



Dario Scrosoppi

Assicurazioni Generali

Head of Tools, Processes & Systems

Group Procurement

|

dario.scrosoppi@generali.com



Generali Operating Platform Strategy

Agenda

- **Trends and strategic imperatives** **Page 3**
- **Delivering operational excellence** **Page 8**
- **Enabling client & distribution and commercial excellence** **Page 21**
- **Securing execution and building capabilities** **Page 26**
- **Wrap-up** **Page 30**

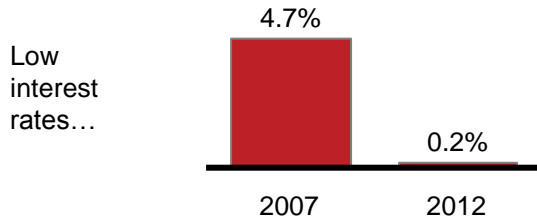
Trends and strategic imperatives

Key trends will fundamentally change the industry ...

Key trends

Challenging macroeconomic and regulatory environment

Average 3M Euribor (%)

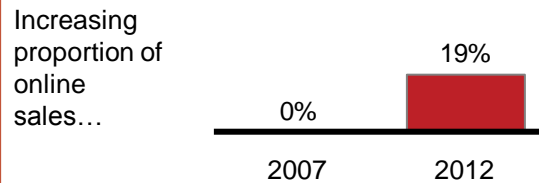


Insurance sector financial surplus⁽¹⁾ in Europe (€ bn)

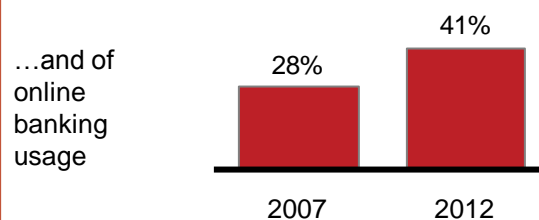


Change in customer behavior and distribution channels

Online sales of high-tech & digital products⁽²⁾ in WE⁽³⁾ (% of total sales)

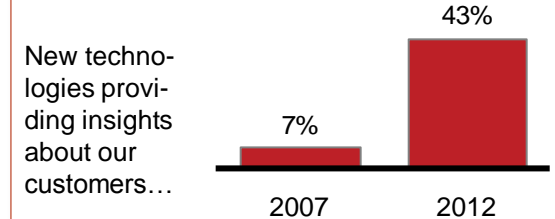


Online banking in Eurozone (% of customers using online)

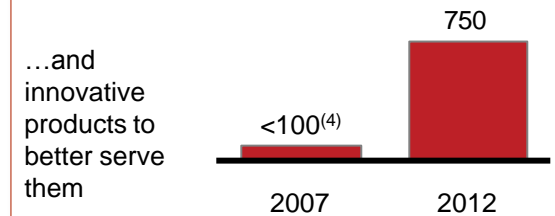


Increasing sophistication of product design and delivery

Global GPS enabled handset (% of total handsets)



Penetration of telematics, US (Number of policies (000's))



(1) QIS5 estimate of eligible capital in excess of Solvency Capital Required (SCR)

(2) Includes computers, computer peripherals, consumer electronics, software and videogames, videos and DVD, books, music, and event tickets

(3) Western Europe

(4) Conservative estimate

SOURCE: Forrester Retail Online Forecast; Eurostat; Press; Yankee Insurance; Association of British Insurers; Bloomberg; European Insurance and Occupational Authority's QIS5, 2011

