



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.

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.

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Business Update



7 December 2021



Our strategy:
Create a stronger,
more resilient IAG



Introduction



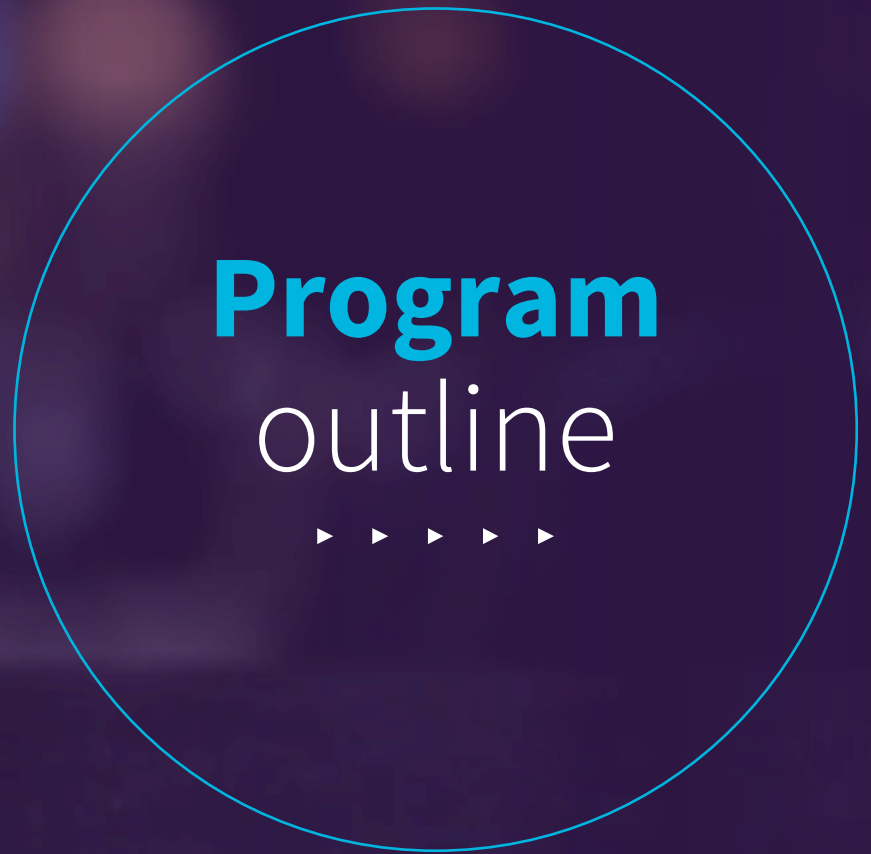
Nick Hawkins

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">• Intermediated turnaround - at least \$250m of insurance profit by FY24• Direct business in Australia has launched its growth plan• New Zealand business continues to strengthen its foundations and deliver ongoing strong results	<ul style="list-style-type: none">• Enterprise Platform will simplify back office, improve risk processes and reduce costs to serve• Creating opportunities to grow and improve customer experiences	<ul style="list-style-type: none">• Claims optimisation and supply chain efficiency• IAG's scale can deliver real financial benefits	<ul style="list-style-type: none">• Driving strong commercial outcomes• Disciplined operating execution• Improving shareholder returns	<ul style="list-style-type: none">• New ideas and leadership• History and experience

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



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

Reducing climate risk for shareholders, customers and communities

Contributing to the scientific discussion about current and future climate

Helping communities to prepare and adapt

Using expertise to understand, price and reinsure for perils



Cyclones

Three specific climate contributions in action

Cyclone Testing Station sponsored since the early 2000s



Floods

Flood Mitigation Priorities report provided to National Recovery and Resilience Agency August 2021

