

TAL and Australian Life Insurance Market

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TAL

The life insurance market in Australia

A\$15.9bn in-force premium, distributed through diverse channels and distribution models

The market covers life, permanent disability, critical illness and income protection benefits

Unlike many global markets, Australian life insurance is a protection market. Compulsory superannuation (pension) is the main form of non-bank savings, not life insurance.

Penetration of life insurance is very high (90%+) due to group insurance within Australia's compulsory superannuation system

However, life insurance gap remains an issue, underpinned by low consumer engagement (61% of basic life insurance needs covered, 16% of income protection needs covered)

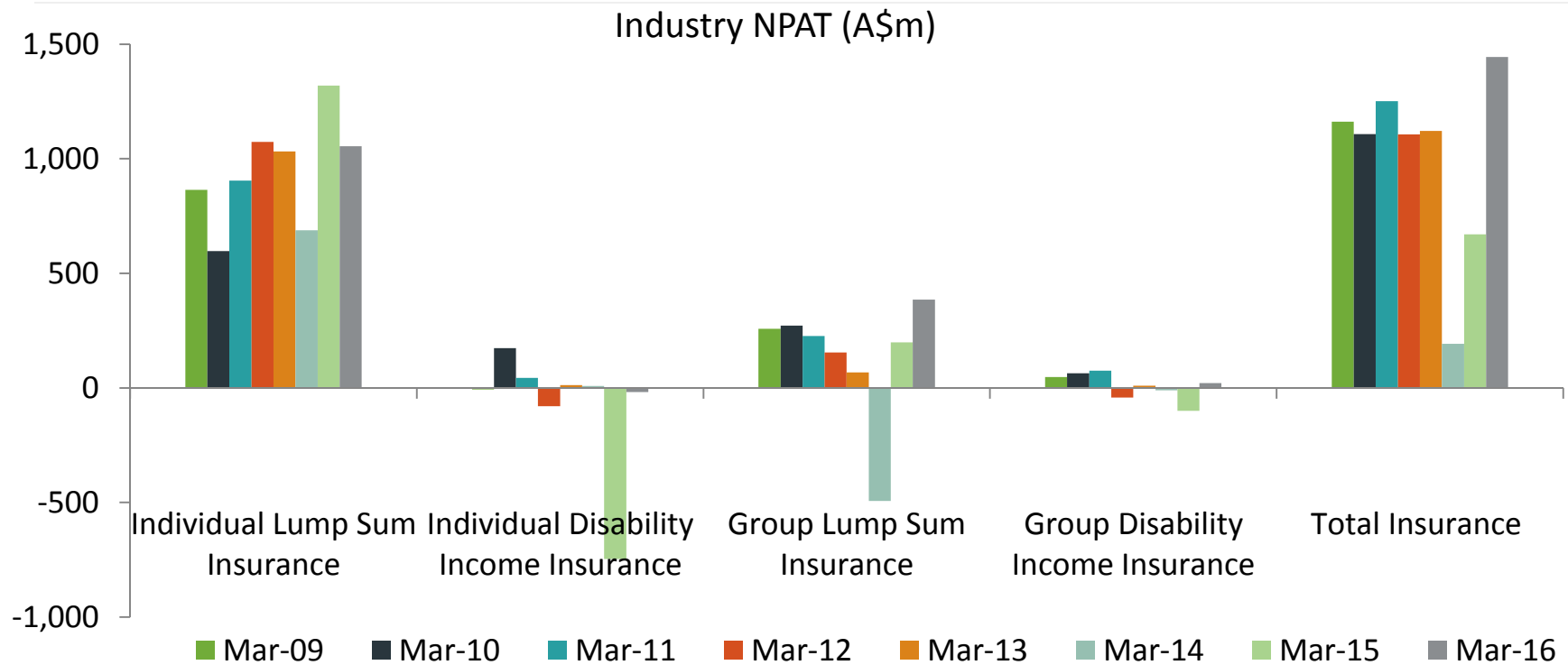
Projected market growth of approximately 5-6% p.a. over next 5 years

