

INSURED GROUP LIMITED

**NOTICE OF
ANNUAL GENERAL MEETING
OF SHAREHOLDERS**

TABLE OF CONTENTS

	PAGE
Chairman's Letter	3
Notice of Annual General Meeting	4
The Resolutions	6
Explanatory Notes	9
Glossary	22

A Proxy Form accompanies this Notice of Annual General Meeting. The Proxy Form allows Insured Group Shareholders who are not able to attend the Annual General Meeting to vote on the Resolutions by appointing a proxy to vote on their behalf at the Annual General Meeting.

Dear shareholders,

In April 2010, Australian Consolidated Insurance Limited (**ACIL**) completed the reverse takeover of Lombard Group Limited (**Lombard**), a company listed on the main board of the New Zealand Stock Exchange. As part of this process Lombard was renamed Insured Group Limited (the **Company**) and the Company became the parent company of ACIL and its subsidiaries.

The reverse takeover was pursued by ACIL to provide a platform to raise funds and reduce debt levels. Existing vendor payment obligations were the main driver in this regard.

The preferred method of satisfying the Company's funding requirements was to proceed with the capital raising approved by shareholders at the special meeting on 10 March 2010. While the necessary offer documents were being prepared we signalled to the market that trade sales of various subsidiaries and assets were being considered and that advanced discussions were occurring with interested parties in this regard. This announcement stimulated further interest from parties in the insurance industry and a decision was made to postpone the planned capital raising. This remains an option for the Company and the documentation is at an advanced stage.

In progressing the Company's funding requirements, the Board has negotiated agreements to sell the shares or assets of four of the Company's subsidiaries. These include the two New Zealand subsidiaries and subsidiaries in each of Victoria and Queensland. Each of these agreements is conditional on, among other things, the Company obtaining shareholder approval to the sale. This is required because the value of each of these agreements exceeds 50% of the Company's average market capitalisation and is a major transaction under the NZSX Listing Rules.

A summary of the key terms of each agreement, the intended application of proceeds and the consequence of the sales for the Company are set out in the explanatory notes within this notice of meeting. The Board considers the terms of each agreement put to you for your consideration represent fair value for the Insured Group and is in the best interests of the Company and its shareholders. If the sales are not approved by shareholders the Company will have no foreseeable short term means of satisfying its vendor finance payment obligations.

Following completion of these sales the Company will, through its subsidiary, ACI Broking (WA) Pty Limited (**ACI Broking**), be focused on the insurance broking operations in Western Australia. ACI Broking is the Company's most profitable subsidiary and the Board believes it has favourable growth prospects. While the Company has no intentions of entering into any further discussion regarding trade sales or any remaining subsidiaries, the Board considers ACI Broking to be an attractive acquisition target for competitors in the insurance industry.

As part of the trade sale negotiations two conditional offers were received for ACI Broking, although negotiations were not able to be concluded. Only one of the offers was considered by the Board to be in the best interest of the Company and its shareholders. The terms of the other offer were commercially attractive to both parties, although agreement was not possible as the potential purchaser withdrew from negotiations at the last minute after committing itself to a multi-billion dollar acquisition in the United States of America.

There have also been some recent changes at board and management level. In October the Board reluctantly accepted Trevor Jacobs' resignation as a Director and Company Secretary. Consequently the Board appointed Santino DiGiacomo, a Perth-based chartered accountant with extensive finance and capitalisation experience, as a Director. In addition Keith Bowker was appointed as Company Secretary and Head of Corporate Services. Mr Bowker is a chartered accountant and a director of the Perth-based corporate consultancy firm Somerville Corporate Pty Limited.

In summary, the Board will now concentrate on the multiplying insurance broking opportunities generated by the over AUS \$50 billion of major projects in Western Australia. Western Australia is strategically important to the global economy, in particular the mineral demands of an industrialising China. Successful companies adapt and innovate and the Company's investors may be confident their Board will adapt and innovate in order to take advantage of these new opportunities while methodically reducing the Insured Group's debt.

Bill Jeffries
Chairman
Insured Group Limited

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of Shareholders will be held at 4pm (NZ Time) / 11am (WST) on 30 November 2010. The Annual General Meeting will be held in two separate locations connected by video conference facilities. Shareholders are invited to attend either in Wellington at the offices of Minter Ellison Rudd Watts, Level 17, 125 The Terrace or in Perth at City West Receptions, 45 Plaistowe Mews, West Perth. Representatives of the Company will be present at both locations.

BUSINESS OF ANNUAL GENERAL MEETING

Ordinary Business

1. Address by Hon. William Jeffries, Chairman of Insured.
2. Address by Mr Wayne Miller, Managing Director of Insured.
3. To receive the Financial Statements and Auditor's Report, together with the Chairman's and Managing Director's Report, for the financial year ended 31 March 2010.
4. To appoint Grant Thornton as the Company's auditor.
5. To re-elect the Hon. William Jeffries as a Director.
6. To re-elect Anne-Marie Syme as a Director.
7. To elect Daniel O'Leary, who was appointed as Director by the Board, as a Director.
8. To elect Santino Di Giacomo, who was appointed as Director by the Board, as a Director.

Special Business

9. To consider and approve the repeal of the Constitution and the adoption of the New Constitution.
10. To consider and approve the sales of:
 - 100% of the issued ordinary shares in the New Zealand Sale Subsidiaries to Rothbury and RTIC for an aggregate purchase price of approximately NZ\$6.1 million (approximately A\$4.9 million).
 - 100% of the issued ordinary shares in CEMAC to Austagencies or its nominee for an aggregate purchase price of up to approximately A\$5.5 million;
 - the ACI Broking (VIC) Assets to Countrywide for an aggregate purchase price of approximately A\$1.166 million.
11. To approve the offer and allotment of new shares to creditors.

Other Business

12. To consider any other business that may properly be brought before the Annual General Meeting.

The Explanatory Notes that accompany this Notice of Annual General Meeting set out:

- **background information relating to the appointment of a new auditor, the election / re-election of Directors and the replacement of the Constitution with the New Constitution;**
- **the details of the transactions that are the subject of the Resolutions; and**

- **the Shareholder approvals required for the Resolutions pursuant to the Listing Rules, the Corporations Act and the Constitution.**

Capitalised terms are defined in the Glossary on page 22.

