



## IAG Business Update

IAG is today hosting a Business Update. The presentation is attached.

The briefing will comprise an overview of IAG's strategy, sessions with the Group Executives leading IAG's Direct Insurance Australia, Intermediated Insurance Australia and New Zealand businesses and an update from the Chief Financial Officer. The presentations will be followed by a Q&A panel. The briefing format will be virtual.

A live video webcast will commence at 10.00am AEDT and can be viewed at [www.iag.com.au/2021-business-update](http://www.iag.com.au/2021-business-update).

A recording will be made available following the briefing.

This release has been authorised by the IAG Managing Director and CEO

### 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, AML 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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# Business Update



7 December 2021



**Our strategy:**  
Create a stronger,  
more resilient IAG



# Introduction



**Nick Hawkins**

Managing Director and Chief  
Executive Officer

# Five reasons for **confidence**

Rapidly improving ability to deliver on growth agenda	Enterprise-wide efficiency outcomes from simplified processes and technology	Focused on operating and structural advantages that can differentiate our company	Purpose-led with a strong culture	New leadership team
<ul style="list-style-type: none"><li>• Intermediated turnaround - at least \$250m of insurance profit by FY24</li><li>• Direct business in Australia has launched its growth plan</li><li>• New Zealand business continues to strengthen its foundations and deliver ongoing strong results</li></ul>	<ul style="list-style-type: none"><li>• Enterprise Platform will simplify back office, improve risk processes and reduce costs to serve</li><li>• Creating opportunities to grow and improve customer experiences</li></ul>	<ul style="list-style-type: none"><li>• Claims optimisation and supply chain efficiency</li><li>• IAG's scale can deliver real financial benefits</li></ul>	<ul style="list-style-type: none"><li>• Driving strong commercial outcomes</li><li>• Disciplined operating execution</li><li>• Improving shareholder returns</li></ul>	<ul style="list-style-type: none"><li>• New ideas and leadership</li><li>• History and experience</li></ul>

<b>Strategy and Targets</b>	Nick Hawkins
<b>Direct Insurance Australia</b>	Julie Batch
<b>Intermediated Insurance Australia</b>	Jarrold Hill
<b>New Zealand</b>	Amanda Whiting
<b>Financial Matters</b>	Michelle McPherson
<b>Q&amp;A Panel</b>	<p>Panel hosted by Nick Hawkins:</p> <ul style="list-style-type: none"> <li>• Julie Batch</li> <li>• Jarrold Hill</li> <li>• Michelle McPherson</li> <li>• Neil Morgan</li> <li>• Amanda Whiting</li> </ul>
<b>Closing Remarks</b>	Nick Hawkins

# Program outline



# IAG's leadership team



**Nick Hawkins**  
Managing Director &  
Chief Executive Officer  
*Started in role 2 Nov 20*



**Michelle McPherson**  
Chief Financial Officer  
*Started in role 2 Nov 20*



**Neil Morgan**  
Chief Operating Officer  
*Started in role 10 Mar 21*



**Julie Batch**  
Group Executive,  
Direct Insurance Australia  
*Started in role 10 Mar 21*



**Jarrod Hill**  
Group Executive,  
Intermediated  
Insurance Australia  
*Started in role 13 Sep 21*



**Amanda Whiting**  
Chief Executive  
IAG New Zealand  
*Started in role 1 Jul 21*



**Peter Horton**  
Group General Counsel  
& Company Secretary  
*Started in role 2 Dec 19*



**Tim Plant**  
Chief Insurance  
& Strategy Officer  
*Started in role 15 Nov 21*



**Christine Stasi**  
Group Executive  
People Performance &  
Reputation  
*Started in role 4 Nov 19*



**David Watts**  
Chief Risk Officer  
*Started in role 11 Sep 18*



**Craig Olsen**  
Group Executive  
Strategic Projects  
*Started in role 1 Jul 21*

# Recap: strategic focus

## Purpose

We make your world a safer place

## Strategy

Create a stronger, more resilient IAG

### Focus

### Approach

### Outcomes



Grow with  
our customers

Deliver unparalleled personalised service  
when our customers need us the most

More customers, more  
products and greater scale



Build better  
businesses

Focus on underwriting expertise, active  
portfolio management and pricing  
excellence

Stable earnings over time



Create value  
through digital

Create connected experiences that  
seamlessly assist and reward our customers  
as they unlock the value of our network

Better customer experiences  
at a lower cost



Manage  
our risks

Actively manage capital and risk in our  
business so we can continue to manage  
the risks in our customers' lives

Disciplined execution,  
enhanced accountability  
and appropriate returns



# IAG's five year ambition **one million new customers**



Increased market share by making the world a safer place for more Australians and New Zealanders



More than 80% of interactions initiated through a digital channel



Customer growth ambition targeting new regions and market segments



Delivery of automation and artificial intelligence at scale



A common strategic policy and claims platform across the business



Employer of choice with top quartile culture





# Enterprise Platform

powering  
efficient,  
secure,  
informed  
experiences

Consistent products and services to customers wherever they are – from wherever our people are

Single, core insurance platform underpins our digital ambitions to enable >80% of interactions across digital channels

Support for all three business units through four distinct layers:

- 1 A **customer experience platform** providing choice and personalisation for direct customers and seamlessly integrating with partner and broker trading platforms, in line with our ambition of enabling 80% of our interactions through digital
- 2 **Common core policy and pricing platforms**, removing friction, automating controls and driving trans-Tasman scale efficiency
- 3 **Consolidated claims management capabilities** enabling supply-chain efficiency in delivery of IAG's customer promise – already well developed
- 4 **People, process and technology assets** built to drive data, insight and scale efficiency into all operational activity

# Innovation

to improve our  
customer  
proposition

- Developing and supporting ancillary businesses
- 32 investments across 17 companies in Firemark Ventures

## Ancillary businesses



## Firemark Ventures investments



Computer vision imagery



Ag tech startup

## Investment leverage activity

- Integrated into NRMA Insurance digital quote pre-fill, improving quote conversion by 13%
- Integrated into property claims assessors, saving 30 minutes per claim and minimising fraud
- Rural Insurance Hub™ by DAS launched in WFI – enhanced farm risk assessments leading to improved new business & retention whilst reducing underinsurance





# Our **value proposition**

Medium-term margin target



Notes (1) Three-year average over FY18 to FY20 (2) Refer to FY21 Results Presentation (Appendix 1: FY22 Guidance and Outlook) for more detail (3) Reported margin required to generate current ROE target based on balance sheet settings and SHF asset allocation at 30 June 2021. It also assumes no reserve releases and peril costs in line with allowances.



