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IAG Insurance Australia Group

9 December 2005

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

Dear Sir/Madam

INSURANCE AUSTRALIA GROUP LIMITED ('IAG')

IAG TO ACQUIRE A STRATEGIC STAKE IN AmASSURANCE

Please find attached a media release and slide presentation concerning IAG having reached agreement to acquire an initial stake of 30% in AmAssurance.

The acquisition of this stake is still subject to regulatory approvals in Malaysia.

IAG management will be presenting to the slides at a teleconference at 10am today. The Australian toll free number is 1300 301 336 – pass code 667586.

Yours sincerely

Anne O'Driscoll

Anne O'Driscoll
Group Company Secretary &
Head of Investor Relations

Attachment (16 pages)

MEDIA RELEASE

9 December 2005

Insurance Australia Group Limited
ABN 60 090 739 923

388 George Street
Sydney NSW 2000 Australia
iag.com.au

IAG agrees to acquire a strategic holding in a leading Malaysian insurer

Insurance Australia Group Limited (IAG) today announced it had agreed to acquire an initial 30% strategic interest in Malaysian insurer AmAssurance Berhad, subject to regulatory approvals in Malaysia.

IAG Chief Executive Officer Mr Michael Hawker said this acquisition was another important step in the Group's strategy to build a portfolio of insurance assets in Asia.

"This is the Group's second Asian investment this year, adding to our existing business interests in the region, including those in Thailand and China. Building an Asian foothold is in line with the Group's goal to supplement our existing businesses in our home markets of Australia and New Zealand," Mr Hawker said.

AmAssurance is part of the AmBank Group, which is listed on the Kuala Lumpur Stock Exchange. The AmBank Group also includes the third largest retail lending bank in Malaysia and the country's largest motor vehicle lender.

Entering a strategic partnership with AmBank Group provides an opportunity to leverage the combined strengths of the two organisations, in one of Asia's fastest growing insurance markets.

"AmAssurance has a strong brand and an extensive distribution network, providing an excellent platform for future growth. It has grown to become the second largest motor insurer, the fourth largest general insurer and seventh largest life insurer in Malaysia with strongly improving profitability," Mr Hawker said.

"IAG will bring to the partnership its core capabilities of technical and underwriting expertise in motor insurance, pricing and risk management, providing the skills and resources to strengthen AmAssurance's existing team to further grow and improve the business.

"The Malaysian insurance industry is one of its most rapidly growing sectors, with premium growth averaging around 10% over the past ten years and accelerating regulatory reform, making the market highly attractive for overseas investors.

"Our strategic partnership with AmBank Group provides an excellent opportunity to take part in this growth. We are confident the purchase will be earnings per share accretive within 18 months," Mr Hawker said.

IAG will acquire an initial 30% equity stake in AmAssurance with a view to increasing this stake over time to the maximum allowable foreign ownership level in Malaysia, which is currently 49%. The purchase price is RM193 million (A$69 million). IAG intends to fund the acquisition using surplus capital. The acquisition is subject to regulatory approval.

Under the joint venture arrangements, IAG will have board and senior management representation in key management portfolios, including underwriting.

About AmAssurance Berhad

AmAssurance is a composite insurance company and is part of the AmBank Group. For the 12 months ending 30 September 2005, AmAssurance generated gross written premium of RM760 million (approximately A$272 million). It is Malaysia's second largest motor insurer and the fourth largest general insurer. The majority of AmAssurance's portfolio consists of general insurance, of which approximately 80% is motor insurance. AmAssurance also writes life insurance, which is predominantly whole of life insurance and some term assurance. AmAssurance has a strong brand and an extensive distribution network including approximately 30 branches and 8,000 insurance agents.

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About Insurance Australia Group

Insurance Australia Group (IAG) is Australia and New Zealand's leading general insurance group with annual GWP in excess of A$6.6 billion. The group includes some of Australia and New Zealand's most trusted brands – NRMA Insurance, SGIO, SGIC, CGU, Swann Insurance, State Insurance and NZI. IAG insurers more than A$858 billion worth of property and employs more than 12,000 people.

