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“...BUT I JUST DON'T GET IT.”

GLOSSARY

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| <b>Actuary</b>                             | An actuary applies mathematical, economic and financial analyses as well as risk assessment to financial contracts, in a wide range of practical business problems.  |
| <b>APRA</b>                                | APRA stands for the Australian Prudential Regulation Authority, which is the prudential regulator of insurance companies, banks, superannuation funds, credit unions, building societies and friendly societies in Australia. APRA is responsible for ensuring that policyholders, depositors and superannuation fund members are protected by, for example, ensuring that companies have enough capital to be able to meet their ongoing business needs, including reserving to pay claims. |
| <b>S&amp;P/ASX 100 and S&amp;P/ASX 200</b> | S&P/ASX 100 and S&P/ASX 200 are indices made up of the top 100 and 200 companies listed on the Australian Stock Exchange. The companies are included based on their size in terms of market capitalisation. (See market capitalisation below)  |
| <b>Business volume</b>                     | This measures the volume of business at a point in time. The basis of the measure depends on the class of business. In personal lines class of business, the relevant volume measure is 'risks in force'. Meanwhile, in commercial classes the volume measure is 'policies in force'. The difference in the definition is required to capture the distinct nature of IAG's business mix.   |
| <b>Claims frequency</b>                    | Claims frequency is a measure used to determine how often claims are made per risk insured (eg vehicle, employee, home).   |
| <b>Claims reserves</b>                     | The portion of premium set aside to cover obligations for unexpired insurance contracts, claims and expenses to be incurred. This amount is invested and the returns on these investments form part of pricing and profit from insurance operations.   |
| <b>Contingent capital</b>                  | Contingent capital is a capital management tool that enables a company to draw upon a reserve pool of money, providing protection from the financial ramifications of an unforeseen event, such as a natural disaster or severe market correction. In January 2005, IAG raised \$550 million of contingent capital through the issue of Reset Exchangeable Securities (RES). RES provides the Group access to Tier 1 regulatory capital at any time, should it be required.                  |
| <b>Dividend payout ratio</b>               | The dividend payout ratio is the proportion of profits that is paid to shareholders by way of a dividend.  |
| <b>Insurance cycle</b>                     | Insurance is a cyclical business. The insurance cycle represents the peaks and troughs of insurance premiums and profitability. When capacity (ie the availability of capital from insurers to underwrite risks) increases in a market, insurers may reduce premiums, which is called a 'soft cycle'. When there is limited capacity, and premiums rise, this is called a 'hard cycle'.  |

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| <b>Long-tail and short-tail insurance</b> | In general terms, this name stems from the length of time (the 'tail') that it takes for a claim to be made and settled. For 'short-tail' insurance products, claims are usually known and settled within 12 months, and are generally based around property. For 'long-tail' insurance products, claims may not even be reported within 12 months, and settlements can take many years, and are generally based around injury compensation (eg medical, legal and loss of income) or other risks such as professional indemnity. |
| <b>Market capitalisation</b>              | The size of a company is often measured by its market capitalisation. This is calculated by multiplying the total number of shares on issue by the market price of the shares.  |
| <b>MCR multiple</b>                       | APRA (defined above) requires licensed insurers to have a minimum amount of capital to meet its prudential standard. The amount of capital required is determined by APRA based on formulae designed to reflect the risk profile of each insurer's business and balance sheet and is called the Minimum Capital Requirement ('MCR'). Licensed insurers must report their MCR and surplus above it, which is generally stated as a multiple of MCR.  |
| <b>Policies in force</b>                  | Policies in force is a measure of the total number of policies covered by an insurance company at a point in time.  |
| <b>Reinsurance</b>                        | Insurers pay premiums to other insurers (reinsurers) to spread their risk or cover major losses from specific events such as large hailstorms. This is called reinsurance.  |
| <b>Risks in force</b>                     | Risk refers to the subject matter that an insurance policy or contract protects (eg number of vehicles, houses, employees). An insurance policy may cover one risk or many risks, depending on the terms of the policy. Risks in force is a measure of the total number of risks covered by an insurance company at a point in time.  |
| <b>S&amp;P</b>                            | S&P stands for Standard & Poor's, a global financial ratings company that analyses the financial strength of companies and individual securities, and assigns them ratings. S&P has many ratings categories, the highest of which is AAA.   |
| <b>Shareholders' funds</b>                | The investment portfolio other than claims reserves. It essentially represents the shareholders' capital that is not being utilised in day-to-day operations.   |
| <b>Short-tail insurance</b>               | See long-tail insurance.  |
| <b>Underwriter</b>                        | This is the company or person who assumes the risk under an insurance policy.   |