



# AXA in Switzerland: leveraging the benefits of being global

Alfred Bouckaert, Member of the Management Board

Goldman Sachs Conference – June 11, 2008

**redefining** / standards



## Cautionary statements concerning forward-looking statements

*Certain statements contained herein are forward-looking statements including, but not limited to, statements that are predications of or indicate future events, trends, plans or objectives. Undue reliance should not be placed on such statements because, by their nature, they are subject to known and unknown risks and uncertainties.*

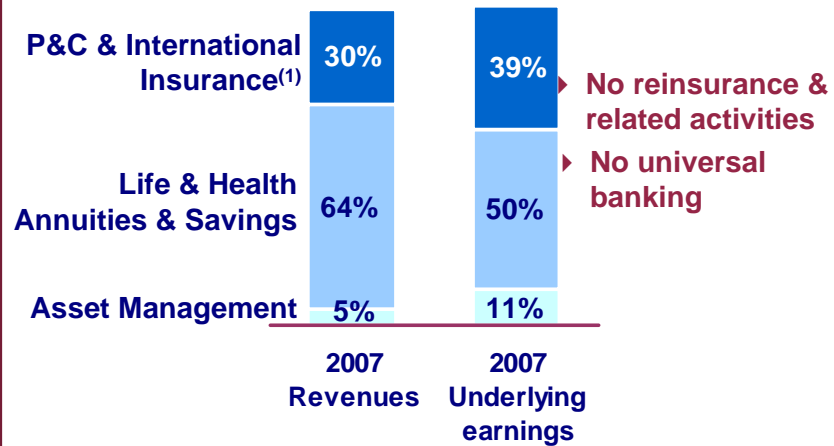
*Please refer to AXA's Annual Report on Form 20-F and AXA's Document de Référence for the year ended December 31, 2007, for a description of certain important factors, risks and uncertainties that may affect AXA's business. In particular, please refer to the section " Special Note Regarding Forward-Looking Statements" in AXA's Annual Report on Form 20-F. AXA undertakes no obligation to publicly update or revise any of these forward-looking statements, whether to reflect new information, future events or circumstances or otherwise.*

# Agenda

1. Introduction: AXA, a global leader in financial protection
2. The Swiss challenge: restoring growth in all segments
3. Revamping and Growth of Distribution
4. A new mindset to accelerate changes
5. Conclusion: AXA Winterthur's Ambition 2012

