



**NOBLEOAK**

# **FY23 FINANCIAL RESULTS**

AUSTRALIA'S FASTEST-GROWING DIRECT LIFE INSURER

NobleOak Life Limited

31 August 2023

# Agenda and presenters

**01** FY23 highlights

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**02** Financial results

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**03** Business update

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**04** FY24 outlook

—

**05** Q&A



**Anthony Brown**  
*Chief Executive Officer*



**Scott Pearson**  
*Chief Financial Officer*



# 01 | FY23 highlights

## FY23 highlights

### *In-force premiums ahead of guidance*



**Strong in-force premium growth ahead of FY23 guidance**

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**H1 sales were impacted by lower market activity, with improvement in H2**

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**Underlying gross insurance margin of 11%, with claims and lapse experience ahead of industry**

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**Financial discipline retained amid significant investment, with rising interest rates a tailwind**

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**Sound regulatory capital position confirmed after ACRC mitigation actions implemented**

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# FY23 financial highlights

## Continued growth in premiums and profits

In-force premiums<sup>1</sup>

**\$315.9m** ▲

+24% vs. FY22

New business

**\$46.2m** ▼

-24% vs. FY22

Active policies<sup>1</sup>

**120,000+** ▲

+16% vs. FY22

Net insurance premium revenue

**\$77.6m** ▲

+22% vs. FY22

In-force premium market share<sup>3</sup>

**2.7%** ▲

+0.2ppts vs. Jun-22

New business market share<sup>3</sup>

**13.0%**

3% above target

Lapse rate<sup>1</sup>

**8.1%** ▲

+2.8% vs. FY22

Underlying NPAT<sup>2</sup>

**\$10.3m** ▲

+9% vs. FY22

1. Excludes Genus.

2. A reconciliation between Statutory NPAT to Underlying NPAT is provided on slide 27 of this presentation.

3. As at 31 December 2022. Market share calculated by dividing NobleOak's total in-force premiums and new business sales by APRA's Quarterly life insurance performance statistics.

# Operational and strategic highlights

Strong progress on key strategic initiatives and delivering on our ESG commitments

**Australia's most awarded direct life insurer**

**Market-leading customer satisfaction**

**Continued progress on ESG commitments**

**IT and data transformation to build on growth foundations**

**New alliance partnerships and strong pipeline**

**Developing market-leading omnichannel user experience**



## 02 | Financial results

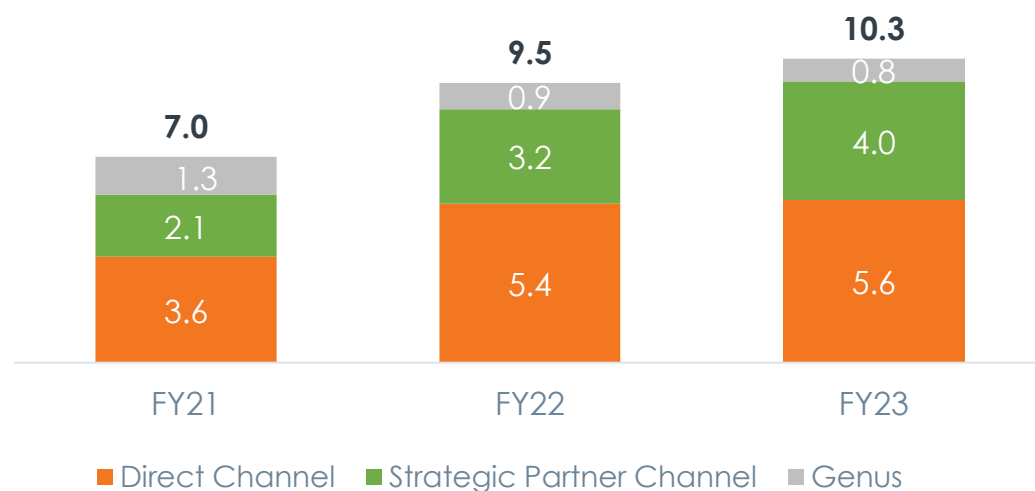


# Group financial performance

## Key financial metrics

\$m/%	FY23	FY22	Var
In-force premiums at period end (ex-Genus)	<b>315.9</b>	254.6	+24%
New business	<b>46.2</b>	60.9	(24%)
Net Insurance Premium Revenue	<b>77.6</b>	63.7	+22%
Underlying Gross Insurance Margin	<b>11%</b>	14%	(3 pts)
Administration Expense Ratio	<b>7%</b>	9%	+2 pts
Investment Return (% of insurance Premium)	<b>1.2%</b>	0.1%	+1.1 pts
<b>Underlying NPAT</b>	<b>10.3</b>	9.5	<b>+9%</b>

