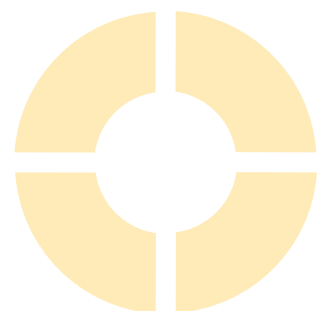
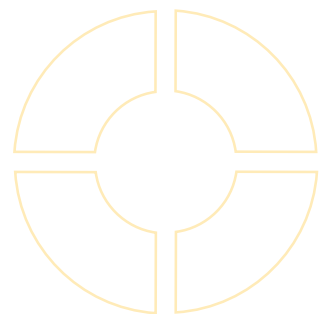
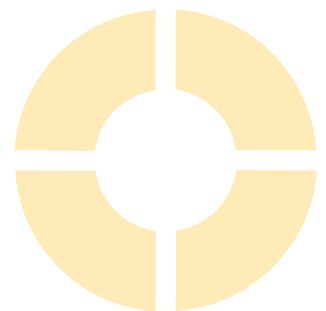


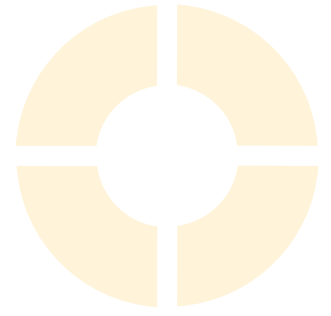
2007

NOTICE OF MEETING



Notice of Annual General Meeting 2007
and Explanatory Notes
Insurance Australia Group Limited
ABN 60 090 739 923

VENUE LOCATION



PUBLIC TRANSPORT & PARKING INFORMATION

TRAIN

The closest train station is Town Hall (All suburban lines). For information about train times please call 131 500.

BUS

Some State Transit buses stop along George Street outside the Queen Victoria Building. For more information about bus routes and timetables please call 131 500.

MONORAIL

The closest Monorail Station is Galleries Victoria (Pitt Street, Sydney).

PARKING

The closest parking station is Secure Parking situated beneath the Piccadilly Shopping Centre; entry is via 137 Castlereagh Street, Sydney. Rates vary from \$48.00 for 2-3 hours and \$58.00 for 3+ hours.



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- 2 NOTICE OF MEETING
- 4 EXPLANATORY NOTES

LETTER FROM THE CHAIRMAN

4 September 2007

Dear Shareholder

I am pleased to invite you to the 2007 Annual General Meeting of Insurance Australia Group Limited (IAG).

The meeting will be held at the Wesley Conference Centre, 220 Pitt Street, Sydney on Tuesday, 13 November 2007, commencing at 10.00am. A map with directions to the venue can be found on the inside cover of this booklet. The meeting will also be webcast live and may be viewed at www.iag.com.au. An archive of the webcast will be made available on the site shortly after the meeting.

The following pages contain details on the items of business that you have the opportunity to vote on at the meeting, as well as explanatory notes and voting procedures.

At this year's meeting, you will be asked to vote on:

- The re-election of two Directors – Ms Yasmin Allen and Mr Brian Schwartz. Ms Allen and Mr Schwartz, who were appointed Directors by shareholders in 2004, are retiring by rotation in accordance with the Company's Constitution and are offering themselves for re-election;
- The election of three new Directors, Mr Phillip Colebatch, appointed to the Board on 1 January 2007 and Mr Hugh Fletcher and Ms Anna Hynes who were appointed on 1 September 2007. Mr John Astbury and Mr Geoffrey Cousins who joined the Board shortly before IAG became a listed public company in August 2000, retired from the Board on 31 August 2007;
- An increase to the maximum aggregate remuneration payable to Non-executive Directors in recognition of the increased workload and responsibility of the Board, which has, in part, been influenced by the Board's desire to have appropriate corporate governance structures to support the Company's overseas expansion. The proposed increase to the maximum aggregate remuneration is based on an independent review and takes into consideration prevailing market rates. The Directors' fees adopted for the 2008 financial year will utilise only a portion of the increase in the maximum aggregate remuneration. It is expected that the new limit of \$2,750,000 should provide capacity, for some years into the future, to pay fees to attract and retain suitable candidates for the Board. See item 7 on page 5 of the Explanatory Notes for more information;
- Adoption of IAG's Remuneration Report as required by the *Corporations Act 2001*. IAG's Remuneration Report is set out on pages 40 to 58 of the 2007 Annual Report;
- A change to the Company's Constitution to allow direct voting at IAG's general meetings held after 2007 as a simple convenient voting alternative for shareholders appointing proxies or representatives; and
- Granting the Company the right to undertake a selective Buy-back of the Reset Preference Shares (ASX Code: IAGPB) which were issued in June 2003 if the Board determines to exchange part or all of the Reset Preference Shares in this manner, at the next reset date in June 2008.


