

## NobleOak HY23 Results

### Trusted challenger brand continuing to outperform and gain market share

NobleOak Life Limited (ASX: NOL) (**NobleOak** or **the Company**), an independent, award-winning specialist Australian life insurer, today announces its half year results for the six months ended 31 December 2022 (**HY23** or **H1**).

#### Highlights<sup>1</sup>:

- **In-force premiums<sup>2</sup> up 25% to \$283.3 million**
- **Net insurance premium revenue up 25% to \$38.4 million**
- **Underlying NPAT up 19% to \$5.4 million**
- **Active policies<sup>2</sup> up 18% to over 111,000**
- **Continued market share growth driven by investment in brand and distribution**
- **Strength of diversified distribution model supports market share growth in a period of lower industry sales activity**
- **Strong financial discipline and quality underwriting delivers stable margins**
- **FY23 guidance reaffirmed for in-force premium growth of ~20% vs. market growth of ~3%**
- **Well capitalised with 252% Capital Adequacy multiple and \$14.6 million capital surplus**

Commenting on the result, NobleOak Chief Executive Officer Anthony Brown, said: "NobleOak continues to outperform and gain market share, driven by our commitment to delivering high quality products and excellent service. While new business volumes remain below historical levels across the industry, they are improving in 2023, as is profitability."

"Our strategy continues to deliver strong results, with ongoing investment in the brand and new distribution channels driving premium growth at a time when many of our larger competitors have contracted."

"Looking ahead, we are on track to achieve our guidance for in-force premium growth of approximately 20% this year in a market that is expected to grow by approximately 3%. We are well positioned to continue to gain market share in the current inflationary environment, with our disciplined approach keeping our margins stable while investing for growth and capability."

#### Group performance

\$m/%	HY23	HY22	Var
In-force premiums (ex-Genus) at period end	283.3	226.5	+25%
New business sales	21.6	40.2	(46%)
Net Insurance Premium Revenue	38.4	30.8	+25%
Underlying Gross Insurance Margin	11%	15%	(4ppts)
Administration Expense Ratio	7%	10%	+3ppts
Investment Return (as % of insurance premium)	1%	0.1%	+0.9ppts
Underlying NPAT	5.4	4.6	+19%

<sup>1</sup> All comparisons relate to the prior corresponding period unless otherwise stated.

<sup>2</sup> Excludes the Genus administration business.

In H1, the Australian Life Insurance industry experienced a decline in sales volumes, which contrasted with the prior corresponding period when there was a surge in industry sales due to high demand for now-discontinued Income Protection products.

This was compounded by the impact of lower adviser numbers in the industry, principally due to increased regulatory obligations and limits around revenue models.

While NobleOak's first half sales reduced compared to the elevated sales reported in the prior corresponding period, the Company continued to achieve a significantly higher market share of new business sales in an environment when many competitors have contracted. This drove strong growth in in-force premium, the key value driver for NobleOak, which was up 25% to \$283.3 million, compared to market growth of 4% in FY22.

NobleOak's outperformance continues to be driven by its strong share of new business sales, now over 16%<sup>3</sup>, and lower than industry average lapse rates. As a result, in-force premium market share increased to approximately 2.5% as at 30 June 2022 (Jun-21: 1.9%)<sup>4</sup> and is expected to continue to grow.

The Company maintained its stable overall margins in H1, with a lower Underlying Gross Insurance Margin largely offset by an improved underlying administration expense ratio driven by emerging operating leverage, and significantly higher investment returns.

The average return on invested assets increased to 2.5% (HY22: 0.3%). This reflects the impact of higher market interest rates and the diversification of the portfolio into short-duration fixed interest asset classes, which are projected to enhance returns while retaining the portfolio's overall low risk profile.

NobleOak's underlying net profit after tax (NPAT) grew by 19% to \$5.4 million, driven by strong in-force premium growth, disciplined underwriting and expense management.

## **Direct Channel**

In the Direct Channel, sustained investment in brand, technology and distribution continues to drive growth, as NobleOak continues to take market share from larger incumbents, including many which have contracted.

NobleOak's policy count in the Direct Channel increased by 15%, with in-force premiums growing by 17% to \$74.3 million. Lapse rates have remained low since the onset of COVID-19, and while they did increase slightly as expected to 9.5%, they remain well below the industry average.

Underlying NPAT grew 20% to \$3.1 million in HY23, with the Underlying Insurance Margin remaining strong at 30%, impacted by a slightly less favourable claims experience and higher lapse experience, however both were in line with expectations.

The Administration Expense ratio was stable at 19%, with enhanced operating leverage offsetting additional investment to build capability.

The NobleOak team's focus on the core values of nobility, simplicity, adaptability and delivery continues to deliver strong customer outcomes, with 94% of existing clients surveyed rating customer service as 'good' or 'excellent', and the Company retaining its strong customer satisfaction ratings.

