



## IAG provides business update

IAG provides the following business update covering its response to the coronavirus (COVID-19) pandemic, the completion of the sale of its interest in SBI General Insurance Company (SBI General) in India, confirmation of the company's strong capital position, and unchanged guidance for the financial year ended 30 June 2020 (FY20).

### **Coronavirus (COVID-19) response**

IAG is well-advanced in its response to the COVID-19 pandemic.

IAG Managing Director and CEO Peter Harmer said: "From the outset, we have prioritised the health and wellbeing of our people, customers and business partners, as well as the communities in which we operate, as we respond to this dynamic situation.

"More than 90% of our people in Australia are now working from home, and our technology team is well-progressed with its plans to set up the rest of our people to work from home.

"We are employing up to an additional 400 people in the customer-facing parts of our business to help meet the needs of our customers.

"From a business perspective, service levels have held steady and we have seen an encouraging lift in productivity, energy and engagement across our operational teams as we work to support our customers and each other.

"We are working with our partner builders, repairers and supply chain to ensure we are supporting our customers throughout the claims process. Where possible, our claims assessing processes have been revised to allow desktop and digital assessments to minimise face-to-face interaction.

"In addition, we are focused on enhancing the ways in which we can support our customers and meet their needs in these challenging times," Mr Harmer said.

IAG late last week announced several measures across its Australian business to support customers and suppliers. These include:

- Travel insurance refunds without penalty for the unused proportion of premiums;
- Deferred premium payments for up to six months for small businesses experiencing financial hardship;
- Full refunds for small businesses which cancel their insurance, with no administration or cancellation fees;
- Maintenance of full insurance cover for small businesses which need to close premises due to the impact of COVID-19, with no changes to premium; and
- Reduced payment times to suppliers, from up to 30 to no more than 15 business days.

IAG's New Zealand business also announced similar measures late last week for its customers and suppliers affected by COVID-19.

“We are working hard to implement these measures as soon as possible and we recognise that this is one more disaster our communities have to face in what has been a catastrophic start to 2020,” Mr Harmer said.

### **Completion of sale of interest in SBI General**

IAG is pleased to advise it has completed the sale of its 26% interest in SBI General in India. The associated transactions were first announced on 17 October 2019.

As a result, IAG will book a net profit on sale of approximately \$310 million in the second half of FY20.

The completed sale of the interest in SBI General has increased IAG’s regulatory capital position by nearly \$450 million.

### **Strong capital position**

IAG retains a strong capital position, reinforced by the sale of its interest in SBI General.

IAG’s Common Equity Tier 1 (CET1) ratio stood at 1.15 on 31 December 2019 and had reduced to 1.09 by the end of February 2020 following the heavy incidence of natural peril events in both January and February.

As at 27 March 2020, IAG’s CET1 ratio is estimated to be at the top end of its targeted range, of 0.9 to 1.1. This assessment incorporates IAG’s regulatory capital position at the end of February 2020 and adjusts for:

- Estimated negative investment market impacts up until 27 March 2020;
- Payment of the interim dividend (of \$231 million) on 25 March 2020; and
- Completion of the sale of IAG’s interest in SBI General.

This includes no allowance for the March 2020 underwriting result which has yet to be finalised.

It remains IAG’s policy to manage its business within its targeted capital ratios.

### **FY20 guidance unchanged**

IAG’s underlying business performance has remained strong, although overall year-to-date profitability has absorbed substantial adverse impacts from net natural peril claim costs and, more recently, severe investment market movements.

IAG’s unchanged guidance for FY20 comprises:

- ‘Low single digit’ GWP growth; and
- A reported margin range of 12.5-14.5%.

Reported margin guidance includes the assumption that there is no material movement in foreign exchange rates or investment income in the second half of the financial year.

Since 31 December 2019, IAG has incurred an unrealised loss on technical reserves investment income from widening credit spreads, of approximately \$100 million pre-tax, predominantly in March. With the extreme volatility presently surrounding such mark-to-market measures, IAG has not reflected this timing effect in its reported margin guidance.

Given the high credit quality of the securities held, IAG anticipates this unrealised loss will be recovered as the securities mature.

## **Investor Day postponed**

IAG had previously indicated its intention to hold an Investor Day in Sydney on 14 May 2020. Owing to the uncertainties and logistical challenges created by the COVID-19 pandemic, IAG advises that this event has been postponed. A revised date will be advised as soon as practicable.

More information about IAG's COVID-19 customer and supplier support measures can be found via the links below:

[Australia](#)

[New Zealand](#)

*This release has been authorised by IAG's Disclosure Committee.*

## **About IAG**

IAG is the parent company of a general insurance group (the Group) with controlled operations in Australia and New Zealand. The Group's businesses underwrite over \$12 billion of premium per annum, selling insurance under many leading brands, including: NRMA Insurance, CGU, SGIO, SGIC, Swann Insurance and WFI (Australia); and NZI, State, AMI and Lumley (New Zealand). IAG also has an interest in a general insurance joint venture in Malaysia. For further information, please visit [www.iag.com.au](http://www.iag.com.au).

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