## Underlying NPAT (\$m)



## Commentary

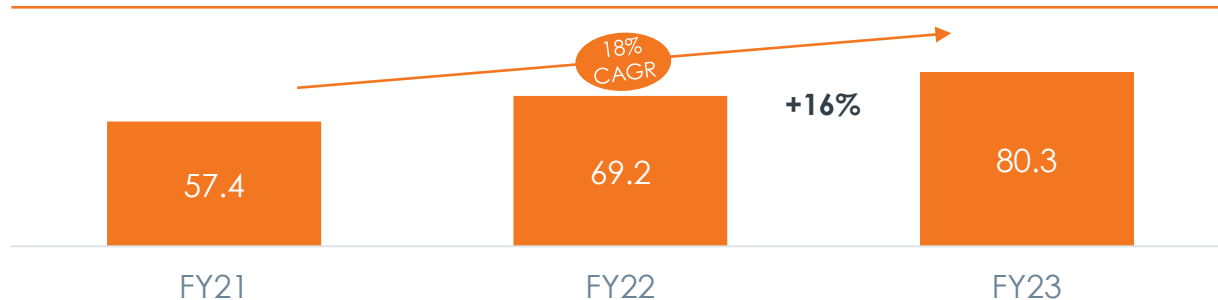
- Active policies up 16% to over 120,000, driving strong in-force premium growth ahead of FY23 guidance
- H1 sales impacted by lower market activity, before recovering in H2 as NobleOak continues to gain market share
- Underlying gross insurance margin of 11%, impacted by changing actuarial assumptions, lapse rate normalisation and ACRC<sup>1</sup> mitigation actions
- Claims experience and lapse rates remain better than long-term expectations and industry averages
- Financial discipline retained in period of significant investment
- Rising rates a tailwind for investment returns, with average return on invested assets of 3.2% (FY22: 0.3%)

1. Asset Concentration Risk Charge

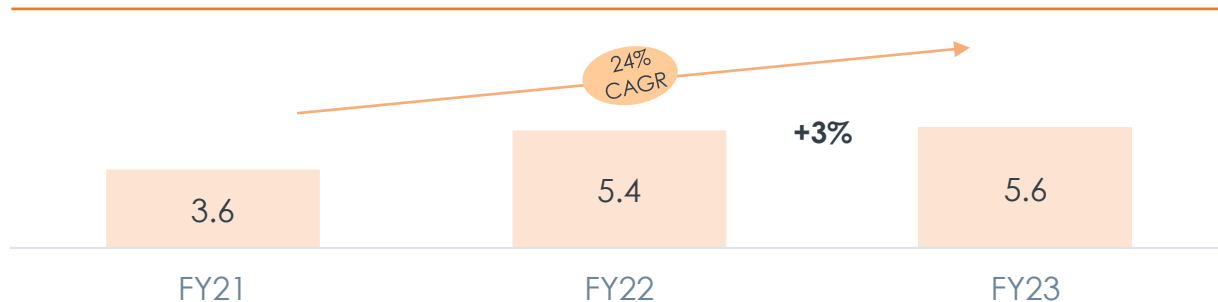


# Direct Channel

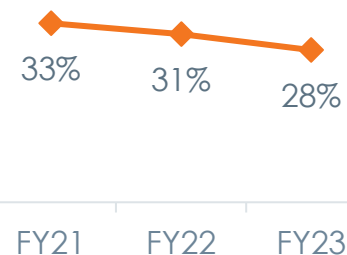
## In-force premiums (\$m)



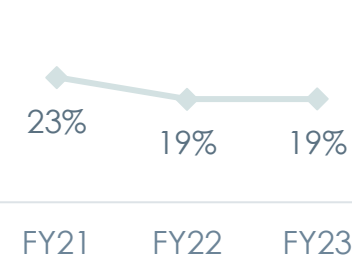
## Underlying NPAT (\$m)



