



## CEO's address to 2021 AGM

**Mr Nick Hawkins**  
**Managing Director and CEO, Insurance Australia**  
**Group Limited**

To be checked against delivery at  
2021 AGM, starting at 9.30am  
AEDT, 22 October 2021

### Slide 1 – Title slide

Thank you, Elizabeth, and good morning ladies and gentlemen

When I spoke to you last year, my appointment as Chief Executive had only recently been announced, and I spoke of how privileged I felt to be given the opportunity to lead IAG, and to take our company into a new era.

I committed to build a simpler, stronger and more resilient company:

- that will provide products and services to our customers in ways that suit them;
- that will meet the changing needs of our people;
- that will support the communities that we are a part of; and – importantly,
- that will deliver appropriate returns to our shareholders.

I am also determined to address the organisational issues that have caused us problems in the past, to ensure we are set up for success in the future.

Today, I'd like to map out our plan, and show you the progress that we have been making.

## Slide 2 – Delivering a stronger, more resilient IAG



My first step was to reset our strategy. The long-term economic success of our insurance business will be underpinned by a combination of four things:

- First, achieving customer growth in our Australian and New Zealand businesses;
- Second, building out better businesses by continuing to focus on underwriting expertise, active portfolio management and pricing excellence;
- Third, setting the company up so it can offer digital products and benefit from lower-cost forms of digital delivery of our services, together with overall simplification of our technology platform; and
- Finally, continuing to invest in effective risk management right across the group.

I am pleased that I can already point to some early successes in these areas.

In relation to **growing with our customers**: during the year we increased customer numbers in our Australian and New Zealand direct insurance businesses, and we are expanding our premium NRMA Insurance brand. I'm delighted to announce that NRMA Insurance is now on the ground helping customers in Western Australia and South Australia.

Our effort to **build better businesses** is evident in the work we are doing in our Intermediated business, upgrading our risk management and underwriting disciplines, and strengthening our relationships with broker partners to improve profitability.

With **creating value through digital**, we have scaled up artificial intelligence and automation in motor claims to deliver better customer outcomes. We are also making significant progress in simplifying the technology that supports all our businesses.

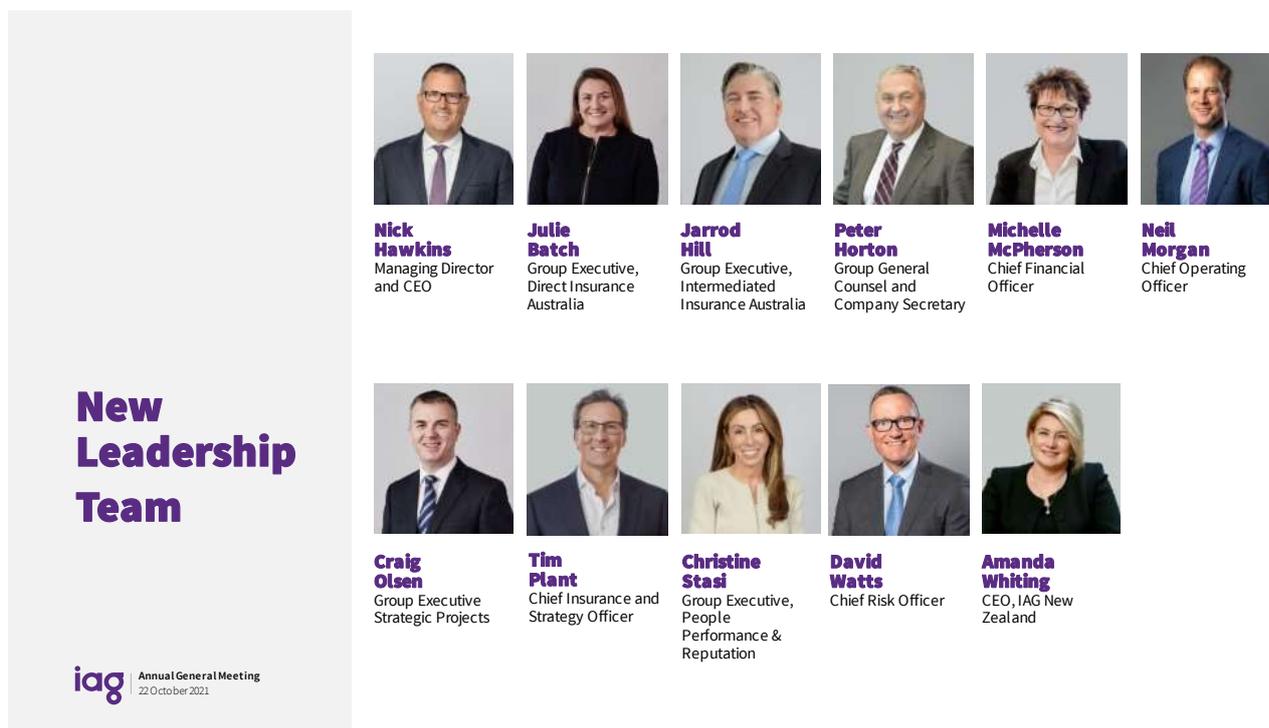
And finally, **actively managing risk** is an ongoing priority, with an internal program already strengthening risk controls right across the group.

