

[START OF TRANSCRIPT]

J Strong: Ladies and gentlemen, welcome to the 2005 Annual General Meeting of Shareholders of the Insurance Australia Group Limited.

It is past the appointed time of 10 o'clock. The Group Company Secretary has informed me that a quorum is present, and I declare the meeting open. My name is James Strong. I am the Chairman of Directors of Insurance Australia Group Limited, and in accordance with the company's constitution, I am the Chairman of this meeting.

Male: Sorry to interrupt you, but a point of order.

J Strong: State what you think is the point of order, please.

Male: Mr Chairman, I am sorry to interrupt the meeting at this point, but people are aware that there is a large media scrum outside.

J Strong: Yes.

Male: And I believe that the media are not being made available access to this auditorium, but using a media room, with the feed from the resources here.

I think, knowing you as being an open Chairman, that it is probably proper in view of the issues that are going to be raised today, that the media be allowed to come in and capture the mood of the meeting.

Audience Member: No way.

Audience Members: [Applause]

Male: I am asking you to rule on it. I do think that is an appropriate thing, and if the room agrees, I would suggest they might raise their hand or something like that.

J Strong: If you don't mind, I will Chair this meeting, and would you please sit down.

Male: You're ruling it out?

Audience Members: [Applause]

J Strong: What I am ruling is that that is not a point of order, and that the way in which this meeting is conducted will be decided by the meeting, not by you. Thank you very much.

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We also, I must mention today, are broadcasting this meeting by IAG website, and I would like to welcome shareholders, who are viewing via that medium.

I will now deliver the Chairman's address.

Before we commence the formal part of the meeting today, I would like to provide a brief overview of Insurance Australia Group's performance, for the 2005 financial year, with a particular focus on the initiatives we have undertaken in the areas of risk management and governance.

I will then ask our Chief Executive Officer, Mike Hawker, to provide a more detailed review of the operations and financial performance of the company, and an update on our outlook for the current year.

I'm pleased to report that last year has been really a quality performance. We posted a record performance for the 2005 financial year, recording a net profit of \$760 million, which is of course, the highest in our history. We also recorded the sixth consecutive improvement in our insurance margin; up from 13.5% in 2004 to 16.3% in 2005.

In the light of this record performance, the Board paid a final dividend of 14.5 cents per share, bringing the total dividend for the 2005 financial year, to 26.5 cents per share. This represents a 20.5% increase on last year's total dividend of 22 cents per share, as is in line with the Board's aim to deliver double digit dividend growth, year on year.

If you have been a shareholder since this group listed on 8 August 2000, your total shareholder return to 30 June 2005, was 157%. That's the combination of capital gains and dividends. That placed IAG in the top 20% of all companies in the S&P/ASX 100 Index - something which the Board is very proud to report to shareholders.

This year, we also made the process of distributing your dividends more efficient, by moving away from issuing cheques, in favour of distribution by direct credit, or participation in the DRT, or Dividend Reinvestment Plan. Payment by direct credit, rather than cheque, is faster, more secure and, importantly, reduces costs for all shareholders. I am pleased to say that the vast majority of shareholders have signed up to the new payment method. However, if you're one of the few who hasn't, forms are available today at the information desk, can be requested by phone, or downloaded from our shareholder centre.

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The Group remains in a very strong capital position with surplus capital of more than \$780million as at 30 June, 2005. We anticipate using this surplus capital, either to invest in growth opportunities, or to make additional returns to our shareholders.

We made significant progress against our strategy and financial goals during the past 12 months, and remain committed to delivering top quartile shareholder return in the medium term.

Last year's annual report introduced the theme "A Risk Management Story". We called that report "Part One" of an ongoing series, because we consider long-term thinking as being absolutely central to running a business that deals in risk.

This year's annual report, "Part Two of the Risk Management Story", continued the theme, exploring the mechanics of running an insurance group from the perspective of our customers. Through these installments, we aim to demonstrate that by consistently aligning our business to the four principles of our purpose – those are paying claims, understanding and pricing risk, managing costs and reducing risk – we will deliver long term value for our customers and shareholders alike.

Risk management is never static. That is why we continue to evolve our risk management framework in line with the changing environment.

Shareholders, community groups and governments are demanding greater transparency and accountability and ethical behaviour from corporations, from Boards and from management.

IAG has continued to strengthen its governance and risk management framework in a number of ways. We improved protection for whistleblowers. We created two new executive committees to provide particular risk and governance oversight – the Reputation Committee and the Asia Management Advisory council. We also adopted a new conflict of interest policy.

In line with recent amendments to the Corporation Act, we also provided shareholders with a separate remuneration report, which is located within the annual report. You will have the opportunity, for the first time, to vote on a resolution to adopt the remuneration report during the formal part of today's meeting; and of course, that is Resolution 6.

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As noted in that report, IAG's approach to executive remuneration is to ensure that IAG can attract, and retain the best people, and reward performance in line with the returns delivered to shareholders. Base pay is set by reference to market rates for the roles, taking into account responsibilities. Measures of individual performance and contribution to the Group's results are set against company-specific hurdles to ensure delivery of sustainable value. We believe that by taking this approach to remuneration, we have built and retained a high quality management team, that has enabled IAG to deliver superior performance and top quartile shareholder returns. That's what's made the difference.

In relation to your non-executive directors, remuneration is set according to external advice on market rates. Our aim again, is to attract and retain high calibre directors with expertise and skills, to deal with the increasingly complex and large business group, which IAG has become. Plus the complex regulatory environment and the ever-expanding duties and responsibilities expected of all directors.

A key element of the remuneration policy for non-executive directors, is that at least 20% of the Board fees are taken in the form of shares on a fee sacrifice basis; in other words, in lieu. This element of the remuneration policy was introduced to align the interests of directors, with the interests of shareholders.

A separate resolution for shareholder consideration today, that is Resolution 4, is a proposal to increase the maximum composite or aggregate fees payable to non-executive directors. This proposal followed an independent review, and has been made for a number of reasons. The remuneration pool has not been increased since the Group listed as a public company in 2000, and the increase takes into account market movements, and provides the capacity to ensure IAG can continue to retain the best people to drive corporate performance, and develop appropriate returns to shareholders. Since listing, this Group has doubled in size.

At the same time, the demands of directors of listed companies, and in particular, general insurance companies, have increased through corporate legislation and regulation. When viewed in comparison with companies of a comparable size, the proposed fee pool would be in line with the average of

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the majority of the top 25 companies in Australia. It is also in line with the average pool of our Australian insurance peers.

These, and other resolutions, will be discussed in further detail during the formal part of the meeting.

Some comments on the future. We remain committed to growing our existing businesses in Australia and New Zealand, while expanding the foothold that we have established in Asia, and Mike will talk about that more.

Looking forward, we anticipate that strong competition in our domestic markets will continue, but remain confident that our heritage of trusted and well-known brands, our service to customers, and our scale of operation, will all position us well for the future.

We will achieve our goals by striving for the highest standards in every area of the business.

Finally, I would like to take this opportunity on behalf of the Board, to thank Michael Hawker and his executive team, for their dedication and leadership, and to thank all our people within the Group, for their contribution to producing this record result for 2005. It's a credit to all of them.

I would also like to thank my fellow Board directors. It's been a very busy year, and the current year is shaping up to be very interesting and active, as we look as to the strategies we should follow in the future.

Finally, I'd like to thank our shareholders for continued support. I can assure you that the Board is fully committed to playing a strategic role, in driving the company to create long term value for customers and shareholders alike.

Thank you very much. I'd now like to call on Mr Michael Hawker to give a brief presentation.

M Hawker:

Thank you very much, James, and good morning ladies and gentlemen.

In its rawest form or probably simplest form, the economics of our business is driven by scale; scale in two dimensions.

Firstly, scale in terms of diversifying risk and then secondly, scale in ensuring that we remain efficient.

Since listing, our company has been systematically pursuing two strategies. Firstly, how to generate increased scale, and primarily through acquisition,

and then secondly, how we're trying to improve the culture of the organisation, so it remains sustainable.

We wanted a culture which attracts the best people, generates a premier customer service, understands the needs of our community, and generates a superior customer return.

In my address this morning, what I thought I would do, is try and give you some sort of sense of how the company has progressed over the last four years, five years since listing, what we're trying to do moving into the future, and a short term outlook.

In terms of the performance of the company, and pursuing a strategy, we have produced systematic improvements in our operating performance, and as James has mentioned, we generated a record profit in this current year of \$760million, which is up 25% from the previous year, when you exclude the one-off gain of the sale of ClearView in 2004.

This increase in performance has been primarily generated by two reasons. Firstly, the acquisition of CGU and NZI generated considerable scale for us, which has enabled us to further spread our return over our capital base and to reduce our cost base.

Secondly, from very sound performance from our investment management. For instance, last year our return on shareholders' funds was 19.8%. We were also pleased that the previous year, or the year we just finished, was able to absorb an increase of 36% in storm costs from the year before. So that shows the benefit of being further diversified, the ability to deal with quite considerable storms and activity. In fact in my time in this company, we have managed to have three one in a hundred year events, which we have been able to absorb.

From a revenue perspective, our total revenue last year was \$6.67billion, which has grown by 20.2% per annum since we listed the company, and that's through both acquisition and through organic growths.

Last year we saw that growth rate slow considerably, and we had a growth rate of 3.8%, and I will speak a little more about that when I look at the short term outlook. And this was 2% in personal lines, 5% in commercial lines and 4% in New Zealand.

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Over that period of time, our margin has also improved for the fifth consecutive year, rising from a margin of 7.6% to 16.3% last year. Our insurance profit, which is the profit we earn from our underwriting plus the investment on our claims reserves, or the reserves we hold for future claims, has grown nearly five-fold, from 2001 from about \$200million pre-tax, to now \$1billion pre-tax.

This is what has generated our ability to improve our dividend flow, and as James has mentioned, we've had a considerable compound growth rate in our dividend of 29.5% per annum since we listed the company. That has put us in the top 20 companies in the Australian market place, in terms of overall performance.

The dividend we approved in this previous year was 20.5% higher than the year before, and that is what's generated in terms of the shareholding performance relative to the index, since we listed the company.

Finally, we're looking at the finances of the organisation. Our company's in great shape, financially. We're a AA rated standard Standard and Poors financial institution, which is the highest rating of any financial institution, in terms of capital strength, in the company (sic). We are currently carrying in excess of half a billion dollars of excess capital, which again, I'll speak to later in my presentation. That capital represents more than two times the minimum requirement, required by the regulatory framework. We are consistently known as having a very conservative claims process. I can stand here saying to you that this company is in very good financial shape.

Now let's have a look from a customer perspective. I very much think about our business from a shareholder's point of view, and a customer's point of view; our people in the community.

From a customer perspective, I've got four graphs in front of you, which show how we've been moving in terms of a number of indicators. On the top left hand side, it indicates our complaint levels. We would love to see our complaint level zero, but we've been systematically trying to reduce our complaint levels over time, which absolutely improves the quality of our business.

The right hand top graph shows our performance in terms of customer service and satisfaction, and that has systematically been improving over the last four years. Down to the bottom left hand side, I've got two indicators there. One

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is our retention levels in our direct personal lines business, and the bars show our retention levels in our intermediated commercial business.

Both those levels are world class, when compared internationally. Our direct business, at over 90%, and our commercial business sitting in the mid 80%, stands the test of any comparable benchmark internationally.

Then finally, on the bottom right hand side, shows you our brand health improving across all our direct brands within Australia, and if I had them here, included across New Zealand.

Recently, there's been a lot of discussion in New South Wales about our new Care and Repair Centres, and some mis-information. Shareholders, I thought you might be interested to understand how the process works. I've got a short video, just to give you some sense of how that works.

### CARE & REPAIR VIDEO PLAYS

The video demonstrates the following steps:

- A customer calls the 24/7 Teleclaims hotline to report the accident.
- Depending on the extent of damage, Teleclaims either directs the customer to the nearest Care & Repair Centre, or arranges for a tow truck to take the car to the nearest Care & Repair Centre.
- The customer is greeted at the Care & Repair Centre, and the car is inspected by one of IAG's qualified assessors.
- The customer is given a taxi voucher to get home or back to work or, if their car is safe to drive, they can take it with them and drop it in to the repairer at a more appropriate time.
- A detailed scope of works is prepared by an assessor with supported by high resolution images of the damage.
- For minor repairs, the job is posted on a secure website, and approved smashed repairers, who have met IAG's quality standards and are in the relevant area, tender for the job.
- Once the job is allocated and repairs are complete, the car can either be delivered back to the Care & Repair Centre for pick up by the customer, or the customer can pick it up directly from the repairer.

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- For quality assurance, the customer is offered a post-repair inspection at no extra cost. In addition, customers receive a lifetime guarantee on all authorised repairs.
- You can see from the video, our motives in moving to this new system are threefold. Firstly, to improve our customer satisfaction levels. Secondly, to improve the quality of workmanship. Thirdly, because it's more efficient.

Audience Member: Lies. You cannot repair .... This is all lies... This is all lies.

J Strong: I'll give you one warning. This is a shareholders' meeting, and it is for the purpose of shareholders to review the operations of the company. If there is any interjection or disruption, you will not be allowed to remain in this meeting. Thank you.

M Hawker: This is quite important for us, in terms of managing our repairs, because we repair over 400,000 motor cars across Australia, each year.

We also have a number of other customer initiatives organised in the company, to improve the quality of delivery and speed of our service.

For instance, we've got new IT platforms being introduced in our consumer business, in our commercial lines business, and in New Zealand. We are franchising our branches across New South Wales, and we've introduced simple documentation, just to name a few initiatives.

