

2011 INVESTOR BRIEFING

14 June 2011

ABN 60 090 739 923



3 AUSTRALIA DIRECT

Accelerating growth in home markets

ANDY CORNISH
CHIEF EXECUTIVE OFFICER

BUSINESS OVERVIEW

AUSTRALIA'S LEADING DIRECT INSURER



AUSTRALIA DIRECT



Australia's leading direct insurer

- State based brands, leading market positions in NSW and Victoria
- One distribution system[^], pricing engine, claims system
- GWP over \$3.6bn
- Over 3.5m customers[#]; over 4,000 employees
- Multi-product insurer
- Multi-channel model
 - 7 call centres, taking 7 million phone calls annually
 - Face to face network: >230 branches
 - Website
- Around 500,000 short tail claims finalised annually

* RACV is via a distribution relationship and underwriting joint venture with RACV Ltd

[^] Australia Direct does not manage RACV distribution

[#] Excludes Victoria

CURRENT MARKET ENVIRONMENT

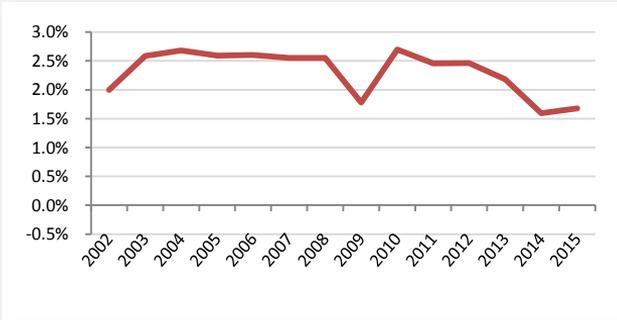
INCREASED COMPETITION



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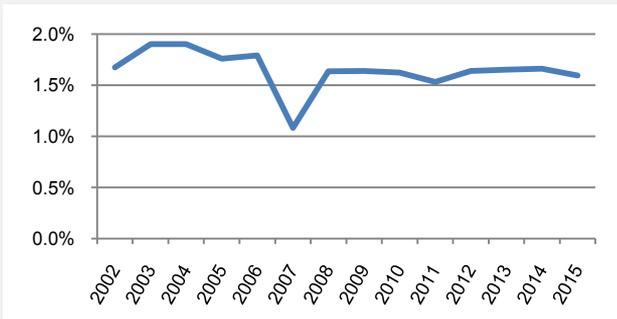
System growth

Motor Asset Base



Source: CARS database/AAI

Home Asset Base



Source: ABS / HIA & internal analysis

Competitive dynamics

- New players pursuing different business models with limited traction
- Mainstream brands not using aggregators
- Competitors' advertising spend remains high
- Reinsurance cost changes affecting pricing
- Consumers remain price conscious, but value and brand are still important
- A number of regulatory issues

OUR ACHIEVEMENTS

PROGRESS AGAINST THE PRIORITIES WE SET IN 2009



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Industry-leading risk selection and pricing

- Further refined technical risk analysis
- Granular pricing at an individual risk address level
- Enhanced optimisation models incorporating competitor insights
- Pricing activities aligned with strategy and market conditions

Customer insights and delivery

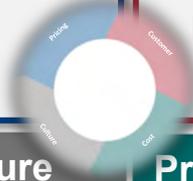
- Customer insights framework, segmentation
- Identified and addressed customer irritants and inconsistent delivery
- Informed product development/enhancements, claims processing, marketing
- Embedded into prioritisation of strategic initiatives

Customer-focused and commercial culture

- Balanced scorecards embedded
- Structured talent management & succession programmes
- Leadership pathway programmes
- New sales and services performance & reward framework
- Performance to Reward strategy drives high performance

Products, services delivered at appropriate cost

- Enhanced expense control discipline and processes
- Improved procurement, HR, operational practices
- Optimised contact centre network
- Established an efficient change management framework
- Refined and improved project management capabilities



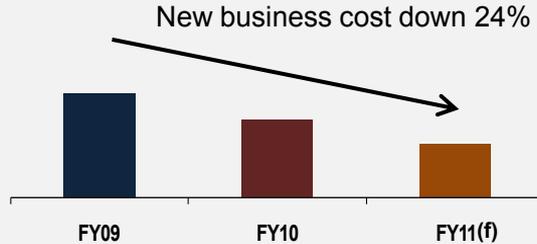
OUR ACHIEVEMENTS

REAL RESULTS DELIVERED

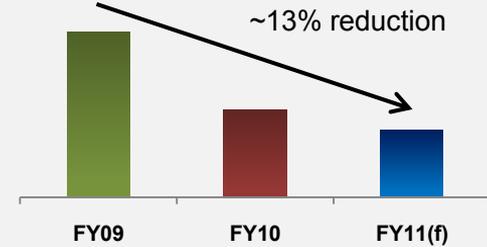


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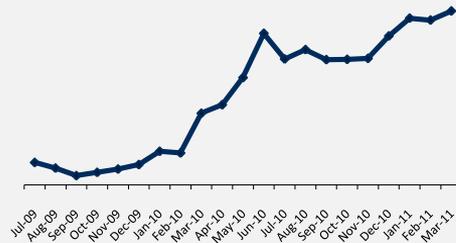
Marketing spend stable, effectiveness up



