General Insurance Seminar

Insuring Tomorrow

Actuaries Institute

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Personal Lines – A Shifting Competitive Landscape

Daniel Toohey, Andrei Stadnik

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PRESENTATION – November 17-18, 2014

Personal Lines – A shifting Competitive Landscape

A presentation for the **General Insurance Seminar – Insuring Tomorrow**

MORGAN STANLEY RESEARCH
Asia/Pacific

Morgan Stanley Australia Limited+

Daniel P Toohey
Daniel.Toohey@morganstanley.com
+61 2 9770 1315

Andrei Stadnik, FIAA
Andrei.Stadnik@morganstanley.com
+61 2 9770 1684

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Consumer loyalty firm, but premium growth struggling

- Australian insurance consumers are not becoming less loyal or more price sensitive.
- Buying habits: Online now main channel in Motor; Consumers are open to new ways to save – online brokers?
- Motor premiums have been stagnant 3 years running, with renewing customers premium unchanged (i.e. flat) for first time.
- Home retention rates at 77% are stronger than Motor at 70%, but new customer growth is lower and the shift to Apartment living is a headwind.

Source: AlphaWise, Morgan Stanley Research

Challengers are hitting prime time

- Challengers surprise with ~18% share of policies in Motor, growing their share of switching customers (37% vs. 19% in 2012).
- They are building actionable consumer brand awareness (Youi now No.3 in motor) with "*mind share*" exceeding "*market share".*
- Challengers are growing and winning customers from the majors (particularly SUN), they're not just fighting among themselves.
- The Challengers now open war on both fronts by attacking the Home market, where Banks quietly have built a 13% share.
- Coles growth under IAG is unclear – but any pullback by Coles opens the door for Youi and other Challengers.

Source: AlphaWise, Morgan Stanley Research

IAG Personal Lines franchise more durable than SUN

- Price is less of a factor for IAG customers, they shop around less and it takes a bigger discount for IAG customers to switch.
- SUN customers shop around more, demanding a higher share of switchers to grow – yet Challengers win more SUN customers.
- SUN and IAG have been growing sub-system in both Home and Motor over the past 3 years.
- Retention is key and strong for IAG. SUN needs volume, increasing the risk of competition (discounting) in the switcher segment.
- Margins in Personal lines should hold in the near term.

Source: AlphaWise, Morgan Stanley Research

Questions we are seeking to answer

1) What level of consumer awareness exists for different Personal Lines insurance brands?
2) What factors influence a purchase decision?
3) What are current retention levels and how loyal are customers?
4) What factors influence retention levels?
5) What factors influence a consumer's decision to switch?
6) Are the Challenger brands having an impact and gaining consumer acceptance in Home just as in Motor?
7) Are the Banks successfully leveraging their distribution advantage, particularly in Home?
8) Are consumers ready to fit a device to their car to reduce premiums or take up "pay as you drive"?

New question for 2014

9) How much are consumers shopping around at renewal for the best deal?
10) What are the major channels used to buy insurance?

Global Blue Paper with BCG

11) What impact will technology have on the insurance industry?

Source: AlphaWise, Morgan Stanley Research

Prompted Brand awareness – Motor easier market to break into

- National brands **AAMI** and **Allianz** best recognised
- Our survey suggests Home is a harder market to build a new brand
- **Youi** a top 3 brand in Motor, ahead of state based **NRMA**
- **Supermarkets** among the fastest growing
- **Banks** are middle of the pack on brand awareness
- **iSelect** is the best known among online brokers
- Some brands left out in the interest of space

Home brands	2014
AAMI	78%
Allianz	75%
GIO	56%
APIA	54%
NRMA	54%
QBE	51%
Youi	**51%**
Real Insurance	**46%**
CGU	45%
Budget Direct	**44%**
Coles Insurance	**42%**
RACV	41%
Suncorp	40%
RACQ	38%
ANZ brands	37%
iSelect	**37%**
CBA brands	36%
WBC brands	32%
SGIO	31%
Woolworths	**29%**
Bingle	26%
Shannons	26%
NAB brands	21%

Motor brands	2014	chng.	2013	chng.	2012
AAMI	99%	+1%	98%	+0%	98%
Allianz	99%	+2%	96%	-1%	97%
Youi	**91%**	**+6%**	**84%**	**+1%**	**83%**
NRMA	89%	-2%	91%	+0%	91%
Budget Direct	**89%**	**+1%**	**87%**	**+0%**	**87%**
GIO	86%	-1%	87%	-2%	89%
APIA	85%	-1%	86%	-1%	87%
Coles Insurance	**85%**	**+16%**	**69%**	**+15%**	**54%**
iSelect	**83%**	**+2%**	**81%**	**+1%**	**80%**
QBE	82%	-0%	82%	-1%	83%
Suncorp	82%	-3%	84%	+1%	83%
Real Insurance	**77%**	**+3%**	**74%**	**-1%**	**75%**
CGU	77%	+1%	76%	-4%	80%
RACV	76%	-1%	77%	-1%	78%
Shannons	73%	+2%	71%	-2%	73%
Woolworths	**73%**	**+22%**	**50%**	**-**	**-**
Bingle	**72%**	**+5%**	**67%**	**+0%**	**67%**
RACQ	72%	-3%	76%	-3%	79%
CBA brands	71%	-	-	-	-
WBC brands	64%	-	-	-	-
NAB brands	60%	-	-	-	-
ANZ brands	60%	-	-	-	-
Insurance Box	19%	-	-	-	-

Source: AlphaWise, Morgan Stanley Research

Brand power: if forced to switch, who would you switch to?

- **AAMI** is the strongest brand across Home (15%) and Motor (16%) despite the headwind of its leading market share.
- **IAG's** state based brands do not translate well to a national level view, but **NRMA** and **RACV** combined would edge ahead of **Allianz** with 11% vs 10% in both Home and Motor.
- **Challengers** surprise with actionable consumer brand awareness in the Motor market. **Budget Direct** (7%), **Youi** (6%) and **Coles** (6%) were prominent.
- **Challenger** brands also featured strongly in Home with **Budget Direct** 7th (4%) and **Coles** 8th (4%).
- **CBA** the only **Bank** to feature – 6th brand in Home with 5%.
- **iSelect** online broker has strong potential in Motor with a 3% choice placing it 10th, but market share remains negligible.

	Motor brands	%
1	AAMI	16%
2	Allianz	10%
3	**Budget Direct**	**7%**
4	**Youi**	**6%**
5	**Coles Insurance**	**6%**
6	NRMA *	6%
7	RACV *	5%
8	APIA	4%
9	GIO	4%
10	**iSelect**	**3%**

	Home brands	%
1	AAMI	15
2	Allianz	10
3	APIA	6
4	NRMA *	6
5	RACV *	5
6	CBA	5
7	**Budget Direct**	**4**
8	**Coles Insurance**	**4**
9	GIO	4
10	Suncorp *	4

Note: * all national brands expect NRMA & RACV; Suncorp is in some ways a state brand

Source: AlphaWise, Morgan Stanley Research

Brand Groupings

We group some brands to better present data that is statistically more robust and visually more digestible.

Auto Clubs
- RAA
- RAC WA
- RACQ
- RACT

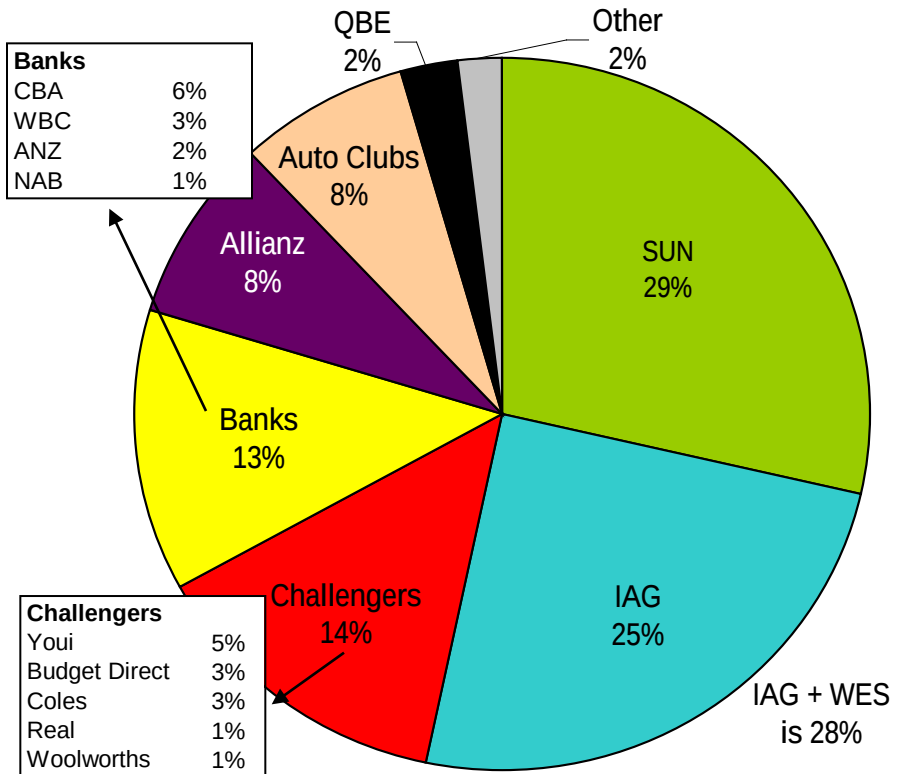
Banks
- ANZ
- Aussie
- Bank of Melbourne
- Bank of Queensland
- BankSA
- Bankwest
- Bendigo Bank
- CommInsure
- Commonwealth Bank
- National Bank
- OnePath
- St George Bank
- Westpac

Challengers
- AMP
- Australia Post
- Budget Direct
- Bupa
- Calliden
- Coles Insurance
- HBF
- Progressive
- Real Insurance
- Virgin
- Woolworths
- Youi

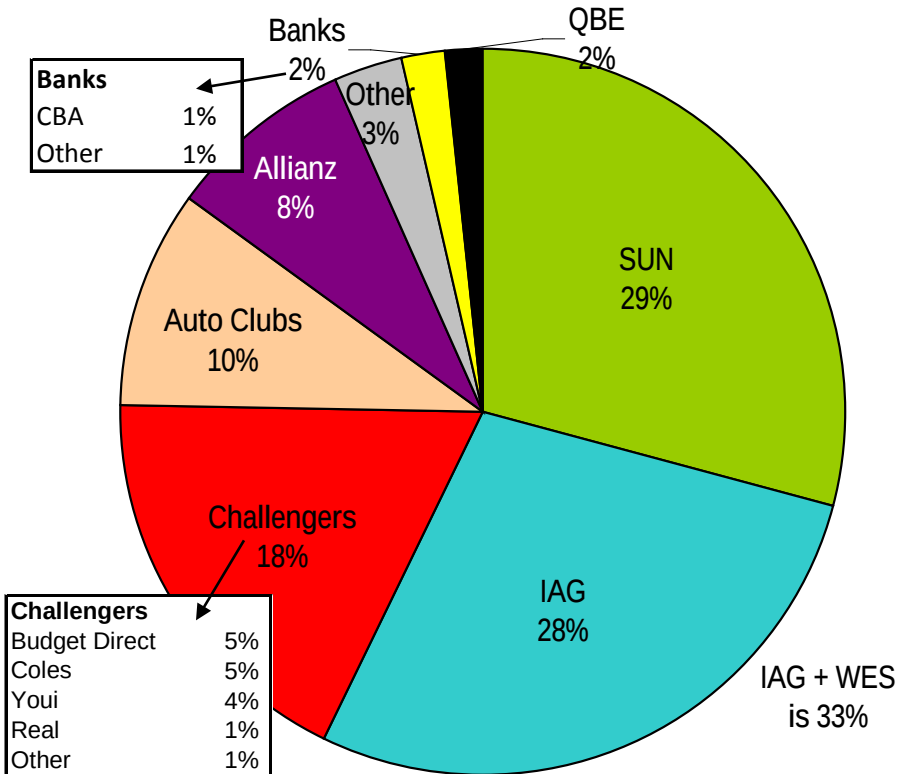
Source: AlphaWise, Morgan Stanley Research

