FORWARD LOOKING STATEMENTS.

This document may contain certain forward-looking statements relating to Legal & General Group, its plans and its current goals and expectations relating to future financial condition, performance and results. By their nature, forward-looking statements involve uncertainty because they relate to future events and circumstances which are beyond Legal & General’s control, including, among others, UK domestic and global economic and business conditions, market related risks such as fluctuations in interest rates and exchange rates, the policies and actions of regulatory and Governmental authorities, the impact of competition, the timing impact of these events and other uncertainties of future acquisition or combinations within relevant industries. As a result, Legal & General Group’s actual future condition, performance and results may differ materially from the plans, goals and expectations set out in these forward-looking statements and persons reading this announcement should not place reliance on forward-looking statements. These forward-looking statements are made only as at the date on which such statements are made and Legal & General Group Plc does not undertake to update forward-looking statements contained in this document or any other forward-looking statement it may make.
RETAIL PROTECTION.

Duncan Finch
Managing Director of Retail Protection

Stuart Welch
Actuarial Director, Retail Protection
1) Market

• Key Products for individuals: Term, Critical Illness, Income Protection and Whole of Life cover

• Market has circa £765m APE\(^1\) written each year

• Key players are Legal & General, Aviva, Scottish Widows, Friends Life and Royal London Group

2) Legal & General:

• Providing benefits since 1836 and now largest provider of Protection (20% market share in 2012)

• Protection Provider of the Decade (Lifesearch Awards 2013)

• “Value of a Parent” campaign running for 30 years

• Paid £483m in claims in 2012; 98% of Term, 93% of Critical Illness and 91% of Income Protection claims paid in 2012

• New business in 2012 up 15% on prior year to £151m

• Gross written premiums of £947m at end of 2012

\(^1\)Source: ABI Market Exchange statistics (2012)
RISK MANAGEMENT.

- Commercial underwriting and claims philosophy defining risk appetite
- Continuous development of application process
- Daily enhancements to automated underwriting rules enabling 80% of customers to get cover
- Innovative use of health records providing superior data compared to traditional methods
- Continuous work to reduce claims turnaround and increase customers ease
- Optimal use of reassurance expertise

- Rigorous audit of underwriting and claims outcomes to ensure compliance with philosophy
- Staff talent management with Cardiff University providing qualifications in medical specialities
- Review of all declined claims by a Justice of the Peace to ensure fairness
- Regular management information produced to monitor experience against targets and flag when action may be required
- Industry professionals assess and proactively manage rehabilitation programmes as part of the claims management process
**PROFIT MANAGEMENT.**

**Lapse**

- Our largest risk is that the policies do not stay on risk long enough for us to recoup our costs.
- We have a number of procedures in place to mitigate this risk:
  1. Retention Strategy Group
  2. Early warning lapse system flags when premiums have been missed and allows us and agents to take action to try and save the policy.
  3. Selling practices of distributors are investigated and can lead to termination of accounts.
- Our lapse experience improved during 2012.
- Tax changes at the start of 2013 have pushed up premiums for new policies. Therefore we expect better persistency in 2013 as fewer policies will be replaced due to cheaper premiums.

**Adverse Claims Experience/Reinsurer Credit Risk**

- A large amount of time and money is spent on ensuring we take on good quality risks at the application stage.
- Our second largest risk is our mortality/morbidity risk.
- A significant portion of this risk is mitigated by the use of reinsurance.
- Improved underwriting decisions are feeding through to better mortality/morbidity experience in the future.
- Using reinsurance creates a counterparty risk due to potential reinsurer default risk.
- We spread our risk across a number of reinsurers.
- A minimum credit rating is set before we will place business with a reinsurer.
- If the credit rating falls below an acceptable threshold further action can be taken such as holding back of premiums, seeking parental guarantees and ultimately placing the risk elsewhere.
COMPETITIVE ADVANTAGE.
ADAPTATION + SCALE + INDUSTRIAL PROCESSES.

UK Retail Protection Premiums

<table>
<thead>
<tr>
<th>Year</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>£0.16bn</td>
</tr>
<tr>
<td>2006</td>
<td>£0.79bn</td>
</tr>
<tr>
<td>2008</td>
<td>£0.95bn</td>
</tr>
</tbody>
</table>

- **EXITED ENDOWMENTS** (2000)
- **BANK PARTNERS** (2006)
- **MORTAGE REGULATION GROWTH OF L&G MORTGAGE CLUB** (2009)
- **INNOVATION IN FAMILY NEEDS AND PRODUCTS** (2010)
- **REGULAR RELEASES** (2011/12)

- **PAPER**
  - Underwriting decision at point of sale
  - First to market

- **ONLINE TERM**
  - More automated decisions

- **NEW UW ENGINE**
  - Admin efficiency and self-service
  - Standalone consumer journey

- **CONNECT**
  - Enhancement to questions and journey

- **MORTGAGE REGULATION GROWTH OF L&G MORTGAGE CLUB**
  - Standalone consumer journey

- **INNOVATION IN FAMILY NEEDS AND PRODUCTS**
  - Enhancement to questions and journey

**Straight through rate**
- 2000: 30%
- 2009: 50%
- 2010: 53%
- 2011/12: +75%
INTERACTIVE UNDERWRITING DEVELOPMENT CYCLE.

