

# Hollard Insurance Co Pty Ltd

## FACT SHEET

OCTOBER 2024

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### Issuer Outline

The Hollard Insurance Company Pty Ltd (HIC) offers insurance brokerage services. The company provides general insurance services including motor, home, contents, business, bicycle, and pet. Hollard Insurance serves customers in Australia.

<b>Sector:</b>	Financial
<b>Sub-Sector:</b>	Insurance
<b>Country:</b>	Australia
<b>Ownership:</b>	Private

### Key Credit Metrics

HIC	June 2024	June 2023
Capital Adequacy Multiple (CB / PCA)	1.60	1.31
CET1 ratio (APRA requirement > 60% of PCA)	121%	131%
T1 ratio (APRA requirement > 80% of PCA)	121%	131%
Debt to Total Capital %	19%	0%
Debt to Equity %	24%	0%

Source: Investor Presentation

HIC = Hollard Insurance Co, HHA = Hollard Holdings Australia

### Issuer Credit Rating & Outlook

Agency	Rating	Outlook
S&P	A	Stable
Moody's	NR	NR
Fitch	NR	NR

### S&P Global Credit Highlights

- Strengthening competitive position with increased scale and efficiency and improve its operating performance.
- Robust capital adequacy over 3yr Forecast horizon, benefits from low-risk investment profile and prudent reinsurance cover.
- Hollard has transitioned solely to S&P in FY24 (previously AM Best).

ISIN	Issue Amount	Ranking	Coupon	Coupon Frequency	First Call	Maturity Date	Issue Rating (S&P/Moody's/Fitch)
AU3FN0083382	AUD135m	Subordinated	8.016%	Quarterly	14 March 2029	14 March 2039	BBB / NR / NR

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### IAM Credit View

We have a positive recommendation on HIC and would compare it to other general insurers like Insurance Australian Group (IAG) and Suncorp Group (Suncorp). HIC also offers a discount in trading margin versus IAG and Suncorp which makes their subordinated bonds an attractive option risk-adjusted return for investors.

HIC is the largest private-owned general insurance business in Australia. HIC provides short-tail general and life insurance as well as investment products to a diverse global customer base, retail and commercial. With over 5 million customer risks and approximately 1,700 staff, HIC underwrites a range of insurance products including home & contents, motor, commercial and pet insurance. HIC is an APRA regulated insurance company giving credit investors comfort.

Hollard's DNA is about deep partnerships. In the retail space, the company has relationships with partners who distribute insurance solutions underwritten by Hollard. These partners include household Australian brands such as Australia Post, Everyday Insurance, Commonwealth Bank and Medibank. The Capital Base currently is comprised of CET1 Capital, and \$135m of Tier 2 Capital for both HIC and HHA. CET1 and T1 ratios exceed APRA minimum requirement for both HIC and HHA which is a key credit positive.

FY24 results were solid and credit positive. Key themes from the results included:

- Strong growth in Insurance Revenue.
- Lower losses from Catastrophe (CAT) events.
- High claims inflation impacting average claims size (ACS) across Australian Home and motor portfolios.
- Business Interruption (BI) provision strengthening of \$9m with \$21m remaining on Balance Sheet.
- Continuation of strategic platforms investment and implementation.

FY24 result highlights (A\$m)	FY24	FY23
Net combined operating ratio	102%	103%
Net loss ratio	66%	60%
Capital Adequacy Multiple	1.60x	1.31x
Net Assets	572	545
Profit before tax	27	24

*\*Source: Investor Presentation*

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### Hollard has key partner brands, many ASX200 or household names

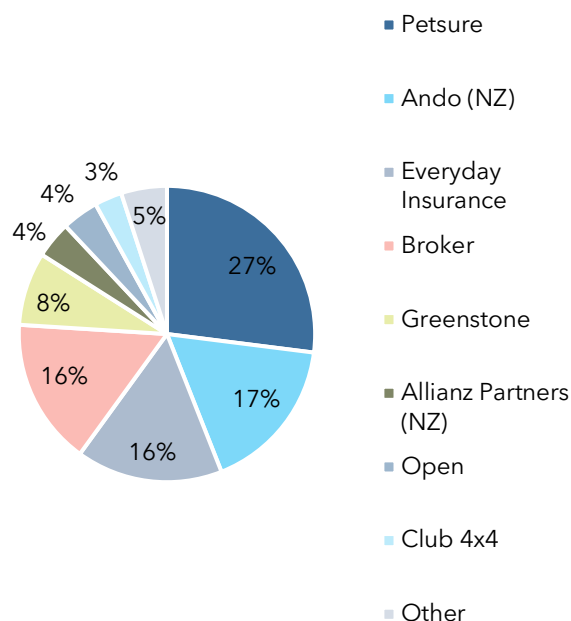
Our direct-to-consumer white label brand partners.



