

INVESTOR BRIEFING: PROGRESSING TO PLAN

30 OCTOBER 2009

Insurance Australia Group Limited ABN 60 090 739 923



1

GROUP STRATEGY AND PRIORITIES

MIKE WILKINS

MANAGING DIRECTOR &
CHIEF EXECUTIVE OFFICER

GROUP STRATEGY AND PRIORITIES

A CLEAR DIRECTION

OUR STRATEGY

Deliver superior performance by actively managing our portfolio and driving operational performance and execution

OUR PRIORITIES

- Improve our performance in Australia and New Zealand
- Pursue selective general insurance growth opportunities
- Drive operational performance and accountability

OUR TARGETS

- Over the cycle:
- Top quartile TSR
 - ROE > 1.5x WACC

EXECUTING THE STRATEGY

AGENDA

08:30-08:45

Welcome and Group Strategy

Mike Wilkins

Improving our performance in Australia and New Zealand

08:45-09:15

Australia Direct

Andy Cornish

09:15-09:45

Australia Intermediated (CGU)

Duncan West

09:45-10:15

New Zealand

Ian Foy

Pursuing selective general insurance growth options

10:30-11:00

United Kingdom

Neil Utley

11:00-11:30

Asia

Justin Breheny

11.30-11.50

The Buzz

Jacki Johnson

Driving performance and accountability

11:50-12:10

Strategic and Cultural Alignment

Leona Murphy

12:10-12:30

Capital, Reinsurance and Investments

Nick Hawkins

12.30-13.00

Outlook and Questions

Mike Wilkins

PROGRESSING TO PLAN

FY09: A YEAR OF REBUILDING

PRIORITY	STATUS
Move to a simpler operating model	✓
Deliver \$130m in annualised pre-tax cost savings	✓
Strengthened Executive team	✓
Pursue select growth opportunities in Asia	✓
Scale back operations in the UK	✓
Focus on driving performance and optimising returns in our home territories of Australia and New Zealand	✓

300 basis point improvement in operational performance

PROGRESSING TO PLAN

BUT MORE TO DO

Improving our performance in Australia and New Zealand

AUSTRALIA DIRECT

- Building on a strong base

CGU

- Focusing on the fundamentals

NEW ZEALAND

- Improving our performance

Pursuing selective general insurance growth options

UNITED KINGDOM

- Strengthening our specialist underwriter

ASIA

- Pursuing growth opportunities for the future

THE BUZZ

- Building our online business

EXECUTIVE TEAM

THE RIGHT TEAM TO DRIVE PERFORMANCE





AUSTRALIA DIRECT

Building on a strong base

ANDY CORNISH

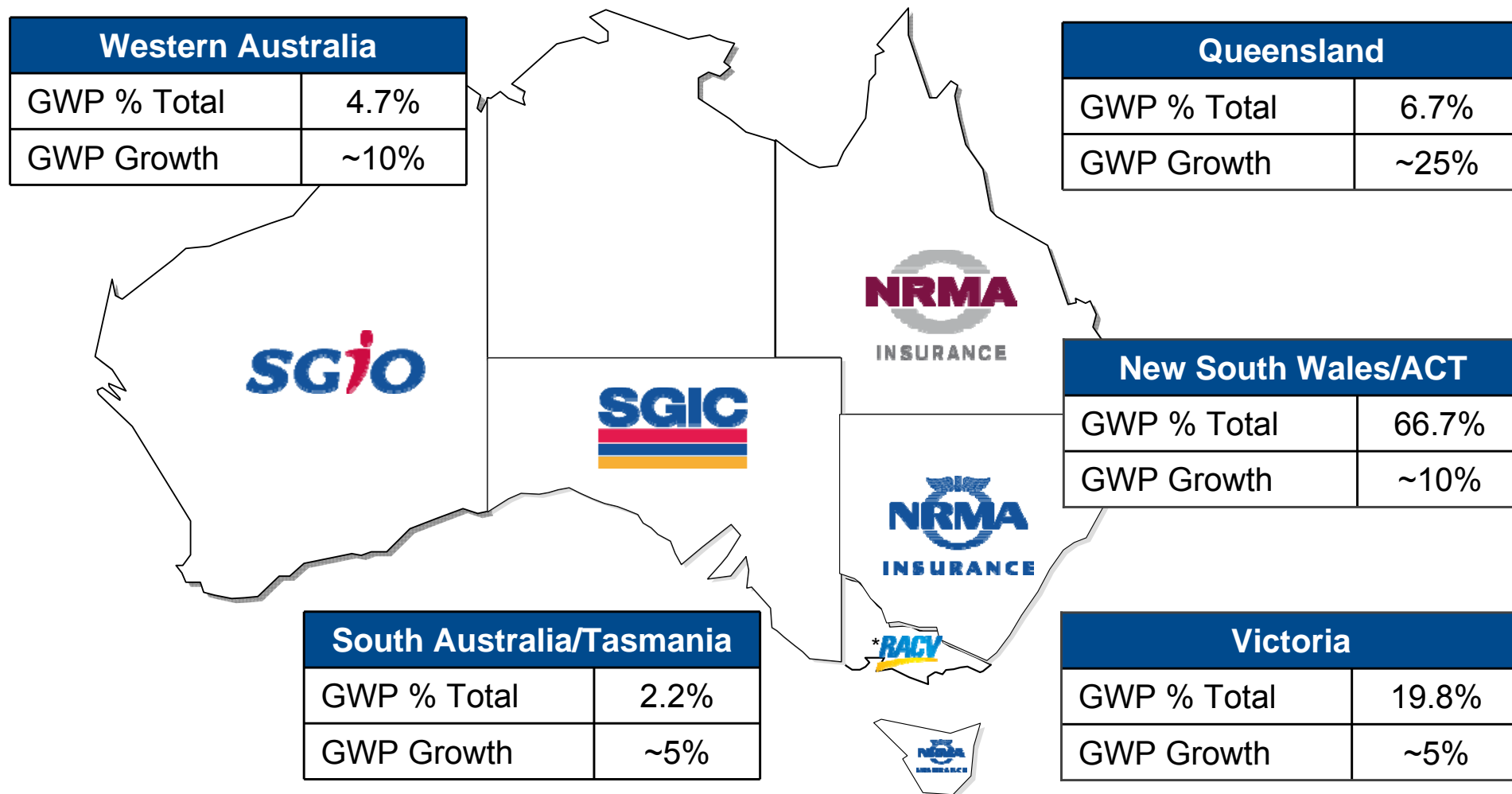
CHIEF EXECUTIVE OFFICER



BUSINESS OVERVIEW

LEADING MARKET POSITIONS IN NSW & VICTORIA

AUSTRALIA DIRECT



- GWP growth represents FY09 vs. FY08, and includes Retail Business Insurance
- RACV is via a distribution relationship and underwriting joint venture with RACV Ltd

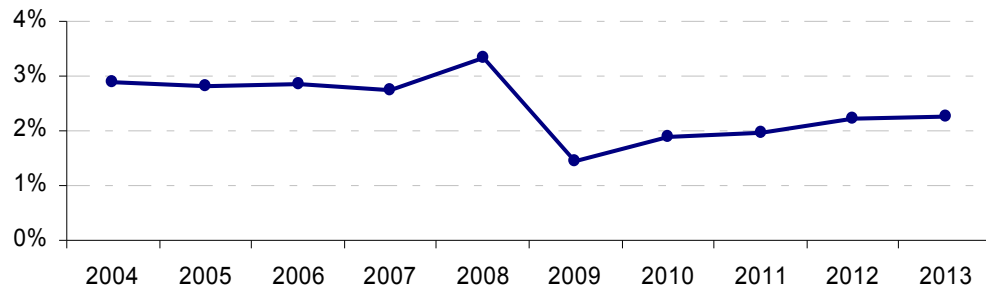


MARKET ENVIRONMENT

COMPETITIVE MARKET, BUT RATIONAL PRICING

Motor

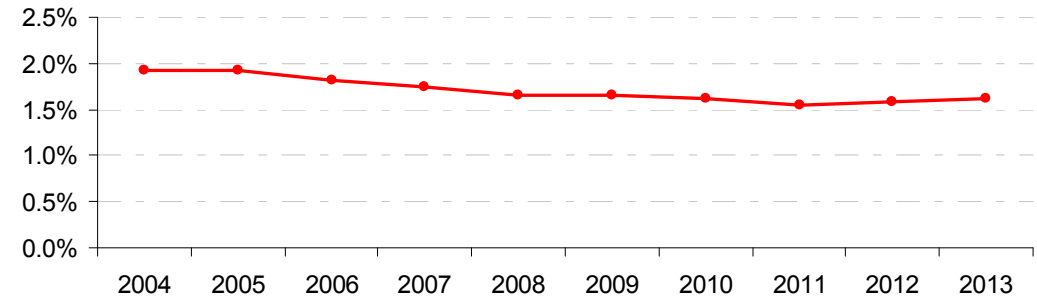
Motor Asset Base Growth



Source: AAI

Home

Home Asset Base Growth



Source: HIA and DI internal analysis

CTP

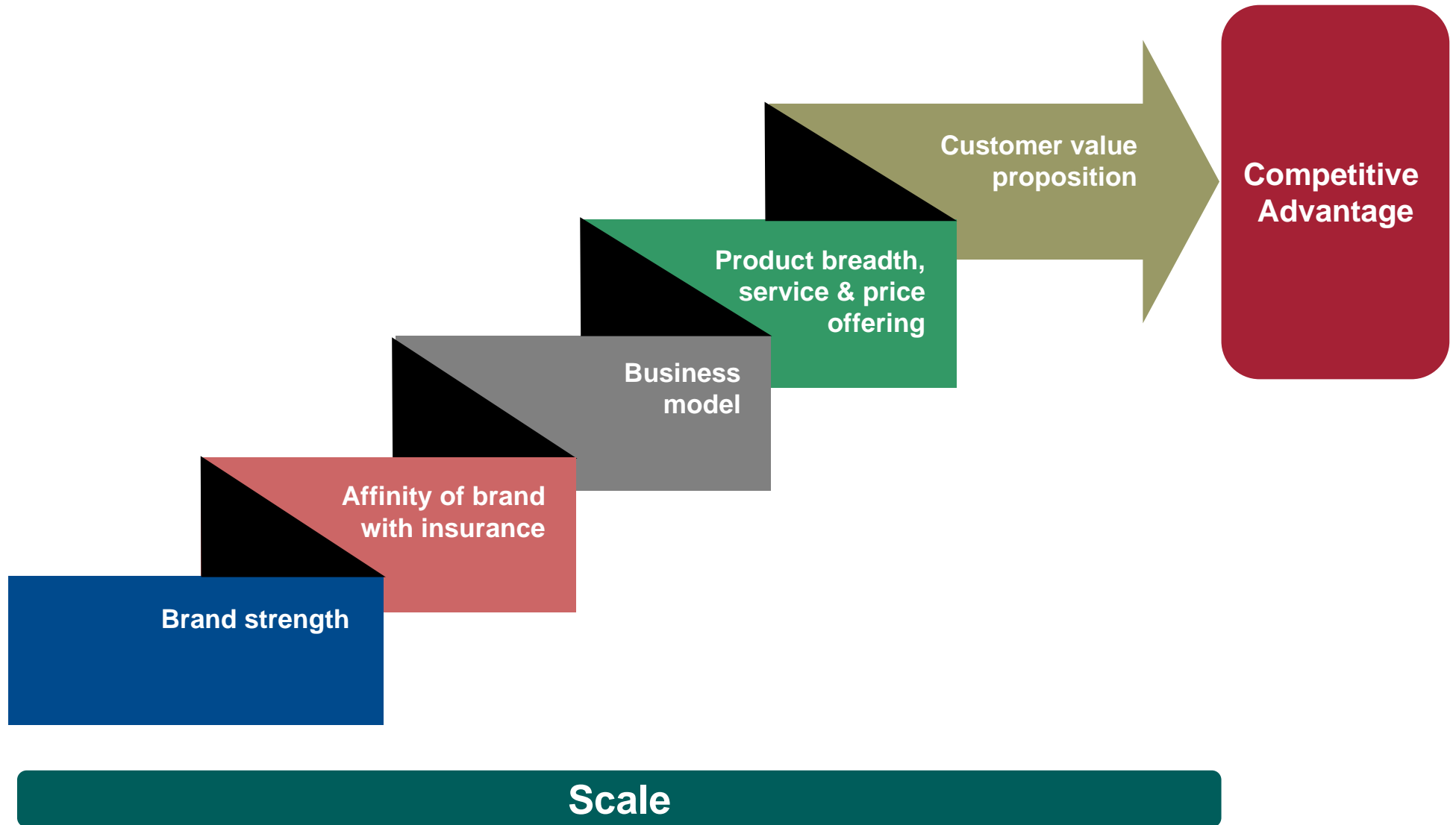
- **Legislative changes**
- **Superimposed inflation**
- **Reduction in investment yields**
- **Expected competition in ACT**

OUR COMPETITIVE ADVANTAGE

COMBINATION OF STRENGTHS



AUSTRALIA DIRECT



OUR COMPETITIVE ADVANTAGE

CUSTOMER VALUE PROPOSITION



AUSTRALIA DIRECT



STRATEGIC PRIORITIES

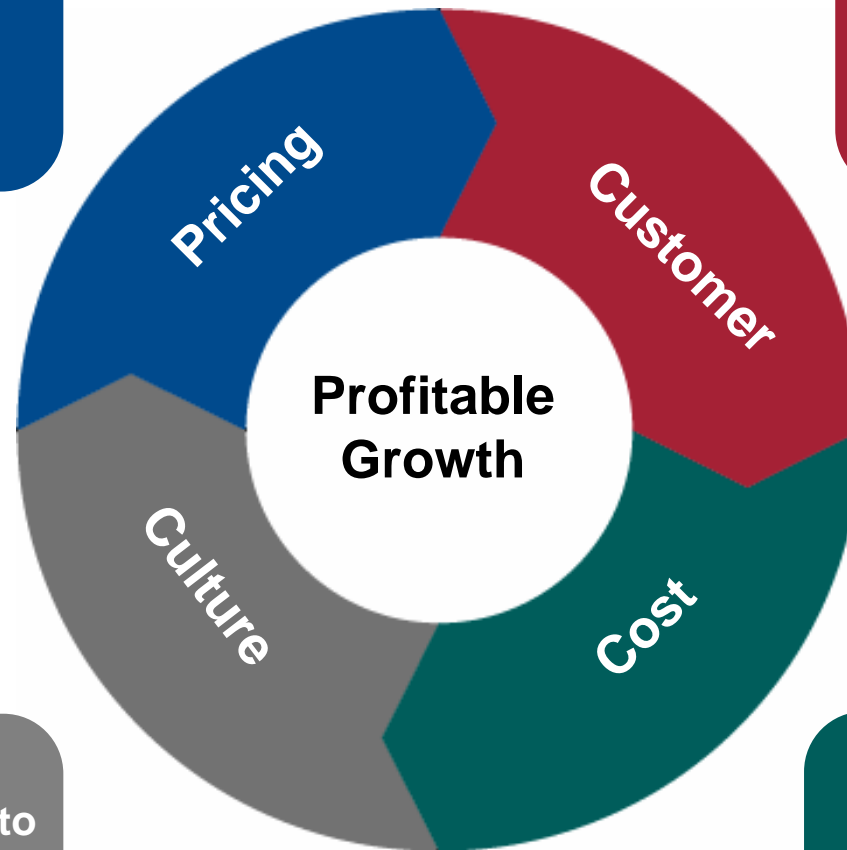
BUILDING ON A STRONG BASE



AUSTRALIA DIRECT

Further developing our industry leading risk selection and pricing

Enhancing our customer insights and delivery – knowing our customers' needs and ensuring all our products and services are geared towards fulfilling those needs



Reinvigorating our culture to further strengthen our customer focus and commerciality

Ensuring our products and services are delivered at the appropriate cost



Enhancing our customer insights and delivery – knowing our customers' needs and ensuring all our products and services are geared towards fulfilling those needs

- Review and enhance customer measurement methodologies
- Review and refine product suite in line with customer insights
- Review and refine processes to ensure alignment with customer needs
- Implemented first stage of internet improvements, making it easier for customers to receive quotes and buy insurance online
- Create an aligned strategy and vision of the future



**Further developing
our industry leading
risk selection and
pricing**

- Benchmarking best practice pricing methodologies through international search
- Identifying opportunities for improvements and refining existing practices
- Implementing enhancements to commercial pricing capabilities



**Ensuring our
products and services
are delivered at the
appropriate cost**

- Cost base benchmarking
- Rationalised number of projects underway and improved project governance
- Reviewing supply chain strategy – e.g. tendered preferred towing arrangements in NSW to deliver cost benefits while maintaining customer service levels
- Commenced review of sales and claims processes to improve customer service standards and costs



Reinvigorating our culture to further strengthen our customer focus and commerciality

- Organisational redesign completed - new people in roles, organisational layers reduced
- Accountability clearly defined
- Redesigned incentive program
- Rolling out balanced scorecards, aligned to business and strategic deliverables, to provide basis for performance review and assessment
- Developed customer value proposition



OUTLOOK

FURTHER GWP GROWTH, INCREASED MARGIN

- **Australia Direct is expecting to achieve further GWP growth and an increased insurance margin in FY10, derived from:**
 - The full benefit of price increases implemented in FY09
 - Further rate increases
 - Benefits from past and ongoing efficiency measures

3 AUSTRALIA INTERMEDIATED (CGU)
Focusing on the fundamentals

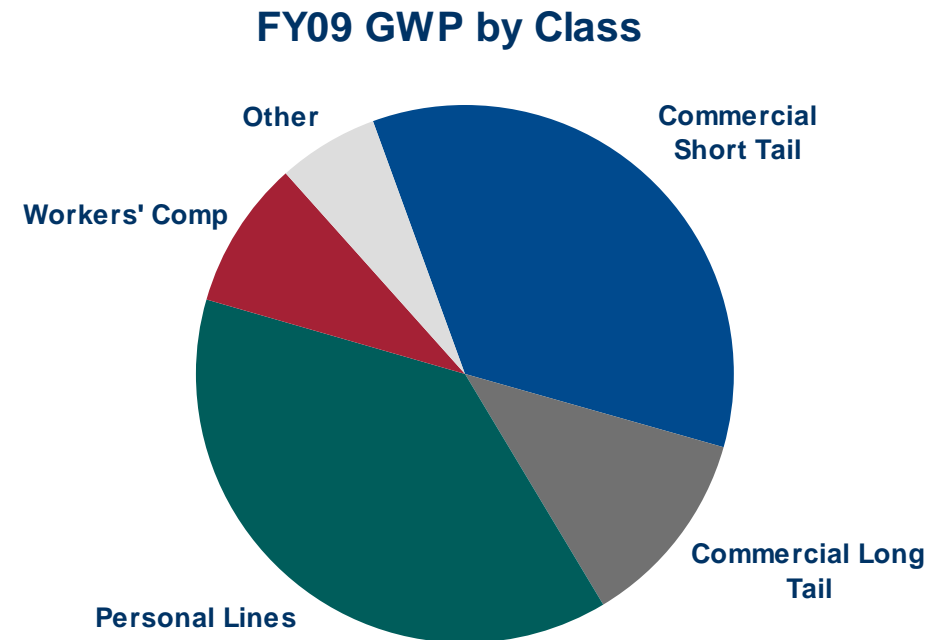
DUNCAN WEST
CHIEF EXECUTIVE OFFICER

BUSINESS OVERVIEW

LEADING INTERMEDIATED INSURER



- **One of Australia's largest intermediated general insurers**
 - GWP ~\$2.4bn
 - Major employer ~3,500 FTEs
- **Large SME portfolio with growing capability in the corporate market**
- **Australia's largest regional and rural insurer**
- **A leading provider of workers' compensation services**

