

What to do if you have a complaint

Representatives responsible for handling complaints are not to be approached by the complainant until the complaint has been accepted for investigation by the Financial Dispute Resolution Service.

Tiến trình của chúng tôi

Bước 1 - Thảo luận với chúng tôi trước tiên
 Điều trước tiên mà quý vị nên làm là thảo luận trong các Tư vấn của chúng tôi, về những gì quý vị. Tư vấn (consultant) có thể giúp quyết định

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طوة 1 - ختد إينا أولاً

ما يجب عليك فعله هو التحدث إلى أحد مستشارينا بشأن ما
 تمكّن المستشار من حل الشكوى التي لديك إذا لم يحصل ذلك

如有投訴 該怎麼辦

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Cosa fare se vuoi sporgere un reclamo

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REVIEW OF THE FINANCIAL SYSTEM EXTERNAL DISPUTE RESOLUTION FRAMEWORK ISSUES PAPER

Australia



New Zealand



Asia



IAG is a general insurance company, whose purpose is to make your world a safer place. This applies to customers, partners, employees, shareholders and the communities IAG serves across Australia, New Zealand and Asia. Further information on IAG is included in attachment 1.

A response to the questions raised is detailed in the pages to follow. See below for an example internal process document that outlines how complaints and disputes are managed.


Managing Customer Complaints at CGU

A complaint is "an expression of dissatisfaction made to us related to our products or services, or our complaints handling process itself, where a response or resolution is explicitly or implicitly expected."

Level 0
Frontline Colleague

I will do my best to resolve your complaint straight away. If I am unsuccessful **by the end of the next business day** (or if you ask me to) I will refer to my manager to record your complaint and complete a review.

NB: In the event your complaint relates to hardship, a declined insurance claim or the value of an insurance claim, I will have my manager record the complaint and provide you with a response in writing.



Level 1
Frontline (Manager)



- I will record the details of your complaint .
- I will respond to your complaint within a maximum of **15 business days of the date of receipt**, provided I have all the necessary information and have completed my enquiries. Where possible I will contact you with an outcome by the **5th business day**.
- I will keep you informed of our progress at least every 10 business days, unless we agree otherwise.
- I will only ask for and rely on information relevant to our decision in dealing with complaints.
- If I am unable to resolve your complaint by the end of the **5th business day**, I will provide you with my response in writing.
- In the event your complaint relates to hardship, a declined insurance claim, the value of an insurance claim, I will **always** provide you with a response in writing.
- I will provide my decision (Level 1 letter) in writing and tell you:
 - ✓ Our decision in relation to your complaint;
 - ✓ The reasons for our decision;
 - ✓ Your right to take your complaint to Level 2 if our decision at level 1 does not resolve your complaint to your satisfaction; and
 - ✓ If you are still not satisfied with our decision after level 2, your right to take your complaint to the Financial Ombudsman Service Australia (FOS), together with contact details for the FOS and the timeframe within which you must take your complaint to the FOS i.e. within 2 years from our decision letter.


Level 2
Customer Resolution – Internal Dispute Resolution (IDR)

- If the complaint cannot be resolved, you can ask Customer Resolution to review it and provide a final decision.
 - I will keep you informed about the progress of our review at least every **10 business days**.
 - I will provide you with a response within **15 business days of the date you advise us that you wish to take your complaint to Level 2**, provided we have all necessary information and have completed any investigation required.
- As an organisation, we will provide you with our final decision in relation to your dispute as soon as possible within a **maximum of 45 days calendar** days from the date of your initial complaint.

Level 3
Customer Relations - External Dispute Resolution (EDR)

- We subscribe to the independent external dispute resolution scheme administered by the FOS.
- Decisions made by the FOS are binding upon us in accordance with the FOS Terms of Reference.
- There is no charge to you for escalating dispute to the FOS.

-  If the complaint/dispute is approaching the maximum of 45 day and remains unresolved, we must advise our customer of the external options (i.e. FOS).
-  If requested, we must supply our customer with the information we relied upon in assessing the complaint within **10 business days**.

 Why are complaints fantastic for us? The feedback captured gives us insight into areas that are causing our customers dissatisfaction. We use this to continually review and improve our products and services.

IAG greatly appreciates the opportunity to provide comment on the review of the financial system external dispute resolution framework. IAG would be pleased to discuss details of this submission further.

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Hilary Whiteley
National Manager, Customer Resolution
Hilary.whiteley@cgu.com.au

IAG welcomes the opportunity to provide comment on the Review of the financial system external dispute resolution framework Issues Paper. The current External Dispute Resolution (EDR) framework works well for consumers and the General Insurance Industry and we believe it has adapted well to suit our respective needs.

IAG has made a commitment to be customer-centric, which means bringing the feedback from our customers into our daily decisions. A major benefit of the current EDR framework for general insurance is that it has facilitated a high quality, professional response to complaints and disputes. IAG puts significant resourcing into clear processes, training for our front line as well as into specialist Internal Dispute Teams. Our teams are dedicated to resolving complaints and disputes as quickly, completely and fairly as possible.

The concept of an additional forum for dispute resolution is raised in the Issues Paper. IAG strongly supports retaining the status quo and sees little or no benefit in yet another scheme to replace or complement existing EDR and complaints arrangements – particularly when it comes to general insurance.

With members currently being bound by a decision of Financial Ombudsman Service (FOS) but a complainant being able to pursue alternatives if they do not agree with a decision of FOS, we consider there is sufficient option for further review. Any additional step following the EDR decision would duplicate the EDR process thereby increasing delay in resolving disputes, increasing already high costs and not providing a significant further benefit to consumers.

IAG points out that the needs of general insurance policy holders as part of dispute resolution are different to that of banking consumers. Therefore, in the first instance, IAG suggests that further research is carried out to fully understand the type and extent of complaints that currently cannot be resolved within existing EDR schemes. This should assist with adequately determining whether the existing arrangements are satisfactory or if an additional tribunal is indeed required – particularly for one industry over another. It is possible that any jurisdiction of a tribunal should be restricted to deal with disputes with providers of banking products.

IAG would caution against establishing an entirely new dispute resolution body for the financial services sector. It is questionable whether the creation of a single new body would reduce administration costs or lead to greater efficiencies and better outcomes for consumers.

Instead, enhancements or targeted improvements could be made to the existing framework. IAG could look to support in principle, a 'one-stop shop' or triage service that overlays but does not overlap with existing schemes. Arguably this proposal would need to be considered in further detail and in consultation with other stakeholders.

Such a service has the benefit of creating a single access point, and may assist with improving consumer access to dispute resolution. However, given the significant obligations on insurers to provide notification to customers of the availability of IDR and EDR schemes, we do not consider there is such confusion for consumers in the general insurance industry. Existing EDR schemes, along with their general insurance experience and expertise, should be maintained.

A. Principles guiding the review

The Financial System Inquiry notes the financial sector has served Australia well, and that it has been transformed by forces such as domestic and international economic and financial crisis, a substantial regulatory reform agenda, the growth in superannuation, changes in industry structure, new competitive dynamics, technology, innovation and broader macroeconomic trends.

The EDR framework underpins Australia's highly functioning financial services industries. Consumers are the very lifeblood of the system, so it is critical that this framework meets the needs of the end users of financial services. Free access to dispute resolution for consumers who are unable to resolve complaints with FSPs is essential. Being able to seek quick, efficient dispute resolution that occurs in a less onerous and stressful manner than going to court, supports a healthy financial services sector.

We therefore have a duty to ensure the framework meets the obligations based on principles including; efficiency; equity; complexity; transparency; accountability; comparability and regulatory cost. These principles are sound. With these principles as a baseline, IAG believes that the current EDR framework is functioning well for General Insurance consumers. While there is no need for an overhaul of the architecture in its entirety, as is an option being proposed, there are always opportunities for targeted improvements to be made. It is critical that the framework continues to adapt to a rapidly changing and dynamic financial system.

An additional principle that could be considered is "sustainable". This reflects the ongoing requirement for the scheme to remain affordable and viable for industry to fund in the long term. It is noted that recent fee increases, along with limited flexibility in timelines for the more complex disputes that can be reliant on information from customers or third parties, result in costs that could be comparable with utilisation of the courts – which risks compromising the very purpose of external dispute resolution framework in the first place.

The role of general insurance

In reviewing the EDR framework, it is important to take into consideration the broad social and economic context within which general insurers operate. General insurance does more than just the protect the assets and finances of individuals – it provides significant benefits to the Australian economy broadly.

Helping individuals to protect what's important

It is the role of insurers to help policyholders protect what is important to them. At its simplest, insurance is about transferring risk. Insurers take on their customer's risk - allowing the customer to avoid the financial burden of damage resulting from a specified event.

Insurers identify and then manage the costs of these risks to make sure there is enough money coming in through premium payments to meet the cost of future claims as they arise. To do this, an insurance company has to put a price on the likelihood of someone making a claim. This is done by estimating the chance a claim will be made and multiplying this by the average value of a claim.

The most significant contribution of insurance to society is the provision of risk sharing, risk transfer abilities and loss prevention measures. General insurance products allow individuals to avoid the financial burden of incurring damage resulting from a specified event. Insurance supports the individual by keeping his/her financial situation stable by decreasing the level of unnecessary (individual) precautionary savings which enables capital to be allocated to higher-return projects.

Thus, the Industry stimulates investment and consumption by reducing the need for people to self-insure. That is, have sufficient funds on hand in order to recover from unexpected loss. This frees up capital and protects those whose savings would be insufficient to cover losses following an otherwise insurable event, in which case governments may be called upon to cover the costs. The private insurance market remains the most effective and economically sustainable solution to ensuring the maximum number of Australians choose to cover themselves for their risks.

Contribution to the economy

The general insurance industry has maintained a strong financial position, experiencing years of consecutive growth of net earned premium which has been in large part driven by the profitability of personal lines. Policy holders have more choice than ever before with which to insure their personal assets and/or businesses. As such, general insurance continues to be a well-capitalised, stable contributor to the Australian economy.

As at June 2016, there were 108 insurers licensed to conduct general insurance business. Net earned premium for the industry in the year ended 30 June 2016 was \$30.2 billion, of this, direct insurers wrote \$28.6 billion (94.4 per cent)¹. The sector is responsible for the employment of around 70,000 people and issued or renewed 51,829,110 general insurance policies during the 2014 – 2015 financial year².

General insurance products are different from banking products

General Insurance has the significant responsibility of covering people's livelihoods. After all, general insurance covers so much of what makes up our everyday lives – our homes, cars, businesses and travel plans. General insurers offer income protection, life insurance and protect businesses and farms from the risks and challenges associated with these enterprises, overall helping to support prosperity and viability. The importance and responsibility general insurance has to its customers, the community and the economy should not be understated, however, general insurance products are fundamentally different to other financial services products, namely banking and investment products.

¹ <http://www.apra.gov.au/GI/Publications/Documents/0816-QGIPS-June-2016.pdf>

² <http://codeofpractice.com.au/assets/documents/CGC%202014-15%20industry%20data%20report%20June%202016.pdf>

This is because general insurance products are almost exclusively classified as ‘tier 2’ financial products on the basis that they are more so commoditised, comparatively easier to understand, and are sold frequently without the need for financial advice at the point of sale.

By contrast, banking and investment products, more often than not, can expose the consumer to a higher degree of upfront financial exposure. For example, home loans, credit cards, personal loans, transaction accounts, long term deposits, all typically require the customer to make a direct financial investment – whereas general insurance products call for smaller financial commitments in the form of premiums to indemnify risk. Additionally, General insurance products are typically annual renewing contracts, whereas banking and investment contracts can have a term of up to 30 or more years. As such, consumers are able to easily cancel or opt not to renew their insurance contract making it much easier to shop around and switch without penalty.

Regulation should therefore take these differences into account. The core insurance business has proven its ability to protect policyholders and absorb shocks from natural and man-made events without posing or extending systemic risk.

Insurers do not operate critical financial market utilities that are necessary to payments and clearing systems. In relation to the global financial crisis, core insurance activities were not the source of instability in global markets but rather a stabilising force. As such, the systemic risk developments in the banking sector would be a poor guide to what changes are necessary in the regulation and supervision of insurance, given the differences in business models and types of institutions.

B. Internal Dispute Resolution

Keeping customers at the centre of our business

IAG’s objective is to improve our customers’ experiences, and everything we do is designed with customers in mind. This year, we found new ways to bring customers into our conversations and include them in how we are shaping our business.

We continued to use a human-centred design approach to develop products and solutions for our customers. This year, we created our Traidz website as a direct result of this work. Traidz effectively opens up our network of tradespeople to our customers. Our NRMA Insurance business created the Safer Homes website to help demonstrate some of the factors we take into account in determining insurance premiums. Using our data, we help people learn more about the risks that apply to their homes and what they can do to protect against these.

In June, we established the IAG Consumer Advisory Board to bring together a number of Australia’s leading consumer representatives and IAG management to discuss key customer issues in the insurance industry, with the goal of improving customer service and consumer protection.

