

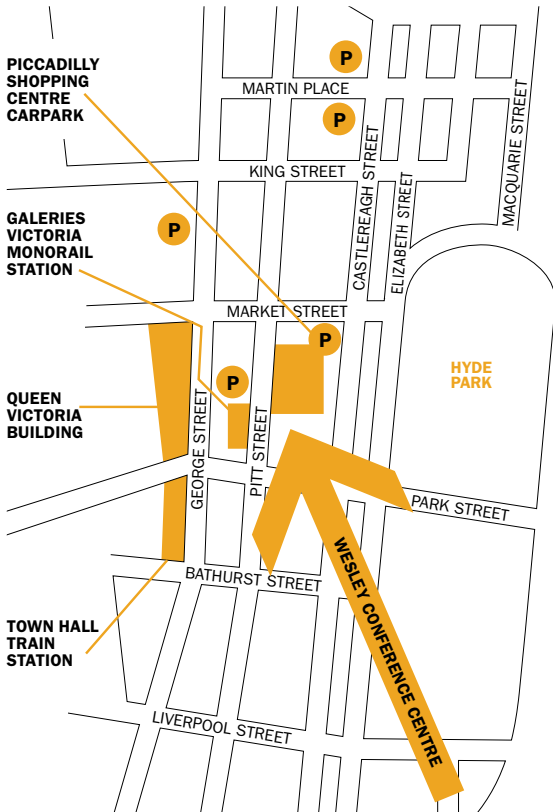
THE ANNUAL GENERAL MEETING ▶ ▶

NOTICE OF MEETING 2009

Insurance Australia Group Limited ABN 60 090 739 923



IAG'S 2009 ANNUAL GENERAL MEETING WILL BE HELD ON TUESDAY 10 NOVEMBER 2009 FROM 10.00AM AT THE WESLEY CONFERENCE CENTRE, 220 PITT STREET, SYDNEY. IT WILL BE WEBCAST AT WWW.IAG.COM.AU/RESULTS/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.

MONORAIL

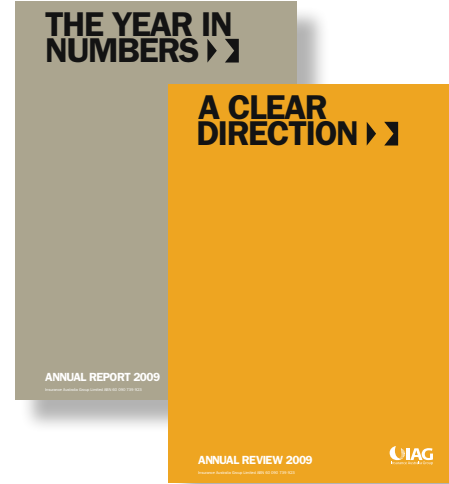
The closest monorail station is Galleries Victoria (Pitt Street, Sydney).

PARKING

The closest parking station is Secure Parking situated beneath the Piccadilly Shopping Centre; entry is via 137 Castlereagh Street, Sydney. Rates vary from \$50 for 2-3 hours and \$60 for 3+ hours.

INFORMATION ABOUT IAG

You can read about IAG's performance for the 2009 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.



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 or +61 (0) 3 9415 4210 from outside Australia, or visit the IAG website at www.iag.com.au/results/agm.

LETTER FROM THE CHAIRMAN

10 September 2009

Dear shareholder

I am pleased to invite you to attend the 2009 Annual General Meeting (AGM) of Insurance Australia Group Limited (IAG).

The meeting will be held at the Wesley Conference Centre, 220 Pitt Street, Sydney on Tuesday 10 November 2009, commencing at 10.00am. A map with directions to the venue can be found on the inside front cover of this booklet. The meeting will also be webcast live and may be viewed at www.iag.com.au/results/aggm. An archive of the webcast will be made available on the site shortly after the meeting.

Shown below are the items of business that you have the opportunity to vote on at the meeting and detailed on the following pages are voting procedures and explanatory notes.

