



Suncorp Life - UBS Conference

Geoff Summerhayes 23 June 2010



- Good afternoon and thanks for coming along today.
- My name is Geoff Summerhayes, CEO for Suncorp Life.
 - It's an exciting time for our business; and
 - I am delighted to be here.
- We have achieved a considerable amount in the last 12 months.
 - Simplifying and re-shaping the business as a life insurance specialist.
- There is much more we can do and today I want to outline our strategy.

Suncorp Life core to Suncorp Group



- Suncorp Life is a core business for the Suncorp Group
 - Unique business in a growth industry
 - Clear strategy
- Demonstrated progress – delivering our promises
- Simple customer focused business model
 - Leading Life insurer to IFAs
 - Building a direct distribution business of scale
- Focused on the drivers of embedded value

Significant upside potential to create value for shareholders over the medium term

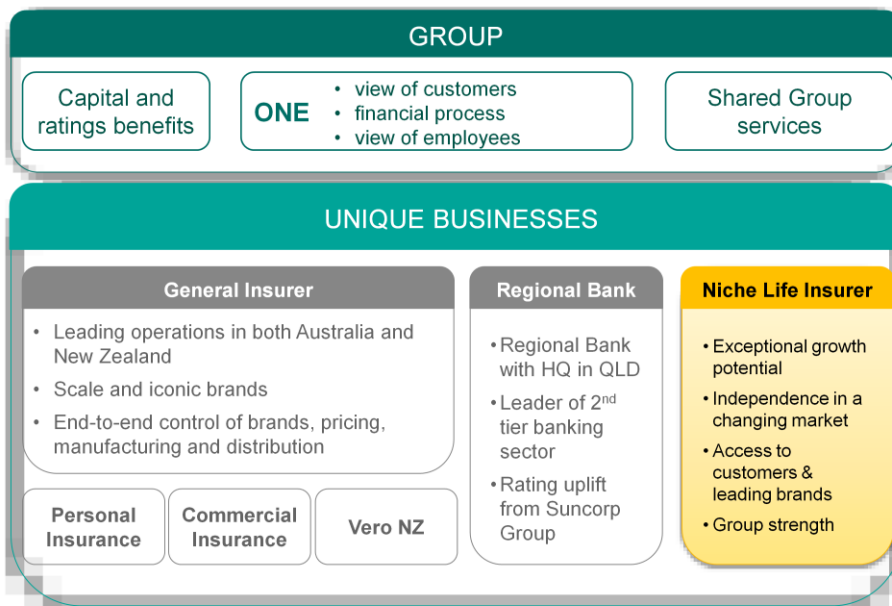
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- First, let me start by addressing the role of Suncorp Life within the broader Suncorp Group.
- Suncorp Life is a core business for the Suncorp Group.
 - It is a unique business operating in an industry with significant growth potential; and
 - We have a clear strategy.
- Today I will outline a plan to build on our strategy as a life insurance specialist, through a simple, customer focused business model to:
 - Lead the IFA market
 - And build a direct distribution business of scale
- All within the context of a focus on enhancing profit, improving ROE and growing embedded value.
- As a core part of the Group, there is significant upside to be realised for our shareholders as we execute this strategy over the medium term.

The Suncorp Group



Suncorp Life is a core part of the Group and benefits from being part of the Group



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- Now to a slide that you have seen before.
 - It presents the Group business model and speaks to the logic of our business.
 - We are “one company, many brands”.
- The strength of the Group lies in the combination of three unique businesses, all of which are core to the Group’s strategy.
- While my fellow divisional CEO’s and I have full end-to-end accountability to generate value, there are capital, scale and cost savings available to Suncorp Life because it is part of one company.
- Today, I will tell you how we will capture this opportunity, over the medium term, as a niche life insurance specialist that offers:
 - Exceptional growth potential in an attractive segment
 - True independence in a changing and consolidating market
 - Unique access to insurance customers through leading brands, that we own and control, and, finally
 - By capitalising on Group scale to drive down costs and improve efficiency.
- Let me expand on these competitive advantages.

