

NEWS RELEASE

7 MARCH 2011



Presentation by IAG to Citi Australia and New Zealand Investment Conference

Attached is a copy of the presentation to be delivered today by Insurance Australia Group Limited (IAG) Managing Director and CEO, Mr Mike Wilkins, to the Citi Australia and New Zealand Investment Conference in London.

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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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CITI AUSTRALIA AND NEW ZEALAND INVESTMENT CONFERENCE

Mike Wilkins
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London, March 2011

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IMPORTANT INFORMATION

The information in this presentation is an overview and does not contain all information necessary to an investment decision. It should be read in conjunction with IAG's other periodic and continuous disclosure announcements lodged with the Australian Securities Exchange which are available at www.iag.com.au.

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All amounts are presented in Australian dollars unless otherwise stated. 1H10 refers to the six months ended 31 December 2009, 2H10 to the six months ended 30 June 2010 and 1H11 to the six months ended 31 December 2010. FY10 refers to the year ended 30 June 2010 and FY11 to the year ended 30 June 2011.



THE HALF IN SUMMARY

HOME MARKETS CONTINUE TO PERFORM WELL

Insurance margin of 12.7%

- Underlying GWP growth of 3.2%
- Insurance profit of \$470m (1H10: \$488m)
- Net profit of \$161m, after \$150m UK intangibles impairment
- Interim dividend of 9cps, fully franked (1H10: 8.5cps)

Strong performance in Australia and New Zealand

- More than 90% of GWP
- Collective insurance margin of 17.8% (1H10: 14.4%) and underlying GWP growth of 6.3%
- Benefited from reinsurance protections, notably in respect of Christchurch earthquake (Sept 2010)
- CGU turnaround continuing, despite difficult market conditions

Greater than expected loss from UK

- Higher than anticipated bodily injury claim inflation
- Significant protection from adverse development cover for 2009 and prior
- Remediation showing early signs of improvement



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1H11 INSURANCE MARGIN

AUSTRALASIAN IMPROVEMENT OFFSET BY UK



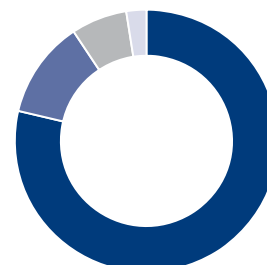
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DIVISIONAL RESULTS

HOME MARKETS ARE PERFORMING WELL

| Insurance Profit (A\$m) and Margin (%) | 1H10 | | 1H11 | |
|--|------------|-------------|------------|-------------|
| | A\$m | % | A\$m | % |
| Australia Direct | 281 | 16.9 | 350 | 19.4 |
| Australia Intermediated | 112 | 10.2 | 154 | 14.3 |
| New Zealand | 68 | 15.0 | 90 | 19.8 |
| Total Australia and New Zealand | 461 | 14.4 | 594 | 17.8 |
| UK | 24 | 6.6 | (121) | (41.3) |
| Asia | 2 | 2.9 | (3) | (3.8) |
| Corporate & Other | 1 | n/a | 0 | n/a |
| Total Insurance Profit / Margin | 488 | 13.4 | 470 | 12.7 |

1H11 GWP REGIONAL MIX

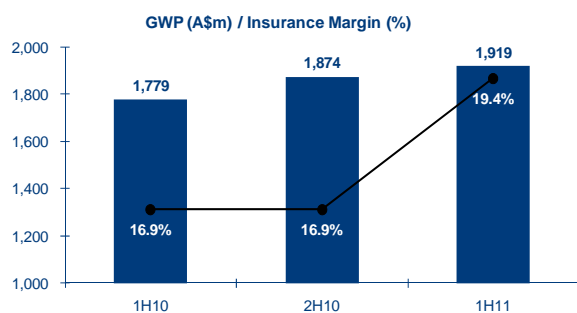


- Australia
- New Zealand
- UK
- Asia



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AUSTRALIA DIRECT PERFORMING WELL



| Insurance Ratios | 1H10 | 2H10 | 1H11 |
|--------------------------|-------|-------|-------|
| Immunised loss ratio | 70.9% | 73.3% | 69.8% |
| Expense ratio | 20.4% | 19.3% | 19.0% |
| Administration ratio | 18.2% | 17.2% | 17.0% |
| Immunised combined ratio | 91.3% | 92.6% | 88.8% |
| Insurance margin | 16.9% | 16.9% | 19.4% |

