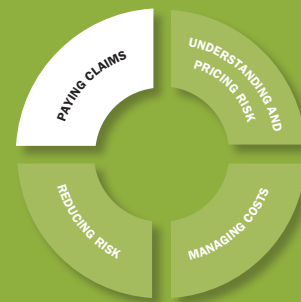




“THE MONEY WAS EXPECTED, THE AMOUNT OF SUPPORT WASN'T.”

PAYING CLAIMS



As Beck Paterson and her fiancée Shane Cole rescued their beloved horse “Toby” from a fierce bushfire, they knew their house, property and everything else they owned was probably being destroyed.

Their property was in the path of a fire which swept across the hills north of Port Lincoln on the Eyre Peninsula in January. Beck and Shane’s home was among more than 90 destroyed by the fire.

The very next day, CGU Insurance came to the community to offer immediate support to its customers who’d been affected by the fires.

“We were in shock. You don’t really know where to begin when you’ve lost everything. But, even before we started to tally up the damage, CGU gave us money through direct credit to buy some of the things we needed right away, like clothes and food,” Beck said.

CGU also helped Beck and Shane to get temporary accommodation for up to 12 months while their claim was being settled and they started to rebuild their lives as well as assisting with the architectural planning and designing of their replacement home.

“CGU’s help was one of the things that made our recovery a little easier.”

Beck Paterson and Shane Cole

*CGU customers
Eyre Peninsula, SA*

As an insurance group, we exist to pay claims. Through NRMA Insurance, CGU, SGIO, SGIC, Swann, State and NZI, IAG pays an average of \$11 million in claims every day. But paying claims is the easy part.

What makes us different is the way we pay claims. When a customer suffers an unexpected loss, the last thing they want to do is organise the rebuilding of their home and the replacement of their possessions. That’s why we focus our efforts on replacing their goods, or getting them back on the road or back to work, to help them recover as quickly as possible.

That includes offering policy benefits for many of our customers, such as:

- A 24-hour Helpline to offer customers emergency advice and assistance;
- Emergency transport or medical care;
- Replacing old goods with new ones;
- Lifetime guarantees on approved smash repairs; and
- Temporary accommodation.

24-HOUR HELPLINE CALLS

Number of customer calls for emergency assistance through our 24-hour Helpline during the year:

30,352

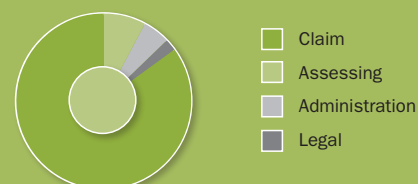
CLAIMS SATISFACTION

Satisfaction with claims management among customers in our largest portfolios of motor and home insurance in Australia:



THE COST OF A CLAIM

On average, when IAG pays a claim, these are the expenses incurred:





“BUT HOW DID YOU WORK OUT MY PREMIUM?”

UNDERSTANDING AND PRICING RISK



People who have had their home burgled know that thieves take more than just possessions. They also take away a sense of security.

This was how Katrina Tavaya and her husband Martin felt when their Canberra unit was broken into in February.

“After the break-in, we felt quite vulnerable and were concerned that the thieves may come back again. So we installed a back-to-base security system as quickly as possible,” Katrina said.

“The new security system makes us feel like our home is more secure. But, even better, we have also received a discount on our home contents insurance premium.”

Security is one of the factors taken into account when we calculate premiums, so Katrina and Martin now receive a discount for increasing the security of their home.

Katrina and Martin Tavaya

NRMA Insurance customers

Belconnen, ACT

Insurance is unlike most other financial products.

The price of the product is determined before the cost is known. It's difficult to know whether a customer will be involved in a car crash or if their home will be burgled or damaged by hail. The challenge for an insurer is to anticipate the potential risk and price it accurately and fairly, to ensure it's neither overpriced nor underpriced. Likewise, a customer must be satisfied they are neither overinsured nor underinsured.

That's why data is so important. IAG has the most extensive record of personal insurance claims history in Australia and has access to wide-ranging data, such as repair costs, weather patterns and crime statistics. Specialists are employed to analyse the data, including underwriters, actuaries, industry researchers and atmospheric scientists. This helps us calculate the costs associated with the risk so our customers pay both fair and accurate premiums based on their individual circumstances.

TOTAL PROPERTY VALUES INSURED

Total property values insured by IAG across Australia and New Zealand as at 30 June 2005:

\$858 billion

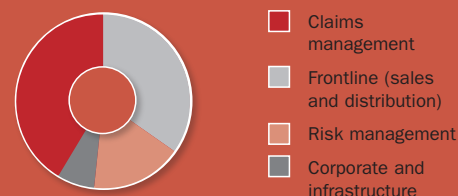
BUSINESS VOLUME

The number of policies and risks that IAG insures:



IAG'S PEOPLE INVOLVED IN MANAGING RISK

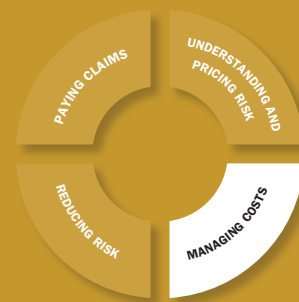
More than 12,000 employees across all areas of our business involved in managing risk:



A woman with dark hair, wearing a white button-down shirt, stands behind a stack of several cardboard boxes. She is smiling and looking towards the camera. The background features a window with white blinds and a blue wall. The text is overlaid in large white font at the bottom of the image.

