

REALISING OPPORTUNITIES



THIS YEAR, WE CONTINUED TO DEVELOP SERVICES AND PRODUCTS TO MEET OUR CUSTOMERS' NEEDS AND REMAINED COMMITTED TO MAKING OUR COMMUNITIES SAFER AND MORE RESILIENT, BY PROMOTING A DEEPER UNDERSTANDING AND AWARENESS OF RISK.



sgio

SGIC

RACV¹



swann insurance

STATE

am

N+1



N+1

AmAssurance

KURNIA INSURERS

SBI General INSURANCE

渤海保险 Bohai Insurance



¹ IAG's short tail personal insurance products are distributed in Victoria under the RACV brand, via a distribution relationship and underwriting joint venture with RACV Limited. Refer to back cover for ownership details

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2013 FINANCIAL YEAR HIGHLIGHTS

▲ 11.8%

\$9,498 million
GROSS WRITTEN PREMIUM

2013	\$M 9,498
2012	\$M 8,495

▲ 69%

\$1,428 million
INSURANCE PROFIT

2013	\$M 1,428
2012	\$M 845

▲ 570 bps

17.2%
INSURANCE MARGIN

2013	17.2%
2012	11.5%

▲ 98%

\$1,156 million
CASH EARNINGS

2013	\$M 1,156
2012	\$M 583

▲ 112%

36.0 cps
TOTAL DIVIDENDS DECLARED

2013	36.0 CPS
2012	17.0 CPS

▲ 14.4%

\$11.1 million
COMMUNITY INVESTMENT

2013	\$M 11.1
2012	\$M 9.7

2013 IN REVIEW

AUSTRALIA DIRECT

AUSTRALIA INTERMEDIATED (CGU)

NEW ZEALAND

ASIA

OUR COMMITMENTS

IAG is the name behind some of the most respected insurance brands in the regions in which we operate. Our businesses in Australia, New Zealand and Asia provide a wide range of general insurance products to protect the homes, possessions and businesses of our millions of customers.

ABOUT THIS REVIEW

This annual review contains a summary of the 2013 financial year performance of Insurance Australia Group Limited (IAG, or the Group). Unless otherwise indicated, references to 2013, 2012 and 2011 in graphs and copy throughout this review refer to IAG's financial years ending 30 June 2013, 2012 and 2011 respectively. All figures are in Australian dollars unless otherwise stated.



All information about IAG's 2013 financial performance is available online at www.iag.com.au/reportingcentre/2013/index.html, or scan this QR code to go straight to IAG's website, for financial updates, investor reports, Australian Securities Exchange (ASX) announcements, key dates and a comprehensive shareholder centre.

STRATEGIC PRIORITIES

OUR STRATEGIC PRIORITIES

IAG's ambition is to be the world's most respected group of general insurance companies. Our strategy is to manage a portfolio of high performing, customer focused diverse operations that provide general insurance in a way that delivers superior experiences for customers and creates value for shareholders.

Our ambition is guided by five strategic priorities. These were refined this year to reflect the evolution of our businesses in Australia, New Zealand and Asia as well as the sale of the UK operation.

Accelerate profitable growth in Australia

READ MORE: P12 – 15

IAG remains focused on leveraging its strong brands, customer bases and strategic capabilities in Australia. Combined Gross Written Premium (GWP) growth from the two Australian-based businesses was nearly 8% in the 2013 financial year.

Sustain our leading position in New Zealand

READ MORE: P16 – 17

In New Zealand, following the acquisition of AMI in the 2012 financial year, the focus is on securing and maintaining our market leading position. This year, the business reported strong underlying performance, with GWP growth of over 30%, largely reflecting a first full year of AMI.

Realise the potential of our Asian platform

READ MORE: P18 – 19

The Group remains on track to reach its goal of Asia representing 10% of GWP by 2016, on a proportional basis. We made significant progress towards this goal during the 2013 financial year when we finalised the acquisition of Kurnia Insurans (Malaysia) Berhad, via our Malaysian joint venture, AmGeneral.

Customer focused delivery and execution

READ MORE: P22 – 23

Customer focus has always been a key strategic pillar for the Group, and significant work has continued this year on improving the customer experience. The Group has also taken a leadership role in protecting customers and making communities safer.

Leverage our cultural strengths

READ MORE: P24

The Group's long term aspiration is for career and development to be the key differentiator between IAG and its peers. The Group is working actively to leverage its cultural strengths, organisational skills and expertise.

Financial targets

Our strategic priorities are supported by two long term financial targets:

- Return on equity greater than 1.5x the weighted average cost of capital.
- Top quartile total shareholder return.



OUR COMMITMENTS

Customers and communities

- Improve customer advocacy/satisfaction scores across each of our businesses.
- Introduce initiatives to help protect and preserve the personal, business and infrastructure assets and lifestyles of communities at risk from natural perils.
- Increase general awareness and understanding of risks at home and on the road, leading to better informed decisions and risk reduction.
- Increase general awareness of the need to improve driver behaviour to reduce the frequency and severity of road trauma.
- Together with our distribution partners, improve risk awareness among small to medium sized enterprises.

Our people

- Continue to develop and implement initiatives which harness the diversity of our workforce, with a focus on gender, ethnicity and age.
- Increase the number of women in senior management positions to 33% by 2015.
- Improve the depth and breadth of leadership capability.
- Actively work towards the desired culture for each of our businesses.
- Reduce our lost time injury frequency rate to 1.8.

Natural environment

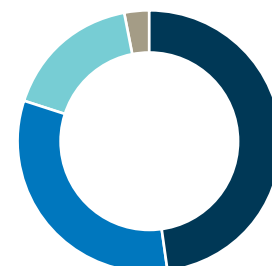
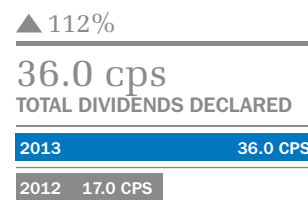
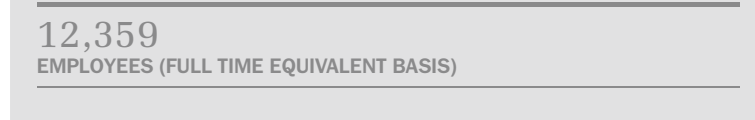
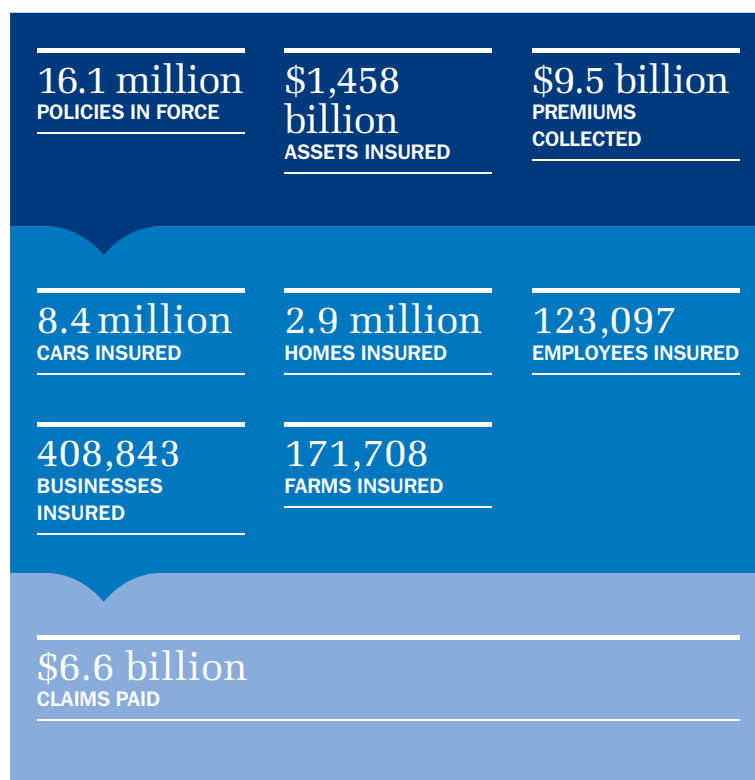
- Work collaboratively with governments to change public policy and increase investment in building safer, more resilient communities better able to withstand natural disasters.
- Reduce our CO₂ equivalent (CO₂e) emissions per full time equivalent employee and maintain our carbon neutrality commitment across all our operations.

KEY PORTFOLIO STATISTICS

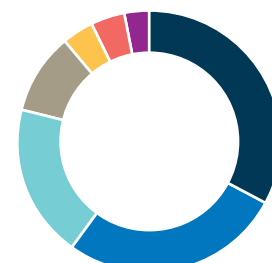
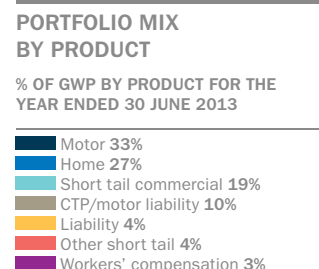
PROTECTING OUR CUSTOMERS' HOMES, POSSESSIONS AND BUSINESSES

Our businesses provide a wide range of general insurance products to protect the homes, possessions and businesses of our millions of customers.

This page shows some key statistics for our operations for the 2013 financial year.

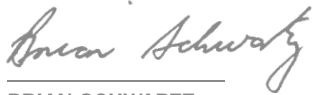


1 Consolidated Thai business only



OUR CLEAR, CONSISTENT STRATEGY IS CREATING VALUE

An unwavering focus on our strategy, and our success in realising the opportunities set out in our strategic priorities, contributed to significantly higher cash earnings this year and a substantially increased full year dividend.



BRIAN SCHWARTZ AM
CHAIRMAN



This has been a very positive year for IAG and our shareholders, as we continue to deliver the benefits of the growth platform we have built over the past four years.

Our profit after tax grew by 275% to \$776 million, while cash earnings increased by 98% to \$1,156 million. Our result reflects strong performance across our businesses, assisted by a period of benign weather in the first half of the year, reserve releases above our long term expectation, and favourable investment markets.

The Board is pleased to declare a final dividend of 25.0 cents per share (cps), taking the full year dividend to 36.0 cps, a 112% increase on last year. This is towards the upper end of our targeted dividend payout range of 50–70% of cash earnings, and reflects our positive performance and our strong capital position. The final, fully franked, dividend will be paid on 9 October.

WE HAVE A CLEAR AND CONSISTENT STRATEGY

Over the year the Group continued to pursue its strategic priorities of achieving profitable growth in Australia and New Zealand, and boosting its Asian footprint. The strong results achieved by our businesses are testament to the success of our strategy.

We also had a strategic priority to remediate the UK business. Following this work, and a review of the business, the Board resolved to sell our UK operation and the sale was successfully completed in April 2013.

Looking to the future, the strategic priorities we have set for our Australian, New Zealand and Asian operations continue to offer us scope to grow our businesses, focus on our customers and develop our people.

We are also looking at our next strategic horizon – beyond 2016 – and identifying the key influences that could affect our long term strategy and operating environment. Customer focused delivery; insurance affordability; the increasing significance of Asia, as the weight of global economic activity shifts towards the emerging economies; and the importance of information and technology are all opportunities and challenges for our businesses over the years ahead.

WE ARE CREATING VALUE FOR SHAREHOLDERS

Shareholders are benefiting from the strength of our performance, through an increased dividend and an improved share price, which we believe reflects market confidence in our longer term strategic priorities.

Our total shareholder return of 59% made IAG one of the best-performing companies in the ASX 200 during the 2013 financial year.

THE BOARD'S SKILLS SUPPORT THE GROUP'S STRATEGY

We appointed three new Directors to the Board this year: Alison Deans and Raymond Lim in February 2013, and Nora Scheinkestel from 1 July 2013. These appointments further enhanced the Board's experience and expertise, with an increased focus on technology and specialist knowledge about engagement with Asia. All three new Directors will stand for election at the 2013 Annual General Meeting in October.

I thank my fellow Directors for the support they have provided me, and the Group's Executives, over the year. I also take this opportunity to record my thanks to Anna Hynes and Phillip Colebatch, who retired from the Board during the year.