Unique business in a growth industry



Suncorp Life operates in an attractive growth industry underpinned by under-insurance

Our competitive advantages include:

Independence in a changing market

- Asteron is a leading IFA brand in a market that is consolidating rapidly and actively seeking independence

Access to customers & leading brands

- The Group has 9 million customer relationships across a leading range of brands

Collective group strength

- The Group provides economies of scale & scope and can provide funding for growth

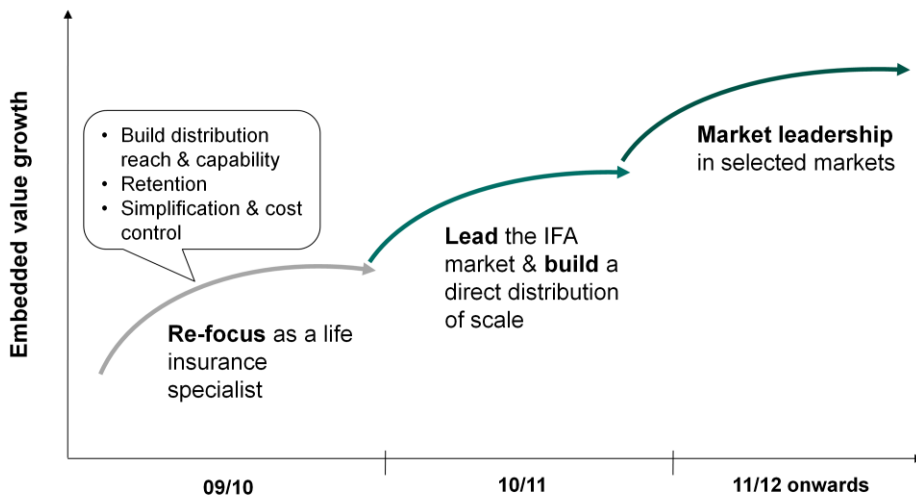
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- We are operating in a market with **exceptional growth potential**.
- Double digit industry growth underpinned by under-insurance:
 - Total market size of \$8.1bn in in-force premium
 - The IFA segment is \$4.2bn, where we are a scale player
 - Direct premiums are \$1.3b, and are expected to double in the next five years
 - Group Risk market at \$2.6bn is also growing strongly, but on narrower margins
- We have three advantages:
 1. Firstly, **independence in a changing market**. Asteron is a leading IFA brand in a market that is consolidating rapidly, with the disappearance of the Aviva, ING and potentially AXA brands.
 - IFAs are actively seeking to partner with independent specialists in a financial services landscape dominated by the Big Four banks.
 - Coupled with regulatory change, this creates a fantastic opportunity for our business.
 2. Secondly, **access to customers and leading brands**. The Group provides access to an unrivalled 9 million customer relationships, who are already predisposed to buy insurance from our leading brands.
 - At Suncorp, unlike the Big Four banks, our people come to work every day with insurance as part of their DNA.
 3. Thirdly, as a life insurance specialist we benefit from the **collective Group strength** including scale economies and access to capital to fund growth.
 - This is not the case for most of our life insurance competitors.
- All of these add up, to a sustainable competitive advantage, in this market. Success in converting this opportunity will mean this business is worth more to Suncorp than to any other.
- Over the next three years we plan to use all of the fire power at our disposal to win this battle.

Clear Strategy



In June 2009, we stated our intention to re-focus as a life insurance specialist with three key strategies



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- So let's recap on our plan
- This time last year, we had emerged from the GFC, having
 1. stabilised our business;
 2. delivered credible results; and
 3. outlined our plan to re-focus as a life insurance specialist with three key strategies:
 - Build distribution reach and capability, to respond to subdued new business performance
 - A focus on customer retention, in the face of anticipated economically driven lapses and claims pressures
 - And an ongoing commitment to simplify an overly complex business and a mandated program to reduce costs
- Part of the Group's strategy is simplification. In this context, we are conducting a strategic review to determine optimal asset management, of the Suncorp Group's investments.
 - No decisions have been made at this stage; and
 - A further update will be provided in due course.
- Now let me outline how we have delivered on our promises.

