Insurance Australia
Group Limited
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16 October 2003

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

Dear Ms Ross

INSURANCE AUSTRALIA GROUP LIMITED
INVESTOR PRESENTATION

Please find attached copy of presentation by Insurance Australia Group's Limited CEO, Mr Michael Hawker, to the Merrill Lynch Australasian Investment Conference held in New York.

Yours truly

Glenn Revell
Company Secretary

Insurance Australia Group Limited

Michael Hawker, CEO

Presentation to Merrill Lynch Australasian Investment Conference – 15 October 2003

Insurance Australia Group Limited
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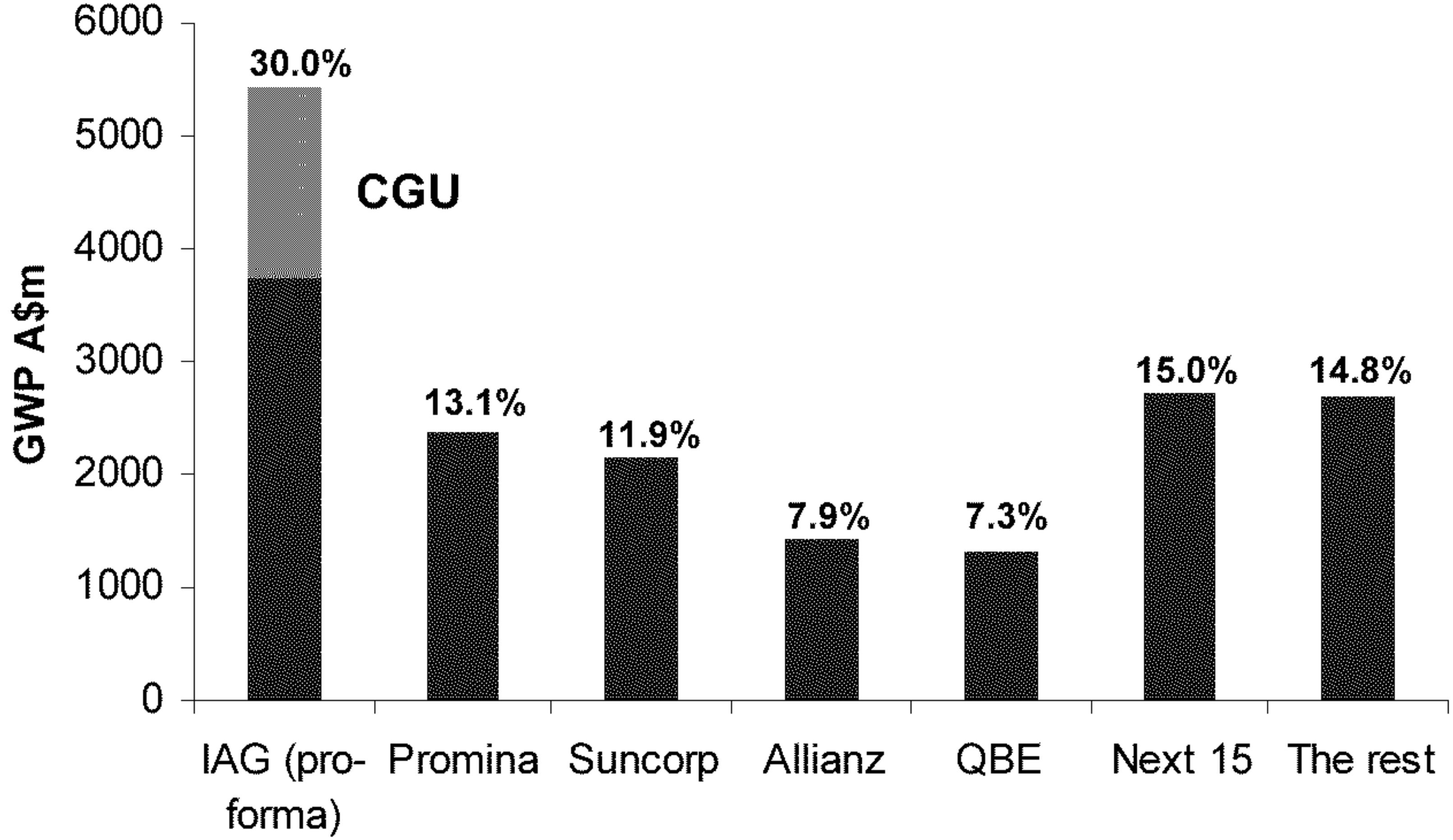
A watershed year

- Undertook the acquisition of CGU and NZI
  - Added nearly 60% to gross written premium
- Delivered improved performance from both the existing and acquired businesses
  - Reduced loss ratios
  - Reduced operating costs
  - Improved levels of new business and customer retention
- Achieved target capital mix, retaining 'AA' insurer financial strength ratings for key insurance entities

