



THE MEETING



DEAR SHAREHOLDER

I am pleased to invite you to attend the 2012 Annual General Meeting (AGM) of Insurance Australia Group Limited (“IAG” or the “Company”).

The AGM will be held at the Wesley Conference Centre, 220 Pitt Street, Sydney on Tuesday 23 October 2012, commencing at 10.00am. A map with directions to the venue can be found on the back cover of this booklet.

The following pages contain details on the items of business that you have the opportunity to vote on, as well as explanatory notes and voting procedures.

Non-executive directors Yasmin Allen and Hugh Fletcher retire at the 2012 AGM in accordance with Article 12.3 of the IAG Constitution.

Phillip Colebatch has advised of his retirement from the IAG Board. On behalf of all shareholders, I record my appreciation for the contribution Phillip has made over almost six years as a director.

A new director is being sought, and an international search process is underway to fill the vacancy in a manner that complements the evolving geographical scope of the Group's operations.

At this year's AGM you will have the opportunity to vote on:

- the re-election of directors, Yasmin Allen and Hugh Fletcher who are retiring by rotation in accordance with the Company's constitution and are offering themselves for re-election;
- the adoption of the remuneration report as set out on pages 19 to 35 of the 2012 annual report;
- the allocation of share rights in the form of Deferred Award Rights (DAR) and Executive Performance Rights (EPR) to Michael Wilkins, Managing Director and Chief Executive Officer. Shares allocated under the DAR and EPR Plans will continue to be bought on-market. Accordingly, the Company is not required to seek this approval, however, it has decided to do so in the interests of transparency, shareholder engagement and good governance; and
- a resolution to refresh IAG's capacity to issue new securities following the issue of securities in May 2012.

If you are unable to attend the AGM in person, you may vote directly or appoint a proxy to act on your behalf. You may register voting instructions electronically at www.investorvote.com.au or complete and return the enclosed voting form using the pre-addressed envelope provided.

The AGM will be webcast live and may be viewed at www.iag.com.au/shareholder/aggm. An archive of the webcast will be made available on the site shortly after the AGM.

A shareholder who is entitled to vote at the AGM may also submit written questions to the Company or the Company's external auditor in advance of the AGM. Questions should be about the business of the Company or the content of the 2012 annual report. A shareholder question form is enclosed for your convenience, and this form can be returned in the pre-addressed envelope provided with your voting form. You can also submit questions online at www.investorvote.com.au.

Alternatively you may lodge both your voting form and shareholder question form by fax to +61 (0)3 9473 2555 or hand deliver both forms to our share registry in Sydney at the address shown on page 2.

I look forward to seeing you at the AGM.

Yours sincerely

BRIAN SCHWARTZ
CHAIRMAN

ITEMS OF BUSINESS

RECEIPT OF FINANCIAL STATEMENTS AND REPORTS

To receive and consider the Company's financial statements and reports for the financial year ended 30 June 2012.

ELECTION OF DIRECTORS RESOLUTIONS 1 & 2

To re-elect as directors Yasmin Allen and Hugh Fletcher who retire by rotation in accordance with the Company's Constitution and, being eligible, offer themselves for re-election.

ADOPTION OF REMUNERATION REPORT RESOLUTION 3

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

“That the Company's remuneration report for the financial year ended 30 June 2012 be adopted.”

Notes:

- This resolution is advisory only and does not bind the Company or the directors.
- The directors will consider the outcome of the vote and comments made by shareholders on the remuneration report at the meeting when reviewing the Company's remuneration policies.

ALLOCATION OF SHARE RIGHTS TO MICHAEL WILKINS, MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER (CEO) RESOLUTION 4

To consider, and if thought fit, pass the following ordinary resolution:

“That, approval is given to allocate to the CEO, Michael Wilkins, Deferred Award Rights (DARs) and Executive Performance Rights (EPRs) in accordance with the DAR and the EPR terms and as described in the Explanatory Notes accompanying the 2012 Notice of Meeting.”

As shares allocated under the DAR and EPR Plans are bought on-market, the Company is not required to seek this approval. However, in the interests of transparency, shareholder engagement and good governance, the Company has decided to seek shareholder approval for equity-based allocations to the CEO.

REFRESH CAPACITY TO ISSUE NEW SECURITIES RESOLUTION 5

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

“That, for the purposes of Australian Securities Exchange (ASX) Listing Rule 7.4 and all other purposes, approval is given for the issue of securities as described in the Explanatory Notes accompanying the 2012 Notice of Meeting.”