If you are unable to attend the meeting in person, please complete and mail the enclosed proxy form using the enclosed reply-paid envelope. Alternatively, you may register your proxy appointment and voting instructions electronically at www.iag.com.au or by fax to (02) 8235 8220.

Your Directors believe these resolutions are in the best interests of IAG and its shareholders. While the Directors are not permitted to make a recommendation on item 7 as it relates directly to them, they unanimously recommend that you vote in favour of all other resolutions.

If you have any questions about the items of business, please feel free to contact IAG's Share Registry on 1300 360 688.

I look forward to seeing you at the meeting.

Yours sincerely



James Strong
Chairman

NOTICE OF ANNUAL GENERAL MEETING (AGM)

Insurance Australia Group Limited ABN 60 090 739 923

ITEMS OF BUSINESS

ELECTION OF DIRECTORS

1. Ms Yasmin Allen, a Director retiring by rotation in accordance with the Company's Constitution, being eligible, offers herself for re-election.
2. Mr Brian Schwartz, a Director retiring by rotation in accordance with the Company's Constitution, being eligible, offers himself for re-election.
3. Mr Phillip Colebatch, a Director, offers himself for election.
4. Mr Hugh Fletcher, a Director, offers himself for election.
5. Ms Anna Hynes, a Director, offers herself for election.

ADOPTION OF REMUNERATION REPORT

6. To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"That the Company's Remuneration Report for the financial year ended 30 June 2007 be adopted."

NON-EXECUTIVE DIRECTORS' FEES

7. To consider and, if thought fit, to pass the following resolution as an ordinary resolution.

"For the purposes of Australian Securities Exchange Listing Rule 10.17 and Article 12.12 of the Constitution of the Company, that the maximum aggregate remuneration payable to Non-executive Directors be increased by \$750,000 to \$2,750,000 per annum."

AMENDMENT TO THE CONSTITUTION TO ALLOW DIRECT VOTING

8. To consider and, if thought fit, to pass the following resolution as a special resolution:

"That the Company's Constitution be amended as set out in the Annexure, a copy of which has been initialled by the Group Company Secretary and tabled at this meeting, to permit members to exercise a Direct Vote at a general meeting."

SELECTIVE BUY-BACK OF RESET PREFERENCE SHARES ISSUED ON 20 JUNE 2003

9. To consider and if thought fit, to pass the following resolution as a special resolution:

"That the members approve the conduct and terms of a selective Buy-back of up to 100% of the Reset Preference Shares issued on 20 June 2003 - ASX Code: IAGPB (RPS2) at the discretion of the Directors in accordance with the RPS2 Terms of Issue at any time within 12 months after the date of this resolution."

RECEIPT OF FINANCIAL STATEMENTS AND REPORTS

10. To receive and discuss the Company's financial statements and reports for the financial year ended 30 June 2007.

NOTES

(a) Resolutions 1 - 5

To be successfully elected or re-elected as a Director, a candidate must receive more votes "For" than "Against".

(b) Voting Exclusion Statement Resolutions 7 and 9

The Company will disregard votes cast on Resolution 7 by the Directors or their associates.

While holders of reset preference shares have voting rights on Buy-back resolutions, the Company will disregard votes cast on Resolution 9 by RPS2 holders (as required by the *Corporations Act 2001*).

However, the Company need not disregard a vote if it is cast by:

- (i) one of the Directors, RPS2 holders (as appropriate) or their respective associates as a proxy for a person who is entitled to vote and if the vote is cast in accordance with the directions on the proxy form; or
- (ii) the person chairing the meeting as proxy for a person who is entitled to vote and is cast in accordance with a direction on the proxy form to vote as the proxy decides.