- ends -

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Presentation to investors

Investment in AmAssurance Berhad

AmAssurance

9 December 2005

NRMA INSURANCE SGIO SGIC CGU swann insurance STATE NZI

Important notice

Insurance Australia Group

The information in this presentation is an overview and does not contain all information necessary to an investment decision. It is intended to constitute a summary of certain information relating to the proposed acquisition by Insurance Australia Group Limited (IAG) of shares in AmAssurance Berhad (AmAssurance) and does not purport to be a complete description of IAG, the businesses of AmAssurance, or the acquisition. The financial information is intended for informational purposes only, and does not purport to be indicative of the results that actually would have been obtained or the financial position that actually would have existed during and for the periods presented, and is not necessarily indicative of IAG's or AmAssurance's operating results or financial position to be expected in future periods.

The information contained in this presentation has been prepared in good faith by IAG. Neither of AmAssurance or AMMB have assisted in the preparation of this presentation or have reviewed the presentation to confirm its accuracy or reliability. No representation or warranty, express or implied, is made as to the accuracy, adequacy or reliability of any statements, estimates or opinions or other information contained in this presentation (any of which may change without notice). To the maximum extent permitted by law, IAG, its directors, officers, employees and agents disclaim all liability and responsibility (including without limitation any liability arising from fault or negligence on the part of IAG, its directors, officers, employees and agents) for any direct or indirect loss or damage which may be suffered by any recipient through use of or reliance on anything contained in or omitted from this presentation. In making an investment decision, investors must rely on their own examination of IAG, AmAssurance and the effects of the acquisition, including the merits and risks involved.

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Agenda

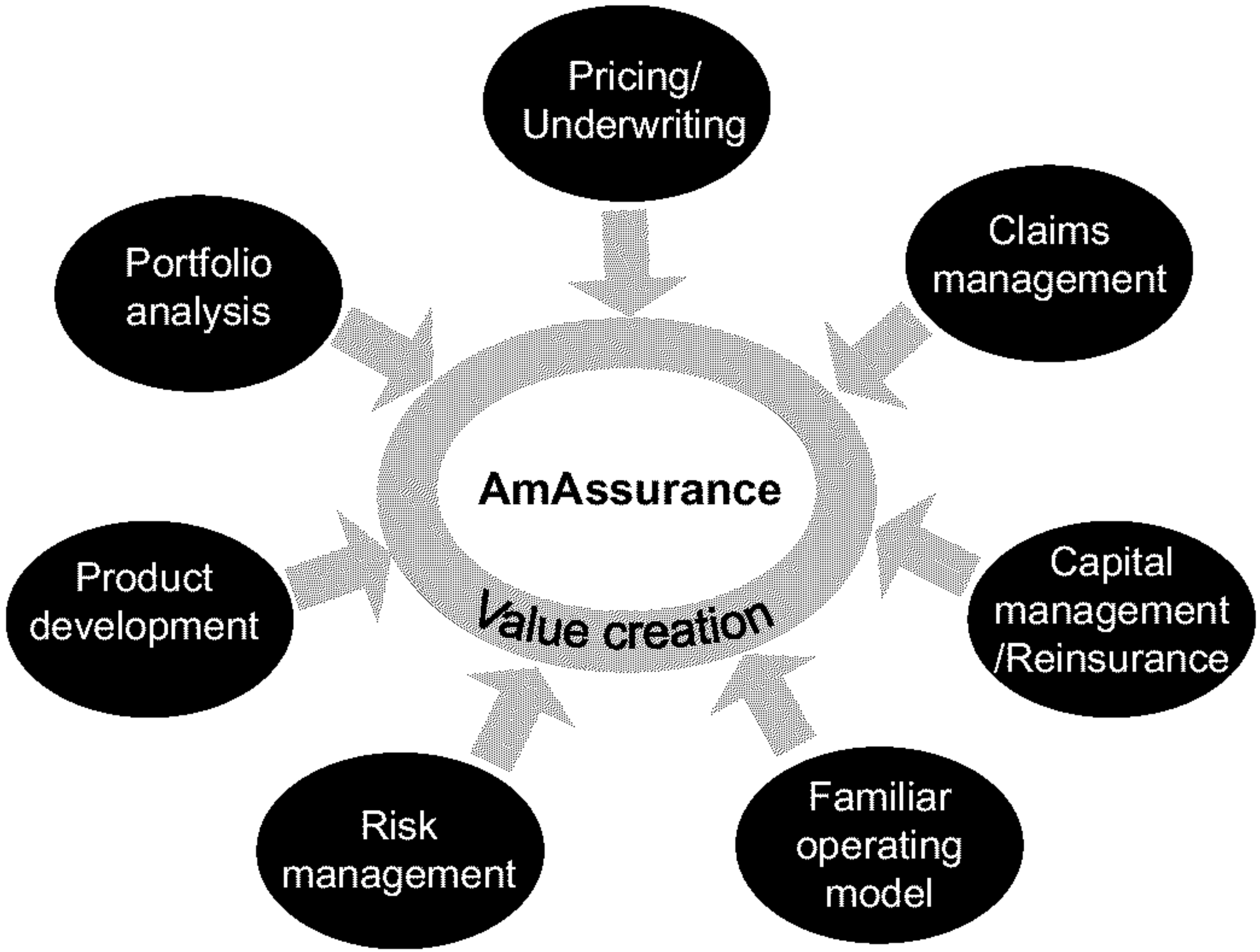
- Transaction highlights
- Leveraging IAG strengths
- Malaysian insurance market – very attractive
- AmAssurance – the right platform
- AMMB – the right partner
- Structured and priced to deliver value for shareholders
- Summary/questions