# The AXA Group is focused on financial protection, with a high level of diversification...

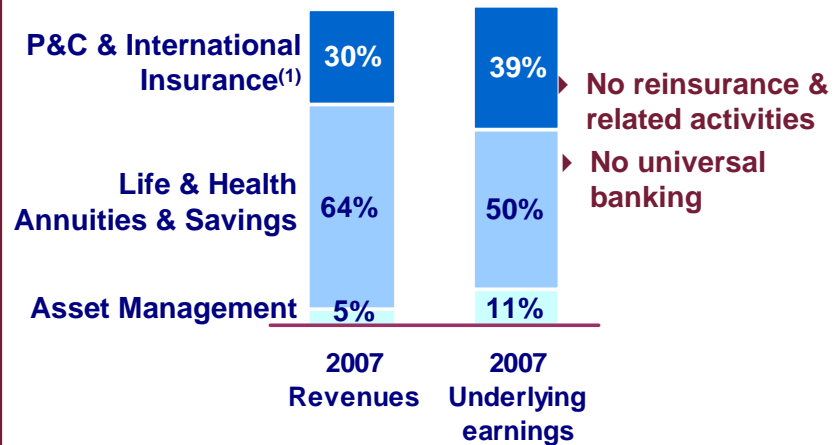
## Focused business



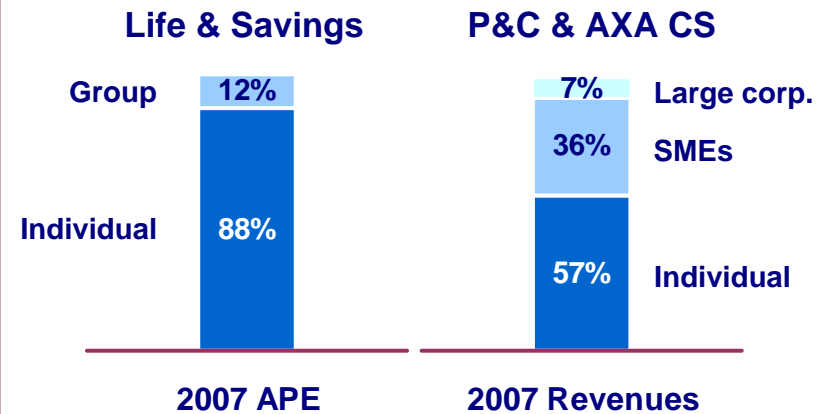
(1) Excluding AXA RE

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## Focused business



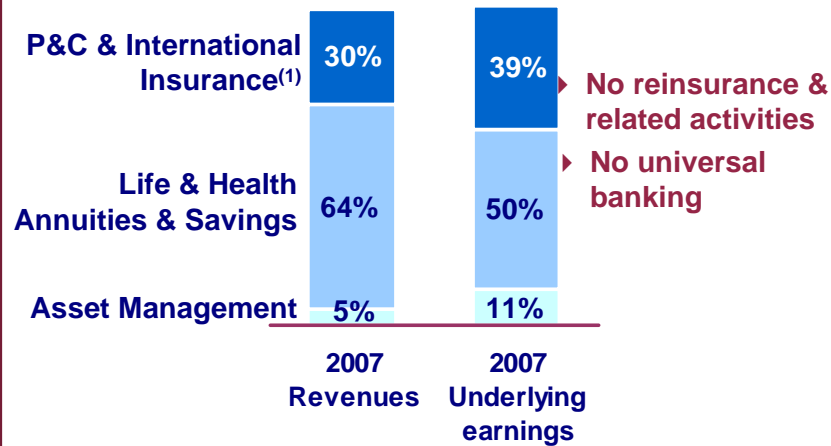
## Clients: mostly retail & SMEs



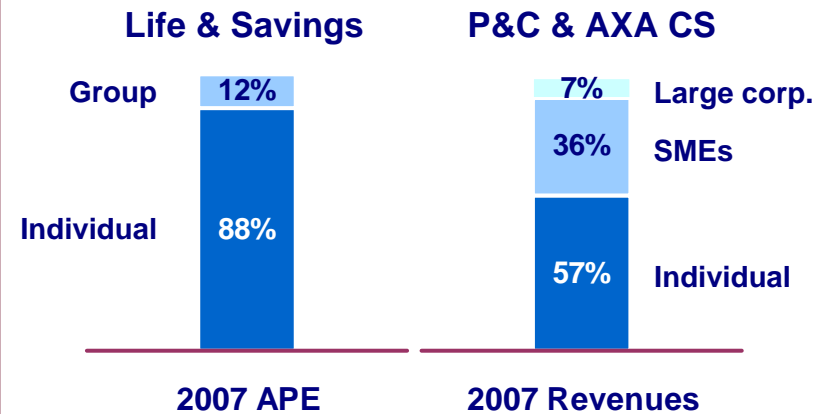
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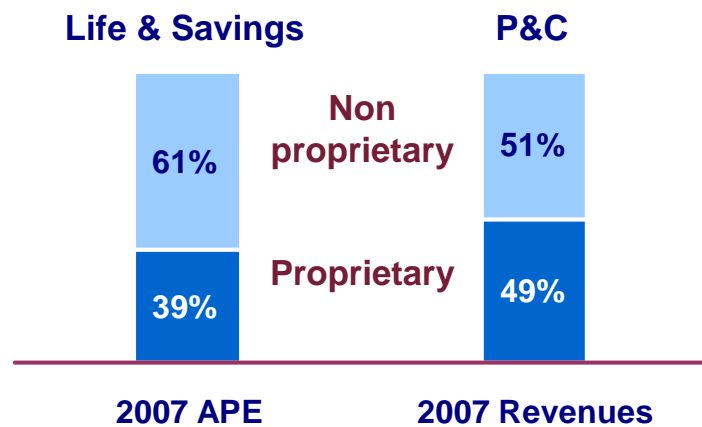
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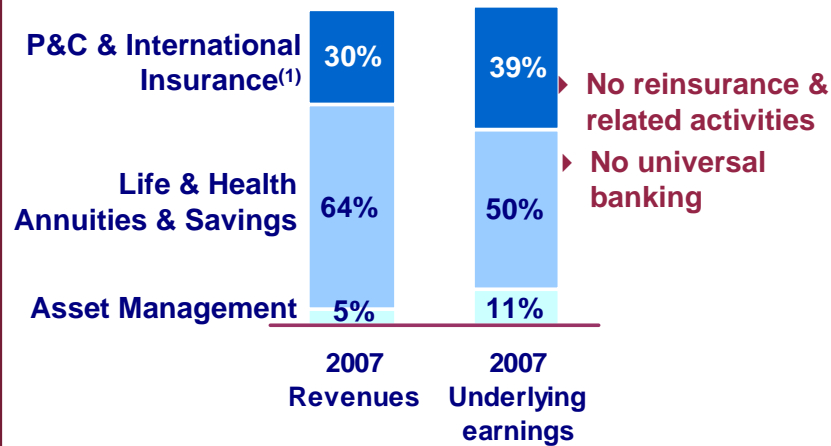
## Multidistribution strategy



