



12 November 2003

Ms Pam Ross
Manager, Company Announcements Office
Australian Stock Exchange Limited
Level 4, Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

Dear Ms Ross

INSURANCE AUSTRALIA GROUP LIMITED ('IAG')
ANNUAL GENERAL MEETING

Attached are copies of:

- an address by the Chairman, Mr James Strong; and
- a presentation by the Chief Executive Officer, Mr Michael Hawker,

to be delivered to the Annual General Meeting of Insurance Australia Group Limited, scheduled to commence at 10:00am today.

The AGM is being webcast on www.iag.com.au.

Yours sincerely

A handwritten signature in black ink that reads 'Anne O'Driscoll'.

Anne O'Driscoll
**Group Company Secretary &
Head of Investor Relations**

Attachment (28 pages)



**Address by Mr James Strong, Chairman
Insurance Australia Group Limited
2003 Annual General Meeting
12 November 2003**

The main purpose of my address as Chairman today is to provide a brief overview of the past financial year and to comment on other significant events.

I will ask Michael Hawker as CEO to speak in more detail on the operations of the company over the last year and also to comment on the present financial year. I do not intend to speak, at this stage, on the individual resolutions before this meeting. I will make remarks on each of those matters as we deal with them later.

A watershed year

The 2002-2003 financial year has been a watershed for Insurance Australia Group and a great deal has been achieved. IAG is now clearly the leading general insurance group in this part of the world, and we are well positioned for the future.

CGU & NZI Acquisition

As you know we carried out a major acquisition because CGU/NZI was the right purchase at the right time to seize a specific opportunity unlikely to recur or exist for long. Subsequent financial performance of the acquired businesses and movements in our share price have emphatically endorsed this strategy, to the benefit of shareholders.

The inclusion of CGU and NZI has transformed the combined business and completed our evolution from a company servicing only NSW and the ACT, to a truly national operation in both Australia and New Zealand. Both companies have added real value to our group.

Less than ten years ago, we offered three products. Now, we are fully diversified by product, geography and distribution channel, with one of the region's highest financial strength ratings for an insurance company from Standard & Poor's.

Group Performance

In terms of ongoing business, the whole Group performed very well, driven by a new stability and continuing focus on improved operations.

Our overall returns from investments also increased, reflecting both the change to our asset mix and improved market conditions.

Board and management strategy

Our focus over the next year or more will be to improve every element of our businesses to achieve the five year strategies adopted by the Board and management in May last year.

Michael Hawker will speak in more detail on the components of this strategy, our progress, and how this is being confirmed through our results.

We are very pleased with progress to date, particularly with the CGU/NZI acquisition and integration, which remains on track to deliver the anticipated \$160 million pre tax per annum in sustainable expense synergies. We are delighted to have the CGU and NZI management and staff now in the same team. They have been a great addition in terms of knowledge, experience and different skills.

There is a lot of hard work and attention to detail to realise the full potential benefits of lower costs, greater scale, improved efficiency and stronger market presence.

Dividends

Last month we paid ordinary shareholders a final dividend of seven cents per share. This brings our total annual dividend to 11.5 cents per ordinary share – which is 9.5 per cent higher than the previous year. The Board will continue to consider carefully future dividend policy to ensure the best outcomes for our shareholders.

A commitment to sound governance

As a responsible Board and management, we are committed to proper governance to ensure predictability in performance.

A key issue is building a sound structural foundation for decision making and carrying out transactions on a day to day basis throughout our Group.

We have three very active Board Committees - the Audit Committee, chaired by John Astbury, the Risk Management & Compliance Committee, chaired by Rowan Ross, and the Nomination, Remuneration and Corporate Governance Committee which I chair. The roles and responsibilities of these Committees are spelt out in your Annual Report.

All Directors also met with our appointed external auditor, KPMG, and discussed the comments by the auditor on the risk culture and ethos within our Group, including risk reporting procedures.

Regardless of the legislative or regulatory framework we recognise that ultimately the integrity of individuals remains paramount. Therefore we place great emphasis on selection, training, corporate ethics and leadership right across the Group. Michael Hawker provides excellent leadership in this area by his own behaviour and standards.

We have also moved quickly to adopt recent developments in corporate governance and respond to public concerns and regulatory guidelines. This includes the principles released earlier this year by the ASX Corporate Governance Council.

