

19 March 2012

CONVERTIBLE PREFERENCE SHARE OFFER INCORPORATING RPS REINVESTMENT OFFER

1300 666 635

www.iag.com.au/cpsoffer



IMPORTANT INFORMATION

This presentation has been prepared by Insurance Australia Group Limited ("IAG") in relation to the offer of Convertible Preference Shares (CPS) in Australia (the "Offer"). The Offer is made pursuant to a prospectus under Part 6D.2 of the Corporations Act 2001 (Cwth) which was lodged with the Australian Securities and Investments Commission ("ASIC") on 19 March 2012 ("Prospectus"). IAG intends to lodge a replacement Prospectus which will include the margin and offer size determined after the bookbuild to be held on or about 26 March 2012. Investors may request a Prospectus by calling the CPS Information Line on 1300 666 635 or by visiting www.iag.com/cpsoffer. Applicants for CPS will need to complete the application form in or accompanying the Prospectus.

The information provided in this presentation is not personal investment advice and has been prepared without taking into account your investment objectives, financial situation or particular needs (including financial and taxation issues). Investors should read and consider the Prospectus in full and seek advice from their financial adviser or other professional adviser before deciding to invest in the Offer. Any decision by a person to apply for CPS should be made on the basis of information contained in the Prospectus and independent assessment as to whether to invest, and not in reliance on any information contained in this presentation.

This presentation is not a prospectus, product disclosure statement, disclosure document or other offer document under Australian law or under any other law. This presentation is not, and does not constitute, financial product advice, an offer to sell or the solicitation, invitation or recommendation to purchase any securities and neither this presentation nor anything contained herein shall form the basis of any contract or commitment. All reasonable care has been taken in relation to the preparation and collation of this presentation. If there are any material changes relevant to the Offer, IAG will lodge the appropriate information with the Australian Securities Exchange (ASX).

No representation or warranty, express or implied, is made as to the accuracy, adequacy or reliability of any statements, estimates or opinions or other information contained in this presentation. To the maximum extent permitted by law, IAG, its subsidiaries and their respective directors, officers, employees and agents disclaim all liability and responsibility for any direct or indirect loss or damage which may be suffered by any recipient through use or reliance on anything contained in or omitted from this presentation. No recommendation is made as to how investors should make an investment decision in relation to the Offer or IAG. IAG reserves the right to withdraw or vary the timetable for the Offer without notice.

The information in this presentation is for general information only. To the extent that certain statements contained in this presentation may constitute "forward-looking statements" or statements about "future matters", the information reflects IAG's intent, belief or expectations at the date of this presentation. IAG gives no undertaking to update this information over time (subject to legal or regulatory requirements). Any forward-looking statements, including projections, guidance on future revenues, earnings and estimates, are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause IAG's actual results, performance or achievements to differ materially from any future results, performance or achievements expressed or implied by these forward-looking statements. Any forward-looking statements, opinions and estimates in this presentation are based on assumptions and contingencies which are subject to change without notice, as are statements about market and industry trends, which are based on interpretations of current market conditions. Neither IAG, nor any other person, gives any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements in this presentation will actually occur. In addition, please note that past performance is no guarantee or indication of future performance.

The distribution of this presentation, and the offer or sale of CPS, may be restricted by law in certain jurisdictions. Persons who receive this presentation outside Australia must inform themselves about and observe all such restrictions. Nothing in this presentation is to be construed as authorising its distribution, or the offer or sale of CPS, in any jurisdiction other than Australia and IAG does not accept any liability in that regard. Further, CPS may not be offered or sold, directly or indirectly, and neither this presentation nor any other offering material may be distributed or published, in any jurisdiction except under circumstances that will result in compliance with any applicable law or regulations.

To the maximum extent permitted by law, the Joint Lead Managers and their respective affiliates, directors, officers, partners, employees, advisers and agents of each of them, make no representation, recommendation or warranty, express or implied, regarding the accuracy, adequacy, reasonableness or completeness of the information contained in the presentation and accept no responsibility or liability therefore.