The market is entering a period of major reform in the areas of consumer protection (Code of Practice) and regulated IFA practices (commissions and education standards)

Channel View - Four core life insurance channels

Retail	Group	Direct	Bank
<ul style="list-style-type: none">• Mostly through 15,000 Independent Financial Advisers (IFAs)• IFAs provide advice to their clients about the life insurance products that best suit their needs	<ul style="list-style-type: none">• Life insurance is provided to all members of a group• Mostly provided automatically to members of a superannuation (pension) fund	<ul style="list-style-type: none">• Two large direct life insurers including TAL• Customers buy life insurance directly from the insurer over the phone and online	<ul style="list-style-type: none">• Four major banks in Australia• Banks offer life insurance to their customers, often alongside other products being sold in branches, and via direct marketing

Product View - Industry Performance

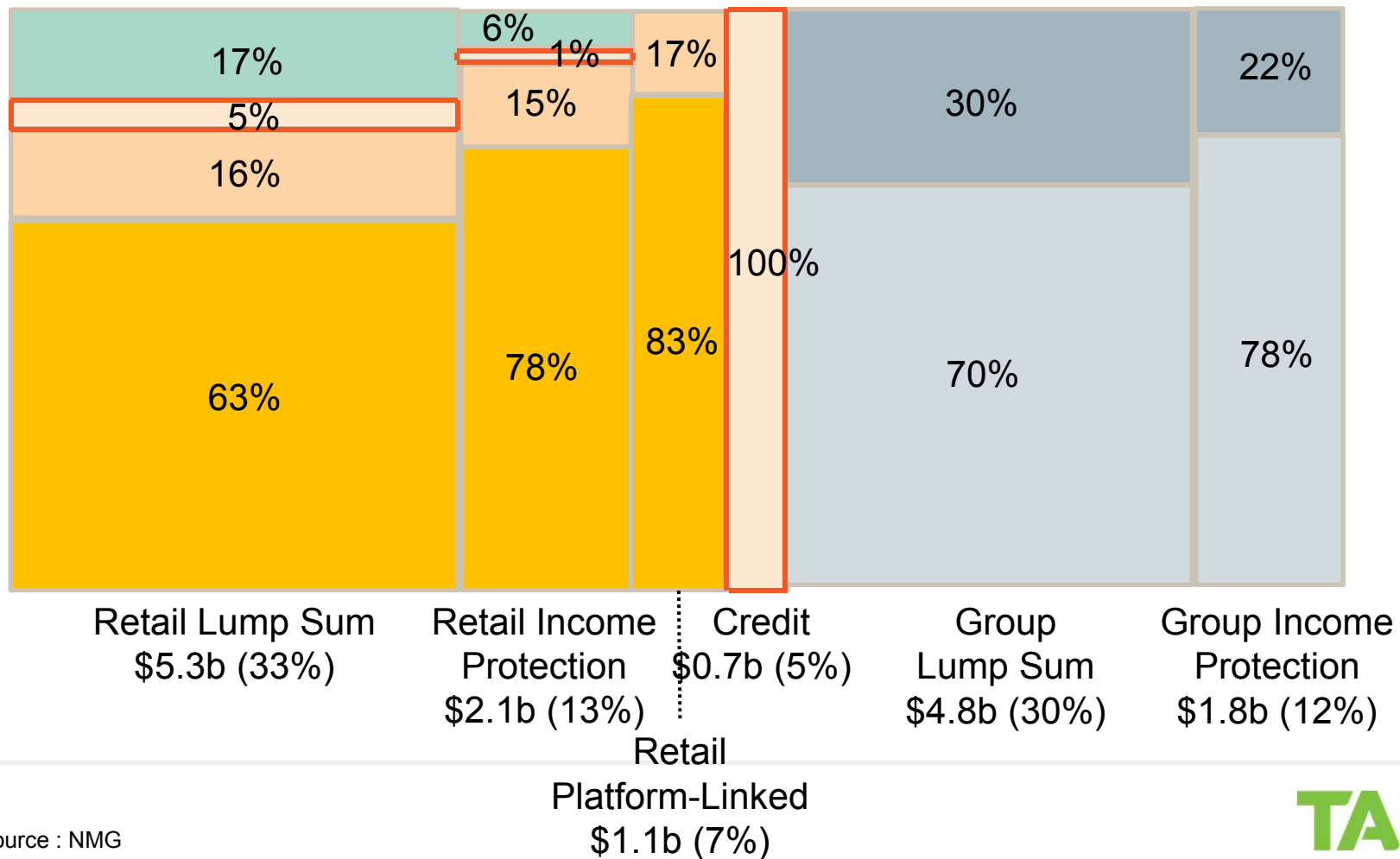


- Industry profits recovering following re-pricing after losses in Individual disability insurance and Group TPD
- Individual lapses and claims experience in Group appears to have moderated
- TAL has delivered stable profits over this period, supported by a diversified business model

Channel and Product View

Total inforce premium by segment and product type (31 March 2016)

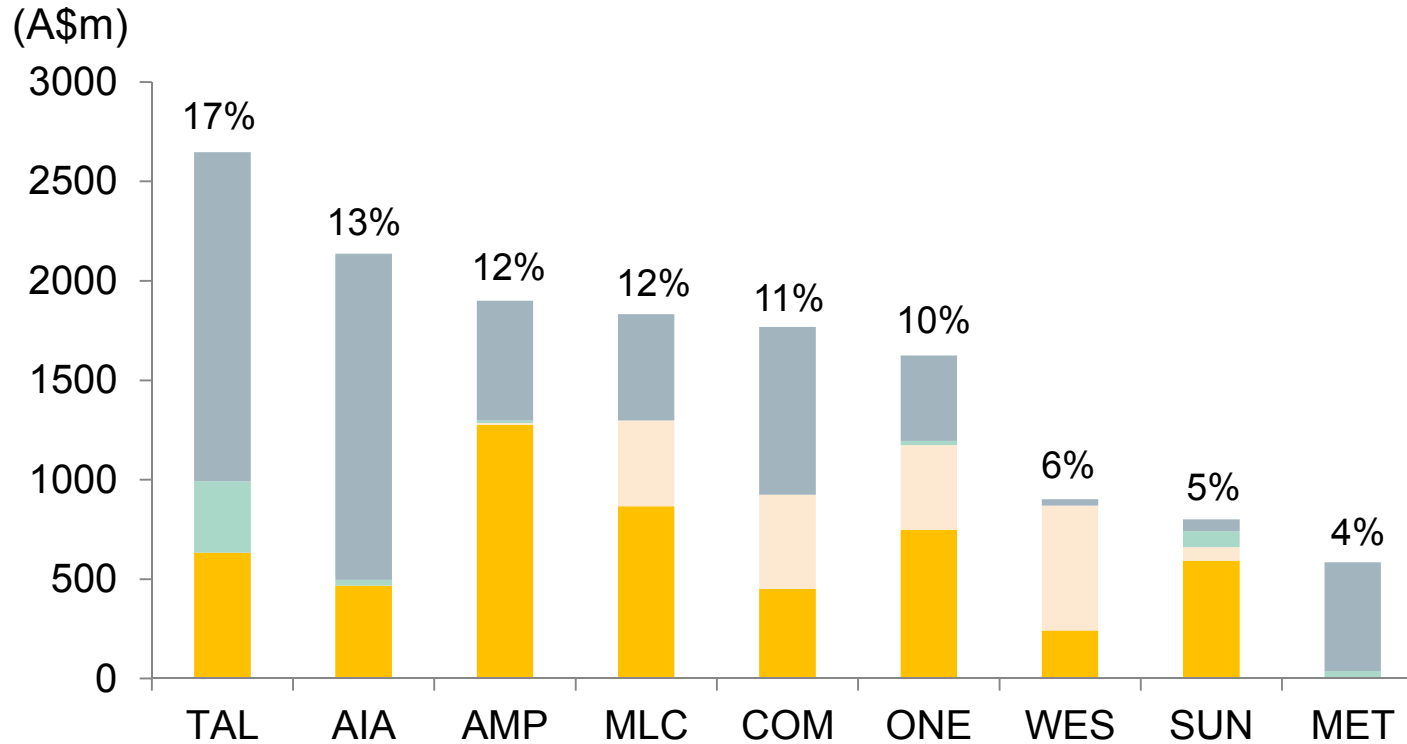
- Direct (\$1.0b)
- Bank Advice (\$1.3b)
- Group Master Trust (\$1.8b)
- Bank Direct (\$1.0b)
- IFA (\$5.9b)
- Group Standalone (\$4.7b)



