

**Insurance Manufacturers of Australia Pty Limited**

Following agreement in May 1999 by NRMA Insurance Limited and RACV to merge their NSW and Victorian personal insurance underwriting and claims handling operations into Insurance Manufacturers of Australia Pty Limited (IMA), development of the joint venture progressed significantly during the 1999/2000 financial year.

As part of the agreement, each company retains exclusive control of distribution, marketing and retail in their home state. To build on existing brand strength in Victoria, NRMA Insurance Group customers will be migrated to RACV upon policy renewal.

In early December 1999 IMA formally commenced operation, and on 12 June 2000 NRMA Insurance and RACV launched their new policy cover which provides considerable benefits to customers of both organisations.

**Motor**

The 1999/2000 financial year was the first year of IMA manufactured motor insurance products distributed under the NRMA Insurance brand in NSW. This has proven to be very successful, and it is planned that all comprehensive motor insurance policies branded under NRMA Insurance, SGIO and SGIC will, in time, be produced and distributed in this manner.

With the inclusion of SGIO and SGIC motor policies in WA and SA, the NRMA Insurance Group is the leading national insurer of motor vehicles.

Strong growth was recorded in all States. The comprehensive motor vehicle book in NSW and Victoria, however, returned lower than expected net results for the year, primarily due to an increase in cost of claims. Principal causes include a high number of collision and theft claim lodgements in both NSW and Victoria and a higher than expected average cost of claims following both the Sydney hailstorm in April 1999 and the depreciation of the Australian dollar, which increased the cost of imported parts.

Going forward, a review of underwriting and pricing policies is expected to control the growth in the number of claims lodged. Additionally, several claims initiatives planned for the first half of 2000/2001 financial year and greater capacity in the smash repair industry are expected to reduce the average cost of claims.

**Home**

NRMA Insurance's home insurance products in NSW were also manufactured by IMA during the 1999/2000 financial year. The home insurance portfolio grew solidly nationwide and finished the year in a strong financial position. The NRMA Insurance Group is now the leading insurer of domestic homes in a majority of Australian states.

Additional benefits were added to the Home Buildings and Contents cover in the eastern states, including cover for flash flooding and the development of a combined Buildings and Contents policy. NRMA Insurance continued to recognise customer loyalty with the introduction of the 'Years of Insurance' discounts. These discounts provide lower premiums to customers who have held Building and Contents insurance with the company for more than 5 years.

NRMA Insurance's Home Security business recorded steady growth and contributed its first profit to the Group.

home



#### Health

On 26 February 2000, NRMA Insurance launched its Health Insurance operation in the NSW market. The aim of the launch was to provide customers with a viable alternative to existing health insurers and to build upon the skills and expertise of the health insurance operation purchased as part of the SGIO Group.

As at 30 June 2000, the number of policies issued in NSW under NRMA Health was 21,000, with another 3,000 joining in the period to 15 July 2000 – the Lifetime Health Cover deadline.

In addition to the successes in NSW, the business continued to grow well in both SA and WA. The total fund now covers over 170,000 people in Australia for private health insurance, a growth of over 64% on last year.

It is expected that the retention of the 30% Government rebate and Lifetime Health Cover will mean continued growth for the business.

#### Commercial

Following the acquisition of the SGIO Insurance Group, NRMA Insurance became a major provider of Commercial Insurance services to the business sector in WA and SA. Commercial products include Workers' Compensation, Motor Fleet, Liability and Property Insurances.

The Commercial Insurance business grew strongly during the 1999/2000 year, with earned premium increasing by 12.5%. A range of business package policies were successfully launched in NSW for the small to medium enterprise market. Specialist products have been developed for the Rural, Motor Trade and Small Business markets.

The Commercial Insurance market experienced a firming of prices during the year, following a period of substantial rationalisation in the insurance market, and underwriting results are expected to continue to improve. In particular, the NRMA Insurance Group is a major insurer in the WA Workers' Compensation system, and the recent changes in legislation appear to have stabilised claims costs and will provide a more positive underwriting environment.

Growth plans for the NRMA Insurance Group's Commercial operations concentrate on expanding its product range to the small to medium enterprise markets to capitalise on the existing customer base of the NRMA Insurance Group and extensive distribution network.

#### CTP

The market share of vehicle registrations for Compulsory Third Party Insurance (CTP) in NSW during the year reached approximately 36%. The NRMA Insurance Group remains the sole CTP insurer in the ACT, and SGIC manages South Australia's CTP claims for the Motor Accident Commission.

NRMA Insurance strengthened its position as Australia's leading private CTP insurer by entering the Queensland market in April 2000. A new Brisbane-based claims operation is also handling northern NSW CTP claims.

October 1999 saw the most significant change in more than a decade for CTP in NSW with the commencement of the *Motor Accident Compensation Act 1999*. A new emphasis was placed on faster payment for treatment and encouraging claimants to focus on recovering from injuries, rather than pursuing compensation unless permanent impairment is suffered. The pay-off for NSW motorists is substantially lower CTP premiums.

NRMA Insurance worked closely with the NSW Government in developing the new Act and has embraced the spirit of the Act with competitive premiums and a number of claims management innovations. There was also a major effort to finalise older NSW claims, with the number of unresolved matters from accidents occurring before 1999 reduced by almost 60%.

health