This presentation does not constitute an offer to sell, or a solicitation of an offer to buy, any securities in the United States. This presentation may not be distributed or released, in whole or in part, in the United States. Neither the CPS nor the ordinary shares of IAG have been or will be registered under the U.S. Securities Act of 1933 or the securities laws of any state or other jurisdiction of the United States, and they may not be offered or sold in the United States.

All amounts are presented in Australian dollars unless otherwise stated. All references starting with "1H" refer to the six months ended 31 December, being the first half of IAG's financial year. For example, "1H12" refers to the six months ended 31 December 2011. All references starting with "2H" refer to the six months ended 30 June, being the second half of IAG's financial year. For example, "2H12" refers to the six months ended 30 June 2012. All references starting with "FY" refer to the financial year ended 30 June. For example, "FY12" refers to the year ended 30 June 2012.

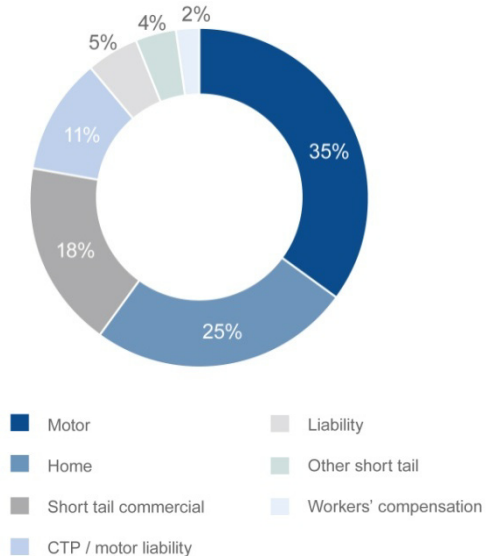
Unless otherwise defined, capitalised terms in this presentation have the meaning in the Prospectus.

GROUP OVERVIEW

GENERAL INSURANCE GROUP OPERATING IN AUSTRALIA, NZ, UK & ASIA

- An ASX-listed general insurance group offering personal and commercial insurance products through:
 - leading and established brands across its home markets of Australia and New Zealand
 - a growing presence in Asia
 - a specialist underwriter in the UK
- FY11 Gross Written Premium (GWP) of over \$8 billion
- Employs around 13,000 people worldwide
- ASX top 35 company with a market capitalisation of approximately \$7 billion
- Regulated by APRA

1H12 GROUP GWP BY PRODUCT



CPS OFFER SUMMARY

OFFER

- Convertible Preference Shares (CPS) at an Issue Price of \$100 each to raise \$350 million – ability to raise more or less

PURPOSE

- Part of IAG's ongoing capital management strategy – proceeds to be used for general corporate purposes, including refinancing of Reset Preference Shares (RPS)

CPS

- Fully paid, non-cumulative, perpetual, convertible preference shares
- Optional Exchange Date 1 May 2017 and any later date chosen by IAG
- Scheduled Mandatory Conversion Date 1 May 2019, provided Mandatory Conversion Conditions satisfied
- IAG will apply for CPS to be quoted on ASX – expected to trade under ASX code IAGPC
- Eligible RPS Holders can apply to reinvest their RPS in CPS

REGULATORY TREATMENT

- APRA has confirmed CPS will be eligible for inclusion as Residual Tier 1 Capital under current prudential standards and as Additional Tier 1 Capital under transitional arrangements following implementation of Basel III capital requirements

RANKING

- CPS rank ahead of Ordinary Shares and equally with Equal Ranking Securities, but are subordinated to creditors – any return in a winding up may be adversely affected on account of a Non-Viability Trigger Event

CPS KEY FEATURES

DIVIDENDS

DIVIDENDS

- Preferred, discretionary, non-cumulative based on a floating rate (180 day BBSW)
- Dividends are expected to be fully franked
- Dividends are payable semi-annually in arrears on 1 May and 1 November commencing on 1 November 2012, subject to Dividend Payment Tests

