



AUSTRALIAN OPERATIONS

WHAT WE DO

- IAG's Australian businesses include some of Australia's leading general insurance brands – NRMA Insurance, SGIO, SGIC, CGU and Swann Insurance.
- Personal insurance products are distributed through a network of branches, franchises and country service centres, call centres and online facilities.
- Commercial insurance products are primarily sold through insurance brokers and authorised representatives.
- A range of commercial and personal insurance products are also distributed through partnerships with governments, financial institutions, affinity groups, motor dealers and motor manufacturers.

2007 FINANCIAL PERFORMANCE

Gross written premium	\$5,489 million
Net earned premium	\$5,126 million
Combined ratio	92.7%
Insurance margin	13.1%

INSURANCE PRODUCTS

- Commercial and motor fleet
- Commercial property
- Construction and engineering
- Consumer credit
- CTP
- Directors' and officers' liability
- Extended warranty
- Farm, crop and livestock
- Home and contents
- Home warranty
- Marine
- Motor vehicle and motorcycle
- Niche, such as veteran, vintage and classic car, boat, caravan and travel
- Professional indemnity
- Public and product liability
- Travel
- Workers' compensation



PERSONAL INSURANCE

IAG's largest division, Australian Personal Insurance, increased gross written premium in its core portfolios of home and motor insurance and regained CTP market share during the year.

A combination of increased volume of insurance policies sold, as well as higher average premium, including higher average value of assets insured in the home insurance portfolio, contributed strongly to top line revenue growth, particularly in the second half of the year.

The introduction of the NSW Government's Lifetime Care & Support Scheme in October 2006 impacted our NSW CTP portfolio. Funded by a levy on all CTP policies, the scheme is designed to support children who are severely injured in motor accidents, regardless of who was at fault. It will be extended to adults from October 2007.

We regained CTP market share, increasing our share to 38% of registrations, in line with our target for the year.

Customer renewals in our NRMA Insurance, SGIO and SGIC direct personal lines portfolios remained over 90% and customer satisfaction improved by 3% to 83%.

These pleasing results were achieved against a background of significant consolidation in the Australian personal insurance industry and continuing competition across all personal insurance product lines.

The most significant claims event for our business during the year occurred when severe storms hit the Newcastle and Central Coast region of NSW in June 2007, causing hundreds of millions of dollars worth of damage to our customers' property.

We are proud of the response of our people to the storms, who came together to help our affected customers get on with their lives as quickly as possible.

A major contributor to the growth in our personal insurance portfolio has been a renewed focus during the year on improving our customers' insurance experience. We achieved this on a number of fronts.

Feedback from our employees indicated that the pace of change in our business was making it difficult for them to focus solely on delivering customer service. Addressing this concern contributed to a 7% improvement in employee engagement across the board, with scores as high as 85% among groups of our customer-facing staff, and this has translated into customer satisfaction improvements.

We also invested significantly in new marketing campaigns for our personal insurance brands to continue to differentiate their value propositions and products, including customer rewards and product features. At the same time, we continued our focus on customer segmentation and maintaining competitive pricing positions in each of our markets. This included tailored pricing for specific segments, for example small versus large cars.

Our aim to manage our business sustainably saw us continue to work closely with the community and our customers to help make roads and homes safer, reduce crime and minimise our environmental impact.



DAVID ISSA
CEO, Personal Insurance

MARIO PIRONE
CEO, CGU Insurance

We invested more than \$12 million in community-based initiatives, including grants to local community groups that aim to reduce risk, and continued support for our community partners, including the Salvation Army Emergency Services and NRMA Careflight.

We also introduced a new product feature to reward our customers for their efforts to reduce their own impact on the environment. Our NRMA Insurance Fuel Efficient Saving gives a saving of approximately 10% on premiums for comprehensive car insurance policies to owners of cars with a fuel economy of 5.5 litres per 100 kilometres or better.

