

29 September 2003

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



Dear Ms Ross

INSURANCE AUSTRALIA GROUP LIMITED (IAG)
2003 NOTICE OF ANNUAL GENERAL MEETING

Please find attached IAG's 2003 Notice of Annual General Meeting.

In addition, please find attached copy of waiver of ASX Listing Rule 14.11 in respect of Resolution 2 in the Notice of Meeting.

Mailing of the Notice of Meeting to shareholders will commence this week. In the meantime, copies of the Notice of Meeting will be available at IAG's website, www.iag.com.au/agm2003.

Yours sincerely

Anne O'Driscoll
**Group Company Secretary &
Head of Investor Relations**

NOTICE OF MEETING



Notice of Annual General Meeting 2003
and Explanatory Notes
Insurance Australia Group Limited
ABN 60 090 739 923

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NOTICE OF ANNUAL GENERAL MEETING (AGM)

Insurance Australia Group Limited ABN 60 090 739 923

ORDINARY BUSINESS

For the convenience of shareholders, the Ordinary business of the meeting will be addressed after Special business is considered.

SPECIAL BUSINESS

Approve Dividend Reinvestment Plan

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

"That the terms of the Insurance Australia Group Limited Dividend Reinvestment Plan, a copy of which has been initialled by the Group Company Secretary for the purposes of identification and tabled at the meeting, and which is described in the Explanatory Notes, be approved for all purposes, including the purposes of ASX Listing Rules 7.1 and 7.2."

Refresh capacity to issue shares, following issues through underwritten Dividend Reinvestment Plan

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

"That the following issues by the Company in accordance with the Rules of the Company's Dividend Reinvestment Plan be approved for all purposes, including the purpose of ASX Listing Rule 7.4:

- (a) the issue on 9 April 2003 of 16,239,756 ordinary shares at \$2.79 for each share, under the underwriting arrangements for the Company's Dividend Reinvestment Plan; and
- (b) the issue on 14 April 2003 of 10,366,388 ordinary shares at \$2.79 for each share, to shareholders participating in the Company's Dividend Reinvestment Plan."

Refresh capacity to issue shares, following issue of reset preference shares

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

"That the issue by the Company on 20 June 2003 of 2,000,000 reset preference shares (**RPS2**) at \$1.00 for each RPS2 be approved for all purposes, including the purpose of ASX Listing Rule 7.4."

Approve grant of Performance Award Rights to CEO

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

"That the grant to the Chief Executive Officer (**CEO**) of the Company, Mr Michael Hawker, of up to 1,500,000 Performance Award Rights under the Company's Performance Award Rights Plan, as part of his remuneration for services as CEO, be approved for all purposes, including for the purpose of ASX Listing Rule 10.14."

Changes to Constitution to update for regulatory changes

5. To consider and, if thought fit, pass the following resolution as a special resolution:

"That the present form of the Constitution of the Company be repealed and replaced with a new form of Constitution, a copy of which has been initialled by the Group Company Secretary for the purposes of identification and tabled at the meeting and is described in the Explanatory Notes."

Changes to Constitution to adopt new preference share terms

6. To consider and, if thought fit, pass the following resolution as a special resolution:

"Subject to Resolution 5 being passed, that the Constitution of the Company be amended by inserting a new Schedule 1 to the Constitution in the form of Annexure A to the Explanatory Notes."

ORDINARY BUSINESS

Election of Directors

Mr Neil Hamilton and Mr James Strong retire by rotation and, in accordance with the Company's Constitution:

7. Mr Neil Hamilton, being eligible, offers himself for re-election.
8. Mr James Strong, being eligible, offers himself for re-election.

Receipt of financial statements and reports

To receive and discuss the Company's financial statements and reports for the year ended 30 June 2003.

Shareholders are advised that the 2003 Annual General Meeting of Insurance Australia Group Limited (the Company) will be held on **Wednesday 12 November 2003 at 10.00 am** at the Wesley Conference Centre, 220 Pitt Street, Sydney.

NOTES

(a) Resolutions 7 and 8.

The order in which the candidates appear in the Notice of Meeting has been independently determined by ballot conducted by KPMG. Information about the candidates is contained in the Explanatory Notes.

To be successfully elected or re-elected as a Director, a candidate must receive more votes "For" than "Against".

(b) Voting exclusion statement

- (i) the Company will disregard any votes cast on Resolution 2, by:

(A) a person who participated in the issue of ordinary shares pursuant to the Company's Dividend Reinvestment Plan, or, the underwriting arrangements for the Company's Dividend Reinvestment Plan (including the underwriters, Deutsche Bank AG and UBS Advisory and Capital Markets Australia Limited); and

(B) an associate of that person.

- (ii) the Company will disregard any votes cast on Resolution 3 by:

(A) a person who participated in the issue of RPS2; and

(B) an associate of that person.

- (iii) The Company will disregard any votes cast on Resolution 4 by:

(A) the CEO; and

(B) an associate of the CEO.

However, the Company need not disregard a vote if:

- (i) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (ii) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

(c) Proxies

A shareholder who is entitled to attend and cast a vote at the meeting has a right to appoint a proxy to attend and vote instead of the shareholder. The proxy need not be a shareholder. A shareholder who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion and number of votes which each proxy is appointed to exercise.

Shareholders appointing a proxy to vote on their behalf are encouraged to utilise their capacity to direct the proxy to vote "For", "Against" or "Abstain" on each motion, rather than providing open proxies.

To be valid, all proxy forms must be received by the Company's Share Registrar, ASX Perpetual Registrars Limited, at Level 8, 580 George Street, Sydney NSW 2000, before 10.00 am on Monday 10 November 2003 (**Proxy Deadline**).

Proxy forms may be submitted in either of the following ways:

- (i) by post in the reply paid envelope provided. Please allow sufficient time so that it reaches ASX Perpetual Registrars Limited by the Proxy Deadline;
- (ii) by facsimile to ASX Perpetual Registrars Limited on (02) 8280 7646. Any proxy form sent by facsimile must be received by the Proxy Deadline; or
- (iii) by hand delivery to ASX Perpetual Registrars Limited, Level 8, 580 George Street, Sydney NSW 2000.

