



# IAG Investor Day

14 June 2023

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Further information, including IAG's business structure, portfolio and partnerships is available on IAG's website at <https://www.iag.com.au/about-us/what-we-do>.

# Program outline



01	Introduction	Nick Hawkins
02	Direct Insurance Australia	Julie Batch
03	Intermediated Insurance Australia	Jarrod Hill
04	New Zealand	Amanda Whiting
05	Transformation Update	Neil Morgan
	<b>Breakout sessions:</b> <ul style="list-style-type: none"><li>- Perils and Pricing</li><li>- Evolution of Claims</li></ul>	
06	CFO Update	Michelle McPherson
07	Question & Answer Session	All presenters
08	Wrap-up	Nick Hawkins

# Nick Hawkins

Chief Executive Officer

01



## Acknowledgement of Country

IAG acknowledges Traditional Owners of Country throughout Australia and recognises the continuing connection to lands, waters and communities.

We pay our respect to Aboriginal and Torres Strait Islander cultures; and to Elders past and present.

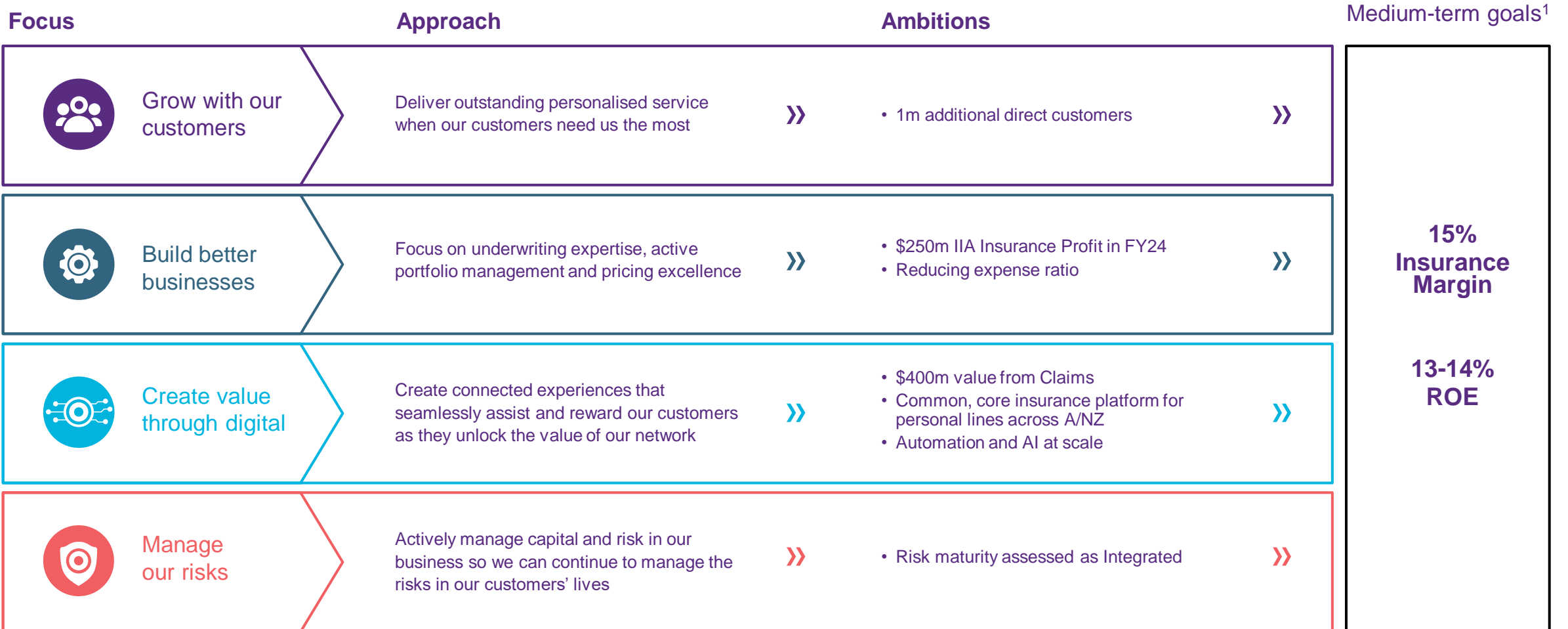
We empower Aboriginal and Torres Strait Islander peoples, business and communities.

# Focused on our strategy

**Purpose** | We make your world a safer place

**Strategy** | Create a stronger, more resilient IAG

**People** | Our people are the difference: bringing our purpose to life and delivering our strategy



1. These ambitions and medium-term goals are subject to assumptions and dependencies, including that there are no material adverse developments in macro-economic conditions and disruptions or events beyond IAG's control (for example, natural perils events in excess of IAG's allowances). As they span a number of years, these assumptions and dependencies have a greater level of uncertainty than financial year guidance (see slide 24 in the 1H23 Management Presentation in the Results & Reports area of our website for further detail).

# Strategic focus

## Grow with our customers



### Ambition

1 million additional direct customers

### Progress

- 207k net new customers in DIA
- Rollout of NRMA brand in Western Australia and South Australia
- Very strong customer retention rates

## Build better businesses



### Ambition

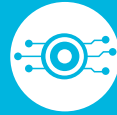
\$250m IIA insurance profit in FY24  
Reducing expense ratio

### Progress

- IIA on track to achieve \$250 million insurance profit in FY24
- Enhanced capability rollout from Enterprise Platform
- Flat gross operating cost base in FY21 and FY22, on track in FY23

# Strategic focus (continued)

## Create value through digital



### Ambition

\$400m value from Claims

### Progress

- Accelerated Enterprise Platform rollout with functionality built across direct and partner businesses in Australia and New Zealand
- Launched and scaled online claims tracker
- ~\$70m in value generated in claims and supply chain in DIA

## Manage our risks



### Ambition

Risk maturity assessed as Integrated

### Progress

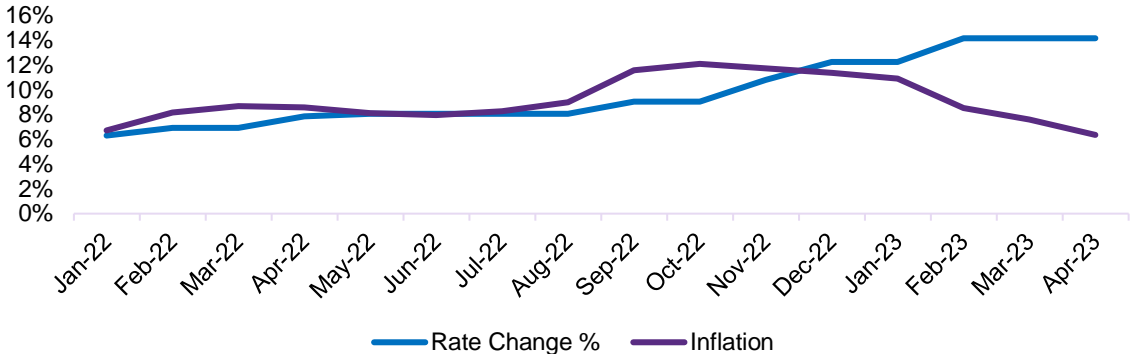
- Renewed key Whole of Account Quota Share agreements
- Advancements to risk management frameworks and matured risk management systems, processes and frameworks
- Legacy issues predominantly resolved