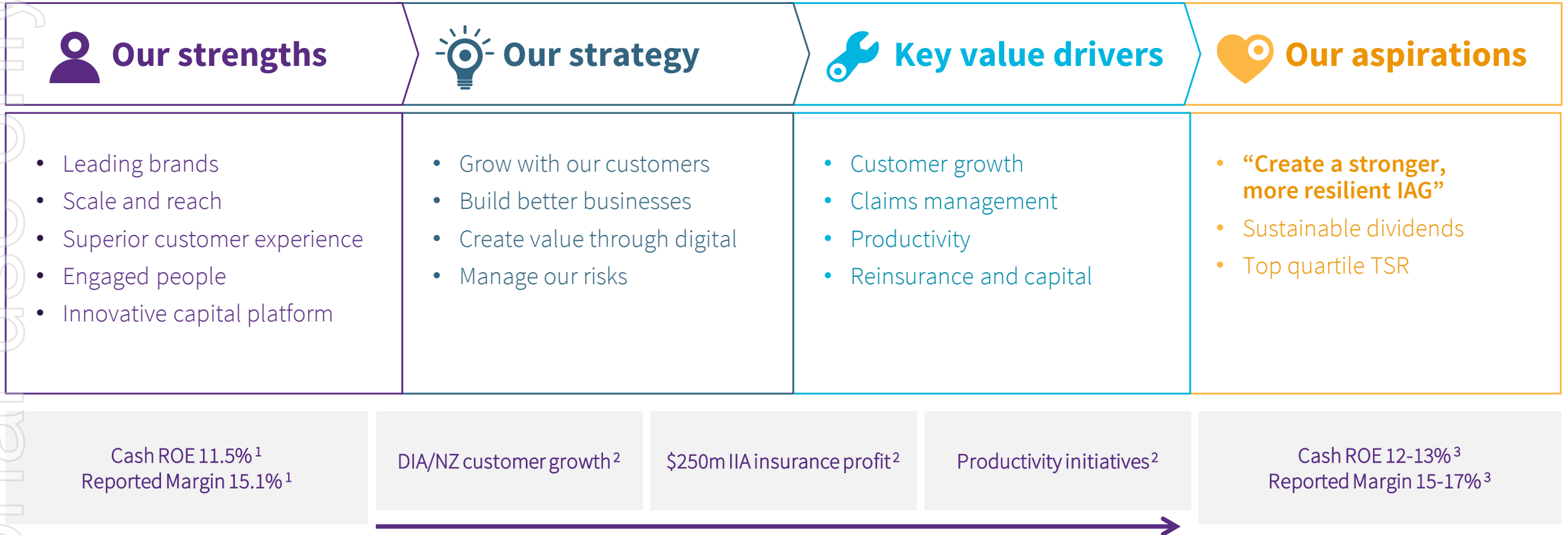


Bushfires

Working with the Bushfire Building Council of Australia, NAB and BlueScope Steel to create a rating system for bushfire risk for individual properties

