

18 April 2013

The Secretary  
Senate Economics Legislation Committee  
PO Box 6100  
Parliament House  
CANBERRA ACT 2600

Dear Secretary

Insurance Australia Group (IAG) welcomes the opportunity to make a submission to the inquiry by the Senate Economics Legislation Committee into the Insurance Contracts Amendment Bill 2013 (the Bill).

IAG is a general insurer with operations in Australia, New Zealand, the United Kingdom and Asia. In Australia we operate under the NRMA Insurance, SGIO, SGIC, RACV (underwritten by Insurance Manufacturers of Australia – owned 70% IAG; 30% RACV), CGU and Swann Insurance brands. Our corporate profile is attached.

We support the passage of the Bill and endorse the content and sentiment of the submission made by the Insurance Council of Australia.

In particular, we support the amendments contained in Schedule 2 which will provide certainty that electronic communication can be used to satisfy notice requirements under the Insurance Contract Act 1984 (the IC Act). This is a long overdue measure that will greatly benefit both consumers and the industry.

We also emphasise that this Bill has – in one form or another – been on the legislative slate of successive governments for many years. As the ICA notes in its submission, the current Bill re-introduces the 2010 Bill (with some refinements) and is the result of extensive and collaborative consultation between Government, industry and consumer advocates.

We understand the Bill has widespread and bipartisan support. It would therefore be extremely unfortunate if the Bill was to once again fall at the last hurdle not because of a lack of support but because of the timing of its consideration.

Please contact me  
like to discuss our submission.

if you have any questions or would

Yours sincerely

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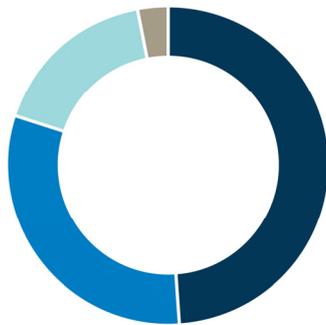
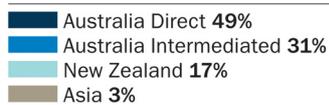
## CORPORATE PROFILE

### ABOUT INSURANCE AUSTRALIA GROUP

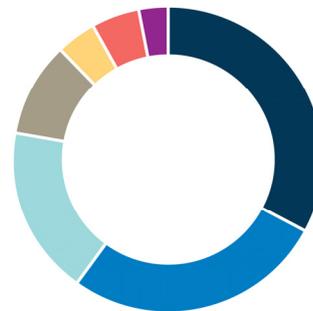
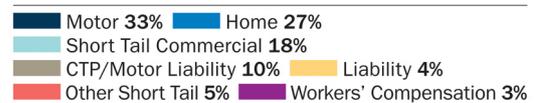
Insurance Australia Group (IAG) has a portfolio of general insurance businesses, with leading and established brands across its home markets of Australia and New Zealand, and a growing presence in Asia.

IAG underwrites around \$9 billion of insurance premiums each year and employs around 13,600 people. We have been assigned a 'Very Strong' Insurer Financial Strength Rating of 'AA-' by Standard & Poor's for our key wholly-owned insurance companies.

**PORTFOLIO MIX BY BUSINESS –  
% OF GWP BY BUSINESS FOR  
THE HALF YEAR ENDED 31 DECEMBER 2012**



**PORTFOLIO MIX BY PRODUCT –  
% OF GWP BY PRODUCT FOR  
THE HALF YEAR ENDED 31 DECEMBER 2012**



### OUR BUSINESS MODEL AND BRANDS

The Group has a portfolio of end-to-end businesses aligned around customers, brands and markets. In this devolved model, accountability and responsibility is close to the end customer.



1. RACV is via a distribution relationship and underwriting joint venture with RACV Limited.
2. 98% voting rights in Safety Insurance, based in Thailand.
3. 49% ownership of the general insurance arm of AmBank Group, AmG Insurance Berhad, trading under the AmAssurance. brand.
4. Acquisition of Kurnia Insurans (Malaysia) Berhad by AmG Insurance Berhad completed in September 2012.
5. 26% ownership of SBI General Insurance Company, a joint venture with the State Bank of India.
6. 30% interest in AAA Assurance Corporation in Vietnam, completed in May 2012.
7. 20% interest in Bohai Property Insurance Company Ltd, completed in April 2012.

## OUR BUSINESS STRUCTURE

### AUSTRALIAN OPERATIONS



IAG's Australian operations distribute a range of personal and commercial insurance products, both directly to the customer and indirectly through a network of intermediaries. There are two businesses in IAG's Australian operations:

- Australia Direct Insurance, the Group's largest business, distributes products through a network of branches, franchises and country service centres throughout metropolitan, regional and rural Australia, as well as through call centres and online. Products are distributed under the NRMA Insurance brand in NSW, Queensland, ACT and Tasmania; SGIC in South Australia; SGIO in Western Australia; and RACV in Victoria; and
- Australia Intermediated Insurance, known as CGU, sells products nationally, through intermediary channels, including a network of more than 1,000 insurance brokers and authorised representatives, as well as through motor dealerships and financial institutions.

