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# Financial Results

Half year ended 31 December 2023

16 February 2024

Results Presentation | 16 February 2024

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In addition, there are particular risks and uncertainties associated with implementation of IAG's strategy and related targets, ambitions and goals. As the targets, ambitions and goals span a number of years, they are subject to assumptions and dependencies which have greater levels of uncertainty than guidance given for FY24. IAG's ability to execute its strategy and realise its targets, ambitions and goals will depend upon its ability to respond and adjust its business plans (as and when developed) to any changes in such assumptions and dependencies, including disruptions or events that are beyond IAG's control.

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References to currency are to Australian dollars, unless otherwise specified. Prevailing exchange rates have been used to convert local currency amounts into Australian dollars, where appropriate.

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>

# Nick Hawkins

Chief Executive Officer

Introduction

## 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.



# Making the world a safer place for our customers

Transactional NPS improved to +49.5 in Australia and +49 in New Zealand



## Supporting customers

- Paid ~\$6 billion in claims
- Settled ~730,000 customer claims – up ~9% on 1H23
- Our **Major Event Response Team** is ready **24/7** to support communities during severe weather events
- Advocated for **greater resilience investment and improved land use** planning and building codes
- Built awareness of disaster resilience through **The Wild Weather Tracker**
- Launched **NRMA Insurance Help Nation** to help Australians know local risks and prepare for extreme weather



## Focus on improvements

- **Increased claims employees** by over **150** in the last 12 months and **scaled up partner workforce** by 400 people
- Australian Motor and Property teams have **Dedicated Customer Support Team to help vulnerable customers**
- Australian **customer support program** for 24/7 confidential counselling and mental health support services
- Better oversight and management of **supplier capacity** and **expanded network of regional tradespeople**
- **Revitalised 'All Hands-on Deck'** program and enhanced training







## Strength in leading brands

- **Strong retention rates (%)**: ~90 in DIA Home & Motor; mid-to-high 90s in NZ direct Home & Motor
- NRMA Insurance Australia's **2nd strongest brand '24** (Brand Finance); AMI Canstar's **NZ Car Insurer of the Year '23**
- **Quality score** of 97.7% from 320,000 Australian repair assessments (70,000+ motor repair and 3,200+ property repair quality inspections)



# Delivering on our strategy

<b>Purpose</b>	We make your world a safer place	<b>Strategy</b>	Create a stronger, more resilient IAG	<b>People</b>	Our people are the difference: bringing our purpose to life and delivering our strategy
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Strategic Pillars		Evidence			
	Grow with our customers	Retention rates (%): ~90 in DIA Home & Motor, mid-to-high 90s in NZ direct Home & Motor			
		NRMA Insurance Australia's 2 <sup>nd</sup> strongest brand '24 (Brand Finance), AMI Canstar's NZ Car Insurer of the Year '23			
		DIA customer growth of ~21k in 1H24			
		Some progress			
	Build better businesses	IIA 1H24 insurance profit of \$162m, on track for at least \$250m insurance profit in FY24			
		CGU Insurance distribution partnership with ANZ contributed ~\$100m of GWP			
	Create value through digital	Enterprise Platform rollout on track for 2H24 milestones			
		Commercial Enablement commenced			
	Manage our risks	Strong 2024 catastrophe reinsurance program and entry into Cyclone Reinsurance Pool			
		S&P credit rating upgrade to 'AA' from 'AA-'			
		Successfully priced \$400m subordinated debt			
		Original \$350m on-market buyback completed, additional buyback of up to \$200m announced			
		Operational risk upgrade remains a major priority			

# 1H24 results overview



**Net profit after tax**

**\$407m**

Represents ROE of 12.2%



**Insurance profit**

**\$614m**

Increase of 75%



**GWP**

**\$7.9bn**

Up 12.5%



**Reported margin**

**13.7%**

In line with underlying margin



**Strong capital position**

**1.16x CET1**

Up to \$200m on-market buyback  
announced



**Interim dividend**

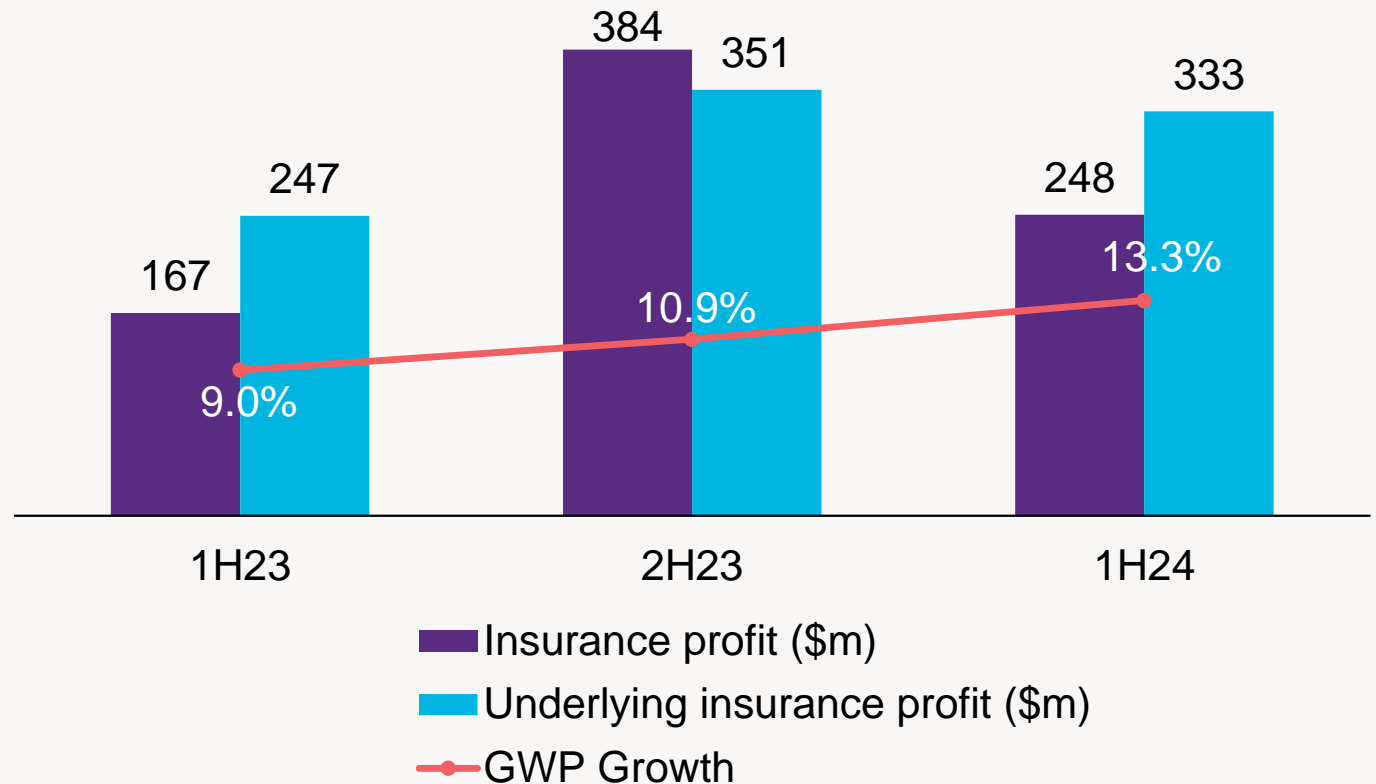
**10cps**

40% franked

# Direct Insurance Australia

## Key highlights

- Strong GWP growth driven by Motor (14%) and Home (16%)
  - Short-tail volumes broadly flat, with some growth in RACV in Victoria
  - CTP volume growth in NSW and SA
- Earnix pricing engine deployment resulting in improved pricing capabilities
- Increase in reported insurance margin to 11.9% (1H23: 8.9%) and underlying insurance margin to 15.9% (1H23: 13.2%) reflecting an improvement in underlying claims ratio:
  - Improving motor claims trends, with reducing second-hand car prices
  - Expanded network capacity
- Reserve strengthening due to short-tail working claims and late reporting of prior period peril claims

