

Address by Mr James Strong, Chairman

To the NRMA Insurance Group Limited Annual General Meeting

2.30pm, 2 November 2001

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This is my first Annual General Meeting of shareholders of NRMA Insurance Group Limited, and I am pleased to have this opportunity to report directly to you on the recent performance and outlook for the Group, and to conduct, with you, other important shareholder business.

Recent history of the NRMA Insurance Group has included some controversy and disagreement which has attracted publicity. Separate issues relating to the National Roads and Motorists' Association Limited have also been the subject of public attention. The issues of the separate organisations have sometimes been confused.

The basis on which I became involved as Chairman was a combination of:

- a belief that NRMA Insurance is a sound business with considerable future potential; and
- a determination to be part of the process of “settling down” within the organisation and driving forward in the interests of all stakeholders.

This involves looking ahead and concentrating on the business. I do not have any illusions regarding the fact that there are deep feelings still held by some in relation to the demutualisation process and related or subsequent events.

However, my priorities, and those of every member of the Board, are based on the reality that NRMA Insurance Group is now a publicly listed company, as a result of an approved demutualisation process. Its future is in our hands.

We have a long agenda this afternoon. In trying to inform you, and at the same time carry out important procedural business as required by law, we have scheduled events as follows:

- opening formalities
- speech by Chairman
- speech by Acting Chief Executive, Ian Brown
- speech by Chief Executive designate, Michael Hawker
- formal business including:
 - * receipt of financial accounts
 - * election of Directors (Resolutions 1 to 8); and
 - * other formal resolutions (Resolutions 9, 10 & 11)

This schedule of events, to be followed by the Special General Meeting, will take some time.

If we have a co-operative atmosphere, we can concentrate on ensuring that this meeting serves its purpose - to allow shareholders to express views and vote on important matters.

Resolutions

I do not intend in this general address to comment on the various resolutions before this meeting today. Instead, I will make remarks on each of those important matters as we deal with them.

Governance and Management

Corporations are in the best position to produce sustainable profit levels when they have a positive relationship with their own staff, their customers and the community generally, when they have high standards of governance at Board level, and good quality management, all concentrating their attention on performance.

My involvement with the Board has been entirely constructive. We have had good quality discussions on the urgent issues flowing from the tragic events in New York on 11 September, and steps to protect the interests of our shareholders and policyholders.

We have conducted a major strategy review which involved very productive interaction between management and the Board.

Over the coming months, the Board is looking forward to Michael Hawker commencing as Chief Executive. I believe he is an outstanding selection in terms of his leadership, people and communication skills, extensive risk management and broad business experience, with excellent personal values and ethics.

The Board has recognised the contribution Ian Brown made as Acting Chief Executive in a difficult period. He provided stability, leadership and strength when it was needed, and we are delighted he will remain a key member of Michael's management team.

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Results for 2000 - 2001 Financial Year

Our insurance business performed well, especially in the second half of the year.

Insurance profits increased by 91% over the prior comparable period to A\$210 million.

Gross written premium increased by 21% to A\$3.198 billion.

We exceeded our prospectus forecasts on underwriting for both short and long tail insurance, whilst our combined ratio which reflects claims experience and management, decreased by 8%. This is a substantial improvement and reflects the quality of skills in our basic insurance business.

The area of disappointment was the negative results from our investments, due to depressed equity markets around the world. This decline was evident last calendar year, and into this year. Subsequently it has been exacerbated by the catastrophic events of 11 September in New York.

Capital Management

The past year has been a very active period in terms of capital management. It is not appropriate to list here today every event in this important area. Some major actions were:-

- ceased writing inwards reinsurance business from January 2001 to reduce volatility, and subsequently arranged commutation of existing inwards reinsurance contracts and negotiated additional retrocession arrangements (the effect is to substantially limit exposures to potential losses during run-off of the portfolio)
- completed a A\$400 million share buy-back in May
- had NRMA Insurance Limited's credit rating by Standards & Poor's affirmed at AA+
- announced sale of Building Society to HSBC for A\$138.4 million
- launched Share Sale Facility in October

Strategy and Priorities

Our first priority remains to concentrate on improving everything we do now. This means ensuring all of our existing businesses are properly integrated, operating efficiently and paying continuing attention to detailed service and product issues. We are aware of the scope for better performance.

An important asset is the valuable knowledge and experience in our core insurance businesses which will enable us to continue to grow in those areas by competitive performance.

We expect continuing steady growth in the retirement services area, the small business commercial insurance market and health insurance, as emerging businesses.

We will continue to monitor opportunities for expansion, primarily in our core capability areas. There are no major moves planned at present, as we are committed to careful evaluation and assessment whilst improving our existing businesses.

