



Dear Shareholder

**INSURANCE AUSTRALIA GROUP LIMITED ('IAG')
RESET PREFERENCE SHARES – ASX Code: IAGPA**

Please find attached the Reset Notice to notify you of the terms and conditions that will apply to the Reset Preference Shares (RPS) after the first Reset Date, which is 15 June 2007.

On the first Reset Date, IAG will be resetting the Margin, the Market Rate and the next Reset Date. The way the Dividend is calculated and the payment frequency will not change. The full reset details, and a summary of your rights, are set out in the enclosed Reset Notice.

You can respond to this letter and the Reset Notice in ONE of three ways.

- 1. Do nothing** - If you wish to continue with your current holding of RPS under the new reset terms; OR
- 2. Complete the blue Top-up Notice** - If you wish to acquire additional RPS under the new reset terms for \$100 each at no brokerage cost, complete the blue Top-up Notice and return it with your cheque payment to the Share Registry by 5:00pm (AEST) 26 April 2007, alternatively arrange for the payment of application monies by 5:00pm (AEST) 26 April 2007 in accordance with the BPAY payment instructions on the Notice. Please note that interest will be payable on application monies at the rate of 5.5% per annum from date of receipt to (but not including) 15 June 2007; OR
- 3. Complete the yellow Exchange Notice** - If you do not wish to continue to hold some, or all, of your RPS under the new reset terms you can complete the yellow Exchange Notice, following the instructions on the Notice, and return it to the Share Registry by 5:00pm (AEST) 26 April 2007.

Regardless of your decision to either continue to hold your RPS under the new reset terms, or to Exchange your RPS, you will still receive a Dividend payment on 15 June 2007, provided that a Dividend is declared and you remain the holder on the Dividend Record Date.

Foreign Holders can complete a Top-up Notice if the foreign holder can provide assurance satisfactory to IAG that the transaction under the Top-up Notice will not breach any of the foreign holder's local laws.

Please note your blue Top-Up Notice may be invalid if you also return a yellow Exchange Notice.

I urge you to take the time to read and understand all of the information contained in the Reset Notice. The full Terms of Issue of the RPS can be found in the Prospectus issued 6 May 2002 (as amended) on IAG's website at www.iag.com.au

If you do not understand the effect of these documents you should seek appropriate independent financial advice.

If you need further information about these documents please contact the Share Registry on 1300 360 688.

Yours sincerely

A handwritten signature in black ink that reads 'James Strong'. The signature is written in a cursive, slightly slanted style.

James Strong
Chairman

ISSUER letter

**Insurance Australia
Group Limited**
ABN 60 090 739 923
388 George Street
Sydney NSW 2000
iag.com.au



Dear Shareholder

INSURANCE AUSTRALIA GROUP LIMITED ('IAG') RESET PREFERENCE SHARES – ASX Code: IAGPA

Please find attached the Reset Notice to notify you of the terms and conditions that will apply to the Reset Preference Shares (RPS) after the first Reset Date, which is 15 June 2007.

On the first Reset Date, IAG will be resetting the Margin, the Market Rate and the next Reset Date. The way the Dividend is calculated and the payment frequency will not change. The full reset details, and a summary of your rights, are set out in the enclosed Reset Notice.

You can respond to this letter and the Reset Notice in ONE of three ways.

- 1. Do nothing** - If you wish to continue with your current holding of RPS under the new reset terms; OR
- 2. Complete the blue Top-up Notice** - If you wish to acquire additional RPS under the new reset terms for \$100 each at no brokerage cost, complete the blue Top-up Notice and send the Notice to your sponsoring broker who will stamp the Notice before sending it to the Share Registry with payment by 5.00 pm (AEST) 26 April 2007. Please note that interest will be payable on application monies at the rate of 5.5% per annum from the date of receipt to (but not including) 15 June 2007; OR
- 3. Complete the yellow Exchange Notice** - If you do not wish to continue to hold some, or all, of your RPS under the new reset terms you can complete the yellow Exchange Notice, following the instructions on the Notice, and return the Notice to your broker who will stamp the Notice before sending it to the Share Registry by 5.00 pm (AEST) 26 April 2007.

Regardless of your decision to either continue to hold your RPS under the new reset terms, or to Exchange your RPS, you will still receive a Dividend payment on 15 June 2007, provided that a Dividend is declared and you remain the holder on the Dividend Record Date.

Foreign Holders can complete a Top-up Notice if the foreign holder can provide assurance satisfactory to IAG that the transaction under the Top-up Notice will not breach any of the foreign holder's local laws.

Please note your blue Top-up Notice may be invalid if you also return a yellow Exchange Notice.