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 value¹

Help Australians
like no-one else

Australian market dynamic environment

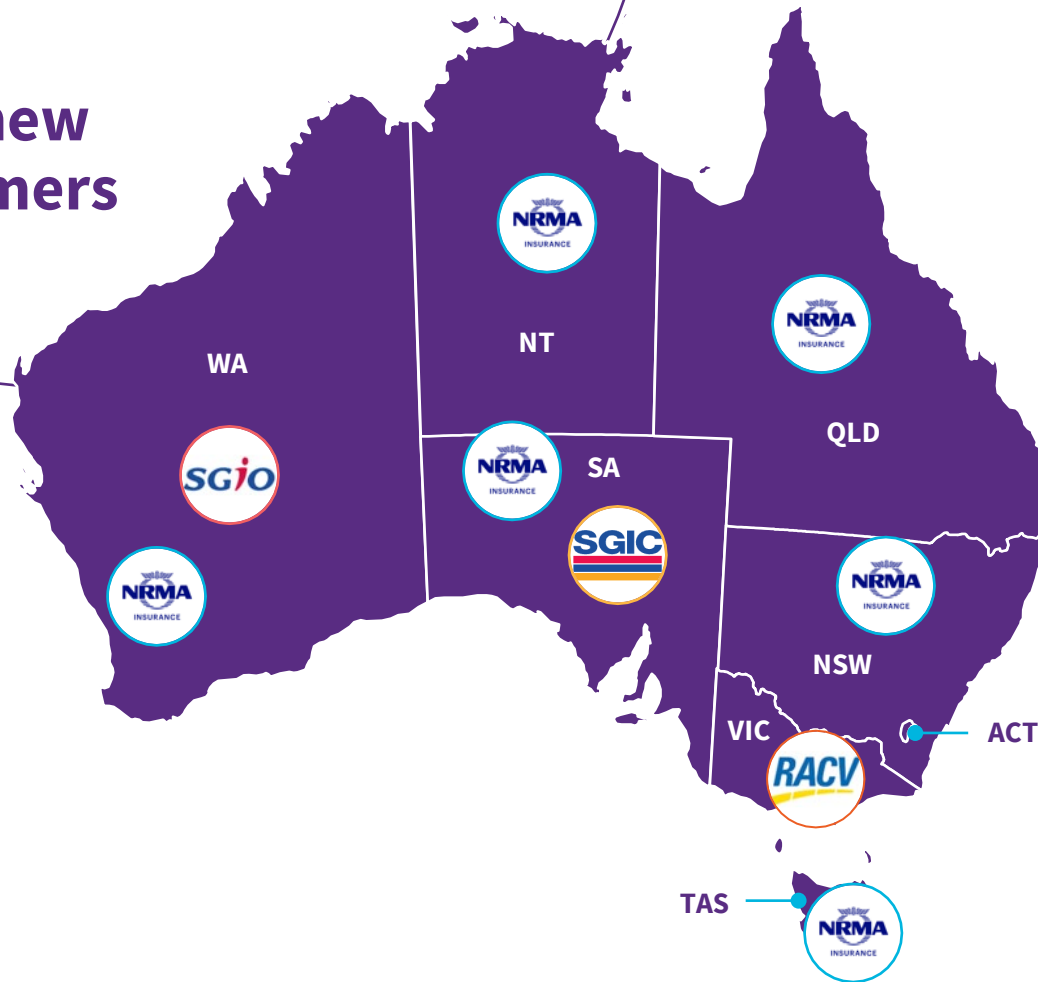


We will take advantage of the dynamic environment

- 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

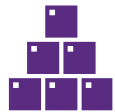


Future focused and differentiated Customer Value Proposition

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





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

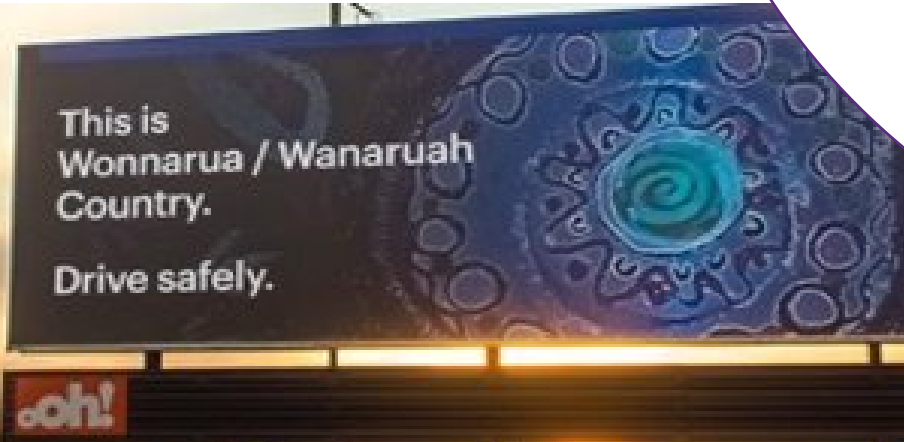


Embedding climate resilience in claims and supply chain



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

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

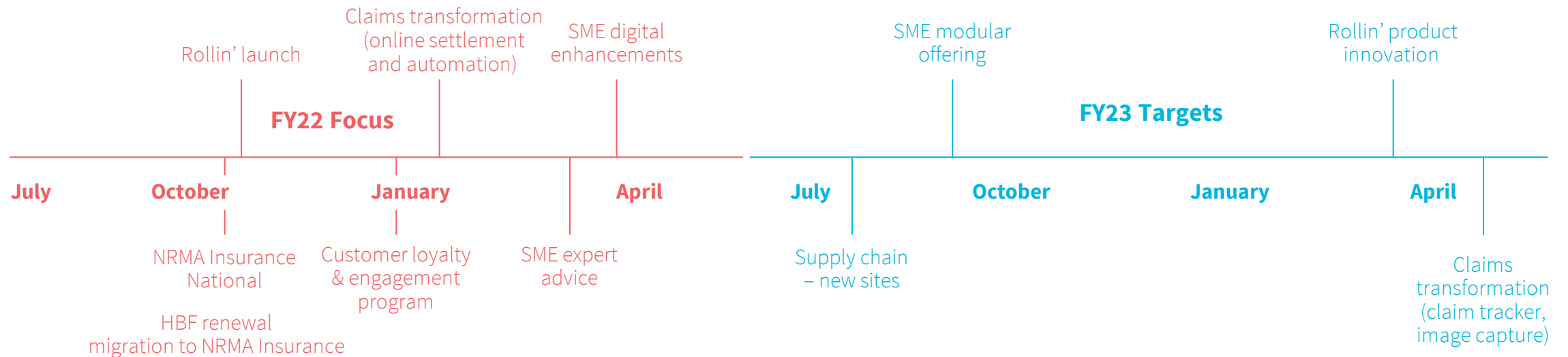


Concluding remarks

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 **\$400m¹ 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

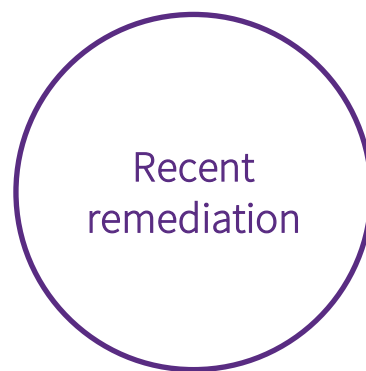
Immediate priority

At least

\$250m¹

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
Intermediated Personal Lines Protecting Australians with home and motor insurance distributed via intermediaries	Simplified product set and enhanced delivery capability to partners
SME Helping SME, agricultural and rural customers manage operational risks	Refined products and improved digital capability
Corporate 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



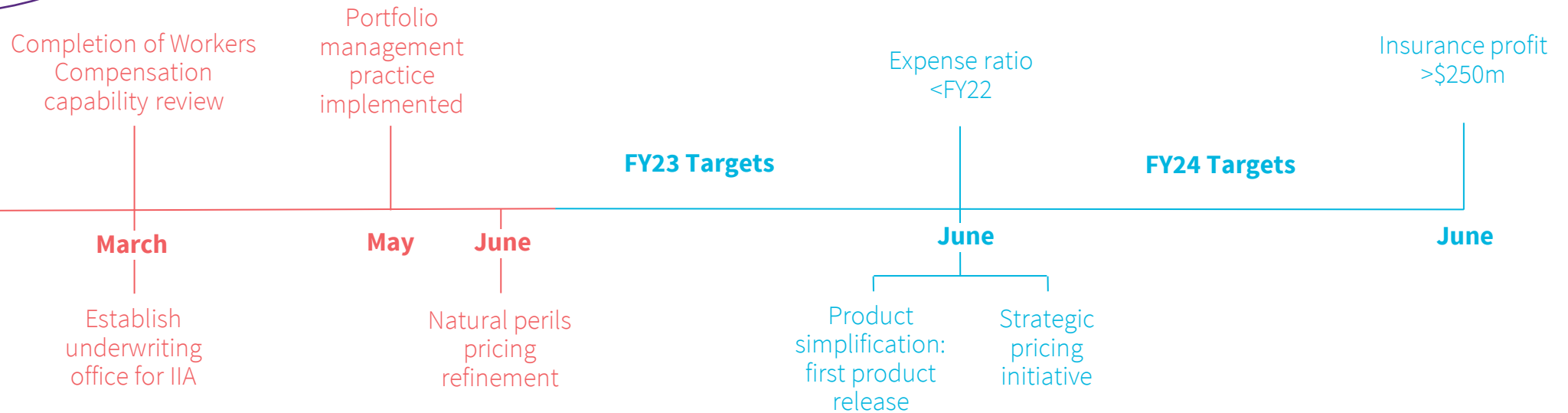
30 years

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**



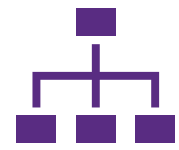
**Scale efficiency
drives lower
expense ratio**



