IAG FY24 Results

21 August 2024

"Today's result reflects the strength of the IAG business and the operational improvements we have implemented. The trust our customers have in our brands is reflected in continued high customer advocacy and retention in our retail businesses in Australia and New Zealand. We know it's been a challenging time for our customers, and we are well positioned to continue supporting them and the broader economy."

IAG Managing Director and CEO Nick Hawkins

Financial highlights

Net Profit After Tax (NPAT)

$898m

⬆ 7.9%: FY23

Insurance profit

$1,438m

⬆ 79.1%: FY23

Gross written premium (GWP)

$16,400m

⬆ 11.3%: FY23

Net earned premiums

$9,244m

⬆ 11.0%: FY23

Final dividend

17 cps

⬆ 89%

Full year dividend

27 cps

⬆ 80%: FY23

Delivering for our customers

Customer tNPS[2]

+46.8 Australia

+50 New Zealand

Customer renewal[3]

~90%

Claims paid

$10.7bn

Helping customers when they need most

- Increased claims workforce by 150 with additional capacity to scale up for major events in Australian direct business.
- Gen AI and improved technology significantly reduced claim processing times in Australian intermediated business.
- Expanded AMI RepairHubs (NZ) to provide more accessible and efficient service.

Building customer and community resilience

- Helped consumers understand extreme weather and local risks with Help Nation – aim to deliver more than 2,000 free Red Cross EmergencyRedi workshops over three years.
- Introduced pricing benefits for customers who reduce risk via the Bushfire Resilience App (NRMA Insurance) and Safe n Save (ROLLiN').
- Launched Cylo to provide businesses with tailored cyber insurance.

Making Australia and New Zealand safer and stronger

- Industry leading natural perils scientists, hydrologists and meteorologists provided data insights to inform pricing and claims responses.
- Advocated for more investment in resilience, improved land use planning and building codes, and removal of taxes and levies to improve affordability and availability.

NRMA INSURANCE RACV[1] ROLLiN' CGU wfi ami STATE NZI

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Results overview

IAG today announced its 2024 full-year results, reporting a net profit after tax (NPAT) of $898m, up 7.9% on FY23. This increase was driven by an 11% rise in net earned premiums, an improvement in the insurance profit, and higher investment income on shareholder funds of $286m up 35% on the previous year.

The insurance profit of $1,438m was up 79.1% on FY23 and equated to a reported margin of 15.6% (FY23: 9.6%). The company's natural perils costs of $983m, $115m below the $1098m allowance, positively impacted the insurance profit.

The IAG Board declared a final dividend of 17.0cps (FY23: 9cps) bringing the full year dividend to 27cps (FY23: 15cps).

Commenting on the company's performance, IAG Managing Director and CEO Nick Hawkins said:

"Today's result reflects the strength of the IAG business as well as the operational improvements we have implemented. The trust our customers have in our brands is reflected in continued high customer advocacy and retention in our retail businesses in Australia and New Zealand. We are well positioned to continue supporting our customers and the broader economy.

"The strategic measures we have put in place over the past few years have created a stronger and more resilient IAG. We've streamlined our Australian business, established a clear brand strategy and launched NRMA Insurance nationally, outside of Victoria. We have also improved our claims management capability to ensure we are well placed to support our customers when they need us the most.

"We've delivered on our target of at least $250m in insurance profit from our Intermediated Insurance Australia business, and significantly improved our technology platform that delivers the products and services we provide to our retail customers.

"New Zealand saw a material uplift in our pricing capability and risk management as we migrated policies to the Enterprise Platform. We strengthened our retail presence, launching AMI Insurance Hubs for in-person customer support, while expanding the AMI RepairHub."

Mr Hawkins said the company's result was primarily driven by a combination of growth in gross written premiums, stronger investment returns, and less volatile weather in Australia and New Zealand compared to previous years.

However, he noted that the business is focused on minimising the impact of premium increases on its customers.

