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16 January 2003

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

IAG
Insurance
Australia
Group

Dear Ms Ross

FOR IMMEDIATE RELEASE TO THE MARKET

INSURANCE AUSTRALIA GROUP LIMITED ('IAG')

UPDATE OF INVESTMENT MARKET SENSITIVITIES

Insurance Australia Group Limited ("IAG") has updated the sensitivities of the Group's shareholder funds to movements in equity markets. As at 31 December 2002, a 1% movement in equity markets translates to a $16.7 million change in net profit before tax (30 September 2002: $14.6 million) assuming no change in market volatility.

The change reflects the impact of the acquisitions of CGU and NZI, other portfolio movements and the market impact of the structured collar options.

Over the quarter to 31 December 2002, the program of structured collar options has been expanded to hedge a notional value at inception of A$1.5 billion of Australian equities and A$0.5 billion of international equities. These collars now cover approximately 90% of the equities of the shareholders funds held by the IAG Group (including CGU and NZI). As at 31 December, the total value of equities in the IAG Group's shareholder portfolios amounted to A$2.2 billion (comprised of A$1.7 billion of Australian equities, and A$0.5 billion of international equities.)

The non-linear nature of the return on the structured collar options will have the effect of progressively reducing the Group's sensitivity to larger market movements.

Yours sincerely

Glenn Revell
Company Secretary

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