## PERFORMANCE

<table>
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<th>$7.8B</th>
<th>7.0%</th>
<th>$91M</th>
<th>13CPS</th>
</tr>
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<td>$7,782m</td>
<td>10</td>
<td>$91m</td>
</tr>
<tr>
<td>09</td>
<td>$7,842m</td>
<td>09</td>
<td>13cps</td>
</tr>
</tbody>
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### GROSS WRITTEN PREMIUM (GWP)
Reduced by less than 1% from last year. When excluding business divested last year and foreign exchange movements, GWP increased by 3.8%. GWP is the total amount of insurance premiums we sold to customers.

### INSURANCE MARGIN
Compared to last year’s 7.1%, and is in line with revised guidance. Insurance margin represents our insurance profit as a percentage of our net earned premium.

### NET PROFIT AFTER TAX
A reduction from $181 million reported last year, due to adverse second half events including the one-off charge relating to the UK business. The net result, after allowing for income taxes and the share of profit owing to minority shareholders.

### TOTAL DIVIDENDS
A 30% increase from last year’s 10 cents per ordinary share (cps). Dividends are fully franked payments made to holders of IAG’s ordinary shares.

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<thead>
<tr>
<th>80%</th>
<th>84</th>
<th>$8.3M</th>
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<tr>
<td>10</td>
<td>80%</td>
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<tr>
<td>09</td>
<td>84%</td>
<td>09</td>
<td>84</td>
</tr>
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### EMPLOYEE ENGAGEMENT
A small decline from last year, but continued to exceed the global financial services companies’ benchmark. This is a measure of our employees’ engagement across the Group, drawn from an annual survey by Towers Watson.

### CUSTOMER SATISFACTION
Remained level with the previous year. This is an index score of customer satisfaction across claims and sales and service in our largest business of Australia Direct Insurance.

### COMMUNITY INVESTMENT
Increased from last year’s $8m. This investment includes sponsorships, donations and employee volunteer hours, across the Australian and New Zealand communities.

### CO₂ EQUIVALENT (CO₂e) EMISSIONS
A slight improvement from last year. This is a measure of IAG’s CO₂e emissions in Australia and New Zealand.

1 Figures for 2009 have been restated to reflect a change in our CO₂e emissions conversion factors in line with best practice.
THE COURSE IAG SET TWO YEARS AGO HAS DELIVERED TANGIBLE OPERATIONAL IMPROVEMENTS. IAG’S FINANCIAL RESULTS IN 2010, HOWEVER, FELL SHORT OF INITIAL EXPECTATIONS, HAVING BORNE THE COST OF THE WORST STORMS ON RECORD IN MELBOURNE AND PERTH, AND A DISAPPOINTING SETBACK IN THE UK. DESPITE THIS, IAG REMAINS COMMITTED TO STAYING THE COURSE, AND TO IMPROVING PERFORMANCE IN THE COMING YEAR.

PROGRESS

PRIORITY 1
DELIVERING A STRONG PERFORMANCE IN AUSTRALIA AND NEW ZEALAND

**KEY DEVELOPMENTS**
- Delivered strong GWP and insurance profit growth in our largest business, Australia Direct Insurance, reflecting a continued focus on being more agile in responding to customer needs.
- Improved the insurance margin in our Australia Intermediated Insurance business, CGU, through continued underwriting discipline and better claims management processes.
- Delivered a significant improvement in our New Zealand business, which reported GWP growth and a strong insurance margin.
- Expanded the product offerings of our online business, The Buzz, to include home insurance.

**OUTLOOK**
During the next financial year, we will:
- maintain a relentless focus on improving our customers’ experience at every interaction in our Australia Direct Insurance business;
- make further progress in improving CGU’s performance, through investment in technology, processes and people designed to offer better solutions to customers; and
- continue to improve our risk based pricing capability and underwriting expertise in our New Zealand business.

PRIORITY 2
PURSING SELECTIVE GENERAL INSURANCE GROWTH OPPORTUNITIES

**KEY DEVELOPMENTS**
- Made significant progress in our Asian division, which remains important for IAG’s long term growth:
  - produced strong operational performances in our established businesses in Thailand and Malaysia, ahead of their markets; and
  - completed our general insurance joint venture with State Bank of India, SBI General, and commenced writing new business in India.
- Strengthened claim reserves for our specialist UK business, reflecting the increase in bodily injury claims affecting the UK motor insurance industry.

**OUTLOOK**
In Asia, we will:
- continue to build capability in our established businesses to further improve performance;
- build market share in India through SBI General; and
- pursue opportunities for growth through partnerships in China and other select emerging Asian markets.

In the UK, our focus is on remediating the business to restore profitability.

**OUTLOOK**
We will also continue to review other niche growth opportunities which incrementally add value, in the markets in which we operate.

PRIORITY 3
DRIVING OPERATIONAL PERFORMANCE AND ACCOUNTABILITY

**KEY DEVELOPMENTS**
- Continued to invest in employee programs to improve engagement and leadership capabilities, and identify and nurture our future leaders.
- Launched a set of principles which all IAG companies must strive to achieve.
- Completed the first full cycle of our ‘balanced scorecard’ management system, with every employee working towards strategic objectives on which remuneration is based.
- Introduced return on risk based capital as a portfolio management measure to determine pricing, product and growth strategies and the remuneration outcome of senior managers.

**OUTLOOK**
We will continue to ensure every employee’s ‘balanced scorecard’ objectives, performance measures and remuneration outcomes are directly linked to strategic business priorities and performance.

**OUTLOOK**
We will also continue to build and strengthen our succession ‘pipeline’ for executive positions and business critical roles.
2010 HAS BEEN A YEAR OF MIXED RESULTS FOR IAG. THE PERFORMANCE OF OUR KEY BUSINESSES IN AUSTRALIA AND NEW ZEALAND SIGNIFICANTLY IMPROVED. HOWEVER, IAG’S FULL YEAR RESULT WAS AFFECTED BY ADVERSE DEVELOPMENTS IN THE SECOND HALF. DESPITE THIS, WE REMAIN COMMITTED TO STAYING THE COURSE AND ARE CONFIDENT WE WILL DELIVER IMPROVED RESULTS IN THE COMING FINANCIAL YEAR.
The 2010 financial year was one of contrasting halves for IAG. Steady operational improvement and favourable conditions in the first six months of the year combined to generate better than expected first half financial results, including a strong insurance margin of 3.4% (1H09: 6.2%) and a net profit after tax of $329 million (1H09: $4m).

Despite ongoing improvement in underlying performance throughout the remainder of the year, the Group’s full year financial results were diluted by adverse events in the second half.

The Group recorded a full year insurance margin of 7.0%, compared with 7.1% the previous year, and net profit after tax was $91 million, compared with $181 million last year.

Key to this outcome was the Group’s decision in June 2010 to strengthen the UK division’s reserves, primarily in response to an increase in bodily injury claims which has affected the UK industry. Disappointingly, this strengthening, and an associated reinsurance arrangement to limit further claim deterioration, led to a one-off charge of $367 million, which reduced our full year insurance margin by around 4%.

In addition, the fierce storms in March 2010 which struck Melbourne and Perth—the costliest storms in those cities on record—led to a combined pre-tax claim cost, net of reinsurance, of $210 million, reducing the full year insurance margin by around 3%.

