

TAL and Australian Life Insurance Market

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The life insurance market in Australia

A\$17.2b⁽¹⁾ 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)

The market has entering a period of major reform in the areas of consumer protection, regulated IFA practices, and significant structural changes to Insurance in Superannuation.

As a result of environmental factors affecting the market, it is projected that growth will abate across Individual channels while the market for Insurance through Superannuation will contract.

⁽¹⁾ As at 31 March 2018

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 and Fiscal Policy

To raise life insurer and trustee standards and build consumer trust
Structural changes to Insurance in Superannuation

3

Consumer and regulatory expectations

Higher expectations of life insurer behaviour
Significant public interest as a result of Royal Commission

4

Distribution model convergence

Advice, bancassurance, superannuation funds, direct

5

Rise of the self-directed customer

Customers in control

6

Increasing use of digital

Integrated with other channels, phone and personal advice

Changing customer behaviours

Channel View - Four core life insurance channels

Retail

- › Mostly through 15,000 Independent Financial Advisers (IFAs)
- › IFAs provide advice to their clients about the life insurance products that best suit their needs

Group

- › Life insurance is provided to all members of a group
- › Mostly provided automatically to members of a superannuation (pension) fund

Direct

- › Two large direct life insurers including TAL
- › Customers buy life insurance directly from the insurer over the phone and online

Bank

- › Four major banks in Australia, 3 second tier
- › Banks are exiting ownership of life insurance
- › Offer life insurance to their customers through alliances, with other products being sold in branches, and via direct marketing

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.

The current round of consolidation is driven by multinational life insurers focused on securing access to bank customers and channels as well as scale

 	Jun-16	Large Direct Life distributor marketing under Real Insurance. Sold minority stake of 44% to Canadian pension fund manager, valuing business at \$1.1b.
 	Oct-16	Zurich acquired 100% of Macquarie Life.
  	Oct-16	NAB sale of 80% MLC to Nippon. Renewed activity in Retail and Group. Announced exit (potential IPO) of wealth business expected end of 2019.
 	Sep-17	CBA Life sale to AIA Group, completion pending regulatory approvals. CBA has also announced demerger of its remaining wealth and funds management business.
 	Dec-17	ANZ's OnePath Life sold to Zurich, completion calendar year 2018.
 	Aug-18	TAL and Suncorp agree Heads of Agreement for acquisition of Suncorp's Australian life insurance business Suncorp Life.



~4 million customers

5,300 adviser partners

10 core superannuation partners

4 core strategic alliance partners

1,600 employees

\$1.6b paid out in claims

over 25,000 customers' claims paid

#1 market share, 22% of the market

\$3.8b API

#1 new sales, \$178m in Individual sales

(Data as at March 2018)

TAL Strategy

AMBITION

Our customers understand and value the protection they have and are confident we will be there when they need us most.

OUR SPIRIT

OUR PURPOSE

Every day we work to help Australians live a life filled with choices, options and freedoms, no matter what happens.

Aim higher

Get it done

Be straightforward

Do the right thing

STRATEGIC PRIORITIES

Customer and Industry Leadership

Leading the industry by getting it right for our customers and partners.

People

Building a culture that is high performing, confident and creates exciting opportunities for our people.

Growth

Building on our existing business and finding new ways to help our customers for the future.

