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## PETER HARMER TO SUCCEED MIKE WILKINS AS IAG CEO

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The Board of Insurance Australia Group Limited (IAG) has appointed Peter Harmer as Managing Director and CEO effective 16 November 2015.

Mr Harmer will replace Mike Wilkins who will retire as Managing Director and CEO but will remain in an executive capacity until 31 March 2016 to ensure a smooth transition. Mr Wilkins has led IAG for more than seven years. He joined IAG as Chief Operating Officer in November 2007 before being appointed Managing Director and CEO in May 2008.

Mr Harmer joined IAG in 2010 as CEO of CGU. He has held a number of executive roles across IAG and was appointed CEO of IAG Labs in July this year with responsibility for driving digital initiatives and innovation as well as creating incubator areas to explore new opportunities across IAG and its brands.

IAG Chairman, Brian Schwartz, said that Mr Harmer's track record in creating successful businesses and transforming cultures made him the right person to lead IAG.

"Peter has a great passion for leadership, developing people and delivering to customers and, coupled with his extensive insurance industry experience, he is ideally suited to lead IAG through the next phase of its growth and development.

"Peter led a tremendous turnaround in the culture and performance of CGU during his time as its CEO. More recently, as CEO of IAG Labs, Peter has laid the foundations for IAG's digital future.

"The Board has always had a strong focus on succession planning with a commitment to developing internal candidates as potential CEO successors. Peter's appointment demonstrates this commitment and highlights the depth of talent within IAG," Mr Schwartz said.

Mr Harmer said he looked forward to leading IAG during a dynamic and exciting time for the company.

"I'm delighted and humbled to be given the opportunity to lead IAG. We live in an age of disruption where the needs and expectations of our customers are changing rapidly as they embrace innovation and quickly adopt new technologies. New and different competitors are entering the market and even the way we work is transforming, with a greater focus on inclusiveness and agility.

"There are so many exciting opportunities with these changes, and because of the platform Mike has created we can embrace them from a position of strength. We've already started to do this and I look forward to building on these opportunities," Mr Harmer said.

Mr Schwartz acknowledged the significance of Mr Wilkins' contribution and the strength of his leadership.

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“Mike has been an exceptional CEO and under his leadership IAG has grown to become the leading general insurer in Australia and New Zealand, with a significant footprint in Asia.

“His focus on strengthening the fundamentals of our businesses and his reputation in the investment and business community has enabled us to complete important transactions including the AMI and Wesfarmers Insurance acquisitions, and more recently the strategic partnership with Berkshire Hathaway.

“Mike is leaving IAG in a far stronger position than when he joined us, and on behalf of the Board and the entire organisation I thank him for the enormous contribution he has made,” Mr Schwartz said.

Mr Wilkins thanked his team and the IAG Board for their support and hard work during his time as CEO.

“It has been an honour to lead IAG and help the company provide great service to the millions of customers who rely on us every day. I am leaving with a great sense of pride in what we have accomplished in our local markets and with our steady expansion into Asia.

“These are accomplishments that require a committed team of tenacious and dedicated individuals and I’d like to thank the Board and our people for their contribution. I look forward to working with Peter as he focuses on the opportunities and challenges ahead,” Mr Wilkins said.

Mr Harmer’s biographical details and key details of his employment agreement and Mr Wilkins’ separation terms are provided below.

### **Peter Harmer biography**

Mr Harmer is currently Chief Executive of the IAG Labs division created in July 2015, with responsibility for driving digital strategy and innovation across IAG and its brands as well as creating some incubator areas which will specifically explore new opportunities across the broader business.

He previously held the role of Chief Digital Officer with a remit to develop a group-wide digital strategy. Before this, he was Chief Executive of the Commercial Insurance division created in July 2014 when IAG implemented its new operating model. He joined IAG in November 2010 as Chief Executive Officer, CGU Insurance.

Mr Harmer was formerly Chief Executive Officer of Aon Limited UK and was a member of Aon’s Global Executive Board. Before that he was Chief Executive Officer of Aon’s Australian operations for seven years.

During his 36 years in the insurance industry, Mr Harmer has held several senior roles in underwriting, reinsurance broking and commercial insurance broking including Managing Director of John C. Lloyd Reinsurance Brokers, Chairman and Chief Executive of Aon Re and Chairman of the London Market Reform Group.

Mr Harmer is 54 years old, lives in Sydney with his wife, and has three adult children.