**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

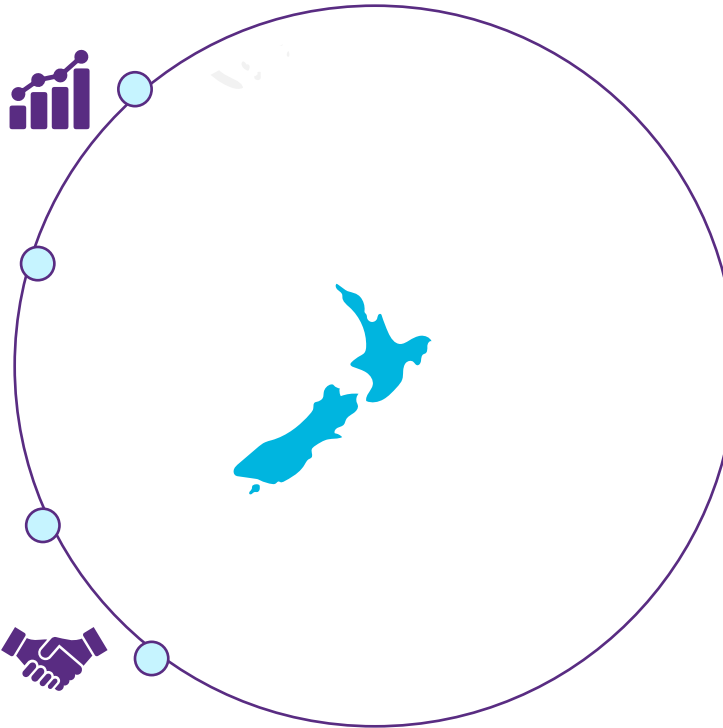


Long-term structural factors

Customer preferences
shifting to be more digital



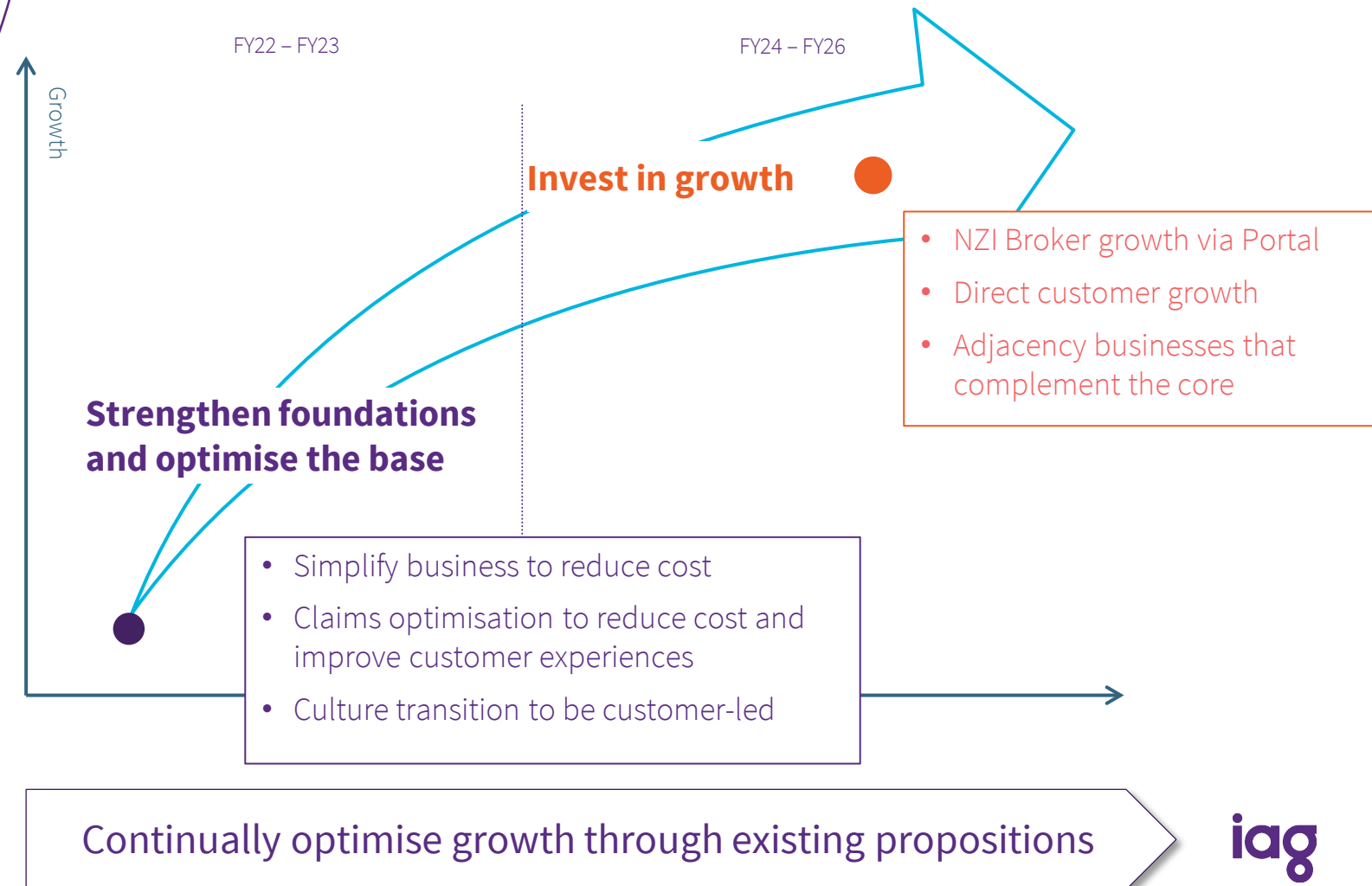
Nascent market for
embedded insurance partners