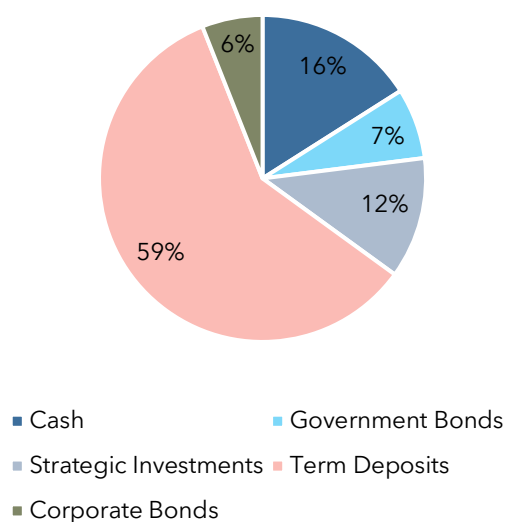
\*Source: Information Memorandum

### Hollard has a diversified business and investment profile

#### HIC Group GWP by Product



#### Investment Portfolio



\*Source: Information Memorandum

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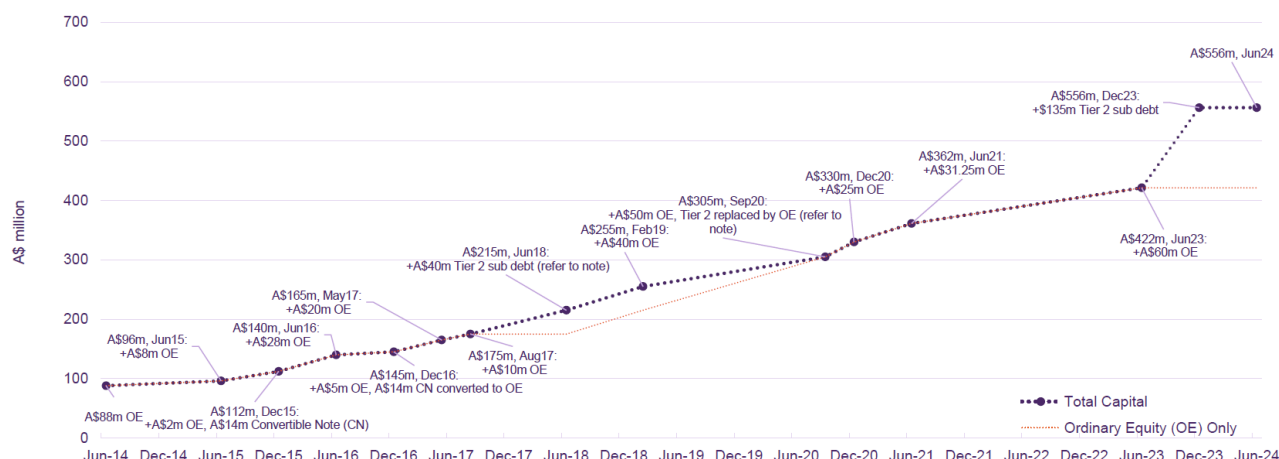
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### Hollard has a strong track record of shareholder support



\*Source: Investor Presentation

- In June 2018, \$40m of capital was raised to support growth in the form of Tier 2 subordinated notes issued by HIC to HHA and by HHA to its shareholder Hollard Investment B.V. (HIBV). In September 2020, the \$40m Tier 2 capital was replaced with the equivalent amount of ordinary equity capital to provide additional capital strength from a rating agency and a regulatory perspective.
- In December 2023, \$135m of Tier 2 capital was issued by HIC to further strengthen capital position.

