

Insurance Australia Group Limited

SHARE PURCHASE PLAN

Share Purchase Plan Booklet

Insurance Australia Group Limited ABN 60 090 739 923

This is an important document. If you have any doubts as to what you should do, please consult your stockbroker, accountant or other professional adviser.

If you have any questions in relation to the Share Purchase Plan after reading this booklet please call the Share Purchase Plan Information Line on 1300 360 688.



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Key Dates



James Strong, Chairman

Date	Event	
24 October 2002	Record Date	The date on which Insurance Australia Group Limited determines Eligible Shareholders.
4 November 2002	Opening Date	Share Purchase Plan opens.
21 November 2002	Closing Date	Share Purchase Plan closes. Applications must be received by 5.00pm (Sydney time).
9 December 2002	Price Announcement Date	Share Issue Price announced.
	Allotment Date	Shares allotted. Trading is expected to commence on ASX on the next Trading Day.
16 December 2002	Despatch Date	Transaction confirmation despatched to shareholders.

Insurance Australia Group Limited has the discretion to alter some Key Dates.

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Letter from the Chairman

21 October 2002

Dear Shareholder

On behalf of the Directors of Insurance Australia Group Limited (Insurance Australia), I am pleased to offer you the opportunity to participate in a Share Purchase Plan (SPP), allowing you to purchase up to A\$5,000 of Insurance Australia ordinary shares without brokerage and transaction costs.

The SPP is designed to raise at least A\$380 million, although Insurance Australia has the right to accept oversubscriptions. In addition to the SPP, Insurance Australia conducted a placement of ordinary shares to institutional investors on 18 October 2002 (the Placement), raising A\$500 million (of which approximately A\$34 million is conditional and anticipated to be completed on 18 November 2002).

Funds raised through the SPP and the Placement will be used to finance the acquisition of Aviva plc's general insurance operations in Australia and New Zealand (being CGU and NZI respectively), which was announced on 18 October 2002. This acquisition is seen as a transformational transaction for Insurance Australia and will substantially enhance Insurance Australia's position as Australia's leading general insurance group.

Participation in the SPP is entirely voluntary. You may apply for a parcel of ordinary shares valued at either A\$500, A\$1,000, A\$2,500 or A\$5,000, or alternatively, you may do nothing, thereby retaining your current shareholding.

If you choose to participate in the SPP you will not have to pay brokerage and transaction costs. To apply for a parcel of ordinary shares all you need to do is follow the instructions on the enclosed personalised application form. The SPP opens on 4 November 2002 and is expected to close at 5.00pm (Sydney time) on 21 November 2002.

The price at which ordinary shares will be issued under the SPP will be the lower of:

- A\$2.55 – being the price paid for ordinary shares by institutional investors in the Placement; or
- a discount of 5% to the average market price of Insurance Australia ordinary shares calculated over 10 trading days following the close of the SPP offer.

If the total value of applications for ordinary shares under the SPP is more than A\$380 million Insurance Australia may choose to undertake a scaleback. Should this occur you may be allocated ordinary shares to a value which is less than the parcel of ordinary shares you applied for.

This booklet sets out the details and terms and conditions of the SPP and I urge you to read it in its entirety before you decide whether to participate. If you have any concerns about what to do, you should consult your stockbroker, accountant, professional adviser or call the Share Purchase Plan information line on 1300 360 688.

On behalf of the Board, I invite you to consider this opportunity to increase your investment in Australasia's largest general insurance group.

Yours sincerely

James Strong
Chairman

Questions and Answers

Defined words and expressions used in this booklet are capitalised. See the Glossary for their definition.

1 What is a Share Purchase Plan (SPP)?

The SPP is a convenient way for Eligible Shareholders to purchase additional Shares without brokerage and transaction costs. All Shares issued to you under the SPP will rank equally with your existing Shares and will carry the same voting rights and other entitlements.

2 Why is Insurance Australia issuing more Shares?

All funds raised in the SPP will be used to finance the Acquisition, which was announced on 18 October 2002. Further information regarding the Acquisition can be obtained from our website (www.iag.com.au) and from the announcements lodged with ASX. Funds raised by the Placement will also be used to finance the Acquisition.

3 Do I have to participate in the SPP?

No – participation is entirely voluntary. Before you apply for Shares, we recommend you seek independent financial advice from your stockbroker, accountant or professional adviser, and you monitor the Share price (which is quoted in the financial pages of the major metropolitan newspapers).

