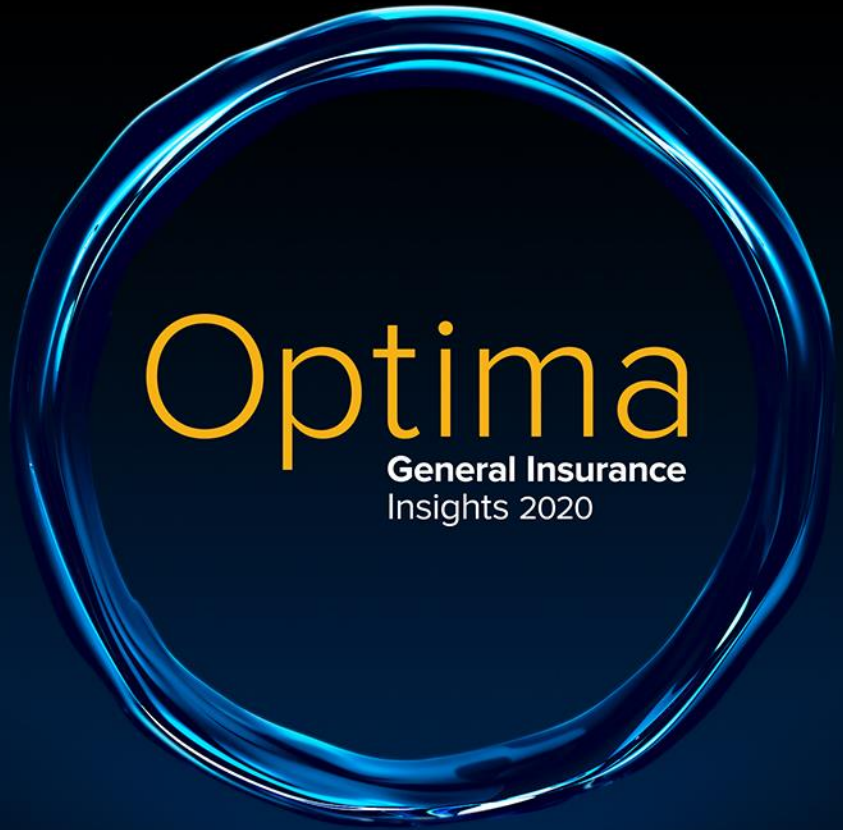

Andy Cohen

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Today's Presentation

Recent industry performance

Future industry forecasts

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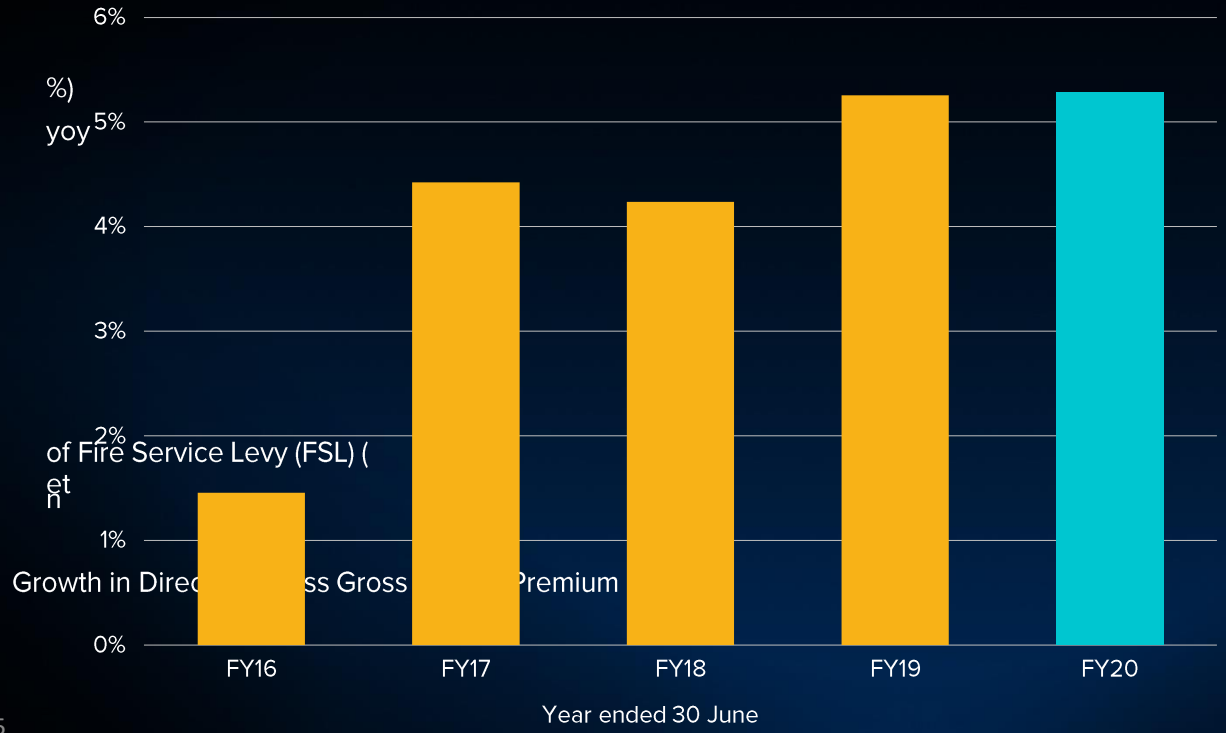
Premium Growth FY20: Same as FY19, but still weak



COVID-19 Impacts

- Q4 volumes low
- Premium relief measures

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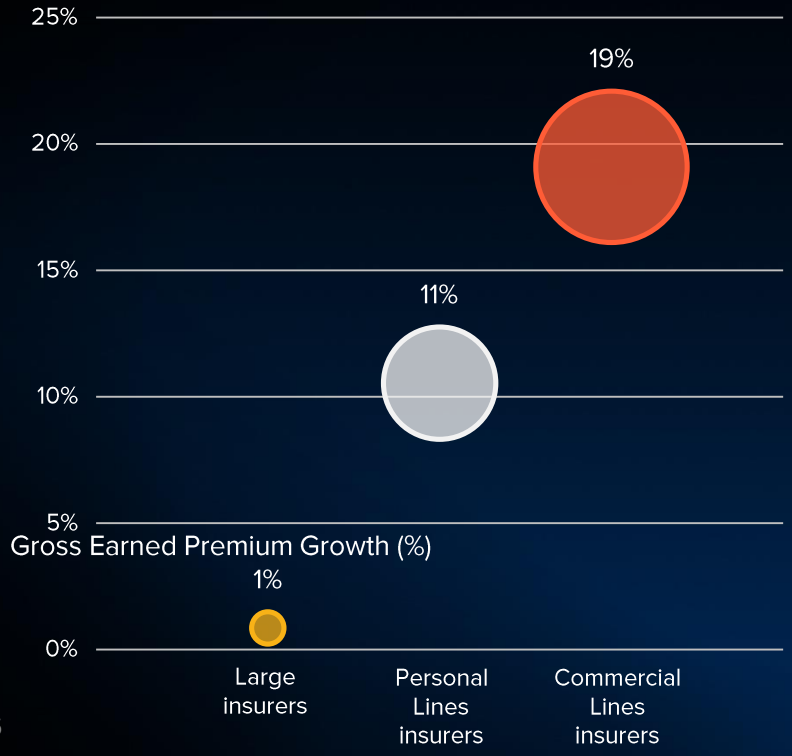
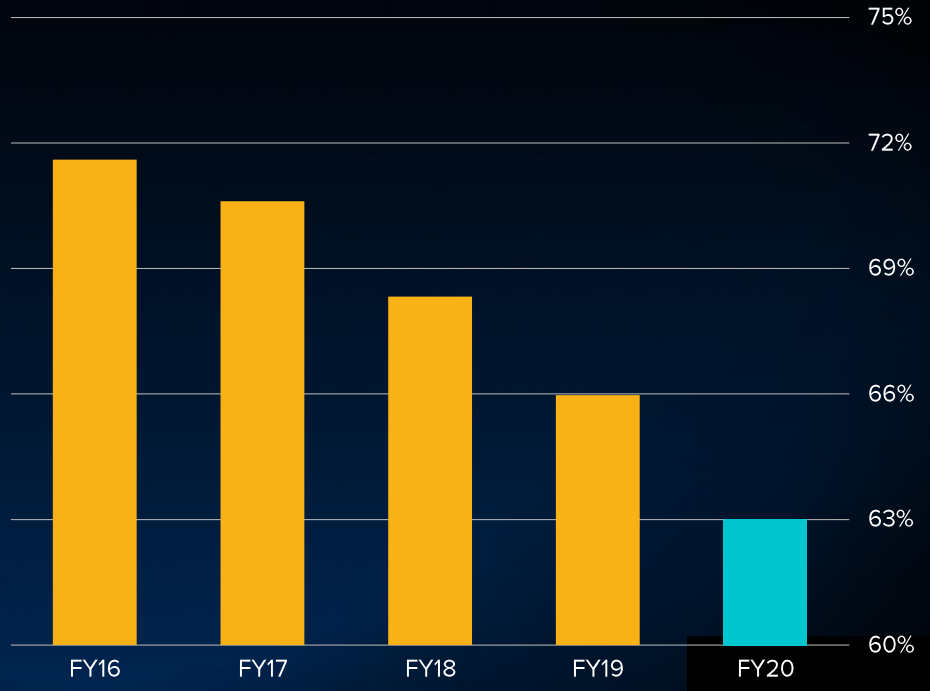
GEP Growth FY20: Market share still shifting