LOOKING FORWARD

We aim to build on the momentum generated throughout the year, and further grow gross written premium in our major portfolios, while reducing expenses. We will achieve this by continually improving our customers' experience by:

- creating a great working environment, and operating in the best employer range;
- working with the community to build a safe, sustainable world to live in; and
- building a strong business landscape in which we can forge mutually beneficial partnerships with our suppliers.

CGU INSURANCE

IAG's Australian commercial insurance business, CGU, again delivered profitable returns this year, despite the continuing downward pressure on commercial insurance premiums.

Intense competition from local and international insurers continued, and was particularly strong in general liability, professional indemnity and workers' compensation. Average commercial insurance premiums reduced across the market.

Our ability to generate a strong performance was supported by maintaining our disciplined approach to risk selection, rather than writing business at prices below the level we consider necessary to generate an adequate return. Renewal rates through the year remained high, particularly among small to medium sized businesses and rural customers.

Claims performance is one of the most important satisfaction drivers for our intermediaries and their customers. We continued to partner with intermediaries to improve this performance leading to the introduction of a number of initiatives designed to meet evolving needs.

These include the launch of iClaims – a monitoring tool enabling brokers to track their clients' claims online; and FastTrack – a system to provide settlement within 48 hours for common claims, such as minor motor and property claims.

We also introduced risk management solutions, including CGU Right Cover, a new service designed to address the issue of underinsurance, particularly among small businesses, of which half are underinsured. Working in partnership with professional loss adjustors and our customers' brokers, we visit businesses to ensure assets are correctly valued. In addition, we evolved our suite of Risk Radar products. These are online tools to help our customers identify and address safety risks.

Brokers continued to rank CGU highly, and JP Morgan Delloitte's latest insurance survey nominated CGU as one of the top three insurers overall.

CGU was one of the first insurers on the ground supporting customers when the devastating storms hit the Newcastle and Central Coast region of NSW in June 2007, which ranked as the most significant claims events of the year.

CREATING SAFER WORKPLACES



CGU customer and farmer, Rodney Minato, discusses the benefits of Farm Risk Radar.

On average, 100 deaths occur each year on farms in Australia, including one child dying every 10 days. More than 20% of farms have an accident each year resulting in 6,500 hospital admissions and almost 6,000 workers' compensation claims.

That's why our business CGU – Australia's largest regional and rural insurer – has introduced Farm Risk Radar.

Free for CGU customers, Farm Risk Radar is a web-based tool that helps farmers better understand their risks and implement programmes to reduce them. This not only increases safety, it also helps keep insurance premiums down.

Farm Risk Radar received the National Safety Council of Australia Award for Excellence in October 2006 and is now being used by over 3,000 farmers across Australia.

CGU is working with the NSW Department of Environment & Climate Change and farming groups to further enhance Farm Risk Radar to help farmers manage environmental issues and develop sustainable farming practices.

Farm Risk Radar is just one of the many risk management initiatives IAG's businesses have introduced. This demonstrates how we put our expert understanding of risk to use to help our customers minimise the risks they face. It also shows how we can put this knowledge to work to help ensure premiums are priced fairly and accurately.



JACKI JOHNSON
CEO, Business Partnerships

As CGU is often dealing with specialised markets, including the small business, rural and corporate markets, our people need specialised training to enhance technical knowledge and skills.

We launched the CGU Academy in July 2006 to meet this need, and more than 7,000 training modules have already been completed. This training has contributed to strong levels of CGU employee engagement.

LOOKING FORWARD

We believe the industry needs to move to more rational, risk-based commercial pricing to ensure the long-term sustainability of the cover it provides to Australian businesses. This will avoid the need for significant increases in future years, making cover unaffordable or inaccessible for some customers.

CGU is taking a leadership position on this issue and will introduce targeted rate increases on under-performing portfolios in the coming year.

We are working closely with intermediaries to manage the impact of these increases on their clients and demonstrate the value of our superior underwriting and claims service. We are also adding value to our existing competitive rates by offering risk management solutions, such as Risk Radar and CGU Right Cover.

