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IAG
Insurance
Australia
Group

28 June 2007

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

Dear Sir/Madam

INSURANCE AUSTRALIA GROUP LIMITED ('IAG')

CHANGE TO DIVIDEND REINVESTMENT PLAN RULES

The IAG Board has approved an amendment to the IAG Dividend Reinvestment Plan (DRP) rules that will come into effect from 1 August 2007.

The change applies to the definition of "Average Market Price" in the Glossary of the DRP Booklet to reflect changes made to ASX Market Rules. The new definition is as follows:

> **"Average Market Price** The daily volume weighted average sale price per Share of Shares sold on the ASX during the Pricing Period in the ordinary course of trading on ASX (including the closing single price auction), but excluding any transaction defined in the ASX Market Rules as "special", crossings prior to the commencement of the open session state, crossings during overnight trading (ie following the closing single price auction), any overseas trades or trades pursuant to the exercise of options over Shares, and any other sales which the Directors consider may not be fairly reflective of natural supply and demand."

A copy of the DRP Booklet can found on IAG's website at the following address:

http://iag.com.au/pub/iag/shareholder/drp.shtml

Yours truly

Glenn Revell
Group Company Secretary