



MACQUARIE
ACN 002 574 923

Macquarie Private Wealth

Snapshot

Insurance Australia Group

Business Description

Insurance Australia Group Ltd (IAG) is the largest general insurer in Australia and New Zealand, providing personal and commercial insurance policies under the brands NRMA Insurance, SGIO, SGIC, CGU, Swann Insurance, State Insurance and NZI. IAG also underwrites motor, home and some other lines of insurance for RACV in Victoria and has operations in Thailand, the UK, Malaysia and China.

Strategy Analysis

IAG's targets are top-quartile shareholder returns and a cash ROE of 1.5 times WACC. The strategy is to deliver superior performance by actively managing the portfolio, exiting businesses that do not fit the corporate intent or return hurdles, and driving operational performance and execution in those which do. The priorities are to improve performance in Australia and New Zealand, pursue selective general insurance growth opportunities, and drive operational performance and accountability. Insurance Australia Group reported NPAT down 96% to \$4m for the half-year ended 31 December 2008, compared to a profit of \$76m in the pcp. Revenues from ordinary activities were \$5.3bn, up 15% from the same period last year. Diluted EPS was 0.23 cents compared to 6.03 cents last year. Net operating cash flow was \$224m compared to \$73m last year. The interim dividend declared was 4 cents compared with 13.5 cents last year.

08 September 2010

Recommendation

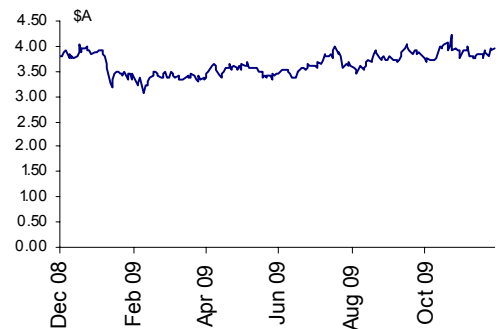
Recommendation: Outperform
Relative to: All Ind (ex Fins)

Investment Fundamentals

ASX code: IAG
Stock price: \$3.56
Market cap: \$7,401m

Y/E	30/06/2010	2011e	2012e	2013e	2014e
Reported e	\$m	699.8	634.4	721.8	766.7
Adjusted e	\$m	723.8	658.4	745.8	790.7
EPS adjusted	¢	34.6	31.5	35.7	37.8
EPS growth	%	250.3	-9.0	13.3	6.0
PE	x	10.3	11.3	10.0	9.4
PE relative	x	0.8	1.0	1.0	1.0
DPS	¢	18.5	20.5	23.0	25.0
Yield	%	5.2	5.8	6.5	7.0
Franking	%	100.0	100.0	100.0	100.0

Share Price



Source: ASX and Company accounts

Segment Performance

Results by Industry	Revenue (%)	Return on Sales (%)	Return on Assets (%)	Annual Shareholders' Return	
				1 year	3 year
Australia Insurance	73.4	4.3	6.2	-2.0%	-8.0%
UK Insurance	13.7	7.4	5.6	-3.0%	7.0%
New Zealand Insurance	10.2	0.1	0.1		
Asia Insurance	2.4	9.4	6.6		
Corporate & Other	0.4	-3.0	-602.8		
Total	100.1	18.2	-584.3		
Results by Geography				Dividend Reinvestment Plan	Shareholder Discounts
UK	100.0	0.0	0.0	Yes	No
New Zealand	100.0	0.0	0.0		
Asia	100.0	0.0	0.0		
Australia	100.0	0.0	0.0		
Total	400.0				

Company contact details:

Insurance Australia Group Limited
Level 26, 388 George St
Sydney NSW 2000
Tel: (02) 9292 9222
www.iag.com.au

If you have any queries regarding this Research information or with any aspect of your legalsuper account please call legalsuper on 1800 060 312 (freecall) or email mail@legalsuper.com.au

Disclosure: In accordance with Section 849 of the Corporations Law, Macquarie Equities Limited states that The Macquarie Group acted as financial adviser to QBE in relation to the offer by QBE for IAG as announced on 15 April 2008.

Disclaimer: This report is prepared for general circulation and does not have regard to the particular circumstances or needs of any specific person who may read it. The information contained herein is believed to be reliable, but its completeness and accuracy is not guaranteed. Opinions expressed may change without notice. No part of this report is to be construed as a solicitation to buy or sell any security. We do not accept any liability, whether direct or indirect arising from the use of information contained in this report. International investors are reminded of the risks inherent in international investments, such as currency fluctuations and international stock market or economic conditions, which may adversely affect the value of the investment. Any transaction by US persons in any security discussed in this report must be carried out through Macquarie Equities (USA) Inc which has distributed this report in the US. This report is issued in the UK by Macquarie Equities Limited, which is a member of the Securities and Futures Authority. The investments and investment services the subject of this report are not available to private customers in the UK. The material in this publication is copyright and may not be reproduced without consent of the copyright owner.