At this year's meeting, you will be asked to vote on:

- the re-election of two directors, Yasmin Allen and Phillip Colebatch;
- refresh capacity to issue ordinary shares following the institutional placement of 150,000,000 ordinary shares completed in February 2009;
- the adoption of the remuneration report as required by the Corporations Act 2001. The remuneration report is set out on pages 18 to 35 of the 2009 annual report; and
- the allocation of deferred short term incentives in the form of Deferred Award Rights and long term incentives in the form of Executive Performance Rights to Michael Wilkins, Managing Director and Chief Executive Officer.

If you are unable to attend the meeting in person, you may vote your shares directly or appoint a proxy to act on your behalf. You may register voting instructions electronically at www.iag.com.au or complete and mail the enclosed voting form using the pre-addressed envelope provided. Alternatively you may lodge your voting form by fax to +61 (0)3 9473 2555 or hand deliver your voting form to our share registry.

If you have any questions about the items of business, please contact the IAG share registry on 1300 360 688 if calling within Australia or +61 (0)3 9415 4210 outside Australia.

I look forward to seeing you at the meeting.

Yours sincerely



James Strong
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 2009.

ELECTION OF TWO DIRECTORS RESOLUTION 1

To re-elect as a director Yasmin Allen who retires by rotation in accordance with the Company's Constitution, and being eligible, offers herself for re-election.

RESOLUTION 2

To re-elect as a director Phillip Colebatch who retires by rotation in accordance with the Company's Constitution, and being eligible, offers himself for re-election.

REFRESH CAPACITY TO ISSUE SHARES FOLLOWING THE PLACEMENT OF ORDINARY SHARES

RESOLUTION 3

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

"That for the purposes of ASX Listing Rule 7.4, approve the issue of shares by IAG as and on the basis described in the Explanatory Notes accompanying the 2009 Notice of Meeting."

ADOPTION OF REMUNERATION REPORT

RESOLUTION 4

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

"That the Company's remuneration report for the financial year ended 30 June 2009 be adopted."

In accordance with the Corporations Act 2001, the vote on the adoption of the Company's remuneration report for the financial year ended 30 June 2009 is advisory only and does not bind the directors or the Company.

ALLOCATION OF SHARE RIGHTS TO MICHAEL WILKINS, MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER

RESOLUTION 5

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

"That approval is given to allocate to the Managing Director and Chief Executive Officer of the Company, Mr Wilkins:

(a) Deferred Award Rights

and

(b) Executive Performance Rights

for the financial years ending 30 June 2010, 2011 and 2012 as and on the basis described in the Explanatory Notes accompanying the 2009 Notice of Meeting and in accordance with the Deferred Award Rights terms and the Executive Performance Rights terms."

ABOUT VOTING

A. VOTING OPTIONS

DIRECT

A direct vote will enable shareholders to vote on resolutions considered at the AGM by lodging their votes with the Company prior to the meeting. Direct voting will enable shareholders to exercise their voting rights without the need for the shareholder to attend the meeting or appoint a proxy.

Please note, a shareholder who has cast a direct vote may attend the AGM, however, their attendance 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 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.

If a shareholder appoints the chairman of the meeting or another director as proxy and does not direct the chairman of the meeting or director how to vote on an item of business, the chairman of the meeting or director will vote in favour of each of the proposed resolutions set out in the Notice of Meeting.

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, in Sydney before **10.00am on Sunday 8 November 2009 (Voting Deadline)**.

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

- online at www.iag.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 so that it reaches Computershare Investor Services Pty Limited by the Voting Deadline;
- by facsimile to Computershare Investor Services Pty Limited on +61 (0)3 9473 2555; or
- by hand delivery to Computershare Investor Services Pty Limited, Level 2, 60 Carrington Street, Sydney, NSW 2000.*

Intermediaries with access to Intermediary Online through Computershare Investor Services Pty Limited 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 company's representative, executed in accordance with the company's constitution; or
- a copy of the resolution appointing the representative, certified by a secretary or director of the corporate shareholder.