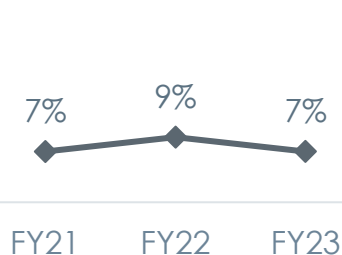
### Underlying gross insurance margin



### Underlying Administration expense ratio



### Underlying NPAT margin



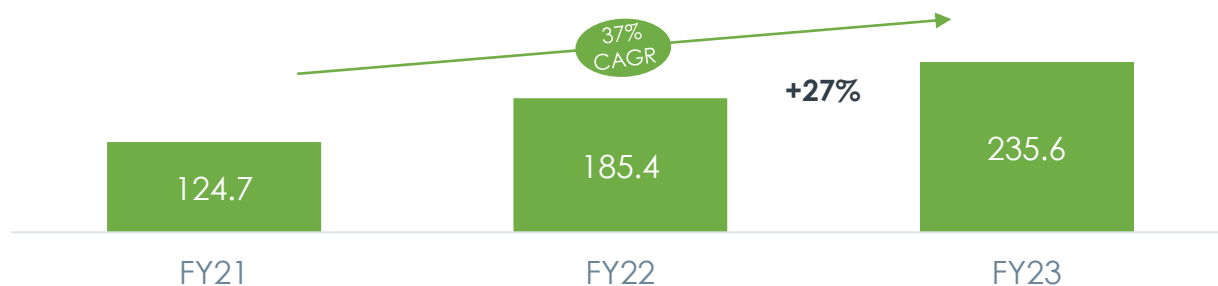
## Commentary

- Direct policy count up 13% to over 45,000, driving strong in-force premium growth
- Sales improved in H2 to finish ahead of FY22 after a slow H1 for the market
- Market share growth continues to be driven by investment in brand and technology, with new distribution partners building momentum
- Lapse rates continue to normalise, remaining well below industry average at 10.6%
- Insurance margin remains strong, impacted by higher lapses and strengthen claims reserves
- Claims experience remains better than industry, with reinsurance strategy mitigating impact of changing actuarial assumptions
- Expense ratio stable, with operating leverage offsetting additional expenses for building capability and regulatory undertakings

1. APRA quarterly life insurance performance statistics, December 2022. Data is only available six months in arrears.

# Strategic Partner Channel

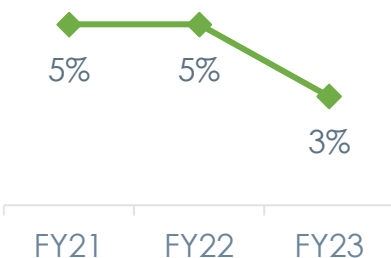
## In-force premiums (\$m)



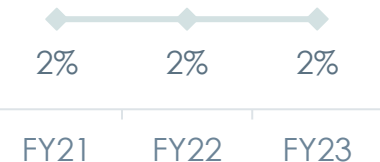
## Underlying NPAT (\$m)



