

13 November 2007

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

Dear Sir/Madam,

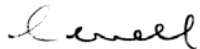
INSURANCE AUSTRALIA GROUP LIMITED ('IAG')
ANNUAL GENERAL MEETING

Attached is a copy of an address by the Chairman, Mr James Strong to be delivered to the Annual General Meeting of Insurance Australia Group Limited, scheduled to commence at 10:00am today.

The Chief Executive Officers' Address and Presentation will be lodged separately.

The AGM is being webcast on www.iag.com.au/results/agm/index.shtml.

Yours sincerely,



Glenn Revell
Group Company Secretary

**ADDRESS BY MR JAMES STRONG, CHAIRMAN
INSURANCE AUSTRALIA GROUP LIMITED
2007 ANNUAL GENERAL MEETING
13 NOVEMBER 2007**

INTRODUCTION

BEFORE WE COMMENCE THE BUSINESS OF THE MEETING TODAY, I WOULD LIKE TO PROVIDE A BRIEF OVERVIEW OF INSURANCE AUSTRALIA GROUP'S PERFORMANCE FOR THE 2007 FINANCIAL YEAR. I WILL ALSO PROVIDE A SUMMARY OF THE RESOLUTIONS TO BE PUT TO SHAREHOLDERS AT TODAY'S MEETING.

I WILL THEN ASK CHIEF EXECUTIVE OFFICER, MICHAEL HAWKER, TO PROVIDE A MORE DETAILED REVIEW OF OUR OPERATIONAL PERFORMANCE AND STRATEGY, AND AN UPDATE ON THE GROUP'S OUTLOOK FOR THE CURRENT YEAR.

FINANCIAL PERFORMANCE

IN THE 2007 FINANCIAL YEAR, IAG INCREASED ITS REVENUE, OR GROSS WRITTEN PREMIUM, BY 15% FROM THE PREVIOUS YEAR, UP TO \$7.4 BILLION. THIS WAS AHEAD OF OUR 12-14% GROWTH TARGET.

TWO KEY FACTORS CONTRIBUTED TO THIS IMPROVEMENT. FIRST, OUR DOMESTIC BUSINESSES RETURNED TO GROWTH MODE, PARTICULARLY IN OUR LARGEST PORTFOLIO OF DIRECTLY SOLD HOME AND MOTOR INSURANCE; AND SECOND, WE RECORDED THE FIRST REVENUE CONTRIBUTION FROM THE BUSINESSES WE ACQUIRED IN THE UNITED KINGDOM DURING THE YEAR.

WHILE THIS TOP-LINE GROWTH WAS PLEASING, A NUMBER OF FACTORS DURING THE YEAR MEANT OUR REPORTED PROFIT WAS DISAPPOINTING. WE RECORDED A NET PROFIT AFTER TAX OF \$552 MILLION, COMPARED WITH \$759 MILLION IN THE PREVIOUS YEAR.

A SIGNIFICANT IMPACT ON OUR PROFIT WAS A \$200 MILLION NET LOSS CAUSED BY SEVERE STORMS IN JUNE IN BOTH AUSTRALIA AND THE UNITED KINGDOM. WE INCURRED AMORTISATION COSTS ASSOCIATED WITH OUR INTERNATIONAL ACQUISITIONS. WE ALSO HAD LOWER INVESTMENT RETURNS ON OUR SHAREHOLDERS' FUNDS AS WE SOLD DOWN OUR INVESTMENT PORTFOLIO TO INVEST THE PROCEEDS IN OUR CORE INSURANCE BUSINESSES.

NOTWITHSTANDING THESE FACTORS, WE MADE PROGRESS AGAINST OUR STRATEGY. WE EXPANDED OUR INTERNATIONAL BUSINESS, FURTHER DIVERSIFYING OUR OPERATIONS AND SPREADING OUR RISK, WITH THE AIM OF GENERATING SUSTAINABLE LEVELS OF PROFITABILITY OVER THE LONG TERM.

WE NOW HAVE A PORTFOLIO GENERALLY OF LONG TERM QUALITY OFFSHORE ASSETS. HASTINGS IN THE UK, IS FACING CHALLENGES IN THE IMMEDIATE FUTURE. OUR CEO WILL DEMONSTRATE IN HIS OPERATIONAL REVIEW HOW WE ARE RESPONDING TO PREVAILING MARKET CONDITIONS.