# Direct Insurance Australia



**Julie Batch**

Group Executive,  
Direct Insurance Australia





## Five year ambition

1. Grow across Australia
2. Capture the attention of the younger generation
3. Digitise the future of small business insurance
4. Next evolution of Claims



**750k new customers**



**\$400m of value<sup>1</sup>**

**Help Australians**  
like no-one else



# Australian market dynamic environment

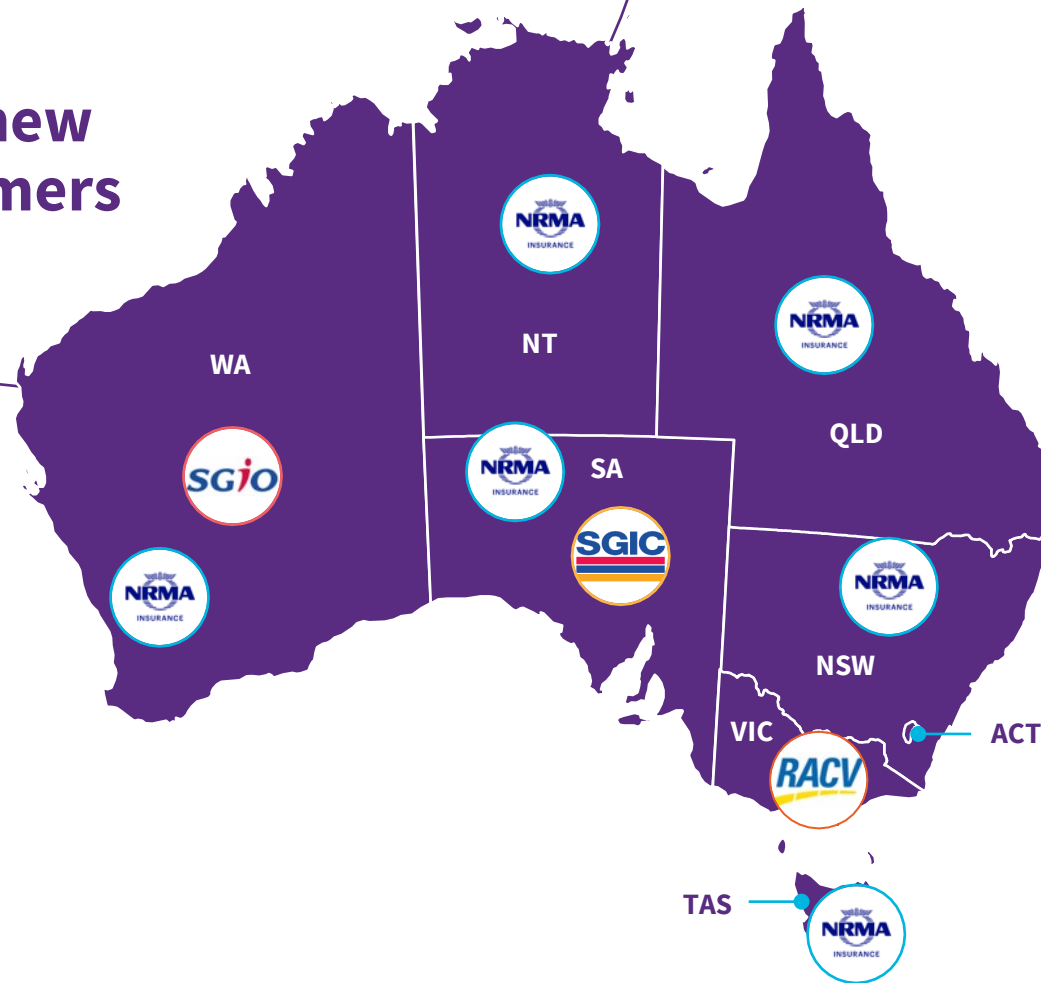


## We will take advantage of the dynamic environment

- Focusing on population trends and identifying underpenetrated segments to capture new personal and SME customers across Australia
- Respond to inflation challenges through first class claims operations
- Retaining our existing customers by rewarding their loyalty

# Grow across Australia

400k new  
customers



## NRMA Insurance National underpins IAG's strategic pillar to **Grow with our customers**



NRMA Insurance now a national brand



Customers in WA, SA and NT can now purchase an NRMA Insurance policy for the first time, with RACV in Victoria.



In core markets of NSW and Victoria, the focus is on growing under-represented segments with low volatility and strong returns



Focus on digital and local presence, including support for vulnerable customers, to elevate customer experience



Market leading customer loyalty and engagement program that rewards loyalty and gives customers control of identification, consent and payment

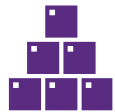


Future focused and differentiated Customer Value Proposition

## Grow our share of the younger generation and build our customer base of the future



Launched a new digital business, Rollin', aimed at customers in their 20s and 30s, providing a customer-centric, flexible and integrated subscription-like insurance proposition



Innovate and test offerings through Rollin' such as usage based insurance, single items and a reimagined Renters product



Create relationships with the next generation of existing NRMA Insurance customers through our "Pay it Forward" program

# Capture the attention of the **younger generation**

## 250k new customers



**ROLLIN'**  
CAR INSURANCE





# Digitise the future of **small business insurance**

**100k new customers**

## Our service proposition will be tailored to nine segments critical to future growth



Simple, tailored value proposition through use of analytics and data



Seamless omni-channel customer experience



Delivering Digital Expert Advice using data and AI



Right partnering to extend our offering to reach SMEs



Target key growth sectors and industries to attract new SME customers



Leverage small business leads in NRMA Insurance

## Fast, efficient, effective claims experience



Create the claims experience of the future – fast, easy and efficient – to deliver quality customer outcomes and sustainable value



Efficiently removing waste without compromising the customer experience



Enhance existing and develop new adjacent businesses to engage customers



Streamline and automate processes for better customer experience

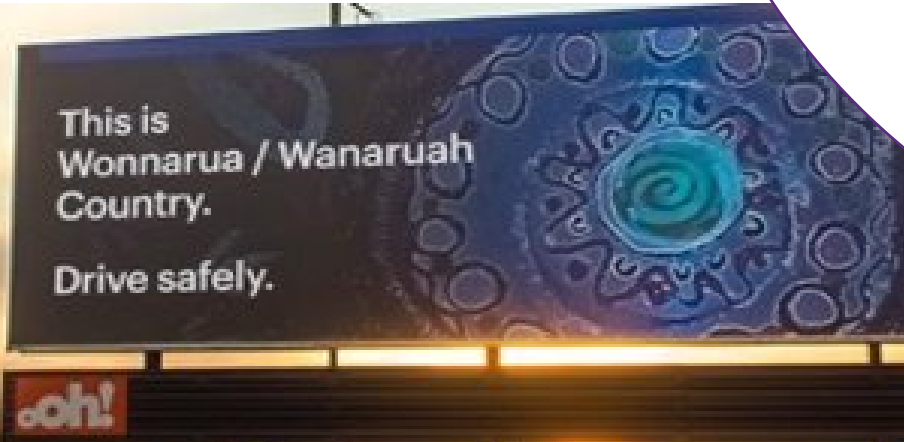


Embedding climate resilience in claims and supply chain



Motor Repair Model stabilising inflationary impacts and improving predictability of claims costs

