

# MEDIA RELEASE

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## IAG update on severe weather in Victoria

**Insurance Australia Group Limited (IAG) today confirmed it had received in excess of 24,000 claims following severe weather in Victoria on 6-9 March. The Group now expects the related claim cost to reach its maximum event retention (MER) of \$135 million under the Group's reinsurance cover.**

As a result of this event, natural peril costs are now estimated to exceed the budgeted \$184m allowance for the second half by \$105 million. As a consequence, the Group is refining its FY10 insurance margin guidance to 10.5% - 12.0%, from 11.5% - 13.0%.

IAG Managing Director and CEO, Mr Michael Wilkins, said the Group's immediate priority was to meet the needs of IAG's customers.

"Our businesses, which distribute insurance predominantly under the RACV<sup>1</sup> and CGU brands in Victoria, continue to work around the clock to assist customers as quickly as possible. I am very proud of the response of our teams to date," Mr Wilkins said.

"We now believe the scale of this event means we will make claims on our catastrophe reinsurance covers, which will cap the Group's total pre-tax loss at \$135 million. The Group's MER for any subsequent event in calendar year 2010 now reduces to \$75 million.

"While this event will take almost 2% off our reported full year margin, for FY10 we are confident we can achieve an insurance margin between 10.5% - 12.0% given the continued improvement in the underlying performance of the business."

IAG's FY10 insurance margin guidance is subject to losses from natural perils being within the revised natural perils forecast for the second half; no material movement in foreign exchange rates; and no material movement in investment markets.

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

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<sup>1</sup> IAG distributes insurance products in Victoria under the CGU and RACV brands. Its relationship with RACV is via a distribution relationship and underwriting joint venture with RACV Limited.