The effect of these factors on our full year financial results masks a clear and ongoing improvement in the Group’s underlying performance. In particular, I am pleased to report our businesses in our home markets of Australia and New Zealand delivered encouraging results.

This underlying improvement demonstrates that the actions we have taken as part of the refined corporate strategy implemented two years ago have fundamentally strengthened these businesses.

DIVIDENDS
Shareholders will be paid a fully franked final dividend of 4.5 cents per ordinary share (cps) on 6 October 2010. This brings the total dividend for the year to 13cps, fully franked, which is a 30% increase over the 10cps paid in respect of the 2009 financial year.

CAPITAL STRENGTH
The Group retained its very strong capital position, holding 1.92 times the minimum level of capital required by the Australian Prudential Regulation Authority, at 30 June 2010. This remains above our internal benchmark, a position we believe is prudent.

Contributing to the Group’s capital strength, in December 2009 we amended our $550 million contingent capital issue, the Reset Exchangeable Securities, to qualify as regulatory capital.

The Group maintains ‘very strong’ ratings from Standard & Poor’s, with ‘AA–’ financial strength ratings for each of our key wholly owned insurers.

REFORM
IAG was actively involved in a number of government reviews and inquiries during the year, with the aim of favourably shaping the operating environment for our customers, shareholders and others in our community. In particular, we participated in reviews into the efficiency of Australia’s tax systems, arguing there is a clear social and economic case for reducing or eliminating inefficient insurance taxes, levies and charges in Australian States, which can add up to 40% to the cost of an insurance policy.

We also advocated change to prevent use of our shareholder register by those seeking to take advantage of our shareholders through significantly undervalued, unsolicited share offers.

BOARD RENEWAL
In accordance with the succession plans announced in November 2009, Brian Schwartz has agreed to succeed me as I retire after nine years as Chairman of the board.

Brian has had an outstanding career in business and has already made a significant contribution to the IAG board since he joined in January 2005. His experience, commitment and open and engaging approach make him an excellent Chairman.

The board expects to appoint another director before the end of the 2010 calendar year.

I feel proud to have been part of IAG’s evolution from a primarily NSW-based personal lines insurer to a diversified general insurance group with leading market shares in Australia and New Zealand, as well as international operations. This course has not been without its challenges and I thank all those people across IAG who have contributed to the Group’s success.

OUTLOOK
Despite the challenges we faced during 2010, the improvements in underlying performance that IAG has achieved since its strategic reset in July 2008 give us confidence we are pursuing the right strategy.

Our hardworking employees, led by a strong and committed Chief Executive Officer, Mike Wilkins, and the executive team, will continue to take the necessary actions to ensure we build value across our iconic brands and franchises into the 2011 financial year and beyond. Shareholders can be assured that the board is confident this improvement will translate into enhanced future profit and dividends for shareholders.

James Strong
Chairman (retired 26 August 2010)
REMAInING FOCUSED

REVENUE INCREASED 3.8%, IN LINE WITH GUIDANCE, WHEN EXCLUDING THE BUSINESS WE DIVESTED LAST YEAR AND FOREIGN EXCHANGE EFFECTS.

<table>
<thead>
<tr>
<th>Year</th>
<th>Gross Written Premium ($M)</th>
<th>Insurance Profit (S$M)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>7,782</td>
<td>493</td>
</tr>
<tr>
<td>2009</td>
<td>7,842</td>
<td>515</td>
</tr>
</tbody>
</table>
Two years ago, IAG embarked on a refined corporate strategy designed to refocus, simplify and strengthen our business. Since then, we have worked hard and made significant progress against our priorities.

What is most pleasing about the 2010 financial year is the clear and ongoing improvement in the underlying operational performance of IAG’s businesses in our home markets of Australia and New Zealand, which contribute nearly 90% of IAG’s revenue. This outcome demonstrates our actions are delivering tangible results.

During the second half of the year, however, the Group experienced events which adversely impacted our financial performance, leading to a full year result which was below the expectations we held at the outset of the year. While this is disappointing, we acted swiftly and appropriately to deal with those events, as outlined below.

I remain confident that our unrelenting focus on our refined strategy will continue to deliver further operational and financial improvements.

**PERFORMANCE IN 2010**

The Group generated revenue, as measured by gross written premium, of $7.8 billion. When excluding the premium written by the non-core businesses we divested last year, as well as the effect of foreign exchange movements, this was 3.8% higher than last year. Our largest business in Australia, Direct Insurance—which includes NRMA Insurance, SGIO and SGIC—was a key experience, have seen a 29% increase in gross written premium by 8.1% during the year.

The Group’s insurance profit was $493 million, compared with $515 million in the previous year, which translated to an insurance margin of 7.0%, compared with last year’s 7.1%. Net profit after tax was $91 million, compared with $181 million in the previous year.

**KEY DIVISIONS DELIVERING**

In Australia, the Direct Insurance business delivered strong revenue growth and an improved insurance margin of 16.9%. This reflects a continued focus on being more agile in responding to customer needs. For example, upgrades to our NRMA Insurance, SGIO and SGIC internet sites, in response to customers’ desire for an easier online experience, have seen a 29% increase in motor policies sold online. A number of innovative campaigns were also conducted, including Two Year Fixed Price policies and extended loyalty discounts to customers who have a history with another insurance company. It is these types of initiatives that set our businesses apart from the ever increasing number of competitors.

In addition, our Australian Intermediated Insurance business, CGU, continued its disciplined long term approach to rebuilding the fundamentals of its operations, including strict underwriting and risk management that has seen rate increases targeting unprofitable portfolios.

Both businesses in Australia felt the impact of the ferocious storms which struck Melbourne and Perth in March 2010. Together, our businesses received more than 74,000 claims related to these storms and incurred $210 million pre-tax in claim costs, net of reinsurance. This reduced the Group’s insurance margin by 3%.

I am extremely proud of the exceptional dedication and commitment of our people to helping our customers in the wake of these catastrophic weather events. I do not underestimate the challenge of responding to two of our country’s most damaging storms in as many weeks, particularly as we also needed to respond to two Tropical Cyclones, Olga and Ului, which both left a trail of damage to our customers’ property. While responding to storms is part of our day to day business,

**2010 MARKS THE SECOND YEAR OF OUR THREE YEAR TURNAROUND PLAN TO REBUILD IAG. STAYING FOCUSED ON THIS PLAN HAS DELIVERED SOLID IMPROVEMENT IN OPERATIONAL PERFORMANCE ACROSS MOST OF IAG. ADVERSE EVENTS, HOWEVER, LED TO FINANCIAL RESULTS BELOW THE EXPECTATIONS WE HELD AT THE OUTSET OF THE YEAR. WE ARE DETERMINED TO CONTINUE ON OUR COURSE OF IMPROVEMENT.**

The driver of this disappointing outcome was an increase in bodily injury claims, an issue confronting the UK motor insurance industry, the scope of which was greater than originally anticipated. The number of injured parties per accident has risen notably, as has the average size of each claim, primarily driven by the ‘claim farming’ activities of accident lawyers, leading to significant claims inflation.

