

TRANSCRIPT

IAG.AX - Insurance Australia Group Ltd Annual Shareholders Meeting

EVENT DATE/TIME: OCTOBER 30, 2014 10.00AM

OCTOBER 29, 2014 / 11:00PM GMT, IAG.AX - Insurance Australia Group Ltd Annual Shareholders Meeting

CORPORATE PARTICIPANTS

Brian Schwartz *Insurance Australia Group Limited - Chairman*
Mike Wilkins *Insurance Australia Group Limited - Managing Director & CEO*
Nick Hawkins *Insurance Australia Group Limited - CFO*
Yasmin Allen *Insurance Australia Group Limited - Independent Non-Executive Director*
Hugh Fletcher *Insurance Australia Group Limited - Independent Non-Executive Director*
Philip Twyman *Insurance Australia Group Limited - Independent Non-Executive Director*

CONFERENCE CALL PARTICIPANTS

Jack Tilburn *Shareholder*
Pamela Gray *Grays Institute - Shareholder*
Michael Carlin *Shareholder*
Joe Nagy *Shareholder*
Richard Wilkins *ASA representative*
Gregory Simoni *Shareholder*
Ian Graves *ASA representative*
Mark Bruckner *Shareholder*
Reginald Wilcher *Shareholder*
Edward Walgien *Shareholder*

PRESENTATION

Brian Schwartz - Insurance Australia Group Limited - Chairman

Good morning ladies and gentleman and welcome to the Insurance Australia Group Limited 2014 AGM. My name's Brian Schwartz, I'm the Chairman of IAG and in accordance with the Company's constitution I'm the Chairman of this meeting. The Company Secretary has informed me that a quorum is present and I therefore declare the meeting open.

In doing so I'd like to respectfully acknowledge the Gadigal people of the Eora Nation, the traditional custodians of this land and on whose land we are meeting today, and pay my respects to the elders both past and present.

On the stage with me from my far left are Non-Executive Directors Raymond Lim, Alison Deans and Peter Bush. The Managing Director and Chief Executive Officer Mike Wilkins, the Group General Counsel and Company Secretary Chris Bertuch and Non-Executive Directors Hugh Fletcher, Yasmin Allen and Philip Twyman. Doctor Andries Terblanche representing the Company's auditor KPMG is present as are members of the IAG executive.

I'd also like to welcome those shareholders viewing this meeting via the webcast. There are some housekeeping matters that I need to mention. As a courtesy to all attending today's AGM I request that all mobile phones are either turned off or set to silent mode for the duration of the meeting, if you would please.

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

If you are unable to remain for the whole meeting and vote on each resolution electronically, you'll be able to register your voting intentions using either the handset issued to you or on a voting card at the desk located just outside the auditorium as you leave. We included with our notice of meeting a form providing shareholders with the opportunity to send questions to the Company in advance of the AGM.

OCTOBER 29, 2014 / 11:00PM GMT, IAG.AX - Insurance Australia Group Ltd Annual Shareholders Meeting

Your views are important to us and we received questions and comments from around 130 shareholders. I thank all of those shareholders who have taken the time to ask questions of the Company, and we sought to respond to as many of those questions as we can today, in the addresses to be delivered by our CEO Mike Wilkins and myself.

We've also published responses to the most frequently asked questions on our website. We are of course happy to take further questions or provide further responses about the items of business as we move to resolutions to be put to shareholders today. I now declare the polls to be open.

Before we commence the formal meeting of -- the business of the meeting, I'd like to start by providing a brief overview of the Group's performance for the 2014 financial year. I will then ask our CEO Mike Wilkins to be provided a more detailed review of our operational performance and strategy, and an update on the Group's outlook for the current year.

This has been a year of significant achievement, our business performed strongly reflecting the benefits of having a clear strategy and pursuing it consistently. This year our gross written premium increased by 3% to nearly AUD10 billion, and our net profit after tax increased by nearly 60% to AUD1.2 billion. We continued to pursue our strategic objectives of profitable growth in Australia and maintaining our market leading position in New Zealand. When we acquired the insurance underwriting business of Wesfarmers Limited.

This acquisition, which was completed on June 30, was a compelling strategic fit for us, making us the clear market leader in general insurance in Australia and cementing our leadership position in New Zealand. We've also worked to secure and grow our business in Asia where we continue to see considerable growth opportunities.

We do recognise that being the market leader brings with it not just opportunities but also significant responsibilities to all those who have a stake in our business. That is why we are committed to offering market leading products and services for our customers, providing opportunities for our people, and using our expertise in risk to contribute to the safety of the wider communities that we serve.

By doing these things well, we will create significant value for you, our shareholders. Today I'd like to talk to you about how we are working to fulfil our responsibility in each of these areas. Our customers' needs are evolving rapidly as technology creates new and more opportunities for them to interact with us. They want to engage with us using different channels, from online and mobile, to live chat and move between these channels more often and with ease. They want services delivered faster and more efficiently than ever before and at a time that suits them.

I am pleased to report that our businesses are responding admirably to these changing needs and expectations, by keeping customers front and centre of everything we do. Our starting point is to really understand what our customers want and need, so we can respond in a way that delivers economic value. As an example, in Australia our NRMA insurance product can now lodge motor claims using a mobile device at the scene of an accident, and complete the process online or by phone. If they call us or use live chat, our people can help them using information they've already provided and there's no need for them to start again.

This is just one of the many ways that we're using new technology and innovative thinking to meet our customer's needs. Across the business we continue to invest in data and other capabilities for the benefit of our customers. Innovative projects including working with the Motor Accidents Authority and the University of Technology Sydney, to identify black spots on our roads to help make our roads safer.

At IAG we believe talented motivated and skilled people are critical to meeting the needs of our customers and we are committed to providing our people with career and development opportunities. We are also focused on workforce diversity, primarily concentrating on improving gender, age and cultural diversity. Our work to support indigenous communities is one of the things that I'm particularly proud of. Last December we renewed our commitment to the indigenous communities with the launch of our Reconciliation Action Plan.

This was the 500th plan to be registered with Reconciliation Australia and the first to be signed with an insurance company. Since then we have established a partnership with Career Track as to have a minimum of 15 promising indigenous student's complete internships with us each year for the next 10 years, and that's a major commitment.

We continue to work with government and community organisations -- thank you. We continue to work with governments and community organisations to use our expertise in risk to improve safety and resilience in the wider community. At a local level we are working with community organisations to provide education seminars, and training about how to deal with natural peril events. And our people have a paid day of leave for community work each year.

OCTOBER 29, 2014 / 11:00PM GMT, IAG.AX - Insurance Australia Group Ltd Annual Shareholders Meeting

Nationally as the founding member of the Australian Business Round Table for Disaster Resilience and Safer Communities, we're sharing our risk management expertise and using our influence to make Australia more resilient to natural disasters and their devastating impacts. We were pleased to see support for our view reflected in the draft report to the Productivity Commission Inquiry in to the natural disaster funding arrangements released in September.

The Productivity Commission consulted extensively with stakeholders involved in natural disaster management including ourselves, and has recommended a greater focus on and increased funding for disaster mitigation. This is a significant achievement. We were also involved in the resilience debate at the international level where we are the only Australian-based general insurer that is a signatory to the United Nations' Principles for Sustainable Insurance. As a result of the roundtable's work, the UN has established a global resilience project which we are leading. We will continue to focus on these issues of national importance.

I've talked about the market leading products and services we offer our customers. The opportunities we are providing for our people and the way we are using our expertise in risk to contribute to the safety of the wider communities we serve. Our success in these areas will create significant value for you our shareholders. We will also continue to share directly in the success of our business through the dividends we pay as well as in the increased value of your IAG shares.

This year the 13% increase in our cash earnings allowed us to increase our full year dividend by over 8% to AUD0.39 a share. Allowing for the number of shares on issue, total dividends paid for the financial year rose by over 20%. At 69.6% of cash earnings, this is the top end of our payout range reflecting the strong performance of the Group, its sound capital position and the confidence that we have in the future.

As a Board, we have a critical role to play in IAG's future success, by ensuring we can have directors who can support the development and execution of our strategy. To that end, we have an ongoing process of identifying new directors with skills and experience in insurance and other specialised areas, to guide our Group through the next phase of its growth and development.

Adding new directors to your Board will also ensure a smooth process of Board renewal and we look forward to announcing new appointments, at the appropriate time.

In closing, I would like to thank our Managing Director and CEO, Mike Wilkins and indeed, his executive team, as I mentioned, who are all sitting in the front row, and everybody who works at IAG, for the tremendous results we are discussing here today. I thank my fellow directors for their ongoing commitment to IAG and I thank you, our shareholders, for your belief in IAG and support for our achievements.

I will now ask Mike to talk about the results in more detail and describe the work he is leading to create an organisation that is more connected, efficient and effective, that will deliver even better outcomes for our customers, our partners, our people and you, our shareholders. Thank you. Mike.

Mike Wilkins - Insurance Australia Group Limited - Managing Director & CEO

Well, thank you, Brian and good morning ladies and gentlemen. Can I also offer my welcome to you here today and thank you, for attending our Annual General Meeting.

The 2014 financial year was very significant for IAG and I'm very proud of what we've achieved. We reported another year of strong financial performance and that result is further evidence of the rewards of the strategy that we've been consistently following, with its focus on our home markets of Australia and New Zealand and on establishing a longer term growth platform in Asia.

It's also been an exciting year for us strategically, as we laid the groundwork for the next stage of our growth and development. Pivotal to this are the acquisition of the former Wesfarmers business and our move to a new operating model in Australia. But before dealing with these in more detail, I first want to discuss our strong financial performance.

As you can see from this slide, all of our key income statement measures improved. Brian's already said that our Gross Written Premium, or GWP, grew by 3%, reflecting the low inflation environment in which we find ourselves. Our overall net profit after tax rose by nearly 60%, helped by the absence of the UK business, the sale of which was completed last year. Cash earnings grew by 13% and the full year dividend increased by 8% to AUD0.39 per share.

Our Australia Direct business continued to perform well. Its GWP was relatively flat, reflecting the end of the Victorian Fire Services Levy collection and our decision to exit the Queensland CTP market which, between them, reduced GWP by over AUD80 million. Its

Now whilst it's early days, there have been positive responses from our customers, with comments that the new campaign shows that NRMA is leading the field in improvements and benefits for the customer.

OCTOBER 29, 2014 / 11:00PM GMT, IAG.AX - Insurance Australia Group Ltd Annual Shareholders Meeting

Our Australian intermediated business, CGU, achieved pleasing results in what is an increasingly competitive environment. This business maintained its market position, with a GWP growth of 2.8%, excluding the removal of the Victorian Fire Services Levy. Its reported margin was a little lower than that in 2013, largely owing to a reduction in prior period reserve releases.

Like all of us at IAG, CGU is focused on its customers and this focus was brought to life when we launched the new CGU brand campaign, with a promise to See It Through. The first stage of the campaign featured Max Cunningham, a Tasmanian oyster farmer, who you can see on the screen now.

Max's home and business were destroyed by the January 2013 bushfires. But with the help of CGU and his broker, Max received emergency funds to purchase a caravan so he could continue to run his business onsite.

The See it Through message has resonated strongly with our customers, with over 400,000 YouTube views of the campaign and a 55% increase in visits to the CGU website.

Our New Zealand business has continued to perform strongly. We saw sound local currency GWP growth of nearly 4%, while favourable foreign exchange movements led to reported growth of 17%. During the year, we completed the integration of AMI, which delivered synergies higher than our original forecast.

New Zealand's reported margin, of 11.5%, was an improvement on the prior year -- excuse me -- and was achieved, despite net natural peril claim costs being well above our allowances.

I'm proud of the key role that we've continued to play in the recovery of the Canterbury region. As at June 30 we'd paid over NZD3.3 billion of claims and last week, we handed over the keys to the 400th house that we've built from scratch, which is in addition to the many thousands of homes that we've also repaired.

In Asia, our established businesses in Thailand and Malaysia continued to perform well. GWP in Thailand contracted slightly, following the conclusion of the prior year's government incentive for car buyers, while the Malaysian business benefited from a full year's contribution from our acquisition of Kurnia, which was completed in September of 2012.