Outline

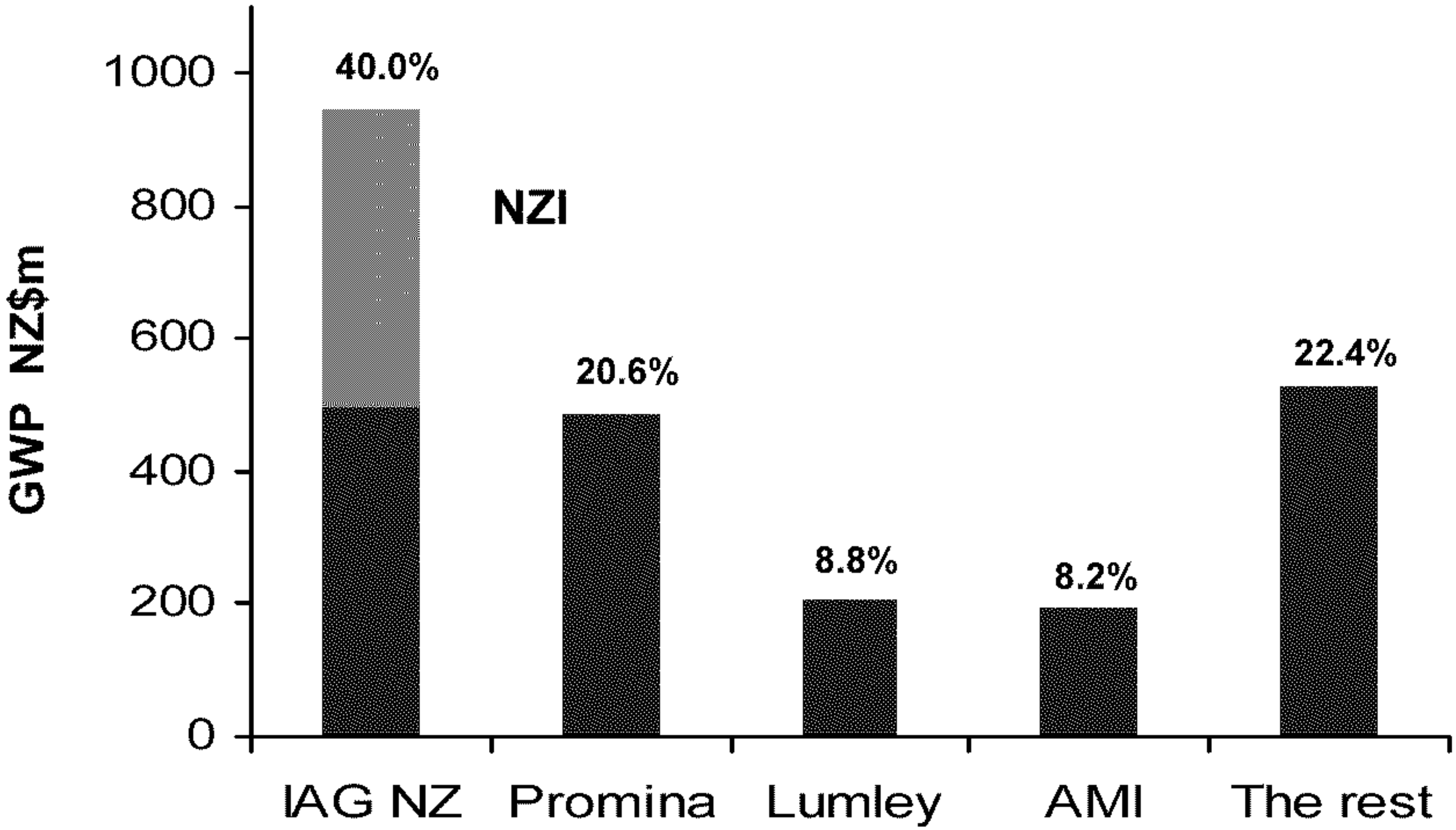
- The markets in which we operate
  - Market size and consolidation
- Our mix of business and diversification
- Market cycles and conditions
- FY03 results
  - Key ratios
  - Acquired business performance & integration
- Capital strength
- Outlook