(d) Corporate representatives

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

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

(e) Shareholders eligible to vote

As determined by the Board of Directors, only persons who hold ordinary shares in the Company as at the Proxy Deadline will be eligible to vote at the meeting.

Dated at Sydney on 15 September 2003
By order of the Board of Directors.



Anne O'Driscoll
Group Company Secretary

2003 AGM EXPLANATORY NOTES

Insurance Australia Group Limited ABN 60 090 739 923

These notes explain the resolutions set out in the Notice of Meeting for the Company's 2003 AGM and should be read in conjunction with the Notice.

SPECIAL BUSINESS

Resolution 1: Approve Dividend Reinvestment Plan

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

"That the terms of the Insurance Australia Group Limited Dividend Reinvestment Plan, a copy of which has been initialled by the Group Company Secretary for the purposes of identification and tabled at the meeting, and which is described in the Explanatory Notes, be approved for all purposes, including the purposes of ASX Listing Rules 7.1 and 7.2."

Purpose of resolution

This resolution has been proposed so that shareholders may consider and, if thought fit, formally approve the Insurance Australia Group Limited Dividend Reinvestment Plan (DRP) for all purposes, including the purposes of ASX Listing Rules 7.1 and 7.2.

ASX Listing Rule 7.1 prohibits the issue by a listed company of more than 15% of its equity securities in any 12 month period without the approval of shareholders (15% limit).

ASX Listing Rule 7.2 allows issues under a dividend reinvestment plan to be exempt from the 15% limit where the plan's terms are approved by shareholders.

Shareholder approval of the DRP for the purposes of ASX Listing Rules 7.1 and 7.2 is sought so that any securities issued under the DRP, in future, will be exempt from the 15% limit for the Company.

ASX Listing Rule 10.11 prohibits a listed company from either issuing or agreeing to issue ordinary securities to a related party (which, as defined by section 228 of the *Corporations Act 2001 (Cth)* (**Corporations Act**), includes a director, a director's spouse or a company controlled by a director), without shareholder approval. Shareholder approval of the DRP would also have the effect that related parties who are eligible shareholders under the DRP are able to participate in the DRP without further shareholder approval, as contemplated by ASX Listing Rule 10.12.

Summary of the DRP

On 6 January 2003, the Company introduced the DRP. The DRP provides eligible shareholders with the opportunity to reinvest their dividends in the Company's ordinary shares. It is operated in accordance with the Rules of the DRP. A copy of the DRP Rules can be obtained by contacting ASX Perpetual Registrars Limited on 1300 360 688 or is available on the Company's website at www.iag.com.au/agm2003.

Set out below is a summary of the key terms of the DRP Rules:

- **Purpose:** The purpose of the DRP is to provide eligible shareholders of the Company with an opportunity to reinvest their dividends in the Company's ordinary shares. Subject to the discretion of the Company, any shareholder who holds at least 200 fully paid ordinary shares of the Company, and whose registered address is in Australia, is eligible to participate in the DRP.
- **Flexible participation rights:** Eligible shareholders may apply to participate in the DRP in respect of all or part of their holdings and, subject to the terms of the DRP, may vary the level of participation or withdraw from the DRP at any time.

- **How to participate:** To apply to participate in the DRP, eligible shareholders must either complete the DRP Election Form and return it to the Company's share registry or provide clear and sufficient written instructions to the Company's share registry that the eligible shareholder wishes to participate in the DRP.
- **When participation commences:** Participation in the DRP by an eligible shareholder will commence from the first date following receipt of the eligible shareholder's DRP Election Form on which shareholdings are determined for the purpose of payment of dividends for those shares.
- **Calculating the number of shares:** Shareholders will be entitled, on each dividend payment, to be allocated the nearest whole number of ordinary shares (rounding down) which the cash dividend on their participating ordinary shares would acquire at the price of the DRP shares, less the Australian withholding tax deductible by the Company in respect of that dividend (if any) and any other sum the Company is entitled to retain or deduct pursuant to the DRP Rules. DRP shares may be newly issued shares, or may be purchased in the market.
- **Any cash balance is carried forward:** If there is a residual amount of cash left in a holder's DRP account after shares have been allocated under the DRP, this amount will usually be carried forward until the next dividend is declared and will be added to that dividend. That residual amount will always be less than the price, for the previous dividend, for one DRP share. Any residual amount carried forward will not accrue interest. In some cases (eg, where a shareholder sells all of their ordinary shares in the Company), that residual amount will be donated to charity.

- How the price for the DRP shares is calculated: The price for each DRP share for a particular dividend is an average market price less any discount determined by the Company, rounded down to the nearest cent. All shares allocated under the DRP will rank equally in all respects with existing fully paid ordinary shares of the Company.
- Statements and quotation on ASX: After each allocation of shares, all eligible shareholders participating in the DRP will receive a statement with details of the allocation. The Company will make application promptly after each allocation of newly issued DRP shares for quotation of those shares on the ASX.
- Administration of DRP: The DRP will be administered by the Directors or their delegates in accordance with the DRP Rules. The Directors may, in their administration of the DRP, vary, suspend, recommence or terminate the DRP. Eligible shareholders participating in the DRP are bound by the Rules of the DRP as modified from time to time.

Recommendation

The Directors recommend that shareholders vote in favour of approving the terms of the Dividend Reinvestment Plan.

Resolutions 2-3: Refresh capacity to issue shares

Resolution 2: Refresh capacity to issue shares, following issues through underwritten Dividend Reinvestment Plan

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

“That the following issues by the Company in accordance with the Rules of the Company’s Dividend Reinvestment Plan be approved for all purposes, including the purpose of ASX Listing Rule 7.4:

- (a) the issue on 9 April 2003 of 16,239,756 ordinary shares at \$2.79 for each share, under the underwriting arrangements for the Company’s Dividend Reinvestment Plan; and***
- (b) the issue on 14 April 2003 of 10,366,388 ordinary shares at \$2.79 for each share, to shareholders participating in the Company’s Dividend Reinvestment Plan.”***

Purpose of resolution

This resolution has been proposed so that shareholders may consider and, if thought fit, formally approve for all purposes, including the purpose of ASX Listing Rule 7.4, the April 2003 issues of shares by the Company under the DRP (DRP Issue).