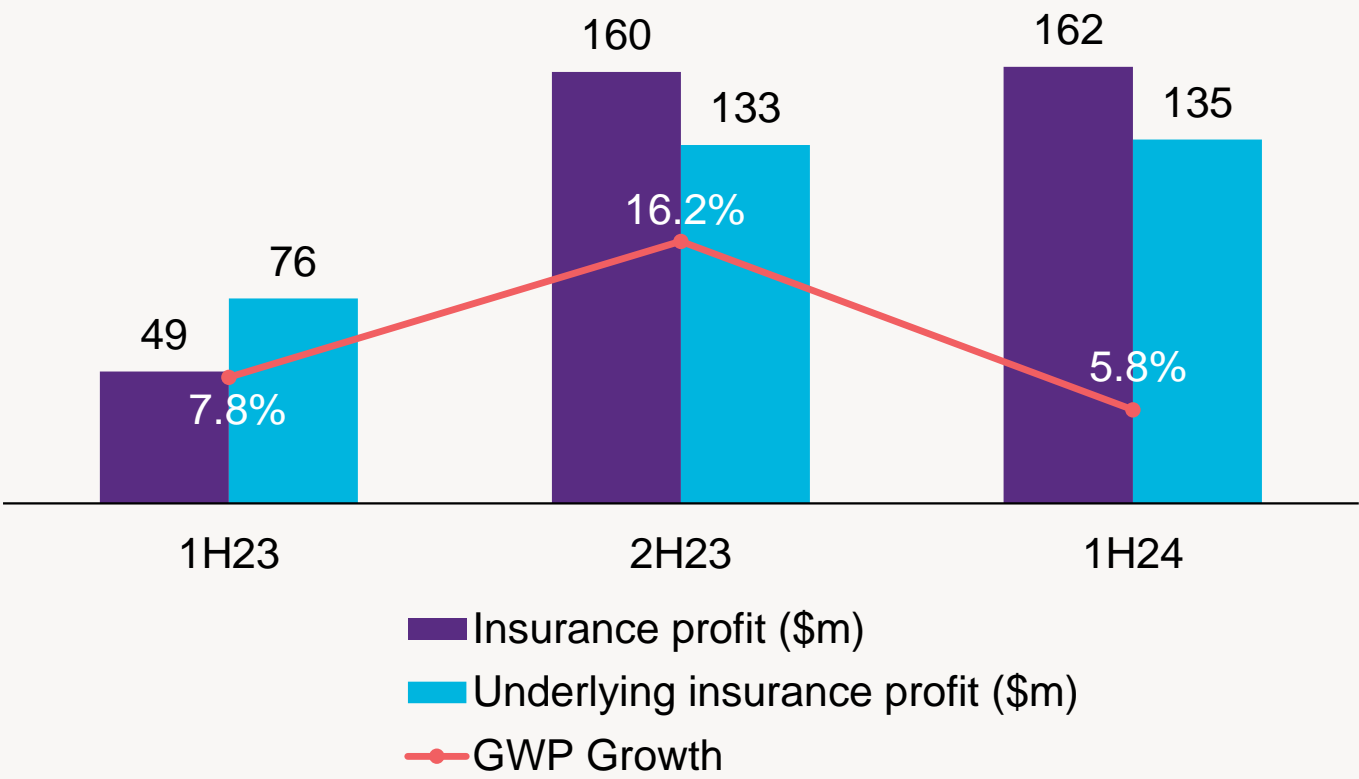




# Intermediated Insurance Australia

## Key highlights

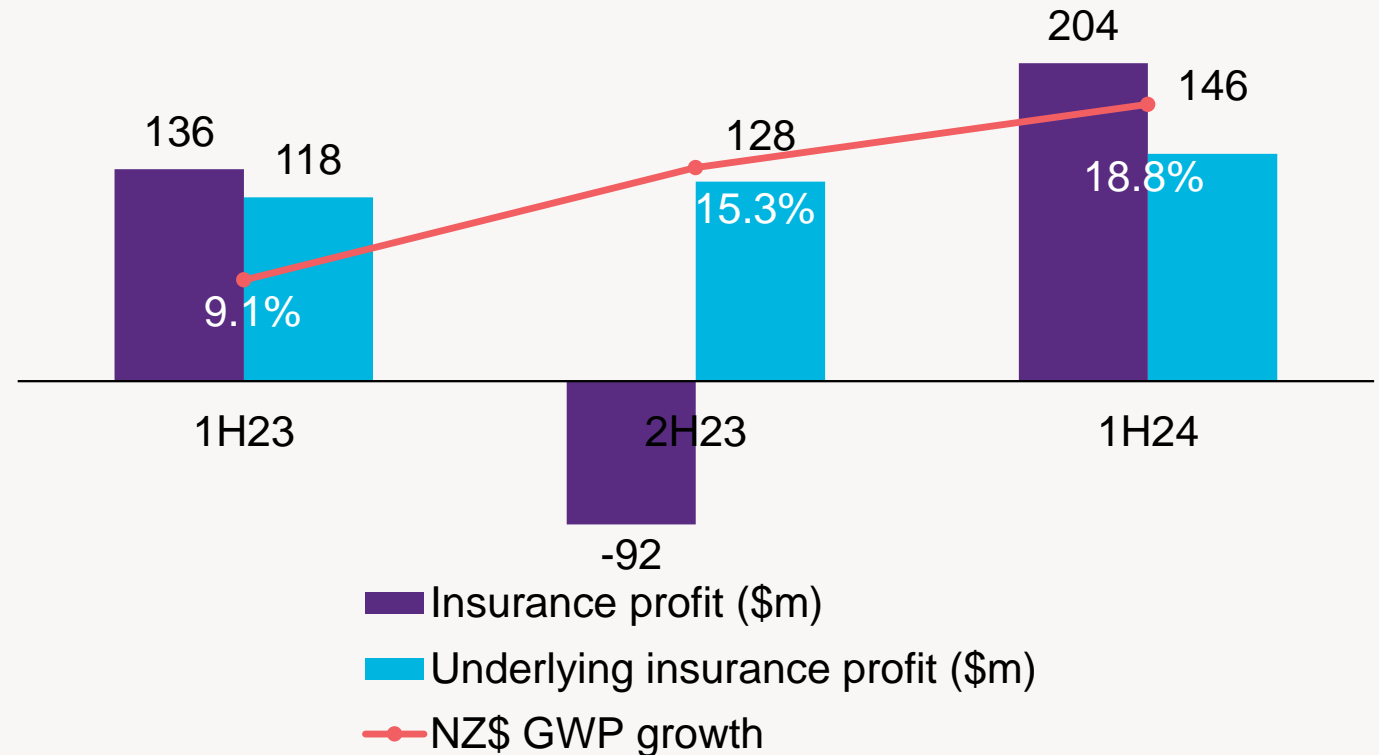
- Reported profit of \$162m and on track to deliver on target of at least \$250m in FY24 insurance profit
- Improvement in reported insurance margin to 11.4% (1H23: 3.6%) and underlying insurance margin to 9.5% (1H23: 5.7%)
- Continued disciplined approach to portfolio management plan, with targeted rate increases having some impact on retention
- Successful commencement of ANZ distribution partnership with ~\$100m GWP contribution
- Long-tail reserve release and reversal of onerous contract



