



## IAG is the parent company of a general insurance group with controlled operations in Australia and New Zealand

It is listed on the Australian Securities Exchange (ASX) with ordinary shares trading under the ticker “IAG.” References in the remainder of this profile to IAG and to “the Group” are to IAG and its subsidiaries on a consolidated basis. Financial data for the 12-month period ended 30 June 2020 and a more comprehensive review of IAG and its operations is contained in the 2020 annual report and the FY20 Investor Report dated 7 August 2020. The IAG FY20 Investor Report is available in the Results & Reports section of the Group’s website ([www.iag.com.au](http://www.iag.com.au)).

IAG’s current businesses underwrite \$12 billion of gross written premium (“GWP”) per annum, selling insurance under many leading and established brands in Australia and New Zealand. IAG also has an interest in a general insurance joint venture in Malaysia.

### Brief history

From its beginnings as a motor vehicle insurer in New South Wales (“NSW”), Australia, IAG has grown to become a general insurance group diversified by product, distribution channel and geography.

The Group’s heritage dates back to 1920 when the National Roads and Motorists’ Association (“NRMA”) was established and subsequently offered motor insurance to its members. Following demutualisation in 2000, the insurance arm of NRMA was listed on the ASX as NRMA Insurance Group Limited, and renamed Insurance Australia Group Limited in 2002.

The Group grew organically and through acquisitions primarily in its home market of Australia, and in New Zealand.

### Purpose & Strategy

IAG’s purpose is **to make your world a safer place**: IAG’s purpose means that whether you are a customer, partner, employee, shareholder or part of the communities the company serves, IAG exists to ‘make your world a safer place’.

IAG believes its purpose will enable it to become a more sustainable business over the long term and deliver stronger and more consistent returns for its shareholders.

Helping customers manage risk has been IAG’s business for over 160 years, forming the heart of IAG’s Purpose, to make your world a safer place.

COVID-19 materially disrupted local and global markets and the lives of customers in 2020. In these uncertain times, IAG's Purpose is more important than ever and guides IAG's ambition to serve every Australian and New Zealander. Achieving this ambition requires being Purpose-led, customer focused and commercially disciplined.

Through IAG's investment in customer experience, simplification and agility over the last five years, it is well positioned for the future. IAG's trusted brands, supply chain scale, deep data assets and financial strength are key attributes, providing competitive advantage.

IAG's long-term objective remains: the delivery of top quartile Total Shareholder Return, with a sustainable growth profile. To realise this, IAG has reset its strategy to 'create a stronger, more resilient IAG'. IAG is driving focus, adapting its business model and playing to its strengths to capitalise on trends shaping the operating environment.

Four strategic pillars provide focus, inform IAG's new operating model and underpin IAG's three to five year strategy:

### **Grow with our customers**

- IAG will grow as Australians and New Zealanders grow by delivering unparalleled personalised service when customers need it most;
- IAG will focus the strength of its brands to meet the evolving needs of consumers and enable the next wave of growth in small businesses across Australia and New Zealand; and
- IAG will increase its customer reach to make the world safer for more Australians and New Zealanders.

### **Build better businesses**

- IAG will help Australian and New Zealand businesses thrive by continuing to focus on underwriting expertise, active portfolio management and pricing excellence; supporting strong economies in its home markets; and
- IAG will evolve by investing in its core competencies, delivering consistent high-quality returns to shareholders and enhancing its competitive advantage.

### **Create value through digital**

- IAG will be digital to the core by creating connected customer experiences that seamlessly assist and reward customers as they unlock the value of IAG's network; and
- IAG will transform customer experience while re-architecting core platforms and using intelligent automation to capture value.

### **Manage our risks**

- IAG will manage the risks in its own business so that it can continue to manage the risks in its customers' lives, by building a strong, active risk culture and meeting its obligations to the communities it serves;
- IAG will invest in process, capability, infrastructure and operational excellence to create a stable, scalable and efficient business; and
- IAG will continue to be innovative and strengthen its capital platform, ensuring its customers are appropriately supported by its financial strength.
- IAG's strategy balances strengthening the fundamentals of insurance while evolving to be a digital leader. It will ensure IAG is a stronger, more resilient organisation with increased customer reach.