We are undertaking a range of actions to strengthen our UK business, including further rate increases, exiting certain unprofitable broker relationships, ceasing to write external aggregator-sourced business of a non-bike nature, and enhancing underwriting and claim practices. While this is a challenging time for the UK motor insurance industry as a whole, we remain confident that Equity Red Star is capable of delivering attractive returns for IAG over the longer term.

Our UK business, Equity Red Star, reported a substantial loss owing to the actions we took to strengthen our claim reserves and provide additional reinsurance cover. The associated one-off charge of $367 million reduced the Group’s insurance margin by around 4%.
IMPROVING INVESTMENT INCOME
The Group’s investment return on shareholders’ funds contributed $96 million of pre-tax income, compared with a loss of $39 million in the previous year. This reflects the modest recovery in equity markets over the course of the 2010 financial year. During the year, the Group has gradually increased its exposure to growth assets within shareholders’ funds, as these markets improved.

OUR PEOPLE
As a Group, we have achieved a significant amount over the past two years and this has involved hard work and considerable change for every single person throughout the organisation. Our 12,700 people have been instrumental in delivering on our strategy, and I thank every one of them for their contribution.

In particular, I am proud of how willing our people have been to embrace our revised direction and their determination to deliver on the financial improvements necessary, while at the same time not compromising on customer experiences.

Employee engagement within IAG was 80%. This result represents only a small decline from last year despite the enormous change we’ve undergone, and I’m pleased to report it continues to exceed the benchmark for global financial services companies as set by our survey provider, Towers Watson.

During the year, we refined and launched internally a common set of principles, which we believe is central to providing the employees of each business a sense of connection to the broader Group, no matter which division they belong to. These are to be:
− experts in the fundamentals of insurance;
− disciplined business leaders;
− passionate about our customers;
− innovative and one step ahead; and
− sustainable, so we’re around for the long term.

In addition, we invested in internal programs designed to build capability and provide a broader base of future leaders.

On behalf of the management team and all employees, I would like to express my thanks to our retiring Chairman, James Strong, for his leadership and commitment to the Group over more than nine years, and to wish him well for the future.

I also welcome Brian Schwartz as our new Chairman. Having worked with Brian for some time now, I know the management and the board will continue to work well together to deliver further improvements for shareholders.

Finally, I would like to acknowledge the leadership and dedication demonstrated by the executive team during the past year. The cohesion of our team has helped to drive the required changes to our organisation.

In late July 2010, we announced some changes to our executive team, centred on our UK and New Zealand operations. As our UK CEO, Neil Utley, has mutually agreed to leave IAG, he’ll be succeeded by Ian Foy, who is currently CEO of our New Zealand business. CEO of The Buzz, Jacki Johnson, will succeed Ian in New Zealand, while leadership of The Buzz will be added to the responsibilities of Group Executive, Leona Murphy. All changes will be complete by 1 November 2010. I am pleased with the strength of these appointments and that all of them have been sourced from within our business, demonstrating the depth and versatility of our executive team.

OUR FUTURE FOCUS
We are two years into a three year turnaround strategy. I am encouraged with our progress, but I know we can do better.

Our focus for the 2011 financial year is to continue the momentum we’ve gained from the significant changes made over the past two years. This means remaining committed to our three strategic priorities:
− delivering a strong performance in our home markets of Australia and New Zealand;
− pursuing selective general insurance growth opportunities; and
− driving operational performance and accountability.

As we strengthen IAG, we will continue to have a clear focus on ensuring the sustainability of all facets of our business.

OUTLOOK
Our confidence in the outlook for the Group is reflected in our insurance margin guidance for the 2011 financial year of 10.5% to 12.5%.

We expect the Group’s underlying gross written premium to grow in the range of 3% to 5%.

This guidance assumes losses from natural perils are in line with budgeted allowances of $435 million, no material movement in foreign exchange rates or investment markets, and lower net reserve releases than in the 2010 financial year (excluding the UK strengthening).

We are determined to stay on the course we have set for the Group, as we are confident this is the best way to improve shareholder value in the coming years.

Michael Wilkins
Managing Director
and Chief Executive Officer
IAG is an international general insurance group, with operations in Australia, New Zealand, the United Kingdom and Asia. The group underwrites around $7.8 billion of premium per annum and employs over 12,700 people.

100% owned unless indicated.  
1 98% voting rights.  
2 49% ownership of the general insurance arm of AmBank Group, AmG Insurance Berhad, trading under the AmAssurance brand.  
3 26% ownership of SBI General Insurance Company, a joint venture with the State Bank of India.  
4 RACV is via a distribution relationship and underwriting joint venture with RACV Limited.  
5 RACV has a 30% interest in The Buzz.
We’ll continually strive to become ‘Australia’s Favourite Local Insurer’, which means we need to be highly attuned to customer needs and use these insights to deliver on their expectations. Customers want products and services that are easy to use and understand, and an insurance company that’s fair and dependable.

**KEY DEVELOPMENTS**

- Made further improvements to our internet sites to make it easier for customers to do business with us online and to compare product covers and features.
- Demonstrated that we are there for customers when they need us most and that our emergency response is second to none, by managing more than 50,000 claims following storms in Melbourne and Perth.
- Introduced new campaigns including Two Year Fixed Price policies and extended loyalty discounts to customers who have a history with another insurer.

**OPERATIONAL PERFORMANCE**

Our Direct Insurance business in Australia achieved an enormous amount during the past year. We set bold targets and met them—despite increasing competition, a number of storms and an economy in recovery. With leading brands, a community heritage and around 5,000 people who are passionate about helping customers, our challenge is to build on these strengths to realise our vision of being ‘Australia’s Favourite Local Insurer’. It’s particularly challenging when there are competitors regularly entering the market.

While we respect our competitors, we’re not distracted by them. We know that to stand out we need to be relentless about giving customers what they want; that is, products that are simple to understand, fairly priced and easy to buy, and it’s easy to make a claim. This also reduces the hassle and the waste—delivering better customer service and reducing our costs in the process.

Our people again demonstrated they are exceptional in a crisis, managing more than 50,000 claims following storms in Melbourne and Perth.

We also focused on ensuring we continue to excel at the simple things, such as daily customer transactions. To achieve this, we made a number of improvements. We upgraded our internet sites, making it easier to compare different product covers and features, so customers can tailor their insurance to suit them—and we’ve seen a significant increase in motor policies sold online as a result.

We also delivered a number of innovative campaigns for customers, including Two Year Fixed Price policies and extended loyalty discounts to customers who have a history with another insurance company.

These are just some of the initiatives that have contributed to our improved financial performance this year, with our gross written premium up 8.1% from last year and an improved insurance margin of 16.9%. Looking ahead, we will remain focused on gross written premium growth and expect to maintain a strong insurance margin in the 2011 financial year.
FOCUSING ON THE FUNDAMENTALS

2010 has been a challenging year for CGU. The intermediated insurance market has remained patchy and while our rate increases held, they were moderated by excess capacity particularly in commercial lines. Natural peril costs were higher than last year, driven up by severe weather, including the storms in Melbourne and Perth, and Tropical Cyclone Ului in Queensland.

Despite this difficult operating environment, CGU’s underlying performance improved, leading to an increased insurance margin of 6.6%, up from last year’s 2.2%.