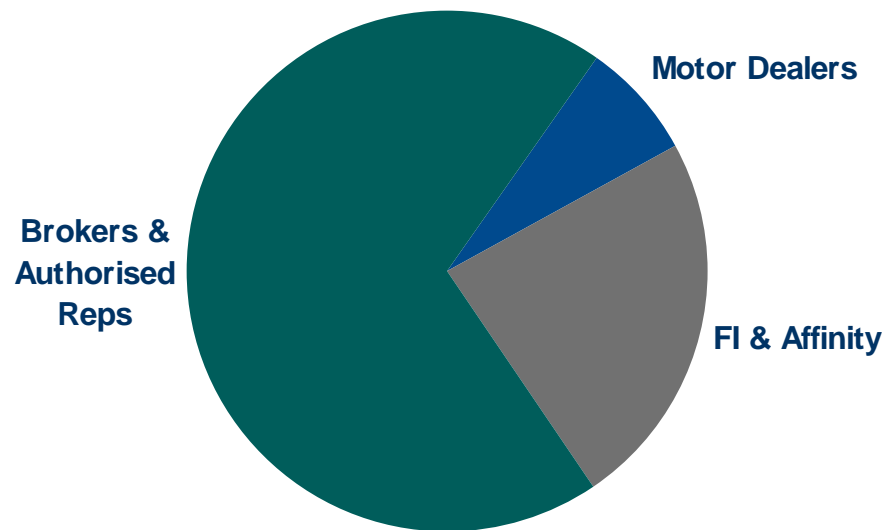


BUSINESS OVERVIEW

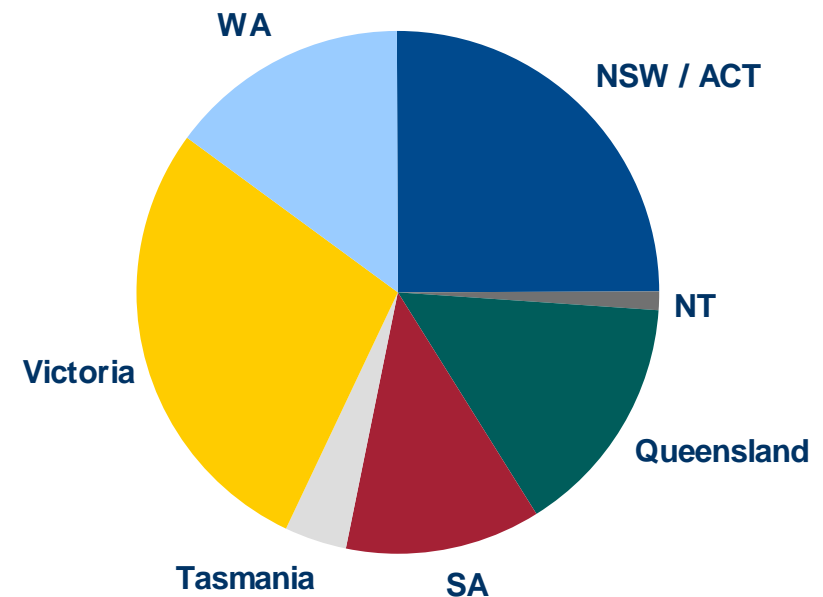
DIVERSE DISTRIBUTION FOOTPRINT

- Diverse distribution channels - brokers, authorised representatives, financial institutions, affinity partners and motor dealers
- Strong market share across intermediated business in all states

FY09 GWP BY CHANNEL



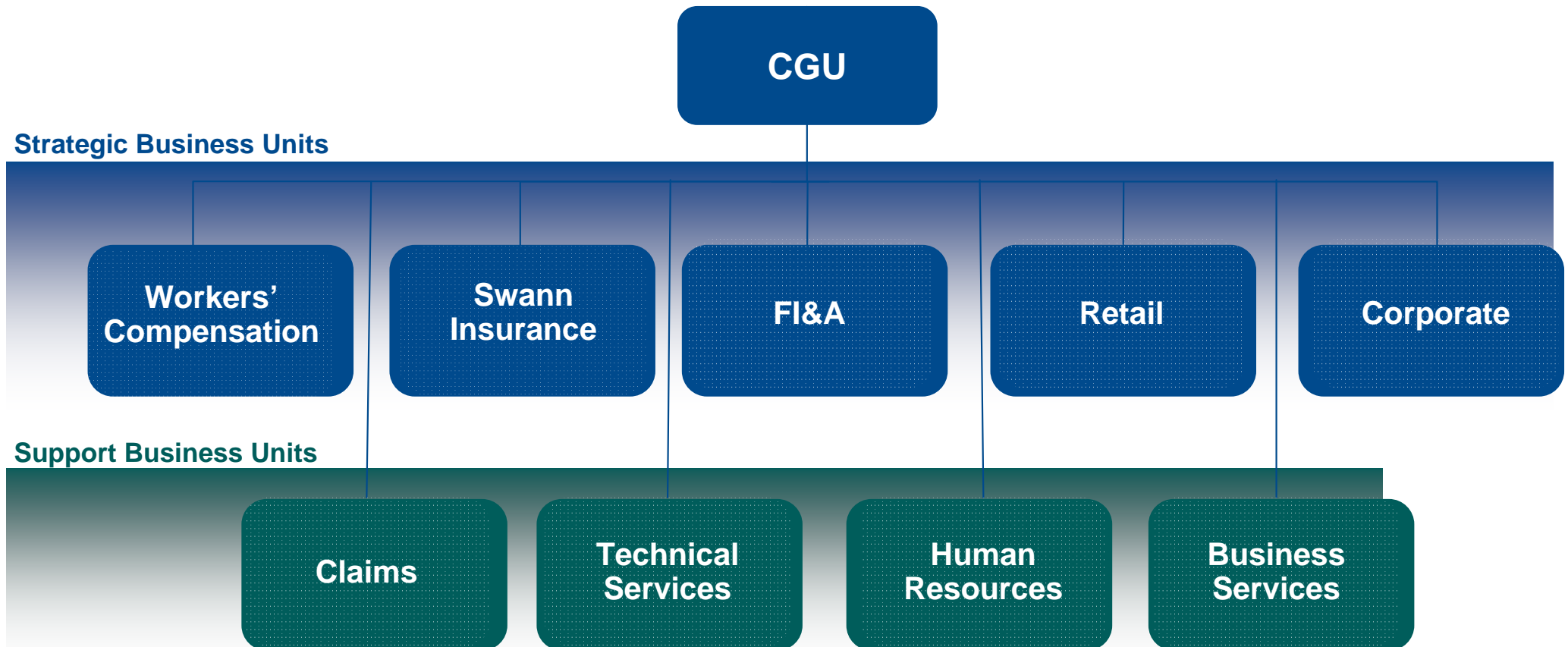
FY09 GWP BY STATE



BUSINESS OVERVIEW

DEVOLVED BUSINESS STRUCTURE

- CGU restructured into five autonomous businesses in August 2008
- Structure based around end customers
- Four support business units provide centralised core shared services



MARKET ENVIRONMENT

GRADUALLY HARDENING, BUT PATCHY

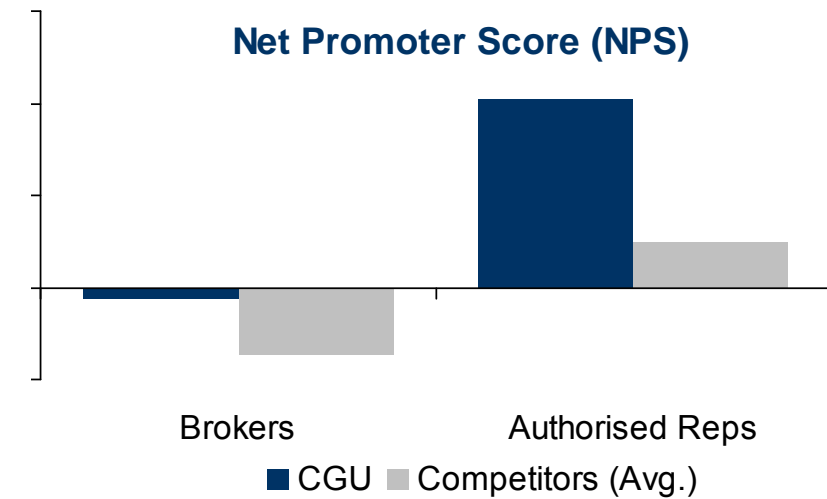
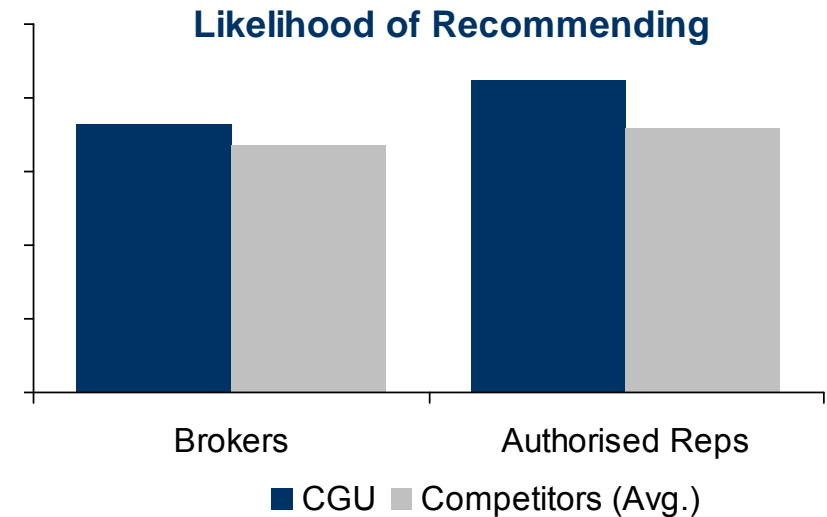


- **Commercial market remains competitive**
 - Aggressive competition for market share
 - Rates gradually hardening, but increases still patchy
 - SME business typically supporting increases of ~3-5%
- **Workers' compensation rates beginning to harden**
- **Personal lines rates trending upwards**
 - Increased natural peril claim costs in recent years
- **GFC impact**
 - Investment returns
 - Reduction in business linked to consumer lending
 - Claims experience in selected classes
- **Long-tail reserve releases diminishing in size**
- **Ongoing consolidation of intermediated distribution channels**

COMPETITIVE ADVANTAGE

STRONG BRAND, NETWORK AND PARTNERSHIPS

- Strong brand with 150-year heritage
- National network of 76 branches
- Strong authorised representative network
- Strong relationships with key brokers



Source: DBM Consultants

STRATEGIC PRIORITIES

FOCUSING ON THE FUNDAMENTALS



Underwriting
Management

Pricing discipline and risk selection

Claims
Management

Reducing indemnity and claims handling costs

Customer
& Brand

Focused customer value propositions and rebuilding brand awareness

Business
Efficiency

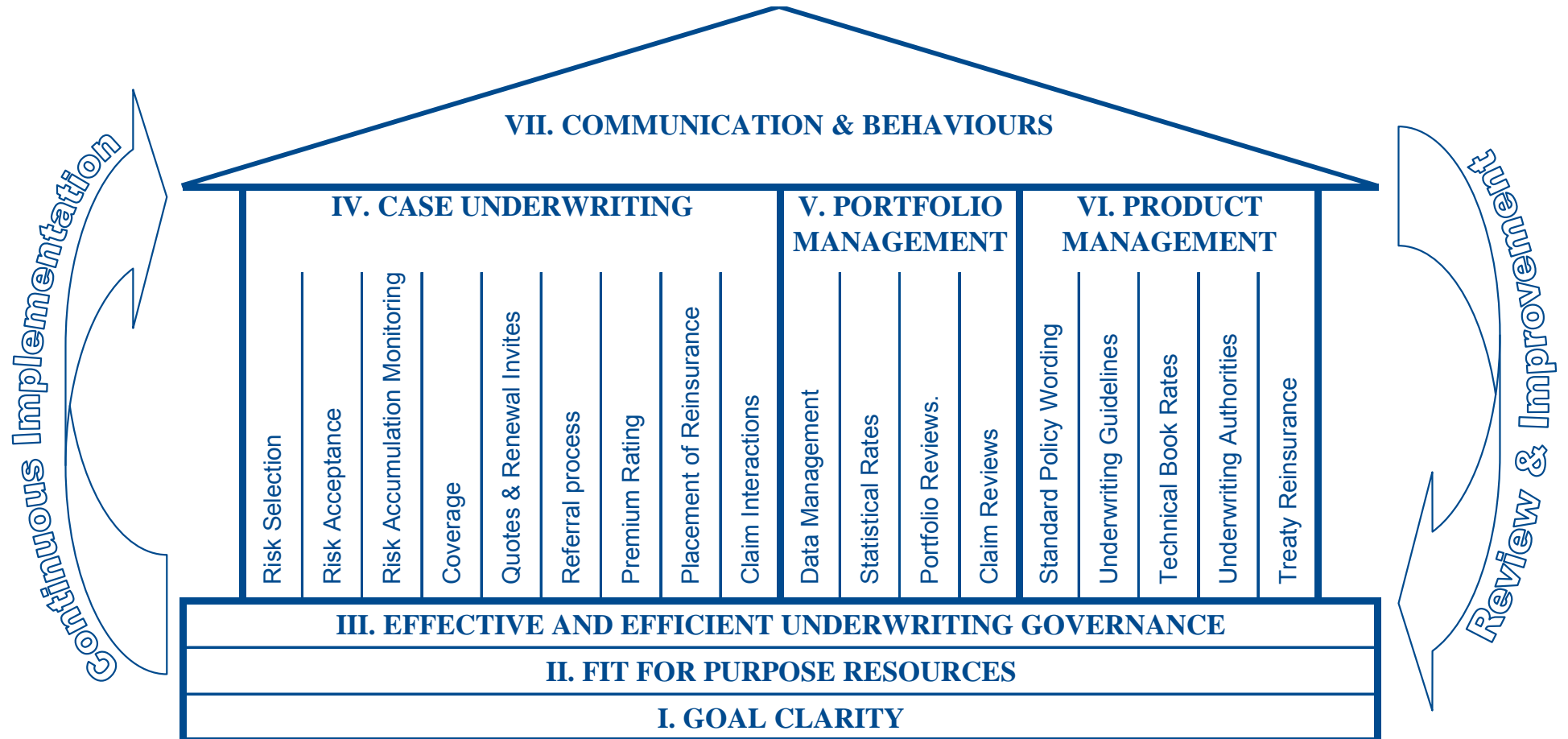
Transformation of business processes and supporting technology

People
Strategy

Developing capability and driving results

PROGRESS AGAINST STRATEGY

UNDERWRITING DISCIPLINE AND RISK SELECTION



© CGU Insurance

PROGRESS AGAINST STRATEGY

CLAIMS MANAGEMENT AND HANDLING COSTS

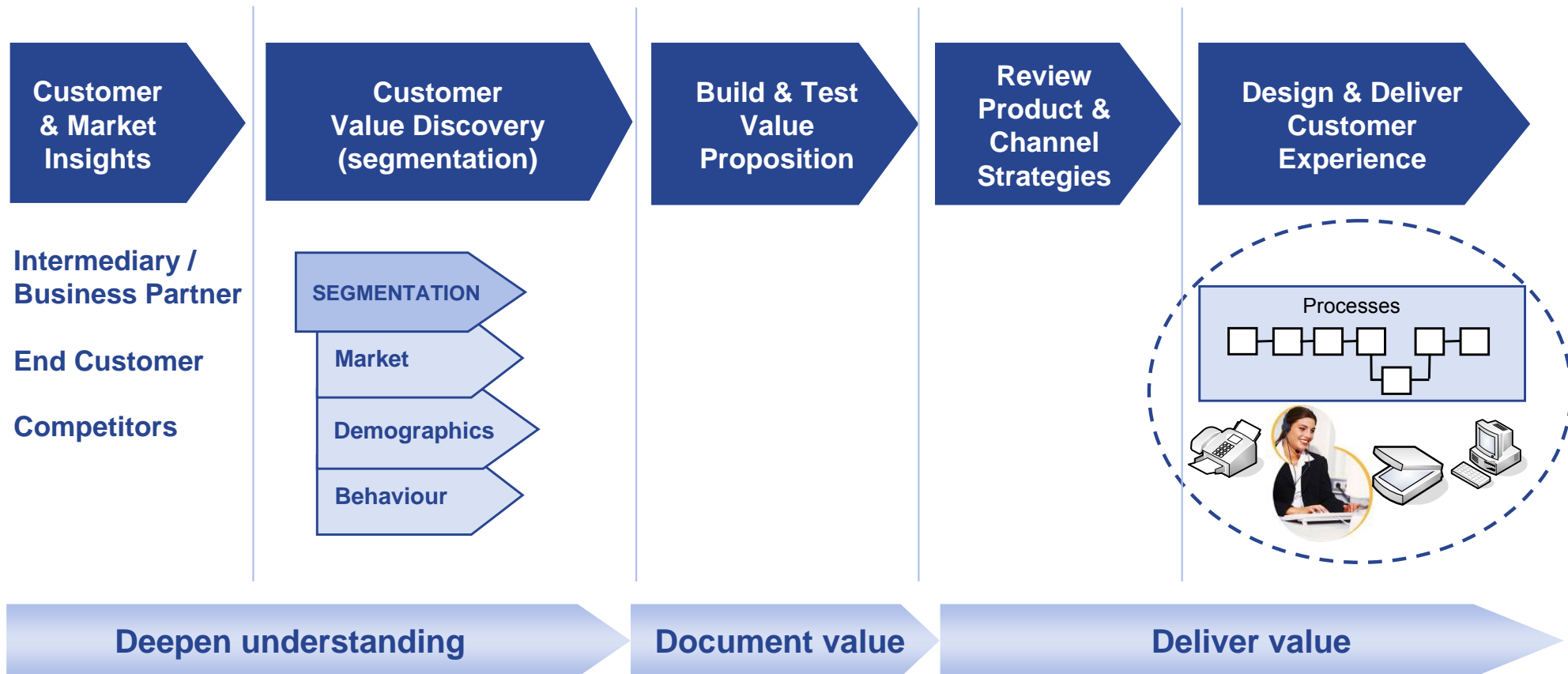


- **Already delivering cost savings**
 - Improved recoveries
 - Better utilisation of preferred smash repair networks
 - More effective use of loss adjusters
- **Additional future benefits from new business models**
 - Loss adjuster
 - Builder
 - Procurement
 - Quality assurance

PROGRESS AGAINST STRATEGY

CUSTOMER VALUE PROPOSITIONS

- Customer Value Propositions (CVPs) developed for all strategic business units and niche offers
- Current focus on refining, embedding and applying CVPs



