agm 2000

annual general meeting

NRMA Insurance Group Limited
ABN 60 090 739 923

NRMA Insurance Group Limited

The Annual General Meeting of shareholders of **NRMA Insurance Group Limited** will be held on Tuesday 28 November 2000 at 4.00pm at Harbourside Auditorium, Sydney Convention and Exhibition Centre (North) Darling Harbour

NRMA Insurance Group Limited ABN 60 090 739 923
Notice of Annual General Meeting (AGM)

Shareholders are advised that the 2000 Annual General Meeting of NRMA Insurance Group Limited (the Company) will be held on Tuesday 28 November 2000 at 4.00 pm at the Harbourside Auditorium, Sydney Convention and Exhibition Centre (North) Darling Harbour.

Ordinary Business

A. TO RECEIVE FINANCIAL STATEMENTS

To receive the Company's financial statements for the year ended 30 June 2000, the Directors' statement and report and the auditor's report on the financial statements.

B. TO ELECT THREE DIRECTORS

RESOLUTION 1

In accordance with the ASX Listing Rules and Article 12 of the Company's Constitution, the Chairman, Mr Nicholas Whitlam retires and offers himself for re-election.

RESOLUTION 2

In accordance with the ASX Listing Rules and Article 12 of the Company's Constitution, Mrs Maree C Callaghan retires and offers herself for re-election.

RESOLUTION 3

In accordance with the ASX Listing Rules and Article 12 of the Company's Constitution, Mr Neil D Hamilton retires and offers himself for re-election.

RESOLUTION 4

Mr Stephen Mayne (not currently a director) has nominated himself for election as a director.

Note: only three directors are to be elected. Do not vote for more than three directors.

Special Business

5 To approve the grant to the Managing Director, Mr Dodd, as an employee, under the Allocation Share Plan of an interest in up to 15,000 ordinary shares, the grant to Mr Dodd of Performance Share Rights with respect to 275,000 shares and the grant to him of Performance Share Rights or Performance Award Rights with respect to up to 725,000 shares, subject in each case to the terms of the relevant Plan, including those as to performance under the Performance Share Rights Plan and the Performance Award Rights Plan, each Plan having been recently approved by the Board of Directors (and no securities as yet being issued pursuant to the Plans).

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

"That, for the purposes of Listing Rule 10.14 of the Listing Rules of the Australian Stock Exchange Limited, the ordinary shareholders of the Company approve the grant to the Managing Director, Mr Dodd, of an interest in up to 15,000 ordinary shares in the Company under the terms of the Allocation Share Plan, the grant to him of Performance Share Rights with respect to 275,000 ordinary shares in the Company under the terms of the Performance Share Rights Plan and the possible further grant to him of Performance Share Rights or of Performance Award Rights with respect to up to 725,000 ordinary shares in the Company, subject to the terms of the relevant Plan."

6 To approve the grant to each non-executive director of the Company of an interest in ordinary shares in the Company under the terms of the Non-Executive Directors' Share Plan which will not involve any additional remuneration.

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

"That, for the purposes of Listing Rule 10.14 of the Listing Rules of the Australian Stock Exchange Limited, the Company approves the grant to each of Dominique Collins, Mary Easson, Anne Keating, John Astbury, Geoffrey Cousins, Rowan Ross, Ian Stanwell and each non-executive director who may be elected pursuant to resolutions 1 to 4 respectively, of an interest, under the Non-Executive Directors' Share Plan in ordinary shares in the Company to the value of 20% of the non-executive director's base annual director's fees for his or her ordinary services as a director, the actual number of shares to be held for the benefit of the particular non-executive director being determined by the pricing formula for the shares in that Plan and that director's base annual fees."

Dated at Sydney on 5 October 2000
By order of the Board of Directors

GMorstyn

Gaye Morstyn
Company Secretary

Notes:

(a) Voting exclusion statement

As required by the Listing Rules of the Australian Stock Exchange Limited (ASX), the Company will disregard any votes cast on either Resolution 5 or Resolution 6 by any of the directors or any associate of a director. Those directors are the Managing Director, Mr Eric Dodd, and the Non-Executive Directors listed in Resolution 6, being each of Dominique Collins, Mary Easson, Anne Keating, John Astbury, Geoffrey Cousins, Rowan Ross and Ian Stanwell and each of the non-executive directors who may be elected pursuant to resolutions 1 to 4.

