

MEDIA RELEASE

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Insurance Australia Group Limited

ABN 60 090 739 923

388 George Street

Sydney NSW 2000 Australia

iag.com.au

IAG successful in US arbitration

Insurance Australia Group today announced it had been successful in an ongoing arbitration in relation to a quota share reinsurance contract with a US insurer dating back to July 1997.

The arbitration panel ordered the rescission of the reinsurance contract.

The Group has previously disclosed this matter as a contingent liability in its financial statements since proceedings commenced in 1999.

The award is for US\$29 million including interest and costs. The financial impact to the Group's accounts is expected to be a pre-tax profit of AUS\$5 million for the six months ended 30 June 2004.

The US insurer has foreshadowed that it may challenge the ruling.

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Media Relations

Name Carolyn McCann
Telephone 02 9292 9557
Mobile 0411 014 126

Investor Relations

Name Anne O'Driscoll
Telephone 02 9292 3169
Mobile 0411 012 675

Insurance Australia Group (IAG) is Australasia's leading general insurance group. The group includes some of Australia and New Zealand's most trusted brands - NRMA Insurance, SGIO, SGIC, CGU, Swann Insurance, State Insurance, NZI.