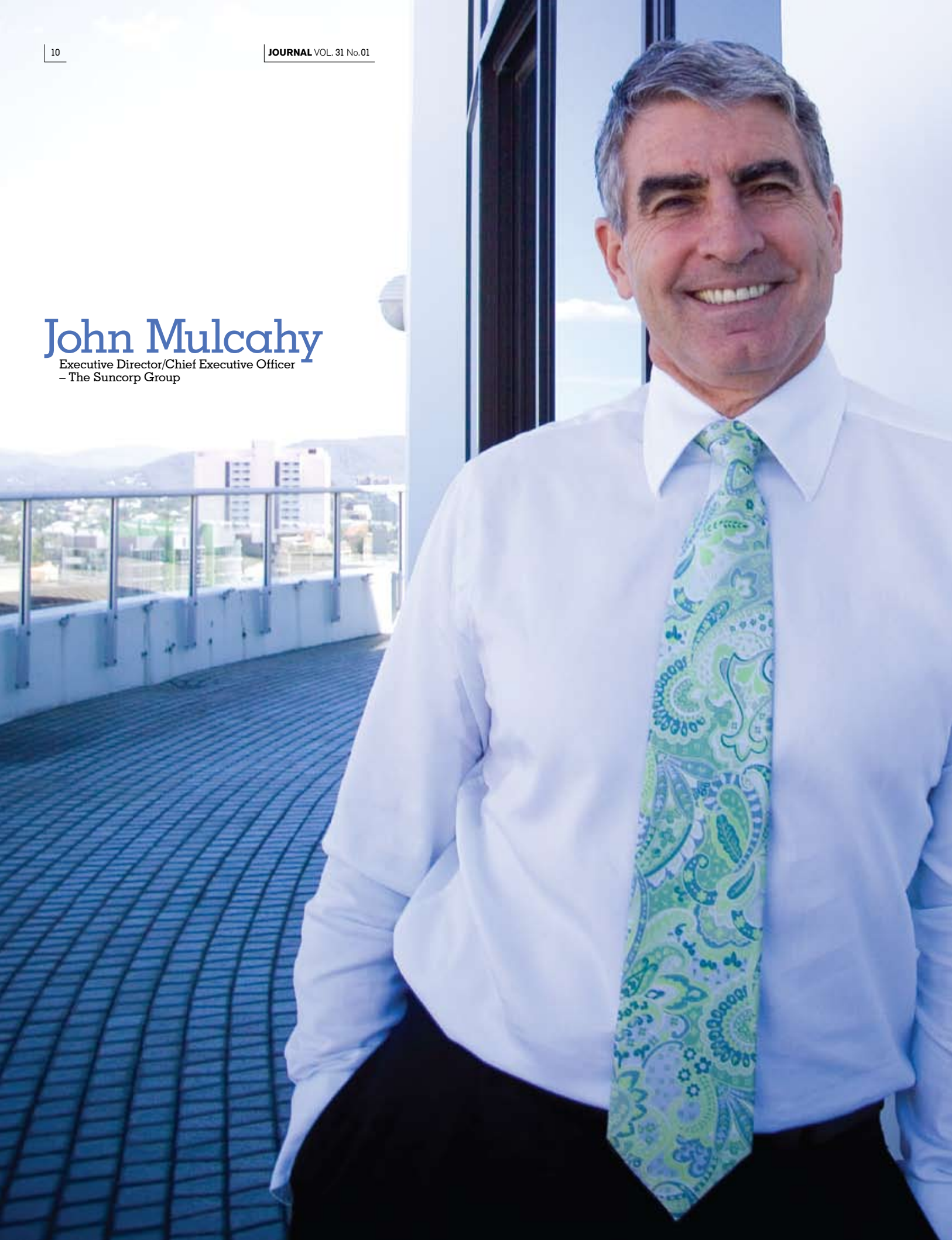


John Mulcahy

Executive Director/Chief Executive Officer
– The Suncorp Group



VIEWPOINT

Industry leaders share their views with *Journal* readers.

