



IAG -

Partnering across the Climate and Disaster Resilience System

By Group People Performance and Reputation, Safer Communities, IAG



IAG is the largest general insurer in Australia and New Zealand, operating leading brands including NRMA Insurance and CGU. For more than 160 years, IAG has been helping customers manage and protect themselves from risk. It's at the heart of IAG's purpose, to make your world a safer place.

Social Issue Extreme weather events and natural perils have some of the most significant impacts on communities. In addition to direct economic impacts, increased mental health issues, alcohol misuse, domestic violence, chronic disease and short-term unemployment have resulted from extreme weather events (Australian Business Roundtable for Disaster Resilience and Safer Communities, Deloitte Access Economics, 2016). And these weather events are becoming more severe and at times more frequent as climate change is fundamentally changing the nature of the risk.

Business Opportunity Using its unique insights and capability, and embedding enterprise-wide accountability in addressing climate and disaster risk, leads to improved commercial outcomes for IAG. It works to ensure IAG delivers scalable action on climate change and disaster resilience for its customers and communities. As a result, this creates improved commercial success in helping to future-proof the business, lower-risk and boost engagement with investors.

Partnerships

- Climate and disaster resilience is an extremely complex set of issues. IAG recognises it can not address this alone and needs to work with others in effective partnerships to drive outcomes.
- IAG works collaboratively across the entire climate and disaster resilience system on climate research, resilience, mitigation and policy to encourage adaptation to a climate and disaster resilient future.
- They partner with community organisations such as Australian Red Cross and GIVIT, research institutions including James Cook University Cyclone Testing Centre, US National Center for Atmospheric Research, governments both federal and state, government agencies including NSW SES, business, and industry.



The Opportunity

In a changing climate, natural disasters are becoming more frequent and severe, leading to increasing costs to communities, business and government.

Climate and Disaster Resilience is the priority focus area for IAG – a key area where they can deliver on strategy, have a meaningful impact, and contribute to commercial return.

IAG focuses on enabling communities to better prepare for, adapt and respond to the impacts of natural hazards and climate change, as outlined in IAG’s enterprise-wide Sustainability and Safer Communities Business Plan.

The Strategy

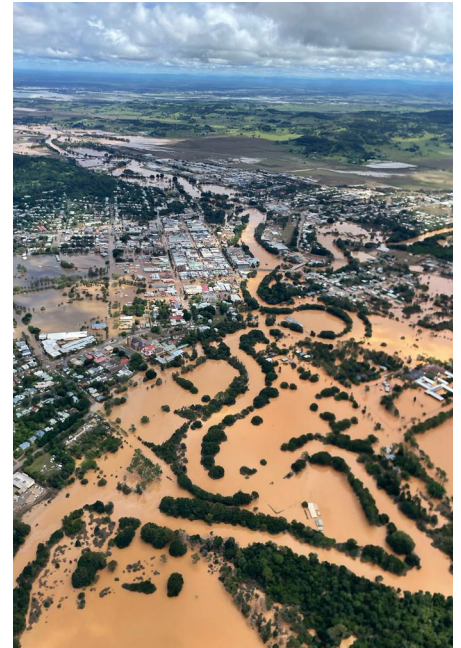
IAG’s purpose is to **make your world a safer place**: IAG delivers on this purpose for customers, partners, employees, shareholders and the communities which the company serves. Ensuring IAG’s long-term commercial objectives are met is a critical component of bringing IAG’s purpose to life. IAG’s long-term commercial objective remains: the delivery of top quartile Total Shareholder Return, with a sustainable growth profile. To realise this, IAG’s strategy is to ‘create a stronger, more resilient IAG’. IAG is driving focus, adapting its business model and playing to its strengths to capitalise on trends shaping the operating environment.

When setting IAG’s strategy, they recognised climate change and disaster risk management as a key influence to the stability and growth of its business. IAG’s climate and disaster risk management is deeply embedded in the four pillars of IAG’s ‘stronger, more resilient’ strategy.