AT THE SAME TIME AS EXPANDING OVERSEAS, WE GREW OUR BUSINESSES AND MAINTAINED OUR LEADERSHIP POSITIONS IN OUR HOME MARKETS OF AUSTRALIA AND NEW ZEALAND.

I AM ALSO PLEASED TO REPORT THE GROUP'S CAPITAL POSITION REMAINS VERY STRONG. AS AT 30 JUNE, WE HELD 1.67 TIMES THE MINIMUM LEVEL OF CAPITAL REQUIRED BY OUR REGULATOR. THIS REFLECTS OUR CONSERVATIVE RISK APPETITE, WHICH IS ALSO EVIDENT IN THE CAUTIOUS APPROACH WE TAKE TO RESERVING, AS DEMONSTRATED BY 10 CONSECUTIVE YEARS OF RESERVE RELEASES.

DIVIDENDS

THE BOARD DECLARED A FINAL FULLY FRANKED DIVIDEND OF 16 CENTS PER ORDINARY SHARE WHICH WAS PAID ON 8 OCTOBER 2007. THIS BROUGHT THE ANNUAL DIVIDEND FOR THE YEAR TO 29.5 CENTS PER ORDINARY SHARE, WHICH WAS IN LINE WITH THE DIVIDEND PAID FOR THE PREVIOUS FINANCIAL YEAR. WE EXPECT TO MAINTAIN DIVIDENDS AT THE SAME LEVEL IN THE CURRENT FINANCIAL YEAR. WHEN VIEWED OVER THE PAST FIVE YEARS, ORDINARY DIVIDENDS PAID TO SHAREHOLDERS HAVE GROWN AT A RATE OF ALMOST 23%.

BOARD AND MANAGEMENT CHANGES

THE PAST YEAR HAS BROUGHT SOME CHANGES TO OUR BOARD. MR JOHN ASTBURY AND MR GEOFFREY COUSINS, WHO BOTH JOINED THE BOARD SHORTLY BEFORE IAG BECAME A LISTED PUBLIC COMPANY IN 2000, RETIRED AFTER THE END OF THE REPORTING YEAR, ON 31 AUGUST 2007.

ON BEHALF OF THE BOARD, I WOULD LIKE TO THANK BOTH DIRECTORS FOR THE VERY VALUABLE CONTRIBUTION THEY HAVE MADE TO THE GROUP DURING THE PAST SEVEN YEARS. THEY PLAYED A SIGNIFICANT ROLE IN GUIDING US FROM LISTING THROUGH A PERIOD OF RAPID GROWTH.

WE WELCOMED THREE NON-EXECUTIVE DIRECTORS TO THE BOARD DURING THE YEAR. MR PHILLIP COLEBATCH WAS APPOINTED ON 1 JANUARY 2007, AND MR HUGH FLETCHER AND MS ANNA HYNES JOINED ON 1 SEPTEMBER 2007.

THESE DIRECTORS BRING TO THE BOARD A WEALTH OF EXPERIENCE, PARTICULARLY IN THE INSURANCE AND FINANCIAL SERVICES SECTOR.

WE NOW HAVE DIRECTORS BASED IN AUSTRALIA, THE UNITED KINGDOM AND NEW ZEALAND. WE BELIEVE THIS IS AN IMPORTANT REFLECTION OF THE CONTINUED STRENGTHENING OF OUR INTERNATIONAL GOVERNANCE PRINCIPLES AND RISK FRAMEWORK AS WE EXPAND OFF-SHORE. I WILL ASK EACH OF THESE DIRECTORS TO SPEAK TO THEIR NOMINATIONS BEFORE YOU WILL HAVE THE OPPORTUNITY TO VOTE ON THEIR

APPOINTMENTS DURING THE FORMAL PROCEEDINGS OF THIS MEETING.

SINCE THE END OF THE REPORTING YEAR, YOUR CEO MICHAEL HAWKER ALSO STRENGTHENED HIS EXECUTIVE MANAGEMENT TEAM BY CREATING THE ROLE OF CHIEF OPERATING OFFICER AND APPOINTING MR MIKE WILKINS TO THIS ROLE.

MIKE WILKINS IS HIGHLY RESPECTED IN THE INDUSTRY AND THE BROADER BUSINESS COMMUNITY, AND HAS AN IMPRESSIVE CAREER WHICH INCLUDES MORE THAN 25 YEARS IN THE INSURANCE AND FINANCIAL SERVICES SECTOR. MOST RECENTLY, HE WAS MANAGING DIRECTOR OF PROMINA, FORMERLY ONE OF AUSTRALIA AND NEW ZEALAND'S LEADING INSURANCE GROUPS.

