The Blenheim Report

Numbers

Insurance Sector

November 2014

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INSURANCE ($M)

Company	GWP[1] FY2014/ Calender 2013	GWP FY2013/ Calender 2012	NEP[2] FY2014/ Calender 2013	NEP FY2013/ Calender 2012	Insurance Profit FY2014/ Calendar 2013	Insurance Profit FY2013/ Calendar 2012	Insurance Profit Margin FY2014/ Calendar 2013 %	Insurance Profit Margin FY2013/ Calendar 2012 %	NPAT FY 2014/ Calender 2013	NPAT FY 2013/ Calender 2012	ROE FY2014/ Calendar FY2013 %	ROE FY2014/ Calendar FY2013 %	EPS FY2014/ 2013 (cents)	EPS FY2013/ 2012 (cents)	Total Dividend FY 2014 (cps)	Total Dividend FY 2013 (cps)
AMP Group[3]	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	672	689	10.7	12.7	23.2	24.2	23.0	25.0
AMP Life Insurance	2,283[4]	2,218														
Insurance Australia Group[5]	9,779	9,498	8,644	8,318	1,579	1,428	12.5	14.2	1,233	776	23.0	25.3	59.4	56.0	39.0	36.0
IAG Australia Direct	4,545	4,584					13.5	16.4								
IAG Australia Intermediated CGU	3,058	3,028					11.2	11.4								
IAG New Zealand	1,846	1,575					11.1	14.8								
IAG Asia	317	295					n/a	n/a								
QBE Insurance Group (USD)	17,975	18,434	15,396	15,798	841	1,262	5.5	8.0	(254)	761	7.0	9.2	62.9	89.1	32.0	50.0
QBE Aust & NZ Operations (USD)	4,786	4,987	3,971	4,123	748	779	18.8	18.9								
Suncorp Group[6]	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	730	491	5.3	3.5	57.11	38.42	100.05	75.0
Suncorp General Insurance	8,725	8,302	7,726	7,298					1,010[7]	883						
Suncorp Life	911[8]	840							92	60						

[1] GWP = Gross Written Premium
[2] NEP = Net Earned Premium

[3] AMP Group includes: Australian Wealth Management, AMP Bank, Australian Wealth Protection, Australian Mature, New Zealand, and AMP Capital. AMP Australian Wealth Protection = individual and group term, disability and income protection insurance products. AMP Australian Matured = the largest closed life insurance business in Australia. Profit attributable to shareholders of $672m is shown, however underlying profit is AMP's preferred measure of profitability as it best reflects the underlying performance; and is the earnings base on which the dividend payment is determined. Underlying profit was $849m; the main difference between the two numbers comes from AXA merger and business efficiency program costs.

[4] AMP Life Insurance GWP = life insurance premium and related revenue

[5] Insurance Australia Group includes: Australia Direct, Australia Intermediated, New Zealand, Asia, Corporate & Other divisions. Insurance Margin shown in underlying terms.

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

[7] Suncorp General Insurance 'after tax profit' shown

[8] Suncorp Life GWP = 'Life Risk in-force annual premium'.

PROFIT GUIDANCE

30 OCTOBER 2014
The Daily Telegraph
IAG on track to deliver FY15 guidance

Insurance Australia is on track to deliver on its 2015 financial year guidance, aided by premium growth from its Wesfarmers' insurance acquisition in June, the company told shareholders at its annual general meeting today.

The insurance giant said it was anticipating gross written premium in the range of 17 to 20 per cent. It said the vast majority of premium growth would be sourced from the addition of the Wesfarmers' business, which it acquired for $1.85 billion.

“We are pleased with the quality of the former Wesfarmers business and its integration is proceeding to plan. It is a highly complementary acquisition which will deliver significant value to IAG," chief executive Mike Wilkins said.

IAG also expects to deliver a reported insurance margin between 13.5 and 15.5 per cent.

"I’m pleased to say that in the opening months of the 2015 financial year, we have seen a continuation of our strong operating performance and we believe we are well-placed to deliver on our full year guidance," Mr Wilkins said.

Source: http://www.dailytelegraph.com.au/business/breaking-news/iag-on-track-to-deliver-fy15-guidance/story-fnn9c0gv-1227106844266

29 OCTOBER 2014
The Australian Financial Review
AMP wealth protection, life insurance on the mend

AMP shareholders are breathing a sigh of relief after the wealth giant shared an upbeat trading update to shareholders, including news that its troubled life insurance business was on the mend.

AMP, which issued two profit downgrades in the past year due to problems across its beleaguered life division, more than doubled its cash flows into wealth management during the three months to September.

Craig Meller, AMP’s chief executive, said that the group’s products were -performing well, and that the group’s life business was performing “in line with guidance”.

Wealth management, which includes businesses from financial planners, recorded $476 million in cash flows – more than twice the $206 million recorded during the same time last year.

AMP’s wealth protection or in-surance business saw its premiums grow by 6.2 per cent to $1.935 billion.

The growth was primarily driven by a 4.6 per cent increase in individual lump sum insurance and a 16.6 per cent increase in group risk insurance as a result of premium rate increases.