DIVIDEND RATE

- Dividend Rate = (180 day BBSW + Margin) x (1 – corporate tax rate)

MARGIN

- Margin expected to be 4.00% per annum

DIVIDEND RESTRICTIONS

- Unless a Dividend has been paid in full within 3 Business Days of the relevant Dividend Payment Date, IAG must not (without a Special Resolution):
 - pay or resolve to pay any dividend or make any distribution on Ordinary Shares
 - buy back or reduce capital on Ordinary Shares until and including the next Dividend Payment Date
- Limited exceptions apply

CPS KEY FEATURES

CONVERSION AND REDEMPTION

SCHEDULED CONVERSION

- On the Mandatory Conversion Date, CPS Holders will receive ~\$101 of Ordinary Shares (unless the Mandatory Conversion Conditions are not satisfied)
- The Scheduled Mandatory Conversion Date will be 1 May 2019
- If any of the Mandatory Conversion Conditions are not satisfied on this date, the Mandatory Conversion Date will be the next Dividend Payment Date on which they are satisfied

MANDATORY CONVERSION CONDITIONS

- Satisfaction of the Mandatory Conversion Conditions on a possible Mandatory Conversion Date will depend on the price of Ordinary Shares
- For the Mandatory Conversion Conditions to be satisfied:
 - the Volume Weighted Average Price (VWAP) for the First Mandatory Conversion Condition must be greater than 57.50%¹ of the Issue Date VWAP;
 - the VWAP for the Second Mandatory Conversion Condition must be greater than 50.51%¹ of the Issue Date VWAP; and
 - no Delisting Event (ie IAG is delisted from ASX or trading of Ordinary Shares has been suspended for a certain period, or IAG is prevented from Converting CPS)

¹ These percentages may be adjusted downwards when APRA implements Basel III

CPS KEY FEATURES

CONVERSION AND REDEMPTION

MAXIMUM CONVERSION NUMBER

- The Maximum Conversion Number is set to reflect a share price of 50% of the Issue Date VWAP
- It is possible that when APRA implements Basel III from 1 January 2013, the Maximum Conversion Number will be set to reflect a share price of 20% of the Issue Date VWAP – if this occurs, the Maximum Conversion Number will increase accordingly

EARLY CONVERSION OR REDEMPTION

- CPS can be Converted or Redeemed at IAG's election upon:
 - a Tax Event or Regulatory Event
 - a Potential Acquisition Event (but Redemption is allowed only on or after the fifth anniversary of the Issue Date)
 - an Optional Exchange Date (1 May 2017 and any later date chosen by IAG)
- CPS will be Converted or Redeemed earlier upon an Acquisition Event provided certain conditions are satisfied
- Conversion at IAG's election and Redemption are subject to APRA's prior written approval and, in respect of Conversion, to the Mandatory Conversion Conditions being satisfied
- Holders should not expect that APRA's prior written approval will be given for any Conversion or Redemption
- APRA may require Conversion on a Non-Viability Trigger Event

CPS KEY FEATURES

NON-VIABILITY

WHAT IS A NON-VIABILITY TRIGGER EVENT?

- A Non-Viability Trigger Event is an additional APRA requirement for CPS to be Tier 1 Capital under Basel III
- A Non-Viability Trigger Event occurs where APRA determines that CPS must be Converted because without Conversion or a public sector injection of capital or equivalent support IAG would become, in APRA's opinion, non-viable

WHAT DOES NON-VIABLE MEAN?

- APRA has not defined non-viability – it may publish further guidelines on non-viability
- Non-viability is expected to include serious impairment of IAG's financial position and insolvency, but may not be limited to solvency measures or capital ratios

WHAT ARE THE CONSEQUENCES?

