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IAG OUTLINES COMMITMENT TO AMI INSURANCE

Insurance Australia Group (IAG) has vowed to be a committed parent of the AMI brand, its people and its customers in New Zealand.

IAG today announced that it had entered into an agreement to purchase the AMI Insurance business (AMI) for NZ\$380 million. The acquisition will be funded internally and excludes all liabilities relating to the earthquakes which have affected the Canterbury region.

Chief Executive of IAG's New Zealand operations, Jacki Johnson, said IAG has great respect for AMI, its customer-focused ethos and people and its commitment to the communities it serves.

"Recognition of these strengths is why we have entered into the purchase agreement," Ms Johnson said.

"We are delighted to be taking guardianship of such an iconic brand and providing certainty to AMI's customers and people after what has been a challenging period."

Ms Johnson said that the purchase fits with IAG's operating model of delivering general insurance through a portfolio of leading local insurance brands. The purchase also underscored IAG's strategy for achieving sustainable growth in New Zealand, which it regarded as a core market.

"AMI is highly complementary to IAG's existing New Zealand operations, which includes its intermediated business, NZI, and direct insurance business, State.

"We have carefully considered how the purchase of AMI aligns with our future plans. While some details still need to be worked through, our approach will be to embrace the best from both of our direct insurance brands while realising the benefits that can be achieved through greater scale.

"AMI and State will continue to support their customers by maintaining a focus on what they do best and building on these strengths," Ms Johnson said.

"An outcome of the purchase is that customers will ultimately have more choice in how they interact with us and access to a broader product and service set. Our people will have more opportunities in a stronger, larger business and our business partners will benefit from our increased scale."

As part of the transaction IAG has agreed to assist with the provision of people and technology services to support AMI customers with claims related to the Canterbury earthquakes or any other large events that required calls on AMI's existing reinsurance programme.

"While IAG is not on risk for AMI's existing earthquake and other large event claims, we're pleased to have an agreement which ensures AMI's affected customers will receive continuity of service."

IAG has also provided a commitment to the Government aimed at reassuring AMI customers in Canterbury. As well as acknowledging the Government's Canterbury recovery objectives, IAG has confirmed continued availability of home insurance, at renewal and on transfer, for all current AMI policy holders in the region.

"Through our existing brands we have been providing insurance to customers in Canterbury for over 100 years and have a service centre employing around 500 in Christchurch already. These staff are supported by our wider network around the country and have been actively and passionately involved in the Canterbury recovery efforts," Ms Johnson said.

IAG will continue to play a leading role in the recovery and is pleased to be able to offer its strength to provide reassurance to AMI customers.

“With this purchase comes a responsibility which we are taking on because of our belief we are best placed to be the guardian for the AMI brand. We look forward to completion of the purchase and welcoming AMI to our Group.”

The transaction remains subject to regulatory approvals and is expected to be completed in February 2012.

About the transaction

IAG is acquiring a newly incorporated company that has had transferred to it the existing AMI business, with the exception of all the AMI Canterbury earthquake claims. These will remain with the current company, which will be owned and backed by the Government and given a new name.

About AMI

AMI is the second largest direct personal lines insurer in New Zealand and wrote over NZ\$360 million of premium in the year ended 30 June 2011. Its primary business is insuring homes, contents and vehicles, as well as some farms and boats. AMI serves around 500,000 customers and has 1.2 million policies in force. AMI has been a finalist in the JRA Best Workplaces in New Zealand Survey eleven years in succession, up to and including 2010.

About Insurance Australia Group Limited

Insurance Australia Group Limited (IAG) is an international general insurance group, with operations in Australia, New Zealand, the United Kingdom and Asia. Its current businesses underwrite over \$8 billion of premium per annum, selling insurance under many leading brands including NRMA Insurance, CGU, SGIO, SGIC, Swann and The Buzz (Australia); NZI and State (NZ); Equity Red Star (UK); Safety and NZI (Thailand). For further information please visit www.iag.com.au.

About IAG's New Zealand operations

IAG's New Zealand operations wrote over NZ\$1.2 billion of premium and accounted for nearly 12% of IAG's GWP in FY11. Through the State, NZI and Business Partners affinity brands, IAG is the largest underwriter in New Zealand. Insurance products are sold directly to customers under the State brand, and through intermediaries such as brokers and agents under the NZI brand. Personal and commercial products are also distributed under third party brands by corporate partners such as large financial institutions. For further information please visit www.iag.co.nz.

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