VALE JAMES STRONG

Sadly, our former Chairman James Strong passed away in March. James served as Chairman for nine years, until 2010. During this time our organisation more than doubled in size and our portfolio diversified to include commercial insurance and regions beyond Australia. It was a great privilege to know and work with James, and we are very proud to honour his distinguished career through the James Strong – IAG Scholarship, one of six perpetual scholarships established in his name to support talented students at the University of Sydney Business School.

IAG'S FUTURE IS POSITIVE

Supported by a disciplined approach and well-formed strategy we have successfully built sound businesses across our chosen markets and generated strong momentum that we believe will carry us into the future.

This year's underlying business results are a tribute to the strong leadership provided by our Managing Director and CEO, Mike Wilkins, his Executive team and indeed everyone who works at IAG. Commitment and enthusiasm are evident at every level in our organisation and will ensure we continue to identify and realise opportunities for the benefit of all our shareholders, our customers and our people.

REALISING OPPORTUNITIES ACROSS IAG IS DELIVERING SIGNIFICANT RESULTS

Focusing on our strategic priorities and realising the opportunities within our businesses are delivering outstanding results for our customers, our shareholders, our people and the community.



MIKE WILKINS
MANAGING DIRECTOR AND CEO



Over the year, we continued to build on the strengths of our businesses in Australia and New Zealand, and increasingly moved our focus in Asia from development to one of delivery.

We enhanced services and products for our customers; provided further opportunities for our people; delivered strong financial performance across our businesses; and worked proactively to increase awareness of risk within our communities.

The Group increased revenue, measured as gross written premium (GWP) by 11.8% to \$9.5 billion and insurance profit by 69% to \$1.4 billion. Our reported insurance margin of 17.2%, up from 11.5% in the prior year, was favourably affected by:

- a net natural peril claim expense of \$464 million, compared to an allowance of \$620 million;
- a credit spread impact of \$110 million, compared to a negative effect of \$70 million in the prior year; and
- higher than originally expected reserve releases equivalent to 2.5% of net earned premium, derived from a continued favourable experience in long tail classes in a low inflation environment.

Our underlying margin, the key indicator of the underlying strength of our insurance businesses, was 12.5% for the 2013 financial year, up from 12.0% in 2012.

FOCUS ON OUR STRATEGIC PRIORITIES IS ACHIEVING RESULTS

Accelerating profitable growth in Australia and New Zealand:

- Australia Direct, our largest business, increased its GWP by 6.6% and achieved an underlying margin of 13.5%, with growth across most product classes and in all states.
- Our Intermediated business, CGU, grew GWP by 9.7% and delivered an underlying margin of 11.2% as it continued to roll out its new operating model.
- In New Zealand, our business increased GWP by around 30% and achieved an underlying margin of 11.1%, reflecting a full year contribution from AMI (compared to three months in the prior year) and the maintenance of a strong operating performance.

Boosting our Asian footprint towards 10% of Group GWP:

- Our Asia division delivered an encouraging profit for the 2013 financial year. Today Asia, including our share of the joint venture businesses, represents around 7% of Group GWP on a proportional basis, up from 4% a year ago.

In December 2012 we announced the sale of the UK business, and we completed this in April 2013.

OUR PERFORMANCE

GROSS WRITTEN PREMIUM

2013	\$M 9,498
2012	\$M 8,495

INSURANCE PROFIT

2013	\$M 1,428
2012	\$M 845

INSURANCE MARGIN

2013	17.2%
2012	11.5%

REALISING OPPORTUNITIES FOR OUR PEOPLE

We continue to pursue and build a culture where our people can succeed, drawing on the skills and expertise that we have across our Group. Programmes aimed at further embedding this culture were initiated during the year and we are confident these will unlock additional value for our organisation.

Identifying and developing talent

Our goal is to offer career and development opportunities that differentiate IAG from other companies in our field.

Our talent identification and development projects continued to build the depth and strength of our emerging and middle tier management, providing a pool of people to succeed in senior roles.

Diversity

We are working to improve gender, age and ethnic diversity across our organisation. This year, the number of women in senior management roles remained at 29%. We continue to target 33% by 2015.

REALISING OPPORTUNITIES TO BE AN INDUSTRY LEADER

Proactive management of risk

We believe we have a responsibility to contribute to the community, and we do this by channelling our knowledge of risk into action. Through our Risk Matters programme, we help people and communities understand, reduce and prevent risk in the home, in business, on the road and in the natural environment. This in turn will keep insurance affordable and accessible.

This year, as part of our initiatives to keep communities safer, we established the Australian Business Roundtable for Disaster Resilience & Safer Communities, with five other organisations. In June 2013, the Roundtable released a White Paper that sets out a sustainable and comprehensive approach to managing natural disasters that could ultimately save lives, reduce damage to property and vital national infrastructure, and free taxpayer money to be redirected to other essential public services.

The *Building our Nation's Resilience to Natural Disasters* White Paper is available on our website and I encourage you to read it in detail.

In coming months, we will release initiatives associated with our commitments to improve safety in the home and on the road.

Engagement with Asia

Throughout the year, we continued to promote the importance of Australia's engagement with Asia, because we believe it is a vital part of our future as a country, and as an organisation. IAG now has approximately \$820 million invested across five countries in Asia and is actively examining market entry opportunities in Indonesia.

Asia is predicted to account for almost half of all global consumption by 2030. Establishing strong relationships between Australia and Asia at every possible level will enable us to fully engage with the opportunities that Asia presents – for IAG and for Australia.

REALISING OPPORTUNITIES TO EMBED SUSTAINABILITY IN EVERYTHING WE DO

Sustainability is embedded in every aspect of our operations and this year's annual review includes more information about our progress to achieve our commitments to our customers and community, to our people, and to the natural environment, including our ongoing commitment to carbon neutrality.

OUTLOOK

We expect the Group's performance will continue to improve in the 2014 financial year as the momentum evident in 2013 continues. We anticipate sound GWP growth of between 5–7% and an insurance margin in the range of 12.5–14.5%. This guidance is subject to our usual assumptions¹.

The outcomes achieved by the Group are the result of the dedication and effort of all of the people of IAG. I acknowledge and express my appreciation for those efforts which have helped us to capitalise on the opportunities which we have chosen to pursue and contributed to our strong financial and other results this year.

I thank our Directors for their support and wise counsel; the Executive team for their belief and commitment to our shared purpose; and all the people at IAG for their efforts on behalf of the business, and our customers, each and every day.

With their ongoing support, and the momentum we currently enjoy, I am confident we will continue to deliver on the opportunities available to us for the benefit of all those who have an interest in our long term success.

Read more

Risk Matters initiative	P11
Review of operations	P12 – 19
IAG in the community	P22 – 23
Working at IAG	P24

¹ The underlying assumptions behind guidance are net losses from natural perils in line with allowance of \$640 million; no material change in foreign exchange rates or investment markets; and prior period reserve releases equivalent to 1–2% of net earned premium.

MANAGING CAPITAL TO SUPPORT OUR GROWTH

Our business has around 16 million policies, covering \$1.5 trillion in assets, and for which we collected nearly \$10 billion in premium. Last year, we paid out over \$6.6 billion in claims, or around \$128 million every week.

Nick Hawkins
NICK HAWKINS
 CHIEF FINANCIAL OFFICER



Ensuring we have the appropriate levels of capital to pay claims, fund our businesses and support our long term growth is vital for the Group.

Our customers must have certainty that we can meet our commitments to them if and when they claim; at the same time, we are focused on delivering an appropriate return to our shareholders.

Taking into consideration the needs of our stakeholders, we manage our sources of capital to create a mix that matches the risk profile of IAG.

We continuously look at how we obtain capital, and how we apply it. We have three main sources of capital:

- from our shareholders, represented by net assets of around \$5 billion;
- from debt markets, of around \$1.6 billion; and
- a further \$5 billion from reinsurance markets.

Following significant capital management activity during the previous financial year, and reflecting our debt maturity profile, no debt or equity capital was raised this year. However, we continued to invest in our business using our internal funds. For example, this year we completed the financing of our increased investment in AmGeneral in Malaysia, to fund our share of the Kurnia acquisition.

OUR CAPITAL POSITION REMAINS STRONG

The Group is strongly capitalised under the Life and General Insurance Capital regime which our regulator, APRA, introduced from 1 January 2013.

At 30 June 2013, our Prescribed Capital Amount (PCA) multiple was 1.67, compared to the Group's long term benchmark of 1.4 to 1.6 and our Common Equity Tier 1 multiple was 1.09, within our target range of 0.9 to 1.1 times the PCA.

Standard & Poor's Ratings Services (S&P) affirmed 'AA-' insurer financial strength and issuer credit ratings for the Group's core operating subsidiaries in May. The rating of the non-operating holding company, Insurance Australia Group Limited, was reduced from 'A+' to 'A', in line with S&P's revised criteria for the global insurance industry. This assigns ratings to non-operating insurance holding companies without material banking and/or non-regulated businesses two notches below those of related core operating subsidiaries. S&P's previous practice allowed one notch below for some insurance groups such as IAG.

A FOCUS ON REINSURANCE

We renewed our catastrophe reinsurance programme on 1 January 2013, with increased protection of up to \$5 billion, compared to \$4.7 billion in 2012, confirming the ongoing availability of capacity in the reinsurance market, despite the high levels of losses in the region in recent years.

The importance of reinsurance cover to the Group's capital management is illustrated by the fact that, during the last 12 months alone, we paid nearly NZ\$1 billion of earthquake claims in Christchurch, New Zealand, and have recovered most of this from our reinsurers.

WE HAVE A CONSERVATIVE INVESTMENT PORTFOLIO

We invested \$13.6 billion, the majority in a conservatively positioned portfolio of cash and fixed income, and a small proportion in growth assets such as equities. Overall, the portfolio delivered a good return over the last 12 months.

SUPPORTING INVESTORS

This year, we conducted a sale facility so that eligible shareholders could sell their small shareholdings at a market price. This initiative recognised the fact that, as a result of the demutualisation in 2000, some shareholders received relatively small parcels of shares. The facility provided these shareholders with a means to crystallise the value they held, without incurring the fees associated with a sale on market.

Throughout the year, we continued our comprehensive programme of communicating with our retail and institutional shareholders, through half and full year results announcements, presentations on aspects of our business, domestic and international roadshows and conferences, and many face-to-face meetings.

We are committed to open and transparent engagement with our almost 765,000 shareholders and we work to build demand for the stock both in Australia and overseas, for the benefit of all shareholders.

FIVE YEAR SNAPSHOT OF RESULTS

The Group's complete five year financial summary appears on page one of the 2013 annual report.