I urge you to take the time to read and understand all of the information contained in the Reset Notice. The full Terms of Issue of the RPS can be found in the Prospectus issued 6 May 2002 (as amended) on IAG's website at www.iag.com.au

If you do not understand the effect of these documents you should seek appropriate independent financial advice.

If you need further information about these documents please contact the Share Registry on 1300 360 688.

Yours sincerely

A handwritten signature in black ink that reads 'James Strong'. The signature is written in a cursive, slightly slanted style.

James Strong
Chairman



All registry communications to:
Computershare Investor Services Pty Limited
GPO Box 7043
Sydney NSW 2001
Telephone (within Australia): 1300 360 688
Telephone (outside Australia): 61 3 9415 4210
Facsimile: (03) 9473 2470
Email: iag@computershare.com.au
Website: www.computershare.com

Reset Preference Shares (IAGPA) – Reset Notice

1. Which terms are being reset?

Term	Change - effective from 16 June 2007
Reset Date	The next Reset Date will be 15 June 2012
Market Rate	(expressed as a percentage per annum) means the average of the mid-point of the quoted 5 year swap reference rates at or about 10.00 am, displayed on Bloomberg page AFRS 3 (or any page which replaces that page) on the First Reset Date (15 June 2007)
Margin*	Means the Minimum Margin of 1.10% plus the Additional Margin (if any)

Where:

The **Minimum Margin** is fixed at **1.10%**.

The **Additional Margin** means a percentage per annum determined by IAG in its absolute discretion, and announced to the market on or before 16 May 2007. If no announcement is made, the Additional Margin is 0%. Having regard to Exchange Notices received, IAG may procure the acquisition of the RPS by a third party. In doing so, it may determine an Additional Margin is payable on all RPS. There is no guarantee that an Additional Margin will be applied.

Given movements in margins generally, the Margin applicable to the RPS after the Reset Date is likely to be lower than the current Margin applicable under the RPS Terms of Issue.

No change is made to the timing and frequency of Dividend Payments. Dividends will be payable semi-annually, on 15 June and 15 December, subject to the RPS Terms of Issue.

These terms will apply from 16 June 2007 until the next Reset Date, subject to the RPS Terms of Issue.

2. How is the Dividend Rate calculated?

The Dividend Rate for the period from 16 June 2007 (the day after the first Reset Date) until the next Reset Date will be the Market Rate plus the Margin multiplied by (1- Australian Corporate tax rate of 30%).

If we assume that the Market Rate is 6.50% and the Margin is the Minimum Margin of 1.10%, the Dividend Rate will be calculated as follows:

Sum of Market Rate and Margin: 7.60%
Multiplied by (1- Australian corporate tax rate of 30%): 0.7
Gives Dividend Rate: 5.32%

Dividends are expected to be fully franked.

Please note, the Market Rate used in this example may differ from the Market Rate on the Reset Date.

3. What are my rights in relation to this Reset Notice?

You have the right to do either of the following in relation to this Reset Notice:

- **Do nothing**, in which case you are taken to accept the reset terms detailed in Section 1 of this Reset Notice;
- or
- **Complete** a Holder Exchange Notice, requesting an Exchange of all or some of your RPS, and send it so that it is received by the Share Registry on or before 5.00 pm (AEST) **Thursday, 26 April 2007**. Holders whose RPS are held in a broker sponsored holding will need to allow time to have their Holder Exchange Notice stamped by their broker prior to submitting it. Exchange may only be requested using the form of Holder Exchange Notice provided by IAG.

*In respect of the Additional Margin - IAG is under no obligation to determine that the Additional Margin is higher than 0%. The Margin set pursuant to this Reset Notice will not, in any event, exceed the limits set in clause 4.2 of the RPS Terms of Issue.

- **In addition to the above options**, IAG is also making available a Top-up Notice to Holders who wish to offer to purchase additional RPS if IAG elects to procure the acquisition of RPS by third parties. If you wish to take up this offer please follow the instructions in the Top-up Notice.

If you submit a valid Holder Exchange Notice, IAG has complete discretion to do the following in relation to the RPS which are the subject of your Holder Exchange Notice:

- Convert the RPS into Ordinary Shares;
- Procure the acquisition of the RPS by a third party for their Face Value (\$100) and send the proceeds to you on 15 June 2007; or
- Redeem, buy back or cancel the RPS for \$100 on the relevant Exchange Date and send the proceeds to you on 15 June 2007, and you authorise IAG to apply a combination of methods of Exchange to your parcel of RPS or between different RPS holders, where it believes that there is no material difference in outcome of the methods of Exchange.

Your receipt of this Reset Notice does not restrict your rights to sell your RPS on the market however, once you have delivered a Holder Exchange Notice:

- It is irrevocable; and
- You must not deal with, transfer, dispose of or otherwise encumber the RPS the subject of the Exchange Notice.