ASX Listing Rule 7.4 provides that an issue of shares made without approval under ASX Listing Rule 7.1 is treated as having been made with approval for the purpose of ASX Listing Rule 7.1 where:

- (a) the issue did not breach ASX Listing Rule 7.1; and
- (b) the shareholders subsequently approve it.

The DRP Issue has already taken place, within the 15% limit prescribed by ASX Listing Rule 7.1. Shareholder approval of the DRP Issue is, accordingly, sought in accordance with ASX Listing Rule 7.4. The effect of shareholder approval is described following Figure 1 on page 6.

Capacity to issue further shares – the 15% limit

The impact of shareholder approval of the DRP Issue on the Company’s capacity to issue shares, in future, within the 15% limit is set out in Figure 1 on page 6.

Details of the DRP Issue

On 9 April 2003, the Directors issued 16,239,756 ordinary shares at \$2.79 for each share under the underwriting arrangements for the DRP. A total amount of \$45,308,919.24 was raised from this part of the DRP Issue.

On 14 April 2003, the Directors issued to participating shareholders of the DRP a total of 10,366,388 ordinary shares at \$2.79 for each share. A total amount of \$28,922,222.52 was raised from this part of the DRP Issue.

The funds raised by the DRP Issue were utilised to retire part of a short-term debt facility used by the Company to fund Insurance Australia Group’s acquisition of the CGU and NZI businesses in Australia and New Zealand, which was completed on 2 January 2003.

Details of the allottees

The allottees of shares under the DRP Issue were:

- participants in the DRP – eligible shareholders who submitted an election form electing to participate in the DRP on or before the record date for the dividend paid in April 2003; and
- allottees under the underwriting arrangements – the underwriters and institutional investors who were nominated by the underwriters of the DRP Issue, Deutsche Bank AG and UBS Advisory and Capital Markets Australia Limited.

Recommendation

The Directors recommend that shareholders vote in favour of approving the DRP Issue.

Resolution 3: Refresh capacity to issue shares, following issue of reset preference shares

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

“That the issue by the Company on 20 June 2003 of 2,000,000 reset preference shares (RPS2) at \$100 for each RPS2 be approved for all purposes, including the purpose of ASX Listing Rule 7.4.”

Purpose of resolution

This resolution has been proposed so that shareholders may consider and, if thought fit, formally approve for all purposes, including the purpose of ASX Listing Rule 7.4, the recent issue by the Company of 2,000,000 RPS2 at an issue price of \$100 for each RPS2 (RPS2 Issue).

The RPS2 Issue has already taken place, within the 15% limit prescribed by ASX Listing Rule 7.1. The RPS2 Issue occurred after a public offering of RPS2 under a prospectus dated 20 May 2003 and the RPS2 are quoted on ASX under the code IAGPB. The effect of shareholder approval is described following Figure 1 on page 6.

Capacity to issue further shares – the 15% limit

The RPS2 are convertible into ordinary shares in the Company in the circumstances explained below. The formula for calculating the 15% limit under ASX Listing Rule 7.1 includes, and takes into account, securities convertible or exchangeable into ordinary shares.

The impact of shareholder approval of the RPS2 Issue on the Company's capacity to issue shares, in future, within the 15% limit is set out in Figure 1 on page 6.

Terms of RPS2

The RPS2 are preference shares that:

- entitle the holder to receive non-cumulative dividends;
- have a dividend rate of 4.51% per annum fixed until the first Reset Date (15 June 2008), with dividends payable semi-annually. The dividend rate and frequency of payment (amongst other things) may be varied by the Company on a Reset Date;
- rank in priority to ordinary shares for the payment of dividends and for a return of capital in the event of a winding-up;
- rank equally amongst themselves and RPS1 (the reset preference shares issued by the Company in June 2002 on the terms set out in Appendix A of the Company's prospectus dated 6 May 2002, and quoted on ASX under the code IAGPA);
- have no maturity date but can be 'exchanged' in a number of circumstances (see below);
- have particular terms that may be varied at the discretion of the Company at any Reset Date (the first of which is 15 June 2008); and
- do not carry a right to vote at general meetings, except in the following circumstances:
 - on a proposal:
 - to reduce the share capital of the Company;

- that affects rights attached to the RPS2;
- to wind up the Company; or
- for the disposal of the whole of the property, business and undertaking of the Company;

- on a resolution to approve the terms of a buy-back agreement;
- during a period in which a dividend or part of a dividend on the RPS2 is in arrears; or
- during the winding up of the Company.

A holder of RPS2 may request the exchange of some or all RPS2 on a Reset Date, or earlier in respect of all RPS2 following the occurrence of a trigger event (eg insolvency event, certain takeovers). On exchange, the Company may choose to:

- convert the RPS2 into ordinary shares; or
- arrange a third party to acquire the RPS2 from the holder for their face value (\$100 per RPS2); or
- redeem, buy-back or cancel the RPS2 for their face value subject to prior approval by the Australian Prudential Regulation Authority (APRA).

The Company may exchange some or all RPS2 on a Reset Date, or earlier in respect of all of the RPS2 following the occurrence of a tax event or regulatory event, certain takeovers or schemes of arrangement. On exchange in these circumstances, the Company may:

- convert the RPS2 into ordinary shares; or
- redeem, buy-back or cancel the RPS2 for their face value subject to prior approval by APRA.

The formula for conversion of RPS2 into ordinary shares is based on a volume weighted average price of ordinary shares traded on ASX, discounted by 2.5%, during a reference period prior to conversion.

