NEWS RELEASE 26 FEBRUARY 2013

IAG LAUNCHES SMALL SHAREHOLDING SALE FACILITY



Insurance Australia Group Limited (IAG) today launched a Small Shareholding Sale Facility (Sale Facility) to shareholders with an unmarketable parcel of IAG ordinary shares.

The Sale Facility provides eligible IAG shareholders with an opportunity to have their small shareholding of ordinary shares sold at a market price, without incurring the normal fees associated with their sale.

This Sale Facility is only available to shareholders who have an unmarketable parcel, valued at less than \$500, or 87 IAG ordinary shares. This is based on the Australian Securities Exchange (ASX) closing price of \$5.69 per IAG share on the Record Date of 25 February 2013. Approximately 18,000 shareholders currently hold unmarketable parcels, representing approximately 495,000 IAG ordinary shares in total.

IAG is conducting the Sale Facility in accordance with article 24 of the IAG Constitution and the ASX Listing Rule 15.13.

About Insurance Australia Group

Insurance Australia Group (IAG) is the parent company of an international general insurance group, with operations in Australia, New Zealand and Asia. Its current businesses underwrite over \$9 billion of premium per annum, selling insurance under many leading brands including NRMA Insurance, CGU, SGIO, SGIC and Swann (Australia); NZI, State and AMI (New Zealand); and Safety and NZI (Thailand). For further information please visit www.iag.com.au.

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SMALL SHAREHOLDING SALE FACILITY – TERMS & CONDITIONS

1. Small shareholding Sale Facility (Sale Facility)

Insurance Australia Group Limited (IAG) is conducting a Sale Facility for less than marketable parcels of ordinary shares. The Sale Facility will be conducted under article 24 of the IAG Constitution and the Australian Securities Exchange (ASX) Listing Rule 15.13 and ASIC Class Order 08/10. The Sale Facility provides Eligible Shareholders (see section 3 below) with an opportunity to have their small shareholding of fully paid ordinary shares in IAG (Ordinary Shares) sold in the ordinary course of trading on ASX without incurring the normal fees associated with selling Ordinary Shares through the ASX, as IAG will pay all fees of the Sale Facility. IAG has appointed a broker (Broker) to sell Ordinary Shares on ASX under the Sale Facility.

If you want IAG to SELL your Ordinary Shares and send your proportion of sale proceeds to you under the Sale Facility, you do not need to do anything.

This document, in conjunction with the attached letter and the personalised Share Retention Form, is a Divestment Notice for the purposes of article 24.1 of the constitution of IAG (**Constitution**) which allows divestment of small parcels of Ordinary Shares.

If you want to KEEP your IAG Ordinary Shares you must return the enclosed Share Retention Form to IAG so it is received by no later than 5.00pm on 16 April 2013 (the Share Sale Facility Closing Date). If you do NOT return the enclosed Share Retention Form by the Share Sale Facility Closing Date, your Ordinary Shares WILL BE SOLD by IAG.

2. Reason for the Sale Facility

IAG values all shareholders, however IAG also recognises that holders with small holdings of Ordinary Shares may find it difficult or expensive to dispose of their Ordinary Shares in the usual way. Further, as IAG incurs administrative fees for maintaining shareholder accounts and distributing shareholder communications, irrespective of the number of Ordinary Shares held, the Sale Facility will assist IAG to reduce its administrative costs.

3. Eligible Shareholders

Eligible shareholders are those holding a less than marketable parcel of Ordinary Shares (as defined in section 4 below) as at 7.00pm on 25 February 2013 (the **Record Date**) and whose registered address is in Australia or New Zealand (**Eligible Shareholders**). IAG may determine that Eligible Shareholders will be ineligible to participate in the Sale Facility based on the country of their registered address as at the Offer Closing Date. Only Eligible Shareholders will be sent a letter and Share Retention Form from IAG advising them of their eligibility to participate in the Sale Facility. This letter and the Share Retention Form will be sent to the address registered on the shareholding at the Record Date. Additional restrictions on eligibility are set out in section 19 below.

4. Less than marketable parcel of Ordinary Shares.

The ASX considers a **less than marketable parcel** to be a holding worth less than \$500. Based on the closing price of Ordinary Shares on the Record Date, a less than marketable parcel is a holding of 87 Ordinary Shares or less.

5. Sale Facility participation

From 5 March 2013, Eligible Shareholders may elect whether or not to participate in the Sale Facility, IAG makes no recommendation as to whether you should sell your Ordinary Shares under the Sale Facility.

If you participate in the Sale Facility, IAG will pay the brokerage and handling fees for the sale of your Ordinary Shares.