Tighter expense management

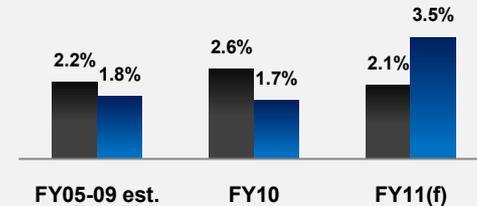


Internet sales trebled since July 2009



Business now achieving profitable, above market, growth

■ System growth ■ RIF growth



Market data sources: AAIR, RTA, ABS/HIA, MAA, MAIC & internal analysis (CTP data includes ½ and ¼ yearly policies)

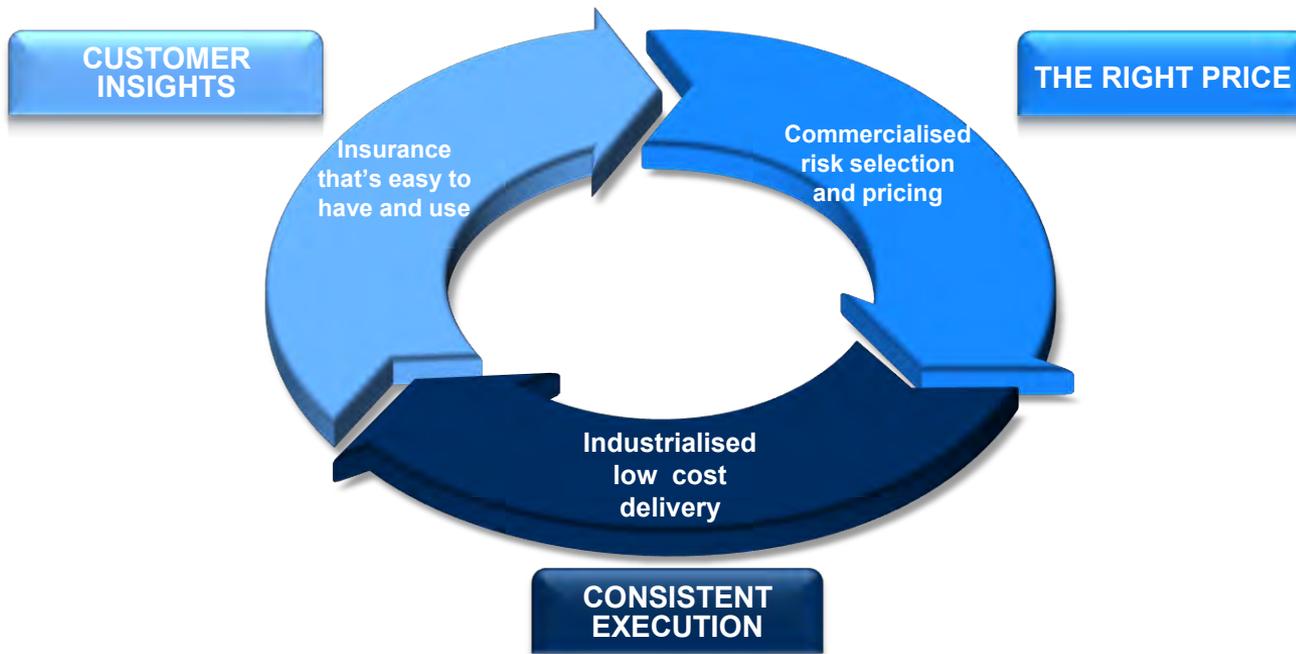


FOCUS FOR THE FUTURE

STRATEGIC DRIVERS OF SUSTAINABLE, PROFITABLE GROWTH



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Customer led insurance that is easy to have and use, is delivered consistently, and is reasonably priced





Immediate focus

- Further improve marketing effectiveness
- Maximise multi-distribution model
- Further enhance risk selection and pricing
- Skilfully manage reinsurance costs
- Embed and use customer insights
- Roll out a flood product in Queensland and Victoria
- Continue to refine supply chain
- Continue cultural realignment

Organic growth opportunities

Maximising the value of the existing customer base

- Cross-selling and up-selling products

Attracting new customers

- Fully capitalising on existing brands

Product and service innovation

- New products or product enhancements
- Remove customer irritants
- Service innovation



Short term

- Maintain profitable growth momentum
- Reinsurance rates may place pressure on margin
- Continued focus on development of strategic drivers to support above system growth

Long term

- Recovery of reinsurance expenses
- Continue to leverage strategic drivers to fuel profitable growth momentum