

Actuary

An actuary applies mathematical, economic and financial analyses as well as risk assessment to financial contracts, in a wide range of practical business problems.

AGAAP

AGAAP (Australian Generally Accepted Accounting Principles) were used by the Group to prepare financial reports up to and including the year ended 30 June 2005. From 1 July 2005, the financial reports were required to be prepared under AIFRS (defined below).

AIFRS

AIFRS (Australian equivalents to International Financial Reporting Standards) were required to be adopted by the Group when preparing its financial reports from 1 July 2005.

APRA

APRA (Australian Prudential Regulation Authority) 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.

Business volume

This measures the volume of business at a point in time. The basis of the measure depends on the class of business. In the personal lines class, the relevant volume measure is 'risks in force'. 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.

Claims reserves

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.

CO₂e emissions

In this instance, CO₂e emissions are calculated for electricity use, office paper and print paper consumption, tool of trade fuel consumption and air travel. For Australia, emission factors are obtained from the Australian Greenhouse Office (AGO) 2006 workbook (electricity and tool of trade), from the Australian Paper Industry Council 2005 (paper) and the World Business Council for Sustainable Development (Greenhouse Gas Protocols – air travel). For New Zealand, data factors were obtained from the New Zealand Business Council for Sustainable Development "Emission Factors for New Zealand Businesses" for air travel and tool of trade, as per the Australian source for paper, and have been advised by their energy supplier for electricity. New Zealand brands included in this measurement: State, NZI, Swann, NAC.

Customer satisfaction index

In Australia, this measures the end to end customer experience when enquiring, taking out, renewing or making a claim for direct personal insurance. Customer satisfaction levels are determined by a third party through telephone interviews with a random sample of customers contacted. During the prior year, there was a change in the survey provider; however only the customer satisfaction index for the retained provider was included (results for the six months

to June 2006). In New Zealand, this is a measure of customer satisfaction with non-claims related contact. The survey is a random sample of customers who have had a non-claims related contact (eg requested a quote, changed their address, taken out a policy) within the last month. Satisfaction is measured by a third party survey where the percentage of customers rating 5, 6 or 7 on a 7 point scale are considered to be satisfied (7 = extremely satisfied and 1 = extremely dissatisfied).

Employee engagement score

Determined through six questions in the 'Your Voice' employee survey conducted by a third party. The survey assesses the extent to which employees consistently say positive things about working at IAG, want to stay with IAG and strive to achieve above and beyond what is expected of them. Participation in the survey is voluntary but is made available to all employees. For New Zealand, this includes the State, NZI, NAC, Swann and DriveRight brands.

FTE

FTE (full-time equivalent) is a measure of the size of employees that takes account of part-time employees. It is determined by dividing working hours (excluding overtime) for all employees by the standard full-time hours. The FTE includes all permanent full-time and part-time employees but excludes casual employees, guests, employees on a fixed-term contract and employees on extended leave (over 28 consecutive calendar days) on the day that we report the data.

Funds for community investment

This estimates direct financial support of community groups and programmes, as well as indirect support to help promote and raise awareness of these community organisations (including commitments), plus salary costs and on-costs for employee volunteering hours recorded in the Human Resources systems. For Australia, this also includes direct IAG management and administration-related costs. Figures reported are exclusive of GST.

Head count

The number of people employed by IAG, regardless of hours worked, excluding casuals, guests and employees on a fixed-term contract.

Insurance cycle

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'.

Long-tail and short-tail insurance

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.

Market capitalisation

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.