Apart from anything you have already told us about, during the last 2 years have you seen a doctor, nurse or other health professional for any condition affecting your lungs or breathing, for example asthma, emphysema, sleep apnoea, sarcoidosis?

Please ignore hay fever.

Because of your answer to the above question, you must provide the following information. If you answered incorrectly, please use the BACK button at the bottom of the screen and change the original answer.

1. Please select from this list. Only select other when you cannot find a match. *
   - Asthma

2. How long ago did you last have symptoms of asthma? *
   - 0 Years 2 Months
   - Symptoms may include wheezing, shortness of breath or tightness in your chest.

3. How often do you have symptoms of asthma? *
   - Less than daily
   - Daily
   - More or less continuously

In the last year, how many times have you been admitted (for one night or more) to hospital due to an asthma attack? *

In a typical week, how often do you have an asthma attack? *

* This is when you have asthma symptoms which last for several hours and are sufficient to make you stop what you are doing.

- Higher quality underwriting
- More immediate decisions
- Reduced business cost
GROUP PROTECTION.

Jim Islam
Managing Director of Group Protection
GROUP PROTECTION.

1) Market
- Products: Group Life Assurance, Dependants’ Pension, Group Income Protection and Group Critical Illness cover
- 28% of working age population covered for group death benefits
- 6% of working age population covered under group income protection
- £1.7bn annual gross written premium for group benefits
- Key players are Legal & General, Canada Life, Unum and Aviva

2) Legal & General:
- Providing benefits for over 80 years. Second largest provider of Group Life and third overall for gross written premium; GWP 2012 +12% to £321m
- Winner of Group Life and Group Income Protection at the 2012 Cover Excellence awards.
- Leading the way in early intervention and rehabilitation as part of Group Income Protection
- Strong performance: FY2012 +52% to £70m APE, Q1 2013 +67% to £20m APE

1Source: Swiss Re Report 2012
• Risk and statistical experts set the base costs using:
  - Historical experience (own and wider)
  - Overlaid for future trends and developments
• Rates take account of chosen benefit type and scheme member data by age and sex
• Additional more detailed risk factor loadings are defined e.g. geography, occupation, industry, long term absences, claims, etc.

• Margins are layered on to cover expenses and profit
• Highly skilled underwriters apply refinements to individual schemes, for example:
  - Determining members needing medical checks
  - Setting event limits
  - Finessing risk factor loadings to scheme specifics

• As well as on-going monitoring, in-depth reviews are carried out against the wider risk and commercial environment to ensure:
  - Pricing methodology and rates remain appropriate
  - Suitable risk mitigation measures in place, such as reinsurance

• Regular management information produced to monitor experience against targets and flag when action may be required
• Industry professionals assess and proactively manage rehabilitation programmes as part of the claims management process

Scheme rates are typically guaranteed for two years
=> regular opportunity to re-price to reflect changing experience and environment
PROACTIVE REHABILITATION.

74% long term absentees are able to return to work before end of the deferred period (typically six months):

Fewer and shorter Group Income Protection (GIP) claims when we’re notified early:

- First to introduce early notification bonus. Helped to drive down notifications from 19 weeks to less than 8 weeks in 2012
- 70% of claims are for stress, musculoskeletal and cancer conditions
- Provide fast access to rehabilitation treatment from market leading specialists
- Utilise best practice biopsychosocial model to help claimants return to work quickly
COMPETITIVE ADVANTAGE.

Our early notification means we use rehabilitation where appropriate to help employees return quickly to work and shorten the length of the claim.

**Reduction in absence**

- 11%
- 20%
- 27%
- 40%

**Swiss Re Claims Watch 2012, proportion of claimants receiving rehabilitation in 2011**

- 90%
- 80%
- 70%
- 60%
- 50%
- 40%
- 30%
- 20%
- 10%
- 0%

**Other UK Group Protection providers**

**Absence prevention**

**Employee assistance programme** – telephone, face to face and online support for employees with emotional, health, financial or work related issues.

