

**Thomson StreetEvents<sup>SM</sup>**



## Conference Transcript

**IAUGF.PK - INSURANCE AUSTRALIA GROUP LIMITED Annual General Meeting  
and Webcast**

Event Date/Time: Oct 26, 2010 / 11:00PM GMT



**CORPORATE PARTICIPANTS****Brian Schwartz***Insurance Australia Group - Chairman***Michael Wilkins***Insurance Australia Group - MD and CEO***Glenn Revell***Insurance Australia Group - Company Secretary***Andy Cornish***Direct Insurance - CEO***Anna Hynes***Insurance Australia Group - Director***Hugh Fletcher***Insurance Australia Group - Independent Non-executive Director***CONFERENCE PARTICIPANTS****Jack Tilburn***Shareholder***Peter Starr***Shareholder***Brian Gate***Shareholder***Cecelia***Shareholder***Richard Wilkin***Shareholder***Austin Gabriel***Shareholder***Reginald Lobb***Shareholder***Roy Norberry***Shareholder***Ken Dyer***Shareholder***Pamela Grey***Shareholder***Ian Heylen***Shareholder***Brian Upton***Shareholder***Rowan Weir***Shareholder***Michael Perry***Australian Shareholders Association - Shareholder***Gregory Simone***Shareholder***Ollie Reinhold***Shareholder***John Jeramin***Shareholder*

## PRESENTATION

---

### **Brian Schwartz - Insurance Australia Group - Chairman**

Good morning ladies and gentlemen and welcome to the 2010 Annual General Meeting of the shareholders of Insurance Australia Group Limited. My name is Brian Schwartz, the Chairman of Directors of IAG. And in accordance with the company's constitution, I am the Chairman of the meeting. It's past the appointed time. The company's secretary has informed me that a quorum is present and I declare the meeting open.

Also, on the stage with me, from far left -- our non-executive directors, Philip Twyman - Phillip Colebatch, I'm sorry; Yasmin Allen, the Managing Director and Chief Executive Office, Mike Wilkins; Company Director, Glenn Revell and now Philip Twyman - what did I call you? Non-executive director, Philip Twyman, Anna Hynes and Hugh Fletcher. I'd also like to welcome those shareholders viewing this meeting via the webcast.

There are a couple of housekeeping matters that I need to mention. As a courtesy to all attending today's AGM, I request that all mobile phones are either turned off or reset to silent mode for the duration of the meeting. Thank you.

IAG is again using online voting technology at the AGM. Shareholders, corporate representatives and proxy holders attending the meeting were provided with a keypad and a data-card when completing the meeting registration process. The keypad will need to be used to record your voting intentions on each item of business put to the meeting. An instruction slide will be shown when you're requested to vote, to assist you in the process, and staff will also be available to assist shareholders if required, when it comes time to vote on a resolution before today's meeting. If you have any questions or issues arising in using the handset when casting your vote, please raise your hand and one of the attendants will assist you.

If you are unable to remain for the duration of the meeting and vote on each resolution when the polls are taken, you will still be able to register your voting intentions on a voting card at a desk located just outside the auditorium as you leave the meeting. I now declare the polls to be open.

Before we commence the formal business of today's meeting, I'd like to provide a brief overview of the group's performance during the past financial year. I'll then hand over to our Chief Executive Officer, Mike Wilkins, who will also provide further detail, as well as an update on the group's outlook for the current year.

Despite having been on the IAG board for five years, this is my first AGM as chairman, having assumed the role in August, in line with the transition arrangements we announced at last year's general meeting. I'd like to acknowledge the significant contribution made by our previous chairman, James Strong, during his nine years with the company. It's an honour for me to succeed James and I look forward to the opportunities that lie for the group.

The 2010 financial year was one of two distinct halves by IAG. During the first-half of the year, steady operational improvement and favourable conditions enabled the group to report a stronger than expected insurance margin of 13.4%. While operational improvements continued due to home markets during the second-half, the impact of adverse events led to a full-year result which was lower than the expectations we held at the outset of the year.

In March, we helped our customers recover from the destructive storms in Melbourne and Perth which caused major damage and led to a combined pre-tax cost, net of our insurance, of AUD210 million, reducing the full-year insurance margin by 3%. Then in turn we took the decision to strengthen our reserves for the UK division in response to an increase in bodily injury claims. This issue, which affected the broader UK insurance industry has resulted in a one-off charge of AUD367 million, reducing our insurance margin by a further 4%.

While we are confident that we have acted appropriately to limit our exposure to any further claims deterioration via re-insurance, we are obviously disappointed that that has occurred. A significant program of remedial actions is currently underway, led by new CEO, Ian Foy, to help restore our UK business to profitability.

Notwithstanding these developments, it's been pleasing to see the continued improvements in performance in our home territories of Australia and New Zealand. These businesses delivered a combined insurance margin of more than 13%, up from 6.8% in the previous year. This



demonstrates that the actions we are taking as part of our refined corporate strategy, set in place two years ago, have fundamentally strengthened the core of our business.

Our capital position remains strong. At 1.92 times the regulators' minimum capital requirement to gear end, we believe that it is prudent to maintain the strong position for the short- to medium-term. I'm pleased to report that IAG also continues to maintain the very strong financial strengths rating from Standard & Poor's, with double A minus ratings for each of our key wholly-owned insurers.

On the dividend, the board declared a fully franked final dividend of AUD0.045 for ordinary share that was paid on 6 October, 2010, bringing a total dividend for the year to AUD0.13 per share fully franked. This is a 30% increase on the AUD0.10 paid last year and it represents a payout ratio of just over 70% of cash earnings.

Turning to the sustainability of our business, and IAG being sustainable means taking a long-term view, assessing future risks and emerging trends and making sure these inform today's decision-making. Long-term strength and profitability mean managing all of the factors that influence our success. We see these factors as falling into five key areas. Our customers is the first. Our workforce, our community, our environment and ultimately our economic sustainability.

While Mike will provide an update on IAG's performance across these areas, there are two issues around our workforce that I would like to address, executive remuneration and diversity. Last year I outline IAG's philosophy on remuneration and explained our approach is designed to align reward with superior performance and the performance hurdles are set very high, to align the management's interest with those of our shareholders and finally to ensure we can attract and retain the best and the right people.

In line with this approach, given the fact that the group have not performed to expectations during the year, the short-term incentive of our Chief Executive, Mike Wilkins, decreased year on year. Under the long-term incentive plan, however, executives have the opportunities to be rewarded over time if and only if IAG meets challenging return on equity and total shareholder return performance hurdles.

When disposing executive pay in our annual reports, statutory accounting standards require the group to include an estimated value of long-term incentives, even when such payments have not actually been made, because the hurdles have not yet been met. This can cause confusion and give a misleading impression of actual amounts paid during the year and indeed it does. I feel it's important to emphasise that, when setting remuneration, the board has quite deliberately placed a greater weighting on long-term incentives to drive long-term performance. If long-term incentive payments are made in the future, it means the group is substantially outperforming and that's to the benefit of all of us.

During the year, we've taken steps to strengthen the way we manage, measure and reward the performance of each individual employee so that every person in the group's objectives are aligned with those of the group and ultimately with you the shareholders.

Turning now to diversity, I firmly believe companies cannot deliver on their strategy or serve their customers without a balanced team that draws from all areas of the community regardless of gender, age, ethnicity or other consideration. If our workforce is distorted in favour of particular groups, we simply are not maximising our exposure to the talent pool and not giving ourselves the best chance to succeed. IAG is an early adopter of measures to ensure the diversity of our workforce, but we constantly look to ways we can improve. To this end, we've recently taken the decision to constitute a senior level diversity working group to be chaired by our CEO, Mike Wilkins, on which I will sit as well, to map out and implement a group-wide approach to diversity that reflects our desired position.

One of the early goals we set ourselves in the area of gender diversity specifically is that, whilst we are pleased that the number of women in senior management positions is ahead of the market, we have targeted an increase in this number from just over 1 in 4 to at least 1 in 3 by 2015.

---

**Unidentified Audience Member**

Good.

---

**Brian Schwartz - Insurance Australia Group - Chairman**

Thank you. IAG have been actively involved in a number of other areas of reform during the year with the aim of favourably shaping the operating environment for our customers, our shareholders and the community more broadly. We are particularly pleased at our efforts to highlight the unfair tax burden on insurance and deliver two significant wins for our customers and the insurance industry at large.



First, the Victorian Government has agreed to abolish the fire services levy in favour of the scheme that funds fire services by a broad-based property levy from July, 2012. Previously, only those people who made the very prudent decision to insure their property were paying for fire services, clearly not an equitable position.

And secondly, the New South Wales Government announced its decision to abolish the insurance protection tax from next July. This tax was introduced to fund some HIH insurance policies affected by the collapse of HIH. As insurers were prevented by law from passing on the cost, this was effectively a tax on our shareholders in the order of about AUD20 million annually. Nationally, Australia pays some AUD4.25 billion worth of tax on insurance policies. This burden naturally contributes to high levels of under insurance, which significantly affects the community's ability to recover from a major disaster and increases the reliance on tax-based support following such events.

The reform I've mentioned, clearly significant steps in the right direction. We welcome them, but there is more to be done. With New South Wales the last remaining state to rely on an inequitable fire services levy, we continue to encourage action and we encourage a broader federal state dialogue on taxation arrangements to assist further reform on narrow and inefficient taxes like stamp duty on insurance.

Finally, IAG has been one of a number of companies advocating for reform to prevent use of shareholders' register by those seeking to take advantage of shareholders to significantly undervalued and unsolicited share offers. Given our large shareholder base, we have taken a leading role in this campaign and are pleased to report that the introduction of legislation to achieve this was one of the first bills introduced into the new federal parliament.

Turning to the future, while there is much to be looking ahead to, the board remains mindful that our full-year result does not reflect the true performance of our business. We continue to be encouraged by the strong progress Mike Wilkins and his executive team have made in progressing improvements in operational performance, especially in our home markets of Australia and New Zealand. I'd like to thank them and indeed every person throughout the organisation for the part that they've played in driving progress in a difficult year.

The 2011 financial year will be the third year of our three-year turnaround strategy which we announced in July, 2008. We are confident our strategy and the discipline with which we are executing it will deliver ongoing and sustainable benefits to shareholders. Indeed, this confidence is borne out by experience in the first quarter of the current financial year and you can be assured that we are also focused on the next phase of our strategy for growth.

I am pleased to invite Mike to provide some further remarks. Thank you.

---

**Michael Wilkins - Insurance Australia Group - MD and CEO**

Thanks Brian and good morning ladies and gentlemen and allow me to echo the Chairman's welcome to you all here today and thank you for attending our Annual General Meeting.

During my presentation this morning I want to provide some further details on the Group's operational and financial performance during the past year, as well as to discuss our outlook for the 2011 financial year.

As our Chairman has said, the 2010 financial year marks the second year of our three year turnaround plan to rebuild IAG. What's most pleasing to me about the 2010 results is the continuing clear and ongoing improvement in the operational performances of our businesses in our home territories of Australia and New Zealand.

At a Group level however, our full year financial results were below the expectations we held at the outset of the 2010 financial year due to adverse developments in the second half.

During 2010 we reported revenue or gross written premium of AUD7.8 billion which was almost level with that which we produced in the 2009 year. When you exclude the businesses we divested in 2010 and foreign exchange effects, our GWP on a like-for-like basis grew by 3.8% and that was very much in line with the guidance that we had given at the start of the year of revenue growth of between 3% and 5%.

Our insurance profit represented an insurance margin of 7% which was in line with the revised guidance of between 6% and 7% which we gave in June of 2010, but it was well short of the expectations that we held at the time of last year's annual meeting. And the Group's net profit after tax reduced to AUD91 million.



As mentioned by Brian, our insurance result and net profit was lower than expected because of some significant adverse events during the second half of our financial year. These included the March storms in Melbourne and Perth - the worst storms on record in those cities - and the one-off charge of AUD367 million incurred on our UK businesses as we significantly strengthened our claims reserves following a deterioration in bodily injury claims in that market.

While the overall insurance result was disappointing I am very encouraged by the continuing improved performance in our home territories of Australia and New Zealand. These businesses collectively delivered a significantly improved insurance margin of more than 13% compared to just under 7% in the 2009 year.

And you might remember that improving the performance of our businesses in Australia and New Zealand was our top priority when we revised our strategy in July of 2008 and I think we're making very pleasing progress against that objective.

This slide demonstrates the pleasing and sustainable improvement in the Group's underwriting performance of more than AUD300 million. That's in excess of 400 basis points on the Group's insurance margin. This builds on the operational improvements that added over 300 basis points to the previous year's insurance margin, demonstrating that our focus of improving underwriting discipline, risk selection, cost control and improving our customer experience continues to deliver results.

Now turning to the performance of each of our operating divisions. As you can see from this slide, our Australian and New Zealand businesses represent almost 90% of the Group's GWP and Asia represents around 3%. These businesses all demonstrated further improvements during the year. Our UK business represents around 9% of our gross written premiums.

I'll turn first to the businesses in our home territories. As mentioned, Australia and New Zealand collectively delivered a significantly improved insurance margin of more than 13% compared with the margin of 7% in the previous year. Our direct business in Australia is our largest business and its brands include NRMA Insurance, SGIO, SGIC and a joint venture distribution arrangement with the RACV. This business continued to perform strongly with gross written premiums up more than 8% bolstered by new product initiatives and rate and volume increases.

