

# Metropolitan

Impact strategy

*Peter Tshiguvho*





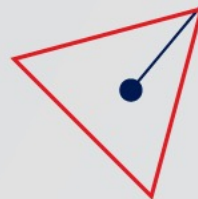
## Agenda

- 1 Metropolitan today
- 2 Market dynamics and key considerations
- 3 Ambition and focus areas
- 4 Objectives and measures of success
- 5 Why we will win

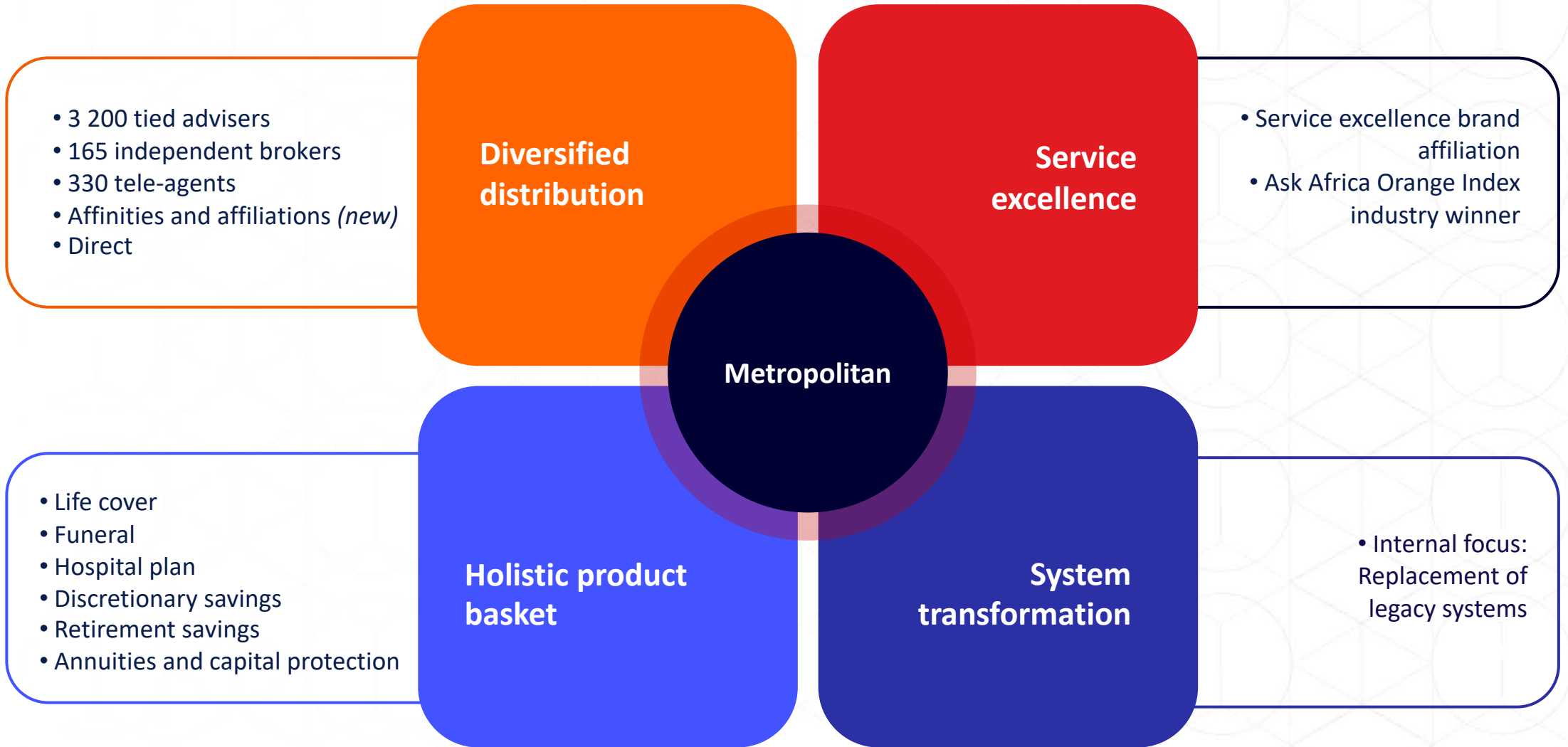




# Metropolitan today



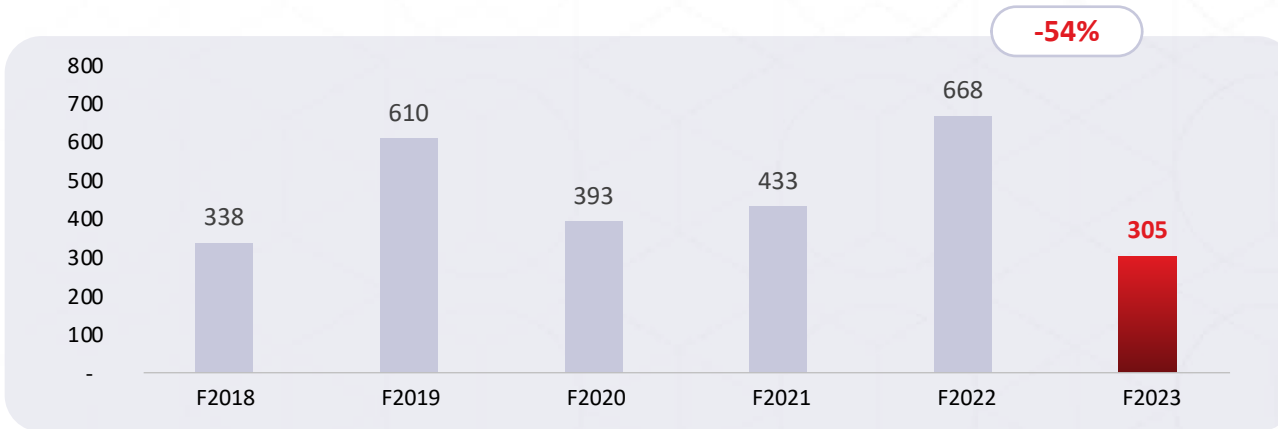
# Metropolitan today



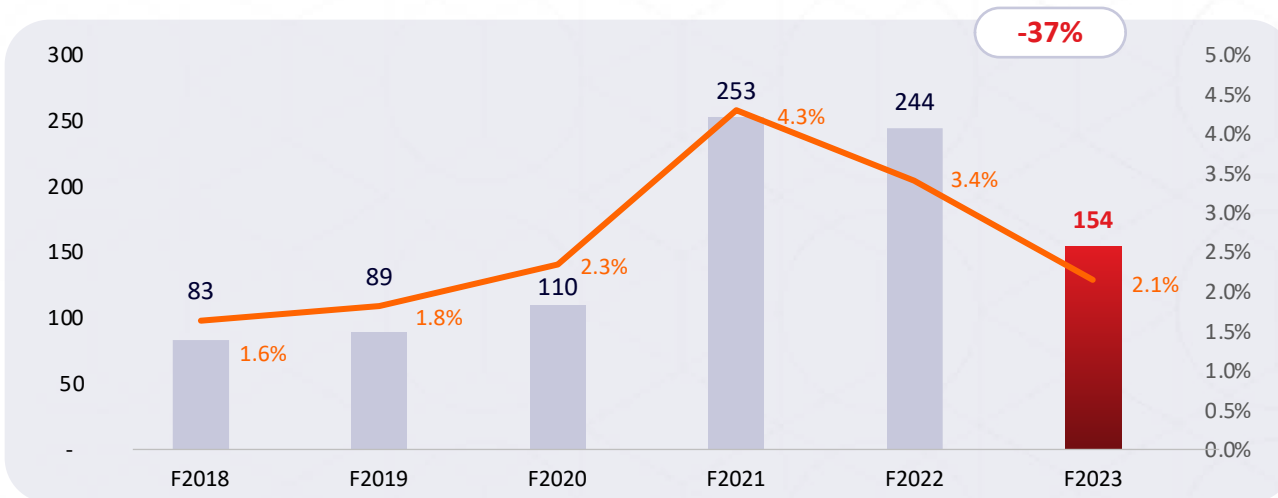
# Strategic context

R'million

## Normalised headline earnings



## VNB and VNB margin



- **Unrecovered distribution costs** following **deterioration in quality** of new business
- **Expenses outgrew revenue**
- **Persistency experience deteriorated**
- Strengthened persistency basis
- **Covid** claims impact in F2020 and F2021 normalised in F2023
- Migration data cleanups impacting earnings negatively



# 5-point plan

1. Product commerciality
2. Sales: workforce management
3. Improve business quality
4. Align cost base to revenue
5. Migration and automation



**5% PVP margin**

**R600 million NHE**

# 5-point plan progress



## Product commerciality

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- Funeral reprice
- Commission on first premium
- Benefit restructuring
- Market access fees



## Align cost-base to revenue

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- Savings realisation on track to meet targeted outcome
- 6-month delay of migration to impact expected



## Migration and automation

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- Tax free savings solution migrated to new OIPA
- New products on OIPA
- Service transactions via our WhatsApp and digital channels



## Improve business quality

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- Improvement in NTU rate
- Premium collection rate improvement



