



24 February 2025

ASX Compliance
Exchange Centre
20 Bridge Street
Sydney NSW 2000

By email: ListingsComplianceSydney@asx.com.au

Dear ASX Compliance

Insurance Australia Group Limited (ASX:IAG): ASX Aware Letter

We refer to your letter of 20 February 2025 (the **ASX Aware Letter**) and set out the response of Insurance Australia Group Limited (ACN 090 739 923) (ASX:IAG) (**IAG**) to the requests for information made in the ASX Aware Letter, using the same numbering.

Unless otherwise indicated, capitalised terms in this letter have the same meaning as given in the ASX Aware Letter.

- 1 Does IAG consider that any measure of its statutory or underlying earnings for the half year ended 31 December 2024 as disclosed in the Results Announcements ('Earnings Information') differed materially from the market's expectations, having regard to the following three base indicators (in decreasing order of relevance and reliability):**
 - 1.1 If IAG had published earnings guidance, that guidance.**
 - 1.2 If IAG is covered by sell-side analysts, the earnings forecasts of those analysts.**
 - 1.3 If paragraphs 1.1 and 1.2 are not applicable, IAG's earnings for the prior corresponding period, being the half year ended 31 December 2023.**

Please answer separately for each measure of earnings referred to in the Earnings Information. In your response, please have regard to ASX's commentary in paragraphs 4(a) and 4(b) of section 7.3 of Guidance Note 8 about when a variation from market expectations may be material.

No. IAG does not consider that any measure of its statutory or underlying earnings for the half year results for the period ended 31 December 2024 differed materially from the market's expectations. IAG has had regard to Guidance Note 8 and in respect of its various reporting measures notes as follows.

- IAG's 1H25 results aligned to FY25 market guidance, after the benefit of \$215 million in favourable natural perils was excluded:
 - Reported Insurance Profit of \$957 million was above expected first half contribution to the full-year \$1.4bn to \$1.6bn guidance;



- Reported Insurance Margin of 19.4% was above the guidance of 13.5% to 15.5%; and
- Gross Written Premium growth of 6.0% was consistent with the 'mid-to-high single digit' guidance given by IAG.

Therefore, for each of the following reporting measures – Gross Written Premium, Reported Insurance Profit and Reported Insurance Margin – IAG notes that for question 1.1, its response is that it does not consider that the results differed materially from the market's expectations.

For the purposes of question 1.2, Net Profit After Tax ("**NPAT**") is covered by sell-side analysts. In this case, the average analyst consensus for 1H25 NPAT was \$637 million. This is \$141 million lower than IAG's reported profit of \$778 million. However, this was primarily due to the \$140 million post-tax release from the Business Interruption provision. IAG announced on ASX on 31 January 2025 an expectation that it would release \$200 million of the \$380 million Business Interruption provision, subject to final board and audit review. Therefore, when this disclosure is taken into account, IAG does not consider that there would be a material variance between the analysts' forecast NPAT and IAG's reported position.

In relation to question 1.3, the answer is not applicable.

2 Please explain the basis for the view provided in response to question 1. In doing so, please specify how IAG determined market expectations in relation to each relevant measure of its earnings, including:

2.1 If IAG had published earnings guidance, details of:

2.1.1 that guidance and when it was released to the market; and

2.1.2 the date when the entity first became aware with a reasonable degree of certainty that its expected earnings for the relevant reporting period would vary from, or be in line with, that guidance.

In relation to question 2.1.1, IAG's financial guidance for FY25 was announced on 21 August 2024. In particular, in the Annual Report at page 63, IAG stated:

IAG's confidence in the underlying business is reflected in guidance for FY25 which includes:

- *GWP growth of 'mid-to-high single digit'. This assumes premium increases to cover ongoing claims inflation and the increased natural perils allowance combined with direct customer and volume growth.*



- *Reported insurance profit guidance of between \$1,400 million to \$1,600 million, equating to a reported insurance margin of 13.5% to 15.5% and assumes:*

continued momentum in the underlying performance of IAG's businesses;

a natural peril allowance of \$1,283 million;

no material prior reserve releases or strengthening; and

no material movement in macro-economic conditions including foreign exchange rates or investment markets.

