

# FACT SHEET

24 AUGUST 2007



## INSURANCE AUSTRALIA GROUP RESULTS FOR THE 12 MONTHS TO 30 JUNE 2007

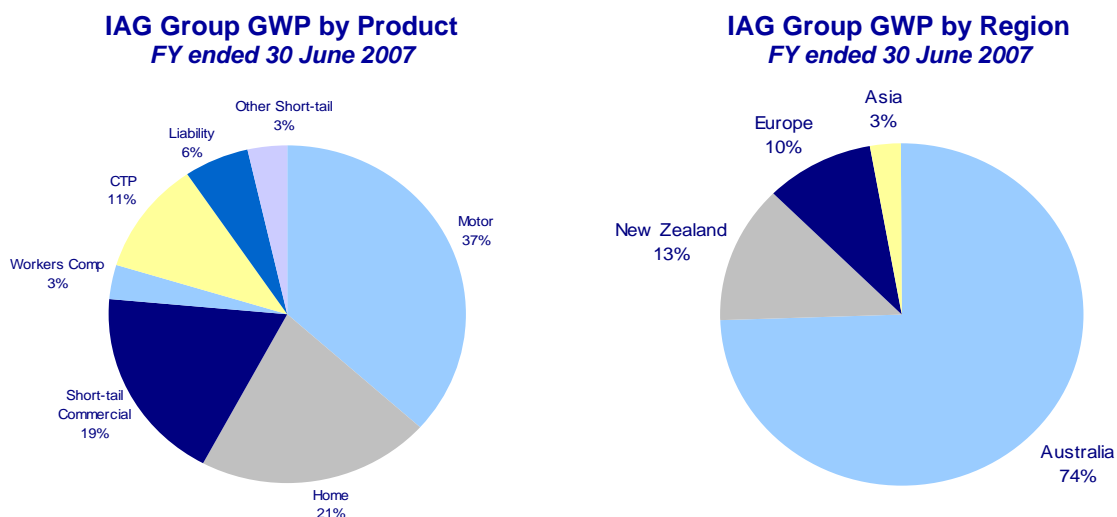
Summary information	12 months to 30 Jun 2006* \$m	12 months to 30 Jun 2007 \$m
Gross written premium (GWP)	6,435	7,381
Net earned premium (NEP)	6,132	6,743
Net claims expense	(3,900)	(4,474)
Underwriting profit	533	407
Investment income on technical reserves	310	360
Insurance profit	843	767
Profit from fee based business	1	78
Investment income on shareholders' funds	539	301
Net profit after-tax attributable to holders of ordinary shares	759	552
Group combined ratio	91.3%	94.0%
Immunised Group combined ratio	93.1%	95.1%
Group insurance margin (before tax)	13.7%	11.4%
Dividends per share (cents, fully franked)	29.5	29.5

\* 2006 insurance margin was reported differently in the 2006 Directors' Report in the Group's statutory financial statements, due to the reclassification of the Group's captive insurer's results from the consolidated operations back to the businesses from which the captive earned profits.

### Group Highlights

- **Good growth in premium revenue**, with GWP up 15% to \$7.4 billion, exceeding 12-14% guidance, following strong contributions from Australian Personal Lines and UK business.
- **Insurance margin** of 11.4%, after a negative 3% impact of June storms in Australia and the UK.
- **Net profit** level reflects \$200 million pre-tax net impact (\$140 million after-tax) of June storms in Australia and UK, \$47 million increase in amortisation costs from UK acquisitions, and \$167 million after-tax decrease in investment returns from shareholders' funds. Net profit also reflects a \$86 million pre-tax diversification benefit from the UK acquisitions.
- **Final dividend** of 16 cents per ordinary share, fully franked, bringing total dividends for the year to 29.5 cents per ordinary share, fully franked, consistent with the previous year.
- **International businesses made positive contributions**, with Asia growing revenue and profit, and Equity Insurance Group acquisition in UK becoming cash EPS accretive immediately.
- **Fee income** of \$78 million compared to \$1 million in the previous year, driven by UK broker and Australian workers' compensation businesses.
- **UK synergies** are on track and expected to come to £25 million by June 2008. In the second half of the year, the Group delivered £4 million in synergy benefits.
- **Actual Return on Equity** at 13.5% and normalised Return on Equity at 12.9% (eliminating amortisation expense and normalising income on shareholders' funds portfolio).
- **Customer satisfaction improved** in the largest portfolio, Australian Personal Lines, with a score of 83, up 3 points.

## Group GWP breakdown



## Divisional Highlights

### Australia

#### Personal Insurance

- GWP in Personal Lines increased 1.3%, with growth recorded in all channels and product classes. Adjusting for the impact of the NSW Lifetime Care & Support Scheme (LTCS), GWP growth in FY07 was 2.6%.
- Direct book (74% of Australian Personal Lines) grew 5.4% over the first half (after adjusting for LTCS) and maintained a 16.2% insurance margin for the year.
- Short-tail GWP grew 3.3% on FY06, compared to a 2.6% decrease in the prior year.
- The NSW CTP portfolio achieved its target growth to 38% market share of registrations.
- Insurance margin was achieved despite increased claims frequency as a result of June 2007 NSW Storms.

