

24 August 2007

Manager, Company Announcements Office
ASX Limited
Level 4, Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

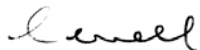
Dear Sir/Madam

INSURANCE AUSTRALIA GROUP LIMITED ('IAG')
REVISED INVESTOR PRESENTATION

Please find attached a revised Investor Presentation pack which includes new slides at pages 26 and 32 for the pack that was lodged this morning.

The corrections relate to the pie graphs shown on these pages.

Yours sincerely



Glenn Revell
Group Company Secretary

Financial results

Year ended 30 June 2007

Michael Hawker, Chief Executive Officer
George Venardos, Chief Financial Officer

24 August 2007

Agenda

- **Results summary**
- **Shareholder returns**
- **Segment results**

Michael Hawker

- **Expenses**
- **Capital**
- **Reserving**

George Venardos

- **Outlook**

Michael Hawker

All currency denominated in A\$ unless otherwise stated

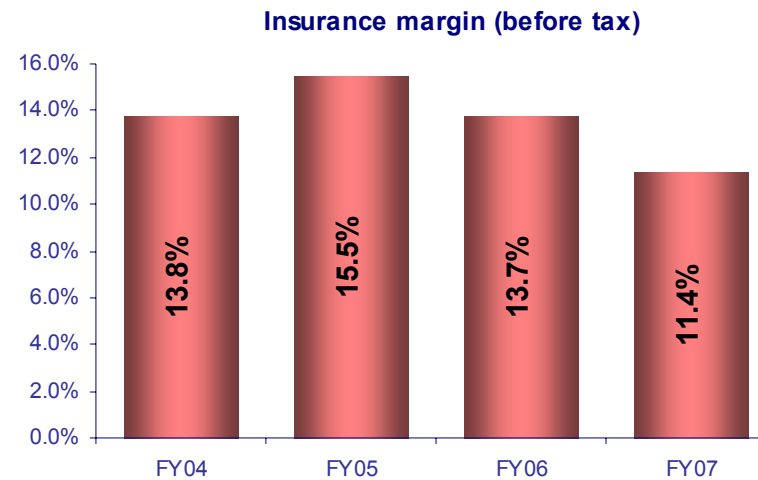
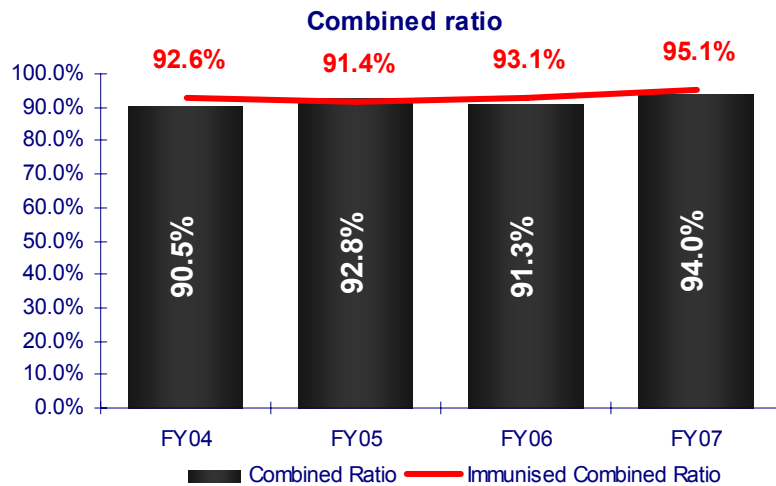
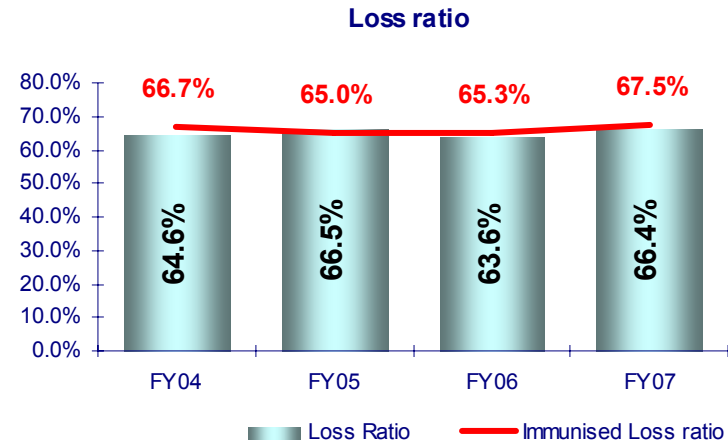
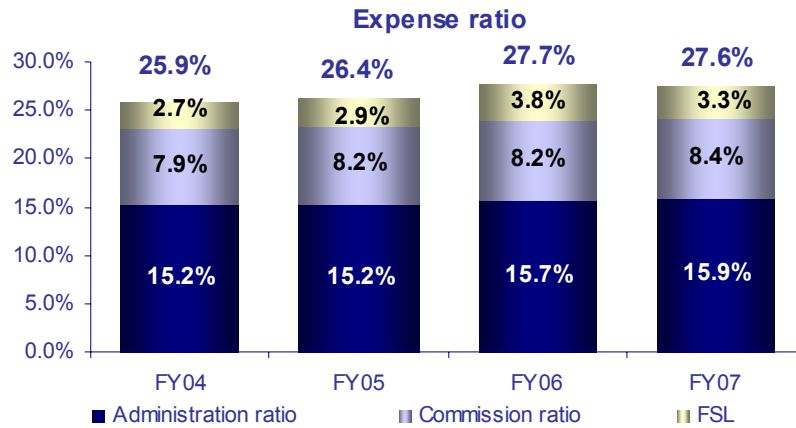
Highlights

