



Strategy Briefing 2005  
Financial protection

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12 May 2005

Be Life Confident

# C Agenda

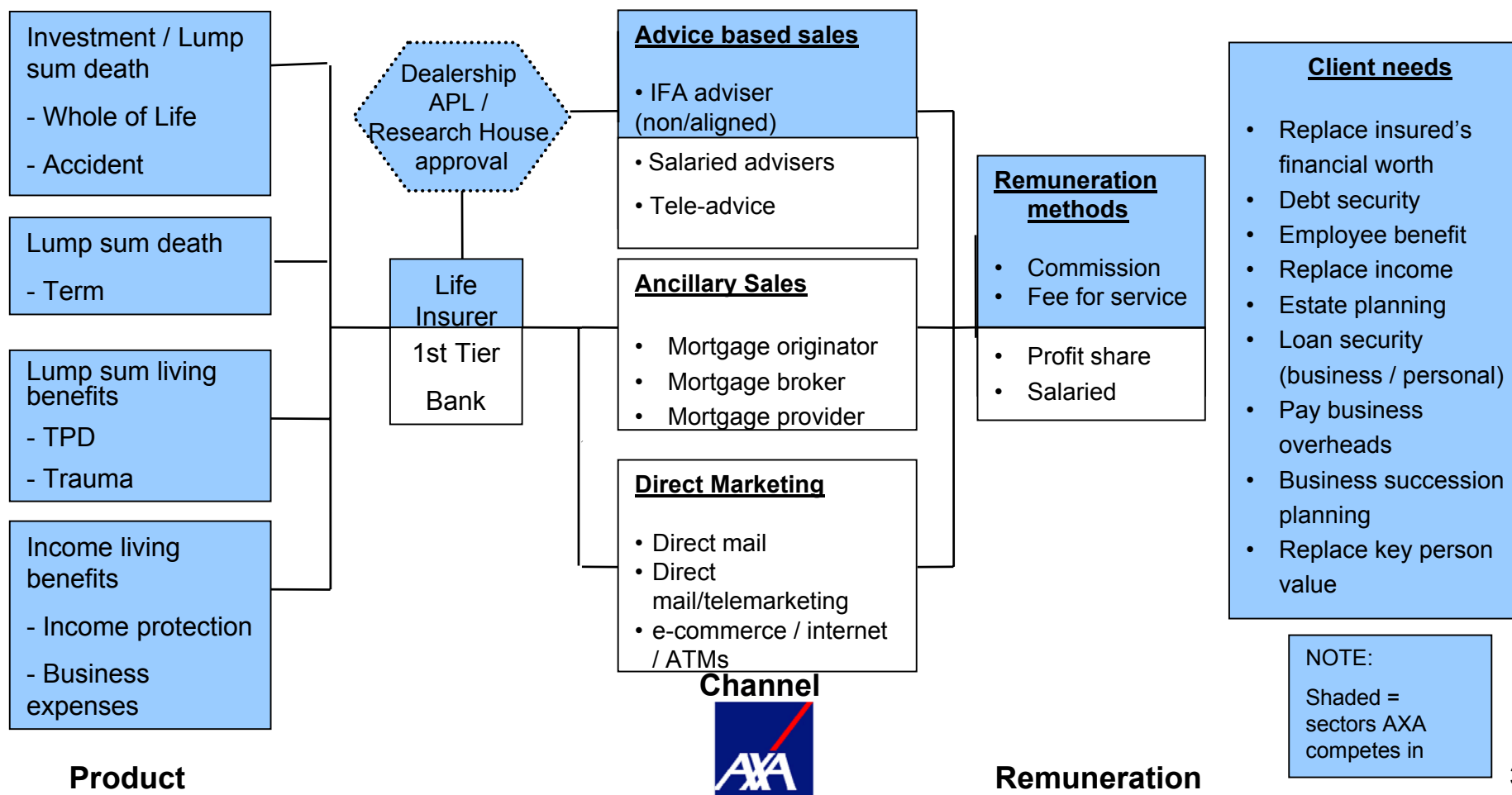
- Individual insurance - market overview
- Market size and growth
- Under-insurance
- AXA performance
- Strengths
- Individual insurance strategy
- Growth opportunities





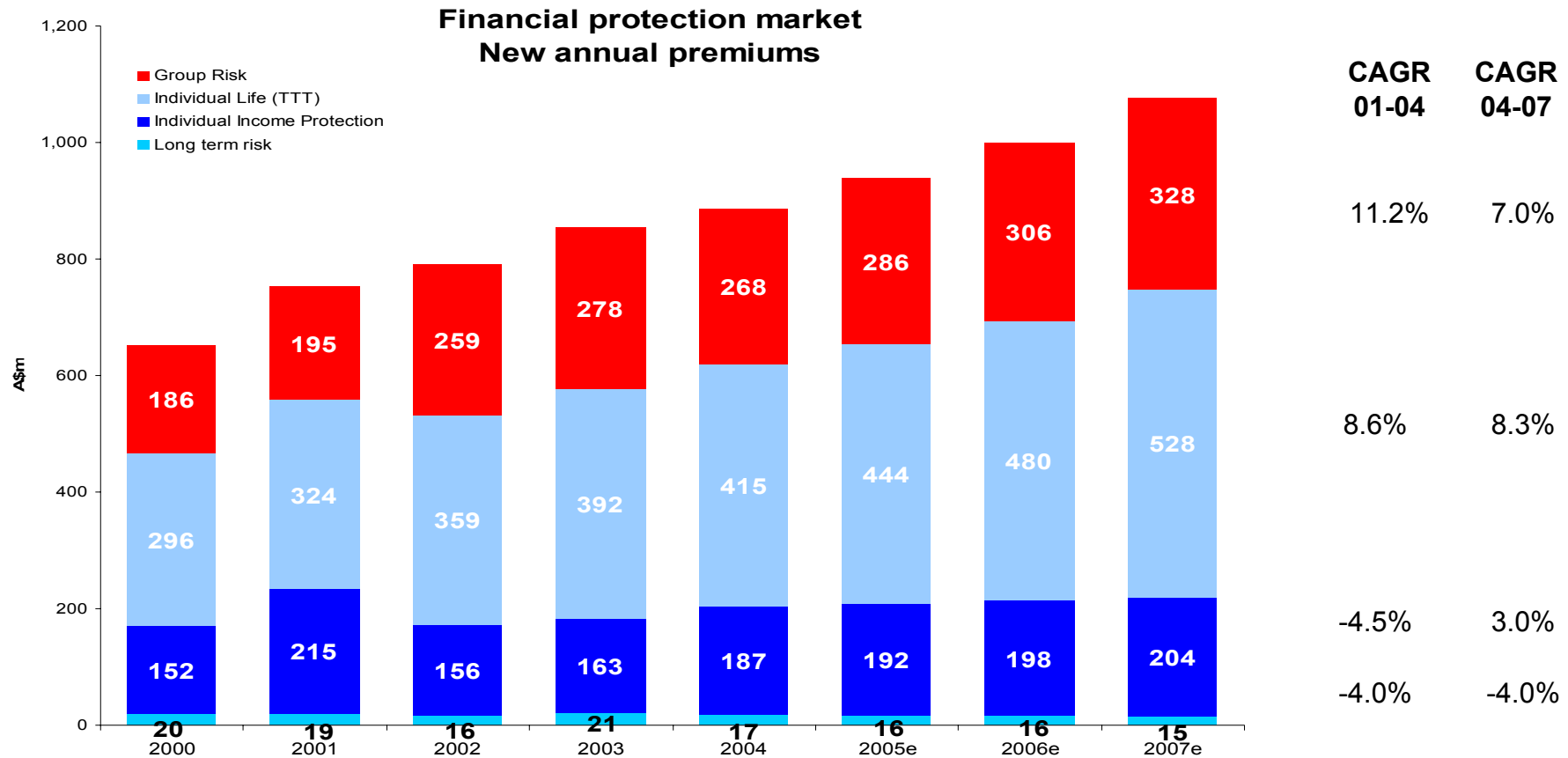
# Individual insurance – market overview