Gross written premium	\$3,909 million
Net earned premium	\$3,719 million
Underwriting profit	\$203 million
Insurance profit	\$416 million
Insurance margin	11.2%

#### Commercial Insurance

- Commercial Lines achieved GWP, underwriting and insurance profit growth relative to previous corresponding period.
- Overall performance benefited from strong underwriting discipline, favourable claims experience and reserve releases, but the second half saw impact from the June 2007 Storms.
- Market share relative to Australian competitors maintained despite continued soft market conditions.

Gross written premium	\$1,580 million
Net earned premium	\$1,407 million
Underwriting profit	\$172 million
Insurance profit	\$255 million
Insurance margin	18.1%
Fee based business	\$65 million

## International

### New Zealand

- Business is generating premium growth in local currency terms and market share improved slightly, to 36.0%.
- Technology investment, now completed, has led to higher underwriting expenses during the period, but will improve underwriting capability in FY08.

Gross written premium	\$968 million
Net earned premium	\$860 million
Underwriting profit	\$64 million
Insurance profit	\$86 million
Insurance margin	10.0%

### Asia

- Underlying GWP in Thailand grew by 4.1% in local currency terms, despite negative impact of fuel price rises on demand for motor vehicles.
- Focus on supporting existing business interests, and unlocking and creating value through capability transfer of the Group's core insurance competencies.
- Asian business continues to pursue opportunities to make strategic investments in a shareholder accretive manner and remains focused on motor led propositions.
- Potential investment opportunities in India and China are currently being investigated and Group is progressing plans to increase ownership of AmAssurance's non-life business in Malaysia from 30% to 49%.

Gross written premium	\$168 million
Net earned premium	\$130 million
Underwriting profit	\$1 million
Insurance profit	\$9 million
Insurance margin	6.9%
Share of profit from associates	\$7 million

### Europe

- The Group entered the European insurance market through the acquisition of Hastings and Advantage (announced September 2006) and of Equity Insurance Group (announced December 2006).
- Acquisitions position the Group as the UK's third largest personal lines broker, fifth largest motor insurance underwriting group and largest motorcycle insurer.
- Bespoke portfolio performed strongly and rate increases in private motor now appear to be holding.
- After-tax synergies of £4 million or \$10 million were delivered for FY07 and a total of £25 million (\$63 million) is expected to be reached by 30 June 2008 (compared to £22m as previously announced).

Gross written premium	\$725 million
Net earned premium	\$592 million
Underwriting profit/loss	(\$3 million)
Insurance profit	\$30 million
Insurance margin	5.1%
Fee based business	\$18 million

## Financial Goals

Goals	Progress
Return on Equity of at least 1.5-times weighted average cost of capital	Reported Return on Equity 13.5%. Our aim remains to create Return on Equity exceeding stated targets.
Grow our international presence <ul style="list-style-type: none"> <li>Grow presence in mature international markets such as the UK</li> <li>Continue to build a footprint in Asian emerging markets</li> </ul>	We are currently pursuing opportunities in China, India and Europe. We are also well advanced in our plans to increase our ownership in Malaysia's AmAssurance's non-life business from 30% to 49%.
Maintain an 80:20 mix of short tail : long tail premiums	The ratio remains in line with our target. The mix of short tail : long tail was 80:20
Maintain a 'AA' category rating	Maintained 'AA' financial strength rating from S&P
Top quartile shareholder return	We have not achieved this in recent periods but we believe our strategy will deliver this over the long term

## Balance Sheet

- The Group maintains a very strong balance sheet, with net assets attributable to IAG shareholders totalling \$4,660 million.
- Regulatory capital position, measured as a multiple of the Minimum Capital Requirement, remains strong at 1.67x, well ahead of the Group's current benchmark of 1.55x.

## Group Outlook for FY08

- The Group has created scope for continued progress on multiple fronts by ensuring sustained improvement domestically and by building new growth platforms internationally.
- Various parts of the portfolio are emerging from softer conditions and are expected to deliver significant upside going forward.
- Given renewed strength domestically and in New Zealand, and a full year of contributions from UK in FY08, the Group expects GWP to continue to grow by 10-12% in the year.
- Barring any major losses outside of normal allowances, the Group's aim is for the return to ordinary shareholders to exceed 1.5x its weighted average cost of capital.
- The Group expects dividends in FY08 to remain unchanged as it retains additional earnings to carry on with future shareholder accretive expansion.
- International expansion continues to be a key element in the Group's diversification strategy and it is actively pursuing opportunities in China, India and Europe.

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

### MEDIA RELATIONS

Carolyn McCann  
T 02 9292 9557  
M 0411 014 126  
E [carolyn.mccann@iag.com.au](mailto:carolyn.mccann@iag.com.au)

### INVESTOR RELATIONS

Michael Woods  
T 02 9292 3156  
M 0411 012 220  
E [michael.woods@iag.com.au](mailto:michael.woods@iag.com.au)

Insurance Australia  
Group Limited  
ABN 60 090 739 923

388 George Street  
Sydney NSW 2000  
Australia

T +61 (0)2 9292 9222  
[www.iag.com.au](http://www.iag.com.au)