Other terms of the Holder Exchange Notice are set out on the Holder Exchange Notice, you should read them carefully.

4. Timetable for action in relation to this Reset Notice

5:00pm (AEST) 26 April 2007	If you wish to Exchange your RPS, you (or your broker, if applicable) must have sent a validly completed Holder Exchange Notice to the Share Registry so that it is received by this date.
16 May 2007	If you or your broker send a validly completed Holder Exchange Notice to the Share Registry, IAG must notify you, by this date, whether it will convert your RPS into Ordinary Shares in IAG, exchange your RPS for cash, or arrange for a third party to procure the acquisition of your RPS for cash.
15 June 2007	This is the first Reset Date. The reset terms set out in this Reset Notice will apply after this date.

5. Important Information

Words and expressions defined in, and for the purposes of the terms and conditions for RPS set out in the Prospectus issued on 6 May 2002 (as amended) ("**Terms of Issue**"), have the same meaning where used in this Reset Notice unless otherwise specified.

You are not obliged to submit a Holder Exchange Notice in response to this Reset Notice. IAG is not providing you with any advice in this respect, and you should obtain your own advice from your stockbroker, accountant or other professional adviser before making any decision.

Nothing in this Reset Notice restricts IAG's discretion under the terms of the RPS to choose which method of Exchange to apply to a Holder's RPS (outlined in section 3, above), if a Holder submits a Holder Exchange Notice.

In addition, by issuing this Reset Notice IAG does not restrict its right to issue an Issuer Exchange Notice on or before 16 May 2007, under the terms of the RPS, and all or any RPS may be redeemed, bought back, cancelled or converted into IAG ordinary shares pursuant to an Issuer Exchange Notice.

If the whole or any part of a section of this Reset Notice is determined to be void, unenforceable, invalid or ineffective for any reason, that part of the Reset Notice will be severed, and the terms specified in this Reset Notice will be taken to be the Reset Date, the Market Rate and the Minimum Margin referred to in section 1.



IAG RPS Top-up Notice

Shareholder Registry
Computershare Investor Services Pty Limited
GPO Box 7043
Sydney NSW 2001
Telephone (within Australia): 1300 360 688
Telephone (outside Australia): 61 3 9415 4210
Facsimile: (03) 9473 2470
Email: iag@computershare.com.au
Website: www.computershare.com.au

CHESSTop up

IMPORTANT NOTICE: USE OR MAKE A PAYMENT IN ACCORDANCE WITH THIS BLUE NOTICE ONLY IF YOU WISH TO INCREASE YOUR HOLDING IN INSURANCE AUSTRALIA GROUP LIMITED (“IAG”) RESET PREFERENCE SHARES (“RPS”).

- You are not obliged to make a Top-up offer for RPS. Neither IAG nor Computershare is providing you with any investment or financial product advice in this respect, nor has any obligation to provide you with advice. You should obtain your own advice from your stockbroker, accountant or other professional adviser before making any decision.
- Your Top-up offer only becomes effective if IAG elects to procure the acquisition of RPS by a third party, in response to Holder Exchange Notices. If insufficient RPS are being Exchanged in this way to meet all requests by Holders for a Top-up, IAG may scale back your allocation of RPS in response to your Top-up offer. Whether there are sufficient RPS being Exchanged or not you may not receive any allocation, at IAG’s discretion.
- Application monies received will earn interest at 5.5% per annum from the date of receipt to (but not including) 15 June 2007.
- Any refund of application money and payment of interest will be made on or about 15 June 2007, by the same method as Dividend payments for your RPS. You accept the risk associated with any refund or interest payment that may be made to you by direct credit or cheque to your address shown on IAG’s register.
- **Other terms and conditions of this Top-up Notice are set out on the back of this Notice.**

A APPLICATION

I/We apply for RPS at \$100 per RPS

B PAYMENT DETAILS

I/We lodge full application monies for these RPS A\$ (“Application Monies”)

You can make your payment either by BPAY®, cheque or money order. Details of the various payment methods are available on the reverse of this Top-up Notice.

<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text" value="A\$"/>
Drawer	Cheque Number	BSB Number	Account Number	Amount of cheque

BPAY® Details:



Biller Code: _____ Telephone & Internet Banking - BPAY®
 Ref No: _____ Call your bank, credit union or building society to make this payment from your cheque or savings account. More info: www.bpay.com.au

By making a payment of Application Monies by cheque or BPAY®, I/we confirm that I/we have read the terms and conditions set out in this Top-up Notice, and the RPS Terms of Issue, and agree to be bound by them.

C CONTACT DETAILS

Contact Name (PRINT)	Telephone Number (Business Hours)	Email
<input type="text"/>	<input type="text"/>	<input type="text"/>

You must either pay the Application Monies by BPAY®, OR complete and send this Notice to your sponsoring broker who must ensure that the Notice and full payment of the Application Monies are received by the Share Registry on or before 5:00pm (AEST) 26 April 2007.