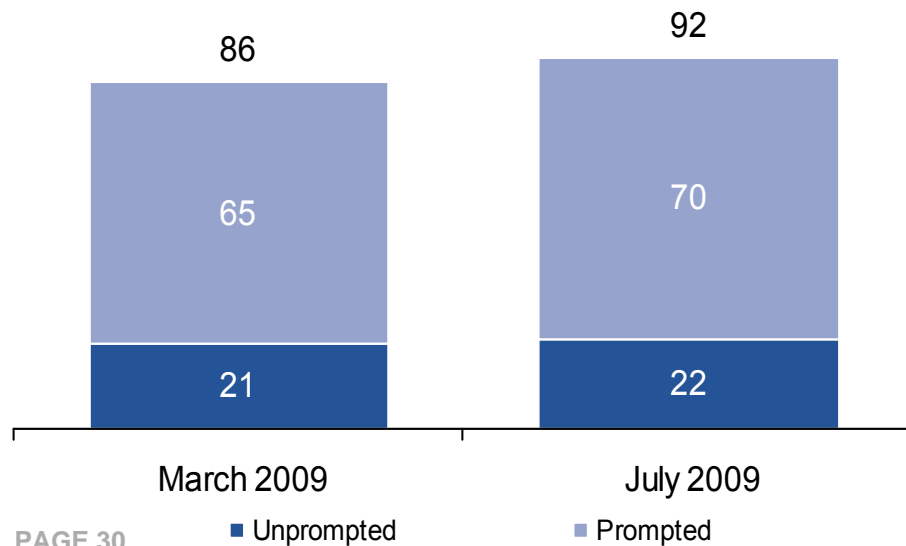
PROGRESS AGAINST STRATEGY

REBUILDING BRAND AWARENESS

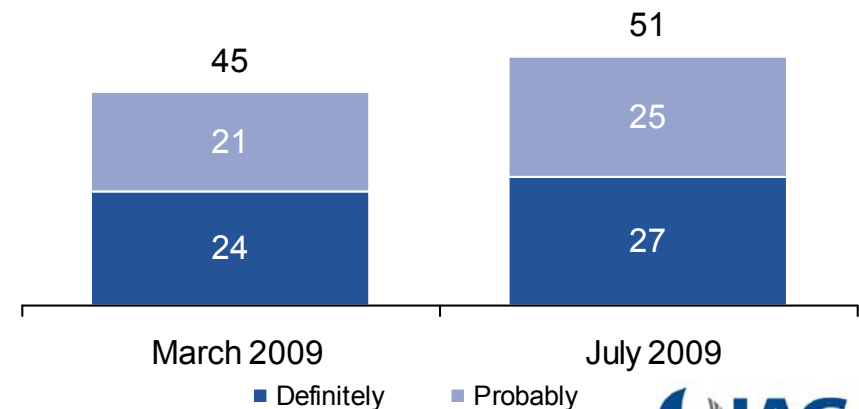
- National campaign launched March 2009
- Supported key June renewal period
- Focused on building brand awareness and increasing consideration to buy from CGU
- Strong increases achieved in both brand awareness and consideration



SME Brand Awareness



SME Consideration of CGU



- **Historic underinvestment in technology**
- **Transformation of business processes commencing in FY10**
 - Comprehensive series of IT upgrades
 - Improving interactions with intermediaries, partners and customers
 - Delivering efficiencies through system consolidation
 - Reducing systems risk
 - Introducing common processes
- **Projects phased over a five-year period**
- **Minimal impact on FY10 P&L**
- **Strict governance process to ensure effective delivery**



CGU

PROGRESS AGAINST STRATEGY

PEOPLE CAPABILITY AND DRIVING RESULTS



More than 90% of employees believe strongly in CGU's goals

OUTLOOK

POSITIVE MOMENTUM BUILDING



- **Steady improvement in underlying profitability expected in FY10**
 - Past and ongoing rate increases
 - Ongoing focus on underwriting discipline, claims management and costs
- **FY10 reported profitability expected to be impacted by:**
 - Reduced prior period reserve releases
 - Lower running yield
- **Reduction in FY10 GWP of ~\$120m from:**
 - Full-year effect of withdrawal from ING Australia account
 - Transfer of St George/BankSA home and landlord portfolios to Westpac's own insurance operations

4 NEW ZEALAND

Improving our performance

IAN FOY

CHIEF EXECUTIVE OFFICER

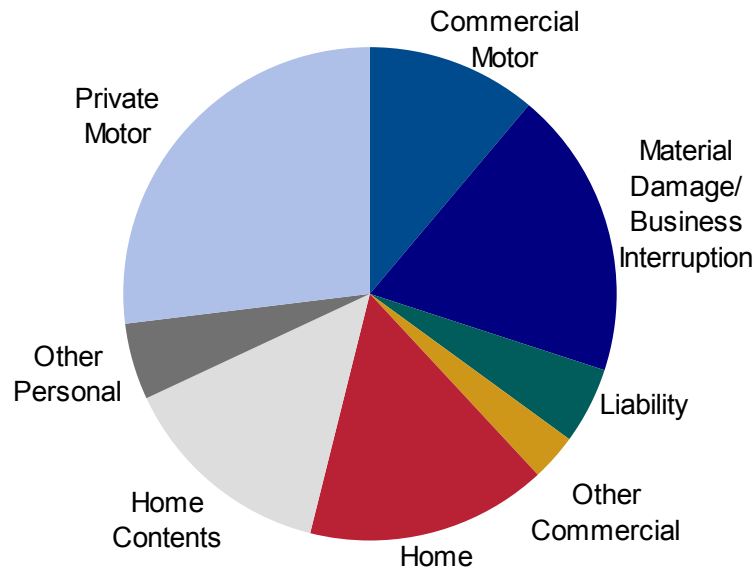


BUSINESS OVERVIEW

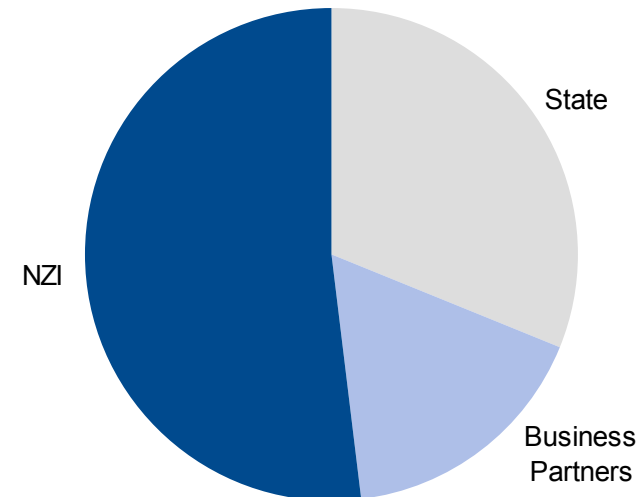
NEW ZEALAND'S LARGEST GENERAL INSURER

- **IAG NZ is the largest general insurer in New Zealand**
 - GWP NZ\$1.2bn
 - 2,000 FTE
 - Market share ~35% (ICNZ Statistics June 2009)
- **Broad base of customers across three major channels (Direct, Broker and Business Partners)**

Product Portfolio



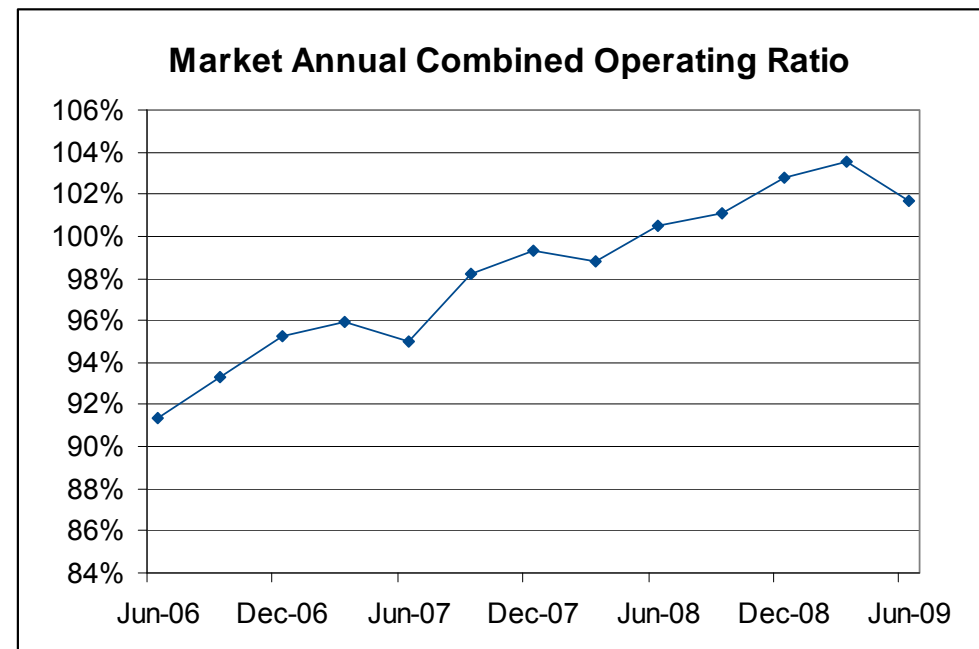
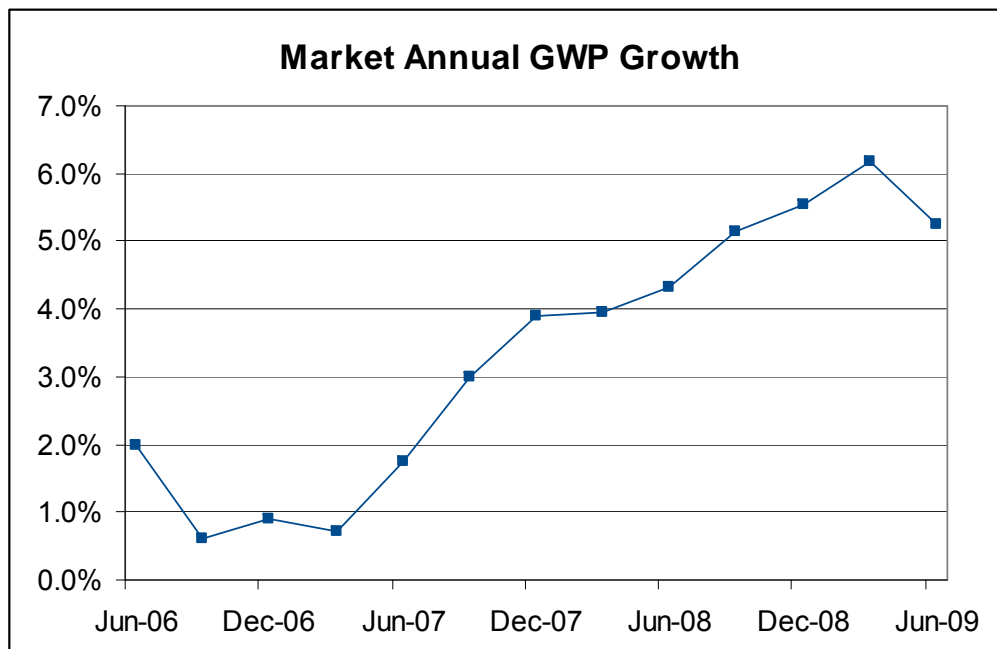
Distribution



MARKET ENVIRONMENT RECOVERING ECONOMY



NEW ZEALAND



- Market rates generally hardening – but variability evident
- Benign weather so far in FY10
- Two year recession ended (technically) – GDP forecast to grow ~2% during FY10*
- Housing market and consumer confidence improving
- Personal insurance impact: consumers prioritise insurance within discretionary spend
- Commercial insurance impact: greater as businesses disappear or reduce operating costs

COMPETITIVE ADVANTAGE

STRENGTH OF FRANCHISE



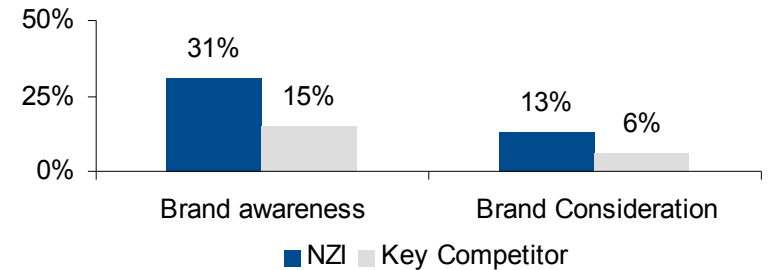
NEW ZEALAND

IAG NZ is New Zealand's largest general insurer with 1.2 million customers and 2.7 million polices



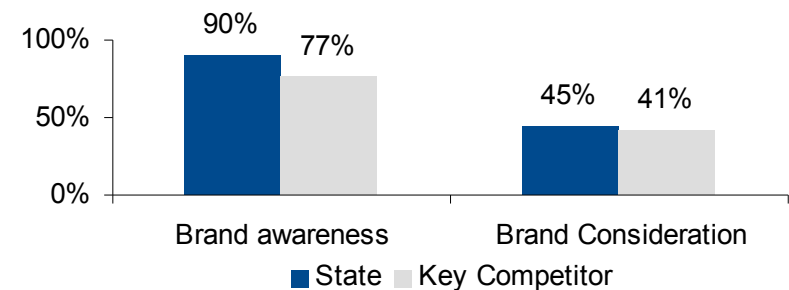
New Zealand's oldest insurance brand celebrating 150 years in business in May 2009

IBANZ insurer of the year, 3 of the last 4 years



Second oldest insurance brand in the New Zealand market with unique partnerships

- Flybuys
- Trademe



Business Partners

- 12 year relationship
- Customer satisfaction 81%
- Leading front-end system



- 14 year relationship
- Customer satisfaction 89%
- Insurance fully outsourced to IAG

STRATEGIC PRIORITIES

IMPROVING OUR PERFORMANCE



NEW ZEALAND

Return on Risk-
Based Capital

Delivering an acceptable return to shareholders
(support Group's ROE target of >1.5x WACC)

Portfolio Pricing

Ensuring portfolios match price with risk

Segmentation

Understanding our customers and risks better

Process &
Decisions

Disciplined and consistent processes and
decision making

PROGRESS AGAINST STRATEGY

RETURN ON RISK-BASED CAPITAL



NEW ZEALAND

Return on Risk-
Based Capital



Our Vision

“To be New Zealand’s insurer of choice”

- Move towards risk-based capital allocation for all New Zealand product classes
- Pricing and profitability of product classes and Business Units becoming more focused on return on risk-based capital (in addition to combined operating ratio)

PROGRESS AGAINST STRATEGY

PORTFOLIO PRICING



NEW ZEALAND

Portfolio Pricing



Our Vision

“To be New Zealand’s insurer of choice”

- Implementing price and excess increases to drive portfolio level profitability
- Rating strength measures extended across all product classes and large accounts
- Focus on corrective actions where portfolios or accounts track below target levels

PROGRESS AGAINST STRATEGY

SEGMENTATION



NEW ZEALAND

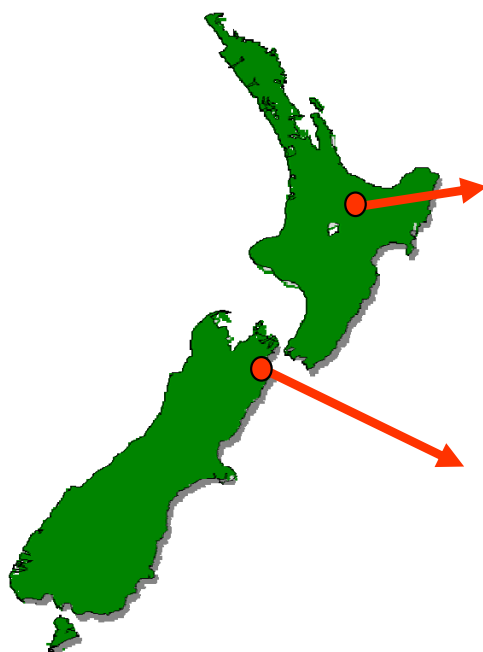
Segmentation



Our Vision

“To be New Zealand’s insurer of choice”

Risk-Based Pricing



Moving from 25 geographical rating zones to over 4,000

Example Zone 1

Claim frequency	20%
Average claim size	\$2,741
Premium adequacy	Well below target

Impact on premiums Increase >20%

Example Zone 2

Claim frequency	6%
Average claim size	\$1,518
Premium adequacy	Close to target

Impact on premiums Increase < 5%

Customer Segmentation

- Refinement of enterprise-wide brand architecture and customer segmentation strategies
- Development of a customer segmentation model, including risk selection and relevant customer attributes aligned with pricing
- Programs to identify and unlock profitable segments

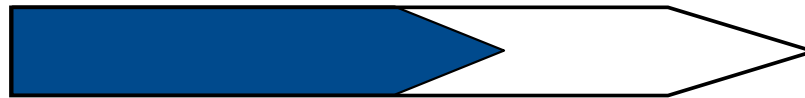
PROGRESS AGAINST STRATEGY

PROCESS & DECISIONS



NEW ZEALAND

Process &
Decisions



Our Vision

“To be New
Zealand’s insurer
of choice”

- Claims leakage processes review including industry benchmarking for each channel
- Review of delegated underwriting authorities model and underwriting disciplines
- Introduction of new methodology for managing projects
- Continued investment in leadership development

OUTLOOK

TURNAROUND IS ON TRACK



NEW ZEALAND

- **Economic conditions weak but signs of improvement**
- **Insurance cycle has 18-24 months further hardening**
- **Focus continues on:**
 - Responsible price increases
 - Better risk selection and pricing
 - Tightening of underwriting disciplines
 - Claims control initiatives
- **Return to profitability continuing to accelerate**

BREAK
Presentation will resume shortly

5

UNITED KINGDOM

Specialist underwriter

NEIL UTLEY

CHIEF EXECUTIVE OFFICER



UNITED KINGDOM

BUSINESS OVERVIEW

SPECIALIST MOTOR INSURER

IAG UK's core capability is its underwriting strength which is distributed by specialist and commercial brokers, and affinity partners



"1st Class" Underwriting

THIRD PARTY BROKERS



- 6th largest UK motor insurer
- c.4% share of total motor market, 25% of motorcycle market
- Largest Lloyd's motor syndicate with 38 years unbroken profit
- Over 1.2m policyholders

- Maintains good relationships with third party brokers which deliver over 80% of ERS volume

- Retains foothold in private car market with better performing affinity partnerships through EDBL

- No. 1 motorcycle underwriter supported by the BikeTeam broker

- Looking to grow in commercial market to build on market position held through Barnett & Barnett

- Growing in niche markets with Arista and IDL (Insure4Retirement)