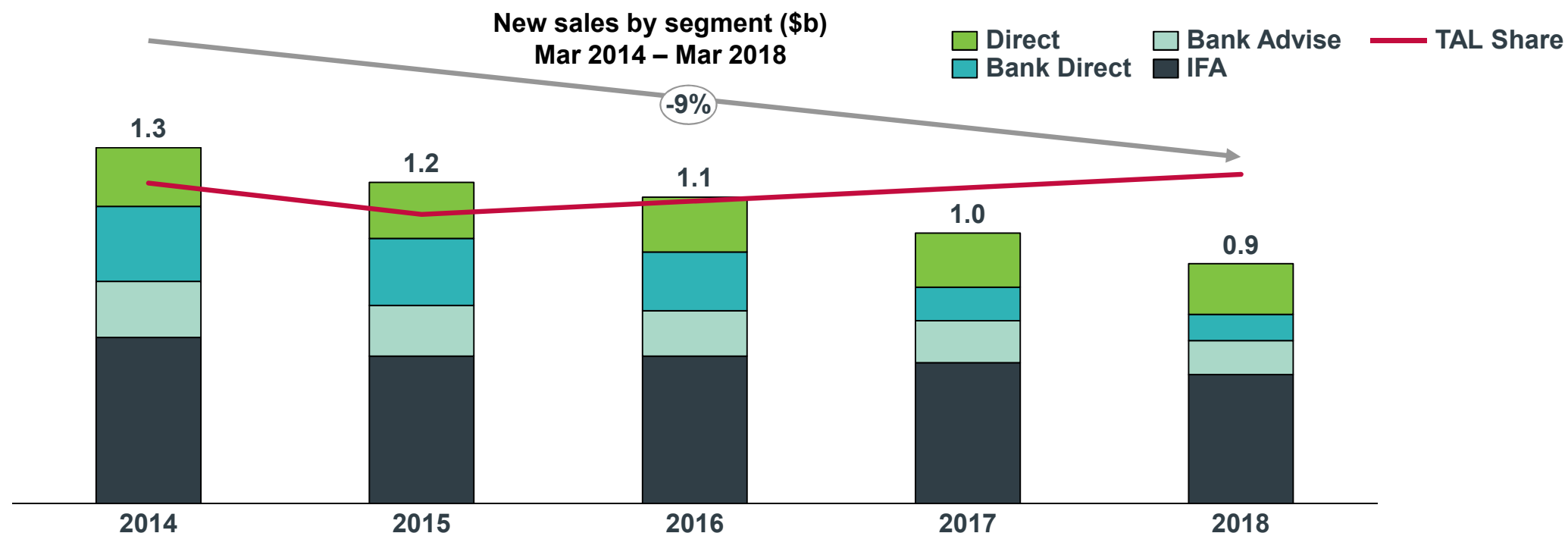
Simplification

Simplifying what we do and how we do it to be faster and more efficient.

Financial Performance

Delivering long term, sustainable financial performance so that we will be here to deliver on our Purpose and Ambition.

