



Being guided by our purpose helps us create

communities ready for anything

Annual Review and Safer Communities Report 2019
Insurance Australia Group Limited

ABN 60 090 739 923

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2019 Annual General Meeting

IAG's 2019 annual general meeting will be held on Friday, 25 October 2019 at the Wesley Conference Centre, 220 Pitt Street, Sydney, starting at 9.30am.

Details of the meeting, including information about how to vote, will be contained in our notice of meeting, which will be mailed to shareholders and available online at www.iag.com.au from Tuesday, 10 September 2019.

Our purpose in action

Creating safer communities

Our purpose is to make your world a safer place. We are committed to creating communities and people ready for anything through connected customer and community experiences which make people feel safer. We are also committed to being a responsible and ethical business which sets the standard for exceeding community and customer expectations.

Our approach to creating safer communities is informed by the United Nations' Sustainable Development Goals, material issues that we identify through stakeholder engagement and the resources, capability and assets of our business. Based on these inputs, we have prioritised two key areas where we believe we can make a meaningful difference to society and our business:

- **Disaster risk reduction and climate change** – enabling communities in Australia and New Zealand to better prepare for and respond to natural disasters and climate change.
- **Community connection and resilience** – building safer and more connected communities that have the capacity to grow and thrive by partnering, accelerating the role of business in resilience and taking a community-led approach.

We are focused on developing enduring, effective partnerships with organisations and communities to bring our purpose to life. We know it takes time to establish and build trust – and to achieve results. We also know that sometimes we will make mistakes, but we have put in place the necessary commitments, frameworks and governance arrangements to support our ongoing engagement and partnership with customers and communities in Australia and New Zealand to be ready for anything.

Building community resilience in Blacktown, New South Wales

Our Good 'Hoods program has established long-term partnerships with the communities within Blacktown in Greater Western Sydney to build connection and resilience.

Our work in Blacktown is community-led while being developed to support the success of our business and brands: we work closely with local stakeholders on a range of projects designed to grow economic enterprise, enable and empower local leaders and address the impact of natural perils on the local community.

We have supported initiatives like Africa United Rugby League Football Club through our NRMA Insurance brand to help enhance local leadership. We have partnered with Catalysr through our CGU brand to help grow economic inclusion and bring refugee and migrant business ideas to life.

This year, we partnered with Blacktown City Council to support the Cool Streets program, an initiative designed by Dr Libby Gallagher to empower communities to cool their neighbourhoods and combat climate change, one street at a time. In the Blacktown pilot, residents decided the layout and type of trees on their street, taking into account a specific focus on improving environmental outcomes and climate resilience.

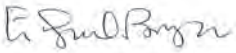
Western Sydney can be up to 10 degrees hotter than Sydney's central business district. This initiative is expected to provide shade in heat-affected urban areas, reduce CO₂ emissions, reduce the price of electricity bills, and build community connection and local pride.

Building more connected and resilient communities delivers a number of commercial benefits to IAG, including brand preference, reduced claims costs from reduced risk, and the development of new products and services to meet community needs.



Chairman's review

In the last year we have seen a significant change in the expectations that regulators, customers and society have of companies – particularly those like IAG that provide financial services.



Elizabeth Bryan AM
Chairman



We welcome a broader conversation

I welcome the fact that conversations about the role of corporations have this year broadened from focusing solely on returns to shareholders as a measure of success, to considering the duty that businesses owe their customers, the community and their employees, as well as their shareholders.

I also welcome the explicit focus on the underlying principles that should drive organisations, as identified by Commissioner Hayne in his final report on the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry in February. These are:

- obey the law;
- do not mislead or deceive;
- act fairly;
- provide services that are fit for purpose;
- deliver services with reasonable care and skill; and
- when acting for another, act in the best interests of that other.

Your Board and management at IAG wholeheartedly support these principles. Indeed, we would like to think these are consistent with the values embedded in our DNA from our beginnings as a mutual organisation in the 1920s.

However, we know that is never enough. Like all organisations, we need to ensure that our people, systems and processes work together to ensure we meet these expectations in all that we do.

The proof of our commitment to these principles lies in us consistently delivering against them, to all our stakeholders. To give you an illustration of how we are approaching this challenge, I want to share with you some of the areas we have focused on this year.

Being there for our customers

Let's start with our business. Insurance is a key part of society's infrastructure. It allows consumers and businesses to share the financial risk of many things that are outside their control. By taking out insurance, they receive the security and confidence of knowing they are protected from severe financial loss. It is therefore vital that the products we sell are fit for purpose, clearly described and affordable.

In our view, it is not enough to meet our minimum obligations to customers; we must deliver to them in a way that achieves our purpose – to make their world safer.

Many customers who claim on their policies talk to us when they are at their most vulnerable. It is critical that we treat them with empathy and care and we are proud that our people demonstrate that these are the characteristics our brands stand for.

This year's extreme weather events have provided our people with many opportunities to go above and beyond their roles in helping our customers, and I acknowledge their efforts here.

We also recognise that there are instances where customers do not feel that they have been treated well or fairly. We are working to improve our processes, so we can identify these cases more quickly, and take better steps to improve outcomes.

There will also be times when customers find it difficult to get the best outcome from our products or services and we have done a lot of work to better understand how we meet some customers' specific challenges.

Strengthened focus on regulation

More broadly, we are seeing a stronger focus on regulation affecting business. We know this will remain a work in progress and are in an ongoing conversation with our regulators to ensure we continue to meet their requirements.

We saw the 2018 Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry as an opportunity to learn and improve our customer focus. We publicly announced our in-principle support for each of the recommendations outlined in the final report of the Royal Commission and we are carefully considering each of the reform recommendations to see how these can assist us to continue to improve our operations, culture and governance.

IAG's involvement in the Royal Commission concerned the design and sale of add-on insurance products which were sold under our Swann Insurance brand. We know that the Swann add-on insurance products sold in the past may not have delivered the value they should have to some of our customers. IAG sold the Swann motor vehicle dealer distribution channel in 2016 and exited the motorcycle dealer business in 2017. This was not a large part of our business, and it was managed remotely as a stand-alone business. We are now well aware of the risks of such a structure.

We have a new framework for product governance to ensure that we have appropriate mechanisms in place to identify when elements of a product may no longer align with our purpose and community and customer expectations. We have reviewed our major products to ensure they align with our Product Design Principles, and the review of all other products will be completed by June 2020.

We recognise the importance of understanding and responding to customer, consumer and community issues and are committed to ensuring we consider insights on current and emerging issues through our work with our Ethics Committee and Consumer Advisory Board.

Playing a stronger role

There has also been a lot of talk this year about organisations playing a stronger role on more widespread social issues.

The climate debate is obviously very close to our business, because we insure against extreme weather events. Consequently, we have deep knowledge of changing climate patterns and this is knowledge we seek to share.

One impact of climate change is that there will continue to be an increase in the severity of events, occurring in more populated parts of the country – which means more of our customers are likely to be affected. We are working with all levels of government and the community to help increase the focus on disaster preparedness and recovery to address or mitigate some of the issues.

We are active in supporting first responders to provide immediate assistance to customers who are affected by an event, and we continue to work with communities to assist them to become more resilient.

We are also contributing to the Australian Federal Government's national disaster risk reduction program and are working through the Climate Leaders Coalition in New Zealand to ensure businesses are adapting and building resilience to the impact of climate change.

We are getting our own house in order

This year, we supplemented our Climate Action Plan with a scorecard that assigns direct accountability for climate change objectives to our senior executives and are reporting six-monthly on their progress against the targets and deadlines we set.

Our investment portfolio has very limited exposure to companies with the largest contribution to climate change – they represent less than 0.25% of our investment assets. Our assessment is that these companies are contributing in transitioning to a low-carbon economy and working towards reducing their carbon emissions.

We continue to seek opportunities to invest in reputable Green Bonds. In 2019 we held around \$111 million in Green Bonds backing renewable energy projects in wind and solar.

We have also committed to assess and disclose risks and opportunities aligned with the recommendations of the Task Force on Climate-related Financial Disclosures and these are set out in pages 13 – 16 of our 2019 annual report and on our website.

Board renewal

Changing expectations of companies, and the boards that oversee them, challenge us to find people with the best combination of skills and experience to guide IAG. In that context, we were very pleased to welcome George Savvides to the Board in June. George will stand for election at the 2019 annual general meeting on 25 October, and I look forward to introducing him to shareholders there.

Board renewal also involves farewelling long-serving Directors who have given many years of service to our company. This year, Hugh Fletcher has advised that he will retire from our Board at the end of the 2019 annual general meeting. Hugh has served as a Director since 2007 and has overseen many aspects of the transformation of our business into the one you own today. He has also served as Chairman of IAG New Zealand since 2003 and he is retiring from this role at the same time as he leaves IAG. I am sure I speak for all shareholders when I thank Hugh for his unwavering service to IAG and wish him all the best for the future.

We are sharing our success with shareholders

We need to run our business well to ensure we will be there when our customers need us. And we need to provide our investors with an appropriate level of return on the capital they provide to us.

The strong results we achieved in the 2019 financial year are evidence of the success with which we are performing in these important roles.

Meeting our customers' needs helped IAG achieve gross written premium of \$12,005 million; net profit after tax of \$1,076 million; cash earnings of \$931 million and cash return on equity of 14.4%.

We are very pleased to share our successful year with shareholders through a final dividend of 20.0 cents per share. The dividend will be paid on 30 September 2019 to shareholders registered on 20 August 2019 and will be franked at 70%.

Our people are creating a business for the future

I commend our CEO, Peter Harmer, his leadership team and all the people who work at IAG for your efforts to achieve the success that we are describing in this annual review. I also commend you for your commitment to our purpose, and our efforts to be a company that people want to do business with, and that communities want to engage with. Succeeding on these measures will create the best possible returns for all our stakeholders.

CEO's review

We've had a successful year, reflecting our ongoing work to connect to our customers and apply what we learn from them to improve the way we organise our business, design and deliver our products, and develop services that meet their needs today, and into the future.

While we continue to focus on our core general insurance business in Australia and New Zealand, we are also taking steps to invest in adjacent businesses that will let us meet a broader range of customers' existing and emerging needs.



Peter Harmer
Managing Director and Chief Executive Officer



Understanding our customers

We have a number of programs that help us better understand what our customers need and want.

We have a customer research panel that provides valuable feedback and guidance on new products and services and how we can deliver better customer outcomes. We used these insights to create the five principles that guide every aspect of the way we design our products and customer experiences:

- honest and upfront
- easy and simple
- anticipate and act
- recognise you and your needs
- treat you fairly.

Our Customer Connection Program connects people at every level of IAG, including our Directors, to our customers' worlds, through experiential events, workshops and storytelling.

We have developed a company-wide Customer Journey plan, with full-time teams dedicated to understanding customer needs and potential issues and continually finding ways to apply innovation to the customer experience.

Our company-wide Heartbeat program provides real-time customer feedback on the quality of experience our customers have with IAG, while our Listen Learn Act framework ensures our people hear what our customers tell us and act on this knowledge.

Data provides us with a lens into our customers' worlds – information about the assets they insure and the risks they face, and the ways they interact with our brands. As we bring all the data we have onto one platform, we can paint an increasingly detailed picture about how we can best serve our customers, and how we can create more engaging and personalised experiences.

Three years of working with and listening to our customers more closely than ever before confirms: they want products that are easy to understand; they want greater digital channels; and when the worst happens, they want it put right as quickly and safely as possible, whether the loss occurs on the road, at home or in their business.

Simplifying our business to better meet customers' needs

We have been working hard to simplify our business so we can continue to improve customer outcomes.

