



IAG finalises 2018 catastrophe reinsurance.

IAG has finalised its catastrophe reinsurance program for the 2018 calendar year. This has been constructed in a similar manner to prior years and provides up to \$8 billion gross reinsurance protection.

The program has been placed to the extent of 67.5% (2017: 80%). The reduced placement allows for the combined 12.5% quota share agreements with Munich Re, Swiss Re and Hannover Re which commenced on 1 January 2018. It also reflects the 20% quota share agreement with Berkshire Hathaway which has been in place since 1 July 2015.

IAG's integrated catastrophe reinsurance program for calendar 2018 comprises two main components:

- A main catastrophe cover for losses up to \$8 billion, including one prepaid reinstatement. IAG retains the first \$250 million of each loss (\$169 million post-quota share), with three prepaid reinstatements secured for the lower layer of the main program (\$169 million excess of \$169 million post-quota share); and
- An aggregate sideways cover which provides protection of \$475 million excess of \$325 million (\$321 million excess of \$219 million post-quota share), with qualifying events capped at a maximum contribution of \$225 million excess of \$25 million per event (\$152 million excess of \$17 million post-quota share). This cover reduces the maximum cost of a second event to \$125 million (\$84 million post-quota share) and a subsequent event to \$25 million (\$17 million post-quota share).

Compared to calendar 2017, underlying aggregate exposure has increased modestly, with growth in short tail personal lines partially offset by reduced commercial portfolios, in both Australia and New Zealand.

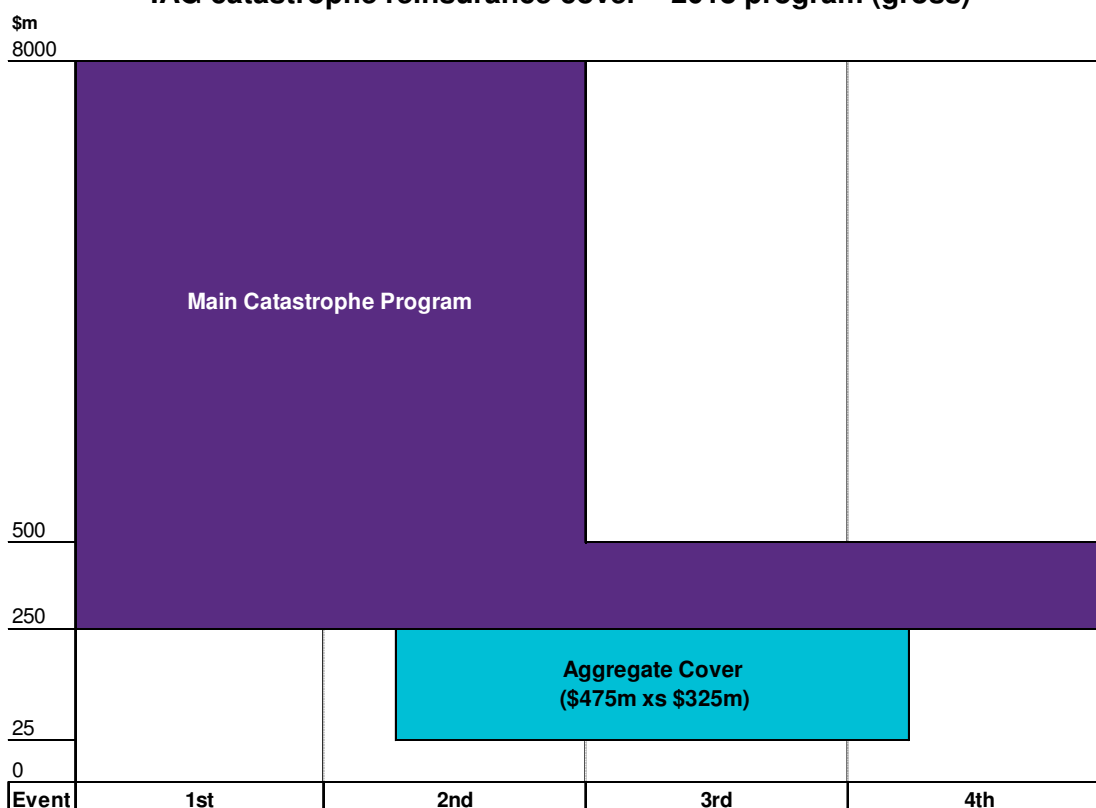
The program covers all territories in which IAG operates, with the exception of its joint venture interest in India which has its own reinsurance arrangements.

The overall credit quality of the 2018 program is strong, with a similar proportion to the 2017 program (over 92%) placed with entities rated A+ or higher.

The combination of all catastrophe covers in place at 1 January 2018 results in post-quota share first event retentions of \$169 million for Australia, NZ\$169 million for New Zealand, \$20 million for Malaysia, \$17 million for Thailand and approximately \$1 million for Vietnam and Indonesia.

IAG experienced modest upwards pressure on like-for-like reinsurance rates during the renewal process, with the overall expense outcome in line with the associated assumption in its FY18 guidance.

IAG catastrophe reinsurance cover – 2018 program (gross)



IAG catastrophe reinsurance program				
Calendar year	2018		2017	
Cover	Gross	Net of quota share (67.5%)	Gross	Net of quota share (80%)
Main cover	\$7.75bn xs \$250m	\$5.23bn xs \$169m	\$7.75bn xs \$250m*	\$6.2bn xs \$200m*
Aggregate cover	\$475m xs \$325m	\$321m xs \$219m	\$475m xs \$325m	\$380m xs \$260m
Aggregate cover qualifying events	\$225m xs \$25m	\$152m xs \$17m	\$225m xs \$25m	\$180m xs \$20m
Retentions	Gross	Net of quota share (67.5%)	Gross	Net of quota share (80%)
First event	\$250m	\$169m	\$250m	\$200m
Second event	\$125m	\$84m	\$125m	\$100m
Subsequent event	\$25m	\$17m	\$25m	\$20m

* Calendar 2017 gross cover increased from \$6.75bn to \$7.75bn (excess \$250m) with effect from 1 June 2017. Net of quota share, the equivalent increase was from \$5.4bn to \$6.2bn (excess \$200m).

About IAG

IAG is the parent company of a general insurance group (the Group) with controlled operations in Australia, New Zealand, Thailand, Vietnam and Indonesia. The Group's 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.

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