- ✓ **Overall growth in GWP +14.7% to \$7,381m from \$6,435m**
 - Growth of 2.9% organically and 11.8% from acquisitions
- ✓ **Momentum regained in Australian Personal Lines**
 - GWP +1.3% (+2.6% adjusted for LTCS)
- ✓ **Progress in NZ and Asia**
- ✓ **Executed acquisitions in UK (16% of 2H07 Group GWP)**
- ✓ **Net assets up 31.6%**
- ✓ **Fee based income up from \$1m to \$78m**
- ✓ **Net operating cashflow +4% to \$401m**
- ✓ **MCR multiple of 1.67x, POA at 90% and capital strength remains strong**
- ✗ **Insurance profit down 9%**
 - June storms cost \$200m
 - Adverse claims development in UK private motor
- ✗ **NPAT reduced by 27% to \$552m**
 - Insurance profit reduced by \$53m
 - Additional amortisation \$47m
 - Reduction in investment income on shareholders' funds \$167m
- ✓ **Dividend per share maintained**

Financial summary

Group	2H06	2H07	Δ	FY06	FY07	Δ
	A\$m	A\$m	%	A\$m	A\$m	%
GWP	3,229	4,057	25.6%	6,435	7,381	14.7%
Underwriting result	259	163	(37.1%)	533	407	(23.6%)
Insurance profit	374	347	(7.2%)	843	767	(9.0%)
Fee based	2	52	-	1	78	-
Share of profit from associates	2	2	-	2	5	-
Contribution from businesses	378	401	6.1%	846	850	0.5%
Investment income - SHF	194	135	(30.4%)	539	301	(44.2%)
NPAT	298	207	(30.5%)	759	552	(27.3%)
Insurance margin	12.4%	9.7%	(2.7%)	13.7%	11.4%	(2.3%)
Expense ratio	28.0%	27.4%	0.6%	27.7%	27.6%	0.1%

Insurance ratios



Shareholder returns

- **Reported ROE of 13.5% compared to FY06 22.1%**
 - Normalised cash ROE of 12.9% versus 16.0% in FY06
- **Earnings per share of 32.8cps compared to FY06 47.7cps**
 - Cash earnings per share of 36.1cps versus 48.1cps in FY06
- **Net cash flow from operations of \$401m compared to FY06 \$387m**
- **Final dividend maintained at 16.0 cps, fully franked**
 - FY07 dividend of 29.5cps in line with FY06 and guidance

Australian General Insurance

Australian General Insurance	2H06	2H07	Δ	FY06	FY07	Δ
	A\$m	A\$m	%	A\$m	A\$m	%
GWP	2,703	2,800	3.6%	5,400	5,489	1.6%
Underwriting result	230	149	(35.2%)	434	375	(13.6%)
Insurance profit	330	286	(13.3%)	714	671	(6.0%)
Fee based	7	38	-	8	65	-
Share of profit from associates	-	-	-	-	-	-
Contribution from businesses	337	324	(3.9%)	722	736	1.9%
Insurance margin	12.9%	11.3%	(1.6%)	13.7%	13.1%	(0.6%)
Expense ratio	28.1%	27.4%	0.7%	27.7%	27.1%	0.6%

Australian General Insurance

- ✓ **Improved market share to 20.4% from 19.7%**
 - Latest APRA statistics for March 2007 versus December 2006
- ✓ **GWP increased to \$5,489m (74% of Group GWP)**
 - +1.6% year on year
 - +3.6% half on half
- ✓ **Expense ratio improved 0.6% year on year to 27.1%**
- ✗ **Loss ratio increased 1.6% year on year**
 - Storms and reduced underlying margins
- ✗ **Insurance margin reduced by 0.6% to 13.1%**