This year we completed a major project to consolidate all our claims platforms onto a single version of Guidewire's ClaimCenter. This consolidation makes it easier for our claims consultants to process claims, and means we can quickly divert employees from one part of our business to another to help our customers get back on their feet – especially when we have a large number of claims after a significant weather event.

We are now focused on a multi-year project to simplify our policy administration on the same Guidewire platform – a significant investment in our core general insurance business that will flow through to improved customer outcomes.

Improving product delivery

Customers tell us they want to be able to interact with us online and increasingly with mobile devices and we have worked hard to make that possible. Today, 80% of insurance products are available online for our NRMA Insurance, SGIO and SGIC brands. More than 50% of all interactions with customers who buy products directly from us now occur online, up from 10% just three years ago.

Towards the end of the financial year, we expanded our digitisation program to cover all the insurance products we offer direct to customers in Australia, including the small-to-medium-enterprise business products offered by NRMA Insurance and CGU.

Customers can now lodge claims online and track and manage their motor and home claims across all our brands in Australia and New Zealand. Having a simpler and more transparent claims process has also reduced associated claims handling costs.

During the year, our Customer Labs team further improved the digital experience for our people and customers. It created a single platform where we can respond to customer enquiries about policies and lodging claims. This simplification has significantly reduced the number of calls we receive a year, because multiple customer needs can be addressed in a single call. Because our people can now access all the information they need through a single system, the average call handling time has also been significantly shortened.

Meeting current and emerging needs

We know that customers who find themselves in the unfortunate position of having to have their cars repaired want the process to be simpler and faster than ever.

This year, we entered a joint venture with the Royal Automobile Club of Victoria (RACV) to set up an enhanced motor repair model to improve customer convenience, and to get cars back on the road quickly, with high quality repairs. Our joint venture also involves two repair partners and initially covers six sites in metropolitan centres.

We continue to pursue deeper, broader relationships with NRMA Motoring & Services and RACV to create the opportunity to deliver better outcomes for our customers and their members.

For example, this year, we ran a campaign that offered a 12-month free roadside assistance product to new NRMA Insurance customers. The offer was developed in partnership with NRMA Motoring & Services and attracted over 15,000 new customers, showing the value of our partnership.

We also continue to develop and offer products that meet changing insurance needs.

Our ShareCover host property rental insurance product, which we launched in September 2015, has been expanded to include other shared economy offerings, including Rideshare for drivers who use their car to provide rideshare services; Boatshare as part of boat-sharing platforms; and TaskCover which provides public liability and professional indemnity insurance for people who offer their skills on service platforms, such as Airtasker.

Between ShareCover and Insurance4That, our single item insurance product, we have seen pleasing customer growth.

We also know that many customers are rethinking their attitudes to car ownership and some are moving to a car subscription model. That led us to acquire a 51% stake in Carbar, a digital car trading platform, in June 2019. Carbar caters to the growing customer appetite for alternative forms of vehicle ownership and provides us with an opportunity to design complementary forms of insurance.

Facing the future

While customers value insurance, they tell us they place an even higher value on not having something go wrong in the first place. That insight is guiding our work to offer products and services that keep our customers safer at home, at work and on the road.

One of the first developments is our Safer Journeys solution that enables us to provide additional services to consumers involved in incidents. Initially, we will use this app to support customers at the scene of an incident but over time, we see the potential to help educate drivers to improve their driving behaviour, reduce distracted driving and link into a loyalty program to reward safer driving. We are in the process of testing the product with employees before making it available more widely.

This year, we established a behavioural science capability that takes insights about the relationship between customer attitudes and behaviours and applies these to the design of future products to create maximum value for customers, and improve their safety. We are also entering research partnerships with universities and industry participants to explore risk-based decision making.

Strengthening our risk focus to protect our future

As a company, we recognise having the frameworks and processes to identify, understand and manage risks, both financial and non-financial, is an essential enabler to business success. This is particularly important as we grow and expand into new areas.

Over the last year we have significantly increased our focus on risk, strengthening our business so we can continue to deliver the best outcomes for our customers – and all those who depend on us.

We are using data to gain insightful risk perspectives and support rapid decision making and we are strengthening our enterprise-wide capabilities to better manage current and emerging risks.

Our focus is improving performance

We improved our underlying performance in the 2019 financial year, showing that we are realising the benefits of our program to simplify the business and we are well placed to build on our customer engagement focus and source future growth opportunities.

Our Australia business produced a sound performance, with a strong result in personal insurance and improvement in commercial. New Zealand maintained its strong profitability and sound growth, reinforcing its position as the country's leading insurer.

Overall, gross written premium grew by 3.1%, largely from increased prices supplemented by a favourable foreign exchange translation effect in New Zealand. Like-for-like premium growth across the Group was close to 4%.

Our underlying insurance margin¹ continued the improvement we recorded last year, increasing to 16.6%. At the reported margin level, the improvement in underlying performance was outweighed by adverse claim costs from natural disasters as well as credit spread movements, and significantly lower prior period reserve releases.

Net profit after tax of \$1,076 million was over 16% higher than that in the 2018 financial year, because it included an over \$200 million profit on the sale of our Thailand operations, which was completed at the end of August 2018.

Outlook

We are expecting gross written premium growth for the 2020 financial year to be at a 'low single digit' level, after recent divestments in underwriting agencies, which will reduce gross written premium by over \$100 million. Our reported insurance margin is expected to be in the range of 16-18%.

We also anticipate reporting up to \$50 million of pre-tax costs in the fee income line, reflecting accelerated investment in data, artificial intelligence and innovation technologies, and associated new businesses.

Changes to our Group Leadership Team

There have been some changes to our Group Leadership Team this year. Our Group Executive People, Performance and Reputation, Jacki Johnson, retired at the end of June after 17 years in a number of executive roles across the company. In July we announced that Jacki's role will be filled by Christine Stasi, who will join us in October 2019.

Three years ago, we put in place a plan to simplify our core insurance business and build growth options for the future. Our focus on doing the simple things well is delivering results and I am pleased with the momentum we are taking into the 2020 financial year. Along with all the members of my Group Leadership Team, I look forward to continuing to share the future successes of our business with you.

¹ IAG defines its underlying insurance margin as the reported insurance margin adjusted for:

- * Net natural peril claim costs less related allowance for the period;
- * Reserve releases in excess of 1% of net earned premium (NEP); and
- * Credit spread movements.

CFO's review

We are pursuing disciplined management and allocation of capital where we see opportunities to support our operations and deliver on our core business objectives to make you safer on the road, in your home and at work.



Nick Hawkins
Chief Financial Officer



During the year, we continued to invest in simplifying the business, and we made some modest capital allocations into adjacencies – ventures and businesses related to our general insurance business.

In June 2019, we bought a 51% stake in Carbar, a digital car trading platform that caters to the growing appetite for alternative forms of vehicle ownership and gives us an opportunity to design complementary forms of insurance.

We also made a small investment in a joint venture with the RACV. We are enhancing our motor repair model to improve customer convenience, and to get cars back on the road quickly, with high quality repairs. Our joint venture also involves two repair partners and initially covers six sites in metropolitan centres.

Migrating capital

Within our core general insurance businesses, we are migrating capital back from Asia and returning it to our shareholders.

This year's results include a gain of over \$200 million on the sale of our Thailand operations, which was completed at the end of August 2018. We now expect the agreed sales of the Indonesia and Vietnam operations will complete early in the 2020 financial year, and we are exploring a potential sale of all or part of our 26% interest in SBI General in India. We are in advanced discussions with a number of bidders, which may result in one or more transactions being completed.

Quota shares

Over the last few years we have made quota share arrangements a key plank of our capital approach. Quota shares are basically a more efficient use of reinsurance capital. We now have 32.5% of our consolidated business subject to quota share on a whole-of-account basis, comprising:

- the 10-year, 20% arrangement with Berkshire Hathaway commencing 1 July 2015, for losses occurring after that date; and
- three agreements for a combined 12.5% from 1 January 2018, with Munich Re, Swiss Re and Hannover Re. The average initial term of these agreements is in excess of five years.

The respective quota share arrangements deliver similar benefits and financial effects, including:

- reduced earnings volatility, as insurance risk is effectively exchanged for a more stable fee income stream;
- a lower requirement for catastrophe reinsurance and reduced exposure to volatility in associated premium rates; and
- a reduction in IAG's regulatory capital needs.

This financial year, the combined quota share arrangements released around a further \$100 million in regulatory capital.

We completed the capital management initiative we announced last year

In August 2018 we announced a \$592 million capital management initiative of 25 cents per ordinary share. The initiative acknowledged the fact that our capital position was surplus to our own targeted benchmarks, reflecting cumulative quota share effects, as well as the absence of significant operational demands on our capital and the impact of the sale of the Thailand business.

We completed this initiative on 26 November 2018 after receiving shareholder approval at last year's annual general meeting. Shareholders received a capital return of 19.5 cents per share and a fully franked special dividend of 5.5 cents per share.

At the same time, we completed a share consolidation, equal and proportionate to the capital return, which reduced the number of IAG ordinary shares on issue by approximately 2.4%, while preserving each shareholder's proportional ownership of the company.

Debt restructure

We have continued to restructure our debt arrangements to make them more efficient and effective:

- on 19 March 2019, we redeemed \$350 million of subordinated notes on their first issuer call date; and
- on 28 March 2019 we issued \$450 million of Tier 2 subordinated debt.

Our \$550 million Reset Exchangeable Securities issue has a reset date in December 2019, after which it ceases to be eligible for regulatory capital purposes. Our present intention is to redeem the Reset Exchangeable Securities at the reset date, using the funds from the \$450 million subordinated debt issue in March 2019.

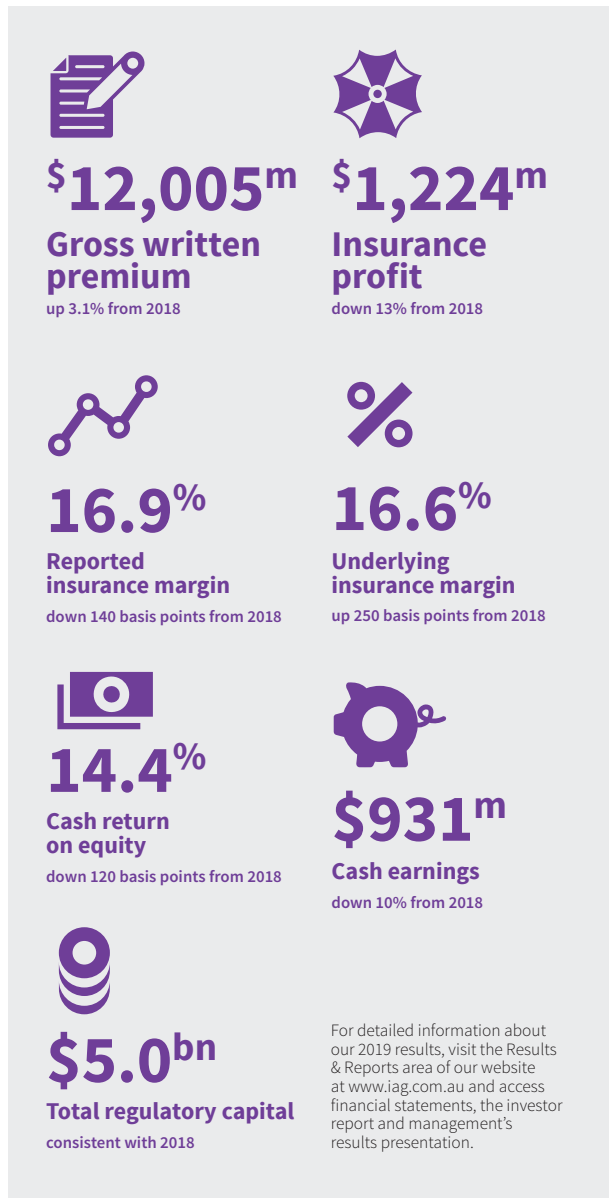
Our capital position remains strong

We continue to be strongly capitalised, with regulatory capital of approximately \$5 billion at 30 June 2019. At that date, our Common Equity Tier 1 ratio was 1.31, and 1.12 after allowance for payment of the final dividend, against a target benchmark of 0.9-1.1. Our debt to total tangible capitalisation ratio at 30 June 2019 was 36.5%, which was within our targeted 30-40% range.