Individual Sales – 2014 to 2018

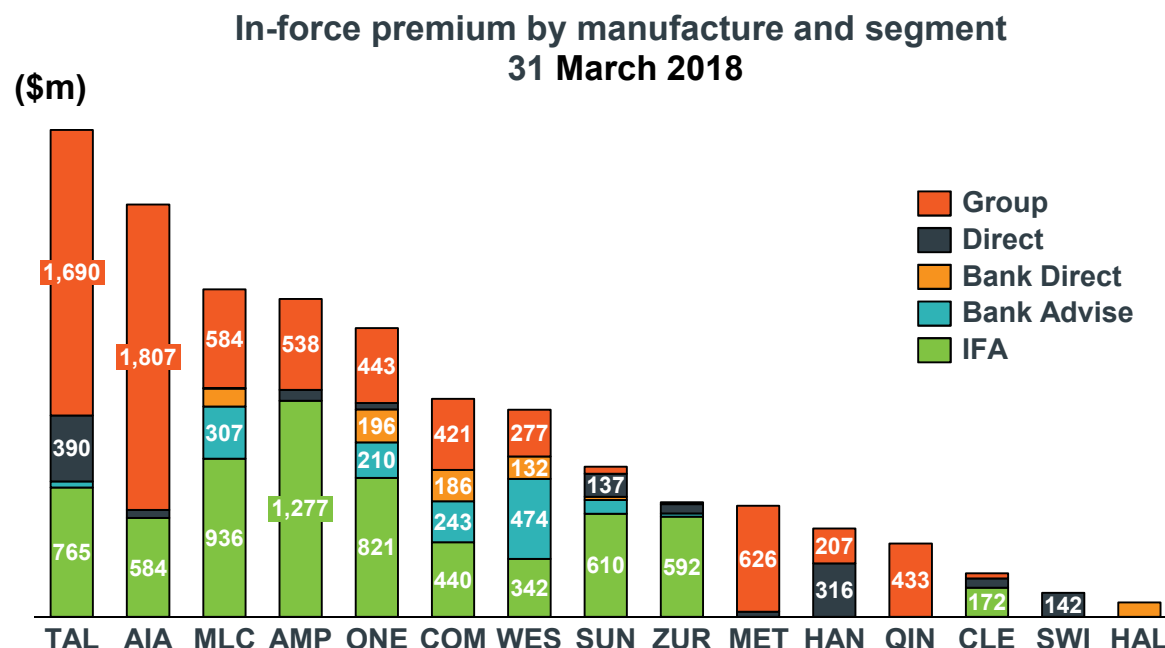
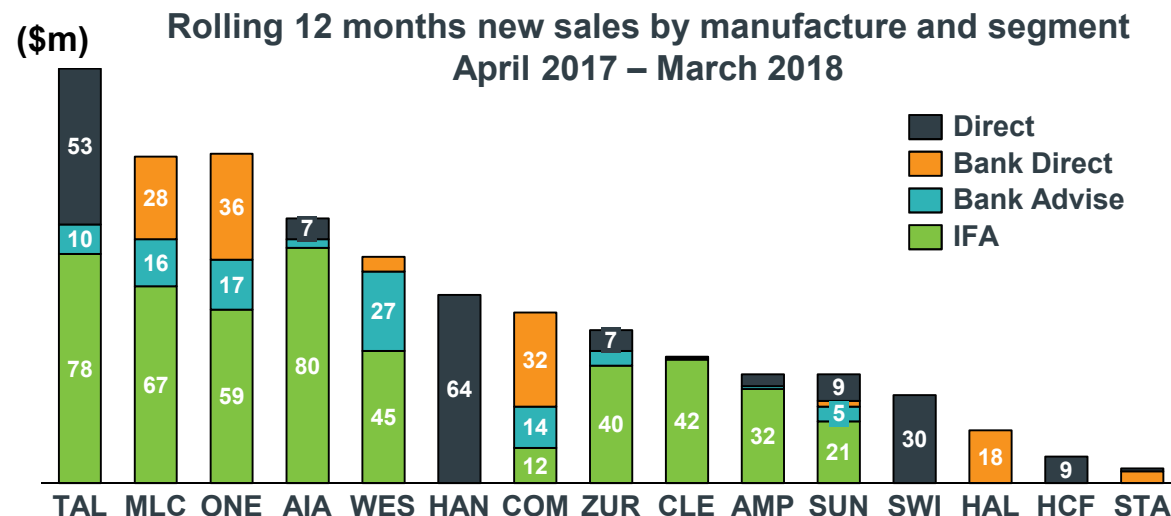


- › Market conditions for Individual new sales continued to be challenging. From 2014 total market individual sales have declined from \$1.3b to \$0.9b, a decline of 30% or 9% p.a.
- › This was driven by large reductions in all channels fuelled by increasing focus on growing market share by the market players, and most recently legislative changes.
- › During this time, TAL has been increasing its market share to 16% in 2018. This is prior to the purchase of Suncorp life insurance book.
- › We expect these conditions to persist on the back of the recent regulatory reforms, which adversely impact customer perception and market size. Despite this challenging environment TAL expects to continue diversification of its distribution capabilities and expansion into new products offerings.

