

Appendix 3B

New issue announcement, application for quotation of additional securities and agreement

Information or documents not available now must be given to ASX as soon as available. Information and documents given to ASX become ASX's property and may be made public.

Introduced 01/07/96 Origin: Appendix 5 Amended 01/07/98, 01/09/99, 01/07/00, 30/09/01, 11/03/02, 01/01/03, 24/10/05, 01/08/12, 04/03/13

Name of entity

Insurance Australia Group Limited (IAG)

ABN

60 090 739 923

We (the entity) give ASX the following information.

Part 1 - All issues

You must complete the relevant sections (attach sheets if there is not enough space).

- | | | |
|---|---|---|
| 1 | +Class of +securities issued or to be issued | Fully paid ordinary shares in IAG (each, a Share). |
| 2 | Number of +securities issued or to be issued (if known) or maximum number which may be issued | 89,766,607 Shares (Placement).
Put Option for up to 121,569,233 new Shares (Put Option). |
| 3 | Principal terms of the +securities (e.g. if options, exercise price and expiry date; if partly paid +securities, the amount outstanding and due dates for payment; if +convertible securities, the conversion price and dates for conversion) | Placement: Fully paid ordinary shares of IAG.

Put Option:
Put Option held by IAG;
maximum option period – 2 years;
exercise price – average 5 day VWAP prior to exercise (capped at A\$6.50);
settlement on T+5 basis, on exercise.
See detailed terms in clause 6 of the Subscription Agreement in Annexure A. |

+ See chapter 19 for defined terms.

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4 Do the +securities rank equally in all respects from the +issue date with an existing +class of quoted +securities?

If the additional +securities do not rank equally, please state:

- the date from which they do
- the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment
- the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment

Placement – Yes.
Put Option – on exercise: yes.

5 Issue price or consideration

Placement - \$5.57 per Share.

Put Option – no issue price, exercise price is market price being an average 5 day VWAP prior to date of exercise (capped at A\$6.50).

6 Purpose of the issue
(If issued as consideration for the acquisition of assets, clearly identify those assets)

In each case - as detailed in IAG's ASX announcement and investor presentation each given to ASX on 16 June 2015, the gross proceeds raised under the Placement and, if exercised, the Put Option held by IAG, will be used to fund its growth opportunities (including those in Asia) as well as other capital management options.

6a Is the entity an +eligible entity that has obtained security holder approval under rule 7.1A?

If Yes, complete sections 6b – 6h in relation to the +securities the subject of this Appendix 3B, and comply with section 6i

Placement – No.
Put Option – No.

6b The date the security holder resolution under rule 7.1A was passed

Not applicable.

6c Number of +securities issued without security holder approval under rule 7.1

Placement – 89,766,607 Shares.
Put Option – on exercise – up to 121,569,233

		Shares.				
6d	Number of +securities issued with security holder approval under rule 7.1A	Not applicable.				
6e	Number of +securities issued with security holder approval under rule 7.3, or another specific security holder approval (specify date of meeting)	Not applicable.				
6f	Number of +securities issued under an exception in rule 7.2	Not applicable.				
6g	If +securities issued under rule 7.1A, was issue price at least 75% of 15 day VWAP as calculated under rule 7.1A.3? Include the +issue date and both values. Include the source of the VWAP calculation.	Not applicable.				
6h	If +securities were issued under rule 7.1A for non-cash consideration, state date on which valuation of consideration was released to ASX Market Announcements	Not applicable.				
6i	Calculate the entity's remaining issue capacity under rule 7.1 and rule 7.1A – complete Annexure 1 and release to ASX Market Announcements	Annexure 1 is not required and as such has been intentionally omitted.				
7	+Issue dates Note: The issue date may be prescribed by ASX (refer to the definition of issue date in rule 19.12). For example, the issue date for a pro rata entitlement issue must comply with the applicable timetable in Appendix 7A. Cross reference: item 33 of Appendix 3B.	Placement – 16 June 2015 Put Option – 16 June 2015, with Shares issued on exercise of the Put Option on T+5 basis following exercise of the Put Option, at any time within the option period (maximum of 2 years after grant of the Put Option)				
8	Number and +class of all +securities quoted on ASX (including the +securities in section 2 if applicable)	<table border="1"> <thead> <tr> <th>Number</th> <th>+Class</th> </tr> </thead> <tbody> <tr> <td>2,341,618,048 + Placement shares</td> <td>Fully paid ordinary (ASX:LAG).</td> </tr> </tbody> </table>	Number	+Class	2,341,618,048 + Placement shares	Fully paid ordinary (ASX:LAG).
Number	+Class					
2,341,618,048 + Placement shares	Fully paid ordinary (ASX:LAG).					

+ See chapter 19 for defined terms.

	3,773,728	Fully paid, perpetual, unsecured, redeemable and convertible preference shares (ASX:IAGPC).
	Number	+Class
9	Number and +class of all +securities not quoted on ASX (including the +securities in section 2 if applicable)	100,340
		Fixed rate subordinated notes due 2026 (LSE:70QG).
	325,000	Subordinated notes due 2036 (NZX:IAG010).
	35,000	Subordinated MTNs
10	Dividend policy (in the case of a trust, distribution policy) on the increased capital (interests)	No change.

Part 2 - Pro rata issue

11	Is security holder approval required?	Not applicable.
12	Is the issue renounceable or non-renounceable?	Not applicable.
13	Ratio in which the +securities will be offered	Not applicable.
14	+Class of +securities to which the offer relates	Not applicable.
15	+Record date to determine entitlements	Not applicable.
16	Will holdings on different registers (or subregisters) be aggregated for calculating entitlements?	Not applicable.
17	Policy for deciding entitlements in relation to fractions	Not applicable.

18 Names of countries in which the entity has security holders who will not be sent new offer documents

Note: Security holders must be told how their entitlements are to be dealt with.

Cross reference: rule 7.7.

Not applicable.

19 Closing date for receipt of acceptances or renunciations

Not applicable.

20	Names of any underwriters	Not applicable.
21	Amount of any underwriting fee or commission	Not applicable.
22	Names of any brokers to the issue	Not applicable.
23	Fee or commission payable to the broker to the issue	Not applicable.
24	Amount of any handling fee payable to brokers who lodge acceptances or renunciations on behalf of security holders	Not applicable.
25	If the issue is contingent on security holders' approval, the date of the meeting	Not applicable.
26	Date entitlement and acceptance form and offer documents will be sent to persons entitled	Not applicable.
27	If the entity has issued options, and the terms entitle option holders to participate on exercise, the date on which notices will be sent to option holders	Not applicable.
28	Date rights trading will begin (if applicable)	Not applicable.
29	Date rights trading will end (if applicable)	Not applicable.
30	How do security holders sell their entitlements <i>in full</i> through a broker?	Not applicable.
31	How do security holders sell <i>part</i> of their entitlements through a broker and accept for the balance?	Not applicable.

+ See chapter 19 for defined terms.

32 How do security holders dispose of their entitlements (except by sale through a broker)? Not applicable.

33 ⁺Issue date Not applicable.

Part 3 - Quotation of securities

You need only complete this section if you are applying for quotation of securities

34 Type of ⁺securities
(tick one)

(a) ⁺Securities described in Part 1 (Placement Shares only)

(b) All other ⁺securities

Example: restricted securities at the end of the escrowed period, partly paid securities that become fully paid, employee incentive share securities when restriction ends, securities issued on expiry or conversion of convertible securities

Entities that have ticked box 34(a)

Additional securities forming a new class of securities

Tick to indicate you are providing the information or documents

35 If the ⁺securities are ⁺equity securities, the names of the 20 largest holders of the additional ⁺securities, and the number and percentage of additional ⁺securities held by those holders

36 If the ⁺securities are ⁺equity securities, a distribution schedule of the additional ⁺securities setting out the number of holders in the categories

1 - 1,000
1,001 - 5,000
5,001 - 10,000
10,001 - 100,000
100,001 and over

37 A copy of any trust deed for the additional ⁺securities

⁺ See chapter 19 for defined terms.