Australian Personal Lines

Australian Personal Lines	2H06	2H07	Δ	FY06	FY07	Δ
	A\$m	A\$m	%	A\$m	A\$m	%
GWP	1,924	1,986	3.2%	3,860	3,909	1.3%
Underwriting result	141	107	(24.1%)	266	203	(23.7%)
Insurance profit	218	213	(2.3%)	464	416	(10.3%)
Fee based	-	-	-	-	-	-
Share of profit from associates	-	-	-	-	-	-
Contribution from businesses	218	213	(2.3%)	464	416	(10.3%)
Insurance margin	11.8%	11.6%	(0.2%)	12.4%	11.2%	(1.2%)
Expense ratio	26.1%	24.8%	1.3%	25.4%	24.8%	0.6%

Australian Personal Lines – Direct

Direct channel (39% of Group GWP)

✓ GWP of \$2,889m

- Total +1.2% half on half
- Short-tail +4.7% half on half

✓ Growth in each State (half on half)

- | | |
|----------------|-------------------|
| – NSW/ACT +4% | – Queensland +13% |
| – Victoria +3% | – West. Aust +11% |

✓ Improved expense ratio – reduced 0.6% year on year

✗ Insurance profit of direct business down 6.6% to \$452m

- +15.5% if storm costs constant at FY06 level

✗ Insurance margin of direct business down 0.8% to 16.2%

- +20.0% if storm costs constant at FY06 level

✓ Better customer service and lower complaints

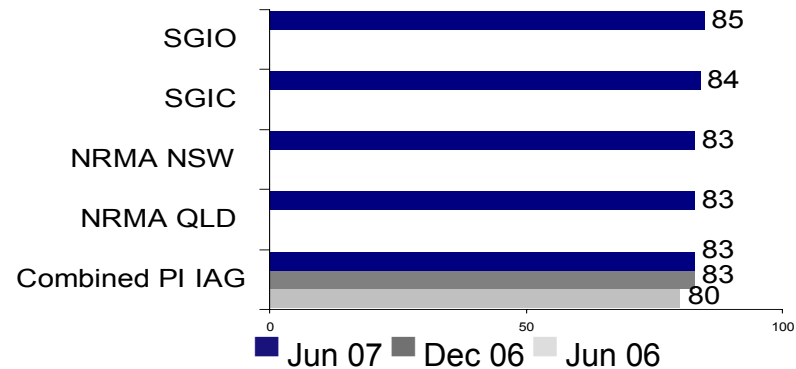
✓ Higher employee engagement

Australian Personal Lines – Direct

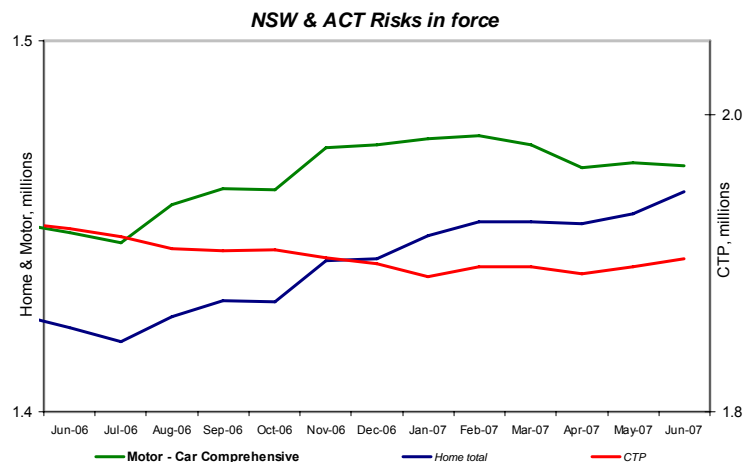
Brand health

- Brand health finished FY07 with improvements in each state in the most recent quarter
- Predisposition to buy from NRMA/SGIC/SGIO increased in all states reaching record levels in NSW, SE Qld and WA

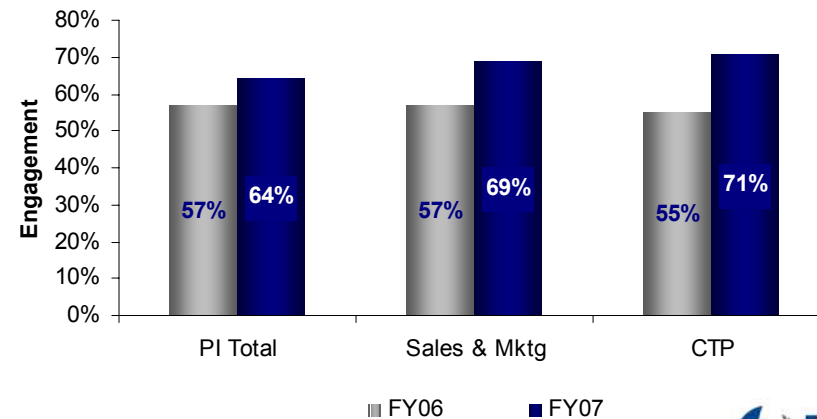
Customer Satisfaction Index



NSW & ACT car, home & CTP RIF



Engagement



Australian Personal Lines – Affinity

Affinity channel (9.4% of Group GWP)

