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Executive Search & Board Advisory

The Blenheim Report: The Insurance Numbers

March 2015

INSURANCE ($M) – Results for 6 months ended (1HFY15) / 12 months ended 31 December 2014 (Calendar 2014)																
Company	**GWP[1] 1HFY15/ Calender 2014**	**GWP 1HFY14/ Calender 2013**	**NEP[2] F1HFY15/ Calender 2014**	**NEP 1HFY14/ Calender 2013**	**Insurance Profit 1HFY15/ 2014**	**Insurance Profit 1HFY14/ 2013**	**Insurance Profit Margin 1HFY15/ 2014 %**	**Insurance Profit Margin 1HFY14/ 2013 %**	**NPAT 1HFY15/ 2014**	**NPAT 1HFY14/ 2013**	**ROE 1HFY15/ 2014 %**	**ROE 1HFY14/ 2013 %**	**Basic EPS 1HFY15/ 2014 (cents)**	**Basic EPS 1HFY14/ 2013 (cents)**	**Dividend 1HFY15 (cents)**	**Dividend 1HFY14 (cents)**
AMP Group[3] (12mths)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	884	672	10.8	8.5	30.3	23.2	26.0	23.0
Australian WP	1,936[4]	1,814			188[5]	64					10.4[6]	5.0				
Australian Mature					174	178					40.9	39.5				
IAG[7] (6mths)	5,603	4,786	5,154	4,320	693	758	13.4	17.5	579	642	17.6	26.4	24.87	30.88	13.0	13.0
Personal insurance	2,802	2,686					16.0	19.5								
Commercial insurance	1,514	1,052					6.6	18.5								
New Zealand	1,116	884					19.2	12.4								
Asia	164	154					n/a	n/a								
QBE (USD) (12mths)	16,332	17,975	14,084	15,396	1,074	841	7.6	5.5	742	(254)	6.9	(2.3)	57.4	(22.8)	37.0 AU	32.0 AU
Australia & NZ (USD)	4,392	4,805	3,834	4,028	680	693	17.7	17.2	531	558						
Suncorp Group[8] (6mths)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	631	548	9.4	7.9	49.35	42.88	38.0	35.0
General Insurance	4,288	4,302	3,947	3,865					419	470						
Suncorp Life	957[9]	881							86	22						

[1] GWP = Gross Written Premium

[2] NEP = Net Earned Premium

[3] AMP Group includes: Australian Wealth Management (WM), AMP Capital, Australian Wealth Protection (WP), AMP Bank, New Zealand Financial Services & Australian Mature. Australian WP = individual and group term, disability and income protection insurance products. Australian Mature = the largest closed life insurance business in Australia; AUM comprises capital guaranteed products (75%) & market linked products (25%); products include whole of life, endowment, investment linked, investment account, Retirement Savings Account (RSA), Eligible Rollover Fund (ERF), annuities, insurance bonds, personal superannuation & guaranteed savings accounts (GSA).

[4] AMP WP GWP figures = individual risk API + group risk API (Annualised Premium Income)

[5] AMP Insurance Profit = BU operating earnings shown

[6] AMP Australian WP & Australian Mature RoBUE (Return on Business Unit Earnings) are shown

[7] Insurance Australia Group divisions include: Personal insurance, Commercial insurance, New Zealand, Asia, Corporate & Other. Reported Insurance Margin, Reported NPAT, Reported ROE & Basic EPS figures shown.

[8] Suncorp Group includes: Personal Insurance, Commercial Insurance, Vero New Zealand, Suncorp Bank, and Suncorp Life.

[9] Suncorp Life GWP = ‘Life Risk in-force annual premium’.

Confidentiality

PROFIT GUIDANCE

24 FEBRUARY 2015
The Australian
QBE returns to profit but warns of impact of stronger US dollar

QBE Insurance has put a planned float of its lenders mortgage insurance business on hold, saying the proceeds are no longer needed following a major capital overhaul.

QBE (QBE) managed a $US1 billion profit turnaround in the year to December 31, reporting a $US742 million net profit following a year of restructuring, asset sales and capital raisings. The result follows a loss of $US254m a year earlier.

QBE’s full-year result was buoyed by a significantly improved underwriting result in the group’s North American operations, as well as the absence of impairments related to the North American business that were present a year earlier. Revenue from ordinary activities in the period fell 6 per cent to $US18.226 billion.

