

# LEADING THE WAY

**ROCKHAMPTON, QUEENSLAND,  
SURROUNDED BY FLOODWATERS**

The Fitzroy River at Rockhampton has a long history of flooding, most recently in 2013.

**IAG IS WORKING  
WITH ROCKHAMPTON  
REGIONAL COUNCIL**

to demonstrate the benefits of flood mitigation measures. Learn more on page 29.



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IAG's Executive team, shown here, has played a critical role in creating the successful organisation we have today, and together its members have the experience and skills needed to lead the more agile and customer-focused company we are becoming.

**CLAYTON WHIPP**  
CHIEF STRATEGY OFFICER

*"We will continue to make strategic choices that position us to respond to customer and partner needs, while delivering value for our shareholders, our people and the communities in which we operate."*

**JUSTIN BREHENY**  
CHIEF RISK OFFICER

*"Managing risk is central to the way we deliver value to shareholders, and to the sustainability of our business. An effective risk function protects the organisation and adds value to the decision-making process, leading to enhanced outcomes."*

**LEONA MURPHY**  
CHIEF TRANSFORMATION OFFICER

*"The Transformation team has been established to help build the new IAG, ensuring we successfully create a purpose-led organisation, implement our new operating model and bring together the best of IAG and the Wesfarmers insurance underwriting business."*

**ALEX HARRISON**  
CHIEF EXECUTIVE ENTERPRISE OPERATIONS

*"Enterprise Operations will deliver improved effectiveness and efficiency around support services to enable IAG's Personal and Commercial Insurance divisions in Australia to focus on meeting the needs of customers and partners."*

**NICK HAWKINS**  
CHIEF FINANCIAL OFFICER

*"We enter 2015 in a strong financial position, well-placed to obtain full value from the significantly increased scale we have created with the acquisition of the Wesfarmers insurance underwriting business."*

## 2014 Highlights

▲ 3.0%

**\$9,779 million**  
GROSS WRITTEN PREMIUM

▲ 10.6%

**\$1,579 million**  
INSURANCE PROFIT

▲ 110bps

**18.3%**  
REPORTED INSURANCE MARGIN

▲ 13%

**\$1,306 million**  
CASH EARNINGS

▲ 8.3%

**39 cps**  
FULL YEAR DIVIDEND

▲ 16.4%

**\$12.1 million**  
COMMUNITY INVESTMENT

**DUNCAN BRAIN**  
CHIEF EXECUTIVE ASIA

*"We have established a strong portfolio of businesses in five of our six target countries in Asia and made good progress in pursuing our final target, Indonesia, and we are building a real competitive advantage in these markets."*

**JACKI JOHNSON**  
CHIEF EXECUTIVE  
NEW ZEALAND

*"Having led through a period of significant market change, our focus is on continuing to improve the customer experience and strengthening the foundation of our industry leadership in New Zealand."*

**PETER HARMER**  
CHIEF EXECUTIVE  
COMMERCIAL INSURANCE

*"We have a unique opportunity to lead the commercial insurance market, bringing together the best of CGU and the Wesfarmers insurance underwriting business, and helping our people, our customers and our partners realise their full potential."*

**MIKE WILKINS**  
MANAGING DIRECTOR  
AND CEO

*"IAG will use its increased size and focus to generate better customer experiences and take a greater leadership role, identifying opportunities to influence the way our industry operates and drive positive change in the communities we protect."*

**ANDY CORNISH**  
CHIEF EXECUTIVE  
PERSONAL INSURANCE

*"The 2015 financial year marks a new chapter in our legacy as Australia Direct becomes the core of IAG's Personal Insurance division – the leading personal insurance provider with an unrivalled stable of brands and distribution channels to protect Australian families."*

# OUR AMBITION IS TO BE THE WORLD'S MOST RESPECTED GROUP OF GENERAL INSURANCE COMPANIES

Our **strategy** is focused on leveraging our market leadership in general insurance and risk management to create superior value for customers, partners, employees, shareholders and the community.

Our work to create value for all these groups is captured in how we help people, businesses and communities manage risk and recover from the hardship of loss, helping build safer, stronger and more resilient communities.

We have **strategic priorities** that guide our efforts to achieve our strategy:

## Maintain leading market position in personal and commercial insurance in Australia and New Zealand

Through our iconic brands, IAG is the market leader in personal insurance in Australia and New Zealand.

The acquisition of the Wesfarmers insurance underwriting business creates market leadership in commercial insurance in Australia, and cements IAG's existing leadership position in New Zealand.

[Read more about our performance in Australia and New Zealand on pages 10 – 13 and 14 – 15 respectively.](#)



## Secure and grow our businesses in Asia

Our growth in Asia is progressing to plan, as our business moves to a phase of further developing our operations and enhancing risk management and governance. We have committed increased capability to the region to help us achieve the potential of the broader Asian platform in the medium to longer term.

[Read more about our performance in Asia on pages 16 – 17.](#)

## Drive customer centricity

Putting the customer at the centre of what we do remains a key priority. We completed significant work in 2014 to develop new ways for our businesses to be leaders in the areas of superior customer experiences and value.

[Read more about our work to enhance our customers' experiences on pages 20 – 21.](#)

## Embed shared value strategy

As part of our shared value strategy, we continue to look for ways to improve safety on the road and in the home, and to find ways to improve the resilience of small-to-medium-sized businesses. We have taken a leadership role in protecting customers and making communities safer through our participation in the Australian Business Roundtable for Disaster Resilience & Safer Communities (Roundtable).

In July 2014, the Roundtable released a report, *Building an Open Platform for Natural Disaster Resilience Decisions*, which provides an overview of natural disaster data and research in Australia. This report extends the work of the Roundtable's previous White Paper, *Building our Nation's Resilience to Natural Disasters*. We also continue to explore ways to maximise the impact of our natural disaster response and recovery programmes, and we are the co-chair of the United Nations Environment Programme Finance Initiative Principles for Sustainable Insurance Board, leading the global resilience project on its behalf.

[Read more about our work to make communities safer and more resilient on pages 22 – 23.](#)

## Explore new growth opportunities

We continue to explore long term growth opportunities, including solutions to improve insurance affordability and ventures to commercialise our expertise in the identification and management of risk.

## We have five strategic targets to consider how we are performing and achieving our strategy:

### Long term financial targets:

- Top quartile total shareholder return
- 15% cash return on equity

### We are also developing non-financial targets around:

- Secure position in target markets
- Most recommended insurer in chosen markets by our customers, our partners and our people, and
- Acknowledged leaders in risk



# WE ARE PROUD OF OUR LEADERSHIP POSITION



I am extremely proud of what our company has achieved this year as we cemented our position as the leading general insurer in Australia and New Zealand, and continued to build on the growth opportunities we see in Asia.

Our success is evident in the strength of this year's financial results. Our profit after tax has increased by nearly 60% to \$1,233 million, and our cash earnings increased by 13% to \$1,306 million.

## PURSUING OUR STRATEGIC PRIORITIES

The Board has continued to work closely with management as we pursued our strategic priorities. It has been especially gratifying to see the outcomes which have been achieved, not the least of which was the successful acquisition of the Wesfarmers insurance underwriting business, which was completed on 30 June 2014. This transaction offers us a compelling strategic opportunity and we look forward to seeing the benefits flow through to the Group next year when the business contributes to our results.

Having achieved these milestones, and recognising the changing nature of insurance and customer expectations, management has considered how we might best be organised to face the future. The Board supported management's decision to build on our position of market strength to introduce a new structure for our Australian businesses, which our Managing Director and CEO, Mike Wilkins, explains in more detail in his review on the following pages.

## SHARING OUR SUCCESS

Our success is reflected in the dividends we pay. The Board is pleased to declare a final dividend of 26 cents per share, taking the full-year dividend to 39 cents per share, an 8.3% increase on last year's dividend. The final, fully franked, dividend will be paid on 8 October 2014.

The dividend is at the upper end of our dividend payout range of 50–70% of cash earnings, reflecting the positive performance of our businesses during the 2014 financial year, and our strong capital position.

This year, we performed well on the two long term financial targets captured in our strategy. Our cash return on equity of 23% exceeds our long term target of 15%, while our total shareholder return of 15.6% met our target of top quartile results.

It is very pleasing that one outcome of this performance is that both shareholders and management are being rewarded for their involvement in our Group: shareholders through the increased share price and dividend, and management under our long term incentive programmes.

## THE RIGHT PEOPLE AT EVERY LEVEL

As the company and our strategy evolve, we are committed to ensuring the Board continues to have the diversity of experience and knowledge to provide the support and guidance the business needs and we have an ongoing process to consider the appointment of new directors who can assist us to do this.

We are in the excellent position of having long-serving directors who provide stability and deep corporate knowledge, aided by the approaches and views of those appointed more recently. By taking the time to identify and recruit the right people, we will ensure that a logical process of Board refreshment and renewal continues.

A similar focus by our businesses on developing our people ensures we have the right skills and an effective succession pipeline across the Group, and we are well-served for current and future leaders.

## Financial Summary

IAG recorded a strong financial performance in 2014, positioning us well to deliver on the next phase of our growth. Key to this development is the integration of the Wesfarmers insurance underwriting business, following completion of the acquisition on 30 June 2014, and the move to a new operating model in Australia.

▲ 3.0%

**\$9,779 million**  
GROSS WRITTEN PREMIUM

2014	\$M 9,779
2013	\$M 9,498

▲ 3.9%

**\$8,644 million**  
NET EARNED PREMIUM

2014	\$M 8,644
2013	\$M 8,318

▲ 10.6%

**\$1,579 million**  
INSURANCE PROFIT

2014	\$M 1,579
2013	\$M 1,428

▲ 170bps

**14.2%**  
UNDERLYING MARGIN

2014	14.2%
2013	12.5%

▲ 110bps

**18.3%**  
REPORTED INSURANCE MARGIN

2014	18.3%
2013	17.2%

▲ 58.9%

**\$1,233 million**  
NET PROFIT AFTER TAX

2014	\$M 1,233
2013	\$M 776

*“We acknowledge that our leading position brings with it increased responsibilities to all our stakeholders and I look forward to working with my fellow Directors and the Executive team to continue to deliver improved outcomes for our shareholders, our people, our customers, our partners and the broader community.”*

### LEADING BY EXAMPLE

We continued to evolve our governance structures. This year we separated the Board committees for Risk and Audit, and added a separate Nomination committee. These changes allow a more focused approach on each of these important areas.

