Insurance Australia Group Limited

ABN: 60 090 739 923

Directory

Stock Exchange Listing
Australian Stock Exchange Limited
ASX code: IAG

Investor Information/Administration
Share Registry
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Investor Relations
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Level 21, 388 George Street
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Key Dates for Shareholders

26 March 2002	***Ex-dividend date***
3 April 2002	***Record date for interim dividend***
29 April 2002	***Payment of interim dividend***
29 August 2002	***Full year results announced***
19 September 2002	***Ex-dividend date***
25 September 2002	***Record date for final dividend***
21 October 2002	***Final dividend paid****
13 November 2002	***Annual general meeting***

** To be confirmed*

CONTENTS

Introduction

Insurance Australia Group Limited (IAG) is the listed parent of a group of companies which, together, are the largest general insurers in both Australia and New Zealand, as measured by total premium in Australia / New Zealand.

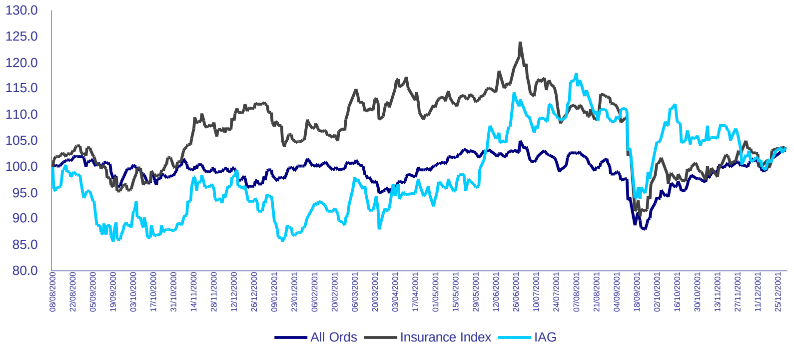
IAG, under its former name of NRMA Insurance Group Limited, listed on the ASX on 8 August 2000. Its name and ASX code (IAG, formerly NRM) was changed in January 2002 to better reflect its size, diversity, geographical distribution and aspirations.

The Group owns a number of brands:

It also sells products under certain third party brands, most notably RACV Insurance in Victoria. The contents of this report refer to the aggregate performance of all operations controlled by IAG, referred to collectively as either 'IAG' or the 'Group' in the body of this report.

Insurance Australia Group Limited

Share Price Performance Relative to the Australian All Ordinaries and Insurance Indices to 31 December 2001



Top 20 Registered Shareholders as at 31 December 2001

	INVESTOR		% I/C
1	WESTPAC CUSTODIAN NOMINEES LIMITED	51,007,587	3.64
2	CHASE MANHATTAN NOMINEES LIMITED	49,994,829	3.57
3	NATIONAL NOMINEES LIMITED	43,875,406	3.14
4	NRMA NOMINEES PTY LIMITED	29,300,000	2.09
5	RBC GLOBAL SERVICES AUSTRALIA <PIPOOLEDA/C>	22,837,172	1.63
6	QUEENSLAND INVESTMENT CORPORATION	20,072, 035	1.43
7	CITICORP NOMINEES PTY LIMITED	19,968,558	1.43
8	AMP LIFE LIMITED	18,270,435	1.31
9	RBC GLOBAL SERVICES AUSTRALIA NOMINEES PTY LIMITED <RA A/C>	15,362,217	1.10
10	CITICORP NOMINEES PTY LIMITED <CFS WSLE IMPUTATION FND A/C>	14,738,198	1.05
11	MLC LIMITED	11,225,922	0.80
12	CITICORP NOMINEES PTY LIMITED <CFS WSLE AUST SHARE FND A/C>	9,405,417	0.67
13	JP MORGAN CUSTODIAL SERVICES PTY LIMITED <EQUI A/C>	9,137,933	0.65
14	CITICORP NOMINEES PTY LIMITED <CFS IMPUTATION FUND A/C>	8,506,539	0.61
15	CITICORP NOMINEES PTY LIMITED <CFS WSLE INDUSTRIAL SHR A/C>	6,031,959	0.43
16	CITICORP NOMINEES PTY LIMITED <CFS WSLE GEARED SHR FND A/C>	5,088,194	0.36
17	COMMONWEALTH CUSTODIAL SERVICES LIMITED	4,924,154	0.35
18	COGENT NOMINEES PTY LIMITED <SL NON CASH COLLATERAL A/C>	4,310,000	0.31
19	NRMA SHARE PLAN NOMINEE PTY LIMITED <ALLOCATION SHARE PLAN A/C>	4,304,076	0.31
20	SUNCORP GENERAL INSURANCE LIMITED	4,027,252	0.29

Half Year Results

Consolidated Financial Results	Six months ended December 2000	Six months ended June 2001	Six months ended December 2001
	A$m	A$m	A$m
Gross written premium	**1,421**	**1,777**	**1,665**
Net premium revenue	1,315	1,460	1,568
Net claims expense	(1,064)	(1,169)	(1,216)
Underwriting expense	(277)	(287)	(315)
Underwriting profit/(loss)	**(26)**	**4**	**37**
Investment income on technical reserves	129	103	88
Insurance profit	**103**	**107**	**125**
Financial Services	3	17	8
Net corporate expenses	(59)	(62)	(24)
Amortisation and interest	(15)	(24)	(36)
Investment income on shareholder funds	(21)	191	(50)
Profit from fee based businesses	7	8	17
NSW Insurance Protection Tax	-	-	(10)
Non-recurring items[1]	-	-	33
Profit before income tax	**18**	**237**	**63**
Income tax (expense) / benefit	2	(46)	(5)
Profit after income tax	**20**	**191**	**58**
Outside equity interests	(17)	(51)	(9)
Profit attributable to shareholders	**3**	**140**	**49**

Financial Results/Ratios	Six months ended December 2000	Six months ended June 2001	Six months ended December 2001
GWP (A$m)	**$1,421**	**$1,777**	**$1,665**
Profit attributable to shareholders ($m)	$3	$140	$49
ROE % (Average Equity)	0.1%	5.2%	1.9%
EPS (cents)[2]	0.2c	9.2c	3.5c
DPS	4c	6c	4.5c
Group Insurance ratios			
Loss ratio	80.9%	80.1%	77.5%
Expense ratio - Group	21.1%	19.7%	20.1%
Expense ratio - Domestic	21.1%	19.5%	19.5%
Combined ratio	102.0%	99.8%	97.6%
Insurance margin (before tax)	7.8%	7.3%	8.0%
Probability of sufficiency of general insurance claims reserves	≥ 90.0	≥ 90.0	≥ 90.0

1. Non –recurring items: Profit on sale of Building Society ($45m) and legal expenses ($12m) re the 1994 demutualisation proposal.
2. *Based on the weighted number of average shares.*

December 2000 comparatives throughout the report reflect the full six months to 31 December 2000.

Overview of Results

- The overall NPAT for IAG for the six months ended 31 December 2001 was $49m. The result includes a number of significant (pre-tax) amounts:
  - Valuation adjustment of $110m for the Group's whole of account aggregate stop loss contract (WAASL) included in reinsurance recoveries;
  - Net losses from September 11, severe storms and bushfires totalled approximately $90m;
  - Legal expenses of $12m in relation to the 1994 "Share the Future" restructuring proposal; and
  - Profit on the sale of NRMA Building Society of $45m.

- The underlying performance for the Group has been strong and supports sustainable increases in margins for the future. Items of particular note (all stated pre-tax) are:

➢ **Premium growth**: GWP for the half year is $1.66bn, which is $244m (17%) more than the prior comparative period's GWP of $1.42bn. As well as organic growth, the first half result includes a full six months of State Insurance in New Zealand and the Australian workers' compensation portfolio acquired in March 2001. Organic growth includes strong growth in emerging products, especially commercial insurance.

