

Analyst Day 06 June 2023

A close-up photograph of a white lifebuoy with red ends and a blue honeycomb patterned band. The word "TRYG" is printed in large, bold, black letters on the white surface. The background is a blurred outdoor scene with greenery and a body of water.

## 5 and a half days as CEO

Analyst Day | June 6th 2023, Copenhagen | CEO, Johan Kirstein Brammer

# 5 and a half days in the job as CEO



## OPPORTUNITIES



Several **scale benefits** to harvest



**Automation** for efficiency



Investing in **customer centricity**

## CHALLENGES



Continuing **high inflation**



**Macroeconomic uncertainty**



Recruiting the **right talent**

## AREAS FOR DEVELOPMENT



Boost **technical excellence**



Growing the **personal insurance** space



Further developing **online capabilities**



**... and keep focusing on realising synergies including sharing best practices across our business units**

The background of the slide is a close-up photograph of a white lifebuoy with red ends and a blue honeycomb pattern. The word "TRYG" is printed in large, black, bold letters on the white section of the lifebuoy. The lifebuoy is hanging from a metal post, and the background is a blurred outdoor scene with greenery and a body of water.

# Corporate Denmark Strategy

Analyst Day | June 6th 2023, Copenhagen | Head of Corporate DK, Michael Rødbroe Kolbæk

# Michael

## Rødbroe Kolbæk



Head of Corporate Denmark  
2020 - current



Head of Strategy and M&A  
2018-2020



Head of Bus. Dev. & M&A  
2016-2017



VP Corp. Dev. & HR  
2012-2015



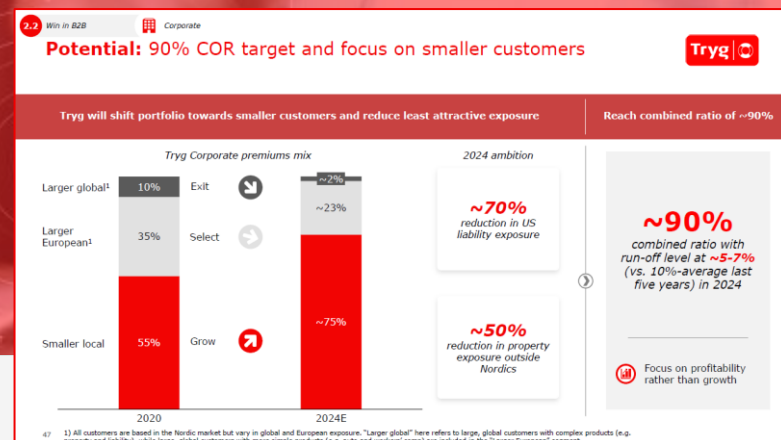
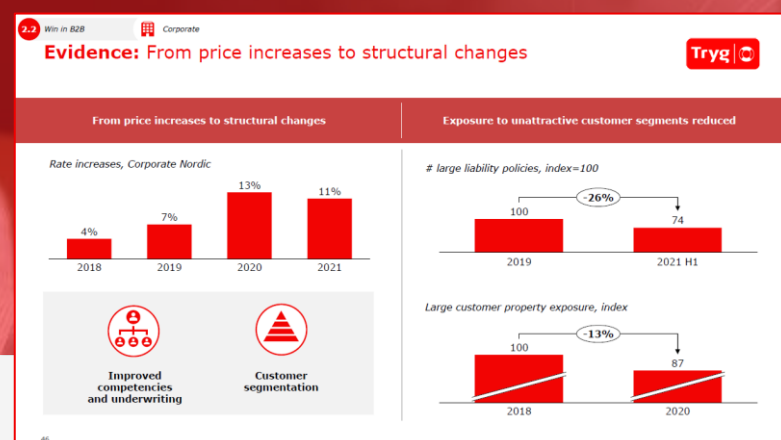
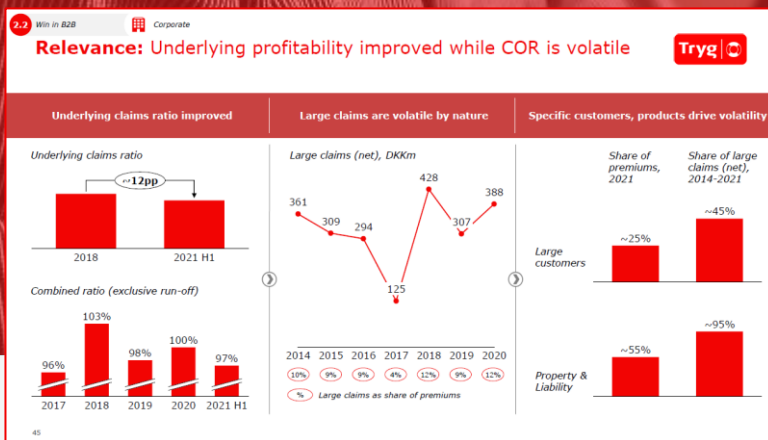
Associate Principal  
2007-2012



MSc, Economics and business  
2001-2007



# At CMD 2021, we offered specific targets on Corporate. Today we will deepdive on the logic and actions taken



Corporate business **historically unprofitable and volatile** (particularly largest customers)...

... we are **raising rates, focusing exposure and building competencies**...

...and by 2024 will have **significantly improved profitability** and a much more **targeted portfolio with reduced volatility**

# What characterizes the typical Corporate customer?

## Corporate customers are different...



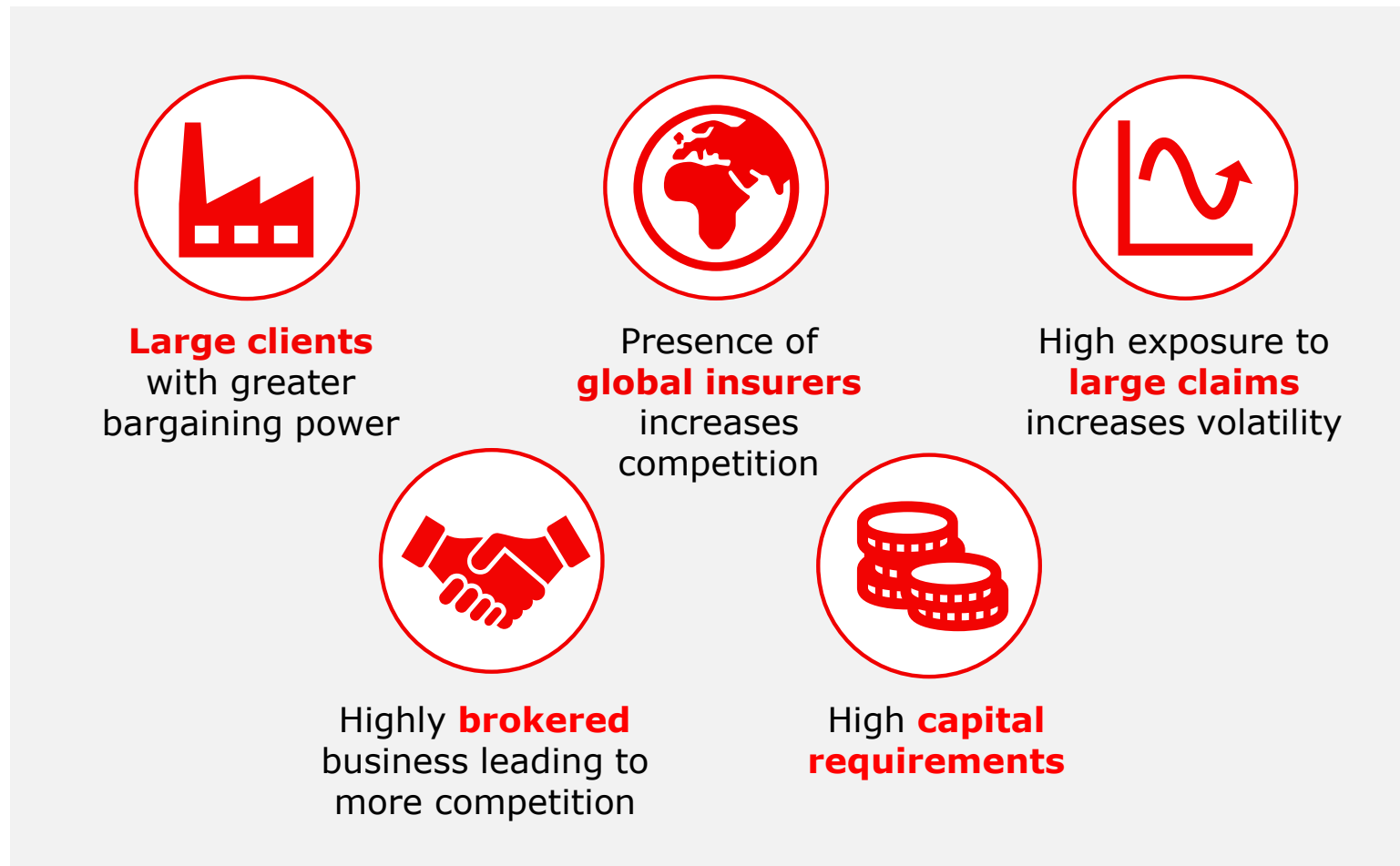
-  The largest individual customers ~50-80 mDKK premiums
-  Geographically dispersed
-  Often Broker-serviced
-  Complex, heterogeneous risks
-  Risk of large claims
-  Multi-year contracts

## ... and require a different process

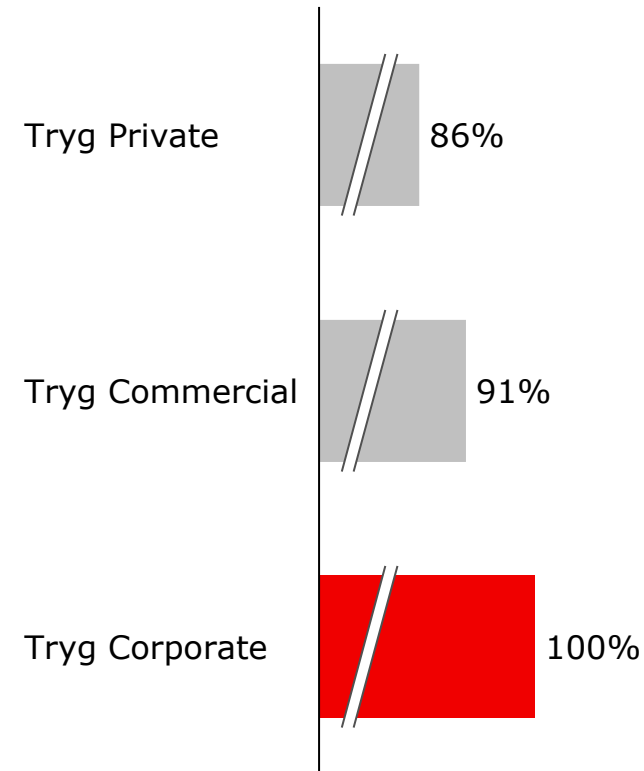


- Sale**
  - Direct sales (with long lead times)
  - Heavy use of Broker/tenders
- Pricing / underwriting**
  - Individual assessment of risks
  - On site exceptions Risk Management
- Service**
  - Dedicated team
- Claim**
  - Dedicated lifecycle team, maybe years

# In general, the Corporate market is more challenging than Private / Commercial, and our historic performance is far from satisfactory



**CMD material:  
Average COR (excl. run-off),  
2016-2020**





**However, we have also identified three root causes that are in our control**



**Strengthened Focus** – not trying to behave in order to please everyone



**Technical competencies** in underwriting



**Focus on profitability**



**Dated organization and culture**



# Based on our key competitive advantages we decided to focus where we have the chance to be best

**Our key strength**

- Nordic focus** in deep knowledge of Danish and Nordic risks in particular
- Claim procedure** incl. E.g. TrygTilbage
- Link to rest of Tryg Group** (Guarantee, Pension, TrygInvest, Private partnership, etc.)
- Brand and Tryg family** incl. TrygBonus
- Customer and broker service**