... with clear implications for insurers

Key trends

Challenging macroeconomic and regulatory environment

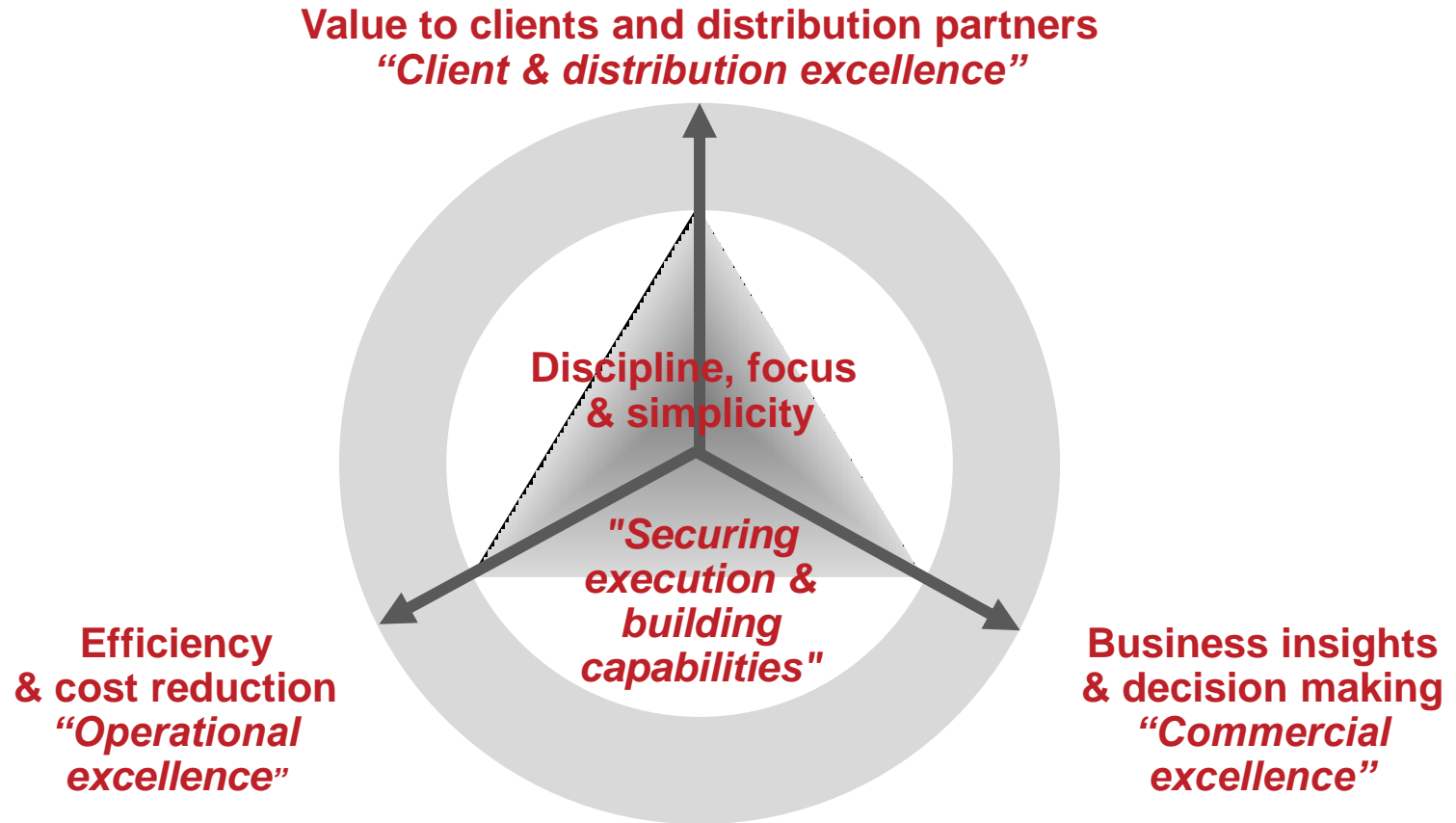
Change in customer behavior and distribution channels

Increasing sophistication of product design and delivery

- **Pressures on margins and profits**
- **Stronger growth opportunities** in emerging markets
- Need to **adapt business and distribution models** to upcoming **regulatory changes**
- Need to **modularize and “flexibilize”** product offering to allow for different **bundling** levels
- **Seamless multi-access experience** required given
 - New customer **expectations**
 - **“Hybrid” customers**
 - Increasing **digitalization**
- **Advanced analytics** and more **data** (“Big Data”) available to:
 - Gain **customer insights**
 - Improve **decision making capabilities** in pricing, underwriting/risk selection, and claims management

Implications for insurers

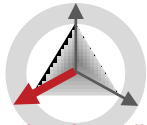
Generali's strategic imperatives for the operating platform



Strategic imperatives guide the improvement of Generali's operating platform

Strategic imperatives

Key elements for target operating platform



"Operational excellence"

Efficiency and cost reduction

- **Industrialize** processes and operating structure
- Increase **flexibility** and **standardization** in operations
- Achieve **best-in-class variable unit costs**



"Client & distribution excellence"

Value to clients and distribution partners

- Provide **consistent** and **seamless customer experience**, in particular for "**moments of truth**"
- Reduce **time to market**
- Enable **distribution** across all channels



"Commercial excellence"

Business insights and decision making

- Leverage **advanced analytics** and **big data**
- Establish **competitive market intelligence**
- Improve quality and speed of **decision making** in pricing, underwriting, and claims management



"Securing execution & building capability"

Discipline, focus & simplicity

- **Establish management team** and **governance**
- Build COO **functional capabilities**
- Attract and develop **top talents**
- Align and mobilize **organization**

Delivering operational excellence



Our aspiration for Operational Excellence by 2016

Deliver gross savings of € 1 bn and achieve best-in-class expense ratios

Target by 2016

€ m

P&C and others

Life

600

400

Total of € 1,000 m savings

**Gross⁽¹⁾
cost savings**

**Expense ratio
improvement**

**Cost containment
and resource
re-balancing**

- Competitive advantage through cost position
- Maintain attractive net margins despite difficult markets
- Maintain cost base flat by 2016 to...
 - Fund inflation
 - Create room for growth

(1) Before the effect of inflation and growth investments



Generali operations at a glance

A truly global footprint with differentiated requirements across platforms

Generali operations: key facts

- Presence in **>60 countries**
- Personal and commercial lines
- **3 LoBs:** Life, P&C, Health
- **4 main channels:** tied agents, brokers, bankassurance, direct
- Headcount: **~80,000 employees**
- Net insurance benefits and claims: **€ 63 bn**
- Acquisition and administration costs: **€ 12 bn**

