

FACT SHEET



Record performance from underlying business Summary information

Results for the year ended 30 June 2002 compared with the previous corresponding period*:

- Net profit after tax attributable to shareholders decreased from a profit of \$142 million to a loss of \$25 million due to the poor performance of equity markets
- If the rate of return on investments had been the same as last year, net profit after tax for shareholders would have been around \$290 million
- Technical reserves (the pool out of which claims are paid) produced an investment return of 3.5%, and shareholders' funds of \$2.5 billion lost 8.2% due to the 23.5% fall in international equities (MSCI World Index ex-Australia) and a 4.7% fall in local markets (S&P/ASX 200)
- Gross written premium (GWP) increased 11% from \$3.2 billion to \$3.6 billion
- Underwriting result increased from a loss of \$22 million to a profit of \$142 million
- Insurance result increased 32% from \$210 million to \$278 million
- IAG's combined ratio improved from 100.8% to 95.6%
- Fee based businesses generated an increase of \$17 million to \$32 million in profit
- The Group expense ratio improved from 20.3% to 19.7%
- Normalised** return on equity of 18.1% compared with 10.9% last year
- Fully franked final dividend of 6 cents per share, taking the total dividend to 10.5 cents for the year, a 5% increase on the previous year.

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Operational Highlights

- Continued to grow market share in our home, health and SME commercial businesses.
- Commercial business GWP in Australia increased 41% compared to the previous corresponding period. Commercial business from the Group (including New Zealand) contributed 9.1% to GWP, up from 5.6% last year.
- GWP for health increased 13%.
- In February 2002, we launched ClearView Retirement Solutions, a specialist division of NRMA Financial Management. ClearView has been very well received by customers.
- Successfully bought back \$300 million of ordinary shares and issued \$350 million in reset preference shares moving to a capital mix of 15% debt, 16% hybrid equity and 69% ordinary capital.

The result included a series of significant items:

Item	Pre-tax impact	Post-tax impact
Net claims from December bushfires, large storms and the World Trade Center	(\$100 million)	(\$70 million)
Reinsurance recoveries (valuation of whole of account stop loss contract)	\$185 million	\$129.5 million
	\$85 million	\$59.5 million
Profit from the sale of the NRMA Building Society	\$45 million	\$38 million
Costs associated with the Share the Future court case	(\$12 million)	(\$12 million)
NSW Insurance Protection Tax	(\$20 million)	(\$14 million)
Net effect on profit	\$98 million	\$71.5 million

Insurance Australia Group Limited (Consol.)	12 months ended 30 June* 2001 \$M	12 months ended 30 June 2002 \$M
Net premium revenue	2,775	3,195
Net claims expense	(2,233)	(2,425)
Underwriting expenses	(564)	(628)
Underwriting profit/(loss)	(22)	142
Insurance profit	210	278
Profit / (loss) before income tax, interest and amortisation attributable to shareholders	209	18
Net profit / (loss) attributable to shareholders	143	(25)***

Insurance Australia Group Limited (Consol.)	12 months ended 30 June* 2001	12 months ended 30 June 2002
Dividend per share, fully franked	10 cents	10.5 cents
Loss ratio	80.5%	75.9%
Expense ratio – Domestic	19.5%	18.9%
Expense ratio – Group	20.3%	19.7%
Combined ratio	100.8%	95.6%

* IAG (formerly NRMA Insurance Group Limited) commenced operations on 22 July 2000 when it acquired NRMA Insurance Limited and its controlled entities upon its demutualisation. The figures used above for comparative purposes represent a full 12 months of operation, including the three weeks prior to acquisition of NRMA Insurance Limited by IAG.

** Normalised is based on a return of 8% on technical reserves and 11.5% on shareholder funds.

*** Net profit/(loss) was negatively affected by poor equity market performance.