Q. John, what's your view of the state of the current insurance industry market globally?

- A.** As with all business sectors, global insurance is impacted by a combination of business specific and general economic trends.

The general trends impacting on insurance are the concerns about the flow-on impact of the sub-prime issue and associated reduced growth in the United States. This has reduced confidence in the prospects of major financial institutions and the flow of funds available for inter-bank and general business borrowings, and increased the cost of capital. It has also increased share-market volatility.

Despite these trends, IMF growth forecasts are still a healthy 4+ per cent globally. In areas of importance to Australia – such as China – the expected growth will still be ten per cent or more. So while the insurance sector will be impacted by reduced economic growth, the fundamentals of the world economy – particularly the developing economies – remain encouraging.

The industry specific trends for general insurance remain the impact of erratic weather patterns. However, while unusual in areas such as Australia, these will likely result in a reappraisal of risk and a firming in premium costs.

Q. What is your view of the current market in Australia?

- A.** The current market (general insurance) remains highly competitive. The major companies here have had one of the most volatile and costly 12 months in recent history in terms of events and claims costs. They have also had to contend with the global credit crunch and volatility in global equities markets. However, the fundamentals for the major brands remain strong.

The only way to manage all of these issues is for the major insurance companies to build and maintain strong, financially viable brands that are well regarded by their staff, valued by their customers and respected by government, media and community.

Q. Looking at the world economy, what are your predictions for the next 12 months and into the future?

“Major companies here have had one of the most volatile and costly 12 months in recent history in terms of events and claims costs.”

Q. What do you see are the industry's key issues over the next five years?

- A.** The key issues will continue to be:
- building the capability to manage the financial impacts on company balance sheets of major weather events
 - ensuring cost competitive policies
 - addressing under-insurance, and
 - ensuring the economic and community value of the insurance industry is broadly recognised.

- A.** What we are seeing is a change in the relative power of the world's national economies. The United States will continue to be a key driver of world economic health. However, that power is now being shared to a greater extent with Europe and Asia. I predict there will be greater global economic interdependence and less reliance on the prospects of the United States.

Q. How do you think these predictions will affect Australia?

- A. Australia will directly benefit from its proximity to the fastest growing economies in the world and their demand for commodities to fuel their growth. This is one reason why our economy continues to grow strongly with consumer spending and business investment at very high levels.

Q. How strongly do you believe in the importance of economic cycles and insurance cycles?

- A. Economic cycles are inevitable. What is important is the ability of governments and regulators to minimise their negative impacts. For companies, the requirement is to build business portfolios to minimise excessive reliance on one source of revenue.

The Suncorp Business Model is built on the firm belief that a diversified portfolio of leading brands and businesses provides long term protection against inevitable economic and insurance industry cycles.

Q. Do you think accelerated global change means that standard cycles are no longer as valid as they once were?

- A. Globalisation means that Australian companies are more exposed to the impacts of international economic events and cycles. They need to build

None of this has come by accident. We spent the better part of two years meticulously planning the transaction, identifying the regulatory and other hurdles to completion and methodically executing our plan. We have taken exactly the same approach to integration.

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flexibility into their business models to accommodate this.

Q. Looking at the recent Suncorp/Promina merger, what was the rationale behind the merger and have those objectives been achieved?

- A. Suncorp's purchase of Promina was a carefully planned transaction that was clearly aligned with our existing strategy and long term vision. Our vision was to create the leading customer focused, diversified financial services provider operating in Australia and New Zealand, with three strong lines of business.

In 2007 we successfully concluded our purchase of Promina, one of the largest and most complex financial services transactions seen in Australia over the past decade. Since then, we have maintained our business momentum and we are ahead of where we had expected to be with integration, which has confirmed the opportunities we had identified during due diligence.

We have worked hard to identify what worked best for both organisations and are bringing these elements together in our combined business. We will update the market on the financial benefits of the Promina transaction at our half year results presentation in February.

