This annual review contains a summary of the 2011 financial year performance of Insurance Australia Group Limited (IAG, or the Group). More detailed financial information is available in IAG’s annual report, which can be viewed online at www.iag.com.au/results. To obtain a printed copy of the annual report, please contact the share registry at the address shown on page 21. Detailed information about IAG’s business sustainability performance is available online at www.iag.com.au/sustainable. All figures in this review are in Australian dollars unless otherwise stated.

IAG’s 2011 AGM will be held on Wednesday, 26 October 2011, at the Wesley Conference Centre, 220 Pitt Street, Sydney NSW 2000, commencing at 10.00am. Details of the meeting, including information about how to vote, will be included in our notice of meeting, which will be mailed to shareholders, and available online at www.iag.com.au from Tuesday, 6 September 2011.

To view the 2011 annual report, 2011 annual review, financial results and other important information about IAG, and to manage your shareholding online, please visit our website at www.iag.com.au. You can also register on the website to receive email alerts when IAG makes important announcements.

We are committed to minimising our impact on the environment. This review is printed on Tudor RP. Tudor RP is Certified Carbon Neutral by the Department of Climate Change & Energy Efficiency’s National Carbon Offset Standard (NCOS), an Australian Government Initiative. Tudor RP is Australian made and Forest Stewardship Council (FSC) Recycled Certified and carries ISO 14001 Environmental Certification. Selection of Tudor RP paper leads to a donation being made to Landcare Australia.
A SOLID PLATFORM — As a Group we have undergone a significant period of refocusing, simplifying and strengthening our business, and have now created a solid platform from which we expect to grow. Our priorities are clear: to accelerate growth in Australia, New Zealand and Asia and continue to improve our performance in the United Kingdom. We will achieve this in a way that uses our strong disciplines and reflects our values and operating principles.

**GROSS WRITTEN PREMIUM (GWP)**
Increased from last year. After allowing for foreign currency movements, underlying gross written premium grew 4.8% in line with guidance. GWP is the total amount of insurance premiums we sold to customers.

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**INSURANCE MARGIN**
Improved from last year’s 7.0% and is in line with guidance issued in February. Insurance margin represents our insurance profit, as a percentage of our net earned premium.

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**NET PROFIT AFTER TAX**
Increased from $91m. This is the net result, after allowing for income taxes and the share of profit owing to non-controlling interests.

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**TOTAL DIVIDENDS**
A 23% increase from last year’s 13 cents per ordinary share (cps). Dividends are payments to holders of IAG’s ordinary shares.

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**EMPLOYEE ENGAGEMENT**
An increase from last year, and continues to exceed the benchmark for global financial services companies. This is a measure of our employees’ engagement across the Group, drawn from an annual survey by Towers Watson.

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**CUSTOMER SATISFACTION**
This is a measure of customer satisfaction across claims, sales and service in our largest business, Australia Direct. A slight change in methodology in collection of customer satisfaction feedback in this business means comparisons from this year to prior years are not meaningful.

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**COMMUNITY INVESTMENT**
Increased from last year’s $8.3m. This investment includes sponsorships, donations and employee volunteer hours, across Australian and New Zealand communities.

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**CO₂ EQUIVALENT (CO₂e) EMISSIONS**
An improvement on last year. This is a measure of IAG’s CO₂e emissions in Australia and New Zealand.

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UP FOR THE CHALLENGE — My first year as Chairman has certainly not been without its challenges. An unprecedented number of natural perils contributed to the 2011 financial year being the most costly on record for insurers in Australia and New Zealand. It is a testament to IAG’s ability to manage the impact of these events that, despite them, the Group delivered an improved performance.
The full year dividend of 16cps, fully franked, is a 23% increase over that paid for financial year 2010, and equates to a cash payout ratio of 67%. This is consistent with IAG’s policy to pay out 50 – 70% of full year cash earnings.

Group revenue for the year, measured as gross written premium, increased to $8.1 billion. The insurance margin improved to 9.1% compared with 7.0% in the prior year, and net profit after tax was $250 million, up from $91 million last year. These improvements were driven by another solid performance from our Australian and New Zealand businesses, which collectively reported an insurance margin of 12.9%.

Our Australia Direct business was a standout performer, and our Intermediated Insurance business, CGU, grew gross written premium for the first time in a number of years. These results were achieved while responding to some of the most severe weather events on record in Australia.

Similarly, customers of our New Zealand business were affected by a succession of earthquakes. Although related claim costs impacted the reported profit of our New Zealand business, once these and associated reinsurance costs are excluded, the business’ underlying performance improved.

While rebuilding is far from over for many affected by these events, I am proud of the dedication and compassion shown by our people in responding to our customers, often in very trying circumstances, as well as management’s ability to minimise the financial impact to the Group through prudent reinsurance arrangements.

Our UK operation reported a first half insurance loss of $121 million, as the local insurance industry continued to be affected by significant bodily injury claim inflation. However, the actions we have taken, led by a new management team, resulted in an encouraging improvement in the second half, with a reduced loss of $60 million. We are confident that we now have the right team and the right strategy in place to move this business towards breakeven in financial year 2012.

Our Asia division has achieved some significant milestones. We expanded the launch of our joint venture with India’s largest bank, the State Bank of India and, in August 2011, we announced we would acquire a strategic interest in a general insurer in China. Once this is complete, IAG will have a foothold in two of the fastest growing general insurance markets in the world.

CAPITAL STRENGTH
The Group retained a capital position above its long term benchmark. At 30 June 2011 we held capital equivalent to 1.58 times the minimum requirement set by our regulator. We also maintained “very strong” ratings from Standard & Poor’s, with “AA–” financial strength ratings for each of our key wholly owned insurers.

DIVIDENDS
Shareholders will be paid a fully franked final dividend of 7cps on 5 October 2011. This brings the total dividend for the year to 16cps, fully franked, a 23% increase on the 13cps paid for financial year 2010.

CORPORATE STRATEGY RESET
Achieving an improved financial performance in such a challenging operating environment demonstrates that the corporate strategy we implemented three years ago has fundamentally strengthened our organisation. In June 2011, we reset the Group’s strategic priorities. While our overall corporate strategy has not changed, our emphasis is now on accelerating growth in Australia, New Zealand and Asia. We also remain committed to restoring profitability in the UK as quickly as possible. IAG’s board has worked closely with the executive team to agree these new priorities, and is confident with the direction that has been set.

CULTURAL INITIATIVES
With a view to ensuring the sustainability of our workforce, we formalised our diversity ambition during the year: “to build a workplace where we respect and value the different experiences of our people, and harness the opportunities and business benefits that diverse ideas and perspectives bring to our organisation and stakeholders”.

Our work in this area is guided by our Diversity Working Group, which consists of representatives from each of our businesses, along with our CEO, and myself. We set an early goal to increase the number of women in senior management positions to one third by 2015, and I’m pleased to report, as a result of initiatives underway, this number increased by 1% to 28% during the year. We are also working on measurable objectives in the areas of ethnicity and age.

BOARD CHANGES
As foreshadowed in the Chairman’s review last year, a new director, Peter Bush, joined the board in December 2010. Peter brings a wealth of experience in marketing, brands and consumer behaviour – expertise which complements the board’s skill-set.

We are satisfied the board currently has the appropriate number of directors with the right mix of skills and expertise to support the Group. However, we will continue to review its composition to ensure it best reflects the Group’s geographic and strategic focus for the future.

OUTLOOK
The improved results achieved this year, combined with our reset strategic priorities, give us confidence that we will further improve our performance in financial year 2012.