**AXA competes across the majority of the individual insurance product market and distributes through the largest channel**



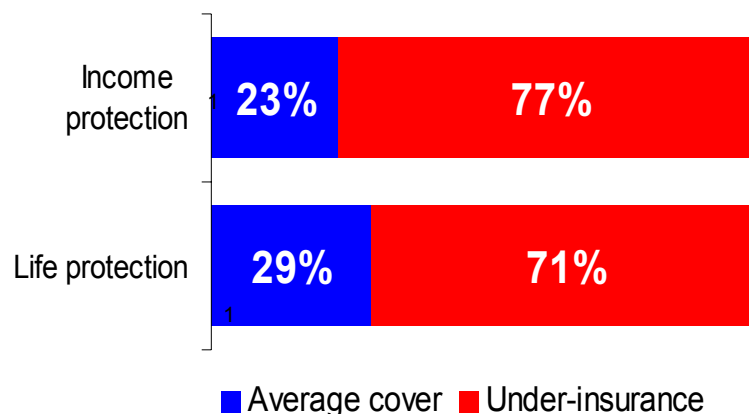
# Financial protection Market size and growth

## Forecasting growth in new annual premiums ahead of growth in GDP



# Under-insurance

**Under-insurance presents a potential opportunity to expand the market at a rate faster than GDP**



<sup>1</sup> Source: DEXX&R research commissioned by AXA

## Response to trends

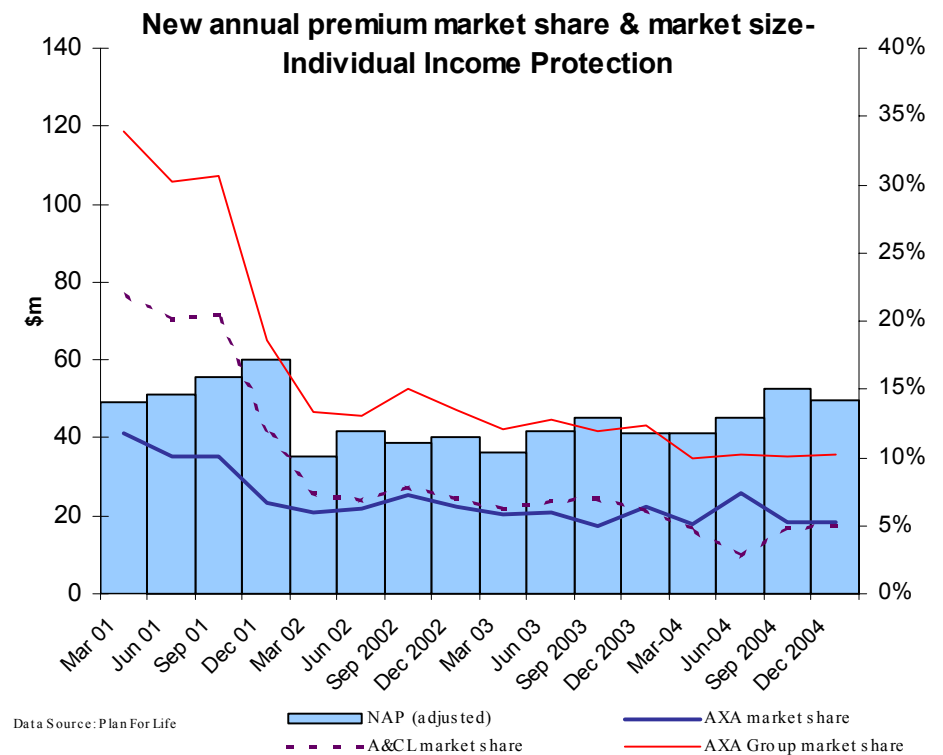
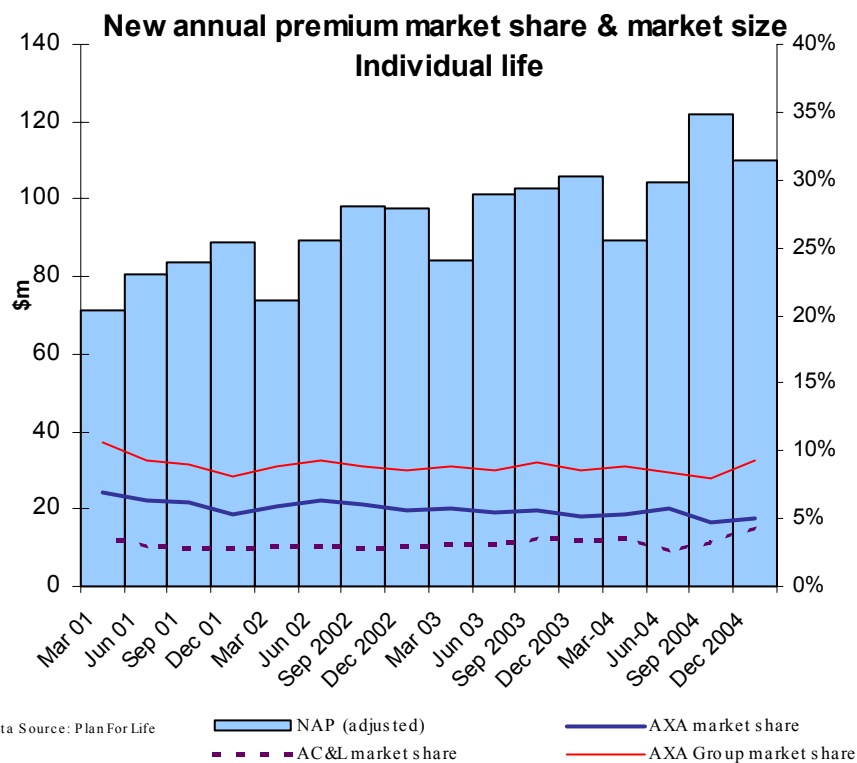
- Industry has begun to raise the issue
  - AXA at the AFA conference (2004)
  - IFSA seminar on the 'The insurance gap' (2004)
- Insurance and financial services companies researching and promoting the issue
- AXA ran a series of adviser seminars throughout Australia