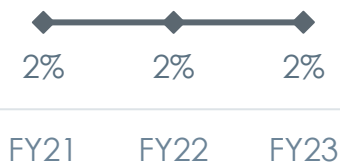
### Underlying gross insurance margin



### Underlying Administration expense ratio



### Underlying NPAT margin



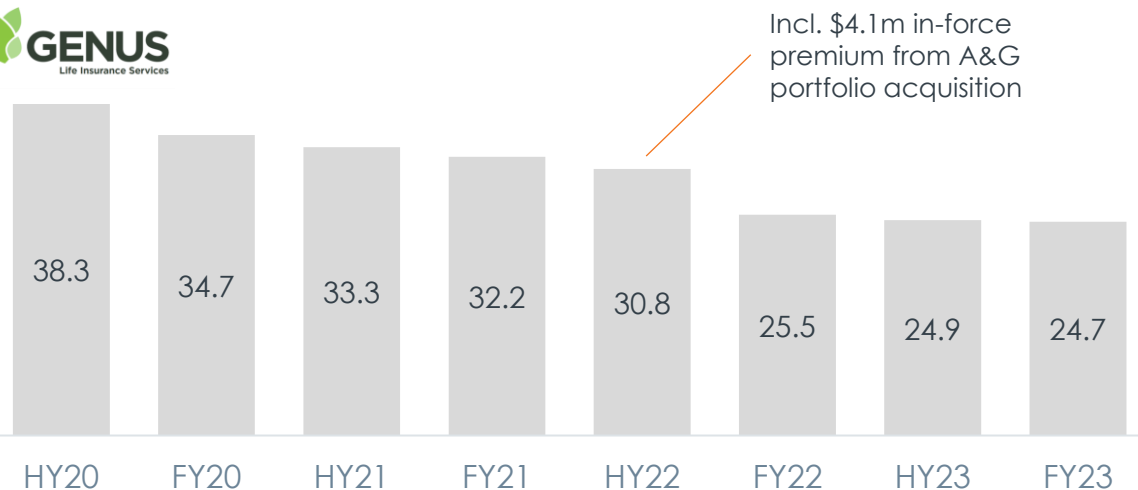
## Commentary

- Advised policy count up 18% to over 74,000, driving strong in-force premium growth
- Contemporary products, high quality service and strategic partnerships continue to deliver market share gains and in-force growth
- Fewer industry advisers, less switching activity and high pcp sales impacted new business growth, which improved in H2
- Lapse rates normalising but remain well below market at 7.2%
- Insurance margin impacted by mix shift and changing actuarial assumptions, with claims experience remaining better than the industry
- Stable expense ratio and higher investment returns preserve overall margin
- Risk retention remains low, reducing profit volatility

## Key financial metrics

\$m / %	FY23	FY22	Variance
In-force premiums under management	24.7	25.5	(3%)
Administration Expenses	5.2	6.1	(15%)
Amortisation of Portfolio Acquisition Cost Included in Administration Expenses	0.3	0.3	18%
<b>Underlying NPAT</b>	<b>0.8</b>	<b>0.9</b>	<b>(8%)</b>

## Genus in-force premiums under management (\$m)

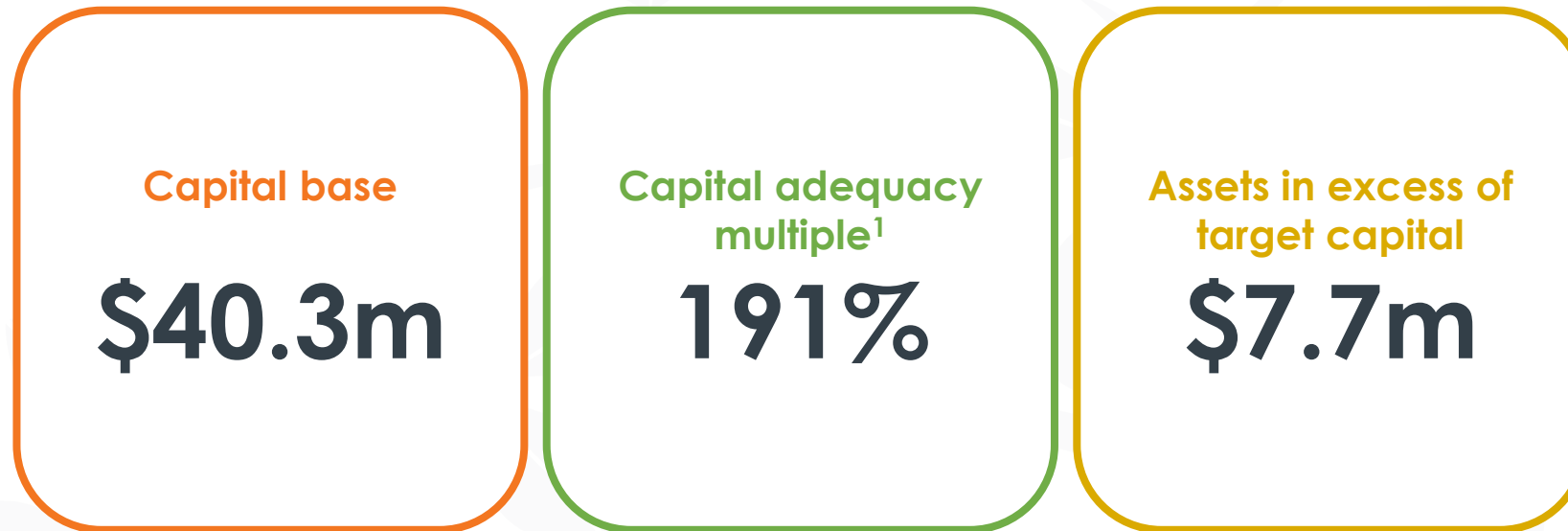


## Commentary

- In-force premiums under management reduced by less than expected due to favourable lapse experience
- Material lapse improvement since Freedom portfolio remediation concluded in April 2022
- Underlying NPAT reduced in line with in-force premium under management

