

11 April 2013

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

Dear Sir/Madam,

Insurance Australia Group Limited ('IAG')

Presentation to the Morgan Stanley Insurance Forum

Please find attached a copy of a presentation entitled *Looking forward with confidence*, to be delivered in Sydney today by Mr Peter Harmer, Chief Executive Officer of IAG's CGU business, to the Morgan Stanley Insurance Forum.

Yours sincerely,



Chris Bertuch
Group General Counsel & Company Secretary

Insurance Australia
Group Limited
ABN 60 090 739 923

388 George Street
Sydney NSW 2000
Australia

T +61 (0)2 9292 9222
www.iag.com.au

Looking forward with confidence

CGU Insurance update

Peter Harmer

Chief Executive Officer, CGU
Insurance Australia Group

11 April 2013
Morgan Stanley Insurance Forum



IMPORTANT INFORMATION

This presentation contains general information in summary form which is current as at 11 April 2013. It presents financial information on both a statutory basis (which has been prepared in accordance with Australian accounting standards, which comply with International Financial Reporting Standards (IFRS)) and non-IFRS basis. This presentation is not a recommendation or advice in relation to Insurance Australia Group Limited ("IAG") or any product or service offered by IAG's subsidiaries. It is not intended to be relied upon as advice to investors or potential investors, and does not contain all information relevant or necessary for an investment decision. It should be read in conjunction with IAG's other periodic and continuous disclosure announcements filed with the Australian Securities Exchange which are also available at www.iag.com.au.

No representation or warranty, express or implied, is made as to the accuracy, adequacy or reliability of any statements, estimates or opinions or other information contained in this presentation. To the maximum extent permitted by law, IAG, its subsidiaries and their respective directors, officers, employees and agents disclaim all liability and responsibility for any direct or indirect loss or damage which may be suffered by any recipient through use of or reliance on anything contained in or omitted from this presentation. No recommendation is made as to how investors should make an investment decision. Investors must rely on their own examination of IAG, including the merits and risks involved. Investors should consult with their own professional advisors in connection with any acquisition of securities.

The information in this presentation is for general information only. To the extent that certain statements contained in this presentation may constitute "forward-looking statements" or statements about "future matters", the information reflects IAG's intent, belief or expectations at the date of this presentation. IAG gives no undertaking to update this information over time (subject to legal or regulatory requirements). Any forward-looking statements, including projections, guidance on future revenues, earnings and estimates, are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause IAG's actual results, performance or achievements to differ materially from any future results, performance or achievements expressed or implied by these forward-looking statements. Any forward-looking statements, opinions and estimates in this presentation are based on assumptions and contingencies which are subject to change without notice, as are statements about market and industry trends, which are based on interpretations of current market conditions. Neither IAG, nor any other person, gives any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements in this presentation will actually occur. In addition, please note that past performance is no guarantee or indication of future performance.

This presentation does not constitute an offer to issue or sell securities or other financial products in any jurisdiction. The distribution of this presentation outside Australia may be restricted by law. Any recipient of this presentation outside Australia must seek advice on, and observe, any such restrictions. This presentation may not be reproduced or published, in whole or in part, for any purpose without the prior written permission of IAG.

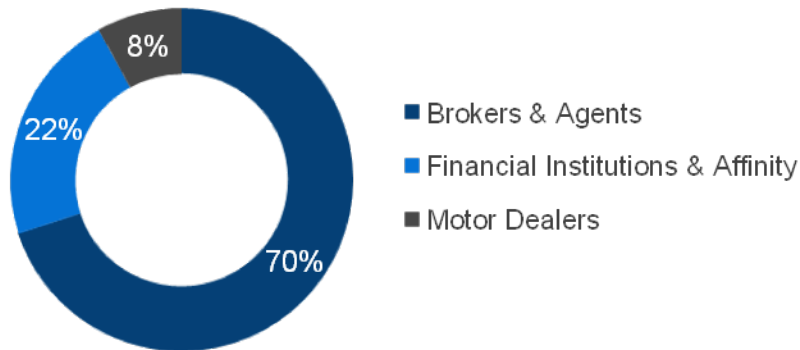
All references starting with "1H" refer to the six months ended 31 December, being the first half of IAG's financial year. For example, "1H13" refers to the six months ended 31 December 2012. All references starting with "2H" refer to the six months ended 30 June, being the second half of IAG's financial year. For example, "2H13" refers to the six months ended 30 June 2013. All references starting with "FY" refer to the financial year ended 30 June. For example, "FY13" refers to the year ended 30 June 2013.