- ✓ **GWP +4.7% year on year to \$694m and +8.7% half on half**
- ✓ **NEP +2.3% year on year**
- ✓ **Insurance profit up 62.5%**
- ✓ **Margin up 0.8% to 2.1% (needs to improve further)**
- ✓ **Customer service improving**
- ✓ **New accounts won in financial institutions channel**

Australian Personal Lines – Broker / Agent

Broker / Agent channel (4.4% of Group GWP)

- ✓ **GWP +10.9% year on year to \$326m and +11.3% half on half**
 - Generally sold as accommodation line in commercial packages
- ✓ **NEP +4.8% year on year**
- ✗ **Insurance loss increased 74% to \$47m**
- ✗ **Insurance margin now negative 15.4% (negative 9.2% in FY06)**
 - Profitability unsustainable – rate rises coming

Australian Commercial Lines

Australian Commercial Lines	2H06	2H07	Δ	FY06	FY07	Δ
	A\$m	A\$m	%	A\$m	A\$m	%
GWP	778	814	4.6%	1,539	1,580	2.7%
Underwriting result	87	42	(51.7%)	164	172	4.9%
Insurance profit	110	73	(33.6%)	247	255	3.2%
Fee based	7	38	-	8	65	-
Share of profit from associates	-	-	-	-	-	-
Contribution from businesses	117	111	(5.1%)	255	320	25.5%
Insurance margin	15.5%	10.6%	(4.9%)	17.0%	18.1%	1.1%
Expense ratio	33.2%	34.4%	(1.2%)	33.8%	33.2%	0.6%

Australian Commercial Lines

- ✓ **GWP of \$1,580m (21.4% of Group GWP)**
 - +2.7% year on year
 - +4.7% half on half
- ✗ **NEP of \$1,407m**
 - (3.2)% year on year and (3.7)% half on half
- ✓ **Expense ratio improved 0.6% to 33.2%**
- ✓ **Insurance profit +25.4% to \$320m**
 - Supported by prior period reserve releases from long-tail
- ✓ **Insurance margin +1.1% to 18.1%**
- ✓ **Fee income +712% to \$65m**
- ✓ **Improved retention**
- ✗ **Falling premium rates**
- ✓ **Costs managed closely, managing down expenses**
- ✓ **Increase in electronic trading +6.3%**
- ✓ **Sale of premium funding business in FY08**

New Zealand

New Zealand	2H06	2H07	Δ	FY06	FY07	Δ
	A\$m	A\$m	%	A\$m	A\$m	%
GWP	477	508	6.5%	971	968	(0.3%)
Underwriting result	28	37	32.1%	99	64	(35.4%)
Insurance profit	42	47	11.9%	129	86	(33.3%)
Fee based	-	-	-	-	-	-
Share of profit from associates	-	-	-	-	-	-
Contribution from businesses	42	47	11.9%	129	86	(33.3%)
Insurance margin	9.9%	10.9%	1.0%	14.5%	10.0%	(4.5%)
Expense ratio	27.3%	28.5%	(1.2%)	27.0%	30.9%	(3.9%)

New Zealand

✓ **GWP of \$968m (13% of Group GWP)**

- (0.3)% to \$968m year on year (+2.1% in NZ\$)
- +6.5% to \$508m half on half

✓ **NEP**

- (3.1)% to \$860m year on year
- +1.6% to \$432m half on half

✗ **Expense ratio**

- (3.9)% to 30.9% year on year
- (1.2)% to 28.5% half on half

✓ **Insurance profit**

- (33.3)% to \$86m year on year
- +11.9% to \$47 half on half

✓ **Implemented new personal lines system**

✓ **Regionalised call centres**

✓ **Easybiz launch and Marine and Liability roll-out**

Asia

Asia	2H06	2H07	Δ	FY06	FY07	Δ
	A\$m	A\$m	%	A\$m	A\$m	%
GWP	49	89	81.6%	65	168	158.5%
Underwriting result	1	(1)	-	2	1	-
Insurance profit	2	4	-	3	9	-
Fee based	(4)	(3)	-	(7)	(5)	-
Share of profit from associates	2	4	-	2	7	-
Contribution from businesses	-	5	-	-	11	-
Insurance margin	5.1%	6.0%	0.9%	8.1%	6.9%	(1.2%)
Expense ratio	35.4%	35.8%	(0.4%)	37.8%	33.8%	4.0%

