

TRANSCRIPT

IAG.AX - Insurance Australia Group Ltd Annual Shareholders Meeting

EVENT DATE/TIME: OCTOBER 20, 2015 / 11:00PM GMT

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CORPORATE PARTICIPANTS

Brian Schwartz *Insurance Australia Group Limited - Chairman*

Mike Wilkins *Insurance Australia Group Limited - MD & CEO*

Peter Harmer *Insurance Australia Group Limited - MD & CEO*

Nick Hawkins *Insurance Australia Group Limited - CFO*

Elizabeth Bryan *Insurance Australia Group Limited - Non-executive Director*

Alison Deans *IAG Limited - Non-Executive Director*

Raymond Lim *IAG Limited - Non-Executive Director*

Tom Pockett *Insurance Australia Group - Non-Executive Director*

Jonathan Nicholson *Insurance Australia Group - Non-Executive Director*

CONFERENCE CALL PARTICIPANTS

Joe Nagey *Shareholder*

Ian Graves *Australian Shareholders' Association - Spokesperson*

Jack Tilburn *Shareholder*

Richard Wilkins *Australian Shareholders' Association - Spokesperson*

Gregory Simone *Shareholder*

Daniel Goetcher *Shareholder*

John Hutchison *Shareholder*

PRESENTATION

Brian Schwartz - Insurance Australia Group Limited - Chairman

Good morning ladies and gentlemen and welcome to the Insurance Australia Group Limited 2015 AGM. My name is Brian Schwartz, I'm the Chairman of IAG, and in accordance with the Company's constitution, I am the Chairman of this meeting.

The Company Secretary has informed me that a quorum is present and I therefore declare the meeting open. In doing so, I'd like to respectfully acknowledge the Gadigal people of the Eora Nation, the traditional custodians of this land and pay my respects to their Elders both past and present.

On the stage with me from my far left are Non-Executive Directors, Hugh Fletcher, Phillip Twyman and Elizabeth Bryan, the Managing Director and Chief Executive Officer, Mike Wilkins, the Group General Counsel and Company Secretary, Chris Bertuch, and Non-Executive Directors, Tom Pockett, Alison Deans, Jon Nicholson and Raymond Lim.

Dr. Andries Terblanche, representing the Company's auditor, KPMG, is present and we're also joined by members of IAG's Executive team, including Peter Harmer, our new CEO sitting in the front.

I'd also like to welcome those shareholders viewing this meeting via the webcast.

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

People entitled to vote at the AGM were provided with a keypad and a data card. The keypad will be used to record your voting intentions on each resolution to be put to the meeting. An instruction slide will be shown on the screen when you are asked to vote and staff will also be available to assist shareholders if required.

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Following the announcement on October 7 2015 of the retirement of our CEO, Mike Wilkins, please note that Resolution 2 on the allocation of share rights to Mike Wilkins has been withdrawn from the AGM item of business.

If you are unable to remain for the whole meeting and vote on each resolution, you will be able to register your voting intentions using either the handset issued to you or a voting card at the desk located just outside the auditorium as you leave.

Shareholders were provided with the opportunity to send questions to the Company in advance of the AGM. Your views are important to us, and we received questions and comments from around 190 shareholders. I thank all those shareholders who have taken the time to ask a question of the Company.

We have sought to respond to as many of those questions as we can today in the address to be delivered by Mike Wilkins and myself. We have also published responses to the most frequently asked questions on our website. We are of course happy to take further questions or provide further responses about the items of business as we move to the resolutions to be put to shareholders today.

I now declare the polls to be open.

Before we commence the formal business of the meeting, I'd like to start by providing a brief overview of the Group's performance for the 2015 financial year. I will then ask Mike to provide a more detailed review of our operational performance and strategy and an update on the Group's outlook for the current financial year.

Following Mike's presentation, I'll introduce to our new CEO, Peter Harmer.

I'm very pleased to address you this morning to reflect on the strength and achievements of our Company and the steps we have taken to set ourselves up for long term success. This year Insurance Australia Group Limited reported an insurance profit of AUD1.1 billion, leading to a reported insurance margin of 10.7%. We achieved this sound result in the face of a significant increase of nearly AUD500 million in net natural peril claim costs, lower net reserve releases and a more competitive commercial market environment.

The Group's underlying insurance margin, the real measure of our business performance, remains strong at 13.1%. Our CEO, Mike Wilkins, will talk about the results in more detail shortly, but I want to particularly commend our businesses for their performance and the way they continue to meet the evolving needs of our customers.

In considering our future focus, I want to highlight what I see as our specific strengths and weaknesses. First, as you will have seen from recent media reports, we have the right leadership in place, now and for the future.

You will be aware that Mike recently advised us that he wanted to retire from IAG. He has led the Company for more than seven years and he has been an inspirational CEO. I'll talk more about him later on.

The Board has always had a strong focus on succession planning and a commitment to developing internal candidates as potential CEO successors. Fortunately, Mike ensured we had a rich choice of candidates, so we were delighted to appoint Peter Harmer, Chief Executive of IAG Labs as Mike's successor.

During the year we made significant progress in integrating the former Wesfarmers business, cementing our leading position in the core markets of Australia and New Zealand. We also built on our Asian footprint with the purchase of a small general insurance company in Indonesia, and Mike will talk more about these initiatives shortly.

Our market-leading scale facilitates our taking a leading role in our industry and in our community as we use our extensive experience and awareness of risk to tackle important issues such as insurance affordability and the need for increased funding of risk mitigation strategies to help address the growing frequency and severity of natural peril events.

At the same time as we integrated the former Wesfarmers business and reshaped our Australian operations, management has unified all our people in all our businesses behind a common purpose, and that common purpose is to make your world a safer place, and a clear vision to create Asia Pacific's most loved, most inventive and most successful insurer.

We also defined how people work together, what we stand for and what makes us unique. This is the spirit of IAG and it can be captured essentially in three words: closer, braver and faster. Closer in the way we create real connections with everyone; braver in the way we shape the future, and faster in the way we make things happen.

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Having a single purpose and vision has enabled us to embrace a clear strategy that puts customers at the centre of everything we do. All our businesses are working together to deliver great customer experiences by leveraging our market leadership to create value for our customers, people, partners, shareholders and the wider community.

This year we took steps to further secure our business for the future. In June we undertook the innovative step of entering into a strategic relationship with Berkshire Hathaway which included a quota share arrangement that will deliver a more stable income stream for 20% of our business.

Berkshire Hathaway is one of the world's leading investors and we were delighted them as a strategic partner and as a shareholder. We believe all shareholders will benefit from the strength this relationship imparts to the Group. I was especially pleased to hear Warren Buffett say that this was his first investment in an Australian company and it was worth waiting for the best. It was a terrific statement from him.

Every day we hear about the impact of digital technology and the opportunities digital disruption creates in our lives. This year we further embedded digital innovation into every aspect of our businesses' operations with the launch of IAG Labs.

IAG has long had a competitive advantage around the outstanding service we deliver. The opportunity now is to meet the needs of the digitally-empowered customer and deliver our services instantly, flexibly and across multiple channels, while driving disruption in the marketplace. IAG Labs will help us achieve this.

This year also saw us continue our process of Board renewal. With our Board, we have assembled a talented group of people who have the right mix of skills and experience to continue to guide the Company in the future.

Some of our Directors are new to you and you will hear from each of them shortly before you have the opportunity to vote on their election. Others have been instrumental over many years in developing the Company that we are today.

In this category I'd like to record my thanks to Yasmin Allen, one of our longest serving Directors who retired from the Board at the end of September. Yasmin was a great Director and made a significant contribution to our Company.

I also record thanks to Peter Bush who retired in January this year after four years of excellent service to the Group.

In my report in this year's annual review, I reflected on change and the fact that IAG's ability to deal successfully with change has been instrumental in our achievements. I'd like to advise you of one further change today from a more personal perspective, and that is that it's my intention to step down from the role as Chairman and Director during this current financial year.

It's been a pleasure and a privilege to chair this great company for the last five years and to contribute as a Director for the last 11. I'm supremely confident that I'm leaving IAG in very good shape. I'll now ask Mike to talk in more detail about the results the business is achieving, after which I will formally introduce you to Peter and invite him to talk to you. Mike.

Mike Wilkins - Insurance Australia Group Limited - MD & CEO

Thank you, Brian, and good morning, ladies and gentlemen. Can I also add my welcome to you to our AGM and thank you for joining us today.

Despite challenging conditions, the 2015 financial year again saw IAG's businesses perform strongly as we continued to provide great service to the millions of customers who rely on us every day. Although we experienced a record claims cost from natural perils, we still produced an insurance margin in excess of 10% and an underlying performance which continues to deliver on our long term return targets.

The integration of the former Wesfarmers business and the move to our new operating model are well advanced and are both progressing to plan. As Brian mentioned, 2015 also saw us enter into a strategic partnership with Berkshire Hathaway, which we believe will provide significant benefits and opportunities to both parties. I'm very proud of the continued strong performance of our business.

We grew our gross written premium by over 17%, with the majority of this growth reflecting the first time consolidation of the former Wesfarmers business. In 2015, our reported margin was lower than the previous year, principally as a result of net natural peril claim costs, which were nearly AUD500 mill higher than those recorded

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in 2014. Our strong underlying margin of over 13% reflects the incoming lower margin Wesfarmers business, as well as the impact of the tougher conditions that we've experienced in commercial markets.

Our personal insurance business, our largest business, continues to perform well with growth in pre-existing home and motor business holding up in an increasingly competitive environment. This growth was enhanced by the addition of the personal lines associated with the former Wesfarmers business, included Coles, which has continued to grow, albeit off a small base.

I've already mentioned the overall impact of natural perils on our results, but I do want to comment on one event in more detail. Our personal insurance division received over 50,000 claims as a result of the East Coast weather low in April of this year. To put that into a little bit of context, that's the largest number of claims that business has had since the hailstorm that hit Sydney in 1999, so it was a very significant event for us.

Impressively, the business saw this situation as an opportunity and it set itself a 90 day challenge to settle within that 90 day period 90% of all of the claims that it had received. We succeeded in achieving that ambitious goal and we did that by seeking new insights and ways of working to deliver even better outcomes for our customers, our suppliers, our builders and our repairers. These improvements are now being incorporated into our standard ways of operating, lifting our service to a new level.

Commercial insurance achieved GWP growth of over 40%, generally by holding its share in a softening market and through the first time inclusion of the former Wesfarmers business. Commercial insurance's reported margin for the 2015 year reflected the severe impact of natural peril events, particularly in the second half, when a number of the larger events had a very heavy commercial component.

The business' underlying margin was slightly lower, but it did continue to hold above 10%, which we believe is a very good performance in the current difficult market environment.

In New Zealand, our business continues to perform strongly. GWP growth of 23% was primarily driven by the addition of the former. The business' reported margin remained comfortably above 10%, despite incurring a net reserve strengthening of around NZD150 million related to the earthquake events of the 2011 financial year.

This strengthening followed a significant increase in the expected final claim cost from the Canterbury earthquakes. The increase was due to continued notification of new household claims that exceeded the Earthquake Commission's NZD100,000 residential dwelling limit, an increase in forecast repair and rebuild costs and a series of adverse court judgements which have affected the entire insurance industry.

Notwithstanding that, we are continuing to make good progress on the Canterbury rebuild. At September 30 of this year, we had paid approximately NZD5 billion in claim settlements related to the earthquake, with over 81% of all claims now finalised and settled.

Asia continues to be a key plank in our long term growth strategy, because of the enormous potential we see in the region from low insurance penetration and rising middle class affluence and consumption. Demonstrating this, our business in Asia achieved proportional GWP growth of nearly 10%, assisted by a resumption of growth in Thailand and continuing strong growth in India. Our established businesses in Thailand and Malaysia continue to perform well, and were the source of almost AUD60 million in dividends during the last year.

And our developing markets produced a much-improved collective performance which was very close to breakeven. As we advised the market last week, after completing significant work on assessing the opportunities available, we have determined not to pursue further investment in China. As a result, our future focus in Asia will be on pursuing growth opportunities in our other markets. In 2016, we expect further improvement from our Asian operations.

Our capital position remains strong. At year end, we were above both our long term benchmark ranges, and would have been within those target ranges after allowing for the dividend paid in early October of this year. Turning to our dividend, the lower final dividend was driven entirely by our net natural peril claim costs, which were over AUD400 million higher than the same half last year.

Our full year payout is again at the upper end of our target range at just over 70% of cash earnings, and we remain comfortable that our 50% to 70% target payout range remains appropriate for the Group.

Brian talked about the purpose that unites all of our people. To bring our purpose to life, we are pursuing a shared value approach to help create safer, stronger and more confident

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communities. This sees us extending our role beyond issuing insurance policies and paying claims, to help communities understand and manage risk, to reduce it and to build resilience in the face of adversity.

Our work as a founding member of the Australian Business Roundtable for Disaster Resilience & Safer Communities is a good example of our shared value approach in action. In recognition of the excellence of its important work, the Roundtable was recently awarded the Certificate of Distinction at the 2015 United Nations Sasakawa Awards for Disaster Risk Reduction. This makes the Roundtable the first private sector organisation in the awards' 30-year history to be so recognised, so I'm very proud of that achievement.

