



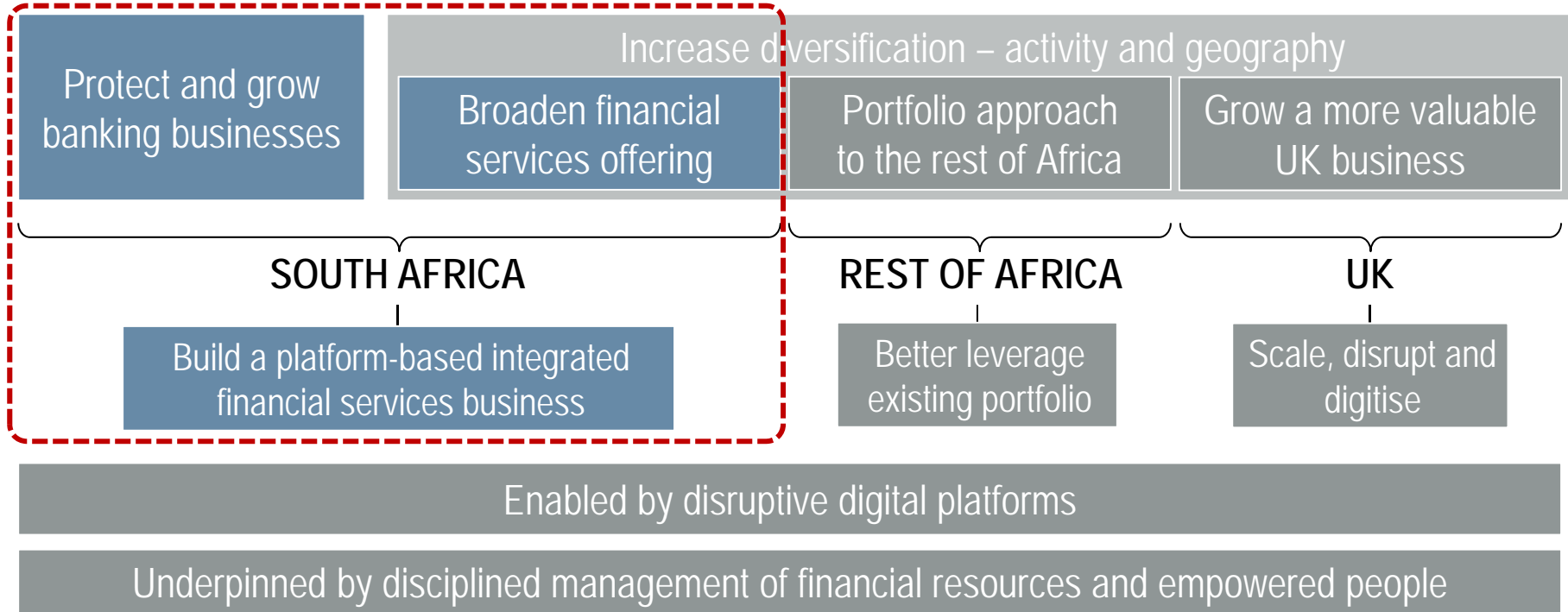
FirstRand

## Disruption in financial services – don't forget the customer

Mary Vilakazi, FirstRand COO

15 October 2019

# Group strategic framework – broadening financial services requires disruptive strategies



## Successful disruption will benefit the customer

*“A disruptive innovation is an innovation that creates a new market and value network and eventually disrupts an existing market and value network, displacing established market-leading firms, products, and alliances.”*