IAG has agreed to acquire a strategic holding in AmAssurance

- **Subject to regulatory approvals in Malaysia**
- Initial equity stake of 30% for RM193m (circa A$69m)
- Option to progressively increase to 49% over time
- Structure designed to maximise value creation from both partners
- Leverages
  - AMMB's / AmAssurance's distribution network and systems
  - IAG's strengths, particularly in underwriting & pricing
- Provides a platform for growth in an attractive market

Assuming $1.00 AUD = RM 2.79

Leveraging IAG strengths



Malaysian insurance market - very attractive

Insurance Australia Group

- Second fastest growing economy in Asia
- General insurance industry grown at CAGR ~10% since 2000 with improving profitability
- Anticipate continued strong growth
  - Increasing insurance penetration & growing household wealth
- Regulatory reform creating opportunities for sophisticated insurers
  - Motor and fire tariffs under review (anticipate more risk-based pricing from 2007)
  - Introducing risk based capital (expected 2007)
  - Reviewing reserving guidelines
- Potential future opportunities for Takaful (Islamic) insurance

AmAssurance is the right platform

✓	**Leading market position**	2nd largest motor insurer 4th largest general insurer 7th largest life insurer
✓	**Financially attractive**	Improving profitability Emerging economies of scale
✓	**Growth potential**	Untapped customer / distribution penetration
✓	**Conservative reserving**	Aligned with IAG approach
✓	**Scope to add value**	Complementary strengths