We're excited about the opportunities now available to Suncorp – the strategic rationale for merging Suncorp and Promina was compelling and there will be considerable benefits for our combined shareholders, customers and employees.

CONTINUING PROFESSIONAL DEVELOPMENT

Q. As you know, the Institute is strongly focused on providing professional development for the industry. How does your organisation feel about the importance of continuing professional development of its employees?

- A. Suncorp is committed to developing its people. We strive to create a supportive development culture that builds capability, allowing our people to achieve their goals and aspirations while contributing to Suncorp's success.

Q. Do you have formal programs in place?

- A. Suncorp has a formal Development Planning Framework that is integrated into many of its people practices. The framework enables our leaders to collaboratively work with their people on development in their current and any possible future roles. This empowers our people to manage and take control of their own careers within an organisational context and assess potential for succession planning.

Q. With such a large group of organisations coming under one roof, how is the company coping with cultural differences?

A. Obviously the size of the integration which we have undertaken involved substantial effort to understand each other's businesses and cultures. We initially spent a lot of time discussing the cultures of each respective organisation, and what we've seen so far is considerable alignment in our commitment to providing excellent customer experience. By focusing on the similarities across the group, we're building formidable business partnerships, and a high performing culture. We certainly don't want to change individual cultures, but we do strongly believe that these cultures can be underpinned by a single unifying culture based around pooling best practice and becoming even stronger than the individual sum of our parts.

Q. How have you coped with retention of key talent both during the merger and into the future?

A. We have appropriate retention arrangements in place for executives and there is a deep talent pool of managers across our businesses. We have retained the overwhelming majority of executives who will deliver a successful integration.

Across both businesses we have retained around ninety per cent of executives in the top two layers of management, which is well within expectations for a transaction of this size and nature. After any major corporate transaction such as ours, it is inevitable that some people will take the opportunity to leave the organisation due to a range of factors – whether that's because it provides a natural break point, it triggers incentives that make it worthwhile for them to move on or simply because they don't like the prospect of change.]]



JOHN MULCAHY
BIO

John Mulcahy is Chief Executive Officer and Executive Director of Suncorp, Queensland's largest listed company, and one of the nation's twenty largest listed corporations.

Capitalised at around \$18 billion, and with total assets of \$85 billion, Suncorp is a leading diversified financial services company, offering banking, insurance and investment services to more than seven million customers throughout Australia and New Zealand.

John started as Chief Executive Officer in January 2003, charged with the task of completing Suncorp's \$1.4 billion acquisition of GIO and building a five year strategic plan to take the company to a new phase of development. In March 2007, under John's leadership, Suncorp completed the \$7.9 billion acquisition of the Promina Group.

John joined Suncorp following a distinguished nine-year career at the Commonwealth Bank and before that, at Lend Lease (1981 to 1995), where he held key senior executive roles that provided him with broad corporate experience and particular expertise in retail financial services.

John is President of the Insurance Council of Australia, a member of the Business Council of Australia, the Australian Bankers Association Council and the Future Fund Board of Guardians.

IAATI's 56th Annual International Training Seminar



3-7 August 2008 • Sydney Convention & Exhibition Centre, Darling Harbour, Sydney SYDNEY AUSTRALIA 3-7 AUGUST 2008

The International Association of Auto Theft Investigators is a non-profit volunteer based organisation formed to provide training, education and support to professionals involved in the detection, investigation and reduction of vehicle theft.

IAATI's 56th Annual International Training Seminar 2008 will be held in Sydney and is not to be missed for anyone in the insurance industry wanting the most up to date information on vehicle theft issues and trends. This four day seminar will focus on three streams, being police, insurance and strategic and is expected to attract over 350 delegates from all parts of the world.

REGISTRATION – NOW OPEN. For more information on the seminar or to register please visit the seminar website www.iaatiaus.org.

For any further enquiries on the training seminar please contact:

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