GEP Growth by insurer segment

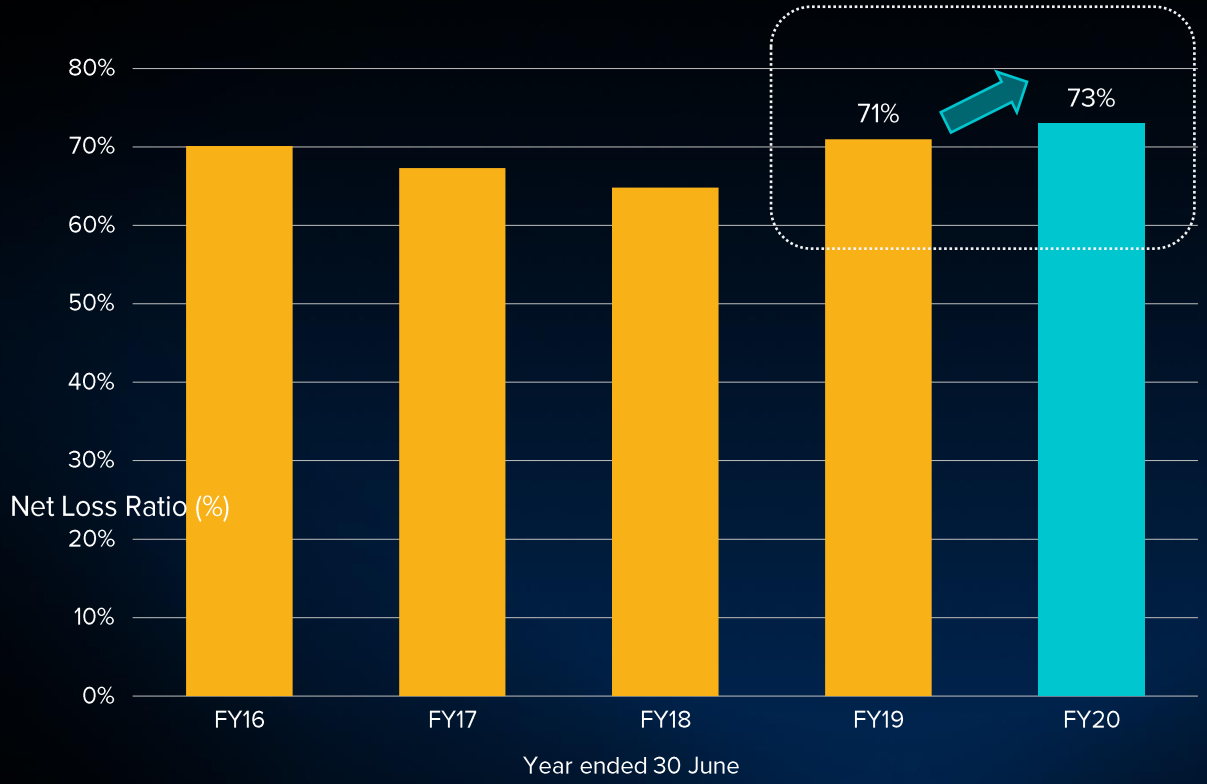


Market Share of Large insurers



Source: APRA data, Finity analysis

Net Loss Ratio FY20: Up 2 points on FY19



COVID-19 Impacts

- Lower discount rates
- Pandemic-related BI
- Q4 loss ratios:
  - Up: Travel
  - Down: Private Motor, Commercial Motor

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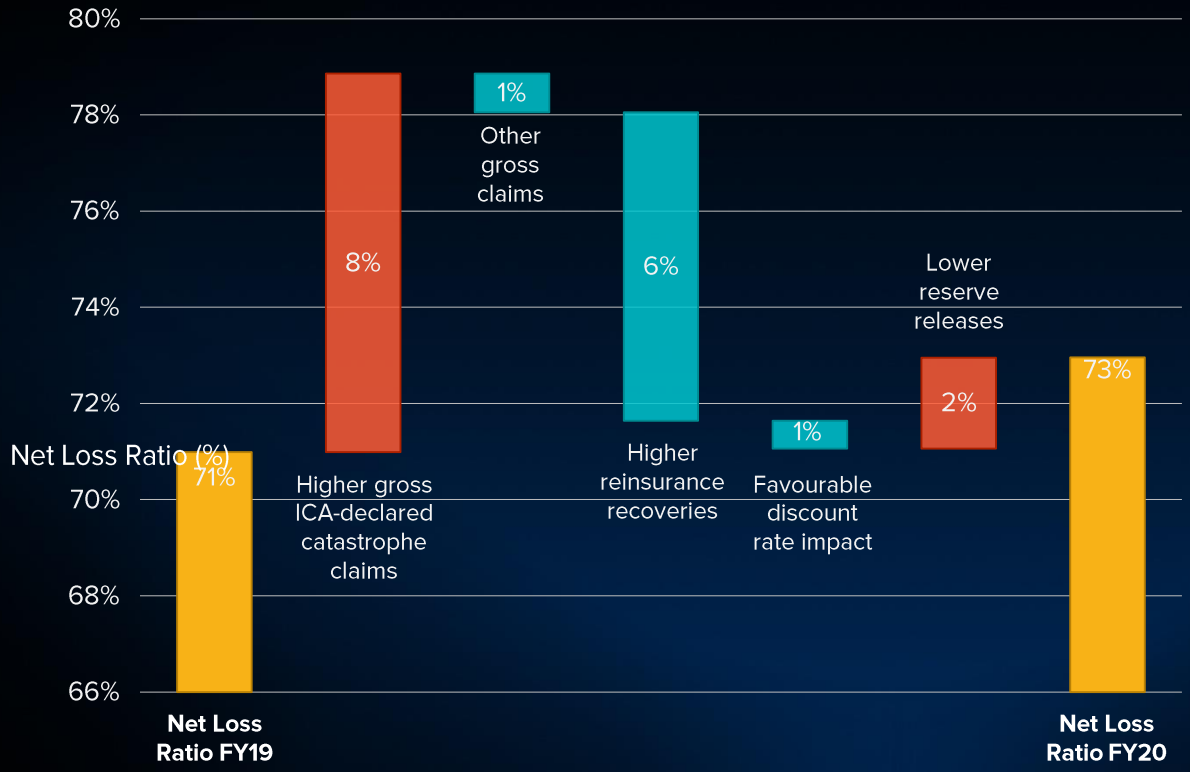
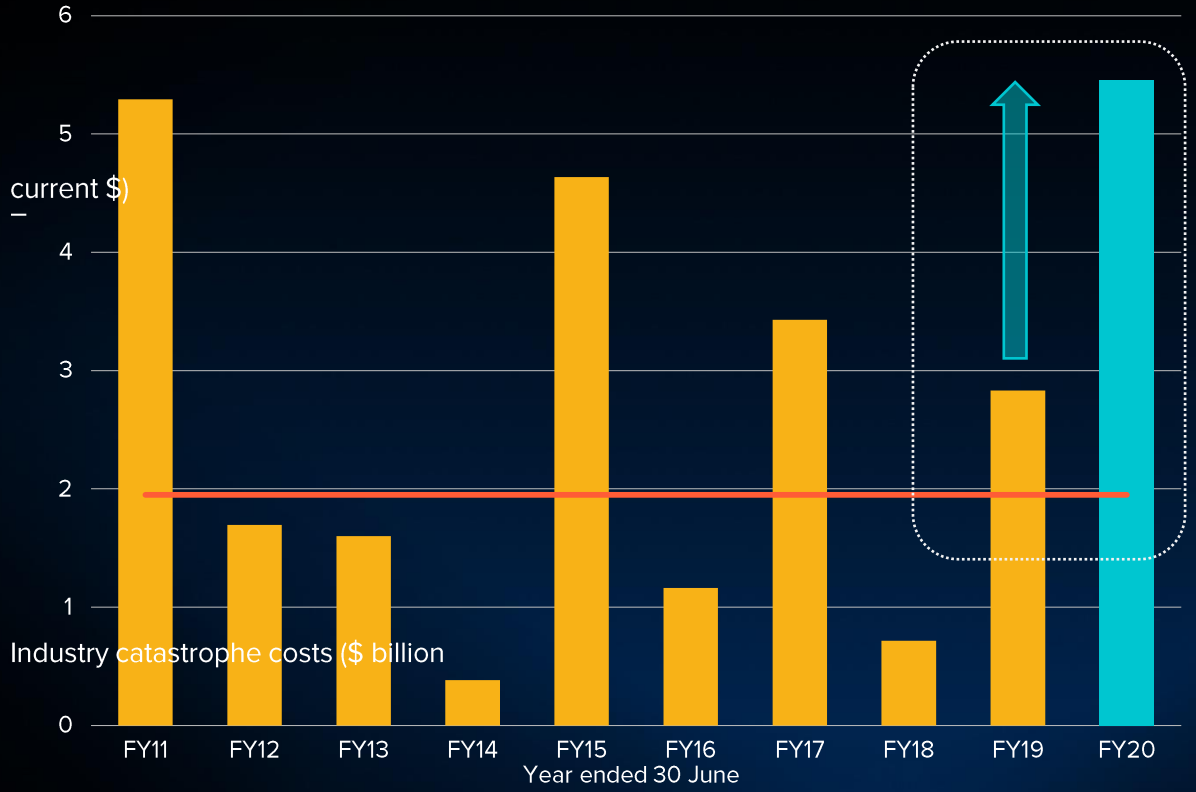
Net Loss Ratio Movement FY20 (% of NEP)