For the people perspective, and I don't believe you can generate outstanding customer service, if you don't have great people. So we try to generate an organisation which attracts the very best of Australians and New Zealanders working in this country. It's extremely important that our people have a common purpose, and they have a clear set of values. This slide tries to diagrammatically present both our purpose and our values.

We believe that the purpose that we generate that we have for the community, is in four aspects. Obviously, we're here to pay claims. We can't pay claims unless we can price risk effectively, and you don't believe that we can keep premiums at an affordable level, unless we're efficient. We see those as three critical components of service delivery to the Australian community and the New Zealand community.

Finally, we also realise that being experts in price risks, we can actually help the community in reducing risks. I'll speak about that when we get to our

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community slide. From a values perspective, we see the power of values is a control structure for the organisation; it provides the way in which our people act consistently, with our customers and with our community.

As I mentioned earlier, when we think about how we can help our community, it's in reducing risk. There's four areas where we believe we can reduce risk. Firstly, there's road safety. How we can improve road safety, and we have numerous press releases and information provided to various government bodies, as to the way to be able to improve road safety throughout the country.

Secondly, reducing the cost of our environmental footprint, and how we can help reduce the cost of technology and progression in today's world, on the environment. Thirdly, crime reduction and fourthly, workplace safety. It is in these areas which, when we look at our business, our customers say this is their greatest concern; and secondly, it's the area which generates the most claims.

We believe fundamentally, that if we can help our customers not have to claim in the first place, that makes good business sense, and provides great community outcomes.

Today, we have launched our second sustainability report, which tracks our progress on many of our social and environmental measures; and there are a number of those available outside in the foyer. We continue to learn through this process. We by no means believe that we have got all this right, but we also believe that unless you start measuring and reporting on progress in these factors, that you will not improve your business. So we see the reporting absolutely critical.

To give you one example where we haven't been successful; we were hoping to reduce the overall CO<sub>2</sub> emissions this year from our airline travel within the company. We've been incredibly successful in reducing airline travel in Australia and in New Zealand, but we've increased our travel internationally as we pursue international acquisition opportunities. So in overall terms, we actually failed to meet our benchmark, because we actually didn't have our measure particularly well aligned to the corporate strategy. Unless you start measuring these things, you will not be able to improve the quality of our business within the community.

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In summary, all these aspects and improvements in our business have generated a number of awards, including General Insurance Company of the Year for 2005.

Now let's have a look, moving forward into the future. Diagrammatically, how we try to move the company, in the bottom left hand side, we have been looking to generate scale in our Australian and New Zealand businesses, and we believe that we have generated that to date, i.e. it is very difficult now for us to acquire any significant organisation within Australia and New Zealand, without coming under the constraints of the Competition Commission.

Having bought CGU and NZI back in early 2003, we have been fundamentally looking to try and improve the quality of our organisational culture, and we have been systematically doing that over the last two years. At the same time, we've been looking forward to how do we take our acquisitive capability and move it into offshore markets.

We fundamentally believe that focus on general insurance with a core competency of our organisation and, as I said earlier, finding scale is critical for the ongoing economics of our business. So to be able to define opportunities and acquisitions internationally is critical for us, that is not easy to do. It takes a considerable amount of time, and we want to be very cautious and careful before we invest significant sums of money offshore.

We have articulated the strategic goals financially, the following five financial goals. We wish to continue to have a top quartile shareholder performance, and I can assure you that the executive chairman of this organisation is motivated to that because our compensation is basic on that benchmark. We wish to continue to have a return of equity which is one and a half times greater than our cost of capital, which we think is fair and equitable for both the shareholders and the community alike.

We are attempting to establish an agent foothold. We want to maintain the mix of our business of 80% short-tail and 20% long-tail, and that's a technical term so let me please explain. 80% short-tail, short-tail insurance is when the insurance risk matures at the end of a contract. For example, a motor insurance contract ends at the end of one year that you hold a contract. Whereas a Workers Compensation policy might be written for this year but someone in 20 years' time may want to claim on the policy written in this

year. So that's for a long-tail risk because a claim may occur many years into the future.

We believe it's prudent for the risk appetite of this company to maintain an 80% short-tail risk profile. Finally, we wish to maintain a AA rating.

How are we going in terms of our expansion internationally? We've identified Asia as our first major focus because we believe with our inherent skill sets in pricing motor car risk and pricing home risk is most able to be effective in the Asian communities and economies.

Currently we already own the largest motoring association in Beijing. We've recently bought Royal Sun Alliance's business in Thailand which was announced before the end of the financial year, and we've renamed that now NZI. We are, as we announced two weeks ago, in discussions with AmAssurance Berhad in Malaysia, which is the second largest motor loan provider and one of the fastest growing motor insurance companies in Malaysia. We have been in significant discussions with parties in China for over 22 months, and we hope to be able to conclude the potential transaction in the not too distant future.

It's interesting when doing business in China and trying to generate a joint venture acquisition, the experience of most international parties is that it takes a considerable period of time.

We are also in discussions with parties in India. So in summary, our potential flight line for acquisitions is building. So I said, however, we want to be careful, we want to remain very focused on who our joint venture parties are and we want to ensure that when we make a significant investment that we'll generate significant shareholder return into the future.

Finally, let me just look at the outlook, the immediate short-term outlook before acquisitions. It's interesting to have a look at how the growth rates in the general insurance market has performed over the last two years in Australia.

Here you see two lines, the bottom line shows you the annualised growth rate to that particular point in time, of the Australian general insurance marketplace. So here you see in December 2003, the annualised growth rate of the market was running at 15.3%. At the same time we grew at 65%. If you have a look at the most recent annual performance of the market down

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to June 2005, using the Atlas statistics, the entire market grew less than 1% at 0.8 of a percentage point, and in the same period of time you have Australian businesses who are at 3.9 percentage points.

So we have been able to outperform the marketplace. But it's critical to realise that the Australian marketplace has slowed down dramatically in terms of its growth rate. And there are two primary drivers of that.

One is reducing claims costs, and therefore bringing premiums down. And then secondly, international competition in the commercial sector bringing premiums down.

We would consider that looking forward over the next year that the market will remain relatively flat and then we expect it to start to improve again back to the long term growth rates that we would expect in the Australian market, the New Zealand market have been one and a half to two times the growth GDP. So we would expect the growth rate to climb back up again to around about five to six percentage points.

So in our full year results briefing we made the announcement that we expected our goal, or our goal for this coming year, was to grow our premiums to around about 2%, our whole overall premium growth for the company, so that's an increase in the number of customers and policies as well as the premiums change. And we expect that growing at the high end of the market, because we expect the market to be relatively flat in terms of growth rate.

We expect our insurance margin to shrink a little bit from our record last year but still be above that which we had the year before. We have a number of initiatives to produce ongoing expense savings to try and reduce the impact of reducing margins, and we expect our dividend growth for this coming year to be in the order of 10 percentage points.

Finally, as I said before, we are carrying in excess of \$½ billion of excess capital and we've probably said that we will either utilise that in further acquisitions offshore, or we will return that to you as shareholders. The reason why we haven't made a definitive decision about the return potential of that excess capital is because we are very advanced in a number of our discussions with international players and that may utilise that excess capital.

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Either way we expect that the return to you as shareholders will be incremental from what we have today.

In finishing, I would like to thank my management team and the board for their continual support. I'd also really like to thank the wonderful people, wonderful 12,000 people that we have within the IAG organisation in four countries, five countries around the world for their assiduous and continuous hard work. Thank you very much.

J Strong:

Thanks very much, Mike. The items of business before today's meeting, there are seven of these, and they've been set out in the notice of meeting send to all shareholders. No notice of other business has been validly or duly given by shareholders pursuant to the Corporations Act. I now have to spend a little time going through the procedures that we're going to follow during today's meeting.

Shareholders, visitors and members of the media are advised that in the absence of special permission I'll not allow any recording or broadcasting device including tape recorders, still cameras and video cameras and any article that may be dangerous, offensive or liable to cause disruption to be brought into the meeting. If any such item is brought into the meeting I will stop proceedings and request that it be removed immediately.

One of the issues that is always important at Annual General Meetings of shareholders is that people have a reasonable opportunity to speak. In accordance with the provisions of the Corporations Act, I will ensure that shareholders as a whole have a reasonable opportunity to ask questions about and make comments on the management of the company, and to ask questions of the auditor's representative also, who is here at today's meeting.

These questions are limited to the matters specified in the Corporations Act in relation to the auditor, the procedures for this will be explained later in the meeting.

A list of written questions submitted to the auditor prior to today's meeting in accordance with the Corporations Act has also been compiled and is available at the shareholder information desk in the foyer.

What I want to emphasise is that this is a meeting of shareholders to report to shareholders on our performance and outlook. Many people will want to raise issues across a wide spectrum and the meeting will be conducted to

ensure that shareholders are able to canvass a real variety of questions and answers.

As chairman I will endeavour to ensure this meeting does not bog down on one topic or on a narrow range of topics. This is not a protest meeting for the benefit of a section or group with a narrow self-interest, therefore I will not allow repeated questions on the same topic. Once any one subject has had a fair airing I will not accept further questions or comments. This is not the forum for a detailed debate on operational questions and is not what most shareholders came here for.

The only items of business to come before the meeting today will be those specified in the notice of meeting. I will not consent to other business being put to the meeting. This is because if any matter of substance is to be put before an annual general meeting proper notice of that matter must be given to all shareholders so that they may decide whether to attend the meeting or not, or whether to appoint a proxy in the light of the business. It would be unfair to shareholders who are not present if the company considers and votes on items of business other than those specified.

I will ask speakers to confine their questions and comments to matters that are relevant to the business of the meeting and to the particular resolutions that are being discussed at the relevant time during the meeting. As I mentioned, the law requires me to give the body of shareholders as a whole, a reasonable opportunity to ask questions and make comments.

I don't seek initially to impose a fixed time limit on 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, and rotating through the microphone so I may 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.

Where appropriate I will call on specific directors, senior management or the auditor to respond to shareholders questions or comments. All questions should be put to or through me as chairman.

I would also say that this is not really the time or place to air complaints about individual matters, such as insurance claims or the like. If you do have these issues please raise them with the Insurance Australia Group staff at the special desk that has been set up in the foyer to assist with these problems.

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To be as fair as possible we have arranged for a queuing procedure at the microphone for shareholders who wish to ask questions. The company Group Secretary, Ms Anne O'Driscoll who is next to me, will explain the procedure to you.

A O'Driscoll: Thank you, Chairman. As you can see, there are four microphones stationed in the auditorium. Anyone wishing to speak should, when advised the floor is open for questions, move to one of the microphones and take your turn in the queue. The microphones are here, near the front, and there are two up towards the back of the centre aisle. So they are available to people.

I will remind people that only shareholders, corporate representatives and proxy holders who act for shareholders, are entitled to speak on the business before the meeting. That is persons who are holding either a purple or a red admission card. So when you move to the microphone please show your purple or red card to the attendant to establish that you are entitled to speak.

Holders of green cards are visitors and are not entitled to speak. Please note that if you have appointed 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 in the meeting.

The chairman will take comments and questions from each microphone, generally in rotation. When you are next in the queue the attendant at the microphone will introduce you.

J Strong: Polls on all 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 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, I obviously encourage shareholders to stay for the whole meeting if they can.

I will return to this procedure for the polls very shortly. Refreshments will be available for shareholders in the Lyceum Theatre at a later stage of the meeting. Shareholders can come and go for the meeting providing they show their admission card they will be permitted to re-enter the meeting.

Permission cards are the purple, red or green cards that you have been provided with this morning.

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Before going to the business of the meeting, I confirm that the minutes of the last annual general meeting of shareholders held on 10 November 2004, have been approved and signed by me as chairman of that meeting in accordance with the provisions of s.251(a) of the Corporations Act. Copies of the minutes are available for shareholders inspection at the shareholder information desk in the foyer.

I turn now to the formal notice of meeting. The notice convening this meeting has been sent to shareholders. Shareholders have also had the opportunity to view the notice on our website. I propose to proceed as is normal at annual general meetings today that the notice be taken as having been read to the meeting. If anyone has any objection, raise your hand.

I need to consider whether to ask the group company secretary to read the notice if that's required. As there are no objections the notice of meeting is taken as being read. I will now explain the way in which the discussion and polls will be conducted before proceeding with the first item of business as set out in the notice of meeting.

Conduct of polls, as indicated a moment ago for the convenience of shareholders I will open the polls on all resolutions before this meeting prior to the discussion on resolution 1. I propose to invite discussion on each of the resolutions, 1 to 6, in succession before giving shareholders directions on how to complete voting papers.

Finally, I will move to receive the discussion of the company's financial statements and reports and any questions to the auditor. Polls on all resolutions will close at the end of this meeting.

There have been a large number of votes cast by proxy, and those shareholders here today are a small minority of the nearly one million members who are on the company's register. In addition, each share in the company carries the right to one vote and a poll reflects those voting entitlements more fully.

Accordingly, I will not ask for a show of hands but direct that we move straight to a poll for its resolution. I believe this is the fairest way to proceed. For the benefit of the returning officer I will now formally direct that the polls be conducted in the manner that I have just described.

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For shareholders who are able to stay for the entire meeting, the group company secretary will give directions as to the completion of voting papers at the conclusion of the discussion of resolution 6. However, once the polls have opened, any shareholders who wish to vote and leave the meeting early may place their voting papers in the ballot boxes at the door on the way out. If departing shareholders require assistance with their voting cards please ask the returning officer's staff.