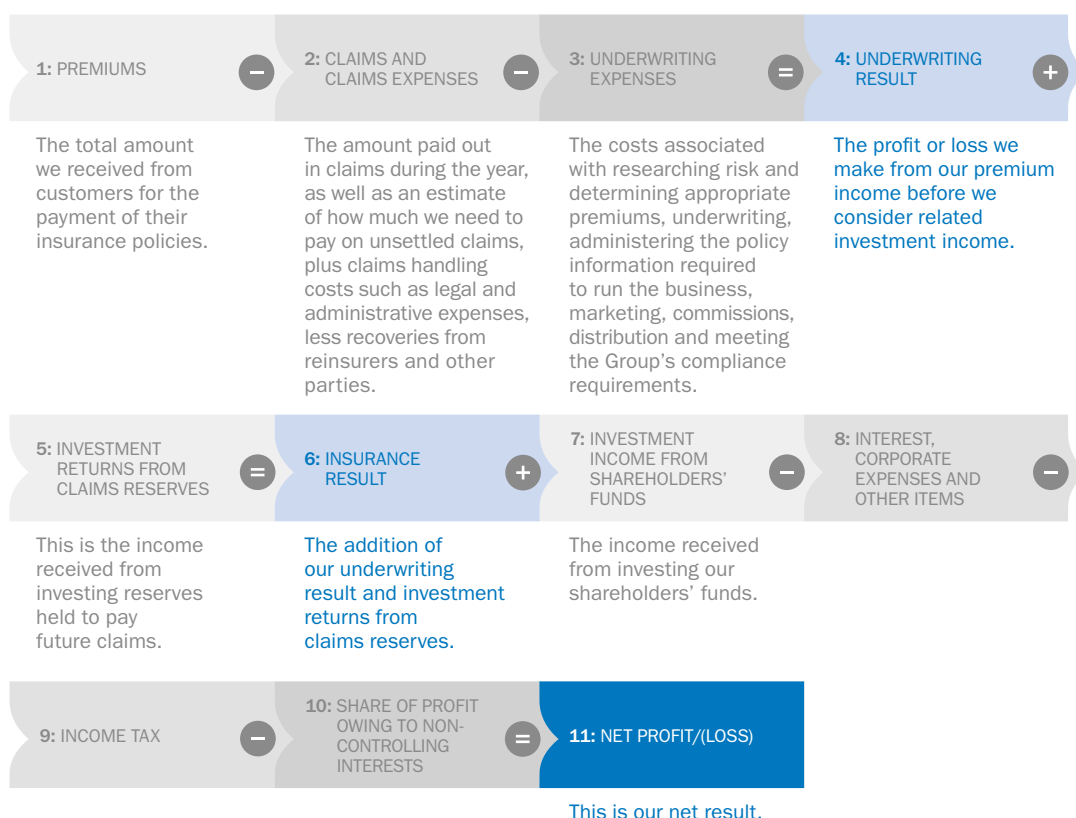
SELECTED FIVE YEAR INFORMATION	UK BUSINESS TREATED AS DISCONTINUED OPERATION		UK BUSINESS INCLUDED		
	2013 \$M	2012 ^(a) \$M	2011 \$M	2010 \$M	2009 \$M
FINANCIAL INFORMATION					
Gross written premium	9,498	8,495	8,050	7,782	7,842
Premium growth	11.8%	N/A	3.4%	(0.8%)	0.6%
Net premium revenue	8,318	7,346	7,238	7,065	7,233
Insurance profit	1,428	845	660	493	515
Insurance margin ^(b)	17.2%	11.5%	9.1%	7.0%	7.1%
Profit before income tax	1,593	763	614	402	312
Income tax expense	(424)	(177)	(276)	(212)	(65)
Profit after tax from continuing operations	1,169	586	338	190	247
Loss after tax from discontinued operation	(287)	(321)			
Net profit after tax attributable to IAG shareholders	776	207	250	91	181
Ordinary equity holders' equity	4,786	4,343	4,417	4,486	4,671
Total assets	24,859	25,132	23,029	20,442	19,360
SHARE INFORMATION					
Dividends per ordinary share – fully franked (cents)	36.0	17.0	16.0	13.0	10.0
Cash earnings per ordinary share (cents)	55.95	28.20	23.97	18.48	14.34
Payout ratio	64.7%	60.5%	67.1%	70.8%	71.5%
Ordinary share price at 30 June (\$) (ASX: IAG)	5.44	3.48	3.40	3.41	3.51

(a) The financial information for 2012 has been re-presented to reflect the changed treatment of the United Kingdom business as a discontinued operation. Financial information for 2011, 2010 and 2009 has not been re-presented

(b) Insurance margin is a ratio of insurance profit over net premium revenue

HOW INSURANCE WORKS

The economic performance of an insurer involves a number of interrelated elements. This diagram provides a simplified illustration.



A FOCUS ON THE FUTURE

At IAG we are passionate about helping our customers, driving a deeper understanding of risk in our communities, and fulfilling our ambition to be the world's most respected group of general insurance companies.



LEONA MURPHY
CHIEF STRATEGY OFFICER



To achieve our ambition, we must offer products and services that align to our customers' needs and expectations, and we must also be the leaders in the proactive management of risk, making our communities safer and more resilient.

To deliver this, we focus the Group's strategy for the medium and long term, pursuing high standards of governance, leading a deeper understanding of risk and ensuring our people are the best in the business.

DELIVERING ON A STRATEGY FOR SUCCESS

IAG is motivated to enhance the value of our business by providing customer strategies that win, outcompeting in our markets and creating shareholder value. To develop these strategies, we continue to focus on global trends that affect our industry, economy and society and we use this information, and our changing customer needs, to inform our thinking.

We are acutely aware of the need to manage all aspects of our strategies and we do this through an embedded risk management framework designed to protect the sustainability of our business, and the value we create for shareholders and customers.

UNLOCKING THE VALUE OF OUR PEOPLE

This year, we reaffirmed what it means to work at IAG, our values and what we stand for as an organisation. We believe we can unlock real value by recognising the similarities shared by our businesses and leveraging the skills and capability of our people across the Group.

Our people are key to our success and, to support them to achieve their potential, we are committed to making career and development our key point of difference from other employers. We further commit to IAG being a workplace defined by diversity, inclusion and flexibility; values and culture; and reward.

LEADERS IN THE PROACTIVE MANAGEMENT OF RISK

At IAG, we are passionate about helping people manage risk and recover from loss. We are channelling our passion and our deep knowledge of risk into action and focusing on the change we can drive to improve the understanding of risk, its prevention and reduction, and the need to keep insurance affordable and accessible.

We made significant progress in being leaders in the proactive management of risk this year, with the formation of the Australian Business Roundtable on Disaster Resilience & Safer Communities. Outcomes of the Roundtable, including the launch of a White Paper on risk mitigation, are described in more detail in the natural environment panel on the facing page.

UNITED NATIONS PRINCIPLES FOR SUSTAINABLE INSURANCE

WORKING TOGETHER FOR CHANGE

We are pleased with the momentum underway within the Principles for Sustainable Insurance (PSI), part of the United Nations Environment Programme Finance Initiative. The PSI is a catalyst for creating more risk aware and resilient societies across the globe.

Signatories to the PSI, including IAG, are committed to delivering outcomes that help our communities better prepare for and respond to risks, protect our environment and sustain our economies. By working together with the UN, governments and other stakeholders, we can achieve far more than by trying to go it alone. True change requires us all to work together.



SAFER, MORE RESILIENT COMMUNITIES

Risk is part of life. At IAG, we believe we can help make our communities safer and more resilient and reduce the chances of experiencing the hardship of unexpected loss. After all, fewer risks mean fewer claims and more affordable premiums.

SHARING OUR RISK MANAGEMENT EXPERTISE

For many years, IAG has proactively promoted better understanding and reduction of risks on the road, at home, in business and in the natural environment. We believe we have a responsibility to share our knowledge about risk to make communities more resilient and help people live safer lives.

In May 2012, we convened the inaugural IAG Risk Matters summit at which community stakeholders gathered to agree the activities we should lead to achieve the greatest reduction of risk in our communities. Since then, we have made progress against the commitments set, summarised below. These actions will create more sustainable communities, contribute to insurance affordability and deliver tangible benefits to our business. We will continue to focus our risk reduction efforts on these four areas in the coming years.



RISK AREA

On the road

PROGRESS IN 2013

In May 2013, IAG established a Road Safety Council comprised of experts from within our business to develop a programme of initiatives to reduce risk on our roads. Working with the IAG Research Centre, the Road Safety Council is collaborating with government and community organisations to improve understanding of the causes of high risk driver behaviour, encourage improved behaviour, make safer vehicles and, ultimately, reduce the frequency and severity of road trauma. This work builds upon our existing partnership with the NSW Police, Kidsafe and the NSW Volunteer Rescue Association, and our work with Australasia's leading independent vehicle safety advocate, ANCAP.



RISK AREA

At home

PROGRESS IN 2013

During 2013, we undertook further research to gain insights into how people manage risks in their homes – such as theft, fire, personal injury and other property damage risks. The findings informed a review of the broad programme of initiatives we offer to help people make better informed decisions about how to prevent or reduce these risks. Current initiatives include our online risk reduction tools such as the NRMA Insurance Safety Ratings, Valuables Vault App and Help House; our home security products and services; advocacy campaigns; and community partnerships including those with the NSW State Emergency Services, NSW Police and Queensland Fire and Rescue Services. Additional initiatives are planned in 2014.

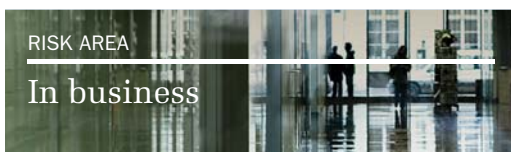


RISK AREA

In the natural environment

PROGRESS IN 2013

In December 2012, we convened the Australian Business Roundtable on Disaster Resilience & Safer Communities, comprising the CEOs of IAG, Australian Red Cross, Investa Property Group, Munich Re, Optus and Westpac Group. The Roundtable is working collaboratively with governments to bring about change in public policy and increase investment in building safer and more resilient communities with an aim to improve the capacity of people and businesses to better withstand natural disasters. A White Paper released by the Roundtable in June 2013 contains recommendations for action. For further information, see: www.australianbusinessroundtable.com.au



RISK AREA

In business

PROGRESS IN 2013

We continued to focus on strategies to help small to medium sized enterprises understand and manage the inherent risks they face and to offer support, particularly in relation to business continuity and recovery in the face of natural disasters. During 2013, an internal knowledge hub was developed to harness IAG's expertise in this area as the first phase of developing a programme to share our insights.

REVIEW OF OPERATIONS

CUSTOMER FOCUS CREATES AUSTRALIA'S FAVOURITE LOCAL INSURER

Australia Direct continues to lead the personal general insurance market with a portfolio of iconic, household brands which provide the best insurance protection for our 3.5 million customers.



ANDY CORNISH

CHIEF EXECUTIVE OFFICER, AUSTRALIA DIRECT



RESULTS

Australia Direct had a strong year, recording a 6.6% increase in GWP, to \$4,584 million, compared to the prior year. This reflected rate increases designed to recover high reinsurance and natural peril costs over recent years, assisted by continued growth in policies, notably in the comprehensive motor portfolio and in states outside New South Wales. GWP growth was assisted by a range of marketing initiatives, including the *Experts That Care* campaign, and ongoing investment to better understand customers' needs, and improve pricing capability.

Our insurance profit increased significantly to \$822 million, up from \$544 million for the prior year and our reported insurance margin was 19.7% compared to 14.3% last financial year. This strong performance reflects the combination of strong earned premium growth, a significant reduction in net natural peril claim costs against last year, slightly lower reserve releases and a favourable credit spread impact. On an underlying basis, the business reported a solid margin of 13.5%, despite continued pressure from New South Wales CTP.

CUSTOMER FOCUSED STRATEGY

Australia Direct's performance reflects our ongoing commitment to a strategy which focuses on our customers, providing them with excellent service, relevant products and appropriate pricing based on individual risk exposure.

This year, we made a significant investment in software to expand the ways we can interact with customers, with the launch of an online self-service function, and mobile quoting and purchasing tools. These enhancements complement our branch network, agencies and call centres as we provide our customers with a range of channels through which to do business with us.

As we grow our business and meet the changing needs of our customers, our people remain our most important asset and the driving force for our success. We will continue to nurture their growth through training and leadership opportunities across the business, transforming our culture to empower them to realise their potential.

Our product line has continued to grow with the introduction of flood and multi-tier motor and home products and this year we added life, bicycle and income protection products.

Our revised motor repair model, launched in South Australia in 2011, has further improved the quality of repairs for our customers, and led to cars being returned more quickly. We have now successfully introduced the model into New South Wales, the Australian Capital Territory and Victoria.

OUTLOOK

In the 2014 financial year, Australia Direct expects to achieve a higher underlying margin and further GWP growth, supported by ongoing product initiatives. We will continue to benefit from improvements in our underwriting and pricing capabilities as pressures on the New South Wales CTP portfolio are being addressed. We remain focused on our strategy of placing the customer at the heart of everything we do to fully realise our vision of being Australia's favourite local insurer.

