GBL ITALIAN FINANCIAL CONFERENCE

17-18 November 2009

Erbusco, Brescia

Fausto Marchionni, CEO

Business Plan 2009-11
(Abstract)

GRUPPO
FONDIARIASAI

Agenda

1 **Status of the European insurance market**

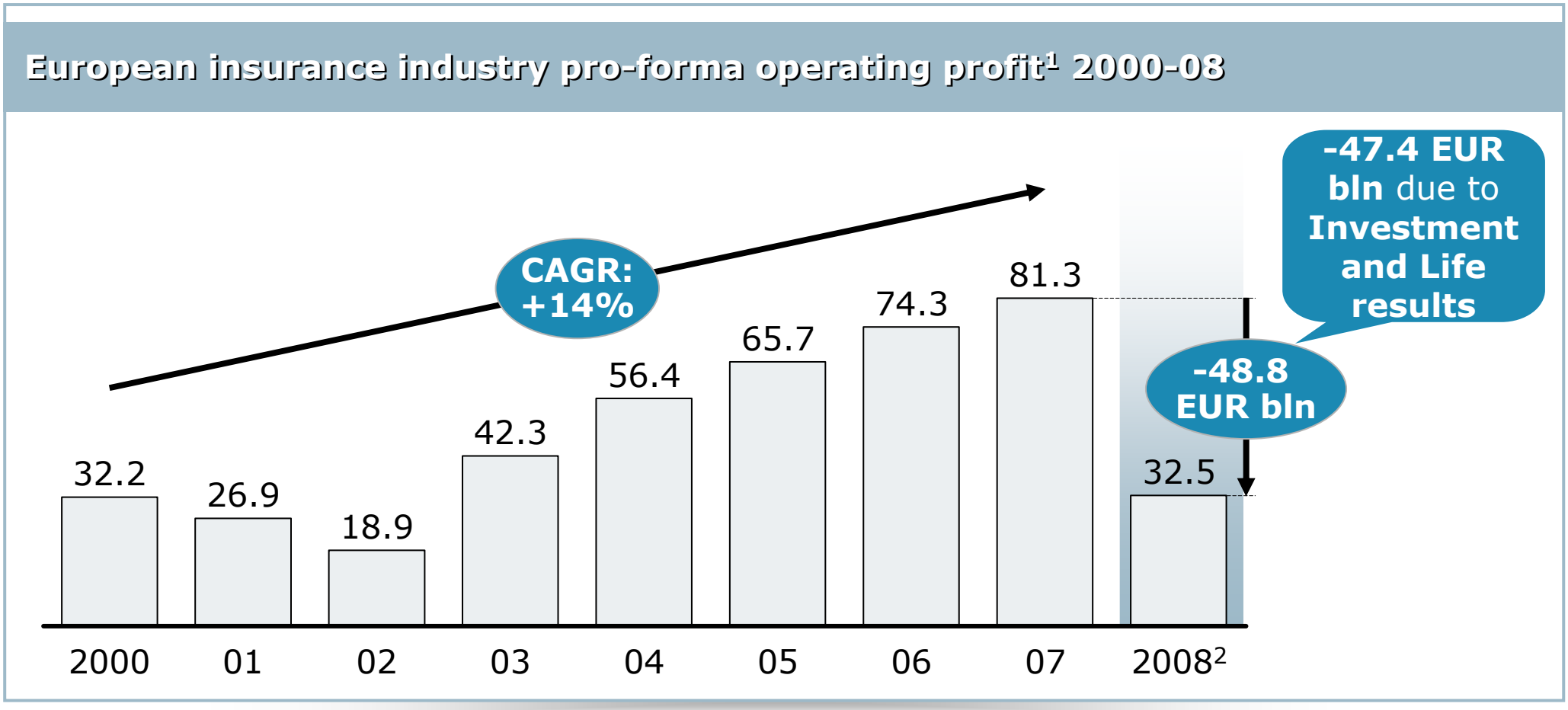
2 Our view on future trends and evolution of the Italian market

3 Our strategic plan 2009-11

4 Key economics of the plan

The European insurance industry, after 5 years of positive trend, has experienced a decline in operating profit