The company is not required to disregard a vote if it is cast by a director or an associate of a director as proxy for a person who is entitled to vote, if the vote is cast in accordance with the directions as to how to vote on the attached Proxy Form, including if it is cast by the person chairing the meeting, being a director, in accordance with the directions on the Proxy Form as to how to vote.

Hence, a director given a proxy may not vote as proxy on Resolution 5 or Resolution 6 where that director is not given a direction as to how to vote.

(b) Corporate representatives

Any corporate shareholder wishing to appoint a person to act as its representative at the meeting may do so by providing that person with a letter or certificate, executed in accordance with the company's constitution, authorising him or her as the company's representative, or a copy of the resolution certified by the secretary or director of the corporate shareholder appointing the representative.

(c) "Snapshot" time

Under section 1109N of the Corporations Law, the Board, as the convenor of the meeting, before notice of the meeting is given, must determine a time ("snapshot" time), which must be not more than 48 hours before the meeting, for the purposes of determining those shareholders who are taken to hold shares in the Company for the purposes of the meeting and therefore entitled to vote at it.

The Directors have determined that the snapshot time is 4.00 pm on Sunday 26 November 2000, so as to coincide with the time for receipt of proxies.

NRMA Insurance Group Limited ABN 60 090 739 923

Explanatory notes

These notes explain the resolutions set out in the Notice of Meeting and should be read in conjunction with the Notice.

Ordinary Business

The Australian Stock Exchange (ASX) Listing Rules require the Company to hold an election of directors in each year. The Constitution of the Company requires one third of the Directors to retire from office at each Annual General Meeting. In relation to the election of directors, 4 candidates are standing for 3 Board positions. Only 3 candidates may be elected. In order to be elected a candidate must receive more votes in favour than against from those present and voting on the candidate, in person or by proxy. If more than 3 candidates receive such a majority, the 3 candidates receiving the most votes in favour of their election will be elected as directors. If you vote in favour of more than 3 candidates your vote will be invalid.

Resolution 1: Election of a Director, Mr Nicholas Whitlam, AB, MSc

Pursuant to the requirements of the ASX Listing Rules, and under Article 12 of the Constitution of the Company, the Chairman, Mr Nicholas Whitlam, retires and offers himself for re-election.

Mr Whitlam, aged 54, has been a director of NRMA Insurance Limited since 1996. He is Chairman of NRMA Insurance Group Limited (NIGL) and chairs a number of NRMA Insurance Group companies including NRMA Insurance Limited, Insurance Manufacturers of Australia Pty Limited, SGIO Insurance Limited and NRMA Building Society Limited. In addition, he is Chairman of the NIGL Board and Remuneration Committees. Elected to the Board of NRMA Limited in 1995, he is also President of that Board.

Resolution 2: Election of a Director, Mrs Maree C Callaghan, FAICD

Pursuant to the requirements of the ASX Listing Rules, and under Article 12 of the Constitution of the Company, Mrs Maree Callaghan, retires and offers herself for re-election.

Mrs Callaghan, aged 54, has been a director of NRMA Insurance Limited since 1993, having been elected to the board of NRMA Limited in 1991. She sits on the boards of a number of NRMA Insurance Group companies, including SGIO Insurance Limited and is a member of the NIGL Compliance Committee. Mrs Callaghan is also a Member of the NSW Coal Compensation Board and was formerly an executive member of the NSW Local Government and Shires Association, a member of Northern Region, NSW, Bushfire Relief Co-ordination Committee, Cessnock Hospital and Housing Commission Boards and Mayor of Cessnock from 1987-95. Maree has published work on health, is currently with the NSW Cancer Council, and is a Fellow of the Australian Institute of Company Directors.

Resolution 3: Election of a Director, Mr Neil D Hamilton, LLB

Pursuant to the requirements of the ASX Listing Rules, and under Article 12 of the Constitution of the Company, Mr Neil Hamilton, retires and offers himself for re-election.

Mr Hamilton, aged 48, has been a director of NRMA Insurance Limited since 1999. He is also the Deputy Chairman of SGIO Insurance Limited and a member of the NIGL Board and Remuneration Committees. He is a director of Westcorp Holdings Limited and Lakefield Research Limited (Canada), Managing Director of Chieftain Securities Limited, Chairman of D'Orsogna Limited, Chairman of the Australian Football League Players Association Advisory Board and Chairman of Integrated Workforce Limited. Mr Hamilton is a former Chief Executive of Pacific Mutual Australia Limited, former Chairman of Challenge Bank Limited and former director of MMI Limited.