We are acutely aware of the important role culture plays in how a business operates and performs. We believe we have a very effective – and caring – culture at IAG and we took steps this year to ensure our assessment is correct.

Mindful of wider community discussions about corporate culture, we decided to get an external perspective, by appointing renowned ethicist Dr Simon Longstaff AO, Executive Director, The Ethics Centre, to lead our Ethics Committee. At the same time, we have reviewed our Codes of Ethics and Conduct to confirm they remain relevant and appropriate.

In addition to the multitude of customer orientated training that IAG employees undertake, we run customer focused initiatives. Recently, our senior leaders participated in a 'With Thanks' session. This is where leaders who commonly do not deal directly with customers had the opportunity to call customers to thank them for their loyalty and hear what made their experience with us so good. Over the day, 116 customers were contacted and thanked for being a valued customer. Our leaders also sent 116 hand-written thank you cards to the frontline colleagues who were great representatives of our IAG brands and one of the reasons our customers rated us so highly.

To genuinely place our customers' wants and needs at the centre of everything we do, we seek to understand what customers expect of us. As such we undertake a number of customer advocacy measures, using surveys and analysis, we learn about customers' experiences with us and measure the likelihood of them recommending our services.

The current EDR framework facilitates high quality treatment of complaints and disputes

Our organisation has made a commitment to be customer-centric, which means bringing the feedback from our customers into our daily decisions. Therefore, customer complaints are considered a key element of the feedback loop. They play a role in complimenting existing customer surveying and provide the business with real time insight into how we are treating our customers and whether our services are measuring up. They provide us with the ability to identify customer irritants and fix them. In the broader context, analysis of complaints and disputes allow us to review and understand any significant trends in our service delivery.

A major benefit of the current EDR framework for general insurance is that it has facilitated a high quality, professional response to complaints and disputes. IAG puts significant resourcing into clear processes, training and specialist teams dedicated to resolving complaints and disputes as quickly, completely and fairly as possible.

IAG's businesses aim to resolve complaints at the first point of contact. As such, our frontline employees undertake ongoing training and support to be able to do this. If our frontline employees or Management cannot provide the assistance the customer needs at the first point of contact, the complaint will be managed by our specialist Internal Dispute Resolution teams. These teams have the highest professional standards, are led by senior leaders and are made up of 50 customer relations professionals. Having approximately 500 years' equivalent insurance industry experience between them, their qualifications and backgrounds vary from legal practitioners, hydrologists, customer service specialists. All go through rigorous training to ensure they have the skill and empathy needed to advocate for customers, to aim to resolve them within IAG in the first instance.

Each complaint is treated on a case by case basis. The majority of our complaints, particularly in our personal lines, are resolved internally with only a small number escalated to FOS. More than 99% of claims are lodged and finalised without dispute, in excess of 96% without complaint.

In relation to the hundreds of thousands of claims lodged every year for our personal lines, the last 3 years have seen an average of only 4% of complaints going to EDR.

IAG aims to go above and beyond what is required by regulation and aims to record all complaints that are not resolved by the next business day. This is done primarily through our Customer Experience Database, which helps us to capture critical customer feedback that is fed back into product development, process and service improvements. Refer to Appendix 2 for an overview as to how IAG manages customer complaints for further detail.

Opportunities for improvement

IAG aims for the highest possible complaints resolution rates, and as previously noted, the vast majority of complaints are resolved internally. However, the current timelines required (15 working days) are demanding, but are managed. Time delays are often caused when either party needs to get the opinion of an expert (repairer, engineer, estimator etc.). This is an area potentially requires additional consideration with the view to increasing flexibility.

It is also noted that the FOS timeframes do not quite align with RG 165 and the GICOP. This change came into place as part of the FOS review process (approximately 18 months ago). This can cause confusion for both consumers and FSP employees. There is potential for this to be reviewed and the time frames be realigned to the RG 165 and the GICOP.

Also, there is further opportunity to co-create new processes that FOS seeks to implement for FSPs. The opportunity to provide upfront input to new process development would arguably save time and resources in the long run. It would help to prevent duplication or misunderstanding of how the new processes should work.

General insurance complaint numbers

The 2015 – 16 FOS Annual Review reports an increase in general insurance disputes and this warrants review to understand the factors driving this increase.

It is important to note that there is an inherent volatility in general insurance dispute numbers. Major weather events and natural disasters can lead to a sudden increase in claims, this in turn can result in an increase in disputes.

For example, the severe storms that hit eastern Australia in April and May 2015 resulted in insurance losses of over \$1.55 billion with the industry receiving in the vicinity of 120,000 claims in less than 3 months³. IAG is skilled at responding to major events, and undertakes a raft of measures including; immediate make safe of customers'

³ http://www.insurancecouncil.com.au/media_release/plain/311

homes where ever possible; provision of emergency accommodation; proactively calling customers in affected areas; the use of drone inspections to help assess damage faster; deployment of Mobile Emergency Rapid Response Vehicle to local areas; and moving employees interstate and drawing on skilled back-office employees to pull together largescale workforce to process claims.

Severe weather events, increasing consumer awareness and mindset around making a compliant and escalating it quickly, and other factors could be driving fluctuations in general insurance dispute numbers. IAG's claims teams continually introduce practices that focus of customer service improvements and indeed our customer surveying (net promotor scores) has continued to improve even though there has been a spike in disputes. Improvements could be made by FOS and members working together to improve understanding of the impacts of severe weather events on insurance operations.

C. Regulatory oversight of EDR schemes and complaints arrangements

The current EDR framework works well for consumers and the General Insurance Industry and we believe it has adapted well to suit our respective needs. Consumer protection is of fundamental importance to the Australian economy. As noted in the Financial System Inquiry Final Report, 'the financial system plays a vital role in meeting the financial needs of Australians, allowing people to make payments, access credit, manage risk and save for retirement. To fulfil this role effectively, consumers should be treated fairly and financial products and services should perform in the way that consumers are led to believe they will'⁴. Further, consumer access to external dispute resolution plays a key element in ensuring fair outcomes for consumers and supports trust and confidence in financial services broadly.

Consumer protection laws assist in ensuring consumers can confidently participate in markets. This is particularly true when laws and regulations operate in a manner which balance the interests of consumers, business and regulators in addition to supporting competition and innovation.

General insurance is already highly regulated

IAG submits that the current level of regulatory oversight is adequate as it provides a streamlined process to allow complaints and disputes to be settled swiftly without undue delay or process. Any increased regulatory oversight may slow down the ability of IDR and EDR to resolve complaints and disputes in an efficient manner. The EDR process relies on using "fairness" over strict rule of law to get outcomes across and reduce avenues for appeal based on technicalities.

Aside from relevant Corporations Act dispute resolution standards imposed on all FSPs (articulated within ASIC Regulatory Guides 139 and 165), General Insurers are also bound by rigorous dispute resolution requirements set out in the General Insurance Code of Practice (Code). The Code is administered by FOS and monitored by the

⁴ http://fsi.gov.au/files/2014/12/Final_Report_Fact_Sheet_Consumer_outcomes.pdf

General Insurance Code Governance Committee, made up of three independent members and has been in existence for many years.

The above listed regulatory and Code obligations take their place as part of the broader corporate regulatory regime that applies to Australian incorporated businesses generally. This includes the legislative regimes of the Corporations Act 2001 (the Corporations Act), the Australian Securities and Investments Commission Act 2001 (the ASIC Act), the Competition and Consumer Act 2010 and, for public listed companies, the requirements of the Listing Rules of the Australian Securities Exchange.

General insurers are also subject to a range of industry specific regulations at Federal (e.g. Insurance Act 1973 and Insurance Contracts Act 1984 (the Insurance Contracts Act)), State and Territory levels. These regulations subject insurers to prudential supervision. They also deal with aspects of market conduct and consumer protection and the various statutory insurance schemes, which operate in each State and Territory.

While IAG endorses the need for constant review to undertake continuous improvement of existing regulations and to enhance consumer protection, we note that the general insurance sector is already highly regulated, especially with regards to the management of customer complaints and disputes.

Indeed, the combination of both compulsory and industry self-regulation is working well for consumers and the industry. Self-regulation helps to provide a benchmark standard for market players. Once the standard is set, there is a strong incentive for individual companies to exceed the benchmark for competitive edge.

4. Existing EDR schemes and complaints arrangements

Benefits of the existing scheme

The current compulsory membership of an ASIC approved, industry focused and user-pays EDR scheme is working well for consumers and the General Insurance Industry.

In its current form the scheme provides strong incentives to industry participants to resolve complaints and disputes at the earliest possible stage through internal complaint handling mechanisms, while at the same time providing free and easily accessible redress for consumers who either choose to take their dispute externally, or who have more complex disputes in an affordable manner. Additional benefits of the current scheme are detailed below.

General insurance disputes are dealt with in a particular stream/division of FOS which accommodates the particular issues that arise from these matters. The teams tend to have a developed understanding of insurance, as opposed to other financial services products such as banking, financial planning, mortgage and finance broking etc. This ultimately allows a more tailored service for general insurance policy holders and therefore results in a more efficient and equitable review of complaints and disputes.

The current FOS model caters to direct engagement between members, decision makers, consumers and other representatives via direct meetings, workshops, and industry forums as well as the new conciliation model – all of these activities provide for strong relationships between FOS and members and overall better consumer outcomes.

The fact that FOS decisions are binding on the FSP provides customers with a great deal of confidence in the scheme. 40% of formal decisions are found in favour of consumers, noting a significant number of resolutions occur through negotiation and agreement between the parties. Decisions are binding on FSPs and compliance with these decisions is close to 100%. Consumers have the ability to challenge decisions through the supreme court or through various state civil tribunals, but even for the larger quantum issues, while these alternate EDR options are available, this seldom occurs.

FOS has developed processes that complement the unique nature of general insurance products, as they differ greatly from banking products, including the implementation of a fast track process to expedite small and low value disputes – of which majority large number of general insurance disputes fall into.

FOS is funded by members in terms of membership and dispute fees. Members are therefore directly accountable for their own number of disputes proceeding at FOS and are not (aside from general membership fees) funding disputes of other providers. This in essence creates a ‘user-pays’ system. This encourages more proactive involvement in the scheme and also means that some members (low use) are not subsidising other members (high use). Most importantly, it ensures FSPs are encouraged to pay great attention to resolving disputes and preventing them from escalating.

It is very easy for customers to escalate direct to FOS. Previously this was an issue as FOS did not redirect automatically to the IDR scheme if an internal review had not been done. Changes to the model have allowed FSPs greater opportunity to resolve matters earlier, which is quite often for the benefit of both the consumer and the FSP, as it gives FSPs the opportunity to address issues directly with the consumer.

5. Triage service, One body, an additional forum for dispute resolution

The concept of an additional forum for dispute resolution is raised in the Issues Paper. IAG strongly supports retaining the status quo and sees little or no benefit in yet another scheme to replace or complement existing EDR and complaints arrangements – particularly when it comes to general insurance.

With members currently being bound by a decision of FOS but a complainant being able to pursue alternatives if they do not agree with a decision of FOS, we consider there is sufficient option for further review. Any additional step following the EDR decision would duplicate the EDR process thereby increasing delay in resolving disputes, increasing already high costs and not providing a significant further benefit to consumers.

As it is, consumers have access to civil tribunals like NSW Civil and Administrative Tribunal (NCAT) and Victorian Civil and Administrative Tribunal (VCAT) – so in effect, there is already an additional layer of redress available. For

example, consumers already have the option to go through IDR, FOS and then if dissatisfied, seek further review by NCAT or VCAT. All of this most commonly occurs before court may even have been considered.

Any increased regulatory oversight or any additional layers introduced by way of a tribunal, would risk slowing down the ability of EDR to resolve general insurance complaints in an efficient manner. The EDR process relies on using “fairness” over strict rule of law to get outcomes across and reduce avenues for appeal based on technicalities. While this often leads to determination outcomes that depart from strict legal principles, it also allows disputes to resolve swiftly. If a regulator was to review or scrutinise EDR determinations more closely, it could bring about a “shadow” judiciary, viewing the dispute from a different philosophy or approach, furthermore, it risks compromising the strengths that FOS currently given decisions are currently binding on the FSP.

IAG points out that the needs of general insurance policy holders as part of dispute resolution are different to that of banking consumers. Therefore, in the first instance, IAG suggests that further research is carried out to fully understand the type and extent of complaints that currently cannot be resolved within existing EDR schemes. This should assist with adequately determining whether the existing arrangements are satisfactory or if an additional tribunal is indeed required – particularly for one industry over another. It is possible that any jurisdiction of a tribunal should be restricted to deal with disputes with providers of banking products.