The credit for this improvement, and the underlying strengthening of the business, lies with our dedicated CEO, Mike Wilkins, and his executive team, as well as each and every employee. Their drive, commitment and hard work will ensure the future success of our company.

BRIAN SCHWARTZ
CHAIRMAN
CHIEF EXECUTIVE OFFICER’S REVIEW

IMPROVED PERFORMANCE — The Group has improved its performance in the 2011 financial year. Our ability to do this, despite a significant number of natural perils, shows we have fundamentally strengthened the business. We now have a solid platform from which we can pursue profitable growth.

2011 PERFORMANCE
For the third consecutive year since we outlined our revised corporate strategy, our businesses in our home markets of Australia and New Zealand have collectively increased revenue and improved underlying profitability. This has contributed to improvement in the Group’s key financial metrics.

We reported net profit after tax of $250 million, up from $91 million in the previous year.

Gross written premium grew by 3.4% to $8.1 billion, up from $7.8 billion last year. When the effect of foreign exchange movements is excluded, this represents growth of 4.8%, which is at the upper end of our 3–5% guidance.

Our insurance profit increased to $660 million, compared with $493 million in the prior corresponding period. This translates into an improved insurance margin of 9.1%, up from 7.0%. This was within the guidance of 8–10% we provided in February 2011, although lower than the expectations we held at the outset of the financial year. It’s a sound result given the extremely challenging conditions in which we were operating.

CHALLENGING OPERATING ENVIRONMENT
During the year, Australia experienced the wettest months on record, and in New Zealand, the Christchurch region was affected by three earthquakes and many related aftershocks. These events are some of the most costly on record, and have been devastating for many of our customers and their communities. The Group’s net natural peril claim cost for the year totalled $610 million. While this is well above the $435 million factored into our pricing at the beginning of the year, it would have been significantly higher if not for our prudent reinsurance arrangements.

In the UK, market conditions also remained challenging. Bodily injury claim inflation continued to affect the local insurance industry, driven primarily by the “claim farming” activities of accident lawyers. The inflation affecting these claims – which now account for around 50% of the entire claim cost in the UK motor market – was more severe than anticipated. Managing the effect of this, coupled with extremely harsh winter weather, affected the performance of our UK operation.

There’s no doubt these market conditions have tested us. However, the combined strength of our portfolio of businesses has enabled us to deliver improved results.

DIVISIONAL PERFORMANCE
Our largest business, Australia Direct, achieved strong gross written premium growth of 6.5% and an insurance margin of 19.5%. These improved results reflect a tireless focus on customers, including the launch of new products and services and a major brand campaign, Experience the Difference. Tight underwriting and cost controls, and higher reserve releases, also contributed to the result.

Our Australia Intermediated business, CGU, grew gross written premium for the first time in some years, reflecting better risk selection, rate increases and acquisitive growth. While underlying profitability continued to improve, the reported insurance margin of 6.5% was severely affected by weather events partially offset by higher than anticipated reserve releases. CGU’s acquisition of the general insurance business of HBF, announced in June 2011, is expected to add more than $100 million of gross written premium annually, and will enable us to expand our distribution channel and presence in Western Australia.

The insurance profit recorded by our New Zealand business was affected by the considerable claim costs and reinsurance expense arising from the Christchurch earthquakes. This saw the insurance margin reduce from 14.7% last year to 0.4%. However, gross written premium in local currency terms grew 3.4%, and the underlying performance of the business improved.

Our UK operation reported an insurance loss of $181 million for the year. While this represents an improvement from last year, the result is disappointing. It reflects the ongoing high level of bodily injury claim inflation in that market. We have already undertaken significant remedial action to restore profitability to the UK business and have now accelerated this programme of initiatives. We have a new management team, rate increases of around 20% have been achieved across the private motor book, and we’re implementing further significant rate increases across the broader portfolio. We have exited unprofitable broker relationships, stopped writing externally-sourced aggregator private motor business, and continue to exit other poorly performing business. We’ve also taken out additional reinsurance cover. As these actions take hold, we remain confident the UK business will move towards breakeven in financial year 2012.

In Asia, we’ve made pleasing progress. Our established businesses in Thailand and Malaysia continued to produce solid results, and we expanded the launch of our joint venture in India, SBI General. We also took steps to realise our long-held ambition to enter China’s general insurance market with our decision, in August 2011, to acquire a 20% strategic interest in Bohai Property Insurance Pty Ltd. We are now pursuing additional growth opportunities in Indonesia and Vietnam.
BUILDING COMMUNITY RESILIENCE

The catastrophes of the past year have provided a stark reminder of the critical role the general insurance industry plays in the economic recovery of affected communities. In Australia, the insurance industry has incurred an estimated $3.6 billion in claims relating to the Queensland floods and cyclones, while in New Zealand the industry expects to pay at least NZ$10 billion in claim costs related to the earthquakes in the Christchurch region. These events have demonstrated that more needs to be done to make our communities resilient to natural perils, and IAG is actively contributing to this debate.

In Australia, the focus has been on flood, which is not universally covered. Our businesses have committed to expand flood cover during 2012, as more mapping data becomes available. However more insurance products will not prevent floods from recurring. The policy response must include all levels of government boosting their investment in mitigation infrastructure, higher quality planning and zoning standards, and building standards which reflect the prevailing risk.

In New Zealand, IAG is working closely with government, geo-scientists and other stakeholders as they make decisions together about building a stronger city of Christchurch.

OUR PEOPLE

We have worked hard during the year to improve the sustainability of our workforce, providing development and training opportunities to identify and nurture the Group’s future leaders. Our employee engagement score improved to 82%, up from 80% last year. This result remains above the benchmark for global financial services companies set by our survey provider Towers Watson. I thank everyone in the Group for their focus and dedication, so clearly evident throughout this challenging period. In particular, thank you to those of our people who have worked tirelessly in responding to customers affected by the unprecedented number of natural perils.

STRATEGIC RESET AND OUTLOOK

In June 2011, we announced the Group had reset its strategic priorities to build on the solid platform created over the past three years. Our focus now is on accelerating the growth of our Group, with a clear emphasis on Australia, New Zealand and Asia. However, this won’t be growth for growth’s sake – it’s about profitable growth. In the UK, our priority is to return the business to profitability. Our reset strategic priorities are discussed in more detail on the following page.

Our confidence that the actions we are taking will further improve our performance is reflected in our guidance for the 2012 financial year. We expect to increase gross written premium in the range of 6 – 9%, and deliver an insurance margin of 10 – 12%.

In giving this guidance, we have assumed net losses from natural perils are in line with an allowance of $580 million; no material movement in foreign exchange rates or investment markets; and lower net reserve releases of up to 2% of net earned premium.

IAG has an exciting future and I am confident that our reset strategic priorities will deliver an improved top and bottom line performance and move us closer to achieving our ambition to be the world’s most respected group of general insurance companies.

MICHAEL WILKINS
MANAGING DIRECTOR
AND CHIEF EXECUTIVE OFFICER
In June 2011, IAG announced it had reset its strategic priorities. While we remain committed to our overall ambition, strategy and targets, our strategic priorities have been reset to build on the solid platform we have created over the past three years.

**AMBITION**

To be the world’s most respected group of general insurance companies.

**STRATEGY**

To manage a portfolio of high-performing, customer-focused, diverse general insurance operations in a way that delivers superior experience for our customers and creates shareholder value. We believe that by actively managing our portfolio we can deliver a more consistent underlying performance, even though our businesses operate at different stages of both the economic and insurance cycles.

**TARGETS**

To deliver, over the cycle:

- a return on equity of more than 1.5 times our weighted average cost of capital, which equates to a return of about 15% per annum; and
- top quartile total shareholder return as benchmarked against the S&P/ASX Top 50 Industrials.