~ Clayton M. Christensen, 1995

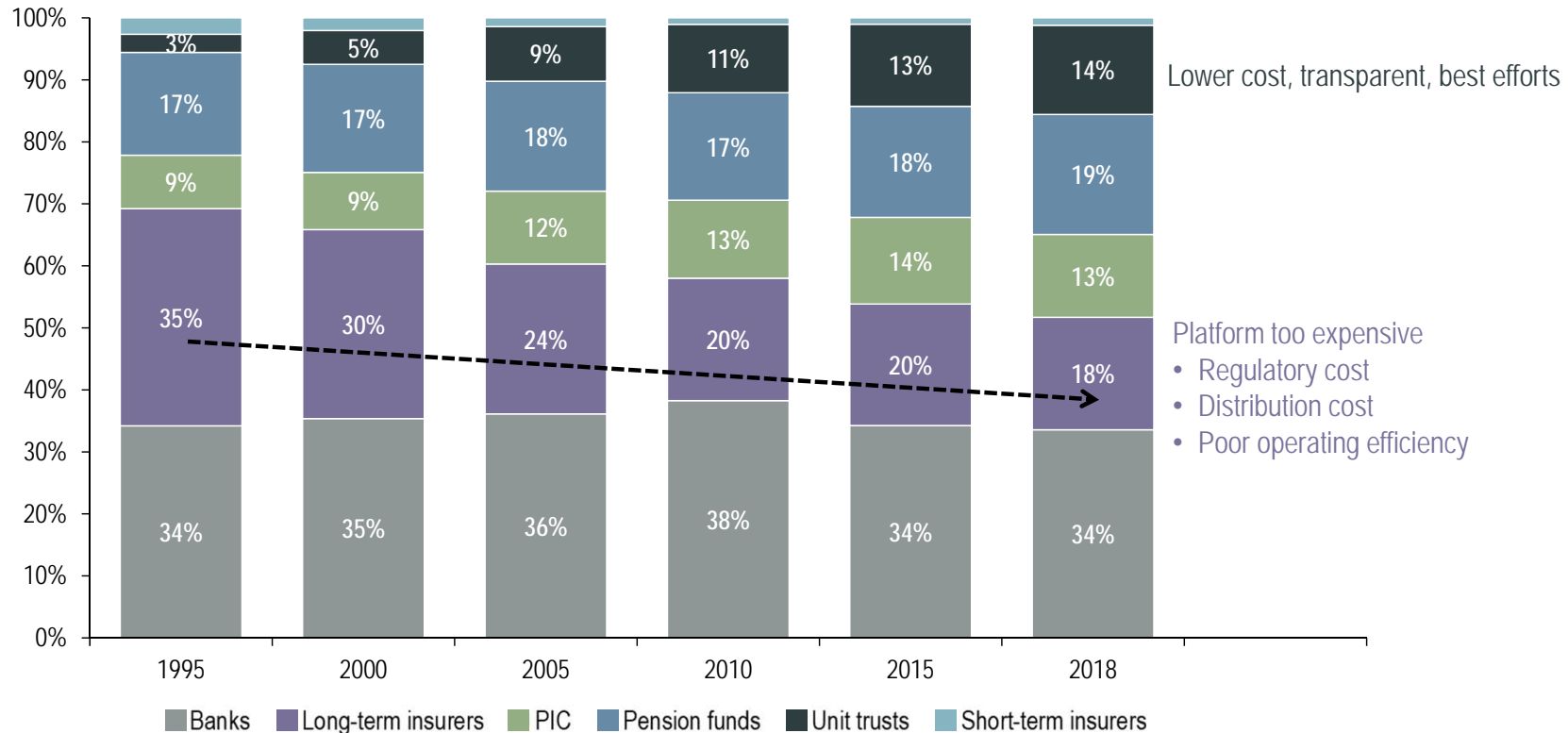


Disruption allows value chain to be reconfigured,  
which enables **better customer outcomes**



# Some business models have already been disrupted

Assets under management by licence



# Traditional insurance value chain is vulnerable

## Disruptive forces:

Regulatory

Market

Economic

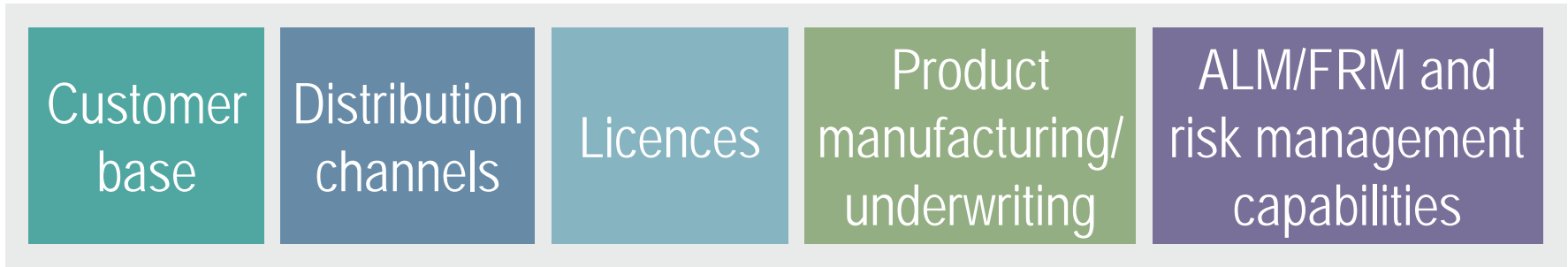
Customer

## RESPONSES REQUIRED

- Reduce channel costs
- Reduce platform costs
- Better client outcomes
- Better, more efficient risk selection
- Balance sheet – better financial resource (asset/liability) management