➢ Comparing with 2H01, there has been a reduction of $112m in GWP. This is attributable to three factors:
  - Cessation of inwards reinsurance;
  - Reduced GWP in NSW Motor following a small fall in policies in force as expected when the portfolio was repriced; and
  - The assumption of unearned premium on the acquired workers' compensation portfolio in March 2001 and 1 July renewals written before 30 June 2001 on this portfolio, both led to higher written premium in 2H01.

➢ **Operating expenses**: The expense ratio of 20.1% is an improvement from 21.1% a year ago. The expenses for the current period include the burden of costs for the implementation of Privacy Act and Financial Sector Reform Act compliance, as well as costs incurred due to delays experienced in implementing the Group's distribution channel rationalisation, which resulted in the ratio increasing from 19.7% for 2H01.

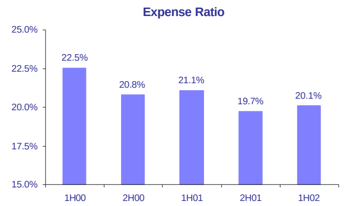
➢ **Corporate costs**: Amounts expensed to Head Office have been significantly reduced from $59m at December 2000 to $24m for the current period.

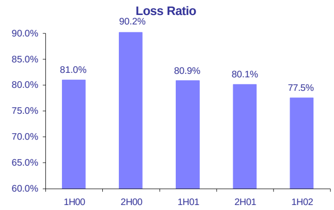
➢ **Fee based businesses** (including non-risk workers' compensation): $17m profit generated, an increase of $10m from the same period last year.

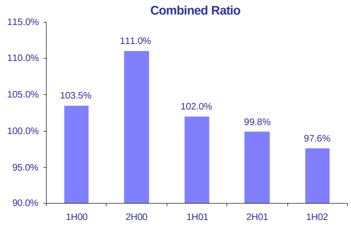
➢ **Short tail** underwriting continues to improve with a combined ratio of 98.0% for the half year, including $50m in storm and bushfire claims which increased the combined ratio by 4.7%.

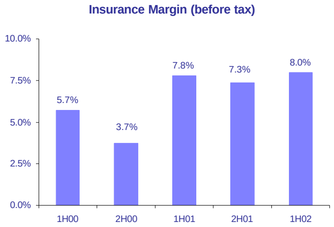
- The **long tail** portfolio has experienced continued strong profitability, with the combined operating ratio well below the Group's long term operating target of 110%. This includes the losses from September 11.
- **Financial Services** bore substantial costs from building the capabilities, processes and systems for the retirement services strategy, launched in February 2002 under the ClearView brand.

Group Insurance Ratios





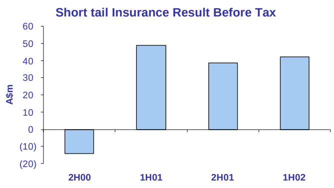


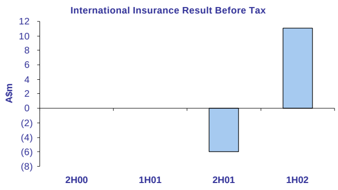


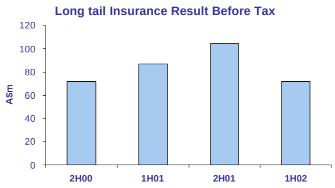
- The expense ratio of 20.1% is 1.0% better than the corresponding period but 0.5% higher than 2H01. As noted earlier, the increase in expense ratio since 2H01 can be attributed to considerable extra compliance costs in this period and cost savings from the branch rationalisation being delayed. These savings will now begin to be realised during 2H02 as all the relevant branches have now been closed. Inclusion of International business also increased the expense ratio marginally.
- The significant improvement in the loss ratio and continued improvement in the expense ratio have generated a sub-100% combined ratio. The Group expects to be able to operate at close to this level for the medium term. With reduced expectations from investment returns and the impact of the new general insurance capital requirements, a combined ratio of 100% or less is necessary to produce the appropriate returns for shareholders.
- The insurance margin has increased to 8% despite lower investment returns due to the very strong underwriting performance.
- The valuation adjustment for the WAASL, which is treated as a reinsurance recovery, has been allocated 75% to long tail and 25% to short tail based on the contribution that these portfolios have made over the years. The allocation of contributions was based on the perceived risk each portfolio ceded to the contract.

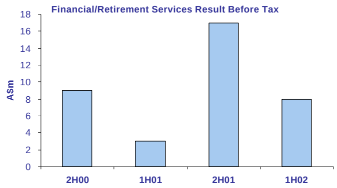
Analysis of Insurance Group Results

A. SEGMENT RESULTS OF OPERATIONS



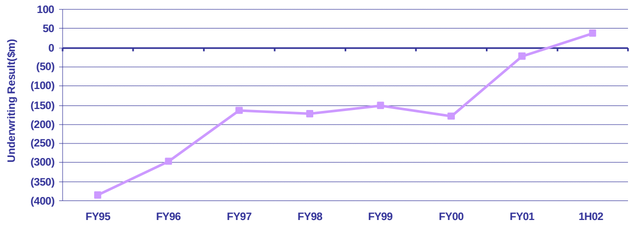






Note: December 2001 longtail results includes inwards reinsurance run-off.

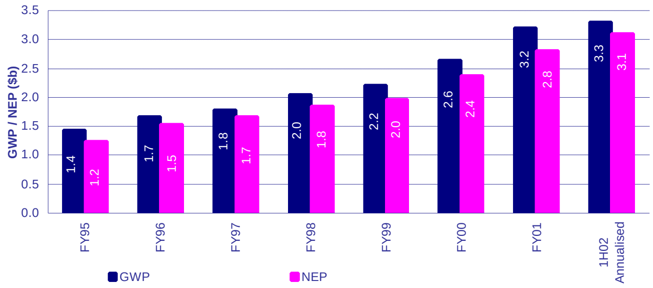
B. UNDERWRITING RESULT



- The graph illustrates the Group's trend towards positive underwriting results delivered through the Group's focus and execution of key initiatives aimed at growing revenues, reducing costs and enhancing core capabilities.
- The Group's net earned premium of $1,568m and an underwriting profit of $37m, produced a combined ratio of 97.6%, which is a significant improvement on the 102% combined ratio for the previous corresponding period. In short, the general insurance operations have achieved a profit for the half before relying on investment income.

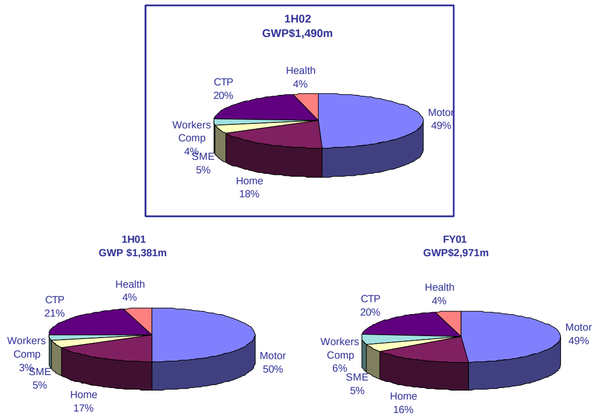
- The strength of the Group's underlying performance is emphasised when one considers that the benefit of the WAASL revaluation was largely offset by the significant costs from the NSW bushfires, severe storms in November and December and the loss stemming from September 11.

C. GROSS WRITTEN PREMIUM & NET EARNED PREMIUM



- The gross written premium (GWP) for the half-year is $1.66bn, which is $244m (17%) above the GWP of $1.42bn for the prior corresponding period. As well as organic growth, in both core and emerging products, the earned premium includes a full six months of both the New Zealand acquisition and the Australian workers' compensation portfolio assumption.

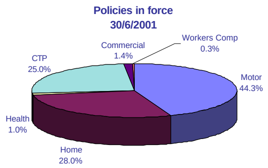
D. GROSS WRITTEN PREMIUM MIX – Domestic

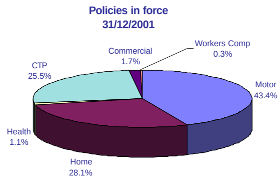


Note: Includes GWP of domestic businesses only and excludes Inwards Reinsurance which is in run-off.

