



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 2021 and a more comprehensive review of IAG and its operations is contained in the 2021 annual report and the FY21 Investor Report dated 11 August 2021. The IAG FY21 Investor Report is available in the Results & Reports section of the Group’s website (www.iag.com.au).

IAG’s current businesses underwrite over \$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, but on 19 July it announced the potential sale of its interest and the sale is expected to complete during IAG’s financial year ending 30 June 2022.

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.

It dates its direct heritage 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.

Through its individual businesses, IAG has helped customers manage risk for over 160 years, forming the heart of IAG’s Purpose, to make your world a safer place.

IAG’s investment in customer experience, simplification and agility over the last five years means it is well-positioned for the future. IAG’s trusted brands, supply chain scale, deep data assets and financial strength are key attributes that provide 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 to customers when they 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

 Grow with our customers	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">• Grow the number of direct personal lines customers• Increase the breadth of customer relationships• Drive engagement through more frequent customer interactions
 Build better businesses	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">• Invest in underwriting and pricing capability uplift• Build commercial discipline, reduce volatility and improve margins• Strengthen relationships with our key partners and intermediaries
 Create value through digital	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">• Accelerate digital, making it easier for our customers, partners and people to interact with us• Modernise our policy administration systems• Use automation to unlock the next wave of efficiency in our business
 Manage our risks	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">• Clear accountabilities driving focused outcomes• Drive a proactive risk culture to increase organisational resilience• Active management of the balance sheet and capital allocation

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%. A reported insurance 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 2021).

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. (See Asia section below)

Business structure

In November 2020, IAG announced that its Australia Division would be split into Direct Insurance Australia and Intermediated Insurance Australia, effective immediately.

The new operating model provides greater clarity on roles and responsibilities and is more aligned to IAG's brands and customer propositions. IAG has reported separate results for the two new divisions as part of the FY21 result, with comparative results restated accordingly.

Direct Insurance Australia is the largest division in IAG and plays an integral role in growing with our customers by increasing customer reach and delivering personalised, digitally-enabled services.

Direct Insurance Australia holds the largest market share in direct personal insurance in Australia, with products sold under multiple leading brands including NRMA Insurance, RACV, SGIO and SGIC. The business also provides insurance to small-to-medium enterprises on a direct basis, and regards this as a significant growth opportunity.

Direct Insurance Australia has consistently produced strong financial returns, reinforcing the strength and resilience of the franchise and for FY21, accounted for 46% of IAG's gross written premium.

Intermediated Insurance Australia is a leading provider of general insurance products sold through a network of intermediaries to businesses and individuals across Australia. Commercial insurance is sold under the CGU and WFI brands, with a significant share of the small-to-medium enterprise market and a leading presence in rural areas.

Intermediated Insurance Australia also provides personal insurance primarily through broker and partner channels, including brands such as Coles and a number of affinity and financial institution partnerships.

Improving the level and consistency of Intermediated Insurance Australia's profitability is a key element of IAG's strategy to build better businesses.

For FY21, Intermediated Insurance Australia accounted for 32% of IAG's gross written premium.

IAG is the largest general insurer in **New Zealand**, trading under the State, NZI, AMI and Lumley brands. IAG New Zealand sells products through a combination of direct and intermediated channels. It's Consumer Division sells products directly to customers mainly under the State and AMI brands, and distributes products through IAG's banking partners ASB, Westpac, BNZ and the Co-Operative Bank. The Business Division distributes products through a nationwide network of qualified and experienced brokers under the NZI and Lumley brands.

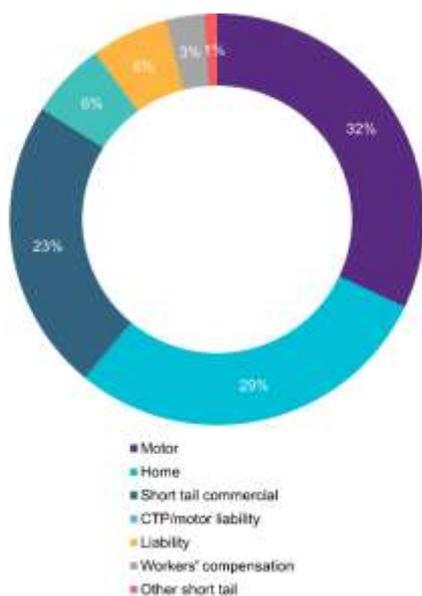
IAG New Zealand supports IAG's strategy to become a stronger, more resilient business by continuing to support its partners and customers through services such as Repairhub and enhanced digital offerings.