OUR PERFORMANCE

▲ 6.6%

\$4,584 million
GROSS WRITTEN PREMIUM

2013	\$M 4,584
2012	\$M 4,299

▲ 51.1%

\$822 million
PROFIT BEFORE TAX

2013	\$M 822
2012	\$M 544

ABOUT THE BUSINESS

Australia Direct is IAG's largest business and contributed 48% of the Group's GWP in the 2013 financial year. Direct Insurance products are sold primarily under the NRMA Insurance brand in New South Wales, the Australian Capital Territory, Queensland and Tasmania; SGIO in Western Australia; and SGIC in South Australia. In Victoria, home, motor and other insurance products are distributed through RACV. Products are distributed through branches, call centres, the internet and representatives. Australia Direct also sells life insurance and income protection products which are underwritten by a third party.

OUR STRATEGY	TARGET FOR 2013	PROGRESS IN 2013	NEXT STEPS
Consistent service delivery for our customers, achieved through stronger relationships with our partners	Expand our improved motor repair model to other states Improve cost, quality and timeliness	Achieved The model was expanded into New South Wales, the Australian Capital Territory and Victoria	Continue to roll out the model to other states and engage in further opportunities with our repair partners
Enhance our multi-channel distribution network and advance our online and mobile capabilities	Launch self-service and mobile interactions to operate alongside our traditional channels	Achieved Online sales continue to grow as does the popularity of our online self-service and mobile capabilities	Continue to invest in digital solutions and give our customers a range of interaction points that best suit their needs
Continue our focus on understanding risks at an individual level and pricing appropriately	Enhance our risk based pricing approach Introduce new rating factors Improve pricing capabilities	On track Dynamic and sophisticated rating factors developed and better understanding of our customers gained	Continue to invest in this capability to ensure our pricing reflects risk

Australia Direct's motor repair model means our customers can book their cars in for repairs almost immediately; are provided with transport to and from our partner repairers' premises; have their cars washed and vacuumed before they are returned to them; and repairs are often completed within 48 hours. In its first 12 months of operation in New South Wales, the model has delivered outstanding results for customers while meeting our promise to provide smash repairers with the type and volume of work they need to operate sustainable businesses.



Andrew Cicurel, relationship manager from NRMA Insurance's Chatswood Customer Management Centre, (centre) discusses a repair with Vanessa Alajajian (left) and Steven Alajajian, both from Jack Hillermans Smash Repairs in Artarmon, Sydney.

REVIEW OF OPERATIONS

LOOKING FORWARD WITH CONFIDENCE

At CGU, we celebrated the successful completion of our five year turnaround strategy and we paved the way for future success with a clear focus on the strength of our partnerships and the quality of our service.



PETER HARMER
CHIEF EXECUTIVE OFFICER, CGU



RESULTS

CGU achieved strong GWP growth of 9.7% to \$3,028 million in the 2013 financial year, from a mix of rate increases to recover the substantial increase in reinsurance costs and natural peril costs in recent years, as well as new business growth and improved retention rates. Our financial performance has continued to improve and we delivered an underlying margin of 11.2%, up from 7.5% last year.

We improved our underlying performance through a disciplined approach to underwriting and the management of expenses and claim costs. Our reported insurance margin of 17.8% also reflected a significant benefit from the combined effect of higher reserve releases, positive credit spreads and a favourable natural peril impact.

OPERATING ENVIRONMENT

Severe flooding across Queensland and northern New South Wales from ex-Tropical Cyclone Oswald and bushfires in Tasmania in the second half of the year were significant natural catastrophes in what had been, until then, a relatively benign year. CGU received more than 8,500 claims from these events and worked closely with all levels of government to support customers through both events. Establishing an immediate presence and providing support on the ground, combined with our commitment to the rapid resolution of claims, were well received by our customers and partners. Our automatic flood cover on home, contents and landlords' policies provided customers with real certainty and faster claims resolution.

TURNAROUND STRATEGY

CGU completed its five year turnaround strategy in June 2013 and our results reflect our improved performance and sustainability. A key element of the strategy was the implementation of our new operating model, which delivered savings of close to \$30 million pre-tax this year. This level of change would not have been possible without the ongoing support and passion of our people and partners, and we thank them for the important contribution they have made to CGU.

Our next three year business horizon focuses on continuing to strengthen our partnerships through unparalleled service, supported by the excellence of our people, our operations and our technology.

Our investment in technology is already paying dividends. In October 2012 we launched our new claims management system which significantly reduced processing times and improved our ability to mobilise resources during natural catastrophes. Work is now well underway to replace our underwriting and distribution systems.

OUTLOOK

CGU is on track to realise \$65 million of total pre-tax savings from our new operating model by the end of the 2015 financial year from more streamlined and cost-effective operations, and a clearer focus on our customers' needs.

We expect an improving underlying margin in the coming year, although the improving business fundamentals are expected to be tempered by strong competition and flattening rates across most segments.

Despite the challenging external environment, CGU is well placed to make a strong contribution to IAG. Our strategy for the next three years provides us with a clear focus and we are looking forward with confidence.

OUR PERFORMANCE

▲ 9.7%

\$3,028 million
GROSS WRITTEN PREMIUM

2013	\$M 3,028
2012	\$M 2,759

▲ 82%

\$490 million
PROFIT BEFORE TAX

2013	\$M 490
2012	\$M 269

ABOUT THE BUSINESS

CGU offers commercial, personal and rural insurance products for businesses, farms, individuals and families. Its products are distributed under the CGU Insurance and Swann Insurance brands through a network of more than 1,000 brokers, agents, motor dealerships, financial institutions and business partnerships. It also provides workers' compensation services in every state and territory, except South Australia and Queensland. In the 2013 financial year, CGU contributed 32% of the Group's GWP.

OUR STRATEGY	TARGET FOR 2013	PROGRESS IN 2013	NEXT STEPS
Improve underlying performance and create a sustainable and profitable portfolio	Double digit underlying margin	Achieved 11.2% underlying margin	Ongoing active portfolio management to drive double digit margin performance through the insurance cycle
Implement new operating model and improve efficiency and effectiveness	\$25 million savings pre-tax	Achieved Close to \$30 million pre-tax savings	Deliver \$65 million total pre-tax savings by the end of the 2015 financial year
Optimise short tail/long tail portfolio mix	Progress towards 2015 financial year target of 75% short tail/25% long tail business mix	On track 78% short tail/22% long tail	Continue to increase long tail weighting in line with 2015 financial year target

Max Cunningham returned to a scene of devastation after the January 2013 bushfires ravaged his home and oyster farm. Max runs Marion Bay Oysters and sells more than 80,000 dozen oysters a year, including exports to Singapore, Malaysia and China. 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 and Marion Bay Oysters sold 5,000 dozen oysters during that month. A few months on, Max is about to move into his new home and business is back on track.



REVIEW OF OPERATIONS

LEADERSHIP THROUGH A PERIOD OF CHANGE

New Zealand's insurance market is going through a significant period of change. Providing market leadership through that change has dominated the year for us.



JACKI JOHNSON
CHIEF EXECUTIVE OFFICER, NEW ZEALAND



RESULTS

Our New Zealand business increased its GWP by over 30% to \$1,575 million, compared to \$1,210 million in the prior year. The strong growth in GWP reflects a full year's contribution from AMI (compared to only three months in 2012); rate increases to recover increased reinsurance costs, notably in the home portfolio; and a favourable foreign exchange movement effect. Our business' strong operating result is evident with an underlying margin of 11.1%.

We have established a Direct Insurance division to manage our State and AMI businesses, and we are working to leverage the 'best of both' brands. The integration of AMI has been a major focus for the year. Our NZI intermediated business reinforced its strong market standing, winning Insurer of the Year for the second year in a row.

Following the acquisition of AMI, we have substantial market shares, with 60% of the personal motor insurance market, and around 55% of the home insurance market.

We now have over 3,000 employees in New Zealand and our People and Culture team has maintained strong levels of engagement across the business through this period of change.

THE CANTERBURY RECOVERY CONTINUES

We continue to help those in the Canterbury region recover from the major earthquakes of 2010 – 2011. Our people have worked tirelessly, supporting our customers with innovative repair and rebuild solutions, and working with central and local government and their respective agencies on complex issues that have emerged, particularly around land damage in the region. The IAG Canterbury Recovery team set a target date of December 2015 to complete the residential rebuild, and we are confident that this will be achieved.

HOME INSURANCE CHANGES

As a consequence of the earthquakes, we – and most other insurers in the market – are moving our home customers from 'open ended' replacement policies to those that have a 'specified sum insured'. While this change was driven by the requirements of our reinsurers, we have led the market with an innovative *need2know* national consumer education campaign, customised across our brands and our partners. Recognising that affordability is an emerging issue, we have developed our product range to make additional excess options available to customers. Our State brand has also moved to improve the online experience for its customers, halving the number of steps needed to obtain a quote.

During the year, we continued to promote the role of insurance in the efficient and sustainable development of the economy, engaging with the central and local governments on a range of issues. We also worked with the Reserve Bank of New Zealand in its implementation of the updated prudential regime and licensing.

OUTLOOK

We expect GWP growth to continue in the 2014 financial year, albeit at a lower rate than in 2013, as competition remains strong in both commercial and personal lines. Our focus is on providing compelling value to our customers by simplifying our business; reducing costs through innovation; and delivering continuous improvements to our services, our products and our technology solutions.

OUR PERFORMANCE

▲ 30.2%

\$1,575 million
GROSS WRITTEN PREMIUM

2013	\$M 1,575
2012	\$M 1,210

▲ 11.4%

\$117 million
PROFIT BEFORE TAX

2013	\$M 117
2012	\$M 105

ABOUT THE BUSINESS

The New Zealand business is the leading direct insurance provider in the country, and a leading insurer in the broker/agent channel. Insurance products are provided directly to customers under the State and AMI brands and indirectly through insurance brokers and agents, under the NZI brand. Personal lines and simplified commercial products are also distributed through agents and under third party brands by corporate partners, which include large financial institutions. IAG's New Zealand operations accounted for 17% of the Group's GWP in the 2013 financial year.

OUR STRATEGY	TARGET FOR 2013	PROGRESS IN 2013	NEXT STEPS
Realise the benefits arising from the integration of AMI	Identify NZ\$30 million pre-tax savings and commence initiatives	Achieved NZ\$18 million of pre-tax savings 2014 benefits fully identified and initiatives on track	Deliver balance of benefits to reach NZ\$30 million pre-tax savings in 2014
Redesign home insurance products	Deliver new products to support the move from 'open ended' policies to 'specified sum insured' policies	Achieved New products and system changes completed <i>need2know</i> customer programme built and renewal changes commenced	Complete 12 month renewal cycle Maintain and refine customer-facing initiatives
Align operating structures to strategy	Consolidate all intermediated business operations into NZI Establish a single Direct Insurance channel	Achieved Broker and corporate partnership operations merged and embedded Direct Insurance business established and strategy approved	Grow and future proof intermediated business Deliver on strategic plan for transforming Direct Insurance



In the wake of the February 2011 earthquake, the future of Rebecca Smith's home in Cashmere, Christchurch, was uncertain. The 1970's house had a broken roof, buckled window frames, bricks falling down and major internal damage.

NZI Claims Manager Sandy Pearce worked closely with the family as the home was assessed and the decision was made to save it, despite the fact that it needed around NZ\$400,000 worth of repairs. Christchurch company Duncan Taylor Builders carried out the work, and used the opportunity to strengthen the foundation and frame of the home. The family also decided to replace the home's badly damaged exterior cladding with lighter, more resilient materials.

The repair process ran incredibly smoothly and by September 2012, just eight months after construction started, Rebecca and her son Sammy were back in their home.

REVIEW OF OPERATIONS

MOVING FROM DEVELOPMENT TO DELIVERY

As we consolidate our development platform in Asia, we are raising our focus on operational excellence to take our share of Group GWP from 6.3% this financial year to the target of 10% by 2016, on a proportional basis.



JUSTIN BREHENY
CHIEF EXECUTIVE OFFICER, ASIA



RESULTS

The Asia division reported a significantly improved profit of \$20 million for the 2013 financial year, driven by the strong underlying performance of our established businesses in Thailand and Malaysia combined with improving results from businesses in the emerging markets as our capability transfer programmes begin to deliver results.