If you want to keep your Ordinary Shares you must return the enclosed Share Retention Form to IAG so it is received by 5.00pm on 16 April 2013.

If you want IAG to SELL all of your Ordinary Shares under the Sale Facility and remit to you the proceeds of sale of your Ordinary Shares (Sale Proceeds), you do not need to do anything. If you do nothing then IAG will sell all of your Ordinary Shares under the Sale Facility and remit the sale proceeds to you.

IAG will not sell your Ordinary Shares under the Sale Facility if:

i) you acquire additional Ordinary Shares or

SMALL SHAREHOLDING SALE FACILITY - TERMS & CONDITIONS

ii) additional Ordinary Shares are issued to you pursuant to your participation in the existing Dividend Reinvestment Plan (DRP) before market close on 16 April 2013,

and that increases the number of Ordinary Shares in your shareholding to be 88 Ordinary Shares or more (ie so that you no longer have a less than marketable parcel of Ordinary Shares)..

This Sale Facility is not the only way to sell your Ordinary Shares as you can also sell your Ordinary Shares through the ASX by contacting a broker. If you do that, you may incur fees and costs for that sale.

You should seek independent legal, tax, and financial advice specific to your circumstances when determining whether to participate in the Sale Facility, or to otherwise retain or sell your Ordinary Shares.

6. To keep your IAG Ordinary Shares.

If you wish to KEEP your Ordinary Shares you have three options:

- You must return the enclosed Share Retention Form to IAG so it is received by 5.00pm on 16 April 2013: OR
- You must increase the number of Ordinary Shares you hold, by either:
 - i) purchasing further Ordinary Shares on market; or
 - ii) participating in the existing Dividend Reinvestment Plan (DRP)
 - so that the number of shares you hold, in your shareholding account on the register, is 88 shares or more before market close on 16 April 2013; **OR**
- If you hold more than \$500 worth of Ordinary Shares but your holding is split between two or more shareholding accounts, provided the Ordinary Shares are held in the same name, you must combine your holding into one account before 5.00pm on 16 April 2013.

If you take one of these steps by 5.00pm on 16 April 2013 (the Share Sale Facility Closing Date) IAG will not sell your Ordinary Shares. The Sale Facility expires on that date.

If you do not take one of these steps before 5.00pm on 16 April 2013, IAG will sell all of your Ordinary Shares under the Sale Facility, pursuant to article 24 of the IAG Constitution and the provisions of ASX Listing Rule 15.13.

7. Ordinary Shares held in more than one name

If you are a joint holder of Ordinary Shares, IAG will not sell your Ordinary Shares if any one holder signs and returns the Share Retention Form to IAG so it is received by 5.00pm on 16 April 2013. IAG will consider this to be effective notice from all shareholders that the Ordinary Shares are to be retained.

8. To participate in the Sale Facility

If you are an Eligible Shareholder and you want IAG to sell your shareholding on your behalf under the Sale Facility, you do not need to do anything. To ensure you receive your Sale Proceeds, please refer to section 9

9. Price calculation and payment of sale proceeds

All Participating Shareholder who have their Ordinary Shares sold under the Sale Facility will receive the same price per Ordinary Share.

The price that you will receive for your Ordinary Shares sold through the Sale Facility may be an average price, and may differ from the actual sale proceeds for any individual Ordinary Share sold in the Sale Facility.

That average price is calculated based on the volume weighted average price based on the prices at which all Ordinary Shares in the Sale Facility were sold by the Broker in the ordinary course of trading on ASX (**Sale Price**).

Your Sale Proceeds will be calculated by multiplying the Sale Price by the number of your Ordinary Shares that were sold under the Sale Facility, rounded down to the nearest cent [for your aggregate parcel of shares].

Proceeds paid by direct credit to the Australian or New Zealand bank account recorded against your shareholding as at 16 April 2013 will be processed on or about 30 April 2013. If applicable, the current direct credit instruction registered to your shareholding as at the record date, 25 February 2013, is shown on the covering letter enclosed.

SMALL SHAREHOLDING SALE FACILITY – TERMS & CONDITIONS

If you do not have a direct credit instruction recorded on your shareholding by the Sale Facility closing date of 16 April 2013, the proceeds from the sale of your ordinary shares will be paid to you by cheque in Australian dollars. IAG will mail your cheque to you at your registered address on or about 30 April 2013.

10. Process for selling Ordinary Shares in the Sale Facility

If you use the Sale Facility, you cannot specify the process by which, or price at which, your Ordinary Shares will be sold.