To help us achieve our strategy, we redesigned our operating model to create three insurance businesses: Direct Insurance Australia, Intermediated Insurance Australia, and our New Zealand business. Each of these businesses is aligned to the insurance needs of specific customers, and the way these customers want to engage with us.

After some years of underperformance, I expect the Intermediated Insurance Australia business to be a positive contributor to our long-term performance.

We have set specific goals to simplify the business' structure, upgrade its risk and underwriting disciplines, and foster better relationships with our broker partners. This will significantly improve our financial performance.

### Slide 3 – New leadership team



The slide features a light grey background with a large purple text box on the left that reads "New Leadership Team". Below this text is the IAG logo and the text "Annual General Meeting 22 October 2021". To the right of the text box is a grid of 11 headshots of team members, arranged in two rows. Each headshot is accompanied by the person's name in bold purple text and their title in smaller black text.

 <b>Nick Hawkins</b> Managing Director and CEO	 <b>Julie Batch</b> Group Executive, Direct Insurance Australia	 <b>Jarrod Hill</b> Group Executive, Intermediated Insurance Australia	 <b>Peter Horton</b> Group General Counsel and Company Secretary	 <b>Michelle McPherson</b> Chief Financial Officer	 <b>Neil Morgan</b> Chief Operating Officer
 <b>Craig Olsen</b> Group Executive Strategic Projects	 <b>Tim Plant</b> Chief Insurance and Strategy Officer	 <b>Christine Stasi</b> Group Executive, People Performance & Reputation	 <b>David Watts</b> Chief Risk Officer	 <b>Amanda Whiting</b> CEO, IAG New Zealand	

Finally, we have a new leadership team. This includes three high quality external appointments: Michelle McPherson joined us as CFO; Jarrod Hill joined us as Group Executive Intermediated Insurance Australia; and Tim Plant joins us as Chief Insurance & Strategy Officer. Tim's role is a new one for IAG. In it, he will use his deep insurance experience to improve underwriting discipline right across the whole company.

Michelle, Jarrod and Tim bring significant insurance expertise to complement the existing leadership team and are helping to deliver a stronger and more resilient IAG.

## Slide 4 – FY21 results overview



 **\$12,602m**  
gross written premium  
up 3.8% from FY20

 **\$747m**  
cash earnings  
up from \$279m in FY20

 **12%**  
cash return on equity  
up from 4.5% in FY20

 **13.5%**  
reported insurance margin  
up 340 basis points from FY20

 **14.7%**  
underlying insurance margin  
down 130 basis points from FY20

 **\$1,007m**  
insurance profit  
up 35.9% from FY20

**iag** Annual General Meeting  
22 October 2021

Our results are starting to reflect the benefits of the changes we have made.

The FY21 results we announced in August included a strong underlying performance that reflected the strength of our core insurance business and our market-leading brands.

The key numbers are set out on the slide before you now.