On this slide, you can see how we are performing in a few of our other areas that also fall within shared value. I would like to particularly comment on the subject of diversity. This year, women filled 31.5% of our senior management roles across the Group and 33.3% in our businesses in Australia and New Zealand. We remain committed to further improving this ratio, and I am proud to announce that we have set ourselves a new and ambitious target to have women hold 40% of senior management positions in our Australia and New Zealand businesses by 2020.

For our Asia business, this target is 30% in the same timeframe. I am also delighted to advise that our achievements were recently recognised externally, with IAG being

named as the 2015 Women's Employer of the Year by the Australian and New Zealand Institute of Insurance and Finance.

As Brian mentioned, our purpose, our vision and our spirit shape our strategy. Within this each year we set ourselves a number of strategic priorities, which build on those of the previous years. In particular, this year I want to highlight the steps that we are taking to implement our digital transformation and the work that we are doing to create better customer experiences through our interpretation and use of data.

Bringing customer needs and data insights together is already delivering results in innovative products and different approaches, which are being taken to market by IAG Labs. In July we began trials of InsureLite, a solution for families suffering from home insurance affordability stress in Queensland. In September, we released ShareCover, an insurance product for people who are renting out all or part of their home on a recognised sharing economy platform.

Also in September, in an Australian first, we partnered with Good Shepherd Microfinance to launch another innovation with Insurance 4 That, an accessible and low-cost single item insurance product. These are just some of the opportunities which our shared value approach and our concentration on digital transformation are providing to us.

Finally, I'd like to address our outlook. Based on our first quarter trading results, we today reiterate our guidance for the 2016 financial year, with GWP growth expected to be relatively flat, and an insurance margin in the range of 14% to 16%. Our guidance reflects the competitive conditions that we're seeing in our main markets, the continuing relative absence of claims inflation pressures and the underwriting discipline that we continue to

exercise.

We expect underlying profitability to remain strong and to be similar to the previous financial year, which means that we are in a very strong position to pursue our longer term strategic agenda. We can look to the future with considerable confidence.

As Brian has mentioned, I made the decision to retire from IAG and, accordingly, this is the last time that I will address you, our shareholders, as your Chief Executive. It's been an honour to have led our company for seven and a half years. In that time, it has been very satisfying to me to see our organisation grow and develop. Our accomplishments reflect a great team effort and I thank everyone at IAG for their support and contribution to the Group's successes.

Their dedication, their focus and their tenacity have been an inspiration to me. During my time at IAG I've also been fortunate to have had unwavering support from our Board and to have worked with a talented and dedicated executive team and I thank all of them for their friendship, their wise counsel, their encouragement, their focus and their creativity in the pursuit of our objectives.

I'm very pleased that Peter Harmer is to succeed me as Chief Executive. His knowledge, drive and leadership mean that our organisation is in good hands. Peter and the team are well equipped for the rapidly changing environment in which we are operating, and they will take IAG to even greater success. I congratulate Peter on his new role and I wish him every success in further realising the potential of our wonderful organisation.

And finally, ladies and gentlemen, I thank you, our shareholders, for your support and encouragement over my years with the organisation. It has been a privilege to have led this great company and I thank you for affording me that privilege.

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Brian Schwartz - Insurance Australia Group Limited - Chairman

Thank you, Mike. It's my great pleasure to introduce to you to IAG's next Managing Director and CEO Peter Harmer. Peter has a track record in ensuring successful businesses and transforming cultures and he has a great passion for leadership, developing people and delivering services to our customers.

He has over 36 years' experience in insurance, the last five of these with IAG. As the CEO of CGU Peter led a turnaround in the business's culture and performance and in his more recent role as CEO of IAG Labs he has laid the foundation for our digital future.

The Board believes Peter is the right person to lead IAG through the next phase of our growth and development. Ladies and gentlemen, please welcome Peter Harmer.

Peter Harmer - Insurance Australia Group Limited - MD & CEO

Thank you, Brian. I'm delighted and proud to be given the opportunity to lead IAG and to take this great Company into an exciting new era.

Since I joined IAG in 2010 I've been privileged to have held a number of senior roles with the Company. Most recently, I led our new IAG Labs division, driving digital and innovation across IAG and its brands and creating incubator areas which will specifically explore innovative opportunities across the fintech landscape.

Before this I was Chief Digital Officer, developing our Group-wide digital strategy. Insurance has been my life for over three decades and my experience includes underwriting, reinsurance broking and commercial insurance broking. I joined IAG because of the enormous potential in this business and I've loved every moment of my time here.

We have the most committed people, the best brands, and the most outstanding record for serving customers. While we have created a platform for our business that others envy, I believe there are still opportunities for us to do things better.

We need to continue improving the service we give customers and acknowledge the benchmark is no longer set by our direct competitors but by those that can provide a digitally-enabled omni-channel experience.

We need to look externally, beyond insurance, for new and better ways of doing things. And that's because we live in an age of disruption where technology is moving incredibly quickly, where our customers' needs and expectations are changing rapidly as they embrace innovation and quickly adopt new technologies, where new and different competitors are entering the market, where our demographics in our established markets are changing, and where the global economy is volatile, weather patterns less predictable and catastrophes more frequent.

In this increasingly uncertain environment it is even more important for us to deliver on our purpose and make people's worlds safer. I believe these challenges create many exciting opportunities for us and because of the platform Mike and our team have created we can embrace them from a position of strength.

I look forward to leading this Company for you and to pursuing what I see as a very exciting future where we will embrace opportunities to continue to strengthen this great Company of ours. Thank you.

Brian Schwartz - Insurance Australia Group Limited - Chairman

Thank you, Peter. I was just saying to Mike, when I saw 36 years I hadn't focused on it before, but that means you must have been very young when you started in the industry, which clearly you were. Yes.

Following on from my earlier comments about Resolution 2 being withdrawn, there are now nine items of business before the Company's AGM this morning, and these are set out in the Notice of Meeting. Eight of these items are to be voted on at today's meeting.

The purpose of the AGM is to discuss the matters of business set out in the Notice of Meeting and this is not the time or place to discuss individual or personal matters. If you do have questions or issues of this kind please raise them with the experienced staff at the information desk that has been set up in the foyer to assist you.

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The only Notice of Meeting -- of business to come before the meeting today will be those specified in the Notice of Meeting. No notice of other business has been validly given pursuant to the Company's constitution or the Corporations Act.

Shareholders here today will have a reasonable opportunity to ask questions about and make comments on the business before the meeting and to ask questions. Questions to the auditor are limited to the matters specified in the Corporations Act.

I ask speakers to confine their questions and comments to the particular resolution that is being discussed at the time that they ask the questions.

To allow all shareholders at today's meeting a reasonable opportunity to be heard I ask that speakers restrict themselves to no more than two questions or comments at any one appearance at the microphone. There are four 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 your turn in the queue.

Only attendees who were issued with a handset and data card or red non-voting card when registering for this AGM are entitled to speak on the business before the meeting. Please show either of these to the microphone attendant to establish that you are entitled to speak.

I remind speakers that I may give priority to a person who wishes to address the meeting for the first time. A speaker wishing to address more than once may re-join the queue for another turn. I will generally take comments and questions from each microphone in rotation. The attendant at the 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 October 30, 2014 have been approved and signed by me as Chairman of that meeting in accordance with the provisions of the Corps Act. The minutes are available for inspection by shareholders at the information desk in the foyer.

The notice convening this meeting has been sent to all shareholders. Copies of the notice are available at the information desk in the foyer. Shareholders have also had the opportunity to view the notice on the Company's website.

Unless there are any 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. The item is not subject to a vote and therefore does not require the use of your keypad technology.

The IAG financial statements for the year ended June 30, 2015, the Director Statement and Report, and the Auditor's Report on the financial statements are before the meeting. A copy of these statements and reports were published in the 2015 Annual Report and sent to the shareholders who requested copies.

Shareholders have also had the opportunity to view the statements 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.

As I noted earlier, the Company's auditor KPMG is represented at the management by Dr.Andries Terblanche. Andries is 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.

All questions to the auditor should in the first instance be addressed to me as Chairman and if appropriate I will ask Dr.Terblanche to address the meeting.

For those who may want to say something on remuneration, please bear in mind that we have a separate resolution, the next one, on the Remuneration Report.

The floor is now open for comments or questions on the financial statements. If anyone wishes to speak in relation to this item of business please make your way to the microphone queue. Number two.

QUESTION AND ANSWER

Operator

Mr. Chairman, may I introduce Mr. Jack Tilburn.

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Brian Schwartz - Insurance Australia Group Limited - Chairman

Thank you, and good morning Mr. Tilburn.

Jack Tilburn Shareholder

Thank you, monitor, and good morning to you Mr. Brian Schwartz, a retiring great Chairman of this great Company, Insurance Australia Group Limited. I'm speaking for myself but I would like to speak for the other 747,000 shareholders who are not here present.

One good thing ladies and gentlemen, as a further comment, our share price went up yesterday, AUD0.02. It rose to AUD5.43. That's very good, quite remarkable. It's been down below AUD5, Brian, as you know.

My personal farewell to Mr. Wilkins and my personal farewell to Mr. Brian Schwartz, and hello to Mr. Harper (sic - Mr. Harmer) who is taking over from Mr. Wilkins. Thank you very much for your address, Brian Schwartz, also Mr. Michael Wilkins. It was all full of good disclosure, transparency and accountability. Thank you again.

Just a couple of more comments and then I've only got one big question for today, ladies and gentlemen, but of course a very, very big explosive question. Having an old Kodak camera you would have taken a couple of photographs in your time and so there's I think three bad things for IAG: no Wesley Theatre welcomed us this year, but Mr. Schwartz has told me we're going back to the good old Wesley Theatre next year, ladies and gentlemen.

The final dividend was down to AUD0.16, not AUD0.26 as last year, ladies and gentlemen. We have to accept that Insurance Australia Group has been through a very, very tough year, one of the toughest years in the last seven years of Mr. Wilkins's life here at IAG.

Good things. Number one, Warren Buffett has invested with IAG, buying 90 million shares. I wonder if he will in a couple of years' time take us all over, ladies and gentlemen. Who knows? But the Foreign Investment Review Board may not allow it with national interest to behold.

Our AGM is going back to Wesley next year, a personal note from Mr. Schwartz to me. Good, congratulations.

Now, the one big question, ladies and gentlemen, I did read about it in the -- last Friday's Sydney Morning Herald, the lady wrote it up. IAG and its very unfortunate proposal to rush into China with an enormous AUD1 billion of investment monies. I nearly had a heart attack when I read it, but then the heart attack went away because they weren't going to spend that giant, giant money in China.

I personally don't like China. I don't like the name South China Sea. I'm going to write to Barack Obama and tell him to call it the South International Sea so we don't have a war there over a couple of bloody old islands.

The question is, Mr. Schwartz, as I have outlined, I am very worried about why, why was there going to be AUD1 billion invested in China?

IAG must be very careful with its other Asian investments. I believe you are in Malaysia, India, Thailand, Vietnam and Indonesia. Well, that's five big Asian countries and that might be enough on your plate without China.

So there are very many cultural differences, ladies and gentlemen, in those Asian countries, as you read in the newspapers. So keep to Australia and New Zealand and those five Asian countries at the moment, Mr. Schwartz, and I think you are to be congratulated and we'd like to know more about why perhaps you were thinking of a giant AUD1 billion in China. Thank you.

Brian Schwartz - Insurance Australia Group Limited - Chairman

Thank you, Jack. Yes, we are going back to Wesley next year, although I understand they did fix the acoustics this year so I hope they are working for you anyway. They must have heard you weren't happy with the acoustics. Thank you.

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Jack, it is a good question that you ask, and there's no doubt that it took up an enormous amount of time and thinking on behalf of management and the Board. We have for the last five or six years strategically said that our focus markets will be Australia and New Zealand because we have such great franchises and such great brands and businesses that we will keep focused on them.

And we will, to use the word I often use, love them to death, make sure that we do everything that we can to look after our customers and our brands and our products, and we will continue to do that. But we also recognise that in the long term, that in this market place there is only so much growth potential in Australia and New Zealand because we have such big market share. And we want always to be sure that in 10 years' time, however many time -- years' time in the future, that the Company is positioned to take advantage of other growth opportunities and we identified Asia and we identified six markets in Asia. And you spoke of some them, Malaysia, Thailand, India, China, Vietnam and this year Indonesia. They are the six markets that we express an interest in.

The China opportunity was one that we have been focused on for a long time. We originally thought that a regional opportunity in China may be the way to go, to at least get us to learn the market and get a feel for the market and we made a relatively small investment in Bohai.

We came to the conclusion that really that wasn't the long term solution and that we needed to expand our thinking and look at a national player, which is by definition a bigger player.

After a lot of work, a lot of due diligence, exploring a lot of opportunities, talking to a lot of people, to our shareholders, to the market but really management doing their own due diligence and coming to the Board, we all came to the conclusion ultimately that China wasn't a place for us at this point in time and so we have consciously said that we will not be pursuing further investment in China.

Having said that, we do believe that there are many other opportunities in Asia and we are looking at opportunities, continue to expand in India where we have an opportunity to dial up to 49% with our very good partner and we're looking at opportunities in Thailand and Malaysia and Indonesia where we really haven't set up.