I encourage shareholders to stay for the duration of the meeting and to complete their voting papers at the relevant time if they are able to stay.

Voting papers for all resolutions will be collected by the returning officer's staff at the conclusion of the debate on all resolutions. So as not to hold up the meeting the collection of voting papers will continue throughout the discussion of the company's financial statements and reports.

It is appropriate that shareholders know the state of the proxies on a resolution following the discussion of that particular resolution but before they're asked to complete their voting papers. 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 a voting person, these results are preliminary only.

The preliminary results of the proxies for resolutions 1 – 3 will be displayed on the screen at the end of discussion of these resolutions. Then the preliminary results of resolutions 4 – 6 will be displayed on the screen following discussion of each of these resolutions.

Once the polls have been closed and the counting completed a report on the results will be announced to the Australian Stock Exchange as soon as it is available. It will then be placed on the company's website, posted in the foyer of the NRMA Insurance, city branch, at 74-76 King Street, Sydney, and at the company's registered office on or by Thursday, 10 November 2005.

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I now direct that polls be opened on resolutions 1 – 6 and move to the first item of business before the meeting. This is ordinary business resolutions 1 – 3, election of directors, Messrs John Astbury, Geoffrey Cousins and Rowan Ross.

Resolutions 1 – 3 are set out in the notice of meeting which you will have and as indicated on the screen, these resolutions relate to the re-election of three directors. There are three directors standing for re-election to the board. By now you will have had an opportunity to read the explanatory notes that accompany the notice of meeting. These explanatory notes give a brief biography of each of the three directors who offer themselves for re-election.

The board is pleased that three of the company's most experienced directors, Mr Astbury, Mr Cousins and Mr Ross have agreed to stand for re-election, given their extensive experience within the company, their expertise and their corporate knowledge.

Mr Astbury and Mr Ross are respectively the chairs of two key risk management committees within the corporation, the Audit Committee and the Risk Management and Compliance Committee. Whilst no other person has been nominated for election as a director, the three candidates must still receive more votes in favour than against from those shareholders voting in person, by corporate representative or by proxy, in order to be re-elected.

Before asking each of the three candidates to address the meeting I'd like to make some comments on their nominations in the context of our board tenure policy. The three candidates standing for re-election all joined the board as the company was listing, a little over five years ago. Re-electing them for up to three years will mean that their total time in office will exceed seven years.

Obviously, as a board, we considered our options in this regard very carefully. Most importantly we considered their key roles of managing the two key committees which manage risk within the corporation. Our considerations also included the potential value to be added by available replacement candidates, the outcome of an independently conducted review of individual directors performance, which we've had done by an external consultant, and feedback from our two newer directors, Yasmin Allen and Brian Schwartz, who joined the board last year, and who have commented to us on the extensive time commitment which is involved in understanding the complexities of this group.

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Given this feedback and the strategic challenge that's facing the business we decided that it was in the best interests of the company to encourage the three nominees to re-stand for election. However, we also decided that we should review the appropriateness of our current board tenure policy and we will be undertaking that review in the next few months. Clearly we need to recruit some new board members and we will go about that in an orderly fashion.

It is in this context that the board unanimously recommends that you vote in favour of resolutions 1 – 3, and I hope that background is of value.

Let's turn to resolution 1, the re-election of Mr John Astbury. The resolution is that Mr Astbury be re-elected as a director, the text is set out in the notice of meeting, and I will now ask Mr Astbury to address the meeting. Thank you, John.

Q: A point of order, Mr Chairman. Jack Tilburn, corporate terminator. I wish to just bring your attention before we get into the election of these three people, thank you. I wasn't able to contact you earlier, but on page 31 is my point of order. It states that a Mr V. (Brian) Schwartz, aged 52, was appointed as a director of IAG in January 2005. If January 2005 was eleven months ago and we had the previous AGM, how is it that he is not coming up for election?

J Strong: Thanks Jack. It is not a point of order, Jack, you're just seeking a bit of clarification. So let's just get that clear. And just as Christmas comes around every year, so does Jack, so it's good to see you again, Jack.

He's not a casual vacancy, Jack. He was actually elected at last year's annual general meeting but we indicated at that time he wouldn't be able to commence until January. We all forget the background, so thanks.

Can I ask John if he would like to address the meeting?

J Astbury: Thank you, Chairman, and good morning ladies and gentlemen. A little bit about my background. I was, as you can probably tell from the accent, born and bred in the United Kingdom and worked in the City of London until 1986, when I was headhunted by National Australia Bank to come to Australia and help to set up their capital markets treasury and institutional banking areas. I was then finance director of Lend Lease here in Sydney until I retired from executive life in 1998.

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Since then I have been on the boards of a number of publicly listed Australian companies in a variety of industries; in mining, in property construction and management, in life insurance funds management, financial planning, in retailing and, of course, in general insurance.

I think I bring three areas of relevant experience to the business. For many years I've been involved in management and now to director, in developing strategies for growth, both domestically and internationally. And Mike talked to us this morning about the importance of that growth for our share price and for our business.

I have a knowledge of accounting and financial areas as a result of long experience, and I've a keen sense of risk management which was honed as a foreign exchange trader in London in the 1960s and '70s, a lesson which you never forget.

I talk about risk management, and so did Mike, and it's important to differentiate that from risk avoidance. A real danger for companies in Australia in the current climate of supervisory control, regulations and laws which threaten dire consequences to management and directors and companies who make mistakes, is not to overreact to that risk avoidance tone. It's always easier to say no to ideas. But no progress has been made and no wealth has been created for shareholders except by saying, yes, let's try that, but let's do it in a controlled way.

So at this important stage in this company's life, if you'd like me to try and help a little in further developing our wealth, I should be happy to try. Thank you.

J Strong: Does anyone wish to speak in relation to this resolution? There is no further discussion on resolution 1, I will move to resolution 2. We are going to do these three together, remember.

This is the re-election of another director, Mr Geoffrey Cousins. Resolution 2 is that Mr Geoffrey Cousins be re-elected as a director. The text of resolution 2 is set out in the notice of meeting. Although he is a very shy gentleman I'd like to invite Mr Cousins to address the meeting.

G Cousins: Thank you, Chairman, good morning ladies and gentleman. You have seen the outstanding performance of this company since listing and as the chairman said, John Astbury, Rowan Ross and myself all came on the board –

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you can't see my face – it's not the glare off the top of my head that's blinding you, is it? When the barber cuts my hair and they bring the mirror around, they kneel on the floor to show me. That's all right, madam.

I was just saying that you've seen very clearly the outstanding performance of this company since listing, and the three of us who are up for re-election all came on the board at the time of the public float. But I think the question that the shareholders could reasonably put is, what has been the role of the board in that outstanding performance, because boards don't run companies, the management team run the company. So shareholders could reasonably ask, well have the board played any significant part in that growth and then have I played any reasonable part in the activities of the board. Those are the questions that I would seek to put if I was a shareholder, and indeed I am a shareholder and I bought my shares the day this company floated and have kept them ever since, and intend to keep them.

I think one could fairly say that this board has played a very significant role in the progress of the company, and most significantly in the setting of a strategy of this company. When I came on this board the strategy was quite a broad based one of moving this company into being a financial conglomerate, if you will. The board played a role, and I don't suggest by any means a role without the management, indeed quite the contrary. But nevertheless, a significant role in resetting that strategy and focusing it to being one of an emphasis on the general insurance industry and on the skills that resided in the management team.

I think that was a fundamental shift which has very much contributed to the performance of the company and therefore the growth in shareholder value. You might then say, well, what role have I played in those board deliberations. I would put two points forward to you. Firstly, the particular experience that I can bring to the board, which is probably different to anyone else on this board in the sense that we have some very skilled people here in risk management. We have some very fine accounting skills and management skills, as you've just heard. And perhaps I'm the person on the board who stands out for the marketing and sales side of things.

Finally, once this company has manufactured its product, if you will, and assessed the risks properly, we do actually have to get customers and we have to both hold and increase our market share in order to produce

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shareholder wealth. I was a chief executive myself for nearly 30 years in the marketing and communications area, and hopefully those skills are in part useful, anyway, to the deliberations of this board.

The second point I would like to make is that I speak without fear or favour on behalf of the shareholders. Some of my colleagues on this board would probably like me to speak with a bit less there and a bit less bluntly from time to time, but I can assure you that if I hold a view, I express it. I have been on eight public company boards in my life and the only directors that I felt didn't do their jobs properly were not the ones who didn't have skills, but the ones who didn't speak up.

If the shareholders should seek fit to re-elect me I would be very proud to serve you. Thank you.

J Strong: Thanks, Geoffrey. The third resolution relates to the re-election of Mr Rowan Ross and it is along the lines that Mr Rowan Ross be re-elected as a director. It is set out in the notice of meeting and similarly, I'd like to ask Rowan to address the meeting as well. Rowan?

R Ross: Thank you, James, and good morning ladies and gentleman. I thought I would talk to you for a moment, [inaudible – off mic]. Some five years ago when I was embarking upon this board, it occurred to me that there were three main things that I should really think about before joining any board.

The first of those was did I really believe in the company. Did I believe in its reason for being in its business model, in its franchises, people, management. Secondly, did I think I could make a worthwhile contribution. And lastly, was I willing to invest in the shares to buy the equity. When I come up for re-election this time I thought it would be appropriate to revisit those three questions and see what's changed over the last three years since I came up for re-election before with my colleagues.

I guess my belief in the company is stronger than ever and I think if you listen to what Mike Hawker had to say about the company's development over the last five years you'd understand why. Yes, there are the inevitable challenges ahead but this company is certainly very well placed to meet them.

Secondly, I still believe that I can make a worthwhile contribution and I believe in many respects I'm better placed than I was before. As James has alluded to, this is a complex company and it's difficult to understand. It's not

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like a lot of other directorships. With the experience I've managed to gain over the last five years I feel, and I'm certain my colleagues would agree with this in their own cases, that we're far better placed to assist the company than we were before.

Lastly, I am more than happy to keep investing in the company shares. So if you are willing to re-elect me, I am more than happy to continue on. Thank you.

J Strong: Does anyone wish to speak in relation to this resolution? We will move then to display the preliminary results of the proxy instructions for resolutions 1 – 3. For each of the resolutions 1 – 3, please see the screen behind me for a summary of the proxy results. That's resolution 1, resolution 2 and resolution 3.

As I stated earlier in the meeting, instructions will be given regarding the completion of voting papers at the end of the debate on all resolutions, but if you would like to fill out your voting papers on resolutions 1 – 3 obviously you may do so now.

Can we move to resolution 4, which is a motion to increase the maximum amount of fees payable to nonexecutive directors as set out in the notice of meeting as well. As I highlighted in my address, the proposed increase of the maximum aggregate remuneration is the first that has been proposed since the company listed in 2000. Further detailed information about this resolution is contained in the explanatory notes that accompanied the notice of motion to shareholders. As the resolution relates directly to all of the nonexecutive directors here today, we're not able to make a recommendation about this. Directors and any related parties to them have an interest and therefore will not vote on this resolution.

I, as chairman, will only vote open proxies in favour of the resolution if the shareholders so indicate it on the proxy appointment paper. If anyone wishes to speak in relation to resolution 4, please make your way to the microphone queue.

Q: (J Tilburn) Thank you, Mr James Strong, and with your nice bow tie, sir. I would like to state I am for the resolution no.4 to increase the maximum fees payable to nonexecutive directors. There are some good comments in the explanatory notes but let me put my own ones forward, please.

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Your company was listed on 8 August 2000, sir. It is quite fair and reasonable and inevitably correct. After five years of being stationary with the fees to now raise them by \$500,000, I believe, from \$1.5 million up to \$2 million. It's not just because a dozen other companies are doing it.

There has been a considerable increase, sir, in all segments and divisions of the Corporations Act 2001, and ASIC regulations and rules, and the Australian Stock Exchange listing rules. And on top of all that, sir, there have been numerous, many, many changing standards of accounting, such as, I believe, the Australian adoption of IFRS which stands for, I believe, International Financial Reporting Standards. That has been written up in the annual report, I believe you are to activate it all next year though, 2006.

But not withstanding that, sir, I have given my opinion as to why I will vote for this increase. Thank you, ladies and gentlemen.

J Strong:

Thanks, Jack. Are there any other speakers? No, okay. That concludes the discussion on resolution 4. So in relation to this I will now ask for the preliminary results of the proxy instructions for that resolution to be displayed as well. Thank you very much. We will now move to resolution 5, the same comments in relation to voting as I made earlier, apply to resolution 4.

Resolution 5, we propose an amendment to article 12(7) of the constitution to restate the period of time before the AGM for receiving nominations for the election of directors. The full text of resolution 5 of course has been set out in the notice of meeting. By way of background, the company's constitution require external nominations to be accepted up to 30 business days before the AGM. This was overridden by the former ASX listing rule 14.3 that required a closing date for receipt of nominations of candidates for election as directors of 35 business days before the AGM.

Each year since listing the company sought a waiver that allowed us to set the time for receiving nominations for the election of directors at 45 business days before the AGM. This was granted because we have such a large number of shareholders and it means that we need a longer period to print and distribute the notice of meeting to shareholders, it's as simple as that.

Explanatory notes and notice of meeting were drafted on the basis that the ASX had publicised plans to amend the listing rule 14.3 later this year. The company has now received confirmation that the relevant amendment became effective on 24 October 2005. The amended listing rule sets a

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nomination closing date of 35 business days before the AGM unless the company's constitution states otherwise.

