

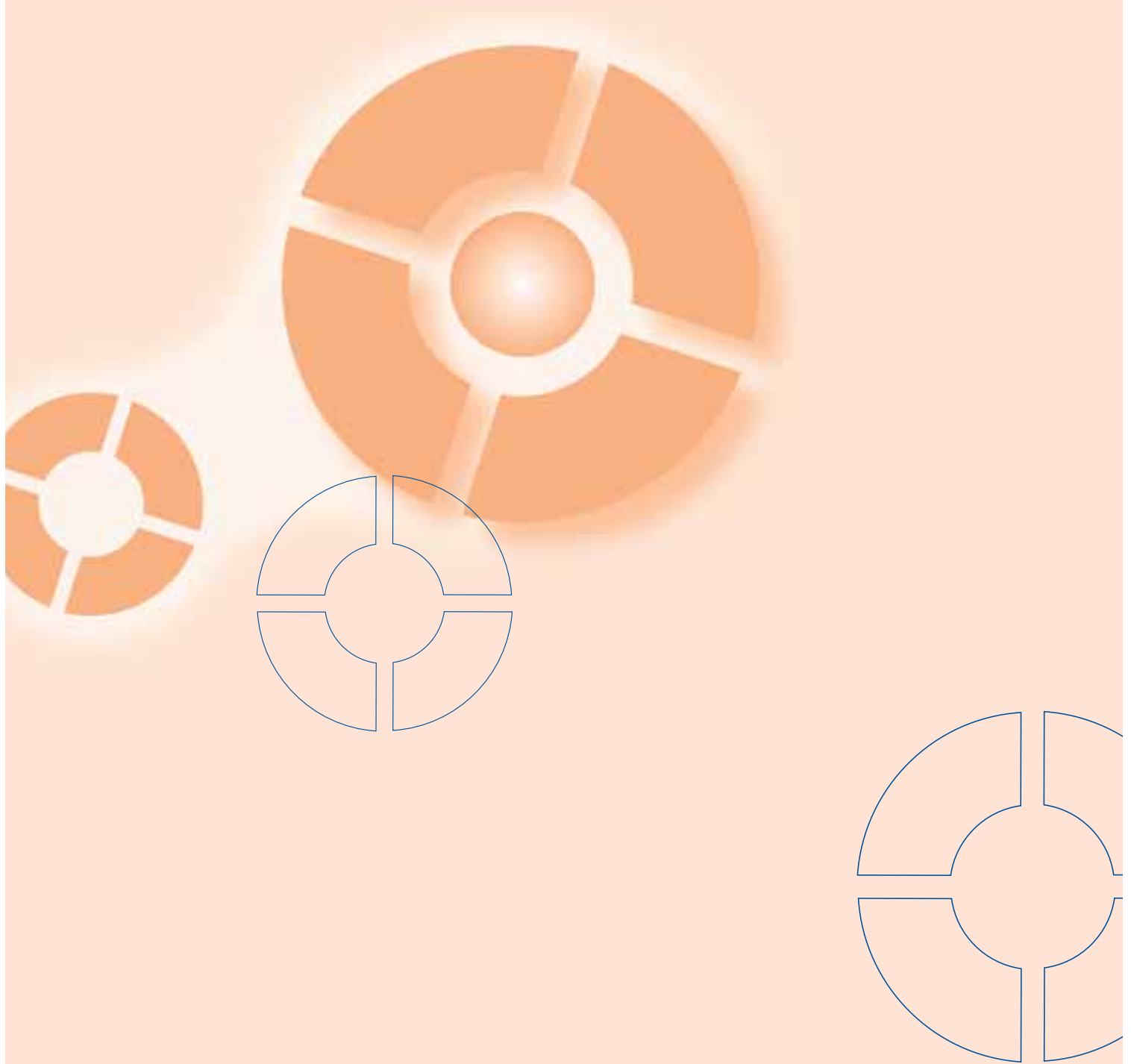
# 2005

# NOTICE OF MEETING



Notice of Annual General Meeting 2005  
and Explanatory Notes  
Insurance Australia Group Limited  
ABN 60 090 739 923

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# LETTER FROM THE CHAIRMAN

9 September 2005

Dear Shareholder

I am pleased to invite you to the 2005 Annual General Meeting of Insurance Australia Group Limited (IAG).