**PRIORITIES**

**ACCELERATE GROWTH IN AUSTRALIA AND NEW ZEALAND**

- In Australia Direct, increase the value of our existing customer base and attract new customers by using insights to meet evolving customer needs. This includes enhanced products, consistent service delivery, and making it easy for people to deal with us.
- Continue the turnaround in CGU by focusing on sales-led, relationship-based account management, customer and market insights, active portfolio management, and underwriting expertise.
- In New Zealand, continue to build disciplined insurance skills across our business; make it easier for customers to buy our products via electronic platforms; strengthen our customer advocacy; and use customer insights to drive innovative systems and processes.

**BOOST OUR ASIAN FOOTPRINT TO DELIVER 10% OF THE GROUP’S GROSS WRITTEN PREMIUM BY 2018**

- Grow our Indian joint venture, SBI General, to a top five position in the market with $1 billion revenue by 2016.
- Grow our Malaysian business, AmG Insurance, to a number one position in motor, through organic growth and acquisitions; and rebalance our portfolio to lead in niche commercial and non-motor personal lines.
- Grow our business in Thailand to be top two in motor, through organic branch expansion and acquisitions.
- Commence a general insurance joint venture in China.
- Pursue general insurance joint ventures in Indonesia and Vietnam.

**RESTORE PROFITABILITY TO OUR UK BUSINESS**

- Continue to exit unprofitable parts of the market; accelerate our repricing; and focus on specialist classes, such as classic car, agriculture, specialist vehicle and kit cars, where we have competitive advantage.
- Have focused accounts in fleet, motorbike and haulage, where we have leading market shares and knowledge and sound relationships with our distributors.
- Develop our retail business, appointing dedicated broker relationship managers, and linking our underwriting closely to our claims management.
- Continue to build our key insurance and management capabilities and deepen our existing broker relationships.
SOUND CAPITAL MANAGEMENT

NICK HAWKINS
CHIEF FINANCIAL OFFICER

The strategic importance of sound capital management has never been greater. Australian and New Zealand general insurers have had to respond to their highest ever claim costs in the past year. Throughout this period, the Group has retained a robust capital position – an important feature in maintaining the confidence of our policyholders and shareholders.

CAPITAL STRENGTH

At 30 June 2011, we held 1.58 times the amount of capital required by our regulator, the Australian Prudential Regulation Authority (APRA). This level of capital remains above our long term benchmark of 1.45 to 1.5 times APRA’s requirement, which we believe is a prudent position. We also maintained “very strong” financial strength ratings of “AA–” from Standard & Poor’s for each of our key wholly owned insurers.

REINSURANCE

Reinsurance – the insurance we buy to protect IAG against large or catastrophe losses – is a critical part of our approach to capital management. Our reinsurance programme has provided us with significant protection from this year’s natural peril claim costs. For example, while the gross cost to the industry of claims relating to the earthquakes in New Zealand was billions of dollars, reinsurance capped IAG’s net claim costs for the three events to around $83 million. We have an integrated reinsurance programme, renewed annually, with a number of key components. The main catastrophe component covers losses from $250 million to $4.1 billion. We also have a number of additional layers of cover which cap our costs for other major claim events, depending on their size.

While the number of natural peril events in our region this year has led to speculation that general insurers might find it difficult to renew their reinsurance programmes, we do not believe this will be the case – although we do expect our reinsurance programme to be more expensive. Our strong position in the Australian and New Zealand markets should continue to make us strategically attractive to our global reinsurance partners, some of whom we have worked with for over 50 years.

INVESTMENTS

The Group has also generated solid investment returns in financial year 2011. At 30 June 2011, we had an investment portfolio of $11.9 billion, divided into two distinct pools. We have different investment strategies for each pool. Our technical reserves of around $8.3 billion back our insurance liabilities. These are almost entirely invested in fixed income and cash and generated investment income of $489 million. Shareholders’ funds, of around $3.6 billion, are invested in a combination of growth assets, including equities and alternative assets such as convertible bonds, and fixed income and cash. This portfolio generated improved returns of $213 million for financial year 2011. The credit quality of the Group’s investment book remains high, with 94% of the fixed interest and cash portfolio rated “AA” or better.

Reinsurance expense has increased owing to:
- reinstatement and accelerated amortisation costs ($83m);
- rate increase on catastrophe renewal; and
- general business growth.

The increase in financial year 2010 was mainly due to the cost of adverse development cover in the UK ($67m). Further increase in reinsurance expense is expected in financial year 2012, due to the amortisation of the balance of reinstatement costs in the first half of 2012, and upwards pressure on catastrophe rates.
To achieve longevity, we have focused on five key interconnected levers that we have identified as central to our ongoing success: the customer, workforce, community, environment and economic perspectives of our business. IAG works hard to ensure we can meet our customers’ needs through the best possible response to loss, managing our business responsibly so that we are able to pay claims when they arise.

To be a sustainable and responsible business, we must understand and engage on the issues that are most important to our stakeholders. Our purpose is to help people manage risk and recover from the hardship of unexpected loss.

For many years, IAG has recognised that building a profitable business means building a business that can remain successful for the long term. In financial year 2011, our efforts in the area of sustainability continued to be recognised externally: we were ranked second in the Australia New Zealand super-sector and ninth in the Global super-sector in the FTSE4Good ESG Ratings, and we were included in the Corporate Knights Global 100 Most Sustainable Corporations in the World and in the Dow Jones Sustainability Index.

We want to continue to improve how we drive sustainable outcomes for our business and the communities in which we operate. Our goal is to understand our customers’ risks, their behaviours, the characteristics of the items they are looking to protect and the nature of possible events. IAG is the only Australian insurer to fund its own centre to conduct physical research to help us understand the impact and likelihood of risks. Sharing our insights and research with our customers and communities means they can better identify, prevent and adapt to the risks that they face.

Improved understanding ultimately drives lower claim costs, and we can pass that benefit on by offering more competitive premiums and improved shareholder return.

Information about our performance on a range of non-financial measures is contained on the operational performance pages within this review. More information about IAG’s activities to build sustainable businesses and communities is available online at www.iag.com.au/sustainable.

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Information about our performance on a range of non-financial measures is contained on the operational performance pages within this review. More information about IAG’s activities to build sustainable businesses and communities is available online at www.iag.com.au/sustainable.
To achieve our ambition to be the world’s most respected group of general insurance companies, we need to run our business effectively, and be experts in managing the risks we face, externally and internally.

From an external perspective, we use our expertise to encourage risk reduction and adaptation in the communities in which we operate. This expertise is driving the refreshed approach we are taking to our organisation’s long term sustainability, which is set out on the opposite page. We also see the potential to benefit our communities by taking a more active leadership role in shaping issues that affect them. For example, we plan to create an IAG insurance and community risk roundtable to draw from government, the private sector and our communities to help us understand the future requirements for prevention, adaptation and insurance reach, and how we, as a leading insurer, can continue to meet these needs.

From an internal perspective, we manage our workforce to ensure we use our people’s skills, talent and experience in the most effective way and we have sophisticated leadership development programmes to identify and build the IAG leaders of tomorrow. Over the past 18 months, 23 senior executives completed this programme and a quarter of them have been promoted into new roles.

Our internal risk reduction strategies include a refined Group governance framework to further strengthen our internal monitoring and reporting processes. IAG is also committed to leveraging diversity within our organisation to harness the opportunity and business benefits that diverse ideas and perspectives bring. Through our Diversity Working Group, we are creating a tailored diversity strategy to ensure IAG’s workforce reflects the social fabric of our communities, and our customer base.