KEY POINTS

- GWP growth of 7.9%
 - Encouraging volume gains
- Increased insurance margin of 19.4%
 - Improved underwriting and cost disciplines
 - Natural peril claim expense reduced by reinsurance protections
 - Higher reserve releases

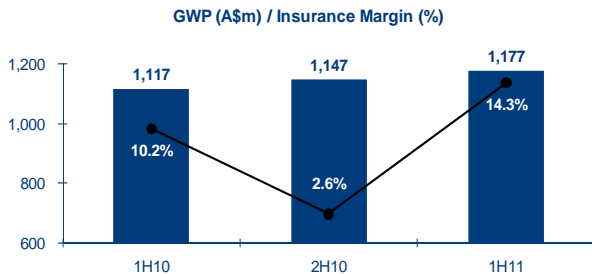
OUTLOOK

- Further GWP growth, but at reduced pace
- Lower 2H11 margin than 1H11
 - Impact of January/February peril events



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AUSTRALIA INTERMEDIATED (CGU) ONGOING IMPROVEMENT IN UNDERLYING PERFORMANCE



| Insurance Ratios | 1H10 | 2H10 | 1H11 |
|--------------------------|-------|--------|-------|
| Immunised loss ratio | 61.3% | 70.4% | 58.5% |
| Expense ratio | 37.2% | 36.7% | 35.7% |
| Commission ratio | 15.4% | 14.6% | 14.8% |
| Administration ratio | 21.8% | 22.1% | 20.9% |
| Immunised combined ratio | 98.5% | 107.1% | 94.2% |
| Insurance margin | 10.2% | 2.6% | 14.3% |

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KEY POINTS

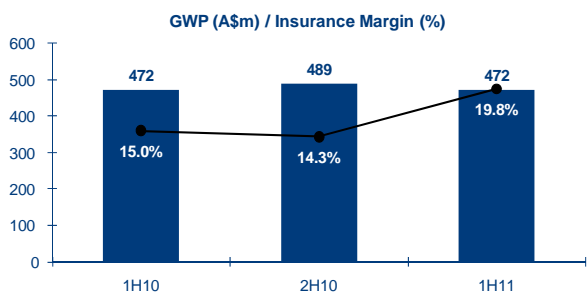
- GWP growth of 5.4%
 - Difficult market conditions
 - Rate increases vary by portfolio
 - Retention remains strong
- Insurance margin of 14.3%
 - Underlying improvement ongoing
 - Natural peril costs lower, assisted by reinsurance protections
 - Higher reserve releases

OUTLOOK

- Continuation of tough market conditions
- Year-on-year underlying improvement
- Lower reported margin in 2H11 (vs. 1H11)



NEW ZEALAND INCREASED REPORTED MARGIN, AIDED BY REINSURANCE PROTECTIONS



| Insurance Ratios | 1H10 | 2H10 | 1H11 |
|----------------------|-------|-------|-------|
| Loss ratio | 55.0% | 55.7% | 52.1% |
| Expense ratio | 31.1% | 32.5% | 29.0% |
| Commission ratio | 12.1% | 12.3% | 11.9% |
| Administration ratio | 19.0% | 20.2% | 17.1% |
| Combined ratio | 86.1% | 88.2% | 81.1% |
| Insurance margin | 15.0% | 14.3% | 19.8% |

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KEY POINTS

- GWP grew by 3% in local currency
 - Flat reported GWP
 - Moderate rate increases offset by reduced volumes from improved risk selection
- Increased insurance margin of 19.8%
 - Underlying performance remains strong
 - Significant reinsurance protection under Group covers
 - Christchurch earthquake (September 2010) fully covered at a Group level

OUTLOOK

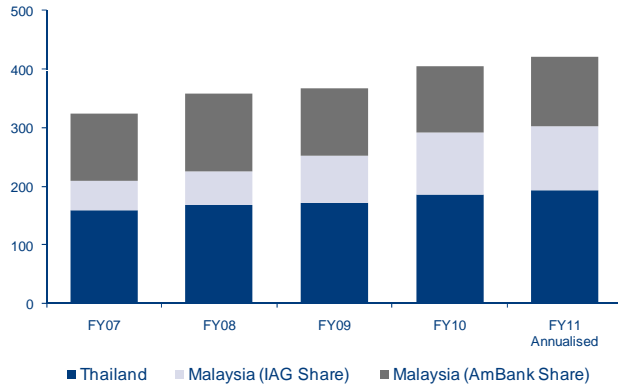
- Improved GWP growth
- Lower 2H11 margin (vs. 1H11) owing to second Christchurch earthquake