The meeting will be held at the Wesley Conference Centre, 220 Pitt St, Sydney on Wednesday, 9 November 2005, commencing at 10.00am. A map with directions to the venue can be found on page 8 of this booklet. The meeting will also be webcast live and may be viewed at [www.iag.com.au/agm2005](http://www.iag.com.au/agm2005). An archive of the webcast will be made available on the site shortly after the meeting.

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

At this year's meeting, you will be asked to vote on the re-election of three Directors – Mr John Astbury, Mr Geoffrey Cousins and Mr Rowan Ross. Each of these Directors is retiring by rotation in accordance with the Company's Constitution and offering themselves for re-election. Further background material on these elections is set out in Items 1-3 of the Explanatory Notes on page 4.

You are also being asked to vote to increase the maximum aggregate remuneration payable to Non-executive Directors in recognition of the increased workload and responsibility of the Board. The proposed increase to the maximum aggregate remuneration, the first since the Company listed five years ago in 2000, is based on an independent review and takes into consideration prevailing market rates. The Directors' fees adopted for the 2006 financial year will utilise only a very small portion of the increase in the maximum aggregate remuneration. It is expected that the new limit of \$2,000,000 should provide capacity into the future, to pay fees to attract and retain suitable candidates for the Board. See Item 4 of the Explanatory Notes on page 5 for more information.

In addition, IAG is seeking to lengthen the period of time before the Annual General Meeting prescribed in its Constitution for receiving nominations for the election of directors, from persons other than retiring Directors or those that have been appointed to fill a casual vacancy. See Item 5 of the Explanatory Notes on page 6 for more information.

Finally, under a new requirement of the Corporations Act, you will be asked to adopt IAG's 'Remuneration Report'. Listed companies are now required to include a 'Remuneration Report' as part of the Directors' Report to comply with increased disclosure requirements surrounding director and executive remuneration. IAG's 'Remuneration Report' is set out on pages 44 to 56 of the 2005 Annual Report.


If you are unable to attend the meeting in person, please complete and mail the enclosed proxy form using the enclosed reply-paid envelope. Alternatively, you may register your proxy appointment and voting instructions electronically over the internet at [www.iag.com.au/agm2005](http://www.iag.com.au/agm2005) or by fax.

In light of the large number of proxy votes generally received from IAG shareholders, it is intended that polls be conducted on all items in the Notice of Meeting requiring a vote, as has been the practice at previous meetings.

Your Directors believe these resolutions are in the best interests of IAG and its shareholders. Whilst the Directors are not permitted to make a recommendation on Item 4 as it relates directly to them, they unanimously recommend that you vote in favour of all other resolutions. If you have any questions about the items of business, please feel free to contact IAG's Share Registry on 1300 360 688.

I look forward to seeing as many of you as possible at the meeting.

Yours sincerely



James Strong  
Chairman

# NOTICE OF ANNUAL GENERAL MEETING

Insurance Australia Group Limited ABN 60 090 739 923

Shareholders are advised that the 2005 Annual General Meeting ('AGM') of Insurance Australia Group Limited ('the Company') will be held on Wednesday 9 November 2005 at 10.00am at the Wesley Theatre, Wesley Conference Centre, 220 Pitt Street, Sydney.

## ITEMS OF BUSINESS

### ELECTION OF DIRECTORS

1. Mr John Astbury, a Director retiring by rotation in accordance with the Company's Constitution, being eligible, offers himself for re-election.
2. Mr Geoffrey Cousins, a Director retiring by rotation in accordance with the Company's Constitution, being eligible, offers himself for re-election.
3. Mr Rowan Ross, a Director retiring by rotation in accordance with the Company's Constitution, being eligible, offers himself for re-election.