So your question is a good question and I think our shareholders can rest assured that we spent a lot of time and a lot of due diligence before arriving at our decision and I'm glad that you like the answer. Although having said that, we do think that China is a good long term market. Thank you.

Number four or have we got another one? Ah, sorry, number one.

Operator

Mr.Chairman, I now introduce Mr.[Joe Nagey].

Brian Schwartz - Insurance Australia Group Limited - Chairman

Thank you. Good morning Mr.Nagey.

Joe Nagey Shareholder

Good morning Mr.Chairman. Good morning to the Board, ladies and gentlemen. On page 6, the director's report states that IAG has produced a sound operating performance. Then on page 7 again it says that the Board says that the Group's underlying profitability has remained strong. On page 16 it is stated that short term performance for the year ended June 30 2015, that's this year, was sound.

How can these statements be true and taken seriously when your own numbers on page 1, the five year summary and elsewhere show the following. Dividends for ordinary share have dropped from AUD0.39 to AUD0.29. The loss ratio has increased from 60.2% to 67.2%. Basic earnings per share have fallen from AUD0.569 to AUD0.3122. Profit after tax have dropped 37.6% from AUD1.3 billion to AUD830 million. Return on equity has fallen 20% to 12%. Losses shown retained earnings, which should be called retained losses by the way, have increased 123% from AUD151 million loss to AUD337 million. Net cash flow from operating activities have fallen 135% from AUD1 billion to AUD698 million.

Does all this add up to strong, solid performance? If so, I hate like heck to see what poor performance looks like. Included in this I'd like you address this one specifically. There was a AUD321 million turnaround in profit in Australia commercial insurance, resulting in a AUD110 million loss this year. Can you explain why that happened also? Thank you very much.

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Brian Schwartz - Insurance Australia Group Limited - Chairman

Thank you Mr.Nagey and interestingly I think that Mr.Tilburn commented on the fact that it had been a tough year and I think everything has to be taken into context. And in the context of that tough year, I think you understand that the answer to most of your question lies in the fact that natural perils were in excess of AUD1 billion dollars, which is some AUD500 million more than they had been historically.

So if you're comparing year-to-year and you see that the difference is some AUD500 million, it's because there were storms and the like that obviously we can't control, that were over and above what it was we had expected them to be. So, that in a very broad terms, is the reason that both profit and the dividend, because we've always -- Mike's always made a point and I'm certainly going to ask him to comment more broadly. But we've always said we will pay dividends in the 50% to 70% range and if profit goes down because of a natural peril, then -- or indeed because of investment markets in the last 12 months, they're not things specifically within our control that will reflect in the profit.

But the underlying profit, which was referred to in one of your comments, actually remains very good. But Mike, perhaps you'd like to expand.

Mike Wilkins - Insurance Australia Group Limited - MD & CEO

Thanks Brian. Thanks Mr.Nagey. I think Brian's really touched on it and I tried to address those issues in my address to the shareholders as well. So there was a AUD500 million turnaround in our natural peril costs. And if you think back to the year that's just been, in my time in general insurance, that's the worst perils year I've seen. The net cost to Insurance Australia Group last year from natural perils was AUD1.48 billion. That's AUD500 million more than the previous year. So that affected it.

We had lower net reserve releases than the previous year. Not because of the strength of the reserving philosophy that we follow, but because we did need to top up the Christchurch claims reserves, mainly arising because of the continuation of over cap claims coming from the New Zealand Earthquake Commission, which are effectively claims that had not been previously advised to us.

We then saw a significant turnaround in investment markets. I think the All Ordinaries for the 2014 financial year reported a return of something in excess of 17%, whereas the return last year was about 7%. So our investment income on shareholder's funds was also reduced.

As a result of all of that we saw the net profit reduce. Sorry, coming down the income statement we saw our insurance result reduce. We also saw lower investment income on shareholder's funds and hence a lower net profit.

In terms of dividend, Brian's really echoed that. We do not adjust our dividends for assumed investment returns or anything else. We like to let it fall where it will. I think that certainly over my time with the Company we've been very clear with our shareholders that there is potential for volatility coming from our dividends. We've been fortunate in previous years that we've had some very strong natural peril years where we really haven't had the perils and 2014 was one of those years where we did actually say that if we made the profit, we would pay the dividend and we did that.

But 2015 just shows the way in which we've adhered to the discipline that I think's important in an insurance company and that is, when the profit is down, unfortunately the dividend needs to be down. Having said that, we still paid a dividend at just over 70% of our cash earnings which is at the upper end of our dividend range.

So I think that in that environment and you asked about our commercial insurance business as well. In that environment and the commercial business particularly in the second half was particularly badly affected by the claims costs, the peril costs that I talked about and I did mention that in my address. We also are in one of the softest commercial insurance markets that again I've seen in my time in the insurance industry. What that means is, we need to be very disciplined in terms of the business that we are going to underwrite to try to get the right price for the risk that we're being asked to take.

We chose not to chase the market down and hence you would also see that the premium flow from the like-for-like business because it was skewed because of Wesfarmers. The premium flow on a like-for-like basis was slightly negative in our commercial insurance business. And I'm proud of the people in our business for exhibiting the discipline that I think's necessary to run a successful commercial insurance business from that.

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So they are the factors. I think they do play out. But in the market circumstances, I think it was a very, very sound result. And Brian mentioned during his opening remarks and I talked about it as well, at an underlying level, adjusting for the effects of natural perils as if we had -- just had what we assumed and I understand in a previous place I used to have a finance director who said if it wasn't for the losses we'd have made a profit. And I understand all of that.

But on an underlying basis, a 13% insurance margin in these circumstances with the tough commercial markets, I thought was a very, very credible performance. And that 13% is greater than 15% ROE at what is pretty close to the bottom of an insurance cycle. So hopefully that addresses your question.

Brian Schwartz - Insurance Australia Group Limited - Chairman

Thanks Mike. You will be pleased to know your current CFO was nodding his head as you were explaining all of that. So he agrees as well. Microphone four.

Operator

Hello Mr.Chairman. Introducing Ian Graves of Australian Shareholders' Association.

Ian Graves - Australian Shareholders' Association - Spokesperson

Thank you Mr.Chairman. My question's relating to China. And with the recent announcements on China and the write down of AUD60 million in Bohai Insurance, what does this mean for the continuing relationship with Bohai and also your shareholding, existing shareholding in them?

Brian Schwartz - Insurance Australia Group Limited - Chairman

Yes, thank you. Thank you. I think we did, Mike has spoken previously of our intention with Bohai, which really was not to take up any more capital offerings as they should occur. Which means that we will generally be diluted but we still manage that relationship. We have very good relationship with Bohai. So at this point in time it would be our intention not to increase our stake as there are more capital calls, but simply to remain at the level that we're at. Thank you. Number two.

Operator

Mr.Chairman, may in introduce Mr.Jackson.

Brian Schwartz - Insurance Australia Group Limited - Chairman

Thank you. Mr.Jackson good morning.

Unidentified Audience Member

Good morning Mr.Chairman. Previous speaker unfortunately stole some of my thunder on the five year summary. I'm afraid like the previous speaker, I can't agree that with some of the comments that have been made by yourself and Mr.Wilkins.

Underlying profit, we all understand is a way of making things look a better than they really are in my book. And underlying profit is not something that the shareholders have the benefit of. Therefore what happens is, the dividend is reduced, but the remuneration to the executives stays very high. Maybe not as high as it normally would be, but that's the reality of what happens.

Corporate expenses is one thing I'd like to question. It seems to have gone up in the year substantially by AUD130 million odd, looking at page, the annual summary, five year summary. I realise that something like -- is it AUD90 million of that is a write off. But it's still substantially higher. Why should that be?

Brian Schwartz - Insurance Australia Group Limited - Chairman

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Thank you. I think the question as its' related to REM perhaps we'll leave for REM later on. In terms of the expenses and again, Mike will correct me. But from memory they are about AUD215 million. Is that the number?

Mike Wilkins - Insurance Australia Group Limited - MD & CEO

I'm just looking for it.

Brian Schwartz - Insurance Australia Group Limited - Chairman

I think you're talking about two things: the restructuring expenses in relation to Wesfarmers and --

Nick Hawkins - Insurance Australia Group Limited - CFO

AUD383 million is the figure for this year and last year it was AUD255 million and the previous year it was AUD208 million.

Brian Schwartz - Insurance Australia Group Limited - Chairman

Right, and I'll ask Mike to comment. From memory I think those are in relation to the restructure. Mike do you recall specifically? Is that what they are Nick and Bohai and the write-off of AUD60 million on Bohai.

Nick Hawkins - Insurance Australia Group Limited - CFO

Yes, there's a write-off on Bohai.

Brian Schwartz - Insurance Australia Group Limited - Chairman

Yes, which is included in that number. So you may recall that when we spoke about the restructure and the Wesfarmers being brought into the business, we said those expenses would be incurred over two years. This is the balance of those expenses as well as the write-off on Bohai which was referred to earlier. Thank you.

Operator

Mr. Chairman, may I introduce [Dr.Hutchison].

Brian Schwartz - Insurance Australia Group Limited - Chairman

Thank you. Dr.Hutchison?

John Hutchison Shareholder

Thank you for the opportunity to speak and question. Now my thrust is for the mums and dads whose pensions are represented in this theatre in great numbers.

I was disappointed to find that the first two rows were not available to those mums and dad shareholders and perhaps some seats could have been left there so that those who would like to sit there could have sat there, perhaps because they're blind or some other reason.

My second comment relates to the statement in the press, in the public press, about China, which many of the financial advisors would read it as that the Board doesn't know what they're about.

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I've got two questions: will the shareholders have the opportunity to buy shares on a similar basis to the foreign buyer from United States? Secondly -- the second question -- there's a strong view that the CEO should be supervised by the Board and not be a member of the Board, let alone be the Managing Director.

Why is Mr. Palmer (sic - Mr. Harmer) not only on the Board but has dual roles as the CEO and Managing Director? Thank you.

Brian Schwartz - Insurance Australia Group Limited - Chairman

Thank you Dr.Hutchison. I think specifically -- and I'll certainly note your comments about the seating -- we do, for example, have at the back people who need signing being assisted over there.

I'm never quite sure if the best seating is in the front or at the back which is more accessible at the entrance, but we'll certainly take your comment on board thank you.

The two questions you raised about the CEO, actually I think that is the absolute norm. I don't know, I can't think of any top 20, 30 company where the CEO is not on the Board and is not the managing director as well.

As a rule of course you have a majority of non-executive directors and that too is the norm and indeed a requirement and a non-executive chairman. So I think our structure is very much the norm and has been for a long, long time and totally consistent with the market.

On Berkshire Hathaway, I think -- and again we could cover this elsewhere and no doubt we will -- but I think just to get the context of Berkshire Hathaway in broad terms, Berkshire Hathaway is far more than simply an investment of AUD500 million in our Company.

It is a long term strategic relationship and I think that's the point that sometimes perhaps gets lost in the debate, because Berkshire Hathaway bring far more than just a shareholding to our Company and that's already begun to manifest itself.

So as I've said before, when Warren Buffett was keen to invest in our Companies we saw that as an endorsement from one of the world's great investors -- his first investment in this country.

And the anti-dilution clause that you referred to really comes with a whole lot of other strings attached to it, not the least of which is he can't sell his shares for the duration of the quota share which currently is for 10 years.

He also -- he didn't want a seat on the Board despite the size of the shareholding. There are a range of other factors that were built into what I can best describe as a strategic partnership. So all that he was looking to do with the anti-dilution clause simply was to protect his existing position, rather than doing anything more than that.

The reality is that when we do have offers we always offer to small shareholders as an SPP, the Share Purchase Plan, the maximum of AUD15,000 and in fact the statistics show that it's a very small number who are actually disadvantaged. So we are alive and conscious of it, but it generally does result in everyone getting the shares that they want. Thank you.

Microphone one.

Operator

Mr. Chairman may I reintroduce Mr. Nagey.

Brian Schwartz - Insurance Australia Group Limited - Chairman

Thank you.

Joe Nagey Shareholder

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I want the Board and the ladies and gentlemen here to understand perfectly well that I do not think that IAG's in trouble. I think you've made a good move by getting out of China. I would have brought up for you later. So there's a lot of good things but I'm here focusing on some of the not so good things.

[Ken] how does it feel about the Board paying AUD1.85 billion for a Wesfarmers insurance business when on page 11 of the annual report it's stated the following: net cash inflows from operating activities for the financial year were AUD698 million compared to over AUD1 billion the prior financial year.

The decrease is mainly attributable to the net effect of an increase in net claims of AUD1.8 billion mainly attributable to former Wesfarmers business, natural perils and payment of New Zealand earthquake claims, and an increase in outwards reinsurance premium expense paid of AUD297 million mainly attributable to additional cover purchased for the former Wesfarmers business, and CTP adverse development cover within the Australian personal insurance.

Finally, a net increase in other operating payments over receipts of AUD343 million primarily due to the addition of the former Wesfarmers business insurance.

Now I'll just tie this question into another quick one. This brings way back the whole thing. The acquisition of Wesfarmers insurance business is not the first time that IAG has brought grief upon itself via acquisitions.

