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## RECLASSIFICATION OF AUSTRALIAN FY14 RESULTS IN LINE WITH NEW OPERATING MODEL

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Insurance Australia Group Limited (IAG) has reclassified its Australian operating results for the financial year ended 30 June 2014 (FY14). The revised presentation corresponds to the new Australian operating model, which was introduced on 1 July 2014.

The former Australian divisional reporting segments, of Australia Direct and Australia Intermediated (CGU), have been replaced by:

**Personal Insurance**, which comprises:

- The motor, home and CTP operations which previously represented the bulk of Australia Direct; and
- Personal lines which were previously part of the affinity & financial institution partnerships and broker & agent channels within CGU.

From FY15, Personal Insurance also contains personal lines business of the former Wesfarmers insurance underwriting business, including Coles.

**Commercial Insurance**, which comprises:

- The commercial insurance operations which previously represented the majority of CGU;
- The Swann Insurance operations, which were also previously part of CGU; and
- The Retail Business Insurance (RBI) operations which were formerly part of Australia Direct.

From FY15, Commercial Insurance also includes the equivalent business within the former Wesfarmers insurance underwriting business.

The third division of the new operating model is **Enterprise Operations**, which provides support services to Personal Insurance and Commercial Insurance, such as information technology, people & culture, and procurement & supply chain. The cost of services provided by Enterprise Operations is reported within the respective financial results of Personal Insurance and Commercial Insurance.

In its FY14 results presentation, IAG indicated that the former Wesfarmers business recorded gross written premium (GWP) of \$1.76 billion in that year, excluding levies. After inclusion of levies, GWP was approximately \$1.8 billion and, when apportioned along IAG's new operating structure, would have comprised approximately 15% Personal Insurance, 60% Commercial Insurance and 25% New Zealand.

The reclassified FY14 Australian operating results are set out below.

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## About Insurance Australia Group (IAG)

Insurance Australia Group Limited is the parent company of a general insurance group with controlled operations in Australia, New Zealand, Thailand and Vietnam, 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, WFI and Lumley Insurance (Australia); NZI, State, AML and Lumley Insurance (New Zealand); Safety and NZI (Thailand); and AAA Assurance (Vietnam). IAG also has interests in general insurance joint ventures in Malaysia, India and China. Please visit [www.iag.com.au](http://www.iag.com.au) for further information.

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## APPENDIX 1 - PERSONAL INSURANCE FY14 RESULTS

Financial Performance	1H14 A\$m	2H14 A\$m	FY14 A\$m
<b>Gross written premium</b>	<b>2,686</b>	<b>2,649</b>	<b>5,335</b>
Gross earned premium	2,732	2,663	5,395
Reinsurance expense	(334)	(303)	(637)
<b>Net earned premium</b>	<b>2,398</b>	<b>2,360</b>	<b>4,758</b>
Net claims expense	(1,527)	(1,525)	(3,052)
Commission expense	(123)	(127)	(250)
Underwriting expense	(364)	(379)	(743)
<b>Underwriting profit</b>	<b>384</b>	<b>329</b>	<b>713</b>
Investment income on technical reserves	83	220	303
<b>Insurance profit</b>	<b>467</b>	<b>549</b>	<b>1,016</b>

Insurance Ratios	1H14	2H14	FY14
Loss ratio	63.7%	64.6%	64.1%
Immunised loss ratio	65.3%	61.8%	63.5%
Expense ratio	20.3%	21.5%	20.9%
Commission ratio	5.1%	5.4%	5.3%
Administration ratio	15.2%	16.1%	15.6%
Combined ratio	84.0%	86.1%	85.0%
Immunised combined ratio	85.6%	83.3%	84.4%
Insurance margin	19.5%	23.3%	21.4%

Insurance Margin Impacts	1H14 A\$m	2H14 A\$m	FY14 A\$m
Reserve releases	130	49	179
Natural perils	(235)	(125)	(360)
Natural perils allowance	224	224	448
Credit spreads	25	40	65
<b>Impact on insurance profit</b>	<b>144</b>	<b>188</b>	<b>332</b>
Reserve releases	5.4%	2.1%	3.8%
Natural perils	(9.8%)	(5.3%)	(7.6%)
Natural perils allowance	9.3%	9.5%	9.4%
Credit spreads	1.0%	1.7%	1.4%
<b>Impact on insurance margin</b>	<b>6.0%</b>	<b>8.0%</b>	<b>7.0%</b>
<b>Underlying margin</b>	<b>14.5%</b>	<b>16.3%</b>	<b>15.4%</b>

## APPENDIX 2 - COMMERCIAL INSURANCE FY14 RESULTS

Financial Performance	1H14 A\$m	2H14 A\$m	FY14 A\$m
<b>Gross written premium</b>	<b>1,052</b>	<b>1,216</b>	<b>2,268</b>
Gross earned premium	1,099	1,076	2,175
Reinsurance expense	(70)	(75)	(145)
<b>Net earned premium</b>	<b>1,029</b>	<b>1,001</b>	<b>2,030</b>
Net claims expense	(506)	(587)	(1,093)
Commission expense	(157)	(157)	(314)
Underwriting expense	(210)	(202)	(412)
<b>Underwriting profit</b>	<b>156</b>	<b>55</b>	<b>211</b>
Investment income on technical reserves	34	126	160
<b>Insurance profit</b>	<b>190</b>	<b>181</b>	<b>371</b>
Profit/(loss) from fee based business	11	(2)	9
Share of profit from associates	-	-	-
<b>Total divisional result</b>	<b>201</b>	<b>179</b>	<b>380</b>

Insurance Ratios	1H14	2H14	FY14
Loss ratio	49.2%	58.6%	53.8%
Immunised loss ratio	52.9%	51.4%	52.2%
Expense ratio	35.7%	35.9%	35.8%
Commission ratio	15.3%	15.7%	15.5%
Administration ratio	20.4%	20.2%	20.3%
Combined ratio	84.9%	94.5%	89.6%
Immunised combined ratio	88.6%	87.3%	88.0%
Insurance margin	18.5%	18.1%	18.3%

Insurance Margin Impacts	1H14 A\$m	2H14 A\$m	FY14 A\$m
Reserve releases	55	23	78
Natural perils	(51)	(36)	(87)
Natural perils allowance	59	60	119
Credit spreads	14	21	35
<b>Impact on insurance profit</b>	<b>77</b>	<b>68</b>	<b>145</b>
Reserve releases	5.3%	2.3%	3.8%
Natural perils	(5.0%)	(3.6%)	(4.3%)
Natural perils allowance	5.7%	6.0%	5.9%
Credit spreads	1.4%	2.1%	1.7%
<b>Impact on insurance margin</b>	<b>7.5%</b>	<b>6.8%</b>	<b>7.2%</b>
<b>Underlying margin</b>	<b>12.0%</b>	<b>12.3%</b>	<b>12.1%</b>