"We have previously said inflation, increasing weather volatility, and rising reinsurance costs were major factors affecting customer premiums. We are beginning to see some signs of inflation easing, and our long-term reinsurance agreement announced in June is expected to reduce year-on-year volatility from extreme weather events and help stabilise costs for our customers over the longer term.

"We recognise premium increases are affecting customers, and we've bolstered our support for those impacted by cost-of-living pressures. Our specialised customer care teams are helping those in financial hardship by finding tailored solutions and providing extra support.

"This year, we've also enhanced training for our frontline teams and introduced AI tools to better identify and assist vulnerable customers."

Mr Hawkins said the company's investment in operational initiatives over the last few years is also showing promising results.

"We have commenced migrating more than five million insurance policies to our Enterprise Platform, delivering significant improvements in customer experience and enabling us to better price and manage risk. The platform is designed to support our current operations, but it also allows us to execute with scale and agility, driving future growth and innovation across the Group."

Operating highlights

- Established long-term reinsurance protections to reduce the impact of natural perils, help stabilise costs for customers, and reduce earnings volatility.
- Started migrating around 5 million policies to the Enterprise Platform, improving digital experience for customers and fuelling growth across the Group.
- Commercial Enablement transformation underway, delivering better outcomes for brokers and their customers.
- Introduced more ways for customers to understand risks plus pricing benefits for taking positive action.
- Expanded the AMI Hub Services footprint in New Zealand to provide essential services for customers.
- Signed an agreement to source the equivalent of 100% renewable energy for IAG sites in Australia from January 2025.

Looking ahead

"We enter FY25 with a clear strategy and a strong and scalable business model as we focus on the next phase of growth," Mr Hawkins said.

"Having streamlined our operations in recent years, we are now focused on building on our strong customer relationships with our leading brands and products and enhancing our retail business – enabled by our integrated Enterprise Platform.

"We'll continue to invest in the Commercial Enablement platform for our broker network and optimise our capital structure.

"Our advocacy efforts to encourage government investment in resilience and for improved land use planning to help our customers, will remain a key focus."

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Divisional highlights

Direct Insurance Australia (DIA)

GWP growth of 12.8% in FY24

Direct Insurance Australia (DIA) reported an insurance profit of $654m, up 19% on the previous year (FY23: $551m). It represented a reported insurance margin of 15.2% (FY23: 14.5%) and an underlying insurance margin of 16.6%, supported by higher net earned premium and an improved underlying loss ratio.

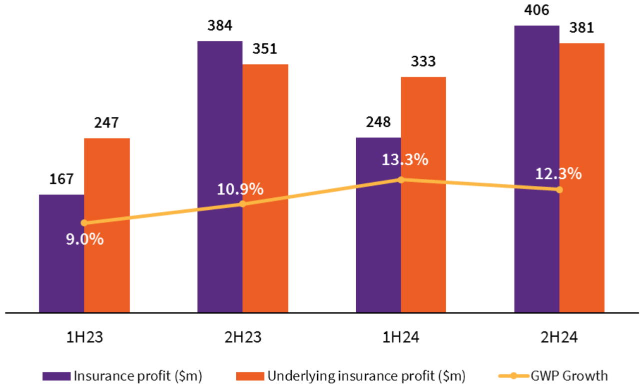
The underlying loss ratio improved as rate increases earned through and motor inflation fell to mid-to-high single digits. In motor, total loss claims and third-party costs remain elevated, offset by improving supply chain and repair capacity. In home, low double digit inflation in home claim costs was driven by water and large fire claims.

The business reported GWP growth of 12.8%, reaching $7,490m compared to $6,640m in FY23.

Personal short tail GWP grew 14.4% to $6,501m, largely due to rate increases to address claims inflation, and increased natural perils and reinsurance costs. Renewal rates were slightly lower compared to FY23 but remained close to 90% for Motor, and above 90% for Home.