Entities that have ticked box 34(b)

38 Number of +securities for which +quotation is sought

Not applicable.

39 +Class of +securities for which quotation is sought

Not applicable.

40 Do the +securities rank equally in all respects from the +issue date with an existing +class of quoted +securities?

If the additional +securities do not rank equally, please state:

- the date from which they do
- the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment
- the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment

Not applicable.

41 Reason for request for quotation now

Example: In the case of restricted securities, end of restriction period

(if issued upon conversion of another +security, clearly identify that other +security)

Not applicable.

	Number	+Class
42 Number and +class of all +securities quoted on ASX (including the +securities in clause 38)	N/A	N/A

+ See chapter 19 for defined terms.

Quotation agreement

1 +Quotation of our additional +securities is in ASX's absolute discretion. ASX may quote the +securities on any conditions it decides.

2 We warrant the following to ASX.

- The issue of the +securities to be quoted complies with the law and is not for an illegal purpose.
- There is no reason why those +securities should not be granted +quotation.
- An offer of the +securities for sale within 12 months after their issue will not require disclosure under section 707(3) or section 1012C(6) of the Corporations Act.

Note: An entity may need to obtain appropriate warranties from subscribers for the securities in order to be able to give this warranty

- Section 724 or section 1016E of the Corporations Act does not apply to any applications received by us in relation to any +securities to be quoted and that no-one has any right to return any +securities to be quoted under sections 737, 738 or 1016F of the Corporations Act at the time that we request that the +securities be quoted.
- If we are a trust, we warrant that no person has the right to return the +securities to be quoted under section 1019B of the Corporations Act at the time that we request that the +securities be quoted.

3 We will indemnify ASX to the fullest extent permitted by law in respect of any claim, action or expense arising from or connected with any breach of the warranties in this agreement.

4 We give ASX the information and documents required by this form. If any information or document is not available now, we will give it to ASX before +quotation of the +securities begins. We acknowledge that ASX is relying on the information and documents. We warrant that they are (will be) true and complete.

Sign here:



Date: 16 June 2015

(Group General Counsel & Company secretary)

Print name: Christopher John Bertuch

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+ See chapter 19 for defined terms.

Annexure A – Subscription Agreement

CONFORMED COPY

Subscription Agreement

Dated 16 June 2015

National Indemnity Company ("**NICO**")

Insurance Australia Group Limited (ACN 090 739 923) ("**Company**")

King & Wood Mallesons
Level 61
Governor Phillip Tower
1 Farrer Place
Sydney NSW 2000
Australia
T +61 2 9296 2000
F +61 2 9296 3999
DX 113 Sydney
www.kwm.com
Ref: 602-0005510 (DLF:AXC)

Subscription Agreement

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Subscription Agreement

Details

Parties	NICO and Company	
NICO	Name	National Indemnity Company
	Incorporated in	United States
	Address	100 First Stamford Place, Stamford, Connecticut United States, 06902
	Telephone	+203 391 5239
	Fax	+203 363 5221
	Email	bbyrnes@berkre.com
	Attention	Mr Bruce J Byrnes
Company	Name	Insurance Australia Group Limited
	ABN	60 090 739 923
	Address	Level 26, 388 George Street, Sydney NSW 2000, Australia
	Telephone	+61 2 9292 8446
	Fax	+61 2 9292 8072
	Email	companysecretary@iag.com.au
	Attention	Group General Counsel and Company Secretary
Recital	A	The Company has entered into a Strategic Relationship Agreement with NICO and Berkshire Hathaway Specialty Insurance Company (collectively, " Berkshire ") which governs the business partnership between the parties for mutual business growth.
	B	As part of the Strategic Relationship, the Company has agreed to issue the Subscription Shares to NICO and NICO has agreed to subscribe for the Subscription Shares and pay the Subscription Price to the Company on the terms of this agreement.
	C	NICO has also agreed to grant a Put Option to the Company for the Option Shares exercisable by the Company on the terms of this agreement.
Governing law	New South Wales	

**Date of
agreement**

See signing page

Subscription Agreement

General terms

1 Interpretation

1.1 Definitions

These meanings apply unless the contrary intention appears:

Affiliate has the meaning given to that term in Rule 501(b) of Regulation D under the U.S. Securities Act. "Control" for the purposes of this definition only (including the terms "controlled by" and "under common control with") means the possession, direct or indirect, of the power to direct or cause the direction of the management, policies or activities of a person, whether through the ownership of securities, by contract or agency or otherwise. Notwithstanding the foregoing, unless explicitly noted herein, GRC will not be treated as an Affiliate of Berkshire for the purposes of this agreement.

ASIC means the Australian Securities and Investments Commission.

Associate has the meaning it has in section 12 of the Corporations Act.

ASX means ASX Limited (ABN 98 008 624 691) or the Australian Securities Exchange, as the context requires.

ASX Listing Rules means the listing rules of ASX, as may be amended from time to time.

ASX Operating Rules means the operating rules of ASX, as may be amended from time to time.

APRA means the Australian Prudential Regulation Authority.

Authorisation means the following and includes any renewal or amendment of them:

- (a) an authorisation, consent, declaration, exemption, notarisation or waiver, however it is described, including any renewal or amendment and any condition attaching to it from any Government Agency or any other person; and
- (b) in relation to anything that could be prohibited or restricted by law if a Government Agency acts in any way within a specified period, the expiry of that period without that action being taken.

Authorised Officer means a director or secretary of a party, an officer designated in that way under the party's charter and / or by-laws or any other person appointed by a party to act as an Authorised Officer for the purposes of this agreement.

Bankruptcy Event means, in respect of a party, any of the following events:

- (a) the passage of a resolution for the dissolution of that party;
- (b) that party becoming the subject of:

- (i) the entry of an order for relief by a Government Agency having jurisdiction judging that party bankrupt or insolvent under any applicable Bankruptcy Law;
 - (ii) the appointment of a receiver, liquidator, rehabilitator, conservator, assignee, trustee, sequestrator or examiner (or other similar official) of that party or of any substantial part of the property of that party pursuant to any Bankruptcy Law;
 - (iii) an order to wind up or liquidate that party's affairs; or
 - (iv) an involuntary bankruptcy, insolvency, reorganization, liquidation, rehabilitation, conservation, examination or other similar proceeding with respect to that party that is unstayed or undismissed for a period of 30 consecutive days; or
- (c) any of:
- (i) the commencement by that party of a proceeding to be adjudicated a bankrupt or insolvent;
 - (ii) the consent by that party to the institution of bankruptcy, insolvency or examination proceedings against it;
 - (iii) the filing or consent to the filing by that party of a petition or answer or consent seeking reorganization or relief under any Bankruptcy Law;
 - (iv) the consent or application by that party to the appointment of a receiver, liquidator, rehabilitator, conservator, assignee, trustee, sequestrator or examiner (or other similar official) of that party or of any substantial part of that party's property pursuant to any Bankruptcy Law; or
 - (v) the making by that party of an assignment for the benefit of creditors.

Bankruptcy Law means any applicable bankruptcy, insolvency, reorganization, liquidation, rehabilitation, conservation, examination or other similar law.

Berkshire means NICO and BHSI.

Berkshire Asset Transfer Agreement means the agreement for the transfer of certain assets by BHSI to Insurance Australia Limited and CGU Insurance Limited dated on or around the date of this agreement.

