



IAG
Insurance
Australia
Group

Insurance Australia Group Limited
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MEDIA RELEASE

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IAG on track to deliver at high end of full year guidance

Insurance Australia Group Limited (IAG) Chief Executive Officer, Mr Michael Hawker told shareholders at the company's annual general meeting today the Group was on track to deliver GWP growth of 8-10% and a normalised ROE above 15% for the full year.

He said, based on the Group's performance during the first quarter, he was confident IAG would deliver results at the higher end of its original GWP growth guidance. He also said there was a possibility GWP growth could exceed 10% given further shareholder accretive acquisitions in the pipeline.

"The momentum in our Australian Personal Lines business has continued into the current year with renewal rates at their highest levels in two years and sales conversions increasing," Mr Hawker said.

"This has been driven by improved technology, a competitive pricing position and a revitalised marketing campaign.

"For the first quarter our Australian Commercial Lines business performed in line with the same period last year in terms of GWP and insurance margin, and our New Zealand business also performed strongly, a pleasing result given prevailing market conditions in both those markets.

"In our Asian business, our 2006 acquisitions in Malaysia and Thailand will make their first full year contribution to our result, and we're confident our recent UK acquisition, will contribute around 3% of our full year GWP target.

"We also have a good pipeline of potential acquisitions which match both our strategy and our strict investment criteria. This includes our agreement with China's second largest insurer, CPPI, which we are still in the process of completing, although progress is slower than anticipated."

During the meeting Mr Hawker reflected on the Group's five year performance and plans to double the size of the Group again by 2012.

"We have largely delivered our five year targets a year early and now plan to grow GWP to \$13 billion by 2012. Our overriding aim continues to be sustaining top quartile shareholder returns over the longer term," Mr Hawker said.

"We have firmly established our foothold in Asia and continue to investigate opportunities to transfer our underwriting capabilities in high growth, emerging markets.

"At the same time we have entered mature markets, such as the UK, and are actively pursuing niche general insurers, primarily in motor, where we can access new customers and markets, as well as strong local management teams.



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“This diversity of products, income stream and geography leads to less volatile earnings and capital diversification, key drivers of the economics of our business.”

Launching IAG’s third Sustainability Report - ‘A single person can make a world of difference’, Mr Hawker also announced the company’s intention to be carbon neutral within the next five years.

“Climate change is one of the most significant risks currently facing the community, with the increase in catastrophic weather related incidents representing a financial risk to our customers. Our commitment to action on climate change is about ensuring the long-term sustainability of our company and the communities in which we operate.”

IAG’s 2006 Sustainability Report highlights the Group’s performance against social and environmental measures. The full report is available at www.iag.com.au.

For the 2006 financial year, IAG recorded a net profit after tax of \$759 million (30 June 2005: \$781 million*), and a normalised ROE of 15.8%, above the long term hurdle rate of 1.5x weighted average cost of capital. This was achieved by focusing on customers, maintaining underwriting discipline and containing operating costs.

In view of the Group’s continued strong performance, the Board declared its highest ever final dividend of 16 cents per share, fully franked, which was paid on 9 October 2006. This took annual dividends for the year to a record 29.5 cents per share, fully franked, an 11.3% increase on the previous year. IAG also paid a special, fully franked, dividend of 12.5 cents per share in June 2006.

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The Group was required to adopt Australian equivalents of International Financial Reporting Standards (AIFRS) when preparing its financial reports for the year ended 30 June 2006. For comparative purposes, results for the 2005 financial year were also restated under AIFRS.

About Insurance Australia Group Limited

Insurance Australia Group (IAG) is Australasia’s leading general insurance group, with annual gross written premium of more than AUD\$6.4 billion, and approximately 12,000 employees. The Group includes some of Australia and New Zealand’s most trusted brands – NRMA Insurance, SGIO, SGIC, CGU, Swann Insurance, State Insurance and NZI. IAG’s interests in Asia include two businesses in Thailand (NZI Thailand and Safety Insurance), a 30% stake in Malaysia’s AmAssurance, a Lloyd’s syndicate based in Singapore and the China Automobile Association in Beijing. IAG also recently acquired UK-based Hastings Direct. For further information please visit www.iag.com.au.

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