# Owning the value chain key to disruption...



Enhances processes and minimises leakage



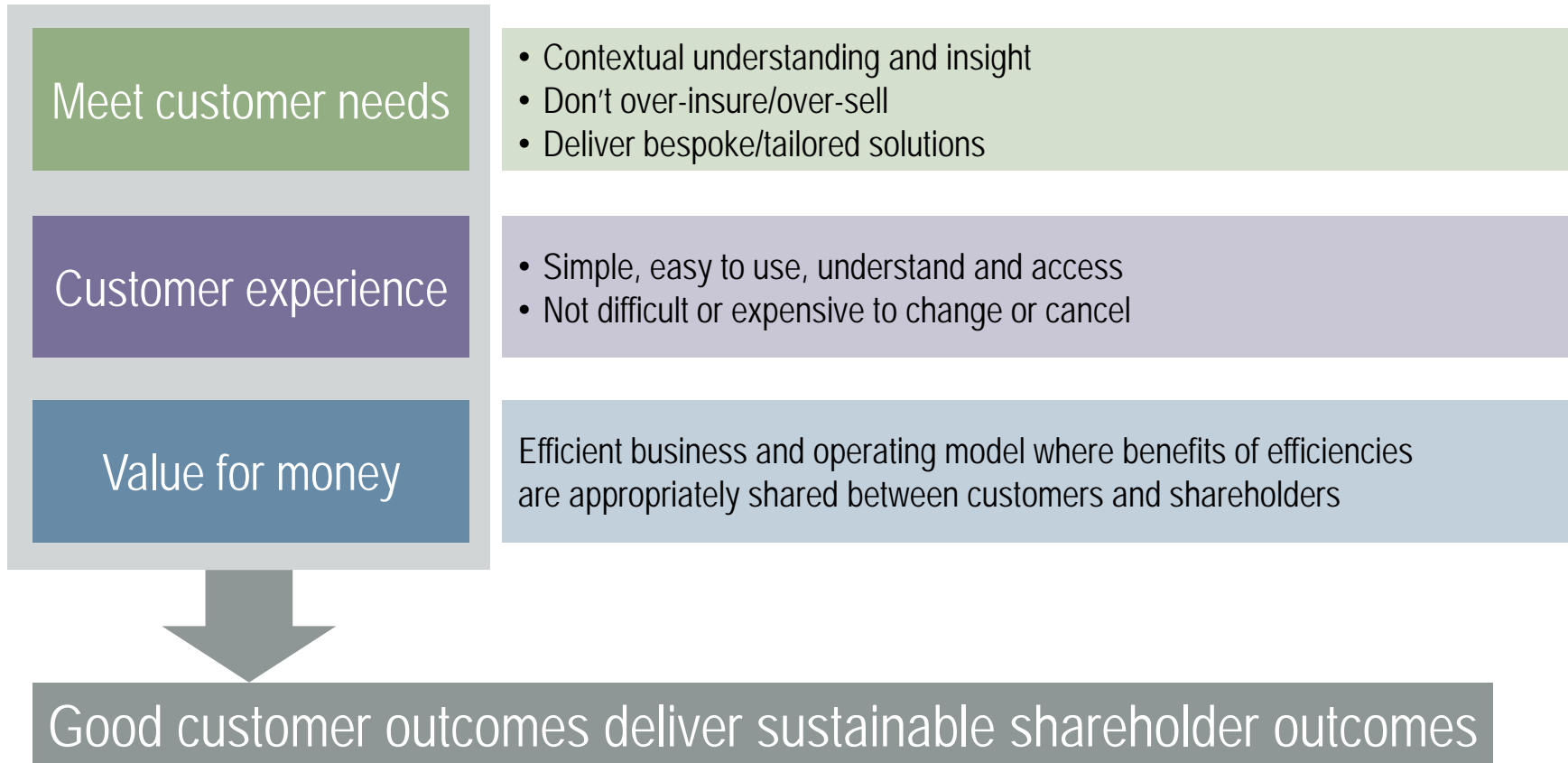
... so is business model and a customer-centric strategy