BHSI means Berkshire Hathaway Specialty Insurance Company (ARBN 600 643 034).

Board means the board of directors of the Company.

Business Day means a day other than a Saturday, Sunday or public holiday in Sydney, Australia.

Completion means the completion of the issue and allotment of the Subscription Shares in accordance with this agreement and **Complete** has a corresponding meaning.

Completion Date means 3 Business Days after the date of this agreement or any other date agreed by the Company and NICO.

Confidential Information means all Information exchanged between the parties before, on or after the date of this agreement including:

- (a) information which, either orally or in writing, is designated or indicated as being the proprietary or confidential information of a party or any of its Related Bodies Corporate (or in the case of Berkshire, its Affiliates);
- (b) information derived or produced partly or wholly from the Information including any calculation, conclusion, summary or computer modelling; and
- (c) trade secrets or information which is capable of protection at law or equity as confidential information,

whether the Information was disclosed:

- (d) orally, in writing or in electronic or machine readable form;
- (e) before, on or after the date of this agreement;
- (f) as a result of discussions between the parties concerning or arising out of the subscription for the Subscription Shares; or
- (g) by a party or any of its Representatives, any of its Related Bodies Corporate (or in the case of Berkshire, its Affiliates), any Representatives of its Related Bodies Corporate or by any third person.

Constitution means the constitution of the Company.

Controller has the meaning it has in the Corporations Act.

Convertible Securities means securities which are convertible or exchangeable by their holder or otherwise by their terms of issue into Shares.

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

Details means the section of this agreement headed "Details".

Dispose, in respect of a security, means sell, transfer, create a trust or option over, alienate the right to exercise the vote attached to or decrease any economic interest in.

Encumbrance means:

- (a) security for the payment of money or performance of obligations, including a mortgage, charge, lien, pledge, trust, power, title retention or flawed deposit arrangement and any "security interest" as defined in sections 12(1) or (2) of the *Personal Property Securities Act 2009* (Cth); or
- (b) right, interest or arrangement which has the effect of giving another person a preference, priority or advantage over creditors including any right of set-off; or
- (c) right that a person (other than the owner) has to remove something from land (known as a profit à prendre), easement, public right of way, restrictive or positive covenant, lease or licence to use or occupy; or
- (d) third party right or interest or any right arising as consequence of the enforcement of a judgment,

or any agreement to create any of them or allow them to exist.

Exempt Securities means any Shares issued:

- (a) in connection with an employee incentive or Share plan or other employee incentive arrangement;
- (b) pursuant to a dividend reinvestment plan of the Company and an issue of Shares to an underwriter of that plan;
- (c) pursuant to an agreement, arrangement or understanding disclosed by the Company to ASX in relation to the acquisition of any business or company for scrip consideration; or
- (d) under a share purchase plan which does not require the issue of a disclosure document or product disclosure statement in accordance with ASIC Class Order 09/425 and an issue of Shares to an underwriter of that plan.

Fault Termination Event has the meaning it has under the Strategic Relationship Agreement.

Government Agency means any government, governmental, semi-governmental, administrative, fiscal, judicial or quasi judicial body, department, commission, authority, tribunal, agency or entity.

GRC means General Reinsurance Corporation and its subsidiaries, including without limitation General Reinsurance Corporation Australia Ltd and General Reinsurance Life Australia Ltd.

IAG Asset Sale Agreement means the agreement for the transfer of certain assets by CGU Insurance Limited to BHSI dated on or around the date of this agreement.

Information means all information, regardless of its material form, relating to or developed in connection with:

- (a) the business, technology or other affairs of a party or any Related Body Corporate of a party (or in the case of Berkshire, any Affiliate of it); or
- (b) any systems, technology, ideas, concepts, know-how, techniques, designs, specifications, blueprints, tracings, diagrams, models, functions, capabilities and designs (including computer software, manufacturing processes or other information embodied in drawings or specifications), intellectual property or any other information which is marked "confidential" or is otherwise indicated to be subject to an obligation of confidence owned or used by or licensed to a party or a Related Body Corporate of a party (or in the case of Berkshire, any Affiliate of it).

A person is **Insolvent** if:

- (a) it is (or states that it is) an insolvent under administration or insolvent (each as defined in the Corporations Act); or
- (b) is in liquidation, in provisional liquidation, under administration or wound up or has had a Controller appointed to its property; or
- (c) it is subject to any arrangement, assignment, moratorium or composition, protected from creditors under any statute or dissolved (in each case, other than to carry out a reconstruction or amalgamation while solvent on terms approved by the other parties to this agreement); or

- (d) an application or order has been made (and in the case of an application, it is not stayed, withdrawn or dismissed within 30 days), resolution passed, proposal put forward, or any other action taken, in each case in connection with that person, which is preparatory to or could result in any of paragraph (a), (b) or (c) above; or
- (e) it is taken (under section 459F(1) of the Corporations Act) to have failed to comply with a statutory demand; or
- (f) it is the subject of an event described in section 459C(2)(b) or section 585 of the Corporations Act (or it makes a statement from which another party to this agreement reasonably deduces it is so subject); or
- (g) it is otherwise unable to pay its debts when they fall due; or
- (h) something having a substantially similar effect to paragraphs (a) to (g) happens in connection with that person under the law of any jurisdiction.

Lock-up Period means the period commencing immediately after Completion occurring and ending on the earlier of:

- (a) the expiry date of the Strategic Relationship Agreement and the Quota Share Agreement, being 30 June 2025;
- (b) the date which is:
 - (i) where the Strategic Relationship Agreement and the Quota Share Agreement were terminated by Berkshire due to a Fault Termination Event – 3 months after termination of the Strategic Relationship Agreement and the Quota Share Agreement; and
 - (ii) where the Strategic Relationship Agreement and the Quota Share Agreement were terminated by the Company due to a Fault Termination Event – 12 months after termination of the Strategic Relationship Agreement and the Quota Share Agreement; and
- (c) the earliest date on which a Third Party Control Event occurs.

NICO Control Transaction means:

- (a) a takeover offer under Chapter 6 of the Corporations Act for 50% or more of the issued ordinary shares in the Company made by NICO or an Associate of it;
- (b) a scheme of arrangement under Part 5.1 of the Corporations Act with the Company's shareholders whereby NICO or one of its Affiliates would acquire 50% or more of the issued ordinary shares in the Company; or
- (c) any other control transaction made by NICO or an Associate of it which would have the result on implementation of providing NICO with a holding that is 50% or more of the issued ordinary share capital in the Company.

Official Quotation means quotation by ASX.

Option Expiry Date means the date which is 24 months after the date of this agreement.

Option Limit means 121,569,233 Shares (constituting 5% of the issued ordinary share capital of the Company (inclusive of the Subscription Shares to be issued) as at opening of trading on the date of this agreement).

Option Share Price means the price payable for an Option Share at a per Share price of the average VWAP over the 5 Trading Days preceding delivery of the Put Notice, capped at A\$6.50 per Share.

Option Shares means the number of Shares specified in the Put Notice which NICO is required to subscribe for, provided that that number does not exceed the Option Limit.

Put Notice has the meaning it has under clause 6.1(a).

Put Option means the put option exercisable by the Company under clause 6.1(a).

Put Option Period means the period commencing immediately after Completion occurring and ending on the earlier of:

- (a) the date on which the Put Option is exercised and the Option Shares are issued in accordance with clause 6; and
- (b) the date on which the Put Option lapses in accordance with clause 6.2.

QIB means a "qualified institutional buyer", as defined in Rule 144A under the U.S. Securities Act, that is acting for its own account or for the account or benefit of one or more persons, each of whom is a QIB.

Quota Share Agreement means the quota share agreement contemplated under the Strategic Relationship Agreement dated on or around the date of this agreement.