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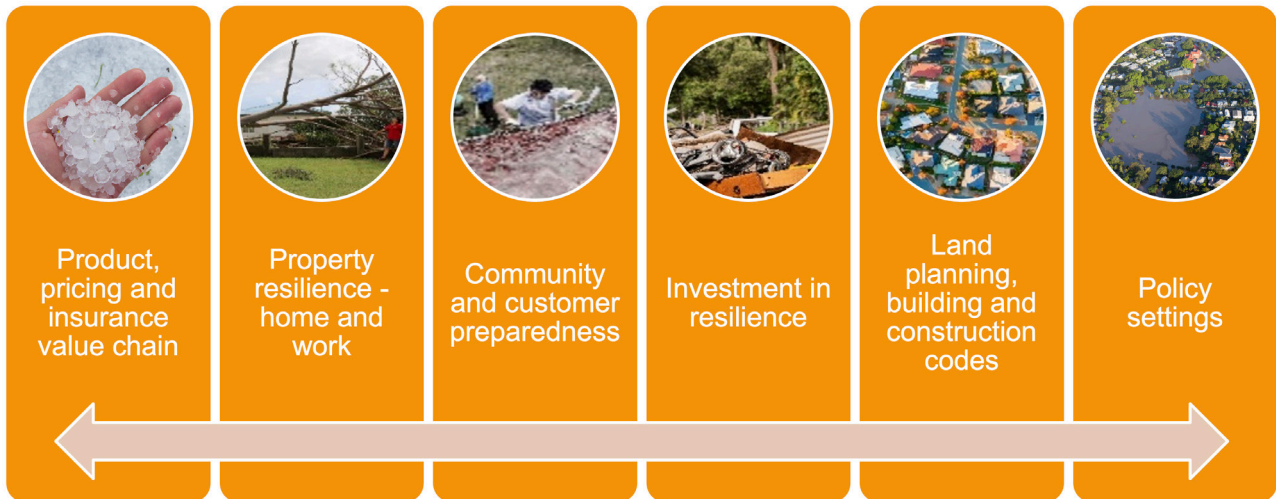
Claims costs make up the largest proportion of costs to IAG. As an industry, more than \$8.9 billion has been paid out in natural disasters claims since 2019, with most of that paid since the 2019 bushfires. This makes the general insurance industry the financial first responder for devastated communities. In the first half of FY22 the net natural perils claims costs for IAG were \$681 million.

Given these incredible costs, there is a huge competitive incentive for organisations with the most effective approach to climate and disaster risk management. Focus on climate and disaster resilience, preparedness and response are critical to achieve a reduction of claims costs over time. IAG also know that they can't achieve the outcomes set in the IAG strategy by themselves. They work collaboratively across the entire climate and disaster resilience system on climate research, resilience, mitigation and policy to encourage adaptation to a climate and disaster resilient future. They also focus on helping communities in Australia and New Zealand understand the risk of natural hazards and climate change and how they can prepare for, adapt and build back better after disasters. This system-wide approach helps define IAG's role in influencing policy settings, land-use planning and building codes, and investments in resilience.



Climate and Disaster Resilience

IAG activities targeting different aspects of the climate and disaster risk system



Founding the Australian Business Roundtable to affect policy settings

Partnerships are core to shared value creation. Given the complexity of climate and disaster resilience, IAG quickly realised that bringing together trusted and credible voices with the skills and capability necessary to respond to the most pressing elements of the challenge was critical. That's why in 2012 together with the Australian Red Cross, Optus, Westpac and Munich RE, IAG founded Australian Business Roundtable for Disaster Resilience and Safer Communities (The Australian Business Roundtable). The purpose of the Australian Business Roundtable is to influence public policy and programs that improve disaster resilience and climate change preparedness.

The Australian Business Roundtable published six research papers with economic modelling of the costs of disasters, triggered by natural hazards to reflect the impact of climate change. The research papers have been used widely to influence government focus and spending on mitigation. The Australian Business Roundtable's research and expertise have influenced important Federal Government commitments, including the establishment of a National Recovery and Resilience Agency \$600 million disaster mitigation fund and the Australian Climate Service (CSIRO, ABS, Bureau of Meteorology and Geoscience Australia) with an investment of \$210 million. The Australian Business Roundtable was invited to help create policy for the first National Disaster Risk Reduction Framework, which outlines a national, comprehensive approach to proactively reducing disaster risk, now and into the future.

