

2011 INVESTOR BRIEFING

14 June 2011

ABN 60 090 739 923



4

AUSTRALIA INTERMEDIATED (CGU)

Accelerating growth in home markets

PETER HARMER
CHIEF EXECUTIVE OFFICER

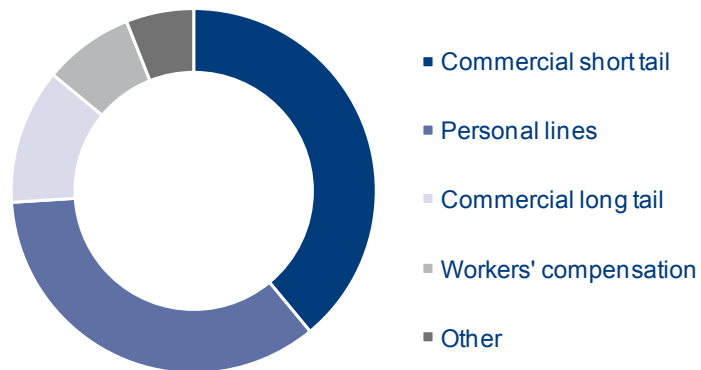
BUSINESS OVERVIEW

DIVERSE PORTFOLIO MIX

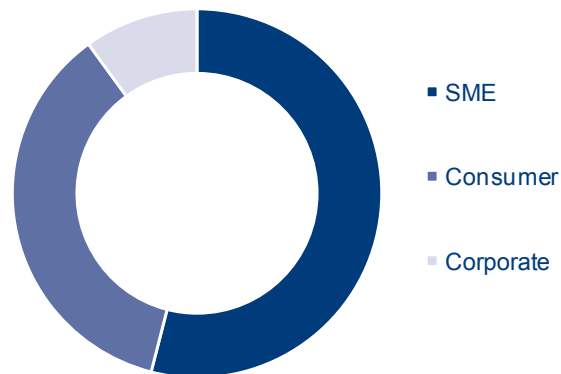


- Large SME portfolio
- Australia's largest regional and rural insurer
- Growing capability in the corporate market
- Major provider of workers' compensation services

PRODUCTS



CUSTOMER SEGMENTS



BUSINESS OVERVIEW

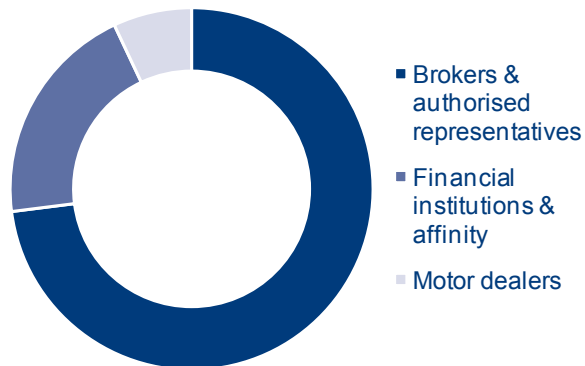
DIVERSE DISTRIBUTION FOOTPRINT



~8% of total Australian general insurance market

~14% of Australian intermediated general insurance market

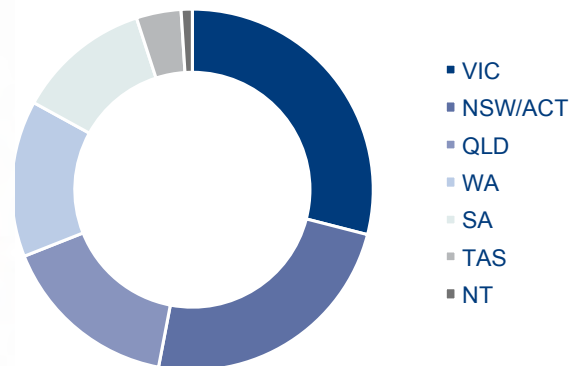
DISTRIBUTION CHANNELS



BRANCH NETWORK



GEOGRAPHIC SPLIT



CURRENT MARKET ENVIRONMENT

PRICING REMAINS PATCHY



	Personal lines	SME	Corporate	Workers' Compensation*
Rate movements	↑	→	↕	↑
Key drivers	Catastrophe costs Claims inflation	Solid capacity Increasing competition	Recent catastrophe events	Increasing claim numbers Average claim costs growing faster than wages

