

# Leveraging technology and analytical capabilities for strong value creation

Sell-side analyst meeting in Oslo, 28 August 2024



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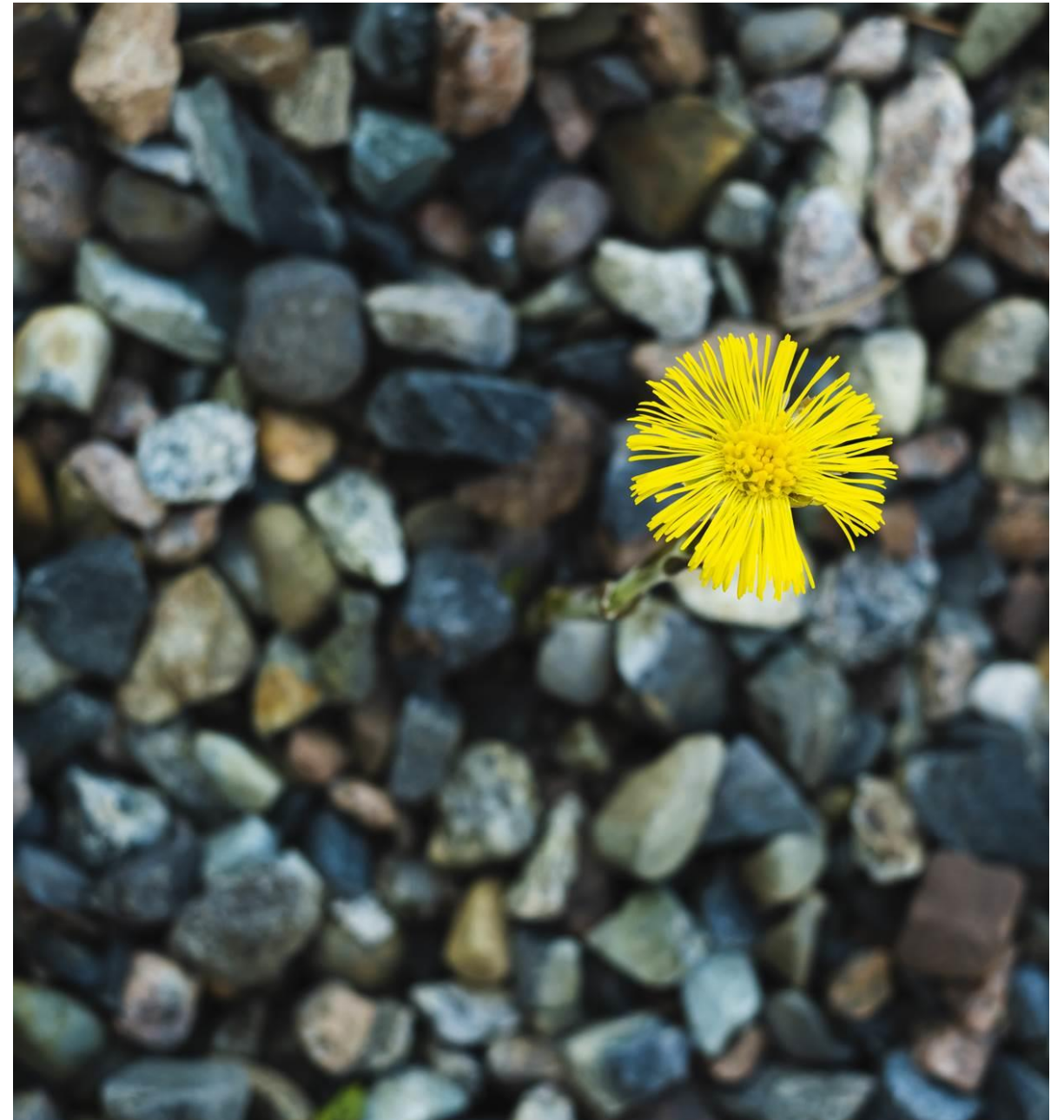
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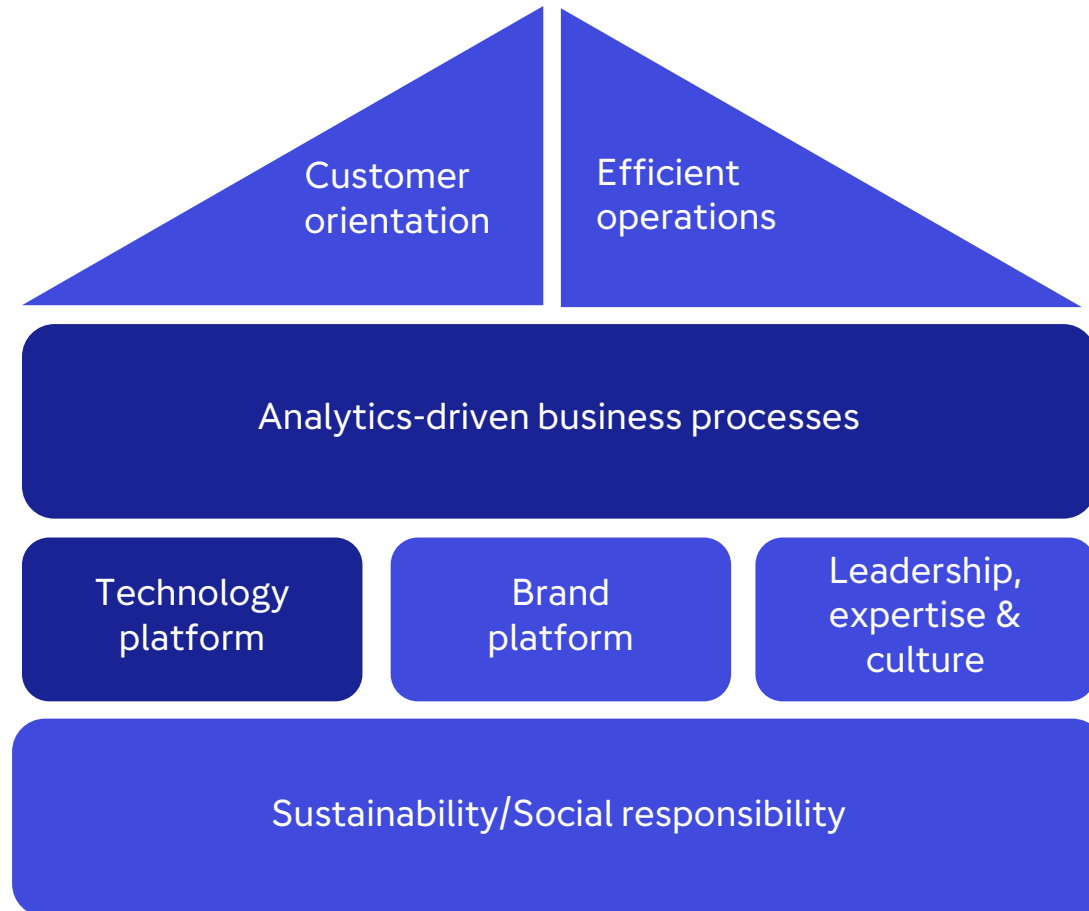
# Introduction