We continued to invest in our technology, processes and developing our people’s capabilities. This is enabling us to provide a more efficient service to our intermediaries and customers, bring decision making much closer to our customers and empower our people by giving them the right tools and skills to make better decisions.

We continued to up-skill our people in core competence areas such as account management and claims, and we are embedding more stringent underwriting guidelines to improve risk selection. All of these initiatives are working to ensure our people provide a superior service to our customers.

While our results are getting stronger, we know there is more work to be done to keep lifting our performance. We will continue to be selective about the business we write and the markets in which we operate and remain focused on securing further major lead accounts in sectors where we have solid technical expertise. Additionally, we’re working to appropriately reprice premiums in unprofitable portfolios, improve our claims management processes and reduce our expenses.

While the tough operating environment is expected to continue in 2011, we are committed to driving further, steady improvement in our underlying performance.

CGU remains focused on securing further major lead accounts, such as the Newcastle Coal Infrastructure Group.
The strong performance of our New Zealand business reflects management actions and was assisted by particularly benign weather conditions.

IMPROVING PERFORMANCE

Our unwavering commitment to improve our pricing, underwriting, risk selection and cost management, combined with particularly benign weather conditions, worked together to deliver a significant improvement in our performance in New Zealand. Insurance profit increased to $131 million, up from the breakeven position last year, representing a strong insurance margin of 14.7%.

State, our direct brand, enjoyed strong gross written premium growth and benefited from improved risk selection and underwriting discipline. Considerable effort has gone into improving customer experience. State also secured high profile sponsorships with Surf Life Saving New Zealand and Swimming New Zealand to support water education, participation and accident prevention.

NZI, our broker brand, also achieved solid revenue growth through price increases, although these were offset by a small reduction in corporate business. The year saw a restructure within NZI to achieve a stronger alignment with broker and customer expectations.

Our partnership business grew strongly and we continued to invest in niche brands, for example online travel insurance.

Underpinning our strong performance was our ongoing investment in initiatives to support a culture of performance. This contributed to improved employee engagement and quality leadership.

We are proud that our sustainability credentials were recognised during the year. We received the Exemplar Award for large organisations from the Fairfax-PricewaterhouseCoopers Sustainable 60 series.

Looking ahead, while we expect the economy to strengthen, there are early signs of a softening of the insurance market which may impact pricing. Despite this, we expect to grow through a combination of new business and improved retention as we implement further initiatives to enhance customer experience and our presence within the market.
The UK operating environment was extremely challenging during the year. In particular, the cost of bodily injury claims continued to increase. This has been primarily driven by the ‘claim farming’ activities of ‘no win, no fee’ accident lawyers.

The extent of this issue has been much greater than originally anticipated. As a result, we took a decision to strengthen Equity Red Star’s reserves to ensure future claims would be adequately covered, and took out reinsurance protection against further deterioration. The one-off cost of this action led to a substantial loss for the UK division.

We are undertaking a range of measures to strengthen Equity Red Star. These include further rate increases of up to 20% across most classes of business, exiting certain unprofitable broker relationships, ceasing to write external aggregator-sourced business of a non-bike nature, and enhancing underwriting and claim practices.

The fee earning businesses are continuing to perform well. Equity Direct, our affinity broking business, won a number of significant new partnership deals, including several high profile motor manufacturers, Honda, Kia and Mazda. Bike Team, our specialist motorcycle broking operation, continued to build its reputation as a committed supporter of local community causes and is establishing a recognised presence in the market.

We secured a controlling stake in Insurance Dialogue Limited, a specialist household broker offering tailored products to the over-50s market, and saw our motor breakdown business, Autonational, named as a top three service provider in ‘Which?’ magazine’s latest national car survey.

While the challenging conditions across the UK insurance industry are expected to continue in 2011, we believe the actions we are taking will assist in restoring Equity Red Star’s profitability and maintain its strong niche position in specialist UK motor classes.

**KEY DEVELOPMENTS**

- Strengthened Equity Red Star’s claim reserves and reinsurance protections in response to rising bodily injury claim costs.
- Implemented a remediation plan to restore Equity Red Star to profitability.
- Fee earning businesses achieved solid results.

**GROSS WRITTEN PREMIUM (£M)**

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<th>Year</th>
<th>Amount</th>
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<tbody>
<tr>
<td>10</td>
<td>396</td>
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<tr>
<td>09</td>
<td>364</td>
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</tbody>
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**PROFIT BEFORE TAX (£M)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
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<tbody>
<tr>
<td>10</td>
<td>(358)</td>
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<tr>
<td>09</td>
<td>10</td>
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</table>
The long term potential of our new joint venture in India is impressive. With access to the unparalleled distribution network of the State Bank of India, the joint venture is targeted to become a top three player within the next decade in one of the largest economies and fastest growing insurance markets in the world.

Our challenge in 2011 is to continue to get the balance right between maximising operational efficiency in our established businesses, building up our Indian joint venture, and pursuing appropriate new market entry opportunities in Asia.

**KEY DEVELOPMENTS**

- Delivered a solid insurance margin in Thailand, led by improved underwriting discipline and risk selection in Safety insurance and a positive turnaround in NZI.
- Achieved a strong performance from our Malaysian joint venture.
- Continued to invest in developing our new joint venture in India and our market entry efforts in China.

**-To be continued-**

**FUTURE GROWTH**

We made solid progress against our strategy of building a stable of high growth insurance assets in selected Asian markets—Thailand, Malaysia, India and China. This remains an important element in the long term growth aspirations of IAG.

The establishment of our new general insurance joint venture, SBI General in India, was a priority during the year. We are pleased to report this business commenced limited underwriting as planned in the second half of the year, with the full launch to occur by the end of calendar year 2010.

In Thailand, while the economy was affected by political unrest in April and May 2010, our operations were not significantly impacted. This was due mainly to our efforts in recent years to reduce exposure to Bangkok by expanding our branch network outside the capital. The Thai operations increased gross written premium by 8.1% in local currency terms during the year.

Our 49% owned business in Malaysia continued to be a strong market performer and grew gross written premium by 11.7% in local currency terms during the year.

Together, our established businesses in Thailand and Malaysia contributed a profit before tax of $5 million during the year. This is a pleasing improvement, after allowing for the one-off benefit from the introduction of deferred acquisition accounting in 2009.

The operating environment for our established operations continues to improve with a positive regional recovery since the global economic recession, notwithstanding the uncertain political conditions in Thailand.

We remain committed to our expansion strategy in Asia. We will continue to maximise operational efficiency in our established businesses while pursuing appropriate new market entry opportunities in Asia.
WHAT’S THE BUZZ?

The Buzz was launched in May 2009 to meet the changing expectations of insurance customers who want to fully transact online, from initial quote and tailoring their policy, through to making a claim.

During our first year of operation, our focus has been on establishing the business and continuing to evolve our proposition in collaboration with our customers. We are pleased to report that conversion rates—the number of people who become a customer after seeking a quote—are high.

Research we undertook early in 2010 highlighted that our customers see The Buzz as providing transparent and fair pricing, choice and control of product features, a secure and easy-to-use internet experience and good claims experience. Importantly, feedback following the severe storms which struck Melbourne and Perth in March 2010 reinforced that our customers value the ability to quickly lodge claims online, and the ease with which claims can then be assessed and finalised.