Proportional GWP increased by over 80% to \$619 million reflecting a full year of income from recent investments in China and Vietnam, the inclusion of Kurnia in Malaysia from late October 2012, rapid expansion in India and a strong post-flood recovery in Thailand.

ESTABLISHED MARKETS

Our Thai business grew GWP by over 31% in local currency terms. This better-than-industry-average growth was helped by the superior customer service provided by Safety Insurance during the 2011 flood crisis, a government tax incentive scheme for first time vehicle owners, and the stability of commercial rate increases after the flood.

In Malaysia, the overall financial contribution from our AmGeneral joint venture business increased by over 100% to \$28 million, from \$13 million in the prior year, as a result of strong performance from AmGeneral, as well as the first time inclusion of nine months of Kurnia results for the period since October 2012. AmGeneral is now a clear leader in the Malaysian motor market with nearly 21% market share at the end of calendar 2012. Our insurance margin was lower at 13.3% from 18.1% last year, partly affected by the costs associated with the acquisition and integration of Kurnia. Integration is progressing well, and we are on target to generate expected synergies of at least 50 million Malaysian ringgit pre-tax within two years of Kurnia's acquisition.

EMERGING MARKETS

We also improved results in our developing high growth markets. In India, our joint venture business SBI General achieved strong GWP growth of over 160% in local currency, led by home insurance business and personal accident products launched through the bancassurance channel. In China, our joint venture business, Bohai Property Insurance, now contributes 8% to the division's proportional GWP. In both China and India, we continue to see steady improvement in bottom line results as we focus on sound underwriting disciplines and expense management.

In our most recent investment, in AAA Assurance in Vietnam, we are working on capability transfer programmes in the three key areas of risk, profitability and growth, with early work focused on stronger claims management, improving the efficiency of the branch operating model and increased governance and controls. In July 2013, we increased our investment in AAA Assurance to 60.9%.

OUTLOOK

The outlook for our Asia businesses remains favourable for the 2014 financial year, in line with expected modest acceleration in economic growth in these markets. We expect to deliver high GWP growth on a proportional basis and further operational progress.

OUR PERFORMANCE

▲ 34.7%

\$295 million
GROSS WRITTEN PREMIUM¹

2013	\$M 295
2012	\$M 219

\$20 million
PROFIT BEFORE TAX

2013	\$M 20
2012	\$M (62)

¹ Consolidated Thai business only

ABOUT THE BUSINESS

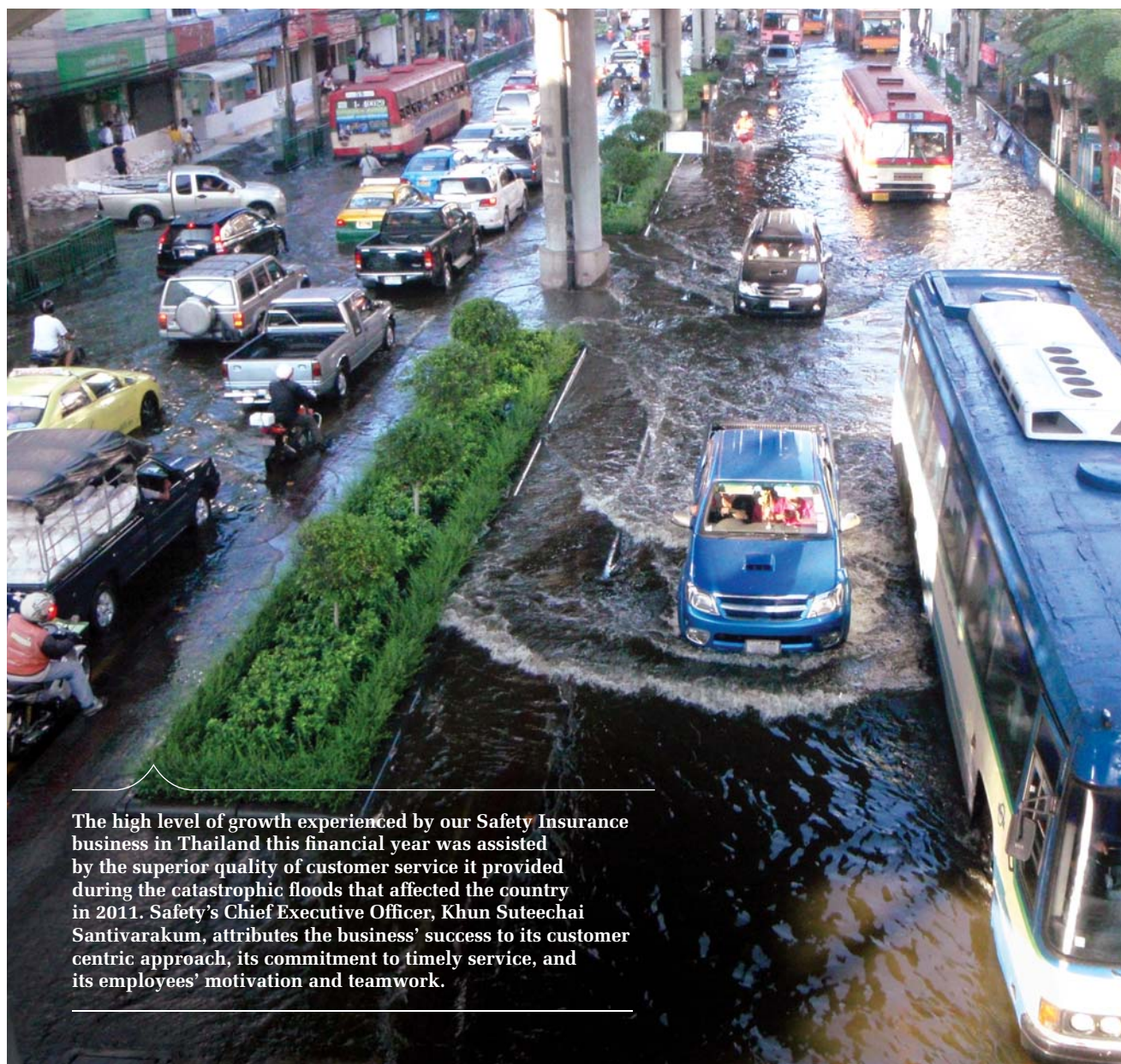
The Group has interests in established businesses in five of its six targeted markets:

- a controlling economic interest in the merged business of Safety Insurance and NZI in Thailand;
- 49% of AmGeneral Holdings Berhad (AmGeneral), a general insurance joint venture in Malaysia;
- 26% of SBI General Insurance Company, a general insurance joint venture in India;
- 20% of Bohai Property Insurance Company Ltd, a general insurer based in China; and
- 60.9% of AAA Assurance Corporation, a general insurer based in Vietnam (30% at 30 June 2013).



2, 3, 4, 5, 6, 7 See back cover for ownership details

OUR STRATEGY	TARGET FOR 2013	PROGRESS IN 2013	NEXT STEPS
10% of Group GWP by 2016, on a proportional basis	Grow proportional GWP	On track Asia now represents 6.3% of Group GWP on a proportional basis (approximately 7% allowing for a full year of Kurnia)	Strong GWP growth from developing markets Sound organic growth in Thailand and Malaysia Market entry in Indonesia
Profitable India business by 2015	Accelerate growth through new products and expand operations to improve insurance margin	On track Strong top line growth Lower start-up losses than expected from better investment yields	Fully leverage the bank channel in India
Profitable China business by 2015	Roll out capability transfer programmes in motor risk selection, commercial pricing framework development and claims management	On track Improved net losses from prior year due to lower loss ratio as a result of better pricing, tighter underwriting controls and exiting unprofitable business segment along with tighter expense management control	Accelerate implementation of a sustainable business strategy in China



The high level of growth experienced by our Safety Insurance business in Thailand this financial year was assisted by the superior quality of customer service it provided during the catastrophic floods that affected the country in 2011. Safety's Chief Executive Officer, Khun Suteechai Santivarakum, attributes the business' success to its customer centric approach, its commitment to timely service, and its employees' motivation and teamwork.

OUR COMMITMENTS

EMBEDDING SUSTAINABLE PRACTICES

We recognise that our business is part of society and we need to contribute to the value of society. Our ongoing success depends on our understanding of and response to the issues and opportunities critical to the long term interests of the many people who rely on us. We apply this way of thinking to the decisions we make every day.

GOOD BUSINESS SENSE

For more than 10 years, IAG has focused on building a culture where driving sustainable outcomes is ingrained in the way we think and do business. We recognise the essential role insurance plays in society and the economy – we are entrusted to help people, businesses and broader communities manage risks and recover from the hardship of unexpected loss. This responsibility motivates our daily decisions and shapes our actions to ensure the proactive management of risk is an outcome of everything we do, ultimately creating more resilient and sustainable communities.

IAG has governance systems – structures, values, principles, frameworks and policies – to define our decision-making context and the boundaries for managing our operations sustainably. Responsibility for adhering to these systems sits at every level of the organisation. IAG's Board takes overarching responsibility for monitoring the development, implementation and reporting of IAG's approach to the proactive management of risk that drives sustainable outcomes and how effectively IAG responds to stakeholders. Further information about IAG's approach to embedding sustainable practices can be found at www.iag.com.au/sustainable

UNEPFI PRINCIPLES FOR SUSTAINABLE INSURANCE

IAG is the only Australian-based general insurer that is a signatory to the Principles for Sustainable Insurance (PSI) launched in June 2012 as part of the United Nations Environment Programme Finance Initiative (UNEPFI). The PSI is a set of voluntary global principles to guide insurers to embed in their decision making relevant environmental, social and governance issues; work together with clients and business partners to raise awareness of these issues, manage risk and develop solutions; and work together with governments, regulators and other key stakeholders to promote widespread action across society. IAG Chief Strategy Officer, Leona Murphy, co-chairs the UNEPFI PSI Board.

As a signatory, we are committed to demonstrating accountability by regularly disclosing our progress in implementing the PSI. In addition to the information in this 2013 annual review, we have also provided PSI disclosure online at www.iag.com.au/sustainable/approach/UNPSI.shtml

MATERIAL ISSUES IN 2013

Our actions continue to be directed toward the issues and opportunities that are most material to our business and all the people who rely on us. These are identified from a wide range of sources, including active engagement with our stakeholders. What we learn helps us discover emerging trends and better understand and respond to what matters most. The issues identified as material in 2013 remained broadly consistent with 2012. They are:

- **CUSTOMER EXPERIENCE:** Meeting the evolving needs of current and future customers is fundamental to long term success. Shifts are evident in the way people buy and claim on insurance. To establish and retain customers' loyalty, trust and confidence requires constant evolution in our response.
- **INSURANCE AFFORDABILITY:** The affordability of insurance is an important social issue. While insurance is generally available and accessible to the wider community, affordability remains an issue for our industry and the communities we serve. This is contributing to the risk of under-insurance and non-insurance.
- **COMMUNITY RESILIENCE:** Building community resilience is vital to reducing the cost of increasing risks to lives, livelihoods and property. Improving understanding of the risks people face is critical to improving safety on our roads, and in our homes and businesses. The threat to lives and property from the rising number of increasingly severe natural perils is of particular concern.
- **WORKPLACE CULTURE AND CAPABILITY:** Attracting and retaining the right people in the right roles and developing capability and a pipeline of leaders are fundamental to our ability to address the challenges of the future. We must harness and build diversity of thought, make our workplaces safer and develop a strong performance culture.

PROGRESS AGAINST COMMITMENTS

To help us respond to these material issues, we focus on a series of commitments which represent long term objectives for IAG. Our commitments and progress in 2013 are summarised on the facing page.

RECOGNITION FOR IAG'S SUSTAINABLE PRACTICES



FTSE4GOOD INDEX

Included in the FTSE4Good Index series for the ninth consecutive year.



DOW JONES SUSTAINABILITY INDEX

Ranked in the Dow Jones Sustainability Index in 2012, a ranking IAG has consistently achieved since first participating in 2006.



CDP

Included in the CDP 2012 ASX 200 Carbon Disclosure Leadership Index for the seventh consecutive year. Included in the CDP 2012 ASX 200 Carbon Performance Leadership Index.



