

NEW BUSINESS MODELS FOR THE FUTURE

CASE: LOCALTAPIOLA, FINLAND

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LocalTapiola Group in a nutshell

- **A Finnish insurance group** offering non-life, life and pension insurance as well as investment products under one roof. In addition, employee pension and banking services are offered through the cooperation partners Elo and S-Bank
- **A mutual group of companies that is owned by its customers.** Profit is retained to develop services and to maintain strong solvency position as well as paid out as customer bonuses
- Has changed from insurance company to a **'life long security' provider**
- The roots date back to the 18th century and the **business has always been based on mutuality**

We have a responsibility to our

1.6 million

owner-customers.

EUR **653**

million was paid out for claims under non-life insurance.

Group market share

26%

The customer assets managed by LocalTapiola Asset Management amounted to

EUR **10.8**

billion.

The real estate assets managed by LocalTapiola Real Estate Asset Management amounted to

EUR **2.5**

billion.

More than

670,000

households are already receiving S Bonus for their insurance premiums.

LocalTapiola is close to the customer everywhere in Finland.

20 regional companies serve our customers at

235 offices all over Finland.

LocalTapiola Mutual Insurance Company, LocalTapiola Life, LocalTapiola Asset Management and LocalTapiola Real Estate Asset Management provide the best solutions for customers' needs.

Group profit

EUR **259**

Million

Figures as of year-end 2017 & 2018

The lifelong safety company

Elämänturvayhtiö

MISSION

We help our customers to secure their life and business.

We tailor our products and services in security, finances and health for each customers personalised lifelong safety.

VALUES

GOODWILL
PASSION
COURAGE

STRATEGIC CHOICES
2019-2021

1. Strengthening lifelong security culture and capabilities

2. Improving actively the lifelong security of our customers

3. Offering the best services and easy, multi-channel customer experience

4. Influencing responsibly close to the customer

VISION

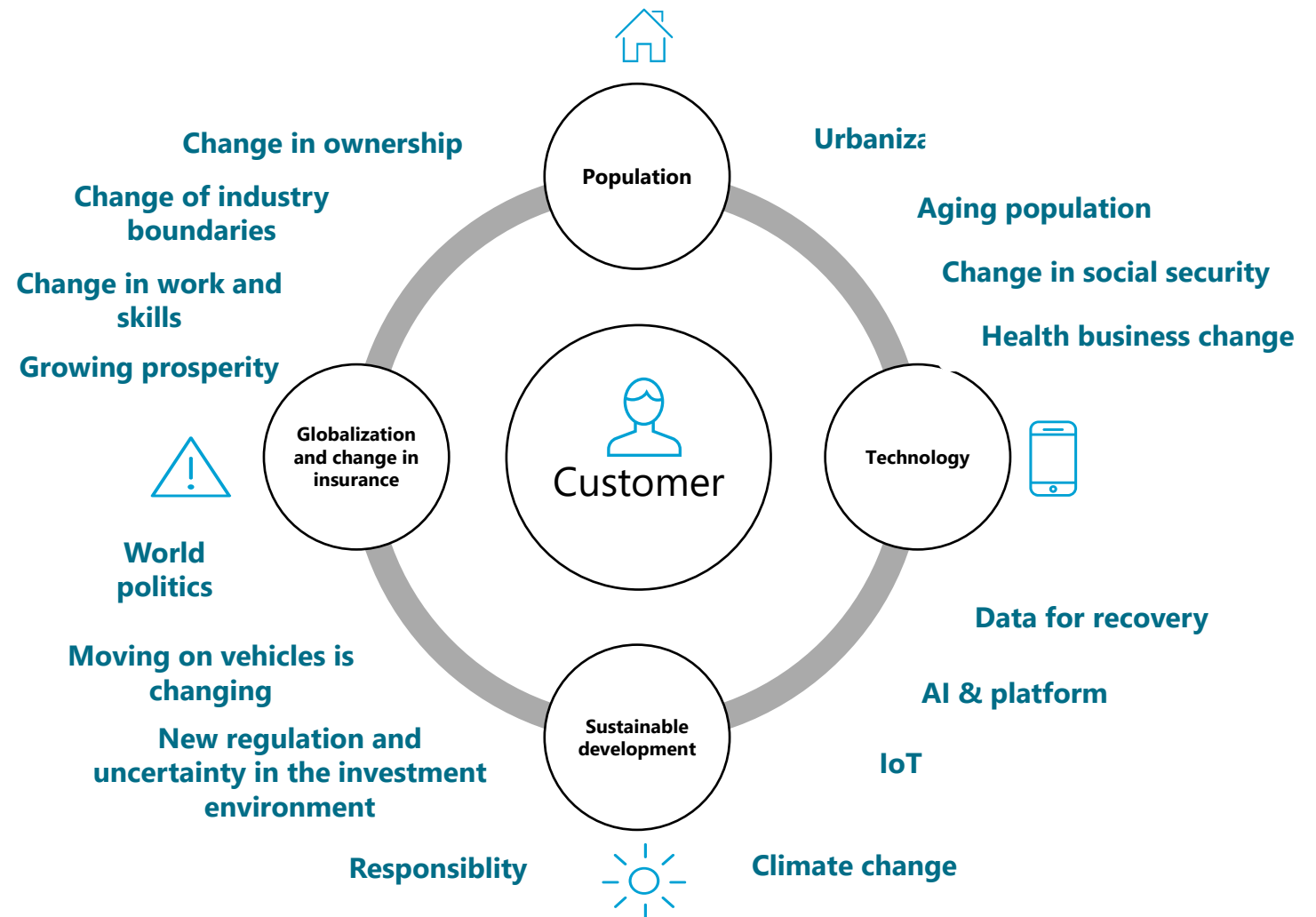
We are an appreciated everyday lifelong security partner of the customers in security, finances and health.

