

Growth strategy of CIG Pannónia

Executive summary

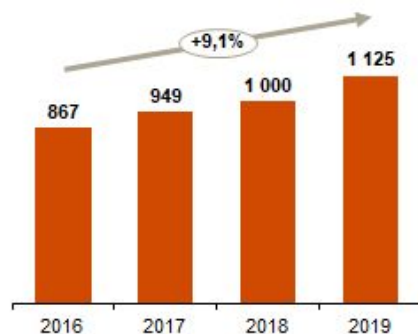
June 11, 2021



The domestic insurance market is dynamically growing, both in terms of size and profitability, where the growth drivers are primarily the non-life products, making them indispensable for an insurer facing growth

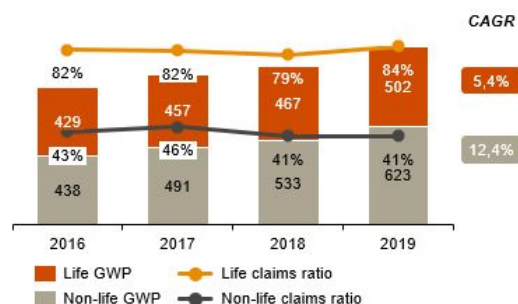
Key figures of the Hungarian insurance market Market performance of the top life and non-life insurance products

Gross written premiums (2016-2019)



Source: SFCR reports

Aggregated gross GWP (billion HUF) and claims ratio (%)



Source: SFCR reports

	Market size	Market growth	Market concentration
UL life insurance	261 mrd	6%	48%
Profit sharing insurance	189 mrd	10%	77%
Other life insurance	40 mrd	17%	53%
Health insurance	11 mrd	12%	87%
<hr/>			
Motor liability insurance	219 mrd	21%	51%
Insurance against fire and other property damage	183 mrd	7%	66%
Other motor insurance (Casco)	99 mrd	13%	62%
Income protection insurance	39 mrd	11%	63%
Financial loss insurance	13 mrd	6%	63%

Source: SFCR reports

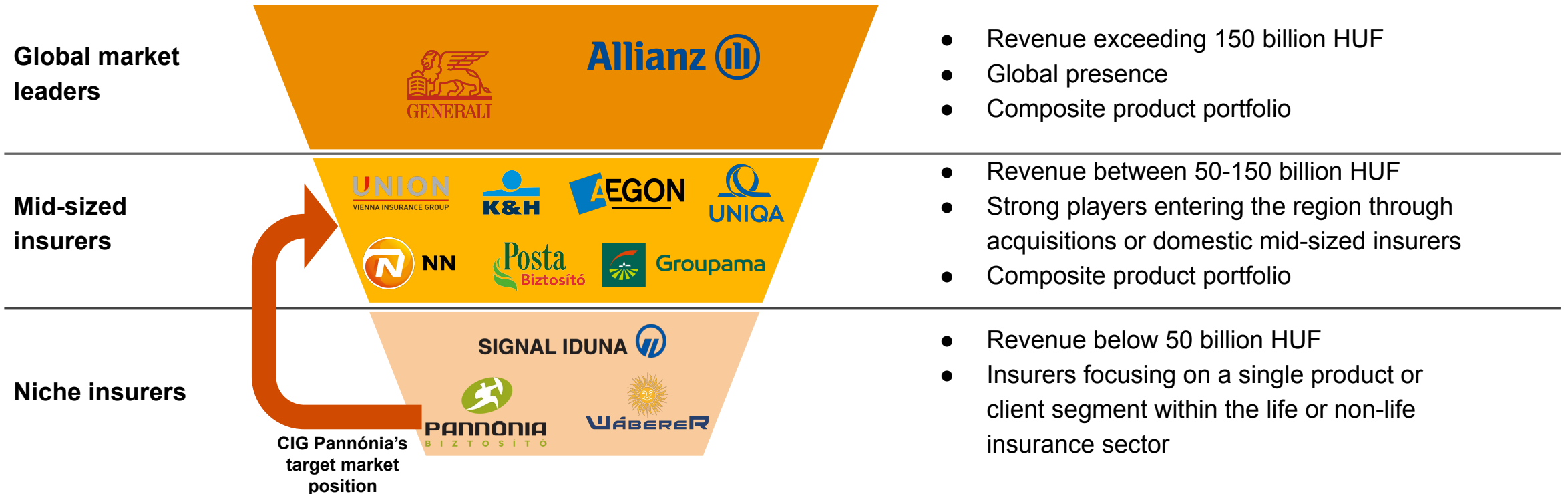
Market size: Amount of total GWP in the given segment in 2019
 Market growth: Annual average growth of total GWP in the given segment between 2015 and 2019
 Market concentration: market share of the 5 largest insurance companies in the given segment