### NON-EXECUTIVE DIRECTORS' FEES

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

"For the purposes of Australian Stock Exchange Listing Rule 10.17 and Article 12.12 of the Constitution of the Company, that the maximum aggregate remuneration payable to Non-executive Directors be increased by \$500,000 to \$2,000,000 per annum."

### AMENDMENTS TO CONSTITUTION

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

"That the Company's Constitution be amended by deleting Article 12.7 and replacing it with the following new Article 12.7:

*"12.7 A person, other than a person declared eligible by Article 12.4 or 12.10, is not eligible for election as a Director at a general meeting of the Company unless a nomination signed by the nominee has been lodged at the Registered Office at least 55 business days before the general meeting or such shorter period as the Directors determine."*

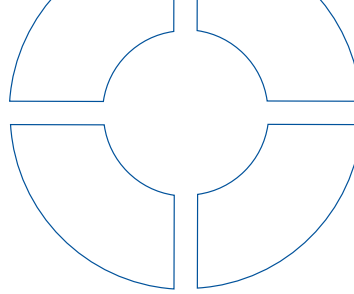
### REMUNERATION REPORT

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

"That the Company's Remuneration Report for the financial year ended 30 June 2005 be adopted."

### RECEIPT OF FINANCIAL STATEMENTS AND REPORTS

7. To receive and discuss the Company's financial statements and reports for the financial year ended 30 June 2005.



## NOTES

### (a) Voting Exclusion Statement

The Company will disregard votes cast on Resolution 4 by the Directors or their associates.

However, the Company need not disregard a vote if it is cast by:

- (i) one of the Directors or their associates as a proxy for a person who is entitled to vote and if the vote is cast in accordance with the directions on the proxy form; or
- (ii) the person chairing the meeting as proxy for a person who is entitled to vote and is cast in accordance with a direction on the proxy form to vote as the proxy decides.

### (b) 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 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 half of the shareholder's votes.

Shareholders appointing a proxy to vote on their behalf are encouraged to utilise their capacity to direct the proxy to vote for or against each item of business, rather than providing open proxies.

If a shareholder appoints the Chairman of the Meeting as proxy and does not direct the Chairman how to vote on an item of business, the Chairman will vote in favour of each of the proposed resolutions set out in the Notice of Meeting (including Resolution 4 if permitted under the Proxy Form).

To be valid, Proxy Forms must be received by the Company's Share Registrar, Computershare Investor Services Pty Limited, before 10.00am on Monday, 7 November 2005 (**Proxy Deadline**).

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

- (i) by post in the reply-paid envelope provided. Please allow sufficient time so that it reaches Computershare Investor Services Pty Limited by the Proxy Deadline;
- (ii) online at [www.iag.com.au/agm2005](http://www.iag.com.au/agm2005). You will need your Securityholder Reference Number (SRN) or Holder Identification Number (HIN) which is shown in the top right corner of the Proxy Form;
- (iii) by facsimile to Computershare Investor Services Pty Limited on (02) 8235 8220; or
- (iv) by hand delivery to Computershare Investor Services Pty Limited, Level 2, 60 Carrington Street, Sydney, NSW 2000.

### (c) 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.

### (d) Power of Attorney

If a shareholder has appointed an attorney to attend and vote at the meeting, or if the proxy 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 Registrar, Computershare Investor Services Pty Limited by the Proxy Deadline, unless this document has been previously lodged with the Company's Share Registrar for notation.

Powers of Attorney may be submitted by post or by hand delivery to Level 2, 60 Carrington Street, Sydney, NSW 2000.

