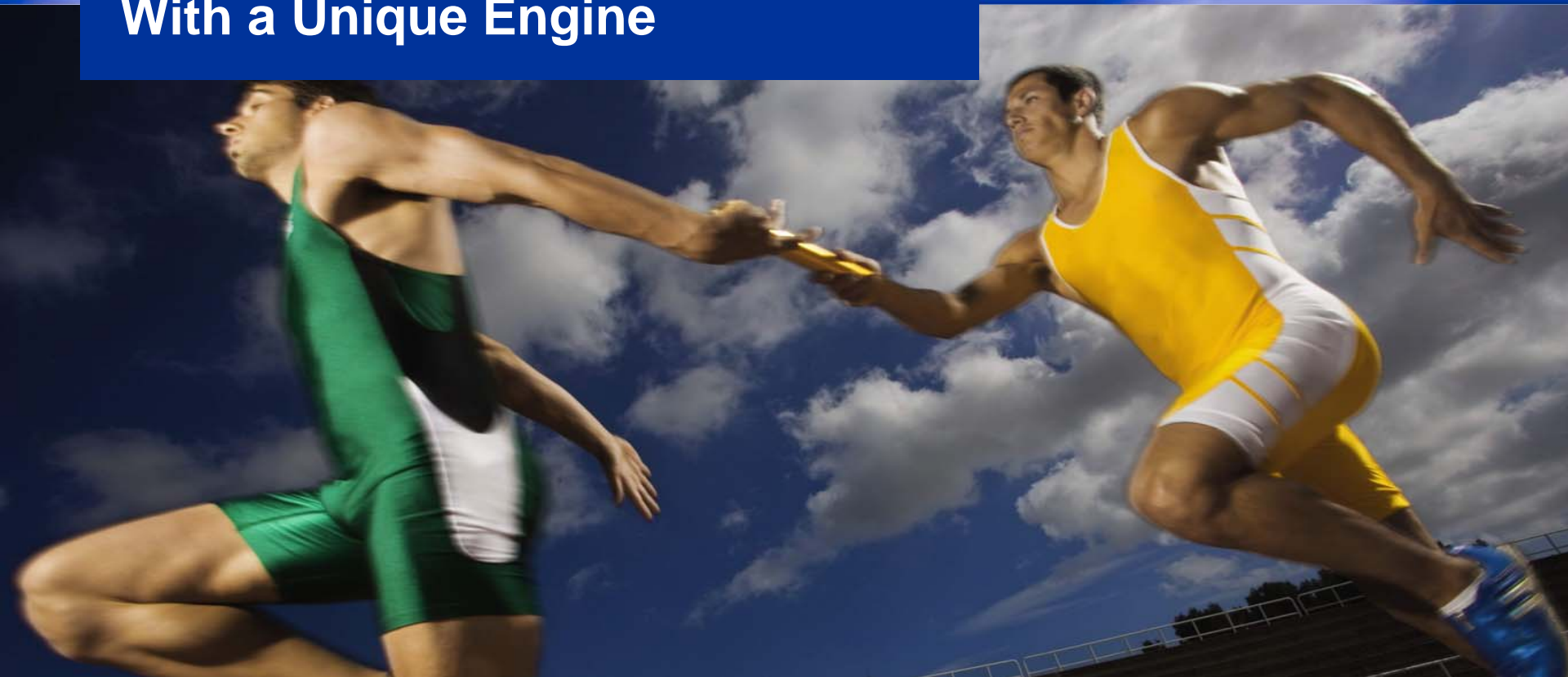


Basel, November 6, 2007

**Investors Day 2007**

# Generating Profitable Growth With a Unique Engine



## Cautionary Statement Regarding Forward-Looking Information

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# Our engine works

**Frank Schnewlin**  
CEO Baloise Group

## Growth with a Unique Engine

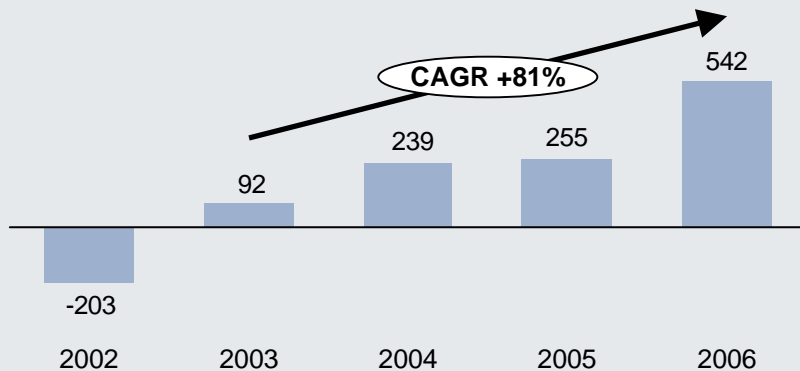
### Take home messages for today

- ▶ To show the progress in our target customer and target segment strategy: it works and delivers superb results
- ▶ The underlying quality of our business portfolio thus improves systematically relative to the market. This builds the foundation for sustainable operational outperformance by Baloise – independent of the business cycle.
- ▶ We have made excellent progress. We still see significant further improvement and profitable growth potential going forward.
- ▶ **Conclusion: If you believe in Continental European Insurance as an investor – Baloise is the stock to own**

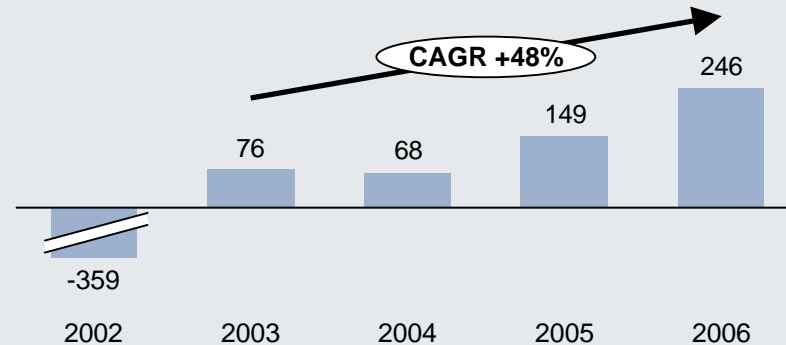
# Our Success Story (1/4)

## Since 2002 we deliver strong profits

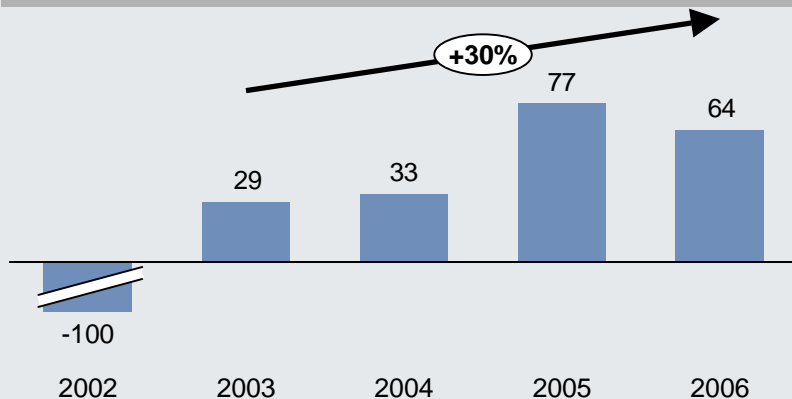
**Non-life**  
EBIT in CHF MM



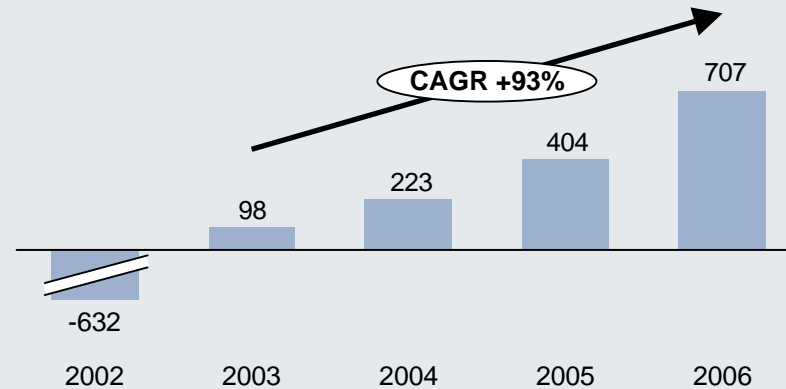
**Life**  
EBIT in CHF MM



**Bank**  
EBIT in CHF MM



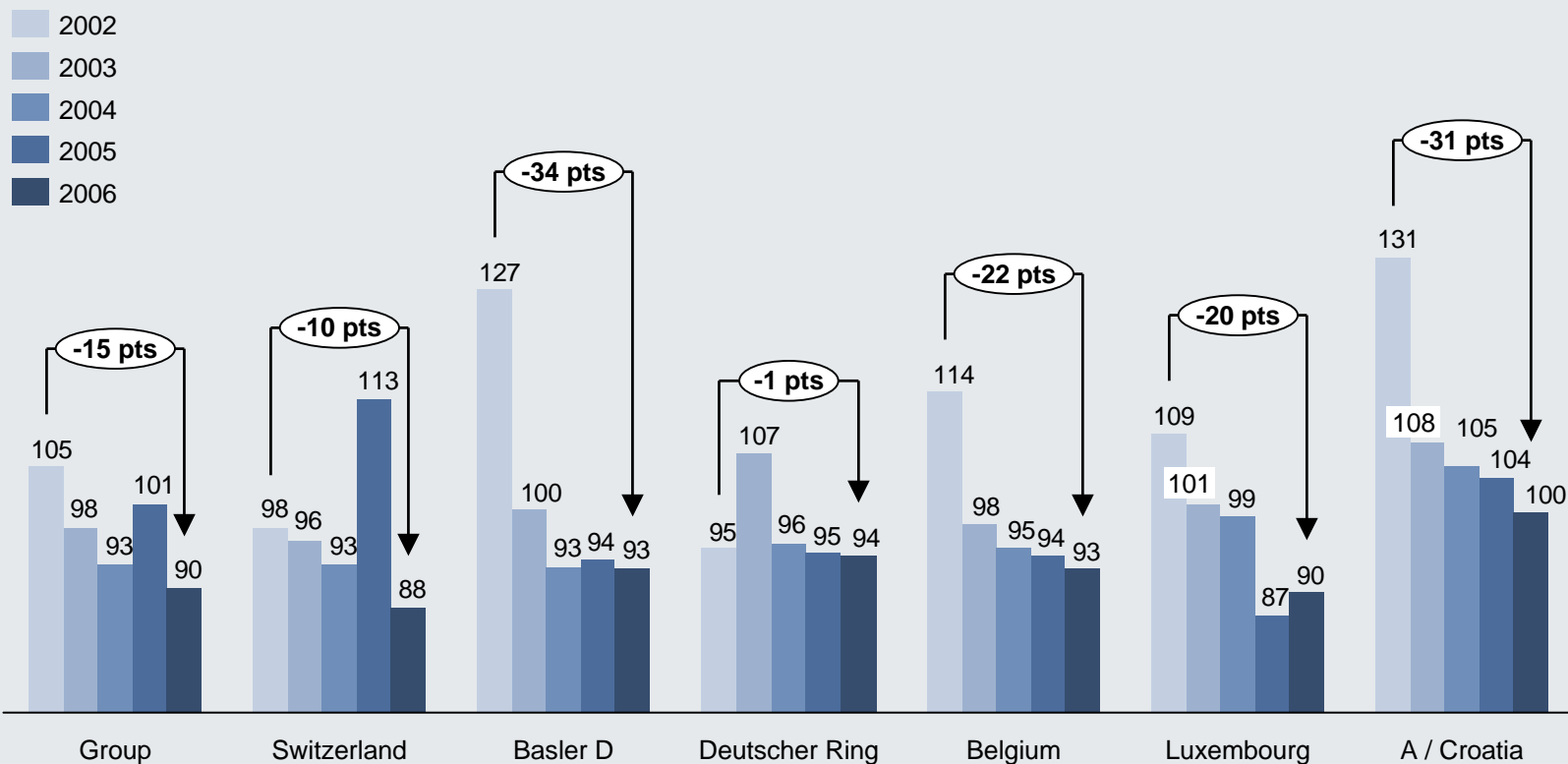
**Group**  
Net profit in CHF MM



# Our Success Story (2/4)

## All entities generate underwriting profits

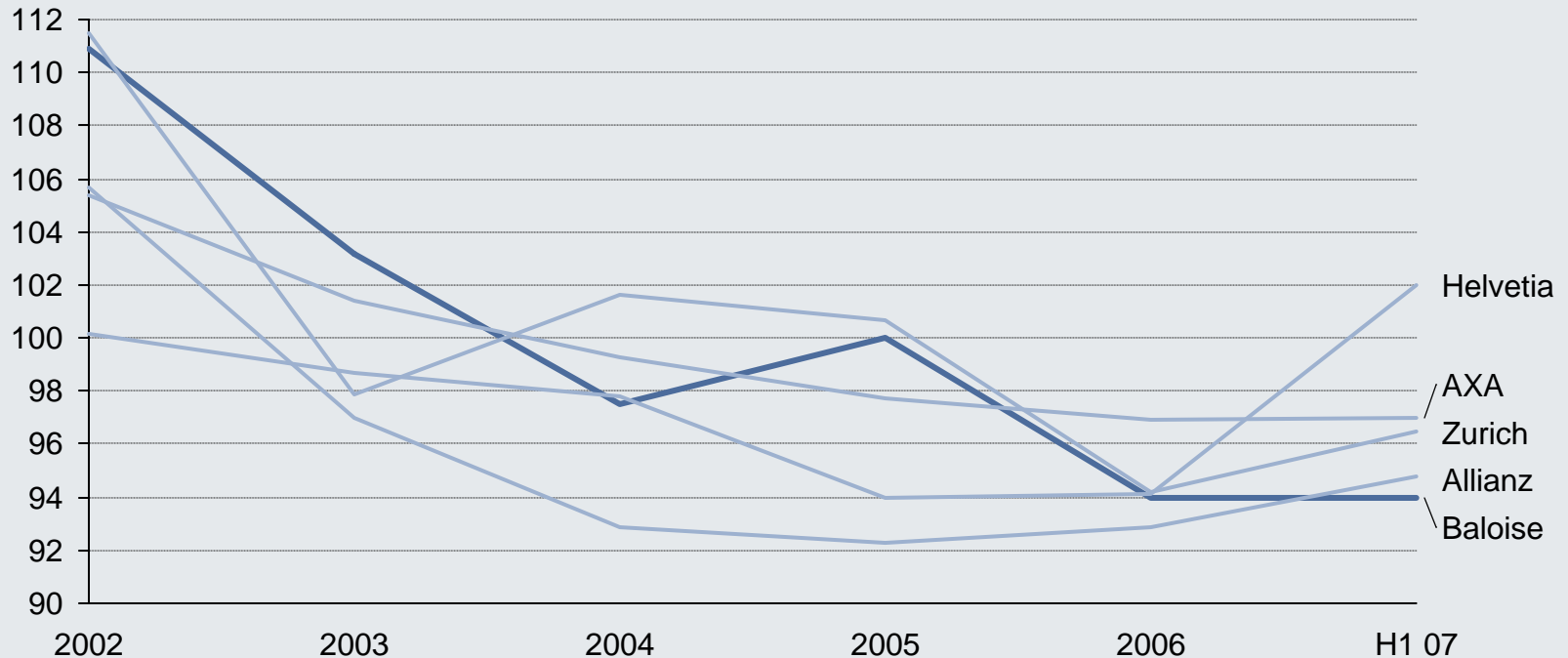
Combined ratio by business unit, gross  
 %



## Our Success Story (3/4)

### We improve our operating margin relative to the market

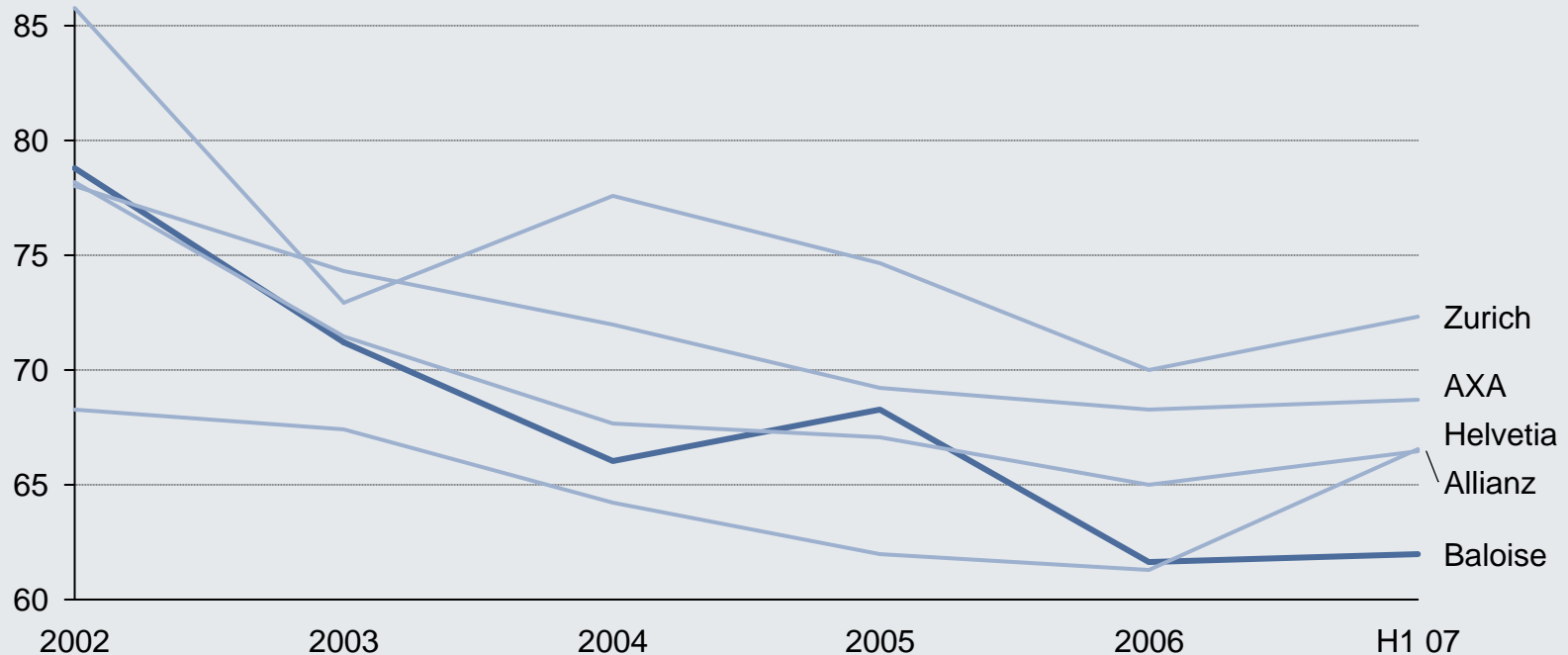
Combined ratio development compared to peers  
%, net



# Our Success Story (4/4)

## We outperform the market in risk selection

Claims ratio development compared to peers  
%, net





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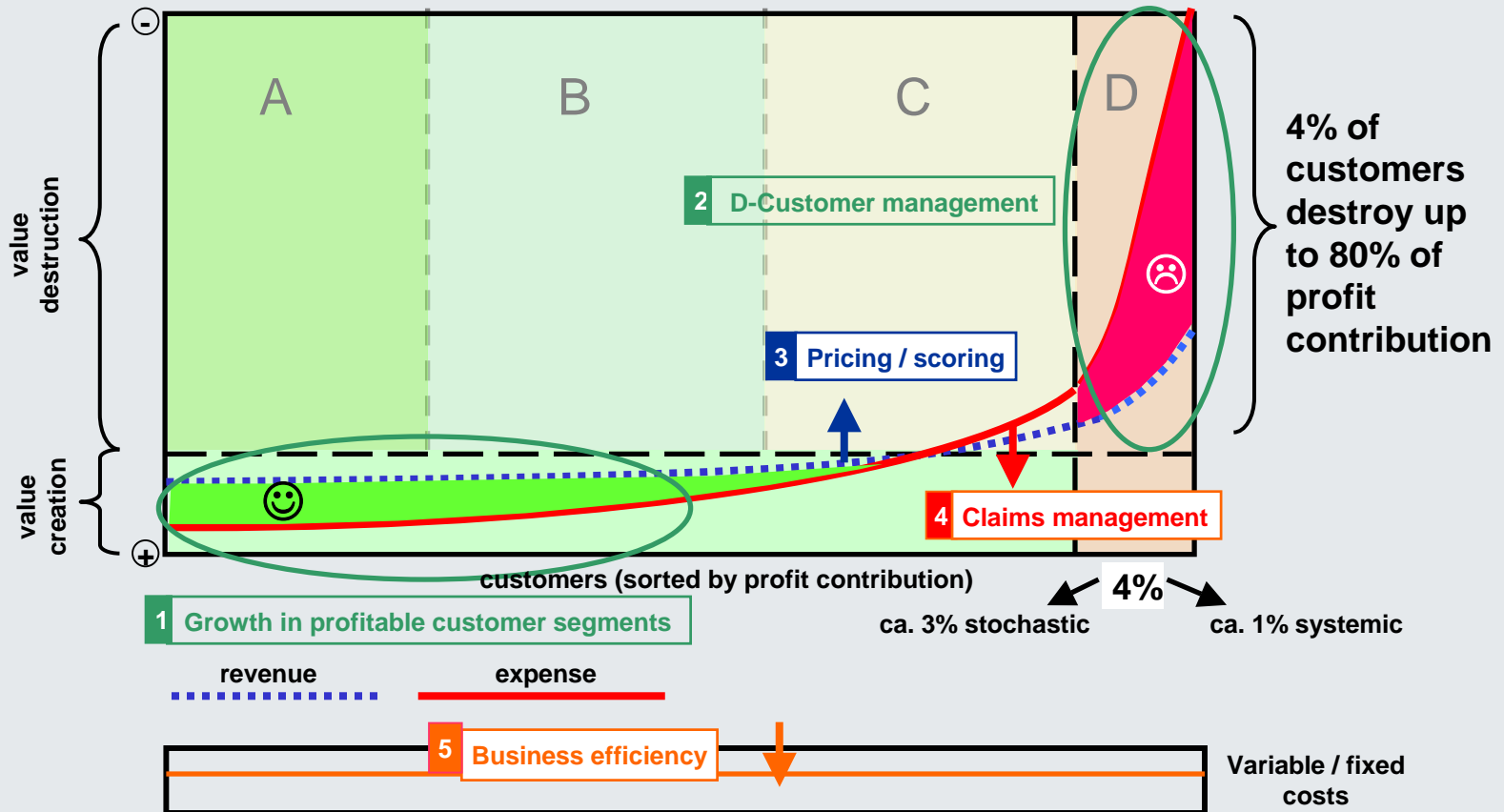
**Investors Day 2007**

# The engine behind our success

# Operational excellence

## Success based on rigid execution and...

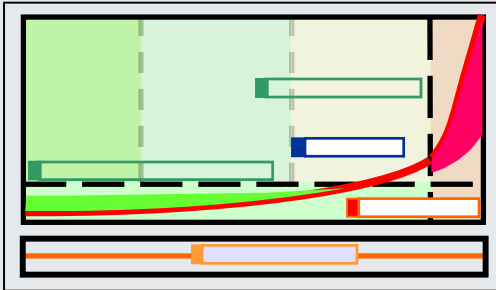
OPEX framework applies to life, non-life and insurance banking



# Operational excellence

## ...networked learning

### OPEX framework



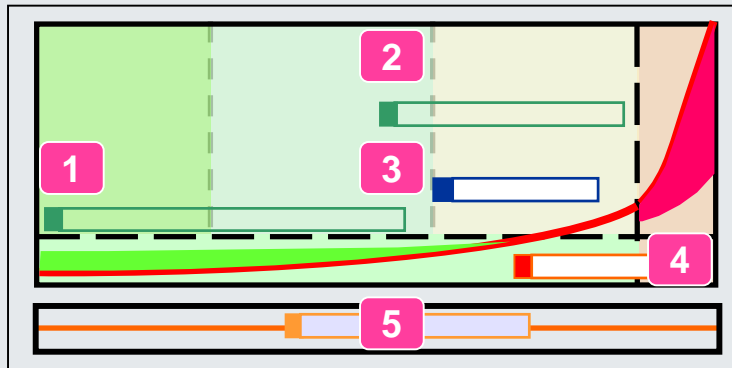
Each of the five result drivers was godfathered and coached by one of our CEOs and networked with the best respective experts in each SBU to develop

- 1. Best practice**
- 2. Minimum Group standards**
- 3. Key Performance Indicators (KPIs)**

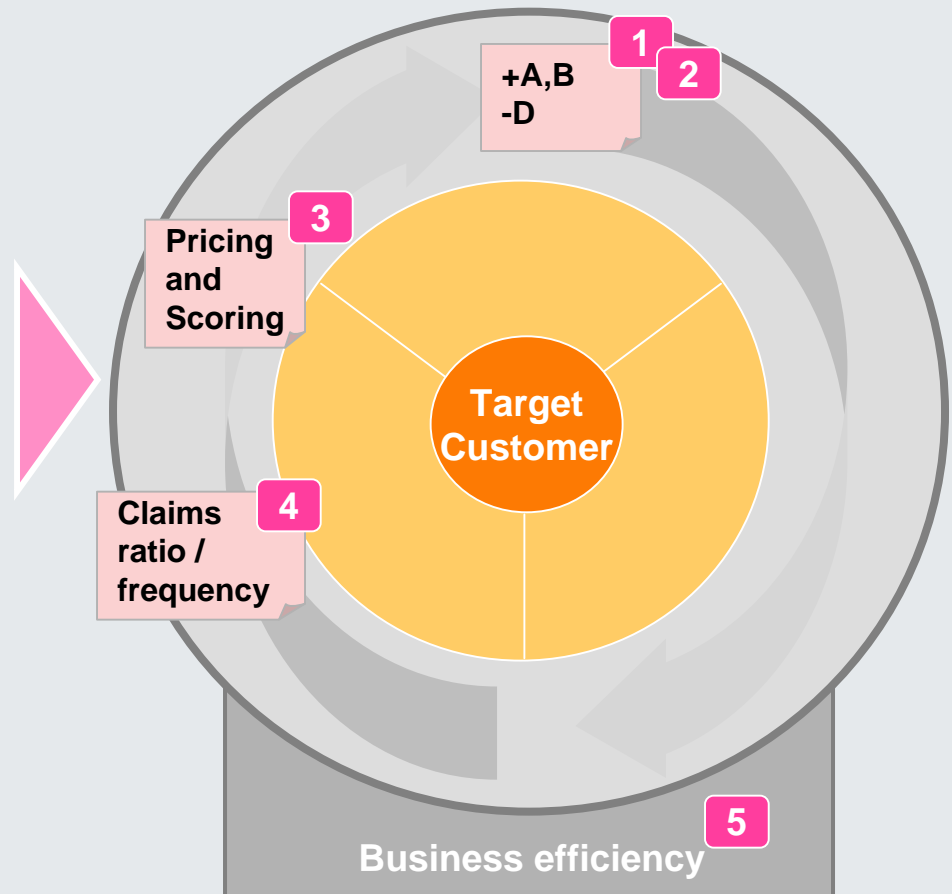
# Our «Profitable Growth Engine» evolved

## The basic engine ...

Our 5 original result drivers ...

