

# Operating performance

## Australia

**We have market-leading shares in personal and commercial insurance in Australia, with products sold under brands including NRMA Insurance, CGU, WFI, SGIO and SGIC.**

Australia reported gross written premium of \$9,331 million, an increase of equal to 2% against last year.

Australia reported an insurance profit of \$842 million, down from \$1,190 million last year. Its reported insurance margin was 14.9%, compared to 19.6% last year, reflecting the net effect of lower prior period reserve releases; higher net natural peril claim costs; a \$20 million unfavourable movement in credit spread impact; and an approximately 125 basis points uplift from a full year's effect of the combined 12.5% quota shares which commenced on 1 January 2018. The business' improved underlying performance was reflected in its underlying margin of 15.5%, up from 12.9% last year, including a full year quota share effect.

### Consumer

IAG is the largest personal lines insurer in Australia, offering motor and home products across the country under a range of brands, as well as Compulsory Third Party insurance in New South Wales, the Australian Capital Territory and South Australia.

Consumer increased its gross written premium by 2.3% to \$6,355 million, compared to 2018. Within this result, motor premium rose 4.5%, largely from higher rates; and home premium increased by 2.2%, with rate increases partially offset by slightly lower volumes. Renewal levels for both motor and home remained high and stable.

Premium sold through our main brands' online sales channels grew by 16%, with NRMA Insurance conducting approximately 33% of new business sales and renewals online.

### Business

IAG sells a range of commercial products in Australia through its suite of brands. IAG's Business offering has a strong small-medium-enterprise emphasis, and a leading market share in rural areas.

Business premium increased by 1.6% to \$2,976 million compared to \$2,930 million in 2018. Average rate increases were around 6% during the year. Rate movements varied by segment, with portfolios such as property and motor experiencing up to double digit increases; and commoditised packaged products achieving high single digit rate increases. While these rate increases helped to ensure business is appropriately priced, they adversely impacted policy volumes in some portfolios.



The overall Australia result also included an approximately \$70 million reduction in premium from smaller business areas that we have exited, such as consumer credit, retail warranty and fleet leasing; and slightly lower Compulsory Third Party premium, where reduced pricing after New South Wales scheme reform was partially countered by an increase in the number of policies.

### Customer initiatives

During the year, the Australian business continued to enhance its products, strengthen its partnerships and improve the quality of its customer service. Specific initiatives included:

- further enhancing the digital experience for small-to-medium enterprise customers, by providing a personalised, flexible and efficient 'quote and buy' process, with multi-bundling options; and extending access to digital payment and enhanced self-service capability to CGU customers;
- continuing the CGU 'More Time' campaign to provide small business owners with access to time-saving solutions through partnerships with Airtasker, Squirrel Street and Legal Access Services;
- simplifying flood, rainwater run-off and storm surge definitions, giving home, landlord and on-site caravan insurance customers greater clarity about what they are covered for and enabling a more consistent, efficient and effective claims experience, with improved claim settlement times; and
- providing customers with proactive, timely communication to update them on progress with motor repairs, across the repair partner network.

Our brands' strong levels of service and partnership capabilities received industry recognition:

- in August 2018, NRMA Insurance was voted 'Direct General Insurance Company of the Year' for the third year running in a survey by the Australian and New Zealand Institute of Insurance and Finance; and
- in June 2019, CGU was voted 'Insurer of the Year' in the annual Brokers on Insurers survey by Insurance Business Magazine.

In Australia, we expect modest premium growth in 2020, after recent underwriting agency-related divestments and further improvement in underlying profitability.

### Gross written premium (\$m)

2019	9,331
2018	9,144

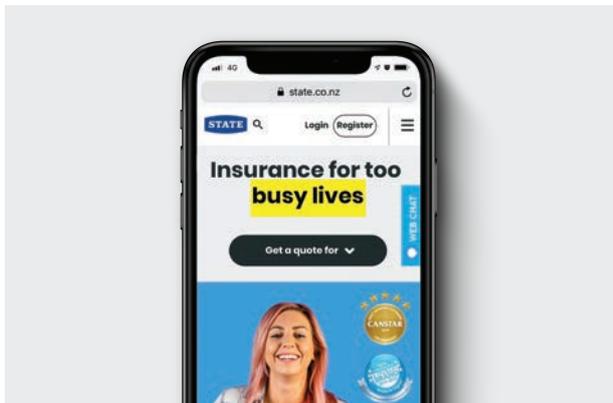
### Insurance profit (\$m)

2019	842
2018	1,190

The Wiradjuri Country billboard is on the Newell Highway, Dubbo South (Peak Hill), New South Wales. It was created by Sharon Smith, a Wiradjuri woman from Cowra in New South Wales. The artwork is based on the artist's childhood memories of visiting the three rivers of Wiradjuri country and hearing the colourful stories being passed down from her elders; it symbolises the river where her father was born.