# Our strategy

Create a stronger, more resilient IAG



## Strategy pillars

 <b>Grow with our customers</b>	We will grow as Australians and New Zealanders grow, delivering unparalleled personalised service when our customers need us the most	<ul style="list-style-type: none"><li>• Grow the number of direct personal lines customers</li><li>• Increase the breadth of customer relationships</li><li>• Drive engagement through more frequent customer interactions</li></ul>
 <b>Build better businesses</b>	We will help Australian and New Zealand businesses thrive by continuing to focus on underwriting expertise, active portfolio management and pricing excellence	<ul style="list-style-type: none"><li>• Invest in underwriting and pricing capability uplift</li><li>• Build commercial discipline, reduce volatility and improve margins</li><li>• Strengthen relationships with our key partners and intermediaries</li></ul>
 <b>Create value through digital</b>	We will be digital to the core by creating connected experiences that seamlessly assist and reward our customers as they unlock the value of our network	<ul style="list-style-type: none"><li>• Accelerate digital, making it easier for our customers, partners and people to interact with us</li><li>• Modernise our policy administration systems</li><li>• Use automation to unlock the next wave of efficiency in our business</li></ul>
 <b>Manage our risks</b>	We will actively manage capital and risk in our business so we can continue to manage the risks in our customers' lives	<ul style="list-style-type: none"><li>• Clear accountabilities driving focused outcomes</li><li>• Drive a proactive risk culture to increase organisational resilience</li><li>• Active management of the balance sheet and capital allocation</li></ul>

## Financial targets

IAG targets a cash ROE of at least 1.5 times its weighted average cost of capital (WACC) on a through-the-cycle basis. This return is based on net profit after tax attributable to IAG shareholders, adjusted for amortisation and impairment of acquired identified intangibles and unusual items.

IAG's current long-term cost of capital is approximately 8%, equating to a cash ROE target of approximately 12-13%. The reported margin of 15-17% is required to generate this cash ROE target.

## Business operations and brands

IAG is the name behind some of the most trusted and respected insurance brands in the countries in which it operates. The Group's businesses are aligned around customers, brands and markets.



100%-owned unless indicated (all ownership percentages are as at 30 June 2020).

1. IAG's short tail personal insurance products are distributed in Victoria under the RACV brand, via a distribution relationship and underwriting joint venture with RACV. These products are distributed by RACV and manufactured by Insurance Manufacturers of Australia Pty Limited (IMA), which is 70% owned by IAG and 30% by RACV.
2. IAG owns 100% of Insurance Australia Limited (IAL), the underwriter of general insurance products under the Coles Insurance brand. These products are distributed by Coles under an Authorised Representative Agreement with IAL.
3. IAG owns 49% of the general insurance arm of Malaysia-based AmBank Group, AmGeneral Holdings Berhad (AmGeneral), which trades under the AmAssurance and Kurnia brands.

## Business structure

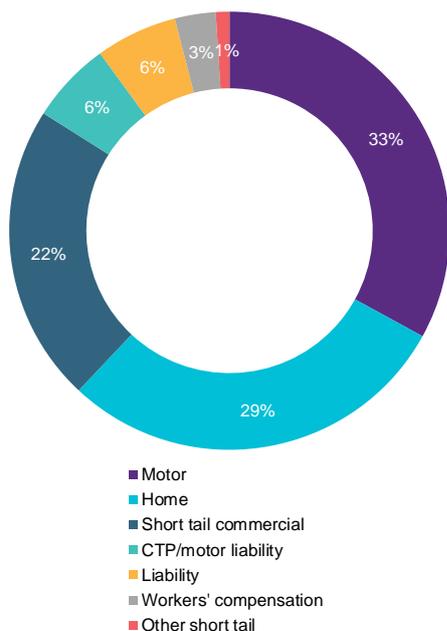
In **Australia**, IAG is the largest personal lines insurer, offering short tail motor and home products across the country under a range of brands, as well as long tail Compulsory Third Party insurance (CTP) offerings in NSW, the Australian Capital Territory and South Australia. IAG also sells a range of commercial insurance products across Australia, with a strong small-to-medium enterprise emphasis, and a leading market share in rural areas. The Australian business operates as Direct Insurance Australia and Intermediated Insurance Australia.