By engaging with our people, our customers and the communities in which we operate, we can use our expertise in risk reduction to influence the range of external and internal factors that affect our operations, and deliver greater and more sustainable benefits for all our stakeholders.

IAG’s ability to pursue, and ultimately achieve, its strategic priorities is influenced by a range of external and internal factors and we take a proactive approach to managing these.

LEONA MURPHY
CHIEF STRATEGY OFFICER

A PROACTIVE APPROACH

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LEONA MURPHY
CHIEF STRATEGY OFFICER

A PROACTIVE APPROACH

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**REPRESENTATION OF MEN AND WOMEN**

<table>
<thead>
<tr>
<th>Country</th>
<th>2011</th>
<th>2010</th>
<th>2009</th>
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<tbody>
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<td>Australia</td>
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<tr>
<td>Male to female annual salary ratio (A$)</td>
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</tr>
<tr>
<td>General employee positions</td>
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<td>1.14:1</td>
<td>1.15:1</td>
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<tr>
<td>Manager/senior specialist positions</td>
<td>1.16:1</td>
<td>1.16:1</td>
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<tr>
<td>Senior manager positions</td>
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<tr>
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<td>Women in the workforce</td>
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<tr>
<td>Women employed in the workforce</td>
<td>59%</td>
<td>59%</td>
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<tr>
<td>Women in senior management positions</td>
<td>28%</td>
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<td>Women in executive positions</td>
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<td>New Zealand</td>
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<tr>
<td>Male to female annual salary ratio (NZ$)</td>
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<td>United Kingdom</td>
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<td>Thailand</td>
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<tr>
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<td>56%</td>
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<tr>
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<td>58%</td>
<td>59%</td>
<td>60%3</td>
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<tr>
<td>Women in executive positions</td>
<td>25%</td>
<td>22%</td>
<td>22%</td>
</tr>
<tr>
<td>Women on the board</td>
<td>25%</td>
<td>25%</td>
<td>25%</td>
</tr>
</tbody>
</table>

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3 Australia and New Zealand only. N/R: not reported.
OUR PORTFOLIO — Our businesses operate in three continents and provide a wide range of general insurance products to protect the homes, lifestyles and businesses of our millions of customers.

AT A GLANCE

<table>
<thead>
<tr>
<th>Number</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>16.2M</td>
<td>IAG had more than 16.2 million active risks in force or policies in force.</td>
</tr>
<tr>
<td>$1,279B</td>
<td>IAG insured property valued at more than $1.279 billion.</td>
</tr>
<tr>
<td>13,008</td>
<td>IAG employed 13,008 people on a full-time equivalent basis.</td>
</tr>
<tr>
<td>$8.1B</td>
<td>IAG sold $8.050 million worth of premiums to customers during the year.</td>
</tr>
<tr>
<td>$16.4M</td>
<td>IAG paid around $6 billion in claims during the year – that's approximately $16.4 million a day.</td>
</tr>
</tbody>
</table>

As at 30 June 2011.
PORTFOLIO MIX BY BUSINESS
% OF GROSS WRITTEN PREMIUM BY BUSINESS FOR THE YEAR ENDED 30 JUNE 2011

- AUSTRALIA DIRECT
- AUSTRALIA INTERMEDIATED
- NEW ZEALAND
- UNITED KINGDOM
- ASIA

PORTFOLIO MIX BY PRODUCT
% OF GROSS WRITTEN PREMIUM BY PRODUCT FOR THE YEAR ENDED 30 JUNE 2011

- MOTOR
- HOME
- SHORT TAIL COMMERCIAL
- CT/MOTOR LIABILITY
- LIABILITY
- OTHER SHORT TAIL
- WORKERS’ COMPENSATION

Direct insurance products, which include personal insurance as well as business insurance packages targeted at sole operators and smaller businesses, are sold primarily under the NRMA Insurance brand in NSW, ACT, Queensland and Tasmania. SGIO is the primary brand in Western Australia, and SGIC in South Australia. In Victoria, the business distributes home, motor and other insurance products through RACV. Products are distributed through branches, call centres, the internet and representatives. A nationwide online brand, The Buzz, was launched in May 2009, initially focusing on car insurance and extended to home products in June 2010. Australia Direct contributed over 48% of the Group’s gross written premium in financial year 2011.

AUSTRALIA DIRECT

IAG is New Zealand’s largest general insurer, offering most of its products under the State and NZI brands through a network of nine call centres, 28 State sales centres, eight branches and three shared services sites. IAG’s New Zealand operations accounted for nearly 12% of the Group’s gross written premium in financial year 2011.

NEW ZEALAND

In Asia, IAG has established businesses in Thailand, Malaysia and India, and is pursuing additional growth opportunities in China, Indonesia and Vietnam. IAG’s Asia business accounted for nearly 4% of the Group’s gross written premium, on a proportional basis, in financial year 2011.

ASIA

AUSTRALIA INTERMEDIATED

CGU is IAG’s Australian intermediated insurance business. It offers commercial, rural and personal insurance products for businesses, farms, individuals and families. Its products are distributed under the CGU and Swann Insurance brands, through a network of over 1,000 insurance brokers and authorised representatives, and more than 100 business partners. In financial year 2011, CGU contributed over 30% of the Group’s gross written premium.

UNITED KINGDOM

In the UK, IAG owns the right to manage and participate in Equity Red Star, a specialist Lloyd’s motor syndicate insurer; and owns Equity Direct Broking, an affinity insurance broking business; and Barnett & Barnett, which provides commercial insurance broking and risk management services. IAG’s business in the UK accounted for approximately 7% of the Group’s gross written premium in financial year 2011.

100% owned unless indicated. ¹ RACV is via a distribution relationship and underwriting joint venture with RACV Limited. ² RACV has a 30% interest in The Buzz. ³ IAG holds 98% voting rights in Safety Insurance, based in Thailand. ⁴ IAG owns 49% of the general insurance arm of Malaysian-based AmBank Group, AmQI Insurance Berhad, which trades under the AmAssurance brand. ⁵ IAG has 26% ownership of SBI General Insurance Company, a joint venture with State Bank of India.
AUSTRALIA DIRECT

ACHIEVING PROFITABLE, ABOVE-MARKET GROWTH

ANDY CORNISH
CEO, AUSTRALIA DIRECT

The Australia Direct business recorded significant achievements this year, profitably growing market share by staying focused on what’s important to our people and our customers.

RESULTS
Our gross written premium increased 6.5% to $3,891 million and we achieved an insurance profit of $702 million and an insurance margin of 19.5%. This gives us great confidence in our strategy, and our ability to continue to deliver sustainable, profitable growth into the future.

HELPING CUSTOMERS RECOVER
Our people have done all they can to help customers recover from the recent devastating weather events – at times amidst severe criticism of insurers, like us, who don’t currently offer flood insurance in every state.

They confronted these challenges with an unwavering desire to help customers and the vast majority of claims from these events have been paid, in line with our policy cover. As soon as we have sufficient flood data, Australia Direct will extend the availability of flood cover. We will also continue to work with government to promote sustainable solutions to the flood challenge – from land use planning, to more comprehensive flood mapping and mitigation strategies.

INITIATIVES CONTRIBUTING TO STRONG RESULTS
We strive to operate on the strength of real customer insights, to truly understand our customers’ needs and consistently deliver simple products and the reliable service and value they expect. This year, we launched our Experience the Difference brand campaign, a Home Plus product, and a Sum Insured calculator to make it easier for customers to estimate the level of home insurance they need. We also introduced a 25% safety net to help protect customers from being underinsured. We continued to improve our internet capability, and internet sales now represent well over 10% of our business transactions.