# AXA performance

## Market share of new annual premium

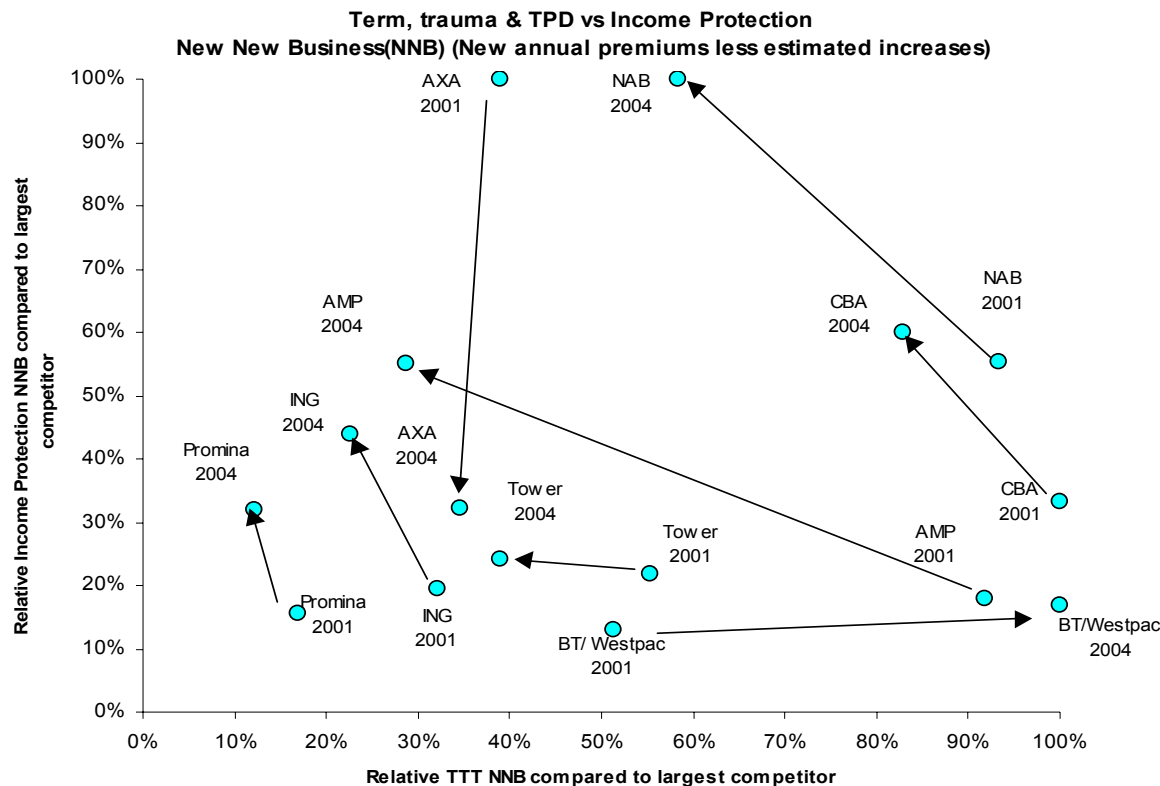
**New annual premium market share for IP has reduced significantly but has remained relatively stable for Individual life**



# AXA performance

## Market share of new business

**AXA has lost market share of new new business in IP but has only lost a small amount of market share in Individual Life**



Source: Plan for Life

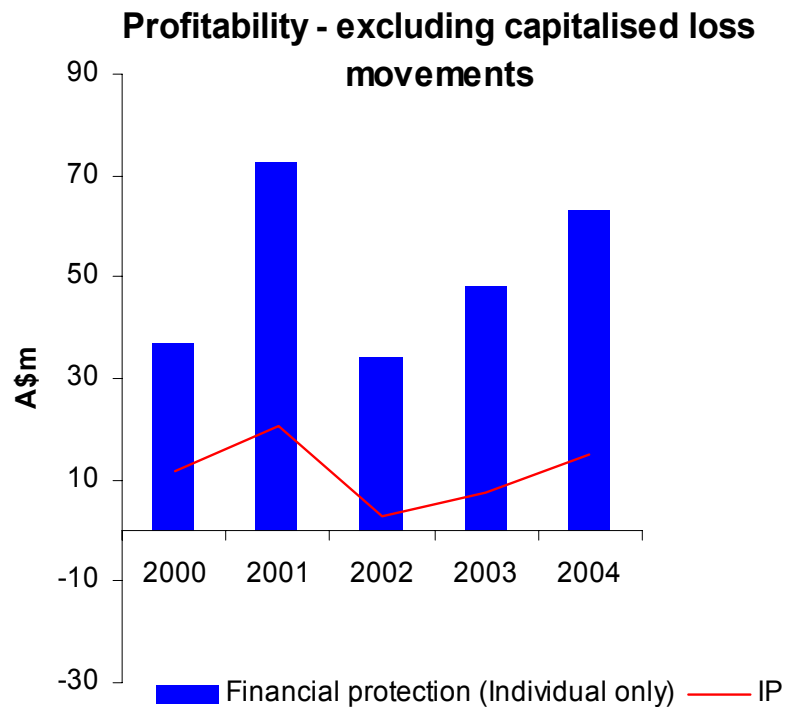
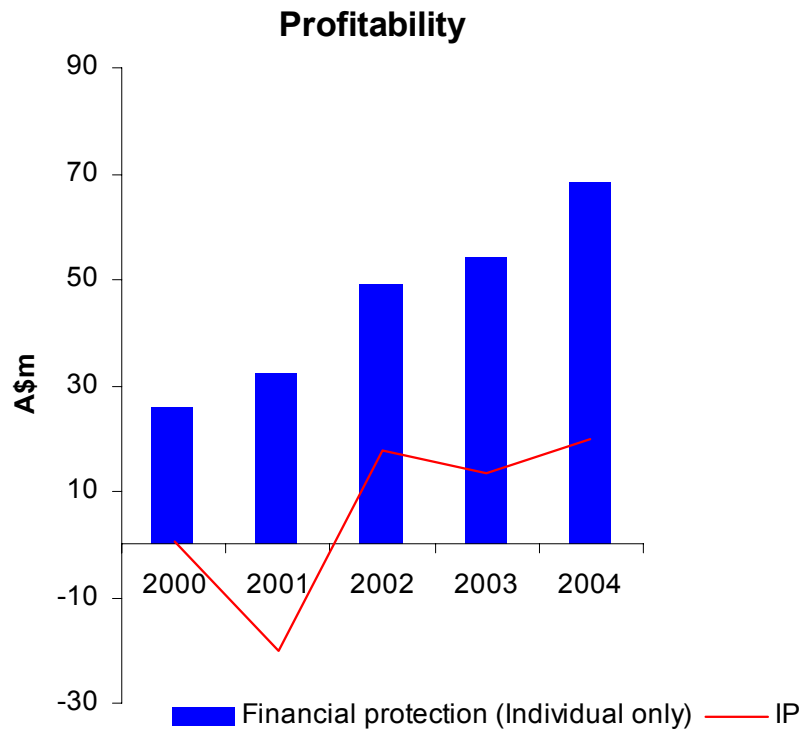
Note: "New new business" is new annual premiums excluding increases to existing policies. New new business was calculated by deducting estimated increases from new annual premiums reported to Plan for Life. The estimated increases were calculated as a % of in-force annual premium – 7% for TTT business and 12% for income protection. These factors are based on AXA's experience