Market share by Policy: Challenger brands come of age

Home Market Share by Policy Count



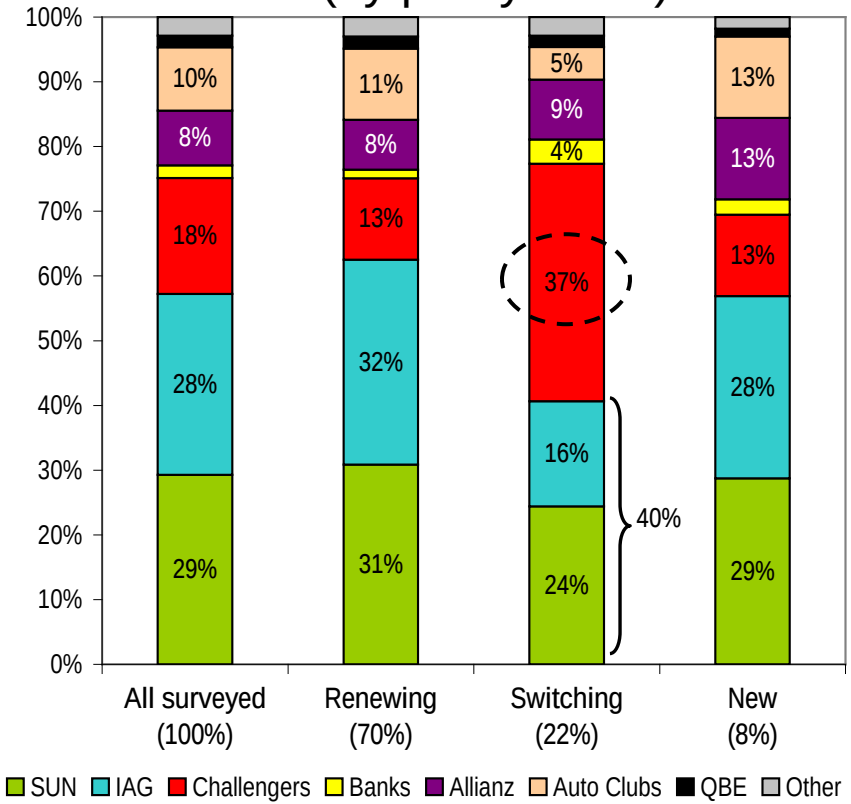
Motor Market Share by Policy Count



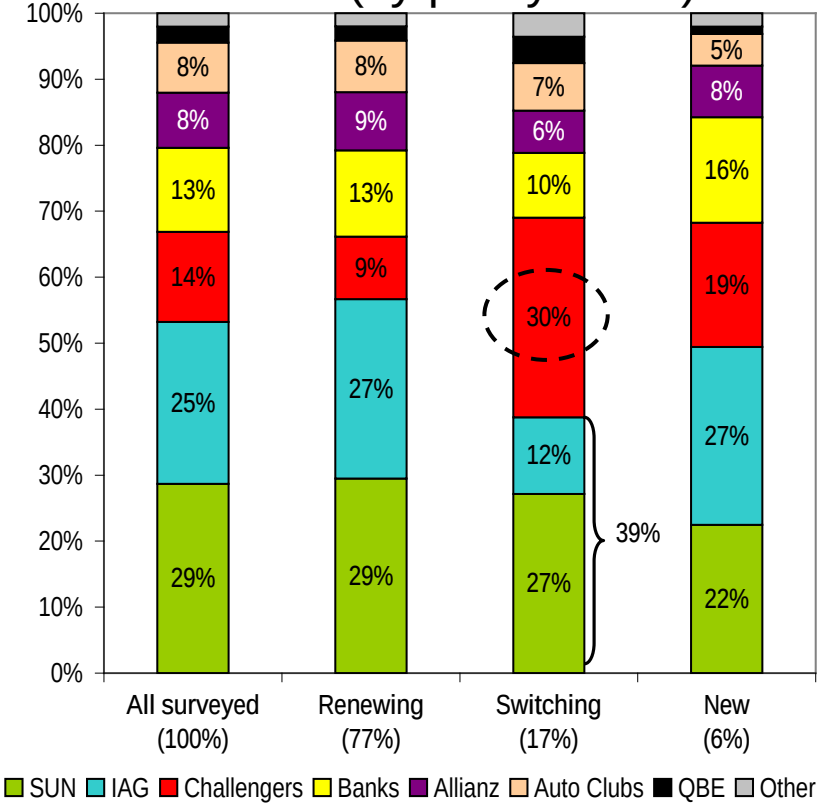
Source: AlphaWise, Morgan Stanley Research

Challenger brands winning share among switching customers

Motor (by policy count)

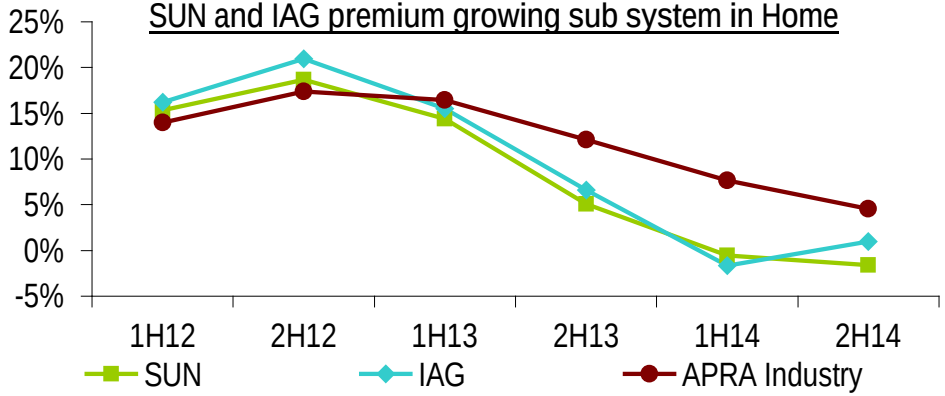


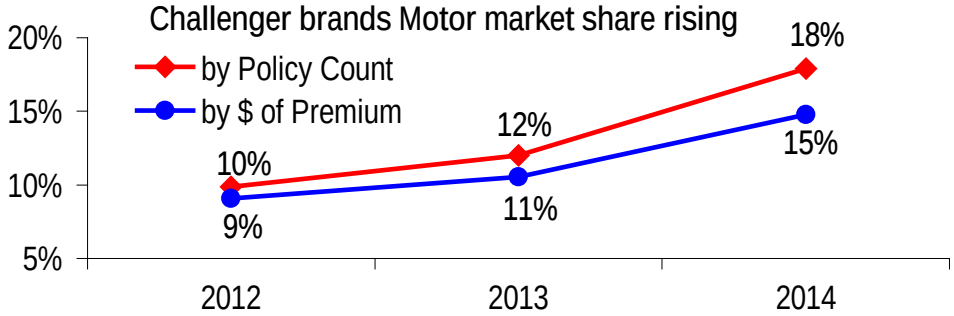
Home (by policy count)

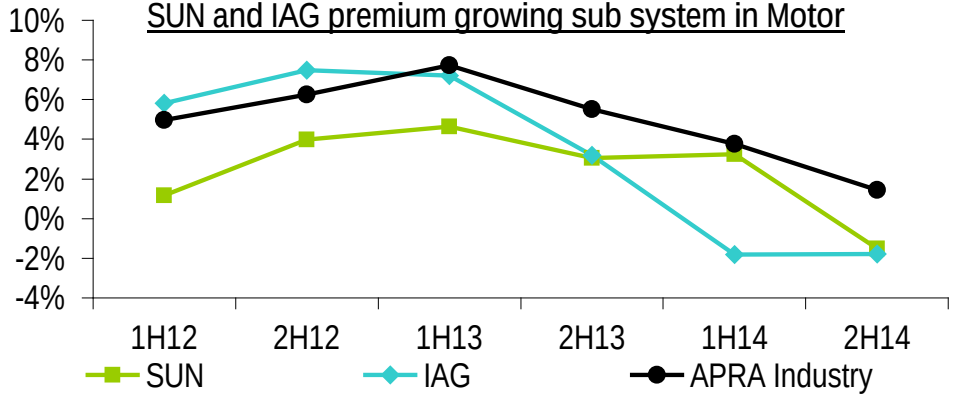


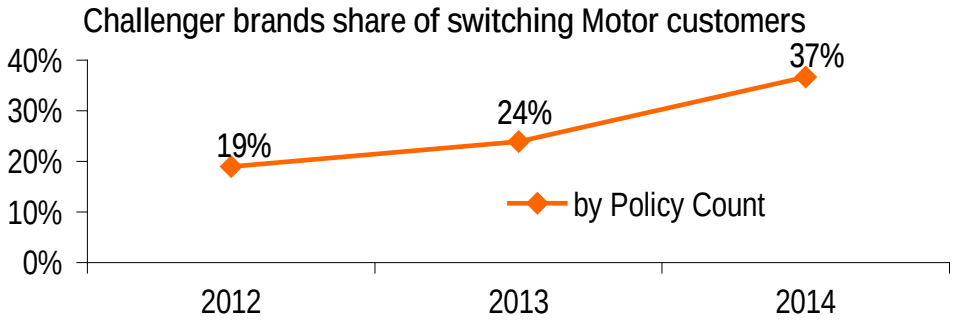
Source: AlphaWise, Morgan Stanley Research

SUN and IAG are losing market share







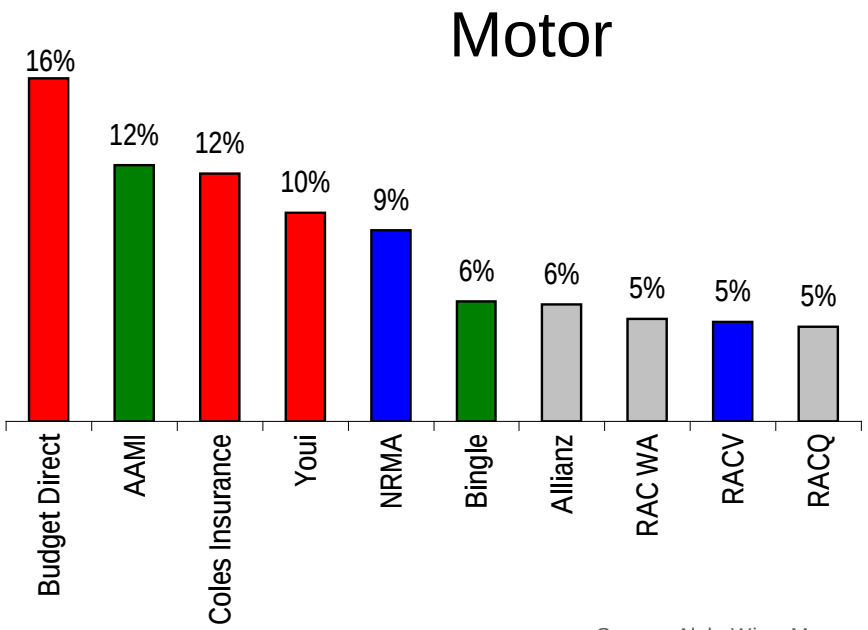


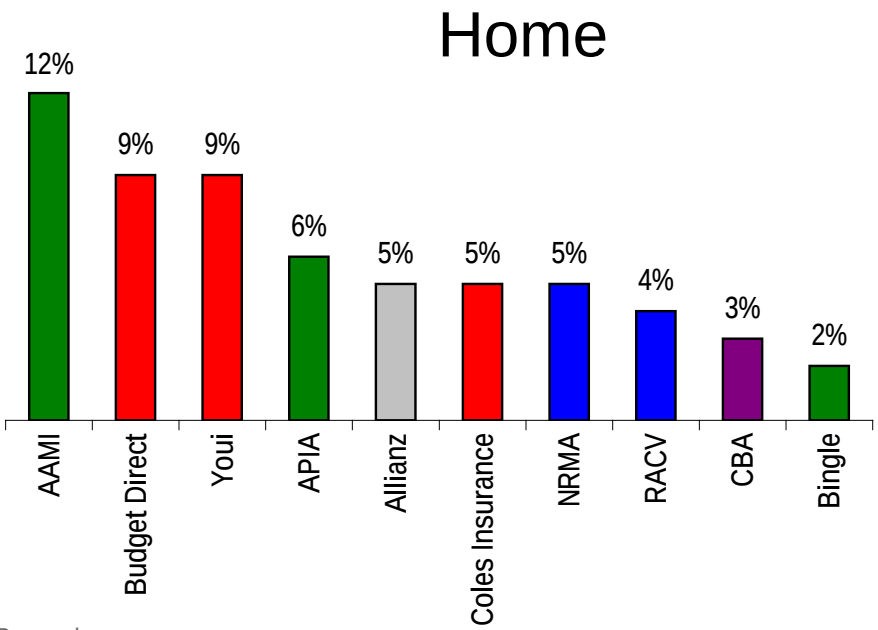
Source: APRA, Company Data, Morgan Stanley Research

Challengers have captured mindshare on Price

What are the top 10 brands that consumers recognise for lower price?