In **New Zealand**, IAG is the leading general insurance provider across both the direct and intermediated channels. Insurance products are sold directly to customers, and through intermediaries (insurance brokers and authorised representatives). Personal lines and commercial products are also distributed under third party brands by IAG's corporate partners, including large financial institutions.

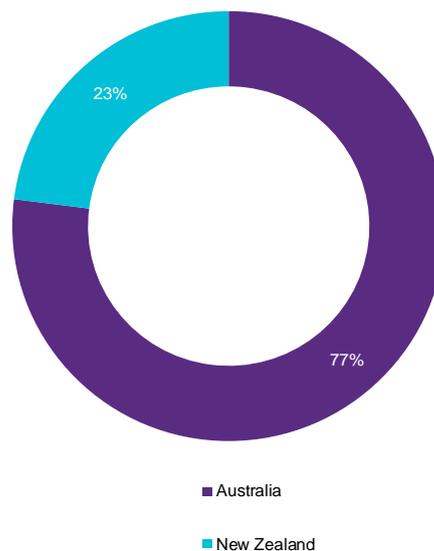
## Business portfolio

IAG's business portfolio comprises leading and established brands across its home markets of Australia and New Zealand. Exposure to concentrations of insurance risk is mitigated by a portfolio diversified into many classes of business and by the use of reinsurance.

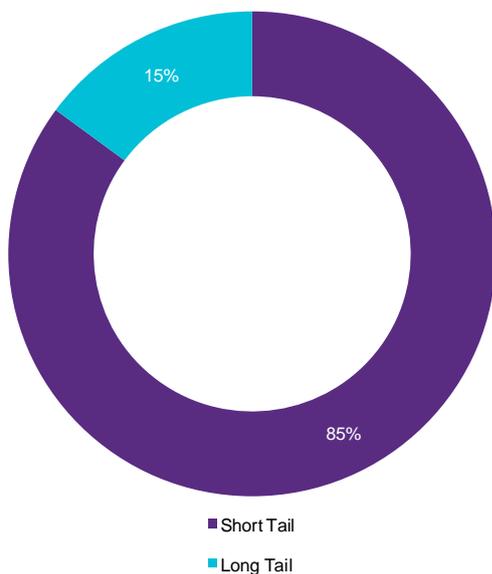
**GWP by product – FY20**



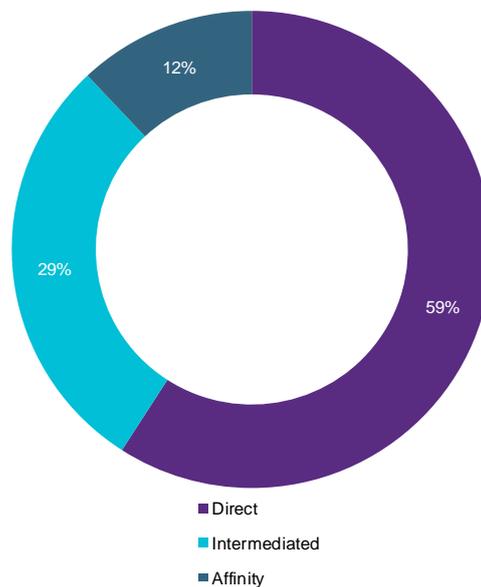
**GWP by business – FY20**



**GWP by tail – FY20**



**GPW by Channel – FY20**



## Asia

IAG's focus is on its core Australian and New Zealand businesses. As a consequence, IAG continues to weigh up options for its remaining Asian general insurance interests, including divestments where appropriate. IAG's remaining Asian interests are a 49% interest in AmGeneral Holdings Berhad in Malaysia, a 80.4% interest in AAA Assurance Corporation in Vietnam and a 16.9% interest in Bohai Property Insurance Company Ltd in China.

## Business risk and risk management

Managing risk is central to the sustainability of IAG's business, its purpose and delivery of value to stakeholders, IAG uses an enterprise approach to risk and its risk management framework is a core part of its governance structure. IAG's Risk Management Strategy is reviewed annually or as required by the Risk Committee before being recommended for approval by the Board.

IAG's Group Risk function provides regular reports to the Risk Committee on the operation of IAG's risk management framework, the status of key risks, risk and compliance incidents and risk framework changes. IAG's Internal Audit function provides reports to the Audit Committee on significant audit findings and other audit related matters.