In relation to question 2.1.2, the answer is not applicable.

In relation to question 2, IAG determined that market expectations in relation to its relevant measure of earnings were aligned, having regard to those matters set out in the response to question 1. In particular, Gross Written Premium aligned with guidance, Reported Insurance Profits was above guidance, and Reported Insurance Margin was also above guidance. Therefore, having delivered results in line with, or above guidance, it was difficult to see how market expectations had not been met in relation to guidance (see IAG's response to question 6 below).

2.2 If IAG used sell-side analyst forecasts to estimate the market's expectations of its earnings, details of:

2.2.1 the method that IAG used to translate sell-side analyst forecasts into its estimate of market expectations for each measure of earnings referred to in the Earnings Information and, in particular, whether or not IAG used a "consensus estimate" or an "adjusted consensus estimate" or a different specified approach for determining this estimate;

2.2.2 the entity's estimate of market expectations using that method; and

2.2.3 the date when the entity first became aware with a reasonable degree of certainty that its expected earnings for the relevant reporting period would vary from, or be in line with, its estimate of these expectations.

In relation to question 2.2.1, in addition to the FY25 guidance, IAG considers earnings forecasts, particularly NPAT, based on the consensus estimate of leading sell-side analysts.

In relation to question 2.2.2, prior to 31 January 2025, the average analyst consensus for 1H25 NPAT was \$637 million. As noted above, this was \$141 million lower than IAG's reported profit of \$778 million but this is explained by the \$140 million post-tax release from the Business Interruption provision (which had been foreshadowed to the market on 31 January 2025).



In relation to question 2.2.3, throughout 1H25 and in finalising its results and releasing them on 13 February 2025, IAG considered its results would be in line with market expectations, in particular from a guidance perspective, IAG had performed above expectations.

- 2.3 If paragraphs 2.1 and 2.2 are not applicable, the date when the entity first became aware with a reasonable degree of certainty that its expected earnings for the relevant reporting period would vary from, or be in line with, IAG's earnings for the prior corresponding period.**

Not applicable.

- 3 Does IAG consider that, at any point prior to the release of the Results Announcements, there was a variance between its expected earnings and its estimate of market expectations for the relevant reporting period of such a magnitude that a reasonable person would expect information about the variance to have a material effect on the price or value of IAG's securities?**

Please answer separately for each measure of earnings referred to in the Earnings Information.

No, and this response applies to each measure of earnings: Gross Written Premium, Reported Insurance Profit, and Reported Insurance Margin.

- 4 If the answer to question 3 is "no", please provide the basis for that view.**

IAG's 1H25 results aligned to FY25 market guidance, after the benefit of \$215 million in favourable natural perils was excluded. As noted above:

- Gross Written Premium growth of 6.0% was consistent with the 'mid-to-high single digit' guidance;
- Reported Insurance Profit of \$957 million was above expected first half contribution to the full-year \$1.4bn to \$1.6bn guidance, primarily due to favourable natural peril experience; and
- Reported Insurance Margin of 19.4% was also above the guidance of 13.5% to 15.5%, primarily due to the favourable natural perils experience.

- 5 If the entity first became aware of the variance before the release of Results Announcements, did IAG make any announcement prior to the release of the Results Announcements which disclosed the relevant variance? If so, please provide details. If not, please explain why this information was not released to the market at an earlier time, commenting specifically on when you believe IAG was obliged to release the information under Listing Rules 3.1 and 3.1A and what steps IAG took to ensure that the information was released promptly and without delay.**



As noted above, IAG disclosed on ASX details relating to the release of the Business Interruption Provision on 31 January 2025. This result was brought forward ahead of the half year results for market transparency purposes. Notwithstanding that IAG does not give NPAT guidance, it was considered useful market disclosure as it highlighted a favourable variance to NPAT (which is covered by analysts).