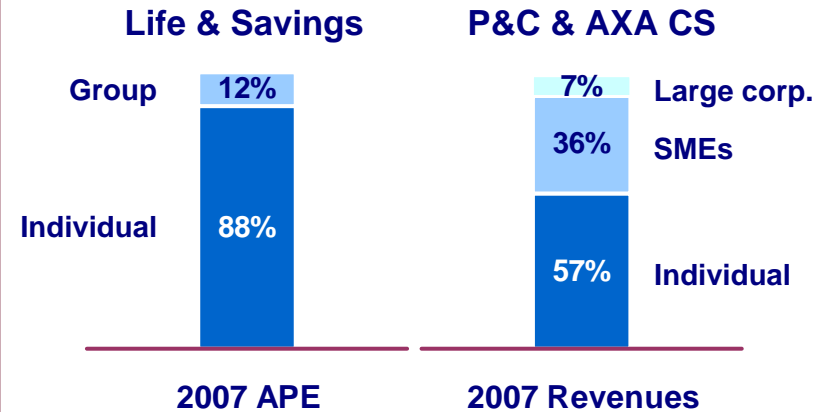
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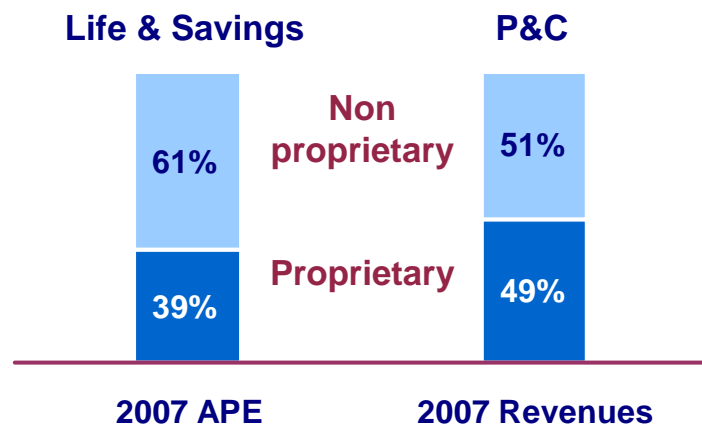
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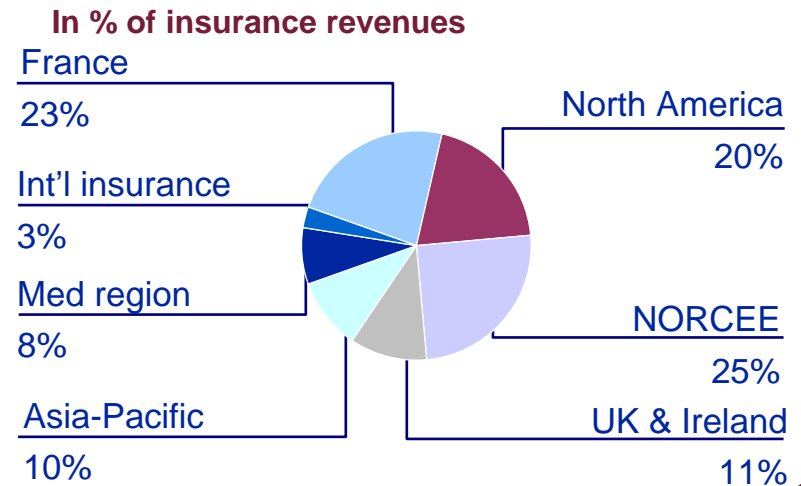
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## Multidistribution strategy