Challenger brands punch above their weight on price with **Budget Direct** (16%) best known of all insurers for lower Motor prices. In Home, **Budget Direct** (9%) is 2nd only to **AAMI** (12%).

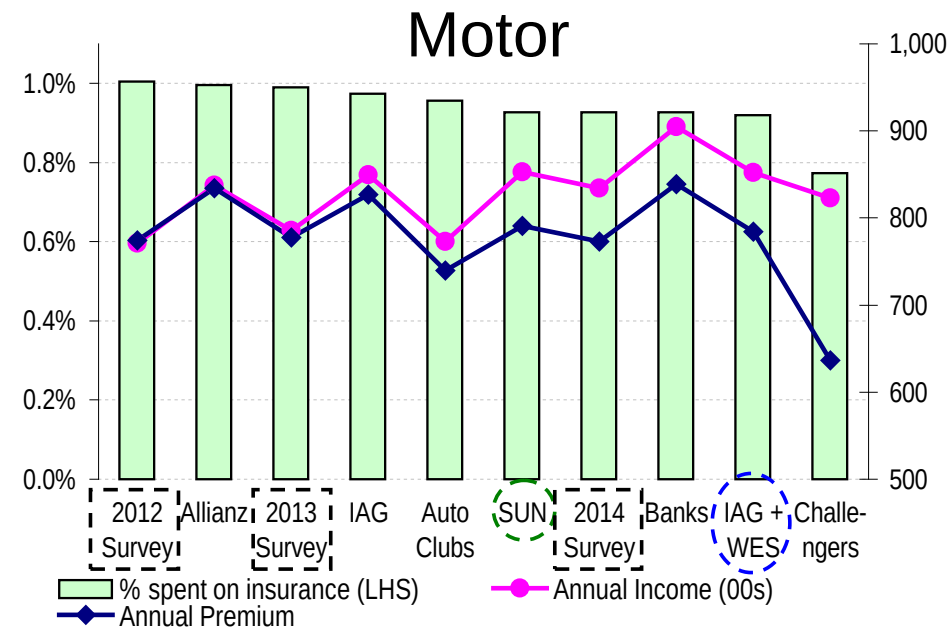


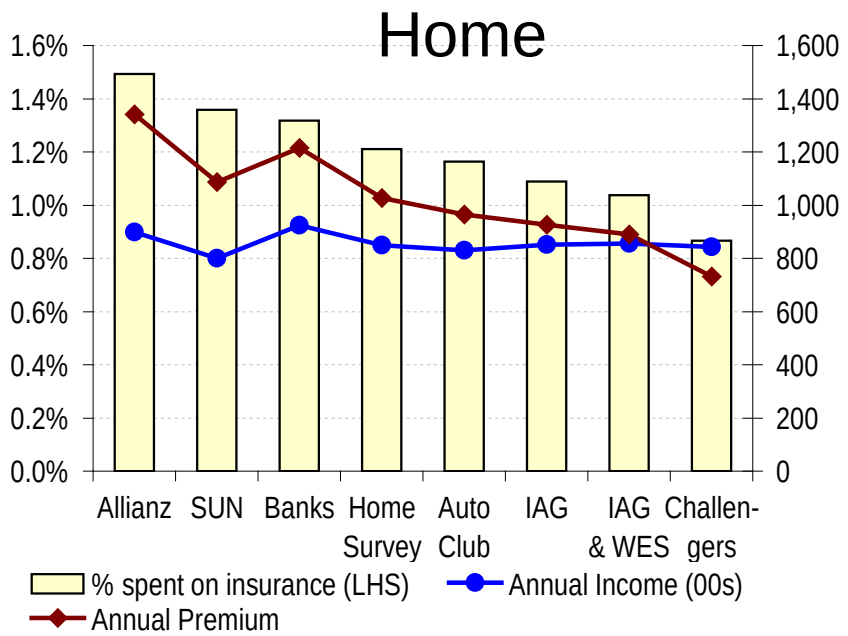


Source: AlphaWise, Morgan Stanley Research

Consumer spend shows lack of pricing momentum

- In Motor, **we are seeing a lack of price increases**. Average Motor insurance premium was broadly unchanged at $773 in 2014 from $778 in 2013 and $774 in 2012.
- Average home premium is~$1030. There is a much higher variability in Home premiums – reflecting substantial differences in CAT / flood risk profiles by geography.



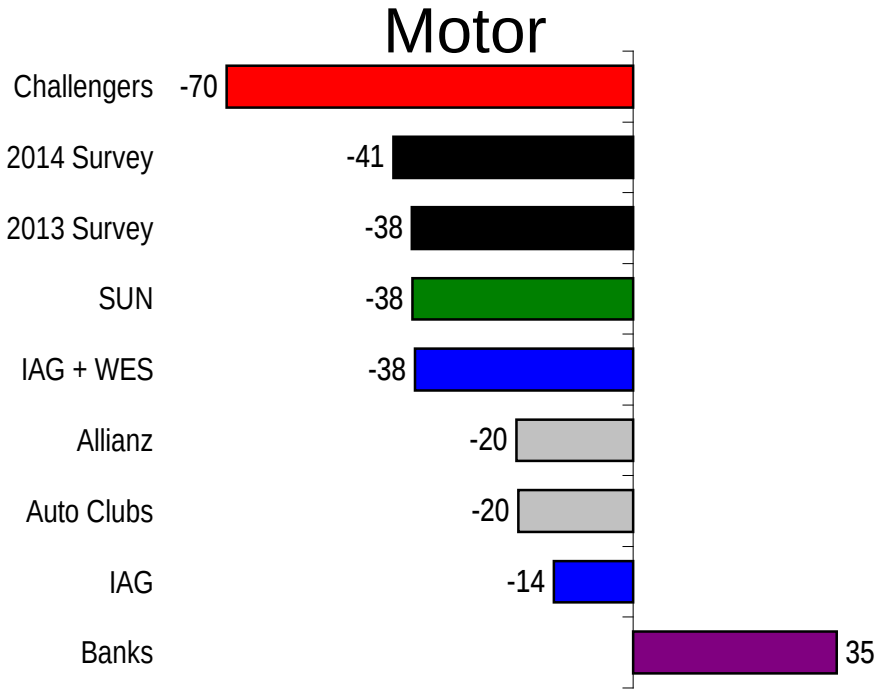


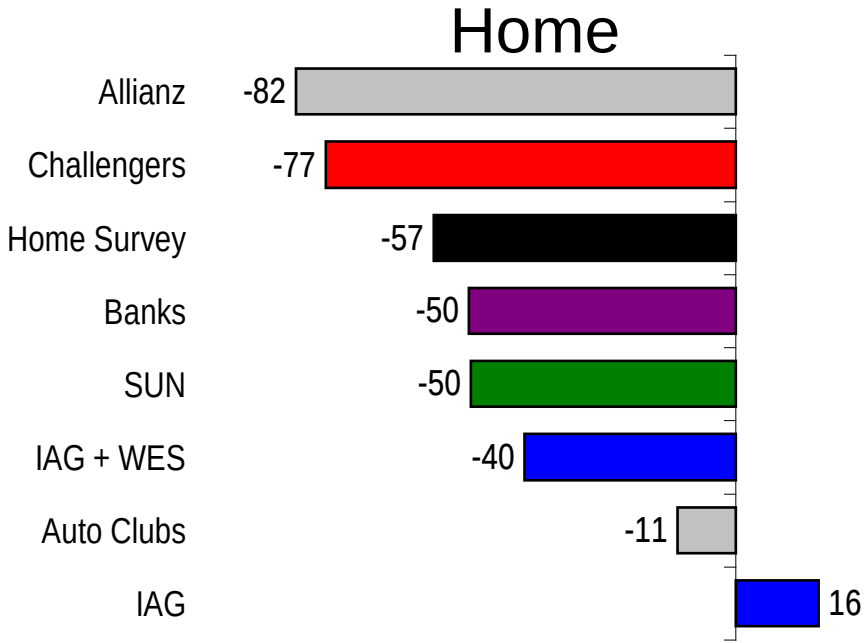
Source: AlphaWise, Morgan Stanley Research

Who is offering cheaper premiums to switching customers?

How much did premium reduce for customers switching insurers at last renewal?

Motor customers switching insurers paid $41 less for their current policy vs their prior policy ($38 saving in 2013). Those renewing saved $1, whereas in 2013 survey they paid $11 more.





Source: AlphaWise, Morgan Stanley Research

Are Motor consumers changing their policy excess?

Our new question on policy excess reveals that more consumers deliberately increased their excess in 2014 (10%) than decreased (3%).

While most consumers did not try to change their excess – this is still an incremental negative as higher excesses are a headwind for topline premium growth.

SUN customers (12%) were increasing their excess more often than IAG (7%) – suggesting greater risks to topline growth.

New for 2014

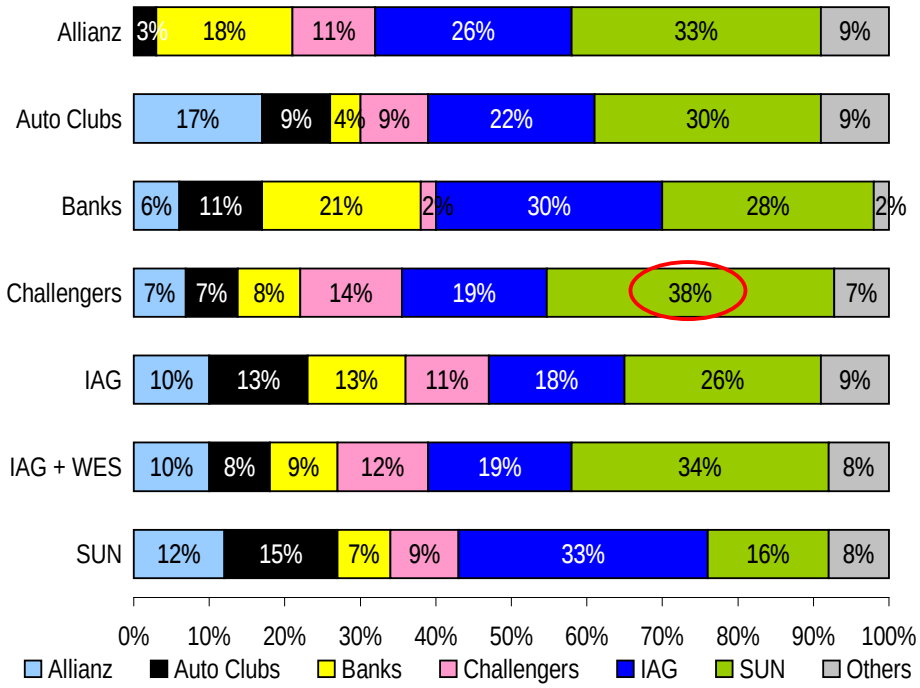
At last renewal - what did you do?	**Motor Survey**	Allianz	Auto Clubs	Banks	Challengers	IAG	QBE	SUN
Deliberately decreased Excess	**3%**	3%	2%	6%	6%	3%	-	3%
Did not change Excess	**87%**	84%	93%	83%	84%	90%	94%	85%
Deliberately increased Excess	**10%**	14%	6%	11%	10%	7%	6%	12%

Source: AlphaWise, Morgan Stanley Research

Where are insurers winning their switching customers from?

