

**Restriction of Publication Claimed in Part**

**STATEMENT IN SUPPORT OF APPLICATION FOR MERGER AUTHORISATION**

**SBGH LIMITED**

Target Company

Statement of **Steven Bruce Johnston**

Address Level 23, 80 Ann Street, Brisbane QLD 4000

Occupation Chief Executive Officer, Suncorp Group

Date:

This document contains confidential information which is indicated as follows: **[Confidential to Suncorp]** [REDACTED]

This document is to be treated as confidential in part.

The lodgement of this document will be followed by the lodgement of a public version.

**Restriction of Publication Claimed in Part**

**Contents**

<b>Tab</b>	<b>Details</b>	<b>Paragraph</b>	<b>Page</b>
<b>Confidential Exhibit SJ-6</b>			
1.	Signed Implementation Agreement	[11]	4
2.	Notice of Decision under s67(6) of the Motor Accident Insurance Commission dated 10 July 2023	[29]	7
3.	Statement of reasons concerning the decision of 10 July 2023	[29]	7
4.	Suncorp Group Limited Board submission [REDACTED]	[30]	7
<b>Non-Confidential Exhibit SJ-7</b>			
1.	Queensland House of Representatives Hansard dated 16 June 2023 (pages 2053-2054)	[13]	4
2.	Media release of the Honourable Cameron Dick published 16 June 2023	[14]	4
3.	RACQ announcement titled "RACQ withdraws from Queensland's CTP insurance scheme" dated 28 June 2023	[27]	6
4.	Suncorp ASX announcement titled "FY24 Reinsurance Program update" dated 4 July 2023	[31]	7

## Restriction of Publication Claimed in Part

### A. INTRODUCTION

1. I am the Chief Executive Officer (**CEO**) and Managing Director of Suncorp Group Limited (**Suncorp** or the **Group**) and a member of Suncorp's Executive Leadership Team (**ELT**).
2. This statement has been prepared in support of the application by Australia and New Zealand Banking Group Limited (**ANZ**) for authorisation of its proposed acquisition of 100% of the issued share capital in SBGH Limited (**Suncorp Bank**) from Suncorp, either directly or via a related body corporate of ANZ, in accordance with a share sale and purchase agreement (**SSPA**) between ANZ and Suncorp executed on 18 July 2022 (the **Proposed Transaction**).
3. This statement is to be read in addition to the following materials:
  - (a) my first statement made on 25 November 2022 (**First Statement**);
  - (b) my second statement made on 17 May 2023 that addresses (amongst other things) the reasons why there is no real commercial likelihood of an acquisition by Bendigo and Adelaide Bank Limited (**BEN**) of Suncorp Bank (**Second Statement**); and
  - (c) my third statement also made on 17 May 2023 that addresses (amongst other things) the public benefits that will arise from the Proposed Transaction through the investment and employment commitments that Suncorp will give to Queensland that have been made in connection with the legislative amendments to the *State Financial Institutions and Metway Merger Act 1996* (Qld) (**Metway Merger Act**) that Suncorp was negotiating with Queensland Treasury (**Third Statement**).
4. Exhibited to me at the time of signing this statement is a bundle of confidential documents marked **SJ-6** (which contains documents in respect of which a claim of confidentiality is made by Suncorp Bank) and a bundle of non-confidential documents marked **SJ-7**. The documents in these exhibits are true and correct copies of the documents referred to in this statement. I have reviewed those documents prior to signing this statement.
5. The matters set out in this statement are based on my knowledge of the Group's operations, my review of the Group's business records, my involvement with the Group's business, and my understanding of public policy as it applies in Queensland and across Australia.
6. In this statement, I describe the Queensland Government's decision to sign off on the Proposed Transaction after Queensland Treasury accepted commitments given by Suncorp and ANZ to the State of Queensland, a draft of which I described in my Third Statement.

### B. AGREEMENT WITH THE STATE OF QUEENSLAND

7. As set out in the Authorisation Application dated 2 December 2022 and referred to in paragraph [14] of my Third Statement and in the Response by Suncorp to the ACCC Statement of Preliminary Views on Queensland commitments, the Proposed Transaction is conditional on the fulfilment of certain conditions including that the Metway Merger Act is either repealed or amended such that it does not apply to any holding company of Suncorp Bank nor to ANZ or any of its related bodies corporate (excluding Suncorp Bank and its subsidiaries).
8. If the Proposed Transaction completes and the Metway Merger Act remains in its current form, Suncorp and its retained subsidiaries would no longer be a Metway group company and would not be bound by the terms of the Metway Merger Act. However ANZ, as the purchaser of SBGH and its subsidiaries including SML, would be subject to the Headquartering Requirements under the Metway Merger Act following Completion.
9. Under clause [REDACTED] of the SSPA ANZ and Suncorp [REDACTED]