We remain committed to our business goals for CGU to become number one in small business, regional and brokered personal lines, and in the top three in other chosen markets.

Initiatives being implemented to achieve these goals include:

- establishing a best-in-class account management model;
- moving from national to region-based pricing;
- increasingly targeting the medium-sized business market, particularly in regard to professional risks; and
- building capability in construction/engineering, motor fleet and marine insurance.

A number of other focus areas crucial to CGU's goals include:

- becoming the number one employer of choice;
- becoming the best in the business at claims; and
- claiming a leadership position in the provision of innovative solutions.

BUSINESS PARTNERSHIPS

IAG's Business Partnerships division experienced a significant turnaround in its underlying performance during the year.

Improvements occurred in both the retention of our workers' compensation customers and the management of our third party distribution relationships. We achieved strong sales results, particularly in our financial institutions and dealer channels, as we focused on improving our strategic approach to our relationships and a more disciplined approach to pricing and technology.

Our measures show satisfaction has improved among our financial institution and dealer business partners in our third party distribution business and workers' compensation customers, particularly in NSW.

Initiatives undertaken to build on mutually beneficial partnerships with our business partners and improve employee retention and engagement contributed to these improved results.

Our businesses have been actively working on improving operational efficiency. One initiative was the launch of .Live, an electronic portal that cuts 'red tape' by allowing employers to lodge notifications of injury and obtain quotes and certificates of currency. This has enabled us to improve our response to injury management through earlier notification of injury by our business partners.

We worked with NSW WorkCover to secure a change in state legislation to allow details to be submitted electronically and, when the legislation was enacted in late 2006, .Live was launched. The results have been significant for our NSW business:

- more than 19,000 requests for cover notes have been received and, of these, 93% have been generated automatically;
- about 2,700 injury notifications have been received; and
- quotes provided to employers online for workers' compensation have resulted in a 64% conversion to policies.

Activ8, a front end sales system developed by Swann Insurance, has seen similar success. More than 80% of motorcycle and motor dealer gross written premium was derived through the channel, reducing costs and improving service to our customers. We plan to deploy similar point of sale technology for the financial institution distribution channel.

While these initiatives have improved customer service, sustaining this progress means ensuring the ongoing commitment and development of our highly trained professionals and a focus on staff retention and engagement.



“A BUSINESS IS ONLY AS GOOD AS THE WAY IT TREATS ITS CUSTOMERS.”

To meet this need, we are working with Deakin University, other insurers and workers' compensation and motor accident authorities as part of the Personal Injury Education Foundation (PIEF). PIEF offers a Masters programme in Personal Injury, covering scheme design, leadership and injury management. Employees from across our personal injury business are participating in the programme.

In addition, in NSW and Victorian workers' compensation, we have initiated new staff development programmes focusing on continual coaching and support. At our national Customer Care Centre we have also improved recruitment practices, including recruiting more mature age staff and reviving our induction programme. These programmes have led to lower staff turnover and increased engagement during the year.

LOOKING FORWARD

We believe that strengthening our partnerships and value proposition is key to our success. We will continue to develop strategic plans with our key business partners to ensure we design a mutually agreed strategy to drive value for both organisations and delivering improved service to the end customer.

The deployment of Salesforce.com, which began in early 2007, will strengthen our account management approach.

All businesses are exploring new opportunities with our current partners and focusing on new markets.

Harmonisation of workers' compensation schemes across Australia will further cut 'red tape' for national employers and we will continue to work with governments across Australia toward this goal.



NRMA Insurance customer Margaret Foxon surveys the damage to her home in Adamstown following the severe June long weekend storms.

When storms lashed the NSW Central Coast and Hunter region in June 2007, our people mobilised to help our customers. Many cut short their long-weekend holidays, and some travelled from interstate to support our local teams to respond to the disaster.

In the first 24 hours, we set up vans to help customers lodge claims and our 24 hour teleclaims centre was taking calls from thousands of customers. We arranged temporary accommodation for those worst hit, set up generators for people without power and authorised emergency payments for many customers.