**Sale of operations in the Baltics - executing on our strategy to focus on improved profitability and growth in the Nordics.**





# Today's topics – addressing key building blocks of our strategic platform





# Strong focus on improving profitability with ongoing pricing measures and good cost control

- Implementing significant and targeted pricing measures in Norway
- Sustained growth momentum and efficient operations
- Combined ratio for the Group and underlying frequency loss ratio for Private and Commercial will improve over time
- All financial targets for 2025 and 2026 maintained
- Delivery on the combined ratio target for 2024 will be challenged by the results for the first half of 2024

## Annual financial targets

Metric	2024 & 2025	2026
Combined ratio	<84%	<82%
Cost ratio	<14%	~13%
Return on equity	>22%	>24%
Solvency ratio	140-190%	140-190%
Insurance service result - Group - Denmark		>NOK 7.5bn >DKK 750m

# Technology - a key enabler for efficiency and innovation

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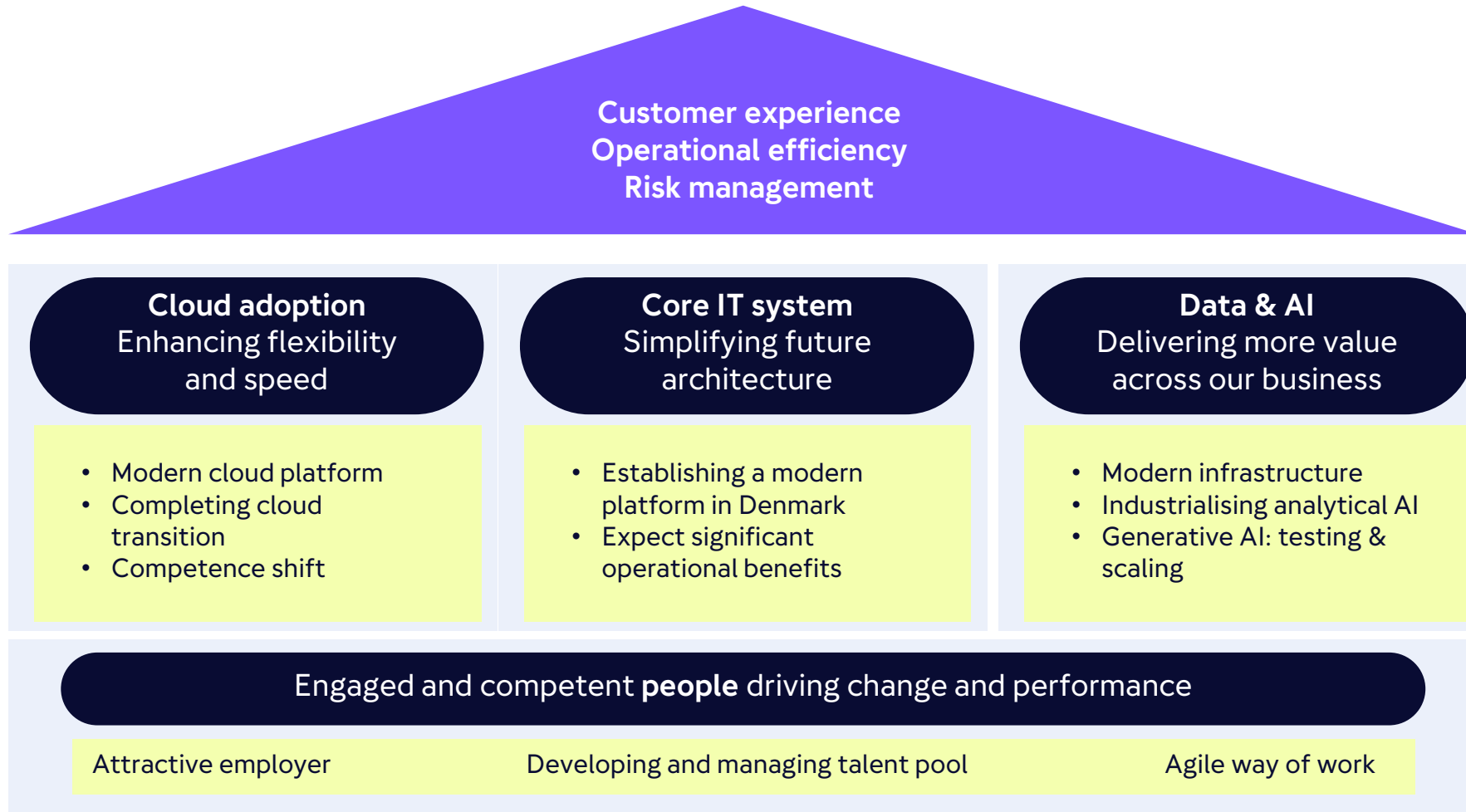
- A strong and flexible technology platform creating significant business value
- Technology is key to deliver on further operational improvements
- Adopting new technologies to further enhance operational efficiency