6 Please provide details of any other explanation IAG may have for the trading in its securities following the release of the Results Announcements.

IAG cannot comment definitively as to the factors influencing the trading of its shares.

7 Please confirm that IAG is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.

Confirmed.

8 Please confirm that IAG's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board.

Confirmed.

Sincerely,

Robert Cutler
Group General Counsel
IAG



20 February 2025

Reference: 106277

Ms Ida Lawrance
Acting Executive General Manager
Company Secretariat Office
Legal & Company Secretariat
Insurance Australia Group Limited
Level 2
Tower 2 Darling Park
201 Sussex Street
Sydney NSW 2000

By email

Dear Ms Lawrance

Insurance Australia Group Limited ('IAG'): ASX Aware Letter

ASX refers to the following:

- A. IAG's announcements released on the ASX Market Announcements Platform on 13 February 2025 in connection with its half year results for the half year ended 31 December 2024 ('Results Announcements'), being:
 - 1.1 IAG 1H25 Appendix 4D and Half Year Report released to the market at 7:37 AM AEDT;
 - 1.2 IAG Announces 1H25 Results released to the market at 7:38 AM AEDT; and
 - 1.3 IAG 1H25 Results Presentation released to the market at 7:39 AM.
- B. The change in the price of IAG's securities from \$8.45 immediately prior to the release of the Results Announcements to a low of \$7.70 following the release of the Results Announcements.
- C. Listing Rule 3.1, which requires a listed entity to immediately give ASX any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities.
- D. The definition of "aware" in Chapter 19 of the Listing Rules, which states that:

"an entity becomes aware of information if, and as soon as, an officer of the entity (or, in the case of a trust, an officer of the responsible entity) has, or ought reasonably to have, come into possession of the information in the course of the performance of their duties as an officer of that entity."
- E. Section 4.4 in *Guidance Note 8 Continuous Disclosure: Listing Rules 3.1 – 3.1B* titled "When does an entity become aware of information?"
- F. Listing Rule 3.1A, which sets out exceptions from the requirement to make immediate disclosure as follows.

"3.1A Listing rule 3.1 does not apply to particular information while each of the following is satisfied in relation to the information:

3.1A.1 One or more of the following 5 situations applies:

 - *It would be a breach of a law to disclose the information;*
 - *The information concerns an incomplete proposal or negotiation;*

- *The information comprises matters of supposition or is insufficiently definite to warrant disclosure;*
- *The information is generated for the internal management purposes of the entity; or*
- *The information is a trade secret; and*

3.1A.2 *The information is confidential and ASX has not formed the view that the information has ceased to be confidential; and*

3.1A.3 *A reasonable person would not expect the information to be disclosed."*

G. ASX's policy position on "market sensitive earnings surprises", which is detailed in section 7.3 of Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*. In particular:

"...If an entity becomes aware that its earnings for the current reporting period will differ materially (downwards or upwards) from market expectations, it needs to consider carefully whether it has a legal obligation to notify the market of that fact."...

"...An earnings surprise will need to be disclosed to the market under Listing Rule 3.1 if it is market sensitive – that is, it is of such a magnitude that a reasonable person would expect information about the earnings surprise to have a material effect on the price or value of the entity's securities."...

Request for Information

Having regard to the above, ASX asks IAG to respond separately to each of the following questions and requests for information:

1. Does IAG consider that any measure of its statutory or underlying earnings for the half year ended 31 December 2024 as disclosed in the Results Announcements ('Earnings Information') differed materially from the market's expectations, having regard to the following three base indicators (in decreasing order of relevance and reliability):
 - 1.1 If IAG had published earnings guidance, that guidance.
 - 1.2 If IAG is covered by sell-side analysts, the earnings forecasts of those analysts.
 - 1.3 If paragraphs 1.1 and 1.2 are not applicable, IAG's earnings for the prior corresponding period, being the half year ended 31 December 2023.