## Capital position

*Sound regulatory capital position*



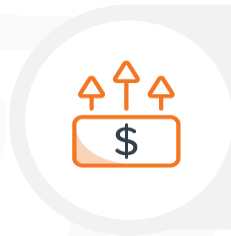
# Reinsurance asset concentration

## ACRC mitigation actions successfully implemented

Action	Description	Quantum	Financial impacts
<b>Claims settlement arrangements</b>	Funds from reinsurers provided on 'claims reserved' rather than 'claims paid' basis	\$12 million	No investment returns on assets
<b>Deposit back arrangements</b>	Reinsurer provides assets as security over reinsurance exposures	\$97 million	Fees to reinsurers offset investment returns
<b>Letters of Credit (LOCs)</b>	Bank guarantees providing security against default risk of reinsurance asset exposures	\$66 million	Incremental interest costs in line with market rates (~90bps)



**APRA confirmed new arrangements meet prudential standards**



**Continue to explore more efficient long-term options**

# AASB 17 implementation

*Accounting standard designed to improve transparency & comparability between insurers*



**No impact expected to financial strength or claims payment ability**

**Accounting Changes**

1. Policy liabilities to include explicit risk margin
2. Insurance & reinsurance contracts assessed independently
3. Profit to be released in line with provision of service rather than pattern of risk taken
4. Onerous contract assessment is required at more granular level

**Balance Sheet Impact**

1. Material reduction in net assets expected at transition date (30 June 2022), largely due to expected write down of deferred acquisition costs
2. This results in a significant carry-forward tax loss

**Profit and Loss Impact**

1. Profit likely to be more volatile given potential mismatch between insurance & reinsurance contracts, and more granular assessment of onerous contracts
2. Timing of Profit release to change albeit no change to overall profit across policy life cycle
3. Implementation costs to be incurred



## 03 | Business update

# Direct Channel

Unique brand, market-leading service and diversified distribution driving growth



Australia's most awarded direct life insurer

Named #1 sales contact centre in Australia by GRIST

2-year project roadmap to enhance Direct experience

Brand investment driving increased recognition



Strong momentum from white-labelled partnerships

17 professional associations with over 400,000 customers

40+ alliance partners, 4 new in FY23 and strong pipeline

Costco partnership<sup>1</sup> provides access to >1m customers

1. Costco partnership signed in August 2023



# Strategic Partner Channel

*Partners continue to outperform the advised market*



New products and pricing drove in-force market share up to 2.2%



Multiple awards for products and service for PPS and NEOS



Claims and lapse experience remains ahead of industry



Final stage of PPS reinsurance tender to support ongoing growth



PPS grew its addressable market by adding new eligible occupations

# IT transformation

*Revolutionising the way customers interact with our products and services*

## Key deliverables

<p><b>System upgrade</b> Moving to new secure cloud-based platform</p>	<p><b>Self service portal</b> Online customer portal enables customers to modify and update their policies</p>	<p><b>Front-end integration and data warehouse</b> Centralised data capture and analytics tools to support sales, servicing and reporting</p>	<p><b>Omnichannel experience</b> Delivering a leading edge omnichannel experience for our customers</p>
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**FY23-FY25+**

<p><b>Enhanced customer journey</b> Providing 360° view of customer, with integrated support services, AI-enabled chat and call center</p>	<p><b>System and service automation</b> Automate client forms, processes and finance functions</p>	<p><b>Data insights</b> Centralised data management delivering actionable insights, predictive capabilities and strategic agility</p>	<p><b>Product simplification</b> Simplified products provide easier customer access and opens new distribution opportunities</p>
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## Outcomes