THE RESOLUTIONS

Resolution 1 – Appointment of new Auditor

To consider and, if thought fit, pass the following Resolution as an Ordinary Resolution required by section 327B(1) of the Corporations Act:

“That Grant Thornton be appointed as the Company’s auditor.”

See the Explanatory Notes.

Resolution 2 – Re-election of Director

To consider and, if thought fit, pass the following Resolution as an Ordinary Resolution:

“That the Hon. Bill Jeffries be re-elected as a Director of the Company.”

See the Explanatory Notes.

Resolution 3 – Re-election of Director

To consider and, if thought fit, pass the following Resolution as an Ordinary Resolution:

“That Anne-Marie Syme be re-elected as a Director of the Company.”

See the Explanatory Notes.

Resolution 4 – Election of Director

To consider and, if thought fit, pass the following Resolution as an Ordinary Resolution required by section 201H(3) of the Corporations Act and clause 28.3 of the Constitution:

““That Daniel Hugh O’Leary be elected as a Director of the Company.”

See the Explanatory Notes.

Resolution 5 – Election of Director

To consider and, if thought fit, pass the following Resolution as an Ordinary Resolution required by section 201H(3) of the Corporations Act and clause 28.3 of the Constitution:

““That Santino Di Giacomo be elected as a Director of the Company.”

See the Explanatory Notes.

Resolution 6 – New Constitution

To consider and, if thought fit, pass the following Resolution as a Special Resolution required by section 136 of the Corporations Act:

“That the Constitution be revoked and replaced by the New Constitution and any Director or person duly authorised by the Board be authorised to take all actions and enter into all documents required to give effect to the matters approved in this Resolution.”

See the Explanatory Notes.

Resolution 7 – Sale of New Zealand Sale Subsidiaries

To consider and, if thought fit, pass the following Resolution as an Ordinary Resolution required by Listing Rule 9.1:

“That the sale of 100% of the issued ordinary shares in the New Zealand Sale Subsidiaries to Rothbury and RTIC for a value of approximately NZ\$6.1 million (approximately A\$4.9 million), on the terms set out in the explanatory notes, be approved and that the Directors be authorised to take all action, do all things and execute all documents and agreements necessary or considered by them to be expedient to give effect to this transaction.”

See the Explanatory Notes.

Resolution 8 – Sale of CEMAC

To consider and, if thought fit, pass the following Resolution as an Ordinary Resolution required by Listing Rule 9.1:

“That the sale of 100% of the issued ordinary shares in CEMAC to Austagencies or its nominee for an aggregate purchase price of up to approximately A\$5.5 million, on the terms set out in the explanatory notes, be approved and that the Directors be authorised to take all action, do all things and execute all documents and agreements necessary or considered by them to be expedient to give effect to this transaction.”

See the Explanatory Notes.

Resolution 9 – Sale of the ACI Broking (VIC) Assets

To consider and, if thought fit, pass the following Resolution as an Ordinary Resolution required by Listing Rule 9.1:

“That the sale of the ACI Broking (VIC) Assets to Countrywide for an aggregate purchase price of approximately A\$1.166 million, on the terms set out in the explanatory notes, be approved and that the Directors be authorised to take all action, do all things and execute all documents and agreements necessary or considered by them to be expedient to give effect to this transaction.”

See the Explanatory Notes.

Resolution 10 – Issue of new shares to pay creditors

To consider and, if thought fit, pass the following Resolution as an Ordinary Resolution in accordance with Listing Rule 7.3.1(a) and the Company’s constitution:

“That the Company be authorised to offer and allot to creditors, in aggregate, up to 20% of the total number of securities it has on issue at a discount of up to 15% on the then market price, on the terms set out in the explanatory notes”.

See the Explanatory Notes.

VOTING RESTRICTIONS

All Shareholders may vote on all Resolutions.

PROXIES

Each Shareholder is entitled to:

- attend the Annual General Meeting and vote on the Resolutions; or

- appoint a proxy to attend the Annual General Meeting and vote on its, his or her behalf on the Resolutions.

A proxy need not be a shareholder of the Company.

If a Shareholder sells, transfers or otherwise disposes of any of its Shares between the date of this Notice of Annual General Meeting and the date of the Annual General Meeting, that Shareholder should give this Notice of Annual General Meeting to the new holder of those Shares.

The Proxy Form for the Annual General Meeting is enclosed with this Notice of Annual General Meeting.

To be effective, the Proxy Form must be completed in accordance with the notes set out in the Proxy Form and be lodged (either by delivery, post or facsimile) at the registered office of the Company at:

Australian Consolidated House
69 Grantham Street
Wembley WA 6014
Australia

OR

PO Box 157
Mt Hawthorn WA 6915
Australia

OR

Facsimile: +61 8 9287 0495

or with the Company's share registrar at:

ComputerShare Investor Services Limited
Level 2
159 Hurtsmere Road
Takapuna
North Shore City
AUCKLAND

OR

Private Bag 92119
AUCKLAND

OR

Facsimile: +64 9 488 8787

before 4 pm (NZ time) / 11am (WST) on 28 November 2010.

EXPLANATORY NOTES

The Company is listed on the NZSX market and is incorporated in Australia so must comply with the Listing Rules and the Corporations Act.

The Resolutions set out in this Notice of Annual General Meeting are required by the Listing Rules, the Corporations Act and the Constitution and their implications, insofar as they relate to the Resolutions, are addressed in the Explanatory Notes below.

EXPLANATORY NOTE 1 – APPOINTMENT OF NEW AUDITOR

Having migrated its place of incorporation to Australia in April 2010, the Company is required to prepare its financial statements and reports in accordance with the requirements of the Australian legislation and the Listing Rules.

The Company's previous auditors, Auditors on London, serviced the Company well, but were not in a position to provide services following the Company's migration and accordingly resigned as auditor of the Company following completion of the reverse takeover in April 2010. Consequently the Board appointed Grant Thornton as auditor of the Company pursuant to section 327A of the Corporations Act to hold office until the Annual General Meeting. Grant Thornton was already the auditor of the rest of the Insured Group. The Board recommends that Shareholders vote in favour of this Resolution and appoint Grant Thornton as auditor of the Company pursuant to section 327B of the Corporations Act.