HOW TO MAKE A TOP-UP OFFER AND COMPLETE NOTICE

A Enter in the number of RPS you wish to apply for.

B **Payment Details**

Calculate and enter in the amount of application monies (at \$100 per RPS) you will pay to purchase the number of RPS you have nominated ("Application Monies").

If you make your payment through BPAY®, there is no requirement to return this Top-up Notice. You must check the processing cut off time for BPAY® transactions with your bank, credit union or building society as it may be earlier than 5.00pm (AEST) on 26 April 2007.

Alternatively, make your cheque or money order payable to "IAG RPS Account" in Australian currency and cross it "Not Negotiable". Your cheque or money order must be drawn on an Australian Bank. Return this completed Notice with your cheque or money order.

If you make your payment by cheque, complete the cheque details in the boxes provided. Cheques will be processed on the day of receipt and as such, sufficient cleared funds must be held in your account as cheques returned unpaid may not be re-presented and may result in your Notice being rejected.

Cash will not be accepted. Receipt for payment will not be forwarded.

Your Application Monies must be received by no later than 5.00pm (AEST) on 26 April 2007.

C **Contact Details**

If you pay by cheque or money order, please enter your contact name, area code, telephone number(s) and email address on this Notice in case we need to contact you in relation to your Top-up Notice.

Do not make a Top-up offer (by paying Application Monies) as well as sending in a Holder Exchange Notice.

If both a Top-up offer and a Holder Exchange Notice are received, IAG may treat your Top-up offer as invalid.

Making a Top-up offer

Either pay the Application Monies by BPAY® or send your completed Top-up Notice to your sponsoring broker. The name of your broker is set out on front of this Notice.

Notice to Sponsoring Broker

A stamping fee of 0.5% will be payable on stamped Top-up Notices submitted by your broker to the extent RPS are allocated in response to the Top-up Notice. Sponsoring brokers should immediately forward the completed Top-up Notice, with Application Monies, to:

Mailing Address

Computershare Investor Services Pty Limited
GPO Box 7043
SYDNEY NSW 2001

Delivery Address

Computershare Investor Services Pty Limited
Level 3, 60 Carrington Street
SYDNEY NSW 2000

If you have any queries concerning this Top-up Notice, please contact the Computershare Investor Services Pty Limited Infoline on 1300 360 688.

1. By paying the Application Monies I/we acknowledge and confirm that if this Notice becomes effective and RPS are allocated to me/us, then IAG is irrevocably authorised to procure the purchase for the holder identified on the front of this Notice of up to the number of RPS I/we have paid for in full with the Application Monies (at \$100 per RPS) ("Maximum Number of RPS") on the terms of this Top-up Notice and the RPS Terms of Issue, and to execute all documents (including any share transfer form) and do all acts and things necessary (including appointing persons to do things) for the purchase of such RPS.
2. The RPS Terms of Issue are set out in the Prospectus issued on 6 May 2002 (as amended) and by paying the Application Monies, you agree to those Terms of Issue. If you receive an allocation of RPS, settlement will occur on 15 June 2007 and you will receive confirmation of your allocation shortly afterwards.
3. If you are not allocated RPS or allocated less than your Maximum Number of RPS, the part of your Application Monies not used to purchase RPS will be refunded to you. You authorise any payments to you (including the interest on Application Monies) to be made by the same method and to the same bank account as your RPS Dividend payments or by cheque. You accept the risk associated with any refund that may be sent to you by direct credit or cheque to your address shown on IAG's register.
4. By paying the Application Monies, you offer to purchase up to the Maximum Number of RPS and you authorise Computershare to do all things necessary to facilitate and effect settlement of any resulting transfer, and appoint IAG to receive a Financial Services Guide ("FSG") from Computershare on your behalf. That FSG will be made available on IAG's website.
5. Paying Application Monies does not mean you have purchased any RPS. IAG does not guarantee any RPS will be allocated to you. IAG is not required to proportionately allocate RPS between different Top-Up offers.
6. Acceptance of your Top-up offer will take place at the time any RPS is transferred from an Exchanging RPS Holder to you.
7. You are responsible for any dishonour fees or other costs IAG may incur in presenting a cheque for payment which is dishonoured and IAG may set off any such fees against any payment to be made to you on any RPS.
8. IAG reserves the right to waive compliance with any provision of these terms and conditions.
9. You confirm that you may lawfully receive this Notice and make a Top-up offer on the terms of this Notice.