# AXA performance

## Profitability

**AXA has focussed on improving the profitability and thus the value of the FP business mainly by stemming losses from the IP book**



# C Strengths

**We will continue to leverage our key strengths both locally and globally**

- Strong global brand
- Large in-force portfolio
- Underwriting and claims management capability
- Global scale



# Individual insurance strategy

**Our individual insurance strategy is to lead the advice-based insurance market by winning in the expert insurance adviser market**

Channels	Current - New business <sup>4</sup>	Growth 3-5 years	Future - New business
Expert insurance advisers	60% <sup>1</sup>	Market average	55%
Non-expert advisers selling insurance stand alone			
Advisers selling insurance off platforms <sup>2</sup>	15%	Below average	10%
Other channels e.g mortgage brokers, tele-marketing, JVs etc	10%	Higher than average	15%
	15% <sup>3</sup>	Higher than average	20%

**INDICATIVE ONLY**



<sup>1</sup>60% is an estimate for the total market based on experience of AXA aligned advisers. An expert adviser is one that writes more than \$20k pa in new business

<sup>2</sup>Individual insurance superannuation riders only – does not include any group insurance

<sup>3</sup> Based on interview with DEXXR – 50% of new business sales for both Commonwealth and Westpac are via direct mail and telemarketing

<sup>4</sup> New business was estimated by deducting estimated increases (based on AXA's experience) from New annual premiums reported by Plan for Life

# C Individual insurance strategy

## We will deliver on our strategy by implementing the following initiatives

- Launch of a single, more competitive, individual insurance offer July 05
- Develop more targeted insurance products and services tailored to the needs of expert insurance advisers June 06
- Improve our relationships with research houses and dealer groups Commenced
- Deliver an improved insurance offer to be marketed to external platforms July 05 (in-house)  
June 06 (external)
- Leverage CRM capability to drive down lapse rates to at or below industry average Commenced
- Rationalise products and systems to capture cost reduction benefits Jan 06 (new business)  
Dec 06 (AC&L in-force)
- Maximise the opportunity resulting from Choice as clients review the adequacy of their insurance July 05



# Growth opportunities

In order to increase our market share on a profitable basis we will deliver a single more competitive individual insurance offer to the market

Stand-Alone products	Examples from Market offer 2005
Term Insurance	Improving our offer by including a new Trauma option and increasing the accidental death cover limit to \$1m
Total Permanent Disablement Insurance	Introduce TPD as a stand alone product with a trauma option
Trauma Insurance	Improvement in 4 of the 5 core trauma definitions
Income Protection Insurance	Improvement in 11 definitions eg No longer off-setting benefits by clients' sick leave
Business Expense Protection Insurance	Remove maximum CPI increase on the indexation benefit

## Current premium ranking – AXA brand

MALE, NON SMOKER, NO TPD

AGE	1000K	850K	750K	600K	500K	250K	150K
25	8	9	9	8	5	2	2
30	10	9	9	9	6	2	2
35	11	12	12	12	9	2	2
40	11	8	8	8	7	2	2
45	8	8	8	7	6	2	2
50	10	9	9	8	7	1	2
55	9	10	10	8	7	1	1
60	9	11	11	9	7	2	2

Ranking against our 12 key competitors

## Proposed 2005 Market offer premium ranking

MALE, NON SMOKER, NO TPD

AGE	1000K	850K	750K	600K	500K	250K	150K
25	7	8	7	9	7	6	6
30	3	3	3	5	4	4	5
35	3	3	3	4	3	3	5
40	3	3	3	3	3	2	5
45	4	3	3	2	1	2	3
50	4	4	3	4	3	5	8
55	5	7	7	7	6	9	9
60	8	11	11	12	9	10	11

Ranking against our 12 key competitors

The product names are illustrative and have not been confirmed.





Appendices



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*Be Life Confident*

# C Financial protection New business mix

**Our focus is on growing aggressively our market share of individual life**

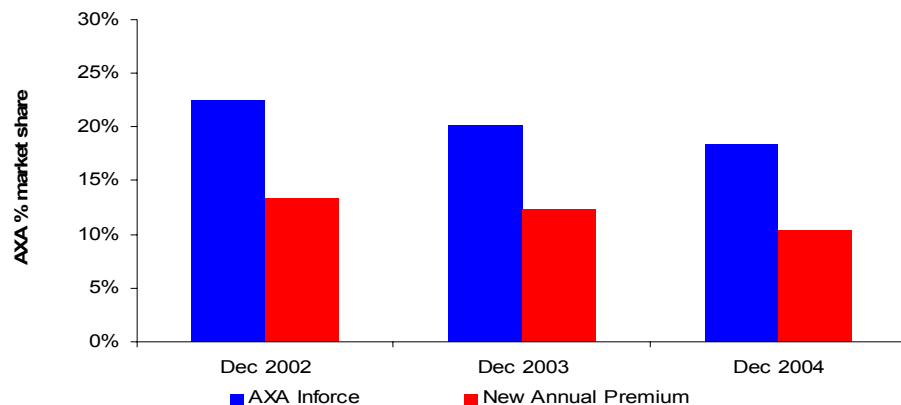
	<b>Grow aggressively</b>	<b>Defend aggressively</b>
<b>High value</b>	Individual life	Long term risk Income protection
	<b>Low priority</b>	<b>Defend passively</b>
<b>Low value</b>	Group salary continuance	Group life
	<b>Low market share</b>	<b>High market share</b>



