



This presentation is based on a preliminary view of IAG's FY20 results which remain subject to finalisation of audit and Board approval.

IAG outlines FY20 results

Peter Harmer

Managing Director and
Chief Executive Officer

Nick Hawkins

Deputy Chief Executive Officer

24 July 2020

This release has been authorised by IAG's Disclosure Committee

Financial summary

Resilient underlying business performance and strong financial position

	FY19	FY20	Change
GWP (\$m)	12,005	12,135	1.1% 
Underlying insurance margin (%)	16.6	16.0	60bps 
Reported insurance margin (%)*	16.9	10.1	680bps 
Fee-based business (\$m)	(9)	(23)	nm
Shareholders' funds income (\$m)	227	(181)	nm
Net corporate (expense)/profit (\$m)	(4)	61	nm
Cash earnings (\$m)	931	279	70.0% 
Dividend (cps)	32.0	10.0	68.8% 
CET1 multiple	1.31	1.23	8bps 

nm – not meaningful

COVID-19 impacts

Modestly adverse GWP effect, neutral insurance margin impact

Operational impacts and initiatives

- Rapid deployment of working from home arrangements >98% of staff
- Up to 400 additional people employed locally in customer-facing roles
- Range of support packages introduced for customers, suppliers and intermediaries facing hardship
- Lower new business volumes March to May – recovered to more normal levels by June
- Reduced motor claims frequency, particularly in April/May – rebound as lockdown conditions eased
- Increased claim costs in COVID-19 influenced classes – e.g. landlords’ insurance, travel insurance
- Maintained strong retention levels in all core portfolios
- Acceleration of customer trends away from traditional channels

FY20 financial impact

- **Modestly adverse GWP effect** from lower new business volumes – estimated at ~\$80m, or over 1% of GWP in 2H20
- **Net benefit in claims expense**
 - Lower motor frequency partially offset by claims in other classes (e.g. landlords’, travel)
 - Prudent provision of >\$100m for potential COVID-19-related claims, including business interruption
- **Increased operating costs**, including those from working from home rollout
- **Broadly neutral insurance profit impact**
- **Adverse investment income impact** from COVID-19-inspired market volatility

Reported insurance margin

Reconciles to low end of guidance via peril, reserving and credit spread effects

Margin impact

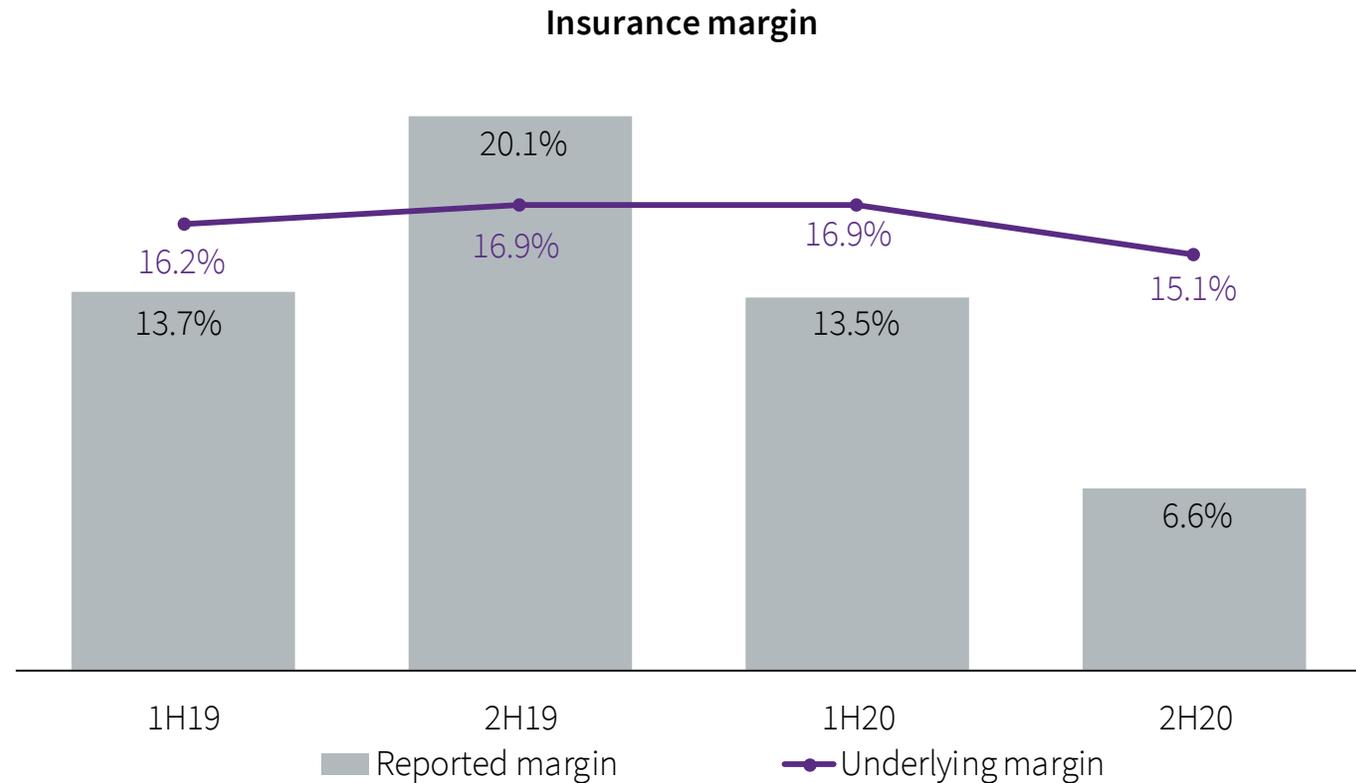
FY20 revised reported margin guidance			12.5-14.5%
2H20 prior period reserve strengthening (-0.7% of NEP compared with +0.5% of NEP guidance)	(~120bps)	▼	
Natural perils above guidance (Net cost of \$904m vs. updated guidance of \$850m)	(~70bps)	▼	
2H20 credit spread widening (\$53m, not factored into revised guidance)	(~70bps)	▼	
Total negative impact	(~260bps)	▼	
FY20 reported margin			10.1%