Asia

✓ GWP of \$168m (2.3% of Group GWP)

- +158% year on year
- +82% half on half

✓ Insurance profit

- +200% year on year to \$9m
- +100% half on half to \$4m

✗ Insurance margin

- (1.2%) to 6.9% year on year
- +0.9% to 6% half on half

✓ Substantial improvement in expense management with administration ratio down to 15.4% from 24.3% year on year

✓ Share of associates profit +250% to \$7m year on year

- Plans underway to move to 49% of AmAssurance in FY08

✓ Transferred product to both Thailand and Malaysia

✓ Talks continue in India, China and Thailand

Offshore reinsurance

Insurance result (Loss of \$29m)

- June storms in UK
- Carrying start-up costs of \$14m in administration expenses

GWP growth of 38% in 2H07 versus 1H07

- Includes business ceded from UK operations

Disciplined underwriting in soft market

UK

Europe	2H06	2H07	Δ	FY06	FY07	Δ
	A\$m	A\$m	%	A\$m	A\$m	%
GWP	-	642	-	-	725	-
Underwriting result	-	(1)	-	-	(3)	-
Insurance profit	-	29	-	-	30	-
Fee based	-	17	-	-	18	-
Share of profit from associates	-	(2)	-	-	(2)	-
Contribution from businesses	-	44		-	46	
Insurance margin	-	5.5%	-	-	5.1%	-
Expense ratio	-	25.5%	-	-	24.3%	-

✓ Completed acquisitions

- Equity Insurance Group cash earnings per share accretive
- EBITDA contribution for CY07 from Equity Insurance Group is still expected to be £69m

✓ \$725m in new GWP

- Underlying year on year growth of +8.7%

✗ Insurance profit of \$30m was below expectations

- Private motor underperformance
- June storms and floods
- Actions taken on rates and expenses

✓ Fee based income of \$18m

✓ Branches up 11.5% to 77

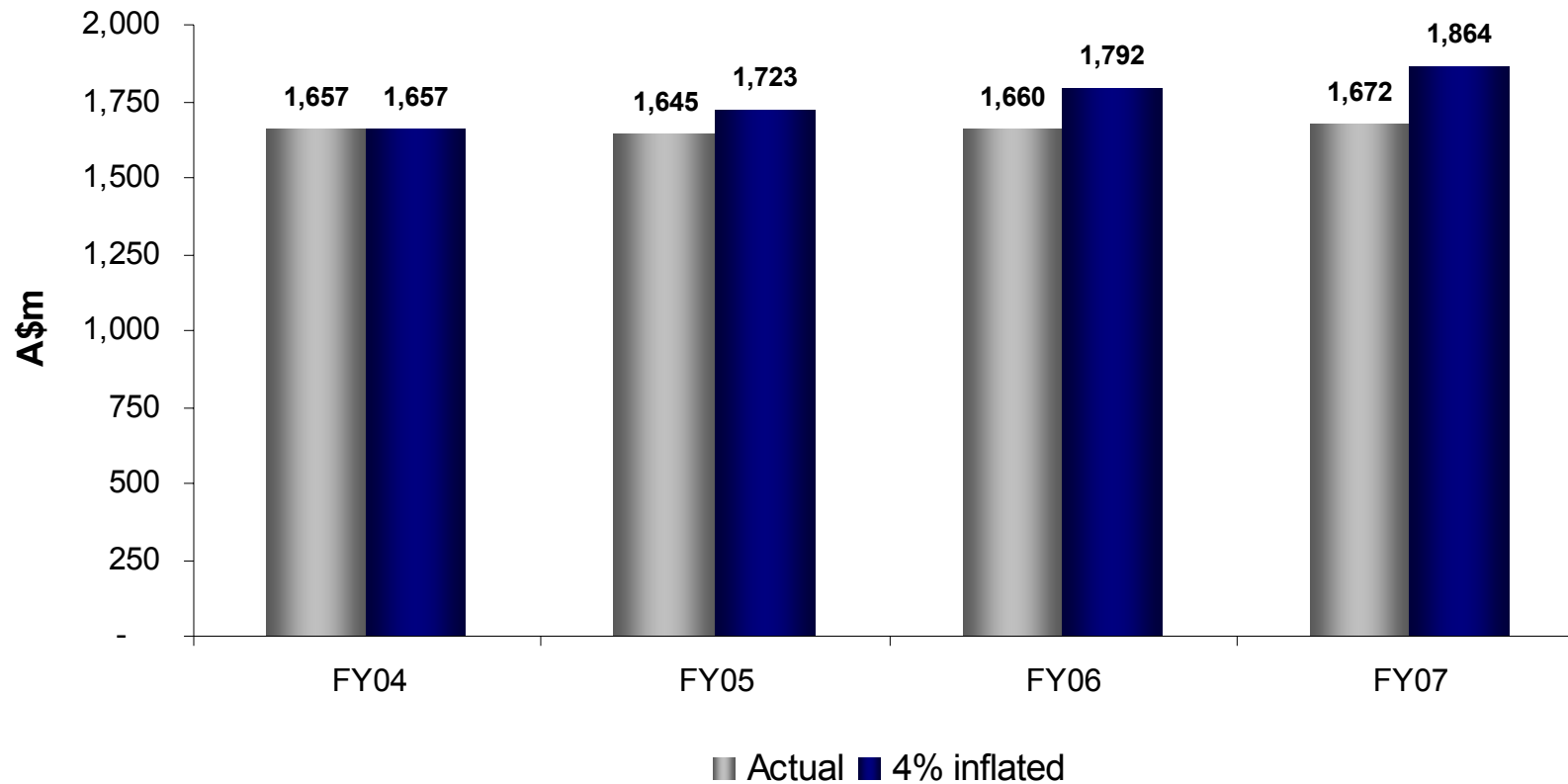
✓ Expected synergy benefits increased 13.6% to £25m