In our developing markets of India, China and Vietnam, we again achieved strong growth. Meanwhile, we continue to assess further growth opportunities in our existing markets, as well as market entry opportunities in Indonesia. In summary, we remain very enthusiastic about the long term growth prospects in Asia and we're very pleased with our progress to date.

Turning now to our capital position and our dividend, our overall capital position remains strong with both of our key regulatory capital measures sitting above our targeted long term benchmarks. As Brian has already said, the Board determined to pay an increased final dividend of [AUD0.26] per share and this was paid on October 8. A dividend was at the top end of our payout range of between 50% and 70% of our cash earnings, reflecting the confidence that we have in the future of our organisation.

In addition to our strong financial results, we also continued to perform well on a range of non-financial measures that reflect our business sustainability focus. Our community investment has increased as we seek out and support opportunities that align our priority of helping to build stronger and more resilient communities. We've also maintained our carbon neutral commitment and we're making progress in our diversity and inclusion objectives with the proportion of women occupying senior management positions increasing to 32%. Brian's already mentioned some of our achievements against the objectives set out in our reconciliation action plan, so I won't go into those again.

The Wesfarmers acquisition and a new Australian operating model are key to the next phase of our growth. We completed the acquisition of the former Wesfarmers business on June 30 of this year and we're very pleased with the quality of that business. It's a highly complementary acquisition which will deliver significant value for IAG. It's clearly consistent with our strategy to leverage our market leadership to create superior value for our customers, for our shareholders, our partners, our employees and the community.

Our move to a new operating model in Australia will allow us to better respond to the changing expectations and behaviours of our customers and will ensure that we remain thick for the future. IAG now has three divisions in Australia with our Enterprise Operations division providing the platforms, processes and services our personal insurance and commercial insurance and business need to deliver an outstanding customer experience. The iconic brands that our customers know and trust will continue while sharpened focus will enable us to better meet our customers' needs as they evolve.

OCTOBER 29, 2014 / 11:00PM GMT, IAG.AX - Insurance Australia Group Ltd Annual Shareholders Meeting

Because they're intertwined, we're treating the integration of the Wesfarmers business and the move to a new operating model in Australia as one project. Over a two year period, we expect to realise combined pre-tax synergies and benefits of about AUD230 million per annum and we expect to hit that run rate as we complete the 2016 financial year.

Turning now to the current year, I'm pleased to say that in the opening months of the 2015 financial year we've seen a continuation of our strong operating performance and we believe we're well placed to deliver on our full year guidance. We anticipate gross written premium growth in the range of 17% to 20% with the vast majority of this sourced from the addition of our former Wesfarmers businesses. We also expect to deliver a reported insurance margin in the range of 13.5% to 15.5% and we'll continue to pursue our wider agenda for the benefit of our customers, the communities in which we operate, our people and our shareholders.

As I said at the outset, this has been a significant year for IAG, both financially and strategically. We've delivered a strong performance which reflects the benefits of the changes that we've been progressively making over the last few years and the consistent and disciplined execution of our strategy. We look forward to the future with considerable confidence and I want to publically recognise all of our people in getting us to this point. Their dedication and enthusiasm are so important for our future. Together we're building a great company and it's an exciting journey that we all feel that we're on.

I also want to thank and acknowledge our Board for their wise counsel and strong guidance and finally, ladies and gentlemen, I thank you, our shareholders, for your continued support. Thank you.

Brian Schwartz - Insurance Australia Group Limited - Chairman

Thank you Mike. There are nine items of business before the Company's Annual General Meeting this morning and these are set out in the notice of meeting that you would have received. Eight of these are to be voted on at today's meeting. The purpose of the AGM is to discuss the matters of business set out in the notice of meeting and this is not the time or place to discuss personal matters. If you do have questions or issues of this kind, please raise them with the experienced staff at the information desk that is set up in the foyer to assist you.

The only items of business to come before the meeting today will be those specified in the notice of meeting. No notice of other business has been validly or duly given by any shareholders pursuant to the Company's constitution or the Corporations Act.

Shareholders here today will have a reasonable opportunity to ask questions about and make comments on the business before the meeting and to ask questions of the auditor's representative. Questions to the auditor are limited to the matters specified in the Corporations Act. I'd ask speakers to confine their questions and comments to matters that are relevant to the business of the meeting and to the particular resolution that is being discussed at the time they ask their question. To allow all shareholders at today's meeting a reasonable opportunity to be heard, I ask, as we have in the past, that speakers restrict themselves to no more than two questions or comments at any one appearance at the microphone.

There are three microphones stationed in the auditorium. Anyone wishing to speak should, when advised that the floor is open for questions, move to one of the microphones and take your turn in the queue. Only attendees who were issued with a handset and data card or red non-voting card when registering for this AGM are entitled to speak on the business before the meeting. Please show either of those to the microphone attendant to establish that you are entitled to speak. I remind speakers that I may give priority to a person who wishes to address the meeting for the first time. A speaker wishing to speak more than once may re-join the queue for another turn. I will generally take comments and questions from each microphone in rotation. When you are next in the queue, the attendant at that microphone will introduce you.

Before we move to the business of the meeting, I confirm that the minutes of the last AGM of shareholders held on October 30, 2013, have been approved and signed by me as Chairman of that meeting in accordance with the provisions of the Corporations Act. The minutes are available for inspection by shareholders at the information desk in the foyer.

The notice convening this meeting has been sent to all shareholders. Copies of the notice are available at the information desks in the foyer. Shareholders have also had the opportunity to view the notice on the Company's website. Unless there are any objections, I propose to proceed on the basis that the notice is taken as having been read to the meeting. As there are no objections, the notice of meeting is taken to have been read. We will now move to the first item of business. This item is not subject to a vote and therefore does not require the use of the keypad technology.

The IAG financial statements for the year ended June 30, 2014, the Directors' Statement and Report and the Auditor's Report on the financial statements are before the meeting. A copy of these statements and reports was published in the 2014 Annual Report and sent to those shareholders who requested copies. Shareholders have also

OCTOBER 29, 2014 / 11:00PM GMT, IAG.AX - Insurance Australia Group Ltd Annual Shareholders Meeting

had the opportunity to view the statements on the Company's website. The purpose of this agenda item is to provide an opportunity for shareholders to ask questions and make comments about the Company's performance, operations, and management.

As I noted earlier, the Company's auditor, KPMG, is represented at the meeting today by Dr Andries Terblanche. Andries is available to respond to questions relevant to the conduct of the audit of the Company's financial statements, the preparation and content of the auditor's report, the accounting policies adopted by the Company in relation to the preparation of the financial statements and the independence of the auditor in relation to the conduct of the audit. All questions to the auditor should, well in fact all questions should in the first instance be addressed to me as Chairman and if appropriate, I will ask Dr Terblanche to address the meeting.

For those who may want to say something on remuneration, please bear in mind that we have a separate resolution on the Remuneration Report and so if you do raise it, I'll ask you just to wait until that resolution. Ladies and gentlemen, the floor is now open for comments or questions on the financial statements. If anyone wishes to speak in relation to this item of business please make your way towards the microphone queue.

Number two, thank you.

QUESTION AND ANSWER

Operator

Mr Chairman, I'd like to introduce [Joe Nagy].

Brian Schwartz - Insurance Australia Group Limited - Chairman

Mr Nagy, welcome.

Thank you. My compliments to the Board and to IAG's executive management. This is, the year 2014, are the finest accounts that this Company has ever achieved. In fact, it's probably one of the best accounts I've ever looked at in my many years as a financial analyst and so forth. I can find nothing major to -- when I say major, financial significant issue to point to. However there are a couple of questions I have and one of them has to do with profits, an unfortunate development in modern times of tax avoidance or sometimes called tax evasion. So my question is does IAG use any tax shelters in accumulating its profits?

The other issue I want to point out is to your auditor, if you may, there was an item in the accounts that said unsubordinated loans as an asset and that completely threw me. I'm just wondering why the auditor couldn't think of something better, because that really is an asset and a loan looks to me like a liability, but I might be wrong.

Brian Schwartz - Insurance Australia Group Limited - Chairman

Thank you. I think it won't surprise you to know that on the question of tax avoidance we all read all the newspaper articles on it and asked the same question of Management and I think we're comfortable that the Company is paying tax in the appropriate entities that it operates in and that our rate of tax reflects that fact that we are paying appropriate tax in each entity in which we operate. As for the loan, anybody, Mike could you, or -- not particularly? Or Nick, would you like to or Andries, would you like to? The unsubordinated loan, our Finance Director, Nick Hawkins.

Nick Hawkins - Insurance Australia Group Limited - CFO

I mean within our investment portfolio we invest in the debt instruments of companies that are lending that money, so as an example, within the four big Australian trading banks, Westpac, ANZ, Commonwealth Bank and NAB, they issue debt securities where companies like IAG can invest in them. So they're assets of our organisation.

Brian Schwartz - Insurance Australia Group Limited - Chairman

Thanks Nick, thank you. Microphone one.

OCTOBER 29, 2014 / 11:00PM GMT, IAG.AX - Insurance Australia Group Ltd Annual Shareholders Meeting

Operator

Mr Chairman, I would like to introduce [Richard Philip Wilkins].

Brian Schwartz - *Insurance Australia Group Limited - Chairman*

Thank you Mr Wilkins, good morning.

Unidentified Audience Member

Good morning Mr Chairman, thank you very much. I'm here both on my own behalf and also as one of the two representatives of the Australian Shareholders Association and my colleague, [Ian Graves], will have some questions a little bit later. We are representing -- we're holding proxies for 570 shareholders with about slightly over 2.5 million shares.

First of all, I'd like to thank you very much for your continuing courtesy to invite us in and have quite extensive discussions about both major issues and points of detail, so that's -- your continuing politeness and engagement with the ASA is very much appreciated. I'd also particularly like to mention the investor relations staff who have been both very prompt and very thorough in their replies to all my questions. Once again I think following Mr Nagy's comments.

I would like compliment you on the consistently high standard of the Annual Report, the results presentation and in particular the Investor Report. I say this every year but they always just seem to get incrementally better so that's excellent, thank you.

This of course was the second year of extremely good results and it looks as if FY15 is probably going to be at least as good, if not better. As I mentioned, my colleague will have some questions on the Annual Report. I've actually got a few things that I want to ask on the form of resolution so I won't take up any of your time now, but again, thank you very much for the enormous efforts you make to be open with us. Thank you.

Brian Schwartz - *Insurance Australia Group Limited - Chairman*

Thanks.

Operator

Mr Chairman I would like to introduce Mr Jack Tilburn

Brian Schwartz - *Insurance Australia Group Limited - Chairman*

Mr Tilburn you've changed microphones you've confused us this morning. Welcome, good morning.

Jack Tilburn *Shareholder*

Yes and here we are again Mr Schwartz and a good morning to you and the rest of the Board of Directors, or dictators whichever you want. Firstly thank you for the 134 pages in the Annual Report.

It's quite a good publication, except the criticism is that the page numbers are too small, I can hardly see them, you must increase them three or four times next year Mr Bertuch can look after that, the secretary.

The 29 pages in the nice annual review is quite satisfactory. As a comment to give a credit where credit is due and then overall as a previous speaker, I think my friend here said to start with that the performance, the growth and the results were quite good, very good actually.

OCTOBER 29, 2014 / 11:00PM GMT, IAG.AX - Insurance Australia Group Ltd Annual Shareholders Meeting

We hope that as a comment to finish up that Wesfarmers acquisition will bring about more performance, more growth, more results and a greater increase in the dividends for us. My first question, I have three questions only on the accounts. I generally like six, but three will do this time ladies and gentlemen.

First question, what is now happening along the Fitzroy River and the city of Rockhampton with a long nine kilometres, nine kilometres levy bank to reduce floodings which is effecting as you state, 1,250 properties? For a report on all this you look at page 29, the last page in the annual review, so we'll give it over to you to give us an update, since balance date on June 30, thank you.

The next question is a good tough question, see review pages 16 and 17, for report on five reasonable developments in South East Asia plus Asia, because China is a big country in Asia.

Now you say you've penetrated and gone into, number one, Thailand, number two, Malaysia, number three, India, number four, China, number five, Vietnam, but what is the sixth region being penetrated which I don't think I can find on pages 16 and 17.

