



CHAIRMAN

Ladies and gentlemen, I'd like to welcome everybody to the 2004 annual general meeting of shareholders of Insurance Australia Group Limited. It's now past the appointed time, I'm sorry; we just had to get a few extra chairs for people at the back. I'm informed by the group company secretary that a quorum is well and truly present so I therefore officially declare the meeting open.

My name is James Strong, I'm the chairman of directors of Insurance Australia Group Limited and in accordance with the company's constitution I'm the chairman of this meeting. I'd also like to welcome those shareholders viewing the IAG website which is becoming more popular each year as a means of participating in our annual shareholders' meeting.

Do we have any apologies?

ANNE O'DRISCOLL

No apologies.

CHAIRMAN

No formal apologies so I'll now proceed to commence by giving my speech and I'll move to the other side to do it. The main focus of my address to you today as chairman is to provide a brief overview of your company's performance over the past financial year. I'll then ask our chief executive, Michael Hawker, to speak in more



detail on the operations of the company and to comment on some emerging business trends. Michael will also launch our inaugural sustainability report which will explain the first aid kits and other items we've given to you as part of today's meeting. The launch of this report is an exciting step for the company providing a tangible demonstration of our commitment to reducing risk in the community. We believe being a sustainable business is what creates shareholder value in the longer term.

I'd now like to make a comment on our group performance and in doing I'd just like to try to characterise to you where the board feels the company is today. We believe it's now well and truly established as a solid and successful company and we're displaying signs of stability, progress and consistent results. Looking to the future, what we would like to say to you is that we assure you that we remain ambitious about the future but certainly not complacent and we realise that performance for a corporation as for individuals is always a day-to-day challenge.

The 2003-2004 year was a successful year for the group on many fronts. We met or exceeded all group financial targets. Shareholders benefited from quality returns and our continued operational improvement saw us sustain very high customer satisfaction and retention levels. The group recorded a net profit of



\$665 million for the year representing a record result for the group since it listed on the stock exchange four years ago.

Our improved result was driven by four primary factors: an improved underlying performance combined with record investment income since listing on the back of the best equity market returns in three years; the inclusion in the results of performance of the CGU and NZI businesses for a full 12 months; and profits from the sale of Clearview Retirement Solutions which we sold earlier this year in line with our strategy to focus solely on general insurance.

I believe the strength of the result is clear evidence that the strategy which we set out to you in 2002 is working. It was an especially pleasing result given that it was achieved against an environment in which average premiums in most of our classes of insurance were reducing or stable. Mike Hawker will provide greater detail about the group's performance in his address.

I'd like to touch on the important issue of dividends. During the year your board reviewed the group's dividend policy. In recognition of our strong financial position the board increased the target dividend payout ratio from 40 per cent to 70 per cent of normalised profit after goodwill amortisation up to 50 per cent to 70 per cent of normalised profit before goodwill amortisation.



Applying this new policy, the total dividends paid to shareholders this year increased by 91 per cent compared to last year. In October we paid shareholders a final dividend of 14 cents per share bringing the total dividend to 22 cents for the year which represents a 10.5 cents per share increase over the previous year. Going forward, the group is aiming to deliver at least 10 per cent dividend growth per year in line with our strategic goal of delivering top quartile shareholders returns.

I'd now like to address the important issue of capital management. In addition to our increased dividend we returned surplus capital to shareholders through an off-market share buyback which was successfully completed in June. Approximately 5.6 per cent of shares on issue were bought back for a total of \$414 million. The buyback was completed at 12 per cent below market reflecting the participants' interest in the franked dividend component. This outcome is expected to increase our earnings per share and return on equity over time. This was the third buyback we've undertaken since listing which demonstrates our active approach to managing the group's capital to ensure it is administered in the most efficient manner. Together with the dividend this brings the total amount of cash returned to ordinary shareholders for the year to \$772 million.



Some comments on our share price. I'm pleased to report that our achievements have been rewarded with solid share price performance with investment in IAG shares growing 47 per cent over the last financial year. The aggregate total shareholder return has been more than 100 per cent since we listed four years ago.

The important issue of risk management and corporate governance. This year's annual report which you've received has a distinct and deliberate theme which is risk management. We believe this theme captures the approach we take at every level of Insurance Australia Group and is at the heart of our approach to corporate governance. The framework we've established to manage risk involves a robust structure with a number of key forums at board and executive levels as well as internal policies and processes to monitor and meet the requirements of the group's risk management strategy.

However, more important than having these structures and processes is ensuring they work in everyday practice and are embedded into the culture of the organisation. To meet this challenge the board and executive actively promote a culture of transparency encouraging daily and open identification and communication of risks and issues. We do this through mechanisms for rapid escalation of important matters to relevant executives and/or board members and by providing performance incentives to



managers aimed at encouraging a proactive risk management culture. We believe this organisation-wide and transparent approach to risk management is vital to ensuring a sustainable future for the company. As such the theme of risk management will be visible to shareholders moving into the future.

Regulatory and legislative environment. Once again this year considerable time was spent on monitoring, analysing and responding to changes in our regulatory and legislative environment. We believe that through our active engagement with governments, regulators, industry and professional groups we can work most effectively to ensure the interests of the group and its shareholders are properly considered.

We participated in the debate to improve Australia's corporate governance making submissions to the parliamentary joint committee on corporations and financial services; on the CLERP 9 legislation which became law on 1 July 2004. In addition, we made submissions to, among others, the Australian Securities and Investments Commission in relation to the financial services reform provisions to the Corporations Act, to the Davis report into the merits of financial system guarantees, as well as proposals by APRA to strengthen the prudential regime for the Australian general insurance industry.



There is no doubt that the amount of time and money spent on dealing with constant regulatory change has been significant again this year and we anticipate further change to come. However, on the other hand we believe that appropriate regulation enhances competition, protects consumers, and sustains public confidence in insurers and their products. Therefore we'll continue to engage in debate and prepare the group to adapt quickly to changes as they're introduced.

In terms of future priorities looking ahead, Insurance Australia Group has real momentum. Our intention is to optimise our already strong franchises throughout Australia and New Zealand by continuing to improve our customer service and efficiency and using our scale responsibly in those markets. We'll also work to identify and pursue new growth opportunities offshore leveraging our core capabilities in motor underwriting and claims management. We'll continue to focus on risk management constantly assessing our approach and practices to ensure a risk management culture is fostered throughout the whole organisation.

I'd like to thank my board colleagues, the management and all the people across Insurance Australia Group for an outstanding year of hard work and real progress. In particular, I want to thank our two retiring directors, Dominique Fisher and Anne Keating. This will be



their last annual general meeting with shareholders. I thank them both in my capacity as chairman and also on a personal basis because in my term on this board they've both been very active directors contributing in a constructive manner in all board discussions.

Dominique and Anne are retiring at this AGM and not standing for re-election in line with our policy for non-executive directors adopted last year which many of will recall. Dominique and Anne were first appointed to the group's boards in 1996, so thank you, Dominique and Anne, for your role in the success of IAG, particularly in the period of stability and growth over the past three years. You leave the company in very good shape and I'd like to ask if we could applaud those two directors.

I'm delighted to welcome two new people to the meeting today, Ms Yasmin Allen and Mr Brian Schwarz. Yasmin and Brian have put themselves forward for election to the board and your board recommends you vote in favour of their election. When we reach that formal part of the business of the meeting to consider those resolutions I will formally introduce Yasmin and Brian, outline their credentials and ask each of them to address the meeting to let you know the skills which they would like to bring to this board.



I'd also like to thank Michael Hawker not just in a format fashion but in a very sincere fashion for his excellent leadership as chief executive officer of IAG. The board and people across our organisation appreciate the guidance and success he's brought to this group as CEO. It's pleasing also to note that once again this year Michael has been recognised externally by commentators and industry organisations and has been the recipient of a number of awards including Best Insurance Executive award for 2004. Congratulations, Michael, it's very well earned.

Michael will also mention a number of other awards won by senior members of his management team which gives us a great deal of confidence in those people and in our whole team. Mike does have a very capable management team supporting him and also what we're especially proud of is staff who are becoming increasingly engaged and very enthusiastic about the jobs that they're doing and I think a group such as you really understands how vital that is to our future success.

I'll now ask Michael to come and talk to you about some more details of the operation of the business in this very successful year that we've just had. Thank you.

MICHAEL HAWKER



Thank you very much, James, and good morning, ladies and gentlemen. What I thought I'd do this morning is to briefly cover five aspects of our business. Firstly I want to go through our purpose, I'd like to talk about the year in review, I'd like to launch our sustainability report, I'd like to look forward as to our strategy going forward, and then also just to give a first quarter update.

Firstly just to do with our purpose, I think it's critical for a company to understand their core purpose and the value that they provide to their customer base and to the community. We think that that purpose comes as four components; firstly and obviously, paying claims and it's interesting that last year we paid in excess of \$4.2 billion worth of claims or roughly \$11 million a day, so that's a significant part of the daily operation of this country.

To be able to pay claims effectively though we need to be experts in pricing risk and we see that as the second tenet of our capability set. Thirdly, none of us wants to pay more than we have to when we take out insurance, so we have a real responsibility to make sure that we are efficient and manage our costs to the most efficient basis that we can. Fourthly and I think probably the most valuable is how we can utilise the information that we possess to help all of our customer base actually try and reduce the risk of having a claim occur at any point in time. It is in that area where



we are focusing a lot of our efforts in the organisation and I'll talk a little bit about that when we speak about the community. Understanding those core components of what we offer to the organisation and to our customer base is critical in driving the organisational structure and critical in how we determine our strategy.

Moving forward to the year in review, I'd like to deal with that in four aspects. I want to deal with the people side, our customer side, the community and our shareholders. Firstly with our customers, here I've just got a quick graph showing our claims, our satisfaction rates and our retention rates, the claim satisfaction on the left-hand side, and they sit well above 80 per cent and that is a world-class claim satisfaction level in insurance.

On the right-hand graph you can see a number of lines and they show percentage rates of retention of customers each year. The top line shows our personal lines that are directly sold and the bottom chart shows the business that we sell through intermediaries. On the top chart we're sitting in the 90 per cent level which again is a world-class level and it's been improving slowly over the last four years, and on the bottom slide you're seeing the intermediary aspects which sit in the middle 80 per cent and they've been reasonably static but again at a world-class level



of providing insurance through intermediaries. I will also add – I haven't got a graph here but our complaints have been consistently falling over the last four years and they now represent less than 0.2 per cent of all outstanding risk which is a very very low level of complaints and they continue to fall which is a pleasing aspect.

Secondly from our people perspective, it's quite an interesting business that we have here through the acquisitions we've made in the last four years. We now have people who have come from companies of 17 different names in the last four years. I won't list them all to you but here I've just got some of the brands that now sit in our stable but a number of those companies had just previously bought companies in the consolidation of this industry.

So we have people in the organisation that have come from at least 17 different insurance management cultures. So it's quite critical that we are moving very actively to move everyone to a common culture which is an Insurance Australia Group culture and we've done that through two basic drivers; firstly as I said, our core purpose which is listed there on the right – paying claims, pricing risk, managing costs, and reducing risk – but then also secondly, by driving a value base through the organisation. We have five core values in the organisation which dictate who we hire, who we fire and how we manage people on a day-to-day basis. They're



meritocracy, transparency, honesty, teamwork and social responsibility which we feel are critical determinants of running an insurance company today.

Through those two control structures we are hoping to move the organisation to a common culture and it's only a common culture which in my view makes a business sustainable and ensures that we have a consistent customer service level whenever a customer touches us across our broad network.

