

4 March 2013

Name
Address
Address
Address

Dear Shareholder

Sale of small IAG shareholdings

Insurance Australia Group Limited (IAG) has many shareholders, like you, who hold a small number of ordinary shares. We know that those shares may be difficult or expensive to sell.

We have decided to offer you a convenient way to sell your IAG ordinary shares, through a Small Shareholding Sale Facility (Sale Facility) at a market price and free of charge. There are also benefits for IAG. By reducing the number of shareholders with small holdings, IAG is better able to manage its share registry administration costs.

This Sale Facility is available to shareholders who held fewer than 87 IAG shares and valued at less than \$500, on the Record Date of 25 February 2013. This is based on the Australian Securities Exchange (ASX) closing price of \$5.69 per share.

Our records show that on the Record Date of 25 February 2013 under the Shareholder Reference Number (SRN) or Holder Identification Number (HIN) shown on your enclosed Share Retention Form you held xxx ordinary shares.

If you DO NOT WANT your shares to be sold:

- **Complete the enclosed Retention of Shares form and return it to the Share Registry by 5.00pm AEST on 16 April 2013 by mail to the address shown on the form.**

If we do not hear from you by the Closing Date of the offer on 16 April 2013 IAG will sell your shares and the proceeds will be paid to you on 30 April 2013.

We are able to offer this facility under article 24 of the IAG Constitution and the ASX Listing Rule 15.13. The sale of your shares will take place shortly after the Closing Date of 16 April 2013.

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Group Limited
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www.iag.com.au

Full details of the offer are shown in the enclosed Terms & Conditions and I recommend you read these and the Frequently Asked Questions also enclosed.

Payment of sale proceeds on 30 April 2013 will be made by direct credit to the account you have already provided as follows:

Bank Name: XXXXXXXXXXXXXXXXXXXXX

Account Number: *****999

Please note that your full account number details have been masked for privacy and security reasons

If these account details are correct no further action is required.

Should you wish to update these direct credit details please contact the Shareholder Information Line on 1300 378 748. Alternatively you can amend your instructions online through the share registry's Investor Centre site at www.computershare.com.au/investor You will be required to enter your SRN or HIN and postcode as shown on your enclosed Share Retention Form. As an additional security measure you will also be asked to create a user ID and password if you have not previously used the Investor Centre site.

Please ensure that any updated instructions you wish to provide are lodged by the Closing Date of 16 April 2013.

If you have any further questions about this offer please contact the Shareholder Information Line on 1300 378 748.

Yours sincerely



Chris Bertuch
Group General Counsel & Company Secretary