Cat costs FY20: $5.4 billion – a two-decade high



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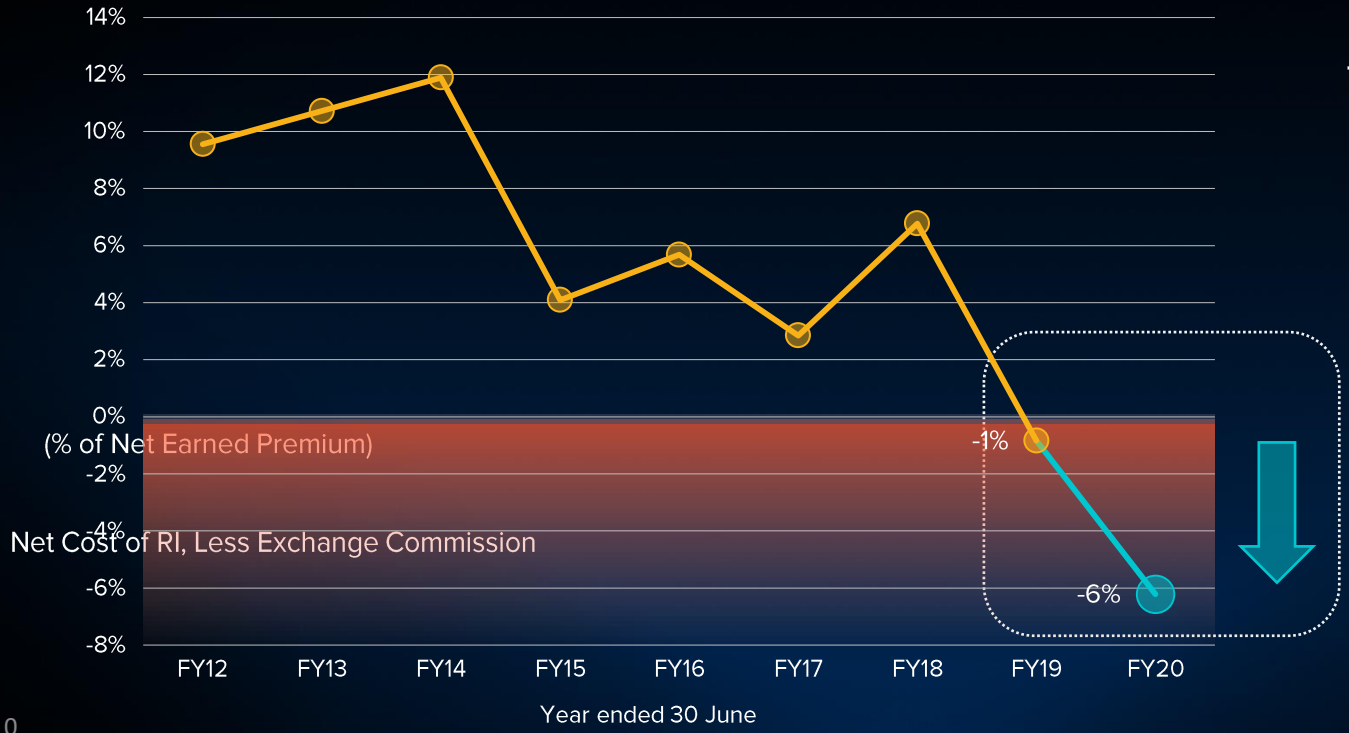
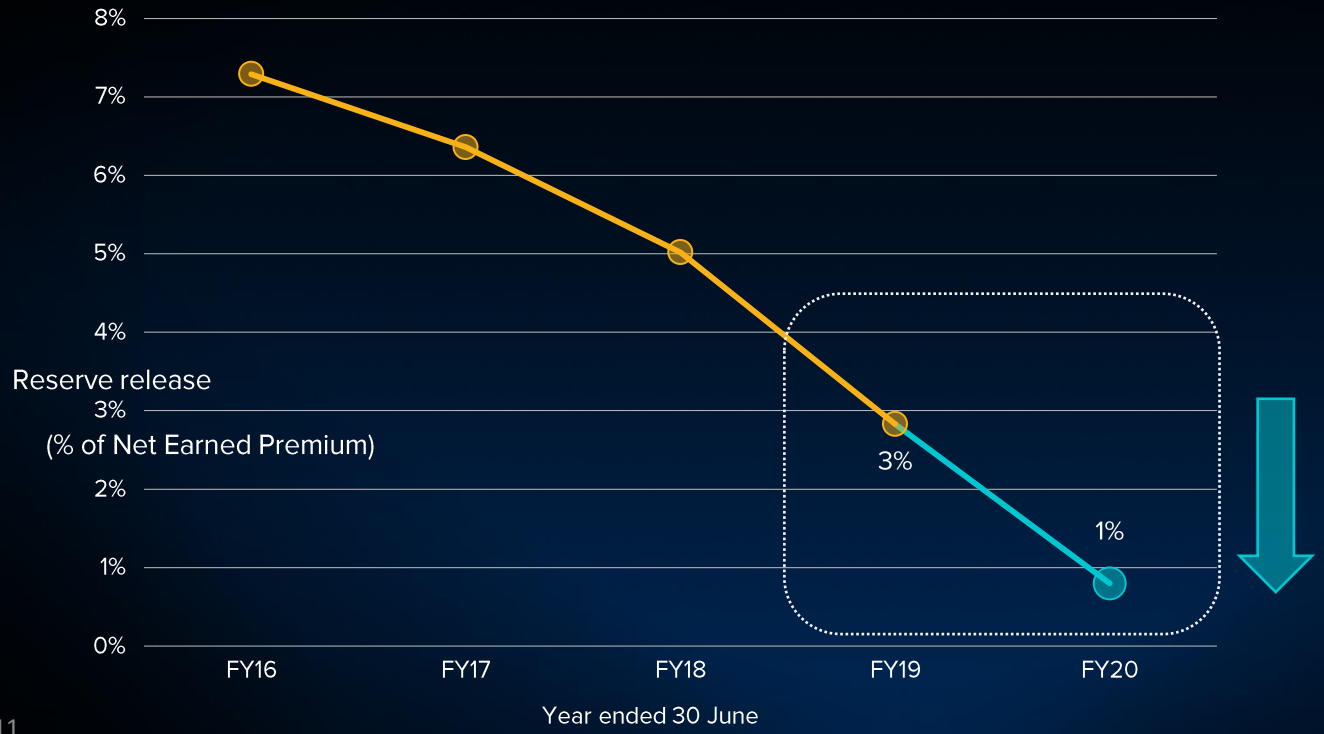
Reinsurance FY20: Net Cost of RI Negative



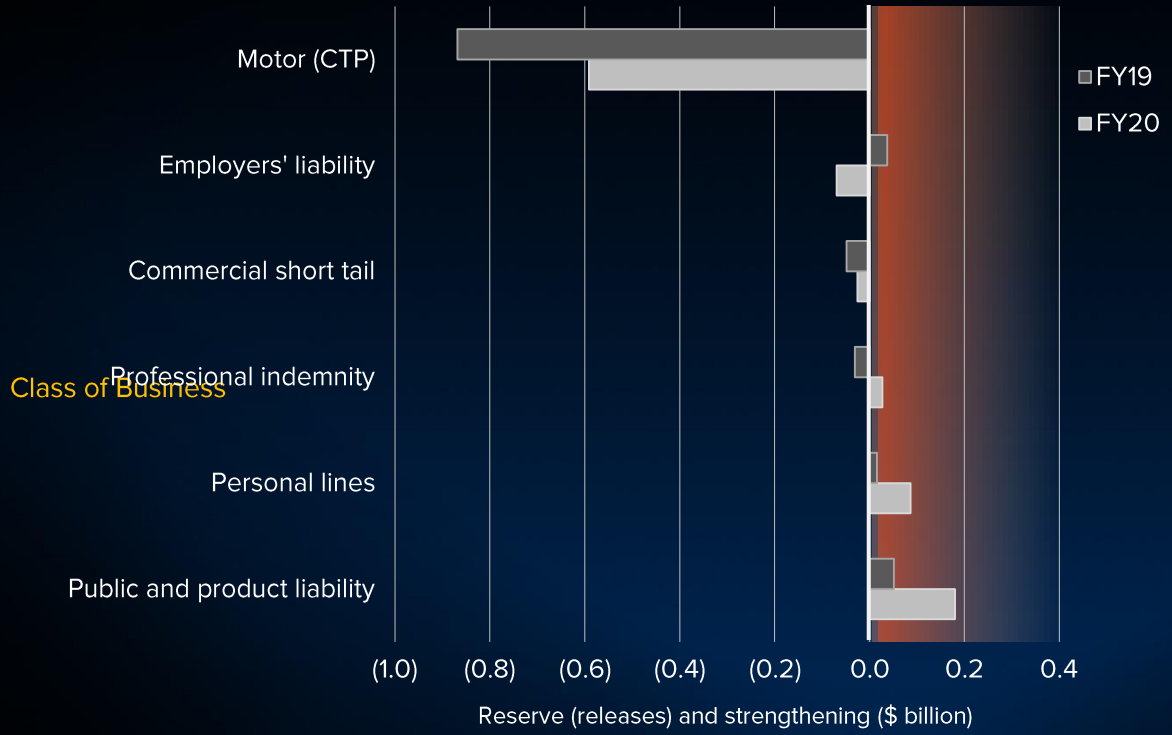
COVID-19 Impacts

- Hardening R/I market

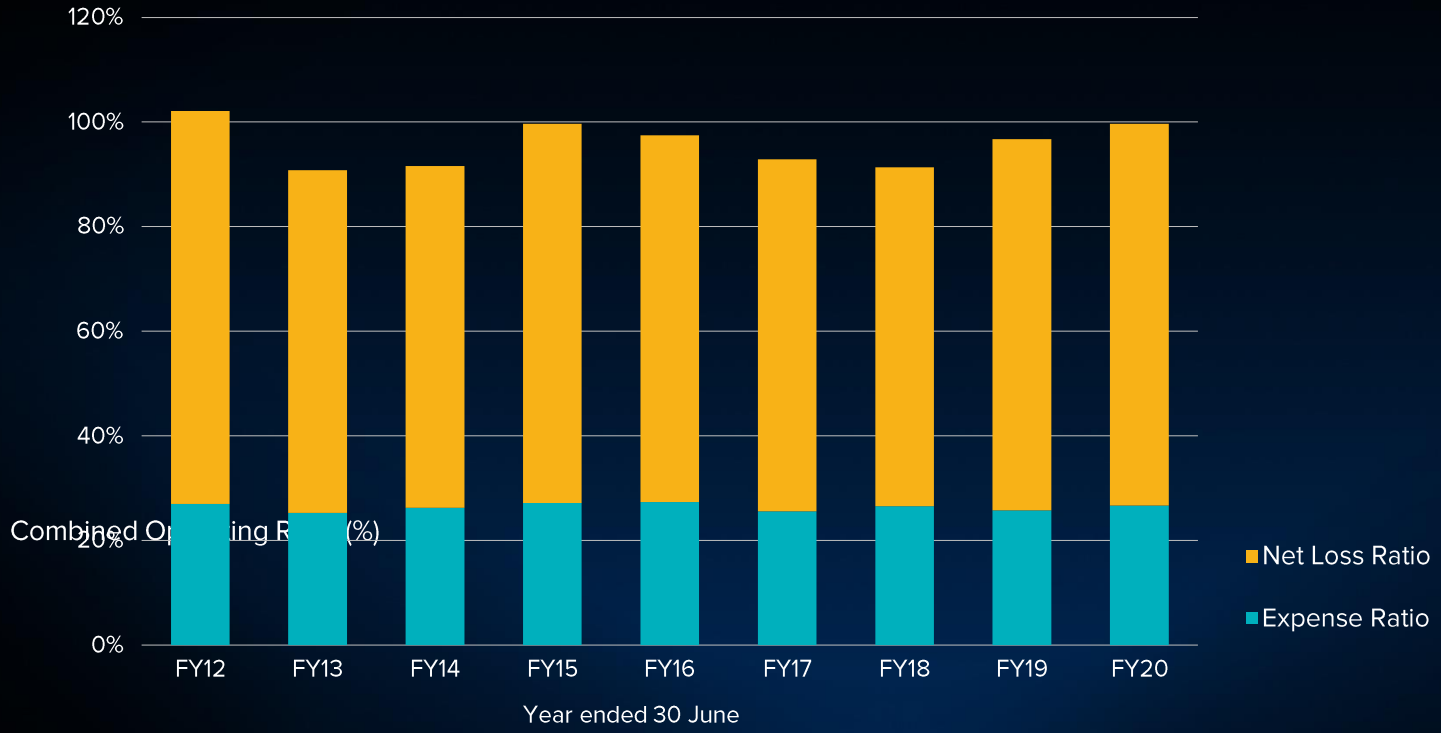
Reserve Releases FY20: around 1% of NEP



Reserve Releases FY20: Lower releases, more strengthening



Combined Operating Ratio: FY20



Combined Operating Ratio (%)