Just looking at what the impact of those drivers is having on our people in terms of the engagement of our people with the organisation, I've got here two graphs and they come from Hewitts Associates who have been working with us in driving our cultural similarities through the organisation and what we're trying to do here is measure the engagement of our people. Engagement is a tougher measure than just plain employee satisfaction. To give you an example, we ask questions such as this. We ask them how much it would take to make them leave the organisation, whether they'd recommend IAG to a friend seeking employment or whether IAG inspires them to do their very best every day. We need positive affirmation to those questions before we get a tick up in that bar, so that's a higher bar than just are you happy to come to work each day and it makes a big difference in terms of the



performance of the organisation because if you have people who want to come and work in this organisation they will provide, in my view, a better outcome and a better outcome for our customers which at the end of the day will drive better shareholder return.

So we measure that and I'm very pleased to see that in the last year we've had quite a significant increase in that measure up from 49 per cent to 53 per cent and that's quite a significant change in the score by any measure according to Hewitts.

Thirdly, from a community standpoint, we're launching today our sustainability report which is this report and I hope all of you can get a chance to take one home with you and have a look at that. This is the first time we've launched such a report, it is a line in the sand for us. It is quite interesting to try and measure the risk from a different aspect looking at measuring the business in a way which we don't normally measure it, so it is our first attempt at this and we'll only get better but we wanted to put a line in the sand, make a statement about how we are looking after the community interests and we have therefore actively tried to improve that year on year.

We believe, as I said earlier, that one of our greatest opportunities is how we can reduce risk in the community and we think we can do that in four particular areas: firstly, environmental risk. The



number 1 cost to insurers and to our customers is the risk that comes from the environment – storm risk, hailstones, flooding, all those risks create huge damage to the economy and have a large cost in terms of insurance. The second one is road safety. It's probably the second-largest area where we pay claims. The third one is crime reduction and the fourth one is workplace safety. We're the largest workers compensation underwriter in the country so we have a real interest in ensuring that workplaces are safe places to commute to and work at.

So they're the four areas where we are concentrating and we've articulated how we're performing against some of those measures in that sustainability report and we measure ourselves according to the global reporting initiative which is an international standard. I would say that we are 30 to 40 per cent along the way where we would like to get to. Despite having won a number of awards in this area we think we have a long way to go but we wanted to put a line in the sand and that's what this is and I'd like to think that we'll be able to improve this year on year as we report to you each year.

We have a number of community alliances and associations and here I've just listed some of the brands so the State Emergency Services, Salvation Army emergency services. We have BizSafe which is work with the police service on how to reduce crime for



business customers. We have on the far right-hand side our mobile police van which tours the state of New South Wales helping people to understand how they can increase the security in their home and works with the police service to try and reduce crime in particular areas. We've got an alliance with St John Ambulance. This is the first time St John Ambulance in its history has had any arrangement with a corporation. We share very similar values. We have CareFlight helicopter and of course we have community help grants where this year we provided over \$500,000 in small community help grants along with the police service to try and help local communities improve their situation.

Now to shareholders. What I've put here is a graph of the progression of this company in terms of its revenue and you can see this goes back to 1997 and there's been a continuous march to grow the size of this company because insurance depends on scale. You need significant scale to diversify your risks. The different colours in the bars, in the bar charts, demonstrate different product sets so you can see that in 1997 we were a three-product company and I can say that we were roughly 88 per cent based here in New South Wales. Today we're a company which has got more than seven major product sets. We're better diversified across those products. We now have a revenue base of over \$6.4 billion which is



two and a half times higher than when we listed the company in the year 2000. And we have risks which are far more diversified geographically. We now have more than 56 per cent of our risk outside of New South Wales. It is very important in the insurance business that you grow in scale and you diversify your risks, so this is a very pleasing outcome.

The growth here you can see in the previous year, 25 per cent growth rate year on year. The majority of that growth rate came from the acquisition of CGU and NZI in the second half with the accounting of that. We had organically a 2½ per cent growth in revenues but that was split up with a 5 per cent growth in policies and a 2 per cent reduction in premiums to give us that growth in revenues. So from our point of view the profitability of this business hasn't been coming through massive premium increases, it's been coming from cost reduction and consolidation and growth through acquisition.

Looking at the outcome of that in terms of profitability, I've got four graphs here. The top left-hand corner is our insurance profit. We've had the fourth consecutive increase in our insurance profit. The right-hand topside graph shows our insurance margin and again we've had the fourth consecutive increase in our insurance margin. You'll notice there that there's a couple of bands and we think in the



long term that the insurance margin is sustainable about 9 to 12 per cent band. We're currently above that band. We expect to be above that band for at least the forthcoming year and potentially a bit longer but over the cycle we believe – and the cycle is probably five to eight years – we believe we'll start to trade in that 9 to 12 per cent band. As you can see, for the first couple of years since we listed in 2001 and 2002 we were under that band so there needs to be a period of time where we are above that band to ensure that our shareholders are given an adequate return.

The bottom left-hand corner demonstrates our return on equity. It's quite a complex graph, I don't want to spend too much time with it, but it just shows you the return, the actual return which is the light blue bars. You'll see we had a negative actual return in 2002 and that was because of the market-to-market effect on our equity market. The equity markets fell so we took a loss on our equities. You can see now that in 2004 we had quite a significant actual return on equity, over 20 per cent, but again because we've had a very buoyant equity market and we've recouped some of the losses we had in 2002.

The dark blue bars show the return normalised for the long-term average return we think we will get from the equity markets, so it's a more stable view of the profitability of the company and here we



see that we'd like to be able to – I would like to have a return of one and a half times the average cost of capital. You can see that this previous year we've had a normalised return of 15.1 per cent which is just right on that one and a half times weighted average cost of capital. Our average since listing is still not satisfactory in my mind and we still have a number of years to catch up with the poor returns of the first couple of years since listing the company.

Dividends, you can see the growth in dividends the chairman has already spoken about and it's a demonstration of our comfort with the level of performance of the company and the strength of the company and how we're expected to perform in the near future.

I've just listed here some of the awards. I don't plan to go through all these awards, I just will mention two. We've been voted the best general insurance company 2004 and we were also voted the best non-bank financial institution in the last awards that that award came from. We've had a number of employees who have received some significant accolades. I'll mention three specifically. Our CFO, George Venardos, was voted the chief financial officer of the year. Our chief actuary, Tony Coleman, was voted the actuary of the year by the Institute of Actuaries, and Anne O'Driscoll, our company secretary and head of investor relations, was also voted by fund managers as the best investor relations person of the year.



They are just three of the many people in the company who have done a wonderful job and I'd like to take this opportunity to formally thank all my management team and also the wonderful people within Insurance Australia Group - well over 11,000 people today - who day in day out do a wonderful job on behalf of you, our shareholders, so thank you very much.

You can see if we get those things right then we get a share price which performs and we've just put the listing of the share performance of this company since we listed the company back in the year 2000 versus the various indices and I'm pleased to say that the share price of Insurance Australia Group is the top line.

Moving forward, how do we think about our strategy. Conceptually it's worthwhile saying that where we think we are on this journey is we've spent the last five years generating scale for the organisation through consolidation, through acquisition within the Australian and New Zealand marketplace. At the moment we are sitting in what I would call an optimisation of that scale position and how we continually improve that customer service, how we continually improve the culture of the organisation, how we continue to march down our cost base, and how we continue to be the premier insurance companies within Australia and New Zealand.



In our view this period is likely to last another 18 months at a minimum before then looking for the next tier of growth which will have to come through acquisition. It's that next tier of growth which we've been communicating externally to shareholders that we're likely to look in the Asian markets and the reason why we're looking in the Asian markets is that they are growing relatively rapidly and they're growing primarily in motor insurance which is where we think we have a core competency which is world class which we think can be competitive in that marketplace.

We are not taking our scale there. We do not believe we have a scale advantage but we do believe we have a capacity to be able to price motor risk in those markets and we've already got a small shareholding in a Thai insurer which we've had since 1997 and we already own the largest motoring club in Beijing and China which we've had since 1997 as well. So we're already in Asia, we've got some experience but we are looking at opportunities to see if we can provide a more substantive base there over the next five to eight years.

So we've updated our strategic goals. Our strategic goals were set three years ago, were very similar to these. We set them for five years. I'm pleased to say that we were able to meet them in three years so we've reset our goals and they are as shown on the



screen. We are looking for a top quartile shareholder return. We want to have a return on equity which is at least one and a half times our weighted average cost of capital. We would like to establish a foothold within Asia. We would like to have a mix of our business which is primarily short-tail so that short-tail insurance is where the contract risk ends at the maturity of the contract like a motor car insurance policy, a home insurance policy versus a workers compensation policy which someone can claim on that policy sometime in the distant future. So we'd like to have our mix 80:20 short-tail: long-tail because we think that's a better risk management strategy, and we'd also like to maintain our rating at AA. We remain the strongest rated financial institution in the country by Standard and Poor's with an AA rating.

Finally to talk about the outlook, I'm pleased to say the outlook for our business this year - we've had four months' performance in this current financial year. I'm pleased to say that our outlook for this year is unchanged. Our organic business is performing as we've planned. Policy growth remains strong. We've had no unexpected claims developments, we've had no catastrophes. In fact, the first three months of this year were quite benign in terms of weather. October became wetter but it certainly didn't get any wetter than we expected so the weather from our point of view has been



positive. The investment markets remained robust. We have a view that the economy is in good shape and we expect the annual insurance margin that we had last year will be improved upon this year. The reason why we think we can improve our insurance margin this year is good growth in our business as well as the ability to take costs out of our business which we are pursuing with vigour over this coming year.

So in summary, I'm very pleased with this year. I think we've made progress in all aspects of our business and overall I believe that the company is in very good shape to deal with this industry in the years to come. Thank you very much.

CHAIRMAN

Thanks very much, Mike, and I hope those presentations give you a good picture of where we are and the outlook. So I'd now just like to move to the ordinary business and to give you an overview of what we're going to do today. We have two items of ordinary business before our annual general meeting and you of course have seen these in the notice of meeting which you've received. We have to elect two persons to the office of director of the company and we also in accordance with normal practice have to receive and discuss the company's financial statements and reports for the year ended 30 June 2004 and of course this gives an opportunity for



general comments as well. No notice of other business has been validly or duly given by shareholders pursuant to the Corporations Act.

It's now important for me to go over some meeting procedures for you. From a security and publicity point of view shareholders, visitors and members of the media are advised that in the absence of special permission I will not allow any recording or broadcasting device including tape recorders, still cameras or video cameras and any article that may be dangerous, offensive or liable to cause disruption to be brought into the meeting. In accordance with the provisions of the Corporations Act I'll ensure that shareholders as a whole have a reasonable opportunity to ask questions about and to make comments on the management of the company and to ask questions of the auditor's representative at today's meeting. These questions are limited to the conduct of the audit and the auditor's report. The procedures for this will be explained when we move to address the ordinary business.

The only items of business to come before the meeting today will be those specified in the notice of meeting and I will not consent to other business being put to the meeting. The reason for this, which I think everybody knows, is that if any matter of substance is to be put before an AGM proper notice of such matter must be given to all



shareholders so that they may decide whether to attend the meeting or to appoint a proxy in the light of the proposed business of the meeting. It would be unfair to shareholders who are not present at today's meeting if the company considers and votes on items of business other than those specified in the notice.

Once again I'll ask speakers to confine their questions to matters that are relevant to the business of the meeting and to particular resolutions that are being discussed at the relevant time during the meeting. The law requires me to give the body of shareholders as a whole a reasonable opportunity to ask questions and make comments. In this context I will not seek to impose a fixed time limit for speeches but I do ask people in fairness to others to make their points succinctly. I'd ask that speakers restrict themselves to no more than two questions or comments at any one appearance at the microphone. In rotating through the microphones I'll give priority to a person who wishes to address the meeting for the first time over somebody who has already spoken on the same motion.