The power of a 'business sector' voice and collaboration was valuable to push forward the agenda on climate and disaster resilience. Research released from a business and community-led collective organisation was particularly important at a point in time to de-politicise climate and disaster resilience by demonstrating the business case for the cost of inaction. Over time the Australian Business Roundtable has evolved to individual member led engagements on the issues of climate and disaster resilience. This evolution is a marker of success as the Australian Business Roundtable has been able to achieve the goals it set out to do and come together periodically to consider broad resilience issues and the opportunity for collective or individual action.

The Australian Business Roundtable was effective at shifting policy settings and influencing the broader system. From a business perspective IAG's investment in this work also enabled IAG to:

- Gain trust and credibility in the space.
- Gain insight and understanding of the problem.
- Create a platform for partnership that could extend beyond the work of the roundtable.
- Demonstrate a tangible suite of activities that influence positive risk prevention and resilience building behaviours at an individual and community level. These deliver on purpose, leading to reputation and brand outcomes.



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Partnering to drive community and customer preparedness at scale

IAG have set the public target of helping one million Australians and New Zealanders to take action to reduce their risk from extreme weather by 2025. IAG drives this action at scale through its brands NRMA Insurance and CGU, investing in initiatives and programs that help people understand climate risk and build their resilience at home and in their communities. IAG knows that communities that are connected are more resilient when disaster strikes. They take a partner-led approach working with key resilience organisations including the Australian Red Cross, NSW State Emergency Service and NSW Rural Fire Service.

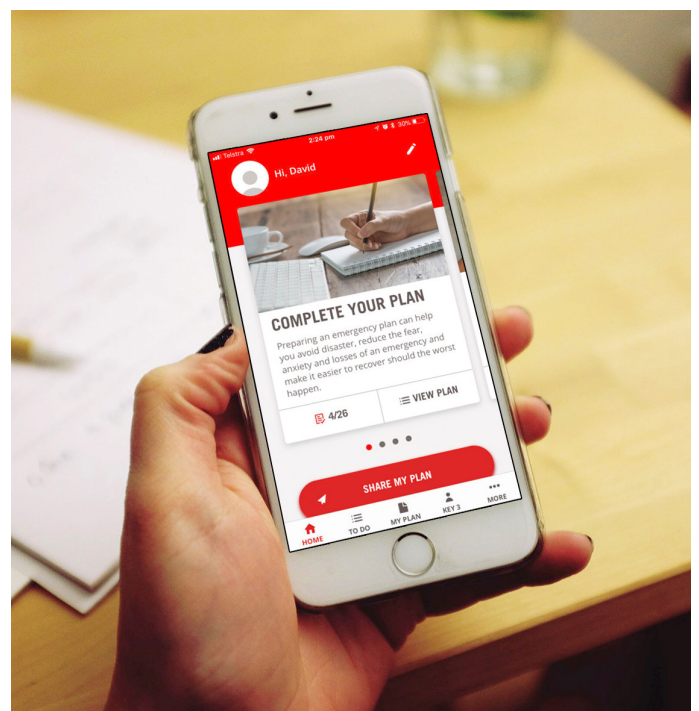
By addressing risk prevention in the home, through their partners, IAG enables and encourages customers and community to build connections within their communities and in turn those communities are stronger and more resilient. IAG entered a 10-year partnership with Australian Red Cross in 2016 to build community resilience and support changes to individual and community attitudes towards disaster preparedness. Both organisations share their expertise to co-design solutions to adequately prepare people and communities to plan and prepare for unexpected events. In 2017, IAG co-created the Get Prepared app with Australian Red Cross, a platform for people and communities to prepare for emergencies. The Get Prepared app is a tool for preparedness that can be measured and breaks down the steps to take.

To reflect IAG's purpose and strategy, IAG's NRMA Insurance brand has redefined its 'HELP' brand positioning, putting preparedness at its heart. Some examples of how this has come to life and the important role partnerships play includes:

- 'First Saturday' - using 90 years of insurance experience and recent claims data to uncover the greatest risks to Australian homes. Insights from this data allowed NRMA Insurance to narrow in on key home preparedness actions. First Saturday, featuring Australian Red Cross and other resilience partners, inspired customers and communities to action through a series of monthly task reminders that directed them to sign up for a task reminder through their personal calendar app. 149,000 customers signed up for calendar reminders to complete resilience activities. 1-in-4 surveyed took action and are potentially less likely to claim.