In the first two weeks, we received more than 22,000 claims for home, business, car and contents damage.

In the same time we removed about 3,000 damaged household items, and allocated builders to almost 5,200 jobs, contents restorers to over 2,400 items and carpet suppliers to over 650 properties. We answered almost 35,000 calls for help and – even at the height of the storms – we were able to answer those calls in around 12 minutes.

We are proud of our response in times of disaster – when cyclones, bush fires, hailstorms or snow storms hit – wherever we operate around the world.

Whether it is responding to disasters, or to any other claim, we believe the way we treat our customers is what sets us apart. It makes good business sense to look after our customers, and helps to create long-term value for our shareholders.



NEW ZEALAND OPERATIONS

WHAT WE DO

- IAG's New Zealand business, through our brands NZI and State, is the country's leading general insurance provider.
- Around 1 million cars, 580,000 homes and around 300,000 businesses and rural risks are insured by IAG's businesses in New Zealand.
- Insurance products are predominantly sold directly to customers under the State brand, and through intermediaries such as brokers and agents under the NZI brand.
- Personal and commercial products are also distributed under third party brands by corporate partners such as large financial institutions.

2007 FINANCIAL PERFORMANCE

Gross written premium	\$968 million
Net earned premium	\$860 million
Combined ratio	92.6%
Insurance margin	10.0%

INSURANCE PRODUCTS

- Commercial and motor fleet
- Commercial liability
- Commercial property
- Construction and engineering
- Home and contents
- Income protection
- Marine
- Motor vehicle
- Niche, such as veteran, vintage and classic car, boat, caravan and travel
- Personal liability
- Professional indemnity
- Rural and horticultural



NICK HAWKINS
CEO, New Zealand

IAG's New Zealand operation delivered sustainable returns during the year and is poised for growth following a period of investment.

Our intermediary brand, NZI, has gained momentum with a series of high profile advertising, marketing and sponsorship campaigns, which relaunched the iconic New Zealand brand.

We also strengthened our broker relationships throughout the year to market-leading levels and broadened the commercial product offering. This included the establishment of the NZI Professional Risks business unit, formed in response to broker requests for a complete suite of liability products. It includes professional indemnity and directors' and officers' cover.

Our Net Promoter Score for NZI – which measures the likelihood of brokers recommending NZI products to clients – is the highest in the New Zealand industry.

Our direct brand, State, continued to be the direct insurance market leader with a strong focus on profitable growth. We embarked on a number of initiatives to achieve ongoing growth for the well known brand, including advertising, promotions, and the successful implementation of a new underwriting and claims management technology platform modelled on the Group's Australian personal insurance platform. This will give us a competitive edge in pricing and customer segmentation and is a good example of sharing assets and capability across the Group.

We recently launched State EasyBiz, a package of commercial products for small retail and trade customers, tailored to simplify what can be a complicated process of finding the right business insurance.

With our focus on continuously improving our customer service, State has started to move some of its telephone activity to its regional network of sales centres across the country. This decentralisation has boosted employee engagement by allowing our people to work in their local communities. We also saw a positive result from the merger of our three Christchurch premises into one building, improving communication, team dynamics and workplace culture.

In our business partners area, through our relationship with local bank ASB, we introduced a new basic contents policy tailored to young renters and tertiary students to help protect their possessions.

We responded to a number of major claims events during the year, including severe flooding in the upper North Island in March and heavy snow storms in the South Island.

Our people are integral to the success and achievement of our business objectives. We were pleased our recent staff survey showed an improvement in our employees' engagement score, which is now up 16% from the first measurement four years ago. This is particularly pleasing as New Zealand moves further into a tightening labour market.



“I LIKE THE WAY IAG UNDERSTANDS LONG-TERM RISK.”