Further details of IAG's overall risk management framework, which is outlined in its Risk Management Strategy, are set out in the 2020 corporate governance report, which is available online at <https://www.iag.com.au/sites/default/files/Documents/Results%20%26%20reports/2020-Corporate-Governance-Statement.pdf> and in the Business Risk and Risk Management section of the IAG annual report for the year ended 30 June 2020.

## Investments

The Group's investments totalled \$10.1 billion as at 30 June 2020, excluding investments held in joint ventures and associates, with 57% represented by the technical reserves portfolio (\$5.8 billion) and the balance in shareholders' funds.

The technical reserves portfolio supports associated insurance liabilities and is invested entirely in fixed interest and cash. The shareholders' funds portfolio represents the free float of the Group and at 30 June 2020 this contained a growth assets weighting of 25%, with the balance invested in fixed interest and cash.

## Capital management

As an entity regulated by the Australian Prudential Regulation Authority ("APRA"), IAG maintains a capital base in compliance with prudential standards for general insurers based on APRA's Life and General Insurance Capital ("LAGIC") regulatory regime. IAG's capital position is aligned with the Group's risk appetite and is maintained in accordance with APRA's Prescribed Capital Amount ("PCA") and Prudential Capital Requirement (PCR) under LAGIC. IAG holds regulatory capital of \$4.1 billion at 30 June 2020. At that date, IAG's Common Equity Tier 1 (CET1) ratio was 1.23 times the PCA, compared to a targeted range of 0.9 to 1.1 times and a regulatory minimum requirement of 0.6 times. At 30 June 2020, IAG's PCA multiple was 1.97, versus a benchmark of 1.6-1.8. IAG increased its targeted PCA multiple range from 1.4-1.6 to 1.6-1.8 in FY20. This reflects reduced reliance on intercompany loans from Australian insurance subsidiaries to IAG's non-operating holding company, as required by APRA following the licence consolidation completed in 2017. IAG's reported PCA multiple has consistently met or exceeded the revised target range of 1.6-1.8 since the introduction of APRA's LAGIC regime at the beginning of calendar 2013.

## Reinsurance

Reinsurance is an important part of IAG's approach to capital management. Since 2015, IAG has increased its use of reinsurance capital via quota shares, with 32.5% of IAG's consolidated business now subject to quota share on a whole-of-account basis. The individual agreements deliver similar benefits and financial effects, on a pro rata basis, including reduced earnings volatility, as insurance risk is effectively exchanged for a more stable fee income stream, a lower requirement for catastrophe reinsurance and reduced exposure to volatility in associated premium rates, and a reduction in IAG's regulatory capital needs.

IAG's main catastrophe reinsurance program runs to a calendar year and operates on an excess of loss basis. It covers all territories in which IAG operates. IAG's 2021 catastrophe reinsurance program has gross reinsurance cover at up to \$10 billion, and is placed to the extent of 67.5%, after allowance for quota shares.

IAG also has a comprehensive suite of per risk and proportional reinsurances for property and casualty which protects it in all territories in which it underwrites. Where required by statute, unlimited cover is purchased where available and for other lines cover is placed up to the original underwriting limits for each class. Cover is also secured for potential accumulations within a class or between classes of business.

## Key relationships

### Global

#### Berkshire Hathaway

##### **BERKSHIRE HATHAWAY INC.**

Berkshire Hathaway Inc. is one of the largest listed companies in the world, by market capitalisation. It owns a diversified portfolio of businesses and investments, of which interests in the insurance and reinsurance industries form a significant part.

IAG has had a transactional relationship with Berkshire Hathaway since 2000, primarily in the area of reinsurance. That relationship has developed and deepened over the years.

In June 2015, IAG formed a strategic partnership with Berkshire Hathaway, in a logical development of the relationship between the two parties. It comprises:

- An exclusive operating relationship in Australia and New Zealand;
- A ten-year, 20% whole-of-account quota share arrangement, which commenced 1 July 2015; and
- A \$500m equity placement to Berkshire Hathaway, which represented approximately 3.7% of IAG's expanded issued capital at the point of issue in June 2015.