For FY21, IAG New Zealand accounted for 22% of IAG's gross written premium.

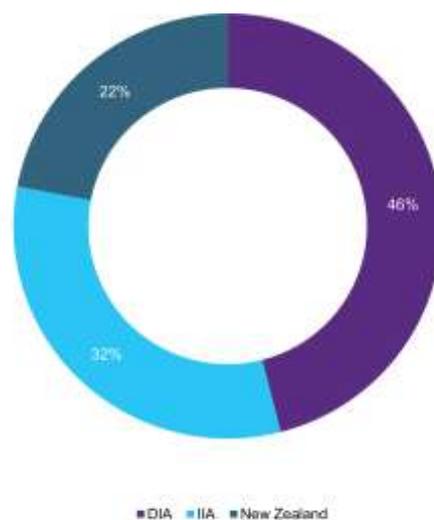
Business portfolio

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.

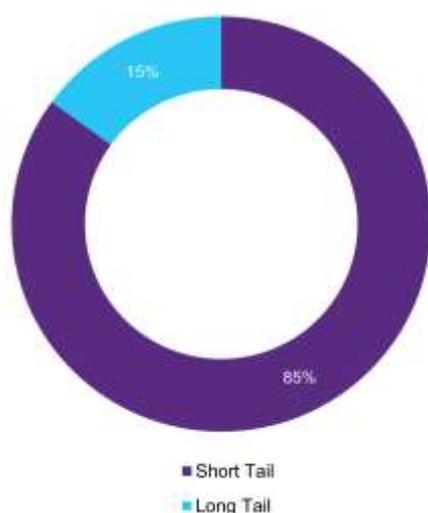
GWP by product – FY21



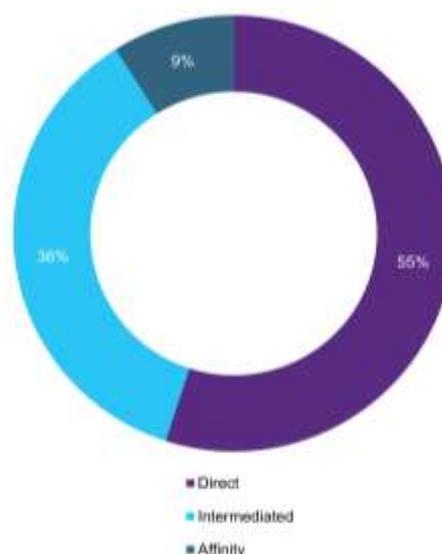
GWP by business – FY21



GWP by tail – FY21



GWP by channel – FY21



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 80.64% interest in AAA Assurance Corporation in Vietnam and a 13.93% interest in Bohai Property Insurance Company Ltd in China.

On 19 July 2021, IAG announced that AmGeneral Holdings Berhad had signed an Implementation Agreement for the proposed sale of its wholly-owned insurance business AmGeneral Insurance Berhad (AmGeneral) to Liberty Insurance Berhad and expects to incur a loss. The transaction is expected to complete during FY22.

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 2021 corporate governance report, which is available in the About Us area of IAG's website (www.iag.com.au) and in the Business Risk and Risk Management section of the IAG annual report for the year ended 30 June 2021.

Investments

The Group's investments totalled \$12.4 billion as at 30 June 2021, excluding investments held in joint ventures and associates, with \$7.4 billion in the technical reserves portfolio and the balance in shareholders' funds.

The technical reserves portfolio supports associated insurance liabilities and is invested entirely in fixed interest and cash. IAG's allocation to growth assets (equities and alternatives) was around 30% of shareholders' funds at 30 June 2021, around 3% higher than the level at 31 December 2020.

Capital management

As an entity regulated by the Australian Prudential Regulation Authority (APRA), IAG maintains a capital base that complies 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 \$4,615 million at 30 June 2021. At that date, IAG's Common Equity Tier 1 (CET1) ratio was 1.06 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 2021, IAG's PCA multiple was 1.86, 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. 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. 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.

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%.

Group Leadership Team

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

Board of Directors

- **Tom Pockett**, Chairman and Non-executive Director
- **Simon Allen**, Non-executive Director
- **David Armstrong**, Non-executive Director
- **Jon Nicholson**, Non-executive Director
- **Helen Nugent AO**, Non-executive Director
- **Sheila McGregor**, Non-executive Director
- **Scott Pickering**, Non-executive Director
- **George Sartorel**, 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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