

2018-19

ANNUAL REVIEW



RACQ

Strength in adversity



In a challenging year, it is pleasing that RACQ has continued to deliver our almost 1.8 million Queensland members a sustained, high level of service and even greater value.

It is pleasing to me as President that in a time of increasing regulation, Royal Commission scrutiny and

growing public expectations, RACQ can hold its head high. While we are an organisation that is well run, well governed and a leader in the mutual sector, we never take that for granted and are constantly striving to improve for the benefit of our members.

RACQ is not like a company with shareholders and customers. We have a special relationship with our members – our 'extended family' – that we not only treasure but take very seriously. The RACQ Group and its Boards continue to focus on developing the businesses and delivering services for members and their families to help make their lives better. This is what makes RACQ different. There are few better examples of this ethos than the good work of the RACQ Foundation

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which, since its launch in 2011, has provided some \$9 million of funding to help Queensland communities in need. This year, the Foundation approved funds totalling \$1.05 million to help 25 community organisations in Queensland recover from the ravages of natural disasters. This included almost \$308,500 for drought applications and more than \$452,000 to help community groups in Townsville following the devastating flood in February.

While the flood naturally had a financial impact on RACQ's insurance results, we were particularly saddened by the personal impact it had on many of our members and their families. Many of our employees, contractors and suppliers were also significantly affected. But RACQ rose to the challenge on multiple fronts to help the north Queensland community get back on its feet.

I visited Townsville to meet people affected by the flood and see the great work done by members of the 'RACQ family' – our staff, agents and contractors, our insurance company, our bank and our Foundation. The RACQ Bank, for example, provided flood-affected members with a three-month moratorium on mortgage payments and exempted hardship cases from an interest rate rise.

Recently I also visited Julia Creek, where the work of the RACQ Foundation, through 25 volunteers, provided much-needed help to the rural community. It was heartbreaking to see how these resilient people suffered through drought and then flooding and now drought again, with a tragic loss of homes, personal possessions and precious stock. The Foundation is doing what it can to help them move on from these devastating events.

The RACQ Board is extremely proud of the assistance provided by RACQ and

its Foundation in such circumstances. This year, the Foundation also delivered three assistance projects to help people experiencing difficulties due to harsh climate events – the Morven Drought Assistance Project, Kingaroy Drought Assistance Project and Townsville Flood Assistance Project. The Foundation also established a 12-month drought program with the Salvation Army, Connecting Communities Australia and Drought Angels.

We want to be able to do even more to help communities in Queensland, beyond times of natural disaster. So, the RACQ Board has resolved to commit annual funding of \$1 million, or five percent of the organisation's surplus after tax, whichever is greater, to provide increased certainty for the Foundation's future work.

There are many ways in which the RACQ fulfils its promise to deliver value to members. In 2018-19, the RACQ Group returned to members savings of \$144+ million through a range of discounts and benefits.

This included more than \$93 million in insurance premium loyalty discounts and more than \$24 million in savings programs. These programs included around \$9 million in Puma fuel discounts and \$5 million in theme park, attraction and movie ticket discounts.

While the RACQ Group's \$33.5 million net surplus is lower than last year, it is still a good result. The lower surplus is due to major weather events, especially the catastrophic Townsville flood which, at an estimated cost of \$115 million, is the second biggest insurance event in RACQ's history. But the big positive is that RACQ has been strongly focused on being there for its members, helping on the ground and paying claims to get people affected back on their feet. The ethos of caring for our members as part of

the extended RACQ family courses strongly through the three RACQ business lines – Banking, Insurance and Assistance – and is proudly delivered by our dedicated frontline staff.

RACQ moved into banking because our members wanted it and has worked hard to bring what RACQ stands for into banking. Since the successful merger and establishment of the RACQ Bank, the Group has invested heavily in banking technology and systems to provide scalability that will benefit members in the long term.

For the Bank, 2018-19 has been one of significant investment. We are successfully building a banking arm that will provide ongoing benefits for RACQ members and be a shining light in an industry that has come under fire by regulators and the community.

Importantly, this year, RACQ developed and delivered a new banking app. It is a strong, stable platform that is working well for members. RACQ has also been developing a new core banking system, which will be delivered soon, extending capabilities and strategic development opportunities.

The Board was also pleased with the Federal Government's recent decision to help level the playing field for mutual organisations in the financial services sector by giving them greater freedom to access capital. This will broaden RACQ's scope to allow strategic investments without compromising member funds.

The Bank is attracting members, with more than a quarter of new banking members this year joining RACQ for the first time. In addition, RACQ Bank is the nation's fourth-fastest growing bank and achieved five-star ratings from Canstar for six of our well-respected home loan products. Despite a difficult year during which our insurance

■ Strength in adversity (cont.)

business, due to major weather events, experienced a 40 percent increase in claims, this important facet of the RACQ Group continued to perform strongly, with good growth in gross written premiums (FY19 premiums totalled \$921.5 million) and a claim satisfaction rating of some 85 percent.