Source : NMG

Market Share by insurer

Inforce premium by manufacturer and segment (31 March 2016)



Distribution Channel	Market Share	Annual Growth	Distribution Channel	Market Share	Annual Growth
Group	42%	6%	Bank	14%	2%
Direct	6%	7%	IFA	37%	7%

Source : NMG

Changing market and customer behaviours




Structural Reforms

- 1 Life Insurance Framework –
Capped commission structures, minimum education requirements for financial advisers
- 2 Life Insurance Code of Practice –
To raise life insurer standards and build consumer trust
- 3 Consumer and regulatory expectations –
Higher expectations of life insurer behaviour

Changing customer behaviours

- 4 Distribution battleground –
via IFAs, banks, superannuation funds & direct from insurers
- 5 Rise of the self-directed customer –
customers in control
- 6 Increasing use of digital –
integrated with other channels, phone and personal advice






Differentiated strategies among traditional players

	Similar to TAL	Integrated financial service providers	Other players
Competitors			
Market Strategy	<ul style="list-style-type: none"> • High focus on contestable markets (IFA, Group, Alliances) • Focus on distribution partners and finding new distribution opportunities • AIA and MetLife competing aggressively in Group • Smaller sub-scale Direct offers 	<ul style="list-style-type: none"> • Abandoning contestable markets – Group and IFA • Focus on selling directly to existing customer base • Unwinding bank and wealth business integration? • Commitment to life insurance assets? 	<ul style="list-style-type: none"> • Typically single channel niche players – Direct, Advice or Group • Disruptive and opportunistic play for market share • Sustainability at sub-scale? Life franchise for sale?

Merger and Acquisition activity

- Lower growth, structural changes and reform impacting the life insurance sector is driving a significant increase in merger and acquisition activity
- We expect this to continue for the next 1-2 years and the competitor landscape to look quite different in time

Recent M&A activity includes:

	<p>NAB sale of 80% MLC to Nippon. Renewed activity in Retail and Group</p>
	<p>Sale of 100% Macquarie Life to Zurich, to complete in second half of 2016.</p>
	<p>Small Retail life insurer. Recent rights issue and Cornerstone shareholder (Crescent Capital) seeking to sell stake of 54%.</p>
	<p>Large Direct Life distributor marketing under Real Insurance. Sold minority stake of 44% to Canadian pension fund manager, valuing business at \$1.1bn.</p>
	<p>Restructure of Wealth and Life Insurance businesses. Rumoured possible ANZ sale or IPO of OnePath.</p>

TAL Strategy

“By your side, for life”, a customer led strategy

A focused life insurance business model that “protects people not things”

Competitive strength through a diversified business model which is unique in Australia.
Leading positions in Retail, Group and Direct life insurance.