This was a good result and demonstrates the strength of our product offering in a market that remains very competitive.

Our CGU business made further progress in restoring the underlying performance and reported an improved insurance margin of 6.6%. These positive results were achieved despite the adverse impact of severe weather events - in particular the storms in Melbourne and Perth - which led to almost 75,000 claims and a net cost to the Group of AUD210 million. The gross cost was far greater however the Group's exposure was limited due to our extensive reinsurance program.

Once again today I'd like to publicly acknowledge the exceptional dedication and commitment of our people to helping our customers in the wake of these catastrophic events. I don't underestimate for one moment the challenge of responding to two of the country's most damaging storms in as many weeks, particularly as they occurred around the time of two tropical cyclones also hitting Australia - cyclones Olga and Ului - which also left a trail of damage to customers' property.

Across the Tasman our New Zealand business showed improved performance achieving an insurance margin of 14.7% which is considerably better than the break-even position last year. This was achieved through improved pricing, underwriting, risk selection and cost management combined with the particularly benign weather conditions in New Zealand.

Of course, in New Zealand our team is currently supporting our customers affected by the devastating earthquake which struck Christchurch last month - and I'll talk more about that in a few moments.

Turning to Asia I am very pleased with the performance of our operations there. Our established businesses in Thailand and Malaysia delivered strong operational performances that exceeded their respective markets. In India, our newly formed joint venture with the State Bank of India - and that company we're referring to is SBI General - started selling its first policies towards the end of our financial year and we're very excited about the growth potential for this business which we believe will show growth over decades to come.

Our key priorities in Asia are to focus on the full launch of our SBI General business and to continue to progress appropriate investment opportunities in China and other emerging markets. In the meantime we expect our established businesses to continue to perform strongly.



The result of our businesses in the United Kingdom was disappointing. This business recorded a substantial loss in the second half of our financial year following a decision to materially strengthen reserves in response to significant deterioration in bodily injury claims experience. This led to a one-off charge of AUD367 million, the bulk of which relates to claim reserve strengthening.

While this performance was far from satisfactory, the important thing I think is what we're doing about it. In June we announced a program of remedial actions which is well underway, all aimed at assisting this business to return to profitability. We're putting through rate increases in most classes of business. We're exiting unprofitable broker relationships with over 8% of our 2900 relationships already cancelled. We've ceased accepting certain external aggregator-sourced business and we no longer write private car or van business with the four largest aggregator brokers in the United Kingdom - and we have a new CEO in place to lead this business.

Whilst we're extremely disappointed with the events in the UK, we are confident that the remedial actions that we have taken will help to restore satisfactory profitability for that business over the longer term.

Despite the adverse events in the second half, particularly in the UK, the Group has delivered a very pleasing and sustainable underwriting performance improvement driven by the businesses in our home territories of Australia and New Zealand.

If I can turn now to our capital, dividends and investment position. As Brian said, IAG's financial position is very strong. At 30 June 2010 the Group held a level of capital which is 1.92 times the minimum required by our industry regulator. Whilst this remains well above our long-term internal benchmark we believe that at the present time it's prudent for the Group to retain a strong capital position and we think that that's the case for the short to medium-term.

The Group's very strong AA minus ratings on its core operating entities have all been reaffirmed by Standard and Poor's. But as mentioned by our Chairman, the final dividend paid earlier this month brought the full year dividend to AUD0.13 per share which was up 30% on that which was paid in the 2009 financial year.

Our investment portfolio - which had funds of around AUD11.7 billion at 30 June 2010 - achieved a sound investment performance during the year. We continue to take a very conservative investment position with nearly 90% of our total investments in either fixed interest or cash and the balance held in growth assets such as equities.

While our technical reserves remain almost fully invested in fixed interest and cash, we have gradually increased the exposure of our shareholders funds to growth assets as equity market returns have improved.

The investment income earned on our technical reserves was down on last year with much of this decrease due to interest rate movements which delivered significant capital gains in the 2009 financial year.

Our shareholders funds investments generated a pleasing profit of AUD96 million compared to a loss of AUD39 million last year, reflecting improved equity market returns.

If we can now move away a little from the financial measures - and as Brian said, we consider our non-financial and sustainability performance equally as important as our financial performance as it measures the ability of our organization to continue delivering returns over the longer term.

Full details of how we've performed can be accessed on our website, however I have highlighted in this slide some of the key indicators. Employee engagement across the Group was high at 80% although not quite as high as last year. Engagement continues to exceed the benchmark for global financial services companies as measured by our survey provider. For me this is a particularly pleasing result given our employees have undergone a period of significant change as we have implemented our refined strategy across IAG.

Customer attention across our Australian and New Zealand businesses remained high during the year and the satisfaction score amongst our customers in our largest business - Australia Direct Insurance - was in line with the previous year at 84%.

As an insurer we've got a role to play in identifying and mitigating risk in the community so our proactive involvement is important. We continue to invest in our communities through long-term initiatives including our Community Grants Program, our partnerships with Mission Australia and Farmsafe. We also actively encourage our employees to spend time voluntarily to support community initiatives and in New Zealand for example we supported our employees to volunteer the equivalent of 621 days in the community.



From an environmental perspective I am pleased to report that we have again reduced the Group's CO2 emissions, all supporting our goal to become carbon neutral by 2012.

Now turning to our outlook and to the future. I am very pleased to report that the first few months of our 2011 financial year has seen the Group perform solidly. This has been driven by the businesses in our home territories of Australia and New Zealand with continuing strong performances in all of our activities. This result has been achieved despite significant natural peril activity during the first quarter.

In Australia last month severe and widespread storms and flooding affected South East Australia and our businesses have managed around 6500 related claims. And in New Zealand a powerful earthquake struck Christchurch and the surrounding area last month, causing extensive damage to homes and buildings, many of which collapsed, and critical infrastructure was impaired including roads, power and water system. Our people have been working around the clock responding to the more than 7000 related claims that we've currently had.

Separately, a severe snow storm hit the southernmost point of the South Island of New Zealand, in fact the storm so severe that the weight of the snow caused the roof of the Invercargill Stadium to collapse.

I'm extremely proud of the commitment shown by our people in providing customers assistance during these difficult circumstances and certainly in a number of cases often our people ignoring their own difficulties in the process of helping our customers.

From a financial perspective, the cost of these events in both Australia and New Zealand will be covered by our reinsurance arrangements. This once again demonstrates the importance of having a robust reinsurance program to manage the financial volatility of these types of events. As you can see, IAG practices what it preaches in saying that everyone needs to have adequate insurance cover.

In the UK during the first quarter we have focused on implementing our remedial action plan to help restore this business to profitability and I'm pleased with the progress made under the leadership of Ian Foy. In Asia we have made great progress with our new Indian joint venture as well as exploring other potential growth opportunities.

The pleasing results of the Group in the first quarter of the year give us confidence that our full year's performance will improve and as a result we today reiterate our insurance margin guidance for the 2011 financial year, which is that we'll produce an insurance margin of between 10.5% and 12.5%.

Our guidance for underlying gross written premium growth is also unchanged at between 3% and 5%.

As usual, this guidance is subject to the caveats which are listed on this slide and those caveats are normal for our industry.

As Brian said, the 2011 financial year will be the third year of our turnaround strategy which we announced in July of 2008 and I'm very encouraged by the progress that we made, but I know that we can do better.

We remain focused on the priorities that we set out in that strategy in 2008. Firstly, to deliver a strong performance in our home markets of Australia and New Zealand. Our results for the past year provide clear evidence that we've made great progress on this front and we're confident that we've achieved sustainable improvements.

Second was to pursue selective general insurance growth opportunities and here we've also made good progress in growing our presence in targeted Asian markets. In particular, our new joint venture in India is to be mentioned here and we continue to pursue other niche opportunities which will incrementally drive value across our business portfolio.

And our third plank was to drive operational performance and accountability right across our Group. The Group's renewed focus on return on risk-based capital has improved the rigor around how we manage our portfolio and we've invested significantly in programs to build capability and better aligned individual performance to the Group's goal.

We're determined to stay the course that we've set and we're confident that we'll improve shareholder value in the coming years. At the same time we are looking to the next phase of our strategy for long-term growth and performance.

Ladies and gentlemen, in conclusion, despite the adverse events of the second half, and particular the set back in the UK the group delivered a sustainable underwriting performance improvement driven by the businesses in our home territories of Australia and New Zealand. I am confident that IAG will improve its performance in the 2011 financial year.

I'd like to thank all of the people right across our organization for their significant dedication and contribution during the year and I'd like to thank all of you, our shareholders, for the ongoing support that you have shown to us. I will now hand the meeting back to Brian. Thank you very much.

---

**Brian Schwartz - Insurance Australia Group - Chairman**

Thank you, Mike. There are five items of business before the company's annual general meeting this morning and these are set out in the notice of meeting. Four of these require ordinary resolutions to be voted upon. The only items of business to come before the meeting today will be those specified in the notice of meeting. No notice of other business have been validly or duly given by shareholders pursuant to the Corporations Act.

I will not consent to other direction 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 such a matter must be given to all shareholders so that they may decide whether to attend the meeting or how they might vote their shares in light of the proposed business of the meeting. In accordance with the provisions of the Corporations Act I will ensure that shareholders here today will have a reasonable opportunity to ask questions about, and to make comments on, the management of the company and to ask questions of the auditors represented at today's meeting.

These questions to the auditor are limited to the matters specified in the Corporations Act. I 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 during the meeting. I would ask that speakers restrict themselves to no more than two questions or comments at any one appearance at the microphone.

I should 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 issues of this kind please raise them with the staff at the information desk that has been set up in the foyer to assist you with these sorts of matters.

There are two microphones stationed in the auditorium. Anyone wishing to speak should, when advised that the floor is open for questions, move to one of the microphones and take their turn in the queue. Only shareholders, corporate representatives and proxy holders are entitled to speak on the business before the meeting. That is, persons who are issued with a keypad and data card on red non-vote or red non-voting card when registering for this AGM.

Please show your keypad or red non-voting cards to the microphone attendant to establish that you're entitled to speak. I remind speakers that I may give priority to a person who wishes to address the meeting for the first time over a person who has already spoken. A speaker wishing to speak more than once may line up for another turn. I will generally take comments and questions from each microphone in rotation. When you are next in the queue the attendant at that microphone will introduce you.

Before we move to the business of the meeting I confirm that the minutes of the last annual general meeting of shareholders held on 10 November 2009 have been approved and signed by the chairman of that meeting. In accordance with the provisions of the Corporations Act copies of the minutes are available for shareholder inspection at the information desk in the foyer and were previously published on IAG's website.

The notice convening this meeting has been sent to all shareholders. Shareholders have also had the opportunity to view the notice on the company's website. Unless there are objections I propose to proceed on the basis that the notice is taken as having been read to the meeting. As there are no objections the notice of meeting is taken to have been read. We will now move to the first item of business which does not require the use of keypad technology.

Insurance Australia Group Limited financial statements for the year ended 30 June 2010, the director's statement and report and the auditor's report on the financial statements are before the meeting. A copy of those statements and reports were published in the annual report and together with IAG's 2010 annual review were sent to those shareholders requesting copies. It was also available on the company's website.

The purpose of this agenda item is to provide an opportunity for shareholders to ask questions and make comments about the company's performance, operations and management. The company's auditor is KPMG and is represented at the meeting today by Mr Brian Greig who is seated in the front row. Brian will be available to respond to questions relevant to the conduct of the audit of the company's financial statements, the preparation and content of the auditor's report, the 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.



In accordance with the Corporations Act shareholders were able to submit written questions to the auditor. No questions were received prior to today's meetings. All questions to Mr Greig should in the first instance be addressed to me as chairman and if appropriate I will request Mr Greig to address the meeting.

Now if anyone wishes to speak in relation to this item of business please make your way towards the microphone. So can we now please move to the questions or comments regarding the financial statements report? Bear in mind, please, for those that want to say something on remuneration we have a resolution on the remuneration report later in the meeting at which point I will make a few additional comments and you will have an opportunity to share your view on this topic. The floor is now open for questions on the financial statements.

---

**Unidentified Company Representative**

Chairman, I would like to introduce Mr Jack Tilburn.

---

**Jack Tilburn - Shareholder**

Thank you. Yes, well thank you, monitor. Mr Schwartz, Jack Tilburn. My name tag says Jack Tilburn, forensic corporate governance investigator. I never do drop that work regime because all my 33 companies, excepting one Leighton aren't performing at all well. This one is certainly not performing well. I am a very unhappy investor and if the share price ever gets past AUD3.87 which is in today's paper up to AUD4.30 or AUD4.40 or AUD4.50 I'll be selling down my large holding and getting out but I doubt that it will ever get to AUD4.50.

That's a negative. We all thank you for the so called half year dividend of AUD0.085 and the full year dividend of AUD0.045 but of course it's quite low. AUD0.045 ladies and gentlemen is pathetic and pitiful. Now there's two big questions that come, Mr Schwartz and I wrote a book which had in the book there is accounting problems, there is accountability problems galore and there is answerability problems. Well, it's very difficult to get any of those accounting, answerability and accountability done but let's give it a go.

Ladies and gentlemen, the first big push I have is of course looking at and analyzing the UK operations. Poor old Strong and poor old Archer certainly made big boo boos there but the other directors were also accountable and responsible. We've lost AUD360, AUD370 million in the UK. Of course any fool and idiot would know you should never have gone there. You stick to the knitting you know which is the home territories of Australia and New Zealand and you could go into Asia. Of course it's going to be bigger than Europe, I admit that, I think I know that.