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



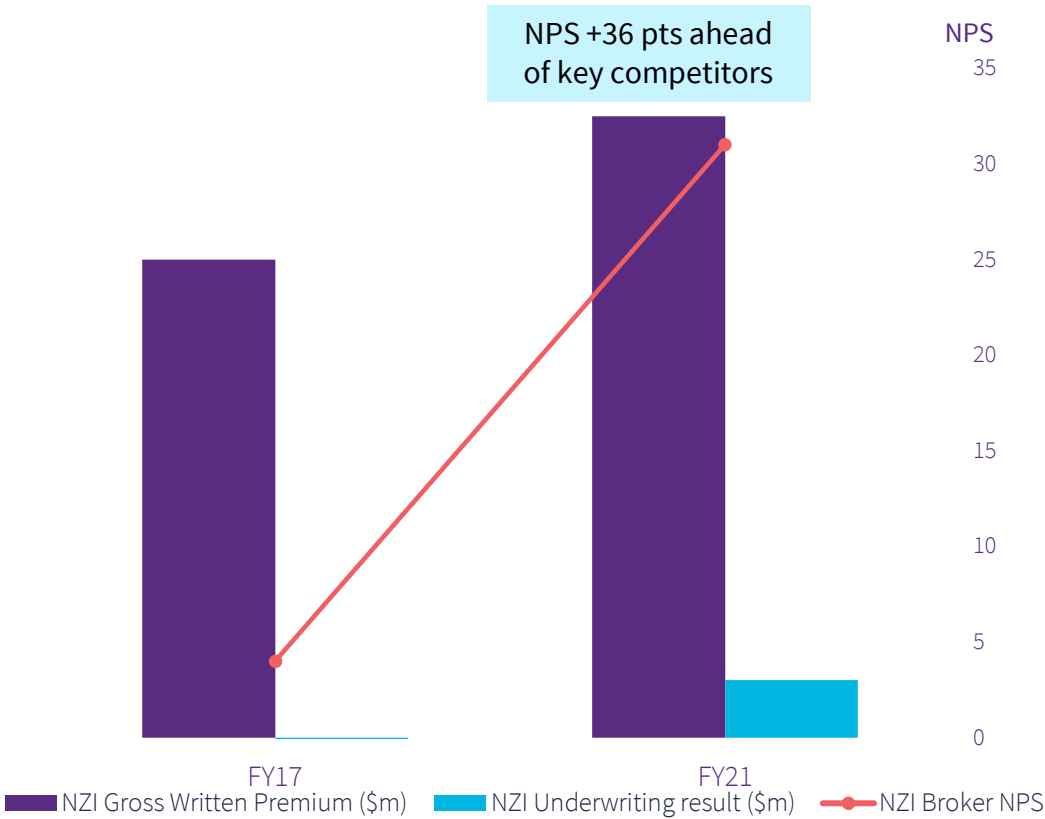
Repairhub launch #3
Customer NPS of +84



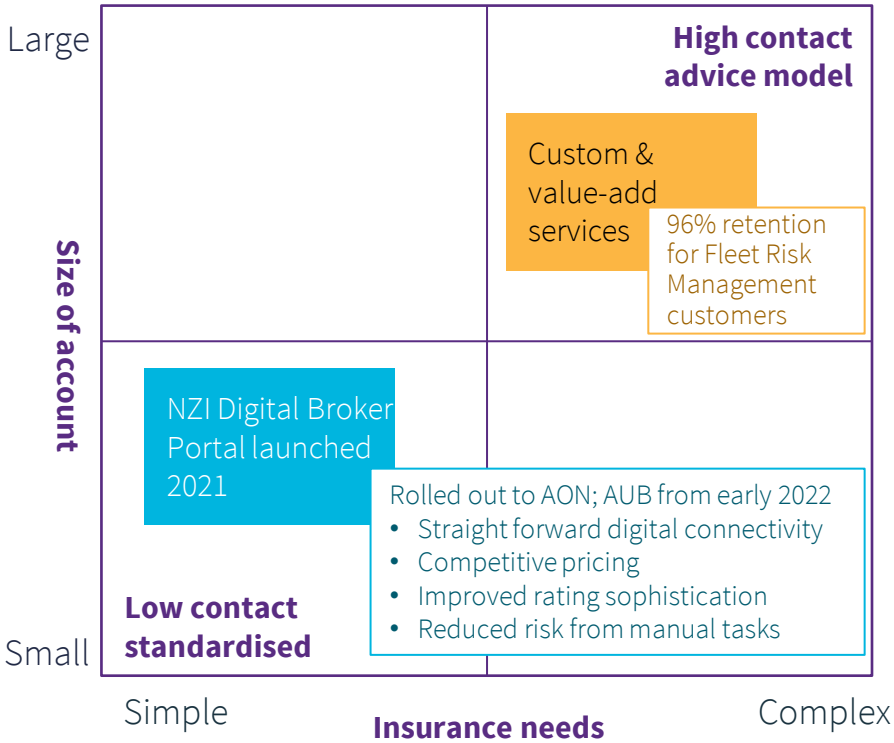
Business division brokers choose NZI



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



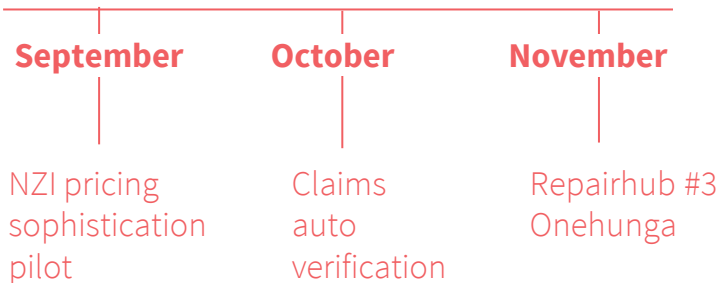
Concluding remarks

New Zealand

Summary

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

FY22 Focus



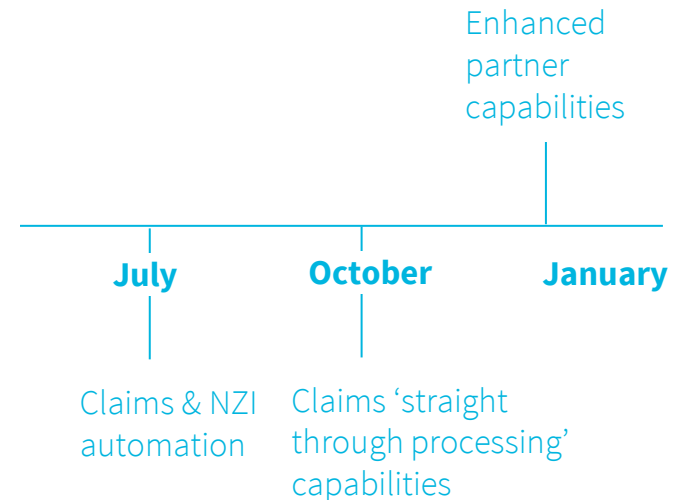
Repairhub #4
Hamilton

May

April

Claims payment
centre of
excellence

FY23 Targets



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’¹ for the full year

