

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.

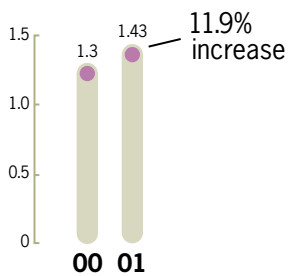
During the year, the PSR program became fully operational in New South Wales and Victoria. The PSR program is an extension of the competitive partnering system and provides customers with access to high quality, guaranteed smash repair services. One of the key advantages of the program is that it reduces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

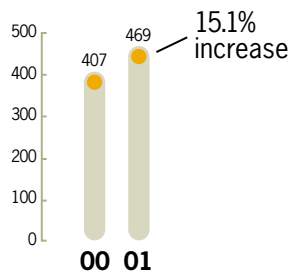
In June this year, we launched a new product, *FordInsure*, enabling all Ford franchise dealers to offer customers drive-away insurance on new and used



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 has grown in these regions 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.

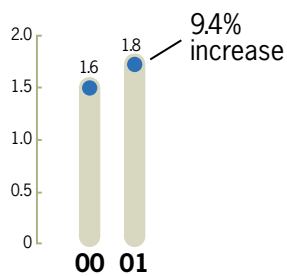
As part of our ongoing review, we introduced three levels of cover for our health extras product this year. This product is much simpler than the products offered by many of our competitors and has been well received by our customers.

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.

Looking after YOUR BUSINESS

We broadened our range of services this year by offering small business customers commercial insurance to protect their most valuable asset – their livelihood. Now insuring your business takes only one telephone call.

Commercial insurance

We enjoyed significant growth in the number of business customers insured during the year. Gross written premium increased by 16% to \$151 million which was consistent with the increase in the number of policies in force.

In the past 18 months, we have launched three new business package policies – business, rural and motor trade. The business policy includes cover on buildings, contents and liability insurance. The rural policy is specifically tailored for farming businesses. The motor trade policy addresses insurance needs in that sector.

In February 2001, we also launched the EasyBiz product to small and medium sized businesses. EasyBiz is the only product in Australia that allows small business owners to insure their businesses over the telephone, without having to fill out a single form. It reflects our philosophy of producing simple to use and easy to understand products for our customers.

“Just like SGIO, we have a good reputation that has been achieved through hard work.”

**Nellie Jones – Hampton
Transport Services**



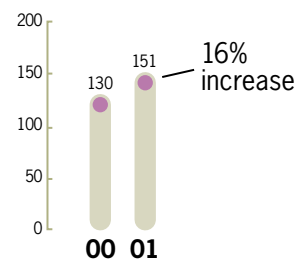
The product covers all key insurable risks, including fire, liability, business interruption, burglary, transit, money, glass, motor and personal accident. To date, it has been tailored for 49 trades and 56 types of small businesses, including retail, hospitality and office premises. The product was developed in response to research which revealed small to medium sized businesses were dissatisfied with the current commercial insurance products available in the market.

Since the launch of EasyBiz in February 2001, total business insurance sales have increased significantly with 4,000 sales in the six months to June 2001 compared to 1,800 in the first half of the financial year.

In addition to our range of business policies designed for the small to medium sized business market, we are also a major insurer of motor fleet business, supported by our nation-wide motor vehicle repairer network.

We are confident our commercial insurance business will continue to grow during the next 12 months as we launch EasyBiz in South Australia, Western Australia and Victoria.

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



Looking after YOUR BUSINESS (continued)

Workers' compensation insurance

We have provided workers' compensation insurance since 1998, utilising the skills built up by SGIO over many years.

We expanded this business further in March this year when we acquired HIH's Australian workers' compensation portfolio. Workers' compensation was a core business of the failed HIH Insurance group and one of its best performing and profitable lines in Australia.

The acquisition of the ex-HIH portfolio enabled our workers' compensation business to become truly national, and contributed to a 123% increase in gross written premium to \$190 million.