Basis on which allottees were determined

The allottees of the RPS2 were applicants under the public offering of RPS2 made in May 2003. The Company determined the allocation of the RPS2 together with the Joint Lead Managers to the RPS2 offer, Deutsche Bank AG and UBS Advisory and Capital Markets Australia Limited.

Use of funds raised

The issue of the RPS2 formed part of the Company's ongoing capital management programme. The funds raised by the issue were used by the Company to refinance a portion of the Group's existing senior debt obligations.

Recommendation

The Directors recommend that shareholders vote in favour of approving the issue of 2,000,000 RPS2 at an issue price of \$100 for each RPS2.

Figure 1: Impact of Resolutions 2-3 on capacity under ASX Listing Rule 7.1 to issue further shares within the 15% limit*

Before Resolutions 2-3 are passed		Total capacity
Existing capacity		Approximately 36,260,000 shares
If Resolutions 2-3 are passed		
	Increase in existing capacity	Total capacity (cumulative)
Resolution 2 (approval of the DRP Issue)	Approximately 30,600,000 shares	Approximately 66,860,000 shares
Resolution 3 (approval of the RPS2 Issue)	Approximately 67,700,000 shares	Approximately 134,560,000 shares
By 20 November 2003		
	Increase in existing capacity	Total capacity (cumulative)
Placements of shares conducted in October and November 2002 will cease to absorb part of Company's capacity by 20 November 2003, and as a result the Company's capacity will increase, whether or not Resolutions 2-3 are passed.	Approximately 117,850,000 shares	Approximately 252,410,000 shares, assuming no other shares are issued and Resolutions 2-3 are passed.

*Notes to Figure 1:

- 1 Unless otherwise stated, all calculations are as at 15 September 2003, being the date on which these Explanatory Notes were finalised for printing.
- 2 All calculations of capacity have been rounded to the nearest 5,000 shares.

Resolutions 2-3: Effect of shareholder approval

The approvals proposed in Resolutions 2-3, under ASX Listing Rule 7.4, are effectively retrospective approvals or 'ratifications' to refresh the Company's capacity to issue further equity securities pursuant to ASX Listing Rule 7.1.

If shareholders approve Resolutions 2-3 (or any of them), the Company will then have the flexibility to issue more shares in the future if an opportunity arises which the Board believes is in the best interests of the Company, and which it expects will create

shareholder value. The issues of shares described in Resolutions 2-3 would be treated, for the purpose of ASX Listing Rule 7.1, as having been made with prior shareholder approval. They would then cease to use up part of the 15% limit and would enable that proportion of the 15% limit to be used for a future issue of equity securities.

If Resolutions 2-3 are not passed

The Company was not required, under ASX Listing Rule 7.1, to seek shareholder approval prior to the issues of shares described in Resolutions 2-3.

If shareholders do not approve Resolutions 2-3, it will not invalidate those issues of shares. However, those issues of shares absorbed part of the 15% limit and so reduce the Company's ability to issue further equity securities in the 12 month period subsequent to each issue, unless shareholder approval is obtained for those issues or the issue falls within another exception in the ASX Listing Rules.

The Company may issue further shares within the limit of the existing capacity, as indicated above, without seeking prior shareholder approval.

In addition, any other issues of shares or rights following the date of preparation of these Explanatory Notes will absorb part of existing capacity, unless shareholder approval is obtained for those issues or the issue falls within another exception in the ASX Listing Rules.

Resolution 4: Approve grant of Performance Award Rights to CEO

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

"That the grant to the Chief Executive Officer (CEO) of the Company, Mr Michael Hawker, of up to 1,500,000 Performance Award Rights under the Company's Performance Award Rights Plan, as part of his remuneration for services as CEO, be approved for all purposes, including for the purpose of ASX Listing Rule 10.14."

Purpose of resolution

The Company has in place a number of employee incentive schemes designed to motivate and provide incentives to employees and executives, and to enable the Company to attract and retain employees and executives of a high calibre.

This resolution has been proposed so that shareholders may consider and if thought fit, approve for all purposes, including the purpose of ASX Listing Rule 10.14, the possible grant of rights under the Performance Award Rights Plan as part of the CEO's remuneration package.

Any Performance Award Rights will be granted to the CEO by no later than 3 years after the AGM, over issued ordinary shares in existence at the time of the grant of the rights.

Similar to grants to CEO made in previous years

Shareholders passed a resolution in similar terms at the 2001 AGM, and again at the 2002 AGM. This resolution is similar to the resolution passed at the 2002 AGM in that the Company proposes to provide the CEO with Performance Award Rights (over issued shares), rather than rights over unissued shares. This is to prevent any dilution of other shareholders' interests as a consequence of the exercise of the rights.

Reasonable remuneration

It is quite standard for the remuneration of senior executives, including chief executives, to comprise a combination of base pay and incentives, with the payment of incentives dependent on meeting performance hurdles. Independent expert advice has been sought on the proposed performance arrangement for the CEO, having regard to comparable performance incentives for other major Australian listed companies. As a result of such expert advice, the Directors (the CEO not participating) consider that the proposed grant of rights and shares for which approval is sought is reasonable having regard to the Company's circumstances, the responsibilities involved in the office of CEO, and the importance of successful management and growth of the Company's business.

The Directors (the CEO not participating) consider that, since his appointment, the CEO has displayed genuine leadership and high performance standards, and the grant of rights for which shareholders' approval is now being sought is a suitable incentive to retain the CEO's services and encourage the delivery of further added value for all shareholders.

Rights proposed

The rights proposed to be granted, and for which shareholder approval is now sought, are Performance Award Rights over issued ordinary shares in the Company under the Performance Award Rights Plan. The same Performance Awards Rights Plan is utilised for other employees and executives.

The purpose of the Plan is to enable the Company to provide to executives (including the CEO of the Company) a long-term incentive in the form of rights over shares. The Company seeks to align the interests of the CEO with the interests of shareholders, with the objective of improving the return to shareholders on their investment.

A summary of the key terms for the provision of rights and shares under the Plan is set out below.