Shaping the  
next evolution  
**of claims**  
**\$400m of value**

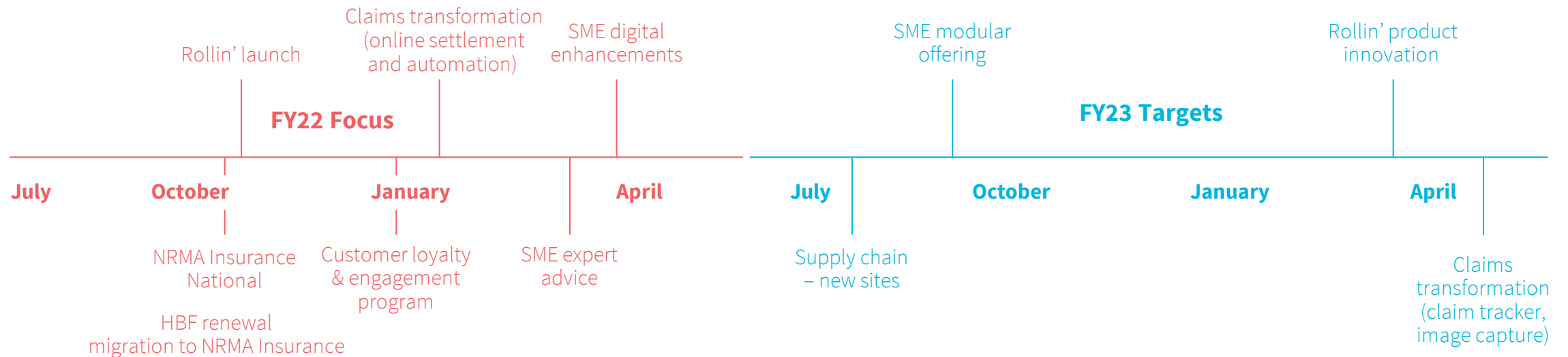


# Concluding remarks

## DIA

## Summary

- ✓ Four key areas of growth:
  - NRMA Insurance National
  - Younger generation
  - Small business
  - Claims effectiveness
- ✓ This will deliver our ambition of **750k new customers** and **\$400m<sup>1</sup> of value** over five years
- ✓ The strategy is being delivered now
- ✓ We have the right people, the energy and momentum to deliver on our strategy



Note (1) \$400m of claims and supply chain cost reductions, that will be available to contribute to the delivery of group financial targets, address affordability and drive customer growth (pre-quota share, run-rate after five years)





# Intermediated Insurance Australia

▶ ▶ ▶ ▶ ▶  
**Jarrold Hill**

Group Executive,  
Intermediated Insurance  
Australia

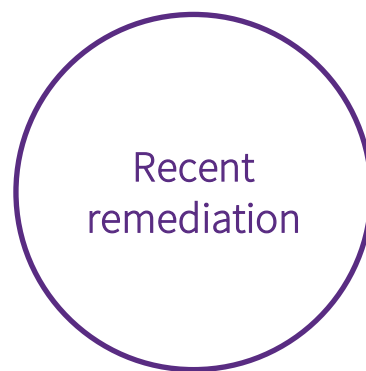
# Immediate priority

At least

# \$250m<sup>1</sup>

insurance profit by FY24

We will establish continuous portfolio management capability to rapidly adjust pricing and risk selection, ensuring consistent profitability and performance



Recent  
remediation

FY20-21



Horizon 1  
Simplification

FY22-23



Horizon 2  
Growth

FY24-25



Horizon 3  
Differentiation

FY26+

## Outcomes

- Decision to restructure IAL Personal Lines (positive impact on insurance profits)
- Remediation and risk selection across Partner Personal Lines
- Agri (WFI) remediation
- Growth largely rate driven to drive margin & offset claims inflation
- Proactive portfolio management capability
- Claims automation
- Product consolidation (modular repository)
- Manage expense ratio
- IIA transitions to a growth engine for IAG
- Realise benefits of technology investment and simplified products
- Leverage core insurance capabilities established in Horizon 1 + 2
- Established player in targeted segments of the corporate market

1. Refer to FY21 Results Presentation (Appendix 1: FY22 Guidance and Outlook) for more detail



# Supportive **Australian insurance environment**



Industry conditions support growth, with IIA achieving average rate increases of 9% in 1Q22



Hardening market continues



Partner and Broker channels gaining share in Personal Lines



Claims cost pressures in long tail classes and portfolios exposed to natural perils



Brokers are investing in digital tools and creating efficiencies around product distribution



Evolving legal and regulatory outlook for insurers and our partners



Growing demand for real-time data-driven propositions



# **We will grow:** enhanced product offerings, digital connectivity and selective expansion

Customer segment	Strategic objective
<b>Intermediated Personal Lines</b> Protecting Australians with home and motor insurance distributed via intermediaries	Simplified product set and enhanced delivery capability to partners
<b>SME</b> Helping SME, agricultural and rural customers manage operational risks	Refined products and improved digital capability
<b>Corporate</b> Providing corporates with high touch, high value insurance and risk solutions	Targeted deployment of capacity in selected lines of business to corporates





Trusted brands, deep relationships and large network **set us up for growth**

### Brokers



NIBA 2021 survey: 79% of brokers view CGU as a 'Trusted Partner'

### Agriculture and Rural



Strategic industry partnerships: National Farmers Federation 5 years, NSW Farmers Association 20 years

### Agencies



Underwriting Agency of the Year (NIBA 2021)



