

# MEDIA RELEASE

20 MAY 2008



## IAG CANNOT RECOMMEND INADEQUATE SCHEME PROPOSAL BY QBE

The Board of Insurance Australia Group Limited (IAG) today decided that it cannot recommend the inadequate and incomplete proposal by QBE Insurance Group Limited (QBE) which:

- is priced opportunistically to take advantage of the short term weakness in IAG's share price, primarily caused by a low point in the insurance cycles of IAG's core markets;
- does not adequately reflect the underlying value or the significant synergies and value which could be created by combining the two companies; and
- is not a fully developed offer or bid, but a partial proposal which requires the Board to agree now to recommend to shareholders a proposal via a scheme of arrangement.

The latest QBE proposal on Friday, 16 May 2008 of 0.145 QBE shares and 90 cents cash per IAG share equals \$4.60 per IAG share<sup>1</sup>. This represents a premium of only 10% based on the price of IAG and QBE shares the day before the announcement of discussions. IAG considers a 10% premium is insufficient given IAG's value and the available synergies.

IAG Chairman, Mr James Strong, said: "During the past five weeks, IAG has engaged with QBE in discussions and held a number of meetings recognising that considerable synergies could be achieved through a combination of the two businesses. During these discussions QBE has had ample opportunity to put forward a proposal that recognises IAG's value but has failed to do so.

"We remain willing to engage further with QBE with a view to securing a fully developed offer that provides an acceptable premium and price.

"Alternatively, if QBE considers that its proposal is sufficiently attractive it is able to put a fully developed offer directly to IAG's shareholders.

"Discussions to date with QBE have not explored other important terms and conditions. An essential issue in any transaction involving insurance companies is a comprehensive understanding of each of the businesses including adequate due diligence by both parties particularly given the long tail nature of some of the risks underwritten in those businesses."

The underlying performance of the Group is improving and further steps are being developed in a review of all operations and structures, including the UK businesses. The market and shareholders will be kept informed of these initiatives.

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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 more than \$7.5 billion of premium per annum. It employs more than 16,000 people of which around 11,000 are in Australia. It sells insurance under many leading brands including NRMA Insurance, Swann, CGU, SGIO and SGIC (Australia); NZI and State (NZ); Equity Red Star and Hastings Direct (UK); and NZI and Safety (Thailand). For further information please visit [www.iag.com.au](http://www.iag.com.au)

### CORPORATE AFFAIRS

Carolyn McCann  
T 02 9292 9557  
M 0411 014 126  
E [carolyn.mccann@iag.com.au](mailto:carolyn.mccann@iag.com.au)

### INVESTOR RELATIONS

Michael Woods  
T 02 9292 3156  
M 0411 012 220  
E [michael.woods@iag.com.au](mailto:michael.woods@iag.com.au)

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](http://www.iag.com.au)

<sup>1</sup> Based on QBE's closing share price on Friday, 16 May 2008.