EUR billion



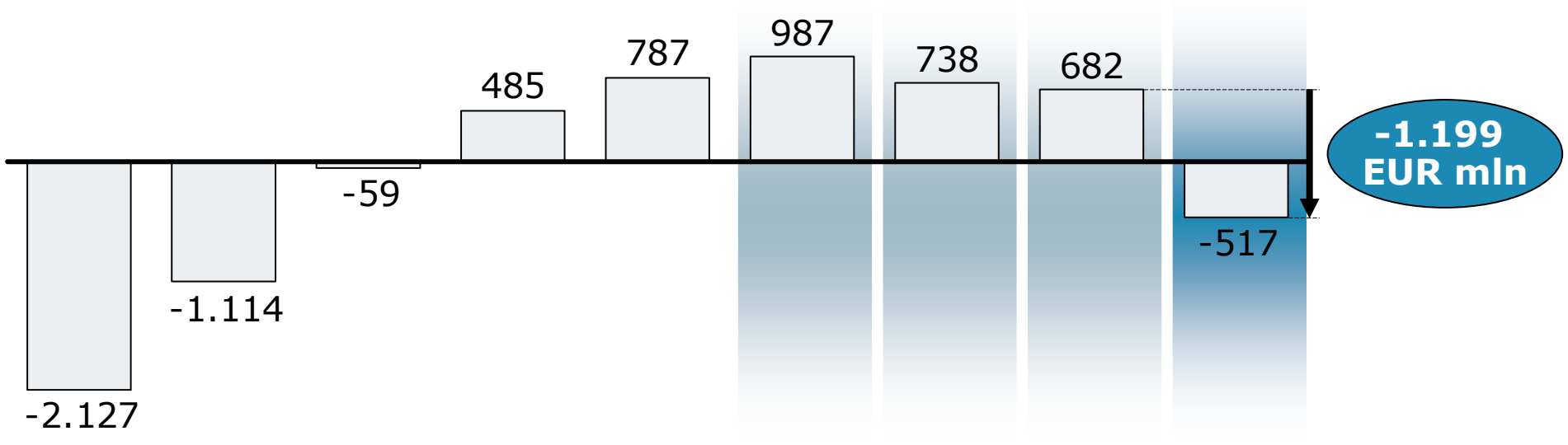
1 Includes only largest insurance markets with fully available data: Belgium, France, Germany, Italy, Netherlands, Spain, UK; pro-forma operating profit includes total investment income
2 UK data estimated based on IFRS results of AVIVA, Standard Life, Legal & General and Prudential

SOURCE: Insurers' associations of the selected countries, company reports

In P&C, Italian players have been experiencing a negative trend since 2005 and a negative result in 2008 for the first time in 6 years

Italian P&C insurance industry
EUR million

Underwriting profit, excluding investment income allocated to technical account



	2000	01	02	03	04	05	06	07	2008
CoR[1] Percent	107.2	103.5	100.2	98.7	97.9	97.4	98.1	98.2	101.5

1 1 minus underwriting profit (net of investment income allocated to technical account) divided by total direct premiums

SOURCE: ANIA (Infobila), ISVAP

Recent regulation ("Decreto Bersani I & II") impacted industry economics

EUR million

ESTIMATES

Reforms introduced	Permanent effect on industry economics	Impact on industry pre-tax profit
Family bonus/ malus status extension	▪ Reduction in average premium ▪ Reduced predictive power of bonus/malus	~350
Ban on exclusive agency agreements	Increase in distribution costs	~140
Optional withdrawal from multiyear non-life contracts		
		Total impact **~490**

SOURCE: Analysis on ANIA data

Agenda

1 Status of the European insurance market

2 **Our view on future trends and evolution of the Italian market**

3 Our strategic plan 2009-11

4 Key economics of the plan

Our view on short term market trends in P&C

	Market trend	Expected market evolution
Number of policies	Moderately decreasing	▪ Moderate reduction (lower than GDP reduction) in the short term ▪ Increase as the economy recovers
Frequency	Stable	▪ Stability as a result of opposite trends: – Increase in fraud – Reduction of economic activity
Severity	Increasing	▪ Increase in average claim cost, especially in Motor (bodily injuries)
Average premium	Increasing	▪ Realignment of prices to technical levels

GRUPPO FONDIARIA SAI

Our view on short term market trends in Life

	Market trend	Expected market evolution
Volumes	Slightly increasing	▪ Bumpy policy volume recovery after significant reduction since 2005
Product NBM	Probably decreasing	▪ Probable moderate margin reduction due to low yields and shorter contract durations
Product mix	Improving	▪ Increase of traditional products' market share