Right, my remarks and comments on the UK explosions and they reached the scale of 10 out of 10, the deep analysis shows we've made huge mistakes and everybody knows, including two of my friends this morning, they said, Jack bring up the matter that if you had all this spare capital surplus it should have been returned to us. It should have been returned by capital return instead of wasting and squandering AUD400 million and more in the UK.

You know no more about motorcycles and bodily parts than Osama Bin Laden. These specialist entities, Mr Schwartz, appear stubbornly downward and should -- and self-drifting. Dirty secrets are over there which don't come back to Australia. The board is a failure on UK. UK appears the Achilles' heel, the wrong end of the pineapple for us, the wrong end of the Queensland pineapple.

Look what we're into, Equity Red Star, strengthen our reserves. Millions of dollars thrown away over bodily parts or some huge explosion. Number two, Equity Direct, broking business with car manufacturers. God almighty. Number three, Blue Team, motorcycle broking. Number four, ladies and gentlemen, Insurance Dialogue Limited, specialist household broker and number five, if that's not enough, Auto National, motor breakdown business and we lost AUD360, AUD370 million. Terrible, horrible, evil, wicked. You're a capitalist company supposed to be making profits and you do the reverse.

New Zealand made AUD132 million profit, not AUD370 million loss. Now the second big matter to hit you with, Mr Schwartz, I'd like to know more about the balance sheet, page 37. The balance sheet, ladies and gentlemen, assets and liabilities. Assets minus liabilities equals capital. I learn that a hundred years ago. Now the balance sheet is on page 37. All directors and chairmen keep talking about, we've got a good balance sheet. I don't think it is that very good at all. Then you were supposed to go to interest bearing liabilities. That's what I'm bearing down on, that's when I'm focusing. Most people want to know what their liabilities are when they've got a mortgage or a loan to a bloody bank like Westpac who will do you in on it and see note 23, page 84.



Now, Mr Schwartz, let me just get on to the balance sheet itself which I repeat is page 37 and I'd like to know our interest bearing liabilities. I'd like to know who in the hell we're owing money to and how many millions it is. I think it's AUD1.4 billion. AUD1450 million. So if you look at the balance sheet, ladies and gentlemen, on page 37 towards down the bottom those marvelous wonderful words which very few people know about, interesting bearing liabilities. You've got one column AUD600 million but the big column on the right AUD1450 million.

Then it says go to note 23. So I've got to bash note 23 and that's a very, very difficult one to find out about. Page 84. Thank you for listening, Mr Schwartz. Most chairmen don't listen these days. Now you look at page 84 and they tell you triumphantly or not so triumphantly about our liabilities. It's got a big heading for you, interest bearing liabilities. Of course we owe hundreds of millions of dollars to banks. We borrow far too much. As most companies do in Australia and they went down the gurgler, went down the sewer pipeline owing AUD4, AUD5, AUD6 billion, couldn't repay a penny.

Now I'll ask you especially about three lines down the bottom of the interest bearing liabilities. One is called subordinated term notes, only AUD183 million. Subordinated term notes again, New Zealand, AUD81 million and the third figure subordinated exchangeable term notes quite large, AUD277 million. Now if you add up those three figure, AUD183, AUD81 and AUD277 million it comes to a total of AUD541 million but down the bottom, just one centimeter below, as always you've got the total AUD1450 million.

Now could you explain all about the UK, which you didn't do when you addressed us and all about AUD1450 million liabilities as per page 84? That is a start. Thank you.

---

**Brian Schwartz - Insurance Australia Group - Chairman**

Thank you, Mr Tilburn and good to have you back having not had you here last year. I think there are two parts to your question. The first one on the UK perhaps I'll answer that and then ask Mike to answer the second one on liabilities. I think on the UK there's no doubt that it's not been a good performance and there's no doubt that the board accepts that and accepts responsibility and is firmly now in mode of fixing it. That's where we're at.

We're as disappointed as you are and remediation is where we're at in terms of the UK. What does remediation mean? We've appointed a new CEO, Ian Foy, who turned our New Zealand business around and is originally from the UK and we're comfortable that Ian and the team that he's developing will make some substantial change. They've already put through substantial rate increases.

We've exited some 230 broker relationships that were not profitable and we've strengthened our underwriting and actuarial reserves. So we've already done that and we've already begun to make quite substantial changes. So the remediation progress in the UK, accepting that lots needs to be corrected, is well in progress and we're hoping that the current year we've indicated, the first half we expect a small underwriting loss, the second half we expect to be better and then beyond that we expect the performance to improve.

So no resiling from what's happened in the UK but certainly well down the track in terms of getting it fixed. Mike, you may want to add to that or speak on the liability?

---

**Michael Wilkins - Insurance Australia Group - MD and CEO**

Thanks, Brian. I'll talk about our liability position and the AUD1.45 billion which is our debt. All of that debt counts as capital for both APRA purposes and for the purposes of Standard and Poors. The subordination is subordinated to the interests of our policyholders and to our other creditors. So it has capital like equivalence.

The total gearing ratio that we have as a group is 36%. So that AUD1.45 billion represents 36% of the overall capital base that we have as an organization and that's right in the middle of the target range for our gearing ratio that we have of between 30% and 40%. Our models indicate that that is where we optimize the long term returns for our shareholders. There's quite some detail shown on pages - not 84 but 85 and 86 that details the interest rates applicable to each of those particular classes of debt.

Mr Tilburn, the implication that we borrowed from Westpac they may very well be there but it's not that type of debt. It's actually subordinated debt held by both long term investments institutions as well as a number of individuals who have seen the financial strength of IAG and the fact that they believe that we're one, good for the money but two, that we will pay their interest on a due and prompt fashion.



So I've very comfortable with the AUD1.45 billion. I think it's quite appropriate for our group and represents an important part of the ongoing capital structure of our organization.

## QUESTION AND ANSWER

---

**Brian Schwartz - Insurance Australia Group - Chairman**

Thanks, Mike. Microphone one?

---

**Operator**

Chairman, I would like to introduce Mr Peter Starr.

---

**Brian Schwartz - Insurance Australia Group - Chairman**

Thank you.

---

**Peter Starr - Shareholder**

Good morning, ladies and gentlemen, fellow shareholders and institutional investors. Good morning, board. I'd just like to say that I had the opportunity to speak to the outgoing Chairman, Mr James Strong in August and I just wish to just make some comments, Mr Schwartz in relation to -- so they can be recorded that on the group of investors that I represent, we'd like to say that we're particularly pleased that the Board is in good shape thanks to the work that Mr Strong laid. We're very happy that you've succeeded. I think it's a great thing where a company can select a chairman from within its group is in a much better position than where you bring somebody from overseas and a good example of that is Telstra and look what happened to that.

Secondly, I think I've spoken about the UK business before. We all accept that it's a mess. At least now we're trying to do something about it. My question on that is would be how do you see, given where the dollar is and things, in the returns that are coming back into the company, do you see that there's going to be any ongoing things or synergies or benefits?

The other thing in relation to the New Zealand and the earthquake there, what will be the liability factor as far as - do you see, like often happens when you get a natural disaster, more people after that who aren't insured, do then decide to take insurance, so maybe you'd like to address some things on that. Thank you.

---

**Brian Schwartz - Insurance Australia Group - Chairman**

Thank you Mr Starr and thank you for your comments about Mr Strong on the board. I think we would agree that James has certainly left the board where we would like it to be and concur with you that he did a good job with that. So thank you for those comments.

In relation to the UK, I think where we're at - and Mike has indicated - we don't expect there to be any profit in the short term in the UK and remediation is really where we will be focused on in getting it right over the next year. Beyond that time and we've certainly seen some major movements going forward, we hopefully will then be in a position to make some further decisions as to what the best next step is for the UK, but comfortable with the remediation that's in place at the moment.

On New Zealand Insurance and Jacki Johnson's sitting in the front row here, having spent her first - in fact her total time as a new CEO of New Zealand getting to know the people of New Zealand and she was telling us this morning that certainly not quite stabilised yet in terms of the aftershocks and the impact on the community. I think I should let my comment on whether we will see an uptake in insurance, although my understanding is that that's generally what happens, Mike.



---

**Michael Wilkins - Insurance Australia Group - MD and CEO**

Thanks Brian. Just to firstly address the earthquake, it's quite catastrophic, a seven Richter scale earthquake. I actually went and had a look at the damage, but also wanted to make sure that our people in New Zealand were okay. I'd never been to an earthquake zone before. I've got to say the power and fury of it is something to behold. We've had 7000 claims, just to deal with the financial cost of it first, rather than the human cost. Our reinsurance program fully insulates us from the costs of this earthquake, so as I said during my presentation, we practise what we preach as well. But it is certainly quite a significant issue and our people are working very hard to help our customers to rebuild.

In terms of the take up of insurance, it's an interesting phenomenon that it seems to occur after all large natural disasters that we find that our new business sales improve. Not just into the region that's affected, but wider as publicity gets out. New Zealand is no exception to all of that, I think as people see the benefit of prudently protecting themselves against events of this sort and of course that's the business that we're in.

---

**Operator**

Chairman, I'd like to introduce Brian Gate.

---

**Brian Gate - Shareholder**

Good morning Mr Chairman. My question was about the Melbourne Perth storms and the tropical cyclones Olga and Ului. Due to global warming, my opinion is there would be more on the way, just look at the last two weekends' storms that have gone through, yet we seem to get the same refrain last year as this year, that there was actually surprise that there was actually storms that went through. Surely there must be a better way for funding for future events. Thank you.

---

**Brian Schwartz - Insurance Australia Group - Chairman**

We'd certainly agree with you that there is an increase in number of events and doing a range of things that Mike, you may want to cover.

---

**Michael Wilkins - Insurance Australia Group - MD and CEO**

Well firstly, just dealing with the ferocity of the storms in Melbourne and Perth, as I said during my presentation, they're the largest storms on record in the history of those cities, both of them from an industry perspective being about AUD1 billion each event. We anticipate and try to put into our pricing an expectation around what the cost of those types of storms are going to be. The reality is, we can't predict the weather all that much better than anyone else. So our allowances for that last year were AUD350 million. The actual cost to us of not just the Melbourne and Perth storms and the two cyclones, but all of our natural perils events last year was AUD460 million, so we were out by 110 in terms of our predictions.

We've continued to top up our expectations around what these things will cost us, so our allowance for the 2011 financial year has gone from AUD350 million to now AUD435 million, so that's built into the pricing and the only thing I can tell you is if we come in at exactly that number it will be an absolute fluke, but that's the way it is.

In terms of being able to provision in advance of these things, we're not allowed to do that from a taxation point of view. Once upon a time insurers used to be able to have fluctuation reserves that they could smooth their way through that. The taxation authorities don't allow us to do that any longer. But otherwise, yes, that would make it a lot easier. However, we have tried to anticipate the - our expectation of perils costs, but it's an inexact science.

---

**Cecelia - Shareholder**

I'm Cecelia and I'm a shareholder and I'm very passionate that this world should start to be more predictable and therefore we have to control global warming with every means possible by renewable energies and take the wisdom in certain instances of our Aboriginal friends who even, with the way of stopping suddenly the basin, the Murray Darling Basin, they have a lot of --



---

**Unidentified Participant**

(Inaudible).

---

**Cecelia - Shareholder**

I won't, because I'm speaking.

---

**Brian Schwartz - Insurance Australia Group - Chairman**

Finish your question, thank you.

---

**Cecelia - Shareholder**

And there's another point that should be looked upon. Now I've been a customer of CGU and I was told, because I had a heritage building after that I wasn't covered. Well I just finished doing the whole rewiring of the house. It was better than new. I have since got an incredible builder and it's much better than new, even though it was built in 1817. So the quality of a house and how you look after it should be recognised in your insurance.

---

**Brian Schwartz - Insurance Australia Group - Chairman**

Thank you. Thank you, Cecelia. I think be assured that we share your passion for the environment. We spend an awful lot of time focusing on it and understanding it. We wish that it could be predictable, but sadly it's anything but predictable. In terms of the specifics, Mike, do you want to add anything or should we deal with that outside of this forum?

---

**Michael Wilkins - Insurance Australia Group - MD and CEO**

I think in terms of the specific question we'll deal with that outside of this forum rather than here.

---

**Operator**

Chairman, I would like to introduce Mr Richard Wilkin.

---

**Richard Wilkin - Shareholder**

Thank you very much Chairman. I've got two questions. Perhaps I can ask the more straightforward one first and you can respond to that. We've heard today and in the annual report that we've had two years of quite strong improvement which is very welcome. Despite that, the cash ROE is still only 8.3% which is well down on your own target of around about 15%. I mean it looks almost totally unlikely that that 15% can be achieved in the current financial year, particularly given the guidance that you've mentioned. Do you believe that it might be a reasonable prospect for FY12 - now clearly I'm not asking you for a forecast, but is it something is just totally unreasonable within that timeframe or could it be contemplated?

---

**Brian Schwartz - Insurance Australia Group - Chairman**

Mike's given me a note and the note says that the insurance margin that he speaks about - if the insurance margin were in the range of 12% to 13%. That would translate to an ROE of 15%. So I think the answer to your question is that we've had terrific improvement in the current - last two years, particularly in our home markets in Australia and New Zealand, but as Mike indicated in his presentation, the UK really took the gloss off any result in the current year. I think now that we've plugged that, we've indicated in our guidance that we do believe it will be in that range of 10.5 to 12.5. So not, not a pipedream and certainly something that management is working towards.