HOW TO VOTE

A. VOTING OPTIONS

IN PERSON

Shareholders may vote by attending the AGM and casting their votes in person.

DIRECT

A direct vote allows shareholders to vote on resolutions considered at the AGM by lodging their votes with the Company prior to the AGM, without the need for the shareholder to attend the AGM or appoint a proxy.

You must mark either "For", "Against" or "Abstain" for each item of business on the voting form for a valid direct vote to be recorded on that item.

Please note that a shareholder who has cast a direct vote may attend the AGM, however, their attendance and registration cancels the direct vote unless the shareholder instructs the Company or the share registry otherwise.

PROXY

A shareholder who is entitled to attend and cast a vote at the AGM has a right to appoint a proxy to attend and vote instead of the shareholder. The proxy need not be a shareholder of the Company and may be a corporation (and any corporation so appointed may then nominate an individual to exercise its powers at meetings).

A shareholder who is entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes which each proxy is appointed to exercise. If the proxy appointments do not specify the proportion or number of the shareholder's votes that each proxy may exercise, each proxy may exercise up to half of the shareholder's votes.

Shareholders can direct their proxy how to vote by following the instructions on the voting form and are encouraged to do so.

If a shareholder appoints the chairman of the AGM or another director as proxy and does not direct the chairman of the AGM or director how to vote on an item of business, the chairman of the AGM or director will vote all available proxies in favour of each resolution.

VOTING EXCLUSIONS

Certain voting exclusions apply to Resolutions 3, 4, and 5, details of which are set out in the Explanatory Notes for the relevant resolutions.

The key management personnel of the Company and their closely related parties (as defined under the Corporations Act 2001, which includes their spouses, dependants and companies that they control) (**Closely Related Parties**) will not be able to vote your proxy on Resolutions 3 or 4 unless you direct them how to vote on the voting form.

If you appoint the chairman of the meeting as your proxy, or if the chairman of the meeting is appointed as your proxy by default, you may:

- direct the chairman of the AGM how to vote by marking either "For", "Against" or "Abstain" in Step 2 Resolution 3 and Resolution 4; or
- not mark any of the boxes for Resolution 3 or Resolution 4, in which case by signing and returning the voting form, you will be giving the chairman of the AGM your express authority to vote your undirected proxy as he sees fit (and the chairman of the AGM will vote in favour of Resolution 3 and Resolution 4).

If you appoint any other member of the Company's key management personnel (including the other directors of the Company) or any of their Closely Related Parties, you are encouraged to direct that person how to vote on Resolutions 3 and 4. If you do not direct that person how to vote on these Resolutions, that person will not be entitled to vote, and will not vote, your proxy on those Resolutions.

DEFAULT TO THE CHAIRMAN

Any directed proxies that are not voted on a poll at the meeting will automatically default to the chairman of the meeting, who is required to vote those proxies as directed.

HOW TO VOTE DIRECTLY OR BY PROXY

To be valid, voting forms, proxies or electronic voting instructions must be received by the Company's share registry, Computershare Investor Services Pty Limited, (**Computershare**) in Sydney before **10.00am on Sunday 21 October 2012 (Voting Deadline)**.

Voting forms may be submitted in one of the following ways:

- online at **www.investorvote.com.au**. You will need information shown on your voting form to register your vote online;
- by post in the pre-addressed envelope provided. Please allow sufficient time for the form to reach Computershare by the Voting Deadline;
- by facsimile to Computershare on +61 (0)3 9473 2555; or
- by hand delivery to Computershare, Level 4, 60 Carrington Street, Sydney, NSW 2000.

Intermediaries with access to Intermediary Online through Computershare should lodge their votes through **www.intermediaryonline.com**.

B. CORPORATE REPRESENTATIVES

Any corporate shareholder wishing to appoint a person to act as its representative at the AGM may do so by providing that person with:

- a letter or certificate authorising him or her as the corporate shareholder's representative, executed in accordance with the corporate shareholder's constitution; or
- a copy of the resolution appointing the representative, certified by a secretary or director of the corporate shareholder.

A form may be obtained from the Computershare website at **www.investorcentre.com** under the information tab "Downloadable Forms".

C. POWER OF ATTORNEY

If a shareholder has appointed an attorney to attend and vote at the AGM, or if the voting form is signed by an attorney, the power of attorney (or a certified copy of the power of attorney) must be received by the Company's share registry, Computershare, by the Voting Deadline, unless this document has been previously lodged with the Company's share registry for notation.

Powers of attorney may be submitted by post or by hand delivery to Computershare, Level 4, 60 Carrington Street, Sydney, NSW 2000.

