23 May 2003

Insurance Australia Group Limited
ABN 60 090 739 923
388 George Street
Sydney NSW 2000
iag.com.au

MEDIA RELEASE

Insurance Australia Group announces dividend rate for new reset preference share offer

Insurance Australia Group Limited today announced a dividend rate of 4.51% for its second offer* of reset preference shares (RPS2).

The dividend rate on the RPS2 has been fixed until the first reset date of 15 June 2008 at 4.51% per annum comprised as follows:

Market rate (five year swap rate)	4.835%
Margin (as determined by bookbuild)	1.600%
	6.435%
Adjustment for franking	0.7
Dividend rate	4.51%
Equivalent rate for holders who are entitled to refunds of excess franking credits	6.435%

Speaking about the RPS2 offer, Insurance Australia Group Chief Financial Officer Mr George Venardos said:

"We are very pleased with the strong response from both institutional investors and participating brokers on behalf of their retail clients, during the RPS2 bookbuild.

"We can now confirm that the company intends to issue a total of $200 million in RPS2."

The RPS2 offer is scheduled to open on Wednesday 28 May 2003 and close on Thursday 19 June 2003. Insurance Australia Group reserves the right to close the offer earlier so applicants are encouraged to lodge their forms as soon as possible after the offer opens. An allocation has been reserved for the public offer.

Trading of RPS2 on the ASX is expected to commence on a deferred settlement basis on 23 June 2003 under the code IAGPB.

The joint lead managers and bookrunners to the RPS2 offer, Deutsche Bank AG and UBS Warburg Australia Limited, have provided settlement credit support, as contemplated in the prospectus, for the full $200 million issue of RPS2.

The co-managers to the RPS2 offer are Commonwealth Securities Limited and UBS

Media Relations		Investor Relations	
Name	Suzanne Mercer	Name	Anne O'Driscoll
Telephone	(02) 9292 9426	Telephone	(02) 9292 3169
Mobile	0413 946 706	Mobile	0411 012 675

Warburg Private Clients Ltd.

Full details of the RPS2 offer are contained in the prospectus that will be available from:

- Commonwealth Securities Limited (13 15 19 or www.commsec.com.au);
- Deutsche Bank AG (1800 333 225);
- UBS Warburg Private Clients Ltd (1800 242 020);
- the IAG web site on www.iag.com.au/rps2; or
- by calling the IAG RPS2 Information Line on 1300 666 635.

IAG's existing reset preference shares, which trade under the ASX code IAGPA, have been in trading halt for the two days of the bookbuild. They were due to trade ex-dividend on 22 May and, accordingly, when trading of the IAGPAs recommences today they will be trading net of the fully franked dividend of $2.8921 per share (equivalent to $4.1316 if the holder is eligible for refunds of excess franking credits).

* Offers of RPS2 will be made under a prospectus that was lodged with ASIC on 20 May 2003. Any investor wishing to acquire RPS2 will need to complete the application form that will be attached to, or will accompany the prospectus.

Insurance Australia Group Limited is Australasia's leading general insurance group which has some of Australia and New Zealand's most trusted brands - NRMA Insurance, SGIO, SGIC, CGU, Swann Insurance, State Insurance, NZI and ClearView Retirement Solutions. Insurance Australia Group companies also manufacture motor, home and some other lines of insurance for RACV Insurance in Victoria.

- ends