

Analyst day

06 June 2024, Copenhagen





Agenda

1

Introduction by CEO

Johan Kirstein Brammer, CEO
(14:10-14:20)

2

Update on Norway

Mikael Kärrsten, CTO
(14:20 – 15:00)

3

Guidewire (a new claims handling system)

Frederik Sjørsløv Søgaard, CIO
(15:00 – 15:30)

Coffee break

(15:30 – 15:45)

4

AI strategy

Alexandra Bastkær Winther, CCO & Maria Palsmark, Head of Claims Denmark
(15:45 – 16:15)

5

Closing remarks by CFO

Allan Kragh Thaysen, CFO
(16:15 – 16:30)



First year as a CEO



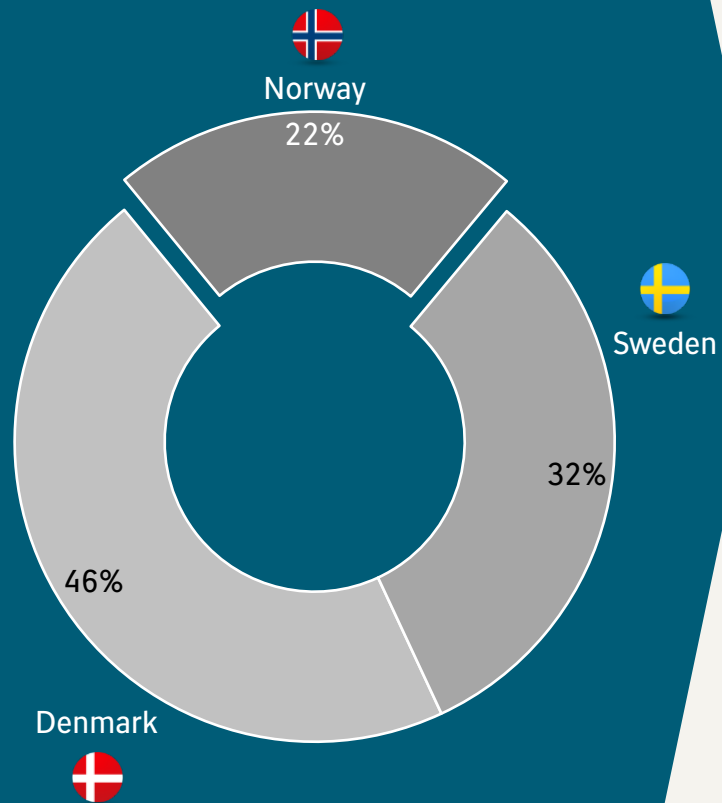


2. Update on Norway

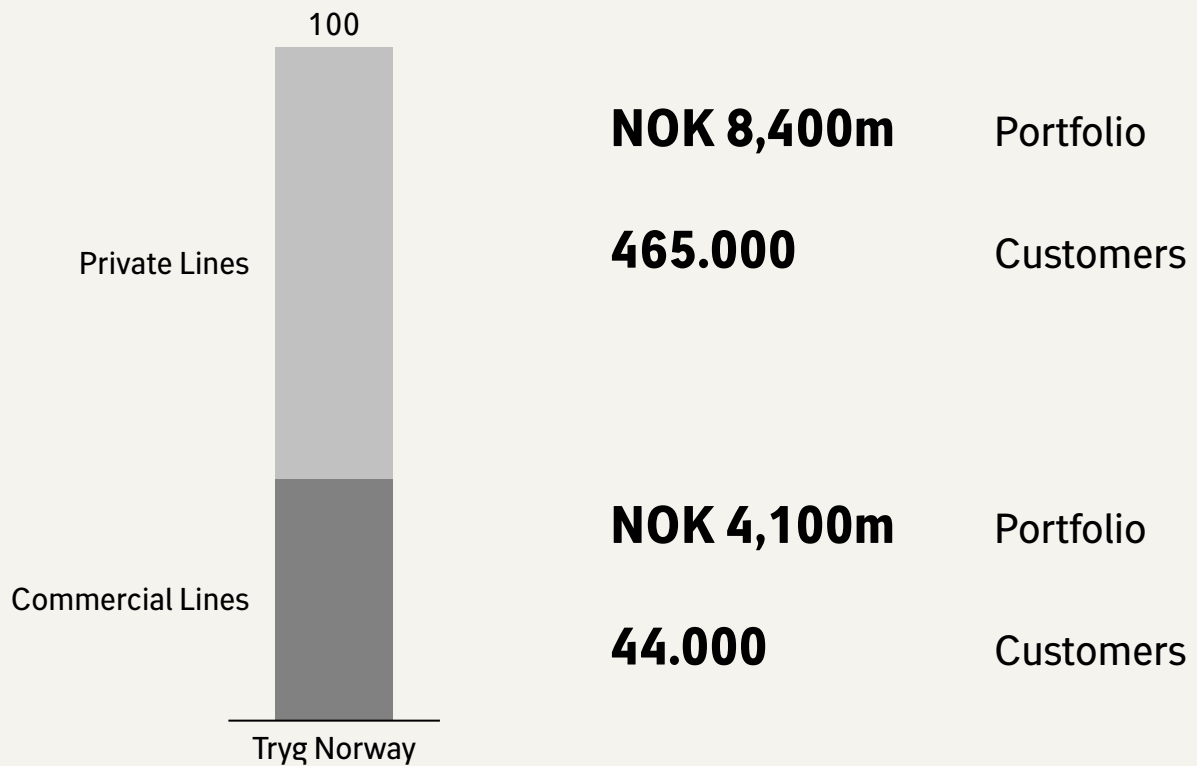
Tryg Norway at a glance



Tryg Norway makes up 22% of Tryg's Revenue ...



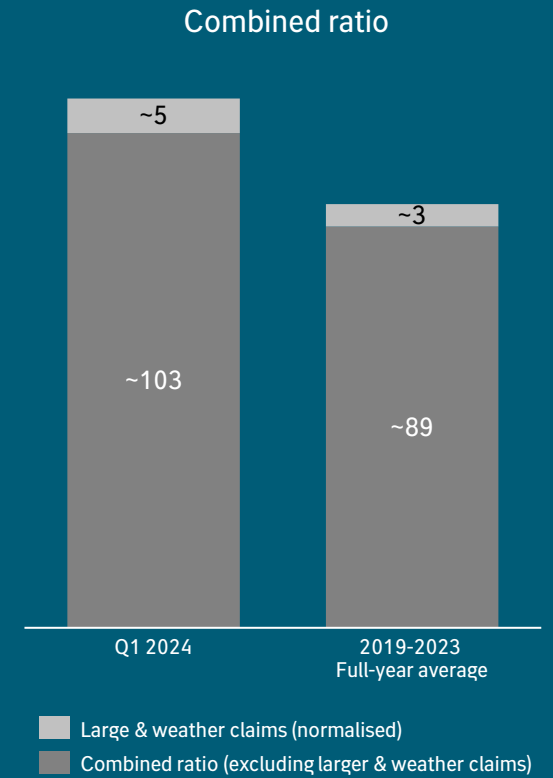
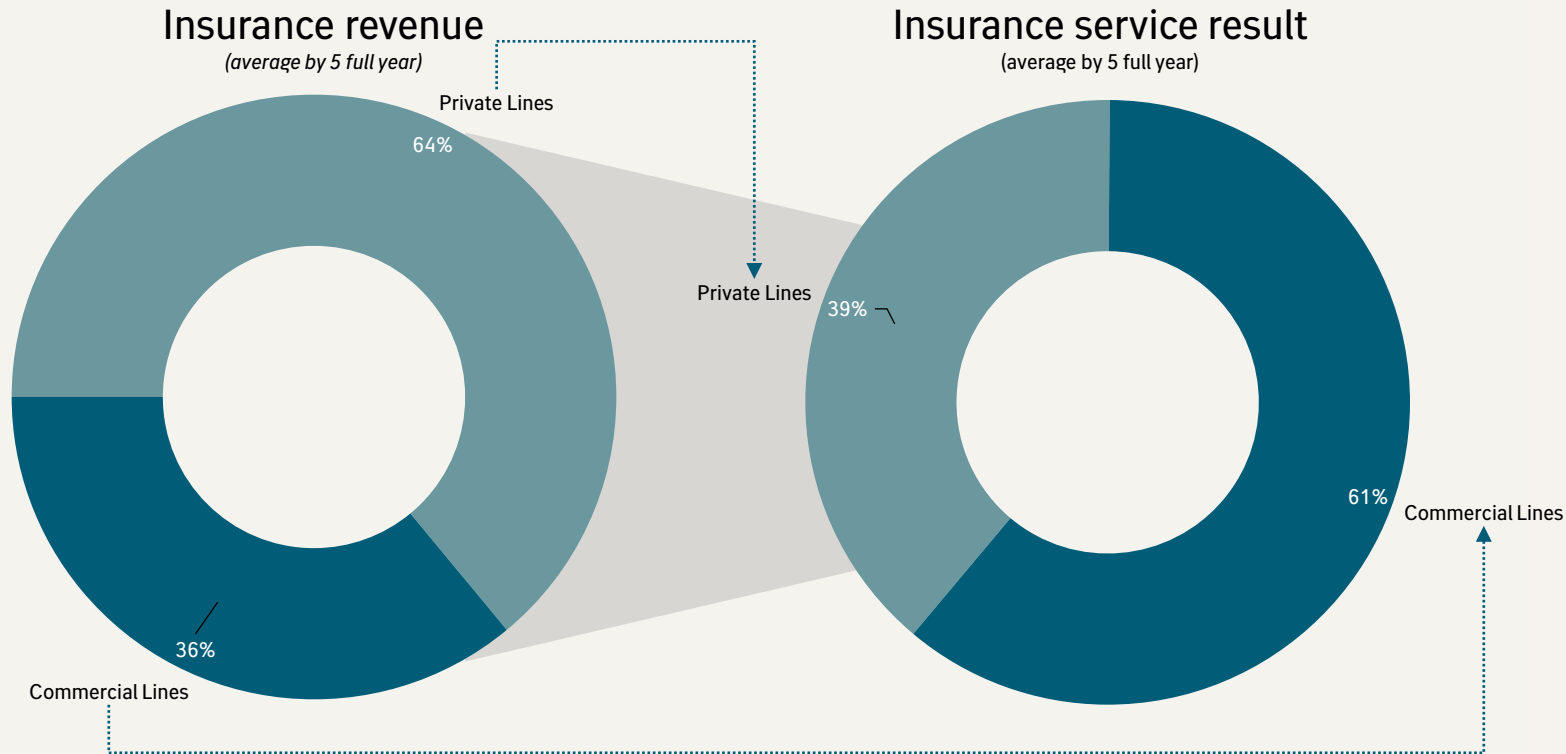
... Private Lines constituting the largest part