---

**Richard Wilkin - Shareholder**

Thank you very much. The second question is perhaps a little bit more complex but --

---

**Brian Schwartz - Insurance Australia Group - Chairman**

That must be for Mike then.

---

**Richard Wilkin - Shareholder**

It follows the gentleman before speaking about planes levels, particularly for natural peril catastrophes and I guess perhaps the two observations that on the one hand the results of the last four years indicate there's been quite an aggressive release of technical reserves and I note that the investor pack says that you continue to expect to do that for several years to come, albeit at a lower rate.

Yet on the other hand, the results of the last four years indicate that natural peril costs have actually been on average - clearly very volatile - but on average probably at least 50% more than the amount that you've allowed for. Now I know that you are allowing considerably more for the current year and you've also got the benefit of substantial reinsurance cover at least until December which is going to take half the year. Given these sort of divergent effects of massive volatility but clearly an increasing trend on catastrophe costs with probably still over-conservative reserving on smaller claims, would it be prudent to perhaps take - not be so aggressive on releasing reserves from the smaller claim portfolio and invest all of that allowance into what unfortunately appears to be just an increasingly catastrophic trend on the big stuff?

---

**Brian Schwartz - Insurance Australia Group - Chairman**

Thank you.

---

**Michael Wilkins - Insurance Australia Group - MD and CEO**

I think there's two issues around all of this. Our reserve releases have been coming down over the past several years. I think if you go back probably five years ago, we were releasing something like AUD500 million per half. So the total release last year was some AUD230 million. I think in a well-running insurer, you can expect to have somewhere between 0.5% and 1% of your overall insurance margin coming from reserve releases. It just says we're a little conservative in how we set our claims expectations, so we try to manage our claims as efficiently as we can. So we think that they will be an ongoing feature.

In terms of being able to skew them into higher allowances, I mentioned earlier the taxation implications of being able to try to put smoothing reserves aside. The other thing is, they come from different classes of business, so it's not all actually the small claims classes. A number of them come from workers compensation and professional indemnity, public liability, those types of releases and as we see the experience coming through under accounting rules, we've of course got to release those. I realise it gives us some volatility in our results, but unfortunately we're kind of hamstrung with what we do with that.

However I think we've tried to indicate as best we can that yes we think reserve releases will decline over a period. However as I said, in a well-run insurer and I'd like to think that we're somewhere in there, reserve releases of between 0.5% and 1% of our insurance margin would be an ongoing feature and we clearly indicated that to the market.

---

**Richard Wilkin - Shareholder**

Thank you.

---

**Operator**

Chairman, I would like to introduce Mr Austin Gabriel.

---

**Austin Gabriel - Shareholder**

Mr Chairman, much of my thunder has been stolen by the two speakers prior to me on the UK. The UK, notwithstanding your optimism of turning the business around, the UK has always been a drain and never again as far as Australian insurers are concerned. Your predecessor bid several billions of dollars to purchase two motor insurance companies and I can't see why you continue with that business. Sell it, get rid of it, because companies prior to being part of your group and they operated individually, lost money. It's a graveyard for Australian insurers and the saying in the UK is, when they say the Aussies are coming, get ready to clean them out.

---

**Brian Schwartz - Insurance Australia Group - Chairman**

Thank you Mr Gabriel. I will give you an answer as you leave. I think it's fair to say that again, we do recognise the UK and the issues in the UK. We don't think that now would be a good time to exit the UK given the state of the market in the UK. So there is no doubt that we understand the point that you make. We believe that the best thing we can do with that business now is to remediate it and to return it to profitability and then reassess it when the market turns and where the time is right. But thank you for your question.

---

**Operator**

Chairman I'd like to introduce Mr Reginald Lobb.

---

**Reginald Lobb - Shareholder**

Mr Chairman, I think most advisors indicate that investors need to know about the business they're investing in. I was therefore very surprised last year at the NRMA members' meeting to hear the first questioner in this meeting, Mr Tilburn, to get up and berate the chairman and directors of that organisation for the premiums of his NRMA insurance policies, which are of course policies that this organisation has and to where he ought to have been directing his questions. I'm thankful for Mr Tilburn's forensic examination of accounts. Though I thought he would know who assured him, under the NRMA insurance. I couldn't stand it any longer and called a point of order, which the chairman accepted.

I'd like to thank you, Mr Chairman, and the other directors for your work in trying to stop the greedy fingers of David Tweed and his ilk. I have nothing but contempt for that individual and the type of people he - well it's the thought of things he turns people he employs into.

I would like to ask Mr Chairman - well firstly, let me say I am satisfied with the performance of this company. It should still be a mutual. So I'm satisfied with any premium I get. But of course, my - any dividend I get, I should have said, because dividends only increase premiums. Will this board continue to resist takeover offers from larger insurers? Thank you.

---

**Brian Schwartz - Insurance Australia Group - Chairman**

Thank you, Mr Long. I think I should clarify that we have not resisted any takeovers from larger insurers in recent time. There was, some two, three years ago, discussion that was held with QBE. But that went nowhere and indeed there are no such discussions today, nor has anybody else come and sought such discussions. So just to clarify, I think what we can do as a board is continue to do best what we are doing and to make sure that we have the right team and the right management in place and that the business is positioned and moving forward as well as it can. And we do believe that we now have that in place. Thank you.

---

**Operator**

Chairman, I would like to introduce Roy [Norberry].

---

**Roy Norberry - Shareholder**

Thank you, Mr Chairman. I'm glad to see that we don't have any bowties on the podium. And I'm sure that, with a name like Schwartz, we're in good hands.



---

**Brian Schwartz - Insurance Australia Group - Chairman**

Thank you.

---

**Roy Norberry - Shareholder**

One comment or one question I'd like to ask. I'm not able, I don't have the intestinal fortitude to go through the full minutes and all the financials, as Mr Tilburn and others. But I did note that, over the last few years, that your major shareholders, which are Blackrock Investments, formerly Barclay's Bank, have divested themselves of holdings from about 6 to 5 at 1%, which is still substantial. There's two of them. There's CBA. My question is, in the UK, at the moment where we're doing so well - well, depending on which way you analyse things - who do we bank with? Who is helping us in that maze of the Old Dart? Because we don't want to be putting - we don't want to be insuring properties in places like Hillsborough in Johannesburg, do we, Mr Schwartz? Could we - do we know what our connection - what is our banking connection in the UK, remember that Barclay's, formerly Barclay's - do we bank with Barclay's?

---

**Michael Wilkins - Insurance Australia Group - MD and CEO**

No, we do not bank with Barclay's in the UK.

---

**Roy Norberry - Shareholder**

Thank you.

---

**Brian Schwartz - Insurance Australia Group - Chairman**

Microphone one.

---

**Operator**

Chairman, I would like to introduce Mr Ken [Dyer].

---

**Ken Dyer - Shareholder**

Good morning, Mr Chairman, good morning board, good morning shareholders. I've listened to this annual general meeting with interest. And I'd like to just comment on the fact there seems to be synergy between the Australian Cricket Team and IAG. Our team went to England and returned with their tails between their legs. We have done the same. Now I draw your attention to the fact that they've been to the subcontinent and they did not win a game. Now I would really like some information on what you are planning in India. I think too many Australian companies dash off with this pot of gold at the end of the rainbow mentality and then come back skint. So please can you enlighten me what do you intend to do in India and what do you intend to do in Asia? And what risk management you have and what your strategy is? And I would like to know, at the next annual general meeting, the consequences of those actions. Thank you.

---

**Brian Schwartz - Insurance Australia Group - Chairman**

Thank you. I enjoy your analogies. Hopefully they won't follow through. In India, as you would have read, our partner is The State Bank of India, which is the largest bank in India. And it's fair to say that we've taken a very cautious approach, as have they. We're working very, very cautiously towards - we've written a few policies, but we're certainly not rushing it. And we think that we've chosen, in The State Bank of India, the kind of partner who really adds something to the market that clearly we can't do. We can add insurance skills, but not the market facing skills, the customer skills. So we own I think 25% --

---

**Michael Wilkins - Insurance Australia Group - MD and CEO**



26.

---

**Brian Schwartz - Insurance Australia Group - Chairman**

26% of that JV. So they have a real stake and a real interest in making it work as well. I think it's also fair to say that we've learnt a lot from our expansion over the earth, all over the world, and we are now beginning to implement some of those learnings into our new ventures, including in India.

And as for the rest of Asia, it certainly remains a focus. We have very good secure businesses in Thailand and Malaysia and we continue to look at China, again not rushing. (blank audio). We believe that there are very big opportunities and other insurers certainly are beginning to make some headway in China. But I think we've taken - we're focusing less on the very big play in China now and perhaps looking more at a regional play, A which would risk less capital and B give us an opportunity to get a feel for that market. Having said that, a regional play in China is still bigger than most countries in Europe and the rest of the world. So very cautiously, I think, is the answer to your question. And we won't be rushing into large acquisitions for the sake of growing. I think we've been there and done that.

---

**Ken Dyer - Shareholder**

Thank you, Mr Chairman. Thank you, Mr Chairman. I'm very pleased to hear that word, cautious.

---

**Brian Schwartz - Insurance Australia Group - Chairman**

Thank you.

---

**Operator**

Chairman, I would like to introduce Dr Pamela Grey.

---

**Pamela Grey - Shareholder**

Members of the board and members of the meeting, I am a doctor, not of medicine, but of law and technology. And I notice that you have an item on page 80 of a software development expenditure of costing AUD250 million. Now technology has reached a point where companies are able to reduce the costs of technology because of new virtual servers available now in what's known as cloud technology. And I just wonder if the board is aware that this is a major change about to descend and is particularly important in Australia and is regarded as important in Australia. I just wonder if you know about the cloud and if you have any plans about putting the company technology on the cloud.

While I'm talking, I might as well add another point I wanted to make today. And it's this, that women who have not been able to achieve equal pay even in senior appointments might in fact provide a method of increasing profits for the company. Because if you don't have to pay as much for a woman as you would for a man, then it would make sense to increase the number of women in senior positions.

---

**Brian Schwartz - Insurance Australia Group - Chairman**

Thank you. I think what I'd like to do is make that pay equal right across the business and still have the appropriate women in the organisation. But it's an interesting different view on it. But I do understand it. Thank you.

On cloud, I'm going to let Mike answer that. Having said that, Mike, this will surprise you to know I do know a little bit about cloud because my son-in-law is involved in it. But I'm not going to answer the question. Mike, who do you want to answer that question?

---

**Michael Wilkins - Insurance Australia Group - MD and CEO**



No, I think it's fine. The simple answer is yes we are aware of the cloud. I'm particularly proud of the people that we have in our technology area. Our executive team has had a number of presentations around the concept of the cloud and the prospects that that presents. Brian mentioned cautious in answer to the previous question and we are that, but we are also investigating it, as we do most technologies to understand the applicability.

My preference though is to be a fast follower, rather than to be at the very bleeding edge of some forms of technology. I acknowledge that the cloud is not quite that. But that's the overall philosophy that we tend to follow. But the simple answer to your question is yes we are aware of the cloud and are looking at it.

---

**Pamela Grey - Shareholder**

Thank you.

---

**Brian Schwartz - Insurance Australia Group - Chairman**

Thank you.

---

**Operator**

Chairman, I'd like to introduce Mr Peter Starr.

---

**Peter Starr - Shareholder**

Thank you, Mr Chairman. Just one other quick thing. Jack, just for your benefit, you weren't here last year, but I can assure you that Mr Strong's first point of business was to read your letter. Thank you.

---

**Brian Schwartz - Insurance Australia Group - Chairman**

I think Mr Tilburn's aware of that. Right. Question on microphone two.

---

**Operator**

I would like to reintroduce Jack Tilburn.

---

**Jack Tilburn - Shareholder**

Yes, thank you, Monitor, again. And through to you, Mr Schwartz, ladies and gentlemen, I have two questions I think here. I always note, on the front page of every annual report of my 33 companies, received Wednesday, 22 September, very good annual report, 8 marks out of 10. The printing, the publishing, the quickness, the promptness, the font size, typical font size, all very good. Well 8 out of 10 always means that there's room for improvement, to start with, Mr Schwartz.

Now one of the improvements I think is educating and training of 12,000 employees. It would be a pretty big job. But there's always failures with education and training. Somebody slips up. I wrote to you, two days after I received the annual report. I gave a few glowing reports about the contents, the font size, page numbers even, indexes. I never received a reply from you. Three weeks have gone by. So I don't know whether Mr Revell, the Secretary, is sitting on my wonderful letter or put it in the wastepaper bin, one or the other.

But I was trying to arrange, Mr Schwartz, a landlord's insurance on one of my very good home units in Dee Why. And I tried to get the girl interested in them. It was a sum of money called AUD276. But the quite depressing arrangement was later, paying through my credit card, Westpac unfortunately, Westpac visa card. The statement read - the statement, the bank card statement read NRMA, which I understand, but WAT, W-A-T, I never could understand. Nobody told me. And West Perth. Well I thought, goodness gracious me, here's a bit of a fraudulent scam on my Westpac visa card. So I asked them to cancel it and didn't go ahead.



I don't understand how NRMA, operating in Sydney, can do a communication that goes to West Perth. That's beyond me. Why did the girl transfer me from Sydney to Perth, 3000 miles away, to do a AUD276 landlord's insurance. I don't understand that. And I'm bringing it up because other people could also be confused and bewildered.