The customer experience makes us stand out the experience is genuinely caring, personal and rewarding.

Find the changing forces and trends which might influence on the customer preferences in the following years

We believe that in **In the future, customers will appreciate** easy, personal, multi-channel service that takes account of the customer's life circumstances and business.

This service needs to be provided 24/7, depending on the channel.





The best customer experience and lifelong security are at the core of our strategy and operations

We focus on service leadership.

The central part of our strategy is providing the best lifelong security service, in which forecasting and active care play an essential role.

We will stand out from other operators by offering the best customer benefits.

The way we answer on the changing customer needs

Rapid, expert service

We need **experts** in different fields

Local service – knows what makes regions special

The **claims service** need to be efficient and fast

Additional services that provides **24/7 assistance** both online and over the phone

Focus on benefits and pricing

A customer-owned company does **not need to pay dividends**

Customers part of **bonus programs**

Concentrate on **benefit programs**

Analyze prices against risk and markets

Individual, precisely suited to needs

The **best service packages** for different life stages

Proactive **individual advice**

Extensive selection of **services and partners** to enable the correct services to be selected depending on the situation

Modernising and developing

Continuously **develop** and benchmark **the digital services**

Review and focus on the **health and welfare services**

Automation and data utilisation – increases speed and awareness

**What are we actually doing
regarding organisational change
and the digital transformation?**

**Are we shifting our focus from
protection and indemnity to
prevention and resilience?**

Five challenges we had in the Life Insurance

1. Be relevant and create commitment?

- 95% of customers say it is natural to combine wellbeing services with Life insurance products
- Positive effects on customer retention?

2. Be part of your customers everyday life?

- Ability to be in contact with customers about positive things rather than “when the worst has happened”

3. Have healthier customers who live longer?

- Lifestyle has more effect on life expectancy and quality of life, than genes or environmental factors
- 72% of our customers have improved their lifestyle, 76% say that lifestyle changes have become permanent (customer survey from 06/2015-12/2018)

4. Sell your life insurance with positive arguments?

- Beneficial concept to both customer and life insurance company: healthier customers that live longer
- Positive approach when talking about life insurance

5. Create added value instead of constantly competing with price?

- Instead of discounts, we provide customer with set of tools helping them to make lifestyle changes and live healthier
- Unique concept that is free of charge for the customer

The solution: Smart Life Insurance

- Combines wellbeing services with Life Insurance - life, long and short term disability, critical illness
- Services are available at **TerveysHelppi** mobile application, which is owned by LocalTapiola
 - TerveysHelppi application offers also telemedicine services to our customer (powered by Mehiläinen, the second biggest private health care provider in Finland)



You can set goals and follow your progress on them



Improve or maintain your health with the goals reached



Wellbeing content from our partners



Charity challenges, where activity affect the amount collected to charity



Other services and discounts from our wellbeing partners

Free of charge to customer

• Key lessons learned:

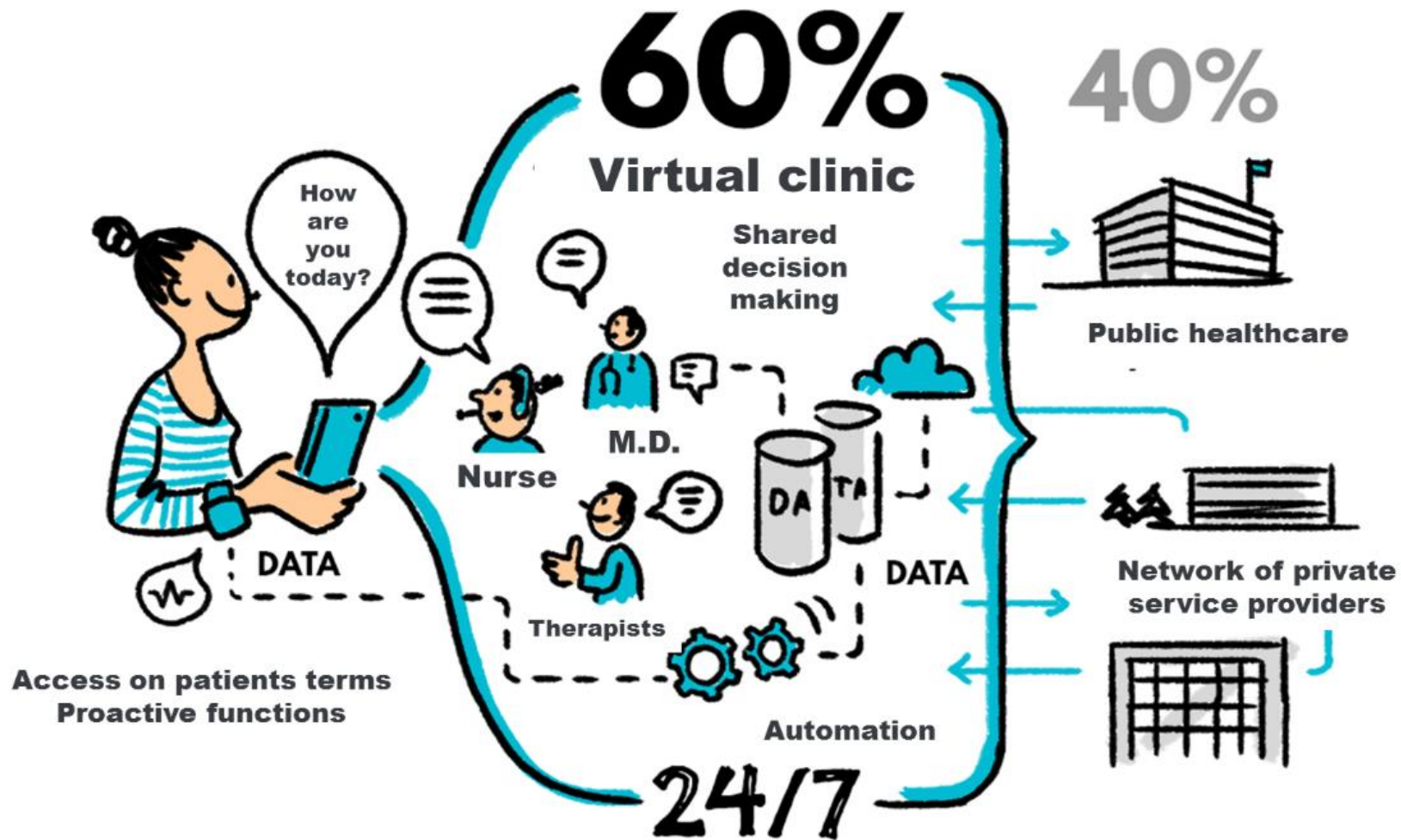
- ✓ Customers are willing to share lifestyle data to insurance company if they think it is useful
- ✓ With concept, prospects are younger than normal term life customers
- ✓ Customers expect activity and care from us

• Key lessons learned:

- ✓ Customers need a lot to stay motivated with using the application
- ✓ Technology is changing quickly – the platform has to be dynamic and updated
- ✓ Messages in application are read and noticed better than e-mails