### MULTINATIONAL OPERATIONS

IAG's multinational operations consist of interests in New Zealand and Asia.



#### New Zealand

IAG is the leading general insurance provider in New Zealand across both direct and intermediated channels. Insurance products are predominantly sold directly to customers under the State and AMI brands and through intermediaries (insurance brokers and authorised representatives) under the NZI brand. Personal lines and commercial products are also distributed under third party brands by IAG's corporate partners, including large financial institutions.



#### Asia

IAG has a growing presence in Asia.

- In Thailand, it owns commercial insurer NZI Thailand and personal insurer Safety Insurance.
- In Malaysia, IAG has a 49% interest in the general insurance arm of AmBank Group, AmG Insurance Berhad (AmG), which trades under the AmAssurance brand. In September 2012, AmG finalised the acquisition of Kurnia Insurans (Malaysia) Berhad, making AmG the largest general insurer in Malaysia, with around 13% of Malaysia's general insurance market and a clear number one position in motor insurance.
- In India, IAG has established a general insurance joint venture with the State Bank of India (SBI), known as SBI General Insurance. SBI has over 100 million customers and 11,000 branches across the country and access to an additional 46 million customers and 4,500 branches when including its subsidiaries.
- In China, IAG has acquired a strategic partnership with general insurer, Bohai Property Insurance Company Ltd, gaining a foothold in a region that contributes almost 30% to China's annual insurance premium pool of around US\$60 billion.
- In 2012, IAG acquired 30% of Vietnam-based AAA Assurance Corporation (AAA). AAA is predominantly a motor insurer, selling directly to customers through a network of regional and city-based branches. Since its establishment in 2005, AAA is now the seventh largest motor insurer in Vietnam.



#### United Kingdom

In December 2012, IAG announced the sale of the Equity Red Star business to Aquiline Capital Partners, a private equity investment firm specialising in financial services, for £87 million (approximately \$130 million). The sale is subject to regulatory approval and is expected to complete in the second half of IAG's financial year ending 30 June 2013.

## GROUP STRATEGY

The Group's strategic intent is to manage a portfolio of high performing, customer-focused diverse operations that provide general insurance in a manner that delivers superior experiences for stakeholders and creates value for shareholders.

The concept of portfolio should enable the Group to deliver a more consistent performance, despite owning a group of general insurance businesses operating at different stages in both the economic and the insurance cycle.

## FINANCIAL TARGETS

- Top quartile total shareholder return (TSR); and
- ROE greater than 1.5 times the weighted average cost of capital (WACC).

The aim is to achieve these targets through the cycle, given the nature and volatility of insurance. The clear focus is on margin and profitability.

## STRATEGIC PRIORITIES

The Group strategic priorities are to:

- accelerate growth in Australia and New Zealand by stepping up initiatives to drive profitable organic growth, while remaining open to acquisitive opportunities that may arise;
- boost its Asian footprint so the Asia division delivers 10% of the Group's gross written premium by 2016. Asia remains a priority region for the Group, and is vital to its medium to long-term growth. IAG is now focused on accelerating its expansion plans beyond the countries in which it has an existing presence, into other target markets, and on delivering on the enormous potential attached to its Indian joint venture which is now up and running.

## BRIEF HISTORY

From its beginnings as a motor vehicle insurer in New South Wales, Australia, IAG has grown to become a fully diversified general insurance group with multinational operations.

The Group's heritage dates back to 1921, when the National Roads and Motorists' Association was established and subsequently offered motor insurance to its members. In 2000, the insurance arm demutualised and listed on the Australian Securities Exchange and became Insurance Australia Group (ASX: IAG).

The Group grew organically and through acquisitions in its home market of Australia. Recognising the benefits of geographical diversification, it began to look offshore for expansion opportunities, and now has operations in New Zealand and Asia.

## EXECUTIVE TEAM

**Michael Wilkins**  
Managing Director & Chief Executive Officer

**Peter Harmer**  
Chief Executive Officer, CGU

**Justin Breheny**  
Chief Executive Officer, Asia

**Nick Hawkins**  
Chief Financial Officer

**Andy Cornish**  
Chief Executive Officer, Direct Insurance

**Jacki Johnson**  
Chief Executive Officer, New Zealand

**Ian Foy**  
Chief Executive Officer, UK

**Leona Murphy**  
Group Strategy Officer

## BOARD OF DIRECTORS

**Brian Schwartz**

Chairman & independent non-executive director

**Michael Wilkins**

Managing Director & Chief Executive Officer

**Yasmin Allen**

Independent non-executive director

**Peter Bush**

Independent non-executive director

**Alison Deans**

Independent non-executive director

**Hugh Fletcher**

Independent non-executive director

**Raymond Lim**

Independent non-executive director

**Philip Twyman**

Independent non-executive director

## FOR MORE INFORMATION

For more information on IAG or any of its brands, please use the below details:

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