## Restriction of Publication Claimed in Part

- [REDACTED]
10. On 16 June 2023 the Honourable Cameron Dick (Queensland Treasurer and Minister for Trade and Investment) announced that the Queensland Government had entered into agreements with ANZ and Suncorp to secure a package of benefits resulting from the Proposed Transaction aimed at supporting high value jobs and maintaining a strong financial services sector in Queensland.
11. A copy of the signed Implementation Agreement between Suncorp and the State of Queensland is at **Tab 1 of Confidential Exhibit SJ-6**. As noted at paragraphs [8]-[11] of my Third Statement, the commitments contained in the Implementation Agreement were extensively negotiated with Queensland Treasury. They involve capital commitments of over \$20 million by Suncorp. Suncorp is able to make these commitments because of the amount of the consideration which ANZ is paying under the SSPA and because the consideration is in cash.
12. At paragraph [18] of my First Statement I set out, in summary, the rationale for divesting Suncorp Bank. In paragraphs [29] to [40], I identified in more detail the market circumstances that were leading to both the insurance business and the banking business needing more capital. [REDACTED]
13. A copy of the Treasurer's statement to the Queensland House of Representatives is at **Tab 1 of Non-Confidential Exhibit SJ-7**. The Hansard records the Treasurer's statement that (amongst other things):
- (a) "The agreement formalises Suncorp's commitment to keep its insurance corporate headquarters in Queensland".
  - (b) "Suncorp, as a national insurer, has committed \$2 million for the establishment of a Suncorp regional hub in Townsville, creating 120 new jobs. Suncorp would invest \$3 million for community and education initiatives focused on First Nations employment pathways. These initiatives would also build skills in disaster resilience and emergency management".
  - (c) "Suncorp would invest at least \$19 million for the establishment of a disaster response centre of excellence in Brisbane. That centre of excellence would include investment in a new technology platform to better understand weather impacts. It would enable improved communication with customers and communities affected by weather events, improving response times in these hours of greatest need".
  - (d) "There has been media speculation about other potential suitors for Suncorp's banking assets. Our government takes no position on that, other than to say this: this agreement with Suncorp and ANZ sets a benchmark. It is our firm expectation that any other transaction would deliver a package of benefits of equal or greater benefit because Queenslanders deserve nothing less".
14. A copy of the Treasurer's media release is at **Tab 2 of Non-Confidential Exhibit SJ-7**. The media release notes the following quotes are attributable to the Treasurer:
- (a) "Since the prospect of ANZ acquiring Suncorp was first raised, I have been clear we would only support the deal if it was good for Queensland".

## Restriction of Publication Claimed in Part

- (b) "The commitments we've been able to secure from both Suncorp and ANZ ensure that the number of skilled jobs in our state's financial services sector will only grow, not just in the south-east, but in regional Queensland as well".
  - (c) "This outcome sets a benchmark for future agreements of this kind".
15. Both the Treasurer's statement to Parliament and his media release emphasise that the State of Queensland's agreement with Suncorp represents a "benchmark" for any future agreement. At paragraphs [33]-[36] of my Third Statement, I explain why any acquisition by BEN of Suncorp Bank would not meet this same benchmark.
16. The Treasurer's media release also records my view that:
- (a) Suncorp is committed to supporting the growth of the Queensland economy and creating lasting job opportunities throughout the state, including in regional communities;
  - (b) In addition to boosting employment opportunities throughout Queensland, many of the commitments through Suncorp's package are aimed at improving community resilience to extreme weather. This is of particular importance for Queensland as the most disaster impacted state in Australia; and
  - (c) The Queensland Government's announcement underlines the public benefits of ongoing investment in disaster response and recovery initiatives.

### C. POSSIBILITY AND COMPETITIVE EFFECT OF A SALE OF SUNCORP BANK TO BENDIGO

17. As I have set out in my First and Second Statements, I do not consider that a transaction with BEN would be in the interests of Suncorp's employees, customers, competition or the public interest. For those reasons, I do not consider there to be any real commercial likelihood of a transaction with BEN.
18. If the Proposed Transaction with ANZ were not to proceed, [REDACTED]
19. First, if the ANZ transaction were not to proceed, [REDACTED]
20. Second, the SSPA was signed nearly 12 months ago and during that time the Group has devoted significant resources to the processes which are necessary to give effect to that transaction. If the transaction did not proceed, [REDACTED]

## Restriction of Publication Claimed in Part

21. Any transaction involving BEN would have complexity involved with it as it would involve a merger of equals style transaction with the majority of the consideration being shares in BEN which would be issued to shareholders of Suncorp Group. There would be a range of regulatory approvals required including from APRA, the Commonwealth Treasurer as well as amendments which would be required to the Metway Merger Act. My assessment is that the process for such a transaction would be 12 to 18 months.
22. Any transaction involves an element of uncertainty for employees about what the future will look like for them and the organisation. The uncertainty from the Proposed Transaction is limited because this is a strategic acquisition for ANZ as set out in paragraphs 56 and 63 of the statement of Shayne Elliott, the Chief Executive Officer of ANZ, dated 2 December 2022. The transaction enables ANZ to expand its position in Queensland and leverage the Suncorp brand. There are also commitments made by ANZ to the State of Queensland referred to in **Tab 2 of Non-Confidential Exhibit SJ-7**.
23. In contrast, the success of a merger of equals with BEN would depend heavily on the ability to realise costs synergies. [REDACTED]
24. [REDACTED]
25. [REDACTED]