# New Zealand

## Key highlights

- Strong NZ\$ GWP growth of 18.8%
  - Local underlying currency growth of ~16%
  - A\$ GWP growth of 21.1%
- Strong turnaround in profitability due to underlying insurance margin improvement and benign perils outcome
- Improvement in reported insurance margin to 20.8% (1H23: 15.2%) and underlying insurance margin to 14.9% (1H23: 13.2%):
  - Benefit of ~10% NEP growth
  - Lower administration ratio, partially offset by
  - Ongoing inflationary environment
- Continued roll-out of Enterprise Platform, with State first direct brand expected to go live in March, followed by AMI later in the financial year



# William McDonnell

Chief Financial Officer

Financials

# Financial summary

	1H23	1H24	Change	
GWP (\$m)	7,061	7,947	12.5%	▲
NEP (\$m)	4,113	4,496	9.3%	▲
Administration expense ratio (%)	14.0	14.4	40bps	▲
Reported insurance profit (\$m)	350	614	75.4%	▲
Reported insurance margin (%)	8.5	13.7	520bps	▲
Underlying insurance profit (\$m)	439	614	39.9%	▲
Underlying insurance margin (%)	10.7	13.7	300bps	▲
Net profit after tax (\$m)	468	407	13.0%	▼
Cash earnings (\$m)	223	415	86.1%	▲
Dividend (cps)	6.0	10.0	66.7%	▲
CET1 ratio	1.11	1.16	5pts	▲

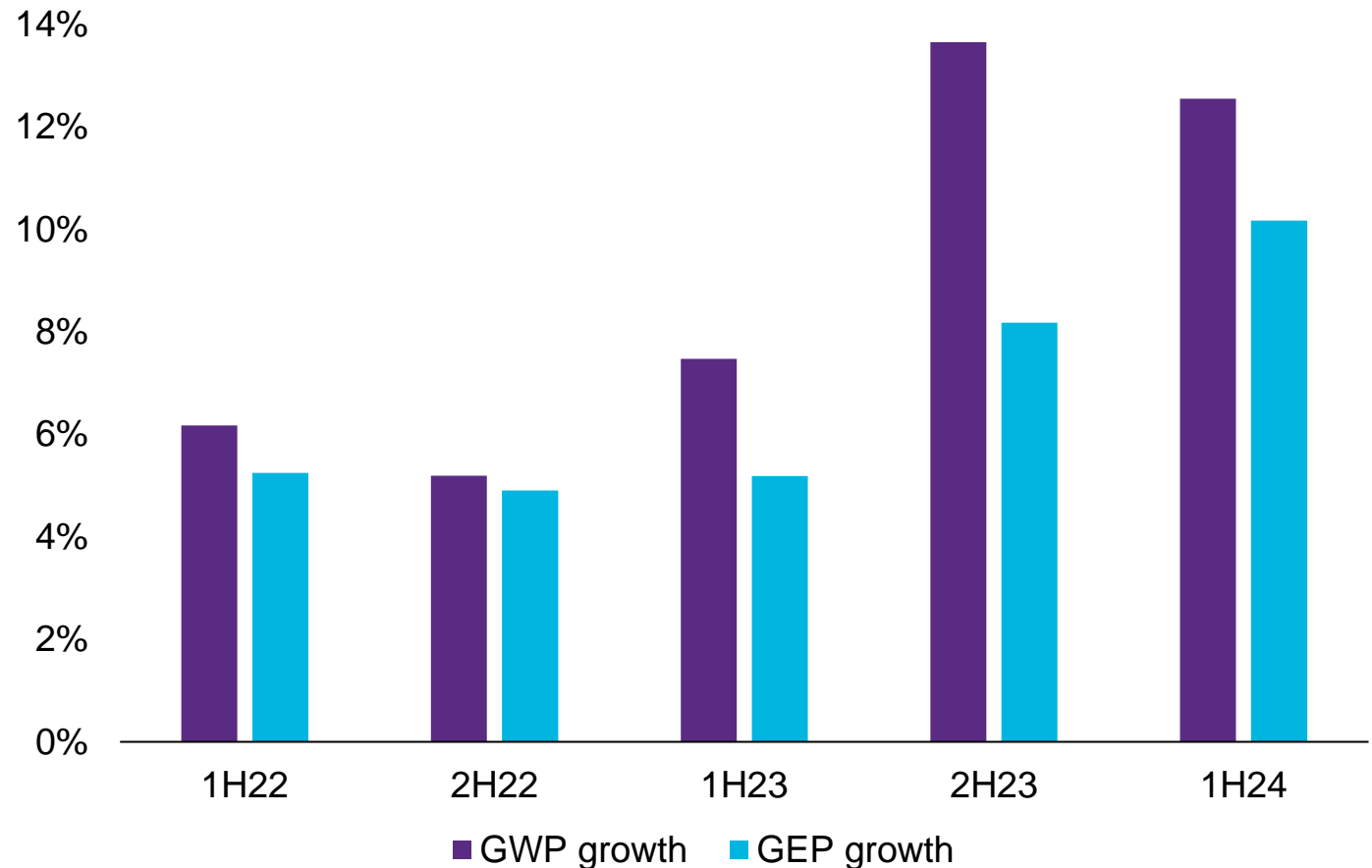
# Strong top-line growth

## Reported GWP growth of 12.5%:

- Strong premium increases reflecting claims inflation, higher reinsurance costs and increased perils allowance
- Strong retention rates across direct distribution
- Overall moderate volume reduction
  - Flat outcome in DIA
  - Slight reduction in New Zealand
  - IIA retention down following strict underwriting discipline