# A strong and flexible technology platform creating significant business value across the Nordics





# Cloud adoption improves flexibility and speed

## Established modern cloud platform

- Microsoft Azure platform
- Cloud native
- Working with partners

## Completing cloud transition

- Staged approach
- Focus on stability and business continuity
- On track to close down physical data centres

## Competence shift to cloud

- New roles established
- New competence areas and training programmes
- Modern engineering practices

## Benefits already evident

- Time to market
- Autoscaling
- Improved developer experience and productivity

## Contributing to business value

### Customer experience

- Continuous improvement and reduced time to market in digital channels
- Private: +25% distribution efficiency 2023-2026<sup>1</sup>

### Efficiency

- Autoscaling of capacity
- Commercial: +10% annual inflow of new small companies 2023-2026<sup>1</sup>

### Risk management

- Operational monitoring and stability
- More data and processing power for analytics

<sup>1</sup>) Target announced at CMD in November 2023



# Core IT system – simplifying future architecture

## New core IT system in Denmark

- Continued fine tuning, optimising and competence shift for private portfolio
- Preparing for commercial portfolio in 2025

## Operational benefits in Denmark

- Time to market
- Continuous product modernisation
- Enhanced digital experience
- Further automation

## Simplifying future architecture

- Cloud based with common components across the Group
- Modular, flexible and efficient
- Danish business in 1 core

## Solid core running in Norway

- Stable and efficient operations in Norway
- Reskilling supports existing core
- Integrating with agile way of work

## Contributing to business value

### Customer experience

- Holistic customer view
- Private Denmark: + 20% digital conversion rate by 2026<sup>1</sup>

### Efficiency

- Norway and Denmark: claims cost saving of NOK 800m by 2026<sup>1</sup>
- Supporting delivery on automated claims processing target in Denmark with automated rule engine

### Risk management

- Extending systems' lifetime with continuity of key technical competence

<sup>1</sup>) Target announced at CMD in November 2023



# Data and AI – delivering more value across our business

## Modern infrastructure for data & AI

- Data & AI tech platform on cloud
- Increased access to data
- Data & AI governance and availability

## Generative AI: Testing & scaling

- Multiple pilots running in parallel
- Scaling up when promising results
- Leveraging our advanced position on AI

## Analytical AI: Industrialised approach

- Applied in pricing, distribution and claims
- Scaling from Norway to Denmark
- Continuous evolution, extensive set of models running

## Clear business benefits

- New automation, CX, and sales capabilities
- Reduced time to market
- Employer attractiveness
- Increased developer productivity
- Reduced operational risk

## Contributing to business value

### Customer experience

- Increasing relevance
- Increasing number of customers receiving personalised, digital offers

### Efficiency

- Extending automation opportunities
- Supporting top line growth with prospecting and personalisation
- Private: +25% distribution efficiency 2023-2026<sup>1</sup>

### Risk management

- Increasing IT infrastructure resilience
- Pricing and risk simulations
- Advanced analytics

<sup>1</sup>) Target announced at CMD in November 2023



# Adopting new technologies to further enhance operational efficiency

## Technology trends

- AI and Generative AI
- More signals, more data
- Data governance and regulatory frameworks
- Cyber security
- Opening of value chain

## Examples of innovation

GenAI - rapid experimentation & scaling

Chat analyser

Claims text machine

Image based claims estimator

Analytics support with GenAI (Eglev)

CRM data expansion

AI in cyber security

## Business value opportunity

### Customer experience

- Higher speed & more personalised
- Support customer service staff

### Efficiency

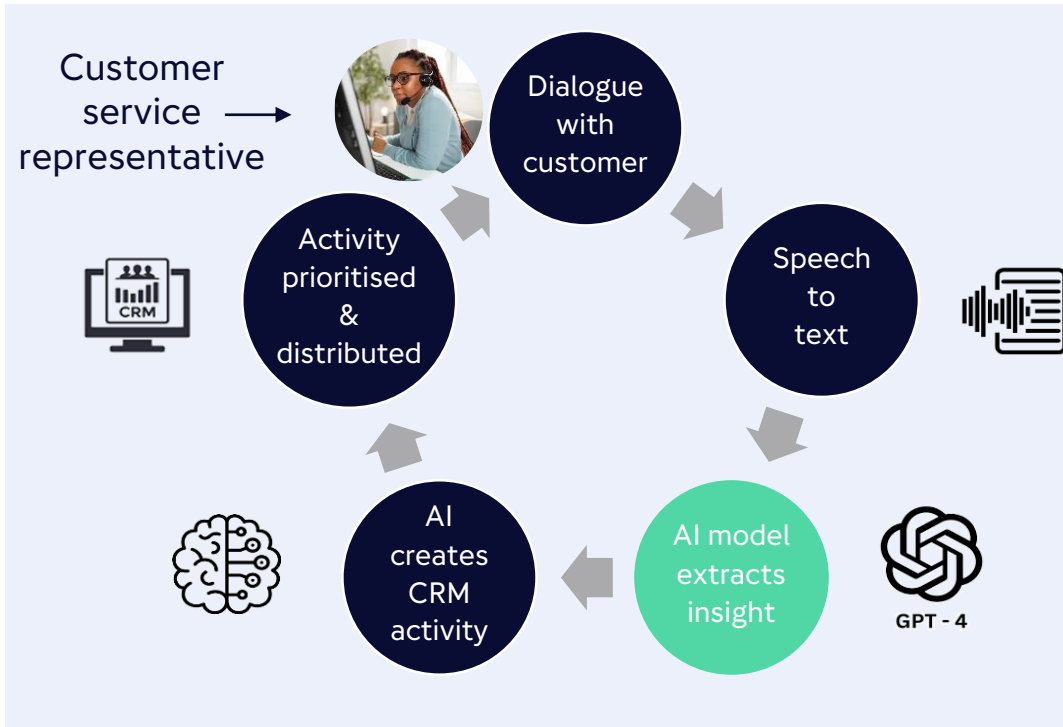
- Tools supporting analysts
- Reducing time spent on claim inquiries and claims handling