TAPIOLA

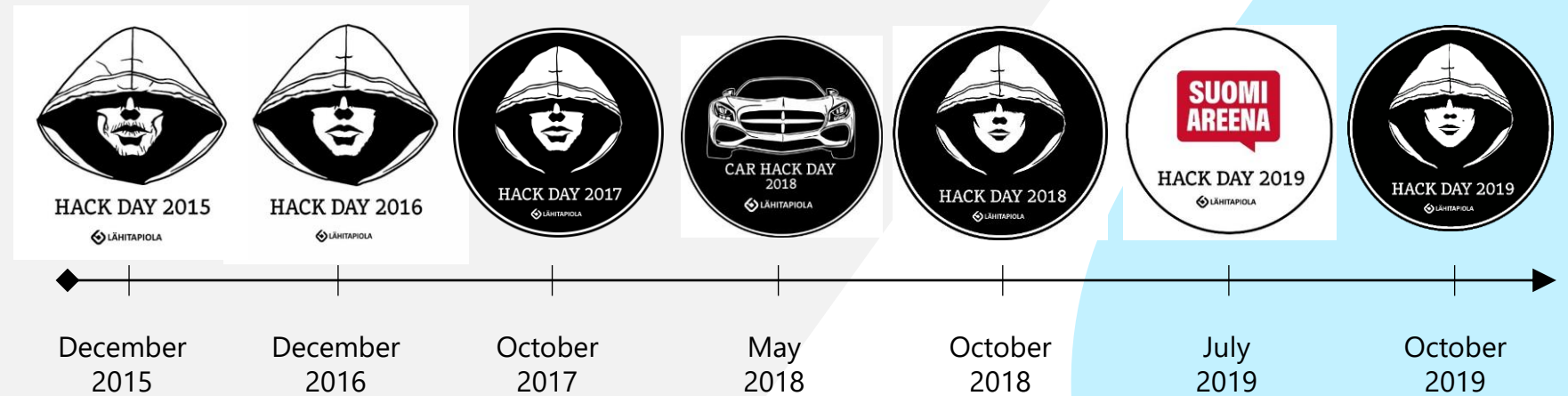
LocalTapiola Health service model



Location and time independent personalized healthcare

LocalTapiola's Bug Bounty Program and Hack Day's

- We want to hear about any security vulnerabilities in our services.
- We work with white hat hackers and build trust-based relationships
- Friendly hackers have been thanked rather than hit with a lawsuit
- Bug Bounty programs and Hack Day events are cost-effective for finding security issues on target systems and different platforms
- Total bounties paid by now \$190 000
- <https://hackerone.com/localtapiola>



RESPONSIBLE INVESTING AT LOCALTAPIOLA

		Stock picking strategies	Credit picking strategies	Government bonds	Factor-based strategies	Fund partners	Market/Beta strategies
Integration	Own ESG analysis	●	●	●			
	Use of third party ESG score	●	●		●		
	Partner classification on ESG					●	
Active Ownership	Company/Fund Partner meetings	●	●			●	
	Active dialogue and engagement	●	●				
	AGMs/voting	●			●		
Thematic Investments	Thematic Investments	●	●	●		●	
Exclusions	Exclusions	●	●		●		
Impact Investing	Impact Investing		●				

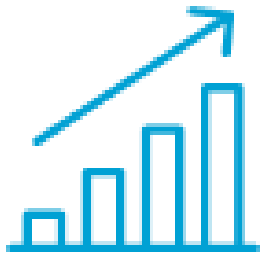
LOCALTAPIOLA ASSET MANAGEMENT WAS AWARDED 2019 AS THE MOST RESPONSIBLE ASSET MANAGER IN FINLAND THE SCANDINAVIAN FINANCIAL RESEARCH (SFR) AWARD



PRI ASSESSMENT REPORT 2019 RESULTED A+ FOR LOCALTAPIOLA ASSET MANAGEMENT WHICH IS SOMETHING ONLY 29% OF ASSET MANAGERS ARE AWARDED

		Stock-picking model	Credit-picking model	Factormodel	Fund manager selection model	Market funds
We exclude	Companies in breach of international norms	●	●	●		
	Producers of controversial weapons	●	●	●		
We avoid investing in when share of revenue >5 %	Adult entertainment	●	●	●		
	Producers of conventional weapons	●	●	●		
	Producers of tobacco	●	●	●		
	Gambling	●	●	●		
We avoid investing in when share of revenue >25 %	Thermal coal production and use in energy production (>25% energy mix)	●	●	●		
We invest in best-in-class	Based on carbon footprint in carbon intensive sectors - Airlines - Construction materials - Utilities - Waste management	●	●			

Why sustainability, the ESG's matter for us?



ESG can **enhance returns**

We believe that an active ownership can improve a lot on your future returns

We see a lot of opportunities “rising stars” when it comes to sustainability related industries

We believe a big part of the industry could adapt into more sustainable way but innovation will be needed



ESG is an essential part of **risk management**

Less volatility in credit portfolio

The plan on holding on the asset is in key place – risk profile might change a lot in time

Strong link to macro side: societies and demographics

Holistic risk view through balance sheet



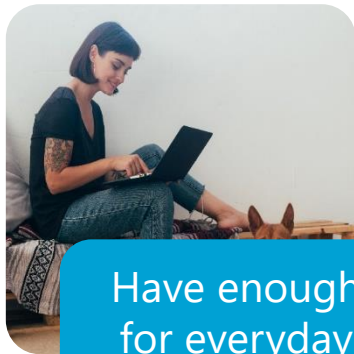
Well managed and communicated ESG is **a reputation issue**

“license to operate”

Public opinion and changes from consumer side important to try to take into account in advance

What we are doing on the savings side?