Shareholders are advised that the 2007 AGM of Insurance Australia Group Limited will be held on Tuesday 13 November 2007 at 10.00 a.m. at the Wesley Theatre, Wesley Conference Centre, 220 Pitt Street, Sydney.

(c) Proxies

A shareholder who is entitled to attend and cast a vote at the meeting has a right to appoint a proxy to attend and vote instead of the shareholder. The proxy need not be a shareholder of the Company and may be a corporation (and any corporation so appointed may then nominate an individual to exercise its powers at meetings). A shareholder who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes which each proxy is appointed to exercise. If the proxy appointments do not specify the proportion or number of the shareholder's votes that each proxy may exercise, each proxy may exercise half of the shareholder's votes.

Shareholders appointing a proxy to vote on their behalf are encouraged to utilise their capacity to direct the proxy to vote for or against each item of business, rather than providing open proxies.

If a shareholder appoints the Chairman of the Meeting as proxy and does not direct the Chairman of the Meeting how to vote on an item of business, the Chairman of the Meeting will vote in favour of each of the proposed resolutions set out in the Notice of Meeting.

To be valid, Proxy Forms must be received by the Company's Share Registrar, Computershare Investor Services Pty Limited, before 10.00am on Sunday 11 November 2007 (Proxy Deadline).

Proxy forms may be submitted in one of the following ways:

- (i) by post in the reply paid envelope provided. Please allow sufficient time so that it reaches Computershare Investor Services Pty Limited by the Proxy Deadline;
- (ii) online at www.iag.com.au. You will need your Securityholder Reference Number (SRN) or Holder Identification Number (HIN) which is shown in the top right corner of the Proxy Form;
- (iii) by facsimile to Computershare Investor Services Pty Limited on (02) 8235 8220; or
- (iv) by hand delivery to Computershare Investor Services Pty Limited, Level 2, 60 Carrington Street, Sydney, NSW 2000.

(d) Corporate representatives

Any corporate shareholder wishing to appoint a person to act as its representative at the meeting may do so by providing that person with:

- (i) a letter or certificate authorising him or her as the company's representative, executed in accordance with the company's constitution; or
- (ii) a copy of the resolution appointing the representative, certified by a secretary or director of the corporate shareholder.

(e) Power of Attorney

If a shareholder has appointed an attorney to attend and vote at the meeting, or if the proxy is signed by an attorney, the power of attorney (or a certified copy of the power of attorney) must be received by the Company's Share Registrar, Computershare Investor Services Pty Limited by the Proxy Deadline, unless this document has been previously lodged with the Company's Share Registrar for notation.

Powers of Attorney may be submitted by post or by hand delivery to Level 2, 60 Carrington Street, Sydney, NSW 2000.

(f) Shareholders eligible to vote

As determined by the Board of Directors, only persons who hold ordinary shares in the Company as at the Proxy Deadline will be eligible to vote at the meeting. RPS1 holders are eligible to vote in respect of Resolution 9 only.

Dated at Sydney on 4 September 2007
By order of the Board of Directors



Glenn Revell
Group Company Secretary

2007 AGM EXPLANATORY NOTES

The following notes explain the items of business to be discussed at IAG's 2007 AGM. The notes are set out in the order of the items in the Notice of Meeting and should be read with the Notice.

ITEMS 1-5: ELECTION OF DIRECTORS

Background Information

Ms Yasmin Allen and Mr Brian Schwartz retire by rotation in accordance with the Company's constitution. Each of these Directors offers themselves for re-election

Mr Phillip Colebatch, Mr Hugh Fletcher and Ms Anna Hynes, Directors, offer themselves for election.

Who is standing for Election?

1. Ms Yasmin Allen

Ms Yasmin Allen was appointed as a Director of IAG in November 2004. She is Chair of the IAG Audit Committee and a member of the IAG Nomination, Remuneration & Sustainability Committee.

Ms Allen has extensive experience in strategic analysis, investment banking, as an equities analyst and in senior management.