* Risk states only

CURRENT MARKET ENVIRONMENT

A CHANGING LANDSCAPE



Natural perils	<ul style="list-style-type: none">• Frequency and scale of events has increased• Increasing claim costs
Reinsurance costs	<ul style="list-style-type: none">• Reinsurance costs expected to rise• Rate increases necessary
Regulation & legislation	<ul style="list-style-type: none">• Higher level of public and political scrutiny• Review and Inquiry following the floods• Commitment to launch a flood product
Electronic platforms	<ul style="list-style-type: none">• Brokers investing in technology to drive efficiencies

DISTRIBUTION

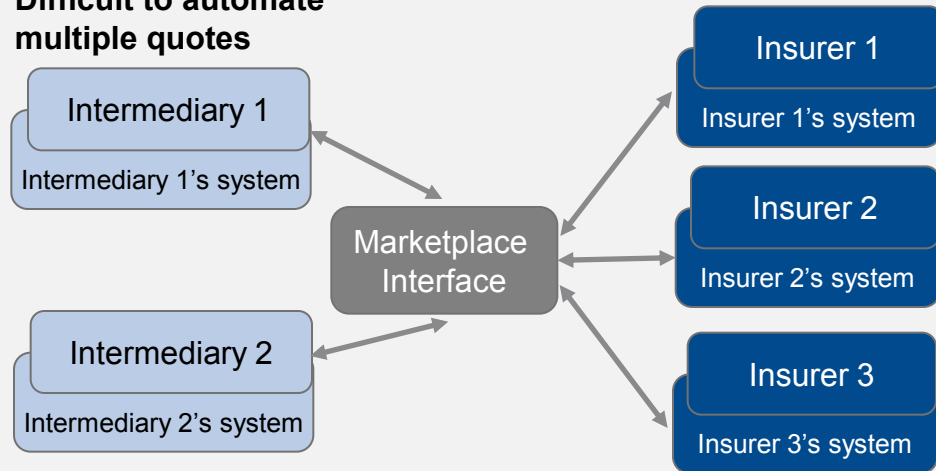
TECHNOLOGY EVOLVING TO DRIVE EFFICIENCIES



- Marketplace hubs – lack of automated contestable quoting has led to limited efficiency benefits
- Major brokers now developing their own contestable quoting platforms to drive internal efficiencies
- Underlying sales process has not changed
- CGU selectively participating where differentiated offering can be achieved