EXPLANATORY NOTE 2 – DIRECTORS

Pursuant to Listing Rule 3.3.11 and the Constitution, one third of the Directors must retire by rotation at each annual meeting. The Hon. William Jeffries and Anne-Marie Syme will retire at the Annual General Meeting in accordance with the Constitution. Both Mr Jeffries and Ms Syme offer themselves for re-election.

The current Directors are:

- the Hon. William Patrick Jeffries, Wayne Robert Miller, Anne-Marie Syme and Mark Stephen Shelton (each appointed on 12 April 2010 pursuant to the approval of Shareholders at a special meeting held on 10 March 2010); and
- Daniel Hugh O'Leary (appointed by the Board on 12 July 2010) and Santino Di Giacomo (appointed by the Board on 8 October 2010), both of whom were appointed pursuant to clause 28.3 of the Constitution and section 201H(1) of the Corporations Act.

The Board is required by the Listing Rules to have at least three Directors, two of whom are ordinarily resident in New Zealand and two of whom are Independent Directors.

The Board has determined that Mr Jeffries, Ms Syme, Mr O'Leary and Mr Di Giacomo are Independent Directors as defined in the Listing Rules. The Board's determinations as to the independence of Mr O'Leary and Mr Di Giacomo were announced to the market on 12 July 2010 and 8 October 2010 respectively. Mr Jeffries and Mr O'Leary are ordinarily resident in New Zealand.

The profile of each of Mr Jeffries, Ms Syme, Mr O'Leary and Mr Di Giacomo are set out below:

The Hon. William Patrick Jeffries

Non-Executive Chairman

LLB (Victoria)

Mr Jeffries has been Chairman of the Board since 12 April 2010. In addition to his role with the Company, Mr Jeffries is a practising barrister in Wellington. He held the position of Chief Commissioner of the New Zealand Transport Accident Investigation Commission from 1997 to April 2010. He was also Chairman of New Zealand's Real Estate Agents Licensing Board from 2007 to 2010.

Mr Jeffries is a former Minister of Transport and former Minister of Civil Aviation. He also held the Justice portfolio in 1989/90.

As a result of his extensive transport experience, Mr Jeffries has a particular expertise in risk management and safety management systems for the marine, aviation and rail industries. He has served as Chairman of the International Transport Safety Association.

Mr Jeffries is one of the 4 directors of Lombard Finance & Investments Limited against whom the Securities Commission has filed proceedings. These proceedings are being defended and do not have an impact on the Company.

Anne-Marie Syme

Non-Executive Director
MAICD FBL 4503

Ms Syme has been a Director of the Company since 12 April 2010 and has extensive corporate management and business development experience within the banking and finance sectors and currently works in director and executive capacities with several other companies and organisations throughout Australia. Ms Syme has extensive mortgage broking expertise having founded innovative company Loansafe and is a founding shareholder and executive chairman of FAST (Financial Systems and Technology) which is one of the largest mortgage aggregators in Australia.

Daniel Hugh O'Leary

Non-Executive Director
BA (Hons), MA (Oxon), Diploma in Law (UK)

Mr O'Leary has been a Director of the Company since he was appointed by the Board on 12 July 2010.

Son of a British diplomat and a New Zealand mother, Mr O'Leary began his education at Forest School, Canberra, where his father was serving in the British High Commission at the time. He later attended schools in South Africa, New Zealand and the UK before proceeding to Oxford where he gained his Masters Degree. After a two-year stint in Tokyo working for a Japanese pharmaceutical company he joined P&OCL but in 1989 decided to become a barrister. He was admitted to the New Zealand Bar and has practised as a Barrister in Wellington, in the civil jurisdiction, for some 14 years. He has appeared in the Supreme Court of New Zealand.

Mr O'Leary is married to Nina, the daughter of Hon Hugh Templeton, the New Zealand Minister responsible, with Doug Anthony the former Deputy Prime Minister of Australia, for negotiating the Closer Economic Relations (CER) Treaty between Australia and New Zealand, as a result of which the Governor-General of Australia has recently made his father in law a member of the Australian Order.

Santino Di Giacomo

Non-Executive Director
BBus, ACA, CPA, FINSA

Mr Di Giacomo has been a Director of the Company since he was appointed by the Board on 8 October 2010.

After qualifying as a Chartered Accountant in 1984 with Ernst & Young, he worked in the Chairman's office of Mr Robert Holmes-a-Court's International Bell Group Limited as assistant to the Finance Director.

In 1988 Mr Di Giacomo joined the international pharmaceutical group, Cortecs International Limited, and Provalis plc. During his twelve year tenure with the UK based Provalis Group (was listed on the LSE, NASDAQ and the ASX), Mr Di-Giacomo held a number of senior international executive

positions (including Director of Corporate Development) and was also responsible for the Group's expansion and capital raising activities.

He was also a key figure in Provalis' strategic and corporate structuring and international expansion including capital markets initiatives; Australian and international listings and capital raisings (NASDAQ and the LSE); the capture of new intellectual property; and major healthcare contract and licensing negotiations.

Currently Mr. Di-Giacomo is a Non-Executive Director of APAC Coal Limited, and also a director of the following public companies: Millepede International Limited (MPD), Vortex Pipes Limited (VTX), Consolidated Capital Investments Ltd (CNC) and Pallane Medical Limited (PNM).

The Board (other than those Directors the subject of the relevant Resolution) recommends that Shareholders vote in favour of the Resolutions confirming the appointment of Mr Jefferies, Ms Syme, Mr O'Leary and Mr Di Giacomo as Directors.

The Board notes that if the Resolutions are not passed to re-elect Mr Jefferies and elect Mr O'Leary, the Company will be in breach of Listing Rule 3.3.1(b) as it will not have two Directors who are ordinarily resident in New Zealand.