### D. QUEENSLAND COMPULSORY THIRD PARTY INSURANCE SCHEME

26. Queensland operates a common law 'fault' based Compulsory Third Party (CTP) scheme, in which Suncorp participates. The scheme is set up by the *Motor Accident Insurance Act 1994 (MAI Act)* and provides motor vehicle owners, drivers, passengers and other insured persons with an insurance policy that covers their unlimited liability for personal injury caused by, through or in connection with the use of the insured motor vehicle in incidents to which it applies. Suncorp is a licensed insurer for the CTP scheme. The other licensed insurers are RACQ, Allianz, QBE and Suncorp.
27. On 28 June 2023 RACQ announced its intention to withdraw from the CTP scheme with effect from 1 October 2023. A copy of the RACQ announcement is at **Tab 3 of Non-Confidential Exhibit SJ-7**.
28. The legislative scheme provides for allocation of an exiting insurers' customers to the remaining insurers. This would involve Suncorp taking an increased volume of CTP policies. CTP is known as a long tail insurance product as it takes, on average, [REDACTED] for claims to become evident and paid. APRA requires insurers to hold on its balance sheet capital to cover outstanding claims.

**Restriction of Publication Claimed in Part**

29. On 10 July 2023 the Motor Accident Insurance Commissioner in the capacity of the Motor Accident Insurance Commission made an interim decision under s 67(6)(a) of the MAI Act that the policies of RACQ would be allocated equally between each of the remaining insurers. At **Tabs 2 and 3 of Confidential Exhibit SJ-6** is a copy of the decision and the accompanying statement of reasons.
30. Initial assessments undertaken by Suncorp are that this will involve [REDACTED] if Suncorp takes its pro-rata share of RACQ's customers. At **Tab 4 of Confidential Exhibit SJ-6** is a copy of a board paper considered by Suncorp in June 2023 [REDACTED]

**E. CAPITAL CONSUMPTION**

31. In section D1 of my Second Statement I provided information about Suncorp's capital requirements including the increasing capital requirements of Suncorp's insurance business (see paragraph [97] and [98]). In section D3 I referred to the steps which we at Suncorp were taking to put in place the reinsurance retention for the forthcoming period. This process has now concluded and on 4 July 2023 Suncorp announced the placement of its FY24 reinsurance program. At **Tab 4 of Non-Confidential Exhibit SJ-7** is a copy of that announcement.

Date:


Signature of witness

[REDACTED]

**Steven Johnston**

When we talk about the legacy of 2032 the one word that keeps coming up is 'inclusive'. The community wants our games to be the most inclusive games ever held. The decision is another step closer to that goal. Who knows what other bodies will move to Queensland in the future. I look forward to working closely with Paralympians, Olympians and our whole community as we make 2032 the start of Queensland's golden age.

### Budget, Infrastructure Projects


 **Hon. SJ MILES** (Murrumba—ALP) (Deputy Premier, Minister for State Development, Infrastructure, Local Government and Planning and Minister Assisting the Premier on Olympic and Paralympic Games Infrastructure) (9.38 am): Our budget is a budget for all Queenslanders. From the cape to Currumbin, Burketown to Birdsville, Queensland's Big Build is delivering infrastructure for communities across the state. This is only possible because of our progressive coal royalties.

Queenslanders own the state's mineral resources, and they deserve to get their fair share from current high coal prices, particularly regional communities. Our coal-producing communities have been the backbone of our economy for generations. The communities of Isaac, Central Highlands, Banana, Western Downs and the Whitsunday local government areas have played such an important role in Queensland's economic strength for so long. It is only right that we invest in infrastructure for these communities to improve their liveability.

The people in these far-reaching parts of Queensland deserve their fair share of the coal royalties, so I am very pleased that the budget included an allocation of \$120 million for the Resources Community Infrastructure Fund. These five communities will be eligible to share in \$120 million to support the construction of important community infrastructure. Previous rounds have funded affordable housing in Moranbah, a clinical training facility in Chinchilla and a football club upgrade in Collinsville. It has also funded a new Woorabinda Community Hub and Disaster Recovery Centre, a children's services hub in Julia Creek and a new aeromedical facility in Mount Isa. Unlike previous rounds, round 3—which is worth \$120 million—will be fully funded by the Queensland government.

I am looking forward to seeing the projects put forward for funding and to see them come to life in these communities. From our record investment in health, housing and cost-of-living relief, to Queensland's Big Build, the Palaszczuk government's budget is a budget for all Queenslanders.