4 How much can I invest under the SPP?

The amount you may invest under the SPP is limited. You may only apply for a Parcel with a value of:

A\$500 or A\$1,000 or A\$2,500 or A\$5,000

If you receive more than one copy of this booklet, or if you hold Shares in more than one capacity (eg. because you are both a sole and joint holder of Shares), the maximum amount you may apply to invest under the SPP in all capacities is A\$5,000. By applying to purchase Shares under the SPP, you certify you have not exceeded this A\$5,000 limit.

5 What is the Issue Price of the Shares?

The Issue Price will be the lower of:

- A\$2.55 – being the price paid for Shares by institutional investors in the Placement; or
- a discount of 5% to the Average Market Price of Shares. This is calculated over 10 Trading Days following the close of the SPP offer.

The Issue Price will be announced on or around 9 December 2002. This price may differ from the price Shares have traded at on ASX during the SPP and the Pricing Period.

6 How do I apply for Shares under the SPP?

If you wish to participate in the SPP, follow the step-by-step instructions set out on the reverse of the enclosed personalised Application Form. Send your completed personalised Application Form with your cheque or money order made payable to **"IAG Share Purchase Plan"**.

You will not be able to withdraw or revoke your application once you have sent it in.

7 How long is the SPP open?

The SPP opens on 4 November 2002 and is expected to close at 5.00pm (Sydney time) on 21 November 2002.

If you want to participate you should ensure your Application Form and cheque or money order are received by 5.00pm (Sydney time) on 21 November 2002. Only send them to the address listed on the Application Form or use the enclosed reply paid envelope. Please allow adequate time for mail deliveries.



8 How many Shares will I receive?

In most circumstances, the Parcel you have applied for will not equal a whole number of Shares once the Issue Price is determined. In this case, the value of the Shares allotted to you will be rounded down to the nearest Share and Insurance Australia will pay an amount equal to any balance remaining to the NRMA Foundation or to one or more charities nominated by Insurance Australia.

You will not receive a refund for this amount, which will always be less than the price of one Share (that is, a maximum of A\$2.54).

This will be detailed on your transaction confirmation statement, which will be forwarded to you on the Despatch Date.

For example:

- If you apply for an A\$5,000 Parcel and the Issue Price is, for example, A\$2.55 per Share, your allocation will be rounded down from 1,960.78 Shares to 1,960 Shares with a total allotment value of A\$4,998.00. The remaining balance of A\$2.00 will be paid to the NRMA Foundation or to one or more charities nominated by Insurance Australia.

If Insurance Australia receives application funds in excess of A\$380 million, it may undertake a scaleback of the dollar value of the Parcels you selected on your Application Form. Should this occur the difference between the Parcel you selected and the scaled back amount, together with any rounding, will be refunded to you.

The refund cheque will be enclosed with your transaction confirmation statement, which will be forwarded to you on the Despatch Date.

For example:

- If you apply for an A\$5,000 Parcel and the Parcel is scaled back to A\$4,750.00 and the Issue Price is, for example, A\$2.55 per Share, your allotment would be rounded down from 1,862.75 to 1,862 Shares with a total allotment value of A\$4,748.10. The scaled back amount of A\$250.00 and the rounding of A\$1.90 will both be refunded to you.

9 What is the issue date?

The date of issue of Shares under the SPP will be the Allotment Date which is currently expected to be on or around 9 December 2002.

10 Will the offer be available again?

The SPP is intended as a one-off initiative to give Eligible Shareholders the opportunity to purchase additional Shares without transaction costs and brokerage. However, the Board of Insurance Australia reserves the right to make similar offers under similar share purchase plans in the future.

Further assistance

If you have any questions, please call the Share Purchase Plan information line on 1300 360 688 or your stockbroker, accountant or professional adviser.

Terms and Conditions

Defined words and expressions used in this booklet are capitalised. See the Glossary for their definition.

IMPORTANT NOTICE: If you apply to participate in the SPP by completing and returning the Application Form, you are accepting the risk that the market price of Shares may change between the Record Date, the date on which you send in an Application Form and the Allocation Date. This means it is possible that, up to or after the Allotment Date, you may be able to buy Shares at a lower price than the Issue Price. The definition of Issue Price in the Glossary shows you how the Issue Price is calculated.