MIKE WILKINS WILL REPORT TO CHIEF EXECUTIVE OFFICER MIKE HAWKER, WHO WILL CONTINUE TO FOCUS ON EXECUTING THE GROUP'S STRATEGY. MIKE WILKINS HAS ALSO AGREED TO JOIN THE BOARD AS AN EXECUTIVE DIRECTOR.

OUR SHAREHOLDERS

AS A COMPANY WITH ONE OF THE LARGEST NUMBER OF SHAREHOLDERS IN AUSTRALIA, WE TAKE VERY SERIOUSLY OUR COMMITMENT TO AND RELATIONSHIP WITH EACH OF OUR SHAREHOLDERS.

A KEY DEVELOPMENT DURING THE YEAR WAS THE INTRODUCTION OF REGULATORY REFORM THAT HAS CHANGED

THE OBLIGATIONS OF COMPANIES REGARDING PROVIDING ANNUAL REPORTS TO SHAREHOLDERS. COMPANIES ARE NO LONGER OBLIGED TO MAIL HARD COPIES OF ANNUAL REPORTS TO SHAREHOLDERS, UNLESS REQUESTED TO DO SO.

TO ENSURE OUR SHAREHOLDERS REMAIN FULLY INFORMED OF OUR ACTIVITIES AND PERFORMANCE, WE WILL CONTINUE TO MAKE OUR ANNUAL REPORTS AVAILABLE ON OUR WEBSITE, AND WILL OFFER SHAREHOLDERS A CHOICE TO BE MAILED A SHORT SHAREHOLDER REVIEW OR THE FULL STATUTORY ACCOUNTS, IF THEY WISH.

YOU WILL HAVE RECENTLY RECEIVED AN ANNUAL REPORT OPTIONS FORM WITH YOUR MAILED COPY OF THE ANNUAL REPORT AND CAN INDICATE YOUR PREFERENCE ON THAT FORM. YOU CAN ALWAYS CHANGE YOUR PREFERENCES BY CONTACTING THE SHARE REGISTRY.

WE WELCOME THE BENEFITS BROUGHT BY THIS REFORM PARTICULARLY FROM AN ENVIRONMENTAL AND COST MANAGEMENT PERSPECTIVE. IT REDUCES THE NUMBER OF DOCUMENTS THAT NEED BE PRINTED AND TRANSPORTED, PRESERVES RESOURCES AND REDUCES EXPENSES.

ANOTHER DEVELOPMENT DURING THE YEAR WAS A RESURGENCE OF ACTIVITY BY COMPANIES MAKING UNDERVALUED OFFERS FOR IAG SHARES, SOMETIMES OFFERING AS LITTLE AS HALF OF THE VALUE THE SHARES WERE

TRADING AT ON THE STOCK EXCHANGE. SUCH OFFERS HAVE BEEN POSTED AS RECENTLY AS LAST MONTH.

IAG DOES NOT ENDORSE ANY UNSOLICITED OFFER TO BUY YOUR IAG SHARES AND SHAREHOLDERS ARE UNDER NO OBLIGATION TO TAKE ANY ACTION IN RELATION TO SUCH OFFERS. SOME SHAREHOLDERS HAVE VOICED CONCERN THAT THEIR DETAILS HAVE BEEN PROVIDED BY IAG TO THESE COMPANIES. I WOULD LIKE TO EMPHASISE THAT UNDER THE CORPORATIONS LAW WE ARE OBLIGED TO PROVIDE INFORMATION CONTAINED ON OUR SHARE REGISTER WHEN ASKED TO DO SO.

WE CONTINUE TO INFORM THE AUSTRALIAN SECURITIES & INVESTMENTS COMMISSION OF ANY ATTEMPTS TO CONTACT OUR SHAREHOLDERS. WE HAVE ALSO CONTINUED TO MAKE REPRESENTATIONS TO THE FEDERAL GOVERNMENT TO CONSIDER AMENDING THE EXISTING CORPORATIONS LAW TO INTRODUCE A PROPER PURPOSE TEST FOR THOSE REQUESTING A COPY OF THE SHARE REGISTER OF PUBLIC COMPANIES.