Regulation D means Regulation D under the U.S. Securities Act.

Related Body Corporate has the meaning it has in the Corporations Act.

Relevant Interest has the meaning it has in sections 608 and 609 of the Corporations Act.

Representative of a party includes an employee, agent, officer, director, auditor, adviser, partner, associate, consultant, contractor or sub-contractor of that party or of a Related Body Corporate of that party (or in the case of Berkshire, any Affiliate of it).

Required Approvals means an approval or Authorisation of a Government Agency, ASX or a third party under the terms of an agreement, including the Company's financiers, or the Company's shareholders pursuant to the Constitution or the Corporations Act.

Rights Issue has the meaning given in the Corporations Act.

Services Agreement means the Services Agreement to be entered into in accordance with clause 2.2(b) of the Strategic Relationship Agreement.

Shares means fully paid ordinary shares in the Company.

Standstill Limit has the meaning given in clause 7.1.

Standstill Period means the period commencing immediately after Completion occurring and ending on the earlier of:

- (a) the expiry date of the Strategic Relationship Agreement and the Quota Share Agreement, being 30 June 2025; and
- (b) the date which is 12 months after termination of the Strategic Relationship Agreement and the Quota Share Agreement.

Strategic Relationship means the strategic relationship created by the Strategic Relationship Agreement.

Strategic Relationship Agreement means the strategic relationship agreement between the Company, NICO and BHSI dated on or around the date of this agreement.

Subscription Price means the aggregate price of A\$500 million payable for the Subscription Shares at A\$5.57 per share.

Subscription Shares means 89,766,607 ordinary shares in the capital of the Company.

Third Party means a party other than NICO or an Associate of NICO.

Third Party Control Event occurs when a Third Party:

- (a) acquires a Relevant Interest of 30% or more in the ordinary shares of the Company; and
- (b) acquires control of the Company within the meaning under section 50AA of the Corporations Act; and
- (c) has appointed at least 1 director to the Board,

but excludes a Third Party Control Transaction.

Third Party Control Transaction means:

- (a) a takeover offer under Chapter 6 of the Corporations Act for 50% or more of the issued ordinary shares in the Company made by a Third Party;
- (b) a scheme of arrangement under Part 5.1 of the Corporations Act with the Company's shareholders whereby a Third Party would acquire 50% or more of the issued ordinary shares in the Company; or
- (c) any other control transaction made by a Third Party which would have the result on implementation of providing the Third Party with a holding that is 50% or more of the issued ordinary share capital in the Company.

Title Warranty means any Warranty set out in clause 4.1(a), 4.1(b), 4.1(i) or 4.1(j).

Trading Day has the meaning it has under the ASX Listing Rules.

Transaction Documents means the following documents:

- (a) the Strategic Relationship Agreement;
- (b) the Quota Share Agreement;
- (c) the Berkshire Asset Transfer Agreement;
- (d) the IAG Asset Sale Agreement;

- (e) where applicable, the Services Agreement once it takes effect; and
- (f) where applicable, this agreement.

U.S. Securities Act means the U.S. Securities Act of 1933, as amended.

VWAP means the daily volume weighted average sale price per Share of Shares sold on ASX in the ordinary course of trading on ASX (including the closing single price auction), but excluding any transaction defined in the ASX Operating Rules as special crossings prior to the commencement of the open session state, crossings during overnight trading (ie following the closing single price auction), any overseas trades or trades pursuant to the exercise of options over Shares and any other sales which the directors of the Company consider may not be fairly reflective of natural supply and demand.

Warranties means the warranties, undertakings and representations set out in clause 4.1 and **Warranty** has a corresponding meaning.

1.2 References to certain general terms

Unless the contrary intention appears, a reference in this agreement to:

- (a) **(variations or replacement)** a document (including this agreement) includes any variation or replacement of it;
- (b) **(clauses, annexures and schedules)** a clause, annexure or schedule is a reference to a clause in or annexure or schedule to this agreement;
- (c) **(reference to statutes)** a statute, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them;
- (d) **(law)** law means common law, principles of equity, and laws made by parliament (and laws made by parliament include State, Territory and Commonwealth laws and regulations and other instruments under them, and consolidations, amendments, re-enactments or replacements of any of them);
- (e) **(singular includes plural)** the singular includes the plural and vice versa;
- (f) **(person)** the word "person" includes an individual, a firm, a body corporate, a partnership, joint venture, an unincorporated body or association or any Government Agency;
- (g) **(executors, administrators and successors)** a particular person includes a reference to the person's executors, administrators, successors, substitutes (including persons taking by novation) and assigns;
- (h) **(2 or more persons)** an agreement, representation or warranty in favour of 2 or more persons is for the benefit of them jointly and each of them individually;
- (i) **(jointly and individually)** an agreement, representation or warranty by two or more persons binds them jointly and each of them individually;
- (j) **(calculation of time)** a period of time dating from a given day or the day of an act or event, is to be calculated exclusive of that day;

- (k) **(reference to a day)** a day is to be interpreted as the period of time commencing at midnight and ending 24 hours later;
- (l) **(from time to time)** a power, an authority, or a discretion given to the parties or any other person may be exercised at any time and from time to time;
- (m) **(reference to a group of persons)** a group of persons or things is a reference to any 2 or more of them jointly and to each of them individually;
- (n) **(meaning not limited)** the words "include", "including", "for example" or "such as" when introducing an example, do not limit the meaning of the words to which the example relates to that example or examples of a similar kind;
- (o) **(time of day)** time is a reference to Sydney, Australia time;
- (p) **(trading)** the open or close of trading is a reference to the open or close of normal trading on the equity market of ASX, in Sydney, Australia; and
- (q) **(dollars)** Australian dollars, dollars, \$, A\$ or AUD is a reference to the lawful currency of Australia.

1.3 Next day

If an act under this agreement to be done by a party on or by a given day is done after 5.30pm on that day, it is taken to be done on the next day.

1.4 Next Business Day

If an event must occur on a stipulated day which is not a Business Day then the stipulated day will be taken to be the next Business Day.

1.5 Headings

Headings (including those in brackets at the beginning of paragraphs) are for convenience only and do not affect the interpretation of this agreement.

2 Subscription

The Company agrees to issue and allot, and NICO agrees to subscribe for, the Subscription Shares and NICO agrees to pay the Company the Subscription Price on the terms and conditions of this agreement.

3 Completion

3.1 Time and place of Completion

Completion will take place at 10.00am on the Completion Date at the offices of King & Wood Mallesons, Solicitors, Level 61, Governor Phillip Tower, 1 Farrer Place, Sydney 2000 NSW or any other time and place agreed by the Company and NICO.

3.2 Subscriber's obligations at Completion

At Completion, NICO will:

- (a) deliver to the Company an application for the Subscription Shares, duly completed and executed by NICO, in the form set out in schedule 1; and
- (b) pay the Subscription Price for the Subscription Shares to the Company in immediately available funds and as directed by the Company.

3.3 Company's obligations at Completion

At Completion, the Company will:

- (a) issue the Subscription Shares to NICO (with allotment to be completed by the open of trading on the Trading Day following Completion); and
- (b) procure that NICO is registered as the holder of the Subscription Shares.

3.4 Company's obligations after Completion

As soon as practicable after Completion, the Company must:

- (a) **(quotation)** apply for and use its best endeavours to obtain Official Quotation of the Subscription Shares by ASX; and
- (b) **(holding statement)** deliver (or procure the delivery of) the holding statement for the Subscription Shares to NICO.

3.5 Simultaneous actions at Completion

In respect of Completion:

- (a) the obligations of the parties under this agreement are interdependent; and
- (b) all actions required to be performed will be taken to have occurred simultaneously on the Completion Date.