Of course, as you are aware, despite the strong underlying insurance performance, the company delivered a net loss. This loss was due to failures of our control and management systems. I am determined that these controls and systems will continue to receive investment and focus to ensure this doesn't occur again. Let me give you some examples of the progress we have made.

We have already made many changes to our technical systems and risk maturity to prevent a recurrence. We are in the process of consolidating the multiple systems that exist in our claims and policy portfolio. This year we moved onto a single claims platform, and we are continuing to consolidate and simplify multiple policy and administration systems.

When we complete this work, we will be able to provide consistent products and services to customers wherever they are – from wherever our people are.

And there have been major improvements in our risk infrastructure. We have made significant progress in implementing a \$100 million program of work to improve our fundamental risk practices. After 18 months, this program is nearly complete, and it has strengthened risk controls right across IAG.

## Slide 5 – COVID-19 support for our customers, communities, and people

**COVID-19 support for our customers, communities, and people**

iag Annual General Meeting 22 October 2021

 <b>Customers:</b>	 <b>Community:</b>	 <b>Our people: focus on wellbeing</b>
<ul style="list-style-type: none"><li>• Reviewing their level of cover</li><li>• Changing payment frequency</li><li>• Extending payment due dates</li><li>• Developing a payment plan</li></ul> <p>Now part of our ongoing care for customers suffering financial hardship</p>	<ul style="list-style-type: none"><li>• Partnerships with Lifeline, Full Stop Foundation and GIVIT to provide important support for communities affected by COVID-19 and extreme weather events</li><li>• Lifeline Community Connectors program:<ul style="list-style-type: none"><li>▪ 958 Community Connectors trained in 18 regions</li><li>▪ 70 tele-health sessions each week to support communities most affected by the bushfires and COVID-19</li></ul></li><li>• With RACV, \$2 million donation to GIVIT</li></ul>	<ul style="list-style-type: none"><li>• Safety and Wellbeing strategy helped create safe and inclusive environments that supported physical, emotional, financial, and social wellbeing</li><li>• Tailored webinars on resilience subjects – developing a flexible mindset, working safely from home, staying connected and changing the relationship with stress</li><li>• Two blocks of leave to get vaccinations</li></ul>

I'd like to move now, to how we are responding to some other challenges, starting with COVID-19.

Our customers, our people and our communities continued to be affected by COVID-19 this year.

One of the most important ways we could help them was to make sure our insurance products remained accessible to customers who were experiencing any financial stress. We introduced special premium reductions and deferrals to help these customers. More than 68,000 policyholders have taken up these measures. I'm pleased to report that these are now part of the way we will respond to any customers suffering financial hardship.

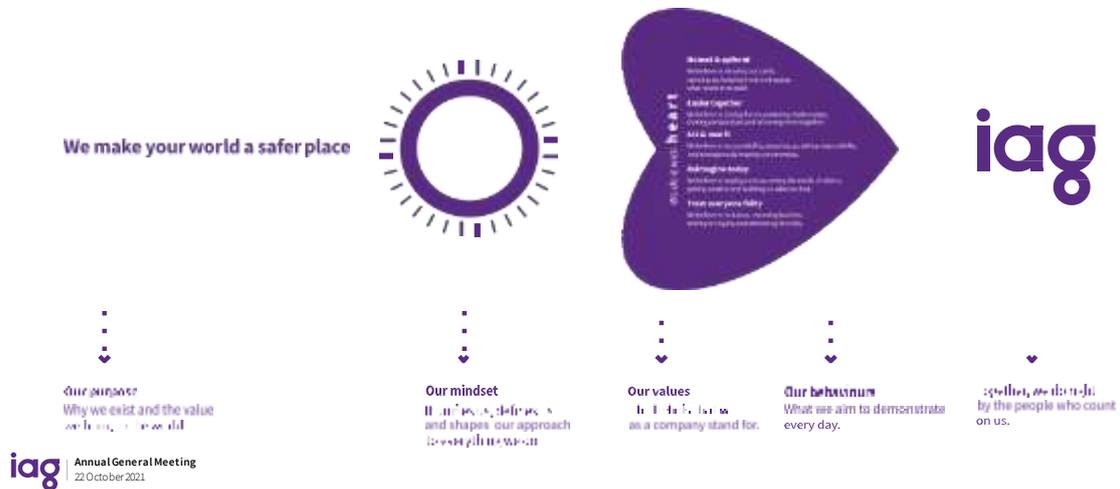
We also continued to focus on the safety and wellbeing of our people while responding to the changing impact of COVID-19 on our workplaces.