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## About Insurance Australia Group

Insurance Australia Group Limited (IAG) is the parent company of a general insurance group with controlled operations in Australia, New Zealand, Thailand, Vietnam and Indonesia, employing more than 15,000 people. Its businesses underwrite over \$11.4 billion of premium per annum, selling insurance under many leading brands, including: NRMA Insurance, CGU, SGIO, SGIC, Swann Insurance and WFI (Australia); NZI, State, AMI and Lumley Insurance (New Zealand); Safety and NZI (Thailand); AAA Assurance (Vietnam); and Asuransi Parolamas (Indonesia). IAG also has interests in general insurance joint ventures in Malaysia, India and China. For further information please visit [www.iag.com.au](http://www.iag.com.au).

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## Mr Peter Harmer – Summary of Key Terms of Employment Agreement

A summary of the material terms and conditions of the employment agreement entered into with Mr Harmer are provided below.

Mr Peter Harmer	
Key Terms	Details
<b>Appointment and Commencement Date</b>	Mr Harmer has been appointed as Managing Director and Chief Executive Officer of IAG commencing on 16 November 2015.
<b>Term</b>	Mr Harmer's appointment is on-going with no fixed term.
<b>Prior Service with IAG</b>	IAG will continue to recognise Mr Harmer's prior service with IAG (which commenced on 8 November 2010) for all purposes.
<b>Fixed Remuneration</b>	Fixed Remuneration of \$1.7m (including salary, superannuation contributions and any salary sacrificed benefits) which will be reviewed annually.
<b>At risk remuneration</b>	<p>1 Short term incentive – Mr Harmer will be eligible to receive an annual short term incentive (<b>STI</b>) up to 150% of his annual fixed remuneration subject to the Board's assessment of performance measured against a balanced score card using financial and non-financial measures. The maximum STI will be prorated for the period 16 November 2015 to 30 June 2016, with Mr Harmer's current maximum STI of 120% applying for the period 1 July 2015 to 15 November 2015.</p> <p>Mr Harmer's STI outcome and performance measures will be determined by the Board each year. Any STI awarded to Mr Harmer will be awarded as Cash STI and Deferred STI in the form of deferred award rights (<b>DARs</b>) under the IAG Deferred Award Rights Plan. A DAR is a right to acquire an ordinary share in IAG. The proportion of the Cash STI and Deferred STI may vary each year at the Board's discretion but it is anticipated that approximately two thirds will be paid as Cash STI and one third as Deferred STI.</p> <p>2 Long term incentive – Mr Harmer will be eligible for awards of executive performance rights (<b>EPRs</b>) under the IAG Executive Performance Rights Plan (<b>EPR Plan</b>) of up to 150% of his annual fixed remuneration on an annual basis as determined by the Board. The maximum value of EPRs which may be granted to Mr Harmer is currently 125% of his annual fixed remuneration. An additional grant of 142,800 EPRs will be made to Mr Harmer in connection with the appointment, being Mr Harmer's increased entitlement prorated from 16 November 2015 to 30 June 2016.</p> <p>An EPR is a right to receive one ordinary share in IAG or an equivalent cash payment which will vest subject to defined service and performance based conditions. No dividends are payable on unvested EPRs. Currently, EPR awards have two separate performance hurdles – a TSR hurdle and an ROE hurdle the details of which have been previously</p>

<b>Mr Peter Harmer</b>	
<b>Key Terms</b>	<b>Details</b>
	outlined in the annual remuneration report.
<b>Leave entitlements</b>	Mr Harmer is entitled to statutory leave entitlements.
<b>Confidential information and IP</b>	Mr Harmer's employment agreement contains customary provisions for the protection of IAG's confidential information and intellectual property
<b>Termination provisions</b>	<p>IAG may terminate Mr Harmer's employment (without cause) by providing Mr Harmer 12 months' written notice. IAG also has the right to terminate Mr Harmer's employment summarily without notice if he engages in particular conduct (for example serious misconduct, or he becomes a disqualified from holding office) and other grounds specified in the employment agreement.</p> <p>Mr Harmer may terminate his employment by providing IAG with 6 months' written notice.</p> <p>IAG may elect to make a payment in lieu of all or part of any period of notice of termination given by either party. Any such payment in lieu of notice is to be based on Mr Harmer's fixed remuneration during the notice period. IAG may also direct Mr Harmer to take 'garden leave' during a period of notice.</p> <p>Mr Harmer will remain eligible for an award of his annual STI if his employment terminates part way through the year in 'special circumstances' (as defined in IAG's incentive plans) but any award of STI will be prorated to reflect the proportion of the year served by Mr Harmer. Any such STI award will be made solely in cash.</p> <p>If Mr Harmer's employment is terminated due to redundancy he will be entitled to the greater of the termination payments under his contract or the IAG group redundancy policy.</p>
<b>Post-employment restraint</b>	<p>Mr Harmer must not engage in any business that is the same as or similar to IAG's business for a period of 6 months after ceasing employment.</p> <p>Mr Harmer must not for a period of 12 months after ceasing employment:</p> <ul style="list-style-type: none"> <li>(i) solicit business from any person who was a material client or supplier of IAG for the purpose of any business which is the same as IAG;</li> <li>(ii) counsel or procure that any employee, consultant or officer cease providing services to IAG.</li> </ul>

