

3 April 2007

Manager, Company Announcements Office
Australian Stock Exchange Limited
Level 4, Exchange Centre
20 Bridge Street
SYDNEY NSW 2000



Dear Sir/Madam

**INSURANCE AUSTRALIA GROUP LIMITED ('IAG')
INVESTOR PRESENTATION ON IAGPA RESET TERMS**

We enclose a copy of a presentation which was made this evening to institutional investors in relation to reset terms for IAG Reset Preference Shares (ASX Code: IAGPA) that were announced to the market on 2 April 2007.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Glenn Revell'. The signature is fluid and cursive.

Glenn Revell
Group Company Secretary

Attachment (12 pages)

Insurance Australia Group Limited

RPS Reset

3 April 2007

Disclaimer



The information included in this presentation has been prepared by Insurance Australia Group Limited ("**IAG**" or the "**Company**") and has been extracted entirely from documents or materials publicly filed by the Company with the Australian Stock Exchange and /or the Australian Securities and Investments Commission and does not contain any material, non-public information.

This presentation contains a summary only of the information forwarded to Holders in the Notices (which phrase means, for the purposes of this disclaimer, the Reset Notice, the Holder Exchange Notice and the Top-up Notice) together with a brief summary of various terms from the RPS Terms of Issue ("**RPS Terms**"). Holders should ensure that they have read and understood all of the information contained in the Notices prior to making any decision. This presentation does not take into account the personal circumstances of any Holders and IAG is not providing any advice in relation to the Notices. Each Holder should obtain independent professional advice before making any decision based on the information contained in the Notices.

Whilst every care has been taken to ensure that the information in this presentation is accurate, no representation or warranty, express or implied is made as to the fairness, accuracy or completeness of the information, opinions and conclusions contained in the presentation.

Capitalised terms have the same meaning as set out in the RPS Terms unless otherwise defined in this presentation.

Executive Summary



- IAG has on issue \$350 million of Reset Preference Shares (“RPS”) issued in June 2002 with a Margin of 1.9% (ASX code “IAGPA”)
- Holders have been sent Reset Notices informing them of the Reset terms
 - IAG wishes to reset the Margin, the Market Rate and the next Reset Date
 - The proposed reset Margin is a minimum of 1.10%
- Holders may respond with a Holder Exchange Notice by 5pm (AEST) 26 April 2007 if they no longer wish to hold some, or all, of their RPS under the reset terms
- In response to Holder Exchange Notices, IAG may convert, redeem or procure the acquisition of RPS by a third party
- IAG is also offering Holders the ability to increase their RPS holding through a Top-up Offer

Reset Terms



The following are the Reset terms proposed by IAG as set-out in the Reset Notice:

RESET DATE

The next Reset Date will be 15 June 2012 (5 years from the current Reset Date).

MARKET RATE

(expressed as a percentage per annum) means the average of the mid-point of the quoted 5 year swap reference rates on or about 10 am, displayed on Bloomberg page AFRS 3 (or any page which replaces that page) on the Reset Date of 15 June 2007.

MARGIN

Means the Minimum Margin of 1.10% plus the Additional Margin if any.

Having regard to Exchange Notices received, IAG may procure the acquisition of RPS by a third party and in so doing may determine an Additional Margin. If an Additional Margin is to apply it will be announced on or before 16 May. If no announcement is made the Additional Margin will be 0%.

Terms



Issuer	Insurance Australia Group Limited
Security	Reset Preference Shares, listed on ASX as “IAGPA”
Face Value	\$100 per RPS
Dividend	A preferential non-cumulative Dividend fixed until the next Reset Date (15 June 2012) at a Margin to the Market Rate which is expected to be fully franked. Dividends are payable semi-annually.
Calculation of Dividends	<p>The Dividend is determined by reference to the Market Rate plus the Margin which are then adjusted to reflect the franking credits that are expected to be attached to the Dividend.</p> <p>The prevailing corporate tax rate is 0.30 and the Dividend is expected to be fully franked, so the amount of the adjustment for the franking credits is 0.70.</p> <p>The amount of the Dividend can be reset on each Reset Date.</p>
Franking	IAG expects the Dividends to be fully franked. If a Dividend is unfranked or partially unfranked, the Dividend will be increased to compensate for the unfranked component.
Reset Dates	On each Reset Date, IAG may reset certain terms, including the next Reset Date, Margin, Market Rate, and frequency and timing of payment of Dividends. The next Reset Date will be 15 June 2012. See clause 4 of the Terms of Issue.

