Norwich Union Insurance
Delivering Shareholder Value
Norwich Union Insurance
Delivering Shareholder Value

Patrick Snowball
Chief Executive
Programme

- Introduction  
  - Patrick Snowball
- Strategic overview  
  - Patrick Snowball
- Financial management  
  - Mark Hodges
- Managing the portfolio  
  - Bridget McIntyre
- Q & A  
  - Exec. team
- Showcase sessions  
  - Exec. team
- Leading the market  
  - Patrick Snowball
- Lunch
NUI’s place in CGNU

CGNU Group Strategy
- Grow long-term savings
- World-class fund management
- Focused approach to general insurance business
- Build top 5 positions in each market
- Withdraw from lines of business or markets which do not offer the potential for market-leading positions or superior returns

2000 premium income (after reinsurance) and investment sales, life premiums including health
Excluding US GI operations and London Market
Changing Market Dynamics

- The top 5 Insurers now account for over 50% of the UKGI market
- Increasing focus on delivering consistent shareholder value
- Low inflation / interest rate economy
- Growing compensation culture
- Hardening market conditions

Source: Datamonitor
Market Rates Continue to Rise

Rate changes: private motor

Source: Tillinghast Issue 6 March 2001
AA April 2001 British Insurance Index
Market Rates Continue to Rise

Rate changes: private motor

Index (May 1999 = 100)

Source: Tillinghast Issue 6 March 2001
AA April 2001 British Insurance Index
**Number 1 in the UK**

- **£5bn premium income**
- **We insure:**
  - 1 in 5 households
  - 1 in 5 vehicles on the road
  - 700,000 UK businesses
  - 30% of the creditor market
- **We handled 2.0 million claims in 2000 (39,000 / wk)**

---

**Source:** Gross Written Premium, 1999 FSA returns

---

<table>
<thead>
<tr>
<th>Company</th>
<th>Market Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>NUI</td>
<td>19%</td>
</tr>
<tr>
<td>R&amp;SA</td>
<td>12%</td>
</tr>
<tr>
<td>ZFS</td>
<td>7%</td>
</tr>
<tr>
<td>Allianz</td>
<td>5%</td>
</tr>
<tr>
<td>Axa</td>
<td>9%</td>
</tr>
<tr>
<td>Others</td>
<td>48%</td>
</tr>
</tbody>
</table>
Fundamentals for Success

Size and scale
Technology
Distribution

Delivering consistent value
Norwich Union’s Formula for Success

- Focus on personal and small businesses
- Strong financial control with disciplined underwriting and pricing
- Increasing the value of our customer base
- Cost effective Total Incident Management
- Effective implementation of technology
- Fully integrated multi-distribution company
Organised to Deliver

Intermediary Business
Corporate Partners
Retail

Financial control
Underwriting & pricing
Product development
Total Incident Management
Information management
3.6 million Retail customers

We have sold policies to over 70,000 customers via the internet and other digital channels

We expect to conduct over 2 million electronic transactions for motor and household policies this year through intermediaries and large corporate partners.

Premiums after reinsurance
<table>
<thead>
<tr>
<th>Norwich Union Delivers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Integration</td>
</tr>
<tr>
<td>Income levels maintained</td>
</tr>
<tr>
<td>Re-shaped the Portfolio</td>
</tr>
<tr>
<td>On-going business investment</td>
</tr>
<tr>
<td>Common pricing platform</td>
</tr>
<tr>
<td>Valued corporate partnerships retained</td>
</tr>
<tr>
<td>Improved COR</td>
</tr>
</tbody>
</table>

On track to deliver integration benefits
Norwich Union Insurance
Delivering Shareholder Value

Mark Hodges
Finance Director
Focus on quality earnings:
- Performance management
- Operational efficiency
- Reserving philosophy
- Re-insurance strategy
Proven Business Model - COR%

- T.I.M
- NUD
- Policy Administration
- L&E
- Focus
- Market leading rate increases

* Excluding London Market
Re-shaping the Portfolio

- Profit not volume
- Exited London Market
- Reducing large commercial risks
- Improved risk selection and market leading rating actions are evident in the Q1 2001 results

Premium after reinsurance
Balanced Portfolio - Q1 2001

- Personal Motor: 29%
- Homeowners: 23%
- Creditor: 12%
- Commercial Motor: 15%
- Commercial Property: 11%
- Liability: 5%
- Other: 5%