You will recall ladies and gentlemen, and I'm sure some of the Board do, that in 2006 IAG lost hundreds of millions of dollars in its failed UK insurance business. Currently IAG is hoping that its foray into Asian markets -- and that's been addressed by Mr. Schwartz it's not going to go ahead -- will reap rewards.

Alright, how confident can shareholders feel though when IAG's offshore insurance businesses in Asia have been properly assessed and managed when it has failed with Wesfarmers and Australian business? Why have we not been shown Wesfarmers' detailed financial results?

What has the Board learned from this experience and why did IAG pay almost AUD2 billion for Wesfarmers insurance business when AUD1.193 billion was goodwill, in other words, hot air? How much of this has been written-off and how much is going to be written-off? Thank you.

Brian Schwartz - Insurance Australia Group Limited - Chairman

Thank you Mr.Nagey. I think you draw some very long bows there if I may say. To go from the UK to Wesfarmers firstly is not comparable and not similar transactions. To suggest that Wesfarmers isn't working as well as we'd like it to is a long bow. It's actually working precisely as we hoped it would.

To suggest that we should put all of Wesfarmers together I think doesn't reflect on the reality, and that is that the Wesfarmers business doesn't sit in one place anymore. Part of it sits in commercial, part of it sits in personal alliance business, part of it sits in New Zealand.

So it's a very different business to what it was today, but the reality is that the Board, and guided by management obviously, feels very comfortable with that acquisition and where we've got it to date, and if it doesn't all -- show all the returns in year one or year two that's quite normal for an investment of this size.

But it actually is going really well and we're very comfortable with it, but Mike you may want to -- there were a lot of issues addressed there. You may want to cover some of them.

Mike Wilkins - Insurance Australia Group Limited - MD & CEO

Mr.Nagey thanks for raising that but I agree with Brian. I think that it's a very long bow that you're drawing. Wesfarmers was a substantial business in its own right. It wrote premiums of just on AUD1.8 billion. It had significant claims costs in its own right which when added to the IAG costs are naturally going to increase the claims costs that we had.

I've already addressed the fact that we had probably the worst natural perils year that I can remember in my time in the insurance industry and the Wesfarmers business was affected by that.

There were operating costs that Wesfarmers incurred to run its business in the same way that IAG incurred those costs, and when you add the two together that is going to see an increase in the costs of operating the business.

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From a reinsurance perspective, our aggregates grew because we took Wesfarmers on, so I think what you are comparing is effectively apples and oranges because we had Wesfarmers consolidated for one year, not consolidated in the prior year, and drawing a very long bow about the performance.

The reality is that we're very satisfied with that Wesfarmers business. It is delivering what we expected to deliver.

We said that in terms of the synergies that we thought Wesfarmers would bring and the move to the new operating model that Brian alluded to in Australia as well, we will see in our run rate AUD230 million worth of benefits as we exit June of 2016. We had in our run rate as we exited June of 2015 AUD80 million in that run rate which is exactly what we expected to have.

So I think the Wesfarmers acquisition has been a sound acquisition. Strategically it took us to be the largest insurer in Australia in the same way that our previous acquisitions in New Zealand had taken us to be the largest insurer in New Zealand.

Wesfarmers' New Zealand operations added even further to that, and I think that both Brian and I talked during our initial remarks about the importance of market leadership and the way that that does help us to shape the market.

So I think financially it was quite sound, but also strategically, which is where it should come from, I think it was also quite sound.

Brian Schwartz - Insurance Australia Group Limited - Chairman

Thanks Mike. Microphone four.

Operator

Mr. Chairman, introducing Richard Wilkins.

Brian Schwartz - Insurance Australia Group Limited - Chairman

Thank you. Mr. Wilkins good morning.

Richard Wilkins - Australian Shareholders' Association - Spokesperson

Thank you very much Mr. Chairman. Just for the record I'd like to say that I'm here both as a personal shareholder and representing the Australian Shareholders' Association as well. We've got proxies from about 600 shareholders for about three million shares.

I'd like to begin by again thanking you for your courtesy in seeing us recently and also Simon Phibbs for his usual very generous assistance with questions. Once again I commend all the suite of the annual reports. They're as usual excellent.

Last year when we met you we discussed the question of Board renewal and mentioned succession so it's very pleasing to see that these are both well underway and you've discussed this already.

ASA is certainly very sorry to see Mike Wilkins go. He's done an excellent job in his eight years here and it is, as you said, a tribute to his strong leadership that there was such a rich pool of talent to select a successor from.

Two questions please -- on the Berkshire Hathaway deal, with the effect of the AUD500 million placement already, and even in the absence of the put option being exercised, the quota share will bring a very high level of boost to the regulatory capital in particular over the current year.

Will this -- and I guess particularly given your comments about pulling back a bit on China -- will this provide an opportunity to buyback or redeem early some of the more expensive of the five hybrid debts. So that's the first question.

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The second one on digital is would it be fair to say that the primary motivation there is really about expanding premium rather than purely as a big investment of capital expenditure and therefore just as a cost reduction exercise? Thank you.

Brian Schwartz - Insurance Australia Group Limited - Chairman

Thanks. On the capital -- and Jack may be right. I couldn't pick up all the sound there but I think the questions were twofold. One was in relation to capital and the capital that gets released as a result of the quota shares from Berkshire Hathaway.

So to be clear AUD500 million capital injection came from their increase or their shareholding. Then over a period of time some AUD700 million plus will be freed up as a result of the quota share. I think that was more specifically your question.

So I think it's fair to observe in the first instance that it will be released over a period of time. I think we as a Board and as a management team -- at many meetings during the year our Finance Director, our CFO, presents to the Board where we're at in terms of capital and what are our best options going forward. So it's something that we assess continually.

I think that with a new CEO the logical thing to do would let him get his feet under the desk which he hasn't quite done yet but he will do so on November 16, just to get a feel for where he sees the direction.

Should it be any different? Although he's been part of the team for some time but nonetheless we need to make sure that he is comfortable with where we're at and where we're going. So I would expect we will continue to monitor it.

We're in a strong position at the moment but it's certainly not surplus. We don't have surplus capital. But we're not known to sit on it for the sake. We've always said that should we have surplus capital then we will move to address it. So squarely on the agenda but unlikely to be in the short term.

The second item was digital, and again I think your question was along the lines of -- you assumed that the strategy was more about increasing premium income rather than reducing cost.

Richard Wilkins - Australian Shareholders' Association - Spokesperson

In terms of its primary impetus yes.

Brian Schwartz - Insurance Australia Group Limited - Chairman

Yes, and I know that Peter if he was standing here would say that it's really about interacting better with our customer more than anything else. I think that's the great opportunity that the whole digital environment enables.

So it does all those other things as well. The number of times Peter has already come by and told us about something that used to take a year and now takes three weeks or whatever it is it's going to make us much more flexible.

It's going to enable a lot of things. But ultimately from my experience and I think from listening to Peter it is going to enable us to interact with our customers much better. I think that our customers, many of whom are in the room today, will see that benefit.

Richard Wilkins - Australian Shareholders' Association - Spokesperson

Thank you very much.

Brian Schwartz - Insurance Australia Group Limited - Chairman

Thank you. I think we have microphone four again.

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Operator

Mr. Chairman, introducing Mr. Gregory Simone.

Brian Schwartz - Insurance Australia Group Limited - Chairman

Thank you.

Gregory Simone Shareholder

Thank you and good morning all. Through Mr. Brian Schwartz on IAG's pursuit of appropriate opportunities page 6 of this year's annual report to pages 84-85, this year's annual report -- note on the details of subsidiaries focusing on Australia and New Zealand -- between a 72% to 73% total revenue concentration -- an economically logical reason to seek opportunities.

For the interest of the audience a repeat of the International Monetary Fund's growth downgrade between financial years 2012 3.6% to 2.8% in 2014 would negatively affect the 72% to 73% of [insurers] in Australia group's business.

Now for appropriateness, Ali Baba's 2015 annual report to the US Securities and Exchange Commission, page 54, 350 million buyers and 10 million active sellers on its Chinese market base platforms -- are you sure you don't want to reconsider seeking appropriate opportunity in China? If not, why not?

Brian Schwartz - Insurance Australia Group Limited - Chairman

Thank you Mr. Simone. Again I'm not sure I caught all of the question but essentially I think it was alluding to the opportunity, and the very large opportunity, in China which of course we understand. I think I said right at the beginning that we don't for one second underestimate the Chinese economy or the opportunity.

I think that as a Board and as a management team, ultimately at the end of the day you need to choose the markets that you think you can make the most difference in at a point in time. We have other markets -- you described China -- of course if you spoke about India you would get some similar statistics even though they are a bit further behind in terms of their development.

So yes we are sure that at this point in time it's not the right investment for us. But again I stress we certainly don't minimise the Chinese market. It is a big market. Thank you.

Any other questions? Microphone one.

Operator

Mr. Chairman, may I introduce Mr. Gates.

Brian Schwartz - Insurance Australia Group Limited - Chairman

Thank you. Mr. Gates, good morning.

Unidentified Audience Member

Good morning Mr. Chairman. First of all I'd like to congratulate you on the ongoing support of the State Emergency Service. I've got a question. On page 12 of the future focus -- yes, future focus, access and affordability -- you said about the under insurance due to a lack of understanding people's needs.

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The main problem I have is -- and I think of other people-- is trying to estimate how much their house and the contents are worth. Can I make a suggestion that you appoint -- sorry are you right? Sorry. Could you appoint assessors that could come out to people's houses and estimate how much the right cover would be? Thank you.

Brian Schwartz - Insurance Australia Group Limited - Chairman

Thank you Mike Can you --

Mike Wilkins - Insurance Australia Group Limited - MD & CEO

Mr. Gates thank you for that. Brian has asked me to address it. I don't think it's the role of our assessors to try to actually do that. What we do do is we have calculators on our website.

If you, or if any of our customers, wants to speak to any of our people either through our call centres or indeed through the branches that we have throughout Australia, we're happy to actually help people to understand what goes into the building of a home and what the current cost looks like for that.

I think that given the number of customers that we've got to try to get everyone -- to get somebody to go out and help each individual customer with that would not be practical. However for those who do want the assistance, then you can get that assistance from our staff or from our website.

It's something that we've been doing for some time now and we will continue to do because we think it is important that people actually have the right level of protection rather than being under insured.

As a bit of an advertisement now please ladies and gentlemen think about that if you are customers because I know I do and a lot of others do as well. Sometimes we just set and forget. I think it's important that we actually do look regularly at the quantum of the sum insured because that's the right thing to do to ensure that we're adequately protected.

Brian Schwartz - Insurance Australia Group Limited - Chairman

Thanks Mike. Microphone four.

Operator

Mr. Chairman, introducing Daniel [Goetcher].

Brian Schwartz - Insurance Australia Group Limited - Chairman

Thank you. Mr. Goetcher.

Daniel Goetcher Shareholder

Good morning.

Brian Schwartz - Insurance Australia Group Limited - Chairman

Good morning.

Daniel Goetcher Shareholder

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In eight of the last 10 years claims have exceeded provisions from natural disasters amounting to over AUD1 billion in losses. As natural disasters increase in frequency and severity do you consider it viable in the long term to continually raise premiums or alternatively not offer insurance to vulnerable areas or will we the shareholders continue to wear the losses?

Brian Schwartz - Insurance Australia Group Limited - Chairman

Do you want to answer that? I'm not sure I understand it.

Mike Wilkins - Insurance Australia Group Limited - MD & CEO

I'm not sure I understand the question.

Brian Schwartz - Insurance Australia Group Limited - Chairman

Can we perhaps ask for that again? I'm not sure that we fully understand.

Daniel Goetcher Shareholder

In eight of the last 10 years claims have exceeded provisions for natural disasters amounting to over AUD1 billion in losses, last year being the worst, over AUD500 million, which Mr. Wilkins alluded to.

As natural disasters increase in frequency and severity do you consider it a viable long term solution to continually raise premiums or will you not offer insurance in certain areas? Or do we wear the losses?

Brian Schwartz - Insurance Australia Group Limited - Chairman

Thank you.

Mike Wilkins - Insurance Australia Group Limited - MD & CEO

I think that it's a very good question around what's happened from a perils perspective over the last few years. We have seen a number of perils. Part of the effect of those perils is the urban concentration that we're now seeing with over 75% of the Australian population living within 50 kilometres of the eastern seaboard.

So when an event hits it is going to be more costly today than it has been in the past. So that's one part of it. The second thing in terms of premiums, we actually believe that a premium is a risk signal. It is sending a signal to our policy holders around the risk that they are taking. So for those who do choose to live in a more risk prone area we do tend to charge more in that region.

Having said that, the influence is really more around what we see coming through from our claims costs rather than anything else. So I think that what we always see is a combination of effects. What we did see in the 2015 financial year -- and we've been quite clear about that -- is a perils bill that was much higher than we expected.

Clearly we didn't charge for that. Because they are a random [all] that doesn't mean that we are going to increase our premiums across the board to cover that because we have likewise had good years where it goes the other way.

What we will do though is we will continue to try to charge what we believe is the appropriate price for the risk that is being presented.

Daniel Goetcher Shareholder

You've had two good years in 10.

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Mike Wilkins - Insurance Australia Group Limited - MD & CEO

I think when you look at the way in which an insurance cycle works from a perils perspective you need to take a much longer term view than purely 10 years. I think the insurance industry has been around for well over 300 years and on that basis it's got it more right than wrong.