# Continued progress on our ESG commitments

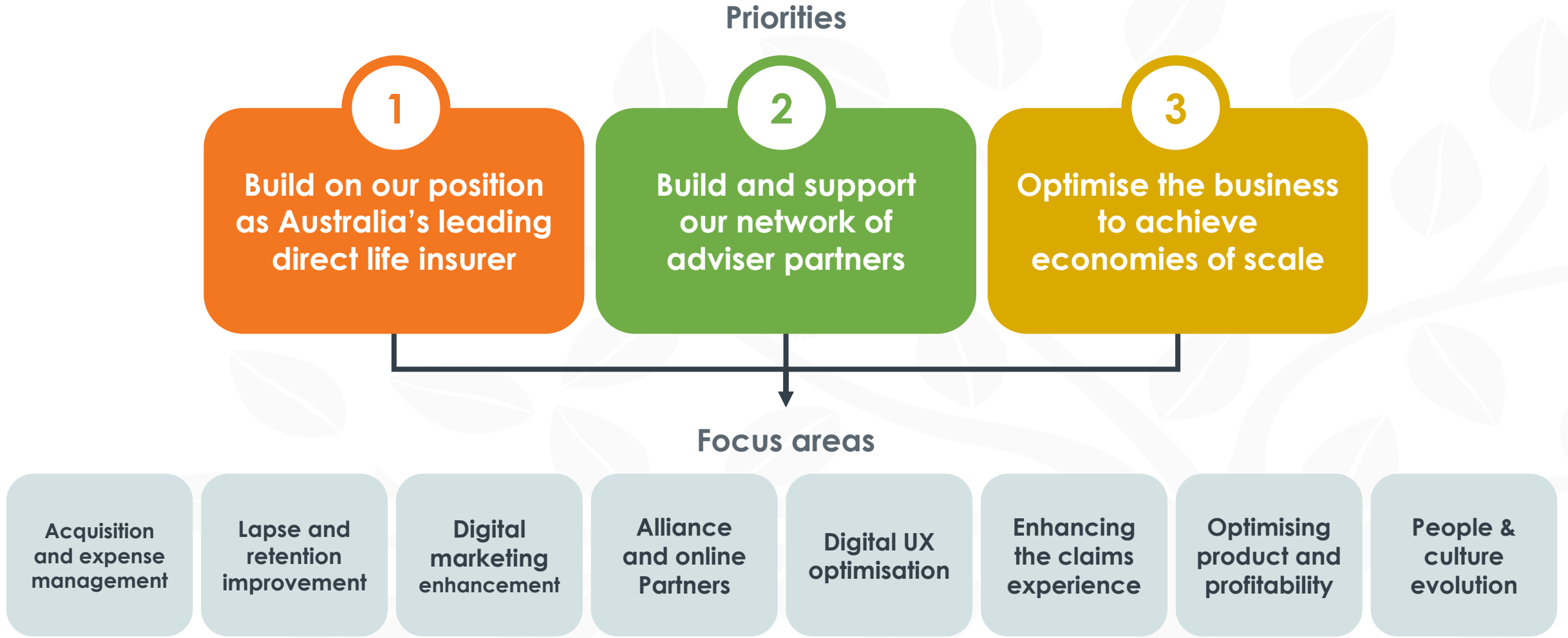


	ESG focus area	Key metrics	Target(s)	By when	FY23 progress
Environment	Climate change	Carbon emissions	Net zero by 2030	30 Jun 2030	Purchased 2609 ACCUs for 2021/2022 to be Carbon Neutral (for business operations) by Climate Active
	Recycling	Recycling of our office waste	50% reduction in total office waste	3 years	Recycling currently at 36.1% achieved by 2024
	Paper	Reduction in office paper usage	30%	2-3 years	On track to achieve 30% reduction paper purchase /usage by 2025
Social	Workplace multicultural diversity	Team members from diverse cultural backgrounds outside of Australia	40%	Now	70.5% of employees identify with an ethnicity from outside Australia
	Workplace gender diversity	Employees identify as female	40%	Now	57.9% of employees currently identify as female
	Leadership gender diversity	Senior Leadership Team members identify as female	30% by FY22 35% by FY23 40% by FY24	Now	40% of SLT members currently identify as female
	Human rights & Modern Slavery	Commitment to Human Rights	Adhere to Human Rights policy	Now	Publication of Modern Slavery Statement and screening of suppliers
Governance	Board diversity	Board members identify as female	30% FY22 40% by FY24	31 Dec 2021	33.3% of Board Members currently identify as female
	Ethical standards	Score all employees on cultural adherence, including nobility/integrity	100% target with a minimum score of 90%	Now – in annual staff survey	Employee engagement survey includes culture, leadership and values questions. Employee performance evaluation considers demonstration of values.
	Linking E&S with executive remuneration	Incorporate culture/values measure in each manager's STI	100% of STI programs by October 2022	1 Oct 2022	Culture measure implemented to include purpose, leadership, values and employee retention