Reported margin

	Margin impact	
Initial FY22 reported margin guidance		13.5-15.5% ¹
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%

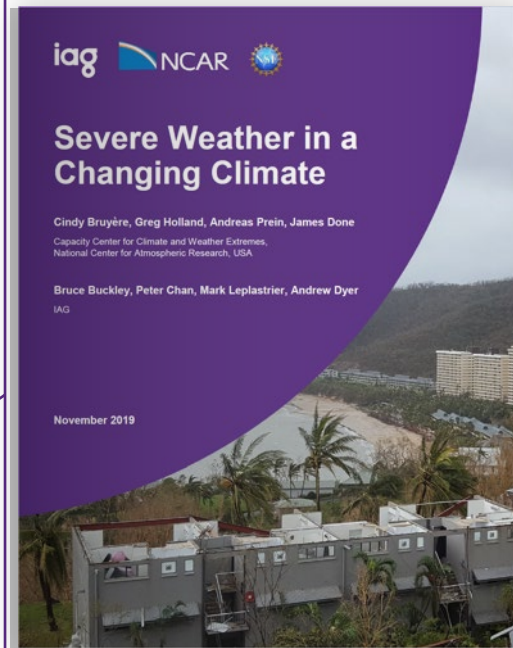
Notes (1) Refer to FY21 Results Presentation (Appendix 1: FY22 Guidance and Outlook) for more detail

- ~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

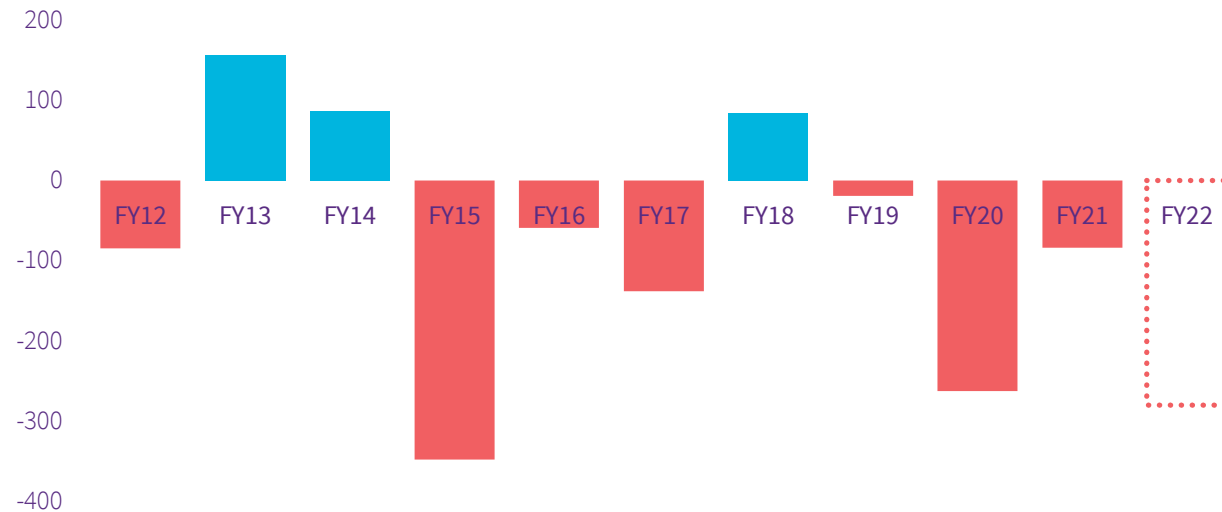
- Domestic property
- Commercial property
- Motor

Impact on peril risk

- National
- Community
- Individual property

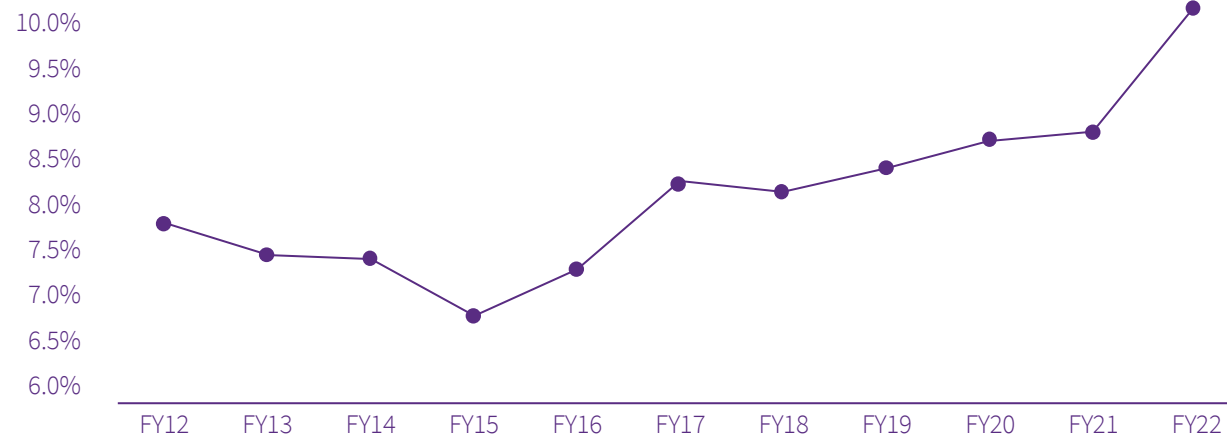
Strengthened allowance
reflected in pricing