Now something bad has happened. The divisional results declined and decreased from AUD20 million down to a very small AUD15 million after you were ploughing in hundreds of millions of dollars of our funds and assets. What are the set reasons for the decline from AUD20 million to AUD14 million in the greater area of Asia?

Brian Schwartz - Insurance Australia Group Limited - Chairman

Thank you. I may particularly ask Mike to talk about the Fitzroy River because I'm not sure I'm across that one. Mike would you like to you comment?

Mike Wilkins - Insurance Australia Group Limited - Managing Director & CEO

Mr Tilburn good morning. We continue to work with the Fitzroy Council demonstrating the benefits of putting that levy in and as the report says the Council has actually applied for both State and Federal subsidies to enable them to be able to build that levy.

We think by doing that we remove significant flood risk for over 1200 people living in that region, which means that their insurance becomes more accessible and more importantly more affordable for them, which is something that we're trying to help with.

I've got to make a slightly broader comment on that because the Council is still waiting to actually find out what the result of that application is, but I think that that is just a demonstration of us trying to work with the communities to raise awareness about exposure to natural perils.

Also to actually show practical ways in which communities can fend for themselves in terms of what they might be able to do it mitigate those natural perils, whilst also through things such as the Australian Business Roundtable for Disaster Resilience and Safer Communities, attempting to raise the level of debate nationally on the importance of disaster mitigation and I'm really pleased with the traction that we're getting on that one. In Asia the sixth region that we're looking to go into is Indonesia.

We have called it out for the last couple of years but we remain patient, we have very specific investment criteria and given that we have to be in partnership in most of the Asian countries, we believe the choice of partner is one of the most critical choices that we can make. In terms of the decline in the results, there is two parts to that.

The most significant is as in all other parts of our investment portfolio, we have to mark that portfolio to market. There was an increase in interest rates in Malaysia which saw the value of the investments that we hold decline over that time.

That's not a realised loss it's a mark to market loss but that affected the results coming out of our Malaysian business. That was the major movement, however we have also, given the importance of Asia, we have also increased the number of resources that we've got on the ground in Asia which we think of as an investment in terms of enabling us to deliver on the growth potential and the growth opportunity that we see in Asia.

Brian Schwartz - Insurance Australia Group Limited - Chairman

I think it would be fair to say that as an organisation we feel we are on track in Asia. We always knew this was going to be a longer term investment and it really is going in accordance with our expectations at this point in time. Indonesia is taking longer, but we'd rather do the homework and be comfortable before we go.

OCTOBER 29, 2014 / 11:00PM GMT, IAG.AX - Insurance Australia Group Ltd Annual Shareholders Meeting

Jack Tilburn *Shareholder*

Thank you.

Brian Schwartz - *Insurance Australia Group Limited - Chairman*

Thank you.

Operator

Mr Chairman I'd like to introduce Gregory Simoni.

Brian Schwartz - *Insurance Australia Group Limited - Chairman*

Thank you. Mr Simoni good morning.

Unidentified Audience Member

Good morning all. Through Chair Schwartz, on the numbers contributing to making Insurance Australia Group the most respected insurer in the world, through last year's annual general meeting transcripts, as edited by Nasdaq October 30, 2013, recapping the thirteenth speaker, give or take unidentified speakers, Ms [Serena Key], her question dismissed as a customer issue.

The customer issue related to a car accident she claimed occurred in mid-September 2013. After 40 years of driving her first accident and the car being written off she claimed she received an agreed value of sum insured for her car but not the unused portion of her compulsory third party insurance.

Brian Schwartz - *Insurance Australia Group Limited - Chairman*

Is this question on the accounts Mr [Simoni], or is this a customer issue?

Unidentified Audience Member

Absolutely, claiming it was 11 months and one week after the accident, she claimed she received a letter from Roads and Maritime Services that indicated other insurance companies may refund this.

On shareholder Key's point, possibly now a former customer, to the item of outstanding claims liability on the liability side of the balance sheet, as at June 30, 2014, page 52 of this year's Annual Report. On the numbers AUD11,937 billion 2014, and AUD10,474 billion 2013 and their notes, Ms Key's claim, unused compulsory third part insurance has got to be somewhere in those numbers?

So to the Australian accounting standards board, 101 presentation of financial statements, paragraph 129, now for the benefit of the audience, is it management's judgement not to show these figures in detail in the notes, may they reveal a trend with Insurance Australia Group's increase in premium revenue and net profit attributable to shareholders? Surely a management team that is an exceptional unit of performance would not need to rely on funds that could be refundable. Would this be the trait of the world's most respected insurer?

Brian Schwartz - *Insurance Australia Group Limited - Chairman*

Thank you. I wish I could say I understood all that but I don't. What I can say is that our accounts comply with the accounting standards. They are signed off by a range of people and are considered to be best practice and our disclosure of our liabilities which is obviously signed off by our external actuaries, gives us comfort that the numbers that we're disclosing are correct.

OCTOBER 29, 2014 / 11:00PM GMT, IAG.AX - Insurance Australia Group Ltd Annual Shareholders Meeting

Whether the lady that you're particularly referring to is still a customer or not and where her claim is reflected, I can't help you I'm sorry.

Operator

Chairman I would like to introduce Ian Graves, from the Australian Shareholders Association

Unidentified Audience Member

Thank you Mr Chairman.

Brian Schwartz - Insurance Australia Group Limited - Chairman

Good morning.

Unidentified Audience Member

I would like to ask two questions, probably mainly addressed to Mr Wilkins. Rather about how are they coping or managing the process of merging the businesses that you've acquired and how will this affect both the business culture and also business attrition and how will they ensure that it does not increase above the normal market expectations?

Brian Schwartz - Insurance Australia Group Limited - Chairman

Thank you, again it won't surprise you to know that's a topic that gets discussed at every Board meeting and was high on Mr Wilkins' agenda and management's agenda and indeed the Board's.

You raised some really great points, including the importance of culture because we think that to date at least has been made that much easier because we've really focused on culture, organisationally to make the two organisations feel as one. I think that that's reflecting already. We've still got a long way to go but there's a lot happening in the organisation and I think in terms of attrition I think we, from memory spoke about 5% to 10% in expectation of attrition and obviously our numbers are still reflecting that, but Mike, would you like to add any more?

Mike Wilkins - Insurance Australia Group Limited - Managing Director & CEO

Thanks Mr Graves, we're making good progress in terms of the integration of the two businesses. We thought that it was actually important that we took a little bit of time to make sure that we fully understood the Wesfarmers business, having done due diligence, but once you get the keys there's nothing like actually saying, we're going to take a little bit of time to understand that.

We gave ourselves three months until the end of September to have a look. Since then we've moved very swiftly to start looking at our organisational structure to start putting the various layers of management in place and we've mapped out the way in which we want to integrate systems as well as the new operating model or how the businesses will fit in to the new operating model that I mentioned during my opening remarks.

So very pleased with that. We're at least where we thought we were going to be, if not a little bit ahead of time, in terms of this, however, putting two businesses of that size together to be fully done, will take about two years, which is why I also referred to the fact that it would be in our run rate at the end of the FY16, but so far so good on that.

I echo Brian's comments about culture, we think that it's something that's fundamentally important and what we're talking about internally is the new IAG which is the combination of the two organisations and we think the blending of the best of both to create a winning culture, and certainly I'm really pleased as I wander around the organisation and talk to a lot of people, just the approach that's coming with that.

OCTOBER 29, 2014 / 11:00PM GMT, IAG.AX - Insurance Australia Group Ltd Annual Shareholders Meeting

I echo Brian's comments about attrition. We did call out that we expect that there will be some loss of business here, you have to assume that when you're putting two large businesses together. The rule of thumb seems to be somewhere between 5% and 10% and certainly we're in that range. So, so far so good, but we believe that this will be a highly accretive and very complementary acquisition by IAG that will further our organisation for all of the stakeholders that we have.

Unidentified Audience Member

Okay.

Operator

Mr Chairman, may I introduce Mr Edward Walgien.

Brian Schwartz - *Insurance Australia Group Limited - Chairman*

Thank you. Morning Mr Walgien.

Unidentified Audience Member

Thank you Mr Chairman. I've heard some good comments but I unfortunately come up to this microphone to give you one or two brickbats. Firstly I'll start with safety. I found nothing in your report about safety. You have 15,000 employees. They're not all in offices. Many of them are working on the sites, and you're basically putting them in a higher risk factor.

I think it's something you need to look at. I've raised it with other firms. Often people forget that you have loading docks with trucks going around. I think it's something that you need to put into the report and I think it's very, very important that safety become a major issue. Our staff have to be able to come to work, go home every day without an injury. I think you need it in the report and I think it's a very important issue.

The next two issues, brickbats. Firstly, I had a look at the number of meetings attended by directors. Two directors only attended 75% of the meetings and you've been remiss --

Brian Schwartz - *Insurance Australia Group Limited - Chairman*

Can we cover that when we get to the directors --

Unidentified Audience Member

Well hang on, hang on, Mr Chairman, it's in the report. It's in the directors' report, it's part of the annual accounts.

Brian Schwartz - *Insurance Australia Group Limited - Chairman*

We'll be talking to the election of those directors --

Unidentified Audience Member

It's not election of directors, Mr Chairman. It's in the report.

Brian Schwartz - *Insurance Australia Group Limited - Chairman*

OCTOBER 29, 2014 / 11:00PM GMT, IAG.AX - Insurance Australia Group Ltd Annual Shareholders Meeting

Right.

Unidentified Audience Member

Your report has been remiss in not explaining why those directors have not attended meetings.

Brian Schwartz - Insurance Australia Group Limited - Chairman

I will explain to you --

Unidentified Audience Member

You've also been remiss here today in not explaining why a director is absent. Those things should have been done before, not as part of the speech later on and as I said, it's a brickbat and I think you've been remiss in both areas.

Brian Schwartz - Insurance Australia Group Limited - Chairman

Right, okay, thank you. I think just to deal with the safety issue, and I will ask Mike to add comment. I take your comment as to disclosure, I'm not precisely certain of the disclosure and we'll have a look at that and make sure that it is appropriate. We certainly discuss it at risk committee meetings and audit committee meetings and at the Board, so your point is made and we'll see whether our disclosure can be improved on that but certainly within the business it's discussed at some length.

On the directors, I'm not sure who you're referring to as the director missing. There isn't one missing. Nora resigned from the Board some months ago and that was disclosed.

Unidentified Audience Member

(Inaudible).

Brian Schwartz - Insurance Australia Group Limited - Chairman

No problem. As to the two directors that I think you're referring to, there is actually some disclosure on page 15 of your Annual Report at the bottom which agenda item -- footnote A says, there are circumstances in which the Board or committee meetings were convened at short notice, meaning directors may be unable to attend. Just to expand on that for you, the two directors that you specifically referred to are Yasmin and Peter Bush. Each one of them attended or, in Peter's case, I think all but one of the regular directors' meetings that were held during the year.

There were several meetings called at very short notice, very short meetings, to discuss and approve the Wesfarmers transaction and in each case, because they had other commitments, they asked whether they could be excused but provided input to the Board having read the documents. So we're comfortable that both those directors did attend all the meetings, the regular meetings, but the other ones were for a particular reason.

Unidentified Audience Member

I just think the note was a little bit loose in its explanation. Emergency meetings I can accept, but you're saying -- you could have said they were emergency meetings or something, a little bit more detail, Mr Chairman.

Brian Schwartz - Insurance Australia Group Limited - Chairman

Yes.

OCTOBER 29, 2014 / 11:00PM GMT, IAG.AX - Insurance Australia Group Ltd Annual Shareholders Meeting

Unidentified Audience Member

That's where I sort of come to the transparency a little bit more.

Brian Schwartz - Insurance Australia Group Limited - Chairman

Well hopefully -- yes, we'll take your point. I think that is the answer. Thank you.

Operator

Mr Chairman, I would like to introduce Dr Pamela Gray.

Brian Schwartz - Insurance Australia Group Limited - Chairman

Good morning, Dr Gray.