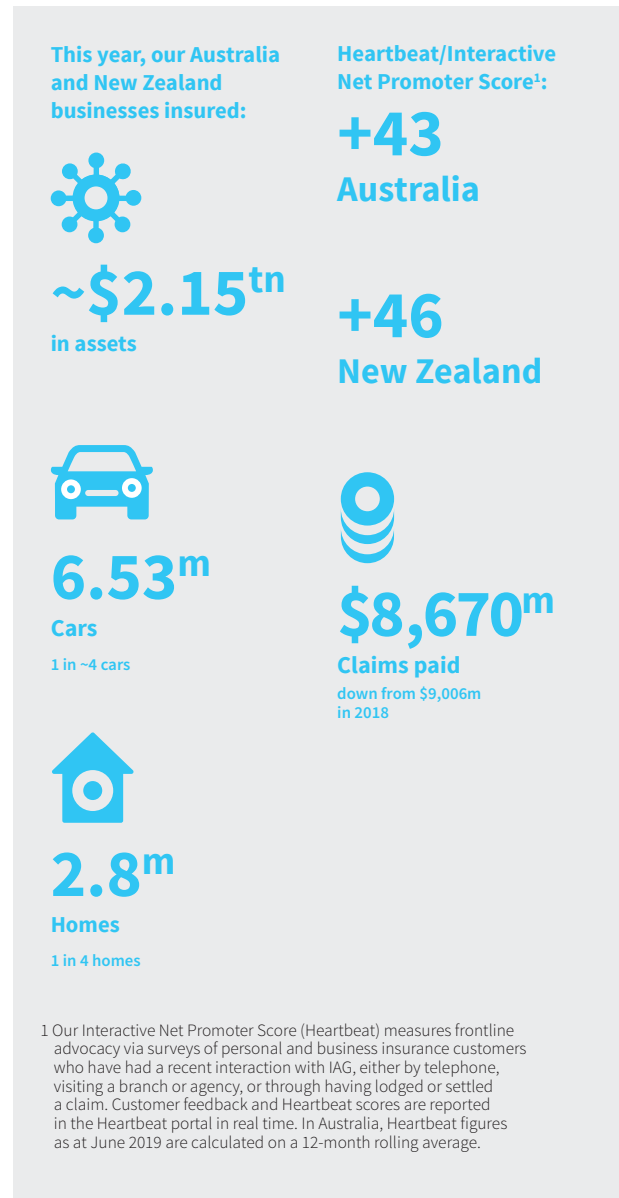
Our core operating insurance subsidiaries continue to hold 'very strong' 'AA-' ratings from Standard & Poor's. IAG is rated 'A' as a non-operating holding company.

2019 overview

Financial strength



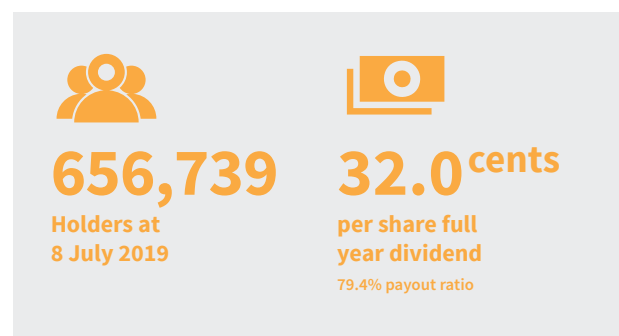
Customers



Community



Shareholders



Operating performance

Australia

We have market-leading shares in personal and commercial insurance in Australia, with products sold under brands including NRMA Insurance, CGU, WFI, SGIO and SGIC.

Australia reported gross written premium of \$9,331 million, an increase of equal to 2% against last year.

Australia reported an insurance profit of \$842 million, down from \$1,190 million last year. Its reported insurance margin was 14.9%, compared to 19.6% last year, reflecting the net effect of lower prior period reserve releases; higher net natural peril claim costs; a \$20 million unfavourable movement in credit spread impact; and an approximately 125 basis points uplift from a full year's effect of the combined 12.5% quota shares which commenced on 1 January 2018. The business' improved underlying performance was reflected in its underlying margin of 15.5%, up from 12.9% last year, including a full year quota share effect.

Consumer

IAG is the largest personal lines insurer in Australia, offering motor and home products across the country under a range of brands, as well as Compulsory Third Party insurance in New South Wales, the Australian Capital Territory and South Australia.

Consumer increased its gross written premium by 2.3% to \$6,355 million, compared to 2018. Within this result, motor premium rose 4.5%, largely from higher rates; and home premium increased by 2.2%, with rate increases partially offset by slightly lower volumes. Renewal levels for both motor and home remained high and stable.

Premium sold through our main brands' online sales channels grew by 16%, with NRMA Insurance conducting approximately 33% of new business sales and renewals online.

Business

IAG sells a range of commercial products in Australia through its suite of brands. IAG's Business offering has a strong small-medium-enterprise emphasis, and a leading market share in rural areas.

Business premium increased by 1.6% to \$2,976 million compared to \$2,930 million in 2018. Average rate increases were around 6% during the year. Rate movements varied by segment, with portfolios such as property and motor experiencing up to double digit increases; and commoditised packaged products achieving high single digit rate increases. While these rate increases helped to ensure business is appropriately priced, they adversely impacted policy volumes in some portfolios.



The overall Australia result also included an approximately \$70 million reduction in premium from smaller business areas that we have exited, such as consumer credit, retail warranty and fleet leasing; and slightly lower Compulsory Third Party premium, where reduced pricing after New South Wales scheme reform was partially countered by an increase in the number of policies.

Customer initiatives

During the year, the Australian business continued to enhance its products, strengthen its partnerships and improve the quality of its customer service. Specific initiatives included:

- further enhancing the digital experience for small-to-medium enterprise customers, by providing a personalised, flexible and efficient 'quote and buy' process, with multi-bundling options; and extending access to digital payment and enhanced self-service capability to CGU customers;
- continuing the CGU 'More Time' campaign to provide small business owners with access to time-saving solutions through partnerships with Airtasker, Squirrel Street and Legal Access Services;
- simplifying flood, rainwater run-off and storm surge definitions, giving home, landlord and on-site caravan insurance customers greater clarity about what they are covered for and enabling a more consistent, efficient and effective claims experience, with improved claim settlement times; and
- providing customers with proactive, timely communication to update them on progress with motor repairs, across the repair partner network.

Our brands' strong levels of service and partnership capabilities received industry recognition:

- in August 2018, NRMA Insurance was voted 'Direct General Insurance Company of the Year' for the third year running in a survey by the Australian and New Zealand Institute of Insurance and Finance; and
- in June 2019, CGU was voted 'Insurer of the Year' in the annual Brokers on Insurers survey by Insurance Business Magazine.

In Australia, we expect modest premium growth in 2020, after recent underwriting agency-related divestments and further improvement in underlying profitability.

Gross written premium (\$m)

2019	9,331
2018	9,144

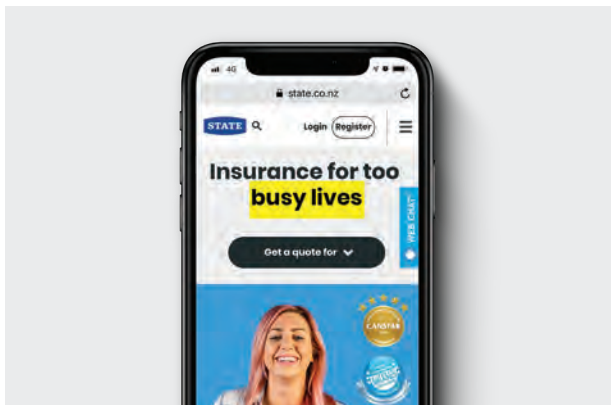
Insurance profit (\$m)

2019	842
2018	1,190

The Wiradjuri Country billboard is on the Newell Highway, Dubbo South (Peak Hill), New South Wales. It was created by Sharon Smith, a Wiradjuri woman from Cowra in New South Wales. The artwork is based on the artist's childhood memories of visiting the three rivers of Wiradjuri country and hearing the colourful stories being passed down from her elders; it symbolises the river where her father was born.

New Zealand

IGAG is the largest general insurer in New Zealand, trading under the State, NZI, AMI and Lumley brands.



New Zealand's local currency gross written premium grew by 5.2% to NZ\$2,836 million, reflecting the combination of:

- sound premium growth in the Consumer division, led by increased rates and policy numbers in private motor, and including higher rates in home; and
- solid premium growth in the Business division, driven by rate increases across commercial and personal policies, partially offset by some loss in the number of policies as the business adhered to its robust underwriting disciplines.

In reported terms, New Zealand recorded premium growth of 7.0% to \$2,660 million, after a favourable foreign exchange translation effect.

Consumer's two direct brands, State and AMI, both received awards during the year, demonstrating their commitment to providing world-leading customer experiences:

- in May 2019, State won Canstar's 2019 Most Satisfied Customers Award for Car Insurance – the only one of nine qualifying motor insurers to be rated 5-stars for overall satisfaction; and
- in November 2018, AMI was awarded the Gold Quality Service Award for Home and Contents Insurance at the 2019 Reader's Digest Quality Service Awards.

The New Zealand business produced a substantially higher insurance profit of \$390 million in the 2019 financial year. This equates to a reported insurance margin of 24.7% (up from 13.8% last year) reflecting the combination of:

- a full year's impact from the combined 12.5% quota shares which took effect from 1 January 2018, adding approximately 125 basis points to this year's margin;
- increased gross earned premium, driven by solid premium growth in both Consumer and Business;
- a benign natural perils experience; and
- an absence of the prior period reserve strengthening seen in 2018.

The business continues to generate a strong performance, with its underlying margin increasing to 19.5%, up from 17.6% in 2018, including the full year quota share effect.

New Zealand is expected to report sound premium growth in 2020, while maintaining its strong underlying profitability.

Gross written premium (\$m)

2019	2,660
2018	2,486

Insurance profit (\$m)

2019	390
2018	218

Customer Labs

Customer Labs is central to IAG's strategy and competitive advantage over the longer term. It is responsible for our customer experience strategy, covering innovation in product, pricing and marketing; data insights; brand architecture; human centred design; new business incubation; and venturing. It also champions digital innovation across IAG, identifying and harnessing disruptive technology and building digital solutions and connections.