3.6 Share moratorium

The Company agrees that it will not issue new Shares between the date of this agreement and immediately prior to Completion.

4 Warranties

4.1 Company's Warranties

The Company represents and warrants to NICO that each of the following statements is correct and not misleading in any material respect on the date of this agreement and will be correct and not misleading in any material respect as at the Completion Date as if made on each of those dates:

- (a) **(incorporation)** it is validly incorporated, organised and subsisting in accordance with all applicable laws;
- (b) **(power)** it has the power to own its assets and to carry on its business as it is being conducted immediately prior to entry into this agreement and the power to enter into and perform this agreement and has obtained all necessary consents and authorisations to enable it to do so;
- (c) **(constituent documents)** its business and affairs have at all times been and continue to be conducted in accordance with the Constitution, the Corporations Act and the ASX Listing Rules;
- (d) **(binding obligations)** this agreement constitutes valid and binding obligations upon it enforceable in accordance with its terms by appropriate legal remedy;
- (e) **(no material breach)** this agreement and Completion do not conflict with or result in a breach of any obligation (including any statutory, contractual or fiduciary obligation) or constitute or result in any default under any provision of the Constitution or any provision of any writ,

order, injunction, judgment, law, rule or regulation or any material agreement or deed to which it is a party or is subject or by which it is bound;

- (f) **(continuous disclosure)** it has at all times been, and continues to be, in compliance with ASX Listing Rule 3.1;
- (g) **(information)** no information provided to NICO in writing for the purposes of this warranty is false or misleading in any material respect;
- (h) **(solvency)** it is not Insolvent;
- (i) **(good standing)** the Subscription Shares will, upon issue, be fully paid and, subject to the lock up restriction under clause 7.4, freely transferable;
- (j) **(ranking of Subscription Shares)** the Subscription Shares will rank equally in all respects with existing issued fully paid ordinary shares in it, including the payment of any distributions following allotment;
- (k) **(no Encumbrances)** the Subscription Shares will be free from all Encumbrances;
- (l) **(no restriction)** subject to clause 7, there is no restriction on issue of the Subscription Shares to NICO;
- (m) **(consents)** it has obtained all consents necessary to enable it to issue the Subscription Shares;
- (n) **(no breach by issue of Subscription Shares)** the offer, issue and Official Quotation of the Subscription Shares complies with:
 - (i) the Corporations Act and the ASX Listing Rules; and
 - (ii) all other obligations and agreements binding on it or its members;
- (o) **(no termination of listing)** it has taken no action designed to, or likely to have the effect of, terminating its listing from, or the quotation of the Shares on ASX, nor has it received any notification that ASX is contemplating terminating its listing or the quotation of the Shares;
- (p) **(purpose of issue not resale)** the Subscription Shares are not issued by it with the purpose of NICO selling or transferring the Subscription Shares, or granting, issuing or transferring interests in, or options over, the Subscription Shares; and
- (q) **(accounts):**
 - (i) its financial statements for the year ended 30 June 2014 and the half-year ended 31 December 2014 (including the related schedules and notes of those financial statements) give a true and fair view of the financial position of it and its controlled entities as at 30 June 2014 and 31 December 2014 respectively;
 - (ii) the statement of financial performance of it and its controlled entities for the period between 1 July 2013 and 30 June 2014 and for the period between 1 July 2014 and 31 December 2014 have been prepared in accordance with Australian equivalents to International Financial Reporting Standards (IFRS) except as set forth in the notes thereto; and

- (iii) Note 13 to the financial report for the half year ended 31 December 2014 (titled 'Events Subsequent to Reporting Date') is correct and not misleading as at 18 February 2015.

4.2 Separate Warranties

Each Warranty is to be treated as a separate representation and warranty. The interpretation of any statement made may not be restricted by reference to or inference from any other statement.

4.3 Company's disclaimer

Subject to any law to the contrary and except as provided in the Warranties, all terms, conditions, warranties and statements, whether express, implied, written, oral, collateral, statutory or otherwise, are excluded and the Company disclaims all liability in relation to these to the maximum extent permitted by law.

4.4 Warranty cap

If the Company breaches any Warranty subject to this clause 4, the Company is to be liable for the resulting loss up to (and not exceeding):

- (a) in respect of a breach of Warranty other than Title Warranties, 50% of the Subscription Price; and
- (b) in respect of a breach of Title Warranty, 100% of the Subscription Price,

in each case in aggregate having regards to all Warranty claims.

4.5 Time limit on claims

NICO may not make any claim for breach of Warranty unless details of the claim have been notified to the Company within 18 months from the Completion Date. A claim is not enforceable against the Company and is taken to have been withdrawn unless the parties have initiated the dispute resolution process under Article 24 of the Quota Share Agreement within 12 months after written notice of the claim is served on the Company.

5 NICO's warranties

NICO represents and warrants to the Company that each of the following statements is correct and not misleading in any material respect on the date of this agreement and will be correct and not misleading in any material respect as at the Completion Date as if made on each of those dates:

- (a) **(incorporation)** it is validly incorporated, organised and subsisting in accordance with all applicable laws;
- (b) **(power)** it has the power to enter into and perform this agreement and has obtained all necessary consents and authorisations to enable it to do so;
- (c) **(binding obligation)** this agreement constitutes valid and binding obligations upon it enforceable in accordance with its terms by appropriate legal remedy;
- (d) **(no breach)** this agreement and Completion do not conflict with or result in a breach of any obligation (including any statutory, contractual or fiduciary obligation) or constitute or result in any default under any provision of its constitution or except as disclosed in writing, any material provision of any agreement, deed, writ, order, injunction, judgment, law,

rule or regulation to which it is a party or is subject or by which it is bound;

- (e) **(information)** no information provided to the Company in writing for the purposes of this warranty is false or misleading in any material respect;
- (f) **(Bankruptcy Event)** no Bankruptcy Event has occurred with respect to it and its material Affiliates;
- (g) **(sophisticated investor)** it is a sophisticated investor within the ambit of section 708(8) of the Corporations Act or a professional investor within the ambit of section 708(11) of the Corporations Act;
- (h) **(purpose of issue not resale)** the Subscription Shares are not acquired by it with the purpose of it selling or transferring the Subscription Shares, or granting, issuing or transferring interests in, or options over, the Subscription Shares;
- (i) **(status and investment intent)** it is a QIB that is acquiring the Subscription Shares for its own account, or for the account or benefit of one or more Affiliates who are QIBs for whom it exercises investment discretion;
- (j) **(exemptions from registration under the U.S. Securities Act)** it is aware and acknowledges that:
 - (i) in connection with the offer and sale to it of the Subscription Shares, the Company is relying on an exemption from registration provided by Section 4(a)(2) of, and / or Regulation D under, the U.S. Securities Act;
 - (ii) it understands that the Company has no obligation to register the Subscription Shares under the U.S. Securities Act or to comply with the requirements for any exemption from the registration requirements of the U.S. Securities Act in respect of any resale of the Subscription Shares;
 - (iii) it consents to the Company making a notation on its records and / or giving instructions to any transfer agent for the Subscription Shares in order to implement and enforce any restrictions on transfer required in respect of securities issued under a private placement; and
 - (iv) it understands that the offer and sale of the Subscription Shares have not been, and will not be, registered under the U.S. Securities Act;
- (k) **(investor sophistication):**
 - (i) it has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks (including for tax, legal, regulatory, accounting and other financial purposes) of its prospective investment in the Subscription Shares for itself;
 - (ii) it is financially able to bear the economic risk of an investment in the Subscription Shares and has adequate means to provide for its current needs and other contingencies and to withstand the loss of the entire investment in the Subscription Shares and has no need for liquidity with respect to its investment in the Subscription Shares; and