Ms Allen was previously a Vice President at Deutsche Bank AG, a Director at ANZ Investment Bank in Australia, an Associate Director at James Capel UK Ltd (HSBC Group) and senior analyst at Kleinwort Benson plc Investment Bank in the UK.

Ms Allen is currently a Director of Macquarie Specialised Asset Management (and the Chairperson of its Audit Committee), Film Australia (and the Chairperson of its Audit Committee) and the Salvation Army Advisory Board. She was previously a director of Export Finance and Insurance Corporation, Australia's export bank.

Directorships of other listed companies held in past three years

None.

What do the Directors recommend?

The other Directors recommend that you vote in favour of the resolution.

2. Mr Brian Schwartz

Mr Brian Schwartz was appointed as a Director of IAG in January 2005. He is a member of the IAG Risk Management & Compliance Committee and Chair of the IAG Nomination, Remuneration & Sustainability Committee.

Mr Schwartz is the Chief Executive of Investec Bank (Australia) Limited (effective 14 February 2005). Prior to this he was with Ernst & Young Australia (1979 - 2004), becoming its Chief Executive in 1998. He was a member of Ernst & Young's global board and Managing Partner of the Oceania region.

Mr Schwartz serves as a Trustee and Vice President of The Australian Museum; and Deputy Chairman of the Board of Football Federation Australia Limited. He was appointed a Member of the Order of Australia in 2004 for his services to business and the community.

Directorships of other listed companies held in past three years

None.

What do the Directors recommend?

The other Directors recommend that you vote in favour of the resolution.

3: Mr Phillip Colebatch

Mr Phillip Colebatch, a UK-based Australian, is a Non-executive Director of Lend Lease Corporation Limited. He also holds Directorships on the Board of Swiss Re Capital Markets Ltd, IAG UK Holdings Limited and has served on the Group Executive Boards of Swiss Re and Credit Suisse Group.

Before joining Swiss Re as Division Head, Capital Management and Advisory, he spent 17 years with the Credit Suisse Group where, in addition to his Executive Board position, he served as Group CFO and then as CEO of Credit Suisse Asset Management. He has also served as Head

of European banking activities for Credit Suisse First Boston Ltd.

He began his career with Citicorp in New York and has held a number of senior investment banking roles at Citicorp in Asia and the UK. He has a Doctorate in Business Administration from Harvard University, a Master of Science from the Massachusetts Institute of Technology and undergraduate degrees from the University of Adelaide.

Directorships of other listed companies held in past three years

Lend Lease Corporation Limited - since December 2005.

What do the Directors recommend?

The other Directors recommend that you vote in favour of the resolution.

4: Mr Hugh Fletcher

Mr Hugh Fletcher was appointed as a Director of IAG in September 2007. Mr Fletcher is a Non-executive Director of The Reserve Bank of New Zealand, Fletcher Building Limited, Rubicon Limited, Vector Limited and IAG New Zealand Limited, Chancellor of The University of Auckland, and Chairman of the venture capital fund No 8 Venture's Advisory Board. He was formerly Chairman of New Zealand Insurance Limited and CGNU Australia.

Mr Fletcher was appointed to the IAG NZ board on 1 July 2003. Previously Mr Fletcher had been an Independent Director of New Zealand Insurance Limited since December 1998.

Mr Fletcher has a joint BSc/BCom, and a MCom with First Class Honours in Economics. He also obtained an MBA from Stanford University, California.

Mr Fletcher was a former Chief Executive Officer of Fletcher Challenge Limited, a New Zealand head-quartered corporation with assets in the global building, energy, forestry and paper industries. Mr Fletcher

retired from an executive position in December 1997 after 28 years as an executive, 11 of which he served as Chief Executive.

Directorships of other listed companies held in past three years

Fletcher Building Limited – since 31 January 2001

What do the Directors recommend?

The other Directors recommend that you vote in favour of the resolution.

5. Ms Anna Hynes

Ms Anna Hynes was appointed as a Director of IAG in September 2007. Ms Hynes was until recently a Non-executive Director of Promina Group Limited and Country Road Limited. She also has over 20 years experience in general management and marketing roles in financial services and consumer products companies. Ms Hynes spent most of her executive career at American Express, where she held a number of senior positions, most recently Country Head New Zealand. She has also worked in the UK, Asia, and USA as well as Australia and New Zealand. Ms Hynes has an MBA from Harvard Business School and B.Sc (Hons) from the University of NSW.

