

General Insurance – Personal Insurance

Faster repairs



SMART repair shops

With the launch of 12 SMART (Small to Medium Accident Repair Technology) shops during the year, we are able to return a customer's damaged vehicle the day they drop it off.

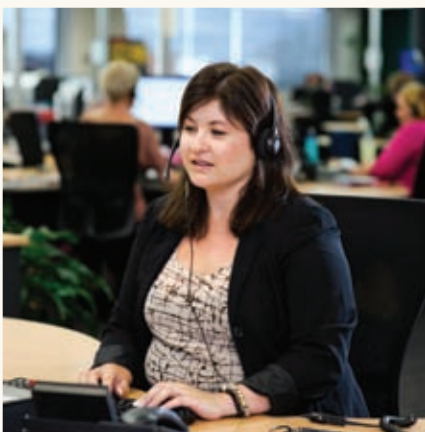
Faster assessments



Goodna Qld

Apia customer, Ted Bradley, was the first resident in his street to be able to return to his home after the Brisbane summer floods.

Faster claims



Newcastle NSW

Susan Montgomery is one of 700 claims consultants nationwide now using Suncorp's single claims system.



Support and compassion

Maitland NSW

On a cold and otherwise insignificant Saturday night, Abby Crawford's house burnt down. She called AAMI from the footpath in her pyjamas. "The support and compassion I received from AAMI gave me the strength to get on with it." Abby and her son, Nikolai, are now re-building their home.

Gross Written Premium

\$4.2 billion

Insurance Trading Result

\$144 million

Personal Insurance – fulfilling commitments in times of trouble

Suncorp Group’s Personal Insurance division is one of Australia’s largest and most successful insurers. Our strength lies in our strong portfolio of trusted brands. Collectively, our brands account for 33% of the home and motor insurance markets in Australia. We have more than five million customers, 5,600 employees and manage more than one million claims each year.

Widespread flooding across three States, a cyclone in north Queensland and a series of severe storms across eastern Australia failed to deter Personal Insurance from fulfilling the commitments we made to shareholders last year.

Over the past year, the underlying insurance trading result greatly improved. Gross written premium (GWP) for motor increased by 4.2%, with emerging competitors making little headway in taking market share from our key brands. In the home insurance portfolio, GWP grew by 11.8% which was supported by targeted premium increases for high risks to cover increased reinsurance costs and other weather event expenses.

Simplification

We fulfilled key commitments such as the move to a single pricing engine and the implementation of one claims system, creating a consolidated approach that supports our major insurance brands. This was despite an extraordinary 40,000 home and motor claims arising from the summer of disasters.

In central Queensland, Suncorp completed more than three quarters of claims assessments within three weeks – half the time taken under the old model of operating separate insurance companies.

This was made possible because our strategy differentiates our brands on the outside but leverages our best processes, capabilities and people on the inside to build scale when disaster strikes.

Our decision to replace multiple pricing systems and methodologies with a world-leading single pricing engine has improved margins. We can now charge premiums that reflect the risks associated with individual cars or properties which subsequently reduces our risk and claims costs. The ability to price in such a way also means Suncorp has led the market with innovative products such as automatic flood cover – a position that won widespread customer and community praise and generated profitable new business.

We’ve previously said that it was crucial to simplify claims processing in order to reduce operational and claims costs. Achieving this required us to create a single claims approach across all of our brands.

The initiatives we’ve implemented in the past 12 months put us at the forefront of the industry.

We can now return a customer’s damaged motor vehicle in half the time taken by traditional smash repairers, with the launch of 12 SMART (Small to Medium Accident Repair Technology) shops. We expect to repair 1,000 cars per week through SMART with lower average repair costs.

We have achieved a great deal in the past year. We have demonstrated that when customers need us most, we have the scale, experience and ability to support them through difficult times.

Next steps

The priorities for the business have not changed. We remain focused on delivering profitable growth, demonstrating cost leadership within all facets of the business and improving our insurance margin.

General Insurance – Commercial Insurance

One strong, unified team



Brisbane Qld
Nicole Mann's team of 160 commercial underwriters has moved from five employment agreements to one as part of the Group's single enterprise agreement.

AAMI moves online



Perth WA
Hardworking carpenter and cabinet maker, Eddie Zabala, was the first customer to buy AAMI business insurance online. The online channel is ideal for time-poor business people like Eddie who prefer to buy insurance after hours using the internet.