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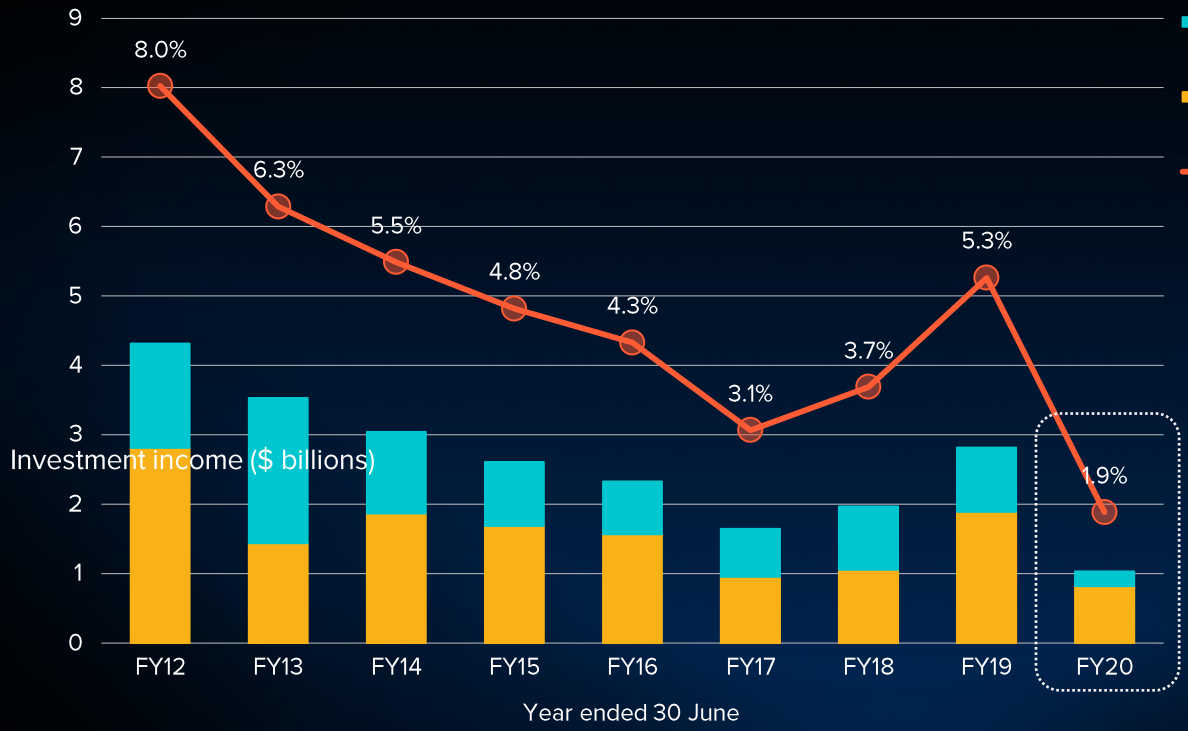
Investment Returns: A big reduction took 8% off ROE



COVID-19 Impacts

- Credit spreads widening
- Stock market correction

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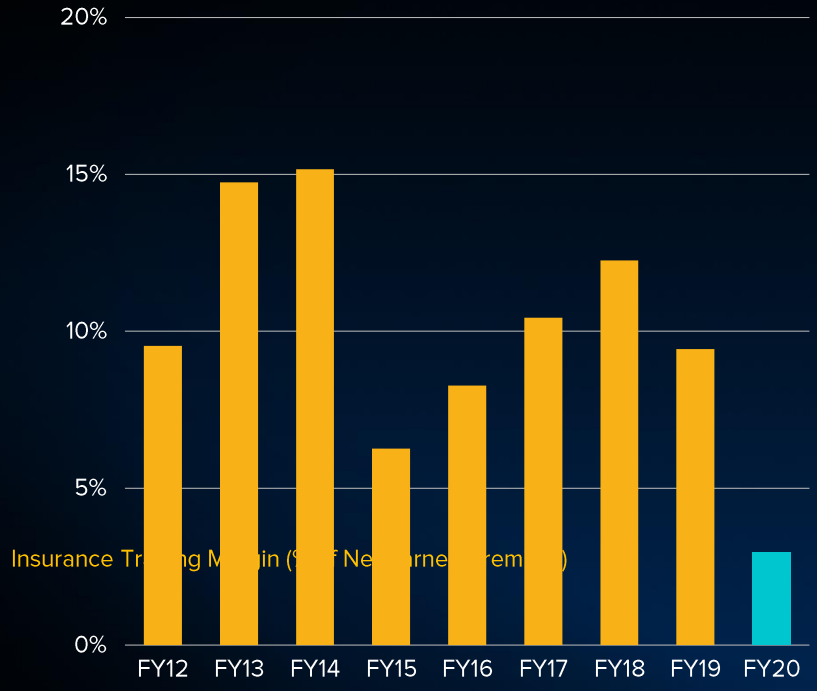
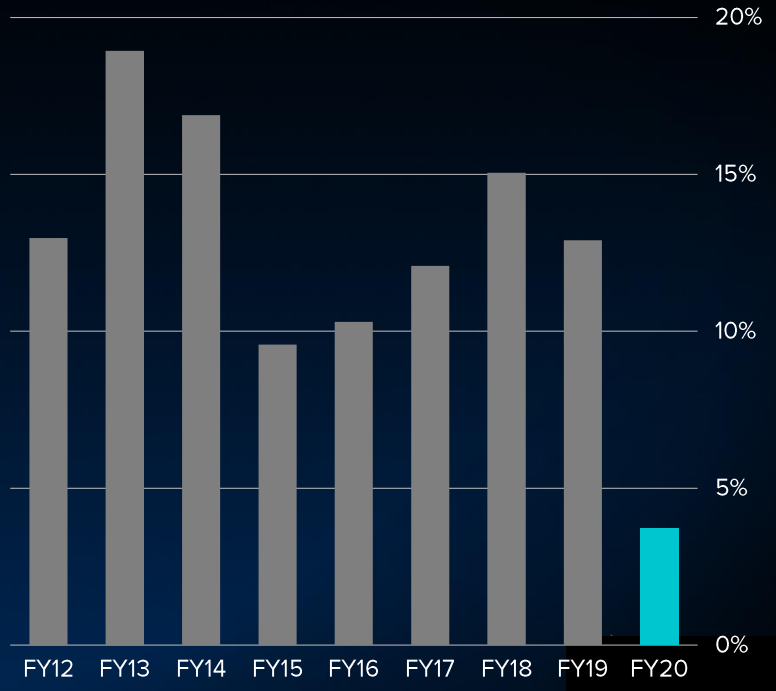
Insurance Trading Margin:
Took quite a tumble



Return on Equity:
Lowest in decades



Year ended 30 June

Source: APRA data, Finity analysis

Optima General Insurance Insights 2020

Performance:

Class of Business

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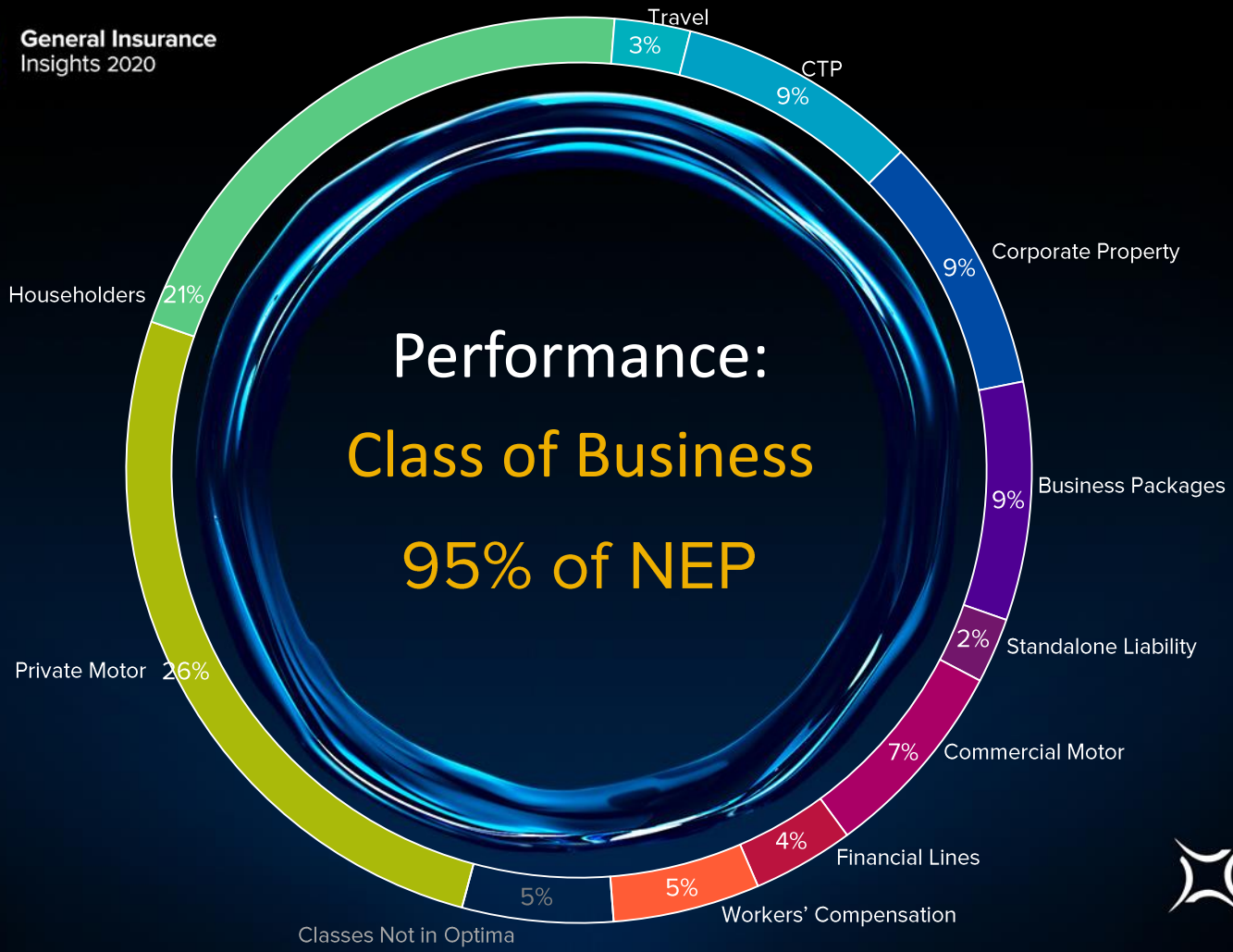
Optima General Insurance Insights 2020