Australia's consolidated market



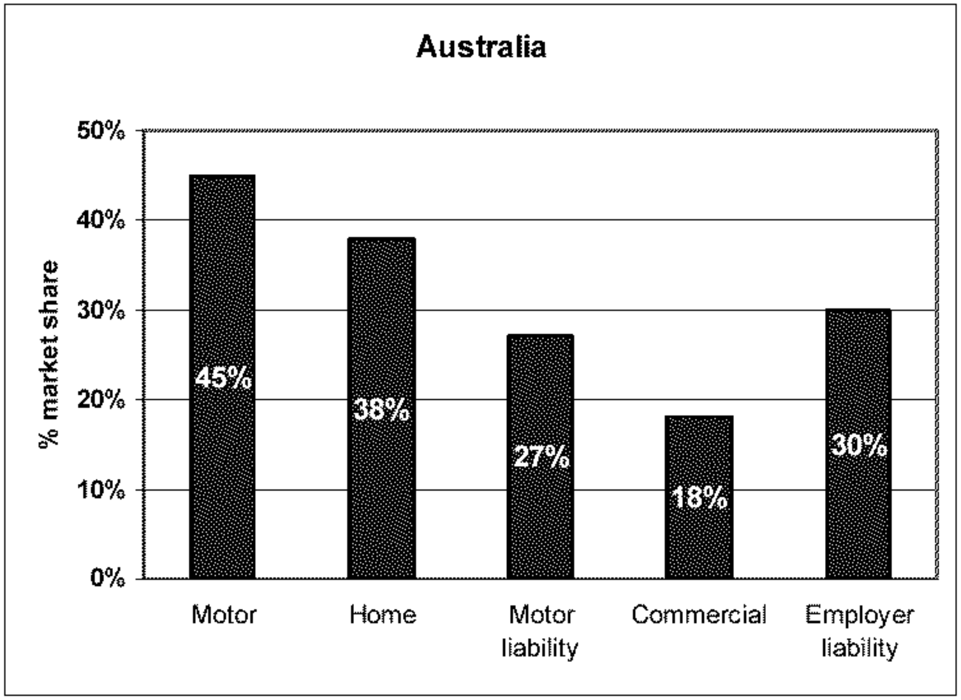
Source: APRA Statistics June 2002 – Inside Australia general insurance premiums (excluding reinsurers)