Importantly, our member-focused insurance business continued to deliver value through significant loyalty discounts on premiums, while staying on top of expectations and requirements arising from the Financial Services Royal Commission, extending pet insurance through the National Seniors network and launching a new motor digital claims platform.

Meanwhile, our Assistance Business continues to perform strongly, delivering world-class road service and a range of automotive retail businesses that offer good-value, quality services to members.

Commercial issues aside, there are few things that RACQ undertakes that are more important than helping to make Queensland roads safer and advocating on behalf of members. During the 2019 Federal Election campaign, RACQ successfully advocated across political parties to ensure crucial transport infrastructure projects, including Bruce Highway and M1 upgrades and the Cross-River Rail project, were on the incoming government's agenda.

The next 10 years will see unparalleled changes in mobility and the Club is well placed to support Queensland's developing transport needs. Pressures on the environment and congestion will see greater take-up of ultra-low emission vehicles, including electric vehicles, hybrids and hydrogen fuel-cell vehicles. Intelligent transport systems will need to integrate autonomous vehicles into the network. RACQ, with other auto clubs, is

sponsoring an ultra-rapid charging network, connecting Adelaide to Brisbane.

The Club has also entered into an agreement with the State Government to sponsor destination chargers at north Queensland tourist centres and, with government agreement, will look to roll this out across regional Queensland.

It is pleasing that after considerable planning and negotiation with the State Government, RACQ has secured the purchase of the Mt Cotton Driver Training Facility for \$8 million. Next financial year, RACQ will finalise this purchase and start developing this facility into a world-class Mobility Centre of Excellence, for testing connected and autonomous transport technology; providing validation and certification; delivering advanced education and supporting transport innovation. It will be an incredible asset for RACQ and its members.

Also in 2020, Queensland's first full on-road trial of an autonomous vehicle will be conducted on Karragarra Island in Queensland's Moreton Bay as part of a joint initiative between the RACQ and Redlands City Council. The RACQ Smart Shuttle will operate a series of trials over five years to explore the potential for autonomous vehicles to address various transport issues, including transport disadvantage. The trials will also expand understanding about the safety of autonomous vehicles, their suitability to Queensland driving conditions and how they interact with other road users.

In our unwavering focus on saving lives and reducing injuries in road crashes, RACQ has commenced, in association with the Motor Accident Insurance Commission, a major campaign to target the crucial issue of distracted driving. The Club this year stepped up its road safety activities with extended statewide education

programs and renewed sponsorship of Queensland's helicopter rescue network.

RACQ will continue as naming rights sponsor of RACQ LifeFlight Rescue, RACQ CQ Rescue and RACQ Capricorn Helicopter Rescue, committing \$6.5 million a year until 2024, to ensure these helicopters can maintain their crucial service flying more than 2000 rescue missions a year, many of which relate to vehicle crashes. Sponsorship now also covers 150 LifeFlight doctors and three aero-medical retrieval jets.

In 2018-19, RACQ delivered seven education programs to almost 53,000 Queenslanders. This ranged from road safety awareness for primary school children (Streets Ahead) to senior school road safety and licensing education (Docudrama and Driver IQ), equipping parents and carers with advice on car child restraints (Kids & Cars) and driver safety for older drivers (Years Ahead). With the Bank's support, RACQ also introduced Cash IQ, a program focusing on money management skills for school seniors.

RACQ also teamed up with the Former Origin Greats (FOGs) organisation to start a program that helps Indigenous secondary school students secure their driving licences and travel safely. This program provides help with financial matters and their 100 hours' driving experience. We believe this will be a game-changer for young people in these communities.

Governance of the RACQ Group has been further streamlined, with the 'directors in common' model creating greater efficiencies with the three Boards, while maintaining Board representation across the state. The Board continued its focus on the important areas of compliance and risk management, including bolstering RACQ's technology security against cyber-attacks.

As part of our continuing focus on members statewide, the Board has incorporated a 'culture pulse-check' into its meetings and this year will stage an interactive Annual General Meeting, allowing members located around the state to ask questions.

I would like to thank Group CEO Ian Gillespie and his dedicated team for their hard work and contribution to ensuring another successful year for the RACQ. It is with some sadness I note that Ian will be stepping down from his role at the end of December

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2019 after 13 years at the helm of the RACQ Group.

Throughout his leadership Ian has guided the growth, transformation and ongoing success of RACQ, while maintaining a sharp focus on the many great things RACQ should and can do for its members and the Queensland community. He leaves a strong, member-focused legacy and his vision and passion will be missed.