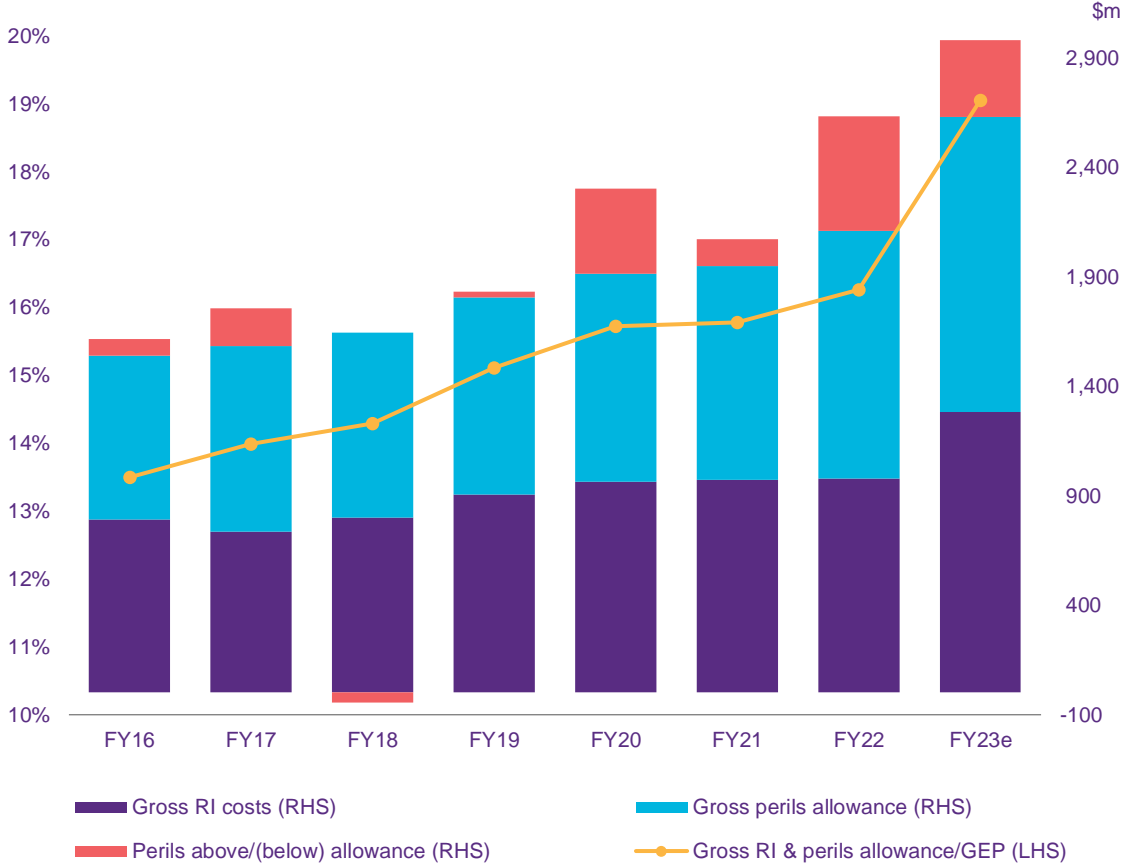
# Operating environment

Premium increases reflect claims inflation, reinsurance and natural perils impacts

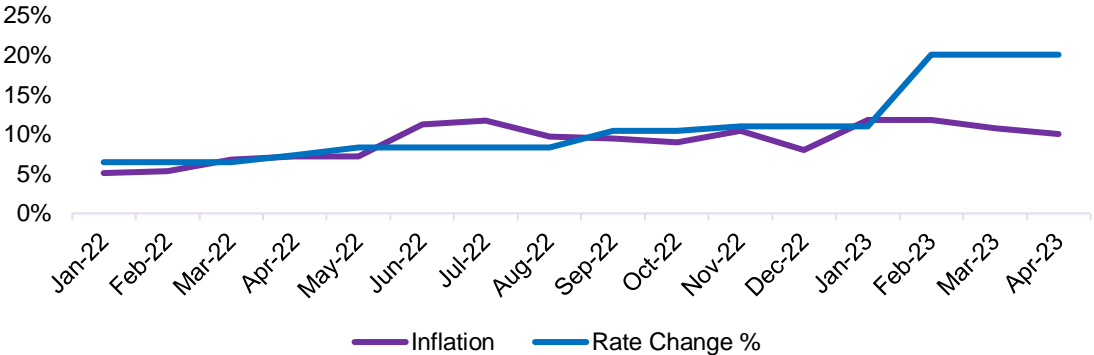
### Motor premium increases & claims inflation



### Gross natural perils & reinsurance



### Property premium increases & claims inflation (non-perils)



# Medium-term targets

Improved shareholder returns with increased ROE and strong EPS growth

## Environment has changed, with:

- Increased investment yields support improved margins and ROE;
- Strong top-line growth delivers improved ROE metrics due to lower capital strain from organic growth; and
- Inflation, perils, reinsurance and affordability challenges.

## Resulting in an

- Increased ROE target of 13% to 14% based on
- Expected insurance margin of 15%.

**FY24 guidance to be provided at FY23 results announcement on 21 August 2023**

These ambitions and medium-term goals are subject to assumptions and dependencies, including that there are no material adverse developments in macro-economic conditions and disruptions or events beyond IAG's control (for example, natural perils events in excess of IAG's allowances). As they span a number of years, these assumptions and dependencies have a greater level of uncertainty than financial year guidance (see slide 24 in the 1H23 Management Presentation in the Results & Reports area of our website for further detail).



# Julie Batch

Group Executive, Direct Insurance Australia

# 02

Direct Insurance Australia

# Direct Insurance Australia overview

## Simplified Brands



- Strongest insurance brand in Australia (Brand Finance)
- #2 in financial services



- 2nd strongest insurance brand in Australia



- #1 insurance brand with consumer ratings of 4.7 (Trust Pilot)
- 2023 Car Insurer of the year for Outstanding Value (Canstar)

## Streamlined Products



Property



Motor



CTP



SME



Niche

## Scaled Business



~A\$6.6bn  
Gross Written Premium



5.02m  
Customers

Note: RACV Insurance via our joint venture with RACV

# Operating environment



## Increased peril claims

- Significant natural perils
- High claims volumes



## Upward cost pressures

- High global inflation
- Global supply chain bottlenecks (e.g. new cars, parts)
- Reinsurance
- Labour shortage



## Emerging system growth

- Slower economic growth
- Increase in population and business numbers
- Number of motor vehicle and dwelling stocks increasing



9

No. of major events  
(since March 2022)

~2x

No. of peril  
claims lodged

207k

Additional  
customers since July 21

# Strong action in the current environment

## To help Australians like no one else

### Value

\$400m of value through claims and supply chain by FY26



\$70m of value generated since FY22

### Growth

750k new customers by growing nationally, targeting younger customers and small business segments by FY26



207k additional customers since July 2021

**600k** Customers using Claims Tracker

**>30%** Claims online lodgement

**96%** Renewal rate for property in core markets

**2.1** Policies per customer

**5%** Reduction in call volumes

**40%** Reduction in property assessment time (Virtual Assist)

**91%** Renewal rate for motor in core markets

**60%** NRMA Insurance increased brand awareness WA/SA<sup>1</sup>

Note: Figures as at May 2023; 1) Since launch in Nov 21

# Claims cost inflation stabilising | Motor



## Motor

### Key trends over last 12 months

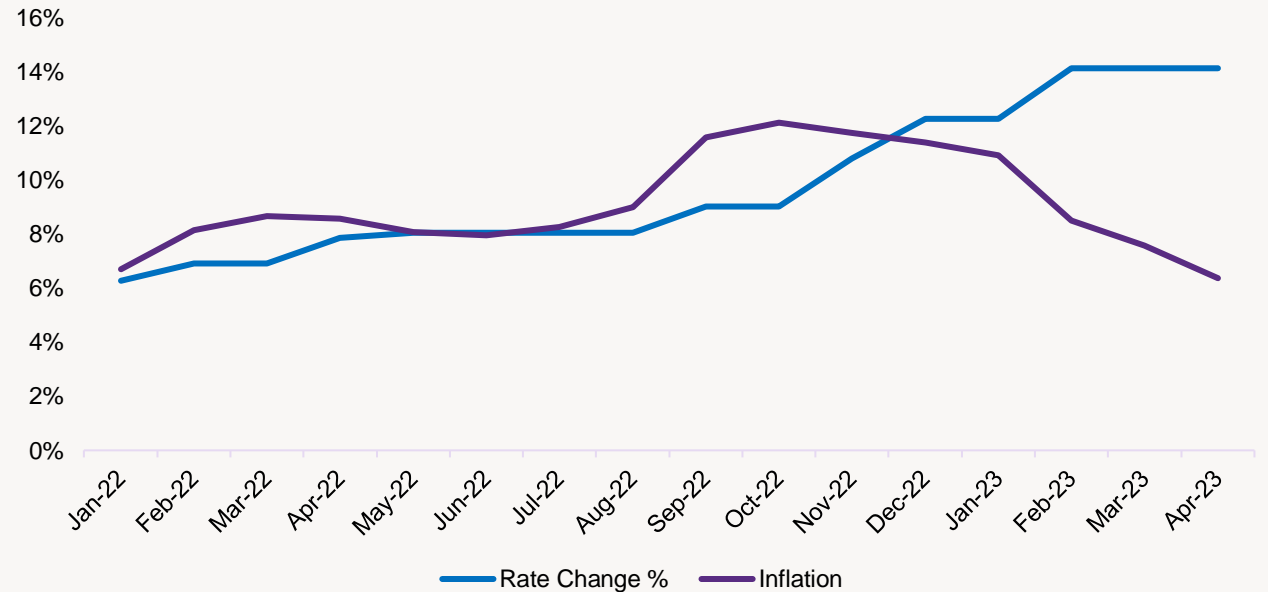
- Claims volumes returned to pre-COVID-19 levels in March 2022
- Claims inflation spiked in Aug-Oct 2022 in line with global trends
- Supply chain affected by decreased capacity (labour shortage) in network post COVID-19
- Second hand vehicle price increases have reduced from peak rates due to improved new car availability
- Car parts supply improving