The shares will be sold on the ASX in the ordinary course of trading, by IAG's appointed Broker. Your parcel of Ordinary Shares may be split and/or aggregated with other parcels of Ordinary Shares to be sold under the Sale Facility.

The sale of Ordinary Shares by the Broker on the ASX is expected to take place as soon as practicable after 16 April 2013 (the Share Sale Facility Closing Date). You cannot specify the date on which your Ordinary Shares will be sold.

If your Ordinary Shares are not sold within six weeks of 16 April 2013, IAG's right to sell your Ordinary Shares lapses and IAG will inform you if this occurs.

IAG discretion

IAG reserves the right to vary, delay or terminate the above process, including if market or other conditions are such that IAG considers that adhering to the process described above may have a material impact on the price at which ordinary shares trade on ASX or if IAG's directors believe that a more favourable price can be achieved for your ordinary shares by a different sale process. IAG has discretion to make decisions regarding administration and calculations under the Sale Facility. These discretions are subject to applicable laws, the ASX Listing Rules and the provisions of the IAG Constitution.

Computershare's role

IAG has appointed Computershare Investor Services Pty Limited (**CIS**) as its agent to carry out some of its obligations under these Terms and Conditions. IAG and CIS are not giving, and are not obliged to give, any advice to you. These Terms and Conditions do not constitute advice or a recommendation to sell or hold your Ordinary Shares, nor that this Sale Facility is the best way to sell your Ordinary Shares.

Special authorisations for IAG to do things necessary for the Sale Facility

IAG is irrevocably authorised, without further notice, by each Eligible Shareholder which participates in the Sale Facility (each a **Participating Shareholder**) to do all things (including to engage any third party (including brokers), receive all notices (including the Financial Services Guide (and any update of that document) which the Broker is required to provide under the Corporations Act 2001 Cth. This Financial Services Guide will be accessible on the IAG website (www.iag.com.au)) and execute all documents, including to effect any holding adjustment, securities transformation, securities transfer or other transmission or transaction in relation to an Eligible Shareholder's less than marketable parcel of Ordinary Shares, such as converting a CHESS holding to an issuer sponsored holding) to facilitate and administer the sale of the Ordinary Shares under the Sale Facility.

IF YOU DO NOT RETURN A SHARE RETENTION FORM, YOU ARE TAKEN TO HAVE AGREED TO THESE AUTHORISATIONS.

11. Important information - Sale Price of Ordinary Shares

The Sale Price under the Sale Facility will be influenced by market conditions prevailing at the time. It may be different to the price appearing in the newspaper or quoted by ASX on any day, and may be more or less than the actual price that is received by the Broker for the sale of that parcel of Ordinary Shares.

The Sale Price may be more or less than the actual market price at the time of sale and may not be the best price obtainable on the day on which the Ordinary Shares are sold or over the period in which the Ordinary Shares are sold. The market price of Ordinary Shares is subject to change from time to time.

Up to date information on the price of Ordinary Shares can be obtained from the daily press or through the ASX website (www.asx.com.au) by looking up IAG's code which is "IAG."

Disclaimers about pricing

None of IAG, CIS or the Broker provides any assurance as to what the price of the Ordinary Shares on ASX will be or what Sale Price you will receive for your Ordinary Shares if you allow your Ordinary Shares to be sold through the Sale Facility.

SMALL SHAREHOLDING SALE FACILITY – TERMS & CONDITIONS

The Sale Price of the Ordinary Shares will be calculated by IAG or a third party appointed by IAG and may not be challenged in the absence of manifest error.

12. Statements to confirm sale of Ordinary Shares

CIS will send you a transaction confirmation statement notifying you of the number of your Ordinary Shares sold through the Sale Facility, the Sale Price and the total Sale Proceeds you have received.

IAG expects that these documents will be despatched on or about 30 April 2013. You will need to keep these documents for your taxation records.

13. Timing of payment

Direct credit payments

The payment of Sale Proceeds is expected to be processed on or about 30 April 2013 and paid by direct credit to the New Zealand or Australian bank account recorded against your shareholding as at 16 April 2013.

Your current direct credit instruction, based on IAG's records as at the Record Date of 25 February 2013, is shown on the covering letter enclosed.

Cheque payments

If you do not have a direct credit instruction recorded on your shareholding by the Share Sale Facility Closing Date of 16 April 2013, the proceeds from the sale of your Ordinary Shares will be paid to you by cheque in Australian dollars. IAG expects to mail your cheque to you at your registered address on or about 30 April 2013.

Important information about payments

As noted above, IAG has some discretion to adjust these dates.

You will not receive any interest on any sale proceeds. Payment of any sale proceeds to Participating Shareholders is at the Participating Shareholders' risk.