### Risk management

- Reducing fraud
- Securing cloud operation



# Example 1 - AI increasing distribution efficiency



Deploying Generative AI in customer processes where our advisors are first point of contact

Will be gradually implemented to increase self-service, distribution efficiency and customer satisfaction



## Example 2: Eglev - Gjensidige's in-house developed AI analyst



### Applied Generative AI to increase speed

- Near real-time decision making and fast data access
- Developed in a 2 week agile sprint
- Generative AI translates human questions to SQL<sup>1</sup> and translates back to human form
- Access to Gjensidige data warehouse and trained on Gjensidige data
- Guardrails in place to avoid accessing personal and market sensitive information
- Enhances productivity by freeing up time for analysts

**~10,000**  
yearly data export requests

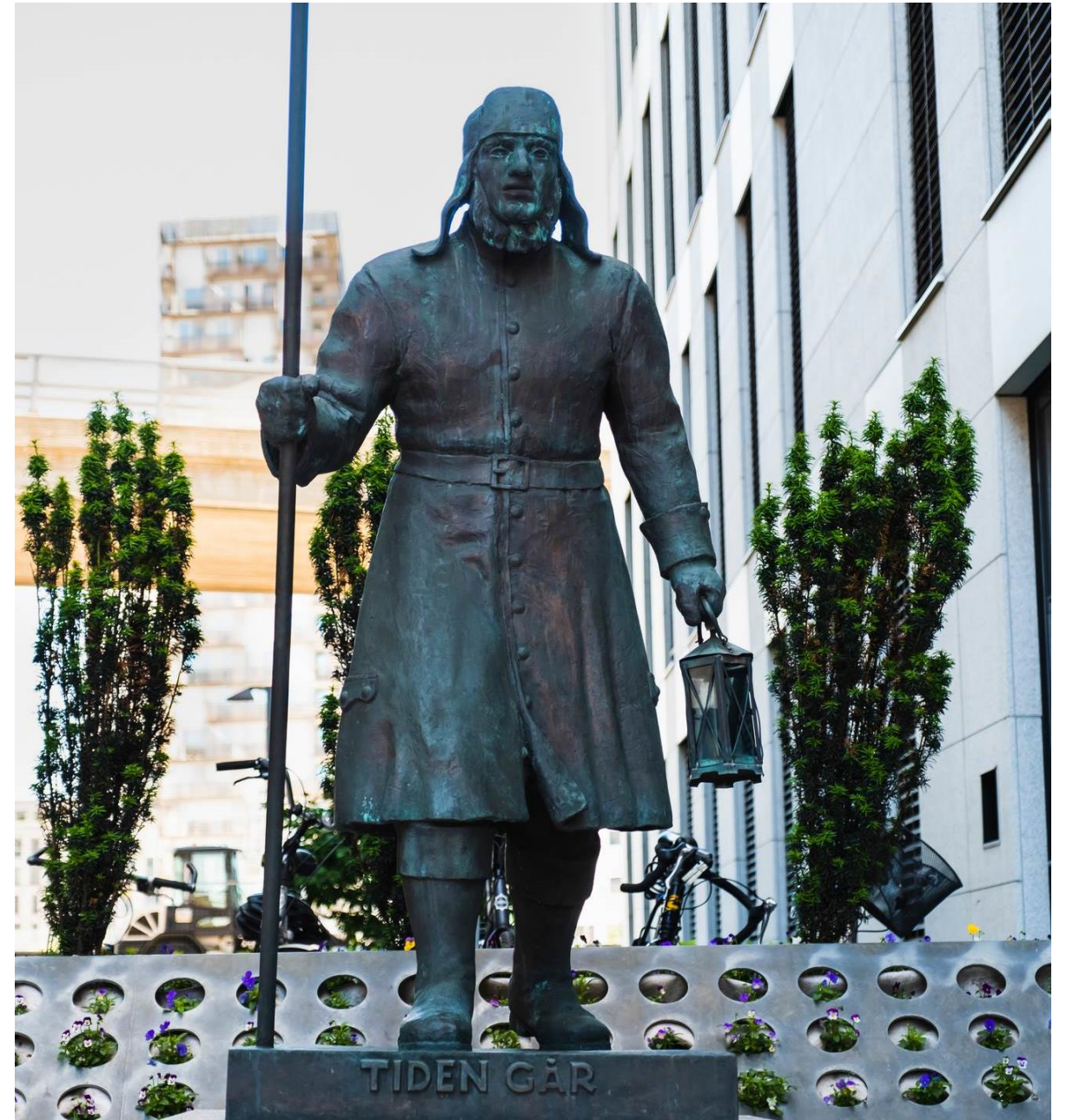
**~2.5**  
interactions per request for clarifications