We encourage you to seek your own financial advice regarding your participation under the SPP.

1 Offer timetable

- 1.1 This offer is dated, and taken to be made on, 24 October 2002 (**Record Date**).
- 1.2 The offer opens on 4 November 2002 (**Opening Date**).
- 1.3 The offer closes at 5.00pm (Sydney time) on 21 November 2002 (**Closing Date**), unless extended. Application Forms and cheques or money orders may not be processed or held to be valid if they have not been received by Insurance Australia by this time.
- 1.4 The Issue Price will be announced on or around 9 December 2002 (**Price Announcement Date**).
- 1.5 Any Scaleback would be announced on the Price Announcement Date.
- 1.6 The Shares are proposed to be allotted on or around 9 December 2002 (**Allotment Date**).
- 1.7 Insurance Australia expects the Shares will commence trading on ASX on the Trading Day after the Allotment Date.
- 1.8 Insurance Australia expects that a transaction confirmation and, if applicable, a refund cheque as a result of a Scaleback being applied to your allotment, will be despatched to you on or around 16 December 2002 (**Despatch Date**).
- 1.9 Insurance Australia has a discretion to change, at any time, any of the Closing Date, the Price Announcement Date, the Allotment Date and the Despatch Date to later dates (notwithstanding that the offer has opened, or Application Forms have been received) by lodging a revised timetable with ASX.

2 Eligible Shareholders

- 2.1 You may participate in the SPP if you are an Eligible Shareholder.
- 2.2 Joint holders of Shares are taken to be a single registered holder of Shares for the purposes of determining whether they are an Eligible Shareholder and the certification on the Application Form is taken to have been given by all of them.
- 2.3 Where a trustee or nominee is a registered holder of Shares and is expressly noted on the register as holding Shares on account of a named beneficiary, the named beneficiary will be taken to be the registered holder of those Shares. An application for Shares, certification or issue of Shares to the trustee or nominee will be taken to be an application or certification by, or an issue to, the named beneficiary.
- 2.4 If you are an Eligible Shareholder, your rights under this offer are personal to you and non-renounceable, so you may not transfer them.

3 Applications for Parcels of Shares

Limitations on applications

- 3.1 If you are an Eligible Shareholder, you may apply to purchase Shares to the value of the Parcel you select on the Application Form.

- 3.2 These Parcels are subject to Scaleback and rounding (see parts 5 and 6). Eligible Shareholders who receive more than one offer under the SPP (for example, because they hold Shares in more than one capacity) may apply on different Application Forms for more than one Parcel, but may not apply for Shares with an aggregate value of more than A\$5,000.

Completing the Application Form and paying for Shares

- 3.3 If you wish to participate in the SPP, you must complete the Application Form and provide a cheque or money order in accordance with the instructions on the Application Form.

Insurance Australia's discretions regarding applications

- 3.4 Insurance Australia has a broad discretion to accept or reject your application to purchase Shares under the SPP, including (without limitation) if:
 - (a) your Application Form is incorrectly completed or incomplete or otherwise determined by Insurance Australia to be invalid;
 - (b) your cheque is dishonoured or has not been completed correctly;
 - (c) the cheque or money order that you enclose with your Application Form is not made out for the exact amount of the Parcel that you have selected on the Application Form;
 - (d) it appears that you are applying to buy more than A\$5,000 (in aggregate) of Shares at the Issue Price;
 - (e) your Application Form is received after the Closing Date. While Insurance Australia has a discretion to accept late Application Forms and cheques or money orders, there is no assurance that it will do so. Late Application Forms and cheques or money orders, if not processed, will be returned to you at your registered address; or
 - (f) Insurance Australia believes that you are not an Eligible Shareholder (subject to compliance with any applicable ASIC or ASX requirements).

Interest

- 3.5 No interest will be paid on any application money returned to you.