### Financial Services Sector

 **Hon. CR DICK** (Woodridge—ALP) (Treasurer and Minister for Trade and Investment) (9.40 am): Since we were first elected, the Palaszczuk Labor government has pursued a deliberate strategy of diversifying Queensland's economy. That includes growing Queensland's role as a home to the financial services sector. We are already home to Australia's second largest superannuation fund, the Australian Retirement Trust. As ANZ seeks to buy the banking division of Suncorp, we have been steadfast in our determination to ensure any deal would see more jobs in the financial services sector in Queensland.

I am pleased to advise the House that both Suncorp and ANZ have signed agreements with the Queensland government that would deliver on that determination. The agreement formalises Suncorp's commitment to keep its insurance corporate headquarters in Queensland. It is not just the South-East that will benefit from Suncorp's ongoing presence in Queensland. Suncorp, as a national insurer, has committed \$2 million for the establishment of a Suncorp regional hub in Townsville, creating 120 new jobs. Suncorp would invest \$3 million for community and education initiatives focused on First Nations employment pathways. These initiatives would also build skills in disaster resilience and emergency management.

Suncorp would invest at least \$19 million for the establishment of a disaster response centre of excellence in Brisbane. That centre of excellence would include investment in a new technology platform to better understand weather impacts. It would enable improved communication with customers and communities affected by weather events, improving response times in these hours of greatest need.


ANZ's commitments build on those made when the proposed transaction was initially announced and focus on the growth of ANZ's banking presence in Queensland. This includes the establishment of a new tech hub in Brisbane and hiring or placing up to 700 people in that hub over five years.

This proposed acquisition is not something that was sought by the Queensland government. It is still subject to a range of regulatory approvals, including merger authorisation from the Australian



Competition and Consumer Commission and approval from the federal Treasurer. There has been media speculation about other potential suitors for Suncorp's banking assets. Our government takes no position on that, other than to say this: this agreement with Suncorp and ANZ sets a benchmark. It is our firm expectation that any other transaction would deliver a package of benefits of equal or greater benefit because Queenslanders deserve nothing less.

### **Budget, Women's Health; Vaccination; Hospitals, Beds**

 **Hon. SM FENTIMAN** (Waterford—ALP) (Minister for Health, Mental Health and Ambulance Services and Minister for Women) (9.43 am): We know that women have historically experienced discrimination and a lack of specified support in our health system, and health conditions such as endometriosis are only just beginning to be well understood within the community. Sadly, one in three women have had their health concerns dismissed by doctors, according to the 2021 Australia Talks survey. That is why this year's budget includes almost \$35 million for initiatives that are aimed at boosting women's health care. This includes initial funding to support the development of our first ever Queensland Women's Health Strategy to address the health needs of women and which I look forward to releasing in the coming months.

Women also deserve access to birthing services close to home, and this budget delivers \$42 million for rural maternity services. This funding will allow the expansion of outreach maternity services to help reduce the need for expecting mums to travel to larger centres. This funding is building on the learnings from the Rural Maternity Taskforce to address concerns raised by expecting mothers and healthcare workers. We are putting money on the table to develop place-based solutions, and I look forward to discussing these matters at my maternity round table today following question time.

The challenges being felt by maternity services across the state are not unique to Queensland, but I am excited that Queensland will lead the discussion about how we can improve maternity services around the country. This budget also provides an additional \$13.7 million to support the growing deadly families strategy so that Aboriginal and Torres Strait Islander babies born in Queensland have the strongest start to life.

This budget also recognises the health and wellbeing of sexual assault victims and survivors. That is why \$1.73 million will go towards ensuring the integrated, timely and local delivery of high-quality trauma-sensitive forensic medical examinations for victims of sexual assault. There is \$4.4 million allocated to double the number of domestic and family violence clinicians to ensure we have the staff to respond safely and appropriately to patients experiencing domestic and family violence. This budget absolutely delivers on women's health. It delivers on maternity services and women's safety—because the Palaszczuk government delivers for women.


I want to take a short amount of time to also update the House because it is flu season and it is a timely reminder for Queenslanders to get their flu vaccination and their COVID booster. Given the significant national shortage of GPs, it is so important we do whatever we can to minimise that pressure on our emergency departments. Taking the pressure off our hospitals is about looking after ourselves with our vaccinations but it is also about the government investing in staff and investing in beds in our hospitals to relieve the pressure.

While I am talking about beds, I want to take this opportunity to sincerely apologise to the House. Yesterday I said the Palaszczuk government had invested 1,350 new beds since coming to government. I can advise that number—much like the LNP line of questioning yesterday—was slightly out of date. In fact the number of beds we have made available to our hospitals since 2015 is 1,532.

**A government member:** There is more.

**Ms FENTIMAN:** It is way more beds. I can advise the House that, as at April this year, there has been an increase in our hospital bed base of 542 beds since 2020. Most importantly, in this budget we will deliver between now and the next election more than 500 extra beds, because that is what we do. We build more beds and we invest in our frontline staff. It is all part of our Big Build and Putting Patients First, our plan to reduce ambulance ramping. It is all possible because of our record health budget.