D. SHAREHOLDERS ELIGIBLE TO VOTE

As determined by the board of directors of IAG (**Board**), only persons who hold ordinary shares in the Company as at 7.00pm (Sydney time) on Sunday, 21 October 2012 will be eligible to vote at the AGM.

Dated at Sydney on 22 August 2012.

By order of the Board.

CHRIS BERTUCH

GROUP GENERAL COUNSEL
& COMPANY SECRETARY

MORE INFORMATION

The following Explanatory Notes explain the items of business to be considered at IAG's 2012 AGM and form part of the Notice of Meeting. The Explanatory Notes are set out in the order of the items in the Notice of Meeting and should be read with the notice.

RECEIPT OF FINANCIAL STATEMENTS AND REPORTS

The financial results for the year ended 30 June 2012 are set out in the annual report sent to those shareholders who elected to receive it by post or email. The annual report is available online at www.iag.com.au/results.

Why are the financial reports being presented to shareholders?

It is a requirement under the Corporations Act 2001 to present the financial report, directors' report, and auditor's report of the Company and the consolidated entity at the AGM.

Shareholders will be given a reasonable opportunity at the AGM to ask questions and make comments on the financial report and other reports and on the business operations and management of the Company.

Questions for the auditor

During discussion of this item, the Company's auditor will be present and will answer relevant qualifying questions.

If you would like to submit a written question to the Company's auditor, please write your question on the shareholder question form provided. The form can be mailed in the pre-addressed envelope provided or sent by fax to (03) 9473 2555. Questions may also be lodged as part of the online voting process.

Questions for the auditor (either written or at the meeting) must relate to:

- the preparation and content of the auditor's report or the conduct of the audit (including the independence of the auditor); or
- the accounting policies adopted by the Company in relation to the preparation of its financial statements.

A list of qualifying written questions received will be made available at the AGM.

Please note that all written questions must be received, **no later than 5.00pm on Tuesday 16 October 2012**.

ELECTION OF DIRECTORS

Background Information

ASX Listing Rule 14.4 requires the Company to hold an election of directors each year. The Constitution of the Company requires one third of eligible directors to retire from office at each AGM.

Who is standing for re-election?

Yasmin Allen and Hugh Fletcher retire by rotation in accordance with the Company's Constitution and offer themselves for re-election.

RESOLUTION 1.

Yasmin Allen BCom, FAICD

Yasmin Allen was appointed as a director of IAG in November 2004. She is chairman of the IAG Nomination, Remuneration & Sustainability Committee and a member (and former chairman) of the IAG Audit, Risk Management & Compliance Committee.

Yasmin has extensive experience in investment banking as an equities analyst and in senior management. She is currently a director of Cochlear Limited and chairman of its Audit Committee, chairman of Macquarie Specialised Asset Management, a National Director of the Australian Institute of Company Directors and a member of the Salvation Army advisory board. Previous non-executive director roles include Export Finance and Insurance Corporation and Film Australia.

Yasmin was formerly a vice president at Deutsche Bank AG, a director at ANZ Investment Bank in Australia and an associate director at James Capel UK Ltd (HSBC Group).

Directorships of other listed companies held in past three years:

- Cochlear Limited since 2 August 2010.

What do the directors recommend?

The directors (other than Yasmin Allen) recommend that you vote in favour of the resolution.

RESOLUTION 2

Hugh Fletcher BSc/BCom, MCom (Hons), MBA

Hugh Fletcher was appointed as a director of IAG in September 2007 and as a director of IAG New Zealand Limited in July 2003. He is a member of the IAG Audit, Risk Management & Compliance Committee.

Hugh was formerly chairman (and independent director since December 1998) of New Zealand Insurance Limited and CGNU Australia.

Hugh is also non-executive director of Fletcher Building Limited, Rubicon Limited, Vector Limited, and a trustee of The University of Auckland Foundation.

Hugh was formerly chief executive officer of Fletcher Challenge Limited – a New Zealand headquartered corporation with assets in the global building, energy, forestry and paper industries. He retired from an executive position in December 1997 after 28 years as an executive, 11 of which he served as chief executive.

Hugh is a former Deputy Chairman of the Reserve Bank of New Zealand and former member of the New York Stock Exchange Asia Pacific Advisory Committee, and has been involved as an executive and non-executive director in many countries in Asia, including China, India, Singapore, Indonesia, Malaysia, and Thailand.

Directorships of other listed companies held in past three years:

- Fletcher Building Limited since 31 January 2001;
- Rubicon Limited since 23 March 2001;
- Vector Limited since 25 May 2007; and
- IAG Finance (New Zealand) Limited since 31 August 2008.