Resolution 4: Election of a Director, Mr Stephen Mayne, B Com

Mr Stephen D Mayne has nominated himself for election as a director.

Mr Mayne, aged 31, holds a Bachelor of Commerce degree from the University of Melbourne. Mr Mayne is the publisher of www.crikey.com.au and www.shareowner.com.au and has been a journalist for 11 years with the papers including the Australian Financial Review, The Age, The Herald Sun and The Daily Telegraph, where he was both business editor and chief of staff. In 1999 he won the Walkley award for business journalism for a series on shareholder activism. Mr Mayne has said that he is nominating on a platform that NRMA become a more activist fund manager and in order to create a greater culture of shareholder pressure and accountability in Australia.

Special Business

Resolution 5: Approve the issue to, or the acquisition by, Mr Eric Dodd, the Managing Director of the Company, of ordinary shares in the Company, under various share plans.

The shareholder approval sought

ASX Listing Rule 10.14 provides that a listed company must obtain shareholder approval to the issue of securities to a director of the Company and to the acquisition of existing securities by a director under an employee incentive scheme.

This Resolution has been proposed so that shareholders may consider, and if thought fit, approve, for the purposes of ASX Listing Rule 10.14, the possible grant of ordinary shares in the Company to the Managing Director and Chief Executive Officer of the Company, Mr Dodd, as follows:

(a) the grant to the Managing Director, Mr Dodd, of an interest in 15,000 ordinary shares in the Company under the terms of the Allocation Share Plan.

(b) the grant to Mr Dodd, under the Performance Share Rights Plan of Performance Share Rights with respect to 275,000 ordinary shares in the Company, the exercise of which is subject to the terms of that Plan, including as to the Performance Hurdle, explained below, the Performance Share Rights representing the long term incentive awarded by resolution of the Board of Directors to Mr Dodd.

(c) the possible future grant to Mr Dodd of Performance Share Rights under the Performance Share Rights Plan or of Performance Award Rights under the Performance Award Rights Plan, with respect to up to 725,000 ordinary shares in the Company, on or before the second anniversary of the initial grant of the Performance Share Rights referred to in (b), above, the exercise of such rights being subject to the terms of the relevant Plan, including terms as to the "Performance Hurdle" linked to "Total Shareholder Return", explained below; the number of Performance Share Rights or Performance Award Rights being determined by the Board of Directors in its discretion. If shares are acquired on-market for the purposes of any such future grants, they will be acquired on or before the times at which the Directors decide to grant such Rights, which would be on or about the second and third anniversaries after the initial grant of rights referred to in (b).

As to (a): the Allocation Share Plan is a plan under which an employee of the Company, or of one of its subsidiaries, may be offered an allocation of shares of a value equal to 5% of the base salary of the particular employee. The allocation will be at no cost to the employee. The Board will have a discretion to determine, amongst other things, the number of shares to be allocated to an employee in subsequent years, although in Mr Dodd's case, as he is a director, further shareholder approval would be required for a future grant of interests under the Plan to him.

The number of shares which may be offered to an employee will be determined on the basis of the *weighted average price* of the shares in a one week period preceding the date of allocation of the Allocation Shares in respect of the employee to the Trustee of the Plan. The shares will be allocated for the benefit of the participating employee, but subject to the terms of the Plan. They will be issued by the Company, or acquired on market. The proposal with respect to Mr Dodd is to issue the shares. That is a relatively low cost alternative for the Company. The shares will be issued to the Trustee of the Plan to hold them on trust for the benefit of the participating employee subject to the restrictions under the Plan.

The Restriction Period

The shares will be registered in the name of the Trustee and held on the terms of the Plan which are in the Trust Deed. That Trust Deed is for all of the Plans except the Performance Share Rights Plan (see below). The shares may be transferred to the employee following the end of a "Restriction Period."

The employee will be entitled to dividends and to the benefit of bonus shares accruing to the Allocation Shares, but those shares will also be held by the Trustee on the terms of the Plan. Votes may be exercised by the Trustee on behalf of the employee. Rights offered in connection with Allocation Shares will either be sold and the proceeds distributed to the employee, or paid for by the employee, who will then receive the shares issued pursuant to the rights offer, subject to payment of transaction costs.

The Restriction Period commences at the date of the allocation of the shares and ends on the earlier of:

- the fifth anniversary of the allocation;
- the day the employee ceases to be employed by the Company or one of its subsidiaries;
- the date the Board notifies the employee following an "Event" such as a takeover offer for the Company;
- in the event of financial hardship to the employee.