We also pursued a leading position in a number of other significant areas.

At IAG, we believe it is important to foster diversity in all its guises. This belief permeates the organisation, starting with the Board, where a third of our Directors are women and where we have representatives from different geographic and cultural backgrounds, from different age groups, and with different skills.

We also think it is important that we take a leadership role in the wider community.

This year, we launched our Reconciliation Action Plan – the 500th to be registered in Australia. Our plan brings together the existing work we do with Indigenous Australians and sets out initiatives that we will undertake over the next two years as part of our formal reconciliation journey.

Through our participation in the Australian Business Roundtable for Disaster Resilience & Safer Communities, we have continued to encourage debate about the importance of a national approach to disaster mitigation.

In closing, I thank our Managing Director and CEO, Mike Wilkins, his Executive team and all our people, for their outstanding achievements throughout the year. I also thank our shareholders for their continued support and encouragement.



**BRIAN SCHWARTZ AM**  
CHAIRMAN

# LEADING INTO THE FUTURE FROM A POSITION OF STRENGTH



This has been a momentous year for IAG. With the acquisition of the Wesfarmers insurance underwriting business we have established a leading position in each of our chosen markets in Australia and New Zealand, and we are now reshaping our organisation to be fitter and more agile, ready to face the challenges of the future.

## FINANCIAL RESULTS

The soundness of our strategy is reflected in the strong financial returns we are achieving.

Our underlying insurance margin<sup>1</sup>, the key indicator of the underlying strength of our businesses, improved to 14.2% for the 2014 financial year, from 12.5% in 2013. This measure has more than doubled since 2008 when we revised our strategy to remediate, and then realise the potential of, our operating businesses. Our reported insurance margin of 18.3% increased from 17.2% in the prior year, reflecting the benefits of:

- a net natural peril claim expense of \$553 million, compared to our full-year allowance of \$640 million, after relatively benign weather in the second half of the year in Australia, partially offset by significant storm activity in New Zealand;
- prior period reserve releases of \$248 million, equivalent to 2.9% of net earned premium; and
- a positive \$100 million impact from the narrowing of credit spreads during the year.

Revenue, measured as gross written premium (GWP), grew by 3.0% to \$9,779 million and our insurance profit improved by over 10% to \$1,579 million. The lower level of GWP growth, compared to last financial year, was largely the result of the combined effects of:

- the substantially reduced need for premium rate increases in Australia and New Zealand in an environment of modest input cost pressures;
- the end of the collection of the Victorian Fire Services Levy (FSL) which accounted for over \$100 million of GWP in the 2013 financial year (on an ex-Victorian FSL basis, GWP growth for 2014 was over 4%); and
- the favourable effect of foreign exchange movements, notably related to the New Zealand business.

## A STRATEGIC FOCUS

Our strategic focus and concentration on the fundamentals of our business continued to deliver sound results:

- our largest business, Australia Direct, reported a stronger underlying performance, and benefited from cost efficiencies, notably in the area of claims. While it recorded relatively flat GWP, it achieved modest growth after allowing for the removal of the Victorian FSL and the decision to exit the poorly performing Queensland CTP portfolio;
- CGU, our intermediated business, maintained a double-digit underlying margin performance, cementing the gains of recent years and maintaining its market position. GWP growth was 2.8% on an ex-Victorian FSL basis and its underlying margin was slightly higher at 11.4%;
- in New Zealand, underlying performance remained strong across the year, with the business reporting an improvement in underlying margin to 14.8%, and solid local currency GWP growth of 3.7%; and
- Asia produced a slightly smaller profit of \$14 million, compared to the prior year and, on a proportional basis, represented 7.1% of our GWP this financial year.

## EXTENDING OUR LEADERSHIP ROLE

We believe we have a responsibility to use our leadership position to provide opportunities for our people, work more effectively with our partners, meet the changing demands of our customers, deliver returns for our shareholders and, through our experience and resources, contribute to creating safer, stronger and more resilient communities.

Through a range of training, development and coaching programmes, we continued to provide opportunities for leadership development and personal growth for our people.

Our businesses are constantly improving their insights into our customers' needs, and using that knowledge to create more relevant products and services. This year, there has been a focus on improving the technology platforms that customers increasingly use to do business with us, including enhanced websites and easy-to-use smart-phone applications.

We have continued to speak out on issues of national significance, such as the need for increased investment to improve community resilience and mitigate against natural disasters.



## Chief Executive Officer's Review

In July 2014, the IAG-led Australian Business Roundtable for Disaster Resilience & Safer Communities successfully launched its second research report to key Australian government officials, research organisations and the media at Parliament House in Canberra.

This paper, *Building an Open Platform for Natural Disaster Resilience Decisions*, shows that wider access to accurate and relevant data and information would facilitate better decision making for mitigation investments and generate even greater financial savings than calculated in the Roundtable's first White Paper.

### CEMENTING OUR MARKET LEADERSHIP

Last December, we announced our acquisition of the Australian and New Zealand insurance underwriting businesses of Wesfarmers Limited. The acquisition is a compelling strategic fit for IAG and provides us with a unique opportunity to unlock further opportunity for our businesses in Australia and New Zealand, while delivering significant long term value for our shareholders.

After completing this transaction, we are in the enviable position of being market leaders in our chosen markets in Australia and New Zealand. Adding the WFI and Lumley Insurance brands to our portfolio makes us the leading intermediated insurer in Australia, and ensures we retain our leading position in New Zealand.

### CREATING A NEW IAG

All good organisations must constantly evolve to remain relevant for their customers and everyone who depends on them and we are undertaking such an evolution to ensure IAG is fit for the future.

We aim to be able to better respond to our customers' changing expectations and behaviours as technology creates new and more opportunities for them to interact with us. We must also be ready to address any challenges we may face.

It is a credit to the hard work of our people that we are culturally and financially in a sound position to be able to do this, without losing focus on our day-to-day activities.

IAG now has three divisions in Australia:

- Personal Insurance, incorporating the customer-facing operations of our former Australia Direct business, and the affinity and financial institution partnerships that were part of both our CGU division and the former Wesfarmers business; and
- Commercial Insurance, which includes the business customer operations that were part of our former CGU division, along with the WFI and Lumley Insurance components of the former Wesfarmers business and the Retail Business Insurance operation from Australia Direct; supported by
- a service-based division, Enterprise Operations.

The brands our customers know and trust remain the same, while our increased size and focus will enable us to generate better customer experiences and take a greater leadership role, identifying opportunities to influence the way our industry operates and drive positive changes in the communities we protect.

From 1 July 2014, we welcomed our colleagues from the Wesfarmers business into our revised structure, setting us up for future success together.

We expect the new operating model, and the addition of the Wesfarmers insurance underwriting business, to:

- deliver an annualised pre-tax synergy and benefit run rate of approximately \$230 million by the end of the 2016 financial year; and
- result in the recognition of one-off pre-tax costs of approximately \$220 million, including the \$50 million identified this year.

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*“We are creating an organisation that is much more connected, efficient and effective, delivering better outcomes for our customers, our partners, our people and our shareholders.”*

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### OUTLOOK

We expect to report GWP growth of 17–20% in the 2015 financial year, as we consolidate the Wesfarmers insurance underwriting business in Australia and New Zealand. Our insurance margin is expected to be in the range of 13.5–15.5%. This guidance is subject to our usual assumptions<sup>2</sup>.

### CHANGES TO OUR EXECUTIVE TEAM

The new structure has resulted in some changes to our Executive team, as we welcomed Alex Harrison, formerly Chief Operating Officer for Australia Direct, as Chief Executive, Enterprise Operations, and Clayton Whipp, formerly Group General Manager Finance, as acting Chief Strategy Officer. Leona Murphy has accepted the challenging role of Chief Transformation Officer for the next year, managing the move to our new operating model and bringing in the Wesfarmers insurance underwriting business. During the year we also welcomed Duncan Brain to the team as Chief Executive Asia.

I am grateful for the support of the team and I am very much looking forward to working with the expanded team to achieve the new IAG.

I also thank our Directors for their ongoing guidance and counsel, and our shareholders for their continued confidence in our business.

Finally, I thank our people for their hard work, dedication and belief in achieving our strong operating and financial performance and strengthening our industry leadership position. I also welcome those who have joined us from the Wesfarmers insurance underwriting business. I am encouraged by the enthusiasm and performance demonstrated by our new colleagues and look forward to everyone's contribution in 2015 as we work to implement our new operating model and to cement a strong and successful future for our organisation.



**MIKE WILKINS**  
MANAGING DIRECTOR AND CEO

- 1 IAG defines its underlying insurance margin as the reported insurance margin adjusted for:
  - net natural peril claim costs less related allowance for the period;
  - reserve releases in excess of 1% of net earned premium; and
  - credit spread movements.
- 2 The underlying assumptions behind our guidance are net losses from natural perils in line with our allowance of \$700 million; lower prior period reserve releases equivalent to around 2% of net earned premium; and no material movement in foreign exchange rates or investment markets.

# STRONG RELATIONSHIPS HELP STRENGTHEN OUR BALANCE SHEET



A key part of our approach to capital management is building and maintaining long-standing relationships in the core areas of reinsurance, debt and equity capital markets. These relationships have assisted us to purchase more reinsurance cover and fund growth opportunities over the last 12 months. We have also maintained our focus on a strong balance sheet.

## **BOLSTERING OUR REINSURANCE COVER**

In January 2014, we renewed our annual catastrophe cover for the year. We have worked with our main reinsurance partners for over 30 years and these relationships, combined with a generally more favourable environment, enabled us to bolster key aspects of our catastrophe cover this year.

Our cover for the calendar year 2014 provides protection of up to \$5.6 billion, compared to \$5.0 billion in 2013. In addition, we purchased standalone protection of \$1.35 billion for the Wesfarmers insurance underwriting business, and intend to roll this into the main Group cover from calendar year 2015.

The combination of all covers in place at 30 June 2014 gives us maximum first event retentions of \$225 million for Australia, NZ\$225 million for New Zealand, \$25 million for Thailand and Malaysia, and less than \$1 million for Vietnam. The overall credit quality of the programme remains high, with over 89% placed with entities rated A+ or better.