EXPLANATORY NOTE 3 – NEW CONSTITUTION

The Company migrated its place of incorporation from New Zealand to Australia on 12 April 2010 and is registered as a public company under the Corporations Act. As a consequence of the migration the Company is no longer registered under, or required to comply with, the *Companies Act 1993* (New Zealand) (the **Companies Act**) and must instead comply with the Corporations Act.

By way of background the Constitution was last amended in 2005 prior to reverse takeover by Pure New Zealand Limited (as the Company was then known) of Lombard Finance & Investments Limited. Rather than amend the Constitution to remove Companies Act related content and incorporate changes required by the Corporations Act, the Company proposes to repeal the Constitution in its entirety and adopt the New Constitution. The New Constitution is based on a template Corporations Act compliant constitution, with necessary amendments to ensure it is compliant with the Listing Rules. As with the Constitution the New Constitution incorporates the Listing Rules by reference. This means that if there are any provisions in the New Constitution that are inconsistent with the Listing Rules relevant to the Company, the Listing Rules (as amended by any waiver or ruling relevant to the Company) will prevail. The New Constitution has also been prepared such that it is compliant with the listing rules of the Australian Stock Exchange (**ASX Listing Rules**), which have been incorporated by reference. The requirements of the ASX Listing Rules will only apply to the Company should it become listed on the ASX. The Company has no current plans to list on the ASX. A more full description of the ASX Listing Rules and their impact on the Company would be provided to Shareholders at a later stage should the Company decide to apply for a listing on the ASX.

The New Constitution accompanies this document and you should read it prior to attending the Annual General Meeting and/or voting on the Resolution to approve its adoption.

For the purposes of section 136 of the Corporations Act, approval of the Resolution is sought by way of Special Resolution.

A full copy of the new constitution can be viewed at the registered office of the Company at Australian Consolidated Insurance House, 69 Grantham Street, Wembley, Western Australia and can be viewed online on the Company's website at www.insuredgroup.co.nz. A copy can also be obtained upon request from the Company at PO Box 157, Mt Hawthorn, WA 6915, Australia, Attention: Company Secretary.

The Board recommends that Shareholders vote in favour of the Resolution repealing the Constitution and adopting the New Constitution.

EXPLANATORY NOTE 4 – SHARE AND ASSET SALES

Overview

On 11 June 2010, the Company announced to the market that it was in negotiations to extend its vendor finance payment obligations that were due on 1 April 2010. The capital raising approved at the Company's 10 March 2010 meeting was the Company's preferred source of satisfying these funding obligations. It was also signalled that there was consideration of possible trade sales of various subsidiaries and assets within the Insured Group and that the Company was in advanced discussions with various interested parties in this regard.

This announcement stimulated further interest from other parties in the insurance industry resulting in a range of options for the Company. As a result the Board resolved to postpone finalising the proposed capital raising approved at the meeting of shareholders on 10 March 2010. The capital raising remains an option available to the Company and documentation to achieve this is at an advanced stage

The Company's vendor payment obligations amount to approximately A\$5.98 million. The vendor payment obligations relate to historic acquisitions made by ACIL. ACIL's acquisition financing practice involved securing bank finance for approximately 50% of the purchase price, which was put towards the initial payment. Subsequent payments were generally made about 15 months after completion were paid with available funds and from equity raisings. ACIL was not always able to generate sufficient funds to make these payments. Those amounts, which remain outstanding, comprise the Company's vendor payment obligations. To raise the bank finance ACIL and/or its subsidiaries would apply prior to each acquisition to increase its limit under the banking facility held with St George Bank. Banking finance was not secured for the acquisition of Classic Cover. In that instance, ACIL and its subsidiaries assumed the liabilities of the vendor and made payments from available cash flow. The total limit under the St George facility was A\$9,690,000.

Should the Company obtain shareholder approval and complete the sales detailed in this Notice of Annual General Meeting the Company's vendor finance debts will be reduced from A\$5.99 million to approximately A\$1.26 million (a 79% reduction). The Board considers that the sale of a combination of Insured Group subsidiaries and assets constitutes the most feasible method available to the Company in the current economic climate to reduce its vendor finance payment obligations and banking commitments and, as such, is in the best interests of the Company. In addition the sales will allow the Company to focus on its insurance broking operations in the key region of Western Australia.

A more detailed description of each transaction, including the payment terms and the conditions needed to be satisfied prior to completion of each are set out below.

Sale of New Zealand Sale Subsidiaries (Resolution 7)

Overview

The New Zealand Sale Subsidiaries are the New Zealand based wholly-owned subsidiaries of ACIL. Tasman Insurance currently provides insurance broking and risk management advice and Classic Cover provides specialist insurance coverage of the classic car market.

ACIL has entered into a share sale agreement with Rothbury and RTIC relating to the sale of 100% of the issued ordinary shares in the New Zealand Sale Subsidiaries to Rothbury and RTIC for an aggregate purchase price of approximately NZ\$6.1 million (approximately A\$4.9 million).

The Company identified Rothbury as an insurance industry participant with which ACIL had a good strategic fit and who would be in an ideal position to purchase the New Zealand Sale Subsidiaries. Rothbury is one of the largest insurance broking groups in New Zealand having provided services for over 50 years. RTIC is a wholly owned subsidiary of Rothbury.

Due to some difficulties with raising equity capital, Insured Group's plan to leverage the Classic Cover transaction with Tasman Insurance for New Zealand expansion could not be accomplished. The Classic Cover acquisition was therefore not maximised due to lack of support from the New Zealand investment community and timing only. The operations of the New Zealand Sale Subsidiaries do not contribute to group profit.

The sale of the New Zealand Sale Subsidiaries will result in Insured Group's debts reducing by approximately NZ\$3.3 million (approximately A\$2.7 million). Details of Classic Cover's and Tasman Insurance's contributions to the Insured Group for the year ended 30 June 2010 are set out below:

	Classic Cover (A\$)	Tasman Insurance (A\$)
Net Revenue	2,028,000	836,000
Expenses	1,970,000	927,000
NPAT	58,000	(91,000)

Note: the above figures include Insured Group management costs of A\$285,000, costs associated with vendor repayment delays of A\$32,000 and a make good provision of A\$32,000 for the Brookfields House lease in Auckland.