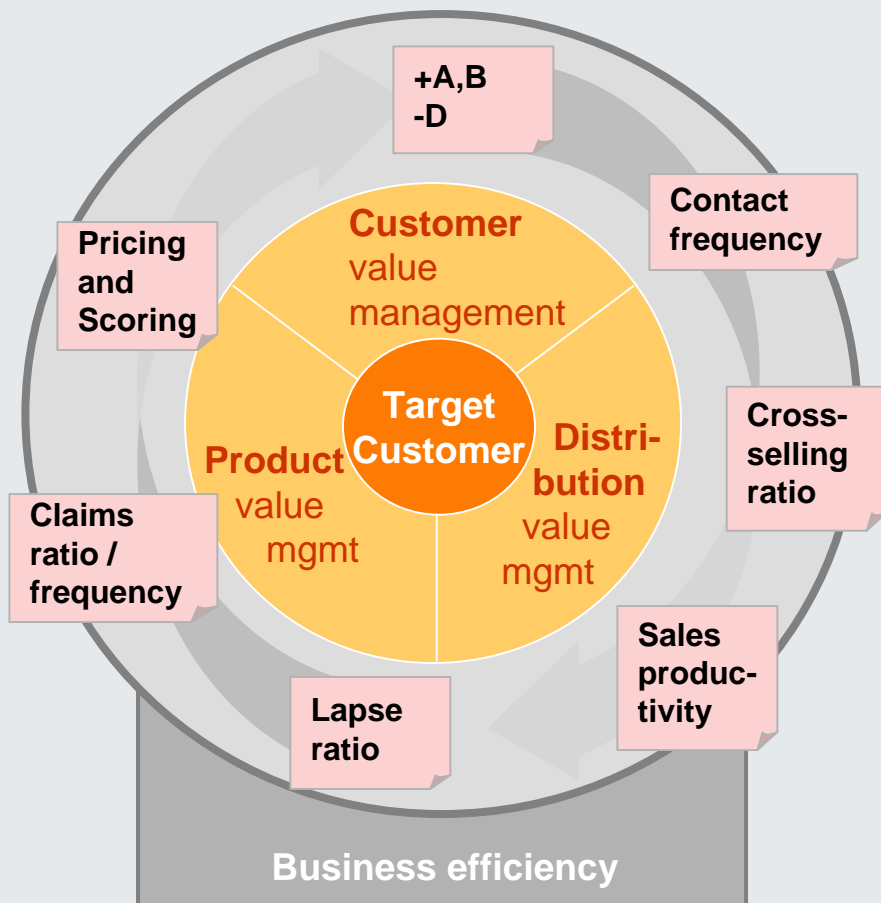


... are part of our basic engine



# Our «Profitable Growth Engine»

## How it works



**Objective:** to grow A, B customers and reduce D customers.

The following correlations hold:

- The higher the **contact frequency** with target customers, the higher the density of the relationship and thus...
- ...the higher the **cross-selling ratio**
- A customer who already holds two or more products from Baloise has a higher likelihood to buy another Baloise product thus increasing **sales productivity**
- The higher the product density of a customer and the longer the relationship, the lower is his **lapse ratio**.
- The lower the lapse ratio - i. e. the longer the duration of the customer relationship -, the lower is the **claims ratio and frequency**
- The better the target customers claims experience, the more attractive is his **pricing**
- The more attractive the pricing for target customers, the easier is the attraction of target customers

▶ The better the customer mix (+A/B, -D), the better the profitability relative to market

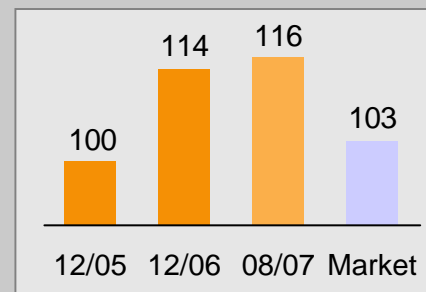
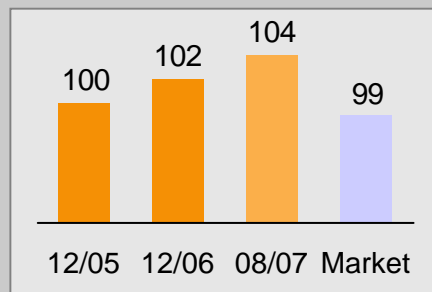
# Target customer management

## Our engine for profitable growth works

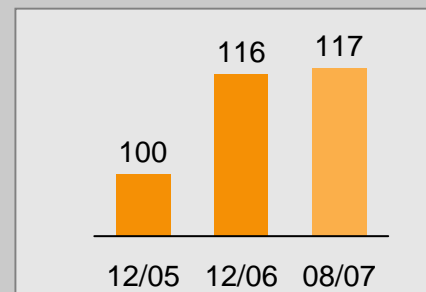
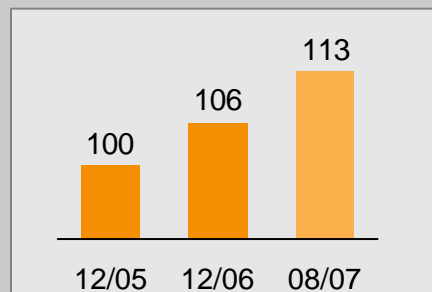
### Basler Switzerland

### Basler Austria

Premiums from target customers  
(indexed 12/05)

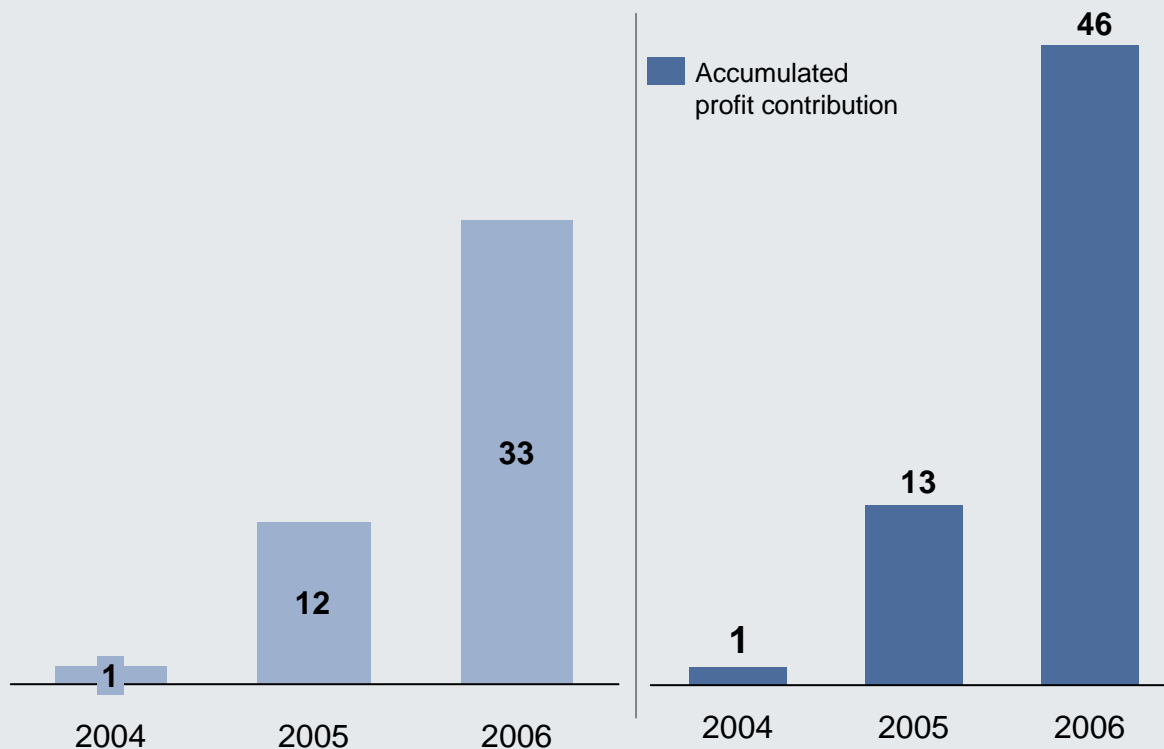


Profit Contribution from target customers  
(indexed 12/05)



# Target customer management +A/B, -D: strong recurring profit contribution

Recurring profit contribution from changing the customer-mix  
CHF mn, pre-tax, pre-policyholder



The strong cumulative impact is the core of our profitable growth engine

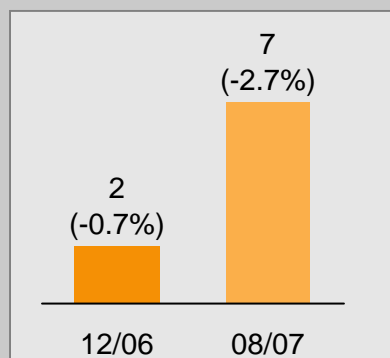
# Claims management

## Substantial efficiency gains realised

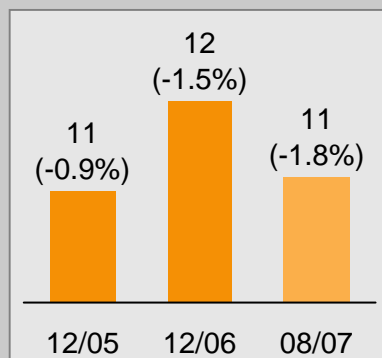
### Efficiency gains from improved claims management

CHF mn, % sustainable claims cost reduction

#### Basler Germany



#### Basler Switzerland



### Business excellence

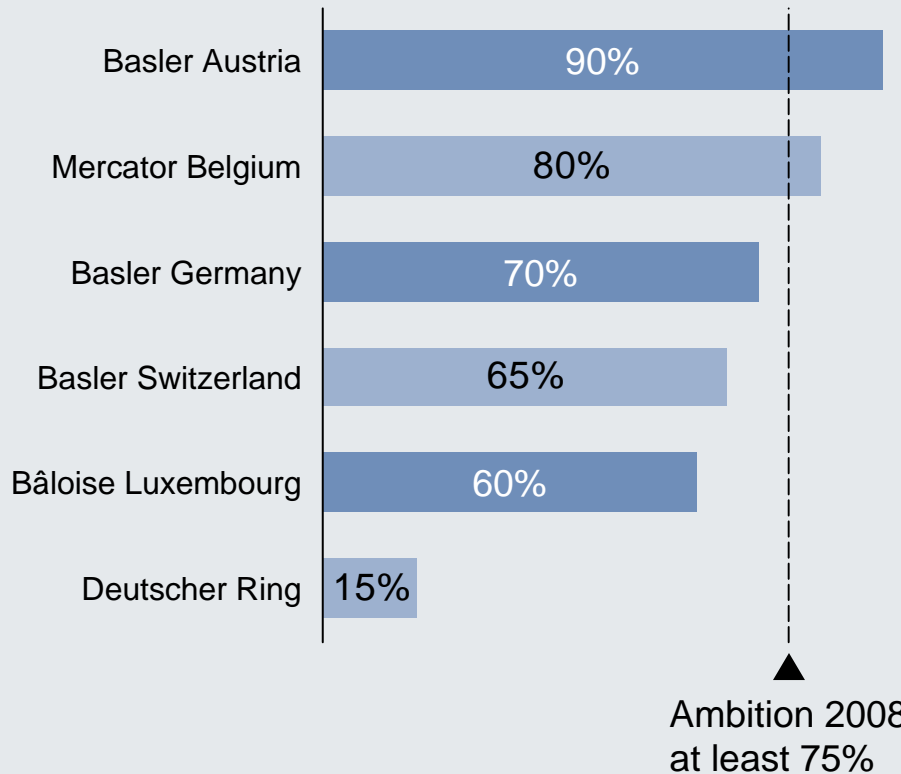
- Closed File Review
- Recourse management
- Speed of claims settlement
- Optimization of claims processes
- Improvements of organisational structures



# Scoring capabilities

## At least 75% of all tariffs scored by 2008

### Scored tariffs in new business % of total tariffs, as per 07/07



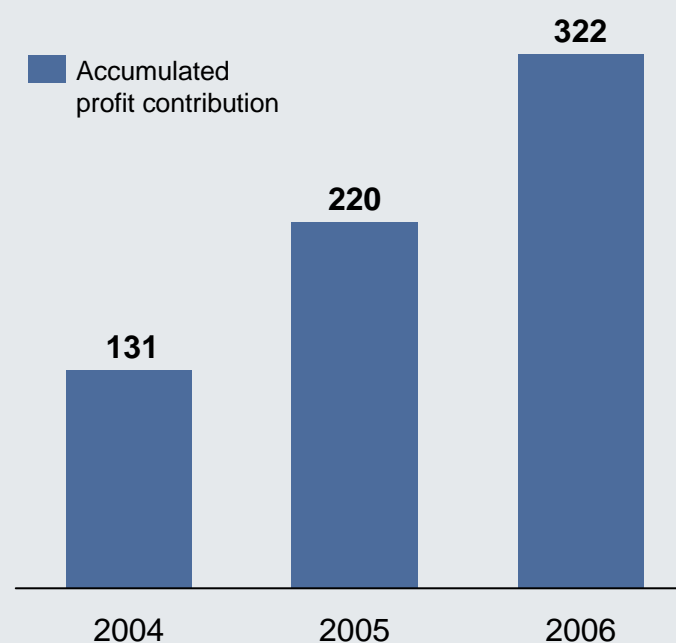
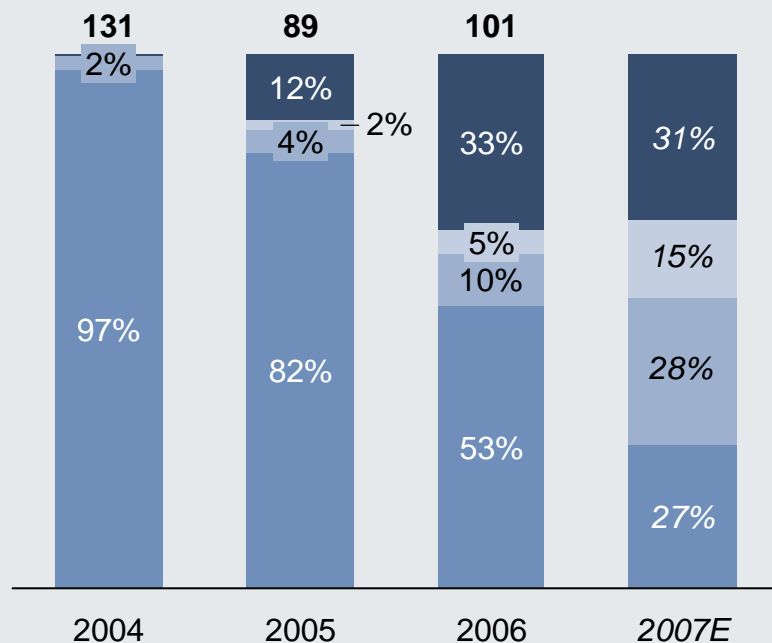
### Business excellence

- Risk-adjusted technical pricing
- Analysis of competition
- Identification of high margin customer segments
- Optimization of tariffs
- Enforcement of optimized tariffs in the market

# Profit contribution from OPEX

## Strong cumulative impact on earnings

Recurring profit contribution from OPEX measures for life, non-life and insurance banking  
 CHF mn, pre-tax, pre-policyholder



- Customer-focused measures
- Distribution-related measures
- Efficiency measures
- Product-related measures

## Taking it to the next level

### We are moving from PUSH to PULL...

- ▶ The basic «Profitable Growth Engine» primarily **PUSHES** Baloise interests
- ▶ The key to superior, sustainable profitable growth is that our target customers and brokers **DESIRE** to do business with us
- ▶ They are attracted by what we offer – they **PULL** Baloise to do business with them – based on Baloise's USPs

# Retail and SME customers

## Benefits from clearly established USPs

**1**

### **Moving beyond insurance**

- **Become the trusted partner for care and safety offering «peace of mind»**
- **«Safety World» solutions for specific target groups are emotionally attractive for our target customers**

**2**

### **Improve customer experience**

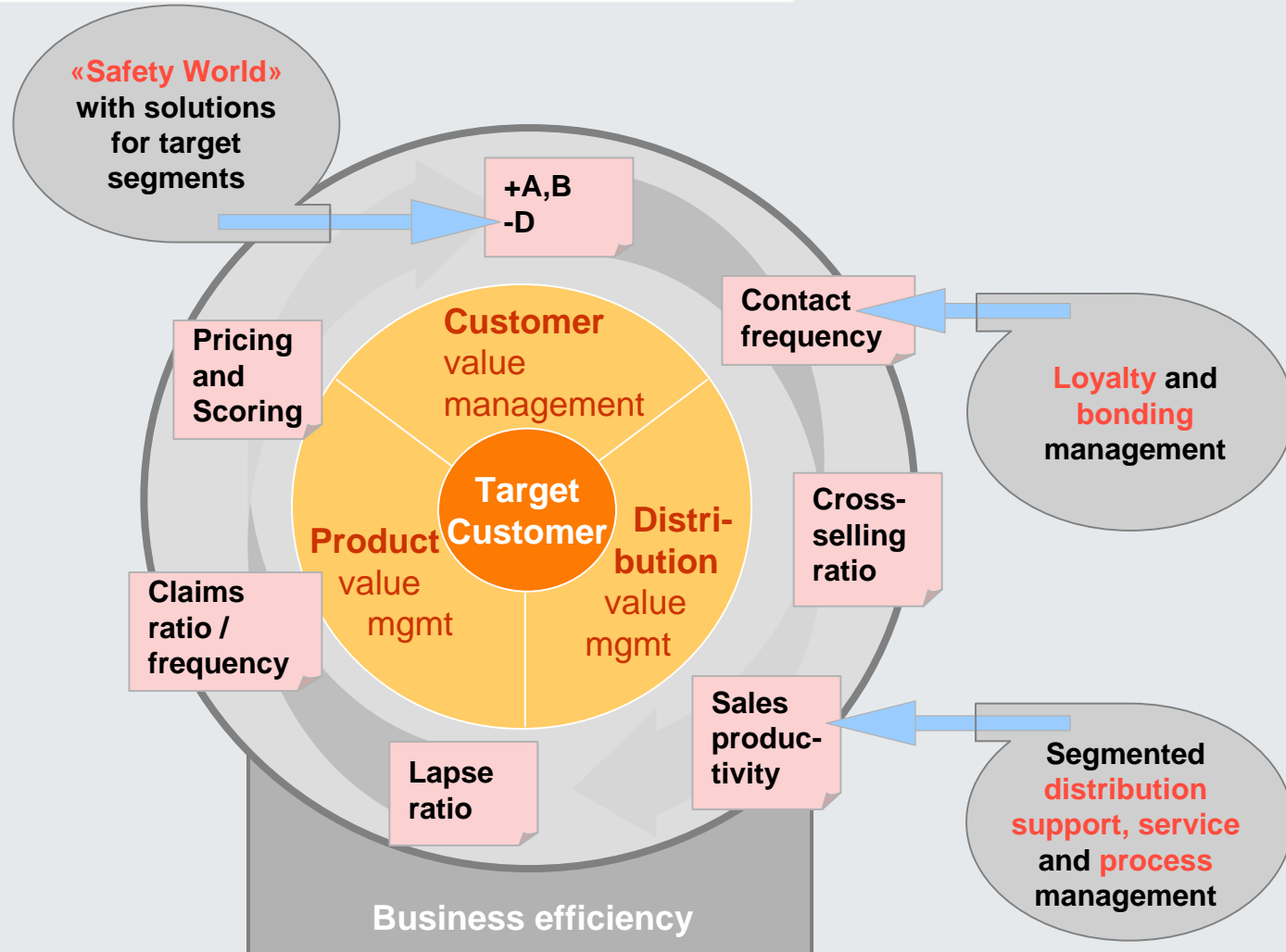
- **create emotional loyalty and bonding**
- **offer loyalty benefits**

**3**

### **Make it easier for our customers to do business with us**

- **segmented distribution support, service and process management**

# Our «Profitable Growth Engine» ... now gets turbos: «Baloise Safety World»



# Target brokers

## Benefits from clearly established USPs

1

**Make our target brokers commercially even more successful**

share our know how and support regarding

- customer value management
- distribution value management
- product value management
  - training, supporting tools, products and actions

2

**Make it easier for our brokers to do business with us**

- segmented distribution support, service and process management  
→ improved productivity

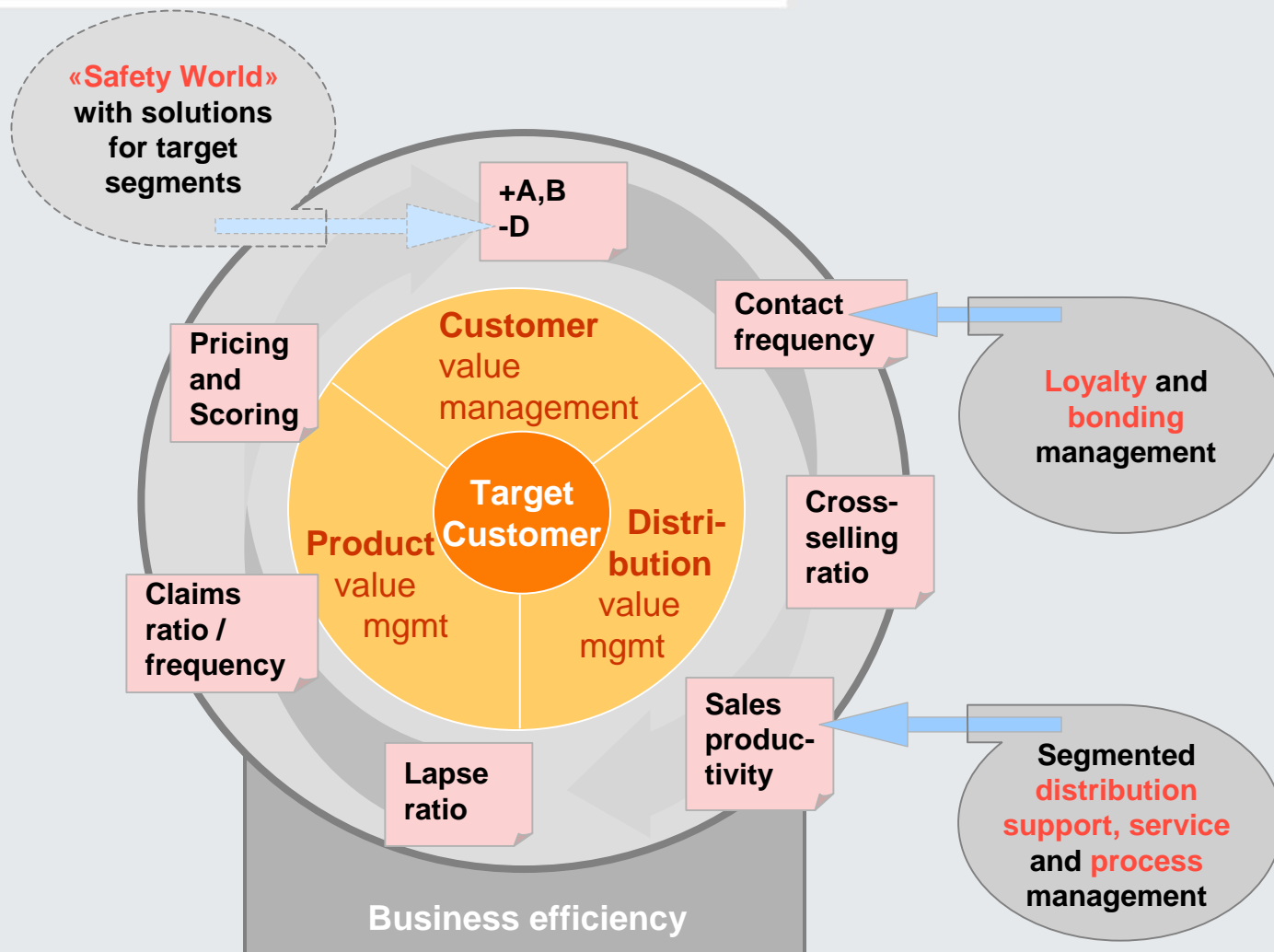
3

**Enhanced loyalty and bonding of**

- brokers
- customers

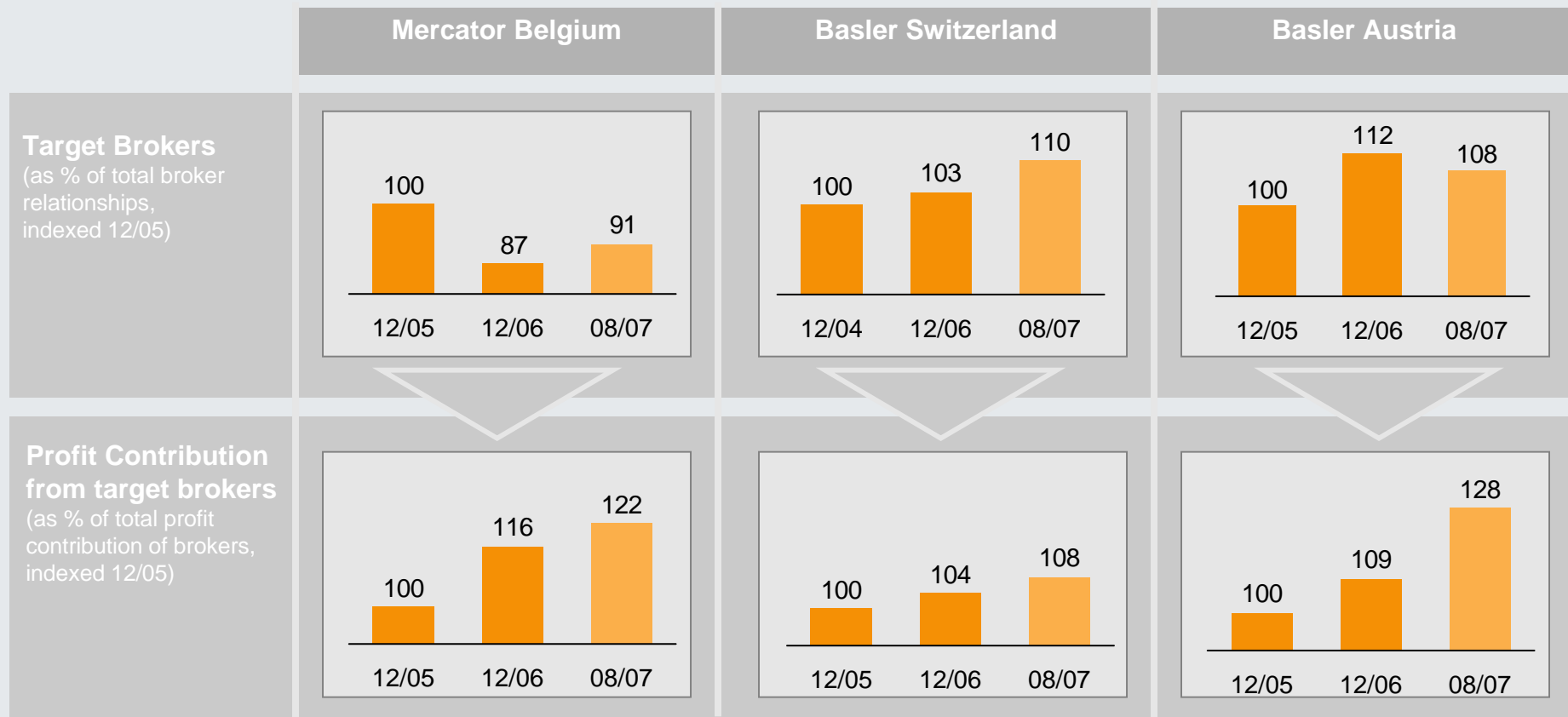
▶ **Build a FRANCHISE to support target brokers**

# Our «Profitable Growth Engine» ... now gets turbos: FRANCHISE for brokers



# Broker value management

## Intensified profitable relationships





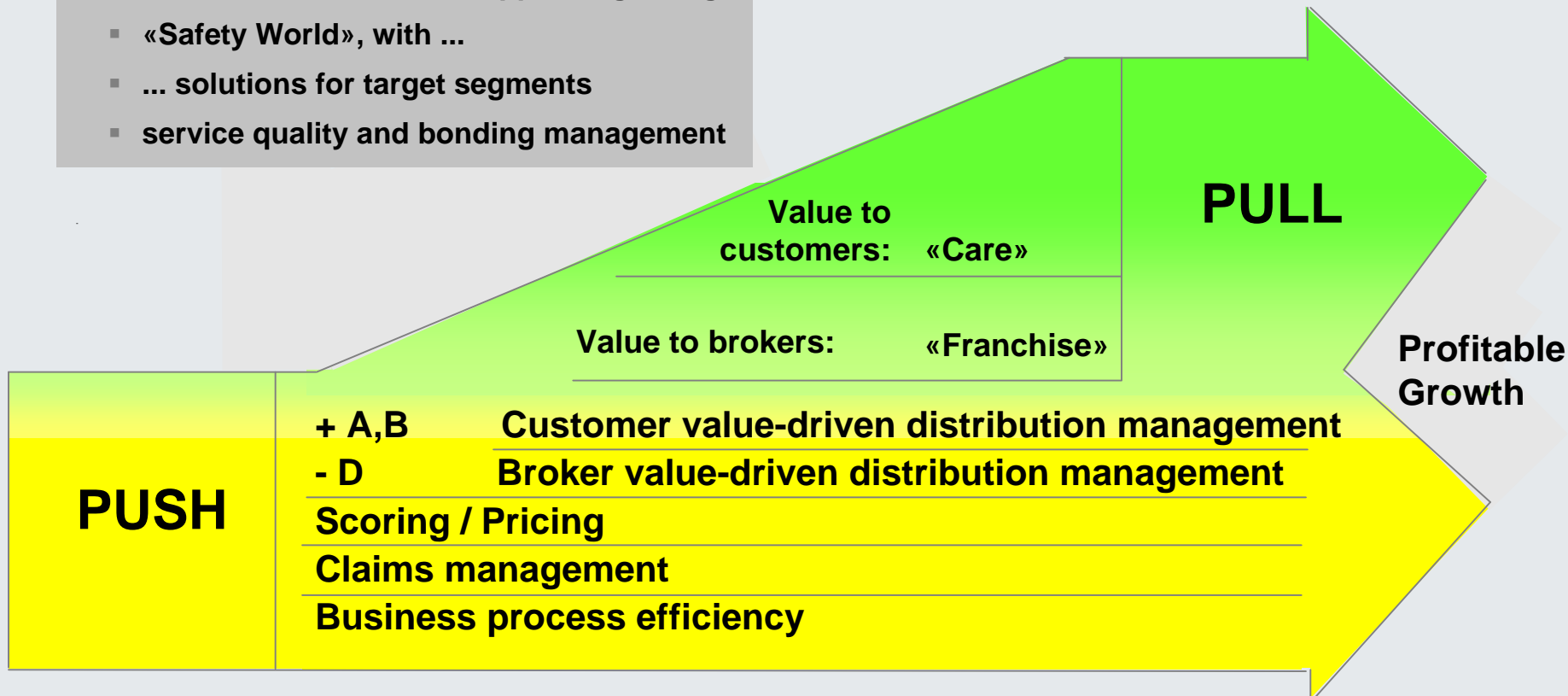
# Generating profitable growth

## PUSH & PULL interact: WIN<sup>3</sup> as result

### «Care» means:

share our know how and support regarding

- «Safety World», with ...
- ... solutions for target segments
- service quality and bonding management



# Our objective

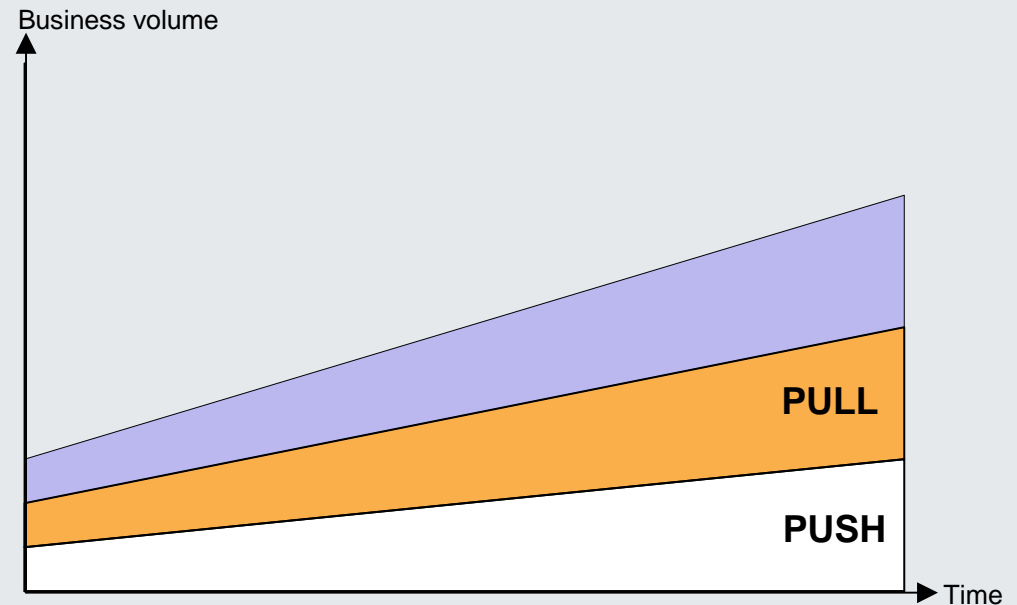
## Market lead in target customer management

By becoming the preferred trusted partner of our target customers and brokers through integrated customer value, distribution value and product value management to increase profitable growth in targeted segments –  
**leading to sustainable operational outperformance of the market**

**1** in our **EXISTING** business

**2** in **NEW** target segments

- geography
- customer segments
- distribution channels
- products



# Today's Agenda

## Profitable growth with a unique engine

	Review what had happened since the Investors Day 2005	How we generate profitable growth with a unique engine			
		+ $\Delta$ A/B	«Safety World»	Franchise	New target segments
<b>Basler Austria</b>	Integrated target customer management	X	X		
<b>Basler Switzerland</b>	Target customer management	X	X		X
<b>Mercator Belgium</b>	Broker value management	X		X	
<b>Basler Germany</b>	Pricing, scoring & claims handling	X			X
<b>Deutscher Ring</b>	OPEX since 2005	X	X	X	X
<b>Baloise Luxembourg</b>	OPEX since 2005	X			X

Basel, November 6, 2007

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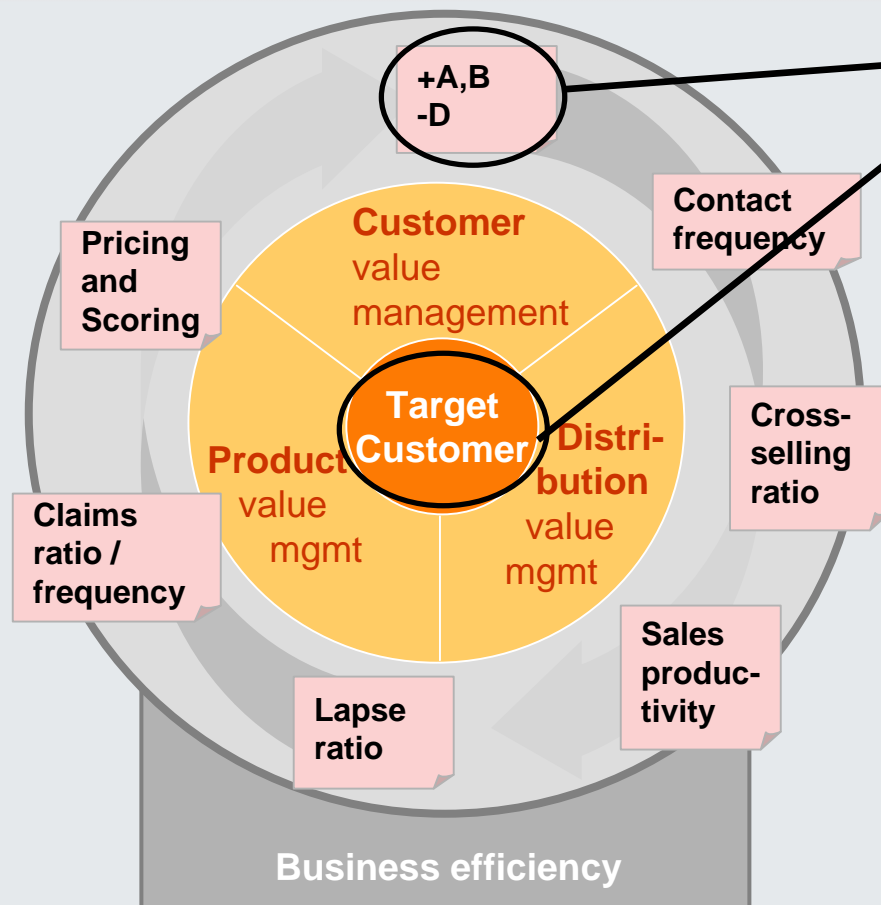
**«Safety World»  
as growth enabler**

**Lothar Mayrhofer**

CEO Basler Croatia & initiator of «Safety World»

# PUSH!

We did our homework!