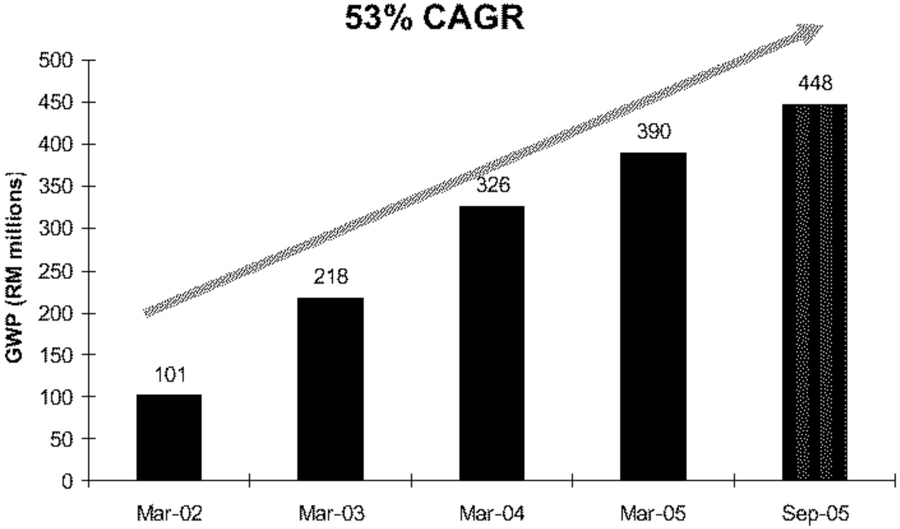
AMMB is the right partner

✓ **Brand**	Leading Malaysian brand
✓ **Distribution**	Multi channel distribution network
✓ **Strategic alignment**	Shared vision and commitment
✓ **Risk framework**	Strong corporate governance Risk management framework
✓ **Aligned values**	People, culture & risk

Superior general insurance premium growth and improving profitability

General insurance GWP

53% CAGR



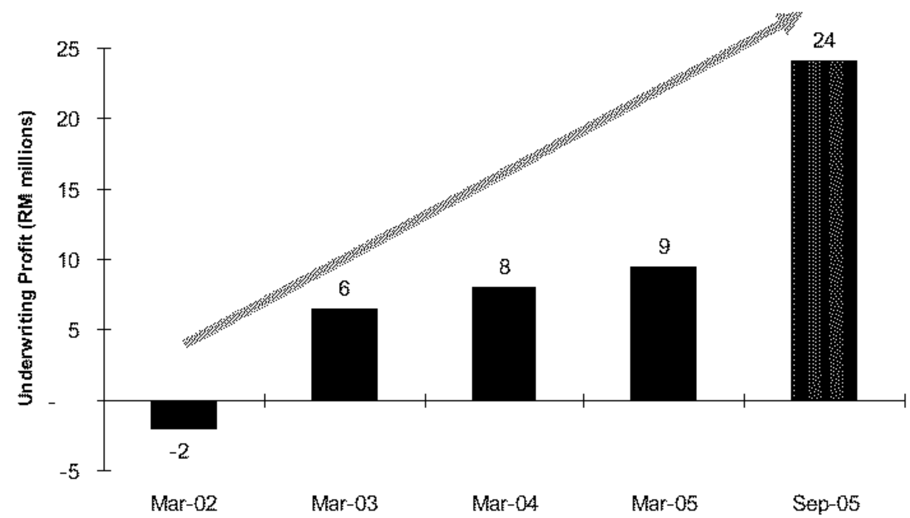
(12 months ending)

Source: AMMB

General insurance underwriting profit

COR	102%	94.8%	96.1%	96.7%	92.8%

69% CAGR (1)



(12 months ending)