The Board decided to freeze the operation of the retirement benefits scheme for non-executive Directors from 1 September this year. There will be no future accrual of benefits on the basis of service, and the scheme will phase out, as it will not apply to new Directors.

We also took specialist external advice on Board remuneration in light of major changes since these were last reviewed and set. Factors taken into account included the cessation of retirement benefits, the significant increase in size and complexity of the Group, additional duties on subsidiary boards, and reduced Board size which I will refer to later. As a result of this advice, remuneration for non-executive Directors was increased with effect from 1 September this year. This is the first change since the Company listed three years ago and the new schedule of fees still fall within the sum approved for Directors fees. The standard fee for Directors will increase from \$70,000 per annum to \$100,000 per annum. The Chairman's fee will be maintained at three times the base fee per annum. Under the new fee arrangement the Chairman will not receive additional fees for serving on the Nomination, Remuneration and Corporate Governance Committee, or for serving as a director of our captive reinsurance company IAG Re, or any other committees.

We have also formalised our practices in relation to engagement terms for Directors, length of service and peer review. This included the introduction of a standard tenure of two full three year terms or up to approximately seven years, with any extensions by invitation of the Board.

On the basis of their length of service, Directors Maree Callaghan and Mary Easson advised they would not seek re-election at this AGM and have retired from the Board as of 1 September this year.

I would like to take this opportunity to express my appreciation for the contributions of Maree and Mary, especially during my term as Chairman. They have both worked effectively with other Board members to achieve great progress in this period.

Following the retirement of Maree and Mary, the Board decided to reduce its size to eight Directors, being seven non-executives plus the Chief Executive as Managing Director. All your non-executive directors meet the criteria of being independent directors.

Future Priorities

As I said earlier, this has been a year of achievement for Insurance Australia Group. I thank the Board, management, and all our staff for a very solid year of hard work and real progress.

In particular, I thank Michael Hawker for his excellent leadership as Chief Executive Officer. We now have a very capable management group which is vital to our continuing success.

This year, we have demonstrated stability, and taken decisive actions to create a new platform for our future.

Our focus now has to remain on consolidation, achieving our full potential and reaching high standards of operating performance in every area of our business.

I can assure you the whole Board and management are very clear as to these priorities. Our commitment is to realising maximum benefits from all the opportunities now within our Group so we can deliver ongoing value to our shareholders.

END



Annual General Meeting 2003

Michael Hawker, Chief Executive Officer

12 November 2003



Insurance Australia Group Limited
ABN 60 090 739 923

Agenda

- Insurance - our role
- Year in review
- Looking forward



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Insurance - our role



Our customers and the community expect us to:

- Pay claims
- Price risk
- Minimise cost
- 'HELP' reduce risk

The economics of the business are driven by scale



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Insurance is the ultimate community product. People pool money with us so that, if an individual suffers a hardship, he or she is protected. People expect and hope they won't have to make a claim. But, with appropriate insurance, they can live their lives knowing their home, car or business is protected in case they do.

As an insurer, our role is to pay that money when it is needed. It's our role to pay claims.

To pay claims, we need to do two things well.

First, we need to price risk fairly and appropriately. If risk is under-priced, the available funds won't match claims and business will fail to the detriment of policyholders. If risk is overpriced, people will take their insurance business elsewhere or they will choose not to insure at all, which puts them and the community at risk.

Second we need to keep our operating costs down. The price of premiums includes not only the measure of risk but also the costs that go into providing the policy in the first place. Keeping our own overhead and infrastructure costs per policy down ensures we can offer affordable insurance.

But we don't just stop there. We believe we can help reduce the cost of insurance by working with our customers and the community to reduce the risk of accidents and insured events happening in the first place.

Underpinning these four priorities is scale. We believe, unless you have a competitive edge in a niche area, scale is crucial to succeeding in general insurance. There are considerable infrastructure costs in running an insurance company well. Spreading these across a greater premium base is beneficial, enhancing our ability to keep our costs per policy down.