Delivering our promises



Our strategy is clear, we are on track and have made excellent progress

Build distribution reach and capability

Strengthen & grow IFA

- Innovation through Asteron Life! program
- In-force premium up 6% & new business up 9%



Build a direct distribution business

- New offers launched to Suncorp, GIO & Apia customers
- Leverage success of NZ AA Life business



Re-engage in the Group Risk market

- Recruited key capability to lead Group Risk initiatives
- Re-engagement with asset consultants



Customer retention

Defend in-force business as strategic asset

- Achieved in-force premium growth despite lapse pressures
- Successfully managed claims duration



Simplification and cost control

Cost Control

- Reduced the cost base by 8.7%



Simplify the business

- Significant rationalisation of superannuation
- Adviser adoption of life risk e-applications



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- Our strategy is clear. We are on track and have made excellent progress.
- Firstly, **building distribution reach and capability**
 - We have **strengthened and grown our presence in the IFA market** by building the Asteron brand, through innovation in product and service. Examples are:
 - The Asteron Life and wellbeing program where we are rewarding healthy lives with premium discounts. This innovation is re-positioning our offer, which in time, will improve lapse and claims experience.
 - Focused resources to target dealer groups winning all tenders we have competed in this year.
 - At the half year in-force premium was up 6% and new business up 9%. We anticipate significant improvement in the year ahead.
 - We have commenced building a **direct distribution business** with new offers launched to Suncorp, GIO and APIA customers. We also benefit from key learnings from our successful direct life business in NZ, AA Life.
 - **We have re-engaged in the Group Risk market**, invested in building specialist skills, recruiting key capability; and
 - Re-engaged with consultants including AON, Mercers and JLT, and have commenced tender activity.
 - However, we will only participate where economics are sound.
- On **customer retention** we have:
 - **Defended our in-force business as strategic asset**
 - Achieved in-force premium growth despite lapse pressures.
 - Successfully managed claims duration, through process improvement. Despite economic pressures, we have managed claims well with some improvement in Income Protection experience.

Delivering our promises



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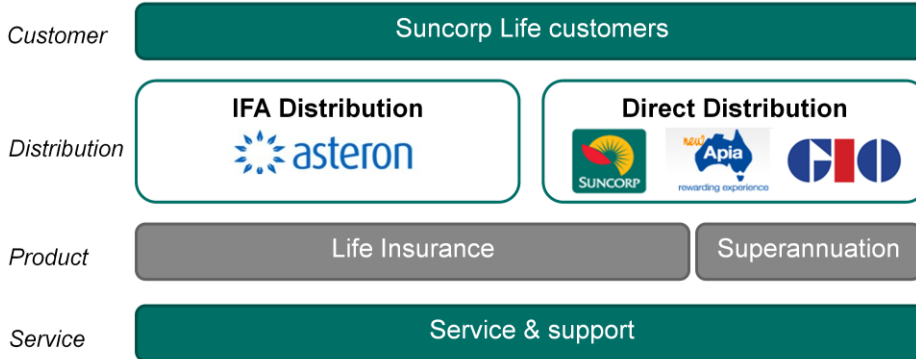
• Thirdly, on **Simplification and Cost Control**

- We have driven the simplification mantra hard and made great progress with half year expenses down 8.7%.
- Examples include:
 - Significant rationalisation of our superannuation offer:
 - 2 trustees to 1
 - 10 super funds to 1
 - 40 products to 25
 - 3 systems to 2
 - This has positioned us well to accommodate the Cooper reforms.
 - In Life insurance we have moved from 100% paper-based, new business applications.
 - To more than 50% of IFAs and 80% of Suncorp Financial Planners using electronic applications.
- In the last 12 months we have refocused as a life insurance specialist, delivered on our promises, proving our ability to execute. We now move to the next phase our strategy, to
 - Lead the IFA market; and
 - Build a direct distribution business of scale.

A simple, customer focused business model



We have simplified our business model which is structured to meet our customer preferences and maximise market opportunities



Suncorp sells life insurance & superannuation through two channels – IFA and Direct

