CHAIRMAN’S REVIEW

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ELIZABETH BRYAN AM
CHAIRMAN

BEING TRUE TO OUR PURPOSE: MAKING YOUR WORLD SAFER

This year we have seen increasing calls in the media and from government and regulators for companies to improve the trust of their stakeholders by delivering more than strong financial results. The business community is being called on to make a wider contribution to society and, where possible, play a role in helping solve community problems.

Contributing to society and helping to address issues important to our communities are core to our role as an insurer, and go to the heart of our purpose ‘to make your world a safer place’. We have built a trusted relationship with our customers and communities over many years by keeping our promise to be there for them when things go wrong. By broadening our approach from helping individual customers who have suffered loss, to mitigating the risk of loss for people in the wider community, we are expanding on our trusted relationships and building long term value for our shareholders.

KEEPING OUR PROMISE TO OUR CUSTOMERS

Several significant natural disasters over the year enabled us to do what we do best: help our customers and their communities recover from the economic and social damage these events cause.

The three largest events to affect Australia and New Zealand – the Kaikoura earthquake in New Zealand last November; Tropical Cyclone Debbie in Queensland and Northern New South Wales in March; and the northern Sydney hail storms of February – provided an invaluable opportunity to demonstrate the vital role insurers play in communities affected by extreme weather and geological events.

The $8,995 million we paid in claims during the financial year helped our customers get back on their feet, and helped their communities recover.

While paying claims is an important part of what we do, we also provided practical support in damaged areas like Mackay in Northern Queensland and Lismore in New South Wales. We moved claims teams into affected areas as soon as it was safe to do so, and partnered with the Australian Red Cross and the local SES to support them in their work providing safety and social services.

BROADENING OUR SUPPORT FOR CUSTOMERS

IAG has long worked with customers to develop products that meet their needs. This year, insights we gained from our closer relationships with broader consumer groups enabled us to rethink how our products can best work for vulnerable customers in particular. The result was a revision of mental health exclusions in our travel policies, reflecting today’s expectations that mental health conditions should be thought of in a similar way to physical health issues.

We also took practical steps to provide training and resources to employees who are in a position to support vulnerable customers.

The company continues to focus on ways of helping people avoid incidents before they occur. The DipStik early flood warning system that features on the cover of this report and a driver distraction app are two excellent examples of us using our knowledge of risk to prevent loss or injury.

We are participating in the Australia and New Zealand Driverless Vehicle Initiative to prepare for the changes driverless vehicles might have on how we get around, and how we insure our customers. Insurance is a key part of the safe and effective adoption of driverless vehicles, and we have an ongoing and important role to play in ensuring consumer trust, protection and safety on the road.
CARING FOR COMMUNITIES, AND SOCIETY

IAG has a shared value approach that identifies practical ways to apply our purpose, support communities and create value for the company. This year, we asked communities to tell us what particular issue we could address to help them feel safer. This research identified a lack of connectedness, and led to a Confident Communities program where IAG will partner with the Australian Red Cross and the SES to build community resilience.

Similarly, our work with the Australian Business Roundtable for Disaster Resilience & Safer Communities, and Resilient New Zealand has reinforced our understanding of the social and financial costs of natural disasters and the importance of investing in mitigation work to reduce risk before damage occurs.

We have a global role in the United Nations Environment Programme Finance Initiative (UNEP FI), and use this to understand the many issues related to climate change and natural disasters, and to develop industry-wide solutions.

The Board was pleased to endorse a three year plan from management to lead the insurance industry in our region on the issue of climate change. To achieve this, we will consider the impact of climate change in our work with our customers and suppliers, and in our product development, investments and business operations.

SUPPORTING OUR PEOPLE

None of the outcomes described in this annual review could have been achieved without the people who make up IAG and, on behalf of the Board, I would like to acknowledge their care and commitment. Recognising the importance of protecting the health and wellbeing of our people, the Board accepted management’s 2020 Work, Health & Safety Strategy which addresses four key areas of risk: psychological health; flexible and mobile workforce; emergency and security management; and physical health, to provide a framework within which we can support people as the business continues to evolve to deliver for our customers.

OUR RESULTS REFLECT A YEAR OF ACHIEVEMENT

This is the first full-year result produced by our CEO Peter Harmer and his Group Leadership Team and they have built on last year’s performance to deliver strong results. From gross written premium of $11,805 million, they have achieved a net profit after tax of $929 million, cash earnings of $990 million and a cash return on equity of 15.2%.

Shareholders will benefit from this strong performance through the year, with a fully franked final dividend of 20.0 cents per share, to be paid on 9 October 2017. The dividend takes the full-year dividend to 33.0 cents per share, a payout ratio of nearly 79% consistent with our increased dividend payout policy of 60-80% of cash earnings for the full year.

The Board is pleased with the results achieved this year, and with the ongoing progress from Peter and his team as they maintain their focus on the strategic priorities of customer, simplification and our people.

In closing, I would like to thank my fellow Directors for their support and guidance throughout the year, and congratulate Peter and his Group Leadership Team, and all those in IAG who have worked so hard to deliver these results.

I hope you share my pride in what we have achieved this year, and my confidence that we have the skills, knowledge and passion to retain our trusted position and meet society’s expectations that we will make a difference to the lives of those we come into contact with – in our offices, in our branches, in our communities and in our region.