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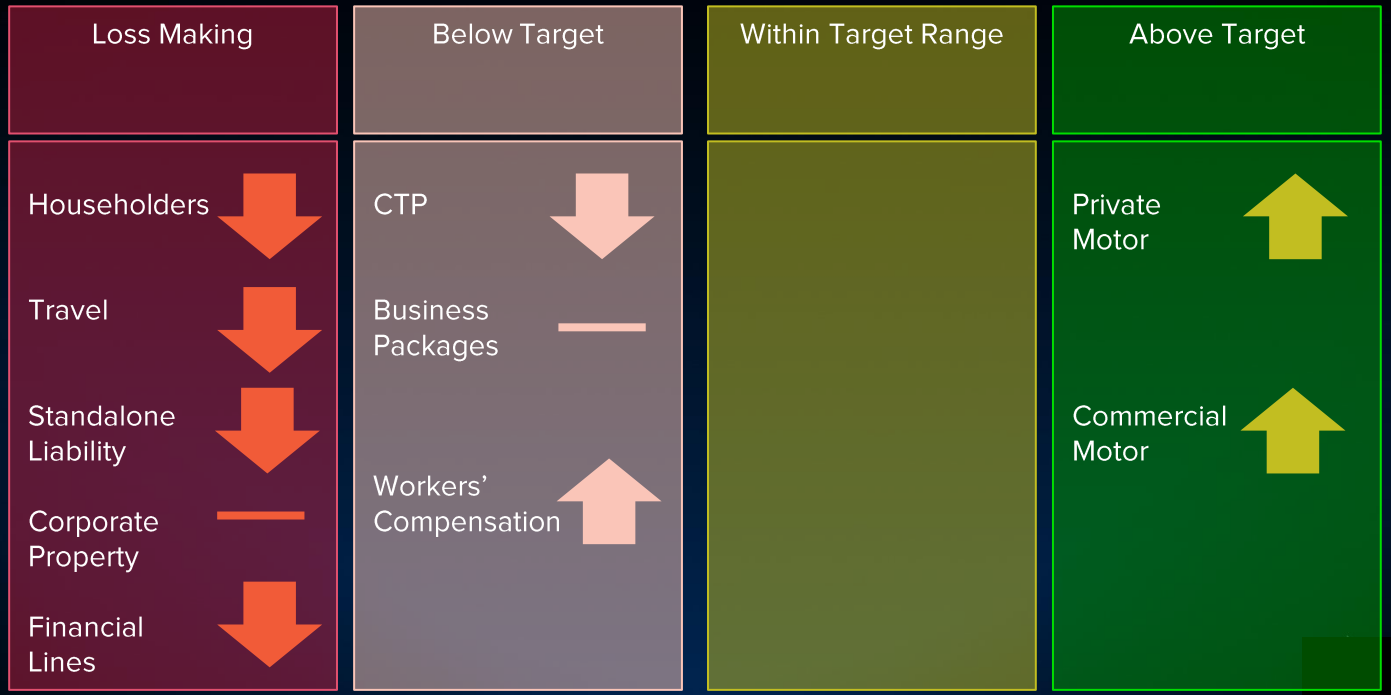
Profitability FY20: A slide in many classes



Performance:

Future

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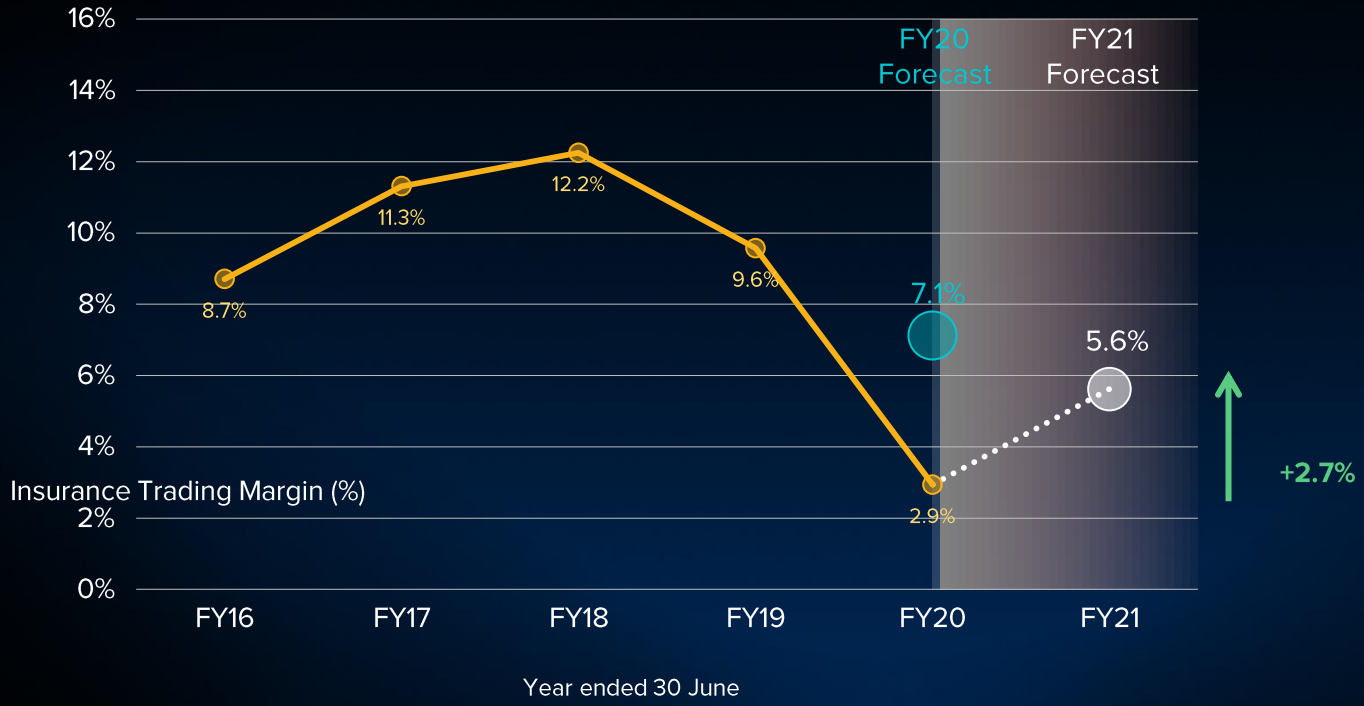
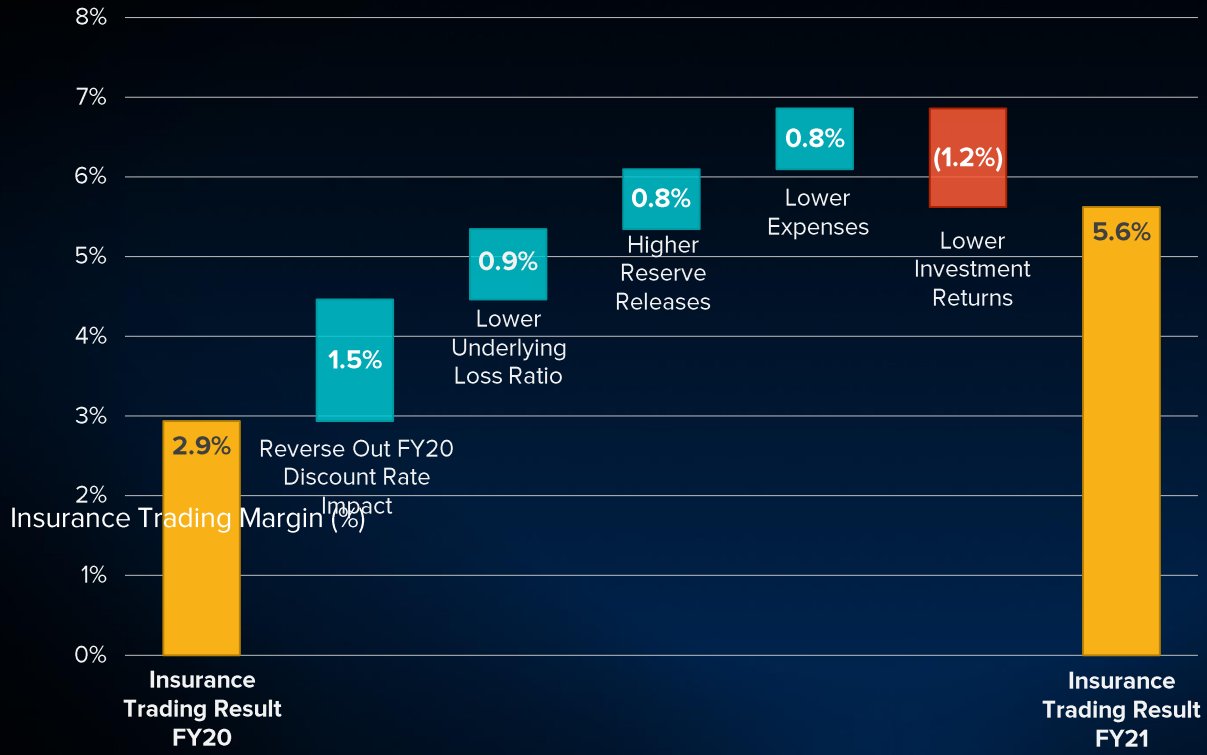
Insurance Trading Margin: FY21

