

IAG makes strategic investment in a general insurer in China

Insurance Australia Group Limited (IAG) today announced it had agreed to acquire a 20% strategic interest in a general insurer in China, Bohai Property Insurance Pty Ltd (Bohai Insurance), for a price of RMB687.5 million (approximately A\$100 million).

IAG's Managing Director and Chief Executive Officer, Mr Mike Wilkins, said the acquisition was an important step in the Group's strategy to boost its Asian footprint.

"Bohai Insurance is an attractive partner and provides an exciting opportunity for us to meet our long held ambition of entering China's general insurance market," Mr Wilkins said.

"Once the partnership is complete, IAG will have a foothold in the two fastest growing economies in Asia and most populous countries in the world – China and India. Together with our established businesses in Malaysia and Thailand, this puts the Group's Asia division well on track to meet its target of contributing 10% of IAG's gross written premium by 2016, on a proportional basis," he said.

CEO of IAG's Asia division, Mr Justin Breheny, said he was delighted to have secured a partnership with Bohai Insurance given its compelling strategic and cultural fit with IAG.

"Bohai Insurance is predominantly a motor insurer, selling directly to customers through around 265 provincial and city-based branches and a network of agents. Since it was established in 2005, Bohai Insurance has built a strong culture of underwriting control and risk management and its revenue has grown steadily, with annualised gross written premium currently in excess of A\$200 million," Mr Breheny said.

"Bohai Insurance is headquartered in Tianjin, at the centre of the pan-Bohai region in China's North East, an area prioritised for new development initiatives. This region generates around 30% of China's national gross domestic product, and a similar proportion of China's annual insurance premium pool of approximately US\$60 billion.

"Bohai Insurance's disciplined approach, strategic focus, brand and distribution network will provide us with a solid platform for growth and longer term profitability in China."

Mr Breheny said entering China's general insurance market had been a priority for IAG for some years.

"China's GDP grew in excess of 10% in 2010 and is forecast to grow 9% per annum for at least the next two years, and we expect the general insurance market to grow 10–15% per annum over the next decade. This strong growth outlook is supported by low penetration rates, a large population, growing per capita income and asset accumulation. Already it is the largest individual market for new vehicle sales, exceeding the US," he said.

Under the terms of the agreement, IAG will have board representation as well as senior management roles in key technical areas. Completion is expected in early calendar 2012 and remains subject to regulatory approval.

About Bohai Property Insurance Pty Ltd (Bohai Insurance)

Bohai Insurance is headquartered in Tianjin in Northern China and was founded in October 2005. It has 265 provincial and city-based branches and a network of agents, with around 3,000 employees. Bohai Insurance's major shareholders are significant state-owned enterprises in Tianjin, namely Tianjin TEDA International Holdings (Group) Co., Ltd; Tianjin TEDA Group Co., Ltd; Northern International Trust Company Limited; Tianjin Free Trade Zone Investment Co., Ltd; Tianjin Lianjin Investment Co., Ltd; and Tsinlien Group (Tianjin) Asset Management Co., Ltd.

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Market briefing

Please find attached a presentation with further details. IAG management will discuss this presentation via a teleconference at 16:00hrs (Sydney time) today.

To participate from within Australia, dial 1800 554 798

To participate from outside Australia, dial +61 2 8113 1401

Please quote conference ID: 2666028

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 approximately \$8 billion of premium per annum. It sells insurance under the leading brands of NRMA Insurance, CGU, SGIO, SGIC, Swann and The Buzz (Australia); NZI and State (NZ); Equity Red Star (UK); and Safety and NZI (Thailand). For further information please visit www.iag.com.au.

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