A copy of the proposed terms and the trust deed for the Plan can be obtained on request by calling Computershare Plan Managers on 1800 822 844 or are available on the Company's website at www.iag.com.au/agm2003.

Number of rights

The CEO will be invited to acquire up to a maximum of 1,500,000 Performance Award Rights over issued shares in the Company over the 3 year period, in 3 tranches. This is the maximum number of rights that the CEO will be invited to acquire without further

shareholder approval. The first tranche would be granted after the 2003 AGM, and the second and third tranches on or about the second and third anniversary of the 2003 AGM, dependent on Company performance. Subject to the overall maximum, the CEO would not be invited to acquire more than 600,000 rights in any year during this period and no more than 400,000 rights in 2003. As the grant of rights within these limits will depend entirely on performance in each of the years, the total maximum of up to 1,500,000 rights is intended to give adequate scope to reward good performance. However, the Board would only propose to grant the maximum number of rights where it is satisfied that the CEO is performing well.

Each Performance Award Right is an option under the Performance Award Rights Plan over issued shares held by the Trustee for the Plan. The maximum number of shares that may be provided to the CEO by the Trustee on exercise of the Performance Award Rights granted in a particular year, is the number of ordinary shares that equals the number of rights granted to the CEO for that year. The exact number of rights that the CEO will be able to exercise will depend on the Company's performance over the Performance Period (explained below) for those rights, relative to the performance of the companies comprising a Comparator Group of companies (explained below).

The rights may also become exercisable if certain specified events occur. This is discussed in more detail below.

The rights are granted at no cost to the CEO. The CEO must pay a nominal exercise price to exercise the rights. The total exercise price payable on the exercise of any rights on a particular day will be \$1.00 (irrespective of the number of rights exercised on that day).

Preconditions for the exercise of rights

The Performance Award Rights will become exercisable depending on the Company's performance, based on the *Total Shareholder Return* of the Company from the Base Date relative to a specified *Performance Hurdle* in the *Performance Period*. The Base Date is the 2nd trading day after the day on which the Company announced its financial results for the 12 month period ended on the 30 June that immediately precedes the date the rights are granted. For the Performance Award Rights to be granted to the CEO in 2003, the Base Date is 25 August 2003.

The rights may become exercisable on a progressive basis over the Performance Period. All of the rights may also be exercisable if certain specified events occur before the end of the Performance Period, such as a takeover bid for the Company.

Each of the italicised concepts used above is explained below.

Performance Hurdle

The Performance Hurdle is based on the performance of the Company compared with the other listed companies comprising the Comparator Group, from the Base Date to the Test Date (explained below). The Comparator Group comprises those companies in the S&P/ASX 100 Index from time to time, with such inclusions and exclusions as the Board may determine from time to time. The number of rights that become exercisable depends on the Company's ranking, relative to each of those other companies in the Comparator Group, having regard to the Total Shareholder Return of each of them in the Performance Period.

Total Shareholder Return

Total Shareholder Return seeks to measure the return a shareholder would obtain from holding shares in the company concerned in a defined

period, taking into account, among other things, changes in market value of the shares and dividends on the shares. The Total Shareholder Return is calculated from the Base Date to the Test Date (explained below) based on the market value of the shares of the Company and the other companies in the Comparator Group at each of those dates. The market value of a share for the purposes of:

- determining the base price for Total Shareholder Return, is calculated using the weighted average price at which shares are traded in the week preceding and including the Base Date; and
- subsequent monitoring of the Total Shareholder Return, is based upon the value of a share in the Company and in each of the other companies in the Comparator Group in the 30 day period preceding and including the relevant day.

The Company's ranking against the other companies in the Comparator Group will be monitored on the last trading day of each calendar quarter in the Performance Period and at such other times in the Performance Period as the Board may nominate (each a **Test Date**), with the Company's performance given a percentile ranking having regard to its performance compared with the performance of each of the companies in the Comparator Group (the highest ranking company being ranked at the 100th percentile).

The rights may become exercisable on a progressive basis, depending on the Company's ranking on the Test Dates during the Performance Period. If the Company's ranking does not reach the 50th percentile on a Test Date during the Performance Period, the rights do not become exercisable. Half of the rights become exercisable when the Company's ranking on a Test Date reaches the 50th percentile. All the rights become

exercisable if the Company's ranking on a Test Date reaches the 75th percentile. The percentage of rights which becomes exercisable increases proportionately if the Company ranks between the 50th percentile and the 75th percentile on a Test Date.

Performance Period

The Performance Period will be the period between the third and fifth anniversary of the Base Date. However, if the CEO ceases to be an employee in circumstances in which his rights do not lapse, the Performance Period will be shorter, generally being the period beginning on the third anniversary and ending on the later of the fourth anniversary of the Base Date or 12 months after the CEO ceases to be an employee.

Exercise period

Rights which have become exercisable may be exercised by the CEO in the period up to the end of 10 years from the date the rights are granted (**Commencement Date**). However, if the CEO ceases to be an employee and the rights do not lapse, rights which have become exercisable may be exercised by the CEO before the later of 90 days after the date on which the CEO ceased to be an employee or 90 days after the date on which the Performance Period ends (but in any case not beyond 10 years from the Commencement Date).

Lapse of rights

If the CEO ceases to be an employee at any time prior to the Performance Award Rights becoming exercisable, the rights will lapse unless he ceases to be an employee for any of the following reasons – death, permanent disablement, retirement, redundancy, or with the consent of the Board. Rights will also lapse if the CEO ceases to be an employee at any time for serious misconduct involving dishonesty, or if they do not become exercisable before the end of the Performance Period.