Key trends and breakout opportunities

- The leading product in the life insurance segment continues to be the UL, in which retaining the acquired customer base is key.
- However, significant growth potential is expected from the sale of traditional, pension, life risk and accident insurance products.

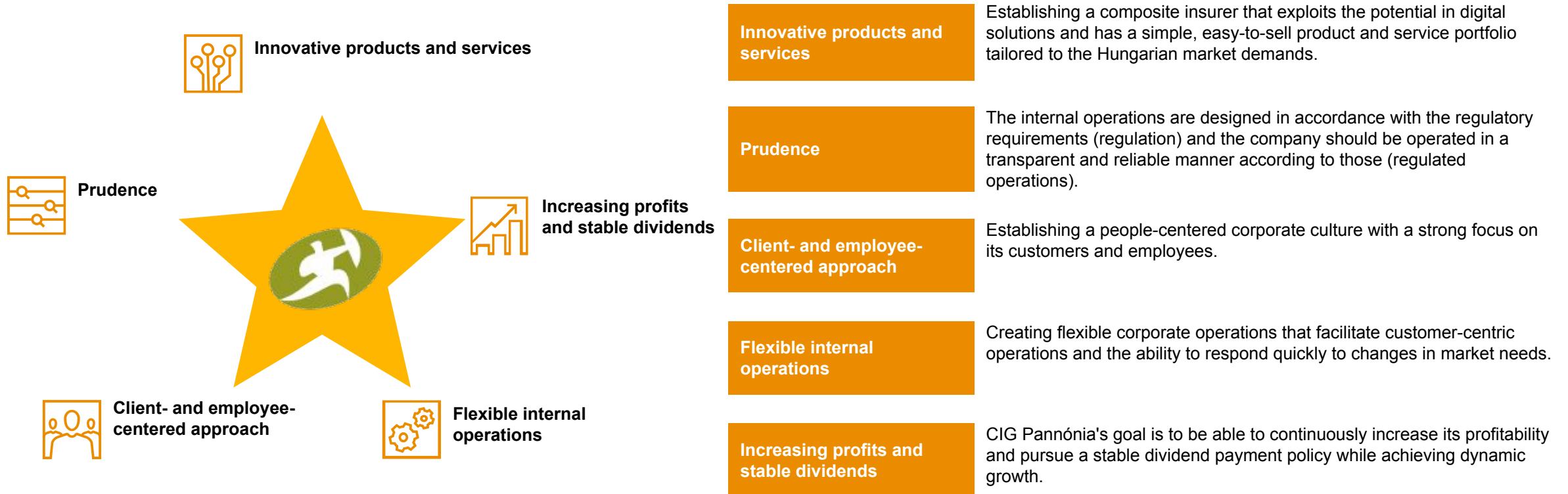
- The most significant 4-5 products can cover most of the market volume.
- The motor and home insurance markets are unavoidable due to their growth and market volume, but entrants can expect significant price competition.
- PPI and other group bancassurance products can also mean a breakthrough point due to the large customer base.
- Finding the right customer segments and effective sales channels is a key success factor.

CIG Pannonia is currently a life insurance focused niche insurer, that has to significantly outperform the average market growth in order to become a mid-sized insurance company



To strengthen its market position CIG Pannónia's strategic vision is to become a mid-sized, dynamically growing prudent insurer, building on its people-centered and flexible operation as well as its innovative products, tailored to the Hungarian market

CIG Pannónia's strategic vision



To achieve this vision, CIG Pannonia plans to position itself on the market as a composite provider with focused product portfolio and high level of service quality

Future market position of CIG Pannónia



Focused composite portfolio

Development of a streamlined composite product portfolio in which easy-to-sell, innovative products tailored to the needs of the domestic market are implemented in both the life and non-life insurance segments, which ensure high profitability for CIG Pannónia.