CGU BUSINESS OVERVIEW

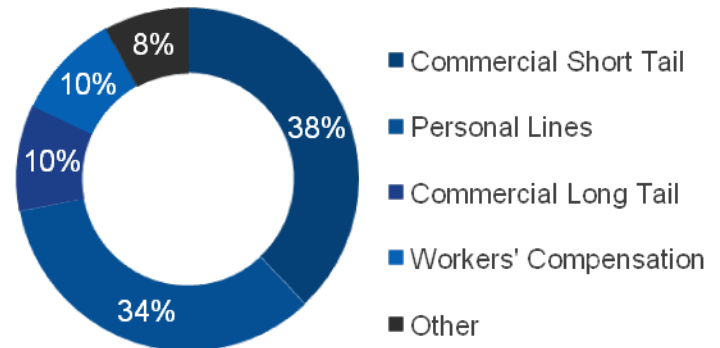
A DIVERSE WELL-BALANCED PORTFOLIO

- ~\$3bn GWP per annum – over 30% of IAG’s GWP
- ~8% of total Australian general insurance market, ~14% of Australian intermediated
- Nationwide coverage, with strong presence in SME and rural segments

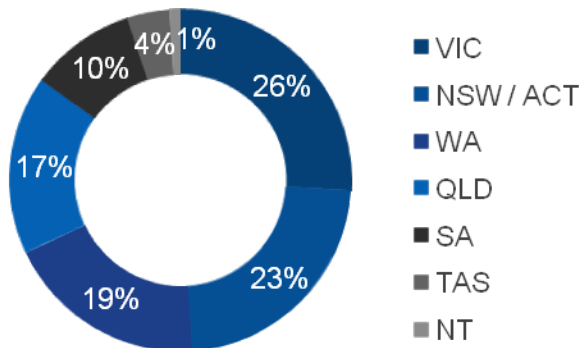
DISTRIBUTION CHANNELS



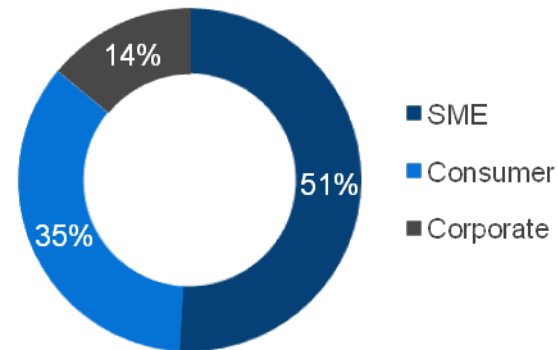
PRODUCTS



GEOGRAPHIC SPLIT



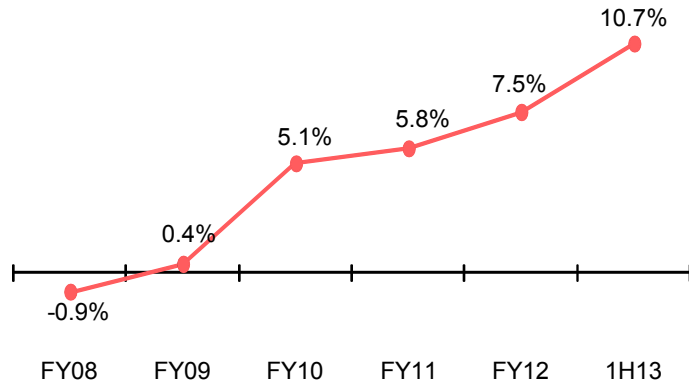
CUSTOMER SEGMENTS



1H13 RESULTS RECAP

STRONG UNDERLYING PERFORMANCE, POSITIVE MOMENTUM

UNDERLYING INSURANCE MARGIN



- GWP growth of 7.7%
 - Improved momentum, ex-acquisitions
- Significantly improved underlying margin of 10.7%
 - Flow through of rate increases
 - Benefits from new operating model and past initiatives
- Reported insurance margin of 23.1%, boosted by:
 - Lower net natural peril claim costs
 - Higher reserve releases (6.1% of NEP)
 - Favourable credit spread impact

KEY METRICS	1H13		CHANGE
Gross written premium (\$m)	1,433	↑	7.7%
Insurance result (\$m)	301	↑	281.0%
Insurance margin (%)	23.1	↑	1640bps
Underlying margin (%)	10.7	↑	140bps

MARKET DYNAMICS

TAKING A LEADERSHIP POSITION IN A COMPETITIVE MARKET

- Intermediated insurance market remains competitive, and pricing behaviour appears rational
- CGU has taken a leadership position on sustainable pricing – gap to followers is narrowing
- Renewal rates for remediated portfolios now moving back towards long-term averages
- CGU brand can carry a premium in the market
- CGU is building a sales engine to drive growth in chosen markets – able to remediate poor performance faster
- Introduction of flood cover for home and landlords policies has provided certainty to customers
- Falling interest rates have led to falling investment returns – placing pressure on rates for liability classes

Personal Lines

- Home rates continue to harden, especially in natural peril areas
- Low single digit increases in motor

Short Tail Commercial

- Rates continue to increase, but at lesser degree
- Mid single digit increases in the SME segment

Long Tail Commercial

- Sluggish rating environment
- Positive movement in some liability and professional indemnity segments

Workers' Compensation

- Price stabilisation in WA
- ACT remains competitive
- Rate increases in NT and Tasmania

oneCGU UPDATE

NEW OPERATING MODEL HAS CREATED A SOLID FOUNDATION TO BUILD ON

Broker
& Agency

Financial
Institutions
& Affinity

Motor
Dealers

One underwriting team

Specialist teams for each product / class

One claims model

Specialist teams for each product / class

One operations approach

Centralised processing and administration

One support services team

Smaller centralised functions

On track to deliver key commitments:

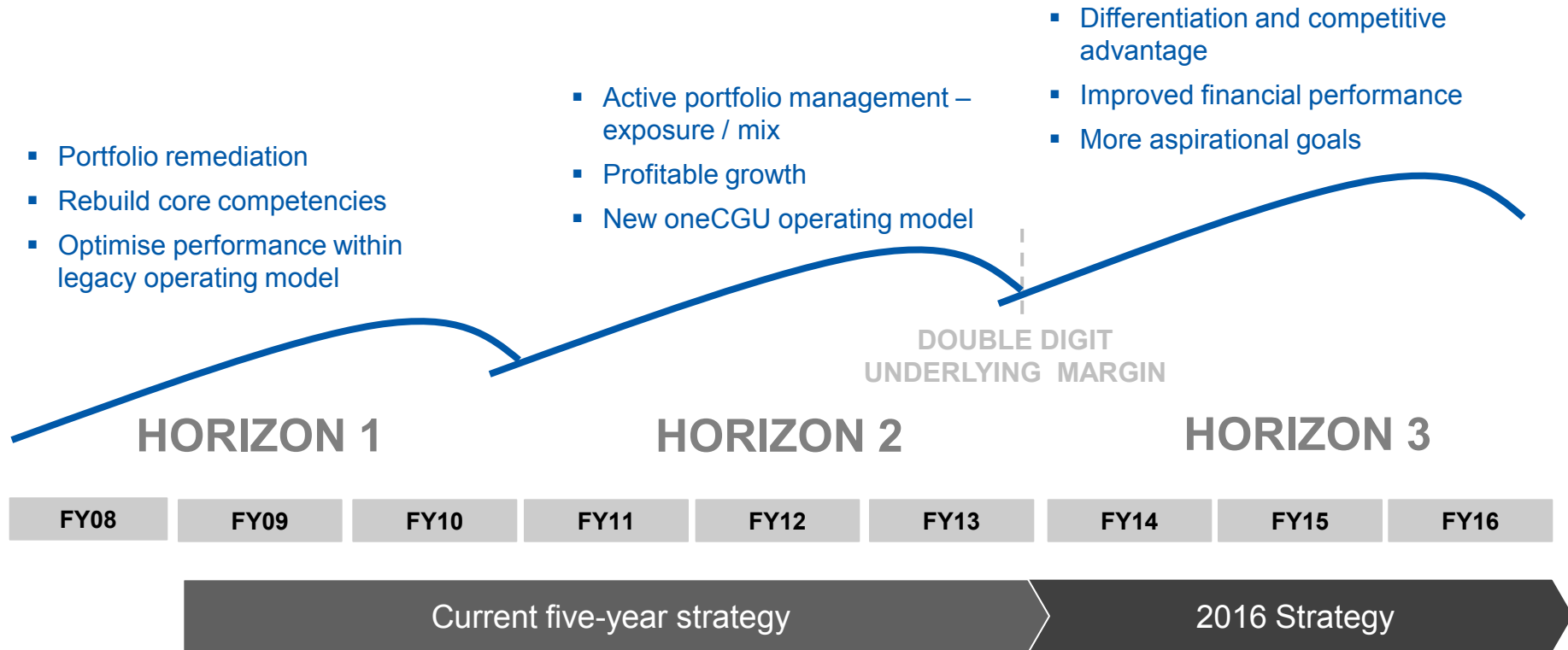
- Double digit underlying insurance margin
- Expense savings:
 - Initial \$25m pre-tax in FY13
 - \$65m pre-tax total by end of FY15
- Implementation cost of \$75m pre-tax
 - Recognised in FY12 (\$36m) and FY13

Implementation of model well-advanced

- Customer Service Centres established in Melbourne and Ballarat (rural lines)
- Single personal lines underwriting centre
- Transition to new branch footprint
- Consolidation of Broker & Agent and Workers' Compensation business into single channel
- Quick to address key learnings and refine model design 'in flight'

THE CGU JOURNEY

LOOKING FORWARD WITH CONFIDENCE



- During the past five years, the focus has shifted from remediation and rebuilding to strategic choices around competitive advantage, underpinned by improved financial performance
- 2016 is the next strategy horizon

2016 STRATEGY

BUILDING ON MOMENTUM

- Strategy focused on creating competitive advantage through partnerships and improved service
- Building on current strategic positioning – focus is on next performance horizon, and setting more aspirational goals around growth, portfolio mix and expenses



- Strategic focus underpinned by a commitment to:
 - Building mutually beneficial partnerships
 - Setting the industry standard for service
 - Being partner and customer focused in everything we do
- Supported by investment in three areas of excellence: People, Operational, Information & Technology

Margin

Double digit underlying margin through the cycle

GWP Growth

Targeting above industry average growth

Portfolio Mix

75% short tail, 25% long tail
- optimising product / channel / segment mix

Expenses

Targeting continued reduction in controllable expenses

PEOPLE EXCELLENCE

STRONG LEADERSHIP

- Effective leadership, including change management capability, has been integral to the success of the oneCGU operating model
- The company has invested heavily in leadership development of its existing talent
- CGU has also been successful in attracting recognised industry talent

CORE COMPETENCIES

- Continued investment in core competence development – a key benefit of the oneCGU model has been an increased specialisation (e.g. splitting sales and underwriting)

ACHIEVEMENT CULTURE

- CGU’s focus on people is underpinned by a commitment to fostering an achievement culture driving high performance