Overview of Insurance revenue and Insurance service result in Norway



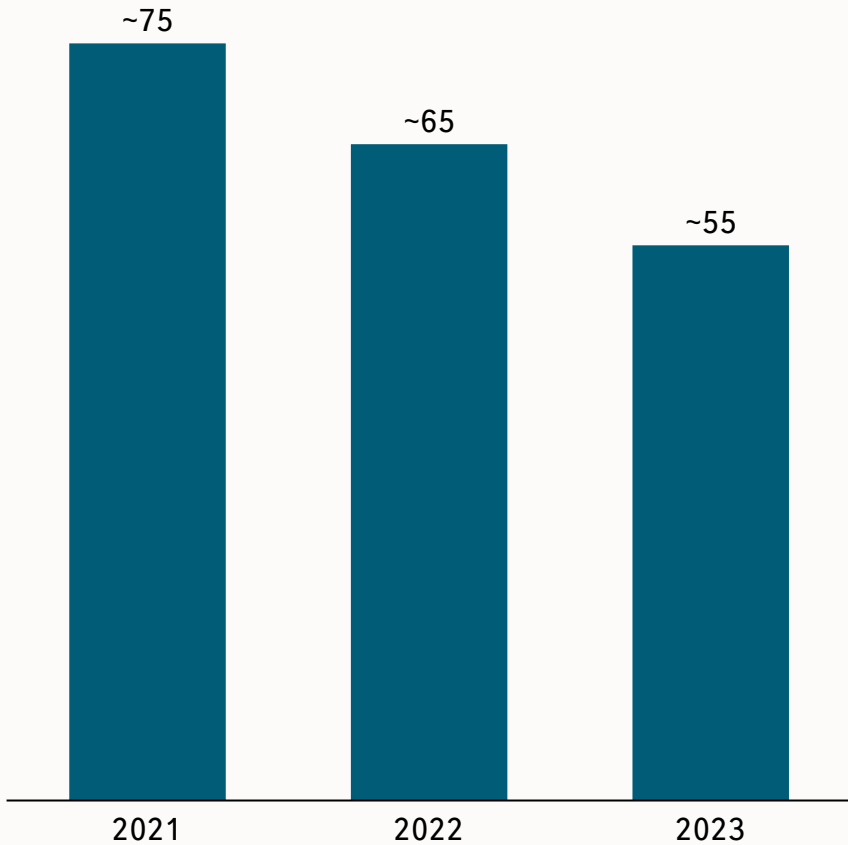
Private Lines challenged by harsh weather condition in recent quarters



The merging of a new Commercial Lines builds on strong progress in old “Commercial” and “Corporate”



Underlying Claims ratio, Commercial Lines



Profitability initiatives



Commercial

- Focus on target customer segments & Go-to-market (including Packages)
- Significant re-vamp of sales engine
- Launched Tryg Norway's first “Art”
- Price increases 8-11% last 3 years

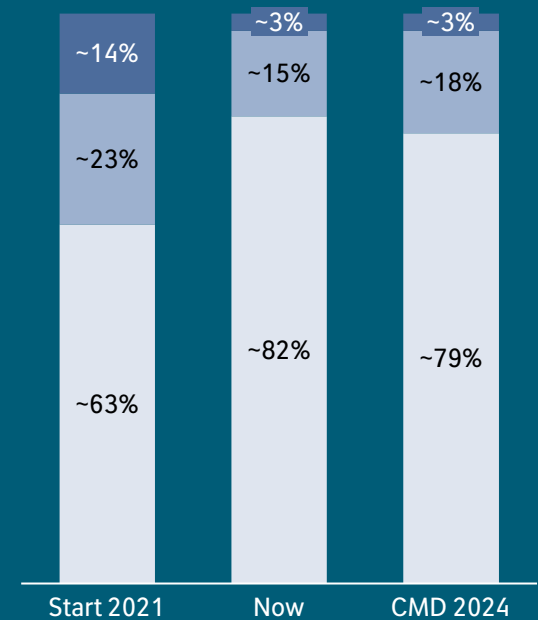


Corporate

- Strong improvement for technical excellence
- Rate adequacy and price increase 10-15% last 3 years
- Portfolio and exposure focusing to CMD targets

