

4 July 2022

FY23 Reinsurance Program and General Insurance update

Suncorp Group (ASX: SUN | ADR: SNMCY) today provides an update on the weather event impacting New South Wales and parts of South-East Queensland. The Group also confirms FY22 natural hazard costs and the successful placement of its FY23 reinsurance program.

Suncorp Group CEO Steve Johnston encouraged all customers with claims from the weekend weather event to lodge them as soon as it was safe to do so. "Our teams are in place to receive claims and will move into affected areas when the weather event concludes. Current claims volumes are low but we expect that to increase over coming days."

Mr Johnston said that in FY22 the Group dealt with 35 separate events and over 120,000 natural hazard claims, at an expected cost of around \$1.1 billion, net of reinsurance recoveries. This is in line with previous guidance and reflected the prevailing La Niña weather pattern.

"Our teams remain focused on supporting customers and communities impacted by these events, including the devastating flooding across South-East Queensland and Northern New South Wales earlier this year.

"Our claims teams are making good progress in addressing these claims although we recognise it will take some time before all homes are rectified. Around 1000 additional staff have been recruited to fast track the repairs."

FY23 reinsurance placement

The Group's reinsurance strategy aims to achieve the optimal balance between the cost of the program and acceptable levels of earnings and capital volatility. While the overall structure of the program remains similar to prior years, changes have been made to reflect the material hardening of the global reinsurance market following elevated natural hazard activity in recent years.

The Group's maximum event retention has been maintained at \$250 million with the upper limit increased from \$6.5 billion to \$6.8 billion which covers the Home, Motor and Commercial property portfolios across Australia and New Zealand. One prepaid reinstatement covers losses up to \$6.8 billion and two further prepaid reinstatements cover losses up to \$500 million.

In addition to the main catastrophe program, the Group has purchased dropdown aggregate protection in the form of three dropdowns. Dropdown 1 and Dropdown 2 are unchanged from FY22. For Dropdown 3, the attachment point has increased from \$50 million to \$100 million, with the amount of cover provided therefore reducing from \$100 million to \$50 million. The Group also has in place a prepaid reinstatement for Dropdown 2 and Dropdown 3.

The aggregate excess of loss cover has also been renewed, with the attachment point increasing from \$650 million to \$850 million and the amount of cover provided remaining at \$400 million. Additionally, the per event deductible has increased from \$5 million to \$10 million.

Total reinsurance premiums for FY23 have increased significantly as a result of the hardening global reinsurance market. The natural hazard allowance for FY23 is expected to increase to \$1,160 million (FY22: \$960 million) reflecting the changes to the reinsurance program and the FY22 hazard experience.

The changes to the reinsurance program and natural hazards allowance are expected to increase target capital by \$135 million. In addition, Excess Technical Provisions in capital are expected to reduce by approximately \$170 million for FY22, which is expected to reverse as pricing is adjusted and earned to reflect the revised program. The Group has historically maintained significant capital buffers and its balance sheet is well placed to support the changes to its reinsurance program.

Mr Johnston said the Group still expected the FY23 underlying ITR to be within the forecast 10-12% range, with the increased natural hazard allowance and reinsurance premiums being largely offset by higher investment yields, strong GWP growth and benefits from the strategic investment program.

"Suncorp continues to advocate for a more resilient Australia to help underpin insurance accessibility and affordability into the future.

"While more needs to be done we are pleased to see progress is being made with the new Federal Government's \$200 million a year Disaster Ready Fund, and the Queensland Government's Resilient Homes Fund."

Further details of the FY23 reinsurance program are set out in the Appendix.

Suncorp reports its FY22 results on Monday 8 August.

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

ENDS

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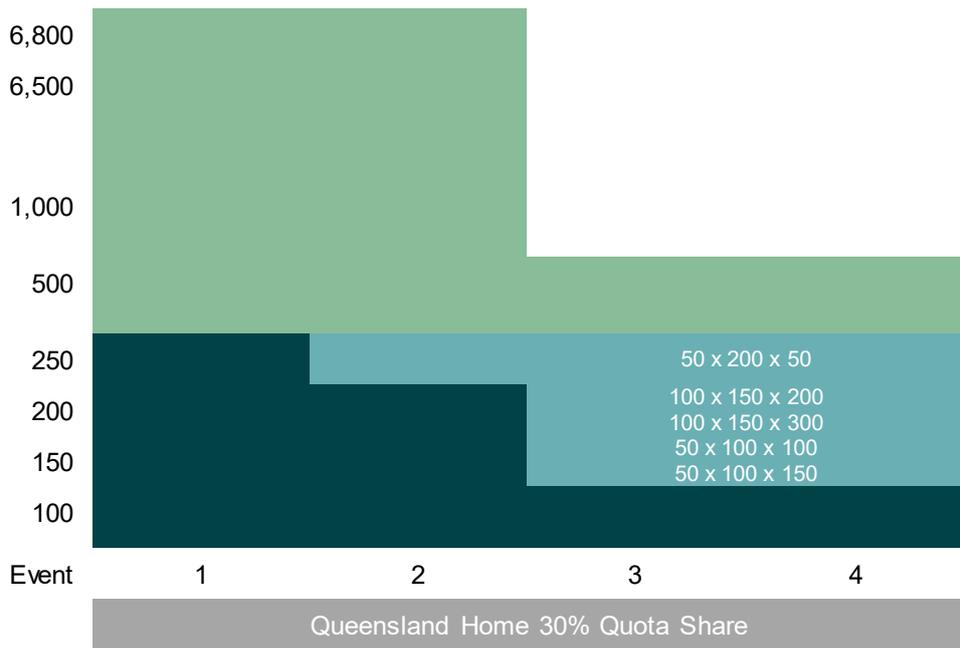
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Appendix:

FY23 Main Cat and Dropdown Cover (\$m)



AXL cover FY23 v FY22 (\$m)