Underlying insurance margin

Broadly neutral COVID-19 impact

Softer 2H20 underlying margin of 15.1%

- Neutral COVID-19 impact
- Deterioration in Australian long tail commercial profitability
- Lower investment yields from lower interest rates (~70bps margin headwind vs. 1H20)
- Higher non-quota share reinsurance expense
 - Replacement of covers after early calendar 2020 peril activity



Prior period reserving

Reserve strengthening across Australian long tail classes (ex-CTP)

Second half net reserve strengthening of \$53m

- Driven by strengthening of Australian commercial long tail classes
 - Liability (over \$40m), predominantly in silicosis and molestation
 - Deterioration in professional risks (nearly \$20m)
 - Increased workers' compensation reserves (over \$15m)
- Stronger claim development and increased number of large claims
- ~\$25m releases from CTP in line with expectations

Negligible prior period reserve movement expected in FY21

- Uncertainty attached to long tail reserve development in current economic and operating environment



Customer refund provision

Increased to cover two further refund programs

Provision for customer refunds of \$246m pre-tax (\$141m post-tax)

- 1H20 pre-tax provision of \$150m (\$82m post-tax) for customer refunds
 - Related to a specific multi-year pricing issue
- Pre-tax provision increased by \$96m (\$59m post-tax) in 2H20
 - Covers two further pricing issues of similar nature, and related refund programs
- All issues in Australia and self-notified to ASIC
- Review of pricing systems and processes is ongoing

CUSTOMER REFUND PROVISION	1H20	2H20	FY20
	A\$m	A\$m	A\$m
Gross provision	180	110	290
Quota share recovery	(30)	(14)	(44)
Corporate expense	150	96	246
Income tax	(45)	(29)	(74)
Non-controlling interest	(23)	(8)	(31)
Net provision	82	59	141