Rebalancing portfolio

■ Larger global
 ■ Larger European
 ■ Smaller local

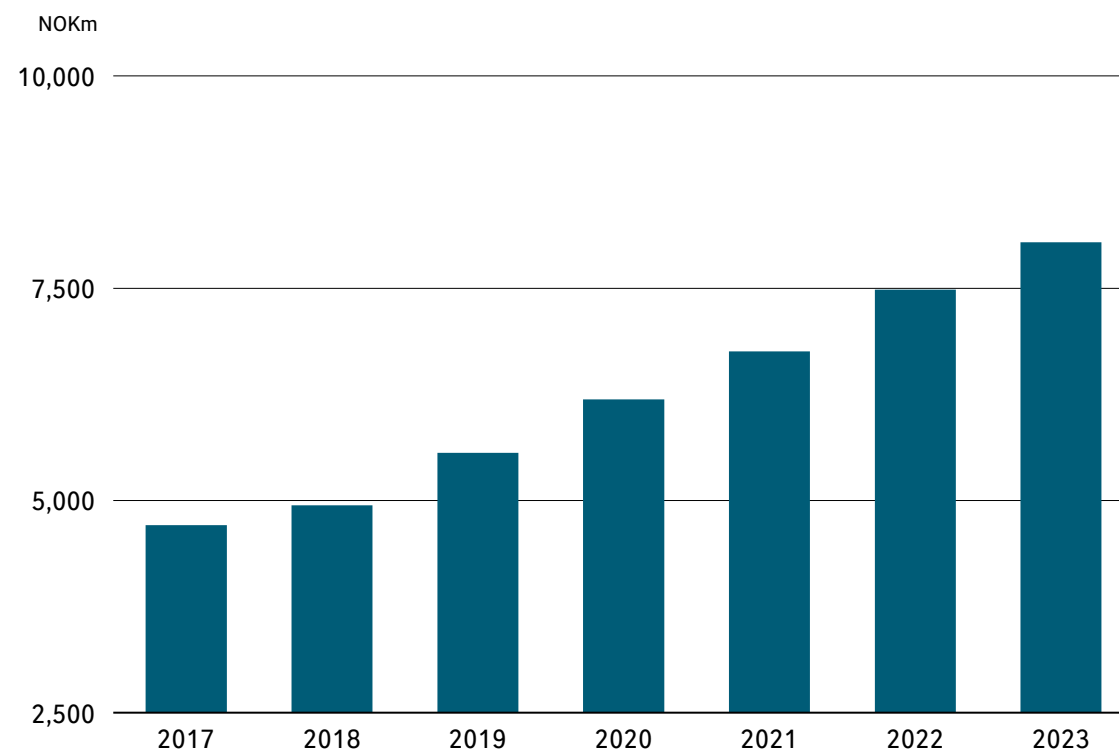
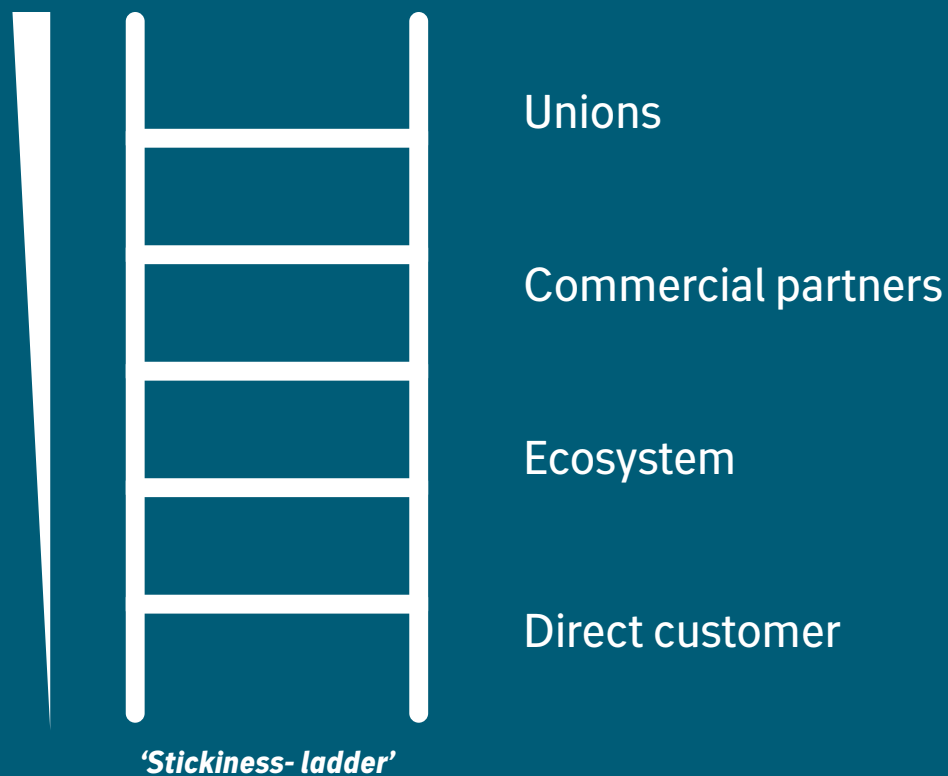


Customer groups with high 'stickiness' have been a key driver to growth in Private Norway



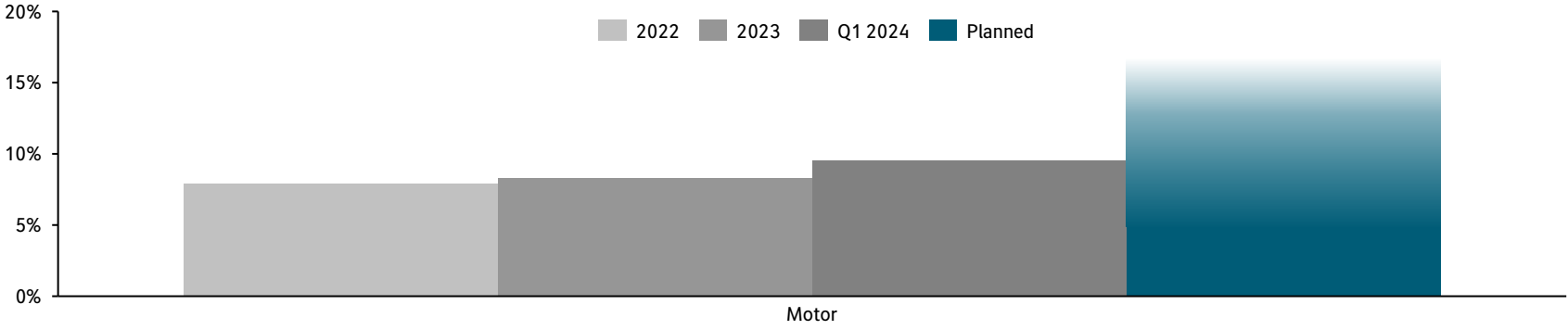
High retention and strong distribution makes partners attractive

Focus on high 'stickiness' customer groups driving portfolio growth



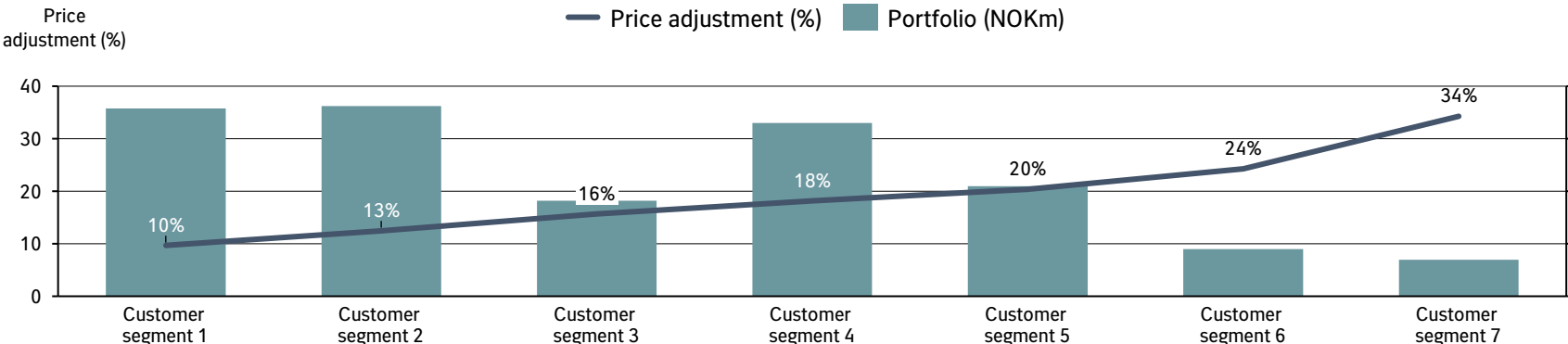


Rate increase in Motor, Private Norway



Price initiatives

- Higher price increases both on renewals and new sales, and more frequent price adjustments
- Intensified investments in improved tariffs with capacity for more frequent redesigns and adjustments of tariff parameters



Other profitability initiatives

- Pruning – customers with many claims will get up to 50% increase in prices
- Renegotiated major partner agreements which secure both top-line and improved profitability
- Adjusted deductibles for Motor insurance and will continue working on other initiatives regarding deductibles





3. Guidewire

a new claims handling system

“STP is the rule, manual handling the exception”

A new approach to claims ensuring high volume automatisation



#1
Customer satisfaction,
derived from reduced
customer journey time



1.5 percentage point
reduction in claims
leakage



40%
of total automatisation
driven by STP “No touch
claims”

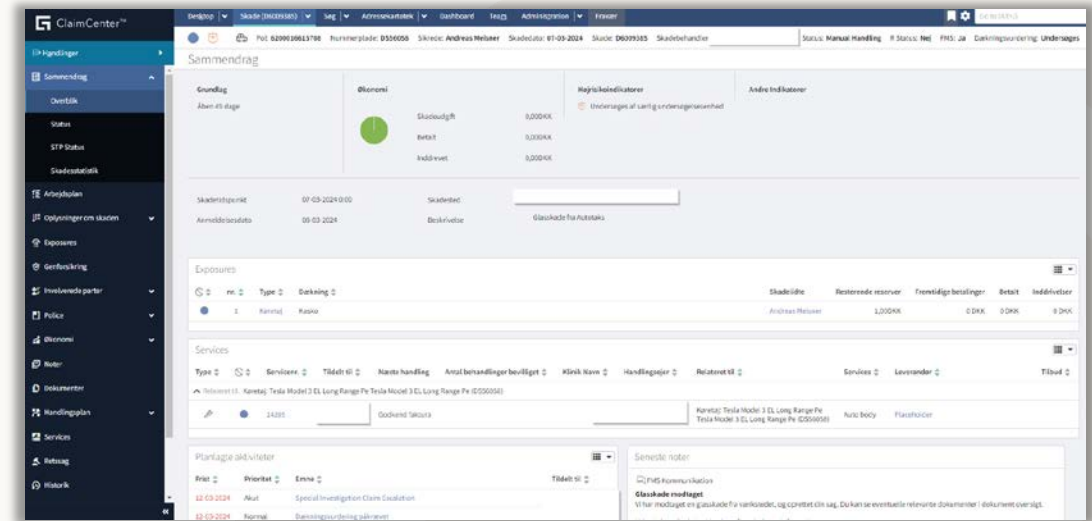


Shifting from old legacy to a modern system supporting process optimisation and automatisisation was necessary to deliver the vision of “STP is the rule”