• Main life insurance products

- Unit-linked life insurance
- Insurance with profit participation
- Other life insurance
- Pension funding
- Health insurance
- Bancassurance and affinity products

• Main non-life insurance products

- Motor liability insurance
- Fire and other damage to property insurance
- Other motor insurance
- Bancassurance and affinity products
- Accident insurance

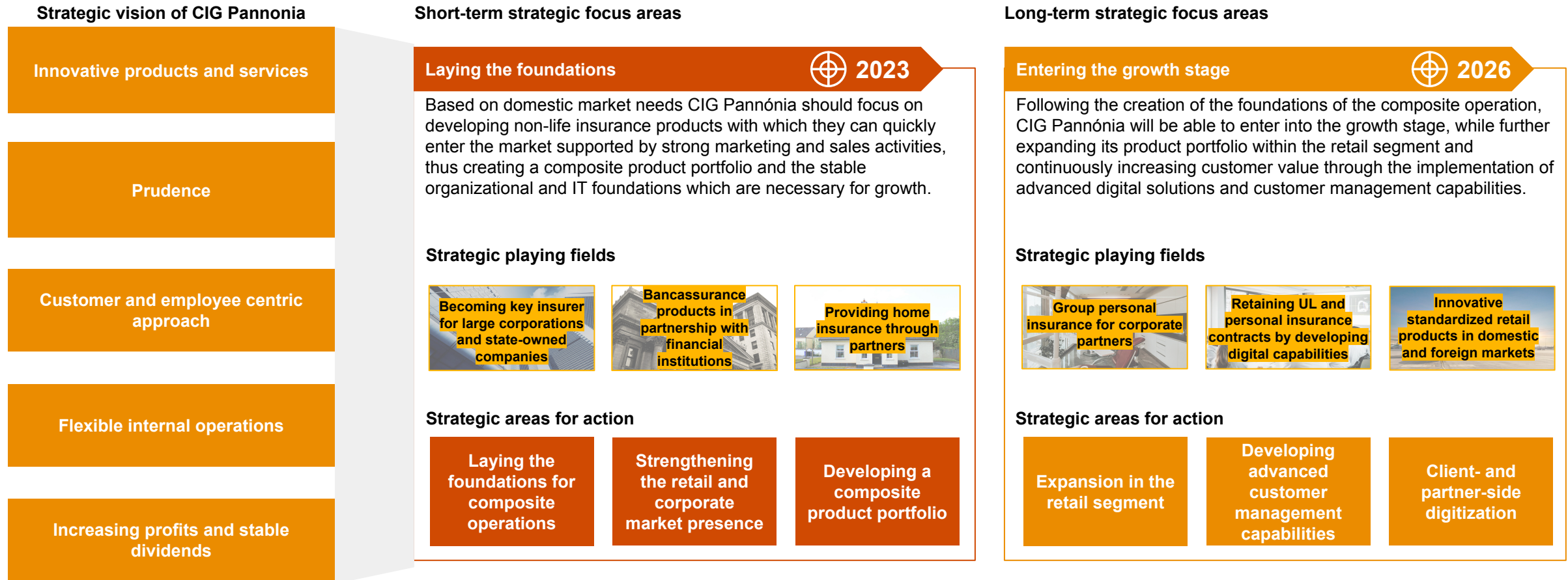


High quality services

CIG Pannonia serves high-quality, fast and efficient services to its retail and corporate customers as well as its partners, which is a differentiating factor from its competitors.