- (iii) it has determined that an investment in the Subscription Shares is suitable and appropriate for itself both in the nature and number of the Subscription Shares being acquired; and
 - (l) **(no disclosure document)** it acknowledges that:
 - (i) the offering and issuance of the Subscription Shares are being made without the preparation and delivery of a prospectus under the Corporations Act, or any other offering or disclosure document;
 - (ii) as an Australian entity with ordinary shares quoted on ASX, the Company is subject to Australian disclosure requirements and laws, including the continuous disclosure requirements of the Corporations Act and ASX and is required thereby to file certain information with ASX (including audited annual financial statements and unaudited interim financial statements) and it may obtain copies of such documents filed with ASX from the ASX website at www.asx.com.au;
 - (iii) the Company is not, and does not expect or intend to become, subject to the periodic reporting and other information requirements of the U.S. Securities Exchange Act of 1934; and
 - (iv) Australian disclosure requirements and standards are different from those of the United States.
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6 Put Option

6.1 Grant of Put Option

- (a) In consideration of the undertakings and obligations under this agreement and the Transaction Documents, the Company may, at any time prior to the Option Expiry Date, by written notice to NICO ("**Put Notice**") require NICO to subscribe for the Option Shares (the amount of which will be specified in the Put Notice).
- (b) For the avoidance of doubt, the Put Option granted under clause 6.1(a) is exercisable by the Company in its absolute discretion and nothing in this clause 6 imposes any obligation on the Company to issue the Put Notice to NICO.
- (c) The Company will inform NICO of an intention to give a Put Notice in accordance with clause 6.1(a) at least 3 days prior to giving the Put Notice. Once NICO is so informed, NICO must promptly notify the Company if it has any legal or regulatory impediment to acquiring the Option Shares and must give reasonable details of the nature of any such legal or regulatory impediment and whether it can be removed or addressed by obtaining approval, consent, waiver or relief.

6.2 Lapse of Put Option

- (a) If the Put Option is not exercised prior to the Option Expiry Date, it will lapse on the Option Expiry Date and (without prejudice to any accrued rights or obligations of the parties) has no further force or effect.
- (b) If the Put Option is not exercised prior to a termination notice being (validly) given under or in respect of the Quota Share Agreement, it will lapse on the date of the relevant termination notice and (without prejudice to any accrued rights or obligations of the parties) has no further force or effect.

- (c) To the extent that the Put Option is exercised for fewer Option Shares than the Option Limit, the Put Option will lapse from the issue date of the Option Shares in respect of any shortfall between the number of Option Shares to be issued under the Put Notice and the Option Limit.

6.3 Issue of Option Shares

- (a) Following receipt of the Put Notice, NICO must:
 - (i) pay, within the period specified in clause 6.3(b), the aggregate Option Share Price for the Option Shares to the Company in immediately available funds and as directed by the Company, in consideration of the issue of the Option Shares;
 - (ii) fully co-operate with the Company and do all things necessary or desirable to effect the issue of the Option Shares; and
 - (iii) accept the issue of the Option Shares (including by delivering to the Company a confirmation duly completed and executed by NICO, in the form set out in schedule 2, as soon as practicable and in any event prior to the issue of the Option Shares).
- (b) Following exercise of the Put Option, the Company will issue the Option Shares to NICO on a T+5 basis (where "T" is the first open of trading of ASX following delivery of the Put Notice) and will procure that NICO is registered as the holder of the Option Shares.
- (c) The parties agree and acknowledge that:
 - (i) to the extent applicable, the terms of this agreement will bind the parties in respect of the Option Shares on and from the relevant issue date of the Option Shares;
 - (ii) the Company will not issue Option Shares to the extent that that would cause NICO to be in breach of the Standstill Limit (unless the Standstill Limit is waived by the Company, in its absolute discretion, with respect to the issue of the Option Shares) and subject to any Required Approvals for the issue of Option Shares; and
 - (iii) the Company will not issue Option Shares while NICO is subject to a valid legal or regulatory impediment notified to it under clause 6.1(c) and will defer the issue of Option Shares until NICO has obtained any necessary legal or regulatory approval, consent, waiver or relief to remove or address the legal or regulatory impediment and NICO must use reasonable endeavours to obtain such approval, consent, waiver or relief.
- (d) If the Put Option is exercised, the Company represents and warrants to NICO that each of the Warranties will be correct and not misleading in any material respect on the date the Put Notice is delivered to NICO and on the issue date of the Option Shares, except each Warranty will be construed as if references to "Subscription Shares" were replaced with references to "Option Shares" and, in respect of the Warranty given under paragraph 4.1(q):
 - (i) references to financial statements for the year ended 30 June 2014 and the half-year ended 31 December 2014 will be construed as if they are references to financial statements given to ASX in respect of the most recent financial year and half-year prior to the issue of the Put Notice;

- (ii) references to statements of financial performance for the period between 1 July 2013 and 30 June 2014, and the period between 1 July 2014 and 31 December 2014, will be construed as if they are references to statements of financial performance in respect of the most recent periods for which statements of financial performance have been given to ASX prior to the issue of the Put Notice; and
- (iii) the reference to Note 13 to the financial report for the half year ended 31 December 2014 will be construed as if it is a reference to the equivalent note in the most recent financial report or half-year report prior to the issue of the Put Notice that is confirmed as being correct and not misleading as at the date the relevant financial report or half-year report is given to ASX.

6.4 Compliance with ASX LR requirements

The parties agree and acknowledge that:

- (a) the terms of the Put Option will be changed to the extent necessary to comply with the ASX Listing Rules applying to a reorganisation of capital at the time of the reorganisation; and
- (b) NICO cannot participate in new issues in respect of the Option Shares without the Company having exercised the Put Option.

7 Dealings with shares in the Company

7.1 Standstill

Subject to clause 7.3, during the Standstill Period, NICO agrees that it will not, and must procure that its Affiliates do not, do any of the following if it would increase Berkshire's, or someone else's, Relevant Interest in the securities of the Company to more than 14.9% ("**Standstill Limit**"):

- (a) acquire, agree to acquire or make an invitation, offer or proposal to acquire:
 - (i) any Relevant Interest in any Shares or other securities in the Company;
 - (ii) any rights or interests in relation to any Shares or securities (including direct and indirect interests, options and warrants or other legal or beneficial interest) in the Company; or
 - (iii) any interest which would have the economic effect of being substantially equivalent to acquiring, holding or disposing of any interest described in clauses 7.1(a)(i) or 7.1(a)(ii) (including any cash-settled equity swap or contract for difference or other derivatives);
- (b) solicit, enter into negotiations or discussions with, arrange or agree with or become an Associate of a third party in respect of any matters listed in clause 7.1(a);
- (c) solicit proxies, voting agreements, support agreements or other binding pre-bid understandings of any sort from securityholders of the Company or otherwise seek to influence or control the management or policies of the Company;
- (d) announce, publicise or promote an intention to do any of the things referred to in clause 7.1(a), 7.1(b) or 7.1(c); or

- (e) aid, abet, procure or induce any other person to do any of the things referred to in clause 7.1(a), 7.1(b), 7.1(c) or 7.1(d).

7.2 Standstill – Market purchases

In addition to the restrictions under clause 7.1 and subject to clause 7.3, during the Put Option Period, NICO agrees that it will not, and must procure that its Affiliates (including GRC) do not, acquire or agree to acquire Shares (including undertaking any transactions which would have the economic effect of being substantially equivalent to an acquisition of Shares) if such acquisitions or transactions in aggregate will give NICO (together with the shareholding of its Affiliates (including GRC)) a shareholding (excluding the Subscription Shares and the Option Shares) in the issued ordinary share capital of the Company of more than 6.4% (calculated on the basis of a market capitalisation immediately post-issue of the Subscription Shares and before exercise of the Put Option). For the purposes of this clause 7.2, "Affiliates" of NICO include GRC.