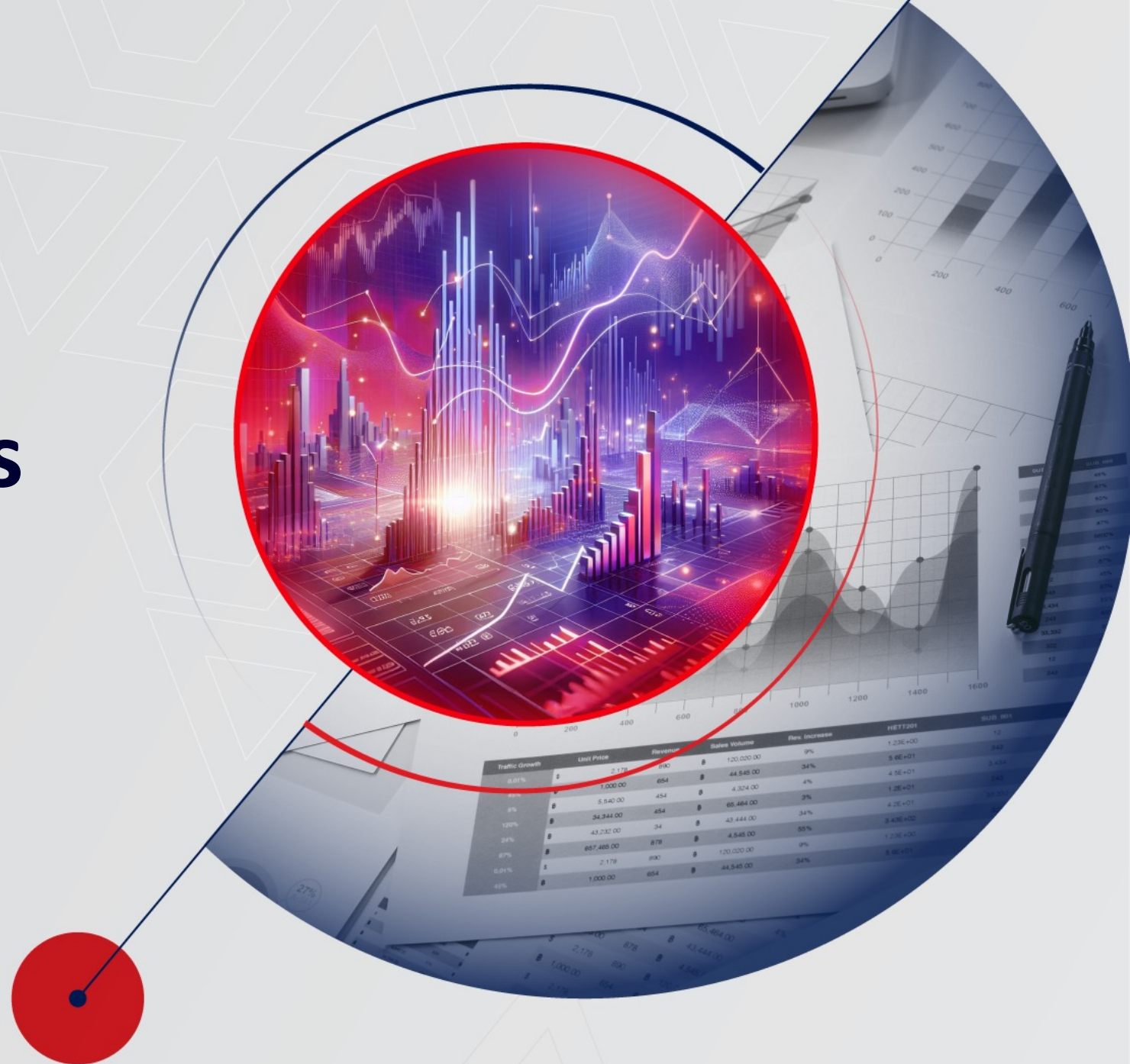
## Sales workforce management

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- The 3 core focus areas for workforce management are interrelated aiming to create a distribution rhythm:
  1. Manpower
  2. Worksite management
  3. Activity management

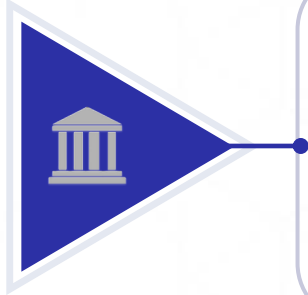


# Market dynamics and key considerations





# Market trends



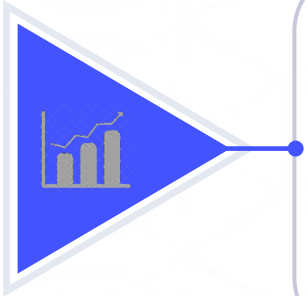
## *Political climate*

- **Muted public sector growth**
- Potential **coalition government complexities** and **inefficiencies in public sector decision-making** and implementation