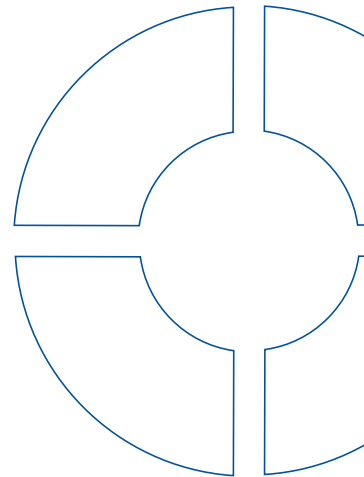
### (e) Shareholders eligible to vote

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 9 September 2005

By order of the Board of Directors

Anne O'Driscoll  
Group Company Secretary



# EXPLANATORY NOTES

The following notes explain the items of business to be discussed at IAG's 2005 AGM. The notes are set out in the order of the items in the Notice of Meeting and should be read with the Notice.

## ITEMS OF BUSINESS

### ITEMS 1-3: ELECTION OF DIRECTORS

#### **Background information**

The Australian Stock Exchange (ASX) Listing Rules require the Company to hold an election of Directors in each year. The Constitution of the Company requires that one third of the Directors (other than the Managing Director), and any other Director not in that one third who has held office for three years or more, retire from office at each AGM.

The Board agreed in September 2003 to introduce a tenure policy for Non-executive Directors. The tenure policy ensures that the Board comprises Directors who collectively have the relevant experience and skills required, and assists in maintaining the independence of the Board. Since inception of the tenure policy, four Directors have left the Company and two new Directors have been appointed to the Board.

Messrs John Astbury, Geoffrey Cousins and Rowan Ross are now due to retire by rotation and to offer themselves for re-election at the AGM in accordance with the Company's Constitution. Under the current tenure policy, these Directors should only stand for a further term if they are invited by the Board to do so, as such an additional term will take their total tenure beyond seven years.

As Messrs Astbury, Cousins and Ross were all first appointed around the time of listing the Company in August 2000, the Company finds itself in the position that three of its

most experienced and capable Non-executive Directors, having each served a period of approximately five years, would be expected to retire from the Board at the 2005 AGM.

In addition, Mr Astbury and Mr Ross hold key roles as the Chairs of the Company's Audit Committee and the Risk Management & Compliance Committee respectively.

The Board may, as outlined above, invite Directors otherwise due to retire under the tenure policy to remain on the Board for a further period where the Board has determined that it is in the Company's best interests to do so.

The Board has determined that it is in the best interests of the Company for these three Directors to stand for re-election as Directors of the Company for a further term, given their experience, expertise and corporate knowledge, and have invited Messrs Astbury, Cousins and Ross to again stand for election.

The Board has also decided to review the tenure policy after the AGM to determine whether it continues to effectively reflect requirements for Director succession and renewal and, in particular, to take into account the evolving corporate governance practices and requirements for Directors of general insurance companies. This will ensure that the Board retains the appropriate mix of skills, experience and knowledge required for the Company taking into account its current size, market position, complexity and strategic focus, while arranging for the addition of new Directors on a gradual basis.

#### **Who is standing for re-election?**

##### **1. Mr John Astbury**

Mr John Astbury, FAICD, aged 61, was appointed as a Director of IAG in July 2000. He is Chairman of the IAG Audit Committee and serves on the IAG Nomination, Remuneration & Sustainability Committee.

Mr Astbury is a Director of Woolworths Limited and AMP Limited. He was previously the Finance Director of Lend Lease Corporation Limited and a Chief General Manager of National Australia Bank Limited. He has a long career in banking and financial services in both the UK and Australia.

#### **What do the Directors recommend?**

The other Directors recommend that you vote in favour of the resolution.

##### **2. Mr Geoffrey Cousins**

Mr Geoffrey Cousins, aged 62, was appointed as a Director of IAG in July 2000. He is a member of the IAG Audit Committee.

Mr Cousins has more than 26 years experience as a company director. Mr Cousins was previously the Chairman of George Patterson Australia and is a former director of Publishing and Broadcasting Limited, the Seven Network, Hoyts Cinemas group and NM Rothschild & Sons Limited. He was the first Chief Executive of Optus Vision and before that held a number of executive positions at George Patterson, including Chief Executive of George Patterson Australia.