We know that vaccinations are the key to opening up our countries and we are encouraging our people to get vaccinated. To support this, we are providing all employees with leave they can use to get themselves, or their families vaccinated.

## Slide 6 – The IAG Way

### The IAG Way.

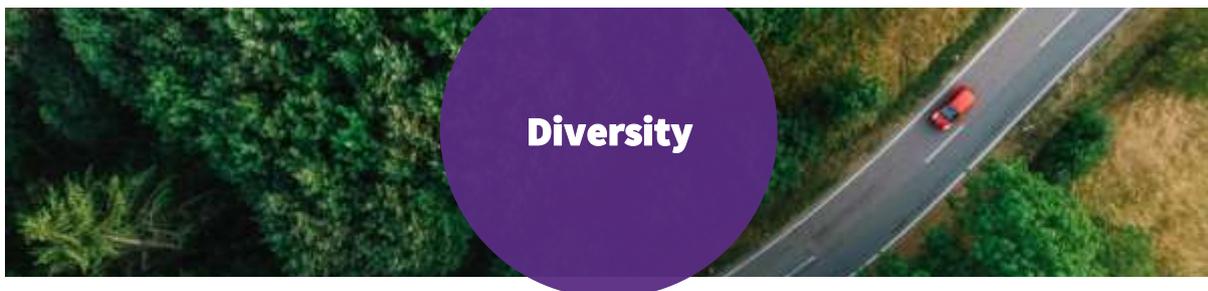
Just as our strategy sets our direction, our culture shapes the way we get there. The IAG Way illustrates how the critical parts of our culture come together to point the way to making the most of life at IAG.



Creating a stronger and more resilient business starts with our people and our culture.

This year, we introduced The IAG Way to give us a clearer focus on who we are, what we stand for, how we will behave, and what we should expect from each other to continue to achieve the best outcomes for our customers, our communities, and our people.

## Slide 7 – Diversity



 <b>Women in senior management</b>	 <b>Indigenous engagement</b>
<ul style="list-style-type: none"> <li>43% at 30 June 2021 (up from 41% at 30 June 2020)</li> <li>Targeting 50% by 2023</li> <li>Women constitute 59% of our workforce</li> </ul>	<p><b>Australia</b></p> <ul style="list-style-type: none"> <li>FY21 Aboriginal and Torres Strait Islander employment rate of 1.50%, or 129 First Nations employees – up from 1.05% or 90 employees in FY20</li> <li>Targeting 2% of Australian workforce by December 2021; 3% by 2023</li> <li>Developing 2022-2024 Reconciliation Action Plan</li> </ul> <p><b>New Zealand</b></p> <ul style="list-style-type: none"> <li>Launched our Māori Engagement Strategy</li> <li>Focus on four outcomes to help lift Māori prosperity and wellbeing: embracing Te Ao Māori (the Māori world view); fostering Māori leadership; supporting Māori business; and becoming a leading supplier to Māori</li> </ul>