LOOKING FORWARD

IAG's New Zealand operation will build on improved customer advocacy across all its business channels to generate sustainable, profitable growth by:

- maximising the value of our brands by building on campaigns proven to yield results;
- leveraging our investment in leading-edge technologies and providing a seamless service for our customers;
- continuing to look at ways to meet customer needs, through innovative product development, such as bundling products and developing products that align with our sustainability position;
- ensuring we have an engaged and valued workforce, through initiatives such as taking a localised and flexible approach to meet the needs of our people wherever they are located; and
- building one of New Zealand's first 5 Green Star rated buildings – meaning it achieves the highest standards in terms of environmentally sustainable design – as our flagship new corporate centre in Auckland.



State staff discuss the benefits of EasyBiz to small business owners in New Zealand.

Small businesses have a major role in powering the New Zealand economy. They employ an estimated 30% of all New Zealand workers, and accounted for about 60% of all new jobs in the five years to 2006.

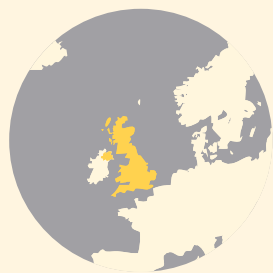
So when a small business suffers an unexpected loss – such as damage from fire, storm, theft or vandalism – the impact on the community can be significant. And too often, a business' recovery is delayed because it is underinsured, or does not have any insurance at all.

IAG's direct insurer in New Zealand, State, has found that the complexities involved in choosing the most suitable insurance product may be contributing to underinsurance among small businesses.

That is why State has introduced EasyBiz, which demystifies and packages insurance cover for small retail and trade customers. It is designed to give them insurance cover that meets their essential needs, with an appropriate premium which neither overprices, nor underprices the cover.

We have drawn on our extensive underwriting experience to offer EasyBiz, which brings together a range of covers for a range of events targeted to small business owners.

EasyBiz is just one of the many risk management initiatives IAG's businesses have introduced for customers. This demonstrates how we put our expert understanding of risk to use to help our customers minimise the risks they face. It also shows how we can put this knowledge to work to help ensure premiums are priced fairly and accurately.



UNITED KINGDOM OPERATIONS

WHAT WE DO

- IAG's businesses in the United Kingdom include Equity Insurance Group and Hastings.
- Combined, these brands have strong motor insurance businesses and provide a combination of direct and third party multi-channel distribution.
- IAG is now the fifth largest motor insurer group, the largest motorcycle insurer and a leading personal lines broker in the UK.
- Hastings trades under the brands Hastings Direct and Peoples Choice.
- Equity Insurance Group operates through Equity Red Star and Equity Insurance Brokers.

2007 FINANCIAL PERFORMANCE

Gross written premium	\$725 million
Net earned premium	\$592 million
Combined ratio	100.5%
Insurance margin	5.1%

INSURANCE PRODUCTS

- Agricultural vehicles
- Caravan
- Classic car
- Commercial vehicle
- Fleet
- Household
- Motorcycle
- Personal accident
- Private car
- Roadside rescue
- Travel



NEIL UTLEY
CEO, United Kingdom

IAG entered the United Kingdom general insurance market in September 2006 with the purchase of Hastings Insurance Services Limited (Hastings) and Advantage Insurance Company Limited (Advantage) for approximately \$350 million.

The acquisition of Equity Insurance Group (Equity) for approximately \$1.4 billion expanded the newly established UK division in January 2007.

Combined, the businesses position IAG as the UK's fifth largest motor insurer, the largest motorcycle insurer and the fourth largest broker in personal lines. They added \$725 million to the Group's gross written premium in the nine months to 30 June 2007.

Hastings, trading under the brands Hastings Direct and Peoples Choice, is a personal lines insurance broker. Launched in 1997, it has grown at a compound annual rate of 20% over the past five years. Advantage was established in 2002 to underwrite personal lines insurance, specialising in motor insurance.

Equity Insurance Group operates through Equity Red Star, the UK's largest Lloyd's motor insurance syndicate and the UK's largest motorcycle insurer, with an unbroken record of profitability since 1969; and through Equity Insurance Brokers, with a multi-channel distribution strategy including telesales, internet and a network of almost 80 high street branches.

