

Shareholder Centre

Current ASX Releases

AGM 2002 Media Release

13 November 2002

Manager

Company Announcements Office

Australian Stock Exchange Limited

Level 4, Exchange Centre

20 Bridge Street

SYDNEY NSW 2000

Fax: 1300 300 021

FOR IMMEDIATE RELEASE TO THE MARKET

Insurance Australia exceeds operating targets in first quarter but is impacted by falling equity markets

Insurance Australia Group Limited Chairman, Mr James Strong told shareholders at the Company's annual general meeting today the Group had exceeded operating targets for the first three months of the year, but bottom-line earnings continued to be affected by falling equity markets.

"Overall, our general insurance businesses in both Australia and New Zealand have delivered a strong result in the first quarter, exceeding all key targets," Mr Strong said.

"As to the current financial year, we are confident we can continue to deliver a solid underlying operating performance and, barring catastrophes, should achieve our operating targets for the insurance business."

Insurance Australia Group Chief Executive Officer, Mr Michael Hawker said strong renewals and new business volumes had delivered growth in gross written premium slightly higher than the 5%-9% target range for the first quarter.

"Our combined ratio remains below 100%. Both our short and long tail businesses are performing ahead of their target operating ratios, being 96%-98% for short tail and 105%-110% for long tail," Mr Hawker said.

"This reflects the steps we have taken to better manage our claims costs as well as favourable weather conditions.

"Our insurance margin continues to improve and was above 10% for the first quarter due to the solid performance of the underlying business and initiatives introduced to remove equity exposure from our insurance result.

"However, our bottom-line result continues to be impacted by negative returns from equity markets, with the ASX 200 falling more than six percent in the first quarter."

Mr Strong told shareholders the planned acquisition of CGU and NZI, announced on 18 October 2002, positioned the Group well for the medium to longer term.

"We anticipated there would be an initial adverse effect on our share price following the share placement to fund the transaction," Mr Strong said.

"However, there is a growing understanding of the advantages the acquisition of CGU and NZI creates for Insurance Australia Group both now and into the future.

"It brings growth in the right market segments and greater diversity in our business mix and geographic spread in line with our five year strategic plan."

At the meeting Mr Strong reminded shareholders that Insurance Australia Group's Share Purchase Plan is due to close on Thursday 21 November.

The Share Purchase Plan enables eligible ordinary shareholders, who were registered on 24 October 2002, to purchase up to A\$5,000 of Insurance Australia Group ordinary shares without paying brokerage fees or transaction costs. The price at which the ordinary shares will be issued will be the lower of:

- A\$2.55 - the price paid by institutional investors in the recent Institutional Placements; or
- a discount of 5% to an average market price calculated over a 10 trading day period after the close of the offer.

The funds raised through the Share Purchase Plan will be directed towards the funding package for the CGU and NZI acquisition.

Despite a record performance from the Company's underlying business, Insurance Australia Group recorded a net loss of \$25 million after tax business for the full year ended 30 June 2002 following the equity market's worst performance in 14 years.

The pre-tax return from investments was a loss of \$98 million compared to a profit last year of \$358 million.

Insurance Australia Group's net earned premium increased by 15% to \$3,195 million (2001: \$2,775 million) for the full year ended 30 June 2002. The insurance profit increased by 32% to \$278 million (2001: \$210 million) and the underwriting profit improved from a loss of \$22 million to a profit of \$142 million.

Insurance Australia Group owns some of Australia and New Zealand's leading brands - NRMA Insurance (New South Wales, Australian Capital Territory and Queensland), SGIO (Western Australia), SGIC (South Australia), and State Insurance and Circle (New Zealand). The Group also provides a range of financial products and services focused on retirement solutions under the ClearView Retirement Solutions brand.

Media Relations

Name Carolyn McCann
Telephone (02) 9292 9557
Mobile 0411 014 126

Investor Relations

Name Anne O'Driscoll
Telephone (02) 9292 3169
Mobile 0411 012 675