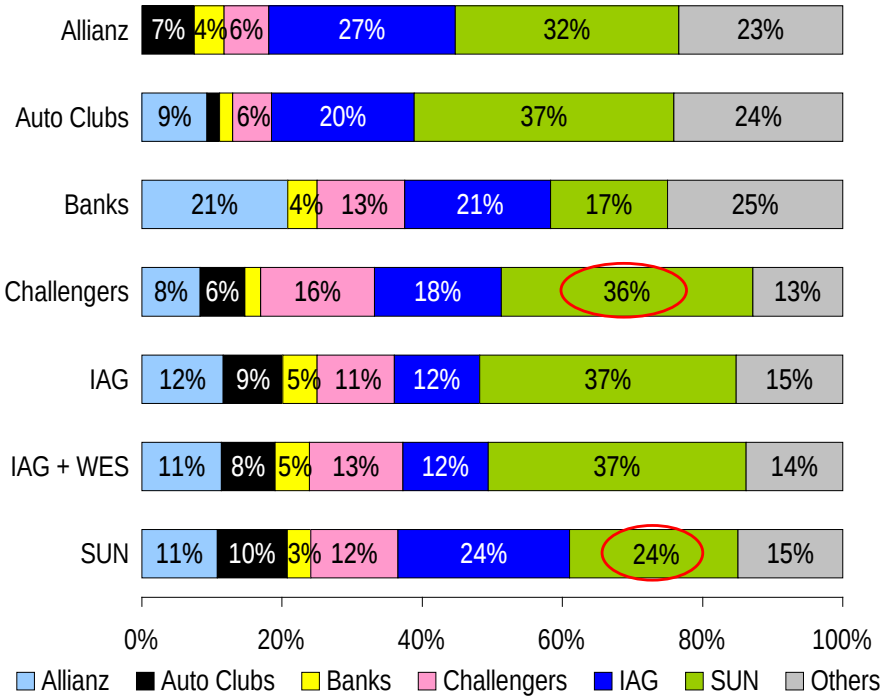
Home

Insurer | Source of switching customers



Motor

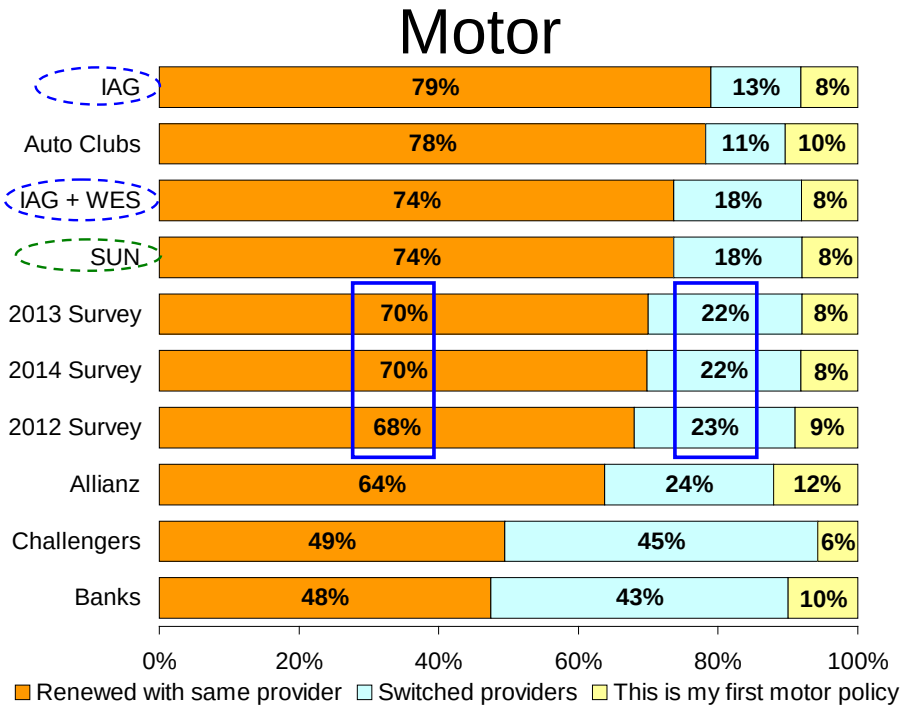
Insurer | Source of switching customers

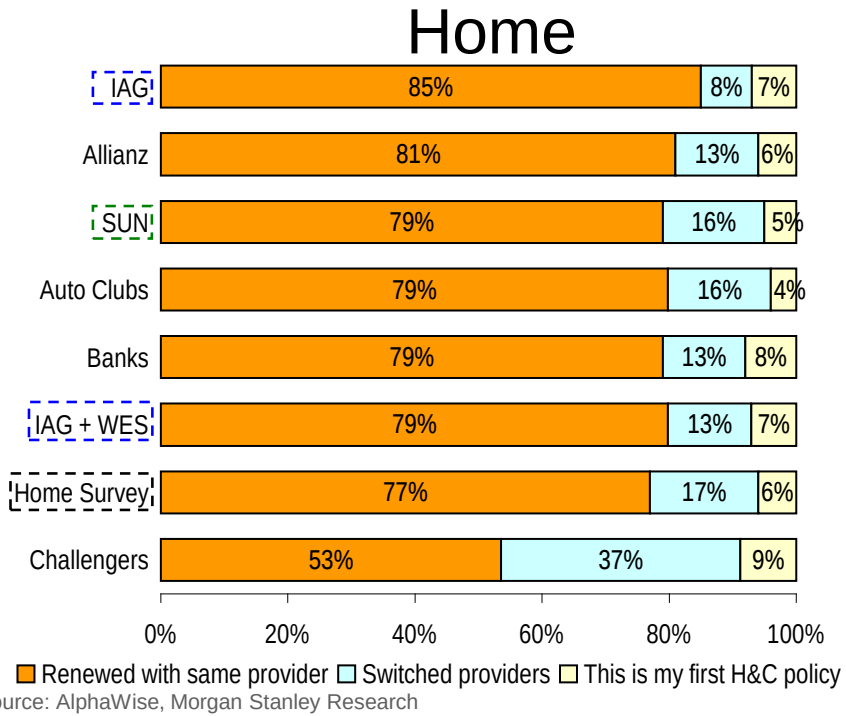


Source: AlphaWise, Morgan Stanley Research

Did customers last renew or switch? Or on first policy?

Consumers are not becoming less loyal – 3 years of our Motor survey show that consumers renewing with the same insurer in 2014 (70%) is stable on 2013 (70%) and 2012 (68%).This supports our view of Challengers growing via greater share of natural consumer turnover.



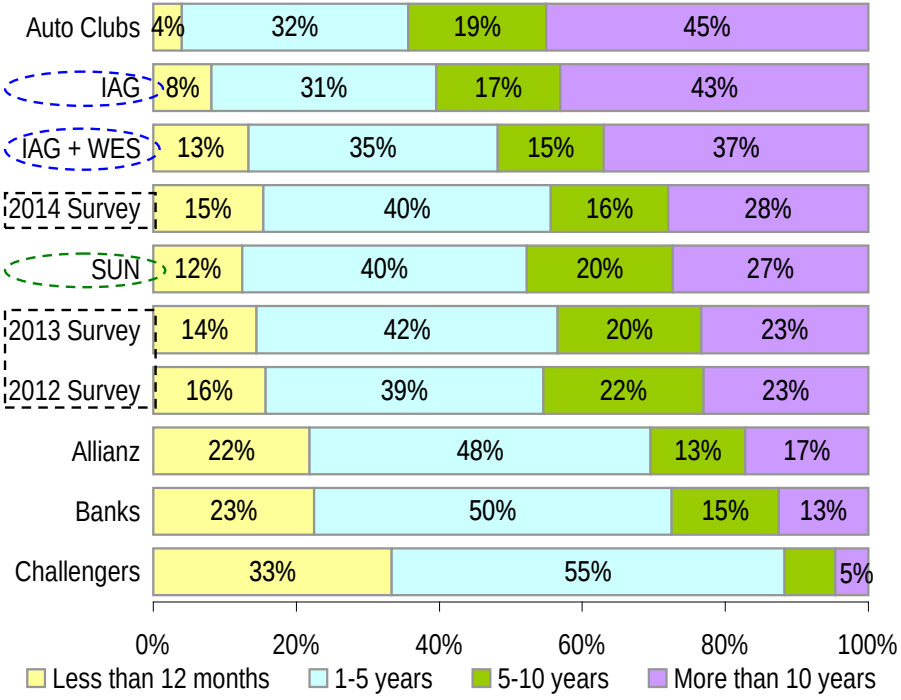


Source: AlphaWise, Morgan Stanley Research

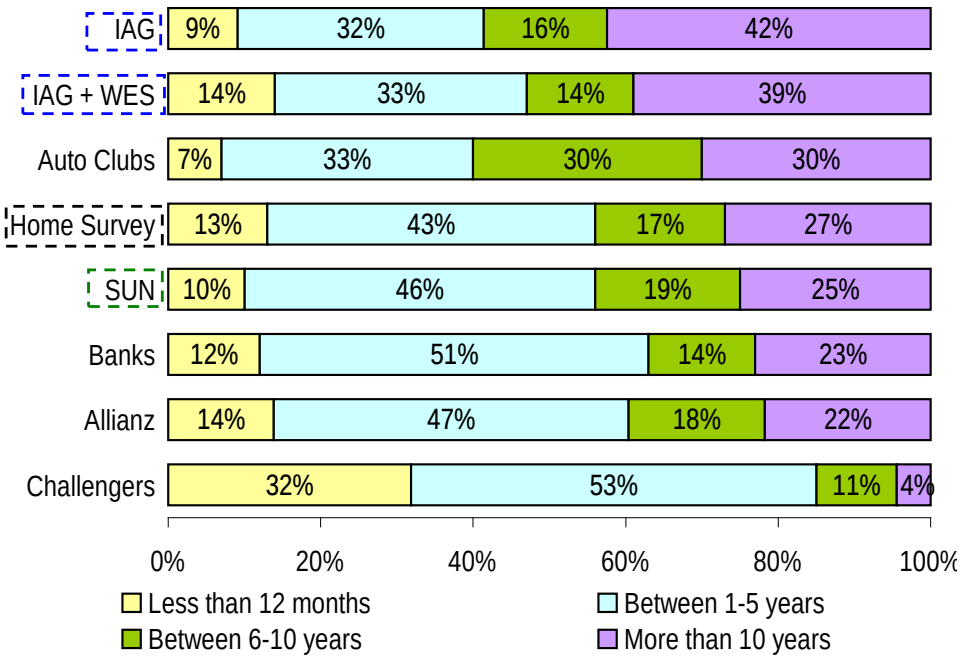
How long have consumers been with current insurer?

Consumer longevity is stable with 3 years of our Motor survey showing 44% have been with their insurer >5 years, vs 43% in 2013 and 45% in 2012.

Motor



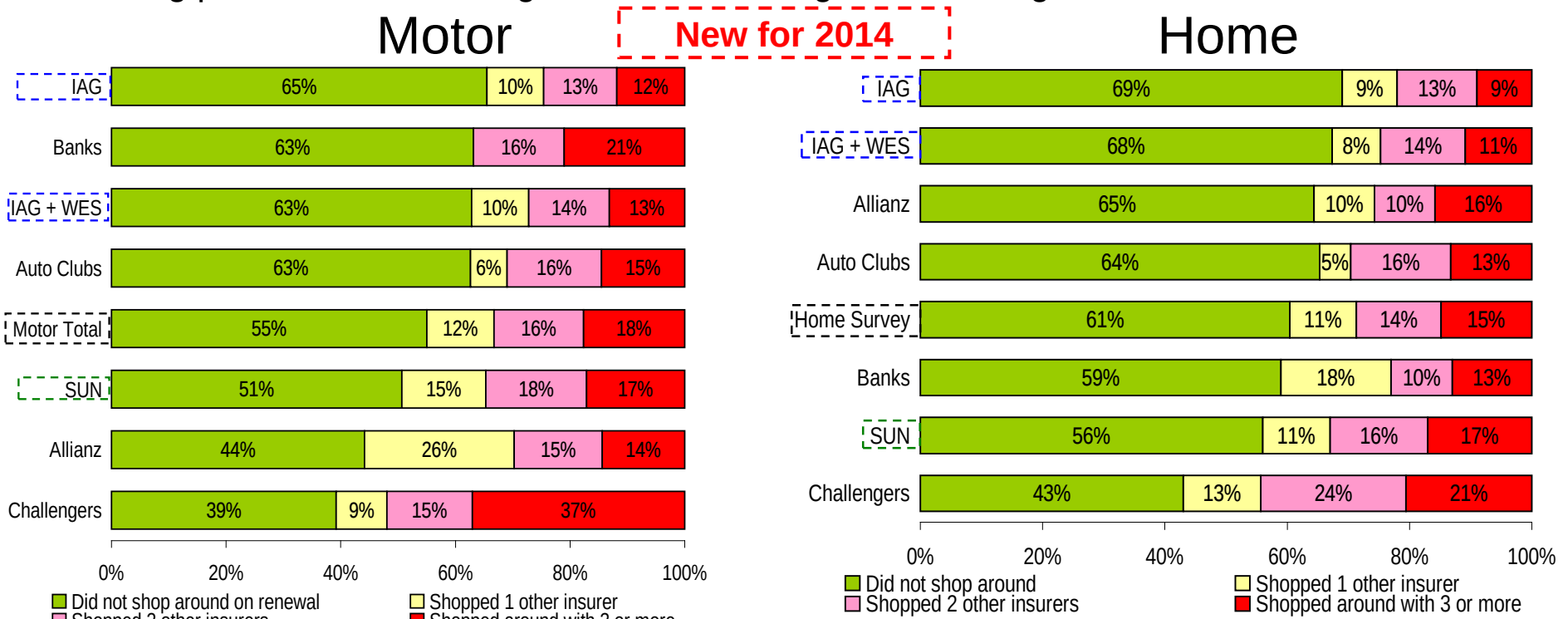
Home



Source: AlphaWise, Morgan Stanley Research

The Shop Around – did those renewing shop around?

