SUNCORP

ASX announcement

1 July 2025

FY26 Reinsurance Program update

Suncorp (ASX: SUN | ADR: SNMCY) today provides an update on the successful placement of its FY26 reinsurance program.

Suncorp CEO Steve Johnston said the renewal benefited from greater capacity in the reinsurance market.

“Over the past couple of years, reinsurers materially reset their appetite for deploying capital to cover smaller or mid-sized events in both Australia and New Zealand. This, and increased reinsurance pricing, has seen the cost of insurance, particularly home insurance, increase rapidly.

“While the pricing of household policies will continue to reflect underlying risks and broader economic inflation, it’s pleasing that this major input cost appears to have stabilised.”

Strategic reinsurance review

Mr Johnston said Suncorp undertook a comprehensive strategic review of its reinsurance program following the sale of the Bank.

The review explored a range of markets and both traditional and alternative reinsurance structures, including whole of account quota shares and aggregate cover programs. The key objectives included optimising return on equity and managing earnings volatility whilst retaining profitable exposures, with the overarching objective of maximising long-term shareholder value. Suncorp engaged with several strategic partners and global experts in carrying out the review including reinsurance brokers, consultants and investment banks.

“The review concluded that our clear objectives of optimising outcomes for our shareholders and customers would be best met by the program announced today,” Mr Johnston said.

“In the current market, capacity has increased significantly for main catastrophe covers and pricing has improved. For other types of cover, including aggregate covers, capacity remains limited and expensive.”

Mr Johnston said Suncorp will continue to monitor both traditional and alternative reinsurance markets and assess future opportunities in reference to the considerations outlined above.

FY26 reinsurance program structure

Suncorp’s maximum event retention will be $350 million for a first and second large event, in line with the first event retention in FY25.

The main catastrophe program covers the Home, Motor and Commercial property portfolios across Australia and New Zealand. The cover provides protection for losses between $500 million and $6.3 billion (FY25: $6.75 billion) and includes one full prepaid reinstatement.

The Group cover that reduced exposure to $350 million for a first and second event has been replaced with a structured, multi-year solution. The cover will include a profit-sharing mechanism and reinsurer losses will be capped at $600 million over a three-year term. The cost of the cover is lower than in FY25 with further expected upside from the profit-sharing arrangement.

Some minor changes have also been made to the structure of the program to optimise coverage under current market conditions. Firstly, a second reinstatement of the $500 million to $1 billion main catastrophe program has been added to provide further resilience to the program and reduce the risk of expensive reinstatement costs in the event of one or more large events. Secondly, the Group dropdown limiting a second event to $250 million has not been renewed, given the inefficiency of this cover. These changes will result in lower reinsurance premiums and largely offset in terms of earnings volatility risk.

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As in previous years, group dropdown covers have also been purchased that reduce the third and fourth event retention to $250 million, and the Australian dropdown program continues to reduce retention for a third and fourth event in Australia to $150 million.

In New Zealand, buydown cover (including a prepaid reinstatement) has been placed to provide cover between NZ$200 million and the Group's maximum event retention of $350 million, in line with FY25.

Impact of FY26 reinsurance renewal

The total cost of the FY26 catastrophe reinsurance program is expected to be lower than in FY25, reflecting strong reinsurance rate reductions and changes to the program, partially offset by exposure growth in the portfolio.

The program changes have no material impact on risk retention or capital targets for the Group. Suncorp remains committed to returning to shareholders any capital that is in excess of the needs of the business. An update on capital management will be provided at the full year result in August.

While the Natural Hazard allowance for FY26 will primarily reflect unit growth and inflation, given the favourable reinsurance renewal, consideration will be given to building further resilience into the allowance. Further detail on this will be provided with the full year results.

Suncorp continues to reflect 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% to 12% range while supporting continued organic growth.

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

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Appendix

FY26 reinsurance program