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IAG Insurance Australia Group

Annual Report 2005 Insurance Australia Group Limited ABN 60 090 739 923

IAG ANNUAL REPORT 2005

A RISK MANAGEMENT STORY: PART 2 (FROM A CUSTOMER'S PERSPECTIVE)

"I KNOW I SHOULD HAVE INSURANCE..."

Annual Report 2005, Insurance Australia Group Limited, ABN 60 090 739 923, www.iag.com.au

IAG Insurance Australia Group

More than one in five homes and one in three small businesses in Australia are underinsured or have no insurance. Why are so many people prepared to risk the biggest assets they will probably ever have?

When you think about it from a customer's point of view, it's understandable that many people have a natural aversion to insurance. After all, this is an industry built on the premise that bad things might happen and who wants to think about that? It's also a complex industry and most people don't really understand how it works. Literally, they "just don't get it".

At the same time, more and more of our customers are telling us that they would like a better understanding of how insurance works. That's why, in last year's annual report, we began the process of demystifying our business. In 'part one' of what we promised would be an ongoing risk management story we outlined the four principles on which Insurance Australia Group (IAG) is built to create value for all our stakeholders – one of the most important being our customers.

In this report – 'part two' of the story – we explore the mechanics of running Australasia's leading general insurance group from a customer's perspective. We aim to demonstrate how by sticking to our four principles – paying claims, understanding and pricing risk, managing costs and reducing risk – we will deliver long term value for customers and shareholders alike.

Our principles from a customer's point of view:

"THE MONEY WAS EXPECTED, THE AMOUNT OF SUPPORT WASN'T."

We know you expect us to pay your claims – that's a given. But research tells us many customers think we have even more important functions than that. (Page 3)

"BUT HOW DID YOU COME UP WITH MY PREMIUM?"

Almost half of our customers think quality products that are fairly priced are the most important thing an insurance company can offer. So how do we price risk? (Page 5)

"WHY IS AN INSURANCE COMPANY INTERESTED IN REDUCING RISK?"

We're doing some surprising things in the community, besides just paying claims. And there is a good reason for it. (Page 9)

"HOW DOES YOUR SIZE BENEFIT ME?"

We are the leading insurance group in Australia and New Zealand. By having a large, efficiently structured network, we can pass cost savings on to you. (Page 7)