What do the directors recommend?

The directors (other than Hugh Fletcher) recommend that you vote in favour of the resolution.

RESOLUTION 3.

Adoption of the remuneration report

The Corporations Act 2001 (section 250R) requires listed companies to provide enhanced disclosures of director and executive remuneration in their annual report. These disclosures are set out in the remuneration report on pages 19 to 35 of the 2012 annual report which has been sent or made available to shareholders who have requested to receive a copy. The 2012 annual report is also available from the Company's website at www.iag.com.au/results.

The resolution is advisory only and does not bind the Company or its directors. However, the Board will actively consider the outcome of the vote and comments made by shareholders on the remuneration report at the meeting when reviewing the Company's remuneration policies.

REMUNERATION OVERVIEW

This overview provides a snapshot of our remuneration objectives and structure, and the key actions we have taken during the year.

The Nomination, Remuneration & Sustainability Committee (NRSC) is the board committee that oversees IAG's executive remuneration practices. The NRSC endeavours to ensure that IAG's remuneration policies balance the IAG Group's (**Group**) performance objectives with community and shareholder expectations. While stability in the remuneration structure is important, the NRSC actively considers where modifications can be made to better align interests and drive performance. Where these opportunities are identified, the NRSC will recommend changes to the Board.

The Board is confident that IAG's remuneration policies are in line with governance requirements and continue to support the Group's financial and strategic goals, which ultimately benefit shareholders, customers, employees and the community.

Executive Remuneration Structure

At IAG, reward is more than pay, and includes elements such as career development and a challenging work environment. The total remuneration practices have been designed to achieve five key objectives, that:

- motivate employees to achieve superior and sustainable performance and discourage underperformance;
- align remuneration with the interests of IAG's shareholders, by actively focusing on short to long term goals;
- remain market competitive to attract and retain high quality people;
- are clearly understood and valued; and
- encourage constructive behaviours and prudent risk taking that support long term financial soundness.

Total remuneration outcomes for target performance are positioned at the middle of the market. A higher total remuneration outcome is considered by the Board in cases of superior performance aligned with long term financial performance.

Key remuneration actions taken during the year

In response to regulatory changes and shareholder feedback, initiatives undertaken by the NRSC for the year ended 30 June 2012 include:

- actively monitoring compliance against Australian Prudential Regulation Authority (APRA) standards on remuneration governance;
- an audit review of the Short Term Incentive (STI) framework and outcomes was completed. The result of the review was positive and found the framework to be aligned with APRA's requirements. Where areas of improvement were identified, management action has been taken to further strengthen the framework; and
- in August 2010, the NRSC approved changes to the terms of the DAR and EPR Plans to provide the NRSC with the discretion to adjust to prevent an inappropriate reward outcome. An annual process for evaluating whether to adjust unvested DAR and EPR has been completed with no adjustments made for the period under review.

Shareholders will be given the opportunity to ask questions and to make comments on the remuneration report at the AGM.

What do the directors recommend?

The directors recommend that you vote in favour of the resolution. The chairman intends to vote available proxies given to him "For" the adoption of the remuneration report.

Voting exclusion

The Company will disregard any votes cast on Resolution 3 by or on behalf of:

- a member of the key management personnel; or
- a Closely Related Party of those persons, unless the vote is cast by a person as a proxy entitled to vote on Resolution 3:

 - in accordance with a direction as to how to vote on the voting form; or
 - by the chairman of the meeting pursuant to an express authorisation on the voting form.

If you choose to appoint a member of the key management personnel (other than the chairman of the meeting) or one of their Closely Related Parties as your proxy, you are encouraged to direct your proxy how to vote on this Resolution 3 (remuneration report) by marking either "For", "Against" or "Abstain" on the voting form.

RESOLUTION 4

Allocation of Share Rights to Michael Wilkins, Managing Director and CEO

Shareholder approval is being sought to grant the following to the Managing Director and Chief Executive Officer (CEO) of the Company, Mr Michael Wilkins, for the financial year ending 30 June 2013:

- (a) DARs – under IAG's STI plan, to reward achievement against a mix of financial and non financial targets. DARs are the deferred portion of the STI; and
- (b) EPRs – under IAG's long-term incentive (LTI) plan, to drive performance over three to five years and to strengthen the alignment between the interests of executives and shareholders, subject to performance hurdles.

Why is shareholder approval being sought?

Shares allocated pursuant to the Company's DAR and EPR Plans to satisfy vested grants of DARs and EPRs will continue to be bought on-market.