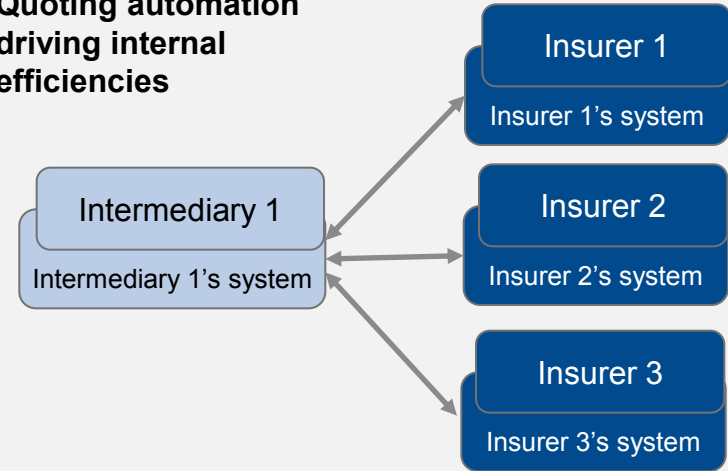
Traditional landscape

Difficult to automate multiple quotes



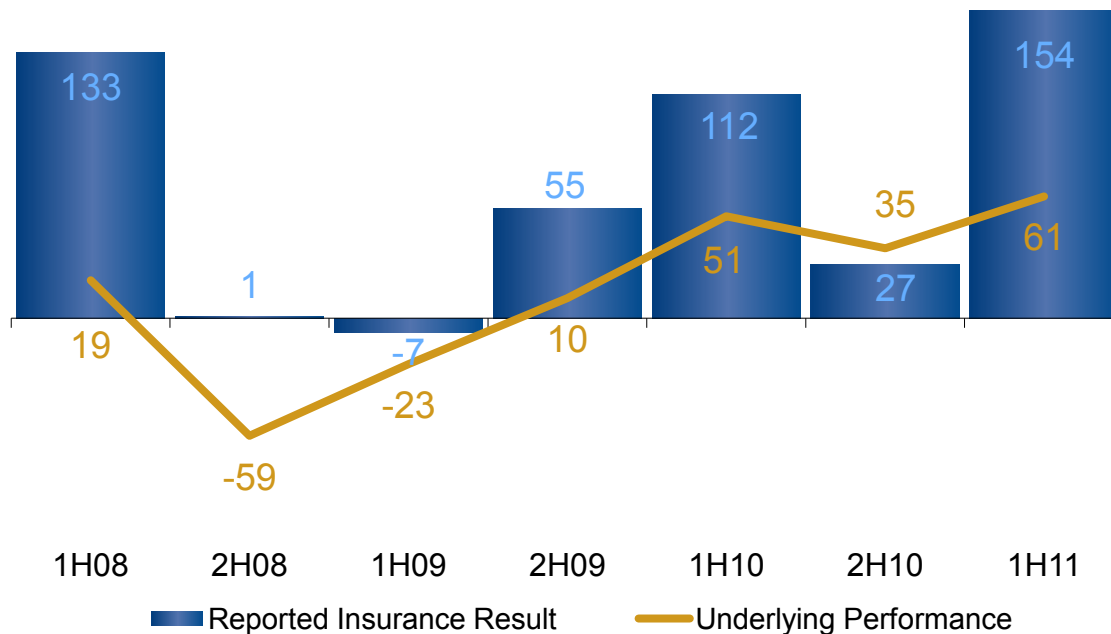
Evolving landscape

Quoting automation driving internal efficiencies



OUR ACHIEVEMENTS

IMPROVED PERFORMANCE DEMONSTRATES UNDERLYING TURNAROUND



Underlying Performance: excludes reserve releases, actual natural peril costs and credit spreads, but includes budgeted natural peril costs



OUR ACHIEVEMENTS

STRATEGIC DRIVERS BEHIND THE TURNAROUND



Underwriting management

- Pricing discipline and risk selection

Claims management

- Reducing indemnity and claims handling costs

Customer & brand

- Focused customer value propositions and building brand awareness

Business efficiency

- Transformation of business processes and supporting technology

People strategy

- Developing capability and driving results

FOCUS FOR THE FUTURE

LEADER IN INTERMEDIATED INSURANCE



OUR GOAL

To become the leader in the intermediated general insurance sector, sustainably outperforming our competitors

OUR OBJECTIVES

Financial

Profit growth
Outperforming our competitors through the insurance cycle, and meeting our required return on risk based capital

Process

Business efficiency
Our systems and processes help drive a competitive expense base

Customer

Customer
CGU is the insurer of choice for both intermediaries and customers

People

Employer of choice
The best people in the insurance industry work for us

OUR STRATEGY

Differentiating ourselves by being Ready & Responsive to our intermediaries and customers' needs within the context of our channel management framework

Strategic themes

Enabling themes

Channel Management	Customer & market insights	Underwriting expertise	Technology and systems program	People Strategy	Efficiency & Effectiveness
Sales-led, relationship based account management approach	Compelling customer propositions driven by market insights and segmentation	Underwriting rigour and discipline, underpinned by CGU-wide underwriting guidelines	Enhancing CGU's core systems and processes to be on par with the market	An achievement culture, which attracts, retains and rewards high performance and builds capability	Being 'Fit to Fight' through expense efficiency, productivity and process improvement