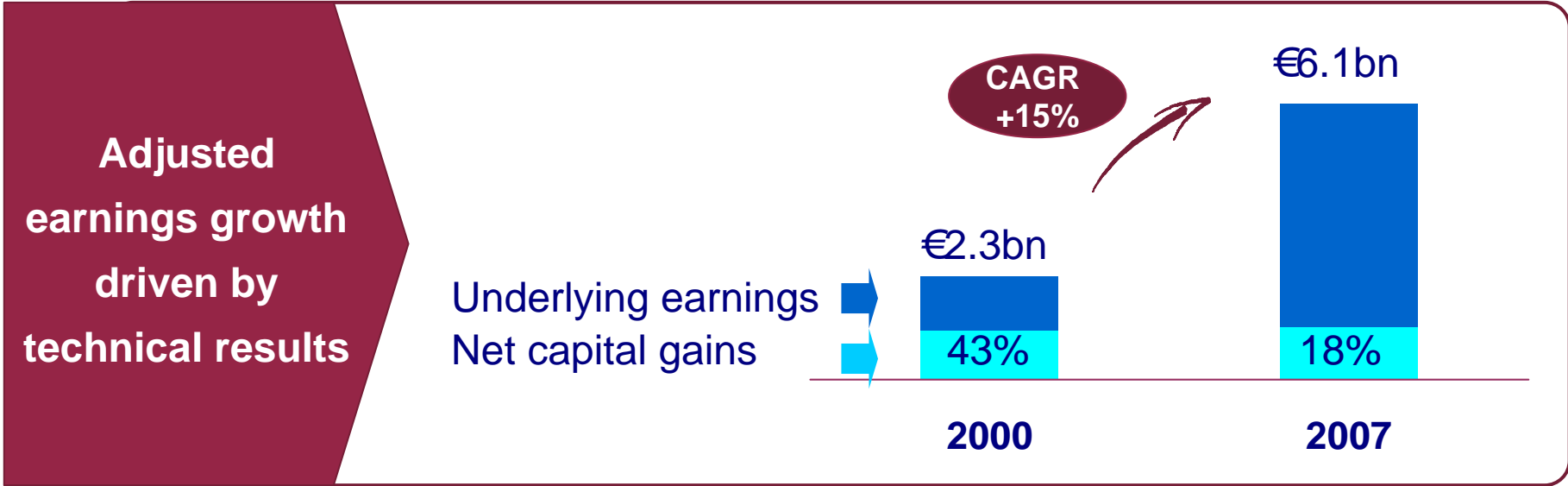
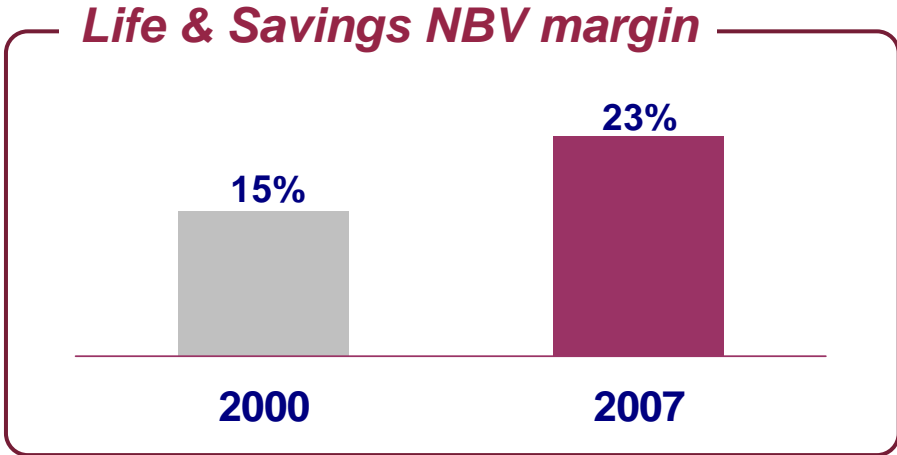
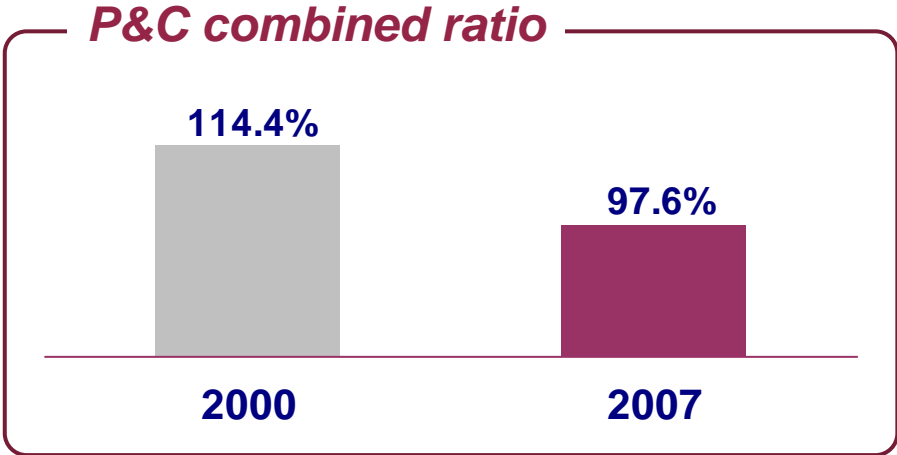


## Global geographical reach<sup>(1)</sup>




(1) Excluding AXA RE

# ... delivering strong and steady earnings growth over the years



# With the 2006 acquisition of Winterthur, NORCEE (Northern, Central and Eastern Europe) has become AXA's largest regional platform

**Market Position Belgium:** 

Life: # 4 <sup>W</sup> # 3  
P&C: # 1 <sup>W</sup> # 1

**Market Position Switzerland:** 

Life: # 13 <sup>W</sup> # 2  
P&C: # 10 <sup>W</sup> # 1

**Market Position Germany:** 

Life: # 7 <sup>W</sup> # 5  
Health: # 9 <sup>W</sup> # 5  
P&C: # 7 <sup>W</sup> # 3

<sup>W</sup>: Winterthur acquisition

**Market Position Poland:**   
Pensions: # 5

**Market Position Hungary:**   
Pensions: # 5

**Market Position Czech Republic:**   
Pensions: # 2

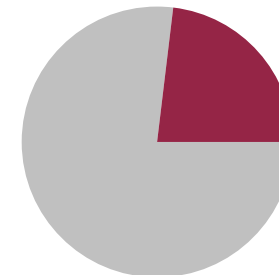
**Market Position Slovakia:**   
Pensions mandatory: # 2  
Pensions voluntary: # 4

**Market Position Ukraine:**   
P&C: # 3

**Market Position Russia:**   
P&C: # 2

→ **NORCEE region combines leading positions in both developed and emerging markets...**

→ **...and represents 22% of AXA Group 2007 underlying earnings\***



\* Excluding International insurance, Banking & Holdings

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# AXA's Swiss opportunity



✓ Leading market position

P&C

**#1**

Life & Savings

**#2**

✓ Good profitability

Combined ratio

**99.2%**

NBV margin

**20.8%**

✓ Integration completed

Achieved synergies

**€124m\***

**Our challenge**

***Accelerating growth***

\* 2007 data, net of PB, gross of tax, including Winterthur Holding



# Group life: a profitable Swiss specialty...

- Group business accounts for 69% of the life insurance market of Switzerland
- Traditional view on this market: no growth, low profitability, regulatory risk...