## We know our customers.

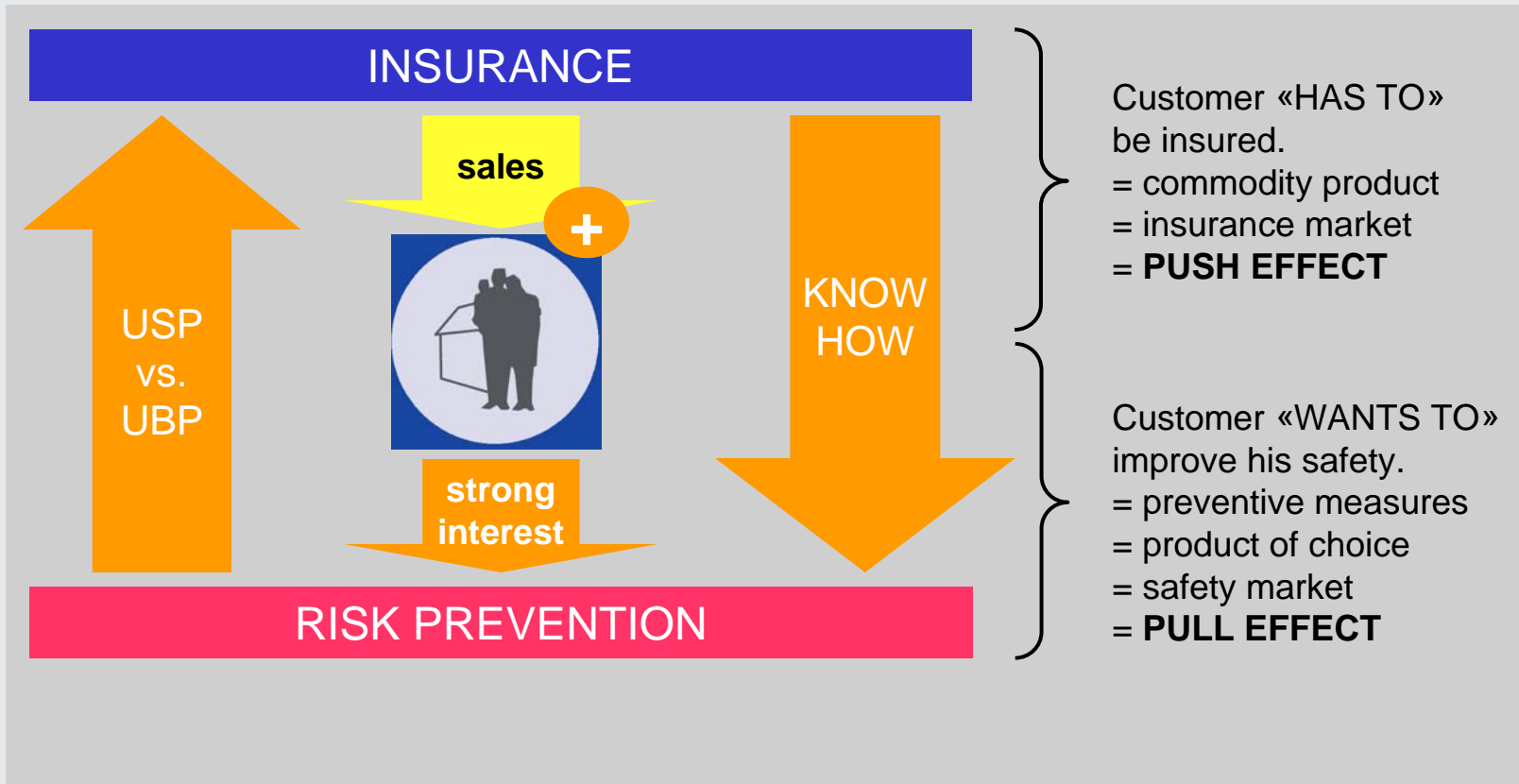
- We developed state of the art CRM capabilities and instruments
- We introduced customer based sales and marketing management
- We became experts in customer segmentation and scoring
- We improved our entire service quality
- We developed a customer care culture

## Our target customers are:

- Highly risk conscious
- Generate high average margin
- Highly loyal – 50 % stay longer than 10 years with us
- They generate year by year 60 % of our sales and 70 % of our GM

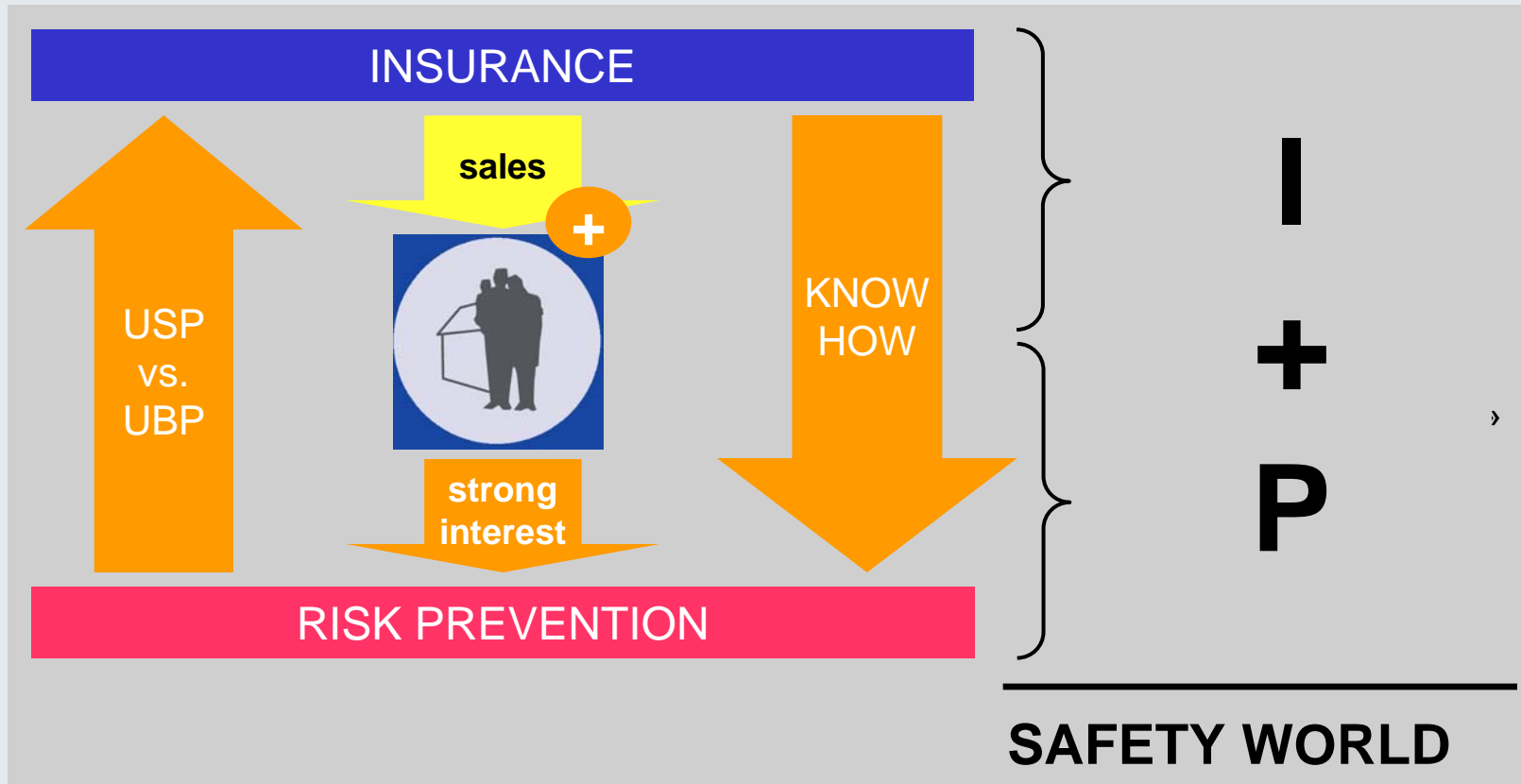
But the ultimate core benefit for our target customers  
- a unique «USP» – was still missing!

## Our unique USP the «Safety World»



► This solution covers the top priority need of our target customers : **SAFETY!**

## Our unique USP the «Safety World»



► This solution covers the top priority need of our target customers : **SAFETY!**

## «Safety World» Strategic effects

- Baloise Group is the first insurance company which has developed a **holistic prevention program for private clients**
- We significantly increase the overall personal safety of our customers and their beloved ones



Insurance is bought, safety is sought!



We are extending the scope of our business model!



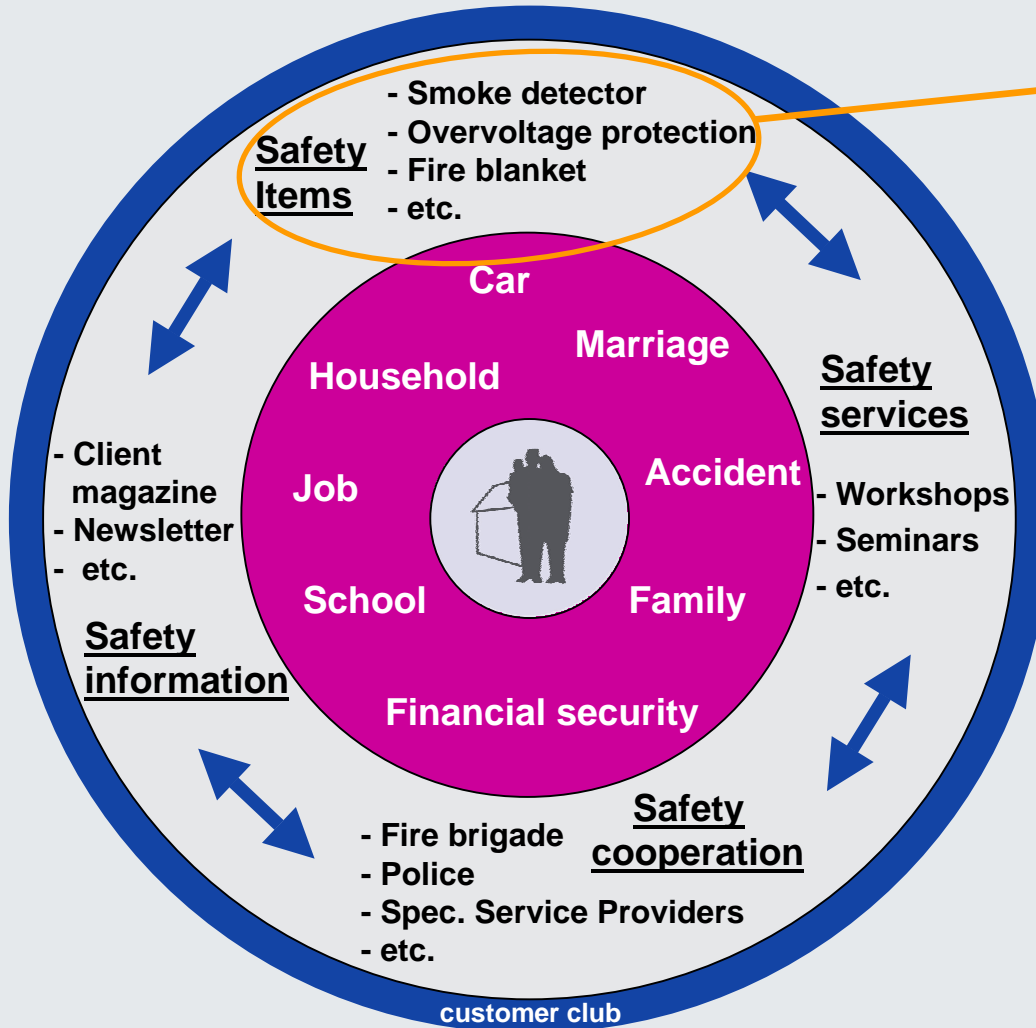
While the insurance market is saturated,  
there is an ever increasing demand for safety!



We have developed a large growth potential!  
And we are starting to exploit it!



# «Safety World» Beyond insurance



## e.g. Safety Items

Smoke detector



Overvoltage protection



Fire blanket



wrapped in  
 «Safety Box»



## Beyond insurance



## «Safety World» Advantages

### For our clients

- Satisfies one of their primary needs: the need for safety
- Reduces their risks considerably
- One supplier with many relevant solutions
- Easy access to safety information, co-operations, services and items
- They can buy high quality «risk reduction» in combination with insurance for a comparably «low» price
- They are taken care of
- Their quality of life is increased

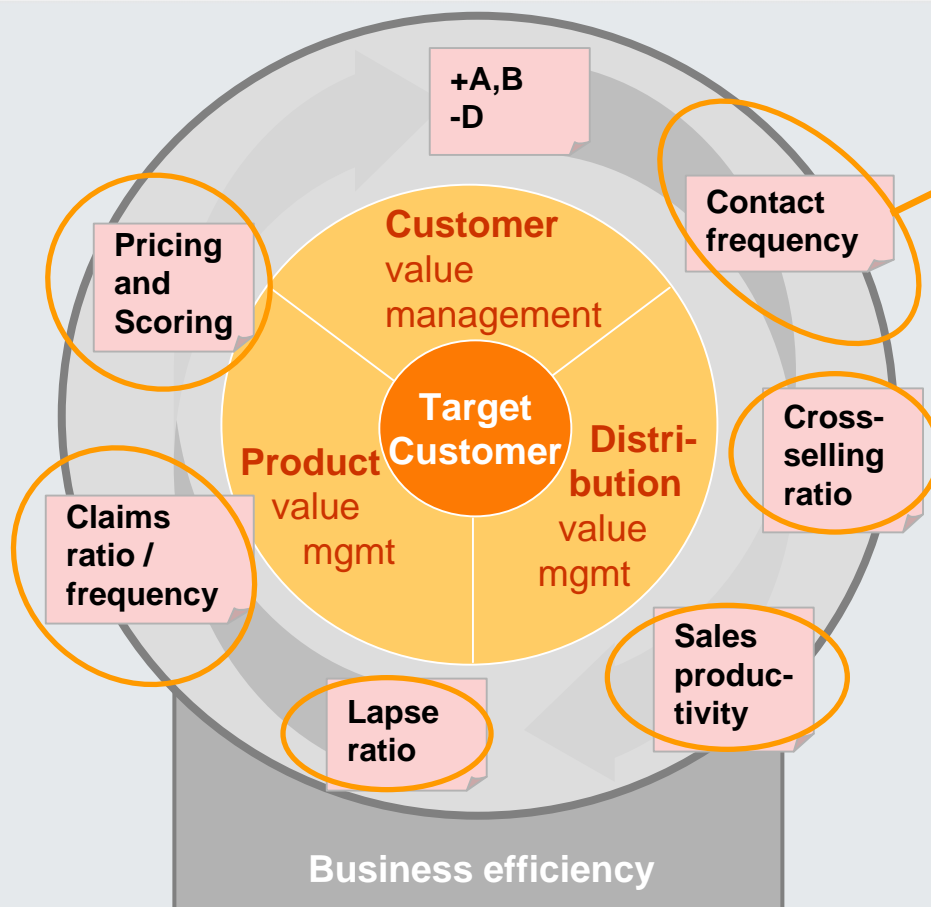


### For Baloise Group

- Professional, holistic approach
- Customers are attracted by their need for safety
- Numerous co-operation possibilities with partners
- Huge potential for relevant customer contact
- Claims reduction potential
- Approach with high price elasticity
- Access to a new booming market
- Customer bonding by added extra value
- Multi channel fit
- Groupwide positioning as a safety (care) company



## Our «Profitable Growth Engine» KPIs mirror profitable growth engine



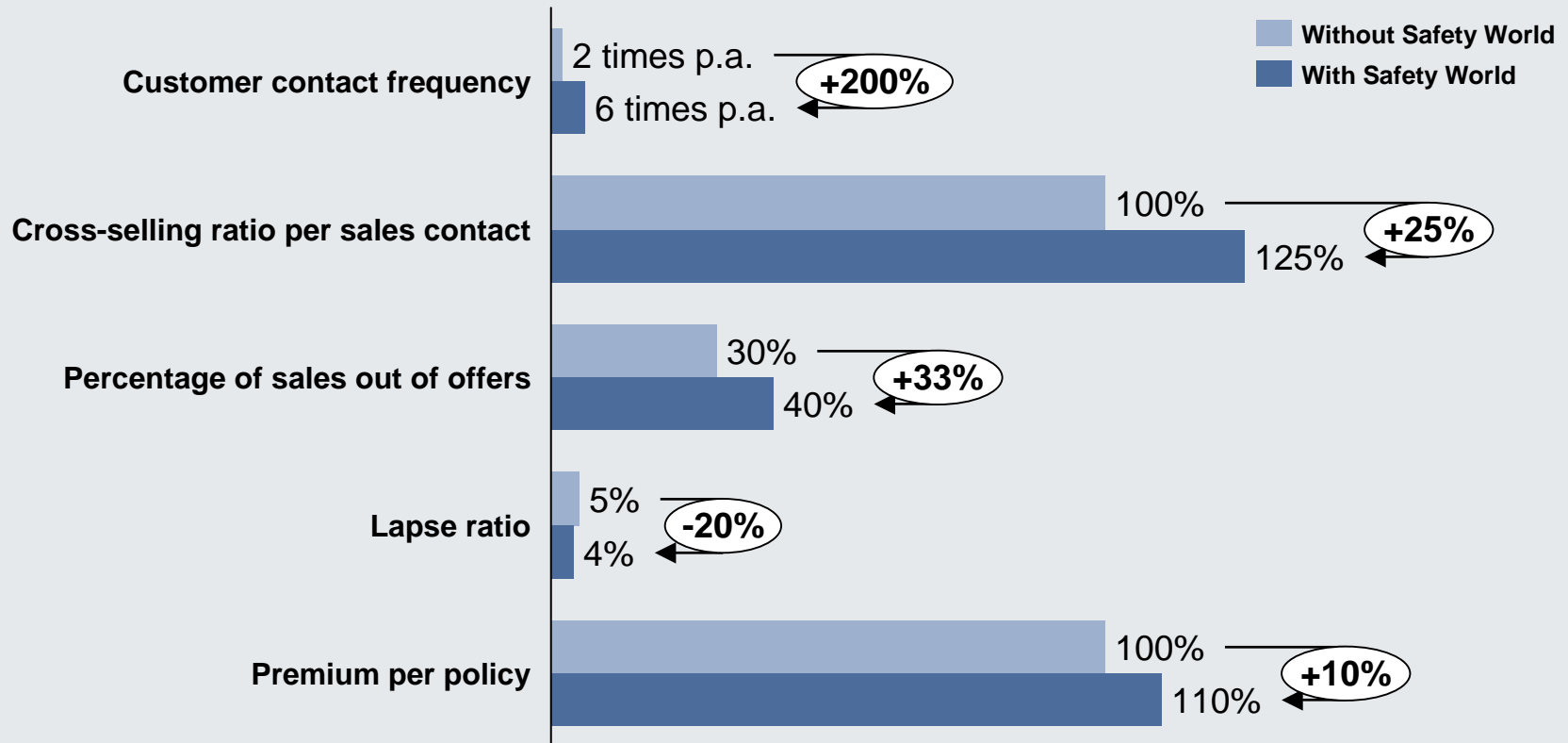
### Our KPIs

- Customer contact frequency
- Cross selling ratio per sales contact
- Percentage of sales out of offers (sales productivity)
- Lapse ratio
- Claims ratio / frequency
- Premium per policy

Our KPIs mirror every important factor of Baloise «Profitable Growth Engine»

# «Safety World»

## Effects of «Safety World» turbo on KPIs



«Safety World» has a positive effect on ALL our KPIs!

# «**Safety World**» Our marketing campaign



**«Everyone has their guardian angel.  
Baloise clients have two.»**

# «Safety World»

## Tackling our challenges

challenges	What we do	Results
<b>Growth + <math>\Delta</math> A/B</b>	<ul style="list-style-type: none"> <li>- Develop state of the art target customer care program</li> </ul>	<ul style="list-style-type: none"> <li>- clients show strong interest for «Safety World» products and services</li> <li>- We create a new dimension in customer loyalty</li> </ul>
<b>Operating in saturated markets</b>	<ul style="list-style-type: none"> <li>- We differentiate ourselves as THE care company</li> <li>- We enter the safety market, which has a very high growth potential</li> </ul>	<ul style="list-style-type: none"> <li>- Baloise has a clear competitive advantage as first mover</li> </ul>
<b>Insurance is a commodity</b>	<ul style="list-style-type: none"> <li>- We change a commodity product to a unique solution for a top priority customer need</li> </ul>	<ul style="list-style-type: none"> <li>- «You are not just buying a policy, you are buying security &amp; safety.»</li> <li>➤ Customer´s safety is «priceless»</li> <li>➤ Focus shifts from price to value</li> </ul>
<b>Insurance is an experience good</b>	<ul style="list-style-type: none"> <li>- «Safety World» offers numerous contact opportunities</li> </ul>	<ul style="list-style-type: none"> <li>- Personal safety is a high-interest touchpoint</li> </ul>
<b>Teamwork</b>	<ul style="list-style-type: none"> <li>- Competence center to realize synergies</li> <li>- It´s a long-term group-wide effort</li> </ul>	<ul style="list-style-type: none"> <li>- Large synergy potentials through combined efforts</li> <li>- Our employees, distribution partners and clients are fascinated by our caring approach</li> </ul>

Basel, November 6, 2007

**Investors Day 2007**

# **Austria**

## **Customer focus and sales force growth**

**Otmar Bodner**  
CEO Basler Austria



## Basler Austria

### Strong growth, improved profitability

<i>in CHF mn</i>	2004	2005	2006	H1 2007
<b>Gross premiums written NL</b>	84	92	98	58
<b>Combined Ratio, gross</b>	105.2	103.7	99.7	104.0
<b>Gross premiums written L</b>	31	36	40	22
<b>Investment-type premiums</b>	0	0	4	2
<b>EBIT</b>	9	3	5	2

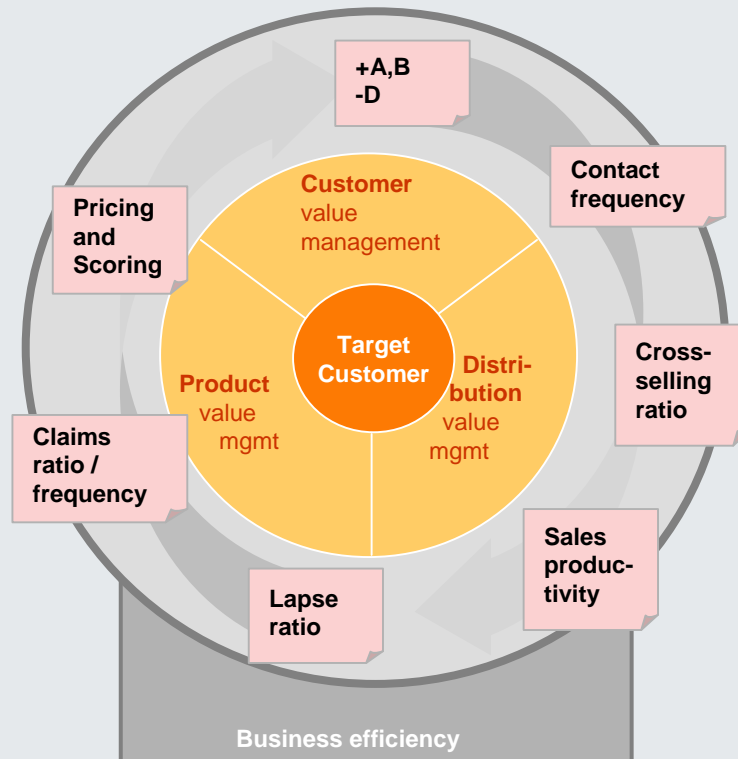
#### Business Overview:

- NL: Strong premium growth in the past years
  - Growth continuing in 2007 (NL + 10%)
- Growth fueled mainly by expansion of tied sales force
- Despite heavy investments in sales force Combined Ratio below 100% in 06
  - H1 07: Combined Ratio negatively impacted by Kyrill
- Life: growth less strong; focus on investment type premiums

Remark: All figures on this slide include Croatia.