Source: NMG Risk Distribution Monitor, 2014 - 2018

Market Landscape

- › TAL continues to record the highest individual sales in the market in the 12 months to March 2018.
- › Aggregate market data shows a 9% contraction of the Australian Individual Risk market. Retail has contracted by 11% over the prior year.
- › As the Retail market remains the largest individual market sector, its limited growth is impacting TAL as well as most other market players.
- › Growth in other sectors, such as Direct and Bank is also challenging with higher barriers to entry. Despite the overall reduction of the total market, we expect to grow our market share in the near future.
- › TAL continues to be the market leader in terms of individual sales and overall market share.
- › The competitive landscape is changing with Merger & Acquisition activity which will redefine this picture.



Source: NMG Risk Distribution Monitor, 2018

TAL Acquisition of Suncorp Life

CORE FOCUS OF A PARTNERSHIP WITH SUNCORP



Creating better customer outcomes

Good outcomes for customers by implementing market-leading products, underwriting and claims customer experiences, and data capabilities – across all channels.



Supporting the Marketplace

Supporting the Suncorp Marketplace strategy over the next two years ready for entry of life.



Returning Direct to growth

Turnaround of the Suncorp direct business by leveraging our existing direct business and product lines.



Integrating our Retail capabilities

Seeking to retain high value adviser relationships while introducing our product and service proposition and best in class distribution capabilities.

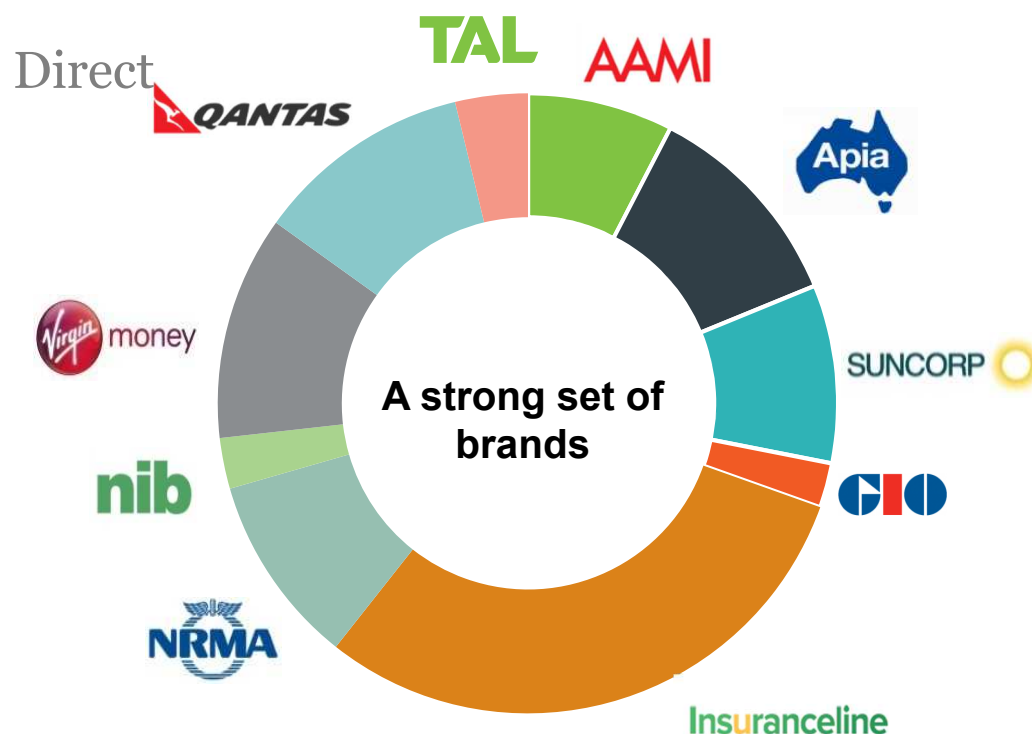


Scaling our Investments business

Creating additional scale for our legacy Investments business including introduction of new products (e.g. Education)