**~5,000**  
hours saved on data exports per year

<sup>1</sup> SQL - structured query language - to post or retrieve data to/from database

# Technology a key enabler for efficiency and innovation

- A strong and flexible technology platform creating significant business value
- Technology is key to deliver on further operational improvements
- Adopting new technologies to further enhance operational efficiency





# Creating sustainable competitive advantage through data analytics

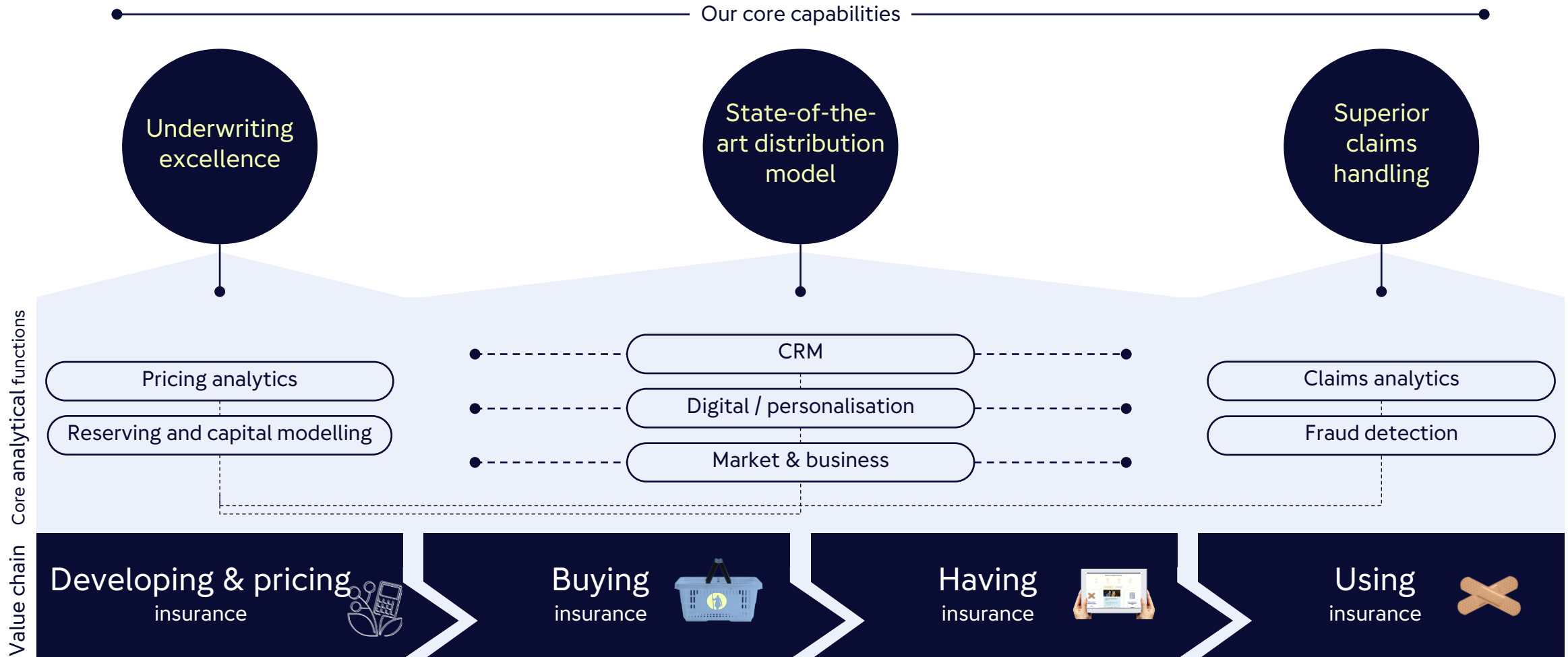
# Creating sustainable competitive advantage through data analytics

- An analytically driven company throughout the value chain, enabling to focus resources where it matters the most
- Superior pricing capabilities built on a strong foundation of people and technology
- Continuing to invest and evolve to unlock the full potential and deliver on ambitious financial targets