- Following a Non-Viability Trigger Event, IAG must Convert CPS into Ordinary Shares:
 - there are no conditions to Conversion
 - the number of shares is limited to the Maximum Conversion Number, and may be worth less than ~\$101
- If IAG is prevented from Conversion, CPS dividend and capital rights are varied to approximate the relevant number of Ordinary Shares – this is an APRA requirement and may affect returns, for example in any later winding up

CPS RISKS

KEY RISKS ASSOCIATED WITH CPS

- Market price of CPS
- Liquidity
- Fluctuation in Ordinary Share price
- Dividends may not be paid
- Changes in Dividend Rate
- It is not certain whether or when CPS may be Converted or Redeemed
- Conversion on account of a Non-Viability Trigger Event
- Restrictions on rights and ranking in a winding up of IAG
- See Sections 1.4 and 1.5 of the Prospectus for more information

CPS COMPARISON TO OTHER RECENT TIER 1 HYBRIDS¹

	IAG CPS	WESTPAC CPS	ANZ CPS 3
LEGAL FORM	<ul style="list-style-type: none"> Preference share 	<ul style="list-style-type: none"> Preference share 	<ul style="list-style-type: none"> Preference share
DIVIDENDS	<ul style="list-style-type: none"> Floating rate Dividends, paid semi-annually (subject to Dividend Payment Tests) Current period ordinary dividend stopper if not paid 	<ul style="list-style-type: none"> Floating rate dividends, paid semi-annually (subject to dividend payment test) Current period ordinary dividend stopper if not paid 	<ul style="list-style-type: none"> Floating rate dividends, paid semi-annually (subject to dividend payment test) Current period ordinary dividend stopper if not paid
MARGIN	<ul style="list-style-type: none"> Expected to be 4.00% 	<ul style="list-style-type: none"> 3.25% 	<ul style="list-style-type: none"> 3.10%
ISSUER REDEMPTION RIGHTS	<ul style="list-style-type: none"> At the issuer's election 5 years after issue and any date thereafter In certain limited circumstances including Tax, Regulatory or Potential Acquisition Events 	<ul style="list-style-type: none"> At the issuer's election 6 years after issue and each dividend payment date thereafter In certain limited circumstances including taxation, regulatory or acquisition events 	<ul style="list-style-type: none"> At the issuer's election 6 years after issue and each dividend payment date thereafter In certain limited circumstances including taxation, regulatory or acquisition events
CONVERSION TO ORDINARY SHARES	<ul style="list-style-type: none"> Scheduled conversion 7 years after issue subject to Mandatory Conversion Conditions Other specified circumstances 	<ul style="list-style-type: none"> Scheduled conversion 8 years after issue subject to mandatory conversion conditions Other specified circumstances 	<ul style="list-style-type: none"> Scheduled conversion 8 years after issue subject to mandatory conversion conditions Other specified circumstances
CAPITAL TRIGGER EVENT	<ul style="list-style-type: none"> No 	<ul style="list-style-type: none"> Yes (breach of 5.125% CET1 ratio) 	<ul style="list-style-type: none"> Yes (breach of 5.125% CET1 ratio)
NON-VIABILITY EVENT	<ul style="list-style-type: none"> Yes 	<ul style="list-style-type: none"> No 	<ul style="list-style-type: none"> No
ASX CODE	<ul style="list-style-type: none"> IAGPC 	<ul style="list-style-type: none"> WBCPC 	<ul style="list-style-type: none"> ANZPC

¹ Comparison based on publicly available information

RPS REINVESTMENT OFFER

PROPOSED RPS BUY-BACK

- RPS are exchangeable by IAG on the reset date being 15 June 2012
- IAG intends to buy back RPS on 15 June 2012

RPS REINVESTMENT OFFER

- Eligible RPS Holders have the opportunity to reinvest their RPS in CPS
- Eligible RPS Holders applying for CPS may have the relevant RPS bought back early for \$100 on 1 May 2012 and applied to the CPS offer
- Eligible RPS Holders will receive a priority allocation of CPS over general applicants if there is excess demand for CPS
- RPS Holders who elect to reinvest will also receive a pro rata dividend on 1 May 2012 of \$2.1286
- Eligible RPS Holders may also apply under the Broker Firm Offer to reinvest RPS in CPS