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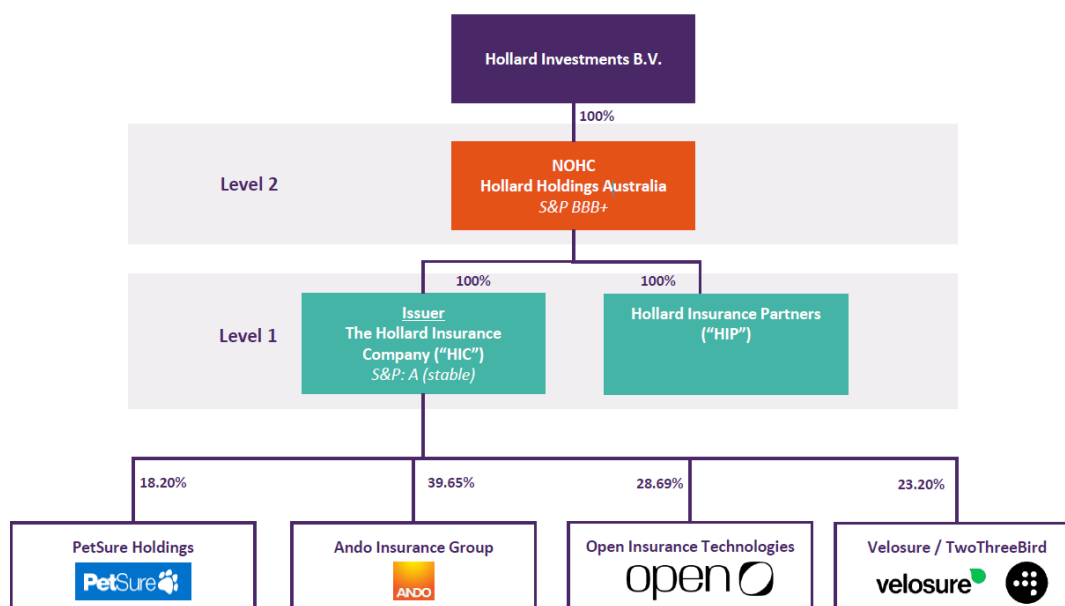
### Comparison of Notes to recent insurance Tier 2 issuance

Issuer	The Hollard Insurance Company Pty Ltd	QBE Insurance Group Ltd	Insurance Australia Group Limited	QBE Insurance Group Ltd
Issue date	[●] 2024	11 September 2024	8 November 2023	26 October 2023
Issue rating	[BBB] (S&P)	BBB (S&P) / BBB (Fitch)	BBB (S&P)	BBB- (S&P) / BBB (Fitch)
Size	A\$[●]m	A\$400m	A\$400m	A\$330m
Issue spread	+ [●]bps	+195bps	+250bps	+255bps
Maturity	[●] 2039 (15 years)	11 June 2035 (10.75 years)	15 December 2038 (15.1 years)	26 October 2038 (15 years)
Early redemption date(s)^	[●] 2029 (5 years) and each interest payment date thereafter	11 June 2030 (5.75 years) and each interest payment date thereafter	15 December 2028 (5.1 years), each interest payment date thereafter until year 5.6 and each interest payment date on or after year 7.9	26 October 2028 (5 years) and each interest payment date thereafter
Holder conversion date	N/A	N/A	15 June 2031 (7.6 years)	N/A
Conditions on payment of interest	Issuer option to defer subject to dividend pusher; solvency condition	Solvency condition	Issuer option to defer subject to dividend pusher; solvency condition	Issuer option to defer subject to dividend pusher; solvency condition
Loss absorption mechanism at non-viability	Write-off	Conversion – reverts to write-off if not effected within 5 trading days	Conversion – reverts to write-off if not effected within 5 trading days	Conversion – reverts to write-off if not effected within 5 trading days

^ subject to APRA's prior written approval

\*Source: Investor Presentation

### HHA Group Overview



Note: The above diagram is illustrative in nature and is only intended to demonstrate the context of the issuer in terms of the broader Hollard Group. It does not include all legal entities. % refers to ownership.

\*Hollard Investment B.V. has a \$250m acquisition finance liability with Westpac, to be serviced out of dividends from its investments including from the HHA Group.

\*Source: Investor Presentation

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### Strengths of Hollard Insurance Co Pty Ltd

- Largest private-owned general insurance business in Australia
- Underwriter of a broad range of general insurance products (both directly and through partnerships)
- Partnering with leading insurance brands such as Australia Post, Everyday Insurance, Commonwealth Bank and Medibank.
- Strengthening competitive position (5th largest GI in Australia) following acquisition of HIP with increased scale and efficiency and improve its operating performance.
- Robust Capital adequacy over 3yr Forecast horizon.
- Sustained higher yield generation through: Enhanced alpha-generating capabilities (Active rate capture, extended banking panel, full year fixed interest diversification benefit).

### Challenges of Hollard Insurance Co Pty Ltd

- HIC operates in a very competitive industry and is exposed to risks associated with trends in the market both within Australia and New Zealand and overseas leading to new forms of competition or missed opportunities and emerging strategic risks,
- HIC is exposed to the financial risk of not collecting sufficient premiums from its policyholders to cover the risks associated with the issuing of insurance policies.
- HIC is exposed to the financial risk that the assumptions, forecasts and other information used by it to determine an adequate level of provision for future claims proves to be inaccurate and/or incomplete.



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