

30 January 2020

Suncorp natural hazard and 1H 20 reserve release update

Key points

- **Natural hazard costs for 1H20 confirmed at \$519m**
- **Suncorp has declared three natural hazard events since the start of 2H20, being the Vic/NSW/Tas bushfires, the South East states hailstorms and the South East Queensland and NSW heavy rain. Net costs associated with the three declared events in 2H20 are expected to be capped at \$300m**
- **Reinsurance protection provides confidence the FY20 net natural hazard costs should remain within the Suncorp natural hazard allowance of \$820m**
- **Subject to final review, reserve releases for 1H20 are expected to be between \$50m-\$70m (1H19: \$172m)**

Suncorp (ASX: SUN | ADR: SNMCY) today provided an update on natural hazard costs following recent storms across the eastern states of Australia. It also outlined the 1H20 estimated Group reserve releases.

East Coast Storms Update

Suncorp has declared two storm events since the start of 2H20. Hailstorms in the South East states of Australia that impacted parts of Victoria, the ACT and NSW from 19 to 20 January 2020; and heavy rain in South East Queensland and NSW from 17 to 18 January 2020. As at 28 January, Suncorp had received over 25,000 claims in relation to the hailstorms and in excess of 1,400 claims in relation to the heavy rain. These events are expected to continue to develop over coming weeks as claims are lodged and processed.

Suncorp Group CEO Steve Johnston said: “This has been an unprecedented start to the bushfire and storm season in Australia.

“At a time when the industry is responding to multiple large events, Suncorp’s focus is on making the claims process as simple and efficient as possible with customers making good use of our online claims lodgement facility.

“We continue to mobilise our Customer Support Teams on the ground where they’re needed the most and we have also increased the capacity of our contact centres to manage the increased volume of calls from our customers across the east coast. We’ve also ramped up our repair network to start the assessing and rebuilding process.”

Natural Hazard Update

In line with the ASX update on 9 January 2020, Suncorp’s expectations of 1H20 natural hazard costs remain unchanged at \$519m.

Since the start of 2H20, Suncorp has declared three natural hazard events:

- The Vic/NSW/Tas bushfires. A cost of \$145m was recognised in 1H20 for this event, with a further \$75-105m expected to be recognised in 2H20, taking the total estimated gross cost of the event to \$220-250m, in line with the ASX update on 9 January 2020,
- Heavy rain in South East Queensland and NSW from 17 to 18 January,

- The South Eastern states hailstorms from 19 to 20 January 2020.

The net natural hazard costs for the three events after reinsurance recoveries is expected to be limited to \$300m through a combination of protections from the main catastrophe program, recoveries under the drop downs and recoveries under the Natural Hazard Aggregate Protection (NHAP).

Suncorp's NHAP cover for FY20 provides \$300m of protection for events greater than \$10m once aggregate costs have reached \$515m (the deductible). Following the FY20 events year to date, it is anticipated the \$515m deductible will be fully eroded and Suncorp expects to commence making recoveries under the program. An additional premium is payable proportionate to the first \$100m of recoveries made under the NHAP, which is capped at \$35m (\$25m in FY19).

In FY20 Suncorp strengthened its reinsurance program to include an Aggregate Stop Loss protection aiming to limit natural hazards costs to the \$820m natural hazard allowance. The cover provides an additional \$200m of cover for all retained natural hazard losses, not just those greater than \$10m, in excess of the natural hazards allowance of \$820m. Further details on the expected interactions of the reinsurance programs will be provided in our 1H20 results presentation.

Reserve releases

Following finalisation of actuarial valuations Suncorp expects the Group's reserve releases for 1H20 will be between \$50m-\$70m (HY19: \$172m) or approximately 1.3% of Group Net Earned Premium (NEP). The primary drivers of the lower releases include:

- One-off strains in the Commercial Australia book following a review of the bodily injury portfolio and a large single claim; and
- Natural volatility in the short tail books in Australia and New Zealand with modest strengthening across a range of prior events.

Insurance (Australia) Personal Injury long tail releases remain well above the Group's long-term target of 1.5% albeit releases are lower than the prior corresponding period in line with scheme reform resulting in lower premiums and more certainty in claims outcomes over time.

Insurance (Australia) reserve releases for 1H20 are expected to be 1.8% of NEP with the New Zealand short tail reserve strengthening reducing the overall Group result below 1.5%.

Based on current projections, Suncorp's FY20 full year reserve releases are expected to be above 1.5% of NEP, provided the benign inflationary environment continues.

The 1H20 reserve releases remain subject to final management, Board and audit reviews.

Suncorp will release its detailed 1H20 results on 11 February 2020.

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

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For more information contact:

Media	Nadia Farha	+61 408 535 993 nadia.farha@suncorp.com.au
Analysts / Investors	Kelly Hibbins	+61 414 609 192 +61 2 8121 9208 kelly.hibbins@suncorp.com.au
	Jatin Khosla	+61 439 226 872 +61 7 3362 1322