### Our Response

- Use of digital and Artificial Intelligence to improve efficiencies
- Increase repair capacity in network
- Express repairs for cosmetic damage
- Long term contracts & fixed price model
- Pricing reflecting inflation

### Motor claims inflation & premium increases



Note: Prepared on the same basis as 1H Investor Report ie 6 month rolling inflation



# Property rate response



## Property

### Key trends over last 12 months

- Significant protracted weather events
- Increased reinsurance cost
- Lower frequency of non-peril claims
- Availability and cost of key materials improving



## Our Response

- Long term contracts & relationships with suppliers
- Contracts structured to provide better cost certainty
- Closing out outstanding claims
- Pricing reflecting increased natural perils and reinsurance cost

### Property inflation (non-perils) & premium increases



Note: Prepared on the same basis as 1H Investor Report  
6 month rolling inflation excluding fire losses



# Transforming customer experience and cost

Help our customers live their life with less disruptions



**Proactive  
by nature**

## Claims Tracker

- > 600K customers
- > 1m interactions
- 10% increase in online lodgements
- 5% reduction in call volumes



**Here to Help, no  
matter where here is**

## AI for Motor Total Loss

- ~30,000 customers
- ~4000 AI predictions
- Some claims now settled in hours instead of days
- Being implemented in the IIA and NZ Claims



**Building more  
resilient capabilities**

## Virtual Property Assessment

- > 2000 virtual assessments
- ~ 40% reduction in assessment time



**Finalised in the  
blink of an eye**

## Perils

- 85% peril claims finalised
- Extend to NZ - online lodgement functionality & Assessing workforce



**~\$70m of value generated, on track for \$400m value by FY26**

# Strengthening our customer base

## Grow across Australia

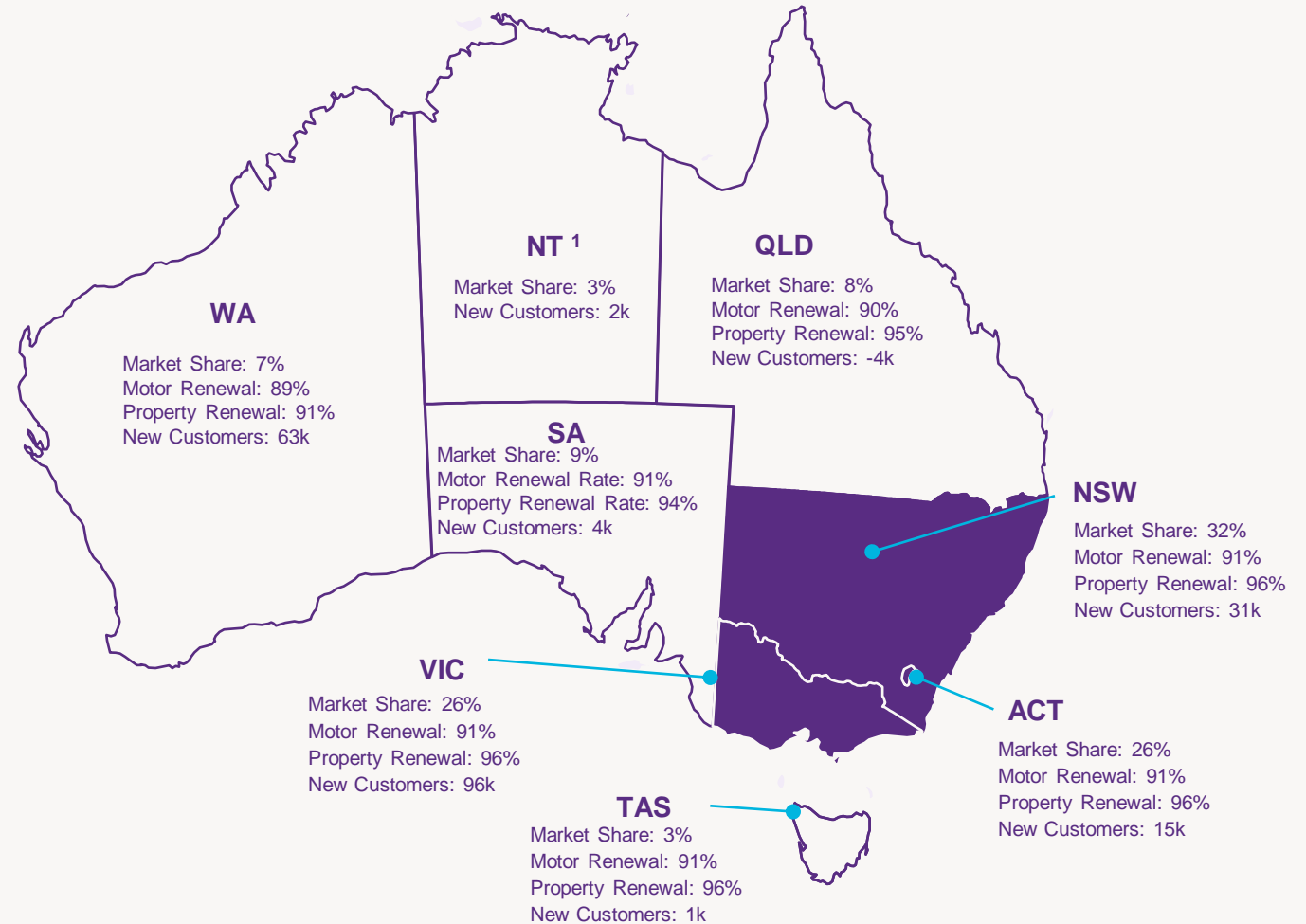
- Focus on retention and risk selection for profitable growth
- NRMA HelpHub is increasing customer engagement and retention
- Recognising customer tenure as well as increasing products per customer
- Omni-channel experience and digital capability to increase conversion and speed to market

## Capture the attention of the younger generation

- ROLLiN', our digital only business, is growing sustainably and building unique capability that can be leveraged across the business

## Digitise the future of small business insurance

- Digital Expert Advice for personalised and unique offerings
- Tailored digital propositions for key occupations



Note: net new customer numbers rounded to nearest thousand from July 21

(1) Due renewal rates not tracked for NT

● Strong market share in heritage states of NSW, ACT and Victoria

○ Growth potential in other states

# Conclusion

Direct Insurance Australia

## Summary

- Strong action in a challenging market
- Strengthening performance in FY23 and beyond
- Growing our existing customer base
- On track to deliver our strategic ambition and goals



