

MEDIA RELEASE

19 MAY 2008



IAG CONFIRMS IT HAS RECEIVED REVISED QBE TAKEOVER PROPOSAL

Insurance Australia Group Limited (IAG) today confirmed it has received a marginally revised takeover proposal from QBE Insurance Limited late on Friday, 16 May 2008. The proposal is for 0.145 QBE shares and 90 cents cash per IAG share, which equates to \$4.60 per IAG share¹.

This represents an increase of approximately 10% on QBE's original nil premium takeover proposal and 8% on the terms announced on 15 April 2008.

IAG has been engaged in discussions with QBE to determine whether an acceptable proposal would be forthcoming, including a takeover premium that adequately reflected the value of IAG.

Yesterday IAG's Chairman, Mr James Strong spoke to the QBE Chairman to advise that the Board of IAG would meet on Tuesday in New Zealand and discuss the proposal. At that time, Mr Strong indicated while a formal decision would not be made until a Board meeting on Tuesday, the initial reaction of the IAG Directors was that the proposal fell short of fair value.

However, Mr Strong did indicate to the QBE Chairman that IAG was willing to discuss a takeover proposal on terms that appropriately reflected the value of IAG.

The IAG Board will maintain its focus on maximising value for IAG shareholders and will keep shareholders informed of any further developments. A further announcement will be made following the IAG Board meeting tomorrow.

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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, 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

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¹ Based on the closing share price of QBE on Friday, 16 May 2008.