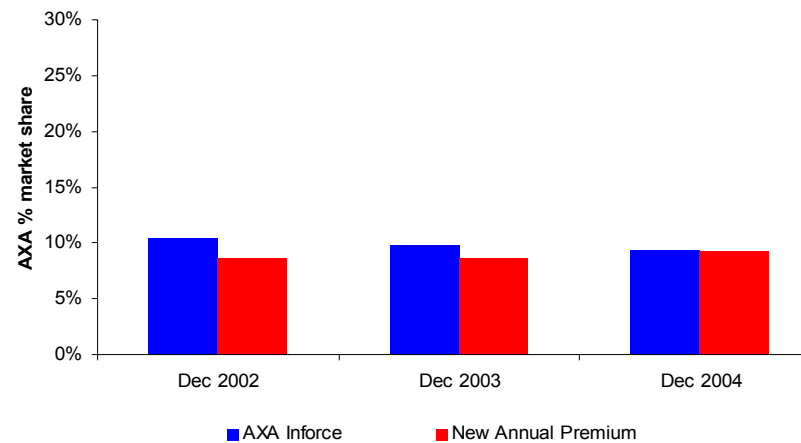
# Financial protection

## AXA Australia market share

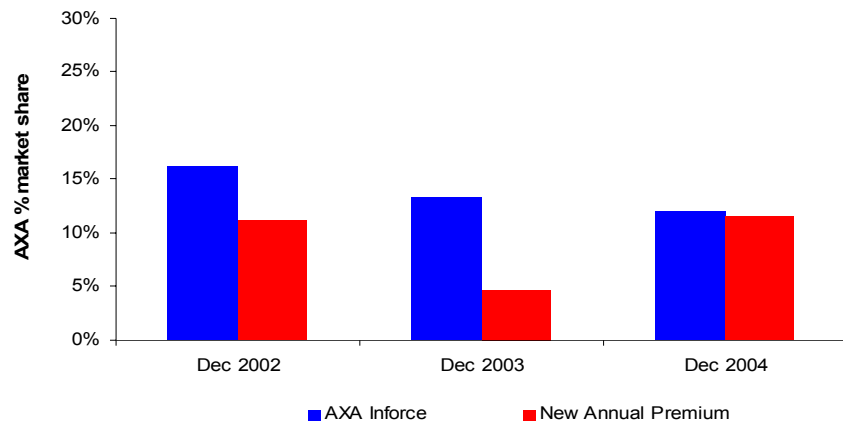
**Individual Income Protection**



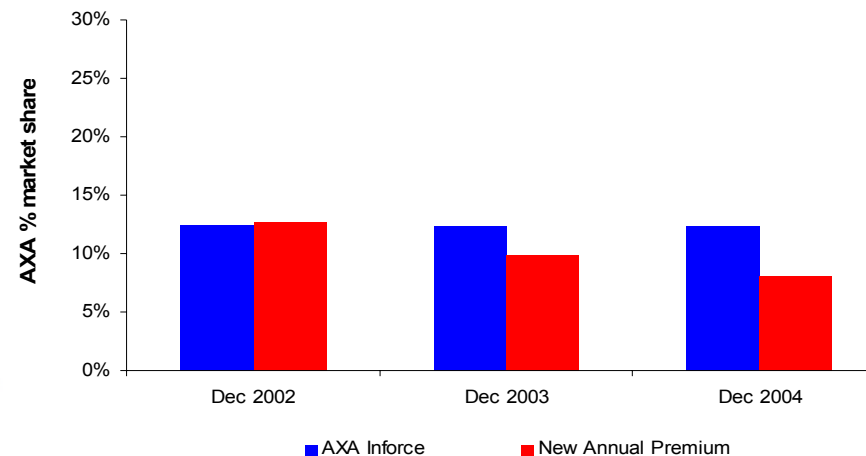
**Individual life**



**Group Risk**



**Conventional**



# AXA Australia

## Market share - financial protection

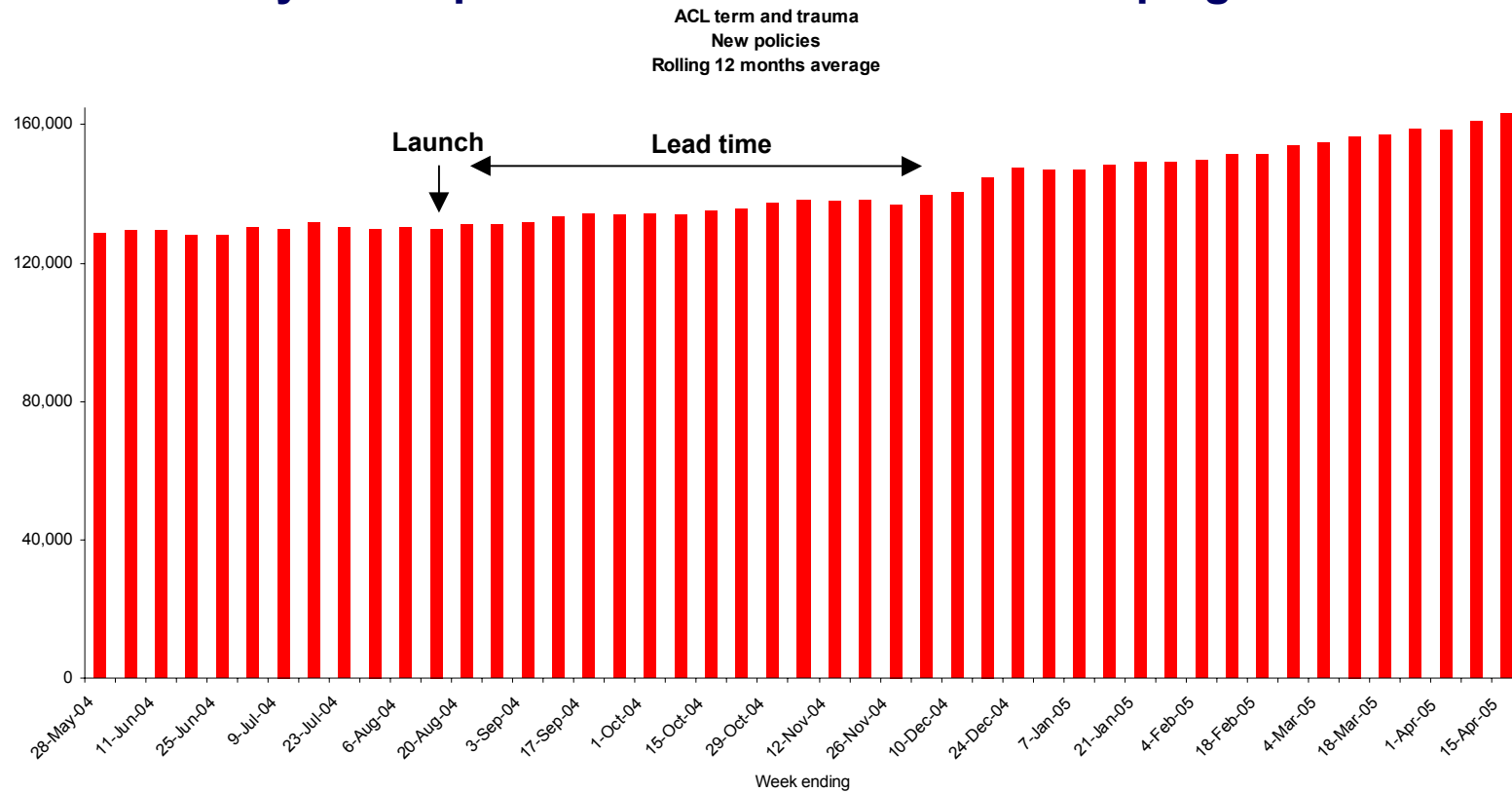
Inforce business, A \$m December 2004	
Commonwealth / Colonial Group	604
National Australia / MLC Group	596
<b>AXA</b>	<b>517</b>
ING Australia Group	513
AMP Group	361
Asteron Group	314
Tower Group	231
BT / Westpac Group	213
PrefSure Group	205
AIG Life	170
<b>Total for Top 10</b>	<b>3,724</b>
<b>Total Market</b>	<b>4,249</b>
Market Share of Top 10	87.6%