Investment in the NRMA Insurance brand continued to deliver volume growth in Direct SME through digital channels with GWP increasing 10.8% to $246m.

DIA – GWP growth/insurance profit



Intermediated Insurance Australia (IIA)

GWP growth of 6.4% in FY24

Intermediated Insurance Australia's (IIA) insurance profit of $328m, was up 57% (FY23: $209m) exceeding the $250m insurance profit target. The reported insurance margin was 11.2% (FY23: 7.7%) which included prior year net reserve releases. The underlying insurance margin of 9.6% (FY23: 7.7%) benefitted from earned premium growth, a lower underlying loss ratio, and higher investment income.

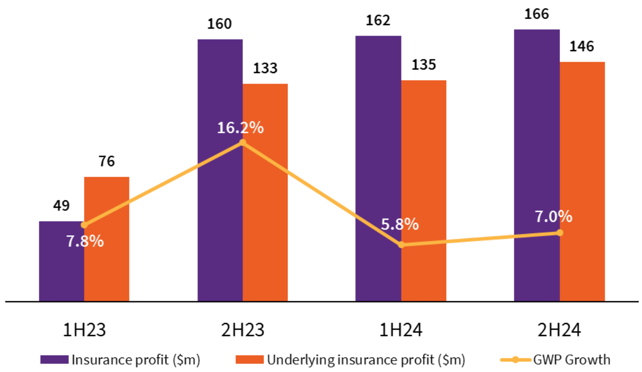
The underlying loss ratio improved due to the earn through of rate increases, improvement across long-tail classes, and claims initiative benefits including improved closure rates and reduced fraud.

GWP grew 6.4% to $5,114m (FY23: $4,805m) with an increase in Commercial short-tail GWP of 4.6% to $2,527m. Personal lines GWP increased 23.7% to $1,457m which included ~$210m in premiums from the ANZ distribution partnership.

Commercial long-tail GWP declined 6.8% to $1,130m, due to FY23 including the prior year impact of workers' compensation multi-year policies ($86m).

Achievement of IIA's at least $250m insurance profit target reflected a focus on underwriting discipline and operational efficiency.

IIA – GWP growth/insurance profit



New Zealand

GWP growth of 15.6% in FY24

IAG's New Zealand business delivered an insurance profit of $457m, compared to the $44 m FY23 insurance profit which was significantly impacted by Auckland floods and Cyclone Gabrielle. The reported insurance margin of 22.5% (FY23: 2.4%) reflected the significantly lower perils experience and a higher underlying margin of 16.9% (FY23: 13.5%), which was driven by a combination of higher earned premium income and a lower underlying loss ratio.

New Zealand experienced a lower underlying loss ratio due to earn through from premium increases, lower motor frequency compared to prior year, and benefits from claims and supply chain initiatives, including expansion of the RepairHub network. This was offset by higher labour and parts costs and home fire claims.

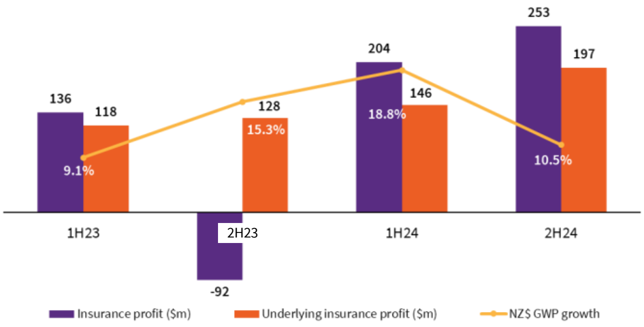
Overall GWP increased 15.6% to $3,796m (FY23: $3,284m) and in underlying local currency GWP grew 15% to NZ$4,126m, excluding the impact of premium processing changes and customer remediation.