Importantly, the group's lapse rates were also in line with AMP's best es-timate assumptions and not worse.

AMP's shares have risen by 19 per cent in the past 12 months, compared with a 1.2 per cent gain in the S&P/ASX 200 index.

The update prompted Daniel Toohey, Morgan Stanley's insurance analyst, to note that AMP's business appeared to be on the mend.

"The trend of improving net flows and recovery in life bodes well for AMP's outlook," he wrote in a note to clients.

"Historically, the 3Q is seasonally high for lapses, yet the experience was in line with assumptions. Meanwhile, claims experience is running ahead of expectations," he said.

Source: http://www.afr.com/p/markets/market_wrap/amp_wealth_protection_life_insurance_KJhBiZJMO0MY64lBtk0U9I

23 OCTOBER 2014
The Herald Sun
Suncorp on track for growth

BANKING and insurance group Suncorp says it is on track to achieve its growth forecasts for the year ahead.

THE owner of the AAMI and GIO brands has set a growth target for its revenues of between four and six per cent in the 2014/15 financial year, which chief executive Patrick Snowball reaffirmed at its annual general meeting on Thursday.

Suncorp's insurance businesses will also achieve underlying insurance margins of at least 12 per cent, he said.

"All this means that we remain on track for at least a 10 per cent return on equity this year," Mr Snowball said.

"I know that is significantly above analyst forecasts but we are unwavering in our commitment to meeting this target.

"There is still enough gas in the tank to ensure this group will continue to grow its top line, improve margins and keep its cost base flat."

Suncorp's net profit rose 49 per cent to $730 million in the 2013/14 financial year due to growth in its insurance and banking operations.

Source: http://www.heraldsun.com.au/business/breaking-news/suncorp-on-track-for-growth/story-fni0xqe4-1227100017978

23 OCTOBER 2014
The Courier Mail
Suncorp chief executive Patrick Snowball cautions about Finance Minister Cormann proposal for website to combat spiralling North Queensland premiums

Suncorp's AGM was a smooth affair, with the company posting rising profits of $730 million and dividends of 70¢, and one investor praising its performance under Mr Snowball.

The company stuck with guidance of revenue growth across the insurance-banking conglomerate of 4 per cent to 6 per cent, and a return on equity of 10 per cent or better. Mr Snowball said the revenue target was the "most challenging".

The powerhouse insurance arm in particular is facing competitive pressure and one investor asked about the impact of a raft of new insurers advertising on television.

Mr Snowball, a former British tank commander turned insurance industry veteran, said Suncorp was playing up its brand advantages, such as its string of repair facilities. He also said Suncorp would be reinvesting in its products to make certain they remained competitive.

Under questioning about a $500 million writedown of the life-insurance business, Suncorp chairman Ziggy Switkowski admitted to some personal responsibility stretching back to the $8 billion acquisition of Promina in 2007.

"Some of this writedown is a writedown of the goodwill that was booked in our accounts (from Promina)," he said. While the writedown did not affect cash flows, he said it was "nevertheless a reflection of a valuation that was probably initially too high".

"I was part of the decision making process at that stage. I bear accountability and responsibility for those decisions," Mr Switkowski said.

"That's the downside, the upside is the merger with Promina has left us with magnificent brands ... We're confident we'll return Suncorp back to the levels of esteem that we enjoyed a decade or more ago"

Suncorp shares closed flat at $14.23.

Source: http://www.couriermail.com.au/business/suncorp-chief-executive-patrick-snowball-cautions-about-finance-minister-cormann-proposal-for-website-to-combat-spiralling-north-queensland-premiums/story-fnihsps3-1227100381615

20 AUGUST 2014
The Australian
QBE aims to break two-year horror cycle with asset sales and restructure

QBE plans to raise $1.5 billion from asset sales and a share issue, as well as refinance debt to shore up its balance sheet as chief executive John Neal seeks to draw a line under a two-year horror stretch of profit downgrades at the global -insurer.

The conservative $31bn investment portfolio will also be rejigged away from short duration bonds and in favour of risk assets such as infrastructure and property debt, in a move that could add more than $450 million in profits.

Aiming for no more surprises after six profit downgrades and two capital raisings in two years, Mr Neal said the balance sheet restoration would soon put the company in a position to grow again, either organically or by acquisition. He said QBE was aiming for an $850m profit when it reports annual results in February and was unlikely to meet his aspirational target of a $1bn result until 2015.

QBE was last night finalising a $650m institutional placement underwritten at $9.85 a share, to be followed by a $160m retail offer at the same price. The floor price was a discount to the $10.71 closing price on Monday but indications were that the offer was strongly supported and likely to be priced above $10.

QBE plans partly to float its Lenders Mortgage Insurance business in Australia, sell down agency businesses in Australia and the US, and complete the sale of four eastern and central European businesses. However, it has decided against selling its US mid-market businesses, despite Mr Neal saying the company had been “overwhelmed’’ by interest in those businesses.