Now the other matter on corporate governance. Thank you. You've made a note on that and Mr Wilkins might try to reply. But I don't think he can answer a good solution. In the annual review on page 3. On page 3, it says under board renewal, 'The board expects to appoint another director before the end of 2010 calendar year.'

Well we've heard nothing from you and I hope we don't really, because so A question, is this a replacement for Mr Strong? B but the board has now six non-executive directors up there on the podium, one executive director with Mr Wilkins, a total of seven. So does the board really in virtual reality need another director? For doing what? I thought that you people there were trying to run IAG, very, very badly in the UK, in the United Kingdom of course. But I'm also in the AMP and I think they only have about eight directors, plus perhaps the executive director. Well really, why should the company be paying out another AUD150,000 for another director when I think you could be overpaid and underworked. Thank you.

---

**Brian Schwartz - Insurance Australia Group - Chairman**

Thank you. I know that Mr Revell would like to answer the first question. I'll answer the second one first because it's fresh. The answer is we did say we were looking for a replacement and indeed we are. We're well down the track on that process and certainly will be in a position to make an announcement before the end of the year.

The reason that we believe that we need to replace Mr Strong, which is what we're doing, is that what we did as part of this process of board renewal was do an audit almost of the skills that we have on the board and did an assessment of if there were any other skills that we'd like to add to the board. And we came up with a matrix and we've come up with some skills that we think we'd like to add. So the search at the moment is doing specifically that. So I think you'll find that the directors are kept pretty busy and I think that having one more to help us won't go amiss. But thank you for the comment.

Glenn, would you like to comment on our bank account in Perth?

---

**Glenn Revell - Insurance Australia Group - Company Secretary**

Well I can't comment on that, Chairman. But I can acknowledge that Mr Tilburn, we have your letter here, which I did pass to the chairman and also to the CEO. So it's very remiss of me not to acknowledge the receipt of your letter. I suppose my difficulty was that I was trying to see where the question was in there. There were three statements. But I found it very difficult to know how to respond to your letter. But in future we will acknowledge receipt of your letters, Sir.

---

**Brian Schwartz - Insurance Australia Group - Chairman**

Thank you, Glenn. Mike, do you want to talk about our Perth bank account?

---

**Michael Wilkins - Insurance Australia Group - MD and CEO**

Yes. Mr Tilburn, yes, I can answer that question actually. We process our accounts in a number of cases on a national basis. I mentioned during my presentation the various brands that we operate under NRMA Insurance, SGIO, SGIC. SGIO is Western Australian based. It just so happened that we processed your payment through the Western Australian branch. I don't know what time you may have actually made the call to take the insurance out, but there was no scam; so I hope the policy was actually issued, but I'm worried if you've now cancelled your Westpac credit card.

---

**Brian Schwartz - Insurance Australia Group - Chairman**

Thank you Mike.



---

**Operator**

Chairman, I would like to introduce Mr Ian Heylen.

---

**Ian Heylen - Shareholder**

Good morning shareholders. Good morning members of the Board. I am only a small shareholder. I enjoy coming to all these meetings. I am getting very educated, especially Mr Tilburn is entertaining us immensely and waking us up to a lot of problems. Business is hard. You are getting bashed by the taxpayer. You're getting bashed by the Taxation Department that wants all these super taxes on us investors that are investing for a return of between bank interest plus a little bit extra, which is fruit for the sideboard. The main thing I would like the Board to take on board; a few general comments I would like to make, which is possibly some of the investments outside Australia would possibly be reduced between 40 and no more than 50%.

I think the local people seem to have it pat, and unless we have that local knowledge we can be taken to the steam cleaners. Anyway, that aside, business is tough, and outside of Directors getting triple bypasses and heart murmurs and God knows what, good luck to them if they can survive with a cast iron constitution.

AMP, QBA. That's Queensland Bankers' Equity, the old name, when I was jackarooing many years ago. Now, they had a tilt, and IAG, we buffed it. Now it's up to the Board to sensibly strike a pose now where we can manage okay.

get four good, solid - including the people across the ditch in the land of the long white cloud, New Zealand. I think that we started to get the right idea, get into the home turf, and just modestly look at the overseas camp. I think we've got a good thing going locally.

why don't we start pinching some of the other insurance companies' ideas. No doubt you already have; but keep looking, and also pinch some of their good staff while they're not looking.

I thank you very much; and have a very good lunch and afternoon fellow shareholders. Thank you, members of the Board.

---

**Michael Wilkins - Insurance Australia Group - MD and CEO**

Thank you Mr Heylen. Thank you for your comments.

---

**Brian Schwartz - Insurance Australia Group - Chairman**

I think that we are about to have another question at microphone one.

---

**Brian Upton - Shareholder**

Sorry about that, but I've been just having a little think. It's a suggestion basically. I've been having trouble getting through to NRMA through their customer service, through the people in the branch, with a very simple suggestion. I've been trying to pay by direct debit. Now the only way that they will accept it is if I want to pay them a huge amount extra to pay it every quarter. I would simply like to pay it once a year in advance. I mean all the enlightened companies have been doing this for 15 years, 20 years, and every time I bring it up they always say yes, we'll pass it on, we'll pass it on. I've contacted customer service, contacted branches: nobody seems to want to agree.

Now, isn't that a simple thing? Couldn't you perhaps lean on the people in RMA to do something about it for us?

---

**Unidentified Participant**

I think we can ask the person that it will eventually get to: Mike?

---

**Brian Upton - Shareholder**

Well it doesn't get to you actually, apparently.

---

**Unidentified Participant**

It's there now. It's there now.

---

**Michael Wilkins - Insurance Australia Group - MD and CEO**

I've heard now. Could we get your details after the event so that we can talk specifically about this issue; but I will also take it up with our people around whether we can offer direct debits. We want to make sure that we can make it as easy as possible for customers to feel --

---

**Brian Upton - Shareholder**

What's the problem? I mean if all these other companies can do it; have been doing it for 15 or 20 years, then surely, if you can do it through NRMA and charge extra for it, you could make a simple solution without charging. I mean it's only a rip-off what you're doing, charging for it, anyway.

---

**Brian Schwartz - Insurance Australia Group - Chairman**

Andy Cornish is sitting in the front row, and I see he is suggesting that, probably, it is possible to be done. Andy, would you like to comment? Maybe if you take the microphone. There is one there.

---

**Andy Cornish - Direct Insurance - CEO**

Thanks very much Chairman. Yes, of course, I'll take your question outside of the room. It's my understanding is we can offer precisely the service you're looking for. So I would like to find out where your particular concern is coming from.

---

**Brian Upton - Shareholder**

Well, I would like to have the opportunity to pay it. I'm sure thousands of other people would too; because I mean there's a lot of disabled people and others that can't get to the branches.

---

**Brian Schwartz - Insurance Australia Group - Chairman**

Andy will certainly take it up with you.

---

**Brian Upton - Shareholder**

I don't want to labor the point, but I mean it's obvious. One other little thing came up, just of interest. I'm just wondering why the NRMA is promoting McDonalds? I've been given - the last couple of times I've turned up at the branch to pay accounts, they've been giving me these little dockets for McDonalds to say here's a two for one coffee. I'm thinking, well, yes, but who's that benefiting? It doesn't benefit me. I don't want a coffee from McDonalds anyway. Is this a forerunner of kind of getting two years premium, only pay one year or something; because I'm looking forward to that.

---

**Unidentified Participant**

I think coffee is about as far as it goes.



---

**Brian Upton - Shareholder**

Thank you.

---

**Brian Schwartz - Insurance Australia Group - Chairman**

Ladies and gentlemen, there did appear to be no more questions from the floor. I believe that shareholders have now had the opportunity to certainly ask questions on the financial statements and reports and management of the company. I'd now like to move to a discussion on the other agenda items.

As I indicated earlier, for those shareholders who are unable to remain for the whole meeting or for voting on the resolutions, voting may be completed manually on resolutions. As you leave the meeting return your key pad and data card, and register your voting intentions on the voting card, which will be available at a desk just outside the auditorium.

There have been a large number of votes cast directly and by proxy, and these shareholders here today are a small minority of the 860,000 members on the company's register. In addition, each share in the company carries the right to one vote, and the 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 each resolution. I believe this is the fairest way to proceed.

The returning officer, Mr Will Mongovius, has given me a report as to the result of the direct and proxy voting instructions received for each item of business, and I have accepted his recommendations as to admission and rejection of proxies and direct voting instructions, and made rulings accordingly.

The preliminary results of the direct voting proxies and votes from attendees at today's meeting for each resolution will be displayed on the screens at the close of the poll on each of the resolutions. Once the polls have been closed and the votes compiled, a report on the final results will be announced at the Australian Securities Exchange today. It will then be published on the company's web site, at [www.iag.com.au](http://www.iag.com.au) and at the company's registered office.

We will now turn to the resolutions one and two, which are election of directors. There are two candidates standing for Board positions. Ordinary resolutions one and two are set out in the notes to the meeting and relate to the re-election of two directors to the Board. I now propose to proceed to a discussion on each of the resolutions, one and two. These items of business will be discussed in succession and polls taken after each resolution for attendees to register their vote.

By now you will have had the opportunity to read the explanatory notes that accompany the notice of meeting. Those explanatory notes give a brief background and experience of each of these two candidates. I will invite each candidate to address the meeting in the order of the resolutions for re-election of directors set out in the notice of meeting. Shareholders will then be invited to speak to the resolutions.

So resolution one is that Anna Hynes be re-elected as a director. The text of resolution one is set out in the notice of meeting, and I now invite Anna to address the meeting.

---

**Anna Hynes - Insurance Australia Group - Director**

Thank you Brian, and good morning ladies and gentlemen. I've been a director of Insurance Australia Group since September 2007. Prior to this appointment I was a non-executive director of Promina Group Limited, which provided me with a solid base of insurance experience. As many of you would recall Promina was an insurance company with a very strong track record.

Prior to my life as a company director I had about 20 years' experience as an executive running businesses. Most of that experience was in general management and marketing roles, in financial services and consumer products companies. I spent most of my executive career at American Express, where I held a number of senior executive positions; most recently, country head of New Zealand.

During that time I built up a particular expertise running direct consumer businesses. I also learned about the importance of never taking your core businesses for granted, and continually rejuvenating them by listening to your customers, launching innovative new products and doing the basics better. I think that background has particular relevance for IAG.



I also have international experience. I'm an Australian, but spent 12 years living and working in the UK, Asia, USA and New Zealand. I therefore understand IAG's challenges, both at home and abroad.

On the education front I have an MBA from Harvard Business School, as well as a Bachelor of Science degree from the University of New South Wales. I am also currently an adjunct professor at the University of Technology, Sydney.

Chair of the Remuneration Committee at Country Road Limited.

During the period I have been on the IAG Board we have embarked on a turnaround strategy to rebuild IAG. Despite the disappointing developments in the UK there has been strong underlying improvements in the home markets, as Mike told you about earlier. I believe the company is now on a sound footing with the right team in place. I am keen to continue to work with my colleagues on the Board and executive team to enhance the performance of IAG and to deliver shareholder return to you. Thank you.

---

**Brian Schwartz - Insurance Australia Group - Chairman**

Thank you, Anna. If anyone wishes to speak in relation to this resolution please make your way towards the microphone. I understand there is a question at microphone two.

---

**Operator**

Chairman, I would like to re-introduce Jack Tilburn.

---

**Unidentified Audience Member**

Oh no.

---

**Jack Tilburn - Shareholder**

You'll get your cup of tea, don't worry. I'd like to bring up the matter of the election - re-election, sorry, re-election - a very big difference between the words re-election and election, ladies and gentlemen, but many companies get them mixed up.

This is the re-election because she's been there for three years. One thing I'd like to say is that she was embroiled with the entities, so-called entities, in the United Kingdom. I don't know that they're very specialist entities, but that's what the IAG tries to tell us; but she was involved in that matter. I don't think that that's a very great credit or compliment for her in this IAG company board.

The other matter I'd like to say, if that was all debits, this is a bit of a credit. She certainly hasn't got a string of other external directorships into which she ploughs her time and any skills and experience. Of course, then picks up large director remunerations of 100,000 to AUD180,000 per year.

On that, I'd like to say that is a credit. She may feel, at the age 51 - which is stated on the Annual Report, page 13 - that she doesn't want to venture into other external directorships. Well, for us, I think that's a credit, and she may have suitable time and satisfactory time to do her job for the IAG company. I'll leave it at that.

---

**Brian Schwartz - Insurance Australia Group - Chairman**

Thank you, Jack. I should just make it clear that whilst Anna's been on the Board for three years, she actually wasn't on the Board at the time that the UK acquisitions were made. Having said that, the Board as a whole works in resolving that issue, and I agree with all the other good things that you said. Thank you.

Is there another question on microphone two?



---

**Operator**

Chairman, I would like to introduce Miss Rowan Weir.

---

**Rowan Weir - Shareholder**

Thank you very much. Good morning, Chairman. I just wondered why you're not displaying yourselves on the Board. It is being recorded upstairs and we just can't see you clearly. I would have liked to be have been able to see what Anna Hynes looked like. I still can't. I've taken my glasses off. It would just be nice, I think, a common courtesy, if we could see you. Thank you.

---

**Brian Schwartz - Insurance Australia Group - Chairman**

Thank you for the comment. We'll certainly take that on board. Anna, you may want to stand up so that we can have another look. No, no, no, you don't have to. Thank you, Ms Weir.