Operating platforms	
Clusters	Examples
Mature markets	<ul style="list-style-type: none"> ▪ Italy ▪ Germany ▪ France ▪ Spain ▪ Switzerland ▪ Austria
Emerging markets	<ul style="list-style-type: none"> ▪ CEE ▪ LatAm ▪ APac
“Pure” Direct	<ul style="list-style-type: none"> ▪ Genertel ▪ CosmosDirekt ▪ Other/new entries
Global businesses	<ul style="list-style-type: none"> ▪ Corporate & Commercial ▪ Europ Assistance ▪ Employee benefits
Corporate functions	<ul style="list-style-type: none"> ▪ Finance ▪ HR ▪ Risk ▪ Other



2 wave program to deliver operational excellence

OPEX program

- Targeted at efficiency and expense reduction
- Launched with delivery by 2015-16

Additional programs

- Targeted at structural changes and strategic cost position
- To be launched as global programs with medium-term delivery

BU local programs

Sales support, claims management & operations

Corporate Functions Excellence Program

ONE Procurement Program

Premises & Facility Optimization Program

Information Systems Program

IT Infrastructure Excellence Program

Mature markets:

Core processes industrialization and modularization of product offering

Emerging markets:

Cost-efficient and agile operating platform

Global business lines:

Competitive backbone for Corporate & Commercial business

Direct business:

Scalable operating platform

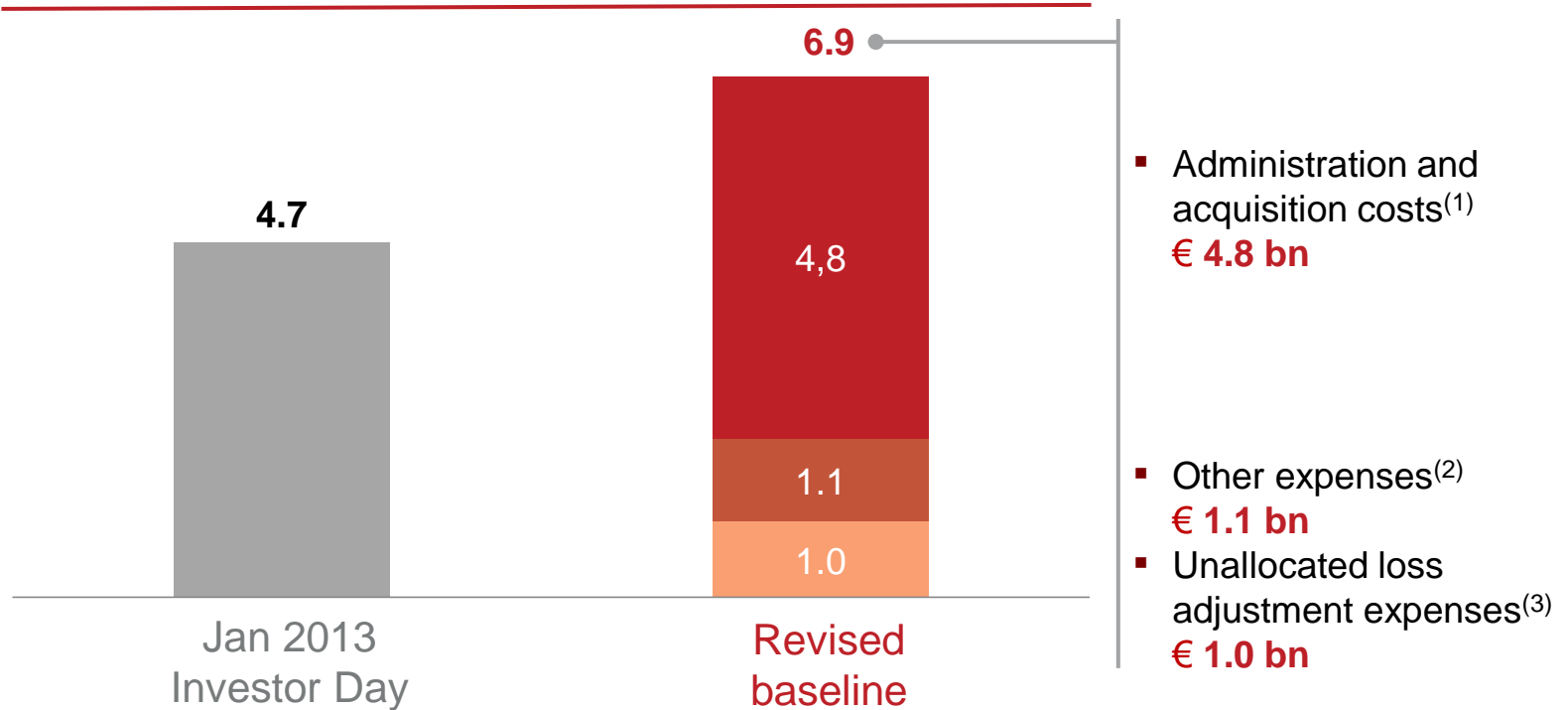
Corporate functions:

Support processes industrialization



We have expanded the scope for OPEX, reaching a 2012 baseline of € 6.9 bn

Cost baseline 2012 € bn



(1) Exclude sales/commission expenses

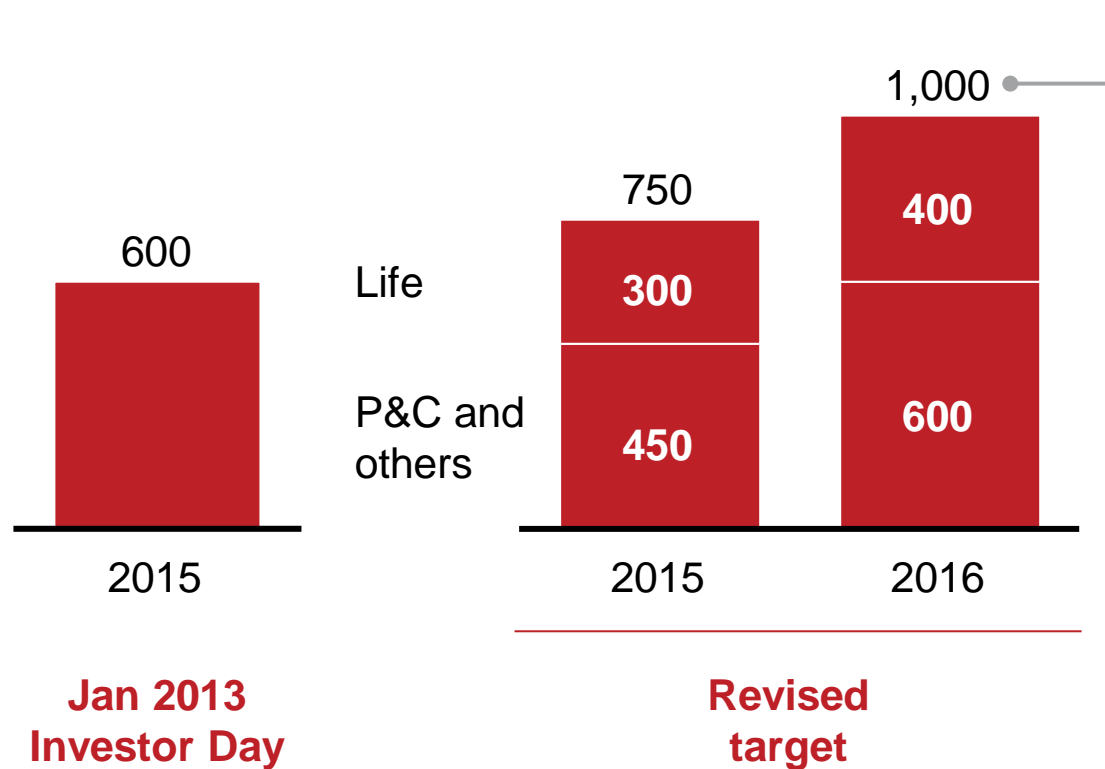
(2) Exclude goodwill impairment, exchange rate effects, and taxes

(3) Part of "net benefits & claims". Include expenses for in-house claim department



... and target gross savings equal to € 1 bn by 2016

Target gross savings⁽¹⁾ € m



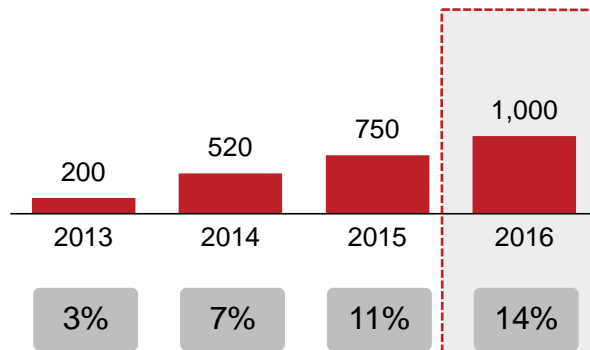
- **~120 initiatives** grouped in 9 programs ongoing
- **20%** of savings captured by YE 2013
- **Initiatives launched** account for ~60% of savings