Building for the customers of the future by enabling innovative and contemporary digital capabilities

Pursuing excellence in our service to our customers and business partners and developing a world-class claims management and wellness capability

Transitioning the business to a lower cost model

To be an enabler of the wider Dai-ichi Life group strategy

TAL

4 million customers

4,600 adviser partners

7 core superannuation partners

5 strategic alliance partners

1,600 employees

\$1.1bn paid out in claims in 2015

over 23,600 claims paid in 2015

#1 market share, 17% of the market

\$2.6bn API

\$143m in Individual sales in 2015

Brand bringing strategy to life

We are a company that specialises in protecting

**PEOPLE,
NOT THINGS.**

That ensures we protect the

**CHOICES, OPTIONS
& FREEDOMS**
Australians value.

We do this through superb

PARTNERING
with each other and
with every customer.

And with a progressive Australian

**SPIRIT
& ENERGY.**

TAL – This Australian Life



Individual Life Distribution Strategy

A broad and integrated Individual Distribution strategy

Affluent customers <-----> Mid Market Customers <-----> Mass Market/Low Socio

Retail

- TAL's largest individual business
- Number 1 for sales (March 2016 quarter)
- A competitive proposition for financial advisers
- Independent advisers and 100% owned Affinia network



Direct to Consumer

- An investment in the future
- Servicing self-directed consumers
- Investment in digital sales and service capabilities



Strategic Alliances

- Expanding our distribution models
- Optimising existing alliance relationships by improving sales conversions
- Accessing new strategic partners for future growth



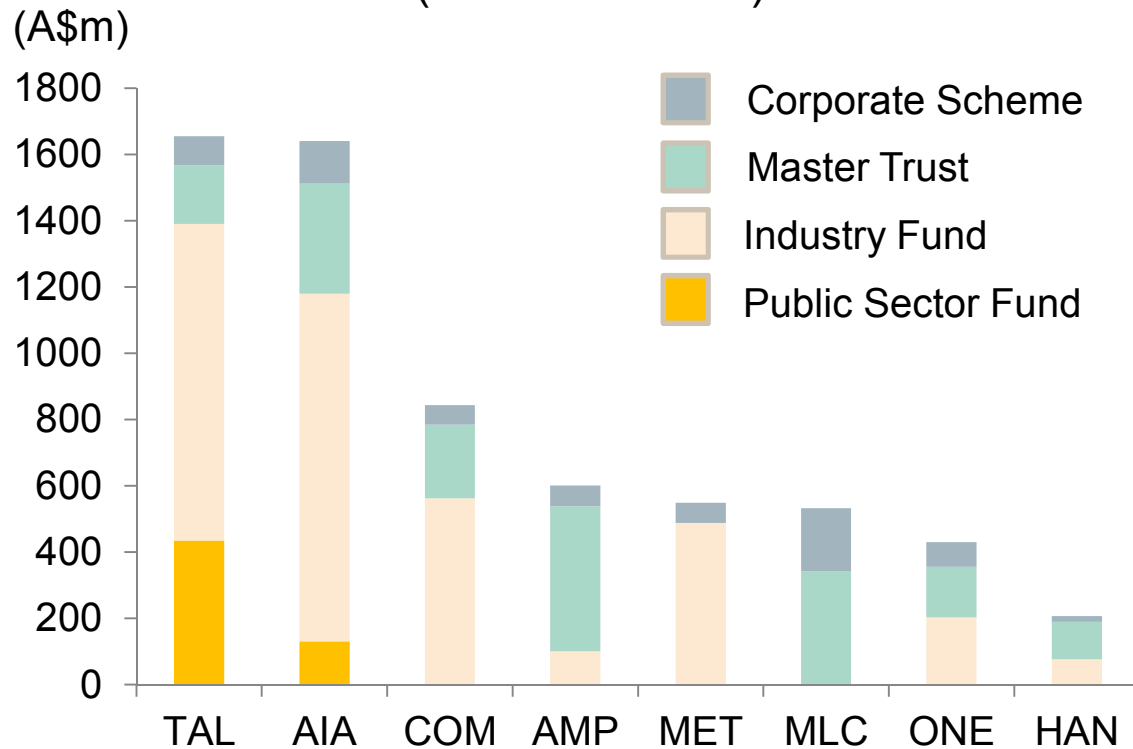
InsuranceLine

- 2nd largest direct life insurer in Australia
- Simple products and flexible customer journeys
- Integrated online and telephone based capabilities