TOSCA is a lot of screens with input data



Guidewire supporting the claim process



A new approach to claims ensuring volume automation

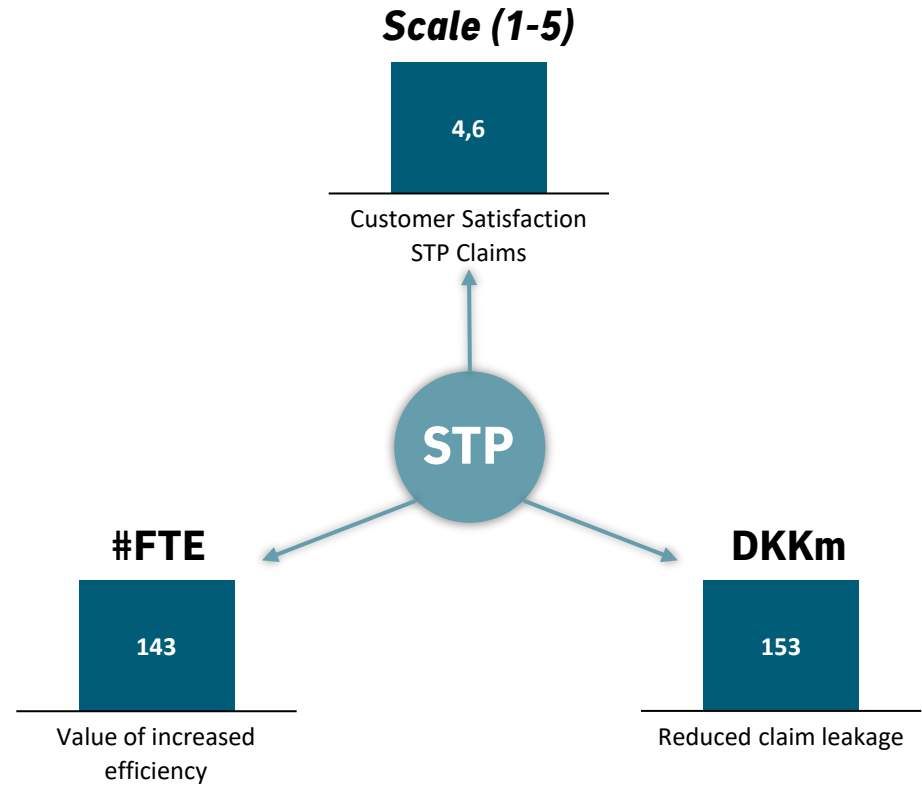
... Guidewire enabled us to atomize and optimise effectively across the entire process ...

Claims handling process

- 1 First notice of loss (FNOL)
- 2 Validation
- 3 Damage mitigation
- 4 Assessment
- 5 Payment & Recovery
- 6 Close Claim

... showing great results per Q1 2024 ahead of time

STP and part automation impact

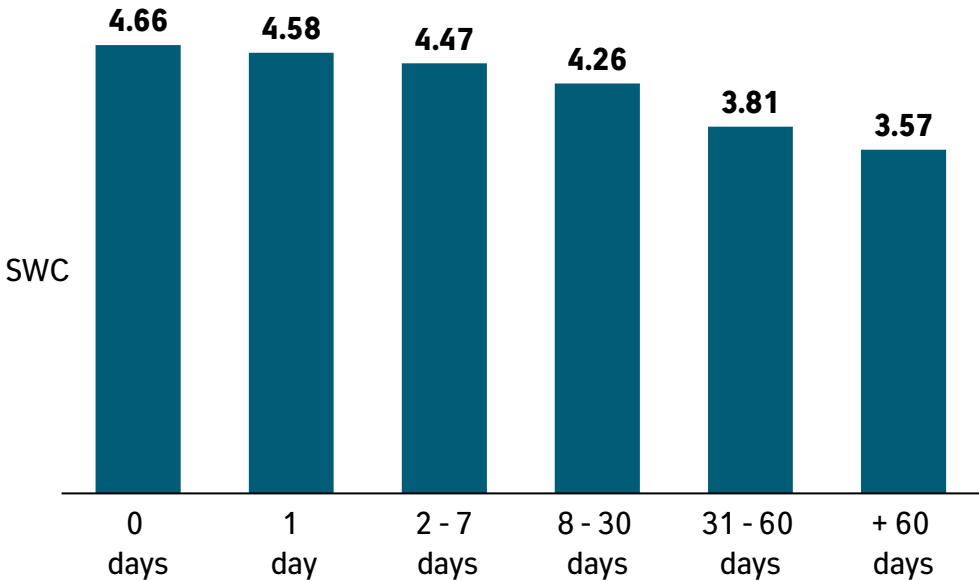




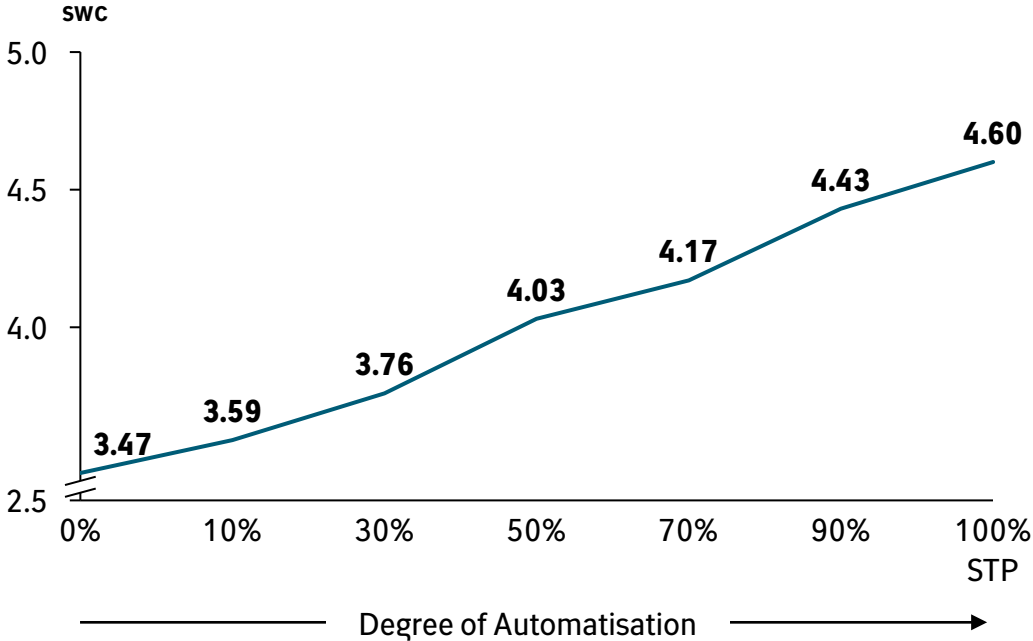
Fast customer journey is a key contributor to high customer satisfaction...

... and automation is a key contributor to fast customer journey

Customer satisfaction as a function of customer journey time in days



Customer satisfaction as a function of automation



SWC = Satisfaction with Claim

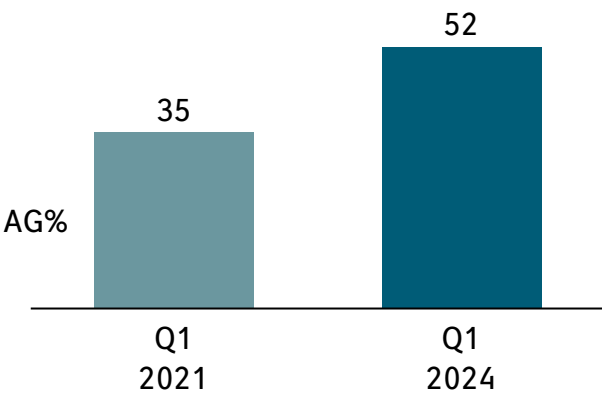


STP is main focus, but we also invest in automation of partial claims processes that do not become STP but the best results come from STP because the human factor is taken out.