### **First Nations Housing Action Plan**

 **Hon. MAJ SCANLON** (Gaven—ALP) (Minister for Housing) (9.47 am): Closing the gap is underpinned by the belief that when Aboriginal and Torres Strait Islander people have a voice—a genuine say in the design and delivery of policies, programs and services that affect them—better life outcomes are achieved. While significant progress has been made to reduce overcrowding in Aboriginal

## The Queensland Cabinet and Ministerial Directory

---

# Major ANZ and Suncorp agreements to secure Queensland jobs

Published Friday, 16 June, 2023 at 10:49 AM

### Treasurer and Minister for Trade and Investment

The Honourable Cameron Dick

- ANZ and Suncorp have signed agreements with Palaszczuk Government to support Queensland jobs and financial services sector.
- Suncorp will retain headquarters in Queensland, invest in disaster response capability and grow employee numbers in Townsville.
- ANZ will also invest in a new Tech Hub in Brisbane, with up to 700 Queensland-based roles.

The Palaszczuk Government has signed agreements with Australia and New Zealand Banking Group Limited (ANZ) and Suncorp Group Limited (Suncorp) to secure a package of benefits aimed at supporting high value jobs and maintaining a strong financial services sector in Queensland.

These commitments are subject to the completion of the proposed sale of Suncorp Bank to ANZ, including merger authorisation from the Australian Competition and Consumer Commission, approval from the Federal Treasurer and approval and passage of proposed amendments to State legislation.

Under the agreements, the State has formalised Suncorp's commitment to retain the national insurer's headquarters in Queensland.

Suncorp has also committed:

- at least \$19 million for the establishment of a Disaster Response Centre of Excellence in Brisbane, which includes investment in a new technology platform to better understand weather impacts, communicate with customers and impacted communities and improve Suncorp's responses before, during and after weather events
- at least \$2 million for the establishment of the Suncorp Regional Hub in Townsville with 120 new jobs
- \$3 million for community and education initiatives focused on First Nations employment pathways and building skills in disaster resilience and emergency management.

ANZ's commitments build on those made when the proposed transaction was initially announced and focus on the growth of ANZ's banking presence in Queensland.

This includes the establishment of a new Tech Hub in Brisbane and hiring or placing up to 700 people in the Tech Hub over five years.

Subject to receiving the required approvals, the proposed sale of Suncorp Bank to ANZ is expected to complete in the second half of 2023.

### Quotes attributable to the Treasurer and Minister for Trade and Investment Cameron Dick:

"Since the prospect of ANZ acquiring Suncorp was first raised, I have been clear we would only support the deal if it was good for Queensland.

"The commitments we've been able to secure from both Suncorp and ANZ ensure that the number of skilled jobs in our state's financial services sector will only grow, not just in the south-east, but in regional Queensland as well.

“Suncorp was born in Queensland, and our negotiations on the proposed sale to ANZ have been all about ensuring this deal delivers benefits to Queenslanders.

This outcome sets a benchmark for future agreements of this kind.”

### **Quotes attributable to Suncorp Group CEO Steve Johnston:**

“Queensland has a strong economic outlook and future, and we are committed to supporting that growth and creating lasting job opportunities throughout the state, including in regional communities.

“In addition to boosting employment opportunities throughout Queensland, many of the commitments through this package are aimed at improving community resilience to extreme weather.

“This is of particular importance for Queensland as the most disaster impacted state in Australia, and this announcement by the Queensland Government underlines the community benefits of ongoing investment in disaster response and recovery initiatives.”

### **Quotes attributable to ANZ Chief Executive Officer Shayne Elliott:**

“The implementation agreement represents a significant commitment by ANZ to Queensland, and we welcome the constructive approach of the Government to growing the tech sector in the state.

“Research shows Queensland educates almost one fifth of the nation’s IT students yet has less than one seventh of the nation’s tech workers.

“ANZ’s tech hub will provide career opportunities to Queenslanders and will create jobs, lift wages, and boost productivity.

“The agreement aligns with the work already underway by both the Queensland and Federal governments to build the capability of Queensland’s workforce, including providing a pipeline of technology talent for the future.”