# Our engine works

## Results achieved at Basler Austria 2005-07



### Target customer segment:

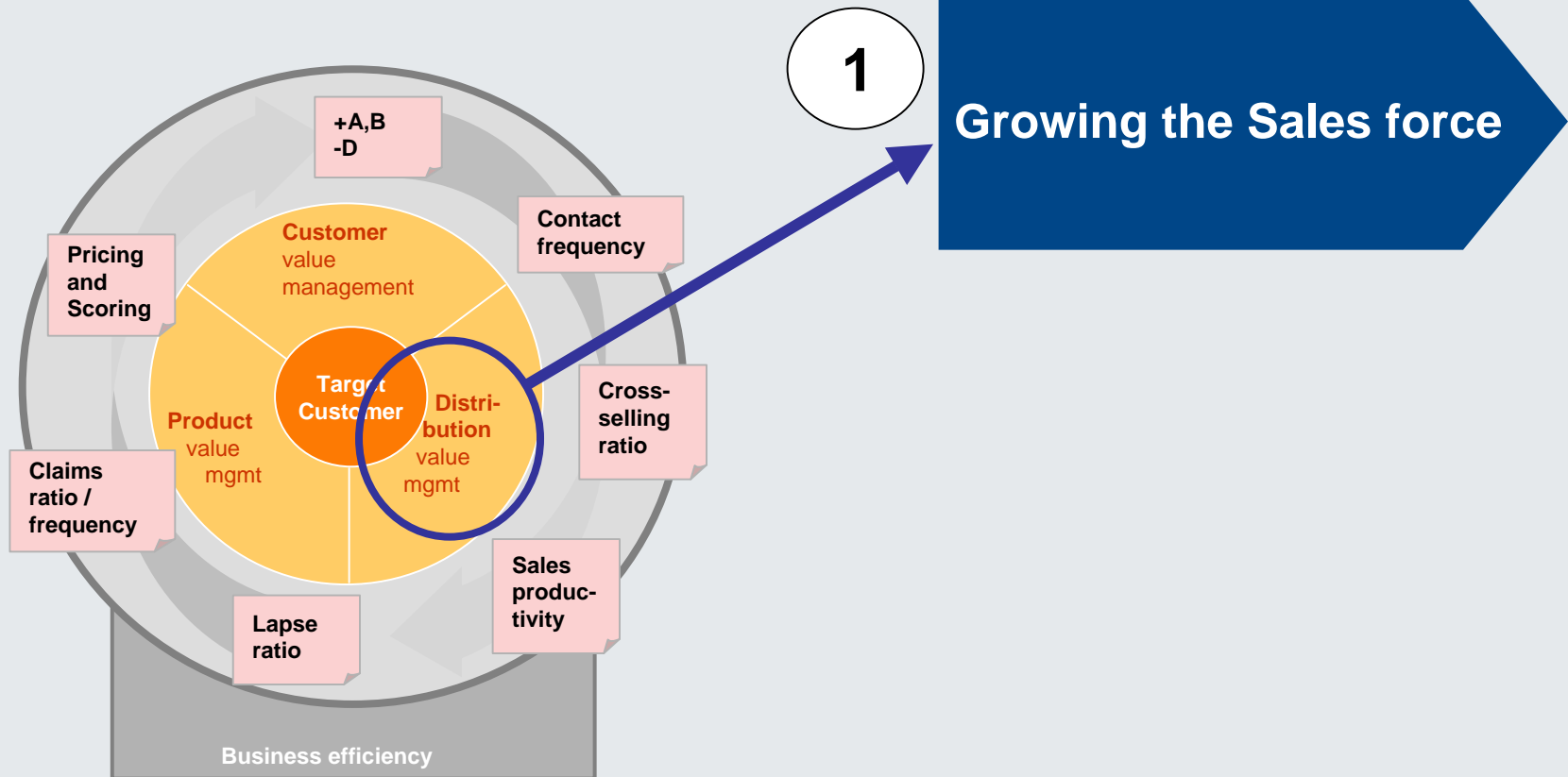
- Premium growth 06 vs. 05: 14%
- Cross-selling ratio 06 vs. 04 up by 11%
- Lapse ratio 06 vs. 04 down by: 28%
- Claims ratio of ~50% (= around 10 percentage points better than entire portfolio)

### Entire non-life portfolio:

- Lowered claims ratio in the past years by 4 percentage points
  - All retail products based on scoring;
  - D – customer manager installed: tracking of D customers.

# Our engine works

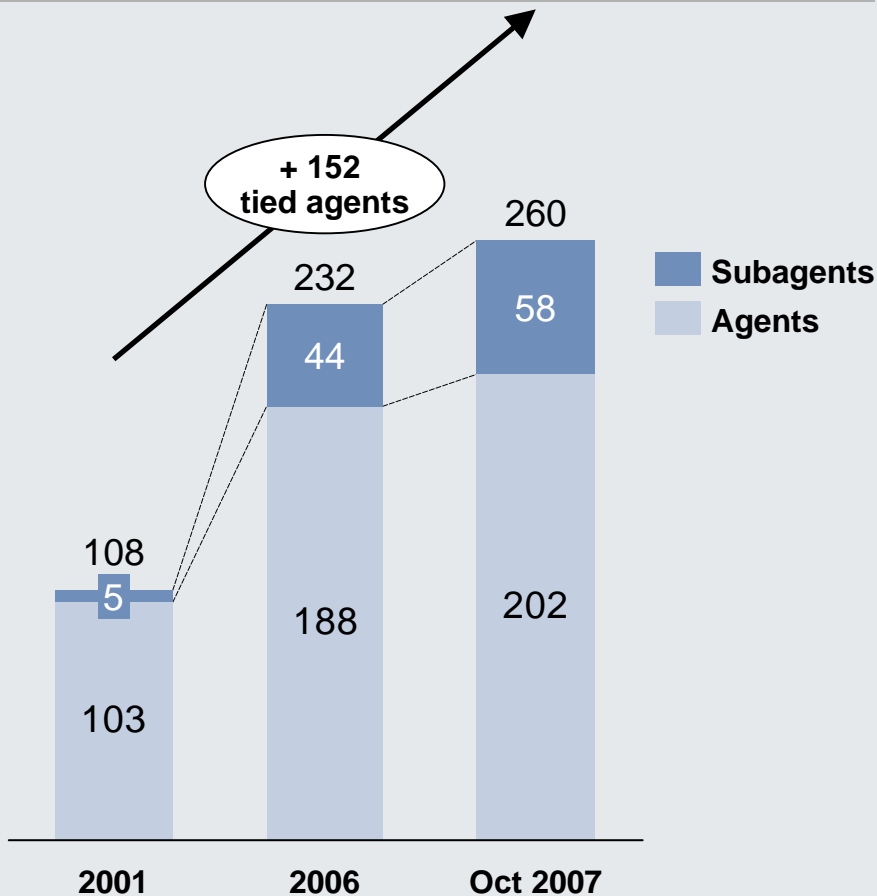
## Results achieved at Basler Austria



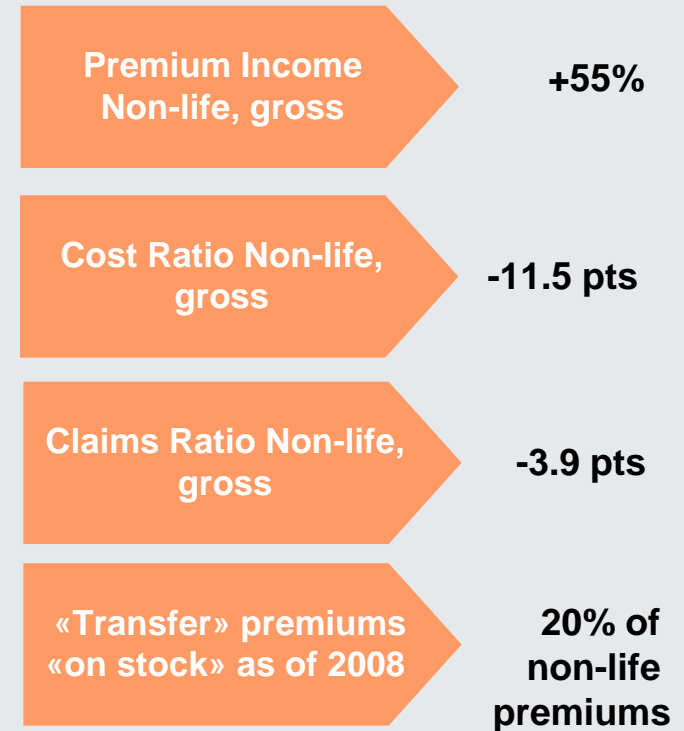
# Main driver for growth

## Expansion of sales force

Number of Tied Agents

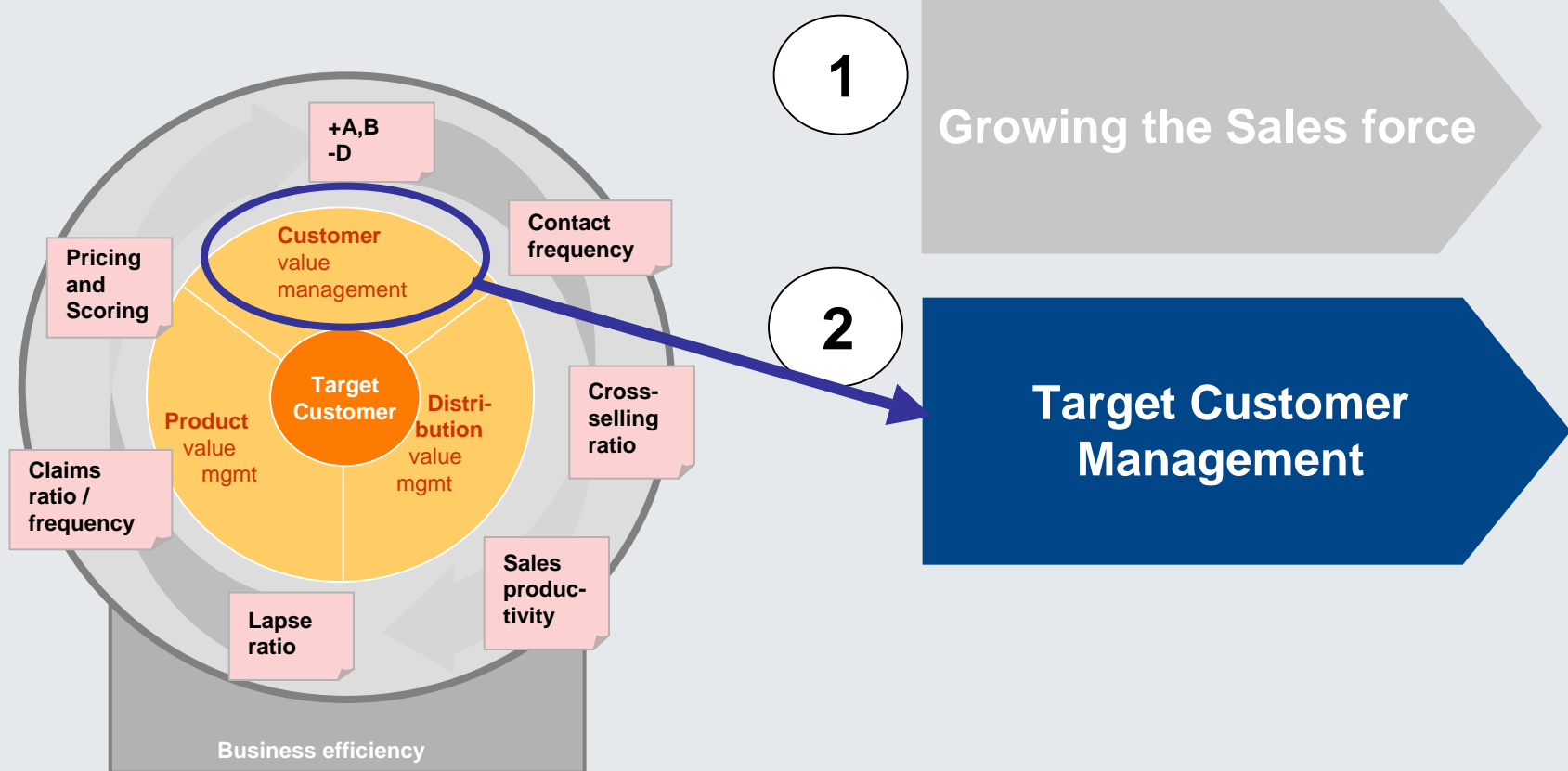


Results achieved from 2001 to 2006  
 All figures in local GAAP



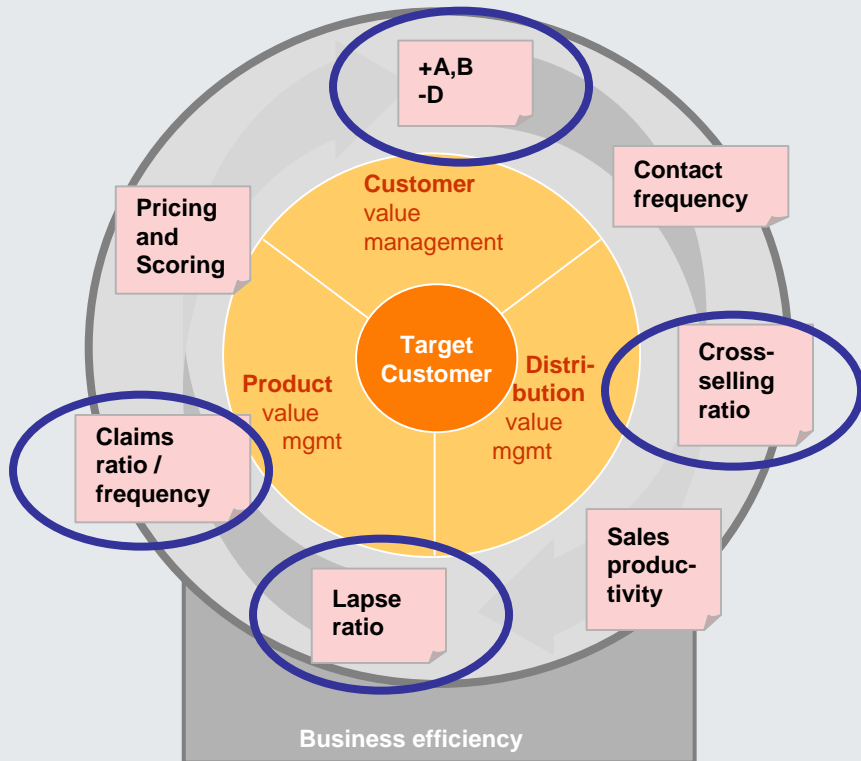
# Our engine works

## Results achieved at Basler Austria



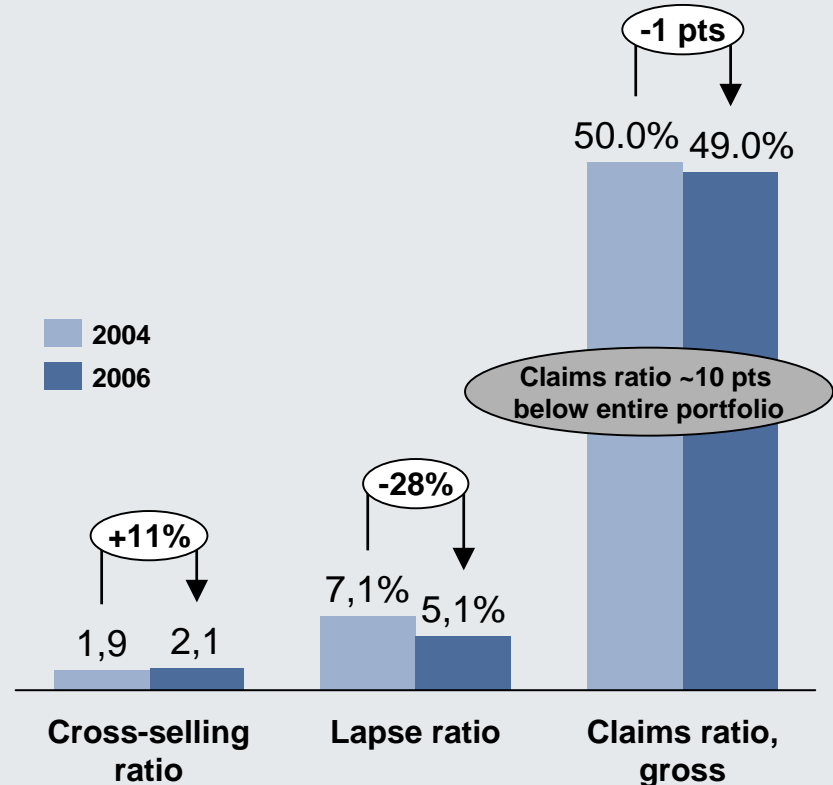
# Our engine works

## Results achieved at Basler Austria



### Results achieved in target customer segment

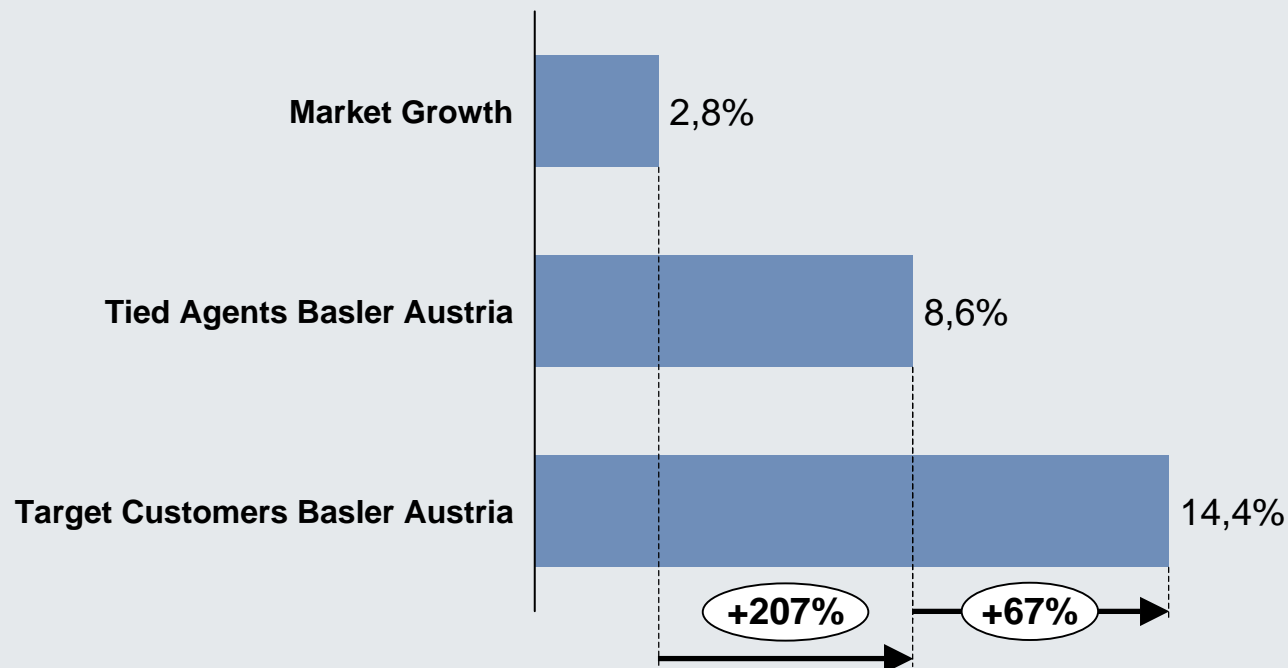
All figures in local GAAP



# Target Customer Management

## Relative outperformance of market achieved

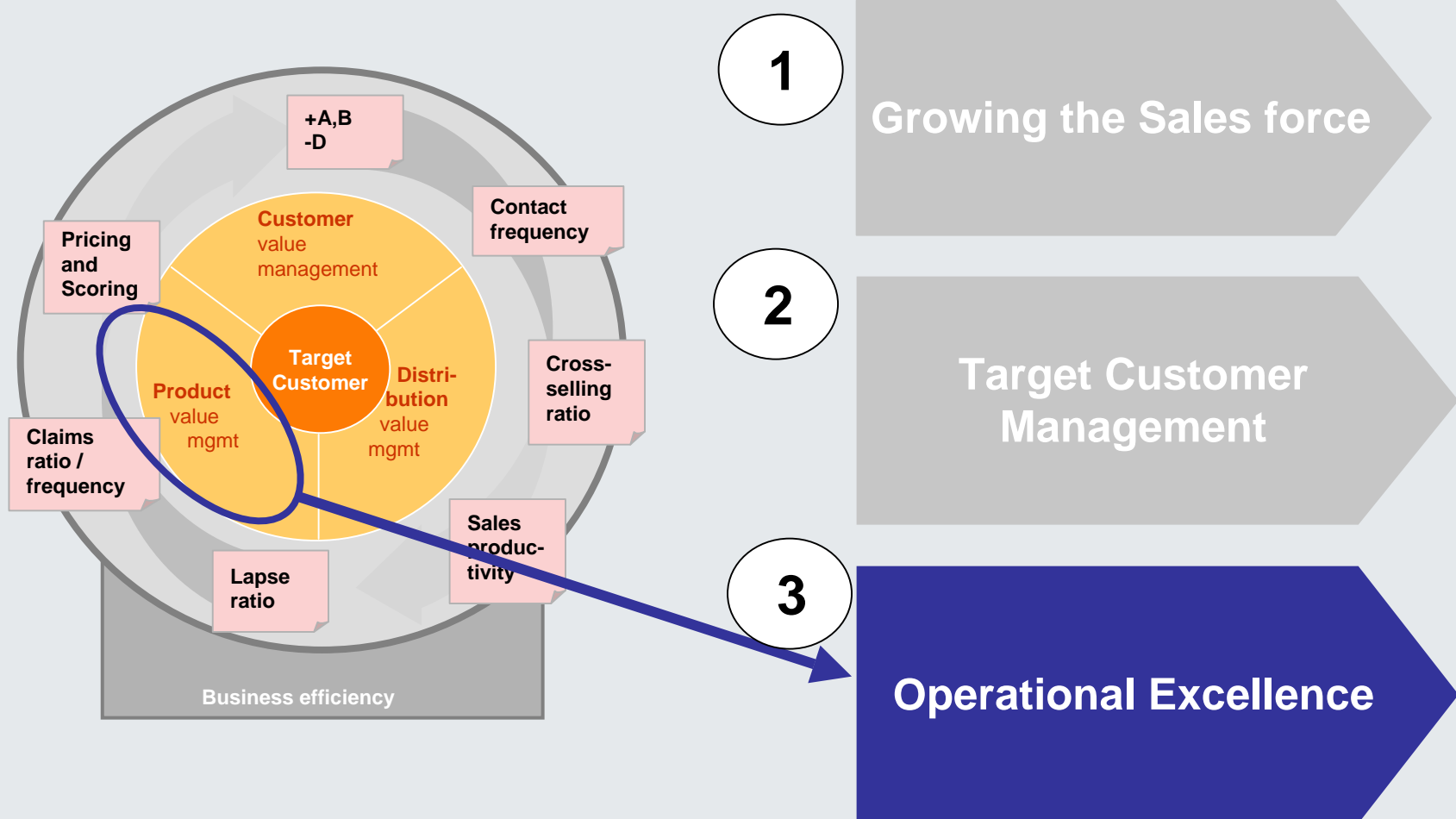
Growth of non-life premiums 2006 vs. 2005  
All figures in local GAAP



Contribution from Target Customers increased 2006 vs. 2005 by 16%

# Our engine works

## Results achieved at Basler Austria





# Capabilities and culture

## Key enablers

### Management capabilities

- Scoring based & customer oriented product management
- Customer analysis & evaluation
- Customer focused distribution & marketing
- Management of specific market segments

Integrated customer value management

### Corporate culture

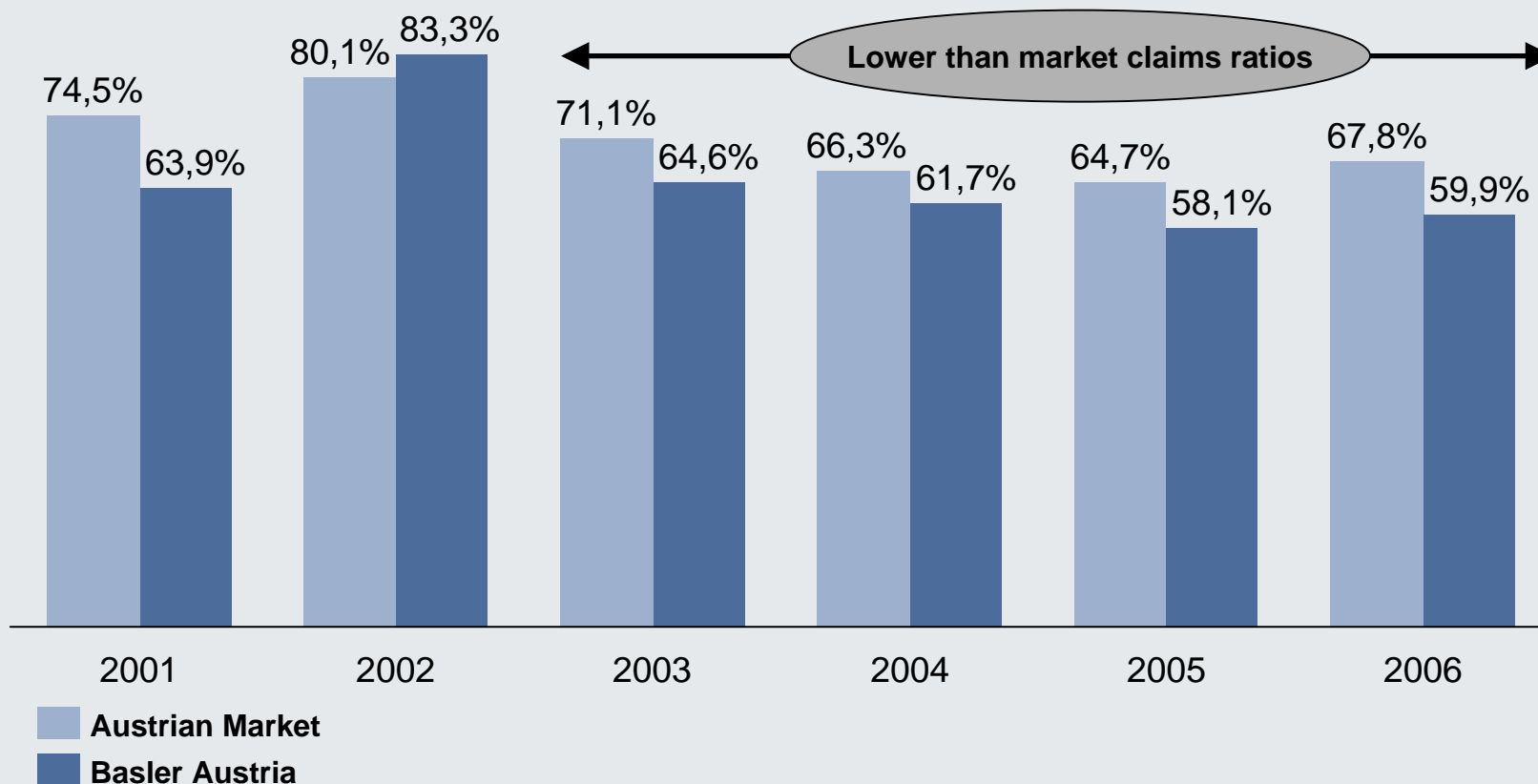
- Customer centered vision
- Focus on quality relationships & customer satisfaction
- High quality employees
- High attractiveness for sales agents
- Basler – attitude among all employees

## Scored products

### Market surpassed, lower than market claims

#### Claims ratio 2001 to 2006

%, gross, Austrian business only, excluding Croatia



Source: Market figures: Austrian Insurance Association; figures for Basler Austria: local GAAP excluding negative effect from run-off portfolio. This effect was 1.6 pts in 2003, 4.0 pts in 2004 and 7.0 pts in 2005.