A partial recovery is expected



Insurance Trading Margin: FY21

Reversing out the volatility, plus some underlying improvement



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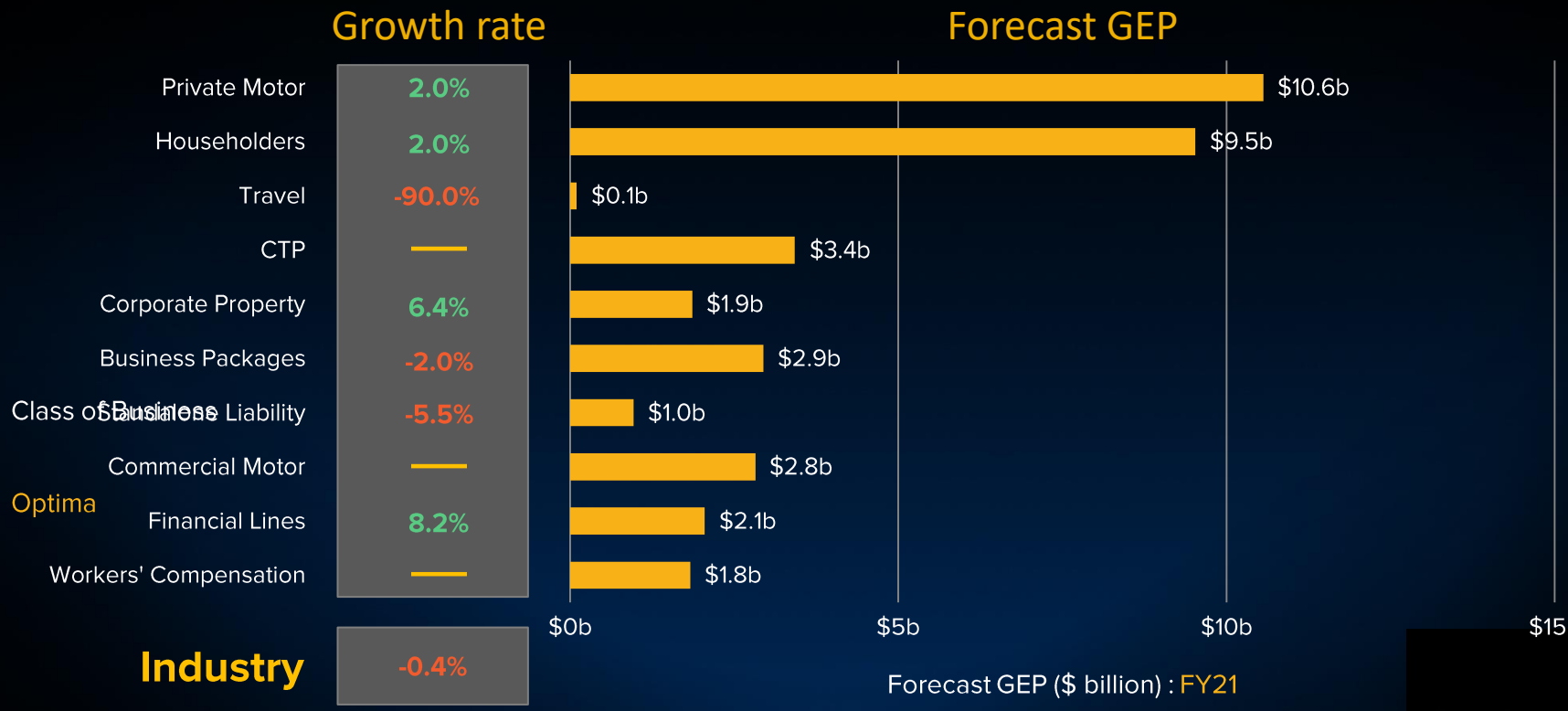
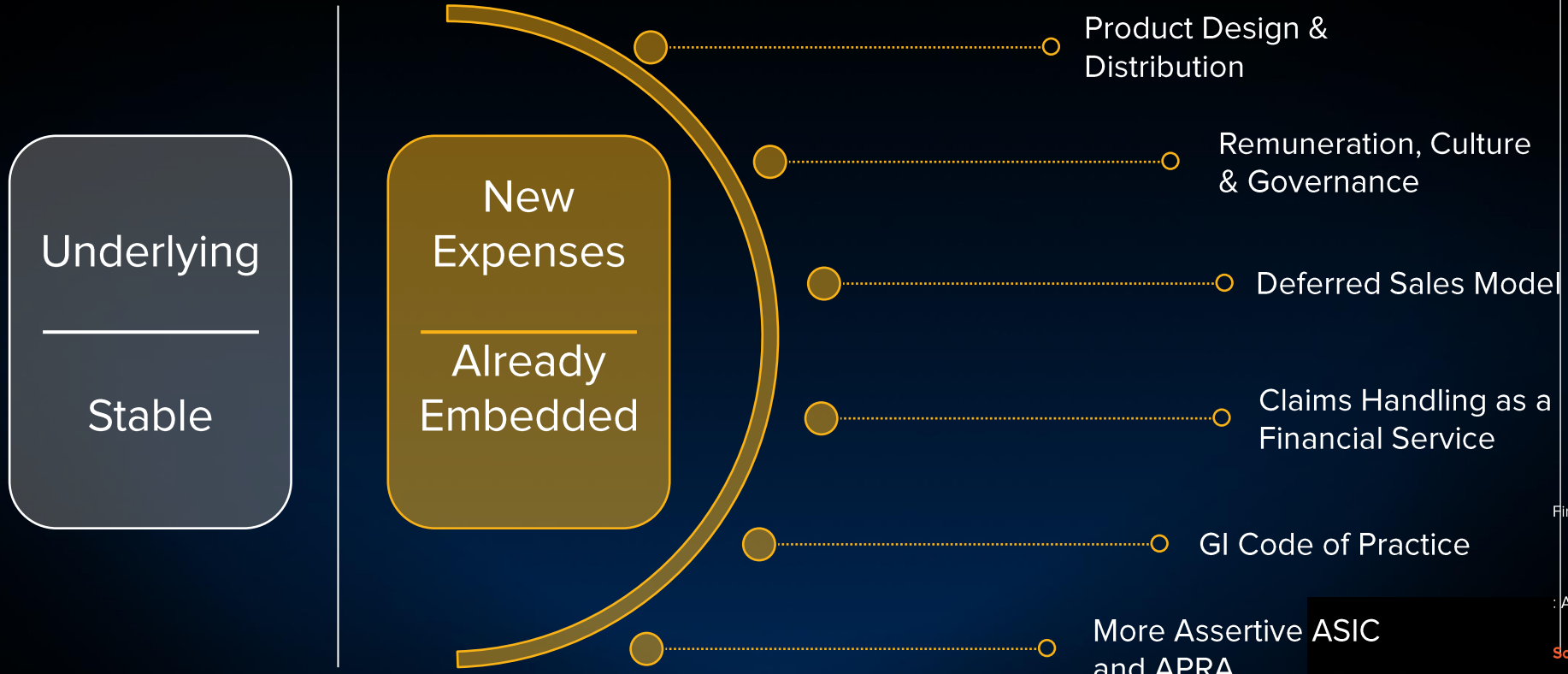
Gross Earned Premium: FY21