The company will pay a fully-franked final dividend of 22 Australian cents on April 13, up from 12c a year ago. Combined with an interim dividend of 15c, QBE’s total distribution for the year is 37c. The company had forecast an insurance profit margin of 8 to 9 per cent for the year and gross written premium of $US16.6bn to $US17bn.

However, as analysts had predicted, QBE’s insurance profit margin for the year came in below this range — at 7.6 per cent for the year.

The group said it expects global pricing will remain broadly flat in 2015. “Accordingly, our focus will be on maintaining underwriting discipline, exercising strict control on cost management and leveraging greater value from our substantial investment portfolio,” QBE said.

The company forecast 2015 gross written premium of $US15.5 billion to $US15.9 billion and an insurance profit margin of 8.5 per cent to 10 per cent. GWP was $US16.3 billion in 2014.

Source: http://www.theaustralian.com.au/business/companies/qbe-returns-to-profit-but-warns-of-impact-of-stronger-us-dollar/story-fn91v9q3-1227236477975

24 FEBRUARY 2015
Motley Fool
QBE Insurance Group Ltd reports $US1 billion profit turnaround: Is it time to buy?

In the 12 months to 31 December 2014, QBE reported a 6% drop in revenue, to $US18.23 billion, with a profit of $US742 million, up from a loss of $US254 million a year earlier. This follows a recovery in its North American operations and the non-recurrence of impairments.

Earnings per share increased to US55.8 cents from negative US22.8 cents in 2013. Net tangible assets rose sharply from $US4.70 to $US5.30 per share. A final dividend of 22 cents per share, fully franked, was declared and is payable on 13 April 2015.

Despite QBE’s announcement of lacklustre results in the first half of the 2014 financial year and its intention to strengthen its claim reserves in Latin America by nearly $170 million, it achieved an operating ratio of 96.1% and insurance profit margin of 7.6% (up from 5.5% in prior period) over the year.

As promised it continued to strengthen its balance sheet following the oversubscribed placement of $780 million worth of shares earlier in the year. Last month it announced it would sell its US agency businesses for $US300 million, whilst earlier this month it said it had agreed to sell its Australian agency businesses for as much as $348 million.

As a result of the $US1.5 billion in cost savings, QBE's debt to equity ratio fell from 44.1% last year, to 32.5% at 31 December 2014, with expectations of further reductions throughout 2015.

In a separate announcement to the ASX this morning, the company also said it had entered into an agreement to sell its Argentine Workers' Compensation business to a subsidiary of the Werthein Group for $US95 million, representing approximately 1.7 times book value.

Summarising the group's performance in turning around its operations, CEO John Neal said, "I am encouraged by the huge progress we have made during 2014. Our business is more streamlined, more focused and in far better shape to compete strongly in increasingly competitive conditions." He added: "While there are remediation activities still underway, our transformation is largely complete and we are well placed to deliver further improvement in performance and efficiency and meet our published targets in 2015."

Source: http://www.fool.com.au/2015/02/24/qbe-insurance-group-ltd-reports-us1-billion-profit-turnaround-is-it-time-to-buy/

19 FEBRUARY 2015
ABC
AMP profit jumps 32pc to $884m

Major wealth manager AMP has boosted its full year profit by 32 per cent to $884 million thanks to strong growth across all its key businesses. Underlying profit – which strips out one off, non-recurring items – was up 23 per cent to $1,045 million. The net profit was pulled down by restructuring costs of around $100 million and heritage costs relating to the AXA takeover.

All AMP's major divisions reported solid double-digit earnings growth. The wealth protection unit – including the life insurance business which has been struggling with higher than expected claims and high lapse rates – experienced a strong recovery, with operating earnings almost tripling to $188 million from $64 million the year before.

Chief executive Craig Meller told investors the focus was ensuring the changes to the wealth protection business would be sustained with continued improvement to processes, products and culture.