C. POWER OF ATTORNEY

If a shareholder has appointed an attorney to attend and vote at the meeting, 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 Investor Services Pty Limited, by the Voting Deadline, unless this document has been previously lodged with the Company's share registry for notation.

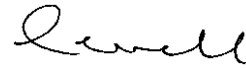
Powers of attorney may be submitted by post or by hand delivery to Computershare Investor Services Pty Limited, Level 2, 60 Carrington Street, Sydney, NSW 2000.*

D. SHAREHOLDERS ELIGIBLE TO VOTE

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

Dated at Sydney on 10 September 2009.

By order of the board of directors.



GLENN REVELL
Company Secretary

* Hand delivery of voting forms, proxies or powers of attorney to any other Computershare Investor Services or IAG office should allow sufficient time for delivery to the Computershare Investor Services, Sydney office by the Voting Deadline.

EXPLANATORY NOTES

The following notes explain the items of business to be considered at IAG's 2009 AGM. The 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 2009 are set out in the annual report sent to those shareholders who elected to receive it by post or elected to receive it online. A copy of the 2009 annual report is available online at www.iag.com.au/results/reports.

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.

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

QUESTIONS FOR THE AUDITOR

If you would like to submit a written question to the Company's auditor, please post your question in the pre-addressed envelope provided or send it by fax to +61 (0)3 9473 2555. Questions may also be lodged as part of the online voting process.

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 5.00pm Tuesday 3 November 2009**.

ELECTION OF TWO DIRECTORS RESOLUTIONS 1 AND 2

Background information

The Australian Securities Exchange (**ASX**) Listing Rules require the Company to hold an election of directors in each year. The Constitution of the Company requires one third of eligible directors to retire from office at each AGM.

Yasmin Allen and Phillip Colebatch retire by rotation in accordance with the Company's Constitution and offer themselves for re-election at this year's AGM.

EXPLANATORY NOTES

WHO IS STANDING FOR RE-ELECTION

Resolution 1

YASMIN ALLEN
BCom, FAICD

Insurance industry experience

Yasmin Allen was appointed as a director of IAG in November 2004. She is chair of the IAG Audit, Risk Management & Compliance Committee and a member of the IAG Nomination, Remuneration & Sustainability Committee. She had six years experience on the board of Export Finance and Insurance Corporation.

Other business experience

Yasmin has extensive experience in investment banking as an equities analyst and in senior management. She is currently a director of Macquarie Specialised Asset Management (and chair of its Audit Committee) and a member of the Salvation Army advisory board. Yasmin was formerly a vice president at Deutsche Bank AG, a director at ANZ Investment Bank in Australia, an associate director at James Capel UK Ltd (HSBC Group), an analyst at Kleinwort Benson plc Investment Bank in the UK and a non-executive director of Film Australia.

Directorships of other listed companies held in past three years

- None.

What do the directors recommend?

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

Resolution 2

PHILLIP COLEBATCH
BSC, BE (Hons), SM, DBA

Insurance industry experience

Phillip Colebatch was appointed as a director of IAG in January 2007. He is a member of the IAG Nomination, Remuneration & Sustainability Committee.

Phillip has served on the executive board of Swiss Re and as division head, capital management and advisory.

Other business experience

Prior to joining Swiss Re, Phillip spent 17 years with the Credit Suisse Group where, in addition to his executive board position, he served as chief financial officer and then chief executive officer of Credit Suisse Asset Management. He has also served as head of European banking activities for Credit Suisse First Boston. Phillip began his career with Citicorp in New York and has held a number of senior investment banking roles at Citicorp in Asia and the UK.

Directorships of other listed companies held in past three years

- Lend Lease Corporation Limited since 1 December 2005; and
- Man Group plc since 1 September 2007.

What do the directors recommend?