ASIA

SBI GENERAL MOVING TO FULL LAUNCH IN 2H11

IAG ASIA – GWP POOL (A\$)



KEY POINTS

- Participation in regional annual GWP pool of \$420m
- Thai business recorded strong GWP growth, but margin impacted by flood events
- Malaysia continues to perform well
- SBI General in start-up phase
- Self-funding of regional development costs
- Current regional investment approx \$400m

OUTLOOK

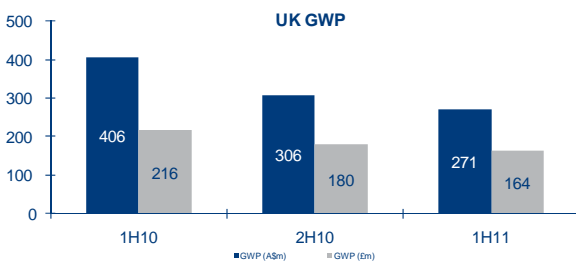
- Strong underlying performance from established businesses
- Full launch of SBI General in 2H11
- Assessment of opportunities in other Asian markets



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UNITED KINGDOM

HIGHER THAN EXPECTED LOSS OWING TO BODILY INJURY CLAIM INFLATION



KEY POINTS

- Higher than expected insurance loss of \$121m
 - Ongoing bodily injury claim inflation
 - Non-private motor market more challenging than expected
 - LAT expense of \$40m
 - Prior year reserve strengthening of \$18m
 - Higher natural peril claim cost
- Considerable protection from ADC
- Remediation programme generating early signs of improvement

OUTLOOK

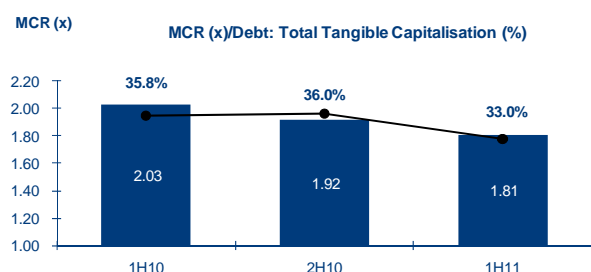
- Further loss in 2H11, but lower than 1H11
- Accelerated remediation actions
- New reinsurance cover – \$40m expense in 2H11



| Insurance Ratios | 1H10 | 2H10 | 1H11 |
|----------------------|-------|----------|---------|
| Loss ratio | 63.7% | 229.3% | 94.5% |
| Expense ratio | 31.6% | 79.6% | 47.8% |
| Commission ratio | 18.3% | 34.8% | 23.9% |
| Administration ratio | 13.3% | 44.8% | 23.9% |
| Combined ratio | 95.3% | 308.9% | 142.3% |
| Insurance margin | 6.6% | (209.4%) | (41.3%) |

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BALANCE SHEET STRONG CAPITAL POSITION



| CAPITAL MIX | 1H10 A\$m | 2H10 A\$m | 1H11 A\$m |
|--------------------------------------|--------------|--------------|--------------|
| Shareholder equity | 5,040 | 4,656 | 4,658 |
| Intangibles and goodwill | (2,195) | (2,083) | (1,853) |
| Tangible shareholder equity | 2,845 | 2,573 | 2,805 |
| Interest bearing liabilities | 1,586 | 1,450 | 1,380 |
| Total tangible capitalisation | 4,431 | 4,023 | 4,185 |

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MCR remains above benchmark

- MCR of 1.81 times at 31 December 2010
- Debt to total tangible capitalisation of 33%, in line with 30–40% target range
- Capital management initiative options continue to be assessed
- 'AA-' ratings for key wholly owned insurers from S&P