Ready for crushing season, post-Yasi

Tully Qld
Tully Sugar Mill, the heart of the local community, suffered extensive damage to its operational infrastructure and 50 of its 70 buildings in Cyclone Yasi.
Mill CEO, John King, said "I am very pleased with the way Vero managed the claim and that critical repair work was completed ahead of schedule to ensure the mill was operational for the start of the sugarcane crushing season."

Gross Written Premium

\$2.4 billion

Insurance Trading Result

\$471 million

Commercial Insurance – profitable risks

Suncorp Group's Commercial Insurance division is one of Australia's leading insurers issuing 400,000 policies each year to protect Australia's business community. Our customers range from large, multinational corporations to family businesses and sole traders.

Suncorp Commercial Insurance had a successful year in a tough market and made critical investments in technology and customer service that will underpin future growth.

During 2010/11 the business delivered a pre-tax insurance trading result of \$471 million, up 27%. Our focus on profitability, rather than market share growth, meant underlying gross written premium (GWP) grew modestly, by 2.1%*, to \$2.4 billion in a difficult market.

New technology

A substantial investment in underwriting technology and further simplification of our business enhanced our ability to give Australia's commercial sector the support it needed during this year's floods and storms.

Thanks to the General Insurance Pricing Engine (GIPE), we can now look beyond the broad assumptions traditionally used to determine risk and assess risk individually for each business. Although only introduced in May 2011, we are already pricing 66% of small business packages using GIPE technology.

Our strong relationships with brokers are critical to our success with almost three-quarters of our commercial business attributed to this channel. Using GIPE, our underwriters are working

more closely with brokers to explain all factors affecting a business's insurance premium, including where discounts have been applied, even where the risks are complex. For brokers with medium-sized business clients seeking assistance with multiple business-related risks, we offer a greater level of service through our recently introduced mid-market underwriting teams.

In 2010/11 we launched Australia's first 24/7 online business insurance for less complex businesses – AAMI Business Online. Demand for online insurance has exceeded expectations – taking more than \$1 million in revenue in its opening months and continuing to grow ahead of our plans.

Statutory portfolios

We remain Australia's largest personal injury insurer through our share of underwritten Compulsory Third Party (CTP) and Workers' Compensation business. While we will maintain our focus on improving outcomes for affected people, there is potential to further reduce costs by better managing claims across this portfolio.

Suncorp continues to be the leading CTP insurance provider in Queensland with more than 50% market share. In the New South Wales CTP market, our focus will be on continued optimisation of the Group's two-brand strategy, through GIO and AAMI, to ensure profitable risk selection.

Next steps

Suncorp's Commercial Insurance division is now well positioned for future profitable growth. Through the successful implementation of streamlined systems and more efficient processes, we are confident that we will fulfil our commitment to shareholders to expand our market presence by our targeted 3%.

* Commercial Insurance exited the home warranty, farm and aviation portfolios in 2009/10.

General Insurance – Vero New Zealand



A slow and steady road to recovery

Christchurch, New Zealand
The New Zealand Government established the Canterbury Earthquake Recovery Authority (CERA) to ensure a coordinated response to the Canterbury earthquakes.

CERA Chief Executive, Roger Sutton, estimates the road to recovery will be long with total repair costs between NZ\$15 and NZ\$20 billion.

Gross Written Premium

\$683 million

Insurance Trading
Result Loss

\$203 million

Vero New Zealand – underlying performance improves

Vero New Zealand is a leading player in the New Zealand general insurance market offering a comprehensive range of personal, corporate and commercial insurance and risk management products. Vero New Zealand's specialist insurance and risk management companies collectively account for 24% of the market.

Vero's mission is to be a world-class Kiwi general insurance company that loves to help and protect the people and businesses of New Zealand.

That mission is being well tested following major earthquakes and significant aftershocks in the Canterbury region of the South Island during the year.

Preventative action



Auckland, New Zealand

When New Zealand's largest kiwi fruit exporter, Zespri, was worried about a refrigerated vessel they had chartered, Vero Marine expert underwriter John McKelvie evaluated the ship's hold to ensure it met Zespri standards. John said, "We assessed the vessel using our technical expertise and helped our client avoid a large loss that would have led to a large claim."