# We have built strong analytics functions across the value chain – underpinning our core capabilities



Creating sustainable competitive advantage through data analytics

# We attract, develop and retain the best analysts

**~270**

analysts across  
25 departments

**>10,000**

training hours  
in the past 2 years

**~17**

different  
nationalities

**Annual**

2 days  
analytics summit

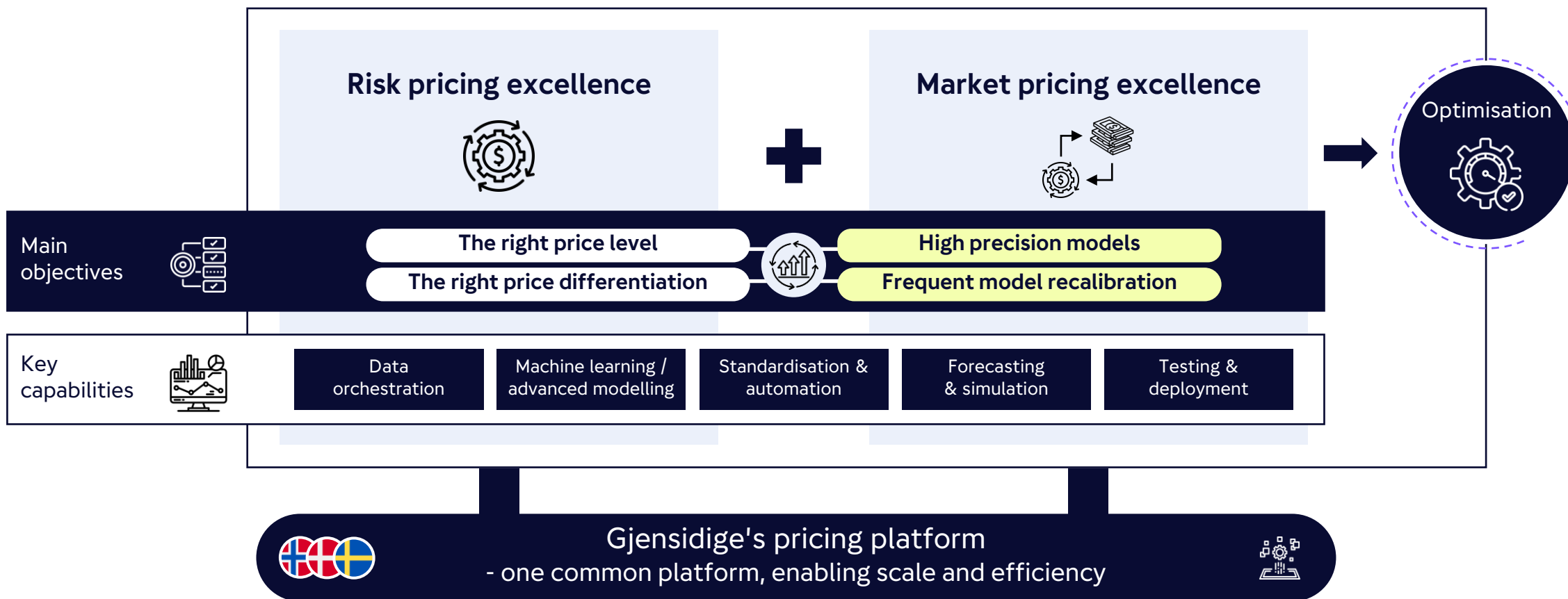


Analytics summit: "Insight is Power"



# Pricing excellence supported by strong analytical and technological capabilities – enabled by one common pricing platform across countries

*Optimising profitability by securing the right price level and price differentiation through high precision models and frequent model recalibration*



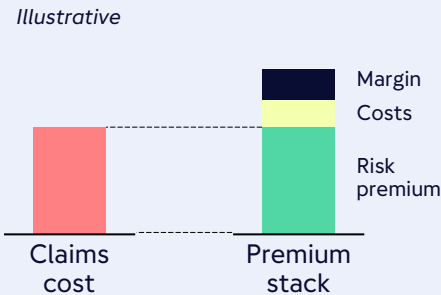


# Securing the right price level and differentiation are the cornerstones of building a solid portfolio

## The basics - risk modelling in a nutshell

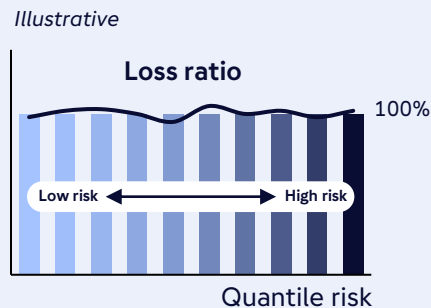
Price level must reflect expected average claim cost - a prerequisite for short- and medium-term profitability

- A correct price level is the starting point for all pricing - ensuring sufficient average premium.
- Based on macro factors, underlying trends, expert judgements and underwriting excellence.



Accurate price differentiation is important to secure favourable risk selection and long-term profitability

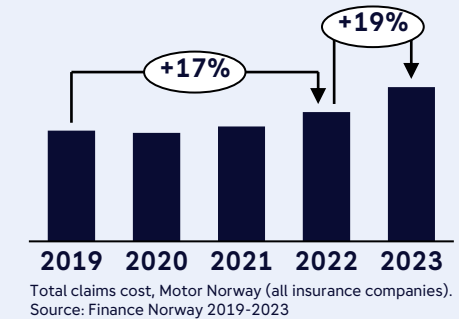
- Ranking and pricing customers based on risk, ideally making sure that every subgroup pays for itself.
- Important for long-term profitability by building a solid portfolio.
- Advanced predictive models drive competitive advantage.



## Examples

Market-wide increase in risk premium for motor in Norway met with substantial and frequent price adjustments

- Determining the right risk premium level has been the main challenge in 2023/24, after significant increase from pre-pandemic years.
- Close monitoring of development in severity and claims frequency.



High quality in our price model for motor insurance Norway, supporting solid risk selection