### Partners



130 years



7 years



25 years



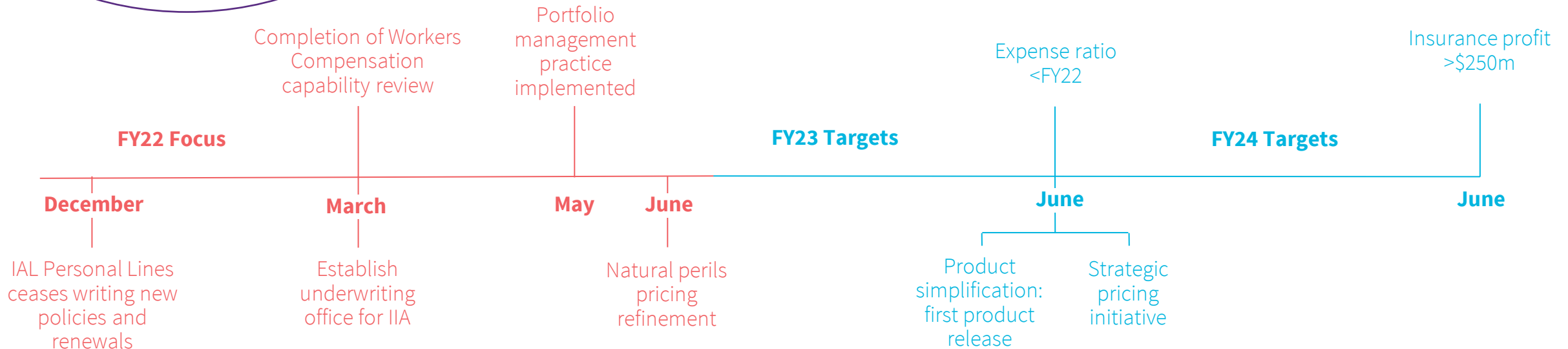
30 years

# Concluding remarks

IIA

## We will

- ✓ Consistently deliver on our profit targets
- ✓ Establish a cost base that allows us to price competitively in market
- ✓ Position the business to grow







# New Zealand

▶ ▶ ▶ ▶ ▶

**Amanda Whiting**

Chief Executive  
IAG New Zealand



# New Zealand's most relevant insurer with a deep heritage



**\$3bn GWP and  
2m customers**



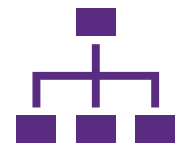
**Scale efficiency  
drives lower  
expense ratio**



**Best-in-class  
capital  
strength**



**A leader in  
Climate Risk  
reporting**



**Strong relations  
with Government  
and Regulators**

## Five year ambition



- 250k new customers in the Consumer business
- Stronger digitally connected Broker business
- Costs out through automation and process optimisation



# Insurance brands established over 150 years



## Consumer Division



## Business Division



**50%**  
Personal lines  
market share



**29%**  
Commercial lines  
market share

## Medium-term economic factors

Continued system growth  
across housing and vehicles



Claims inflation  
challenges being met

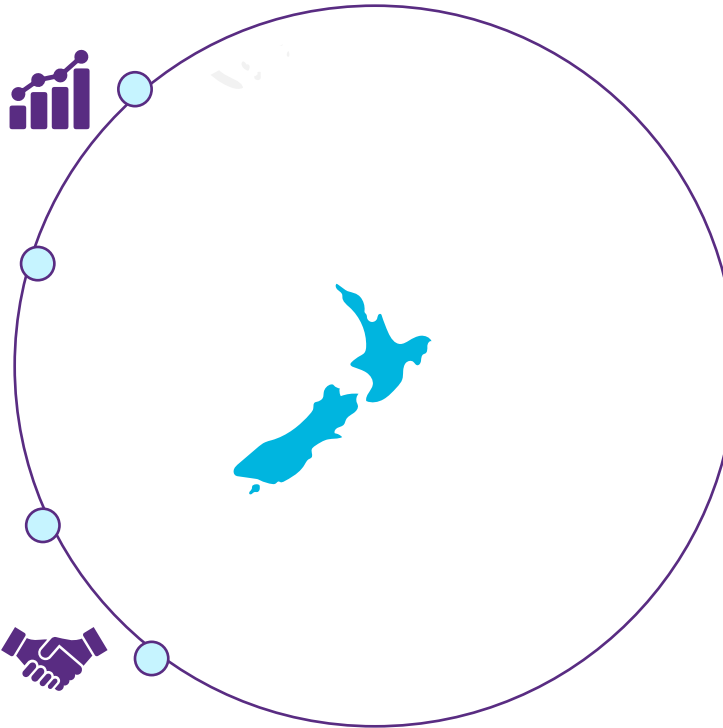


## Long-term structural factors

Customer preferences  
shifting to be more digital



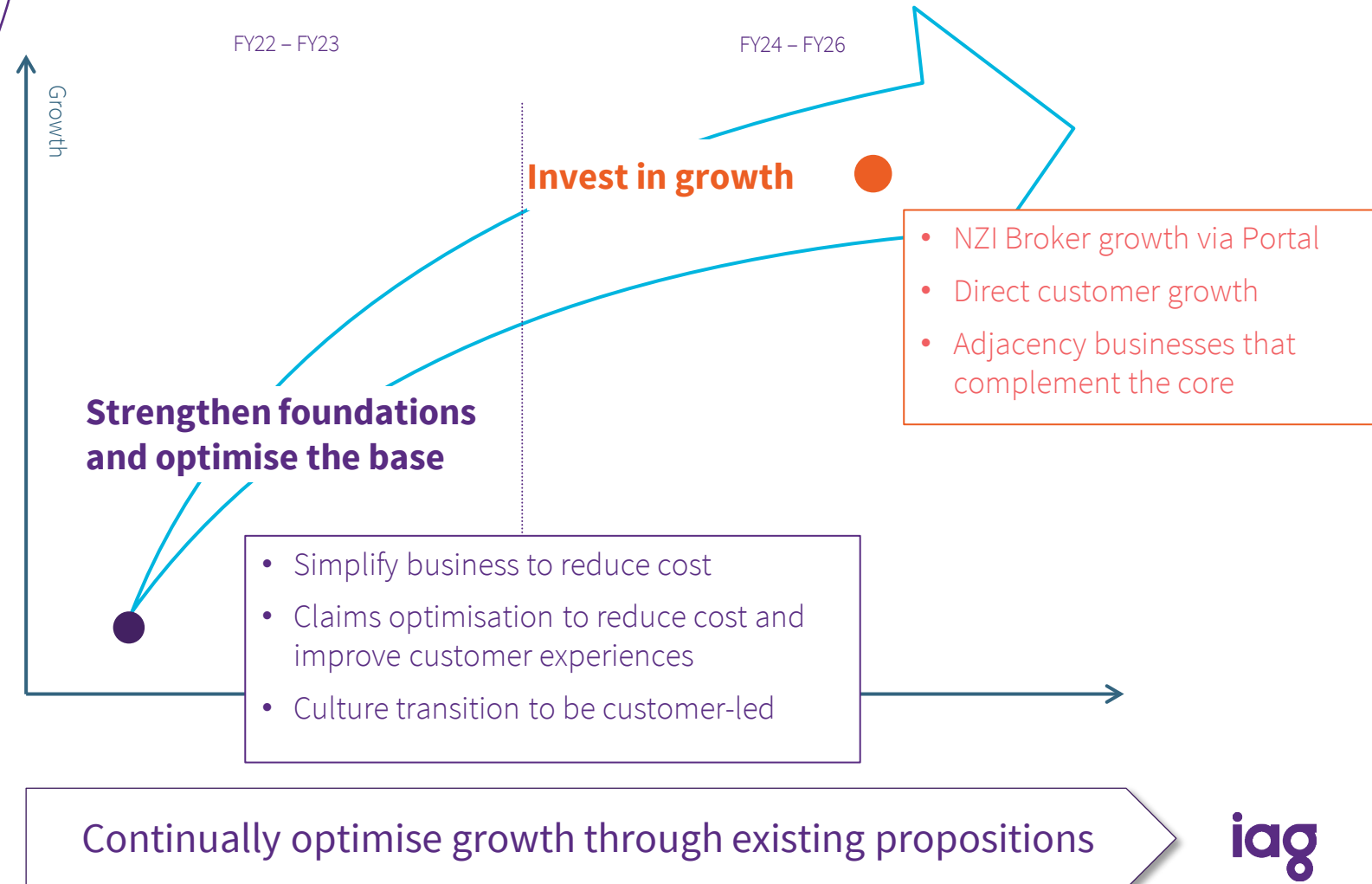
Nascent market for  
embedded insurance partners