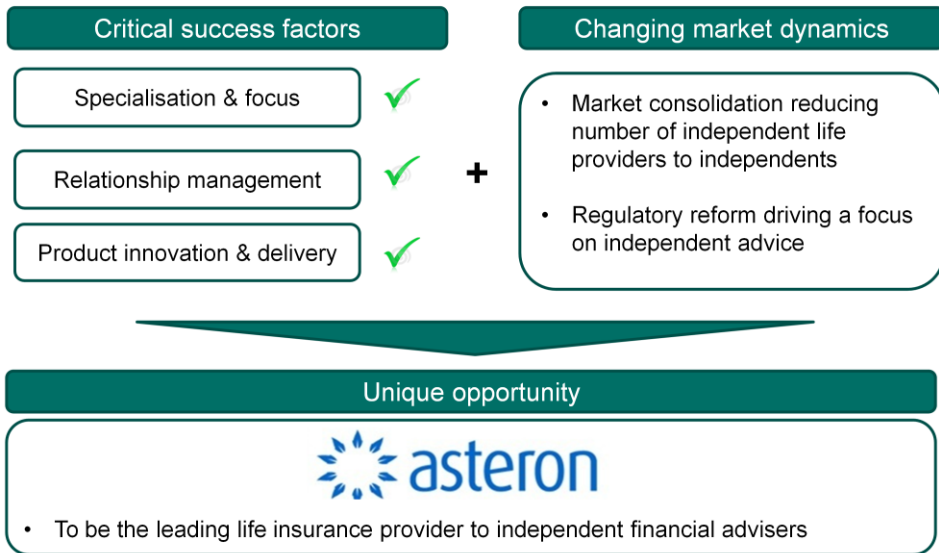
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- The first thing we have done in this next phase is simplified our business model and put in place a structure to support our strategy.
 - Fundamentally shifting the focus to the customer
 - Aligning our resources, to drive distribution
 - To grow value from life insurance and superannuation business, and
 - Optimise scale in service and support
- IFA distribution means Independent Financial Advisers and Group Risk. This is the source of \$1.5bn of our \$2.3bn in embedded value. It is fundamental that we protect and grow this channel.
- Direct Distribution, is through Suncorp-owned channels, where we have direct control over the customer experience. This is where we see significant upside potential.
 - By building a direct distribution business of scale, we also change the mix and profile of our in-force business.
 - Direct business is more capital friendly and has a better ROE than IFA business.
 - As a result, this will improve the return on capital and value of the business over time.
- So let's turn to the critical success factors in the IFA and Direct channels.

Leading life insurance provider to IFAs



Suncorp Life is well positioned to maximise emerging market opportunities

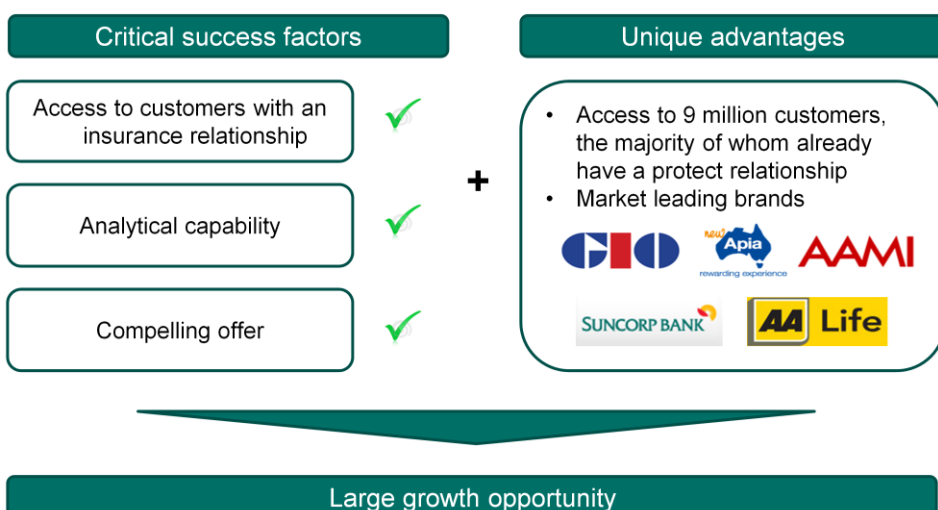


- The **three critical success factors to win in the IFA channel** are;
 1. Specialisation and focus
 2. Relationship management
 3. Product innovation and delivery
- We are well placed against each of these factors
 - Life insurance is our core business
 - We have strong credentials in underwriting, claims and service
 - Being ranked 1st for claims and top quartile for underwriting and service in a 2009 survey of IFAs, against all major competitors
 - Asteron is recognised as a non-bank independent brand among IFAs
 - We have recently elevated the sales and relationship management role to the Executive Team, and
 - We are building the Asteron brand through market-leading innovation in product and service, by rewarding healthy lives with discounted premiums
- We are extremely well positioned with the critical success factors and further advantaged by the **changing market dynamics**.
 - A market that is consolidating rapidly, with the disappearance of Aviva, ING and potentially AXA brands.
 - Regulatory reforms, which will enforce a fiduciary duty on advisers to act in clients' best interest. This reinforces the need for independence and an opportunity to position Asteron as a viable product alternative for institution-owned dealer groups.
 - The need for advice and independent advisers has never been stronger.
 - There is a 2 -3 year window of opportunity for Asteron to capitalise on this market dynamic, while our competitors will be distracted by consolidation and integration.
- As mentioned earlier, we also see growth opportunity in the group risk market.
- We plan to double new business volumes over the next three years by:
 - Growing our Group Risk business;
 - Positioning Asteron as the leading life insurance provider to IFAs; and
 - Providing targeted support to dealer groups and choice to advisers.
- Over the last 12 months we have laid the foundations for our future success. We now need to execute superbly.
- Let's turn to Direct.