## Corporate Culture

Strong support by our employees



### Survey «Great Place to Work»

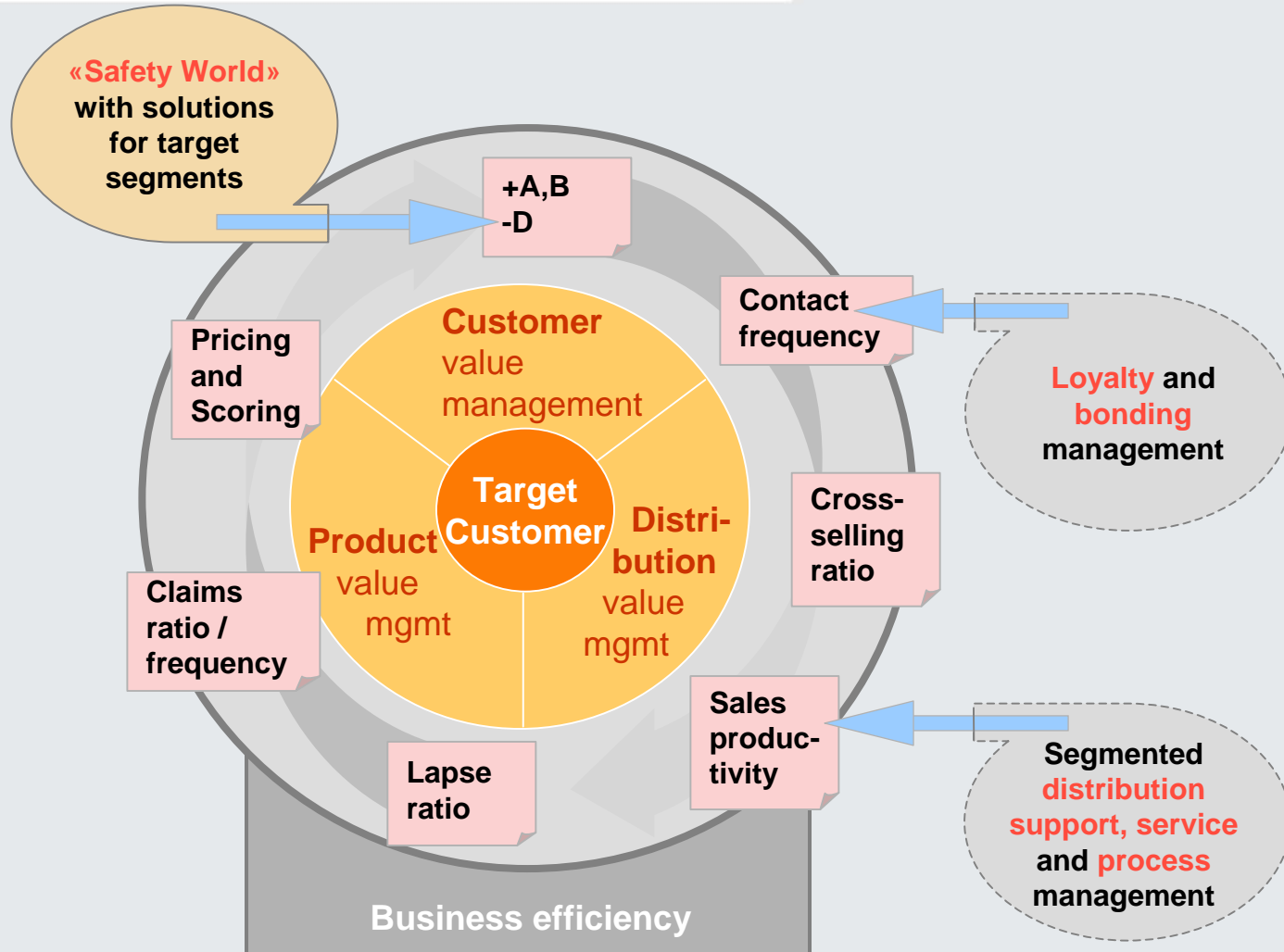
Result of Basler Austria is

- **4th best employer in Austria (>250 employees)**
- **# 2 in the financial sector**
- **# 1 in the insurance industry**

 Award fits perfectly to our «Grow the Sales Force»-Strategy

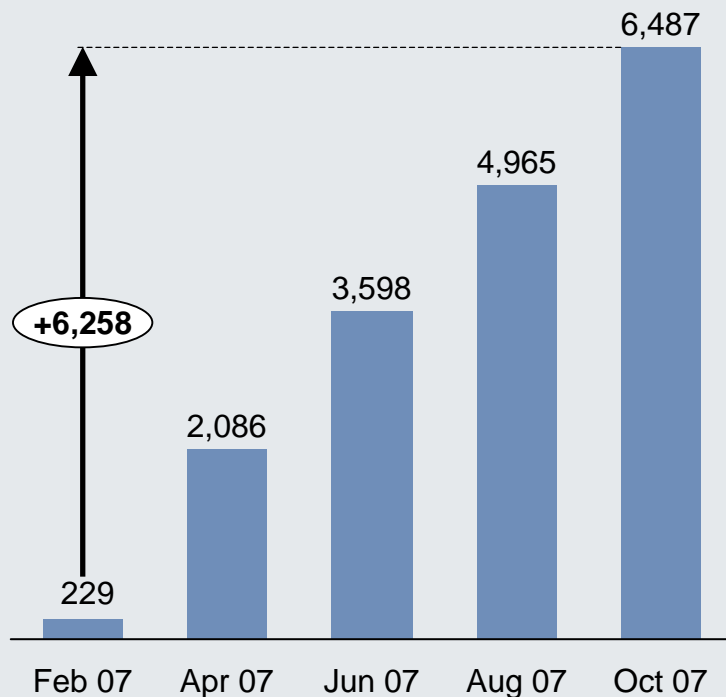
# From Push to Pull

## «Baloise Safety World»



# Successful implementation 6,500 high net value «Safety World» members

Number of «Safety World» members



«Quality» of customers

Number of covered risks per client

	Tied agent customers	«Safety World» members
>/=4	28.5%	45.5%
3	29.1%	30.1%
2	42.4%	24.4%

## KPIs

- Level of rebates: - 5%
- Cross-selling ratio: 2.1 -> 2.3 E

# Our way ahead

Group ambition	What we do	Comments
<b>Grow + <math>\Delta</math> A/B</b>	<ul style="list-style-type: none"> <li>▪ Incentives for sales agents to increase business with A customers</li> </ul>	<ul style="list-style-type: none"> <li>▪ Ongoing process</li> </ul>
<b>Implement «Safety World» world / franchises as enabler to create + <math>\Delta</math> A/B</b>	<ul style="list-style-type: none"> <li>▪ Safety World as additional leverage for retaining A customers and increasing our business with them</li> </ul>	<ul style="list-style-type: none"> <li>▪ «Safety World» launched in January 2007</li> </ul>
<b>Develop new target segments and distribution channels</b>	<ul style="list-style-type: none"> <li>▪ Growing our sales force by recruiting experienced sales agents from competitors with proven track record for                             <ul style="list-style-type: none"> <li>▪ sales strength and</li> <li>▪ low claims ratio</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>▪ Proven track-record</li> </ul>
<b>Improve business efficiency</b>	<ul style="list-style-type: none"> <li>▪ Reducing the cost ratio by premium growth and at the same time keeping the Back office costs flat by:                             <ul style="list-style-type: none"> <li>▪ Automation</li> <li>▪ short decision processes – reducing complexity</li> <li>▪ buying low volume products rather than making them (e.g. legal protection for doctors)</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>▪ Ongoing process</li> </ul>

Basel, November 6, 2007

**Investors Day 2007**

## **Switzerland**

**Profitable growth in target customer segments**

**Martin Strobel**

CEO Basler Switzerland

## Baloise Switzerland

### Profitability strongly improved

<i>in CHF mn</i>	2004	2005	2006	H1 2007
Gross premiums written NL	1,281	1,287	1,281	977
Combined Ratio, gross	93.1	113.3	87.8	88.1
Gross premiums written L	2,640	2,532	2,414	1,758
Investment-type premiums	27	46	36	17
EBIT	156	97	288	244

- Business Overview:**
- Baloise Switzerland belongs to the **leading Swiss insurance companies** with an overall top 4 market position (top 4 in life, top 5 in non-life)
  - Baloise's Swiss operation is built around **three core activities**
    - Non-life business covering most lines of business
    - Life business covering individual as well as group life business
    - Baloise Bank SoBa as provider for mortgage and savings products in the canton Solothurn and for the strongly growing 360 degree approach «focused financial service provider»
  - **Key competitive strength** of Baloise Switzerland is its **target customer approach**: integrated customer-value oriented management approach to increase profitable growth in targeted customer segments leading to a strong improvement of earnings quality



# Our engine works

## Results achieved at Baloise Switzerland



### Results achieved 2005 to 2007

- **+ A,B / -D:** premium growth A/B 2% (Nov 06 – Sep 07); D business -20% (Nov 06 – Sep 07)
- **Customer contact frequency:** Increase in targeted segments
- **Cross-selling ratio:** up 5.6% since Jan 06
- **Sales productivity:** up 4.2% ytd (Sep 07)
- **Lapse ratio:** net elevator effect +2.9% (Dec 06 – Aug 07)
- **Claims ratio & frequency:** market leading claims frequency in motor of 52‰ ytd (Sep 07)
- **Pricing & scoring:** strong improvement of CR performance to 88% at H1 07

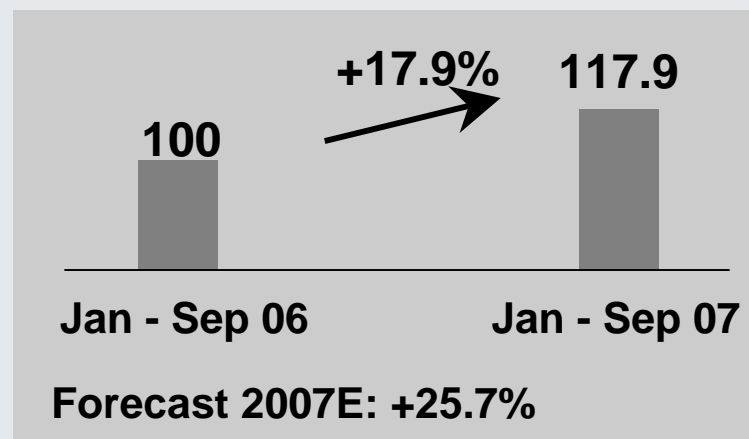
## Cross-selling / Sales productivity

### Both improving

- To increase the cross-selling capability of our sales force we developed **dedicated measures**, e.g. cross- and up-selling marketing campaigns which are supported by an incentive scheme that gears the entire sales organisation towards customer value management
- The application of these measures led to an **increase in the cross-selling** as well as an **increase of the sales productivity**

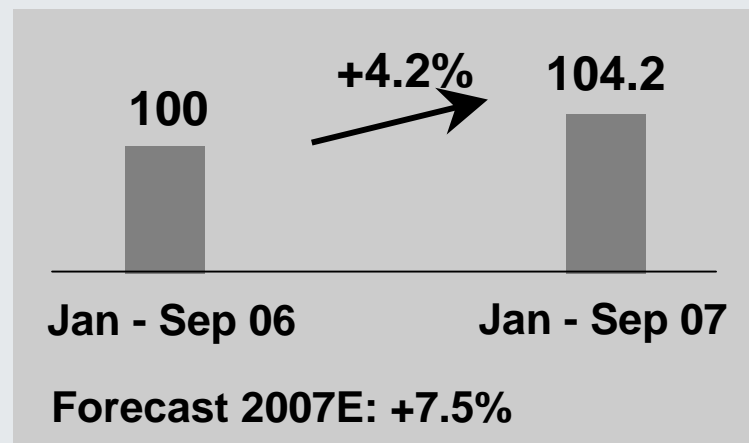
### Cross-selling capability YTD

Number of really new contracts per sales person



### Sales productivity

New business volume per sales person

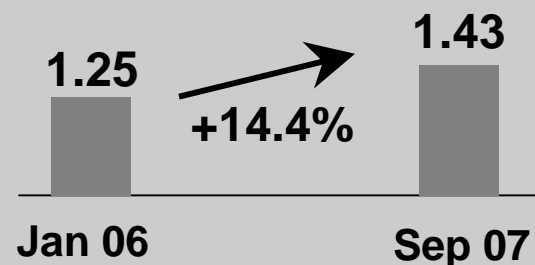


## Product density Significantly improved

- In the new customer segment, the **cross-selling quota increased by 14.4%** from January 2006 to September 2007

New customers

Cross selling quotas



- In the segment of those existing customers that had been pre-selected by our data mining algorithms the **product density increased by 7.8%**

Selected cross-selling customers



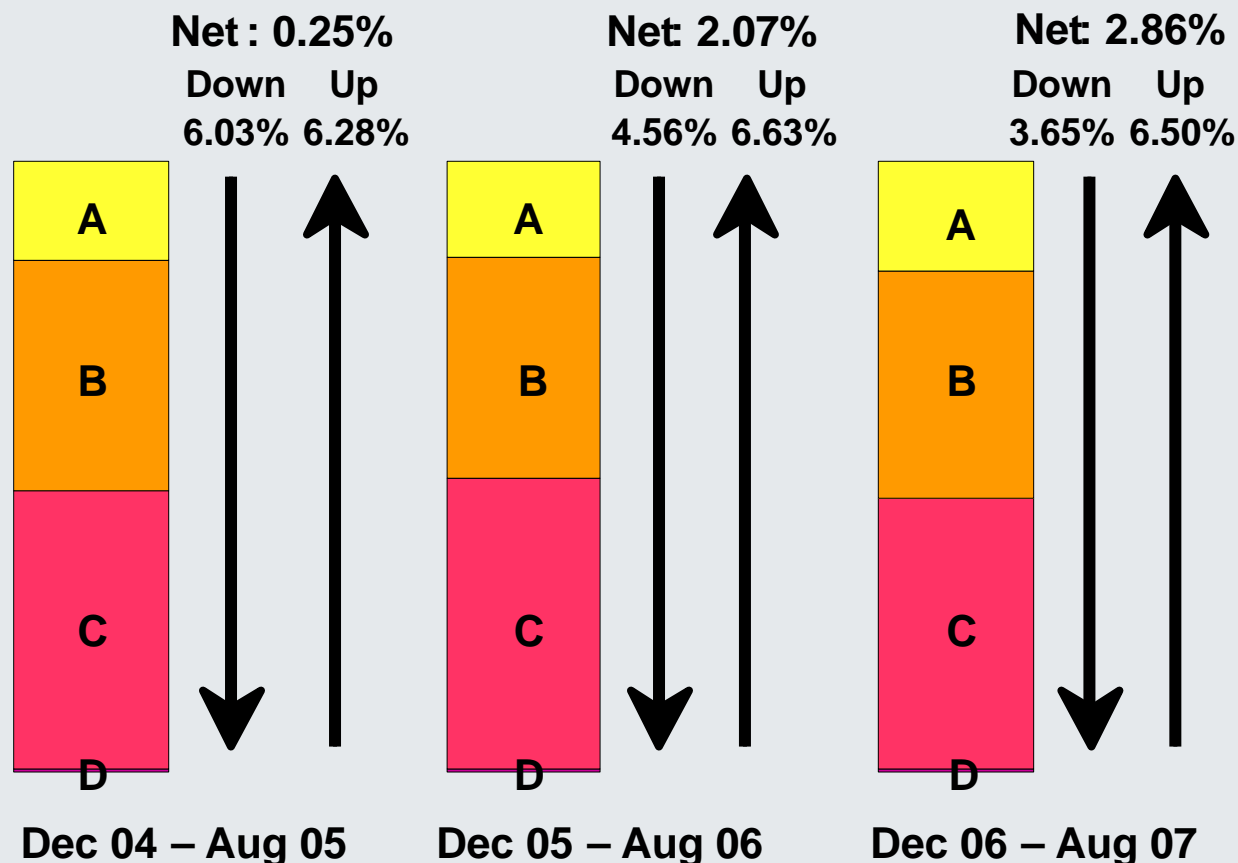
- Overall, the **cross-selling quota increased by 5.6%** for the entire customer base

All customers



## Improving Customer Mix The elevator effect

- The **intensification of customer care** in targeted segments through our sales value management led to a growth in targeted segments and an increase in customer loyalty, thus improving the speed of our «target customer elevator»
- This **accelerating elevator effect** improves the quality of our customer mix

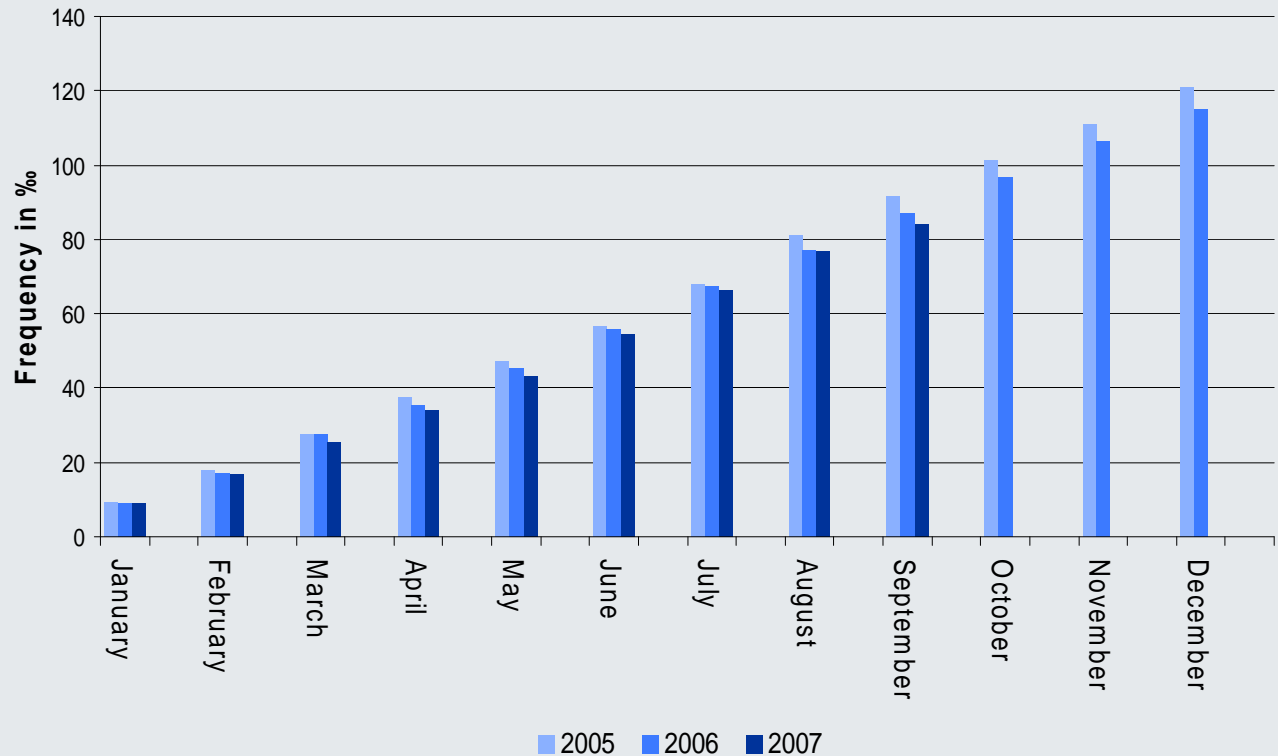


# Claims frequency non-life

## Permanently improving in entire book

- The comparison of the loss frequencies of 2005-2007 (YTD) shows a **clearly declining trend mirroring the improved customer mix**

Claims Frequency entire Non life book  
Number of Claims per 1000 Risks

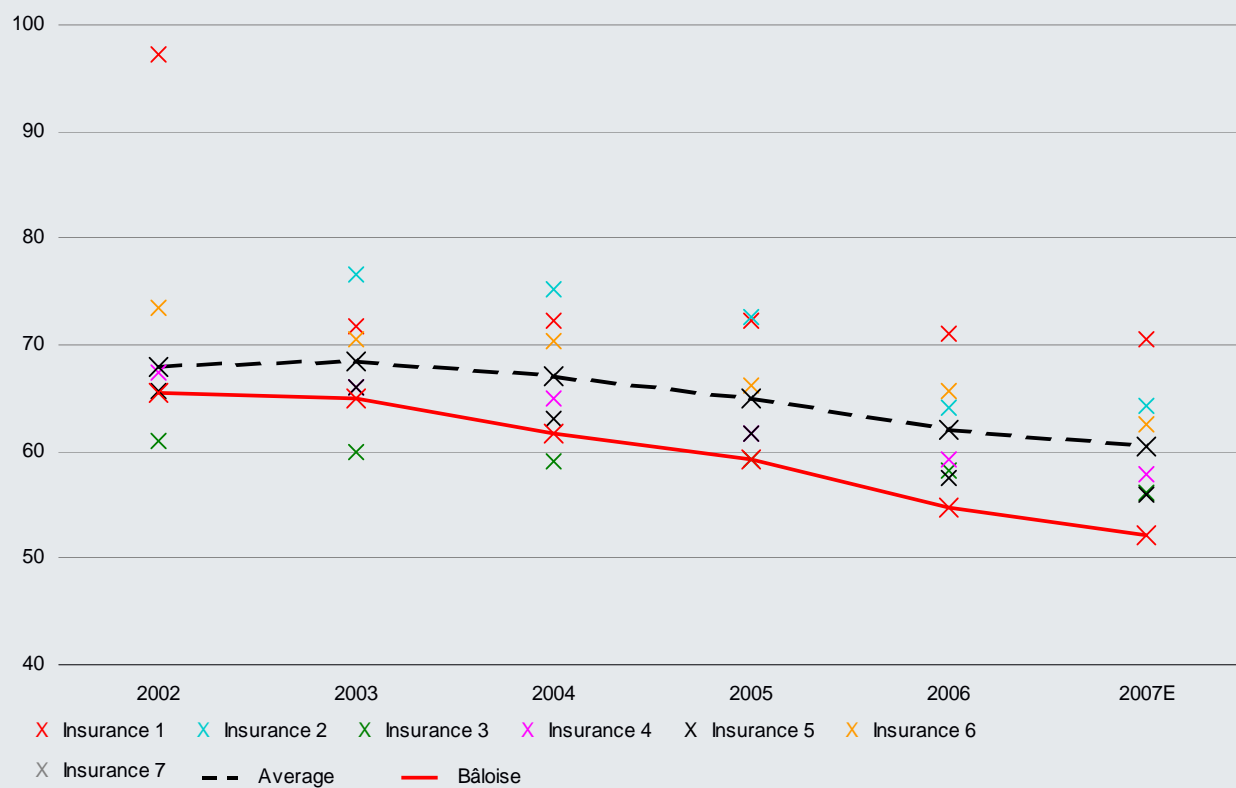


# Motor Liability Portfolio

## Lowest Claims Frequency in Swiss Market

- Baloise Switzerland has **continuously optimised the quality of its motor portfolio** with the application of the OPEX measures
- In 2005 Baloise Switzerland has gained the **leading market position** with a claims frequency of 59 ‰ whereas the market average was 65 ‰
- In the meantime the **outperformance of the market increased**: in September 2007 Baloise stood at 52 ‰ whereas the market stood at 60 ‰ (forecast)

**Claims Frequency in Motor Liability Portfolio**  
 Number of Claims per 1000 Risks

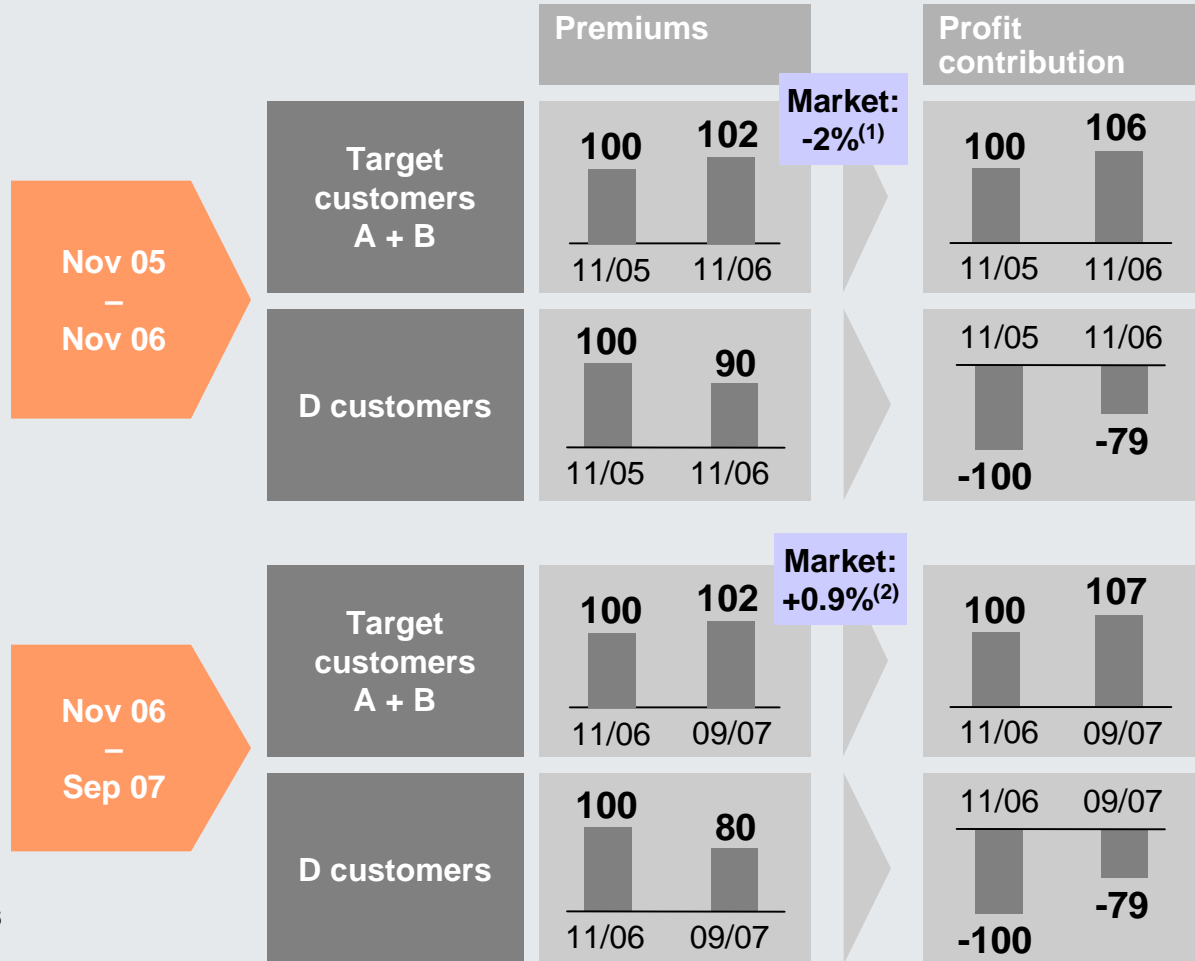


Source: Swiss Insurance Association (SIA)

# Target customer segments

## Above market growth achieved

- Our measures to generate above market growth in target customer segments work: **we successfully grew above market in our target customer segments**
- At the same time the **decrease of loss in our D customer segment further accelerated**



**Note:**

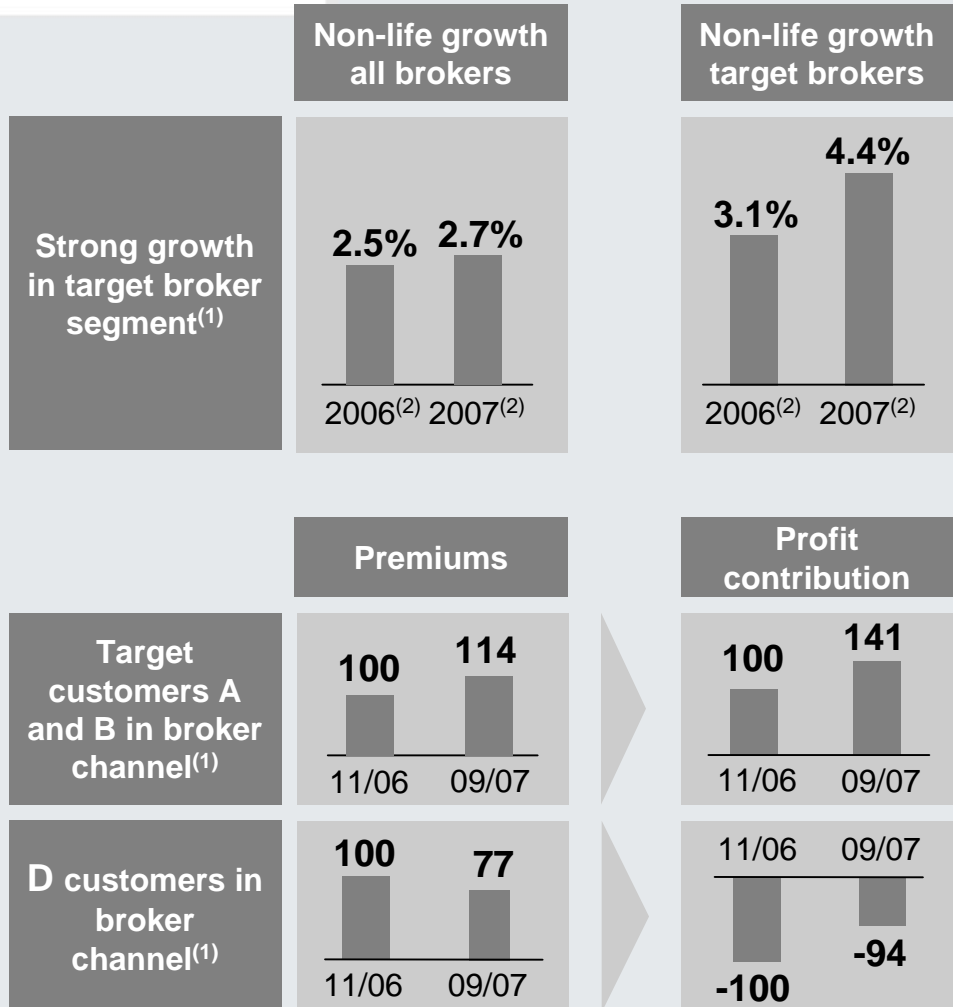
- SIA-Statistics from January – December 2006
- SIA-Statistics from January – June 2007

Data first half year 2007: 30.06.07 (compared to 31.12.06): premiums target customer: 102%; profit contribution target customers: 106%  
 premiums D customers: 71%; profit contribution D customers: -69%

# Target Broker Management

## Strong and accelerating growth

- As a consequence of our broker value management growth<sup>(1)</sup> in the broker channel is accelerating; even stronger so in our targeted broker segment
- The measures of the broker value management also have a very positive impact on our customer value management; i.e. strong increase in target customer segment and decrease in D segment



**Note:**

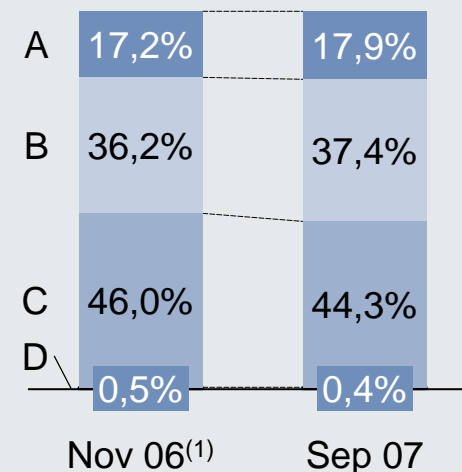
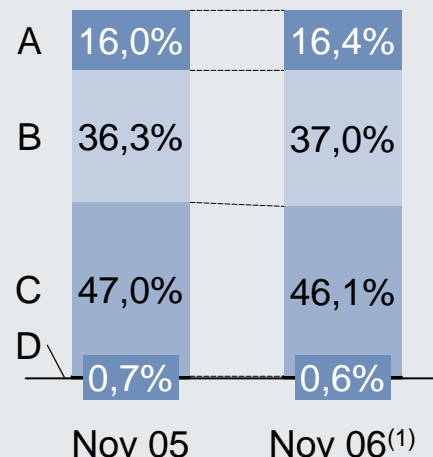
- Broker value reporting comprises for priority reasons only Non-Life business  
 Integrated Non-Life/life reporting will be available from 2008 onwards
- January - September



# Customer Mix

## Significant improvement

- Through our profitable growth engine we generate + Delta A/B and -D which leads to a substantial improvement of the customer mix of Baloise Switzerland
- This quality improvement has a very positive effect on key value drivers



**Note:**

1) Model release change in November 2006; therefore two values for November 2006

## «Safety World» USP for profitable growth

- To further increase the added value for our customers towards a deepened trust based relationship we will launch the «**Baloise Safety World**» approach in 2008
- This approach will integrate all already existing «Safety World» solutions into an **integrated package**

### Initiative

Pilot «safety world» in 6 general agencies

Pilot «Case- and Time management» in group health, accident and life

Already existing measures

### Status

- Very positive reaction from customer side
- About 1'000 packages handed-out till end October
- Teaming-up with dedicated specialists successful
- First results of pilot promising
- TCS: safety training for young drivers
- HOWASU
- Risk engineering
- Driving simulator
- Securiton

### Next steps



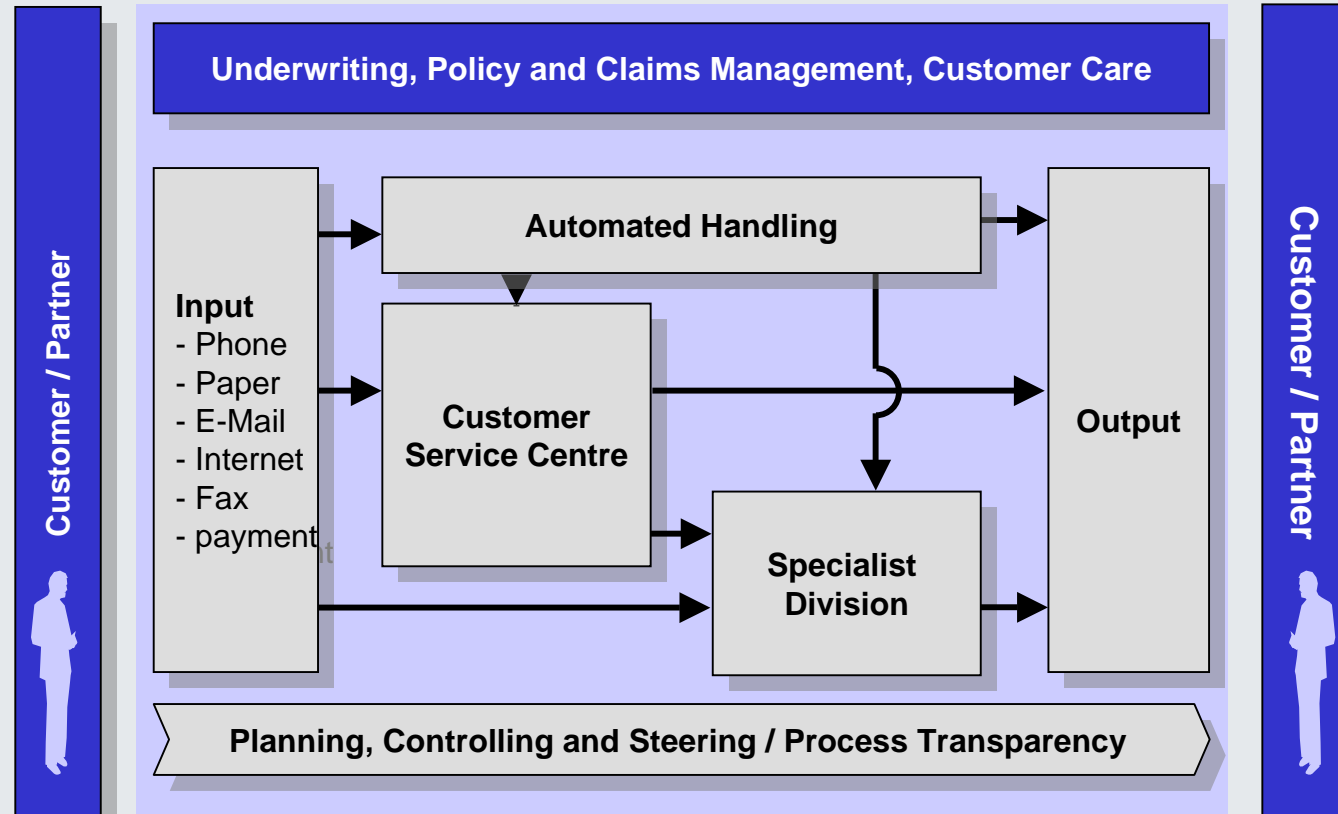
Integrating of all «Safety World» initiatives into group approach.