An enviable reach into the Australian market

Retail **TAL** +  Asteron Life Australia



Group **TAL** +  SUNCORP

The acquisition will enable us to:

Add 5 key brands to our already strong set of alliance partners

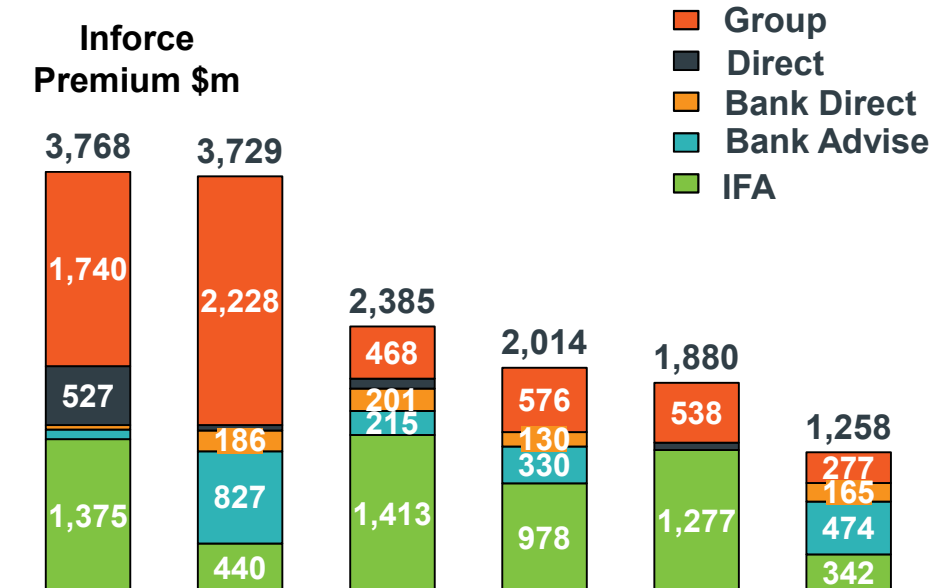
Diversify our portfolio

Secure the no. 1 position in the direct market

Expected Market Landscape

- › The Australian Life and Wealth competitive landscape continues to undergo a once in a generation change.
- › A number of banks and wealth managers have considered strategic options for their life insurance businesses.
- › CBA process is now complete and announced on 21 September 2017 that AIA will acquire the CommInsure (Aust) and the Sovereign business (NZ) for A\$3.8b. Completion will take place in 2018.
- › ANZ process is now complete and announced on 12 December 2017 that Zurich Life will acquire ANZ's life assets for A\$2.9b. Completion will take place in late 2018.
- › These transactions will keep AIA in the #2 position in the Australian market. TAL will retain #1 position in the market. Zurich will assume #3 position.
- › Sony Life has not taken out 100% of Clearview and Crescent call option expired in April 2018.
- › It is very likely the Australian market will soon be dominated by a 4-5 foreign owned multinationals.
- › These significant transactions and capital flows will transform competitive dynamics in Australia as new entrants go for growth.
- › As the Royal Commission continues, the broader market landscape is also set to evolve driving additional M&A activity.