## **ENDS**

**Media contact: Geoff Breusch 0417 272 875**

### **Media Statements (/)**

› [Subscribe \(/Subscribers/Create\)](#)

› [Help and Support \(/Help\)](#)

---

[Copyright \(https://www.qld.gov.au/legal/copyright/\)](https://www.qld.gov.au/legal/copyright/) | [Disclaimer \(https://www.qld.gov.au/legal/disclaimer/\)](https://www.qld.gov.au/legal/disclaimer/)

[Privacy \(https://www.qld.gov.au/legal/privacy/\)](https://www.qld.gov.au/legal/privacy/) | [Right to information \(https://www.premiers.qld.gov.au/right-to-info.aspx\)](https://www.premiers.qld.gov.au/right-to-info.aspx)

[Accessibility \(https://www.qld.gov.au/help/accessibility/index.html\)](https://www.qld.gov.au/help/accessibility/index.html)

[Jobs in Queensland Government \(https://www.smartjobs.qld.gov.au/\)](https://www.smartjobs.qld.gov.au/)

[Français \(Other languages\) \(https://www.qld.gov.au/languages/\)](https://www.qld.gov.au/languages/)

© The State of Queensland 1997–2023 (Department of the Premier and Cabinet)

[Queensland Government \(https://www.qld.gov.au/\)](https://www.qld.gov.au/)



# RACQ withdraws from Queensland's CTP insurance scheme

RACQ - 28/06/2023

News

Leading Queensland insurer, RACQ, has announced plans to withdraw from Queensland's Compulsory Third Party (CTP) insurance scheme after years of advocating for fairness to be restored.



Leading Queensland insurer, RACQ, has announced plans to withdraw from Queensland's Compulsory Third Party (CTP) insurance scheme after years of advocating for fairness to be restored.

For more than 20 years, the Club has been a critical provider of CTP insurance, helping more than 25,000 people injured on the State's roads.

Chief Executive Officer David Carter said while the Club had built a strong reputation for claims management and was proud of its industry leading claimant satisfaction, it was no longer viable to continue participating in the scheme.

“The scheme’s design allows for all participating insurers to be profitable, however, this assumes an equitable distribution of risk. In recent years, RACQ’s risk profile has worsened through no fault of our own, resulting in significant losses for the Club,” Mr Carter said.

Analysis shows that over the past five years, there is a significant difference between the most profitable and least profitable insurers in the scheme.

“In FY22, for every \$100 of premium RACQ received, we paid \$123 in claims and expenses due to the increased frequency and severity of claims that the Club received relative to the scheme average. We saw little change in FY23 and in the absence of any changes to the way premium is shared between insurers, the outlook shows no signs of material improvement.”

Mr Carter reinforced that RACQ’s CTP losses did not relate to claims management but to how the scheme was operating, with analysis by Motor Accident Insurance Commission (MAIC) actuary Taylor Fry confirming that claims management performance was comparable across the four scheme insurers.

“Importantly, RACQ’s departure is not a reflection on the premiums paid by motorists,” he said.

“Premiums paid by Queensland motorists are fair and do not need to increase and should not increase now because RACQ has withdrawn from the scheme.”

Mr Carter said the Club would have liked nothing more than to stay in the scheme and support the 1.2 million Queensland motorists who choose RACQ as their preferred provider.

“However, following several years of raising concerns with the State Government and MAIC, it’s clear that even the most recent scheme review is unlikely to achieve a level playing field or restore fairness across the insurers,” he said.

“The unfortunate reality is despite the extensive steps we have taken over many years to improve our position, including support provided by our reinsurance partners, it is no longer viable for us to continue participating in the scheme.”

Mr Carter said the decision would not compromise or cause any disruption to CTP claimants with a claims process underway or who may have a claim in the future.

“RACQ will continue to provide a claims management service to ensure our existing CTP claimants continue to receive the same high standard of service we are known for, even after our exit from the scheme,” he said.

“We will cease offering CTP insurance cover from 1 October 2023 and RACQ has formally requested our license be withdrawn. This is pending approval from MAIC.”

All existing RACQ CTP policies remain in place and over the following 12 months, Queensland motorists with RACQ CTP insurance will be transitioned to another insurer on renewal of their registration.

“RACQ CTP insurance will continue to be available to anyone who has, renews or selects RACQ as their CTP provider prior to 1 October 2023. Any motorist who renews their CTP post this date will no longer be able to select RACQ as their CTP provider, however the Club will work closely with MAIC to ensure a seamless transition.”

Mr Carter said this change did not affect RACQ’s other insurance products in any way, or its commitment to providing Queenslanders with motor and home insurance now and into the future.

## Background

CTP insurance is a mandatory requirement for all motorists in Queensland. It is paid as part of the vehicle registration process and covers people injured in a motor vehicle accident. It doesn’t cover the damage caused to or by the motorist’s vehicle – that damage is covered under RACQ Insurance’s suite of motor insurance products which remain unchanged.

[Corporate](#)[CTP Insurance](#)[Share](#)[Tweet](#)[Share](#)[Email](#)

## More articles

4 July 2023

## FY24 Reinsurance Program update

---

Suncorp (ASX: SUN | ADR: SNMCY) today provided an update on the successful placement of its FY24 reinsurance program and the expected impact to capital and earnings.

Suncorp Group CEO Steve Johnston said the Group would continue to be well protected through the comprehensive program placed for FY24.

"We continue to see a significant reassessment of risk by our reinsurance partners, which reflects elevated natural hazard activity in recent years both globally and in Australia and New Zealand. This, combined with broader inflationary pressures across the economy, continues to impact the cost of reinsurance across the industry.