INSURANCE AUSTRALIA GROUP



STRATEGIC THEMES

CHANNEL MANAGEMENT



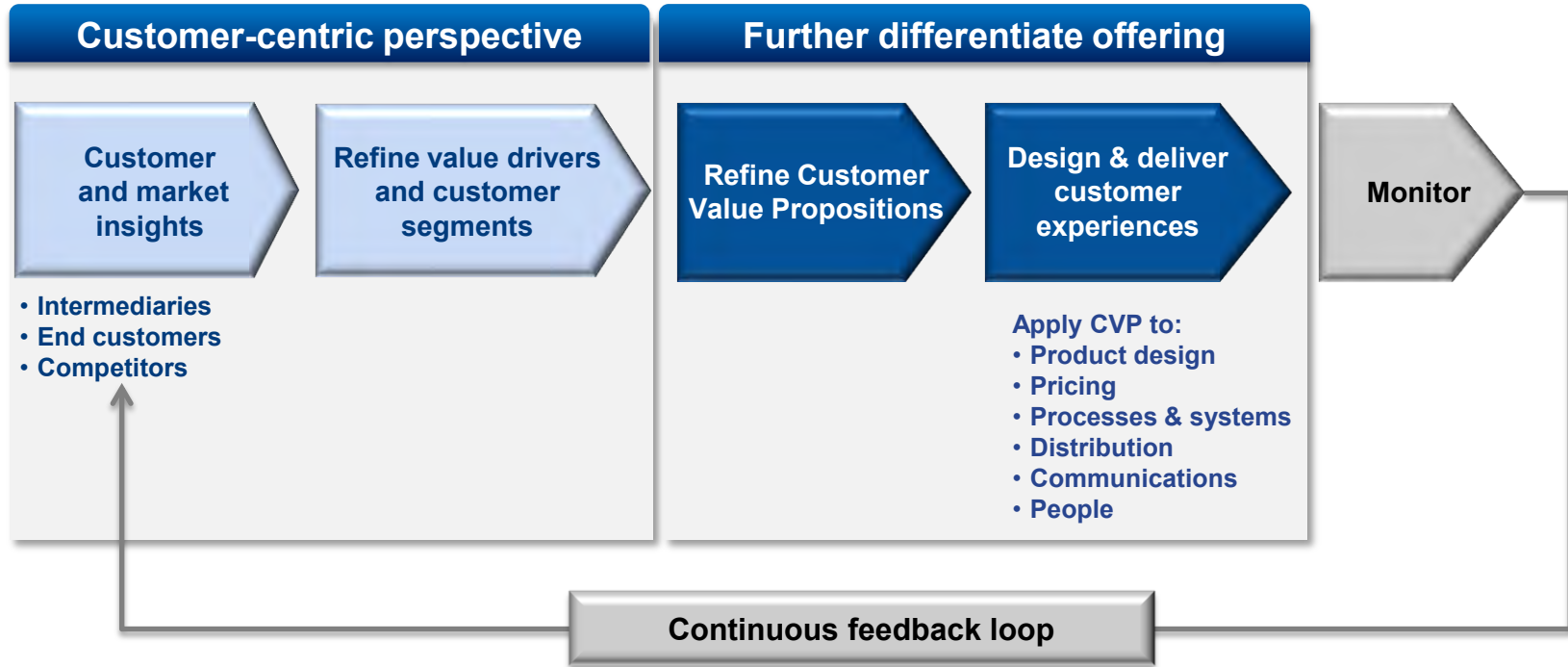
GROWTH

CLIENT-CENTRIC CULTURE



STRATEGIC THEMES

CUSTOMER AND MARKET INSIGHTS



STRATEGIC THEMES

UNDERWRITING EXPERTISE



FOCUS FOR THE FUTURE

CLEAR PRIORITIES



Double digit insurance margin

Commitment to core strategy	Focus on profitable growth	Expense base management
<p>Three years into five-year strategy</p> <p>Solid platform to build on</p> <p>Greater clarity around future areas of focus and required execution</p>	<p>Sales led relationship-based account management</p> <p>Customer and market insights</p> <p>Active portfolio management</p> <p>Continue to monitor the pipeline of opportunities</p>	<p>Profitability supported by expense base reductions:</p> <ul style="list-style-type: none">• Administration expenses• Claims handling expenses• Indemnity costs

OUTLOOK

FURTHER IMPROVEMENT EXPECTED



Short term

- Impacted by significant catastrophe costs
- Clarity still emerging around impact of catastrophe environment on premium trends
- Further progress in underlying performance

Long term

- Continued execution of core strategy to drive improved underlying performance
- Focus on profitable growth