GRUPPO FONDIARIA SAI

Agenda

1 Status of the European insurance market

2 Our view on future trends and evolution of the Italian market

3 **Our strategic plan 2009-11**

4 Key economics of the plan

GRUPPO FONDIARIA SAI

Fondiaria-Sai's mission

- Continue being the **leading insurer** for **retail customers** in Italy and the **most attractive business partner** for high performing intermediaries
- Continue providing a **robust investment opportunity** to our investors

Strategic guidelines to manage market evolution

Bring profitability back to the correct level maintaining our ability to address market evolution

Key guidelines for 2009-11

- **Revamp profitability**
- **Evolve operating model and offering**
- **Maintain a resilient capital structure**

Revamp profitability – Key initiatives and expected impact

Revamp profitability

Evolve operating model and offering

Maintain a resilient capital structure

	Target impact 2011[1]
Evolve pricing	▪ EUR 250 million
Improve claims effectiveness	▪ EUR 85 million
Improve underwriting portfolio	▪ EUR 55 million
Reduce the cost base	▪ EUR 55 million

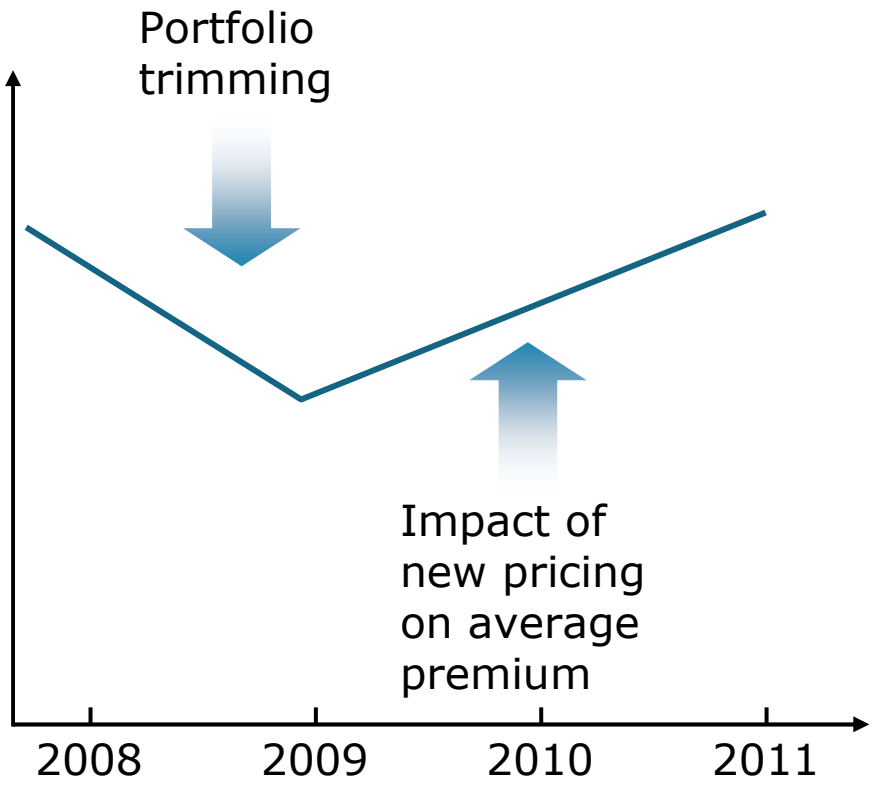
In progress

1 Impact on technical results vs. inertial trend

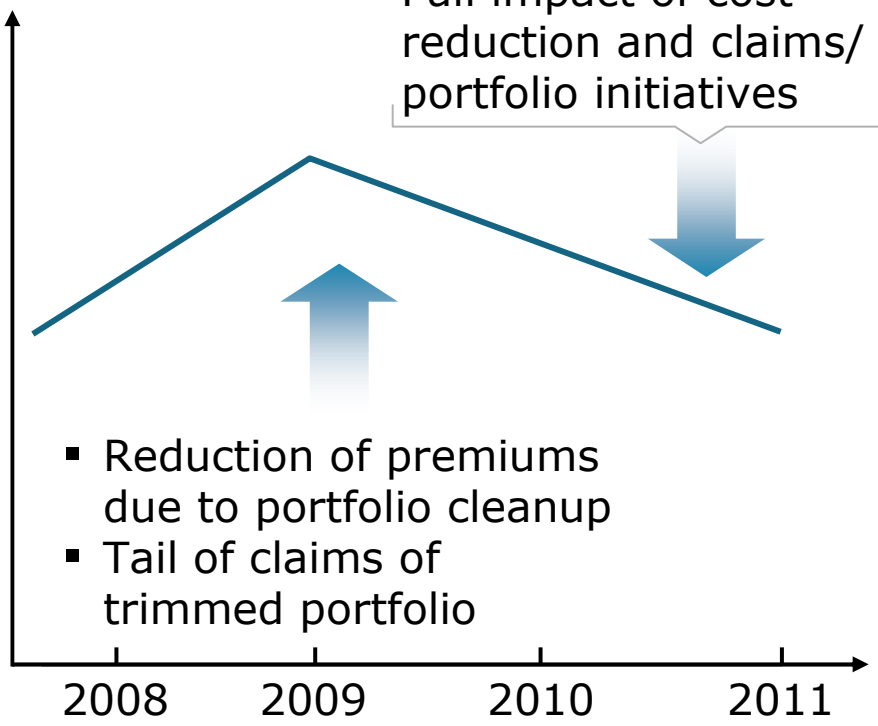
Revamp profitability – The initiatives to revamp profitability will have a different timing for impact