Source: http://www.abc.net.au/news/2015-02-19/amp-profit-jumps-32pc-to-884m-dollars/6145318

18 FEBRUARY 2015
Sydney Morning Herald
AMP net profit jumps 32%, dividend up

AMP posted a 32 per cent rise in full-year net profits to $884 million and boosted its dividend by 17 per cent to 13.5¢ per share, thanks to a recovery in its life insurance division. The group's underlying profit rose 23 per cent to $1.045 billion, just below the $1.05 billion forecast by Deutsche Bank. AMP, which posted two profit downgrades in 2013 because of its troubled life insurance division, netted $188 million in operating earnings across its wealth protection or life insurance arm – a significant improvement from the $64 million of 2013.

"Pleasingly the wealth protection business improvement plan is delivering results and our focus is now on ensuring the changes are sustained with continued improvement to processes, products and culture," Mr Meller said.

Mr Meller said the 23 per cent rise in AMP's underlying profit reflected a strong result in the group's wealth and investment management businesses, targeted offshore expansion and improving performance in its life insurance division.

Commonwealth Bank of Australia insurance analyst Ross Curran said the key positive surprise for AMP this reporting season was its wealth protection division. "Underlying profits were better than expected driven by planned margins in the second half and a more subdued experience [of] losses. The group has increased pricing on group risk and has seen an improvement in business mix, which has helped margins," he said in a note to clients.

AMP, which has funds management business ventures in China, also managed to dial down its costs last year. The group's cost-to-income ratio hovered at 44.8 per cent in 2014, down from 49.4 per cent a year earlier. The wealth management business, which represents a large chunk of AMP's revenue, produced cashflow of $2.3 billion last year – up $115 million from the prior year. The group's assets under management also rose 9 per cent to $109.5 billion during the period against a relatively flat market.

Source: http://www.smh.com.au/business/banking-and-finance/amp-net-profit-jumps-32-dividend-up-20150219-13hpau.html

18 FEBRUARY 2015
Business Insider Australia
IAG is being punished by investors after profits crumble 10% on Brisbane storm payouts

Insurance Australia Group (IAG) reported first half profit down 9.8% to $579 million due to an increase in natural disaster payouts. Net natural disaster claim costs of $421 million blew out the half year allowance by $71 million and included $165 million for the November Brisbane storms.

IAG posted an insurance profit of $693 million for the six months to the end of December, down from $758 million. This equates to an insurance margin of 13.4% compared to 17.5% in the same half in 2014. Gross written premiums increased by 17.1% to $5.6 billion, mainly due to the addition of the former Wesfarmers business.

CEO Mike Wilkins said the company was on track to deliver another solid full year performance. “Our underlying performance has remained strong and we have made significant progress in moving to our new operating model in Australia, and integrating the former Wesfarmers business,” he said. “This ensures we can efficiently respond to the changing business environment, while also maintaining our strong underwriting discipline.”

“Modest early synergies from the acquisition of the Wesfarmers business were realised. The company is confident it will achieve its targeted pre-tax run rates of $80 million by the end of this financial year and $230 million by the end of 2016.”

A fully franked interim dividend of 13 cents was declared. IAG shares were down more than 6% to 5.99.

Source: http://www.businessinsider.com.au/iags-profits-have-crumbled-by-10-to-579-million-on-brisbane-storm-payouts-2015-2

16 FEBRUARY 2015
Sydney Morning Herald
IAG's Wilkins here to stay but has internal insurance

IAG posted a 10 per cent fall in first-half profits to $579 million from $642 million in 2014, as competition for customers' business heats up. Insurance profit for the six months ended December 31 fell 8.6 per cent to $693 million from $758 million. The company, which owns brands such as NRMA and CGU, will pay an unchanged interim dividend of 13¢ on April 1.

IAG's gross written premium, or revenue, rose 17.1 per cent to $5.6 billion from $4.79 billion, thanks largely to the addition of Wesfarmers' insurance unit, which the listed insurer bought for $1.85 billion in 2013.

"Our underlying performance has remained strong and we have made significant progress in moving to our new operating model in Australia, and integrating the former Wesfarmers business," Mr Wilkins said.

IAG's underlying margin, a key indicator of insurers' profitability, hit 13.3 per cent for the period, which is slightly below the 13.7 per cent produced last year. The insurer expects to post a reported insurance margin of 13.5 to 15.5 per cent for the 2015 financial year, but anticipates revenue growth to be at the lower end of its 17 to 20 per cent guidance range.

The company's biggest division, personal insurance, posted gross written premium growth of 4.3 per cent thanks partly to the business flowing through from the Wesfarmers buy. Commercial insurance reaped most of the benefits from the Wesfarmers deal, reflecting a 44 per cent rise in GWP growth.