✓ Generated diversification benefits for Group of \$86m

Expenses, capital and reserving

Cost discipline maintained

Australia & New Zealand direct operating expenses



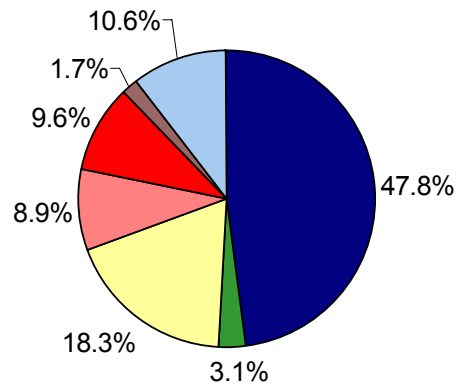
Expected synergies on the UK acquisitions upgraded to £25m

SYNERGY BENEFITS -	Target pa run-rate by Jun-08 IAG GAAP
	£m
<i>Underwriting</i>	17
<i>Broking</i>	8
Pre-tax operational benefits	25
Tax at 30%	(8)
After tax benefits	17
Other underwriting synergies (Gibraltar)	1
Corporate structuring benefits	7
Total after tax	25
Original acquisition target	22

Investment performance – De-risked portfolio

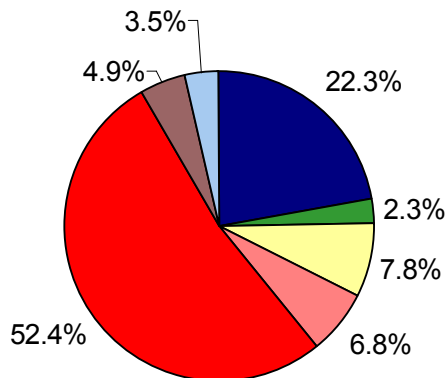
Asset allocation

SHF
2006



■ Aust equities ■ LPTs ■ Int'l equities ■ Hedge funds
 ■ Fixed Int ■ Cash ■ Surplus capital