GLOBAL 100 MOST SUSTAINABLE CORPORATIONS IN THE WORLD

Included in the Global 100 Most Sustainable Corporations in the World 2013 list. IAG was one of only nine Australian companies to be listed.

Customers and communities

P22 – 23

OUR COMMITMENT

Improve customer advocacy/satisfaction scores across each of our businesses.

Introduce initiatives to help protect and preserve the personal, business and infrastructure assets and lifestyles of communities at risk from natural perils.

Increase general awareness and understanding of risks at home and on the road, leading to better informed decisions and risk reduction.

Increase general awareness of the need to improve driver behaviour to reduce the frequency and severity of road trauma.

Together with our distribution partners, improve risk awareness among small to medium sized enterprises.

PROGRESS IN 2013

While business volumes have increased, customer advocacy scores held relatively stable or experienced declines.

Introduced new products including life, income protection and bicycle insurance under the NRMA Insurance brand; remained focused on business risk advisory, continuing community partnerships and understanding and addressing the risks of natural perils.

Continued to provide tools to help people manage risks, eg the NRMA Safety Rating tool, the *need2know* project in New Zealand and the establishment of a Road Safety Council. Increased our community investment, with a focus on groups or partnerships which aim to reduce risk.

Continued to conduct physical research related to road safety, share findings and advocate for improved driver behaviours using a range of channels including social media to help educate customers. This was a key focus of our Road Safety Council. Invested in community partnerships targeting road safety.

Focused on developing initiatives to improve small to medium sized enterprise resilience to business interruption and enhance their flood preparedness.



Our people

P24

OUR COMMITMENT

Continue to develop and implement initiatives which harness the diversity of our workforce, with a focus on gender, ethnicity and age.

Increase the number of women in senior management positions to 33% by 2015.

Improve the depth and breadth of leadership capability.

Actively work towards the desired culture for each of our businesses.

Reduce our lost time injury frequency rate to 1.8.

PROGRESS IN 2013

Broadened approach to encompass diversity of thought, supported by programmes to develop inclusive leaders and new policies, such as the welcome back lump sum for employees returning from parental leave.

The number of women in senior management positions across the Group remained unchanged at 29%.

Implemented development programmes, including Agile Leaders. Career development and leadership form a central role in the new employee value proposition.

Launched a broad programme reaffirming for our people what it means to work at IAG, our values and what we stand for as an organisation.

Refreshed workplace safety policies and expanded health and well-being activities contributing to improvements in our lost time injury frequency rate this year to 2.35, down from 2.79 in the prior year.



Natural environment

P25

OUR COMMITMENT

Work collaboratively with governments to change public policy and increase investment in building safer, more resilient communities better able to withstand natural disasters.

Reduce our CO₂e emissions per full time equivalent employee and maintain our carbon neutrality commitment across all our operations.

PROGRESS IN 2013

Formed the Australian Business Roundtable on Disaster Resilience & Safer Communities and continued to participate in relevant government reviews.

CO₂e emissions per full time equivalent employee declined by 7.5%. The Group also remains carbon neutral by purchasing voluntary carbon units in line with offset purchasing guidelines.



ACHIEVED



SIGNIFICANT PROGRESS



IN PROGRESS



SOME PROGRESS

OUR CUSTOMERS AND COMMUNITIES

Putting customers at the heart of our operational decisions saw the introduction of many initiatives designed to meet evolving needs and expectations. We continued to invest in improving the understanding of risk, its prevention and reduction, ultimately leading to improving resilience.



HOUSE LIFTS GET OFF THE GROUND

A high-lift hydraulic jack, developed by local firm Smith Cranes and Construction, provides an innovative solution to repairing earthquake damage to customers' homes in New Zealand. IAG was the first insurer to use this system. The home pictured was lifted and held at 2.7 metres for three weeks while the damaged concrete foundation pad was broken up, removed and replaced with a new foundation.

IMPROVING CUSTOMER EXPERIENCES

Our customers' expectations of us are, justifiably, high. We constantly evolve our response to retain loyalty, trust and confidence. This means having an intimate understanding of our customers' expectations, offering insurance products they need in the way that suits them and delivering exceptional customer experiences at every interaction. It also means helping manage risks to keep premiums affordable, and getting customers back on the road, into their homes or businesses, or replacing their goods as quickly as possible.

The customer performance measures we use across our businesses are demanding. The scores achieved by our businesses were relatively stable or declined during the year. We have closely examined the drivers of these scores to identify where and how we can improve and this has led to investment in a range of initiatives.

In our Australia Direct business, we have introduced self-service tools to improve our online channels and added new products, including life and bicycle cover, and we continued to deepen and apply knowledge to the ongoing design of our services. CGU, our Intermediated business, completed the roll-out of flood cover on all home, contents and landlords' policies and engaged closely with intermediaries and their customers to better understand their future insurance needs.

In New Zealand, we continued to work through the complex issues following the devastating Canterbury earthquakes of 2010 and 2011. We launched a national public education campaign, *need2know*, to support homeowners making the change from 'open ended' to 'specified sum insured' home insurance policies, triggered by the need to provide reinsurers with greater certainty around their natural peril exposure. The scale and depth of this public education campaign were market-leading.

INSURANCE AFFORDABILITY

Insurance affordability remains a challenging issue as average premiums continue to rise, reflecting increasing frequency of natural disasters, higher reinsurance costs and increased claim costs. While insurance remains generally accessible to the wider community, it continues to be inaccessible for specific consumer groups, particularly those who live in areas subject to a very high risk of extreme weather events.

More can be done to address this important social issue. The solution requires long term collaboration between government, the insurance industry and the broader community. During the year, we continued to review our product design, coverage, pricing and payment options. For example, Australia Direct increased the range of options for excesses and improved the flexibility of loyalty rewards for customers.

Our continued commitment to improving the understanding of risk, its prevention and reduction is also critical to affordability. Communities that understand risk can reduce or prevent loss. Safer communities have fewer claims, and fewer claims ultimately lead to more affordable premiums.

RISK REDUCTION INITIATIVES

Our businesses continued to invest in initiatives, programmes and partnerships to promote safety and resilience at home, in business and on the road. We use our understanding of what is driving insurance claims to try to prevent those claims from occurring in the first place, and reduce their impact should a claim arise. Initiatives included:

- **NRMA INSURANCE SAFETY RATING:** an online tool to find out how safely you rate at home and on the road. A brief quiz from NRMA Insurance provides a safety rating out of 10 and offers easy-to-implement tips to improve safety.
- **VALUABLES VAULT APP:** a mobile app that lets you take snapshots, and store and organise important information about your assets or valuables. The app also makes it easier to make a claim if you need to.
- **CAR INSPECTOR APP:** instantly compare the latest car models for safety, fuel economy and environmental information in Australia.

COMMUNITY INITIATIVES

We continued to sponsor organisations which share our goal of making communities safer. In Australia, NRMA Insurance’s partnerships include those with NSW State Emergency Service, the NSW Police, the Salvation Army Emergency Services, the Queensland Fire and Rescue Services Safehome programme and Kidsafe. CGU continues to support its commitment to regional Australia through sponsorship of Chambers of Commerce business awards in Ballarat and Launceston.

In New Zealand, State Insurance continued major partnerships with Swimming New Zealand, Surf Life Saving New Zealand and the State New Zealand Ocean Swim Series, and is entering its tenth year of promoting road safety under State Driver Reviver. Our investment in swimming has enabled more than 193,000 children to participate in the State Kiwi Swim Safe programme over the past three years, learning vital skills needed to survive in water and reduce the risk of drowning. In Asia, adding to our joint ventures’ existing community partnerships, IAG’s team in Vietnam participated in the Lawrence Ting Charity Walk, the largest charity walk in Vietnam, to raise funds for the poor.

In June 2013, the CGU Foundation was established with an initial contribution of \$1 million, to provide support for charity partners including Lifeline and The Smith Family. The Foundation will also provide community connections for CGU people, through workplace giving, fundraising and volunteering.

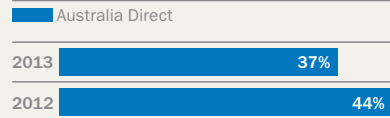
For the eleventh consecutive year, our Australia Direct business’ Community Grants programme provided funding to groups focused on crime prevention, road safety, emergency readiness and response and the environment. This year, 121 successful recipients were awarded funding of more than \$500,000.

IAG engaged with Indigenous communities in Australia to enhance the way we address Indigenous issues. We have joined the Career Trackers programme to provide work experience opportunities for Indigenous university students and we are actively identifying other appropriate activities.

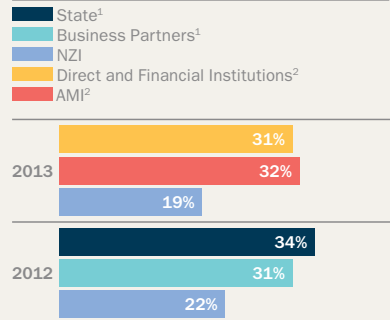
FRONTLINE ADVOCACY

FRONTLINE ADVOCACY SCORES

AUSTRALIA



NEW ZEALAND

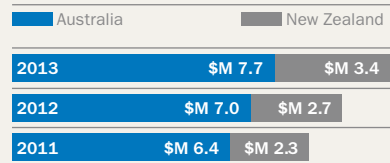


1 Included in Direct and Financial Institutions in 2013
2 Direct and Financial Institutions and AMI not reported on in 2012

Business volumes increased during the year. Frontline advocacy measures held relatively stable or declined. We have closely examined the drivers of these scores and have identified initiatives to improve these.

COMMUNITY INVESTMENT

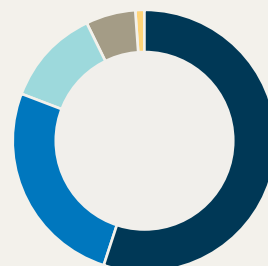
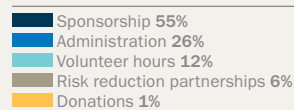
AUSTRALIA AND NEW ZEALAND COMMUNITY INVESTMENT³



3 The figures reported for community investment in 2012 and 2011 represent cash paid out only. In 2013, community investment also includes funds committed for the year but not yet paid. This is a more accurate measurement as it recognises the investment in the period it is incurred. The difference in calculations under the two reporting methods is immaterial

Our community investment in Australia and New Zealand increased by 14.4% to \$11.1 million compared to the prior year. This reflects our continued commitment to support community groups and partners who work to reduce risks.

AUSTRALIA AND NEW ZEALAND COMMUNITY INVESTMENT BY TYPE



OUR COMMITMENTS

OUR PEOPLE

We continued to invest in developing the capabilities and leadership skills of our people and harnessing the power of bringing together almost 13,000 people to work towards common goals.

WORKING TOWARDS COMMON GOALS

During the year, we reaffirmed for our people what it means to work at IAG, our values and what we stand for as an organisation. While our businesses have different markets, brands and customers, as a Group we share a common purpose to help people manage risk and recover from the hardship of loss. We can unlock real value by recognising the similarities and leveraging capability across our businesses.

We also articulated IAG's expectations of employees and what they can expect in return. This included a commitment to making career and development opportunities our key point of difference from other employers and continuing to improve employment experiences in the areas of diversity, inclusion and flexibility; values and culture; and reward.

BUILDING LEADERSHIP CAPABILITY

We refreshed our development programmes with an emphasis on building the knowledge and skills required to address the challenges of the future and providing opportunities for our people to perform to their fullest potential. This included the Agile Leaders programme designed to challenge our top 100 leaders through a reflective rather than traditionally academic model. A new approach to the way we manage talent and succession is providing clearer visibility of our talent base across IAG; deepening and broadening our leadership succession pipeline; and creating a more mobile workforce.

VALUES AND CULTURE

What we value – performance, integrity, respect and a considered sense of urgency – are the foundation of what we stand for. We are committed to building a culture where our people truly live these values, whatever their region, division or function. During the year, a consistent survey methodology was used across the Group for the first time to measure culture. The outcome was positive, with the Group results outperforming the financial services sector.