With a new Chief Executive and enthusiastic staff and management, together with steps taken to smooth out the consequences of recent tumultuous events in the insurance industry, the Board is looking forward to an interesting period where we will balance continuing stability with ambitions for the future.

Trends in current financial year

In relation to the Group's financial performance so far this financial year, I will address this under the key drivers of our total results.

Underwriting performance

Both our short tail and long tail general insurance businesses, which include the operations of our New Zealand subsidiary, are performing in line with expectations. Provided we have no major storms or other catastrophes – an inherent risk for general insurers – we expect these businesses to deliver performances within our target ranges. These target ranges are stated in terms of combined ratios, ie the sum of claims and expenses as a proportion of net earned premium, and are 98% to 100% for short tail and 110% to 115% for long tail. At these levels we can deliver market competitive insurance margins.

As previously advised to the market, our inwards reinsurance business has been affected by the tragic events of 11 September 2001. However the Group had made robust retrocession arrangements (which is insurance for the inwards reinsurance business) which have reduced our net exposure to this event. We now believe the net impact of this event on the Group's results will be around A\$40 million, which is not material in the context of our total claims of more than A\$2 billion. The market is aware of these expectations.

Looking at the constituent elements of the underwriting performance:

- Policy volumes are largely in line with expectation and we are very pleased with the business mix being generated.
- Claims expenses continue to be monitored closely and we continue to improve our efficiency and work with external stakeholders on issues such as theft.
- Administration expenses are receiving attention so that we can maximise our efficiency whilst improving our customer service by intelligent improvements. We anticipate our underwriting expense ratio to continue the downward trend reported for the past three years.

We will also have two one off items in our current year financial results. The first being our successful divestment of the Building Society which will generate a profit before tax of around A\$50 million and the second being the finalisation of the litigation relating to the initial demutualisation process which we estimate will have a negative effect of up to A\$25 million.

Investments

As a well capitalised insurer, the Group has substantial investments backing both the provisions for claims and our shareholders' funds. Of particular relevance due to the recent volatility of equity markets, the performance of approximately A\$3 billion of equities has a direct impact on our reported profits. These equities are invested between the Australian and international equity markets in a ratio of approximately 2 to 1.

We have previously advised of our sensitivities to these markets and confirm these sensitivities remain generally consistent with our experience over the past few months.

We still hold the view that having a large portion of our shareholder funds in Australian and international equities provides the best long-term return to our shareholders.

Our in-house asset management team continues to perform well against its benchmarks, a difficult task with such high levels of volatility in recent times.

Outlook

In summary, our core businesses are on target to deliver another solid performance. We will continue to focus on margin growth, capital management, diversification and growth from our emerging businesses. Even though reported earnings will be negatively affected by poor equity market performance, our core operating businesses continue to drive value for shareholders.

Conclusion

I appreciate this opportunity to meet with you and to report to you today. I want to convey to you my belief that we are in a position to move forward with confidence, building on our strengths, to create a company of quality and dependability, consistent with our origins from an important community organisation.

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Address by Mr Ian Brown, Acting Chief Executive

To the NRMA Insurance Group Limited Annual General Meeting

2.30pm, 2 November 2001

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Overview & thanks to Chairman

Thank-you Chairman. Before I provide an overview both of the past financial year's results and a sense of how we are tracking so far this year, I would like to acknowledge the kind words in your opening remarks.

The past year has been one of both rapid change and significant achievement during which I had the opportunity to lead a competent and professional management team.

We achieved an improvement in the combined ratio from 107.5% to 100.8%.

The insurance margin of 7.6% outperformed our prospectus forecast.

We declared a fully franked final dividend of 6c per share, bringing the total dividend for the year to 10c per share.

The bottom line was below the prospectus forecast due to negative returns from equity markets and a greater than expected loss from inwards reinsurance portfolio. It also includes some one-off restructuring provisions as a result of our growth.

However, let's be clear, NIGL has delivered a solid operational result and is on track to deliver sustainable, quality earnings although individual periods may be impacted by circumstances that are an inherent part of being an insurer such as major storms and investment market performance.

Strength of key business areas

Taking a look at our core business, both the short tail and long tail portfolios exceeded prospectus underwriting forecasts and made significant contributions to the result.

We also remained the market leader in comprehensive motor, home and contents and CTP insurance across the country and became the largest general insurer in New Zealand through the acquisition of State Insurance.

The acquisitions of State Insurance and HIH's Australian workers' compensation portfolio in the first quarter of calendar 2001 were both excellent additions to the group and will continue to improve our results. We expect they will be earnings per share positive within 18 months.

We have also taken some significant steps to deliver an eCommerce capability and all major core products are now online. For the first time, our customers can take out home, car or CTP insurance online.

We are currently focusing on extending this eCommerce initiative across all customer offerings and emerging businesses as we drive further improvements and efficiencies.