Accordingly, the Company is not required to seek this approval. However, in the interests of transparency, shareholder engagement and good governance, the Company has decided to seek shareholder approval for equity-based allocations to the CEO.

Background

Under Mr Wilkins' employment agreement with the Company, his remuneration includes:

- (a) Fixed Pay (salary plus superannuation);
- (b) STI entitlement payable in cash;
- (c) deferred STI entitlement in the form of DARs which vest in tranches over a period of two years; and
- (d) an LTI entitlement provided in the form of EPRs.

Mr Wilkins is the only executive director of the Company and therefore is the only director eligible to participate in the incentive plans.

No loan has been or is intended to be given by the Company to Mr Wilkins in relation to proposed grants of the DARs or EPRs pursuant to this resolution.

The cash STI, deferred STI (DARs) and LTI (EPRs) entitlements are 'at risk' – DARs are only awarded if an STI is earned by Mr Wilkins and EPRs only vest subject to performance hurdles being satisfied. Both DARs and EPRs are designed to align Mr Wilkins' interests with those of shareholders.

An overview of these plans is provided below and full details can be found at www.iag.com.au/shareholder/aggm.

As a senior executive, Mr Wilkins has participated in the DARs and EPRs Plans since joining the Company in 2007 and, in his capacity as Managing Director & CEO, he continues to be eligible to participate. The last shareholder approval for issue of securities under incentive plans to Mr Wilkins was at the 2009 AGM.

Details of any securities issued to directors under the incentive plans will be published in each annual report relating to a period in which securities have been issued.

Proposed deferred STI arrangements – DARs

In line with current STI arrangements, the Board has set a maximum annual STI entitlement for Mr Wilkins at 150% of his Fixed Pay. The actual STI payment made, if any, is determined by the Board, based on achievement of a mix of financial and non-financial targets and an overall assessment of performance by the Board.

The Board has currently determined that 2/3 of any STI that is awarded will be paid as cash and the remaining 1/3 should be deferred for up to two years. The deferred amount is provided as a grant of DARs. Deferring a portion of STI into DARs is designed to increase retention and align Mr Wilkins' interests to those of shareholders.

The acquisition price for the DARs is not based on the market price of IAG shares.

How many DARs will be granted to Mr Wilkins?

The award of DARs will be determined based on the value of STI awarded with respect to the previous financial year. The formula used to calculate the number of DARs is as follows:

$$D = \frac{(STI \times Z)}{S}$$

Where:

D = the number of DARs to be offered rounded up to the nearest 100.
STI = the dollar amount of the STI determined by the Board with respect to the previous financial year.
Z = the proportion of the STI that the Board has determined will be offered as an award of DARs (currently determined at 1/3).
S = the closing price of IAG shares on the last trading day of the financial year that precedes the grant date.

EXPLANATORY NOTES

Subject to shareholder approval, the Board has determined that the DARs to be granted to Mr Wilkins in the financial year ending 2013 will total 225,100.

If Resolution 4 is approved, the allocation of DARs will be granted to Mr Wilkins within one month of the meeting. The Board has determined that DARs granted to Mr Wilkins in the financial year ending 30 June 2013 will vest as follows:

50% on 1 September 2013
50% on 1 September 2014

Summary of the DARs Plan

Under the terms of the DARs, the early exercise of DARs is permitted if Mr Wilkins ceases employment due to retirement, redundancy, death, total and permanent disablement or with the approval of the Board.

Where employment is terminated by the Company giving notice, the early exercise of DARs is permitted unless the Board determines, for whatever reason, that some or all of the DARs should lapse.

If Mr Wilkins ceases employment due to resignation, any DARs that have not vested and become exercisable for shares lapse on the date employment ceases.

The early exercise of DARs may be permitted by the Board in other circumstances, such as a takeover, or scheme of arrangement of IAG.

Mr Wilkins' entitlement to shares through the exercise of DARs may be adjusted to take account of capital reconstructions and bonus issues.

Proposed LTI arrangements – EPRs

A LTI is provided in the form of EPRs. The performance hurdles that must be met before EPRs are exercisable for shares create a direct link between the remuneration paid to executives and the Group's strategic financial objectives. In the Board's view, this will support the Group's economic sustainability and is in the long term interests of shareholders.

Each EPR is an option to acquire an ordinary IAG share. EPRs are granted for nil consideration and no exercise price is payable for the exercise of each EPR. The acquisition price for EPRs is not based on the market price of IAG shares.