New Zealand  
**favourable,  
evolving  
environment**

# New Zealand five year strategy

two phase approach  
to growth and  
efficiency





# Strengthen claims foundations

improve customer experiences and  
reduce costs



More AI and automation



Higher digital claims lodgement



20% reduction in suppliers  
through consolidation



Deeper supplier relationships



Value-chain extension



Control customer experience



One-touch claims experience



Supply chain efficiency



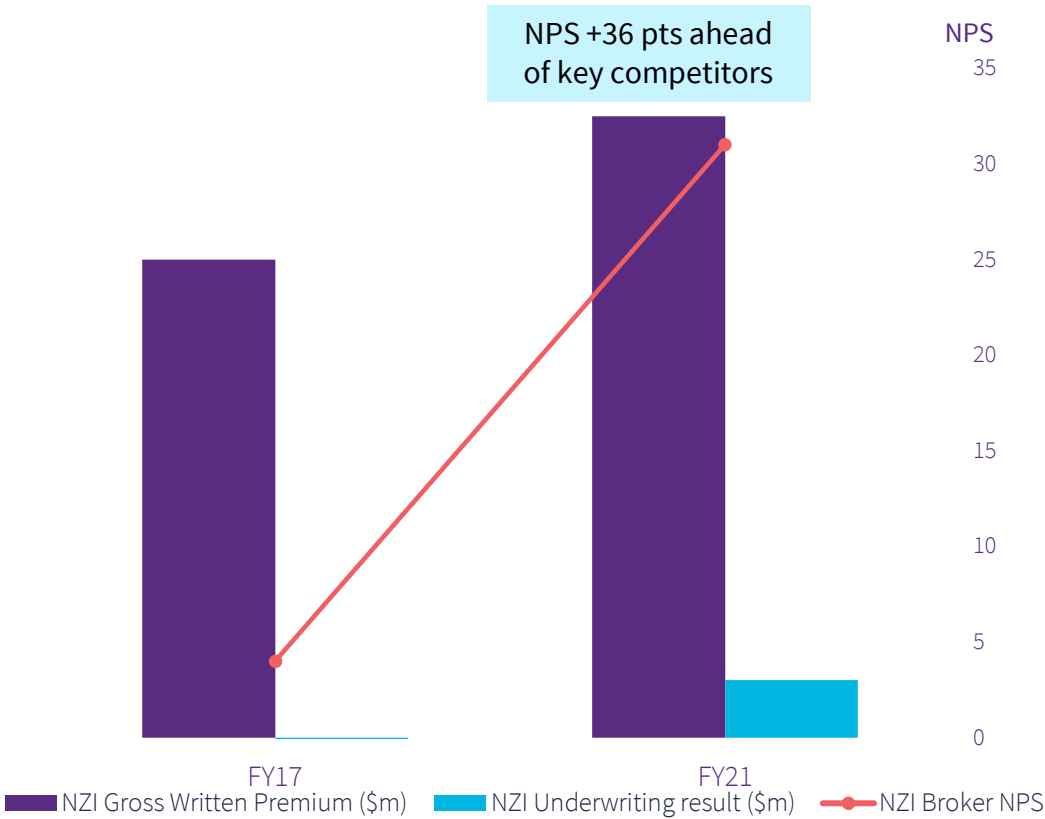
Repairhub launch #3  
Customer NPS of +84



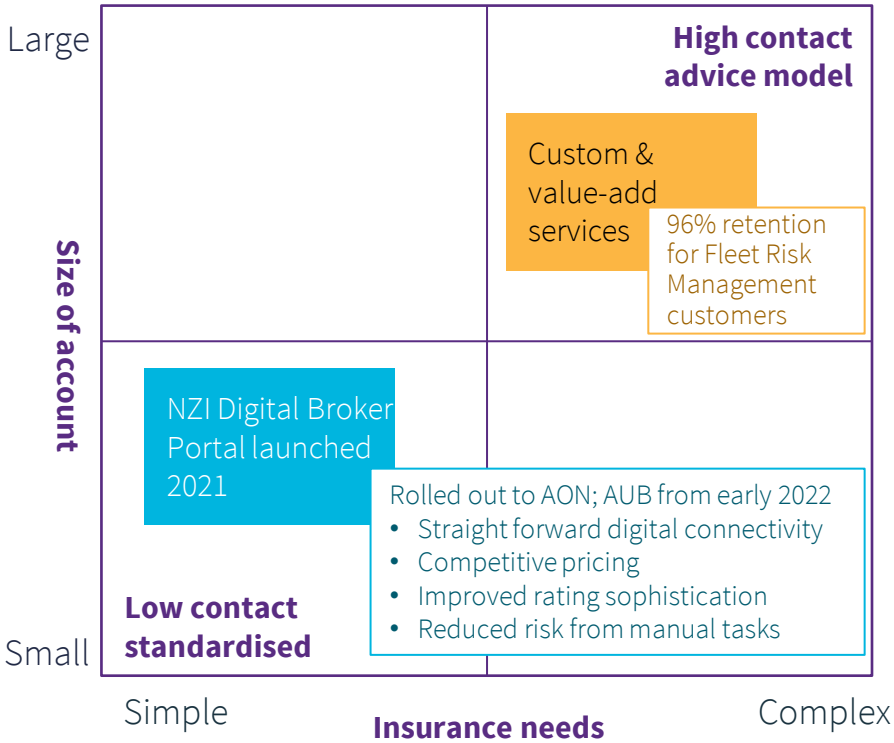
# Business division brokers choose NZI



## Strengthen foundations NZI remediation success



## Invest in growth Different solutions for different customer needs



# Consumer division: We are there to “Protect every Kiwi’s future”



## Strengthen foundations

Transforming the customer journey



Enhanced customer  
value propositions



Customer-led culture  
Improved service levels



Simplified online  
experience



Pricing  
sophistication

## Invest in growth

New customer propositions

**97%**

of NZ businesses are  
Small and Medium-  
sized enterprises.