## **FUNDING FUTURE GROWTH**

In December, the support of our equity capital providers enabled us to raise the capital we needed to purchase the Wesfarmers insurance underwriting business. Funding this transaction showed the benefits of having a broad and supportive shareholder base, as we raised \$1.2 billion from institutional investors, and \$236 million from our retail investors. A further \$350 million from our debt investors completed the funding package.

## **ONGOING CAPITAL MANAGEMENT**

We continued to actively manage our debt portfolio during the year. We have a philosophy of only having debt instruments that qualify with rating and regulatory agencies and, as a result of the changes that our regulator, the Australian Prudential Regulation Authority (APRA), put in place on 1 January 2013, we are restructuring some of our debt portfolio. In June 2014, this process saw us repurchase and cancel £157 million of debt held in a subordinated exchangeable term note.

The Group remains strongly capitalised under APRA's Life and General Insurance Capital regime. At 30 June 2014, our Prescribed Capital Amount (PCA) multiple was 1.72, compared to the Group's long term benchmark of 1.4 – 1.6 and our Common Equity Tier 1 (CET1) multiple was 1.14, in excess of our target range of 0.9 to 1.1 times the PCA.

## **SUPPORTING OUR SHAREHOLDERS, AND GROWTH**

The full-year dividend of 39 cents per share declared by the Board represents a payout ratio of nearly 70% of our cash earnings, and continues our approach of sharing returns with our shareholders, while retaining appropriate funds for further investment in our businesses, and in growth opportunities.

Retail shareholders are important stakeholders in our organisation and we are pleased that this year we were able to give them an opportunity to be involved in the growth of the business through the Share Purchase Plan which assisted in the funding of the acquisition of the Wesfarmers insurance underwriting business. We look forward to continuing to share the benefits of this growth into the future.

**NICK HAWKINS**  
CHIEF FINANCIAL OFFICER

Our high-performing, customer-focused businesses provide general insurance products through market-leading iconic brands.  
At 30 June 2014 we had:

\$1,420 billion of total assets insured

16.1 million policies in force



In the 2014 financial year, we collected \$9,779 million in premiums

We paid \$6,898 million in claims

Our goal is to create superior value for our customers, our partners, our over 15,000 people, our 750,000 shareholders and the communities in which we operate.

# BUILDING ON OUR LEGACY TO PROTECT AUSTRALIANS

## ABOUT AUSTRALIA DIRECT

In financial year 2014, Australia Direct was IAG's largest business and contributed 47% of the Group's GWP. 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 the 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.



1 See back cover for ownership details.

## Australia Direct has been protecting Australians for over 85 years, using our insights and experience to provide market-leading products and services for our 3.5 million customers.

### RESULTS

Australia Direct continued its strong underlying performance in the 2014 financial year, reflecting improved claims performance and reduced pressure on the New South Wales Compulsory Third Party (CTP) portfolio. Our GWP of \$4,545 million for the year was marginally lower than last year's \$4,584 million, as a result of:

- reduced need to recover higher input costs, notably reinsurance, particularly in the home portfolio;
- removal (from 1 July 2013) of the Victorian Fire Services Levy (FSL), which represented \$50 million of GWP last financial year;
- slightly lower motor GWP, from a combination of volume growth and lower average rates;
- a \$33 million reduction in GWP from Queensland CTP, after we left that market from 1 January 2014;
- reduced ACT CTP market share, following the entry of competition from mid-July 2013; and
- continued remediation of the Retail Business Insurance book.

Excluding Victorian FSL and Queensland CTP, GWP growth was approximately 1.0%, supported by rate increases in the home portfolio, and growth in policies, predominantly in motor.

Our insurance profit increased by 10.5% to \$908 million, compared to \$822 million in the prior year, and our reported insurance margin increased from 19.7% in the 2013 financial year to 22.5%. On an underlying basis, our insurance margin improved to 16.4%.

### FOCUSING ON OUR CUSTOMERS

We have a wealth of knowledge and experience that allows us to identify and meet future customer needs, lead a competitive market and help our customers make better decisions about risk and insurance.

Our goal is to lead the market for customer service with our expanding digital platforms. This year, we made significant investments in mobile

functionality to provide easy, accessible experiences for our customers. We developed new mobile applications, such as Crash Note, and expanded live web chats, hosting 80,000 chats this financial year. In the same period, traffic to our mobile sites more than doubled.

Our national partner smash repair model has created a network of repairers and we unveiled a quality framework to guarantee the quality and safety of repairs completed for our customers.

Our people embody our commitment to protecting Australians, and are central to our success. This year, we promoted discussions about flood risk and insurance to educate high-risk New South Wales communities. Our New South Wales Flood Engagement programme included a commitment to host local community seminars, and visits to consumer and local, state and federal political bodies to educate them on our ability to assess and price risk for our customers. This outreach campaign was highly successful and will continue to ensure all families are able to make better decisions about risk and insurance.

We continue to focus on customer experience and cost effectiveness to maintain our strong profitability and market position. Cost savings are being reinvested to enhance our ability to achieve our customer-focused strategy, and meet customers' needs.

### PERSONAL INSURANCE IN IAG'S NEW AUSTRALIAN OPERATING MODEL

From 1 July 2014, IAG moved to a new operating model for its Australian operations. There are now three divisions: Commercial Insurance, Enterprise Operations and **Personal Insurance**, which contains:

- the motor, home and CTP operations which previously represented the bulk of the Australia Direct business;
- the affinity and financial institution partnerships which were previously part of CGU; and
- the 10-year distribution agreement with Coles that was part of the acquisition of the Wesfarmers insurance underwriting business.

## OUR STRATEGY

Continue to:

- invest in customer knowledge;
- respond to insights; and
- design customer experiences to build customer advocacy and drive sustainable business performance

Continue to build and sustain winning partnerships to drive significant improvements in cost, quality and customer experience

## TARGET FOR 2014

Continue to improve our assessment and management of risk

Roll out a loyalty and discount scheme to all brands to create a transparent and simpler matrix of discounts

Embed Human-Centred Design to better understand and meet future customer needs

Embed the Net Promoter Score methodology and respond to customers within 24 – 48 hours of feedback being received

Embed a supply chain model to realise the potential of our partners across the business

Embed a quality framework and dedicated quality programme in our motor supply model and in other business areas

## PROGRESS IN 2014

Achieved

Achieved

On track

On track

On track

On track

## NEXT STEPS

Continue to develop relevant and bespoke products for our customers

Continue to investigate other reward and recognition initiatives to build brand loyalty

Continue to use insights to develop new products and refine services

Embed continuous improvement based on customer feedback

Continue to build an efficient supply chain that is aligned and customer-focused

Continue to embed the quality framework model throughout our motor repair model

▼ 0.9%

**\$4,545 million**  
GROSS WRITTEN PREMIUM

2014	\$M 4,545
2013	\$M 4,584

▲ 10.5%

**\$908 million**  
INSURANCE PROFIT

2014	\$M 908
2013	\$M 822

NRMA Insurance National Home Customer Claims and Assessing Technical Specialist, Phillip Takchi (left) with Richard and Therese Hurst, standing in the driveway of their newly constructed home, holding the mailbox recovered from the ruin of their old home.

## Leading the way after a natural disaster

Australia Direct has a claims processing system that allows employees to respond to customers' needs with speed and efficiency.

As soon as the smoke cleared from the October 2013 Blue Mountains bushfires in Winmalee, New South Wales, our assessors were first on the scene, helping process customer claims, arranging temporary accommodation and distributing emergency funds. We also took a lead in cleaning asbestos from the burned-out remains of family homes, including those not insured with NRMA Insurance, helping the community to rebuild more quickly.

Winmalee NRMA Insurance customers Richard and Therese Hurst's home was completely destroyed in the October fires. NRMA Insurance worked with them to ensure a quick settlement of their claim and they moved into their new home in July this year.

We continue to play a leading role in educating communities about the dangers of bushfires and how households can protect their property.

# A YEAR OF CONSOLIDATION PREPARES US FOR MARKET LEADERSHIP

## ABOUT CGU

CGU offers commercial, personal and rural insurance products for businesses, farms, individuals and families. Its products are distributed under the CGU and Swann 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 2014 financial year, CGU contributed 31% of the Group's GWP.



This year has been one of consolidation for CGU, as we maintained our double-digit insurance margin, and further strengthened our relationships with brokers and partners through enhanced service and technology platforms.

We are well positioned for the integration of the Wesfarmers insurance underwriting business in the 2015 financial year and ready to assume our position as market leader.

### RESULTS

CGU grew GWP by 1.0% to \$3,058 million, from \$3,028 million in the last financial year, reflecting a number of factors, including:

- growth in policies across small to medium enterprises and some specialty line products;
- continued growth in workers' compensation, with increases in new business and renewals;
- low single-digit rate increases across most products; and
- removal (from 1 July 2013) of the Victorian FSL, which represented \$54 million of GWP last financial year.

Excluding the impact of the Victorian FSL, our underlying GWP grew by 2.8% this year.

Our insurance profit of \$479 million was slightly higher than for the prior year and delivered an insurance margin of 17.4%, compared to 17.8% last year. Our underlying margin increased to 11.4%.

### FOCUSING ON OUR CUSTOMERS

We used the ongoing savings from the new operating model we introduced in 2012 to fund systems that will further increase our efficiency and strengthen our partnerships. We implemented a new leads and opportunities management system that provides an integrated end-to-end sales process for account managers and underwriters in the broker channel, enabling them to respond more quickly to their customers.

During the year, we launched a new brand campaign with the theme "See It Through" to reflect our commitment to being there for our customers and partners when it matters most. The campaign focuses on our small business customers who work hard, and often do not take the time to celebrate their success.

The first instalment featured our customer Max Cunningham from Marion Bay Oysters in Tasmania (who featured in last year's annual review pages). To help Max see the success of his business, his life was carefully researched and faithfully recreated on stage through sets, props and casting. He was then invited to Tasmania's Franklin Theatre, completely unaware that he was the star of the half-hour stage show.

