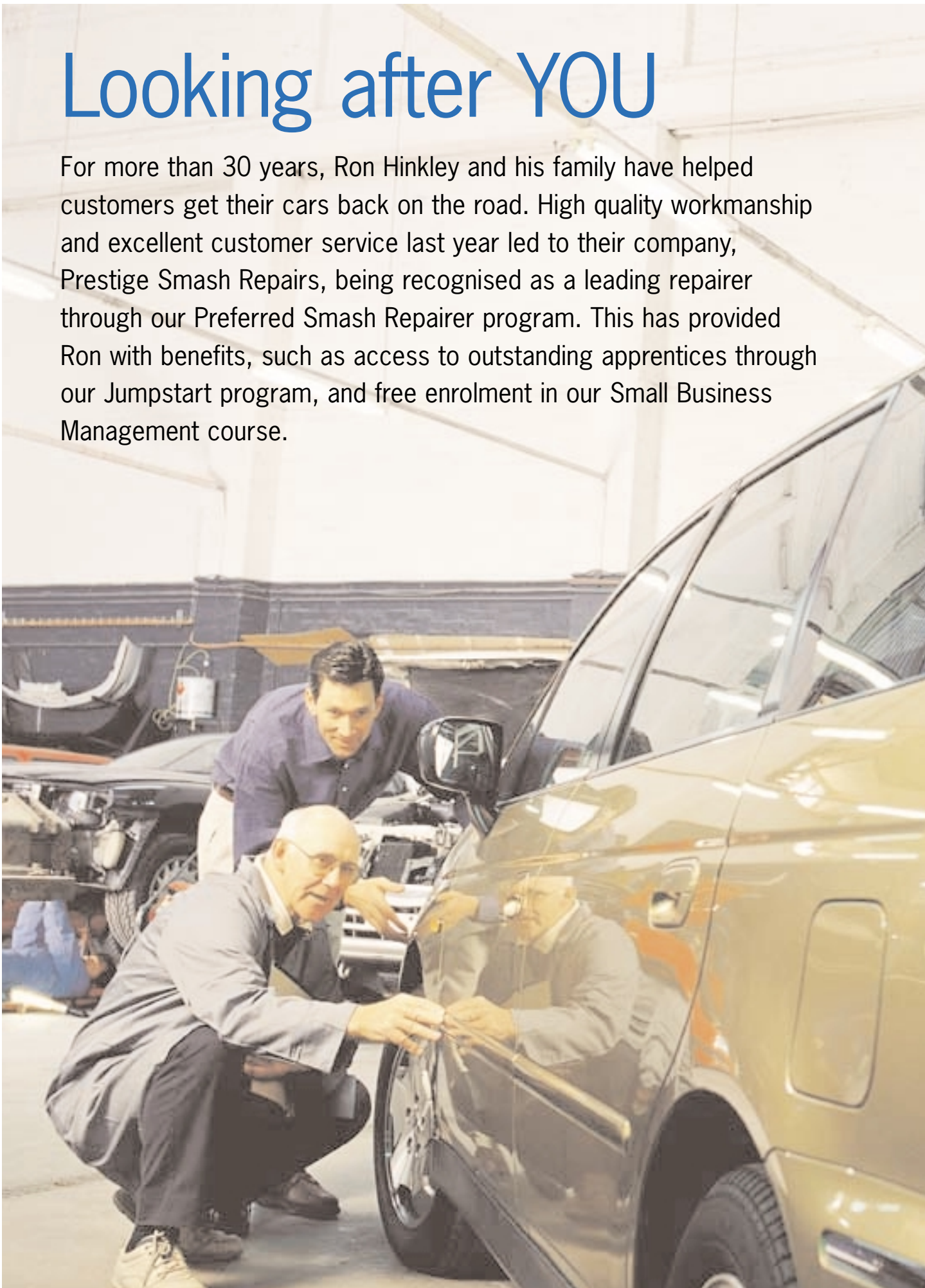


# Looking after YOU

For more than 30 years, Ron Hinkley and his family have helped customers get their cars back on the road. High quality workmanship and excellent customer service last year led to their company, Prestige Smash Repairs, being recognised as a leading repairer through our Preferred Smash Repairer program. This has provided Ron with benefits, such as access to outstanding apprentices through our Jumpstart program, and free enrolment in our Small Business Management course.



# Looking after YOU

We provide more than 3.8 million Australians with peace of mind by offering motor, home, health and compulsory third party insurance.

## Motor vehicle insurance

**Our motor vehicle insurance business continued to perform strongly with gross written premium for the year increasing by 11.9% to \$1.43 billion. Policies in force across the Group now exceed three million.**

Several key initiatives contributed to this performance, including:

- gaining the benefits of the new pricing and underwriting processes implemented during 1999/2000, which significantly improved risk pricing and selection; and
- the Preferred Smash Repairer (PSR) program which contributed to the reduction in the cost of claims and better claims recovery processes.

Insurance Manufacturers of Australia Pty Limited (IMA), our joint venture with RACV, has performed strongly, with both partners enjoying the benefits of their respective brands in New South Wales, the Australian Capital Territory, and Victoria.

This year, IMA, as well as the SGIO and SGIC businesses, moved to a common national information technology product platform. This initiative, together with the integration of back office functions, such as claims processing, has produced considerable operating efficiencies and economies of scale, and strengthened our competitive position.