Performance Award Rights and Performance Share Rights granted since last AGM

As at the date of this AGM, 300,000 Performance Award Rights have been granted to the CEO, as approved by shareholders at the 2002 AGM. No Directors, other than the CEO, are eligible to participate in the Performance Award Rights Plan or have received Performance Award Rights. If any Director other than the CEO becomes entitled to participate in the Performance Award Rights Plan after the 2003 AGM, that Director will not participate in the Plan until shareholder approval is obtained under ASX Listing Rule 10.14. Details of any rights issued to the CEO under the Performance Award Rights Plan in any of the 3 years for which shareholder approval will have been obtained under ASX Listing Rule 10.14 (if Resolution 4 is passed) will be published in the Annual Report of the Company for that year.

Recommendation

In order to retain a CEO of an appropriate calibre and to align the interests of the CEO with the interests of shareholders, with the objective of improving the return to shareholders on their investment, the Directors (other than the CEO) recommend that shareholders vote in favour of the resolution.

Resolution 5: Changes to Constitution to update for regulatory changes

To consider and, if thought fit, pass the following resolution as a special resolution:

“That the present form of the Constitution of the Company be repealed and replaced with a new form of Constitution, a copy of which has been initialled by the Group Company Secretary for the purposes of identification and tabled at the meeting and is described in the Explanatory Notes.”

This is a special resolution proposing amendments to the Company's Constitution. The amendments accommodate recent legislative and ASX Listing Rule changes and facilitate the use of electronic communications, the transfer of shares listed on foreign stock exchanges and the issue of preference shares.

An explanation of the specific and substantive changes made to the Constitution is provided in the following table.

Article No.	Amendment	Comments
1.1, 2.2, 5.6, 5.7, 9	Articles referring to, or governing transactions conducted in, the period prior to the listing date have been deleted.	These Articles are no longer necessary given that the Company is listed.
1.2, 20.4	Articles governing the use of electronic communications have been inserted.	The amendments facilitate electronic transmissions and the use of forms of electronic signature where permitted by law or approved by the Directors.
1.6, 1.7	Articles regarding payments in foreign currency have been amended.	The amendments clarify the circumstances in which the Company may make payments to a member in foreign currency, including in connection with preference shares and facilitate issues of securities in foreign jurisdictions.
1.8	Article inserted to confirm the application of the ASX Listing Rules.	The amendments confirm the interaction of the ASX Listing Rules with the Constitution, from time to time.
2.2	Article permitting the Company to issue preference shares has been inserted (see also Resolution 6).	The amendments are intended to give the Directors greater flexibility to issue different forms of preference shares. They are similar to amendments adopted by a number of listed companies. The amendments, in conjunction with the amendments proposed in Resolution 6, will allow the Directors to issue preference shares with preferred or special rights without requiring specific amendments to the Constitution prior to issue. The amendments are not intended to alter the terms of the Company's issued preference shares.
3.3, 3.5	Articles regarding liens moved and amended.	New Article 3.3 (formerly Article 3.2) is amended so that the liens referred to in both Articles 3.1 and 3.2 extend to all dividends declared on the shares. Consequential changes are made to Article 3.5.
3.13	Article inserted regarding Company's right to recover payments.	New Article 3.13 clarifies the Company's right to reimbursement for payments that the Company is required to make in respect of a member, to a government or taxing authority.

Article No.	Amendment	Comments
5.1, 5.2	Articles inserted to permit the Company to use the electronic share registration and transfer systems of foreign stock exchanges, where applicable.	The amendments will facilitate the transfer of shares if listed on foreign stock exchanges.
7.2, 7.5-7.6	Articles amended regarding transmission of shares on mental incapacity.	These amendments extend the Articles regarding transmission of shares in the event of a member's mental incapacity, consistent with the approach in the Corporations Act.
10.6	Article inserted to permit a notice of meeting to specify an electronic address for the purposes of receipt of proxy appointments.	This Article is inserted for consistency with the requirements for a notice of meeting in section 250BA of the Corporations Act, and to facilitate the use of electronic proxy appointments where permitted by law.
12.7	Articles amended to delete reference to section 201C (3) of the Corporations Act.	Section 201C (3) of the Corporations Act has been repealed.
12.21-12.22	Article amended to clarify powers to vote and participate in meetings.	This Article is amended to ensure that it is consistent with the provisions of the Corporations Act regarding directors voting at and participating in meetings in relation to matters where they have a material personal interest.
17.4	Article inserted to clarify that the provisions of any Agreement with a person referred to in Articles 17.2 and 17.3 will prevail to the extent that the terms of the Agreement are less favourable to the person than the terms under Articles 17.2 and 17.3.	The amendments deal with any potential inconsistency between the terms of the deeds of access or other agreements entered into from time to time, and the rights of access to corporate records under the Constitution.
22.1	Article amended to delete the words 'wholly-owned'.	The amendments extend the indemnity in the Constitution to the specified officers of all subsidiaries of the Company.
22.2	Article amended to take account of the deletion of old Article 22.3.	The amendments add a reference to executive officers of the Company and its subsidiaries, to take account of the deletion of old Article 22.3.
22.3 (Old)	Deleted.	This Article is unnecessary given Article 22.2.
22.3 (New)	Article inserted to clarify that the provisions of any agreement with a person referred to in Articles 22.1 and 22.2 will prevail to the extent that the terms of the agreement are less favourable to the person than the terms under Articles 22.1 and 22.2.	The amendments deal with any potential inconsistency between the terms of the deeds of indemnity or other agreements entered into from time to time by the Company, and the indemnities and other rights under the Constitution.

Article No.	Amendment	Comments
24	Article inserted to provide for the divestment of unmarketable parcels of shares on certain conditions.	The proposed Article will enable the Company to rely on the powers of divestment in the ASX Listing Rules. Divestment of unmarketable parcels of shares will reduce share registry fees and other administrative costs. An unmarketable parcel is defined in the ASX Listing Rules. The current definition applies to all holdings with a value of \$500 or less.
Other	Consequential changes, minor changes and updates.	Other consequential amendments, or minor amendments to update definitions, remove superseded references to pre-listing activities, remove gender-specific language, include broader references to the Corporations Act and clarify the wording of existing articles. References to the Corporations Law have been replaced with references to the 'Corporations Act', and a definition of 'Corporations Act' has been included in Article 1.1, to accommodate the enactment of the Corporations Act on 15 July 2001.