Engage early in their  
insurance journey



### Young Drivers

20% do not  
have any  
insurance

### Landlords

33% of NZ  
housing stock is  
rentals



# Concluding remarks

## New Zealand

### Summary

- ✓ 250k new customers in the Consumer business
- ✓ Stronger digitally connected Broker business
- ✓ Costs out through automation and process optimisation

September      October      November

NZI pricing  
sophistication  
pilot

Claims  
auto  
verification

Repairhub #3  
Onehunga

#### FY22 Focus

May

April

Repairhub #4  
Hamilton

Claims payment  
centre of  
excellence

#### FY23 Targets

July

October

January

Claims & NZI  
automation

Claims 'straight  
through processing'  
capabilities

Enhanced  
partner  
capabilities

# Financial Matters



**Michelle McPherson**

Chief Financial Officer





# FY22 GWP and reported margin on track to meet guidance

## Features of FY22 guidance

### GWP

- ‘Low single-digit growth’<sup>1</sup> for the full year

### Reported margin

	Margin impact	
Initial FY22 reported margin guidance		13.5-15.5% <sup>1</sup>
Modest positive COVID-19 impact (Lower motor vehicle claims frequency in 1Q22, partly offset by inflationary pressure on claims costs and conservative reserving assumptions)	+	
Estimated natural perils costs of \$1,045m (Increased by \$280m on 2 November 2021)	(350bps)	
FY22 reported margin guidance		10.0-12.0%

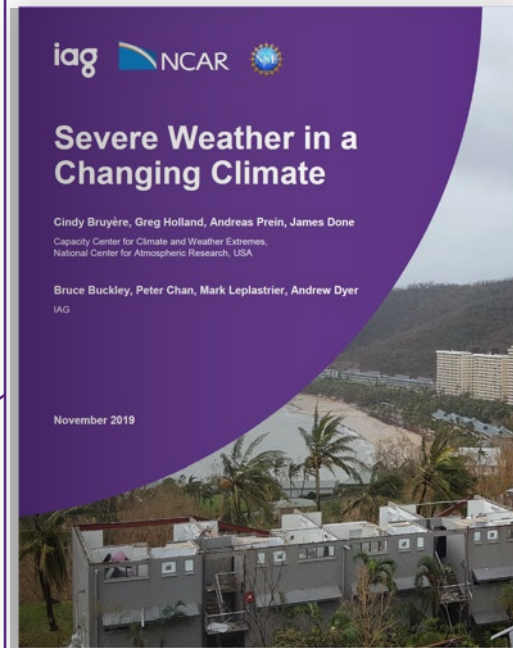
Notes (1) Refer to FY21 Results Presentation (Appendix 1: FY22 Guidance and Outlook) for more detail

- ~100bps up to ~300bps **underlying improvement** vs FY21 on a like-for-like basis
  - Mainly driven by earn through of rate increases, particularly in IIA where underlying profitability is expected to continue recovering
- ~150bps headwind from **increased perils allowance** vs FY21
  - \$107m increase in net allowance to \$765m

# Natural perils

extensive  
expertise to  
price risk

## Scientific contribution



## Change in weather extremes

- Storm surge frequency/intensity
- Sea level rise
- East Coast Low frequency
- Rainfall annual maxima
- Rainfall 20-year intensity
- Rainfall footprint area
- Hail frequency >2.5cm
- Bushfire danger index
- Cyclone wind speed
- Cyclone latitude
- Cyclone lifespan
- Cyclone proportion cat 4/5
- Cyclone rainfall intensity
- Cyclone frequency
- Cyclone size

## Catastrophe models

- Tropical cyclone
- Bushfire
- Storm / hail / East Coast low
- Flood / storm surge

## Property snapshot

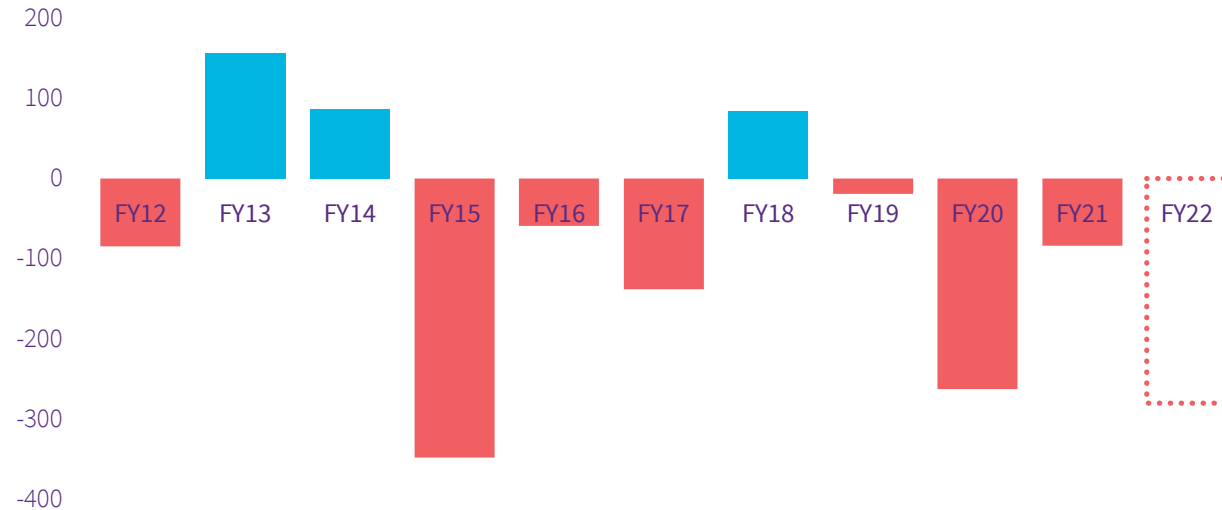
- Domestic property
- Commercial property
- Motor