Mr Michael Wilkins – Key Terms of Leaving Arrangements

Mr Mike Wilkins	
Key Terms	Details
<b>Retirement Date and Handover</b>	<p>Mr Wilkins has announced his intention to retire from his employment with IAG on 31 March 2016 and will provide notice of his retirement on this date (<b>Retirement Date</b>).</p> <p>Mr Wilkins will step down from the role of Managing Director and Chief Executive Officer on 16 November 2015 and continue to be employed by IAG through to the Retirement Date to assist with the handover and transition of his duties to Mr Harmer. Mr Wilkins will continue to receive his normal remuneration and benefits while his employment continues.</p>
<b>Termination Payments</b>	<p>Mr Wilkins is required to provide 6 months' notice of termination of his employment under his employment agreement. IAG is entitled to make a payment in lieu of this notice period with the payment to be calculated in accordance with the provisions of Mr Wilkins' employment agreement. IAG intends to make a payment in lieu of Mr Wilkins' notice period such that his employment will cease on the Retirement Date.</p> <p>On the Retirement Date, Mr Wilkins will receive the following payments in accordance with the provisions of his employment agreement:</p> <ol style="list-style-type: none"> <li>1 Payment of 6 months' fixed pay;</li> <li>2 Payment of the Board's assessment of the STI he would have received had his employment continued through the notice period based on relevant performance indicators;</li> <li>3 Payment of accrued annual leave.</li> </ol> <p>The termination payments made to Mr Wilkins will not exceed the amount permitted to be paid without shareholder approval under the Corporations Act.</p>
<b>Short Term Incentive for FY16</b>	<p>As noted above, Mr Wilkins' employment agreement provides that he is entitled to receive a payment of STI for the 2016 financial year as part of the payment to be made in lieu of notice.</p>
<b>Long Term Incentive for FY16</b>	<p>Prior to being notified of Mr Wilkins' intention to retire IAG had proposed to make a grant of executive performance rights (EPRs) under the IAG Executive Performance Rights Plan to Mr Wilkins as his Long Term Incentive award for FY16. This grant of EPRs (and the grant of DAR's to Mr Wilkins discussed below) were proposed to be subject to shareholder approval at the Company's annual general meeting to be held on 21 October 2015, as outlined in the notice of meeting issued on 7 September 2015.</p> <p>IAG has determined that it is not appropriate for this award of EPRs to be made to Mr Wilkins given his impending retirement, and the resolution seeking approval for the grant of these EPRs will be withdrawn.</p>
<b>Short Term Incentive for FY15</b>	<p>The notice of meeting for the Company's 2015 AGM also outlined that IAG proposes to make a grant of up to 117,800 deferred award rights (<b>DARs</b>) to Mr Wilkins under the IAG Deferred Award Rights Plan. These DARs comprise the deferred component of Mr Wilkins' STI award for the 2015 financial year and will</p>

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<b>Mr Mike Wilkins</b>	
<b>Key Terms</b>	<b>Details</b>
	<p>vest in equal tranches on 1 September 2016 and 1 September 2017.</p> <p>IAG has determined Mr Wilkins should still be granted these DARs as they are part of the STI he achieved for the 2015 financial year which has already been completed. As noted in the notice of meeting, IAG is not required to obtain shareholder approval for the grant of DARs as it acquires shares on-market to satisfy vested grants of DARs and this will be the case for the DARs to be granted to Mr Wilkins.</p>
<b>Equity awards granted in prior years under DARs and EPRs plans</b>	<p>EPRs and DARs granted in prior years to Mr Wilkins under IAG's incentive plans will remain on foot and will vest, if at all, on their currently scheduled vesting dates. In the case of EPRs these will only vest to the extent that relevant performance hurdles are satisfied. The applicable plan rules provide for this outcome where employment ends in 'special circumstances', including retirement. There will be no accelerated or automatic vesting of equity awards previously made to Mr Wilkins in connection with his retirement.</p>