WE WILL CONTINUE TO ALERT OUR SHAREHOLDERS ABOUT THESE OFFERS THROUGH MEDIA CAMPAIGNS, DIRECT MAIL AND BY ENSURING OUR WEBSITE PROMINENTLY DISPLAYS ANY CURRENT WARNINGS ABOUT UNDERVALUED OFFERS.

RESOLUTIONS

I WOULD NOW LIKE TO BRIEFLY SUMMARISE THE RESOLUTIONS PUT TO SHAREHOLDERS AT TODAY'S MEETING.

AS NOTED IN THE NOTICE OF MEETING, RESOLUTIONS 1 AND 2 ASK YOU TO VOTE ON THE RE-ELECTION OF MS YASMIN ALLEN AND MR BRIAN SCHWARTZ.

RESOLUTIONS 3, 4 AND 5 ASK YOU TO VOTE ON THE ELECTION OF MR PHILLIP COLEBATCH, MR HUGH FLETCHER AND MS ANNA HYNES, THE DIRECTORS I PREVIOUSLY REFERRED TO AS HAVING JOINED THE BOARD DURING THE YEAR.

RESOLUTION 6 GIVES YOU THE OPPORTUNITY TO VOTE ON THE REMUNERATION REPORT, WHICH IS INCLUDED IN THE ANNUAL REPORT.

I WOULD LIKE TO EMPHASISE THAT THE MATTER OF REMUNERATION IS ONE THAT IS LOOKED AT IN DEPTH TO ENSURE THAT WE CAN ATTRACT AND RETAIN THE BEST PEOPLE AND REWARD PERFORMANCE IN LINE WITH RETURNS DELIVERED, AND SO ACHIEVE SUPERIOR LONG TERM PERFORMANCE.

THE REPORT MENTIONS THE ROLE AND RESPONSIBILITIES OF THE BOARD'S NOMINATION, REMUNERATION & SUSTAINABILITY COMMITTEE. THE COMMITTEE PROVIDES ASSURANCE RELATING TO THE EFFECTIVENESS, INTEGRITY AND COMPLIANCE OF OUR REMUNERATION POLICIES AND APPROACH, AND ENSURES THEY FIT THE STRATEGIC GOALS OF THE COMPANY. THE COMMITTEE

ALSO RECEIVES REPORTS FROM EXTERNAL EXECUTIVE REMUNERATION SPECIALISTS TO HELP FORM ITS VIEWS.

WE ARE CURRENTLY IN THE PROCESS OF INTRODUCING A NUMBER OF CHANGES TO OUR REMUNERATION POLICIES. THESE CHANGES AIM TO BUILD AMONGST OUR EXECUTIVE AND SENIOR MANAGEMENT TEAMS A CULTURE OF “OWNERSHIP”, WITHOUT INCREASING THE COST OF REMUNERATION TO THE COMPANY. WE BELIEVE THE BEST WAY TO ACHIEVE ALIGNMENT BETWEEN THE INTERESTS OF SHAREHOLDERS AND EXECUTIVES IS TO ENSURE THAT THE EXECUTIVES ARE ALSO OWNERS IN THE COMPANY, JUST AS OTHER SHAREHOLDERS ARE.

DURING THE 2007 FINANCIAL YEAR, WE INTRODUCED THE DEFERRED AWARD RIGHTS PLAN. A DEFERRED AWARD RIGHT IS A RIGHT TO ACQUIRE AN ORDINARY IAG SHARE SUBJECT TO CONTINUED EMPLOYMENT WITH THE GROUP FOR A PERIOD DETERMINED BY THE BOARD.

THE PLAN WAS INTRODUCED TO HELP ENSURE RETENTION OF KEY EXECUTIVES. AS THE VALUE OF ANY SHARES ACQUIRED THROUGH THE PLAN WILL FLUCTUATE IN LINE WITH THE PERFORMANCE OF THE GROUP, THE PLAN AGAIN PROVIDES A STRONG INCENTIVE TO GROW SHAREHOLDER VALUE. YOU CAN FIND MORE ON THE PLAN IN NOTE 28 OF OUR FULL FINANCIAL STATEMENTS.

WE HAVE ALSO INTRODUCED EXECUTIVE PERFORMANCE RIGHTS OR EPRS, TO REPLACE OUR EXISTING LONG-TERM INCENTIVE SCHEME, THE PERFORMANCE AWARDS RIGHTS OR PARS. EPRS ARE SIMILAR TO PARS IN THAT THEY PROVIDE A LONG-TERM, PERFORMANCE BASED INCENTIVE TO SENIOR EXECUTIVES, BUT THERE ARE IMPORTANT DIFFERENCES.