# Jarrood Hill

Group Executive, Intermediated Insurance Australia

# 03

Intermediated Insurance Australia

# Intermediated Insurance Australia overview



## Intermediated Personal Lines

Via Brokers



Via Reps



Via Partners



~A\$1.2bn  
FY23F GWP

## Low Touch SME & Agri

Via Brokers



Via Reps



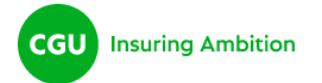
Via Agencies



~A\$1.7bn  
FY23F GWP

## Mid-Market & Corporate

Via Brokers



Via Reps



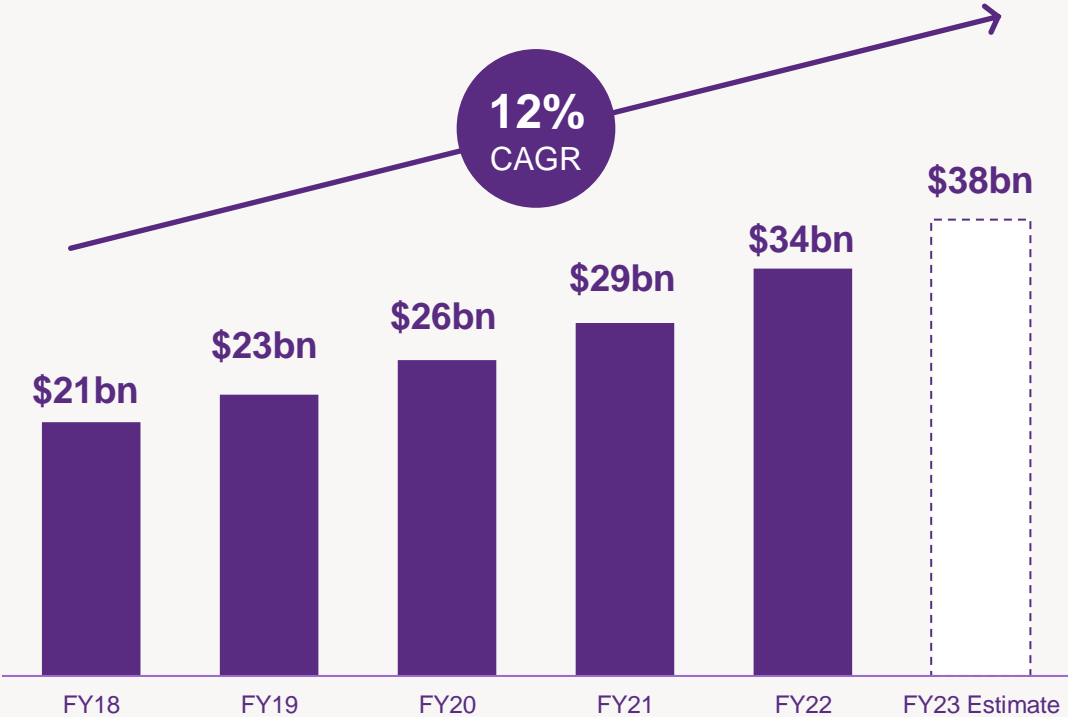
~A\$1.9bn  
FY23F GWP

# Operating environment

- Market continues to take rate to stabilise margins and offset higher claims and reinsurance costs.
- Limited evidence of new capital or entrants coming into the Commercial market in Australia, with Underwriting Agencies being the exception.
- Brokers continuing to invest in digital and platform capabilities to drive efficiency and differentiation.
- Global trend of Commercial insurers investing in technology and data expected to gain momentum in Australia over the short-to-medium term.

## Australian Intermediated Insurance Market

(GWP including Personal & Commercial Lines)



Source: APRA; FY23 Estimate based on rolling 12 months growth rate as of Dec 22 (latest APRA disclosure)

# Strategy – Ambition26

## Horizon 1 - Simplification

### Horizon 1 Outcomes

- Growth largely rate driven to improve margin and offset input costs.
- Proactive and structured portfolio management capability in place.
- Product harmonisation supports portfolio simplification.
- Tactical operating model changes has reduced the expense ratio.



# Key Horizon 1 progress

## Underwriting practices

Implemented regular product line portfolio reviews tracking actions and refining strategies driven by data insights.



## Pricing

Deploying modern rating tools in key products and progress made in delivering more granular pricing across all portfolios.



## Claims efficiency

Deployed and enhanced digital Broker Portal, creating efficiencies for IIA and brokers at inception. Will go live into WFI in 1Q24.

## Active expense management

Disciplined expense management and delivery of operating model change in late FY22 will deliver a \$9m reduction in direct admin costs.



## Winning new partner - ANZ

ANZ will be delivered on Enterprise Platform with integrated pricing and standard policy wording.

FY23 activity was in support of our immediate priority:

At least

**\$250m**

insurance profit in FY24

Growth largely rate driven to achieve margin and offset claims inflation  
*Rate increased by ~11% in 1H23 and anticipated increase of 15% in 2H23.*  
*Retention forecast to be 82% for FY23.*

*Admin ratio 1H23 improved 80 basis points.*



# Building strategic capability

## FY24 Outlook

- Confident of delivering at least \$250m insurance profit.
- In anticipation of significant re-insurance increases, we started applying rate to cover costs in 2Q23. Further adjustments made in 3Q to reflect actual reinsurance outcomes post renewal.
- Further improvement in admin expense ratio.
- Costs to commence delivery of strategic technology program included in FY24 and medium-term plans. Benefits will start to flow through from FY25. IIA will absorb investment cost and continue to grow margin.



## Horizon 2 Outcomes

- Transition to targeted growth strategies.
- Technology deployed to transform to modern operational processes and uplift core insurance capabilities.
- Continued focus on expense management.

## Horizon 3 Outcomes

- Leverage technology and core insurance capabilities to establish CGU and WFI as market leading intermediated insurers.
- CGU positioned as a core player in the corporate commercial insurance market.

# Technology

Strategic investment will reshape our partner proposition

We have traditionally built our brands around trust and relationships.

In the future we will lead the way in providing data driven insights that support the strategic goals of our partners with direct attribution to CGU.

## IIA's core insurance capabilities



### Distribution

Dynamic, digitally integrated strategic alignment with partners.



### Underwriting

Dedicated and modern underwriting workbench for the mid market and corporate segments, enabling an automated control environment.



### Pricing

Updated rating systems enable pricing sophistication and agility.



### Product

Deliver new and tailored customer propositions rapidly and efficiently with strong risk management overlay.



### Claims

Utilising data, automation and AI to redefine our claims handling model to improve experience, speed and outcomes.



### Data

Data stored in a harmonised, centralised repository that enables efficient decision making and supports integrated capabilities.

# Conclusion

Intermediated Insurance Australia

## Summary

- Confident of delivering FY24 insurance profit target.
- Underwriting and efficiency foundations in place.
- Attracted strong people capability and leadership.
- Commercial lines technology is an opportunity.



# Amanda Whiting

CEO, IAG New Zealand

04 New Zealand

# IAG New Zealand overview



**Ambition:**  
To protect the future of every Kiwi

## Business Division

Via Brokers





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NZ\$1.7bn  
FY23F GWP

## Consumer Brands Division

Direct Brands	+	Bank Partners
 		 
  		 
NZ\$1.4bn FY23F GWP		NZ\$0.5bn FY23F GWP



#1  
Personal lines  
market share



#1  
Commercial lines  
market share

>2M  
Customers



# North Island Floods and Cyclone Gabrielle

New Zealand communities have been hit hard



**#2 and #3**

largest loss events  
in NZ history



**A\$284m**

Group net cost



**49k claims**

lodged for the events  
30% closed to date



**Strong  
community  
response**

across North Island

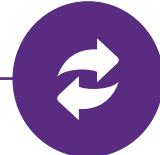


# Operating environment



## Slower system growth

- 2023 population growth 0.8%
- Personal Motor sales down 6%
- New mortgage commitments down 27%
- Building consents down 9%



## Higher claims frequency

- Open claims are ~60% higher due to the weather events
- Motor returned to pre-COVID frequency levels