(1) Before the effect of inflation and growth investments

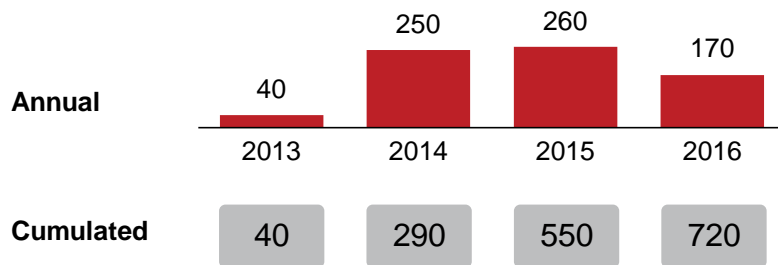


9 programs launched to deliver OPEX

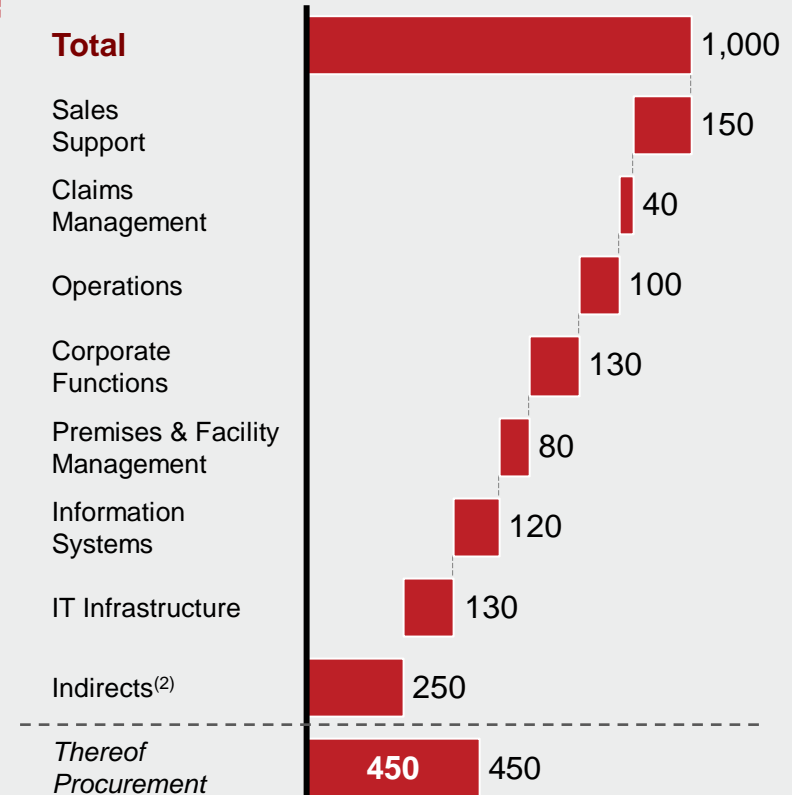
Gross savings⁽¹⁾ (€ m, percent of baseline)



Costs to achieve (€ m)



Breakdown of run-rate savings by program



(1) Before the effect of inflation and growth investments

(2) Remaining non-compensation costs exclude Premises & Facility Management, Information Systems and IT Infrastructure



All OPEX programs to be monitored with operational scorecard

Programs	Key levers/actions	Examples of key metrics to measure progress
Sales Support	<ul style="list-style-type: none"> Process improvement Increase of automation and straight-through processing Consolidation 	<ul style="list-style-type: none"> Cost/claim, cost/application, cost/in-force policy Straight-through processing rate Digitalization rate
Claims Management		
Operations		
Corporate Functions	<ul style="list-style-type: none"> Process improvements/consolidation Organizational streamlining/delaying 	<ul style="list-style-type: none"> HR-cost/employee, personnel cost/GWP, FTEs/GWP Finance-cost/GWP
Premises & Facility Management	<ul style="list-style-type: none"> Site consolidation Optimization of space usage Optimization of maintenance costs 	<ul style="list-style-type: none"> Total cost/workstation Workstations/headcount Gross Lease Area/workstation
Information Systems	<ul style="list-style-type: none"> Application rationalization/sharing Demand management Global software factory 	<ul style="list-style-type: none"> No. of core platforms per BU & LoB Share of time spent on non core activities Share of spent for services performed in low-cost locations
IT Infrastructure	<ul style="list-style-type: none"> One centralized governance Data center consolidation Standardized distributed infrastructure 	<ul style="list-style-type: none"> Virtualization ratio Cost/workstation, cost/MIPS, cost/SpecInt (UNIX and x86), cost/TB
Indirects	<ul style="list-style-type: none"> Demand management Discretionary spend optimization 	<ul style="list-style-type: none"> Unit cost reduction Discretionary spend/GWP/FTEs
Procurement	<ul style="list-style-type: none"> Demand management Vendor consolidation Strategic sourcing 	<ul style="list-style-type: none"> Price reduction Vendor concentration Spend managed/FTE Percentage of savings delivered/FTE



Premises & Facility Management

Local best practices to be rolled out across the Group

Key dimensions

- Office buildings
- Location
- Flexibility
- Working conditions
- Space utilization
- Costs p.a.