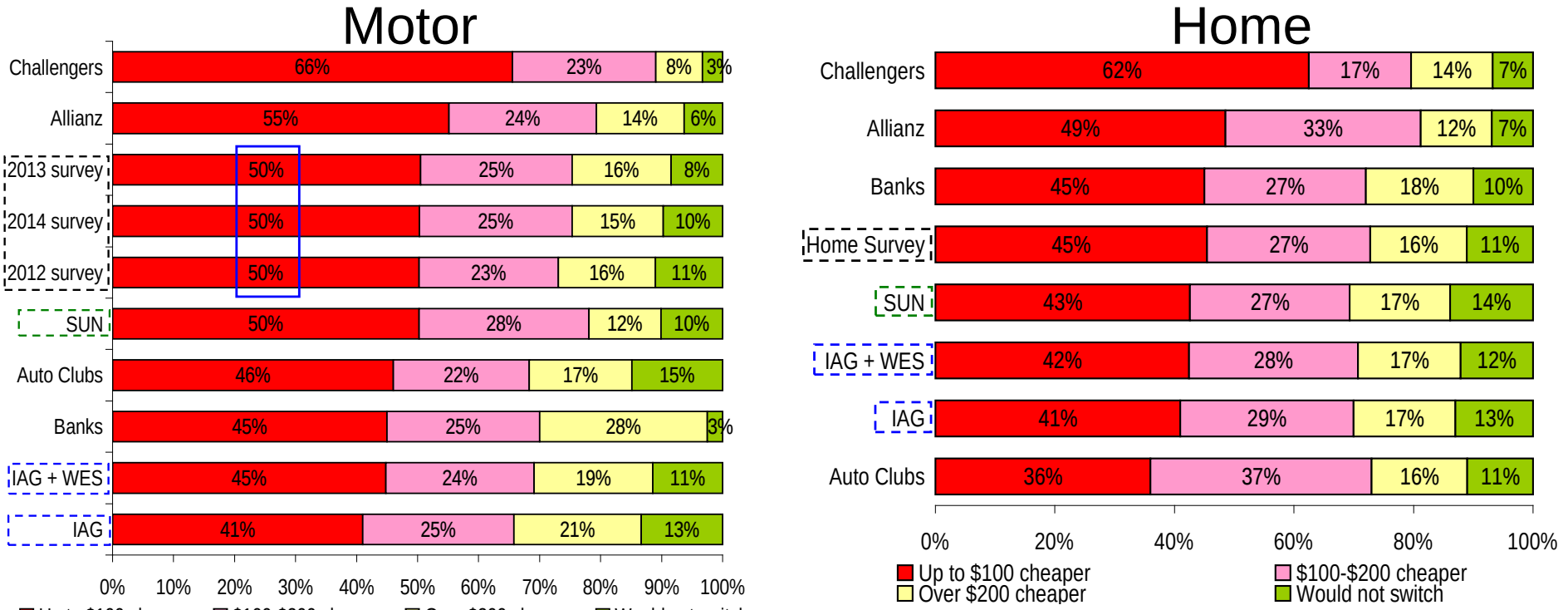
Shop around customers are more likely to request a discount on the initial renewal quote, lowering premiums and raising admin costs – negative for margins.



Source: AlphaWise, Morgan Stanley Research

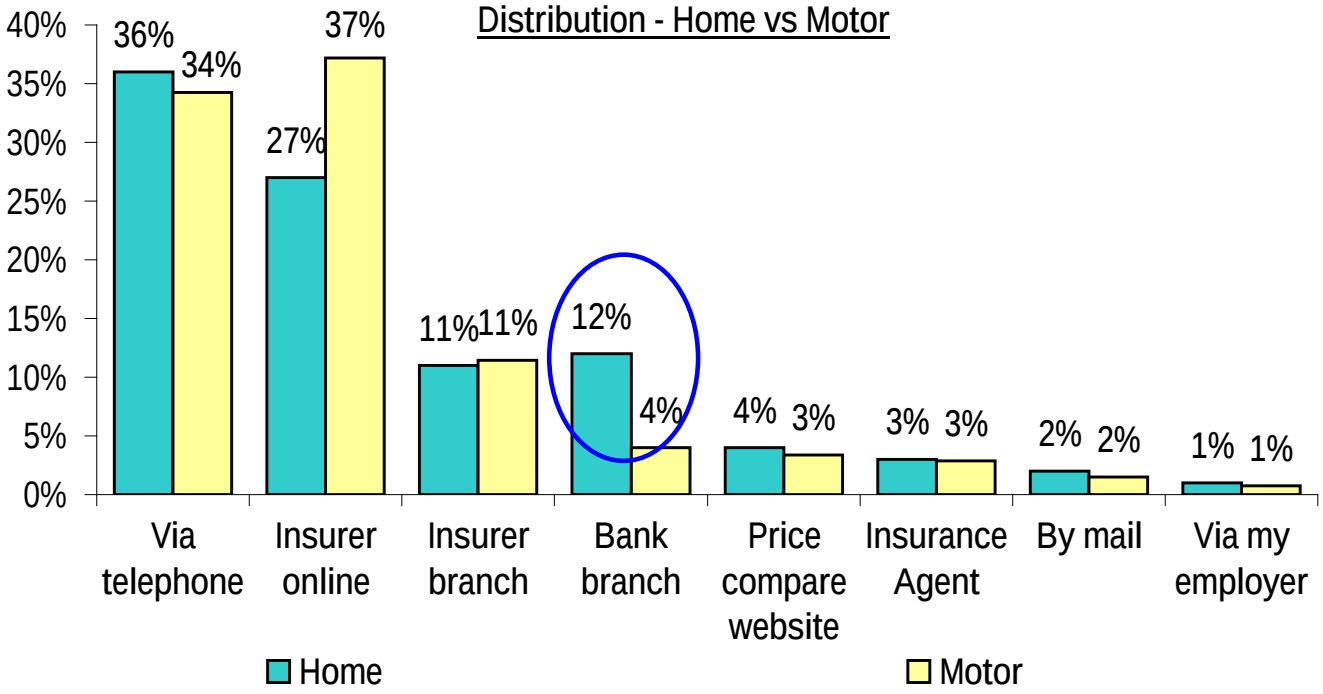
For what $ saving would you switch motor insurers?

We are seeing stable consumer price sensitivity with half of surveyed (50%) ready to switch Motor insurers for a saving of $100 – this is unchanged from our 2013 and 2012 surveys.



Source: AlphaWise, Morgan Stanley Research

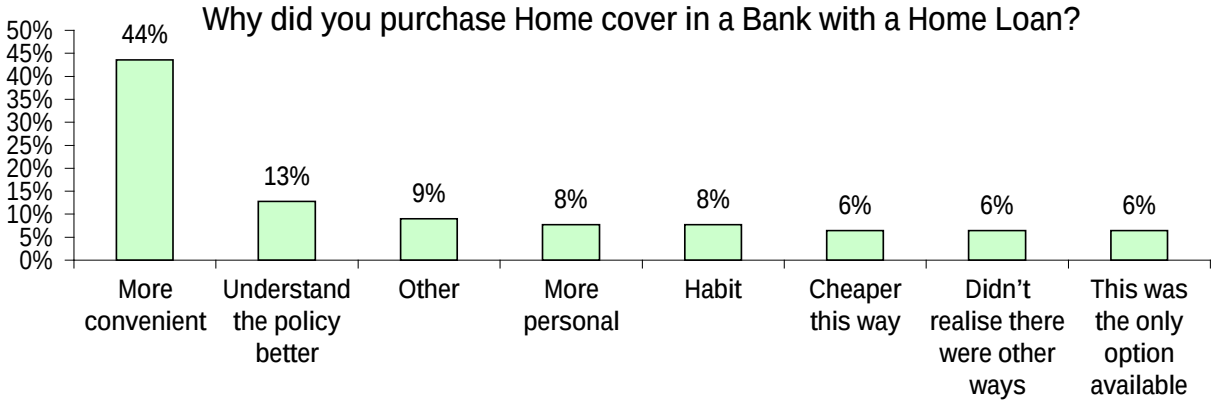
Online becomes the main channel to buy Motor insurance

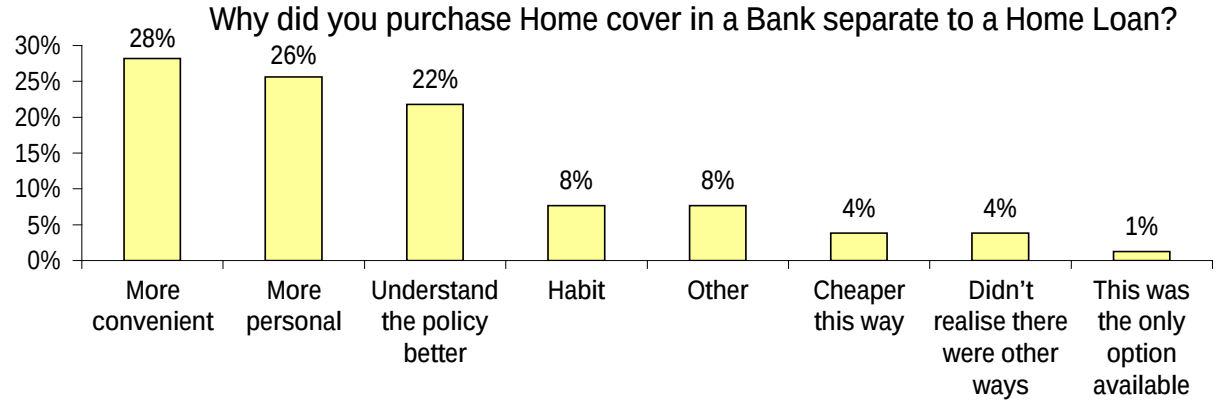


- Contrasting Home to Motor, Telephone sales still lead in Home but have given way to Online in Motor.
- Bank branch sales are much higher in Home (12%) than in Motor (4%).

Source: AlphaWise, Morgan Stanley Research

Why are consumers buying Home insurance with Banks?



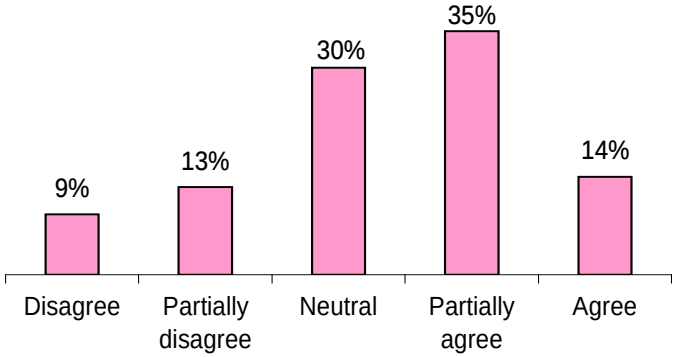


Consumers buying Home insurance in a Bank value the convenience, the personal touch and explanation of the policy. This is a service, not price led sale.