Additionally, IAG notes that the current user-pays funding structure is most equitable. Keeping costs down for both consumers and FSPs is also in the interests of fair outcomes. If the costs associated with EDR determination processes continue to increase, (be it through increased administration costs with new triage function, or through subsidising higher volumes of banking EDR disputes) it risks the undesirable consequence of FSPs settling determinations to avoid cost rather than to reasonably argue their position. We do not view such an outcome to be in the interests of principles of fairness.

Therefore, IAG would caution against establishing an entirely new dispute resolution body for the financial services sector. It is questionable whether the creation of a single new body would reduce administration costs or lead to greater efficiencies and better outcomes for consumers.

Instead, enhancements or targeted improvements could be made to the existing framework. IAG could look to support in principle, a ‘one-stop shop’ or triage service that overlays but does not overlap with existing schemes. Arguably this proposal would need to be considered in further detail and in consultation with other stakeholders.

Such a service has the benefit of creating a single access point, and may thereby reduce consumer confusion about where to lodge a dispute. However, given the significant obligations on insurers to provide notification to customers of the availability of IDR and EDR schemes, we do not consider there is such confusion for consumers in the general insurance industry. Existing EDR schemes, along with their experience and expertise, should be maintained.

IAG greatly appreciates the opportunity to provide comment on the review of the financial system external dispute resolution framework.

Response to questions



Should you wish to discuss this submission or make further enquiries, please contact: Anna Taperell, Manager, Public Policy & Industry Affairs (anna.taperell@iag.com.au or 02 9292 9582).



iag

CLOSER.

INSURANCE AUSTRALIA GROUP LIMITED
ANNUAL REVIEW AND SUSTAINABILITY REPORT 2016

ABN 60 090 739 923



The covers for this year's annual review and annual report feature NRMA Insurance customer, Vicki Uriarte, with Maggie and Marco from her Urban Cooking Collective business in Maroubra, Sydney. Vicki took out an NRMA Business Pack policy in 2014.

She started her first company when she was 19 and now runs a successful business that employs eight people and provides what she describes as “exciting food” for around 400 events a year.

Vicki says the greatest things she has ever done were to take risks and go out on her own, rather than waiting for other people to help her do things: “Being entrepreneurial is the only way you are going to go forward,” she said.

She says her decision to insure with NRMA Insurance was brand driven. “NRMA has been a brand that has been in my life since I was a child so I was drawn to it,” she said. “Also, it was easy. The people I spoke to were friendly and helpful – all I had to do was tell them what I did, how I did it and what I needed and they came up with a solution for me.”

CLOSER

The theme for this year's report is Closer, the first word in our spirit: Closer, Braver, Faster. Our spirit sets out how we will work with each other, our customers, our partners, our shareholders and our communities. We will be closer in the way we create real connections with everyone; we will be braver in the way we shape our future; and we will be faster in the way we make things happen.

ANNUAL GENERAL MEETING

IAG's annual general meeting will be held on Friday, 21 October 2016, at the Wesley Conference Centre, 220 Pitt Street, Sydney, commencing at 10.00am. Details of the meeting, including information about how to vote, will be contained in our notice of meeting, which will be mailed to shareholders, and available online at www.iag.com.au, from Tuesday, 6 September 2016.

In keeping with our **Closer** theme, Vicki Uriarte and her Urban Cooking Collective will provide the catering for our 2016 annual general meeting.

CONTENTS

2016 at a glance	2
Chairman's review	3
Chief Executive Officer's review	4
Chief Financial Officer's review	6
Our portfolio	7
Our strategic framework	8
Material issues	9
Operating performance	
Australian Consumer Division	10
Australian Business Division	11
Operations	12
New Zealand Division	13
Asia Division	14
IAG Labs	15
Creating shared value	16
Safer	17
Stronger	18
More Confident	19
Board and management	
Board of Directors	20
Group Leadership Team	21
Remuneration framework	22
Executive and director remuneration	23
Shareholder information	24
Glossary	25

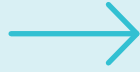
2016 AT A GLANCE

FINANCIAL STRENGTH

\$11,367^m

Gross written premium

Relatively flat compared to 2015



\$1,178^m

Insurance profit¹

Up from \$1,103m in 2015



14.3%

Reported insurance margin¹

up from 10.7% in 2015

14.0%

Underlying insurance margin

up from 13.1% in 2015

13.0%

Cash return on equity



\$867^m

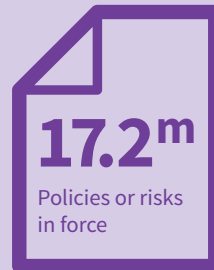
Cash earnings



\$4,619^m

Total regulatory capital

CUSTOMERS



17.2^m

Policies or risks in force



\$1,985^b

Total assets insured

NET PROMOTER SCORE



22%
Australia

up from 21%



\$9,447^m

Claims paid

34%
New Zealand

up from 33%



SHAREHOLDERS



733,486

Holders at 1 August 2016



26.0 cents

Per share full year dividend



\$948^m

Distributed to shareholders, including special dividend

SUSTAINABILITY AND COMMUNITY



5,958 hours

Volunteered by employees



\$9.6^m

Community investment²



7.7%

Reduction in carbon emissions

since 2015



¹ The 2016 financial year insurance profit and margin in this review are presented on a management reported (non-IFRS) basis which is not directly comparable to the equivalent statutory (IFRS) figure in IAG's 2016 annual report. A reconciliation between the two is provided on page 25 of this review and on page 7 of the annual report to comply with the Australian Securities and Investments Commission's Regulatory Guide 230. IAG's 2016 net profit after tax is the same in this annual review and in the annual report

² 2016 data reflects a reduction in community investment in New Zealand, as we ceased a number of sponsorships to align our community investment to our purpose

CHAIRMAN'S REVIEW

I was delighted to take over the role of IAG's chairman in March this year. IAG provides security for millions of motorists, homeowners, businesses and workers across Australia, New Zealand and in parts of Asia, so it is an honour to be its chairman.

OUR PURPOSE IN ACTION

IAG's purpose – to make your world a safer place – is one I am proud to be associated with. This year, I have seen powerful examples of this purpose in action, as our people helped customers affected by events including the Victorian bushfires, a series of hailstorms, and the extreme weather caused by the east coast low in early June.

In addition, I had the privilege of visiting one of IAG's longest-standing and most complex natural disaster recoveries, the rebuilding of Christchurch. To see first-hand the depth of skills and persistence IAG's people are bringing to the reconstruction of the city, and the care they show for the individuals who live there, was a very moving experience. It showed how much a company can achieve when its people are committed to the community they are helping, contributing an enormous range of technical skills, resources and passion.

Meeting the team, and sensing the engagement, commitment and resilience that such a large endeavour demands, was to see a very special part of the insurance industry in action.

PREPARED FOR THE DIGITAL FUTURE

Like all major companies in Australia, IAG is deeply involved in the challenges and opportunities of the digital future. We believe the insurance industry and its customers will benefit from our work to provide the products and services people want and need, in ways that can be tailored to each customer using new digital technologies.

Our increasing moves into the digital world will continue to reflect the deep focus on customers that we can trace to our heritage as a mutual organisation. Our customers will be well-served by the commitment to them that is palpable in conversations with people across the company, and core to how we operate.

MANAGEMENT HAS DELIVERED SOUND RESULTS

It has been a great pleasure to work with Peter Harmer as he has settled into his new CEO role, and to become more aware of the depth of skills in his leadership team and the wider group of employees.

Despite the difficult pricing conditions in the commercial insurance market, management has been able to deliver sound financial results for the year.

There has also been a sharper focus on Asia, particularly directed to our established and mature businesses in Thailand and Malaysia.

Our gross written premium was \$11.4 billion and we achieved net profit after tax of \$625 million, cash earnings of \$867 million and a cash return on equity of 13%.

STRONG CAPITAL POSITION REWARDS SHAREHOLDERS


The strength of the result enabled the Board to provide shareholders with a final fully franked dividend of 13.0 cents per share, bringing the full year payout to 26.0 cents per share. This equates to a full year cash payout ratio of 72.9%, in line with IAG's increased dividend payout policy of 60-80% of cash earnings on a full year basis, which took effect from financial year 2016. The dividend will be paid on 5 October 2016 to shareholders registered on 7 September 2016.

This year, shareholders benefited from a special dividend of 10.0 cents per share, paid with the interim dividend in March, and the Board has also determined to conduct an off-market share buy-back to the value of around \$300 million, which is expected to be completed in mid-October 2016.

BUILDING ON A SUCCESSFUL LEGACY

In closing, it gives me great pleasure to recognise our former Chairman Brian Schwartz's contribution to shaping IAG over the last decade. Brian, his Board and his management team had a great influence in making IAG the successful company it is today.

My fellow directors and I look forward to building on this legacy.



ELIZABETH BRYAN AM
CHAIRMAN



CHIEF EXECUTIVE OFFICER'S REVIEW

My appointment as CEO last November followed five years of working for IAG, and over 35 years working in the insurance industry. My time building IAG Labs gave me a much sharper focus on customers, and a different view of what the future of IAG can be and how it can deliver in a changing world. That is what we are working to achieve.

Like many other service industries, the insurance industry is facing a number of challenges in the way it meets the needs of its customers and the way it runs its business.

New technology – like collision avoidance technology, driverless cars and sensor-laden household appliances that advise when they need repairs – will fundamentally change the nature of insurance, and our products. At the same time, an increasingly digital and mobile society encourages customers to demand new and better ways of accessing our products and services.

We see these as opportunities and, guided by our purpose to **make your world a safer place**, we are determined to lead the change to unlock the benefits of innovation for our customers so that we can make their lives safer and better.

To fuel the investments demanded by our leadership, we know we need to be a leaner, more responsive company. That is why we are changing how we operate our businesses, and how our people work together. Becoming more efficient, faster and more agile will free up people, and resources, to fund our leadership.

We have begun to tackle these opportunities throughout IAG.

We will hold a market briefing in December this year to explain in more detail how we will lead, and fuel, the changes we want to achieve, and I encourage you to read the materials we will release to the market then to learn more about our strategy.

KEEPING CUSTOMERS AT THE CENTRE OF OUR BUSINESS

Our objective is to improve our customers' experiences, and everything we do is designed with them in mind. This year, we found new ways to bring customers into our conversations, and include them in how we are shaping our business.

We continued to use a human-centred design approach to develop solutions for our customers. This year, we created our Traidz website as a direct result of this work. Traidz effectively opens up our network of tradespeople to our customers.

Our NRMA Insurance business created the Safer Homes website to help demonstrate some of the factors we take into account in determining insurance premiums. Using our data, we help people learn more about the risks that apply to their homes, and what they can do to protect against these.

In June, we established the IAG Consumer Advisory Board to bring together a number of Australia's leading consumer representatives and IAG management to discuss key customer issues in the insurance industry, with the goal of improving customer service and consumer protection.

MAINTAINING AN EFFECTIVE CULTURE

We are acutely aware of the important role culture plays in how a business operates and performs. We believe we have a very effective – and caring – culture at IAG and we took steps this year to ensure our assessment is correct. Mindful of wider community discussions about corporate culture, we decided to get an external perspective, by appointing renowned ethicist Dr Simon Longstaff AO, Executive Director, The Ethics Centre, to lead our Ethics Committee. At the same time, we have reviewed our Codes of Ethics and Conduct to confirm they remain relevant and appropriate.

OUR SPIRIT IN ACTION: CLOSER

The title for this year's report is Closer, the first pillar of our spirit: Closer, Braver, Faster. Our spirit expresses the essence of what it means to work at IAG and the spirit in which we serve our customers, partners, communities, shareholders and each other.

To help bring our people closer, we have flattened our internal structures and established Guilds which are collectives of professionals across various business divisions who are bound together to champion a "trade", regardless of their skill and trade base. We have many Guilds including Marketing and Innovation, Digital Strategy and Data and Insights and anyone from any part of the business is invited, and actively encouraged, to join.

We have also started a program to have our executives regularly spend time at our call centres and meet our partners to see first-hand how we respond to our customers.

And we have our shared value framework to help us establish tight connections between strong business outcomes and the things we want to achieve for the communities in which we operate. More information about our shared value approach is contained on pages 16–19.

STRONG RESULTS SUPPORT OUR APPROACH

I am pleased with the sound operating performance we achieved this year. Our success allows us to embrace the opportunities provided by change.

Our gross written premium of \$11.4 billion was relatively flat compared to last year, and our reported margin of 14.3% was consistent with the updated guidance we provided in February 2016.

We achieved these results despite challenging operating conditions in our core markets in Australia and New Zealand, where there are particular pressures in our commercial markets, and in Compulsory Third Party (CTP) insurance, especially in New South Wales, where the scheme has experienced an increase in the frequency of minor injuries where people have legal representation.

Our short tail personal insurance businesses in Australia and New Zealand achieved strong profitability and sound growth, as they successfully responded to evolving customer behaviours and needs with a range of services complemented by digital and new product initiatives.

We also realised the residual benefits from the integration of the former Wesfarmers business and the implementation of a revised Australian operating model as planned, meeting our pre-tax run rate of \$180 million of non-reinsurance benefits by the end of the financial year.