A copy of the amended form of draft Constitution will be available, free of charge, on the Company's website at www.iag.com.au/agm2008, or by calling ASX Perpetual Registrars Limited on 1300 360 688.

Recommendation

The Directors recommend that shareholders vote in favour of adopting the proposed new Constitution.

Resolution 6: Changes to Constitution to adopt new preference share terms

To consider and, if thought fit, pass the following resolution as a special resolution:

"Subject to Resolution 5 being passed, that the Constitution of the Company be amended by inserting a new Schedule 1 to the Constitution in the form of Annexure A to the Explanatory Notes."

The new Schedule 1 to the Constitution will, together with the proposed amendments to Article 2.2 (referred to in the Explanatory Notes to Resolution 5), give the Directors the flexibility to issue preference shares with any combination of the rights specified in Schedule 1, to the extent determined by the Directors under the terms of issue of the preference shares and permitted by the Corporations Act and the ASX Listing Rules.

The rights specified in Schedule 1 include the rights, as determined by the Directors at the time of issue:

- to receive a cumulative or non-cumulative dividend;
- to be repaid, upon a winding up of the Company, any amount paid on the preference share, any dividend accrued but unpaid on the preference share, or any other amount out of the surplus assets and profits of the Company; and
- to participate in a bonus issue or capitalisation of profits,

in priority to shares in any other class of shares or class of preference shares.

The Directors may also determine the following at the time of issue of the preference shares:

- that they are redeemable or convertible into ordinary shares in particular circumstances; and
- the rights to vote on resolutions of the Company.

Recommendation

The Directors recommend that shareholders vote in favour of amending the Constitution by inserting a new Schedule 1.

ORDINARY BUSINESS

Election of Directors

The ASX Listing Rules require the Company to hold an election of Directors in each year. The Constitution of the Company requires one third of the Directors to retire from office at each AGM.

Notes – Resolutions 7 and 8

The order in which the candidates appear in the Notice of Meeting has been independently determined by ballot conducted by KPMG. Information about the candidates is contained in the Explanatory Notes.

To be successfully elected or re-elected as a Director, a candidate must receive more votes "For" than "Against".

Resolution 7: Re-election of a Director retiring by rotation, Mr Neil Hamilton

In accordance with the ASX Listing Rules, and under Article 12 of the Company's Constitution, Mr Neil Hamilton retires and offers himself for re-election.

Mr Neil Hamilton was appointed as a Director of the Company in June 2000 and as a Director of Insurance Australia Limited (formerly NRMA Insurance Limited) in 1999.

Mr Hamilton is the Chairman of Iress Market Technology Limited, Western Australia Land Authority (Landcorp) and Integrated Group Limited. He is also Deputy Chairman of Western Power Corporation. Mr Hamilton is a member of the Company's Risk Management & Compliance Committee.

Recommendation

The other Directors recommend that shareholders vote in favour of Mr Hamilton's re-election.

Resolution 8: Re-election of a Director retiring by rotation, Mr James Strong

In accordance with the ASX Listing Rules, and under Article 12 of the Company's Constitution, Mr James Strong retires and offers himself for re-election.

Mr James Strong was appointed Chairman of the Company on 2 August 2001. He is also Chairman of Insurance Manufacturers of Australia Pty Limited, Woolworths Limited, Rip Curl Group Pty Limited, the Sydney Theatre Company and the Australian Business Arts Foundation. He is a Director of the Australian Grand Prix Corporation and Opera Australia.

Mr Strong was Chief Executive and Managing Director of Qantas Airways Limited from 1993 to 2001. Previous positions he has held include Group Chief Executive of DB Group Limited in New Zealand, National Managing Partner and later Chairman of law firm Corrs Chambers Westgarth, Chief Executive of Trans Australian Airlines (later Australian Airlines) and Executive Director of the Australian Mining Industry Council. Mr Strong has been admitted as a barrister and solicitor. Mr Strong is Chairman of the Chairman's Committee of the Company.

Recommendation

The other Directors recommend that shareholders vote in favour of Mr Strong's re-election.

ANNEXURE A

SCHEDULE 1 – PREFERENCE SHARES

Dividend rights and priority of payment

- 1.1 Each preference share confers on the holder a right to receive a dividend ("**Dividend**") at the rate or in the amount and on the conditions decided by the Directors under the terms of issue unless, and to the extent that, the Directors decide under the terms of issue that there is no right to receive a Dividend.
- 1.2 Without limiting the conditions which, under the terms of issue, the Directors may impose upon the right (if any) to receive a Dividend, the Directors may under the terms of issue, impose conditions upon the right to receive a Dividend which may be changed or reset at certain times or upon certain events and in the manner and to the extent the Directors decide under the terms of issue.
- 1.3 The Dividend (if any):
- (a) is non-cumulative unless, and to the extent that, the Directors decide otherwise under the terms of issue; and
 - (b) will rank for payment:
 - (i) in priority to ordinary shares unless, and to the extent that, the Directors decide otherwise under the terms of issue;
 - (ii) in priority to shares in any other class of shares or class of preference shares expressed under the terms of issue to rank behind for the payment of dividends;
 - (iii) equally with shares in any other class of shares or class of preference shares expressed under the terms of issue to rank equally for the payment of dividends; and
 - (iv) behind shares in any other class of shares or class of preference shares expressed under the terms of issue to rank in priority for the payment of dividends.
- 1.4 If, and to the extent that, the Directors decide under the terms of issue, each preference share may, in addition to the rights (if any) to receive a Dividend, participate equally with the ordinary shares in the distribution of profits available for dividends.
- 1.5 Each preference share confers on its holder:
- (a) if, and to the extent that the Dividend is cumulative, the right in a winding up or on redemption to payment of the amount of any Dividend accrued but unpaid on the share at the commencement of the winding up or the date of redemption, whether earned or determined or not;
 - (b) if, and to the extent that the Dividend is non-cumulative, and if, and to the extent that, the Directors decide under the terms of issue, the right in a winding up or on redemption to payment of the amount of any Dividend accrued but unpaid for the period commencing on the dividend payment date which has then most recently occurred and ending on the commencement of the winding up or the date of redemption, whether earned or determined or not,
- with the same priority in relation to each other class of shares as the priority that applies in relation to the payment of the Dividend.