### COMMERCIAL INSURANCE IN IAG'S NEW AUSTRALIAN OPERATING MODEL

From 1 July 2014, IAG moved to a new operating model for its Australian operations. There are now three divisions: Personal Insurance, Enterprise Operations and **Commercial Insurance**, which contains:

- the commercial insurance operations which previously represented the majority of CGU;
- the Australian commercial insurance operations associated with the acquisition of the Wesfarmers insurance underwriting business; and
- the Retail Business Insurance operations which were formerly part of Australia Direct.

The affinity and financial institution partnerships which were previously part of CGU are now included in the Personal Insurance division.

OUR STRATEGY	TARGET FOR 2014	PROGRESS IN 2014	NEXT STEPS
Improve underlying performance and create a sustainable and profitable portfolio	Double-digit underlying insurance margin	Achieved	Ongoing active portfolio management to drive double-digit margin performance through the insurance cycle
Implement new operating model and improve efficiency and effectiveness	Continued pre-tax savings	On track	Continue to pursue efficiency improvements from new operating model
Optimise short tail/long tail portfolio mix	Progress towards 2015 financial year target of 75% short tail/25% long tail business mix	On track	Continue to increase long tail weighting

▲ 1.0%

**\$3,058 million**  
GROSS WRITTEN PREMIUM

2014	\$M 3,058
2013	\$M 3,028

▲ 1.9%

**\$479 million**  
INSURANCE PROFIT

2014	\$M 479
2013	\$M 470

Deborah McDermott (Body Corporate Manager, Archers Body Corporate Management) and Glenn Bower (Chair, Solarus Body Corporate) stand in front of Solarus Apartments in Townsville, where the first individual strata building assessments by CGU have started.



## Leading the way in addressing strata insurance affordability

In April 2014, CGU introduced a strata building resilience project to address insurance affordability in North Queensland. The project focuses on improving building resilience to severe weather so customers can receive sustainable premium reductions. It is being implemented by Strata Unit Underwriters (SUU), a wholly-owned subsidiary of CGU, which insures a substantial number of residential strata properties in North Queensland.

Under the project, CGU is funding building risk assessments for all the residential strata properties that SUU and CGU insure in North Queensland. The assessments cover risks such as building construction type and method, exposure to direct wind-driven rain, as well as other hazards and possible defects. After assessments are completed, CGU is reducing premiums where possible. Strata property owners and managers are also being provided with recommendations on repairs that could be made to improve their property's resilience and risk rating. This potentially enables properties to be re-rated so customers can receive further premium reductions.

# STRONG PERFORMANCE SETS THE SCENE FOR FURTHER GROWTH

## ABOUT IAG IN NEW ZEALAND

The New Zealand business is the leading direct insurance provider in the country, and the 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 19% of the Group's GWP in the 2014 financial year.



This has been a significant year as we completed the integration of AMI, continued to make solid progress on the Canterbury rebuild and maintained our strong operating performance as we prepared to bring Lumley Insurance into our operations.

### RESULTS

Our New Zealand business reported GWP growth of 17.2%, to \$1,846 million for the 2014 financial year, including a significantly favourable exchange rate effect compared to the 2013 financial year. In local currency, GWP grew by a solid 3.7%. Growth in all our distribution channels was driven by:

- rate increases in the domestic homeowners' portfolios to continue to recover higher reinsurance costs and price appropriately for risk; and
- a continued focus on customer and sales initiatives.

Our reported insurance margin increased to 11.5%, from 8.9% in the prior year, reflecting the net effect of an improved underlying business performance; lower net reserve strengthening; higher net natural peril costs; and benefits associated with the business' continued focus on operational initiatives, including synergies from the AMI integration.

The strength of our performance was evident in our improved underlying margin of 14.8%, up from 11.1% in the prior year.

### FOCUSING ON OUR CUSTOMERS

We continued to support our customers by ensuring the availability of insurance capacity while balancing customer affordability with changes to the home insurance product.

The majority of New Zealand households have moved from open-ended home insurance policies to those requiring specified sum insured limits, over the course of this financial year. We have led the industry through this fundamental change with a nationwide public education programme, the "Need2know" campaign. With over 1.6 million website visits since its May 2013 launch, the "Need2know" website has helped New Zealanders understand their risks more clearly and take a more active role in deciding on their insurance cover.

We are constantly working to find ways to help our customers. This year we launched two mobile applications in our Direct Insurance division that encourage our customers to stay safer on the roads by offering numerous discounts including safety, maintenance and pre-purchase checks, discounts on tyres and fuel purchases, and coffee breaks to accompany these.

During the year, further development of the online channel for our direct personal lines businesses led to an increase in website traffic of around 30%. The website now accounts for over 25% of private motor new business sales.

Our NZI intermediated business maintained its strong market standing, winning both the "Intermediated Insurer of the Year" (Australia and New Zealand Institute of Insurance and Finance) and the "Most Valued Insurer" (Insurance Brokers Association of New Zealand Annual Survey) awards for the 2013 calendar year.

In Canterbury, the majority of home customers have now selected their preferred option of claim settlement, either by cash or entering the managed rebuild or repair programme. However, there continues to be a steady flow of newly reported claims as the Earthquake Commission identifies an increasing number of claims exceeding its statutory NZ\$100,000 limit.

At the end of June 2014, we had paid over NZ\$3.3 billion of earthquake related claims and fully settled 58% of claims by number. While we are working through a number of strategies to complete all rebuilds to our target of December 2015, our expectation is that this challenging target will now extend to mid-2016.



OUR STRATEGY	TARGET FOR 2014	PROGRESS IN 2014	NEXT STEPS
Realise the benefits arising from integration of AMI	Successfully complete initiatives and deliver the balance of pre-tax synergies	Achieved	AMI integration successfully concluded with related annual synergies of NZ\$35 million
Redesign home insurance products	Complete 12-month renewal cycle Maintain and refine customer-facing initiatives	Completed	Ongoing focus to help New Zealanders remain engaged with their insurer and avoid being underinsured
Deliver on the strategic plan for transforming Direct Insurance	Develop and implement transformation plan	Underway	Continue the transformation to deliver a sustainable direct insurance business. Increase relevance to our customers and continue to earn their loyalty
Grow and future-proof our intermediated business	Deliver an intermediated strategy	Completed	Realise the synergies from the integration of Lumley Insurance and accelerate the intermediated strategy implementation

▲ 17.2%

**\$1,846 million**  
GROSS WRITTEN PREMIUM

2014	\$M 1,846
2013	\$M 1,575

▲ 56.5%

**\$180 million**  
INSURANCE PROFIT

2014	\$M 180
2013	\$M 115



## Leading the way in supporting our customers

Our focus on providing leading retail experiences and adapting to the changing needs of our customers is reflected in the opening of a unique AMI retail store in Takanini, Auckland, shown at left. Kevin Hughes, General Manager of Customer Delivery at AMI, said every component of the new store has been designed to stretch the thinking on how AMI can support customers, as it seeks to break the old insurance mould.

The new design includes a journey wall, which takes customers through various life events and shows the many different ways insurance plays a part in their day-to-day lives.

AMI's longer-term plan is to modernise its entire insurance offering, making it more friendly, approachable and interesting. Activity walls and iPads will help customers understand the features and benefits of any service – so they will get exactly what they want and need – and only that.

# PURSuing GROWTH, ENHANCED RISK MANAGEMENT AND GOVERNANCE

## ABOUT IAG IN ASIA

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

- a controlling interest in Safety Insurance based in Thailand, which has the Safety and NZI brands;
- 49% of AmGeneral Holdings Berhad (AmGeneral), a joint venture in Malaysia, which has the AmAssurance and Kurnia brands;
- 26% of SBI General Insurance Company, a joint venture in India;
- 20% of Bohai Property Insurance Company Ltd, based in China; and
- 63.17% of AAA Assurance Corporation, based in Vietnam.



We are now in five of our six targeted markets in Asia and we continue to build on our growth platform by further developing our operations and enhancing risk management and governance.

As at 30 June 2014, IAG's investment in Asia was approximately \$832 million; around \$626 million of this was in the established and profitable markets of Thailand and Malaysia.

### RESULTS

The Asia division reported a total profit of \$14 million for the 2014 financial year, down from \$20 million in 2013. Factors underpinning the result include:

- strong underlying performances by our established businesses in Thailand and Malaysia;
- a similar combined operating loss from the emerging businesses in India and China;
- a higher operating loss from Vietnam, owing to its first time consolidation following an increase in ownership;
- an approximately \$12 million adverse year-on-year movement in mark-to-market valuations of investments, including those within associates' shareholders' funds; and
- increased regional support and development costs to \$31 million, from \$25 million in the prior year, due to increases in regional support resources.

Proportional GWP of \$725 million for the year was 17% higher than 2013. Factors influencing GWP were:

- a full year's contribution from Kurnia in Malaysia, compared to nine months in the prior year;
- a marginal contraction in Thailand, in line with weaker vehicle sales;
- strong growth in the developing markets of India and China; and
- our increased ownership of AAA Assurance in Vietnam.

### ESTABLISHED MARKETS

Our business in Thailand reported a modest decline of 2.4% in GWP this financial year, or 7.5% in local currency terms. This followed the significant contraction in new vehicle sales since May 2013, when the government ended its first-car-buyer tax incentive scheme, and a normalisation of commercial insurance rates following the spike experienced in the aftermath of the catastrophic flood event in the 2012 financial year. The business' insurance profit improved to \$28 million, compared to \$26 million in the 2013 financial year.

In Malaysia, the AmGeneral business continued to perform strongly, with the overall result boosted by a full-year contribution from Kurnia which saw GWP grow by over 22% to \$564 million, with IAG's share being approximately \$276 million. AmGeneral's operating performance remained strong, and it reported an improved insurance margin of 14.1% for the year, up from 13.3% in the prior year.

### EMERGING MARKETS

In India, SBI General continued to grow strongly, generating GWP equivalent to \$218 million in the 2014 financial year, an increase of 33% on the prior year. Growth was primarily derived from motor, home and personal accident insurance business written through the bancassurance channel, while a health insurance product launched through the bank channel is steadily gaining traction.

In China, Bohai Insurance reported strong growth in GWP to \$376 million in the 2014 financial year, an increase of 55% compared to the prior year. This reflects the business' sharpened strategic focus, driving branch performance in selective geographical areas and pursuing growth in targeted motor and non-motor segments.