ILLUSTRATIVE - NOT IN SCALE

Premiums

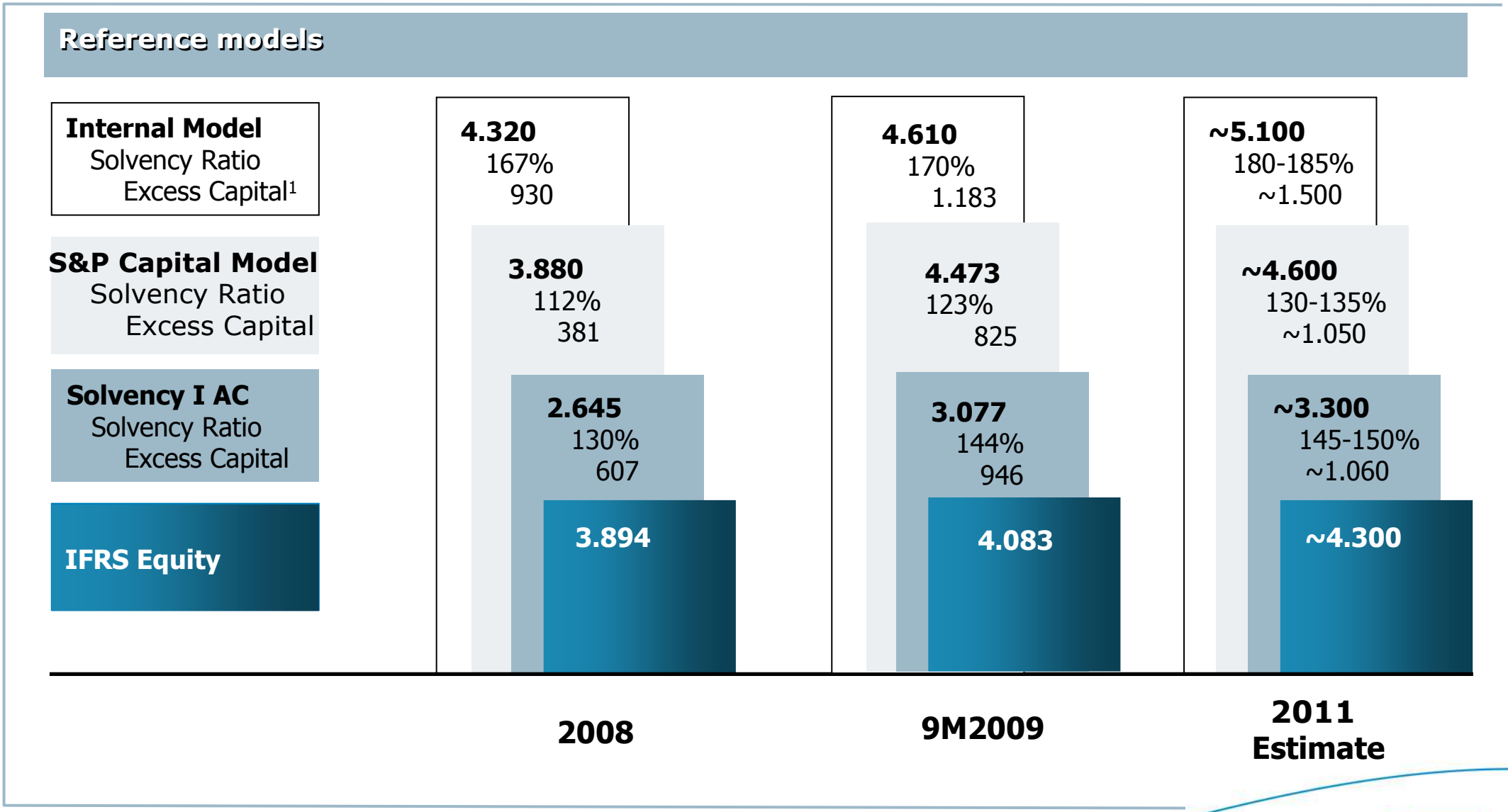


CoR



Maintain a resilient capital structure – Adequate capital across different solvency requirements

Eur(m), percent



1 Excess Capital is net of VIF and of fair value adjustments to P&C technical reserves

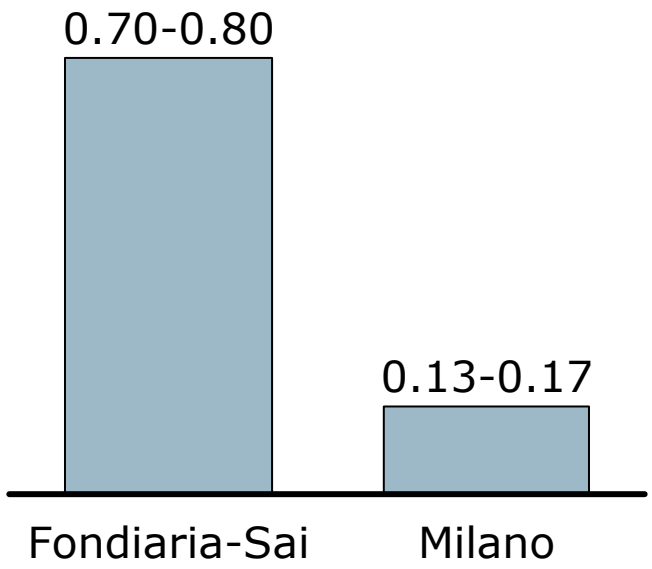
GRUPPO FONDIARIA SAI

Maintain a resilient capital structure – Continue to offer an attractive dividend policy