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

REFRESH CAPACITY TO ISSUE SHARES FOLLOWING THE PLACEMENT OF ORDINARY SHARES

RESOLUTION 3

On 18 February 2009, the Company completed an institutional placement of 150,000,000 ordinary shares at \$3.00 per share (**Securities**) raising \$450 million of new share capital (**Institutional Placement**).

Funds raised under the Institutional Placement were used to partially repurchase IAG's sterling denominated subordinated debt, to improve its capital mix and to provide additional financial flexibility which the directors consider to be prudent in these challenging market conditions.

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

ASX Listing Rule 7.4 provides that an issue by a company of shares 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 Securities under the Institutional Placement did not breach ASX Listing Rule 7.1 and was not previously approved by shareholders. The Company now seeks shareholder approval for the issue of the Securities under the Institutional Placement pursuant to ASX Listing Rule 7.4. The Securities issued under the Institutional Placement represented approximately 7.9% of the Company's ordinary shares on issue immediately prior to the issue.

The effect of passing Resolution 3 will be to refresh the Company's 15% capacity under ASX Listing Rule 7.1 to the extent of the Securities issued under the Institutional Placement. 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 equity securities in the event that approval is received from shareholders in respect of Resolution 3, other than in relation to the Company's Dividend Reinvestment Plan (**DRP**) (shares issued to shareholders under the DRP are not affected by ASX Listing Rule 7.1). 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.

Notwithstanding an approval by shareholders of Resolution 3, any future equity raisings would remain subject to the 15% limit under ASX Listing Rule 7.1. If Resolution 3 is approved by shareholders, the Securities issued under the Institutional Placement would not be included in the number of shares that can be issued without shareholder approval.

The following additional information is provided in connection with the approval sought under Resolution 3:

(a) **The number of Securities allotted**

The total allotment was 150,000,000 ordinary shares.

(b) **The price at which the Securities were issued**

The shares were issued at \$3.00 per share.

(c) **The terms of the Securities**

The shares rank equally in all respects with the Company's existing ordinary shares.

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

The Securities were allotted to existing and new institutional investors pursuant to a bookbuild conducted by Goldman Sachs JBWere Pty Ltd.

Voting exclusion statement

The Company will disregard any votes cast on this resolution by the institutions and their associates who participated in this placement, unless:

- the beneficiaries provide written confirmation to their nominee holders that neither they nor an associate has an interest in the outcome of Resolution 3;
- the beneficiaries direct the nominee holders to vote for or against Resolution 3; and
- the nominee holders do not exercise discretion in casting a vote on behalf of the beneficiaries.

Further, the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the voting form; or
- (b) 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 voting form to vote as the proxy decides.

What do the directors recommend?

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

ADOPTION OF REMUNERATION REPORT RESOLUTION 4

The Corporations Act 2001 requires listed companies to provide enhanced disclosures of director and executive remuneration in their annual report.

For IAG these disclosures are set out in the remuneration report on pages 18 to 35 of the Company's 2009 annual report.

The Company is 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.

EXPLANATORY NOTES CONTINUED

ALLOCATION OF SHARE RIGHTS TO MICHAEL WILKINS, MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER

RESOLUTION 5

Shareholder approval is being sought to allocate to the Managing Director and Chief Executive Officer of the Company, Michael Wilkins, for the financial years ending 30 June 2010, 2011 and 2012:

- Deferred Award Rights (**DARs**)—which are part of IAG's short term incentive (**STI**) plan, and reward achievement against a mix of financial and non-financial targets; and
- Executive Performance Rights (**EPRs**)—which are part of IAG's long term incentive (**LTI**) plan, and are awarded 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 have been, and it is anticipated that they will continue to be, bought on-market to meet obligations under the DAR and EPR Plans.

Accordingly, the Company is not required to seek this approval, however, in the interests of transparency and good governance, the Company has decided to seek shareholder approval for equity based allocations to executive directors.

Subject to shareholder approval, the board reserves the right to issue new shares instead of buying on-market.