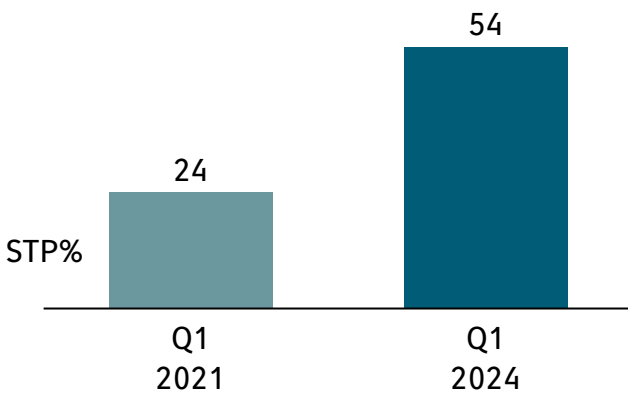
Rules in Guidewire enables a systematic Validation & Recovery is never forgotten



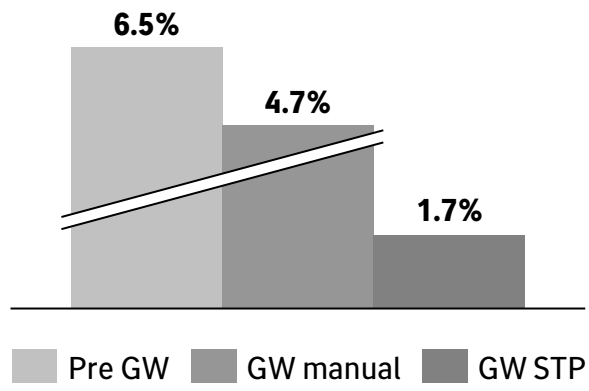
Development in the automation degree



Development in the STP%



% of claims leakage pre-GW vs. GW



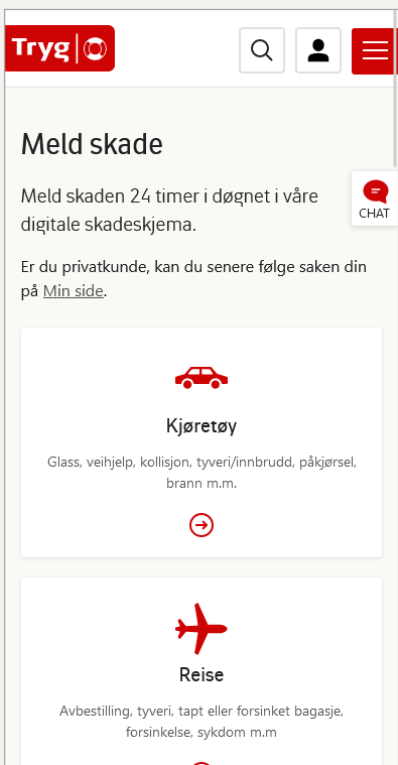
Half the calls to claims handlers in an ongoing claim can be avoided

Digital customer engagement is a prerequisite for a high degree of STP

Claims Handling at the Customer's Fingertips



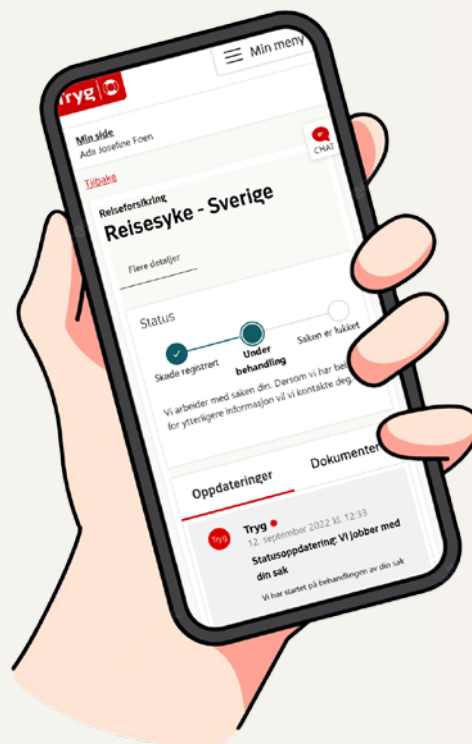
Engaging customers digitally



+80% of all claims reported digitally

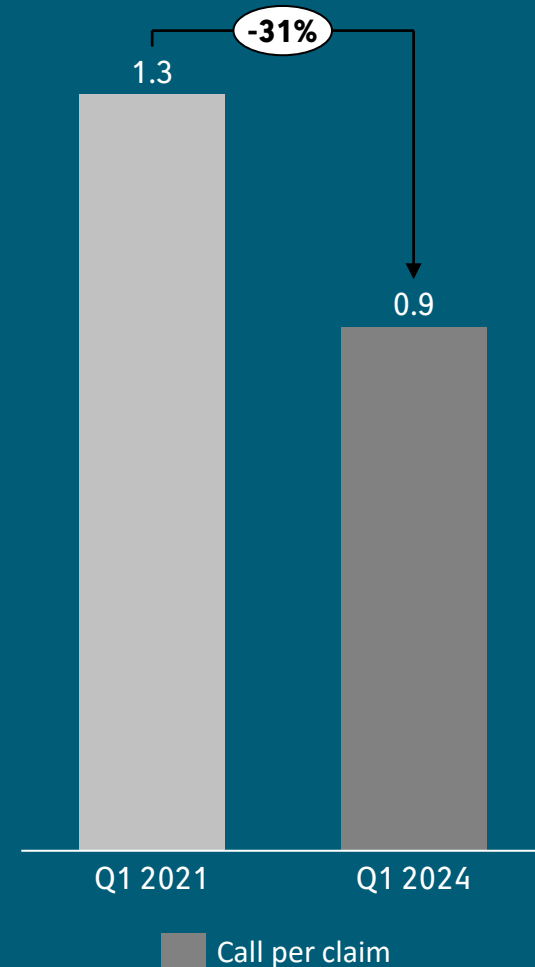


90% of all chats handled by our chatbot Mia



My Claim engages customers

Reduced the amount of call per claim





Coffee break

(to be continued in 15 minutes)



4. AI strategy

Tryg has been working with automation and classic AI across the organisation for many years – with clear focus on financial benefits

Customer facing chatbots



AI based chatbot as first line of defense on digital customer interaction. Handles 90% of all customer chats, rest escalates to a human

Internal digital assistants



Assisting service agents by retrieving information and suggesting responses, enhancing productivity and efficiency

Churn models



Predicting customer churn with machine learning to develop targeted retention strategies

Nudging by personalisation



Utilising behavioural science and personalisation of websites to nudge customers; increasing sales and reducing claims

Fraud Detection



Identifying and preventing fraudulent activities with machine learning to minimise financial losses

Generative AI unlocks a range of new possibilities for automation

A single Large Language Models can perform all of these functionalities



Complex claims handling

Chatbots

Underwriting

Virtual customer-facing agents

Virtual assistants

The main purpose of AI will be to lower costs and improve profitability

The purpose with AI at Tryg is to underpin our general corporate strategy

Focus efforts within AI to **enhance productivity, support excellence risk mgmt. and enable high customer satisfaction**

Customer Satisfaction

Use AI to **improve customer satisfaction** (indirect bottomline effect through improved retention)



Cost & Efficiency

Use AI to **increase our efficiency in internal processes** (direct bottomline effect)

Profitability & Risk Mgmt.

Use AI **improve UW quality and risk selection** (direct bottomline effect)

We will both experiment broadly and invest in a few targeted use cases

Scope for lighthouse areas and local use cases

Lighthouse areas

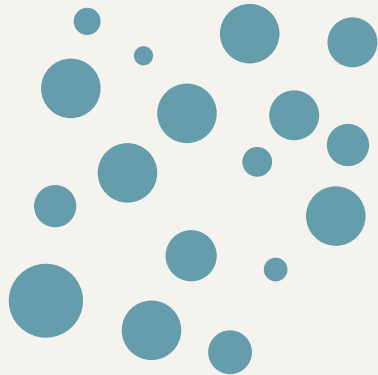
Areas we expect to hold especially high benefits with potential for scaling benefits across Tryg



- A few, centrally endorsed prioritized cases with potential to really move us in GenAI
- Ensure to focus resources where benefit is highest

Local use cases

Wide, fast and small experimentation to investigate potential new ideas



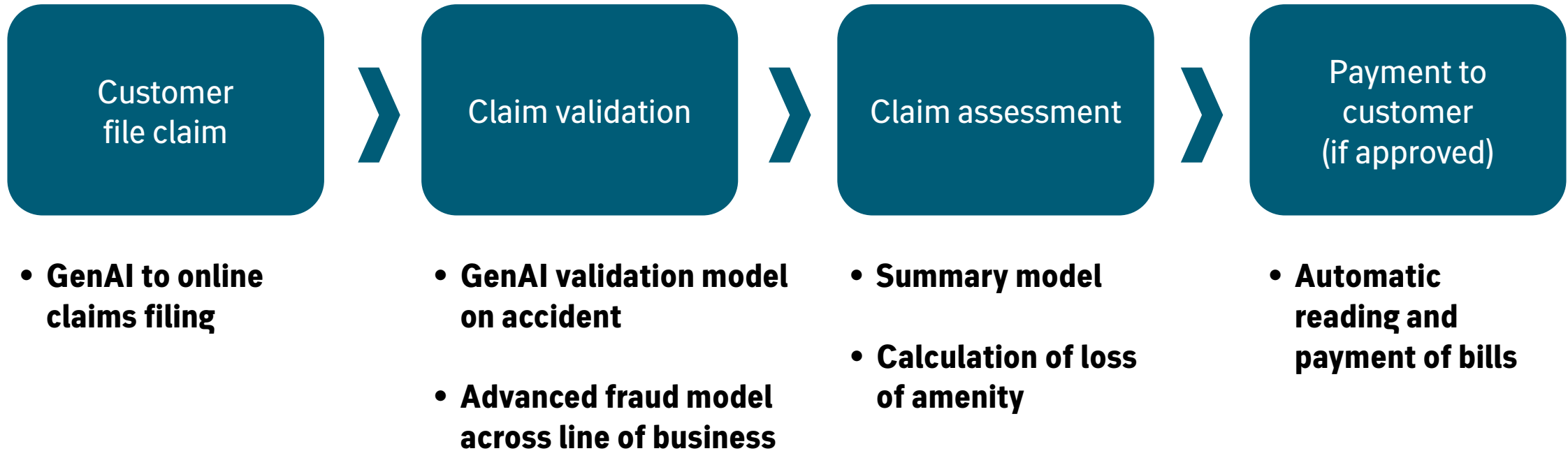
- Experimentation part of business as usual in local data science teams, enabled by new technology
- Ensure no opportunities are missed