Swiss-wide roll-out of «Safety World» in 2008

# Project GEPARD

## New operating model for Baloise Switzerland

- With our GEPARD project we introduce a **new operating model for Baloise Switzerland** which offers segmented service and process management
- This will **improve customer contact frequency** as well as the **quality of service**
- The segmentation of our services will furthermore allow for **significant efficiency improvements**

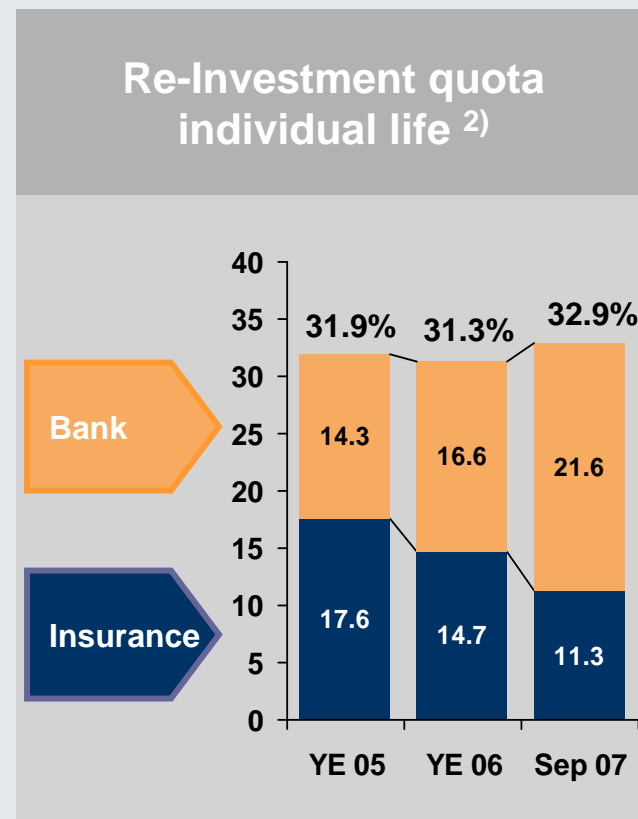
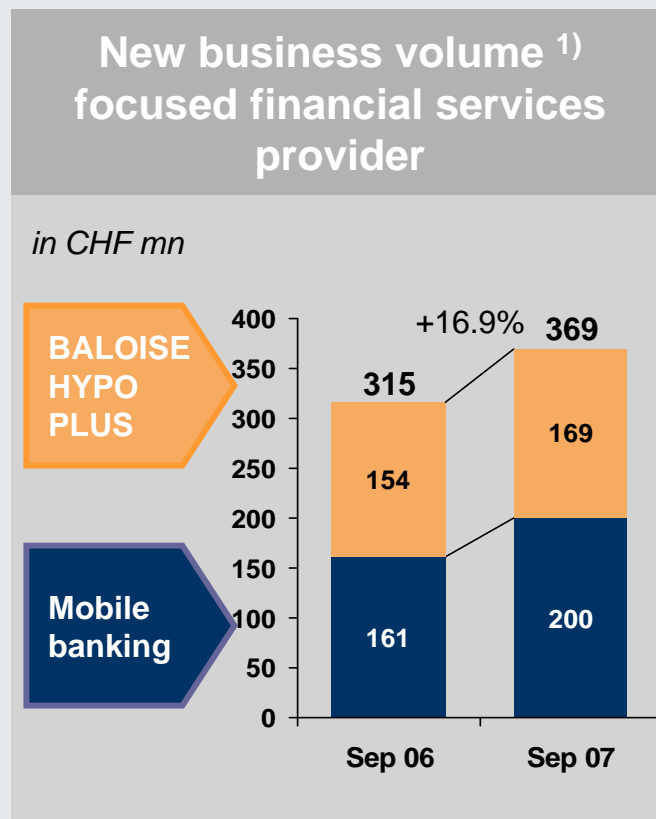


Will be applied to underwriting, policy administration, claims management and (C-) customer management

# Focused Financial Services

## Growth further accelerated; high re-investment quota

- Growth in our integrated model focused financial service provider increased strongly; ytd we realized an **increase of approx. 17% of new business volume**
- With our integrated approach to offer insurance products as well as banking products we also **realize a very high re-investment quota** in individual life which stood at approx. 33% in September 2007



**Note:**

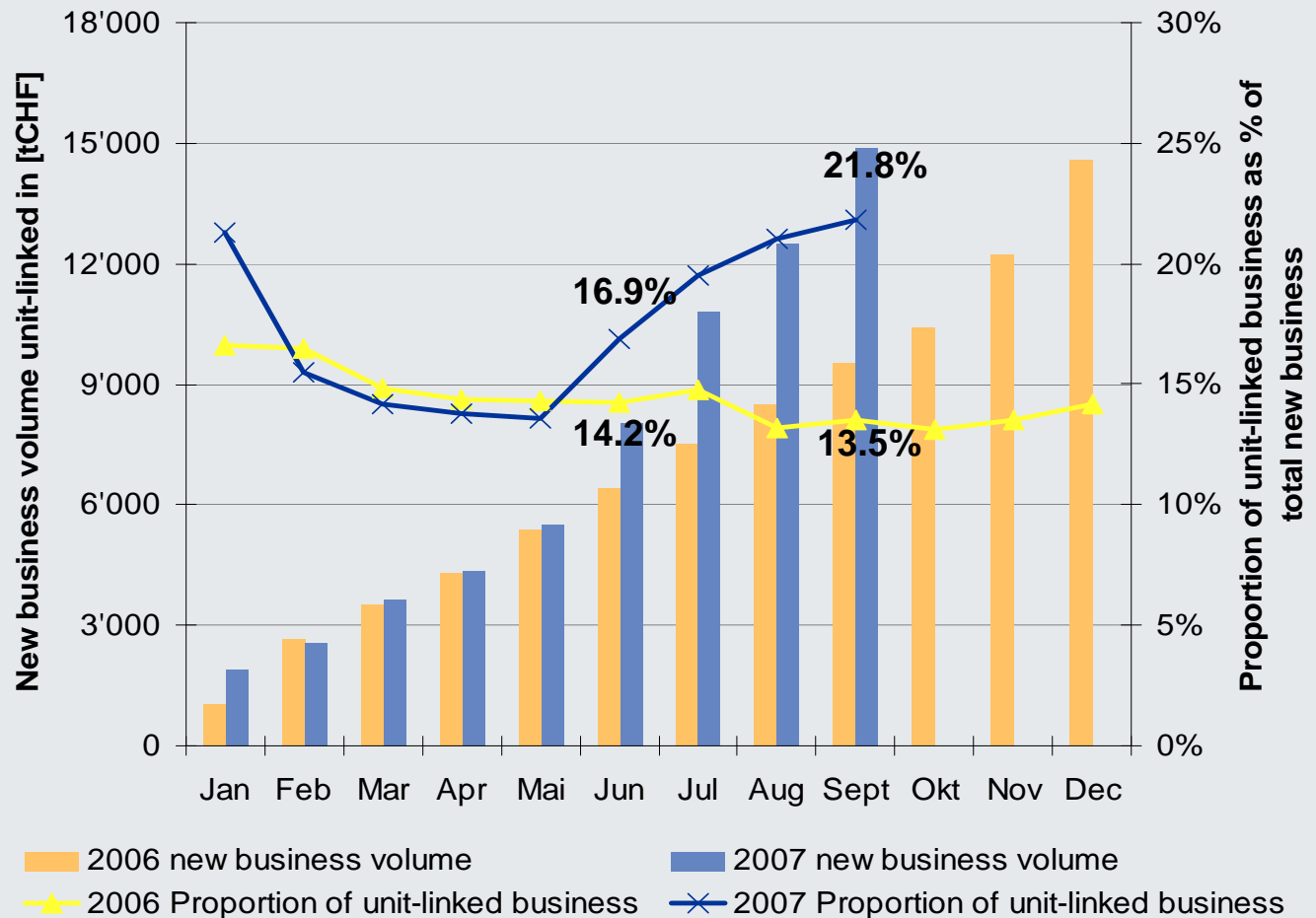
- 1) New business volume = mobile banking (custody accounts, client assets, loans, Finaclear) + BALOISEHYPO PLUS
- 2) Re-investments by own sales force

# Unit-linked in individual life

## Accelerating growth

- In September 2007 21.8% of new business was unit linked
- This is a clear step towards our **target of 33%**
- **Production** volume in absolute terms **is up 56%** compared to the same period of the year before

**New Business Volume Unit-Linked**  
 CHF t, % of total new business



# Target customer management

## Launch of baloisedirect successful

- Baloisedirect launched successfully 3 September 2007
- Key idea is to offer a specific product line for customers who prefer internet interaction with Baloise



## ruckzuck versichert

- einfach abgeschlossen
- optimal geschützt
- clever gespart

# Our way ahead

Group ambition	What we do	Comments
<b>Grow + <math>\Delta</math> A/B</b>	Target customer management <ul style="list-style-type: none"> <li>▪ Increase Sales productivity</li> <li>▪ Increase Cross- and up-selling capability («target customer elevator»)</li> </ul> Target broker management <ul style="list-style-type: none"> <li>▪ Key accounting concept</li> <li>▪ Added-value packages</li> <li>▪ Systematic development of new brokers</li> </ul>	<ul style="list-style-type: none"> <li>▪ Accelerating trend of + Delta A/B in 2007</li> </ul>
<b>Implement «Safety World» / franchises as enabler to create + <math>\Delta</math> A/B</b>	<ul style="list-style-type: none"> <li>▪ Pilot in Switzerland successful</li> <li>▪ Swiss-wide roll-out of integrated «Baloise Safety World» in 2008</li> </ul>	<ul style="list-style-type: none"> <li>▪ Pilot shows high acceptance of «Safety World» by target customers</li> </ul>
<b>Develop new target segments and distribution channels</b>	<ul style="list-style-type: none"> <li>▪ Further push focused financial service provider</li> <li>▪ Increase unit-linked business in individual life</li> <li>▪ Accelerate growth with TRIGONA</li> <li>▪ Establish new direct canal baloisedirect</li> </ul>	<ul style="list-style-type: none"> <li>▪ All initiatives on track</li> </ul>
<b>Improve business efficiency</b>	<ul style="list-style-type: none"> <li>▪ Establish new operating model at Baloise Switzerland</li> </ul>	<ul style="list-style-type: none"> <li>▪ Project «GEPARD» on track</li> </ul>

Basel, November 6, 2007

**Investors Day 2007**

**Q&A**



Basel, November 6, 2007

**Investors Day 2007**

# **Mercator Belgium**

## **Champion in the broker market**

**Jan de Meulder**  
CEO Mercator

## Mercator Belgium

### High non-life profitability

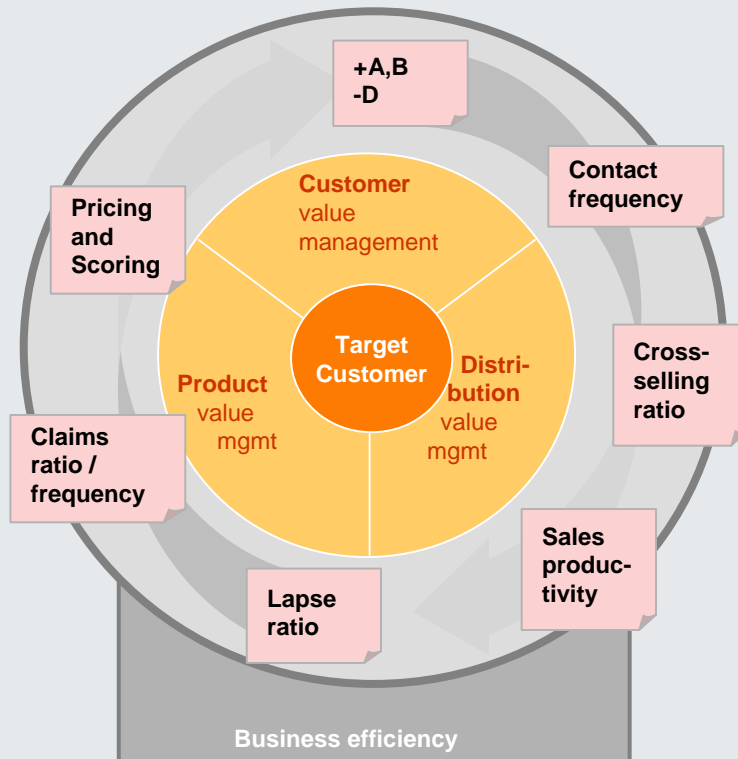
<i>in CHF mn</i>	2004	2005	2006	H1 2007
<b>Gross premiums written NL</b>	557	540	542	325
<b>Combined Ratio, gross</b>	95.3	94.1	92.7	97.0
<b>Gross premiums written L</b>	110	118	118	53
<b>Investment-type premiums</b>	85	100	79	33
<b>EBIT</b>	-137	81	181	91

#### **Business Overview:**

- Focus on prosperous Flanders region with particular strengths in non-life
- Distribution based on medium-sized local brokers to whom above market services are granted
- Flanders market share approximately 5.7% in non-life and 1.1% in life and Belgium's #4 insurer in non-life broker business
- Building up a strong profitability track record mainly based on non-life
- Further development of life building on strong non-life position with special growth opportunities in the self-employed and pensions segment
- Innovative products life and non-life introduced recently

# Our engine works

## Results achieved at Mercator 2005-07



<b>+A,B / -D</b>	<b>DB x EUR mn</b>	<b>A</b>	<b>B</b>	<b>D</b>
	2005	23.7	9.9	-4.6
	2006	28.4	14.4	-1.7
<b>Cross-selling ratio</b>	See Family Package			
<b>Sales productivity</b>	# new Non Life policies HY2006 / HY2007: +20.8%			
	New production premium Life HY2006 / 2007: +19.8%			
<b>Lapse ratio</b>	# lapsed Non Life policies -11.0%			
<b>Loss ratio</b>	HY2006	60.0%		
	HY2007	60.4% (incl. Storm Kyrill)		
<b>Scoring based pricing</b>	2005	2006	2007	
	68%	69%	70%	

# Follow-up Investorday 2005

## What we have achieved

### Optimizing Broker Relationships

- **Almost 90% of the broker New Business is coming from A & B brokers**
- **In a very competitive market environment with price pressure on the portfolio (rewriting at lower rates)**

	% of total portfolio	% of New business	DB 2005 (in MEUR)	DB 2007E (in MEUR)
<b>A</b>	<b>61%</b>	<b>68%</b>	<b>23.7</b>	<b>32.8</b>
<b>B</b>	<b>23%</b>	<b>22%</b>	<b>9.9</b>	<b>13.8</b>
<b>C</b>	<b>13%</b>	<b>6%</b>	<b>6.5</b>	<b>9.3</b>
<b>D</b>	<b>3%</b>	<b>4%</b>	<b>- 4.6</b>	<b>- 0.7</b>

### Achievements - moving towards a unique franchise

Segmented Broker Management approach (target segments A & B) based on a annual personalized business plan with focus on growth (new business target Retail & SME, support and tools to help the broker realize his growth)

Reinforcement of the sales force and improvement of the competences to interact with brokers as a relationship manager and business partner

Continuous development / improvement of a range of tools in order to support growth: portfolio analysis, growth financing, cross-selling actions, support in portfolio transfers, call centre support, product and sales training, etc.

Continuous development / improvement of a range of tools in order to optimise the business interaction: portal (extranet with information on products, services, customers, internal organization, etc.), transactional front end systems (MercatorNet & MercatorLife), ClaimsNet (under construction), etc.

Business Club which is a two year program aiming at developing / optimizing the broker's managerial skills (financial skills, customer portfolio insights, working processes, customers service, etc.)

## + Delta A/B

### Value based broker management

Several initiatives have contributed to the growth in A & B segment

### Family Package: Individualised approach

- **Mercator participates in the market- and marketing approach of the broker by providing**
  - a package with good and competitive products which can be combined with a payment plan
  - maximum broker sales support
  - adequate commission stimulating sales and cross-/up-selling efforts
- **Broker is in control and has the choice:**
  - **WHEN** : timing of Family Package campaigns to his customers
  - **TO WHOM** : definition of targeted customers for Family Package campaigns
  - **HOW** : control in execution of these campaigns

	# Family Packages	# New policies embedded in Family Packages	Avg # policies embed. in Family Packages
2006/2007			
TARGET	18,556	17,732	3
RESULTS (Q3/2007)	25,530 (+ 37%)	32,016 (+ 80%)	3.5

## Follow-up Investorday 2005

### Efficiency through centralization of operations

- ✓ Centralizing the operations in Antwerp generated important **scale advantages**:
  - Cost reduction: from two locations to one central office
  - Service quality: larger teams overall, as well as critical mass for specialty skills
- ✓ Yet, **broker intimacy** needed to be safeguarded:
  - Regional presence through a Contact Center in Gent, focusing on underwriting



Balancing Efficiency and Quality of Service

## Follow-up Investorday 2005

### What we have achieved

- ✓ **FTE containment** «despite» substantial growth:
  - Number of FTE's increased only marginally while new production grew by > 30%
  
- ✓ **Bottom line impact** of approximately EUR 5 mn (yearly):
  - Rental income out of the former Gent office
  - Reduced maintenance and utility costs
  - Optimization of the Antwerp office
  
- ✓ **Service quality leadership reinforced:**
  - ICMA-study:
    - Customer Performance Index (CPI) increased from 75% in 2005 to 84% in 2006
    - Ranked 2nd behind Fortis
  - AT Kearney study:
    - Moved from 3rd place in 2005 up to 2nd place in 2007 in Non-Life
    - Scored very well for administrative efficiency and quality of operations

# Nurturing the Franchise

## Brokers rate us a top notch service provider

GENERAL SATISFACTION	2004	2006	OVERALL QUALITY	2004	2006
Fortis AG	8.2	8.3	Fortis AG	7.8	9.0
<b>Mercator</b>	<b>8.0</b>	<b>8.0</b>	<b>Mercator</b>	<b>7.7</b>	<b>8.4</b>
AXA	7.8	7.9	AXA	7.6	8.3
Winterthur	7.5	7.5	AGF	7.5	7.9
ING	7.4	7.6	Winterthur	7.5	6.9
AGF	7.2	7.9	ING	7.4	8.1

Source: ICMA International – survey 2006

Ranking	Non-Life		Life Individual		Life Group	
	2005	2007	2005	2007	2005	2007
1	Zelia	Fortis AG	Fortis AG	Fortis AG	Fortis AG	Belstar
2	Fortis AG	<b>Mercator</b>	Belstar	Belstar	AGF	Fortis AG
3	<b>Mercator</b>	Avero	Generali	ING	AXA	ING
4	Nat. Suisse	Fidea	AGF	AXA	Winterthur	AXA
5	Fidea	AXA	Fidea	Cardiff	ING	<b>Mercator</b>
6	AGF	Swiss Life	Swiss Life	Nateus		AGF
7	AXA	Generali	AXA	AGF		
8	ING	ING	ING	Generali		
			Delta Lloyd Life	<b>Mercator</b>		
			<b>Mercator</b>	Fidea		

Source: A.T. Kearney – survey 2007



# New target segments/distribution

## New SME approach

### Achievements

Profitable growth in the SME-market.  
(Flanders = SME-market)

Partnerships with segmented and selected (SME) brokers

Focus on selected market segments:  
risk segmentation per Branch (preferred – neutral – no acceptance)

Focus on total customer approach with the launch of an SME-plan with profit sharing

Product improvements e.g.:  
- new premium rates in Workmen's compensation  
- new product in Property (High Capitals)

Internal organisation:  
- Knowledge Center SME  
- dedicated team of risk managers and underwriters

Appropriate Commercial approach and Marketing support

### Key-figures in New SME-business

	# pol.	prod. premium
Q3 / 2006	11,323	6,485,719 €
Q3/ 2007	15,092 (+33.3%)	9,625,546 € (+ 48.4%)

# Our way ahead

Group ambition	What we do	Comments
<b>Grow + <math>\Delta</math> A/B</b>	<ul style="list-style-type: none"> <li>-Further deployment of supporting tools to stimulate growth</li> <li>- Integration of life products into successful non-life family package to increase cross-selling</li> <li>- maximise up- and cross selling in the portfolio of the broker</li> <li>-Retention management</li> </ul>	Ongoing process
<b>Implement franchises as enabler to create + <math>\Delta</math> A/B</b>	<ul style="list-style-type: none"> <li>- Support in portfolio transfers</li> </ul>	Financial and logistic support for Brokers who move their portfolio to Mercator
<b>Develop new target segments and distribution channels</b>	Position Mercator as a SME insurer	Product: develop client oriented products Price: introduction of profit sharing Process: client oriented internal organization + develop price-offering tool Promotion/distribution: broaden the channel
<b>Improve business efficiency</b>	MercatorNet Claims	Front office ICT application for filing new claims (STP claims handling)

Basel, November 6, 2007

**Investors Day 2007**

## **Basler Germany**

**Ready for real target customer management**

**Frank Grund**

CEO Basler Germany

## Basler Germany

### Ready for target customer management

<i>in CHF mn</i>	2004	2005	2006	H1 2007
<b>Gross premiums written NL</b>	853	835	842	547
<b>Combined Ratio, gross</b>	92.9	93.9	92.6	104.2
<b>Gross premiums written L</b>	242	223	222	104
<b>Investment-type premiums</b>	2	2	3	2
<b>EBIT</b>	66	69	93	43

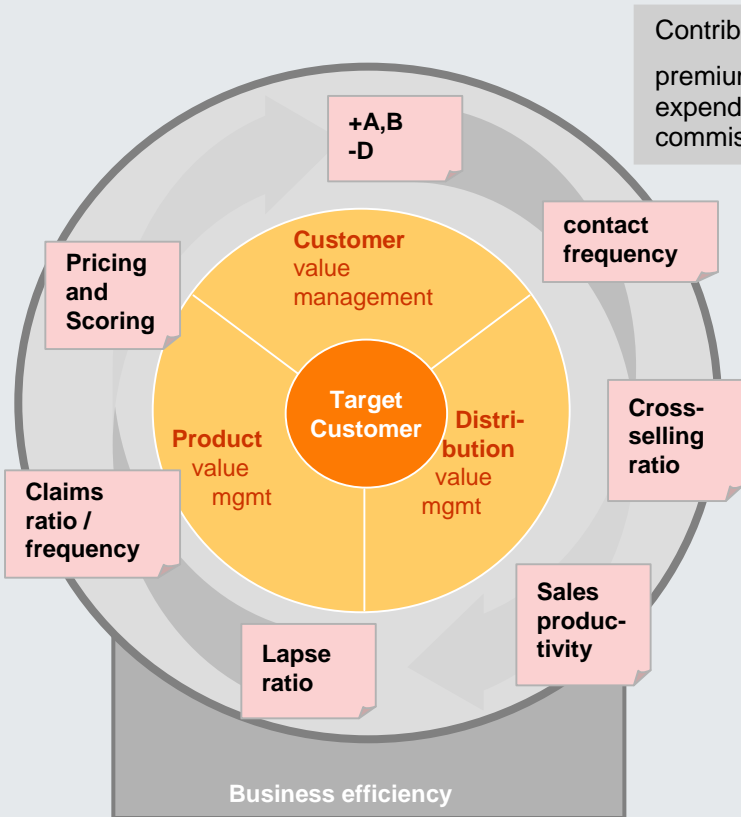
#### **Business Overview:**

- Basler Germany underwrites non-life insurance (80%) for private, SME and industrial customers. The distribution takes place by a multi-channel approach
- Transport (Marine) and Technical Insurance are in the Top 10 in the German market (by market share)
- Basler Germany's life business (20%) is predominantly distributed by tied agents
- Good overall profitability, with strong non-life and life results. Despite the effect of Kyrill (approx. EUR 30mn, gross) we expect to achieve a result according to plan in 2007. From 2004 through 2006 we consistently obtained a Combined Ratio  $\leq 95\%$

# Our engine works

## Results achieved at Basler Germany

### Results achieved 2005-07 in Customer Value Management



Contribution Margin=  
 premiums minus claims  
 expenditure minus  
 commissions

### + A, B/-D:

\*without Kyriil

Improvement of the contribution margin of private customers belonging to our tied agent segment

2005 → n.a.

2006 → + EUR 1.2mn = + 5.6%

2007 → + EUR 0.6mn\* = + 2.6%\*

→ on average + EUR 0.9mn (+ 4.1%) per year

### Customer Contact Frequency:

Annual measurement of the contact frequency by an external customer satisfaction monitor

#### In 2007:

55 % of A/B customers had contact with their sales representative

83% of A+ customers and 73% of B+ customers

Target 2009: 75% of A/B Customers

## + Delta A/B

### Activities in target customer management

2008

- Focus in 2008: Ready for real target customer management (private lines)
- Integration of the SME-Customers

We increased the number of A/B-customers from 2005 until 2007 by 6%.