**“NOW I GET THE
BIG DEAL ABOUT
BEING WITH A
BIG COMPANY.”**

MANAGING COSTS



While Helen Warwick and her husband were away enjoying a holiday in November, they were unaware of the severe thunderstorm that hit their Sydney suburb.

Unfortunately, their house was struck directly by a bolt of lightning during the storm.

“We came back to find that our two TVs and computer had literally blown up. The jolts of electricity had surged throughout most of the house. Even my electric toothbrush was fried,” Helen said.

“I never fully understood the benefit of being with the biggest general insurance group in Australia until I made my claim.”

As part of their standard cover, Helen could have replaced their televisions and computer new-for-old. But, she discovered that she could go one better than that.

“We were able to save money on new, more advanced electrical equipment for our home by tapping into NRMA Insurance’s buying power.”

Helen was able to deal directly with NRMA Insurance’s wholesale electrical goods suppliers. She chose to replace their old 58cm television with a brand new 68cm flat-screen television, by paying only the difference between the insured value of their old model and the wholesale price of the upgraded model. In effect, they saved hundreds of dollars by accessing NRMA Insurance’s supply network.

Helen Warwick

NRMA Insurance customer
Sydney, NSW

Many people understand that insuring with a bigger company offers greater security. What they may not realise is that size can provide other customer benefits too.

The economics of IAG’s business are based on scale. Scale allows IAG to manage costs through access to volume discounts across the supply chain, without sacrificing quality. For customers, that means better, more competitively priced products including white goods, electrical appliances, jewellery and furniture, as well as services from suppliers such as smash repairers, builders and decorators.

For customers, it’s a win-win: they get the security of being with the leading insurance group in Australia and New Zealand, but are also able to share in the cost benefits that come with our scale.

ADMINISTRATION RATIO

Our administration ratio (our administration expenses measured as percentage of our net earned premium):

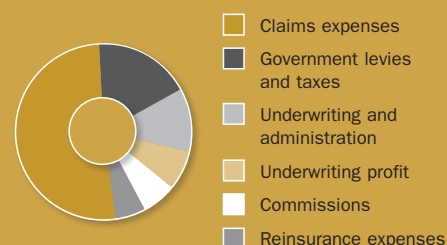
17.7%

BUSINESS VOLUME PER FULL-TIME EMPLOYEE

The number of policies and risks that IAG insures per employee:



CONTRIBUTORS TO THE COST OF RUNNING OUR BUSINESS





**“THEY’RE NOT
JUST MY INSURER,
THEY’RE ALSO MY
COLLEAGUES IN
FIGHTING CRIME.”**

REDUCING RISK



Senior Constable Terry Betts, a police officer in Orange, New South Wales, sees the effects of crime first-hand every day.

During the past year, he has also seen the benefits of a \$5,000 communityhelp grant from NRMA Insurance which is being used to fund Operation Never Again, a programme to reduce break-and-enter crimes in his community.

“Operation Never Again is a partnership between the council, police and local businesses aimed at making the community safer by educating vehicle and home owners about how to better protect themselves from break-in and theft,” Terry said.

“So far, it is paying off, with a 26% reduction in break-and-enter offences in the area in just the first year.”

In his capacity as a police officer, Terry Betts appreciates NRMA Insurance’s assistance to get the programme off the ground. As a home owner and insurance policyholder, he is grateful that his own home and family are safer.

Senior Constable Terry Betts
NRMA Insurance customer
Orange, NSW

When a customer sees their insurance company sponsoring community events, supporting charities and doing research into social issues, they could be forgiven for wondering how it relates to running an insurance business.

The answer is simple. IAG invests in programmes to help prevent fires; reduce the incidence of crime; make roads, homes and workplaces safer; and reduce our environmental impact. This is because the fewer risks there are, the better for everyone. Helping to prevent claims from happening in the first place will keep premiums more affordable and our communities safer.

In fact, IAG invested more than \$12 million on programmes to reduce risk in the community last year, including:

- Providing financial grants to local groups which aim to make communities safer, leading to fewer claims;
- Working with local councils to fix blackspots on the roads;
- Educating the public on how to make homes safer through the helphouse page on our websites;
- Working with manufacturers to make cars safer and less costly to repair; and
- Sponsoring risk reduction organisations such as St John Ambulance, and CareFlight which respond to people with urgent medical needs.

COMMUNITY GRANTS

Number of grants provided to community organisations through IAG’s communityhelp grants programme during the year:

150 grants,
totalling more
than **\$530,000**

WORK-RELATED INCIDENTS AT IAG

Number of work-related incidents that became workers’ compensation claims per million hours worked:



THE AREAS IAG TARGETS TO REDUCE ITS ENVIRONMENTAL IMPACT

- CO₂ emissions
- Electricity use
- Print paper consumption
- Office paper consumption
- Fuel use
- Air travel