BUSINESS OVERVIEW

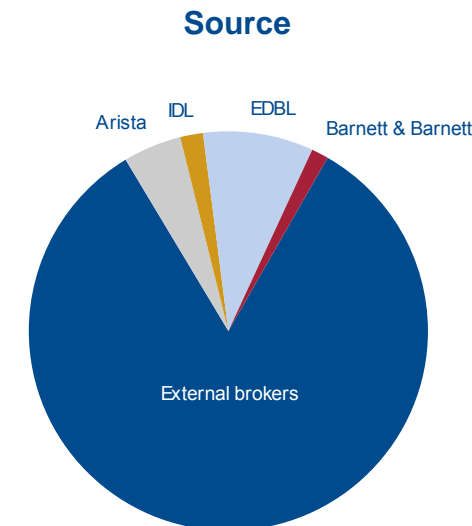
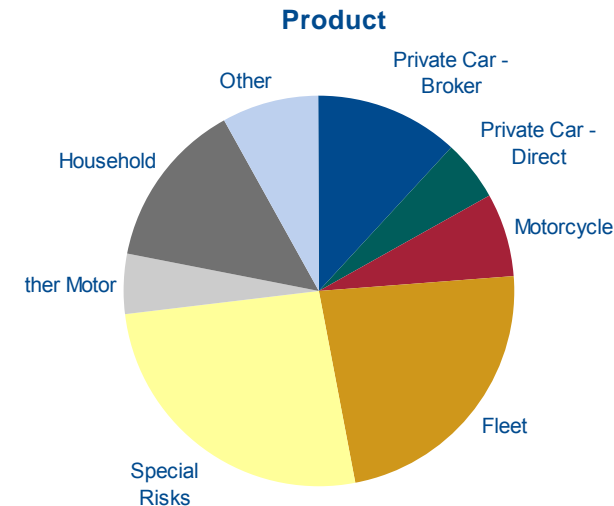
SPECIALIST MOTOR INSURER



UNITED KINGDOM

- **Refocused to specialist underwriting**
 - Divestment of mass market businesses
 - Business moving from low margin personal lines to specialist motor classes
 - Growth in special risks and fleet
 - Private car has reduced naturally as mass market broking business divested
 - Rate rises have been applied to all classes
- **Progress on track**
 - Positive movements in the portfolio from private car to specialist classes
 - Benefits of rightsizing head office realised
 - Refocus EDBL as specialist affinity broker
 - Acquisition strategy to support growth in specialist areas

Equity Red Star FY09 GWP





MARKET ENVIRONMENT

MARKET HARDENING

- **UK underwriting**

- Challenging for a number of years
- Few with CORs below 100%
- Some hardening of private car rates, but still a competitive area
- Commercial rates hardening

- **Effect on profitability and growth**

- Economic downturn is likely to help the market harden
- Less prior year releases available - should force focus on results
- Less capital likely to be available as a result of economy and insurer exits

UK motor insurance market (Y/E December)	2006	2007	2008	2009 (est)
Claims as % of premiums	82.9	85.5	85.1	85.0
Expenses as % of premiums	28.2	29.2	30.3	30.5
Operating ratio before reserve releases	111.1	114.7	115.4	115.5
Prior year release as % of premiums	-10.0	-12.7	-9.8	-4.5
Operating ratio	101.1	102.1	105.5*	111.0
ERS operating ratio	91.9	96.9	99.9	n/a

* Personal Motor 107.5%, Commercial Motor 99.1%

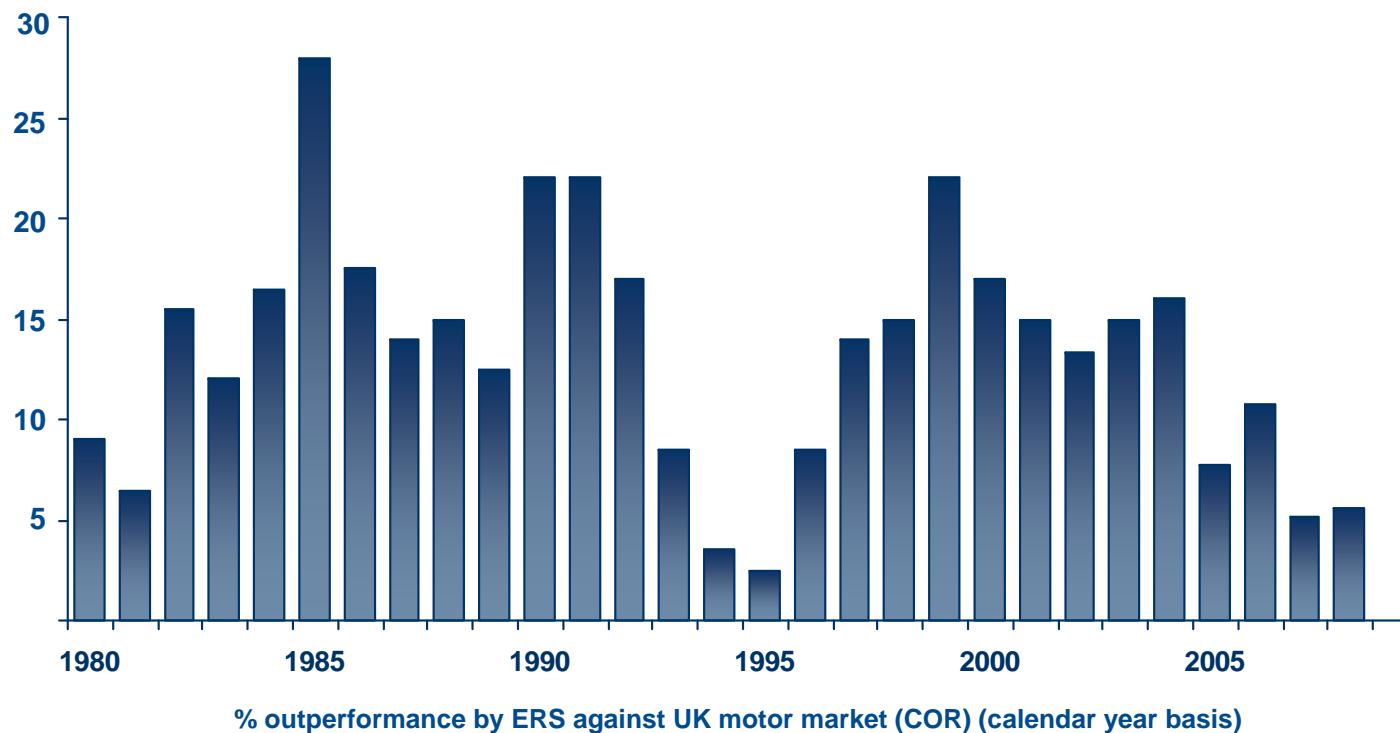
COMPETITIVE ADVANTAGE

CORE CAPABILITIES IN UNDERWRITING



UNITED KINGDOM

- **ERS continues to outperform the market**
 - Expertise of people - specialist knowledge and strong broker relationships
 - Niche strategy
 - Ruthless attention to detail
 - Bespoke claims service with expertise for each class of business
 - Market leading deals with approved repairers





COMPETITIVE ADVANTAGE

CORE CAPABILITIES IN UNDERWRITING

- **Specialised and customised**
 - Tight control and strong market reputation
 - Group specialised owned distribution
 - Specialist units in underwriting and claims
- **Access to decision makers**
 - Larger broker relationships owned by senior management
- **Quality insurance for customers**
 - Emphasis on service rather than price
 - Market leading expertise in chosen niches
 - Work as partners with leading brokers
- **Underwriting discipline**
 - Manage underwriting through the cycle
 - Willing to reduce volumes/growth when conditions wrong
 - Consistent approach to underwriting of risks



1 Specialist underwriting

- Divestment of mass market



Streamline operations and refocus on specialist underwriting

- Divestment completed

- Growth in fleet and special risks



Establish position as top 3 insurer for chosen markets

- Growth during market hardening
- Supported by satellite underwriting offices
- Extend special risks relationships with key brokers




2 Specialist distribution

- Simplify and grow affinity broking → **Review EDBL cost base and achieve growth through new partnerships**
 - Cost base addressed
 - Strong growth boosted by new partnerships
- Increase bike broking market share → **Separate and specialist motorcycle broker**
 - Established BikeTeam brand
- Expansion of commercial broking → **Expansion through acquisition**
 - Strategy in initial stages of implementation



3 Strategic stakes

- Growth in existing strategic stakes  **Support innovative start-ups to drive better quality underwriting to ERS**
 - Increased shareholding in IDL to 50.1%
 - Continued support of Arista (25% holding)



PROGRESS AGAINST STRATEGY

GROWTH IN TARGET CLASSES

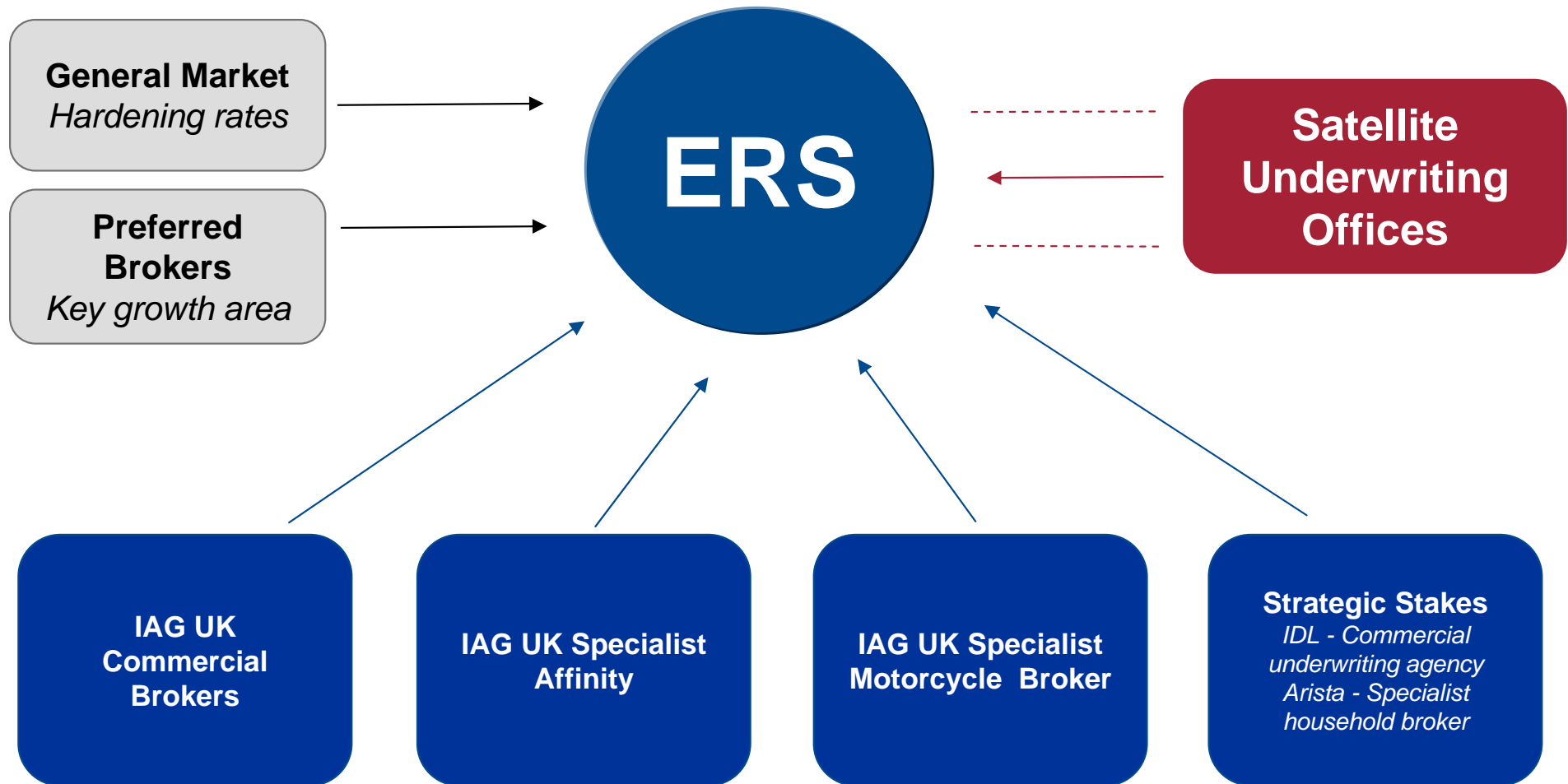
		FY10		FY11		FY12		FY13		FY14		Time-frame	
Initiative		H1	H2	H1	H2	H1	H2	H1	H2	H1	H2		
1	Divestment in mass market	Divestment of the mass market distribution businesses										Complete	
		Efficiency savings	→										Short
	Growth in specialist classes - fleet and special risks	Fleet growth through market hardening	→	→	→	→							Medium
		Satellite offices	→	→	→	→	→	→	→	→	→	→	Long
		Special risk growth through key partner brokers	→	→	→	→	→	→	→	→	→	→	Long
Simplify and grow affinity broking	Cost base addressed through rightsizing	→										Short	
	Growth through new partnerships	→	→	→	→	→	→	→	→	→	→	Long	
2	Increase bike broking market share	Invest in specialist team and build on brand recognition	→									Short	
		Growth through acquisition	→	→	→	→							Medium
3	Expansion of commercial broking	Barnett & Barnett position strategy	→	→	→	→						Medium	
		Growth in existing strategic stakes	IDL	→	→	→	→	→	→	→	→	→	Long
		Arista	→	→	→	→	→	→	→	→	→	Long	

Market hardening expected to drive growth in the business



OUTLOOK

SPECIALIST UNDERWRITER AND DISTRIBUTION



ERS will focus on its specialist motor-led platform to grow its market share

6 ASIA

Growth opportunities for the future

JUSTIN BREHENY
CHIEF EXECUTIVE OFFICER



ASIA

BUSINESS OVERVIEW

SNAPSHOT OF OUR CURRENT BUSINESSES

Thailand



- 5th largest motor insurer
- IAG purchased 30% in 1998
- Increased to 98.5% by 2008
- Delisted in 2009

GWP: \$147m
Growth: 3.4%

Thailand



- Commercial insurance
- Operating since 1985
- IAG acquired 100% in 2005

GWP: \$46m
Growth: -1.8%

Malaysia



- JV with AmBank, Malaysia's 3rd largest bank
- 2nd largest motor insurer
- IAG purchased 30% in 2006 increased to 49% in 2008

GWP: \$220m
Growth: 2.6%

India



- JV with India's largest bank, State Bank of India, signed in November 2008
- 26% ownership, option to move to 49%*
- Expected to start operations in first half calendar 2010

n/a
n/a

China



- Roadside assistance provider and insurance agent
- Established in Beijing in 1995
- IAG purchased 20% in 1999 and increased to 100% in 2003

Rev.: \$5m
Growth: 6%

- GWP/revenue presented on 100% ownership basis and in respect of FY09.
- GWP/revenue growth represents FY09 vs. FY08, in local currency terms.
- * Subject to changes to the regulatory regime and other conditions.

ASIA STRATEGY

DEVELOP A PORTFOLIO OF HIGH GROWTH, PROFITABLE AND PREDOMINANTLY PERSONAL LINE BUSINESSES IN SELECT MARKETS



We create value in each country in four ways:

Capture system growth

- Position our existing businesses to fully capture the favourable growth profile of the Asian market

Increase our share in existing markets through acquisition and dial up

- Build scale via in-country bolt-on acquisitions and increased ownership of our existing businesses (subject to regulator approval) thereby capturing a greater share of the future value created

Deliver acquisitions in new markets

- Identify opportunities in new markets to build value for the Group, executing resultant acquisitions effectively

Add value through capability transfer

- Drive value via capability transfer of skills such as claims management, underwriting, new products, distribution and risk management

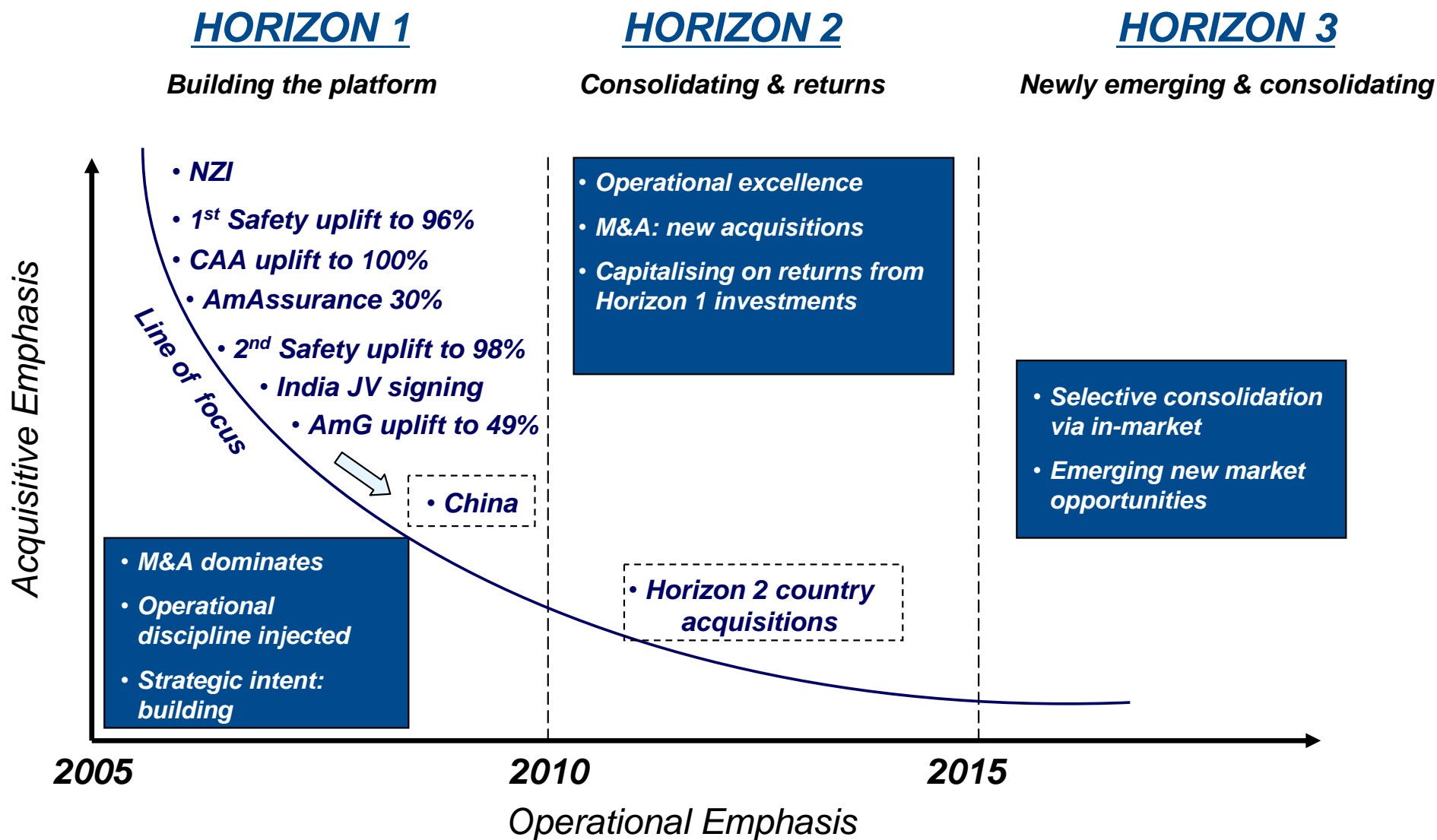
Through this strategy, Asia will provide IAG with growth opportunities, diversification of risk and new sources of profit