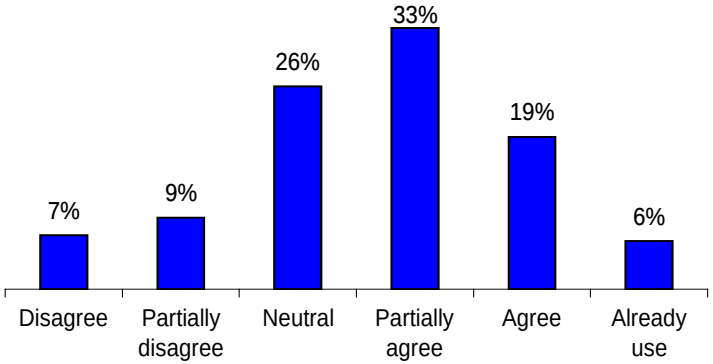
Source: AlphaWise, Morgan Stanley Research

Consumers are open to innovative ways to save

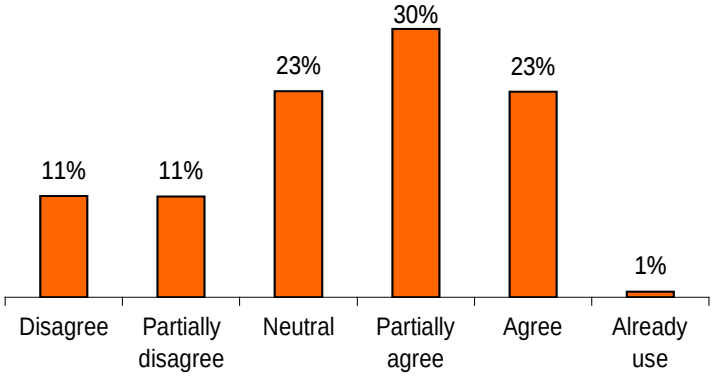
Home Survey: would you use a Price Comparison Website?



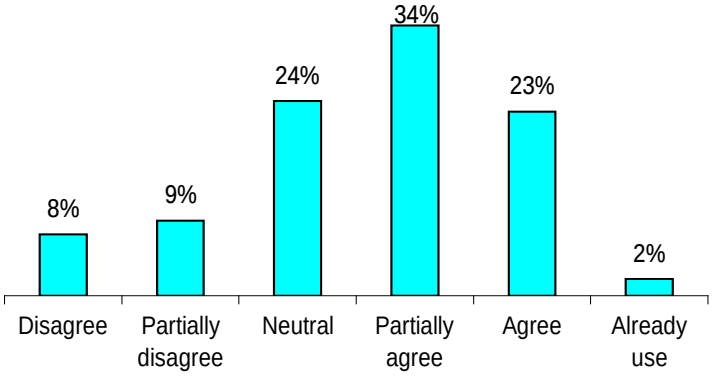
Motor Survey: would you use a Price Comparison Website?



Motor Survey: would you use a Telematics device?



Motor Survey: would you use Pay-As-You-Drive?



There is unmet demand for price comparison websites with 4% buying Home this way in 2014 but 8% would like to do so next time, and 6% of Motor customers already use.

But almost 50% of Home customers and >50% of Motor are comfortable with price comparison sites.

Source: AlphaWise, Morgan Stanley Research

Overall – why do consumers choose their insurer?

- **Challengers** standout with customers choosing them on the basis of price
- **IAG** majors on multi-policy discounts, **SUN** has a strong reputation for paying claims.

Motor

Top 3 reasons	Motor Survey	Allianz	Auto Clubs	Banks	Challe-ngers	SUN	IAG	IAG + WES
Lower Price	49%	43%	38%	63%	81%	52%	38%	42%
Trustworthy Brand	47%	53%	57%	63%	38%	48%	45%	45%
Habit - I know them	40%	34%	42%	37%	33%	40%	43%	41%
Multi-policy discounts	27%	14%	25%	21%	17%	21%	41%	39%
Reputation for paying claims	24%	29%	27%	11%	12%	25%	24%	22%
Reputation for customer service	23%	30%	30%	26%	18%	25%	21%	20%
Hassle to change motor insurers	20%	23%	18%	26%	23%	18%	20%	20%
No claims bonus	20%	20%	16%	5%	12%	23%	23%	22%
Flexible & comprehensive cover	14%	22%	12%	16%	14%	13%	14%	14%
Can buy over the internet	12%	15%	4%	16%	28%	14%	6%	9%
Australian owned insurer	8%	5%	11%	5%	10%	7%	8%	10%
Can buy direct over the phone	5%	5%	3%	-	7%	5%	4%	4%
Other	5%	2%	4%	5%	4%	4%	5%	5%
Can buy face to face	4%	5%	6%	5%	2%	3%	5%	5%

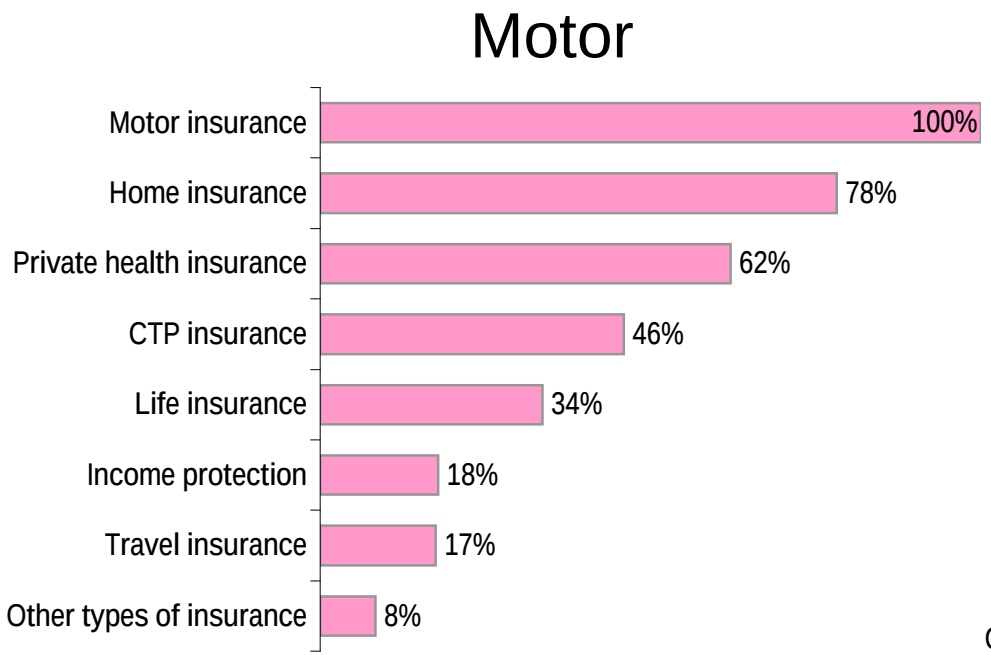
Home

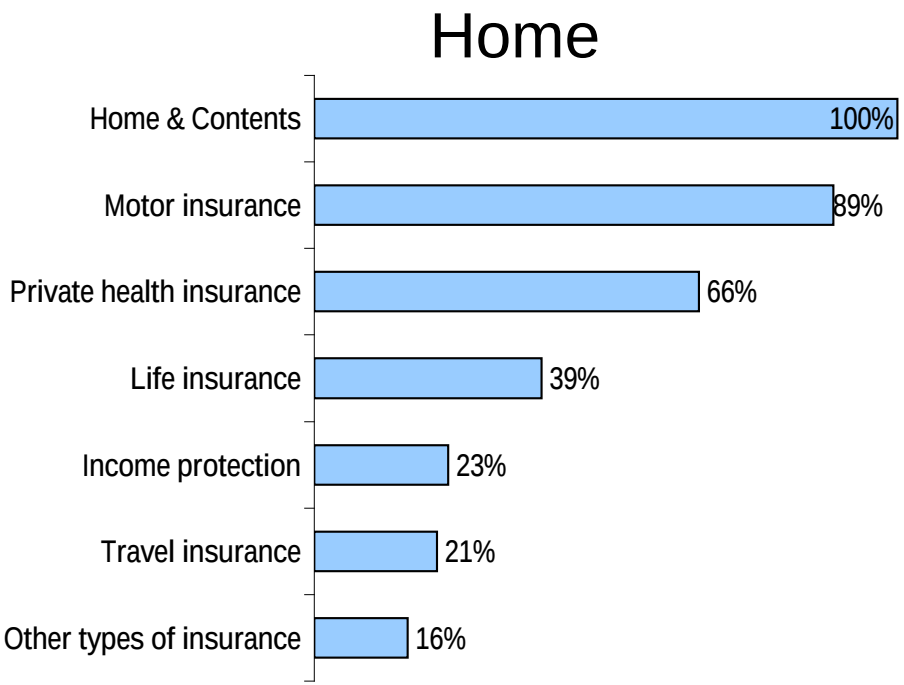
Top 3 reasons	Home Survey	Allianz	Auto Clubs	Banks	Challe-ngers	SUN	IAG	IAG + WES
Lower Price	51%	52%	41%	38%	86%	53%	38%	43%
Trustworthy Brand	45%	44%	55%	47%	24%	47%	52%	48%
Multi-policy discount	38%	26%	43%	14%	44%	38%	54%	52%
Reputation for customer service	31%	32%	33%	21%	19%	38%	34%	33%
Reputation for paying claims	27%	35%	27%	18%	11%	34%	28%	26%
Habit - I know them	27%	24%	27%	34%	12%	27%	30%	27%
Flexible & comprehensive cover	22%	27%	17%	19%	24%	24%	18%	19%
Can buy over the internet	14%	18%	8%	8%	35%	13%	9%	14%
Australian owned company	13%	11%	18%	20%	10%	9%	16%	17%
Can buy direct over the phone	11%	17%	9%	5%	27%	9%	7%	8%
Can buy together with Home Loan	11%	11%	4%	50%	5%	4%	4%	4%
Can buy face to face	9%	5%	16%	25%	1%	5%	10%	9%

Source: AlphaWise, Morgan Stanley Research

Home insurance customers key to cross-selling

Home customers are more likely to hold other types of insurance – making this a core product for the customer relationship and cross-sell of other policies.

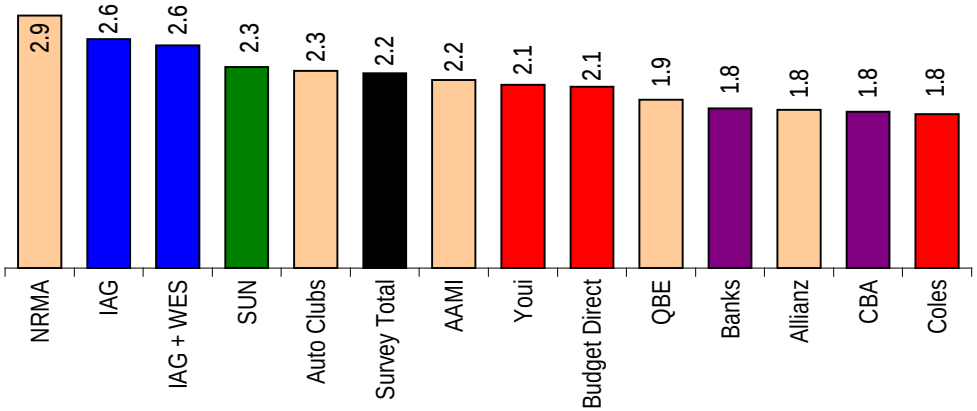




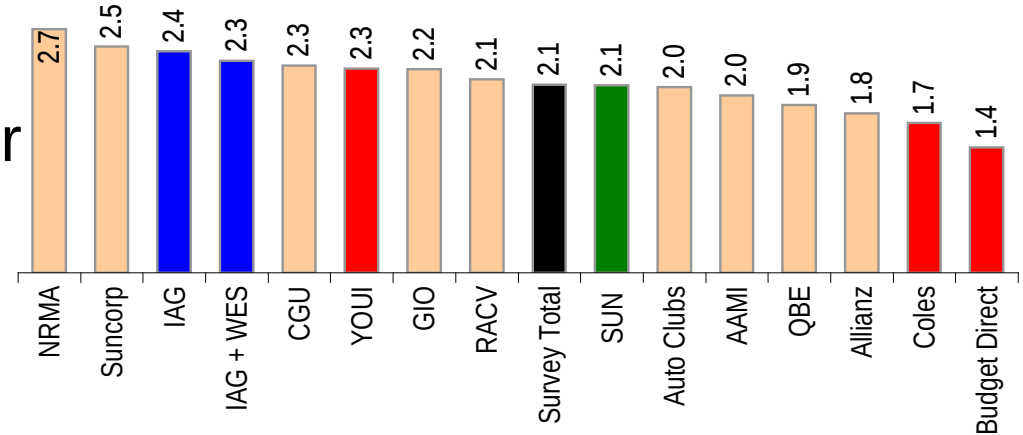
Source: AlphaWise, Morgan Stanley Research

Actual cross-sell: how many policies with your insurer?