We were proud of the recognition shown by our industry in winning awards for innovation in the Australian Banking and Finance Insurance Awards and Australian Business Awards.

The use of social media to engage with customers continues to highlight the need to communicate with customers when and where they choose and on topics that are important to them, such as driver and car safety and the environment.

The Buzz’s performance is underpinned by a culture of innovation, strong governance and leadership that drives accountability. Our employees’ engagement score was high at 90%, and The Buzz set new global benchmarks for innovation, teamwork and leadership, as measured by our survey provider, Towers Watson.

Next year, we expect customer volumes to grow, particularly as we expand our portfolio to include home insurance and introduce our new customer loyalty program, Buzz Time.
The competitive nature of our industry means our customers can choose from an ever expanding list of brands and channels. Whether it’s an individual, a corporation or a broker, in Australia, New Zealand, Asia or the UK, our focus is on helping our customers manage their risks. It’s about exceeding their expectations of us so they continue to choose our brands.

Insurance at IAG is about more than just paying claims. We differentiate ourselves by the way we interact with our customers; the way we treat our people; the way we manage environmental risks and impacts; and our commitment to the communities in which we operate.

Our approach to managing risks and leveraging opportunities across all of these areas underpins our strategy, and informs everything that we do. It influences the way we interact with our customers; the way we treat our people; the way we manage environmental risks and impacts; and our commitment to the communities in which we operate.

This focus on customer service is reflected in our customer satisfaction indices. Despite a steady increase in competition during the past 12 months, customer satisfaction measures in our largest business, Australia Direct Insurance, and in New Zealand remained stable.

Building a profitable business means building a sustainable business—one which can remain strong for the long term. And long term strength requires managing all of the factors that influence our success. We see these factors as falling into five key areas:

- customer;
- workforce;
- community;
- environmental; and
- economic.

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IAG is a group of general insurance businesses with diverse customer networks and distribution channels. To ensure each business meets the specific needs of its stakeholders, they are each responsible for their own approach to sustainability across the five identified areas. This collective effort is central to the Group’s long term success.

We are proud our actions have been recognised. IAG has been included in the 2010 Global 100 Most Sustainable Corporations in the World, together with continued recognition in the Dow Jones Sustainability Index and the FTSE4Good Index.

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Insurance at IAG is about more than just paying claims. We differentiate ourselves by the way we help our customers recover from the unexpected. By listening to our customers, we’re also able to stay relevant and tailor our products and services to meet customer needs.

We create the most value when we are close to our customers. IAG’s devolved structure provides end to end accountability to our operating businesses, ensuring decision making is as close to the end customer as possible. This results in a service and experience that is tailored to specific customer needs.

All of these factors directly impact our financial success, and support our commitment to continue to build on the solid economic foundations that we have laid.

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KEY DEVELOPMENTS

- IAG’s businesses handled more than 74,000 claims following the severe storms that hit Melbourne and Perth in March 2010. To help streamline this process, Australia Direct Insurance introduced an online claim lodgement facility to allow customers to process their claims quickly and easily.
- Our New Zealand business introduced an Electronic Renewal System. The new system makes the renewal process quicker and easier for our customers and also improves data quality for our underwriters.
- The Buzz launched an online home insurance product that reflects customer feedback and allows customers to tailor their cover to match their needs.

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We are proud our actions have been recognised. IAG has been included in the 2010 Global 100 Most Sustainable Corporations in the World, together with continued recognition in the Dow Jones Sustainability Index and the FTSE4Good Index.
To ensure our long term success, we continued to focus on having the right people, in the right roles. The sustainability of IAG relies not only on recruiting and retaining the right people now, but also into the future. As a result we are investing in Group-wide leadership programs to ensure we develop our talent and future leaders across the organisation.

This investment in our people is reflected in IAG’s engagement score of 80%. This result represents only a small decline from last year, despite considerable organisational change, and continues to exceed the benchmark for global financial services companies as set by our survey provider, Towers Watson. We will continue to invest in programs to strengthen employee engagement over the coming 12 months.

Promoting diversity, encompassing aspects such as gender, age, ethnicity, ability and thought, is another priority, and will be the focus of a Diversity Working Group, which will include the Group CEO and Chairman.

An example of this commitment is our new goal to increase the number of women in senior management positions to one third by 2015.

**KEY DEVELOPMENTS**

- Launched our Advanced Leadership Program to develop future leaders and to ensure we have a credible succession pipeline across the Group.
- CGU defined its desired leadership behaviours and is in the process of embedding them throughout the business via a suite of initiatives outlined under the Demonstrated Leadership program.
- Our New Zealand business received a Culture Transformation Achievement Award from Human Synergistics, for its move to a more constructive culture.
- In its first year, The Buzz outperformed global benchmarks for innovation, teamwork and leadership, culminating in the business winning the Australian Banking and Finance Insurance Award for Innovation and the 2010 Australian Business Award for Innovation.

### WORKFORCE INDICATORS

<table>
<thead>
<tr>
<th></th>
<th>Australia</th>
<th>New Zealand</th>
<th>Thailand</th>
<th>UK</th>
</tr>
</thead>
<tbody>
<tr>
<td>Staff turnover</td>
<td>21.0%</td>
<td>19.7%</td>
<td>14.8%</td>
<td>15.2%</td>
</tr>
<tr>
<td>Absenteeism</td>
<td>4.7%</td>
<td>4.5%</td>
<td>3.6%</td>
<td>3.9%</td>
</tr>
<tr>
<td>Employee engagement score</td>
<td>80%</td>
<td>85%</td>
<td>85%</td>
<td>84%</td>
</tr>
<tr>
<td>Women in the workforce</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Senior management positions</td>
<td>26%</td>
<td>27%</td>
<td>26%</td>
<td>24%</td>
</tr>
<tr>
<td>- Executive positions</td>
<td>22%</td>
<td>22%</td>
<td>22%</td>
<td>25%</td>
</tr>
<tr>
<td>- Board positions</td>
<td>25%</td>
<td>25%</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Male to female annual salary ratio(^2)</td>
<td>$1.14:1</td>
<td>$1.15:1</td>
<td>N/Z $1.16:1</td>
<td>N/Z $1.16:1</td>
</tr>
<tr>
<td>- General employee positions</td>
<td>$1.15:1</td>
<td>$1.16:1</td>
<td>N/Z $1.17:1</td>
<td>N/Z $1.16:1</td>
</tr>
<tr>
<td>- Managers/senior specialist positions</td>
<td>$1.16:1</td>
<td>$1.16:1</td>
<td>N/Z $1.17:1</td>
<td>N/Z $1.16:1</td>
</tr>
<tr>
<td>- Senior manager positions</td>
<td>$1.09:1</td>
<td>$1.10:1</td>
<td>N/Z $1.19:1</td>
<td>N/Z $1.20:1</td>
</tr>
<tr>
<td>- Head of positions</td>
<td>$1.01:1</td>
<td>$1.00:1</td>
<td>N/Z $1.03:1</td>
<td>N/Z $1.04:1</td>
</tr>
</tbody>
</table>

N/R: not reported  
N/A: not applicable  
\(^1\) This represents IAG’s Asia division.  
\(^2\) IAG has proportionately more males than females in senior management positions, which is reflected in this indicator.