Wherever it's appropriate I'll call on specific directors, management or the auditor to respond to shareholder questions or comments but I ask that all questions be put to me as chairman. I'd also like to say that this is not really the time or place in fairness to other people attending this meeting to air complaints about individual



matters. If you do have issues of this kind please raise them with the Insurance Australia staff at the special desk outside in the foyer that's been set up specifically to follow through on any particular problems shareholders may have.

To be as fair as possible, we've arranged for a queuing procedure for the microphone for those shareholders who wish to ask questions and the group company secretary, Anne O'Driscoll, will explain this procedure to you. Thanks.

ANNE O'DRISCOLL

Thank you. Good morning. As you can see there are two microphones in the centre of the ballroom. Any one wishing to speak should, when advised that the floor is open for questions, move to one of those microphones and take their turn in the queue. Only those people who are actually registered here as shareholders, corporate representatives or proxy holders for absent shareholders are entitled to speak in the business before the meeting, that is, if you are holding a yellow or a red admission voting paper, so when you move to the microphone please bring that with you and show your yellow or red card to the attendant to establish that you are entitled to speak. If you had appointed a proxy to vote for you at the meeting but you have attended in person as well, your proxy's authority to speak and vote for you is suspended while you are



actually at the meeting. The chairman will take questions from each microphone in rotation subject to the comments he's just made. When you are next in the queue the attendant at that microphone will introduce you. Thank you.

#### CHAIRMAN

I'd just like to move to the question of polls in voting. Polls on both resolutions will be open prior to the discussion on the first resolution and will not be closed until the end of the meeting. This will enable those shareholders who do not wish to stay for the whole meeting to cast their votes on the items of business and leave the meeting early if they wish to do so. However, naturally I encourage shareholders to stay for the whole meeting if they can and I'll come back to this procedure for the conduct of the poll shortly.

Shareholders are advised that there will be no formal break during the meeting and so there will be some light refreshments available in the foyer outside. You're free to come and go from the meeting provided you show your admission or voting card to be permitted to re-enter the ballroom. As you would no doubt be aware, the admission voting cards are the yellow, red or purple cards that you've been provided with this morning. We didn't intend the yellow one to be a warning card or the red one a sent-off card, by the way although that might occur.



Now, just in formal terms, the minutes of the previous meeting, before I move to the business of the meeting I confirm that the minutes of the last AGM of shareholders held on 12 November 2003 have been approved and signed by me as the chairman of that meeting in accordance with the provisions of the Corporations Act section 251A. Copies of the minutes are available for shareholders' inspection at the shareholder information desk in the ballroom foyer. You all should have received the notice of meeting convening this meeting as it was sent to all shareholders with our annual report and the general meeting explanatory notes. I propose to proceed on the basis that the notice be taken as having been read to the meeting. If anyone has any objection to that please raise your hand and I'll consider whether to ask the group company secretary to read the whole notice of the meeting to you if you really want to be bored. Nobody is proposing that?

As there are no objections the notice of meeting is taken to have been read. I'll now explain the way in which the discussions and polls will be conducted before proceeding to the first item of ordinary business as set out in that notice. The polls. As I indicated a moment ago for the convenience of shareholders I'll open the polls on the resolutions before this meeting prior to the discussion on resolution 1. I propose to invite discussion on each of



resolutions 1 and 2 in succession – these are those relating to the election of directors – before directing you to complete your voting papers in relation to those two resolutions. I also intend to invite Ms Yasmin Allen and Mr Brian Schwarz to address the meeting briefly and finally I'll move to the receipt and discussion of the company's financial statements and reports and this is the session for open discussion.

Polls on both resolutions will close at the end of the meeting. I will not ask for a show of hands but direct that we move straight to a poll for each resolution. As explained at previous meetings, we believe this is the fairest way to proceed in the light of the large number of votes cast by proxy and because those shareholders here today are only a small but important minority of the over one million members on the company's register. We don't have a forum big enough for one million members. In addition, each share in the company carries the right to one vote and a poll reflects those voting entitlements more fully. For the benefit of the returning officer I now formally direct that the polls be conducted in the manner that I have just described.

For shareholders who are able to stay for the entire meeting the group company secretary will give directions as to the completion of the voting papers at the conclusion of the discussions on resolutions



1 and 2. I'd encourage shareholders to stay for the duration of the meeting and to fill out the relevant parts of the voting form at the times indicated by the group company secretary. Voting papers for all resolutions will be collected by the returning officer staff at the conclusion of the discussion and voting on resolution 2. So as to not hold up the meeting the collection of the voting papers will continue through the discussion on our financial statements and reports. However, once the polls have opened any shareholders who wish to vote and to leave the meeting early may do so, as I mentioned, and please place your voting papers in the ballot boxes at the door on your way out.

Proxy results. It's appropriate that shareholders know the state of the proxies on a resolution after the discussion on that resolution but before you're asked to complete your own voting papers. This is a procedure that's been recently endorsed by the Business Council of Australia. Our returning officer, Mr Hamish Gidley-Baird, has given me a written report as to the results of the proxy voting instructions received for each item of business and I have accepted his recommendations as to the admission and rejection of proxies and made rulings accordingly. However, due to the many permutations which potentially arise from the proxy votes received and because there may be shareholders in the audience who have



revoked their previous proxy and are now voting in person, these results are preliminary only. These preliminary results of the proxies for resolutions 1 and 2 will be displayed on the screen immediately following the discussion on those resolutions. In each case information will be displayed before shareholders are asked to fill in the relevant parts of their papers. Once the polls have been closed and counting completed, a report of the results will be announced to the Australian Stock Exchange, placed on our website and posted in the foyer of NRMA Insurance city branch at 74-76 King Street, Sydney and at the company's registered office tomorrow Thursday, 11 November.

I now direct that the polls be opened on resolutions 1 and 2 and move to the first item of ordinary business before the meeting and this is the election of the directors. Resolutions 1 and 2 are set out in the notice of meeting and as indicated on the screen, these resolutions relate to the election of two directors. There are two candidates standing for two board positions. By now you will have had an opportunity to read the explanatory notes that accompanied the notice of meeting and those explanatory notes give a brief biography of each of the two candidates who offer themselves for election. While no other person has been nominated for election as a director, the two candidates must still receive more votes in



favour than against from those shareholders voting in person, by corporate representative, or by proxy, so I'd now like to move to the resolution number 1 which is that Ms Yasmin Allen be elected as a director. The text of resolution 1 is set out in the notice of meeting and is displayed on the screen. I'm now pleased to invite Ms Allen to address this meeting. Yasmin.

YASMIN ALLEN

Thank you, Mr Chairman. I am honoured to stand before you to be elected to your board to represent you, the shareholder. As the chairman has said, my background is in investment and finance previously at Deutsche Bank and ANZ in Australia. I also lived in London for six years working for HSBC Hong Kong and Shanghai Bank as a European equity analyst. As you can see in your notice of meeting I now sit on several other boards including Macquarie Bank's global infrastructure fund, EFIC, Australia's export bank, and on two not-for-profit boards.

During my 16 years in banking I have spent a great deal of time advising institutional shareholders on their investment decisions. I have also advised companies on strategic direction. I bring in-depth financial planning and analytical experience to help determine the strategic future of IAG. My background means I am sensitive to the need to maintain strong communication with shareholders. I



am also attuned to the needs of shareholders and indeed to all stakeholders. As a director of IAG I will be focused on shareholder returns and I will ensure IAG remains at the forefront in transparency and accountability. I will support the board's focus on the highest ethical and corporate standards. I'm also a customer of IAG and currently hold three NRMA policies across three different product lines, four including the NRMA Road Service.

Ladies and gentlemen, I am excited by the strong management team at IAG. Your company has a sound future and I look forward to working on behalf of you, the shareholder, at this great company.

CHAIRMAN

Does anyone wish to speak in relation to resolution number 1? Yes, Jack. Sorry.

MS .....

Chairman, may I introduce Mr Joe Nagy, a shareholder.

JOE NAGY

Mr Chairman, I apologise, I'm not sure if this is appropriate. The question I have has nothing to do with Ms Yasmin Allen. Is that the point of this discussion now?

CHAIRMAN

That's all we're discussing at the moment. Could you hold it till a bit later?



JOE NAGY

All right, yes, that's what I'll do, sure.

CHAIRMAN

Jack, did you want to re-emerge?

JACK TILBURN

Yes, indeed I do. Ladies and gentlemen, first, fellow shareholders and second of course the board chairman, Mr James Strong, who I know and I know most of the directors there. James Strong, I'm coming in from left field as me old mate, Paul Keating, says, and I have a few comments and a question I think. First of all I think we should be brought into the loop of how the nomination and remuneration and corporate governance committee under Messrs Strong, Ashbury and Ross go about selecting a potential candidate like Ms Allen and of course what you're going to say, James Strong, will also carry over for Mr Schwarz.

Now, ladies and gentlemen, my brief always is to be a bit pungent about the carryings-on of the board of directors of any company in Australia and my preface here is as a leading corporate governance dissident this is what I'm going to say. For Ms Allen it's a very very limited disclosure and/or detail, sir, included in the resolution number 1 on the merits or the demerits – which she wouldn't put – of Ms Allen. It all seems so pathetic and pitiful because with no



commencing dates for her jobs or directorship or vice-presidency it is unsatisfactory and insufficient and therefore unacceptable going up as a director of Insurance Australia Group Limited and any other public company, even Woolworths, Mr Strong.

The chairman must take responsibility and there is a truism, the buck stops with Mr Strong, the chairman, for all defects, deficiencies and drawbacks of our company. I must bring to your attention, sir, that the two companies Qantas and BHP Billiton, have attempted in their 2004 annual reports to disclose more about each candidate, each director. The issues are the commencement dates of their activities and the finalisation date if they are finished with that entity or corporation.

IAG should adopt the best practice for 2005 of at least Qantas and BHP Billiton and I'm going to submit some other ideas to you, sir, in the next 12 months. In conclusion, ladies and gentlemen, keeping you in the loop I have considered that the very very little information supplied via a so-called profile – mini mini profile, ladies and gentlemen – on any director like Ms Allen or Mr Schwarz is seriously deficient. I would never be acceptable out in the proper business world as a history and background for an application for a job even by the IAG personnel department. I should think that when Mr Hawker put in his curriculum vitae it covered three to



10 pages. We get 20 words about Ms Allen and Mr Schwarz might have 35 words. So why should we owners, Mr Strong, be supplied with minute scraps of information about a new potential director for our great board of this great company? Thank you.

CHAIRMAN

Jack, thank you for your continuing crusade to make us do better, it's always a good influence, I must say. In general terms I'd like to answer you by saying what we've attempted to do as most companies do is to give a summary of the background and experience and skills of the person in a reasonable space on the documents which are sent out to over 1 million shareholders. If it's a matter of earth-shaking importance to you, Jack, I'll tell you right now because obviously in selecting these candidates the board has had a very detailed look at their whole background, so let's talk about Ms Allen. Her time with Benson PLC Investment Bank in Melbourne, Sydney and London started in 1986, worked with them until 1989 as an investment analyst. James Capell UK Limited, stockbroker, HSBC Group, in London from September '89 to October '93. Deutsche Bank AG equities division from January '99 to April '01 in Sydney and also ANZ Investment Bank equities division in Sydney from October '93 to November '98. In terms of current activities, director of EFIC, Export Finance Insurance



Corporation since August 2001; director of Macquarie Specialised Asset Management since July 2003; director of the Australian Red Cross blood service since July 2002; Salvation Army Investment Advisory Board since May 2003.