Daniel Goetcher Shareholder

Given the impacts climate change is clearly having on IAG's profitability, why is it that climate change is not mentioned at all in the 2015 annual report and only once in the 2015 annual review?

Mike Wilkins - Insurance Australia Group Limited - MD & CEO

We believe in climate change. We think that there is something happening. We can't quantify what it is. What we have done though is we've been quite active in terms of the various approaches that we have taken to try to make people aware of risk and the leadership role that we've taken in terms of trying to inform the community as well as to inform the government.

Giving you a few examples to try to cover where you're maybe wanting to go with this question. We are a signatory, an initial signatory, to the United Nations Principles for Sustainable Insurance which was launched as part of the UN Environmental Program Finance Initiative. The PSI -- Principles for Sustainable Insurance is a catalyst for creating a more risk aware and resilient society.

One of our executive team -- Leona Murphy is actually co-chairman of that initiative. We're looking to deliver outcomes that help communities better prepare for and respond to risks, protect the environment and sustain economies.

That's a stated part of the charter that we have. In addition to that, IAG is also a signatory to the Principles for Responsible Investment, the UN Principles for Responsible Investment, which is an international network of investors working for six principles of responsible investment, putting it into practice. The goal of that group is to understand the implications of sustainability for investors and support signatories to that principle, to incorporate those issues into their investment decision-making process.

Finally, and I mentioned it in my address, we were the driving force behind the establishment of the Australian Business Roundtable For Disaster Resilience & Sustainable Communities, which received the Sasakawa Award through the research work that that group has done. A Productivity Commission inquiry has been held into natural disasters and the cause of natural disasters in Australia. So I think that IAG is doing quite a lot on the sustainability front.

Daniel Goetcher Shareholder

Just not mentioning it in your annual report though.

Mike Wilkins - Insurance Australia Group Limited - MD & CEO

Well, we mentioned a number of those initiatives that I talked about in the annual report.

Daniel Goetcher Shareholder

One more question, if I may.

Brian Schwartz - Insurance Australia Group Limited - Chairman

One more.

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Daniel Goetcher Shareholder

Given what you've just stated, Mr. Wilkins, is IAG still invested in coal mines and do they still underwrite coal mining projects?

Mike Wilkins - Insurance Australia Group Limited - MD & CEO

Well, our basic philosophy that we are not exposed to mining as underwriting. It's not a risk that we like to take, so we don't do that. I can't tell you what our investment book looks like, because we used outsourced investment managers for that. However, I can tell you that in terms of one of those outsourced investment managers is Generation Investment Management, which is an international investment partnership chaired by the former Vice-President of the United States, Al Gore, which is a sustainable investment fund. IAG was one of the initial seed investors into that fund.

Daniel Goetcher Shareholder

So you don't know.

Mike Wilkins - Insurance Australia Group Limited - MD & CEO

I don't specifically know --

Brian Schwartz - Insurance Australia Group Limited - Chairman

(multiple speakers)

Mike Wilkins - Insurance Australia Group Limited - MD & CEO

-- because we index our investments rather than manage them ourselves. Thank you.

Brian Schwartz - Insurance Australia Group Limited - Chairman

Mr. Goetcher, I do understand your -- from where you're coming and, in fact, thank you for letting us know beforehand that these were the issues that you were seeking to address. So as I hope that you can tell, we far from minimise this issue and indeed we focus right across the whole range of -- the whole spectrum and are recognised by others for the work that we do. So it's not something that we simply take lightly. Thank you.

Daniel Goetcher Shareholder

Thank you.

Brian Schwartz - Insurance Australia Group Limited - Chairman

Microphone one.

Operator

Mr. Chairman, may I introduce Mr. [Schumann].

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Brian Schwartz - Insurance Australia Group Limited - Chairman

Thank you.

Unidentified Audience Member

Mr.Chairman, referring back to Jack's question originally, I would like to put the following question to you. Do you or the Board see any problems in offering insurance coverage to Asian clients because of social, filial, family, religious or political considerations? For instance, if one of your family or friends lodged a claim for insurance and were knocked back for some valid reason, you probably wouldn't feel too bad about it. But if this was to occur in Asia, a claims manager or a claims officer might feel that they've got to give some sort of favourable consideration to the applicant, because of the filial, religious or other considerations. What do you and the Board feel about that?

Mike Wilkins - Insurance Australia Group Limited - MD & CEO

Thank you, Mr.Schumann. I mean, I think there's no question that that issue, the general issue of ethics and of the countries in all the markets in which we operate are considered continually by Management and by the Board. Before we go into a country, they are the kind of issues that we consider.

Often, the issue has to start with the partner that we choose to get into business with in those markets. If we can find the right partner who does subscribe to the same views as we do and if we can have in place, and we do, people in those businesses that can have an influence over those kind of decisions, then we take far more comfort. If we can't, then I think they would be investments we wouldn't make. They're certainly on top of mind. Thank you.

Brian Schwartz - Insurance Australia Group Limited - Chairman

Number 2.

Operator

Mr.Chairman, may I reintroduce Mr.Jackson.

Brian Schwartz - Insurance Australia Group Limited - Chairman

Thank you.

Unidentified Audience Member

Thank you, Mr.Chairman. Something that came as a surprise, I think, certainly to me and I guess a number of other people was with the fact that you're going to stand down as Chairman. So in the coming year, for example, we've got Mr.Wilkins stepping down and a new CEO and yourself.

Brian Schwartz - Insurance Australia Group Limited - Chairman

Yes.

Unidentified Audience Member

We don't know who is going to replace you at this stage. Could you outline what the procedure would be? I mean, is it likely to be someone that we're looking at on the Board at the moment or could it be someone from outside?

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Brian Schwartz - Insurance Australia Group Limited - Chairman

Yes.

Unidentified Audience Member

If it's someone from outside, is it really desirable to have both the CEO and the Chairman changing all at the same time? I think not.

Brian Schwartz - Insurance Australia Group Limited - Chairman

I agree. So that's not what is contemplated. I think and I would certainly hope -- it's not my decision at the end of the day as to who the next Chairman will be, but I would be surprised if weren't somebody sitting at this table. That would be my first comment.

My second comment and my words in relation to my own timing really will reflect on readiness of the business. I'm not rushing to go anywhere equally. I'm not rushing -- looking to stay for the sake of staying either. The logic of the timing is quite clear. I've been on the Board for 11 years.

We have always said that about 10 years feels right to us in terms of a good amount of time for any director to stand. We took a view that for the Chairman, in the circumstances, it was okay to defer it a bit longer by one or two years and that's what we'll do. But I don't think that it's good governance and good practice to simply extend it out. So the answer is it's well in track and well in planning.

The Board will make a decision when the Board feels the time is right. It won't be before the new CEO is settled down and before we're ready to take that step. Thank you. Number 1.

Operator

Mr.Chairman, may I introduce Mr.[Barden].

Brian Schwartz - Insurance Australia Group Limited - Chairman

Thank you.

Unidentified Audience Member

Morning, Board. I've got a question on the audit fees on note 35 on page 97, audit of financial statements prepared by the parent subsidiaries. They've gone from AUD7.9 million from AUD6.8 million. That's about a 15% increase after inflation. Is that mean AUD1 million is for the audit of Wesfarmers? If so, that seems excessive.

Brian Schwartz - Insurance Australia Group Limited - Chairman

I think the answer is it is roughly AUD1 million in terms of the audit of Wesfarmers. That explains the difference. The other movement in the fees is in relation to due diligence in one year versus the other.

But that was the fee. It's comparable to previous years and is based on an assessment by the Audit Committee and Management. Thanks.

Number 4.

Operator

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Mr.Chairman, introducing Mr.[Locke].

Brian Schwartz - Insurance Australia Group Limited - Chairman

Thank you.

Unidentified Audience Member

Thank you. Congratulations to you, Mr.Chairman, and Mr.Wilkins on the years -- year we are examining. If you talk to experienced investors, they will normally tell you there are three areas they will not invest in. One is mining, the second is airlines and the third is insurance.

So they -- I received my shares as a result of the de-mutualisation of NRMA. I wouldn't have bought shares in an insurance company otherwise. I wouldn't buy. I think many of the questions here today are based on the expectation that an insurance company will follow the similar lines to companies -- other companies on the stock exchange that progress like banks.

Price goes up. The dividends basically remain the same. I think that is one of the problems that has presented behind many of the questions.

I would not expect and you, Mr.Chairman, as the outgoing chairman might comment -- we won't see a -- I would not expect to see a rise in the share price and I would not expect to see a rise in the dividend. Many of us believe it should remained a mutual anyway. Thank you.

Brian Schwartz - Insurance Australia Group Limited - Chairman

Yes. Thank you, Mr. Locke. I think before I became involved in the insurance industry to the extent that I did, I think I would have shared some of those views. But I think what I have learnt over the time, that with astute management and with astute risk selection and with astute reinsurance selection and with just generally good management it is actually very possible to make sustained, good earnings in this business. I have no doubt that we have and we'll continue to do that.

I can't comment on the share price. That's not something we can influence, but I think you've seen our 2014 to 2016 insurance margin projection. They're good numbers. They're very good numbers and they are predicated on those issues that I raised. So I think to say that it will never make it or it will never -- I think it will and I think it will do so consistently. But in very, very occasional years, such as last year, where we had a AUD500 million increase in natural perils, it will reflect in the results. Thank you. Number 4.

Operator

Mr.Chairman, reintroducing Mr.Gregory Simone.

Brian Schwartz - Insurance Australia Group Limited - Chairman

Thank you.

Gregory Simone Shareholder

Morning again. For Mr.Schwartz. On IAGs creation of a new division and building Insurance Group Australia's future, IAG Labs, with the neutral effect on the balance sheet by way of using existing technologies, page 1 of Ping An 2014 annual report stated as over 19 million internet customers. On page 17 of the same annual report, 7,350,000 over the counter customers.

For an egg and a beer, what better way to test IAG Labs than with a company that provides insurance in Asia, has a multichannel distribution network in insurance, banking, investment and internet finance? Surely strategic relationships with IAG now and into the future are not exclusively singular in nature, especially with companies who succession plans cast out over Humpty Dumpty ever being put together again.

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So is there any room for partnerships with ASX waivers and insider capital positions with companies directly in our region?

Brian Schwartz - Insurance Australia Group Limited - Chairman

I'm sorry. I think the answer is yes. I don't think we ever discount -- we don't ever discount talking to any of our -- any of the players out in the marketplace. The question is whether Ping An, who you mentioned, would be interested in sharing all about their customers with us and all their technology with us. I'm not sure they would.

But the short answer is that that's one of the great advantages of the new focus that we have in the digital space. There is no doubt there will be many opportunities that I know Peter and his team will explore going forward. Number 4.

Operator

Mr.Chairman, reintroducing Mr.Daniel Goetcher.

Brian Schwartz - Insurance Australia Group Limited - Chairman

Thank you.

Daniel Goetcher Shareholder

Hello again. In 2010, Mr.Wilkins, you advocated for an emissions trading scheme in a paper to the Geneva Association. In your disclosure to the Carbon Disclosure Project, you also advocated for a price on carbon. Have you lobbied for a price on carbon with the federal government? If so, why haven't you made this public?

Mike Wilkins - Insurance Australia Group Limited - MD & CEO

Mr.Goetcher, we speak to the government about a number of things and tend to do that in camera, which I find is the best way to actually have those conversations. Where public inquiry is invited, IAG always participates from that public inquiry -- in that public inquiry. From a personal perspective I still believe in a price on carbon and an emissions trading scheme. We don't have one in Australia at the moment, but that's not something that I can influence.

Daniel Goetcher Shareholder

But we did. Sorry, sir, but we did, and there are certain -- if executives of your level were on the public record advocating for a price on carbon perhaps we would still have it.

Brian Schwartz - Insurance Australia Group Limited - Chairman

Mr.Goetcher, can I interrupt here? You're clearly taking a personal issue and I understand and accept and appreciate that. It's not the agenda, it's not the business that we're discussing in this meeting, which is the accounts and the Company.

So, can I say, this is the fourth question you've now asked on this issue. Everybody understands your agenda and I think Mike has given you a good response to it. Let's finish this and then I think let's let it rest there.

Daniel Goetcher Shareholder

Sure.

PRESENTATION

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Brian Schwartz - Insurance Australia Group Limited - Chairman

Thank you. Okay. I think and I believe that the shareholders as a whole have now had a reasonable opportunity to ask questions or make comments on the financial statements and reports and the management of the Company. We will now move to the next item of business.

There have been a large number of votes cast directly and by proxy and those shareholders here today are obviously only a small minority of the almost 750,000 members on the Company's register. Each share in the Company carries the right to one vote and the poll reflects most fully those voting entitlements. 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, Simon Carson has given me a report on the results of the direct and proxy voting instructions received for each item of business. I've accepted the recommendations as to the admission and rejection of proxies and direct voting instructions and have made rulings accordingly.

The preliminary results and votes from attendees at today's meetings will be combined and displayed on the screen at the close of the poll on each of the resolutions. Once the poll has been closed and the votes compiled a report on the final results will be announced to the Australian Stock Exchange, the Securities Exchange, and then be published on the Company's website and made available at the Company's registered office.