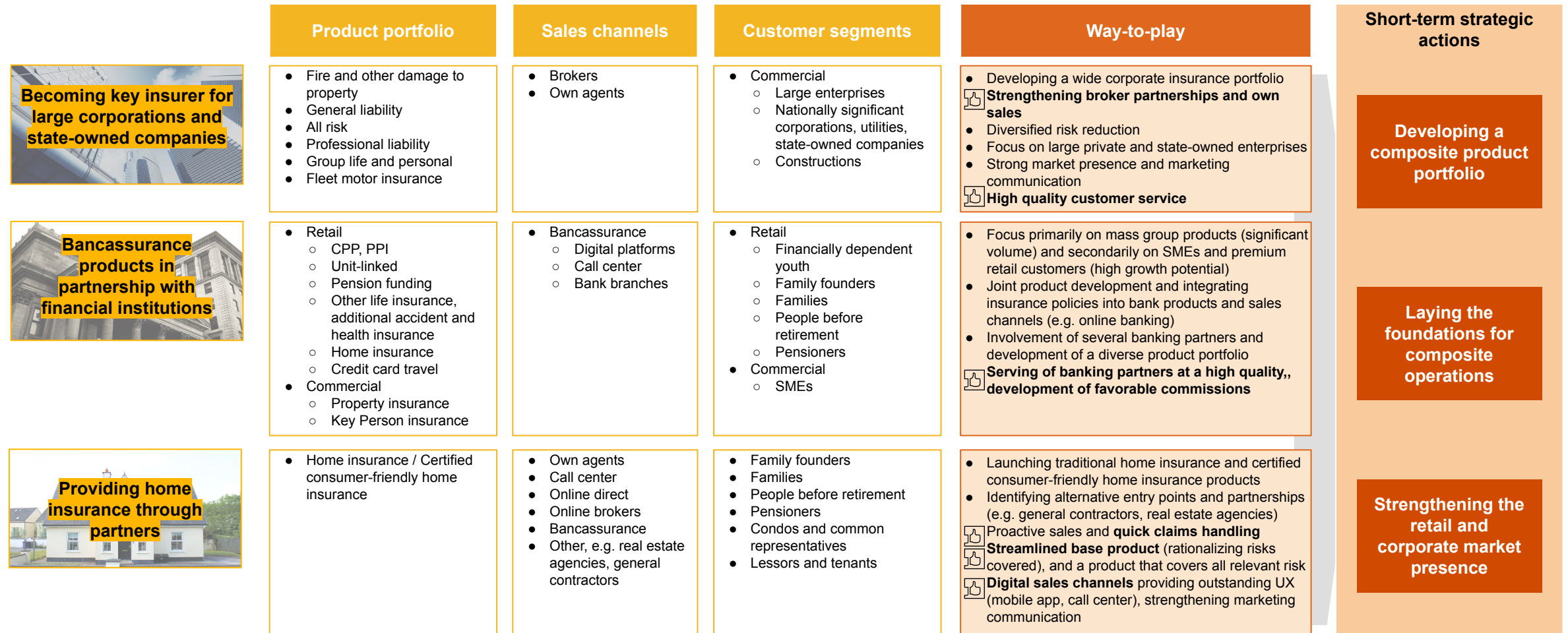
- Quick, personalized insurance quotes
- Digital claims notice and claims handling process
- Quick claims handling process
- Digital customer service and self-service capabilities
- Additional value added services

Achieving the strategic goals of CIG Pannónia requires laying the foundations of a stable composite insurer in the short term, while further expansion of its product portfolio and the development of customer management capabilities are required in the long run



In order to successfully compete on the short-term strategic playing fields, CIG Pannónia has to focus on developing a composite product portfolio, stabilize its IT operations and organization and strengthen its market presence