Source: AMMB

(1) CAGR based on 2 ½ years

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Insurance Australia Group Limited
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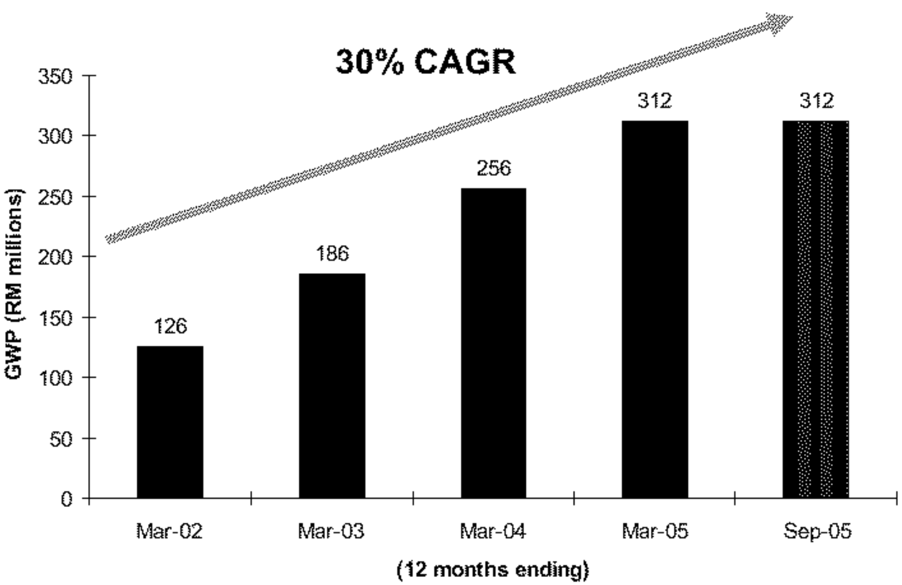
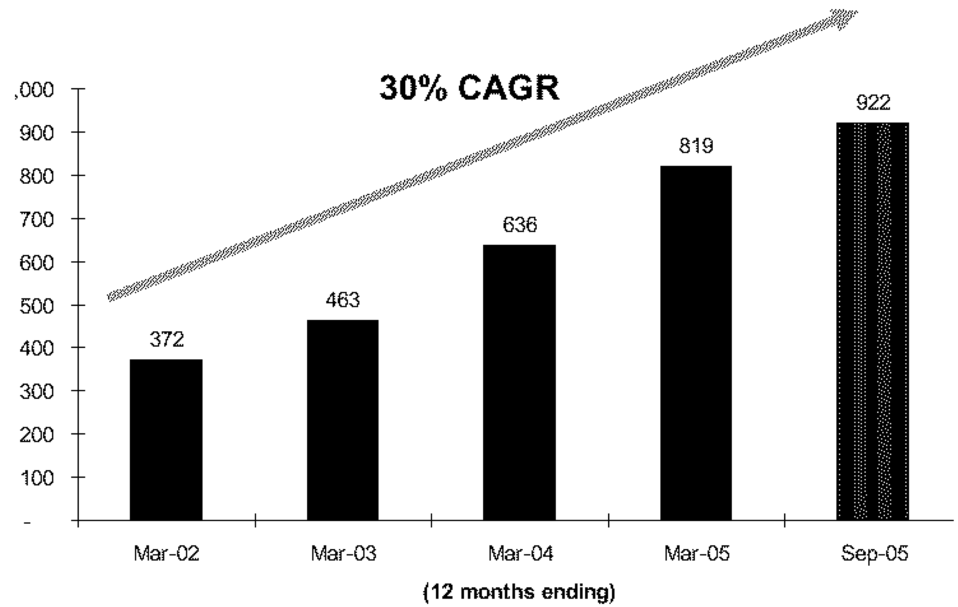
Life insurance continues to perform well

Life Insurance GWP



Source: AMMB

FUM Growth



Source: AMMB

Terms facilitate the transfer of capabilities

- Strong governance framework mandated by regulator
- Board representation for IAG
- IAG rights enshrined at a board and shareholder level
  - Underwriting and claims
  - Reinsurance
  - Capital and annual business plans
  - Further expansion / future partners
  - Pricing
- Minority shareholder protections

Value accretive for IAG shareholders

- Implied valuation multiples reflect strong growth and improving profitability:
  - 0.8x GWP (12 months ending 30 Sept 2005)
  - 4.2x PB (30 Sept 2005)
  - 17.2x PE (12 months ending 30 Sept 2005)
- Confident will be EPS accretive within 18 months
- Equity accounted for JV investment
- Potential reinsurance revenue in captive would be consolidated
- Hopeful of completion by early January 2006

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The AmAssurance joint venture has been structured to ensure that IAG and AmAssurance are able to leverage their combined strengths to deliver long-term value for shareholders

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Questions