BROKER FIRM OFFER

1H12 FINANCIAL SUMMARY

STRONG UNDERLYING PERFORMANCE

IMPROVED UNDERLYING INSURANCE RESULT

- GWP growth of 9.7%, to \$4,318m, driven by rate increases, volume gains and bolt-on acquisitions
- Net Earned Premium (NEP) growth of 3.5%, to \$3,839m, impacted by 56% increase in reinsurance costs
- Reported insurance margin of 7.1%, after absorbing 500bps impact from net natural peril claim costs in excess of allowance and adverse credit spread effect
- Improved underlying insurance margin of 10.7% (1H11: 9.4%)

INTERIM DIVIDEND OF 5 CENTS PER SHARE

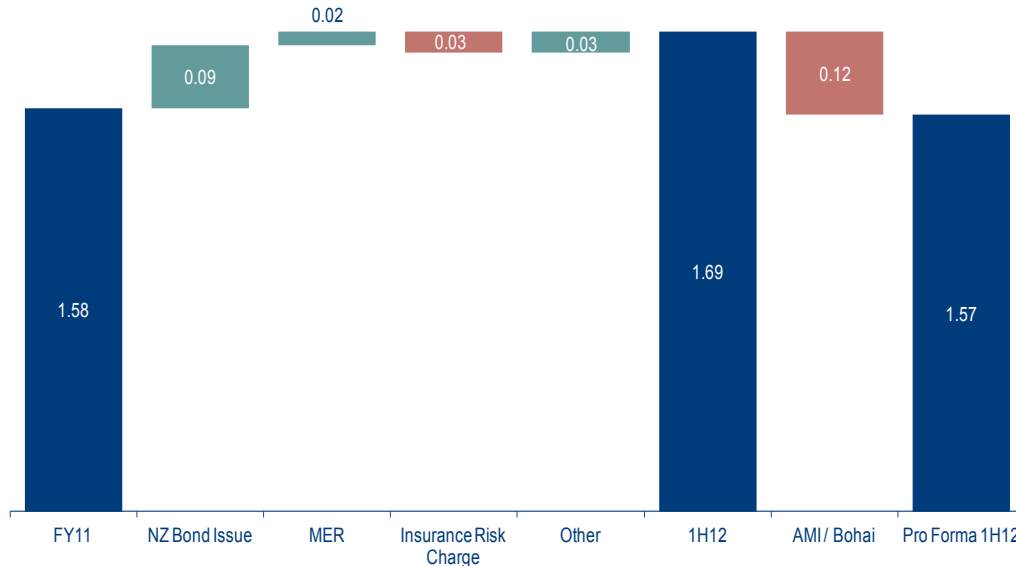
- Net profit after tax \$144m
- Fully franked dividend, representing 67% of cash earnings

ROBUST CAPITAL POSITION

- Minimum Capital Requirement (MCR) multiple of 1.69
- Ahead of benchmark of 1.45-1.50 times