Year in review

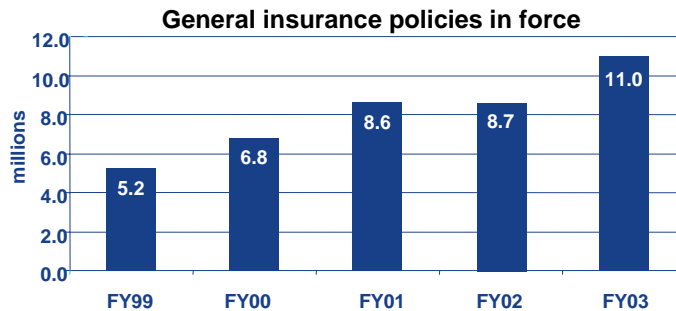


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This has been a watershed year for Insurance Australia Group. Our achievements have been numerous, in relation to our customers, our people, our shareholders and the communities in which we operate.

Customers: improved experience



- Renewal rates sustained c.90% in all major products
- Australian policies in force grew by 5% in FY03
- Claims satisfaction close to 90% and complaints on claims lodged down to 1.6% from 4.5% in FY03



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Our performance in terms of policy renewals and customer retention is an important customer indicator. This graph shows that we are continuing to grow the number of policies in force with Insurance Australia Group, both through organic growth and through acquisition.

In 1999, we had some 5.2 million policies in force. By 2002, we had grown to have about 8.7 million general insurance policies. In 2003, when we include the CGU and NZI policies (of about 2.3 million policies), our total comes to about 11 million policies.

Renewal rates

Strong customer renewals rates have been sustained at around 90% in all major products for the past two years.

New business

Our business also achieved organic growth of 9% during the year, including 5% growth in Australian policies in force.

Advertising campaigns

Reinforcing our shared customer propositions of help and confidence, we launched major advertising campaigns during the year to support our Australian direct insurance brands - NRMA Insurance, SGIO, SGIC and our Australian indirect insurance brand - CGU. New campaigns for our New Zealand brands are planned for later this month.

Customers: improving how we HELP



- Getting it Right programme, launched in 2002, to improve the customer experience
- 1,500 people involved across the Group
- 1,300 ideas generated
- More than 400 initiatives now being implemented progressively



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The Getting it Right programme, one of the Group's primary initiatives to reinvigorate how we help our customers, completed its review of our end-to-end customer systems and processes.

An important component in the Getting it Right review was the input of our people. Through a series of workshops and ongoing dialogue, more than 1,500 people in our Australian operations have helped to develop simpler, more effective processes that will make it easier to provide excellent customer service.

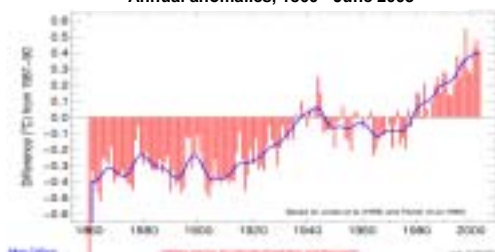
Out of that review more than 400 initiatives designed to improve the customer experience are now being implemented progressively across the Group.

We have already had some successes such as an improved process to locate customers whose mail is returned to us, and reducing the number of forms in branches from over 50 to four.

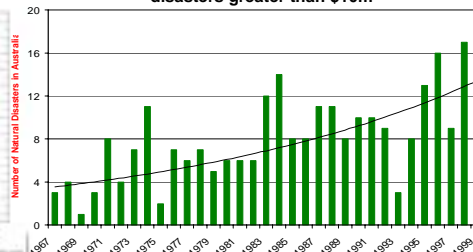
Community: focus on environment



Global Average Near Surface Temperatures
Annual anomalies, 1860 - June 2003



Economic losses from Australian natural
disasters greater than \$10m



- Global temperatures have increased
- Economic losses from natural disasters costing more than \$10m are also increasing in Australia



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As Australia and New Zealand's largest general insurers, we believe that we have obligations to the community and have information that can assist the community in managing its insurable risks, both now and for the future.

We recognise this and are committed to working with the relevant stakeholders to play our part in improving the future of the communities in which we operate.

Our efforts in the community are focused in two areas: safety and the environment.

Some of that work on the environment is centred around climate change. As this slide shows, global temperatures have increased, such that the 1990s was the warmest decade and 1998, 2001 and 2002 were the warmest years since records began. Further increases are projected – climate change is here and now!

At the same time, research shows that small changes in mean temperature can increase the potential damage dramatically. This is borne out by the fact that economic losses from natural disasters greater than \$10 million are increasing in Australia, as the graph on the right shows.

