



IAG provides perils update and revises FY22 guidance

IAG provides the following update on net natural perils claim costs for the financial year-to-date (FY22), after severe storm and hail activity experienced over the course of October.

With the most recent event, which impacted South Australia and Victoria between 27 and 29 October and SE Queensland on 30 October, IAG had received approximately 14,000 claims by 4pm on 1 November and this is expected to rise further over coming days. The net cost for this event is anticipated to be \$169 million, the maximum retention for a first loss under IAG's catastrophe program.

IAG Managing Director and CEO Nick Hawkins said: "Our priority is to help affected customers across our NRMA Insurance, SGIC, CGU and WFI brands as soon as possible.

"Our Major Event team is in place all year round to respond to severe weather events like this and we have allocated extra resources to support our customers impacted by the recent weather events.

"We have people on the ground across South Australia and Victoria assessing claims and commencing repairs, and our drive-in specialist hail repair sites will be open from next week in Elizabeth and Salisbury South in Adelaide to assess and triage hail-damaged vehicles.

"We encourage our customers to contact us as soon as they can if they need to lodge a claim, so we can arrange emergency repairs or temporary accommodation," Mr Hawkins said.

As previously advised, IAG raised the natural perils allowance significantly from FY21 to FY22, however claims experience year to date has been seasonally unexpected and has exceeded the assumptions underpinning the increase.

Following the South Australian hail and Victorian wind event, and other events that impacted the second half of October, IAG has increased its expectation for FY22 net natural perils claim costs to \$1,045 million, compared to the previous assumption of \$765 million. This estimate includes \$535 million for the first four months of FY22 as follows:

- \$204 million for events incurred in the three-month period ending 30 September;
- \$142 million for weather events across Eastern Australia in October;
- \$169 million attributable to the South Australian and Victorian event; and
- \$20 million of attritional events incurred in October.

Net natural perils claim costs for the first four months have exceeded IAG's previous assumptions by approximately \$280 million. The revised FY22 expectation also includes approximately \$510 million for perils events for the remainder of the financial year.

The \$280 million increase in net natural perils claim costs equates to approximately 360 basis points at the reported insurance margin level. As a result, IAG has lowered its FY22 reported insurance margin guidance range from 13.5 - 15.5% to 10.0 - 12.0%. Other assumptions remain unchanged, with inherent uncertainty in the revised net natural perils claim costs expectation.

IAG estimates that the \$270 million (post-quota share) deductible attached to the FY22 aggregate cover has been eroded by \$209 million as a result of recent weather events. Total protection available under the aggregate cover amounts to \$236 million, post-quota share. After allowing for quota share arrangements, the combination of all catastrophe covers at 1 November results in IAG having a maximum event retention of \$95 million.

"We remain confident in IAG's operational momentum in FY22, after the strong start in the first quarter that we reported at the recent AGM," Mr Hawkins said.

This release has been authorised by the IAG Continuous Disclosure Committee.

About IAG

IAG is the parent company of a general insurance group (the Group) with controlled operations in Australia and New Zealand. The Group's businesses underwrite over \$12 billion of premium per annum, selling insurance under many leading brands, including: NRMA Insurance, CGU, SGIO, SGIC, Swann Insurance and WFI (Australia); and NZI, State, AMI and Lumley (New Zealand). IAG also has an interest in a general insurance joint venture in Malaysia. For further information, please visit www.iag.com.au.

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