Terms (cont)



Exchange by IAG IAG may Exchange some or all RPS on a Reset Date or earlier in respect of all of the RPS following the occurrence of a Tax Event or Regulatory Event, certain takeovers or schemes of arrangement.

On Exchange, IAG may:

- Convert the RPS into Ordinary Shares; or
- Redeem, buy back or cancel the RPS for their Face Value subject to prior approval by APRA.

Exchange by the Holder A Holder may Exchange some or all RPS on a Reset Date or earlier in respect of all RPS following the occurrence of a Trigger Event.

On Exchange, IAG may:

- Convert the RPS into Ordinary Shares; or
 - Arrange a third party to acquire the RPS from the Holder for their Face Value; or
 - Redeem, buy back or cancel the RPS for their Face Value subject to prior approval by APRA.
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Terms (cont)



Conversion Ratio

The rate at which the RPS will convert into Ordinary Shares will be calculated by reference to the average of the daily volume weighted average sale price (“VWAP”) of Ordinary Shares sold on ASX during the 20 Business Days immediately preceding the Exchange Date.

All conversions into Ordinary Shares, other than a Holder requesting Exchange on a Reset Date, will receive a discount of 2.5% of the price used in calculating the number of Ordinary Shares to be issued on conversion. See clause 3.6 of the Terms of Issue.

Payment of Dividends

The payment of Dividends is subject to a number of conditions.

If Dividends are not paid on the RPS, no dividends can be paid and no returns of capital can be made on Ordinary Shares unless IAG takes certain actions. Non-payment of Dividends will generally not entitle the Holder to Exchange.

Ranking

Dividends will be paid in priority to any dividends on Ordinary Shares. In a winding up, the RPS will rank for return of capital behind all creditors of IAG but ahead of Ordinary Shares.

IAG reserves the right in the future to issue additional RPS or other preference shares ranking equally with the RPS.

RPS rank equally with RPS2 (ASX code “IAGPB”) and RES (ASX code “IANG”), if RES are exchanged into Preference Shares.

Participation

The RPS do not carry a right to participate in issues of securities or capital reconstructions.

Voting Rights

No right to vote at general meetings, except in limited circumstances.

Holder Options



Holders may respond to the Reset Notice as follows:

Do nothing – continue with their current RPS holding based on the new reset terms

Request Exchange – Holders wishing to Exchange some, or all, of their RPS must respond with a Holder Exchange Notice by 5.00pm (AEST) 26 April 2007

Broker sponsored holders must have their Exchange Notices stamped by their Sponsoring Broker

Participate in the Top-up Offer – Holder's wishing to increase their RPS holding can participate in the Top-up Offer. This offer will close at 5.00pm (AEST) 26 April 2007. Interest will be paid on application monies at the rate of 5.5% p.a. to (but excluding) 15 June 2007

Reset Process



In response to the Exchange Notices IAG may do one of the following:

- Convert RPS into \$100 of ordinary IAG shares based on 20 day VWAP (no conversion discount applies)
- Redeem RPS and deliver \$100 to Exchanging holders
- Procure the acquisition of RPS by new investors and deliver \$100 to Exchanging holders

Top-up Offer



IAG is offering Holders the ability to increase their RPS holding on the reset terms through a Top-up Offer

- RPS can be purchased at \$100 each
- No brokerage is payable
- Holders wishing to increase their RPS holding will be allocated RPS that are the subject of Holder Exchange Notices
- The 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. The amount of RPS on issue (3.5 million) will not increase as a result of the Top-up Offer
- Top-up funds received will accrue interest at 5.5% per annum from the date funds are received to (but excluding) 15 June 2007
- A broker stamping fee of 0.50% will be payable in respect of RPS Top-up allocations stamped by retail brokers

Key Reset Dates

Key dates applying to the Reset are as follows:

Event	Date
Holder Exchange Notice Closing Date	5.00pm (AEST) 26 April 2007
Exchange method announced by IAG and the Additional Margin (if any)	By 16 May 2007
First Reset Date	15 June 2007
Dividend Payment Dates	15 June / 15 December
Next Reset Date	15 June 2012

Contacts



IAG

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