Competition in our market for insurance products sold directly to customers is intense, and new players are spending a lot on advertising as they try to grow market share. We’ve improved the effectiveness of our marketing spend and lifted our new business volume. The strength of our brands, our passionate people and our market share ensure we compete from a position of strength.

Equally important this year has been our focus on people. We want our people to be excited to come to work every day, because they believe in our direction, they understand how they contribute to our performance, and we make it easy for them to help customers.

In striving for this, we continue to invest in developing our leaders and improving our performance systems. Significant improvements in our employee survey results, turnover and absenteeism this year confirm we’re on the right track.

Looking ahead, we’re focused on three sources of growth:
- maximising the value of our existing customers;
- attracting new customers by continuing to improve the effectiveness of our marketing, maximising our multiple distribution channels and through our sophisticated pricing models; and
- product and service innovation.

THE BUZZ

The Buzz was launched in May 2009 and is an online insurance business in Australia, offering car, home and landlord insurance. It is a “challenger brand” in the market and provides a unique opportunity for IAG to meet the needs of a rapidly growing group of customers who prefer to interact primarily online. All policies are sold online and 85% of claims are lodged online.

The Buzz’s operating results are included within those of Australia Direct. Given the business is still in the start-up phase, its results had a modest negative impact in financial year 2011.

1 RACV is via a distribution relationship and underwriting joint venture with RACV Limited. 2 RACV has a 30% interest in The Buzz.
CGU is delighted to be celebrating 160 years of insuring Australians this year. This important milestone has enabled us to celebrate our heritage, our trusted brand and our presence in local communities through our network of over 70 national branches. It has also been a great opportunity to consider how we will build on this heritage in the future.

To contribute to the solution, CGU has invested significant time and resources this year to enable us to include flood cover in our home and contents policies in 2012.

**DRIVING PROFITABLE GROWTH**

From the solid platform we have established, we are now focused on driving profitable growth by pursuing three strategic themes.

First, we are focused on channel management, developing a more sales-led, relationship-based approach and making it easier for our intermediary partners to do business with us. Second, we are improving our ability to gain insights into the needs of our customers so we can increase our value to our customers and our intermediaries by building more relevant products and improving the processes and systems we use to deliver our services. For example, we have established an innovative partnership with Telstra to provide its customers with the option of handset insurance at the point of sale in its stores. Third, we continue to build our underwriting expertise and have formed an Underwriting Centre to enable us to improve this capability further in future.

We continue to look at growth opportunities and recently acquired the general insurance business of Western Australia-based health fund, HBF Insurance, which we expect to generate over $100 million of gross written premium each year. We have reduced our expense base this year and this will continue to be a focus. Our commitment to our strategy will enable CGU to keep delivering improvements in underlying performance, focus on driving profitable growth and achieve our goal of delivering a double-digit insurance margin.

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**IMPROVED PERFORMANCE, UNDERLYING TURNAROUND**

**PETER HARMER**

CEO, CGU

CGU continued to improve its underlying performance during the year as we realised the rewards of the work undertaken over the past few years to refocus on business fundamentals.

**RESULTS**

Compared to last year, our gross written premium increased by 8.8% to $2,463 million and our expense ratio improved, although our insurance margin declined slightly, from 6.6% in financial year 2010 to 6.5%, largely due to the impact of the storms and cyclones which Australia experienced earlier in the year.

**ASSISTING CUSTOMERS AND COLLEAGUES**

Natural catastrophes and severe weather were high profile issues in 2011 and CGU rose to the challenge. We received over 25,000 claims from these events and our people worked tirelessly to assist our customers. Our offices in Brisbane were affected by the floods, as were a number of our employees. We are very proud of the way our people pulled together to assist their colleagues and customers in their time of need. The summer of natural disasters led to insurance claims from these events and our people worked tirelessly to assist.

To contribute to the solution, CGU has invested significant time and resources this year to enable us to include flood cover in our home and contents policies in 2012.
The New Zealand business results for financial year 2011 reflect a strong underlying performance.

RESULTS
Gross written premium increased 3.4% in local currency terms, largely on the back of rate increases. The insurance result was significantly affected by the increase in claim costs and reinsurance expenses due to the earthquakes. These resulted in a deterioration of the insurance margin from 14.7% in financial year 2010 to 0.4% this year. Excluding the impact of the Christchurch earthquakes and associated reinsurance costs, the underlying performance has been strong.

EARTHQUAKES PRESENTED A SIGNIFICANT TEST
The first earthquake in September 2010 severely damaged Christchurch, New Zealand’s second largest city. The earthquake on 22 February 2011 was even more devastating, tragically resulting in the loss of 181 lives. Another large earthquake hit on 13 June 2011.

The earthquakes presented us with a significant test. IAG has around 500 employees in the quake zone, and our first priority was to ensure their safety. Crisis recovery plans were implemented and support networks for our people established. These actions, and assistance from our teams across New Zealand, enabled us to focus on business continuity and helping our customers. We have now expanded our claims teams and created a special Recovery Team to focus on coordinating our earthquake response and have established partnerships to help us manage the repair and rebuild process while maintaining effective cost control.

The earthquakes have significantly affected the general insurance market and the New Zealand economy with the combined cost of the earthquakes in September 2010 and February 2011 estimated at about NZ$15 billion, equal to around 8% of the country’s gross domestic product.

MARKET CONDITIONS EXPECTED TO IMPROVE
Strong gross written premium growth is expected in financial year 2012 due to a focus on strategy implementation, management discipline, and rate increases to offset increased reinsurance and claim costs.

Rate increases have already been notified for some portfolios, but pricing will be regularly reviewed and we will continue to price for the risks so we can insure New Zealanders over the long term.

Our insurance margin is expected to improve due to:
- earned premium growth driven by rate increases and item growth;
- a return to more normal net natural peril claims experience; and
- a continuation of favourable working and large claims frequency, partially offset by the expected rise in the average cost of claims.

This is my first year as CEO of IAG’s New Zealand business, and it is clear that the year has been defined by our team’s response to the challenges posed by the series of earthquakes that have hit the Canterbury region. It is a credit to the team, and our focus on our strategy and our customers, that despite these events, our business has delivered a strong underlying result.

The New Zealand business results for financial year 2011 reflect a strong underlying performance.

STRENGTH UNDERLYING PERFORMANCE
JACKI JOHNSON
CEO, NEW ZEALAND

Our ongoing investment in the Surf Lifesaving NZ, Swimming NZ and Ocean Swim NZ partnerships is reflected in our increased community investment. Our emissions profile was significantly affected by additional air travel our people were required to take as a result of the natural disasters during the year.

1 More information about IAG’s activities to build sustainable businesses and communities including the greenhouse gas emissions profile is available online at www.iag.com.au/sustainable. 2 Risks in force or policies in force.
Our established businesses in Thailand and Malaysia continued to perform well and during the year we expanded the launch of our new Indian joint venture with the State Bank of India.

RESULTS
In Thailand, our businesses grew gross written premium by 5.5% in local currency, and recorded an underlying insurance margin of 6.1%. This result was particularly pleasing given the negative impact of three major floods which affected the country during the year. Our joint venture business in Malaysia recorded an improved insurance margin of 13.2% on the back of substantial product and process improvements. As the Asia division accelerates its growth strategy, our regional development costs are reflected in the divisional result of a $7 million loss for financial year 2011, along with the startup costs of our India joint venture. If regional development costs are excluded, the division recorded an underlying profit of $13 million.