### CASE STUDY

**OUR 12,700 PEOPLE DELIVER ON OUR PROMISES. THAT’S WHY FINDING THE RIGHT PEOPLE IS IMPORTANT, AND INVESTING IN WAYS TO KEEP THEM ENGAGED IS CRITICAL.**

The new television has arrived, the waterlogged lounge suite has been replaced, and as far as the customer is concerned, the claim process is complete. But what about the soggy sofa and the smashed screen? Where do they end up? Until recently, the answer was usually landfill. But a process developed by IAG’s business in New Zealand is seeing many items, replaced as part of a claim, get a second life.

**SALVAGE SOLUTIONS** is a program which sees old or damaged items sold, recycled or donated to charity. These days, items only find their way to landfill if they’re irreparably damaged.

The program currently handles 50 to 60 items a week from customers across all New Zealand brands.

This makes the assessing process more efficient, as assessors don’t have to spend time disposing of items. It’s safer for customers, as any potentially hazardous damaged items get removed. And there is an economic benefit too—it’s estimated the system has the potential to save 5% to 10% per claim, helping to keep premiums down.
COMMUNITY

We take a strategic approach to community investment, seeking partnerships which enable us to share our knowledge and promote initiatives that reduce risk at home, on the road and in the broader community. We also work with communities to help them adapt to the impact of weather related risks.

We strive to be active partners with community groups, contributing skills, time and money to address relevant issues. We support the efforts of our people in the community through volunteer leave and, in the last year, IAG’s people have contributed more than 8,000 volunteer hours. For example, we remain an active member of the Australian Business and Community Network (www.abcn.com.au), an organisation of business leaders and companies dedicated to mentoring and coaching programs in schools.

During the past year, IAG’s businesses spent more than $8 million on community programs.

KEY DEVELOPMENTS

- NRMA Insurance, SGIO and SGIC awarded almost 140 Community Grants to groups across Australia, helping communities become more sustainable and reduce risk.
- 33% of IAG employees in New Zealand took a volunteer day, equating to around 621 days, 4,680 hours or NZ$138,425.
- CGU partnered with Farmsafe to reward safe behaviour through the Farmsafe Farmer of the Year Awards.
- NRMA Insurance partnered with Mission Australia to support young people exiting the juvenile justice system, with an 86% reduction in criminal offences by participants.

ENVIRONMENT

The environmental risk that we are faced with is well documented. Severe weather events and climate change are a significant risk for IAG as a company, as well as the community at large.

Increases in the severity and frequency of weather events represent significant risks to our business, our customers, and the communities we serve. The impact on our customers and communities of the March 2010 Melbourne and Perth storms provides an unwanted reminder of the damage that weather events can cause.

It is for this reason we will always have a focus on the environment. As such, our environmental sustainability strategy includes:

- working towards our target of becoming carbon neutral by 2012;
- working with our customers to help them adapt to weather related events; and
- participating in the community debate on climate change and influencing the required policy outcomes.

We have made encouraging progress in reducing our carbon emissions in our Australian business. However, our New Zealand business experienced a slight increase in carbon emissions. This was due to dual occupancy electricity consumption as we relocated into new premises and increased air travel.

Several initiatives currently underway will support our goal to reduce carbon emissions across the Group in the coming year.

KEY DEVELOPMENTS

- IAG launched a campaign encouraging its shareholders to receive share registry communication via email, instead of by post, resulting in a saving of more than seven tonnes of paper annually.
- CGU installed a water recycling system at its Melbourne headquarters, capable of delivering up to 60,000 litres of recycled water a day—equivalent to eight Olympic-sized swimming pools per year.
- A ‘Desktop Powerdown’ application has enabled computers in Australian businesses to be automatically shut down at night and ‘woken’ for upgrades as needed, and is expected to save 2.36% of energy consumption.

IAG Annual Review 2010
Our approach to customers, community, the environment and our people provides the foundation for financial performance. Equally, we can only continue to meet our obligations to our stakeholders if we continue to drive a strong financial performance.

Central to our performance over the past year has been our strategic focus on our core businesses in Australia and New Zealand, with a strong result in Australia Direct Insurance, continuing improvement in our CGU business, and a sharp turnaround in New Zealand.

At the same time, we have taken immediate remedial action to ensure our business limits its exposure to any further claims deterioration in the UK market.

In addition to implementing our strategy, we work to influence public policy development in many areas, including those that impact our shareholders and policy holders. For example, we have an ongoing dialogue with State and Federal governments around insurance tax reform, in particular with regard to insurance stamp duties and fire services funding. We also engaged with the Australian Government to prevent use of shareholder registers by those seeking to take advantage of shareholders through significantly undervalued, unsolicited share offers.

A summary of our economic performance is below. Full details are contained in IAG's annual report available online at www.iag.com.au/results.

### ECONOMIC INDICATORS

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Gross written premium</strong></td>
<td>7,782</td>
<td>7,842</td>
<td>7,793</td>
</tr>
<tr>
<td><strong>Net premium revenue</strong></td>
<td>7,065</td>
<td>7,233</td>
<td>7,295</td>
</tr>
<tr>
<td><strong>Net claims expense</strong></td>
<td>(5,072)</td>
<td>(5,370)</td>
<td>(5,155)</td>
</tr>
<tr>
<td><strong>Underwriting expenses</strong></td>
<td>(2,054)</td>
<td>(2,128)</td>
<td>(2,180)</td>
</tr>
<tr>
<td><strong>Underwriting profit/(loss)</strong></td>
<td>(61)</td>
<td>(265)</td>
<td>(40)</td>
</tr>
<tr>
<td><strong>Net investment income on assets backing insurance liabilities</strong></td>
<td>554</td>
<td>780</td>
<td>432</td>
</tr>
<tr>
<td><strong>Insurance profit</strong></td>
<td>493</td>
<td>515</td>
<td>392</td>
</tr>
<tr>
<td><strong>Investment income on shareholders’ funds</strong></td>
<td>96</td>
<td>(39)</td>
<td>24</td>
</tr>
<tr>
<td><strong>Other income/expenses</strong></td>
<td>(187)</td>
<td>(164)</td>
<td>(552)</td>
</tr>
<tr>
<td><strong>Profit/(loss) before income tax</strong></td>
<td>402</td>
<td>312</td>
<td>(136)</td>
</tr>
<tr>
<td><strong>Income tax expense</strong></td>
<td>(212)</td>
<td>(65)</td>
<td>(90)</td>
</tr>
<tr>
<td><strong>Net profit/(loss)</strong></td>
<td>190</td>
<td>247</td>
<td>(226)</td>
</tr>
<tr>
<td><strong>Net profit attributable to non-controlling interests</strong></td>
<td>(99)</td>
<td>(66)</td>
<td>(35)</td>
</tr>
<tr>
<td><strong>Net profit/(loss) attributable to IAG shareholders</strong></td>
<td>91</td>
<td>181</td>
<td>(261)</td>
</tr>
<tr>
<td><strong>Ordinary equity holders’ equity</strong></td>
<td>4,486</td>
<td>4,671</td>
<td>4,204</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>20,446</td>
<td>19,360</td>
<td>19,380</td>
</tr>
</tbody>
</table>