Home



Motor



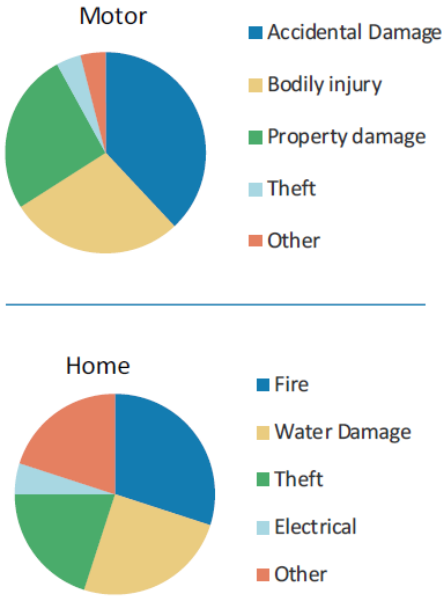
- This shows total number of policies with main Home / Motor insurer.
- **IAG** is strong on the cross-sell and multi-policy discounts – though we note that it has higher cross-sell potential in NSW CTP via **NRMA**.
- QLD brands also benefit from the higher CTP cross-sell.

Source: AlphaWise, Morgan Stanley Research

Global Blue Paper: Technology could reduce industry risk pools

From our Global Blue Paper: Evolution & Revolution in a Digital World (co-authored with BCG).

Current risk / losses



Risk reduction through adoption of smart devices

Cause of claims	Connected devices available	Prevention potential
Home:	Connected meters	~20-30%
Water Leakage	Active leakage detection devices	~70%
Fire	Smart smoke detector	~70%
Theft	Advanced alarm systems	~10-80%
Motor:		
Poor driving	Safer driving & fraud detection through Telematics	~5%
False Claims		~10-20%

Future potential home risks / losses

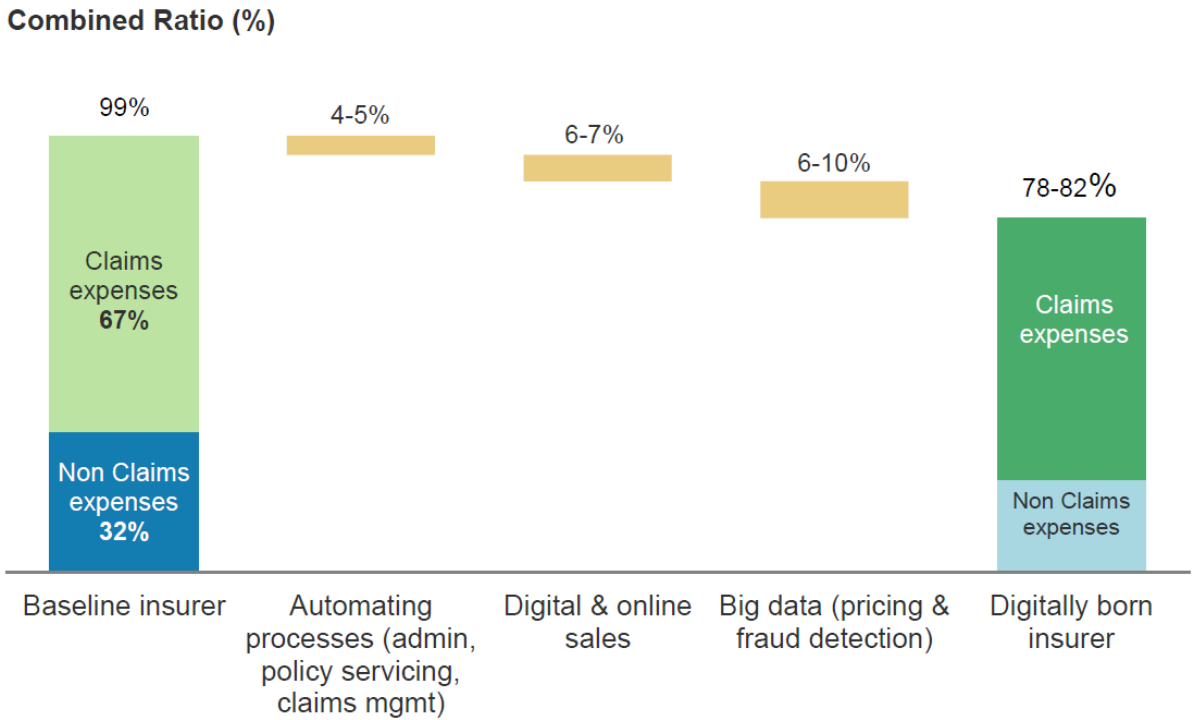
40-60% Reduced risk in Home

15-25% Reduced risk in Motor

Source: BCG *case experience, smart systems suppliers; BCG analysis, Morgan Stanley Research*

Global Blue Paper: Technology can also reduce combined ratios

We estimate technology could reduce the combined ratio by as much as 21% …

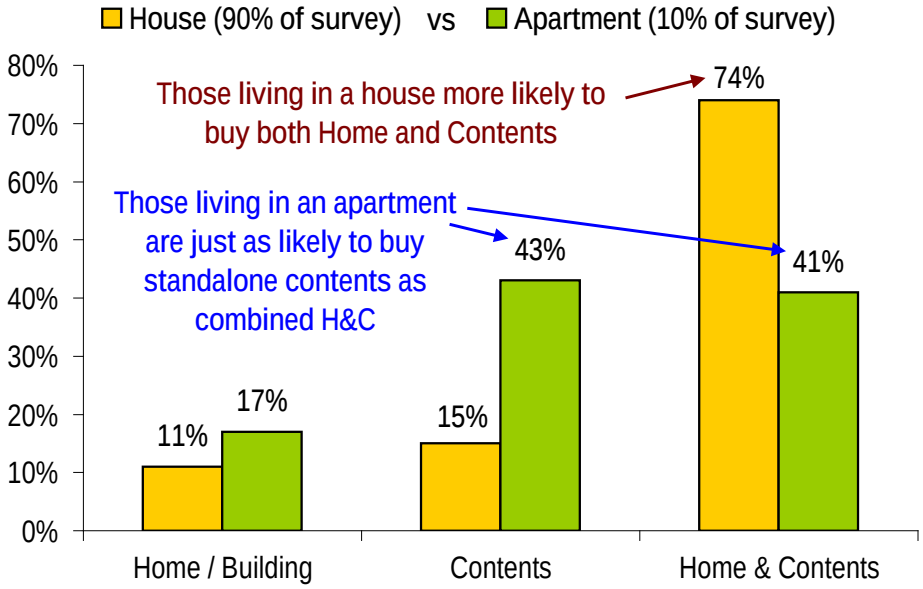


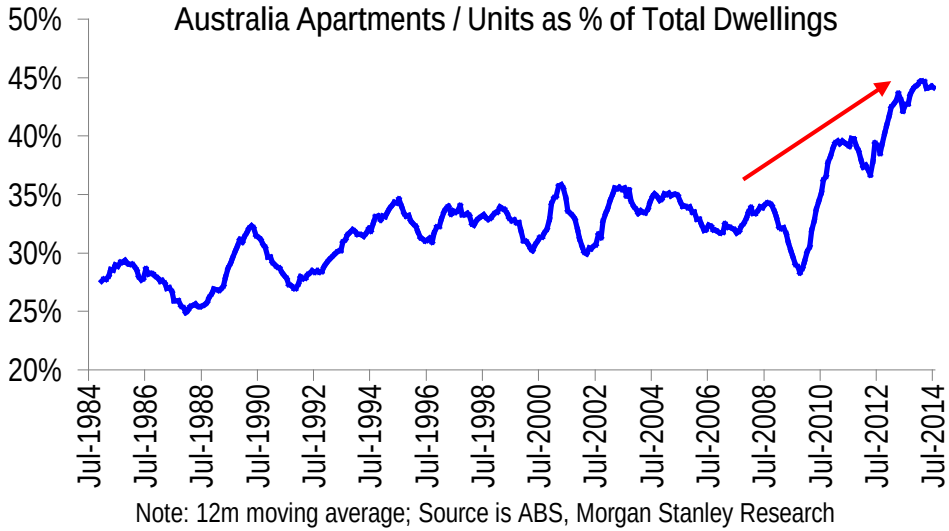
Source: BCG Analysis, Morgan Stanley Research. Numbers may not add due to rounding.

- Our Global Blue Paper highlights that companies born in the digital age can operate at lower costs.
- Meanwhile, better risk selection thanks to new data sources, claims management, loss prevention techniques can drive lower loss ratios.
- Technology could reduce combined ratios by as much as 21% in medium term. With price reductions lagging the claims and cost improvement – innovative insurers can sustain margins for longer.

What impact will Apartments have on Home Insurance?

- The challenge for insurers is how to increase penetration of the apartment market – and this is becoming more topical with apartments share of total Australia dwellings rising to ~45%.
- This also creates an opportunity in Strata Insurance on property side.

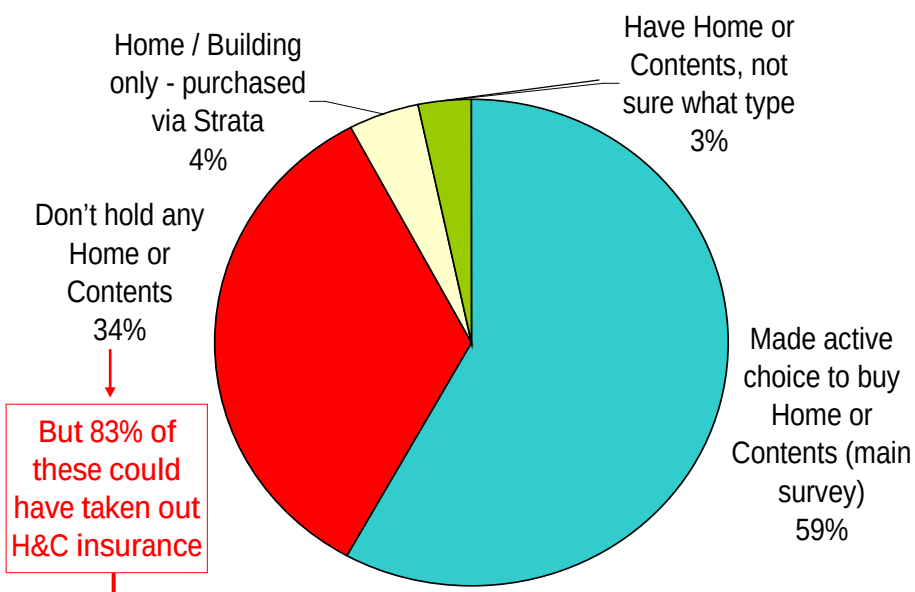




Source: AlphaWise, Morgan Stanley Research

Underinsurance – a source of growth in Home?

Digging deeper into our Home & Contents survey



	%
Rent and could take out home or contents, but choose not to	66%
Do not rent and could take out home or contents, but choose not to	16%
Total - could take out home or contents	***83%***
Not possible for me to take out home or contents cover	17%

- In checking eligibility for our Home survey, the last question was around *"What type of Home cover do you hold?"*
- What we found was that 34% of the almost eligible consumers did not hold any Home cover. But 83% of these could have taken out Home cover.
- The potential new market is significant – though not necessarily easy to get right. But it likely becomes more attractive now that insurers are entering a low growth environment.