Classic AI and advanced AI can be used in several places throughout the claims value-chain

Internal processes



DKK +100m in benefit over the next coming years

AI development within claims focusing on 4 key capabilities in order to secure scaling of AI

Capabilities

AI focus areas

Benefits

1 Summary of text

2 Coverage decision

3 Assessment models

4 Reading bill

Reduction of calls

Advanced STP through Gen AI

Reduction of process time

Reduce payout


Strengthened prevention

★★★★ Increased customer satisfaction improve retention


○→◇
↓
□←○ Reduced handling costs with faster, more automated processes

Reduced payouts due to higher quality and strengthened prevention


AI model on accident




Step 1:
Coverage decision



Step 2:
Summary model



Step 3:
Loss of amenity model



Step 4:
Advanced STP


AI for motor collision



- **AI model is based on GenAI implemented for automatic allocation of liability for collision damage on Auto based on incident descriptions**
- **First generation of AI implementation in Guidewire workflow**

Pretoria – An AI prevention model



Anomali – Hässelby-Vällingby 

Id: cbfa530c-d07f-40a1-af30-78b19ccca9ac

Förrådsinbrott (källar- och vindsförråd).

Tidsintervall	2023-12-20 till 2024-01-30
Identifierad	2024-02-01
Utgår	2024-02-07
Leads	320
Skador	8
Tröskel	6



- An AI prevention algorithm that **identifies small and local claims trends useable for short horizon claims predictions**
- This is used for **tailored customer interactions in specific geographical area** in order to prevent claims

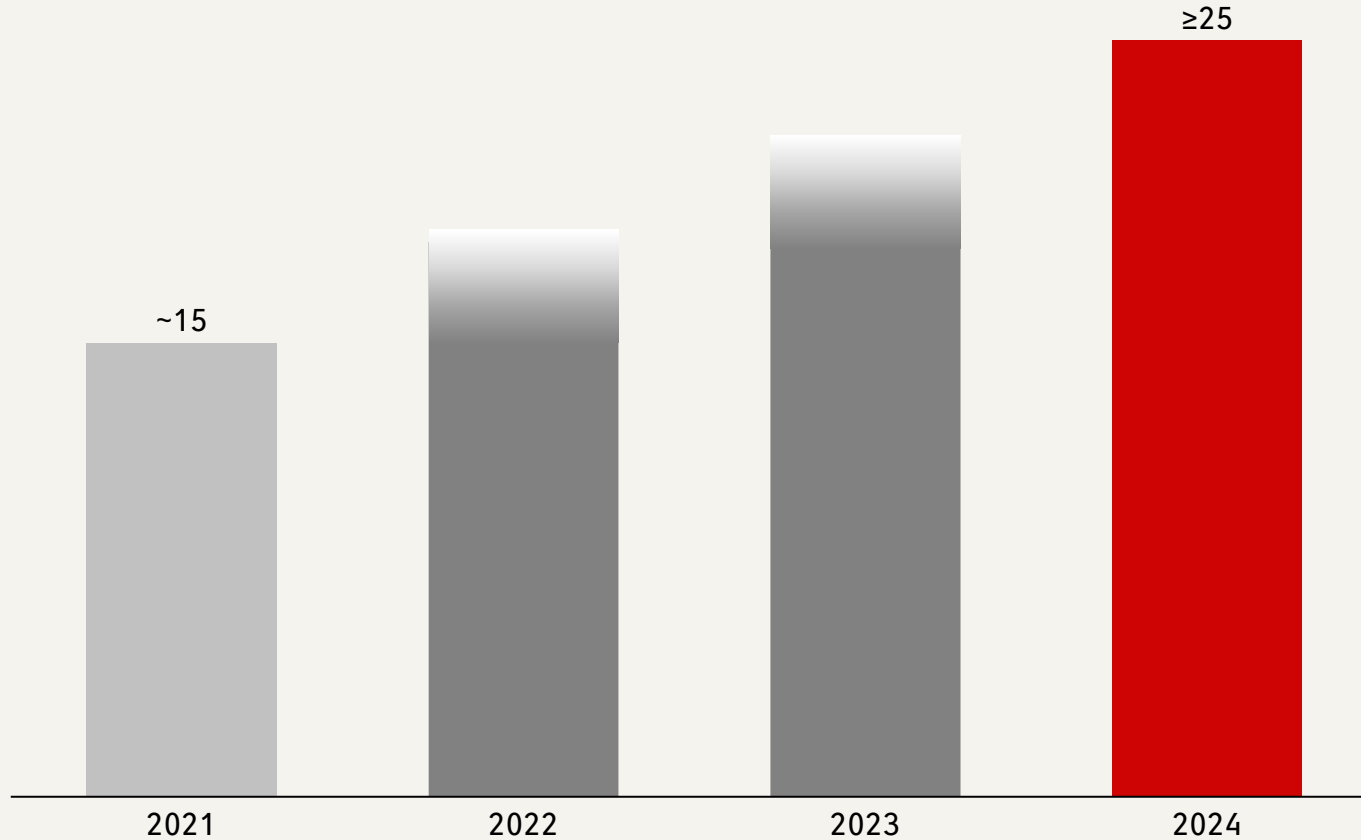


5. Closing remarks by CFO



Return on Own Funds (ROOF) an improved profitability measure introduced at CMD 2021

Expected Return on Own Funds development 2021 to 2024 target (%)



Following the acquisition of **Trygg-Hansa and Codan Norway**, the reported **RoE does not fully reflect profitability** of the business



Own Funds **better represent the capital position** of insurance companies in a Solvency II world as **opposed to shareholders' equity**



Tryg's own funds movements primarily **driven by profits and dividends**



Improved ROOF level (2024 vs 2021) primarily **driven by increased earnings** following the Trygg-Hansa and Codan Norway acquisition

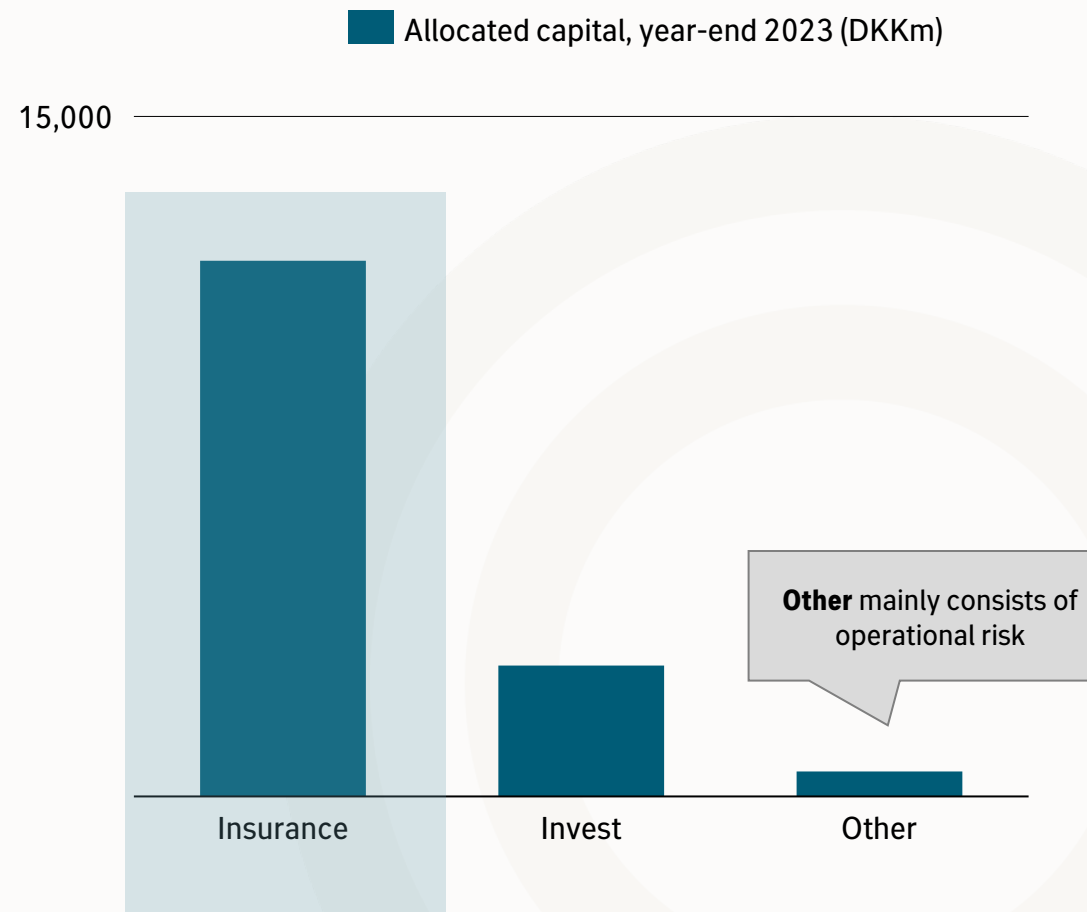
The optimisation of ROOF ultimately comes down to allocated capital