Privacy Clause: Computershare Investor Services advises that Chapter 2C of the Corporations Act 2001 requires information about you as a securityholder (including your name, address and details of the securities you hold) to be included in the public register of the entity in which you hold securities. Information is collected to administer your securityholding and if some or all of the information is not collected then it might not be possible to administer your securityholding. Your personal information may be disclosed to the entity in which you hold securities. You can obtain access to your personal information by contacting us at the address or telephone number shown on this Notice. Our privacy policy is available on our website (www.computershare.com.au).



IAG RPS Top-up Notice

Shareholder Registry
Computershare Investor Services Pty Limited
GPO Box 7043
Sydney NSW 2001
Telephone (within Australia): 1300 360 688
Telephone (outside Australia): 61 3 9415 4210
Facsimile: (03) 9473 2470
Email: iag@computershare.com.au
Website: www.computershare.com.au

ISSUER top up

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- You are not obliged to make a Top-up offer for RPS. Neither IAG nor Computershare is providing you with any investment or financial product advice in this respect, nor has any obligation to provide you with advice. You should obtain your own advice from your stockbroker, accountant or other professional adviser before making any decision.
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- Any refund of any application money and payment of interest will be made on or about 15 June 2007, by the same method as Dividend payments for your RPS. You accept the risk associated with any refund or interest payment that may be made to you by direct credit or cheque to your address shown on IAG’s register.
- **Other terms and conditions of this Top-up Notice are set out on the back of this Notice.**

A APPLICATION

I/We apply for RPS at \$100 per RPS

B PAYMENT DETAILS

I/We lodge full application monies for these RPS A\$ (“Application Monies”)

You can make your payment either by BPAY®, cheque or money order. Details of the various payment methods are available on the reverse of this Top-up Notice.

<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Drawer	Cheque Number	BSB Number	Account Number	Amount of cheque

BPAY® Details:

	Biller Code: _____	Telephone & Internet Banking - BPAY®
	Ref No: _____	Call your bank, credit union or building society to make this payment from your cheque or savings account. More info: www.bpay.com.au

By making a payment of Application Monies by cheque or BPAY®, I/we confirm that I/we have read the terms and conditions set out in this Top-up Notice, and the RPS Terms of Issue, and agree to be bound by them.

C CONTACT DETAILS

Contact Name (PRINT)	Telephone Number (Business Hours)	Email
<input type="text"/>	<input type="text"/>	<input type="text"/>

You must either pay the Application Monies by BPAY® OR by cheque or money order (with this completed Notice) so the payment is received by the Share Registry on or before 5:00pm (AEST) 26 April 2007.

HOW TO MAKE A TOP-UP OFFER AND COMPLETE NOTICE

A Enter in the number of RPS you wish to apply for.

B **Payment Details**

Calculate and enter in the amount of application monies (at \$100 per RPS) you will pay to purchase the number of RPS you have nominated ("Application Monies").

If you make your payment through BPAY®, there is no requirement to return this Top-up Notice. You must check the processing cut off time for BPAY® transactions with your bank, credit union or building society as it may be earlier than 5.00pm (AEST) on 26 April 2007.

Alternatively, make your cheque or money order payable to "IAG RPS Account" in Australian currency and cross it "Not Negotiable". Your cheque or money order must be drawn on an Australian Bank. Return this completed Notice with your cheque or money order.

If you make your payment by cheque, complete the cheque details in the boxes provided. Cheques will be processed on the day of receipt and as such, sufficient cleared funds must be held in your account as cheques returned unpaid may not be re-presented and may result in your Notice being rejected.

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Your Application Monies must be received by no later than 5.00pm (AEST) on 26 April 2007.

C **Contact Details**

If you pay by cheque or money order, please enter your contact name, area code, telephone number(s) and email address on this Notice in case we need to contact you in relation to your Top-up Notice.

Do not make a Top-up offer (by paying Application Monies) as well as sending in a Holder Exchange Notice.

If both a Top-up offer and a Holder Exchange Notice are received, IAG may treat your Top-up offer as invalid.

Making a Top-up Offer

Either pay the Application Monies by BPAY® or return your completed Top-up Notice with your Applications Monies in the reply paid envelope to:

Mailing Address

Computershare Investor Services Pty Limited
GPO Box 7043
SYDNEY NSW 2001

Delivery Address

Computershare Investor Services Pty Limited
Level 3, 60 Carrington Street
SYDNEY NSW 2000

If you have any queries concerning this Top-up Notice, please contact the Computershare Investor Services Pty Limited Infoline on 1300 360 688.

