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MEDIA RELEASE

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Sale of IAG's health arm to MBF incorporates innovative product marketing alliance

Insurance Australia Group (IAG) and the Medical Benefits Fund of Australia Limited (MBF) today announced that IAG had agreed to sell its health insurance underwriting and claims operations, NRMA Health, to MBF for A\$100 million.

IAG's chief executive officer, Mr Michael Hawker, and the managing director of MBF, Mr Eric Dodd, also announced that the purchase incorporated an innovative marketing alliance between the two organisations.

This involves an exclusive, six-year alliance in which IAG -- operating as NRMA Insurance, SGIC and SGIO -- will offer customers competitive health insurance products underwritten by MBF.

Mr Hawker said IAG's decision to sell its health insurance underwriting and claims operations followed a thorough review of that business.

"We don't have the same advantage of scale in health insurance that we enjoy in our general insurance business," Mr Hawker said. "This makes it hard to compete on costs and benefits.

"By forming a marketing alliance with MBF, Australia's largest privately managed health insurer, we can offer our customers a better range of competitive products while maximising the value of the business for our shareholders.

"This alliance is a logical fit. It allows Insurance Australia Group to continue its focus on general insurance, while leveraging the expertise of one of Australia's leading health service providers."

Mr Dodd said the acquisition of NRMA Health will enable MBF to increase market share and to assist its development as a national organisation increasing MBF's current limited market penetration in South Australia and Western Australia.



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NRMA Health's activities in these States complemented MBF's strong market presence in New South Wales, Queensland and Tasmania.

"The acquisition is in line with our objectives to achieve growth and to continue to improve the efficiency and cost effectiveness of our core private health insurance business," Mr Dodd said. "At MBF, we are also aware that this acquisition is a significant step towards the needed wider consolidation of the private health insurance industry.

"The potential of the marketing alliance between MBF and NRMA Health is also very exciting with the access it provides to a much expanded customer base."

Mr Dodd said that NRMA Health members and staff would be transferred to MBF with no changes expected to cover or policies. Premium levels are unaffected by this acquisition.

Mr Hawker said the profit on the transaction would not be material to Insurance Australia Group's consolidated result for the year ended 30 June 2003, as the market value of the business was included in the revaluation of the SGIO group of companies as at 30 June 2002.

Insurance Australia Group was advised by Deutsche Bank.

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About NRMA Health

- Gross written premium of over \$170 million and forecast net assets of \$47.5 million as at 30 June 2003
- More than 95,000 members
- Fastest growing health fund: increased from 45,000 to 95,000 members between 1999 and 2003

About MBF

- The acquisition of NRMA Health will increase MBF's membership base by 95,000 members, taking its national market share to around 19%.
- MBF will now provide private health insurance to more than 1.8 million people
- Reserves of \$420 million as at 30 June 2002
- Strong market presence in NSW/ACT, Qld/NT, and Tasmania
- Assists members with health management services including asthma and diabetes programs