Premium after reinsurance
**Norwich Union Insurance - Q1 2001**

<table>
<thead>
<tr>
<th>Q1 2000*</th>
<th>NWP</th>
<th>Expenses</th>
<th>U/w Result</th>
<th>COR</th>
</tr>
</thead>
<tbody>
<tr>
<td>£1,216m</td>
<td>10.8%</td>
<td>(£57m)</td>
<td>107%</td>
<td>107%</td>
</tr>
</tbody>
</table>

| Q1 2001  | £1,209m   | 10.7%     | (£57m)     | 105%      |

* Excluding London Market
Q1 2001 - Class Analysis

<table>
<thead>
<tr>
<th>Personal</th>
<th>NWP £m 2001</th>
<th>NWP £m 2000*</th>
<th>U/w Result £m 2001</th>
<th>U/w Result £m 2000*</th>
<th>COR 2001</th>
<th>COR 2000*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Motor</td>
<td>356</td>
<td>337</td>
<td>(25)</td>
<td>(22)</td>
<td>106%</td>
<td>109%</td>
</tr>
<tr>
<td>Homeowners</td>
<td>277</td>
<td>319</td>
<td>7</td>
<td>9</td>
<td>98%</td>
<td>97%</td>
</tr>
<tr>
<td>Creditor</td>
<td>151</td>
<td>108</td>
<td>6</td>
<td>2</td>
<td>100%</td>
<td>101%</td>
</tr>
<tr>
<td>Other</td>
<td>25</td>
<td>26</td>
<td>-</td>
<td>(3)</td>
<td>94%</td>
<td>107%</td>
</tr>
<tr>
<td>Personal Total</td>
<td>809</td>
<td>790</td>
<td>(12)</td>
<td>(14)</td>
<td>102%</td>
<td>103%</td>
</tr>
</tbody>
</table>

* Excluding London Market
Q1 2001 - Class Analysis

<table>
<thead>
<tr>
<th></th>
<th>NWP £m 2001</th>
<th>2000*</th>
<th>U/w Result £m 2001</th>
<th>2000*</th>
<th>COR 2001</th>
<th>2000*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Motor</td>
<td>178</td>
<td>175</td>
<td>(20)</td>
<td>(33)</td>
<td>109%</td>
<td>119%</td>
</tr>
<tr>
<td>Property</td>
<td>133</td>
<td>168</td>
<td>(10)</td>
<td>(19)</td>
<td>109%</td>
<td>111%</td>
</tr>
<tr>
<td>Liability</td>
<td>55</td>
<td>57</td>
<td>(16)</td>
<td>(14)</td>
<td>128%</td>
<td>123%</td>
</tr>
<tr>
<td>Other</td>
<td>34</td>
<td>26</td>
<td>1</td>
<td>3</td>
<td>94%</td>
<td>87%</td>
</tr>
<tr>
<td>Commercial Total</td>
<td>400</td>
<td>426</td>
<td>(45)</td>
<td>(63)</td>
<td>110%</td>
<td>114%</td>
</tr>
</tbody>
</table>

* Excluding London Market
Performance Culture

- Aligning objectives and remuneration to financial performance
- "Volume" in itself is not an objective
- Cascading and monitoring through the Balanced Scorecard
- Benefits realisation
- Cross functional control
Operational Efficiency

* Excluding London Market
Reserving Philosophy

- Centralised function
- Stability from scale
- Early trend identification
- Multi-disciplinary controls
- Integral to pricing process
Re-insurance Strategy

- Centralised function
- Catastrophe and major event
- Utilising data
- High quality security
Focused Business

- Strong financial control
- Improving GI results
- Sustainable business model
Norwich Union Insurance
Delivering Shareholder Value

Bridget McIntyre
Marketing and Underwriting Director
Managing the Portfolio

- Value from personal lines data
- Commercial Insurance strategy and control
- Delivering financial targets
Value from Personal Lines Data

Common pricing platform

- NU Intermediaries
- GA Intermediaries
- CU Intermediaries
- Haven
- London & Edinburgh
- CU Elite
- CU Direct
- NU Direct
- GA Direct
Market Share - Private Motor
(Source: Gross Earned Premiums 1999 Datamonitor)

Norwich Union: 20%
RSA: 15%
AXA: 10%
Direct Line: 5%
Zurich: 5%
Common Pricing Platform Benefits

- Improve risk selection
- Premiums in each channel are underpinned by common risk costs
- Price differences are explainable
- Consistent underwriting rules
- Learning
This interaction shows the effect of driver age by vehicle group.

One of the major benefits of the Common Pricing Platform is that the combined data for all of Norwich Union Insurance produces smooth parallel lines.
This interaction shows the effect of vehicle age by vehicle group.

Cars up to 5 years old seem to have similar experience, tailing off dramatically after that time, probably because older cars do less mileage.
Advantage of Extra Data

Own Damage Claims Frequency by Age

Before
Advantage of Extra Data

Own Damage Claims Frequency by Age

25 29 33 37 41 45 49 53 57 61 65 69 73

1% COR

Before After
Theft Frequency

Vehicle Age

Before
After
Gender vs Main Driver Age

![Gender vs Main Driver Age Chart](chart.png)
New Rating Factors

Median

Car Make
Commercial Insurance - Strategy

- No large complex risks
- Technical knowledge
- Disciplined underwriting
- Maintaining spread
- Capping risk through reinsurance
- Local presence
- Clear measurement systems
Large, complex risks are not written for any sector.

Over prescribed limits, Specialist HO teams handle the business.

In our chosen segments, local Underwriters write the business within their ‘Underwriting Licence’.