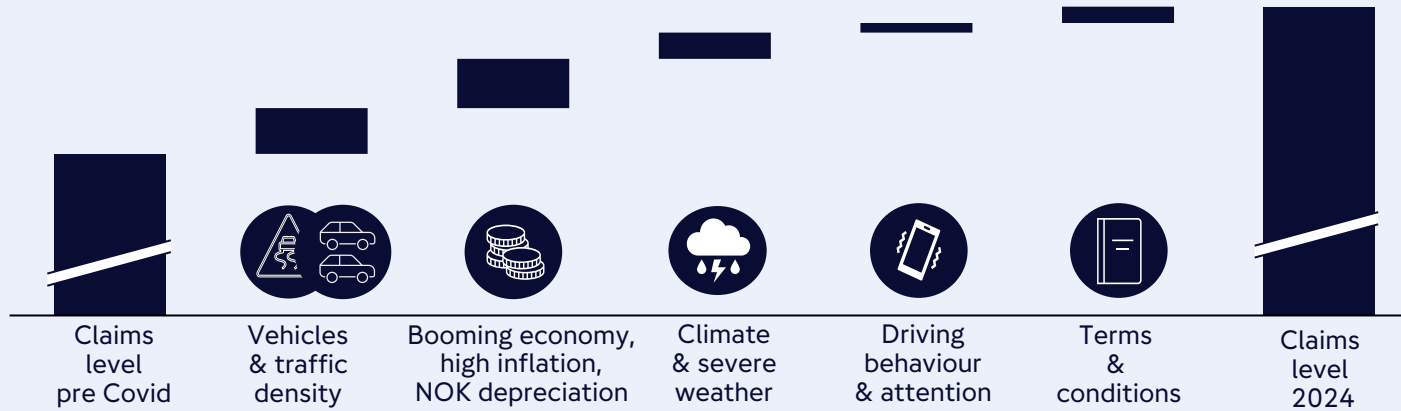
- Challenges may occur when portfolio composition changes quickly and data is scarce, e.g. introduction of EVs in Norway 2015-2018.
- We have in place a detailed and highly granular monitoring of our price models, enabling early reactions to model drift, triggering semi-automatic recalibration of differentiation.



Example from an actual car coverage (2021-2024), showing deteriorating claims frequency while the risk selection remains stable (R12m).



# Increased risk premium level for motor insurance in Norway - underlying trends are met with significant pricing measures



- New cars increased with 10 cm in length and 8 cm in width over the past 10 years<sup>1</sup>
- Traffic density in Norway in 2023 + 1.8% compared with 2019, and +2% on average in March, April and May 2024 compared with the same months in 2023<sup>2</sup>
- Increasing number of cars with integrated interactive screens. According to survey 56% of respondents experience lack of attention due to screens and 18% admit to using mobile phones while driving.<sup>3</sup>

- Substantial increase in claim costs in 2023/2024
- Trend becoming increasingly visible
  - Identification of trend challenged by low driving activity during the pandemic and tough weather conditions during the past 2 years
- Implementing extraordinary and targeted pricing measures

<sup>1</sup>) Source: The Norwegian Road Federation, 2022. <sup>2</sup>) Source: The Norwegian Public Roads Administration, Veitrafikkindeks, June 2024.

<sup>3</sup>) Conducted for Gjensidige in 2024.

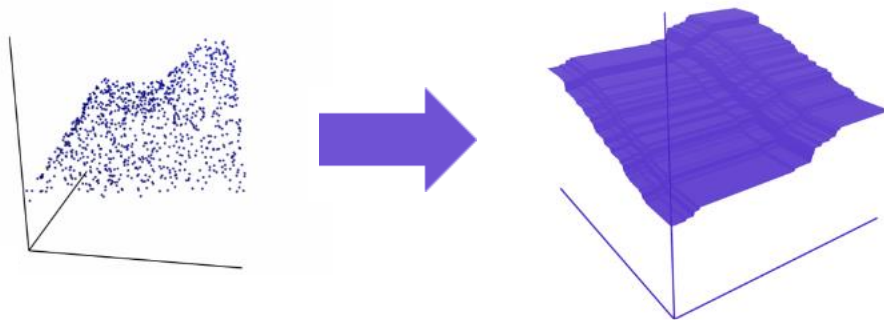


# Price differentiation: Accelerating pricing operations by combining machine and analyst, enabled by a modern pricing platform.

## Unleashing benefits of automated risk modelling

- Leveraging open source, proprietary and own developed methodology for improved risk selection and automation through machine learning.
- Securing full model transparency and explainability to secure fair pricing and compliance with regulatory requirements including EU AI Act.

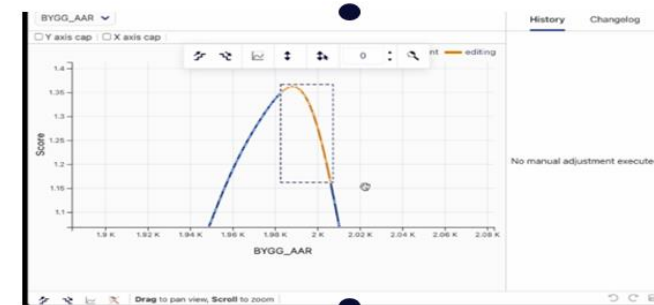
### Automating risk model training using machine learning



## Seamless integration of expert knowledge

- Refocusing analysts from building models manually to reviewing and editing, thereby increasing speed and time to market.
- Easy to apply expert judgement when data is scarce, or simply apply results from similar product across borders.

### Seamless integration of expert knowledge into analyst workflow



One common pricing platform - enabling scale and efficiency



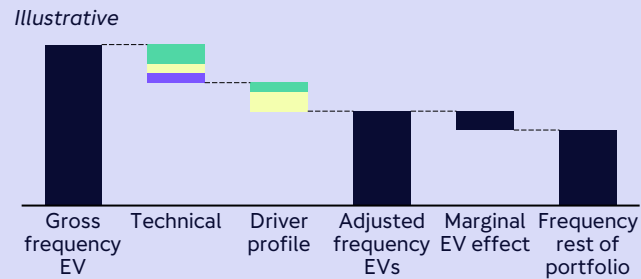




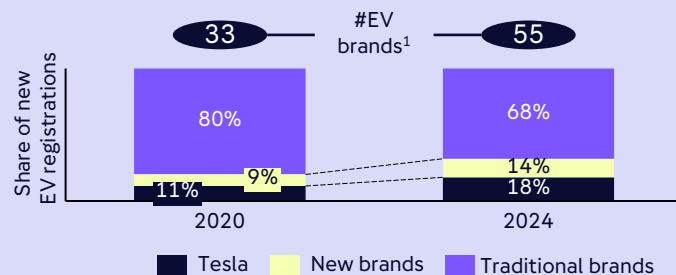
# Leveraging our broad experience from pricing EVs proactively and systematically