Short-term strategic playing fields and main groups of strategic actions

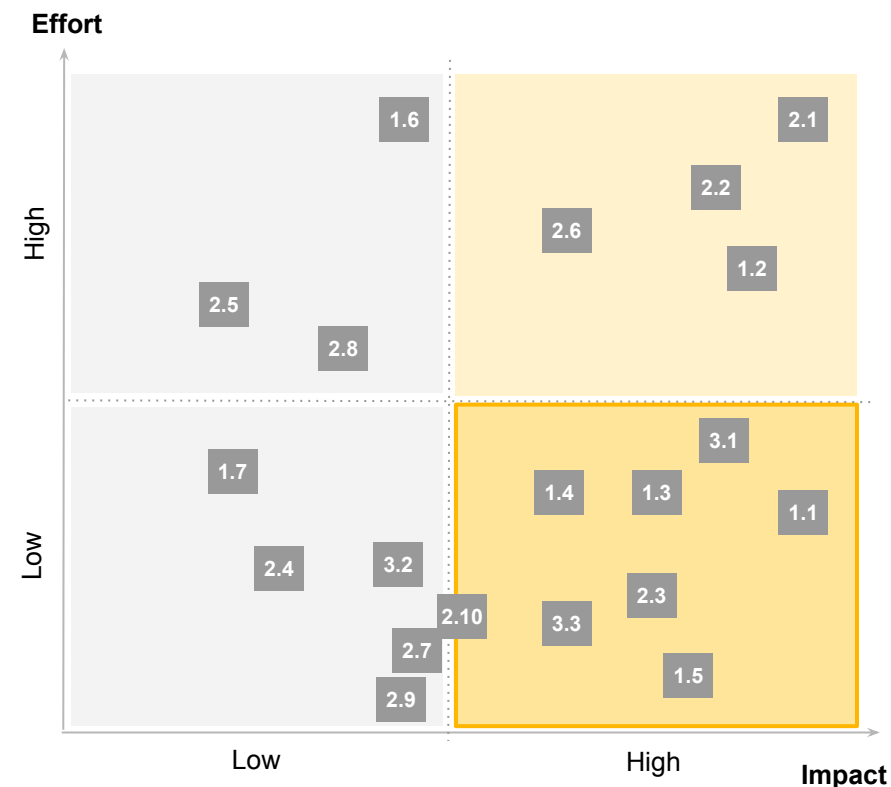


To lay down the stable foundations, CIG Pannónia will have to carry out strategic actions in the following areas by 2023, of which in the first half of 2021 the preparation of actions in some areas have already been started

CIG Pannónia's list of short-term strategic actions

Short-term strategic action areas	Strategic actions		
Developing a composite product portfolio	1.1	Development of non-life base products	⚙️
	1.2	Development of non-life technical pricing competence, methodology and platform	
	1.3	Development of claims handling and customer management processes (non-life)	
	1.4	Developing risk monitoring and risk management branches	
	1.5	Developing broker network coverage	⚙️
	1.6	Developing own agent network	
	1.7	Setting up a call center (Telesales)	
Laying the foundations for composite operations	2.1	IFRS17 preparations	⚙️
	2.2	Development of BanCS core system	⚙️
	2.3	Development of webservices	
	2.4	Further development of customer portals	
	2.5	Implementing IT operation and development supporting processes and solutions	⚙️
	2.6	Digitization of claims handling	
	2.7	Development of corporate governance and internal operating rules	⚙️
	2.8	Developing the sales support team	⚙️
	2.9	Building the structure of an HR organization	
	2.10	Development of the organizational culture	
Strengthening the retail and corporate market presence	3.1	Increasing brand awareness in the retail and corporate sectors	⚙️
	3.2	Improving communication towards investors	⚙️
	3.3	Strengthening banking and corporate partnerships	⚙️

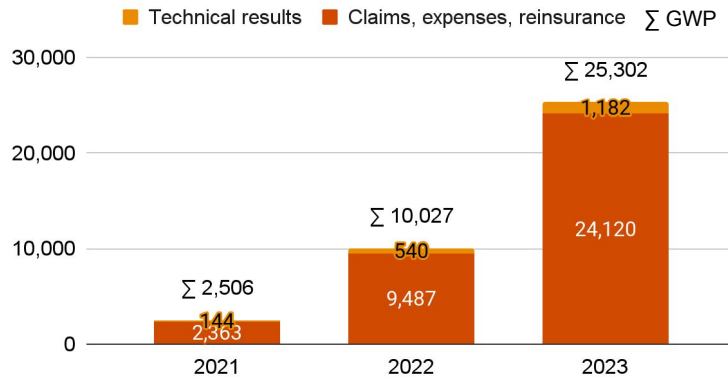
Impact of actions and level of effort required