Forfeiture

The shares allocated will be forfeited if the employee ceases employment within two (2) years from the date of allocation, unless employment ceases due to redundancy, retirement, death or permanent disablement. Shares will be forfeited if at any time the employee ceases to be an employee because of serious misconduct involving dishonesty.

Number of Shares

The number of shares to be allocated for the benefit of Mr Dodd will depend on his base salary and the Company's share price in the week preceding the allocation. It will not be more than 15,000, but will be less if the application of the weighted average price formula described above yields a lower number.

The main object of the Plan, which will be available to all full time and part time employees who meet certain service criteria, is to align the interests of employees with those of shareholders with the objective of improving the returns to shareholders on their investment.

For the Managing Director of one of Australia's largest listed companies, the proposed allocation of up to 15,000 shares is a relatively modest number. It is not dependant on achieving the Performance Hurdles which must be met before the Managing Director can receive any of the shares the subject of the approvals sought in Resolution 5 in relation to the Performance Share Rights and the Performance Award Rights. Even the acquisition by Mr Dodd of up to 15,000 shares is dependant on his remaining in employment for at least two years, subject to the exceptions mentioned. It is widely accepted that directors and especially a Managing Director, should have a personal stake in the shares so as to align their interests with those of shareholders.

The mobility of an able chief executive in the Australian market also makes it commercially wise to provide incentives to remain with the Company which are at least as strong as those available from comparable large companies.

The Directors (Mr Dodd not participating), recommend that Mr Dodd should be granted the proposed allocation shares under the Plan.

As to (b): shareholder approval is also sought for the grant to Mr Dodd, pursuant to the terms of the Performance Share Rights Plan, of an initial allocation of 275,000 Performance Share Rights. These are low exercise price options with respect to ordinary shares in the Company to be issued on a one-for-one basis. This represents a long term incentive which the Board resolved in August 2000 to award to Mr Dodd. Exercise of the Performance Share Rights will be subject to the terms of the Performance Share Rights Plan.

It is proposed that the shares in question will involve a new issue, rather than an acquisition of shares on-market. As mentioned, a new issue is a somewhat more cost efficient way of providing incentives to a pivotal executive, the Managing Director, compared to the cost of acquisition of the shares on-market.

The Performance Share Rights Plan enables the Board to offer executives rights to acquire shares. Its purpose is to provide the Company with the flexibility to provide executives in senior management and the Chief Executive Officer (the Managing Director) with long term incentives in the form of rights to acquire shares in the Company.

The Plan involves the grant of the Performance Share Rights mentioned, being low exercise price options with a total exercise price of $1.00 for each tranche of allocations (this tranche being 275,000 Performance Share Rights). The exercise of the Performance Share Rights is subject to the terms on which the Performance Share Rights are offered. The most significant of those terms concerns the "Performance Hurdle" which must be satisfied within a "performance period" before the Performance Share Rights can be exercised.

The Performance Share Rights cannot be transferred prior to exercise. There is no restriction on the transfer of shares once they are acquired on exercise of the Performance Share Rights.

The Performance Hurdle

Generally, the performance hurdle will be related to Total Shareholder Return (TSR). "Total Shareholder Return" seeks to establish the entire return a shareholder would obtain from holding the shares in a defined period taking into account, amongst other things, capital growth and dividends on the shares. To reach this particular hurdle, the company's TSR over a minimum three year period, must equal or exceed the Hurdle Return based on a compound rate of 10% per annum at a time determined by the Board in the performance period ("test time"). For example, for a test time at the commencement of the Performance Period, this would require a Hurdle Return of 33.1% and at the end of the Performance Period a Hurdle Return of 61.051%. This will require that the TSR from the date of allocation must increase by a total of between 33.1% and 61.051%. The total percentage by which TSR at the date of allocation must increase will depend upon the test time determined by the Board.

"Total Shareholder Return" is a performance measurement commonly used in such plans.

The Performance Share Rights become exercisable if the Performance Hurdle is satisfied in the performance period, or if, following an "Event" during the performance period, such as notice of a takeover offer, the Board notifies the holders of the Performance Share Rights.

The Board will determine the performance period. For continuing employees, it will be between three (3) and five (5) years following the date of allocation of the Performance Share Rights. If the Performance Share Rights do not become exercisable before the end of the "performance period" they will lapse.