There are no more questions from the floor. I now direct that the poll for resolution one be taken and that attendees register their voting intention by pressing the appropriate number on their key pad, as shown on the screen. So it's one for the resolution, two against the resolution, and three to abstain or withhold your vote.

Thank you ladies and gentlemen. Your votes have been added to direct and proxy votes received by the voting deadline, and the preliminary results of resolution one is now shown on the screen. Based on this preliminary result Anna Hynes has been unanimously, almost, re-elected. Congratulations Anna, well done. Thank you. That's a good result.

Resolution 2 is that Hugh Fletcher be re-elected as a Director. The text of Resolution 2 is set out on the Notice of Meeting. I now invite Hugh to address the meeting.

---

**Hugh Fletcher - Insurance Australia Group - Independent Non-executive Director**

Thank you, Brian, well good morning ladies and gentlemen. My name is Hugh Fletcher, I am a New Zealander where I had my primary and secondary education. At the University of Auckland I completed a conjoint Bachelor of Science and Bachelor of Commerce majoring in Mathematics and Economics. Then a Master of Commerce with Honours. I had two years at Stanford University in California doing an MBA, a Master of Business Administration.

Returning to New Zealand I worked for 35 years at Fletchers a firm founded by my grandfather 101 years ago. During my time Fletchers became a multinational company in pulp and paper, oil, gas and petrochemicals, forestry and building materials, with over AUD 10 billion of assets and 35,000 people around much of the world.

For 20 of those years I was Deputy CEO or CEO and our shareholders had an after-tax compound return of 14% per annum. While that record was pretty good, we made our fair share of bad decisions and had our fair share of poor outcomes. All boards and shareholders suffer this fate and that is not a sin.

What is a sin is not learning the lessons and insights from those experiences and thereby assisting better decision-making in the future. I think I bring to your IAG Board, a Board that is rich in experiences different learnings. One set of those of course is about successfully doing business in New Zealand, where I chair IAG's New Zealand Board.

In 2010, State and NZI are direct and broker businesses, produced about a sixth of IAG's insurance profit excluding the UK losses. I believe I have in the three years I have been on the IAG parent Board applied appropriate time and energy to IAG and if re-elected will continue to do so.

I enjoy the challenge of trying to assist your excellent CEO and his management team make good decisions and therefore hope you will re-elect me. Thank you.

---

**Brian Schwartz - Insurance Australia Group - Chairman**

Thank you, Hugh. If anyone wishes to speak in relation to this resolution please make your way towards the microphone queue. I understand there is a question from microphone 2, a busy microphone.

---

**Operator**

Yes, Mr Chairman, I would like to re-introduce Jack Tilburn.

---

**Brian Schwartz - Insurance Australia Group - Chairman**

Thank you.

---

**Jack Tilburn - Shareholder**

Thank you, Monitor again, and through you, Mr Schwartz, on the matter of the re-election of a Mr Hugh Fletcher. I've got just one important comment. I was so pleased to hear from the previous speaker here, Mr Ian Heyland, that he thought I was entertaining the soldiers, the ordinary shareholders and that's what I'm here for.

On this matter of Mr Hugh Fletcher, congratulations of course, Hugh, on your university degrees. I also have four, thank you from the University of Sydney. But my point of view, ladies and gentlemen is that I have attached to his appointments on other boards, one he's on the IAG Board. Two he's on the quite small Reserve Bank of Australia, oh the Reserve Bank of New Zealand, compared to the Reserve Bank of Australia of course, you'll accept that was a good joke.

Number three, he is on Fletcher Building Company, number four he turns up on Rubicon company. Number five he turns up on Vector. I know nothing about Rubicon or Vector and number five he's on the IAG New Zealand limited company. We can forget about the Counsellor (sic) of the University of Auckland thrown in.

My principle always, for the last 20, 30 years I've been attending AGMs this would be about number 465 AGMs, Mr Brian Schwartz. I've seen it all, done it all, but I'm here again to say that he's got too much on his plate, principle one. He's involved into many other external directorships. How in the hell he finds time to do the IAG directorship with the UK problems, nearly AUD400 million of losses is beyond me. Quite beyond me and that's the point that I'll be voting against his re-election.

He's got principle one, far too many external directorships, far too many forces and conflicts of interest on his plate and number three he couldn't do it all because no one is a super human being, not even myself. Thank you.

---

**Brian Schwartz - Insurance Australia Group - Chairman**

Thank you, Jack. Can I thank you. All right, thank you speaker. It won't surprise you to know that we actually have had some discussion on Hugh's workload and gone through it. Let me say a couple of things. One is Hugh makes a terrific contribution to the Board and certainly has enough time and never misses a meeting, so let me say that to start with. I know with the plans that he has going forward that some of those actually will probably when they come to an end not be renewed.

Certainly I think from our perspective he has the time and he gives us all the time that we need. Thank you. Microphone 1.

---

**Operator**

I'd like to re-introduce Mr Reginald Lobb.

---

**Brian Schwartz - Insurance Australia Group - Chairman**

Thank you.



---

**Reginald Lobb - Shareholder**

Could I just ask a question, Mr Chairman? Often on documents received by shareholders there's an indication as to where directors live, where they're located. Could I ask if Mr Fletcher is located in New Zealand? I have no problem at all with his re appointment and I will be voting for his re-appointment.

But as is common on many boards there are individuals who are resident outside of Australia and they make considerable contribution by virtue of their location. Thank you.

---

**Brian Schwartz - Insurance Australia Group - Chairman**

Thank you, and the answer to your question is, yes. He resides in New Zealand. Okay. This concludes the discussion on Resolution 2, as there are no more questions. I now direct that the poll for Resolution 2 be taken and that attendees register their voting intention by pressing the appropriate number on their keypad as shown on the screen.

So again it's 1 for the resolution, 2 against and 3 to abstain. I now declare the poll closed on Resolution 2. Thank you ladies and gentlemen, your votes have been added to the direct and proxy votes received by the voting deadline. The preliminary result of Resolution 2 is about to be shown on the screen. Based on the preliminary results, Hugh Fletcher has been re-elected to the Board. Congratulations, Hugh.

---

**Hugh Fletcher - Insurance Australia Group - Independent Non-executive Director**

Thank you.

---

**Brian Schwartz - Insurance Australia Group - Chairman**

Resolution 3 relates to the Remuneration Report. This resolution is to put to the meeting in accordance with the Corporations Act, the resolution is that the company's Remuneration Report for the financial year ended 30 June 2010 be adopted. Under the Corporations Act this vote is advisory only, meaning the results of the resolution will not bind the Directors of the company. The Remuneration Report is set out on pages 18 to 32 of the company's 2010 Annual Report and provides extensive disclosure of directors and executive remuneration.

A key consideration by IAG's Board in the development of our Remuneration approach has been to ensure that it is in step with community expectations and at the same time supports the Group's financial and strategic goals. While we are satisfied that our approach to remuneration supports these objectives, where modifications can be made to better align interests and drive performance we actively consider and implement them.

Tot hat end during the year the Board took the following actions. There were no fixed pay increases for executives for the 2010 financial year. There were no fee increases for directors for the 2010 financial year. In fact directors' fees have not been increased since 2007.

For the 2011 financial year a modest adjustment equal to CPI has been made. IAG's remuneration policies and the Charter of the Board's Remuneration Committee were reviewed and updated to ensure they comply with new regulatory requirements including APRA's prudential standards covering the governance of remuneration.

A shareholding policy for non-executive directors was introduced which requires us to hold IAG shares with a value approximately equal to our IAG Board fee within a three year period of joining the Board. This is designed to more closely align the interests of directors with those of shareholders.

An Employee Share Plan was introduced which allows eligible employees to purchase IAG shares using pre-tax salary contributions, once again providing a means to closely align the interests of our employees with our shareholders. As I mentioned during my opening remarks, short term incentives were reduced year-on-year for our Chief Executive Officer and many of our executives.

This is in line wit the Board's view that while there has been a strong improvement in our home territories the Group did not perform to the expectations that we held at the outset of the year. I should state however, that non-financial measures such as customer satisfaction and employee engagement are used in addition to pure financial measures to determine short term incentive outcomes.



Finally, our executives long term incentives are designed to reward performance over 3 to 5 years and can only be realised if the Group meets 2 very challenging performance hurdles based on return on equity and total shareholder return. If these hurdles are not achieved executives receive no value from their long term incentive allocation.

If they are met it means the Group must be substantially out-performing for the benefit of us all. In conclusion the Board, under the Committee now chaired by Yasmin Allen, will continue to strive to ensure IAG's remuneration practices remain in-step with community expectations and support our objectives to reward superior performance, to very importantly attract and retain high quality people, to strike a balance between rewarding short term and long term performance, and very importantly to align remuneration with the returns that you, as shareholders, receive.

Thank you ladies and gentlemen. If anyone wishes to speak in relation to this resolution, please make your way towards the microphone and I understand there is someone at microphone one.

---

**Operator**

Chairman I'd like to introduce Mr Michael Perry.

---

**Brian Schwartz - Insurance Australia Group - Chairman**

Thank you.

---

**Michael Perry - Australian Shareholders Association - Shareholder**

Good morning Chairman. I represent members of the Australian Shareholders Association. I'm carrying proxies for some 960 of your shareholders accounting for something over 2.5 million shares.

I do have several concerns about your remuneration arrangements and in fact I'm proposing to vote our proxies against them.

Can I just -- yes madam I'm sorry to tell you that but that is true and depending on Mr Schwartz's answer, I may of course change my mind. We shall see.

---

**Brian Schwartz - Insurance Australia Group - Chairman**

That's not fair. You know my answer already, we've discussed it.

---

**Michael Perry - Australian Shareholders Association - Shareholder**

I might have a new question Mr Schwartz.

---

**Brian Schwartz - Insurance Australia Group - Chairman**

Right.

---

**Michael Perry - Australian Shareholders Association - Shareholder**

Firstly, I don't need to remind the shareholders present that we've gone backwards very seriously over the past few years. I acknowledge that this year has been better than last; however go back a few years, look at the levels of dividends three and four years, five years ago and look at what we're getting now. I mean you know we've gone backwards very, very seriously.

I mean my belief -- and I think I speak for a lot of retail shareholders -- is that the base pay that you remunerate to your senior executives is pretty generous, even handsome. I acknowledge that it's been frozen, but I notice that you're still paying short term incentives. I know they're lower than



last year, but I mean I really don't understand how in bad times you can justify short term incentives. I just wonder if they haven't become an entrenched part of the basic remuneration package and I wonder if we would ever see a situation where an executive doesn't get a short term incentive unless he or she has actually lost their job during the year.

So that's a certain I have.

I also have concerns about your long term incentive --

---

**Brian Schwartz - Insurance Australia Group - Chairman**

Would it be helpful to answer the short term one first --

---

**Michael Perry - Australian Shareholders Association - Shareholder**

By all means.

---

**Brian Schwartz - Insurance Australia Group - Chairman**

-- and then we can do the long term ones.

---

**Michael Perry - Australian Shareholders Association - Shareholder**

Yes, yes.

---

**Brian Schwartz - Insurance Australia Group - Chairman**

Thank you and thank you Mr Perry. As I indicated, we have had discussions -- fulsome discussions and we certainly appreciate the thoughts and the input that you give us so thank you for that -- I think just to talk about the short term incentives and the observation was made why are we paying short term incentives if we're not making the kind of profit that we'd like to make. The answer is that in assessing short term performance we don't only assess financial performance, we must make sure that in rewarding and in assessing the performance of employees we look beyond financial. So what we do is we use a balanced scorecard and a balanced scorecard measures - it's balanced; it measures both financial and non-financial measures and 50% of any person's remuneration is based on the financial performance of the Company and it's fair to say that in the current year, if I take Mike on my left, he received nothing on that metrics because the Company didn't perform.

At the other side, the other 50% of the balanced scorecard, we look at all the other issues, at the softer issues if you may, but issues that build the Company in the long term and make it a sustainable long term viable business. It measures the way that that person, whoever's balanced scorecard it is, performs relative to customers, relative to people -- the way they treat our people, the way they treat our customers -- and a whole range of other measures; they may be environmental and they may be any number of measures.

So it is possible and should be that we need to recognise not just financial measures because of course we do compete in a much wider market and we always, as I said right at the beginning, want to make sure we can attract the right people.

So I do understand your point, but the balanced scorecard process and our short term incentive is designed not only to look at financial issues, but we think it's more important culturally to continue to broaden the scope of the short term incentive.

---

**Michael Perry - Australian Shareholders Association - Shareholder**

Thank you Chairman.

---

**Brian Schwartz - Insurance Australia Group - Chairman**



Thank you.

---

**Michael Perry - Australian Shareholders Association - Shareholder**

Let me just turn to the long term incentives now and I'll just read a bit from your annual report -- The strategic purpose of your long term incentive is firstly to align remuneration with longer term financial performance; secondly, it aligns remuneration with shareholders interests -- I'm using your words -- thirdly, retains high quality people.

Now as far as I can see, you're giving absolute prominence to the third of those points. I'm quite sure the arrangements are effective in retaining high quality people and we have no problems with the quality of your people, but I think the other two points -- the alignment with longer term financial performance and aligning remuneration with shareholders' interests -- frankly Chairman I think that's lip service only.