ROOF is an important KPI to optimise to broaden the funnel...

$$ROOF = \frac{\text{Profit after tax}}{\text{Own Funds}} = \frac{\text{Profit after tax}}{SR^1 * SCR^2}$$

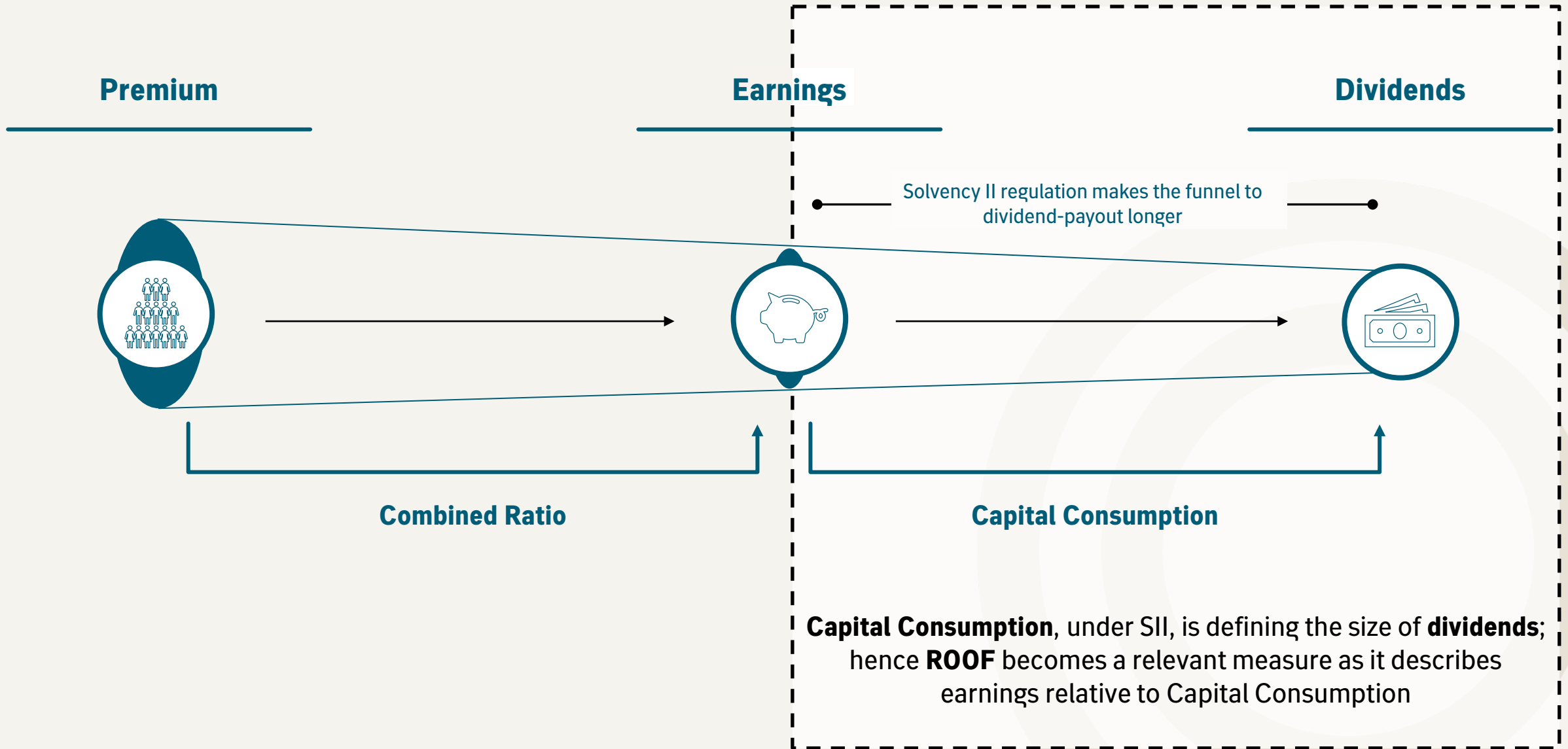
- To ensure a broad funnel/dividend optimisation, **ROOF is the pivotal point**
- But given a regulated Solvency Ratio, it means that optimising dividends via ROOF comes down to SCR and **hence allocated capital...**

Allocated capital is an important driver of ROOF, naturally driven by insurance business

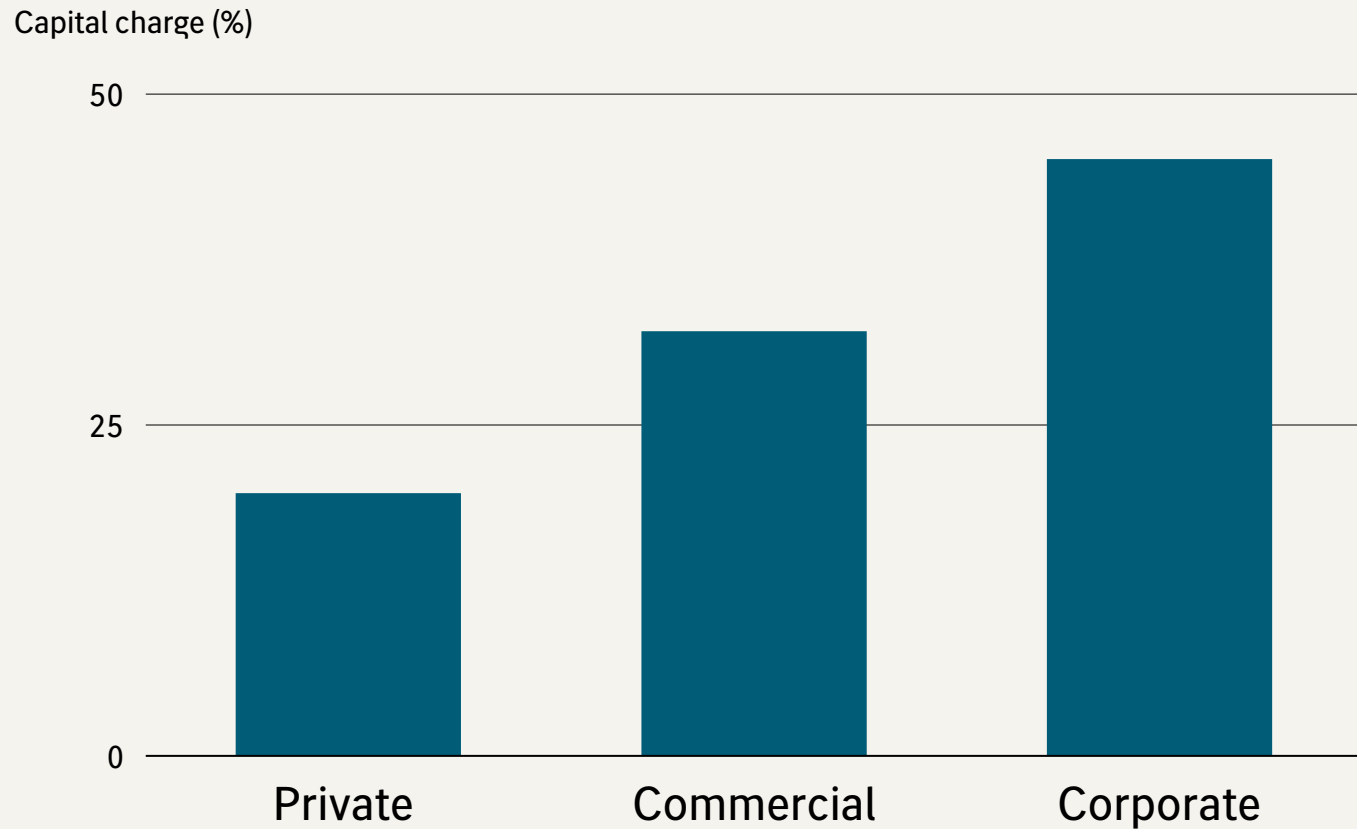




ROOF, additional to COR, is an important measure for an insurance company



Business areas with higher risk have higher capital charges¹⁾



- » **Retail products** are generally lower risk. Law of large numbers lowers the risk
- » **Smaller average claims sizes** lowers the risk on Private/SME
- » **Corporate** bears the highest risk due to low volume and large claims sizes