Asia increased its contribution to our results, with strong performances from the established businesses in Thailand and Malaysia. Asia remains an important long term growth option for IAG.

Detailed results of our individual business divisions, Operations and IAG Labs are set out in the operating performance review on pages 10–15.

Our underlying profitability remained strong, with an underlying margin of 14.0%. This result reflected a 250 basis point benefit from the Berkshire Hathaway quota share arrangement, described in more detail in the CFO's review, as well as the strong profitability of our personal lines businesses in Australia and New Zealand; pressure in the equivalent commercial markets and in New South Wales CTP insurance profitability; and slightly lower like-for-like expenses.

LOOKING AHEAD

We expect to record a sound operating performance in the 2017 financial year, against a backdrop of competitive conditions in our core mature markets of Australia and New Zealand and ongoing pressure on profitability in commercial insurance segments and in New South Wales CTP insurance.

We will continue to make the necessary changes to our business, to fuel the opportunity we have identified. Specific cost saving activities will include operational partnering with offshore-based global service suppliers, and organisation-wide systems simplification.

Our gross written premium guidance for the 2017 financial year is for relatively flat growth, and our reported margin guidance is for a range of 12.5–14.5%. The impact of the Berkshire Hathaway quota share is expected to be similar to that in the 2016 financial year.

In closing, I acknowledge the solid foundation created by my predecessor, Mike Wilkins, and thank the Chairman and other directors for the opportunity they have given me, and the confidence they have in me.

I also thank my colleagues for their loyalty and support, and all our people for their tireless work to make our customers' and partners' worlds safer.

Together we have the extraordinary honour of having an opportunity to shape Australia's leading general insurance company.

Our objective is to improve our customers' experiences, and everything we do is designed with them in mind. This year, we found new ways to bring customers into our conversations, and include them in how we are shaping our business.



PETER HARMER
MANAGING DIRECTOR AND
CHIEF EXECUTIVE OFFICER

CHIEF FINANCIAL OFFICER'S REVIEW

While insurance is inherently volatile, we have strengthened our balance sheet to reduce earnings volatility and provide certainty for our customers that IAG can deliver on the promises we make to them.

Our stronger balance sheet is the result of our innovative way of funding, which sources funds from equity, debt and reinsurance markets.

The reinsurance includes both traditional reinsurance, together with more innovative structures such as the quota share arrangements we have established with Munich Re and Berkshire Hathaway. Our arrangement with Munich Re began on 1 July 2013, and covers 30% of our CTP insurance book. Our agreement with Berkshire Hathaway is much larger, covering a 20% whole-of-account quota share arrangement. It began on 1 July 2015 and will run for a minimum term of 10 years.

In this first year of its operation, the Berkshire Hathaway agreement has:

- reduced our earnings volatility, as we exchanged a portion of our insurance risk for a fee from Berkshire Hathaway to access our strong core businesses;
- enhanced our underlying margin by approximately 250 basis points;
- lowered our regulatory capital requirement by around \$400 million; and
- promoted new and complementary business opportunities.

INCREASED RETURNS TO SHAREHOLDERS

Because the quota share arrangements replace a portion of our underwriting earnings with a recurring fee income stream, they contribute to the certainty of our earnings profile, which in turn reduces the volatility in our dividend.

This year, the strength of our balance sheet has allowed us to increase our dividend payment policy from 50–70%, to 60–80% of cash earnings.

The Berkshire Hathaway quota share arrangement has also reduced our regulatory capital requirement by approximately \$400 million over the last 12 months, enabling us to return capital to shareholders and retain sufficient funds to invest in the business, notably in potential growth through mergers and acquisitions in Asia.

In March 2016, we paid a special dividend of 10 cents per share and we are now returning additional capital to shareholders in the form of an off-market buy-back to the value of around \$300 million which we expect will improve IAG's future earnings per share and return on equity. The buy-back is open to all Australian and New Zealand resident shareholders registered at 7.00pm on 25 August 2016 and is expected to be completed in mid-October 2016.

DIVERSIFIED CAPITAL TO MATCH OUR OPERATIONS

We operate in multiple jurisdictions and diversify our capital to match our geographical exposures. This year, we raised NZ\$350 million in New Zealand, part of which was used to redeem a portion of an existing New Zealand debt, as holders accepted an offer to reinvest in the new convertible note instrument.

CAPITALISED SOFTWARE ACCELERATED AMORTISATION AND IMPAIRMENT

In this year's statutory accounts, IAG has recognised a non-cash, pre-tax charge of \$198 million for the accelerated amortisation and impairment of capitalised software. Further detail about the charge is set out in note 5 in the 2016 annual report.

The amortisation and impairment charge is included in the net corporate expense line for management reporting purposes. Given its non-cash and non-recurring nature, the charge has been excluded from cash earnings for determination of the dividend, however it was included in cash ROE for the determination of executives' long term incentive outcomes. This charge had no impact on our capital position.

CAPITAL STRENGTH

IAG's capital position remains strong, at 1.72 times the Prescribed Capital Amount (PCA) at 30 June 2016, which is above the Group's targeted range of 1.4–1.6 times. The Common Equity Tier 1 (CET1) ratio stood at 1.06 at 30 June 2016, against a target benchmark of 0.9–1.1.



NICK HAWKINS
CHIEF FINANCIAL OFFICER

OUR PORTFOLIO

AUSTRALIA



NEW ZEALAND



VIETNAM



THAILAND



INDIA



MALAYSIA



INDONESIA



100% owned unless marked with footnotes 1-7. See back cover for ownership details.

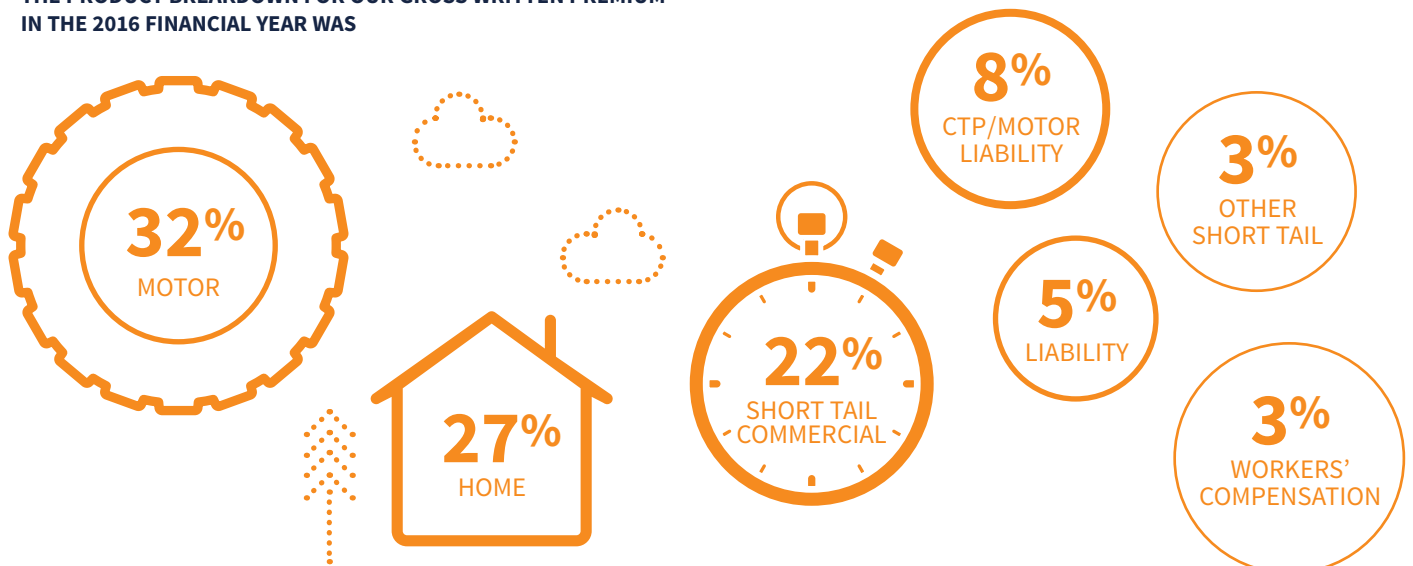
WE HAVE OVER

15,000 
EMPLOYEES

IN THE 2016 FINANCIAL YEAR, WE INSURED AROUND



THE PRODUCT BREAKDOWN FOR OUR GROSS WRITTEN PREMIUM IN THE 2016 FINANCIAL YEAR WAS



OUR STRATEGIC FRAMEWORK

How we will create value for our shareholders

OUR PURPOSE



We make your world a safer place

OUR OPPORTUNITY



Embrace innovation

Our customers – like IAG – are facing changes at a rapid pace, driven by new technologies and shifting demographic trends. Whether in Australia, New Zealand or Asia, they face the same choice that we do as an organisation: do we let change happen to us, or do we embrace it and participate in making things better?

IAG is determined to lead, helping customers navigate through this journey and using innovation to make their lives safer and better.

OUR OBJECTIVE



World-class customer experiences

All the elements of our strategy are driven by our customers' needs. As well as delivering world class customer experiences, we will make IAG as successful as possible so we can reinvest in our leadership position.

MATERIAL ISSUES

As well as focusing on our strategic priorities, we also identify material issues which could affect our ability to achieve our purpose. These issues help guide our approach to shared value and the efforts we make to create safer, stronger and more confident communities.

We engage with a wide range of stakeholders to identify issues that are important to our customers, employees, partners, shareholders and the communities in which we operate. We then prioritise these based on their potential impact to our business performance, and their importance to our stakeholders. Based on these assessments, our material issues for 2016 were:

ORGANISATIONAL CULTURE ALIGNED TO PURPOSE

A strong organisational culture is a key ingredient for sustained commercial success and to deliver on our aspirational purpose. Our culture must ensure we connect our teams to create solutions that will benefit our customers, communities and shareholders. The diversity of our workforce must reflect the customers and communities we are targeting and we must apply inclusive behaviours that ensure we problem solve and make decisions in a more agile manner. Our leaders must be able to drive accountability for productivity and performance and inspire meaningful work and a shared sense of purpose.

CUSTOMER AND PARTNER EXPERIENCE

Meeting the evolving needs of our customers and partners is critical to our long term success. Shifts are evident in the way people buy and claim on insurance and we must continue to ensure our relationships with our partners remain relevant. We recognise that establishing trust and confidence to earn and retain customer and partner loyalty requires increased engagement and empathy, and a heightened ability to respond with the right products and services.

DISRUPTION, INNOVATION AND MEETING FUTURE NEEDS

Our rapidly changing operating environment means we must continue to explore new ways of getting closer to our customers. Today's digital world is built for speed and we see a significant opportunity to evolve quickly in this area. Responding to, and anticipating the future needs of our customers, through product development and innovation, is critical. As we now work in a volatile, complex and ambiguous world, disruptive trends are likely to occur together creating an effect where the speed of impact is higher than expected. We must be prepared to act by embracing agile ways of working and making decisions and removing complexity from our business.

CLIMATE AND NATURAL PERILS

Every year our customers are affected by natural disasters and IAG pays millions of dollars in claims to help our customers recover from these events. Natural disasters cannot be avoided, but their impact can be mitigated and minimised. IAG recognises climate change is having an impact on the frequency and severity of natural perils, and that there is an opportunity to do more to help customers, partners and communities understand risk and build resilience to mitigate future impacts.

COMMUNITY RESILIENCE

Building community resilience is vital to reducing the cost of the increasing risk to lives, livelihoods and property. Improving understanding of the risks people face is critical to improving safety on our roads, in our homes and in businesses. Resilient communities are better prepared and recover more quickly, which results in fewer claims and lower costs for our business and safer, stronger and more confident communities.

ACCESS AND AFFORDABILITY

Many people do not have adequate insurance cover for reasons ranging from affordability, to a lack of understanding of their needs, or a lack of products to suit their situations. Not having access to the right insurance cover leaves individuals and their communities at risk of non-insurance and under-insurance, which reduces their ability to recover from adverse events. This also provides a market opportunity for IAG with new products or expanded levels of cover.

FINANCIAL PERFORMANCE

The insurance industry goes through cycles of profitability that are affected by changing competitor landscapes, macroeconomic conditions and major insurance events. Managing our financial performance sustainably through the cycle is critical to our long term success and our ability to deliver value to our shareholders and other key stakeholders. Our response to these conditions can be found throughout this annual review.

Our work to address these material issues is covered in our shared value reporting on pages 16–19 of this review.

OPERATING PERFORMANCE AUSTRALIAN CONSUMER DIVISION

Q The NRMA Insurance Safer Homes website is the catalyst to empower customers to better understand home insurance, risk and the real value of their home. Since it was launched in October 2015, the site has amassed over 200,000 visitors.



Consumer Division is an Australian market leader in home and motor insurance products sold directly to personal customers. It also offers CTP insurance and its distribution extends to affinity and financial institution partnerships and brokers and agents.