In New Zealand, IAG netted a margin of 19.2 per cent thanks to a lack of natural disasters during the period. Asia, IAG's smallest arm, which has joint ventures in five countries including China and India, saw a 5 per cent rise in GWP growth.

Source: http://www.smh.com.au/business/iags-wilkins-here-to-stay-but-has-internal-insurance-20150218-13g9ig.html

11 FEBRUARY 2015
Courier Mail
Suncorp lifts profits but culls growth forecasts; Snowball smothers talk his departure is trigger for splitting conglomerate

INSURANCE-banking giant Suncorp has posted bigger profits but warned growth is slowing faster than anticipated. The warning helped push down shares 42c to $14 at Brisbane-based Suncorp, whose brands include AAMI and Apia.

It came as chief executive officer Patrick Snowball downplayed speculation his departure would trigger a breakup of the financial conglomerate. “My successor is being selected by the board to continue the one company, many brands strategy … to avoid doubt, it means Suncorp will continue to be a diversified financial services institution.”

Suncorp posted half-year net profits of $631 million, up 15 per cent on the prior corresponding period. The general insurance arm fed the bulk of earnings, but the bank and life insurance arms also improved.

But analysts quizzed a higher-than anticipated releases of insurance reserves, which boosted profits. Other one-off boosts included $19 million flowing from a successfully resolved legal bank dispute.

The dividend of 38c also beat market forecasts of 36c. The company also said its underlying margins in the insurance arm improved, and the results showed a tight lid on expenses. Actual insurance profits were down thanks to Brisbane's wild November hailstorm, which cost $250 million for Suncorp and triggered the company's own "reinsurance" protection. Gross written premiums, measuring price and customer growth, had actually gone backwards 2.6 per cent for the division covering homes and cars.

Intense competition and better reinsurance costs have cooled premium growth sectorwide. Mr Snowball on Tuesday also said cost-cutting was passed back to customers via lower premiums. He said Suncorp was using people more efficiently, improving its supply chain and pointed to reforms. Suncorp has, for example, set up its own smash-repair facilities. Still, Suncorp accounts show average premiums for Australian homes only rose 0.3 per cent in the half.

Customers had been leaving but personal insurance chief Mark Milliner said numbers in some lines were starting to grow "for the first time in three years". The company had been targeting cheaper premiums to lift customer renewals.

A blemish was a notification of a "technical" problem with reinsurance protection stretching back to 2011. It meant Suncorp could be exposed to $118 million worth of costs — although the company said it was too early to say if any impact would strike. Suncorp did not go into detail of the problem, other than saying it had had a different understanding of its reinsurance in the period, which was marred by earthquakes, floods and a cyclone.

The recently embattled life-insurance arm also improved underlying profits, Suncorp said. Claims costs had turned out better than expected and less customers were dropping policies.

Source: http://www.couriermail.com.au/business/suncorp-lifts-profits-but-culls-growth-forecasts-snowball-smothers-talk-his-departure-is-trigger-for-splitting-conglomerate/story-fnihsps3-1227215825580

9 FEBRUARY 2015
Sydney Morning Herald
Suncorp increases dividend as profit lifts 15% to $631m

Suncorp, which owns the brands AAMI and GIO, posted a 15 per cent rise in profits to $631 million for the six months to December. The company increased its interim dividend by 3c to 38c a share, which beat market expectations.

The group's general insurance division, which contributes the biggest chunk of Suncorp's revenue and profit, netted a profit of $419 million for the half year, down from $470 million in 2014. Suncorp downgraded its growth forecast across the group to to "low, single digits" for fiscal 2015, compared with its earlier 4 to 6 per cent expectations.

JP Morgan said Suncorp's general insurance result "came in below expectations" and that the group's net profit was a miss. The general insurance results disappointed despite "the boost from significant reserve releases of $215 million, well above $59 million expectations".

Suncorp's share price has risen 15.13 per cent in the past 12 months to $14, compared with the 9.8 per cent rise of the benchmark S&P/ASX200.

Source: http://www.smh.com.au/business/suncorp-increases-dividend-as-profit-lifts-15-to-631m-20150211-139khp.html#ixzz3SwL5fDEP blenheim partners

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