

Brad Robson, EGM Agencies (left) and Daniel Flynn, Thankyou Managing Director & Co-Founder, present a CGU 'Business as Unusual' broker webinar during a COVID-19 lockdown.

Intermediated Insurance Australia.

Intermediated Insurance Australia is a leading provider of general insurance products sold through a network of intermediaries to businesses and individuals across Australia.

It sells commercial insurance under the CGU and WFI brands, with a significant share of the small-to-medium enterprise market and a leading presence in rural areas. The division also provides personal insurance primarily through broker and partner channels, including brands such as Coles and a number of affinity and financial institution partnerships.

FY21 performance

Intermediated Insurance Australia reported gross written premium of \$4,048 million in FY21, an increase of 5.6% compared to FY20. Rate increases remained a dominant feature across the business and averaged around 8% over the year. Retention rates remained stable at high levels, a contrast to pressure on volumes experienced in recent years.

The business reported an insurance loss of \$10 million in FY21, which was a significant improvement on the prior year's loss of \$207 million. Both years' results were affected by reserve strengthening on long tail commercial classes. The prior year was also affected by the impact of natural perils costs well above allowances.

Intermediated Insurance Australia's underlying margin in the second half of FY20 was adversely affected by around \$100 million of COVID-19 effects. Further, the underlying margin definition for FY20 included a 1% normalised reserve release assumption, which is no longer being applied. Excluding these items, Intermediated Insurance Australia was profitable across FY20 and FY21, however returns remain well below acceptable levels. On a like-for-like basis, the underlying margin was around 3.9% in FY21, compared to approximately 2.5% in FY20.

Commercial Short Tail

Commercial Short Tail gross written premium grew by 6.3% in FY21 reflecting:

- rate movements that continued to vary by segment. While many small-to-medium enterprise products achieved mid-single digit rate increases, CGU speciality lines such as property, construction and engineering and WFI averaged double-digit average rate increases;
- volume reductions due to a competitive market for Business packaged products and ongoing remediation activity across certain rural portfolios;

- improvement in crop insurance volumes compared to FY20, following the easing of drought conditions in New South Wales and Queensland; and
- underwriting agencies delivering low double-digit gross written premium growth compared to FY20. This was driven by the continued strong performance of the NTI heavy haulage business and rate-driven growth in Strata.

Commercial Long Tail

Commercial Long Tail gross written premium grew by 10.9%, reflecting:

- double-digit rate increases across professional risk and liability portfolios to address adverse claims inflation with workers' compensation achieving mid-single digit increases; and
- workers' compensation premium increasing by low double-digits primarily reflecting higher multi-year policy volumes in FY21 and focused portfolio pricing activity in the Western Australia, Australian Capital Territory and Tasmanian schemes.

Personal

Intermediated Insurance Australia's personal brands include Coles, CGU, IAL Steadfast and WFI, which are sold via brokers and other partners. Gross written premium in FY21 was relatively flat compared to the prior year, reflecting the combined impact of:

- high single-digit rate increases achieved across brokered lines and IAL Steadfast, and mid-single digit rate increases in other partner channels; and
- volume loss in IAL Steadfast and Coles owing to the impact of increasing rates, partly offset by growth in brokered lines.

Customer and digital initiatives

Details of our FY21 customer and digital initiatives are set out in the Delivering our Strategy section on pages 06-07 of this review.

| | Gross written premium (\$m) | Insurance loss (\$m) |
|------|-----------------------------|----------------------|
| 2021 | 4,048 | (10) |
| 2020 | 3,834 | (207) |

Detailed information about our Intermediated Insurance Australia results is contained in the FY21 Investor Report which is available in the Results & Reports area of our website (www.iag.com.au).

* IAG has reported separate results for the two new divisions of Direct Insurance Australia and Intermediated Insurance Australia for the FY21 result and prior year comparative results have been restated accordingly.