

25 November 2021

APRA quarterly general insurance statistics

The Australian Prudential Regulation Authority (APRA) today will publish institution-level financial statistics for the general insurance industry, based on regulatory filings, for the quarter ended September 2021. This includes statistics for AAI Limited, a wholly-owned subsidiary of Suncorp Group (Suncorp). The financial statistics can be found at: <https://www.apra.gov.au/publications/quarterly-general-insurance-performance-statistics>.

Suncorp investors and policy holders are advised that these statistics do not include the impact to the profit & loss statement of a number of adjustments, particularly valuation of the Group's long tail insurance portfolio which are conducted on a half yearly basis and included in the Group's regular financial disclosures.

Further, included within the regulatory filing are the results of AAI's Liability Adequacy Test (LAT), COVID-19 related impacts and natural hazard events for the September quarter.

The LAT is conducted to test whether unearned premium liabilities on the balance sheet as at reporting date are sufficient to cover the cost of expected future claims. There is significant seasonality in the quarterly LAT calculation, with the September quarter being the low point. The LAT deficiency for September 2021 (\$33 million) is significantly less than the September 2020 quarter (\$173 million) reflecting improved underlying business performance. This deficiency is expected to unwind by 31 December 2021, and therefore be profit neutral for 1H22.

Suncorp in Australia experienced a range of impacts related to COVID-19 in the first quarter of FY22, including reduced motor claims frequency from lockdowns, the provision of consumer and industry support packages, less annual leave taken and other COVID related provisions. The estimated pre-tax net profit impact as a result of these COVID-19 related factors is approximately positive \$60 million. This has been partly offset by the deferral in the September 2021 quarter of around \$45 million of net earned premium on the expectation of a higher than normal level of frequency after the end of lockdowns. This amount is now expected to be reversed in the December 2021 quarter.

We also note that, as disclosed on 4 November 2021, Suncorp had been impacted by twelve significant natural hazard events across Australia and New Zealand in the four months to 31 October 2021 with an estimated total natural hazard cost in the range of \$597-\$702 million.

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