Pamela Gray - Grays Institute - Shareholder

Good morning Mr Chairman and members of the Board and others. I understand that in regard to motor vehicle claims where there's been an accident, NRMA doesn't appear to be aware of the defence to negligence of novus actus interveniens. Now I'm a lawyer and I have practiced for many years in the area of motor vehicle claims and if they did rely on this defence, they would save both themselves and their insureds quite a bit of money where there's an excess applicable. So I would like to know how you go about training staff to deal with claims.

Mike Wilkins - Insurance Australia Group Limited - Managing Director & CEO

We look to train our staff to both -- to understand claims and to treat our customers with particular empathy, particularly as claims are a very traumatic time for a lot of people. Besides that, we have a number of lawyers who are on our in-house staff who are well aware of the legal principles that do apply to all types of claims and we make sure that our processes and procedures actually do reflect that.

Individual claim decisions may make -- may deviate from some of that because there are particular circumstances that go with it, but by and large, we comply with all -- well we always comply with the law.

How we choose to interpret that, particularly in the case of claimants, is a case by case situation. I believe that our claims people are the best in the industry. I believe our claims statistics are the best in the industry, which means that not only do we have satisfied customers but we also have, hopefully, satisfied shareholders.

Pamela Gray - Grays Institute - Shareholder

Well, I'm neither of those when it comes to that particular defence. Novus actus interveniens where a third party intervenes to create the actual collision. The classic case is where you have a line of peak hour traffic --

Brian Schwartz - Insurance Australia Group Limited - Chairman

I'm sorry to interrupt but we are getting into not the business of the moment which is the financial statements.

Pamela Gray - Grays Institute - Shareholder

OCTOBER 29, 2014 / 11:00PM GMT, IAG.AX - Insurance Australia Group Ltd Annual Shareholders Meeting

But it --

Brian Schwartz - Insurance Australia Group Limited - Chairman

I think if you have a particular claimant, it sounds like you may, or a particular concern that relates to yourself, there are people who certainly will be able to help you and I think we will certainly take on board the observations that you've made to see whether they impact on --

Pamela Gray - Grays Institute - Shareholder

Right. Well I must tell you that I am now the trustee of a charity called Grays Institute which implements the doctoral work that I did to create a legal super expert system with my son who has an (inaudible) explaining how this is super expertise. I'm currently working on a negligence application which will go online, available free to the public. That negligence application will include the defence of novus actus interveniens. So if people do access our site it may become even more important that NRMA implements that defence to negligence.

Brian Schwartz - Insurance Australia Group Limited - Chairman

Thank you, thank you.

Operator

Mr Chairman, may I introduce Mr [Mark Bruckner].

Brian Schwartz - Insurance Australia Group Limited - Chairman

Thank you. Mr Bruckner, good morning.

Unidentified Audience Member

Yes, good morning Mr Chairman. My question rather progresses from the accounts but rather it's a question about the Board and what has the Board got in with respect to succession planning. I notice that there's only one Board member under the age of 50.

I believe that's Alison Deans or whatever. So what does the Board have with regards to succession planning and my part B question would be what criteria does the Board use to find adequate directors to the Board? Do they outsource it to an accountancy firm or do they do it in house, et cetera?

Brian Schwartz - Insurance Australia Group Limited - Chairman

Yes, it probably does digress from the accounts. I'll answer it hopefully fully. The process, as you may imagine, is fairly substantial and ongoing. So we sit down several times a year, there is a nominations committee, and we look at what the skills are that we need -- that we think the Company needs to run the business.

Last year you would have seen several of the appointments you mentioned -- Alison. Alison's was quite specific because her background in the whole digital space we thought was relevant to the Company, or Raymond Lim who is also next to Alison because our strategy was moving more into Asia, we thought that we needed those skills.

So we're now sitting down and doing exactly that same process. In fact as I said, it's almost a continuum, identifying both in terms of skills and in terms of potential succession on the Board. We use an external recruitment headhunting search firm who work with us and obviously the search is sometimes domestic and sometimes it's international.

OCTOBER 29, 2014 / 11:00PM GMT, IAG.AX - Insurance Australia Group Ltd Annual Shareholders Meeting

We, as of today, there are several different positions that we are contemplating that we feel are needed. Such an example would be to add an insurance, further insurance skill to the Board and we're hopeful. They're not that easily available but we're hoping to do that. So it's a very fulsome process and it is ongoing but there is appropriate thinking and succession planning that does go into it. Thank you.

Operator

Mr Chairman, may I re-introduce Mr Joe Nagy.

Brian Schwartz - *Insurance Australia Group Limited - Chairman*

Thank you.

Unidentified Audience Member

This wouldn't be an IAG AGM without this issue arising. You've answered this question several times and I've been asked by a member who I'm sure you might know very well that always raises this issue. It has to do with unregistered vehicles. To what extent is this a problem? First of all, you put that in context and what's happening to it and finally, is IAG affected by it?

Now one answer to that question was it's affected to it in a positive way that more people are joining up to get comprehensive insurance. Now that's being a bit cynical but I wouldn't mind you commenting on that also. Thank you.

Brian Schwartz - *Insurance Australia Group Limited - Chairman*

Yes, thank you. I think the answer that Mike gave last year and probably for a couple years before that as well is we are obviously aware of the issue and we don't see it having a major impact on our business. Mike, any change this year? Any updates?

Mike Wilkins - *Insurance Australia Group Limited - Managing Director & CEO*

No change. Same situation. I'd like to say that those who are uninsured and those who are unregistered are now coming to us but unfortunately we don't actually ask them the question and people don't volunteer that they're driving -- that they've been previously driving an unregistered vehicle. We do make sure they're registered though when we do insure it.

Unidentified Audience Member

Thank you.

Operator

Chairman, I would like to introduce [Reginald Wiltshire].

Brian Schwartz - *Insurance Australia Group Limited - Chairman*

Thank you. Mr Wiltshire, good morning.

Unidentified Audience Member

Good morning, Chairman.

OCTOBER 29, 2014 / 11:00PM GMT, IAG.AX - Insurance Australia Group Ltd Annual Shareholders Meeting

Brian Schwartz - Insurance Australia Group Limited - Chairman

Morning.

Unidentified Audience Member

Good morning, Mr Wilkins or Michael. I've got two matters to raise. One is capital adequacy.

According to your accounts, you seem to be overcapitalised quite a bit. Is this a normal thing for the insurance company to be overcapitalised according to APRA. The other question is in regard to credit rating. Why is the ratings different to some of the subsidiaries as to others in the Group? Could you explain those two matters Mr Chairman, or Mr Wilkins? Or Michael?

Brian Schwartz - Insurance Australia Group Limited - Chairman

Thank you. Mike?

Mike Wilkins - Insurance Australia Group Limited - Managing Director & CEO

Mr Wiltshire, our capital adequacy, we run our own internal capital models which we actually, for convenience, compare to what the regulators' benchmarks are in terms of capital, but our own models are more conservative than the apparent regulatory models, which we think actually protects the position of the organisation and protects shareholders from a solvency event.

Our targets are to carry capital that is somewhere in the range of 1.4 to 1.6 times our regulators' minimum. At June 30, we were slightly over that at 1.72 times, however the way in which our regulator now requires us to look at our dividend, we do not deduct the dividend from the calculation of what that capital position is at June 30. Had we done that, that's the dividend we paid in October, had we done that, we'd have been right in the middle of that 1.4 to 1.6 times range which is our internal capital model, but we, like a number of other organisations, run internal models and generally speaking, they tend to be more conservative than the regulator.

In terms of the credit ratings, I assume you're talking about the AA-minus rating that --

Unidentified Audience Member

Exactly.

Mike Wilkins - Insurance Australia Group Limited - Managing Director & CEO

-- our subsidiaries have and the A rating that we have as a Group.

Unidentified Audience Member

That's just as a Group.

Mike Wilkins - Insurance Australia Group Limited - Managing Director & CEO

It's a peculiarity of the Standard & Poor's rating process where they do actually look at a holding company such as IAG and they rate it two rungs lower than the operating subsidiaries. The one that we concentrate on and the reality of our situation, I believe, is that we're a AA-minus company, but as I said, it's a peculiarity that they will -- and it's an international approach that they take. They consistently rate two rungs lower than the operating subsidiaries.

OCTOBER 29, 2014 / 11:00PM GMT, IAG.AX - Insurance Australia Group Ltd Annual Shareholders Meeting

Unidentified Audience Member

I see, I see, okay. In the event that you are carrying a lot more capital or a little bit more than normal, is any thought given to returning some of that capital to the shareholders? Because, you know, it's inefficient that you're carrying too much capital. It should be returned to the shareholders.

Brian Schwartz - Insurance Australia Group Limited - Chairman

The answer is that lots of thought is given to it. It gets --

Unidentified Audience Member

I know a lot of companies are keeping too much capital and they won't do it.

Brian Schwartz - Insurance Australia Group Limited - Chairman

No, we --

Unidentified Audience Member

But there's one company that did during the year, that was Wesfarmers. They returned money back to the shareholders.

Brian Schwartz - Insurance Australia Group Limited - Chairman

Some of our money actually.

Unidentified Audience Member

We're great, we loved it.

Brian Schwartz - Insurance Australia Group Limited - Chairman

We are conscious of it, we do assess it each six months and I think the answer is that when a time comes, when we feel that we're comfortable to do so, it's certainly not outside the scope of what our thinking is.

Operator

Chairman, may I reintroduce Mr Jack Tilburn.

Brian Schwartz - Insurance Australia Group Limited - Chairman

Thank you.

Jack Tilburn Shareholder

OCTOBER 29, 2014 / 11:00PM GMT, IAG.AX - Insurance Australia Group Ltd Annual Shareholders Meeting

Thank you lady monitor. To you, Mr Schwartz, our fairly good Chairman, I'd like to make a comment first and then my third and final question on the accounts. I'd like to give a good credit and compliment to Mr Nicholas Hawkins, our Chief Financial Officer. I think he's applied a lot of intelligence, applied intelligence to make his report. I believe it's on page 8, but I can't read the number eight of course. But thank you very much, Mr Nicholas Hawkins, for your outstanding report and I wish more companies would do it, Mr Schwartz. They don't engage their highly paid chief financial officer to give a report and it think it's very bad corporation governance, even misconduct.

Now the final question, which will make you squirm, this year I've been very heavy and even harsh on the payouts to the auditors. Every AGM I come to, I grab the auditors' page and I get stuck into it. Now this is very, very bad, really, our money going out to these very, very highly paid auditors. KPMG is the king hit company, refer to page 115, note 36, Mr Wilkins, part B, other auditors and you don't tell us who they are. You say other auditors, well who are they? You should print. Part 1, assurance services, now audit of subsidiaries this year AUD873,000, but wait for it, last year only AUD27,000. What in the hell extra has KPMG has done to get this enormous payout?

Then second line, assurance related to regulator requirements, AUD164,000. Boy, they're really in high money. But last year there was no payout. So you've gone from nothing to AUD164,000. Now add up those two amounts, AUD873,000 and AUD164,000, it's AUD1.37 million. But last year, Mr Wilkins, it was only AUD2,000. So KPMG appear to get away with overcharging of their costs and expenses to us shareholders. What's going on? I want a good check-up.

Brian Schwartz - Insurance Australia Group Limited - Chairman

I know that Mr Hawkins will correct me, but I will be very surprised if that wasn't in relation to Wesfarmers, those other services and actually that's why they weren't there last year and KPMG are not their auditors. So we paid those fees in relation to the Wesfarmers entity that have to be included for statutory purposes. So fear not, we have KPMG under control.

Operator

Mr Chairman, Mr Joe Nagy has another question.

Brian Schwartz - Insurance Australia Group Limited - Chairman

Thank you.

Unidentified Audience Member

This'll be the last one. This concerns Mathias Cormann's announcements and I know they're primarily directed towards banks and in particular the bank, which I won't mention. Do you and does the insurance industry have any issues that would result in the regulators, I guess, that's APRA, increasing your surveillance? Thank you.

Brian Schwartz - Insurance Australia Group Limited - Chairman

We meet with APRA as a Board, as senior management team and they are around our business regularly and talk to us regularly, indeed as recently as probably the last month and there is no indication that APRA are unhappy with -- I can only talk for our organisation, I can't talk for the broader industry, but we get no sense from the work that's been done by the various committees that they're likely to have a major impact, but time will tell.