- Use data analytics to understand customer needs and create products that meet those needs (not just push products)
- Delivered through appropriate channels
- Enabled by operating platforms, systems, data, licences and sophisticated ALM/integrated FRM

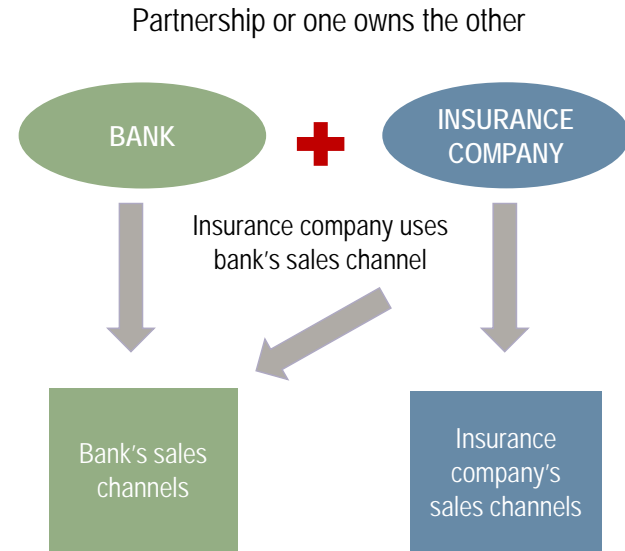
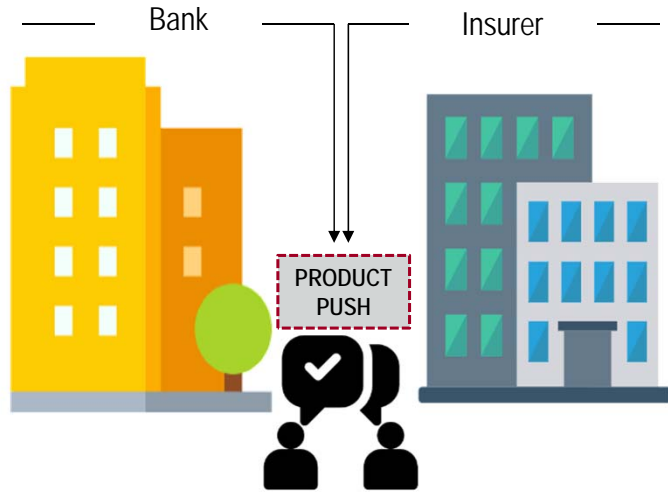