DIVERSITY AND INCLUSION

We took further steps to build an inclusive workplace where our people's different perspectives are valued and we challenge bias. We are also making flexible working arrangements a priority because we know they can make a real difference to our people, whatever their life stage.

From a gender diversity perspective, 29% of all senior management roles were held by women. We continue to target 33% by 2015. Initiatives introduced to support this included a requirement for candidate short lists for all senior manager roles to have at least one credible applicant from both genders; and a family support programme to assist people caring for children or the elderly. We are also addressing diversity and bias in our senior leader and manager training. Last year's introduction of a welcome back lump sum payment for employees returning to work after having a child has helped increase retention among parental leave takers. IAG continues to offer one of the most generous parental leave programmes in the Australian financial services industry.

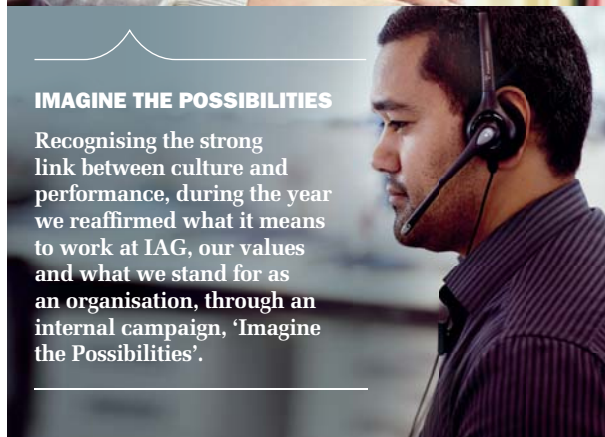
IMPROVING EMPLOYEES' WELL-BEING

The measure of our employees' safety and well-being, our lost time injury frequency rate, improved in our businesses in Australia and New Zealand during the year to 2.35, from 2.79 in the prior year. To move us towards our target of 1.8, we refreshed our safety policies and procedures and expanded our health and well-being programmes to include activities on nutrition, sleep, stress and exercise.



IMAGINE THE POSSIBILITIES

Recognising the strong link between culture and performance, during the year we reaffirmed what it means to work at IAG, our values and what we stand for as an organisation, through an internal campaign, 'Imagine the Possibilities'.



PEOPLE INDICATORS

REPRESENTATION OF WOMEN IN THE WORKFORCE¹

	2013	2012	2011
Total workforce	60%	59%	59%
Senior management positions	29%	29%	28%
Executive positions	29%	25%	25%
Board positions	25% ²	25%	25%

The number of women in senior management roles across the Group remained at 29% (we are targeting 33% by 2015).

MALE:FEMALE ANNUAL SALARY RATIOS (\$) ^{1,3}

	2013	2012	2011
General employees	1.17:1	1.17:1	1.16:1
Manager/ Senior Specialist	1.14:1	1.16:1	1.17:1
Senior Manager	1.06:1	1.13:1	1.12:1
Heads Of/ General Manager	1.15:1	1.08:1	1.09:1

¹ This only includes Australia and New Zealand

² Following the appointment of Dr Nora Scheinkestel from 1 July 2013, this has increased to 33%

³ The 2013 Male:Female annual salary ratios are weighted to allow for exchange rate and salary level differences between Australia and New Zealand. We have re-stated prior years for comparison

THE NATURAL ENVIRONMENT

We took major steps to promote the need for greater investment in building community resilience to protect lives, livelihoods and property from increasingly frequent and severe natural perils. We also continued to reduce our own carbon footprint and remained carbon neutral.

BUILDING COMMUNITY RESILIENCE

The natural disasters that have affected Australia, New Zealand and Asia in recent years have highlighted communities' vulnerability to these events, with damage to private property and public infrastructure reaching well into the billions of dollars. We continue to help our customers in affected areas to rebuild.

In addition, the associated rise in reinsurance costs, coupled with taxes and levies on insurance policies, saw rises in average premiums for home and motor insurance customers across Australia and New Zealand over the past 12 months.

For some years, IAG has advocated the need to develop a more resilient built environment to reduce communities' vulnerability. We accelerated these efforts in the past year, focusing on the importance of where communities build, how they build and how to effectively reduce the impact of catastrophes when they occur.

We championed the need to change public policy in the areas of disaster resilience and safer communities to actively improve the capacity of people and businesses to better withstand natural disasters. We also continued to contribute to national debate in Australia by participating in major government-led inquiries and reviews, including the Senate Standing Committee Inquiry into Recent Trends in and Preparedness for Extreme Weather Events and the Productivity Commission Inquiry into Regulatory and Policy Barriers to Effective Climate Change Adaptation. Since 2011, we have participated in nine such inquiries. In New Zealand, we continued to contribute significantly to the nation's efforts to tackle the many complexities involved in improving the resilience of the built environment to future natural perils, particularly earthquakes.

REDUCING OUR OWN FOOTPRINT

Across our businesses, we implemented innovative solutions to drive business efficiencies which also contribute to our efforts to reduce the Group's CO₂e emissions.

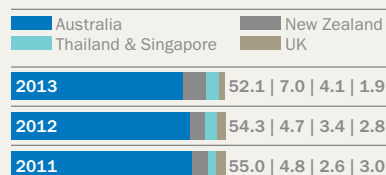
CGU moved from using a traditional auction house for selling salvaged vehicles to an online auctioneer, Autorola. The move is generating clear financial savings while significantly reducing environmental impact by minimising the need to run a huge centralised auction house and to move vehicles in and out. Autorola has calculated that trading 5,000 vehicles online can save more than 460 tonnes of CO₂e emissions.

We introduced new technology to change the way we print at 11 major sites across Australia, to reduce paper, toner and energy consumption. In our data centre we have further reduced energy consumption by rationalising hardware, moderating temperature controls and improving air flow.

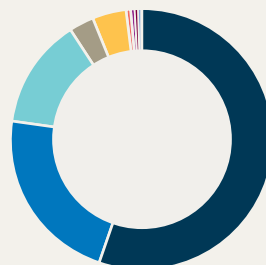
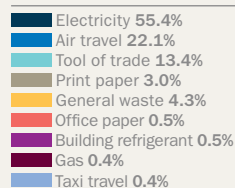
We maintained our carbon neutral position as a result of the voluntary carbon units purchased in line with our offset purchasing guidelines in 2012. These were purchased via a carefully selected portfolio of four projects, each of which meets IAG's strict purchasing criteria and aligns with our focus on the proactive management of risk. More information can be found at www.iag.com.au/sustainable

ENVIRONMENT INDICATORS

GROUP EMISSION PROFILE BY DIVISION (TONNES '000 CO₂e)



GROUP EMISSION PROFILE BY INDICATOR (% CO₂e)



Total Group CO₂e emissions remained relatively the same compared to 2012. While some areas of the business declined, others increased due to business changes. For example, AMI is included for the first time in 2013 for New Zealand. The total represents a 7.5% reduction per full time equivalent employee from 5.3 tonnes to 4.9 tonnes. Areas that achieved reductions were mainly attributable to lower consumption of fuel by the tool of trade fleet in IAG's Australian operations and electricity use as a result of site closures.

BOARD OF DIRECTORS

THE BOARD

IAG's Board of Directors represents and serves the interests of shareholders. It oversees and appraises the strategies and performance of IAG and ensures there is a proper governance framework to protect IAG's interests for the benefit of its stakeholders.



BRIAN SCHWARTZ AM
FCA, FAICD

Chairman and Independent Non-executive Director Member, People and Remuneration Committee

Brian was appointed in January 2005 and became Chairman in August 2010. He is the Deputy Chairman of Westfield Group Limited and a Director of Brambles Limited. Brian is also Chairman of Insurance Manufacturers of Australia Pty Limited, a general insurance underwriting joint venture with RACV Limited and a Director of IAG Finance (New Zealand) Limited.



MIKE WILKINS
BCom, MBA, DLI, FCA, FAICD

Managing Director and Chief Executive Officer

Mike was appointed Managing Director and Chief Executive Officer in May 2008. He is a member of the Financial Sector Advisory Council, a Director of Maple-Brown Abbott Limited and a Director of IAG Finance (New Zealand) Limited.



YASMIN ALLEN
BCom, FAICD

Independent Non-executive Director Chairman, People and Remuneration Committee Member, Audit, Risk Management & Compliance Committee

Yasmin was appointed in November 2004. She is a Director of Cochlear Limited, Chairman of Macquarie Specialised Asset Management, National Director of the Australian Institute of Company Directors, a Director of the National Portrait Gallery and a member of the Salvation Army advisory board.



PETER BUSH
BA, FAMI

Independent Non-executive Director Member, People and Remuneration Committee

Peter was appointed in December 2010. He is Chairman of Pacific Brands Limited and has extensive experience in marketing, brands and consumer behaviour gained through a career spanning more than 30 years in the fast moving consumer goods and retail industries.



ALISON DEANS
BA, MBA, GAICD

Independent Non-executive Director Member, Audit, Risk Management & Compliance Committee

Alison was appointed in February 2013. She is CEO of Netus and has over 20 years' experience in general management and strategy consulting roles focused on e-business and media/entertainment industries in Australia.



HUGH FLETCHER
BSc/BCom, MCom (Hons), MBA

Independent Non-executive Director Member, Audit, Risk Management & Compliance Committee

Hugh was appointed in September 2007. He is a Director of Rubicon Limited, Vector Limited and IAG Finance (New Zealand) Limited, and a trustee of The University of Auckland Foundation.



RAYMOND LIM
BEcon, BA, LLM

Independent Non-executive Director Member, People and Remuneration Committee

Raymond was appointed in February 2013. He is Chairman of APS Asset Management and senior advisor to the Swire Group. He is a Member of the Singapore Parliament.



DR NORA SCHEINKESTEL
LLB (Hons), PhD, FAICD

Independent Non-executive Director

Nora was appointed in July 2013 and the Board proposes to appoint her to the Audit, Risk Management & Compliance Committee. She is Associate Professor at the Melbourne Business School at the University of Melbourne, a member of the Takeovers Panel and a fellow of the Australian Institute of Company Directors. Nora is a Director of Telstra Corporation Limited and Orica Limited.



PHILIP TWYMAN
BSc, MBA, FAICD

Independent Non-executive Director Chairman, Audit, Risk Management & Compliance Committee

Philip was appointed in July 2008. He is a Director of Swiss Re (Australia) and Tokio Marine Management (Australasia) Pty Ltd.

Full biographical details of the Directors are available on our website (www.iag.com.au).

Reporting to Mike Wilkins are the members of his Executive team, who feature on the reporting pages throughout this annual review. They are: **Andy Cornish**, CEO Australia Direct; **Peter Harmer**, CEO CGU; **Jacki Johnson**, CEO New Zealand; **Justin Breheny**, CEO Asia; **Nick Hawkins**, CFO; and **Leona Murphy**, CSO. Detailed biographies for all members of the Executive team are available on our website (www.iag.com.au).

REMUNERATION

IAG's Board is committed to ensuring the remuneration report complies with the Corporations Act 2001, and also presents executive remuneration in a consistent, concise and simple manner.

IAG reported a strong performance for the year ended 30 June 2013. A clear focus on the Group's strategic priorities has delivered further improvement in the Group's underlying business performance. Gross written premium increased by 11.8% and insurance margin by 570 basis points. In line with this performance, short term incentive outcomes have increased compared to last year. The link between company strategy and performance and short term incentive outcomes is driven through our Group Balanced Scorecard. In order to address shareholders' requests and provide for greater visibility of performance measures we have included more detail of our Balanced Scorecard measures on page 34 of the annual report.

This year, the executives were rewarded under the long term incentive plan, with portions of the awards granted in 2008, 2009 and 2010 vesting based on IAG's total shareholder return result relative to the chosen peer group. The 50% portion of the awards granted in 2007, 2008 and 2009 subject to a return on equity hurdle did not meet the required performance levels and did not vest, however, after three years of sustained focus on improving performance, the awards granted in 2010 are expected to achieve full vesting.

As in previous years, we have voluntarily disclosed the actual remuneration received by executives in addition to meeting statutory reporting obligations. This information is provided on the next page of this annual review, and on page 29 of the 2013 annual report.

