
Financial impact of Tropical Cyclone Debbie and revised FY17 reported insurance margin guidance

IAG estimates it will incur a net natural peril claims cost of approximately \$140 million from Tropical Cyclone Debbie, which is consistent with the maximum event exposure indicated in the perils update provided on 6 March 2017.

Tropical Cyclone Debbie crossed the Queensland coast near Airlie Beach as a severe Category 4 cyclone, on the afternoon of Tuesday 28 March 2017. In addition to high winds, the weather system brought heavy rainfall and flooding to a region extending through Queensland and Northern New South Wales, with associated heavy rain experienced in New Zealand.

IAG's businesses have received approximately 4,300 claims as at 4 April 2017 for mainly property damage in relation to Tropical Cyclone Debbie.

Peter Harmer, IAG Managing Director and CEO, said the company has taken an all-hands-on-deck approach so it can support customers in the areas affected.

"This is a highly unusual and complex event with the devastating effects still being felt across North and South East Queensland, Northern New South Wales and New Zealand.

"Our immediate concern is for our customers and their communities and we have our people and partners on the ground in the affected areas to make sure they feel supported and safe.

"We have mobilised local builders to perform critical repairs where we have access, and we have our people at the recovery centres in the affected areas.

"We are well-advanced in assessing damaged properties and this is a priority so our customers can get back on their feet as soon as possible," Mr Harmer said.

Following this event, IAG has increased its expectation for FY17 net natural peril claim costs to \$850 million, compared to the previously held assumption of \$680 million. This comprises:

- Around \$650 million for the eight months ended 28 February 2017, as advised on 6 March 2017 and including an estimated cost of \$160 million for the Northern Sydney hailstorm event which occurred in late February;
- Approximately \$50 million from events in March 2017, excluding Tropical Cyclone Debbie;

- Approximately \$140 million for Tropical Cyclone Debbie, as outlined above;
- The expected full utilisation of the FY17-specific reinsurance cover of \$96 million, which applies to net natural peril claim costs immediately above \$680 million; and
- An estimate of around \$100 million for further peril events in the combined months of April, May and June 2017.

The estimate for the final three months of the financial year includes consideration of IAG's maximum exposure to a subsequent event. This has reduced to \$20 million owing to activation of the calendar 2017 aggregate sideways cover which, after Tropical Cyclone Debbie, contains approximately \$320 million of remaining protection, with qualifying events capped at a maximum contribution of \$180 million excess of \$20 million per event.

The \$170 million increase in IAG's net natural peril claim cost assumption for FY17 (from \$680 million to \$850 million) equates to approximately 200 basis points at the reported insurance margin level. As a result, IAG has lowered its FY17 reported insurance margin guidance range, from 12.5-14.5% to 10.5-12.5%.

About IAG

IAG is the parent company of a general insurance group (the Group) with controlled operations in Australia, New Zealand, Thailand, Vietnam and Indonesia. The Group's businesses underwrite over \$11 billion of premium per annum, selling insurance under many leading brands, including: NRMA Insurance, CGU, SGIO, SGIC, Swann Insurance and WFI (Australia); NZI, State, AMI and Lumley Insurance (New Zealand); Safety and NZI (Thailand); AAA Assurance (Vietnam); and Asuransi Parolamas (Indonesia). IAG also has interests in general insurance joint ventures in Malaysia and India. For further information, please visit www.iag.com.au.

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