[This graph is sourced from the Bureau of Transport Economics Analysis of Emergency Management Australia. Definition of Natural Disaster: Economic costs greater than \$10 million (1999 prices) and includes costs of deaths and injuries.]

As a result, over the past year we have been using IAG's extensive data history to highlight how the climate of Australia is changing and what actions we can take to reduce the risk of associated catastrophic events. We're carrying out more research, in conjunction with one of the world's top weather modelling teams.

We'll share the findings with key national and global leaders and the community so we can work together to reduce the likelihood of severe weather impacts to properties and lives. We're also exploring new products and services that can create business value and encourage sustainable behaviour.

Our efforts in the climate change area are just one of the ways we are working with the community and customers on reducing risk and improving our business, products and services.

Community: safety and risk reduction



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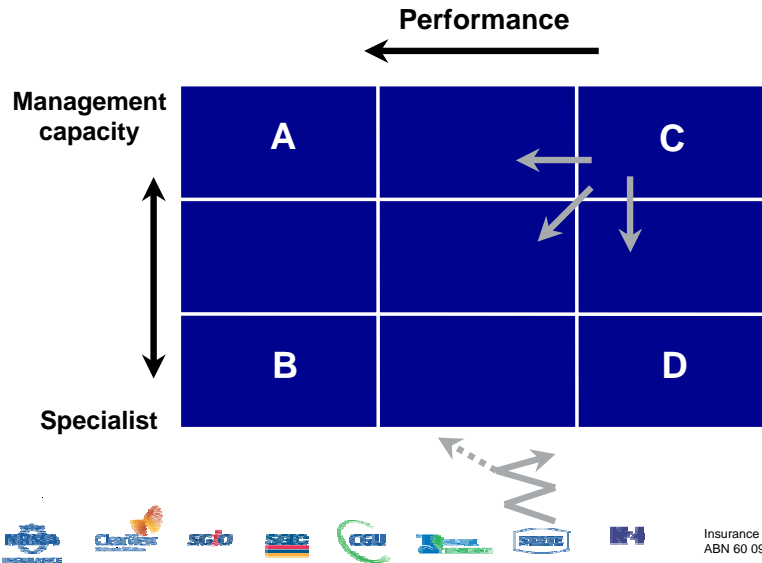
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We have aligned our philanthropic and sponsorship efforts with other organisations that HELP our customers and who are also looking to reduce risk in the community.

For example, we have:

- supported NRMA CareFlight for over 12 years;
- provided more than \$500,000 for CrimeSafe grants to more than 110 separate initiatives in 2002-03 alone; and
- more recently signed national programmes with St John Ambulance and the Salvation Army Emergency Services.

People: talent management matrix



I'd like to spend some time talking you through our talent management matrix, which is the cornerstone of our evaluation and development processes.

The matrix is used to identify people to be moved around the business in order to gain breadth of experience and build capacity. This has been implemented in the top two layers and will be cascaded across the organisation by February 2004, linked to performance planning and supported by coaching and development.

One of the by-products of the matrix is access to our comprehensive learning programme, also introduced in the last year. The programme covers the range of learning, from frontline supervisory training to online learning and executive coaching, to ensure we attract and retain talented people across all areas of the business