Directorships of other listed companies held in past three years

Promina Group Limited
– until 20 March 2007

Country Road Limited
– until 31 January 2006

What do the other Directors recommend?

The other Directors recommend that you vote in favour of the resolution.

6. Remuneration Report

The *Corporations Act 2001* requires listed companies to provide enhanced disclosures of director and executive remuneration in their Annual Reports.

These disclosures are set out in the Remuneration Report on pages 40 to 58 of the Company's 2007 Annual Report.

The Company is required to propose to its shareholders at its AGM a non-binding advisory resolution on the Remuneration Report prepared by the Directors, and to allow questions and comments on this Remuneration Report by shareholders.

What do the Directors recommend?

The Directors recommend that you vote in favour of the resolution.

7. Non-executive Directors' fees

The maximum aggregate annual remuneration currently payable to Non-executive Directors is \$2,000,000 per annum. The aggregate annual remuneration includes employer superannuation contributions paid by the Company on behalf of the Non-executive Directors.

ASX Listing Rule 10.17 provides that a listed company must not, without shareholder approval, increase the total amount of Non-executive Directors' fees.

Following an independent review of the remuneration of the Company's Non-executive Directors, it is proposed that the maximum aggregate remuneration payable to the Company's Non-executive Directors be increased from \$2,000,000 to \$2,750,000 per annum.

What is the current structure?

The main elements of Non-executive Director remuneration are summarised as follows:

Directors' Fees

The Board has agreed to pay each Non-executive Director a base fee in respect of their services to the Board and a separate fee for serving as a member of each standing Board Committee (the Audit, Nomination Remuneration & Sustainability and Risk Management & Compliance Committees). In addition, some Non-

executive Directors receive separate fees for serving on the Boards of key subsidiary company boards.

The Chairman's annual base fee is at a ratio of three times the base fee of a Non-executive Director. The Chairman is also paid a fee for his role as Chairman of Insurance Manufacturers of Australia Pty Limited, a 70% owned subsidiary of the Company, but is not separately paid for his attendance at meetings of Board Committees. The Chairman's fees from Insurance Manufacturers of Australia Pty Limited form part of the fees subject to approval by the Company's shareholders.

Non-executive Directors Share Plan

The Board has also agreed that each Non-executive Director must take a minimum of 20% and up to a maximum of 90% of their annual base fee (that is, excluding Committee fees), on a fee sacrifice basis, in the form of shares provided under the Company's Non-executive Directors Share Plan (NED Share Plan), which was approved by shareholders on 13 November 2002. Shares are purchased by the NED Share Plan trustee on-market and allocated to Directors each year. Non-executive Directors may elect to restrict the disposal of these shares for a minimum period of one year and up to ten years or until the Director retires. Details of holdings of ordinary shares of Non-executive Directors are shown in the Remuneration Report on pages 40 to 58 of the Company's 2007 Annual Report.

Non-executive Directors' Retirement Benefits

The Board decided to freeze the operation of the Non-executive Director retirement benefit scheme adopted by the Group in 2001 with effect from 1 September 2003. Non-executive Directors appointed before 1 September 2003 are entitled to receive retirements benefits, frozen as at 31 August 2003, under this scheme but

always subject to the discretion of the Board on whether to pay these benefits.

Details of the frozen retirement benefits of Directors who held office on 31 August 2003 and continued in office since then are set out in the Remuneration Report on pages 40 to 58 of the 2007 Annual Report.

All Non-executive Directors receive superannuation contributions in respect of their base Directors fee at a rate of 9%.

Why has IAG decided to increase Non-executive Directors' fees?

The aggregate annual remuneration of the Non-executive Directors was increased in 2005 from \$1,500,000 to the current level of \$2,000,000.

In 2006, IAG accelerated its overseas expansion, investing approximately \$1.8 billion in new insurance businesses in

the United Kingdom. The Board has taken steps to establish and strengthen corporate governance structures, appropriate and commensurate with this expansion. This structure includes the establishment of country/regional Boards in the United Kingdom and New Zealand. These Boards are chaired by Mr Colebatch (IAG UK Holdings Limited) and Mr Fletcher (IAG New Zealand Limited). Separate fees, as detailed below, are paid to Messrs Colebatch and Fletcher for their service on these boards and are included in the aggregate annual remuneration of the Non-executive Directors.