Background

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

- fixed pay (salary plus superannuation);
- short term incentive payable in cash;
- deferred short term incentive in the form of Deferred Award Rights which vest in tranches over a period of three years; and
- a long term incentive provided in the form of Executive Performance Rights.

Each EPR is a right to receive one ordinary IAG share if specific performance hurdles are met.

The short term cash incentive and share based remuneration (that is, DARs and EPRs) are 'at risk' as DARs are only awarded if a short term incentive is paid to Mr Wilkins and EPRs are subject to meeting future performance hurdles.

The board has received professional advice from PricewaterhouseCoopers (**PwC**) with respect to the structure of the EPRs Plan and market practice in relation to the size of long term incentive allocations to persons in roles similar to that performed by Mr Wilkins.

As a senior executive, Mr Wilkins has participated in the DAR and EPR Plans since joining the Company in 2007 and in his capacity as Managing Director and Chief Executive Officer, continues to be eligible to participate.

Proposed deferred short term incentive arrangements—DARs

The board has set a maximum short term incentive for Mr Wilkins at 150% of fixed pay. The actual 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 a short term incentive will be paid as cash within three months of the end of the financial year in which it was earned and 1/3 should be deferred for up to three years. The deferred amount is provided as a grant of DARs.

DARs are granted for nil consideration. If the DARs vest (that is, become exercisable), the holder would be entitled to acquire one IAG share for each DAR. A nominal exercise price of \$1 is payable for the exercise of each allocation of DARs.

How many DARs will be granted to Mr Wilkins?

The board seeks shareholder approval to offer Mr Wilkins awards of DARs in each of the financial years ending 30 June 2010, 2011 and 2012.

The award of DARs in each financial year 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 to be offered in each financial year is as follows:

$$N = (\text{STI} \times Z) / Y$$

Where :

N = 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).

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

Subject to shareholder approval, the board has determined that the DARs to be granted to Mr Wilkins in the financial year ending 2010 will total 158,200.

Each allocation of DARs granted to Mr Wilkins will vest and be exercisable for shares on a future date or dates as determined by the board. The board has determined that DARs allocated to Mr Wilkins in the financial year ending 2010 will vest as follows:

50% on 1 July 2010—79,100 DARs;
30% on 1 July 2011—47,460 DARs; and
20% on 1 July 2012—31,640 DARs.

Summary of the DAR Plan

Under the DAR terms, 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 will be adjusted to take account of capital reconstructions and bonus issues.

Proposed long term incentive arrangements—EPRs

EPRs are rights over ordinary IAG shares. Presently, shares are purchased on-market at or around the time that EPRs are issued and held by a trustee to meet future obligations under the EPRs Plan. EPRs 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 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.

The board has retained the discretion to review the performance hurdles applicable to each offer of EPRs, however, it is the board's current intention that the performance hurdles relevant to each offer will be:

- 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
- 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.

How many EPRs will be granted to Michael Wilkins?

The board seeks shareholder approval to offer Mr Wilkins awards of EPRs in each of the financial years ending 30 June 2010, 2011 and 2012.

The number of EPRs awarded in each financial year will be determined by the board. Subject to shareholder approval the number of EPRs to be awarded in the financial year ending 2010 will total 790,600. The board determined this allocation based on an assessment of performance of Mr Wilkins and a review of market practice.

The maximum number of EPRs the board will award each year will be calculated using the following formula:

$$E = (1.5 \times F) / S$$

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.

Summary of the EPR Plan

If the EPRs vest, Mr Wilkins is entitled to acquire one ordinary IAG share for each EPR.

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.

Total shareholder return (TSR) performance hurdle (50% of total allocation)

The TSR performance hurdle is measured on the third, fourth and fifth 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. A sliding scale applies such that 50% of EPRs vest if IAG's TSR is at 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.

Return on equity (ROE) performance hurdle (50% of total allocation)

The ROE performance hurdle is measured over a period of three financial years.