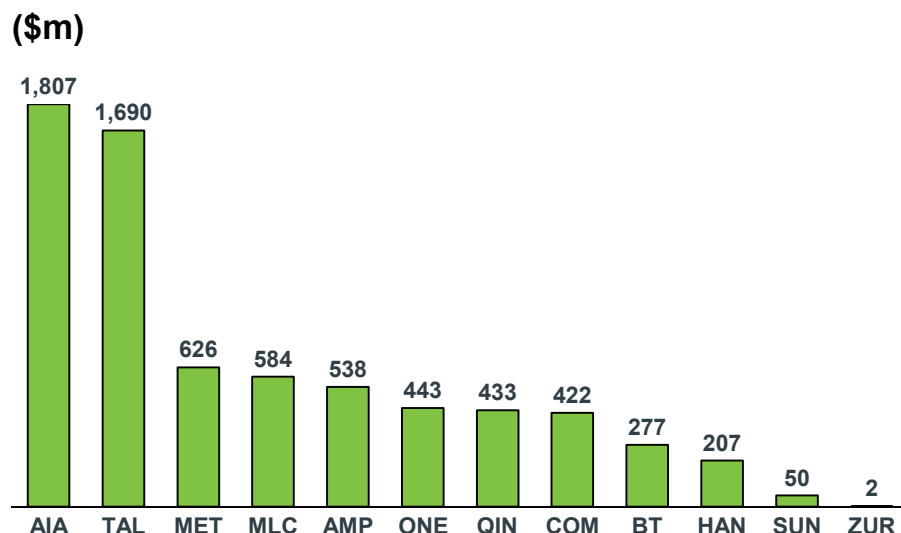
Expected Life Insurance Landscape



	TAL	AIA	ZURICH	MLC	AMP	W
Total (\$m)	3,768	3,729	2,385	2,014	1,880	1,258
% Share	22%	22%	14%	12%	11%	7%

Industry Leadership - Group Life Strategy

In-force premium by insurer and segment
31 March 2018



AustralianSuper



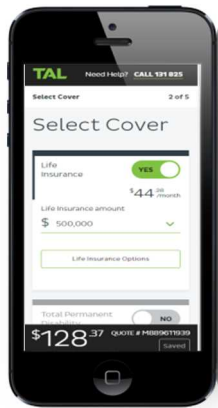
- › AustralianSuper is the largest superannuation fund in Australia with over \$120b in FUM and two million members.
- › A commitment to TAL for 10 years from the expiry of the current term in 2020, providing tenure for TAL out to April 2030.
- › We are working with AustralianSuper on a range of operational and technology initiatives to grow member engagement, improve insurance outcomes and claims experience. This will build on the 20,000 members that are actively increasing individual insurance each year through AustralianSuper.
- › Exploration around other product opportunities for individual members.

- › Compulsory superannuation retirement savings system in Australia.
- › TAL is a market leader and provides life insurance to 4 of the top 10 superannuation funds.
- › Group Life remains a long term sustainable foundation for TAL, albeit with less growth potential.
- › Opportunities to extend partnership with funds to other product lines.

- › The 2018 Australian Federal Budget provisions are expected to dramatically change the industry, significantly reducing the size of the market.
- › TAL expects that there are a large number of current superannuation members who stand to be significantly disadvantaged by the changes currently proposed in the legislation.
- › KPMG estimates these proposed changes will result in a 50% reduction of insurance cover inside superannuation, which TAL estimates to amount to \$1bn in claims paid annually by the industry, which will not be paid from 1 July 2019.

Source: NMG Risk Distribution Monitor, 2018

Customer Leadership - Step-changing the customer experience



Coverbuilder

Creating a new digital proposition to enable 'self-directed' consumers to make informed choices and buy retail-grade cover



Alfred

Improving out-of-hours service with a chatbot experience for quote comparison



Wunderwriter

Automated QA of all underwriting cases in direct channel. Now rolling out to TAL Consumer / Qantas Assure.

2016

2017

2018

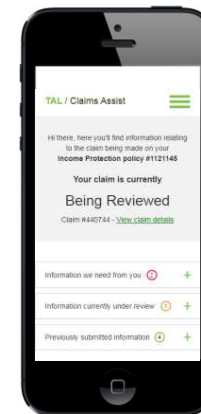


Working with our partners to create a leading digital customer experience that rewards healthy and active customers



Cora

Helping our claimants return to health through Cora - an independent chatbot, exclusive to TAL.