## 04 | FY24 outlook

# FY24 strategic priorities



# FY24 strategic initiatives



Build on our position as Australia's leading direct life insurer	Build and support our network of adviser partners	Optimise the business to achieve economies of scale
<ul style="list-style-type: none"><li>• Launch new Direct features including live chat, digitised forms and digital bookings</li><li>• Introduce streamlined digital express applications</li><li>• Integrate AI to deliver market-leading omnichannel experience</li><li>• Accelerate growth from white-label partnerships through targeted marketing investment</li><li>• Drive digital sales with optimised SEO, SEM and brand marketing</li><li>• Onboard new alliance partners and launch in new verticals</li><li>• Develop and launch products targeting new market segments</li></ul>	<ul style="list-style-type: none"><li>• Reprice products to maintain competitive positioning and improve margins</li><li>• NEOS to continue investing in market-leading technology, including real-time quoting tool</li><li>• PPS reinsurance tender will enable improved competitive positioning</li></ul>	<ul style="list-style-type: none"><li>• IT digitalisation project to build foundations for next phase of growth</li><li>• Migrate systems to new secure cloud-based platform</li><li>• Automate processes to increase efficiency</li><li>• Roll out enhanced data management, insights and analytics capability</li></ul>

# FY24 outlook

## *Expect to continue to gain market share*

### **Market sales improving**

Above market in-force premium growth to continue as market sales volumes improve

### **Claims and lapse outperformance**

Expect to outperform market as economic outlook remains cautious

### **Inflation beneficiary**

Improved investment returns and inflation-linked premiums offset cost inflation

### **Retaining financial discipline**

Disciplined approach to keep margins stable while investing for growth and capability

### **IT transformation**

Implement next phase of IT and digital transformation with new user interface and upgraded systems

### **Regulatory environment improving**

Quality of Advice Review a tailwind for Direct model and expansion into adjacencies

### **Well capitalised for growth**

Continue to invest for organic growth while selectively evaluating inorganic opportunities

### **FY24 outlook**

In-force premium market share growth with disciplined approach to enhance profitability

# Why NobleOak?


*Australia's fastest-growing direct life insurer*



High growth life insurer  
gaining market share



Strong financial discipline  
delivering stable margins



Significant market opportunity  
with structural tailwinds



Unique culture and  
customer-focused  
value proposition



Direct distribution model and  
diversified growth strategy



Fully underwritten products with  
minimal legacy exposure





## 05 | Q&A



## 06 | Appendix



NOBLEOAK

# Consolidated income statement

## Statutory and Underlying results

\$'000			Variance
	FY23	FY22	%
Insurance premium revenue <sup>1</sup>	330,336	248,401	33%
Reinsurance expense <sup>2</sup>	(252,699)	(184,700)	37%
<b>Net insurance premium revenue</b>	<b>77,637</b>	<b>63,701</b>	<b>22%</b>
Investment income	3,823	181	2012%
Net commissions <sup>3</sup>	18,248	15,097	21%
Fees and other income <sup>4</sup>	3,797	4,422	(14%)
Claims expense (net of reinsurance recoveries) <sup>5</sup>	(17,421)	(9,485)	84%
Policy acquisition cost <sup>6</sup>	(52,575)	(45,170)	16%
Change in net policy liabilities (before economic assumption changes) <sup>7</sup>	5,820	7,000	(17%)
Change in net policy liabilities (economic assumption changes) <sup>8</sup>	(635)	(8,321)	(92%)
Administration expense <sup>9</sup>	(24,395)	(21,969)	11%
AASB17 Implementation expense <sup>10</sup>	(2,193)	-	na
IPO expenses <sup>11</sup>	-	(2,808)	na
IT transformation project expenses <sup>12</sup>	(481)	-	na
<b>Operating profit before interest expense</b>	<b>11,625</b>	<b>2,648</b>	<b>339%</b>
Lease interest expense	(280)	(47)	496%
<b>Profit before tax</b>	<b>11,345</b>	<b>2,601</b>	<b>336%</b>
Income tax expense	(3,352)	(916)	266%
<b>NPAT</b>	<b>7,993</b>	<b>1,685</b>	<b>374%</b>
Addback: impact of policy liability economic assumption changes (post tax)	445	5,825	na
Addback: impact of IPO expense (post tax)	-	1,966	na
Addback: AASB17 Implementation expense (post Tax)	1,535	-	na
Addback: impact of IT Transformation project expenses (post tax)	337	-	na
<b>Underlying NPAT</b>	<b>10,310</b>	<b>9,476</b>	<b>9%</b>