1. By paying the Application Monies I/we acknowledge and confirm that if this Notice becomes effective and RPS are allocated to me/us, then IAG is irrevocably authorised to procure the purchase for the holder identified on the front of this Notice of up to the number of RPS I/we have paid for in full with the Application Monies (at \$100 per RPS) ("Maximum Number of RPS") on the terms of this Top-up Notice and the RPS Terms of Issue and to execute all documents (including any share transfer form) and do all acts and things necessary (including appointing persons to do things) for the purchase of such RPS.
2. The RPS Terms of Issue are set out in the Prospectus issued on 6 May 2002 (as amended) and by paying the Application Monies, you agree to those Terms of Issue. If you receive an allocation of RPS, settlement will occur by 15 June 2007 and you will receive confirmation of your allocation shortly afterwards.
3. If you are not allocated RPS or allocated less than your Maximum Number of RPS, the part of your Application Monies not used to purchase RPS will be refunded to you. You authorise any payments to you (including the interest on Application Monies) to be made by the same method and to the same bank account as your RPS Dividend payments or by cheque. You accept the risk associated with any refund that may be sent to you by direct credit or cheque to your address shown on IAG's register.
4. By paying the Application Monies, you offer to purchase up to the Maximum Number of RPS and you authorise Computershare to do all things necessary to facilitate and effect settlement of any resulting transfer, and appoint IAG to receive a Financial Services Guide ("FSG") from Computershare on your behalf. That FSG will be made available on IAG's website.
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6. Acceptance of your Top-up offer will take place at the time any RPS is transferred from an Exchanging RPS Holder to you.
7. You are responsible for any dishonour fees or other costs IAG may incur in presenting a cheque for payment which is dishonoured and IAG may set off any such fees against any payment to be made to you on any RPS.
8. IAG reserves the right to waive compliance with any provision of these terms and conditions.
9. You confirm that you may lawfully receive this Notice and make a Top-up offer on the terms of this Notice.

Privacy Clause: Computershare Investor Services advises that Chapter 2C of the Corporations Act 2001 requires information about you as a securityholder (including your name, address and details of the securities you hold) to be included in the public register of the entity in which you hold securities. Information is collected to administer your securityholding and if some or all of the information is not collected then it might not be possible to administer your securityholding. Your personal information may be disclosed to the entity in which you hold securities. You can obtain access to your personal information by contacting us at the address or telephone number shown on this Notice. Our privacy policy is available on our website (www.computershare.com.au).



Insurance Australia Group Limited
 ABN 60 090 739 923

Holder Exchange Notice

Shareholder Registry
 Computershare Investor Services Pty Limited
 GPO Box 7043
 Sydney NSW 2001
 Telephone (within Australia): 1300 360 688
 Telephone (outside Australia): 61 3 9415 4210
 Facsimile: (03) 9473 2470
 Email: iag@computershare.com.au
 Website: www.computershare.com.au

CHES holder exchange

Sponsoring Broker Name:

IMPORTANT NOTICE: You should only use this Yellow Notice if you wish to request an Exchange of your Reset Preference Shares. If you do not understand this Notice, you should seek appropriate independent financial advice. Please do not make any markings on this Notice except in the spaces indicated, or this Notice may be invalid.

A EXCHANGE ELECTION

I/We, being holder(s) of Insurance Australia Group Limited ("IAG") Reset Preference Shares ("RPS") as listed above, hereby give notice pursuant to and in accordance with clause 3.1 of the RPS Terms of Issues in the Prospectus dated 6 May 2002 (as amended), of my/our wish to Exchange.

<input type="checkbox"/>	Tick box if ALL of your RPS are to be Exchanged	Or	Nominate the number of RPS you wish to Exchange	<input type="text"/>
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For the purposes of this Notice, the Exchange Date will be 15 June 2007. In completing and signing this Notice, I/we make the representations, acknowledgments and consents set out on the back of this Notice.

Words and expressions defined in, and for the purposes of, the Terms of Issues for RPS set out in the Prospectus issued on 6 May 2002 (as amended), have the same meaning where used in this Holder Exchange Notice unless otherwise specified.

B SIGNATURE(S) OF SECURITYHOLDER(S) – THIS MUST BE COMPLETED

Securityholder 1 (Individual)	Joint Securityholder 2 (Individual)	Joint Securityholder 3 (Individual)
<input type="text"/>	<input type="text"/>	<input type="text"/>
Sole Director and Sole Company Secretary/Director (delete one)	Director/Company Secretary (delete one)	Date
		<input type="text"/>

Signing Instructions: PLEASE SEE OVERLEAF

C LODGEMENT INSTRUCTIONS AND SPONSORING BROKER STAMP

If you wish to Exchange some or all of your RPS, you must complete this Notice and send it to your sponsoring broker for stamping. You are instructing your sponsoring broker to stamp this Notice and forward it to IAG's Share Registry. **Computershare Investor Services Pty Limited (Computershare or CIS) will not be able to process your instruction unless it has been stamped by your sponsoring broker.** By stamping this Holder Exchange Notice your sponsoring broker is approving the removal of your RPS from your CHES holding to comply with your instructions.