**Gross Earned Premium 1H24 growth 10.2%, expected to increase in 2H24**

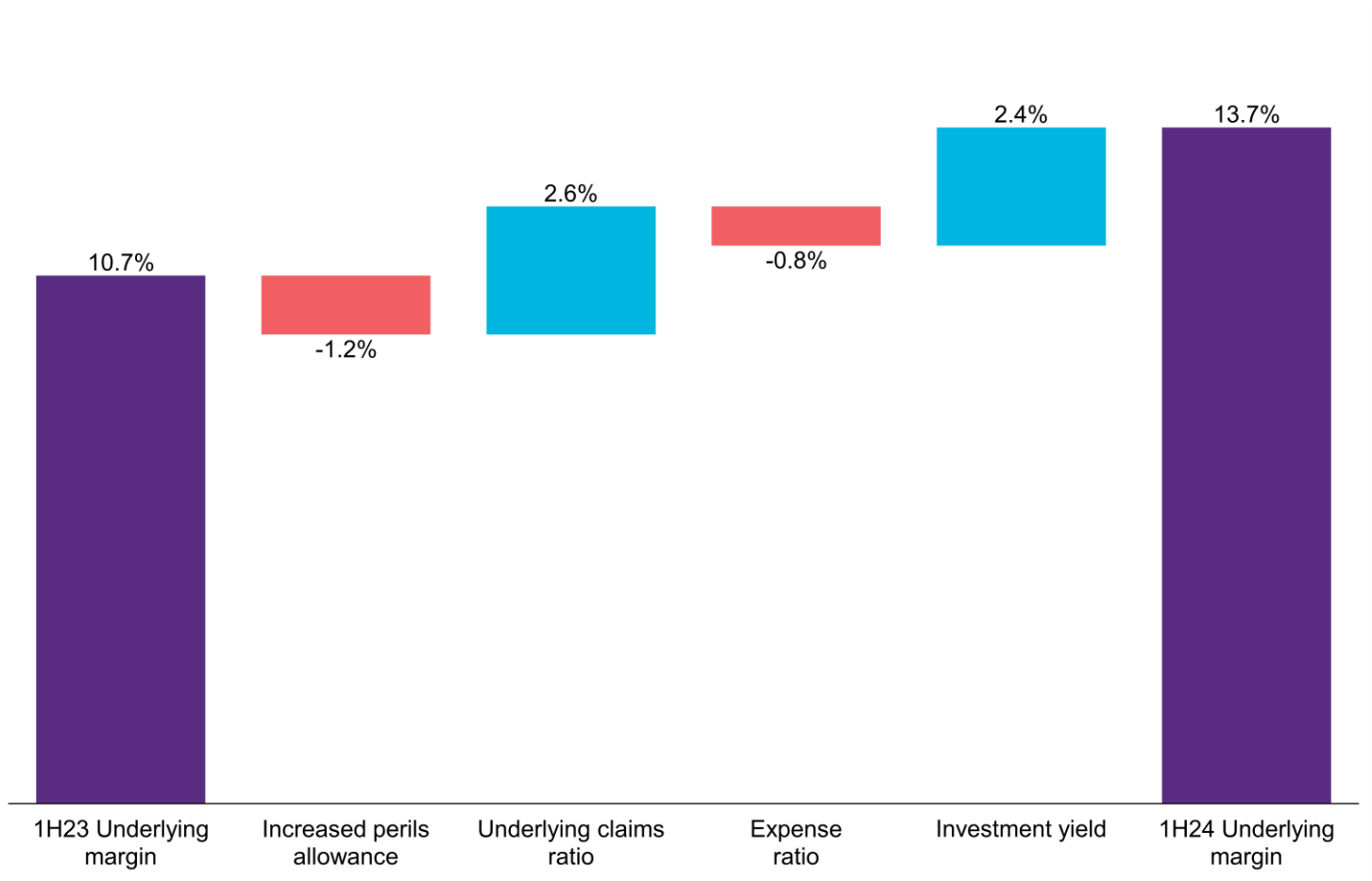
Group GWP vs GEP growth



# Underlying insurance margin

**Strong NEP growth of 9.3% drives improvement in underlying insurance margin to 13.7% (1H23: 10.7%):**

- Increased perils allowance to \$549m (1H23: \$454m)
- 260bps claims ratio improvement;
- Expense ratio increase to 23.7% (1H23: 22.9%), driven by higher levies and commissions
- Higher investment yield





# Improvement in underlying claims ratio

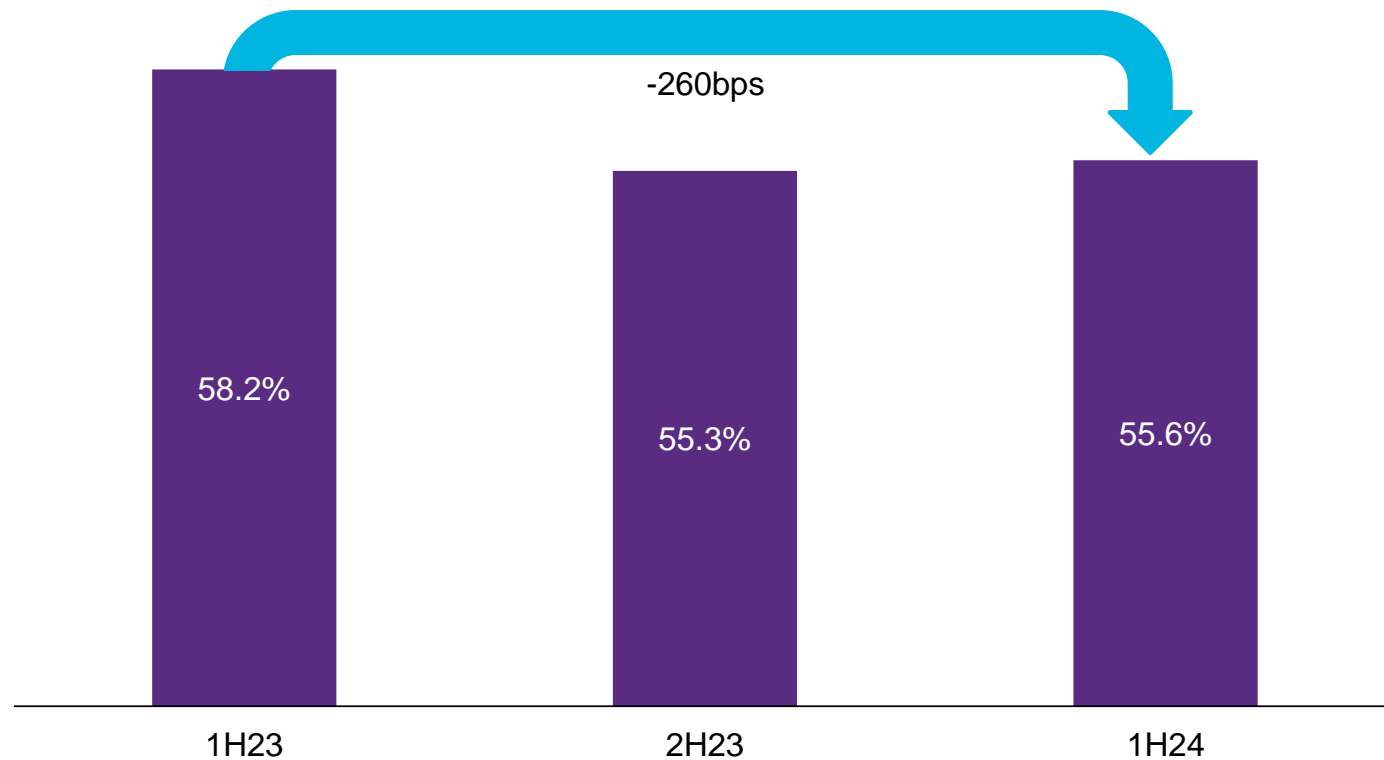
Rate increases implemented over the last year continuing to earn through

Decline in second-hand car prices and expanded network capacity assisting improvement in DIA

Portfolio management initiatives in IIA, partially offset by adverse large loss experience