In order to provide greater flexibility and continue to meet print and distribution deadlines to our very large shareholder base, it is proposed that we do amend our constitution to require nominations to be lodged at least 55 business days before the AGM unless a shorter notice period is approved by the board.

While 55 business days is 10 business days longer than has been needed in the past, this extension was factored in to address the risk of some circumstances, such as a particularly long notice of meeting, would mean that the 45 business day limit could not be met. Further detailed information about the resolution is contained in explanatory notes.

This resolution must be passed by at least a 75% majority of votes cast by shareholders voting in person, corporate representatives or by proxy. The directors recommend that shareholders vote in favour of it. Does anyone wish to speak to this resolution 5?

Q: (J Nagy) Mr Strong, directors. My question concerns basically how this has been stated to the shareholders. It's a little bit confusing. The confusing part of this is I'm not quite sure what your intentions are. Obviously you want to have it both ways, on the other hand you are limiting people who want to come on the board to apply by a certain time.

I can understand that from the board's point of view, from your point of view, that you want to be careful that the people who come on the board are those that you feel comfortable with in all respects. Their competence, their ethics and so forth.

I think this requires more explanation to the shareholders to explain why you want to have it both ways in that you want us to have a longer period, at the same time you can make an appointment to the board with one day in advance.

J Strong: Thanks for your question, Mr Nagy, I'm afraid I don't quite understand it. It's got nothing to do with who comes on the board, it's to do with how many days notice there has to be given and it is for the reasons that I mentioned, that is, we have such a huge shareholder base, I think one of the largest in Australia, over a million shareholders, for reasons which everybody

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understands, and we have very complex procedure to get our notices of motion printed, circulated to people in time so that they're on notice about what is being put to the meeting.

It's got nothing to do with who nominates, what their qualifications are or what they eat for breakfast.

Q: If that's the case then why do you want to have the opportunity to put someone on the board at the last minute. How will we know, to be able to assess?

J Strong: I'm not sure – who put somebody up to the board at the last minute or what has this got to ...

Q: But the rules allow you to vary the time period for putting someone on the board, unless I read them incorrectly.

J Strong: That gives the board a discretion, if there was some compelling reason to vary the 55 days.

Q: That's my point that I'm asking. That's exactly the point I'm asking, clarify that. I am not really objecting to it, I just want to understand it.

J Strong: Well, I'm not too sure how that would ever occur, it's just a safety valve, and it's not our intention to use it to appoint somebody at short notice. The only way the board ever has appointed anybody or would intend to, is either through voting at an AGM here or if a casual vacancy was necessary because of a vacancy occurring on the board. There is no ulterior motive, which I think that's what you're getting at. No, there's not, I can give you that assurance.

Q: (I Scandrett) Mr Chairman, members of the board, ladies and gentleman and webcast viewers. Mr Chairman, I think the point that Joe was trying to make was very simply the rule should apply to nominees from both outside and from within the board and should just be a flat 55 days, which is entirely reasonable. You don't need a safety valve. Perhaps you could explain to us why you do need a safety valve and why you won't rule it out, thank you.

J Strong: Thanks, Mr Scandrett. Because it's already in the constitution, we're just preserving it. Are there any other questions or comments? Okay, we'll move to the voting on resolution 5 then. Could I ask for the proxy instructions to be displayed so that gives shareholders an indication.

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We will now move to the resolution 6, which is the remuneration report. This resolution is put to the meeting in accordance with the Corporations Act. I think everyone's aware of that. The resolution is that the company's remuneration report for the financial year ended 30 June 2005 be adopted.

The full text of the resolution is set out in the notice of meeting. This is the first year that the remuneration report has been put to vote by shareholders. Under the Corporations Act the vote is advisory only, meaning the result of the resolutions will not bind the directors or the company. That's what the Corporations Act says.

The remuneration report is set out on pages 44-56 of the company's 2005 Annual Report and it provides extensive disclosures of director and executive remuneration. The directors recommend that shareholders vote in favour of resolution 6 and I now ask if anyone wishes to speak to this motion before the meeting. Okay, I take it that the explanation is very comprehensive. It certainly is more extensive than ever before, so I hope it's been of benefit to shareholders.

Can I therefore ask for a display of the proxy votes in relation to resolution 6? That concludes the debate on resolutions 1 – 6, and I now ask the company secretary to give instructions regarding the completing of voting papers, as I indicated we would do earlier.

A O'Driscoll:

Thank you, Chairman. For shareholders who are present and voting in person, corporate representatives and proxy holders, please complete your purple voting papers in respect of each of resolutions 1 – 6. Directions for completing your papers are included on the reverse side of the purple card. Please fill out the paper in accordance with those instructions. There are some examples shown up on the screen now.

Yes, there's a question from the audience, may you hand them in. There are representatives of the registry going around at the moment with boxes, please feel free to hand your voting paper to those representatives now. Once you have completed the purple papers there's also those with proxy papers who can complete those. So if you can please complete them. But we will actually continue with the rest of the meeting while that is occurring.

I have been asked to actually remind you to remove the bottom perforated part of your card before you put it into the box because we will keep the bottom perforated card, you need to keep that if you want to ask questions at

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a later stage, because that's your actual card to identify to the ushers that you are a shareholder or proxy holder.

If you don't wish to complete your paper now for some reason, you can do that at a later stage before the polls close.

We'd actually like to look to continue with the meeting, but if you haven't finished, please don't rush, there's plenty of time. The polls won't be closing until later. So please take care to check you've done it correctly and you've completed everything you need to.

The polls will not be closed till the end of the meeting. So if you need more time do take that. Please indicate to the returning officer's staff that you want to just have that time. However, to be effective, your voting papers must be placed in the ballot box before the close of the polls at the end of the meeting. There will be representatives of the returning officer's staff near the doors at all times, so if you choose to leave between now and when the meeting closes and you haven't handed it in, there will be that facility.

J Strong:

Insurance Australia Group Ltd financial statements for the year ended 30 June 2005, the directors statement and report, and the auditor's report on the financial statements are before the meeting. A copy of those statements and reports was published in the annual report which has been sent to those shareholders requesting a copy. It is also available on the website.

The next item that I need to deal with under Ordinary Business, is the questions and comments on the financial statements including questions to the auditor. The purpose of this item on 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.

Our company auditor is KPMG and is represented at the meeting today by Dr Andries Terblanché, where is Andries? He's sitting down the front here. He will be available to respond to questions relevant to the conduct of the audit of the company's financial statements, the preparation content of the auditor's report, accounting policies adopted by the company in relation to the preparation of the financial statements, and the independence of the auditor in relation to the conduct of the audit.

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All questions should in the first instance be addressed to me, as Chairman, and if appropriate I will request Dr Terblanché to address the meeting.

Dr Terblanché has also prepared a list of questions submitted to him by shareholders prior to the meeting in accordance with the Corporations Act, and these are available at the shareholder information desk in the foyer.

However, the 10 questions which were addressed to Dr Terblanché did not relate to either the content of the audit report or the conduct of the audit of the financial statements, and so Dr Terblanché has referred those questions back to the company, and so I have got them back here. That was a good circuit, which was quite proper because they don't refer to the audit.

They refer to the following topics, just so shareholders are aware. The remuneration of directors and their attendance at meetings, and we've discussed the remuneration of directors earlier, the proposed changes to the constitution, female representation on the board and within the executive management team. Whether there are any remaining connections between us and the NRMA motorists association, an individual's compensation claim, and the company's workers compensation and the company's environmental policies.

So I am going to make a couple of comments on those seeing that the auditor will not comment on them, just so people don't feel that we haven't addressed those issues.

On the question of female representation, we appreciate the importance of the company's workforce being representative of its customer base and of the population generally. We do have within our management a number of specific policies and issues with the intent of increasing diversity, not only in terms of gender, but also in terms of age, cultural background and worklife choices. There is more information on this contained in our sustainability report which is released today and is available outside the meeting today. It is a green covered publication.

The NRMA, the Association, the most obvious enduring connection between the two organisations is the shared use of the brand. The Road Service Association receives dividends on the 29.3 million IAG shares it has held since demutualisation. And it pays IAG for services used, such as subletting part of our head office and the collection of membership fees and other services by its members from IAG's own branches.

Environmental policies, was the other one raised. Our stance and performance in environmental matters is set out in some detail in the sustainability report, which has been released today and, as I mentioned, that's available to you today.

Does anyone wish to speak in relation to the item of business in connection with the audit? No one wishes to speak, okay, thank you very much.

So we are now open to general questions or comments on the financial statements and the performance of the company.

Q: Thank you. Some companies have advertised building rebates to people who make a no claim. I have not made a claim since the very inception because I've not needed to. I always – well my house is totally rewired, so there's no due fire from faulty wiring; I've put every care for the protection of it, do you think of giving a no claim bonus for house insurance, because mine is a house insurance.

J Strong: You're talking about house insurance, okay, I'll ask Mike to make a comment about that, it's a relevant question.

M Hawker: Thank you very much for the request, but we do absolutely provide no claim bonuses for our policy holders. We may not be doing as good a job that you would be able to realise that that's what we're doing, but we certainly at the time reduced the costs of insurance for people who do not claim.

We also give multiproduct reductions and years of insurance bonuses as well. So there's three series of ways in which we reduce the cost of insurance premiums for our customers through their loyalty.

Q: (J Tilburn) Thank you, I'm reintroduced again, thank you, so I'm getting along good. I won't be able to score a one ton of runs now, sir, but I have my two questions with some deliberate homework on them and later on a final two, again.

I do feel that notwithstanding the protest meeting outside, I have that issue to bring up, and that is coupled with an issue of non-audit services. Before I just get onto my two vital and necessary questions on the company, I wish to just state that as always, a vital and necessary comment is required for this financial year's results. On page 11, very high corporate governance results, especially our return on equity, sir, of 23.1%. Total dividends paid out 26.5% - both records I believe after five years. Now sir, a comment: there is no

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payout ratio stated. I worked it out that it's 54% which I think is on the low side.

Now the serious question, sir, is the smash repairers fighting, what I read about is the dictatorship of the NRMA Insurance Company which is under the control of IAG, and it's very confusing for people out there who think that the NRMA Insurance is still the National Roads and Motorists Association Road Services. Well of course it's not. It is very confusing to have NRMA Insurance with the Insurance Australia Group.

Now sir, I wish to state the following: a Bankstown Labor MP, Mr Tony Stewart, will call on the New South Wales government to introduce anti-steering laws in New South Wales, which would make the NRMA Insurance system on smash repairers illegal.

Mr Stewart said the system was an example of the NRMA Insurance using its market dominance to force unfair changes on repairers and customers. Now sir, I am insured with AAMI, and I don't have to put up with this new form authoritarianism and dictatorship. I have a good relationship with AAMI as all other people would; they are a fine, competitive insurance company. But we don't have what you and Mr Michael Hawker spoke about much earlier in the meeting.

Now I would just like to leave it at that. You must know of Mr Tony Stewart, you must be aware of anti-steering laws in America. Sir, would you like to comment on that, or do you want me to give my second question?

J Strong: No we'll comment on that first I think. I will ask Mike if he will speak to it.

M Hawker: Thank you very much Mr [Tillburn]. Just on the comments made with regard to Mr Tony Stewart on anti-steering and the fact that you are insured with AAMI. In fact AAMI require you to go their preferred smash repairers, so it would impact them more than it would impact us, if that legislation was put in place.

I think the anti-steering legislation is in some states in the US and it has now been proven in the US that it does not actually provide an improvement in terms of customer service. It increases the cost of insurance, and it does not improve the quality of repairs.

So what we are looking for is in fact – and we have a policy which provides choice for our customers. Whilst we have choice, then the anti-steering legislation wouldn't be a problem for us.

Q: Mr Strong, on behalf of myself and many others in the auditorium, what I understand in newspapers and I would like to correct – because what Mr Hawker just said, I don't think is correct.

Now I am a loyal member, as the lady before used the adjective 'loyal' over there. I am a loyal member of AAMI, I have been very, very happy with them for eight or 10 years with my lovely motor vehicle. But sir, I recently had a very minor - \$480 on one quote and \$520 on another quote. I think Mr. Hawker that you may have misunderstood me or you are misleading.

AAMI have no dictatorship or authoritarianism over me. I rang up and they said go down to Joe Bloggs, but I said I have already got my own good man. 'Oh, you can go there Mr Tillburn' – and luckily for me my good man's quote was accepted.

Now Mr Hawker you might want to respond because the auditorium is full up of ears. There's no dictatorship or authoritarianism or sort of a preferred system that I found myself. Now you may know more about it more than I do.

M Hawker: We could probably have a discussion which would go on now for quite a considerable amount of time, so I am happy to take that offline with you, because I think there is a lot of detail which goes into this sort of conversation. So I would like to do that if I could after the meeting.

I would like to say that from our customer point of view, what we are trying to do is ensure that we can provide them with the highest quality service and provide them with high quality repairs. That's the whole basis of why we are putting this whole process in place.

We provide our customers with choice and if they would like to take their car to a repairer of their choice, then that option is available to them as part of their policy.

J Strong: All right now –

Q: Are there costs involved there?

Q: What are the costs involved?