# Deliver superior customer outcomes efficiently

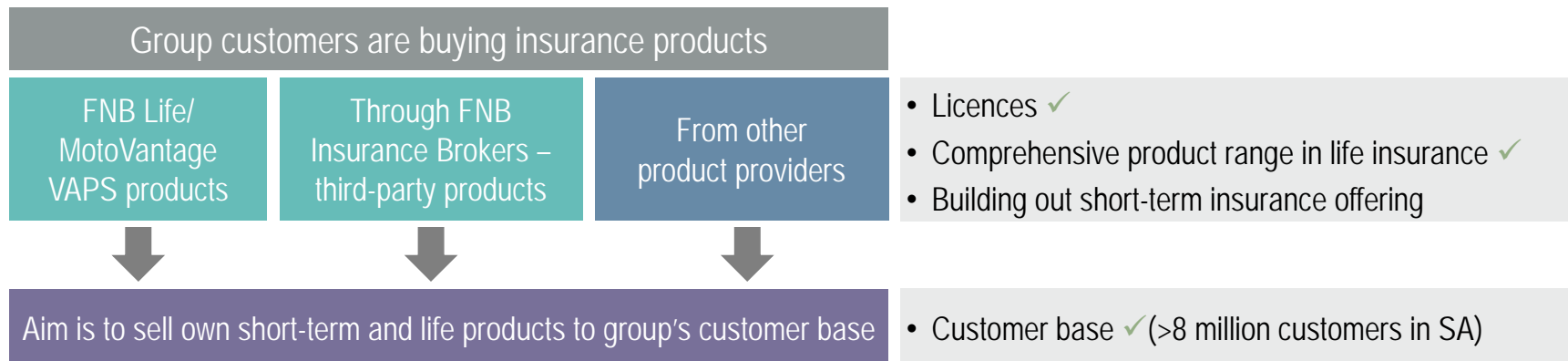




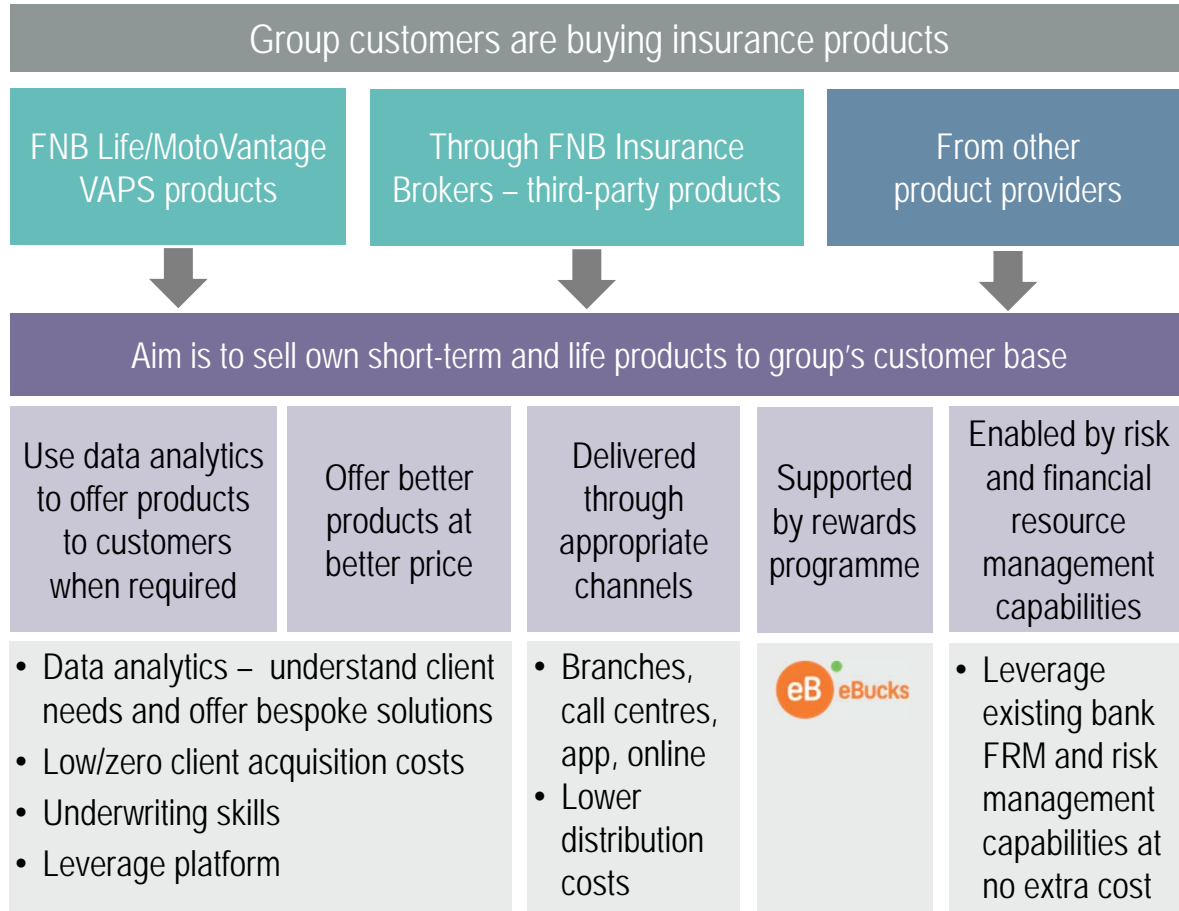
# Traditional bancassurance is not integrated and value chain fragmented