## *winterthur's view...*

- Business segment in accumulation phase → steady stream of positive cash flows
- Political & regulatory decisions only impact the mandatory portion of the market
- Changes in technical rate impact entire portfolio: no legacy issues
- Swiss governments have proven to act economically responsible
- The legal quote system is favorable for insurers with strong technical know-how

## *winterthur's position...*

- Lower weight of mandatory part of the business (1/3 of assets only)
- Strong improvement of technical performance
- AXA Winterthur's admin cost per insured 40% lower than Top 5 competitors on average

Market share

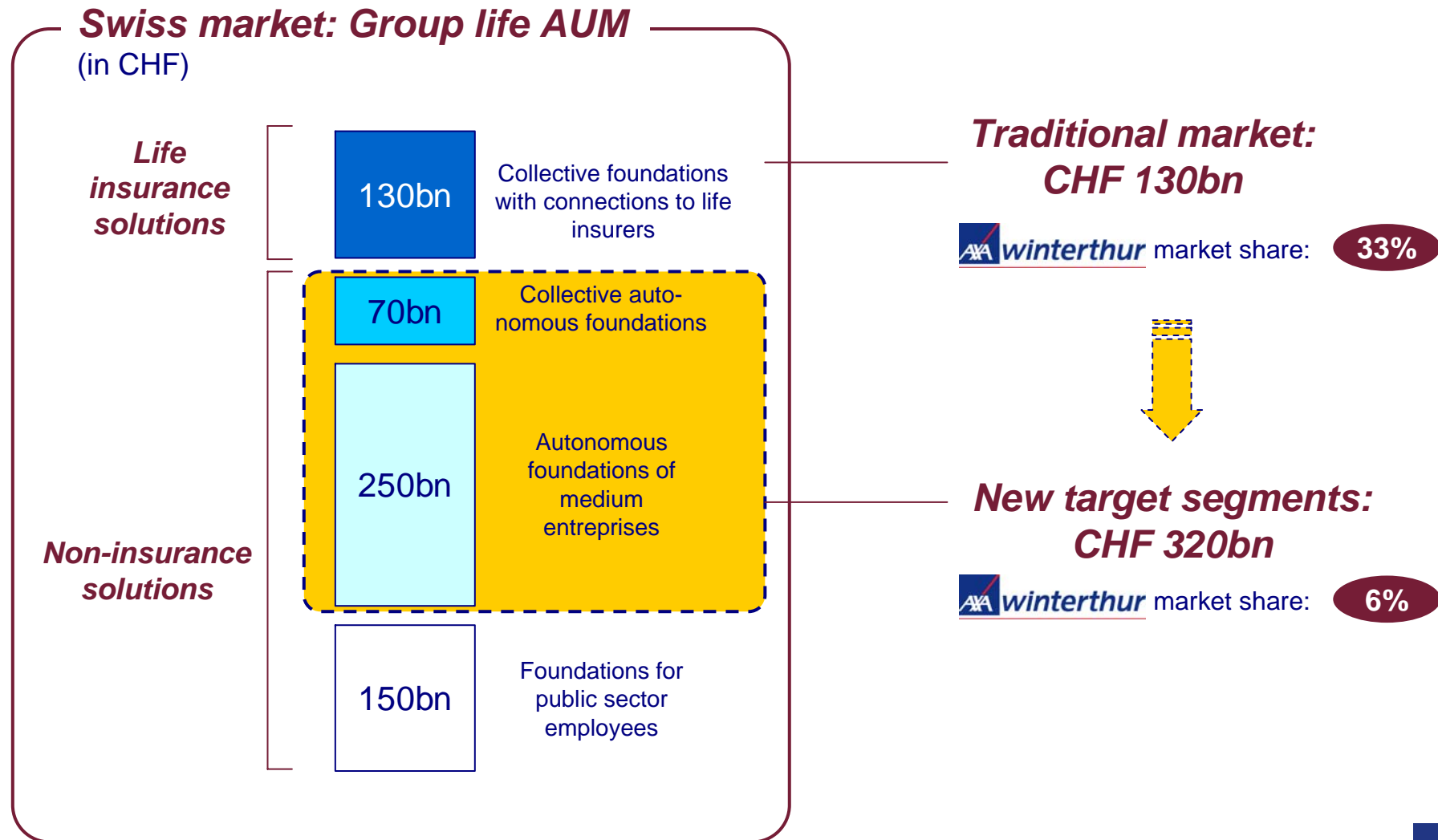
**33%**

NBV margin

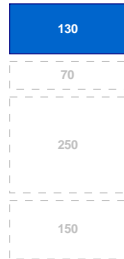
**26%**

# Group life: ...that we want to expand beyond the insurance market...

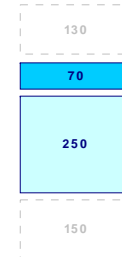
- Insurance is only a segment of the significantly larger group life market in Switzerland:



# Group life: ...by leveraging our know-how, notably on solutions for SMEs



**Leveraging building blocks of a market leader...**



**...to develop tailored propositions for the new target segments**



- RC** Risk cover
- EX** Execution
- IR** Investment risks
- AM** Asset management
- AD** Advice