Some business is not written as it doesn’t meet basic requirements e.g. we don’t have the expertise.

Some sectors are not written even if they meet the basic criteria e.g. local authorities where results have been poor and volatile.

‘The Underwriting Box’

Available Business

Market sectors

Premium Size

The ‘Underwriting Box’
Taking Action in Commercial

- **Rating**
  - Implemented - protect, improve or lose
  - Third year of double digit increases in fleet
  - Motor Trade minimum 20% increase
  - Liability plus 15% and increasing
  - Property rates up 7%
  - Shedding business if rates inadequate

- **Implementing the Underwriting Box**
  - Construction down by a third
  - Industrial less than half of old CU book
  - Exiting sectors public utilities, coaches/buses
  - Exiting large premium risks
  - Limiting stand alone liability
  - Growing attractive sectors
Long-term Success in Commercial Insurance

Profit

Build and develop Underwriting Skills

Implement the ‘Underwriting Box’

Increase rates
- Targets applied
- Profit not volume
- Lead market

‘Underwriting Academy’
Strong Underwriting culture

Gives focus and clarity
Gives underwriting discipline

Time
Delivering Financial Targets

Profit Review Group
- Financial
- Operational
- Market
- Learning

Planning
- Financial Targets
- Competitors
- Research
- Underwriting Strategies
- Market Trends
- Claims Environment

Management Information

Customers
- Brokers
- Corporate Partners
Norwich Union Insurance
Delivering Shareholder Value
Norwich Union Insurance
Delivering Shareholder Value

Simon Machell
Claims Director
Claims Philosophy

- Quicker settlement: Lower settlement
- Common approach across whole business - Retail, Intermediary, Corporate Partners
- Customer experience through TIM - satisfaction levels
- Extract scale benefits
- Seen as key driver of profitability – not a process
Norwich Union Insurance
Delivering Shareholder Value
TIM – What does it do?

- Early notification and control of claim
- Direct claimants to preferred networks
- Supply chain integration: Blend of cost management/customer delivery
- Third party costs – “The last time somebody was that benevolent they crucified him”
## TIM - What are the Benefits

<table>
<thead>
<tr>
<th>FEATURES</th>
<th>CUSTOMER BENEFIT</th>
<th>NUI BENEFIT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Always Available</td>
<td>24 hr Help</td>
<td>Proactive Claims Control</td>
</tr>
<tr>
<td>Instant Cover Validation</td>
<td>Know the way forward</td>
<td>Helps early repudiation</td>
</tr>
<tr>
<td>No Claim Form</td>
<td>Single Call</td>
<td>Less Admin, Lower Cost</td>
</tr>
<tr>
<td>Instant Supplier Appointment</td>
<td>Quick Reinstatement</td>
<td>Supply Chain benefits</td>
</tr>
</tbody>
</table>
Supply Chain Initiatives

- Motor Repair Network
- BRICS contractors
- Loss Adjusters
- Legal Costs
- Expansion of SOLUS
Integral Role of IT

- Bluecycle.com
- Leading edge technology – NUCLIS
- COLOSSUS
- Motor inspections
Norwich Union Insurance
Delivering Shareholder Value

Phil Gledhill
Claims Technical Manager
Efficient Inspection Process

- Computerised image/Estimating system
- Office based Engineering service
- Still Image
- Live Image
- Internet
Image Engineering Performance

Average inspections per day 25 (physical 9.5)
Image Inspections

- Linked to 450 approved body shops
- Including Porsche, Mercedes, Jaguar, Saab, Ford, approved accident repair Centres
- 45 Image Engineers (65 by year end)
- Guaranteed 24 hour inspection service
- Fastest authority 20 minutes from the accident
Still Imaging

- GSR sends estimate (fully priced by software) and images to Image Engineer by e-mail
- Engineer checks repair method and costs, E-Mails response
- Fast efficient service, with dedicated Engineer per repairer
Internet Use

- High Volume German repairer
- Salvage partners
- Black cab repair network
- Valuation research
Norwich Union Insurance
Delivering Shareholder Value
Conclusions

- Leading customer service
- IT delivers substantial competitive advantage
  - Accurate and consistent estimates
  - Relationship building in Europe via the internet
  - Inspection efficiency
A Winning Philosophy

- Benefits of TIM across whole business
- Clear focus on supply chain
- Smart use of technology
- Cost management a key business priority
Norwich Union Insurance
Delivering Shareholder Value
Norwich Union Insurance
Delivering Shareholder Value

Patrick Snowball
Chief Executive
Norwich Union’s Formula for Success

- Focus on personal and small businesses
- Strong financial control with disciplined underwriting and pricing
- Increasing the value of our customer base
- Cost effective Total Incident Management
- Effective implementation of technology
- Fully integrated multi-distribution company
Norwich Union Will...

- Continue to deliver shareholder value
- Use its scale to lead the market to the benefit of its shareholders and customers
- Use our market leading position to win in the emerging market place
Norwich Union Insurance
Delivering Shareholder Value