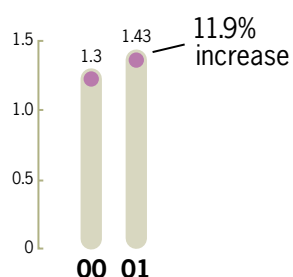
During the year, the PSR program became fully operational in New South Wales and Victoria. The PSR program is an extension of the competitive partnering system and provides customers with access to high quality, guaranteed smash repair services. One of the key advantages of the program is that it reduces the time taken to process a claim, getting customers back on the road faster.

For our repairers, a steadier flow of work has enabled a greater investment in technology, staffing and processes to improve customer service and efficiency.

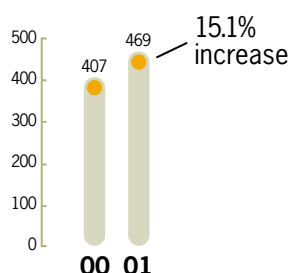
In June this year, we launched a new product, *FordInsure*, enabling all Ford franchise dealers to offer customers drive-away insurance on new and used



**Gross Written Premium –  
Motor Vehicle Insurance** (\$ billion)



**Gross Written Premium –  
Home Insurance** (\$ million)



vehicles. The initiative is one of the first of its kind, and continues our strategy of growing the business through strategic alliances.

Our key priorities for the coming year include improving the features of our policies and working with government and the police to reduce the incidence of car theft and burglary.

Premiums will continue to be adjusted to reflect changes in the cost of claims, in real terms, and to more accurately reflect our customers' risk profiles. We are also working to establish more alliances to continue to develop our business.

## Home insurance

**During the year, more customers chose us than any other insurer to insure their most important asset, their home. The number of policies in force across the Group increased by 5% to almost two million and gross written premium increased by 15.1% to \$469 million.**

As with our motor vehicle insurance portfolios, our IMA, SGIO and SGIC home portfolios moved to a common national information technology product platform. For new policies, this change took place from December 2000, and for renewals, from March 2001.

The introduction of new claims initiatives, such as a telephone claim lodgement service, contributed to our strong performance and delivered many benefits, including a more efficient claims handling process and an improved telephone allocation system. Customers can now simply call us when they need to make a claim and we look after the details for them. Consequently repairs are authorised and carried out more quickly.

The cost of home claims remained high during the year due to the storm activity experienced Australia-wide, particularly in New South Wales.



**“Repeat business is important to us so we make sure our customers are happy.”**

**Ron Hinkley – Prestige Smash Repairs**

# Looking after YOU (continued)

## Health insurance

**During the year, we quickly established ourselves as a competitive force in Australia's health insurance market. Gross written premium increased by 65% to \$120 million and the number of policies in force at the end of June 2001 exceeded 70,000.**

Since launching NRMA health insurance in New South Wales and the Australian Capital Territory 18 months ago, membership in these regions has grown to 20,700 customers. Growth in customer numbers in South Australia and Western Australia was also strong under the SGIC and SGIO brands.

The introduction of the Federal Government's Lifetime Health Cover legislation contributed to our success during the year, and we are well positioned to benefit from other government initiatives in the health sector.

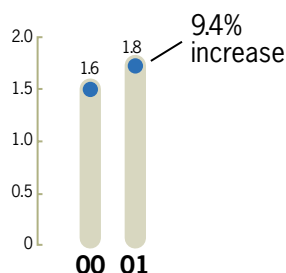
As part of our ongoing review, we introduced three levels of cover for our health extras product this year. This product is much simpler than the products offered by many of our competitors and has been well received by our customers.

We also increased benefits for maternity by introducing a "new mums" product to eliminate the medical gap payments for child delivery. The initiative was publicly supported by the Federal Health Minister, Dr Wooldridge, and gives us a strong competitive advantage. We expect the product will generate steady sales in the coming year.

We anticipate steady growth in our health insurance business during 2001/2002 and will focus on enhancing our products, including health insurance in our multi-policy discount framework, and targeting new customers through marketing campaigns and direct approaches to our corporate insurance customers.

We will also continue our efforts to grow market share in Victoria and have introduced a corporate focus in that state.

### Compulsory Third Party Policies (million)



## CTP insurance

**We retained our position as Australia's leading provider of Compulsory Third Party (CTP) insurance during the year with 1.8 million policies in force. This represents a 9.4% increase on the previous year.**

Gross written premium in all states totalled \$585 million and our market share in New South Wales rose to 40%. We maintained average claims costs, reduced the average claim duration and recorded a claim frequency below the industry average. These achievements, and the changes to the NSW CTP scheme introduced in October 1999, have increased the stability of the NSW scheme.

The increase in market share reflects our competitive pricing and targeted marketing efforts and was achieved amid industry rationalisation.

The number of CTP licences in New South Wales has now fallen to eight.

We currently offer the lowest cost CTP insurance in New South Wales for best-risk customers aged between 25 and 54 and over 55. We are the sole CTP provider in the Australian Capital Territory.

We successfully entered the Queensland CTP market during 2000 and have built a quality portfolio through a targeted direct marketing program.

As the country's largest underwriter and manager of personal injury claims, the Group is well placed to play a leading role in any government initiatives to increase private sector participation in government-underwritten schemes.

In the coming 12 months, we plan to grow market share in Queensland and build on our demonstrated track record of efficient claims management in New South Wales and the Australian Capital Territory.