**Core customer**

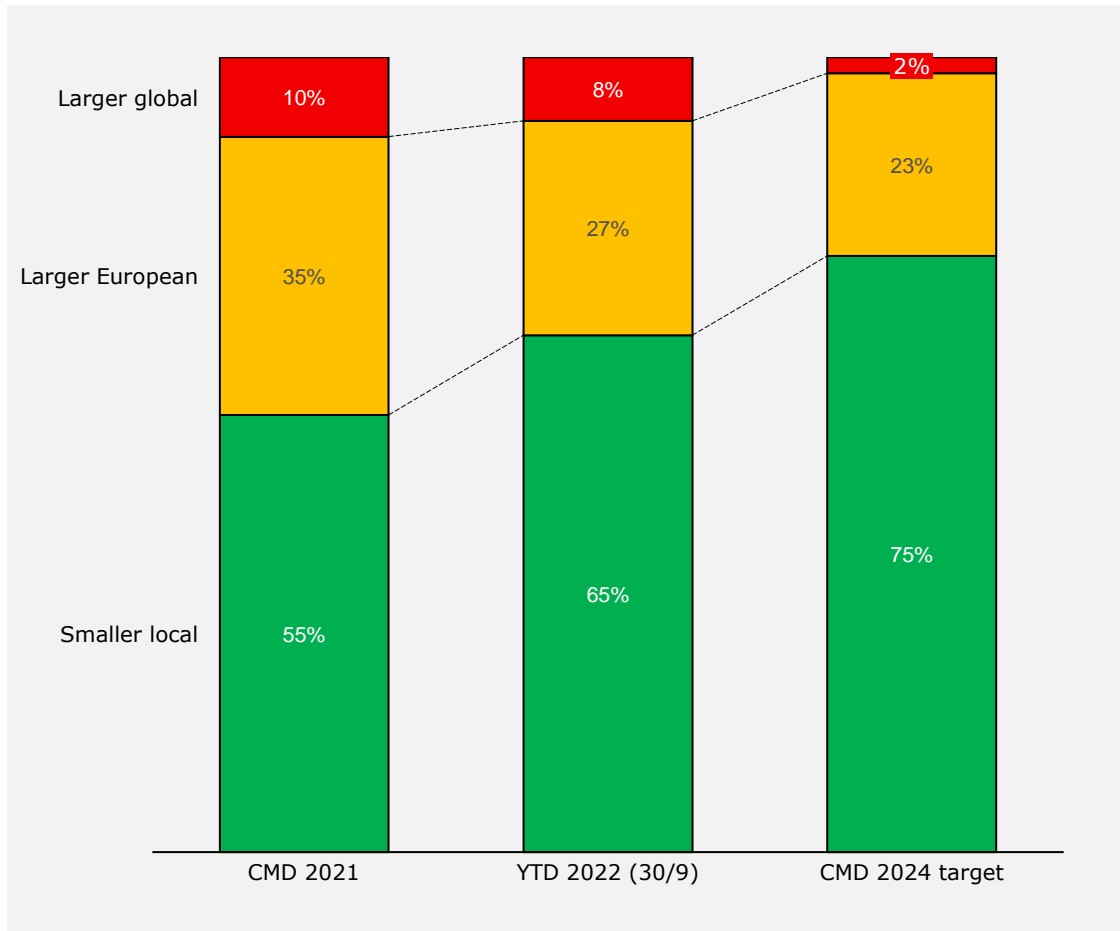
Core business Great risk appetite	Grow	Smaller local customers DKK 0.1-1 Billion revenue
Limited appetite	Select	Larger European customers DKK 1-7.5 Billion revenue
Controlled exit	Exit	Larger global customer DKK >7.5 Billion revenue

Note: 1. All customers are based in the Nordic market but vary in global and European exposure. "Larger global" here refers to large, global customers with complex products (e.g., property and liability), while large, global customers with more simple products (e.g., auto and workers' comp) are included in the "Larger European" segment



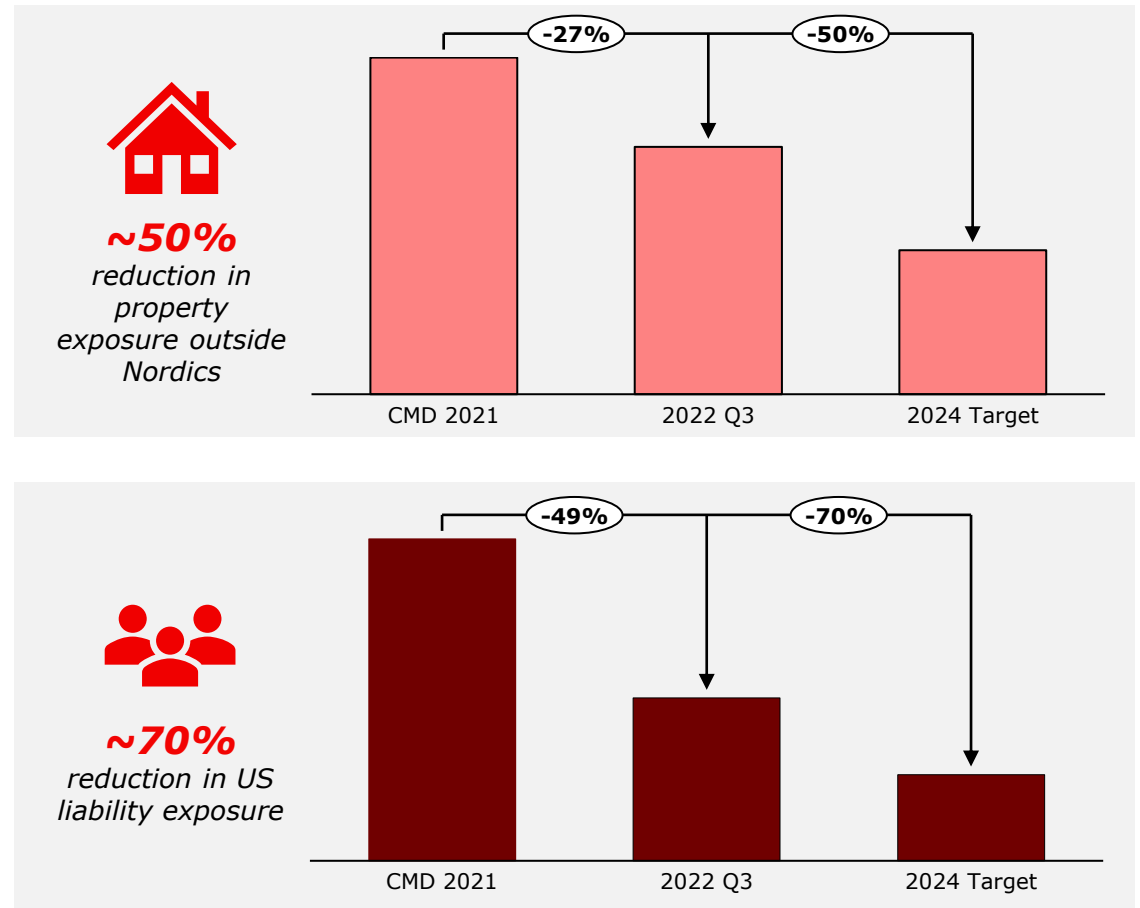
# We are taking significant steps to reduce our global exposures

## Rebalancing towards smaller local customer



Note: 1. Presented at Q3 2022 results Investor presentation

## Significant reductions in risk exposure for property and US heavy liability





# We take a tailored approach to the customers we exit to ensure they are treated fairly and our reputation remains intact

Early warning

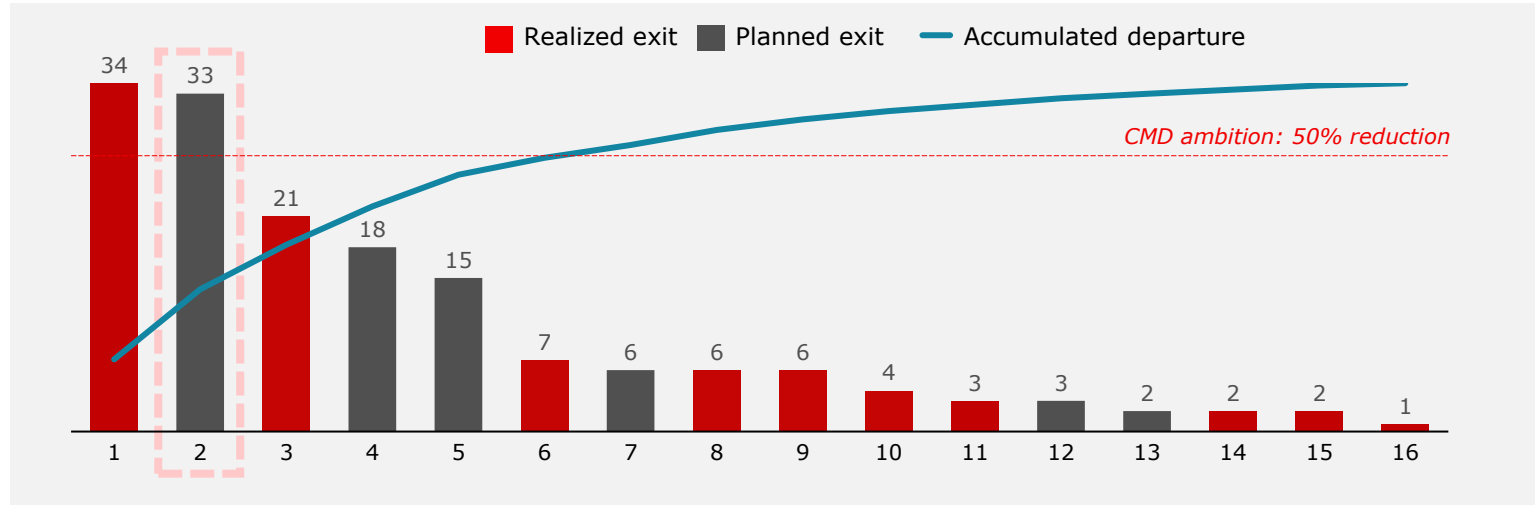
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Programs are comprehensive and it takes time

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Progress will be lumpy

## DK example: Property outside Scandi, mDKK



## One large customer example: Served directly for 25+ years



Note: 1. Source: Risk Management exposure overview

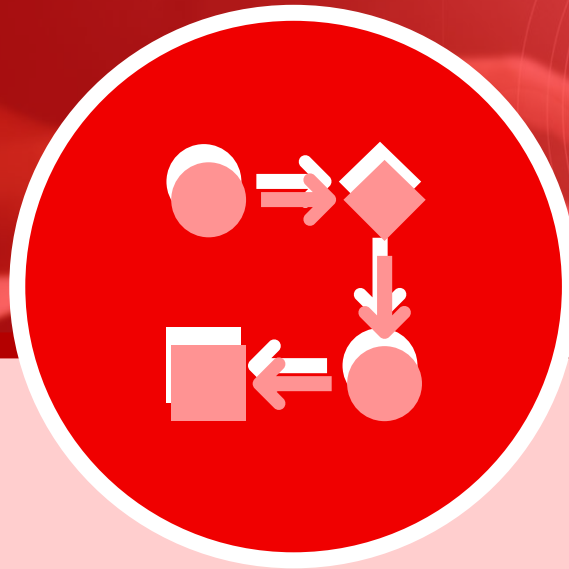


# We have improved underwriting in several ways

**New tools with stronger link to data**



**Improved processes**



**New skills and profiles**





# Screenshots from our Underwriting-tool



**Base Premium Visualization**

**Select Item** All **Select Peril** All

**Guideline**  
Machinery\_MB, BI, and BI\_MB only available when peril = "All"  
TSI is shown for all perils

	Only When Peril="All"				Only When Peril="All"			
	Buildings	Machinery	Machinery_MB	Goods	Inventory	Misc	BI	BI_MB
TSI	829,467	759,555	0	365,000	0	0	2,000,000	0
Base Premium	448,207	651,800	0	250,040	0	0	773,927	0
Base Premium Rate (%)	0.54	0.86	N/A	0.69	N/A	N/A	0.39	N/A

**UW Adjustment 1**

**Select Item** 1 **Select Peril** Fire

**Guideline**  
Machinery\_MB, BI and BI\_MB only available when peril = "All"  
Buildings, Machinery, Goods  
Set UW Adjustment "Extensions"