This year, Customer Labs focused on better understanding customers and ensuring the right frameworks are in place to keep them safe, by:

- helping to develop the IAG Customer Equity Framework;
- establishing a behavioural science capability to gather insights about the relationship between customer attitudes and behaviours which will be applied in the design of future products to create maximum value for customers as well as improving their safety;
- continuing work to house all customer data on a single platform, so we can better understand how to best serve customers and create more engaging and personalised customer experiences;
- improving ease of service for visitors to the NRMA Insurance website by using algorithms to enrich a customer's profile with predictions that anticipate their needs and simplify their journeys;
- continuing to consider the ethical aspects of Artificial Intelligence, becoming a founding partner of the Gradient Institute, together with the Commonwealth Scientific and Industrial Research Organisation's (CSIRO) Data61 and the University of Sydney in December 2018;
- continuing to drive digitisation across IAG, increasing personalisation experiences for customers; connecting customers to more products and services; and enabling the online lodgement, allocation, tracking and management of motor and home claims across all our brands in Australia and New Zealand;
- simplifying call centre employee and customer digital experiences by creating a single platform for policy servicing and claims lodgement for the NRMA Insurance, SGIO and SGIC brands. This simplification has reduced the number of calls received by an estimated 800,000 per year, as multiple customer needs can be addressed in a single call. It has also shortened the average call handling time, creating capacity for our people to engage in relationship-building conversations with customers;
- accelerating the deployment and scaling of new products and ventures, including expanding the ShareCover host property rental insurance product to include Rideshare for drivers who use their car to provide rideshare services; Boatshare as part of boat-sharing platforms; and TaskCover which provides public liability and professional indemnity insurance for individuals on service platforms, such as Airtasker;
- exploring emerging car subscription services by establishing a partnership with the digital car trading platform, Carbar with IAG acquiring a 51% stake in Carbar in June 2019; and
- overseeing our Firemark Ventures investment fund as it continued to create strategic value from the investments it has made to date, including new products with Airtasker and UpGuard; and assessing over 150 start-up businesses to identify potential investment opportunities in Customer Labs' focus areas of computer visioning, voice analytics, location data, aerial imagery and drone technologies. Firemark Ventures has invested approximately \$19 million across eight companies to date and has a strong opportunity pipeline established for next year.

Our strategy

At IAG, our purpose is to make your world a safer place: for our customers, partners, employees, shareholders and the communities we serve.

We believe our purpose will enable us to become a more sustainable business over the long term, and deliver stronger and more consistent returns for our shareholders.

Our strategy is to optimise our core insurance business and create future growth options by making customers feel safer on the road, in their homes and at work.

We are focused on:

- building a lean, efficient and modular insurance operation through simplification;
- creating a customer-focused organisation with enhanced capabilities in data, digital, analytics and artificial intelligence, brand and innovation; and
- creating a more agile organisation.

Our simplification program is well advanced enabling us to increase our focus on customer engagement and growth. This includes extending our strategic partnerships to offer products and services that are adjacent to our insurance business, so we can make our customers and the community feel safer on the road, in their homes and at work.

We are also leveraging our assets – including our data, customer reach and brands – to launch and scale new businesses in markets that complement these adjacent products and services.

Our strategy goals are centred around building deeper engagement with our customers and growing the number of customers in our network of brands. We seek to create more value for our customers by making their world a safer place and to increase the lifetime value of our customer relationships.

Strategic targets

We are focused on delivering through the cycle financial targets of:

- cash return on equity 1.5 times weighted average cost of capital;
- a dividend payout of 60-80% of full year cash earnings; and
- a top quartile total shareholder return.

These financial targets are complemented by short term balanced scorecard objectives for the enterprise, including financial performance (including underlying profit, gross written

premium growth and operating costs), customer advocacy and growth, people engagement and leadership effectiveness, and our risk maturity performance.

Strategic priorities

We continue to have three key strategic priorities, supported by organisational capabilities, to deliver our strategy:

I. Customer – World-leading customer experiences:

- create a delivery platform that transforms customer experiences;
- better connect customers and automate processes, enabling us to reach more customers in a timely manner;
- develop an innovation approach which provides the ability to think differently and deliver quickly;
- embed cognitive capabilities and artificial intelligence that anticipate customers' needs; and
- use data to power decision making, allowing us to better understand our customers.

II. Simplification – Simplified, modular and lower cost operating model:

- reduce organisational complexity by consolidating technology platforms, harmonising products, simplifying processes and systems, and executing the technology strategy;
- leverage operational partners to optimise the operating model and drive scale economies across the value chain; and
- improve allocation and maximise use of the preferred repairer network to reduce average claim size.

III. Agility – An agile organisation distinguished by innovation, speed and execution skills:

- create a disciplined approach to our management and leadership, including building stronger role clarity and introducing agile ways of working;
- build a talent pipeline based on the skills required to deliver our strategy and help our people transition to the future of work; and
- be recognised as a purpose-led organisation that shapes our internal and external environment.

Our operational scorecard

Simplification well-advanced; increased future focus on customer engagement and growth

2019 activities

2020 priorities

 <p>Customer</p>	<ul style="list-style-type: none"> • Enhanced customer digital experiences via simpler motor and home claim processes • Adopted a customer journey design framework to deliver offerings and experiences accessible to all customers • Developed a real-time, interactive customer insights portal, providing our people with a deeper customer understanding 	<ul style="list-style-type: none"> • Meet changing customer needs by accelerating investment in data, artificial intelligence and innovation capabilities, to build out new businesses • Accelerate use of the public cloud to more fully access its benefits, allowing more rapid, efficient and flexible customer decisions • Apply behavioural science insights to future products to create value for customers and improve their safety
 <p>Simplification</p>	<ul style="list-style-type: none"> • Claims component of systems consolidation largely complete across Australia and New Zealand • Transition of targeted activities to offshore operational partners completed • Divestment of/exit from non-core businesses progressed 	<ul style="list-style-type: none"> • Decommissioning of redundant claims systems following technology platform consolidation • Commence execution of policy administration system consolidation • Geographic expansion of optimised repair model within Australia and New Zealand
 <p>Agility</p>	<ul style="list-style-type: none"> • Embedded Leading@IAG program, strengthening the connection of our purpose and strategy to individual accountability and performance • Continued deployment of Future ME program, enabling employees to build their knowledge and preparedness to participate in the workforce of the future 	<ul style="list-style-type: none"> • As part of MyFlex program, launch Switch shift management tool, enabling greater workforce flexibility in a cost-effective and customer-centric manner • Continued development of partnerships, products and shared value programs that drive safer communities and deliver on our purpose

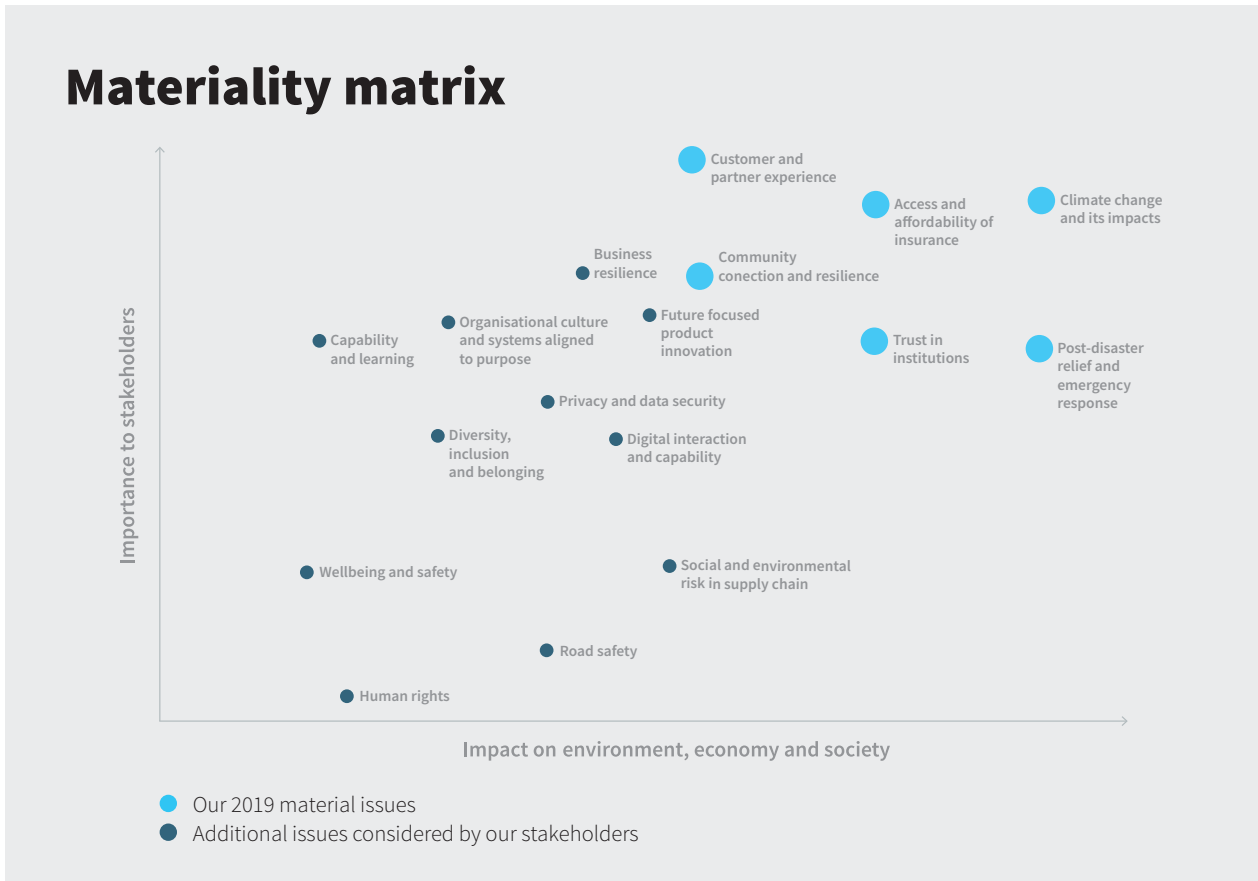
Our material issues

Material issues affect IAG's ability to deliver on our purpose to make your world a safer place. We prioritise the most important issues by engaging with key internal and external stakeholders through an annual materiality process.

Customers, employees, partners, shareholders and the communities in which we operate were engaged in this year's

process. We then prioritised these issues based on their impact on the environment, economy and society and their potential to affect our business performance.

Understanding these material issues helps us to concentrate our efforts on the areas where we can achieve the best positive impact while delivering on our purpose.



The material issues we identified in 2019

Trust in institutions



While research from Edelman through the Trust Barometer shows an increase in trust across government, business, non-government organisations and media over recent years, trust in institutions continues to be the subject of much media coverage and public commentary. Trust is also a particularly relevant issue for financial institutions after the Hayne Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry (Royal Commission). We believe trust is the foundation of our business and maintaining and building it is essential to our long-term commercial viability.

Customer and partner experience



Business success relies on the delivery of meaningful and valuable customer and partner experiences through the interactions we have every day, from face-to-face to technology solutions. For our business, this experience needs to be replicated across our network of operational partners, community partners, distributors and suppliers. Increasing customer and partner advocacy supports our purpose and organisational strategy. We are focused on putting the customer at the centre of decision making and believe this requires understanding of the diverse needs and behaviours of the customer segments we serve. Getting this right is critical to our long-term success.

Post-disaster relief and emergency response



More than nine million Australians have been affected by a natural disaster or extreme weather event over the last 30 years. Through research, the Australian Business Roundtable for Disaster Resilience & Safer Communities has found that the total costs of natural disasters in Australia are forecast to more than double in real terms to \$39 billion per year by 2050. IAG's success is determined by how well we support our customers to get back on their feet when disaster strikes. We have a responsibility to support the people and businesses we protect when they need us the most and have the skills and experience to offer our customers rapid support to help them recover. We also promote disaster resilience and mitigation to help our customers and their communities be as prepared as possible for the risks they may face.