Okay, thank you. It looks like we've run out of questions, which is good. Can I thank all the shareholders -- good in that we've addressed them all, not good that they've stopped. Can I thank all the shareholders for your comments and as there's now been a reasonable opportunity, I think we can move onto the second item on the agenda, which is the Remuneration Report.

Before we do, there have been a large number of votes already cast directly by proxy and those shareholders that are here today, obviously only a small minority of the approximately 750,000 members on the Company's register. Each share in the Company carries the right to one vote and the poll reflects most fully those voting entitlements. Accordingly, I will not ask for a show of hands, but direct that we move straight to a poll for each resolution. I believe this is the fairest way to proceed

OCTOBER 29, 2014 / 11:00PM GMT, IAG.AX - Insurance Australia Group Ltd Annual Shareholders Meeting

and the Returning Officer, Mr Alan Weinberg, has given me a report of the results of the direct and proxy voting instructions received for each item of business. I have accepted his recommendations as to the admission and rejection of proxies and direct voting instructions and have made rulings accordingly.

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

The first resolution at this year's AGM is the adoption of the Remuneration Report. The resolution is put to the meeting in accordance with the Corporations Act. The Resolution is that the Company's Remuneration Report for the financial year ended June 30, 2014, be adopted. Under the Corporations Act, this vote is advisory only, meaning the results of the resolution will not bind the Directors of the Company. The Board will, however, as we do every year, and we do, consider the outcomes of the vote and comments made by shareholders when reviewing the Company's remuneration policies. Before we move to discussion of the resolution, I would like to make some brief comments about IAG's approach to executive remuneration.

Our executive remuneration framework has been constant now for a number of years and the allocation of executive remuneration between fixed, short term incentives and long term incentives has remained consistent year-on-year, there are no changes from last year. Over two-thirds of the executive remuneration is at risk to align remuneration with longer-term financial performance and with shareholders' interests, with your interests. The total value of remuneration executives have received has increased in recent years, however largely due to an increase in the value of the long term incentives that has vested, those incentives that have been earned over a number of years.

The value of long term incentive, or LTI, that vested during the 2014 financial year is significantly higher than that in previous years and that's a result of full vesting of the portion of the LTI plan that is subject to the cash return on equity hurdle, for the first time. We've never met that hurdle before, but this year it was met by the result. Full vesting on the portion of the LTI plan that is subject to the total shareholder return hurdle tested in the financial year, including additional vesting through retesting of the total shareholder return, so we -- our shareholder return was in the top quartile and as a result, it vested.

The third part and interesting part is that the significant increase in the share price of the Company since the LTI that vested this year was granted, has obviously resulted in a substantial increase in the earnings of the executives. Shareholders have also obviously seen a pleasing increase in the value of their holdings as a result of that same share price gain.

IAG exceeded the two long term financial targets of each return on equity and relative total shareholder return, each of which is used as the measure for 50% of the long term incentive plan. This year, the Board asked an external independent advisor to review our executive remuneration framework, including the long term incentive plan. The review confirmed that the long term targets of return on equity and total shareholders return are appropriate targets for executives and are sufficiently challenging through the insurance cycle, and that's important to note, to drive the achievements of IAG's strategy and deliver strong returns for shareholders.

As a result, we have not proposed any significant changes again this year to the executive remuneration structure. We believe that it attracts quality people and rewards superior organisation performance and that this benefits of all of us who have an interest in the success of our Company.

The Remuneration Report is set out on pages 26 to 47 of the Company's Annual Report and provides extensive disclosure, increased disclosure, of Director and Executive remuneration. If anyone wishes to speak in relation to this resolution, please make your way towards a microphone and direct your questions to me.

Operator

Mr Chairman, Mr Jack Tilburn would like to ask a question.

Brian Schwartz - Insurance Australia Group Limited - Chairman

Thank you.

Jack Tilburn Shareholder

Yes, thank you Mr Schwartz, I've got the call again, thank you ladies and gentlemen for listening. On this Remuneration Report which covers, as always, in big companies like this, 20 to 30 pages, it's very statistical, some good data, some good mathematics, some good tables et cetera. But I'm going to get stuck into one item

OCTOBER 29, 2014 / 11:00PM GMT, IAG.AX - Insurance Australia Group Ltd Annual Shareholders Meeting

only and that is in reference to the very high salary and remuneration that our Chief Executive Officer and Managing Director, Mr Michael Wilkins has received this year. It's troubled me, upset me. I spoke to a couple of other investors outside while we were waiting to come in and they said good on you Jack, bring it up.

But first refer to the second last page 27 of our annual review. Mr Wilkins has enormously jumped up from last year, AUD6 million to AUD11.4 million in 2014 year. This is just a little short ladies and gentleman of a 100% increase. Now all other workers in Australia never get a 100% increase. We don't even get a, I don't think, 100% increase in our dividends. So, this is an enormous increase. So the final question will be to -- for you to explain it to us shareholders, retail shareholders.

A 100% increase he's got in round figures. But we never got a 100% increase in our dividends Mr Schwartz and we never got a 100% increase in our net profit by the activities that Mr Wilkins and other key management personnel. Now I'd like to bring to your attention, it says principle eight, remunerate fairly and responsibly, people and remuneration committee. And we have four directors on the people and remuneration committee and they are yourself, followed by Miss Allen, followed Mr Lim and followed by Mr Bush.

So those four got together, whether it was right or wrong and they said we are going to increase Mr Wilkins' salary and remuneration. Now principle eight says to remunerate, the words are fairly and responsibly. But is this being unfair and irresponsible to us retail investors? Thank you.

Brian Schwartz - Insurance Australia Group Limited - Chairman

Thank you. Needless to say it's not a simple answer. But I'll try and simplify it to the extent that -- Mr Wilkins' salary if you actually look at page 42 of your Annual Report, what it will show you is that his total package for the year went from AUD7 million to AUD7.4 million and that his actual increase for the year on his base salary was 2%, remembering that I told you at the beginning that nothing's changed year-on-year. So the actual basis for calculating salaries is unchanged.

What has happened is that -- and the numbers that you are referring to which we presented and which are the correct numbers of AUD11.4 million is actually the actual pay rather than the pay that impacts on the profit and loss. The reason there is such a big difference is on page 29, in the second last column is something called LTI vested, long term -- the long term incentive that vested for the first time this year. Last year that number was AUD1.5 million and you'll recall I told you there'd been no change in the basis. This year that number's AUD6 million.

And the reason that there is such a big increase and we were conscious that it was a big increase is that we set out in page 30 of your Annual Report. And on page 30 of your Annual Report it shows that there are a couple of very major reasons that it does increase. The first one is the value of the shares. The shares that were implicit in that long term benefit that's been accruing over a number of years and now it's finally vested, has gone up by, from memory about AUD3 million, AUD2.8 million. That alone is an increase in the value of the shares.

The other part I mentioned that for the first time ever this year, the return on equity vested and that's never vested before. So you're seeing -- and that accrues again the performance over a number of years. So you're seeing the sustained performance being picked up in that salary number.

Then the third part is that for the first time ever, the LTI fully vested. And so that's much more than you've seen in prior years. So nothing's changed. The basis is exactly the same. The actual maximum that he can earn in any one year is 7.4, but because this goes back over a number of years and the value of the shares has increased it's gone up a lot more. So it's very complicated. I hope that on page 30 it actually does set it out quite clearly and we seem, when we've been able to explain it to people as hopefully I have now, they do understand that this has happened because there is very sustained long term performance. And it's not just Mr Wilkins, it goes right through the executive group. They've all achieved that kind of performance. I hope that helps. Any--

Operator

Mr Chairman, I would like to reintroduce Richard Philip Wilkins from the Australian Shareholders Association.

Unidentified Audience Member

Good morning again, thank you Chairman. We've had the benefit of extensive discussions with yourself and your staff. So I won't go through a huge number of points in detail. But given that this is probably the most -- well the only contentious resolution, well potentially contentious. If you'll bear with me perhaps I could go through some of the more significant points.

OCTOBER 29, 2014 / 11:00PM GMT, IAG.AX - Insurance Australia Group Ltd Annual Shareholders Meeting

I think following your perhaps - and in spirit with your explanation to Mr Tilburn, ASA is very pleased that you don't use the so called fair market -- sorry fair value approach to calculating incentives. I know a lot of companies do, but we feel that it gives very misleading results and possibly sometimes maybe deliberately. I'm sure that wouldn't be the case here. But it's great that you've just used the actual market price.

However having said that, in the accounts, I'm fully aware that statutory reporting in the accounting standards do require amortisation and allocation to particular accounting periods and even though I'm a chartered accountant, I have to say that I actually think it's one of the requirements that is almost completely meaningless and certainly very unhelpful and hopefully they'll get rid of it.

In particular there are four or five places where fair value, Black-Scholes (inaudible) are mentioned. After re-reading it about five times and having the benefit of discussions with your colleagues, I was finally convinced that in fact fair value was not used in any of the rem calculations. But I think perhaps in future in your reports you could just amplify the footnotes on that to avoid misunderstanding, because I'm sure we weren't the only people that got the wrong of the end of the stick to start with.

On a more significant point as you very well know with my predecessor Michael Perry, we voted against the rem report I think for at least the last five years. This year we feel that, even though as you say that there haven't been any substantial changes, we are minded to vote in favour and will do so with our proxies. I should emphasise that it's not really because the results are so good that these points are about matters of principle and structure. So it would have perhaps been churlish to vote against after two very good years. But if we'd felt we needed to as a matter of principle we would have done.

We have previously objected to the extremely high levels of aggregate executive pay, not just at this company but elsewhere in the market and in general believe that a lot of executive pay, particularly in Australia is completely out of line with community norms and other very important jobs. However, unfortunately that is the reality and we just have to live with that and we do notice there has been some moderation in recent years, possibly because of two strikes and better engagement with shareholders.

And I also note obviously that you being a large company would have input from dozens, probably hundreds of very well informed stakeholders, so we can't -- obviously clearly there has to be a compromise between everybody's opinion and we can't expect you to accept everything that we want. Having said that there are a few points and in due course we would perhaps like to communicate with the Chair of the rem committee to raise them.

Yes, so that's fine, thank you very much. There will be a few things that I'd like to say on the STI and the LTI, but I'll bring that up in the next resolution. But yes we are happy to--

Brian Schwartz - Insurance Australia Group Limited - Chairman

Appreciate it.

Unidentified Audience Member

--agree this year.

Brian Schwartz - Insurance Australia Group Limited - Chairman

Thank you.

Operator

Mr Chairman, I'd like to reintroduce Gregory Simoni.

Brian Schwartz - Insurance Australia Group Limited - Chairman

Thank you.

OCTOBER 29, 2014 / 11:00PM GMT, IAG.AX - Insurance Australia Group Ltd Annual Shareholders Meeting

Unidentified Audience Member

Through Chair Schwartz, being relatively young and looking towards the future, say the dividend payment on April 1, 2015, and beyond, I'm hoping you can help me understand what this Remuneration Report is for? Is it as the front of the Annual Report suggests, the numbers, for the financial year 2013-2014?

As written in the report, highlighted by your presentation, the CEO's presentation, largest ever gross written premium of AUD9.779 billion, largest net profit of AUD1.233 billion and the largest basic earnings per ordinary share paid out to us here of AUD0.5609. We'll throw in the share price, what was it at 10 AM, AUD6.31, AUD6.32? It's not as though underlying margins are made by practice of algorithmic trading and skims the pension and super funds that Insurance Australia's dividend was made out to.

So forgive me for my ignorance. If things are going so great, why not purchase Wesfarmers underwriting business from existing cash flows in total, not just the balance? Surely Insurance Australia Group's business model is sustainable into the future.

Brian Schwartz - Insurance Australia Group Limited - Chairman

Thanks, Mr Simoni. I think the answer is that every time we make an acquisition we assess what the best structure is to make payments, because we have to balance a whole range of alternatives including the kind of returns that we can make on the capital that we're investing and what the optimal debt level is in the organisation and we did that in that instance and felt that where we got to would leave the Company and the capital levels of the Company where we were comfortable to have them.

