- Fully automate processes & STP in order to double time for commercial activities
- Shift focus from mass market customers to high potential customer segments (e.g. affluent/HNW& SME)
- Develop strong analytics & pricing capabilities to achieve higher efficiency in transforming leads & x-selling

Build a pure low cost direct model

- Build a distinct and autonomous low-cost business
- Increase pricing sophistication and marketing investments
- Develop flexible and responsive platforms and organization to become a competitive player on the growing aggregator channel