Payment Terms

The value attributed to the shares in the New Zealand Sale Subsidiaries by Rothbury and RTIC is approximately NZ\$6.1 million (approximately A\$4.9 million). This amount includes the liabilities of the New Zealand Sale Subsidiaries which, when combined, amount to approximately NZ\$3.3 million. These liabilities include NZ\$1.88 million of vendor finance obligations still owed to the previous owners of the New Zealand Sale Subsidiaries. On completion these liabilities will remain with Classic Cover and Tasman Insurance, as applicable, and Rothbury will partially repay inter-company loans owed by Tasman Insurance and Classic Cover to ACIL.

Conditions

The share sale agreement with Rothbury and RTIC is subject to a number of usual conditions, including:

- obtaining consents or releases from creditors of the New Zealand Sale Subsidiaries and ACIL to allow ACIL to transfer the shares in the New Zealand Sale Subsidiaries free from any security interests or other encumbrances; and
- obtaining the approval of the Company's shareholders to the sale.

The Company is in the process of obtaining the necessary consents and releases and expects to be able to satisfy the last of these and complete the transaction upon obtaining Shareholder approval of the sale.

Restraint

Upon completion of the sale the Company will be restricted from providing or being involved in the provision of insurance or similar services in New Zealand for a period of three years. The Company will also be restricted during that period from entering into commercial arrangements with any client or customer of the New Zealand Sale Subsidiaries, regardless of whether they are located in New Zealand or Australia.

Use of Proceeds

The proceeds from the sale of the New Zealand Sale Subsidiaries will be used to reduce vendor finance payments and to continue the Company's debt reduction strategy.

Board Recommendation

The Board considers the terms of the asset sale agreement between ACIL, Rothbury and RTIC represent fair value for ACIL and the Company and that the sale to is in the best interests of the Company and its shareholders. The Board recommends that shareholders approve the sale. The value of the offer received by Rothbury and RTIC was significantly more attractive than the offer received by another party and there is no foreseeable prospect of a better offer being received by another party.

Financial information

The impact of the transaction on the statement of financial position of the Company as at 30 June 2010 (unaudited) is summarised as follows:

CALCULATION OF PURCHASE CONSIDERATION AND ACCOUNTING PROFIT ON SALE OF NEW ZEALAND SALE SUBSIDIARIES

Purchase Consideration	NZ\$	Rate ¹	A\$
Tasman Insurance shares	1,339,385	1.25	1,071,508
Classic Cover shares	1	1.25	1
Reduction of expected inter-company loan – Tasman Insurance	961,301	1.25	769,041
Reduction of expected inter-company loan – Classic Cover	415,265	1.25	332,212
Payment of agreed liabilities	3,381,291	1.25	2,705,033
	<u>6,097,243</u>		<u>4,877,795</u>

¹ Rate used is the exchange rate of NZ\$1.25 as at 30 June 2010

Accounting profit on sale of New Zealand Sale Subsidiaries	A\$
Purchase consideration	4,877,795
Less: payment of inter-company loans	(1,101,253)
Less: net assets of New Zealand Sale Subsidiaries	<u>(1,907,375)</u>
	<u>1,869,166</u>

Cash flows of Consideration	NZ\$	Rate ¹	A\$
Payment of expected inter-company loan – Tasman Insurance	961,301	1.25	769,041
Payment of expected inter-company loan – Classic Cover	415,265	1.25	332,212
Expected inter-company shortfall	(88,590)	1.25	(70,872)
Total cash payment upon settlement by Rothbury	<u>1,287,976</u>		<u>1,030,381</u>

Payment for Tasman Insurance shares	1,339,385	1.25	1,071,508
Payment for Classic Cover shares	1	1.25	1
Payment of expected inter-company shortfall	88,590	1.25	70,872
Total cash payment by Rothbury 12 months after completion	<u>1,427,976</u>		<u>1,142,381</u>

¹ Rate used is the exchange rate of NZ\$1.25 as at 30 June 2010

INSURED GROUP LIMITED PRO-FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2010

	30 JUNE 2010 UNAUDITED	Adjustments for the disposal of New Zealand Sale Subsidiaries	PRO-FORMA 30 JUNE 2010 UNAUDITED
	A\$	A\$	A\$
CURRENT ASSETS			
Cash and cash equivalents	8,258,564	(767,399)	7,491,165
Trade and other receivables	15,543,554	(2,845,326)	12,698,228
TOTAL CURRENT ASSETS	<u>23,802,118</u>	<u>(3,612,725)</u>	<u>20,189,393</u>
NON CURRENT ASSETS			
Property, plant and equipment	293,624	(80,923)	212,701
Intangible assets	20,189,160	(3,966,263)	16,222,897
Deferred tax assets	767,286	(36,668)	730,618
TOTAL NON CURRENT ASSETS	<u>21,250,070</u>	<u>(4,083,854)</u>	<u>17,166,216</u>
TOTAL ASSETS	<u>45,052,188</u>	<u>(7,696,579)</u>	<u>37,355,609</u>

CURRENT LIABILITIES			
Trade and other payables	23,230,878	(4,166,780)	19,064,098
Provisions	384,369	(124,971)	259,398
Deferred consideration – (vendor finance payments)	5,975,815	(5,273,994)	701,821
Loans and borrowings	12,006,820	-	12,006,820
TOTAL CURRENT LIABILITIES	41,597,882	(9,565,745)	32,032,137
TOTAL LIABILITIES	41,597,882	(9,565,745)	32,032,137
NET ASSETS	3,454,306	1,869,166	5,323,472
EQUITY			
Contributed equity	4,663,809	-	4,663,809
Retained profits	(1,098,610)	1,869,166	770,556
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY	3,565,199	1,869,166	5,434,365
Non-controlling interests	(110,893)	-	(110,893)
TOTAL EQUITY	3,454,306	1,869,166	5,323,472

Sale of CEMAC (Resolution 8)

Overview

CEMAC is a wholly-owned Queensland based subsidiary of ACIL, providing specialist niche underwriting services. For 14 years CEMAC has provided contractors plant and equipment insurance to insurance brokers within Australia. Earthmoving equipment, mining equipment and mobile cranes are examples of the typical machinery covered by this insurance.