RESULTS

The division's gross written premium increased by 3.3%, to \$5,801 million, and its underlying insurance margin was strong, at 16.0%, despite pressures on profitability from elevated claim frequency in New South Wales CTP. Its reported margin of 19.8% was boosted by significant reserve releases.

Gross written premium growth was driven by short tail home and motor products. Growth in motor came from an increase in motor policy numbers, and increased rates in response to higher claim frequency and repair costs. Home policy numbers were reasonably flat although higher rates contributed to premium growth.

The division's larger established brands generated sound growth in a very competitive environment, with due and paid renewal levels for both motor and home remaining high, and exceeding last year's levels. While coming off a much smaller base, Coles Insurance continued to record strong double-digit growth, supported by a series of initiatives including the introduction of landlord insurance from August 2015.

Overall long tail premium – primarily CTP insurance – was marginally lower this year. A lower share of New South Wales CTP registrations, as the division deliberately reduced its exposure to less profitable business, was offset by rate increases to address claim inflation. The business also lost further market share in the Australian Capital Territory CTP insurance market, where a competing entity that first entered the market in 2013 has employed aggressive pricing activity.

CLOSER TO CUSTOMERS

During the year, the division introduced a range of product, service and distribution initiatives to meet customers' varied – and changing – needs. These included:

- website optimisations, including a Self Service Dashboard that gives customers an instant view of actions required and a display of products and covers;
- improved web chat capability;
- improved motor claims capability for customers lodging claims on mobile devices;
- optimised digital home quotes, with PIN access to mobile self-service and online tracking of home claims;
- the first of a planned network of kiosks in shopping centres, showcasing NRMA Insurance's online services as well as offering traditional services;
- the Safer Homes website to educate customers about the key risks in their suburbs;
- market-leading ride-sharing cover for people who use their cars for UberX;
- Insurance 4 That to insure individual household goods;
- ShareCover for homeowners renting their homes to short term guests through Airbnb and Stayz;
- the InsureLite home building insurance product designed specifically to address the issue of affordability by incorporating a pre-selected minimum damage threshold;
- a kilometres driven/garage reward for NRMA Insurance, SGIO and SGIC motor customers; and
- a customer feedback program to drive rapid improvements in customer experience.

OUTLOOK

The personal insurance market in Australia is expected to remain competitive, with modest growth prospects. In response, the division will focus on quality underwriting, increased efficiency and cost reduction.

Growth in the sharing economy, changes in consumers' attitudes towards asset ownership and affordability concerns create opportunities for new insurance products. To reinforce its relevance to customers, the Consumer Division will continue to offer new products and services and focus on customer experience.

Profitability in New South Wales CTP insurance is expected to remain under pressure in the 2017 financial year, with rate increases only partially addressing the impact of increased claims frequency. Planned reform measures will potentially ease these pressures from the 2018 financial year.

Next year's premium growth will be assisted by the division's entry into the South Australian CTP market from 1 July 2016, where the SGIC brand has a 20% share.

GROSS WRITTEN PREMIUM

2016	\$m 5,801
2015	\$m 5,614

INSURANCE PROFIT

2016	\$m 805
2015	\$m 788

PERCENTAGE OF IAG'S GROSS WRITTEN PREMIUM

51%

OPERATING PERFORMANCE AUSTRALIAN BUSINESS DIVISION

Q Attila Boros, CEO of Pages Event Hire, which contributed to the Tropfest 2015 staging (left) photographed with Hugh Clark, one of the event's 16 finalists, who helped create content for the CGU 2016 brand campaign.



Business Division houses all commercial insurance products sold in Australia under the CGU, WFI, NRMA, RACV, SGIO and SGIC brands, as well as niche products sold through brands such as Swann Insurance.

RESULTS

The division reported gross written premium of \$2,979 million, a contraction of 6.7% compared to last financial year. The result reflected a continuation of soft market conditions in which the business has maintained its underwriting disciplines. The premium outcome included:

- an 8.0% fall in workers' compensation premium as weaker economic conditions in Western Australia affected payrolls;
- the transfer of large-corporate property renewal rights to Berkshire Hathaway, under the terms of the strategic relationship;
- a 27.0% decline in strata premium, as the division sought to maintain acceptable prices in the face of fierce competition from new entrants; and
- lower volumes in the fleet and commercial motor portfolios, including the transfer of former Wesfarmers heavy motor volumes to the specialist NTI joint venture 50% owned by IAG.

A number of portfolios, most notably liability, experienced moderate growth.

The division's underlying margin was slightly lower at 9.7%, reflecting tough market conditions, with some offset from the benefit of additional Wesfarmers integration synergies which were realised as planned. Its higher reported margin of 10.0%, compared to 3.0% last financial year, included higher reserve releases and a much lower natural peril claim cost.

CLOSER TO CUSTOMERS

The Business Division continues to enhance its products, strengthen its partnerships and improve the quality of service it delivers. This year, initiatives included:

- ongoing improvements to digital capacity and products to make it easier for customers to do business with it;
- the launch of the Cyber Defence product to protect businesses against the damage from incidents such as privacy breach, system damage, extortion, computer virus, crime and hacking; and
- market-leading mobile and data customer relationship management solutions for customers and partners.

Additionally, CGU extended its support of Tropfest, the world's largest short film festival, with a three-year sponsorship deal. This initiative is expected to help create new opportunities for Tropfest, and the many small Australian businesses that rely on it.

Business Division's strong levels of service and partnership capabilities continued to receive industry recognition:

- in September 2015, CGU was voted 2015 Insurer of the Year in the annual National Insurance Brokers Association Insurer Survey by Brokers, winning seven of the 11 categories;
- in December 2015, the latest AIMS survey results reaffirmed the division's strong position amongst brokers with most products performing well in terms of overall satisfaction;
- in May 2016, CGU was named Domestic Insurer of the Year by the Council of Queensland Insurance Brokers, winning the award for the fourth consecutive year; and
- in June 2016, CGU was voted Insurer of the Year by Insurance Business magazine for the second year in a row, winning the most votes across 11 award categories.

OUTLOOK

While a difficult environment continues, there is growing evidence of a bottoming in cyclical conditions in the Australian commercial market.

Competition in the intermediated market continues to be strong, whereas the direct market, which is 23% of the Business Division, is expected to remain stable. Participants also face the challenge of growing change in customer behaviour, including choice of distribution channel, how they engage with insurers and increasing demands for flexible service propositions.

A further contraction in gross written premium is anticipated in the 2017 financial year, as the division maintains its focus on sustainable profitability, while pursuing rational pricing of its core business with targeted commercial offerings. As part of the targeted portfolio review process, IAG sold the distribution rights to Swann Insurance's motor dealers, finance brokers and fleet network, with effect from August. The Swann Insurance business will continue to focus on its core motorcycling offer.

GROSS WRITTEN PREMIUM



INSURANCE PROFIT



PERCENTAGE OF IAG'S GROSS WRITTEN PREMIUM

26%



Operations provides support to the Australian customer-facing divisions and is responsible for claims and operational functions such as procurement and supply chain management. It was formed as part of the new organisational structure which took effect from December 2015, and has assumed much of the work formerly carried out by Enterprise Operations.

With an underlying emphasis on customer and service delivery, Operations' key actions during the financial year included:

- realising residual benefits from the combination of the integration of the former Wesfarmers business and the move to a new Australian operating model mid-calendar 2014. IAG met the targeted run rate of \$180 million of pre-tax non-reinsurance benefits by the end of the 2016 financial year;
- consolidating claims into long tail and short tail platforms to simplify processes across brands, leverage scale and improve customer service;
- expanding the Guidewire claims centre to cover areas such as home lodgement, improved ease of use for motor claims, and lodgement and enquiry for intermediated claims; and
- ongoing consolidation of preferred repairer networks in home and motor, delivering improved customer service and reducing costs.

During the 2017 financial year, Operations will pursue a broad-based program to improve customer service and IAG's own operating efficiency, including:

- expanding the operational partnering program, outsourcing and offshoring some activities to global service suppliers that offer superior expertise and economies of scale;
- improving the management of personal injury claims to match claim complexity with capability, optimising service and cost outcomes;
- increasing the use of preferred supply chain partners in both property and motor claims;
- embedding IAG's supplier management framework, further consolidating and leveraging chosen suppliers to increase value and reduce risk; and
- consolidating the business' properties and increasing adoption of flexible working practices.

OPERATING PERFORMANCE NEW ZEALAND DIVISION

ami Palmerston North

The AMI Young Drivers campaign was promoted at shopping centres near university campuses.

Welcome to AMI

Get an advice the team for quote today

ami

We don't expect under 25s to drive like this.

Come in and save with AMI Young Drivers Insurance.

IAG is the largest general insurer in New Zealand, trading under the State, NZI, AMI and Lumley Insurance brands.

RESULTS

The business' gross written premium decreased by 3.7% to \$2,182 million, compared to the previous financial year. This result included a slightly negative foreign exchange translation effect compared to 2015, as well as the combination of:

- softer premium rates and volume loss in commercial lines, in the face of increased industry capacity; and
- partially offsetting premium growth in the private motor vehicle portfolio from a combination of increases in policy numbers and rates.

The business' operating performance remained strong, with an underlying margin of 16.9%. Its reported insurance margin was 8.6% after the recognition of an additional NZ\$150 million of risk margin for the February 2011 Canterbury earthquake event.

CLOSER TO CUSTOMERS

The business' Consumer division represented 57% of its total premiums this year, up from 55% last year. It remains focused on meeting customers' needs and expectations by providing greater choice on insurance offerings, ensuring affordability issues are addressed and providing positive customer experiences. It achieved growth with a number of targeted customer initiatives, including:

- AMI's Young Drivers campaign, which has had particular success in helping to drive private motor premium growth;
- AMI's New New Zealander campaign, which is meeting the needs of an increasing migrant population;
- a range of digital services, such as 'quote and buy'; State and AMI 'Online Accounts'; and the establishment of a social media presence through Facebook; and more recently,
- the launch of AMI's Renters Insurance campaign.

The State online channel has continued to register strong growth as it focuses on balancing customer affordability and increased competition by appropriately managing rate increases.

The Business division represented 43% of gross written premium in the 2016 financial year, down from 45% the previous year, as harsher competitive conditions continued to place pressure on commercial product lines, especially commercial property where IAG lost business and experienced rate reductions.

The Business division remains focused on providing certainty for its customers and being able to respond quickly and flexibly to meet their changing needs in an extremely dynamic market. One example of this approach is NZI's recent launch of a Liability Cyber Insurance product, to help customers navigate the risks of an increasingly digital environment.

CANTERBURY REBUILD

At 30 June 2016, the business had completed over NZ\$5.7 billion of claim settlements for the Canterbury earthquakes, and fully settled approximately 93% of all claims by number.

As at this date, over 96% of commercial claims and over 92% of residential claims were settled, with the majority of outstanding residential properties either in construction or negotiation for cash settlement.

OUTLOOK

The business' strategy remains focused on maintaining its market-leading position by delivering affordable, customer-centric offerings while delivering strong underlying profitability by focusing on pricing and underwriting disciplines.

The market is expected to remain competitive across both the Business and Consumer divisions, with low rate increases across key personal products offset by continued pressure on commercial products contributing to relatively flat gross written premium growth prospects in the 2017 financial year.

Underlying profitability of the business is expected to remain strong.

GROSS WRITTEN PREMIUM

2016	\$m 2,182
2015	\$m 2,267


INSURANCE PROFIT

2016	\$m 135
2015	\$m 216

PERCENTAGE OF IAG'S GROSS WRITTEN PREMIUM

19%

OPERATING PERFORMANCE ASIA DIVISION

 An image from AmGeneral's new specialist windscreen repair service campaign.



Asia represents an important source of long term growth for IAG, with a presence in five markets: Thailand, Malaysia, India, Vietnam and Indonesia. Earlier in the 2016 financial year, IAG determined not to pursue further investment in China, and the interest held in Bohai Property Insurance Company Ltd was transferred to shareholders' funds investment portfolio.

RESULTS

IAG's operations in Asia continued to make sound progress. The division contributed a total profit of \$26 million this year, including income earned from its shares in associates. This compares to a \$21 million profit in the 2015 financial year, and includes:

- sound underlying performances by the established businesses in Thailand and Malaysia, where combined profitability increased by over 16% compared to the previous year; and
- higher, but still relatively modest, losses from the developing businesses in India, Vietnam and Indonesia.

In 2016, Asia represented 6.4% of IAG's gross written premium, on a proportional basis, compared to 6.0% in 2015. Its proportional gross written premium increased by 7.5% to \$757 million, reflecting:

- sound growth in Thailand, from a continued focus on the used car segment, enhanced by a favourable foreign exchange translation effect;
- flat local currency premium in Malaysia, including an encouraging resumption of growth in the second half of the year, reduced to a 4.2% contraction on translation;
- continuing strong growth in India;
- steady like-for-like growth in Vietnam, on improving economic conditions; and
- a first full year inclusion of premium from the small business acquired in Indonesia towards the end of the 2015 financial year.