Significance of sending in an application

- 3.6 If you apply to participate in the SPP by completing and returning the Application Form:
 - (a) your application, on these Terms and Conditions, will be irrevocable and unconditional (it cannot be withdrawn);
 - (b) you acknowledge that you are an Eligible Shareholder;
 - (c) you certify that you have not applied for Shares with an aggregate application price in excess of A\$5,000 under the SPP and any similar arrangement in the 12 months prior to your application, even though you may have received more than one offer under the SPP or received offers in more than one capacity under the SPP;

- (d) you authorise Insurance Australia (and its officers or agents) to correct any error in, or omission from, your Application Form and to complete the Application Form by the insertion of any missing details;
- (e) you acknowledge that Insurance Australia may at any time irrevocably determine that your Application Form is valid, in accordance with the Terms and Conditions, even if the Application Form is incomplete, contains errors or is otherwise defective;
- (f) you accept the risk associated with any refund that may be despatched to you by cheque to your address shown on Insurance Australia's register;
- (g) you consent to not being refunded any excess of your Application Amount over the value of the Shares you are issued due to rounding under part 6. Insurance Australia agrees to pay an amount equal to any such excess to the NRMA Foundation or to one or more charities nominated by Insurance Australia;
- (h) you agree to indemnify Insurance Australia for, and to pay to Insurance Australia within 5 business days of demand, any dishonour fees or other costs Insurance Australia may incur in presenting a cheque for payment which is dishonoured;
- (i) you acknowledge that neither Insurance Australia nor ASX Perpetual Registrars Limited has provided you with investment advice or financial product advice, and that neither has any obligation to provide this advice, concerning your decision to apply for and purchase Shares;
- (j) you acknowledge that Insurance Australia may disclose any information in relation to your Application Form and your accompanying cheque or money order, to the Underwriters in connection with their management and partial underwriting of the SPP;
- (k) you acknowledge that Insurance Australia is not liable for any exercise of its discretions referred to in these Terms and Conditions; and
- (l) you irrevocably and unconditionally agree to the Terms and Conditions and agree not to do any act or thing which would be contrary to the spirit, intention or purpose of the SPP.

4 Issue Price

- 4.1 You agree to pay the Issue Price per Share up to a maximum of the value you have selected on the Application Form.

5 Scaleback

- 5.1 If Insurance Australia receives applications for Shares with a total value in excess of A\$380 million, it may, in its absolute discretion, undertake a Scaleback to the extent (subject to clause 5.2) and in the manner that it sees fit. However, Insurance Australia has a discretion to accept subscriptions in excess of A\$380 million, including any additional amount which may be required to ensure that the total funds raised by the Placements and the SPP equal A\$1,040 million, without ASX consent.
- 5.2 Insurance Australia will not undertake a Scaleback that reduces the total value of Shares issued under the SPP to less than A\$380 million at the Issue Price, without the Underwriter's consent.
- 5.3 If Insurance Australia applies a Scaleback to your allotment, your Application Amount will be greater than the value of the

Shares you will be allotted. In that event, the difference between the value of the Shares you are allotted and your Application Amount will be refunded to you by cheque mailed on the Despatch Date.

6 Rounding of Shares and donation to charity

- 6.1 If you apply for Shares under the SPP, you will apply for a certain value rather than a certain number of Shares. The number of Shares you receive will be determined by:
 - (a) if there is no Scaleback applied to your allotment, dividing the value of the Shares you have applied for by the Issue Price, once it is determined; or
 - (b) if there is a Scaleback applied to your allotment, dividing the value of the Shares you have been allotted by the Issue Price, once it is determined.

If this calculation produces a fractional number, the number of Shares you will be allotted will be rounded down to the nearest whole number of Shares.
- 6.2 If the number of Shares you are allotted is rounded down, your Application Amount will be slightly greater than the value of the Shares you are allotted and either:
 - (a) if there is no Scaleback applied to your allotment Insurance Australia agrees to pay an amount equal to any such excess to the NRMA Foundation or to one or more charities nominated by Insurance Australia. The donated amount per application will always be less than the Issue Price for one Share (that is, a maximum of A\$2.54); or
 - (b) if there is a Scaleback applied to your allotment, any such excess will be refunded to you by including any such excess in the refund cheque that Insurance Australia will send you under clause 5.3.

7 The Shares

- 7.1 Shares issued under the SPP will rank equally with, and have the same voting rights, dividend rights and other entitlements as existing Shares quoted on ASX.
- 7.2 Insurance Australia will apply for Shares issued under the SPP to be quoted on ASX. It is anticipated that the Shares will be quoted on ASX on or shortly after the Allotment Date.