"This renewal again underscores the challenges facing the insurance industry in Australia and New Zealand. If the proposed sale of Suncorp Bank to ANZ is approved, Suncorp would become a dedicated insurer at a time when the value of insurance to the economy and the public has never been greater."

### FY24 reinsurance program structure

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. Consequently, changes have been made to ensure this balance is maintained in the context of the material hardening of the global reinsurance market in recent years.

The Group's maximum event retention increased to \$350 million (FY23: \$250 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 \$6.4 billion (FY23: \$6.8 billion) and includes one full prepaid reinstatement. At \$6.4 billion, the FY24 limit remains in excess of the Australia and New Zealand regulatory requirements. The reduction on FY23 reflects the entry into the Cyclone Reinsurance Pool (CRP) in Australia and increased coverage from the EQCover in New Zealand (Toka Tu AKE EQC).

Group dropdown covers have also been purchased that reduce the second, third and fourth event retention to \$250 million.

An Australian dropdown program has also been placed that reduces the third and fourth event retention for events in Australia to \$150 million (FY23: \$100 million).

In New Zealand, buydown cover (including a prepaid reinstatement) has been 52% placed to provide cover between NZ\$100 million and the Group's maximum event retention (\$350 million). Placing the remaining 48% of the buydown cover was not economically viable, although opportunities to do so in future will be considered. In FY23 the buydowns provided cover down to NZ\$50 million for a first event and NZ\$25 million for a second event. The increase in retention is primarily a reflection of the increases in reinsurance costs following the Auckland floods and Tropical Cyclone Gabrielle that occurred during FY23.

Following comprehensive modelling on its cost and benefits, the aggregate excess of loss (AXL) cover has not been renewed.

The Group has also renewed its quota share arrangement ceding 30% from the Queensland home insurance portfolio. Suncorp maintains strong market share within this market and the quota share reduces concentration risk in this region. The Group also maintains comprehensive reinsurance cover for casualty and other property risk.

Mr Johnston said that various other forms of reinsurance cover, including a whole of account quota share, were considered and analysed. "We believe the cover that has been placed provides the best outcome, balancing optimal returns with an acceptable level of volatility."

Further details on the catastrophe reinsurance cover are set out in the Appendix.

### Impact of FY24 reinsurance renewal

The hardening reinsurance market results in both increased reinsurance premiums and increased risk retention for FY24. Increased risk retention impacts both the natural hazard allowance and the amount of capital required to be held by the Group.

The combined cost of the FY24 catastrophe reinsurance premiums and the natural hazard allowance is expected to increase by approximately \$250 million or 12% from FY23. This reflects the hardening global reinsurance market and the impact of adverse weather events through the La Niña cycle in recent years across Australia and New Zealand.

The natural hazard allowance for FY24 is expected to increase to \$1,360 million (FY23: \$1,160 million) reflecting increased retention following the above changes to the reinsurance program and the inflationary claims environment, partially offset by the ceding of cyclone risk to the CRP.

Suncorp continues to reflect increased 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%-12% range.

### Impact on capital

The changes to the reinsurance program will result in an approximately \$340 million increase in the levels of capital required to be held by the Group's general insurance businesses, comprising:

- An increase in the Group's Insurance Concentration Risk Charge by \$100 million, in line with the increase in risk retention under the reinsurance program, with a CET1 capital impact of \$115 million.
- A 0.075x increase in the target CET1 capital ratio, increasing targets to 1.225 times the Prescribed Capital Amount (PCA), or approximately \$225 million.

In addition, the higher catastrophe reinsurance premiums and natural hazard allowance are expected to reduce Excess Technical Provisions in capital by approximately \$100 million. This impact is expected to reverse as pricing is adjusted and earned.

At the Group level the impact of the additional capital requirements will be partially offset by the previously disclosed capital benefit from the recognition of diversification benefits between Australia and New Zealand, bringing Suncorp's approach to capital targets in line with peers.

The Group's capital buffers and balance sheet have been managed in anticipation of the impacts of a hardening reinsurance market and are well placed to absorb the changes to its reinsurance program.

### Cyclone reinsurance pool

Suncorp has joined the federal government's cyclone reinsurance pool as at 30 June 2023. Risk covered by the cyclone reinsurance pool has been transferred from reinsurers and Suncorp to the CRP from this date.

### Other matters

Ahead of its FY23 financial results release on Wednesday, 9 August 2023, Suncorp also provides an update on the following specific items:

- The Group natural hazard experience for FY23 is estimated to be between \$1.25 billion and \$1.28 billion against an allowance of \$1.16 billion. Refer appendix for further details.
- The Group incurred restructuring costs of \$47 million in 2H23, primarily driven by the impact of flexible working arrangements on the real estate footprint.
- In investment income, risk free, credit spreads and inflation linked bonds mark-to-market movements were broadly in line with previously communicated sensitivities. For equities, experience was lower than the sensitivities by approximately \$15 million.