The demands of directors of listed companies and in particular, general insurance companies with their ensuing complexities remain unabated. The duties and responsibilities of the Company's Non-executive Directors continue to expand in response to these demands.

The proposed increase in the aggregate annual remuneration has regard to the increased responsibilities of the Board and its committees, and expanded roles of some of its Directors. The proposed increase also ensures that the Company can attract and retain the best people for Board positions.

The Board has obtained independent advice on board remuneration from Egan Associates who have assessed the remuneration for the Company's Non-executive Directors in comparison with the level of Non-executive Director remuneration payable by companies of comparable size.

In accordance with the independent advice, the Board has determined that fees payable to the Company's Non-executive Directors be as follows with effect from 1 July 2007:

	To 30 June 2007 A\$	From 1 July 2007 A\$
Board Base Fees:		
Chairman	390,000	450,000
Non-Executive Director	130,000	150,000
Committee Fees		
Chair of either the Audit Committee or Risk Management & Compliance Committee	32,500	36,000
Member of either the Audit or Risk Management & Compliance Committees	16,250	18,000
Chair of Nomination, Remuneration & Sustainability Committee	32,500	32,500
Member of the Nomination, Remuneration & Sustainability Committee	16,250	16,250

In addition the following Directors receive separate fees for serving as Directors on the following subsidiary boards:

Director	Subsidiary	Capacity	Annual Fee
James Strong	Insurance Manufacturers of Australia Pty Limited	Chair	\$195,000(i)
Phillip Colebatch	IAG UK Holdings Limited	Chair	\$110,616*
Hugh Fletcher	IAG New Zealand Limited	Chair	\$91,496*
Neil Hamilton	Mutual Community General Insurance Proprietary Limited	Chair	\$25,000
Yasmin Allen	Mutual Community General Insurance Proprietary Limited	Director	\$16,250

(i) This fee increased from \$172,000 to \$195,000 with effect from 1 July 2007.

* These amounts are denominated in NZ dollars and British Pounds and are translated into Australian dollars at exchange rates as at 30 June 2007.

In aggregate, these increased fees plus superannuation contributions and fees paid to Directors for their service on subsidiary company boards total \$2,340,000.

The current maximum annual aggregate remuneration of \$2,000,000 would be insufficient to enable the Company to pay these increased fees to the Non-executive Directors for a full year.

The increase in the maximum annual aggregate remuneration to \$2,750,000 would enable the Board to pay fees to attract and retain suitable candidates for the Board in the foreseeable future, allowing as appropriate for overlap between director retirements and director appointments. However, the Board has no current plans to increase Non-executive Directors' fees above the level specified in the table above.

A full description of the Board's approach to remuneration of Non-executive Directors is set out in the Remuneration Report on pages 40 to 58 of the Company's 2007 Annual Report.

What do the Directors recommend?

As the resolution relates directly to the Non-executive Directors, the Directors do not make a recommendation.

8. Amendments to the Constitution

It is proposed to amend the Company's Constitution to permit direct voting by members, in addition to exercising their existing right to appoint a proxy holder, at general meetings held in the future.

A direct vote will enable shareholders to vote directly on resolutions considered at general meetings by sending their votes to the Company prior to the meeting. Direct voting will enable members to exercise their voting rights at a general meeting without the need for the member to attend the meeting and the appointment of a proxy.

Shareholders may continue to appoint a proxy holder if they desire.