ASIA

STRATEGIC PRIORITIES

FOCUS EVOLVES FROM INITIAL ENTRY TO OPERATIONAL

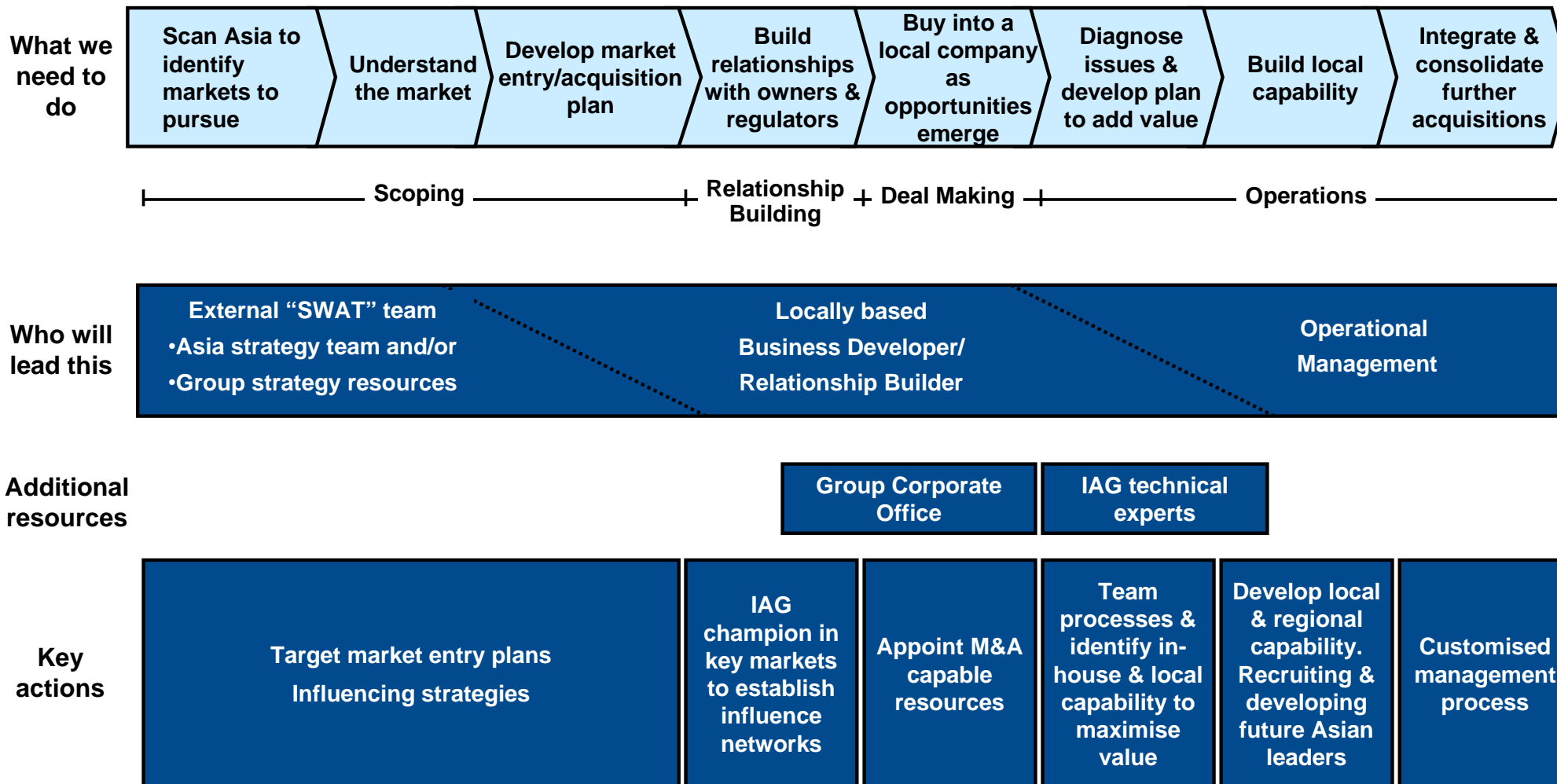




ASIA

EXECUTION OF ACQUISITIONS

A DISCIPLINED APPROACH TO NEW MARKET ENTRY

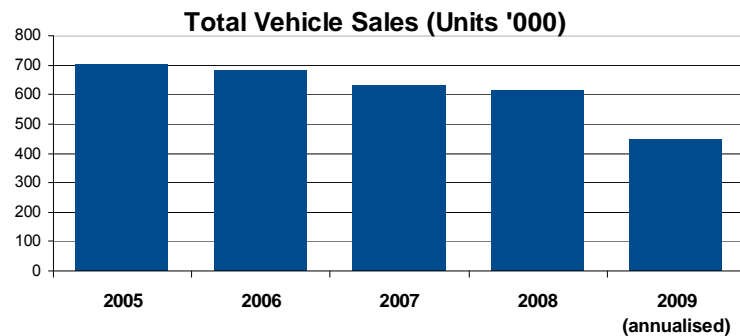
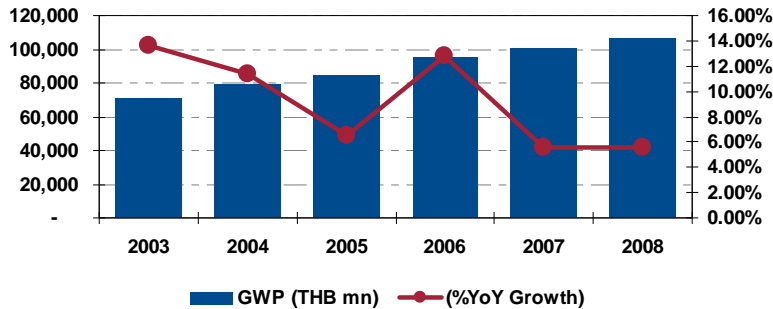


DISCIPLINE – we have undertaken 16 due diligences but only proceeded with 5 transactions

THAILAND: MARKET ENVIRONMENT

DIFFICULT POLITICAL AND ECONOMIC ENVIRONMENT

Thailand GWP (Non-Life)



Thailand Consumer Confidence Index



Political & Economic

- Political environment remains volatile, resulting in:
 - Curtailed public spending
 - Depressed consumer and business sentiment
 - Reduced vehicle sales (projected 30% decline)
- Inflation levels have eased considerably since mid 2008 as a result of falling energy and food prices

Regulatory & Industry

- Sharp falls in consumer confidence and car sales are a challenge for GWP growth in personal lines
- Reduced public spending and infrastructure investment have detrimentally affected commercial insurance market
- Rising claims costs, increased solvency requirements and tighter credit terms have seen some insurers struggle
- Market rationalisation to accelerate over next three years

THAILAND: BUSINESS SNAPSHOT

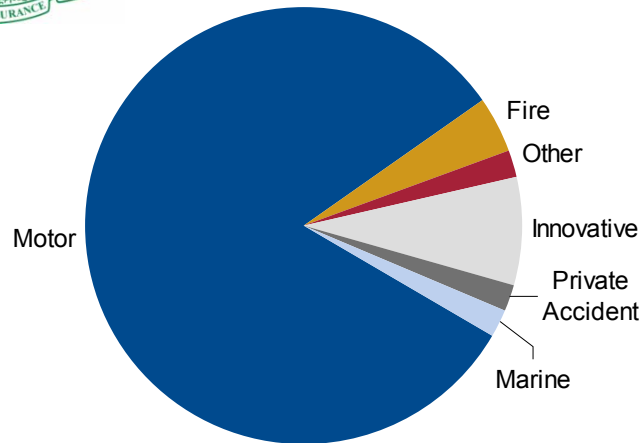
TWO OPERATIONS: SAFETY & NZI



ASIA



Safety – underwrites personal lines



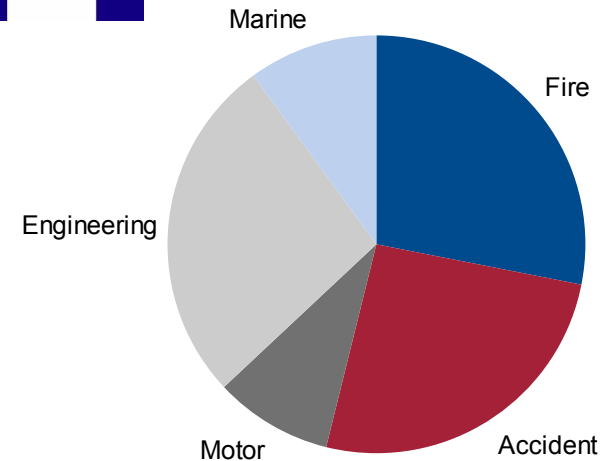
Competitive Advantage - Low cost operating model, industry leading claims management model, strong data and analytics, broad geographic brand network

Distribution and Market

- Number of Branches - 38 (incl. sub branch and CSC)
- Number of Agents - 1700
- Number of Brokers - 120
- Market Position - 5th Motor 5.1%, 6th Total 3.64%



NZI – underwrites large commercial risks



Competitive Advantage - Technical underwriting competence for large commercial risks, strong relationships with international brokers

Distribution and Market

- Number of Branches - 1 (Head Office Bangkok)
- Number of Agents - 10
- Number of Brokers - 50
- Market Position and Share - > 32nd, 0.88%

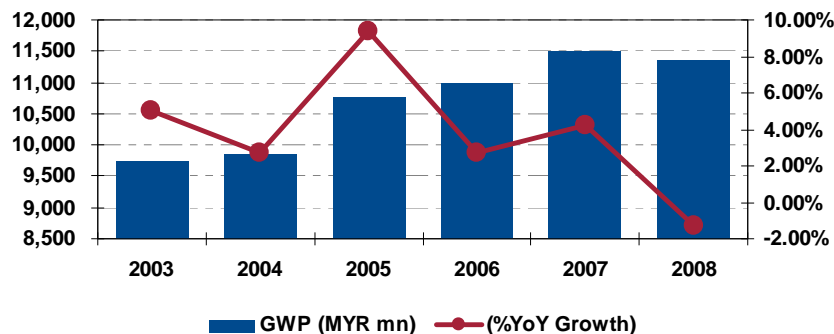


ASIA

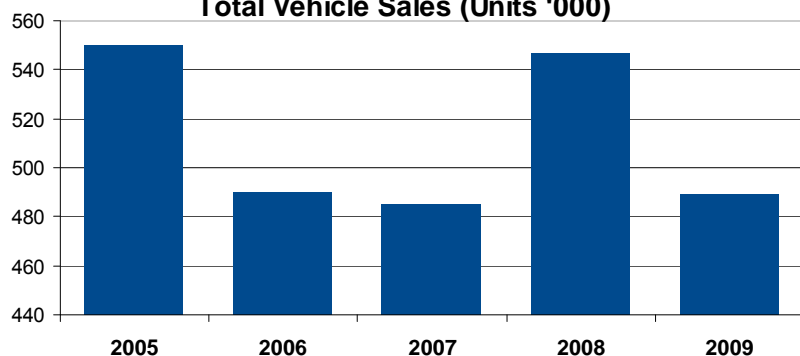
MALAYSIA: MARKET ENVIRONMENT

A STABLE, WELL-REGULATED INSURANCE MARKET

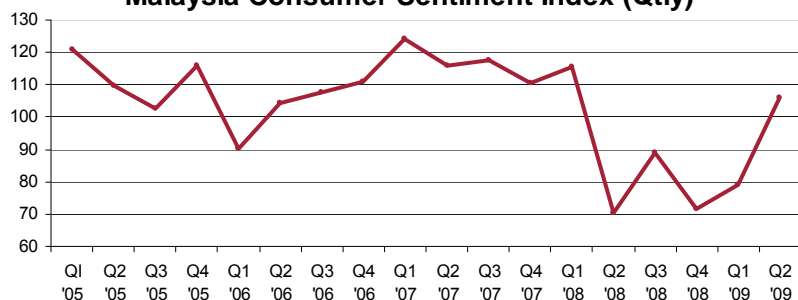
Malaysia GWP (Non-Life)



Total Vehicle Sales (Units '000)



Malaysia Consumer Sentiment Index (Qtly)



Political & Economic

- Increase in political risk in past 12 months but stable
- GFC, slowing exports and higher unemployment have seen GDP growth slow, causing consumer sentiment to decline
- Vehicle sales have fallen sharply in 2009 and together with tightening of credit terms and reduced lending has impacted the auto insurance market

Regulatory & Industry

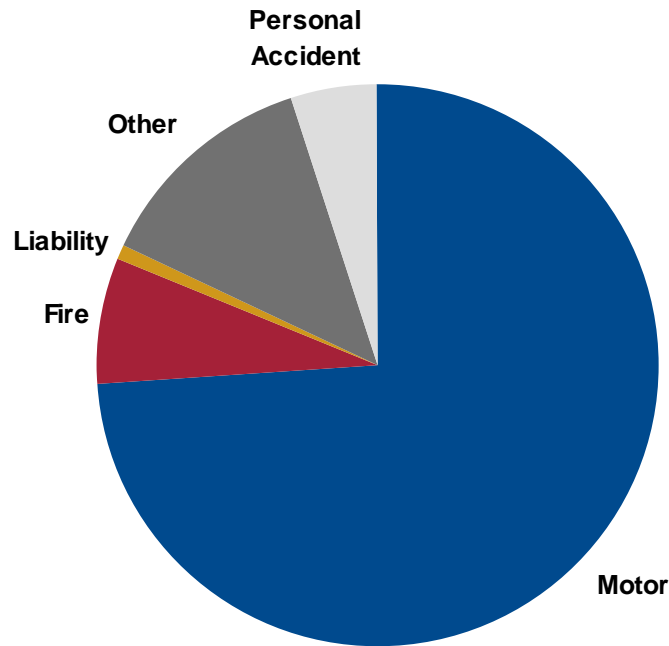
- Introduction of RBC by Bank Negara in January 2009 will drive rationalisation in the Malaysian insurance market
- Financial regulator continues to liberalise financial sector, e.g. increased maximum foreign ownership level from 49% to 70% and loosening of requirement for 30% equity to be owned by Malays
- Confidence in insurance sector and regulator is high
- Steady consolidation of insurers will continue

MALAYSIA: BUSINESS SNAPSHOT

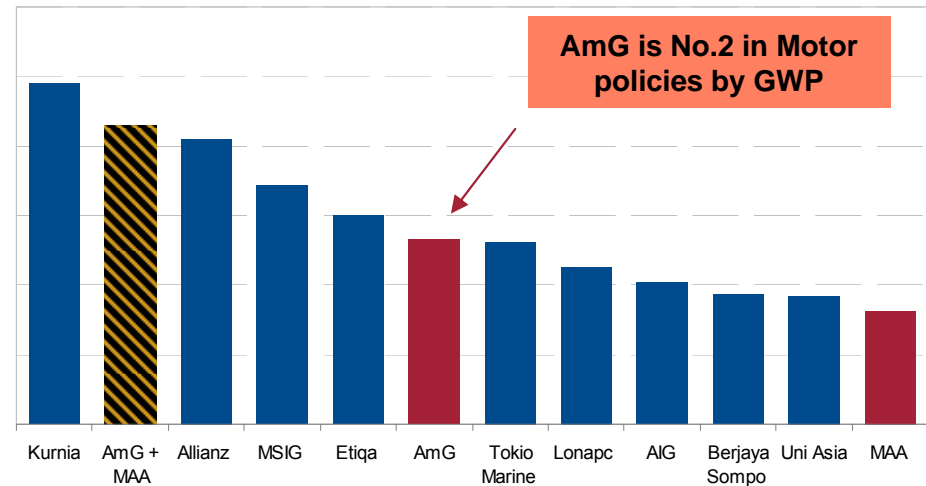
LARGELY MOTOR FOCUS, WITH ESTABLISHED DISTRIBUTION



AmG – motor insurer



Malaysia GI Ranking (by GWP) 2008



Distribution and Market

- Number of Branches – 23
- Number of Agents – 3,369
- Market Position – 2nd in Motor 9.0%, 5th in Total 5.3%

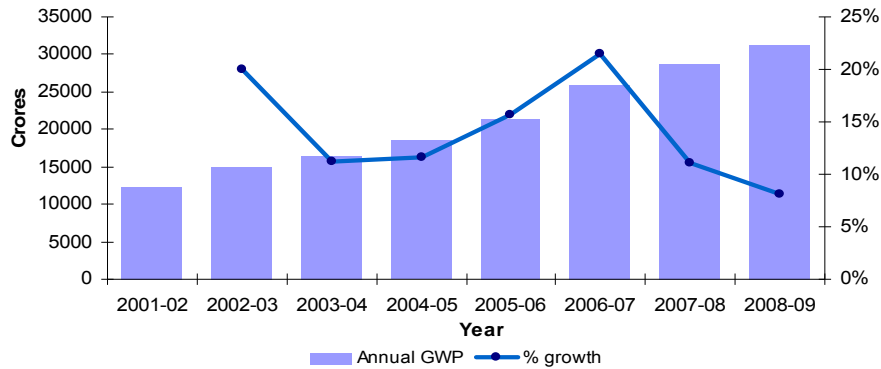
- AmBank information
 - Number of branches = 187 (4th most branches for Malaysian banks)
 - Retail Banking customer base – 5.62 million

Competitive Advantage – AmBank distribution – especially auto finance, strong agency force, low cost operating model

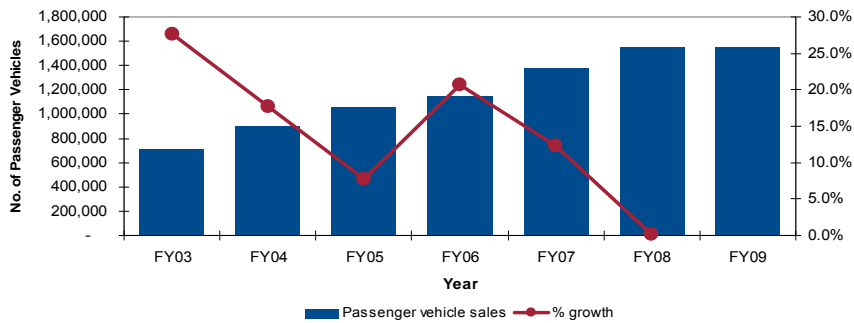
INDIA: MARKET ENVIRONMENT

GDP GROWTH EXPECTED TO RECOVER TO 9-10%

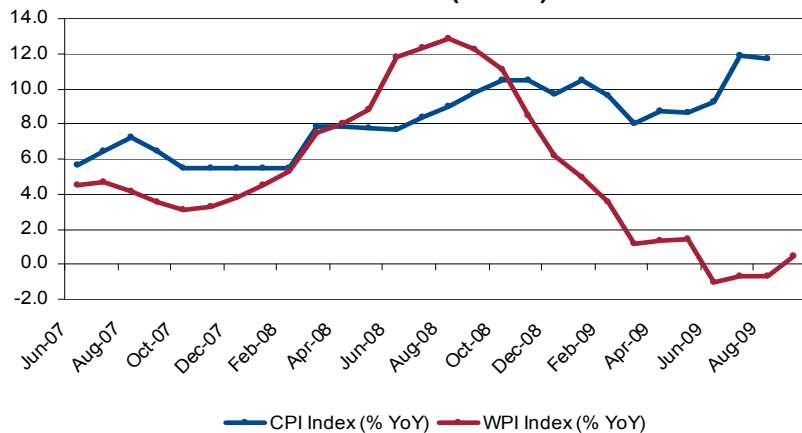
India General Insurance GWP & growth



Passenger Vehicle Sales trends



India - Inflation (% YoY)



