

Medical insurance business overview

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GHG Investor Day

Tbilisi, Georgia | 10 November 2017



- ❁ **Medical insurance business overview**
- ❁ Update on the Universal Healthcare Programme
- ❁ Enhancing revenue generation
- ❁ Strategy 2018
- ❁ Q&A



9M16

- Market share: 35.1%
- EBITDA: GEL (1.4) mln
- Operating Expenses: GEL 5.8mln
- Combined Ratio: 103.1%**
- Contract with the Ministry of Defense (c. 70k insured & 130% loss ratio)

Universal Healthcare Program & Portfolio Restructuring

- MoD contract not renewed
- Changes to the UHC with estimated impact on **total market claims** of annual c. 10mln
- Large loss making contracts revised or cancelled
- Estimated total positive effect on underwriting result of c. GEL 2.1mln

Turnaround in Progress 9M17

- 3Q17 EBITDA: GEL 681k
- 3 months in a row with positive EBITDA
- Market share: 29.6%*
- 9M17 EBITDA: GEL (0.5) mln
- Operating Expenses: GEL 4.5mln
- Combined Ratio: 101.3%**

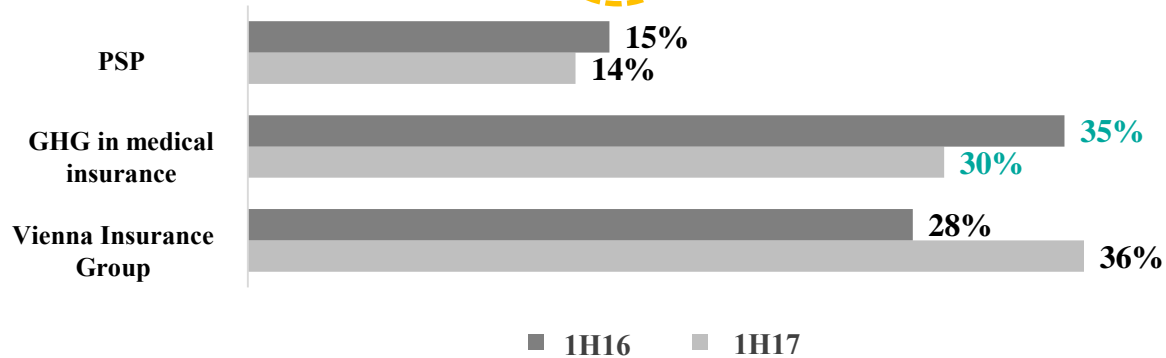
*As of 30 June, 2017

** Excluding depreciation & amortization expenses

Revenue

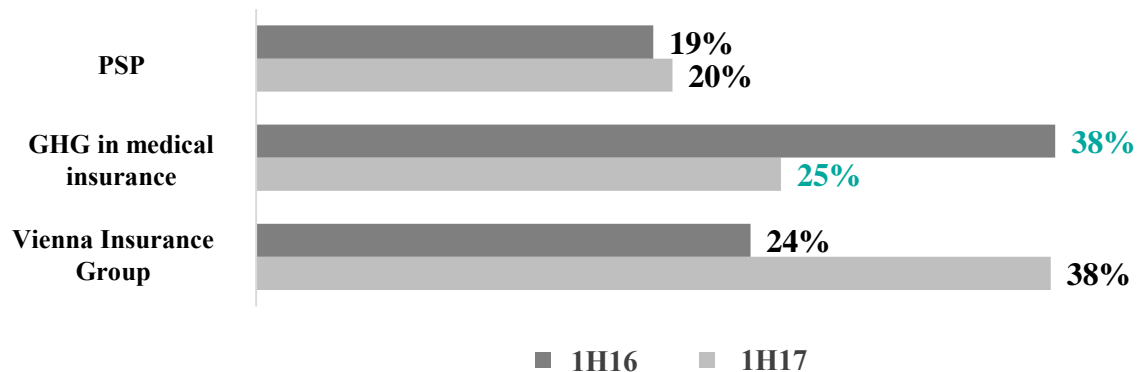
Total market in 1H17: GEL 86.8 million
 Total market in 1H16: GEL 77.6 million