There have been no significant changes to the executive remuneration structure during the year however the terms and conditions of the long term incentive plan have been revised for grants from 1 July 2013 onwards. The change implemented removes re-testing of the total shareholder return performance hurdle, which will be subject to a four year performance period moving forward. This change aligns with market practice and responds to shareholder concerns expressed last year.

These two pages contain extracts from IAG's 2013 remuneration report. The complete remuneration report appears on pages 26 – 42 of the 2013 annual report.

INDEPENDENT NON-EXECUTIVE DIRECTORS	IAG BOARD FEES RECEIVED AS CASH ¹	SHORT TERM EMPLOYMENT BENEFITS	OTHER BOARDS AND COMMITTEE FEES	SUPER- ANNUATION	POST EMPLOYMENT BENEFITS	RETIREMENT BENEFITS	OTHER LONG TERM EMPLOYMENT BENEFITS	TERMINATION BENEFITS	SHARE-BASED PAYMENT	TOTAL REMUNERATION
2013 2012	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Brian Schwartz	540 523	220 208	19 24	– –	– –	– –	– –	– –	– –	779 755
Yasmin Allen	169 166	63 63	16 16	– –	– –	– –	– –	– –	– –	248 245
Peter Bush	165 162	24 28	17 17	– –	– –	– –	– –	– –	– –	206 207
Alison Deans	69 –	11 –	7 –	– –	– –	– –	– –	– –	– –	87 –
Hugh Fletcher	165 162	112 109	17 17	– –	– –	– –	– –	– –	– –	294 288
Raymond Lim	69 –	7 –	7 –	– –	– –	– –	– –	– –	– –	83 –
Philip Twyman	168 165	55 55	16 16	– –	– –	– –	– –	– –	– –	239 236
NON-EXECUTIVE DIRECTORS WHO CEASED AS KEY MANAGEMENT PERSONNEL										
Phillip Colebatch	27 162	2 18	3 16	– –	– –	– –	– –	– –	– –	32 196
Anna Hynes	96 162	10 34	10 18	– –	– –	– –	– –	– –	– –	116 214

¹ This balance included the portion of the company's superannuation contribution that the Directors elected to receive as cash instead of paying it into their nominated superannuation fund

DIRECTOR AND EXECUTIVE REMUNERATION (CONTINUED)

2013 REMUNERATION SNAPSHOT (NOT AUDITED)

The actual remuneration paid to executives during the current and previous financial years is set out below. Disclosure of actual remuneration is provided voluntarily for increased transparency. It includes fixed remuneration, other benefits and leave accruals, termination payments and cash short term incentive (STI) paid, as well as any deferred STI or long term incentive (LTI) that vested in the relevant financial year. For remuneration details provided in accordance with the Accounting Standards refer to Section E starting on page 39 of the 2013 annual report.

EXECUTIVES	FIXED PAY ^(a) 1	OTHER BENEFITS AND LEAVE ACCRUALS ^(b) 2	TERMINATION PAYMENTS ³	CASH STI ⁴	DEFERRED STI VESTED ⁵	LTI VESTED ⁶	TOTAL REMUNERATION RECEIVED ⁷
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
2013							
2012							
Mike Wilkins	2,039 1,992	229 230	– –	1,679 1,567	558 388	1,593 746	6,098 4,923
Justin Breheny	898 877	294 310	– –	577 587	230 185	607 296	2,606 2,255
Andy Cornish	1,016 990	73 75	– –	632 600	280 154	557 249	2,558 2,068
Peter Harmer	972 932	(1) 62	– –	659 504	84 –	– –	1,714 1,498
Nick Hawkins	976 956	27 93	– –	662 568	229 160	624 305	2,518 2,082
Jacki Johnson	907 863	70 124	– –	542 505	194 172	608 296	2,321 1,960
Leona Murphy	879 862	7 58	– –	575 512	198 139	496 251	2,155 1,822
EXECUTIVES WHO CEASED AS KEY MANAGEMENT PERSONNEL							
Ian Foy	737 698	716 371	524 –	296 287	146 105	374 200	2,793 1,661

NOTES

(a) Fixed remuneration (base salary and superannuation) included an average pay increase of 2% effective September 2012.

(b) Changes in other benefits and leave accruals from the prior year were mainly due to:

- movement in annual and long service leave accruals; and
- for those executives located overseas, other benefits for the year ended 30 June 2013:
 - Justin Breheny, accommodation, health insurance, tax compliance and airfares for home visits of \$266,337;
 - Jacki Johnson, accommodation allowances and other benefits of \$45,794 (NZ\$57,203); and
 - Ian Foy, retention payments of \$581,772 (£380,833), \$91,516 being the cash value on vesting of half of the 44,300 DAR awarded under a 2011 retention arrangement, annual leave accrual paid out on termination of \$21,706 (£14,209) which is equivalent to 9.5 days, and other recurring allowances and benefits of \$20,990 (£13,740).

DEFINITIONS

- 1 Represents base salary plus superannuation.
- 2 Includes benefits such as a 30% tax rebate on car allowances and movements in annual leave and long service leave accruals during the relevant financial year.
- 3 Termination payment of \$524,168 (£343,125).
- 4 Represents 2/3 of the STI for the relevant financial year, with the exception of Ian Foy who was paid his entire STI in cash. Details are provided in the table on page 35 of the annual report in Section D.
- 5 Deferred STI that vested in the relevant financial year. Details are provided in the table on page 35 of the annual report in Section D. The 5-day weighted average share price used to value the deferred STI at vesting date is \$3.40 for awards vested on 1 July 2012 and \$4.13 for awards vested on 1 September 2012 (2012-\$3.37 for all awards).
- 6 LTI that vested in the relevant financial year. Details are provided in the table of LTI on page 37 of the annual report in Section D. The 5-day weighted average share price at vesting date is \$4.38 (2012-\$3.01).
- 7 Total remuneration received in the relevant financial year (ie sum of columns 1 to 6).

KEY DATES

2013 financial year end	30 June 2013
Full year results and dividend announcement	22 August 2013
Notice of meeting mailed to shareholders	5 September 2013
Final dividend for ordinary shares	
Record date	11 September 2013
Payment date	9 October 2013
Annual general meeting	30 October 2013
Half year end	31 December 2013
Half year results and dividend announcement	20 February 2014*
Interim dividend for ordinary shares	
Record date	5 March 2014*
Payment date	2 April 2014*
2014 financial year end	30 June 2014
Full year results and dividend announcement	21 August 2014*

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

2013 ANNUAL GENERAL MEETING

IAG's 2013 annual general meeting will be held on Wednesday, 30 October 2013, at the Wesley Conference Centre, 220 Pitt Street, Sydney NSW 2000, commencing at 10.00am. Details of the meeting, including information about how to vote, will be contained in our notice of meeting, which will be mailed to shareholders, and available online at www.iag.com.au, from Thursday, 5 September 2013.

RECYCLED PAPER CHOICE

This review is printed on Revive Laser recycled paper. Revive Laser is an Australian made, 100% recycled FSC certified paper. It is also certified Carbon Neutral under the Australian Government's national carbon Offset Standard. Pulp is Process Chlorine Free (PCF) and manufactured in an Australian ISO 14001 certified mill.

MORE INFORMATION

More detailed information is contained in IAG's 2013 annual report, including full statutory accounts, and the directors', remuneration and corporate governance reports for the 2013 financial year. To have a copy of the annual report mailed to you, contact IAG's Share Registry using the contact details on the back cover.

SCOPE AND ASSURANCE OF SUSTAINABILITY REPORTING

Page 3, pages 10 – 11 and pages 20 – 25 of this review provide an outline of our approach to, and performance in, developing a sustainable business during the year to 30 June 2013. These pages contain quantitative and qualitative information for IAG's controlled operations in Australia, New Zealand and Thailand, and our Singapore office. We developed the sustainability content in line with the Global Reporting Initiative (GRI) 3.1 guidelines, including the financial services sector supplement. IAG has assessed its sustainability disclosures to a 'B' application level. In 2013, we engaged independent assurance providers Net Balance to assure IAG's sustainability indicators as presented online in the Data Summary. Selected sustainability indicators have also been presented in this annual review. The sustainability indicators were assured to a limited level using the ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* standard. The sustainability content of this annual review was also reviewed against the GRI's Reporting Principles for Defining Content. Results of the assurance can be found in the assurance statement provided by Net Balance. A glossary of terms which describes the scope of sustainability data included in our content, complete data summary, GRI content index and assurance statement are all available at www.iag.com.au/sustainable

GLOSSARY

APRA is the Australian Prudential Regulation Authority.

CREDIT SPREAD is the difference between the average yield to maturity of the portfolio of non-government securities and the average yield to maturity of the liability profile, valued using Commonwealth Government of Australia yields.

GROSS WRITTEN PREMIUM (GWP) is the total amount of insurance premiums that we sold to customers.

INSURANCE MARGIN represents our insurance profit as a percentage of our net earned premium.

INSURANCE PROFIT is our underwriting result plus the investment income on assets backing our technical reserves.

LIFE AND GENERAL INSURANCE CAPITAL (LAGIC) is APRA's revised regulatory capital regime, which came into effect from 1 January 2013.

LONG TAIL classes of insurance are those such as CTP and workers' compensation where the average period is generally greater than 12 months between the time when earned premiums are collected and final settlement of claims occurs.

NET EARNED PREMIUM (NEP) is gross earned premium less reinsurance expense.

NET PROFIT AFTER TAX is our net result, after allowing for income taxes and the share of profit owing to non-controlling interests.

PRESCRIBED CAPITAL AMOUNT (PCA) as defined by APRA under its LAGIC regime.

RISKS IN FORCE refers to the subject matter that an insurance policy or contract protects (eg, number of vehicles, houses, employees). An insurance policy may cover one risk or many risks, depending on the terms of the policy. Risks in force are a measure of the total number of risks covered by an insurance company at a point in time.

SHAREHOLDERS' FUNDS is the investment portfolio of assets we hold in excess of the amount backing technical reserves; it represents shareholders' equity not used in day-to-day operations.

TECHNICAL RESERVES are the investments we hold to back the outstanding claims liability and unearned premium, net of recoveries and premium debtors.

UNDERLYING MARGIN is defined by IAG as the reported insurance margin adjusted for net natural peril claim costs less related allowances; reserve releases in excess of 1% of NEP; and credit spread movements.



AUSTRALIA DIRECT



AUSTRALIA INTERMEDIATED (CGU)



NEW ZEALAND



ASIA



100% owned unless indicated

¹ IAG's short tail personal insurance products are distributed in Victoria under the RACV brand, via a distribution relationship and underwriting joint venture with RACV Limited. ² IAG holds 98.6% voting rights in Safety Insurance, based in Thailand. ^{3,4} IAG owns 49% of the general insurance arm of Malaysian-based AmBank Group, AmGeneral Holdings Berhad, whose wholly-owned subsidiary trades under the AmAssurance and Kurnia brands. ⁵ IAG owns 26% of SBI General Insurance Company, a joint venture with State Bank of India. ⁶ IAG owns 20% of Bohai Property Insurance Company Ltd, based in China. ⁷ IAG owns 60.9% of AAA Assurance Corporation, based in Vietnam.

SHAREHOLDER INFORMATION

SHARE REGISTRY

COMPUTERSHARE INVESTOR SERVICES PTY LIMITED
GPO Box 4709
Melbourne Vic 3001 Australia

HAND DELIVERIES:

Level 4, 60 Carrington Street
Sydney NSW 2000 Australia

TELEPHONE:

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

REGISTERED OFFICE

INSURANCE AUSTRALIA GROUP LIMITED
Level 26, 388 George Street
Sydney NSW 2000 Australia

Telephone +61 (0)2 9292 9222
Facsimile +61 (0)2 9292 8072
Email investor.relations@iag.com.au
Website www.iag.com.au

ONLINE INFORMATION

To view other information about IAG and to manage your shareholding online, visit www.iag.com.au. You can also register to receive email news alerts when IAG makes important announcements.