CLOSER TO CUSTOMERS

Businesses in the Asia Division introduced a number of products and services to improve their customer connections, including:

- SBI General simplifying its claims process for customers affected by the Chennai floods in India;
- Safety Insurance in Thailand introducing open house visits where key commercial customers are given tours of the company's offices and educational seminars for customers;
- AmGeneral in Malaysia launching the AutoGen Club and Opal Auto Mart Partnership to provide faster claims services for customers, and additional benefits to Club members;
- AmGeneral launching Agent Portal Services, the first-ever white label online insurance platform where customers can purchase online from their trusted agent via the AmGeneral platform;
- Kurnia and AmAssurance's OneTouch App for customers to request immediate accident and roadside assistance, submit claims information, and connect with their preferred agent;
- AmGeneral offering an improved windscreen claims process where specialist windscreen repairers are able to fix or replace customers' windscreens in a matter of hours, with no upfront payment, and the work is covered by a two-year guarantee; and
- AAA Assurance in Vietnam using feedback from customers to improve its claim processes to provide a faster, solutions-focused service that is better meeting customer needs.

OUTLOOK

A stronger underlying performance from the Asia Division is anticipated in the 2017 financial year.

The business will deepen its focus on the profitable established markets of Thailand and Malaysia, with Thailand expected to produce modestly higher premium and Malaysia maintaining its focus on restoring premium growth.

Growth from SBI General in India is expected to remain strong; work is underway in Vietnam to more clearly define AAA's strategic position; and the emphasis in Indonesia will be on the further development of a new digital business model and the pursuit of potential partnership and distribution opportunities.

GROSS WRITTEN PREMIUM*

2016	\$m 757
2015	\$m 704 [^]

* Proportional

[^] The 2015 figure has been restated to exclude Bohai Property Insurance Company Ltd

DIVISIONAL RESULT

2016	\$m 26
2015	\$m 21

PERCENTAGE OF IAG'S GROSS WRITTEN PREMIUM

4%

OPERATING PERFORMANCE

IAG LABS

All our businesses are supported by IAG Labs which focuses on the customer experience and technology. Customer Labs and Digital Labs were formed as part of the new organisational structure which took effect from December 2015, and Digital Labs continues the work of IAG Labs which was created at the end of July 2015.

CUSTOMER LABS

Customer Labs' focus is deeply understanding customers and their needs to help create new and improved experiences for them. This division is responsible for IAG's customer experience strategy and for driving product, pricing and marketing innovation. It does this by using data and insights, brand architecture, human centred design and new business incubation and venturing.

In the 2016 financial year, Customer Labs further harnessed the power of IAG's data by:

- bringing all IAG's data warehouses together to create one central source of truth for our information. This database lets us immediately understand what actions customers are taking across all channels;
- using our better understanding of how customers buy insurance to tailor their experience through personalised offers, targeted marketing approaches and pricing options. Because we analyse and understand each customer action, we can improve the next experience or product offering;
- building a culture of experimentation and continuous in-market testing. Rather than telling customers what they want, IAG is enabling customers to explain what they need. This process is aided by in-market trials, where offers can be automatically adjusted depending on customer take-up, as well as improved through cognitive computing techniques including machine learning;
- developing and deploying a fraud analytics model that identifies fraudulent behaviour and helps IAG improve its response and, therefore, claims effectiveness;
- identifying opportunities to work more collaboratively with other corporations in the areas of customer experience and use of data and information; and
- developing and testing the software capabilities of wholly-owned subsidiary Ambiatà as a service product offering for the broader market.

In the 2017 financial year, Customer Labs' key priorities and initiatives will include:

- defining a world-leading customer experience and building customer journeys and experience strategies to reflect that;
- developing IAG's customer segments and aligning them to brand and product propositions;
- taking to market an analytical tool developed by Ambiatà to provide the intelligent analytical layer that connects an organisation's data asset to its customers;
- further building a customer-led, data-driven culture across IAG, by aligning customer measurement; introducing customer training and education programs for all staff; and making data open and accessible throughout the organisation;
- using a marketing automation system to optimise IAG's marketing spend and allow direct interaction with customers; and
- continuing to build on IAG's world-class pricing capability by further improving pricing approaches and models and leveraging advanced analytics techniques to automate them where possible.

DIGITAL LABS

Digital Labs provides digital and design innovation across the Group, and identifies and harnesses disruptive technology. It is also accountable for building digital apps and eco-systems, and simplifying existing core platforms.

During the 2016 financial year, Digital Labs focused on embedding rapid innovation and lean practices; exploring disruptive technologies and delivering new eco-systems; and preparing the way for the simplification and stabilisation of core technology platforms and the delivery of new customer-led, data-driven products. This involved:

- introducing a truly 'digital' way of working across IAG, embracing Lean Manufacturing principles, Design Thinking Concepts and Agile and Continuous Delivery methods, achieving significant efficiency gains and shortening the timeframes for realising value from initiatives;
- establishing and aligning dedicated digital delivery teams for each IAG division across Australia, New Zealand and Asia;
- putting in place the capability to generate and evaluate ideas from across the organisation, resulting in pilot digital services to unlock further value from IAG's supply chain, including increased touchpoints with existing customers and the introduction of new customers; and
- completing planning for the simplification of core policy and claims platforms.

In the 2017 financial year, Digital Labs' key priorities and initiatives will include:

- commencing the simplification of core policy and claims products, processes and platforms, to drive efficiency across Australia and New Zealand;
- accelerating the creation of digital capability aligned to the goals of all IAG divisions;
- launching new digital services to use existing IAG capability in an innovative way, while harnessing emerging technologies including the 'Internet of Things' and drones;
- developing IAG's marketing automation, social and loyalty platform;
- introducing application program interface and mobile-first architecture, combined with implementing social coding to co-innovate and reuse technology within IAG;
- leveraging research institutions and partners to co-innovate and develop new revenue-generating products and services; and
- enhancing contact centre, work-from-home, branch and kiosk technology across IAG's operations.

CREATING SHARED VALUE

Shared value is the intersection of a business opportunity and a social problem. Our shared value approach helps us deliver on our purpose – to make your world a safer place – in a way that drives commercial value for our employees, partners and shareholders. We use our deep understanding of risk to support and enable customers and communities to be **Safer, Stronger and More Confident** – the three pillars of our shared value framework. This helps reduce loss and hardship, decreases our claim costs and improves our profitability.

Our shared value framework and the initiatives we pursue are informed by the material issues that are relevant to our stakeholders and our business. This year, we continued to build closer relationships with our customers, stakeholders and communities, deepening our understanding of complex issues, including affordability and access to insurance in high natural peril areas, or adjusting to the impact of climate change, many of which cannot be solved quickly, or with a single solution.

The things we learned through our engagement enabled us to make progress on delivering the goals in our shared value framework, while also supporting IAG's goals of delivering world-leading customer experiences, simplicity and scalability, and agility.

MATURING OUR SHARED VALUE APPROACH

We have continued to refine our approach by engaging almost 2,000 people across our operating markets to identify a business-relevant social issue to tackle using our scale, expertise and networks. Over the next year, our aim is to start creating longer term, systemic impact by exploring and implementing new approaches to building social and physical resilience within communities.

IAG's own sustainability performance is a key focus within our shared value framework, and this year we have continued to enhance our governance and approach to responsible business and sustainability by developing targets and commitments which are identified over the following three pages.

We are committed to promoting shared value by sharing our learnings and expertise with other companies, supporting organisations like the Shared Value Project and inviting our partners to attend internal training and workshops.

Within our business, we continue to embed shared value by holding workshops, running shared value modules in leadership programs and integrating shared value into business planning processes. We are equipping our people with practical knowledge and tools that enable them to apply shared value approaches in their everyday work.

We are working to improve the way we measure social and business outcomes so we can objectively assess the impact of our work, maximise the social and business value of our investments and use this understanding to further guide our approach and activities. Developing a more mature approach to measurement and evaluation is a challenge shared by other organisations. We are responding to this challenge by developing and testing a measurement framework in conjunction with our partners, experts in outcomes measurement and IAG's data and technology experts.

RECOGNITION FOR IAG'S SUSTAINABLE PRACTICES

<p>DOW JONES SUSTAINABILITY INDEX</p> <p>Ranked in DJSI World, Asia Pacific and Australia in 2015</p> 	<p>ROBECOSAM</p> <p>Received the RobecoSAM Bronze class distinction in 2016</p> 	<p>FTSE4GOOD INDEX</p> <p>Included in the FTSE4Good Index Series</p> 	<p>AUSTRALIA HR AWARDS</p> <p>Finalist, Best Workplace Diversity & Inclusion Program in 2016</p> 	<p>CDP</p> <p>Australian Climate Leadership Award for Consistently High Quality Climate Change Disclosure 2006-2015</p> 	<p>RESILIENT AUSTRALIA AWARDS WINNER (NEW SOUTH WALES)</p> <p>Resilient Australia Business Award for StormSafe campaign</p> 	<p>GLOBAL 100</p> <p>Ranked in Corporate Knights' Global 100 Most Sustainable Corporations in 2016</p>
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CREATING SHARED VALUE
SAFER

We are working to make **safer workplaces, homes and roads** for our employees, partners, customers and communities. We do this by using our data and insights to inform partnerships, programs and initiatives that help prevent and reduce loss and damage. This benefits the community and our business.

SAFE AND WELL – STARTING WITH OUR EMPLOYEES

Making the world safer starts with our people. This year, we reinforced our commitment to the health, safety and wellbeing of our people through a range of initiatives aimed at reducing risk in the workplace. We are also beginning to shift our focus to a more positive, proactive safety culture. This has been challenging as we have been going through organisational change, and has required us to undertake a thorough review of our Safe and Well Strategy. While we continue to monitor our lost-time injury frequency rate, we are changing our focus to leading indicators such as hazards mitigated and safety culture maturity. At the same time, we have expanded our view of our people's safety to review risks associated with occupational violence, psychosocial stress factors, ergonomics and mobile workers.

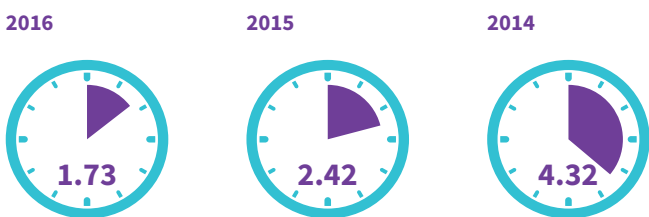
HELPING OUR CUSTOMERS UNDERSTAND THEIR RISKS AND SUPPORTING THEM DURING DIFFICULT TIMES

Many people are unaware of the real value of their home and contents and the most common risks they could face in their neighbourhood. This can lead to underinsurance, and inadequate cover for unexpected events such as theft or storms. Our NRMA Insurance Safer Homes website uses claims data to educate customers about the key risks and average insurance levels in their suburb. Since it was launched in October 2015 more than 200,000 people have visited the site (www.saferhomes.com.au).

We understand the stress associated with the loss of a home or personal possessions. To help support our customers during these challenging times, we have extended access to our confidential Employee Assistance Program to them, free of charge, and offer this service during the claims process. In partnership with Lifeline Canberra, we funded a series of Applied Suicide Intervention Skills Training workshops for community members affected by an asbestos contamination incident. This course helped participants recognise when someone may be at risk and how to reach out to them to ensure their safety.

LOST TIME INJURY FREQUENCY RATE² (PER MILLION HOURS WORKED)

AUSTRALIA



BUILDING DISASTER PREPAREDNESS AND COMMUNITY RESILIENCE THROUGH OUR SES PARTNERSHIP

With increasingly severe weather, we regularly see how easily cars can be washed away by even the smallest currents, making the crossing of floodwater a dangerous and potentially life-threatening decision. With the help of the IAG Research Centre and the NSW State Emergency Service (SES), a team at the UNSW Water Research Laboratory has been testing how cars behave when they enter flash floods, replicating conditions faced by many stranded motorists during a storm. This is the first time this type of research has been conducted and highlights our commitment to working with our partners to reinforce the message that it is *never* safe to enter floodwater. We also continue to work with the SES to help communities understand and prepare for severe weather. Over the last 12 months our joint StormSafe campaign reached over three million people and received the New South Wales Resilient Australia Award for disaster preparedness. The campaign helps communities identify and minimise risks in their homes, reducing loss and claims.