## Impact on peril risk

- National
- Community
- Individual property

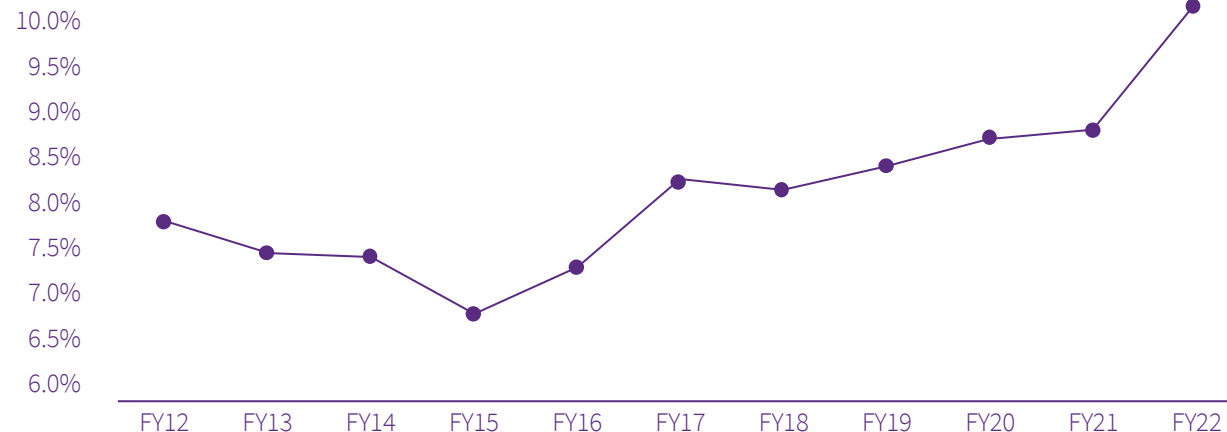
# Strengthened allowance reflected in pricing

Positive & negative perils experience vs allowance (\$m)



10-year average (FY12-FY21) – perils costs exceeded allowance by 0.8% of NEP

Perils allowance/NEP

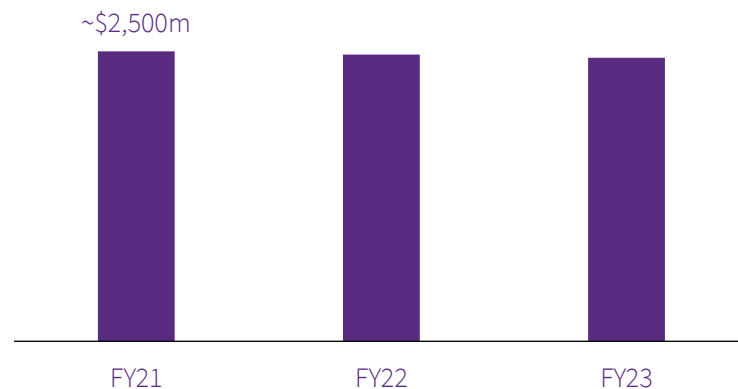


Upward trend to ~10%<sup>(1)</sup> of NEP in FY22

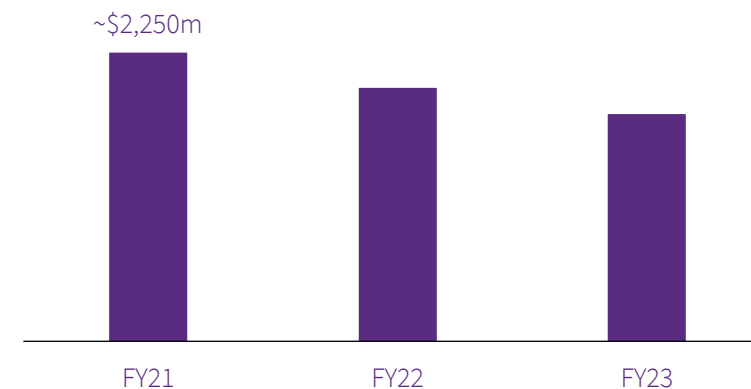
(1) Based on assumption that NEP grows at low single digits, in line with GWP guidance

# Leveraging capabilities to hold expenses broadly flat

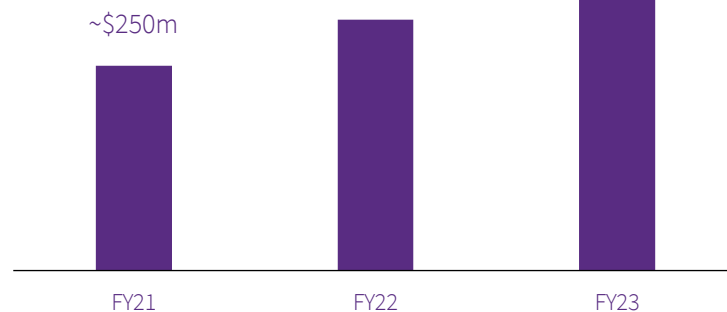
## Gross Expenses



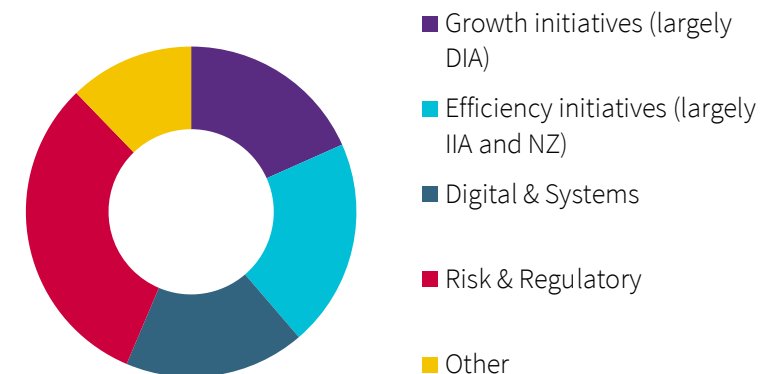
## Expenses to maintain



## Expenses to transform



## Expenses to transform



- Active management and prioritisation
- Expenses broadly flat to down over two years

- Expenses to “maintain” reducing
- Investment in areas geared to “transform” IAG’s growth, technology and risk profile