- The fact that the emerging businesses of health insurance and small to medium enterprise (SME) commercial insurance have retained their relative proportion of GWP may mask the underlying growth experienced, which has been stable for health and a 25% growth for SME, respectively, compared with a year ago.

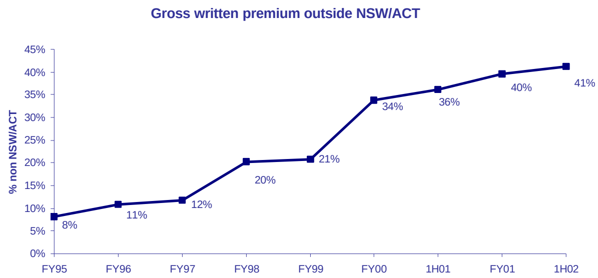
E. POLICIES IN FORCE – Domestic



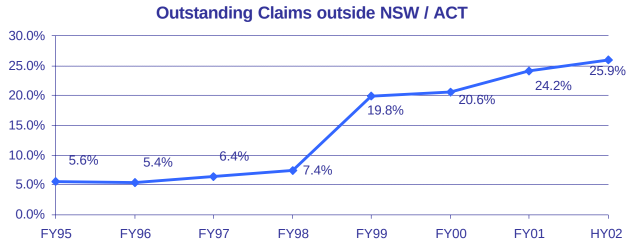


- The graphs on premiums and policies in force show ongoing diversification away from reliance on private motor vehicle insurance.
- Total domestic policies in force at 31 December 2001 were 7.0m.

F. DIVERSIFICATION OF GWP & LIABILITIES - Group

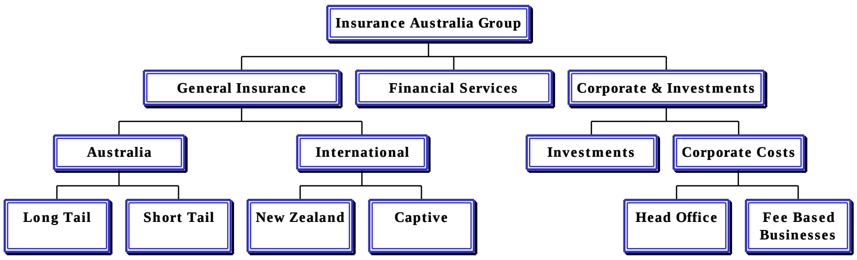


- In two and half years the Group has doubled the proportion of its business generated from outside NSW/ACT. The following list of strategic acquisition and alliances outside of NSW have contributed approximately $1bn annually to the Group's GWP:
  - ➢ Acquisition of SGIO/SGIC (October 1998);
  - ➢ Alliance with RACV (December 1999);
  - ➢ Acquisition of State Insurance in New Zealand (February 2001); and
  - ➢ Acquisition of Australian workers' compensation portfolio from HIH (March 2001).



- The diversification of liabilities is a very important part of the risk and capital management of the Group. Because IAG is the sole underwriter of CTP in the ACT and has a 40-41% market share of the NSW CTP market there is a significant skew of liabilities towards these regions.
- As outstanding claims reserves increase for the acquired workers' compensation portfolios (which do not include NSW liabilities) build up, they will tend to increase this measure of diversification. However, this impact will be ameliorated by growth in health and commercial insurance in New South Wales.

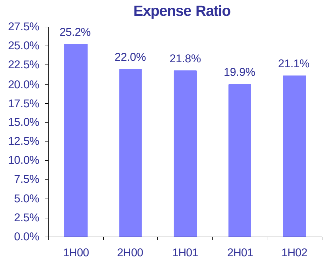
G. RESULTS BY BUSINESS AREA

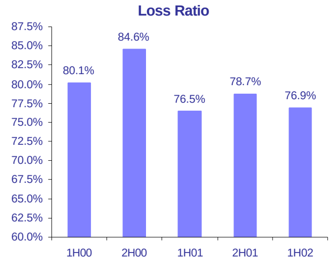


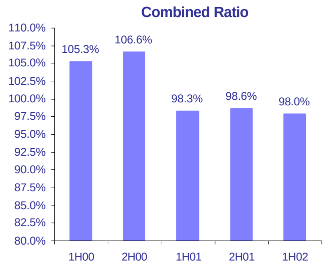
	Short-tail	Long-tail	Financial Services	Corporate & Investments	International	Six months ended 31/12/01	Six months ended 31/12/00
	A$m	**A$m**	**A$m**	**A$m**	**A$m**	**A$m**	**A$m**
Net premium revenue	1,060	343			165	1,568	1,315
Net claims expense	(815)	(283)			(118)	(1,216)	(1,064)
Underwriting expense	(224)	(50)			(41)	(315)	(277)
Underwriting profit/(loss)	**21**	**10**			**6**	**37**	**(26)**
Investment income on technical reserves	22	61			5	88	129
Insurance profit	**43**	**71**			**11**	**125**	**103**
Net corporate expenses				(24)		(24)	(59)
Amortisation & interest				(36)		(36)	(15)
Financial Services result			8			8	3
Investment income on shareholder funds				(50)		(50)	(21)
Fee based business				17		17	7
Profit on Sale of Building Society				45		45	-
"Share the Future" legal expenses				(12)		(12)	-
NSW Insurance Protection Tax				(10)		(10)	-
Profit before income tax	**43**	**71**	**8**	**(70)**	**11**	**63**	**18**
Income tax (expense) / benefit						(5)	2
Profit after income tax						**58**	**20**
Outside equity interests:							
External Funds						(1)	(14)
Insurance Manufacturers of Australia						(8)	(3)
Profit attributable to shareholders						**49**	**3**
Earnings per share						**3.5c**	**0.2c**

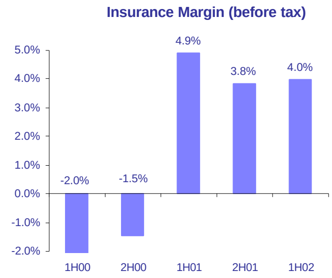
Domestic Short tail Analysis

	Six months ended December 2000	Six months ended June 2001	Six months ended December 2001
	A$M	A$M	A$M
Gross written premium	**1,044**	**1,139**	**1,131**
Net premium revenue	982	1,006	1,060
Net claims expense	(751)	(792)	(815)
Underwriting expense	(214)	(200)	(224)
Underwriting profit	**17**	**14**	**21**
Investment income on technical reserves	31	25	22
Insurance result	**48**	**39**	**43**
Insurance ratios			
Loss ratio	76.5%	78.7%	76.9%
Expense ratio	21.8%	19.9%	21.1%
Combined ratio	98.3%	98.6%	98.0%
Insurance margin (before tax)	4.9%	3.8%	4.0%