People: focus on engagement



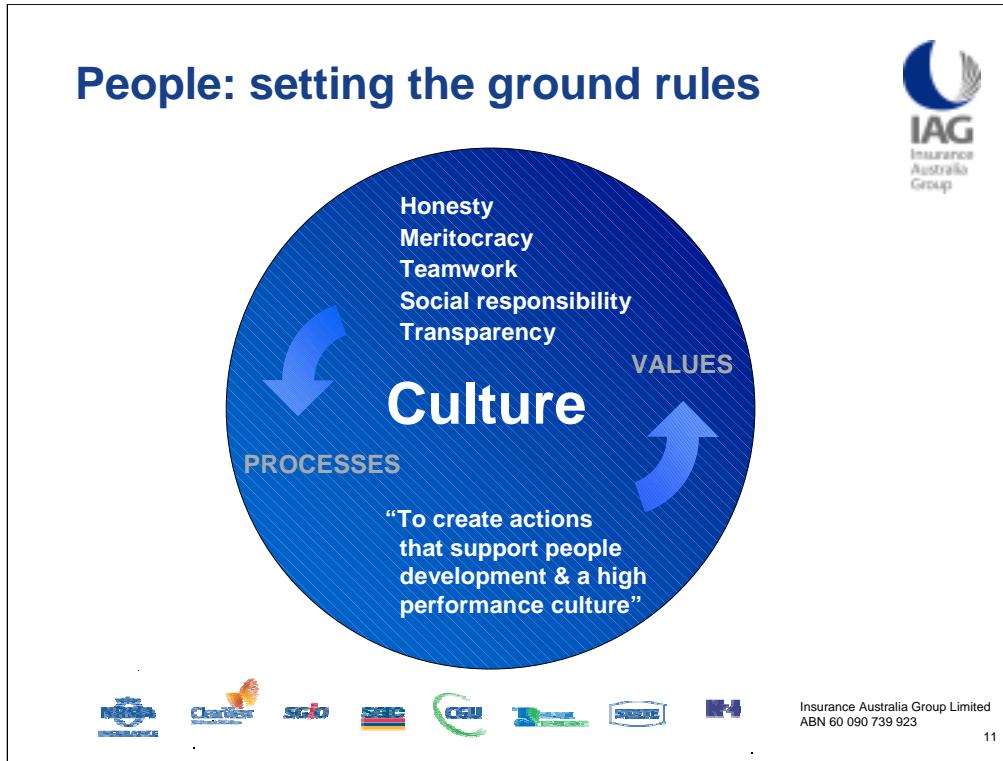
Six measures of engagement:

- It would take a lot to get me to leave this organisation
- I would not hesitate to recommend this organisation to a friend seeking employment
- This organisation inspires me to do my best work every day
- I hardly ever think about leaving this organisation to work somewhere else
- Given the opportunity, I tell others great things about working here
- This organisation motivates me to contribute more than is normally required to complete my work



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We are fortunate in that the cultures within IAG are supportive of the “help” branding campaign, and reflective of our retail brands.

Our focus now is on embedding a common set of values – honesty, transparency, teamwork, meritocracy and social responsibility.

I believe these values are integral to being a well managed company. They are also similar in scope to the CGU values of customer service excellence, performance, integrity, teamwork and progressiveness.

Focusing on our values is backed up by what people outside the company tell us.

We conducted some research on the community’s expectation of our company, and of the insurance and financial services sector more broadly.

Not surprisingly, almost 90% of the people polled told us we are totally responsible for ensuring our sales people act ethically and honestly.

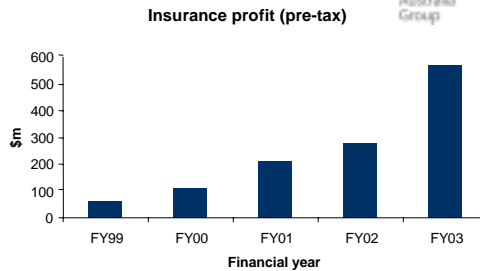
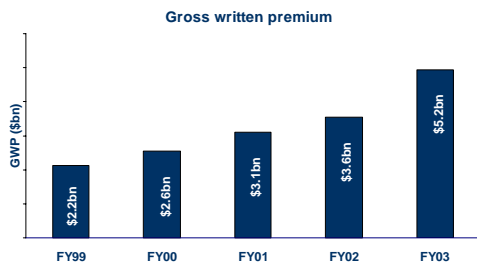
My senior management team and I strive to live by these values, and we are building awareness in the business that these values should influence the behaviour and conduct of all people at IAG.

These values also inform our people programmes and processes - the interaction of values and these processes is our culture. It’s “how we do things around here”.

Investors: growth in business & profit



Revenue has continued to grow with the CGU & NZI acquisition contributing most of the 2003 growth



Insurance profitability has also grown to a level that can now sustain a business of this size



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Revenue increased by 45% to \$5.2 billion. The CGU/NZI acquisition accounted for 36%, with organic growth delivering the remaining 9%, of which 5% was from new policies in force in Australia.

An underwriting profit has now been delivered for five consecutive half years and we also benefited from a lack of exposure to equities during another poor year for equity markets. As a result, our insurance margin increased from \$278 million in FY02 to \$571 million in FY03, or from 8.7% in FY02 to 12.3% in FY03.