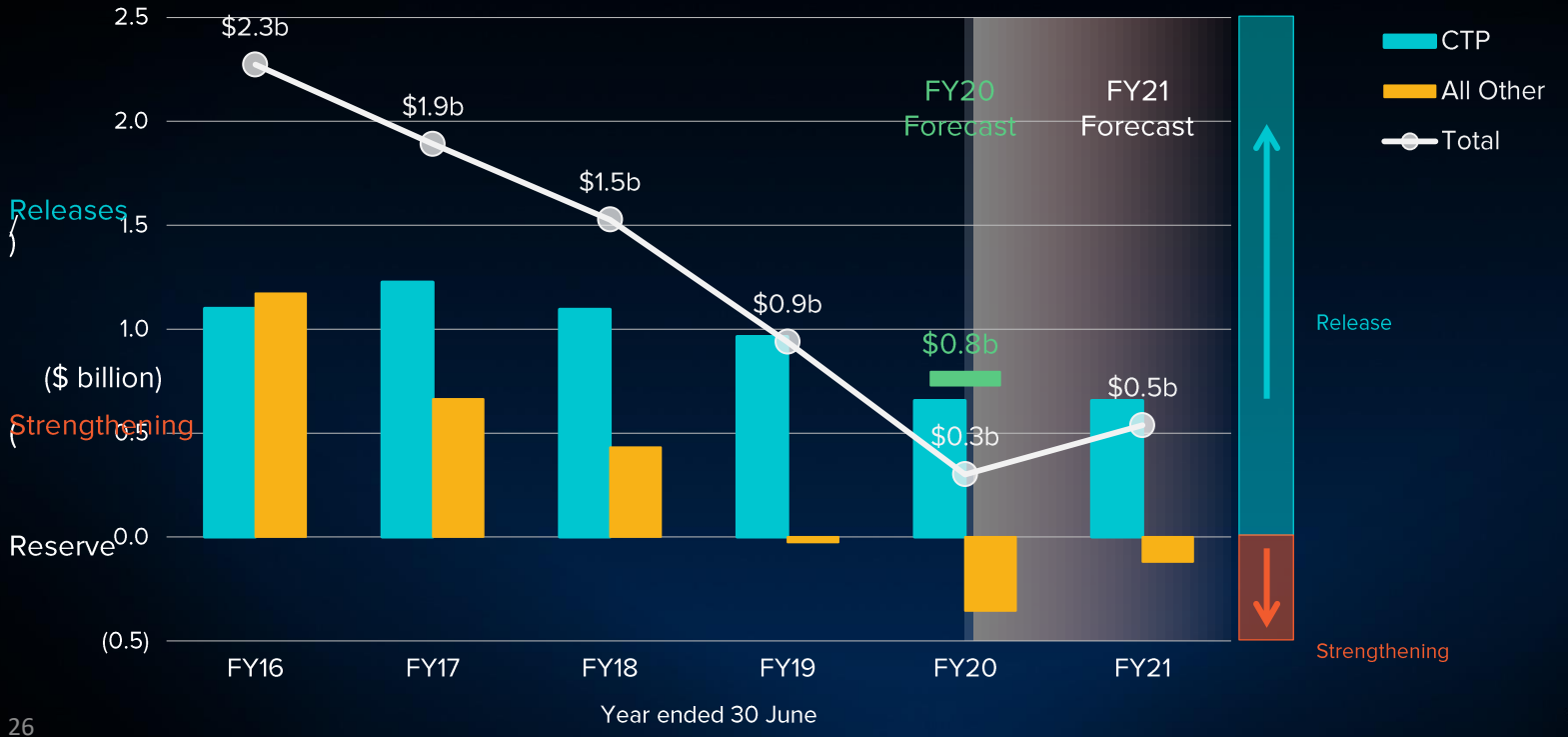


Underwriting & Other Expenses: FY21



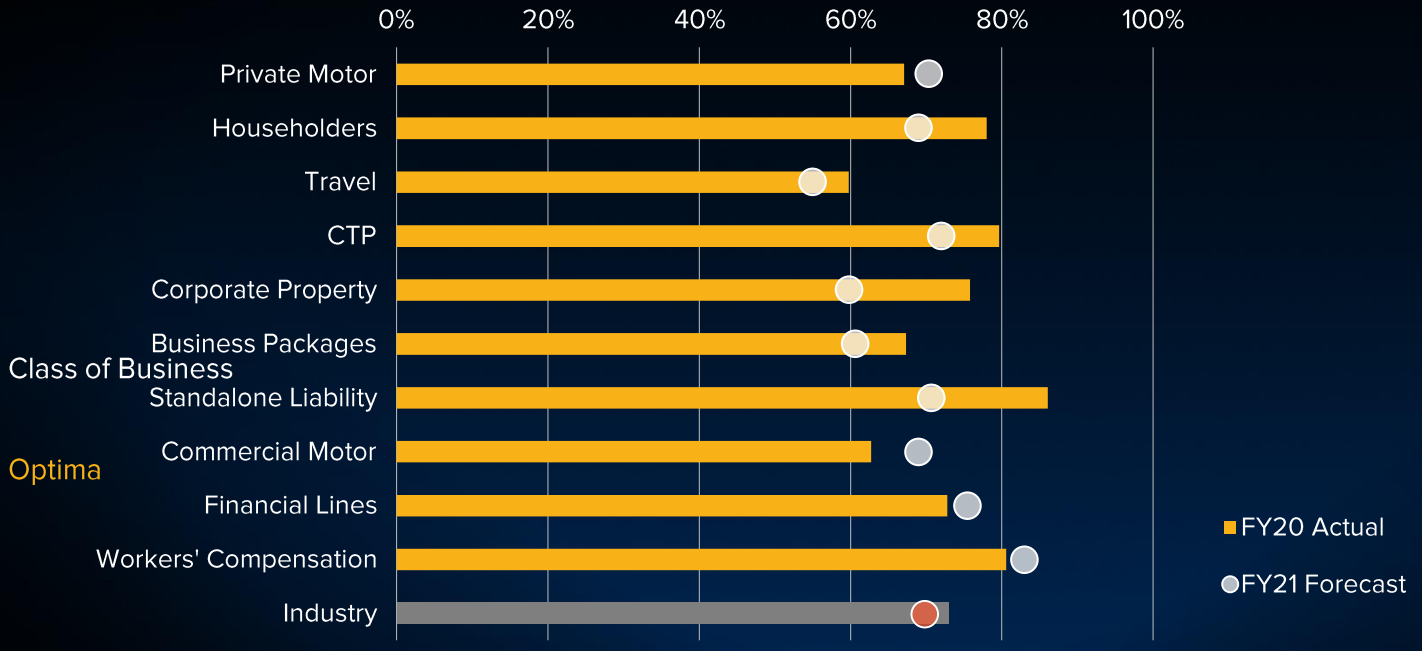
Reserve Releases: FY21

CTP stable, and hopefully less strengthening from the Other lines



Loss Ratio: FY20 and FY21

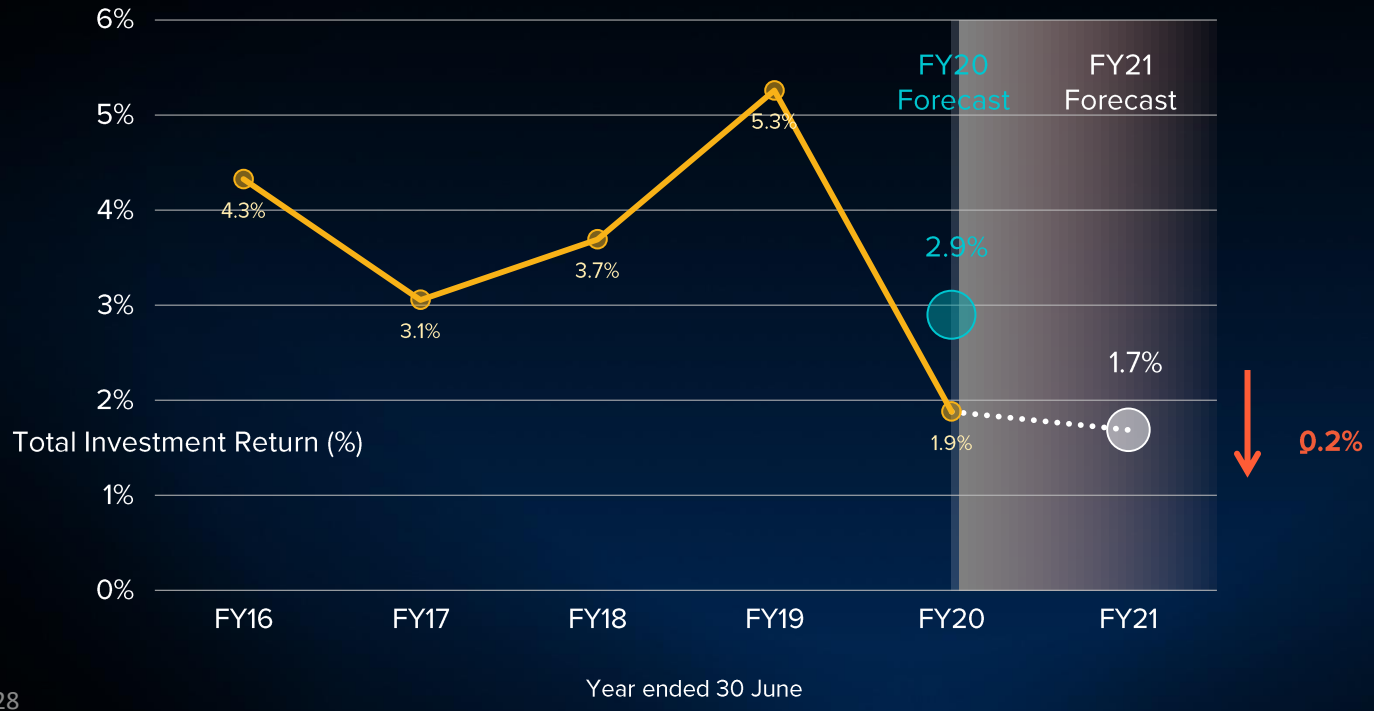
Loss Ratio



Loss Ratio: FY20 and FY21 Forecast

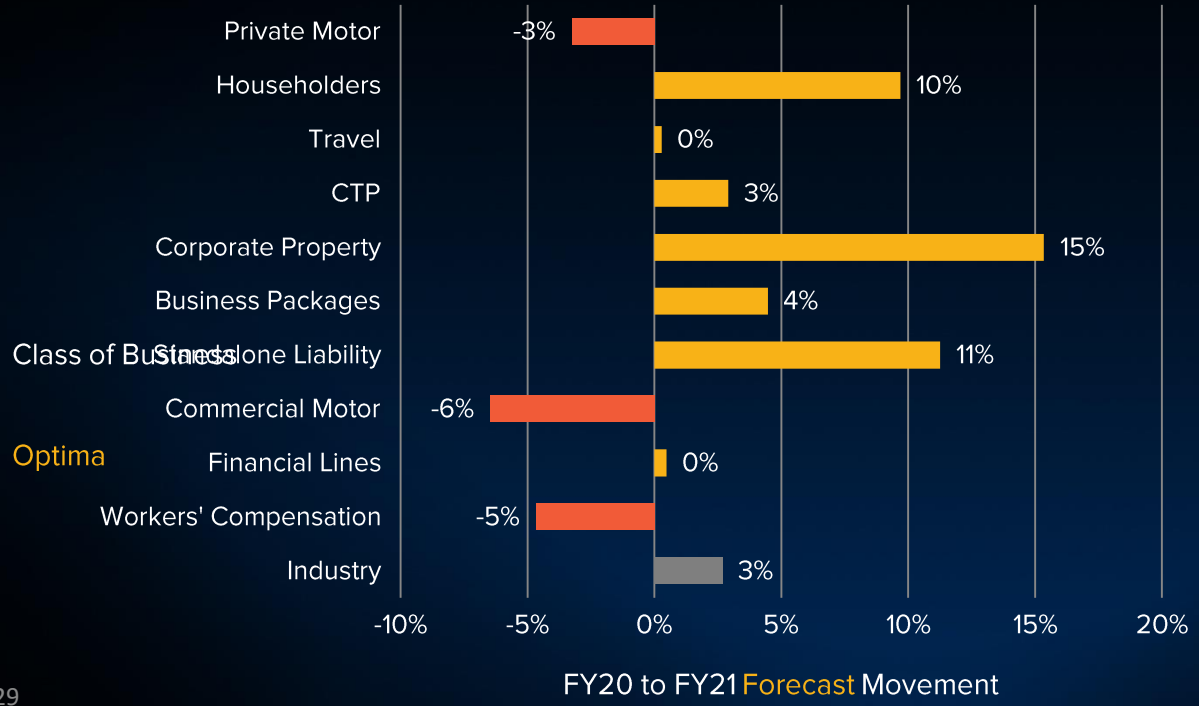
Total Investment Return: FY21

Risk assets hurt returns in FY20, but the outlook is only lower



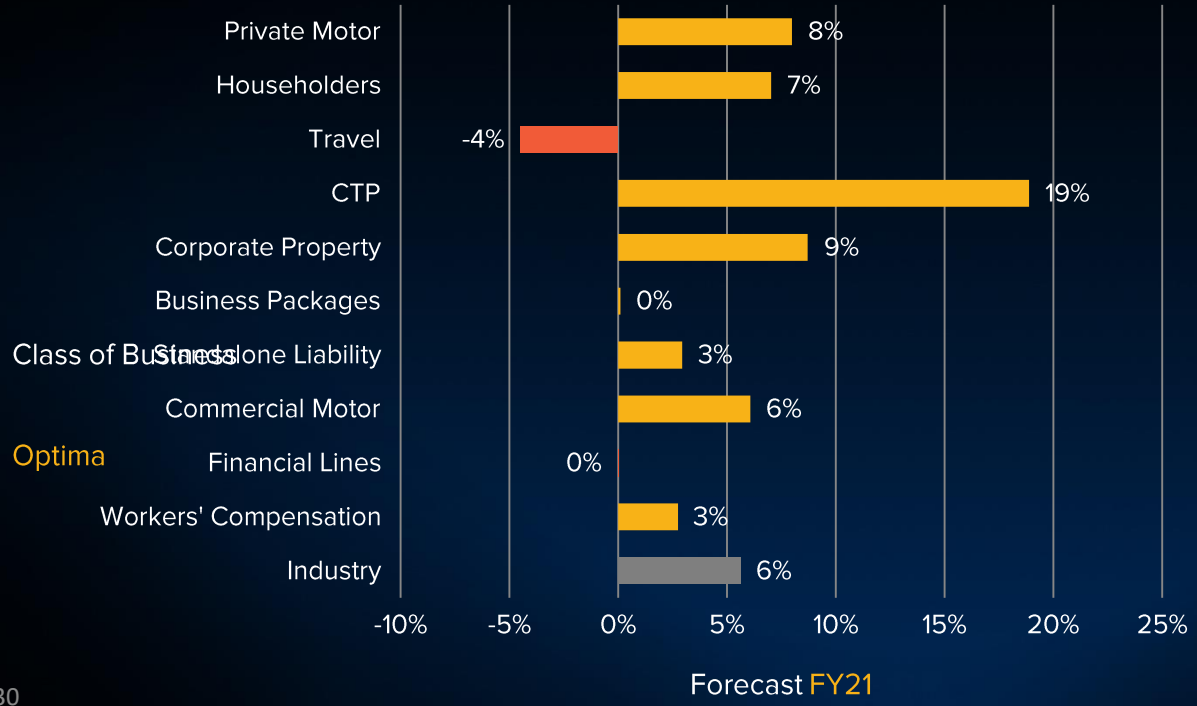
ITR Movements by Class: FY21

Forecast changes from FY20 Actual



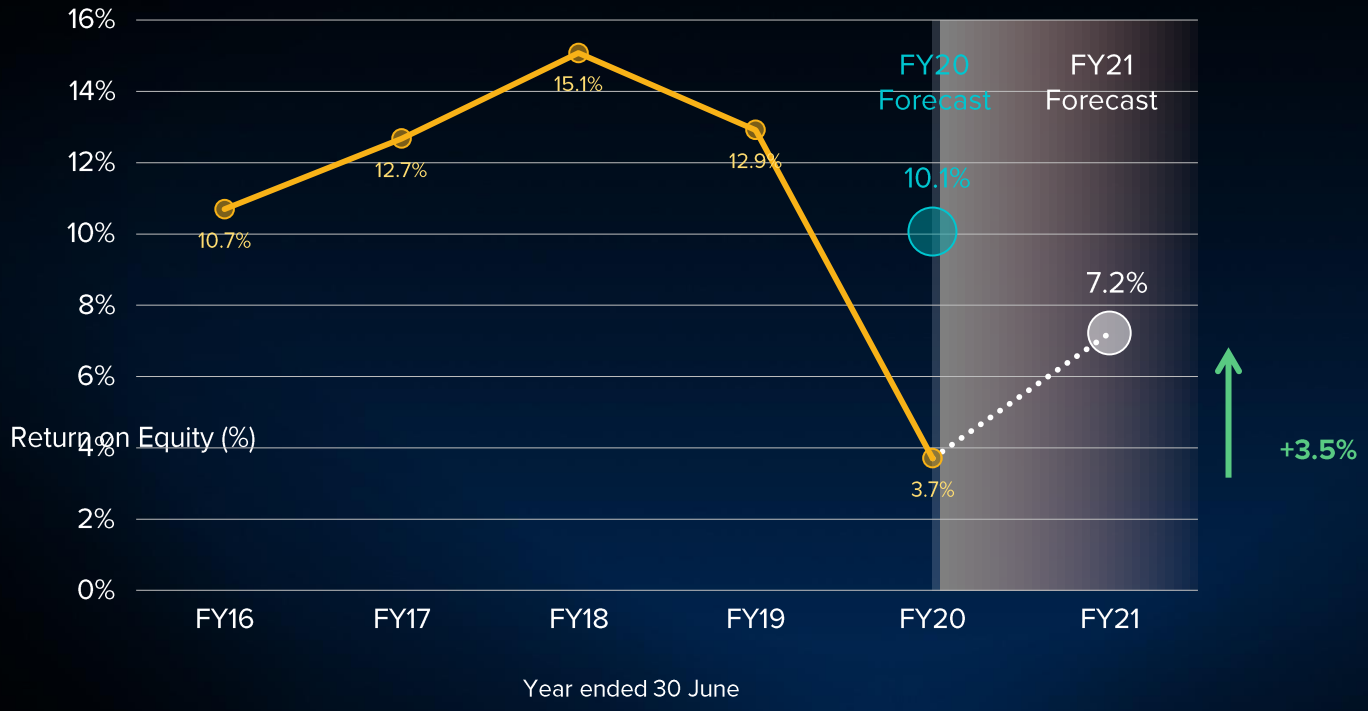
ITR Forecast by Class: FY21

No stand-outs, but all except Travel in the black



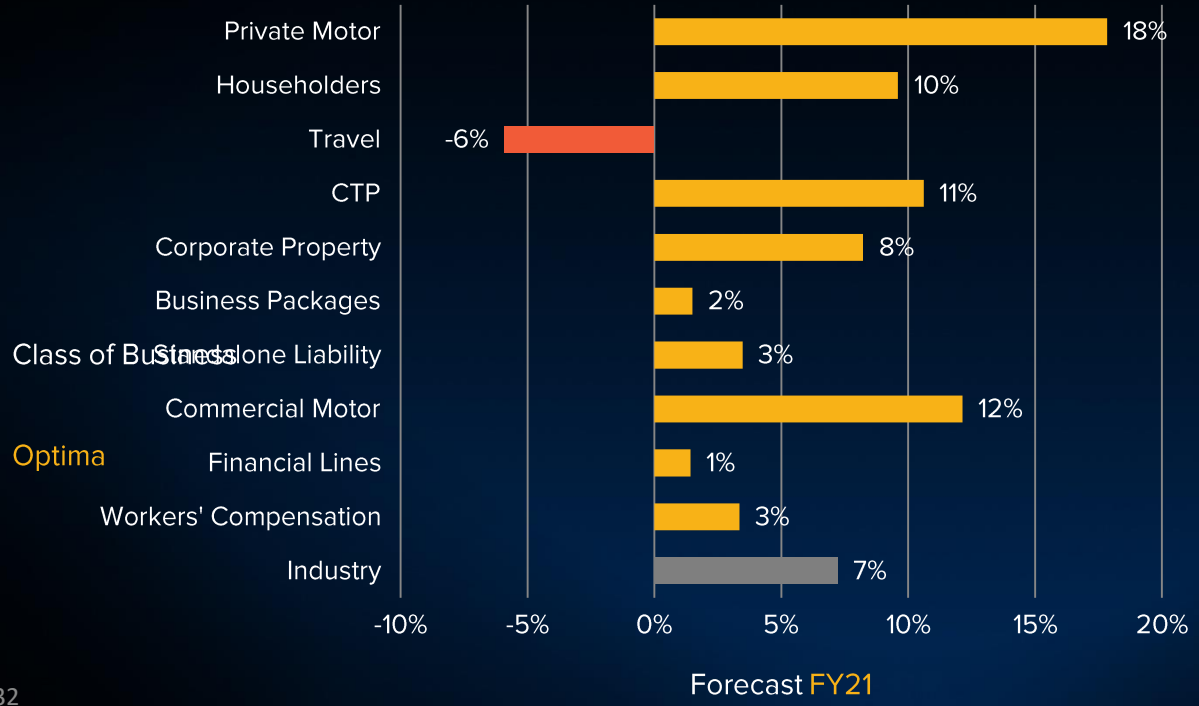
Industry Return on Equity: FY21

A bounce-back is expected, but still likely to be a long way from target