In terms of the process which you mentioned, how do we go about doing this, again I don't want to go into detail that won't help the meeting but as you mentioned, we do have a board subcommittee which is charged with this responsibility of ensuring that we do have appropriate directors to ensure the company is governed properly in the future and that committee has a charter which sets out very clearly what it should do. The committee obviously looks at the ASX principles. I think everybody knows that there are now some principles of good corporate governance and best practice recommendations and in that, in principle number 2 there is an outline of what is seen as the role of the board and how it should add value and talks about what should be the composition of an effective board, so we then take those comments and consider them in relation to where we are and the current composition of the board and what we have in mind for the future.

Some of what we consider to be necessary and desirable competencies for directors are extensive financial literacy skills including the ability to understand and analyse financial accounts



and complex financial proposals such as acquisitions and capital management strategies, and I think you'll see that both candidates today are strong in that area. We like them if it's possible to have had international exposure and experience, and you'll see that both candidates have that today.

Depending on the mix at the time we like them to have some knowledge of insurance but of course we don't get everybody on that basis because we need to have a mix across the whole board; an appreciation of the needs of capital markets and investors generally; an independent approach; ability to consider issues with fresh ideas and interests; a variety of perspectives and skills from different industries, countries and organisations.

So that just gives you some idea. Then in terms of how do we get ideas, it varies. In some cases we consult within the board and we certainly did that in this case. Sometimes boards will get a headhunter so-called to do it. We didn't in this case and then we assess the appropriateness of the names that have come forward and we may decide to seek other names. In this case there were quite a number of names considered. Then we look very closely at the CV and try to match them up with what we think is most important to the company's future.



It's also interesting to notice that directors today have to fit the APRA requirements of being what is known as a fit and proper person so I'm happy to say to you that everybody sitting up on this stage has been considered to be a fit and proper person to hold such an office. Then of course it's our duty to indicate to the shareholders who these people are but I think what you have to realise here, Jack, there's got to be a balance between trying to tell you everything about everyone's life but on the other hand it is the role the board has, an acknowledged and generally accepted role of taking the lead in searching out people in a very thorough and systematic way and making sure that the people presented here are people who are fit to hold office.

Any other questions or comments that anyone would like to raise?

MS .....

Chairman, may I introduce Ken Gibbons.

KEN GIBBONS

Good morning, Mr Chairman. I don't intend to say anything critical but I find as a retiree I find it very difficult to properly read and appraise everything that comes to me through the letterbox and I'm sure that the amount of material that is necessary for board members to peruse and make decisions on is considerably greater. What I would like to know is – and this applies to both applicants –



is what resources and facilities they can bring themselves or are provided by the company to assist them in this process, things like secretarial services and research assistants and so forth. I think that's all, thank you.

CHAIRMAN

Okay, thanks, Mr Gibbons. I understand and I was trying to address that point of your saying, "Well, we get so much material it's very hard to ingest it and understand it and so on," and so we have to try and strike a balance. What happens with directors generally is that they operate as individuals in the sense of their knowledge and expertise. We do conduct courses internally about insurance and particular aspects of insurance. If people wish to do some continuing education to do with directorships and so on they may do that. A huge amount of material is made available to them in terms of statistics and industry trends and performance of other companies and so on and if directors wish to get more of that the company can do so. Generally an office is not provided to directors on an individual basis but if they want to come in and talk to staff and so on obviously an office is made available to them.

So there's lot of things for them to keep up to date, to make sure they're reading all the relevant material, that they're right on the issues and so on because obviously it's in the interests of the



company that our directors are well informed and able to get all the information that they wish.

KEN GIBBONS

Thank you, Mr Chairman, but what you said really just reinforces my questions that even in this day when communications have changed and improved so much, I find as an individual that obtaining information through such well-established media as the telephone can be very very time-consuming and the time spent on these sorts of mundane and time spent researching particular aspects could be well spent in a better way. I just feel that directors should have – should either provide for themselves assistance or that assistance should be provided by the companies to enable them to spend less time on these mechanical matters and more time dealing with actual issues. Thank you.

CHAIRMAN

Thank you. Anyone else wish to speak?

MS .....

Chairman, may I introduce Tom Fitzpatrick.

TOM FITZPATRICK

Good morning, Mr Chairman. My questions are brief. I place a reasonable amount of store on academic qualifications and I'm surprised that neither of these candidates list them. I presume that



Mr Schwarz is a chartered accountant, I'm surprised he doesn't say so in the brief statement of his qualifications.

CHAIRMAN

Yasmin, would you like to clarify your formal qualifications. I do have them here in case you've forgotten some.

YASMIN ALLEN

I probably haven't. My major qualification is a bachelor of economics and commerce from Melbourne University where I majored in commercial law and economics and I have a diploma of the Australian Institute of Company Directors. Is that four? I think they're the major relevant qualifications.

CHAIRMAN

They're the major ones. By the way, we take on board these comments about the information starting back from Jack's as well so we can always do this better. Is there anyone else who wanted to speak?

MS .....

Chairman, may I introduce Vic Gallagher.

VIC GALLAGHER

Good morning, Mr Chair. I don't think anyone here is doubting the – disputing the qualifications of the proposed new members of the board. It just came to my mind that perhaps we could have had a



greater choice. You did mention other people were considered. There's two positions here vacant. Perhaps if a few other names had been there for us to choose from it may have resulted in fewer (indistinct) today. Had that been considered at all?

CHAIRMAN

Well, it's open to people, any person to nominate as you probably appreciate so that's meant to give choice but it's general practice for boards in trying to give guidance and make recommendations to shareholders to pick just the number of people that are needed and to pick the best people for that otherwise it's sort of very difficult to say to five people, "Would you like to go forward and offer yourselves but only two of you are going to get up," you know, it's not a very good way of going about things. So if others want to be considered it's really up to them to nominate themselves and, you know, we have had occasions in the past where there have been more nominations than vacancies but it's a good question and I'd like to use your question to go back and say that really one of the most important things the board has to do is to make sure that it does have appropriate skills and experience so a lot of effort goes into selecting who is put forward to you with our recommendation.

VIC GALLAGHER



Yes, I thank you for that and I take your corporate strategy on that but perhaps the shareholders may have felt they had a better say in the matter if what I mentioned was put forward. That's all, thank you.

CHAIRMAN

Good, thank you. Is there microphone 2, somebody for microphone 2?

MS .....

Chairman, may I introduce Paul Lenahan, an IAG shareholder.

PAUL LENAHAN

Good morning, Mr Chairman. Who is this bloke Jack? Now, I'm a first shareholder to come to an AGM and you stated that when someone was to get up and stand they would be introduced. This gentleman just jumped up and spoke and as far as I'm concerned it's like writing a letter and not appearing to put your name to it so the waffling on that he did to me has no bearing on any thoughts of mine because he wasn't prepared to name himself and I could ask you, how many Jacks are there in this room.

CHAIRMAN

Thanks for that comment. It's probably a shock to Jack to realise that somebody doesn't know who he is so (LAUGHTER) Jack, I suggest you have a talk to Mr Lenahan later.



PAUL LENAHAN

I think he's a bit of a goose.

CHAIRMAN

Is there somebody else who wishes to make a comment?

MS .....

Chairman, may I introduce Nerine Dylan, a shareholder.

NERINE DYLAN

Good morning. I notice that we're losing two ladies but we're only replacing one lady. I would imagine you have an awful lot of lady shareholders in the company and I would like to see more representation of them. I'm sure it must be about fifty-fifty. I'm sure the next time I would like to see more ladies representing us and I know we're in a chauvinistic society but I think it's got out of hand. (APPLAUSE)

CHAIRMAN

Thanks for those comments. Obviously there are issues about making sure that we have the best candidates but we certainly are aware of the need to have – try to have balanced representation both in management and in the board so we'll take your comments on board. Okay. That concludes the discussion on resolution 1 and I'd like to move to resolution 2. Resolution 2 is that Mr Brian Schwarz be elected as a director. The text of resolution 2 is set out



in the notice of meeting and displayed on the screen and I now ask Mr Schwarz to address you also as a potential board member.

BRIAN SCHWARZ

Thank you, Mr Chairman. Good morning, ladies and gentlemen. It is indeed a great privilege to be nominated as a director of your great company. In support of my nomination I'd like to give you just a brief background of some issues that hopefully will help. I am a fellow of the Institute of Chartered Accountants in Australia to hopefully answer that question and I've been with Ernst and Young in Australia for some 25 years having emigrated from South Africa at that time.

I've been the chief executive of Ernst and Young for six and a half years and I retire at the end of this year. During the past six years I've been on Ernst and Young's global board, an organisation with turnover of some \$US15 billion and have been responsible for the wider Oceania area, responsible for New Zealand, Indonesia, the Philippines, Vietnam and obviously Australia.

I've been exposed to the global marketplace and have been involved in several multibillion dollar transactions on behalf of the firm, one being the sale of our consulting business to a French multinational some four, five years ago and more recently with the merger in some 57 countries with the Andersen practice, so I've



had some substantial global experience and I hope that this experience is a benefit to IAG as they seek to expand their boundaries.

My particular area of interest is with people where I have an affinity with the approach and the work being done by Michael Hawker and his management team. Professionally my major focus has been in corporate finance where I've been involved or was involved in many of the major transactions in the Australian marketplace in the nineties before moving to full-time management in about 1997.

I look very much to serving the shareholders of IAG. Thank you very much.

CHAIRMAN

Anyone want to make any comments or questions?

MS .....

Chairman, may I introduce Jack Tilburn.

JACK TILBURN

I'm out of my blocks again, thank you very much, and I'm starting off for Beijing Games I think being a leading corporate governance investigator. Ladies and gentlemen, just two very complex and controversial questions about the candidate or the candidature, James Strong, of Mr Brian Schwarz who I thought was a South African with that wonderful name.



Now, sir, reading the very very small profile and the very very small curriculum vitae I have come to two conclusions. I want to know all about his role – ongoing role, sir, of chief executive officer of Investec Bank Australia Limited. I thought that being a chief executive officer was a no-no, a no go zone for coming onto a board but here we are. Here's a man running a bank and he wants to help IAG.

The second thing is, sir, almost the last line. It says that he is an active member – I think it is active – active member of the Business Council of Australia. Well, I recently got, sir, because I read that the Business Council of Australia wanted to do away with and abolish annual general meetings. Now, that's not fair to a bloke like me who goes out of his way to attend every AGM.

Well, if Mr Schwarz is an active member of the Business Council of Australia he's not on my side and I'm not on his side. I don't understand it because I wrote down here to help people the Business Council of Australia is the Bulldust Club of Australia and I know from other corporations where I recently went – no names, no pack drill – that they pay an unfortunate fee – and you can check me out, James – of \$50,000 membership of the Business Council of Australia. I don't think that's very fair. Of course, I asked the chairmen of the other two companies what return do they get, what



on earth do they get back from the Business Council of Australia and reading in between the lines they just said, "Well, if we can abolish annual general meetings, Jack, we'll get rid of you."

Now, Mr Lenahan, I must get in. I apologise that I didn't give my surname. I'm always happy to give my surname and my surname is followed by the following as you know, James Strong, a bachelor of economics, a diploma in education, a master in education and a bachelor of arts from the University of Sydney where I worked very very hard for 15 years. Thank you, ladies and gentlemen.

CHAIRMAN

Jack, in amongst all that information I think you're raising two issues. The first one was in relation to Mr Schwarz's role as CEO of Investec. Now, I would have been really extremely disappointed if you hadn't raised this, Jack, because you and I have disagreed about this for many years and the outlook is we'll continue to disagree and I don't want to bore everyone else here but this is a debate about some people, including Mr Jack Tilburn, say a CEO should have no other activity other than running a corporation. There are differing views taken. When I was chief executive of Qantas I was a member of one outside board and I found it to be very helpful in the sense of better understanding the different role of the board and the chief executive and I got a lot of ideas from it



and it was very good experience, but it was always clear if there was a clash of timing or priority the company where I was chief executive always came first and I think that's very similar. We obviously as a part of our process I mentioned before, we had to satisfy ourselves that each of these two proposed directors did have sufficient time and would give us an assurance that they would be able to devote sufficient time and energy and attention to the affairs of being a director and we formed that view accordingly.