THE MAIN DIFFERENCE IS THE INTRODUCTION OF TWO PERFORMANCE HURDLES FOR THE EPRS, RATHER THAN ONE. HALF OF AN EPR GRANT BECOMES EXERCISABLE IF OUR TOTAL SHAREHOLDER RETURN IS AT OR ABOVE THE 75TH PERCENTILE OF OUR PEER GROUP AND THE OTHER HALF CAN BE EXERCISED IF RETURN ON EQUITY IS 60% HIGHER THAN OUR WEIGHTED AVERAGE COST OF CAPITAL.

THIS COMING YEAR, WE ARE ALSO INTRODUCING MINIMUM SHAREHOLDING LEVELS FOR EXECUTIVES. THE GROUP CEO AND MEMBERS OF THE EXECUTIVE TEAM WILL BE REQUIRED TO ESTABLISH AND MAINTAIN A MINIMUM SHAREHOLDING IN THE COMPANY, CALCULATED AS A PERCENTAGE OF THEIR BASE SALARY.

WITH THE INTRODUCTION OF THE NEW PLANS, WE ARE COMING TO A REMUNERATION STRUCTURE UNDER WHICH A SIGNIFICANT PROPORTION OF THE EXECUTIVE REMUNERATION IS 'AT RISK', MEANING THAT A CERTAIN LEVEL OF PERFORMANCE MUST BE REACHED BEFORE THIS PART OF REMUNERATION IS GRANTED. THIS PROVIDES A CLEAR INCENTIVE TO OUR KEY EXECUTIVES TO FURTHER SUPPORT SHAREHOLDER INTERESTS.

RESOLUTION 7 RELATES TO THE PROPOSAL TO INCREASE THE MAXIMUM AGGREGATE REMUNERATION PAYABLE TO THE COMPANY'S NON-EXECUTIVE DIRECTORS FROM \$2 MILLION TO \$2.75 MILLION. NOT ALL OF THIS INCREASE WILL BE USED IMMEDIATELY.

THE PROPOSAL ALLOWS FOR AN INCREASE IN THE NUMBER OF NON-EXECUTIVE DIRECTORS ON THE BOARD, FROM SEVEN IN 2007 TO EIGHT IN THE CURRENT FINANCIAL YEAR. IT ALSO FOLLOWS AN INDEPENDENT REVIEW OF THE DIRECTORS' REMUNERATION AND TAKES INTO ACCOUNT THE STRENGTHENED CORPORATE GOVERNANCE STRUCTURES REQUIRED BY OUR INTERNATIONAL EXPANSION.

THE PROPOSED INCREASE ALSO REFLECTS THE INCREASED RESPONSIBILITIES OF THE BOARD AND ITS COMMITTEES AND THE EXPANDED ROLE OF SOME OF ITS DIRECTORS, PARTICULARLY MR COLEBATCH AND MR FLETCHER, WHO, IN ADDITION TO THEIR MAIN BOARD RESPONSIBILITIES ALSO CHAIR THE BOARDS OF OUR TWO MAIN SUBSIDIARIES IN NEW ZEALAND AND THE UK.

LOOKING FORWARD

WE HAVE CREATED SCOPE FOR CONTINUED PROGRESS ON MULTIPLE FRONTS BY ENSURING SUSTAINED IMPROVEMENT DOMESTICALLY AND BY BUILDING NEW GROWTH PLATFORMS INTERNATIONALLY.

OUR AIM REMAINS TO DELIVER RETURNS TO SHAREHOLDERS OF AT LEAST 1.5 TIMES OUR WEIGHTED AVERAGE COST OF CAPITAL. FOR THE 2008 FINANCIAL YEAR, WE ARE TARGETING AN INSURANCE MARGIN OF 11-13%, BARRING ANY OTHER MAJOR LOSSES FOR THE YEAR OUTSIDE OUR NORMAL ALLOWANCES.

THE BOARD HAS WORKED CLOSELY WITH OUR EXECUTIVE TEAM, LED BY CEO MR MICHAEL HAWKER. ON BEHALF OF THE BOARD I WOULD LIKE TO THANK THEM FOR THEIR COMMITMENT TO SUSTAINING THE PERFORMANCE OF THE GROUP.

MR HAWKER, WILL NOW MAKE A BRIEF PRESENTATION TO YOU ON THE BUSINESS.