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<sup>3</sup> 12 months to June 2022.

<sup>4</sup> APRA quarterly life insurance performance statistics, November 2022. Data is only available six months in arrears.

## **Strategic Partner Channel**

In the Strategic Partner Channel, in-force premiums grew by 28% to \$209.0 million in HY23, with NobleOak's contemporary products and high-quality service delivered through strong partnerships with NEOS and PPS Mutual continuing to drive market share gains.

As in the Direct Channel, customer insurance purchasing activity has decreased in the advised market since the introduction of the new IDII products, compounded by the reduction in adviser numbers across the industry.

While NobleOak's new business sales market share remains strong, lower market sales volumes resulted in sales reducing to \$16.8 million, down 52%.

Lapse rates remain well below the industry average at 5.2%.

The Underlying Insurance Margin reduced slightly to 4%, driven largely by a changing mix of strategic partnership revenue. The Administration Expense ratio remains low and continues to benefit from operating leverage and ongoing financial discipline.

The Strategic Partner Channel delivered Underlying NPAT of \$2.0 million in HY23, up 37%.

## **Genus**

In-force premiums under management by Genus reduced in line with expectations to \$24.9 million following the conclusion of the Freedom portfolio conduct remediation program in April 2022.

Lapse rates stabilised in first of half of FY23, following completion of the remediation program. As expected, this resulted in a slower rate of decline in in-force premium under management.

Genus generated \$0.4 million of Underlying NPAT, reducing in line with the lower in-force premium.

## **Continued progress in sustainability**

NobleOak continues to invest towards ensuring the sustainability of its growth in line with its ESG strategy and framework.

During the half, this included relocating to new Sydney premises with a 5-star NABERS rating, which enhances NobleOak's ability to measure and contribute to sustainability initiatives.

The Company also achieved carbon neutral certification for its business operations from Climate Active, after measuring and reducing its carbon emissions and purchasing 100% Australian Carbon Credit Units.

## **Trading update and outlook**

The Australian Life Insurance market continues to improve alongside industry profitability. However, overall market activity remains below historical norms.

Lapse rates are slowly increasing across the market as economic conditions change, with NobleOak remaining below the market and well within expectations.

Rising interest rates are providing a tailwind for investment returns, largely offsetting the impacts of inflation on NobleOak's cost base and lapse rates. Investment returns are expected to trend further upward as the portfolio is further diversified into short duration fixed interest, however the Company will remain conservative in its approach.

NobleOak's products also contain inflation adjustments which are expected to contribute to protecting margins.

The Quality of Advice Review recently released by Treasury has established the long-term sustainability of the advised market as a regulatory priority, as well as support for Direct Life Insurance models. Both are expected to be tailwinds for the market and for NobleOak.

The Company remains focused on executing its strategy and continuing to achieve above market growth in in-force premiums, the key value driver for the business. The Company is well capitalised and well positioned to continue its growth trajectory.

With in-force premium growth of approximately 11% in the first six months of FY23, NobleOak re-affirms its expectation for full year in-force premium growth of approximately 20%. This is expected in a market that is predicted to grow by around 3%, with NobleOak's disciplined approach to keep margins stable while investing for growth and capability.

The Company will continue to actively prepare for the transition to the updated LPS 117, which focuses on ensuring security of reinsurance asset exposure and the implementation of AASB17 on 1 July 2023, which will significantly change the way the insurance industry reports its financial performance. NobleOak will update the market on the impacts for the presentation of its business performance in due course.

#### **Investor webcast**

NobleOak CEO Anthony Brown and CFO Scott Pearson will host a webcast briefing for analysts and investors from **9.30am AEDT today (28 February 2023)**.

The webcast will be available live and can be accessed at the following link:

<https://webcast.openbriefing.com/nol-hyr-2023/>

**Ends**

**This announcement has been authorised by the Board of NobleOak Life Limited.**

#### **For further information:**

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#### **About NobleOak (ASX: NOL)**

NobleOak is an independent, multi award-winning APRA-regulated Australian life insurance provider which has a 144-year history, dating back to one of the first benevolent societies in Australia, the United Ancient Order of Druids Friendly Society of NSW. NobleOak's core values: nobility, simplicity, adaptability and delivery, are grounded in the values of the Druids and are embedded deeply in its culture. Following its demutualisation in 2011, NobleOak repositioned its business model, launching direct-to-consumer life insurance products through its modern and intuitive digital platform. Since then, NobleOak has diversified its business by manufacturing white-labelled tailored products for strategic partners which are mostly offered to customers through advisers. NobleOak's strategy is underpinned by a commitment to offer customers high value, easy to understand and competitive life risk insurance products. NobleOak has achieved success by participating across the life insurance value chain, by manufacturing, underwriting and distributing its own life insurance products.