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



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

Perils allowance/NEP

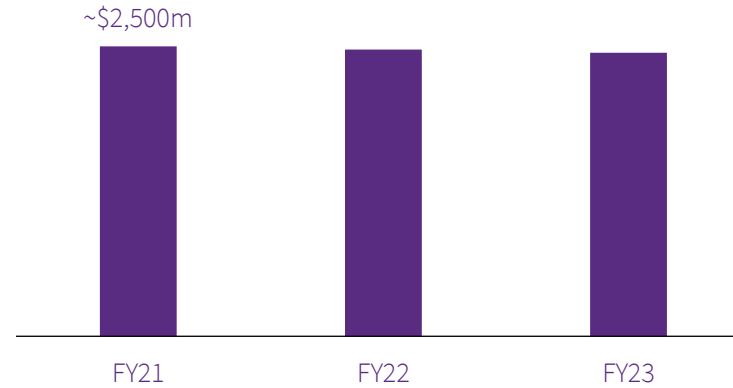


Upward trend to
~10%¹ of NEP
in FY22

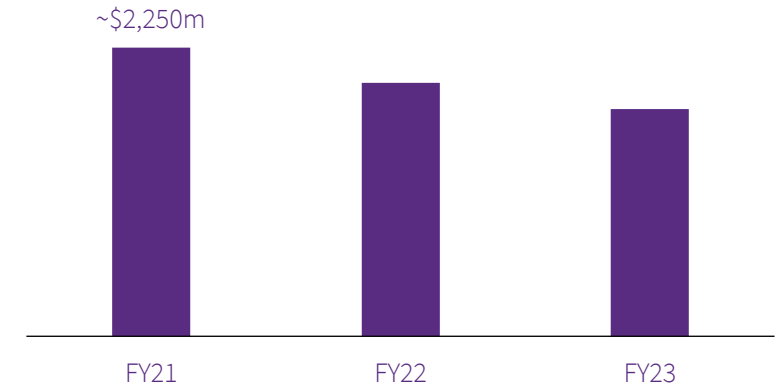
(1) Based on assumption that NEP grows at low single digits, in line with GWP guidance