As I said, we keep re-assessing those regularly and should we feel that we're reaching a stage where we are overcapitalised we'd address it then. But that was considered by management and the Board agreed and their advisors to be the best structure.

Okay, if there are no further questions, I think that concludes the discussion on resolution one. I now direct that the poll for resolution one be taken and that attendees register their voting intention by pressing the appropriate number on their keypad as shown on the screen. That's one to vote for, two to vote against and three to abstain. I'll try.

We're nearly there. Mr Company Secretary looks like -- no it's still moving. It's still moving the dial. We're just waiting for the final votes to be cast. I think that's probably about stopped there. I now declare the poll closed on resolution one. If we can show those on the screen please.

Thank you ladies and gentlemen. Your votes have been added and you can see that the votes on the screen of 98.67% approval is a very good acceptance of the policies and I'd like to thank all the people involved because it's not a simple process to make sure we listen and are heard and that we understand the market. So hopefully that certainly reflects on that understanding. So thank you.

The second resolution is allocation of share rights to Mike Wilkins. Approval is sought to allocate the third award rights and executive performance rights to Mr Wilkins. These are the same rights that we referred to in the earlier discussion on his remuneration. Shares for the DARs and the EPR plans will continue to be purchased on market and technically the Company is not required in fact to seek shareholder approval, but because we do want to be transparent about it, we do.

The DARs and the EPRS, which are the short and long term incentives that align the performance of Mike Wilkins with shareholder interest. There is a detailed explanation of them in the notice of meeting and the awards granted will be disclosed in the Annual Report, as we did this year. The DARs are granted as part of the short term incentive plan and the Board had decided, rather than providing a short term incentive to executives entirely as a cash payment, a portion should be provided in the form of rights over shares which vest to the executive over a two year period. The Board has taken this approach to ensure the executives continue to be focused on our business performance.

The executive performance rights are granted as a long term incentive plan, that's the EPRS. These share rights may be exercised for shares between three and four years after they are granted and then only if challenging performance hurdles are met. It's important to stress that the exercise of EPRS for shares is subject to the achieving performance hurdle which align with the value for shareholders. I think that connection is clearly demonstrated.

If the performance hurdles are not achieved, Mike Wilkins will get no value from these grants from EPRS. If the performance hurdles are achieved, this will reflect increased returns to shareholders and Mike Wilkins will be rewarded by the vesting of these rights and those are the measures we discussed before of total shareholder return and return on equity measures.

OCTOBER 29, 2014 / 11:00PM GMT, IAG.AX - Insurance Australia Group Ltd Annual Shareholders Meeting

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

Operator

Mr Chairman, I would like to reintroduce Mr Jack Tilburn.

Brian Schwartz - Insurance Australia Group Limited - Chairman

Thank you. Mr Tilburn?

Jack Tilburn Shareholder

Yes, thank you again lady Monitor and to you Mr Schwartz and the Board of Directors, or as I said earlier, dictators. I find resolution two to be troubling, unhappy for me. I think it's over-generous, over-lavish, over-the-top. I meant to say in the previous resolution about remuneration, that if Mr Wilkins got AUD11.4 million, which it states in the annual review, so that figure must be right. That's AUD230,000 per week and I meant to ask the present, wonderful shareholders to vote against it.

Well, I'm not voting for the allocation of share rights to Mr Wilkins because I said, I think it's over-lavish, over-generous, over-the-top. He's going to get deferred short term incentive rights of AUD153,000 to be converted into shares. If the shares are AUD6 each, he's going to get a big, big swag of money. Then when you turn to the next page, he's going to get executive performance rights of AUD544,000 and eventually, if you multiply that by AUD6, he's so far in the money, he's become a lord of IAG Insurance Company, one of the old lords of England.

So I can't accept it. I think Mr Schwartz, it's over-done. The mathematics and the arithmetic calculations are far too excessive. They're the two words I wanted, far too excessive. I won't go into it because the Board is responsible. I don't think the Board has done the right and proper job for us retail investors. I'll ask you to vote against it no. Thank you.

Brian Schwartz - Insurance Australia Group Limited - Chairman

Thank you. I can only restate what I did when I made the more detailed explanation as to remuneration. These numbers are exactly as were voted on in the first remuneration report and handsomely voted on, I have to say. We just need to understand that 75% of -- in Mr Wilkins' case, Mr Wilkins' rem -- 75% is at risk. In other words, only 25% is fixed. The reason that this eventuates, where he gets AUD153,000 under the deferred award rights and AUD544,000 under the executive performance rights, is because we have performed and because we have delivered and because our total shareholder return and our return on equity and our profit has delivered.

So all that this resolution, which as I indicated, is not actually a resolution we need to put before the meeting, but we choose to for transparency, is really giving effect to the remuneration package that is in place and has been for a number of years.

Operator

Mr Chairman, I'd like to re-introduce Richard Philip Wilkins from the Australian Shareholders Association.

Unidentified Audience Member

Thank you very much Chairman. I think somewhat in the spirit of Mr Tilburn said. The question really is about amount. Certainly it's quite apparent that the structure has delivered alignment with shareholders, but of course, alignment as a concept like correlation is totally different from quantum. So it's the right direction, but that doesn't speak to the amount.

OCTOBER 29, 2014 / 11:00PM GMT, IAG.AX - Insurance Australia Group Ltd Annual Shareholders Meeting

As we have consistently said in previous years, we do think these amounts are very high. However, we do have to accept and acknowledge that they are consistent with the market and, if anything, your structure is actually kept slightly more shareholder friendly than your peers. I should also emphasise that my comments here are not about the CEO personally. They are about the structure and also that it's good that you voluntarily put this to a resolution and it's just unfortunate the listing rule doesn't actually apply to both situations. It's a strange anomaly that it's just for issued shares.

I guess one major point. You talk about alignment and incentivising people. In general, the ASA does not like the total incentive package of a company to be more than about 100% of base pay unless there's some extraordinary unusual reason why that's worthwhile. On the other hand, we do acknowledge the counter-argument that people say well if X, Y, Z executive expects AUD8 million a year in a very good year, is the alternative just to give him a fixed salary of AUD4 million, which is also undesirable from a shareholder point of view.

On specific points, we would prefer more of the STI to be deferred. With the LTI on the TSR we would prefer the cliff perhaps to be less abrupt, coming in 50% vesting at only medium performance doesn't seem a very suitable refinement of an incentive. I think somewhat more problematic, and I do acknowledge we've had extensive discussions with your colleagues, is the ROE. I think firstly we'd like it to be a longer period. I think, given the lengths and volatility of the insurance cycle, three years is too short and we'd like to suggest five would be more appropriate to measure this type of business.

Also, the range over which the ROE test vests, we respectfully think -- we have discussed this obviously with you, but we'd just like to put it on the record publicly that we think it's not enough of a stretch to start vesting at 1.2 times WACC is we think too low, particularly given obviously that WACC has a blend of debt in it. So effectively, you're comparing a hybrid return with a pure equity test. For full vesting to be 1.6 times WACC we also think that's too low, because it's quite clear that the insurance is a much more volatile business than most and the last couple of years we've had spectacularly high ROEs. But then of course it can go the other way.

So we think that the top end of the range ought to be something that is commensurate with say 20% or something like that, so that it only rewards really extraordinary effort. I guess the other thing we are concerned about with the ROE test is that it's asymmetrical in effect that when it's below the 1.2, there is no clawback or sort of counterbalancing. So if you actually had say a five year test, that would come out in the wash. But the combination of a short period and no clawback, I think effectively gives all the upside of the good years to the executives, but not the mediocre or the downside.

I do emphasise this---

Brian Schwartz - Insurance Australia Group Limited - Chairman

Can we wind this question---

Unidentified Audience Member

Yes, sure.

Brian Schwartz - Insurance Australia Group Limited - Chairman

I'm not sure it's a question -- the statement up -- because it's probably covered the issue.

Unidentified Audience Member

Yes, okay.

Brian Schwartz - Insurance Australia Group Limited - Chairman

Thank you. As Mr Wilkins has indicated, we have spent and heard from the Shareholders Association and we certainly don't dismiss the comments that they make. I think on the ROE particularly I made the comment earlier and I'll make it again. This is the first year it's ever paid out. So I don't know that it's that easy a measure. We did seek external advice, for the reasons that you speak of and the advice at the end of the day was that the measures are across the cycle stretch measures.

OCTOBER 29, 2014 / 11:00PM GMT, IAG.AX - Insurance Australia Group Ltd Annual Shareholders Meeting

I think the only other thing that I would add, because obviously -- and you alluded to it was well -- this is often also about retaining great people. I think that's what we've done. I think we have a great team and I think that's why we're getting such good results. That's always the balance.

Operator

Mr Chairman, I'd like to re-introduce Gregory Simoni.

Brian Schwartz - *Insurance Australia Group Limited - Chairman*

Thank you.

Unidentified Audience Member

Through Chair Schwartz. Since the proxy result will be given in favour of like Don Bradman's test batting average of 99.94%, on executive remuneration and governance, as stated on page 32 of the Annual Report, the CEO, Mr Wilkins, Chief Strategy Officer, Mr Whipp, the Group General Manager People and Culture, Ms Folkes, give or take the timing of the corporate restructure, divisional executives and respective heads of human resources, to the nominations process of the people in Remuneration Committee.

Is the membership of the Committee determined by a process that involves any of the managerial attendees of the Committee? Or is it done by a third party outside of Insurance Australia Group? If not, why not? If so, why so? Also, decisions made on the pay setting process. I presume the four members of the people and remuneration committee, yourself, there is Alan, Mr Lim, Mr Bush, are the only ones that advise the full Board. Can anyone on the Board make any assurances that 3 Degrees Consulting is independent of management? That is no Insurance Australia employees have worked or have had financial ties with 3 Degrees Consulting in the last 12 months? If not, why not?

Brian Schwartz - *Insurance Australia Group Limited - Chairman*

So, the remuneration committee is appointed by the Board and is a Board subcommittee. It then has its deliberations in consultation with the appropriate people. Sometimes with management present and if there is a conflict, then without management present, sometimes with external consultants such as 3 Degrees Consulting present, if there is something on the table that's relevant.

You should know because in fact it's a requirement, we would do it anyway, but 3 Degrees Consulting are retained by the nominations committee not by management. That gives us that independence that you talk off and yes I can confirm that no one on the remuneration committee is related in any way to 3 Degrees Consulting.

Any other questions? I think that concludes discussion on resolution two. I now direct that the poll for resolution two be taken and that attendees register their voting intention by pressing the appropriate number on their keypad as shown on the screen.

I now declare the poll closed on resolution two. Thank you ladies and gentlemen. Your votes have been added to the direct and proxy votes received by the voting deadline and preliminary results of resolution two is now shown on the screen.

As you can see that is in favour 97.90%. Thank you. The next resolutions relate to the re-election of directors and I would start by inviting Yasmin Allen to address the meeting, Yasmin thank you.

Yasmin Allen - *Insurance Australia Group Limited - Independent Non-Executive Director*

Thank you Mr Chairman. Good morning ladies and gentlemen and thank you for giving me the opportunity to address your meeting today. This is actually the last time that I'll address this meeting and see re-election.

Board renewal serves our Company well and enables us to structure the Board to continue to add value. Our Board is working very well and I have enjoyed my time on this Board, working on behalf of you, the shareholders.

OCTOBER 29, 2014 / 11:00PM GMT, IAG.AX - Insurance Australia Group Ltd Annual Shareholders Meeting

During the past three years since I was last re-elected IAG has continued its stated strategy to reinvigorate and grow our core businesses and expand in Asia. Your Board and management are strongly aligned with this strategy and as the Chairman and CEO have already said today, the results culminating from this strategy have been very strong.

During my tenure I have gained considerable insurance industry experience and governance experience, which benefits IAG. Outside IAG my other roles include Non-Executive Director at Cochlear, Non-Executive Director at Santos and National Director of the Institute of Company Directors, a member of The George Institute for Global Health and a Director of the National Portrait Gallery in Canberra.

As Chairman of IAG's remuneration committee for these past four years, I have overseen changes to the structure of our remuneration program, which has kept IAG up to date with best practice and aligns, as we've just heard, reward with company performance.