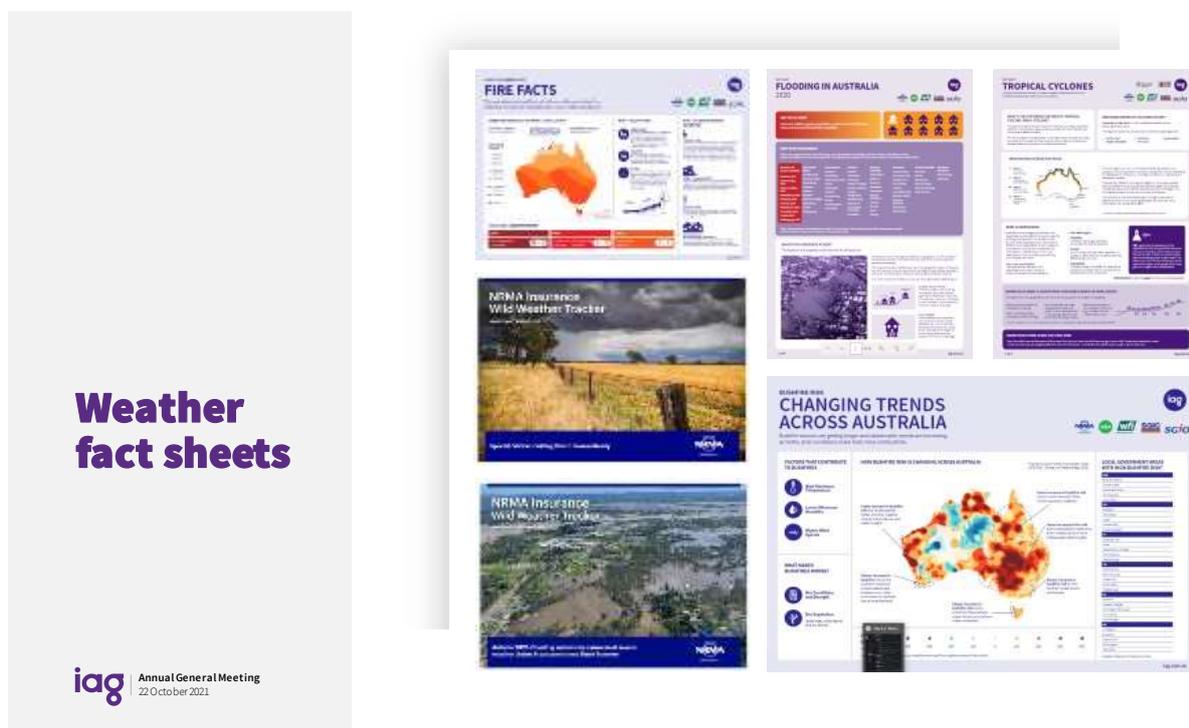
We have a research program with the US-based National Center for Atmospheric Research to better understand the frequency and intensity of cyclones, and how they will change in the future.

Together, we have released two editions of the Severe Weather in a Changing Climate report, the most recent in September 2020. The second edition incorporated extensive feedback and contribution from local scientists.

The reports bring all the latest research together in one place. These reports have cemented our position as a leader in understanding current and – importantly – future severe weather impacts.

This led to IAG’s scientists appearing at the Royal Commission into National Natural Disaster Arrangements. Here, they presented alongside the CSIRO, Bureau of Meteorology and Geoscience Australia.

### Slide 9 – Helping communities to prepare and adapt



When it comes to helping communities prepare for and adapt to the increasing severity and frequency of extreme weather events, we focus on the four key areas that contribute to the challenges of insurance affordability and coverage.