14. New Zealand Shareholders - payment in New Zealand dollars

If you have a registered address in New Zealand, you are entitled to receive your Sale Proceeds in New Zealand dollars by direct credit to your bank account in New Zealand.

Exchange rate for conversion

The exchange rate that will be used to convert the Sale Proceeds from Australian dollars into New Zealand dollars will be the prevailing market rate on the date and time selected by IAG for conversion of the funds. It is anticipated that the exchange rate will be calculated at the conclusion of the sale process on or about 23 April 2013.

You bear the risk of any fluctuations in such rates, including risks relating to the particular date and time at which funds are converted, and IAG has no responsibility to you for the effect of any fluctuations in rates or the timing of conversion.

15. Ordinary Shares held through a broker holding

If you have a CHESS/Broker sponsored holding, your Ordinary Shares can still be sold under the Sale Facility. As provided in article 24.1(d) of the IAG Constitution, IAG may, without further notice, move your Ordinary Shares to an issuer sponsored holding to be sold under the Sale Facility.

16. Tax on sale proceeds

Tax may be payable on any gains you make on the sale of your Ordinary Shares. This will depend on your personal taxation circumstances. Please consult your personal tax adviser if you have questions about your personal taxation circumstances.

17. Withdrawing a Share Retention Form

If you lodge a Share Retention Form, but want to withdraw it - you must provide written notice to CIS, IAG's share registry so it is received no later than 5.00pm on 16 April 2013. Please ensure your request:

SMALL SHAREHOLDING SALE FACILITY - TERMS & CONDITIONS

- details the registered name and address of the shareholder;
- includes the Shareholder Reference Number (SRN) or Holder Identification Number (HIN);
- states that you wish to withdraw your Share Retention Form; and
- is signed by all holders of Ordinary Shares.

CIS's address is: Computershare Investor Services Pty Limited, Reply Paid 2115 Melbourne VIC 3001

18. Suspension, termination or re-scheduling of the Sale Facility

IAG reserves the right to suspend or terminate the Sale Facility at any time, without notice to you, for any reason. IAG also reserves the right to change any of the dates referred to in this letter by notice to the ASX.

In accordance with article 24.13 of the IAG Constitution, if a takeover bid for IAG is announced after the Sale Facility opens, no sales (or no further sales) will be made until after the close of offers made under the takeover bid.

19. Other restrictions on eligibility

IAG may determine that certain shareholders are ineligible to participate in the Sale Facility, at its discretion. As at the date of the attached letter, IAG does not consider the following shareholdings eligible to participate:

- shareholders with previous mail returned to the share registry and are flagged as 'lost' on the share register;
- shareholders with an 'employee class' of Ordinary Shares;
- shareholdings that are in the name of a nominee company or which are not beneficially owned by the registered shareholder; or
- shareholdings which are currently under administration such as deceased estates, liquidation proceedings, and bankruptcy.

IAG has no obligation to any shareholder to sell Ordinary Shares under the Sale Facility.

20. No financial advice and no recommendation

IAG, CIS and the Broker are not giving, and are not obliged to give, any advice to you. These terms and conditions and the attached letter do not constitute advice or a recommendation to sell or retain your Ordinary Shares, nor a representation that participating in the Sale Facility is the best way to sell your Ordinary Shares.

21. Important disclosures by the Broker

The Sale Facility is being arranged by IAG and not the Broker. In providing services to IAG in connection with the Sale Facility, the Broker is acting as an execution only broker and is not providing any services on behalf of, for, or to you or assuming or accepting any duty (whether as fiduciary, agent, trustee, custodian or otherwise) or responsibility to you.

The Broker together with its affiliates is full service financial institution engaged in various activities, which may include trading, financial advisory, investment management, investment research, principal investment, hedging, market making, margin lending, brokerage and other financial and non-financial activities and services including for which they have received or may receive customary fees and expenses, profits or other financial benefits. In the ordinary course of their various business activities, the Broker and its affiliates may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of IAG and/ or its affiliates, and/or persons and entities with relationships with the IAG and/or its affiliates.

22. More information

Please call the IAG Shareholder Information Line on 1300 378 748 or +613 9415 4159 if calling from outside Australia. You can email the IAG Investor Relations team at investor_relations@iag.com.au. Please include your full name and contact details when emailing.

Key Dates for the Unmarketable Parcel Sale Facility.