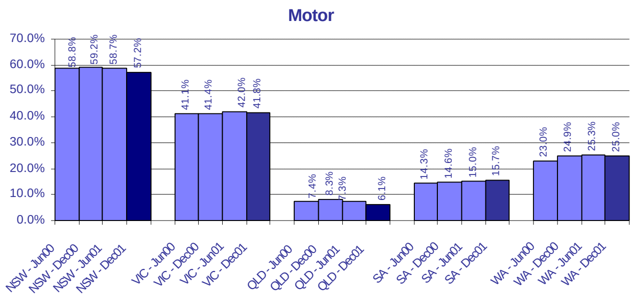


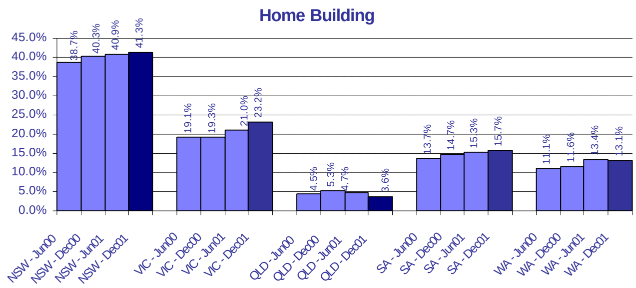


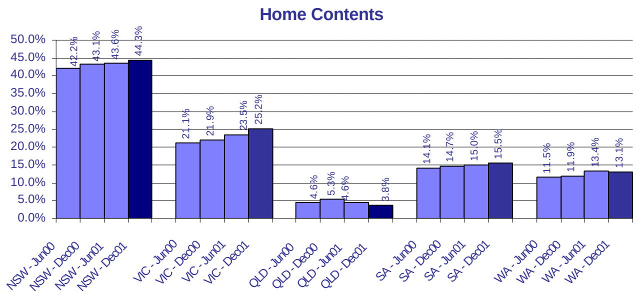




A. MARKET SHARE







Source: Roy Morgan Research-12 month rolling averages

- The above analysis shows the current market share of the core products by state compared to June 2001.
- Market shares in motor have reduced marginally. This had been anticipated following the deliberate effort has been made to re-price the portfolio to improve the quality of the book. Monthly market shares in New South Wales and Victoria motor are starting to show recovery towards past rates. The Group is satisfied that the balance of risks within the portfolio has improved significantly.
- The growth in home insurance market shares is a result of an intentional effort to grow this element of the portfolio.

B. OPERATING RESULTS

- Total policies in force have continued to grow despite a small fall in policies in force in New South Wales motor compared with a year ago following the repricing of the book. There are now signs of reducing churn as the portfolios restabilise following the major re-rating undertaken over the last two years.
- As noted for the group ratios, the increase in the expense ratio since 2H01 can be attributed to the implementation costs for privacy and financial services legislation and delays in implementing the Group's distribution channel rationalisation programme.
- The combined ratio of 98.0% is an improvement from the prior comparative period and the full year ended June 2001. It is especially pleasing in light of the adverse claims experience of $50m in November and December from severe storms and bushfires. In view of this performance and reduced investment earnings assumptions, the Group has decided to reduce the target combined ratio for this business to 96% - 98%.

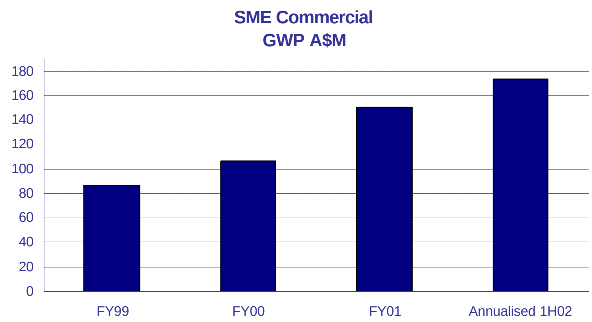
C. CLAIMS EXPERIENCE

- With the exception of the NSW storms and bushfires, claims frequencies for personal lines products were down relative to the corresponding period last year
- The volume of storm and fire claims during the year was well above expectations with major events of both types occurring within a two month period.
- The average finalised claims repair costs for NSW motor have reduced significantly from the same period last year. This reduction has continued despite increasing parts prices, which have increased on average by more than 9% since June 2000. Other states are experiencing some larger than anticipated inflation in motor claims and this is being closely examined.

D. CLAIMS INITIATIVES UPDATE

- During the half-year the claims cost reduction initiatives continued. These include the preferred smash repairer scheme ('PSR'), reduction in leakage in claims payments, and an increased focus on fraud detection. These initiatives are also being rolled out to other States outside NSW.
- Without exception each of the initiatives contributed to keeping the overall average cost of the relevant claims lower.
- In NSW/ACT, as at the end of December 2001, there were approximately 400 PSRs who perform nearly 70% of repairs. This same group of repairers were doing only 40% of all work before the scheme commenced.
- Significant emphasis has been, and will continue to be, placed on technology utilisation for managing effective interactions with preferred suppliers and for improving the efficiency and consistency of processes which will both reduce processing costs and improve the customer experience.
- Key technology initiatives are primarily focused around in the B2B e-commerce and imaging/workflow, all aimed at maximising the timeliness and efficiency of interactions with customers and key suppliers. One example is the immediate electronic allocation of many types of home claim repairs (eg. preferred builders and glass suppliers) as soon as the claim is lodged. As almost all claims are now lodged by telephone, the time to repair is reduced for the customer as well as providing improved process efficiency.

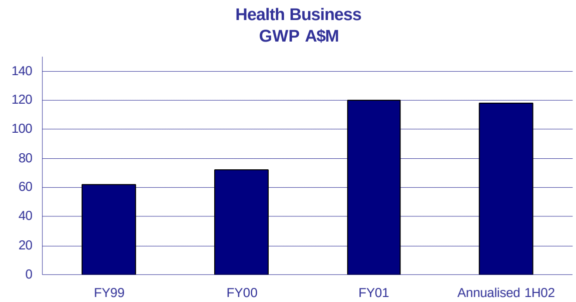
E. EMERGING BUSINESS – SME COMMERCIAL INSURANCE



- The Group continues to focus on growth into the SME market and the GWP growth has shown that this is continuing to be successful with GWP 25% higher than the same period last year.

- The growth in this business is gathering momentum. Progress is tracking in line with the Group's expectations with approximately 8,000 new business policies sold in NSW during the six months period contributing 17% growth in GWP for this business in just six months.
- In the six months to December 2001, the number of SMEs covered by the Group increased by 15% with strong growth in the Eazybiz range of products.
- This continued improvement in sales performance can be attributed to increased market awareness of the products on offer and continued improvement in capability and focus of the dedicated call centre and sales network.
- Further enhancements have been made to the Easybiz product, which is now available to businesses employing up to 10 workers.
- In addition, the sales process has been made easier as individual customers can now buy it over the internet and 40 brokers have installed our electronic quoting system enabling them to provide immediate quotes and proposals at their premises.
- The product range has also recently been launched to the Victorian market under the RACV brand, and an equivalent product for farms – Easy farm – will be launched in March 2002. These initiatives are expected to add further growth in this area.

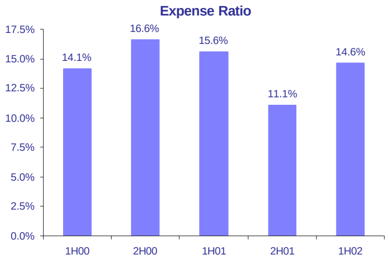
F. EMERGING BUSINESS – HEALTH INSURANCE

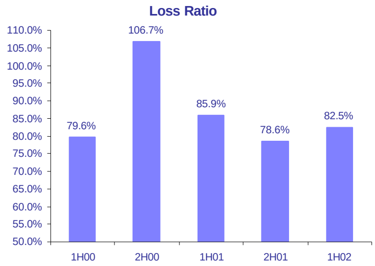


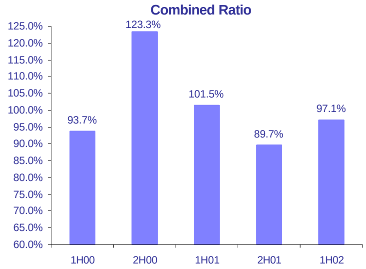
- The GWP for 1H02 of health insurance is in line with the prior corresponding period. Growth in this period was hampered by reduced marketing caused by issues with disclosures in the Group's advertising campaign for particular product features.
- Strong growth in the second half is expected, both in corporate and retail sales. A new advertising campaign has commenced and sales have started to rise.
- The Federal Government announced on 26 February 2002 that it had approved the Group's application for rate increases. These rate increases, which average 6.6%, will take affect from 1 April, 2002.

