RACQ

22 October 2024

# RACQ MANAGING DIRECTOR & GROUP CEO 2024 AGM ADDRESS

As I reflect on our solid performance over the past year, I'm also reminded of the challenges our members and communities have faced.

Cost of living is the number one issue facing Queenslanders and high inflation has affected everyday expenses and stretched the household budgets of our members like never before.

Inflation continues to drive up the cost of materials and services. It requires the Club to balance the needs of the business, ensuring our roadside assistance network is there when you need it, and paying the increasing cost of claims, all the while managing the impact on our members.

But I know that for many members, increases in premiums and other fees and charges come at a difficult time. We have seen an increase in complaints related to pricing over the past 12 months and unfortunately, we know some members have chosen to reduce or cancel their roadside and insurance policies.

We have worked hard to improve our supply chains and become more efficient. We are also taking a longer term view on the way we increase insurance premiums.

I will talk a little more about that when I cover the business results for Insurance.

## Supporting members

To support members, our Member Benefits platform continued to expand, offering savings on dining discounts and cashback rewards and we continue to have strong uptake on our fuel, movie and gift card discounts.

In the past year, more than 740,000 members saved 19.8 million dollars and we are dedicated to finding new ways to make everyday life more affordable.

## Advocacy

RACQ's advocacy work remained a powerful voice for Queenslanders and is being heard loud and clear by decision makers.

This was highlighted when the State Government cut public transport fares to 50 cents and supported our calls for fairer fuel prices by making an election commitment to place daily caps on fuel price hikes.

Those of us from South East Queensland will know that we have not seen significant price cycles since our recent policy announcement with the Government.

For decades, RACQ has been a strong and vocal advocate for fixing the Bruce Highway.

We recently launched our *Fix the Bruce* campaign to demand urgent action – because we know Queenslanders deserve a better national highway.

Our campaign has brought together leading organisations to urge the State and Federal Governments to upgrade all 2-star sections of the highway.

The Club has also called for a 10-year funding commitment and a return to an 80:20 road funding split between both governments to address the issues on the Bruce, given it's a road of national significance.

Our advocacy extends beyond motor and we are committed to looking at all options to improve home insurance accessibility and affordability for Queenslanders, both within our insurance business, and through our advocacy and policy development efforts.

This includes changes to planning and development and renewing our calls for the next state government to remove the 9 percent stamp duty, or at a minimum, spend the collected tax on building disaster resilience to directly benefit those in areas that face the most risk.

We have also been calling for changes to the Cyclone Reinsurance Pool for some time, particularly for the pool to help more cyclone-impacted households by covering for the floods that come with most cyclones.

Before turning to the performance of the business lines, I want to provide a short update on the remediation program stemming from the pricing promises review.

The review has been completed and as of 30 September,164 million dollars was refunded to members who had not received the full benefit of discounts.

We still have some eligible members who have not responded to our request for information. I encourage anyone who has received a notification from us and not yet made contact to please reach out.

**Performance of business lines**

As Leona mentioned, in FY24 RACQ reported a net surplus of 73.3 million dollars. This reflects the positive contributions provided by our Insurance, Bank and Assistance teams, and our ongoing efforts to improve operational efficiency, balanced out by the need to support members with capping price increases.

Our capital position was further strengthened with our Insurance and Bank businesses holding capital above board targets, while returning 33 million dollars of dividends to the Group.

**Assistance**

Our Assistance business delivered a net after tax profit of 45.2 million dollars following the successful rollout of our Roadside Reimagine program and growth in our automotive services, including glass and batteries, as well as our travel business.

Our patrols attended more than 740 thousand roadside assistance events, helping more than 91 percent of drivers get back on the road with an average response time of 35 minutes.

We successfully opened three RACQ Auto stores which support members by offering a wider range of automotive services including battery replacements, car inspections and electric vehicle servicing. We expect to open a further three stores in South East Queensland over the year.

**Bank**

RACQ Bank also performed well, with a net profit of 7.6 million dollars after tax.