In Vietnam, AAA Assurance recorded GWP equivalent to \$29 million for the year, representing growth of approximately 20% on the prior year following ongoing remediation activity, which has seen concentration on higher quality risks offset by stronger growth from selected segments. Our increased ownership of 63.17% from July 2013 allowed us to accelerate many business case programmes.

## OUR STRATEGY

Grow proportional GWP

Further develop operations and enhance risk management and governance

## TARGET FOR 2014

Grow proportional GWP

Complete footprint in six target markets and drive operational excellence

## PROGRESS IN 2014

Asia represents 7.1% of Group GWP on a proportional basis, up from 6.3% in 2013

New regional operating model implemented

Progress continues towards market entry into Indonesia

## NEXT STEPS

Complete market entry into Indonesia

Achieve strong growth in India, fully leveraging the bank channel

Maximise strong platforms in established markets of Thailand and Malaysia

Consolidate strategic position in China and Vietnam

Establish Indonesian joint venture

▲ 17.1%

**\$725 million**  
GROSS WRITTEN PREMIUM\*

2014	\$M 725
2013	\$M 619

▼ 30.0%

**\$14 million**  
DIVISIONAL RESULT

2014	\$M 14
2013	\$M 20

\* Proportional



## Leading the way in helping customers after accidents

In Thailand, our Safety Insurance business has been leading the way with an innovative accident response service that gathers accurate information from on-the-spot surveys of accident scenes, reducing potential disputes and fraud. A team of people in a control room monitors satellite maps of Bangkok to dispatch mobile accident surveyors to an accident scene within minutes. There are 122 surveyors on motor bikes and 82 with cars and pick-up trucks, helping an average of 250 customers a day.

The success of the service led to it being rolled out to our AAA Assurance business in Vietnam in February 2014, starting with a dedicated team of six mobile assessors and three claims support staff, serving central Ho Chi Minh City. Following the success of the initial phase, it now has mobile accident surveyors covering approximately 75% of the country. The project was a collaborative effort among the team from IAG's businesses in Thailand, Vietnam and the Asia Regional Office in Singapore. Since the service was launched, over 2,000 customers have been assisted and average motor claim costs have reduced by 20%.

# CREATING SHARED VALUE

## KEY MATERIAL ISSUES

During 2014, we identified five material issues:

**BUILDING CUSTOMER CONFIDENCE**  
IAG continues to place our customers at the heart of everything we do.

**AFFORDABILITY OF INSURANCE**  
In 2014, we extended our work on the issue of insurance affordability.

**MITIGATION**  
We focused on pre-disaster resilience and continued to manage our own emissions.

**SAFER COMMUNITIES**  
We continued to promote safety and resilience at home, in business and on the road.

**A POSITIVE WORKPLACE**  
Our positive, inclusive workplace remained one of the keys to our success.

These material issues were constant considerations guiding our work during 2014.

IAG's strategy is focused on leveraging our market leadership in general insurance and risk management to create value for customers, partners, employees, shareholders and the communities in which we operate.

IAG is part of the communities in which we operate. We have an important role to play in helping communities to be safer, stronger and more confident. While we cannot eliminate risk, we can help the community and our customers to identify, minimise and manage risk and make informed decisions.

Creating safer and more resilient communities requires a collaborative effort so we are working with community groups, regulators, not-for-profit organisations and businesses on local, national and international initiatives.

We continue to push ourselves to identify new ways we can contribute to society as we manage our insurance businesses. This includes operating sustainably as an organisation, and actively seeking opportunities to contribute solutions to social challenges that deliver shared business, customer and community value. We believe the actions we take to create value for our customers, partners, people and the communities we serve, can also create value for our shareholders.

IAG knows an organisation's success is driven by its people and we remain committed to investing in career development and leadership, attracting and nurturing talent, embracing diversity and inclusion and creating an agile organisational culture.

## PRINCIPLES FOR SUSTAINABLE INSURANCE

IAG is the only Australian-based general insurer that is a signatory to the United Nations Principles for Sustainable Insurance (PSI), and we co-chair its governing Board. The PSI has a vision of a risk-aware world where the insurance industry is trusted and plays its full role in enabling a healthy, safe, resilient and sustainable society.

The PSI principles clearly underpin IAG's approach to being a sustainable business and to working with government and community stakeholders, and we continue to work on embedding the principles in our business. More information on our commitment to the PSI is on our website ([www.iag.com.au](http://www.iag.com.au)).


## MATERIAL ISSUES IN 2014

Each year, we reassess our key material issues. We look at their importance to IAG's stakeholders and their impact on our financial performance and strategy. We also take into account the regulatory and competitive environment.

## COMPLETE SUSTAINABILITY DATA

All IAG's non-financial metrics are reported online ([www.iag.com.au](http://www.iag.com.au), select Business Sustainability).

## RECOGNITION FOR IAG'S SUSTAINABLE PRACTICES

  
FTSE4Good  
**FTSE4GOOD INDEX**  
Included in the FTSE4Good Index series.

MEMBER OF  
**Dow Jones Sustainability Indices**  
In Collaboration with RobecoSAM

**DOW JONES SUSTAINABILITY INDEX**  
Ranked in the DJSI Asia Pacific and Australia in 2013.



**CDP**  
Included in the CDP 2013 ASX 200 Climate Disclosure Leadership Index for the eighth consecutive year.

# DEVELOPING OUR PEOPLE

## People indicators

The number of women in senior management rose to 32% across the Group. We are targeting 33% by 2015.

### REPRESENTATION OF WOMEN IN THE WORKFORCE

	2014	2013 <sup>1</sup>	2012 <sup>1</sup>
Total workforce	59%	60%	59%
Senior Management positions	32%	29%	29%
Executive positions	25%	29%	25%
Board positions	33%	25%	25%

### MALE:FEMALE ANNUAL SALARY RATIOS (\$) AS POSITION IN RANGE<sup>2</sup>

	2014
General employees	1.00:1
Manager / Senior Specialist	1.05:1
Senior Manager	1.05:1
Heads Of / General Manager	1.06:1

- 2013 and 2012 data based on Australia and New Zealand employees; 2014 data based on Australia, New Zealand and Asia employees.
- The 'position in range' describes the employees' remuneration within their remuneration range, which is based on their relevant market benchmark. This is a new metric and cannot be compared to prior year salary ratio reporting. The 'position in range' data are based on Australia and New Zealand employees only.

## IAG remains committed to continually improving its constructive, inclusive workplace and creating an agile organisational culture.

### BUILDING LEADERSHIP CAPABILITY

IAG is focused on building an inclusive organisation and providing market-leading career development opportunities. We continued to invest in strategic and operational leadership development programmes, such as providing 90 days of specialised coaching to more than 30 executives and senior managers. In addition to promoting "career courage", the coaching boosted overall business performance by helping senior leaders quickly adapt to their new roles.

Senior leaders across the Group participated in an immersive leadership programme in partnership with Duke University, and we continued to promote career mobility opportunities with an increase in the number of our people taking up secondments in Asia or New Zealand.

### AN INCLUSIVE WORKPLACE

IAG promotes a workplace that is inclusive of all employees, regardless of gender, ethnicity or age. We embrace diversity and have committed to a number of programmes aimed at further embedding the principles of inclusiveness.

For example, in Australia, we renewed our commitment to support Indigenous communities with the launch of our first Reconciliation Action Plan. As part of the Plan's commitments, we officially partnered with the Jawun skilled volunteering programme which will see 12 Group employees work with Indigenous organisations in New South Wales, Victoria and Alice Springs each year. We also began a 10-year partnership with CareerTrackers that will see a minimum of 15 promising Indigenous students complete internships with us annually.

### AN AGEING POPULATION

IAG is seeking ways to support the continued participation of our older workers. Given that workers' compensation does not apply to people aged over 65, we introduced personal injury insurance to protect older staff should injury arise from an accident at work.

As part of our ongoing focus on age diversity, we carried out research with Sydney University on inter-generational knowledge sharing. We also piloted workshops in 2014 to help older workers with choices about career planning, health and financial matters.

Employees looking to phase into retirement continued to take single days of long service leave to make the transition more financially and emotionally sustainable.

### GENDER DIVERSITY

Gender pay equity is an important issue for IAG and we have reported our salary ratios externally for several years.

In 2014 we adopted a new gender pay equity metric that takes into account factors such as role seniority, job-family and geography on our average gender salary ratios. On this basis, our overall gender pay differential is 2%. This compares with an average salary which is 14% higher for males than for females when variables related to workforce demographics are removed.

Other gender diversity initiatives included our Welcome Back bonus payment, part of IAG's industry-leading parental leave. We believe this policy encouraged 86% of new mothers to return to work in 2014, up from 75% in 2013. To make it easier for all carers, our flexible work arrangements still include options to job share, have work-compressed weeks and work from home.

### IAG CULTURE

IAG remains committed to building an agile organisational culture and this year we received formal recognition for our work to develop a constructive culture. Our deliberate focus on improving workplace culture helped us unlock value for our customers and partners, while continuing to achieve our strategic and financial objectives.

# PUTTING CUSTOMERS AT THE CENTRE



## Connecting with customers

Throughout the year, more than 500 of our people travelled to one of our call centres to work with frontline operators and connect with our customers by listening in on live calls. Participants rated the sessions at an average of nearly nine out of 10 with all saying they left with deeper customer knowledge. The ongoing sessions are part of our work to bring our customers to the centre of our organisation and to help every employee, regardless of their role, to link their job with the experience of our customers.

In 2014, our focus extended from meeting the expectations of customers, partners and the community to anticipating their future needs and developing products and processes to meet these needs.

### MEETING FUTURE NEEDS

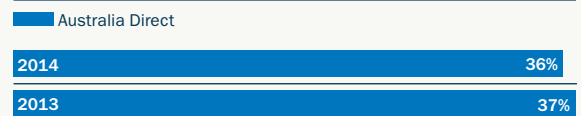
We know it's important to understand the needs of our customers and partners. We are investing in new ways to gather insights about our customers and find innovative ways to improve customer service and value. This involves understanding what our customers need from us rather than simply focusing on what we can sell to them.