**Bank sale**

Suncorp is pleased to have reaffirmed its commitment to Queensland through a significant jobs and investment package agreed with the Queensland Government as part of the sale of Suncorp Bank to Australia and New Zealand Banking Group Limited.

The Australian Competition and Consumer Commission is expected to make its determination by 28 July 2023.

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

**ENDS****For more information contact:****Media**

James Spence

+61 436 457 886

[james.spence@suncorp.com.au](mailto:james.spence@suncorp.com.au)**Analysts / Investors**

Neil Wesley

+61 498 864 530

[neil.wesley@suncorp.com.au](mailto:neil.wesley@suncorp.com.au)

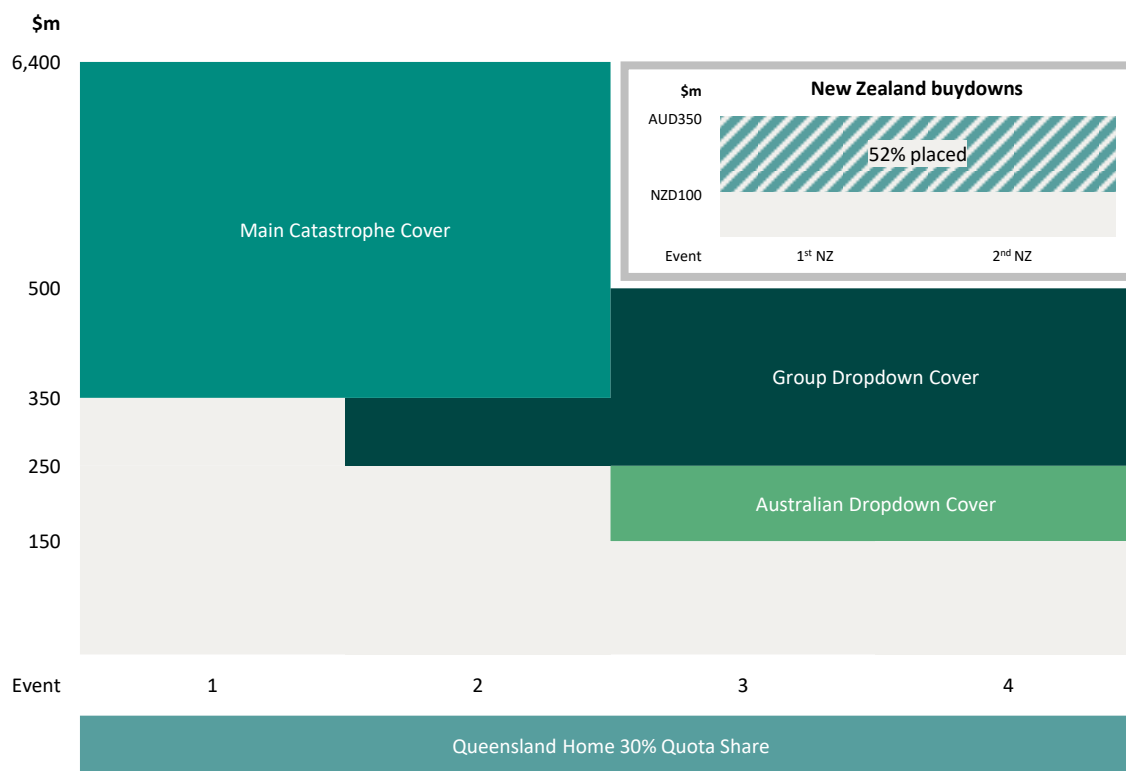
Kyran McGushin

+61 438 087 980

[kyran.mcgushin@suncorp.com.au](mailto:kyran.mcgushin@suncorp.com.au)

## Appendix

### FY24 reinsurance program



### Estimated FY23 Natural Hazard Experience (subject to final valuations)

Date	Event	Net costs \$M
Jul 22	Sydney East Coast Low	87
Aug 22	Southern Australia Winds and Storms	19
Aug 22	NZ North Island and Top of South Island Storm	15
Oct 22	VIC Rain and Floods	210
Oct 22	NSW VIC Rain and Floods	23
Oct 22	East Coast Rain and Hail	53
Nov 22	November Rain and Flood	68
Dec 22	Sunshine Coast Hail	48
Jan 23	NZ Auckland Floods	46
Feb 23	NSW Rain and Hail	56
Feb 23	NZ TC Gabrielle	23
Apr 23	April Rain and Hail	21
May 23	Newcastle Hail	92-100
May 23	NZ All NZ Heavy Rain and Flooding	12-16
Jun 23	June Rain & Hail	20-26
<b>Total events over \$10 million</b>		<b>800-820</b>
Other natural hazards		450-460
<b>Total natural hazards</b>		<b>1,250-1,280</b>
Less: allowance for natural hazards		(1,160)
<b>Natural hazards costs above / (below) allowance</b>		<b>90-120</b>