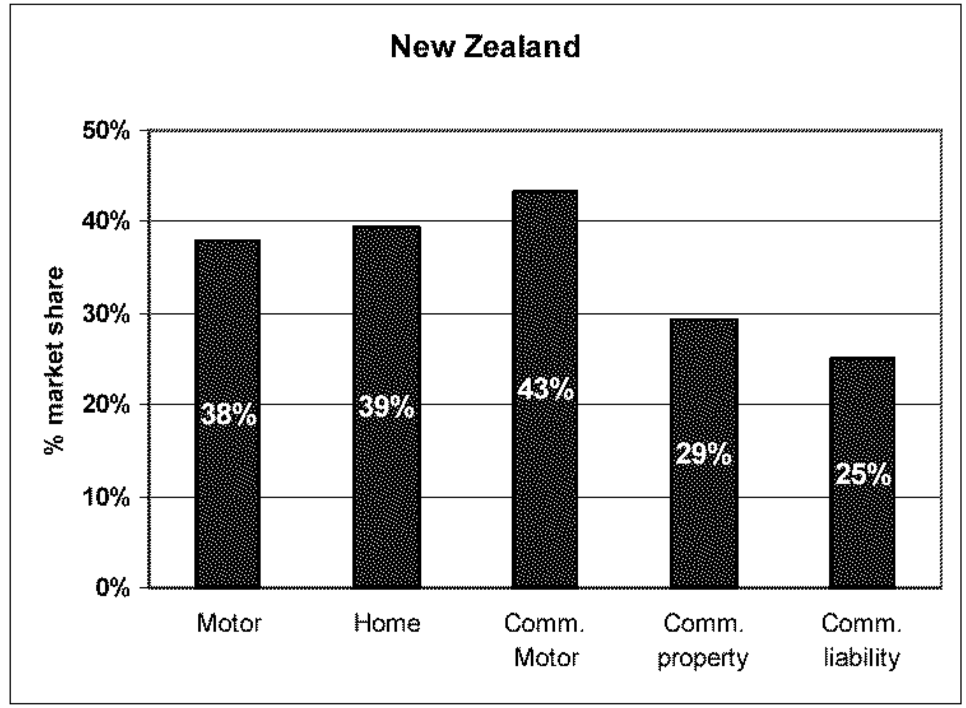
New Zealand's consolidated market



Source: Insurance Council of New Zealand – Calendar 2002 Statistics

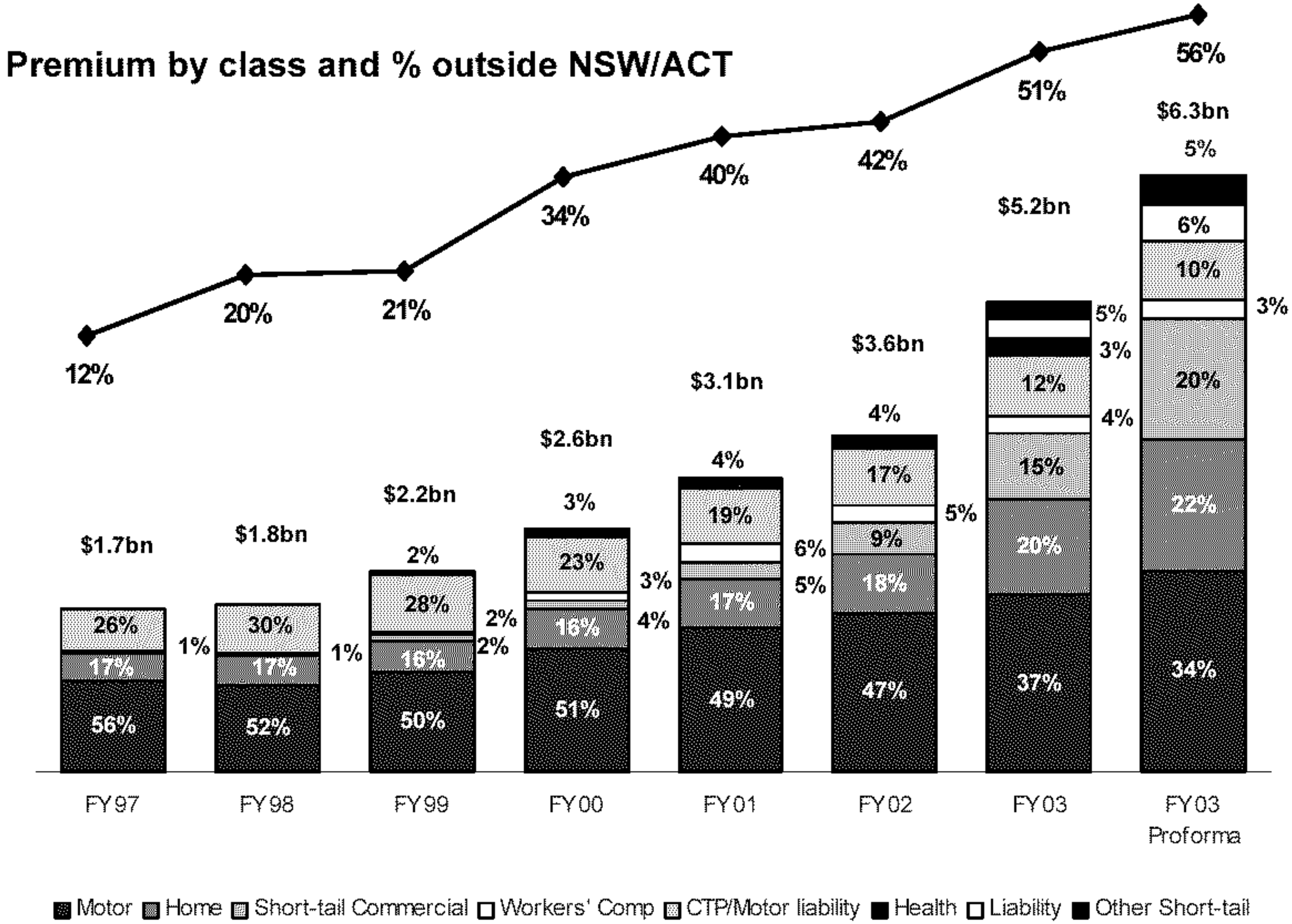
Market shares by product





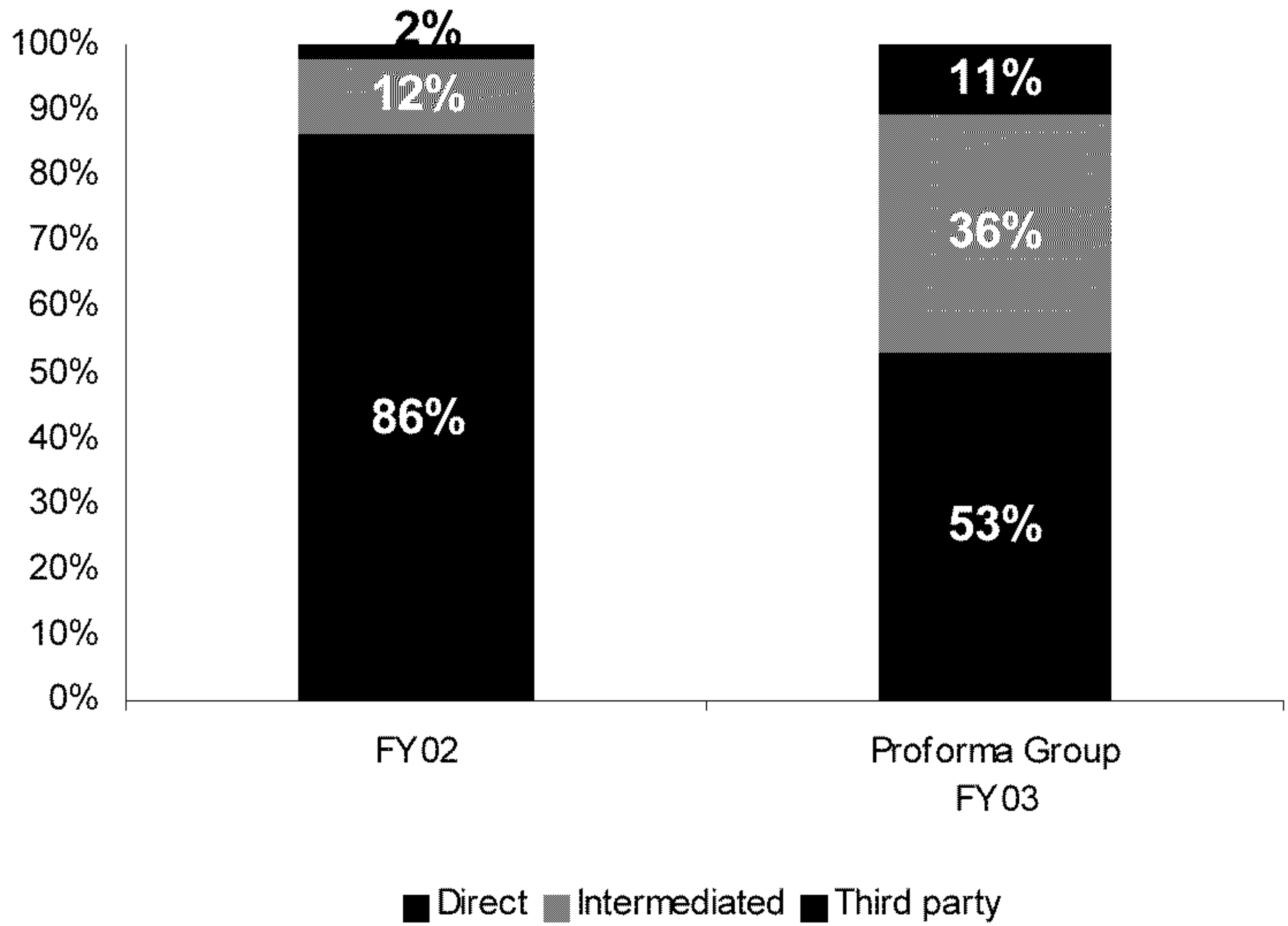
- Leading market shares in each line of business – except in Australian commercial insurance where our focus is on the smaller end of the market