I would also like to acknowledge the support of my fellow directors who are all as determined as I am to make sure this great Queensland mutual continues to deliver for its members now and into the future. ■



Bronwyn Morris AM
President and Chairman



Making a positive difference



This has been another year of disruption, transformation and change for Queensland, and RACQ and its members.

Despite some significant weather challenges, the year has been a successful one for the RACQ Group. Continuing to develop and grow the bank, launching new road service capabilities, expanding our insurance services, building resilience and capabilities for the future – underpinned by our strong governance frameworks – while continuing to help our members in their time of need are some of the key achievements for RACQ this financial year.

Along with delivering on our key strategic goals, RACQ maintained its focus on delivering high standards of service and sound financial management. Total revenue of \$1.46 billion was generated in 2018-19, indicating not only the scale of the Group's activities but also the high level of engagement by members in utilising the products and services provided by RACQ for their benefit.

The net surplus of \$33.5 million is in keeping with our aim of passing as much value as we can to our members while ensuring the financial strength and sustainability of RACQ. This surplus is lower than last year, mainly driven by the doubling of claims costs due to severe weather impacts, including our second biggest-ever insurance event, the Townsville flood.

As we exist entirely for the benefit of members, all of the surplus will be reinvested into the development and delivery of more innovative member-centric products and services for RACQ members.

My message to our 1.77 million members is that your Club is in good shape. RACQ is well-positioned strategically and our financial health remains strong. RACQ has robust governance, good people and an unwavering focus on staying true to its purpose – that is, to make a positive difference to the lives of its members, now and into the future.

As we say, "it pays to belong to RACQ", and I'm pleased to report that the Group returned more than \$144 million in direct value to members in the form of discounts and benefits in FY19. The Puma fuel discounts, utilised by more than 500,000 of our RACQ members, yielded almost \$9 million in member savings, and our thriving movie ticket sales saved members almost \$4 million.

We have continued to invest in building RACQ's resilience and capability to deliver ongoing transformation for our members. This included, for example, tightening our technology security against cyber-attacks, investments in RACQ's central member relationship database, the Bank's core operating system and digital platforms and the insurance policy and digital claims systems.



We closely monitor feedback through a structured Group-wide 'Voice of the Member' program that provides a detailed and up-to-date understanding of member experience and feedback. This was reflected in the recent KPMG Customer Experience Excellence 2019 report, in which RACQ ranked second in the Top 10 Australian brands (Financial Services), and RACQ Bank receiving six Canstar awards for its home loan products. Over the past year, RACQ achieved an average member satisfaction rating of 89.89%, trust rating of 93.4% and a high Net Promoter Score of 69.8, but we will not rest on our laurels. We will continue to maintain an understanding of our members' changing needs and adapt our services to respond. We exist for our members.

For example, when a Queensland community is hit by a natural disaster, such as the severe hailstorm in Gympie in October 2018 or the catastrophic flood in Townsville in February 2019, RACQ goes above and beyond to help get its members back on their feet. Some parts of Townsville received more than eight years' worth of rain in just eight days. RACQ sent a convoy of RACQ vehicles, including its mobile business centre, to support the flood-ravaged community. RACQ staff from all areas were on the ground soon after, meeting with members, emergency services and politicians to provide on-the-ground support for people affected.

In the aftermath of the Townsville floods, the RACQ Bank also helped by relaxing mortgage payments for Townsville members facing hardship and exempting them from an interest rate rise. Our insurance operations continue to perform strongly, with good growth across our personal insurance lines, servicing almost 130,000 claims totalling \$917.7 million – 40 percent more than last year.

“RACQ has robust governance, good people and an unwavering focus on staying true to its purpose – that’s is, to make a positive difference to the lives of its members, now and into the future.”



The financial services industry, particularly banking, was rocked by the Hayne Royal Commission this year. RACQ believes that the Royal Commission’s findings highlight the value of alternative member-owned mutual models which place the organisation’s primary focus on the customer, not just on profit.

We are committed to providing ethical and sustainable banking, and value our members and the trust they have in us. Through RACQ’s approach to providing its members with a different type of banking, I am pleased to see more RACQ members taking up our banking services – a quarter of the new bank customers this year were also new to RACQ, attracted by the difference RACQ is bringing to the banking sector.

The Bank’s lending portfolio grew at a remarkable 18% for the year, more than four times the industry average, with first home buyer volumes almost doubling. In keeping with our focus on

serving members’ needs, the Bank has consistently maintained one of the lowest mortgage rates in the market. Financially, the bank has run at a loss this year due to continued investment in our banking technology, including core system and digital platforms to expand its services, accessibility and experience for members. RACQ Bank is also proactively working through remediation issues around its financial planning business in line with new industry standards.