ACIL has entered into a share sale agreement with Austagencies relating to the sale of 100% of the issued ordinary shares in CEMAC for an aggregate purchase price of up to a maximum of A\$5,316,918.

Austagencies is the underwriting agency subsidiary within the Austbrokers group of companies, a mid-sized insurance broking and financial services organisation based in Victoria, Australia (the **Austbrokers Group**).

While CEMAC remains profitable, it currently owes A\$3 million in bank debts and there remains vendor payments of A\$2.1 million. Since Insured Group's purchase of CEMAC, its revenue has been affected by the severe adjustment of the underwriting philosophy of the incumbent insurer security. The associated risk of any further changes by the insurer combined with the opportunity to concentrate on less volatile insurance broking operations was considered by the Board to be a prudent objective with a more risk adverse outcome.

Details of CEMAC's contributions to the Insured Group for the year ended 30 June 2010 are set out below:

	CEMAC (A\$)
Net Revenue	1,257,800
Expenses	864,800
NPAT	393,000

Payment Terms

The aggregate purchase price payable by Austagencies will be satisfied as follows:

- An initial payment to ACIL of A\$3,175,000, payable on completion of the share sale agreement.
- A further payment to ACIL following completion equal to the value of CEMAC's net tangible assets as at 30 June 2010. This payment is required to be made five business days after the

valuation is determined. The Board expects that the value of this payment to ACIL will be for at least approximately \$A200,000.

- A final payment by Austagencies which will be made directly to the former owner of CEMAC, in full satisfaction of the outstanding vendor payment liability of A\$2.1 million. The actual amount Austagencies will be required to pay is dependent on the net commission and fee income earned by CEMAC between 30 June 2010 and 30 June 2011. The amount is capped at A\$2,141,918 and will be paid by Austagencies to ACIL after 30 June 2011.

Conditions

The share sale agreement with Austagencies is subject to a number of usual conditions including:

- obtaining confirmation that the licensee distribution agreement with Lumley General Insurance Limited will continue in place after completion;
- obtaining releases of all security interests over the shares in or assets of CEMAC; and
- obtaining the approval of the Company's Shareholders to the sale.

The Company is in the process of obtaining the necessary consents and releases and expects to be able to satisfy the last of these and complete the transaction upon obtaining Shareholder approval of the sale.

Restraint

Following completion, and for a period of up to three years, the Company and ACIL will be restricted from competing with the business of CEMAC and from soliciting any customers and/or employees of CEMAC anywhere in Australia.

Use of Proceeds

The proceeds from the sale of CEMAC will be used by the Company to further reduce its other debts. Upon completion the Company's vendor payment liability of A\$2.1 million to the previous owner of CEMAC will be extinguished.

Board Recommendation

The Board considers that the terms of the share sale agreement with Austbrokers represent fair value for ACIL and the Company and that the sale of CEMAC is in the best interests of the Company and its shareholders. The Board recommends that Shareholders approve the sale.

Financial information

The impact of the transaction on the statement of financial position of the Company as at 30 June 2010 (unaudited) is summarised as follows:

Purchase Consideration	A\$
An initial payment of A\$3,175,000 payable on completion	3,175,000
Estimated Net Tangible Assets	200,000
NCF – (Max A\$5,316,918)	1,941,918
	<u>5,316,918</u>

INSURED GROUP LIMITED
PRO-FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2010

	30 JUNE 2010 UNAUDITED	Adjustments for the disposal of CEMAC	PRO-FORMA 30 JUNE 2010 UNAUDITED
	A\$	A\$	A\$
CURRENT ASSETS			
Cash and cash equivalents	8,258,564	-	8,258,564

Trade and other receivables	15,543,554	-	15,543,554
TOTAL CURRENT ASSETS	23,802,118	-	23,802,118
NON CURRENT ASSETS			
Property, plant and equipment	293,624	-	293,624
Intangible assets	20,189,160	-	20,189,160
Deferred tax assets	767,286	-	767,286
TOTAL NON CURRENT ASSETS	21,250,070	-	21,250,070
TOTAL ASSETS	45,052,188	-	45,052,188
CURRENT LIABILITIES			
Trade and other payables	23,230,878	(2,123,930)	21,106,948
Provisions	384,369	-	384,369
Deferred consideration – (vendor finance payments)	5,975,815	(701,821)	5,273,994
Loans and borrowings	12,006,820	(2,491,167)	9,515,653
TOTAL CURRENT LIABILITIES	41,597,882	(5,316,918)	36,280,964
TOTAL LIABILITIES	41,597,882	(5,316,918)	36,280,964
NET ASSETS	3,454,306	5,316,918	8,771,224
EQUITY			
Contributed equity	4,663,809	-	4,663,809
Retained profits	(1,098,610)	5,316,918	4,218,308
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY	3,565,199	5,316,918	8,882,117
Non-controlling interests	(110,893)	-	(110,893)
TOTAL EQUITY	3,454,306	5,316,918	8,771,224

Sale of the ACI Broking (VIC) Assets (Resolution 9)

Overview

ACIL and ACI Broking (VIC) have entered into an asset sale agreement with Countrywide relating to the sale of ACI Broking (VIC)'s entire portfolio of insurance policies and all of the goodwill associated with those policies (the **ACI Broking (VIC) Assets**) to Countrywide for a total purchase price of approximately A\$1.166 million. Countrywide is a member of the Austbrokers Group.

While the ACI Broking (VIC) Assets have performed well in the past, the Company now considers there are factors justifying their sale. The Insured Group intends to concentrate its efforts more in Western Australia in order to take advantage of the higher returns available rather than continue to operate a marginal operation in Victoria. In addition, the Company has decided that in order to achieve a greater presence in Victoria, ACI Broking (VIC) would need to achieve better economies of scale. Such expansion in Victoria is not a possibility for Insured Group at this point in time.

The ACI Broking (VIC) Assets are ACI Broking (VIC)'s only significant assets and it is intended that following their sale, ACI Broking (VIC) will be liquidated and cease to exist.