As to the Business Council of Australia I think, Jack, that you've fallen victim to believing literally something you might have read in the press. The Business Council of Australia is proposing alternatives to improve annual general meetings not to abolish them so always be careful what you read in the press.

Anyone else want to make a comment?

MS .....

Chairman, may I introduce Christine Lee.

CHRISTINE LEE

Mr Chairman, James Strong, and CEO, Michael Hawker, and directors, I don't know Jack and I certainly am not a friend of Paul Keating's and I'm not a women's libber. I have worked in the business world with men and I can honestly say to women that if you can't handle yourself in the business world then you shouldn't



be there. There isn't one shareholder I believe in this room that can complain about the performance of the current board and everything that I have read I just commend you on and I think it's a fantastic job that you've done to turn the IAG around.

I think that we as shareholders should trust you and thank you that you have fine-tuned the nominations and that we have only two people to choose or to vote for today and I think that we should trust you because as I said, I just don't think anybody can complain about performance and I want to thank you very much for what you're doing. (APPLAUSE)

CHAIRMAN

Thank you very much. No other comments, so that concludes the discussion on resolution 2. There's one more.

MS .....

Chairman, may I introduce Richard Lambert.

RICHARD LAMBERT

Richard Lambert, Mr Chairman. I note on pages 30 and 31 we consider it relevant in giving details of directors to give their ages. I notice we're losing the two youngest directors. I wouldn't be so ungallant as to ask the lady her age but could Mr Schwarz tell his age to us, please.

CHAIRMAN



52. He's a spring chicken. Anything else anyone wants to know?

I've got another one up the back.

MS .....

Chairman, may I introduce Elmer Xavier, shareholder.

ELMER XAVIER

Mr Chairman, what I want to know is what is Mr Schwarz' basic qualifications. I believe fellowships could be bought from the Third World for cash.

CHAIRMAN

So I'll ask Mr Schwarz if he bought any of his qualifications for cash.

Could you just again indicate your qualifications, thanks, Brian.

BRIAN SCHWARZ

Thank you. No, I qualified at the University of Witwatersrand in South Africa followed by chartered accountant in South Africa and then a fellow of the institute in Australia.

CHAIRMAN

Okay, so that concludes the discussion on resolution 2.

CECILIA COOK

Thank you very much. My name is Cecilia Cook and I am a shareholder and I'd like to know Mr Schwarz was responsible or took part in the merger of Ernst and Young and Andersen, Arthur Andersen. Now, in America they had a very very bad name. In



fact, all their documents that were fraudulent were confetti for Christmas. Now, how many of these unethical people from Arthur Andersen were absorbed into Ernst and Young I would like to know.

CHAIRMAN

I'm not too sure that that's relevant to Mr Schwarz's membership of our board and I don't really propose to ask him to address that question. Do you want to say something about that? Okay.

BRIAN SCHWARZ

Thank you. It's far from a simple question. The short answer is that in Australia Ernst and Young merged absolutely with Andersen, the total organisation, the people and the clients. There is absolutely no suggestion - and I am certainly absolutely comfortable that all the people that came across were of the type of people that I would want as my partners or my employees and in fact in the United States of America - and I certainly cast no aspersions on the Andersen practice anywhere in the world - Ernst and Young didn't merge with Arthur Andersen.

CHAIRMAN

Are there any other comments or questions? Okay, so that completes the discussion on resolution 2. As indicated to you in the notice of meeting the directors recommend that you vote in favour of each of resolutions 1 and 2. I'll now display the



preliminary results of the proxy instructions for resolutions 1 and 2 so that shows you the votes for and against Ms Allen and those that are open to the chairman and similarly for Mr Schwarz for and against and those votes open to the chairman. I'll now invite the group company secretary to give instructions to shareholders regarding the completion of your voting papers for resolutions 1 and 2. Thanks, Anne.

ANNE O'DRISCOLL

Thank you. For shareholders who are present and voting in person, corporate representatives and proxy holders, please complete the yellow voting papers in respect of each of resolution 1 and 2. Directions for completing your papers are including on the reverse side of the yellow card. Please fill out your paper in accordance with those instructions. If you've got any queries there are returning officer's staff here at the door and they can help you and we'll now pause to allow you time to fill out the back of the yellow voting card, the front of which is displayed on the screen.

CHAIRMAN

Okay. Can I thank Anne for that. The collection of voting papers will now commence as the resolutions which required the shareholders to vote have now been addressed. This collection will take place while we move on to the next item of ordinary business,



receipt and discussion of the company's financial statements and reports. The group company secretary, Anne O'Driscoll, will explain the procedure for collection of the voting papers to you. Anne.

ANNE O'DRISCOLL

The returning officer's staff have now started to circulate ballot boxes. Please put your completed paper in there once it's done. If it hasn't been completed you still have time to complete it because the ballots will not close until the close of the meeting so if you're not ready to hand in your ballot paper keep it, complete it and make sure that you subsequently put it into the ballot paper boxes, but you must do that before the close of the polls at the end of the meeting. Thank you.

CHAIRMAN

Okay, thanks, Anne. IAG financial statements for the year finished 30 June 2004, the directors' statement and report and the auditor's report on the financial statements are before the meeting. A copy of these statements and reports was published in the annual report and that of course has been sent to all shareholders.

The purpose of this item in the meeting's agenda is to provide an opportunity for shareholders to ask questions and make comments about the company's performance, prospects, operating capability and management. The company's auditor is KPMG and is



represented at the meeting today by Dr Andriesse Terreblanche who will be available to respond to questions relevant to the conduct of the audit of the company's financial statements and the preparation and content of the auditor's report. Can I ask Dr Terreblanche if he would stand up so that shareholders are aware of his presence. Thank you, Andriesse.

Would those who now wish to speak make their way towards a microphone queue and we'll take these questions in order again.

MS .....

Chairman, may I introduce Mr Joe Nagy.

JOE NAGY

Thank you very much. First of all I want to commend you, Mr Strong. I can remember back three or four years ago when we had the first meeting and I thought you handled it very well, it wasn't easy.

CHAIRMAN

Thank you.

JOE NAGY

And I also want to compliment the board, the company on its marvellous performance. As you've already stated to some extent, premiums have gone up 143 per cent from \$2.6 billion to 6.4 and you've mentioned that profits have risen 125 per cent from \$296



million to 665. But what you didn't mention which I think is an incredible statistic is that the earnings per share have increased from 8.65 cents to 37.82 cents, an increase of some 337 per cent. That's an incredible figure and I realise there are reasons behind that but still it's amazing. I don't know if there are too many companies that match that but certainly that speaks well of the company.

Now, in contrast to this unfortunately the company that gave birth to IAG, NRMA, has fallen on not so good times and my question which isn't a question but it's a matter for your board consideration is that – and bear this in mind that NRMA has not received one cent from IAG for the use of its brand name. I would defy anyone here in this room or anyone in this country or anywhere to tell me that you could use an asset such as a brand name and get nothing for it, so what I'm suggesting here is fairness.

The second point is that NRMA because of the ridiculous agreements that were put onto it called the BRAs or the business relationship agreements has lost or has given IAG or its then company, whatever it was, some \$30 million a year. Now, this has not helped profitability. The bottom line is this: IAG has done well, NRMA has come down since deregulation. Now, why am I saying this? I'm saying this because I'm looking, I think, at a group of people there



who are not only competent but are moral and ethical and if you are then you will think about this very seriously that you have a relationship with your parent in which your parent is suffering and it needs your help. What I'm suggesting is that you should review your relationship with your former parent company, especially in terms of the use of its logo, and work out some financial arrangement so that even though it has come up with a fairly good profit this year - it's come back a bit - I still think it would be fair for it to receive some value for the use of that valuable asset. If you do this you will show your shareholders that you are moral and ethical and that you'll be doing the right thing and I think that's important and I'm proud to belong to this organisation as a shareholder and I hope that after this is all over I'll continue to be proud of your actions. I hope this is one of them. Thank you very much. (APPLAUSE)

CHAIRMAN

Thanks for your comments, Mr Nagy. The earlier ones about the performance of the company are much appreciated. I'm not too sure how many annual general meetings this matter is going to be brought up, the same matter and we'll give you exactly the same reply which is the facts and that is that when the mutual was demutualised in respect of the insurance company there was a



massive job of assessing what the commercial arrangements would be between the two parties and indeed, the member services company received about 10 per cent of the shares in this company which was a value of about \$300 million at the time which was in full and final settlement of the arrangements between the two including the business relations agreement and that was seen to be the best arrangement for member services to get that as a lump sum to invest or do whatever they wished to and all of those arrangements were approved, they were dragged through the Full Court system and adjudged to be fair and appropriate.

So I think it's very important, we've had this discussion before so whilst obviously I appreciate your comments generally I think it is important to understand that there was a proper procedure and adequate compensation paid for the ability of the insurance company to use the name and for the separation of the two organisations.

Now, we continue to wish to be very close to the member association and Mike and his team cooperate with the chief executive and it's our wish to remain close to them and in many ways we wish we could do more but of course that's up to the board of the association and we're very conscious of having a continuing good relationship with them. Thank you.



MS .....

Chairman, may I introduce Mr Ian Scandred.

IAN SCANDRED

Chairman, the board, members of this company, shareholders, I'd like to just also echo my congratulations on a great performance, James. I was unable to be here last year but watched it with interest.

CHAIRMAN

Thanks, Ian.

IAN SCANDRED

One of the issues I'm interested in in terms of what both you and Michael have spoken as to going forward is in terms of community we have a growing problem in terms of unlicensed, unregistered and uninsured motor vehicles. Michael, you'd be well aware that that's always been a sore tooth if you wish for the insurance industry and one probably not dissimilar to the quandary that, say, Sydney Water face trying to get us to use less water which is really counter to probably their corporate mission statement in terms of income and profit. I understand at the moment that unregistered vehicles, unlicensed drivers and by inference, uninsured because (a) they might not be or (b) they would be invalid insurance are in fact at record levels. I'd like some comment on that. It doesn't appear



in your notes here that you are focusing on that, more on community crime which I welcome but I think this is a big issue and I would appreciate some comments on, if you wish, how you balance that up with the mission statement of the entity.

MICHAEL HAWKER

Thanks very much, Mr Scandred. It is certainly an issue. It's not the most significant issue that we face and what I really spoke about was an order of priorities according to the significance of the impact to our customer base and the priority I gave of four major ones were the major drivers of claims that our customers have, so that's where our primary focus lies. I'm not an expert on the level of unregistered cars. I've got someone here who could probably tell you that, it might be worthwhile off-line but it is certainly an issue. I mean, I think there's statistically around about one in six Australians who don't comprehensively insure their car and then we have a portion obviously who drive unlicensed and insuring 47 per cent of insured motor cars in the country we encounter those people regularly and they can't pay, so we understand the issue and that's part of the cost unfortunately of insurance for all of us. It's one of those hidden costs buried in why we might pay more than we want to for any particular premium. So it's certainly on our radar



screen but it's not the highest priority. There are other higher impacts to the claims costs in motor cars than unregistered drivers.

IAN SCANDRED

If I may respond to that, of course having a level of unlicensed, unregistered or uninsured vehicles in fact is very positive to a business plan in terms of marketing comprehensive policies and perhaps the urgency for a consumer to do so and a study was undertaken some 15 years ago by NRMA looking at that and how it impacted on their business. I notice some of the competitors, your competitors in the marketplace in motor vehicle insurance are now offering third property and fire only policies. They've come back to the marketplace, essentially they've been absent from the major players for some years. I haven't seen NRMA or the group offer a product in that area so that would be a point and I would like to ask the executive for that figure on registrations.