	Only When Peril="All"			
UW Adjustment - Item 1	Buildings	Machinery	Machinery_MB	Goods
Construction	0.84	0.84		0.84
Occupancy	1.01	1.01		1.01
Protection	1.12	1.12		1.12
Exposure	1.00	1.00		1.00
Routines	1.05	1.05		1.05
Extensions/Restrictions	1.00	1.00		1.00
BI adjustments				
Deductibles, sublimits and loss Factors Multiplied	1.00	1.00	0.00	1.00

Premium Elements	Base Premium	Base Premium (%)	UW Adjustment 1+2 Premium	UW Adjustment 1+2 Premium (%)	Blending Premium	Blending Premium (%)	UW Adjustment 3	UW Adjustment 3 Premium	Technical Premium (%)
Small Claims	317,904	14.31%	323,410	14.36%	194,346	9.16%	1.00	194,346	
Medium Claims	281,657	12.68%	285,077	12.66%	285,077	13.43%	1.00	285,077	1
Large Claims	535,141	24.09%	541,160	24.03%	541,160	25.50%	1.00	541,160	2
NatCat Claims	88,558	3.99%	89,966	4.00%	89,966	4.24%	1.00	89,966	
ULAE	246,870	11.11%	250,170	11.11%	250,170	11.79%	1.00	250,170	1
REAS	132,809	5.98%	134,585	5.98%	134,585	6.34%	1.00	134,585	
Expenses	393,324	17.70%	398,582	17.70%	398,582	18.78%	1.00	398,582	1
Margin	225,610	10.15%	228,626	10.15%	228,626	10.77%		228,626	1
<b>Total</b>	<b>2,221,875</b>	<b>100.00%</b>	<b>2,251,577</b>	<b>100.00%</b>	<b>2,122,512</b>	<b>100.00%</b>	<b>1.00</b>	<b>2,122,512</b>	<b>10</b>

**UW Comments (Adj 3 + Allocation)**

**Market Adjustments**

Technical Premium	2,122,512
UW Market Adjustment	3.50%
Quote Premium	2,196,800
Quote Margin	13.8%
Combined Ratio	86.2%

**RORAC calculation**

Tax rate	22%
Capital intensity	49.7%
RORAC	21.6%
Return/Profit	236.273

**UW Comments (Market Adj)** Underwritet til lidt bedre end target profit

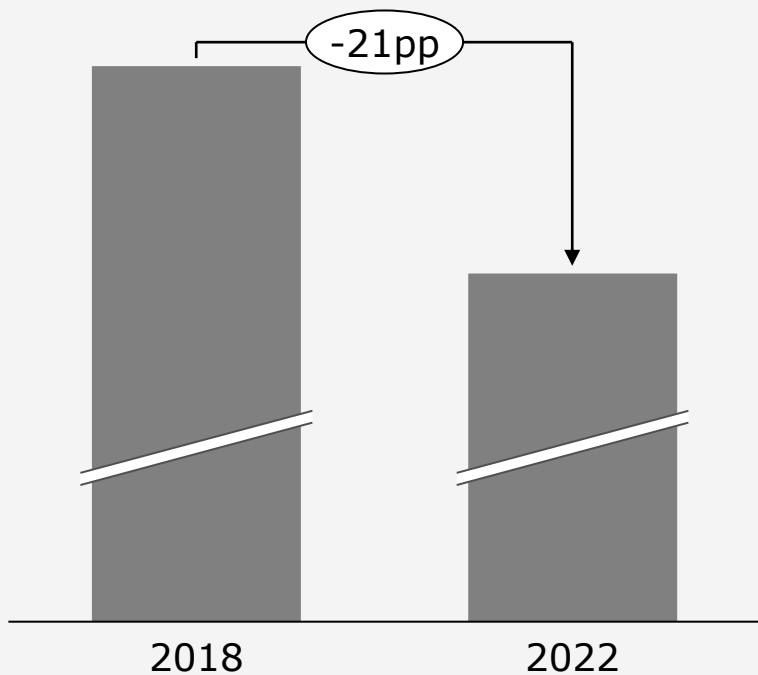


# Focused risk selection and price increases drive profitability

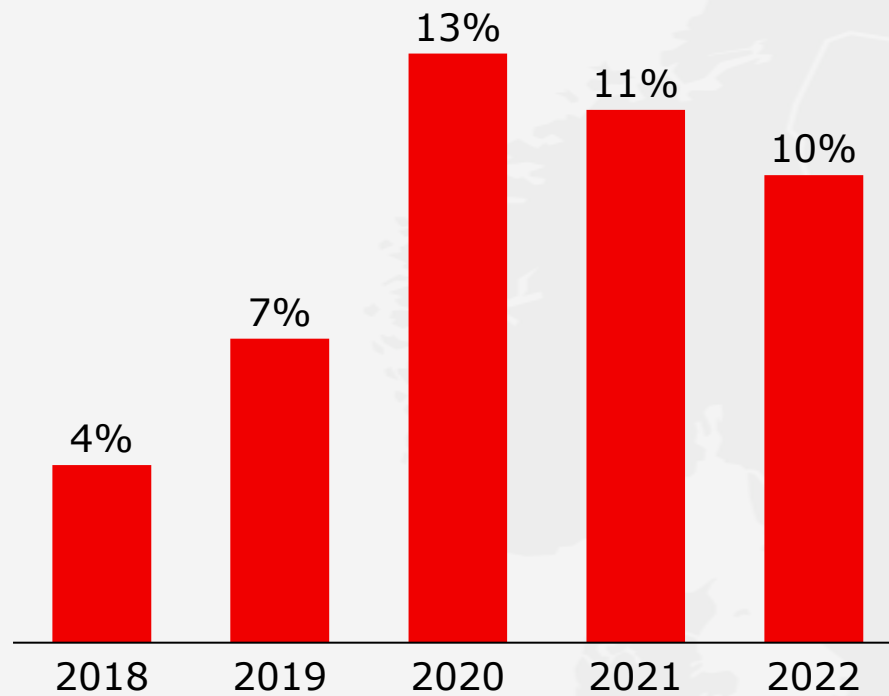


## Underlying claims ratio Small / medium sized claims

ex C&F, Index

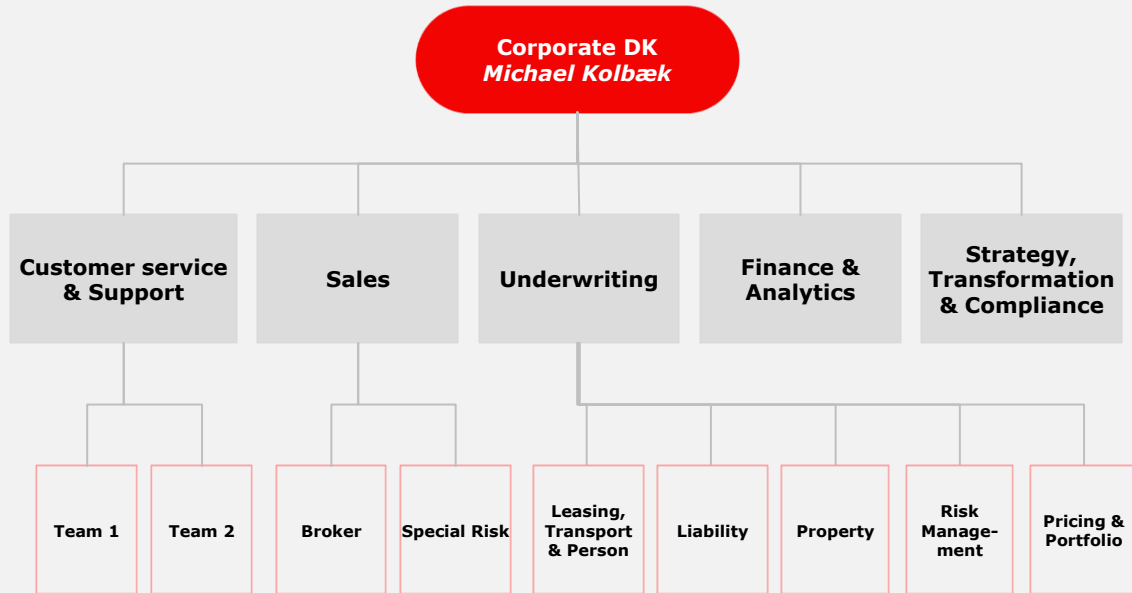


## Rate increases, Corporate Nordic<sup>1</sup>



Note: 1. Presented at Q3 2022 results Investor presentation

# We have updated the organization and brought in significant new talent



## Example of new roles



**Sales**  
Hunter and farmer roles



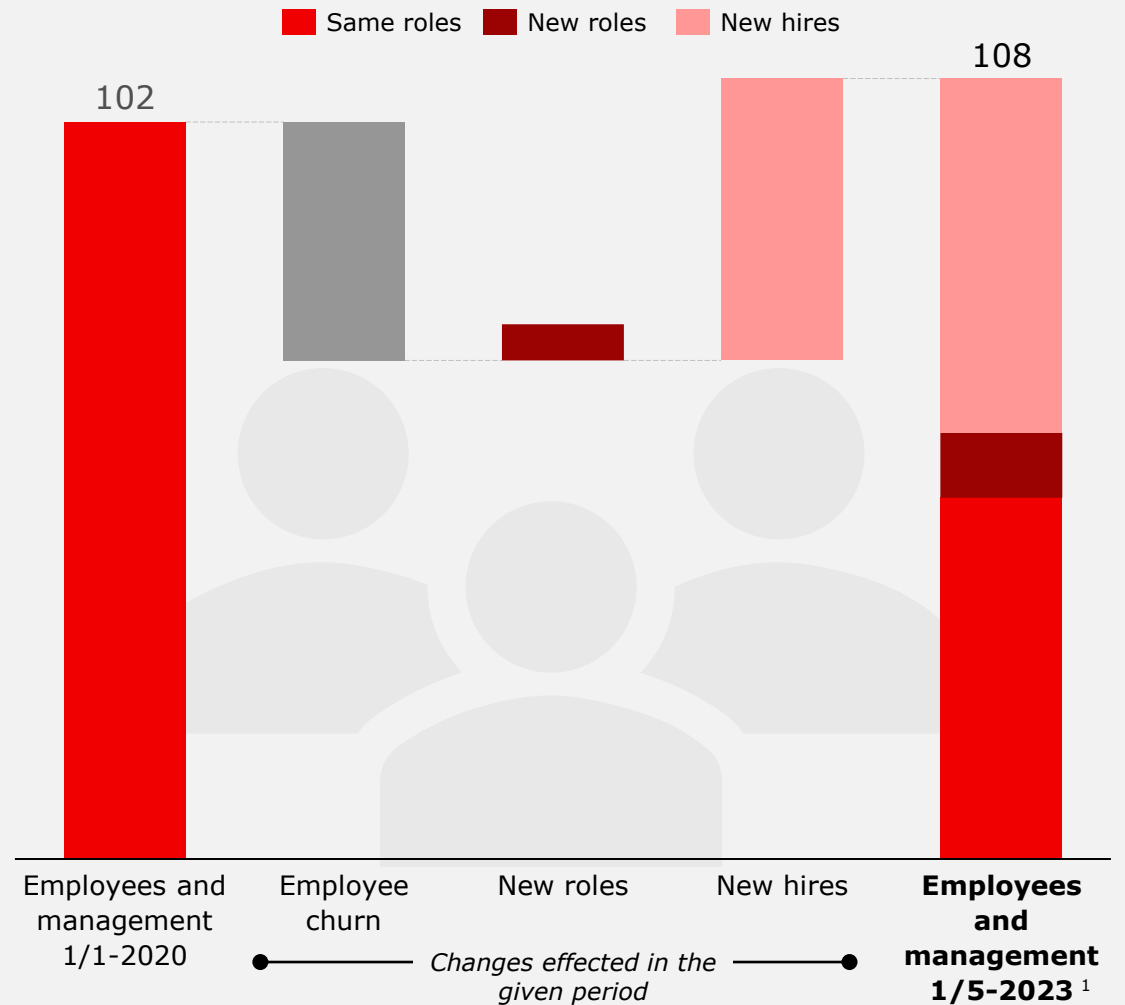
**Business Development**  
Analyst, data og Innovation lead



**Underwriting**  
Portfolio leads (PPU)



**Student Hub**  
Supported by 7 students



Note: 1. Total sum excl. student workers (7 employees, 2 trainees)



# By the end of 2024, we will have corporate business that is ...

- Clearly focused
- Adequately profitable
- Technically strong
- Offering synergies to rest of Tryg
- Nordic alignment on future strategy
- Collaborating with Commercial on product development



A close-up photograph of a white lifebuoy with red ends and a blue honeycomb patterned band. The word "TRYG" is printed in large, bold, black letters on the white surface of the lifebuoy. The background is a blurred outdoor scene with greenery and a body of water.