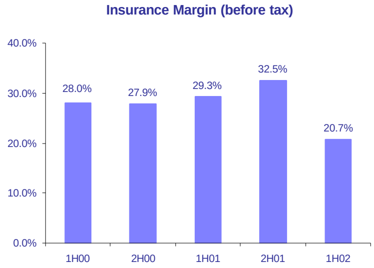
Domestic Long tail Analysis

	Six months ended December 2000	Six months ended June 2001	Six months ended December 2001
	A$M	A$M	A$M
Gross written premium	**337**	**450**	**352**
Net premium revenue	295	323	343
Net claims expense	(254)	(254)	(283)
Underwriting expense	(46)	(36)	(50)
Underwriting profit / (loss)	**(5)**	**33**	**10**
Investment income on technical reserves	91	72	61
Insurance Result	**86**	**105**	**71**
Insurance ratios			
Loss ratio	85.9%	78.6%	82.5%
Expense ratio	15.6%	11.1%	14.6%
Combined ratio	101.5%	89.7%	97.1%
Insurance margin(before tax)	29.3%	32.5%	20.7%









A. MARKET SHARE

COMPULSORY THIRD PARTY

- Market share in NSW for CTP remained quite stable with a slight increase from 39.5% at June 2001 to 39.8% at December 2001.
- CTP policies in force in Queensland have risen but market share remains slightly below 1%. The Group also continues to explore opportunities to use more third party distributors in this market.
- The Group continued to be the sole supplier of CTP in the ACT.
- During the period, the Group continued to act as the sole claims manager for the South Australian government's CTP scheme. The results of this operation are included in the profits from fee based businesses reported with the Corporate segment – see page 30 of this report.

WORKERS' COMPENSATION

- The Group now has significant market shares in workers' compensation in each State and Territory. This national representation was achieved following the portfolio acquisition undertaken in March 2001 when the Group acquired the unearned premium and renewal rights on HIH's Australian workers' compensation business.
- The Group's market shares in the privately underwritten States ('the Risk States') are 27% in Western Australia, 13% Northern Territory, 18% Tasmania and 16% in Australian Capital Territory, making it the largest underwriter in this class.
- The renewal cycle to December 2001 reinforced the positive outlook for the business, with strong performance in retention and premiums.
- The market shares in the government underwritten States ('Non-Risk States') of Victoria, New South Wales and South Australia held market shares at 24%, 13% and 17% respectively, with all providing a positive contribution to the results.

B. OPERATING RESULTS

- GWP has fallen compared to 2H01 due to the assumption of unearned premium on the acquired workers' compensation portfolio in March 2001 and 1 July renewals written before 30 June 2001 on this portfolio, both of which led to higher written premium in 2H01. The element relating to the assumption of $29m unearned premium from HIH will be non-recurring.
- The expense ratio for the six months has increased compared to 2H01 as in both 1H01 and 1H02 there were significant software development costs included in underwriting expenses.

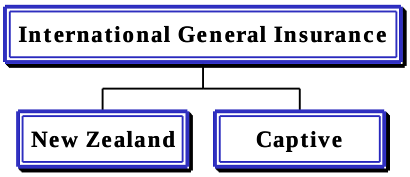
- The long tail results reflect the stability of both the CTP and workers' compensation schemes following amendments to the legislation in New South Wales CTP and Western Australia workers' compensation over two years ago. In recognition of this, the Group has decided to revise its target combined ratio for this business to a range of 105% - 110%.
- The Group has developed a national management structure for the statutory classes, thereby increasing the capabilities and efficiencies of the claims management process. This process will be further enhanced by the migration to a single IT system, for which development work is underway. The implementation of a consistent claims philosophy is starting to generate benefits similar to those generated by the focused finalisation effort successfully applied to CTP in recent years.
- Active cross marketing with the Group's health and commercial insurance businesses is delivering new business growth and new distribution opportunities. New products are also being identified to meet clients needs.
- The interest rates used to discount the outstanding claims reduced between June 2001 and December 2001. The impact of the lower interest rates was to increase the net claims expense by $30m. This increase in reserves increases the loss and combined ratios. However, at the insurance result line, it is largely immunised through a commensurate gain in the Group's fixed interest returns as bond holdings are revalued upwards.
- The acquisition of the Australian workers' compensation portfolio from HIH in March 2001 is on track to be EPS positive within 18 month of purchase, consistent with the commitment made when it was acquired. No claims tails were acquired.
- The net profit from the management of the non-risk portfolios is included in fee based businesses, reported within Corporate – see page 30 of this report. The Group's extensive experience in management of compensation schemes has enabled it to achieve performance bonuses within the fee arrangements for these schemes.

C. INWARDS REINSURANCE RUN-OFF

- The Group announced, in January 2001, that it was ceasing to underwrite inwards reinsurance. As noted in the June 2001 report, most treaties would either expire at the end of 2001 or had been commuted, such that the number of live contracts and in-force premium are now less than 10 and A$10m respectively.
- The portfolio has previously been classified as part of short tail on the basis that the vast bulk of the underlying risk related to property, which is essentially short tail in nature. In view of the run-off position and the expected delays in settling the losses of September 11 throughout the market, the portfolio has now been re-classified as long tail. No adjustments have been made to the prior periods.

- The events of September 11 had a significant impact on the inwards reinsurance portfolio. The Group confirmed expected maximum claims of A$40m, net of reinsurance recoveries, at the AGM in November 2001 and has reserved to this level. There will be no increase in this net position if the losses of September 11 are deemed to be more than one event. Indeed, some reduction would be expected due to the interaction of the terms of the underlying treaties and the Group's reinsurance and retrocession arrangements.
- Aside from the A$40m in net claims booked for September 11, the remainder of the inwards reinsurance portfolio made a small positive contribution to the insurance result and has continued to be reserved at a 95% probability of sufficiency. The ultimate development of the tail of inwards reinsurance will remain uncertain for a number of years given the nature of the business. The Group intends to seek to commute as much of the tail as practicable.

International General Insurance



A. NEW ZEALAND

	Six months ended December 2000[1]	Six months ended June 2001[1]	Six months ended December 2001
	A$M	A$M	A$M
Gross written premium	**-**	**139**	**182**
	-		
Net premium revenue	-	110	161
Net claims expense	-	(72)	(115)
Underwriting expense	-	(45)	(43)
Underwriting profit/ (loss)	**-**	**(7)**	**3**
Investment income on technical reserves	-	1	5
Insurance profit/(loss) before tax		**(6)**	**8**
Insurance ratios			
Loss ratio	-	65.9%	71.4%
Expense ratio	-	40.8%	26.7%
Combined ratio	-	106.7%	98.1%
Insurance margin (before tax)	-	(5.4%)	5.0%

[1]IAG acquired the State Insurance operations on 15 February 2001.

- Overall, the NPAT of the New Zealand operations for the six months is greater than the interest expense on the loan to acquire the business (note, the acquisition was 100% debt funded) and the amortisation of the goodwill. Consequently, the acquisition is already EPS positive – ahead of the eighteen month timeframe committed to at acquisition.
- Despite heavy frost in July and adverse weather conditions in December (reportedly the wettest December on record), the New Zealand operations have posted an underwriting profit of $3m for 1H02.
- As stated in the June 2001 report, the Group expected to stabilise the expense ratio to the midst of the 20-30% range. At the time, the expense ratio was over 40%, including a A$12m provision for restructuring. The restructuring has been implemented and the expense ratio reduced to 26.7%.

- The restructuring undertaken involved the introduction of a national operating model, which increased efficiency by reducing layers of management and centralising processes. Sales outlets were also rationalised. Staff numbers reduced from 1,350 to 1,100. The following changes in physical locations occurred:
  - 32 sales centres were closed (31 remain open);
  - Call centres were rationalised from 5 to 3;
  - Personal lines direct claims were centralised in Christchurch;
  - Underwriting and specialised claims for commercial business and corporate partnerships were centralised in Wellington; and
  - Telesales for the personal lines direct and commercial has been centralised in Auckland.
- The next major phase of development will be to re-engineer business processes supported through the implementation of a new insurance system during calendar 2002.
- Whilst the restructuring was underway, premium volumes continued to grow, especially the Circle business (broker business). Direct and corporate partnership premiums are also higher than the same period last year.