To help us gather customer insights, we are adopting a Human-Centred Design (HCD) process to accelerate innovation and create better and more meaningful solutions for our customers. HCD is an approach that begins with understanding customer needs to generate insights and identify opportunities, and uses a "test and learn" approach to identify new and better ways to meet these. During the year, we used HCD to inform several product changes in our businesses, and influence some important re-design of how we interact with our customers and partners:

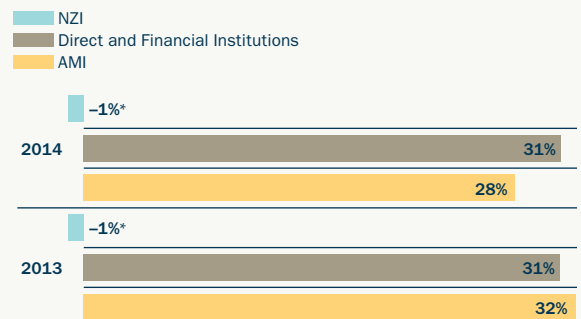
- Australia Direct launched phase one of its multi-channel programme to deliver a consistent experience to customers no matter which device, or channel, they use to contact us or when they choose to do it. For example, NRMA Insurance customers can lodge motor claims start-to-finish using a smart-phone application and complete the process at the scene of an incident; and
- CGU launched an application to allow customers to claim and record important details after an incident occurs. The application guides users through recording incident details which are then shared immediately with the CGU claims team. For customers travelling overseas, the application also makes CGU's 24/7 emergency assistance contact numbers easily accessible.

### CUSTOMER ADVOCACY

#### AUSTRALIA – FRONTLINE ADVOCACY SCORES



#### NEW ZEALAND – NET PROMOTER SCORES



\* The NZI figure represents the results of a company-led advocacy survey. In past years, we have also included the results of an industry-wide survey. The 2013 figure has been restated to reflect this change in methodology.

Customer advocacy scores held relatively stable or declined. We closely review the drivers of these scores and continue to implement initiatives to improve them.

## Sustainability

IAG places great importance on understanding and responding to our partners' needs. During the year we made several improvements to make it easier for our partners, such as increasing straight-through processing and enhancing our digital capability.

We recognise that customers need different products at different times in their lives. To cater for our customers' varied lifestyles, Australia Direct partnered with Cover-More to release a travel insurance product and in its first four months issued 12,000 international travel policies. In New Zealand, we rolled out a flexible policy for students needing cover for the academic year.

### STRENGTHENING OUR SUPPLY CHAIN

Our network of repairers is critical to how we deliver great outcomes for customers. During the year, we moved to strengthen this network by reducing the number of repairers we work with. This enabled us to provide certainty of volume to these repairers which helped us in turn deliver higher quality repairs at more competitive costs.

### AFFORDABILITY OF INSURANCE

Trends such as increased exposure to severe weather events, wealth inequality and an ageing population have seen insurance affordability become a community-wide concern. During 2014, we extended our efforts to collaborate with the broader community on solutions to this complex issue.

We identified the segments where affordability is creating the most pressure and found low income earners, ageing people and families in high-risk natural disaster areas are most vulnerable.

We partnered with like-minded organisations, such as Good Shepherd Microfinance, Brotherhood of St. Laurence, Consumer Action Law Centre, Legal Aid NSW and Footscray & Wyndham Community Legal Centres, to explore the issue of insurance affordability and accessibility. Building on these insights we developed insurance affordability solutions to pilot in the market. After market testing, our goal is to develop and launch these solutions as products.

We also partnered with organisations to improve financial literacy and insurance education. For example, we financed a refresh of the Salvation Army's Moneycare programme and helped add a general insurance component and we partnered with the Queensland Government in its disaster preparedness Get Ready campaign.

We continued to focus on the link between resilience and affordability in 2014. In addition to our work in the Australian Business Roundtable for Disaster Resilience & Safer Communities (see page 22), in North Queensland CGU began a project with Strata Unit Underwriters (see page 13) to provide free building risk assessments to strata owners. The project will highlight opportunities to improve building resilience to severe weather and enable premium reductions for customers – an important step in addressing strata insurance affordability in the region.



## Explaining insurance changes

In New Zealand IAG's online "Need2know" campaign addressed the shift from unspecified replacement home insurance policies to maximum specified sum insured policies. To support the awareness campaign our people went into communities to explain the changes and answer questions in libraries, Rotary Clubs, senior citizens' clubs, local halls and on the radio.

# MAKING OUR COMMUNITIES SAFER

IAG's Community Grants programme continued for the 12th consecutive year in 2014. The programme provides grants to grass roots initiatives that support risk management, social inclusion and sustainability. In 2014, it awarded more than \$680,000 to the projects of 156 local organisations that were focused on crime prevention, road safety, the environment and emergency readiness and response.

We continued our strategic partnerships with groups sharing our goals including partnerships with the State Emergency Services in the Australian Capital Territory, New South Wales and Queensland, the Queensland Fire and Emergency Service Safehome programme, NSW Volunteer Rescue Association, the NSW Police Force and Kidsafe.

Being a market leader comes with significant responsibility. We continue to partner with government and community organisations to improve safety and resilience at home, in business and on the road.

## A RESILIENT SOCIETY

As the founding member of the Australian Business Roundtable for Disaster Resilience & Safer Communities, we are sharing our risk management expertise and using our influence to make Australia more resilient to natural disasters and their devastating impacts.

Currently, government spending on disaster recovery far outweighs its spending on resilience measures. Informing the Roundtable's activities is a belief that this balance is unsustainable and counterproductive to building safer communities. With the support of five high-profile member organisations, the Roundtable released a White Paper in June 2013 which had a major impact on the national debate on resilience issues in the media, in Parliament, in business and in the communities where the Roundtable's work aims to make a difference.

During the year the White Paper, *Building our Nation's Resilience to Natural Disasters*, underpinned the Roundtable's submission to the Productivity Commission Inquiry into Natural Disaster Funding Arrangements. It also informed a submission to the Australian Government's Commission of Audit looking at the efficient use of taxpayer money as the White Paper showed potential for governments to save money on post-disaster recovery by investing in pre-disaster resilience.

IAG was also involved in the resilience debate at an international level. As a result of the Roundtable's work, the United Nations PSI established a Global Resilience Project, which is being led by IAG. This project is deepening the understanding of disaster risk reduction activities and investments and aims to identify the economic, social and human costs of disasters. Its insights will support risk reduction activities and investments globally.

In 2014, the project analysed the effectiveness of disaster risk reduction techniques for floods, cyclones and earthquakes to determine what drives success or presents obstacles. Its findings will encourage a shift from relief and recovery to prevention and reduction, supporting our goal of creating safer, stronger and more confident communities.

In July 2014, the Australian Business Roundtable for Disaster Resilience & Safer Communities followed up on the White Paper by producing a Research Paper that shows that wider access to accurate and relevant data and information would facilitate better decision making for mitigation investments and generate even greater financial savings than calculated in the White Paper. *Building an Open Platform for Disaster Resilience Decisions* calls on government to take a fresh approach to natural disaster mitigation by centralising key natural perils data, removing existing barriers to research and collaboration, and establishing a national framework for the prioritisation of resilience initiatives and research.

## RESEARCH AND EDUCATION

In 2014 we continued to invest in educational initiatives to help manage risk. Bringing together NRMA Insurance, local councils and emergency services, we piloted a flood awareness seminar programme in high flood risk areas of New South Wales. The seminars helped communities better understand the risks they face, the pricing and role of insurance and how we can work together to manage floods. To reach younger generations, we prepared a case study about risk, insurance, safe communities and resilience that was distributed by *The Australian Financial Review* to around 580,000 students in schools, colleges and universities in Australia and New Zealand.

IAG is the only insurance group in Australia that invests in its own Research Centre. We conduct vehicle testing and research on popular cars, motorcycles and building materials with a focus on vehicle safety, security and repair costs. Through this research, we have been able to influence manufacturers to build cars that are safer and cheaper to repair. Additionally, our accident 'black-spot' research is making it easier for drivers to avoid the most dangerous places on our roads as well as helping governments to understand what additional road safety measures may be needed.



# Sustainability

## CGU FOUNDATION MAKES A DIFFERENCE

Thanks to support from CGU, Lifeline was able to take an extra 1,600 crisis support and suicide prevention calls during 2014. The CGU Foundation also enabled The Smith Family to support 25 students from disadvantaged backgrounds through various stages of their tertiary education.

In its first full year of operation, the CGU Foundation inspired CGU employees to support the community through workplace giving and volunteering. Workplace giving doubled from 2013 figures with contributions of more than \$600,000 (including matched donations). Meanwhile, three times more employees took volunteer leave in 2014 compared to 2013, contributing more than 280 volunteer days.

## THE NATURAL ENVIRONMENT

As an insurer, we see the devastating impact of natural disasters on families, businesses and the community. We believe we can make a difference by supporting mitigation and adaptation programmes. We support the Geneva Association Climate Risk Statement which details the substantial role of insurance in complementing global activities to mitigate and adapt to a changing climate.

We also believe an important part of mitigation is managing our own environmental footprint. This year, we prioritised our carbon emission reduction activities by focusing on the areas that generated the most emissions: electricity use, business travel and our supply chain.

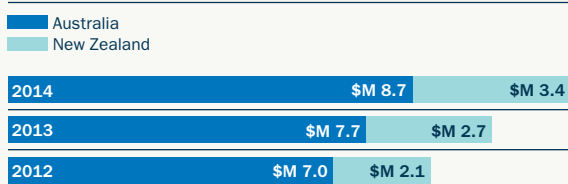
In 2014, we invested in efficiency measures at some of our most energy-intensive buildings, including installing energy-efficient LED lighting in our Australian and New Zealand headquarters. To further reduce business travel, we continued to encourage the use of telepresence or video conferencing as an alternative.

We reviewed and upgraded EcoSmash, the environmental management programme we provide online to smash repairers. EcoSmash helps repairers better understand the environmental impacts of their businesses and arms them with tools and resources to make changes.

Our commitment to neutralising our carbon emissions remained unchanged. As we cannot totally eliminate our carbon emissions, we purchased offsets to achieve carbon neutral status. For more information see our carbon neutral disclosure on our website ([www.iag.com.au](http://www.iag.com.au)).