Please answer separately for each measure of earnings referred to in the Earnings Information. In your response, please have regard to ASX's commentary in paragraphs 4(a) and 4(b) of section 7.3 of Guidance Note 8 about when a variation from market expectations may be material.

2. Please explain the basis for the view provided in response to question 1. In doing so, please specify how IAG determined market expectations in relation to each relevant measure of its earnings, including:
 - 2.1 If IAG had published earnings guidance, details of:
 - 2.1.1 that guidance and when it was released to the market; and
 - 2.1.2 the date when the entity first became aware with a reasonable degree of certainty that its expected earnings for the relevant reporting period would vary from, or be in line with, that guidance.
 - 2.2 If IAG used sell-side analyst forecasts to estimate the market's expectations of its earnings, details of:

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- 2.2.1 the method that IAG used to translate sell-side analyst forecasts into its estimate of market expectations for each measure of earnings referred to in the Earnings Information and, in particular, whether or not IAG used a “consensus estimate” or an “adjusted consensus estimate” or a different specified approach for determining this estimate;
- 2.2.2 the entity’s estimate of market expectations using that method; and
- 2.2.3 the date when the entity first became aware with a reasonable degree of certainty that its expected earnings for the relevant reporting period would vary from, or be in line with, its estimate of these expectations.
- 2.3 If paragraphs 2.1 and 2.2 are not applicable, the date when the entity first became aware with a reasonable degree of certainty that its expected earnings for the relevant reporting period would vary from, or be in line with, IAG’s earnings for the prior corresponding period.
3. Does IAG consider that, at any point prior to the release of the Results Announcements, there was a variance between its expected earnings and its estimate of market expectations for the relevant reporting period of such a magnitude that a reasonable person would expect information about the variance to have a material effect on the price or value of IAG’s securities?
- Please answer separately for each measure of earnings referred to in the Earnings Information.
4. If the answer to question 3 is “no”, please provide the basis for that view.
5. If the entity first became aware of the variance before the release of Results Announcements, did IAG make any announcement prior to the release of the Results Announcements which disclosed the relevant variance? If so, please provide details. If not, please explain why this information was not released to the market at an earlier time, commenting specifically on when you believe IAG was obliged to release the information under Listing Rules 3.1 and 3.1A and what steps IAG took to ensure that the information was released promptly and without delay.
6. Please provide details of any other explanation IAG may have for the trading in its securities following the release of the Results Announcements.
7. Please confirm that IAG is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.
8. Please confirm that IAG’s responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of IAG with delegated authority from the board to respond to ASX on disclosure matters.

When and where to send your response

This request is made under Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by no later than **9 AM AEDT on Tuesday, 25 February 2025**.

You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, IAG’s obligation is to disclose the information ‘immediately’. This may require the information to be disclosed before the deadline set out above and may require IAG to request a trading halt immediately if trading in IAG’s securities is not already halted or suspended.

Your response should be sent by e-mail to ListingsComplianceSydney@asx.com.au. It should not be sent directly to the ASX Market Announcements Office. This is to allow us to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Suspension

If you are unable to respond to this letter by the time specified above, ASX will likely suspend trading in IAG's securities under Listing Rule 17.3.

Listing Rules 3.1 and 3.1A

In responding to this letter, you should have regard to IAG's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*. It should be noted that IAG's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

Release of correspondence between ASX and entity

We reserve the right to release all or any part of this letter, your reply and any other related correspondence between us to the market under Listing Rule 18.7A. The usual course is for the correspondence to be released to the market.

Kind regards

ASX Compliance

CC: Andrew Collings, Penny MacRae & Mark Ley, IAG