Access and affordability of insurance



Many people do not have adequate insurance cover due to affordability issues, a lack of understanding around the level of protection they require, or a lack of suitable insurance products. We know that inadequate insurance reduces the ability of individuals, communities and our economy to recover from adverse events. As a major insurer, we have a responsibility to ensure insurance remains accessible and affordable. With increased risk, this is not easy. We recognise the need for us to ensure products are in place to meet customers' and community needs. We need to continue to focus on how insurance can be affordable for all, acknowledging our commitment to financial inclusion. We also need to assist customers and communities to understand the level of protection they require. If we focus on our purpose of making your world a safer place we will not only improve the resilience of our current customers and communities but also open new market opportunities for IAG.

Community connection and resilience



Communities are rapidly evolving and face new and increasingly complex challenges. Both individuals and communities need to be equipped with the knowledge and skills to survive, adapt and grow when facing stresses and shocks – whatever these may be. We know communities are more resilient when they are well prepared and connected. Communities which are resilient recover more quickly, and adapt and thrive after shocks and stresses. They also rebuild and own assets more quickly, which provides insurance opportunities. Improving shared understanding of the risks people face is critical to improving safety on our roads, in our homes and in businesses.

Climate change and its impacts



We recognise climate change as one of the biggest threats to our society and way of life today. This risk is heightened through urbanisation and further coastal development. The risk of extreme and destructive weather events will increase if we don't succeed in reducing our global greenhouse gas emissions. This is particularly relevant to our business. We are there when extreme weather events occur and pay out claims to help our customers and communities recover. As a result, climate risk presents clear challenges for the sustainability of our business – but it also creates significant opportunities. We are well-positioned to use our industry expertise to help customers, partners and communities understand and manage the changing risk environment, build resilience and navigate the transition to a low carbon economy.

United Nations Sustainable Development Goals

Our material issues inform our strategy, including our safer communities approach. We also consider the United Nations Sustainable Development Goals (SDGs) when we develop our strategy and risk management approach, and to ensure we consider the wider social, environmental and economic context.

IAG supports the SDG's commitment to advance economic, social and environmental prosperity. In doing so, we recognise that the social and environmental challenges faced by communities, countries and regions also affect business and influence commercial success.

While our work to create safer communities and transfer risk through insurance can support many of the SDGs, we prioritise the ones where we can make the biggest difference.



Decent work and economic growth (SDG 8)

We recognise the importance of a safer world, and the value of insurance as a service that helps communities thrive and recover from adversity. The need for wide access to insurance is explicitly called out in Target 8.10.



Industry, innovation and infrastructure (SDG 9)

We support investment in resilient infrastructure, innovation and technology progress to find lasting solutions to economic and environmental challenges.



Sustainable cities and communities (SDG 11)

We leverage our expertise and partnerships to deliver resilient and sustainable communities and infrastructure.



Climate action (SDG 13)

We play an important role in helping communities and customers prepare for the impacts of climate change and in the transfer of risk that extreme weather events will require.

Our research, data and expertise on claims assessment and management, combined with our safer communities initiatives, have reinforced the importance of community connection to help prepare for, respond to and recover from major life events. The increase in these events as a result of social and environmental change reinforces the importance of businesses delivering successful programs against the SDGs.

For more information about our activities to address the material issues and the SDGs, look for the material issues icons and SDG logos throughout this annual review.

Strengthening our purpose-led culture

Overview

Creating world-leading customer experiences starts with our people. This year we increased our focus on our organisational culture to make us a more agile organisation that can continue to deliver ethical outcomes for our customers.

Our culture starts with our purpose, which provides a unifying mindset with which we can approach our work. To deliver on our purpose, we are focused on living the behaviours described in our spirit to serve our customers, partners, communities, shareholders and each other.

To create a workplace where our people are aligned to and support our purpose, we have our Leading@IAG system of work. This system is providing role clarity for our leaders and helping to create the conditions for our people to thrive.

We are also improving our ability to measure our culture outcomes so we can celebrate our achievements and gain a deeper understanding of our strengths and the improvements we need to make.

The considerable progress we have made on our cultural journey over recent years is reflected in improvements in metrics such as our employee net promoter score, our agility indicators and our safety metrics.

This year, our rolling six-monthly employee net promoter score improved to +28 at 30 June 2019, from -1 on 30 June last year. We use the internationally recognised measure of lost time injury frequency rate to measure how we are performing on workplace safety. Against our targets of 1.47 for Australia and 0.86 for New Zealand, we recorded results of 1.20 and 0.56 respectively.

Fostering a diverse and inclusive workforce

We want to create a work environment where our people feel a sense of belonging, ownership, value and meaning. This means having a truly diverse and inclusive workplace that represents the communities and customers we serve and ensures that all our people feel they are able to contribute. We are proud of the progress we have made, particularly in the areas of flexibility, equity and accessibility.

Flexibility

We strive to support our people, both in and outside work. We provide a range of flexible working options for our people and we estimate up to 70% of our workforce works flexibly. This year we launched our Switch app to enable our contact centre employees to change their working times and hours online, to suit how and when they wish to work. We also extended our hugely successful onsite school holiday program Kids@IAG in Australia as part of our effort to support working parents.

Equity

Equity recognises that we all have different aspirations and different barriers to achieving these aspirations, and some people need more support than others. This year, our senior leaders assumed more visible sponsorship for specific diversity initiatives, including gender equity and First Nations representation. This led to pilot programs including a focus on developing the business acumen of women in middle management and partnering with social enterprise Code Like a Girl to promote the development of women in occupations traditionally dominated by men.

We continue to focus on our overall gender pay parity across all roles in Australia and New Zealand and our results have improved year-on-year since 2016. We have, on average, achieved pay parity in like-for-like roles.

We have a target for women to hold 40% of senior leadership roles across our company by 2020. We define senior leadership roles as our group executive, executive general managers and the people who report to them. As at 30 June 2019, women held 37.1% of senior leadership roles across IAG and constituted 57.6% of our workforce. We are committed to making further progress to achieving our target and have several supporting initiatives underway.

We are proud that our Australian and New Zealand workplaces have been certified as supportive, productive and inclusive workplaces for LGBTQI people, receiving bronze status in the 2019 Australian Workplace Equality Index and the Rainbow Tick Accreditation in New Zealand for the second consecutive year. In New Zealand we also achieved DVFREE Tick Certification, which provides access to a safe and inclusive workplace for people who are affected by domestic violence.

As part of our Elevate Reconciliation Action Plan, we have made a commitment to increase Aboriginal and Torres Strait Islander employment to 2% of our Australian workforce by December 2021 and 3% by 2023. As at 30 June 2019, we employed 100 Aboriginal and Torres Strait Islander people in Australia, which equates to 1.24% of our Australian permanent workforce. Our Reconciliation Action Plan commitments provide a strong pathway to help us achieve our target.

Accessibility

We have established an Accessibility Working Group which leverages our partnership with the Australian Network on Disability to increase our leaders' awareness about creating a more accessible workplace for people with disability. Our accessibility activity is underpinned by our Workplace Adjustment Guidelines to enable our people with disability, or any accessibility requirements, to fully participate in all aspects of employment.

Preparing our workforce for the future

Our business must continually evolve so we can provide great customer experiences in the future. Our workforce strategy development and planning processes help us identify and build the right capability, skills, and experiences now and into the future. The insights we gain from this work are informing our Future ME program to help prepare our people to transition to the future. For example, while technology, automation and global partnering will affect some roles, they will also create new opportunities. Agile ways of working, adaptability, data, digital and design thinking are some of the critical capability areas we will need to focus on for the future workforce.



Being a responsible business

Overview

Our objective is to behave responsibly and ethically and to set the standard for exceeding the expectations of our customers and the community.

We know that actions speak louder than words, so we are demonstrating our responsible business practices to our customers and the wider community by delivering on our purpose, to make your world a safer place.

We take seriously the findings from the Royal Commission which were delivered in February 2019. The Royal Commission identified where the sector did not live up to the expectations of the community, and where as a business we did not live up to the expectations of our customers.

Building trust

We are focused on building trust by demonstrating leadership. At a global level, IAG is a signatory to the voluntary principles-based frameworks of the United Nations Environment Programme – Finance Initiative (UNEP – FI), including the Principles for Sustainable Insurance and Principles for Responsible Investment.

In Australia, IAG co-chairs the Australian Sustainable Finance Initiative. This will develop and provide recommendations which aim to embed sustainability across Australian financial markets by mobilising capital and enhancing sustainability, resilience and the sustainability of the Australian financial system, ensuring better informed financial decision making by enhancing disclosures and transparency in financial markets and delivering a financial system that meets community and consumer expectations around sustainability.

Trust in our organisation and developing and maintaining a strong reputation are important to us as they are a reflection of the wider community's perception of how well we deliver on our purpose. A strong reputation supports stronger customer advocacy and increased sales, and enables us to attract the best people to work for us.

Over the past 12 months, the financial services industry has been subject to continued reputational pressure as a result of the Royal Commission. Each year, we work with the Reputation Institute to track our reputation with a representative sample of the Australian population through its RepTrak reputation tracker. This year, the survey showed a number of organisations in the financial services industry suffered reputational damage. In contrast, the reputation of IAG, and to a degree the general insurance industry, remained relatively stable. This stable reputation, alongside another successful year of meeting our commitments to the market, is a positive outcome for our business. However, we acknowledge there is always more we can do to grow and maintain the trust of our stakeholders.

Meeting customer and community expectations

In June 2019, the Australian Securities and Investments Commission released an industry-wide review of the design and sale of consumer credit insurance (CCI) products. It was found that these products were poor value and did not serve the needs of customers adequately. IAG had already recognised these concerns in 2015 and commenced, at that time, a strategic review of our CCI products and sales practices to ensure our products add value to customers. Throughout 2016 and 2017, we worked to develop new pricing structures and premium rates to provide further product improvements to try to continue to meet customer expectations.

Due to the small size of the portfolio in relation to other IAG products and the resources required to service the portfolio, a decision was made in May 2018 to withdraw CCI products from sale. Withdrawal commenced in June 2018 and concluded in February 2019.

We no longer write new CCI policies, but we recognise the long-term nature of the product (ie home mortgages) and are committed to continuing to provide services to customers who purchased these products.

We also know that the Swann Insurance add-on insurance products sold in the past may not have delivered the value they should have to some of our customers. IAG sold the Swann motor dealer distribution channel in 2016 and exited the motorcycle dealer business in 2017. Since our last annual review and safer communities report, we have implemented a successful remediation program refunding \$22.4 million to approximately 39,000 customers. Eligible customers are still able to contact us for remediation if required. We have recently been advised by ASIC that a portion of the Community Benefit Payment we have committed to pay as part of our remediation program will be directed to the Financial Counselling Foundation.

In addition to the remediation program, and to support ongoing product development and management, we have implemented a new Product Governance Framework. The framework ensures that IAG has appropriate mechanisms in place to identify when elements of a product may no longer align with our purpose and community and customer expectations. It includes the requirement for all products to be reviewed regularly against our newly defined set of Product Design Principles, and for corrective action to be taken where needed. The first full review of IAG's entire existing product suite against the Product Design Principles is due for completion in June 2020.

IAG also recognises the importance of understanding and responding to customer, consumer and community issues. We are committed to ensuring insights on current and emerging issues are considered by our business through our work with our Ethics Committee and Consumer Advisory Board.



Measuring social and business impact and value

IAG's Safer Communities Measure (formerly Shared Value Measure) supports decision making, and tracks our community impact reporting against our purpose. The Measure includes three key metrics: community impact, employee engagement and business impact. We have a Measure target of 70 for the 2020 financial year. The Measure score for 2019 is 58.31, slightly lower than the previous year score of 59.2. The reduction was driven by the introduction of larger-scale community preparedness initiatives, such as the Get Prepared app, which supported increased scale of reach but lower levels of resilience action. A review of the measure will be undertaken in the 2020 financial year to consider the implications of scale of reach versus direct action.