Example: site consolidation in Paris

From...	...to
26 buildings all over Paris	1 major site
Central location	Off-prime location with excellent public transport connections
Low flexibility due to suboptimal layout of old building	Modern and flexible layout solutions (e.g., open office, movable partitions)
Inefficient working conditions, e.g., no space dedicated for collaboration	High-quality work environment and multiple on-campus facilities
20 sqm gross lease area/workstation	16 sqm gross lease area/workstation
€ 15,000 /workstation	€ 8,000 /workstation

Benefits

- € 80 m target savings (15% of baseline)
- Initiatives launched account for ~40% of program's savings





Information Systems

Benefits through streamlining of application landscape, improved sourcing as well as application sharing

Key dimensions

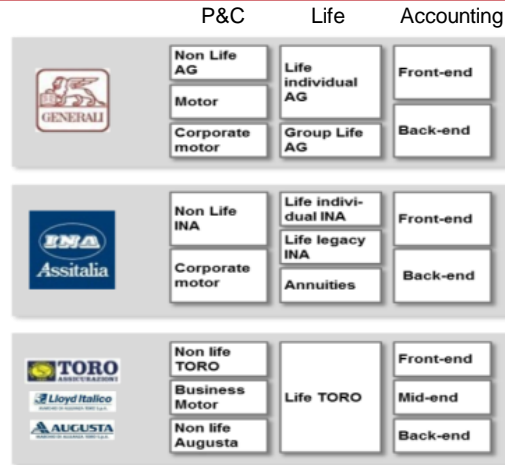
Application landscape

From...

High number of **redundant applications** across the Group

Example Italy:

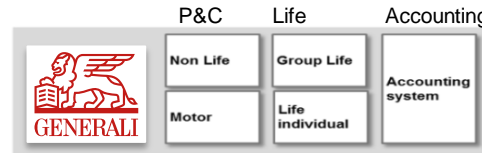
From 21 core platforms...



...to

Largely **redundant-free** application landscape

...to 5 core platforms



Benefits

- € 120 m target savings (14% of baseline)
- Initiatives already launched account for ~70% of program's savings

Sourcing strategy

All **external providers** and **temporary staff onshore**

>500 person-years in Group-wide **near/offshore** factory currently being designed

Cross-BU cooperation

No sharing of applications across countries

>25% of applications identified for **potential reuse** by other BUs





IT Infrastructure

Consolidation, centralization and standardization are currently underway

Key dimensions

Consolidation of data centers

Centralization of organization & governance

Standardization of end user solutions

From...

12 data centers in Europe



Local governance and activities in the countries

- **Limited** Group **synergies**
- **Limited** Group **scale**

Each country with **different local** workplace **solutions**

...to

2 specialized data center sites in Mogliano (Open Systems) and Aachen (Mainframes)



One centralized governance & organization

- IT infrastructure **shared service** company
- **Global** operating model

Standardization of distributed infrastructure with **unified** end user **solutions** across Europe

Benefits

- € 130 m target savings (22% of baseline)
- Initiatives launched account for ~50% of program's savings



Procurement

Optimization through centralized supplier management and expanded scope

Spend categories

- Premises & Facility Management
- Professional Services
- Marketing & Commercial
- Information Systems
- Travel & Fleet Management
- Office & other expenses

From...	...to
Many suppliers across Europe and no bundling of facility services	2-3 pan-European suppliers of facility management services
30+ consulting services firms globally	Short list of firms with globally negotiated fees
All large media firms working for Generali	A short list of global firms providing services
Vendor locally selected resulting in high number of providers	Few strategic vendors using near-/off-shoring capabilities
Different travel policies across countries, different criteria for fleet	Common Group policies , standardized fleet type and short list of suppliers
Managed at local level with many suppliers	Single pan-European product catalog to “right-size” demand and product specification

Benefits

- € 450 m target savings (17% of baseline)
- Initiatives launched account for ~50% of program’s savings



Additional programs to be launched in the medium term to further optimize the operating platform

Medium term: additional programs

Mature markets:

Modularization of product offering and core processes industrialization

- Simplification of **offerings** (particularly in **smaller markets**)
- **Lean** management, **straight-through** processing
- Streamlining and consolidation of **IT platforms, legal entities and local sites**
- **Right-sourcing** balancing market proximity and efficiency

Emerging markets:

Cost-efficient and agile operating platform

- Migration towards one **target operating platform** for each major region with **standardized core platforms** and frontends
- **Flexibility** for countries with regard to **product design** and **go-to-market approach**

Global business lines:

Competitive backbone for Corporate & Commercial business

- Build a **segment-specific "global" operating platform with satellite applications** complementing existing country platforms
- Use **target platform** for new market entries

Direct business:

Scalable operating platform

- **Use standard solutions** for **new market entries**
- **Center of excellence** for **direct/online** to support both new market entries and traditional business

Corporate functions:

Support processes industrialization

- Consolidation and standardization of support processes in regional **shared service centers**
- Selective **outsourcing, near-/offshoring**