### Key ratios

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Loss ratio</strong></td>
<td>71.8%</td>
<td>74.2%</td>
<td>70.7%</td>
</tr>
<tr>
<td><strong>Expense ratio</strong></td>
<td>29.1%</td>
<td>29.4%</td>
<td>29.9%</td>
</tr>
<tr>
<td><strong>Combined ratio</strong></td>
<td>100.9%</td>
<td>103.6%</td>
<td>100.6%</td>
</tr>
<tr>
<td><strong>Insurance margin</strong></td>
<td>7.0%</td>
<td>7.1%</td>
<td>5.4%</td>
</tr>
</tbody>
</table>

### Share information

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Dividends per ordinary share—fully franked (cents)</strong></td>
<td>13.00</td>
<td>10.00</td>
<td>22.50</td>
</tr>
<tr>
<td><strong>Basic earnings per ordinary share (cents)</strong></td>
<td>4.39</td>
<td>9.32</td>
<td>(14.11)</td>
</tr>
<tr>
<td><strong>Issued ordinary shares at 30 June (million shares)</strong></td>
<td>2,079</td>
<td>2,071</td>
<td>1,878</td>
</tr>
<tr>
<td><strong>Market capitalisation (ordinary shares) at 30 June ($ million)</strong></td>
<td>7,089</td>
<td>7,269</td>
<td>6,517</td>
</tr>
</tbody>
</table>
COMMITTED TO ATTAINING THE HIGHEST STANDARDS OF CORPORATE GOVERNANCE TO ENSURE DELIVERY OF SHAREHOLDER VALUE OVER THE LONG TERM.

THE BOARD

JAMES STRONG
AO
Chairman and independent non-executive director

MICHAEL WILKINS
BCom, MBA, DLI, FCA
Managing Director and Chief Executive Officer
Appointed Managing Director and Chief Executive Officer in May 2008 after joining as Chief Operating Officer and director in November 2007. Director of the Insurance Council of Australia, member of the Australian Government’s Financial Sector Advisory Council and non-executive director of Maple-Brown Abbott Limited. He has more than 25 years’ experience in the insurance industry, with roles including managing director of Promina (formerly Royal & SunAlliance) and Tyndall.

YASMIN ALLEN
BCom, FAICD
Independent non-executive director
Appointed in November 2004. Director of Cochlear Limited, Chairman of Macquarie Specialised Asset Management and member of The Salvation Army Advisory Board.

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

PHILLIP COLEBATCH
BE (Hons), BSc, DBA, SM
Independent non-executive director
Appointed in January 2007. Non-executive director of Lend Lease Corporation Limited and Man Group plc. Member of the Board of Trustees of the LGT Group Foundation and the Prince of Liechtenstein Foundation.

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

Full biographies, including changes to board committee memberships from 26 August 2010, are available at www.iag.com.au/about.
EXECUTIVE TEAM

A STRONG AND VERSATILE TEAM, WHICH HAS HELPED DRIVE THE REQUIRED CHANGES THROUGHOUT THE ORGANISATION.

NEIL UTLEY
MBA, FCII, BA, ACIB, MCIM
CEO, UK

Neil joined IAG in January 2007, when the company acquired Equity Insurance Group. He has been involved with that business since 1999, and has hands on experience in all aspects of the UK insurance industry, including sales, marketing, product development and managing the retail broker chain. Neil retires from IAG on 30 September 2010.

JUSTIN BREHENY
BEC, CPA, F Fin
CEO, Asia

Justin joined IAG in March 2006, and has responsibility for managing IAG’s established and developing business interests in Thailand, Malaysia, India and China, and expansion into new Asian markets. He has over 16 years’ experience living and working in Asia, and was previously with ANZ Banking Group’s Asian operations.

DUNCAN WEST
Bsc (Hons)
CEO, CGU

Duncan joined IAG in January 2008 and leads IAG’s intermediated business in Australia, CGU. He brings to IAG more than 25 years’ experience in the insurance industry. He previously led Vero, the intermediated insurance business of Promina, from May 1998 and prior to that held other senior roles with Royal & SunAlliance.

LEONA MURPHY
BCom
Group Executive, Corporate Office

Leona joined IAG in 2007, and is responsible for a portfolio of Group functions, including strategy and corporate development. She has more than 18 years’ insurance industry experience including seven years with Promina. Effective 1 November 2010, Leona will become IAG’s CEO, The Buzz, adding to her existing responsibilities.

IAN FOY
MA, MBA, FCII
CEO, New Zealand

Ian joined IAG in July 2003, leading NZI after IAG acquired this business. Since 2008, he has had responsibility for leading IAG’s New Zealand operations, successfully improving the business. Prior to joining NZI in 2002, Ian held roles with groups including Aviva Plc in the UK. Ian has been appointed IAG’s CEO, UK, effective 1 September 2010.

ANDY CORNISH
MBA
CEO, Direct Insurance

Andy joined IAG in January 2009 and leads IAG’s Australian Direct Insurance business. With more than 30 years’ experience in the insurance industry, he previously held several managing director roles with the second largest general insurer in the UK, RBS Insurance, part of the Royal Bank of Scotland Group.

JACKI JOHNSON
BAppSc (OT), EMBA, GradDip Safety Science
CEO, The Buzz

Jacki joined IAG in 2001 and, in 2008, she established IAG’s online insurance business, The Buzz. Previously, she was CEO of IAG’s business partnerships division, now part of CGU. She has more than 20 years’ industry experience, including roles with Allianz and HIH Insurance. Jacki has been appointed IAG’s CEO, New Zealand, effective 1 November 2010.

NICK HAWKINS
BCom, FCA
Chief Financial Officer

Nick joined IAG in 2001 and, in 2008, was appointed Chief Financial Officer. Prior to that, he was CEO of IAG’s New Zealand business and, before that, held other financial and strategic roles. Before joining IAG, Nick was a partner with the international accounting firm KPMG, specialising in financial services.

IAG’S REMUNERATION PRACTICES HAVE BEEN DESIGNED TO REWARD SUPERIOR PERFORMANCE; ALIGN REMUNERATION WITH RETURNS DELIVERED TO OUR SHAREHOLDERS; ATTRACT AND RETAIN HIGH QUALITY PEOPLE; AND STRIKE A BALANCE BETWEEN REWARDING SHORT AND long TERM RESULTS.

At all times, we endeavour to ensure our remuneration practices balance IAG’s performance objectives while remaining in step with the 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. During the 2010 financial year, the IAG board:

- introduced a shareholding policy for non-executive directors which requires them to hold IAG shares with a value approximately equal to their IAG board fee within three years; and
- introduced an employee share plan allowing employees in Australia, New Zealand and the UK to purchase IAG shares using pre-tax salary contributions, with IAG contributing 10% towards the cost of those shares.

