
IAG FINALISES 2013 CATASTROPHE REINSURANCE COVER



Insurance Australia Group Limited (IAG) today announced details of its Group catastrophe reinsurance programme for the calendar year commencing 1 January 2013. The programme provides protection of up to \$5 billion, compared to \$4.7 billion in 2012.

“Our reinsurance programme continues to form an integral part of our overall approach to capital management,” said Mr Nick Hawkins, IAG’s Chief Financial Officer. “The structure of the programme is similar to that for 2012, but includes increased coverage, both at the upper end of the main programme and with respect to the aggregate cover.

“The Group’s main programme retention remains a maximum of \$250 million, reflecting the multi-year arrangement which commenced in 2012. This retention is further reduced to \$150 million, a result of the buy-down we have in place.

“The overall cost of the programme is in line with the assumptions incorporated into our FY13 insurance margin guidance of 11 to 13%, as provided in August 2012,” Mr Hawkins added.

IAG’s integrated catastrophe reinsurance programme comprises the following key components:

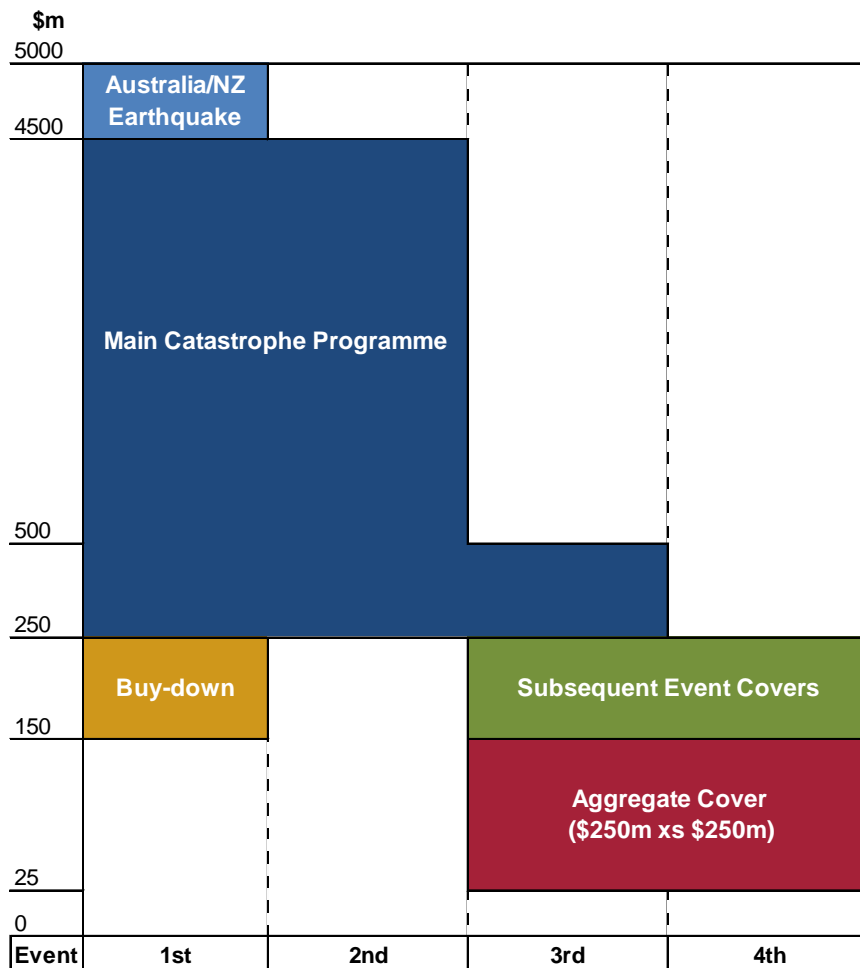
- A main catastrophe cover for losses up to \$4.5 billion, including one prepaid reinstatement. The Group retains the first \$250 million of each loss, with the lower layer of the main programme (\$250 million excess of \$250 million) fixed for a period of three years, commencing 1 January 2012. Two reinstatements of this layer have been secured;
- A \$500 million upper layer providing earthquake cover in respect of Australia and New Zealand. This layer is also contracted for a three-year period from 1 January 2012, and in 2013 extends from \$4.5 billion to \$5.0 billion;
- A buy-down arrangement that reduces the maximum cost of a first event to \$150 million;
- Subsequent event cover providing protection above \$150 million; and
- An aggregate sideways cover of \$250 million excess of \$250 million, with qualifying events capped at a maximum contribution of \$125 million excess of \$25 million, per event.

IAG’s catastrophe reinsurance covers all territories in which IAG operates, with the exception of AMI in New Zealand, which has a dedicated programme, and the Group’s joint venture interests in Asia, which have their own individual reinsurance arrangements.

AMI’s reinsurance protections, effective 1 July 2012 and secured until 31 December 2014, provide cover of up to NZ\$1.4 billion, with a maximum cost to the Group of NZ\$25 million from a first event. The retention under this programme is also protected by the Group catastrophe programme.

The combination of all covers in place at 1 January 2013 results in maximum first event retentions of \$150 million for Australia, \$120 million for New Zealand and \$25 million for Thailand. The overall credit quality of the programme remains high, with over 87% placed with entities rated A+ or better.

IAG GROUP CATASTROPHE COVER - 2013 PROGRAMME



The Group will release its results for the six months ended 31 December 2012 on 21 February 2013.

About Insurance Australia Group

Insurance Australia Group (IAG) is the parent company of an international general insurance group, with operations in Australia, New Zealand, the United Kingdom and Asia. Its current businesses underwrite over \$9 billion of premium per annum, selling insurance under many leading brands including NRMA Insurance, CGU, SGIO, SGIC and Swann (Australia); NZI, State and AMI (New Zealand); Equity Red Star (UK); and Safety and NZI (Thailand). For further information please visit www.iag.com.au.

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