B. CAPTIVE

	Six months ended December 2000	Six months ended June 2001	Six months ended December 2001
	A$M	A$M	A$M
Gross written premium	**-**	**-**	**90**
Net premium revenue	-	-	4
Net claims expense	-	-	(3)
Underwriting expense (net of commission income)	-	-	2
Underwriting profit/ (loss)	**-**	**-**	**3**
Investment income on technical reserves	-	-	0
Insurance profit (before tax)		**-**	**3**

- The sole source of premium income for the captive is IAG general insurance operations. The relevant risks are then reinsured by the captive with third party reinsurers. For statutory reporting purposes, the transactions between the operations and the captive are eliminated but the gross amounts are recorded here so that the contribution can be identified.
- As technical reserves are minimal at this time, investment income on technical reserves was less than $1m.

Discontinued Business – Inwards Reinsurance Run-off

	Six months ended December 2000	Six months ended June 2001	Six months ended December 2001
	A$M	A$M	A$M
Gross written premium	**39**	**49**	-
Net premium revenue	38	21	-
Net claims expense	(59)	(51)	-
Underwriting expense	(18)	(5)	-
Underwriting loss	**(39)**	**(35)**	**-**
Investment income on technical reserves	7	5	-
Insurance loss (before tax)	**(32)**	**(30)**	**-**

- Inwards reinsurance run-off is now included as part of the long tail result for the six months to 31 December 2001.

Retirement Services Analysis

Profit Before Tax	Six months ended December 2000	Six months ended June 2001	Six months ended December 2001
	A$M	A$M	A$M
Building Society	(2)	3	2
ClearView Retirement Solutions	5	14	6
Total	**3**	**17**	**8**

- The result for 1H02 includes the results of NRMA Building Society Limited until its sale, which was completed in early November 2001. The sale was initiated following the Group's announcements in June 2001 that it would be focussing on retirement services and no longer regarded the building society as core to its strategy. The building society was acquired by HSBC Bank Australia Limited for $138.5m, yielding a pre-tax profit over book value of $45m after expenses. This profit has been reported separately in the results as a non-recurring item.

ClearView Retirement Solutions	Six months ended December 2000	Six months ended June 2001	Six months ended December 2001
	A$M	A$M	A$M
Managed investments[1]	2	12	4
Risk products	3	6	8
Investment income	1	4	1
Retirement services development	(1)	(8)	(7)
Net profit before statutory fund and income tax	**5**	**14**	**6**
Funds under management ($m)	1,188	1,282	1,292
Life embedded value ($m)	165	185	195

1. The result is pre- statutory fund tax of $2m for 1H01, ($3m) for 2H01 and $1m for 1H02.

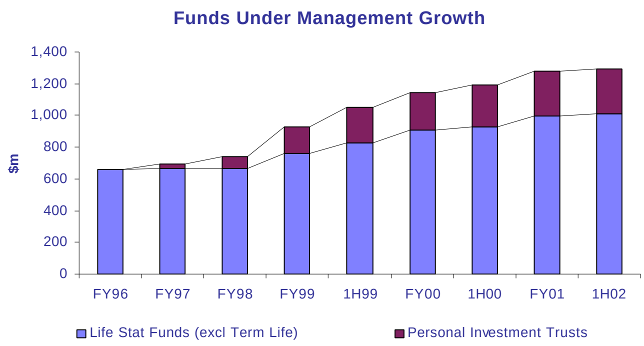
A. STRATEGY UPDATE

- As announced in June 2001, the Group believes that there is a viable market opportunity in the provision of retirement solutions to a relatively under-serviced segment of the market – essentially 'Middle Australia'.
- Most focus over the last six months has been on developing the products, people, processes and systems needed to launch this strategy. The capacity of the Group's financial advisers and call centre systems and skills (sourced both internally and externally) have all been aligned to this strategy. Staff numbers have been reduced by 20. There will be further reductions and a change in the mix of skills as the new strategy is operationalised. All development expenses on the retirement services business has been expensed as incurred.
- In early February 2002, the Group launched a new brand, ClearView Retirement Solutions, as a specialist division of NRMA Financial Management. Marketing will focus on the Group's largest regional customer base, ie New South Wales.

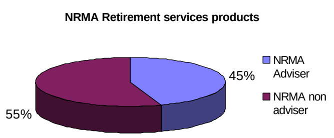
B. OPERATIONAL RESULTS

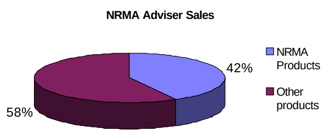
- Managed investments generated a profit of $2m. This reflects expense control and re-direction in view of the move to the more narrowly focused retirement services strategy.
- Risk products continue to generate profits and have retained persistency rates in excess of 90% on premium of $11m for the six months. The profit before income tax for 1H02 was $8m, compared with $3m for the prior comparative period. This solid profitability continues to contribute to the growth in embedded value.
- As part of re-organising the operations for the launch of the new strategy, the financial advisers were relocated within Financial Services from the Group's general distribution function.

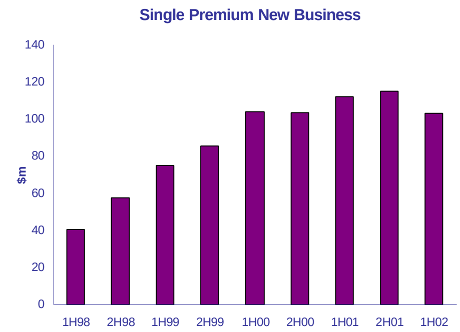
C. FUNDS UNDER MANAGEMENT



- Funds under management (FUM) only grew marginally, due to reduced marketing effort pending the relaunch of the Group's services and the impact of reduced market inflows and investment market returns since the events of September 11. Following the launch of ClearView in February 2002, the Group expects that growth in FUM will begin to pick up again.
- Funds under advice by the Group's financial services business were $1.9bn at December 2001, of which 68% was managed internally.

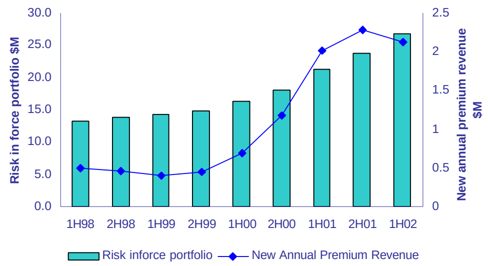






- New single premiums have previously shown a steady growth trend to 2H01. The slight fall in 1H02 reflects the effects of September 11 on market sentiment and hence fund flows.

D. RISK PRODUCTS



- The total in force premium continued to grow. Although there was a slight decline in new business during the six months to 31 December 2001, new business was still ahead of the prior corresponding period.
- The embedded value at 31 December 2001 was $195m, an increase of $10m on the 30 June 2001 value of $185m. Most of the increase in the value has arisen from the risk business, with both new business and in force policies increasing in value.
- The discount rates used in the embedded values are as follows: FY1999: 10%; FY2000: 12%; FY2001: 11.5%; and 1H2002: 11.5%.