Source: http://www.theaustralian.com.au/business/companies/qbe-aims-to-break-twoyear-horror-cycle-with-asset-sales-and-restructure/story-fn91v9q3-1227029912895

19 AUGUST 2014
sbs.com.au
IAG shines compared to QBE

The insurance company behind NRMA and CGU has signalled that steep premium rises are unlikely to be on the cards for its customers this year.

Insurance Australia Group, the nation's largest insurer to small and medium businesses, made the forecast as it delivered a 59 per cent rise in full year profit.

The sharp jump came despite its gross written premiums (GWP) - what customers pay for insurance policies - only limping ahead by three per cent to $9.8 billion.

IAG flagged a boost in GWP of up to 20 per cent this year on the back of its $1.85 billion acquisition of conglomerate Wesfarmers' insurance arm.

"This also reflects the expected limited need for rate increases, owing to current minimal input cost pressures," IAG said.

IAG's rise in full year profit of $1.23 billion stood in stark contrast to results from its struggling rival, QBE.

QBE announced plans to fix its balance sheet after its profit slid 18 per cent to $US392 million.

IAG's shares are up seven per cent for the past year and were three cents higher at $6.29 by 1556 AEST.

QBE's stock has sunk more than 37 per cent in a year.

This year's profit growth at IAG was partly helped by less claims than expected, thanks to fewer natural disasters like the severe flooding of 2011 and 2012.

The 2012/13 result was skewed by a $287 million loss on the UK business it sold.

IAG's insurance margin - which measures the profit it makes on premiums - of 18.3 per cent was a record high.

The insurance profit of $1.58 billion was up 10.6 per cent.

Chief executive Mike Wilkins said it was a strong result and significant year financially and strategically, with the Wesfarmers addition and expanding Asian interests pivotal to its next phase of growth.

IAG expects to reap $230 million of annualised pre-tax synergies from the Wesfarmers insurance acquisition and changes to its operating model.

Mr Wilkins said a key risk facing IAG was increased competition occurring in the commercial insurance space, creating volatility in rates and reinsurance costs.

Growth in IAG's GWP for its largest business general insurer Australia Direct was flat at $4.5 billion, but increased its margins.

Morningstar analyst David Ellis said he liked the fact that IAG appeared to be more focused on improving margins than inflating premiums through signing up customers, showing it was being well run.

"They are focusing on profitability rather than headline revenue growth in premiums," he told AAP.

"That is a very good thing for shareholders and is reflected in the profit, dividend and share price."

Source: http://www.sbs.com.au/news/article/2014/08/19/iag-shines-compared-qbe

26 FEBRUARY 2014
The Australian
QBE to rebound from US horror

QBE Insurance chief executive John Neal called an end to the horror stretch for Australia's biggest international insurer and predicted a strong return to profits in the US after writedowns, drought and regulatory action there blighted the annual result.

Mr Neal forecasted rising premiums in Australia and the US as it focuses on improving insurance margins and completing a restructuring across its businesses that will strip 2 per cent from the expense ratio through to 2015. Mr Neal, who took over from long-serving Frank O'Halloran in August 2012, also said QBE was in the process of reweighting its $30 billion investment portfolio away from fixed-income investments to a 20 per cent weighting in local and international equities by 2016 to boost investment returns.

QBE posted a $US254m ($281m) loss, down from a $US761m profit a year earlier, following more than $1bn in writedowns, prior-year claims and restructuring costs.

Insurance profit fell by one third to $US841m. The results were in line with a profit warning on December 9, the third on Mr Neal's watch, which shocked the market and sent the shares tumbling 22 per cent in one day.

But yesterday QBE shares rallied to a three-month high on relief that there was no more bad news in the result and on Mr Neal's confident prediction of a return to profit in the US. The shares rallied through the day, finishing near their highs at $12.27, up 62c, or 5.3 per cent.

Source: http://www.theaustralian.com.au/business/financial-services/qbe-to-rebound-from-us-horror/story-fn91wd6x-1226837653528

21 FEBRUARY 2014
The Sydney Morning Herald
AMP chief Craig Meller warns of further struggles for life insurance arm

The head of Australia's biggest life insurer warns claims and the number of customers cancelling their cover could worsen before its troubles in the sector begin to ease.

AMP chief executive Craig Meller, who succeeded Craig Dunn on January 1, said the wealth giant had been transparent about the need to raise policy prices amid some of the toughest-ever business conditions.

AMP remained committed to increasing prices for new and existing policies, as the company battles a surge of profit hits from its life arm.

''We've been very clear, we've been putting prices up. On the retail side, the challenge is that if you put prices up too far … customers cancel their policies because they can't afford them any more,'' Mr Meller said of policies sold to consumers through financial planners.

''You've always got that challenge of taking a very measured [approach] on incremental price increases, without making it completely unaffordable.''
AMP reported a 2 per cent fall in net profit to $672 million for the year to December 2013.

The company posted an underlying profit of $849 million for the year, down from $950 million in 2012.

While life insurance proved a continuing thorn in its side, AMP netted good growth from its wealth management, AMP Bank and New Zealand businesses.

Source: http://www.smh.com.au/business/amp-chief-craig-meller-warns-of-further-struggles-for-life-insurance-arm-20140220-3347r.html

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no limitations

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