

IAG Share Purchase Plan raises more than \$84m; and additional subordinated debt repurchased

Insurance Australia Group Limited (IAG) today announced it had raised \$84.4 million under its Share Purchase Plan. The Group also announced it had repurchased a further £36 million of its sterling denominated subordinated debt at a 30% discount to face value.

Share Purchase Plan

Under IAG's Share Purchase Plan, which closed on 27 March 2009, IAG shareholders took the opportunity to invest up to \$5,000 in new shares at \$3.00 per share. This is the same price paid by institutional investors in IAG's strongly supported \$450 million equity placement in February 2009.

New shares issued under the Share Purchase Plan will commence trading no later than Wednesday 8 April 2009. Holding statements will be mailed to participating shareholders from Thursday 9 April 2009.

IAG Managing Director and CEO, Mr Michael Wilkins said IAG's Board was pleased with the response from shareholders to the Group's capital management initiatives.

"IAG has raised more than \$530 million through both its institutional placement and Share Purchase Plan. This positive response demonstrates support for the progress the Group is making towards improving its financial performance in the medium to long term," Mr Wilkins said.

"These initiatives have served to provide the Group with additional financial flexibility in an environment where financial market conditions remain challenging."

Additional subordinated debt buyback

IAG has repurchased a further £36 million of its sterling denominated subordinated debt at a 30% discount to face value. This follows the repurchase of £108 million of subordinated debt at the same discount, announced on 26 February 2009.

As a result, the Group will recognise an additional pre-tax profit of approximately \$23 million in 2H09, bringing the total pre-tax profit from these transactions to approximately \$93 million.

In total, the Group's cash consideration to repurchase its subordinated debt, when applying the 30% discount to face value, was £101 million (approximately \$224 million).

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About Insurance Australia Group Limited

Insurance Australia Group Limited (IAG) is an international general insurance group, with operations in Australia, New Zealand, the United Kingdom and Asia. Its current businesses underwrite more than \$7.5 billion of premium per annum. It sells insurance under many leading brands including NRMA Insurance, CGU, SGIO, SGIC and Swann (Australia); NZI and State (NZ); Equity Red Star (UK); and NZI and Safety (Thailand). For further information please visit www.iag.com.au

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