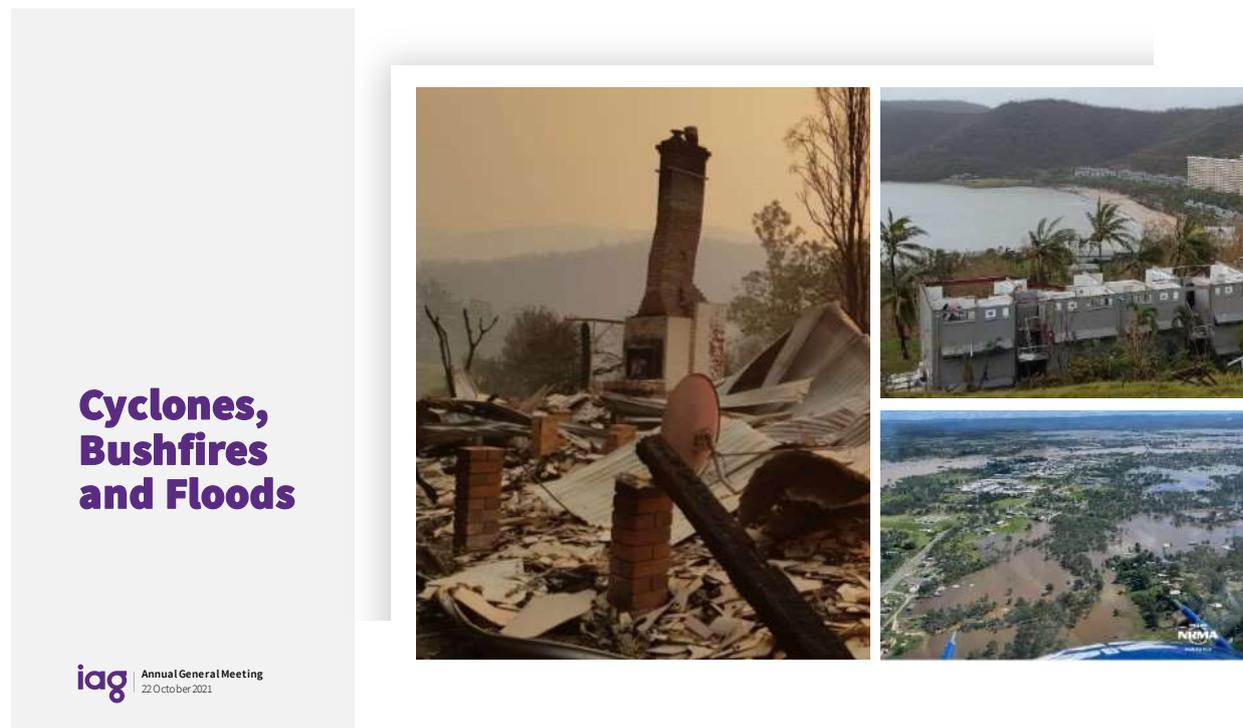
These have the greatest potential to cause physical and financial hardship for communities.

They are tropical cyclones, floods, bushfires, and coastal erosion.

We are using our knowledge to prepare materials that help educate individuals and communities about the risks they face, and how they should go about addressing these.

Achieving meaningful change to respond to these issues requires changes to land use planning and building codes. And any action needs to address existing buildings, and improve the resilience of new buildings, so that insurance remains affordable for the vast majority.

## Slide 10 – Our contributions in action



I'd now like to provide a high-level overview of three projects that we are contributing to.

I'll start with **cyclones**.

We have sponsored the Cyclone Testing Station since the early 2000s, providing funding and access to claim data, particularly Strata and Home. The Station's work led to changes in building codes, and to the development of important cyclone resilience programs such as the Queensland Household Resilience Program, the Strata Title Inspection Scheme, the upcoming Strata resilience pilot, and the recently-launched Severe Tropical Cyclone Seroja Recovery Grant in Western Australia.

With **bushfires**, we are working with the Bushfire Building Council of Australia, NAB and BlueScope Steel to create a rating system for bushfire risk for individual properties.

The Bushfire Resilience Star Rating System will be an app where people can enter information about their property and receive a current rating for its resilience to bushfire. They will also receive a list of practical actions to improve the rating and resilience of their property.

Additional funding for the project has been provided by the National Recovery and Resilience Agency, which supports national projects targeted at reducing the risk and impact of natural disasters on Australian communities.

A pilot program will shortly test the system with real properties, and a prototype is expected to be completed by March 2022, with the app likely to be available for free across Australia by March 2023.

The third area I'd like to mention is **flood**.

We continue working with Federal, State and Local governments to build business cases for flood mitigation projects.

We commissioned a Flood Mitigation Priorities report that was provided to the National Recovery and Resilience Agency in August 2021. The agency is using the report to help it prioritise allocating some of the \$600 million of government disaster risk mitigation funding that has been made available. The report outlines business cases for high-priority community-scale and property-level flood mitigation measures which would significantly reduce flood risk and insurance affordability pressure in flood-prone communities.

We're also helping local governments to understand the consequences of their flood planning decisions on the affordability of flood insurance, through targeted workshops in high-risk areas. And we are supporting flood-prone communities through our ongoing partnership with the NSW SES.