The proposed grant of EPRs to the CEO will be granted at no cost to Mr Wilkins and may be exercised at no cost if performance hurdles are met. Performance hurdles are measured over a three to five year period.

The performance hurdles relevant to the grant will be:

(a) Total shareholder return (**TSR**) of IAG relative to a peer group of companies. This hurdle will apply to 50% of each grant of EPRs; and

(b) Cash Return on Equity (**ROE**) measured relative to IAG's weighted average cost of capital. This hurdle will apply to 50% of each grant of EPRs.

Further details of these performance hurdles are provided below.

How many EPRs will be granted to Michael Wilkins?

Subject to shareholder approval being obtained, the number of EPRs to be awarded in the financial year ending 30 June 2013 will total 882,400.

The number of EPRs the Board will award has been calculated using the following formula:

$$E = \frac{(1.5 \times F)}{S}$$

Where:

E = the number of EPRs to be offered rounded up to the nearest 100.

F = the dollar value of Mr Wilkins' Fixed Pay at the time of grant.

S = the closing price of IAG shares on the last trading day of the financial year that precedes the grant date.

If Resolution 4 is approved, the allocation of EPRs will be granted to Mr Wilkins within one month of the meeting.

Performance Hurdles

Each allocation of EPRs granted to Mr Wilkins will vest and be exercisable for shares in the future subject to achievement of the performance hurdles. The total allocation of EPRs is separated into two equal portions, with each portion having a separate performance hurdle.

TSR Performance Hurdle (50% of total allocation)

The test dates for the TSR performance hurdle are the 3rd, 4th and 5th anniversary of the Base Date. The Board may also determine other test dates. The Base Date is the 30th September that falls during the financial year in which the EPRs are granted.

The three month volume weighted average price of IAG shares and of the shares of other companies (up to and including the Base Date) within the peer group is used as the starting share price for the measurement of TSR.

The peer group of companies is the top 50 industrial companies in the S&P ASX 100 index at the Base Date, with such inclusions and exclusions as the Board may determine.

If, on a test date, IAG's TSR is at the 75th percentile of the peer group, then all EPRs in the TSR allocation vest. 50% of EPRs in the TSR allocation vest if IAG's TSR is at the 50th percentile of the peer group. A sliding scale applies such that 50% plus an additional 2% of EPRs in the TSR allocation vest for each percentile ranking above the 50th percentile of the peer group. No EPRs vest if IAG's TSR is below the 50th percentile of the peer group.

Any EPRs in the TSR allocation that are not exercisable for shares at the fifth anniversary from the Base Date will lapse.

ROE Performance Hurdle (50% of total allocation)

The ROE performance hurdle is measured over a period of three financial years from 1 July 2012 to 30 June 2015.

The ROE performance hurdle compares IAG's ROE performance with IAG's weighted average cost of capital (WACC). ROE is measured for each six month period and compared to WACC for that period.

The method used to measure ROE and WACC is approved by the Board. The average of the six half yearly measurements over the three financial years must indicate that ROE is at least 1.2 times WACC for any of the ROE portion of the EPRs to vest and be exercisable for shares.

The vesting scale for EPRs in the ROE allocation is outlined below:

CASH ROE VS WACC	VESTING SCALE
ROE \geq 1.6 x WACC	100% vests
ROE = 1.5 x WACC	80% vests
ROE = 1.4 x WACC	60% vests
ROE = 1.3 x WACC	40% vests
ROE = 1.2 x WACC	20% vests
ROE < 1.2 x WACC	0% vests

If the ROE performance hurdle is not met or is only partially met when measured after three financial years, then any of the ROE allocation of EPRs that are not exercisable for shares will lapse.

Cessation of employment

Under the EPRs Terms, EPRs may be retained if Mr Wilkins ceases employment due to retirement, redundancy, death, total and permanent disablement or with the approval of the Board. In these circumstances, EPRs may vest and become exercisable for shares if the performance hurdles are achieved.

Where Mr Wilkins resigns or his employment is terminated by the Company giving notice, EPRs lapse on the date employment ceases, unless the Board exercises its discretion and allows Mr Wilkins to retain EPRs that have been granted to him. In these circumstances, EPRs may vest and become exercisable for shares only if the performance hurdles are achieved.

Early vesting of EPRs

The early vesting (and exercise) of Mr Wilkins' EPRs for shares may be permitted by the Board in circumstances such as a takeover, scheme of arrangement or winding up of IAG.

Reconstruction and bonus issues

Mr Wilkins' entitlement to shares through the exercise of EPRs may be adjusted to take account of capital reconstructions and bonus issues.