8 Amendments to the offer and waiver of compliance

- 8.1 Insurance Australia will not change these Terms and Conditions (subject to its discretion to revise the Timetable in part 1). However, Insurance Australia reserves the right to waive compliance with any provision of these Terms and Conditions. Insurance Australia is relying upon waivers received from ASX on Listing Rules 7.1 and 10.1 to enable it to make the offer.
- 8.2 Insurance Australia reserves the right to withdraw the offer, with the approval of ASX. Without limitation, Insurance Australia may seek to exercise this right if the Acquisition does not proceed for any reason.

9 Governing Law

- 9.1 These Terms and Conditions are governed by the laws in force in New South Wales and are to be interpreted in accordance with their spirit, intention and purpose.

Glossary

Acquisition	The proposed acquisition by Insurance Australia of Aviva plc's general insurance operations in Australia and New Zealand (being CGU and NZI respectively), which was announced to ASX on 18 October 2002.
Allotment Date	On or around 9 December 2002, unless extended.
Application Amount	The amount you have paid to Insurance Australia, corresponding with the Parcel you have selected on the Application Form.
Application Form	The application form relating to the SPP that you received with this booklet, including the instructions on the reverse of the form.
ASIC	Australian Securities and Investments Commission.
ASX	Australian Stock Exchange Limited.
Average Market Price	The average of the daily volume weighted average sale price (rounded to the nearest full cent) of Shares sold on ASX during the Pricing Period (not including any transaction defined in the ASX Business Rules as "special", crossings prior to the commencement of normal trading, crossings during the after hours adjust phase nor any overseas trades or trades pursuant to the exercise of options over Shares and any other sales which the directors consider may not be fairly reflective of natural supply and demand).
Closing Date	21 November 2002, unless extended.
Despatch Date	On or around 16 December 2002, unless extended.
Eligible Shareholder	A person who, at 5.00pm (Sydney time) on the Record Date was recorded in Insurance Australia's share register as being a registered holder of Shares and having an address in Australia or New Zealand, unless that person holds Shares on behalf of another person who resides outside Australia or New Zealand. No "U.S. person" (as defined in Regulation S under the US Securities Act of 1933) will be an Eligible Shareholder.
Insurance Australia	Insurance Australia Group Limited ABN 60 090 739 923.
Issue Price	The lower of: <ul style="list-style-type: none">• A\$2.55 – this was the price paid by institutional investors in the Placement and represents a 13.6% discount to the closing Insurance Australia share price on 15 October 2002; or• a 5% discount to the Average Market Price.
NRMA Foundation	NRMA Foundation was launched in November 2001 and is funded by its two shareholders, Insurance Australia Group Limited and National Roads and Motorists' Association Limited. The Foundation donates funds to a number of different charities and community organisations to help people in need.
Opening Date	4 November 2002.
Parcel	The value of the parcel of Shares that you apply for, which may be A\$500, A\$1,000, A\$2,500 or A\$5,000, in each case at the Issue Price per Share.
Placement	The unconditional placement of Shares to institutional investors undertaken on 18 October 2002 and any conditional placement of Shares to institutional investors also undertaken on that date. Any conditional placement will complete on or around 18 November 2002, if Resolution 5 in the Insurance Australia's Notice of Annual General Meeting is passed at the meeting.
Price Announcement Date	On or around 9 December 2002, unless extended.
Pricing Period	A period of 10 Trading Days commencing on 25 November 2002, unless extended.
Record Date	24 October 2002.
Scaleback	The reduction in the allotments of Shares under the SPP (compared to Parcels applied for) that Insurance Australia will undertake if it receives applications under the SPP for more Shares than it wishes to issue.
Shares	Fully paid ordinary shares of Insurance Australia Group Limited.
SPP	Share Purchase Plan. See "What is a SPP?" in Questions and Answers.
Terms and Conditions	The terms and conditions of the SPP set out in this booklet, (including the Glossary and the Application Form).
Trading Day	A full day on which the Shares are quoted, and not suspended from quotation or made subject to a trading halt, on ASX, provided that a day on which the ASX is closed or on which trading on ASX is suspended is not a Trading Day.
Underwriters	Deutsche Bank AG and UBS Warburg Australia Limited.

Corporate Directory

Registered Office

Insurance Australia Group Limited
Level 21, 388 George Street
Sydney NSW 2000
www.iag.com.au

Share Registry

ASX Perpetual Registrars Limited
Level 8, 580 George Street
Sydney NSW 2000

Underwriters

Deutsche Bank AG
UBS Warburg Australia Limited

Legal Advisers

Mallesons Stephen Jaques