## Update on Tryg Garanti

Analyst Day | June 6th 2023, Copenhagen | Head of Tryg Garanti, Mads Løgstrup



## Agenda for today



- 1** Introduction to Tryg Garanti and our business model

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- 2** Financial performance and reinsurance

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- 3** Tryg Garanti expansion and strategy

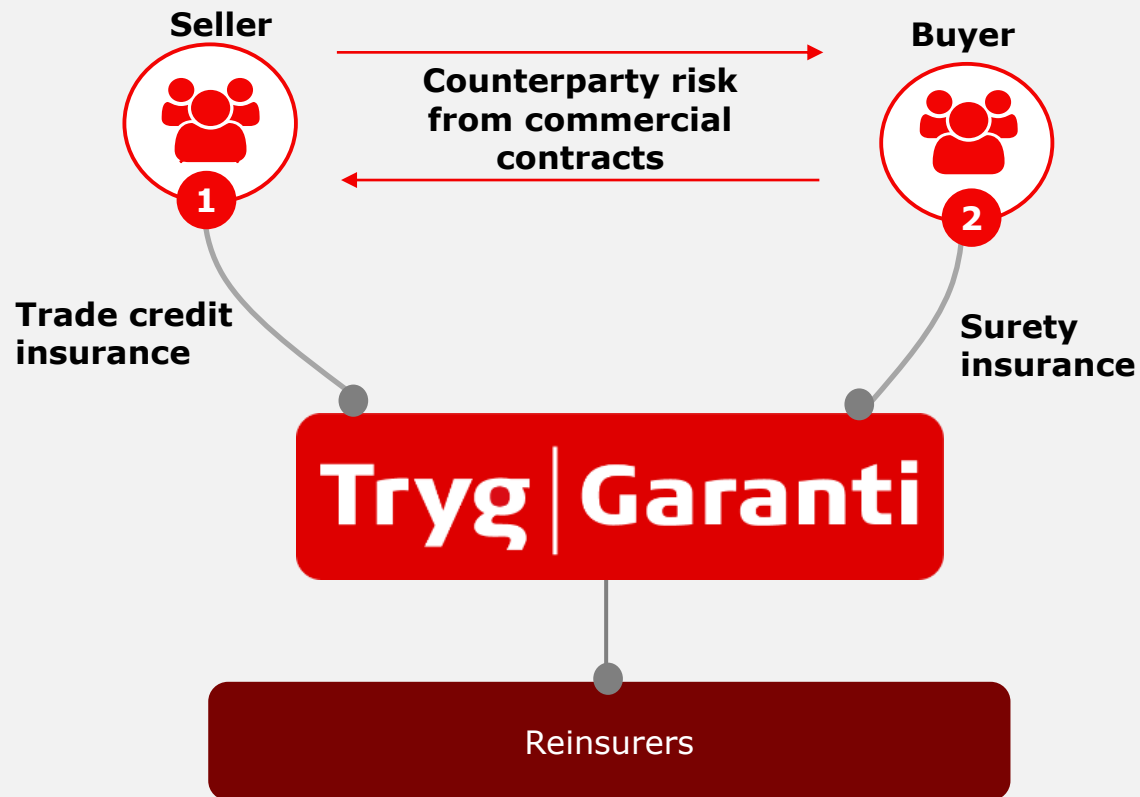
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- 4** Market potential

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# Our business model is all about counter party risk

Our business model is centered around mitigating counterparty risk



As such the purpose of the products are to protect against losses in commercial relationships



- **Protects the client of a policyholder** against non-performance by the policyholder.

*Example: A client of a construction company need assurance of compensation if the contractor breaks the contract*



- **Protecting the policyholder** against losses on commercial receivables when selling goods or services.

*Example: A seller of building materials needs assurance of compensation if his client does not pay for goods delivered*

### Right of recourse:

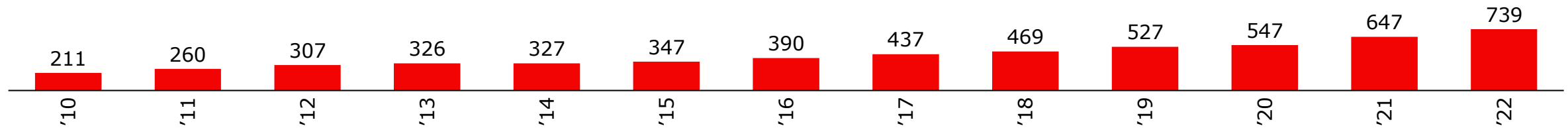
In all business we hold right of recourse towards the contract party that is non-performing

# We are on a solid premium growth trajectory

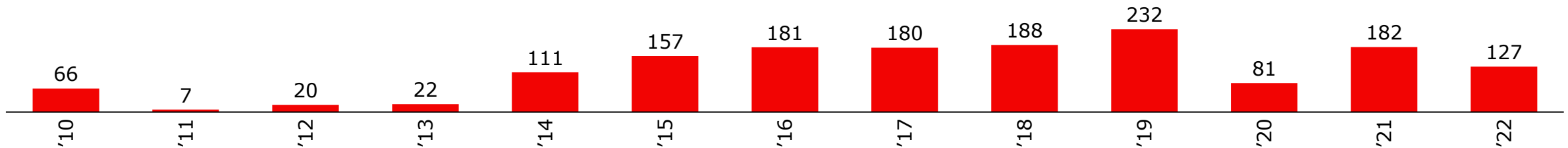


With a difficult claims environment in 2022 behind us, our growth and profitability potential remains intact

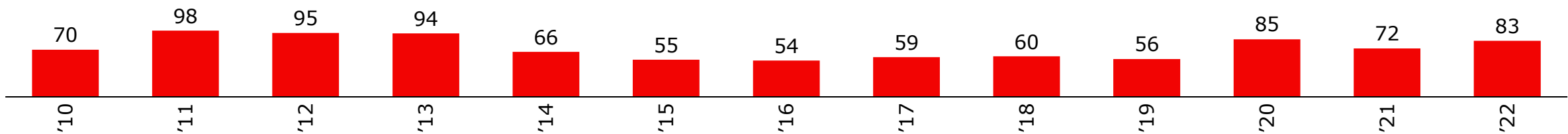
Premiums (DKK m)



Technical result (DKK m)



Combined ratio (%)

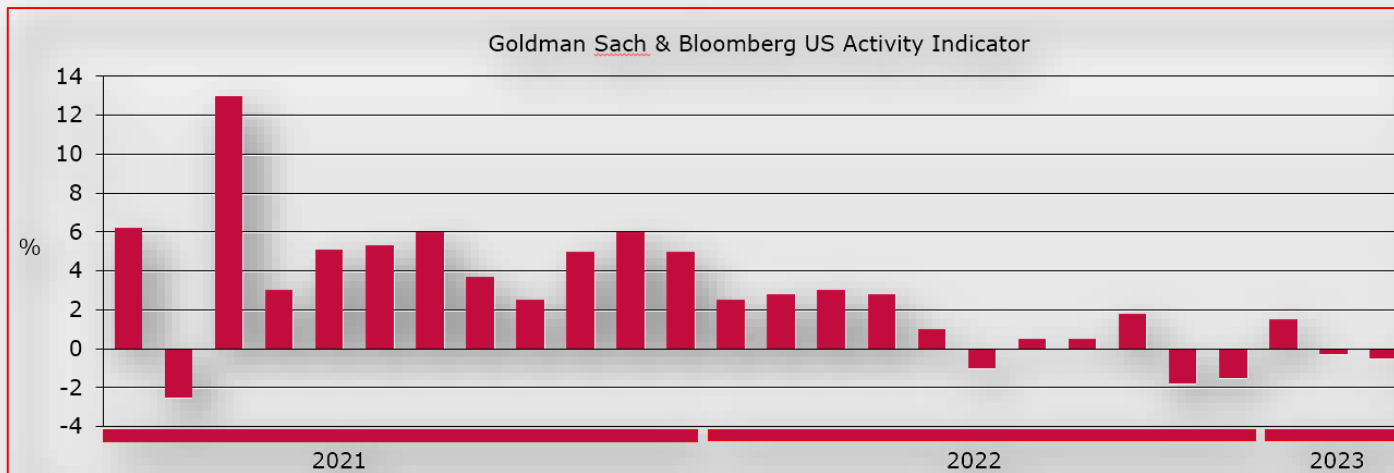


# The surety business is inherently impacted by the surrounding macro-environment

1

## Prolonged high interest rates, inflation and geopolitical unrest

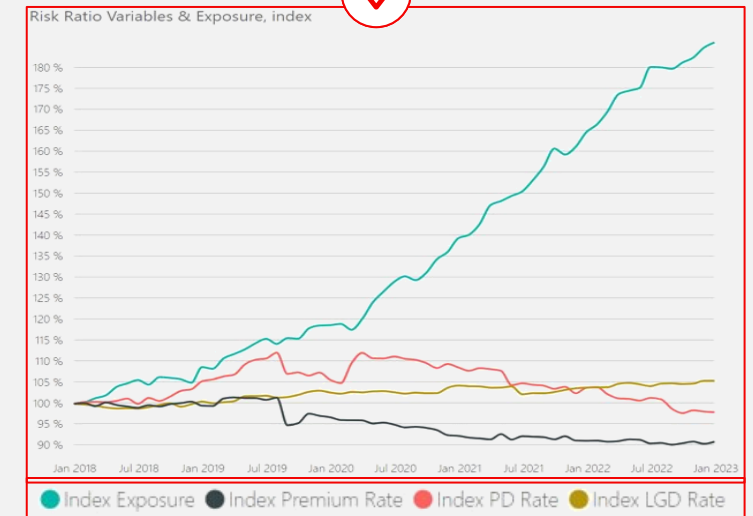
The **increasing interest rates, inflation and geopolitical unrest** cause a **natural stagnation** in the level of new activities, which in turn impacts demand for surety product



2

## Exposure

When the market activity stagnates, the **impact can be seen on the portfolio**, however, we are structured in a way to be withstand headwinds



# We use reinsurance to mitigate risk and reduce capital consumption

## Our reinsurance programme is robust



~80% the exposure of Tryg Garanti is covered by reinsurance

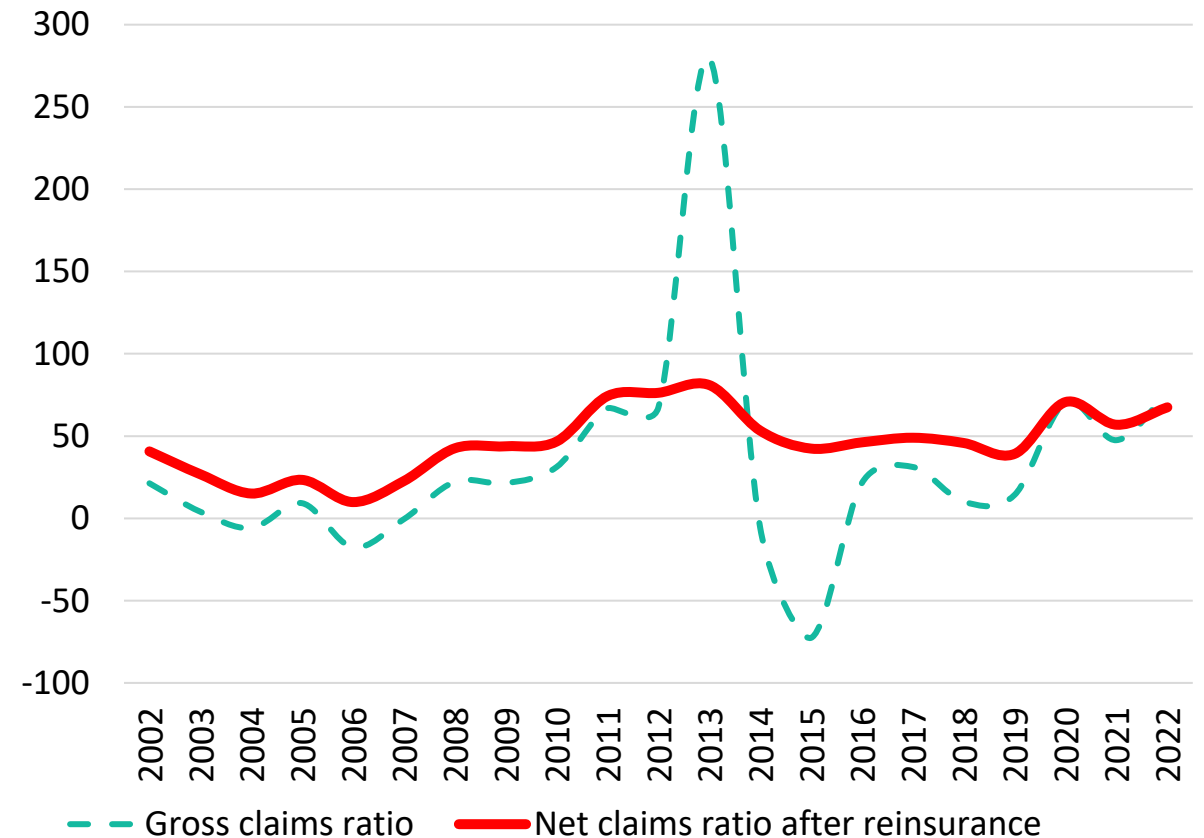


“Risk attaching” reinsurance means protection for the full duration of exposure



Reinsurance reduce the capital-consumption-to-premium-rate to below 30% from 135%