# New Zealand

IGAG is the largest general insurer in New Zealand, trading under the State, NZI, AMI and Lumley brands.



New Zealand's local currency gross written premium grew by 5.2% to NZ\$2,836 million, reflecting the combination of:

- sound premium growth in the Consumer division, led by increased rates and policy numbers in private motor, and including higher rates in home; and
- solid premium growth in the Business division, driven by rate increases across commercial and personal policies, partially offset by some loss in the number of policies as the business adhered to its robust underwriting disciplines.

In reported terms, New Zealand recorded premium growth of 7.0% to \$2,660 million, after a favourable foreign exchange translation effect.

Consumer's two direct brands, State and AMI, both received awards during the year, demonstrating their commitment to providing world-leading customer experiences:

- in May 2019, State won Canstar's 2019 Most Satisfied Customers Award for Car Insurance – the only one of nine qualifying motor insurers to be rated 5-stars for overall satisfaction; and
- in November 2018, AMI was awarded the Gold Quality Service Award for Home and Contents Insurance at the 2019 Reader's Digest Quality Service Awards.

The New Zealand business produced a substantially higher insurance profit of \$390 million in the 2019 financial year. This equates to a reported insurance margin of 24.7% (up from 13.8% last year) reflecting the combination of:

- a full year's impact from the combined 12.5% quota shares which took effect from 1 January 2018, adding approximately 125 basis points to this year's margin;
- increased gross earned premium, driven by solid premium growth in both Consumer and Business;
- a benign natural perils experience; and
- an absence of the prior period reserve strengthening seen in 2018.

The business continues to generate a strong performance, with its underlying margin increasing to 19.5%, up from 17.6% in 2018, including the full year quota share effect.

New Zealand is expected to report sound premium growth in 2020, while maintaining its strong underlying profitability.

## Gross written premium (\$m)

2019	2,660
2018	2,486

## Insurance profit (\$m)

2019	390
2018	218

# Customer Labs

Customer Labs is central to IAG's strategy and competitive advantage over the longer term. It is responsible for our customer experience strategy, covering innovation in product, pricing and marketing; data insights; brand architecture; human centred design; new business incubation; and venturing. It also champions digital innovation across IAG, identifying and harnessing disruptive technology and building digital solutions and connections.

This year, Customer Labs focused on better understanding customers and ensuring the right frameworks are in place to keep them safe, by:

- helping to develop the IAG Customer Equity Framework;
- establishing a behavioural science capability to gather insights about the relationship between customer attitudes and behaviours which will be applied in the design of future products to create maximum value for customers as well as improving their safety;
- continuing work to house all customer data on a single platform, so we can better understand how to best serve customers and create more engaging and personalised customer experiences;
- improving ease of service for visitors to the NRMA Insurance website by using algorithms to enrich a customer's profile with predictions that anticipate their needs and simplify their journeys;
- continuing to consider the ethical aspects of Artificial Intelligence, becoming a founding partner of the Gradient Institute, together with the Commonwealth Scientific and Industrial Research Organisation's (CSIRO) Data61 and the University of Sydney in December 2018;
- continuing to drive digitisation across IAG, increasing personalisation experiences for customers; connecting customers to more products and services; and enabling the online lodgement, allocation, tracking and management of motor and home claims across all our brands in Australia and New Zealand;
- simplifying call centre employee and customer digital experiences by creating a single platform for policy servicing and claims lodgement for the NRMA Insurance, SGIO and SGIC brands. This simplification has reduced the number of calls received by an estimated 800,000 per year, as multiple customer needs can be addressed in a single call. It has also shortened the average call handling time, creating capacity for our people to engage in relationship-building conversations with customers;
- accelerating the deployment and scaling of new products and ventures, including expanding the ShareCover host property rental insurance product to include Rideshare for drivers who use their car to provide rideshare services; Boatshare as part of boat-sharing platforms; and TaskCover which provides public liability and professional indemnity insurance for individuals on service platforms, such as Airtasker;
- exploring emerging car subscription services by establishing a partnership with the digital car trading platform, Carbar with IAG acquiring a 51% stake in Carbar in June 2019; and
- overseeing our Firemark Ventures investment fund as it continued to create strategic value from the investments it has made to date, including new products with Airtasker and UpGuard; and assessing over 150 start-up businesses to identify potential investment opportunities in Customer Labs' focus areas of computer visioning, voice analytics, location data, aerial imagery and drone technologies. Firemark Ventures has invested approximately \$19 million across eight companies to date and has a strong opportunity pipeline established for next year.