Entitlement to payment of capital sum in a winding up

1.6 Each preference share confers on its holder the right in a winding up or on a redemption to payment of:

- (a) any amount paid on the share, or any amount fixed by the Directors under the terms of issue or capable of determination pursuant to a mechanism adopted by the Directors under the terms of issue; and
- (b) a further amount out of the surplus assets and profits of the Company on the conditions decided by the Directors under the terms of issue unless, and to the extent that, the Directors decide under the terms of issue that there is no right to any payment of a further amount out of the surplus assets and profits of the Company.

in priority to ordinary shares and, unless the Directors decide otherwise under the terms of issue, in priority to shares in any other class of shares or class of preference shares expressed to rank behind on a winding up, equally with shares in any other class of shares or class of preference shares expressed to rank equally on a winding up, and behind shares in any other class of shares or class of preference shares expressed to rank in priority on a winding up.

1.7 Unless otherwise decided by the Directors under the terms of issue, a preference share does not confer on its holder any right to participate in the profits or property of the Company except as set out in this Schedule 1.

Bonus issues and capitalisation of profits

1.8 If, and to the extent that the Directors decide under the terms of issue, a preference share may confer a right to a bonus issue or capitalisation of profits in favour of holders of those shares only.

Voting rights

1.9 A preference share does not entitle its holder to vote at any general meeting of the Company except on the questions, proposals or resolutions or during periods of time or in circumstances identified by the Directors in the terms of issue, which, unless the Directors decide otherwise under the terms of issue, are as follows:

- (a) a proposal:
 - (i) to reduce the share capital of the Company;
 - (ii) that affects rights attached to the share;
 - (iii) to wind up the Company; or
 - (iv) for the disposal of the whole of the property, business and undertaking of the Company;
- (b) a resolution to approve the terms of a buy-back agreement;
- (c) during a period in which a Dividend or part of a Dividend on the share is in arrears;
- (d) during the winding up of the Company.

1.10 Each holder of a preference share who has a right to vote on a resolution is entitled to the number of votes specified in Article 11.23 of the Constitution.

Meetings

1.11 Each preference share confers on its holder the same rights as those conferred by the Constitution upon the holders of ordinary shares in relation to receiving notices (including notices of general meetings), reports, balance sheets and audited accounts and of attending and being heard at all general meetings of the Company.

Conversion to ordinary shares

1.12 A preference share which, in accordance with its terms of issue, may be converted into an ordinary share will, at the time of conversion and without any further act, have the same rights as a fully paid ordinary share and rank equally with other fully paid ordinary shares on issue. This is subject to the terms of issue of the preference share determined by the Directors in relation to entitlement to ordinary dividends paid after conversion. In addition, the terms of issue of the preference share may provide for the issue of additional ordinary shares on conversion as determined by the Directors.

**ASX**

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23 September 2003

Ms Shannon Finch
Senior Associate
Malleson Stephen Jaques
Level 60
Governor Phillip Tower
1 Farer Place
Sydney NSW 2000

By Facsimile: (02) 9296 3999

Dear Shannon

Insurance Australia Group Limited (the "Company")

We refer to the application by Mallesons Stephen Jaques on behalf of Insurance Australia Group Limited (the "Company") for a waiver from listing rule 14.11.

Australian Stock Exchange Limited has considered the Company's application and decided as follows:

- "1. *Based solely on the information provided, Australian Stock Exchange Limited ("ASX") grants Insurance Australia Group Limited (the "Company") a waiver from listing rule 14.11 to the extent necessary to permit the Company not to disregard votes on Resolution 2 at the Annual General Meeting to be held on 12 November 2003 to ratify the issue of 16,239,756 shares under the underwriting arrangements for the Company's dividend reinvestment plan and the issue of 10,366,388 shares to shareholders participating in the dividend reinvestment plan by:*
- 1.1 *nominee holders and associates of nominee holders where such votes are cast by the nominee holders on behalf of beneficial holders, or by associates of nominee holders who did not participate in the relevant share issues;*

on condition that:

- 1.2 *the non participating beneficiaries vote either for or against the resolution and the nominee holders do not exercise a discretion in casting a vote on behalf of the non participating beneficiaries;*
 - 1.3 *each non-participating beneficiary provides written confirmation to its nominee holder that the non participating beneficiary did not participate in the issues and that it is not an associate of a person who participated in the issues (other than in that person's capacity as a nominee holder); and*
 - 1.4 *the Company releases the terms of the waiver to the market immediately upon its receipt or at the time of lodgement of the AGM notice of meeting whichever is later.*
2. *ASX has considered listing rule 14.11 only and makes no statement as to the Company's compliance with other listing rules."*

BASIS FOR DECISION

Listing rule 14.11

Underlying Policy

1. Notice of meeting requirement – approval of an issue of securities for listing rule 7.4 purposes – voting exclusion statement required to exclude votes of security holders who participated in the issue – security holders who participate in issue may receive a benefit over and above other security holders that do not participate in the issue.

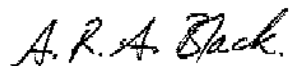
Present Application

2. Voting exclusion statement precludes votes of nominee on resolution to ratify placement from being counted if nominee holds securities on behalf of any underlying beneficiary who participated in the placement – waiver permits votes of nominee on behalf of underlying beneficiaries who did not participate in the placement to be counted, provided beneficiary directs nominee to vote for or against the resolution.

It is expected that the waiver granted to the Company will be on the public record on 10 October 2003 or soon afterwards.

If you have any queries in relation to the decision please let me know.

Yours sincerely,



Andrew Black
Senior Companies Advisor

Direct Line: (02) 9227 0899