For a person who ceases to be an employee within two (2) years following the grant of the Performance Share Rights, by reason of death, permanent disablement, retirement, redundancy or for another reason which the Board approve, or after 2 years, without serious misconduct involving dishonesty, the performance period will commence three (3) years from the date of grant of the Performance Share Rights and end on the later of four (4) years from that date, or twelve months after the person ceases to be an employee. In any case, the performance period will not extend beyond five (5) years from the date of grant of the Performance Share Rights.

For continuing employees, Performance Share Rights which have become exercisable may be exercised in the period up to ten (10) years from the date of the grant of the Performance Share Rights.

If a person ceases to be an employee, otherwise than because of serious misconduct involving dishonesty, Performance Share Rights which have become exercisable may be exercised before the later of 90 days after the date on which the person ceases to be an employee, or 90 days after the day on which the performance period ends, but in any case not later than the 10 years from the date on which the Performance Share Rights are issued.

As to (c): the purpose of seeking shareholder approval for a possible further allocation of rights to acquire 725,000 shares is to provide the Board of Directors (Mr Dodd not participating) with the flexibility in future years to provide the Managing Director with further long term incentives. Such incentives would still be subject to the Performance Hurdle described in relation to (b) above and to other restrictions, either under the Performance Share Rights Plan, or under the Performance Award Rights Plan. The conditions of the Performance Award Rights Plan are almost identical to those under the Performance Share Rights Plan, described under (b), except that Performance Award Rights (also being low exercise price options, convertible on a one-for-one basis), are allocated by the Trustee of the Plan to Mr Dodd. The allocation under either Plan may be of rights to acquire shares newly issued by the Company, or in the case of Performance Award Rights, shares acquired on market.

A significant difference between this proposal for shareholder approval and the approval sought in (b) above, is that it does not necessarily involve any allocation of rights to the Managing Director at all. What is being contemplated here is that the Board (Mr Dodd not participating), in its discretion, acting in the interests of the Company and its shareholders, may decide to grant to Mr Dodd future allocations of Performance Share Rights under the Performance Share Rights Plan or of Performance Award Rights under the Performance Award Rights Plan on or before the second anniversary of the grant of the Performance Share Rights proposed under (b).

Under the Performance Award Rights Plan, if the shareholders approve, the Board can invite the Managing Director to make an offer to the Trustee under the Trust Deed, to acquire Performance Award Rights. The Performance Award Rights will have the same total exercise price of $1.00 per tranche of allocations, as under the Performance Share Rights Plan. The exercise of the Performance Award Rights will again be dependant on the satisfaction of a Performance Hurdle and subject to other conditions. The Performance Hurdle is the same as already described under (b) above.

Performance Award Rights acquired under the Plan cannot be transferred prior to exercise. Once the shares are transferred on exercise of the Performance Award Rights there will be no restriction on their transfer.

The Performance Award Rights will be exercisable if the Performance Hurdle is satisfied in the Performance Period, or following an "Event", such as a takeover offer for the Company, if the Trustee notifies the holder.

The Trustee, under the Performance Award Rights Plan will determine the performance period. For continuing executives, including Mr Dodd, this will be between three (3) and five (5) years following the date of the grant of the Performance Award Rights.

Where an employee ceases to be employed by the Company, or one of its subsidiaries within two (2) years from the date of the grant of Performance Award Rights, the Performance Award Rights will lapse unless employment ceases because of death or for one of the reasons set out under (b), above, in relation to the Performance Share Rights Plan, or after two years, other than for reasons of serious misconduct involving dishonesty.

A difference from the Performance Share Rights Plan is that the Trustee, not the Board can approve other reasons for cessation of employment than those listed.

On such a cessation of employment, the performance period will commence three (3) years from the date of grant of the relevant Performance Award Rights and end on the later of four (4) years from that date, or twelve (12) months after cessation of employment. The performance period, in any case, will not extend beyond five (5) years from the date of the relevant grant.

Where a person's employment has ceased and the Performance Award Rights become exercisable they may be exercised before the later of ninety (90) days after cessation of employment, or 90 days after the performance period ends.

Where employment continues, Performance Award Rights which have become exercisable may be exercised up to the end of ten (10) years from the date of the relevant grant.

Reasonable remuneration

Independent expert advice has been sought on the proposed performance arrangement for the Managing Director, consisting of the shares the subject of both (b) and (c) above, having regard to comparable performance incentives for other major listed Australian companies. The advice expresses the opinion that the proposed allocations to Mr Dodd in aggregate being in addition to other elements of his remuneration and having regard to his role in the Company are reasonable in the context of section 211 of the Corporations Law.