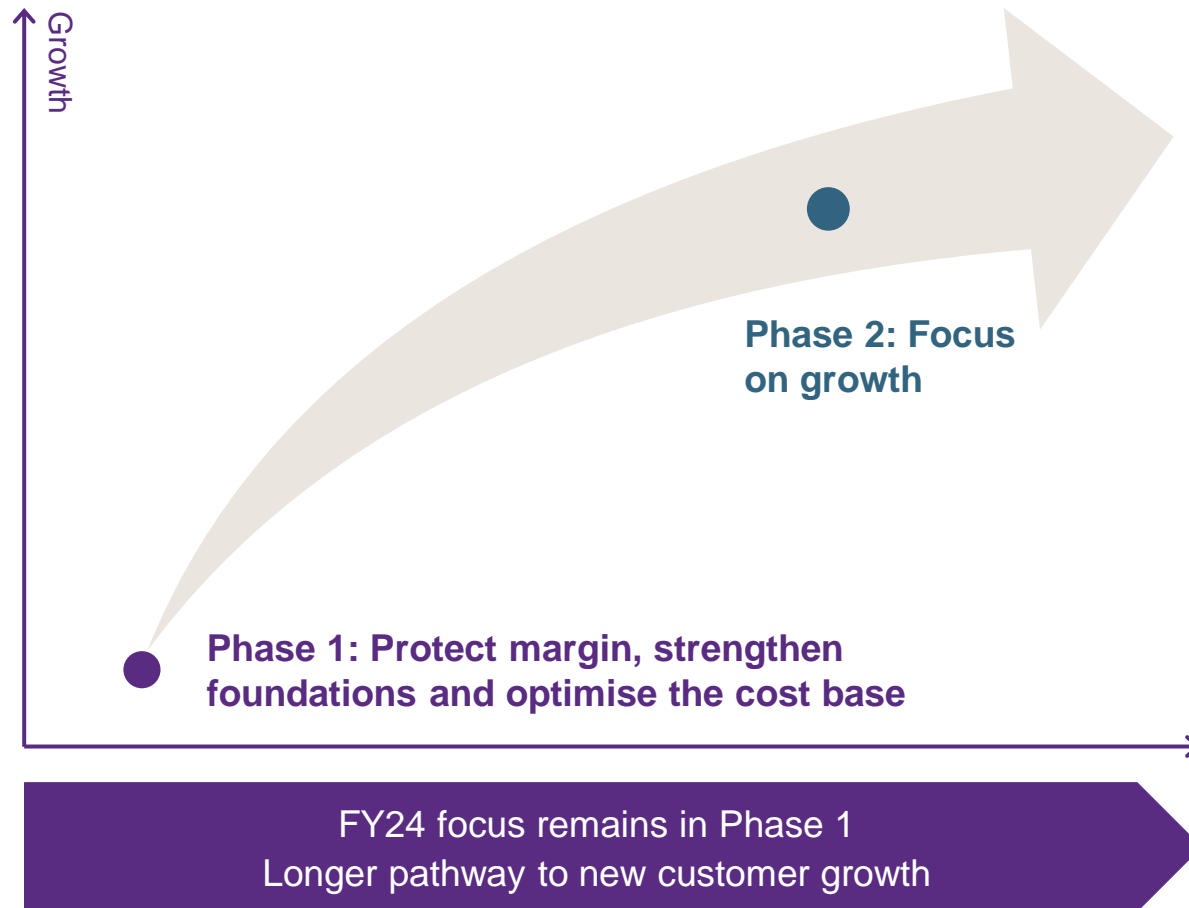


## Upward Cost Pressures

- Higher claims inflation across motor and property
  - Personal Motor now stabilising at ~16% YoY
  - Home has remained 10-13% YoY through FY23
- Higher reinsurance costs

# Two-phase strategy

Margin and customer retention focus into FY24



## FY23 Focus



- **Rising rate increases**, particularly in 2H23 in response to inflation and higher reinsurance costs
  - Personal Motor ~20%
  - Commercial 15-20%
  - Home ~20-30+% - adjusted for EQC impact
- Strong customer retention (92% for AMI & State)
- **Improvement in admin ratio in 1H23 to 12.7%**
- **Claims automation** driving 80 FTE savings
- **Digital channel shift** (12% increase in digital sales)
- **Broker connectivity** with largest personal lines broker

## FY24 Focus



- **Continued rate growth and focus on customer retention**
- Increased use of AI in claims customer journey
- Ongoing Repairhub expansion (+3 sites)
- **First migration of direct brands onto Enterprise Platform** enabling improved pricing for peril risks



# NZI Intermediated

Always striving to add value for our customers



## Market-leading broker NPS

(+25pts ahead of competitors)



## Strong GWP growth

13.6% in 1H23

83% commercial customer retention



## Small & micro businesses

seeking straight-forward digital connectivity and competitive pricing

- Strategic investment in new commercial platform



## Large Corporate sector

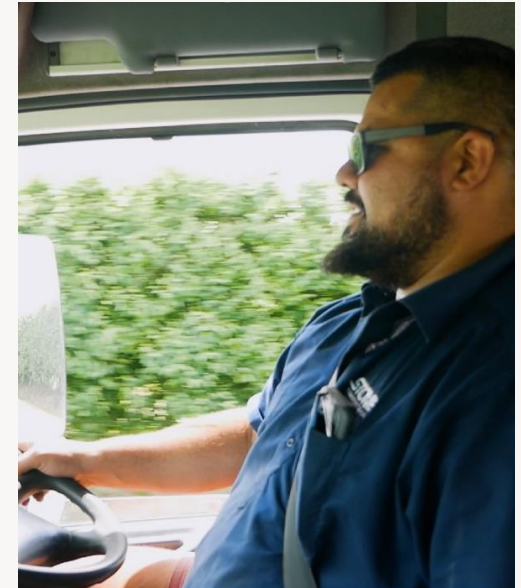
Strong tri-partite relationships with Brokers and Customers

- Offer a range of risk-advisory services
- Trading on value, not just price
- High retention rates (96% for Fleet Fit)



## NZI Assurance Offerings

- Fleet Fit Programme (14 products)
- Property Risk Consultants
- NZI Electrical Assessors

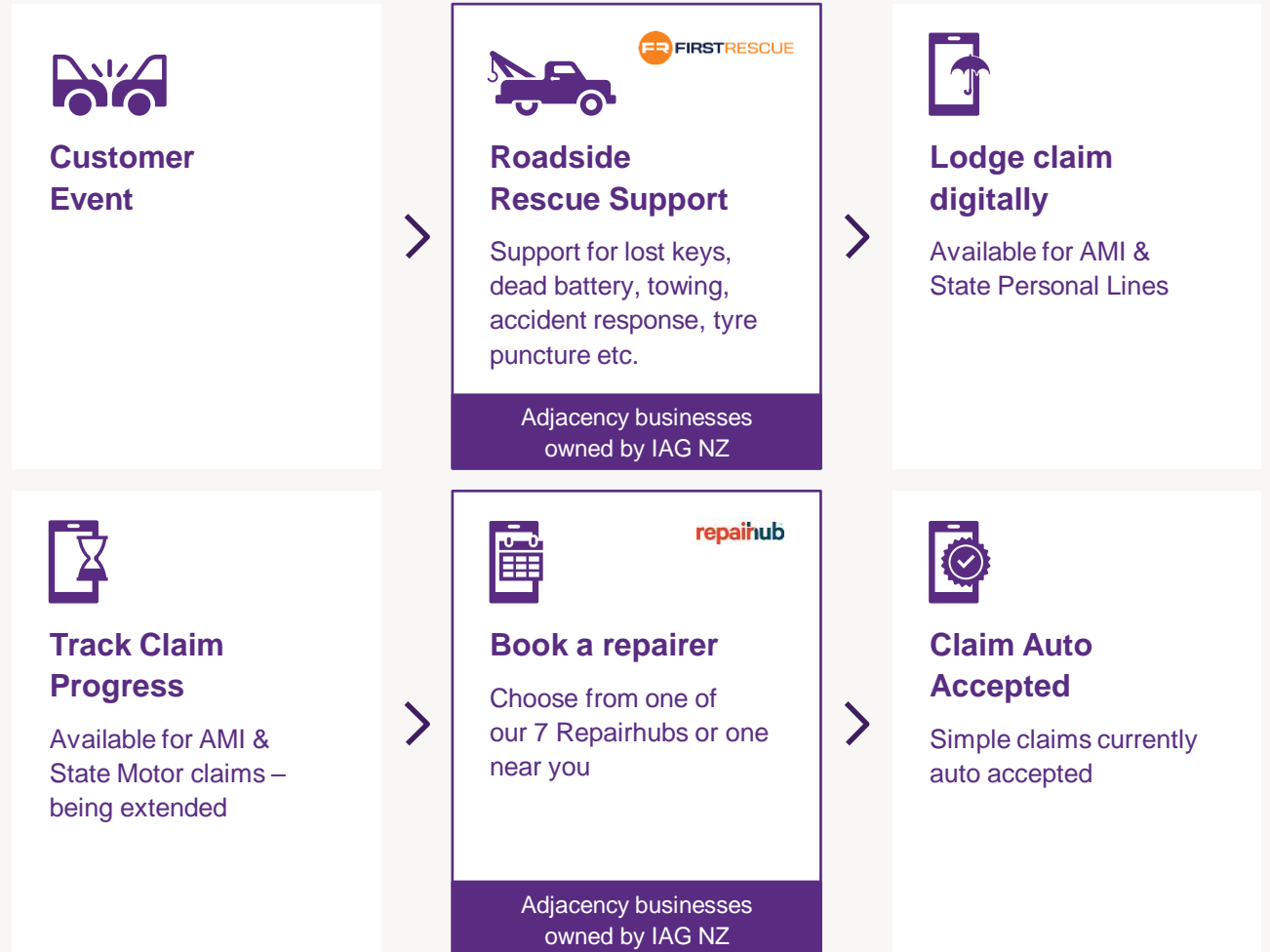


# Claims

Foundations strengthened to improve customer experience and reduce costs



## Customer Claims Journey



- Adjacency businesses integrated into the Customer Journey
- Delivering outstanding NPS results (Repairhub +93) and 20%+ cost savings