Inflationary environment remains elevated in New Zealand, with signs this has stabilised in recent months

## Underlying claims ratio



# Strong reinsurance protection for calendar 2024

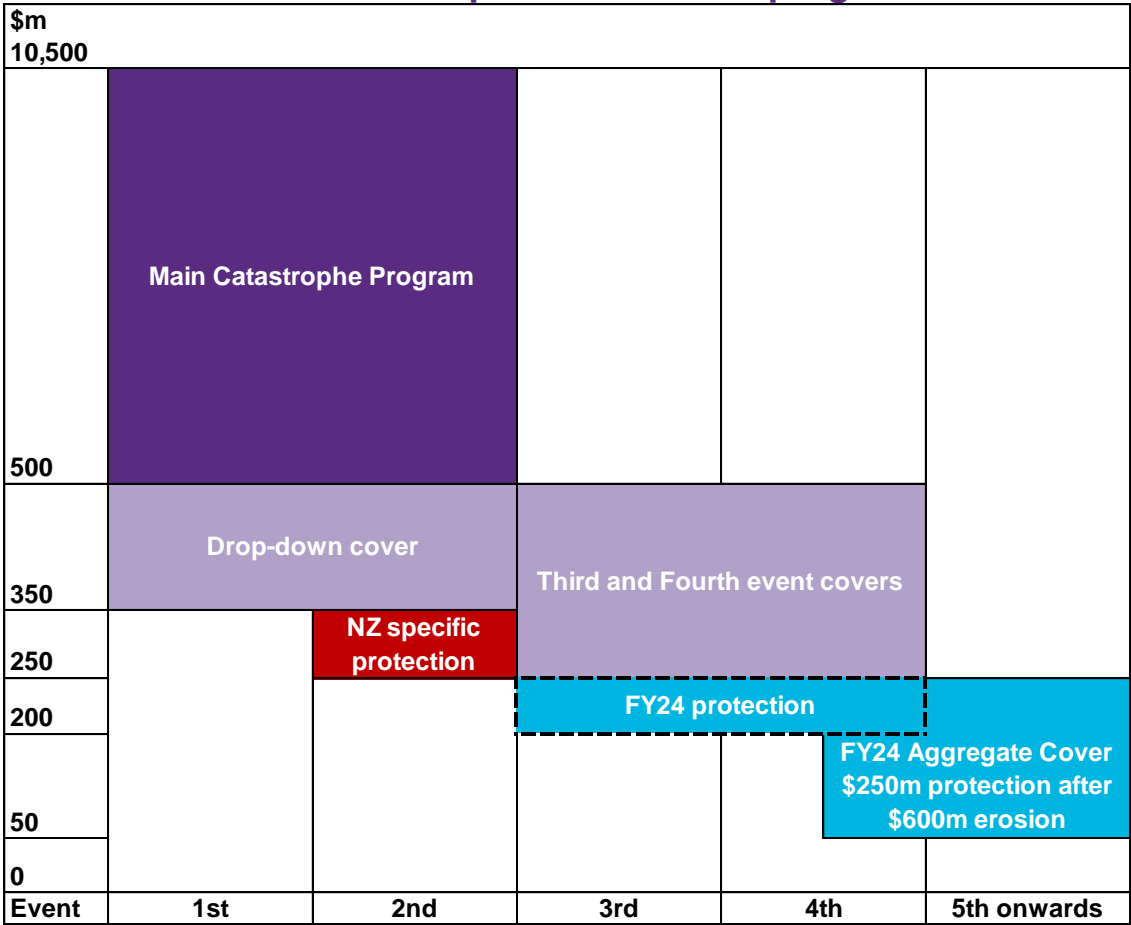
## 2024 catastrophe reinsurance program

- Greater reinsurance protection than originally anticipated
- Maximum event retention for first event of \$236m (67.5% of \$350m)

## FY24 reinsurance covers

- Third and fourth events at lower retention
- Aggregate cover deductible eroded by ~\$250m as at 31 December 2023

Gross catastrophe reinsurance program



# Favourable perils experience with revised FY24 allowance

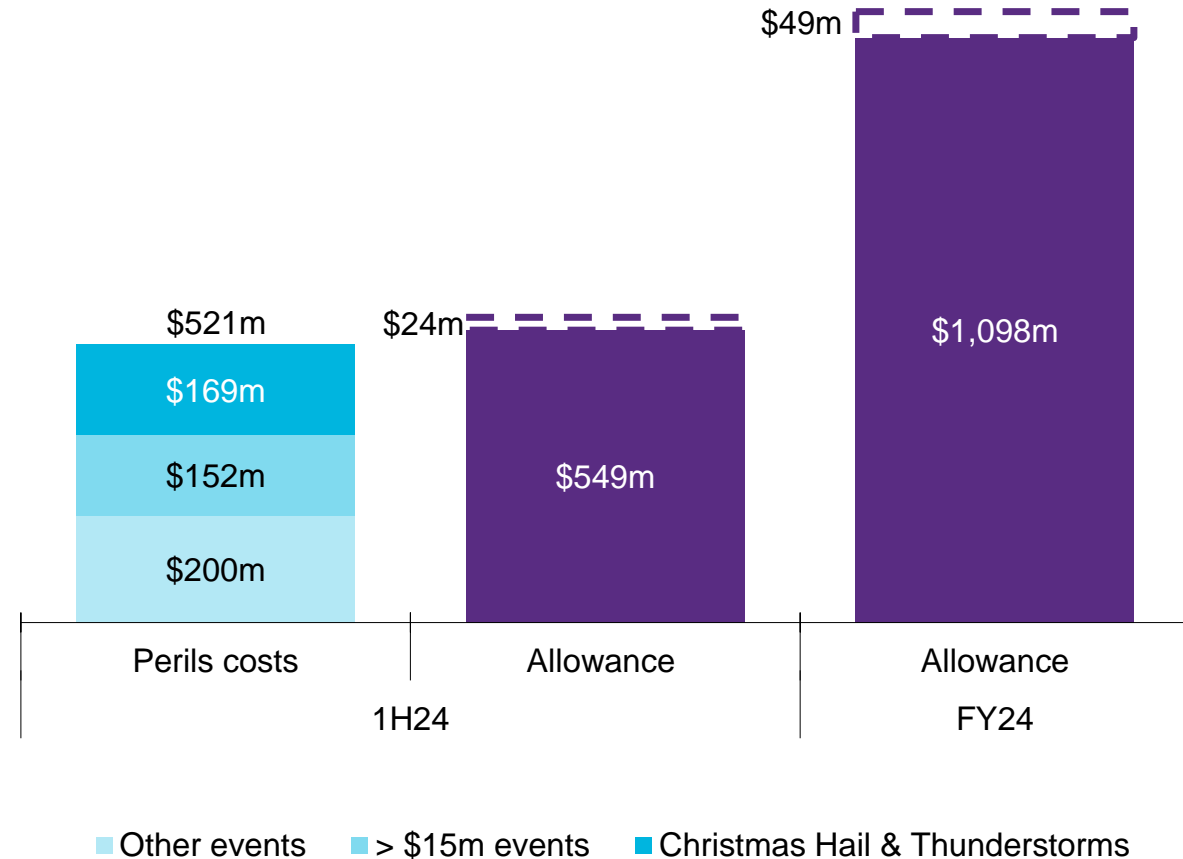
**\$521m net perils, \$28m below revised 1H24 allowance**