# Unique and diversified capital structure



## Capital platform

### Equity

#### Reduced emphasis

Limited M&A appetite  
Capital management options

### Debt / hybrid

#### Additional Tier 1 Capital

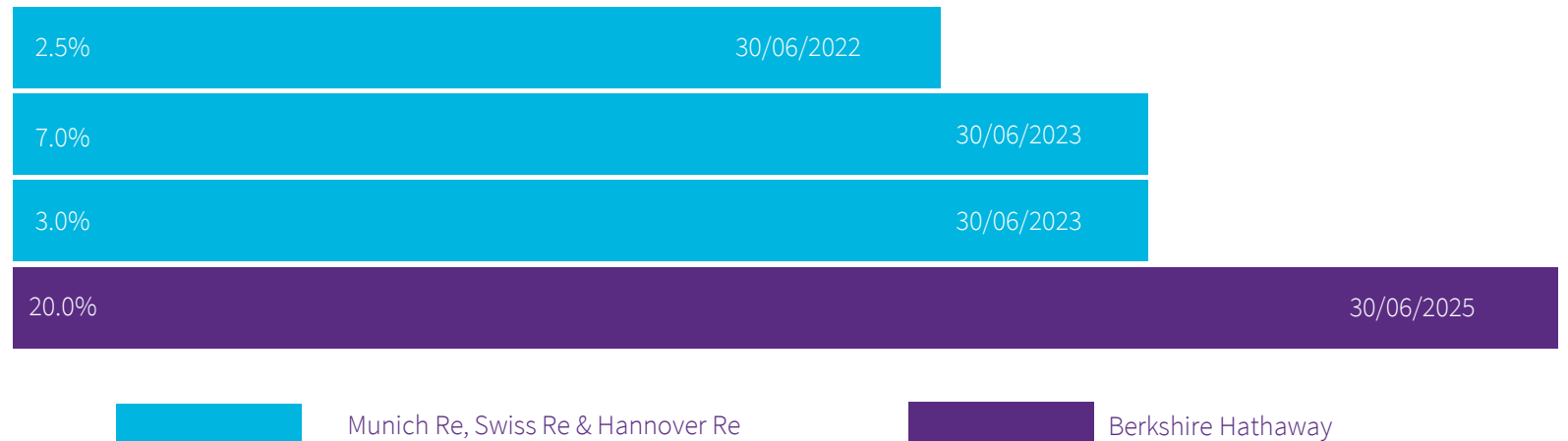
Hybrid equities  
Tier 2 Capital  
Subordinated term notes

### Reinsurance

#### Various forms

Catastrophe capital  
P&L volatility protection  
Quota shares

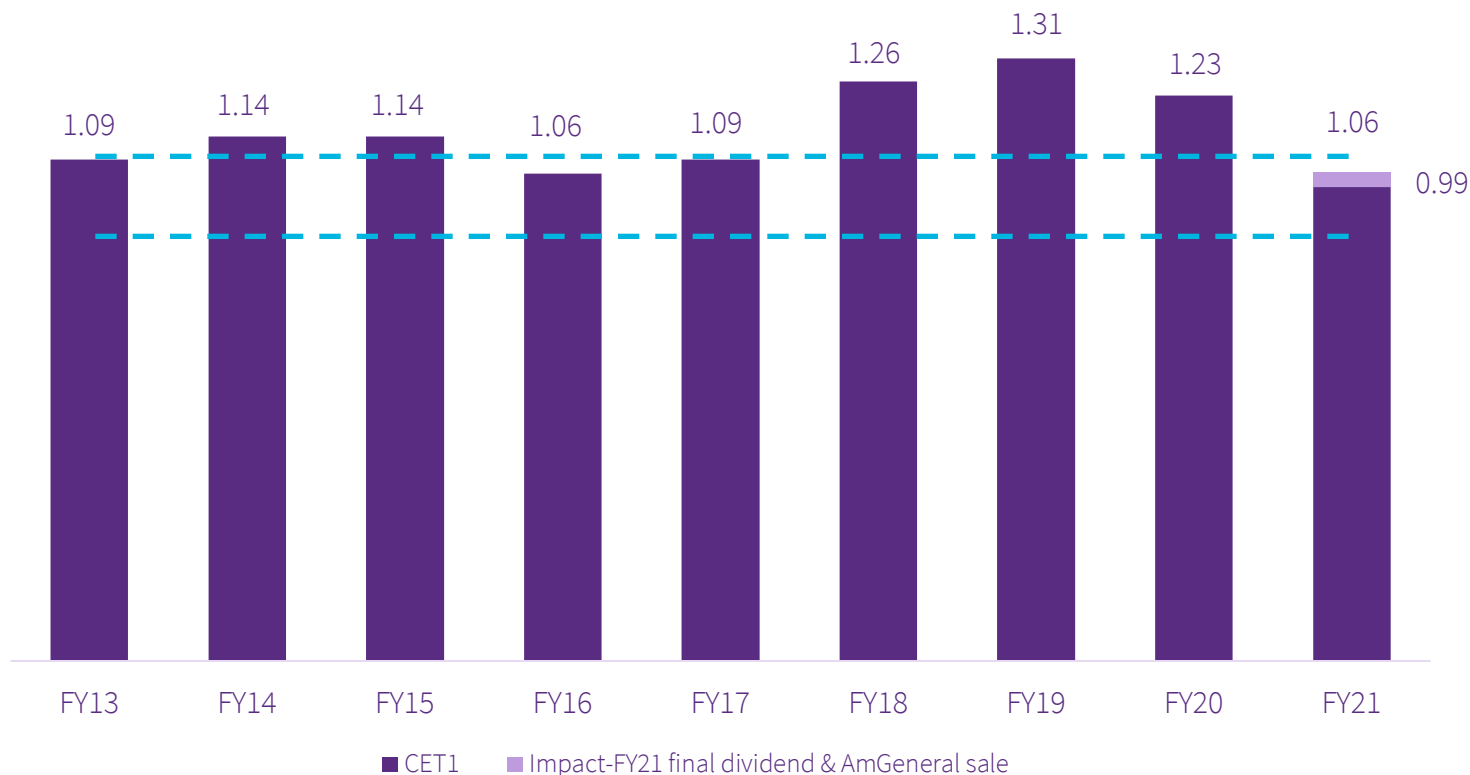
#### Whole-of-account quota shares – diversified by counterparty and maturity



Munich Re, Swiss Re & Hannover Re

Berkshire Hathaway

# Strong capital position provides optionality



## FY20 and FY21 risk issues

- Positive business interruption developments (original provision a ~50 point drag on CET1)
- Maintain net nil trade credit exposure to BCC/Greensill claims (modest capital charge)



## Future capital generation from

- Retained earnings – dividend payout policy of 60-80% of cash earnings
- Unwind of tax losses ~\$620m (Australia ~\$400m New Zealand ~\$220m)
- Stable weighting to growth assets



# Medium-term **margin target**



**Cash ROE 12-13% <sup>1</sup>**  
**Reported Margin 15-17% <sup>1</sup>**

DIA and  
New Zealand  
customer  
growth <sup>2</sup>



\$250m IIA  
insurance  
profit <sup>2</sup>



Productivity  
initiatives <sup>2</sup>



Supportive rate environment



Operating model focus



Constrained expense growth



Higher perils allowance



Productivity and digitisation



Investment in core customer platform

Notes (1) Reported margin required to generate current ROE target based on balance sheet settings and SHF asset allocation at 30 June 2021. It also assumes no reserve releases and peril costs in line with allowances. (2) Refer to FY21 Results Presentation (Appendix 1: FY22 Guidance and Outlook) for more detail

# Q&A

Panel hosted by **Nick Hawkins**

- Julie Batch
- Jarrod Hill
- Michelle McPherson
- Neil Morgan
- Amanda Whiting





# Disclaimer and Basis of Preparation

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Local currencies have been used where possible. Prevailing exchange rates have been used to convert local currency amounts into Australian dollars, where appropriate.