Enabling client & distribution and commercial excellence

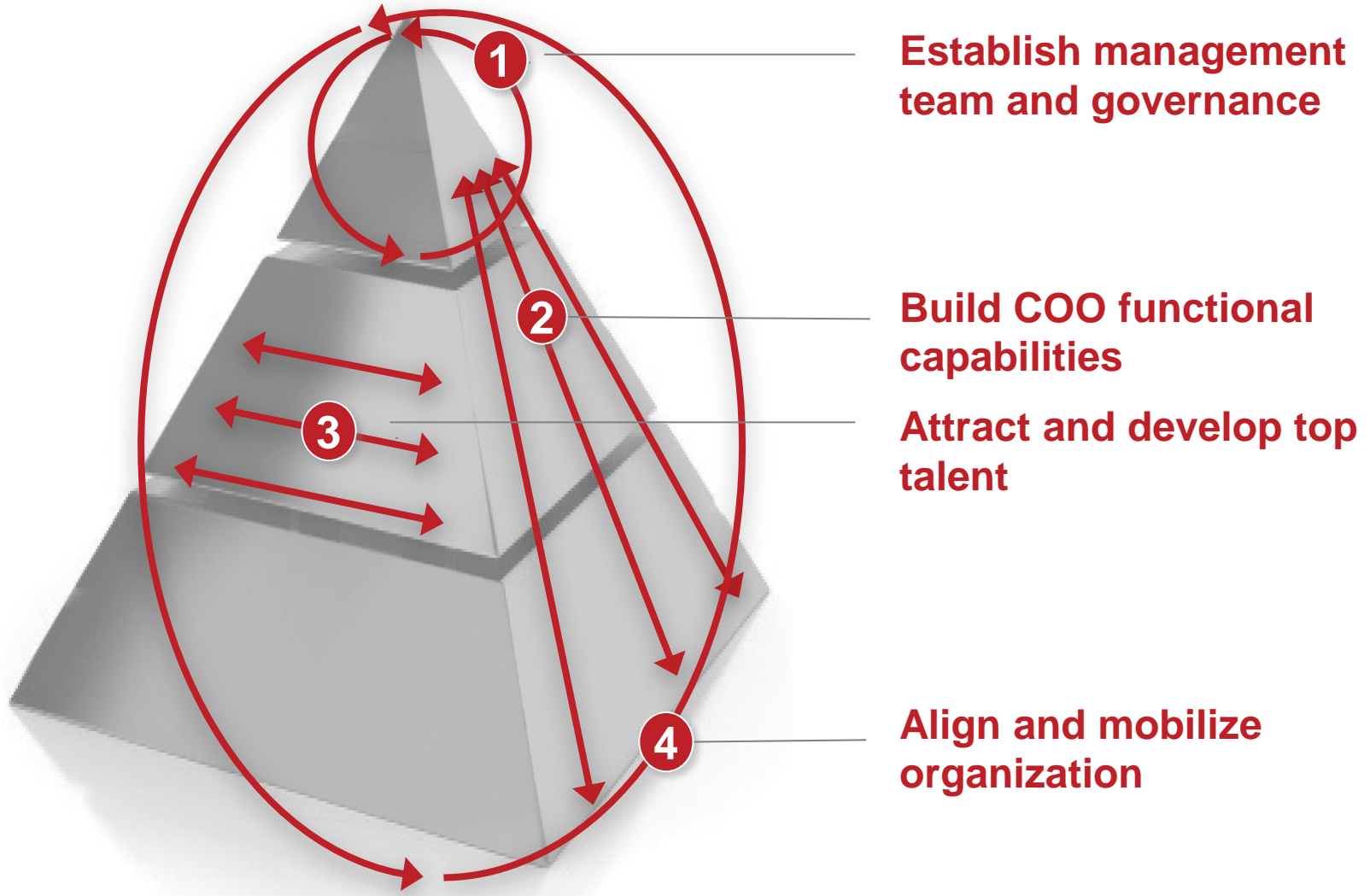


Development path designed to build distinctive capabilities and technical assets

Programs	Immediate focus...	...next stage of development
Frontend(s) & multi-channel	All channels supported with state-of-the-art frontends (e.g., tablet-based solutions)...	...fully digital sales process through all channels
Customer relationship management (CRM)	Campaign management...	...advanced customer insights and next-product-to-buy analysis
Technology-based product innovation	Telematics (e.g., black boxes)...	...value-added services (e.g., contactless payments through black boxes, health monitoring)
Data management & analytics	Life in-force book segmentation...	...pricing optimization and segment-specific retention management... ...claims handling (incl. automated fraud detection)
Service quality management	High-quality service for all customer touchpoints...	...optimized customer journeys