Premium diversification



The main components of Other short-tail are: 2% other accident; 1% extended warranty; and 1% consumer credit business

Broadened distribution channel mix



Market conditions and cycles

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- A tale of three cycles
- Personal lines
  - Structural change – considered sustainable
- Commercial lines
  - The larger the business, the more susceptible to ongoing global cyclical influences
- Statutory classes (motor & employer liability)
  - Long cycles influenced by the balance of social expectations and regulatory reform
- All cycles currently in favourable position

FY03 financial results overview

Consolidated financial results	FY 2001	FY 2002	FY 2003
	A$m	A$m	A$m
Gross written premium	3,198	3,558	5,150
Net premium revenue	2,775	3,195	4,636
Underwriting profit/(loss)	(22)	142	199
Investment income on technical reserves	232	136	372
Insurance profit	210	278	571
Investment income/(loss) on shareholders' funds	126	(234)	(120)
Amortisation & interest	(39)	(67)	(128)
Other items (net)	(42)	(78)	(26)
Profit before income tax	255	(101)	297
Income tax (expense)/benefit	(44)	18	(80)
Profit after income tax	211	(83)	217
Outside equity interests	(68)	58	(64)
Profit/(loss) attributable to all shareholders	143	(25)	153
ROE % (Average Equity) to ordinary shareholders	5.32	(1.00)	4.70
Basic EPS (cents)	9.40	(1.78)	8.65
DPS	10.0	10.5	11.5
Consolidated MCR multiple	n/a	1.56	1.62
Australian insurance operations multiple	n/a	n/a	2.03
Minimum probability of sufficiency of general insurance claims reserves	>90%	>90%	>90%