## COMMUNITY INVESTMENT

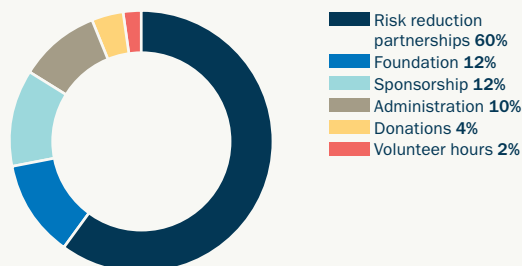
### AUSTRALIA AND NEW ZEALAND COMMUNITY INVESTMENT



The figures reported for community investment in 2012 represent cash paid out only. In 2014 and 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 has increased 16.4% to \$12.1m compared to the prior year. This reflects our continued commitment to supporting risk reduction activities in the community, and the first full year of operation of the CGU Foundation.

### AUSTRALIA AND NEW ZEALAND COMMUNITY INVESTMENT BY TYPE

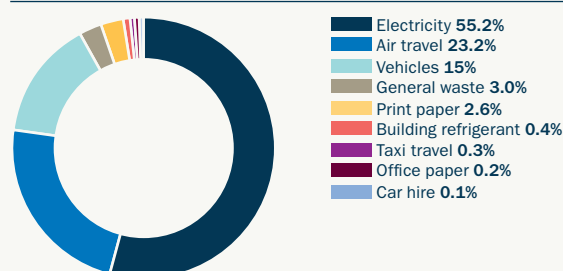


## ENVIRONMENT INDICATORS

### GROUP EMISSIONS PROFILE BY COUNTRY (TONNES '000 CO<sub>2</sub>e)



### GROUP EMISSIONS PROFILE BY SOURCE (% CO<sub>2</sub>e)



Total group emissions have fallen by 5.5% compared to the 2013 financial year. In Australia, total emissions have fallen by 6.8% and include a 7.3% reduction in electricity emissions. In New Zealand, total emissions have fallen by 9.9% including a 15.1% reduction in emissions from business air travel. In our Asia business, Vietnam emissions are reported for the second half of the 2014 financial year for the first time.

IAG's Board promotes and protects the Group's interests for the benefit of its stakeholders. Directors represent and serve stakeholders' interests, and collectively oversee and appraise the Group's strategies, policies and performance, taking into account its role in the community.



**BRIAN SCHWARTZ AM**  
FCA, FAICD  
AGE 61

Chairman and Independent Non-Executive Director Member, People and Remuneration Committee Chairman, Nomination Committee

Brian was appointed to IAG's Board in January 2005 and became Chairman in August 2010.

He is the Deputy Chairman of Westfield Corporation, of Scentre Group, and of the board of Football Federation Australia Limited.

Brian is also Chairman of Insurance Manufacturers of Australia Pty Limited, a general insurance underwriting joint venture with RACV, and a Director of IAG Finance (New Zealand) Limited.



**MIKE WILKINS**  
BCOM, MBA, DLI, FCA, FAICD  
AGE 57

Managing Director and Chief Executive Officer

Mike was appointed Managing Director and Chief Executive Officer in May 2008.

He is a member of the Australian Government's Financial Sector Advisory Council and a Director of The Geneva Association, the leading international insurance think-tank for strategically important insurance and risk management issues. He is a Non-Executive Director of Maple-Brown Abbott Limited and IAG Finance (New Zealand) Limited.



**YASMIN ALLEN**  
BCOM, FAICD  
AGE 50

Independent Non-Executive Director Chairman, People and Remuneration Committee Member, Audit Committee Member, Risk Committee Member, Nomination Committee

Yasmin was appointed to IAG's Board in November 2004. She is a Director of Cochlear Limited and Chairman of its Audit Committee; Chairman of Macquarie Specialised Asset Management; a 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  
AGE 62

Independent Non-Executive Director Member, People and Remuneration Committee

Peter was appointed to IAG's Board in December 2010. He is Executive Chairman of Pacific Brands Limited and Chairman of the Mantra Group, Australia's second largest hotel chain.

Peter 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  
AGE 46

Independent Non-Executive Director Member, Audit Committee Member, Risk Committee

Alison was appointed to IAG's Board in February 2013.

She is an Independent Non-Executive Director of Westpac Banking Corporation, and has over 20 years' experience in general management and strategy consulting roles focused on e-business and media/entertainment in Australia.

## Board of Directors



**HUGH FLETCHER**  
BSC/BCOM, MCOM (HONS), MBA  
AGE 66

Independent  
Non-Executive Director  
Member, Audit Committee  
Member, Risk Committee

Hugh was appointed to IAG's Board in September 2007.

He is a Non-Executive 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  
AGE 55

Independent  
Non-Executive Director  
Member, People and Remuneration Committee

Raymond was appointed to IAG's Board in February 2013.

He is Chairman of APS Asset Management and senior advisor to the Swire Group. He also serves on several boards including the Government of Singapore Investment Corporation, Hong Leong Finance and Raffles Medical Group.

Raymond is a member of the Singapore Parliament.



**DR NORA SCHEINKESTEL**  
LLB (HONS), PH.D, FAICD  
AGE 54

Independent  
Non-Executive Director  
Chairman, Audit Committee  
Member, Risk Committee

Nora was appointed to IAG's Board in July 2013. She is a Non-Executive Director of Telstra Corporation Limited and Orica Limited.

She is an Associate Professor at the Melbourne Business School at Melbourne University, a Member of the Takeovers Panel and a Fellow of the Australian Institute of Company Directors.



**PHILIP TWYMAN**  
BSC, MBA, FAICD  
AGE 70

Independent  
Non-Executive Director  
Chairman, Risk Committee  
Member, Audit Committee  
Member, Nomination Committee

Philip was appointed to IAG's Board in July 2008. He is a Non-Executive Director of Swiss Re (Australia) and Tokio Marine Management (Australasia) Pty Ltd.

Full biographical details for all Directors are available on our website ([www.iag.com.au](http://www.iag.com.au)).

Reporting to Mike Wilkins are the members of IAG's Executive team, who are featured on the first two pages of this year's annual review. They are:

**DUNCAN BRAIN**  
Chief Executive  
Asia

**JUSTIN BREHENY**  
Chief Risk Officer

**ANDY CORNISH**  
Chief Executive  
Personal Insurance

**PETER HARMER**  
Chief Executive  
Commercial Insurance

**ALEX HARRISON**  
Chief Executive  
Enterprise Operations

**NICK HAWKINS**  
Chief Financial Officer

**JACKI JOHNSON**  
Chief Executive  
New Zealand

**LEONA MURPHY**  
Chief Transformation  
Officer

**CLAYTON WHIPP**  
Chief Strategy Officer

Our executive remuneration is strongly tied to the performance of the business through our short and long term incentive plans. In line with IAG's strong performance, the value of remuneration received by Executives, particularly that which is based on long term outcomes, increased in the 2014 financial year.

IAG delivered a strong performance for the year ended 30 June 2014. GWP has grown from \$7.8 billion in the year ended 30 June 2009, to \$9.8 billion in the year ended 30 June 2014. Our underlying margin, the true measure of the underlying performance of the business, has more than doubled since 2009 and is now 14.2%.

Based on a number of years of strong performance, IAG exceeded our two long term financial targets of cash return on equity (ROE) and relative total shareholder return (TSR). Each of these targets is used as the measure for 50% of the Long Term Incentive (LTI) plan. Cash ROE aligns the interests of shareholders with Executives as it is used to calculate the dividend paid to shareholders. Our cash ROE has risen from 4.9% in 2009 to 23.0% this financial year. Similarly, IAG's TSR met our target of top quartile results.

IAG's executive remuneration framework has remained constant for a number of years. We give a significant weighting to long term reward within our pay mix to focus Executives' efforts on creating long term, sustainable value for shareholders. The allocation of executive remuneration between fixed pay, Short Term Incentives (STI) and LTI has been consistent year-on-year. However, the total value of remuneration Executives have received has increased in recent years, largely due to an increase in the value of the LTI that has vested. This outcome highlights the strength of the link between the incentive outcomes for Executives and shareholder returns.

The value of LTI that vested during the 2014 financial year is significantly higher than that in previous years as a result of:

- full vesting of the portion of the LTI plan that is subject to the cash ROE hurdle, for the first time;

- full vesting of the portion of the LTI plan that is subject to the TSR hurdle tested in the financial year, including additional vesting through retesting of the TSR portion of prior grants. Retesting was removed from grants made after July 2013; and
- the significant share price gains since the LTI eligible to vest this year was granted. Shareholders have also seen an increase in the value of their holdings as a result of the share price gain.

The Board will continue to ensure that IAG's remuneration framework attracts quality people and rewards superior organisational performance. In the 2014 financial year, the Board engaged an external independent advisor to review IAG's executive remuneration framework, including the LTI. The review found that long term targets of ROE and TSR are appropriate targets for Executives and are sufficiently challenging through the insurance cycle to drive the achievement of IAG's strategy and deliver strong returns for shareholders. As a result, there were no significant changes made to the executive remuneration structure.

As part of IAG's ongoing governance of remuneration and in line with regulations from the Australian Prudential Regulation Authority, the Board conducted an assessment to determine if any clawback of unvested or unexercised equity grants was required, and the Board is satisfied that no adjustment is necessary.

These two pages contain extracts from IAG's 2014 remuneration report. The complete remuneration report is set out on pages 26 – 47 of the 2014 annual report.

### 2014 HIGHLIGHTS

Fixed remuneration movement remains conservative

Short term performance was strong

IAG delivers sustained long term performance

Shareholder interests aligned through the mandatory shareholding requirement

### SUMMARY

IAG continues to assess the fixed remuneration of its Executives against the market. In the year ended 30 June 2014, IAG granted a 2% average fixed pay increase to Executives. This is in keeping with our target of providing market competitive fixed remuneration that takes into account an Executive's experience, skills, the internal relativities of IAG's Executive team and comparison with external roles.

Short term performance for the year ended 30 June 2014 included strong margins and the fulfilment of important strategic goals, resulting in an average STI payment of 79% of the maximum achievable for the Executive team.

IAG exceeded its ROE and relative TSR targets. Based on a number of years of solid returns, the ROE and TSR hurdles for the LTI plan were met and the LTI for the Executive team tested during the year ended 30 June 2014 vested in full.