## The surety business is by nature volatile. The volatility is managed by reinsurance



# Our growth journey throughout Europe started in 2006

In recent years we have expanded our footprint across Europe  
Final countries in current plan are UK and Ireland

Focus is now to harvest from the  
expanded and strong foothold



**No. 1** surety provider in **Denmark, Norway and Finland**. Runner up in Sweden.



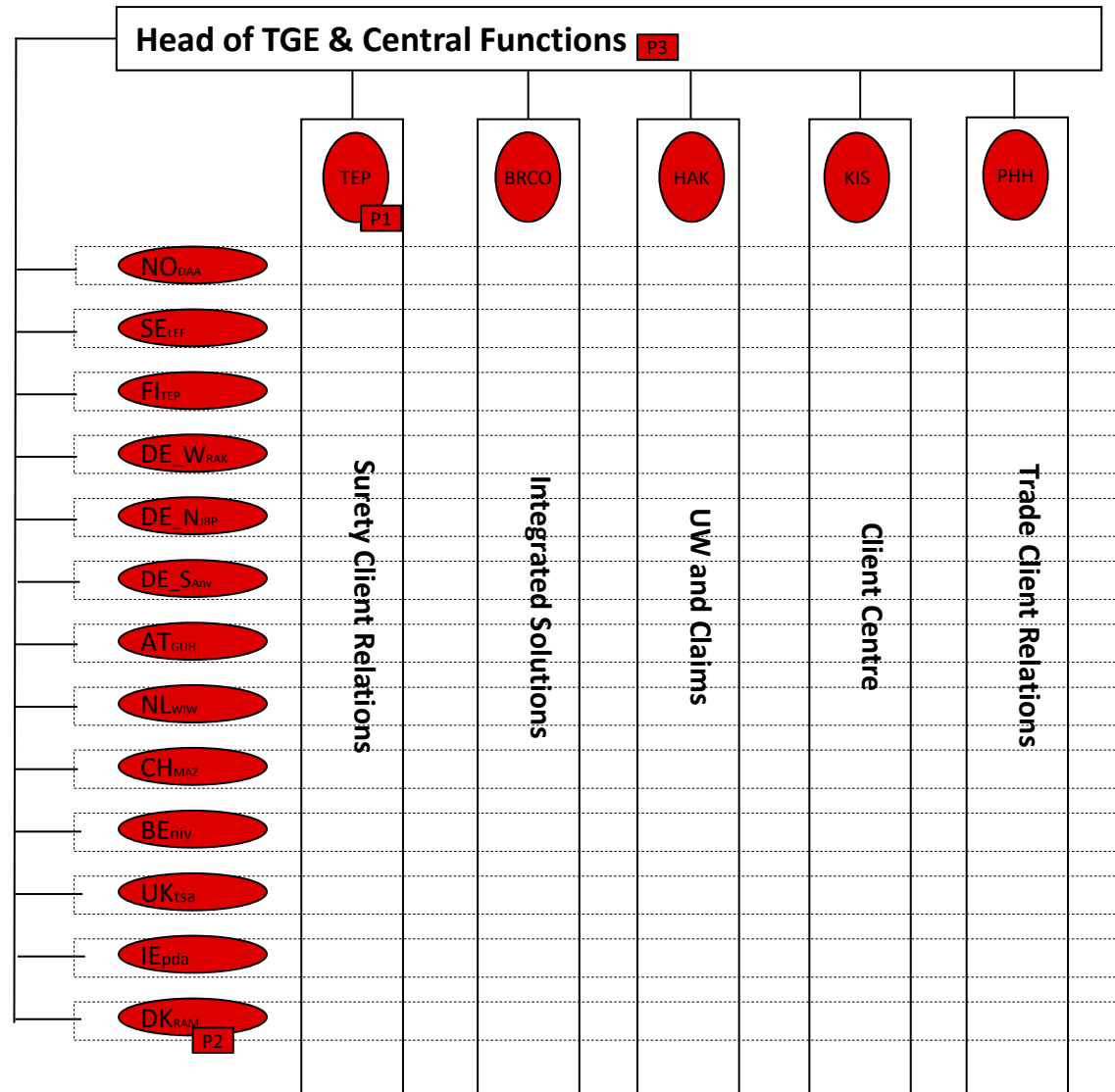
**Strong traction in new countries.** New countries contribute by **+16% of premium** in 2022 (12%)



Successful concept of **strong customer satisfaction and efficiency** through digitisation



To support the international clients and gain benefit of scale, we are organized in a matrix

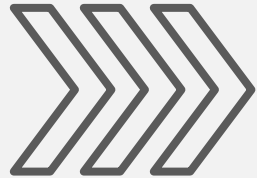


The matrix organization allows **benefit of scale** by **uniform processes and client concepts** across countries. This is especially important when serving **international clients** that **expect central control and local deliveries**.

We aim to realize the profitable potential of the old and new markets with three central focus areas

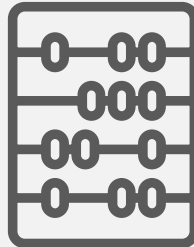
1

**Efficiency by  
digitisation**



2

**Solid  
underwriting**



3

**High customer  
satisfaction**

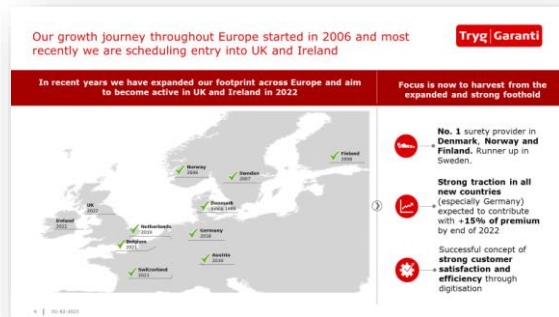


**Profitable  
growth**



# An example of this is how we will lift sales through integrated solutions

## Tryg Garanti stands on a strong digital foundation for both products



- Tryg Garanti has a **strong digital foundation**, which has been the cornerstone of our successful expansion throughout Europe
- We aim to use this foundation to **increase our distribution through integrating directly with customers and third party providers**

## We plan to harness our unique ability and use that position to increase distribution channels through integrated solutions

### Tryg Garanti is focused on three central integration possibilities



#### Trade Finance Platforms

Integrating with **third party** trade finance platforms to provide better options and service to **large multinationals** with many trade finance providers



#### Customer ERP Systems

Integrating **directly into customers** enterprise and back-end systems to streamline the process and increase direct digital distribution



#### Accounting Platforms

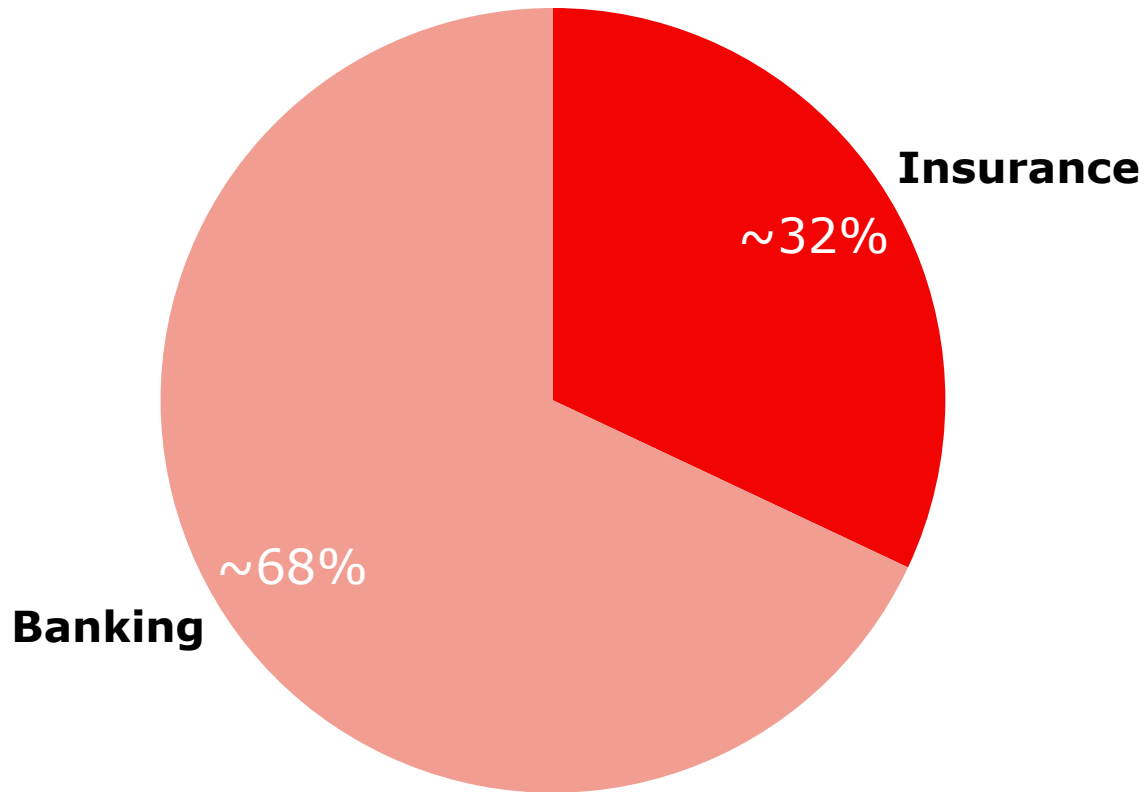
Integrating directly into **accounting and bookkeeping solutions** to provide **credit insurance options directly** to new and existing customers using the platforms

