

Market Release

27 February 2025

Challenger welcomes APRA's update on capital settings for annuity products

Challenger Limited (ASX:CGF) strongly supports APRA's announcement today to undertake a consultation on changes to capital settings for annuity products.

An appropriate modification to the prudential capital settings (in the form of a more market sensitive illiquidity premium) will deliver significant benefits to Australian retirees, the industry and broader economy.

A more market sensitive approach will support increased take up of longevity solutions and therefore grow the annuity market. It will promote innovation and competition in the lifetime income market and support the development of a long duration domestic bond market.

Importantly, as noted in APRA's release, the proposed key changes will lower the levels of required capital for annuity products, provided certain risk controls are in place. We expect this will also reduce cyclical risks to life insurer's balance sheets and reduce capital volatility through closer alignment of asset and liability valuations, while retaining a robust and secure capital framework.

Challenger's Chief Executive Nick Hamilton said:

"Challenger strongly supports APRA's consultation into changes for capital requirements for annuity products, which promises to be the most significant regulatory update for life insurers since the establishment of the current capital framework 12 years ago.

"These amendments will be a game changer for the industry to provide greater support to Australian retirees - promoting competition and innovation in the lifetime income market, increasing uptake of annuities and driving investment in Australia's long-term assets.

"This is also an important opportunity for Australia to put its long-term superannuation savings to work, which is critical to building a productive and resilient economy. Most importantly, it will provide more Australians with financial confidence in retirement."

Challenger looks forward to playing an active role in the consultation process.

ENDS

This release has been authorised by Challenger's Continuous Disclosure Committee.

About Challenger

Challenger Limited (Challenger) is an investment management firm focused on providing customers with financial security for a better retirement.

Challenger operates a fiduciary Funds Management division and an APRA-regulated Life division. Challenger Life Company Limited (Challenger Life) is Australia's largest provider of annuities.

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