MICHAEL HAWKER

Yes. Thanks very much, Mr Scandred. We certainly watch with interest the products of our competitors. We're always looking to try and improve our products. We think we offer some wonderful products within the marketplace and we notice – we do watch with interest what other people are doing. We certainly have a number of initiatives under way which we think are going to improve



consistently the quality of the products we do offer our customer base so I note that and we understand the specifics you are speaking to and Mr Rick Jackson is the key executive just sitting down the front here whom you might want to speak to after the meeting.

IAN SCANDRED

Thank you, Mr Hawker. The third and last part of my question is in the area of your Asian expansion and of course you've noted that the group has had an interest in China in terms of both insurance and motoring club since 1997. Obviously there are various structural issues in the marketplace today that are affecting the association, the NRMA association. It's had some new competitors enter into the marketplace. There are various conflicts of interest that probably people are aware of in that area but of course one could almost say that the same thing might be approaching here so I'd like to hear some comments on the organisation's opinion and intended direction as regards motor vehicle service clubs, if you wish, the association type business. We hear your relationship with NRMA is improving - both sides, I understand - but I would like to know what the future direction is there and have some undertakings perhaps in that area.

MICHAEL HAWKER



Thank you again. We're very pleased that the relationship with the roads association is improving and the two management teams are getting far closer together than we were probably three years ago which is very encouraging because we do share a brand with NRMA and we both of us know that having our customers both insurance customers and roads association members is more beneficial than just being a member or a customer of an insurance company, so we find that there is value for both organisations to have members and customers shared.

We also have a relationship with RACV in Victoria because we have a joint venture with them as well so we have a close relationship with the two major motoring clubs across Australia. We'd love to have a relationship with every motoring club across Australia. Disappointingly some of our competitors have those relationships but we constantly are working with both the chief executive of RACV and the chief executive, NRMA Motoring Association to try and bring closer relationships with the other motoring clubs across Australia with our insurance business. So strategically that's what we are trying to do because we do see it beneficial to our customers to have road service as well as having insurance.

CHAIRMAN

Thanks, Mike.



MS .....

Chairman, may I introduce Joan Strobo.

JOAN STROBO

Good morning, Mr Chairman and people at the meeting. My name is Joan Strobo and I'm speaking on behalf of people who may have been through a similar trial to what I have. Now, firstly I am not a share trader in any shape or form. I do have shares in my name and every one of those shares has been inherited from members of the family for which I have been fortunate. I am not a share trader. Now, in February 2003 a raid was made on the IAG shares and I want to warn shareholders from my own personal experience. This involved National Exchange and David Tweed in Melbourne. Not every shareholder received an offer. He chose his targets. He targeted the elderly like me and small shareholders also like me. He targeted them very selectively and he admitted to me recently through his own barrister in the Melbourne Magistrates Court that this is the way they worked and from this scam he received, I understand, 1 million IAG shares at \$1.50 when the market price was \$2.78. He made a vast profit overnight. I signed the document but did not send my SRN as I did not know it and when endeavouring to find my SRN I learned that it was unwise to proceed with this deal so I wrote to the National Exchange to tell



them I was no longer completing the sale as I felt the SRN was paramount in finalising the deal. Over the following 18 months I have been relentlessly pursued by the Griffin law firm and eventually faced the Melbourne Magistrates Court in Melbourne in October. I am awaiting the outcome. There is a huge list of people being sued by David Tweed on the Melbourne Magistrates Court list. David Tweed is currently suing the Commonwealth Bank for many millions of dollars. My brother and I have been asked to come to Melbourne on December 1 to give what help we can on their behalf. I class David Tweed as very wealthy but he's morally and ethically bankrupt. He is still raiding the elderly and the uninformed so watch out. I thank you for your patience. (APPLAUSE)

CHAIRMAN

Thanks, Ms Strobo. Can I just say to shareholders and I hope you are aware that I personally wrote two letters to shareholders about this man and his organisation and cautioned shareholders not to accept the offers that he was making. As you know, various authorities are trying to stop him but it's not easy because obviously they're using all sorts of technicalities but there's a very dramatic example and I hope it's a warning to everyone so thanks for your comments.

JOAN STROBO



I'd like to add that I was being sued for something like \$1800, a mere pittance. I have spent or my brother on my behalf and I have spent something like \$15,000 already in the Melbourne Court and there's a lot more expense to come but we want to try and put him out of business and this is an example of what he can do to people. I am aware that the IAG did notify people but at least a million shares changed hands so not everybody took your notification on board.

CHAIRMAN

Yes, yes.

JOAN STROBO

Thank you.

CHAIRMAN

Thank you. Are there any other comments or questions? Could we wait to be introduced. Yes.

IAN SCANDRED

Thank you, Mr Chairman. Perhaps the meeting should be considering perhaps urging the board to provide some assistance in what kind to people like the previous speaker.

CHAIRMAN



That's an interesting suggestion. There are complications about it but I think the short point is to say, well, we'll consider it, thanks, Ian. I think we're going to microphone number 2.

MS .....

Chairman, may I introduce Mike Hanna, a shareholder.

MIKE HANNA

Thank you, Mr Chairman. I'm a shareholder and I'm also a customer and I've got to say that as a shareholder I'm very pleased and I'd like to congratulate the board on their performance this year. Unfortunately as a customer I stand before you disappointed and also soon to be disenfranchised.

In saying that I had an experience with renewing my comprehensive motor vehicle insurance through NRMA and I've got to say that their response to my request to increase the agreed value was less than satisfactory. Now, I noticed that the chief executive officer on one of his overhead slides said that the group were experts in pricing risks. Well, having said that I found it interesting because when I couldn't get the agreed value to the level that I was seeking I said, "Well, I'm prepared to self-insure this vehicle myself. How much will it cost me for third party properly only?" The interesting thing was that to take third party



property only was \$8 dearer than to take full comprehensive insurance.

Now, if that's an example of an expert in pricing risk I'd hate to see a sloppy effort. I've got all the papers available if any director is game to come and talk to me about this matter because come renewal date I will be moving my insurance to one of your major competitors, the Promina Group, who are not only welcoming me with open arms, who are not only giving me the agreed value that I am seeking, but are doing it for a lower premium. Now, I would suggest to you that you have a lot of high level ideals and a lot of those things are coming off but where the rubber hits the road you've got things that need attention.

The second point I want to make to you is this. Your employee engagement survey gives a 53 per cent engagement level. I think that's fairly pathetic and I've got to say that in my dealing with the staff at the branch level, although I found them very courteous and very helpful I certainly did not get any impression whatsoever that they had any empowerment to make real decisions to keep the relationship going. I'm talking about a 20-year relationship with no claims yet this organisation is prepared to let me walk away. I think that's disgraceful. (APPLAUSE)

MICHAEL HAWKER



Thanks very much, Mr Hanna. I'm disappointed to hear the situation that you've come across and I'm more than happy to deal with that myself so can I please – I might grab you just straight after the meeting if I could, just get your details. Clearly as an organisation we aspire to have a very consistent relationship with all our customers. It's always disappointing if we have a disagreement with our customers over a particular aspect and we endeavour to do whatever we can to ensure that we believe we're dealing fairly with all customers and consistently with all customers, so I'm very happy to take on your concerns and I will deal with that personally. Whether I can solve it for you I don't know but I'll certainly take it up with you.

On the second point just on employee engagement, we think that score is pretty good in a relative sense for companies and as I said, it's a far tougher bar than normal just satisfaction because our satisfaction is up on the seventies and eighties if you measured it on an old sort of scale. What's very important to us though is that our people come to work and have a more than just a come to work feel for the company but really enjoy coming to work and really want to live the values of the company and provide outstanding service for our customers and that's a far higher bar in a company of 11,000 people and that's what we're trying to aspire to.



So we think the result is a good result. We don't think it's as good as it could be and in the graph we have a range of four regions. We're in what we call the stable region not best practice and we're moving towards best practice, so I think that's work in progress. It's what we're trying to aspire to. I wouldn't say it's deplorable or the terms that you use but I do think it's in progress to where we'd like to take it to. Thank you.

CHAIRMAN

Thanks for those comments, Mike. Just in relation to Ms Strobo, I've just received a note from a leading lawyer who does work with our company, this is Mr David Friedlander of Mallesons and he's just offered on a pro bono basis to assist any shareholders who have been sued by David Tweed. (APPLAUSE) So this is not meant to be advertising but just for the purposes of identification, David, could you stand up. Okay, he's not out in front at the moment, so he'll talk to you later, Mrs Strobo. Thank you very much. Next issue?

MS .....

Chairman, may I introduce Jack Tilburn.

JACK TILBURN

I'm out of the blocks again, James Strong and ladies and gentlemen. James Strong said try and present two very very good questions. Well, I've got two significant, sustainable and serious



questions, thank you, but first let me get in and say we are all very pleased, James Strong, with the first aid kit and the 33-page booklet but one thing wrong, the very nice linen bag was made in China. Now, if Dick Smith knew about that he would have a heart attack so I'm going to put in a plug for my great mate Dick Smith that poor old IAG has fallen down with the national economy and our national workforce because this sampler bag should have been manufactured in Australia, ladies and gentlemen.

Now, the two big black holes in our corporate governance, James Strong and the board, are always related to money and I'm going to take up the problem of and the issue of retirement benefits on page 39 followed by my auld opponent Nicholas Whitlam. Retirement benefits on page 39 I shall broadcast the following: it is reported that total maximum frozen retirements which may be payable – may be payable to Ms Fisher and Ms Keating and then to Messrs Strong, Ashbury, Ross and Cousins and Hamilton total \$1,640,000. But it is not transparent, James Strong and Frank Jewiss, whether or not yes or no the directors will be paid some retirement moneys – some, all of \$1,640,000, so the final question is will you tell us what the update position is for today here at our great assembly.

Now, take on board also the second question, please, question on the horrendous legacy and the very bad baggage of IAG company



relating to your old Nicholas Whitlam, my very very disliked ex-director. Mr Strong, will you strive to fill us in with the latest legal shenanigans of one so-called Nicholas Whitlam who after unbelievably gouging out the enormous sum of \$637,000 for dubious directorial excesses has now put his hand up for an additional enormous sum of \$525,000. Where is this covered in note 10 page 61 called Contingencies? Refer also to page 46 which is very complex and very controversial to a non-lawyer person like me and the others of our great fraternity of loyal shareholders because they don't know what's going on. So, sir, if you wouldn't mind filling in on two very deep black holes of money for us all. Thank you, Mr James Strong.

CHAIRMAN

Thanks, Jack. The note on the directors' retirement allowances that you referred to, that is amounts that may be paid to directors on their retirement. On the occasion of each retirement obviously the board is required to give consideration as to whether it's appropriate to pay it and that's obviously meant to guard against a situation where somebody didn't do their job as a director or did something terrible. But in the ordinary course of directors properly completing their duties you would expect that those amounts would be paid as and when directors do retire at whatever stage they do



retire. So as you know this is a requirement for us to make provision for it which I think is appropriate and to disclose it which I think is appropriate, so yes, you should work on the basis that unless somebody robs a bank or does something like that, which as far as I know none of our directors have an intention at the moment to do, that in due course as they retire that amount of money which has been set aside as a provision would be paid to them and that's the whole purpose of that note.

In relation to the Whitlam issue Mr Whitlam is seeking leave from the court to make changes to his initial claim to include additional heads of claim. IAG paid Mr Whitlam an amount of approximately \$637,000. The cash paid was about \$312,769 after deducting his company-funded superannuation entitlements and tax and that was paid in September last year. We believe that's the correct calculation and we're obviously resisting the claim in the court and we felt it was appropriate for his time and service to IAG and I can't make any further comment because as they say, it's in the court, so I hope that brings you up to date.