Corporate and Investments

CORPORATE

	Six months ended December 2000	Six months ended June 2001	Six months ended December 2001
	A$M	A$M	A$M
Head office	59	62	24
Fee based business profit	(7)	(8)	(17)
Amortisation	9	15	21
Interest	6	9	15
Total corporate expenses	67	78	43

A. CORPORATE EXPENSES

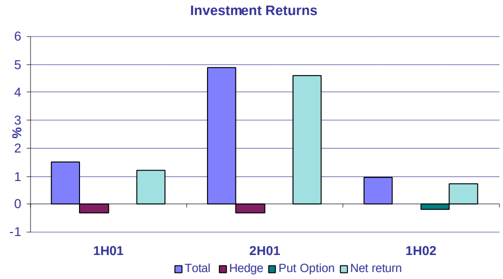
- Total expenses charged to head office have been reduced by 60%, in line with the Group's commitment to halve these expenses during the 2002 financial year. The major factors in achieving this have been:
  - the absorption of eCommerce into the business operating expenses on completion of the initial infrastructure development, which included having all core personal lines products available through the internet; and
  - no significant non-recurring or unexpected expenses as experienced in prior periods within the corporate office area. $22m of such expenses was disclosed for the financial year ended 30 June 2001.
- IAG derives fee-based profits from two categories of operations. The first is claims and portfolio management fees from Australian State governments for the management of CTP and workers' compensation schemes underwritten by the relevant governments. The second fee stream is from providing corporate services – asset management and IT primarily – to third parties.
- The profits from fee based businesses have increased compared to prior periods. The main source of additional profit is the management contracts assumed in March 2001 as part of the Group's workers' compensation portfolio acquisition.
- The amortisation expense for this period includes a full six months charge for goodwill amortisation relating to the New Zealand and workers' compensation acquisitions made early in calendar 2001.
- Interest expense arises mainly from the 100% debt funding of the Group's New Zealand acquisition. Other residual corporate debt was repaid during the period, primarily from the funds generated on the sale of the Building Society.

INVESTMENTS

A. INVESTMENT RETURNS

Investment Returns	Actual return % 1H01 Dec-00	Benchmark % 1H01 Dec-00	Actual return % 2H01 Jun-01	Benchmark % 2H01 Jun-01	Actual return % 1H02 Dec-01	Benchmark % 1H02 Dec-01	Note
Australian Equities	(0.3)	(1.4)	10.8	10.7	(0.9)	(0.3)	a
Fixed Interest	5.5	5.3	2.0	1.6	4.3	4.0	b
International Equities	(4.2)	(3.7)	(1.5)	(2.4)	(5.6)	(7.8)	c
Cash	3.2	3.2	2.8	2.8	2.4	2.4	d
Total	**1.5**	**1.2**	**4.9**	**4.7**	**0.9**	**0.7**	
Currency hedge[1]	(0.3)	-	(0.3)	-	-	-	
Put option[1]	-	-	-	-	(0.2)	-	
Total (incl. derivatives)	**1.2**	**1.2**	**4.6**	**4.7**	**0.7**	**0.7**	

Notes:
a) ***S&P ASX200 Accumulation index***
b) ***Internal benchmark .*** *The portfolio is marked to a benchmark of government securities constructed to reflect the target duration of the portfolio (matching insurance technical reserves).*
c) ***MSCI World index ex Australia (unhedged)***
d) ***UBSW Bank Bill index***
1. *Calculated as a contribution to total return.*



- IAG's Asset Management team again delivered a positive active return in a very difficult market environment. Indeed, the MSCI World Index (in local currency terms) was down 10% for the calendar year and down 7.8% for the six months to 31 December 2001.
- In the very uncertain times immediately after September 11, the Group decided to enter into an equity hedge to put a floor on the value of its equity holdings within the technical reserves in case of further large market falls. Due to the market volatility at the time of the purchase and mark to market adjustments since, this hedge has cost 20 basis points of performance. This is reflected in the return on technical reserves. It expires at the end of the financial year.

- During the last six months the Group has reduced the volatility of earnings on its shareholder funds by reducing the tracking error on the portfolio. This portfolio has delivered substantial out-performance over a number of years but has been quite volatile in individual periods with a tracking error in the 4-6% range. This has now been reduced to operate in a 2-3% range. Implementation steps included reducing a number of significant overweight positions. The costs of implementation are included in the return on shareholders' funds.

Portfolio Return (Pre-tax) and (incl hedge & put option)	1H01	2H01	1H02
Technical reserves	3.6%	3.1%	2.5%
Shareholder funds	(1.9)%	6.5%	(2.2%)

- The returns on both technical reserves and shareholder funds in the period are lower than anticipated, mainly due to investment market performance, but the put option and portfolio re-weighting referred to above have also impacted to some extent.

B. ASSET ALLOCATIONS

Asset Allocation	Technical Reserves 1H01	Shareholder Funds 1H01	Technical Reserves 2H01	Shareholder Funds 2H01	Technical Reserves 1H02	Shareholder Funds 1H02
Australian equity	13.3%	70.8%	14.2%	67.5%	13.7%	70.2%
International equity	6.8%	26.2%	6.7%	24.1%	6.4%	23.0%
Fixed interest	67.7%	1.0%	69.7%	5.7%	69.9%	2.8%
Cash	12.2%	2.0%	9.4%	2.7%	10.0%	4.0%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

- The Group has decided to move to eliminate equities from the investment funds backing technical reserves, having taken into account:
  - the new Australian Prudential Regulation Authority (APRA) requirements, including capital charges on equities and an aversion to overseas investments backing Australian technical reserves; and
  - the concerns some market participants have expressed about the value/volatility trade-off of equities within technical reserves.
- This programme will not be completed for a number of months as the Group will seek to optimise the costs of exit through diversion of new funds flows away from equities and thus minimise divestments other than as desired for stock selection.
- On completion of this programme, the Group expects that the technical reserves will be allocated 95% to fixed interest and 5% to cash.
- There has been no change to the asset allocation for shareholders' funds. Variations are attributable to the asset managers having ranges around benchmark allocation.

C. INVESTMENT ASSETS UNDER MANAGEMENT

	As at December 2000	As at June 2001	As at December 2001
	$bn	$bn	$bn
Technical reserves	3.6	3.7	3.8
Financial Services	1.2	1.1	1.1
Outside equity interest - Unitholders funds	0.5	0.7	0.6
Other - including shareholder funds	4.0	3.1	2.5
Total investments - on balance sheet	**9.3**	**8.6**	**8.0**
NRMA Personal Investment Trusts	0.3	0.3	0.3
External wholesale mandates	1.6	1.0	1.5
Total assets under management	**11.2**	**9.9**	**9.8**

- The growth in external wholesale mandates is largely attributable to the additional funds now managed on behalf of the government underwritten workers' compensation schemes.

Balance Sheet

	December 2000	June 2001	December 2001
	$bn	$bn	$bn
Investments	9.3	8.7	8.0
Other assets	2.8	3.2	2.1
Intangibles	0.4	0.7	0.6
Total assets	**12.5**	**12.6**	**10.7**
Claims outstanding and unearned premium	4.6	5.0	5.3
Borrowings and other liabilities	4.3	4.2	2.0
Total liabilities	**8.9**	**9.2**	**7.3**
Net assets	**3.6**	**3.4**	**3.4**
Equity attributable to shareholders	2.9	2.5	2.6
Outside equity interest	0.7	0.9	0.8
Total equity	**3.6**	**3.4**	**3.4**

- Approximately $1bn of the reduction in 'Other assets' and 'Borrowings and other liabilities' occurred on the sale of the NRMA Building Society Limited.

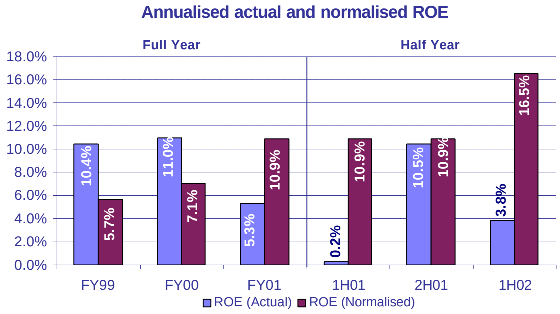
A. DIVIDEND

Period	Dividend per share	Franking
Interim – FY 2002	4.5 cents	100%
Final – FY 2001	6.0 cents	100%
Interim – FY 2001	4.0 cents	100%

- The company aims to pay a growing dividend. Its policy is to pay between 40% and 70% of earnings each year, with earnings for this purpose normalised for investment volatility by substituting the actual returns with the Group's view of long term rates of return.
- Since listing, the rates of return used by the Group to normalise earnings were 8.0% and 11.5% for technical reserves and shareholders' funds, respectively. The Group has now decided that, in view of recent market performance and expectations for the future, these rates should both be reduced by 1.5% each to 6.5% and 10.0%, respectively. The adjustments for technical reserves also factors in the effect of removing equities from technical reserves.
- On this revised basis, the normalised earnings for the six months are $210m and interim dividend represents 30% of the normalised earnings.