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- J Strong: Can we keep the meeting under control, everybody will get a fair say, so just go quietly if we could thanks.
- Q: Mr Hawker didn't finish answering his question.
- J Strong: Well he has had his...
- Q: On behalf of everybody, Mr Hawker and I, I hope, will meet after for a serious five minute discussion. Because look, we all know, thank you – Mr Hawker would be pushing IAG and NRMA Insurance. He's not going to push AAMI. But I'm very happy with AAMI – I'll just leave it there. Thank you Mr Strong and thank you Mr Hawker.
- Now sir, am I right to bring up the second question.
- J Strong: No, hang on, you also asked a question about dividend policy. Do you wish to have a comment about that?
- Q: Oh, well don't rule me out – I have my big second question, my 'big bang' one ready.
- J Strong: But I thought you already had asked one about the dividend?
- Q: No I was prepared to leave it as a comment. No I did introduce that as a comment, sir, that ratio and the secretary will make a note of that, I hope.
- J Strong: No doubt, no doubt.
- Q: My next 'big bang' question is the issue of non-audit services – note 9 on page 68, halfway down the page, and I've done my homework on it sir, as you know. The page numbers are always printed far, far too small – would the secretary make a note of that too? You can't see them; you need a magnifying glass to see the page numbers!
- Now sir, let's get onto the issue of non-audited services. Now this is always a very, very risqué and very temperamental and cantankerous issue. Particularly when it always goes up.
- Last year we owners paid for non-audit work \$883,000 – under \$1 million. Fair enough. This year an enormous and I repeat as in parliament – an enormous and staggering increase has occurred of \$1,907,000 – we'll call that in round figures, as the accountants do, that's \$2 million increase over \$883,000.

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Now this is a 216% much, much higher increase. So why is it all so big? Two million dollars more? Well you talk about in your annual report on page 68 a little bit of due diligence. I don't know what all that is. I do due diligence every day when I get out of bed, so I don't fall over! I am nearly 80. You perhaps have some taxation, you perhaps have some acquisition?

Now sir, if you were – I'll get this over – a very respectable and impeccable organisation, you would give the individual figures for each of those two or three items where you have spent \$2 million more. Now that was done years ago by my great mates at Burns Philp – they would always put down exactly what was spent. So I see it as a failure there in not disclosing itemised numbers of dollars. I can't see, apart from where \$2 million went, where the itemised accounts and amounts are sir.

So I think KPMG has walked away with a considerable amount of money of ours, the owners. I am upset about it. Of course, somebody would say Jack, don't forget to put in the catch phrase – 'there could have been a bit of plundering by Price Waterhouse'. Thank you Mr Strong.

[Applause]

J Strong: Yes, it is always a good idea to throw in a bit of conspiracy stuff as well there. I might ask the Chairman of our audit committee – this is an important issue these days, and I can tell you that we wish we didn't have to incur some fees which have been forced onto us by other circumstances. I will ask Mr John Astbury who chairs the audit committee to comment.

J Astbury: Thank you Chairman. Jack, the audit committee reviews each individual piece of work which we commission KPMG to do for us. The big increase this year has been work done on acquisitions that we have made or hope to make overseas.

You do due diligence when you get out of bed, I like due diligence to be done on what we hope to buy because we want to make sure that the assets are there and that the numbers are reliable and that the business is run ethically and correctly.

So we not only have our management team crawling all over any potential acquisition, but we also like our audit team to do that. So that when we hopefully buy these businesses the auditors are not going to give us a nasty surprise and say 'by the way, this business you've bought isn't worth what

you paid for it'. I am sure you would rather we spend a little bit of money in advance to get that right, rather than having some nasty surprises later.

So it is almost entirely worked on in Asia on acquisitions which have become public or which hopefully will in due course.

Q: What about the itemised amounts there John?

J Astbury: I don't have the list with me; I have obviously seen it and signed it off. [Andries] do you have the list with you, or to break it down? But I guess it's a case of trying to keep the accounts as small as we can, but do you have it with you Andries?

A Terblanche: No.

J Strong: Can we bring a microphone?

A Terblanche: Thank you Chair. On the question Mr Tillburn raised, on all those fees...

Q: I can't hear.

A Terblanche: Thank you Mr Tillburn, on all those fees – they are a variety of overseas assignments that have happened, as Mr Astbury has said, on potential acquisitions and if we were to itemise those, all it would mean is potential acquisition number one, two, three, four and five. In other words, all that money was spent on potential acquisitions.

Now I am not sure how the board would deal with the confidentiality aspects of that in terms of potential acquiring companies but that entire amount money was spent on five potential acquisitions.

J Strong: Ladies and gentlemen, we will go to the next question please.

Facilitator: Chairman, I would like to reintroduce, Mr Ian Scandrett.

I Scandrett: Mr Chairman, members of the board, ladies and gentlemen and people viewing this on the webcast.

Mr Chairman just by explanation, my point of order, which I agree with you was a vague one at the beginning of the meeting was simply in reference to the over 900,000 small shareholders in this company and making sure that they had the best opportunity to view what was being said in this meeting. Nothing more than that.

J Strong: Everybody who wants to attend the meeting is in this room as it turned out, so there is no issue, thanks.

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- I Scandrett: No it was more the balance of those shareholders who aren't able to watch it on the webcast Mr Chairman and would be relying on news breaks tonight and to get more than just what comes out of the media room in this centre.
- First of all may I congratulate you on a great result. You and the board, it's another good year for IAG. I also would like to pass Dawn Fraser's apologies to you, she is unable to be here this morning having been in Melbourne dancing last night!
- As people know, she was elected back to the NRMA Association board yesterday and the balance of her team in fact, their preferences allowed six of the existing board to be reappointed.
- J Strong: Could we stick to the business of this company thank you very much.
- I Scandrett: I am Mr Strong.
- J Strong: No you're not. Please stick to the business of this company.
- I Scandrett: Accordingly I just wanted to ask a couple of questions in relation to the relationship between NRMA and IAG. First of all during that election there were a number of statements made by other candidates about the possibility of opening up another insurance company through the NRMA Association. It's a policy we don't support and I would like to just hear, perhaps it's you Mr Hawker, just to clarify what is the position in terms of the heads of agreement arising from demutualization and the use of the NRMA name and whether the Association has any ability to bring in new insurance. That's my first question.
- J Strong: That's a matter for the Association to make up its own mind about Mr Scandrett, we're not going to offer them advice about that.
- I Scandrett: The second thing I wanted to raise Mr Chairman was that last year we talked about the increasing number of uninsured vehicles. The unregistered vehicles, or unlicensed drivers in the marketplace – you advised that that would be something that would be referred to the Manager of Insurance and I would like to know if that answer is going to be brought back today.
- Obviously it is in the interests of the company to have a strong comprehensive insurance base, but equally there is concern about the number of unlicensed and therefore unregistered or uninsured drivers. That's my second question.

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J Strong: I am a bit lost Ian as to what you are referring to. It's a matter for the police as to whether people are licensed drivers or not, and I'm not too sure – this was raised last year was it?

I Scandrett: Yes it was James, and you referred me to members of the executive who were going to contact me with that information. The figures appear to be tracking in some cases as high as 10 per cent in terms of effective vehicles uninsured which is obviously a concern for policyholders who aren't carrying comprehensive insurance. Obviously we are all wearing increased costs in terms of that nominal defendant type issue. That was the basis for the question James.

J Strong: I will ask Mike to make a comment.

M Hawker: I think it is a very reasonable concern and we certainly as an insurance company are very concerned about that, and I think that there are a number of reasons why there is underinsurance, and there is a number of reasons which I can't answer as to why people will drive unregistered cars. Which I agree with James, that is a matter for the authorities to work out how people can drive unregistered cars or if they are an unlicensed driver and those authorities try and deal with that.

I think in terms of trying to provide greater insurance coverage, which is in everyone's interests is very much how we try and keep the costs of premiums affordable. One of the easy things that has been of benefit to the Australian community over the last four years through the consolidation of the insurance industry has allowed us to spread our risk in a far more diverse way. Which has meant in New South Wales in the last three years for instance, that motor premiums in aggregate have gone up by less than average weekly earnings and so they have become more affordable.

That is certainly one of the benefits of scale within the insurance industry. There are a number of activities to try and improve the level of insurance amongst the community. This is an ongoing issue which has been with us since the evolution of insurance and I think that the only way that we know that we can reduce the level of uninsured parties is to make insurance more affordable. That is what we are endeavouring to do by generating further scale and diversification of our business so we can generate a more competitive product.

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I Scandrett: Thank you. My third question Mr Chairman, and just on this – this is just following up on the David Tweed issue from last year. I just firstly want to congratulate the company on proceeding to continue to make efforts to protect small shareholders from share market predators like David Tweed.

I have worked with David Friedlander from Mallesons who you were kind enough to put forward and he's done that on a pro bono basis, which I must applaud. Mr Friedlander and I have worked on this, Dawn Fraser has been involved in it and Joan Stobo. We have had a number of meetings on this matter over the last year. Mrs Stobo stepped back from pursuing her action with Tweed in terms of it was not going to go to appeal despite IAG's offer to give her some support in that area.

But I think the guts of what I am going to say now are a positive opportunity for IAG to look after the small shareholders, and there are over 900,000 of them in this company alone. Going forward there must be a method to control the form and the manner in which offers to acquire shares in an entity are put forward. One of the options I have talked about with David Friedlander is very simply a standardised form of offer and also a standardised form of letter to accompany that.

So instead of having people like Tweed who bury their offers in 15 year payments and all sorts of things, there would be a standardised form. There may be involved a notification process in the press as part of that. I know that IAG are now fielding an action from Mr Tweed for having charged him for access to the register only recently, and whilst I think that was a very good response from IAG, it obviously hasn't stopped him. He has soaked up some 20 million IAG shares last year at members' expense.

Anyway, what I would like to do is applaud you Mr Chairman and the board for your support. I would like to encourage this to go forward. I believe Mr Friedlander is on the ASIC Equity Liaison Committee and Mergers and Acquisitions Committee everyone, and that meets later this month. With the board's support he will put up our discussions along with some recommendations of his own. I would like to commend that to you, this is something where you can work for the small shareholders.

It is not just IAG, but there are a number of obviously large entities around town who would, perhaps through your Compushare would in fact work

together to have this sort of reform in place and to protect the smaller shareholders.

I would like to finish on that. Thank you.

J Strong: Just by way of information, our latest is that less than 160 holders have actually accepted offers to date based on acceptances sent to the Registry. Obviously, I think most people know about this, we will continue our extensive campaigns if he makes such offers as we have done each time. It is a matter for ASIC to change the law and the direction of which again, and in relation to the favour in which he has returned to us, by taking legal proceedings against us, we are very clear that we have complied with the law in all our dealings with his company. Thank you.

Microphone number 1 – do we have somebody?

Facilitator: Chairman, may I introduce Mrs Stranks.

Q: Mr Chairman on entry here I received a notice, an important notice to all shareholders of IAG. Can I query some of these points on here? It says here ‘...this means that the protestors outside aren’t representative of our preferred smash repairer network, most of whom are right now fixing our cars’.

I would just like to ask how you made that claim to that, as most of those repairers outside, as I understand it, are your preferred repairers.

J Strong: No that is not so.

Q: You have 105 repairers signed up in Sydney at this point in time. I am aware that IAG’s policy is IAG is in the market of buying the cheapest possible smash repairs available. With 105 smash repairers signed up on your preferred system, here stating you have 380, I can’t see how this is relevant to the point.

The second point here it says, ‘...this system is not new. It has been operating interstate for some years where it is driven ... consistently high repair quality and customer satisfaction scores’. I personally travel to South Australia, have spoken to most of the repairers on your Care and Repair Centre and none of them are happy. I have also spoken to repairers that are not on Care and Repair, and they are all very happy.

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In South Australia, IAG only holds 8% of the share market. So how is that possible that you can say that this is a true statement when it is proven that it is not a true statement.

J Strong: Thanks for airing your views about the facts. I will ask somebody to – Rick would you like to make some comment. We will stick to the agenda and the format if we could thanks. Could we bring the mic down here thanks. Rick, there's a mic coming.

R Jackson: There were two parts to the question, the first one was disputation of the facts of the number of repairers we have actually got here, which I am quite happy to discuss with that shareholder. The total list of repairers we had before and after, there is exactly three different that were in ASRs and PSIs and the total number as of the 9 November was 399 repairers in Sydney. We have had KPMG attest to a number of these things because of the misinformation and I would be quite happy to take that lady through that list and in fact some of them are here.

The second part about South Australia – our market share through SGIC and CGU, ANZ, Bank SA and all of the credit unions put our motor market share more in the range of 40-50%, and not 8%, I am sorry.

J Strong: One of the things I want to say is that there is not a great deal of benefit to people saying I believe 'x' and we are saying we believe 'y'. So I think it's important if we are going to have discussions, to try to make them on points which will be of interest to the general attendance here today.

Q: But it's of interest to the shareholders – you people are ...

J Strong: If you wish to speak, you will go to a microphone and speak. This is a public meeting and it will be conducted orderly, so you are entitled to have your say, but would you please go up to the microphone and have your say.

Facilitator: Chairman, may I introduce Mr Gary Mamic.

J Strong: Just hang on, I wanted this gentleman who wanted to have a go, to have his say.

Facilitator: Chairman, may I reintroduce Mr [Nargey] please.

J Strong: No, no, sorry we are jumping the queue.

Facilitator: Sorry Chairman, may I introduce Mr [Matz] please.