Let me just point out that as far as the long term is concerned, the long term incentives can vest after only three years. Well that is not long term by any stretch of the imagination and I would really ask if you're going to consider increasing that as some other companies are starting to do.

I'm also concerned that with the total shareholder remuneration component that that vests 50% on only middling performance which is not exceptional. I believe shareholders would support strongly you paying long term incentives for exceptional performance, but performance in the middle of your peer group is not exceptional and yet that starts to reap handsome rewards.

You're also basing the TSR, Total Shareholder Return component, upon relative performance; so in other words if you make a loss over the three years -- which unfortunately we would have thought that was unthinkable some years ago but maybe not so nowadays -- if you make a loss but it's not such a big loss as your peer group then the executives get rewarded and of course the shareholders still go backwards.

You're also allowing retesting of your long term incentives. If it doesn't vest in three years well you can roll it on to four years and five years. I understand the reasons you're doing that, but I think you're ignoring the fact that very often these incentives are granted in succeeding years; so in other words a single executive might have a whole bunch of incentives rolling at the same time and if you allow them to pick and choose the timing of the vesting, then they can actually bunch them together and I think there's an unreasonably large reward.

So all in all I really would ask you to look strongly at the structure of that incentive -- the long term incentive package.

Now having said that, there is one good bit that I would like to acknowledge which is that at least you've had the sense to move to twin hurdles and I think that's probably a step in the right direction, but please start looking at the other aspects that I've raised. Thank you.

---

**Brian Schwartz - Insurance Australia Group - Chairman**

Thank you. Thank you Mr Perry. There are a lot of issues that you raised. I'm not sure, I'll try and answer them all, but I'll certainly try and answer them in broad terms.

I think, as you know actually, we do spend a lot of time looking at our REM, both short and long term, and continue to look outside of our organisation to see if there are better ways to do it. As you say, the twin hurdle we think takes us some of the way there, although it comes with issues such as the one that you mentioned as to relative TSR, but I think when we get to relative TSR and we're at 50% and everybody else has made a loss, we're all in a spot of bother at that point in time, but understand the point that you make.

I think again the market at TSR and the measure at 50%, just to reiterate, what it actually does is if you get to 50% relative TSR you get 50% of that particular portion of entitlement which is actually only 25% of the total because there is a second measure on ROE, so it takes some time before you can get to earning your full entitlement there.

As for retesting and the issue on retesting, Mr Perry notes that it can be done in three years and people can pick and choose. The point though of the retesting is that it always starts from the base date from the very beginning, so if you've had a problem along the way at the end of your three, four or five, it will still pick up that bad period. The three years, we certainly continue to look at it, although it generally seems to be at market. I should also say on the retesting, the reason that we do allow the retesting the nature of the industry is much more volatile than perhaps more predictable industries, and so we feel that the retesting perhaps makes some allowance for that volatility.

So that's a range of answers. I don't know if there's any particular one that I haven't answered that you'd like me to try, other than to say we do continue to look at it and will do so.

---

**Michael Perry - Australian Shareholders Association - Shareholder**

I'm pleased to hear that Chairman because I shall keep on raising these issues I dare say. Thank you.

---

**Brian Schwartz - Insurance Australia Group - Chairman**

Thank you.

---

**Operator**

Chairman, I would like to introduce Mr Gregory Simone.

---

**Gregory Simone - Shareholder**

Gregory Simone, ordinary shareholder. Through Chairman Schwartz I draw your attention to your previous regarding page four of the explanatory notes under adoption of remuneration report, resolution three, second paragraph and I quote, The vote on the adoption of the remuneration report is advisory only and does not bind the directors or the company. I re-draw your attention to the productivity commission inquiry 19 December 2009 page XL under recommendation 15 and I quote, Where if the remuneration report received a no vote of 25% or more the directors who signed the directors report for that meeting stand for re-election at an extraordinary general meeting, re election resolution.

I put it through you, Mr Chairman, that you haven't involved resolution 15 not because IAG's current three year turn around remuneration strategy is underpinned by the loss of over a thousand full time jobs in direct insurance, over 500 full time jobs in Australian intermediated insurance, over 600 jobs in IAG New Zealand, over 1200 jobs in IAG United Kingdom, over 800 jobs in IAG Asia and over 50 jobs in the Buzz and not because IAG's remuneration strategic policy rewards executives that oversaw in the last two financial years 33 companies liquidated, leaving small and retail investors with AUD0.03 in the dollar, basically nothing.

But the real reason is that it's in IAG's best interest that eight IAG executives, Mr Hawkins, Ms Murphy, Mr Cornish, newly elected Mr Harmer, Mr Foy, Mr Breheny, Ms Johnson, all of whom have contributed to a modestly disappointing AUD181 million to AUD91 million profit down turn and then right down to AUD356 million in cash but will inevitably get AUD20,140,000 in incentives. Show your belief in this three year turnaround strategy and adopt resolution 15.

---

**Brian Schwartz - Insurance Australia Group - Chairman**

I'm not sure that I understood all of the question but what I do understand was your reference to the two strikes rule and it should be noted that the two strike rule doesn't yet apply. It hasn't yet been introduced into legislation and is still under discussion which is why we haven't yet adopted it but I think it is fair to say, and as our previous discussion with Mr Perry, we do take the feedback from our shareholders very seriously and we sit at the end of every year and we hear all the comments and we write them down and we say, okay what can we learn and what can we do better and as we've indicated in our reports each year we do make changes.

So I think it's a little unfair to suggest we don't hear them because we do and we do continue to make changes and will do so. Apparently there is a question from the roving microphone. I can't see where it is. It's at the back, right at the back. Thank you.

---

**Ollie Reinhold - Shareholder**

Can you hear me?

---

**Brian Schwartz - Insurance Australia Group - Chairman**

Yes, thank you.

---

**Ollie Reinhold - Shareholder**

Yes, my name is Ollie Reinhold. I've been a company director for a number of years, also a shareholder. In relation to this remuneration I'm actually very surprised to see not just this company but a lot of companies where the directors get huge rewards for no performance and as a company director I know for a fact that if we didn't perform well, we didn't get paid and I mean everybody should get paid for doing their job but on the other hand they shouldn't be rewarded if they don't perform. Now we as shareholder we don't get rewarded when the company doesn't perform, so I'm still surprised that they're saying well, you know, we should be rewarded for -- even though we didn't succeed in giving a good result.

I mean, that's what the job is all about. Nothing personally, just the fact that if a person's in a job to provide and perform a remuneration for the shareholders, well that should be what it's all about and then if they perform well perhaps then you can say, well that's fair enough, we should get something, a reward for it, like a bonus but if you don't perform one year or other then I think it should be reasonable to look at that individual year. Thank you.

---

**Brian Schwartz - Insurance Australia Group - Chairman**

Thank you. Thanks for your question, Mr Reinhold. I think the conventional wisdom at the moment is that director's remuneration should always be fixed rather than based on performance because that would motivate wrongly the performance of directors. I think I would want to point out though that this board over here hasn't for three years had any increase in directors fees and as Mr Fletcher said in his speech there are some years when the company will make some terrific decisions and do really well and some years not but I think on balance this board is remunerated in accordance with market, in accordance with a range of reviews that we've done and continue to do to make sure that we do stay within the parameters of the market and in the years when the company does very well and the shareholders do very well, so the board will continue just to earn a fixed salary. That's the nature of the appointment.

---

**Ollie Reinhold - Shareholder**

Okay. Thank you.

---

**Brian Schwartz - Insurance Australia Group - Chairman**

Thank you.

---

**Operator**

Chairman, I would like to reintroduce Mr Jack Tilburn.

---

**Jack Tilburn - Shareholder**

Yes, thank you again, monitor and through you, Mr Schwartz I'd like to compliment of course our representative from the Australian Shareholders Association, Mr Perry, who spoke so very strongly and was so focused and so analytical on short term incentives and long term incentives. Behind me there was another speaker very well prepared on the productivity commission and that this motion, number three, resolution number three, is only advisory.

I was always against that being advisory. I think we imported it from the United Kingdom. It's all wrong because it's too much power to the board of directors of the 1600 companies registered on the Australian Securities Exchange. It should not be advisory, it should be mandatory and compulsory. It gives them too much power. They can say too hell with the voting except if it's above 25% that the previous speaker was on to something very well but if it's under 25% to hell with it. What do the shareholders, the retail shareholders, know about our company and know about our remuneration?



Well, I think that's given you a punch on the chin. Let me continue my ideas on remuneration. Freezing of salaries of the directors and the key management personnel should have been done now for 2010-11. Of course who in the hell knows what the results are going to be for 2011, one year from today and what I didn't like, Mr Schwartz, which I must bring up -- nobody else did -- but very importantly I don't think Mr Wilkins displayed, gave us, a report on the last three months of the operations of our company.

I don't remember the slides going up. So that after the books were balanced, ladies and gentlemen, on 30 June there was the trading of 31 days in July, 31 days in August, 30 days in September, 92 days and I don't think we got 1% of what's gone on for the last three months of the operations and trading performance and results of IAG.

---

**Brian Schwartz - Insurance Australia Group - Chairman**

Jack, I'm sorry but that's not correct. In fact there were two slides on that that indicated that we're on track to deliver FY11 insurance margin of 10.5% to 12.5% and underlying GWP growth was 3% to 5% and that at this stage natural perils were in line. So he actually has re-confirmed the guidance that he gave.

---

**Jack Tilburn - Shareholder**

Yes, well thank you, Mr Schwartz, I don't know that the so-called media paper operations will pick up on all of that. They might but there's not much in what you've said but let me give one compliment. I believe that the idea of giving the employees AUD12,000, giving you a credit and a compliment for the initiative and the innovation of the employees share plan. Quote, allowing employees in Australia, New Zealand and the United Kingdom to purchase IAG shares using pre-tax - I don't know whether that's correct -- salary contributions with IAG contributing 10% discount off the price of the shares.

Very good. I will give you a compliment and the credit for that today. Now on the annual report, ladies and gentlemen, it's about 16 to 18 pages in the annual report, one of our Bibles of how this company is operating and page 18 quote -- and I've never understood this, I've never been taken in and sucked in by it -- all companies are supposed to align remuneration with shareholder interest.

Bunkum, it's convoluted baloney, as my good judge Judith Sheindlin would have said in America. I have never, ever been taken in or misconceived or deluded by this quote, this far fetched quote. It's a phrase. How the hell can some of these executives down here, key management personnel, nine minus Utley who resigned on 30 September, on AUD2 million to AUD4 million and some companies AUD6 million to AUD8 million, which is living on another planet be aligned with and equal to, and the same as ordinary shareholders here today?

It doesn't matter where you own 100 shares, Mr Schwartz, 1000 shares or 10,000 shares. One hundred shares is value AUD350. A thousand shares AUD3500 and 10,000 and I've got about 60,000, AUD35,000 value. They are atom sized amounts of money compared to our key management personnel on AUD2, AUD4, AUD4.5 million and I think -- I'm getting on to that -- Mr Wilkins is on AUD4.8 million a year so I don't think we should have freezing, we should have something cutting back because 2010 was no bloody good and I don't think 2011 is going to be any good either. We might accept and agree with the six plans and upgrades listed in detail called Key Remuneration Actions taken during the year but check out the evidence on this very, very hard and dismal IAG result.

Yes, we want innovations. Yes we want changes and most of these people here would agree a freeze should be done on the directors, on the key management personnel, eight or nine of them and on 12,000 employees. There're no free lunches for them. Page 27, may I just quote to help Mr Perry out? He was on the dismal failed results of the IAG company. I can tell you that in 2005 the crazy share price was AUD6. The crazy share price is AUD3.41 on 30 June. Half dividend paid 2005 AUD0.26. Now it's AUD0.13, half of what it was five years ago.

Earnings per share in 2005, AUD0.49, now a dismal, failed, pathetic, pitiful AUD0.04 - AUD0.049. It's there in the bible, page 27. Let me finish up Mr Schwartz because I'm very unhappy with this company and its results and its performances. Page 27 to be visited again in my investigation. I spent two hours on this remuneration report. I should have spent four to investigate a Mr Neil Utley, retired on 30 September 2010 who acquired a shareholding as at 30 June 2010 of course, a truly massive and gigantic shareholding of 1,408,000 shares.

Now if those shares were AUD3.50 each they would have cost him AUD5 million. I suppose he could afford it. He was getting AUD4 million or AUD5 million a year, the achievement of mandatory shareholding requirements of 582%. The board should have a royal commission into it. The board should cap no more than 50% or a 100% of the shares with your remuneration.



I added up the eight executives left after Utley left is an average of 33%. Now how in the hell should one man Utley get 582% of shares and the other key management personnel on average 33%?

---

**Brian Schwartz - Insurance Australia Group - Chairman**

Yeah, Jack --

---

**Jack Tilburn - Shareholder**

This enormous disparate or disparity demands and repeat, demands, a royal commission, an inquiry by the IAG directors. It should never go beyond 50% or 100%. Let me finish up ladies and gentlemen. Mr Wilkins gets AUD4,275,000. That's a salary of AUD85,500 a week. Look at him. Is he worth AUD85,500? No, no, no.

---

**Brian Schwartz - Insurance Australia Group - Chairman**

He's loving this.

---

**Jack Tilburn - Shareholder**

Mr Utley who retired gets AUD2,895,000. That's AUD58,000 a week for the failed UK entities; so much for his skill, enterprise and expertise. You should have been sacked earlier and both men are on the giant gravy train. They're all on the gravy train at our expense. We get nothing. Mr Perry was trying to point out, the other man was trying to point out, I'm trying to point out; things are bad. There're no free lunches. Everything is 50% less than what it was five years ago.