Community connection and resilience

Overview

We are creating safer and more connected communities that have the capacity to grow and thrive. We will do this by working at the global, national and community levels, partnering, accelerating the role of business in resilience and taking a community-led approach.

Our work ranges from local partnerships to enable connection and grow resilience, to opportunities to empower individuals to be safer and better manage risk within their homes.

We have also looked at our own processes to ensure we are providing best-practice care to all our customers.

Communities ready for anything – nationally

Building safer and stronger First Nations communities

Connected and resilient communities in Australia and New Zealand are dependent on acknowledging and valuing the deep and rich cultural heritage and knowledge held by the First Peoples in both these nations. In Australia, IAG has developed and is implementing an Indigenous Engagement Strategy; and in New Zealand a Māori Engagement Strategy, which builds on work already done by IAG's Māori Employee Group, is close to completion.

In February 2019, we launched our Elevate Reconciliation Action Plan (RAP), our third RAP. An Elevate RAP is subject to a strict quality assurance process by Reconciliation Australia. The Elevate status is awarded to organisations with a proven track record of embedding effective RAP initiatives in their organisation through their previous Stretch RAPs. Elevate RAP organisations take a leadership role to advance reconciliation nationally and champion initiatives that empower Aboriginal and Torres Strait Islander peoples and communities and create societal change.

We demonstrate leadership within the RAP community through a number of initiatives including our commitment to endorsing the principles of the Uluru Statement from the Heart and to reducing the incarceration rates for First Nations peoples. Last year, we developed a RAP partnership with Just Reinvest NSW, to explore a justice reinvestment approach in the Mount Druitt, Sydney community, with an overall aim of reducing interactions with the criminal justice system by addressing the drivers of crime and lowering the incarceration rates among young people over the long term.



Safer communities investment and data

For additional information on our progress against IAG's Commitments, community investment data, further data summaries, IAG's climate-related disclosures and our work to address human rights and modern slavery, visit the Safer communities section of www.iag.com.au.

Communities ready for anything – locally

Building resilient communities by sharing community spaces

CGU has worked with start-up Vennu® to pilot its community spaces marketplace in the Illawarra and Shoalhaven regions of New South Wales.

Vennu launched in August 2018 and has achieved great success promoting community spaces owned by various organisations, which it calls Hosts; increasing awareness with guests who book spaces; and continuously improving the operation of its system. Since it was launched, Hosts have increased by more than 130% and listings by over 120%. Much of the growth can be attributed to key relationships established with branded Host organisations that have state and national portfolios.

Building on last year's success, we will continue to support Vennu in 2020 as it extends to the Sydney metropolitan area, and the rest of New South Wales. Some of the Host organisations that Vennu has deep and long-lasting relationships with include Scouts NSW, Surf Life Saving New South Wales and Bowls New South Wales. We are proud to be working with an organisation that shares our Safer Communities focus of building resilient communities. Vennu does this by connecting people, places and each other with ease.



®Registered trade mark of Vennu Pty Ltd



Anangu artists (from left) Christine Brumby, Charmaine Kulitja, Rene Kulitja and Happy Reid with the Uluru Statement from the Heart canvas.

People ready for anything

Safety Hub: encouraging safety in your home

The NRMA Insurance Safety Hub was created as an online platform to test a process for rewarding customers for being proactive about their safety in their homes, on the roads and in the local community.

We used weather and geographical data to identify the greatest insurance risks to Australian homes and targeted our highest risk customers. We then suggested a series of tasks outlining the steps they can take to reduce risk and increase safety in their homes. The program engaged 2,800 customers who completed around 4,500 safety tasks; as a result, thousands of dollars in potential claims were prevented. Eighty-four percent of users engaged with and completed tasks and a survey of the participants showed that 82% said that they feel prepared to recover from an unexpected event. Lessons from the program will be incorporated into future risk reduction initiatives.

Customer Equity Framework: bringing our purpose to life

This year, we developed our Customer Equity Framework, designed to ensure our customers have world-leading customer experiences and that we work to remove barriers that stop our customers from fully accessing our products and services.

We are committed to treating our customers fairly, with care and compassion and acknowledge that there have been instances in the past when we have not supported our customers to the full extent they needed.

Through implementing the Customer Equity Framework we will be providing guiding principles and minimum standards which we will deliver to our customers. The framework also acknowledges that there are some circumstances where a higher level of care is required and is designed to ensure that, at all times, every customer is treated equitably.

This important IAG-wide piece of work addresses material issues such as the creation of equitable customer experiences (regardless of age, gender, culture and language, disability or social limitations), access to insurance, customers experiencing vulnerability and building trust in institutions. It will guide our decision making processes by putting customer equity at the centre of all our business.

We are committed to delivering world-leading experiences to our customers which means investing in building the capability and understanding of our people. We are working to understand all our customers and meet their needs in our everyday interactions.

AMI supports young driver education in New Zealand

AMI in New Zealand is supporting the RYDA Program to deliver a series of powerful workshops to high school students aged 16 to 18. The program challenges students to change the way they think about road safety and lays a foundation for safe road use throughout their lives. By investing in driver education, we are helping to make the roads in New Zealand safer.

The RYDA Program had a significant impact on young drivers in New Zealand with 96% of students saying they would apply the things they learned at RYDA as a passenger or driver and 77% of students better understanding that driving is a social responsibility and has impacts on other cars on the road.



New Zealand students from the Bay of Islands who participated in the RYDA Program.

Disaster risk reduction and climate change

Overview

We are enabling communities in Australia and New Zealand to better prepare for and respond to natural hazards and climate change by using our unique knowledge, capabilities and assets in partnership with others.

Communities ready for anything – nationally

Playing a meaningful role through engagement and leadership

At the global level, IAG contributes to sector-wide climate solutions through the UNEP-FI Principles for Sustainable Insurance, Principles for Responsible Investment, and membership of the Geneva Association (an international insurance thinktank). IAG will continue playing a leadership and advocacy role on climate change, including through our work with federal, state and local governments in Australia and New Zealand. An example of this is the active role we are playing in implementing the Australian National Disaster Risk Reduction Framework.

Disaster resilience in Australia and New Zealand

IAG is a founding member of the Australian Business Roundtable for Disaster Resilience & Safer Communities (Roundtable). The Roundtable was established in 2012 and brings together aligned organisations to lead and influence public policy in a way that reduces the impact and cost of extreme weather events on life, property and the economy. In the past 12 months, the Roundtable refined its focus to engage with disaster resilience frameworks and policies sitting at all levels of government, and to demonstrate that business and the wider Australian community have a role to play in building resilient communities. In New Zealand, IAG is working through the Climate Leaders Coalition to ensure businesses are actively adapting and building resilience to climate impacts.

IAG's climate change impacts

Climate change is one of the world's most pressing issues. We have a long-standing record of addressing the opportunities and risks associated with climate change and have taken practical steps to minimise our own environmental impact. Our objectives and progress are outlined in our Climate Action Plan and Scorecard. In the 2019 financial year, we reduced our greenhouse gas emissions to 26,457 tonnes CO₂e through a combination of reducing emissions from electricity and transport related activity including vehicles and travel; and the sale of IAG's Asia-based business. We are on track to achieve our 2020 financial year science-based emission reduction target. Our detailed 2019 climate related disclosure is set out in our 2019 annual report, and available in the Safer communities section of our website (www.iag.com.au).



Communities ready for anything – locally

Supporting communities to better manage risks from storms

We partner with the State Emergency Service (SES) in New South Wales and Queensland to help communities be safer during, and more resilient to, extreme weather. We focus much of this work on raising awareness of storm risks and encouraging better storm preparation in at-risk communities. Some of our activities include:

- storm preparedness campaigns to raise awareness of how to better prepare for and respond to storms, floods and cyclones: 94% of people in New South Wales and 97% of people in Queensland who heard or saw this year's campaign took storm preparedness action;
- localised and targeted community preparedness programs in high risk areas; and
- grants and awards programs that support local volunteers and units to enable their communities to better mitigate their risk.

Supporting disaster risk reduction through our products and claims servicing

Our purpose is to make your world a safer place and one of the ways we do this is by offering insurance products which enable individuals, businesses and communities to better recover when disaster strikes. In the past year, we acknowledge there has been some community concern in Wellington, New Zealand that IAG was going to withdraw or retreat from the insurance market due to the high peril risk associated with that area. It was reported that IAG would not be providing home or contents insurance to new customers in the area. This is not the case. IAG continues to offer insurance to existing and new customers across New Zealand, including in Wellington. We know that New Zealanders want us to be there for them. As such, our focus has been to continue to support and protect the community, which includes making sure insurance is available as the circumstances of our customers change. IAG has provided insurance to New Zealanders through its NZI brand, and subsequently through its other principal brands AMI, Lumley, State and NAC for 160 years, and will continue to do so.

Australia was also subject to significant weather events, with the hailstorm in Sydney and Berowra, New South Wales in December 2018; the floods in Townsville, Queensland in January 2019; and another severe hailstorm in Sydney in March 2019; severely affecting customers living in those areas. When natural perils occur, our immediate priority is to help customers who have been affected.



Neighbours working together to ensure their homes are safe.

IAG responded well to multiple large-scale weather events which occurred during the year. Following a major weather event such as the Townsville floods, we see a wide range of damage that has a variety of causes. We take great care to review the individual circumstances of a customer's claim to ensure we make a fair and appropriate decision that reflects the insurance policy they have purchased.

The scale of the December 2018 hail events in New South Wales presented us with the opportunity to implement a dedicated claims management response team to ensure we had the right focus on supporting our customers until their claims were finalised. We established three call centres across Melbourne, Sydney and Brisbane employing an additional 230 consultants to support our response. From the Sydney hailstorms, we received more than 25,000 claims for property damage and 45,000 claims for motor damage. By 30 June 2019, we had finalised 70% of property and motor repairs.



People ready for anything

Helping people be prepared and get back on their feet

We have developed and implemented a range of programs and initiatives at a state and local level aimed at supporting communities to prepare for and respond to disasters. Through our 10-year partnership with Australian Red Cross we've co-created the Get Prepared app to help communities better prepare for emergencies. The app helps people prepare with an easy process to establish a network of contacts, consider the risks relevant to where they live and create checklists of actions to undertake. The Get Prepared app has been downloaded over 13,000 times since its launch in October 2017.

Initially, we learnt that in some instances users have been reluctant to complete preparedness tasks that require the input of personal data into the app, leading to lower than expected engagement and completion of emergency plans. We used this insight to redesign the app and now have a target for 100,000 downloads next year.

One of the other ways we support communities to recover from the impact of extreme weather events is by partnering with GIVIT. GIVIT helps connect people who have items to donate to those in the community who need them. GIVIT mobilised after the floods in Townsville, Queensland in January 2019 and managed the donation of over 224,000 items, helping those people worst affected to recover quickly.

In New Zealand, AMI partnered with New Zealand Red Cross to provide an Emergency Essentials Pack to the 65,000 New Zealanders who participated in Red Cross training last year. The Emergency Essentials Pack is a water-resistant pouch, designed to store essential documents for easy access in an emergency, with details on how to create an emergency plan, pack an emergency kit and download the Red Cross First Aid and Emergency app and the Red Cross Hazard app which alerts users to emergencies in their region.

Following the hailstorms that hit Sydney and the Central Coast in December 2018, we worked with our four specialist hail repairers to set up 11 hail repair centres across the affected areas. The centres triaged up to 1,000 vehicles a day and, after all the assessments were completed, they became full repair centres. We replaced damaged windscreens immediately so customers could be back on the road without delay, even if they had to wait for their cars' panels to be repaired.