The number of policies in force increased by 52% to more than 20,000.

The business acquired from HIH included the new and renewal portfolios for the risk states and territories of Western Australia, the Australian Capital Territory, Tasmania and the Northern Territory.

We also took up the opportunity to assume the claims management contracts HIH had with governments of other states who underwrite workers' compensation.

Our two key challenges since the acquisition have been making payments to injured workers and employers with outstanding workers' compensation claims and ensuring that HIH's former clients renewed their business with us.

Claims payments continued with minimal disruption due to the efforts of the ex-HIH staff who joined us and the vast majority of former HIH clients have now renewed their policies. We have also attracted several new clients to the portfolio. Our reputation as a leading personal injury claims manager in Australia and NRMA Insurance Limited's AA+ credit rating were important factors in those decisions.

We are confident the integration of the acquisition with our existing portfolio will deliver revenues, profits and synergies.

The performance of the workers' compensation portfolio showed further improvement this financial year as the current scheme in Western Australia (as amended in October 1999) continued to stabilise.

In the coming 12 months, we plan to package our workers' compensation product with other products to businesses, and grow our market share in both risk and non-risk jurisdictions.

We are well placed to benefit from new claims management arrangements in New South Wales and Victoria, and will investigate emerging claims management opportunities in Queensland.

We will also conduct pilot programs for new injury management and return to work models which improve the outcome for injured workers and their employers and thus reduce the cost of claims.

Looking after YOUR FUTURE

We have announced our intention to focus on meeting our customers' needs through strengthening our retirement services business. Our team of financial advisers helps customers build their wealth by providing sound financial advice and offering easy to understand superannuation, managed investment and life insurance products.

Retirement services

In June this year, we announced plans to concentrate on retirement services by providing simple and easy to understand advice to help take the worry out of retirement. We will use our financial planners and a specialist telephone support centre to target middle Australians planning or managing their retirement. We believe this customer segment is not well served by the market at present and will find the NRMA brand and values credible and relevant.

Our advice will cover superannuation, non-superannuation managed funds, allocated pensions and life cover.

We believe our customers will respond well to a product offering that is simple and trustworthy.

During the next few months, we plan to release additional offerings and improve our existing products. We will also improve our service by establishing a new support centre to handle investor enquiries.

As a consequence of our new focus on retirement, we have decided to sell our building society.

Asset management

NRMA Asset Management outperformed the market in our two key portfolios of fixed interest and Australian equities. The fixed interest portfolio produced a return of 7.6% compared to the overall market average of 7.0%, and Australian equities returned 10.5% against a market return of 9.1%.

Our overseas investments shadowed the market in producing a negative return for the year, although the positive value added by this portfolio over the last three years has been substantial.

Funds under management are currently \$9.9 billion.



“Investing can be easy to understand if you speak to the right people.”

Julie Berry – Financial Adviser

Expanding GLOBALLY

In February 2001, we became New Zealand's largest general insurer through our acquisition of State Insurance for \$325 million.

We now hold 20% of New Zealand's insurance market.

The State Insurance acquisition contributed gross written premium of \$139 million to our performance this year and met our strategic objectives of:

- **growing our share of the general insurance market;**
- **achieving greater geographical diversity;**
- **expanding our product range;**
- **strengthening our commercial product lines; and**
- **increasing the efficiency of our balance sheet.**

State Insurance enjoys strong brand recognition in New Zealand. Its 20% share of the general insurance market comprises 35% of the motor market, 28% of home contents insurance and 16% of the fire insurance market. State Insurance also offers commercial insurance.

We anticipate that changes to State Insurance's distribution and claims network, back office processing, reinsurance costs and administration will deliver around \$10 million in cost savings annually and that State Insurance will be earnings per share positive within 18 months of acquisition. State Insurance is part of our current international portfolio, which also includes a 20% interest in Safety Insurance Public Company Limited in Thailand and a 99% holding in Beijing Continental Automobile Association Limited, a road service joint venture operating in Beijing in the People's Republic of China.