# Conclusion

IAG New Zealand

## Summary

- Achieving strong GWP growth
- Continued momentum on closing claims
- FY24 priorities:
  - Deliver margin and customer retention
  - Launch Enterprise Platform for Direct brands
  - NZ Transformation



# Neil Morgan

Chief Operating Officer

# 05

Transformation Update

# Transformation activities are on track

Priorities

2020

2023

2026



1. Claims

- 16 independent, ageing claims platforms
- Brand centric



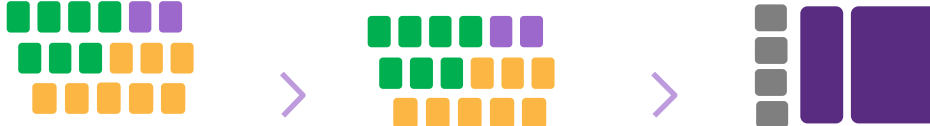
2. Personal lines

- 16 policy & pricing systems
- 1000+ Products



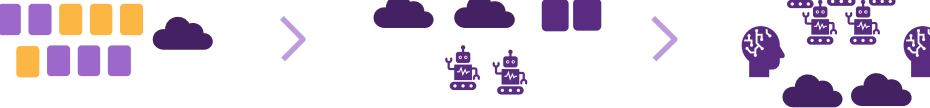
3. Intermediated

- 17 policy & pricing systems
- Bespoke connectivity



4. Operations

- Multiple Legacy HR, Risk & Ops platforms, geo centric
- Cloud nascent



Process & Systems:

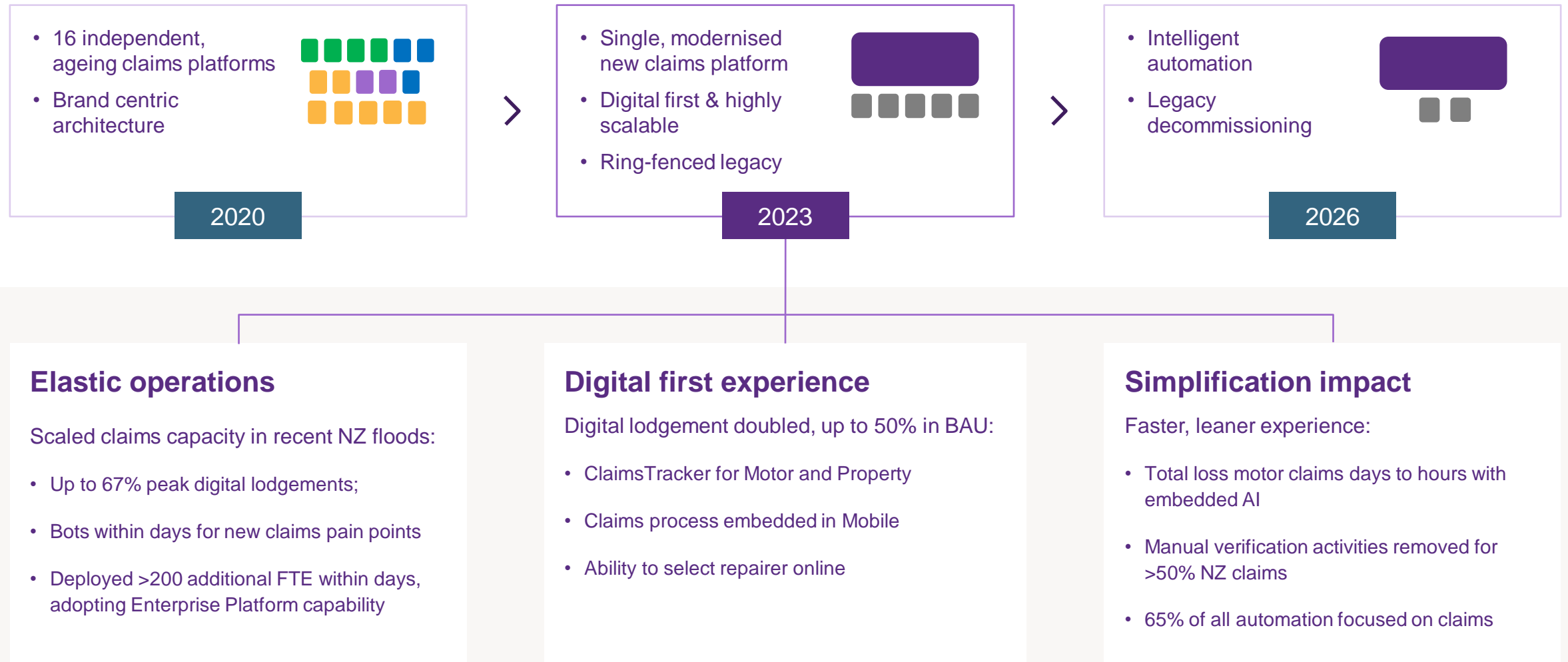
- DIA ■ IIA ■ NZ
- Shared ■ Decomm Candidate
- Strategic IAG platform

Experience Outcomes

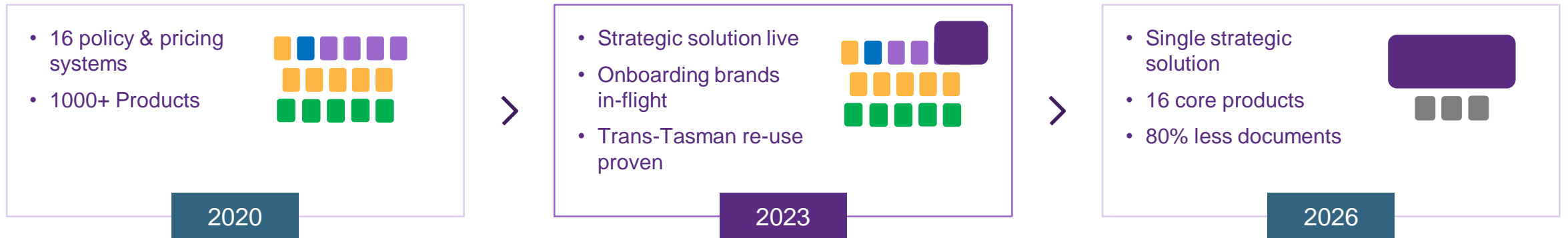
Note: Individual Boxes represent the number of systems & processes per Priority.



# 1. Claims Transformation on Enterprise Platform



# 2. Personal Lines Transformation on Enterprise Platform



## Pricing sophistication

- Live in WA, SA & NT enabling NRMA National brand, 235K policies live
- Strategic platform with real time pricing and portfolio management capability
- Improved pricing for six major natural perils and climate change modelling

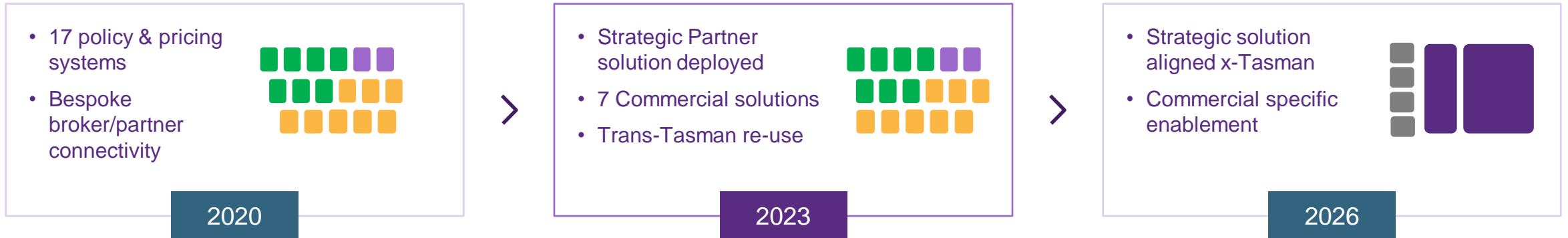
## Standardisation and re-use

- 1000s of products being harmonized
- Strategic document management solution deployed enabling rapid updates
- 4 mobile platforms to 1 trans-Tasman.
- App ratings from 1.8 to 4.5 in NZ, +15% usage

## Personalisation & growth

- Intelligent, personalised digital quotes using AI – up to 8% conversion uplift
- Pre-filling close to 100% for Property & Motor quotes – up to 13% conversion uplift
- +12% increase in NZ digital sales volumes

# 3. Intermediated Enablement



## Network growth

Prioritised partner growth on Enterprise Platform:

- Digital Partner win: FY24 Q1 Go-live for ANZ Partnership
- Embedded insurance capability: built and launched with car finance partner Driva.