The first resolution of this year's AGM is the adoption of the Remuneration Report. This resolution is put to the meeting in accordance with the Corporations Act. The resolution is that the Company's Remuneration Report for the financial year ended June 30, 2015 be adopted.

Under the Corporations Act this vote is advisory only, meaning the result of the resolution will not bind the Directors of the Company. The Board will however, as we do every year, consider the outcomes of the vote and comments made by the shareholders when reviewing the Company's remuneration policies.

The Remuneration Report is set out on pages 16 to 35 of the Company's 2015 Annual Report and provides extensive disclosure of Director and executive remuneration. The chair of the people and remuneration committee, Elizabeth Bryan, will speak to this resolution. Thank you, Elizabeth.

Elizabeth Bryan - Insurance Australia Group Limited - Non-executive Director

Good morning, ladies and gentlemen. It's my great pleasure to address this meeting in my capacity as chair of IAG's People and Remuneration Committee.

IAG is committed to a remuneration framework that helps us attract, retain and motivate high quality executives, executives who can achieve superior and sustainable performance that will have a positive impact on shareholder returns over the longer term. We believe the principles that underscore our remuneration approach do this as well as encouraging constructive behaviours and prudent risk-taking.

The three components of our remuneration structure are fixed remuneration, short-term incentive plan and our long-term incentive plan. Let me start with fixed remuneration. In the 2015 financial year IAG executives received on average a 1.5% fixed pay increase. For the 2016 financial year the Board has determined that fixed remuneration should not be increased. This decision is part of the measure we are taking to manage through the difficult conditions we are experiencing in the general insurance industry.

Our short-term incentive plan is designed to reward successful outcomes on both financial and strategic goals. For 2015 on average executives achieved a short-term incentive reward of 61% of their maximum short-term incentive opportunity. This was significantly down on the average reward of 79% that was achieved during 2014.

Strategic goals, such as good progress with the integration of the Wesfarmers business and the restructuring of the operating model were achieved. But two of our three financial goals were not achieved, mainly because of the number of natural peril events that occurred.

IAG's long-term incentive program focuses on our long-term performance. The plans that vested this year were allocated in 2012. The business has undergone considerable growth and evolution since 2012, and this has been reflected in the strong, long-term performance of our relative total shareholder return and of our cash return on equity. These measures are the measures that form the basis of our long-term incentive plan.

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We've been asked this year whether our cash return on equity hurdles of 1.2 to 1.6 times our weighted average costs of capital are sufficiently challenging given that we've exceeded our targets this year and last year.

In light of this concern, we commissioned an independent advisor to review our executive remuneration framework including our long term incentive plan. The review concluded that our long term targets of total shareholder return and return on equity are appropriate targets, and that they're sufficiently challenging through the whole insurance cycle to drive achievement of our strategy and deliver strong returns to our shareholders.

This review, plus the fact that the ROE component of the long term incentive plan has only vested twice in the last 10 years, gives the Board comfort that the return on equity hurdle ranges are indeed sufficiently challenging.

In addition to the remuneration structure I've just described to you, the Board is committed in ensuring that our Executives and our Non-Executive Directors' interests are aligned with shareholder interests through our mandatory shareholding requirements, and I'm pleased to advise that all eligible Executives and Non-Executive Directors hold a significant shareholding in our Company above their required level.

We believe that IAG has a sound framework to ensure we remunerate Executives responsibly and provide alignment with shareholders' interests. The results set out in our remuneration report describe this framework and set out the details of this year's results.

So we look forward to your continued support for the 2015 remuneration report and for our remuneration practices. Thank you.

QUESTION AND ANSWER

Brian Schwartz - Insurance Australia Group Limited - Chairman

Thank you Elizabeth. If anyone wishes to speak in relation to this resolution please make your way towards a microphone and direct your questions to me. I see microphone two.

Operator

Mr.Chairman, may I reintroduce Mr.Jack Tilburn.

Brian Schwartz - Insurance Australia Group Limited - Chairman

Thank you.

Jack Tilburn Shareholder

Thank you monitor Martina. Mr.Schwartz, through you and through to the Board and especially to Elizabeth Bryan who is the Chairman of the Remuneration Committee, just a few supportive comments, thank you.

We thank Elizabeth Bryan for her somewhat elegant introduction to the important remuneration report, which looks after our key management personnel executives and 13,000 other members of the great team of Insurance Australia Group.

Overall the whole objective, as Elizabeth has outlined, is to reward our key management personnel framework with IAG's strategic goals, so superior performance by the great team of 13,000 is to be rewarded with a satisfactory remuneration metrics.

Now I looked at the report from page 16 to 35; very good disclosure, transparency and accountability goals, and it's a very good superior remuneration report. We can see how our Executives are well paid. Mr.Wilkins especially well paid, and a great Chief Financial Officer, Mr.Hawkins, well paid, and a delightful lady in New Zealand, Chief Executive, Jacki Johnson is up there with AUD3.8 million. Well deserved.

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Finally, Mr.Schwartz through you, I looked at the page which sets out the shareholdings of the key management personnel. That's all the Directors and all the good Executives and they're all holding very good numbers metrics indeed. So congratulations on them for picking on choosing to invest in a very good Company. Thank you ladies and gentlemen.

Brian Schwartz - Insurance Australia Group Limited - Chairman

Thank you Jack, thank you.

Operator

Mr.Chairman, may I reintroduce Mr.Jackson.

Brian Schwartz - Insurance Australia Group Limited - Chairman

Thank you, Mr.Jackson

Unidentified Audience Member

Thank you Mr.Chairman. One of the things I'd like to focus on is the five year summary which I've mentioned previously, and what the maximum opportunity is for Executives.

It seems that the maximum opportunity for an Executive of the CEO for example is four times the fixed remuneration, which is fairly high but not terribly unreasonable. I think what is unreasonable is the split between the -- that you only come down to short term incentive. Two-thirds of it is in cash and that doesn't seem to be right to me. I would prefer to see that at least 50% in cash and 50% in equity.

I also notice that the other measure measures for STI only 50% of it is in financials which people can understand. The rest of it is in KPIs -- key indicators. I would have thought that 70% should be financial and this perhaps explains why in a year that's not been particularly good, in fact been very bad, 62% has been earned on STI in cash. I mean it seems to me that's a very high figure.

I would also question why you have a different period for the long term incentives. You've got return on equity, ROE, which is only three years, and the TSR which is four years which seems really -- shouldn't they be the same, four or more years, which for a Company like IAG I think it should be. Why the difference?

In essence, I think really when you look at the actual remuneration received this year on one of the pages which is very nicely presented, it's AUD10.4 million and for the previous year it was AUD11.4 million.

I have great difficulty with those numbers particularly when a Company is not doing that well and hasn't been doing that well for a number of years, and again it's all back to measuring against underlying issues which exclude some of the nasty problems that crop up.

So whilst I understand that you've gone to independent sources to get your remuneration advice, I would suggest that the advice is far too generous and that some of the Board should have been more questioning in the outcomes that you can see before you.

I mean goodness me if AUD10.4 million can be the figure for this year which has been a bad year, what it is going to be like when we have a good year?

Brian Schwartz - Insurance Australia Group Limited - Chairman

Thank you. Mr.Jackson you've asked a lot of questions there and I'll try and cover them all. I may not get through all of them.

But you first asked about the STI two-thirds cash and you felt it should be 50/50. In fact from memory it was 50/50 and then the general sense in the market was two-thirds/one-third was the better measure, and no doubt sometime in the future it'll become 50/50 again, but it's not a huge difference between the two.

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It was certainly -- I should say in answering all your questions that fundamentally there's been no change in the structure of our remuneration now for several years and certainly not in the last year. So again as we said earlier, we take on board what is said and we go and make sure that we are a best practice and we think we are.

The 50/50 financial/non-financial on the balance scorecard is a really interesting one. I have to say I'm a proponent of 50/50 and the reason that I am -- and not everybody is and clearly you aren't -- is that the 50% that's non-financial really is what makes the organisation beyond simply a financial organisation that's purely focussed on finance. It's focussed on people, it's focussed on developing a better society, it's focussed on the kind of things that we've spoken about on sustainability.

It's focussed on a whole lot of other measures and I think that we do ourselves a great disservice if we say it's just financial. Now the fact is that if you have all of those behaviours in place that are non-financial, they convert to financial measures at the end of the day as well.

So it's not something that isn't debated regularly and that again may change, but I think it actually creates the right culture and the right values in the organisation.

I think to go to the AUD10.4 million or the AUD11.4 million, again you need to look beyond simply the raw number because in fact you need to understand the split of the remuneration which is -- I think it's 25% fixed and then the rest is at risk. What you're seeing there is a lot of the long term remuneration which is a goodly number if it comes through, actually coming through.

As Elizabeth mentioned in her report, it's only twice in the last 10 years that that measure on ROE is actually paid out in full. What we're beginning to see is that flowing through into the remuneration.

So a big part on page 20 of the remuneration number, if you look simply at the LTI, AUD2.5 million of Mike's LTI actually results from an increase in the share price, nothing else, which is the same increase as we as shareholders get as well.

Of his AUD1.2 million odd on the STI, the deferred STI, AUD460,000 comes from the increase in share price. So we actually think that they are quite well matched to make sure that management in performing and then being rewarded are matched with what it is that will benefit shareholders.

Unidentified Audience Member

Just one -- I just think that the total figure is far too large.

Brian Schwartz - Insurance Australia Group Limited - Chairman

Okay.

Unidentified Audience Member

I know your Company's not alone. I mean there are other companies, and in fact there was one chairman -- rather, one CEO, Mr.Foley from Telstra said I can't justify mine and I think his was about AUD10 million or AUD11 million as well. It's just too high and when you compare it with what the people down on the shop floor are getting it bears no relation, and the multiple has gone way, way out to something like 70 to 100 times the average weekly earnings, which is far too great a difference.

Brian Schwartz - Insurance Australia Group Limited - Chairman

Thank you.

Unidentified Audience Member

It's not deserved because the figures do not indicate that paying these higher salaries has produced good results. It certainly hasn't. It certainly hasn't with IAG anyway.

Brian Schwartz - Insurance Australia Group Limited - Chairman

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I disagree with that. I think it has with IAG and I think that with natural perils of AUD1 billion if we hadn't had the management team that we had that number would have been a lot lower. But your point is made and it's understood, thank you.

Microphone four.

Operator

Mr.Chairman, reintroducing Mr.Gregory Simone.

Brian Schwartz - Insurance Australia Group Limited - Chairman

Thank you.

Gregory Simone Shareholder

Morning again. Through Mr.Schwartz, on motivating employees to achieve superior and sustainable performance and discourage underperformance -- page 16 of the 2015 annual report -- research delivered by the data monitoring company, [MarketLine] suggests that for the financial years 2014 and 2013 when compared to our competitor QBE, Insurance Australia Group's revenue per employee was AUD528,955.20 and AUD617,775.90 after tax. In comparison, QBE's insurance revenue per employee was AUD861,000 and AUD936,411.80 in the financial years 2014 and 2013 respectively.

I would reckon the greater the revenue per employee, the better the customer experience. So how do you envisage improving productivity per employee and will you publish average revenue per employee in the annual report? If not, why not?

Brian Schwartz - Insurance Australia Group Limited - Chairman

Mike, would you give that a bash? I know REMs is not something I generally turn to you before, but I'm not sure I know the specifics of that.

Mike Wilkins - Insurance Australia Group Limited - MD & CEO

I think what Mr.Simone is referring to is the premium pool that IAG has compared to the premium pool that QBE has and is then looking at the number of employees and trying to derive a performance per employee.

The two organisations are very different. QBE is essentially a commercial insurer that writes very large commercial insurance risks and takes in very large individual premiums not requiring the same number of employees that IAG has, where we are predominantly a short tail, personal lines insurer. 83% of our business is personal lines, meaning that we need more employees to be able to deal with that because we are talking about motor insurance premiums that average somewhere around AUD700 to AUD750 per policy, as opposed to some of these commercial insurance policies where one policy can run to several million dollars in terms of premium.

So I don't think that the comparison that Mr.Simone is attempting to draw is a valid comparison.

Brian Schwartz - Insurance Australia Group Limited - Chairman

I sensed that it might be the nature of the business, thank you.

Operator

Mr.Chairman, reintroducing Mr.Ian Graves.

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Brian Schwartz - Insurance Australia Group Limited - Chairman

Mr.Graves.

Ian Graves - Australian Shareholders' Association - Spokesperson

Thank you Mr.Chairman. As you recall, I am representing the Australian Shareholders Association and although we are recommending our members vote for this report, we still would prefer the STI financial component of the balance score card to have a greater weighting than the current 50%; preferably 70%. Although we acknowledge that the non-financial components are important, we are concerned that both the measures and assessment have rigour. Has the Board considered having a financial gateway before awarding non-financial benefits?

Brian Schwartz - Insurance Australia Group Limited - Chairman

Yes, thanks Mr.Graves. We actually have and I think the question is not dissimilar to Mr.Jackson's question earlier. It really ultimately boils down to what is management -- how does management want to drive performance and behaviour in the Company and what does it take as being important. Whilst financials should never not be the major factor, I think you can really impact on the company by bringing those other measures as well. So as I said to Mr.Jackson, we certainly continue to look at it. We're comfortable at 50/50, but no doubt in time we'll reassess that measure and either come to the same view or change it.