Capital, reinsurance and dividend

Strong financial position

Strong capital position maintained

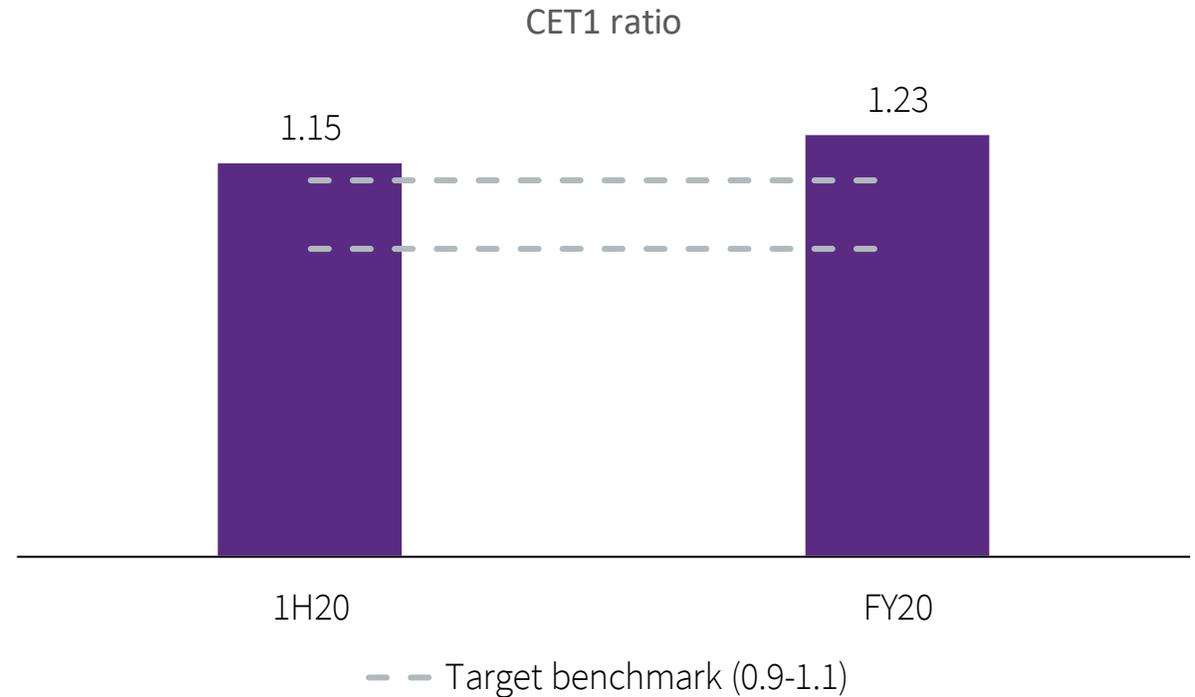
- Stronger CET1 ratio of 1.23 at 30 June 2020
- Includes benefit of SBI General sale
- Comfortably above targeted range of 0.9-1.1
- Maintain conservative approach to capital in uncertain economic circumstances

Strong reinsurance position entering FY21

- MER of \$41m at 1 July 2020
- Transitioning aggregate cover to financial year basis

Anticipate no final FY20 dividend

- Expected FY20 cash earnings of \$279m
- Application of top end of 60-80% payout ratio gives full year dividend similar to 10cps interim payment





Australia



New Zealand



Important information

This presentation contains general information current as at 24 July 2020 and is not a recommendation or advice in relation to Insurance Australia Group Limited (IAG) or any product or service offered by IAG's subsidiaries. It presents financial information on both a statutory basis (prepared in accordance with Australian Accounting Standards which comply with International Financial Reporting Standards (IFRS)) and non-IFRS basis. This presentation is not an invitation, solicitation, recommendation or offer to buy, issue or sell securities or other financial products in any jurisdiction.

The presentation should not be relied upon as advice as it does not take into account the financial situation, investment objectives or particular needs of any person. The presentation contains information in summary form and should be read in conjunction with IAG's other periodic and continuous disclosure announcements filed with the Australian Securities Exchange (available at www.iag.com.au), and investors should consult with their own professional advisers.

No representation or warranty, express or implied, is made as to the accuracy, adequacy, completeness or reliability of any statements (including forward-looking statements or forecasts), estimates or opinions, or the accuracy or reliability of the assumptions on which they are based.

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.

To the maximum extent permitted by law, IAG, its subsidiaries and their respective directors, officers, employees, agents and advisers disclaim all liability and responsibility for any direct or indirect loss, costs or damage which may be suffered by any recipient through use of or reliance on anything contained in, implied by or omitted from this presentation.

Local currencies have been used where possible. Prevailing exchange rates have been used to convert local currency amounts into Australian dollars, where appropriate.