

INDEPENDENT VERIFICATION STATEMENT

TO THE BOARD AND STAKEHOLDERS OF INSURANCE AUSTRALIA GROUP (IAG)

IAG commissioned Net Balance Management Group Pty Ltd (Net Balance) to provide independent verification of selected sustainability performance data (the Performance Data) for the year ended 30 June 2007, as reported in the IAG Annual Report 2007 (the Report) on page 1, and reported in the IAG Concise Annual Report 2007 (also referred to as the Report) on page 1. IAG was responsible for the preparation of the report and the information and assessments contained within it, for determining IAG's sustainability performance objectives, and for establishing and maintaining appropriate performance management and internal control systems from which the reported information is derived. This statement represents the verification team's independent opinion. Net Balance's responsibility in performing our verification activities is to the management of IAG alone and in accordance with the terms of reference agreed with them. Any reliance any such third party may place on the Report is entirely at their own risk.

VERIFICATION OBJECTIVE

The objective of the verification process is to provide IAG and its stakeholders with an independent opinion on the accuracy of the sustainability information presented within this Report. This is confirmed through verification of the information provided at a broad desk-top level, reviewing underlying systems, processes and competencies that support data presented.

VERIFICATION PROCESS AND LIMITATIONS

Our approach to assurance provision is aligned to the AA1000 Assurance Standard. The data verification engagement was undertaken in August 2007, and is combined with the overall assurance over IAG's Sustainability Report 2007 produced separately. IAG applies its own internal reporting guidelines for sustainability reporting ("the Criteria"), a concise version of which can be found in the Glossary in the report. Accordingly, the verification process involved:

- the examination of the aggregation and/or derivation of, and underlying evidence for Australian and New Zealand business data relating to employee engagement survey response rate and score, customer satisfaction, community investment and carbon dioxide emissions (page 1 of the Report); and
- a review of the internal control structure which management has established and from which the above data have been derived.

Our scope of work did not involve verification of the accuracy and robustness of financial data, other than that relating to environmental, social or broader economic aspects of performance as discussed above.

OUR INDEPENDENCE AND CREDENTIALS

Independence was ensured by selecting a verification team that had no other involvement with IAG during the reporting period that could impair the team's independence or objectivity. Net Balance was not responsible for preparation of any part of this Report. Net Balance has not undertaken any commissions for IAG in the reporting period concerning reporting or data collection. The team comprised of individuals with expertise in the insurance and finance sector and in environmental and social performance measurement. The verification team has collectively undertaken over 60 assurance engagements in Australia over the past 10 years and is also led by a Lead Sustainability Assurance Practitioner (Lead CSAP) accredited by the Independent Register of Certified Auditors (IRCA UK).

OUR OPINION

Based on the scope of the verification process, the following represents Net Balance's opinion:

- The findings of the engagement provide confidence in the reporting processes and systems established. The level of data accuracy was found to be high. Data trails selected were easily identifiable and traceable, and the personnel responsible were able to reliably demonstrate the origin(s) and interpretation of data.
- The internal review process established for both Australian and New Zealand data is appropriate and provides quality control around the data derived.

CONCLUSIONS AND RECOMMENDATIONS

The following key recommendations are made:

- Consistency between Australian and New Zealand definitions for certain data sets needs to be improved. This will also present a challenge when data from the United Kingdom and Asian operations are included in the future.
- Community investment data requires further improvement to definition and collation.
- Data that is provided by external parties generally lacked the level of accuracy found in internally sourced data. This requires further process improvements.

Net Balance has provided suggestions for reporting improvement in some areas outlined in a more detailed report presented to IAG management.

On behalf of the verification team

24th August 2007
Melbourne, Australia



Terence Jeyaretnam
Director, Net Balance & Lead CSAP (IRCA UK)