Moving our business ONLINE

In response to the growing number of customers and suppliers keen to conduct their business online, we developed our website offerings.

Currently, we provide services to more than 900,000 customers making us the insurance industry eLeader.

Our vision is for eCommerce to become a key driver of our future profitable growth by improving our customers' experience and the efficiency of transactions. Working toward this vision, we have implemented a number of key initiatives in the three vital eCommerce areas of Business to Customer (B2C), Business to Business (B2B) and Business to Employee (B2E).

The first step was to position the organisation within the online market by allowing customers to perform all their home, CTP and motor insurance business online. We currently provide around 70,000 quotes over the Internet each month and generate 5% of our general insurance transactions through our website, making us a market leader in online insurance.

During the year, we introduced a new eProcurement platform that automates our B2B purchasing and has already achieved major cost savings. This investment has the potential to achieve cost savings of between 5% and 7% of total Group expenses in the next two years. We have worked with many of our business partners to streamline our processes, making our relationships more effective and efficient.

eCommerce is, and will continue to be, a key driver in innovating our processes and products.

Looking to the year ahead, we plan to continue to invest further in eCommerce to provide new online offerings to our customers and extend our procurement platform to our claims systems.

When you need us MOST

We have a strong commitment to our customers, staff, shareholders and the community.

We are well-known for providing help to our customers when they need it most. We provide peace of mind through insurance and support a sponsorship program that provides vital emergency help to community members in need.

Our sponsorship and community relations program focuses on key areas relating to our business and addresses the important issues of:

- providing help after an accident or emergency;
- reducing theft in the community;
- helping disadvantaged community groups; and
- helping young people and those with a disability to reach their full potential.

The program has helped establish us as one of Australia's leading community advocates. Projects in which we have been involved in the past 12 months include:

“With NRMA’s help, women’s wheelchair basketball has gone from strength to strength.”

Janet McCulloch – Women’s Wheelchair Basketball League Administrator



Emergency helicopter rescue services

Together with NRMA Member Services we have been the major sponsor of the NRMA CareFlight medical retrieval service in New South Wales for more than 10 years, providing vital support to residents of New South Wales.

The NRMA CareFlight helicopter rescue service is an essential part of the State's Emergency Services and provides lifesaving medical treatment and emergency transport to people outside the reach of conventional medical services.

Research shows an extra 19 out of every 100 trauma patients would die without the operation of emergency helicopter rescue services such as NRMA CareFlight.

This year, our financial support of \$750,000 has helped NRMA CareFlight purchase a second helicopter to provide swift assistance to people in Central Western New South Wales.

The Salvation Army Salvo CareLine

Our support after a major emergency doesn't stop at paying claims. Through our sponsorship of the Salvo CareLine, we help rebuild the lives of our customers who have experienced trauma or loss.

Our current sponsorship of \$500,000 per year helps The Salvation Army operate its much-needed telephone counselling service 24 hours a day, seven days a week. More than 2,000 people across Australia use this service each week for advice and guidance.

Our support has also enabled the Salvo CareLine to introduce a new 1300 number so regional and country residents can telephone from STD areas for the price of a local phone call.

Safer communities

To help address the causes of crime in the community, we have been successfully operating an NRMA CrimeSafe program in New South Wales, the Australian Capital Territory and Queensland for the past four years.

NRMA CrimeSafe combines social and educational programs to keep the community up-to-date with latest security tips, while also addressing the social factors that can lead to crime.

This year we expanded the CrimeSafe program to Western Australia by announcing \$50,000 in grants for youth crime prevention programs aimed at reducing risk-taking behaviour in young people.

In October, the grants were presented to seven community groups that help to build trust and a greater sense of connection between young people, their families and the community.