IAG increases Malaysian general insurance interest

Insurance Australia Group Limited (IAG) today announced it is increasing its interest in the general insurance business of AmAssurance, its joint venture in Malaysia, from 30% to 49%, and at the same time exiting the life insurance part of the business. This is in line with IAG’s strategy to pursue opportunities that strengthen its position in select Asian general insurance markets.

The Malaysian restructure is being effected through the following steps:

- Splitting the existing AmAssurance composite insurance joint venture, in which IAG has a 30% interest, into general insurance and life insurance components;
- IAG selling its 30% interest in the life insurance business; and
- IAG increasing its interest in the general insurance business to 49%, the maximum allowable under Malaysia’s current foreign investment rules. This business will be renamed AmG Insurance (AmG) and will retain the right to use the AmAssurance brand.

IAG CEO Asia, Mr Justin Breheny, said: “Since acquiring our initial 30% holding in the Malaysian joint venture in 2006, we have worked closely with our joint venture partner, AmBank Group, to add value through the transfer of our specialist insurance skills, and we are pleased with the performance of the business.

“During the 2008 financial year, the joint venture’s general insurance gross written premium increased by 15% in local currency terms, and we anticipate continued growth in excess of 10% for the next few years.

“Following the increase in our equity participation, we look forward to continuing to work with our joint venture partner to grow the business and strengthen its underwriting performance. We’ll do this through further penetration of the joint venture’s distribution network and diversification of its product portfolio.”

Regulatory approvals have been received for the restructure, with completion anticipated in December 2008. The restructure will result in a net profit after tax of approximately A$35 million being recognised on the sale of the 30% interest in the life insurance business. Following revised local regulatory requirements, IAG’s overall investment in Malaysia will increase by around A$20 million.

Separately, as announced at IAG’s recent Annual General Meeting, AmG has signed a memorandum of understanding (MoU) to acquire the general insurance business of Malaysian Assurance Alliance Bhd (MAA), in a move which would make AmG a top three general insurer in Malaysia by GWP. AmG will also acquire a strategic 4.9% interest in MAA’s takaful (Islamic insurance) business, MAA Takaful Bhd. The MoU is subject to the execution of definitive agreements, and regulatory and other approvals. This transaction is expected to be completed in 2009, at which time further details will be provided.

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About Insurance Australia Group
Insurance Australia Group Limited (IAG) is a general insurance group with operations in Australia, New Zealand, the United Kingdom and Asia. Its current businesses underwrite around $7.5 billion of premium per annum. It employs around 15,000 people. 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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