## Platform modernisation

Leverage the personal lines transformation to modernise:

- Single, strategic partner solution for digital capability
- Roadmap defined for commercial transformation, underwriting, workflow and connectivity

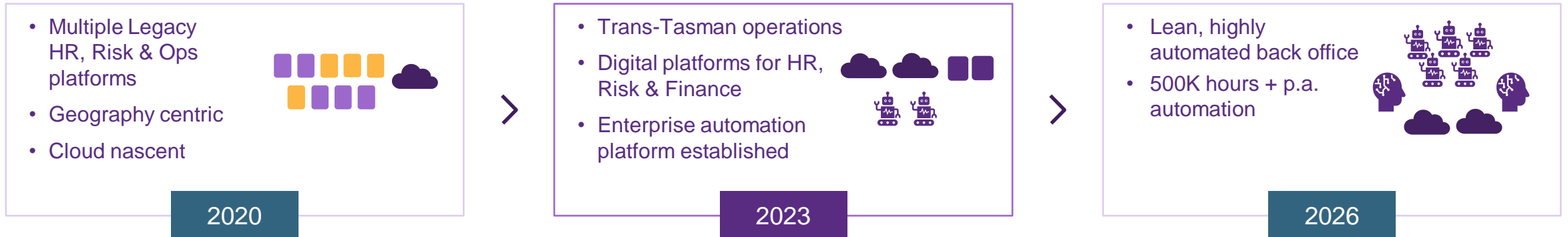
## Simplicity

Tactical Commercial optimisation:

- Broker Portal with >2,500 Brokers live on NZI Broker Portal. Broker connectivity enabled with AON NZ.
- Enhanced IIA Broker Portal - verified claims, connectivity, digital payments.



# 4. Future Fit Operations



## Consolidated

- Single HR, Risk, Automation & Ops Platforms Trans-Tasman.
- Consolidated back office teams and management
- Decommissioned legacy platforms; 230 Apps decommissioned.






## Embedded automation

- 145 bots for 150K hours of automation per annum. Platform available to scale.
- Automation enabled across ops– testing reduced by up to 70%; automated patching 80%
- >90% workloads virtualised

## Cloud enabled

- 80% of operational platforms cloud enabled
- Enterprise Platform Pricing, Policy, Billing live in private cloud (AWS)
- Established footprint with GCP, AWS, Azure providing flexibility and leading tooling

# Conclusion

 <b>Claims</b>
 <b>Direct</b>
 <b>Intermediated</b>
 <b>Operations</b>
 <b>Experience Impact</b>



NZ: 60% one-touch NZ motor claims

NZ: 80 FTE savings from Claims Automation

DIA: 5% reduction in call volumes

IIA: ANZ win

NZ: 67% Peak digital lodgement

DIA: AI for total motor loss supported 30,000 customers

NZ: 12% increase in digital sales

IIA: Admin cost reduction \$9m

**Enabling digital experiences for Customers, Partners and Brokers**

# Michelle McPherson

Chief Financial Officer

06

CFO Update

# CFO update

## Deeper dive into capital, reinsurance and expense base



### Capital Platform

- Strong capital base built on equity, hybrid and reinsurance components



### Reinsurance

- Impact of reinsurance program on perils allowance and capital



### Cost base

- Gross operating cost trajectory
- Capitalised expenditure profile



### AASB17


- Will apply from 1 July 2023
- No impact on capital, solvency or business strategy

# Capital platform



**Equity**

- Capital management options
- Ongoing on-market buyback



**Debt / hybrid**

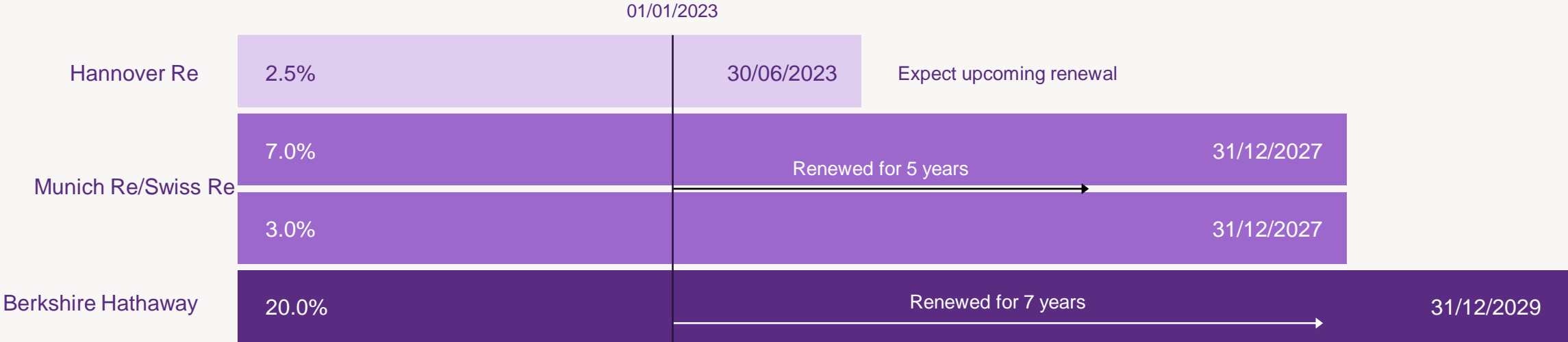
- Hybrid securities
- Subordinated term notes



**Reinsurance**

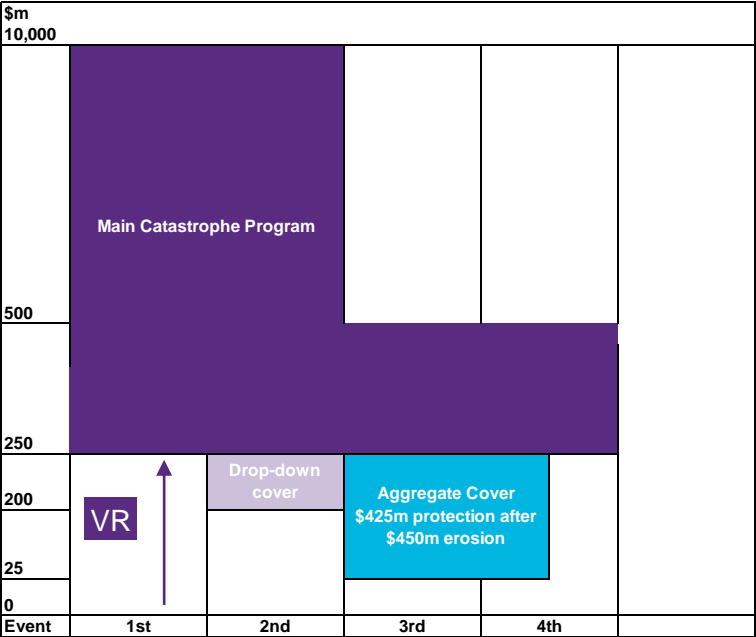
- Catastrophe and earnings volatility covers
- Unique quota share arrangements

## Quota share arrangements



# Impact of global reinsurance market changes

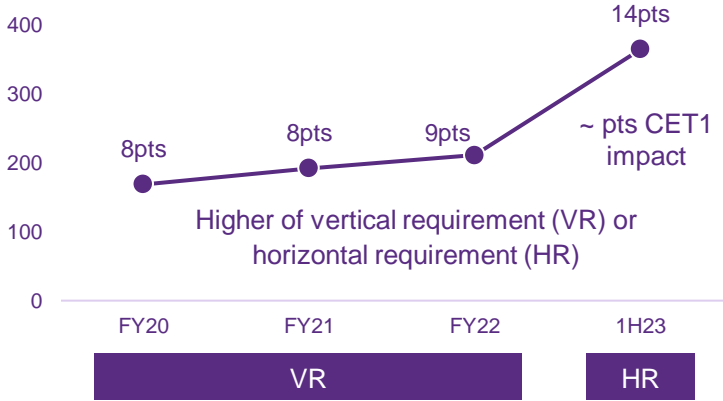
## Gross catastrophe reinsurance program at 1 Jan 2020