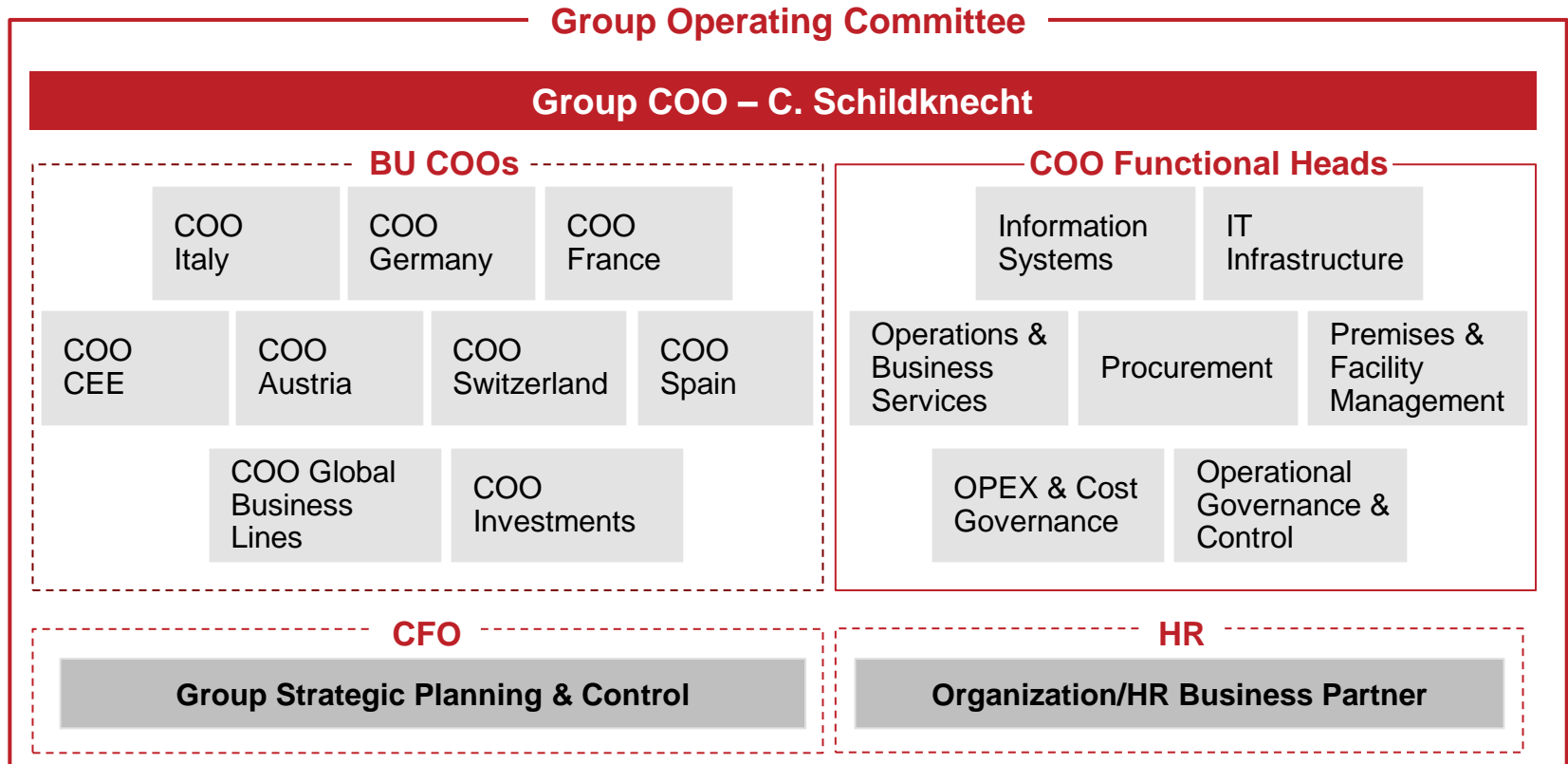
Securing execution and building capabilities

4 initiatives to secure execution and build capabilities



1 Group Operating Committee

A key mechanism to transform operating platform



The Group Operating Committee is a subcommittee of the GMC⁽¹⁾ tasked to transform and run Generali's operating platform

(1) Group Management Committee

Transformation supported by capability building, talent management and broad mobilization

2 Functional capabilities



- Introduce **consistent COO organization** across the Group
- Drive **performance** and **best practices...**
 - ...in Group **COO functions**
 - ...through **GeOPS / OPEX programs**

3 Talent management



- Attract and develop **top-tier talent**
- Promote and reward **high performance** and **diversity**
- Sponsor **international** talent exchange and **development**

4 Mobilization



- Develop and spread a **compelling change story**
- Have leaders serve as **change agents**
- Link mobilization to **concrete initiatives**

Wrap-up



Re-engineered operating platform will position Generali for profitable growth

Strategic imperatives



"Operational excellence"

Efficiency and cost reduction



"Client & distribution excellence"

Value to clients and distribution partners



"Commercial excellence"

Business insights and decision making



"Securing execution & building capability"

Discipline, focus & simplicity

Strategic answers

- **OPEX program** up and **running**, targeting € 1 bn cost savings in 2016
 - **€ 200 m** already captured in **2013**
 - **Initiatives launched** account for **~60%** of **savings**
 - **Additional initiatives** to implement Generali's Operating Strategy to be added **medium-term**
-
- COO-led **programs launched** to enable Group strategy
 - Existing **pockets of excellence** identified for Group-wide **implementation**
-
- **Group Operating Committee established**
 - Concrete **initiatives launched** to drive **capability building, talent management** and **mobilization** of the entire organization