

WE DELIVER LONG-TERM SHAREHOLDER VALUE BY ALIGNING OUR BUSINESS AROUND FOUR KEY PRINCIPLES.

PAYING CLAIMS



Insurers exist to pay claims. What makes us different is the way we pay claims.



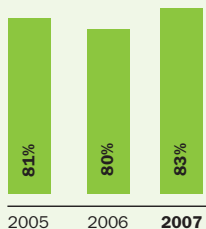
IAG's operations paid out about \$5 billion in claims during the year. That's around \$14 million a day. But paying claims is the easy part. The real work is getting customers back on the road or back to work, replacing their goods or rebuilding their homes, as quickly as possible. We believe what matters most is the way we treat our customers. That's why our shareholders can be confident that IAG stands by its customers, in good times and bad.

See why we are proud of the way we pay claims on page 17.



24-HOUR HELP LINE CALLS

Number of customer calls for emergency assistance through our 24-hour help line during the year.



CUSTOMER SATISFACTION INDEX

Overall measures of customer satisfaction in our largest portfolios of direct motor and home insurance in Australia.

UNDERSTANDING AND PRICING RISK



Our long-term sustainability relies on our ability to price risk accurately and fairly.



Insurers set premiums before the cost of claims is known. The challenge is to anticipate the potential risk and price it accurately and fairly, ensuring it's neither overpriced nor underpriced. Expertise in understanding risk is vital to an insurer's long-term viability. That's why we have the most extensive record of claims history in Australia, and have specialists such as industry researchers, climatologists, underwriters and actuaries, who collect and analyse data every day.

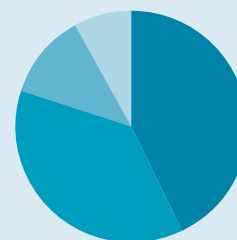
Read about how we put our expertise to use on page 19.

- Claims management
- Frontline (sales and distribution)
- Risk management
- Corporate and infrastructure



TOTAL PROPERTY VALUES INSURED

Total property values insured by IAG businesses as at 30 June 2007.



IAG PEOPLE INVOLVED IN MANAGING RISK

Around 12,000 employees across different areas of our business in Australia and New Zealand are involved in managing risk.

MANAGING COSTS



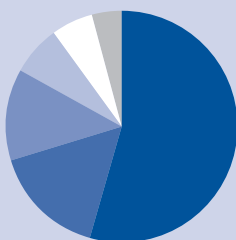
Operating costs are factored into premium prices, so we must be as efficient and productive as possible.



IAG insured property valued at around \$990 billion during the year across Australia, New Zealand, Asia and the United Kingdom. Operating with such large scale allows us to manage our costs efficiently. For example, we can access volume discounts across our supply chain without sacrificing quality for customers. It also means we can spread our costs across a large number of policies, delivering greater stability of earnings for shareholders.

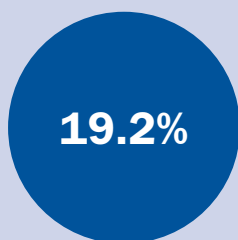
One way we manage costs is explained on page 21.

- Claims expense
- Government levies and taxes
- Underwriting and administration
- Commissions
- Reinsurance expense
- Underwriting profit



CONTRIBUTORS TO THE COST OF RUNNING OUR BUSINESS

The split between costs and underwriting profit for every dollar of premium IAG earned, for the year to 30 June 2007.



ADMINISTRATION RATIO

Underwriting and administration costs measured as a percentage of our net earned premium.

REDUCING RISK



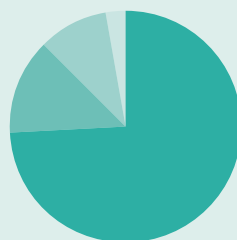
Reducing risk makes good business sense for an insurer.



As a business that deals in risk, it is vital for us to factor in long-term trends when managing our business. We work to reduce risk in the community, because fewer risks mean fewer claims. This means customers benefit from safer communities and lower premiums. We also work to reduce our operational risks by diversifying our business across different insurance markets and products, which means our shareholders benefit from more stable earnings.

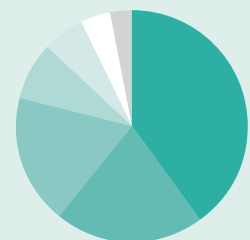
We talk more about how we have reduced risk through diversification on page 23.

- Australia
- New Zealand
- United Kingdom
- Asia
- Motor
- Home
- Short-tail commercial
- CTP/Motor liability
- Liability
- Other short-tail
- Workers' compensation



GEOGRAPHIC SPREAD

IAG's regional breakdown by percentage of GWP for the year to 30 June 2007.



PORTFOLIO PRODUCT MIX

IAG's mix of insurance products by percentage of GWP for the year to 30 June 2007.