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- Q: I am a smash repairer from the Central Coast. I have been in business for 30-odd years. It's not until this board of directors of IAG have taken over control of this company, that we just can't make any money any more. We can't employ apprentices, we can't do a lot of the things that we want to do. We can't pay the tradesmen the right sort of money that they're entitled to.
- Another question that I have got for Mr Hawker in particular. IAG are advertising that it is a Care and Repair Centres that are around the place, has IAG got a current repairer's licence to advertise current repairs? Have they got a Motor Vehicle Repair Industry Council Licence to advertise 'We repair' - can you answer that for me?
- J Strong: Can we have a microphone down here thanks.
- M Hawker: Can I get a microphone – I just want to pass this to Mr David Brown who runs all of our claims operations because he would be more capable of answering that question than I would be in the detail.
- D Brown: The process is called 'Care and Repair' – we don't repair cars in the sentence as you would be well aware. It's a process that has been brought about by our desire to improve the customer service. In fact our customers overwhelmingly told us through surveys that they would rather us take care of the hassle of going around and getting their cars assessed. So the process we put in place has been a customer-based initiative and that is what is at the forefront of our minds.
- Q: Well you haven't answered the question have you? Do you have a licence to repair vehicles?
- D Brown: We don't need one because we don't repair vehicles.
- Q: Because you advertise – if I put a sign up that I repair vehicles, I've got to have a licence. You're advertising to the people that you repair vehicles. Do you have a licence?
- D Brown: With respect, we advertise as a service that takes care of the repair process for our customers, that's it.
- Q: But you are just misleading people. You're misleading the public – you tell a lie to the public, you don't talk to people.
- J Strong: You've asked your question and you've got a reply to it. Now be fair, you've had your reply. So we will go to the next question please.

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Q: What about a real reply? That wasn't a reply! This is a shareholder's meeting  
...

J Strong: Microphone number one thanks.

Facilitator: Chairman, may I introduce Mr Gary Mamic.

J Strong: Thank you.

G Mamic: Thank you Mr Chairman. David Brown just stated then that you've had surveys saying that customers want you to handle the repair process for them. That they prefer that. Well one of your competitors, GIO or Suncorp, has got a survey as well and the results of that survey – 90% of their customers they surveyed would like their own choice of repairer, which contradicts your own survey.

[Applause]

I believe it would be in GIO and Suncorp's best interests to agree with your survey, so that they can introduce a scheme similar to yours, they have no reason to lie about that survey. I would take their word over IAG's unfortunately in the fact they're not supporting a scheme as you have introduced, so they've got no reason to sort of...

J Strong: Do you have a question to put to the meeting?

G Mamic: I do, I would just like to know with this current dispute with the smash repairers in the last four months in New South Wales, what has this dispute actually cost IAG overall with all the extra hire cars and courtesy vehicles they have been supplying, the added transport costs that they have been shipping cars out of Newcastle to country areas and interstate and how many policies have you lost in that period of time?

One of your board members said earlier, you listen to shareholders' needs and to your customers' needs. I think I would like to see your feedback on this system, but I believe that customers and shareholders have made it quite clear to IAG as well as the smash repair industry that we do not support this new system that you have introduced.

Your politicians in New South Wales have made it quite clear that they do not support it either – they can't see it as good for the local communities and they are trying to introduce anti-steering legislation to combat this. My question to you is, how much is this all costing? Wouldn't that money be better spent

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trying to solve the problem with smash repairers as across the board as an industry, rather than just picking on selected repairers, throwing money at them to get them to sign to do your work. That is my question.

[Applause]

J Strong: Okay. We are obviously not going to go into the sort of thing that you referred to...

Q: Why not!! Why not!!

J Strong: I will give you one further warning and that applies to anyone else – this is not a barracking meeting...

Q: Because you are lying! You're trying to hide this from the shareholders!

J Strong: Okay, I suspend the meeting. I suspend the meeting and ask for this gentleman to be removed from the meeting.

Q: No, you're hiding this from the shareholders! They're the ones ...

J Strong: Can I ask for security please.

Q: You tell the truth! You answer! You tell 'em! Tell us why! Get out of it. You tell us why! Answer the question! You'll want another couple to pick me up! [Laughter] They're going to hide it from all the shareholders, they're going to hide it from everybody. They're going to hide everything which is all wrong. No! This is wrong! What they're doing is wrong! What they're doing is wrong!

J Strong: Can you just quieten for one minute. I will give you one more opportunity to participate in this meeting like everybody else is. Right? I presume you're a shareholder and you're entitled to be here. Now if you just let the meeting keep going and stop behaving like that, we'll get on with the meeting. But if you continue to shout, then we'll have to eject you from the meeting.

I've just been informed you're not a shareholder which is an interesting aspect for all the other shareholders who are here.

I am going to ask Rick to make a few more comments in relations to the remarks, not the questions, but the case that was put forward by the previous speaker. So can you bring – oh, you've got the microphone there, thanks.

So please, go quietly.

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- R Jackson: Thanks Mr Mamic there were two parts to your question. One related to costs of Care and Repair. First thing I have to say, obviously its market-sensitive, but we're on budget for the half year to December, like the board said earlier. So in fact there has been no significant costs beyond the operational cost.
- The second issue is how many customers – roughly 120,000 customers a month renew in New South Wales, so we are talking 480,000 customers during that period. To date we have been able to measure 240 that have cancelled their policy as a result of the misinformation. I wouldn't have published that, because it was not significant. Our renewal rate is still well above 90%, which was pointed out earlier. Therefore it's not material to the accounts.
- The last statement was that there are all of these other repairers being used. I think I need to point out that it is exactly the same repairers we were using before. In fact in Mr Mamic's areas of Newcastle, there were 18 before this dispute and today there are 17.
- J Strong: Okay, are there any other issues that any other shareholder wants to raise please?
- Facilitator: Chairman, I would like to reintroduce Mr Nargey please.
- J Strong: Thank you. We also have some questions later down here.
- Q: Mr Chairman, members of the board and men and women. My questions first of all I want to put in the context that this is not meant as criticism of any individual, nor of your performance. Nevertheless there are some points I think that should be pointed out to the shareholders of IAG.
- The first one concerns Mr Hawker. Mr Hawker and for you, sorry, Mr Strong – there was an article written about you a few weeks ago which I received through the Internet, and I am not sure if it came through the BRW or BOSS – in my assessment it wasn't too complimentary.
- It commented on your management style and that you managed your staff on a MIS basis, as opposed to going out and visiting to them and talking to them. It wasn't very complimentary. I would just like to know whether that is true or false or let you have an opportunity to comment on that if you wish.
- My second comment is concerned about risk. Now you have heard from Mr Astbury and the other directors, they're talking about risk. I want to point out a couple of other facts about this. That is, is the board aware that often

succession in growth can lead to failure and disaster. The examples on this Mr Astbury knows very well, one of them concerns an ad and especially in foreign exchange. Insurance companies also had got into trouble as they diversified and grown rapidly and again that's the main theme I am trying to get across to you.

Is the board aware that its double digit growth dividend policy is risky? Because I love double digits, I love getting all that money like we all do here, but the problem is there is risk in it. That is and also the salary policy that the executives got is also risky in that it is going to push them into deals just so they can achieve their targets and get their bonuses. I am sure I would like to think that you thought about that.

This pushes management and IAG into risky deals and into risky areas and the question is, how are we going to manage it? Mr Hawker can tell you about this specifically, because he worked for a boss who was very good – I am speaking about Bob Joss. Bob Joss made the comment about National Australia Bank when he was asked about this by one of his managers and he said the board is going to have a problem because they are going into all of these areas around the world and they simply haven't got the talent on the board and it's time to manage all those diverse activities in all those other parts of the world. Again, it is not criticism about the board, it is just pointing out the reality of what's happening.

The other point I want to make is this issue that you've mentioned already Mr Strong and Mr Hawker about too much money. You've got a lot of money there, if you can recall maybe Mr Strong, back to 1974, a lot of businesses went broke because they had too much money because the government at the time had expanded the money supply too much. Therefore people like us that were in the lending business at IAC, Citicorp, pushed a lot of money out into a lot of stupid deals. That is another thing you've got to think about. To manage that, so that we don't end up coming back to a meeting and being very unhappy with the performance of the company.

Finally is the board aware of the policy that you had – the vehicle repair policy – that you've just been talking about and the impact it could have. One of the things that concerns me, is you've talked about customers and you've talked about shareholders but you haven't used the word 'stakeholders'. The smash repair people are stakeholders. What's happened here is you've

brought about change, rapid change, because your strategy is cost reduction. That's fine. The problem is look at the turmoil, if you call it turmoil, and I want to know whether the board thought about this and cautioned management about it?

[Applause]

J Strong: Mr Nargey in relation to your remarks about myself, I haven't got the faintest idea what article you are referring to or what principles you are talking about.

No, but he made a comment about – what was the comment in relation to? Mr Hawker was it? Okay, well we'll give him a chance to reply to that.

In terms of the sort of perils that you referred to in terms of growth and so on, I think every member of this board has shown in long debates that we've had about strategy, we don't only deal with the strategy of how fast we expand or where we go to in monthly board meetings. We actually once or twice a year go and sit just to talk about strategy for whole days and look at alternative growth strategies, whether we should grow, where we should grow, what the risks are and so on.

So all of those issues about growing too quickly, or letting a sort of what you might call 'acquisition fever' get hold of a company, which is the sort of thing I think you were referring to, I can assure you that every member of this board is very attuned to. There has been a very steady and analytical approach to what the options are for it. I think you can see that by the fact that we haven't raced out and spent money all over the place and buying things. The one big acquisition we did was with CGU and we think has been extremely beneficial for this company. It transformed the company. So your points are well made, and certainly it's the sort of thing that you do have to keep a constant eye on. So that there isn't that rush of blood to the head.

I'll ask Mike if he wants to make some comments about his style, but in doing so I would just like to say that overall obviously we all know that results speak the most loudly of all and as we said to you before, this company over the last three to four years has improved significantly every year. I think that's a large degree due to the leadership of Mike and his team and it's producing outstanding results.

So with those comments I will ask Mike to make some remarks.

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M Hawker: Thank you James and to Mr Nargey. I haven't read the BOSS article, so I can't answer that in detail, but I can say that anyone that has worked with me would say the exact opposite. I would think that I actually manage through people rather than looking at reports. I spend most of my time out of my office and looking through the business and walking around the business and finding out what people in the organisation really do think.

In fact in two weeks time I have got 600 of my people coming into Sydney from all parts of the business. This is not a hierarchical group it is a cross-section of people throughout the company where we will get together for a day. I have a series of awards for individual performance which is judged by peers within the organisation, which is independent of financial performances – these rewards are in terms of how people's broader capabilities are adding value to the organisation.

I don't know what the article said, but if they've said that, they've probably got it back to front in terms of exactly how I think philosophically about how a company should be managed because a strong leader should manage through your people.

Facilitator: Chairman, may I reintroduce Mr Jack Tillburn.

J Strong: Thanks.

Q: All shareholders I shall give you notice, plus Mr James Strong, that I would have two more good sustainable and serious questions.

Sir, I would like to take up what Mr Scandrett did fairly well – five marks out of ten. So if I can get another five marks out of ten, we'll give you ten marks out of ten to look at.

On the matter of this awful crony, this considerable crook and coward man down in Melbourne, David Tweed. I refer you sir to last Friday's 'An Australian' and it says 'Cut price Tweed takes the Insurer IAG to court for overcharging'. Now I will just get onto that matter there.

My comments about David Tweed is he is a bloody shares purchasing terrorist from the southern city of Melbourne and he offered me \$5.49 for my shares, but of course the fraudulent, dishonest, deceitful thing is, he will pay me 18 equal annual instalments of \$6,378. Now that man Tweed should be now in Pentridge Jail in Melbourne, by ASIC, but he's not. Therefore I would like to

go down and hang that man on the nearest tree along the old river Yarra, behind Flinders Railway Station, which I know about.

It's sad Mr James Strong, that you – the company, was charging Tweed approximately \$46,000 for a data compact disk relating to our one million shareholders names and addresses. Possibly it should have been double \$46,000 so that Tweed wouldn't have to pay it – or couldn't pay it.

He's taking us to court, it would be nice if you could tell us something about it – but you might say, of course, to help you it is sub judice Mr Tillburn. But still, we'll leave that open to you.

Now I consider also sir that a good question is, what will you Mr James Strong, write about to the ASIC Commissioner Lacey about this terrible terrorist Tweed. What could you use as some of your corporation clout and some of your corporation leadership because the one good point that Mr Scandrett did say was that he'd been working on a working committee to overcome Tweed and he did talk about reforms sir, on purchasing shares outside of the Australian Stock Exchange. Very, very important too.

Now would you like to comment or give something back along the lines of that Mr Tweed, in my opinion, should be terminated? [Laughter]

J Strong: Jack I can't say much about the legal action, not on the grounds that it is sub judice or anything, but he sued us and said we charge too much, we don't believe that's so and we are going to defend it vigorously. We believe we've met every requirement in charging that fee.

On the issue of ASIC. I noticed Mr Scandrett's comments before. We have spoken directly to ASIC as required and if there is something going forward to be done, we'll be prepared to provide information and factual evidence and so on to any review of that. Because I think what you see happening is that each time there is something that challenges what he does, he just works out another way of doing it. He obviously gets legal advice about technically remaining within the Corporations Act. You will notice he does that every time, he technically complies with the Act. So it becomes a question of working out a way – I think he'll go on inventing new schemes, but you need some what you might call 'overall principle' to deal with the value of the offers and that becomes quite a difficult issue.

But yes, we would be prepared to assist in that sort attempt by ASIC.