Example

**Higher claims frequency for EVs compared to rest of portfolio, but less when adjusting for risk factors**



**Increasing share of EVs, largely driven by Chinese brands**



2015 -2018:

- EVs initially felt like high-tech sports cars compared to fossil fuel cars, causing increased frequency due to an unfamiliar driving experience.
- Initially not designed for winter conditions.
- Several new EV brands entered the market - the Nordics and especially Norway are attractive first entry markets due to high EV penetration. Lack of established supply chains for spare parts etc. caused challenges for repairs.



Current situation:

- Higher claims frequency for EVs, although less difference when adjusting for technical properties such as weight and acceleration.
- Thorough assessment of new brands for pricing purposes, including expert knowledge on non-technical considerations such as the long-term prospect of the brand.
- Sharing insight from operations in Norway when preparing for EV transition across portfolios and markets.
- Gjensidige has strong capabilities in place to handle the development in the car market.

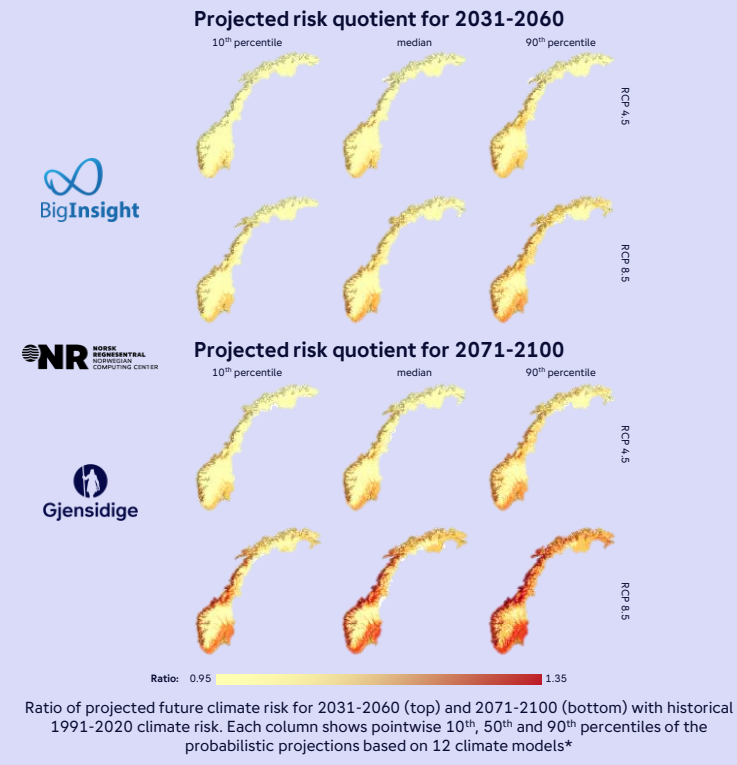
<sup>1)</sup>Share of new car registrations in the Norwegian market in 2020 and 2024 YTD. Source: OFV.



# Continuing to strengthen understanding of climate risk to further improve pricing capabilities

## Example

### Understanding climate risk is key to ensure solid underwriting<sup>1</sup>



- Expect gradual increase in frequency of weather-related events such as floods, torrential rain and drought, but at a manageable pace with regards to pricing.
  - Primarily property and farming (crops)
  - 1 year contracts, enabling repricing on a running basis
- Milder and shorter winters may reduce claims frequency for some products such as motor, although there is a risk of increased volatility from heavy snow – when it snows.

- Gjensidige is partnering with research institutions to forecast long-term effects of climate change on our main products to ensure correct pricing of risks.
  - Developed own scoring model for water damage on property, combining insights on local topography with expected and predicted climate changes.
- Applying insights and dialogue with customers and authorities to prevent damage.

<sup>1</sup> Excerpt from joint paper with Norwegian Computing Centre (BigInsight-collab): «Assessing present and future risk of water damage using building attributes, meteorology and topography». Published in Journal of Royal Statistical Society.



# We will continue to invest in pricing analytics to unlock the full potential – realising synergies and operational excellence

Examples

## Unlocking synergies and scale

- One common pricing platform - enabling scale and efficiency
- Unlocking automation and optimisation potential across markets – realising synergies
- Ensuring increased value and efficiency while reducing time-to-market

## Leveraging best practices and operational excellence

- Leveraging market leading know-how across countries, from state-of-the-art risk models to emerging trends (EVs, weather etc.)
- Establishing common set of tools for simulation, forecasting and monitoring profitability
- Ensuring improved precision, speed and control

## Continuing to strengthen capabilities

- Investing in people and talent in the intersection of analytics and tech
- Exploring and leveraging ML/AI where for cases with high business value
- Exploring and extracting value from new external data and risk parameters (IoT etc.)
- Ensuring “future fit” for securing long term competitiveness and profitability



Insurance system  
Behavioural data

**Fueled  
by Data**

External data  
Unstructured data

Analytical  
platform

**Enabled  
by Technology**



ML/AI  
DEV  
OPS

**Accelerated  
by Agility**



**Driven by people and safeguarded by governance**

# Creating sustainable competitive advantage through data analytics

- An analytically driven company throughout the value chain, enabling to focus resources where it matters the most
- Superior pricing capabilities built on a strong foundation of people and technology
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