Investors: CGU/NZI on track



CGU/NZI insurance result	Actual	Business case
Gross written premium	A\$1,291m	A\$1,125m
Net earned premium	A\$1,023m	A\$972m
Combined ratio	91.5%	98.3%
Contribution to group NPBT ¹	A\$88m	n/a

¹ Stated after allowing for goodwill amortisation, integration expenses and borrowing costs associated with the acquisition

- The acquired CGU/NZI business out-performed the initial business case on all key measures for 2H03
- Integration on track to deliver \$160m (pre-tax) in sustainable benefits by June 2004



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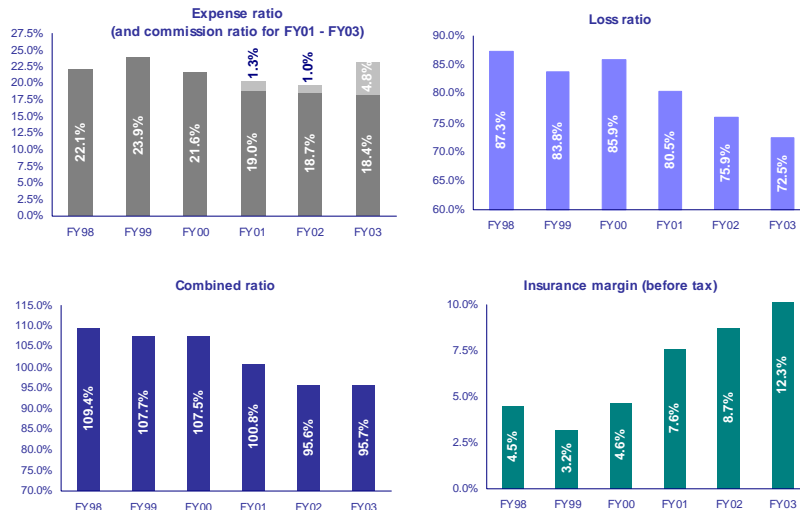
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Within the total results, the acquired businesses have outperformed every measure used to support the price in our business case prepared last October. For 2H03 the business has delivered the performance that we were hoping to see post the delivery of integration synergies in the year to 30 June 2005.

Being more focused on commercial business, the acquired businesses benefited from the hardened cycle but there was also more momentum in the business when acquired than we either knew about or were prepared to rely upon for a business case. We had also been conservative in assuming some loss of customers following the acquisition but this did not eventuate. Indeed, since the date of acquisition, 18 new financial intermediaries have signed with the Group. Most of these new business partners are regional or industry based credit unions.

Overall the result is well ahead of our expectations with a contribution of \$88m to NPBT for the half year to 30 June 2003.

Investors: key ratios – margins up



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In recent years we have simply noted that the trends on this slide are all as desired. This is still the case for FY03 but there is an added complexity due to the change in distribution mix such that over 45% of the business is now distributed through third party intermediaries.

The premiums for intermediated business include an allowance for the incremental cost of the tailored product or distribution, which in turn is reflected in a commission payable to the intermediary.

The CGU/NZI acquisition has led to a more than four-fold increase in the total commission ratio to 4.8% in the first half-year of ownership. In view of the significance of this, it has been separately identified. The remaining component of the expense ratio is referred to as the administration ratio.

While the intermediated business increases the total expense ratio, there is a largely corresponding decrease in the loss ratio as the claims are related to a higher premium base. This effect can be seen in the loss ratio trend on the chart.

Investors: FY03 financial results overview



Consolidated financial results	FY 2001	FY 2002	FY 2003
	A\$m	A\$m	A\$m
Gross written premium	3,198	3,558	5,150
Net premium revenue	2,775	3,195	4,636
Underwriting profit/(loss)	(22)	142	199
➤ Investment income on technical reserves	232	136	372
Insurance profit	210	278	571
➤ Investment income/(loss) on shareholders' funds	126	(234)	(120)
Amortisation & interest	(39)	(67)	(128)
Other items (net)	(42)	(78)	(26)
Profit before income tax	255	(101)	297
Income tax (expense)/benefit	(44)	18	(80)
Profit after income tax	211	(83)	217
Outside equity interests	(68)	58	(64)
Profit/(loss) attributable to all shareholders	143	(25)	153
➤ ROE % (Average Equity) to ordinary shareholders	5.32	(1.00)	4.70
Basic EPS (cents)	9.40	(1.78)	8.65
DPS	10.0	10.5	11.5
Consolidated MCR multiple	n/a	1.56	1.62
Australian insurance operations multiple	n/a	n/a	2.03
Minimum probability of sufficiency of general insurance claims reserves	>90%	>90%	>90%



