SUNCORP

ASX announcement

5 July 2024

FY25 Reinsurance Program update

Suncorp (ASX: SUN | ADR: SNMCY) today provides an update on the successful placement of its FY25 reinsurance program.

Suncorp Group CEO Steve Johnston said the program aims to achieve an optimal balance between costs, earnings and capital volatility, and appropriate returns.

"It is pleasing to see stability return to global reinsurance markets after three years of disruption. Reinsurance is a major input cost to the price of insurance products and this, along with broader economy-wide inflation, have driven up the cost of insurance premiums for customers in Australia and New Zealand.

"With the completion of the Bank sale scheduled for 31 July and the reinsurance program successfully renewed, we will now be in a position to consider other reinsurance covers that may be appropriate," Mr Johnston said.

FY25 reinsurance program structure

Suncorp maintains its maximum event retention of $350 million for a first large event and $250 million for a second large event. The main catastrophe program covers the Home, Motor and Commercial property portfolios across Australia and New Zealand. The cover provides protection for losses between $350 million and $6.75 billion (FY24: $6.40 billion) and includes one full prepaid reinstatement. At $6.75 billion, the FY25 limit remains in excess of the Australia and New Zealand regulatory requirements.

In line with last year, Group dropdown covers have also been purchased that reduce the second, third and fourth event retention to $250 million, and the Australian dropdown program continues to reduce retention for a third and fourth event in Australia to $150 million.

Following a comprehensive review and the implementation of the Federal Government's Cyclone Reinsurance Pool (CRP), Suncorp has decided not to renew its quota share agreement relating to the Queensland home portfolio. In addition to the CRP, improved risk selection and pricing have added resilience across the portfolio.

In New Zealand, buydown cover (including a prepaid reinstatement) has been 100% placed to provide cover between NZ$200 million and the Group's maximum event retention. In FY24 the buydowns were only 52% placed with an attachment point of NZD$100 million. The increase in retention reflects the continued impacts of the weather events in early calendar year 2023 on the economics and availability of reinsurance cover in the New Zealand market.

Impact of FY25 reinsurance renewal

The cost of the FY25 catastrophe reinsurance program is expected to be broadly in line with FY24, reflecting changes to the structure of the program, including the removal of the Queensland quota share, and increased exposure from growth in the portfolio, largely offset by improved reinsurance market conditions.

The natural hazard allowance for FY25 is expected to increase to $1.565 billion (FY24: $1.36 billion). This reflects unit growth, continued inflationary pressures across the insurance industry, and increased risk retention resulting from the changes to the structure of the reinsurance program. The final FY25 natural hazard allowance will be updated with the full year results on 19 August 2024.

Suncorp continues to reflect input costs, including the costs of placing its reinsurance program and the natural hazards allowance, into the pricing of its insurance policies, with a view to maintaining its underlying insurance margin within a 10% to 12% range.

The FY25 reinsurance program changes have no material impact on target capital for the Group.

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Other matters

Ahead of its FY24 financial results release on Monday,19 August 2024, Suncorp also provides an update on the following items:

- The Group natural hazard experience for FY24 is estimated to be approximately $1.23 billion against an allowance of $1.36 billion.
- The Group strengthened reserves on some 1H24 events in 2H24, primarily the large event in late December, with adverse development resulting from supply chain pressures and the timing of claims being lodged due to the holiday period. This not only impacted normal claims lodgement patterns but also the duration of claims.
- In investment income, mark-to-market movements across asset classes were broadly in line with previously communicated sensitivities.
- Suncorp continues to expect FY24 underlying margins to be around the middle of the 10% to 12% range.

Authorised for lodgement with the ASX by the Suncorp Disclosure Committee.

ENDS

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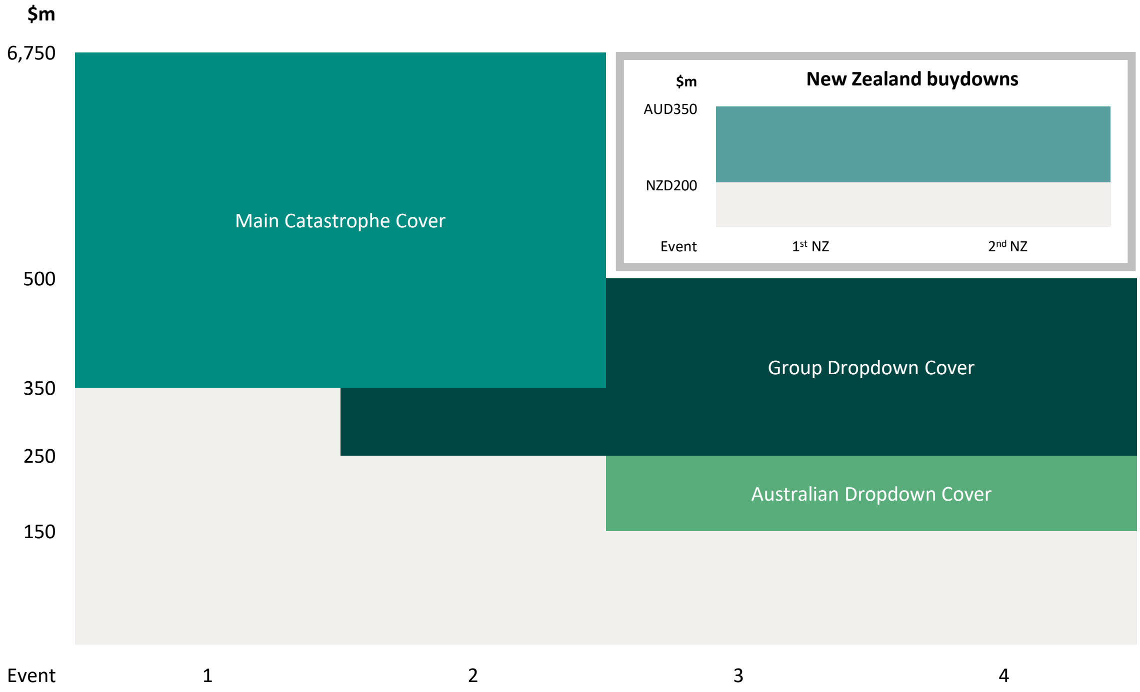
Appendix

FY25 reinsurance program



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