Political & Economic

- Incumbent government re-elected in May 2009 - enhances the likelihood of economic reform
- Likely introduction of Insurance Amendment Bill, raising foreign ownership limit from 26% to 49%

Regulatory & Industry

- Standard tariff wordings remain - product development restricted to additional covers on existing products rather than new products
- General insurance market growth of 9.1% in year to 31 March 2009 - forecast to grow by 15-20% per annum over next decade
- Private company profitability declined in the year ended 31 March 2009 as a result of price detariffication and heavy discounting in the market
- Increased focus on underwriting and profitability with players shedding poor risks since April 2009

INDIA: STATE BANK OF INDIA JOINT VENTURE

KEY REGULATORY APPROVALS HAVE BEEN OBTAINED



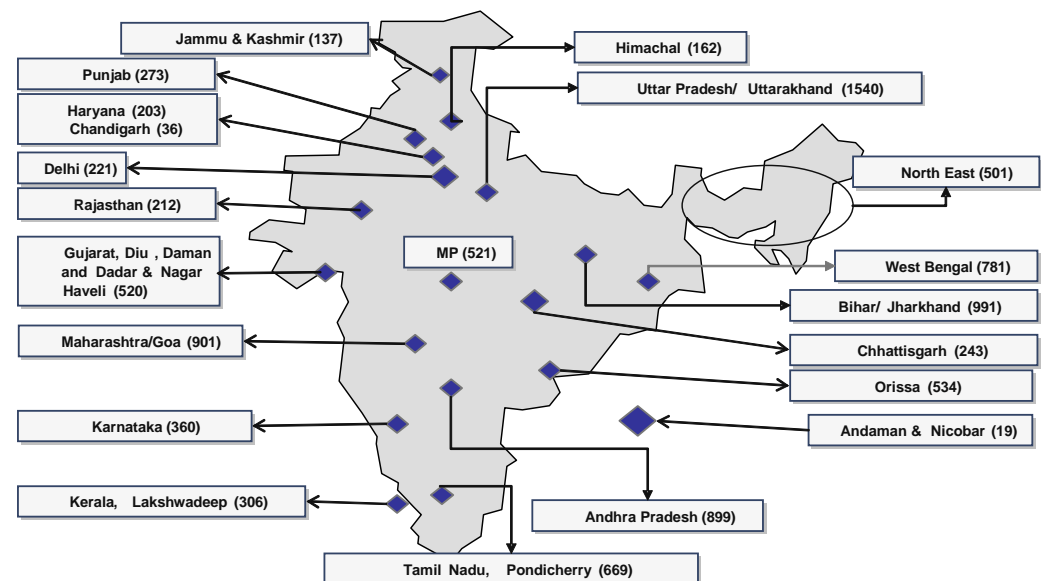
SBI General Insurance

- Joint venture signed November 2008
- All Reserve Bank of India approvals have been obtained
- R1 and R2 approvals from the insurance regulator, IRDA, have been obtained
- Completion expected in November when IAG will invest 5.4bn Rupees (approx. A\$130m) for a 26% interest
- IAG has an option to dial up to 49% subject to conditions including a change in regulatory foreign investment limit
- JV's key competitive advantages are SBI branch distribution channel, SBI brand and SBI customer base
- Joint venture is expected to commence operations in first half calendar 2010

State Bank of India

- Largest commercial bank in India
- SBI and six associate banks have over 16,000 branches and over 145 million customers
- SBI has a successful track record of joint ventures: SBI Life, SBI Credit Cards, SBI Mutual Funds, SBI Pension Funds

State Bank of India branch network



INDIA: STATE BANK OF INDIA JOINT VENTURE ON TRACK TO COMMENCE FIRST HALF CALENDAR 2010



ASIA

People

- IAG – project team of 9 full time and 2 part time specialists in distribution, claims, underwriting, actuarial, reinsurance and IT
- SBI – senior managers from the bank in regulatory, finance, accounting, distribution, premises and HR areas
- Recruitment progressed in all areas
- IAG has appointed key roles: Deputy CEO, plus senior underwriting and claims roles
- IAG will have two Board positions

Distribution

- JV will initially focus on the SBI bancassurance channel for distribution
- Initial main branches will be in Mumbai, Hyderabad, Kolkatta, Bangalore, New Delhi, Ahmedabad, and Chennai
- Agent and broker channels will be targeted

Systems

- Selection of a general insurance IT solution in process of finalisation
- Systems implementation expected to commence in November 2009
- Phased implementation to allow business commencement in first half 2010

Products

- Product filings from November 2009
- In initial 12 months the JV will concentrate on corporate and SME markets, while slowly building high volume personal lines

Financial

- Target of 10% market share by 2019 will place the JV in top 3 by market share
- After initial capital contribution, no further capital calls expected until year 4

CHINA: BUSINESS DEVELOPMENT UPDATE

A CAUTIOUS APPROACH TO ENTRY OPTION



- **Stable market fundamentals**

- First calendar half 2009 GWP growth of 19% and forecast to grow at 15-20% over next 5 years
- CIRC improving industry supervision, including stress testing and strengthening solvency positions, widening permitted investments, tightening discounting and commission practices

- **Discussions with several potential partners – nothing imminent**

- Focus on companies with distribution footprints, seeking capability transfer
- Alignment on profit and growth expectations is critical
- Investment capped at 19.9%, further near-term liberalisation highly unlikely

- **Challenges to concluding a deal**

- Tendency to rely on equity market to prop up poor underwriting practices
- Competing with abundant capital and less-demanding domestic investors
- Growth versus profitability expectations of management and shareholders
- Shareholders continue to hold high valuation expectations

OUTLOOK

FURTHER OPERATIONAL IMPROVEMENT AND CONTINUED BUSINESS DEVELOPMENT



ASIA

Operational performance

- Further improvement in underlying performance of existing businesses:
 - Modest GWP growth in Thailand and Malaysia
 - Further improvement in NZI, Safety and AmG underwriting performance
 - Sustainable profitability of CAA
 - Recovery in investment income

Business development

- **India** - SBI joint venture to open first half calendar 2010
- **Malaysia** - Increase market share of AmG through acquisition of MAA
- **Thailand** - Continue restructuring of NZI to achieve a sustainable profitable position, and pursue further synergy options with Safety
- **China** - Pursue general insurance JV in China through identification, negotiation and implementation of opportunity with an appropriate partner
- **Horizon 2** - Identify and prioritise key markets for the next phase of development



THE BUZZ

New on-line business

JACKI JOHNSON

CHIEF EXECUTIVE OFFICER

MARKET ENVIRONMENT

A FAST-CHANGING ENVIRONMENT

1



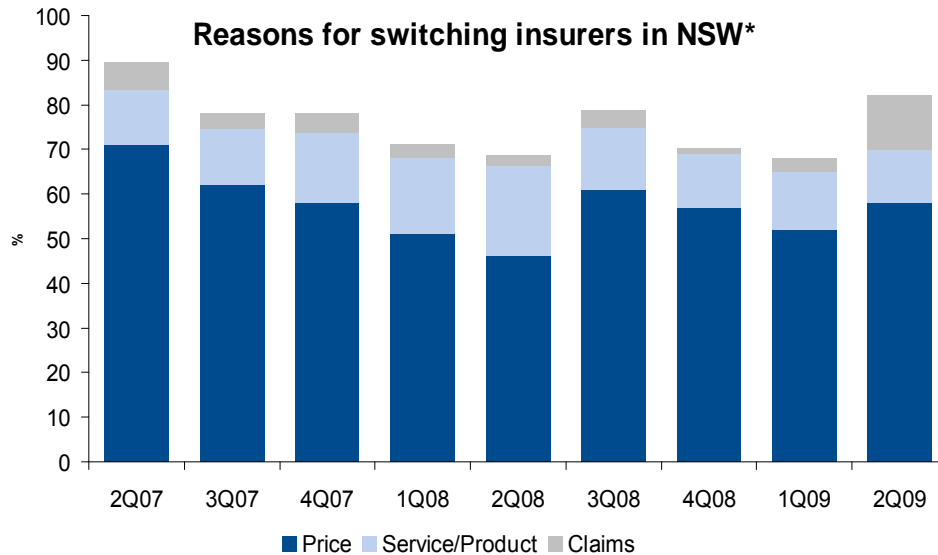
Changing consumer behaviour and demographic

2

Switching behaviour changing

3

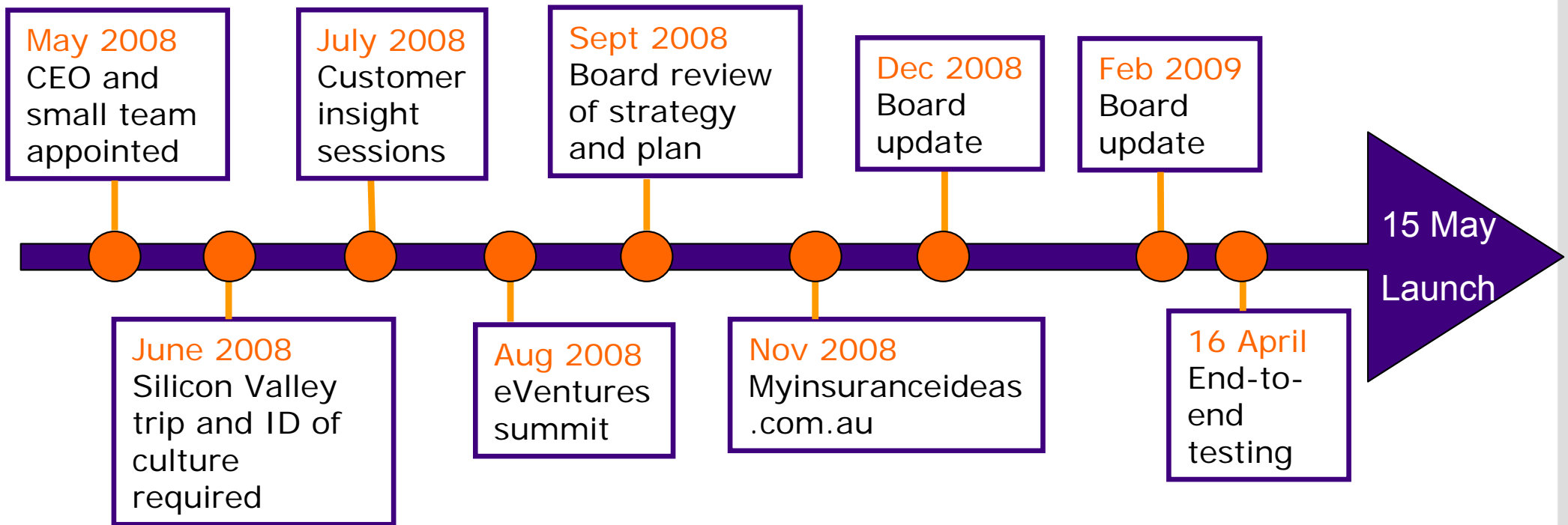
Competitor activity





CREATING THE BUZZ

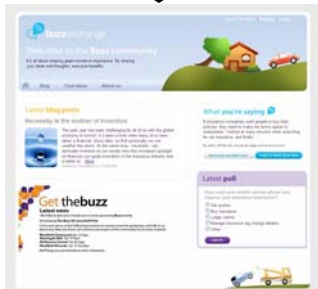
BROUGHT TO MARKET INSIDE 12 MONTHS





BUSINESS OVERVIEW

LOW COST ON-LINE BUSINESS, TARGETING 25-54 YR OLDS



my car's agreed value

What would you like to insure your car for?

Your range is indicated below and should include the value of your modifications

32000 35700 37400 39100 40800 42500 44200 45900 47600 49300 51000

my basic excess

A higher excess will reduce your premium

600 800 1000 1200 1400 1600 1800 2000

my cover

What do you want cover for?
Select only what you want

INCLUDED	<input checked="" type="checkbox"/> YES	<input checked="" type="checkbox"/> YES	<input checked="" type="checkbox"/> YES	<input type="checkbox"/> NO	<input type="checkbox"/> NO
\$293.89	\$276.21	\$73.87	\$106.59	\$83.60	\$50.04
Third Party Property Damage	Collision	Fire & Theft	Storm & Water Damage	Excess Free Windscreen Option	Hire Car Option

Please note:
• Storm & Water Damage is available when you choose collision



- On-line lodgement & tracking
- Windscreen repair
- Strong testimonials
- Good referral rate
- Low cancellations



BUSINESS OVERVIEW

EASE, TRANSPARENCY, SPEED

live chat

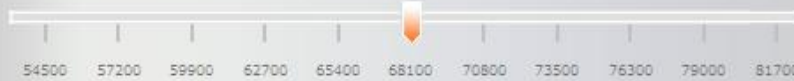
If you have a general enquiry or need help with anything regarding your policy, you can talk with a member of our Buzz Assist team here.

start live chat

my car's agreed value

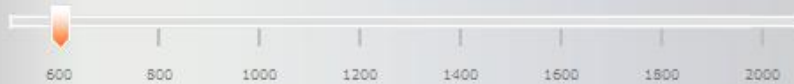
What would you like to insure your car for?

Your range is indicated below and should include the value of your modifications



my basic excess

A higher excess will reduce your premium



my cover

What do you want cover for?
Select only what you want

INCLUDED	<input checked="" type="checkbox"/> YES	<input checked="" type="checkbox"/> YES	<input checked="" type="checkbox"/> YES	<input type="checkbox"/> NO	<input type="checkbox"/> NO
\$922.89	\$785.19	\$524.57	\$161.89	\$122.02	\$116.66
Third Party Property Damage	Collision	Fire & Theft	Storm & Water Damage	Excess Free Windscreen Option	Hire Car Option

Please note:

- Storm & Water Damage is available when you choose collision
- The options are available when you choose collision

ok

my quote

\$2,394.54

This is your current quote for 12 months cover based on a discounted one off payment.

email quote

ask a question

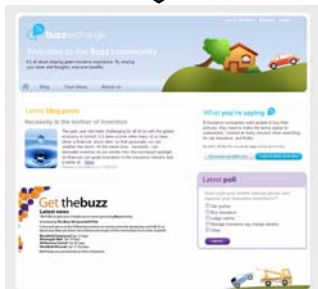
- How do I find out what traffic fines I have had if I cannot remember?
- What are considered modifications?
- Do you insure young drivers?

BUSINESS OVERVIEW

LOW COST ON-LINE BUSINESS, TARGETING 25-54 YR OLDS



THE BUZZ



my car's agreed value

What would you like to insure your car for?

Your range is indicated below and should include the value of your modifications

34000 35700 37400 39100 40800 42500 44200 45900 47600 49300 51000

my basic excess

A higher excess will reduce your premium

600 800 1000 1200 1400 1600 1800 2000

my cover

What do you want cover for?
Select only what you want

INCLUDED	<input checked="" type="checkbox"/> YES	<input checked="" type="checkbox"/> YES	<input checked="" type="checkbox"/> YES	<input type="checkbox"/> NO	<input type="checkbox"/> NO
\$293.89	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Third Party Property Damage	Collision	Fire & Theft	Storm & Water Damage	Excess Free Windscreen Option	Hire Car Option

Please note:
• Storm & Water Damage is available when you choose collision



- On-line lodgement & tracking
- Windscreen repair
- Strong testimonials
- Good referral rate
- Low cancellations

COMPETITIVE ADVANTAGE

DIFFERENTIATION AND LOW COST, TECHNOLOGY-ENABLED



THE BUZZ

Differentiation

- Customer led design
- Culture of innovation, governance & focus
- Agility

Low Cost

- Scalable
- Self-serve
- Targeted marketing
- Customers as advocates

STRATEGIC PRIORITIES

ESTABLISH BRAND AND CONTINUE TO INNOVATE



THE BUZZ

- Brand awareness and driving the right traffic to the site
- Customer engagement in ongoing developments
- Customers as advocates and strongest referral sources
- Underwriting and claims management discipline
- Social media strategy
- Respond to emerging technologies and consumer and market changes

PROGRESS AGAINST STRATEGY

HARD LAUNCH IN SEPTEMBER 2009



THE BUZZ

Soft Launch

- Site optimisation
- Paid search
- Banner ads – testing proposition
- Building our “tribe”
- Transitioning our community

Hard Launch

- Cinema ads
- Outdoor ads
- Launch of 60 seconds competition
- PR activity
- Social media
- Shopping centre pit stops

MEASURES FOR SUCCESS

ROI FROM GROWTH WITH DISCIPLINED UNDERWRITING



THE BUZZ

- Lead indicators:
 - Traffic is in target demographic and relevant for time of purchase (low bounce rate)
 - Conversion rate – full policy to purchase
 - Customer advocacy – referral rate and retention
 - Low expense rate – claims and underwriting expense
 - Technology – stability, availability, security
- Longer term:
 - Appropriate return on risk-based capital

OUTLOOK

DELIVER ON STRATEGIC BENEFITS



THE BUZZ

- **Growth of internet transactors will continue and will drive customer expectations of general insurers**
- **The Buzz expects to:**
 - Provide a positive Return on Investment by year 3
 - Secure 1% of motor GWP by targeting specific segments
 - Continue to evolve the proposition as technologies develop and through customer engagement
 - Accelerate learnings across the Group

8 STRATEGIC AND CULTURAL ALIGNMENT

LEONA MURPHY
GROUP EXECUTIVE, CORPORATE OFFICE

GROUP STRATEGY & PRIORITIES

A CLEAR DIRECTION

OUR STRATEGY

Deliver superior performance by actively managing our portfolio and driving operational performance and execution

