
IAG finalises 2016 catastrophe reinsurance

IAG has finalised its catastrophe reinsurance program for the calendar year commencing 1 January 2016. The program provides gross reinsurance protection of up to \$7 billion (2015: \$7 billion) and has been placed to the extent of 80%, after allowance for the 20% quota share agreement with Berkshire Hathaway which commenced on 1 July 2015.

IAG's catastrophe reinsurance for 2016 has been constructed in a similar manner to prior years. Gross protection is consistent with IAG's 2015 program, reflecting a stable overall aggregate exposure, with modest growth in the underlying business offset by reduced exposure to large-corporate property.

Renewal rights to IAG's large-corporate property book, which carries a relatively heavy reinsurance requirement, have passed to Berkshire Hathaway as part of the strategic relationship announced in June 2015.

IAG's integrated catastrophe reinsurance program for calendar 2016 comprises the following key components:

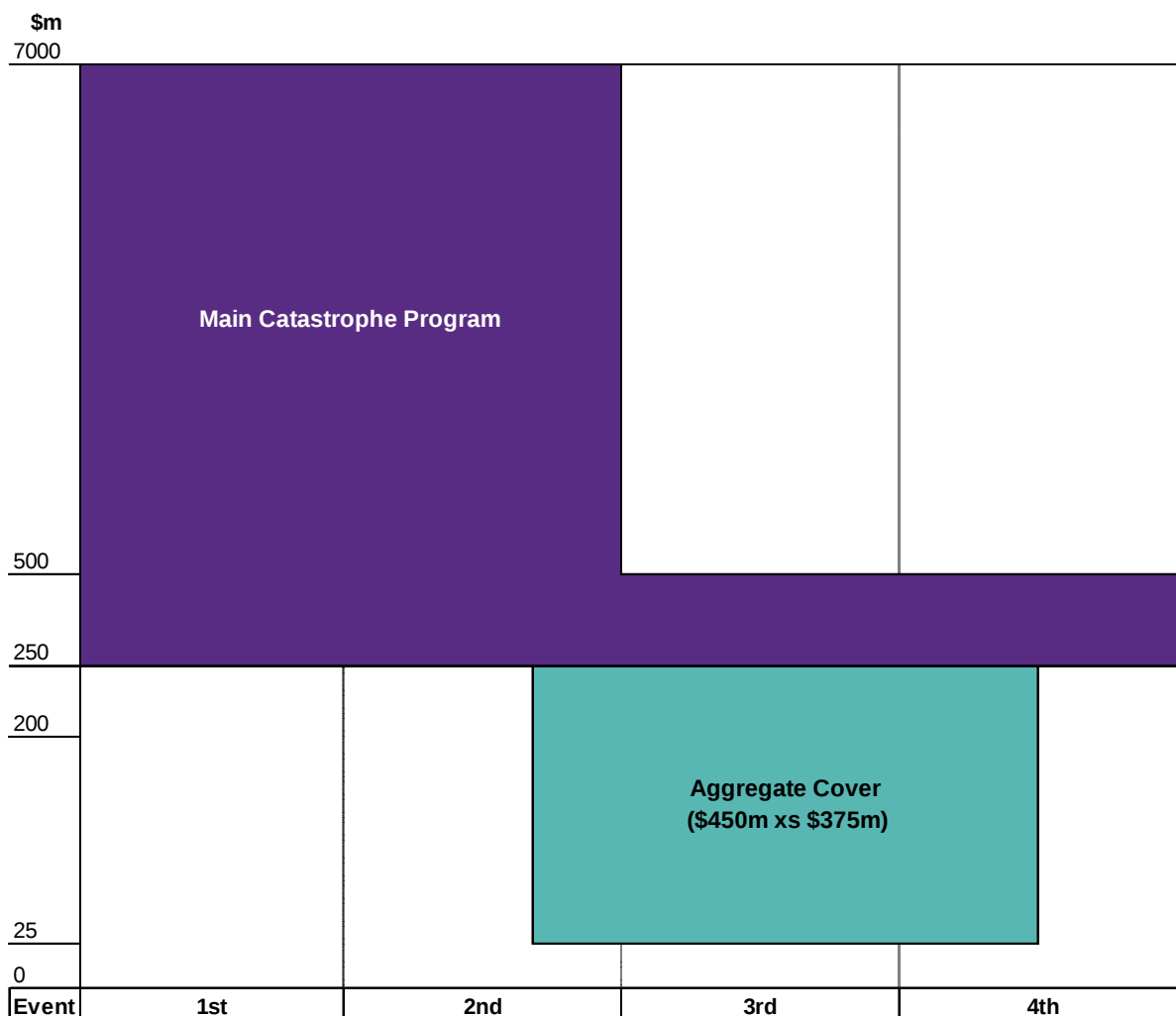
- A main catastrophe cover for losses up to \$7 billion, including one prepaid reinstatement. IAG retains the first \$250 million of each loss (\$200 million post-quota share), with three prepaid reinstatements secured for the lower layer of the main program (\$200 million excess of \$200 million, post-quota share); and
- An aggregate sideways cover which reduces the cost of a second event to \$175 million (\$140 million post-quota share) and a subsequent event to \$25 million (\$20 million post-quota share). The aggregate provides protection of \$450 million excess of \$375 million (\$360 million excess of \$300 million, post-quota share), with qualifying events capped at a maximum contribution of \$225 million excess of \$25 million per event (\$180 million excess of \$20 million, post-quota share).

IAG's catastrophe reinsurance covers all territories in which IAG operates, with the exception of its joint venture interests in India and China which have their own reinsurance arrangements.

The overall credit quality of the 2016 program remains high, with 88.5% (2015: over 89%) placed with entities rated A+ or better.

In addition, IAG has a separate natural perils cover of \$80 million in excess of \$680 million (post-quota share), which runs in line with the financial year ending 30 June 2016.

The combination of all catastrophe covers in place at 1 January 2016 results in post-quota share first event retentions of \$200 million for Australia, NZ\$200 million for New Zealand, \$20 million for Thailand, and less than \$1 million for Vietnam and Indonesia. The first event retention for Malaysia, which is not subject to the Berkshire Hathaway quota share agreement, is \$25 million.



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 \$11.4 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, India and China. For further information please visit www.iag.com.au.

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