Continue to offer an **attractive dividend policy**

2010-11 expected range of dividend per ordinary share

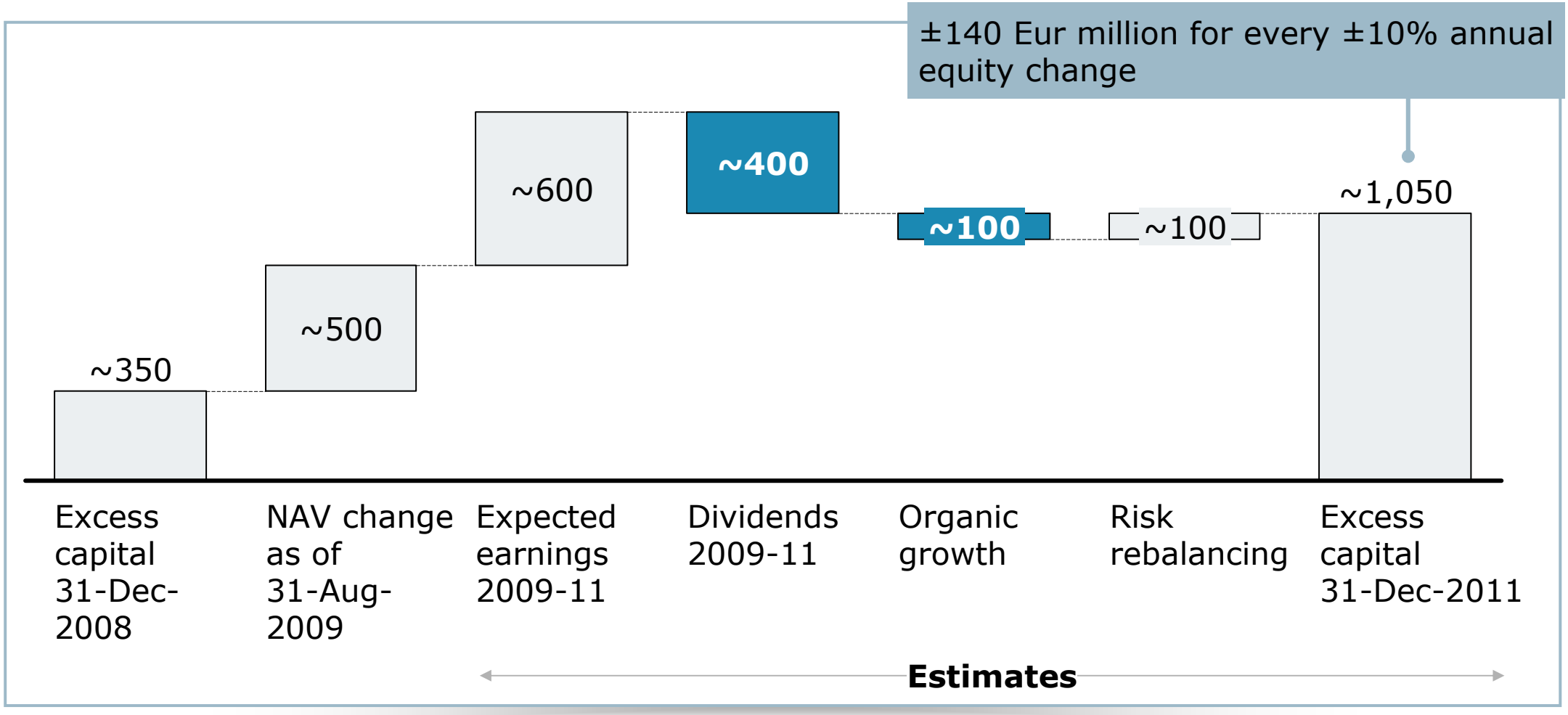
EUR



Maintain a resilient capital structure – Dividend policy will maintain adequate buffer level of excess capital

2009-11, operating model[1]
EUR million

CONSOLIDATED RESULTS – INCLUDES THIRD PARTIES



1 Operative figures, rounded estimates based on S&P model

Agenda

1 Status of the European insurance market

2 Our view on future trends and evolution of the Italian market

3 Our strategic plan 2009-11

4 **Key economics of the plan**

Key economics of the plan – Fondiaria-SAI consolidated P&L results

EUR million, percent

	2008	2011	2008-11 CAGR	2008-11 Delta
			Percent	Percent points
Gross Written Premiums[1]	**11,494**	**13,178**	**4.7%**	
• P&C	7,288	7,475	0.8%	
– *Motor*	*4,802*	*4,797*	*0.0%*	
– *Non Motor*	*2,486*	*2,678*	*2.5%*	
▪ Life	4,206	5,703	10.7%	
P&C segment Result	**314**	**343**	**3.0%**	
Life segment Result	**-59**	**212**	**n/m**	
Net income[2]	**91**	**370**	**59.6%**	
CoR[3]	**98.7%**	**97.8%**		**-0.9 p.p.**
▪ *Loss ratio*	*74.4%*	*74.6%*		*0.2 p.p.*
▪ *Expense ratio*	*21.7%*	*21.0%*		*-0.7 p.p.*
New Business Margin	**5.4%**	**10.1%**		**4.7 p.p.**
APE	**401**	**620**	**15.6%**	

Payout 65-75%

1 Gross of reinsurance premiums
2 Gross of minorities
3 Includes other technical items not included in Loss ratio and Expense ratio

Conclusion

- Strong focus in the short term on initiatives to relaunch profitability
- Positive view on future as the market absorbs "exogenous" shocks of last 2 years
- Commitment to continuous operating model and offering innovation leveraging on market leadership to shape "the future"
- Continuing dividend and self-financing "track record"
- Capital resilience and Solvency II Risk Management compliance