- Q: Thank you very much Mr James Strong. We are all very taken up with your positive thinking and positive help along those lines. Thank you sir.
- My last question ladies and gentlemen is, I wish to compliment the company on its so called dividend payment statement. I am trying to get many other companies to adopt what you have in box 1 and box 2, but let me finish. The issue of the dividend payment statement, the share price box, very good on the left hand side and the share value box very good adjacent to it sir. A great majority of companies are not doing it - I'll get on their backs – but the effect on the dividend is 0.6 cents per share held. That is what you state down in the last line in the middle.
- For me I understand that I lose \$1,150 on approximately 20,000 shares. It's gone up now, I bought some more at \$5.16 the other day – good bargain. Now sir, but the few words about the recovery of HIH Insurance Company losses is rather feeble and weak. That is my little criticism. So how much have IAG shareholders paid over the years – 2001, 2002, 2003, 2004, 2005 – five years, that is each year we should be told, therefore we should be told a total. Why isn't there a suitable write up in our Annual Report? I don't believe I saw one. I stand to be corrected as always on corporate governance issues. So 0.6 is quite a modest amount to be charged. I take it it's on each share, but in fullest disclosure and fullest sustainability of this matter, I think there should be a write up in the Annual Report, and I am sorry that we and others are losing money on that huge \$5.3 billion crash and dishonesty and fraud of HIH directors.
- So am I right in asking you for help there? What can you do and help us out with? But let me say, the dividend payment statement is a thoroughly good replica and position of how we stand with our shares, and thank you for it sir.
- J Strong: Thanks [David]. I will ask the Company Secretary to make a remark about the HIH levy.
- A O'Driscoll: First of all about the dividend payment statement, it is actually related to your previous question. We implemented putting the share price and the value on the dividend statements to reinforce to shareholders who might otherwise have been caught out by Tweed just what they have, so that was part of what we do.
- The reference to the HIH tax is a New South Wales government tax that was implemented to subsidise part of the loss on the failure of HIH that fell to the

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New South Wales government. We pay about \$20 million per year to the New South Wales government for that tax. It didn't start until 2001/2002 I think. It's about \$20 million a year, and I think we've paid it for four years, so that's \$80 million. While it is not separately disclosed on the Annual Report it is actually separately disclosed and in the more detailed information that we provide to investors that is available on our web site.

In terms of that tax, the total tax collected per year is something in the region of \$60 to \$70 million by the New South Wales government. We have continued to lobby the New South Wales government to actually put a termination date or a sunset clause on that tax because we do feel it is unfair that shareholders, of the surviving companies have to subsidise – and policy holders effectively, although we are not allowed to levy that tax on policy holders, it must be borne by shareholders under the law, but there is a view that a community tax which funds the losses of people who have claims against HIH that won't be paid, we don't see why shareholders of surviving insurance companies should pay that, but that is the rule and that is why we put the note in our dividend statement.

Q: Mr Chairman. My name is Bruce Leong. I would like to say a few words on customer service and claim management which do not affect the current year's financial statements but may affect the future operation.

In the past, NRMA used to supply forms to customers who were unfortunate enough to have to make claims. Now I am told NRMA do not supply any more claim forms and to not provide face to face office assistance. The only way to make a claim is by telephone number 121 123. Now this is good to save for costs but it seems to be a discrimination against customers who are unable to communicate on telephone. For example, there are people who are living on their own, without friends, and having very profound loss of hearing. They are unable to speak on telephone. In such cases, I think it is a tragedy for NRMA to abolish the claim forms and the face to face office assistance.

I therefore suggest NRMA reintroduce claim forms to provide face to face office assistance to those people who cannot communicate on telephone. Mr Chairman will this suggestion be practicable? Thank you.

J Strong: Thank you Mr Leong.

Male: Thank you Chair. It is a very good suggestion. We got rid of claim forms because it was very slow, it would take up to three or four weeks for claims to

be lodged. The majority of our customers wanted to ring on the phone, 24 hours a day, 7 days a week. Having said that, we were aware that there were some folks who would have difficulty with that, so we have people in those call centres that speak languages other than English, and we still have phone contact in our branches, and our branch staff are able to help people who are disabled.

In terms of hearing loss, we are currently looking at putting special hearing assistance actually through our phone system, and that is planned to be coming in in the next year, but if somebody is still having difficulty they can go into a branch, the branch staff will actually help them out, and if they then need to see an assessor and so on, they would be quite happy to meet with them.

Q: What I assess thus far is from myself. I spent four hours yesterday going through various offices to lodge a claim. Now I was told NRMA do not consider making any face to face assistance possible because of legal liability. I was told to ask a friend to make a phone call for me. I went down to the optical shop and the manager was kind enough to speak to NRMA, but they say there is a conflict of interest, and would not accept her telephone call. So I went down to the [Croydon] Police Station.

J Strong: Could we deal with your query after --

Q: They make a telephone call to NRMA again.

J Strong: I can understand you have had a personal difficulty. Could you allow us to talk to you personally after the meeting because obviously you do have a personal issue. Rather than to string it out right through the whole meeting, do you mind if we meet with you immediately after the conclusion of the meeting to fully comprehend what you say and take it on board?

Q: There are people who could not use telephone.

J Strong: Yes, we understand that. We understand that and we would like to talk to you more about it after the meeting.

Can somebody speak to him up there and say to him could he come to the desk after the meeting. We don't want him feeling that he's being ignored.

Q: (J Fielding) Mr Chairman. We have one million shareholders. I recently attended a seminar at the Shareholders Association and the Company Secretary spoke there. She said that there were a significant number of

shareholders that had gone, no address, that the company was not able to communicate with. I believe it was something like 10 per cent of the shareholding – 100,000 people.

Mr Chairman, many of those people would be policy holders. A lot of people got free shares when the company was originally made public. It seems to me that very many of those people will have given their address over the telephone to the company in order that their policies would become effective. What I would like to know is what proportion of those people who have gone no address, are in fact still policy holders with the correct address, and what is being done to try and resolve the situation. In saying that, I am aware that it is very difficult at times to deal with share registries. I have personal experience, and sometimes you have to really stand your ground if you want to get the message through.

Mr Chairman, it seems to me that if the company asked those people that give new addresses, if they are also shareholders, if they send the appropriate change of address forms to them, it would improve the process quite considerably. I wonder if you have given any thought to it.

The second thing I would like to raise relates to this issue that has been talked about this morning. There was an article in the paper some time ago indicating that people that are in the repair industry are getting something like \$30 an hour for their work, and there had really been no increase in the amount paid over some considerable time. We have heard quite a bit about the problem this morning. I wonder if you could have someone explain to us the detailed way in which people are asked to quote. It seems to me that a person that quotes for a job should end up with a price, and it should be either acceptable or it's not, and I would like to understand how there is any restriction on the hourly rate that a company wants to charge for repair work.

J Strong: The first part of your question relating to shareholders and their addresses, I will ask Ann O'Driscoll to address.

A O'Driscoll: Thank you Chairman. Mr Fielding, a few months ago there were about 70,000 shareholders for whom we have returned mail. Over the past year we have actually reduced that number by about 50 per cent, through a process where we have actually tried to match our share registry database against various other databases that the organisation possesses, not just policy holders because they are actually relatively easy, but also against some other

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databases we have which record change of addresses over a period of time. Bear in mind though that people actually do change their address quite frequently and do forget to tell us. When people change their insurance policy we encourage our team on the phones to remind people if they are shareholders to contact the registry to change their address.

In terms of your idea of sending out a change of address, that is probably quite difficult logistically but we will have a look at it. Every time we do a mail out we get another 8,000 to 12,000 returned mail items. So it is a constant battle, but it is one of the reasons that with direct credit, people actually move house more often than they move their bank account. So we are hoping that we can at least get their dividends to them easier this way than if we hadn't actually made that change. So at least they are actually getting the bank credit, even if they are not getting the document, and indeed getting the bank credit and no document may well draw it to their attention that they actually have not notified us of their change of address.

J Strong: On the second part of your question I will ask Mr David Brown to make some remarks again.

D Brown: It has been well advertised through media about the hourly rate over the last several months. Those repairers within the room will attest that the hourly rate for repairing cars has been an issue for the industry for a lot of years now. Largely the care and repair process allows the repairer to set their own hourly rate, so we believe that that has largely led the way in having the repairers set their own hourly rate to be competitive of the market. That is the greatest majority of our repairs – where the care and repair process is undertaken, they are metro city and Newcastle. There is no maximum rate to that setting, so the repairer can set their own hourly rate for those areas.

Those areas that lay outside the care and repair service, we are participating in industry forums because it is an industry issue. We, along with other insurers, are meeting regularly with the MTAA and the MTA here locally around specific models, how that can be moved forward, but it is most definitely an industry issue, and that is the forum where that needs to be dealt with and we are participating in those forums.

Q: (S McIntyre) Mr Chairman. I too have two questions to ask, but just before I ask those I would just like to say that a gentleman up here earlier did ask you if the Board had taken any consideration into the stakeholders, being the

smash repairers, in the system, and I don't believe that question was answered.

J Strong: I believe it was. Would you like to ask your questions?

Q: Well, in what way – I wasn't asleep.

J Strong: It was outlined to you that we have almost exactly the same people, same number of repairers who are working with us happily today as before the change. Would you like to ask your questions perhaps?

Q: Are the directors concerned about misleading the public using the NRMA name. The once grand image of NRMA Insurance, I believe, has been damaged beyond recognition in regards to the smash repair debate. It seems that IAG's boost shareholder profits --

J Strong: Would you like to outline whether you are preferred smash repairer or ever have been?

Q: No.

J Strong: No. Okay. I just thought it might help the audio.

Q: That's fine. It seems that IAG's boost shareholder profits at all cost is hurting insurance customers very badly.

J Strong: The question?

Q: I'm coming to it. Many, who would no doubt also be shareholders. My question – what processes has IAG put into place to restore some faith with shareholders and insurance policy holders who believe that the NRMA brand was a reputable brand?

J Strong: I think you have already had Mr Rick Jackson outline to you our continuing business success, the number of repairers who are still with us, the number of customers we are processing, so to continue asking these questions, from the point of view of one sectional group, who are not part of the repair operation, is not aiding anyone in this room.

Would you like to ask your second question?

Q: Would the directors agree that safety will improve if the Stay Safe Committee and the anti-steering issue becomes legal, and WRN is jeopardised because of that, seeing that a lot of the assessors assessing damage are not trade ticketed people, as in they are not smash repairers. There are a lot of

assessors who are sign writers, auto electricians, pastry cooks, literally deciding how motor vehicles are to be repaired, and I do not think that that is in the best interests of safety.

What do you people feel about that?

J Strong: Thanks very much Mr McIntyre. I will ask David to make a further comment about that.

D Brown: There were two parts to that. First of all safety of repairs. We have the most stringent of quality controls throughout our repair process. I believe equal to none. It involves both physical and desktop audit of those repairs. We follow up with the offer of a physical repair of the car post inspection back at the assessment centre by one of our trained assessors. Every single one of our assessors have a trade background. It is a condition of employment, and they are the facts.

Q: (K Gibbins) Thank you very much. I am not here to make a speech, I am here to ask questions.

I have two questions. The first one has a couple of parts, and I trust that you will handle this as being a single question. It relates to the care and repair process. Mr Hawker has told us that not all repairs are going to be done via care and repair, and I would like to know which ones will be handled differently, and just how will this be done.

Also what kind of vehicles require a specialist repairer? What if, during the repair procedure, it is found that there is damage requiring repair which was not detected during an initial assessment, and how is this going to be handled?

I have some other parts to it but I will omit those in view of the ongoing length of these questions. Would you like to answer that first, or shall I ask the second question now?

J Strong: No, I will ask Mike to address the first part of the question, thank you.

M Hawker: Just on the first question about not all repairs going to the care and repair centre, there are two aspects to this. Firstly, the care and repair centres are primarily based in major cities around Australia, they are not in rural areas. So we don't have that process in place in rural areas or regional areas.

Secondly, customers who have taken out the repairer of choice policy get the option of going to their repairer of choice. So we have two alternatives in terms of our policy, and we have two different techniques according to whether it is centrally based in a major city, or it is regionally based.

The second part of the question I can't really answer in terms of the detail because I don't have firsthand knowledge of that. I don't know whether Mr Brown would like to answer that?

D Brown: I can help with the style of car that goes through the care and repair process. The greatest majority of vehicles that are damaged in Australia are driveable, and you would have seen from the DVD earlier that the vehicles that go through the care and repair process are No. 1 driveable – there is no structural damage involved and there are no real safety concerns with the customer driving the car. So that is the first issue.

The second you raised in relation to additional damage identified later with the repairer. It is a very simple process of the repairer putting in an additional, if it was not detected by the assessor or the repairer beforehand, and they would be paid for that additional work.

Q: If I can just ask a subsidiary question relating to that process. I gather that there will be assistance given to owners to get from the repair centre to their home, or wherever else they have to go, but what happens at the time that the vehicle is due for collection. It would seem to me that there are going to be a number of instances where the location of the repairer is not convenient to the vehicle owner. Is there going to be any assistance given for them to get to that repairer, or is the vehicle going to be delivered to them?

J Strong: Look, I'm not sure what is served by detailed questions of operations like this. This is really for the majority of shareholders who came here to hear a report on the company's business and operations. I will ask Rick to answer that one, but we are getting towards the end of the useful purpose of these detailed operations questions. Rick, could you make a comment on that?

Answer: (Rick) Customers have three choices. Firstly, if they would like to leave the car at the care and repair centre we give them two cab vouchers – one to get them to where they were going and one to get back again. We handle the whole thing from start to finish.

The second choice is, and for many single car families where it is a cosmetic repair, and that is what we are talking about, we are not talking about structural work, they will quite often want to actually make their own arrangements with the repairer, particularly if it is a one car family and drive around, and so therefore they will then make that arrangement with the repairer. In many instances they take a courtesy car. We in fact had somebody who dropped their car off, flew to Melbourne for four days, came back, used the cab charge to and from the airport, thought it was the best service they'd ever had and their car was fixed. That is why the customers love this service. There is no rushing around, it is all there for them.