+11.8%
 Y-o-Y



Policyholders

Total market in 1H17: GEL 0.5 million
 Total market in 1H16: GEL 0.5 million



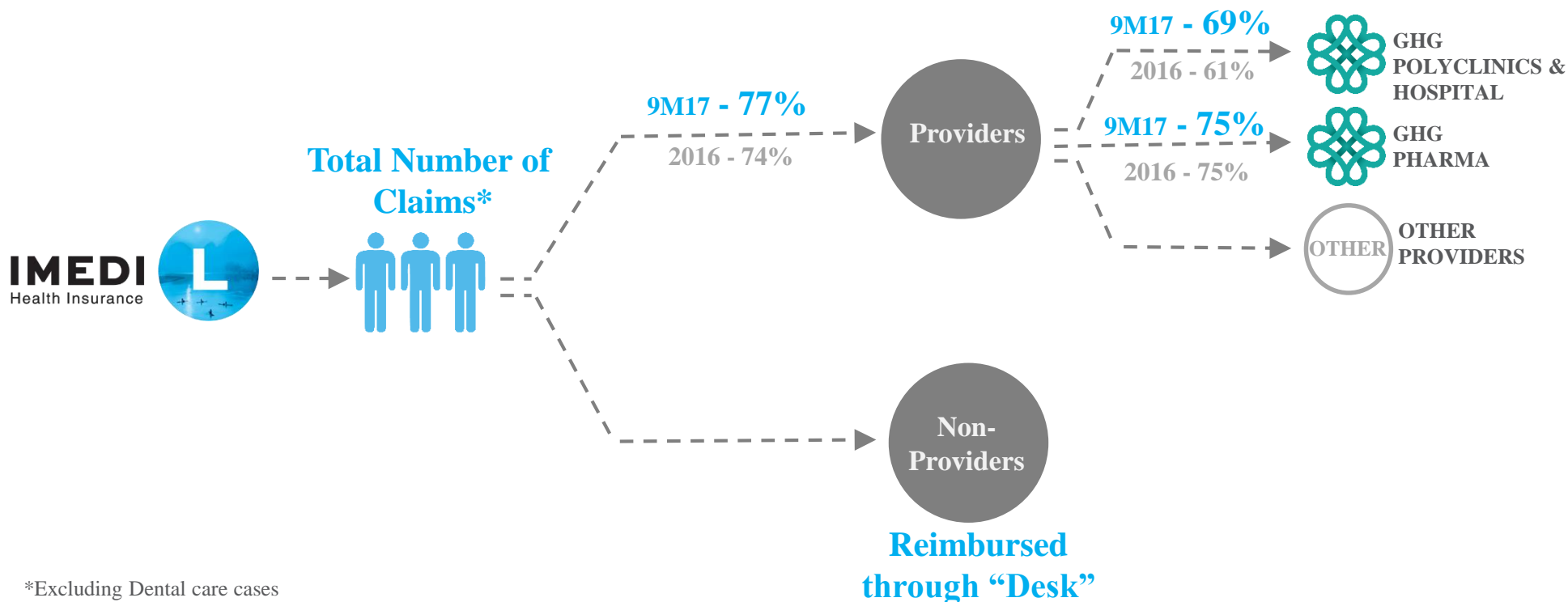
2018 GOAL: MARKET SHARE >30%



GHG medical insurance business – Role within GHG

61% (up from 55% in 2016) of total number of claims retained within the Group

As of 30 September, 2017



BY 2018 TARGETING TO RETAIN >70% OF TOTAL NUMBER OF CLAIMS



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Update on the Universal Healthcare Programme

Opportunity: medium-high income population without private medical insurance c. 100k

High Income
Population
NO UHC coverage

Low & Medium
Income Population
GEL 500/1,000
deductible introduced
Limited UHC
coverage if Insured

Vulnerable Adults,
Children under 5,
teachers, pensioners,
citizens below certain
level of poverty
Full coverage

Estimated Impact on the Medical Insurance Market c. GEL 10 million in claims



1

Cancelled:

- c.21,000 policyholders
- Expected positive effect on underwriting result c.GEL 1.0 million

2

Re-priced:

- c.9,000 policyholders
- Expected positive effect on underwriting result c.GEL 1.1 million

New reality:

- Total number of policyholders c.110,000
- Estimated annual re-pricing positive effect on underwriting result c.GEL 2.1 million



Financial results

GEL (thousand unless otherwise noted)	9M'17	9M'16	3Q'17	2Q'17	1Q'17
Net insurance premiums earned	41,334	45,182	13,959	13,410	13,965
Net insurance claims incurred	(34,910)	(37,790)	(11,162)	(11,936)	(11,812)
Agent commissions	(2,510)	(2,985)	(806)	(782)	(922)
Cost of insurance services	(37,420)	(40,775)	(11,968)	(12,718)	(12,734)
Gross profit	3,914	4,407	1,991	692	1,231
Salaries and other employee benefits	(2,854)	(3,343)	(834)	(972)	(1,048)
General and administrative expenses	(1,242)	(1,904)	(369)	(366)	(507)
Impairment of receivables	(368)	(362)	(138)	(117)	(113)
Other operating income (expense)	6	(184)	31	(18)	(7)
EBITDA	(544)	(1,386)	681	(781)	(444)
Loss ratio	84.5%	83.6%	80.0%	89.0%	84.6%
Combined ratio*	101.3%	103.1%	95.1%	105.8%	103.2%