### 2025 aspiration

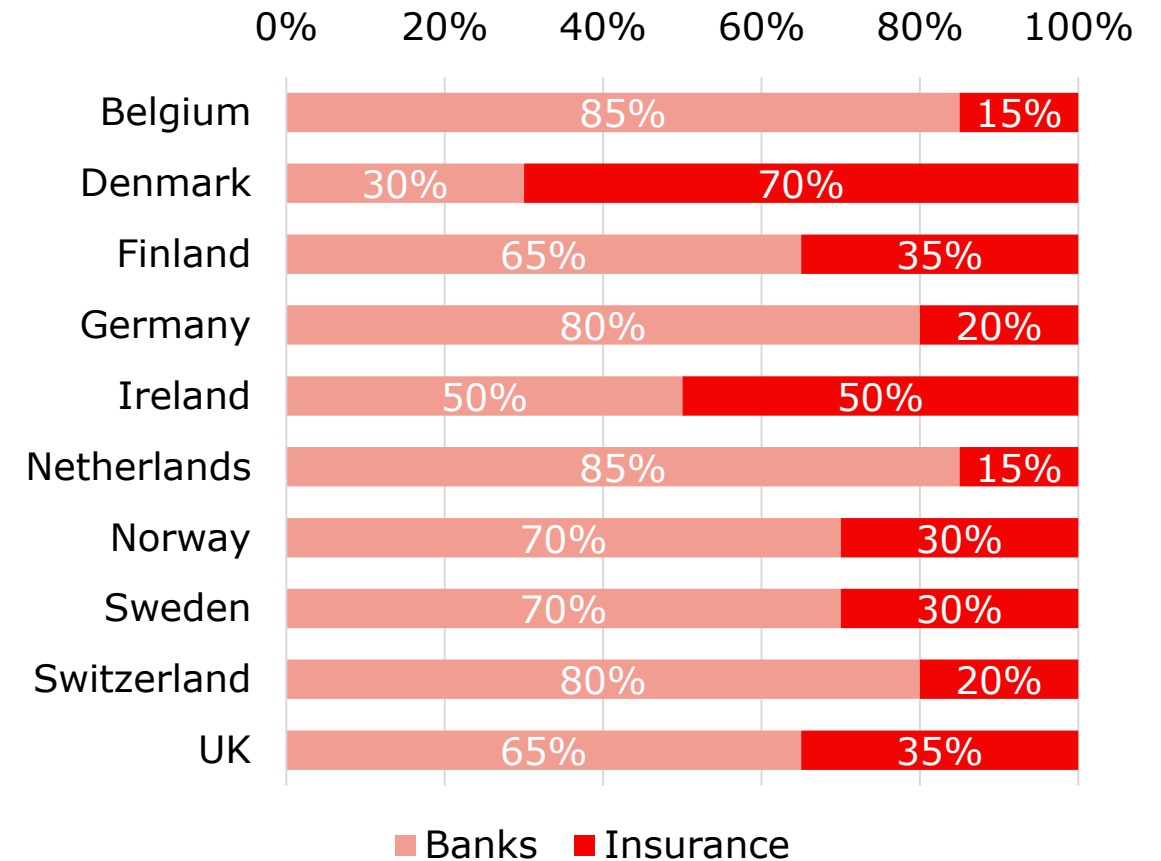
10% of revenue through integrated solutions

# New capital regulation in the banking sector provide tailwinds

Across the markets we are in, banks are largest players



However, their interest is waning due to lower profitability from new capital requirements - we aim to seize the opportunity

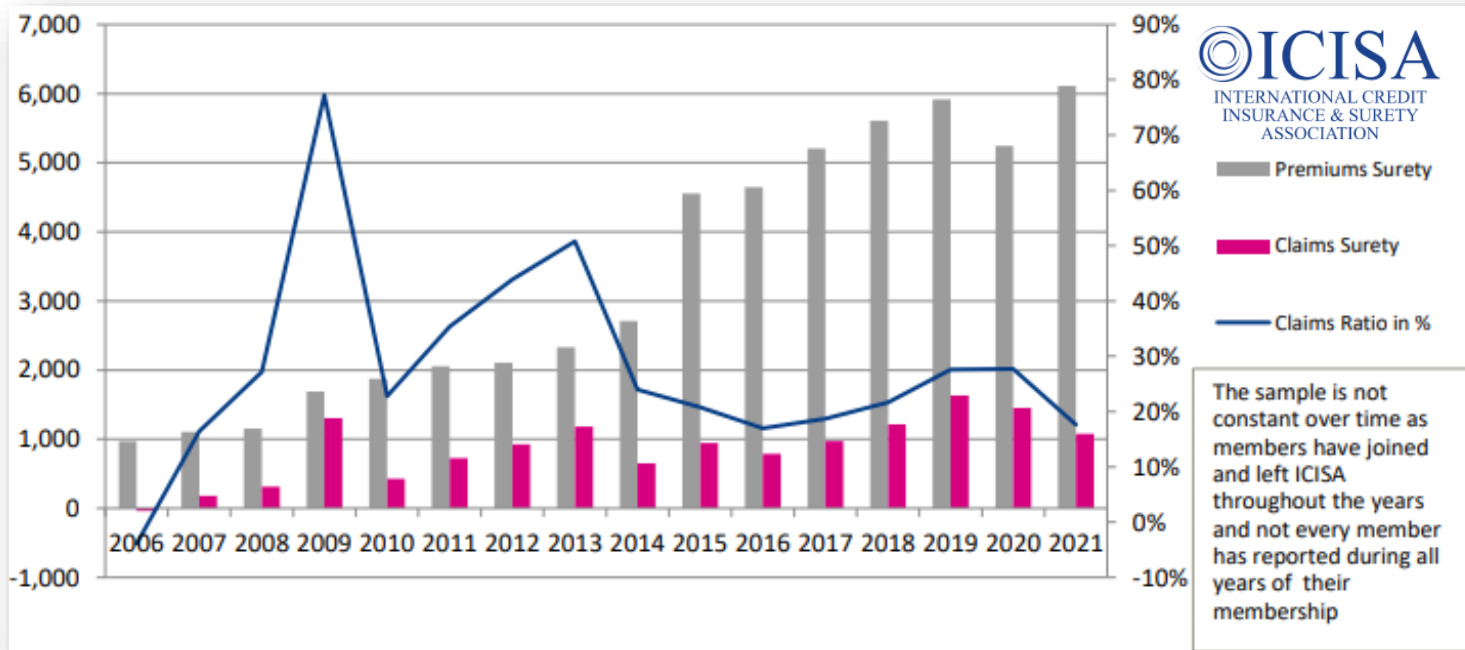


Harnessing those tailwinds will allow us to capture market shares in an industry with strong historical performance and large potential



**Market growth and profitability potential is strong**

**Surety – Premiums, Claims and Claims Ratios – ICISA Members (excl. Reinsurance)**



Millions in Euro, Claims Ratio in %



Our aspirations remain ambitious in a strong industry characterized by a large and growing international premium potential with an average claims ratio of 30%

Coffee break – see you in 15 minutes 😊

The background of the slide is a close-up photograph of a white lifebuoy with red sections and blue mesh bands. The word "TRYG" is printed in large, black, bold letters on the white part of the lifebuoy. The background is slightly blurred, showing a body of water and a rocky shore.

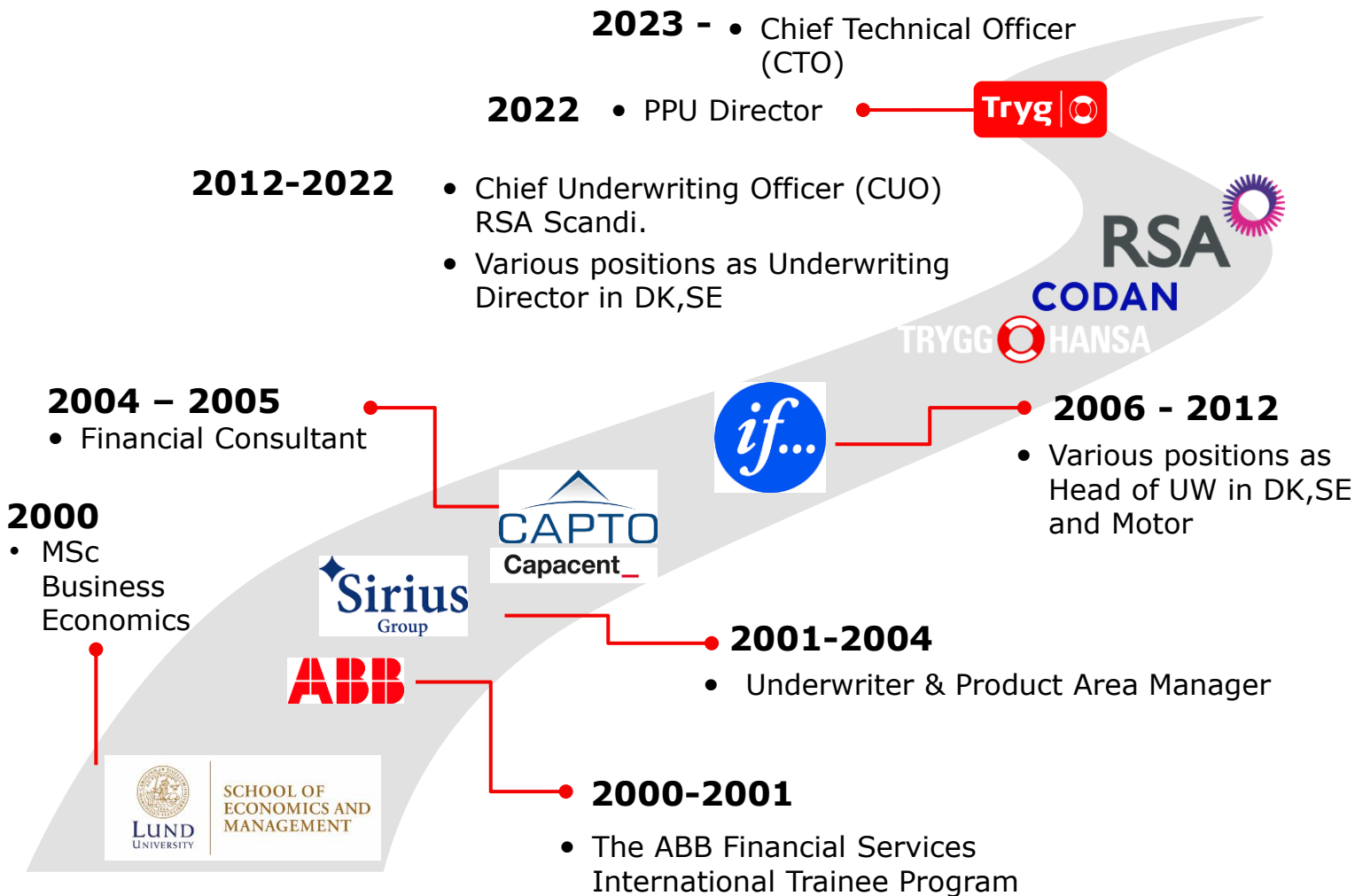
# Technical Excellence in Tryg – raising the bar to achieve competitive advantage

Analyst Day | June 6<sup>th</sup> 2023, Copenhagen | Mikael Kärrsten, CTO

# My professional and personal background



## Professional



## Quick facts

- +20 years of Scandi insurance experience
- +15 years of UW management positions
- 10 years in RSA Scandi, last 4 as Scandi CUO
- Leading role in the acquisition of RSA Scandi

## Personal

- 48 years
- Married to Åsa
- Two children: Alva (14 years) and Alexander (11years)
- Spare time:
  - Spend time and enjoy experiences with my family and friends
  - Sports
  - Travel







Both Tryg and Trygg-Hansa brings great value to the table when we join forces to develop our future capabilities






### From Tryg, we e.g. gain

-  **Mandate close to customers**, where understanding is more granular
-  Deeply rooted **commercial focus** and **innovative product management** approach
-  Large **scale of operations** enabled by strong **presence across Scandinavia**



### From TryggHansa, we e.g. gain

-  Excellent, **consistent governance** and **operating rhythm** across organization
-  Progressive **analytics and modelling** capabilities
-  Extensive control of profitability drivers in **pricing** and **portfolio management**