Q: If I may be permitted to ask the second question. I know it does not directly relate to financial or auditory matters, which was what I understood you initially said that these questions were about.

J Strong: No, no. We have allowed a lot of questions about detailed operational matters, but at some stage that is not gainful to the majority of shareholders here, and it is not as if there has not been exhaustive discussions outside of this room with people within the industry, people interested in the industry and so on. So I don't wish there to be any impression created here as though none of these things have been discussed exhaustively. People have their different points of view, but it is not gainful for us to continue to discuss detailed operational issues at a shareholder's meeting. That doesn't preclude other discussion at other times and other places.

So I will you a go on your last question.

Q: Yes well, I hoped it would be made clear how we can get these sort of questions answered, other than at a shareholder's meeting.

My second question relates to whether it is possible for the company to reveal the formulas used in assessing premiums – motor vehicle premiums – to assist the confidence of the insured that they are receiving all the benefits that they should be entitled to. I recently had the experience of going to one of your offices about another matter and subsequently I was offered a reduction in my motor vehicle insurance – I presume that was because I had not been credited with something I was apparently entitled to.

As I understand it, it is not possible for me to go to an office and be given a list of the criteria that are used in the point system which are used to assess the premiums. Can that be done?

J Strong: I will ask Mr Hawker to make a comment about that.

M Hawker: You are asking a very interesting question because it is actually something which is in discussion with industry bodies. I want to answer this in two parts because I think you are actually coming from two different perspectives, or you are picking up two different aspects in your question.

Firstly, the complexity about pricing risk is quite significant. Just take a car insurance policy for instance, the number of ways that a car may be damaged is quite numerous – it could be flooded, it could be burnt, it could be stolen, the contents could be robbed from it. There are a myriad of other things – there could be an earthquake – that might happen to that motor car. So there are a myriad of aspects as to how to price that particular risk. Then you have the cost of the car, the cost of the repairs of the car, then you are starting to deal with the suburbs that it is housed in, and the driving behaviour of the owner and the owner's driving experience. So there are a myriad of factors and it is very difficult to come up with a log of all these factors, and quite frankly it is probably our competitive edge that we believe that we have a capacity to price those various factors better than anyone else in the marketplace, and we think that is a world class competitive edge, and it is a very competitive process which we are trying to utilise in moving offshore to where markets are less sophisticated than they here in pricing risk.

The second issue may have come about in that you may have had a number of policies with us, where we may not have applied a multi policy discount because we have inadvertently had your name registered differently on two different policies. We have spent an inordinate amount of time in the last 18 months improving the quality of our databases, trying to find where this may have occurred, and over the last year in fact where we have found that, we have paid a number of people, that have received cheques in the mail, which have reflected us improving the quality of our database. So there may be two issues which you are raising out of that one question. I hope that gives you some insight into that.

Q: (S [Mammick]) Mr Chairman. I was just wondering if you could inform the shareholders, since this dispute is taking place, how much the average repair cost has gone up in the previous four months since this WRN has been introduced, and if the established repair cost takes into account the extra cost

of transporting the vehicles and providing hire cars for the customers whilst their cars are getting fixed?

J Strong: I don't know that we are interested in going into that – do you want to make a comment?

We're on budget, yes.

We're not in the habit of giving detailed business operational information out. I mean you gave us a good lead in by your good representation on behalf of GIO and other insurance companies. We are in a competitive business. We have told our shareholders that this is something that we considered carefully. We believe in the long term it is the right way to go because it will reduce costs. Mr Jackson told you before about our performance. So we are not going into any more commercial matters than that in this sort of forum.

Did you have another question you wanted to ask?

Q: I did yes. I just thought that was something that the shareholders would like to know – how much the costs have gone up – but as you alleviated then.

J Strong: You just said the costs have gone up, that's --

Q: You're on budget, that's fine. Okay. You just alleviated that the purpose of this system is to reduce costs, by your own words just then.

J Strong: One of the purposes, and other speakers have been through all of the others, which are to do with efficiency, better service, etc, etc.

Q: It has been said before as well, our hourly rate is \$30.90 an hour and has been for the past 10 years with IAG, and I know it is an industry issue and you are supposed to be at the forefront of this, and I know that David said that WRN, the introduction of this is supposed to take care of hourly rates so that we can quote any figure we want, but we know in reality that is not the case because if you put down what you really deserve, you are never going to win the job.

Have you got a comment on why an increase over the last 10 years has not been awarded to smash repairers, while the hourly rate system has been in, and not even CPI or any material increases? Yes, why any increase has not been passed on to the repairers and we have had to absorb all these costs, and as you know everything has gone up every year plus OH&S and superannuation costs on top. Have you got any comment, because I am sure

there are a lot of smash repairers out there that would like to know the answer to that.

J Strong: Mike will have a comment on it.

M Hawker: I would just like to make a couple of broader comments on that, and I have had an opportunity to travel around and have spoken to various smash repairers. As you know the value of the work is a function of how long it takes versus how much you charge per hour in labour costs to fulfil that work. So the total price is essentially what we are interested in, how much cost in aggregate. What we are looking to do is to balance, appropriately, speed for our customers, high quality of repairs and efficient pricing. So what we are looking for is to have a sustainable relation with our smash repair industry where the smash repairers are able to compete against themselves – Australian smash repairers against Australian smash repairers in a localised area – to provide us the highest quality of repairs they can, at a the price which they think they can provide it at, and at a speed which meets our customer requirements.

The beauty about our new system is that it provides a process where a number of smash repairers can compete for that business, and set the price that they would like to provide for the work, which as you know is a combination of hours times the time. Now if two smash repairers had very different times it takes to repair the work, then their implied hourly cost will be very different. So this issue of hourly rates, in my view, is only part of the story, it is not the totality, and I can assure you it is probably – we can go around and around in circles – what we are trying to do is create a sustainable business process, because we need the smash repairers.

They repair over 400,000 of our cars, and we have a number of very good smash repairers working for us providing exactly that high quality of repairs at a really good efficient speed for our customers, and at a price which is very competitive. That we think is the right balance for all stakeholders.

Q: Just to let you know that I was a preferred smash repairer before 1 July, I have been one for the last five years, but I would not sign up to WRN because I do not believe in it at all. Do you concede that since 1 July, that you have signed up repairers that you have not wished to deal with in the past, and also that you have black-banned in the past for instances like fraud, and now because of this dispute and you have not been able to get the preferred

smash repairers that you had on board before to re-sign, that you have to engage repairers that you didn't want to deal with before?

J Strong: Can I just cut you off. You are just making a series of wild assertions here, and the answer is no. Rick, would you like to affirm that the answer to that question is no? N-O.

Q: I would like to hear that.

J Strong: Can I announce that I want people to indicate whether their questions relate to the care and repair centre or not. I am going to allow two more questions about the care and repair centre, and that is the end of that discussion. So could the person indicate whether their question relates to that or not.

Q: (Paul Mensacopian) I was not going to get up until I got offended by you Mr Strong, because I thought you made this meeting personal by asking the previous gentleman whether he was a previous PSR member or not. I am also a previous PSR member and I have been for four years like the last gentleman. I have also received an award for saving money for the NRMA, but I have refused to sign up because I do not agree with the WRN system either.

My question is that it seems that there is no relevance being given to the importance of the matter, because if tomorrow all the power leaders took two months off on holidays, all at the same time, what would NRMA, IAG do, and really what has IAG put in process to resolve the situation? Is there anything in progress at the moment – other than outside forums, industry forums and the other matter. How important is this to IAG?

Male: Can I say that we regard very critically all the relationships we have, so we are disappointed that a number of people feel the way they do about this. We have however all our requirements being met by a current portfolio of high quality repairers. There is something like 2,600 repairers in New South Wales of whom we have been dealing with approximately 800 for the last six or seven years. There are a number of preferred suppliers who were with us before we introduced this new set up who have decided no longer to do business with us, and I understand you are one of them. That is not to say that you are the majority of our preferred suppliers, and that is a fact.

Can I also say that we have the requirements that we need for the number of cars that we need repairing, being adequately repaired, in the timeframes

that meet our customer needs, and in a way which is efficient for both ourselves, and we believe those smash repairers who are working with us.

Question: (Paul Mensacopian) Can I make a response to that?

J Strong: You can make one quick remark.

Question: (Paul Mensacopian) I mean your numbers of repairers have increased over the last four or five months because your policy has been to starve us into submission, and that's why the people are signing up. There is no other reason other than that, and I do not think the majority of repairers – I was a quality repairer – consider the quality of repair, but all of a sudden, and of the poorer repairers, the substandard ones, you know I'm going to fight until the end, I'm not going to starve myself into submission to dictatorship as the gentleman said before, and really that is all it has been. It really has been just a big company over us little fish.

Q: (T Risko) Mr Chairman. You may wish to give me a warning but remember this, and I should have stood up when the room was full of shareholders, there is a saying in Australia that says "you can fool some of the people some of the time, but you can't fool all of the people all of the time". Looking around this room I see a lot of elderly people, mum and dad investors and shareholders, some have already left the room. I believe that IAG use their resources, their media power and market share to divert questions asked, to advertise and promote their products – but at what cost?

Crucifying businesses, losing market share, losing customers and potential clients. Now where do shareholders have a right to ask questions, and receive answers without being put down or cut short? This question is asked here. What has the dispute cost, and the answer has come back a few times, we're on budget. We're on budget does not answer a question that was asked.

Is it true that without the support of the smash repairers, the care and repair centre would fail? Can you answer that question?

J Strong: Would you complete your question please?

Q: Would I what?

J Strong: Would you complete your question?

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- Q: I'll repeat my question. Is it true that without the support of the smash repairers, the care and repair system will fail?
- J Strong: Well it is getting the support of the smash repairers with whom we have a business relationship, so the question is irrelevant.
- Q: No, you have not answered the question. The question is --
- J Strong: Would you like to complete your question or I will turn the microphone off.
- Q: You can turn it off if you wish but once again, you are cutting short and the question is not being answered. You said that the care and repair centre is working. My question was, without the support of the smash repairers would the care and repair system fail? It is a simple yes or no.
- J Strong: I said it is getting the support of the smash repairers, so it is --
- Q: You haven't answered the question. It is getting the support Mr Chairman, yes, but without the support of the smash repairers – oh, you've turned it off have you?
- J Strong: I haven't turned anything off, but this is the last time I will ask you. Continue with what you want to say or I will ask for the microphone to be turned off.
- Q: Don't bother, I'll turn it off myself. Thank you.
- J Strong: Okay, thank you. That is the last two questions on the care and repair. Is there any other speaker who has notified a non care and repair issue?
- Q: (J Scott – APM) Thank you Mr Chairman. Mine is short but there are three parts, and I don't wish to sound cynical but it has been partially answered earlier. What has the current media campaign being carried out by IAG to counter the campaign by the smash repairers costing us – or what has it cost so far, and I don't think on budget should be said.
- Are we losing any customers because of it, and how long do you intend to continue your media campaign? Thank you.
- J Strong: I will ask Mike to make a comment, otherwise you represented, it was a care and repair question. As I indicated we would not be taking any more. I will ask Mike to make a comment about that.
- M Hawker: All the activities that we are taking on at the present time are within what we would anticipate as part of our natural budget for this year, and we are looking to improve the quality of our business year on year. So the process

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we have gone through in terms of putting in place what we think is a more sustainable and fairer system for all parties going forward, is within what we expected, in terms of a budgetary sense, to happen. The customer impact with us has not been an impact. Our customers are quite comfortable in terms of how they are being serviced.

This is an issue about competition within the smash repairer industry, and we value the smash repairer industry and we think it is incredibly valuable for us that they work very effectively with us. We have a group of smash repairers who are high quality, who are doing that today, who I believe, and they believe, do everything to the highest possible quality in the marketplace, and I think many of them would be offended that you feel they are substandard, or being accused of that.

This is an issue which was always going to be problematic because overall the number of cars that need to be repaired in this country, for the percentage of people in the smash repairer industry, is not adequate to make them all profitable. So there are competitive pressures occurring in the industry. I can't deal with that issue. That is a fact of the number of repairs that need to be made. All we are trying to create is a process where you get high quality service, high quality repairs, Australian smash repairers competing with each other for our business, within a localised area. We think that's a fair process.

On the question of safety, because this is an issue which we think there is a lot of misinformation. We believe that as an organisation, this is the most important thing that we are concerned about. We have a myriad of people involved in our company, involved in the investment of how to improve safety of motor cars. It has been synonymous with the name of NRMA, and we would never jeopardise the safety of our customers, and quite frankly that would be a ridiculous thing to do because we are on insuring their motor car, so it makes no sense whatsoever.

J Strong:

Thank you very much for the microphone. I think this matter has been given significant airing and people have had their opportunity to speak today, so I now propose to close the Annual General Meeting. Thank you very much.

I'd just like to give a reminder to people who haven't lodged their votes can you please do so on the way out if you haven't lodged your votes, thank you.

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A O'Driscoll: The Poll will be closed in the next minute so if anyone has any votes to lodge please lodge them immediately as the Polls are now closing, thank you.

J Strong: Just for the purposes of an official announcement, I now declare the meeting closed with the exception of the counting of votes and the announcement of the Polls. On behalf of the Board of Directors I would like to take the opportunity of thanking shareholders for attending today's meeting and contributing to the discussion, thank you, meeting closed.

[END OF TRANSCRIPT]