Notes: 1. Insurance premium revenue is comprised of premiums received from customers (insurance policyholders) for life insurance products from the Direct Channel, Strategic Partner Channel and Genus segments; 2. Reinsurance expenses represents fees paid to reinsurers to cover administration expense and policy liabilities ceded to the reinsurer; 3. Net commissions comprise commissions earned from reinsurers net of commissions paid to reinsurers or distributors primarily in the Strategic Partner Channel segment; 4. Fees and other income primarily represent income earned on the administration of the run-off of life insurance products in the Genus segment; 5. Claims expense (net of reinsurance recoveries) represents the residual cost of claims to NobleOak; 6. Policy acquisition cost relates to costs incurred to acquire new business such as advertising, policy issuance in the Direct Segment and ongoing fees and commissions as policies renew; 7. Changes in net policy liabilities (before economic assumption changes) represent the movement in NobleOak's gross life insurance contract liabilities net of recoveries for policy liabilities ceded to reinsurers between each reporting period excluding the impact of change in economic assumption (such as discount rates); 8. Changes in net policy liabilities (economic assumption changes) represent the impact of the change in economic assumptions (such as discount rates) on the valuation of policy liabilities in the period; 9. Administration expense includes employee expenses, IT costs, professional fees, insurance, board and committee costs, depreciation and other expenses (not related to policy acquisition activity); 10. AASB17 implementation expenses relate to the cost of preparing the business for the changes in insurance accounting standard 11. IPO expense relates to the expensed component of non-recurring transaction costs pertaining to the IPO. 12. IT Transformation expense relates to the material investment to upgrade our IT environment, build in-house data management and reporting capability and uplift our customer portal and user experience.

# Financial strength

Sound capital position above regulatory requirements

## Statutory balance sheet at 30 June 2023

\$m	30 Jun 2023	30 Jun 2022
<b>Assets</b>		
Cash and cash equivalents	50.4	30.3
Receivables	26.3	12.0
Financial assets	177.7	69.2
Gross policy liabilities ceded to reinsurers	73.0	27.4
Plant and equipment	0.4	0.2
Right-of-use assets	5.7	0.5
Deferred tax asset	3.5	3.6
Intangible assets	4.6	5.4
<b>Total assets</b>	<b>341.6</b>	<b>148.5</b>
<b>Liabilities</b>		
Payables	168.0	28.6
Current tax liabilities	2.9	0.7
Lease liabilities	5.8	0.6
Provisions	2.0	1.5
Gross policy liabilities	43.0	5.5
<b>Total liabilities</b>	<b>221.7</b>	<b>36.9</b>
<b>Net assets</b>	<b>119.8</b>	<b>111.6</b>
<b>Equity</b>		
Issued capital	95.7	95.3
Accumulated profits	22.8	14.8
Other reserves	1.3	1.5
<b>Total equity</b>	<b>119.8</b>	<b>111.6</b>

## Capital adequacy

\$m / %	30 Jun 2023
Capital base – (a)	40.3
Prescribed capital amount - (b)	21.1
<b>Capital adequacy multiple % (a)/(b)</b>	<b>191%</b>
Target capital (incl. management buffer) - (c)	32.6
<b>Assets in excess of target (a) – (c)</b>	<b>7.7</b>

## Commentary

### Financial assets

- Primarily held in term deposits and floating rate fixed interest funds
- Claims settled by reinsurers on actuarial reserve basis represent \$12.4m (Jun-22: \$20.0m)
- Deposit Back assets held to secure reinsurance assets exposures \$97.0m (Jun-22: nil)

### Policy liabilities

- Liabilities ceded to reinsurers are reduced by claims settled by reinsurers on actuarial reserve basis represent \$12.4m (Jun-22: \$20.0m)
- Gross Policy Liabilities are best estimate liabilities net of implied deferred acquisition costs in Direct segment

### Intangible assets

- Includes \$2.5m (Jun-22: \$2.8m) amortised cost of acquiring A&G run-off portfolio in the period

### Payables

- Includes \$97.0m (Jun-22: nil) payable to reinsurers under deposit back arrangement supporting reinsurance asset concentration exposures
- Significant portion of premium with one strategic partner changed from monthly to annually. Reinsurance premium continues to be paid monthly, increasing payables by \$~30m in period

### Dividend

- No dividend declared in line with stated intention to invest for growth

### Capital adequacy

- Sound capital adequacy multiple

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