BROKERS STAMP
 AUTHORISED

D CONTACT DETAILS

Contact Name (PRINT)	Telephone Number (Business Hours)	Email
<input type="text"/>	<input type="text"/>	<input type="text"/>

HOW TO COMPLETE THIS NOTICE

- A** Enter in the number of RPS you wish to Exchange or tick the box if you wish to Exchange all of your RPS holding.
- B** Signing Instructions: This form should be signed by the securityholder.
- If a joint holding, all securityholders should sign.
 - If signed by the securityholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this Notice.
 - If executed by a company, the Notice must be executed in accordance with the securityholder's constitution and the Corporations Act 2001 (Cwlth) (or foreign companies, the laws in the relevant jurisdictions).
- C** This Notice must be stamped by your sponsoring broker in the space provided.
- D** Please enter your contact name, area code, telephone number(s) and email address in case we need to contact you in relation to your Holder Exchange Notice.

LODGEMENT INSTRUCTIONS

You must return this Notice to your sponsoring broker for stamping. The name of your sponsoring broker is on the front of this Notice. The sponsoring brokers should immediately forward the completed notice to:

Mailing Address

Computershare Investor Services Pty Limited
GPO Box 7043
SYDNEY NSW 2001

Delivery Address

Computershare Investor Services Pty Limited
Level 3, 60 Carrington Street
SYDNEY NSW 2000

You must complete and send this Notice to your sponsoring broker so they can forward it to the Share Registry on or before 5:00pm (AEST) 26 April 2007.

Representations and warranties

I/we represent, both at the time of giving this Notice and separately at the time my/our RPS are Exchanged pursuant to this Notice, both for the benefit of the Issuer and any person who may purchase my/our RPS upon Exchange (if applicable):

- I/we am/are the legal and registered owner/s of the RPS to which this Notice relates and can transfer full legal and beneficial title of those RPS on Exchange; and
- these RPS are free and clear of any interest or power reserved in or over any interest in the RPS including, without limitation, under a bill of sale, mortgage, charge, lien, pledge, option, trust or power, by way of security for the payment of debt or any other monetary obligation or the performance of any other obligation or any other encumbrance (whether legal or equitable) or any third party rights and whether existing or agreed to be granted or created.

Acknowledgments and consents

I/We further acknowledge and agree:

- (Encumbrances)** I/we will not deal with, transfer or dispose of or otherwise encumber the RPS which are the subject of this Notice, and consent to those RPS being placed into a locked sub-register until the Exchange Date;
- (Exchange)** IAG may elect to use any methods of Exchange in response to this Notice, including conversion of these RPS into Ordinary Shares, procuring on my/our behalf the purchase of these RPS by a third party, or redeeming, buying back or cancelling these RPS for cash;
- (Conversion)** if IAG elects to convert these RPS to Ordinary Shares and issue additional Ordinary Shares on Exchange, I/We (i) agree to accept those Ordinary Shares on the terms of IAG's constitution; and (ii) authorise IAG, its agent or the Share Registry to enter my/our name on the share register in relation to the Ordinary Shares issued to me/us;
- (Third party purchase)** if, IAG elects to procure, on my/our behalf, one or more third parties to purchase the RPS, I/we (i) irrevocably offer to sell these RPS to any such third parties; (ii) authorise IAG to take all such steps as are necessary or appropriate to arrange and complete such a transfer (including, without limitation, issuing instructions to the Share Registry, signing any necessary instruments of transfer on my behalf, or appointing persons to do any of these things); (iii) consent to these RPS being moved to one or more sub-registers in order to facilitate transfer and settlement (including, without limitation, moving from a broker-sponsored sub-register to an issuer-sponsored sub-register); (iv) agree that IAG may, in its discretion, nominate an alternative form of Exchange to be applied, in the event of a third party purchaser defaulting on settlement of such an RPS, and (v) IAG may also apply a combination of methods of Exchange to my/our parcel of RPS or between different RPS Holders, where it believes that there is no material difference in outcome of the methods of exchange;
- (Payment)** that IAG, its agents or the Share Registry are authorised to pay any cash proceeds of Exchange (if a method of Exchange other than conversion is selected) to me/us by the same means as I/we presently receive Dividend payments on these RPS, including, without limitation, by way of direct credit to a bank account previously nominated by me/us to IAG, its agents or the Share Registry; I/we accept the risk associated with any such payments;
- (Information)** that IAG, its agents or the Share Registry may use or provide information to a third party regarding my/our holding of these RPS in connection with or in order to facilitate Exchange of these RPS; and
- (Late Notices)** that IAG retains the discretion to accept any Exchange Notices after 5.00 pm (AEST) 26 April 2007. Any decision by IAG to exercise or not to exercise the discretion is final.