OPERATIONAL EXCELLENCE

PROCESS OPTIMISATION

- Internal efficiency & effectiveness program in FY12 delivered significant savings, which were largely reinvested back into technology projects
- Opportunity to further improve partner and customer experiences and reduce costs through greater standardisation and centralisation of processes
- Process optimisation and automation have been successfully introduced through the rollout of the oneCGU operating model – e.g. personal insurance underwriting centre
- Broker electronic placement platforms offer further opportunities for improved efficiency (selective participation where CGU can compete beyond price)

CUSTOMER AND PARTNER FOCUSED

- Focus on ensuring processes are partner and customer focused – developed through insights



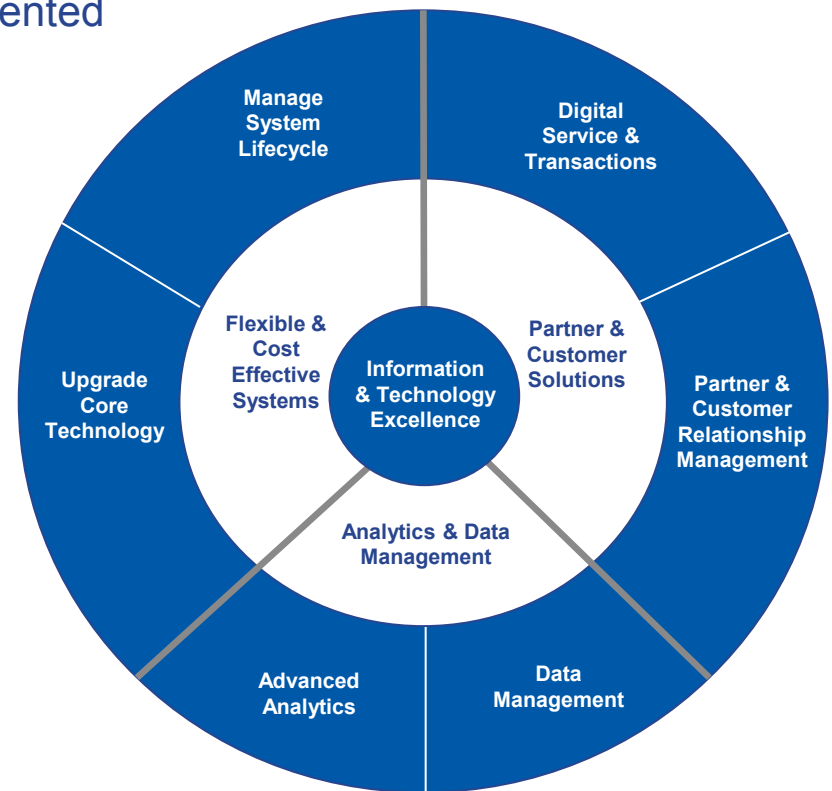
INFORMATION AND TECHNOLOGY EXCELLENCE

UPGRADING CORE TECHNOLOGY

- CGU has a significant investment program to upgrade core technology and create more flexible and cost-effective systems
- Guidewire 'ClaimsCentre' successfully implemented for personal and commercial insurance claims – progressively went live from November 2012
- New document management and workflow system introduced to support operating model – implemented in Claims, and will be rolled out in Workers' Compensation
- Technology focus is now on replacement of distribution platform and underlying core insurance system ('PMS')

MANAGING SYSTEM LIFECYCLE COSTS

- Technology investment will help address margin drag of legacy systems – opportunity to drive improved margin through system consolidation and proactive lifecycle management



CONCLUSION

- 1H13 results demonstrate improved underlying performance and positive momentum
- CGU is taking a leadership position in a competitive market
- oneCGU operating model is progressing well and is on track to deliver on commitments around savings and implementation cost
- Emphasis shifted from remediation and rebuilding to strategic choices around competitive advantage
- Focus is now on 2016 – the next strategy horizon
- 2016 Strategy is centred around partnerships and improved service, supported by a focus on three areas of excellence: People, Operational, Information & Technology
- Long term outlook for the CGU business is positive – our ambition is to be the most admired insurer in our chosen markets