Sorry, you asked why wasn't that disclosed. It's because in terms of the amounts of money that we're dealing with in the accounts it's not considered to be material. There's no question of not wishing to – we've actually made media statements about it so I hope you



accept that it's not a question of disclosure. It's just materiality.

Thanks, Jack. Number 2.

MS .....

Chairman, may I introduce Les Kent, a shareholder.

LES KENT

Mr Chairman, allow me to make a couple of observations to start off with. Firstly, I really appreciate the amount of work that the board put into selecting the two candidates to fill the vacancies on the board. I know it is not an easy task and I'd like to congratulate the board on the professional way and the standard of the candidates they have chosen. Secondly, I'm sure we've heard this a number of times today, I'd like to congratulate not only the board but also the senior management and the staff of IAG for contributing to the value of our shares today and to the results that are presented in the financial papers distributed to the shareholders.

My question looks towards the future and it's a technical question in some ways so I apologise in front to some of our shareholders that may perhaps get lost in the answer perhaps. Mr Chairman and Michael, our general manager, you mentioned CLERP 9 in your statements earlier. There was a change in accounting practices this year which had impact on all the businesses in Australia but the one that really concerns me is the impact of Basle II which is due to be



in legislation in the next 18 to 24 months and a lot of businesses in Australia are struggling under that proposed regulation to try and meet the regulatory deadlines associated and required to meet that regulation.

My question is twofold, number 1, what is the expected financial impact of that regulation on IAG, particularly as the direction is to become an international company, and secondly, what level of preparatory work has already been completed to try and meet the requirement to be in accordance with the legislation by 2007, Mr Chairman.

CHAIRMAN

Mr Kent, first of all thank you for those very nice comments to begin with and we'll attempt to answer your technical question as quickly as possible. Michael, are you going to have the first go and then we might have to call on back-up from Mr Venardos.

MICHAEL HAWKER

Yes, thank you very much, chairman and Mr Kent. I'm not sure whether we're talking about Basle II in terms of the regulatory changes potentially in the banking system and then further down the track potentially in the insurance world or we're talking about the changes in international accounting standards which are imminent in the near future.



LES KENT

It's the previous one, Basle II in terms of the banking and insurance sector.

MICHAEL HAWKER

With the Basle II our view at the present time is that it's not going to impact the insurance sector in the near future. It's more likely to be far more delayed from an insurance practice point of view, probably in our view at least four or five years longer out into the future. It's certainly impacting the banks and it will have an impact on the banks right now because they've got the opportunity to change their capital mix. With insurance companies they're a long way behind in terms of getting consistency in regulatory approach internationally. There is an international body which meets but in speaking to our own regulator just recently when they met with the international body in their view it was going to take significant time before there was any consistency globally regarding capital standards for the insurance industry. So we haven't yet determined what the impact might be because there are no guidelines as to what the impact could be so it's something which we think will happen but it's certainly not going to be a significant issue within the company in the near future.



On accounting standards they are coming in in the next financial year and we've got some disclosure about those in the annual report and certainly also in our investor compendium which can be accessed on the Web and we are well set up, we're very significantly advanced in terms of meeting those international accounting standards and we don't see it having a significant impact on our business. One of the primary changes that the accounts will bring is that our goodwill will no longer be allowed to be amortised on an annual basis as it is today. It will sit on the balance sheet and be tested as to the adequacy of the goodwill and so our profit after tax will immediately increase by the amount of amortisation goodwill of \$110 million.

Analysts already take that out in the consideration of our company's performance but it's worthwhile that knowledge being understood by our shareholders because they might see it as a change in the value of their company because the profit has gone up. It's a change in accounting policy and it's just restating how we state our value as opposed to an improvement in the business.

LES KENT

Thank you, Mr Chairman.

CHAIRMAN



I might just take the opportunity to ask Dr Terreblanche, who's the external auditor, if he'd just care to comment to shareholders as to the degree of preparation and awareness of these issues just as a reassurance to shareholders. Dr Terreblanche, would you like to make a comment.

DR ANDRIESSE TERREBLANCHE

Thank you, chair. Of course the new order, the new accounting standards kick in from '05 onwards. Most companies have had a long run-up in getting prepared for this because they need to restate all their comparators, the figures that you would compare the performance against, the historical figures. At this group there's a specific task force in IAG that focuses specifically on the new language, on the new standards that are going to be adopted. They are considerably down the track of quantifying those, of seeing what the implications are going to be and you've already seen in the financial statements the disclosure of those impacts. Because it's in the financial statements of course we have to sign off on those so our auditors see this would extend to looking at those numbers and including that in our report that we've issued. You would have seen that our report is an unqualified one which means that we have no issues, no hesitation in supporting the numbers



that have been included in the matters that have been distributed to you.

CHAIRMAN

Thank you, Dr Terreblanche, thank you very much for that and thanks for the question. Next question or speaker?

MS .....

Chairman, may I introduce Lawrence Fava.

LAWRENCE FAVA

Thanks, Mr Chairman. This is my first meeting and it certainly won't be my last. I apologise in advance if this has been asked before in other meetings but can you explain to me why as a shareholder I can't get a discount when I insure with my own company.

CHAIRMAN

Yes, well, it depends on how much time you've got, Mr Fava, because this is not a straightforward issue but let me try and summarise it to you. Everyone who buys a share in this company is entitled to be treated equally in terms of what benefits they get as a shareholder either in terms of the growth in the value of the shares or the dividends they get or whatever, you know, buybacks or whatever. If some classes of shareholders are entitled to get a discount which cannot be obtained by institutions and other huge



shareholders in the company that is seen as an unfair distribution. Now, you might say, "Oh, well, it would be good for the company because it would encourage me to stay there." If you think about it you remember Coles Myer was a company that had this sort of thing and in the end they decided that it was costing them far too much money and was an unfair way of doing things so I know that it's an emotional issue and some people would say, "Well, it would bind me to the company," and so on but we feel that there is this broader issue of equal treatment to all people who buy shares in the company, so you may not totally agree with that but I hope that gives you a better idea. Like everything, there's more to it than meets the eye and so I'm just trying to give you a bit more background to it so we don't have any present intention to go in that direction for the reasons I've mentioned.

There's another one at number 1 – no, number 2, sorry.

MS .....

May I introduce Dan Roberts, shareholder.

DAN ROBERTS

Mr Chairman, is it true from next Monday if I wish to choose the repairer of my choice I'd be charged an extra price on my premium?

CHAIRMAN



It's an interesting way in which you put the question and I'll ask Mr Rick Jackson if he could make a comment to you.

RICK JACKSON

Thank you. For a number of years we've had customers, over 80 per cent of our customers have chosen to use our preferred recommended repairers who are more efficient and actually give a better return. A number of customers have decided that they didn't want to do that and they wanted their own repairer of choice and we felt that that was a reasonable thing to do. About 18 months ago the ACCC and the VACC and the Motor Trades Association asked us if we could be very clear in our policies to give customers choice as to those two things. So we looked at that and it's taken us about a year to work that through and there's now a choice for customers about whether they prefer to use our preferred scheme - and as I said, over 80 per cent do, in fact much higher than that - or whether they would prefer to use a repairer of their own choice. There is a significant difference in the expense between those two choices and we didn't believe it was fair for those that were choosing to use preferred repairers to be paying for the choices for other people and so we now have an option so that all customers upfront in their policy can decide whether they want to have a particular choice or whether they want to use one of our



recommended repairers and that's very similar to whether people wish to choose to use different excess levels in their home insurance or to buy different levels of policy and we believe it's fair to everybody to make those decisions at the time they buy the policy.

CHAIRMAN

Do you want to make another brief comment?

DAN ROBERT

How much extra is this going to cost me, please?

RICK JACKSON

It varies quite substantially. If you're in states other than New South Wales it's somewhere between 30 and \$50 and that's just to do with the difference in cost incurred there versus New South Wales where it can be up to \$69 in difference and that's directly related to the cost that it costs for the extra choice and that is somewhat similar to whether this suit, which I think is quite nice which was bought over the road versus getting one that's tailor-made which costs a lot more.

DAN ROBERTS

Can I try again? I've been with NRMA since 1961 and I have a very good friend who's a panel beater and I'm like the other gentleman



who spoke a while ago, I'll have to look at my things from now on too, go elsewhere.

CHAIRMAN

Any other questions or comments?

MS .....

Chairman, may I introduce Brian Gay, shareholder.

BRIAN GAY

Good afternoon, Mr Chairman. First of all I'd like to congratulate the board on the initiative to support the State Emergency Service. As a volunteer for 10 years I'm happy that somebody actually appreciates the work that we've been doing. Now to the question. On corporate governance under the ethical and responsible decision-making code of conduct, it's on page 36 in the annual report anyway, there's no mention of whistleblower legislation. Do you know if it's in place? Secondly, if so is there protection against recrimination for employees reporting corruption? Thirdly, what action will be taken against people who are found to be corrupt? Thank you.

CHAIRMAN

Thanks for the question and by the way, we're delighted to be helping State Emergency Services, they do a great job. I'll ask Sam Mostyn if she could make some comments if you could surrender



the microphone to her there just for a minute. There's another mike, that's okay, thanks.

SAM MOSTYN

Thank you very much. We've just introduced a formal policy in the company called Action Line which allows any employee in the company who feels there are issues of fraud that they can't raise internally for any legitimate fear they may have they can go externally to Deloitte who then contact the appropriate executive in the team and we can deal with that either on an anonymous basis so if that person does fear I think unjustifiably but if they do fear recriminations we can deal with that, and we're also I think through the comments that James and Mike have made during the meeting, we're trying to encourage a culture where our people can raise those kinds of concerns through the management and I think we've seen more of that where people are much more open in the organisation, but we do have a formal procedure using an external provider and the person can remain anonymous throughout that. If they don't want to come to the executive they can go straight to the chair of the audit committee, so there is another route through which people can go protecting their anonymity and any concerns they may have about the information.

BRIAN GAY



Thank you.

CHAIRMAN

Microphone 1.

MS .....

Chairman, may I re-introduce Joe Nagy.

JOE NAGY

Mr Chairman, two quick questions on disclosure of indemnification and insurance of directors and officers. The first one you may have already touched on. I'll just shoot them off quickly. I can't understand this. Why did IAG in the first case advance Nick Whitlam money to pay his legal costs in his proceedings against ASIC when this matter appears to me had nothing to do with IAG but had everything to do with NRMA and Mr Whitlam's role as a director and chairman of NRMA. The point that Mr Whitlam makes or that's quoted on page 46, the quote is that "Mr Whitlam has to take appropriate steps to recover legal costs in which IAG will benefit." My question on that particular comment is, will IAG have to fund these costs and what assurances are there that IAG will be able to recoup its funds that it financed Mr Whitlam, so that's one question.

The second question concerns disclosure. If the details of directors and officers' emoluments - have I pronounced that correctly? - fees



and salaries and terms of their employment are disclosed to shareholders then why can't shareholders be told of their indemnification in insurance? If this is not disclosed to shareholders how can it be said that the board and IAG is acting honestly and openly as stated in its code of conduct mentioned on page 36, in other words it's not completely transparent.

CHAIRMAN

Okay, thanks, Mr Nagy. Yes, the pronunciation is emoluments and it's a very old-fashioned term and I'm not too sure why we all use it any more. I'll ask Anne O'Driscoll to respond to the two issues you've raised.