SHF
2007



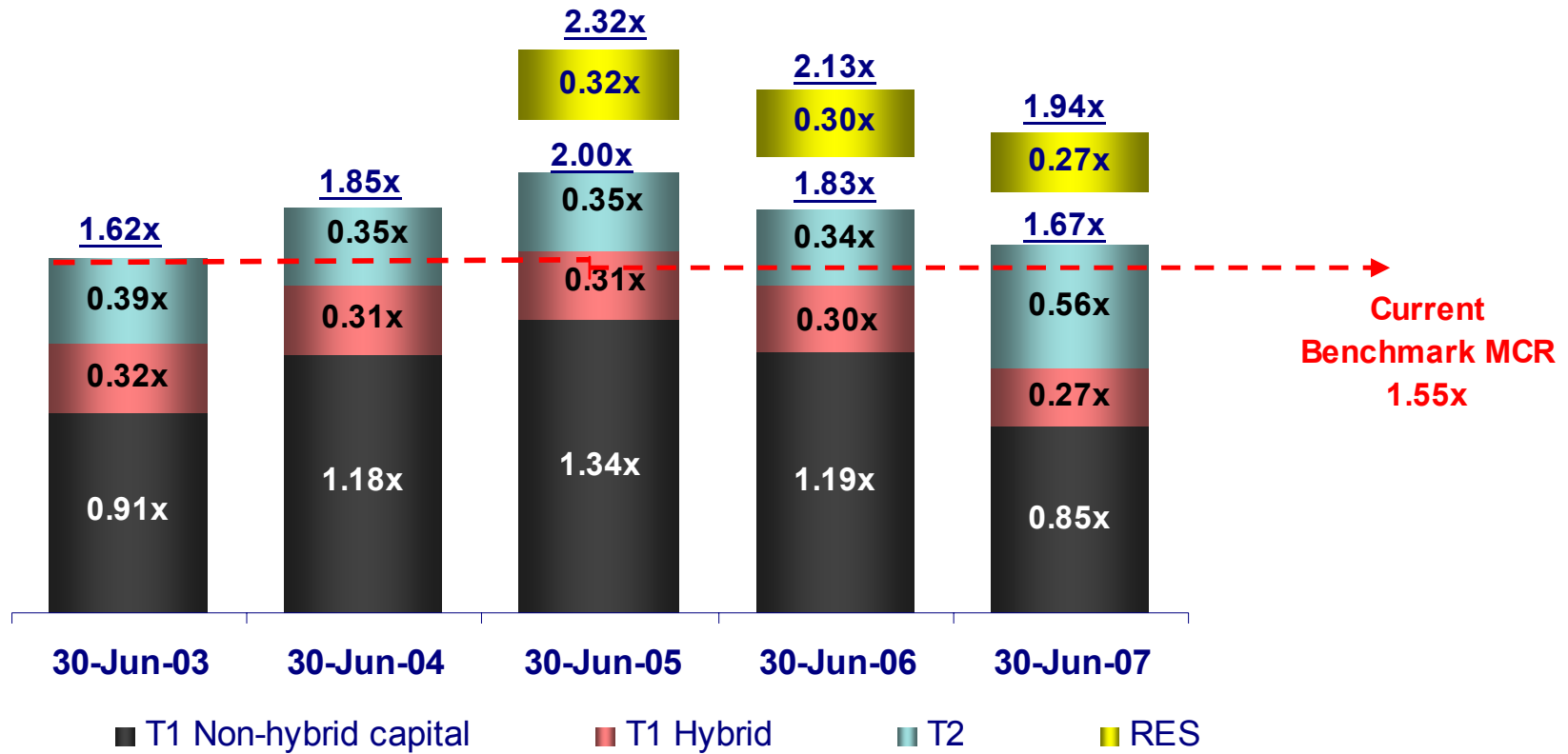
Actual return

Portfolio income (pre-tax) and incl. Derivatives	Full-year ended Jun 06		Full-year ended Jun 07	
	A\$m	Return* (%)	A\$m	Return* (%)
Technical reserves	310	3.7%	360	4.4%
Shareholders' funds	539	20.0%	301	13.1%
Total investment income	849	8.3%	661	6.4%

Overview

- Adopted more conservative asset allocation during acquisition and integration capital strain
- Now implementing a revised global Strategic Asset Allocation (SAA) to reflect more diverse portfolio
- No direct exposure to sub-prime issues – any indirect exposure is minimal

MCR capital mix remains above internal benchmark of 1.55 times



Benefits of diversification being realised, improving our competitive position

- **Group central estimate increased by \$1,043m but only needed to increase Group risk margins \$26m to retain 90% PoA**
- **Risk margins now 18.6% (of NCE), compared to 22.2% at June 2006**
- **Reflects:**
 - \$86m diversification benefit from UK acquisitions
 - Adjustment in CTP risk margins
- **Combined with our customer focus and associated renewal rates, this strengthens our competitive position:**
 - Policies more profitable for same \$ premium; or
 - Can price more competitively for same profit per policy

Prudent reserving – Consistently favourable development of central estimates

Net central estimate basis	Accident year					
	2002	2003	2004	2005	2006	2007
	\$m	\$m	\$m	\$m	\$m	\$m
Development						
At end of accident year	2,171	3,401	3,546	3,661	4,057	5,264
One year later	2,130	3,224	3,383	3,607	3,975	
Two years later	2,071	3,149	3,407	3,586		
Three years later	2,045	3,115	3,393			
Four years later	2,039	3,063				
Five years later	2,018					
Cumulative development	(153)	(338)	(153)	(75)	(82)	n/a
Cumulative development as a percentage of original reserves	(7.0%)	(9.9%)	(4.3%)	(2.0%)	(2.0%)	n/a
Current Estimate (undiscounted)	2,018	3,063	3,393	3,586	3,975	5,264
Net discounted outstanding claims Liability for the six most recent accident years	118	238	398	591	791	2,451