Leveraging capabilities
to hold expenses broadly flat

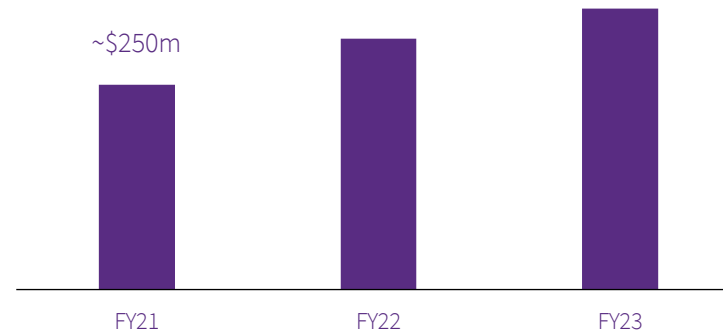
Gross Expenses



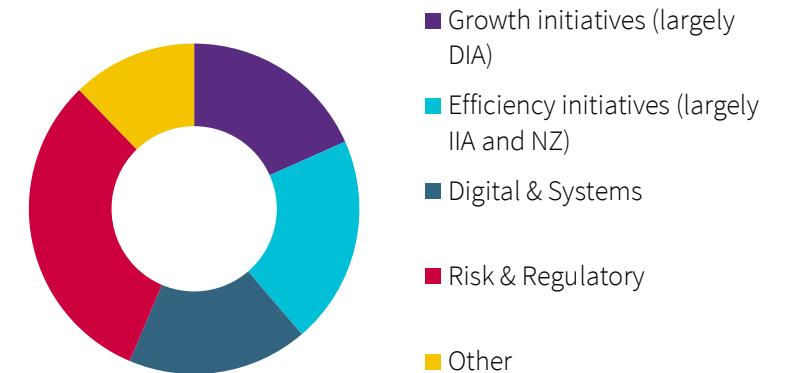
Expenses to maintain



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

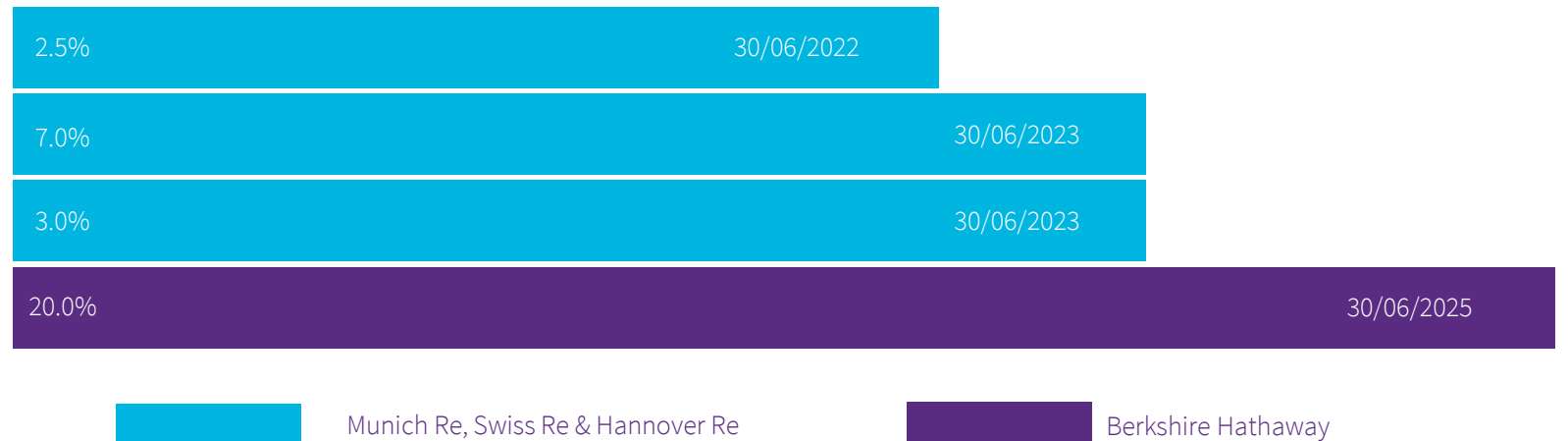
Hybrid equities
Tier 2 Capital
Subordinated term notes

Reinsurance

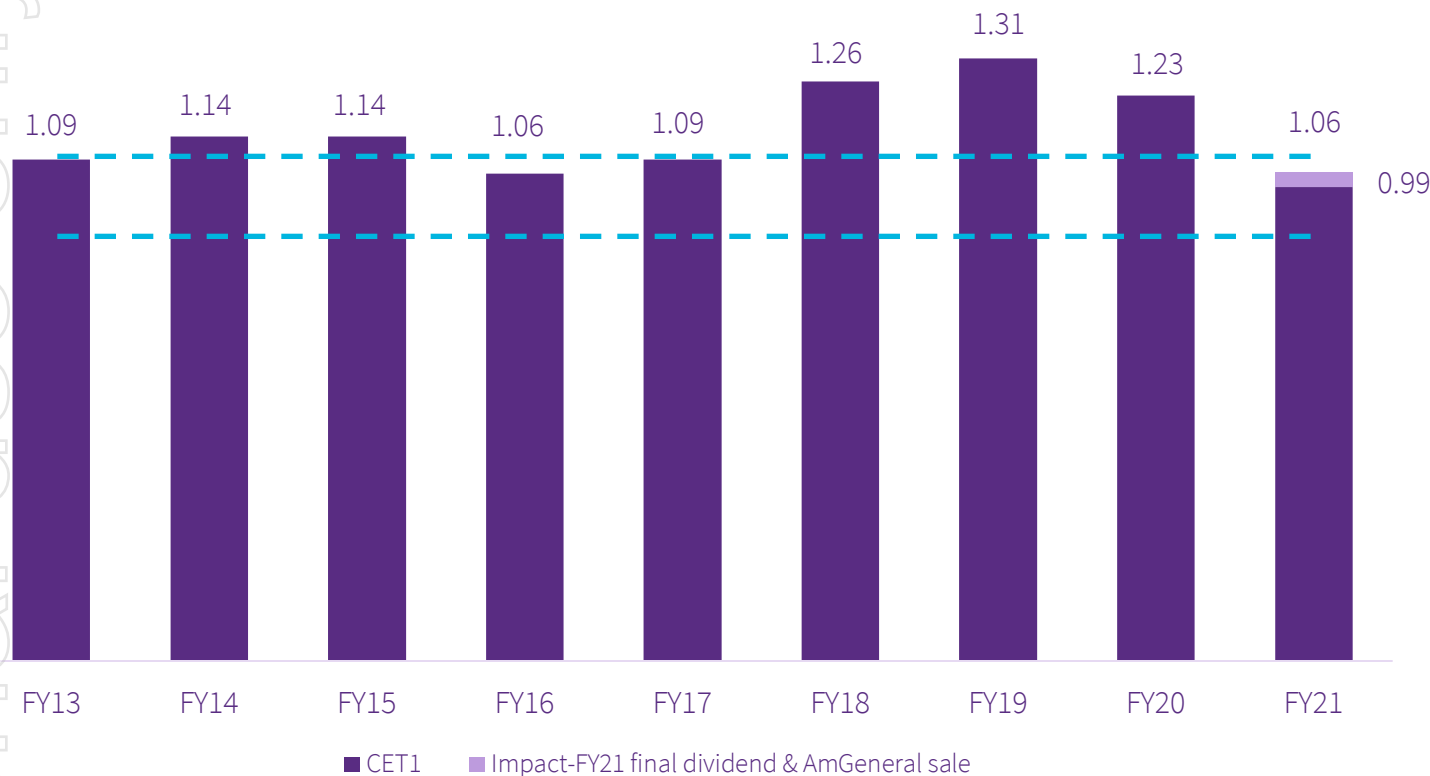
Various forms

Catastrophe capital
P&L volatility protection
Quota shares

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



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% ¹
Reported Margin 15-17% ¹



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



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Any forward-looking statements, opinions and estimates in this presentation are based on assumptions and contingencies which are subject to change without notice, as are statements about market and industry trends, which are based on interpretations of current market conditions. Neither IAG, nor any other person, gives any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements in this presentation will actually occur and IAG assumes no obligation to update such information. In addition, past performance is no guarantee or indication of future performance.

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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.