1H12 REGULATORY CAPITAL ROBUST POSITION, ABOVE LONG TERM BENCHMARK

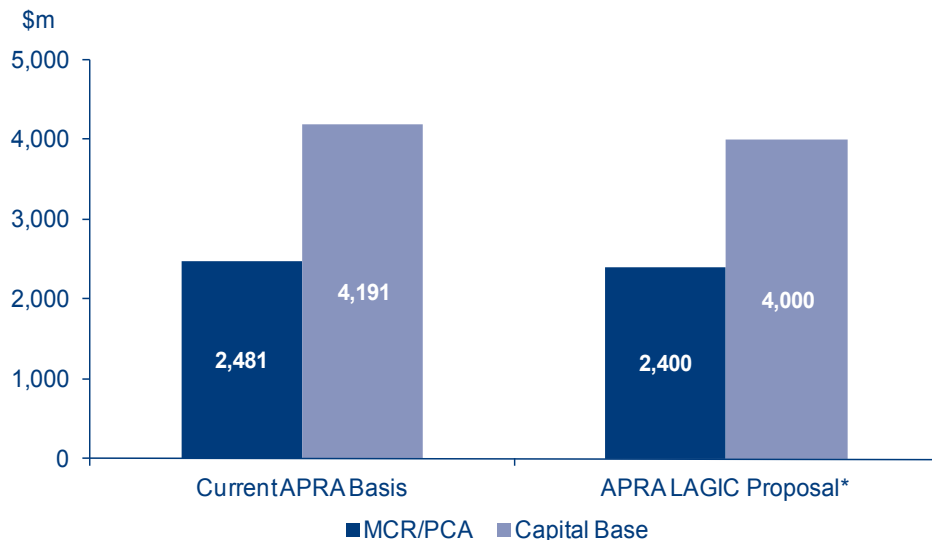
REGULATORY CAPITAL (MCR) – 1H12 VS FY11



- MCR of 1.69 times
 - above long term benchmark of 1.45–1.50
 - pro forma 1.57, allowing for AMI and Bohai
- Strengthened position since 30 June 2011
 - New Zealand retail bond issue
- Unwind of natural peril effect to accelerate in future periods
- Assuming \$350m is raised under CPS offer, no change to pro forma MCR given refinancing of RPS

1H12 REGULATORY CAPITAL IMPACT OF APRA'S LAGIC REVIEW

REGULATORY CAPITAL – CURRENT VS LAGIC



*Estimate based on draft regulations and subject to amendment upon issue of final Prudential Standards