Group Life Strategy

Inforce premium by insurer and segment
(31 March 2016)



- Compulsory superannuation retirement savings system in Australia
- Life insurance is provided on a default basis as part of superannuation
- Most Australians access life insurance through the superannuation system
- TAL is a market leader and provides life insurance to 4 of the top 10 superannuation funds
- A long term sustainable foundation for TAL
- Opportunities to extend partnership with funds to other product lines

Key strategic initiatives

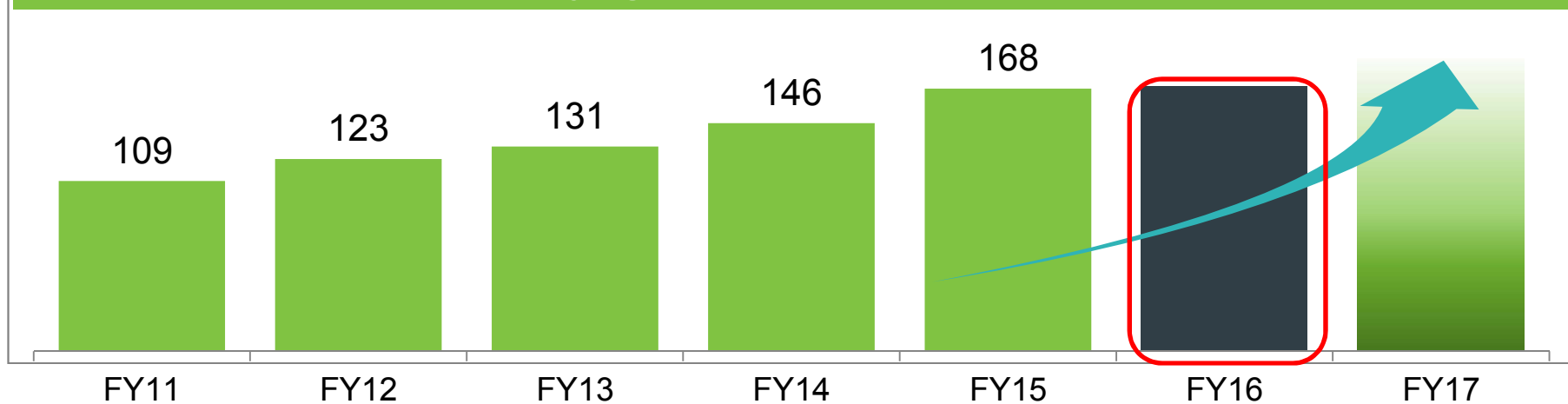
- 1** Claims Management
 - Multi-year investment – new technology and operating model
 - Customer health strategy driven by COO and General Manager – Health Services
- 2** Operational Excellence
 - Faster, more flexible, lower cost operations
 - Launch of online customer self service in April 2016, partnering strategy developed
- 3** Customer Confidence and Intimacy
 - Launch of brand strategy in July 2016, a deeper connection with the Australian community
 - Delivery of leading customer online digital capability in August 2016
- 4** Consideration of adjacent product and market strategies
 - Using existing distribution assets for new opportunities
 - Exploring new initiatives with superannuation fund partners underway
- 5** Financial discipline
 - Deeper financial insight – investments in systems and people
 - Expense analysis and external expense benchmarking underway
- 6** As part of Dai-ichi Life
 - Enhanced capital management – dividends, capital structure, intra-group reinsurance
 - Talent exchange – secondments to Tokyo, Singapore, USA

Performance outlook for Financial Year 2016

Commentary

- Leading financial performance over the last 5 years
- Diversification of business model provides greater revenue and earnings stability
- No outlook change for FY2016
- Outlook a balance between growth and value
- Capital efficiency and increasing cash earnings
- A strong contribution to the Dai-ichi Life group

Underlying Profit After Tax (UPAT) (\$M)



By your side, for life

DAI-ICHI LIFE

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