**Healthy Living** – tools for both employees and employers to assess, monitor and improve their health.
ANNUITIES.

Kerrigan Procter
Managing Director of Annuities

Joseph Lu
Head of Longevity Risk Team
1) Market:
- Bulk Purchase Annuity market £4.5bn\(^1\)/year, key players; Legal & General, Rothesay Life (Goldman Sachs) and PIC
- Individual Annuity market £1.4bn\(^2\)/year, key players are Legal & General, Aviva, Pru, Just Retirement, Partnership
- Few longevity insurance transactions to date (14 since 2009)
- Large deficits outside the UK: Netherlands combined deficits for the largest 35 multinationals increased from €7bn to €30bn at end of 2012, in US aggregate S&P 1500 deficits rose by $73bn to $557bn at end of 2012

2) Legal & General:
- More than 25 years experience, manage portfolio of £33bn, 700,000 annuitants; 3,500 pension plans
- FY 2012, premiums of £2.3bn and Q1 2013 of £763m
- Enhanced Annuities in Q1 19% of Legal & General’s Individual Annuities
- Transacted UK’s largest longevity scheme covering £3.2bn liabilities for BAE Systems.
- Flexible de-risking options for trustees and benefit across LGIM and Annuities
- Investment disciplines; risk analysis and mitigation

\(^1\)Source:Hymans Robertson Report Q4 2013; \(^2\)ABI Market Exchange statistics (2012)
LIFE EXPECTANCY: CURRENT VS FUTURE.

Mortality Assumption

**CURRENT**
- Use L&G data
- Greater part of life expectancy & more certain.

**FUTURE**
- More uncertain but modest part of life expectancy.

Source: Human Mortality Database
CURRENT MORTALITY SEGMENTATION.

Source: Human Mortality Database
FUTURE LIFE EXPECTANCY?
CAPABILITY: EXPERTISE, KNOWLEDGE AND SKILLS.
NETWORK AND PARTNERSHIP.
LONGEVITY SCIENCE ADVISORY PANEL (LSAP).

GUESTS:

Sir John Bell
Clinical Scientist

Sir Rory Collins
Head of UK Biobank

Professor Rosalind Raine
Clinical Epidemiologist

Professor Tom Kirkwood
Biologist on ageing

Professor Simon Capewell
Clinical Cardiologist

Dame Karen Dunnell
Former UK National Statistician

Sir John Pattison
Former Department of Health’s R&D Head

Professor Klim McPherson
National Heart Forum’s Chair

Professor Steve Haberman
Cass Business School’s Dean

Professor Colin Blakemore
Former Medical Research Council’s CEO
ROBUST AND RESPECTABLE SCIENTIFIC RESEARCH WITH UNIVERSITIES.


*L&G employees in bold*
INDUSTRY-LEADING PAPERS.


*Featured in The Economist.*


*Media coverage.*


*Cited by The Economist.*


*Actuarial Profession’s Recommended Article.*


*Informed US practice.*


*Institute & Faculty of Actuaries’ Best Sessional Paper 2007.*


*Institute & Faculty of Actuaries’ Best Sessional Paper 2004.*


*Current UK industry standard.*
ACCESS TO EVIDENCE, DATA, INFORMATION.
FACTORS AFFECTING FUTURE LIFE EXPECTANCY.

NHS funding freeze
Rising diabetes trend
Rising obesity
Antibiotic resistant bugs

NHS restructure
Cost of treatment
Epidemic frequency
Smoking levelling

Smoking reduction
New treatments
Improved health service
Wealthier nation
OUR APPROACH.

CIRCULATORY  CANCERS  TOTAL

RESPIRATORY  OTHER

Continuation of trend. Lifestyle. Environment. Medical Intervention. NHS. Futuristic Medicine Anti Ageing?

10-15 years  15-25 years  25 years +

Source: L&G projection of ONS data

Historic and future projection of male death rates, Cause of Death model

- Cancer
- Cardiovascular
- Respiratory
- Other

Risk Factors worse +13%
- Obesity (increase) +3.5%
- Diabetes (increase) +4.8%
- Physical activity (less) +4.4%

Risk Factors better -71%
- Smoking - 41%
- Cholesterol - 9%
- Population BP fall - 9%
- Deprivation - 3%
- Other factors - 8%

Treatments -42%
- AMI treatments - 8%
- Secondary prevention - 11%
- Heart failure - 12%
- Angina: CABG & PTCA - 4%
- Angina: Aspirin etc - 5%
- Hypertension therapies - 3%

Unal, Critchley & Capewell
Circulation 2004 109(9) 1101
Example of thought leadership: Contribution of risk factor and treatment to fall in cardiovascular deaths.

**Risk Factors worse +9%**
- BMI (increase) +2%
- Diabetes (increase) +7%

**Risk Factors better -43%**
- Smoking -3%
- Cholesterol -5%
- SBP fall -29%
- Physical inactivity -1%
- Fruit and Veg -5%

**Treatments -42%**
- AMI treatments -52%
- 2' post MI -9%
- 2' post- revasc -2%
- Heart Failure -4%
- Hypertension therapies -5%
- Hyperlipidemia RX -12%

**Unexplained 14%**

Legal & General collaboration with University College London and Liverpool University
FLATTENING SMOKER RATES?

Percentage of smokers above age 60

Source: L&G analysis of British Heart Foundation data
EXAMPLE OF NEW INSIGHT FROM NEW DATA.

Thank You