- Relatively benign until November, December storm and floods across East Coast of Australia
- Absence of large perils events in NZ

**FY24 allowance revised lower by \$49m**

- Reduced risk exposure – entry into Cyclone Reinsurance Pool
- Greater protection – additional 2024 catastrophe reinsurance

## Natural perils vs allowance



# Expenses

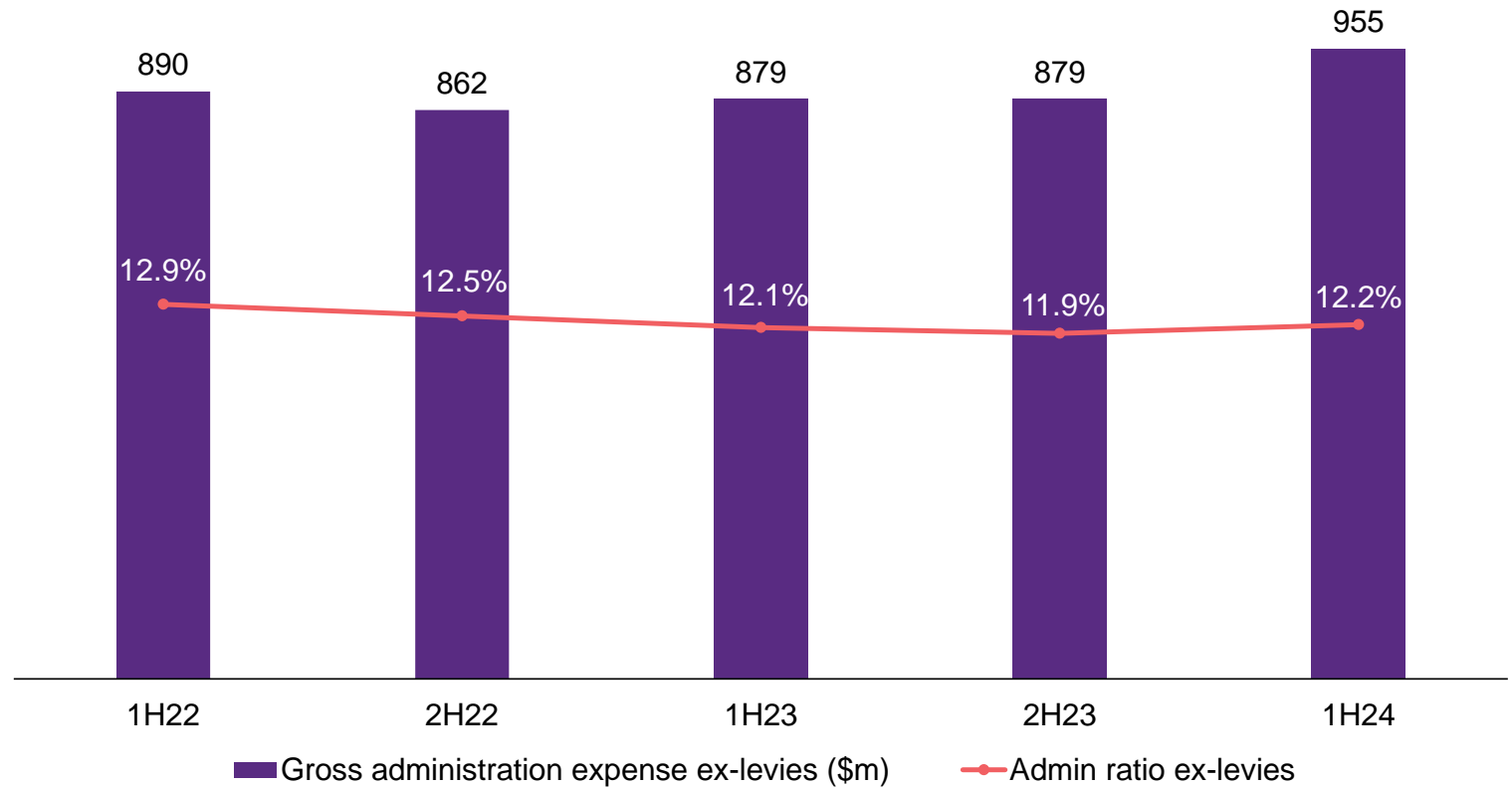
## 10bps increase in admin ratio ex-levies as we invest for the future

- Increased technology spend including associated amortisation
  - Enterprise Platform rollout
  - Commercial enablement in IIA
- Additional regulatory and compliance spend
- Ratio flat excluding the impact of one-off reinsurance reinstatement costs

## Expected reduction in ratio in 2H24 from level in 1H24

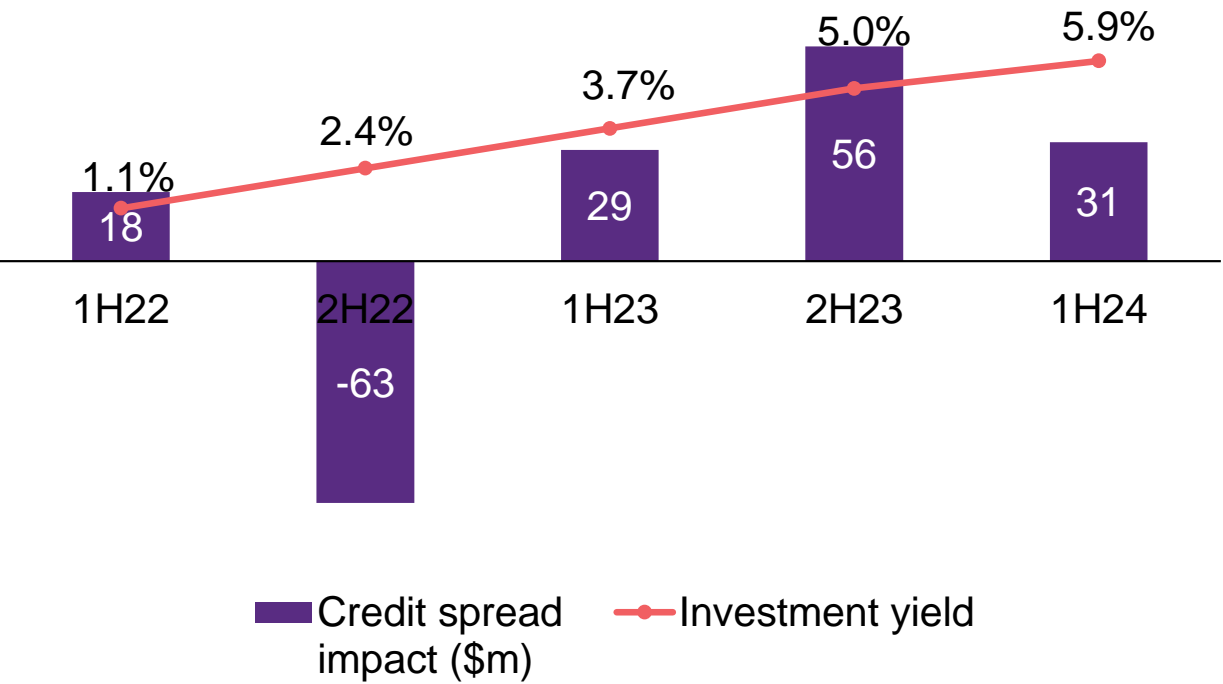
- Expenses growing proportionally less than NEP growth