New annual premium, A \$m 12 months ytd December 2004	
Commonwealth / Colonial Group	144
National Australia / MLC Group	120
AIG Life	115
ING Australia Group	92
<b>AXA</b>	<b>75</b>
AMP Group	69
Tower Group	60
BT / Westpac Group	46
PrefSure Group	46
CitiGroup Group	45
<b>Total for Top 10</b>	<b>812</b>
<b>Total Market</b>	<b>938</b>
Market Share of Top 10	86.5%



# Impact of Take 20 sales campaign

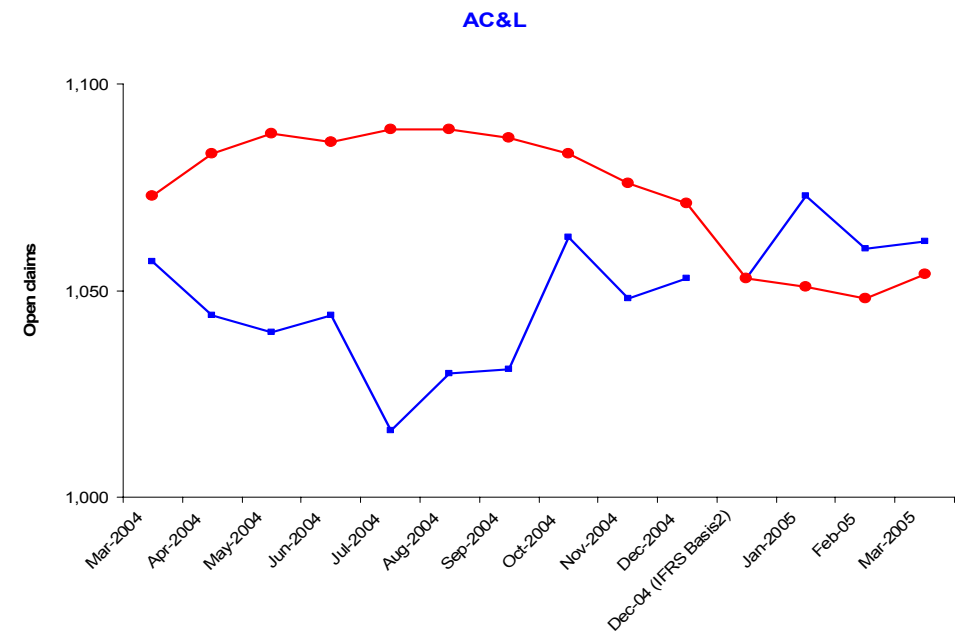
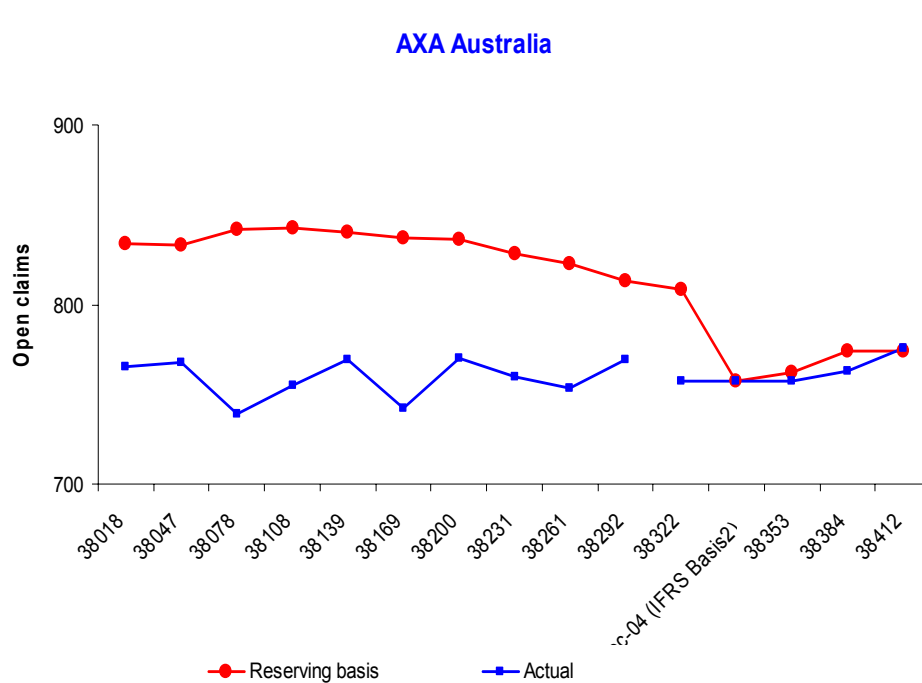
**Price is the dominant driver impacting sales in the term life market as evidenced by the impact of the 'Take 20' sales campaign**