---

**Brian Schwartz - Insurance Australia Group - Chairman**

Thank you. Thank you Jack. I think we get the point.

---

**Jack Tilburn - Shareholder**

Yes, thank you Mr Schwartz.

---

**Brian Schwartz - Insurance Australia Group - Chairman**

Thank you very much.

---

**Jack Tilburn - Shareholder**

And you see that your directors' fees reduce by 50%.

---

**Brian Schwartz - Insurance Australia Group - Chairman**

There are far too many comments for me to answer. I should answer a couple though, not the least of which is Mr Wilkins' remuneration. You need to understand the presentation of Mr Wilkins' remuneration. His remuneration is actually AUD1.8 million plus a short term incentive [765]. There is then another AUD1.5 million or AUD1.6 million dollars which is share based which may or may not one day be earned if the hurdles that have been set actually are achieved.



If they are achieved then we all do well out of them. The problem is the accounting standards require us to show them in this way which is why, if you look at your page 28 that you've referenced a lot, there is a subtotal which is AUD2.6 million and then there are share based incentives which get it up to the AUD4.3 million.

So I think it is worth making that point. As for Mr Utley and his shareholdings, his shareholdings have nothing to do with what he earns. Mr Utley's shareholdings actually arise because of a transaction at the time that we acquired the company and he obtained part of his payment for the acquisition in shares. So unrelated to his income or to what anybody else owns.

I think I would also perhaps just like to comment on the two strikes again just so to clarify. The Government has accepted, as I understand the recommendation on two strikes and going forward, if the board has two strikes against it on REM report then there will be actions which would include I think the board being --

---

**Unidentified Speaker**

Spilled.

---

**Brian Schwartz - Insurance Australia Group - Chairman**

Spilled for re-election.

I think the only other point I'd like to comment on is alignment of the management team and of course that's alignment of performance. It's not alignment of dollars at the end of the day so what we like to do - and I spoke about our balance scorecard at some length - is to make sure that what it is that we're trying to achieve - we don't always get there, there'll be years when we do better and years that we won't - is to align their performance that it is looking to achieve long term benefits which are the same things that shareholders want to achieve. I think there is one more question over there and then hopefully we can vote after that.

---

**Operator**

Chairman, I'd like to reintroduce Mr Richard Wilkin.

---

**Brian Schwartz - Insurance Australia Group - Chairman**

Thank you.

---

**Richard Wilkin - Shareholder**

Thank you and quite a lot of what I was going to say has been already covered by Mr Perry and I'm perhaps in the rare position of actually agreeing with something that Mr Tilburn said that I'm pleased to hear that the directors' fees haven't been increased for three-and-a-half years but I still feel even at current rates that for the size of the company they are perhaps a little bit on the high side and with no disrespect to yourself sir because I know this came from Mr Strong's regime, that the multiples that the chair enjoys is perhaps abnormally high by comparison with other companies.

A point I made a couple of years ago that the chair's salary is on the level of the Chairman of Westpac which is a company considerably more complex and five times the market cap so I would hope that the board would consider exercising further restraint on board fees in future. On the question of short term incentives there's a point that you've no doubt heard many times but I think it's worth repeating, that the key executives mentioned in the REM report are all on base pay of well over AUD500,000 a year, considerably more in some cases and I think for the top 10 executives of the company that their job should be expected to be to produce excellent results on all of the criteria of the balance scorecard. At least for all the things that are under their responsibility.

Therefore I've got no problem with no long term incentives but I really think that this whole concept of the three part remuneration, the fixed, the short term and the long term has unfortunately just become so entrenched in the Australian psyche that it would be well to sort of think about less

on the short term and if you really feel that a salary of AUD1 million, fixed salary isn't enough then shift it much more to the long term and get away from the short term stuff.

Because as I say, really coming to work every day over a period of a year the executives should really be sort of 100% focused on not just satisfactory performance but excellent - and finally just a question. How many people actually belong to the LTI system as set out in the REM report? Is it only the dozen or so people who are named or is it a wider group of people?

---

**Brian Schwartz - Insurance Australia Group - Chairman**

Thanks. I'm told the answer to the last part of your question is the top 100 have access to the LTI plan. To answer your other questions and thank you, they are issues that we debate, looking on page 29 there is a table which talks about remuneration mix and I think it's fair to say that Mike and the team have actually quite consciously skewered it to risk based income.

So if I look at all the top executives, all of them - almost all of them - have at risk about 55% of their remuneration precisely for the reasons that you're seeking to address. I think it's fair to say on the STIs and on the board REM, we go each year to the market to try and get an understanding of what the market is because at the end of the day that's where we have to compete.

I think your point - I mean whatever these people earn they are always going to give their absolute best at the end of the day and what we're trying to do is incentivise them because they do work extraordinary hours to get there and it doesn't always achieve. So I think what we're doing is matching the market and I think we have to match the market because unless we have great people, which we do, we'll fall behind. So that's the objective and we do each year go outside and get external assessment of the levels of remuneration.

---

**Richard Wilkin - Shareholder**

Thank you very much. I think I just have to say that I guess many of the people on this side of the floor would have a philosophical difference of opinion. I mean I fully respect and understand your point but I think we feel that once you get to AUD1 million a year that should really just be enough.

---

**Brian Schwartz - Insurance Australia Group - Chairman**

Thank you sir.

---

**Richard Wilkin - Shareholder**

Thank you.

---

**Operator**

Chairman, I would like to reintroduce Mr Roy Norberry.

(Inaudible question - microphone inaccessible)

---

**Brian Schwartz - Insurance Australia Group - Chairman**

You can, you can vote upstairs. At the door, if you give them your card they will --

---

**Unidentified Speaker**

(Inaudible)



---

**Brian Schwartz - Insurance Australia Group - Chairman**

Yeah, that's fine. Thank you for joining us. Thank you.

---

**Roy Norberry - Shareholder**

Yes Mr Chairman and ladies and gentlemen and fellow directors. I wish that I could have the passion of Jack Tilburn but I just want to point out that we should never lose the point in fact that IAG is in the business of Nostradamus and that we have the seven horsemen of the apocalypse and it's not an easy one and crudely speaking they say that if you pay peanuts you may acquire monkeys.

We definitely need, in this day and age, in the insurance industry, somebody who knows - well, like a bookmaker - that there's going to be something in the bag at the end of the year.

So all I can say is that as a suffering shareholder, I try not to lose sight of the fact that where as far as the sermon on the mount's concerned, it's not the bread and the loaves and fishes - I wish that like Metcash, that now with Mr Schwartz aboard I'm sure that we'll handle those Horsemen of the Apocalypse - and we look forward to next year. Thank you.

---

**Brian Schwartz - Insurance Australia Group - Chairman**

Thank you for that Mr Norberry and I can only assure you that this is a terribly hard working group of executive and I do believe that we now have in place the kind of team that we need to take us forward. So thank you.

I am advised that there is lunch outside if anyone would like some - but we still have some business and I think we have some questions at microphone one.

---

**Operator**

Chairman I'd like to introduce John [Jeramin].

---

**Brian Schwartz - Insurance Australia Group - Chairman**

Thank you.

---

**John Jeramin - Shareholder**

Thank you Mr Chairman. Firstly, philosophical update, I think it's rather unfortunate that the board gets to determine their own remuneration. It looks to me to be a gross conflict of interest - that's philosophically.

I'm a large shareholder with a small number of shares, which probably describes a lot of us in this room today. Looking at page one of the financial summary, it strikes me - and the numbers prove that the company has failed over the last three years - looking at the share price, it's gone down. Looking at the basic earnings per ordinary share - in 2008 there was a loss of AUD0.14 and a little bit per share. We've had a minor recovery - AUD0.09 per share last year, this year another AUD0.04 odd. If you add up the recovery numbers, we still do not match the loss in 2008 on a per share return. This to me proves that the company has failed, the Board has not earned their remuneration and I respectfully suggest to the shareholders here that they vote against the remuneration report and I would hope into the bargain that the Board Directors and the Senior Executives abstain from voting on the motion. Thank you.

---

**Brian Schwartz - Insurance Australia Group - Chairman**

Thank you Mr Jeramin. I just would like to comment on your very valid observation that the Board in setting its own remuneration does have a natural conflict and we actually recognise it and what we do to ensure that there is no conflict is we seek external advice and then have a Management Committee - which no board member is on - making recommendations which the Board then simply accepts.



So we do get the external - I'm just - so I think the answer is we do recognise your point and it is a specific issue with Board remuneration and hopefully we've gone some way to addressing it. Thank you.

I think that concludes the questions on resolution three. I now direct that the poll for resolution three be taken and that attendees register their voting intention by pressing the appropriate number on their keypad, as shown on the screen.

I now declare the poll closed on resolution three. Thank you ladies and gentlemen. Your votes have been added to the direct and proxy votes received by the voting deadline and the preliminary results of resolution three is now shown on the screen. Based on this preliminary result the resolution has been carried. Thank you. Thank you for the discussion.

Resolution four is to seek shareholder approval for the issue of subordinated unsecured loan notes by Insurance Australia Limited - a wholly owned subsidiary of IAG - with a face value of GBP156,956,000 due on 20 April 2035. These securities may be exchanged into ordinary shares in IAG in October 2011 and on other dates in certain circumstances. The securities would have been issued in April 2000 - would have, when issued in April 2010, in exchange into 3.3% of IAG's ordinary shares on the basis of the rate set by the terms of the unsecured loan notes.

The text of resolution four is set out in the Notice of Meeting under the Australian Securities Exchange Listing Rules a company may in any 12 month period issue without the prior approval of shareholders securities of up to 15% of the number of shares in issued 12 months before the date of issue. This is called the 15% in 12 months limit.

ASX Listing Rule 7.4 allows shareholders to vote to exclude from the 15% in 12 months limit an issue of securities made some time in the preceding 12 months. If shareholders vote to approve this resolution then all that happens is the securities that were issued will not be counted in calculating the 15% in 12 months limit for IAG.

Currently IAG has no present intention to issue more securities other than in relation to the company's dividend reinvestment plan. If the resolution is not approved the securities issued remain valid, but the securities will be counted towards the 15% in 12 months limit.

If anyone wishes to speak in relation to this resolution please make your way to the microphone, and I understand that there is a question at microphone one.

---

**Operator**

Chairman I'd like to reintroduce Peter Starr.

---

**Peter Starr - Shareholder**

Yes, thanks Mr Schwartz. I just have one question in relation to that - if this is passed does that mean that the securities have the option to then become like into ordinary shares or that's - if you could just clarify that. I understand - there may be some people who don't understand the technicals of when people have preferred capital raising and things and that.

---

**Brian Schwartz - Insurance Australia Group - Chairman**

Mr Starr, no, the status of the security does not change because of the approval here today. It's just the - we have essentially topping up our ability to issue shares without shareholder approval going forward within a 12 month period.

So the fundamental nature of the security doesn't change in terms of the exchange right, which may or may not be exercisable on October of next year. So the exchange right is not triggered by what we're seeking in terms of shareholder approval at today's meeting.

---

**Peter Starr - Shareholder**

Okay, thank you, and just one other thing in relation - that was to pay back AUD240 million debt. Was that out of a result of the problems in the UK?



---

**Brian Schwartz - Insurance Australia Group - Chairman**

It was just part of a restructuring that occurred. Yes.

---

**Peter Starr - Shareholder**

That's fine. Thanks Mr Schwartz.

---

**Brian Schwartz - Insurance Australia Group - Chairman**

Thank you.

---

**Operator**

Chairman I would like to reintroduce Mr Gregory Simone.

---

**Gregory Simone - Shareholder**

Chairman Schwartz - to whom are the issue of securities intended? I put it to you that they are for institutional investors.

---

**Brian Schwartz - Insurance Australia Group - Chairman**

Well I think the answer is they are not for anyone at this point in time. All they are is to refresh the facility and should there be a reason at some time over the coming 12 months, then we have them available, but there is no, nothing that's contemplated at this point in time.

Okay, I think there are no more questions on the floor and I now declare the poll closed on resolution four. Thank you ladies and gentlemen - your votes - what do I need to do?

---

**Unidentified**

That concludes the discussion, I now...

---

**Brian Schwartz - Insurance Australia Group - Chairman**

Yes. Sorry. I now direct that the poll for resolution four be taken and that attendees register their voting intention by pressing the appropriate number on their keypad as shown on the screen. Again, that's one for, two against, and three to abstain.

I now declare the poll closed on resolution four. Thank you ladies and gentlemen. Your votes have been added to direct and proxy votes received by the voting deadline and the preliminary result is now shown on the screen.

Based on this preliminary result the resolution has been carried by 98.64%.

Ladies and gentlemen, the business of the meeting has now been completed. As I indicated earlier, the final results of the polls will be provided to the Australian Securities Exchange and will be placed on the company's website and posted at the company's registered office tomorrow.

I now declare this meeting closed subject to the determination of the results on the polls.

On behalf of the Board of Directors of the company I would like to take this opportunity to thank shareholders for attending today's meeting and for contributing to the discussion of the business before the meeting.



Refreshments are available in the Smith's room for all attendees at the AGM.

Thank you very much.

#### DISCLAIMER

Thomson Reuters reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES THOMSON REUTERS OR THE APPLICABLE COMPANY OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

© 2010 Thomson Reuters. All Rights Reserved.