7.3 Standstill exceptions

The prohibitions in clauses 7.1 and 7.2 do not apply if:

- (a) NICO or an Affiliate undertakes a NICO Control Transaction permitted under clause 8;
- (b) NICO or an Affiliate's Relevant Interest increases above the Standstill Limit due to a buy-back or other capital management initiative undertaken by the Company which reduces the number of Shares on issue, although any subsequent increase by NICO above this will fall within clauses 7.1 and 7.2 (where applicable);
- (c) the acquisition by NICO or an Affiliate occurs with the prior written consent of the Company, in its absolute discretion; or
- (d) subject to clause 9, the acquisition occurs after a Third Party acquires a Relevant Interest in more than 20% of Shares.

7.4 Lock up

Subject to clause 7.5, during the Lock-up Period, NICO agrees that it will not, and will ensure that none of its Affiliates will, Dispose of or agree to Dispose of Shares if this would result in NICO having a Relevant Interest in:

- (a) if the Put Option is not exercised, less than the number of Subscription Shares subscribed to under this agreement; and
- (b) if the Put Option is exercised, less than the aggregate number of Subscription Shares and Option Shares issued to it under this agreement and the Put Option.

7.5 After expiry of lock up

Following expiry of the Lock-up Period, NICO may only Dispose or agree to Dispose of Shares:

- (a) through a placement of Shares, provided that:
 - (i) if the Lock-up Period expires due to termination by the Company due to a Fault Termination Event, a placement within the first 18 months after expiry of the Lock-up Period only requires the Company's consent;
 - (ii) if the Lock-up Period expires due to termination by Berkshire due to a Fault Termination Event, a placement within the first

9 months after expiry of the Lock-up Period only requires the Company's consent; or

- (iii) if the Lock-up Period expires other than due to a Fault Termination Event, a placement within the first 12 months after expiry of the Lock-up Period only requires the Company's consent;

- (a) in an orderly fashion over a period of at least 6 months in small parcels and using reasonable endeavours to ensure there is minimal impact on the average trading volume or prices of Shares.

7.6 Lock-up exceptions

The prohibitions in clause 7.4 do not apply if:

- (a) NICO or its Affiliates Dispose of their Shares in accordance with the participation rights and obligations under clause 9;
- (b) the Disposal occurs with the prior written consent of the Company, in its absolute discretion;
- (c) NICO or its Affiliates are required by law or by an order of a court of competent jurisdiction compelling them to Dispose of some or all of the Shares they hold;
- (d) the Disposal occurs pursuant to a Bankruptcy Event occurring with respect to Berkshire; or
- (e) the Disposal occurs in an equal access buy-back or capital reduction or a substantially pro rata buy-back or capital reduction conducted by the Company.

7.7 Hedging

The parties acknowledge that this clause 7 does not restrict NICO or its Affiliates' ability to hedge foreign currency exchange risk with respect to the Subscription Shares and the Option Shares, but that NICO and its Affiliates are not permitted to otherwise enter into hedging arrangements with respect to the Subscription Shares and the Option Shares, including any cash-settled equity swap or contract for difference or other derivatives, any economic exposure or risk in connection with the Subscription Shares and the Option Shares or margin lending arrangement over the Subscription Shares and the Option Shares.

8 NICO Control Transaction

- (a) During the Standstill Period, NICO and its Affiliates may (and NICO must procure that its Affiliates comply) only make or propose to the shareholders of the Company a NICO Control Transaction, or take any steps that would or could result in public knowledge of a NICO Control Transaction, if it is recommended by a majority of the directors of the Company.
- (b) NICO acknowledges that the recommendations of the directors of the Company may be subject to the opinion in a report of an independent expert engaged by the Company to evaluate the NICO Control Transaction substantially in accordance with ASIC publicly issued guidance as to whether the NICO Control Transaction is:
 - (i) in the case of a takeover offer, fair and reasonable to the shareholders of the Company (other than NICO and its Associates); and

- (ii) in the case of a scheme of arrangement, in the best interest of the shareholders of the Company (other than NICO and its Associates).
- (c) NICO agrees that it and its Affiliates (and NICO must procure that its Affiliates comply) will include in the terms of any NICO Control Transaction a condition that there is no adverse opinion of an independent expert engaged by the Company to evaluate the NICO Control Transaction, whether initially or at a time prior to close of the offer, which may not be waived without the approval of the Company.

9 Third Party Control Transaction

9.1 Participation rights in Third Party Control Transaction

- (a) During the Standstill Period, NICO must not (and must procure that its Affiliates do not) participate in a Third Party Control Transaction unless it is recommended by a majority of the directors of the Company.
- (b) Clause 9.1(a) does not prevent NICO or its Affiliates from responding to enquiries to an unsolicited proposal or otherwise engaging in discussions with a Third Party provided that it or an Affiliate does not express:
 - (i) encouragement or support for (or enter into any agreement, understanding or arrangement to encourage or support); or
 - (ii) any intention to accept or vote in favour of,the relevant Third Party Control Transaction.

9.2 Participation obligations in Third Party Control Transactions

If NICO and its Affiliates are entitled to participate in the Third Party Control Transaction in accordance with clause 9.1, then:

- (a) in the case of a takeover offer, NICO must (and it must procure that its Affiliates also do) accept the takeover offer if:
 - (i) a majority of the shareholders of the Company to which the takeover offer is made by percentage (excluding NICO and its Associates) has accepted the takeover offer; and
 - (ii) an independent expert engaged by the Company to evaluate the Third Party Control Transaction substantially in accordance with ASIC publicly issued guidance opines in a report that the Third Party Control Transaction is fair and reasonable to the shareholders of the Company (other than the Third Party and its Associates); and
- (b) in the case of a scheme of arrangement, NICO must (and it must procure that its Affiliates also do) vote in favour of the scheme if an independent expert engaged by the Company to evaluate the Third Party Control Transaction substantially in accordance with ASIC publicly issued guidance opines in a report that the Third Party Control Transaction is in the best interest of the shareholders of the Company (other than the Third Party and its Associates).

10 Voting

10.1 Voting restrictions

NICO agrees that it will (and will procure its Affiliates to):

- (a) exercise any votes attaching to the Shares in a manner consistent with the voting recommendations of the majority of the Board (including at any annual general meeting of the Company); and
- (b) not exercise any votes attaching to the Shares where it would result in NICO and its Affiliates exercising votes in excess of the Standstill Limit in the absence of prior written consent of the Company.

10.2 Exception

Clause 10.1(a) does not apply to:

- (a) any advisory resolution for the adoption of the remuneration report under section 250(R)(2) of the Corporations Act;
- (b) a spill resolution under section 250V of the Corporations Act;
- (c) the resolutions to appoint officers at the spill meeting under section 250W of the Corporations Act; or
- (d) any resolution to appoint or remove directors, or to approve any fees or benefits to directors.

10.3 Cessation of voting restrictions

Clause 10.1 ceases to apply on and from expiry or termination of the Strategic Relationship Agreement and the Quota Share Agreement.

11 Participation and anti-dilution rights

11.1 Consultation rights

- (a) The Company agrees to consult with NICO prior to any proposed new equity capital raising (being an offer of Shares or Convertible Securities), including in relation to NICO's potential participation in the securities issue and any sub-underwriting or cornerstone opportunities relating to the securities issue (in each case on arm's length terms and subject to compliance with any applicable laws).
- (b) Nothing in this clause 11.1 requires prior consultation in relation to any conversion or exchange of a Convertible Security under the terms of that security, including a conversion or exchange in the event of non-viability of the Company or a mandatory conversion.