Ian Graves - Australian Shareholders' Association - Spokesperson

What about the financial gateway prior to the awarding of benefits?

Brian Schwartz - Insurance Australia Group Limited - Chairman

I don't recall if we have. I know we've discussed it, I honestly off the top of my head don't know the answer to that. I can follow that up and get back to you, but I don't know off the top of my head because it goes back some distance that we did look at it.

Ian Graves - Australian Shareholders' Association - Spokesperson

Thank you Mr.Chairman.

Brian Schwartz - Insurance Australia Group Limited - Chairman

Thank you.

Operator

Mr.Chairman, my I reintroduce Dr.John Hutchison.

Brian Schwartz - Insurance Australia Group Limited - Chairman

Thank you. Dr.Hutchison.

John Hutchison Shareholder

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Mr.Chairman, I submit that the evidence that's been provided today is based on IAG's internal policy. In other words, IAG, in particular the committee, has said this is what we've done, this is what we will do in the future. In future, could consideration be given, if not today, could a comparison be made between IAG's remuneration and that of other companies? There is evidence in the marketplace such as the AICD's reports and so on, so either could you explain today a comparison with what others do, or in future could it be done in future AGMs? Thank you.

Brian Schwartz - Insurance Australia Group Limited - Chairman

Thank you. I think Dr.Hutchison, just so that you are aware, we every year do a relatively study to the market and to our competitors and we get an external review done of those numbers as well. So the numbers are based on that relative position in the market. I think shareholders will agree that our financial statements are complicated enough as it is and to keep adding this information would just make them that much longer, but other than to assure you that that's exactly the information that we use in arriving at our relativities and our numbers. Thank you.

PRESENTATION

Editor

Ladies and gentlemen, I think that that concludes the discussion on Resolution 1. I now direct that the poll for Resolution 1 be taken and that attendees register their voting intention by pressing the appropriate number on their keypad as shown on the screen.

I know a number of people have left, which is distorting the numbers a bit in terms of those eligible to vote. There's still a bit of movement, so I'll wait just a little while longer. It looks like it's now static. I now declare the poll closed on Resolution 1 and we will wait for the outcome of that.

Thank you ladies and gentlemen. Your votes have been added to the direct and proxy votes received by the voting deadline and the preliminary result of Resolution 1 is now shown on the screen with the for vote of 97% and based on that, the resolution has been carried. Thank you.

As I noted earlier, Resolution 2 has been withdrawn following the announcement of Mike's retirement effective November 16. The EPRs that were subject of the resolution will not be issued. The DARs, the short term incentives, will be awarded to the CEO under his FY15 short term incentive plan only and that plan for the period FY16 for which he is employed by the Company, is yet to be determined and will be based on his performance up to the date of his retirement.

We now move to the re-election of Directors resolutions and there are two re-elections, the first being Alison Deans and the Resolution 3 is that Alison be re-elected as a Director. I now invite Alison to address the meeting.

Alison Deans - IAG Limited - Non-Executive Director

Thank you Chairman and good morning ladies and gentlemen. It's only two years since I last stood for election, but they have been years of substantial progress for IAG, particularly in building digital capability, an area of particular relevance for me. I've spent the last 16 years building digital businesses in Australia across sectors including media, e-commerce and financial services and often in partnership with world class technology companies including eBay, Microsoft and Charles Schwab. With these businesses, I've experienced profound changes in customer expectations, the new business models enabled by technology and the innovative and agile approach needed to address digital opportunities.

Accelerating digital transformation is one of IAG's key strategic priorities and it has been consistently building digital capability across all divisions and delivering innovative, digital customer experiences. Digital transformation will be a challenging journey, but IAG is preparing itself well for that challenge with steps such as establishment of group data analytics capability and IAG labs.

Outside IAG, I serve on the boards of Westpac Banking Corporation, Cochlea Limited and kikki.K Limited, all businesses with a strong focus on the opportunities of the digital economy. I also continue to work with digital entrepreneurs in Australia. Over the last two years, I've served on IAG's Audit and Risk Committees. If re-elected today, I will serve on the People and Remuneration Committee where I have a particular focus on encouraging the performance management and organisational agility needed to manage in the world of accelerated change.

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I believe that my experience in agile, technology driven and customer focused businesses can provide a value perspective, complementing the depth and diversity of experience of my colleagues on the IAG Board and management team. If re-elected, I will take every opportunity to bring that perspective to your Board and Company. It would be an honour to serve another term on your Board. Thank you.

Brian Schwartz - Insurance Australia Group Limited - Chairman

Thank you Alison. The Board, with Alison abstaining, recommends that you vote in favour of the re-election of Alison Deans to the Board. If anyone wishes to speak in relation to the resolution, please make your way to the microphones.

Okay, I think there being no discussion, that concludes Resolution 3 and I now direct that the poll for Resolution 3 be taken and that attendees register their voting intention by pressing the appropriate number on their key pad as shown on the screen.

Thank you ladies and gentlemen. Your votes have been added to the direct and proxy votes received by the voting deadline and the preliminary result of Resolution 3 will be shown on your screen shortly. I think based on that, the resolution has been carried. Congratulations Alison, well done.

Resolution 4 is that Raymond Lim be re-elected as a Director and I now invite Raymond to address the meeting.

Raymond Lim - IAG Limited - Non-Executive Director

Thank you Chairman; ladies and gentlemen good afternoon. I am happy to have the opportunity to say a few words to you, the shareholders of this Company. Let me start by saying what several of you have said, that IAG is a great company and I am proud to be a part of it.

When I was invited to join the Board in 2013, Brian and Mike explained to me IAG's strategic push into Asia. I felt then that it was well thought out and now, having served a few years on the Board, this is indeed proven to be the case. Each step into Asia thoroughly debated, carefully considered and soberly executed.

In this regard they felt to my extensive background in government and planning for markets in Asia will allow me to offer valuable perspectives on doing business in Asia and, I think, just as importantly, a diversity to the Board's thinking.

I served as a former Cabinet minister the Singapore Government with ministerial responsibilities that included finance, trade and industry and foreign affairs. Given Singapore's active external policy, this has meant an extensive engagement in Asia.

I was also a former member of the board of governors of the International Monetary Fund and the World Bank. I am currently chairman of a specialist Asian asset manager, senior advisor to the Swire Group, a 200 year old Asian conglomerate, and a long serving director of the GIC, Singapore's main sovereign wealth fund.

I'm also an adjunct professor at the Lee Kuan Yew School of Public Policy, National University of Singapore, specialising in the geopolitics of Asia.

Previously, I held senior positions in the financial industry, including as managing director of Temasek Holdings, Singapore's other sovereign wealth fund, and as chief executive officer of DBS Vickers Security, a leading Asian broker.

Ladies and gentlemen, let me close on a more personal note. A few years ago, when I had the opportunity for the first time to address you, I said that one of the principal reasons why I had agreed to serve on the IAG Board was that I felt that it was one way for me to give back to a country that has given me, as a young man, the benefit of an education and lifelong friendships.

A few years on the grace and warmth that have been extended to me by members of the IAG family confirms in my mind what a privilege it is to serve in this great Australian institution and continue an association with Australia now close to 40 years, a country that I have the greatest affection for.

With your support I hope to be able to continue to contribute to IAG's continued success. Thank you.

Brian Schwartz - Insurance Australia Group Limited - Chairman

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Thank you, Raymond. The Board, with Raymond abstaining, recommends that you vote in favour of the re-election of Raymond Lim to the Board. If anyone wishes to speak in relation to this resolution please make your way towards the microphone.

No discussion. Thank you. I now direct that the poll for Resolution 4 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 4. Thank you, ladies and gentlemen. Your votes have been added to direct and proxy votes received by the voting deadline, and the preliminary result on Resolution 4 is now shown on the screen.

Based on this preliminary result the resolution has been well and truly carried. Congratulations Raymond.

Resolution 5 is that Elizabeth Bryan be elected as a Director. I now invite Elizabeth to address the meeting.

Elizabeth Bryan - Insurance Australia Group Limited - Non-executive Director

Thank you, Brian. And this time, good afternoon, ladies and gentlemen. I also appreciate the opportunity to talk to you about my election as a non-executive Director of IAG. I've been a member of your Board since December 2014 but, as this is the first AGM since then, this is the first time I've stood for election.

I felt very privileged and proud to have been asked to join the Board of your Company. In my 10 months on the Board I've taken on the roles of Chair of the People and Remuneration Committee and that of the Deputy Chairman and, more recently, I joined the Risk Committee.

These roles have provided me with a great opportunity to learn about the operations of the business. I've spent the last 15 years of my career as a professional company director, and I have deep experience in the governance of Australian companies.

I believe that this experience, coupled with my executive career, which was in finance and government and management consulting, will enable me to serve you well as a non-executive Director of IAG.

My other commercial commitments are currently as chairman of Virgin Australia, as a director on the board of Westpac and as the chairman of Caltex Australia. This workload will significantly lessen when I retire from Caltex Australia board on December 9 this year.

My stepping down from Caltex has actually been delayed by circumstances in Caltex, which have now been resolved, but I do know that this has caused some investors concern that I was taking on too much.

From December 9 onwards my workload will fall comfortably within the guidelines advocated by governance advisors. I believe that I have the time, I have the interest and I have the motivation to continue to serve well as a member of the IAG Board and that my skills complement those of the strong team making up the rest of the Board.

So I seek your support for the resolution to elect me to the Board of IAG, and thank you very much for giving me the opportunity to make these remarks to you.

Brian Schwartz - Insurance Australia Group Limited - Chairman

Thank you, Elizabeth. The Board, with Elizabeth abstaining, recommends that you vote in favour of the election of Elizabeth Bryan to the Board. If anyone wishes to speak in relation to this resolution please make your way to the microphone queue. And I note that microphone two has a question.

Operator

Mr. Chairman, may I reintroduce Mr. Jack Tilburn.

Brian Schwartz - Insurance Australia Group Limited - Chairman

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Thank you. Thanks, Jack.

Jack Tilburn Shareholder

Oh, yes. Through you, Brian Schwartz, thank you and over to the Director of Insurance Australia Group now, Elizabeth Bryan. I am, Mr. Schwartz, overwhelmed with admiration for this female gender diversification for our Board, but when you look at her most impressive curriculum vitae I have never met, in 551 annual general meetings, a lady who has risen so very high in corporation governance in Australia.

Never have I observed and seen in 551 annual general meetings a lady who is chairman of Virgin company, chairman of Caltex, a director of Westpac Banking Corporation Limited -- which, as I'm a shareholder, is the second biggest trading bank in Australia after the Commonwealth Bank.

And on top of all that, she performs through her social framework as president of Young Women's Christian Association of Australia, a remarkable position to have, as well as all the others which I've just pointed out.

So, in the end, Brian Schwartz, I've got (inaudible) very strongly to help a gender diversification on our Board, after Alison Deans, but this lady is truly, truly remarkable. And if I didn't say it, I'm overwhelmed with admiration. Thank you, Elizabeth Bryan. May you have many happy years to come.

Brian Schwartz - Insurance Australia Group Limited - Chairman

Thank you, Jack. I should say that it's not only female gender diversification that causes us to ask Elizabeth to be on the Board. As you point out, she's a great director with great experience, but we agree with your point. Thank you.

If there is no other discussion, that concludes the discussion on Resolution 5. I now direct that the poll for Resolution 5 be taken and that attendees register their voting intentions by pressing the appropriate number on their keypad, as shown on the screen.

I now declare the poll closed on Resolution 5. Thank you, ladies and gentlemen. Your votes have been added to the directs and proxy votes received by the voting deadline, and the preliminary result of Resolution 5 is now shown on the screen. Based on this result the resolution has been carried. Congratulations, Elizabeth. Well done.

Resolution 6 is that Tom Pockett be elected as a Director. I now invite Tom to address the meeting.

Tom Pockett - Insurance Australia Group - Non-Executive Director

Thank you, Chairman, and good afternoon, shareholders. When Brian contacted me to join the IAG Board I was particularly excited. I was well aware of IAG's presence in the market as one of Australia and New Zealand's premier insurance companies.

I also had a direct exposure to IAG, as many of you do here, when it initially floated on the market. And I've still got that shareholding today. I saw IAG as a company with a solid growth profile, a community and sustainability focus, a strong corporate governance with strong risk practices and a very experienced and talented management team and Board, so I am very pleased and honoured to be standing here before you seeking election to the Board.

Given my background, I will bring to IAG and the Board many years of solid commercial experience that I gained at Woolworths, CBA and Lend Lease. I have a strong financial background and have led and have been involved with many strategic initiatives.

I have also had direct financial services experience through my working experience at CBA and at MLC Life, when that was originally owned by Lend Lease.

With your support today I am looking forward immensely to working with the Board and the management team at IAG and the continuing success of IAG into the future. Thank you very much.

Brian Schwartz - Insurance Australia Group Limited - Chairman

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Thank you, Tom. The Board, with Tom abstaining, recommends that you vote in favour of the election of Tom Pockett to the Board. If anyone wishes to speak in relation to the resolution please make your way towards the microphone queue.

And we have microphone two.

Operator

Mr.Chairman, may I re-introduce Mr. Jack Tilburn.