Fifth consecutive half-year of underwriting profit

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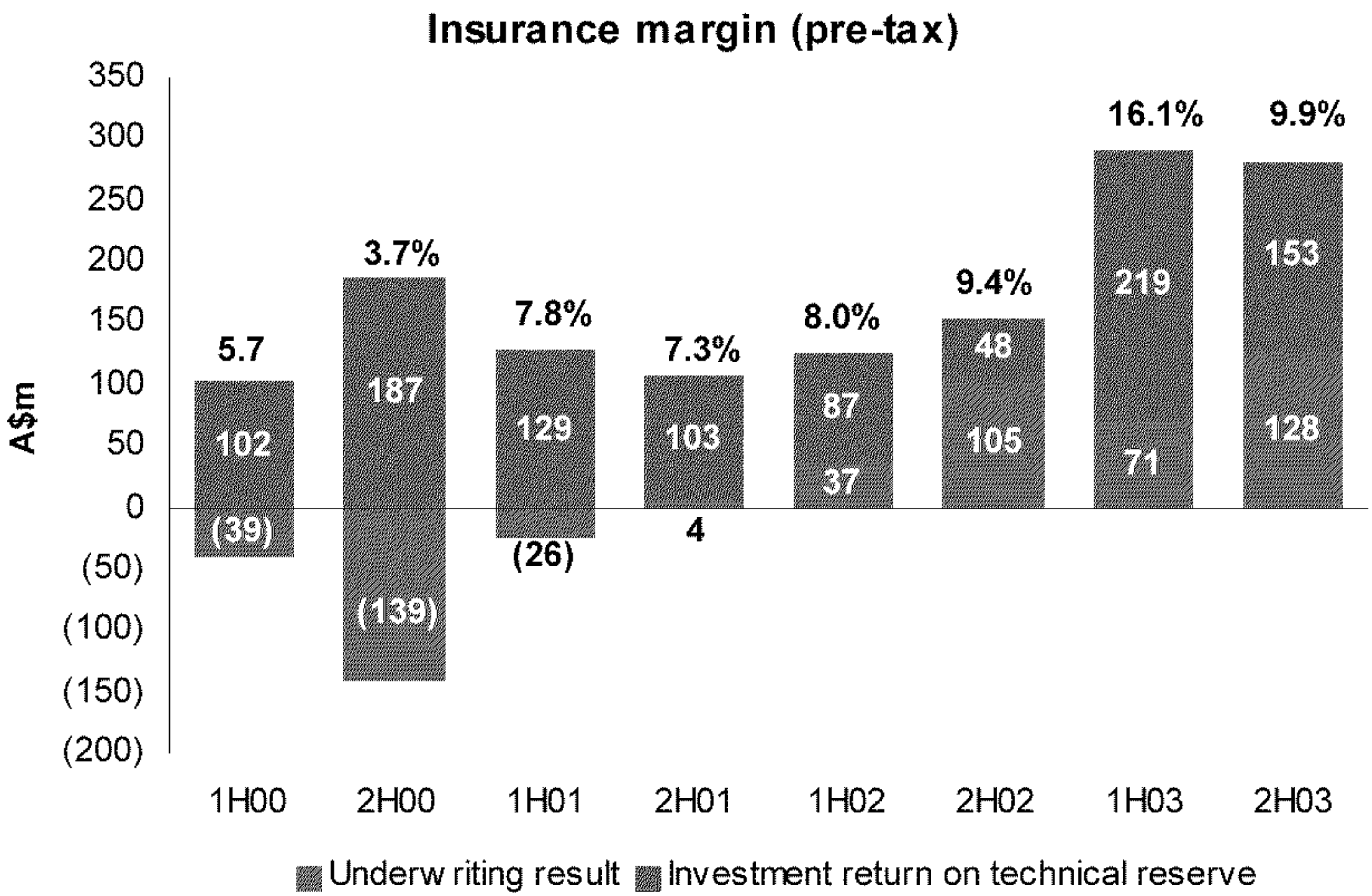

NRMA INSURANCE ClearView SGIO SGIC CGU swann insurance STATE NZI

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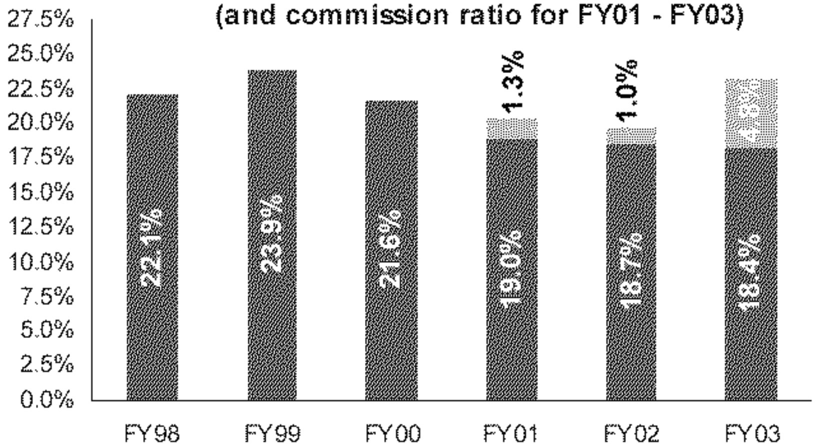
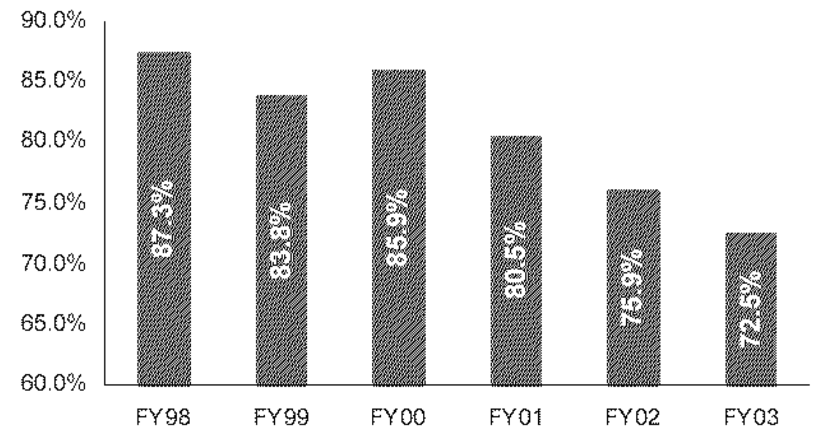
Key operating ratios – margins up

