

IAG reaffirms full year guidance

Insurance Australia Group Limited (IAG) Managing Director and Chief Executive Officer, Mr Michael Wilkins, told shareholders at the company's annual general meeting today that the Group remained on track to deliver on its guidance for the 2009 financial year.

"Since we first provided our guidance for the 2009 financial year in July, the unprecedented turmoil in global financial markets has depressed the economic outlook. Despite these difficult conditions, we remain on track to deliver gross written premium growth within our 0%–2% guidance range, and an improved insurance margin in excess of 10%*, including corporate costs," Mr Wilkins said.

"During the first quarter, our largest businesses, Australian Direct and Intermediated Insurance, performed well.

"We've completed the restructure of our Australian operations to deliver around \$130 million in annual before-tax run-rate savings, and appointed a CEO to our largest division, Direct Insurance, who will further strengthen the executive management team.

"In New Zealand, our business has had a challenging start to the year having already incurred around \$20 million in claims costs as a result of severe storms across the country in July. However the Group's overall natural perils claims costs remain well within allowances.

"In the UK, Equity Red Star continues to perform well, and our plan to exit our mass market distribution businesses – Hastings/Advantage and the branch network of Equity Insurance Brokers – is well underway. Discussions are continuing with interested parties, and we're exploring all avenues of maximising shareholder value, including selling the mass market businesses as a whole or separately. We are pleased with the progress, particularly given prevailing market conditions.

"We also said we'd exit our Lloyd's managing agency and specialist Asian syndicate, Alba, as it was no longer required to support the Group's Asian businesses. As a result, that syndicate stopped writing new business in September and is now in run-off.

"Like most companies our investment returns will be affected by the current financial market volatility, but our conservative investment strategy is helping minimise the impact. At 31 October 2008, 92% of IAG's investment portfolio (technical reserves and shareholders' funds) was invested in cash and fixed interest rather than growth assets, with 96% of these investments held with high credit quality counterparties rated 'AA' or better. Importantly, the Group remains well capitalised," Mr Wilkins said.

IAG Chairman Mr James Strong said he was pleased with the progress being made in improving Group profitability.

"The board has accepted responsibility for the Group's disappointing performance in the 2008 financial year and has initiated a program of decisive changes to improve performance. I am confident we now have the right management team, strategy and operating structure to improve value in the 2009 financial year and beyond," Mr Strong said.

"We have also adopted a more sustainable dividend policy which will see future dividend payments equating to around 50%–70% of reported cash earnings. Dividends will continue to be fully franked for the foreseeable future*."

* Subject to no material movement in foreign exchange rates or credit spreads and no catastrophes or large losses beyond IAG's allowances.

Mr Strong also told shareholders the board is undergoing renewal as it looks to further strengthen its composition.

“The board is mindful of the need to continue to renew and further strengthen its composition through the addition of members with relevant skills and experience. In addition, as this will be my last term under our board’s tenure policy, the board is addressing the need for a planned and orderly succession in the role of Chairman, in accordance with proper governance principles. We will advise the market as any changes occur,” Mr Strong said.

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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 employs more than 15,000 people of which around 10,000 are in Australia. 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

CORPORATE AFFAIRS

Emma Foster
T 02 9292 8929
M 0411 013 170
E emma.foster@iag.com.au

INVESTOR RELATIONS

Carolyn McCann
T 02 9292 9557
M 0411 014 126
E carolyn.mccann@iag.com.au

Insurance Australia
Group Limited
ABN 60 090 739 923

388 George Street
Sydney NSW 2000
Australia

T +61 (0)2 9292 9222
www.iag.com.au