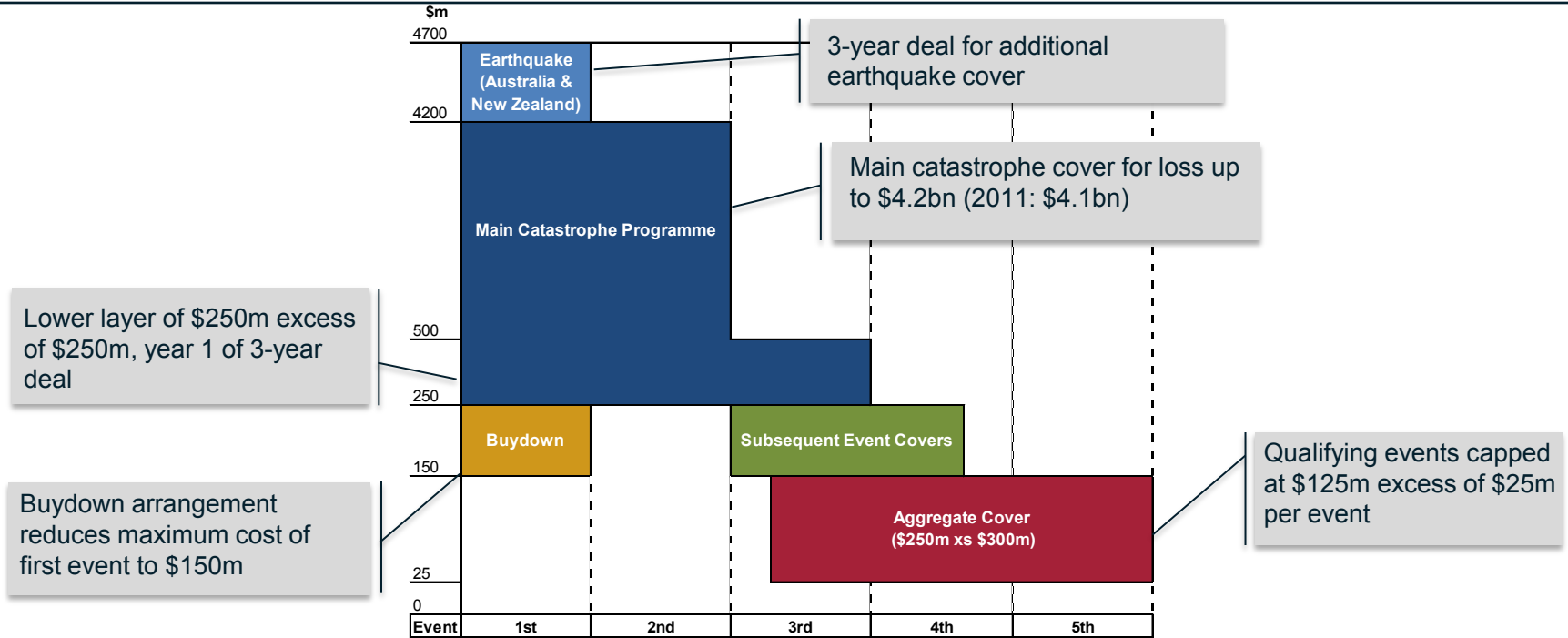
MINIMUM CAPITAL REQUIREMENT

- New methodology of prescribed capital amount (PCA):
 - modest net impact to Group
 - 2012 reinsurance programme aligned to LAGIC proposals

CAPITAL BASE

- Quantum impacted by:
 - allowance for dividends
 - treatment of JV investments
- More onerous draft composition requirements
 - hold at least 70% in Common Equity Tier 1

REINSURANCE COMPREHENSIVE CATASTROPHE PROGRAMME IN PLACE



1H12 CAPITAL MIX IN LINE WITH TARGET RANGE

CAPITAL MIX	1H11 \$m	2H11 \$m	1H12 \$m
Shareholder equity	4,658	4,580	4,513
Intangibles and goodwill	(1,853)	(1,869)	(1,887)
Tangible shareholder equity	2,805	2,711	2,626
Interest bearing liabilities	1,380	1,377	1,627
Total tangible capitalisation	4,185	4,088	4,253

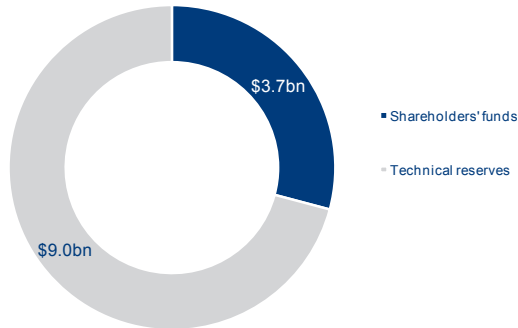
CAPITAL MIX IN LINE WITH TARGET

- Debt to total tangible capitalisation of 38.3%, within 30–40% debt and hybrid target range
- NZ\$325m of subordinated bonds (Tier 2 capital) issued December 2011
- CPS will refinance RPS issue

1H12 INVESTMENT PORTFOLIO

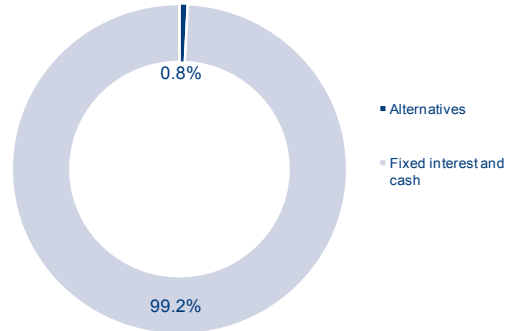
CONSERVATIVE MIX AND HIGH CREDIT QUALITY

TOTAL INVESTMENT PORTFOLIO – \$12.7BN



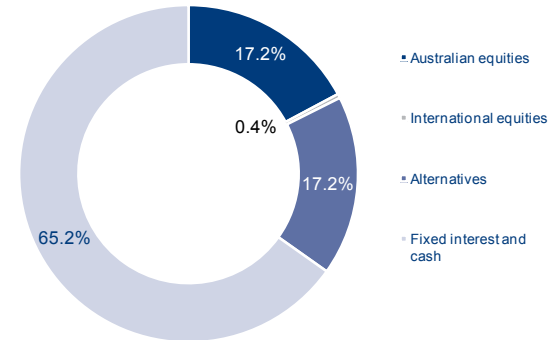
- Two distinct pools with different investment strategies:
 - technical reserves – backing insurance liabilities
 - shareholders' funds