Brian Schwartz - Insurance Australia Group Limited - Chairman

Thank you, Jack.

Jack Tilburn Shareholder

Through you Mr. Brian Schwartz, thank you very much. I wish to support wholeheartedly Mr.Thomas Pockett. I've known Thomas Pockett from 2006 up to 2014 as the great finance director of the great Woolworths company.

It's not going too good now Thomas, since you've left. Nine years I've known Thomas Pockett. Nine years of AGMs at Woolworths, almost nine. They go to a different city now and again unfortunately. They don't keep track of Sydney.

But Thomas has been a wonderful chief financial officer of a wonderful company, Woolworths Limited and I wish him all the very best for the next three years. Thank you.

Tom Pockett - Insurance Australia Group - Non-Executive Director

Thank you.

Brian Schwartz - Insurance Australia Group Limited - Chairman

Microphone four.

Operator

Mr.Chairman, re-introduce a Mr. Locke.

Brian Schwartz - Insurance Australia Group Limited - Chairman

Thank you Mr. Locke.

Unidentified Audience Member

I would just have to say that I'm hopeful and I'm sure everybody else in this room, shareholders of IAG would hope that Mr. Pockett has learnt from his experience on the Woolworths board and won't take us into any exercise like Woolworths went into Masters Hardware, thank you.

Brian Schwartz - Insurance Australia Group Limited - Chairman

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We're not going into Masters I don't think.

Tom Pockett - Insurance Australia Group - Non-Executive Director

No, no.

Brian Schwartz - Insurance Australia Group Limited - Chairman

That concludes the discussion on Resolution 6 and I now direct the poll for Resolution 6 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 6. Thank you ladies and gentlemen. Your votes have been added to the direct and proxy votes received by the voting deadline and the preliminary result to Resolution 6 will shortly be shown on the screen. And based on the preliminary result, the resolution has been carried. Congratulations Tom.

Tom Pockett - Insurance Australia Group - Non-Executive Director

Thank you.

Brian Schwartz - Insurance Australia Group Limited - Chairman

Resolution 7 is that Jonathan Nicholson be elected as a director. I now invite Jon to address the meeting.

Jonathan Nicholson - Insurance Australia Group - Non-Executive Director

Thank you Chairman. Ladies and gentlemen it's an honour and a privilege to be here today. I've joined the Board only recently and this is the first time I stand for election. I've also joined the risk and audit committees of the Board.

In my corporate life, I was the chief strategy officer for Westpac, responsible for strategy and for mergers and acquisitions across that Group. Before that I was a senior private -- a senior vice president at the Boston Consulting Group responsible for its financial services practices across Asia and the Pacific.

And much earlier in my life, my working life, I was senior private secretary to the Prime Minister of Australia. It was then very different from today I suspect.

My expertise lies in financial services and I've worked with insurance and other financial services businesses for nearly 30 years and in that time I've been closely involved in the major issues and strategic choices that will dominate our attention for the next few years. Things like digital disruption, Asia, productivity improvement, re-regulation of financial services, sustainability and corporate responsibility.

I've also been a loyal customer of the Company for many years and a shareholder like many others here I'm sure, since the float. And I have the highest regard and the greatest respect for IAG and its management, particularly for Mike Hawkins -- Mike Wilkins sorry. Going back in time. And indeed for Peter Harmer as well, our incoming CEO.

Outside of IAG, I'm a trustee of the Westpac Foundation and the Westpac Bicentennial Foundation, a director of Cape York Partnerships which is an Indigenous Company founded by Noel Pearson and a chair of QuintessenceLabs which is a young Australian science company.

I look forward to (inaudible) on the Board with your support and I hope I can make a real contribution to it. Thanks for your support.

Brian Schwartz - Insurance Australia Group Limited - Chairman

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Thank you Jon. The Board with Jon abstaining recommends that you vote in favour of the election of Jon Nicholson to the Board and if anyone wishes to speak in relation to this resolution please make your way towards the microphone queue and we have a question at microphone one.

Operator

Mr. Chairman, may I re-introduce Mr. Nagey.

Brian Schwartz - *Insurance Australia Group Limited - Chairman*

Thank you, Mr. Nagey.

Joe Nagey *Shareholder*

This is not meant as a criticism and it's not really directed at Jonathan Nicholson, but it's directed to you Brian Shortz -- I apologise, Brian Schwartz. I just noticed in the last couple of nominations that the backgrounds of these people are similar, Westpac and banking.

Now I'm also a banker and I've also had a relationship with Westpac, so I'm not criticising them. But I'm wondering what you're thinking is or the Board's thinking is. Is it just an accident or is this deliberate to focus on banking and on Westpac?

Brian Schwartz - *Insurance Australia Group Limited - Chairman*

Yes. No, it's not. I think if you look at the three people involved they are quite different in terms in terms of their backgrounds. So you've heard from each of them and as you can tell, I mean Jon was an executive at Westpac, the others are non-executives who have come from quite different backgrounds. And we think Westpac's a terrific organisation. But there was no -- it's almost a matter of circumstance.

Because Alison in fact was on our Board first and then went to the Westpac Board and then Elizabeth came through a process and then Jon came subsequently. But all for quite different reasons and quite different skills sets that we were looking for. Thank you.

Okay I think there are no further questions and I now direct that the poll for Resolution 7 be taken and that attendees register their voting intention by pressing the appropriate number on their keypad as shown on the screen.

I think that's it. I now declare the poll closed on Resolution 7. The votes -- your votes have been added to the direct and proxy votes received by the voting deadline and the preliminary result to Resolution 7 will be shown on the screen shortly. Based on this preliminary result, the resolution has been carried. Congratulations Jon.

We now turn to Resolutions 8 and 9 which are linked, which seek approval, shareholder approval to refresh the Company's 15% capacity to issue new securities following the issue of securities in June 2015.

The text of Resolution 8 and 9 is set out in the notice of meeting and relates to the subscription agreement with an affiliate of Berkshire Hathaway which obviously has been discussed at some length already.

Currently IAG has no present intention to issue more equity securities. If the resolutions are not approved the securities issued remain valid, but the securities will be counted towards the 15% in 12 month limit as prescribed under the ASX listing rules.

Resolution 8, seek shareholder approval to refresh the Company's capacity to issue new securities following the placement of shares on June 19, 2015. If anyone wishes to speak to Resolution 8, please make your way to the microphone queue. Can we have microphone two.

Operator

Mr. Chairman, may I re-introduce Mr. Jack Tilburn.

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Brian Schwartz - Insurance Australia Group Limited - Chairman

Thank you.

Jack Tilburn Shareholder

Yes, thank you Mr. Brian Schwartz, through you and to the Board and to all our fellow shareholders here. It seems to be quite admirable that Mr. Warren Buffett, of the great company in America called Berkshire Hathaway has decided to come down to Australia and invest in our very great Company. Insurance Australia Group is possibly better in a way than Suncorp or the other one, QBE I think in Brisbane.

It's great that he's come on board. He must strengthen our Company, our finances. And I always say as I did last year, congratulate Mr. Nicholas Hawkins, Chief Financial Officer, in writing up such a splendid page about Warren Buffett and Berkshire Hathaway on page 6 of the annual review.

Thank you very much Nicholas Hawkins for doing your good job of informing us and disclosing to us what is going on we hope with Warren Buffett.

Did you say Mr. Chairman that you're going to bring Resolution 9 along also or separate?

Brian Schwartz - Insurance Australia Group Limited - Chairman

No we'll have to do them separately.

Jack Tilburn Shareholder

Separate.

Brian Schwartz - Insurance Australia Group Limited - Chairman

Yes, yes.

Jack Tilburn Shareholder

Well I'm speaking for Resolution 8. Almost 90 million shares has been written up in the media press about his involvement, his investment and it's very good. And if you want to get on to more involved articles about Warren Buffett, then Mr. Nicholas Hawkins is as I said, that he has written up on page 6 of the annual review about it.

I don't make out that I know all about it. I'm not inside Mr. Warren Buffett's skull. But he's done a good job in coming down to Australia. I congratulate him and I congratulate IAG. Thank you.

Brian Schwartz - Insurance Australia Group Limited - Chairman

Thank you. Thanks Jack. Microphone four.

Operator

Mr. Chairman, re-introducing Richard Wilkins.

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Brian Schwartz - Insurance Australia Group Limited - Chairman

Thank you.

Richard Wilkins - Australian Shareholders' Association - Spokesperson

Thank you very much Chairman. This is the one -- sorry the pair of resolutions that ASA will vote against for reasons that we've already raised with the Company.

I want to make absolutely clear that I endorse the sentiments that everybody's made including Mr. Tilburn. The deal with Berkshire Hathaway is, I think is an absolute master stroke of strategy and a very, very good thing to do.

Our opinion against these two particular motions is purely on matter of principle. In particular it's absolutely not in response to the public concern expressed by some people about the anti-dilution right that NICO has been granted.

Nor, of course do we have any concern that IAG would do anything unsatisfactory if it is given the approvals under these resolutions which I am sure it will be overwhelmingly.

This is purely about a matter of principle that the listing rule is there to ensure that shareholders do have a say in choosing the -- whether dilute -- potentially diluted arrangements might happen and for that reason we feel particularly under the circumstances that we would like to vote against. But I suspect we'll be an absolutely tiny minority in doing so. Thank you.

Brian Schwartz - Insurance Australia Group Limited - Chairman

Thank you. Thank you Mr. Wilkins. Again thank you. You did discuss this issue with us and we certainly appreciate that and we understand your point of view and indeed many others have a similar point of view.

I think that the difference of course as you point out from our perspective is that this is about building a long term partnership and we think it's a very important thing for the Company in the future. And so recognising your point, but also recognising that Warren Buffett in taking that interest has also done a whole range of other things including the [quota share] for 10 years. We think it's going to be a very good relationship going forward. But thank you for your comments.

I don't think that there are any further questions on Resolution 8. So I now direct that the poll 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 8. Thank you ladies and gentlemen. Your votes have been added to the direct and proxy votes received by the voting deadline and the preliminary result of Resolution 8 will be shown on the screen shortly. Based on the preliminary result the resolution has been carried. Thank you for your support.

Resolution 9 seeks shareholder approval to refresh the Company's capacity to issue new securities following the granting of a put option pursuant to the subscription agreement with an affiliate of Berkshire Hathaway. If anyone wishes to speak in relation to Resolution 9 please make your way to the microphone queue. We have a question from microphone two.

QUESTION AND ANSWER

Operator

Mr.Chairman, may I introduce Mr.Locke.

Brian Schwartz - Insurance Australia Group Limited - Chairman

Thank you Mr.Locke.

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Unidentified Audience Member

Thank you Mr.Chairman. I intend to vote in favour of the resolution. But can I make probably an out of order comment? Last night I watched the ABC and saw the program on poker machines and how what appears on screen screws up your brain and your -- keep pressing the button. I notice on our voting pads there's a bracket around number one. Is that a conscious application of the Board to influence our -- what shall I say -- the way we vote? Thank you.

Brian Schwartz - Insurance Australia Group Limited - Chairman

Thank you. I -- the answer is no. But I should just say that the voting pads are actually -- they're not ours. They come from the registry that looks after the voting and the meeting. So I think we're okay. Thank you. But thanks for your question.

PRESENTATION

Brian Schwartz - Insurance Australia Group Limited - Chairman

If there are no other questions I direct that the poll for Resolution 9 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 9. Thank you ladies and gentleman. Your votes have been added to the direct and proxy votes received by the voting deadline and the preliminary result of Resolution 9 is now shown on the screen or will be shown. There it is. Based on this preliminary result the resolution has been carried.

I'm going to close the meeting from here because before we finish I mentioned earlier Mike's decision to retire from IAG. As this is the last time many shareholders will have a chance to acknowledge him I want to take the opportunity to express our thanks for all he has done for us and celebrate what he has achieved. Mike leaves IAG in a far stronger position than when he joined us and you've heard that several times today which is exactly what you hope to achieve as a CEO.

When he was appointed CEO in May 2008 the Organisation faced a number of issues including those that were associated with our investment in the UK. Mike strengthened the fundamentals of the overall business and refocused our strategy to pursue profitable growth in our home markets of Australia and New Zealand and explore new opportunities in Asia.

With Mike at the helm, gross written premium grew from AUD7.8 billion in 2009 to AUD11.4 billion last year. He regained the confidence of the investment community and his reputation and success has enabled us to complete a number of transactions that transformed our Company. These included AMI and the Wesfarmers transaction and more recently the strategic partnership with Berkshire Hathaway.

Mike has set a standard of excellence for the organisation and created a can-do attitude across the entire IAG. In particular, I want to acknowledge his commitment to creating an inclusive culture that encourages and welcomes diversity. On behalf of the Board, the entire Organisation and you, our shareholders, I thank you Mike for the passion, loyalty and service you have given to IAG and the enormous contribution you have made.

We've all benefited greatly from Mike's leadership and I think it is truly fitting that he concludes this phase of his career as the 2015 Insurance Leader of the Year as awarded by the Australia and New Zealand Institute of Insurance and Finance. Mike, we wish you good health, happiness and continued successes in the next stage of your career and we look forward to following your future achievements.

Mike Wilkins - Insurance Australia Group Limited - MD & CEO

Thank you ladies and gentlemen. Thank you.

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