Return on Equity by Class: FY21

Forecast return on allocated capital



Key Drivers of our forecast: FY21

- Premium volumes expected to contract due to COVID-19
- Rate hardening in commercial and financial lines
- Stable underlying performance in the main personal lines
- Reversion to the mean for catastrophe losses
- Bounce-back for reserve releases
- Low investment returns to continue

Key downside risks to our forecast: FY21

- La Nina
- COVID-19/recession-related claims
- Ability to push through premium and rate increases
- Pandemic-related BI
- Hardening reinsurance market
- Investment returns


Optima
General Insurance
Insights 2020
FY20
FY21
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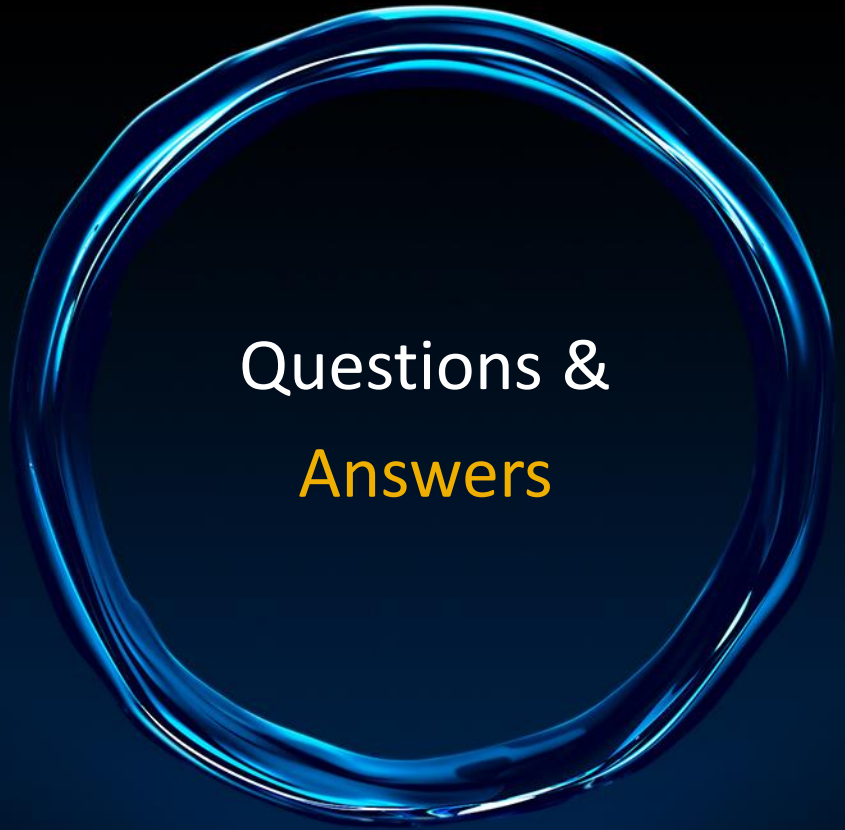
Optima General Insurance Insights 2020



Questions &

Answers

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