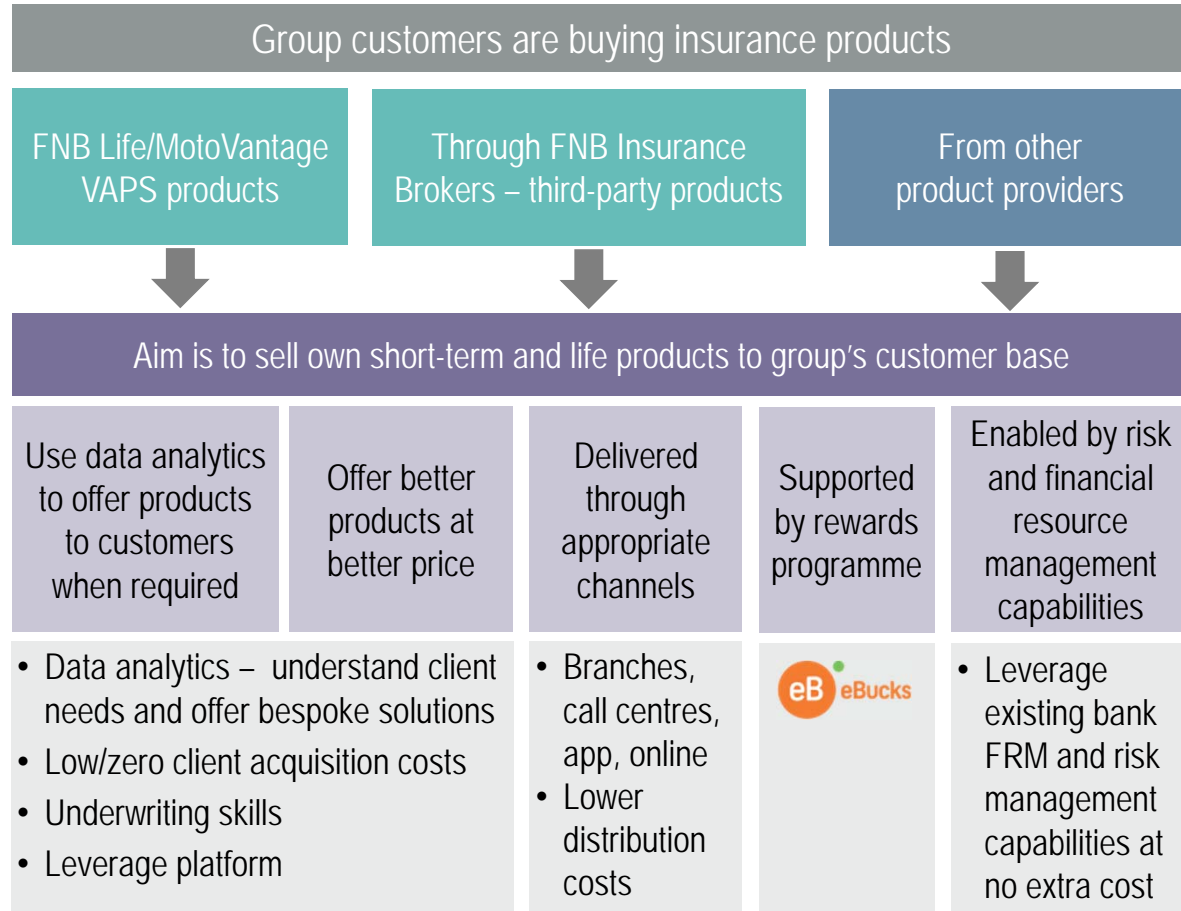
# Does FirstRand have the right to compete in insurance?



# Existing capabilities and integrated model allow for disruptive strategy



# Also benefits the shareholder



Every customer switched is more valuable to FirstRand than industry average due to lower distribution costs – share this benefit between customers and shareholders



# FNB's insurance innovation initiatives...

## 01 PRE APPROVED

Pre-approved >1 000 customers for life insurance

- No questions asked
- One-click fulfilment

## 02 PREDICTIVE UNDERWRITING

Utilise all information on customers to make better decisions on risk – improved targeting, origination and risk pricing

## 03 STRAIGHT-THROUGH CLAIMS PROCESSING

- Automation of processes – pay claims without manual intervention
- Use advanced algorithmic model to manage risk and allow for swifter pay-outs

## 04 DYNAMIC POLICIES

Policies that exactly match clients' needs

## 05 ROBO-ADVICE

Developed and deployed robo-advice tools into mass channels – enables scaling advice to all customers

## 06 NAV>> WELLNESS

App-based wellness tool free to all FNB customers to proactively manage mortality and morbidity risk