- We have been building a new concept to help our **customers starting their savings**
- **4 step approach:**



Have enough for everyday living

- Customers account

Everyday living, rents or mortgage payments, family expenses, etc



Have twice your salary saved

- 0% guaranteed rate savings products

The unpredictable costs one faces every now and then



Save for some specific purpose

- Combination of unit linked and guaranteed rate

Holiday trip, sabbatical leave, home renovation, wedding

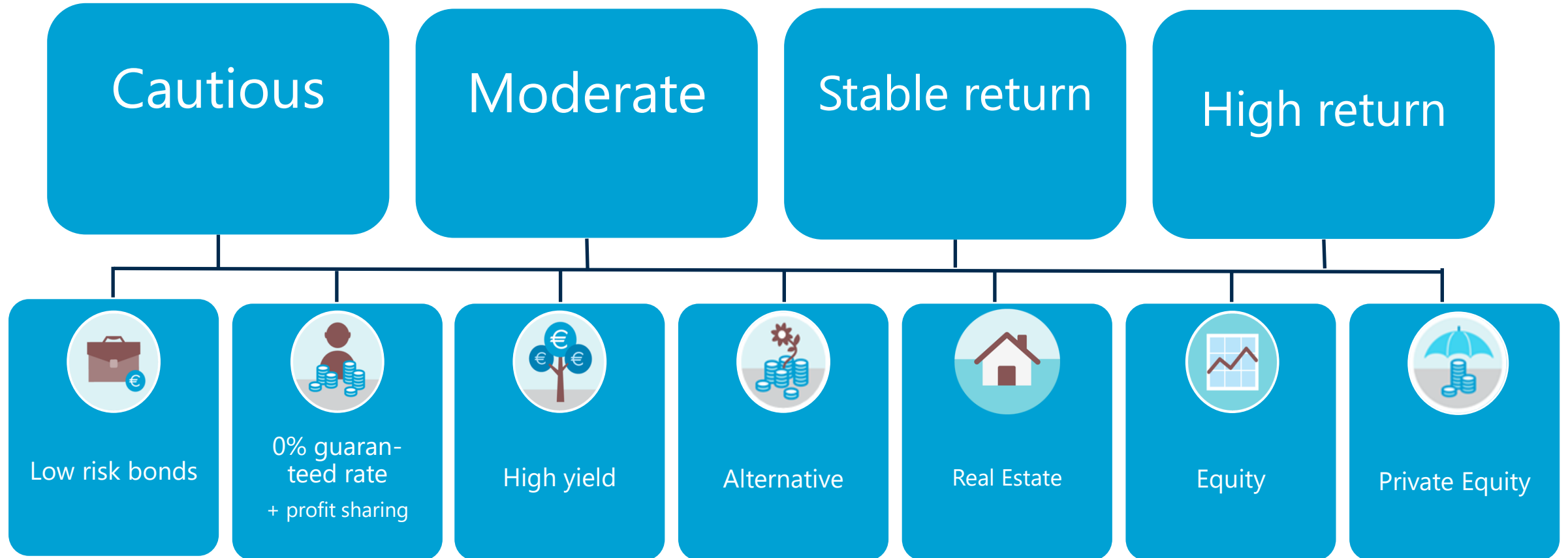


Prepare for your pensions

- Pension insurance and/or savings products

Possibility to start the pensions, need for money on your old age

CASE LT: Different savings products: LocalTapiola life: new savings products



Max. €100 000 savings per customer, Surrender fee fixed and low for all customers and savings amounts, no limitations to surrender just once-in-a-quartal for illiquid assets

Some other examples...

- We have started to provide, as part of our home insurance offering, the possibility to have equipment to **stop water leakage** and save water.
 - Our aim is a **-50% reduction in water damage claims** by the year 2025.
 - We have good partners and the funding can be provided by LocalTapiola
 - don't wait and hope, take control of the costs!
- A '**help service**' can also provide value for instance on the **pet insurance**.
 - Bring more control over the customer process
 - Get customers well faster and better
 - Control the value-chain, partners and prices
 - Don't just pay and then end up increasing the insurance fees
- We have our own team just for **developing Robotics in-house**. For us it has been a lot of more efficient not to outsource this expertise, rather grow it in or group: [link](#)

Thank you!