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Equity markets did not perform as poorly in FY03, relative to FY02, and the Group's total pre-tax return from investments increased by \$350m to \$252m. The FY03 figure includes \$68m in respect of the tactical option protection programme.

ROE for ordinary shareholders was only 4.7% as equity markets remained negative and the acquisition is still being integrated. The business has the momentum to improve this substantially as long as negative equity market returns do not negate those improvements.

Investors: increased dividends



- Normalised earnings up 8% to \$343m
- Total dividend for FY03 of 11.5c per ordinary share
 - Up 9.5% from last year
- Dividend reinvestment plan ('DRP') introduced:
 - Strong take-up by more than 200,000 shareholders
- Dividend policy under review



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The strong performance of the underlying operations, the Group's healthy capital position and the confidence in the benefits to be delivered from the CGU/NZI acquisition led to the Directors resolving to increase the final dividend per ordinary share to 7.0 cents per share, fully franked – up from 6.0 cents last year.

The dividend was paid on 13 October 2003.

This brings the total ordinary dividend per share for 2003 to 11.5 cents, relative to 10.5 cents for 2002.

The company's dividend reinvestment plan (DRP) was first implemented for the 2003 interim dividend, in response to shareholder requests.

The DRP has been well received with more than 200,000 ordinary shareholders choosing to participate at each of the 2003 interim and the final dividend.

Moving forward, we are reviewing our dividend policy because we are now at the top end of our capital range and generating capital at the present time. We are looking at a range of options, to ensure we make the most of the company's strong capital position and will inform shareholders once a decision is reached.

Investors: strongly capitalised



- Approach to capital unchanged
 - Risk of ruin of 1 in 750 years
 - An 'AA' category rating – currently AA (Outlook stable)
 - Group MCR multiple in 1.35x – 1.65x range
- Strengthened risk margins in claims reserves and maintained minimum probability of sufficiency of 90%
- Maximum net event loss within reinsurance programme is \$70m as at 30 June 2003
- Mix of capital for rating agency purposes now at target
- High quality, liquid investment portfolio



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This has all been achieved on the back of a prudently stated and strongly rated balance sheet. The key rated entities in the Group have retained their Standard & Poor's AA insurer financial strength ratings with a stable outlook throughout this period of change and against a background of insurer downgrades.

The Group has continued to model its economic capital around three key measures: risk of ruin of 1 in 750 years; an 'AA' category rating; and Group MCR (minimum capital requirement) multiple in 1.35x – 1.65x range. MCR multiple range was set by working back from our analysis of our appropriate economic capital.

The Group's MCR multiple at 30 June 2003, including the benefit of the sale of NRMA Health to MBF, was 1.62x the minimum. This was near the top of our target range. The capital multiple has continued to improve since, with capital being generated by both the operations and the more buoyant equity markets.

A minimum probability of sufficiency of 90% has been retained for claims reserves. The risk margins in the claims reserves, ie how we reach the probability of 90%, have also been increased. We believe we are conservative in how we determine this. The most recent evidence of this was a comparison of our data with APRA published data on the risk margins inherent in reserves by line of business in the Australian industry.

The maximum net event loss within reinsurance programme is currently \$70m, or less than 1.5% of net earned premium (NEP). We have also increased our cover for hail and wind in the light of modelling which indicated the market exposure in Sydney could quite easily be considerably larger than the damage caused by the April 1999 hailstorm.