Mr Cousins is a consultant to the Prime Minister and is the Chairman of the Cure Cancer Australia Foundation.



### **What do the Directors recommend?**

The other Directors recommend that you vote in favour of the resolution.

### **3. Mr Rowan Ross**

Mr Rowan Ross, BEc, BCom, FCPA, FSIA, aged 56, was appointed as a Director of IAG in July 2000 and acted as Chairman from April to August 2001. He is Chairman of the IAG Risk Management & Compliance Committee and serves on the IAG Nomination, Remuneration & Sustainability Committee.

Mr Ross is currently Chairman of Macquarie Capital Alliance Limited and Sydney IVF Limited. He is also a Director of IAG Finance (New Zealand) Limited. Mr Ross is the former Chairman of Bankers Trust Investment Bank, former National President of the Securities Institute of Australia and former Chairman of the Sydney Dance Company and the Australian Major Performing Arts Group. Mr Ross has more than 30 years experience in investment banking and is an Executive Director of Macquarie Bank Limited.

### **What do the Directors recommend?**

The other Directors recommend that you vote in favour of the resolution.

### **ITEM 4: NON-EXECUTIVE DIRECTORS' FEES**

The maximum aggregate annual remuneration payable to Non-executive Directors is currently \$1,500,000 per annum. The aggregate annual remuneration includes employer superannuation contributions paid by the Company on behalf of the Non-executive Directors.

ASX Listing Rule 10.17 provides that a listed company must not, without shareholder approval, increase the total amount of Non-executive Directors' fees.

Following an independent review of the remuneration of the Company's Non-executive Directors, it is proposed that the maximum aggregate remuneration payable to the Company's Non-executive Directors be increased from \$1,500,000 to \$2,000,000 per annum. The Directors' fees adopted for the 2006 financial year will utilise only a very small portion of the increase in the maximum aggregate remuneration.

The proposed increase to the maximum aggregate remuneration is the first that has been proposed since the Company listed in 2000. It reflects an appropriate increase in board remuneration to reflect market movements, and to ensure that the Company can retain the best people to drive corporate performance and to deliver appropriate returns to shareholders. The proposed increase also anticipates the possible need to pay increased fees to attract new Non-executive Directors.

### **What is the current structure?**

The main elements of Non-executive Director remuneration are summarised as follows:

#### *Directors' Fees*

The Board has agreed to pay each Non-executive Director a base fee in respect of their services to the Board and a separate fee for serving as a member of each standing Board Committee (the Audit, Nomination Remuneration & Sustainability and Risk Management & Compliance Committees).

The Chairman's annual base fee is at a ratio of three times the base fee of a Non-executive Director. The Chairman is also paid a fee for his role as Chairman of Insurance Manufacturers of Australia Pty Limited, a 70% owned subsidiary of the Company, but is not separately paid for his chairmanship of the Nomination, Remuneration & Sustainability Committee. The Chairman's fees from Insurance Manufacturers of Australia Pty Limited form part of the fees subject to approval by the Company's shareholders.

### *Non-executive Directors Share Plan*

The Board has also agreed that each Non-executive Director must take a minimum of 20% and up to a maximum of 90% of their annual base fee (that is, excluding Committee fees), on a fee sacrifice basis, in the form of shares provided under the Company's Non-executive Directors Share Plan ("NED Share Plan"), which was approved by shareholders on 13 November 2002. Shares are purchased by the NED Share Plan trustee on-market and allocated to Directors each year. Non-executive Directors may elect to restrict the disposal of these shares for a minimum period of one year and up to ten years or until the Director retires.

### *Non-executive Directors' Retirement Benefits*

The Board decided to freeze the operation of the Non-executive Director retirement benefit scheme adopted by the Group in 2001 with effect from 1 September 2003. Non-executive Directors appointed before 1 September 2003 are entitled to receive retirements benefits, frozen as at 31 August 2003, under this scheme but always subject to the discretion of the Board on whether to pay these benefits.