Voting exclusion statement

The Company will disregard any votes cast on this resolution:

- by the CEO or any of his associates;
- as a proxy by a member of the key management personnel or a member of a key management personnel's Closely Related Party,

unless the vote is cast:

- as proxy for a person who is entitled to vote in accordance with the directions on the voting form; or
- by the chairman of the meeting as proxy for a person who is entitled to vote and in accordance with an express authorisation on the voting form to vote as the proxy decides.

What do the directors recommend

The non-executive directors recommend that you vote in favour of the resolution.

RESOLUTION 5

REFRESH CAPACITY TO ISSUE SECURITIES

On 1 May 2012, IAG issued 3,773,728 Cumulative Preference Shares (CPS) with a face value of \$100 per share. The CPS will convert into ordinary shares on the Mandatory Conversion Date of 1 May 2019 subject to certain conditions being satisfied, unless they are converted or redeemed earlier.

The issue of CPS is part of IAG's capital management strategy. The proceeds from issuing CPS were used for general corporate purposes including the refinancing of the Reset Preference Shares (RPS) on 15 June 2012.

Why shareholder approval is being sought

Generally, under ASX Listing Rule 7.1, a company may, in any 12 month period, issue without the prior approval of shareholders, new securities of up to 15% of the number of shares on issue 12 months before the date of the issue of the new securities.

ASX Listing Rule 7.4 provides that an issue by a company of securities made without shareholder approval under ASX Listing Rule 7.1 is treated as having been made with approval if the issue did not breach ASX Listing Rule 7.1 when it was made and the Company's shareholders subsequently approve it.

The issue of the CPS did not breach ASX Listing Rule 7.1 and has not previously been approved by shareholders. The Company now seeks shareholder approval for the issue of the CPS pursuant to ASX Listing Rule 7.4.

The CPS would have, when issued, converted into approximately 5.3% of the Company's ordinary shares, if they converted to ordinary shares on the basis of the rate set by the terms, being an adjusted volume weighted average price (VWAP) of the Company's ordinary shares calculated over the 20 trading days immediately prior to the issue of the Securities.

The effect of passing Resolution 5 will be to refresh the Company's 15% capacity under ASX Listing Rule 7.1 so that its capacity would be the same as if the Securities had not been issued. This resolution, if passed, will increase the Company's financial flexibility in the future.

Currently, the Company does not intend to undertake any further issue of securities in the event that approval is received from shareholders in respect of Resolution 5.

The Board will only decide to issue further equity securities if it considers it is in the best interests of the Company to do so.

If Resolution 5 is not passed by shareholders, the Company would, in calculating the number of securities the Company may issue without shareholder approval, need to deduct the number of ordinary shares into which the Securities would exchange.

The following additional information is provided in connection with the approval sought under Resolution 5:

(a) The number of securities issued

A total of 3,773,728 CPS was issued (treated as exchangeable into 110.2 million ordinary shares in the Company).

(b) The price at which the securities were issued

Each CPS has a face value and issue price of \$100.

(c) The terms of the securities

- CPS are fully paid, perpetual, unsecured redeemable and convertible preference shares to be issued by IAG.
- Dividends on CPS are preferred, non-cumulative, based on a floating rate and are expected to be fully franked. Dividends are scheduled to be paid semi-annually in arrears, subject to the directors in their absolute discretion resolving to pay Dividends on the Dividend Payment Date and no APRA Condition existing in respect of the relevant Dividend Payment Date.
- CPS will convert into Ordinary Shares on the Mandatory Conversion Date, subject to certain conditions (the Mandatory Conversion Conditions as set out in the CPS Prospectus dated 27 March 2012) being satisfied, unless they are Exchanged (Converted or Redeemed) earlier.
- The Scheduled Mandatory Conversion Date is 1 May 2019. If the Mandatory Conversion Conditions are not satisfied on that date, the Mandatory Conversion Date will be the next Dividend Payment Date on which those conditions are satisfied.
- Upon Conversion on a Mandatory Conversion Date, CPS Holders will receive approximately \$101 worth of Ordinary Shares per CPS (based on the VWAP during the 20 Business Days before the Mandatory Conversion Date).

- In certain circumstances (and subject to APRA's prior written approval), CPS may be Exchanged by IAG before 1 May 2019. This may occur:
 - following a Tax Event or Regulatory Event;
 - following a Potential Acquisition Event; or
 - on an Optional Exchange Date.

(d) The names of the allottees or the basis on which the allottees were determined

CPS were issued to 2,883 investors based on applications received, including RPS holders who elected to reinvest their capital in the CPS offer.