IAG believes strongly in aligning the interests of Non-Executive Directors and Executives with those of shareholders and requires Directors and Executives to hold a significant number of IAG shares. All Non-Executive Directors and Executives exceeded their shareholding requirement at 30 June 2014.

## Director and Executive Remuneration

### EXECUTIVE AND NON-EXECUTIVE DIRECTOR REMUNERATION

The actual remuneration paid to Executives during the current and previous financial years is set out below. IAG discloses actual remuneration voluntarily for increased transparency. Actual remuneration includes fixed remuneration, other benefits and leave accruals, termination payments and cash STI paid, as well as any deferred STI or 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 42 of the 2014 annual report.

EXECUTIVES	FIXED PAY	OTHER BENEFITS AND LEAVE ACCRUALS	CASH STI	DEFERRED STI VESTED	LTI VESTED	TOTAL ACTUAL REMUNERATION RECEIVED
<b>2014</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
2013						
Michael Wilkins	2,077 2,039	253 229	1,796 1,679	1,243 558	6,038 1,593	11,407 6,098
Duncan Brain	679	378	347	–	–	1,404
Justin Breheny	915 898	193 294	579 577	490 230	2,222 607	4,399 2,606
Andy Cornish <sup>1</sup>	879 1,016	(54) 73	487 632	590 280	2,457 557	4,359 2,558
Peter Harmer	995 972	(26) (1)	704 659	326 84	1,672 –	3,671 1,714
Nicholas Hawkins	995 976	(11) 27	731 662	489 229	2,342 624	4,546 2,518
Jacki Johnson <sup>2</sup>	1,048 907	37 70	565 542	409 194	2,222 608	4,281 2,321
Leona Murphy	895 879	13 7	569 575	431 198	2,109 496	4,017 2,155

### EXECUTIVES WHO CEASED AS KEY MANAGEMENT PERSONNEL

Alex Harrison <sup>3</sup>	218	(1)	125	–	–	342
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#### NOTES:

- 1 Remuneration received by Andy Cornish was lower in the year ended 30 June 2014 than the previous financial year as he took a three month period of unpaid leave.
- 2 Remuneration for Jacki Johnson is determined in New Zealand dollars and reported in Australian dollars. Foreign exchange movements affect the value of remuneration disclosed. The exchange rate used to report Jacki Johnson's remuneration in the year ended 30 June 2014 was NZ\$ 1=A\$ 0.90485 (2013–NZ\$ 1=A\$ 0.80055).
- 3 Remuneration reported for Alex Harrison relates only to the three month period during which he was Acting Chief Executive Officer, Australia Direct. Share based remuneration provided to Alex Harrison in the current financial year did not relate to his role as the Acting Chief Executive Officer, Australia Direct and has not been disclosed.

Please refer to the notes relating to Table 1 of the remuneration report (on page 29 of the 2014 annual report) for an explanation of terms.

INDEPENDENT NON-EXECUTIVE DIRECTORS	SHORT-TERM EMPLOYMENT BENEFITS		POST EMPLOYMENT BENEFITS	TOTAL REMUNERATION
	IAG BOARD FEES RECEIVED AS CASH	OTHER BOARDS AND COMMITTEE FEES	SUPERANNUATION	
<b>2014</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
2013				
Brian Schwartz	552 540	220 220	18 19	790 779
Yasmin Allen	172 169	68 63	18 16	258 248
Peter Bush	168 165	18 24	17 17	203 206
Alison Deans	168 69	31 11	18 7	217 87
Hugh Fletcher	168 165	167 112	18 17	353 294
Raymond Lim	168 69	18 7	17 7	203 83
Dr Nora Scheinkestel*	169	21	16	206
Philip Twyman	170 168	56 55	18 16	244 239

\* Dr Nora Scheinkestel was appointed Director on 1 July 2013

### KEY DATES

2014 financial year end	30 June 2014
Full year results and dividend announcement	19 August 2014
Notice of meeting mailed to shareholders	8 September 2014
Final dividend for ordinary shares	
Record date	10 September 2014
Payment date	8 October 2014
Annual General Meeting	30 October 2014
Half year end	31 December 2014
Half year results and dividend announcement	20 February 2015*
Interim dividend for ordinary shares	
Record date	4 March 2015*
Payment date	1 April 2015*
2015 financial year end	30 June 2015
Full year results and dividend announcement	21 August 2015*

\* Please note: dates are subject to change. Any changes will be published via a notice to the Australian Securities Exchange (ASX).

### 2014 ANNUAL GENERAL MEETING

IAG's 2014 annual general meeting will be held on Thursday, 30 October 2014, 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](http://www.iag.com.au), from Monday, 8 September 2014.

### 2014 ANNUAL REPORT SUITE

This annual review contains a summary of the 2014 financial year performance of Insurance Australia Group Limited (IAG, or the Group). Unless otherwise indicated, references to 2014, 2013 and 2012 in graphs and copy throughout this review refer to IAG's financial years ended 30 June 2014, 2013 and 2012 respectively. All figures are in Australian dollars unless otherwise stated.

Information about IAG's 2014 financial performance is available online in the 2014 reporting centre on our website ([www.iag.com.au](http://www.iag.com.au)), along with financial updates, investor reports, ASX announcements, key dates and a comprehensive shareholder centre.

More detailed information is contained in IAG's 2014 annual report, including full statutory accounts, and the Directors', remuneration and corporate governance reports for the 2014 financial year. To have a copy of the annual report mailed to you, contact IAG's Share Registry using the contact details on page 29 of this review.

### SCOPE AND ASSURANCE OF SUSTAINABILITY REPORTING

Pages 18 – 23 of this review provide an outline of our approach to, and performance in, developing a sustainable business during the year ended 30 June 2014.

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 2014, we engaged independent assurance providers Net Balance to assure IAG's sustainability indicators as presented online in our Data Summary page. 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](http://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 receive from 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.

**SHORT TAIL** classes of insurance (such as motor, home and small-to-medium enterprise commercial) are those with an average period generally less than 12 months between the time when premiums are earned and final settlement of claims occurs.

**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 allowance; reserve releases in excess of 1% of NEP; and credit spread movements.

## 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

### OTHER:

Facsimile (general) +61 (0)3 9473 2470  
Email [iag@computershare.com.au](mailto:iag@computershare.com.au)

### REGISTERED OFFICE

INSURANCE AUSTRALIA  
GROUP LIMITED

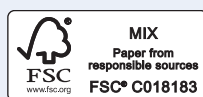
Level 26, 388 George Street  
Sydney NSW 2000 Australia  
Telephone +61 (0)2 9292 9222  
Facsimile +61 (0)2 9292 8072  
Email [investor.relations@iag.com.au](mailto:investor.relations@iag.com.au)  
Website [www.iag.com.au](http://www.iag.com.au)

### ONLINE INFORMATION

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



All information about IAG's 2014 financial performance is available online at [www.iag.com.au/reportingcentre/2014/index.html](http://www.iag.com.au/reportingcentre/2014/index.html), or scan this QR code to go straight to IAG's website, for financial updates, investor reports, ASX announcements, key dates and a comprehensive shareholder centre.



This report is printed on Nordset, a paper produced from FSC® Mixed Sources Chain of Custody (CoC) certified pulp from well managed forests, is Elemental Chlorine Free (ECF) and is made Carbon Neutral. Nordset is manufactured by Nordland Papier, a company certified with environmental management systems ISO 14001 and EMAS, the EU Eco-Management and Audit Scheme (Reg.No.D-162-00007) Nordset has also been awarded the EU "Flower" eco-label certification.

## About our cover



### SOUTH ROCKHAMPTON FLOOD LEEVE

This year, our CGU Insurance and NRMA Insurance businesses supported Rockhampton Regional Council's efforts to improve community resilience by working with Council to explore the likely impact that reducing flood risk in the community could have on insurance premiums.

Council's proposal is to construct a nine kilometre long flood levee along the Fitzroy River to the south of Rockhampton's city centre offering protection up to a 100 year flood event. It believes a well planned, designed and maintained levee would deliver a wide range of benefits to those who live, work and do business in areas affected by flooding, as well as the wider community.

The levee would protect over 1,200 properties including homes, commercial and rural properties, and schools, particularly in Gladstone Road, the lower CBD, Depot Hill, Port Curtis and Allenstown. It would also help protect the local economy. In the past four years alone, flooding across the Rockhampton region has resulted in a repair bill of \$67 million.

By working with the technical experts in our Natural Perils Research Team and using insights from our industry-leading flood risk analysis system, CGU Insurance and NRMA Insurance were able to show the levee would potentially decrease the flood component of premiums for approximately 1,250 properties in Rockhampton, Port Curtis, Depot Hill and Allenstown. Our customers could see reductions to the flood component of their premium of between 11% and 76%, depending on the level of flood risk at the property and other factors such as sum insured and expected levels of damage.

By sharing our expertise, we have been able to give the local community a better understanding of the benefits and costs involved in the levee. In May 2014, Council applied for State and Australian Government funding to help it finance construction of the levee and was waiting for a response at the financial year end.

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Page 10 image, [www.sydneyimages.com.au](http://www.sydneyimages.com.au)



AUSTRALIA



<sup>1</sup>



NEW ZEALAND



ASIA



<sup>2</sup>



<sup>2</sup>



<sup>3</sup>



<sup>3</sup>



<sup>4</sup>



<sup>5</sup>



<sup>6</sup>

**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. These products are distributed by RACV and manufactured by Insurance Manufacturers of Australia Pty Limited (IMA), which is 70% owned by IAG and 30% by RACV.
- 2 IAG holds a 98.6% beneficial interest in Safety Insurance, based in Thailand, which trades under the Safety and NZI brands.
- 3 IAG owns 49% of the general insurance arm of Malaysian-based AmBank Group, AmGeneral Holdings Berhad (AmGeneral), which trades under the AmAssurance and Kurnia brands.
- 4 IAG owns 26% of SBI General Insurance Company, a joint venture with State Bank of India.
- 5 IAG owns 20% of Bohai Property Insurance Company Ltd, based in China.
- 6 IAG owns 63.17% of AAA Assurance Corporation, based in Vietnam.