Details of ACI Broking (VIC)'s contributions to the Insured Group for the year ended 30 June 2010 are set out below:

	ACI Broking (VIC) (A\$)
Net Revenue	613,000
Expenses	611,500
NPAT	1,500

Payment Terms

The total purchase price for the ACI Broking (VIC) Assets is approximately A\$1.166 million. The exact amount which will be received is subject to adjustment based on the actual performance of the ACI Broking (VIC) Assets during the 12 month period following completion. Details of each of the two separate instalments are set out below:

- An initial payment of A\$555,000 payable upon completion.
- Payment of the balance on 29 February 2012. The final amount received is dependent on the financial performance of the ACI Broking (VIC) Assets for the 12 months to 30 November 2011. The Board is confident that the final payment will be for at least A\$611,000.

Conditions

The asset sale agreement with Countrywide is subject to a number of usual conditions, including:

- obtaining releases of all security interests over the ACI Broking (VIC) Assets registered against ACI Broking (VIC) and / or ACIL; and
- obtaining the approval of the Company's Shareholders to the sale.

The Company is in the process of obtaining the necessary consents and releases and expects to be able to satisfy the last of these and complete the transaction upon obtaining Shareholder approval of the sale.

Restraint

Following completion, and for a period of up to three years, the Company and ACIL will be restricted from soliciting any of the clients who held insurance policies that were sold to Countrywide as part of the ACI Broking (VIC) Assets.

Use of Proceeds

The proceeds from the sale of the ACI Broking (VIC) Assets will be used by the Company to further reduce its debts.

Board Recommendation

The Board considers that the terms of the asset sale agreement with Countrywide represent fair value for ACI Broking (VIC), ACIL and the Company and that the sale of the ACI Broking (VIC) Assets is in the best interests of the Company and its Shareholders. The Board recommends that Shareholders approve the sale. The Board considers there is no foreseeable prospect of a better offer being received by another party

As mentioned above, it is expected that should the asset sale agreement be approved by shareholders and completed, ACI Broking (VIC) would be liquidated and cease to exist

Financial information

The impact of the transaction on the statement of financial position of the Company as at 30 June 2010 (unaudited) is summarised as follows:

Purchase Consideration	A\$
An initial payment of A\$555,000 payable upon completion	555,000
Payment of balance on 29 February 2012	611,000
	<u>1,166,000</u>

**INSURED GROUP LIMITED
PRO-FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2010**

	30 JUNE 2010 UNAUDITED	Adjustments for the disposal of ACI Broking (VIC) Assets	PRO-FORMA 30 JUNE 2010 UNAUDITED
	A\$	A\$	A\$
CURRENT ASSETS			
Cash and cash equivalents	8,258,564	-	8,258,564
Trade and other receivables	15,543,554	-	15,543,554
TOTAL CURRENT ASSETS	<u>23,802,118</u>	-	<u>23,802,118</u>

NON CURRENT ASSETS			
Property, plant and equipment	293,624	-	293,624
Intangible assets	20,189,160	-	20,189,160
Deferred tax assets	767,286	-	767,286
TOTAL NON CURRENT ASSETS	21,250,070	-	21,250,070
TOTAL ASSETS	45,052,188	-	45,052,188
CURRENT LIABILITIES			
Trade and other payables	23,230,878	(1,166,000)	22,064,878
Provisions	384,369	-	384,369
Deferred consideration – (vendor finance payments)	5,975,815	-	5,975,815
Loans and borrowings	12,006,820	-	12,006,820
TOTAL CURRENT LIABILITIES	41,597,882	(1,166,000)	40,431,882
TOTAL LIABILITIES	41,597,882	(1,166,000)	40,431,882
NET ASSETS	3,454,306	1,166,000	4,620,306
EQUITY			
Contributed equity	4,663,809		4,663,809
Retained profits	(1,098,610)	1,166,000	67,390
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY	3,565,199	1,166,000	4,731,199
Non-controlling interests	(110,893)	-	(110,893)
TOTAL EQUITY	3,454,306	1,166,000	4,620,306

Consequences of sales

If the Resolutions relating to the above transactions are all approved by Shareholders, and the transactions are subsequently completed, the Company is expected to receive a combined total sales balance of \$A11,360,713. In addition to any specific uses set out in relation to each of the above transactions, that amount will be used by the Company:

- to reduce its vendor finance payment obligations from A\$5.98 million to \$A1.26 million; and
- to reduce the level of bank funding with St George from A\$12 million to A\$9.5 million.

The Insured Group subsidiaries and assets the subject of the resolutions contributed approximately A\$4.73 million of revenue, A\$4.37 million of expenses and A\$360,000 of NPAT to Insured Group for the financial year ending 31 June 2010. Pro-form accounts have been prepared and are set out below to show the impact to the Insured Group of the sale of the applicable Insured Group subsidiaries and assets.

Financial information

The impact of the sales of the above transactions on the statement of financial position of the Company as at 30 June 2010 (unaudited) is summarised as follows:

INSURED GROUP LIMITED PRO-FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2010

	30 JUNE 2010 UNAUDITED	Adjustments for all transactions from Resolutions 7-9	PRO-FORMA 30 JUNE 2010 UNAUDITED
	A\$	A\$	A\$
CURRENT ASSETS			
Cash and cash equivalents	8,258,564	(767,399)	7,491,165
Trade and other receivables	15,543,554	(2,845,326)	12,698,228
TOTAL CURRENT ASSETS	23,802,118	(3,612,725)	20,189,393
NON CURRENT ASSETS			
Property, plant and equipment	293,624	(80,923)	212,701
Intangible assets	20,189,160	(3,966,263)	16,222,897
Deferred tax assets	767,286	(36,668)	730,618
TOTAL NON CURRENT ASSETS	21,250,070	(4,083,854)	17,166,216
TOTAL ASSETS	45,052,188	(7,696,579)	37,355,609
CURRENT LIABILITIES			
Trade and other payables	23,230,878	(7,456,710)	15,774,168

Provisions	384,369	(124,971)	259,398
Deferred consideration – (vendor finance payments)	5,975,815	(5,975,815)	-
Loans and borrowings	12,006,820	(2,491,167)	9,515,653
TOTAL CURRENT LIABILITIES	41,597,882	(16,048,663)	25,549,219
TOTAL LIABILITIES	41,597,882	(16,048,663)	25,549,219
NET ASSETS	3,454,306	8,352,084	11,806,393
EQUITY			
Contributed equity	4,663,809	-	4,663,809
Retained profits	(1,098,610)	8,352,084	7,253,474
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY	3,565,199	8,352,084	11,917,283
Non-controlling interests	(110,893)	-	(110,893)
TOTAL EQUITY	3,454,306	8,352,084	11,806,393

Approval requirements

For the purposes of Listing Rule 9.1 approval of the Resolutions relating to the transactions is sought by way of Ordinary Resolution.

