

FACT SHEET

19 August 2005

Insurance Australia Group results for the 12 months to 30 June 2005

Another quality result in a competitive market

Summary information

	12 months 30 June 2003 \$m	12 months 30 June 2004 \$m	12 months 30 June 2005 \$m
Gross written premium (GWP)	5,150	6,427	6,673
Net earned premium (NEP)	4,636	5,863	6,144
Underwriting profit	199	548	484
Investment income on technical reserves	372	244	516
Insurance profit	571	792	1,000
Investment income on shareholders' funds	(120)	434	479
Net profit after tax	153	665	760
Group combined ratio	95.7%	90.8%	92.1%
Immunised Group combined ratio	93.9%	92.8%	90.7%
Group insurance margin	12.3%	13.5%	16.3%
Dividends per share (fully franked)	11.50	22.00	26.50

Group highlights

- **Strong capital position maintained**, with a Minimum Capital Requirement (MCR) multiple at 30 June 2005 of 2.0 times, which is ahead of the Group's current benchmark multiple of 1.55 times MCR.
- **High customer retention** sustained above 90% across our largest portfolios of directly distributed home and motor insurance, and claims satisfaction above 85%.
- **Cash returned to IAG's ordinary shareholders** totalled \$422 million for the year.
- **Risk in the business reduced** through increased reinsurance protections, introduction of new investment classes and manager styles in our shareholder funds portfolio, and \$550 million contingent capital raised through the issue of Reset Exchangeable Securities.
- **Premiums kept affordable**, with NSW CTP prices as low as they were 10 years ago, comprehensive motor insurance reducing relative to average weekly earnings and the introduction of a cut of at least 10% in commercial public and product liability rates.
- **Community investment remained strong** at more than \$12 million, invested in many programmes (for example, the Head Injury Retrieval Trial in conjunction with CareFlight) aimed at making roads, homes and workplaces safer – reducing risk through these programmes will work to reduce the number of claims and keep insurance affordable.
- **Retail brands remained strong.** In Australia, the NRMA, SGIO, SGIC and CGU brands continued to strengthen, with research showing the NRMA brand recorded one of the highest points at June 2005. In New Zealand, the State brand leads the market for unprompted brand awareness and NZI also maintains a strong public presence.

Divisional highlights

Australian personal insurance

The Group's Australian personal insurance operations includes motor, home and compulsory third party (CTP) and niche insurance, sold under the NRMA Insurance, SGIO and SGIC brands, as well as business sold through financial institutions and other distribution partners under the CGU and Swann Insurance brands.

Results for the year ended 30 June 2005 compared with the previous corresponding period:

- GWP grew by 2.0% from \$3,900 million to \$3,978 million;
- NEP grew by 3.3% from \$3,602 million to \$3,721 million; and
- Insurance margin reduced slightly to 16.0% compared to 16.5%.

Australian commercial insurance

The Group's Australian commercial insurance operations includes fire & ISR, commercial property, commercial motor, rural and horticultural, marine, home warranty, public liability, professional indemnity and workers' compensation insurance, sold predominantly under the CGU brand.

Results for the year ended 30 June 2005 compared with the previous corresponding period:

- GWP grew by 5.0% from \$1,613 million to \$1,694 million;
- NEP grew by 5.9% from \$1,355 million to \$1,435 million; and
- Insurance margin grew 7.6% from 9.6% to 17.2%.

International operations

The Group's international operations comprises the New Zealand business (which sells personal and commercial insurance under the State and NZI brands), as well as the Group's reinsurance business and Asian interests.

Results for the year ended 30 June 2005 compared with the previous corresponding period:

- GWP grew by 9.5% from \$914 million to \$1,001 million;
- NEP grew by 9.1% from \$906 million to \$988 million; and
- Insurance margin grew 8.6% from 7.5% to 16.1%.

Corporate goals - ongoing

Goals	Progress
Top quartile shareholder return	Measured from listing on 8 August 2000 until 30 June 2005, IAG's TSR ranks it in the top 20% of entities in the S&P ASX 100 index.
Return on equity of at least 1.5 times weighted average cost of capital	Achieved return on equity greater than 1.5 times weighted average cost of capital.
Establish an Asian foothold	Added a small general insurance business to the Group's portfolio of Asian assets and continued to pursue further opportunities.
Maintain an 80:20 mix of short-tail:long-tail premiums	80:20 mix of short-tail:long-tail premiums maintained.
Maintain a 'AA' category rating	The Group maintained its very strong 'AA' insurer financial strength ratings from Standard & Poor's for its key wholly-owned licensed insurers, the highest rating of any Australian-based financial institution.