Remuneration approach

Our purpose: we make your world a safer place

IAG's purpose guides our remuneration approach by aligning executive pay outcomes with the interests of our customers, community and shareholders. We achieve this alignment by assessing both financial and non-financial performance, including a risk assessment, to ensure results are delivered in a way that is sustainable and benefits all IAG stakeholders.

Remuneration reflects delivery of strategy, business results and risk performance

IAG rewards executives through a combination of fixed pay, short term incentives (STI) and long term incentives (LTI).

In the 2019 financial year, IAG has continued to deliver strong business performance, recording outcomes at the mid point of guidance measures provided to the market, in relation to GWP growth and reported insurance margin. A key element of the improved underlying margin outcome was the realisation of net benefits under the optimisation program, which includes initiatives designed to simplify our business, reduce controllable expense and improve the experience of our customers. In addition, a strong capital position has been maintained, following distribution of surplus capital to shareholders. The table below outlines key performance measures and remuneration outcomes reflecting IAG's business results.

- A review of fixed pay determined that current executive fixed pay levels are appropriate, and will remain unchanged for the 2020 financial year. The August 2018 review resulted in Peter Harmer, Mark Milliner, Craig Olsen and Julie Batch receiving fixed pay increases during the 2019 financial year. The increases ranged from 5.0% to 11.8% and were applied to meet market pay levels.
- STI outcomes reflect Group and individual executive performance during the 2019 financial year. Further improvement in underlying business performance was achieved, in line with the market guidance measures provided at the outset of the year.
- The LTI rewards executives for achieving long term performance. Based on strong returns, the cash return on equity (ROE) element of the 2015/2016 LTI award vested in full. On 30 September 2018, the relative total shareholder return (TSR) portion of the 2014/2015 LTI award was tested. IAG's TSR was ranked at the 61st percentile of its peer group resulting in a 72% vesting outcome.

SUMMARY OF EXECUTIVE PERFORMANCE OUTCOMES			
	Performance measure	Performance outcome	Remuneration outcome as % of maximum
STI	Group Balanced Scorecard	60%	47% to 72% (average of 60%)
	Cash ROE	1.71 times WACC*	100%
LTI	Relative TSR	61st percentile of peer group	72%

* Weighted Average Cost of Capital (WACC)

As foreshadowed at the 2018 annual general meeting, the Board has reviewed the LTI plan ROE hurdle. The review considered factors including the impact of monetary policies on the global cost of capital, the changing capital base of the Company and the need to ensure the hurdle is sufficiently stretching. As a result, the Board has increased the cash ROE hurdle vesting range from 1.2 to 1.6 times WACC, to 1.4 to 1.9 times WACC for future awards, with the expectation of typically lower vesting outcomes for executives.

Risk performance and accountability is a key input to variable pay

IAG takes a balanced approach to assessing executive performance across financial and non-financial measures, while also considering risk management effectiveness. When assessing risk performance, the full range of risks that IAG faces are considered, including reputational and operational risk. The way we assess executive risk management performance continues to evolve, building on the improvements outlined in IAG's 2018 annual report.

For the 2019 financial year, our risk performance assessment approach was further enhanced to ensure that remuneration outcomes support effective risk management and IAG's long term soundness. Under this approach:

- the risk performance assessment was extended beyond executives to cover approximately 80 senior leaders across IAG;
- the Board Risk Committee, with input from the Chief Risk Officer and executive general manager, Group Internal Audit, provides an independent assessment to the People and Remuneration Committee and Board when they make remuneration decisions; and
- the Chief Risk Officer and Chief Financial Officer review remuneration for their Risk and Financial Control roles to confirm that the arrangements do not compromise the independence of those employees (and provide an annual attestation to that effect).

The Board has an ongoing program of work to assess remuneration and performance frameworks to ensure they promote effective risk management practices. During the year, we further strengthened those frameworks by:

- including a risk maturity objective in the Group Balanced Scorecard to further develop IAG's risk practices and culture;
- introducing a formal assessment of risk maturity and risk culture which is approved by the Board Risk Committee;
- increasing the deferred portion of Group Leadership Team STI awards from 33% to 50%;
- extending the LTI Cash ROE vesting period from three to four years; and
- increasing the difficulty of LTI Cash ROE hurdles for the 2020 financial year and future LTI awards.

The regulatory environment in which IAG operates continues to evolve post the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry. The recent release by APRA of Draft Prudential Standard CPS 511 Remuneration has significant implications for both the design and governance of remuneration arrangements. The Board recognises that the new draft Standard, which is currently subject to a consultation process, could potentially have a significant impact on remuneration and governance approaches, and could lead to a substantial review of IAG's framework in 2020.

Actual remuneration received by Executives

Details of the remuneration received by Executives designated as key management personnel during the 2019 and 2018 financial years are set out below. The table displays fixed pay and other benefits paid during the financial year, the value of cash STI awards earned in the financial year, and the value of prior years' deferred STI and LTI awards that vested during the financial year. The proportion of STI paid as cash was reduced from 67% to 50% for awards made for the 2019 financial year. For remuneration details provided in accordance with the Accounting Standards, refer to the table on page 35 of the 2019 annual report.

Executives	Financial year	Fixed pay ¹	Other benefits and leave accruals ²	Termination benefits ³	Cash STI ⁴	Deferred STI vested ⁵	LTI vested ⁶	Total actual remuneration received
		\$000	\$000	\$000	\$000	\$000	\$000	\$000
Peter Harmer	2019	1,858	136	–	709	655	2,049	5,407
	2018	1,700	88	–	1,258	398	1,058	4,502
Julie Batch	2019	728	3	–	269	200	462	1,662
	2018	700	(7)	–	403	141	169	1,406
Nicholas Hawkins	2019	1,200	33	–	480	399	1,480	3,592
	2018	1,200	37	–	768	344	1,058	3,407
Jacki Johnson	2019	1,091	41	–	303	360	1,574	3,369
	2018	1,091	12	–	663	289	1,054	3,109
Mark Milliner	2019	1,079	117	–	432	1,306	–	2,934
	2018	1,000	76	–	576	–	–	1,652
Craig Olsen ⁷	2019	785	62	–	339	202	448	1,836
	2018	728	58	–	496	119	122	1,523
David Watts ⁸	2019	704	32	–	176	–	–	912

Executives who ceased as key management personnel

Tim Clark ⁸	2019	118	(3)	–	28	–	–	143
	2018	206	12	–	76	–	–	294

1 Fixed pay includes amounts paid in cash, superannuation contributions plus the portion of IAG's superannuation contribution that is paid as cash instead of being paid into superannuation. Fixed pay also includes salary sacrifice items such as cars and parking as determined in accordance with AASB 119 *Employee Benefits*. The August 2018 review resulted in Peter Harmer, Mark Milliner, Craig Olsen and Julie Batch receiving fixed pay increases during the 2019 financial year.

2 Further details are provided in Table 12 on page 35 of the 2019 annual report.

3 Payment in lieu of notice, which incorporates statutory notice and severance entitlements.

4 Cash STI earned within the year ended 30 June 2019 and to be paid in September 2019. The proportion of STI paid as cash was reduced from 67% to 50% for awards made for the 2019 financial year.

5 The deferred STI vesting on 1 September 2018 was valued using the five day VWAP of \$7.65 (1 September 2017: \$6.34).

6 The LTI vested was valued using the five day VWAP at vesting date which was \$7.98 for awards vested on 16 August 2018 and \$7.32 for awards vested on 30 September 2018 (24 August 2017: \$6.43 and 30 September 2017: \$6.39).

7 Remuneration for Craig Olsen was determined in New Zealand dollars and reported in Australian dollars using the average exchange rate for the year ended 30 June 2019 which was 1 NZD = 0.938 AUD.

8 Remuneration for Tim Clark and David Watts is presented for the period for which they served as a key management personnel.

Statutory remuneration details for Non-executive Directors

Non-executive Directors	Financial year	Short-term employment benefits		Post-employment benefits				Share-based payment	Total
		IAG Board fees received as cash	Other Board and committee fees	Super-annuation	Retirement benefits	Other long-term employment benefits	Termination benefits		
		\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Elizabeth Bryan	2019	485	169	21	–	–	–	113	788
	2018	481	197	20	–	–	–	90	788
Duncan Boyle	2019	176	91	25	–	–	–	–	292
	2018	176	63	23	–	–	–	–	262
Hugh Fletcher	2019	176	186	21	–	–	–	–	383
	2018	176	184	21	–	–	–	–	381
Sheila McGregor ¹	2019	44	23	19	–	–	–	124	210
	2018	53	7	6	–	–	–	–	66
Jon Nicholson	2019	176	68	23	–	–	–	–	267
	2018	176	55	22	–	–	–	–	253
Helen Nugent	2019	176	46	21	–	–	–	–	243
	2018	176	59	22	–	–	–	–	257
Tom Pockett	2019	178	68	21	–	–	–	–	267
	2018	179	68	20	–	–	–	–	267
George Savvides ²	2019	10	1	1	–	–	–	–	12
Michelle Tredenick ¹	2019	135	23	19	–	–	–	53	230
	2018	53	7	6	–	–	–	–	66

Non-executive Director who ceased as key management personnel

Philip Twyman ³	2019	57	15	7	–	–	–	–	79
	2018	178	60	20	–	–	–	–	258

1 Non-executive Directors appointed part way through the year ended 30 June 2018.

2 Non-executive Director appointed part way through the year ended 30 June 2019.

3 Non-executive Director ceased as key management personnel part way through the year ended 30 June 2019.

The information shown on pages 20 and 21 is an extract from the 2019 remuneration report, which appears on pages 19-41 of the 2019 annual report.

Board of Directors

The Board's principal role is to govern, rather than manage, IAG, by ensuring that there is a proper governance framework in place to promote and protect IAG's interests for the benefit of its stakeholders.

Our Board's primary role is to ensure there is a proper governance framework in place to promote and protect our interests for the benefit of our stakeholders. To achieve this, the Board oversees and appraises the company's strategy, policies and performance. This oversight and appraisal occurs through the lens of our purpose.

The Board also oversees our compliance with the Australian Securities Exchange Corporate Governance Council Principles and Recommendations. Details of our approach to corporate governance, and our compliance with the principles, are set out in our 2019 Corporate Governance Statement which is available online in the About Us area of our website (www.iag.com.au).

- 1 Duncan Boyle BA (Hons), FCII, FAICD**
 Independent non-executive director
 Appointed December 2016
 Chairman, Risk Committee
 Member, Audit Committee, Nomination Committee,
 People and Remuneration Committee
- 2 George Savvides BEng (Hons) (UNSW), MBA (UTS), FAICD**
 Appointed June 2019
 Member, Nomination Committee, People and
 Remuneration Committee, Risk Committee
- 3 Helen Nugent AO BA (Hons), PhD, MBA,
 DUniv (Bond), HonDBus (Qld)**
 Independent non-executive director
 Appointed December 2016
 Member, Audit Committee, Nomination
 Committee, Risk Committee
- 4 Jonathan (Jon) Nicholson BA**
 Independent non-executive director
 Appointed September 2015
 Chairman, People and Remuneration Committee
 Member, Nomination Committee, Risk Committee
- 5 Elizabeth Bryan AM BA (Econ), MA (Econ)**
 Chairman and Independent non-executive director
 Appointed December 2014
 Appointed Chairman, March 2016
 Chairman, Nomination Committee
 Chairman, Insurance Manufacturers
 of Australia Pty Limited
- 6 Peter Harmer**
 Managing Director and Chief Executive Officer,
 Executive director
 Appointed November 2015
 Member, Nomination Committee
- 7 Sheila McGregor BA (Hons), LLB, AICD Diploma**
 Independent non-executive director
 Appointed March 2018
 Member, Audit Committee, Nomination Committee
- 8 Tom Pockett CA, BCom**
 Independent non-executive director
 Appointed January 2015
 Chairman, Audit Committee
 Member, Risk Committee, Nomination Committee
- 9 Michelle Tredenick BSc, FAICD, FFin**
 Independent non-executive director.
 Appointed March 2018
 Member, Nomination Committee, People
 and Remuneration Committee.
- 10 Hugh Fletcher CA, BSc/BCom, MCom (Hons), MBA**
 Independent non-executive director
 Appointed September 2007
 Member, Nomination Committee, People
 and Remuneration Committee, Risk Committee
 Chairman, IAG New Zealand Limited.