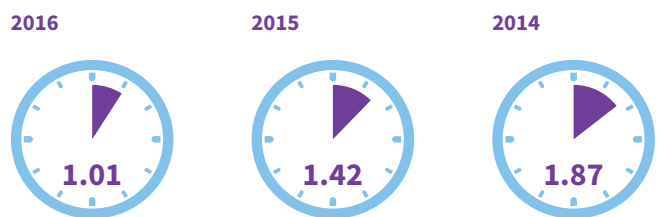
2016 COMMUNITY INVESTMENT TOTAL (A\$)



COMMUNITY INVESTMENT BY TYPE



NEW ZEALAND



SAFER – OUR OBJECTIVE	MEASURE	OUR COMMITMENT	PROGRESS
Live it, lead it, shape it, share it towards zero harm – to be fit for the future	Number of lost-time injuries per one million hours worked	Reduce our lost-time injury frequency rate (LTIFR) annually	29% reduction in Australia and 29% reduction in New Zealand in the last 12 months

¹ This reflects the contribution by the business to the IAG Foundation and includes matched funding for workplace giving

² Data presented to reflect the LTIFR as recorded at 30 June 2016. LTIFR data has been adjusted to reflect LTIs substantiated post the original report date and as a result, FY15 LTIFR in Australia has been adjusted up from 2.0 to 2.4 and in New Zealand up from 1.2 to 1.4

CREATING SHARED VALUE
STRONGER

When people are **safer** they create businesses and communities that are **stronger**. We continue to focus on building a **strong organisational culture** to enable us to deliver on our purpose, be agile and innovative, and respond to increasing stakeholder expectations of ethical conduct and transparency. We are collaborating to co-design solutions that mitigate against climate change and build more **resilient communities**.

EMBRACING A STRONG, DIVERSE AND INCLUSIVE ORGANISATIONAL CULTURE

We are expanding our thinking around diversity, focusing on opportunities for greater inclusion and a philosophy of 'bringing your whole self to work'. We acknowledge we still have a way to go to achieve this, and have established new positions and governance structures to support our efforts. We have also continued our focus on gender pay equity by identifying contributing factors which we are seeking to address.

We have continued to develop our people to improve our organisational agility and resilience. We introduced Purposeful and Inclusive Leadership programs and had eight employees complete Jawun secondments with Indigenous community organisations. We also supported ten IAG leaders to participate in the Kokoda trail walk in Papua New Guinea, raising over \$130,000 for the IAG Foundation's partner, Lifeline.

GROUP REPRESENTATION OF WOMEN IN THE WORKFORCE (%)



MALE:FEMALE SALARY RATIOS¹ (\$) AVERAGE

GENERAL EMPLOYEES
1.18:1

MANAGER/SENIOR SPECIALIST
1.13:1

SENIOR MANAGER
1.09:1

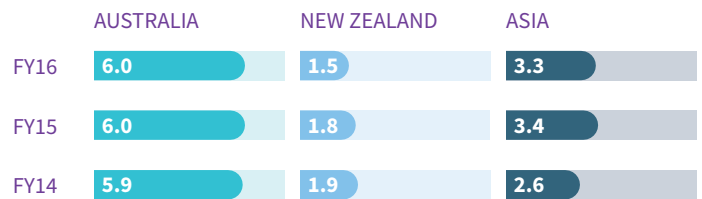
HEADS OF/GENERAL MANAGER
1.08:1

Last year we launched our second Reconciliation Action Plan (RAP), moving to a Stretch RAP that deepens our commitment to the empowerment of Aboriginal and Torres Strait Islander people, businesses and communities. More than 3,100 IAG employees have completed our online Indigenous cultural awareness training and we are promoting opportunities to use Indigenous suppliers within our business through Supply Nation (www.iagindigenous.com.au).

OUR COMMITMENT TO MINIMISING THE IMPACT OF CLIMATE CHANGE

Climate change is increasing the frequency and severity of extreme weather events and natural disasters, and these changes are projected to become more severe as the climate continues to warm. We support the 2015 Paris Agreement to limit the global average temperature rise to well below two degrees. We have refreshed IAG's position on climate change to reflect these developments and this is available in the Shared Value area of our website (www.iag.com.au).

GROUP EMISSIONS PROFILE (TONNES '000 CO₂E) / FTE



STRONGER – OUR OBJECTIVE	MEASURE	OUR COMMITMENT	PROGRESS
Realising the benefits of a diverse and inclusive workforce	% of women in senior management	Increase the number of women in senior management to 40% in Australia and New Zealand and 30% in Asia by 2020	Pay equity review completed New women in senior management targets endorsed Inclusive Leadership program cascaded across the business Commenced Work Flex pilot in a number of divisions
	Number of Aboriginal & Torres Strait Islander employees	Increase Aboriginal & Torres Strait Islander employment to represent 1.5% (approx. 130 employees) of the Australian workforce by November 2018	Transitioning our CareerTrackers university interns into permanent roles Contracted recruitment agencies to source and attract Indigenous candidates
Continuous improvement in environmental performance	Carbon neutral status Tonnes CO ₂ e	Maintain carbon neutrality commitment 10% reduction in CO ₂ e by 2020 (2015 baseline)	Purchased and retired carbon offsets to offset Group carbon footprint Continued our work on energy efficiency and developed a Group carbon reduction target
Demonstrating leadership through our sphere of influence	Active and effective IAG Procurement Policy and Supplier Management Framework	Develop and implement an IAG Procurement Policy and Supplier Management Framework Work with our supply chain and partners to minimise environmental impacts and enhance social outcomes/resilience	Verbally briefed Corporate Partnering Forum on plan for Procurement Policy and Supplier Management Framework 40% of exclusive repairers accredited to EcoSmash platinum
	Number of Aboriginal & Torres Strait Islander suppliers	Increase the number of Aboriginal & Torres Strait Islander Supply Nation suppliers used across IAG to 12 (both Tier 1 and Tier 2)	Eight Aboriginal & Torres Strait Islander suppliers currently engaged Indigenous Supplier Diversity Strategy Working Group established and strategy drafted Tender templates updated to identify Aboriginal & Torres Strait Islander respondents


¹ Ratios are based on Australia and New Zealand employees only

COLLABORATING TO BUILD COMMUNITY RESILIENCE

Building resilience to severe weather events is vital for our business and the communities in which we operate. IAG recently partnered with the Cyclone Testing Station at James Cook University (JCU) and Suncorp to study the impact of tropical cyclones on strata properties in North Queensland,

building on our previous work providing strata assessments to customers in this region. By sharing our claims data with JCU we will provide designers, builders and insurers with a better understanding of the common drivers of claim costs during cyclones to help build resilience in affected communities.

IAG HAS A HISTORY OF ACTING ON CLIMATE AND WEATHER-RELATED RISKS AS OUTLINED IN THE DIAGRAM BELOW AND ON OUR WEBSITE

UNDERSTANDING CLIMATE RISK	Dedicated natural perils team informs underwriting risk Research on disaster risk & resilience through the Australian Business Roundtable ¹
ADVOCATING FOR GREATER INVESTMENT IN PREPAREDNESS & MITIGATION	Coalitions, research and submissions to influence policy and help make communities more resilient 
REDUCING OUR IMPACT	Carbon neutral since 2012 Absolute carbon emission reduction target of 10% (by 2020)

SUPPORTING OUR CUSTOMERS AND SUPPLIERS	Help customers recover from natural disasters Products to help customers minimise their impact (e.g. we underwrite Cleantech Insurance) Support our smash repairers to achieve EcoSmash environmental accreditation
SUPPORTING COMMUNITIES BEFORE, DURING AND AFTER EVENTS	Building disaster preparedness and resilience through partnerships 

MORE CONFIDENT

When people are covered by insurance and communities are resilient and well connected, they have the certainty and confidence to prosper. Recognising the impact of digital disruption, we are focusing on the barriers to **accessing and affording insurance** by using customer insights and agile working to trial new products and services.

MEETING CUSTOMER NEEDS – SUPPORTING ACCESS AND AFFORDABILITY

We listen to our customers, partners and communities to co-create solutions that are accessible and address a wide range of needs.

In 2015 we launched Insurance 4 That, a low-cost single item insurance for Australians who typically can't afford insurance. We also launched AMI Young Drivers insurance that aims to increase car insurance affordability for New Zealand drivers under 25 by offering a 50 per cent no claim bonus up front. Some of these drivers may have typically been insured on their parents' policies so this also encourages drivers to build their own safe driving insurance history.

This year we partnered with GIVIT to help vulnerable communities get back on their feet following a natural disaster. GIVIT uses a virtual warehouse to connect over 1,100 service providers to donors. This eliminates the need for charities to collect, sort and store donations and reduces the administrative and financial burden for local councils and charities.

LAUNCHING MOBILE APP 'ONE TOUCH' IN ASIA

We have worked closely with a number of our Asian business partners to help improve the customer experience by developing and launching mobile apps, websites and digital applications across the region. This includes One Touch, a specialised motor claims lodgement app launched

in Thailand and Malaysia, enabling customers to lodge a motor claim using only the app through their mobile device.

SUPPORTING RESILIENCE IN INDIGENOUS COMMUNITIES

This year we commissioned Australia's first national research project into the risk exposure and insurance needs of Indigenous communities. This helped highlight the challenges many Indigenous people and communities face with insurance and we are using this research to identify ways to communicate and work with Indigenous communities more effectively.

OFFERING OUR CUSTOMERS MORE THAN INSURANCE

Our Risk, Resilience and Recovery service, through IAG-owned Dynamiq and Accident & Health International, is an example of how we leverage our skills and knowledge to provide specialist advice and support our business customers to assess their risks and implement resilience and recovery programs.

Our research revealed that access to quality healthcare is a significant concern in rural areas. CGU used this insight to partner with Best Doctors, an organisation that offers remote access to the best medical specialists globally, to provide 59,000 CountryPak customers and 10,000 brokers with complimentary access to the Best Doctors service.

MORE CONFIDENT – OUR OBJECTIVE	MEASURE	OUR COMMITMENT	PROGRESS
Affordable & transparent protection for all	Number of products, services or innovative solutions launched	Leverage customer insights, agile methods and a data driven approach to develop and test solutions that respond to evolving customer needs, and help enhance resilience and social inclusion	Microinsurance products (annual premiums less than \$5) offered in India, Vietnam and Thailand Extended microinsurance offering in Vietnam, partnering with VP Bank to introduce microinsurance Premium discount of up to 10% available for NRMA Insurance customers who have a fuel efficient car

¹ Australian Business Roundtable for Disaster Resilience & Safer Communities

IAG's non-financial metrics have been independently assured by Ernst & Young (EY). All of IAG's non-financial metrics are reported in our Data Summary and Glossary of Terms available online in the Shared Value area of our website (www.iag.com.au/creating-shared-value). The assurance statement is also available online

BOARD OF DIRECTORS

The composition, structure and conduct of IAG's Board are governed by IAG's Constitution, the Corporations Act, Prudential Standards made under the Insurance Act, the Australian Securities Exchange's Listing Rules and general law.

The Board's principal role is to govern, rather than manage, IAG, by ensuring that there is a proper governance framework in place to promote and protect IAG's interests for the benefit of its stakeholders. To assist it in fulfilling its responsibilities, the Board has four standing committees:

- the **Audit Committee** helps the Board fulfil its statutory and fiduciary responsibilities by monitoring the integrity of external and internal financial reporting, including compliance with applicable laws and regulations. This committee ensures that directors and management are provided with high quality financial and non-financial information, and is responsible for monitoring the independence of the auditor;
- the **Nomination Committee** employs appropriate processes to address Board succession issues, and appoints directors who allow the Board to have the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively;
- the **People and Remuneration Committee** provides assurance to the Board on the effectiveness and integrity of, and compliance with, IAG's remuneration policies and practices, and monitors the development, implementation and reporting of IAG's business sustainability strategy; and
- the **Risk Committee** helps the Board exercise due care, skill and diligence regarding effective oversight of material risks to which IAG is exposed by providing oversight of IAG's risk management and governance frameworks.



ELIZABETH BRYAN AM

BA (Econ), MA (Econ)
Chairman and Independent Non-executive Director
Appointed December 2014;
Appointed Chairman, March 2016
Chairman, People and Remuneration Committee;
Nomination Committee
Member, Risk Committee
Age 69



PETER HARMER

Managing Director and Chief Executive Officer,
Executive Director
Appointed November 2015
Member, Nomination Committee
Age 56



ALISON DEANS

BA, MBA, GAICD
Independent Non-executive Director
Appointed February 2013
Member, People and Remuneration Committee;
Nomination Committee
Age 48



HUGH FLETCHER

BSc/BCom, MCom (Hons), MBA
Independent Non-executive Director
Appointed September 2007
Member, Audit Committee; Risk Committee;
Nomination Committee
Age 68



RAYMOND LIM

BEcon, BA, LL.M
Independent Non-executive Director
Appointed February 2013
Member, People and Remuneration Committee;
Nomination Committee
Age 57



JONATHAN (JON) NICHOLSON

BA
Independent Non-executive Director
Appointed September 2015
Member, Risk Committee; Audit Committee;
Nomination Committee
Age 60



TOM POCKETT

CA, BCom
Independent Non-executive Director
Appointed January 2015
Chairman, Audit Committee
Member, Risk Committee; Nomination Committee
Age 58



PHILIP TWYMAN

BSc, MBA, FAICD
Independent Non-executive Director
Appointed July 2008
Chairman, Risk Committee
Member, Audit Committee; Nomination Committee
Age 72



Detailed information about our Directors, our Board and our Board Committees is available in the About Us area of our website (www.iag.com.au).