Over 22,000 earthquake-related claims have been lodged with Vero or our joint venture company, AA Insurance. Despite continuing aftershocks in Canterbury, Vero has still managed to assess and finalise claims, as well as complete some rebuilding.

We have a team of more than 45 employees working from new premises in Christchurch.

Vero is working closely with government authorities and has also appointed a leading New Zealand joint venture, MWH Mainzeal, to oversee rebuilding. By the time work is completed, Vero and its reinsurance partners will have injected more than \$2 billion into the Canterbury Region.

Improved performance

As a result of the earthquakes, additional reinsurance needed to be purchased and this had a severe impact on Vero's results. Despite this, the underlying performance improved on the previous year. GWP increased 8.4% in NZ dollar terms as a result of premium increases and new business. The underlying ITR also improved.

Vero is highly regarded by brokers and customers. For the second year in a row, we were voted Insurer of the Year by members of the Insurance Broker's Association of New Zealand. This is the sixth time we have won this award.

The year ahead

Recovery from the Christchurch earthquakes will be protracted and we will continue to devote the resources needed to rebuild businesses and communities. We will also work with government, businesses and communities to address insurance affordability and capacity issues, as well as earthquake mitigation.

Insurance prices across New Zealand will rise in the coming year due to greater risks and higher claims and reinsurance costs. We are gradually changing premiums and underwriting conditions to reflect these higher risks and costs, particularly with earthquake cover.

Vero will focus on improving the efficiency of its claims management processes and reducing claims costs through dynamic risk selection and supplier relationships. We also plan to increase sales through our partnerships, as well as strengthening our longstanding broker relationships.

Suncorp Bank

Support for agribusiness



Regional Qld

Following the Queensland floods and Cyclone Yasi, Suncorp Bank coordinated events across the State to provide financial information and support to communities.

Expanding



NSW and WA

Twenty one new branches opened this year as Suncorp Bank expanded its footprint into NSW and WA.

Making business easier



Lane Cove NSW

"Suncorp Bank makes doing business easier." Peter Mavad, coffee shop owner, one of our first customers at the Lane Cove branch.



Cold Rock ice creamery gets a cool Suncorp Bank grant after floods

Rosalie's flood-affected ice creamery, Cold Rock, was one of the first small businesses to receive a Suncorp Bank 'back to business' grant of \$5,000 to help them start the recovery from the Brisbane floods in January.

Owners Donna and John Weatherhead said the grant was especially welcome given the store had been closed for twelve and a half weeks, and re-opened on 9 April.

"We used the \$5,000 from Suncorp towards repairing our refrigeration equipment. Suncorp Bank's generosity reflects the Queensland spirit shown to us by friends, staff, and customers," Mrs Weatherhead said.



Suncorp Bank – the best bank for middle Australia

Suncorp Bank is Australia's leading regional bank servicing more than 900,000 customers nationwide.

Our aim is to be the best bank for middle Australia in personal, agribusiness, small business and commercial banking.

NPAT

\$84 million

Core Loans

\$39.6 billion

Events during the global financial crisis focused our attention on setting a clear strategy for Suncorp Bank which has resulted in a strong, stable and growing regional bank.

Our position in the market is also clear: we are a genuine alternative to the major banks, aiming to be the best bank for middle Australia.

Core Bank

In 2011 we achieved our key targets and initiatives. In particular, we delivered solid, profitable growth in lending, achieving our target of greater than system growth in home and core business lending. Our customer base grew by more than 6% to over 988,000 – tracking well against our target of more than one million by 2013. We ranked number one in customer satisfaction among business customers nationally and maintained a top-three position among personal banking customers as measured by Roy Morgan.

While Queensland mortgage growth was subdued following the weather events, we balanced this with healthy growth in other states. Our core business banking book has also expanded and is now larger than the non-core portfolio, a significant milestone in our stabilisation story.

Thanks in large part to these achievements, we have rebuilt confidence in our brand and have a strong offering backed by first-class customer service. All the changes introduced in the past two-and-a-half years demonstrate our ability to execute our plans.

Queensland remains the largest market for Suncorp Bank, which is also growing strongly in New South Wales, Victoria and Western Australia. The tragic events of summer 2010/11 highlighted our commitment to Queensland and our ability to respond when our customers and communities need us most.