▶ Operate independent foundation for SME's < 100 employees to compete against collective autonomous foundations

▶ Become a center of competence for companies > 100 employees to get access to autonomous foundations

**→ Extension into non insurance segments should help us outperform the Swiss market**

# Individual life & savings: 3 major challenges to tackle

## *Market challenges:*

- Declining traditional individual insurance market (-5.1% CAGR 2003-2007\*)
- Long term savings largely taken over by banks due to advantages tax treatment

## *AXA-Winterthur challenge:*

- High volume of maturities might lead to significant AuM outflow

## **AXA Winterthur's strategy**

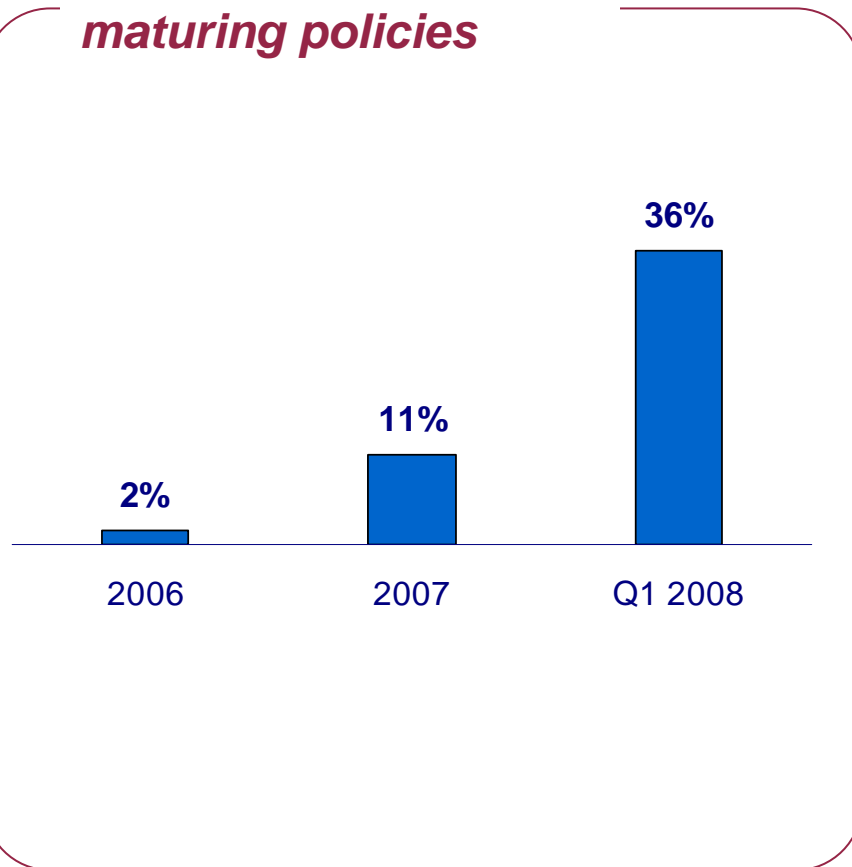
- Production Innovation: launch of AXA Comfort, Targetfolio (mutual funds), VA with guarantees (TwinStar Invest)
- Strengthening distribution capacity well on its way; special Life sales channel established
- Attractive interest rate of 2.75% on cash account for matured policies
- Founding of AXA Bank adding flexibility to offer savings products

\* Traditional Life Business excl. Unit Linked

# Individual life & savings: Strategic initiatives show first results

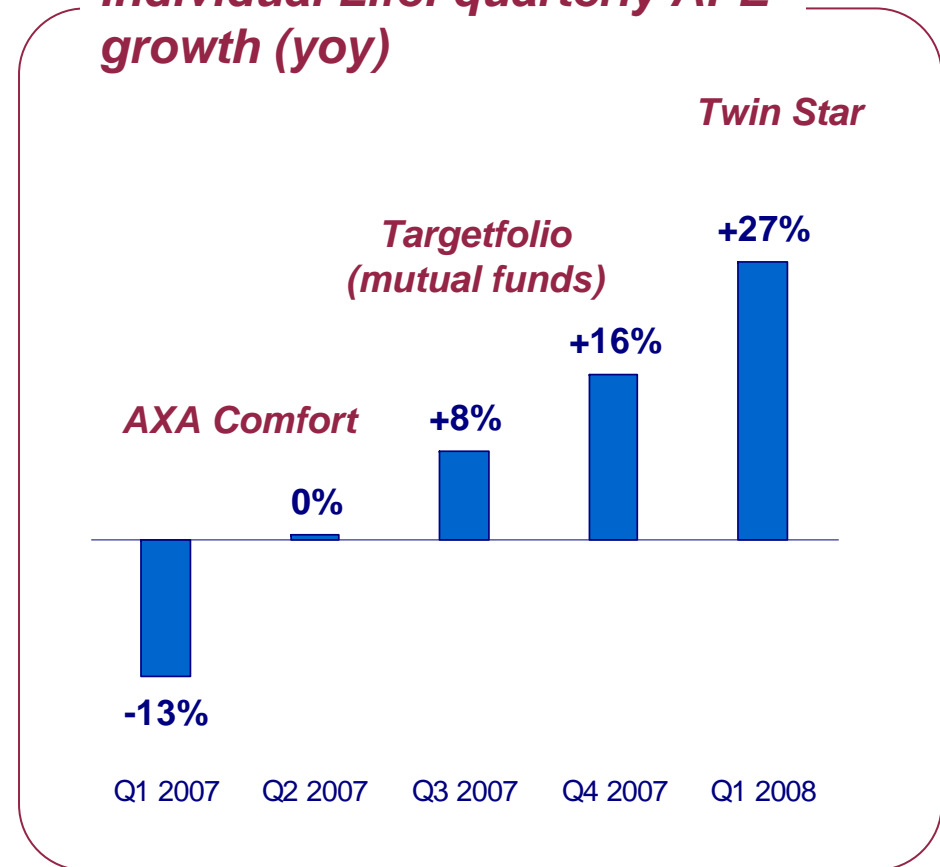
- Improvement in maturities reinvestment...