OUR PRIORITIES

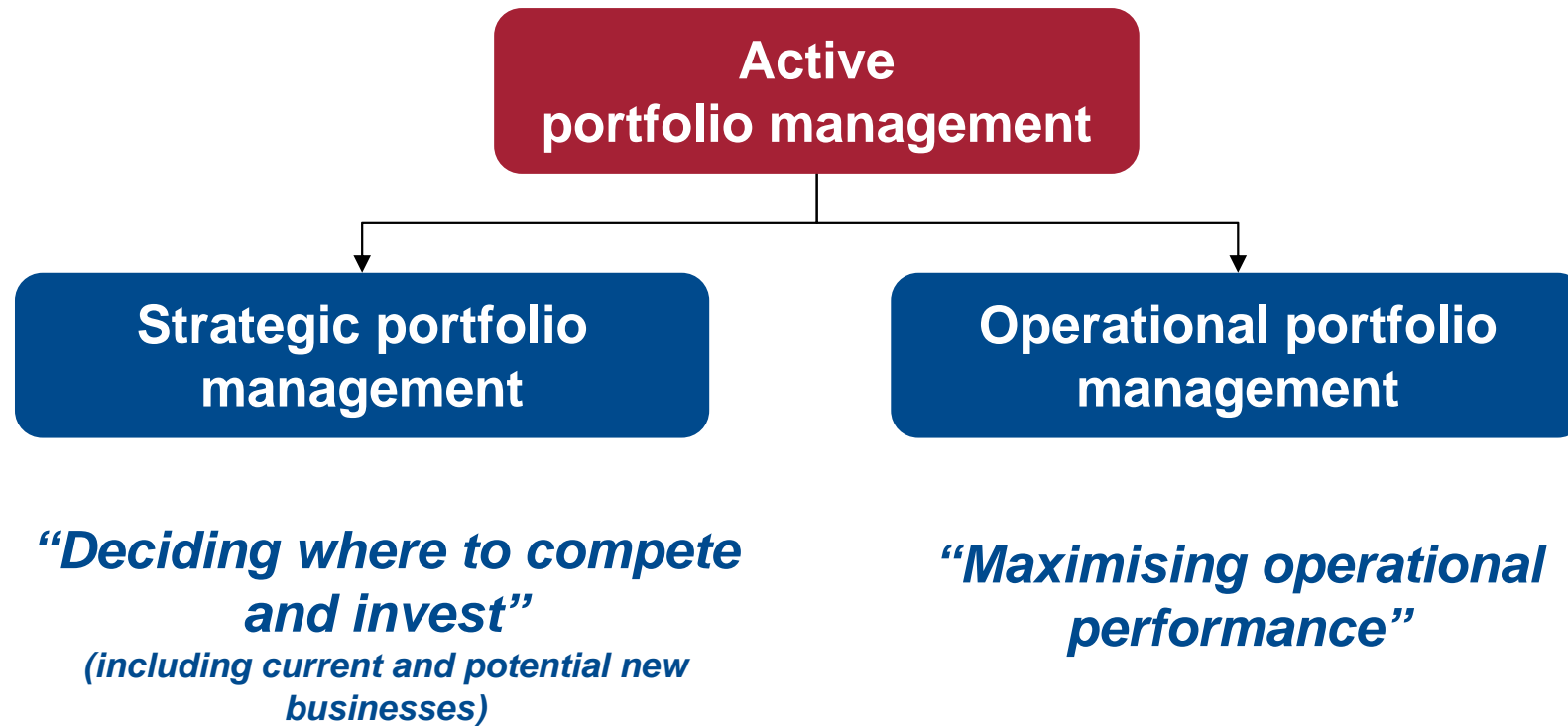
- Improve our performance in Australia and New Zealand
- Pursue selective general insurance growth opportunities
- Drive operational performance and accountability

OUR TARGETS

- Over the cycle:
- Top quartile TSR
 - ROE > 1.5x WACC

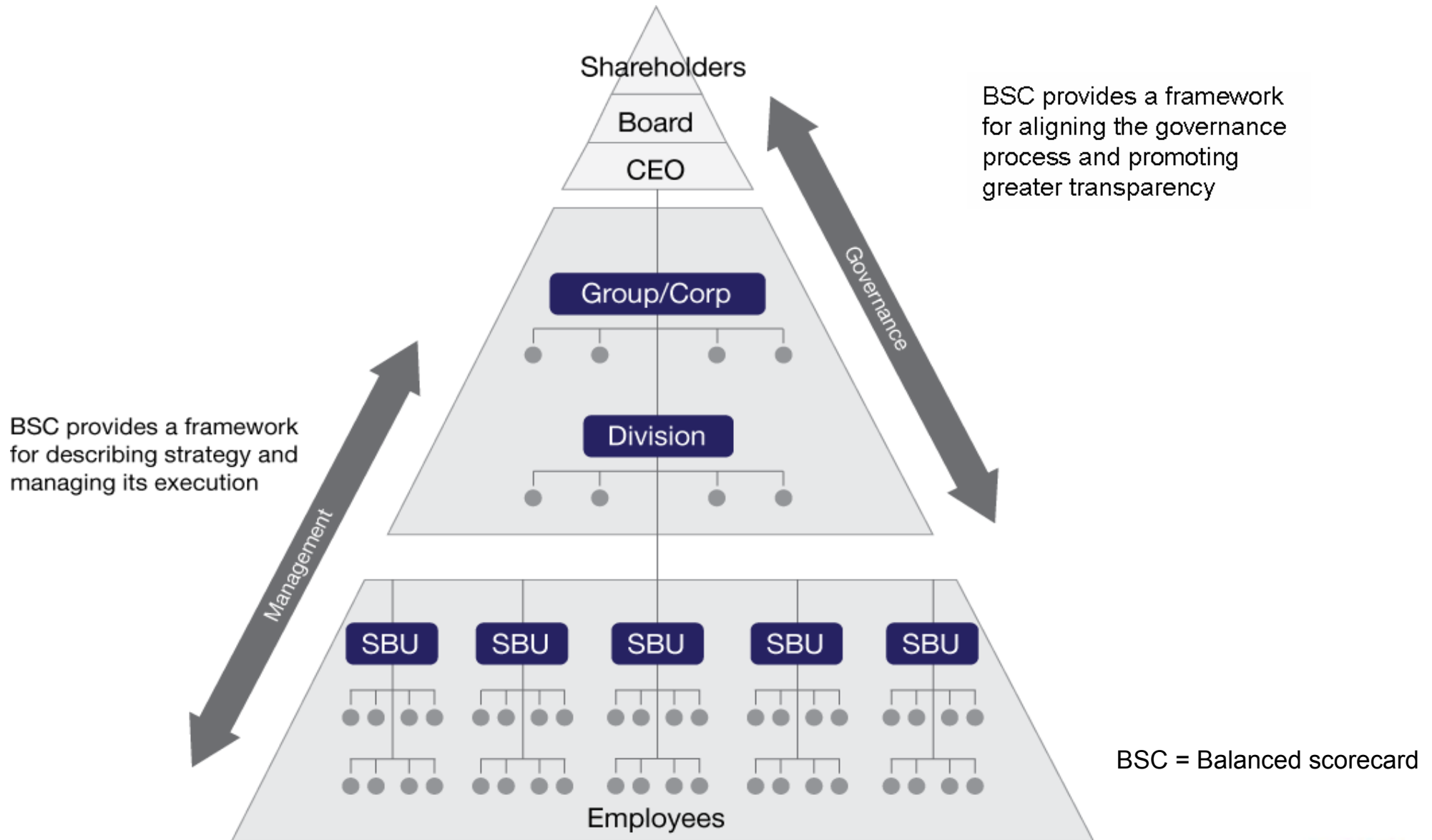
ACTIVE PORTFOLIO MANAGEMENT

STRATEGIC AND OPERATIONAL



ALIGNMENT AT IAG

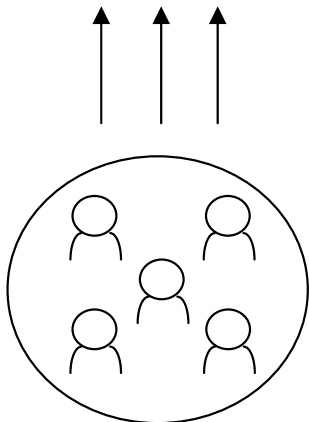
GOVERNANCE AND STRATEGY OVERSIGHT



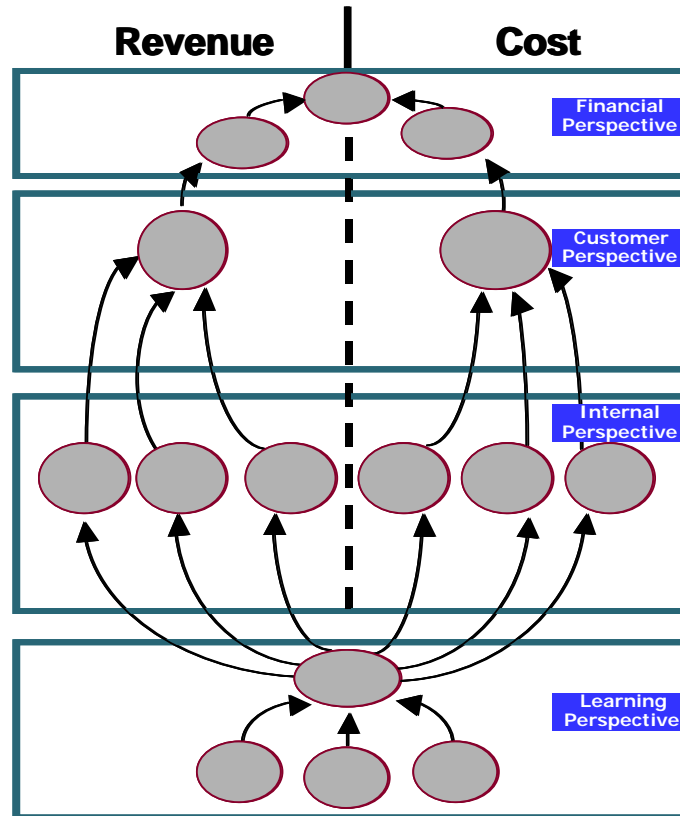
ACHIEVING STRATEGIC ALIGNMENT

THE TOOLS AND DISCIPLINE THAT MAKE IT HAPPEN

Strategy Development / Refinement



Strategy Map

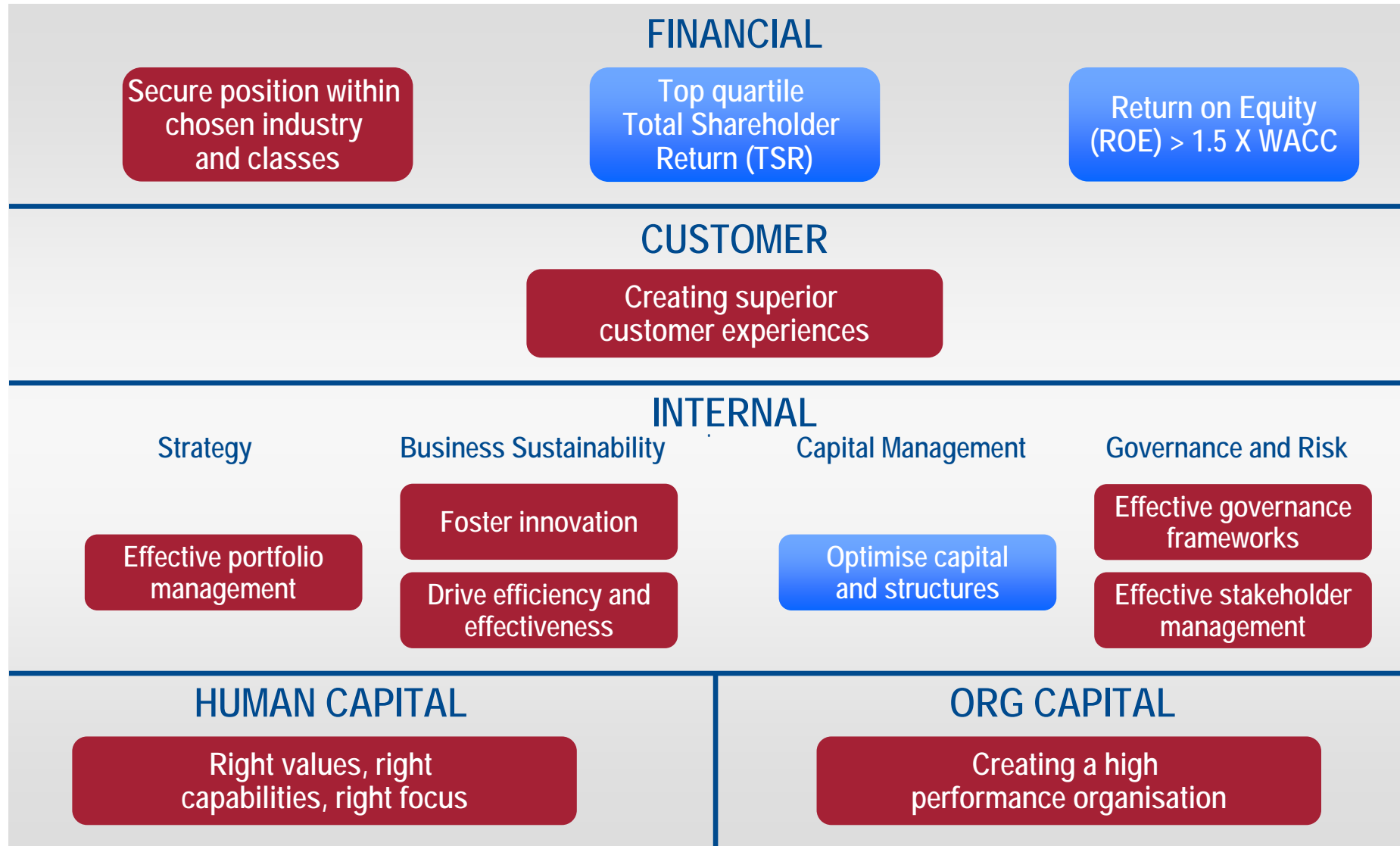


Target Setting (BSC)

Strategic Objectives	Measures	Targets	Initiatives
<ul style="list-style-type: none"> F1 - Improve returns F2 - Broaden revenue mix F3 - Reduce cost structure 	<ul style="list-style-type: none"> Return on investment Revenue growth Deposit service cost change 	<ul style="list-style-type: none"> +10% -5% 	<ul style="list-style-type: none"> Finance 2000 Global re-engineers
<ul style="list-style-type: none"> C1 - Increase customer satisfaction with our products & people C2 - Increase satisfaction "after the sale" 	<ul style="list-style-type: none"> Share of segment Customer retention 	<ul style="list-style-type: none"> 20% 95% 	<ul style="list-style-type: none"> Sale & marketing re-organisation and training
<ul style="list-style-type: none"> 11 - Understand our customers 12 - Create innovative products 13 - Cross sell products 14 - Shift customers to cost effective channels 15 - Minimize operational problems 16 - Responsive service 	<ul style="list-style-type: none"> New product revenue Cross sell ratio Channel mix change Service error rate Request fulfilment time 	<ul style="list-style-type: none"> 10% 9% TBD <1% <2 days 	<ul style="list-style-type: none"> QFD project Customer database Global service training program
<ul style="list-style-type: none"> L1 - Develop strategic skills L2 - Provide strategic info; L3 - Align personal goals 	<ul style="list-style-type: none"> Skills coverage Employee satisfaction Revenue per employee 	<ul style="list-style-type: none"> 100% 80% 	<ul style="list-style-type: none"> HRMS Knowledge Management system