Suncorp Bank is focused on building its core portfolios of personal, agribusiness, small business and commercial banking.

Non-core Bank

Following the global financial crisis, we moved out of high-end property and corporate banking, putting these portfolios into run-off. We have made excellent progress and continue to exceed targets in relation to the run-off of the non-core portfolio in 2011. Non-core loans reduced 38.7% or \$4.9 billion during the year to \$7.7 billion. Run-off for the full year exceeded the initial target by \$2.5 billion.

Exposures greater than \$50 million reduced from 121 to 53 during the year. The impaired asset balances and actual losses have reduced over recent quarters and construction risk is now largely removed.

Next steps

Our strategic priorities include growing the core franchise in New South Wales and Western Australia by doubling our branch footprint and tripling our customer base in those states.

Suncorp Bank's growth aspirations include expanding our total customer base to more than one million and increasing 'complete customers' – those with three or more Suncorp products – by 50%. A focus on simplifying systems and processes and investing in our people will support our objectives of delivering a cost-to-income ratio in the mid 40s and sustained return on equity greater than 15% in the core bank.



Million dollar Meredith

Mother of seven, Meredith Marshall from Terrey Hills NSW, was instantly attracted to our new Million Dollar Woman 'living insurance' by the short 14-day waiting period and ease of application.

"We don't have the cash flow to pay for someone to assist our family if I was injured and then be reimbursed months later. Million Dollar Woman is different from other insurance because its focus is to support families in times of crisis, and it acknowledges the importance of the work done by stay-at-home parents," Meredith said.

NPAT

\$149 million

New Business Sales

\$104 million

Suncorp Life – cross-selling to existing customers

Suncorp Life is a trans-Tasman life insurance specialist offering life insurance, superannuation and investment products through Independent Financial Advisers (IFAs) and direct to Suncorp’s customers. Our key life insurance brand is Asteron Life and our superannuation product is Suncorp WealthSmart.

Suncorp Life’s strategy is to be a life insurance specialist that leads the IFA market and builds a large direct distribution business. We support this strategy through initiatives in simplification, claims management and retention.

In the past year, we maximised the power of Suncorp Group’s portfolio of brands and customer base while maintaining our competitive advantage in the IFA market. New business was up 21% overall – up 14.3% to \$56 million in the adviser channel and up 43.8% to \$23 million in the direct channel.

Individual Life Risk new business was up 12.3% to \$91 million, reflecting the strong momentum in the IFA and direct distribution channels.

We have proven our ability to cross-sell to existing Suncorp Group customers through the launch of four new life insurance products in the AAMI, Apia, GIO and Suncorp brands. More than 10,000 Apia funeral plans have been sold, and 19% of those customers are new to the Suncorp Group.

Million Dollar Woman, our new Life brand, offers day-to-day living insurance – recognising the value of unpaid domestic work of stay-at-home parents.

Economic overlay

Suncorp Life experienced higher-than-expected policy lapse rates this year with a peak at the half year. We are lowering this rate through a strategy of directly contacting lapsing customers, which has saved \$17 million of premium in Australia.

Worsening economic conditions have lengthened the time claimants take to return to work. Given the current outlook, we expect this to continue to be an issue until the end of 2011 at least, in line with industry trends.

Awards

We improved the service we provide to IFAs to strengthen Asteron Life’s position as the number-one partner to dealer groups and the number-two partner to advisers. We won the Association of Financial Advisers 2011 and Smart Investor 2011 awards. This, in addition to Australian Financial Services Licensee tender wins, demonstrates that Asteron Life’s market position as an independent specialist risk provider is strengthening.

To help simplify our operating model and enable us to focus on our core business, we sold our asset management businesses Tyndall and Guardian Trust New Zealand. In addition, we simplified our superannuation offer to employers with the introduction of EASE (the Employer Administration Super Exchange).

Stronger customer relationships



Canberra ACT

Apia customer, Russell Gilbert, was one of the 10,000 General Insurance customers who bought a funeral plan from Suncorp Life in 2010/11.

Next steps

By 2013 Suncorp Life has committed to doubling individual life insurance sales by building growth in the independent financial adviser and direct channels. In addition, to support our goal of double-digit in-force premium growth, our focus continues on customer retention, improving claims management and overall expense management. We are on track to achieve our goals.