ANNE O'DRISCOLL

Thank you. Mr Nagy, the initial actions that were taken against Mr Nicholas Whitlam, there were two actions, one of which concerned association and voting of proxies at an AGM. The actually concerned what was then called NRMA Insurance Group but this company and it was in respect of the allegations made against him, the charges by ASIC, that we actually funded the case. We didn't actually fund the whole of it, we were only funding the parts that related to this company and a lot of detailed work was done by people to ensure that that was the case.



In terms of getting those funds back we hope we'll get them back. They will have to go through a process, a court process and I'm not a lawyer so if I get the words wrong please forgive me but there is a process by which those costs will have to be assessed. We are encouraging Mr Whitlam to pursue those. It was Mr Whitlam who paid the moneys over and Mr Whitlam has to get them back, but we're certainly encouraging it and we're hopeful we'll get those funds back. But the precise amount we'll get back and the timing is uncertain at this time.

In respect of the indemnification – I'm struggling with that after emoluments – indemnification of directors and officers there is one policy that covers the directors and relevant officers and staff. That policy is paid on a group basis. There is a contribution made by the relevant people to that policy and that is paid and therefore people are deemed to be benefiting but also deemed to be contributing. The policy and the details of the policy are a confidential matter. The reason they are kept confidential is that it just opens the company up. People just start going after the company just because they know the amount of the policy and details like that, so ultimately it ends up, we believe, being in shareholders' interests to actually just keep the details but be alert and be aware and disclose in accordance with the rules that the policy exists.



CHAIRMAN

Just one comment, as you would have seen, Mr Nagy, on page 46 obviously that indemnification doesn't apply where the liability arises out of lack of good faith, wilful misconduct, gross negligence, reckless misbehaviour and so on. Okay. Next. Is there anything from microphone 2? No. We'll go back to 1 again.

MS .....

Chairman, may I re-introduce Ken Gibbons.

KEN GIBBONS

Yes, thank you for allowing me to speak a second time. My question or unease concerns the policy of growth, particularly growth by acquisition. I note that the company has acquired a number of insurance companies in Australia and elsewhere and that there is a move to pursue growth in Asia. I'm sure everyone is well aware that there have been a number of major companies in Australia who have pursued activities in Asia and in the USA and elsewhere and have come very seriously unstuck in the process due to the differences in culture and law and business practices in those countries compared with Australia. I do accept that increasing the base of insurance customers is potentially able to reduce risk but none of us have forgotten about GIO and HHG and insurance companies, I would think, would have to be rated as somewhat



more risky than many other companies. I'm not alone in being concerned about the policy of growth which is widely practised in the business community in Australia. I'm sure that many of you have seen the comments by Mr Chaney of Wesfarmers who's moving to NAB about the dangers of growth. It seems to me that in many cases the pursuit of growth by acquisitions doesn't really benefit the shareholders because acquisitions have to be funded. They either have to be funded out of company funds which could be diverted to shareholder dividends or they have to be funded by debt which again is not to the benefit of shareholders. I personally would very much prefer to see a major and successful company maintain a policy of the status quo rather than endlessly pursuing growth, particularly where growth can lead to the stage where the business is so large and so varied that no human being can possibly cope with the varying demands of these different companies. Thank you.

CHAIRMAN

Okay, thanks, Mr Gibbon. I'll ask Mike to make some comments and I might supplement that myself.

MICHAEL HAWKER

Thank you, Mr Gibbons. A couple of the drivers of the economics of insurance, the fundamental drivers are scale and diversity of risk



and if you think about it we pool risk on behalf of our customer base. The greater the ability we have to pool that risk the more diversification benefit we're able to get through the diversification of risks. Secondly, the more we're able to leverage that size to bring our costs down the lower per unit policy we can bring to bear.

We think that the general insurance market is growing in scale globally roughly at about 15 per cent per annum. We've grown our company at about 25 per cent per annum since we've listed the company so we've been growing faster than the rate of growth in scale of the marketplace. We will probably grow slightly slower than that in the next couple of years but over a 10, 15-year period if we don't grow at that sort of rate we will then become subscale and start to lose our competitive advantage which we view will be deleterious in terms of shareholder return.

So that's what's driving us looking for growth. The acquisitions that we've made previously in the last four years have driven the economic performance of the company you see today so we'll probably disagree in terms of the value obtained through acquisitions. Finally, I'd just make a comment on offshore companies. We get a lot of publicity of those that fail. There are a significant number of Australian companies trading offshore who are very successful including one of our major competitors. Thank you.



CHAIRMAN

I'll just add a concluding comment to that too, Mr Gibbons, and that is that I agree with everything Mike has said but I can assure you that the board is very wary of making sure that any investments we make are, as they say in the lingo, earnings accretive, in other words they will be to the benefit of shareholders and as you would imagine one of the key evaluations of any proposal of that sort is to see whether it's actually going to add shareholder value, so I can assure you that there's a very careful approach to this. We're not interested in growth for growth's sake. It has to stack up against the issues that Mike mentioned and your point is well made, so thank you very much for that.

KEN GIBBONS

Yes, thank you very much, I do take your points and I certainly agree with most of them but I just have this underlying feeling of unease. Thank you.

CHAIRMAN

Yes, okay, thank you. Are there any other questions or – number 1 again.

MS .....

Chairman, may I re-introduce Ian Scandred.

IAN SCANDRED



Mr Chairman, I do want to pursue this matter of motor vehicle insurance just a little bit more with the board and the executive. May I ask a few consecutive questions the first one being in terms of the gross written motor vehicle premium what that was for the group, please.

MICHAEL HAWKER

For motor insurance I don't have that exactly off the top of my head.

ANNE O'DRISCOLL

I think it's 34 per cent of \$6.4 billion.

MICHAEL HAWKER

Yes. In the bar graph I showed you in the presentation our motor insurance business is 34 per cent of our total business. Our total revenue last year or gross written premium was \$6.4 billion so it's 34 per cent of that.

IAN SCANDRED

So that leads me to ask, Michael, then what was our gross – gross expenses in motor vehicle across the group. You're suggesting about a third of six and a half billion so we've got, what, 2.2 for argument's sake. What was the expense against that, please?

MICHAEL HAWKER



I – I just don't have those numbers right at my fingertips at this point in time.

IAN SCANDRED

I've got the consolidated statement here and of course it includes all other classes of insurance which is why I'm trying to drill into the motor vehicle end but you take my point and I'll just leave it perhaps to somebody down here to look up their notes. I notice George Venardos is here, perhaps he might be able to dig it out. The third question I'm obviously going to ask is, what is the non-recoverable motor vehicle expenditure in terms of claims paid which leads me back to my original question which is obviously if we have a high level of uninsured, unregistered or unlicensed drivers, motor vehicles and drivers on the road, obviously that's going to impact significantly on our net claims expense and I would suggest and James, I might just go there by saying that you mentioned the word members before, one million members. Obviously that's a class of shareholders that you're referring to but it's still significant in terms of the number of policy holders in MV across Australia now being the group size we are, New Zealand and expansion markets.

So I think this is a pretty pertinent question. I am going to be fairly definite and ask for that unregistered motor vehicle figure to be brought out to the meeting if that's possible.



MICHAEL HAWKER

Can I just ask the point of the question?

IAN SCANDRED

What I'm saying is there is an opportunity here for the group to be stronger in matters of advocacy and road safety. In a sad way, it might fall to you in some areas. We've had a discussion, James, some couple of years ago about some of the weaknesses in the association now. It used to own this company. It used to be an advocate for these things because it had a direct bearing on the business and they had to balance up, if you wish, the business interests of the mutual versus the interests of the membership at large. I know you're well aware, we've had that discussion, of perhaps the social responsibility. You've made clear direction in going there. It's that balance.

CHAIRMAN

Yes, I get your drift now, Ian, and I think some of the things that you're asking about we'd be quite happy to pursue away from the meeting. Your interest is a bit more exotic than other people but I understand why and so we'd be quite happy to discuss it.

IAN SCANDRED

Well, I think it is relevant, with respect, James to this meeting in that it has a material impact upon the accounts. Were we to reduce



the quite substantial number of unlicensed drivers or unregistered or uninsured vehicles on the road in our key markets then we would have a distinct business incentive to do so but the trouble is that that also has an effect on the return to shareholders. You appreciate that problem, it's that water problem again and I think that's something I'm going to sort of put to the board to wrestle with and perhaps come back if you aren't going to do it today, I can be in contact with you, but perhaps in a public sense. I think it's important.

CHAIRMAN

Okay, thanks, Ian. There's a good-looking gentleman down the front row here we might ask to make a comment. Rick, would you like to just make a comment on what Ian said.

RICK JACKSON

Yes, I think Ian raises three or four very important points. The first one is what's the financial impact on the insurance company by people who are driving uninsured and unregistered vehicles. There's two parts. For unregistered it's actually a part of the bodily injury scheme in New South Wales which takes care of that and as a participant in that scheme that's already dealt with in terms of injury to the person. In terms of vehicles that are uninsured we always pursue the at-fault driver and therefore whether they're



insured or not doesn't mean we don't get the money back and I can assure you without getting into details we have a very very high recovery level for those that are at fault.

In terms of our policy holders, somebody said earlier that third party fire and theft and third party New South Wales, we've had that for many years and we're glad our competitors are now selling it. There is actually a component in there that the industry put together a number of years ago so that if there was an uninsured person there's actually a component of protection there, so financially as Michael said before, chasing it is not one of the higher priorities. There is a social priority and we've started recent discussions with the New South Wales Police about the use of our preferred towing suppliers and getting together the RTA so that when police do detect unregistered vehicles – and it happens quite regularly – that they in fact get towed away to a holding compound and then charges can be laid and people can actually register the vehicle and so on. So yes, we are pursuing that risk reduction but the financial impact is very very small. It's more about part of our reducing risk in the community and I'm happy to give you more detail later.

CHAIRMAN



Thanks for those comments, Rick. Any more questions or comments? Number 2 microphone.

MS .....

Chairman, may I introduce Paddy McDonald.

PADDY McDONALD

Thank you, ladies and gentlemen, for a wonderful meeting. I'm just wondering in time to come if we have a capsule, can we put into it the best and worst questions asked at a meeting like this. Thank you.

CHAIRMAN

Would you be prepared to be an evaluator of the best and the worst, Mr McDonald? Did you have any nominees in mind?

PADDY McDONALD

I think there are a lot of people on the board who have got the gift of eloquence and fair speech including Mr Cousins and Ms O'Driscoll and Ms Keating, I think they would be very good adjudicators. Thank you.

CHAIRMAN

Any other comments or questions? Okay, so I think that everybody has had a fair go and thanks very much for the questions. Some were general and some were very specific and all served the purpose of an annual general meeting of shareholders which is to



give you that right to ask those questions. So as the business of the meeting is now substantially complete could I ask you to make sure that you've handed voting papers to the returning officer's staff. I direct that following their collection the voting papers and proxy holder voting papers which have been lodged by shareholders at today's meeting be counted as expeditiously as possible. Due to our very large shareholder base - which is one of the biggest in Australia, by the way - and the number of shareholders today the polls will take some time to count to ensure that the counting is complete and accurate. As I indicated earlier, the results will be provided to the stock exchange as soon as they're available, put on our website and at the NRMA office and our own office as well.

I'll now allow a few minutes to ensure that voting papers have been collected. Anyone want to indicate that they have not had their voting paper collected? Yes. There are some people with boxes around. Another one over here on the right. In fact I think it's two lots. Okay. No one else. So I'd like to direct that the polls on resolutions 1 and 2 are formally closed.

I now declare the meeting closed with the exception of the counting of the proxies and the announcement of the results of the polls. On behalf of your board of directors who are all here today I'd like to take this opportunity to thank you for coming along and



participating in the meeting and contributing to the discussion. I think it's been a good meeting and I hope it's been worthwhile from your point of view. Thank you very much.