Net interest margin decreased from 2.21 to 2.13 percent partly due to the lag effect of official cash rate increases from the prior year on the term deposit book and replacement of the RBA’s Term Funding Facility, with higher cost wholesale funding.

The loan portfolio grew by 13.3 percent, representing 2.8 times system growth.

Loan arrears remained very low, with 30 day plus arrears at 0.61 percent. This compares favourably to the major and regional banks’ industry average of 1.21 percent and 1.28 percent respectively.

**Insurance**

Insurance reported an after-tax profit of 52.7 million dollars.

This result includes a release of 28 million dollars before tax from the provision allocated to the pricing promises remediation program because less refunds were required.

The profit was also supported by our exit from the Compulsory Third Party scheme, which delivered a profit.

Last year we made the disappointing decision to exit the CTP scheme because it wasn’t operating fairly across insurers. Our conclusion has now been proven right as Queensland’s largest insurer is also now echoing our calls for scheme reform.

If reform was to occur, RACQ would consider re-entering the scheme to support motorists and give them greater choice.

Our continuing businesses, home and motor, recorded a small profit with premiums not fully offsetting the rising claims costs in home.

Home and motor net incurred claims costs increased by 12.5 percent on the prior year, primarily in home insurance and reflecting the impact of severe weather-related events which exceeded our natural hazard allowance by 63.3 million dollars.

In FY24 our state faced two cyclones and several back-to-back severe weather events that placed a number of communities under pressure.

As of 30 September, RACQ had received more than 14,000 insurance claims from these events and to date nearly 86 percent have been finalised. This number of claims is broadly similar to the 2022 South East Queensland floods.

Statistics from APRA, the industry regulator tell us that home insurance has been unprofitable in Australia for four years through to the end of 2023.

To put this into perspective, over the five years to June 2024, RACQ's Home insurance portfolio earned 1.8 billion dollars in premium and made a loss of 28 million dollars, a loss ratio that is fairly similar to the industry overall.

At both the industry and RACQ level, this means price increases have not fully offset the rising cost of claims. In FY19, claims costs represented 60 percent of premium collected. In FY24, they represented 73 percent.

The increasing impact of natural hazards, coupled with a rapid rise in construction costs since COVID, is placing significant pressure on home insurance affordability both in Queensland and across Australia.

We acknowledge members have found rising premiums difficult. We expect average portfolio premium increases for home insurance to be lower over the next 12 months than in the previous year.

We encourage members to call us to discuss options that may be available to lower their premium, including answering additional questions to help us better understand their risk.

Our motor portfolio returned to profit in FY24, supported by a disciplined program of work over 2022 and 2023 to respond to supply chain disruption and rapidly rising claims cost inflation.

As a result, we have been able to lower the double digit average median year-on-year renewal price increases to single digits, more consistent with the pre-Covid era.

**Future of insurance**

Insurance is a highly competitive and volatile industry. We are committed to continuing our 50-year legacy in offering insurance for our members and for RACQ Insurance to be the largest provider of home and motor insurance in Queensland.

Internally, we have been driving greater efficiencies and improving our technical pricing, underwriting, distribution and claims management capabilities which have all contributed to improving the performance of the business.

We have also taken steps to strengthen our balance sheet, including longer-term partnerships in reinsurance.

We have a focus on further exploring partnerships to manage the capital requirements to grow our business, broaden our product offerings, and continue to improve our systems and capability.

**In closing**

As I come to a close, I would like to thank our members for their ongoing trust which helps us make a positive impact in our communities and advocate for a better Queensland.

I would like to thank our people for their hard work and dedication to serving our members, embracing change and continuously improving.

And I also want to acknowledge the Chair, our board and Group Executives for their ongoing support.

Next year, we will celebrate our 120th anniversary.

As Queensland's largest Club, we look forward to honouring our legacy and celebrating how far we've come, knowing as the world around us continues to evolve and transform, we remain dedicated to meeting the ever-changing needs of those we serve.

Thank you.