Source: AlphaWise, Morgan Stanley Research

Home non-insureds more likely to be Male, from QLD, Young

	Total	Male	Female
Made active choice to buy H&C insurance (our main survey)	58%	59%	57%
Rent and could take out home or contents insurance but choose not to	23%	24%	21%
Do not rent and could take out home or contents but choose not to	6%	5%	6%
Total non-insurance by choice	***28%***	***30%***	***27%***
It is not possible for me to take out home or contents insurance	6%	6%	5%
Home / Building insurance only - purchased via Strata	4%	4%	5%
Have H&C insurance but not sure what type	3%	1%	5%

	AUS	NSW	VIC	QLD	WA	SA	TAS	ACT
Made active choice to buy H&C insurance (our main survey)	58%	56%	58%	56%	65%	59%	71%	70%
Rent and could take out home or contents insurance but choose not to	23%	22%	21%	28%	20%	23%	14%	14%
Do not rent and could take out home or contents but choose not to	6%	7%	6%	4%	3%	4%	5%	0%
Total non-insurance by choice	***28%***	***29%***	***28%***	***32%***	***23%***	***27%***	***19%***	***14%***
It is not possible for me to take out home or contents insurance	6%	7%	6%	5%	7%	6%	4%	7%
Home / Building insurance only - purchased via Strata	4%	7%	4%	3%	4%	2%	0%	3%
Have H&C insurance but not sure what type	3%	2%	4%	3%	1%	6%	6%	6%

	Total	18-24	25-29	30-39	40-49	50-64
Made active choice to buy H&C insurance (our main survey)	58%	28%	40%	54%	63%	73%
Rent and could take out home or contents insurance but choose not to	23%	33%	37%	27%	20%	13%
Do not rent and could take out home or contents but choose not to	6%	12%	8%	6%	5%	3%
Total non-insurance by choice	***28%***	***46%***	***45%***	***32%***	***25%***	***16%***
It is not possible for me to take out home or contents insurance	6%	12%	8%	5%	6%	5%
Home / Building insurance only - purchased via Strata	4%	9%	5%	6%	3%	3%
Have H&C insurance but not sure what type	3%	6%	3%	2%	4%	3%

Source: AlphaWise, Morgan Stanley Research

Most of the Home non-insureds have other insurance

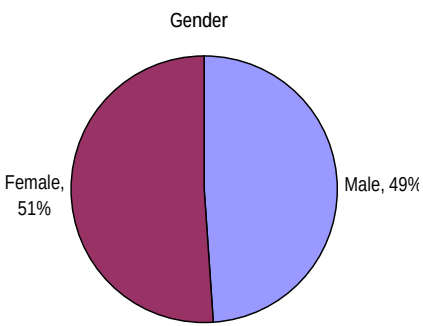
	Made active choice to buy H&C insurance (our main survey)	Rent and could take out home or contents insurance but choose not to	Do not rent and could take out home or contents but choose not to	It is not possible for me to take out home or contents insurance	Home / Building insurance only - purchased via Strata	Have H&C insurance but not sure what type
Motor insurance	89%	54%	63%	50%	81%	75%
Private health insurance	66%	35%	42%	25%	57%	52%
Life insurance	39%	21%	21%	11%	34%	20%
Income protection	23%	11%	9%	4%	26%	16%
Travel insurance	21%	11%	10%	4%	31%	10%
Other insurance	16%	9%	6%	7%	17%	3%
No insurance	0%	23%	24%	35%	0%	0%

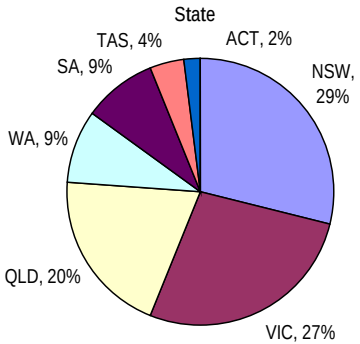
	Total	<$40k	$40-60k	$60-80k	$80-100k	$100-120k	$120-140k	>$140k
Made active choice to buy H&C insurance (our main survey)	58%	40%	57%	59%	65%	68%	67%	74%
Rent and could take out home or contents insurance but choose not to	23%	35%	26%	24%	18%	16%	11%	10%
Do not rent and could take out home or contents but choose not to	6%	6%	5%	5%	5%	6%	8%	6%
Total non-insurance by choice	***28%***	***41%***	***31%***	***29%***	***22%***	***21%***	***19%***	***16%***
It is not possible for me to take out home or contents insurance	6%	11%	5%	6%	3%	3%	3%	2%
Home / Building insurance only - purchased via Strata	4%	4%	4%	3%	6%	3%	9%	5%
Have H&C insurance but not sure what type	3%	4%	2%	3%	4%	5%	2%	3%

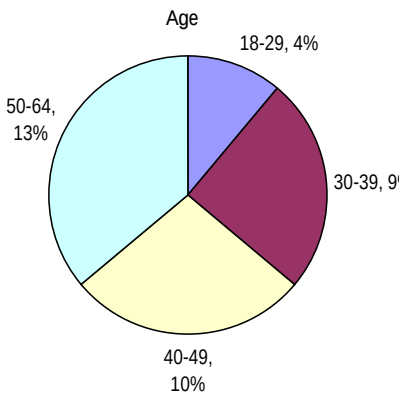
Source: AlphaWise, Morgan Stanley Research

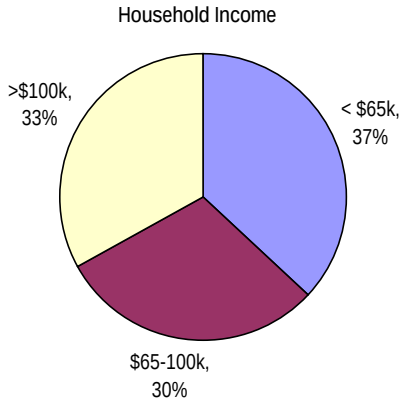
AlphaWise Methodology – Home & Contents Insurance Survey

Morgan Stanley's AlphaWise team surveyed a nationally representative adult population (based on regional spread, income, age, gender) via online survey methodology in May, 2014. We surveyed 1210 home & contents insurance customers in the main survey and 181 in the booster survey (1391 combined) to gain more precise data on switching and new customers. We use the main survey for most measures, and the boosted survey for customer switching data. Margin of error for conclusions based on total random sample is +/-2.82% at 95% confidence level. Findings based on sub-groups will have higher margin of error. All data is in AUD.





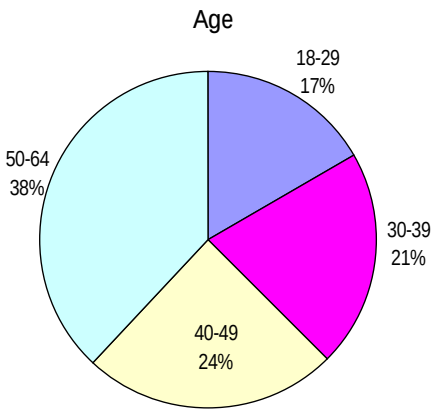


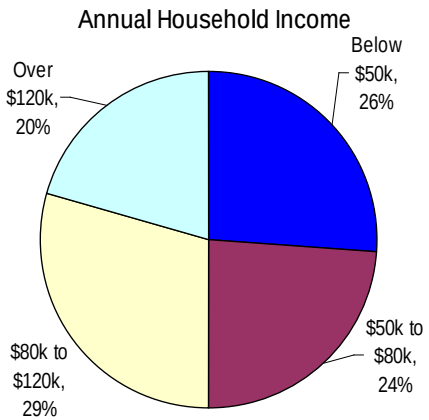


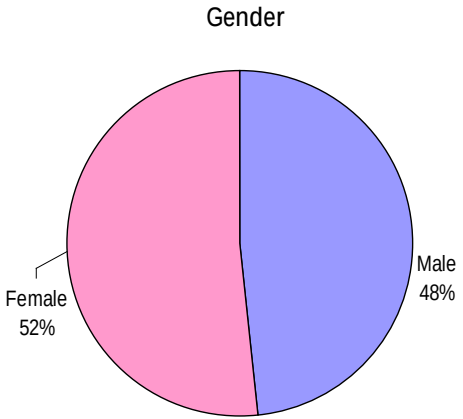
Source: AlphaWise, Morgan Stanley Research

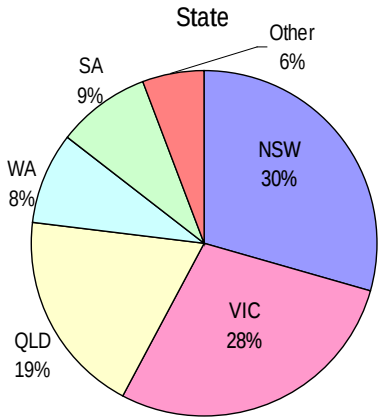
AlphaWise Methodology – Motor Insurance Survey

Morgan Stanley's AlphaWise team surveyed a nationally representative adult population (based on regional spread, income, age, gender) via online survey methodology in July/August 2014. This year we surveyed 2060 motor insurance customers, building on our 2013 (2006 motorists) and 2012 (1266 motorists) surveys. Margin of error for conclusions based on total sample of our 2014 survey sample is +/-2.16% (+/-2.19% 2013) at 95% confidence level. Findings based on sub-groups will have higher margin of error.









Source: AlphaWise, Morgan Stanley Research

AlphaWise conducts proprietary evidence-based investment research. Click to read AlphaWise **Market Research** and **Web Research** whitepapers on evidence gathering. For further information, please contact alphawise@morganstanley.com.

Other Recent Morgan Stanley Research Based on AlphaWise Evidence

NA Managed Care	10/07/2014	Andrew Schenker	3Q Survey: Is Competition Starting to Increase?	Our September AlphaWise survey of 154 brokers points to continued deceleration in individual rate increases and slight acceleration in small group rate increases vs. our July survey. Brokers reported an individual Y/Y increase of 341bps and a small group Y/Y increase of 549bps this quarter.
NA Industrials	10/07/2014	Nigel Coe	3Q14 Preview: Beauty in the Eye of the Beholder	Our September AlphaWise distributor survey implies a stronger than expected quarter in the US Auto market, with positive sequential momentum from our 2Q14 survey
NA Healthcare Services	10/07/2014	Ricky Goldwasser	HCIT Spending Environment to Remain Strong According to Our Survey	Our AlphaWise survey of 153 hospital executives points to overall continued favorable HCIT spending trends over the next 12 months. Large hospitals are still more likely to spend more, followed by small hospitals.
NA Medical Devices	10/10/2014	David Lewis	A Small Step for Volumes	Our AlphaWise survey lends credence to a modest utilization improvement. Drivers (economy or ACA), sustainability and derivative impact on capex is less clear, but the multi-quarter trend bears watching.
EMEA Medical Devices	10/07/2014	Michael Jungling	Q3 14 US Hospital Survey	Our AlphaWise survey of 152 non-public hospital executives provides interesting insights into utilization and capital equipment trends.
EU Leisure & Hotels	10/03/2014	Jamie Rollo	Cruise Lines "Cruise Chat" Treading Water Until 2015?	Quantitative web-scraping of cruise prices show another slight improvement in pricing, with low to mid single digit yield growth for most cruise lines for the next 9 months at this stage.
EU Consumer & Retail	09/252014	Nicolas Ashworth	Survey shows Russia food consumer's resilience	Our AlphaWise survey of the Russia food landscape shows a pragmatic consumer that has seen food prices rise of late and expects continued rises. But it also sees household finances improving and substitution for unavailable SKUs, all helping the continuing shift to modern retail

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MORGAN STANLEY ModelWare	**Morgan Stanley ModelWare is a proprietary analytic framework that helps clients uncover value, adjusting for distortions and ambiguities created by local accounting regulations.** For example, ModelWare EPS adjusts for one-time events, capitalizes operating leases (where their use is significant), and converts inventory from LIFO costing to a FIFO basis. ModelWare also emphasizes the separation of operating performance of a company from its financing for a more complete view of how a company generates earnings.

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(as of September 30, 2014)

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	Coverage Universe		Investment Banking Clients (IBC)		
Stock Rating Category	Count	% of Total	Count	% of Total IBC	% of Rating Category
Overweight/Buy	**1113**	**35%**	**353**	**40%**	**32%**
Equal-weight/Hold	**1390**	**44%**	**410**	**47%**	**29%**
Not-Rated/Hold	**109**	**3%**	**21**	**2%**	**19%**
Underweight/Sell	**575**	**18%**	**96**	**11%**	**17%**
Total	**3,187**		**880**		

Data include common stock and ADRs currently assigned ratings. Investment Banking Clients are companies from whom Morgan Stanley received investment banking compensation in the last 12 months.

Analyst Stock Ratings

Overweight (O). The stock's total return is expected to exceed the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.
Equal-weight (E). The stock's total return is expected to be in line with the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.
Not-Rated (NR). Currently the analyst does not have adequate conviction about the stock's total return relative to the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.
Underweight (U). The stock's total return is expected to be below the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.
Unless otherwise specified, the time frame for price targets included in Morgan Stanley Research is 12 to 18 months.

Analyst Industry Views

Attractive (A): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be attractive vs. the relevant broad market benchmark, as indicated below.
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Benchmarks for each region are as follows: North America - S&P 500; Latin America - relevant MSCI country index or MSCI Latin America Index; Europe - MSCI Europe; Japan - TOPIX; Asia - relevant MSCI country index or MSCI sub-regional index or MSCI AC Asia Pacific ex Japan Index.

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The Americas
1585 Broadway
New York, NY 10036-8293
United States
Tel: +1 (1) 212 761 4000

Europe
20 Bank Street, Canary Wharf
London E14 4AD
United Kingdom
Tel: +44 (0) 20 7 425 8000

Japan
1-9-7 Otemachi, Chiyoda-ku
Tokyo 100-8104
Japan
Tel: +81 (0) 3 6836 5000

Asia/Pacific
1 Austin Road West
Kowloon
Hong Kong
Tel: +852 2848 5200

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