Summary of proposed amendments to the Constitution

It is proposed that Articles 1, 10 and 11 of the Company's Constitution be amended by:

- (a) inserting a new Article 10.6A which:
 - (i) provides the Directors with a discretion to determine that a member, who is entitled to attend and vote on a resolution at a general meeting, is entitled to a direct vote; and
 - (ii) to permit the Directors to prescribe regulations, rules and procedures in relation to direct voting;
- (b) amending Article 11.2 to provide that members may vote at any general meeting by a direct vote;
- (c) inserting new Articles 11.2A and 11.2B, which together provide that:
 - (i) a member may only vote by one of the permitted methods in Article 11.2;
 - (ii) a member who submits a proxy voting form and a direct vote is taken to have revoked the authority of a previously authorised proxy;
 - (iii) if a member casts more than one vote, only the last vote received by the returning officer is taken to be cast; and
 - (iv) a member who has cast a direct vote may attend a meeting however, their attendance cancels the direct vote unless the member instructs the Company or the share registry otherwise;
- (d) inserting a new Article 11.16A to provide that any direct vote must be cast prior to the relevant general meeting and provide for the exclusion of direct votes from any votes cast by a show of hands;

- (e) inserting a new Article 11.26A which provides for the treatment of a direct vote if a member dies, becomes of unsound mind or wishes to change their vote;
- (f) inserting a new Article 11.29A which contains provisions on the direct voting instrument; and
- (g) making consequential definitional amendments to Article 1.

A copy of the Company's Constitution, with the proposed changes marked, will be available on IAG's website www.iag.com.au or by calling Computershare Investor Services on 1800 360 688.

What do the Directors recommend?

The Directors recommend that you vote in favour of the resolution.

9: Selective Buy-back of Reset Preference Shares issued on 20 June 2003 (RPS2)

Unless otherwise defined, capitalised terms used in this section have the same meaning as those terms in the RPS2 Terms of Issue as set out in the RPS2 Prospectus dated 20 May 2003 (Prospectus). The Prospectus is available from the Registered Office of the Company or may be viewed and downloaded at www.iag.com.au/shareholder/offers/archive.shtml.

Background

On 20 June 2003, IAG issued 2 million RPS2 with a face value of \$100 each. Under the RPS2 Terms of Issue:

- (a) Company Exchange: IAG may elect to Exchange some or all of RPS2 on a Reset Date, or on an earlier or later date in respect of all of RPS2 following the occurrence of a Tax Event, Regulatory Event or certain takeovers or schemes of arrangement (see clause 9 of the Terms of Issue); and/or

- (b) Holder Exchange: a Holder may elect to Exchange some or all of their RPS2 on a Reset Date, or on an earlier or later date in respect of all of their RPS2, following the occurrence of a Trigger Event (see clause 3.2 of the Terms of Issue).

The next Reset Date is 15 June 2008.

IAG may choose the method of Exchange, which can be:

- (a) convert RPS2 into Ordinary Shares (as described in clause 3.6 of the Terms of Issue); or
- (b) redeem, Buy-back or cancel RPS2 for their Face Value subject to prior approval by APRA; or
- (c) in the case of a Holder Exchange, procure third party purchasers for RPS2.

Summary of the Buy-back terms

If the Directors choose to Exchange RPS2 by way of a Buy-back, the Buy-back would be a selective share Buy-back involving the purchase by the Company of some or all of RPS2 on issue (2 million) and the cancellation of those shares.

Under the RPS2 Terms of Issue, each RPS2 holder has effectively agreed to accept any Buy-back offer for their RPS2 if IAG elects to Exchange RPS2 in that manner.

Under the RPS2 Terms of Issue, RPS2 can only be bought back by the Company at their Face Value of \$100 per share. Whilst RPS2 have from time to time traded at values above or below their Face Value, under the RPS2 Terms of Issue the RPS2 Buy-back price on Exchange is fixed.

Why are we seeking shareholder approval?

A selective Buy-back requires shareholder approval under the *Corporations Act 2001*.

Shareholders are being asked to approve the Buy-back so that IAG has more flexibility as to the method of Exchange of RPS2 without the requirement of having to call an extraordinary general meeting subsequent to the AGM to obtain approval for the Buy-back. Shareholders are advised that no decision has yet been made to Exchange RPS2 and it is not yet known whether (or the extent to which) RPS2 holders may seek to Exchange RPS2.

The Board will only make a decision to Exchange RPS2, or to choose particular methods of Exchange, where it considers it to be in the best interests of IAG. This may depend, among other things, on conditions in the capital markets and changes in prudential regulation.

The approval would only be given for a Buy-back of RPS2 effected within 12 months after the resolution is passed.

What are the potential advantages and disadvantages of the Buy-back?