AN IMPORTANT SOURCE OF LONG TERM GROWTH
To boost our Asian footprint, we are pursuing a strategy of:

− entering new markets – namely China, Indonesia and Vietnam;
− expanding in our existing markets of Malaysia, Thailand and India through a combination of organic growth, increased shareholding, and bolt-on acquisitions; and
− creating value by continuing our capability transfer programmes in existing businesses.

We implemented a number of measures to further improve the efficiency of our Thai and Malaysian businesses and these markets continue to offer us good long term growth prospects.

The official launch of our general insurance joint venture in India was the most visible progress made during the year. We now have 17 branches fully operational, and over 420 local employees. We are focused on using the extensive network of our partner, the State Bank of India, which has over 18,000 branches (including associates) and a captive base of more than 160 million customers. Working with such a strong partner positions our joint venture extremely well to be a key participant in India’s general insurance market which is forecast to grow by 15 – 20% per annum over the next decade.

We identified additional markets we aspire to enter, in China, Indonesia and Vietnam. In August 2011, we were delighted to enter a strategic partnership with a Chinese general insurer, Bohai Property Insurance Pty Ltd, giving us a foothold in a region that contributes almost 30% to China’s annual insurance premium pool of around US$60 billion. This is expected to be completed in early calendar 2012. In Indonesia and Vietnam we are making solid progress with our detailed strategic reviews.

The importance of Asia to the long term growth aspirations of the Group was confirmed during the year. We set a new goal to increase the revenue generated in Asia from around 4% of IAG’s gross written premium to 10% by 2016 on a proportional basis. We are well-placed to deliver on this challenge, given our success in our established businesses in Thailand and Malaysia, the momentum achieved in our Indian joint venture, and our progress in pursuing growth opportunities in other select markets.

BOOSTING OUR ASIAN FOOTPRINT
JUSTIN BREHENY
CEO, ASIA

Our established businesses in Thailand and Malaysia continued to perform well and during the year we expanded the launch of our new Indian joint venture with the State Bank of India.

The increased 2011 emissions figure for our Thai business reflects the new inclusion of fuel consumed by a number of motorcycles used for business purposes, and a move to best practice emission factors for air travel.

<table>
<thead>
<tr>
<th>BUSINESS VOLUME (M)</th>
<th>GREENHOUSE GAS EMISSIONS (TONNES CO2e)</th>
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<tr>
<td>11</td>
<td>11</td>
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<tr>
<th>STAFF TURNOVER (%)</th>
<th>EMPLOYEE ENGAGEMENT (%)</th>
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UNITED KINGDOM

RESTORING PROFITABILITY – A CLEAR STRATEGIC PRIORITY

IAN FOY
CEO, UNITED KINGDOM

The extensive programme of remedial actions underway in the UK delivered early signs of improvement.

RESULTS
The loss of $60 million in the second half of the year is in line with expectations at the end of the first half, and continues an improving trend since the loss of $379 million in the second half of financial year 2010. The full year insurance loss of $181 million reflects:
− the ongoing industry-wide issue of bodily injury claim inflation, at a level more severe than previously anticipated;
− planned rate increases in non-private motor classes taking longer to realise than initially estimated; and
− the impact of the extremely harsh winter weather, resulting in an increase in net natural peril claim costs of $11 million.

CHALLENGING OPERATING ENVIRONMENT
UK insurers continue to face strong claims inflation driven by unprecedented levels of bodily injury claims. It is estimated bodily injury claims now account for 50% of UK private motor insurance claim costs.

We have made substantial progress toward restoring profitability by:
− establishing a new management team;
− embedding a new claims philosophy, including reserving policy and accelerating claim cost savings;
− applying disciplined pricing and underwriting; and
− exiting underperforming segments of business.

We have also secured protection against further deterioration in bodily injury claims with additional adverse development cover for the 2010 underwriting year.

IMPROVEMENTS TO DRIVE POSITIVE CONTRIBUTION
The UK market is expected to improve. There are some encouraging signs in the shape of government response to recommended greater controls over insurance claimants seeking unacceptable bodily injury settlements; and in the continuous enforcement regulations, which came into effect from June 2011, and which should reduce uninsured driving. We will also see benefits from a continuing reduction in road traffic accidents; high fuel prices reducing business and commuting mileage; and further rate increases.

We will sharpen the focus on our traditional strength as a specialist provider in selected segments of the UK motor market and concentrate on returning the division to making a positive contribution to Group performance.

The extensive programme of remedial actions underway in the UK delivered early signs of improvement.

OPERATIONAL PERFORMANCE

UNITED KINGDOM

Although the emission footprint of our UK business appears to have increased, this is not the case. The apparent increase is a result of a move to best practice emissions factors for air travel, electricity and gas.

GROSS WRITTEN PREMIUM (£M)

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>11</td>
<td>339</td>
</tr>
<tr>
<td>10</td>
<td>396</td>
</tr>
<tr>
<td>09</td>
<td>364</td>
</tr>
</tbody>
</table>

PROFIT BEFORE TAX (A$M)

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>11</td>
<td>(179)</td>
</tr>
<tr>
<td>10</td>
<td>(358)</td>
</tr>
<tr>
<td>09</td>
<td>105</td>
</tr>
</tbody>
</table>

1 More information about IAG’s activities to build sustainable businesses and communities including the greenhouse gas emissions profile is available online at www.iag.com.au/sustainable. 2 Risks in force or policies in force. 3 2010 business volume has been restated from 1.4m to 1.8m to correct an error in the previous calculations.
## FIVE YEAR FINANCIAL SUMMARY

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Gross written premium</strong></td>
<td>$8,050</td>
<td>$7,782</td>
<td>$7,842</td>
<td>$7,793</td>
<td>$7,381</td>
</tr>
<tr>
<td><strong>Premium revenue</strong></td>
<td>$7,858</td>
<td>$7,621</td>
<td>$7,718</td>
<td>$7,765</td>
<td>$7,207</td>
</tr>
<tr>
<td><strong>Outward reinsurance premium expense</strong></td>
<td>$(620)</td>
<td>$(556)</td>
<td>$(485)</td>
<td>$(470)</td>
<td>$(464)</td>
</tr>
<tr>
<td><strong>Net premium revenue</strong></td>
<td>$7,238</td>
<td>$7,065</td>
<td>$7,233</td>
<td>$7,295</td>
<td>$6,743</td>
</tr>
<tr>
<td><strong>Net claims expense</strong></td>
<td>$(5,089)</td>
<td>$(5,072)</td>
<td>$(5,370)</td>
<td>$(5,155)</td>
<td>$(4,474)</td>
</tr>
<tr>
<td><strong>Underwriting expenses</strong></td>
<td>$171</td>
<td>$256</td>
<td>$403</td>
<td>$487</td>
<td>$463</td>
</tr>
<tr>
<td><strong>Net investment income on assets backing insurance liabilities</strong></td>
<td>$489</td>
<td>$554</td>
<td>$780</td>
<td>$432</td>
<td>$360</td>
</tr>
<tr>
<td><strong>Insurance profit/(loss)</strong></td>
<td>$660</td>
<td>$493</td>
<td>$515</td>
<td>$392</td>
<td>$767</td>
</tr>
<tr>
<td><strong>Net investment income from equity holders’ funds</strong></td>
<td>$213</td>
<td>$96</td>
<td>$(39)</td>
<td>$24</td>
<td>$301</td>
</tr>
<tr>
<td><strong>Other income</strong></td>
<td>$264</td>
<td>$256</td>
<td>$403</td>
<td>$487</td>
<td>$463</td>
</tr>
<tr>
<td><strong>Share of net profit/(loss) of associates</strong></td>
<td>$(8)</td>
<td>$3</td>
<td>$8</td>
<td>$(3)</td>
<td>$5</td>
</tr>
<tr>
<td><strong>Finance costs</strong></td>
<td>$(86)</td>
<td>$(88)</td>
<td>$(87)</td>
<td>$(101)</td>
<td>$(119)</td>
</tr>
<tr>
<td><strong>Corporate and administration expenses</strong></td>
<td>$(259)</td>
<td>$(245)</td>
<td>$(243)</td>
<td>$(528)</td>
<td>$(554)</td>
</tr>
<tr>
<td><strong>Amortisation expenses and impairment charges of acquired intangible assets and goodwill</strong></td>
<td>$(170)</td>
<td>$(113)</td>
<td>$(65)</td>
<td>$(407)</td>
<td>$(55)</td>
</tr>
<tr>
<td><strong>Profit/(loss) before income tax</strong></td>
<td>$614</td>
<td>$402</td>
<td>$312</td>
<td>$(136)</td>
<td>$908</td>
</tr>
<tr>
<td><strong>Income tax expense</strong></td>
<td>$(276)</td>
<td>$(212)</td>
<td>$(65)</td>
<td>$(90)</td>
<td>$(279)</td>
</tr>
<tr>
<td><strong>Net profit/(loss)</strong></td>
<td>$338</td>
<td>$190</td>
<td>$247</td>
<td>$(226)</td>
<td>$629</td>
</tr>
<tr>
<td><strong>Net profit attributable to non-controlling interests</strong></td>
<td>$(88)</td>
<td>$(99)</td>
<td>$(66)</td>
<td>$(35)</td>
<td>$(77)</td>
</tr>
<tr>
<td><strong>Net profit/(loss) attributable to equity holders of Insurance Australia Group Limited</strong></td>
<td>$250</td>
<td>$91</td>
<td>$181</td>
<td>$(261)</td>
<td>$552</td>
</tr>
<tr>
<td><strong>Ordinary equity holders’ equity</strong></td>
<td>$4,417</td>
<td>$4,486</td>
<td>$4,671</td>
<td>$4,204</td>
<td>$4,660</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>$22,923</td>
<td>$20,442</td>
<td>$19,360</td>
<td>$19,380</td>
<td>$21,637</td>
</tr>
</tbody>
</table>