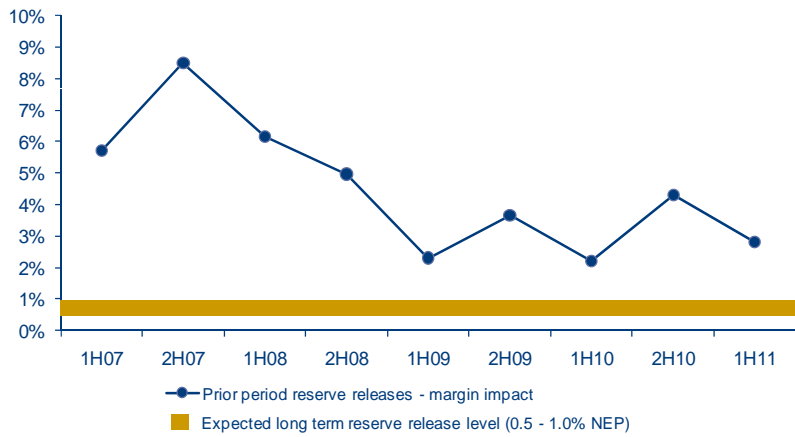
REINSURANCE SIGNIFICANT PROTECTION PROVIDED

- Significant reinsurance protections in 1H11
- Integrated programme of catastrophe cover on calendar year basis renewed from 1 January 2011:
 - Main cover from \$250m up to \$4.1bn
 - Three-year buy-down below \$250m
 - First event MER of \$150m
 - Second and third event covers
 - Sideways aggregate cover (\$150m excess of \$150m)
- Counterparty credit profile remains strong
- Significant natural peril claim costs early in 2H11:
 - Aggregate cover active
 - Next event (post Christchurch earthquake) maximum cost of \$75m
 - Additional reinstatement costs in 2H11



RESERVE RELEASES

LONG TERM EXPECTATION OF 0.5-1.0% OF NEP



- 1H11 reserve releases of \$103m (net of \$18m UK strengthening)
- Majority sourced from central estimate
- Significant sources in 1H11 were:
 - CTP (Australia Direct)
 - Workers' comp and professional risks (CGU)
- FY11 reserve releases not expected to exceed FY10

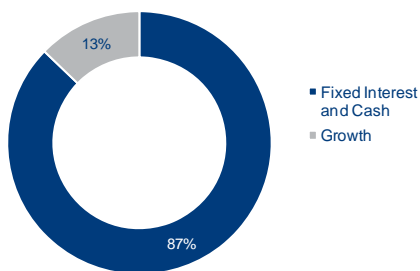


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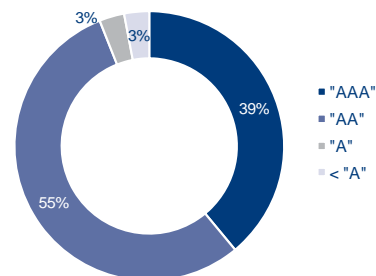
INVESTMENTS

CONSERVATIVE MIX AND HIGH CREDIT QUALITY

INVESTMENT ASSET ALLOCATION – \$11.8B



GROUP FIXED INTEREST & CASH – \$10.3B

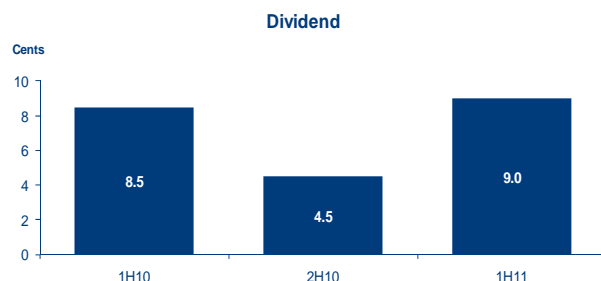


- 87% of total portfolio in fixed interest and cash
- Growth assets have risen to 40% of shareholders' funds
- Credit quality remains high – 94% of fixed interest and cash rated 'AA' or better



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DIVIDEND INCREASED INTERIM DIVIDEND



9.0 cps fully franked interim dividend

- Up from 8.5 cps in 1H10
- Represents 52% of cash earnings
- Policy remains to pay 50%–70% of cash earnings for the full year



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FY11 OUTLOOK ONGOING STRONG PERFORMANCE FROM AUSTRALIA AND NEW ZEALAND

| | FY11 |
|-----------------------|--------|
| Insurance margin | 8%–10% |
| Underlying GWP growth | 3%–5% |