Announcement of Unmarketable Parcel Sale Facility	26 February 2013
Record Date	5.00pm on 25 February 2013
Sale Facility Opens	5 March 2013
Sale Facility Closes	5.00pm on 16 April 2013
Sale Period Commences	As soon as practicable after 16 April 2013
Expected Date for Finalising of Sale Period	22 April 2013
Expected Date for Payment	30 April 2013

All references to time are references to Sydney time. *IAG has a discretion to vary these dates, but is not obliged to do so.

Questions and Answers

Q1: What is an unmarketable parcel of shares (ie a small shareholding)?

A. This is a holding of IAG ordinary shares valued below \$500.00. Based on the closing market price of IAG shares on the Record Date of 5.00pm (Sydney time) on 25 February 2013 of \$5.69 per share, as quoted on the Australian Securities Exchange (ASX), this equates to 87 shares or less.

However, this does not include IAG preference shares under the current Sale Facility.

Q2: Under what authority can IAG sell my small shareholding?

A: IAG is conducting this offer to sell your small holding of shares in accordance with article 24 of the IAG Constitution and ASX Listing Rule 15.13 which permits the sale of small shareholdings. It is also conducted under an ASIC class order for sale facilities [CO 08/10].

Participation in the Sale Facility is not compulsory. You can opt out by returning your Share Retention Form, and then your shares will not be sold.

However, if you do nothing your ordinary shares will be sold under the Sale Facility.

Q3: Why is IAG focusing on small shareholdings?

A: While IAG welcomes the support of all shareholders, those holding a small number of shares may find it difficult or costly to dispose of those shares, and may not have access to a broker. In addition, there are administrative costs, irrespective of the size of the shareholding and this cost can be disproportionately high when compared with the value of small holdings.

Q4: How is the sale price determined for the shares to be sold under the Sale Facility?

A. The sale price is an average price of all shares sold under the Sale Facility (rounded down to the nearest cent, for your parcel of shares). Please refer to clauses 9 and 10 of the Terms & Conditions attached for more details, and how your sale proceeds are calculated.

Neither IAG, the Registry nor the Sale Facility broker is giving you any assurance about what sale price you will receive, and it may be higher or lower than the market price at any particular time.

Shareholders using the Sale Facility are not able to nominate a sale price, sale date, nor a method for selling their Ordinary Shares. However, shareholders can opt out of the Sale Facility by sending in a Share Retention Form, and can choose to hold or sell their shares by other means. For instance, you can sell your shares on ASX by contacting a broker.

Q5: When is the Record Date?

A. The Record Date is 5.00pm (Sydney time) on 25 February 2013.

Q6: When does the Sale Facility open?

A. The Sale Facility opens on 5 March 2013.*

Q7: When does the Sale Facility close?

A. The Sale Facility closes at 5.00pm (Sydney time) on 16 April 2013.*

Q8: When will my shares be sold?

A. The sale of shares is expected to occur shortly after the closing date of the Share Sale Facility on 16 April 2013*.

Q9: Who is arranging the sale of shares?

A. Goldman Sachs Australia Pty Ltd ABN 21 006 797 897 AFSL 243346] (**Broker**) has been appointed by IAG as broker to arrange sale of the shares under the Sale Facility on behalf of IAG.

The Broker is acting as an execution only broker and is only providing those services to IAG. The Broker is not providing any services to you or assuming or accepting any duty or responsibility to you.

Q10: When will I receive the payment for the sale of my shares?

A. The payment of sale proceeds is expected to be processed on or around 30 April 2013* and sale proceeds will be credited to the direct credit account registered on your shareholding at 5.00pm (Sydney time) on 16 April 2013*, the closing date of the Sale Facility.

If you do not have direct credit instructions recorded on your shareholding by the closing date, the proceeds from the sale of your Ordinary Shares will be paid to you by cheque in Australian dollars.

Cheques and direct credit notices (as applicable) are expected to be mailed to your registered address on or around 30 April 2013*.

New Zealand shareholders

New Zealand shareholders can receive your sale proceeds in New Zealand dollars by direct credit to your bank account in New Zealand.

The exchange rate that will be used to convert the sale proceeds from Australian dollars into New Zealand dollars will be a market rate on or about 23 April 2013 the date and time selected by IAG for conversion of the funds. You carry the risk of any fluctuations in exchange rates, including risks relating to the particular date and time at which funds are converted. IAG is not responsible to you for those risks.

011: What do I need to do if I wish for my unmarketable parcel of shares to be sold?

A. Nothing, you do not need to return your Share Retention Form.

Q12: What do I need to do if I wish to keep my shares?

- A. If you wish to keep your shares you have three options:
 - A. Sign and return your personalised Share Retention Form to:

Computershare Investor Services Pty Limited, GPO Box 2115 Melbourne VIC 3001

Please ensure your completed form is received by 5.00pm (Sydney time) on 16 April 2013.* If your completed form is received by that time, your shares will not be sold.