The broker intermediated channel grew underlying local currency GWP by 10.8% to NZ$1,856m. Rate-driven premium growth in commercial property and motor portfolios was partially offset by lower volumes due to disciplined underwriting. Personal lines saw rate-driven premium growth, offset by reduced renewal rates.

Direct underlying local currency GWP increased by 18.4% to NZ$1,704m. Renewal rates remained above 90% in the Home and Motor portfolios.

Bank partner distribution underlying local currency GWP grew 20.3% to NZ$566m. Key personal lines portfolios in this channel saw over 20% average premium increases, with stable renewal rates for home contents but modest declines in home and motor renewals.

New Zealand – GWP growth/insurance profit



Delivering for shareholders

Dividend

Final dividend of 17.0cps in FY24

The IAG Board has declared a final dividend of 17.0 cents per share (cps), franked to 50% (FY23: 9cps). The final dividend is payable on 26 September 2024 to shareholders registered as at 5pm Australian Eastern Standard Time (AEST) on 30 August 2024].

This brings the full year dividend to 27.0 cps (FY23: 15.0 cps), which equates to a payout ratio of approximately 72% of reported NPAT.

IAG's dividend policy is to pay 60% to 80% of NPAT, excluding the after-tax impact of releases from the business interruption provision.

Capital position

On-market share buy-back of up to $350m

At 30 June 2024, IAG's capital position was well above its targets. The Common Equity Tier 1 (CET1) multiple of 1.27 (FY23: 1.12) is above the target range of 0.9 to 1.1 times the Prescribed Capital Amount (PCA). The PCA multiple of 2.23 (FY23: 1.92) is also well above the target range of 1.6 to 1.8 times the PCA.

Given the strength of its capital position, IAG has today announced an additional on-market share buy-back of up to $350m.

In December 2023, Standard & Poor's (S&P) upgraded the long-term financial strength and issuer credit ratings on IAG's core entities to 'AA' from 'AA-' based on its revised criteria for analysing insurers' risk-based capital. The issuer credit rating on the nonoperating holding company, Insurance Australia Group Limited was upgraded to 'A+' from 'A'. The outlook on all entities is stable.

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FY25 Guidance and outlook

GWP growth	Reported insurance profit
‘Mid-to-high single digit’	**$1,400m to $1,600m**

	$	%
FY24 Reported insurance profit/ margin	**1,438m**	**15.6**
FY24 Underlying insurance profit/ margin	**1,337m**	**14.5**
FY25 Underlying insurance margin drivers • Net Earned Premium growth – Earn through of rate increases – Higher reinsurance expense • Stable claims inflation • Strong investment income • Perils allowance of $1,283m with strong downside risk protection		
FY25 Reported insurance profit/margin	**1,400m to 1,600m**	**13.5-15.5**

IAG’s confidence in the underlying business is reflected in guidance for FY25 which includes GWP growth of ‘mid-to-high single digit’. This assumes premium increases to cover ongoing claims inflation and the increased natural perils allowance combined with direct customer and volume growth.

The FY25 guidance also includes a reported insurance profit of between $1.4b and $1.6b which equates to a reported insurance margin of 13.5% to 15.5% and assumes continued momentum in the underlying performance of IAG’s businesses, no material prior reserve releases or strengthening, and no material movement in macro-economic conditions including foreign exchange rates or investment markets. It also assumes a natural perils allowance of $1,283m, which is an increase of $185m or 17% on the FY24 allowance factoring in the long-term reinsurance protections announced in June 2024.

The FY25 guidance aligns to IAG’s targets to deliver a 15% reported insurance margin and a reported ROE of 14% to 15% on a ‘through the cycle’ basis. These targets are subject to assumptions and dependencies, including that there are no material adverse developments in macro-economic conditions and disruptions or events beyond IAG’s control. As they span several years, these assumptions and dependencies have a greater level of uncertainty than the FY25 guidance.

Important information

This announcement contains general information in summary form and should be read in conjunction with IAG’s other announcements filed with the Australian Securities Exchange (available at www.asx.com.au).