We have a healthy culture at IAG and I firmly believe that this drives good financial results. I also serve on both IAG's audit and risk committees, having previously chaired the audit committee and from a corporate governance perspective, this provides the Board with a good link between risk and reward.

I believe it's both a privilege and the responsibility of the Board to think for the long term. My tenure helps the Board understand and look through the insurance cycle and brings a longer term perspective and corporate memory.

I would like to take this opportunity to thank our CEO for the past six years, Mike Wilkins and his management team, for their hard work, not just in the current year but over many years, which has delivered such an exceptional result for 2014. I would also like to thank my fellow Board Members with whom it's been a privilege to serve during these past 10 years. Finally, I thank you, our shareholders for your support.

Brian Schwartz - Insurance Australia Group Limited - Chairman

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

Operator

Mr Chairman I'd like to reintroduce Richard Philip Wilkins from the Australian Shareholder Association

Brian Schwartz - Insurance Australia Group Limited - Chairman

Thank you Mr Wilkins if we could keep it brief.

Unidentified Audience Member

I will be very quick, yes. I'll deal with all four director re-elections right now.

Brian Schwartz - Insurance Australia Group Limited - Chairman

Thank you.

Unidentified Audience Member

We will be voting in support of the three standing again. We regret that we can't support Mr Carlin's candidacy for the reasons of complexity of the role and the APRA requirements and so forth.

OCTOBER 29, 2014 / 11:00PM GMT, IAG.AX - Insurance Australia Group Ltd Annual Shareholders Meeting

We've had the benefit of your discussions about conflict of interest and Board terms and things like that, I think the only thing that has changed since you and I met a couple of weeks ago of course, is that Ms Allen has been appointed Director of Santos.

But on looking again, unlisted director roles, I think that with her capability she'll be able to manage all those things together, so we will be voting in favour of all the three who are standing again. Thank you.

Brian Schwartz - Insurance Australia Group Limited - Chairman

Thank you.

Operator

Mr Chairman I'd like to reintroduce Gregory Simoni.

Brian Schwartz - Insurance Australia Group Limited - Chairman

Mr Simoni.

Unidentified Audience Member

Through Chair Schwartz, since the proxy result is it given in favour of Blaxland, Lawson and Wentworth crossing the Blue Mountains. To Ms Allen's three attendances of the audit and risk management complaints committee on page 15 of the annual report. On the 2014 annual report numbers, page 50, statement of comprehensive income, the item of reinsurance and other recoveries revenue, 2014, AUD1.857 billion. Page 52, balance sheet, to the item of share capital 2014, AUD6.775 billion. Last but not least, page 54, cash flow statement, to the item net movement in cash held, 2014, AUD1.025 billion.

On the nature of these numbers that have made up Insurance Australia Group's exceptional results, the Australia auditing standard 315 effective the control environment on the assessment of the risks of material misstatement paragraph A72. For the benefit of the audience, since you're paying KPMG for the first time for non-audit services, some AUD2.3 million, how did the committee ensure that KPMG's right hand was performing non-audited services, say on the Monday, and then it's left hand, independent auditing services, say on the Tuesday?

Did the audit committee employ a third party to ensure that KPMG auditor, separated independent auditing services from non-auditing services? If not, what is the assurance KPMG has put in place to ensure the balance of auditor's responsibilities on the one hand and the law on the other?

Brian Schwartz - Insurance Australia Group Limited - Chairman

Mr Simoni, I'll tell you that wasn't the topic at hand. I think suffice to say that the audit committee is very cognisant of the very issues that you raise, as are KPMG, and documents get tabled regularly to ensure that there is no conflict. But we are talking about Yasmin Allen's appointment. Is there any other comment on that?

Okay, that concludes then discussion on resolution three. I now direct the poll be taken and that attendees register their voting intentions by pressing the appropriate number on their keypad as shown on the screen.

There are a few outstanding, but I think that we have the votes we're going to. I now declare the poll closed on resolution three. Thank you, ladies and gentlemen. Your votes have been added to direct and proxy votes received by the voting deadline and the preliminary result of resolution three is now shown on the screen. Based on this preliminary result, the resolution has been carried. Congratulations Yasmin.

Now moving to resolution four, I invite Hugh Fletcher to address the meeting.

Hugh Fletcher - Insurance Australia Group Limited - Independent Non-Executive Director

OCTOBER 29, 2014 / 11:00PM GMT, IAG.AX - Insurance Australia Group Ltd Annual Shareholders Meeting

Good afternoon. While it is only two years since I last sought re-election, they have been years of considerable progress for Insurance Australia Group, including in New Zealand, where I come from. As New Zealand's largest insurer, they have been two more years assisting our customers whose homes and businesses were impacted by the Canterbury earthquakes, including the major shock in February 2011, which particularly impacted Christchurch's central business district. But despite the substantial management requirement involved in this, they have also been two years of considerable progress in IAG's New Zealand businesses. These have included completing the integration of the direct insurer, AMI, and this year the acquisition of the broker and intermediary base Lumley New Zealand.

It has also involved substantial changes to the business models, in particular to respond to the digital revolution. IAG New Zealand is the leader in all of broker based bank distributed and direct general insurance, and it is an honour to be Chair of IAG's New Zealand subsidiary, and to sit on this, the parent Board. Insurance in New Zealand is now under the regulatory authority of the Reserve Bank of New Zealand and as such, the New Zealand subsidiary board has additional responsibilities, which I believe it is performing appropriately.

Now while the main diversity I bring to the IAG Board is the New Zealand perspective, during my executive and non-executive career, I have also had business experience in both Australia and many parts of Asia. I would like to think that the lessons from my experiences will enable me to add value in the debate within IAG about both strategy and execution, and thereby assist in maintaining the very pleasing momentum IAG is currently enjoying. As such, I ask for your support. Thank you.

Brian Schwartz - Insurance Australia Group Limited - Chairman

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

Operator

Mr Chairman, I'd like to re-introduce Gregory Simoni.

Unidentified Audience Member

Through Chair Schwarz, since the proxy result is given in favour of like the Opera House finally being opened in 1973, on Mr Fletcher's two attendances of the risk committee, page 15 of the 2014 annual report. To page 54 of the 2014 annual report, cash flow statement, the item of net cash flows from investing activities, loss of AUD295 million for 2014. On the nature of the number, the Australian auditing standard 315 effective the control on environment on the assessment of the risks of material misstatement, this time paragraph A73, for the benefit of the audience, given that the figure for the item of net cash flows from investing activities for the year 2013 was a loss of AUD1.481 billion, the difference between the numbers --

Brian Schwartz - Insurance Australia Group Limited - Chairman

I'm sorry to interrupt you, but each time you stand up you give us a dissertation that's not relevant to the topic at hand. It would really be helpful to us if you could simply ask the question or make the comment that you'd like to in relation to Mr Fletcher please.

Unidentified Audience Member

Well on Mr Fletcher's two attendances to the risk committee, on the inquiry, observation and inspection of relevant documents, did the committee solely rely on KPMG's risk assessment procedures for Insurance Australia Group's net cash flows from investing activities 2013/2014?

Brian Schwartz - Insurance Australia Group Limited - Chairman

No. No is the short answer. You can imagine there is a huge infrastructure that assesses ongoing risk within the organisation and the auditors would be one small part of that process. Any other questions?

OCTOBER 29, 2014 / 11:00PM GMT, IAG.AX - Insurance Australia Group Ltd Annual Shareholders Meeting

Operator

Mr Chairman, may I re-introduce Mr Mark Bruckner.

Brian Schwartz - Insurance Australia Group Limited - Chairman

Mr Bruckner.

Unidentified Audience Member

Yes, good day Mr Chairman. My question actually is to Hugh Fletcher. I wish all the directors who are seeking re-election would point out if they are directors on other boards, principally because if they have so many directorships underneath their belt, are they giving us, IAG, their time to do an adequate job, in other words?

Brian Schwartz - Insurance Australia Group Limited - Chairman

Yes, it is actually a requirement that they do state them and so on page 14, Hugh sets out the companies which are Rubicon, Vector, IAG Finance and Fletcher Buildings now stood down from but there is a statutory requirement to disclose them.

Unidentified Audience Member

Okay but in his address, he did not mention it, like unless you read it in the report, he did not -- and I think it should be a priority for all directors if they're seeking re-election that they point it out when they make an address to the shareholders, that they are directors of other companies et cetera.

Brian Schwartz - Insurance Australia Group Limited - Chairman

Yes I hear you. As I say, I think we have limited time each time such an address is made and it's up to the director to pick the issues that they do want to convey on the assumption that shareholders will be reading what's written about them, but your point's made. Thank you.

Unidentified Audience Member

Okay.

Brian Schwartz - Insurance Australia Group Limited - Chairman

That concludes discussion on resolution four and I now direct the poll for resolution four be taken and that attendees register their voting intention by pressing the appropriate number on their keypad as shown on the screen.

I now declare the poll closed on resolution four and thank you ladies and gentlemen. Your votes have been added to the direct and proxy votes received by the voting deadline and the preliminary result for resolution four is now shown on the screen. Congratulations Hugh at 99.14%.

Resolution five is that Philip Twyman be re-elected and I now invite Philip to address the meeting.

Philip Twyman - Insurance Australia Group Limited - Independent Non-Executive Director

Thank you Chairman and good morning ladies and gentlemen. My CV is in the papers so you can see the boards that I'm associated with and you can see the time that I spend with IAG. I would like to sum up some of the skills and experience that I bring to IAG.

OCTOBER 29, 2014 / 11:00PM GMT, IAG.AX - Insurance Australia Group Ltd Annual Shareholders Meeting

In three weeks' time, I celebrate my 50th anniversary of working in the insurance industry and to young people, that seems like I'm an old fossil and I shouldn't be here, but I'd just like to let you know that I have worked here and overseas. I've seen many booms and I've seen many busts and I've learnt just a little bit about how to manage through them. Many of these come around so infrequently that I think it's smart to have somebody who may have seen it once before.

Since I came back to Australia 10 years ago, I have worked as a company director at IAG and at Perpetual, Medibank Private, Swiss Re, ANZ Mortgage Insurance and a few other people as well. In that time, I've come to know our markets and know our regulators very well. As you'll see, I now chair IAG's risk committee and I've previously chaired the audit committee. I've served on similar committees in the other companies where I have worked.

I believe these committees are at the heart of ensuring clear and honest reporting and the understanding of balance sheets and the skilful management of risk. During this past year, I've been actively involved with our management team in setting up the separate risk committee and we've enhanced our program of risk management and we've re-examined all of IAG's risk settings to make sure that they've confirmed with the Board's appetite.

This included workshops with outside facilitators, debating with the risk team and the management team and talking through it with the Board, and making sure that all of our people supported these concepts. In doing this, I brought my experience from overseas, particularly Europe, Asia and America.

I love working at IAG because we share the same beliefs about trust, openness and fairness, and honesty and integrity are two of the things that I look for first whenever I'm invited to join a board. I'm delighted that both my Board colleagues and management have the depth and diversity to debate strategies et cetera.

As shareholders, you want us to take measured risks to generate returns and in my experience here and overseas, I believe we've got a world class management team who understand very well the balance between risk and reward and are working for the long term. I'd like to take this opportunity to thank all of our executives and staff for their very hard work and the very impressive results they've achieved since I joined the Board in 2008.

So in summary, I think I [bring] unique experience and wisdom to our insurance business, and a very strong reinforcement of the values like trust, teamwork and prudence, that IAG is known for.

I'd like to confirm that I've got the energy and the health, and the time, to make a difference. I will bring continuity at a time of major change in the business.

I'd be honoured if you reappointed me for a further term, to continue my contribution to the company. I thank you for this opportunity to address you.

Brian Schwartz - Insurance Australia Group Limited - Chairman

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

Operator

Mr Chairman, I want to reintroduce Gregory Simoni.

Brian Schwartz - Insurance Australia Group Limited - Chairman

Thank you.

Unidentified Audience Member

Through Chair Schwartz, since the proxy result is a given in favour of like Australia being girt by sea, on Mr Twyman's role as risk committee chairman. Page 9 of the Annual Report to page 22, significant change in the state of affairs, the acquisition of the insurance underwriting business Wesfarmers Limited in Australia and New Zealand, and supporting Insurance Australia Group's strategic priorities of accelerating profitable growth in Australia.