## 07 OMNI-CHANNEL

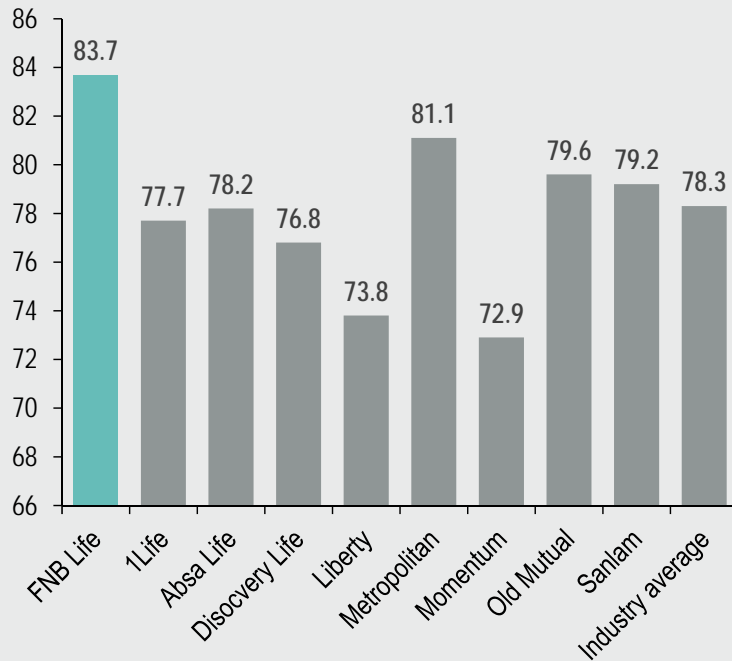
Sell and service insurance products on various banking channels to ensure seamless customer experience



# ...contribute to good customer experiences and outcomes

## SAscI CUSTOMER SATISFACTION

### SAscI CUSTOMER SATISFACTION INDEX



## INDEPENDENT BENCHMARK\*

- Number 4 in life by sum insured
- Number 3 in life by APE
- Number 2 in life by number of policies
- Number 1 in life in terms of digital distribution

## CLAIMS EXCELLENCE

- Value of claims paid since inception of life licence = R 2.6 billion
- Optimising claims process by integrating into death data at Department of Home Affairs – enabled payment of claims to be expedited

\* Swiss Re Individual Risk Market New Business Volume Survey 2018.