On the basis of that advice, the Directors (Mr Dodd not participating), consider that the Allocation Share Plan rights and the performance arrangement for which approval is sought under (b) and (c) of this proposed resolution are reasonable having regard to the Company's circumstances and those of the Managing Director, given the responsibilities involved in the office and the importance of successful management and growth of the Company's business.

The performance arrangement is concerned with performance over the next five (5) to seven (7) years. An ambitious and successful programme must be skillfully managed by the Managing Director if the Company is to be successful. Success will be measured by reference to the Performance Hurdle to be satisfied if the Managing Director is ultimately to receive any of the shares at all. Based on a review by the Company of the practice of comparable listed companies and their incentive arrangement for managing directors, the size of the proposed performance arrangement is not overly generous, in the view of the Directors and certainly not at the top end of the market practice in the matter. It is desirable to provide a real incentive to the Managing Director over a significant number of years.

The Managing Director's performance can greatly affect that of the Company, as the Managing Director carries much of the responsibility for it. The market perception of that performance can fundamentally influence share prices and shareholder returns generally. Major ASX listed companies in Australia, in practice, commonly provide share incentives for the benefit of a Managing Director, such incentives being widely seen as a method of motivating the Managing Director's performance. The vesting of benefits in respect of allocations, subject to performance hurdles, over a number of years, not only provides an incentive with respect to future performance over the medium to long term, but are also a means of retaining the services of a valued Managing Director at least until the rights vest. Other alternatives have been considered but performance incentives through shares are a primary method of aligning the Managing Director's personal interests with those of the shareholders in increased returns to the shareholders.

In the case of the proposed performance arrangement for the Managing Director of the Company, those performance hurdles must be achieved over the prescribed performance period. The proposal that the rights under the Performance Share Rights or Performance Award Rights Plan be allocated possibly over the next two (2) years, together with the prescribed performance periods, can provide incentives to future performance up to 2007, provided that the shareholders approve the proposals and that the Board, in its discretion, decides to allocate further participation rights, the subject of (c) in these Notes, to Mr Dodd.

The grant of rights and the issue of shares under (a) and (b) above, is subject to the Company obtaining appropriate rulings from the Australian Taxation Office.

The Directors (Mr Dodd not participating) recommend that shareholders approve the resolution.

Resolution 6: Approve the grant of an interest in ordinary shares in the Company under the Non-Executive Directors' Plan to each of the non-executive directors named in Resolution 6, which will not involve any additional remuneration.

This Resolution has been proposed so that shareholders may consider, and if thought fit, approve, for the purposes of ASX Listing Rule 10.14, the grant to each of Dominique Collins, Mary Easson, Anne Keating, John Astbury, Geoffrey Cousins, Rowan Ross, Ian Stanwell and each of the non-executive directors who may be elected pursuant to resolutions 1 to 4 of an interest in ordinary shares in the Company under the Non-Executive Directors' Share Plan. This is so that a proportion of each non-executive director's annual base fees for his or her ordinary services as a director may be provided by the Company in the form of ordinary shares in the Company, on the terms and conditions of the Non-Executive Directors' Share Plan, described in these Notes.

Each of the directors mentioned is or will be after their election a non-executive director.

It is stressed that the proposal does not involve any additional remuneration for the non-executive directors and is in fact an economical way, from the point of view of the interests of the Company and its shareholders, of providing 20% of the non-executive directors' annual base fees for their ordinary services as such. It is not in addition to their annual base fees. The calculation does not include any other amounts for service on committees or otherwise.

The object is not to provide the non-executive directors with anything additional to their base fees, but rather to align their interests to shareholder interests in the creation of value for the shareholders as a whole. The proposal that the non-executive directors be provided with 20% of their base fees in the form of shares, will be mandatory, in order to ensure the alignment of their interest with those of shareholders.

Restrictions

The share offer under the Plan will be made to each non-executive director. Shares will be issued to the Trustee of the Plan, or acquired on market by it and the proportion for each director held on trust by the Trustee for that non-executive director.

The number of shares offered to each non-executive director will be determined on the basis of the weighted average price of the shares in a one (1) week period preceding the date of allocation to the Trustee and the base fees of that director.

Forfeiture Conditions

Shares allocated under the Plan will be forfeited if the participant ceases to be a director for serious misconduct involving dishonesty.