Benefits to IAG include the harnessing of complementary operating capabilities, reduced earnings volatility via the quota share and significant capital flexibility.

### Australia



#### **National Roads and motorists' Association Limited (NRMA)**

NRMA was established in 1920 and is a mutual organisation with over 2.6 million members. Until August 2000 it owned the NRMA Insurance business. At that time NRMA and its members received IAG shares as consideration for the NRMA Insurance business to demutualise. The NRMA Insurance business now forms a large part of IAG's Australian operations.

Under the terms of the demutualisation agreements, NRMA and IAG co-own the NRMA brand, with the respective parties having the following exclusive rights to its use:

- NRMA – roadside assistance and other motoring services (except smash repairs), motoring products, transportation and travel.
- IAG (NRMA Insurance) – insurance and financial services and any other good or service not specifically reserved for NRMA.

In addition, both parties cannot, under any brand, carry out activities engaged in by the other at the point of demutualisation.

IAG continues to provide certain services to NRMA, notably those in respect of the NRMA branch network which is operated and managed by IAG. NRMA started selling NRMA Insurance’s motor insurance products as a distributor in 2016, and in December 2019 it became an Authorised Representative enabling it to market NRMA Insurance products to its members and customers.

The two organisations retain a strong and closely aligned relationship, with a focus on delivering a consistent NRMA brand customer experience.



### **Royal Automobile Club of Victoria (RACV)**

RACV is a mutual organisation founded in 1903. It provides a diverse range of services to 2.2 million members. These services include: insurance; finance; emergency roadside and home assistance; general mobility, road safety and vehicle design advocacy; and leisure, which includes club and resorts, touring and travel products and services.

IAG’s short tail personal insurance products are distributed in Victoria under the RACV brand, via a distribution relationship and underwriting joint venture with RACV established in 1999. These products are distributed by RACV and manufactured by Insurance Manufacturers of Australia Pty Limited (IMA), which is owned 70% by IAG and 30% by RACV.

If one of IMA’s shareholders experiences a change of control, the other has a pre-emptive right to acquire that shareholder’s interest at fair market value. The duration of the arrangements governing RACV’s distribution of RACV-branded products in Victoria would be a relevant factor in determining this market value, as would the duration of the arrangements governing IMA’s reinsurance of NRMA Insurance-branded products in NSW and the ACT.

### **Asia**



### **Ambank Group**

Established in August 1975, AmBank Group is the sixth largest banking group in Malaysia. The Group comprises AMMB Holdings Berhad, a public listed company on the Main Board of Bursa Malaysia. The Group offers a comprehensive range of both conventional and Islamic financial solutions through its retail banking, business banking, wholesale banking, general insurance, life insurance and family takaful businesses.

IAG has a general insurance joint venture in Malaysia with AmBank Group, AmGeneral Holdings Berhad (AmGeneral), which was established in 2006. AmBank Group owns 51% of AmGeneral and IAG 49%. AmGeneral is a leading motor insurer and among the largest general insurers in Malaysia based on GWP. Together with AmBank, a full range of insurance products and services is offered through all customer touchpoints and channels.

### Group Leadership Team

- **Nick Hawkins**, Managing Director and Chief Executive Officer
- **Julie Batch**, Group Executive, Direct Insurance Australia
- **Peter Horton**, Group General Counsel & Company Secretary
- **Michelle McPherson**, Chief Financial Officer
- **Neil Morgan**, Chief Operating Officer
- **Craig Olsen**, Chief Executive, New Zealand
- **Christine Stasi**, Group Executive, People, Performance & Reputation
- **David Watts**, Chief Risk Officer
- **Amanda Whiting**, Acting Group Executive, Intermediated Insurance Australia

### Board of Directors

- **Elizabeth Bryan AM**, Chairman and Non-executive Director
- **Simon Allen**, Non-executive Director
- **Duncan Boyle**, Non-executive Director
- **Jon Nicholson**, Non-executive Director
- **Helen Nugent AO**, Non-executive Director
- **Sheila McGregor**, Non-executive Director
- **Tom Pockett**, Non-executive Director
- **George Savvides AM**, Non-executive Director
- **Michelle Tredenick**, Non-executive Director
- **Nick Hawkins**, Managing Director and Chief Executive Officer

### More information

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