Significant progress was made during the year to integrate the Hastings and Equity Insurance Group businesses. With a UK Board and governance framework now in place, the integration aims to deliver synergy benefits by streamlining processes, strengthening IAG's presence in the volume

motor insurance and targeted specialist markets, and positioning the businesses for further growth.

Against this background, our UK businesses operated in a competitive environment. Our goal has been to adhere to disciplined pricing and strive for an optimum business mix, and to ensure our range of distribution channels meets the evolving ways people choose to access insurance.

A growing trend has been for customers to buy insurance products through direct channels such as the internet, now the second largest sales channel for personal insurance products in the UK. Accordingly, we began expanding our online distribution capabilities and product offerings, enhancing our online marketing and loyalty programmes and building a stronger, more flexible and user friendly online environment to capitalise on this rapidly evolving market.

We have also been expanding our branch network and developing new affinity brand relationships with partners including Alliance + Leicester, First Direct, Renault and Nissan.

A major claims event for our businesses occurred when severe flooding affected areas of mid and northern England during June and July 2007. These were among the worst floods on record, with some areas receiving a month's rainfall in just 24 hours. In January, windstorms swept through an area from the Bristol Channel to Manchester, resulting in a number of smaller claims, predominantly from our home insurance customers.



“BELIEVE ME, WHEN IT’S YOUR MONEY, EVERY DOLLAR COUNTS.”

LOOKING FORWARD

We will continue integrating our UK businesses and have upgraded our synergies target by close to 14%, from £22 million to £25 million per annum.

Our focus will be on delivering profitable growth in both the direct and external broker distribution channels by reducing costs through improved operational processes, adhering to disciplined pricing and optimising our mix of business.

We plan to grow distribution revenue by expanding our branch network and offering competitive products, and are well positioned to develop our direct distribution through both channel development and marketing.

Our presence in the volume motor insurance market will continue to be strengthened and we aim to capitalise on our expertise in a number of specialist sectors, such as motorcycle, fleet and haulage.



A new car is crashed at IAG's Research Centre to test repair costs.

Each year, IAG's businesses worldwide repair or replace hundreds of thousands of cars for our customers.

With such large costs involved, it is in our interest to know a lot about cars.

That's why, for more than 15 years we have been conducting low speed crash tests at our research facility and actively researching the costs involved in repairing cars.

The findings from these tests and other research programmes have been used to help car manufacturers alter the design of cars, to improve safety, reduce repair costs and reduce the risk of theft. For example, we've provided input into the design of many car models, up to five years before the cars have gone into production.

We publish our research findings to help customers factor in safety, security and repair cost considerations when buying a car. A car with a better risk rating means a cheaper insurance premium for our customers.

We also monitor the prices of about six million car parts each year, and the feedback we give car manufacturers helps to ensure the pricing of parts remains as competitive as possible.

All this research means our customers can benefit from safer, more secure cars, which can be repaired more quickly and at less cost. It's one of the ways IAG works to manage its costs and ensure we can deliver benefits to customers and shareholders, because we know that every dollar counts.



ASIAN OPERATIONS

WHAT WE DO

- IAG's Asian operations offer personal and commercial insurance products through local brands in different Asian markets.
- IAG has the fourth largest share of the Thai insurance market through the Safety Insurance and NZI Thailand brands.
- In Malaysia, IAG has a 30% interest in personal insurer AmAssurance.
- In China, IAG has a roadside assistance operation and insurance agent, China Automobile Association (CAA).

2007 FINANCIAL PERFORMANCE

Gross written premium	\$168 million
Net earned premium	\$130 million
Combined ratio	99.2%
Insurance margin	6.9%

INSURANCE AND OTHER PRODUCTS

- Commercial property
- Home protection
- Education
- Family and protection
- Fire
- Healthcare
- Marine
- Motor vehicle
- Product and public liability
- Retirement
- Roadside assistance
- Saving and investment
- Travel



JUSTIN BREHENY
CEO, Asia

IAG's Asia division made further progress during the year towards its aspiration to be a leading general insurer in the region.