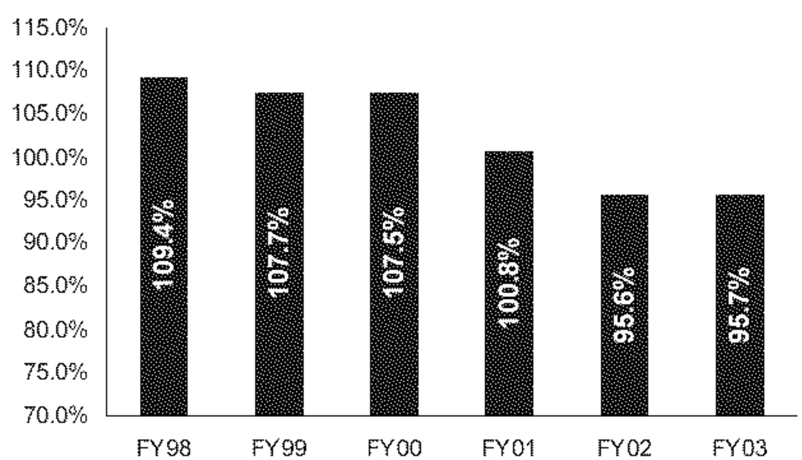
Expense ratio
(and commission ratio for FY01 - FY03)



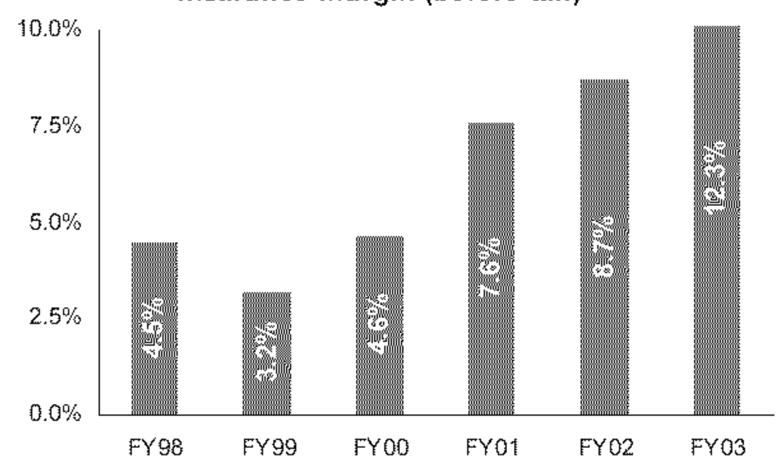
Loss ratio



Combined ratio



Insurance margin (before tax)



CGU/NZI performing strongly

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CGU/NZI insurance result	Actual	Business case
Gross written premium	A$1,291m	A$1,125m
Net earned premium	A$1,023m	A$972m
Combined ratio	91.5%	98.3%
Contribution to group NPBT [1]	A$88m	n/a

[1] Stated after allowing for goodwill amortisation, integration expenses and borrowing costs associated with the acquisition

- The acquired CGU/NZI business out-performed the initial business case on all key measures for 2H03

Synergy realisation progressing well

Synergy realisation schedule	2H03 Estimated	2H03 Actual	1H04 Estimated	2H04 Estimated
All amounts are pre-tax	A$m	A$m	A$m	A$m
Cumulative run-rate per annum				
Personal lines	6	15	49	70
Commercial	4	14	20	35
IT, shared services & overheads	8	13	25	35
Australia sub-total	**18**	**42**	**94**	**140**
International - New Zealand	**3**	**12**	**17**	**20**
Total synergies in run-rate	**21**	**54**	**111**	**160**
Reported income statement				
Synergy benefits collected	7	9	38	74
Costs of implementation expensed	(49)	(45)	(40)	(12)
Net impact on pre-tax profit for period	**(42)**	**(36)**	**(2)**	**62**

- Implementation cost unchanged at $145m - $12m less capitalised
- $13m increase in benefits expected in FY04 profit
- On track to deliver $160m (pre-tax) in sustainable benefits by June 2004

Updated operating targets

	Previous post-integration targets %	FY03 results %	Status	Revised FY04 targets %
COR - Group	96-98	95.7	✓	93-96
COR - Short-tail	94-96	93.7	✓	92-94
COR - Long-tail	105-110	102.2	✓	100-105
COR - International	92-95	95.3	In line	91-93
Insurance margin (pre-tax)	9-11	12.3	✓	9-12

- Achieved post integration targets in FY03
- Upgraded COR targets for the coming year to maintain insurance margins in context of low interest yields