OR

B. Increase the number of shares you hold, by purchasing further shares on market or by participation in the existing Dividend Reinvestment Plan (DRP), so that the number of shares in your shareholding on the register is 88 shares or more before market close on 16 April 2013.*

OR

C. If you hold more than \$500 worth of shares but your holding is split between two or more shareholding accounts, provided the shares are held in the same name, you could combine your holding into one account before 5.00pm on 16 April 2013. Contact the Registry for more information.

Q13: What happens if I don't send in my Share Retention Form?

A: If your shareholding is still an unmarketable parcel of shares on or after 5.00pm on 16 April 2013*, all shares held under the Shareholder Reference Number (SRN) or Holder Identification Number (HIN) will be sold.

Q14: Can I lodge my Share Retention Form at any other office of Computershare?

A. Yes. However to be valid all Share Retention Forms, must be received by Computershare's Melbourne office by no later than 5.00pm (Sydney time) on 16 April 2013. Therefore your Share Retention Form will not be valid if you lodge it at one of Computershare's other offices on the closing day 16 April 2013.

Q15: I've lost my Share Retention Form - can I get another?

A. Yes we can replace lost Share Retention Forms – please call the 1300 378 748 to request a replacement form.

Alternatively you can download your form from www.investorcentre.com under the "My Documents" tile in the left margin. Please note you will need your SRN or HIN and postcode to access your personalised form.

Q16: Must all holders sign the Share Retention Form if they wish to retain their shareholding?

A. No - if you are a joint holder of shares, IAG will not sell your shares if one holder returns the Share Retention Form to IAG so it is received by 5.00pm (Sydney time) on 16 April 2013. IAG will consider this to be effective notice from all shareholders that the shares are to be retained.

Q17: Can the form be signed under power of attorney?

A. Yes, a certified copy of the Power of Attorney must be forwarded to Computershare Investor Services
Pty Limited with the completed Share Retention Form, if the Power of Attorney has not previously been noted by Computershare.

Q18: Has my Share Retention Form been received?

A. We can advise you whether or not your Share Retention Form has been processed, though we are unable to advise if your form has been received and not currently processed. An acknowledgement of your share retention instruction will be mailed to you once your form has been received and processed.

Q19: Can I withdraw my Share Retention Form after I have lodged it?

A. Yes, you can withdraw your form - please send in a written request signed by all holders to:

Computershare Investor Services Pty Limited, GPO Box 2115 Melbourne VIC 3001

Please ensure your request includes your SRN or HIN and is received by 5:00pm (Sydney time) on the closing date 16 April 2013.*

Q20: Are there any fees in using this offer?

A. No, all selling costs (ie brokerage and handling fees) will be paid by IAG.

Q21: Can I transfer my small holding to another IAG shareholder who has a marketable parcel of shares?

A: Yes, provided you do this no later than 5:00pm (Sydney time) on the closing date of 16 April 2013, by completing an Australian Standard Transfer Form and paying the required registry fee.

Q22: I was a holder of an unmarketable parcel of shares as at the Record Date, but have since increased my holding to a marketable parcel of shares. Do I still need to return the Share Retention Form?

A: No. Only shareholdings with 87 shares or less at the closing date of 16 April 2013 will be sold under the Facility. However, you have to hold your increased parcel of shares on that date. If in doubt, and you want to keep your shares – send in your Share Retention Form.

023: I have more than one shareholding, can these be consolidated?

A: Yes, if they are Issuer Sponsored and registered in the same name, please contact the Information line on 1300 378 748 and request a consolidation form be sent to you. However if one holding is Broker Sponsored you will need to contact your broker to consolidate your shares.

Please note that the signed Share Retention Form must be returned by 5.00pm (Sydney time) on 16 April 2013 to avoid your unmarketable parcel of shares being sold in this share sale facility.

Q24: What are the taxation implications if my shares are sold in the Facility?

A: Sales of shares can have tax consequences. As a result – if you do nothing, and your shares are sold, you should make sure that you understand the tax consequences of that sale.

Please consult your financial adviser if you wish to know the possible tax implications of having your shares sold in the Facility.

Q25: Where do I get more information?

A. There is a lot more information in the terms and conditions – please make sure you read them carefully. For questions about the Sale Facility process or forms– you can contact the Registry on 1300 378 748

If you are not sure whether or not to permit your shares to be sold through the Sale Facility, we suggest you contact your professional financial, tax or legal adviser.