## Administration expenses ex-levies



# Ongoing improvement in investment yields

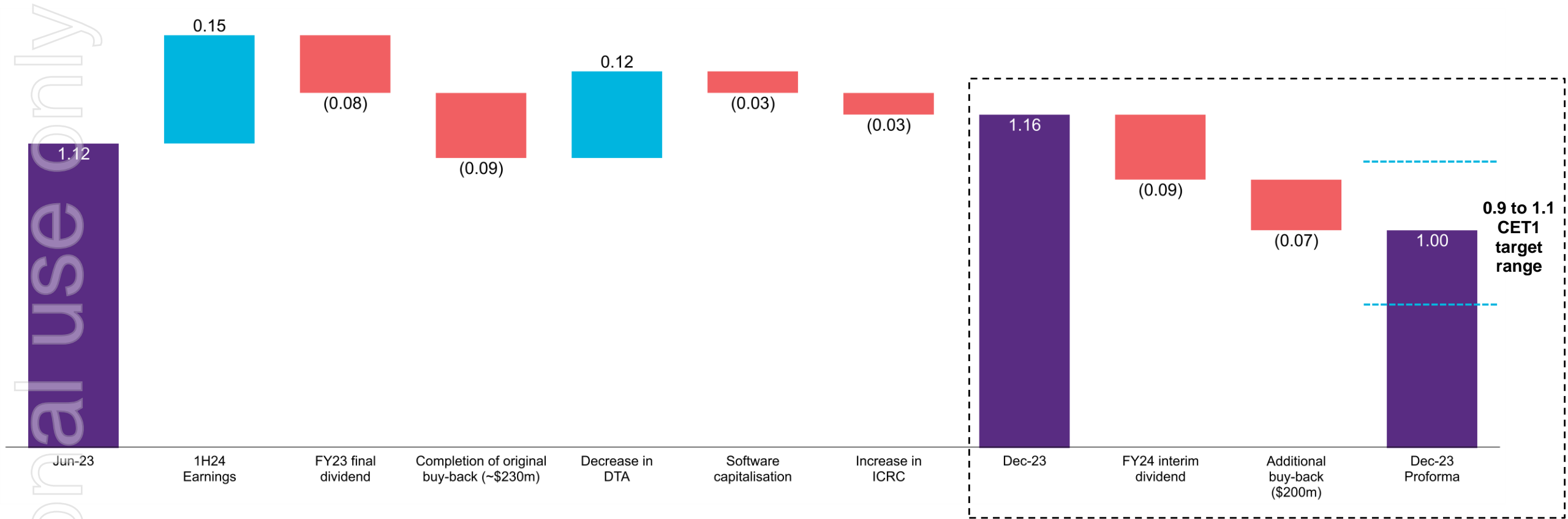
## Investment yield on technical reserves



## ~\$12.4bn Investment Portfolio

- \$7bn **technical reserves** invested in fixed interest & cash
- Gain of \$290m driven by the higher investment yield and narrowing of credit spreads
  - ~220bps investment yield improvement in 1H24 (5.9%) vs 1H23 (3.7%)
- \$5.4bn **shareholders' funds** with growth asset weighting of ~24%
- Gain of \$147m with positive performance across both growth and defensive assets

# Strong CET1 capital position





# Nick Hawkins

Chief Executive Officer

Closing





# FY24 guidance<sup>1</sup>

GWP growth of ‘low double digit’  
Reported insurance margin of 13.5% to 15.5%

	%	\$
FY24 Underlying insurance margin drivers		
<ul style="list-style-type: none"><li>• Net Earned Premium growth</li><li>• Stable claims inflation</li><li>• Strong investment income</li><li>• Perils allowance of \$1,098m</li></ul>		
FY24 Reported margin/insurance profit	13.5 to 15.5	1,200m to 1,450m

<sup>1</sup> Refer to Appendix 1 for further details on IAG's FY24 Guidance, aspirational goals and ambitions. Also refer to the Important Information disclaimer on page 2.

# Strategic Focus

Purpose		Strategy		People			
We make your world a safer place		Create a stronger, more resilient IAG		Our people are the difference: bringing our purpose to life and delivering our strategy			
Focus		Approach		Ambitions <sup>1</sup>		Aspirational goals <sup>1</sup>	
	Grow with our customers	Deliver outstanding personalised service when our customers need us the most	»	• 1m additional direct customers	»	<div>15% Insurance Margin</div> <div>13-14% ROE</div> <div>(on a 'through the cycle' basis)</div>	
	Build better businesses	Focus on underwriting expertise, active portfolio management and pricing excellence	»	• \$250m IIA insurance profit in FY24 • Reducing expense ratio	»		
	Create value through digital	Create connected experiences that seamlessly assist and reward our customers as they unlock the value of our network	»	• \$400m value from DIA claims and supply chain cost reductions on a run-rate basis from FY26 • Common core insurance platform for personal lines across Australia and NZ	»		
	Manage our risks	Actively manage risk and capital in our business so we can continue to manage the risks in our customers' lives	»	• Accelerate risk maturity to Integrated	»		

1. These ambitions and aspirational 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. Refer to the Important Information disclaimer on page 2 of this presentation for further detail



# Financial Results

Half year ended 31 December 2023

16 February 2024

Results Presentation | 16 February 2024

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# Appendix 1: FY24 Guidance and Outlook

IAG's financial performance in the first six months of FY24 and confidence in the strength of its underlying business is reflected in FY24 guidance which remains:

- GWP growth of 'low double digits'. This will be primarily rate driven to cover claims inflation, higher reinsurance costs and an increased natural peril allowance; and
- Reported insurance margin guidance of 13.5% to 15.5% which assumes:
  - Continued momentum in the underlying performance of IAG's businesses, supported by increased investment yields;
  - A revised natural peril expectation of \$1,098 million;
  - No material prior period reserve releases or strengthening for the second half of FY24; and
  - No material movement in macro-economic conditions including foreign exchange rates or investment markets.

Following the 13.7% reported insurance margin recorded in 1H24, which included the impact of prior period reserve development and additional reinsurance reinstatement costs, IAG expects an improved second half which will benefit from the earn-through of the strong GWP growth.

The FY24 guidance aligns to IAG's aspirational goals to deliver a 15% insurance margin and a reported ROE of 13% to 14% on a 'through the cycle' basis. As previously outlined, IAG also has ambitions of:

- One million additional direct customers;
- An IIA insurance profit of at least \$250 million in FY24;
- \$400 million in value from DIA claims and supply chain cost reductions on a run-rate basis from FY26; and
- Further simplification and efficiencies to reduce the Group's administration ratio.

These goals and ambitions 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 the FY24 guidance. Refer to the Important Information disclaimer on page 2 of this presentation for further detail.