At the same time we achieved an improvement of the contribution margin of 7.5%

2007/  
2006

- New legal requirements (Reform of German Insurance Contract Law and Directive on Insurance Mediation)
- Steering of sales force according to customer value model:
  - new commission system for tied agents as of January 2008
  - Bonus-system for sales-managers

Trend for 2007: Lapse ratio is the lowest for A and B customers and the highest for D and new customers

2005

- Start of the customer value model with data analysis and segmentation of the private customers
- First successful pilot in life business

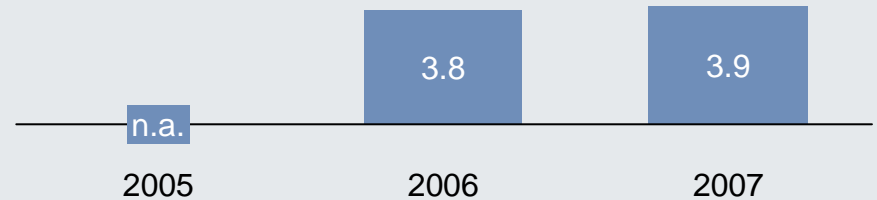
# Our engine works

## Results achieved at Basler Germany

### Results achieved 2005-07 in Distribution Value Management



### Cross-Selling Ratio Number of contracts per A customer



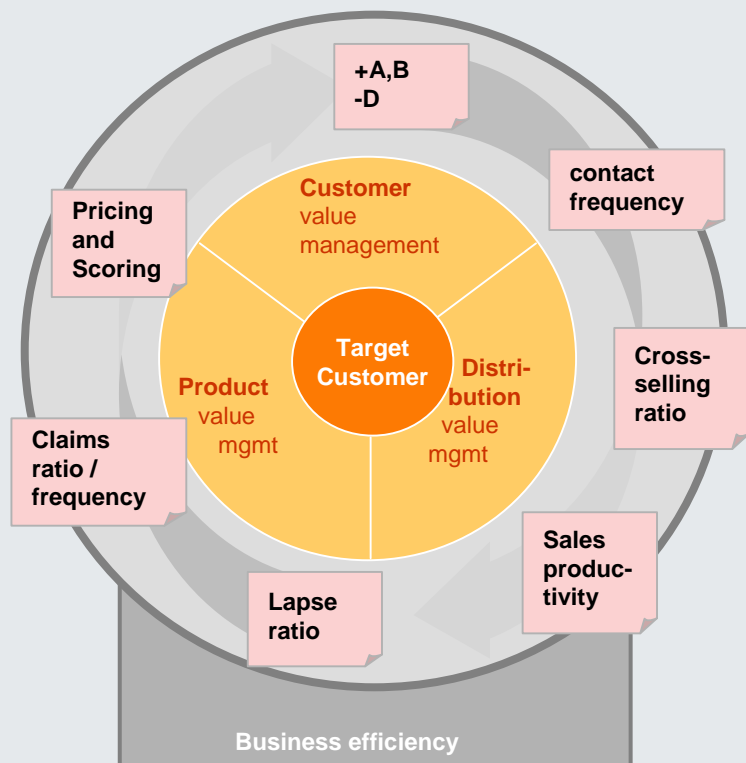
### Cross-Selling external view Number of types of insurance per household



# Our engine works

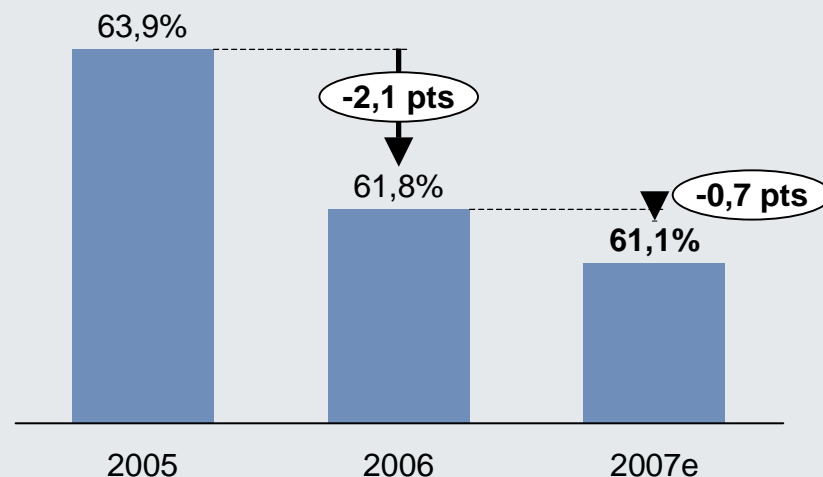
## Results achieved at Basler Germany

### Results achieved 2005-07 in Product Value Management



### Claims ratio non-life

% , gross, IFRS, without Kyrill, claims expenditure in % of earned premiums



### Pricing and Scoring

Result improvement in motor vehicle approx.  
EUR 5.6mn in 2006

In 2007 we expect approx. EUR 2.4mn in motor  
vehicle and approx. EUR 0.6mn in residential  
building insurance



# Follow-up Investorday 2005

## Pricing & scoring: competences extended

### The development of our scoring competences:

- New tariffs scored for:
  - residential building
  - property insurance for SME customers
  - engineering insurance for SME customers (in planning)
  - accident insurance (in planning)
  - household insurances (more differentiated local zone model)
- Integration of credit-screening into the underwriting-processes

Pricing / scoring & claims handling at Basler Securitas



**Today: Highly differentiated tariffs lead to good position in target customer segments**

- We added 11 proprietary attributes to those of the GDV-tariffs (soft and hard)
- We introduced new, unusual scoring attributes (which have partly been copied by competitors in the meantime)

- We are very well positioned in attractive customer segments
- We are expensive for unattractive customer segments

- Capitalize on favorable position in attractive customer segments by exploiting willingness to pay: Provide top service packages (e.g. car insurance premium)

**Grow in attractive customer segments**

## Follow-up Investorday 2005

### Result improvements due to scoring

Lines of insurance	Scoring tariff since	Portfolio FY 2006	Portfolio YTD 2007	Portfolio Plan 2008
motor	10 / 03	90 %	90 %	95 %
private lines thereof residential building	04 / 07	1 %	3 %	8 %
private lines thereof household	01 / 08	0 %	0 %	8 %
private lines thereof glass	01 / 08	0 %	0 %	8 %
private liability	06 / 07	0 %	2 %	9 %
accident	01 / 08	0 %	0 %	7 %
property SME	01 / 08	0 %	0 %	5 %
engineering SME (from 08 new tariff)	01 / 06	10 %	20 %	30 %
industrial property	07 / 05	80 %	95 %	100 %
industrial liability	07 / 07	0 %	30 %	80 %
industrial engineering	07 / 07	0 %	25 %	70 %
marine	09 / 06	10 %	30 %	80 %

Result improvement by scoring in motor vehicle in 2006 approx. EUR 5.6mn

We expect in 2007: improvement in motor vehicle by approx. EUR 2.4mn and in residential building insurance by approx. EUR 0.6mn.

# Follow-up Investorday 2005

## Claims handling: New processes in place

### New processes in claims management:

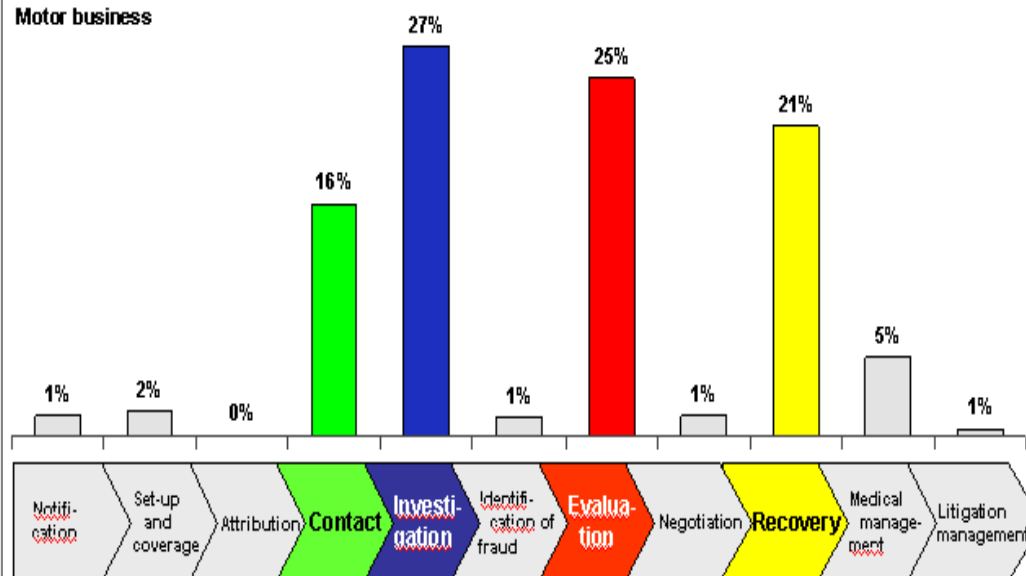
- Front Office/Back Office
- Specialisation in Back Office per line of business and complexity
- Active claims management
- Recourse and dubious claims management
- Monitoring and Controlling

Pricing / scoring & claims handling at Basler Securitaz



Claims data analysis reveals:  
Leakage concentrated on 4 process steps

Motor business



We identified improvement potential of at least EUR 6mn

## Follow-up Investorday 2005

### Reduction of claims expenditures realised

Reduction of claims expenditures (in EUR mn)	YE05	YE06	YTD07	Plan 08
Set-up of central new claim settlement-service	0	0.5	0.6	1.8
Reorganisation of claim department	0	0	1.1	1.5
Procurement of partner enterprises	0	0.2	0.9	0.9
Main emphasis factual processing	0	0.5	1.06	1.7
Reorganisation/reduction of employees	0	0.1	0.9	0.9
Total reduction	0	1.3	4.49	6.8
Total claims expenditures	0	200	165	188
Total reduction in % of claims expenditures	0	0.65%	2.7%	3.6%
Delta IAS: result of claim management	0	0.8	2.7	<b>4.8</b>

Base year: 2005

## New target segments New broker management strategy

2008

- Increase of number of our broker managers by 20%
- Focus on A/B-target brokers by segments (according to typology)
- Package-solutions per January 2008

2007

- Broker strategy MOVE 2011
- New strategic business unit for broker-business, October 2007 (broker typology)

2006

- Broker segmentation implemented
- D broker management

Number of brokers

	`07	`06
A broker:	88	75
B broker:	301	243
C+ broker:	132	154
C broker:	671	744
D broker:	6	13
N broker:	295	388

**Improvement of the contribution margin by D-brokers from 2005 to 2007 by EUR 4.0mn**

## Our way ahead

Group ambition	What we do	Comments
<b>Grow + <math>\Delta</math> A/B</b>	<ul style="list-style-type: none"> <li>- Full implementation of customer and agent value management</li> </ul>	<ul style="list-style-type: none"> <li>- Focusing the commission system of tied agents on target customers/target agents</li> <li>- Expansion of the customer value model (integration SME customers)</li> </ul>
<b>Implement «Safety World» / franchises as enabler to create + <math>\Delta</math> A/B</b>	<ul style="list-style-type: none"> <li>- Feasibility study</li> </ul>	<ul style="list-style-type: none"> <li>- until December 2007</li> <li>- pilot in 2008</li> </ul>
<b>Develop new target segments and distribution channels</b>	<ul style="list-style-type: none"> <li>- Low-price carrier for motor business is planned</li> <li>- Broker strategy</li> <li>- Expansion of the segment renewable energies/off-shore</li> <li>- Target group concepts (e.g. best ager, young people etc.)</li> </ul>	<ul style="list-style-type: none"> <li>- Supporting the high-quality product in motor vehicle by low-price carrier for tied agents</li> <li>- Improving the relationship to target brokers according to specific needs</li> <li>- Basler Germany is one of the leading insurers in the segment renewable energies</li> </ul>
<b>Improve business efficiency</b>	<ul style="list-style-type: none"> <li>- Realisation of the synergies of the new organisation, i.e. operational services and claim management</li> <li>- Concentration of life business</li> <li>- Digitalization of document-management-system (DMS)</li> </ul>	<ul style="list-style-type: none"> <li>- Focusing the processes on the customer needs</li> <li>- Life Business will be administrated at one location with one software in 2009</li> <li>- Digitised DMS active in life business since June 2007, in non-life planned for March 2008</li> </ul>

Basel, November 6, 2007

**Investors Day 2007**

# **Deutscher Ring**

## **Champion for entrepreneurial distribution**

**Wolfgang Fauter**  
CEO Deutscher Ring

# Deutscher Ring

## Champion for entrepreneurial distribution

<i>in CHF mn</i>	2004	2005	2006	H1 2007
<b>Gross premiums written NL</b>	<b>209</b>	<b>214</b>	<b>215</b>	<b>113</b>
<b>Combined Ratio, gross</b>	<b>95.8</b>	<b>94.5</b>	<b>94.4</b>	<b>99.8</b>
<b>Gross premiums written L</b>	<b>818</b>	<b>839</b>	<b>815</b>	<b>398</b>
<b>Investment-type premiums</b>	<b>79</b>	<b>143</b>	<b>209</b>	<b>121</b>
<b>EBIT</b>	<b>70</b>	<b>34</b>	<b>38</b>	<b>56</b>

### Business Overview:

- **Market Non-Life Insurance:** The market in Non-Life is dominated by a cut-throat competition and an increase of cost pressure
- **DR Non-Life Insurance:** The development of Gross premiums written Non-Life with a constant amount of over / nearly CHF 210mn  
The Combined Ratio is constantly at 95 %; only in 2007 the CR is negatively influenced by the storm incident «Kyrill»
- **Market Life Insurance and investment-type premiums:** The Life Insurance market is highly competitive  
Increasing impact of the unit-linked insurance products in the market
- **DR Life Insurance and investment-type premiums :** Contrary to the nearly constant development of the gross premiums written Life the investment-type premiums rise above average  
The rate of the investment-type premiums of the whole premiums Life insurance increases from 20 % (2006) to 30 % (1. HY 2007)



# Deutscher Ring Business model (I)

▶ Mission: «We work together to achieve one goal, to become the champion for entrepreneurial distribution, capital market- driven retirement solutions and in health management capabilities»



« Market ownership is more important than factory ownership »

Wolfgang Fauter, CEO Deutscher Ring

# Deutscher Ring Business model (II)

## Deutscher Ring: Business model

- **Champion for entrepreneurial distribution**
  - via our diversified distribution channels
- **Champion for capital market driven retirement solutions and innovative products**
  - via our excellent standing in unit-linked products and innovation power
- **Champion in health management capabilities, customer management and «Safety World» in the accident insurance**
  - via our new definition of health management and the application of customer management and «Safety World» in the accident insurance

## Deutscher Ring: Business model and mission



« We work together to achieve one goal, to become the champion for entrepreneurial distribution, capital market-driven retirement solutions and in health management capabilities »»

## Distribution channels

### Diversified distribution arms

#### Deutscher Ring: Distribution arms

- DR's spread of distribution platforms ensures maximum market penetration and efficiency
- Via diversified distribution channels the DR has a potential of 6,000 to 7,000 salesmen
- The Deutscher Ring is an important product partner for these entrepreneurial distribution channels
- The selling of third party products in this distribution arms generates additional, risk free income for the DR from selling third party products

#### Deutscher Ring: Business model and mission



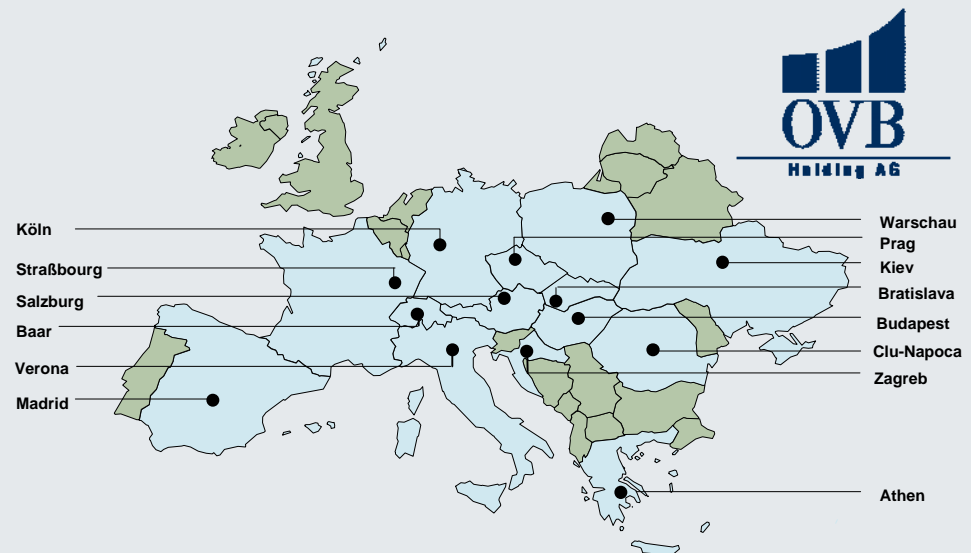
« We work together to achieve one goal, to become the champion for entrepreneurial distribution, capital market-driven retirement solutions and in health management capabilities »»

# The relevance of OVB for the business model Deutscher Ring

## OVB - Facts

- DR Group\* holds a 50.1% ownership of OVB  
→ Market capitalisation of over EUR 300mn\* \*\*
- The high market penetration of OVB ensures a high potential of clients in Germany and also in CEE
- OVB provides a platform to efficiently carry DR's products into Germany and also into Europe
- The entrepreneurial distribution arms of the OVB generate additional, risk free income from selling third party products
- Successful IPO fosters DR value and growth perspectives

## Geographical spread of the OVB



\* DR Group, including DR Kranken  
\*\* As of 18 October 2007

# The relevance of ZEUS for the business model Deutscher Ring\*

## ZEUS - Facts

- Nationwide branches and 500-600 salespeople
- Success through selection of young people
- Innovative Products tailored for young people
- 100% owned by Deutscher Ring\*

## ZEUS Traditional Clients

**Target Group:** 10-25 years

### Product Innovations

- Disability annuity
- Annuity for long-term disability
- Pensions/Annuities

## ZEUS Children Support

**Target Group:** 0-6 years

### Product Innovations

- Capital build-up for education
- Disability insurance

## ZEUS «In-force Support»

**Target Group:** Clients and Relatives

### Product Innovations

- Cross-selling with strong partners
- Customer service

## Geographical spread and organisation of ZEUS

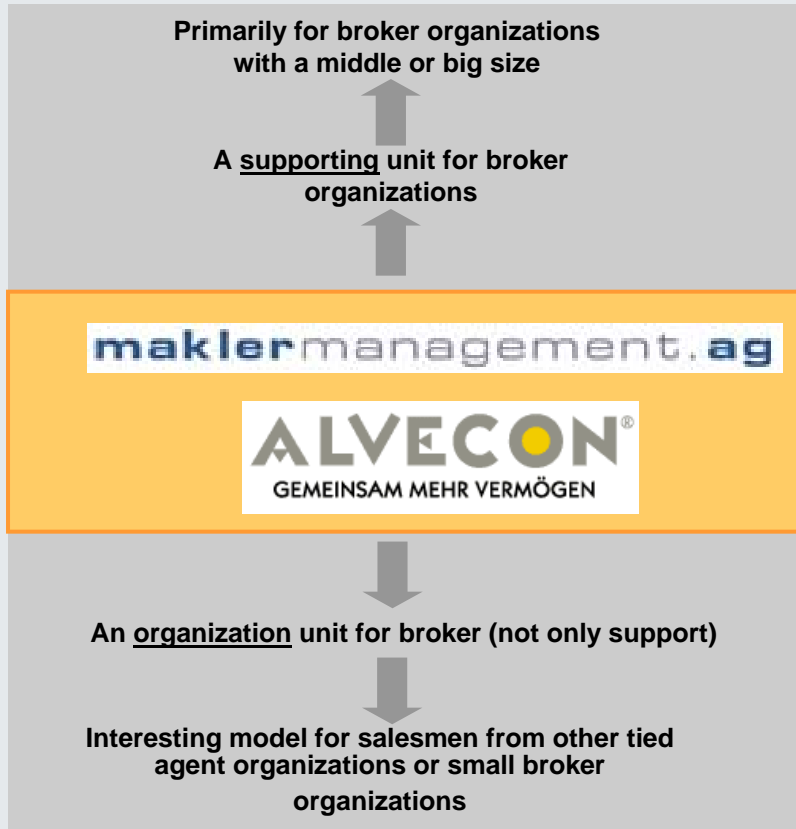


\* DR Group, including DR Kranken

# Broker Market

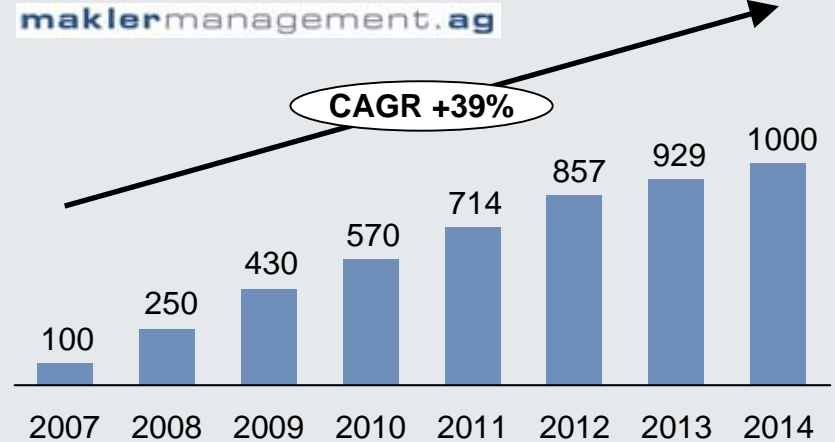
## New approach by Deutscher Ring Group

### Broker market from the view of the Deutscher Ring Group



### Business plan MM AG: New business

Index 2007=100



----- Base: Projection (HoRe) 2007 of the «old» DR Broker Segment

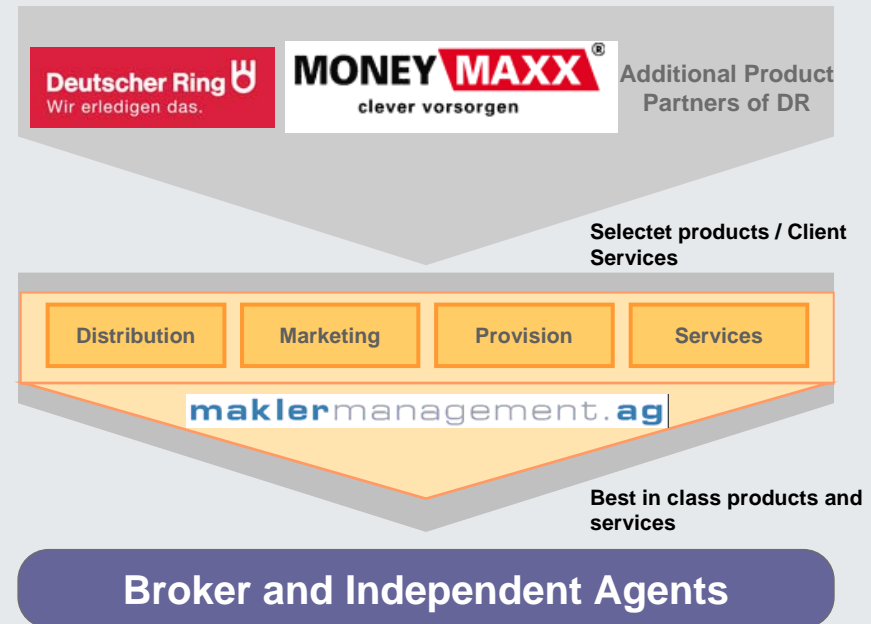
# «Makler Management AG»

## New distribution channel

### Attributes of the new Makler Management AG

- A central supporting und service unit (with a slim structure) for brokers with chosen products and services of the Deutscher Ring Group
- The MM AG is only focussed on the requirements of the broker market → all activities and competences of the Deutscher Ring Group for the broker market are concentrated in these MM AG
- Introduction of a separate product line for the MM AG under the brand «Discover MONEYMAXX»
- The support of the broker is strictly separated from the support of other sales channels (tied agents, OVB, ZEUS, ...) → to demonstrate this focussing on the broker market the DR Group founded the MM AG as an independent company under the legal form of a stock company

### Graphical representation of the MM AG



# Distribution channel «ALVECON»

## Establishing the franchise

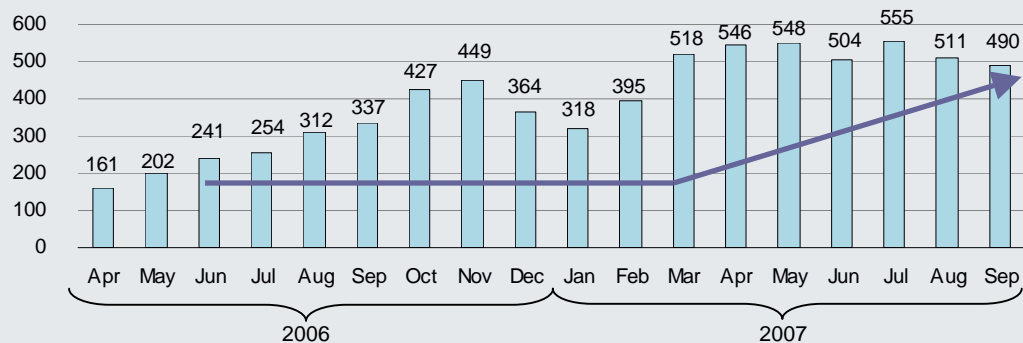
### ALVECON – Key Strengths

- Superior terms for former tied agents and brokers joining ALVECON compared to 'small-broker' segment due to higher demand
- Back-office support
- Superior knowledge through professional product sourcing



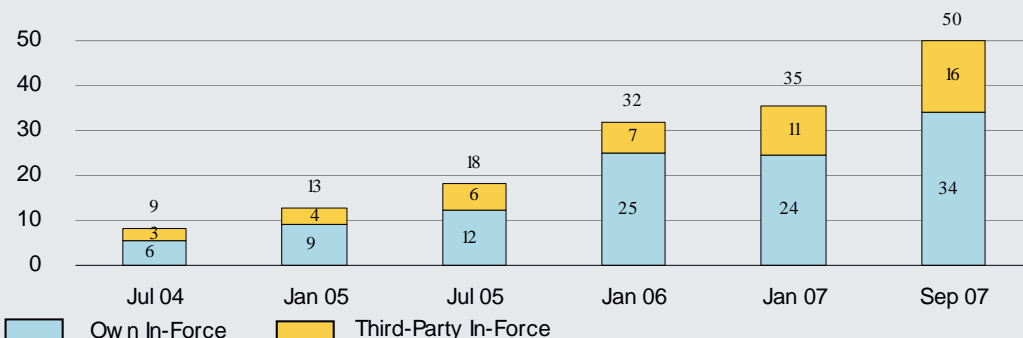
### New Life Insurance Contracts

Number of contracts



### Rapid Growth of In-Force Premiums

EUR mn





# New segments

## Unit-linked and innovative insurance products

### Deutscher Ring: Focus on unit-linked products

- Deutscher Ring has a strong track record of focusing on successful products ahead of the market
  - Its strong footprint in the unit-linked and fund distribution business underlines the overall shift from risk-based to fee-based income
  - Focussing on high innovative insurance products (e.g.: DR care product)

### Deutscher Ring: Business model and mission



« We work together to achieve one goal, to become the champion for entrepreneurial distribution, capital market-driven retirement solutions and in health management capabilities »»

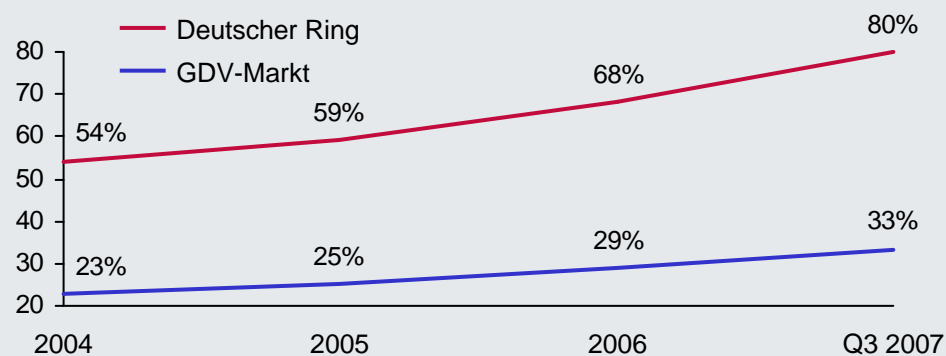
# New segments

## Focus on unit-linked insurance products

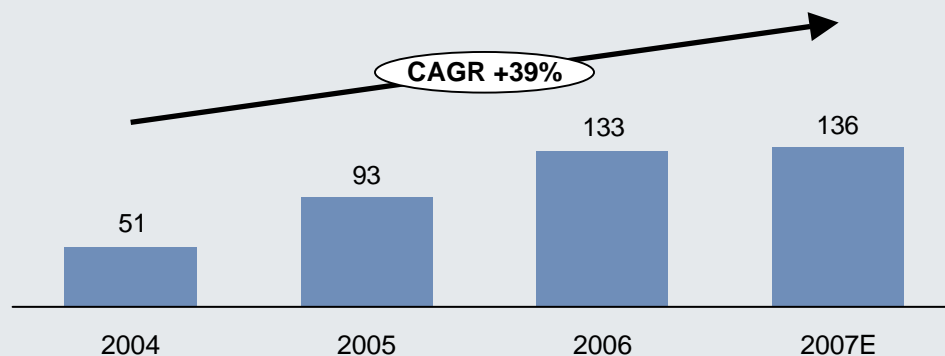
### Deutscher Ring: Unit-linked footprint

- DR always performed an over the market share of unit-linked products
- Its market share in the unit-linked segment is growing over time.
- In all layers of German life products DR has a competitive unit-linked offering
- Deutscher Ring's basket of unit-linked products covers all layers, e.g.
  - Unit-linked base pension scheme («Rürup»-pensions)
  - bAV tariffs with unit-linked «Überschussverwendung» (Hybrid products)
  - Unit-linked «Riester»-tarif

### New business unit-linked insurance products in % of business life insurance



### Development of Unit-Linked Premiums (ALV) EUR mn



# DR target segment management

## New care product as an example

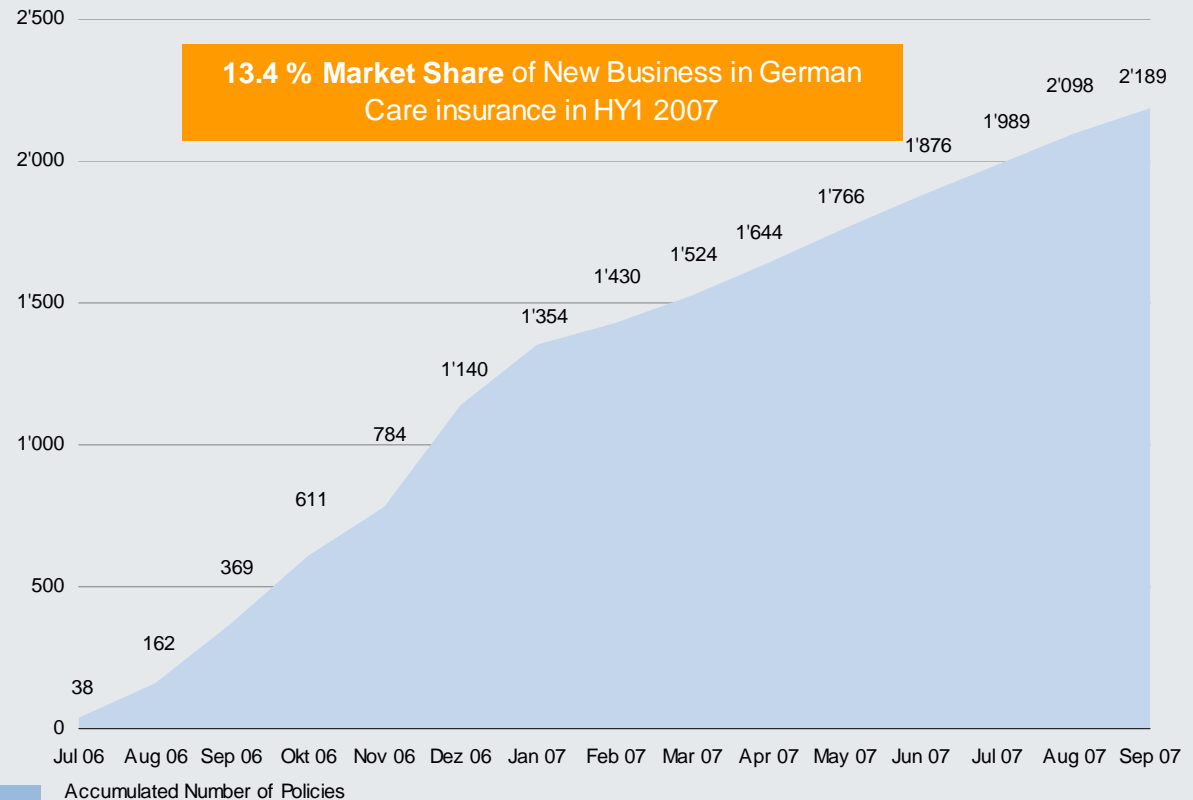
### Product

- RingPflegeRente: unique innovative product with market leading, customer-oriented care definition
- Entry until age of 75