Shares allocated under the plan will also be forfeited on a pro rata basis if the participant ceases to be a director prior to twelve (12) months from the date of allocation to the Trustee. The proportion of shares forfeited will equal that proportion of the twelve (12) month period in respect of which the participant ceased to be a director.

Restrictions on Transfer or Dealing

The shares cannot be dealt with until the expiry of the restriction period. The restriction period ends at the earliest of:

(a) a fixed number of years determined by the Trustee at the time of allocation (not being less than twelve (12) months) (and not more than 10 years from the date of allocation);

(b) the date the Non-Executive director ceases to be a director of NRMA Insurance Group Limited; or

(c) the date the trustee notifies the participant following an "Event". An event includes a takeover bid for NRMA Insurance Group Limited or similar transaction.

A participating Non-Executive director is entitled to receive all cash dividends on shares, all bonus shares and other rights accruing in respect of shares held on their behalf, and is entitled to receive notice of and to vote at any meeting of NRMA Insurance Group Limited shareholders. A participating Non-Executive director is also entitled to the income of the trust that is attributable to the shares held on their behalf.

The Company has received independent expert advice on this particular proposal. This advice states that:

"In relation to the proposal of mandatory shares acquisition as a 20% proportion of the base fee, it is my judgement that this proposal reflects contemporary practices and is endorsed".

Impact

The maximum number of shares which may be acquired by the Managing Director if Resolution 5 is approved is one million and fifteen thousand ordinary shares in the Company. The number of shares which may be acquired by all Non-Executive Directors if Resolution 6 is approved cannot be precisely calculated as it depends on the applications of the weighted average price of the shares in a one-week period preceding the date of allocation to the Trustee. Taking the $2.64 closing price of an ordinary share on 26 September 2000, however, and 20% of the current annual base fees for the Non-Executive Directors, 63,636 shares would be acquired in each year of the Plans. Of course the relevant price applied pursuant to the formula is unlikely to be the same. However, the maximum number of shares that would be acquired by Non-Executive Directors' each year under the Non-Executive Directors' Share Plan will in no event exceed 200,000 without further shareholder approval being obtained. It is stressed once again that this does not involve any additional remuneration.

Shares may be allocated under the plans to participants or may be issued to participants as a result of the exercise of the Performance Share Rights or may be issued to the Trustee for the Performance Award Rights. If the shares are issued rather than acquired on market, there will be some dilution of equity in percentage terms, but it will not be substantial. As share prices and total capitalisation levels current at the date of preparation of these notes, the maximum dilutionary effect of the intended offers to be made in the first year of options under the Share Plan including under (b) above is:

(a) Offers made to the Chief Executive Officer and Non-Executive Directors - approximately 0.03%.

(b) Offers made to employees and directors in total with all Plans - approximately 0.65%.

To the extent that shares are acquired on-market, rather than issued by the Company, the dilutionary effect will be lower than as set out above.

The maximum dilution permitted under all of the Company's Plans for employees, executives, or non-executive directors is 5% in that an issue of shares by the Company is not permitted to be made under the Plans if, when taken together with all shares issued under the Plans, or any other employee incentive scheme of the Company in the previous five (5) years (including shares that may be issued on exercise of rights issued under those plans), the number of shares would exceed 5% of the issued capital of the Company immediately following the proposed issue.

NRMA Insurance Group Limited ABN 60 090 739 923

Information for Shareholders

Information for Shareholders about the share plans for the benefit of the employees, executive and non-executive directors of the company and its group.

Note: A copy of the full text of the plans is available on the Company's website www.nrma.com.au or by telephoning 1300 360 688

Resolution 5 and 6 deal with approvals of shareholders which are required by the ASX Listing Rules for the issue to, or acquisition of shares by, directors.

The Board of Directors has recently approved the Plans listed below.

As yet, no shares have been issued under any of the Plans, including those referred to in Resolutions 5 and 6.