Listing Rule 9.1.1 provides that the Company must not enter into any transaction or series of, linked or related transactions to sell assets of the Company (which, pursuant to Listing Rule 1.6.6, extends to assets of any members of the Insured Group):

- which would change the essential nature of the business of the Company (and the Insured Group); or
- in respect of which the gross value is in excess of 50% of the average market capitalisation of the Company,

except with prior approval by way of Ordinary Resolution.

The value of each transaction significantly exceeds 50% of the Company's Average Market Capitalisation.

Board Recommendation

The Board recommends that Shareholders vote in favour of each of the Resolutions approving the above transactions.

If the Resolutions are not all passed, and any or all of the proposed sale transactions do not proceed, the Company will have no foreseeable short term means of satisfying its vendor finance payment obligations. Were this to occur the Company's ability to continue as a going concern would be materially impacted. By way of example creditors could seek to have ACIL and the relevant subsidiaries within the Insured Group placed into liquidation.

EXPLANATORY NOTE 4 – ISSUE OF SHARES TO CREDITORS

The Board is focussed on reducing the Company's level of debt and seeks shareholder approval to provide additional flexibility as to how this is achieved. Specifically the Board considers the issue of new ordinary shares in full or partial satisfaction of some of the Company's debts represents an attractive alternative to funding repayments directly from the Company's operations.

The Company proposes to offer and, to the extent that such offers are accepted, allot up to 300,730,656 Ordinary Shares (**Placement Shares**) by way of a private placement to such creditors of the Company as the Board sees fit. This equates to up to 20% of the number of ordinary shares which the Company has on issue at the date of this Notice of General Meeting.

The Placement Shares will be offered and issued at an issue price of no less than 85% of the volume weighted average market price of the Company's shares over the 5 trading days immediately before a repayment. The discount detailed above is the maximum which will be offered. While the Board will endeavour to obtain the best price for the Placement Shares, the Company requires the flexibility to offer such a discount if it deems it is in the best interest of the Company and its shareholders to do so.

The Placement Shares:

- may be offered and issued at any time up to 12 months from the date on which resolution 10 is passed; and
- will rank equally with all other Ordinary Shares as to voting rights and rights to dividends and distributions.

Based on the current share price of NZ\$0.001, at a discount of 15% the value of the Placement Shares which could be issued is up to NZ\$255,000. The size and pricing discount mechanism for the Placement Shares mirror those already available to the Company under Listing Rule 7.3.5. The Company is seeking Shareholder approval to the issue of the Placement Shares as it wishes to preserve this existing capacity. In addition to the shares it is authorised to issue under Resolution 10, the Company will remain entitled under Listing Rule 7.3.5 to issue an additional 20% of the shares on issue

The Company has not, as at the date of this Notice of Annual General Meeting, identified any creditors to whom it may seek to issue Placement Shares in return for debt forgiveness.

GLOSSARY

In this Notice of Annual General Meeting, capitalised terms have the following meanings:

ACI Broking (VIC) means ACI Broking (VIC) Pty Ltd.

ACI Broking (VIC) Assets means the client portfolios of ACI Broking (VIC).

ACIL means Australian Consolidated Insurance Limited, a company incorporated in Western Australia and a wholly-owned subsidiary of the Company.

Annual General Meeting means the meeting of Shareholders to consider and vote on the Resolutions, notice of which is included in this Notice of Annual General Meeting.

Austagencies means Austagencies Pty Ltd.

Average Market Capitalisation means the volume weighted average market capitalisation of the Company's ordinary shares calculated from trades on the NZSX market over the 20 days before the transaction is entered into.

Board means the board of Directors.

CEMAC means CEMAC Pty Limited.

Classic Cover means Classic Cover Car Insurance Limited, a company incorporated in New Zealand.

Company or Insured means Insured Group Limited.

Constitution means the Company's constitution.

Corporations Act means the *Corporations Act 2001* (Cth.).

Countrywide means Countrywide Tolstrup Financial Services Group Pty Ltd.

Director means a person appointed to the office of director of the Company.

Grant Thornton means Grant Thornton Australia Limited.

Independent Director means a Director who is not an executive officer of the Company and who has no direct or indirect interest or relationship that could reasonably influence, in a material way, the Director's decisions in relation to the Company.

Insured Group means the Company, ACIL and the Subsidiaries.

Listing Rules means the NZSX Listing Rules as prepared and published by NZX.

New Constitution means the Corporations Act-compliant constitution of the Company in the form accompanying this Notice of Annual General Meeting.

New Zealand Sale Subsidiaries means Classic Cover and Tasman Insurance.

Notice of Annual General Meeting means this Notice of Annual General Meeting of Shareholders.

NZSX means the New Zealand Stock Exchange, a market operated by NZX.

NZX means NZX Limited.

Ordinary Resolution means a resolution approved by a simple majority of votes of the Shareholders entitled to vote and voting on the resolution.

Proxy Form means the proxy form enclosed with this Notice of Annual General Meeting.

Resolutions means the resolutions to be considered and voted upon by Shareholders at the Annual General Meeting, as set out in this Notice of Annual General Meeting.

Rothbury means Rothbury Group Limited.

RTIC means RTIC Limited.

Share means an ordinary share issued by the Company.

Shareholder means a person who is the registered holder of a Share.

Special Resolution means a resolution approved by a majority of 75% or more of the votes of the Shareholders entitled to vote and voting on the resolution.

Subsidiaries means the Company, ACIL and each of its subsidiaries, as that term is defined in the Corporations Act.

Tasman Insurance means Tasman Insurance Consultants Limited, a company incorporated in New Zealand.