

IAG on track to deliver full year guidance

Insurance Australia Group Limited (IAG) Managing Director and CEO, Mr Michael Wilkins, said if the operating conditions experienced in the first quarter continue, IAG would expect to deliver an insurance margin towards the upper end of its 9–11% guidance for the 2010 financial year¹.

Speaking at a market strategy briefing today, Mr Wilkins said he was pleased with the Group's progress to date, which has seen continued operational and financial improvement since the end of FY09.

"In the first quarter, we've seen the underlying performance of the business continue to improve and we've had the added benefit of narrowing credit spreads. If the operating conditions experienced to date continue for the remainder of the year we will be on track to report a full year insurance margin approaching the upper end of our 9–11% guidance. This remains subject to our normal caveats around natural perils and investment markets," Mr Wilkins said.

"We also expect to achieve our previous guidance of underlying GWP growth in the range of 3–5%. However, reported GWP is likely to be affected by the strength of the Australian dollar."

Mr Wilkins said a number of factors were underpinning the Group's improved underlying performance, including:

- Higher premiums, including the earned effect of rate rises implemented in FY09;
- The full benefit of operating efficiencies in Australia and ongoing cost control across the Group;
- Improved performance from CGU and New Zealand; and
- Reduced exposure to the underperforming UK private motor market.

Performance in the opening months of the year has also been assisted by a further narrowing in credit spreads since 30 June 2009.

IAG will be holding its Annual General Meeting in Sydney on Tuesday, 10 November 2009.

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About Insurance Australia Group Limited

Insurance Australia Group Limited (IAG) is an international general insurance group, with operations in Australia, New Zealand, the United Kingdom and Asia. Its current businesses underwrite approximately \$7.8 billion of premium per annum. It sells insurance under many leading brands including NRMA Insurance, CGU, SGIO, SGIC, Swann and The Buzz (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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¹ This guidance is subject to losses from natural perils being within the budgeted allowance of \$350m and no material movement in foreign exchange rates or investment markets.