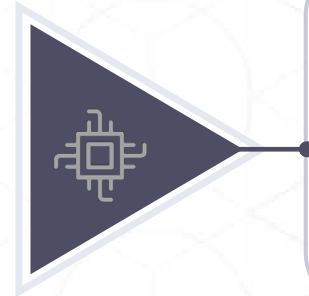
## *Regulatory intensification*

- **Retirement industry reforms:** 2 pot-system to bring outflows and liquidity risks for fund administrators, including system development complexities.
- **Employment Equity Amendment Bill:** tightening of Financial Sector targets and compliance.
- **Conduct of Financial Institutions (COFI)-** impact to advice practice.



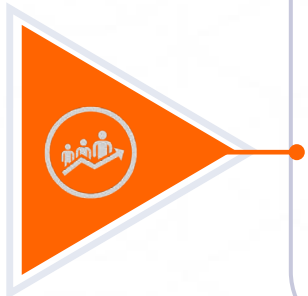
## *Social*

- **Economic stress and downturns** felt immediately at emerging market level putting **pressure on disposable income**. Insurance competes with necessities as share of wallet shrinks.
- Negative impact to **client acquisition and retention**.
- Potential decline in persistency and AUM as **disposable income pressures compound**.



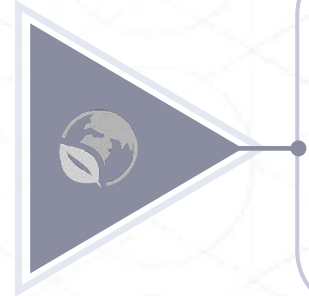
## *Data investment and Payment Proliferation*

- **Reducing reliance on disconnected services and processes** over time – digitalisation.
- **Cost of data** expected to decline over time through competition and regulation.
- Changing **consumer digital interaction** expectations.



## *High unemployment*

- **Slower than expected youth market penetration** on current business model outcomes compounded by an aging client book and **unemployment rates**.
- Business to consider developmental **opportunities for employment and talent retention**.
- Higher focus and understanding on **generational transitioning** and ability to **innovate new approaches and products**.



## *Impact of load-shedding*

- Impact to **national points-of-presence** and business operations.
- Metropolitan to consider **renewable and sustainable energy sources** to secure business continuity.

# Ambition and strategic focus areas



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IMPACT STRATEGY

# Ambition

To achieve a consistent and sustainable **5% new business profit margin**

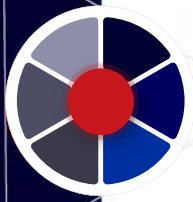
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# Objectives and measures of success





# Objectives and measures of success

FOCUS AREA	OBJECTIVES
Optimised value	<ul style="list-style-type: none"> <li>Optimise the cost base</li> <li>To have a stable and scalable PAS with supporting environments</li> </ul>
Client-led solutions	<ul style="list-style-type: none"> <li>Optimise and simplify solutions to meet changing client needs and ensuring value for all stakeholders</li> </ul>
Client experience	<ul style="list-style-type: none"> <li>Successfully execute on the crafted Metropolitan Value Proposition</li> </ul>
Business development	<ul style="list-style-type: none"> <li>Optimise existing market access</li> <li>Group collaboration</li> <li>Commercial partnerships</li> </ul>
Diversified distribution	<ul style="list-style-type: none"> <li>Enhance and scale alternative channels (brokers / tele / A&amp;A / direct)</li> <li>Optimise and grow tied agency with emphasis on workforce management</li> </ul>

**MEASURES OF SUCCESS**

- Reduce the Metropolitan **cost base by R150m** by F2027
- Increase client value** whilst sustaining **VNB margin at 5%** in F2027.
- Improve current CSat of 79%** to **84%+** by F2027.
- Increase public and private sector penetration to over 20%.**
- Increase alternative channels APE contribution to 25%** by F2027
- Direct contribution at 5%**
- Improved adviser retention and productivity**

# Why we will win





# Why we will win

## Leverage

Leverage existing Group-wide relationships and technology

## Grow

**Business development** as a key competitive driver

Optimising our existing channels and scaling our new channels

## Efficient

System transformation underpinned by a digitalised chassis

Consistent management of our cost to revenue ratio

Our **RIGHT** to win

## Enduring Success

Distribution cadence

Stable profitability

Optimising our competitiveness as a future-forward brand

High-performance culture

## Client

Client-led value proposition and a suite of innovative products

Continue as an Industry leader in service excellence and client experience

Disciplined execution

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