Privacy Clause: Computershare Investor Services advises that Chapter 2C of the *Corporations Act 2001* requires information about you as a securityholder (including your name, address and details of the securities you hold) to be included in the public register of the entity in which you hold securities. Information is collected to administer your securityholding and if some or all of the information is not collected then it might not be possible to administer your securityholding. Your personal information may be disclosed to the entity in which you hold securities. You can obtain access to your personal information by contacting us at the address or telephone number shown on this Notice. Our privacy policy is available on our website (www.computershare.com.au).



Insurance Australia Group Limited
 ABN 60 090 739 923

Holder Exchange Notice

Shareholder Registry
 Computershare Investor Services Pty Limited
 GPO Box 7043
 Sydney NSW 2001
 Telephone (within Australia): 1300 360 688
 Telephone (outside Australia): 61 3 9415 4210
 Facsimile: (03) 9473 2470
 Email: iag@computershare.com.au
 Website: www.computershare.com.au

ISSUER holder exchange

IMPORTANT NOTICE: You should only use this Yellow Notice if you wish to request an Exchange of your Reset Preference Shares. If you do not understand this Notice, you should seek appropriate independent financial advice. Please do not make any markings on this Notice except in the spaces indicated, or this Notice may be invalid.

A EXCHANGE ELECTION

I/We, being holder(s) of Insurance Australia Group Limited ("IAG") Reset Preference Shares ("RPS") as listed above, hereby give notice pursuant to and in accordance with clause 3.1 of the RPS Terms of Issues in the Prospectus dated 6 May 2002 (as amended), of my/our wish to Exchange.

Tick box if ALL of your RPS are to be Exchanged

Or

Nominate the number of RPS you wish to Exchange

For the purposes of this Notice, the Exchange Date will be 15 June 2007. In completing and signing this Notice, I/we make the representations, acknowledgments and consents set out on the back of this Notice.

Words and expressions defined in, and for the purposes of, the Terms of Issues for RPS set out in the Prospectus issued on 6 May 2002 (as amended), have the same meaning where used in this Holder Exchange Notice unless otherwise specified.

B SIGNATURE(S) OF SECURITYHOLDER(S) – THIS MUST BE COMPLETED

Securityholder 1 (Individual)

Sole Director and Sole Company Secretary/Director (delete one)

Joint Securityholder 2 (Individual)

Director/Company Secretary (delete one)

Joint Securityholder 3 (Individual)

Date

Signing Instructions: PLEASE SEE OVERLEAF

C CONTACT DETAILS

Contact Name (PRINT)

Telephone Number (Business Hours)

Email

D LODGEMENT INSTRUCTIONS

You must complete and return this Notice so it is received **on or before 5:00pm (AEST) 26 April 2007** to:

Mailing Address

Computershare Investor Services Pty Limited
 GPO Box 7043
 SYDNEY NSW 2001

Delivery Address

Computershare Investor Services Pty Limited
 Level 3, 60 Carrington Street
 SYDNEY NSW 2000

HOW TO COMPLETE THIS NOTICE

- A** Enter in the number of RPS you wish to Exchange or tick the box if you wish to Exchange all of your RPS holding.
- B** Signing Instructions: This Notice should be signed by the securityholder.
- If a joint holding, all securityholders should sign.
 - If signed by the securityholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this Notice.
 - If executed by a company, the Notice must be executed in accordance with the securityholder's constitution and the Corporations Act 2001 (Cwlth) (or foreign companies, the laws in the relevant jurisdictions).
- C** Please enter your contact name, area code, telephone number(s) and email address in case we need to contact you in relation to your Holder Exchange Notice.

Representations and warranties

I/We represent, both at the time of giving this Notice and separately at the time my/our RPS are Exchanged pursuant to this Notice, both for the benefit of the Issuer and any person who may purchase my/our RPS upon Exchange (if applicable):

- I/we am/are the legal and registered owner/s of the RPS to which this Notice relates and can transfer full legal and beneficial title of those RPS on Exchange; and
- these RPS are free and clear of any interest or power reserved in or over any interest in the RPS including, without limitation, under a bill of sale, mortgage, charge, lien, pledge, option, trust or power, by way of security for the payment of debt or any other monetary obligation or the performance of any other obligation or any other encumbrance (whether legal or equitable) or any third party rights and whether existing or agreed to be granted or created.

Acknowledgments and consents

I/We further acknowledge and agree:

- (Encumbrances)** I/We will not deal with, transfer or dispose of or otherwise encumber the RPS which are the subject of this Notice, and consent to those RPS being placed into a locked sub-register until the Exchange Date;
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- (Information)** that IAG, its agents or the Share Registry may use or provide information to a third party regarding my/our holding of these RPS in connection with or in order to facilitate Exchange of these RPS; and
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