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SUNCORP OUTLINES GENERAL INSURANCE GROWTH TARGET

KEY POINTS

- 3% improvement in underlying general insurance margin over the next two years.
- Building Blocks program to provide one view of insurance pricing and claims, as well as Group customers, employees and finances.
- Program to deliver \$235 million in annual benefits.

Suncorp's general insurance business will improve its underlying margin (ITR) by at least 3% over the next two years, group chief executive Patrick Snowball said today.

Mr Snowball outlined the target at an investor day which detailed how Suncorp would realise the potential of its general insurance business, which accounts for the majority of the Group's profits on a normalised basis.

He also said the improvement in the underlying insurance margin would be underpinned by the Group's Building Blocks program – five key projects providing one view of insurance pricing and claims, as well as the Group's customers, employees and finances – which will deliver \$235 million in annual benefits by June 2013.

Project costs of \$120 million will be absorbed within the existing cost base by cutting discretionary spending and redirecting other capital expenditure.

Mr Snowball said that, as was the case at a Group level, Suncorp's general insurance business would benefit from simplification of its structure and systems.

"Our insurance business holds a clear advantage over competitors because of its scale; its industry leading suite of brands; and the fact that we have end to end control of our own manufacturing, pricing and distribution channels," he said.

"Our move to a functional model and a single view of pricing and claims will ensure the general insurance business leverages scale advantages across all of its brands and unlocks the potential in functional capability that has not been realised to date."

Personal insurance

The implementation of a single pricing engine and claims model will be the primary driver of the personal insurance business' contribution to the improvement in underlying general insurance margins.

Mark Milliner, personal insurance chief executive, said the strategy was to move from a portfolio of separate businesses to a single functional model.

"One pricing system and one pricing team gives us a consistent view across the portfolio and minimises conflicts between brands, which will help lift yield on new and renewal policies," Mr Milliner said.

“A single claims model will reduce repair costs and times and optimise our purchasing systems but, more valuably, it will allow our brands to share knowledge and resources when and where it matters most.”

Mr Milliner said Suncorp’s ‘one team, many brands’ strategy in the personal insurance business maximised product differentiation and market penetration. This allowed Suncorp to target multiple customer segments simultaneously and provided it with the scale and a strategic defence against new market entrants, including online competitors.

“Importantly, we have already commenced rolling out the strategy across the business,” he said.

Commercial insurance

The commercial insurance business is targeting market share growth, particularly in the SME segment, which will contribute to the improvement in underlying margins across general insurance.

Commercial insurance chief executive Anthony Day said an expanding SME market was an area where Suncorp is well positioned to grow profitably.

“Our suite of brands – Vero, AAMI and GIO – all offer different value propositions that allow us to cater for a wide range of SME customer preferences,” he said.

“This is a large and growing market and we’ve concentrated on our online business to business capabilities with some strong results.”

Mr Day said the commercial insurance business would also benefit from many of the same initiatives that personal insurance was implementing, including simplified structures that reduced duplication and contained expenses; leveraging the Group’s scale in pricing, risk selection and procurement; and using technology to significantly improve claims and customer experiences.

Vero New Zealand

Chief executive of Vero New Zealand Roger Bell said his business planned to double sustainable net profit after tax by June 2013.

“Vero New Zealand can achieve this target organically by extending our specialist focussed business model and integrated portfolio management system, as well as significantly growing our business through the relationship with ANZ National,” Mr Bell said.

Group chief financial officer update

New group chief financial officer John Nesbitt was introduced to the market and outlined his priorities in the lead up to Suncorp’s full year results announcement on 25 August 2010.



NEWS RELEASE

These were to renegotiate reinsurance arrangements for the 2010/11 financial year, and to review capital targets across the Group in the context of risk appetites, global and domestic regulatory developments.

Mr Nesbitt said the process of capital reallocation was already well advanced through the divestment of non-strategic assets, and realigning legal and organisational structures within the Group.

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Webcast address

Today's market presentation will be webcast on www.suncorpgroup.com.au from 9:30am.