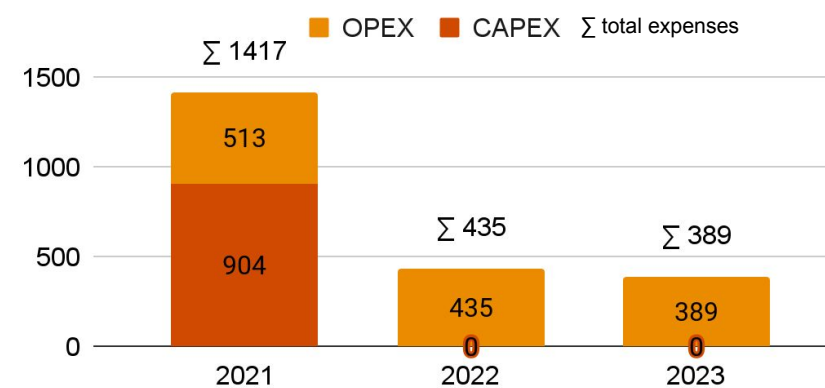
⚙️ : Ongoing action

Successful entry into the short-term strategic playing fields, can result HUF 25.3 billion forecasted GWP by 2023 from CIG Pannónia's new products and services, with a market share of 1-1.5% in the non-life segment

Total forecasted GWP and insurance technical results (2021-2023, million HUF)



Total additional CAPEX and OPEX (2021-2023, million HUF)
*in addition to the current operation of CIG Pannónia



Total results from all short term playing fields and strategic actions (2021-2023, million HUF)

GWP 37.836

Technical results 1.866

CAPEX 904

OPEX 1.338

Core assumptions








- The forecast of GWP is based on the assumptions of the leadership of CIG Pannónia regarding their future market share and achievable income, which is different in case of each products
- The model is based on the assumption that CIG Pannónia launches all planned products, and that they reach their target market share in a 5-year span, with a steady run-up
- The future market growth was estimated with the average growth of each products between 2015 and 2019
- The model relies on the estimation of CIG Pannónia, when calculating the claims and expense ratio and the effects of reinsurance
- We have assumed that all CAPEX is due in 2021 in one sum, using a conservative approach to the timing of cash outflows


Limitations

The presented business model analyses only the additional (to the current operation of CIG Pannónia) direct effects of the selected short-term playing fields and actions, not the whole business operations of CIG Pannónia. The model does not analyse the synergies of the playing fields and actions, nor their indirect effects on the operation of CIG Pannónia. The calculations are based on high level assumptions, the values are net, with the exception of wages, and the model does not take into consideration the time value of money, so there is no explicit correction for inflation.

In order to successfully enter the long-term playing fields, CIG Pannónia has to expand in the retail segment and develop the necessary customer management capabilities and digital solutions