Guidance for FY11 assumes:

- Ongoing strong underlying performance from the Australian and New Zealand businesses
- Second half loss from the UK operation, albeit lower than 1H11
- Full year losses from natural perils of \$540m, post second Christchurch earthquake
- Increased reinsurance expense in 2H11, from new UK reinsurance cover and catastrophe reinstatements
- Reserve releases not exceeding FY10
- No material movement in foreign exchange rates or investment markets



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BUSINESS MODEL AND BRANDS

| | DIRECT INSURANCE | INTERMEDIATED INSURANCE | ONLINE INSURANCE | | DIRECT INSURANCE | | DIRECT INSURANCE | | INTERMEDIATED INSURANCE |
|-----------|------------------|-------------------------|------------------|-------------|-------------------------|------|------------------|----------------|-------------------------|
| AUSTRALIA | | | ² | NEW ZEALAND | | ASIA | ³ | UNITED KINGDOM | |
| | | | | | | | ⁵ | | |
| | | | | | INTERMEDIATED INSURANCE | | | | |
| | | | | | | | OTHER | | |
| | ¹ | | | | | | | | |

ACTIVE PORTFOLIO MANAGEMENT & GOVERNANCE (CORPORATE OFFICE)

1. RACV is via a distribution relationship and underwriting joint venture with RACV Limited.
2. RACV has a 30% interest in The Buzz.
3. 49% ownership of the general insurance arm of AmBank Group, AmG Insurance Berhad, trading under the AmAssurance brand.
4. 98% voting rights in Safety Insurance, based in Thailand.
5. 26% ownership of SBI General Insurance Company, a joint venture with the State Bank of India.

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APPENDICES



IAG'S GEOGRAPHICAL PRESENCE

IAG has a portfolio of general insurance businesses, with leading and established brands across its home markets of Australia and New Zealand, a specialist underwriter in the United Kingdom and a growing presence in Asia.



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2. 98% voting rights in Safety Insurance, based in Thailand
3. 26% ownership of SBI General Insurance Company, a joint venture with the State Bank of India
4. RACV is via a distribution relationship and underwriting joint venture with RACV Limited
5. RACV has a 30% interest in The Buzz

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IAG'S CORPORATE STRATEGY

OUR TARGETS

- ROE \geq 1.5x WACC
- Top quartile TSR
- Secure position in chosen industry and classes

OUR STRATEGY

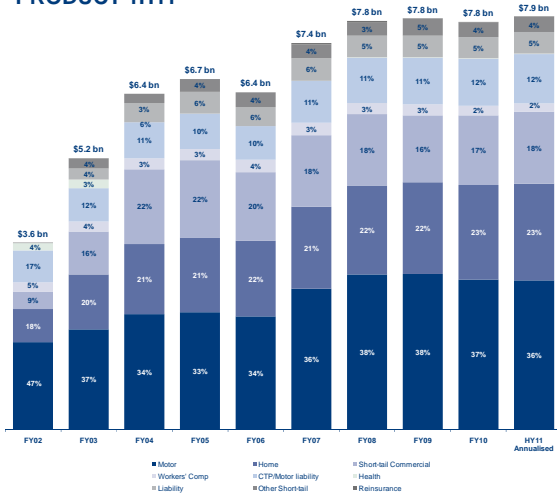
- Deliver superior performance by actively managing our portfolio and driving operational performance and accountability

OUR STRATEGIC PRIORITIES

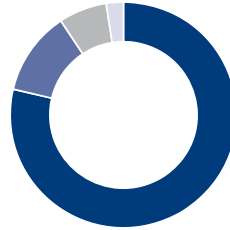
- Deliver a strong performance in Australia and New Zealand
- Pursue selective general insurance growth options
- Drive operational performance and accountability

IAG'S GWP MIX BY PRODUCT, GEOGRAPHY AND CHANNEL

IAG GROUP GWP BY PRODUCT 1H11

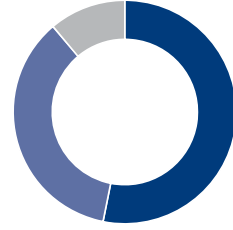


IAG GROUP GWP BY REGION 1H11



- Australia
- New Zealand
- UK
- Asia

IAG GROUP GWP BY CHANNEL 1H11



- Direct
- Broker/agent
- Affinity