### Premium Growth

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Gross written premium</strong></td>
<td>3.4%</td>
<td>(0.8)%</td>
<td>0.6%</td>
<td>5.6%</td>
<td>14.7%</td>
</tr>
</tbody>
</table>

### Key Ratios

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Loss ratio</strong></td>
<td>70.3%</td>
<td>71.8%</td>
<td>74.2%</td>
<td>70.7%</td>
<td>66.4%</td>
</tr>
<tr>
<td><strong>Expense ratio</strong></td>
<td>27.3%</td>
<td>29.1%</td>
<td>29.4%</td>
<td>29.9%</td>
<td>27.6%</td>
</tr>
<tr>
<td><strong>Combined ratio</strong></td>
<td>97.6%</td>
<td>100.9%</td>
<td>103.6%</td>
<td>100.6%</td>
<td>94.0%</td>
</tr>
<tr>
<td><strong>Insurance margin</strong></td>
<td>9.1%</td>
<td>7.0%</td>
<td>7.1%</td>
<td>5.4%</td>
<td>11.4%</td>
</tr>
</tbody>
</table>

### Share Information

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Dividends per ordinary share fully franked (cents)</strong></td>
<td>$16.00</td>
<td>$13.00</td>
<td>$10.00</td>
<td>$22.50</td>
<td>$29.50</td>
</tr>
<tr>
<td><strong>Basic earnings per ordinary share (cents)</strong></td>
<td>$12.08</td>
<td>$4.39</td>
<td>$9.32</td>
<td>$(14.11)</td>
<td>$32.79</td>
</tr>
<tr>
<td><strong>Ordinary share price at 30 June (ASX: IAG) ($)</strong></td>
<td>$3.40</td>
<td>$3.41</td>
<td>$3.51</td>
<td>$3.47</td>
<td>$5.70</td>
</tr>
<tr>
<td><strong>Reset preference share price at 30 June (ASX: IAGPA) ($)</strong></td>
<td>$101.01</td>
<td>$98.55</td>
<td>$100.50</td>
<td>$85.00</td>
<td>$99.80</td>
</tr>
<tr>
<td><strong>Reset exchangeable securities price at 30 June (ASX: IANG) ($)</strong></td>
<td>$103.00</td>
<td>$100.00</td>
<td>$74.75</td>
<td>$81.89</td>
<td>$100.09</td>
</tr>
<tr>
<td><strong>Issued ordinary shares (million shares)</strong></td>
<td>$2,079</td>
<td>$2,079</td>
<td>$2,071</td>
<td>$1,878</td>
<td>$1,794</td>
</tr>
<tr>
<td><strong>Issued reset preference shares (million shares)</strong></td>
<td>$4</td>
<td>$4</td>
<td>$4</td>
<td>$4</td>
<td>$6</td>
</tr>
<tr>
<td><strong>Market capitalisation (ordinary shares) at 30 June ($m)</strong></td>
<td>$7,069</td>
<td>$7,089</td>
<td>$7,269</td>
<td>$6,517</td>
<td>$10,226</td>
</tr>
<tr>
<td><strong>Net tangible asset backing per ordinary share ($)</strong></td>
<td>$1.23</td>
<td>$1.16</td>
<td>$1.16</td>
<td>$0.93</td>
<td>$0.90</td>
</tr>
</tbody>
</table>

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(a) The financial information for the 2008 year has been reclassified to provide comparable figures for the segment reporting adopted in 2009. This includes reallocation of corporate expenses and reinsurance to the operating divisions. All financial information prior to 2008 was prepared under IAG’s previous classification.
(b) This included an unrealised gain/(loss) on embedded derivatives of $(96 million) for 2010, $27 million for 2009 and $69 million for 2008.
(c) This included impairment charges for acquired identifiable intangible assets and goodwill of $150 million for 2011, $87 million for 2010, $18 million for 2009 and $342 million for 2008.
(d) Insurance margin is a ratio of insurance profit over net premium revenue.
IAG’s board of directors ensures there is a proper governance framework in place to promote and protect IAG’s interests for the benefit of its stakeholders. The directors represent and serve the interests of the shareholders and collectively oversee and appraise the strategies, policies and performance of IAG, having due regard to its role in the community.

**THE BOARD**

**BRIAN SCHWARTZ AM**
FCA, FAICD
Chairman and independent non-executive director

Appointed a director of IAG in January 2005 and became Chairman in August 2010. Member and former chairman of the IAG Nomination, Remuneration & Sustainability Committee, and member of IAG’s Diversity Working Group. Currently deputy chairman of Westfield Group Limited and a director of Brambles Limited. Chairman of Insurance Manufacturers of Australia Pty Limited, a general insurance underwriting joint venture with RACV Limited.

**YASMIN ALLEN**
BCom, FAICD
Independent non-executive director

Appointed in November 2004. Chairman of the IAG Nomination, Remuneration & Sustainability Committee and member of the IAG Audit, Risk Management & Compliance Committee. Currently a director of Cochlear Limited, chair of Macquarie Specialised Asset Management, national director of the Australian Institute of Company Directors and a member of the Salvation Army advisory board.

**MICHAEL WILKINS**
BCom, MBA, DLI, FCA
Managing Director and CEO


**PHILIP COLEBATCH**
DBA, SM, BE (Hons), BSc
Independent non-executive director

Appointed in January 2007. Member of the IAG Nomination, Remuneration & Sustainability Committee. Non-executive director of Lend Lease Corporation Limited and Man Group plc and a member of the Board of Trustees of the LGT Group Foundation and the Prince of Liechtenstein Foundation.