Strongly capitalised

- Approach to capital unchanged
  - Risk of ruin of 1 in 750 years
  - 'AA' category rating – currently 'AA' (Outlook stable)
  - Group MCR multiple in 1.35x – 1.65x range, now at 1.62x
- Australian insurance entities at 2.03x MCR
- Strengthened risk margins in claims reserves and maintained minimum probability at 90%
- Max retained loss per event is $70m – <1.3% of NEP
- Capital mix at target & cash flow generation strong
- High quality, liquid investment portfolio

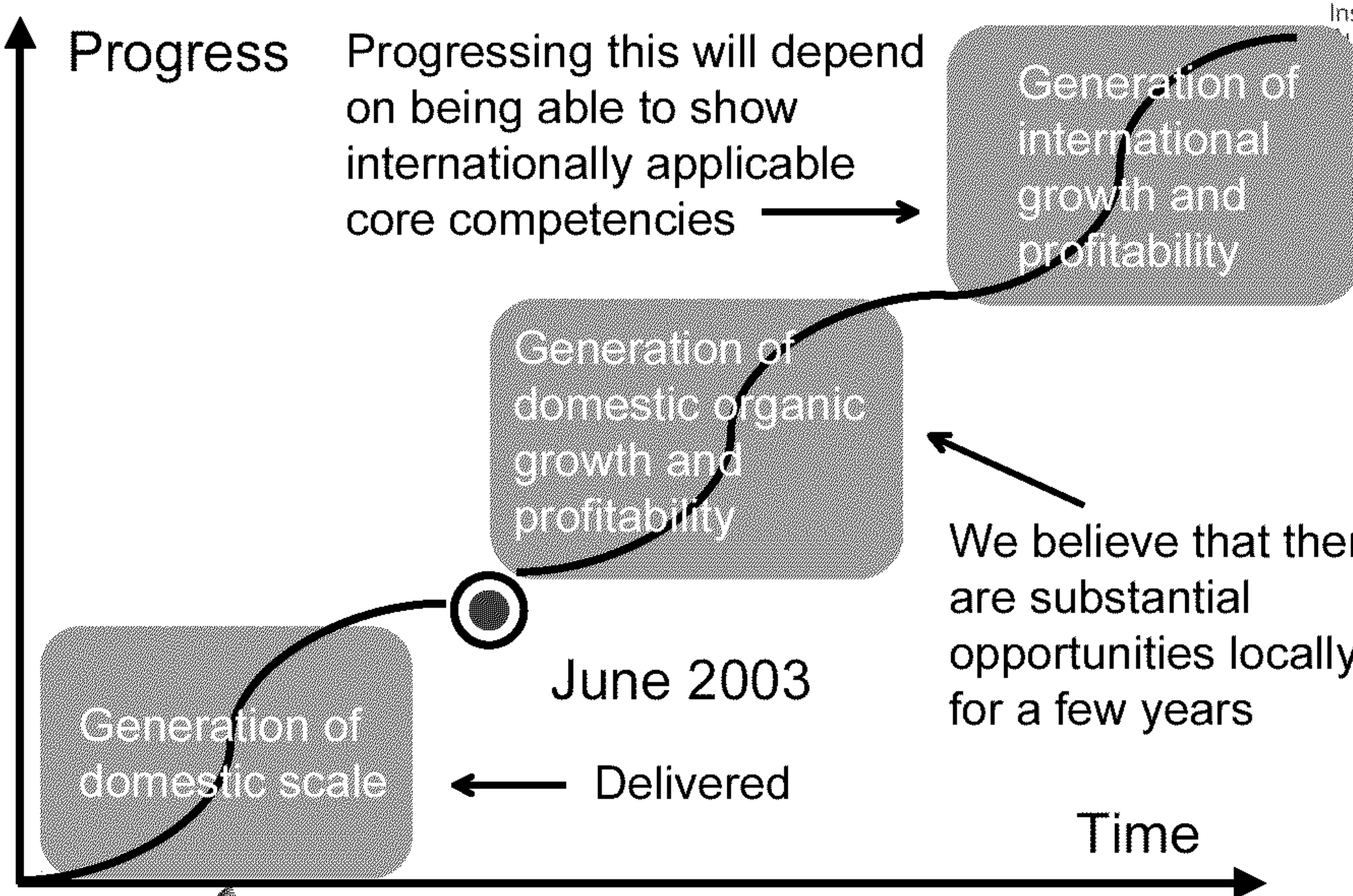
FY04 outlook

- Consider organic growth of 7 – 9% achievable
  - Continued robust economy/GDP growth
  - Moderate premium rate increases reflecting claims inflation
- Focused on organic growth and improved efficiency
- Upgraded COR targets for FY04 to maintain insurance margins in 9 – 12% range
- Well positioned to deliver improved and more stable returns if equity markets no longer negative

Platform for ongoing value delivery

- Business now has scale and momentum
- Supported by robust capital and risk management
- Customer focus being enhanced to improve service and loyalty
- Technology transformation to deliver step change in value in 2 – 3 years
- Our people and culture being developed to provide long-term value for the Group
- Recognise the Group's role in the community & environment

Our strategic focus over time



Questions

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