GROUP LEADERSHIP TEAM

IAG's Group Leadership Team supports our structure and our focus on future profitability, with core businesses defined around our customers and three functions to provide the insights, products and services our customer-facing divisions need to deliver a world-leading customer experience.

The Group Leadership Team is headed up by our Managing Director and Chief Executive Officer, **Peter Harmer**, whose photo and title appear with the listing of his membership of our Board, on the page to the left. Detailed information about the members of our Group Leadership Team is available in the About Us area of our website (www.iag.com.au).



JULIE BATCH

MappFin ANZIF (Fellow)
Chief Customer Officer



CHRIS BERTUCH

BEC, LLB, LLM
Group General Counsel & Company Secretary



BEN BESSELL

Chief Executive, Australian Business Division



DUNCAN BRAIN

BApp Sc (Maths), MBA
Chief Executive, Asia



DAVID HARRINGTON

BCom, LLB, MBA, Graduate Certificate in Applied Finance
Group Executive, Office of the CEO



NICK HAWKINS

BCom, FCA
Chief Financial Officer



JACKI JOHNSON

BAppSc (OT), GradDip Safety Science, EMBA, FAICD
Group Executive, People, Performance & Reputation



ANTHONY JUSTICE

MA (Oxon), MBA
Chief Executive, Australian Consumer Division



MARK MILLINER

Chief Operating Officer



CRAIG OLSEN

BAAcc
Chief Executive, New Zealand



CLAIRE RAWLINS

Group Executive, Digital & Technology



CLAYTON WHIPP

BBus, FCA, GAICD
Chief Risk Officer

REMUNERATION FRAMEWORK

The People and Remuneration Committee (PARC) reaffirms its commitment to delivering remuneration outcomes that reflect both business performance and shareholder returns, as well as ensuring IAG is able to continue to attract and retain high quality executives.

Throughout the year the business strategy evolved, and the remuneration framework continued to support the changing needs of the business. The overall organisation results are reflected in the remuneration outcomes received by the Executive team.

Following is a summary of some key highlights for the 2016 financial year.

HIGHLIGHT	SUMMARY
A new leadership team was appointed	In November 2015, Peter Harmer was appointed Managing director and Chief Executive Officer; in December 2015, he appointed his Executive team.
Fixed pay supports remuneration principles	Fixed pay for the newly-appointed Executive team reflects their experience in the relevant roles, as well as internal and external benchmarks, supporting the key principles underpinning IAG's remuneration framework. As a result of difficult market conditions, PARC determined in August 2015 that no fixed pay increases would be provided to the Executive team over the 2016 financial year, other than where there was a change in role.
Short term performance was sound	During the year, IAG undertook significant changes designed to set up the organisation for continuous growth and profitability into the future. While there were changes to leadership teams, operating models and organisational structures, IAG's short term business performance remained sound. The business maintained a stable market position and continued to perform well at an underlying level, and IAG received some notable recognition for its leadership in the industry. Reflecting the business' short term performance, the average Short Term Incentive (STI) payment was 67% of the maximum achievable for the Executive team.
IAG focuses Executives on being Closer, Braver, Faster	The IAG Spirit was introduced during this financial year, encompassing how we serve our customers, partners, shareholders, communities and each other. The IAG spirit is measured through an individual's commitment and demonstrated behaviour to display IAG's core values of Closer, Braver, Faster. To align Executive behaviours with the IAG Spirit, eligibility for an STI payment now depends on demonstrating the IAG Spirit.
IAG delivers sustained long term performance	IAG once again achieved strong long term returns, with full vesting of the Return on Equity (ROE) portion of the Long Term Incentive (LTI). IAG ranked at the 52nd percentile of its peer group and achieved 54% vesting of the Total Shareholder Return (TSR) component of the LTI.
ROE vesting schedule adjusted to align to market practice	A review was conducted during the 2016 financial year to assess the appropriateness of our LTI performance hurdles. The review confirmed that TSR and ROE continue to appropriately align Executives with IAG's three to four year aspirations, and consequently the current performance hurdles will remain in place for the 2016 LTI awards. The PARC has determined that a more detailed review of the ROE hurdle will take place prior to the 2017 awards to ensure it continues to drive the desired outcomes for shareholders.
Shareholder interests are aligned through a mandatory shareholding requirement	As part of IAG's philosophy of aligning the interests of Executives and Non-executive Directors (NEDs) with those of shareholders, all Executives and NEDs are required to hold a proportion of their remuneration as IAG shares. All Executives and NEDs who were required to meet their mandatory shareholding requirement at 30 June 2016 have done so.
Review of balanced scorecard for the 2017 financial year	IAG is reviewing its Executive remuneration framework. As part of this review, it is considering incorporating a Net Promoter Score (NPS) into the balanced scorecard. An NPS measure focuses Executives' efforts on earning and sustaining loyal customers and vocal promoters of the business, by nurturing a business culture which IAG customers can believe in and rely upon.

EXECUTIVE AND 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 pay, 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 G of the 2016 remuneration report, starting on page 27 of the 2016 annual report.

EXECUTIVES	FIXED PAY	OTHER BENEFITS AND LEAVE ACCRUALS	TERMINATION PAYMENTS	CASH STI	DEFERRED STI VESTED	LTI VESTED	TOTAL ACTUAL REMUNERATION EARNED
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
2016							
2015							
Peter Harmer	1,460	70	-	905	311	1,428	4,174
	1,012	(23)	-	473	432	2,152	4,046
Julie Batch	343	34	-	153	-	-	530
Chris Bertuch	400	33	-	138	-	-	571
Ben Bessell	686	31	-	271	83	161	1,232
	123	(7)	-	65	-	-	181
Duncan Brain	934	261	-	532	154	273	2,154
	921	263	-	469	210	429	2,292
David Harrington	346	33	-	160	-	-	539
Nick Hawkins	1,026	(48)	-	593	318	1,428	3,317
	1,012	56	-	603	463	2,198	4,332
Jacki Johnson	1,053	92	-	585	252	2,286	3,268
	1,096	(43)	-	418	398	1,949	3,818
Anthony Justice	372	(6)	-	156	-	-	522
Mark Milliner	181	20	-	-	-	-	201
Craig Olsen	330	36	-	124	-	-	490
Claire Rawlins	341	32	-	152	-	-	525
Clayton Whipp	784	64	-	415	117	243	1,623
	755	64	-	341	211	367	1,738
EXECUTIVES WHO CEASED AS KEY MANAGEMENT PERSONNEL							
Michael Wilkins	808	(46)	1,060	1,197	792	3,580	7,391
	2,112	232	-	1,314	1,232	5,514	10,404
Andy Cornish	875	49	1,086	887	256	1,486	4,639
	1,052	93	-	602	469	2,290	4,506
Alex Harrison	145	(6)	782	-	128	260	1,309
	849	51	-	611	192	397	2,100
Leona Murphy	466	52	808	410	261	1,286	3,283
	910	38	-	505	411	1,981	3,845
INDEPENDENT NON-EXECUTIVE DIRECTORS							
		SHORT TERM EMPLOYMENT BENEFITS		POST EMPLOYMENT BENEFITS			TOTAL
		IAG BOARD FEES RECEIVED AS CASH	OTHER BOARDS AND COMMITTEE FEES	SUPERANNUATION			
2016		\$000	\$000	\$000		\$000	\$000
2015							
Elizabeth Bryan		276	111	19			406
		99	6	10			115
Alison Deans		172	28	19			219
		173	37	19			229
Hugh Fletcher		172	184	21			377
		172	177	20			369
Raymond Lim		172	23	19			214
		172	19	18			209
Jonathan Nicholson		145	36	14			195
Thomas Pockett		177	78	19			274
		86	-	8			94
Phillip Twyman		177	82	19			278
		177	80	19			276
NON-EXECUTIVE DIRECTORS WHO CEASED AS KEY MANAGEMENT PERSONNEL							
Brian Schwartz		424	169	14			607
		568	226	19			813
Yasmin Allen		44	16	5			65
		178	84	19			281

KEY DATES

2016 financial year end	30 June 2016
Full year results and dividend announcement	19 August 2016
Notice of meeting mailed to shareholders	6 September 2016
Final dividend for ordinary shares	
Record date	7 September 2016
Payment date	5 October 2016
Annual general meeting	21 October 2016
2017 half year end	31 December 2016
Half year results and dividend announcement	16 February 2017*
Interim dividend for ordinary shares	
Record date	1 March 2017*
Payment date	30 March 2017*
2017 financial year end	30 June 2017
Full year results and dividend announcement	23 August 2017*

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

2016 ANNUAL REPORT SUITE

This **annual review** contains a summary of the 2016 financial year performance of Insurance Australia Group Limited (IAG, or the Group). Unless otherwise indicated, references to 2016, 2015 and 2014 in graphs and copy throughout this review refer to IAG's financial years ended 30 June 2016, 2015 and 2014 respectively. All figures are in Australian dollars unless otherwise stated.

Information about IAG's 2016 financial year performance is available online in the **2016 reporting centre** on our website (www.iag.com.au). The website also has financial updates, investor reports, ASX announcements, key dates and a comprehensive shareholder centre.

More detailed information is contained in IAG's 2016 **annual report**, including full statutory accounts, and the Directors' and remuneration reports for the 2016 financial year. This year's corporate governance report is available in the About Us area of our website (www.iag.com.au). To have a copy of the annual review or annual report mailed to you, contact IAG's Share Registry using the contact details on the next page.

SCOPE AND ASSURANCE OF SUSTAINABILITY REPORTING

Page 9 and pages 16 – 19 of this review provide an outline of our shared value and sustainability performance during the year ended 30 June 2016.

These pages contain quantitative and qualitative information for IAG's controlled operations in Australia, New Zealand, Thailand, Vietnam, Indonesia and our Singapore office. We developed the shared value content in line with the Global Reporting Initiative's (GRI) G4 Principles for Defining Report Content, and this report contains General and Standard Disclosures from the GRI Sustainability Reporting Guidelines, including the Financial Services Sector Disclosures.

In 2016, we engaged independent assurance provider EY to assure selected Customer, Community, Workforce and Environment indicators (sustainability indicators) as presented online in the Data Summary.

Selected sustainability indicators have also been presented in this annual review. The sustainability indicators were assured to a limited level in accordance with the *ISAE 3000 Assurance Engagements Other than Audits or Reviews of Historical Financial Information* standard.

The shared value content of this annual review was also reviewed against the GRI's Principles for Defining Report Content. Results of the assurance can be found in the assurance statement provided by Ernst & Young. A complete Data Summary and Glossary of Terms which describes the scope of sustainability data included in our content, GRI Content Index and assurance statement is available in the Shared Value area of our website (www.iag.com.au/creating-shared-value).

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ONLINE INFORMATION

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

INSURANCE PROFIT RECONCILIATION

The 2016 insurance profit in this annual review is presented on a management reported basis which is not directly comparable to the equivalent statutory figure in IAG's 2016 annual report. A reconciliation between the two is provided below and on page 7 of the annual report to comply with the Australian Securities and Investments Commission's Regulatory Guide 230. IAG's 2016 net profit after tax is the same in this annual review and the annual report.

	FY16 \$m
INSURANCE PROFIT	
Annual review	1,178
Capitalised software accelerated amortisation and impairment	(198)
Run-off portfolio reinsurance protection	(5)
Statutory accounts	975



This annual review is printed on Pacesetter Laser Pro, a paper that is manufactured elemental chlorine free (ECF) from FSC® Mix certified fibre by an ISO 14001 certified mill.

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 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.

Long tail classes of insurance (such as CTP and workers' compensation) are those with an average period 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) is 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 is 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 SME 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 insurance margin adjusted for net natural peril claim costs less related allowance for the period; reserve releases in excess of 1% of NEP; and credit spread movements.



AUSTRALIA



SGIO

SGIC



coles Insurance²

NEW ZEALAND



Lumley

VIETNAM



INDIA



MALAYSIA



INDONESIA



100% owned unless marked with a footnote

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 owns 100% of WFI Insurance Limited (WFI), the underwriter of general insurance products under the Coles Insurance brand. These products are distributed by Coles under an authorised representative agreement with WFI.

3 IAG owns 63.17% of AAA Assurance Corporation, based in Vietnam.

4 IAG holds a 98.61% beneficial interest in Safety Insurance, based in Thailand, which trades under the Safety and NZI brands.

5 IAG owns 26% of SBI General Insurance Company, a joint venture with State Bank of India.

6 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.

7 IAG owns 80% of PT Asuransi Parolamas, based in Indonesia.

All ownership percentages are as at 30 June 2016.