**PETER BUSH**
BA, FAMI
Independent non-executive director

Appointed in December 2010. Member of the IAG Audit, Risk Management & Compliance Committee. Currently a non-executive director of Pacific Brands Limited and Nine Entertainment Holdings Pty Ltd. Previously served on the boards of McDonald’s Australia Limited, Lion Nathan Limited, Miranda Wines Pty Limited (now McGuigan Wines) and Fruco Beverages Group Limited (now Danone).

**HUGH FLETCHER**
BSc/BCom, MCom (Hons), MBA
Independent non-executive director


**ANNA HYNES**
BSc (Hons), MBA
Independent non-executive director

Appointed in September 2007. Member of the IAG Nomination, Remuneration & Sustainability Committee. Formerly a non-executive director of Promina Group Limited and Country Road Limited. Was an adjunct professor and member of the Executive Council at the University of Technology Business School, Sydney.

**PHILIP TWYMAN**
BSc, MBA, FAICD
Independent non-executive director


EXECUTIVE TEAM

The executive team ensures the effective and efficient operation of the Group and is responsible for executing the Group’s strategy.
At all times, we endeavour to ensure our remuneration practices balance IAG’s performance objectives while remaining in step with community and shareholder expectations. Stability in our remuneration structure is important; however, where modifications can be made to better achieve this balance, they will be actively considered and implemented. The remuneration structure for IAG’s executive team is summarised below:

<table>
<thead>
<tr>
<th>REMUNERATION COMPONENT</th>
<th>STRATEGIC PURPOSE</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Fixed Remuneration</strong></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>Base salary and superannuation</td>
</tr>
<tr>
<td><strong>At Risk Remuneration</strong></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>2/3 of STI outcome paid as cash in September</td>
</tr>
<tr>
<td>Short term incentive (STI)</td>
<td>1/3 of STI outcome is deferred over a period of two years, subject to ongoing employment conditions</td>
</tr>
<tr>
<td>Deferred</td>
<td>Provided as grant of rights in the form of deferred award rights</td>
</tr>
<tr>
<td>Short term incentive (STI)</td>
<td>The actual value of shares will depend on the future share price</td>
</tr>
<tr>
<td>Long term incentive (LTI)</td>
<td>IAG board has discretion to adjust downwards to protect the financial soundness of the Group or to ensure that an inappropriate reward outcome does not occur</td>
</tr>
<tr>
<td>Long term incentive (LTI)</td>
<td>Provided as grant of rights in the form of executive performance rights</td>
</tr>
<tr>
<td></td>
<td>3-5 year period</td>
</tr>
<tr>
<td></td>
<td>Subject to performance hurdles, relative total shareholder return and return on equity, being achieved</td>
</tr>
<tr>
<td></td>
<td>IAG board has discretion to adjust downwards to protect the financial soundness of the Group or to ensure that an inappropriate reward outcome does not occur</td>
</tr>
</tbody>
</table>

During financial year 2011, the IAG board undertook the following initiatives:
- Actively monitored compliance against the APRA standards covering the governance of remuneration to ensure appropriateness of the Group’s remuneration policy;
- Met with APRA to discuss good governance and IAG’s approach to remuneration;
- Updated deferred STI and LTI terms to provide the board with discretion to adjust rewards downwards to protect the financial soundness of the Group in circumstances where the board determines an adjustment is necessary to ensure that an inappropriate reward outcome does not occur; and
- Engaged remuneration consultants from PricewaterhouseCoopers to review the executive remuneration strategy in line with market practice and governance requirements.

The board is confident these changes support IAG’s aim to ensure remuneration practices are in step with community and shareholder expectations and our aim to improve financial and operational results.

The tables below provide a summary of the remuneration received/receivable during the financial year by IAG directors and executives. Detailed information is contained in IAG’s 2011 annual report, available online at www.iag.com.au/results.
shareholder information

share registry
Computershare Investor Services Pty Limited
GPO Box 4709 Melbourne VIC 3001 Australia

Hand deliveries:
Level 4, 60 Carrington Street Sydney NSW 2000 Australia

Telephone
(within Australia) 1300 360 688 or
(outside Australia) +61 (0)3 9415 4210
Facsimile (general) +61 (0)3 9473 2470
Email iag@computershare.com.au

registered office
Insurance Australia Group Limited
Level 26, 388 George Street Sydney NSW 2000 Australia

Telephone +61 (0)2 9232 9222
Facsimile +61 (0)2 9232 8072
Email investor.relations@iag.com.au
Website www.iag.com.au

2011
2010(a)
Base salary Short term incentive Other Superannuation Long service leave $000 $000 $000 $000 $000 $000
Executives (including executive director) who are Key Management Personnel (KMP)

Michael Wilkins
Managing Director and Chief Executive Officer
1,996 1,104 – 38 – – 3,318 467 2,136 5,741

Justin Brehey
Chief Executive Officer, Asia
812 429 – 50 – 1 1,292 197 824 2,313

Andy Comish
Chief Executive Officer, Australia Direct
962 610 – 15 – 1 1,588 200 732 2,520

Ian Foy
Chief Executive Officer, UK(b)
567 292 575 99 – – 1,533 100 538 2,171

Peter Harmer
Chief Executive Officer, CGU, KMP since 8 November 2010
597 275 – 16 – 1 889 – 88 977

Nicholas Hawkins
Chief Financial Officer
915 460 – 25 – 22 1,422 174 851 2,447

Jacki Johnson
Chief Executive Officer, New Zealand(c)
735 337 55 7 – 34 1,168 187 825 2,180

Leona Murphy
Chief Strategy Officer(c)
811 404 – 25 – 1 1,241 151 677 2,069

Executives who ceased as KMP

Karl Armstrong
Former acting Chief Executive Officer
76 15 1 8 – – 100 – – 100

Neil Utley
Former Managing Director, UK, KMP until 31 October 2010(c)
247 – 9 32 – – 942 1,230 50 (1,342) (62)

Duncan West
Former Chief Executive Officer, CGU, KMP until 31 January 2011(c)
548 – – 15 – (15) 548 25 (856) (283)

(a) Base salary includes amounts paid in cash and salary sacrifice items such as superannuation, cars (including the 30% tax rebate on car expenses), parking, and annual leave accruals, as determined in accordance with AASB 119 Employee Benefits. Prior year’s base salary was restated to include the 30% tax rebate on car expenses for certain KMP who have salary sacrifice arrangements on car. Total amount restated was $90,000.
(b) During the year, there were a number of changes in role of the executives:
  – Ian Foy, former Chief Executive Officer, New Zealand became Chief Executive Officer, UK from 1 September 2010, succeeding Neil Utley;
  – Jacki Johnson, former Chief Executive Officer, The Buzz, became the Chief Executive Officer, New Zealand, from 1 November 2010, succeeding Ian Foy; and
  – Leona Murphy, the former Group Executive, Corporate Office became Chief Executive Officer, The Buzz from 1 November 2010 succeeding Jacki Johnson.
In July 2011, Leona changed title to Chief Strategy Officer and The Buzz business passed to the Australia Direct operation.
100% owned unless indicated. ¹ RACV is via a distribution relationship and underwriting joint venture with RACV Limited. ² RACV has a 30% interest in The Buzz.
³ IAG holds 98% voting rights in Safety Insurance, based in Thailand. ⁴ IAG owns 49% of the general insurance arm of Malaysian-based AmBank Group, AmG Insurance Berhad, which trades under the AmAssurance brand. ⁵ IAG has 26% ownership of SBI General Insurance Company, a joint venture with State Bank of India.