000001 եվկելվելկիկերուկինույն SAM MR JOHN SMITH 1 **FLAT 123** 123 SAMPLE STREET THE SAMPLE HILL SAMPLE ESTATE SAMPLEVILLE VIC 3030

Return your Form to our share registry:

Computershare Investor Services Pty Limited GPO Box 2115 Melbourne Victoria 3001 Australia

For all enquiries:

) Phone:

(within Australia) 1300 378 748 (outside Australia) +61 3 9415 4159



www.investorcentre.com

Share Retention Form - IAG Small Shareholding Sale Facility

TO KEEP YOUR SHARES

If you wish to keep your ordinary shares in IAG this form must be received by Computershare Investor Services Pty Limited by no later than 5.00pm (Sydney time) on Tuesday 16 April 2013

TO SELL YOUR SHARES

You do not need to do anything

This is an important document that requires your immediate attention. It can only be used in relation to the shareholding represented by the details printed overleaf. If you are in doubt about how to deal with this form, please contact your financial or other professional adviser.

Use this form if you wish to keep your shares in IAG. If you have recently bought or sold shares your holding may differ from that shown overleaf. If you have already sold all your shares in IAG, do not complete or return this form. If you have more than one holding on IAG's register and you do not sell your shares under the Sale Facility, you should consider consolidating them. For further advice in this regard, please contact Computershare Investor Services on the number above.

Step 1: Registration Name & Address

Please check the details provided and update your address by ticking the box overleaf or via www.investorcentre.com if any of the details are incorrect. If you have a CHESS sponsored holding, please contact your Controlling Participant to notify a change of address.

Step 2: Signing Instructions

Individual: Where the holding is in one name, the shareholder must sign.

Joint Holdings: If you are a joint holder of shares, IAG will not sell your shares if only one shareholder signs and returns the Share Retention Form.

Power of Attorney: Please attach a certified photocopy of the Power of Attorney to this form when you return it if it has not been previously noted by Computershare Investor Services Pty Limited.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person in the box labelled 'Sole Director and Sole Company Secretary'. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone as 'Sole Director'. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held and delete title as applicable.

Turn over to complete the form ->

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View your shareholder information, 24 hours a day, 7 days a week:

www.investorcentre.com

▼ Review your shareholding

Update your shareholding

Supply your direct credit instructions

Your secure access information is:

SRN/HIN: I1234567890

** PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

Share Retention Form



STEP 1 Registration Name & Eligible Shares

Registration Name MR JOHN SAMPLE and Address: FLAT 123

123 SAMPLE STREET THE SAMPLE HILL SAMPLE ESTATE SAMPLEVILLE VIC 3030

Eligible Shares: Shares held

as at 25 February 2013:

1234567890

I 123456789	IND				
For your security keep your SRN/H confidential.					
Change of address. If incorrect, mark this and make the correct in the space to the left.	ction				

STEP 2 Signature of Shareholder(s) This section must be completed.

By signing and returning this form, I/we of Individual or Securityholder 1	Securityholder 2	our shares will NOT BE SOLD under the Sale Facility Securityholder 3
Sole Director and Sole Company Secretary Entering your contact details is not of	Director/Company Secretary	Director /e need to contact you.
Contact Name	Contact Daytime Telephone	Date
Email Address		

Details of this Sale Facility offer are in the Terms & Conditions enclosed with this Share Retention Form. Frequently asked questions are also noted in the enclosed document.

Should you be unsure of the action to take you should seek independent legal and financial advice, including tax advice, specific to your circumstances when determining whether to participate in this Sale Facility offer.

STEP 3 Lodgement of Share Retention Form

If you wish to keep your Shares, this Share Retention Form must be correctly completed and received by Computershare Investor Services Pty Limited at the address below, by no later than 5.00PM (Sydney time) on Tuesday 16 April 2013.

It is your responsibility to allow sufficient time for this form to be received by Computershare Investor Services Pty Limited. Your Share Retention Form must be sent to:

Computershare Investor Services Pty Limited GPO Box 2115 Melbourne Victoria 3001 Australia

Neither Computershare Investor Services Pty Limited nor IAG accepts any responsibility if you lodge the Retention Form at any other address or by any other means.