- 'Climate Warriors' - working in partnership with Minecraft they developed 'Climate Warriors' a first-of-its-kind game that uses IAG's real world data to show the future impacts of climate change and the need for preparedness. The game is aimed at educating children between the ages of 7 and 12 on how to be prepared for natural hazards such as bushfires and includes information on how to protect homes, wildlife and livelihoods. It has been very successful with over 6 million downloads since its launch.
- 'A Fire Inside' and the 'Australian Resilience Corps' - a documentary film and online platform launched in late 2021 to help register 125,000 Australians to connect with volunteer organisations to help communities for future events before disasters occur.

These initiatives have contributed 'HELP' brand positioning which has generated \$317m in brand value, leading NRMA Insurance to be crowned the world's most effective financial services brand by Brand Finance and Australia's most trusted insurer by Roy Morgan in 2021. We support customers to reduce their risk, which effectively takes risk out of the system and creates shared value. This helps make it's business stronger and more sustainable, and ensures IAG continues to protect it's customers and make their world safer.



Results – Value Creation for Business and Society

Social Value Creation:

1. Disaster preparedness reduces the social effects of natural disasters and the interruption to lives and livelihoods of customers and community. The social and financial impacts of natural disasters on affected communities currently costs Australian communities and the Australian economy \$38 billion per year. This cost will rise to at least \$73 billion per year by 2060 (Australian Business Roundtable for Disaster Resilience and Safer Communities, Deloitte Access Economics, 2021). These costs account for asset losses and their flow on financial and social impacts on affected communities. Currently 97% of disaster funding is spent on recovery after a disaster with only 3% on mitigating a disaster before it happens. Increasing investment in disaster mitigation, not just recovery, reduces the financial and social impact of future natural disasters.
2. Focussing on prevention and preparedness is powerful because it encourages our customers to take action to reduce their risk, which has an exponential effect on the outcomes of natural disasters. In other words, investment in prevention has a much bigger return than investment in recovery.
3. The impacts of natural disasters are complex because they are deeply interconnected and impact a range of social and environmental elements within communities including housing, mental health, family violence, physical health and chronic disease and the environment.

In order to address these interconnected issues and have an impact, an approach that embraces the complexity is required, rather than seeking ‘silver bullet’ solutions.

4. Stronger relationships and better coordination between actors in the disaster resilience space through a network of organisations, individuals and communities.

Business Value Creation:

1. For IAG, preventative actions that reduce customer risk have the potential to decrease claims costs which is the largest cost of it’s business. In FY21 the net natural perils claim costs for IAG were \$742m.
2. Establishing advantage on competitors by deepening insight on natural peril risks, enhancing underwriting and risk pricing processes, and realising new business opportunities.
3. Strengthening it’s brands by establishing a stronger and more authentic bond with customers, by helping them in a meaningful way.
4. IAG’s purpose is to make your world a safer place. Driving climate and disaster resilience is a tangible demonstration of this purpose and risk reduction behaviour change is a mechanism to bring their purpose to light for customers and community.

Lessons Learned, Challenges and Outlook

- The value of a ‘business sector’ voice and collaboration through the Australian Business Roundtable for Disaster Resilience and Climate Change to push forward the agenda on climate and disaster resilience. Research released from a business and community led collective organisation was particularly important at a point in time to de-politicise climate and disaster resilience by demonstrating the business case for the cost of inaction.
- Behaviour change is hard and no matter how good the tools, you still need to find the right hook for people to take action. This includes utilising moments that matter for people and understanding the user experience.
- Community partners play an important role in driving behaviour change as they have strong understanding of the communities and issues involved, as well as building trust and creating a social licence to operate and engage with these communities.
- Collaboration is powerful due to having a united voice of many organisations. However this comes with many challenges including navigating the competing priorities of many organisations competing priorities and changes in leadership. It can be very challenging to maintain momentum, which makes the role of a backbone organisation and secretariate critical to achieving outcomes.
- In order to address a complex problem both an ambitious north star vision is required as well as a near-star vision, a distant but foreseeable outcome, is needed. Goal setting needs to focus on a healthier state of the system.