1) Capital charge is a rate that measures the capital that an insurance company needs to allocate in its balance sheet as a safeguard against insurance risk. Capital charge is defined here as capital to premiums for the difference Business segments

Level of capital charge depends on type of product

Type of product risk

Long-tailed risk

- Due to the significant uncertainty of long-tailed products we need to hold back a relatively high amount of capital

Large Risk

- Insured products that are associated with large damages

Frequency Risk

- Change in frequency/future occurrence will automatically add a risk of uncertainty

EXAMPLES OF PRODUCTS FOR EACH RISK TYPE

Product examples

Capital charge (%)

0 25 50 75

Workers Compensation



Property CL



Content Insurance

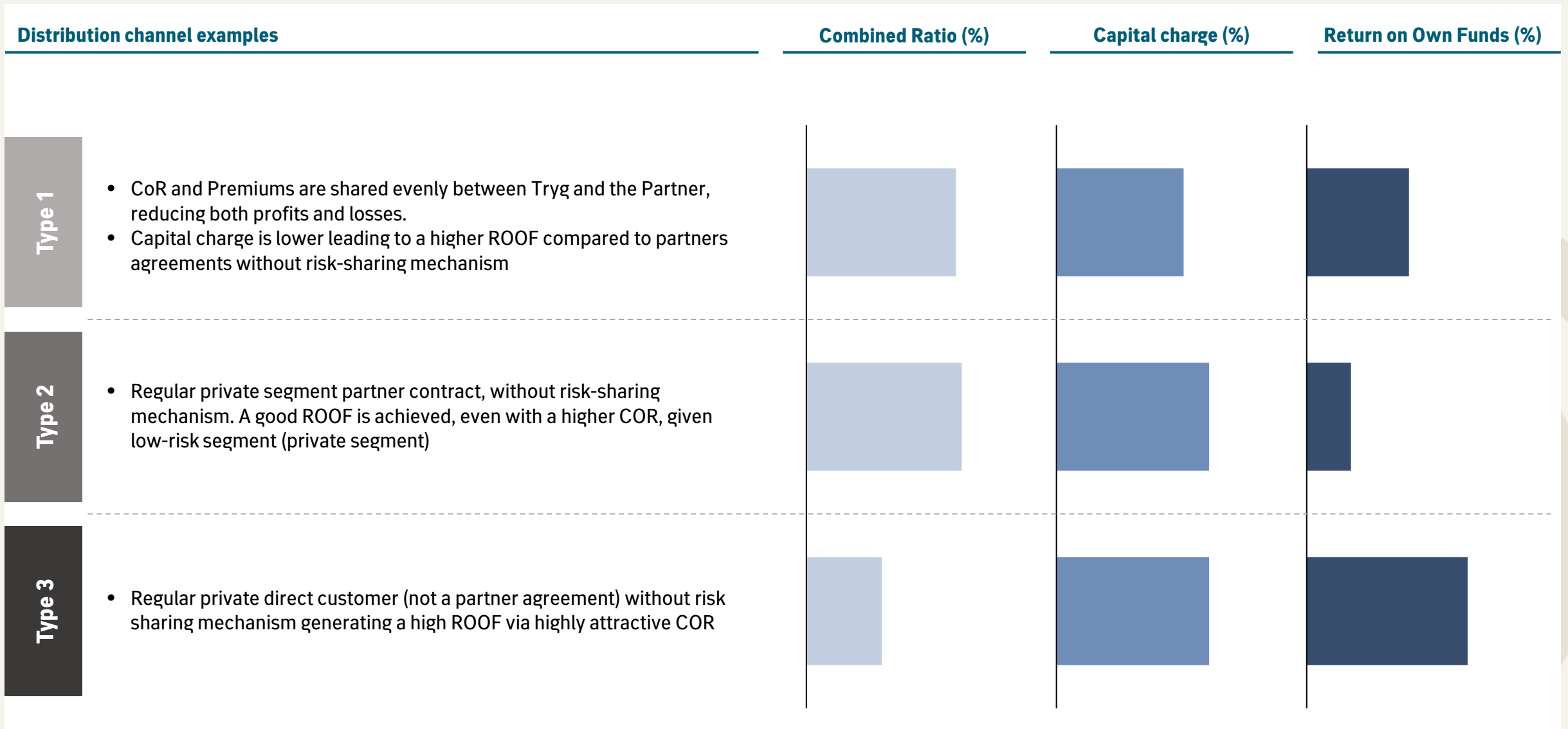


Large variation in capital charges across product types due to **differences in product risk**

From a ROOF perspective, products with a **heavier capital charge must have a better Combined ratio**



Partner contracts usually have higher COR, but risk sharing mechanisms can provide attractive ROOFs



ROOF does not eliminate the importance of COR



ROOF =
Risk/Return Relationship

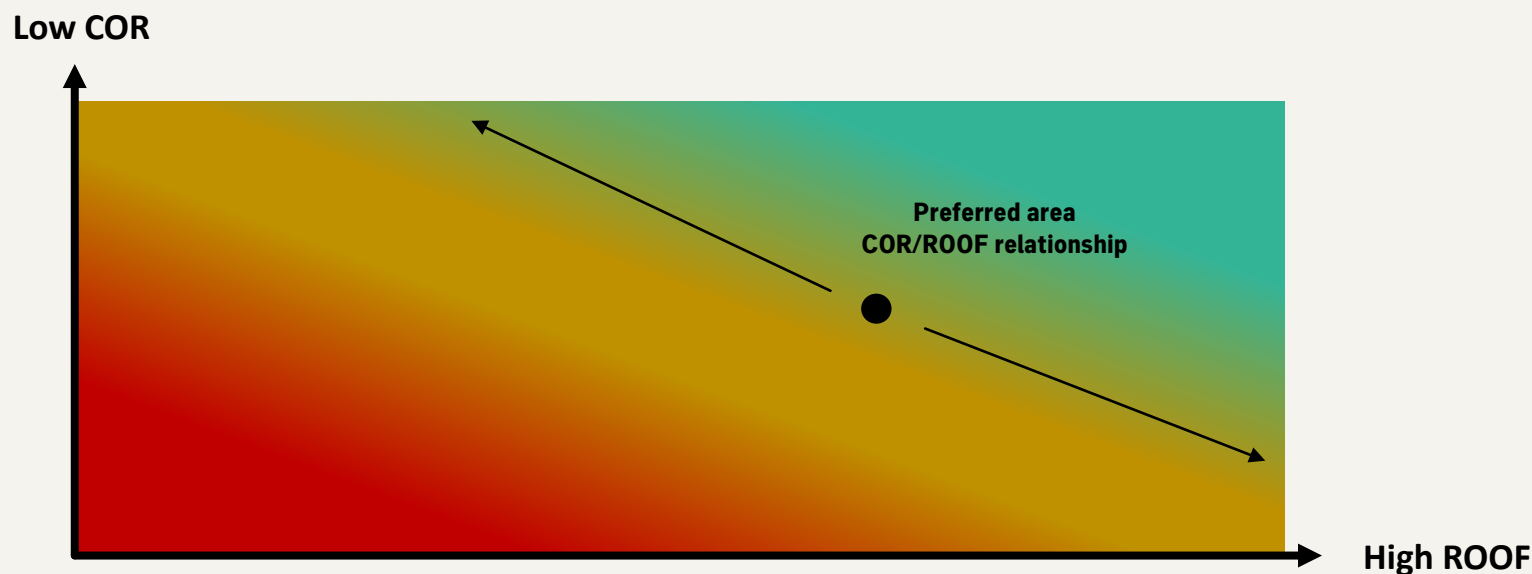


COR =
Profitability Measure



... both KPIs need to be considered to balance profits and dividend payout

ROOF/COR tradeoff: High COR/ROOF cannot stand alone; balance between profitability and risk/return relationship is required



The principle of ROOF is fundamental in Tryg's financial management. It will continue to serve as a key element in the forthcoming CMD period.

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