# Trygg-Hansa has historically performed stronger on CR than Tryg, partly driven by technical excellence focus

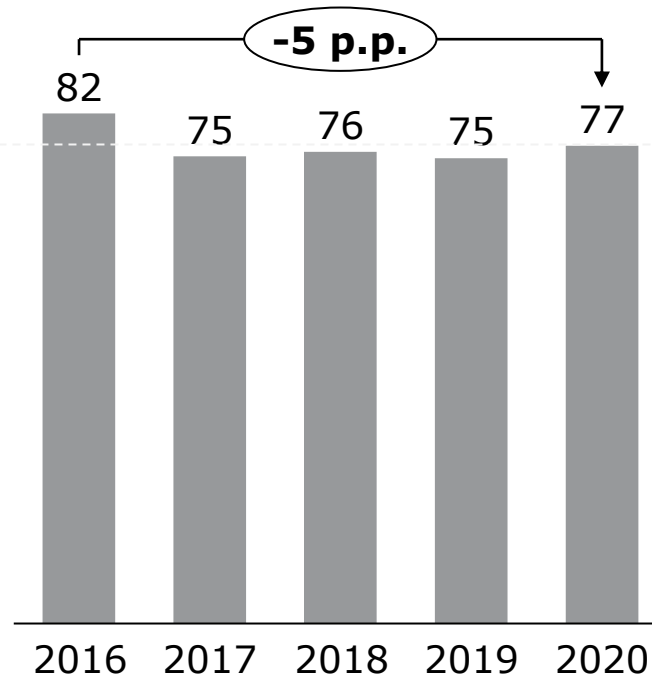
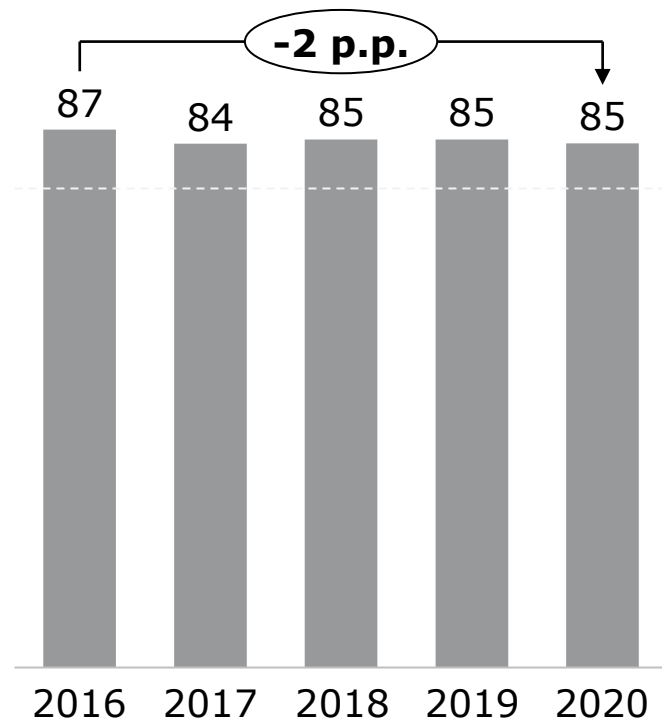


## Combined Ratios across Tryg and Trygg-Hansa

Tryg historical CR (%)



Trygg-Hansa historical CR (%)



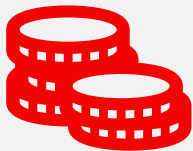
- Profitability delta partly driven by different product mixes (in particular higher share of long tailed personal accident)
- In addition, Trygg-Hansa profitability level driven by robust technical excellence model.
- Tryg investment in technical excellence highly influenced by the Trygg-Hansa / RSA model

# Why invest in PPU\*?



## 1 Improve bottom line

- ❑ Technical insights to improve commercial decision making
- ❑ Operational rhythm implementation to identify improvement areas



## 2 Reduce volatility

- ❑ Use of KPIs as early indicators
- ❑ Best practice usage of exposure measures, reinsurance and portfolio governance



## 3 Growth capabilities

- ❑ Profitable growth
- ❑ Securing technical aspects of growth initiatives to secure they add value



\* PPU = Price, Product and Underwriting

# The new PPU operating model is based on a strong collaboration between the central and de-central environment



1

## Central PPU environment

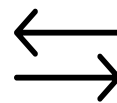
Designing a best-in-class **operating rhythm**, incl. processes, reporting, content, competences, capacity, organization...



2

## De-central PPU environment

...in order to enable best-in-class **technical performance** in business units!



# Four changes implemented in order to strengthen technical excellence

1

2

3

4

## De-centralization of Pricing

## Centralization of PPU Governance & Operating Rhythm

## Strengthening of Portfolio Management

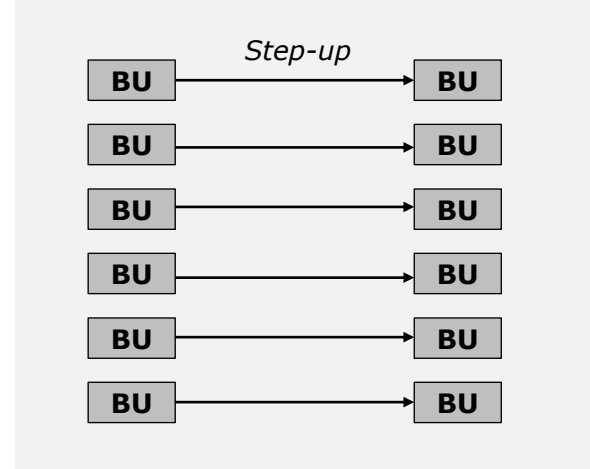
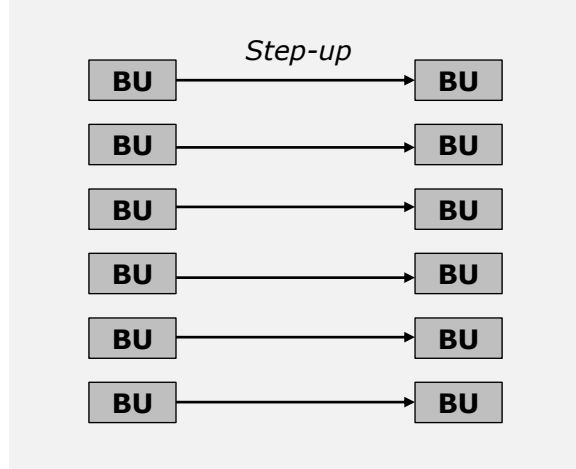
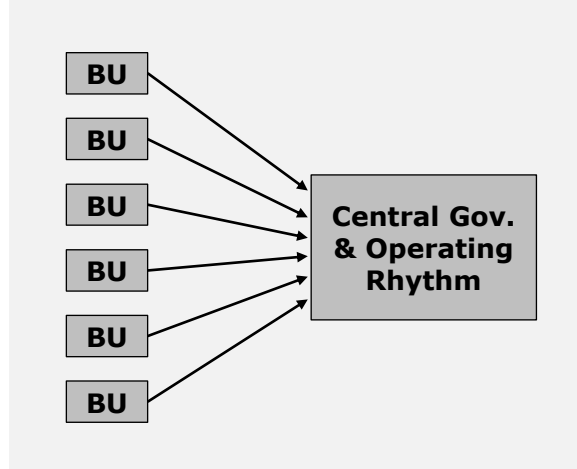
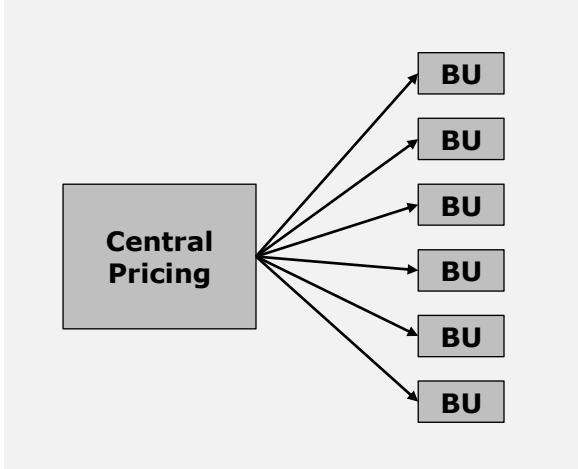
## Strengthening of Case UW

Responsibilities and resources within Pricing and Customer Analytics transferred to local business units

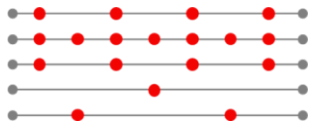
Responsibilities for PPU governance & Operating Rhythm consolidated in a new central unit

Local efforts within portfolio management will be strengthened by introducing new standards for local competences, organization, processes and reporting

Local efforts within Case UW will be strengthened by introducing new standards for UW processes, tools and ways of working



# Minimum requirements and long-term ambitions have been defined for each PPU area, and are being executed



## Portfolio Management

- Standardized “operational rhythm”
- Securing combination of capabilities, processes and tools
- Best in class mindset



## Pricing

- Risk pricing excellence
- Pricing governance
- Knowledge sharing of best practice



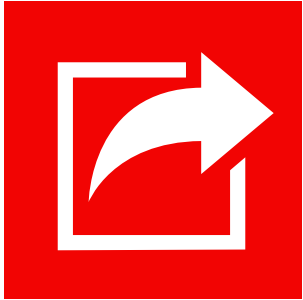
## Case UW

- Roll out of a Scandi case UW workbench and tool
- Standardized methodology across (six phases of case UW)
- Relentless focus on technical price



## Product (technical)

- Terms and conditions excellence
- T&C enabling digitalization and STP claims processes
- Focus on specific clauses, e.g. cyber and infectious disease



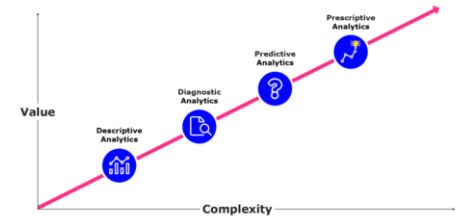
## 1. Forward looking profitability steering

Forward looking profitability steering is key for insurance companies due to the long-term nature of the business model. A structured and qualitative process, highly influenced by previous Trygg-Hansa / RSA processes, gives competitive edge.



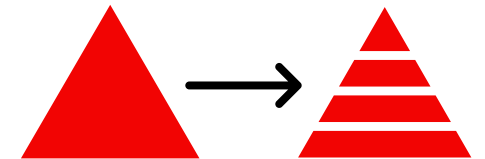
## 2. Cross-fertilization of analytical models

Similar to what we experienced in the Alka acquisition, where we e.g. have benefited from advanced claims fraud models, we see lots of opportunities in combining the experience in Tryg and Trygg-Hansa. For example in risk pricing sophistication and claims fraud analytics.



## 3. Increased segmentation & rate adequacy focus

The Trygg-Hansa technical excellence is highly driven around a relentless focus on technical pricing as a KPI for profitability steering. This has also been driven in parts of Tryg but doing it in a fully structured way drive benefits.



