



# EXPLANATORY STATEMENT

## FOR THE PROPOSED AMENDMENT OF THE TERMS OF RESET EXCHANGEABLE SECURITIES (RES) ISSUED BY IAG FINANCE (NEW ZEALAND) LIMITED IN JANUARY 2005

**IAG Finance (New Zealand) Limited** (ABN 97 111 268 243),  
through its New Zealand branch a wholly-owned subsidiary of  
**Insurance Australia Group Limited** (ABN 60 090 739 923)

RES are unsecured notes for the purposes of section 283BH of the Corporations Act.  
If the Amendments are approved, the Amended RES will also be unsecured notes  
for the purposes of section 283BH of the Corporations Act.

# IMPORTANT NOTICES

## IMPORTANT INFORMATION

This document is important and requires your immediate attention. It is important that you read the Notice of Meeting and this Explanatory Statement in their entirety before making any decision to vote on the proposed Amendments. In particular, it is important that you consider the risk factors that could affect the financial performance of the Group and the potential risks associated with holding the Amended RES – see Section 4 for investment risks you should consider.

## NO OFFER OR INVITATION

This Explanatory Statement and the Notice of Meeting do not constitute any offer to issue or sell securities, nor do they represent an invitation to apply for securities, to any person in any jurisdiction that is capable of individual acceptance by any person. For an explanation of the effect of the proposed Amendments, see Sections 2 and 3.

## DEFINED WORDS AND EXPRESSIONS

Some words and expressions used in this Explanatory Statement have defined meanings. The Glossary in Appendix A defines these words and expressions. Some defined terms have different meanings in respect of the Existing RES, Existing Preference Shares, Amended RES and Amended Preference Shares, see the Glossary in Appendix A. A reference to time in this Explanatory Statement is to Sydney time, unless otherwise stated. A reference to \$, A\$, AUD, dollars and cents is to Australian currency, unless otherwise stated.

## DISCLAIMERS

This Explanatory Statement is issued by the Issuer. No representation or warranty, express or implied, is made as to the fairness, accuracy, completeness or correctness of any information, opinions and conclusions contained in this Explanatory Statement. Except as required by law, and only to the extent so required, neither the Issuer, IAG, any other member of the Group, nor any of their respective directors, officers, employees, intermediaries or advisers accepts any liability for any loss arising from the use of this Explanatory Statement or its contents or otherwise arising in connection with it, including, without limitation, any liability arising from fault or negligence on their part. Without limiting the foregoing, the Issuer and IAG, and their respective directors, officers and employees take no responsibility for Sections 5 (Taxation letter) or 6 (Independent Expert's Report) of this Explanatory Statement. No person is authorised to provide any information or to make any representations in connection with the proposed Amendments, which is not contained in this Explanatory Statement. Any information or representations not contained in this Explanatory Statement may not be relied upon as having been authorised by the Issuer or IAG in connection with the proposed Amendments.

Except as required by law, and only to the extent so required, none of the Issuer, IAG, any other member of the Group, or any other person warrants the future performance of the Issuer, IAG or the Group, or any return on any investment made in connection with the Existing RES, the Amended RES, Ordinary Shares, nor (if issued) the Existing Preference Shares or Amended Preference Shares. The pro forma financial information provided in this Explanatory Statement is not a forecast of operating results of the Issuer, IAG or the Group to be expected in future periods. Except as may be required by law or the ASX Listing Rules, neither the Issuer, IAG, their respective directors nor any other person accepts any responsibility to update or revise any of the information in this Explanatory Statement, including any forward looking information.

A copy of this Explanatory Statement has been lodged with ASX. Neither ASX nor any of its officers takes any responsibility for the contents of this Explanatory Statement.

## NO INVESTMENT ADVICE

This Explanatory Statement and the Notice of Meeting do not provide investment advice – you should seek your own professional investment advice. The proposed Amendments do not take into account your particular investment objectives, financial situation and particular needs (including financial and taxation issues) as an investor. You should carefully consider the information in this Explanatory Statement, including the risk factors in Section 4, in light of your particular investment objectives, financial situation and particular needs (including financial and taxation issues) and seek professional advice from your accountant, stockbroker, lawyer or other professional adviser before deciding on how to vote on the proposed Amendments. Notwithstanding a recommendation provided in this Explanatory Statement, you should make your own voting decision based on your own enquiries.

## NO OFFER DOCUMENT

This Explanatory Statement is not a prospectus or other offering document under Australian law or the laws of any other jurisdiction, nor does it form part of any contract for acquisition of securities of the Issuer or IAG. This Explanatory Statement does not purport to contain all the information that a prospective investor may require in evaluating a possible investment in any securities nor does it contain all the information which would be required in a prospectus prepared in accordance with the requirements of the Corporations Act. It should be read in conjunction with the other periodic and continuous disclosure announcements to ASX of the Issuer and IAG.

## FOREIGN JURISDICTIONS

The distribution of this Explanatory Statement and the Notice of Meeting (including an electronic copy) in jurisdictions outside Australia may be restricted by law. If you come into possession of this Explanatory Statement and/or the Notice of Meeting in jurisdictions outside Australia, then you should seek advice on, and observe, any such restrictions. If you fail to comply with such restrictions, that failure may constitute a violation of applicable securities laws.

This Explanatory Statement and the Notice of Meeting are subject to Australian meeting disclosure requirements. Any financial information provided in this Explanatory Statement is presented in abbreviated form. Australian financial reporting and disclosure requirements may differ from requirements under other jurisdictions. No action has been taken to register or qualify the Existing RES or the proposed Amendments in any jurisdiction. In particular, neither the Existing RES nor the Amended RES have been, or will be, registered under the U.S. Securities Act of 1933 (as amended) (**Securities Act**) or the securities laws of any state or other jurisdiction of the United States, and accordingly such securities may not be offered, issued, sold, resold or transferred in the United States unless an exemption from registration under the Securities Act and such other securities laws is available. See "Important Notice to U.S. Securityholders" in Section 7.8.

## TRUSTEE

The Trustee has had no involvement in the preparation of any part of this Explanatory Statement, other than particular references to the Trustee and the Trust Deed. The Trustee expressly disclaims and takes no responsibility for any other part of this Explanatory Statement. It makes no statement in this Explanatory Statement and has not authorised or caused the issue of it. The Trustee does not guarantee the payment of any Interest Payment or Dividend.

## RECOURSE TO IAG

If the proposed Amendments are approved and implemented, IAG will not guarantee payments in respect of Amended RES and will have no obligations in respect of Amended RES other than its obligation to issue Amended Preference Shares upon an Exchange and to comply with certain distribution restrictions which apply upon non-payment of Interest Payments. The Amended RES will otherwise be obligations of the Issuer.

## DATE

This Explanatory Statement is issued by the Issuer and is dated 23 October 2009.

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