Outlook

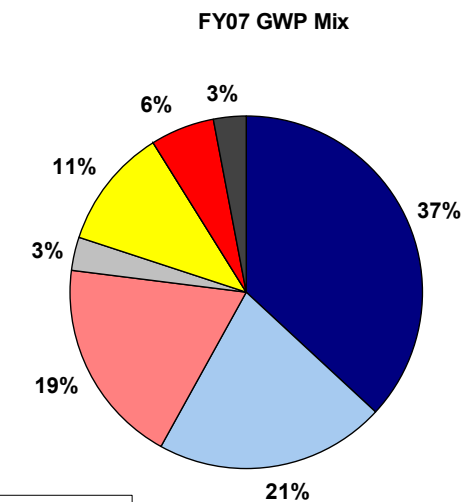
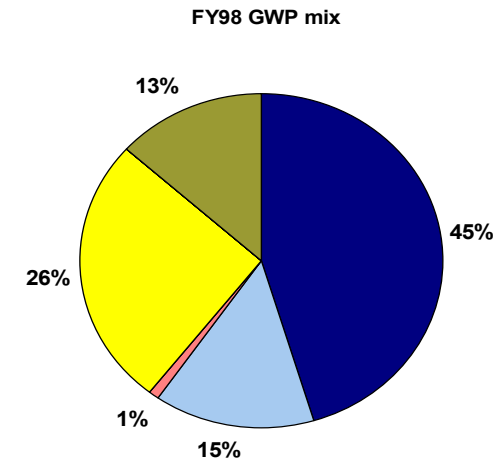
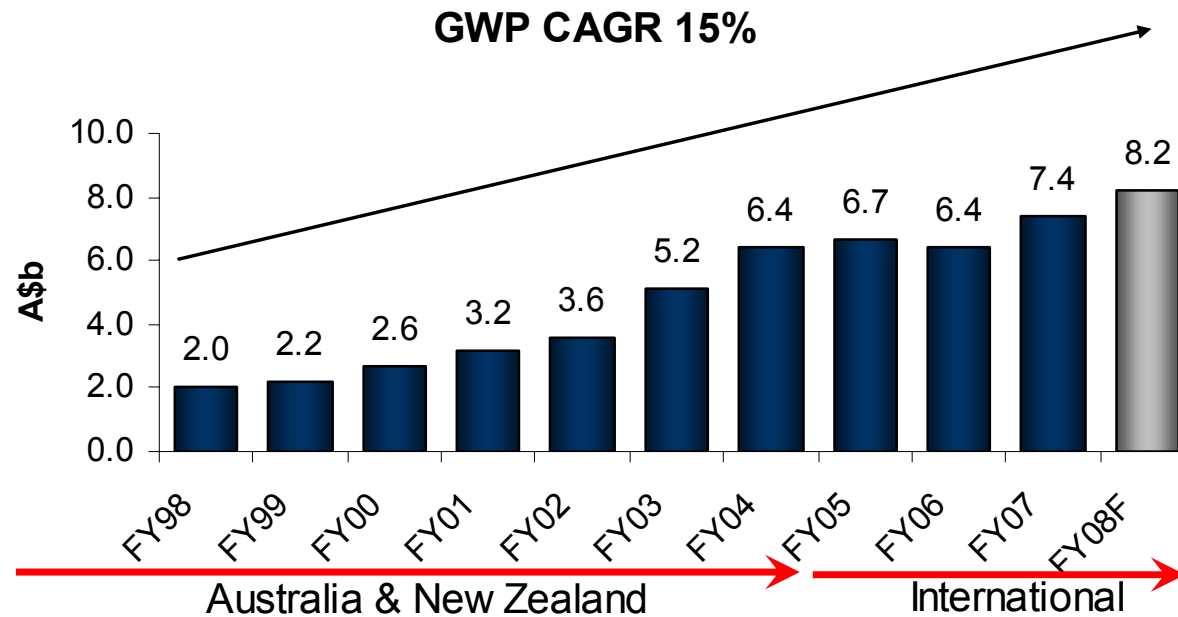
Outlook – FY08

- **GWP growth of 10 – 12%**
- **Normalised cash ROE in line with strategic target of at least 1.5x WACC**
- **Maintain cost discipline and enhance productivity to drive increased profitability and thus sustain our competitive leadership position in core markets**
- **Continue to investigate potential bolt-on acquisition opportunities, both in Australia and internationally, to progress strategy in a shareholder accretive manner**
- **Maintain conservative risk management approach**
 - Prudent reserves
 - Low risk investment portfolio
 - High quality reinsurance coverage
- **FY08 dividend likely to be unchanged from FY07 dividend in the context of the Group's growth aspirations and its current dividend yield**

Subject to no material movement in foreign exchange rates and no catastrophes or large losses beyond our allowances

On track to double GWP again by FY12

- Growing at 11% (mid-point of guidance range) in FY08 would deliver 15% CAGR in GWP from FY98 with a much more diversified portfolio



■ Motor
 ■ Home
 ■ Short-tail Commercial
 ■ Workers' Comp.
 ■ CTP (Motor Liability)
 ■ Liability
 ■ Other Short-tail
 ■ Reinsurance

Questions