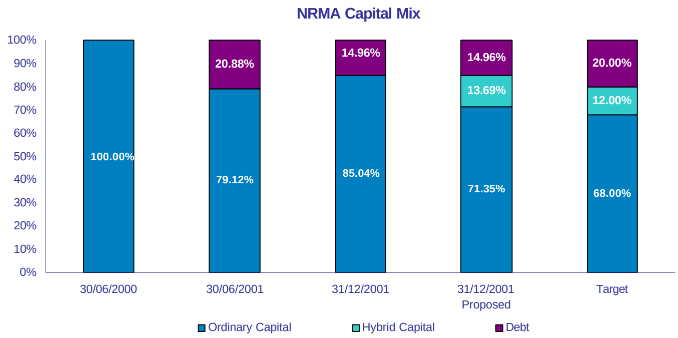
B. RETURN ON EQUITY

- The Group's reported ROE (annualised) for the period is 3.8%, compared with 0.2% for the prior corresponding period. The improvement in ROE is mainly attributable to the improved underwriting performance, although this has been masked to some extent by lower investment market returns.
- Normalising the ROE on the same basis as dividends, ie. using returns of 6.5% for technical reserves and 10.0% for shareholders funds (8.0% and 11.5%, respectively, in prior periods), the underlying improvement can be more clearly seen.



C. CAPITAL

- The Group target capital mix is unchanged. This mix, set out below, is designed to balance generating competitive returns and the Group's desire to maintain very strong credit/insurer financial strength ratings.



Equity capital = Equity attributable to shareholders- outside equity interests - intangibles

- Now that the Group has been listed for more than a year and the relevant elements of the Australian Prudential Regulation Authority ('APRA') requirements have been finalised, the Group is now able to proceed with further capital management initiatives. In this regard, the Group has now announced that it is investigating opportunities to improve its mix of capital funding by raising approximately $300m of hybrid capital and using the funds raised to undertake a buy-back of ordinary shares.
- It is intended that any issue of hybrid equity would qualify as Tier One capital for APRA requirements and would probably be in the form of reset preference shares.
- The effect of the two actions would be to move closer to the Group's target capital mix and reduce the Group's weighted average cost of capital, without reducing Tier One capital.
- If proceeding, details of the hybrid capital issue and buy-back will be announced when finalised. Subject to market conditions and regulatory approvals, the Group would expect to complete these actions by 30 June 2002. A disclosure document, if required, for the offer of hybrid securities will be made available if the hybrid securities are offered. Any investor wanting to acquire those securities will need to complete the application form that will be in, or will accompany, the disclosure document.

D. IMPLICATIONS OF APRA REQUIREMENTS

- The Group has assessed the implications of the new APRA requirements on the assumption that the draft regulations proceed through legislative approval without significant adjustment. It has also been assumed that APRA will not be in a position to approve any internal capital models within sufficient time for the Group to be assured that any issues with the formula basis can be addressed through the use of an internal model approved by APRA and Treasury.
- The Group currently has five general insurance licences from APRA. Applying the requirements to the Group in its current form – in terms of both the existence of a number of controlled entities and the arrangements between them – would result in a very large increase in regulatory capital as significant amounts would be of duplicated. Work is underway to make the necessary changes to the Group's operations to minimise unnecessary regulatory capital requirements.
- On completion of the restructuring required to optimise under APRA's requirements, the Group intends to target 1.5–1.6 as its appropriate multiple of MCR (minimum capital requirement).
- Applying the new APRA minimum capital requirements to the Group, even without the re-organisation being undertaken, the Group's capital is in excess of the regulatory MCR at 31 December 2001.

E. SENSITIVITY ANALYSIS

- The following table indicates how the market value of the Group's equity portfolio and fixed interest portfolio would be affected by the specified change in assumptions:

	Change in assumptions	Prospectus 30 June 2000 A$m	31 December 2001 A$m
Equity portfolio market values	+1%	29	31
Interest rates	-1% or 100 basis points	70	75

- This table indicates the effect of a 1% change in key elements of the insurance operations, on the Group's profit before tax. The sensitivities provided as at 31 December, 2001 are for a full year based on doubling the 1H02 scale of operations

Assumptions	Change in assumptions	Prospectus 30 June 2000 A$M	31 December, 2001 A$M
Loss ratio – short tail	-1%	20	21
Loss ratio – long tail	-1%	6	7
Underwriting expenses	-1%	5	6
Outstanding claims	-1% change in net discount rate	(68)	(71)

- Over the next six months, as the Group implements its decision to eliminate equities from technical reserves, the sensitivity to change in value of equities will reduce with a consequent increase in the sensitivity to change in the interest rates. If this change in asset allocation had been in place as at 31 December 2001, the sensitivities to a 1% movement in equity market values and interest rates would have been $24m and $82m, respectively.
- The interest rate sensitivities are based on assuming a 1% change across the yield curve.

APPENDICES

Appendix A - Key ASX Releases

21 February 2002	**IAG confirms it has no financial reinsurance**
8 February 2002	**IAG Executive Team Changes** *Insurance Australia Group Limited (IAG) Chief Executive Officer, Michael Hawker, announced two external appointments to his executive team and an interim executive structure.*
15 January 2002	**NRMA Insurance Group Limited listed company renamed Insurance Australia Group Limited** *NRMA Insurance Group Limited, the ultimate holding company for NRMA Insurance, SGIO, SGIC and State Insurance, was renamed Insurance Australia Group Limited (IAG). The change relates only to the name of the publicly listed company and will not affect the retail brands or the way customers interact with the Group or their policies.*
21 December 2001	**NRMA Recovers $90-$120m for Reinsurance Contract** *NRMA Insurance Group Limited ("the Group") announced it would bring between $90 to 120 million (pre-tax) in reinsurance recoveries to account at the end of the month. Due to the continued strength of the Group's overall underwriting performance, it expects to generate the recoveries from its whole of account aggregate stop loss contract.*
2 November 2001	**NRMA Insurance Group Limited Annual General Meeting** *The requisite majority of shareholders voted to change the holding company's name to Insurance Australia Group Limited (IAG) to better reflect both the Group's diversity and its aspirations.*
28 September 2001	**NRMA Insurance Group Limited agrees to sell building society to HSBC for $138m**
14 September 2001	**High Court refuses NRMA Insurance Special Leave** *High Court refuses NRMA Insurance Limited special leave to appeal against the decision of the NSW Court of Appeal regarding the 1994 demutulisation proposal.*
12 September 2001	**NRMA Insurance Group Limited outlines exposure on US attack**
7 September 2001	**NIGL CEO Appointed** *NRMA Insurance Group announced the appointment of new CEO, Mr Michael Hawker to take effect in December 2001.*
31 August 2001	**NIGL announces FY01 results**

16 August 2001	**NRMA Insurance Group establishes medium term note programme for New Zealand** *NRMA Insurance Group confirmed it had established a NZ$300 million Medium Term Note (MTN) programme. The issuer under the MTN programme is NRMA (NZ) Holdings Limited, the New Zealand ultimate holding company of State Insurance Limited.*
2 August 2001	**NRMA Insurance Group announces James Strong as Chairman**
13 July 2001	**NRMA Insurance Group establishes short term note programme in New Zealand** *NRMA Insurance Group announced it had established a NZ$300 million short-term note programme. The Issuer under the MTN programme is NRMA (NZ) Holdings Limited, the New Zealand ultimate holding company of State Insurance Limited.*
5 July 2001	**NRMA Insurance Group announces James Strong to join board as Chairman elect**