This announcement contains forward-looking statements, opinions and estimates, including statements regarding IAG’s strategy, guidance, targets, goals, ambitions and expectations regarding results. Such statements involve risks, uncertainties and assumptions, many of which are beyond IAG's control.

This may cause actual results to differ materially from those expressed or implied in those statements and, consequently, undue reliance should not be placed on those statements. IAG assumes no obligation to update those statements (except as required by law).

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IAG Financial performance

Group results	1H23 A$m	2H23 A$m	1H24 A$m	2H24 A$m	FY23 A$m	FY24 A$m	FY24 vs FY23 Mvt
Gross written premium	**7,061**	**7,668**	**7,947**	**8,453**	**14,729**	**16,400**	**+11.3%**
Gross earned premium	6,853	6,985	7,550	7,875	13,838	15,425	
Reinsurance expense	(2,740)	(2,772)	(3,054)	(3,127)	(5,512)	(6,181)	
Net earned premium	**4,113**	**4,213**	**4,496**	**4,748**	**8,326**	**9,244**	
Net claims expense	(2,911)	(2,955)	(3,108)	(2,987)	(5,866)	(6,095)	
Commission expense	(366)	(394)	(418)	(443)	(760)	(861)	
Administration expense	(575)	(593)	(646)	(660)	(1,168)	(1,306)	
Underwriting profit/(loss)	**261**	**271**	**324**	**658**	**532**	**982**	
Investment income on technical reserves	89	182	290	166	271	456	
Insurance profit/(loss)	**350**	**453**	**614**	**824**	**803**	**1,438**	**+79.1%**
Net corporate expense	353	184	(7)	-	537	(7)	
Interest	(64)	(81)	(85)	(100)	(145)	(185)	
Profit/(loss) from fee-based business	(14)	(23)	(12)	(24)	(37)	(36)	
Share of profit/(loss) from associates	(8)	(5)	-	-	(13)	-	
Investment income on shareholders' funds	72	140	147	139	212	286	
Profit/(loss) before income tax and amortisation	**689**	**668**	**657**	**839**	**1,357**	**1,496**	**+10.2%**
Income tax expense	(213)	(216)	(201)	(257)	(429)	(458)	
Profit/(loss) after income tax (before amortisation)	**476**	**452**	**456**	**582**	**928**	**1,038**	
Non-controlling interests	(6)	(87)	(46)	(89)	(93)	(135)	
Profit/(loss) after income tax and non-controlling interests (before amortisation)	**470**	**365**	**410**	**493**	**835**	**903**	
Amortisation and impairment	(2)	(1)	(3)	(2)	(3)	(5)	
Profit/(loss) attributable to IAG shareholders	**468**	**364**	**407**	**491**	**832**	**898**	**+7.9%**

	FY23		FY24	
Insurance margin	**A$m**	**%**	**A$m**	**%**
Reported insurance profit/margin	**803**	**9.6%**	**1,438**	**15.6%**
Reserve releases/(strengthening)	(37)	(0.4%)	(58)	(0.6%)
Net natural peril claim costs less allowance	(297)	(3.6%)	115	1.2%
Credit spread movements	85	1.0%	44	0.5%
Underlying insurance profit/margin	**1,052**	**12.6%**	**1,337**	**14.5%**

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1 IAG's short tail personal insurance products are distributed in Victoria under the RACV brand, via a distribution relationship and underwriting joint venture with RACV. These products are distributed by RACV and manufactured by Insurance Manufacturers of Australia Pty Limited (IMA), which is 70% owned by IAG and 30% owned by RACV.
2 Customer Experience is measured by transactional net promoter score (tNPS) and correlates to complaints, attrition and GWP. The result is based on average tNPS scores across the financial year.
3 In Aust Direct brands renewal is 88% motor and 93% home. In NZ Direct brands renewal is 94% motor and 98% home.