Group Leadership Team

Our Group Leadership Team supports our businesses and our focus on our strategic priorities of customer, simplification and agility. The Group Leadership Team is headed by our Managing Director and Chief Executive Officer, Peter Harmer.



Detailed information about our Directors, our Board and Board Committees, and our Group Leadership Team is available in the About Us area of our website (www.iag.com.au).



- 1 David Harrington** B.Com, LLB, MBA, Graduate Certificate in Applied Finance
Group Executive Strategy and Corporate Development
- 2 Rebecca Farrell** LLB (Hons), BA
Group General Counsel (Acting) and Company Secretary
- 3 Neil Morgan** BSc (Hons) Management Sciences
Group Executive Technology
- 4 Mark Milliner** BCom, MBA, GAICD
CEO Australia
Key Management Personnel
- 5 Craig Olsen** BAAcc
Chief Executive New Zealand
Key Management Personnel
- 6 Nick Hawkins** BCom, FCA
Chief Financial Officer
Key Management Personnel
- 7 Peter Harmer**
Managing Director and Chief Executive Officer
Key Management Personnel
- 8 Julie Batch** MAppFin ANZIIF (Fellow)
Chief Customer Officer
Key Management Personnel
- 9 David Watts** BBus, MBA, CPA
Chief Risk Officer
Key Management Personnel
- 10 Ben Bessell**
EGM Business Distribution and Group Executive
- 11 Gillian Folkes** BA, GAICD
Acting Group Executive, People, Performance & Reputation

 Board of Directors

 Group Leadership Team

Five-year financial summary

	2019	2018	2017 ¹³	2016	2015
	\$m	\$m	\$m	\$m	\$m
Gross written premium	12,005	11,647	11,439	11,367	11,440
Gross earned premium	11,942	11,522	11,321	11,411	11,525
Outwards reinsurance premium expense	(4,704)	(3,851)	(3,122)	(3,183)	(1,196)
Net premium revenue	7,238	7,671	8,199	8,228	10,329
Net claims expense	(4,619)	(4,617)	(5,082)	(5,397)	(6,941)
Net underwriting expense	(1,716)	(1,877)	(2,079)	(2,116)	(2,847)
Underwriting profit ⁴	903	1,177	1,038	715	541
Net investment income on assets backing insurance liabilities	321	230	232	463	562
Management reported insurance profit ¹	1,224	1,407	1,270	1,178	1,103
Net investment income from shareholders' funds	227	165	246	97	223
Other income	111	164	180	204	187
Share of net profit of associates ²	42	31	19	17	6
Finance costs	(94)	(82)	(93)	(99)	(107)
Corporate and administration expenses ³	(124)	(185)	(222)	(423)	(383)
Acquired intangible amortisation and impairment	(54)	(90)	(57)	(54)	(80)
Profit before income tax	1,332	1,410	1,343	920	949
Income tax expense	(363)	(384)	(328)	(218)	(119)
Profit after tax from continuing operations	969	1,026	1,015	702	830
Profit/loss after tax from discontinued operations	204	(25)	(10)	–	–
Net profit attributable to non-controlling interests	(97)	(78)	(76)	(77)	(102)
Net profit attributable to shareholders of the parent	1,076	923	929	625	728
Cash earnings ⁴	931	1,034	990	867	987
Ordinary shareholders' equity (\$ million)	6,404	6,669	6,562	6,563	6,817
Total assets (\$ million)	29,286	29,766	29,597	30,030	31,402

Key ratios

Gross written premium growth	3.1%	1.8%	n/a	(0.6)%	17.0%
Loss ratio ⁵	63.8%	60.2%	62.0%	65.6%	67.2%
Expense ratio ⁶	23.7%	24.5%	25.3%	25.7%	27.6%
Combined ratio ⁷	87.5%	84.7%	87.3%	91.3%	94.8%
Reported insurance margin ⁸	16.9%	18.3%	15.5%	14.3%	10.7%
Underlying insurance margin ⁹	16.6%	14.1%	12.4%	14.0%	13.1%

Share information

Dividends per ordinary share (cents) ¹⁰	32.00	34.00	33.00	36.00	29.00
Special dividends per ordinary share (cents)	5.50	–	–	10.00	–
Basic earnings per ordinary share (cents) ¹¹	46.26	39.06	39.03	25.79	31.22
Basic earnings per ordinary share – cash basis (cents) ¹²	40.04	43.78	41.60	35.78	42.33
Diluted earnings per ordinary share (cents) ¹¹	44.58	38.30	37.72	25.34	30.45
Diluted earnings per ordinary share – cash basis (cents) ¹²	38.83	42.75	40.13	34.76	40.92
Ordinary share price at 30 June (\$) (ASX: IAG)	8.26	8.53	6.78	5.45	5.58
Capital notes price at 30 June (\$) (ASX: IAGPD)	106.95	104.67	106.53	–	–
Reset exchangeable securities price at 30 June (\$) (ASX: IANG)	101.38	102.66	103.40	100.00	103.10
Issued ordinary shares (million)	2,311	2,367	2,367	2,431	2,431
Issued capital notes (million)	4	4	4	–	–
Market capitalisation (ordinary shares) at 30 June (\$ million)	19,089	20,191	16,048	13,249	13,565
Net tangible asset backing per ordinary share (\$)	1.43	1.47	1.36	1.3	1.34

1 The amounts for 2016 financial year are presented on a management reported (non-IFRS) basis which is not directly comparable to the equivalent statutory (IFRS) figure.

A reconciliation between the two is outlined in the Operating and Financial Review section of the Directors' Report in the 30 June 2016 Annual Report.

2 Share of net profit of associates includes regional support and development costs.

3 Includes a \$198 million impairment of capitalised software for 2016 and a \$60 million impairment of the investment in Bohai Insurance for 2015.

4 Cash earnings represent non-IFRS financial information. It is defined as net profit after tax attributable to shareholders of the Parent, plus amortisation and impairment of acquired identifiable intangibles, and excluding any unusual items (non-recurring in nature).

5 The loss ratio refers to the net claims expense as a percentage of net premium revenue.

6 The expense ratio refers to net underwriting expense as a percentage of net premium revenue.

7 The combined ratio refers to the sum of the loss ratio and expense ratio.

8 Reported insurance margin is a ratio of insurance profit over net premium revenue.

9 Underlying insurance margin is defined as the reported insurance margin adjusted for net natural peril claim costs less related allowance for the period, reserve releases in excess of 1% of NEP and credit spread movements.

10 The dividends per ordinary share are partially franked for the 2019 financial year, and fully franked for the previous financial years presented.

11 Reflects basic and diluted earnings per ordinary share on an accounting basis.

12 Basic and diluted earnings per ordinary share on a cash basis are calculated with reference to cash earnings.

13 The financial information for 2017 has been re-presented to reflect the changed treatment of the Asian businesses as discontinued operations. Financial information for 2016 and 2015 is not re-presented.

Shareholder information

2019 annual report suite

Our annual review and safer communities report contains a summary of the 2019 financial year performance of Insurance Australia Group Limited (IAG). Unless otherwise indicated, references to 2019, 2018 and 2017 in graphs and copy throughout this review refer to IAG's financial years ending 30 June 2019, 2018 and 2017 respectively. All figures are in Australian dollars unless otherwise stated.

More detailed information about IAG's 2019 financial performance is available in the Results & Reports area of our website (www.iag.com.au). The website also houses financial updates, investor reports, ASX announcements, key dates and a comprehensive shareholder centre.

Our 2019 annual report contains more detailed financial information, including full statutory accounts, and the Directors' and remuneration reports for the 2019 financial year. This year's corporate governance report is available in the About us area of our website (www.iag.com.au). To have a copy of the annual review or annual report mailed to you, contact IAG's Share Registry using the contact details on the this page.

Online information

To view other information about IAG and to manage your shareholding online, visit www.iag.com.au. You can also register to receive email news alerts when IAG makes important announcements.

Key dates

2019 financial year end	30 June 2019
Full year results and dividend announcement	8 August 2019
Notice of meeting mailed to shareholders	10 September 2019
Final dividend for ordinary shares	
Record date	20 August 2019
Payment date	30 September 2019
Annual general meeting	25 October 2019
Half year end	31 December 2019
Half year results and dividend announcement	12 February 2020*
Interim dividend for ordinary shares	
Record date	19 February 2020*
Payment date	25 March 2020*
2019 financial year end	30 June 2020*
Full year results and dividend announcement	7 August 2020*

* Please note: dates are subject to change. Any changes will be published via a notice to the Australian Securities Exchange (ASX).

Scope and assurance of sustainability reporting

Pages 12 to 19 of this annual review provide an outline of our safer communities performance during the year ended 30 June 2019.

EY was engaged by IAG to undertake limited assurance over selected disclosures in the safer communities section of IAG's annual review and safer communities report, and associated online content. The subject matter for EY's limited assurance engagement for the year ended 30 June 2019 for Australia and New Zealand was limited to:

- selected material non-financial quantitative performance indicators contained in the Safer communities online content (www.iag.com.au/safer-communities/esg-commitments-and-performance);
- the consolidated performance metrics relating to the selected material non-financial quantitative performance indicators, presented throughout IAG's 2019 annual review and safer communities report; and
- selected qualitative disclosures relating to performance data, selected qualitative disclosures pertaining to IAG's material issues contained within IAG's 2019 annual review and safer communities report as well as within its associated online content (limited to IAG's climate-related disclosures (www.iag.com.au/safer-communities/our-climate-action-plan)).

EY's conclusion statement

Based on the limited assurance procedures, nothing has come to our attention that causes us to believe that the selected sustainability disclosures for the year ended 30 June 2019 have not been reported and presented fairly, in all material respects, in accordance with IAG's criteria for reporting.

EY's independent Limited Assurance Statement to the Board and Management of Insurance Australia Group Limited is available in the Safer communities section of IAG's website.

Shareholder information

Share registry

Computershare Investor Services Pty Limited
GPO Box 4709, Melbourne VIC 3001 Australia

Hand deliveries:

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Sydney NSW 2000 Australia

Telephone:

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(outside Australia) +61 (0)3 9415 4210

Other:

Email iag@computershare.com.au
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Registered Office:

Insurance Australia Group Limited
Level 13, 201 Sussex Street
Sydney NSW 2000 Australia
Telephone +61 (0)2 9292 9222
Email investor.relations@iag.com.au
Facsimile +61 (0)2 9292 8072
Website www.iag.com.au



Australia



New Zealand



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 IAG owns 100% of Insurance Australia Limited (IAL), the underwriter of general insurance products under the Coles Insurance brand. These products are distributed by Coles under an Authorised Representative Agreement with IAL.



Pacesetter Laser Recycled is 30% recycled and made up from elemental chlorine free bleached pulp which is PEFC™ certified sourced from sustainably managed sources. It is manufactured by an ISO 14001 certified mill.