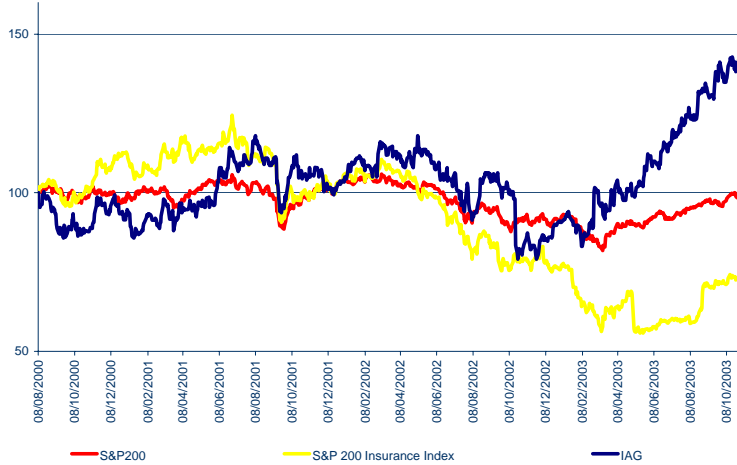
The capital mix for rating agency purposes is now at target and we continue to generate strong cash flows - net cash flows from operations for the year to June 2003 were \$825m.

We hold a high quality, liquid investment portfolio. Over 82% of our fixed interest portfolio is graded AAA and only 2% at A, the minimum rating we accept. In terms of liquidity, over 99% of our total investments are classified as liquid.

Investors: record share price



IAG Share Price Performance



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Award-winning performance



- General Insurance Company of the Year in Asia - Asia Insurance Awards
- Best non-bank financial institution and best banking & finance promotion - Australia Banking & Finance Magazine Awards
- Won Secondary Equity Deal of the Year - CFO Magazine
- Ranked 11th - Reputex 2003 Index of Top 100 Australian companies (up from 43rd in 2002)
- Won Emergency Management Australia's national award for the NRMA Insurance Help Expo



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Summary: year in review



- Improved levels of new business and customer retention
- Increased focus on the Group's role in the community & environment
- Development of our people and culture to provide long-term value for the Group
- Completed acquisition of CGU and NZI, and integration is progressing well
- Strongly positioned for ongoing value delivery



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In summary this has been a transformational year for Insurance Australia Group.

Looking forward



After the transformation of the past year, how do we look as a company and how are we positioned for the future?

Performance to 30 September 2003



	FY04 Target	YTD September Scorecard
Organic growth	7 – 9%	Achieved
Group combined ratio (COR)	93 – 96%	Achieved
Short-tail COR	92 – 94%	Achieved
Long-tail COR	100 – 105%	Achieved
International COR	91 – 93%	Achieved
Insurance margin (pre-tax)	9 – 12%	Achieved

- Equity markets have been positive - S&P/ASX200 up 4.71%, MSCI World (ex Aust) up 3.85%
- On track for full year, barring any major insured events. Ahead in first quarter due to unusually benign weather conditions
- Integration programme ahead of schedule



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•The Group's view on organic growth for FY04 continues to be 7 – 9% for the combined business. This is based on continued economic growth in Australia and New Zealand generating growth in the market and allowing for moderate premium increases to cover claims inflation now that market rates are reaching appropriate levels to cover the risks in most classes. Indeed, within our core NSW motor portfolio, average premiums have risen by less than 2% over the last year.

• As noted earlier, our Australian business experienced growth in number of policies of 5% during the past year. Most of this is due to market growth. With reasonable GDP growth and continued growth in real wages, we believe system growth of this order is sustainable as the population accumulates insurable assets. Additional growth potential comes from addressing the considerable under-insurance in the marketplace and continuing to improve our competitive positioning through improved efficiencies and customer service.

•The Group is very focused on bedding down the acquisitions that have been made in recent years and improving its performance and service delivery. The Group's recent performance demonstrates that it has the capacity to do this. In fact, the integration programme for 1H04 is running ahead of schedule.

• The Group COR target for FY04 has been reduced to 93 – 96%. Delivery to these targets in a low interest rate environment is necessary to achieve insurance margins in the 9 – 12% range. In turn, delivery of these margins, combined with reasonable equity market performance, should generate reasonable returns to shareholders and facilitate delivery of the Group's goal of providing top quartile shareholder return.

•Equity markets are performing stronger - with the S&P/ASX200 Index up 4.71% and the MSCI World Index (ex Australia) up 3.85% for the period from 30 June 2003 to 30 September 2003.

•On track for full year FY04, barring any major insured events. Ahead in first quarter to 30 September 2003 due to unusually benign weather conditions. Full year targets remain unchanged.