# Appendix 2: Group Profit & Loss

GROUP RESULTS	1H23 A\$m	2H23 A\$m	1H24 A\$m
<b>Gross written premium</b>	<b>7,061</b>	<b>7,668</b>	<b>7,947</b>
Gross earned premium	6,853	6,985	7,550
Reinsurance expense	(2,740)	(2,772)	(3,054)
<b>Net earned premium</b>	<b>4,113</b>	<b>4,213</b>	<b>4,496</b>
Net claims expense	(2,911)	(2,955)	(3,108)
Commission expense	(366)	(394)	(418)
Administration expense	(575)	(593)	(646)
<b>Underwriting profit/(loss)</b>	<b>261</b>	<b>271</b>	<b>324</b>
Investment income on technical reserves	89	182	290
<b>Insurance profit/(loss)</b>	<b>350</b>	<b>453</b>	<b>614</b>
Net corporate expense	353	184	(7)
Interest	(64)	(81)	(85)
Profit/(loss) from fee-based business	(14)	(23)	(12)
Share of profit/(loss) from associates	(8)	(5)	-
Investment income on shareholders' funds	72	140	147
<b>Profit/(loss) before income tax and amortisation</b>	<b>689</b>	<b>668</b>	<b>657</b>
Income tax expense	(213)	(216)	(201)
<b>Profit/(loss) after income tax (before amortisation)</b>	<b>476</b>	<b>452</b>	<b>456</b>
Non-controlling interests	(6)	(87)	(46)
<b>Profit/(loss) after income tax and non-controlling interests (before amortisation)</b>	<b>470</b>	<b>365</b>	<b>410</b>
Amortisation and impairment	(2)	(1)	(3)
<b>Profit/(loss) attributable to IAG shareholders</b>	<b>468</b>	<b>364</b>	<b>407</b>

# Appendix 3: Group Insurance Ratios

Insurance Ratios	1H23	2H23	1H24
Loss ratio	70.8%	70.1%	69.1%
Immunised loss ratio	72.1%	71.2%	68.5%
Expense ratio	22.9%	23.5%	23.7%
Commission ratio	8.9%	9.4%	9.3%
Administration ratio	14.0%	14.1%	14.4%
Combined ratio	93.7%	93.6%	92.8%
Immunised combined ratio	95.0%	94.7%	92.2%
<b>Reported insurance margin</b>	<b>8.5%</b>	<b>10.8%</b>	<b>13.7%</b>
<b>Underlying insurance margin</b>	<b>10.7%</b>	<b>14.6%</b>	<b>13.7%</b>

# Appendix 4: DIA Profit & Loss and Insurance Ratios

<b>DIRECT INSURANCE AUSTRALIA</b>	<b>1H23 A\$m</b>	<b>2H23 A\$m</b>	<b>1H24 A\$m</b>
<b>Gross written premium</b>	<b>3,219</b>	<b>3,421</b>	<b>3,647</b>
Gross earned premium	3,097	3,190	3,439
Reinsurance expense	(1,223)	(1,266)	(1,349)
<b>Net earned premium</b>	<b>1,874</b>	<b>1,924</b>	<b>2,090</b>
Net claims expense	(1,443)	(1,300)	(1,605)
Commission expense	(61)	(65)	(76)
Administration expense	(255)	(284)	(301)
<b>Underwriting profit/(loss)</b>	<b>115</b>	<b>275</b>	<b>108</b>
Investment income on technical reserves	52	109	140
<b>Insurance profit/(loss)</b>	<b>167</b>	<b>384</b>	<b>248</b>
Profit/(loss) from fee-based business	(4)	(6)	(3)
Share of profit/(loss) from associates	(8)	(5)	-
<b>Total divisional result</b>	<b>155</b>	<b>373</b>	<b>245</b>
<b>Insurance Ratios</b>	<b>1H23</b>	<b>2H23</b>	<b>1H24</b>
Loss ratio	77.0%	67.6%	76.8%
Immunised loss ratio	78.0%	68.3%	76.4%
Expense ratio	16.9%	18.2%	18.0%
Commission ratio	3.3%	3.4%	3.6%
Administration ratio	13.6%	14.8%	14.4%
Combined ratio	93.9%	85.8%	94.8%
Immunised combined ratio	94.9%	86.5%	94.4%
Reported insurance margin	8.9%	20.0%	11.9%
Underlying insurance margin	13.2%	18.2%	15.9%

# Appendix 5: IIA Profit & Loss and Insurance Ratios

INTERMEDIATED INSURANCE AUSTRALIA	1H23 A\$m	2H23 A\$m	1H24 A\$m
<b>Gross written premium</b>	<b>2,303</b>	<b>2,502</b>	<b>2,436</b>
Gross earned premium	2,270	2,221	2,402
Reinsurance expense	(923)	(863)	(977)
<b>Net earned premium</b>	<b>1,347</b>	<b>1,358</b>	<b>1,425</b>
Net claims expense	(916)	(834)	(933)
Commission expense	(206)	(222)	(229)
Administration expense	(207)	(197)	(224)
<b>Underwriting profit/(loss)</b>	<b>18</b>	<b>105</b>	<b>39</b>
Investment income on technical reserves	31	55	123
<b>Insurance profit/(loss)</b>	<b>49</b>	<b>160</b>	<b>162</b>
Profit/(loss) from fee-based business	(1)	(8)	(3)
<b>Total divisional result</b>	<b>48</b>	<b>152</b>	<b>159</b>
<b>Insurance Ratios</b>	<b>1H23</b>	<b>2H23</b>	<b>1H24</b>
Loss ratio	68.0%	61.4%	65.5%
Immunised loss ratio	70.2%	63.5%	64.3%
Expense ratio	30.7%	30.8%	31.8%
Commission ratio	15.3%	16.3%	16.1%
Administration ratio	15.4%	14.5%	15.7%
Combined ratio	98.7%	92.2%	97.3%
Immunised combined ratio	100.9%	94.3%	96.1%
Reported insurance margin	3.6%	11.8%	11.4%
Underlying insurance margin	5.7%	9.8%	9.5%

# Appendix 6: NZ Profit & Loss and Insurance Ratios

NEW ZEALAND	1H23 A\$m	2H23 A\$m	1H24 A\$m
<b>Gross written premium</b>	<b>1,539</b>	<b>1,745</b>	<b>1,864</b>
Gross earned premium	1,486	1,574	1,709
Reinsurance expense	(593)	(643)	(728)
<b>Net earned premium</b>	<b>893</b>	<b>931</b>	<b>981</b>
Net claims expense	(551)	(822)	(570)
Commission expense	(99)	(107)	(113)
Administration expense	(113)	(112)	(121)
<b>Underwriting profit/(loss)</b>	<b>130</b>	<b>(110)</b>	<b>177</b>
Investment income on technical reserves	6	18	27
<b>Insurance profit/(loss)</b>	<b>136</b>	<b>(92)</b>	<b>204</b>
<b>Insurance Ratios</b>	<b>1H23</b>	<b>2H23</b>	<b>1H24</b>
Loss ratio	61.7%	88.3%	58.1%
Immunised loss ratio	62.4%	88.4%	57.9%
Expense ratio	23.8%	23.5%	23.8%
Commission ratio	11.1%	11.5%	11.5%
Administration ratio	12.7%	12.0%	12.3%
Combined ratio	85.5%	111.8%	81.9%
Immunised combined ratio	86.2%	111.9%	81.7%
Reported insurance margin	15.2%	(9.9%)	20.8%
Underlying insurance margin	13.2%	13.8%	14.9%