The focus for our existing businesses in Thailand and Malaysia was to continue to create value through transferring capability, particularly in core competencies such as underwriting, product development, and claims and risk management.

In Thailand, our NZI Thailand and Safety Insurance businesses increased gross written premium by a combined 4%, and expanded market share. This improved result was achieved despite a challenging environment caused by political unrest and marked by a significant decline in car sales, strong competition and a decline in consumer confidence.

As the Thai market slowed, competition intensified with a number of insurers seeking to maintain market share through aggressive pricing. Our businesses used the opportunity to undertake a comprehensive review of our portfolio to implement improvements to claims management, pricing and underwriting practices. Taking a disciplined underwriting approach has meant we have chosen not to write some risks that we believe to be unprofitable. Instead we have focused on growing segments, markets and products where we have a competitive advantage.

In Malaysia, our joint venture AmAssurance grew gross written premium by 10%. This was the result of growth in our motor agency business as well as product diversification, particularly through IAG's capability transfer programme of extended warranty, which achieved a 76% penetration rate in targeted areas, as well as commercial, health and personal accident products.

During the year, we continued our disciplined review of a number of acquisition opportunities in the Asian region to build our portfolio of businesses.

We remain committed to pursuing long-term investment opportunities in China's general insurance market, and are actively pursuing investment opportunities.

To support sustainable growth in the Asian region, we have built a risk framework for our current and future operating businesses and this is central to the way our Asian companies conduct business.

We also focused on building a unified culture across our businesses. As part of that process, employee engagement was measured across all our employees in Asia for the first time. The results of the employee survey are enabling us to target our engagement efforts, to ensure we're addressing issues that are important to our people.



“DIVERSIFICATION? IT REALLY MEANS ALL THE EGGS AREN'T IN THE ONE BASKET.”

LOOKING FORWARD

We will continue to take a two-fold approach to support our aspiration to become a leading general insurer in the Asian region.

We will continue to build via acquisition a portfolio of strategic investments in predominantly personal lines insurers in key priority Asian countries.

At the same time, we will look to unlock and create value in those assets through capability transfer of our core competencies in underwriting, product development, claims management, risk management, direct distribution, reinsurance and asset management.

In Thailand, the insurance market is expected to grow about 8% over the coming year as the economy recovers, consumer confidence returns and industry reforms continue. We aim to capitalise on that growth by continuing to diversify our product suite to include consumer credit, gap, travel and accident, mid-market commercial and health insurance. We will also expand the geographic reach of Safety Insurance with new branches in the north and north-east of Thailand.

In Malaysia, we expect premium revenue growth to exceed 10% as AmAssurance continues to further diversify from traditional motor into commercial, health, warranty, consumer credit and gap insurance. We have also reached agreement with our Malaysian partners to increase our ownership in the general insurance business of AmAssurance from 30% to 49% in the coming year, while divesting our interest in the associated life insurance business.



Our Thai business, Safety Insurance, is one of the companies in IAG's growing international portfolio.

Just five years ago, almost 100% of IAG's business was in Australia. Now, more than 25% of our business is written overseas, and these operations contributed about \$1.9 billion to our revenue for the year.

New Zealand remains our second biggest market with about 13% of our gross written premium generated there, ahead of the United Kingdom at about 10%. And premiums written in Asia now make up around 3% of our business.

Expanding our business across different international geographies is one way in which we are reducing risks for our shareholders. It means we diversify and increase our revenue streams, reduce volatility, and lower our cost of capital.

As well as expanding internationally, we've also diversified our portfolio of general insurance products, and the channels through which we sell them. From our historical base as a motor insurer selling policies direct to customers through our branches, we now offer many lines of insurance, with multiple products in each, sold via branches, phone, internet and via intermediaries and partnerships.

We will continue our targeted international expansion, and aim to grow our portfolio of general insurance products. For our customers it means the security of belonging to one of the world's largest general insurance groups. And for shareholders it means we reduce our overall operating and investment risk.