Insurance Australia
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4 October 2005

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

Dear Sir/Madam

INSURANCE AUSTRALIA GROUP LIMITED ('IAG')

PRICING OF SHARES TO BE ALLOCATED UNDER DIVIDEND REINVESTMENT PLAN

IAG is pleased to advise that ordinary shares to be allocated under the company's Dividend Reinvestment Plan (DRP) will be priced at $5.3762 per share for the 2005 final dividend.

The DRP price was based on an average market price for the ten trading days from 19 September 2005 to 30 September 2005 inclusive.

Under the DRP, approximately 10.6 million ordinary shares will be allocated to participating shareholders on 17 October 2005, at the same time as final dividend payments are made. Shares to be allocated to participating shareholders are being purchased on market.

Participating shareholders will be mailed a notice of their new shareholding on 17 October 2005.

Yours truly

Glenn Revell
Company Secretary