Voting exclusion

The Company will disregard any votes cast (in any capacity) on Resolution 5 by or on behalf of:

- any persons to whom CPS were issued as set out in these Explanatory Notes; and
- associates of those persons;

unless the vote is cast by:

- a person as a proxy for a person entitled to vote in accordance with a direction on the voting form; or
- the chairman of the AGM as proxy for a person who is entitled to vote, in accordance with a direction on the voting form to vote as the proxy decides.

ASX has granted a waiver from ASX Listing Rule 14.11.1 to the extent necessary to permit the Company to count votes cast on Resolution 5 by persons who are acting solely in a fiduciary, nominee or custodial capacity (**Nominee Holders**) on behalf of beneficiaries who did not participate in the issue of CPS referred to in these Explanatory Notes. The waiver is subject to the following conditions:

- the beneficiaries provide written confirmation to the Nominee Holders that they did not participate in the issue of CPS, nor are they an associate of a person who participated in the issue of CPS;
- the beneficiaries direct the Nominee Holders to vote for or against the resolution; and
- the Nominee Holders do not exercise discretion in casting a vote on behalf of the beneficiaries.

What do the directors recommend?

The directors recommend that you vote in favour of the resolution.

FURTHER INFORMATION

If you would like any further information regarding the AGM, please contact the company's share registry on 1300 360 688 if calling from within Australia, +61 (0) 3 9415 4210 from outside Australia, or visit the IAG website at www.iag.com.au/shareholder/aggm.

IAG'S 2012 ANNUAL GENERAL MEETING WILL BE HELD ON TUESDAY, 23 OCTOBER 2012 FROM 10.00AM AT THE WESLEY CONFERENCE CENTRE, 220 PITT STREET, SYDNEY. IT WILL BE WEBCAST AT WWW.IAG.COM.AU/SHAREHOLDER/AGM.

TRAIN

The closest train station is Town Hall (all suburban lines). For information about train times, please call 131 500.

BUS

Some State Transit buses stop along George Street outside the Queen Victoria Building. For more information about bus routes and timetables, please call 131 500.

PARKING

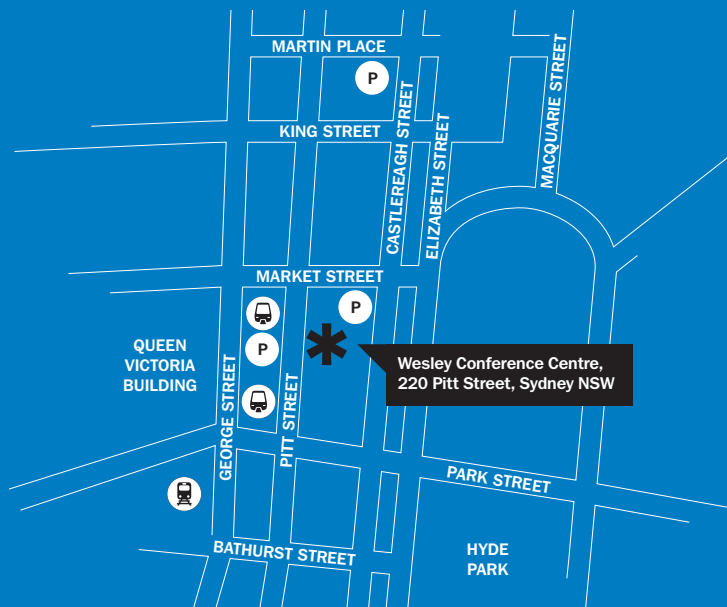
The closest parking station is Secure Parking situated beneath the Piccadilly Shopping Centre; entry is via 137 Castlereagh Street, Sydney.

INFORMATION ABOUT IAG

You can read about IAG's performance for the 2012 financial year in its summary annual review and detailed annual report, which are available by contacting our share registry or by visiting www.iag.com.au.

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Australia

New Zealand

United Kingdom

Asia

100% owned unless indicated

¹ RACV is via a distribution relationship and underwriting joint venture with RACV Limited.

² IAG holds 98.6% voting rights in Safety Insurance, based in Thailand.

³ IAG owns 49% of the general insurance arm of Malaysian-based AmBank Group, AmG Insurance Berhad (AmG), which trades under the AmAssurance brand.

⁴ IAG owns 26% ownership of SBI General Insurance Company, a joint venture with State Bank of India.

⁵ IAG owns 20% of Bohai Property Insurance Company Ltd, based in China.

⁶ IAG owns 30% of AAA Assurance Corporation, based in Vietnam.