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 1.5 times WACC for any of the ROE portion of the EPRs to vest and be exercisable for shares.

The vesting scale for EPRs is outlined below:

CASH ROE VS WACC	VESTING SCALE
ROE > 1.8 x WACC	100% vests
ROE = 1.7 x WACC	80% vests
ROE = 1.6 x WACC	50% vests
ROE = 1.5 x WACC	20% vests
ROE < 1.5 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.

While the board has retained the discretion to review the performance hurdles applicable to a grant of EPRs, for 30 June 2011 and 2012 it is currently intended that the performance hurdles will also be ROE and TSR based.

These performance hurdles and other details concerning EPRs will be disclosed each year in the remuneration report.

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 this circumstance, 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 this circumstance, EPRs may vest and become exercisable for shares if the performance hurdles are achieved.

Early exercise of EPRs

The early 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 will be adjusted to take account of capital reconstructions and bonus issues.

Additional information

The following additional information is provided in accordance with ASX Listing Rules and in connection with the approval sought under Resolution 5.

(a) Relationship or position of person acquiring the securities

Mr Wilkins is the Managing Director and Chief Executive Officer of the Company.

(b) Maximum number of securities

The board has determined that the maximum number of securities that may be issued to Mr Wilkins pursuant to this resolution is:

- 158,200 DARs; and
- 790,600 EPRs,

for the financial year ending 2010.

(c) Price of securities

The DARs are granted for nil consideration. A nominal exercise price of \$1 is payable for the exercise of each allocation of DARs. The price is not based on the market price.

The EPRs are granted for nil consideration and there is a nil exercise price payable for the allocation of EPRs.

The price is not based on the market price.

(d) Persons who received securities under incentive plans since the last approval

The last shareholder approval for issues of securities under an incentive plan was at the 2003 AGM. Shareholders approved the issue of 1,500,000 performance award rights (PARs) to Michael Hawker. The allocation of PARs to Michael Hawker were as follows:

December 2003—400,000 PARs;
November 2004—500,000 PARs; and
November 2005—600,000 PARs.

The PARs were granted for nil consideration.

(e) Eligible participants

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

(f) No loans given to acquire securities

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

(g) Issue date

If Resolution 5 is approved, the grant of DARs to Mr Wilkins in the financial year ending 2010 will be within one month of the meeting.

Each allocation of DARs granted to Mr Wilkins will vest and be exercisable for shares on a future date or dates as determined by the board. The board has determined that DARs allocated to Mr Wilkins in the financial year ending 2010 will vest as follows:

50% on 1 July 2010—79,100 DARs;
30% on 1 July 2011—47,460 DARs; and
20% on 1 July 2012—31,640 DARs.

Further DARs may be granted to Mr Wilkins on future dates that are no later than three years after the meeting.

If Resolution 5 is approved, the grant of EPRs to Mr Wilkins in the financial year ending 2010 will be within one month of the meeting. Further EPRs may be granted to Mr Wilkins on future dates that are no later than three years after the meeting.

(h) Additional statements

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, including a statement that approval for the issue of securities was obtained, if required, under ASX Listing Rule 10.14.

Any additional directors who become entitled to participate in the incentive plans after this resolution is approved will not participate until approval is obtained if required, under ASX Listing Rule 10.14.

Voting exclusion statement

The Company will disregard any votes cast on this resolution by the directors. However, the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the voting form; or
- (b) 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 voting form to vote as the proxy decides.

Non-executive directors are not eligible to participate in the DAR or the EPR Plans.

What do the directors recommend?

The directors (with Michael Wilkins abstaining) recommend that you vote in favour of the resolution.

OUR MAJOR BRANDS



Australia



New Zealand



United Kingdom



Asia



100% owned unless indicated. ¹ RACV is via a distribution relationship and underwriting joint venture with RACV Ltd.
² 98% voting rights. ³ 49% ownership of AmG Insurance, which is part of AmAssurance.