All Non-executive Directors receive superannuation contributions in respect of their base Directors fee at a rate of 9%.

Details of payments made to Non-executive Directors in the year ended 30 June 2005 and the frozen retirement benefits of Directors who held office on 31 August 2003 and continued in office since then are set out in the 'Remuneration Report' on pages 44 to 56 of the 2005 Annual Report.

**Why did IAG decide to increase Non-executive Directors' fees?**

The aggregate annual remuneration of the Non-executive Directors of \$1,500,000 has not changed since it was determined in 2000 upon listing of the Company. Since that time, the Company has grown significantly:

- Gross written premium from \$2.6 billion to \$6.6 billion;
- Insurance profit from \$110 million to \$1 billion;
- Total assets from \$12.1 billion to \$17.1 billion; and
- Employees from 5,338 to 11,502 measured as full-time equivalents.

In addition, since 2000, the demands of directors of listed companies and in particular, general insurance companies, have increased through a plethora of corporate legislation and regulation and the ensuing complexities for a general insurance business, as well as from community expectations of exemplary corporate

behaviour and standards. The duties and responsibilities of the Company's Non-executive Directors have expanded significantly in response to these demands.

The proposed increase in the aggregate annual remuneration has regard to the increased responsibilities of the Board and its Committees and ensures that the Company can attract and retain the best people for Board positions.

The Board has obtained independent advice on board remuneration from Egan Associates who have assessed the remuneration for the Company's Non-executive Directors in comparison with the level of Non-executive Director remuneration payable by companies of comparable size.

In accordance with the independent advice, the Board has determined that fees payable to the Company's Non-executive Directors be increased with effect from 1 July 2005 as shown in the table below:

In aggregate, these increased fees plus superannuation contributions total \$1,515,100.

The current maximum annual aggregate remuneration of \$1,500,000 would be insufficient to enable the Company to pay these increased fees to the Non-executive Directors for a full year.

The increase in the maximum annual aggregate remuneration to \$2,000,000 would enable the Board to pay fees to attract and retain suitable candidates for the Board in the foreseeable future. However, the Board has no current plans to increase Non-executive Directors' fees above the level specified in the table on this page.

A full description of the Board's approach to remuneration of Non-executive Directors is set out in the 'Remuneration Report' on pages 44 to 56 of the Company's 2005 Annual Report.

**What do the Directors recommend?**

As the resolution relates directly to the Non-executive Directors, the Directors do not make a recommendation.

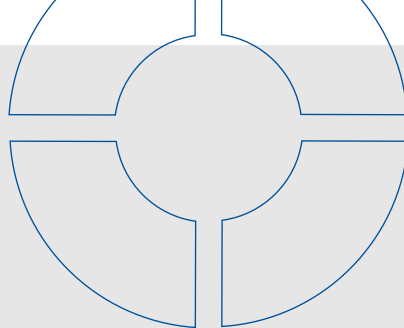
**ITEM 5: AMENDMENTS TO CONSTITUTION**

Item 5 has been proposed to allow the amendment of the Company's Constitution to re-state the period of time before the AGM for receiving nominations for the election of directors.

**Why do we need to amend Article 12.7?**

Under Article 12.7 of the Company's Constitution, a person other than a retiring Director or one appointed to fill a casual vacancy, who is not recommended for nomination by the Board, is not eligible for election as a Director at a general meeting unless that person's signed consent to nomination is received by the Company at least 30 business days before the general meeting. This period is shortened to 20 business days for those candidates who are nominated by the Board.