# Financial Protection

## Open claims

### Number of open claims tracking in line with reserving basis

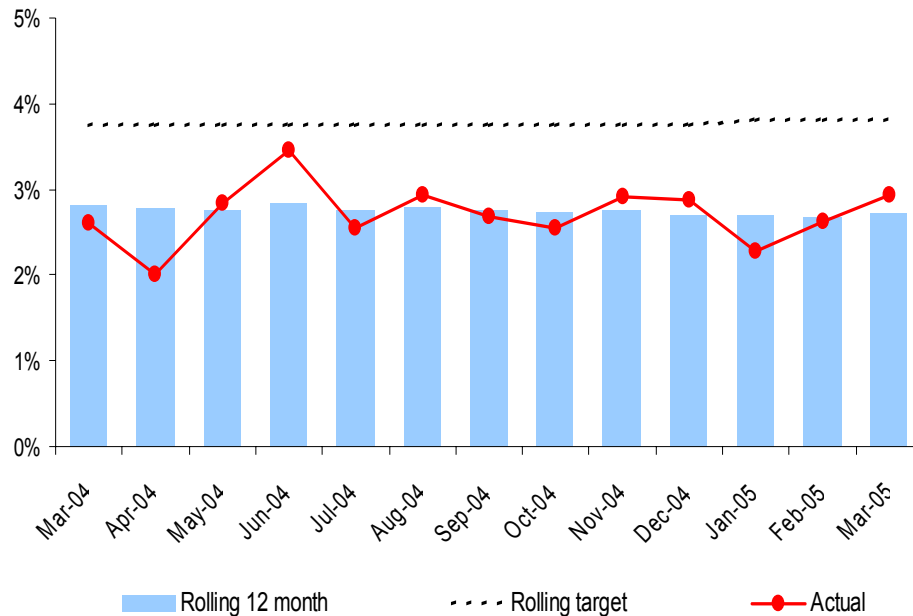


# Financial protection

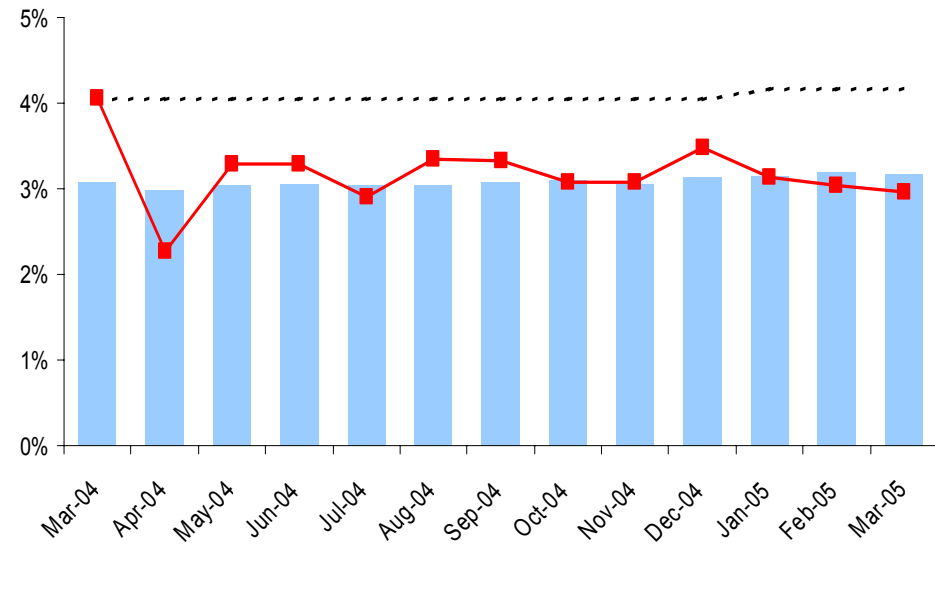
## Incidence rates

**Claims Incidence Ratio (new claims in month as % of policies in force) tracking below valuation assumptions**

AXA Australia



AC&L

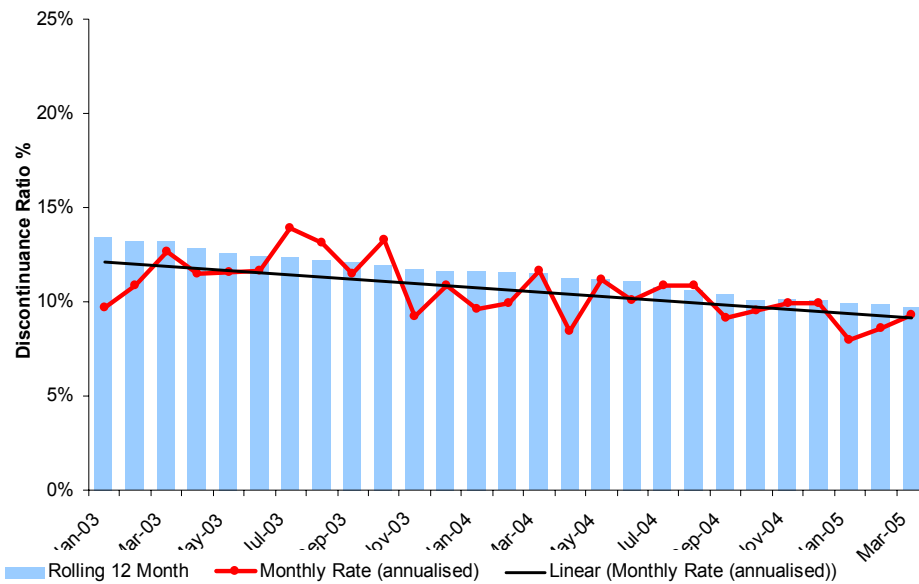


# Income protection

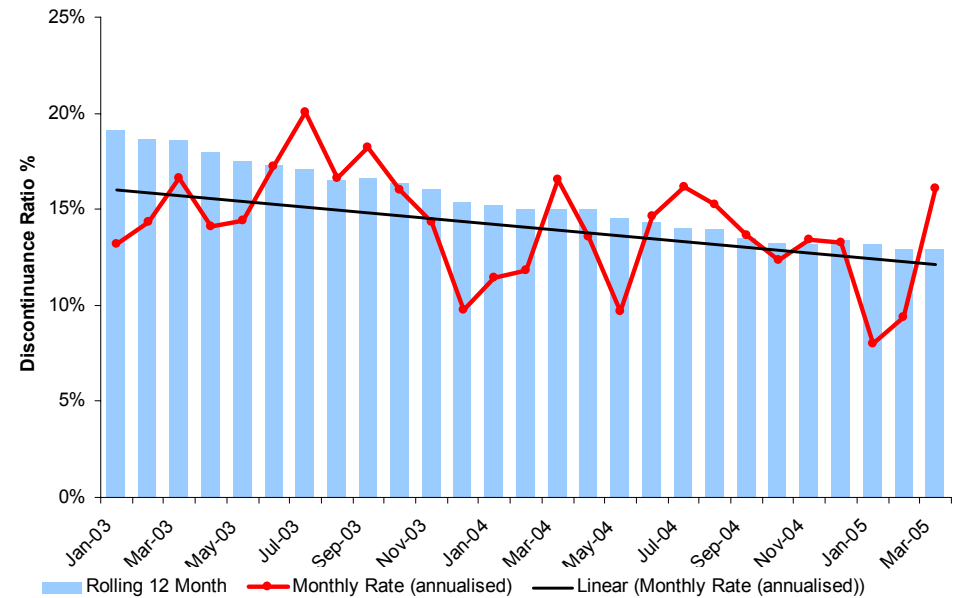
## Voluntary discontinuance rates

### Voluntary discontinuance rates returning to market averages

AXA



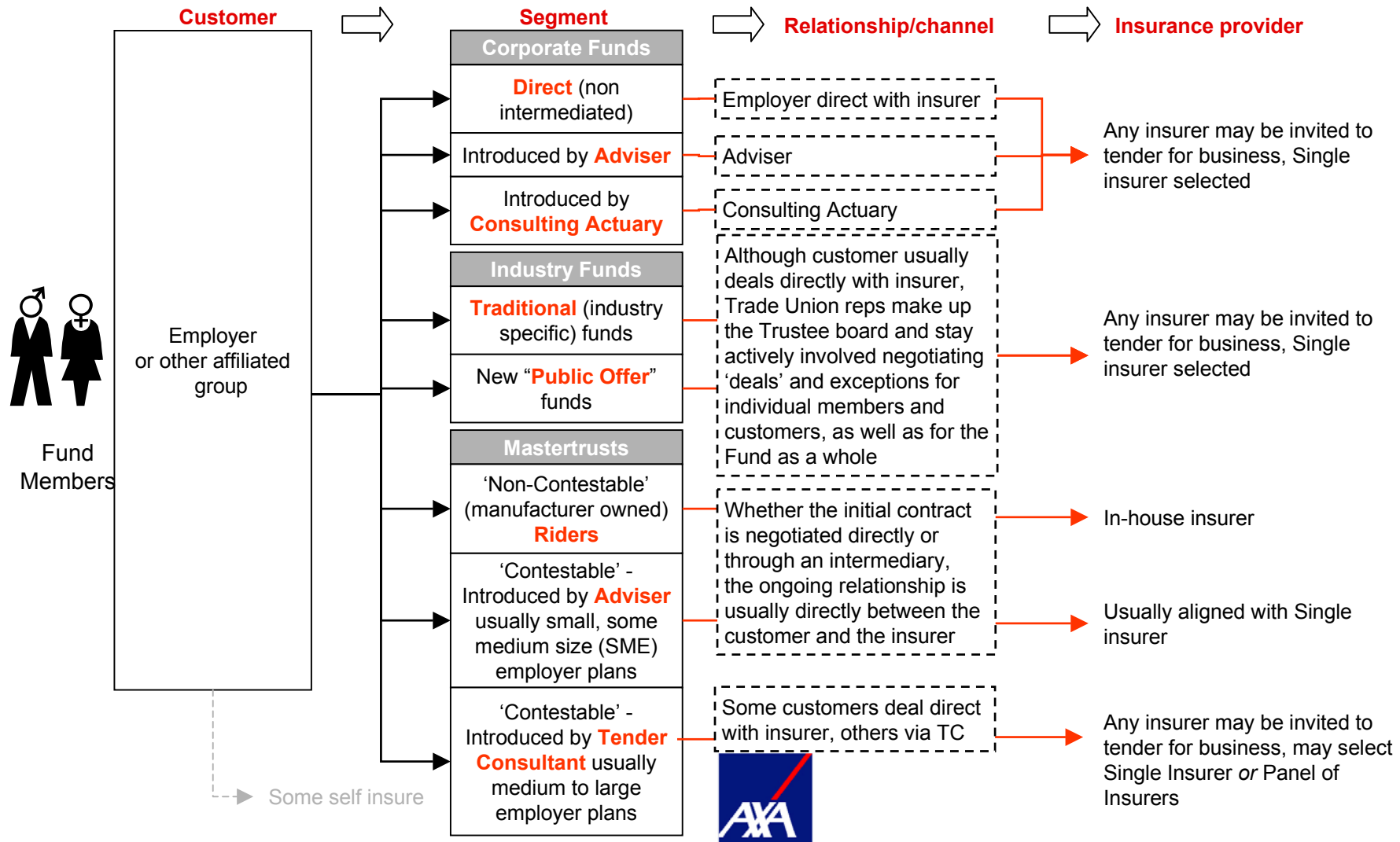
AC&L



■ Rolling 12 month    
 ● Monthly rate (annualised)    
 — Linear (monthly rate (annualised))



# Group Insurance Market structure



# C Group Insurance

## Our strategy

### **Our strategy is to exit unprofitable and mostly marginal segments and focus on a small number of 'niches' of attractive profitable GI business**

#### **Phase 1**

- Narrow the focus of market participation based on
  - Clear rules across segments eg plans less than 100 members under specific conditions only
  - Active management of accounts with demonstrated potential for profitable growth and aligned with AXA's business model and risk appetite
- Improve operations
  - Transfer reporting line of administration manager of Australian stand-alone GI business
  - Define process changes needed to improve liability risk exposure
  - Identify opportunities to better leverage existing IS resources
- Upgrade product design

#### **Phase 2**

- Use Phase 1 released management capacity to design and implement an integrated model across riders and stand-alone
- Merge administration of (Aus) riders and stand-alone under single management structure
- Create a single GI team to administer stand-alone and superannuation riders
- Invest in the IS required to support these re-engineered processes