TECHNICAL RESERVES



- Almost 100% fixed interest and cash
- Expect to maintain 100bps of return above risk free rate over medium term

SHAREHOLDERS' FUNDS



- 35% in growth assets, including Australian equities and alternatives
- Exited international equities

CPS

KEY OFFER DATES

Lodgement of Prospectus with ASIC	19 March 2012
Bookbuild	26 March 2012
Announcement of the Margin and lodgement of the replacement prospectus with ASIC	27 March 2012
Opening Date	27 March 2012
Closing Date for the General Offer, RPS Reinvestment Offer and Broker Firm Offer (applications in respect of Reinvested RPS)	19 April 2012
Closing Date for the Broker Firm Offer (excluding applications in respect of Reinvested RPS)	30 April 2012
Issue Date	1 May 2012
CPS commence trading on ASX (deferred settlement basis)	2 May 2012
Holding statements despatched by	7 May 2012
CPS commence trading on ASX (normal settlement basis)	8 May 2012
First semi-annual Dividend Payment Date	1 November 2012
First Optional Exchange Date	1 May 2017
Scheduled Mandatory Conversion Date	1 May 2019

QUESTIONS



100% owned unless indicated. ¹ RACV is via a distribution relationship and underwriting joint venture with RACV Limited. ² RACV has a 30% interest in Buzz Insurance. ³ IAG holds 98.6% voting rights in Safety Insurance, based in Thailand. ⁴ IAG owns 49% of the general insurance arm of Malaysian-based AmBank Group, AmG Insurance Berhad, which trades under the AmAssurance brand. ⁵ IAG has 26% ownership of SBI General Insurance Company, a joint venture with State Bank of India.

CONTACT DIRECTORY

INSURANCE AUSTRALIA GROUP



Nick Hawkins, Chief Financial Officer
Clayton Whipp, Group General Manager Finance
Alan Cazalet, Group Treasurer
Mark Gold, Deputy Group Treasurer

02-9292-3001
02-9292-1104
02-9292-8451
02-9292-2353

JOINT LEAD MANAGERS



AFSL 314416

Jacqui Vanzella
02-8232-4904



AFSL 243346

Rob Penney
02-9320-1319



AFSL 231087

Andrew Buchanan
02-9324-2617



AFSL 230686

Nicholas Chaplin
02-9237-9518



AFSL 233714

Allan O'Sullivan
02-8254-1425

FURTHER INFORMATION

1300 666 635 www.iag.com.au/cpsoffer



SYNDICATE BROKERS SETTLEMENT INSTRUCTIONS - REINVESTED RPS (BROKER FIRM OFFER)

ELIGIBLE RPS HOLDERS WISHING TO REINVEST SOME OR ALL RPS IN CPS UNDER BROKER FIRM OFFER

	APPLICATION PAYMENT	SETTLEMENT	CLOSING DATE
CHESS SPONSORED HOLDER	<ul style="list-style-type: none"> No Application Payment required in respect of reinvested RPS 	<ul style="list-style-type: none"> An election of reinvestment will be required to be submitted by brokers via CHESS Records must be kept of each RPS reinvestment election processed through CHESS and provided to Computershare by the Closing Date 	5:00pm, 19 April 2012
ISSUER SPONSORED HOLDER	<ul style="list-style-type: none"> As per above 	<ul style="list-style-type: none"> Application Forms will be required to be submitted to the Registry Records must be kept of each RPS reinvestment election from Issuer Sponsored holders and provided to Computershare by the Closing Date 	5:00pm, 19 April 2012
APPLICATIONS FOR ADDITIONAL CPS (BOTH CHESS AND ISSUER SPONSORED HOLDERS)	<ul style="list-style-type: none"> Application Payment in respect of the additional CPS will be required 	<ul style="list-style-type: none"> CHESS DvP 	10:00am, 30 April 2012

FURTHER DETAILS WILL BE PROVIDED IN AN ASX PARTICIPANTS BULLETIN AND IN THE CONFIRMATION LETTER