*Reinvestment rate of maturing policies*



- ...and product innovation has restored growth in our individual life business

*Individual Life: quarterly APE growth (yoy)*



# P&C: leveraging AXA Winterthur's leading position to introduce marketing and segmentation in the Swiss market

## Crash recorder for "Youngsters" (18-25 yr)

- ▶ Youngsters cause many accidents
- ▶ Successful pilot in 2007

- ▶ Launch at March 28th 2008
- ▶ 15% premium reduction for young people who accept to have a crash recorder in their car

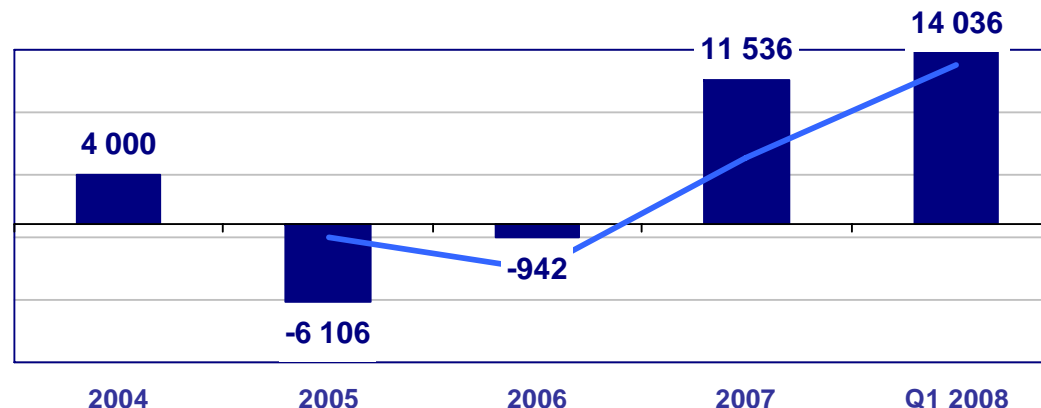


## Dual product strategy in Motor Personal Lines

- ▶ Auto Basic for price-conscious people with limited coverage
- ▶ Strada a flexible product with full coverage

- ▶ Auto Basic (low cost offer) has proven to be an efficient marketing initiative, creating entry points to reach new customers
- ▶ As Swiss customers have a bigger affinity to quality they eventually choose in most cases the full cover / higher priced Strada product

## Turnaround in motor net new inflow:



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# Complete revamping of the distribution organization

## Switch to entrepreneurial model

- New performance related compensation model as opposed to the former largely fixed remuneration system
- Salaried sales force (50% of total) transformed into self-employed tied agents with an extremely high level of acceptance (>95%)

## Grow the network

- Increase sales force capacity by 40% to 2,050 by 2012
  - ✓ New part-time model for 40+ females, junior and retired
  - ✓ 135 new sales forces in April 2008, with no loss of top performers in 2007

## Develop life specialist agents

- Transformation to financial protection:
  - ✓ Establish life and savings specialist channel
    - ➔ 350 specialized life agents by 2012
  - ✓ Provide know-how to non-life agents in life/ funds/ banking/ mortgage

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# Our strategy is supported by the development of a customer centric organization...

	<i>Size of population</i>	<i>Attractiveness / Consumer Insight</i>	<i>Products &amp; Services</i>
<b>Young families &amp; professionals</b>	~ 1m clients (13% of total Swiss population)	<ul style="list-style-type: none"> <li>▶ High number of moments of truth regarding financial protection</li> <li>▶ AXA Winterthur underrepresented in this segment</li> </ul>	<ul style="list-style-type: none"> <li>AXA TargetFolio (mutual funds)</li> <li>P&amp;C Light (Auto &amp; Household)</li> <li>Mortgages and risk policies</li> </ul>
<b>@ retirement</b>	~ 2m individuals (28% of total Swiss population)	<ul style="list-style-type: none"> <li>▶ @retirement market with huge concentration of wealth</li> <li>▶ Current customer base is a strong starting position to grow</li> </ul>	<ul style="list-style-type: none"> <li>New Savings Products</li> <li>Accumulator/TwinStar</li> <li>Benchmark advisory service</li> </ul>
<b>SMEs</b>	~ 300k SMEs	<ul style="list-style-type: none"> <li>▶ SMEs need products easy to understand</li> <li>▶ Strong market position can be exploited through cross- and up-selling</li> </ul>	<ul style="list-style-type: none"> <li>Microcompany package</li> <li>SME package</li> <li>Electronic Process AXA / Client</li> </ul>