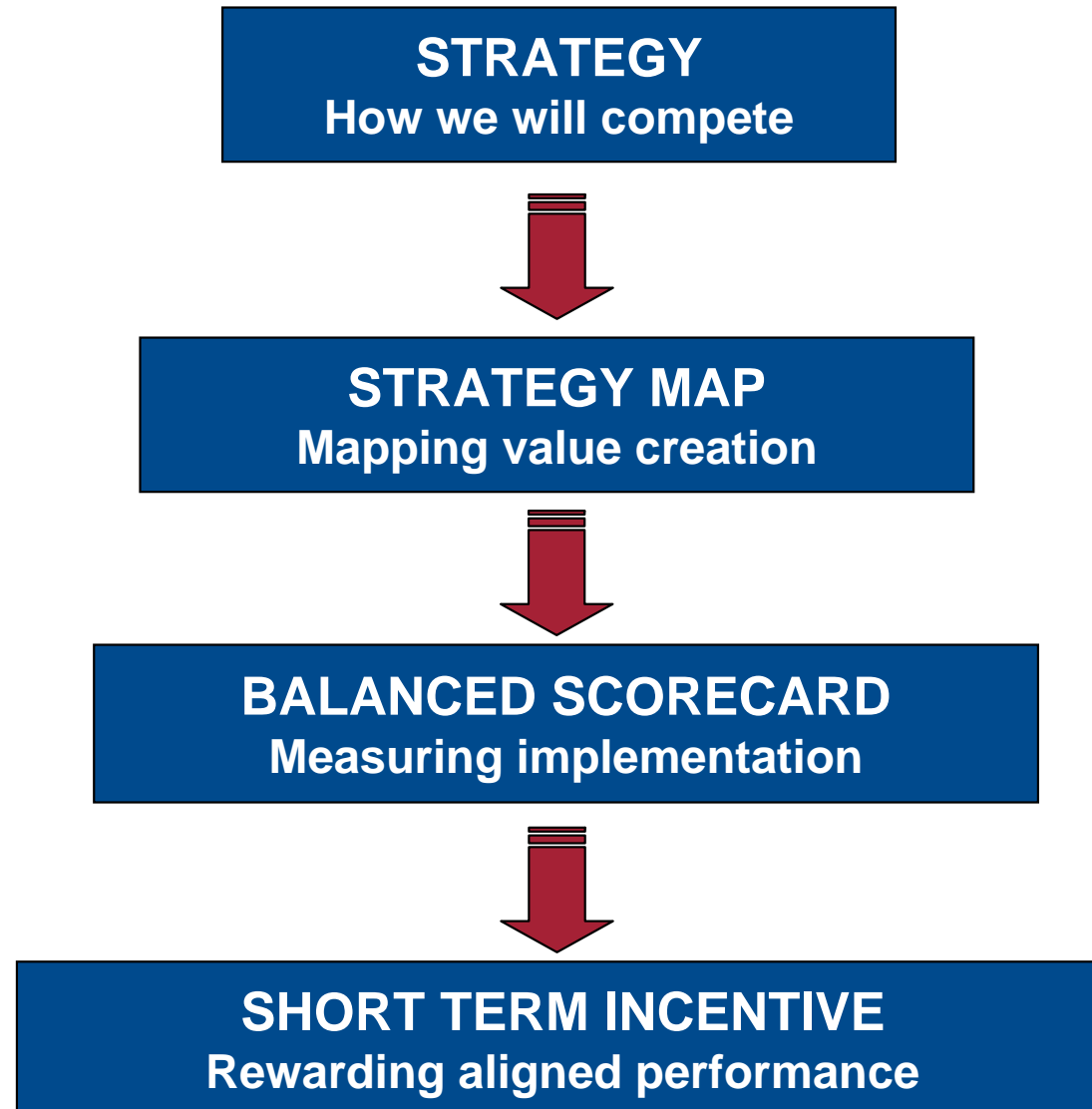
GROUP STRATEGY MAP FY10

THE LINK BETWEEN STRATEGY AND TARGETS



ACHIEVING STRATEGIC ALIGNMENT

RIGHT THROUGH FROM PERFORMANCE TO REWARD



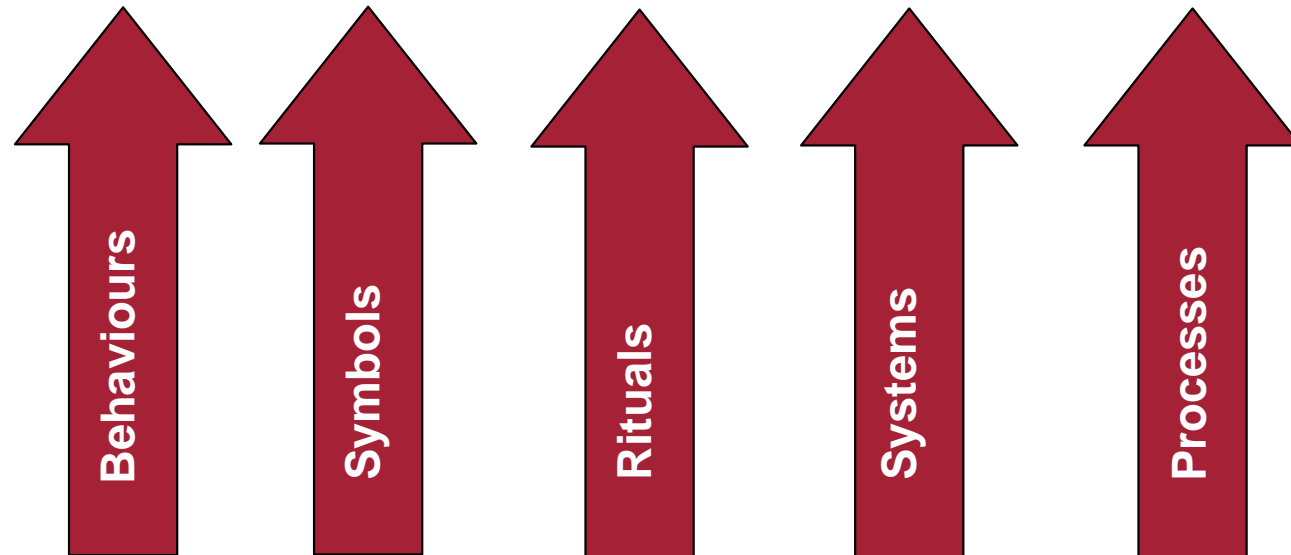
ACHIEVING CULTURAL ALIGNMENT

EMBEDDING WHAT WE VALUE

Division specific



Division specific



Consistent across the Group

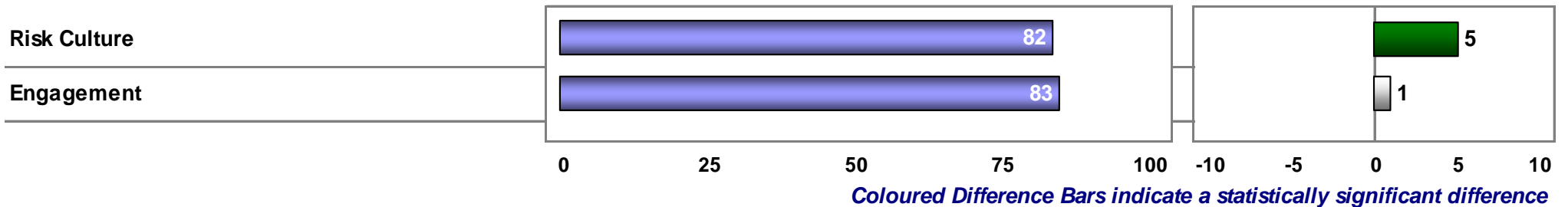


MEASURING THE OUTCOMES

HIGH EMPLOYEE ENGAGEMENT

IAG overall vs. Towers Watson's Global High Performance Norm

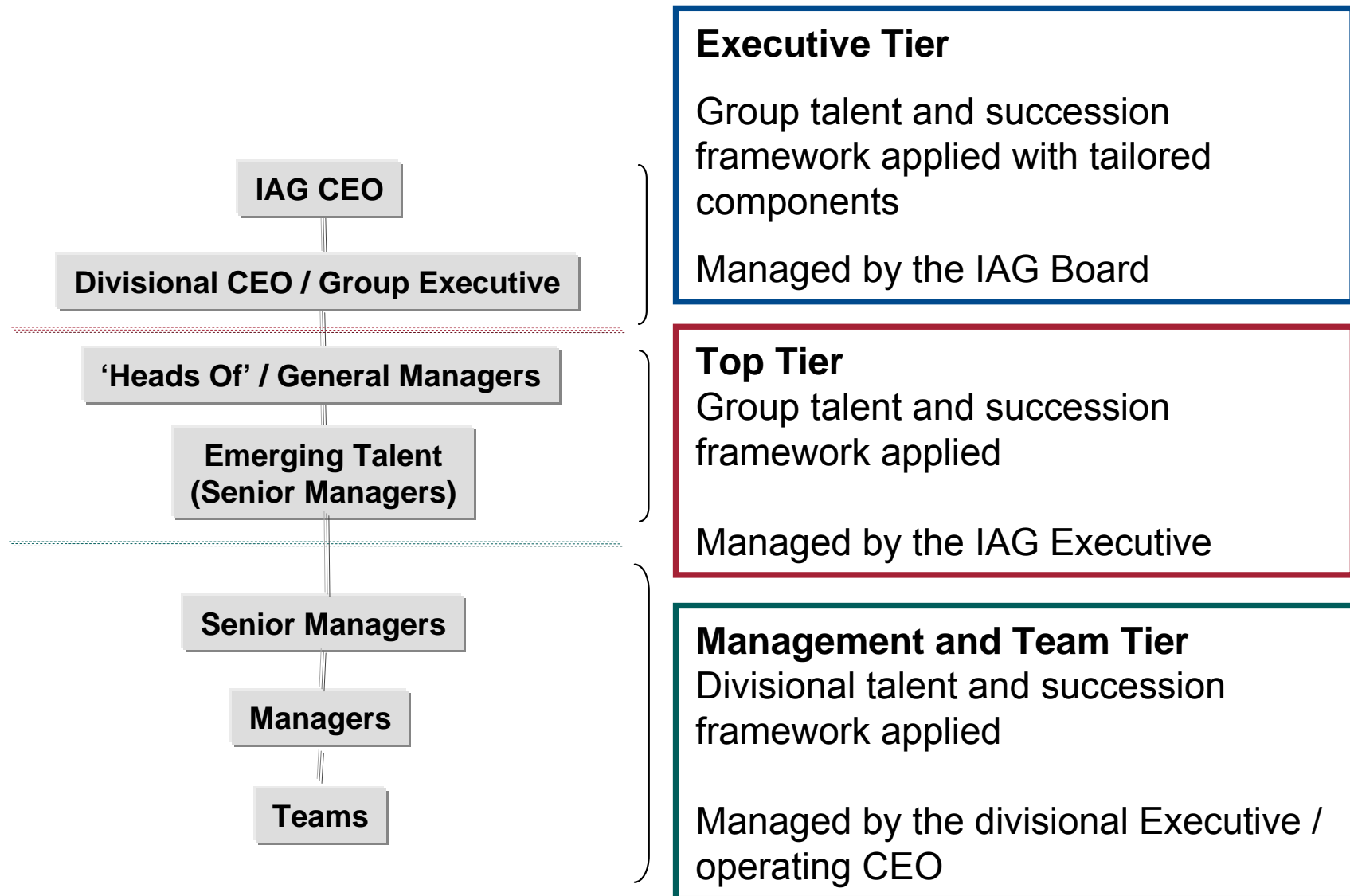
Category Scores Ranked By Difference From Benchmark



Overall Group employee engagement score of 84%

ALIGNING OUR LEADERS

TALENT AND SUCCESSION MANAGEMENT



ALIGNING OUR LEADERS

TALENT AND SUCCESSION MANAGEMENT



DRIVING OUR LONG TERM SUCCESS

BUSINESS SUSTAINABILITY



9

CAPITAL, REINSURANCE & INVESTMENTS

NICK HAWKINS

CHIEF FINANCIAL OFFICER

CAPITAL POSITION

RISK-BASED CAPITAL ALLOCATION METHODOLOGY

- **Long term target range 1.45 – 1.50 times MCR**
 - Based on internally determined capital requirements
 - Current group requirement approximately \$3bn
- **Current position (30 June 2009) 1.79 times MCR**
 - Approximately 20% overweight
- **Risk-based capital approach central to allocation methodology**
 - Fully rolled out across Group in FY10

ROE TARGET OF >1.5X WACC

A 'THROUGH THE CYCLE' TARGET

- **Cash ROE target of at least 1.5 times WACC through the cycle**
 - Based on net profit after tax, adjusted for amortisation of intangibles and unusual items
- **Equates to:**
 - An ROE of at least 15%, based on an estimated WACC of c.10%
 - An insurance margin of 12-13% for existing business mix

CAPITAL MIX

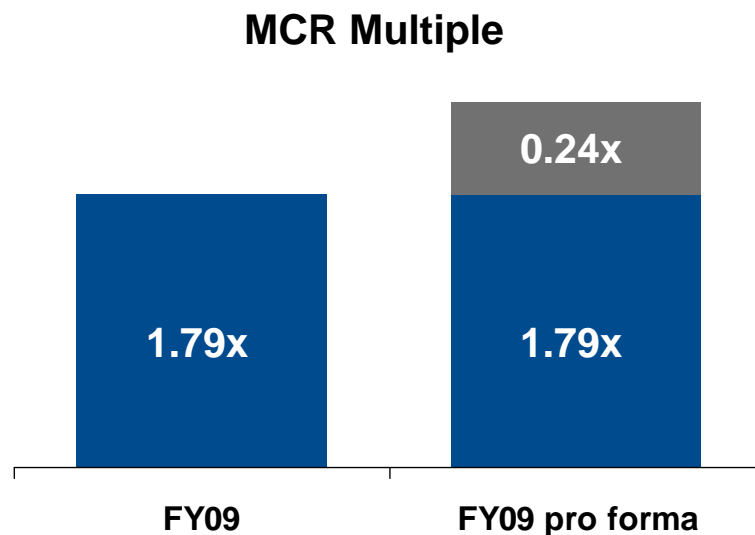
REVISED TARGET MIX BASED ON NET TANGIBLE EQUITY

- **Revised capital mix target introduced from FY09**
 - Based on net tangible equity (i.e. after deduction of goodwill and intangibles)
 - Accords with approach taken by both the regulator and the rating agencies
- **Targeted mix**
 - Ordinary equity (net of goodwill and intangibles) 60-70%
 - Debt and hybrids 30-40%
- **Group equity position at 30 June 2009 marginally above target, with debt to total tangible capitalisation of 29.2%**
 - Influenced by capital management initiatives in 2H09 (\$534m capital raising, subordinated debt buyback)

ONGOING CAPITAL MANAGEMENT

RES PROPOSAL WILL FURTHER STRENGTHEN CAPITAL POSITION

- **Proposal to amend RES into on-balance sheet Tier 1 instrument**
 - Strengthens capital position – pro forma MCR multiple of 2.03
 - Pro forma debt to total tangible capitalisation rises to approximately 39%
 - Provides flexibility around future funding
 - Marginal additional cost to Group



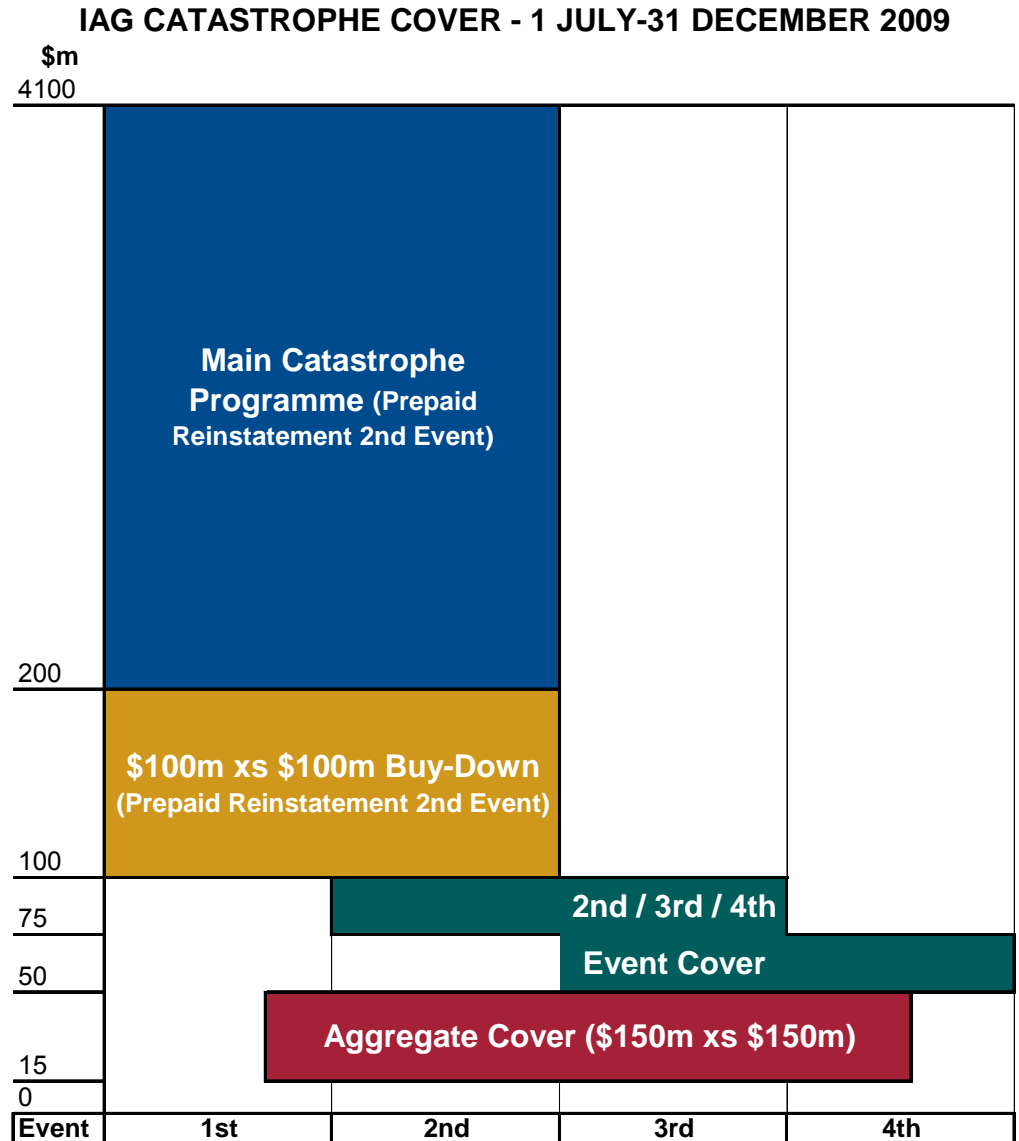
RES holder perspective:

- Increased margin over bank bill rate to 4% p.a. (up from 1.2% p.a.)
- Reset opportunity in 2019
- Requires approval from 75% of voting RES holders
- Meeting scheduled for 9 December 2009

REINSURANCE STRATEGY

KEY ELEMENT OF CAPITAL MANAGEMENT

- High quality and diversified counterparty risk profile
- Integrated catastrophe programme with three key elements
- Next major renewals at 1 January 2010
- Expectation of modest rate increases



RESERVING APPROACH

REDUCED RELEASE OUTLOOK

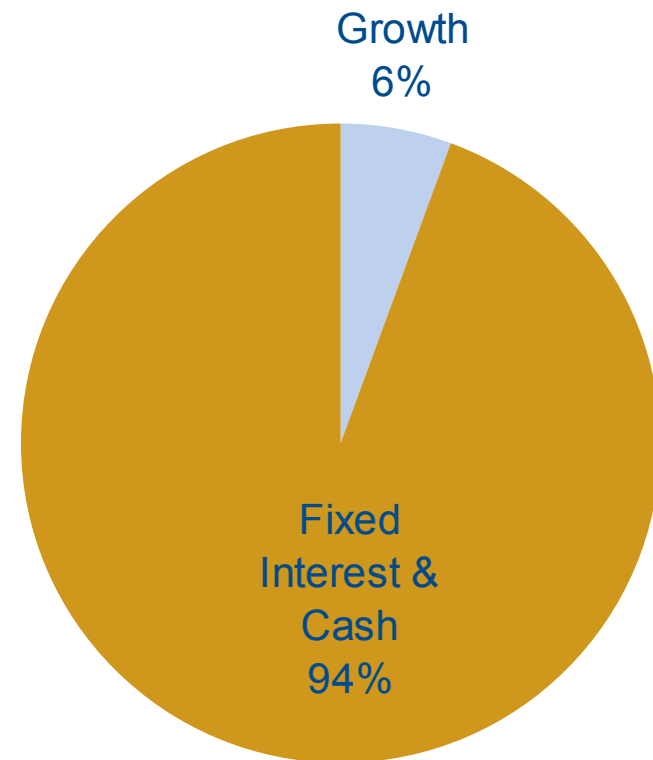
- **Adequacy of reserving maintained**
 - 90% probability of adequacy
 - Bulk of releases in FY09 from central estimate
 - Increase in risk margin to 19.1% in FY09 (from 18.7%) driven by business mix
- **Level of reserve releases continuing to diminish**
 - Residual effect of tort law reform
 - ‘Normal’ level of future reserve releases expected to fall in range of 0.5-1.0% of NEP

INVESTMENT PORTFOLIO

CONSERVATIVE ASSET MIX

- **Two distinct categories, with differing strategies**
- **Technical reserves (c.\$8bn)**
 - Backing outstanding claims and unearned premium liabilities
 - 100% fixed interest and cash
 - Duration matched – c.2.8 years
- **Shareholders' funds (c.\$2.6bn)**
 - Mix of growth (equities) and fixed interest assets
- **Conservative overall asset mix**
 - 94% in fixed interest and cash at 30 June 2009
 - No non-performing assets

Group Investment Asset Allocation - \$10.6bn



(At 30 June 2009)

INVESTMENT STRATEGIES

INCREASING GROWTH ASSETS WITHIN SHAREHOLDERS' FUNDS

- **Shareholders' funds' exposure to growth assets had fallen to 22% by 30 June 2009**
 - No rebalancing in face of equity market falls
 - Capital raising proceeds invested entirely in fixed interest
- **Long term target of 30-50% of growth assets within shareholders' funds**
 - Based on internal modelling
 - Intent to lift exposure to within target range over next 12-18 months
 - Lower end of target range at 30 September 2009

10 GROUP OUTLOOK

MIKE WILKINS

MANAGING DIRECTOR &
CHIEF EXECUTIVE OFFICER

GROUP STRATEGY AND PRIORITIES

A CLEAR DIRECTION

OUR STRATEGY

Deliver superior performance by actively managing our portfolio and driving operational performance and execution

OUR PRIORITIES

- Improve our performance in Australia and New Zealand
- Pursue selective general insurance growth opportunities
- Drive operational performance and accountability

OUR TARGETS

Over the cycle:

- Top quartile TSR
- ROE > 1.5x WACC



















IMPROVEMENT CONTINUES IN 1Q

ON TRACK FOR FY10 GUIDANCE

- **Improvement continues in 1Q driven by:**
 - Higher premiums, including earned effect of rate rises implemented in FY09
 - Full benefit of operating efficiencies in Australia and ongoing cost control across the Group
 - Improved performance from CGU and New Zealand
 - Reduced exposure to UK private motor
 - Narrowing credit spreads
- **On track to deliver FY10 guidance**
 - If 1Q conditions continue, expect an insurance margin at upper end of 9-11%*
 - Underlying GWP growth expected to be within 3-5% guidance
 - Reported GWP growth likely to be affected by exchange rate movements

* Subject to no material movement in foreign exchange rates or investment markets, and natural peril costs within budgeted allowance of \$350m

OUR BUSINESS MODEL AND BRANDS

	DIRECT INSURANCE	INTERMEDIATED INSURANCE	ONLINE INSURANCE		DIRECT INSURANCE		DIRECT INSURANCE		INTERMEDIATED INSURANCE
AUSTRALIA				NEW ZEALAND		ASIA		UNITED KINGDOM	
					INTERMEDIATED INSURANCE				
									
							OTHER		
									

ACTIVE PORTFOLIO MANAGEMENT & GOVERNANCE (CORPORATE OFFICE)

- * RACV is via a distribution relationship and underwriting joint venture with RACV Limited
- ** 49% ownership of AmG Insurance, which is part of AmAssurance
- *** 98% voting rights
- **** RACV has a 30% interest