Building a direct distribution business of scale



Leverage the Group's relationships with over 9 million customers



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- International experience defines three critical success factors in direct:
 1. Access to customers with an insurance relationship
 2. Strong customer analytical capability
 3. A compelling offer
- We have all these factors at our disposal
 - Access to 9 million customers, most with an existing insurance product
 - One view of customers and analytical capability underpinned by the customer franchise data mart which is a core Group building block
 - Our recent agreement with MetLife, to provide product and administration services, has enabled rapid deployment of Suncorp and GIO branded offers to our customer base.
 - This has allowed us, in a cost effective way, to develop and launch, two new simple products, in four months
- We continue to develop targeted offers, to specific needs of our Group brands.
- For example the APIA call centre receives more than 500 calls per month asking for financial advice
 - In response, we have recently launched a pilot with APIA customers offering financial advice, superannuation and life insurance.
 - The opportunity is large. APIA has a customer base of 750,000 customers – about the same size as our bank and holds nearly 5% of Australia's superannuation and investment assets.
- We are also improving our understanding of what customers need
 - We recently conducted a series of detailed interviews with Australian consumers. When asked who they would buy life insurance from, they cited their insurer. When asked who that was, they referenced Suncorp brands such as GIO, AAMI.
 - The insight is: there is little difference in the minds of consumers between general insurance and life insurance. 'It's all insurance' they said.
 - We have that market at our fingertips. Let me give you an example:
 - We have added the life insurance button to the GIO home page; home & contents, car insurance, life. It is generating unprompted online applications, sales and fulfilment of our simple direct product range.
- For the first time we are fulfilling the opportunity, to unlock the value of the Suncorp customer base. Patrick's mantra of 'One Company, Many Brands' opens access to customers, who are already predisposed to buy insurance from our leading brands, that we own and control.
- This sustainable competitive advantage is where we will extract value for the Suncorp Group over the medium term and is further proof that Suncorp Life, is more valuable as a business within the Group.

Focused on the key drivers of embedded value



We expect strong delivery against each of our key embedded value drivers

Key value drivers

3 year focus

New business

More than double new business volumes

Acquisition expenses

Reduce acquisition expenses as % of new business premium

In-force Premium

Double digit in-force premium growth with active focus on retention

Claims incurred

Improve disability claims experience via return to work programs and improving recovery rates

Operating expenses

Reduce our expenses as a % of in-force premium

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- With our clear strategy now articulated we have a line of sight on the levers that will drive growth and value of our business.
- The market continues to be in a state of change. We are working through the implications of these market changes and defining our full upside potential over the medium term.
- Our work continues, but based on progress to date, I am prepared to put some initial stakes in the ground.
- Over the next 3 years we will:
 - More than double **new business**, via our distribution growth strategies
 - Balance the business mix to less capital intensive channels over time and **reduce acquisition expenses** as a percentage of total new business
 - **Grow in-force premium** by an average of double digits over three years, with an active focus on retention
 - **Improve disability claims experience** through process improvements and ongoing support of early return to work
 - Maintain an ongoing focus on business simplification to **aggressively manage costs** and reduce our expenses as a percentage of in-force premium
- Driving each of these metrics will enhance profit, improve ROE and grow embedded value.

Significant upside potential to create value



- Suncorp Life is a core business for the Suncorp Group
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Significant upside potential to create value for shareholders over the medium term

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- Today I hope I have demonstrated that there is significant upside potential to create value for shareholders over the medium term.
 - Suncorp Life is core to the Group
 - We are a unique business in a growth industry
 - We have a clear strategy
 - We have demonstrated progress – delivering on our promises that I outlined 12 months ago
 - A simple, customer-focused business model to:
 - Lead the IFA market
 - Build a Direct distribution business of scale
 - We have line of sight and are focused on the drivers of embedded value
- Thank you for your time, and I welcome your questions.

Questions?



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