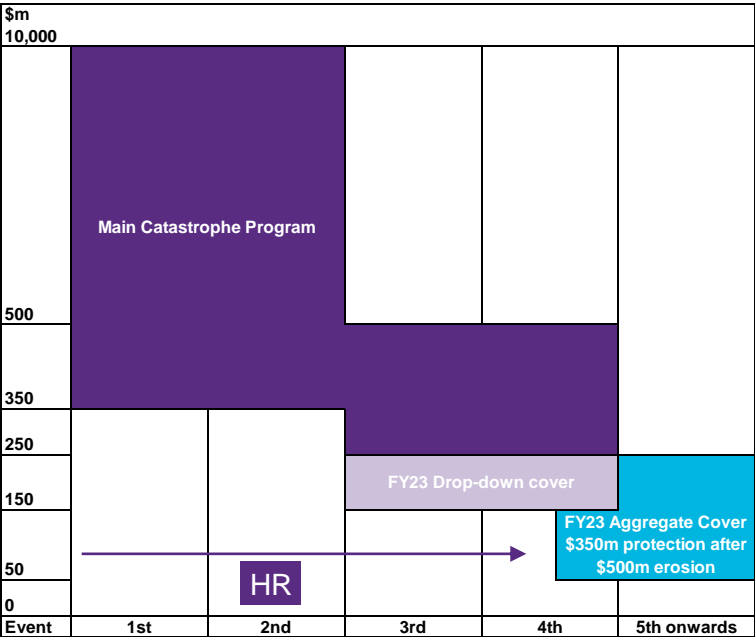
## Comparison of 2023 program to 2020 program



## Insurance concentration risk charge (ICRC)



## Gross catastrophe reinsurance program at 1 Jan 2023



<sup>1</sup> Represents portion of overall perils allowance increase attributable solely to the impact of the change in the reinsurance program.

# Cost base

~\$2.5bn gross operating cost target achieved in FY21 and FY22, and **on track for FY23**

**Expected increase in gross operating costs from FY24.** Drivers of cost uplift include:

- Wage inflation pressure
- Additional technology expenses
- Amortisation of capitalised software

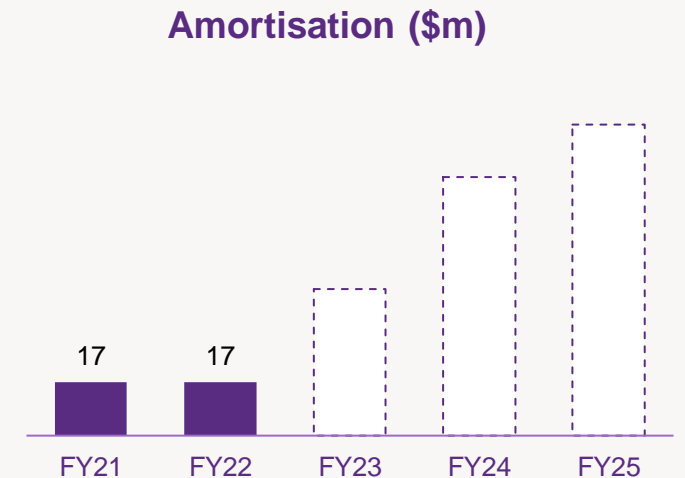
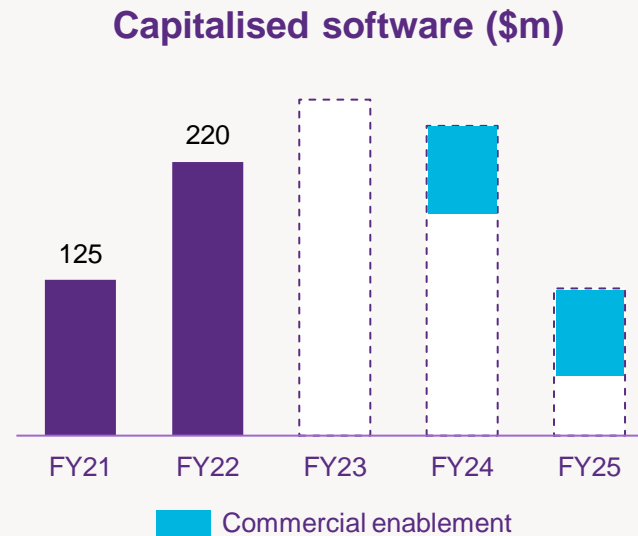
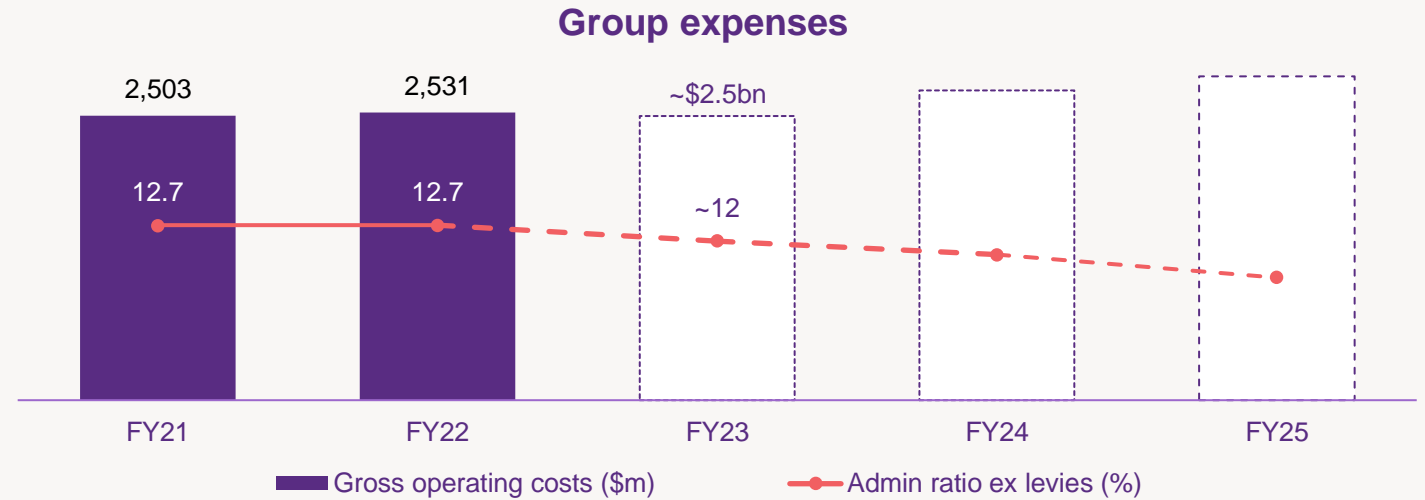
Offset by:

- Automation and optimisation benefits
- Lower property costs<sup>1</sup>

Group administration ratio ex levies expected to reduce to ~12% in FY23 and remain at or below this level

**Capitalised software expected to peak in FY23**

<sup>1</sup> Property optimisation plans lead to a change in use of our AASB16 Leases right of use assets and are expected to result in an impairment of approximately \$20m.



Charts display directional trend only

# AASB17

## AASB17 will NOT impact our capital or solvency requirements or business strategy



### Onerous contracts

Testing at a more granular level than the current Liability Adequacy Test (LAT) which is at the segment level



### Financial impact

Impacts the timing of recognition, measurement and disclosure of our insurance contracts

'Day one' transition adjustment will be taken to Retained Earnings



### Timing

Applies from 1 July 2023

An 'opening balance sheet' at 1 July 2022 is being prepared



### Measurement approach

Premium Allocation Approach expected to apply across IAG's insurance contracts



### Capital & Balance Sheet

Cost of capital approach to risk adjustment likely to result in a lower probability of adequacy

Expected to be broadly consistent with APRA's capital requirements

**Proposed approach is to continue to provide existing key reporting metrics GWP, NEP and Insurance Profit.**

**These will continue to form the basis of our guidance and medium-term targets.**





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