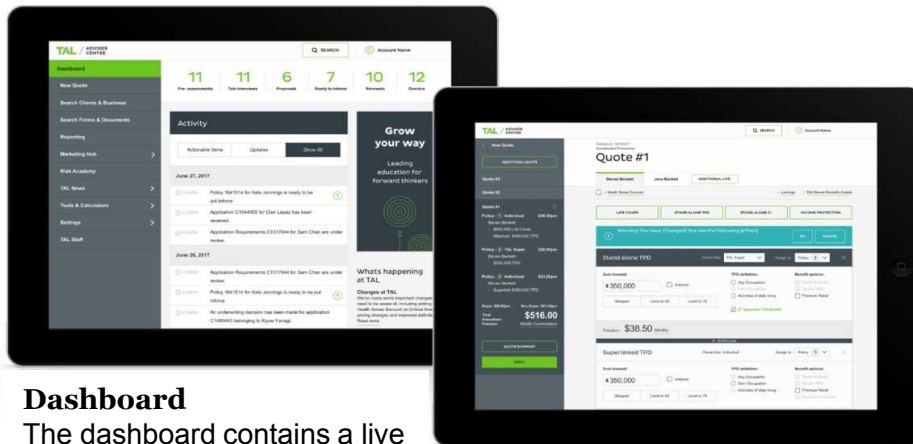
Claims App

Bringing transparency and simplicity to the claims process for our Group customers

Growth – Investing in leading digital capabilities

Retail

- › Investing in new market leading digital capabilities for financial advisers through the TAL Adviser Centre
- › Intuitive, user-driven design that validates and reviews transactions in real-time
- › Giving advisers a complete overview of their customers' policies, events and interactions so they're always fully informed
- › Producing insightful, customisable reporting
- › Increasing access to adviser education materials, customer marketing collateral and business management support



Dashboard

The dashboard contains a live feed of activities and interactions with customer policies and quotes

Quoting Capabilities

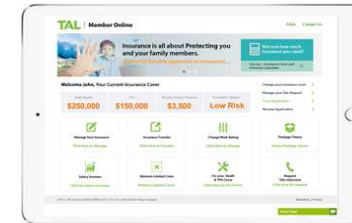
Flexible quoting functionality, allowing advisers to configure stepped and level premiums within one policy

Group

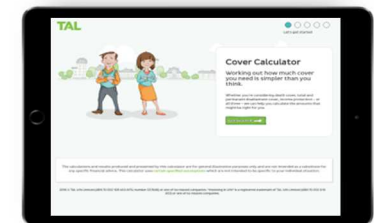
- › Investing in online calculators so members will be better informed and engaged with their insurance
- › Instant online form application and lodgement removing the need for paper-based forms
- › Development of partner portals which allow management of insurance behind the scenes
- › Operational reporting capabilities
- › Increasing access for customers through member portals allowing individual increases



Online Forms



Trustee and Member Portals



Online Calculators

Over 40,000 members individually increase insurance each year through our Superannuation partners (c.\$40m p.a. in new business API)

Growth – Product and proposition strategy update

A broader set of customer and partner propositions built around four key customer life cycle events

- HealthSense 1.0 launched in 2016 to provide discounts for healthy customers at application
- HealthSense 2.0 to be launched in FY18 to provide discounts throughout the policy for maintaining healthy habits
- Diabetes product for impaired lives to be launched in FY18

Life



A more sophisticated and targeted product suite for customers
Preferred and Impaired lives

- A more strategic life and health proposition to support customers health and wellbeing throughout their life
- TAL Health insurance proposition further refined to be launched in FY18
- TAL Trauma “gap insurance” attaching to health insurance to be launched in FY18

Education



TAL Education Trust
TAL Education Bonds
TAL Education Saver

- Non-superannuation savings and insurance product development
- Education savings and protection product to be launched in 2019
- Broader insurance bonds to be considered further in 2019

Health



Integrated health and life products
Health insurance proposition

- Research and product design completed with superannuation funds
- Awaiting clarification of supporting legislation and tax rules
- Modest consumer appetite at this time
- Further development on hold

Retirement



Annuity propositions and longevity solutions
Superannuation and pensions