

IAG ANNUAL REPORT 2006

**A RISK MANAGEMENT STORY: PART 3
(FROM OUR PEOPLE'S PERSPECTIVE)**

**“I NEVER THOUGHT
I'D WORK FOR
AN INSURER...”**



“...WHICH DOES MORE THAN JUST PAY CLAIMS.”



PAYING CLAIMS



UNDERSTANDING AND PRICING RISK



REDUCING RISK



MANAGING COSTS

SHAREHOLDER VALUE

This annual report – ‘part three’ of a risk management story – explores how Insurance Australia Group (IAG) operates, this time through the eyes of the people who work there.

It follows last year’s report – ‘part two’ – told from our customers’ perspective, while ‘part one’ introduced the series. We trust this series of reports will help you view each 12-month performance as part of a long-term investment.

Many of the people at IAG would tell you they didn’t grow up dreaming they’d work for an insurance company.



But the fact is, about 12,000 people work at IAG, and most of them stay for many years. Why? Because simply by doing their jobs, they are able to make positive changes to the communities in which they live. And they soon realise that without insurance, many people’s lifestyles or businesses could be destroyed.

Our employees’ decisions are guided by four principles...



**PAYING CLAIMS:
CUSTOMERS EXPECT
THEIR CLAIMS WILL
BE PAID. THAT’S WHY
WE’RE HERE.**

But what makes us different is the way we pay claims – we focus on replacing their goods or getting them back on the road or back to work as quickly as possible.



**UNDERSTANDING
AND PRICING RISK:
WHEN CUSTOMERS
TAKE OUT INSURANCE
THEY WANT TO
KNOW THE PRICE
WE CHARGE IS
ACCURATE AND FAIR.**

That’s why we use our extensive data records to help us calculate each customer’s premium to ensure it is neither overpriced nor underpriced.



**MANAGING COSTS:
OPERATING COSTS
ARE FACTORED INTO
PREMIUM PRICES,
SO WE MUST BE
AS EFFICIENT AS
POSSIBLE.**

IAG’s large scale allows us to manage costs through access to volume discounts across the supply chain, without sacrificing quality, thereby keeping costs per policy down.



**REDUCING RISK:
NO ONE WANTS TO
EXPERIENCE THE
HARDSHIP THAT
LEADS TO MAKING AN
INSURANCE CLAIM.**

IAG invests in programs to reduce the incidence of crime; make our roads, homes and workplaces safer; help prevent fires; and reduce our environmental impact – because the fewer risks there are, the better for everyone.

...stories of how these principles work in practice can be found on the following pages.

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