	To 30 June 2005 \$	From 1 July 2005 \$
<b>Base Fees</b>		
Chairman	300,000	360,000
Non-executive Director	100,000	120,000
<b>Committee Fees</b>		
Chair of Audit Committee	18,000	30,000
Chair of Risk Management & Compliance Committee	18,000	30,000
Chair of Nomination, Remuneration & Sustainability Committee*	Nil	Nil
Committee Member	12,000	15,000
<b>Fee Paid to Company Chairman by Subsidiary Company</b>	130,000	160,000
* The Chairman of the Company is also the Chair of the Nomination, Remuneration & Sustainability Committee		



In the past, the Company has always adopted a closing date for receipt of nominations of candidates for election as a director of not less than 45 business days before the AGM. ASX Listing Rule 14.3 sets a closing date for receipt of nominations of candidates for election as directors at 35 business days. However, as the Company has almost one million shareholders, it has always sought and been granted a waiver by ASX from Listing Rule 14.3 to set the date at 45 business days on the grounds that the Company's large number of shareholders means it needs this longer period to print and distribute Notices of Meeting to shareholders within the time frame required to meet the 28 day notice requirement set out under the Corporations Act 2001.

ASX has advised that it is planning to amend Listing Rule 14.3 later this year. The Company understands this will set the nomination closing date at 35 business days before a company's AGM, unless the company's Constitution stipulates a different nomination closing date. However, the details of the proposed amendment and the timetable for the introduction of this amendment are not yet available.

Therefore, it is proposed that Article 12.7 be amended to adopt a nomination closing date of 55 business days before the general meeting or such shorter period as the Directors determine. The period of 55 business days, although longer than the 45 business days currently used, would provide the Board with greater flexibility in ensuring that Notices of Meeting are prepared in sufficient time. The proposed replacement article allows the Board to reduce the 55 business day period if circumstances warrant a shorter period applying.

It is also proposed to amend Article 12.7 so that the same closing date applies to all candidates for election, whether or not nominations are being recommended by the Board.

#### ***What do the Directors recommend?***

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

#### **ITEM 6: REMUNERATION REPORT**

Recent changes to the Corporations Act 2001 require listed companies to provide enhanced disclosures of director and executive remuneration in their Annual Reports. These disclosures are set out in the 'Remuneration Report' on pages 44 to 56 of the Company's 2005 Annual Report.

The Company is also now required to propose to its shareholders at its AGM a non-binding advisory resolution on the Remuneration Report prepared by the Directors, and to allow questions and comments on this Remuneration Report by shareholders.

#### ***What do the Directors recommend?***

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

#### **ITEM 7: RECEIPT OF FINANCIAL STATEMENTS**

The financial results for the year ended 30 June 2005 are set out in the Company's 2005 Annual Report.

#### ***Why are the financial statements being presented to shareholders?***

In accordance with the Corporations Act 2001, shareholders will be given a reasonable opportunity at the AGM to ask questions and make comments on the financial statements and reports and on the business operations and management of the Company.

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

## **WRITTEN QUESTIONS FOR THE AUDITOR**

If you would like to submit a written question to the Company's auditor, please post your question in the reply-paid envelope provided or fax it to (02) 8235 8220.

Written questions must relate to the content of the auditor's report to be considered at the AGM or the conduct of the audit. A list of qualifying questions received will be made available at the AGM.

Please note that all questions must be received at least five business days before the AGM, that is, by no later than 5pm on Wednesday, 2 November 2005.

As stated above, the auditor will also be present at the AGM.

#### **AGM WEBCAST**

The AGM will be webcast at [www.iag.com.au/agm2005](http://www.iag.com.au/agm2005).

## **FURTHER INFORMATION**

If you would like any further information regarding the AGM, please contact the Company's Share Registry on 1300 360 688 or visit our website

[www.iag.com.au/agm2005](http://www.iag.com.au/agm2005)

# VENUE LOCATION



## PUBLIC TRANSPORT & PARKING INFORMATION

**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**.

**Monorail** – The closest Monorail Station is Galeries Victoria (Pitt Street, Sydney).

**Parking** – The closest parking station is Secure Parking situated beneath the Piccadilly Shopping Centre; entry is via 137 Castlereagh Street, Sydney. Rates vary from \$45.00 for 2-3 hours and \$55.00 for 3+ hours.