# Tryg's new Executive Board 1. June reflects the different excellences



## Tryg's Executive Board



**Johan Kirstein Brammer**  
*Chief Executive Officer (CEO)*



**Barbara Plucnar Jensen**  
*Chief Financial Officer (CFO)*



**Lars Bonde**  
*Chief Operational Officer (COO)*



**Alexandra Bastkær Winther,**  
*Chief Commercial Officer (CCO)*



**Mikael Kärrsten,**  
*Chief Technical Officer (CTO)*

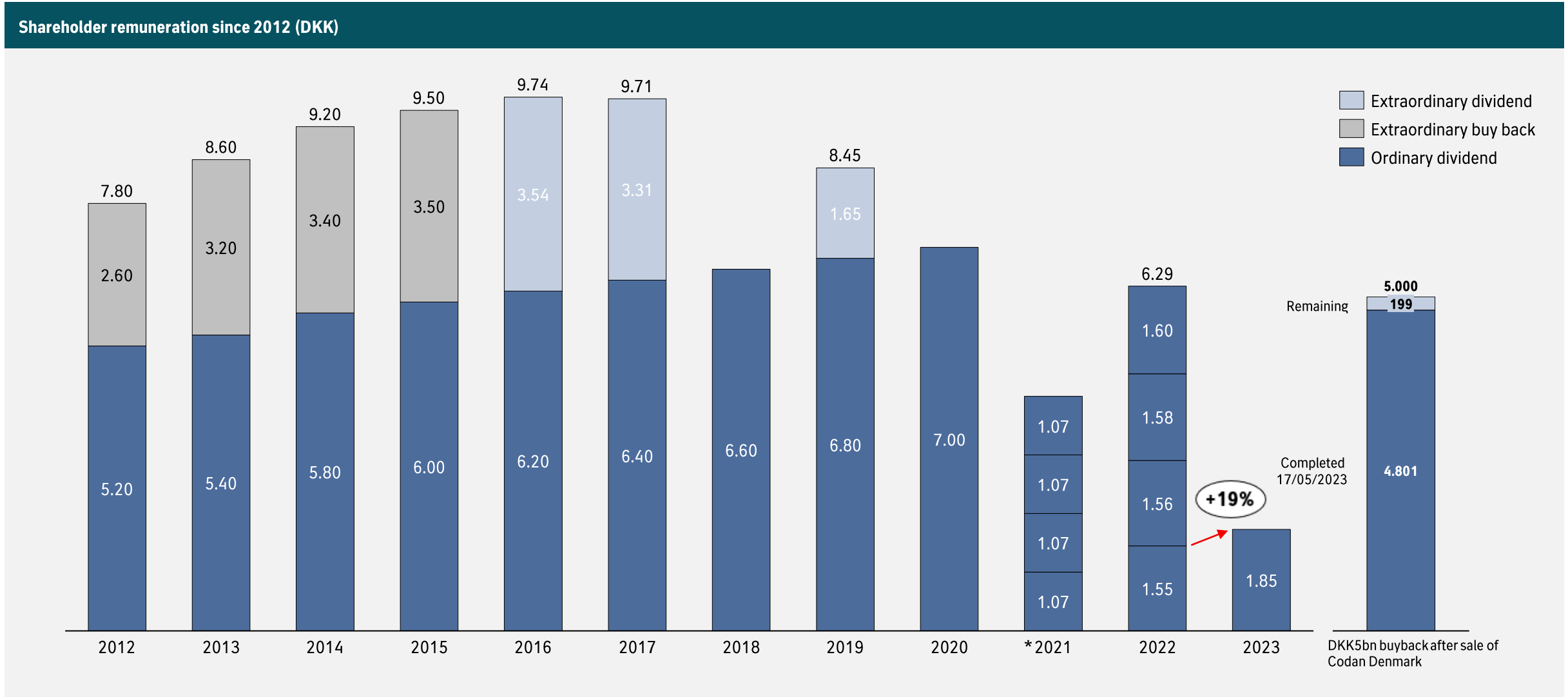




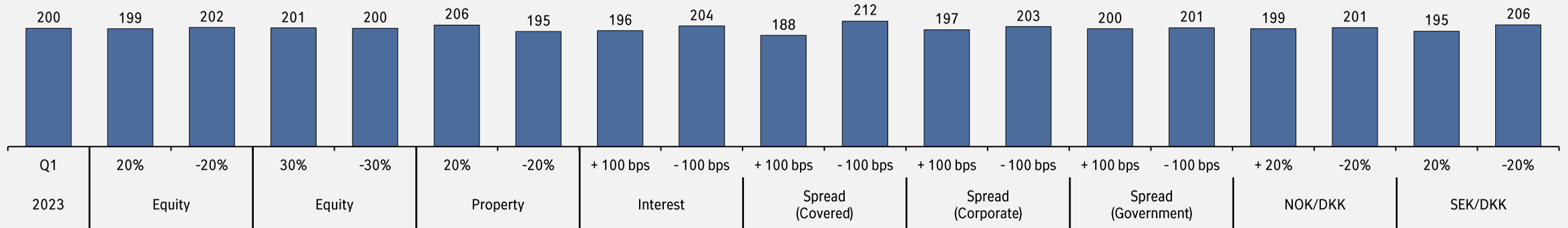
# Financial update

Analyst Day | June 6th 2023, Copenhagen | CFO, Barbara Plucnar Jensen

## Shareholder remuneration since 2012 (DKK)



## Solvency ratio sensitivities:



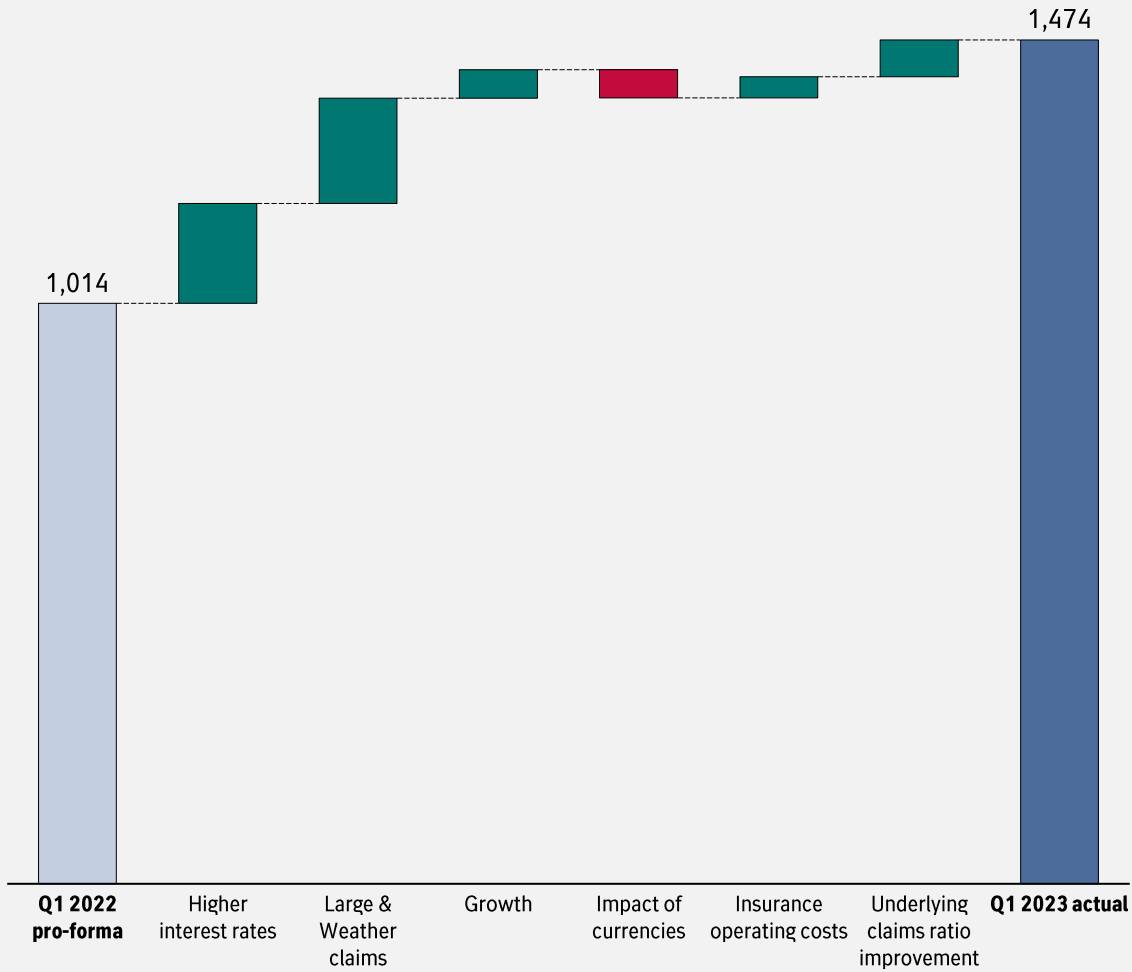
## Solvency ratio sensitivities:

- Interest rate risk is very low as function of our matching strategy
- The Solvency II ratio shows the highest sensitivity to spread risk for covered bonds as this is by far the biggest asset class
- Corporate and government bonds sensitivities are low as exposure to these assets classes is low
- The equity scenarios include changes in the solvency capital requirement as a result of changes to equity risk. The changes in equity risk are in part due to changes in market values and in part due to changes in symmetric adjustment of the equity capital charge

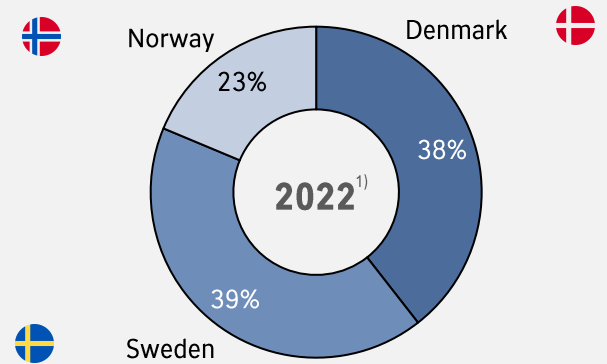
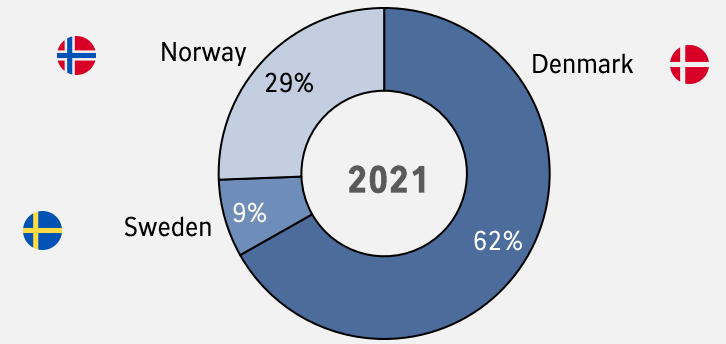
# Currencies development significantly more important after RSA acquisition (1)



## Group insurance service result walk



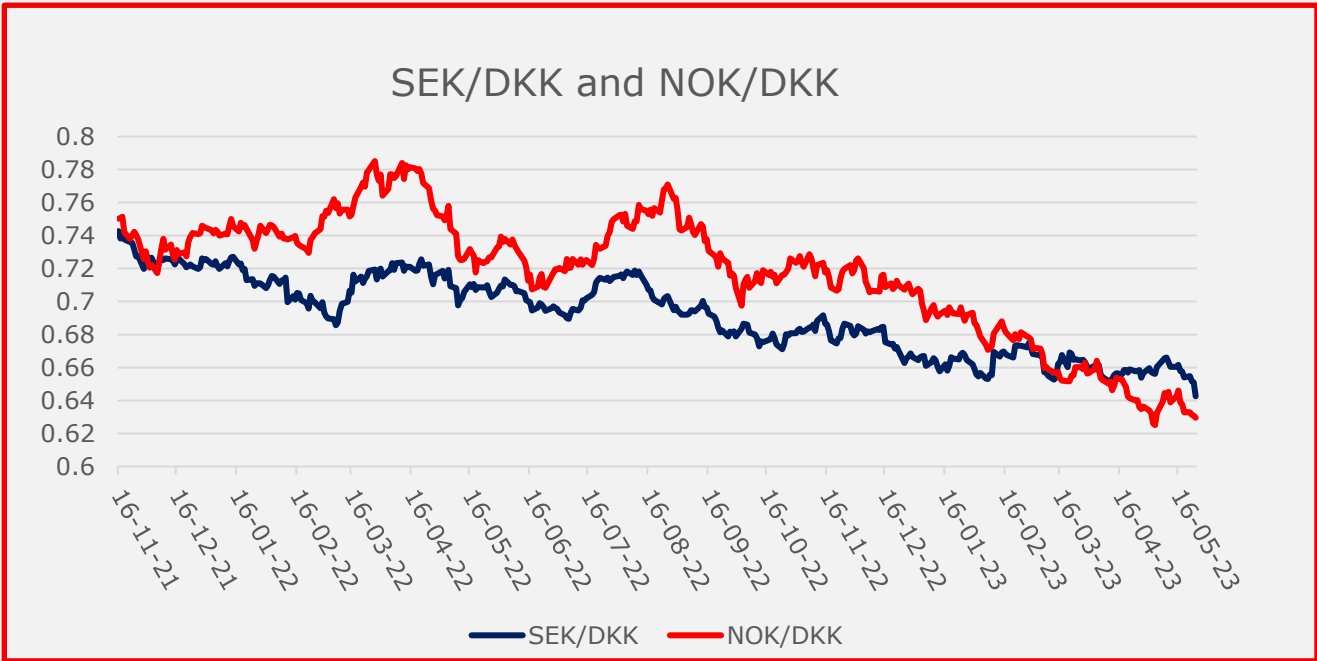
## Insurance service result split by geography



The acquisition of RSA Scandinavia creates a more balanced and diversified technical result

## Currencies

- Currencies and their development**
- **Following the acquisition of RSA Scandinavian activities (Codan Norway and Trygg-Hansa) Tryg is more exposed to currencies developments**
  - **As an example, SEK and NOK are down some 15% since the CMD date (November 16, 2021). This means that if one had assumed a 3bn technical result from Sweden and 1bn technical result from Norway at the CMD date, that amount would have to be approx. 600m lower today**
  - **It is very important to keep these in mind when updating forecasts and models**



It is important to know your investment case



*"Do you know the only thing that gives me pleasure?*

*It's to see my dividends coming in."*

---

John D. Rockefeller