# Brand strategy

## 2004 results - against nominated brand measures

- In the 12 months to December 2004 our share of voice (media spend) reduced to 7% from 12% in December 2003. Even so, we improved our position on Brand awareness and consideration amongst our chosen competitor set
- The change in the score results between 2003 and 2004 was due to the questionnaire realignment from a product usage focus to a Brand and Advertising focus. This change shifted the local survey closer to AXA Global Brand Image Tracking Survey
- The competitive set includes AMP, AXA, BT, Colonial, ING, MLC and Perpetual

<i>Brand measures</i>	<i>Dec-03 Month</i>		<i>Dec-04 Month</i>	
	<i>Score</i>	<i>Rank</i>	<i>Score</i>	<i>Rank</i>
<i>Prompted brand awareness</i>	84%	5th	86%	4th
<i>Prompted brand consideration</i>	9%	5th	39%	3rd
<i>A company I'd like to do business with</i>	7%	= 4th	16%	= 4th
<i>A company that is financially sound and secure</i>	13%	3rd	14%	4th
<i>Is part of a global company with strong local ties</i>	19%	1 st	33%	2nd



# Disclaimer

The material in this presentation is a summary of the historical results of the AXA APH Group and an update on Group activities and is current at the date of preparation, 12 May 2005. Further details are provided in the Company's half year and full year accounts, Investor Compendiums and results announcements. This presentation provides information in summary form and is not intended to be complete. It is not intended to be relied upon as advice to investors or potential investors and does not take into account the investment objectives, financial situation or needs of any particular investor. Further information including historical results and a description of the activities of the Group is available at the website [www.axaasiapacific.com.au](http://www.axaasiapacific.com.au)





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