### Benefits

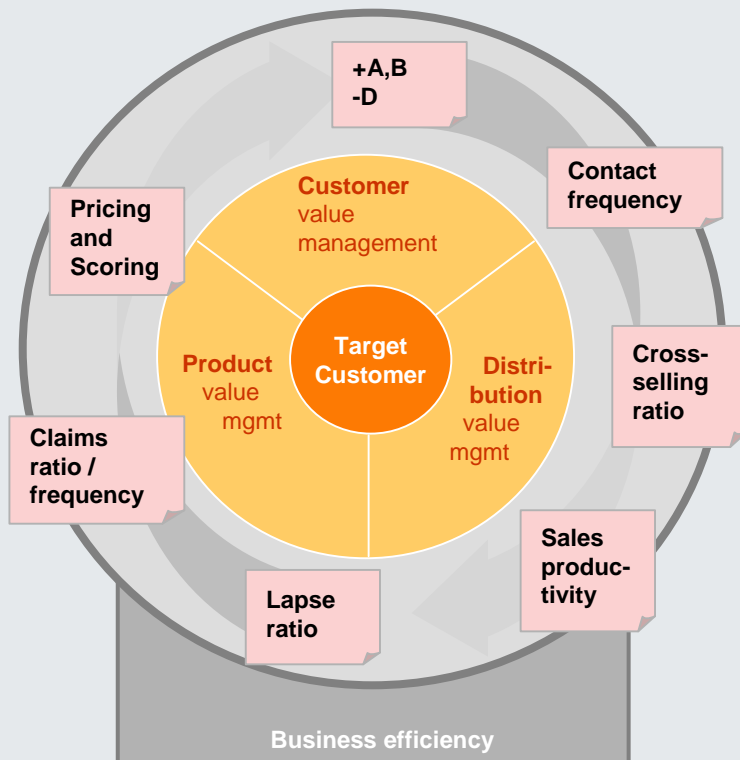
- Life long care annuity to provide nursing care
- Immediate benefit (half year annuity)
- Care benefits for concerned individual and their families
- Including dementia and Alzheimer's disease
- No deferment period
- Tax free
- Payment of contribution extremely flexible
- Assistance

### Number of Sold Policies (Accumulated)



# Our engine works

## Results achieved at Deutscher Ring 2005-07



- The number of A-customers increased by 2.2 % from 2005 to 2007. On the other side the number of D-customers declined by 25 % from 2005 to 2007 (From 6,509 to 4,867 in absolute, all data only for the tied agent organization)
- The cross-selling rate A / B-customers increased at 11 % from 2005 to 2007. A-customers have 4.77 contracts in average (in the tied agent organization)
- DR reduced the new business lapse rates in Life from 19.3 % (2005) to 14.0 (2007) and in Non-Life from 7.7 % (2005) to 6.5 % (2007)
- The claims ratio of the Deutscher Ring is consistently at 40 % due to our high quality accident portfolio

# Customer management «Safety World» piloted, roll-out follows

## Customer management and «Safety World»

- Deutscher Ring's business model is focusing on obtaining customer relationship and the new «Safety World» programme
  - Target customer management and broker segmentation allows DR optimizing its investment in customer relationships
  - After the very successful pilot phase of «Safety World», DR prepares the rollout of «Safety World» in the tied agent organization and ZEUS

## Deutscher Ring: Business model and mission



« We work together to achieve one goal, to become the champion for entrepreneurial distribution, capital market-driven retirement solutions and in health management capabilities

## «Safety World» Effectiveness is proven

### Effectiveness of «Safety World»

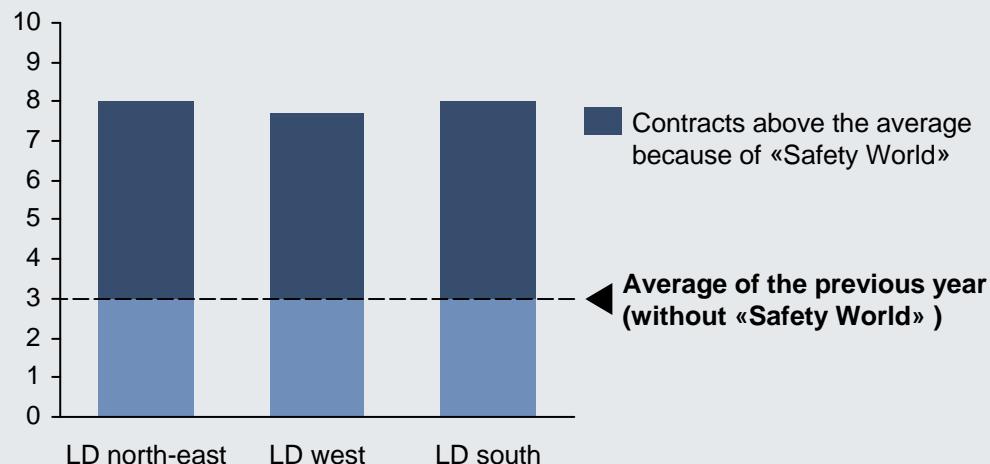
**«Safety World» supports to become a partner with a high confidence for our target customers**

- «Safety World» fits with the higher safety-awareness of our target customers
- «Safety World» is real, convincing and delivers a benefit as well as an added value

**«Safety World» enables profitable growth in the target customer segment**


- «Safety World» eases the termination and enhances the sale rate
- «Safety World» creates customer loyalty effects because of a higher contact rate

### Effectiveness of «Safety World» in figures (pilote project)



The DR pilot agencies generates a 240 % higher premium volume with «Safety World» than average values of the previous year without.

# Our way ahead

Group ambition	What we do	Comments
<b>Grow + <math>\Delta</math> A/B</b>	Integration of the customer value model in our business (DR tied agent organization)	Mailing actions; new compensation system with elements of the customer value model for the DR tied agents and their executive managers; implementation of our customer value model into the DR process management
<b>Implement «Safety World» / franchises as enabler to create + <math>\Delta</math> A/B</b>	«Safety World» for children (ZEUS), «Safety World» for adults (DR tied agent organization)	The rollout will be realized in the 1 <sup>st</sup> quarter of 2008 for ZEUS and in the 2 <sup>nd</sup> quarter for the DR tied agent organization
<b>Develop new target segments and distribution channels</b>	MaklerManagement AG, ALVECON, Focussing on unit-linked products, New chances in foreign markets	Implementation of life and accident insurance products in Slovakia and Czechia
<b>Improve business efficiency</b>	New business model (organization)	 The DR organization is structured for the needs of the DR clients

Basel, November 6, 2007

**Investors Day 2007**

# **Bâloise Luxembourg**

## **Strong growth in all lines of business**

**André Bredimus**

CEO Bâloise Luxembourg



## Baloise Luxembourg

Strongly growing, especially in UL-products

<i>in CHF mn</i>	2004	2005	2006	H1 2007
<b>Gross premiums written NL</b>	40	43	48	32
<b>Combined Ratio, gross</b>	99.2	86.8	89.7	92.2
<b>Gross premiums written L</b>	35	35	43	22
<b>Investment-type premiums</b>	250	264	444	279
<b>EBIT</b>	2	9	9	6

### Business Overview:

- Strong, two-digit growth in non-life and life with special focus on unit-linked products
- Solid market position in non-life (#5) and life (#7) and FPS\* (#10)
- High brand recognition in the local market and very profitable business
- Strengthening of unit-linked platform by acquisition of Winterthur-Europe Vie in early 2007
- Successful introduction of pensions consultancy (fee-based business via special vehicle) providing low risk diversification and cross-selling opportunities especially in group life

# Our «Profitable Growth Engine» Implementation with adapted priorities

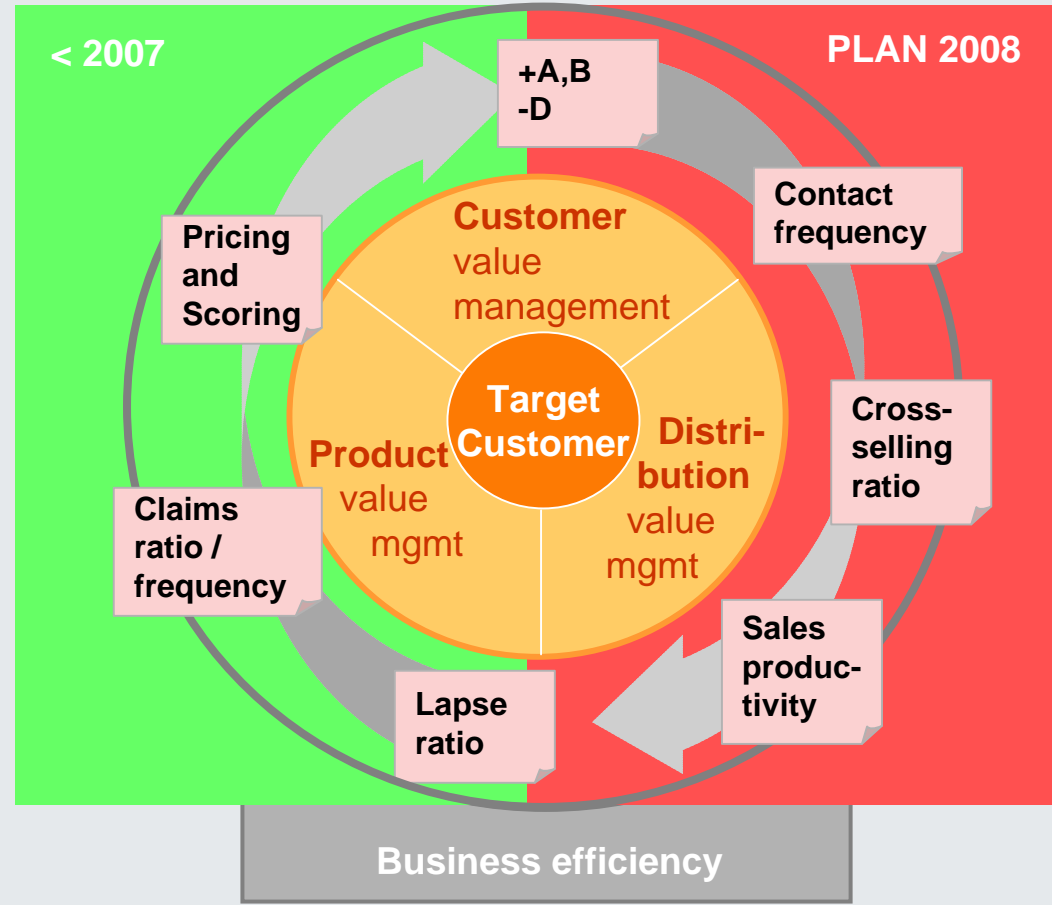
Specific situation in Luxembourg made us choose priorities before 2007 not on customer side but on the more technical side



- Business efficiency & quality
- Scoring & pricing
- Claims management
- «D»- Customer management



... and we have now prepared our structure for continuing profitable growth in targeted customer segments



# Results achieved 2004 - 2007

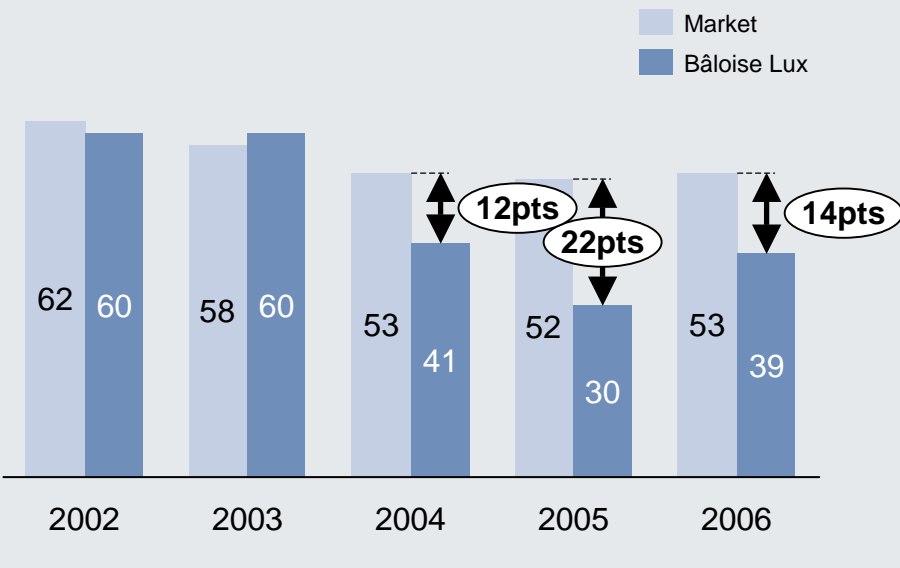
## Relative outperformance of the market and...

These levers stand for strong profitability

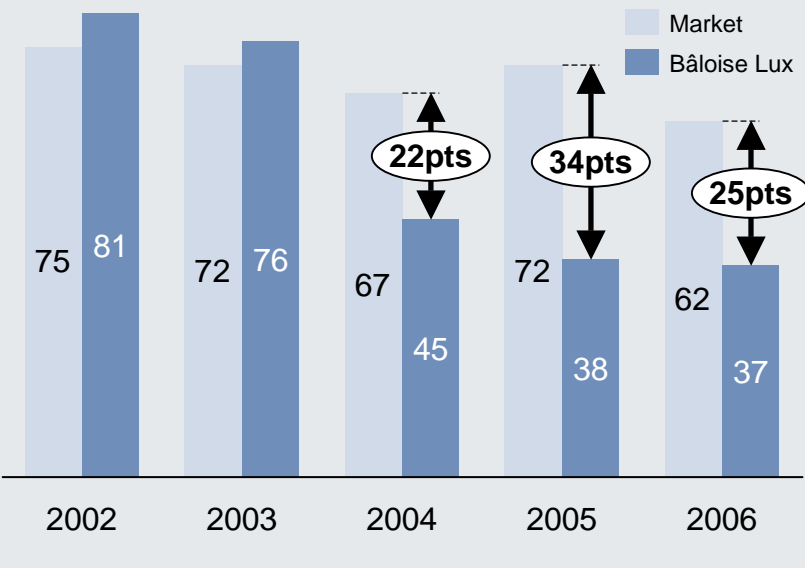
**1. Scored and priced tariff models in most mass products, beginning with car business**

**2. «D»-Customer and Claims management**

**Claims ratio, gross (all lines of business)**  
 %, local GAAP



**Claims ratio, gross (motor insurance only)**  
 %, local GAAP



## Results achieved 2004 - 2007

... strong growth patterns

These levers stand for growth

### 3. Growing and more professional sales force of tied agents + new broker strategy

#### Results achieved

- Growth of professional sales-force by 10% per year
- Broker portfolio doubling in 2 years from 4% to 8% of total portfolio by contributing 30% of the new business in 2007

### 4. Determined presence in new SME-business segments

#### Results achieved

- SME-segment has grown from 28% in 04 up to 34% of total portfolio in 07, currently representing 66% of total new business
- Baloise Lux has achieved growth rates of 8-9% in NL in 06 & 07 whereas market growth is around 3-4%

## Further profitable growth

### Measures to generate growth are in place

- **New commission structure** introduced in January 2008 providing up to 15% of agent income based on combined parameters ensuring profitability as well as growth
- **Cross-selling measurement** based on customer value to assure profitable growth of existing customers
- Detailed and constant **analysis of each agency** based on profitability of customer portfolio aiming increase of return per agent or broker
- **Boosting life sales** based on a new specialized sales organization – named Konex – working with outside partners in health, finance, investments and associated business segments providing larger presence in this segments
- **Creating synergies within Baloise Group** to reach regional workforce living in border regions in Germany and Belgium

## Our way ahead

### In 2008, engine pulls on the right side

Group ambition	What we do	Comments
<b>Grow + <math>\Delta</math> A/B</b>	<p><b>Target customer management (Life &amp; NL)</b></p> <ul style="list-style-type: none"> <li>• Increase Sales productivity</li> <li>• Increase Cross- and up-selling capability</li> </ul> <p><b>Target agent &amp; broker management</b></p> <ul style="list-style-type: none"> <li>• Key accounting concept</li> <li>• New commission system based on growth &amp; profit of agent portfolio</li> <li>• Systematic development of professionals</li> </ul>	- Assuring and accelerating profitable growth trend after 2007
<b>Implement «Safety World» as enabler to create + <math>\Delta</math> A/B</b>	<ul style="list-style-type: none"> <li>• Group Pilots having been successful</li> <li>• Luxembourg-wide roll-out of integrated Baloise «Safety World» in mid-2008</li> </ul>	- Pilot shows high acceptance of prevention by target customers
<b>Develop new target segments and distribution channels</b>	<ul style="list-style-type: none"> <li>• Increase affinity-based business in individual and corporate customer segments</li> <li>• Accelerate growth with specific solutions in SME-segments and for specialized brokers</li> </ul>	- Past initiatives confirm excellent response
<b>Improve business efficiency</b>	<ul style="list-style-type: none"> <li>• Establish new IT systems in order to improve front-end acceptance and cost ratio</li> </ul>	- Projects on track

## Unit linked & Pension business

### Ambitious growth in international niches

#### Market Environment and Competitive Positioning

- **Top 10 player** in Luxembourg in life insurance solutions under Freedom to Provide Services
- Integration of the former **Winterthur Europe Vie** strengthens workforce and market penetration in the segment of individual customer solutions

- **Luxembourg group life business** evolving from a local market business to an international market business
- **Partnerships** with international group have been signed

- **Low-risk fee based business** stemming from expertise in pension solutions consultancy



#### Strategy of Baloise Luxembourg

- **Grow strong market position and increase efficiency** through significant organic growth and other selective acquisitions
- Build upon **integrated companies** to boost further sales & open new partnerships in the cultivated markets

- **Local IT-platform and internet links for group life** business extended to international pension schemes
- **Baloise Group's neutral position** allows partnerships with different financial groups
- Use contacts in the individual customer segment to **enhance group life business** on a European basis

- **Retain and grow pool of expertise**
- **Partnership with financial institutions** active in this same business

## International Niche Markets

### Freedom to Provide Services (FPS)

Freedom to  
provide  
services

The European single investment market created by successive EU directives allows an insurer based in one European Union country to **market its products and provide cross-border services in another European state without having to establish branches or subsidiaries in the target country**

Credentials of  
Luxembourg

- **Central location** in the heart of Europe, international reputation
- Financial market with **30 years experience**
- **World class financial institutions** incorporating both local and foreign expertise
- **Over 150 established banks** from all Europe as well as 2,275 investment funds
- Good **knowledge** of the international laws and customer needs
- Large **experience and success** in « cross border selling »
- **One of the world leaders** in the domain of investment funds
- Highly skilled multilingual and multicultural **workforce**
- Flexible and adaptable **legislation**
- Commitment to **innovation**
- Economic, social and political **stability**
- Close **communication with regulatory entities**
- Permanence of banking and insurance **secrecy**



## Freedom to Provide Services The Baloise Luxembourg Approach

### Our Strategy

Build upon our expanding presence in Belgium, Germany, France, Portugal and Finland and set the standard for this type of life insurance investment products in Europe

### Our Strengths

- A staff of **highly qualified, multilingual people**, dedicated to serving the needs of partners and clients and working with specifically adapted IT systems
- Our offer integrates **diversified financial products** and **made-to-measure financial solutions**
- **Unrestricted access** to top rated investment funds
- An innovative, personalized suite of **investment management services**
- **Independence and neutrality of Baloise Group** (no membership in a banking group) allows partnerships with a large variety of financial partners

### Our Distribution Channels

We distribute our products and services **through independent brokers, private bankers and wealth managers** and provide them with **continuous assistance and support** in order to ensure their ability to deliver **optimal service to their customers**

## Pensions Consultancy by AMAZON Insurance & Pension Services

### Our Offer

**Provide all commercial companies, pension funds or insurance companies with actuarial and technical expertise for establishing and managing pension plans**

### Our Services

- Creation and establishment of a **pension plan**
- Modification and enhancement of the **management of an existing pension plan**
- Administrative and actuarial **handling of pension plans**

### Our Credentials

#### **A state-of-the-art administration tool**

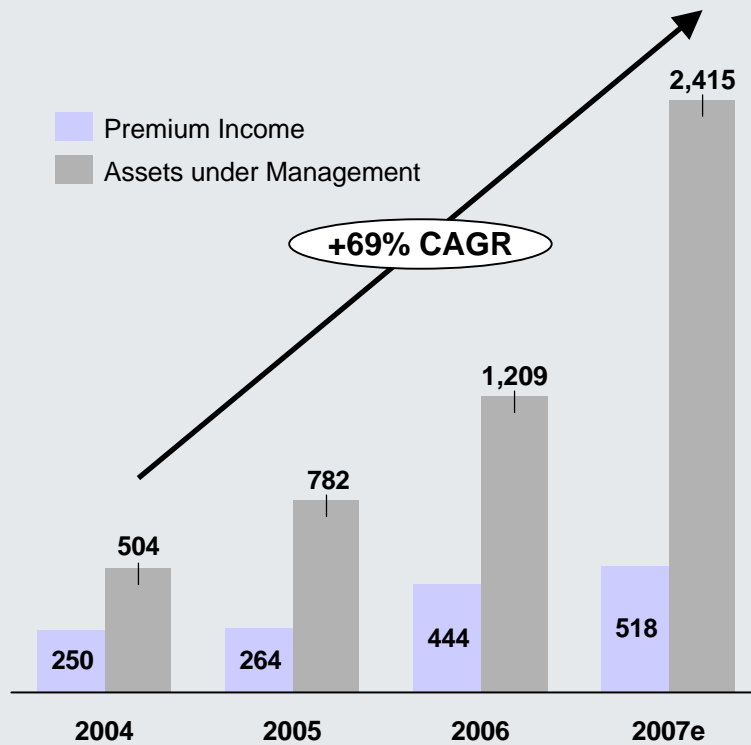
- Specially assigned to the management of pension plans
- Freely adjustable to any specific case and fulfilling the particular needs of any type of company as well as country legislation
- Allowing the management of either a specific plan, a particular category of staff as well as an individual case
- Giving access to personal data by the means of a secure and integrated web tool

#### **Operating excellence through a highly qualified team**

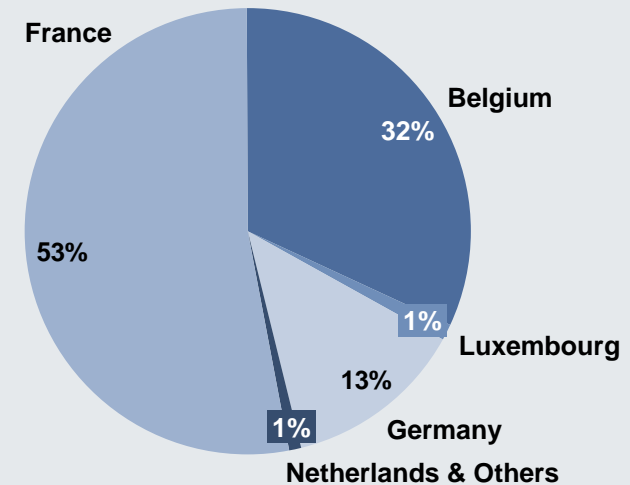
- Specialized for actuarial and administrative tasks
- Particularly trained for the use of the IT tools involved
- Solid university background or professional experience
- Multilingual

## Success on unit-linked markets Spreading over more european countries

**Units-linked business in FPS**  
 CHF mn, local GAAP



**Premium split per country**  
 %, 2006, local GAAP, without Winterthur Europe Vie



New countries worked since integration of Winterthur Europe Vie in 2007: Portugal, Finland, Iceland, further countries are being prepared

Qualified know-how of this business acquired in Luxembourg is being introduced within Baloise Group to boost qualified sales in this segment

Basel, November 6, 2007

**Investors Day 2007**

# **Conclusions from a Group perspective**

**Frank Schnewlin**  
CEO Baloise Group

## Conclusions (1/5)

1

Our **target customer** and **target segment strategy works**. It delivers steadily improving operating margins for non-life, life and insurance banking business AND above average growth of target customer business (relative to our portfolio and the market).

2

The **underlying quality of our business portfolio** thus **improves systematically** relative to the market. This builds the **foundation for sustainable operational outperformance** by Baloise – independent of the business cycle.

3

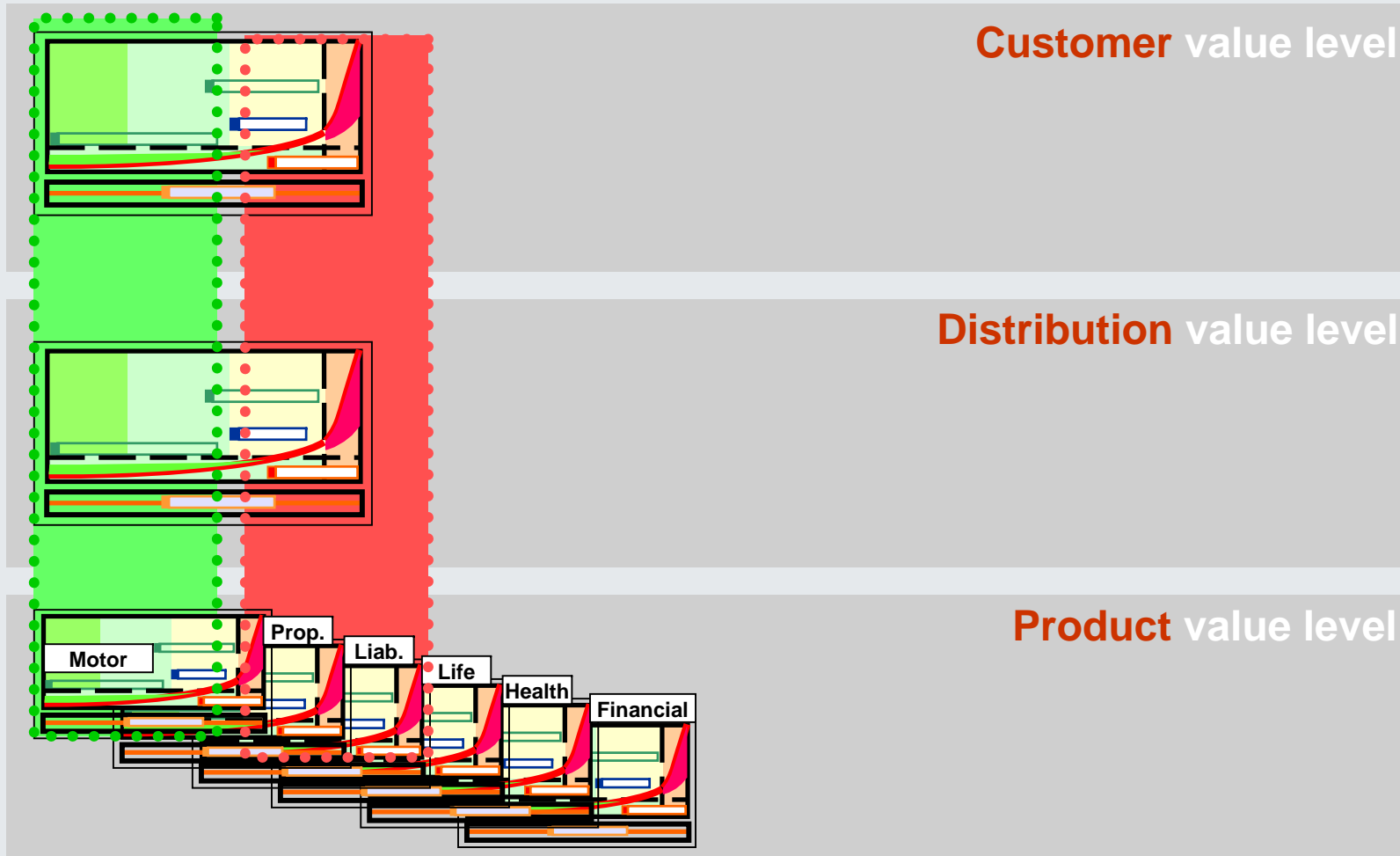
Our «Profitable Growth Engine» is fuelled by the systematic integration of

- customer value management
- distribution value management
- product value management

into our management, measurement and incentive structure

## Conclusion (2/5)

Our engine links all three value creation levels to generate sustainable profitable growth



## Conclusions (3/5)

4

We have networked ourselves within our Group to develop our internal best practices, minimum standards for execution and Key Performance Indicators.

We are inspired

- at the customer value level by Wells Fargo
- at the product value level by Progressive Insurance

The critical link between the customer value and product value levels – i.e. distribution value management with our «Safety World» and broker franchise approach – will increasingly develop into a USP for sustainable operational outperformance relative to our markets.

## Conclusions (4/5)

**5**

We have made excellent progress but we have by no means arrived. We still see significant further improvement and profitable growth potential going forward –

particularly in the areas of

- customer value management
- distribution value management

and further

- business efficiency gains

**6**

We are systematically developing new target segments with additional promising profitable growth potential in all our SBUs.



## **Conclusions (5/5)**

**7**

Our drive for Business Excellence is complemented by our quest for Financial Excellence and Leadership Excellence (with strength in execution as the ultimate key) – aligning them to outperform the market.

We still have significant potential in further optimizing our capital structure and efficiency – as witnessed yesterday with the announcement that we surpassed the 5% threshold level of treasury shares due to our share buyback program.

**▶ Conclusion: If you believe in Continental European Insurance as an investor – Baloise is the stock to own**

Basel, November 6, 2007

**Investors Day 2007**

**Q&A**

## Upcoming events

**Full Year Results 2007**

**March 26, 2008**

**Annual General Meeting**

**April 29, 2008**

**Half Year Results 2008**

**August 27, 2008**

You will find all published documentation at [www.baloise.com](http://www.baloise.com)


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