Privacy Statement

Personal information is collected on this form by Computershare Investor Services Pty Limited (CIS) as registrar for the securities issuer (the issuer), for the purpose of maintaining registers of securityholders, facilitating distribution payments and other corporate actions and communications. Your personal information may be disclosed to our related bodies corporate, to external service companies such as print or mail service providers, or as otherwise permitted by law. If you would like details of your personal information held by CIS, or you would like to correct information that is inaccurate, incorrect or out of date, please contact CIS. In accordance with the Corporations Act 2001, you may be sent material (including marketing material) approved by the issuer in addition to general corporate communications. You may elect not to receive marketing material by contacting CIS using the details provided above or email privacy@computershare.com.au







4 March 2013

Name Address Address Address

Dear Shareholder

Sale of small IAG shareholdings

Insurance Australia Group Limited (IAG) has many shareholders, like you, who hold a small number of ordinary shares. We know that those shares may be difficult or expensive to sell.

We have decided to offer you a convenient way to sell your IAG ordinary shares, through a Small Shareholding Sale Facility (Sale Facility) at a market price and free of charge. There are also benefits for IAG. By reducing the number of shareholders with small holdings, IAG is better able to manage its share registry administration costs.

This Sale Facility is available to shareholders who held fewer than 87 IAG shares and valued at less than \$500, on the Record Date of 25 February 2013. This is based on the Australian Securities Exchange (ASX) closing price of \$5.69 per share.

Our records show that on the Record Date of 25 February 2013 under the Shareholder Reference Number (SRN) or Holder Identification Number (HIN) shown on your enclosed Share Retention Form you held xxx ordinary shares.

If you DO NOT WANT your shares to be sold:

 Complete the enclosed Retention of Shares form and return it to the Share Registry by 5.00pm AEST on 16 April 2013 by mail to the address shown on the form.

If we do not hear from you by the Closing Date of the offer on 16 April 2013 IAG will sell your shares and the proceeds will be paid to you on 30 April 2013.

We are able to offer this facility under article 24 of the IAG Constitution and the ASX Listing Rule 15.13. The sale of your shares will take place shortly after the Closing Date of 16 April 2013.

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Insurance Australia Group Limited ABN 60 090 739 923

388 George Street Sydney NSW 2000 Australia Full details of the offer are shown in the enclosed Terms & Conditions and I recommend you read these and the Frequently Asked Questions also enclosed.

Payment of sale proceeds on 30 April 2013 will be made by direct credit to the account you have already provided as follows:

Account Number: *****999

Please note that your full account number details have been masked for privacy and security reasons

If these account details are correct no further action is required.

Should you wish to update these direct credit details please contact the Shareholder Information Line on 1300 378 748. Alternatively you can amend your instructions online through the share registry's Investor Centre site at www.computershare.com.au/investor You will be required to enter your SRN or HIN and postcode as shown on your enclosed Share Retention Form. As an additional security measure you will also be asked to create a user ID and password if you have not previously used the Investor Centre site.

Please ensure that any updated instructions you wish to provide are lodged by the Closing Date of 16 April 2013.

If you have any further questions about this offer please contact the Shareholder Information Line on 1300 378 748.

Yours sincerely

Com Terra

Chris Bertuch

Group General Counsel & Company Secretary



4 March 2013

Name Address Address Address

Dear Shareholder

Sale of small IAG shareholdings

Insurance Australia Group Limited (IAG) has many shareholders, like you, who hold a small number of ordinary shares. We know that those shares may be difficult or expensive to sell.

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 Complete the enclosed Retention of Shares form and return it to the Share Registry by 5.00pm AEST on 16 April 2013 by mail to the address shown on the form.

If we do not hear from you by the Closing Date of the offer on 16 April 2013 IAG will sell your shares and the proceeds will be paid to you on 30 April 2013.

We are able to offer this facility under article 24 of the IAG Constitution and the ASX Listing Rule 15.13. The sale of your shares will take place shortly after the Closing Date of 16 April 2013.

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Insurance Australia Group Limited ABN 60 090 739 923

388 George Street Sydney NSW 2000 Australia Full details of the offer are shown in the enclosed Terms & Conditions and I recommend you read these and the Frequently Asked Questions also enclosed.

Payment of sale proceeds on 30 April 2013 will be made by cheque or direct credit. Should you wish to provide a direct credit instruction please complete and return the enclosed Direct Credit application form in the envelope provided.

Alternatively you can add your instructions online through the share registry's Investor Centre site at www.computershare.com.au/investor You will be required to enter your SRN or HIN and postcode as shown on your enclosed Share Retention Form. As an additional security measure you will also be asked to create a user ID and password if you have not previously used the Investor Centre site.

If a direct credit instruction is not received by the offer Closing Date of 16 April 2013, the sale proceeds will be paid by cheque to your registered address. A statement detailing the sale transaction will be included with your payment.

If you have any further questions about this offer please contact the Shareholder Information Line on 1300 378 748.

Yours sincerely

Com Terra

Chris Bertuch

Group General Counsel & Company Secretary