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

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

### INDEPENDENT NON-EXECUTIVE DIRECTORS

<table>
<thead>
<tr>
<th>Name</th>
<th>IAG board fees received as cash $000</th>
<th>Other board and committee fees $000</th>
<th>Superannuation $000</th>
<th>Retirement benefits $000</th>
<th>Total $000</th>
<th>Share based payment IAG board fees received as IAG shares $000</th>
<th>Total $000</th>
</tr>
</thead>
<tbody>
<tr>
<td>James Strong</td>
<td>400</td>
<td>195</td>
<td>14</td>
<td>–</td>
<td>94</td>
<td>703</td>
<td></td>
</tr>
<tr>
<td>Yasmin Allen</td>
<td>144</td>
<td>87</td>
<td>14</td>
<td>–</td>
<td>13</td>
<td>256</td>
<td></td>
</tr>
<tr>
<td>Philip Colebatch</td>
<td>119</td>
<td>50</td>
<td>15</td>
<td>–</td>
<td>31</td>
<td>215</td>
<td></td>
</tr>
<tr>
<td>Hugh Fletcher</td>
<td>107</td>
<td>111</td>
<td>16</td>
<td>–</td>
<td>43</td>
<td>277</td>
<td></td>
</tr>
<tr>
<td>Anna Hynes</td>
<td>138</td>
<td>27</td>
<td>16</td>
<td>–</td>
<td>13</td>
<td>194</td>
<td></td>
</tr>
<tr>
<td>Brian Schwartz</td>
<td>137</td>
<td>71</td>
<td>14</td>
<td>–</td>
<td>19</td>
<td>241</td>
<td></td>
</tr>
<tr>
<td>Philip Twyman</td>
<td>136</td>
<td>27</td>
<td>14</td>
<td>–</td>
<td>16</td>
<td>193</td>
<td></td>
</tr>
</tbody>
</table>

### EXECUTIVES

<table>
<thead>
<tr>
<th>Name</th>
<th>Base salary $000</th>
<th>Short term incentives $000</th>
<th>Other $000</th>
<th>Superannuation $000</th>
<th>Retirement benefits $000</th>
<th>Long service leave accruals $000</th>
<th>Value of deferred short term incentives $000</th>
<th>Value of rights/shares granted $000</th>
<th>Total $000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Michael Wilkins, Managing Director and Chief Executive Officer</td>
<td>1,848</td>
<td>765</td>
<td>–</td>
<td>38</td>
<td>–</td>
<td>12</td>
<td>2,663</td>
<td>282</td>
<td>1,330</td>
</tr>
<tr>
<td>Justin Breheny, Chief Executive Officer, Asia</td>
<td>795</td>
<td>396</td>
<td>–</td>
<td>50</td>
<td>–</td>
<td>7</td>
<td>1,248</td>
<td>182</td>
<td>702</td>
</tr>
<tr>
<td>Andy Cornish, Chief Executive Officer, Direct Insurance</td>
<td>846</td>
<td>504</td>
<td>–</td>
<td>23</td>
<td>–</td>
<td>3</td>
<td>1,376</td>
<td>119</td>
<td>423</td>
</tr>
<tr>
<td>Ian Foy, Chief Executive Officer, New Zealand</td>
<td>464</td>
<td>290</td>
<td>–</td>
<td>73</td>
<td>–</td>
<td>–</td>
<td>827</td>
<td>70</td>
<td>339</td>
</tr>
<tr>
<td>Nicholas Hawkins, Chief Financial Officer</td>
<td>851</td>
<td>354</td>
<td>–</td>
<td>25</td>
<td>–</td>
<td>4</td>
<td>1,234</td>
<td>151</td>
<td>664</td>
</tr>
<tr>
<td>Jacki Johnson, Chief Executive Officer, The Buzz</td>
<td>761</td>
<td>343</td>
<td>–</td>
<td>22</td>
<td>–</td>
<td>7</td>
<td>1,133</td>
<td>188</td>
<td>650</td>
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<tr>
<td>Leona Murphy, Group Executive, Corporate Office</td>
<td>674</td>
<td>291</td>
<td>–</td>
<td>25</td>
<td>–</td>
<td>5</td>
<td>995</td>
<td>119</td>
<td>430</td>
</tr>
<tr>
<td>Neil Utley, Chief Executive Officer, UK</td>
<td>854</td>
<td>–</td>
<td>789</td>
<td>–</td>
<td>107</td>
<td>–</td>
<td>1,750</td>
<td>282</td>
<td>863</td>
</tr>
<tr>
<td>Duncan West, Chief Executive Officer, CGU</td>
<td>888</td>
<td>481</td>
<td>–</td>
<td>25</td>
<td>–</td>
<td>6</td>
<td>1,400</td>
<td>140</td>
<td>584</td>
</tr>
</tbody>
</table>
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We’ve also used organic vegetable based inks. Organic inks circumvent the hazardous effects of the solvents in ink, because they use vegetable based oils such as linseed, canola or soy instead of petroleum based oils. Vegetable based oils are, unlike petroleum, a renewable source, and are biodegradable. Organic inks send little or no volatile organic compounds into the air, and produce less toxic waste.

**KEY DATES FOR 2010 AND 2011**

<table>
<thead>
<tr>
<th>Event</th>
<th>Date</th>
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</thead>
<tbody>
<tr>
<td>Financial year end</td>
<td>30 June 2010</td>
</tr>
<tr>
<td>Full year results and dividend announced</td>
<td>26 August 2010</td>
</tr>
<tr>
<td>Final dividend for ordinary shares</td>
<td></td>
</tr>
<tr>
<td>– Record date</td>
<td>8 September 2010</td>
</tr>
<tr>
<td>– Payment date</td>
<td>6 October 2010</td>
</tr>
<tr>
<td>Annual general meeting</td>
<td>27 October 2010</td>
</tr>
<tr>
<td>Half year end</td>
<td>31 December 2010</td>
</tr>
<tr>
<td>Half year results and dividend announced</td>
<td>24 February 2011</td>
</tr>
<tr>
<td>Interim dividend for ordinary shares</td>
<td></td>
</tr>
<tr>
<td>– Record date</td>
<td>9 March 2011</td>
</tr>
<tr>
<td>– Payment date</td>
<td>11 April 2011</td>
</tr>
</tbody>
</table>

1 Please note dates are subject to change. Any changes will be published via a notice to the ASX.

**ANNUAL GENERAL MEETING**

IAG’s AGM will be held on Wednesday, 27 October 2010 at 10am at the Wesley Conference Centre, 220 Pitt Street, Sydney NSW 2000. Details of the meeting, including how to vote, are contained in our Notice of Meeting which has been mailed to shareholders and is available online at www.iag.com.au.

**ONLINE INFORMATION**

To view the 2010 annual report and other important information about IAG, and to manage your shareholding online, visit IAG’s website at www.iag.com.au. You can also register to receive email news alerts when IAG makes important announcements.

**ACCESS IAG’S ANNUAL REPORT**

This book contains a summary of IAG’s performance for the 2010 financial year. More detailed financial information is contained in IAG’s annual report which is available in hard copy by contacting our Share Registry or can be viewed online at www.iag.com.au.

**SHARE REGISTRY**

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Melbourne VIC 3001 Australia

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Email iag@computershare.com.au

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Website www.iag.com.au
Email: investor.relations@iag.com.au

**ENVIRONMENTALLY RESPONSIBLE PAPER**

![Image of environmental logos]

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100% owned unless indicated.  
1 RACV is via a distribution relationship and underwriting joint venture with RACV Ltd.  
2 RACV has a 30% interest in The Buzz.  
3 98% voting rights.  
4 49% ownership of the general insurance arm of AmBank Group, AmG Insurance Berhad, trading under the AmAssurance brand.  
5 26% ownership of SBI General Insurance Company, a joint venture with the State Bank of India.