If the Buy-back is approved, IAG would have the flexibility to Exchange RPS2 by way of a Buy-back subject to APRA's prior approval, and in accordance with the RPS2 Terms of Issue and the Directors decide that it is in the best interests of IAG to do so.

The Buy-back price is the same as the amount for which RPS2 could be redeemed, and the same price IAG could seek to procure third parties to purchase RPS2 that were subject to a Holder Exchange Notice. A redemption of RPS2 may only be funded out of profits or the proceeds of a fresh issue of shares conducted for that purpose, however, there is greater flexibility regarding the source of funds for a Buy-back (see Source of funds for the Buy-back on page 9). In addition, IAG may not be able to procure third parties to purchase RPS2.

More generally IAG is committed to maintaining an efficient capital structure. The practical ability to use a Buy-back as a method of Exchange under the RPS2 Terms of Issue would provide greater capital management flexibility.

Tax and accounting treatment for the Company and Shareholders of redemptions and Buy-backs may vary, and the greater flexibility would permit the Directors to consider these factors, amongst others, in making a decision.

A potential disadvantage of the proposed Buy-back is that following a Buy-back the Company would have a reduced capital base. However, the Directors would consider the adequacy of the reduced capital base having regard to the Company's present and anticipated future needs, in making any decision to select this method of Exchange. In addition, the Directors could not conduct the Buy-back in circumstances where it materially prejudiced the Company's ability to pay its creditors, or where they did not believe it was in the best interests of the company as a whole.

The financial effect of the Buy-back scheme on IAG

As of 31 July 2007, the cost of the Buy-back of all RPS2 would be \$A200 million. The Buy-back price would not be franked. However, Dividends accrued on RPS2 prior to the Exchange Date are paid on the Exchange Date and would usually be franked.

The Directors would not conduct the Buy-back unless they are satisfied that the Buy-back will have no material adverse impact on the Company's financial or regulatory capital position and no material prejudice to the Company's creditors.

Source of funds for the Buy-back

The funds for the Buy-back may be provided through existing cash reserves or through implementing other funding alternatives. The Directors will, at the relevant time, consider the best alternative or combination of alternatives for funding the Buy-back.

Effect of any Buy-back on the control of the Company

Holders of RPS2 are entitled to vote (together with the holders of ordinary shares in the Company) on the basis of one vote per RPS2 on a limited number of matters, including any proposal to wind-up the Company or any proposal to vary the rights attaching to RPS2. The total number of votes capable of being exercised by the Holders of RPS2 in those limited circumstances would be 2 million or approximately 0.11% of the Company's total issued share capital as of 31 July 2007.

Other relevant information

There is no other information known to any of the Directors of the Company which may reasonably be expected to influence the shareholders of the Company in deciding whether or not to vote in favour of the resolution to approve the Buy-back which the Company has not previously disclosed to its shareholders.

What do the Directors recommend?

Save for the RPS2 holders who, under the *Corporations Act 2001*, may not vote in favour of the resolution, the Directors recommend that you vote in favour of the resolution.

ITEM 10: RECEIPT OF FINANCIAL STATEMENTS

The financial results for the year ended 30 June 2007 are set out in the Annual Report sent to those shareholders who

elected to receive it by post or online at www.iag.com.au/results/reports/index.shtml.

Why are the financial statements being presented to shareholders?

In accordance with the *Corporations Act 2001*, shareholders will be given a reasonable opportunity at the AGM to ask questions and make comments on the financial statements and reports and on the business operations and management of the Company.

During discussion of this item, the Company's auditor will be present and will answer qualifying questions.

Written Questions for the Auditor

If you would like to submit a written question to the Company's auditor, please post your question in the reply paid envelope provided or fax to (02) 8235 8220.

Written questions must relate to the content of the auditor's report to be considered at the AGM or the conduct of the audit. A list of qualifying questions received will be made available at the AGM.

Please note that all questions must be received at least five business days before the AGM, that is, by no later than Tuesday 6 November 2007.

As stated above, the auditor will also be present at the AGM.

AGM Webcast

The AGM will be webcast at www.iag.com.au/results/agm/index.shtml.

FURTHER INFORMATION

If you would like any further information regarding the Annual General Meeting, please contact the Company's Share Registry on 1300 360 688 or visit our website **www.iag.com.au**.