OCTOBER 29, 2014 / 11:00PM GMT, IAG.AX - Insurance Australia Group Ltd Annual Shareholders Meeting

On the Nature of Accelerating Profitable Growth for 2014 Annual Report of Wesfarmers, page 59, Wesfarmers Insurance AUD220 million record earnings, 4% increase to revenue AUD2.2 billion, Insurance Australia Group's statement of accelerating profitable growth would seem a natural progression. However the Wesfarmers 2011 Annual Report, page 37, indicates earnings were AUD30 million, and revenue AUD1.739 billion.

I would suggest it's volatility of the numbers thanks to events like the Christchurch earthquake, cyclone Yasi, Queensland floods, that have led Mr Goyder to offload Wesfarmers Insurance. Has the risk committee entered into new reinsurance agreements and, or increased reinsurance levels? If not, why not?

(Inaudible)

Brian Schwartz - Insurance Australia Group Limited - Chairman

Thank you. Mr Simoni, the - we're in the business of risk. We're in the business of insurance and we're in the business of all that comes with that. Yes, not the risk committee, but management and then brings to the Board through those committees, is comfortable with the level of reinsurance we've got, and with generally the management of risk.

Operator

Mr Chairman, I would like to reintroduce Mr Joe Nagy.

Brian Schwartz - Insurance Australia Group Limited - Chairman

Thank you.

Unidentified Audience Member

It's good that the Board has someone experienced in this area of risk. The question I have to ask is one that I think is on the minds of all of us, and that is what sort of message or -- I'm not sure what the word is, you're going to pass onto your fellow directors or to the people who work underneath you, in terms of what's happening right now on climate change? This is something that we've never seen before, so I'd be interested to see how you handle that one. Not you, but the Company. Thanks.

Brian Schwartz - Insurance Australia Group Limited - Chairman

No. I think. I - was that a statement, or would you like a response? Certainly it's on the agenda, and it certainly has an impact on our business, but--

(Inaudible)

Brian Schwartz - Insurance Australia Group Limited - Chairman

Yes. Yes. No. Thank you.

(Inaudible)

Brian Schwartz - Insurance Australia Group Limited - Chairman

I'm not sure. I'm not sure that I understand whether you'd like him to respond or not? You would like him to respond? Philip, would you like to respond?

Philip Twyman - Insurance Australia Group Limited - Independent Non-Executive Director

OCTOBER 29, 2014 / 11:00PM GMT, IAG.AX - Insurance Australia Group Ltd Annual Shareholders Meeting

Thank you Mr Nagy. Climate change is a matter that the risk committee does look at, because ultimately it will lead to more volatility in natural events. Just when and how that will happen is open to debate, but we certainly do look at it. We have modeled mitigations and so forth that the Company might take to manage through those issues.

Brian Schwartz - Insurance Australia Group Limited - Chairman

Thank you Philip. I think that concludes discussion on resolution five. I now direct the poll for resolution five be taken, and that attendees register their voting intention by pressing the appropriate number on their keypad, as shown on the screen.

I now declare the poll closed on resolution five. Thank you ladies and gentlemen. Your votes have been added to the direct and proxy votes received by the voting deadline. The preliminary result of resolution five is now shown on the screen. Congratulations Philip.

Resolution six relates to the election of Michael Carlin. Michael if you'd like to address the meeting, thank you.

Michael Carlin Shareholder

Mr Chairman, ladies and gentlemen of the Board, representatives of the Company, fellow shareholders. As you will know from information already provided, my name is Michael Carlin. I'm an accountant with just over 40 years exposure to the accounting industry, having grown up with a father who was also an accountant and tax agent.

I've also spent all of my time and also -- my insurance with NRMA, so I've been involved as a shareholder since the demutualisation happened. I don't come to you today trying to put forward anything, where I'm going to achieve high standards or anything for the Company. I actually met with our esteemed Chairman a couple of months ago. In answer to one of the questions that was asked earlier, the nominations for directors doesn't just come to a headhunting of anything else. I actually approached the Chairman and asked to put my nomination forward.

His answer to me at that meeting left me a little bit daunted, because I knew what was being looked at for the Company. I left the meeting thinking I will withdraw my nomination, because I didn't think there was any potential for me to be -- actually become a director.

To use the Chairman's words, and one of them was I'll be stepping my toe into a very big ocean to try and get a directorship.

When I went back and thought about that meeting, I changed my decision and I thought no I will proceed with it, because I think it's time for change. Just over 12 months ago we had a federal election. Out of that federal election we ended up with three senators who have nothing really to do with politics. They're there for the people's interest.

Now I've got a little bit more experience than those senators. I actually have served on boards before. Having been exposed and being an accountant all my life, I understand the governance requirements of any business. This is a very big business, I know that, but the governance requirements don't change.

What I'm putting forward is I want to help the Company by helping the retail shareholders. The corporate shareholders are the ones who govern and put forward what is needed. I don't have insurance experience, but what I want to actually put forward there is making sure that the retail shareholders are being supported as well. So if you want to get some support in that regard, I'd please ask for your vote.

Thank you.

Brian Schwartz - Insurance Australia Group Limited - Chairman

Thank you Mr Carlin. The Board is unanimously of the view that Mr Carlin's skills don't complement those of the current directors, and that he does not have the skills and experience required to be a director of a large list insurance group such as IAG. I have explained the process that we go through.

Accordingly the Board recommends you vote against the election of Mr Carlin. If anyone wishes to speak in relation to the resolution please make your way to the microphone queue.

OCTOBER 29, 2014 / 11:00PM GMT, IAG.AX - Insurance Australia Group Ltd Annual Shareholders Meeting

Operator

Mr Chairman, I would like to reintroduce Gregory Simoni.

Unidentified Audience Member

Through Chair Schwartz, since the proxy result is a given against, like Ned Kelly's capture in Glenrowan, what drove Mr Carlin to put himself up for the Board election? Through his public practice and commercial accounting experience, can he address why Insurance Australia Group's strategic focus, size, market position and complexity needs to be improved or changed?

Brian Schwartz - *Insurance Australia Group Limited - Chairman*

Thank you. I think Mr Carlin did address, in his presentation, his view on that. Any other questions?

If not, that concludes discussion on resolution six. I now direct that the poll for resolution six be taken and that attendees register their voting intention by pressing the appropriate number on their keypad.

I think it's probably not moving - there you go. I now declare the poll closed on resolution six. Thank you ladies and gentlemen. Your votes have been added to direct and proxy votes, received by the voting deadline. The preliminary result on resolution six is now shown on the screen.

Based on this preliminary result the resolution has not been carried, but Mr Carlin I do thank you for your participation.

Michael Carlin *Shareholder*

Thanks very much.

Brian Schwartz - *Insurance Australia Group Limited - Chairman*

Resolution seven and eight are to refresh our capacity to issue new shares. This is a 15% capacity to issue new securities following the issue of securities in December 2013, and March 2014.

The text -- the detailed text is set out in our notice of meeting. Under the ASX listing rules a company may, in any 12 month period, issue without prior approval of shareholders, securities of up to 15% of the number of shares on issue, 12 months before the date of issue. This is called the 15% in 12 months limit. ASX listing rule 7.4 allows shareholders to vote to exclude from the 15% in 12 month limit as issue of securities made some time in the preceding 12 months.

If shareholders vote to approve resolution seven and eight, then the securities that were issued will not be counted in calculating the 15% in 12 month limit. It is technical.

Currently IAG has no intention to issue more equity securities. If the resolution is not approved the securities remain valid, but the securities will be counted towards the 15% in 12 month limit.

So to split them, resolution seven seeks shareholder approval to refresh the Company's capacity to issue new securities, following the institutional placement of shares on December 23, 2013. If anyone would like to speak to that resolution seven, please make your way to the microphone.

Operator

Mr Chairman, I'd like to reintroduce Richard Philip Wilkins from the Australian Shareholders Association.

OCTOBER 29, 2014 / 11:00PM GMT, IAG.AX - Insurance Australia Group Ltd Annual Shareholders Meeting

Brian Schwartz - Insurance Australia Group Limited - Chairman

Thank you. Mr Wilkins?

Unidentified Audience Member

Thank you very much Chairman. Very quickly, as a general principal, ASA doesn't like automatic refreshers, particularly as they often have gone hand-in-hand with the dilution of smaller shareholders.

However we do acknowledge that when you had the share purchase plan we did protest and -- as other people did, that we felt the scale back was too low and too harsh, and we're very grateful for the fact that you listened to that and removed the scale back. So we can see that -- we felt that retail shareholders were completely fairly treated in that process, so we will vote for both resolutions today. Thank you.

Brian Schwartz - Insurance Australia Group Limited - Chairman

Thank you.

Operator

Mr Chairman, I'd like to reintroduce Gregory Simoni.

Unidentified Audience Member

Through Chair Schwartz, this resolution is pretty much being clearly done and dusted, with -- by the partial purchase of Wesfarmers underwriting business earlier this year. So it's all just a little bit of history repeating.

On the nature of the institutional share placement and its context, we've known since -- we've known the ranges of the ordinary shareholders since 2003. Between 1000 and 5000 shares, mum, dad, pensioner and retail shareholders, back then was 49.74% of capital ownership in IAG. This year's Annual Report, it's fallen down to 30.57%.

This contrasting it to this resolution's share placement best beneficiaries the institutions, many collectively, sure, many are collectively containing mum, dad, pensioner and retiree ordinary shareholders.

But with 101,000 plus shares and no more than 162 bodies of owners, they in 2003 represented 47.3%, this year's Annual Report, 62.94%. So what? You know, in this ordinary mum and dad shareholders represent that's that the 1000 to 5000 shareholders, 733,628. The largest in the Australian Stock Exchange, so what are we good for? Are we just good for asking questions like I am now? Getting dividends, pressing for, against and abstain buttons.

Let's bring the concentration back to rigour, draw a line, get a ball rolling and make the mums, dads, pensioners, retail shareholders of this Company the guardians and stewards. Come see me after the meeting, just follow the food. Actually come see me right now if you want corporate democracy.

Brian Schwartz - Insurance Australia Group Limited - Chairman

Okay any other discussion on that topic? I now declare the poll - no I don't. I now direct that the poll for resolution seven be taken and that attendees register their voting intention by pressing the appropriate number on their keypad as shown on the screen.

Thank you ladies and gentlemen, your votes have been added to the direct and proxy votes received by the voting deadline and the preliminary results having closed the poll on resolution seven will be shown on the screen shortly.

OCTOBER 29, 2014 / 11:00PM GMT, IAG.AX - Insurance Australia Group Ltd Annual Shareholders Meeting

Thank you. Based on the preliminary results, the resolution has been carried and resolution eight is the other half of that resolution. To refresh the Company's capacity to issue new securities following the issue of subordinated floating rate medium term notes on March 19.

Several speakers have had already, coupled the two together, but if there is anyone else who would like to speak in relation to resolution eight, please make your way up to the microphone.

Okay it appears as if there is no one. I now direct that the poll for resolution eight be taken and that attendees register their voting intention by pressing the appropriate number on their key pad as shown on the screen.

As we lose numbers it becomes a bit more difficult to know when the read is finished, but I think it is close to finished. So I declare the poll closed on resolution eight, still going. Your votes have been added to the direct and proxy votes received by the voting deadline and the preliminary results of resolution eight will be shown on the screen as it becomes available. Based on this the resolution has been carried.

Ladies and gentlemen as I indicated earlier the final results of the poll will be provided to the ASX and will be placed on the Company's website and made available at the Company's registered office by tomorrow.

On behalf of the Board of Directors of the Company, I'd like to take this opportunity to thank shareholders for attending today's meeting and for contributing to the discussion of the business before the meeting.

The business of this meeting has now been completed, refreshments are available and I invite you to join the directors and management in the Smith Room. I know declare the meeting closed, subject to the determination of the results of the polls. Thank you.

DISCLAIMER

Thomson Reuters reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES THOMSON REUTERS OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

© 2014 Thomson Reuters. All Rights Reserved.