Our retail footprint continued to be enhanced in 2018-19, by providing three new full-service stores, including banking facilities, at Townsville, Indooroopilly and Chermside. We remain committed to providing a sustainable retail footprint offering our members the complete suite of RACQ products under one roof. Meanwhile, our Assistance services are thriving and remain central to the Club’s DNA. The number of Queenslanders covered for roadside

Making a positive difference (cont.)



service is the largest in the Club's history, and our service standards and coverage have never been stronger.

The Club is committed to keeping our members mobile, investing significantly in technology to ensure we stay ahead of the game in that moment of need. This year a new road service digital app was released, which has been downloaded more than 160,000 times and used by more and more members every day.

This app delivers a fast, efficient and accurate service. When combined with the state-of-the-art call and despatch system, implemented in 2018, we have a world-class platform. These systems helped us provide highly responsive roadside service on more than 820,000 occasions this year, with 93.8% of members' vehicles made mobile at the roadside.

RACQ also replaced 178,888 car batteries for members this year, ensuring minimal disruption at the roadside. Through this and services such as RACQ Fuel Assist and RACQ Auto Glass, we're providing convenient, well-priced, quality automotive services to members.

On the travel front, RACQ announced a joint venture (JV) with Hunter Travel Group, one of Australia's largest, privately-owned travel agencies, bringing together Australia's two largest auto club travel businesses, RACQ Travel and RACT Travel. The JV will allow RACQ to build a broader, more innovative travel service

providing members with material member experience improvements through enhanced channels, ultimately providing greater value for members.

We continue to work cooperatively in our members' interests with such representative bodies as the Business Council for Cooperatives and Mutuals (BCCM), the Federation Internationale De L'Automobile (FIA), the Global Mobility Alliance (GMA), the Australian Automobile Association (AAA), the ANCAP crash testing group, the Australian Road Assessment Program (AusRAP), Customer Owned Banking Association (COBA), Insurance Council of Australia (ICA) and our sister auto clubs. By partnering with entities such as these, we can stay abreast of global developments and initiatives, protect the legitimate and reasonable interests of our members and advocate on their behalf on important matters such as safety, affordability and sustainability.

I would also like to reinforce the President's message regarding the great work of the RACQ Foundation, which continues to help Queenslanders in need. The Foundation's activities complement the many great things RACQ does as an organisation, including sponsoring LifeFlight, events such as the annual Mater Hospital's International Women's Day Fun Run, our long-standing road safety education programs, and our vital road safety and infrastructure advocacy. This year we also added a new financial literacy program for senior school students. On a personal note, this is my final

report to RACQ members as Group CEO. I would like to take this opportunity to say what a privilege it has been to lead this great organisation for the past 13 years and to declare my sincere thanks to all of the wonderful people who serve RACQ and its members so well, upholding our principles and maintaining our focus on serving members. I particularly want to thank the RACQ Board and my executive team for their support during my recent illness, and for maintaining the organisation's strong performance during this period, all of which was enabled by our people, agents and contractors who give their very best every day for the benefit of our members. I know RACQ is in great shape and well positioned for the future ahead.

This is one of Australia's great organisations and it has been the highlight of my professional life to be Group CEO of RACQ. I wish all of its fantastic team and almost 1.8m members the best in what looks to be an exciting future.

Finally, I'd like to thank President Bronwyn Morris and the RACQ Board for their guidance during what has been another important year for the Club. ■

Ian Gillespie
Group Chief Executive Officer

“...our Assistance business is thriving. The number of Queenslanders covered for roadside service is the largest in the Club’s history and our service standards and reach have never been stronger.”





Members

89.89%

member satisfaction

93.4%

member trust

69.8

Net Promoter Score

\$144m+

value returned to members

\$9m+

member savings on Puma fuel

57,444

Gold 50 members



Advocacy/ Community

\$8.9m

funding approved for the RACQ Foundation since it's launch in 2011

\$1.05m

funding approved to help community organisations

\$308,500

for drought applications

\$450,000

to help flood-affected groups in Townsville

25

years RACQ has sponsored LifeFlight



Sustainability

\$1.46bn

total revenue

\$5.02bn

total assets

\$1.44bn

net assets

1.77m

RACQ members

\$16.1m

Assistance net surplus

1.6%

growth in Roadside membership

18.2%

RACQ Bank loan asset growth



How we've helped

820,000+

roadside rescues

50,000+

lives saved by LifeFlight in 25 years of RACQ sponsorship

3,701

claims processed during Townsville's flood event

\$115m

provided for Townsville flood claims

1.38m

vehicles covered by RACQ Roadside Assistance

93.80%

RACQ go rate



Workforce

2,845

RACQ employees
across Qld
(including
contractors)

48%

female
managers

32%

females
in senior
leadership

2019

RACQ named
a Multicultural
Queensland
Ambassador





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