2018 GOAL: COMBINED RATIO <97%

Source: GHG internal reporting

*Excluding depreciation & amortization expenses



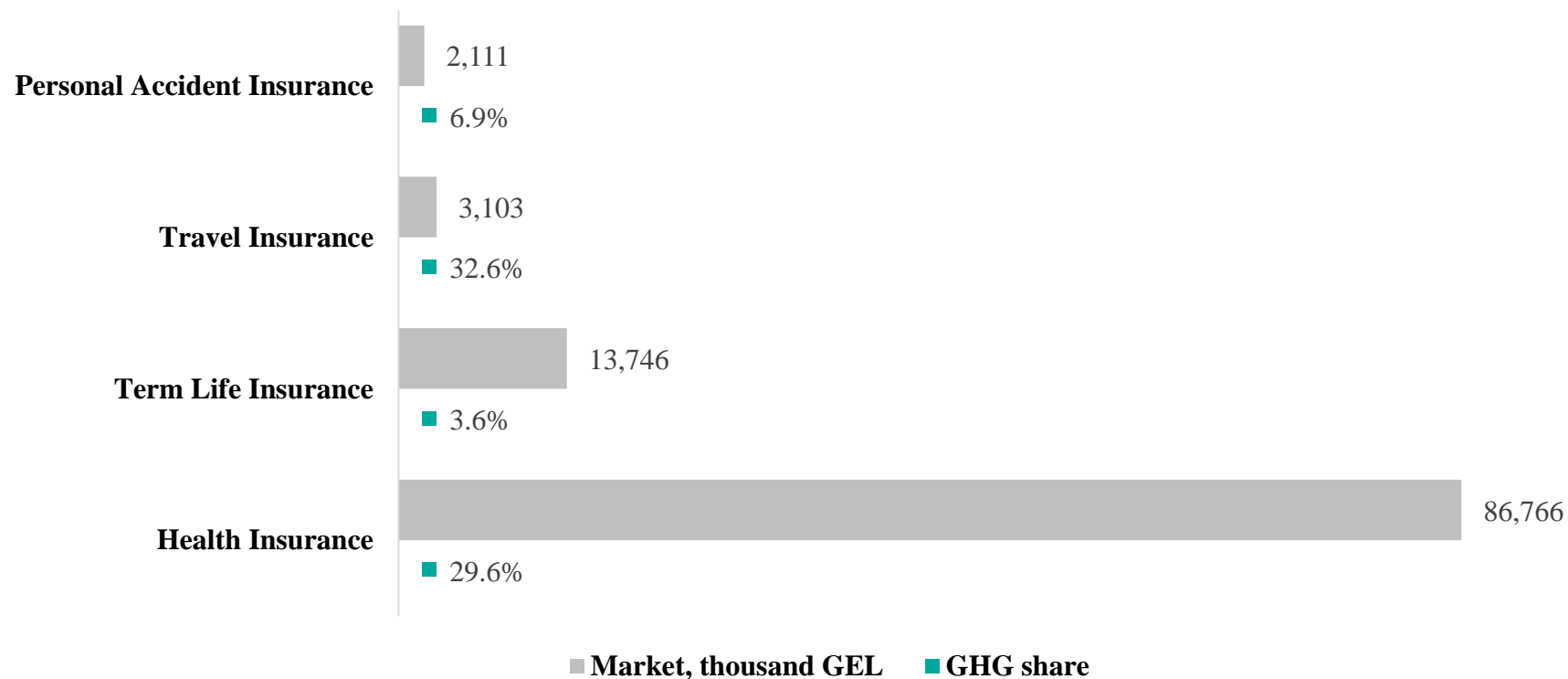
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Room to Grow in High Margin Products

As of 30 June, 2017 (GEL thousand, unless otherwise noted)

GHG Product Line





Accessibility through New distribution channels, like GHG Pharma

- Travel Insurance
- Critical Illness Insurance
- Personal Accident Insurance

Participating in Compulsory Insurance Programme

- Compulsory Motor Third Party Liability Insurance to be launched in Q1 2018
- Pool of Insurers with Equal Shares

Other Products under consideration

- Term Life Insurance
- Medical Malpractice



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- ⌘ **Strategy through 2018**
- ⌘ Q&A

		9M 2017	2018
1 GROUP SYNERGIES	Total claims (GEL) retained within the Group	35.4%	>50%
	Total <u>number</u> of claims retained within the Group*	61.3%	>70%
2 PORTFOLIO REPRICING	Loss ratio	84.5%	<75%
3 COST EFFICIENCY	Expense ratio**	10.8%	<12%
4 VALUE CREATION	Combined ratio***	101.3%	<97%

*Excluding dental care cases

** Expense ratio excluding commission, depreciation and amortization expenses

*** Excluding depreciation and amortization expenses

QUESTIONS?

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