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Premium growth

As another indication of the strength of the business, we outperformed the prospectus forecast both for Gross Written Premium (GWP) and Net Earned Premium (NEP) in the past financial year.

In fact, during the past seven years we have achieved an average 15% growth per annum in GWP and are on track to achieve \$4 billion in GWP by 2003, essentially doubling our GWP in six years. Policies in force almost doubled during the same period.

Central to this performance, is the diversification of our business by product and geography. About 42% of gross premium is now being written outside NSW and the ACT (up from 34% last year) and we are heading towards our stated aim of 50%.

Key factors affecting 2001/02 result

Whilst it is impossible for me to look too far ahead regarding the current financial year's performance – particularly in the current global economic environment post the World Trade Centre tragedy on September 11 - it is relevant to outline some of the key factors that will affect our profit.

These are the strength of our underlying insurance business, investment returns and reinsurance protections. Let me deal with them one-by-one.

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Inwards Reinsurance

The impact that one event – the terrorist attacks on the US - will have on the insurance industry overall is significant and will have a long-term effect on how people view both insurance and security.

The number and type of policies affected by this event, the complexity of who is liable and what insurance coverage was available, means it is likely to be years before the industry can identify the total cost.

We have reviewed our reinsurance exposures and believe our exposure to the events of September 11 is not material in the context of the claims operations. This is because the majority of the Group's inward reinsurance exposure relates to property damage and can be estimated, while the Group has negligible exposure to aviation or liability classes such as personal loss risk and workers' compensation out of Australia.

In addition, we have not been writing any new reinsurance business since early this year and, even before the attack, had purchased additional protection for future losses and strengthened the reserves set aside to meet future claims. The timely decision to commute outstanding contracts and restrict our exposure, which was approved by the Board and implemented by management, has saved the company several hundred million dollars.

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Outwards reinsurance

While we have reduced our exposure on inwards reinsurance, we continue to be a large purchaser of outwards reinsurance, to protect our exposures to major catastrophes.

There has been a lot of commentary on how the events of September 11 will affect this market. We are satisfied that we can minimise the impacts - notably the availability and cost of cover - because of NRMA Insurance's strong credit rating and the nature and history of our insurance business.

In spite of this, it is certain that the costs of outwards reinsurance will go up, leading to pressure on premiums. However, I want to stress it is far too early to say how this may or may not affect the retail end of the insurance market.

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Investment returns

The second factor that will influence our outlook is our investment performance. Like other insurance companies, NIGL's performance is affected by investment market performance as premiums are invested to provide funds for future claim payments.

At the same time, our management team is putting in place strategies to help manage any prolonged downturn and are investigating options for reducing the volatility of investment returns. At this stage we remain committed to the structure of our investment portfolios but will keep this under review.

Strength of insurance profit

The strength of our underlying business will continue to have a major effect on this year's profit and I have already outlined our operational performance over the past financial year.

It is a solid platform and it is when times are a bit tough like this, you really see the benefits of a well performing business.

Conclusion

As a result of recent world events, the entire industry – both globally and domestically – has entered new territory.

We have a robust business and a strong team to ensure we are in the best possible position to leverage both the opportunities and handle the challenges that a market such as this provides.

Under the guidance of our new Chairman and CEO, I am confident the excellent work completed last year is the right foundation for improving results and further opportunities to expand the business.

I thank the Board, management and staff for their support and I look forward to serving our customers and shareholders with determination and dedication towards excellence.

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Address by Mr Michael Hawker, Chief Executive Officer Designate

To the NRMA Insurance Group Limited Annual General Meeting 2.30pm, 2 November 2001

Good afternoon, Ladies and Gentleman.

Firstly, can I also say, how honoured I am to have been given the opportunity to manage your company.

I thought that this was probably a good time for you to hear some of my views on business management.

Let me begin by saying that my job is all about increasing shareholder return. That is, to be focussed on increasing your profit.

Let me also say however, that this statement does not mean profit at the expense of customer service, at the expense of employee morale, or at the expense of our social responsibility toward the community. In fact, it means the opposite. In my view, it is not possible to achieve sustainable increases in shareholder return without having superior employment practices, outstanding customer service and being an active participant in the communities in which we operate.

I believe it all starts with our employees. I aim to create a company where our people want to come to work, where they know they are being well trained, where they have an opportunity to grow and develop, and where they are passionate about getting it right for the customer. Getting this right will drive increased customer satisfaction, which in turn will drive financial performance.

Let me finish by giving you a few personal insights into Michael Hawker.

I have had both Australian and international experience in Financial Services over an 18 year period. I have represented our country on the sporting field and am a passionate Australian. I have been an Insurance customer of NRMA for 17 years and this week I made a significant investment in the company by purchasing 100,000 shares.

I look forward to building further what is already a great Australian company.

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