## Slide 11 – FY22 guidance<sup>1</sup> affirmed

### FY22 guidance affirmed<sup>1</sup>

#### Forecast 'Low single digit' GWP growth

- Modest growth in customer numbers and ongoing rate increases in short tail personal lines in Direct Insurance Australia
- Continued rate increases across commercial lines in Intermediated Insurance Australia and a focus on portfolio management, which is expected to constrain volume growth
- Largely rate-driven increases in New Zealand

#### Forecast reported insurance margin

**13.5-15.5%**

<sup>1</sup> See FY21 Management Presentation in the Results and Reports section of [www.iag.com.au](http://www.iag.com.au)

**iag** Annual General Meeting  
22 October 2022

Margin impact	
FY21 reported margin	13.5%
<b>FY22 net underlying improvement</b>	
• An improvement in the underlying margin on a like-for-like basis	~100bps up to ~300bps improvement
• Mainly driven by earn through of rate increases, particularly in IA where underlying profitability is expected to continue recovering	
<b>No material COVID-19 impacts</b> (Nil expectation, vs. ~\$60-70m benefit in FY21)	(~90bps)
<b>Non-recurring costs</b> (From operating model and property consolidation)	~30bps
<b>No prior period reserve movements</b> (Nil expectation, vs. -1.1% in FY21)	110bps
<b>Natural perils in line with allowance</b> (FY21 above allowance)	110bps
<b>No investment market movement</b> (FY21 positive from narrowing of spreads)	(100bps)
<b>Increased perils allowance drag</b> (\$107m increase in net allowance to \$765m)	(~150bps)
<b>FY22 reported margin guidance</b>	<b>13.5-15.5%</b>

Let me now return to our financial performance, by providing a brief update on the first quarter of this new financial year, and our progress against the guidance that we provided in August.

The first quarter of the year has started well, and I affirm guidance for FY22 that we provided at the results in August.

We recorded mid single-digit gross written premium growth in the quarter. GWP guidance remains 'low single-digit growth' for the full year. It factors in portfolio management in Intermediated Insurance Australia. We still expect this to constrain volume growth for the balance of the year.

IAG is also on track to meet reported insurance margin guidance of 13.5 -15.5%. We have observed lower motor vehicle claims frequency, driven by the lockdowns in Australia and New Zealand. This has been partly offset by inflationary pressure on claims costs and conservative reserving assumptions in our motor and home portfolios, and recognises increased uncertainty in claims inflation as lockdowns end.

<sup>1</sup> See FY21 Management Presentation in the Results and Reports section of [www.iag.com.au](http://www.iag.com.au)

Natural perils costs were elevated in the quarter, mainly due to storm activity in New Zealand and the earthquakes in Victoria, however our natural perils allowance of \$765 million for FY22 remains unchanged.

## **Close**

In closing, I repeat my commitment that under my leadership, IAG will be a simpler organisation for our people to work in, and a simpler organisation for our customers to engage with.

We will focus on our core insurance businesses and deliver growth from our markets in Australia and New Zealand where we have sustainable competitive advantages.

This allows us to serve our purpose of making the world a safer place for 30 million Australians and New Zealanders, and delivering to you – our shareholders – the results you deserve for supporting us.

Under-pinning this will be a world class insurance capability and a culture that supports the organisation we want to be.

We are already seeing good momentum in the business, and increasing areas where we can use our expertise to contribute to critical ESG issues, particularly those around climate.

This release has been authorised by IAG's Managing Director and CEO

## **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](http://www.iag.com.au).

### **Media**

Amanda Wallace  
Mobile. +61 (0)422 379 964  
Email. [amanda.wallace@iag.com.au](mailto:amanda.wallace@iag.com.au)

### **Investor Relations**

James Coghill  
Mobile. +61 (0)412 426 272  
Email. [james.coghill@iag.com.au](mailto:james.coghill@iag.com.au)

### **Insurance Australia Group Limited**

ABN 60 090 739 923  
Level 13, Tower Two, 201 Sussex Street Sydney  
NSW 2000 Australia  
Telephone. +61 (0)2 9292 9222  
[www.iag.com.au](http://www.iag.com.au)