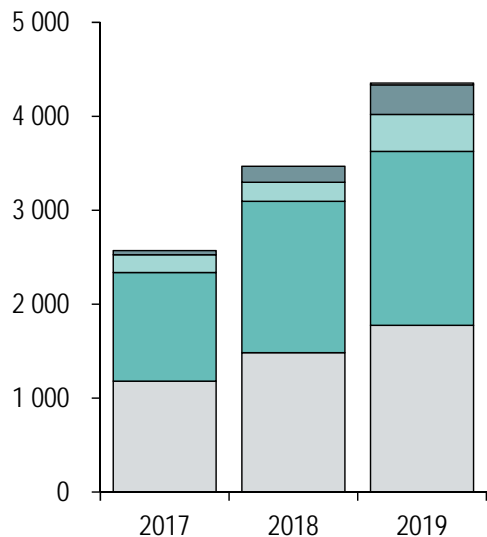


# FNB Life is already a meaningful player and valuable insurance business

## Annual premium equivalent (APE)

### IN-FORCE APE ON LIFE PRODUCTS

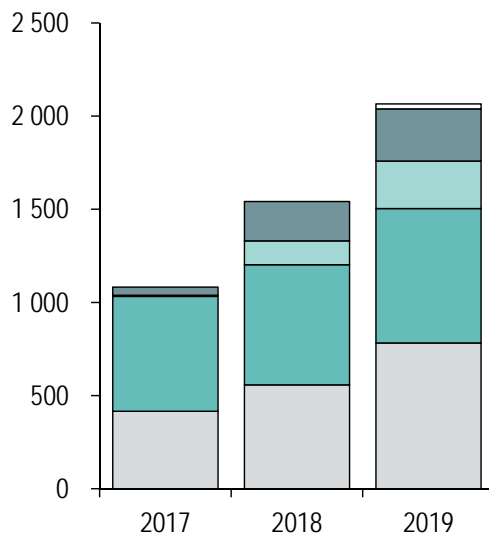
R million



## New business APE

### NEW BUSINESS APE ON LIFE PRODUCTS

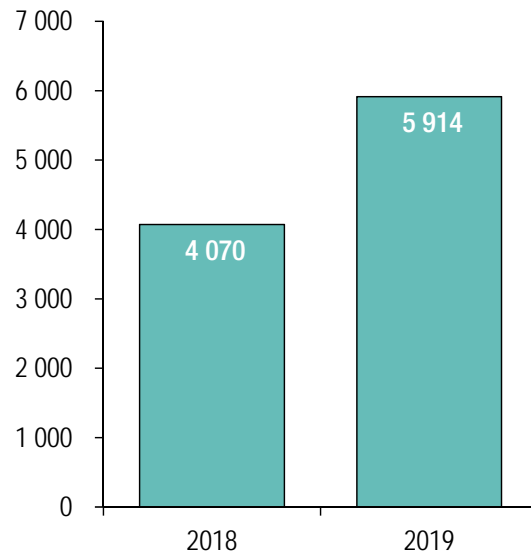
R million



## Embedded value

### GROSS EMBEDDED VALUE\* – ALL LIFE PRODUCTS

R million

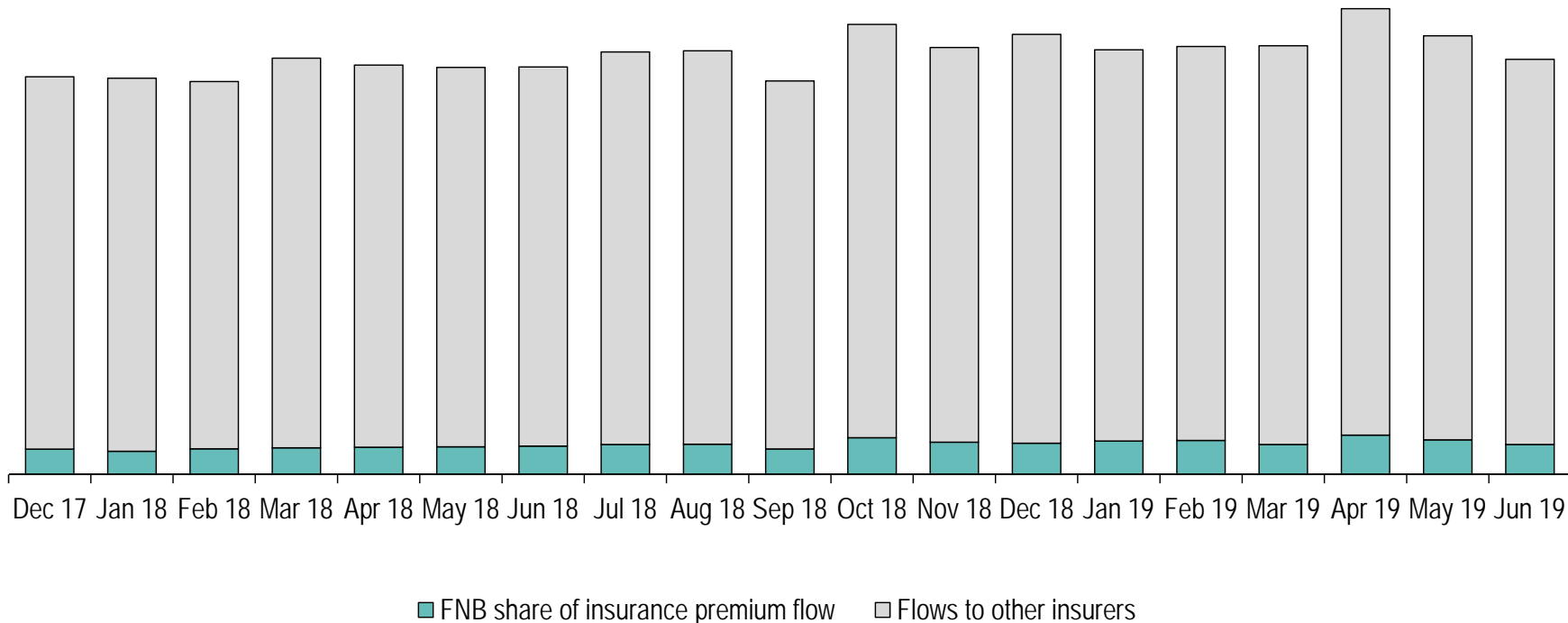


Credit life
  Funeral
  Core life\*
  Underwritten\*\*
  Commercial#

\* Gross embedded value is the amount before dividends declared.



## Despite traction, the opportunity remains significant



Approximately R38 billion per annum in flows to other insurers





# Strategy will further diversify NIR, protect return profile and customer franchise

- Customer base
- Brands and distribution channels
- Data analytics and platforms
- Product manufacturing and risk/ALM capabilities/skills

Leverage group platforms and capabilities to do more for customers



- Growth opportunities
  - Insurance (life and short-term)
  - Investment management and savings industry ripe for further disruption across the value chain
- Broader financial services offerings further build on main-banked transactional relationships
- Capital-light and attractive returns associated with these activities will support return profile

Enhanced return profile to shareholders