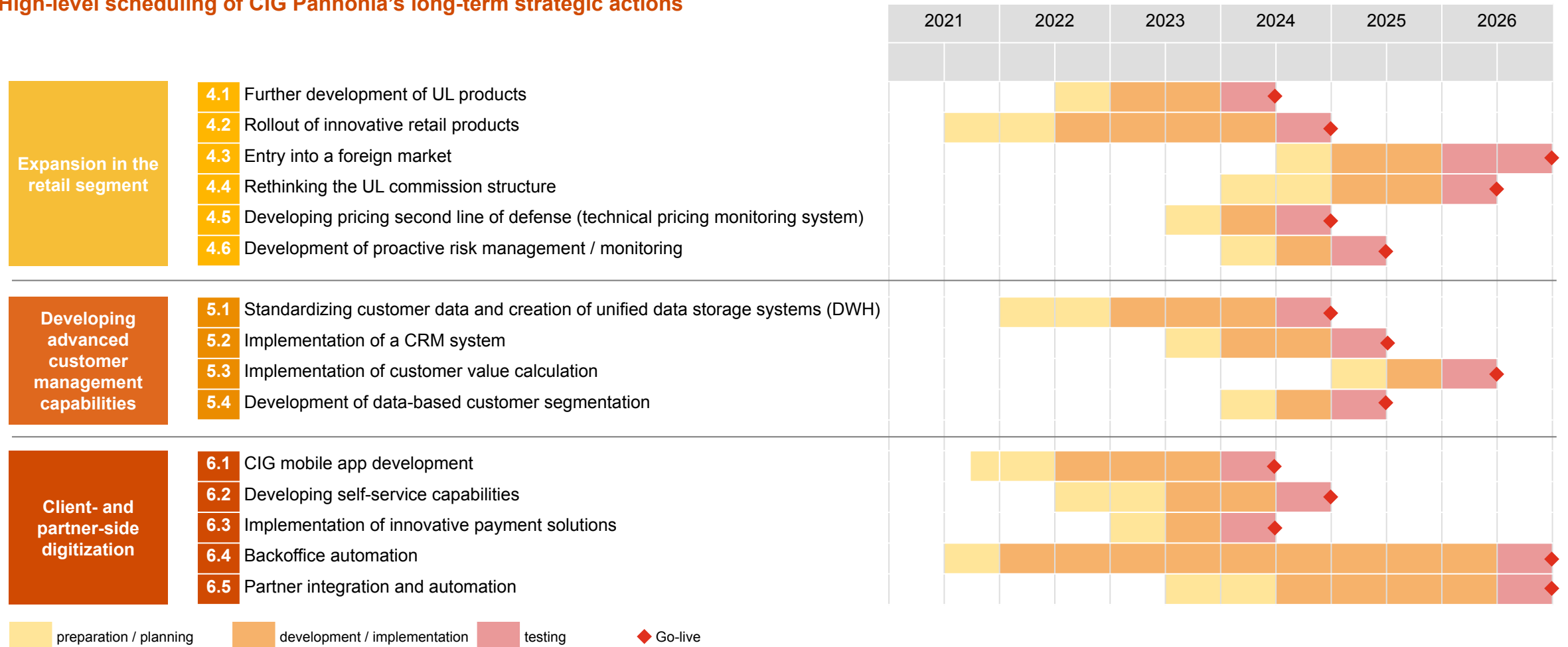
Long-term strategic playing fields and main groups of strategic actions

	Product portfolio	Sales channels	Customer segments	Way-to-play	Long-term strategic actions
 <p>Group personal insurance for corporate partners</p>	<ul style="list-style-type: none"> Health insurance Accident insurance Life insurance 	<ul style="list-style-type: none"> Broker Own agent 	<ul style="list-style-type: none"> SME Large enterprises State-owned enterprises 	<ul style="list-style-type: none"> Acquiring big corporate clients (number of employees) Acquiring a broker network that covers the market Price advantage through an agreement with a focused, small number of service providers  Complementing traditional insurance products with value-added services e.g. developing wellbeing / health programs with high quality service partners 	<p>Expansion in the retail segment</p>
 <p>Retention of unit-linked and personal insurance contracts through digital capabilities</p>	<ul style="list-style-type: none"> Unit-linked Pension funding Traditional life insurance products Accident insurance 	<ul style="list-style-type: none"> Online direct Call center Mobile app Own agent 	<ul style="list-style-type: none"> Current clients <ul style="list-style-type: none"> Family founders Families People before retirement Retired persons 	<ul style="list-style-type: none"> Proactive use of electronic channels for portfolio retention, indexing and receivables management. Improving customer experience and capitalizing on cross-selling potential by analyzing customer data; lead generation before contract expirations  Expanding the investment product portfolio with innovative products and solutions  Developing a digital customer platform with self-service capabilities and online administrative functions 	<p>Developing advanced customer management capabilities</p>
 <p>Launching innovative, standardized "in-a-box" retail products in Hungary and abroad</p>	<ul style="list-style-type: none"> Travel insurance Accident insurance Assistance <ul style="list-style-type: none"> Accident IT Home Pet Medical 	<ul style="list-style-type: none"> Online direct Mobile app Call center 	<ul style="list-style-type: none"> Financially dependent youth Family founders Families Digital natives 	<ul style="list-style-type: none"> Creating an independent brand for the new product Potential cooperation with partners (e.g. startups) Piloting a new product in Hungary as a first step, then entering a foreign market based on the initial experience  Develop an innovative insurance product to complement the current product portfolio with fully digital customer service and outstanding customer experience 	<p>Client- and partner-side digitization</p>

 *Conditions of high service quality*

To successfully achieve its long-term goals, CIG Pannónia has to start the planning and implementation of its strategic actions in the upcoming years

High-level scheduling of CIG Pannónia's long-term strategic actions



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