A Trust Deed has been prepared to provide the legal framework within which the various Plans, other than the Performance Share Rights Plan will operate. In summary, provisions are made for the following plans within the Trust Deed:

(1) The Allocation Share Plan:
this is for general staff allocations and is sufficiently explained in the notes to **Resolution 5**;

(2) The Equity Share Plan:
to provide NRMA Insurance Group Limited with the flexibility to provide employees with part of their remuneration in the form of shares. This is explained below, but the Directors do not intend to implement the Equity Share Plan immediately;

(3) The Bonus Equity Share Plan:
to provide NRMA Insurance Group Limited with the flexibility to provide employees with all or part of any short-term incentive in the form of shares. It is not the Director's intention to implement that Plan immediately. However, it and the Equity Share Plan are included now to obviate the need to seek further amendments and appropriate tax rulings at a later date;

(4) The Non-Executive Directors' Plan:
to provide NRMA Insurance Group Limited with the flexibility to provide Non-Executive directors with part of their remuneration in the form of shares. This is sufficiently explained in the notes to **Resolution 6**;

(5) The Performance Award Rights Plan:
this enables the Directors to invite the Chief Executive Officer and other executives in senior management to make an offer to the Trustee to acquire Performance Award Rights to be issued by the Trustee. It is designed to provide the Company with the flexibility to provide senior management with long term incentives in the form of rights to acquire shares in the Company. It is sufficiently explained in the notes to **Resolution 5**.

As to (2) above - the Equity Share Plan:
The Equity Share Plan gives the Board power to offer shares to such employees as it thinks appropriate, on such terms that they consider appropriate. The terms of offers which may be made under the Plan and the number of shares to be offered under it are not prescribed by the Plan, but may be determined by the Board from time to time. All employees of the Company and its subsidiaries, including senior management, may be given the opportunity to acquire shares in the Company by participating in the Plan. However, as indicated, it is not proposed that offers be made under this Plan for the time being and, certainly not in the current financial year.

Prior to a salary review date, each participant will be invited to express a preference as to whether a component of any salary, which may be provided to him or her, will include shares in the Company up to a particular value and with a restriction period of a particular length. The Company will consider the employee's expressed preferences and if accepted, the employee may be invited to apply to participate in the Plan. The Trustee of the Plan will acquire shares in the Company either by direct issue or by purchasing the shares on-market.

The relevant participants will be offered shares at no cost to them. The number of shares to be offered will be determined on the basis of the weighted average price of the shares in a one (1) week period preceding the date of allocation.

Shares allocated under the Plan will be forfeited if employment is terminated for serious misconduct involving dishonesty.

The shares cannot be dealt with until the expiry of the restriction period, which will end at the earliest of:

- a fixed number of years determined by the Board at the time of allocation; or
- the date on which the employee ceases to be an employee of the Company or any of its subsidiaries; or
- the date on which the Board notifies the participant following an "Event", such as a takeover offer for the Company; or
- where there is financial hardship to the participant.

Once the restriction period ends, the Trustee will, at the discretion of the participant, either transfer the shares to the participant on whose behalf they are held, or sell them on-market and give the proceeds to the participant.

The participation rights, following allocation of rights under the Plan until the shares are sold or transferred, with respect to dividends, bonus shares and other rights are as for the other plans.

As to (3) above - the Bonus Equity Share Plan:
The purpose of this Plan is to provide the Company with flexibility to provide employees with all or part of any short term incentive in the form of shares in the Company. The Plan gives the Board the power to offer shares to such employees as it thinks appropriate, on such terms as it considers appropriate.

The terms of offers which may be made under the Plan and the number of shares to be offered under it are not prescribed by the Plan, but are determined by the Board from time to time.

Prior to the determination of the short term incentive to which an employee may be entitled, each eligible participant will be invited to express a preference as to whether a component of the short term incentive, which may be provided to him or her, will include allocation rights with respect to shares in the Company up to a particular value, with a restriction period of a particular length. The employee's preferences will be considered.

The Trustee of the Plan will acquire shares in the Company whether by direct issue, or by purchasing the shares on-market. They will be allocated by the Trustee and held by it on trust for the benefit of participating employees. The eligible participant will be offered the shares at no cost to him or her.

The number of shares to be offered will be determined on the basis of the value of the short term incentive and the weighted average price of the shares in the one (1) week period preceding the date of allocation.

Shares allocated under the Plan will be forfeited if employment is terminated for serious misconduct involving dishonesty. The shares cannot be dealt with until the expiry of the restriction period.

That restriction period will end at the earliest of:

- a fixed number of years determined by the Board at the time of allocation; or
- the date on which the employee ceases to be an employee of the Company or any of its subsidiaries; or
- the date on which the Board notifies the participant following an "Event", as described above; or
- where the participant is suffering financial hardship.

Once the restriction period ends the Trustee will, at the discretion of the participant, either transfer the shares to the participating employee on whose behalf they are held, or sell the shares on market and give the proceeds to the participant.

The employee will have the same participation rights while the shares are held for his or her benefit as described in relation to the other Plans.

NRMA Insurance Group Limited

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