
IAG provides natural perils update

IAG today provided an update on natural peril events in the 2017 financial year-to-date.

Although the gross cost from the recent trans-Tasman storm and New Zealand earthquake events is still uncertain, it is anticipated that a net cost up to \$200 million will be incurred.

After consideration of its reinsurance protection, IAG continues to expect its FY17 net natural peril claim costs will be in line with its \$680 million allowance.

IAG confirms the net natural peril claim costs incurred up until the end of October 2016 were approximately \$140 million. Since that date, there have been two peril events of note:

- The trans-Tasman storm event, which started on 11 November 2016 with severe hailstorms in Adelaide and the Mildura region, before extending across New South Wales and South East Queensland, and then impacting the lower part of the north island in New Zealand; and
- The earthquake and aftershocks which affected parts of New Zealand from early 14 November 2016 onwards, local time.

As at the close of business on 17 November 2016, around 8,000 claims had been received as a result of the trans-Tasman storm event, a large proportion of which were motor claims, while the claims number for the New Zealand earthquake was over 700, comprising a mixture of mainly home and commercial claims.

IAG Managing Director and Chief Executive Officer, Peter Harmer, said: “Our thoughts go out to everyone affected by the latest natural peril events in Australia and New Zealand. We know this will be a difficult time for many, and we are focused on doing all we can to help our customers, including enabling them to make insurance claims as quickly and easily as possible.”

The anticipated combined net cost of \$200 million for the two events comprises a \$20 million retention applicable to each event, plus the residual deductible of approximately \$160 million attaching to IAG’s calendar 2016 aggregate reinsurance cover as at the end of October.

Assuming a net cost of \$200 million from the latest events, year-to-date net natural peril claim costs would be approximately \$340 million, compared to IAG’s full year allowance of \$680 million, which is included in its FY17 reported insurance margin guidance of 12.5-14.5%. Given the strength of its reinsurance cover, which includes \$96 million of perils protection immediately above \$680 million on a financial year basis, IAG retains its existing reported insurance margin guidance range.

Based on a \$200 million net cost from the combined trans-Tasman storm and New Zealand earthquake events, IAG’s maximum event retention becomes \$20 million in Australia and NZ\$20 million in New Zealand, until 31 December 2016.

About IAG

IAG is the parent company of a general insurance group with controlled operations in Australia, New Zealand, Thailand, Vietnam and Indonesia, employing more than 15,000 people. Its businesses underwrite over \$11 billion of premium per annum, selling insurance under many leading brands, including: NRMA Insurance, CGU, SGIO, SGIC, Swann Insurance and WFI (Australia); NZI, State, AMI and Lumley Insurance (New Zealand); Safety and NZI (Thailand); AAA Assurance (Vietnam); and Asuransi Parolamas (Indonesia). IAG also has interests in general insurance joint ventures in Malaysia and India. For further information please visit www.iag.com.au.

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