# ... and is accelerated by the support from the AXA Group

*AXA Winterthur is leveraging best practices from the NORCEE region...*

## **Belgium**

- Reinvestment strategy
- AXA Bank

## **Germany**

- Dual product strategy in motor
- Twin Star

## **AXA Lausanne**

- AXA Comfort
- AXA Dynamix



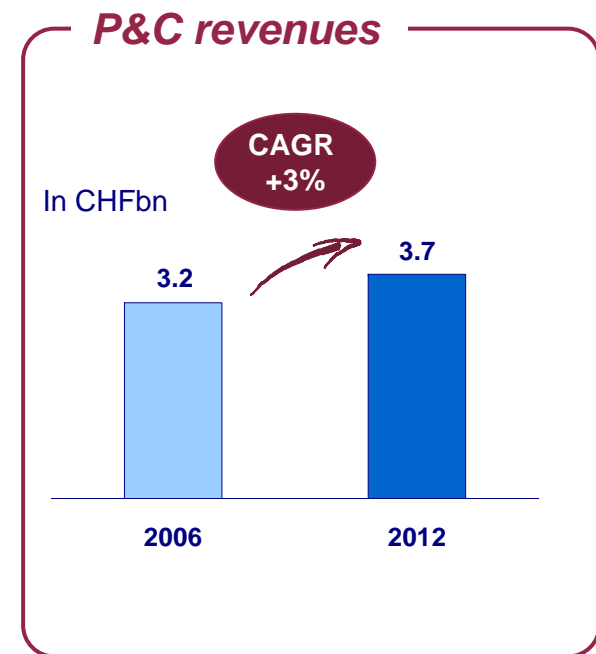
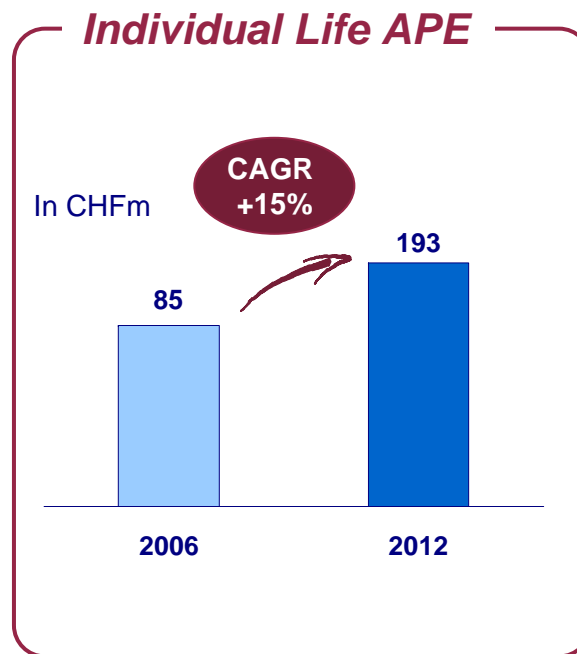
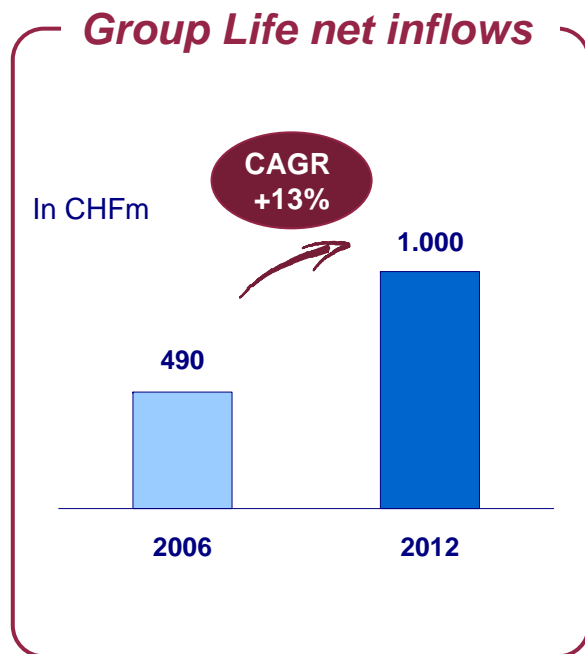
*...and from the Group*

- Recruiting of agents (AXA Group & AXA France)
- Investment expertise (AXA IM)
- AXA Way (AXA Group)
- Customer Segmentation Concepts (AXA Group)
- Customer Loyalty Programs (AXA Group)
- ...

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# Successful roll-out of our strategy should translate into the long term outperformance of AXA Winterthur



**2008 started on a positive note\*:**

Group life net inflows

**+14%**

Individual life APE

**+27%**

P&C – Personal lines

**+2%**

\* Q1 2008, except Group life net inflows as of April 2008



**redefining** / standards