11.2 ASX waivers

- (a) The parties agree and acknowledge that the operation of clauses 11.3 to 11.7 is conditional on receipt of appropriate waivers from ASX.
- (b) The Company will use reasonable endeavours to permit top-up and participation rights with an anti-dilution effect in accordance with clauses 11.3 to 11.7 subject to any comments, requirements or conditions of ASX relating to any required waiver from ASX. The parties acting reasonably will agree to any variations to clauses 11.3 to 11.7 where required by ASX.

11.3 General participation and top up right

If at any time on or after Completion, the Company proposes to offer Shares ("**Proposed Equity Offer**"), then the Company must offer NICO the right to subscribe for the following number of Shares on the following terms:

- (a) the Company must ensure that NICO may participate in the Proposed Equity Offer by making an offer to NICO of the number of Shares determined in accordance with clause 11.3(c) and, subject to clause 11.3(b), otherwise on the same terms and conditions as offers of Shares are made to other investors or shareholders of the Company pursuant to the Proposed Equity Offer;
- (b) where the Proposed Equity Offer is a Rights Issue made on an accelerated basis, NICO may:
 - (i) be treated as a retail shareholder; or
 - (ii) subject to ASIC relief being received (if required), receive Shares in split tranches or through deferred settlement,
 for the purpose of its participation in the Proposed Equity Offer; and
- (c) the number of Shares to be offered to NICO under clause 11.3(a) is:
 - (i) where the Proposed Equity Offer is a Rights Issue, the pro rata entitlement of NICO; or
 - (ii) otherwise, the number of Shares which would need to be issued to NICO in order for NICO to maintain the same percentage holding in the issued ordinary share capital of the Company as it had immediately prior to the Proposed Equity Offer.

11.4 Top-up right for Exempt Securities issues

If at any time on or after Completion, the Company issues or agrees to issue any Exempt Securities ("**New Issue**"), then the Company must offer NICO the right to subscribe for the following number of Shares on the following terms:

- (a) NICO must be invited to subscribe for that number of Shares which is equal to the number of Shares required in order for NICO to maintain the same percentage holding in the issued ordinary share capital of the Company as it had immediately prior to the announcement of the New Issue;
- (b) prior to the announcement of the offer to which the New Issue relates, the Company must offer NICO in writing the number of Shares calculated in accordance with clause 11.4(a) and include the price (or the mechanism for determining the price) of the Shares to be issued under the New Issue;
- (c) the price of the Shares offered under clause 11.4(b) will be:
 - (i) the same as the cash consideration to be paid by third parties (in the case of issue of Shares to third parties for cash consideration);
 - (ii) equivalent in value to non-cash consideration offered by third parties (in the case of issue of Shares to third parties for non-cash consideration); or
 - (iii) where paragraph (a) of the definition of Exempt Securities applies, the then current market value of the securities;
- (d) subject to clause 11.4(e), NICO will participate on the same terms as other persons proposing to participate in the issue of Shares other than with respect to the timing of completion of that issue if any Required

Approvals are required, which NICO and the Company must use their respective reasonable endeavours to ensure occurs as soon as practicable after the date on which any Required Approvals have been obtained but which, in any event must take place within 1 month of obtaining all of those Required Approvals; and

- (e) if this clause 11.4 only operates due to the Company agreeing to issue any Exempt Securities, NICO's top-up right under clause 11.4 will only arise to coincide with the actual Share issue.

11.5 Rights

- (a) NICO will have the right, but not the obligation, to participate in a Share issue under clauses 11.3 and 11.4.
- (b) Any right to participate in a Share issue under clauses 11.3 and 11.4 will expire:
 - (i) where the offer to NICO is made at the same time as offers made under the relevant Share issue – on the stated offer closing date of the relevant Share issue; or
 - (ii) where the offer to NICO is made after the relevant Share issue date – on the date which is 1 week after the date the offer is made to NICO.

11.6 Exclusions to anti-dilution rights

Clauses 11.3 and 11.4 do not apply in the following circumstances:

- (a) NICO does not satisfy the following qualifying conditions for participation:
 - (i) **(minimum holding)** it holds at least the same number of Shares in aggregate as the number of Subscription Shares and Option Shares issued to it under this agreement and the Put Option; and
 - (ii) **(Standstill Limit)** it will remain in compliance with clause 7.1 following participation in the relevant issue, otherwise its participation in the relevant issue under this clause 11 is reduced to the extent necessary in order to comply with the Standstill Limit;
- (b) to the extent that Required Approvals (including any applicable ASX waivers) cannot be obtained after diligent effort or that there is a regulatory impediment;
- (c) in the case of clause 11.3 only, clause 11.3 does not apply where the acceptance of a Proposed Equity Offer results in the issue of Exempt Securities;
- (d) to a New Issue pursuant to any conversion or exchange provisions in respect of convertible or exchangeable securities of the Company or any of its controlled entities, including (but not limited to) in circumstances of non-viability or other direction by or mandatory requirement of APRA;
- (e) where the Company would be required to file a registration statement under the U.S. Securities Act with any regulatory authority in connection with the making of the offer to NICO; or

- (f) in the case of a Proposed Equity Offer involving a placement of securities, where the offer and issue of Shares to NICO cannot be undertaken as a valid private placement under the U.S. securities laws.

11.7 Cessation of participation and anti-dilution rights

Clauses 11.1 to 11.5 cease to apply on and from expiry or termination of the Strategic Relationship Agreement and the Quota Share Agreement.

12 No insider trading

NICO acknowledges that from time to time information disclosed to NICO and its Affiliates and their respective Representatives may be "inside information" within the meaning of Part 7.10, Division 3 of the Corporations Act in relation to Shares or other securities of the Company. Without limiting anything else in this agreement, NICO must not do, and must ensure that none of its Representatives or Affiliates does, anything which results or could result in NICO or its Representatives or Affiliates or the Company being in breach of any provision of Part 7.10, Division 3 of the Corporations Act, including by dealing or causing any person to deal in Shares or other securities of the Company.

13 Termination

13.1 Termination

This agreement may be terminated at any time prior to Completion:

- (a) by written notice from either party to the other, if any Transaction Document (other than the Services Agreement, the Berkshire Asset Transfer Agreement and the IAG Asset Sale Agreement) is terminated or rescinded without the prior written consent of the parties to this agreement;
- (b) by written notice from the Company to NICO, if a Bankruptcy Event occurs with respect to NICO or NICO ceases or threatens to cease business; or
- (c) by written notice from NICO to the Company, if the Company becomes Insolvent or ceases or threatens to cease business.

13.2 Effect of termination

Subject to clause 13.3, if this agreement is terminated under clause 13.1, in addition to any other rights, powers or remedies provided by law:

- (a) each party is released from its obligations to further perform this agreement;
- (b) each party retains the rights it has against any other party in connection with any breach or claim that has arisen before termination; and
- (c) NICO must return to the Company or destroy all documents and other materials in any medium in its possession, power or control which contain Confidential Information received from or on behalf of the Company in accordance with clause 14, provided that NICO may retain copies of computer records and files containing Confidential Information, provided that such retained copies:
 - (i) have been created pursuant to automatic electronic archiving and back-up processes in the ordinary course of business and cannot be reasonably deleted; and

- (ii) are only accessible by legal or specialised information technology personnel in the ordinary course of their duties,

and NICO continues to comply with all obligations set out in clause 14 (other than clause 14.4) in respect of any such retained copies.

13.3 Survival of termination

The termination of this agreement does not affect any other rights the parties have against one another at law or in equity and clauses 12, 13.2, 13.3, 14, 15, 16, 17, 18 (other than clause 18.12), 19 and 20 will survive termination of this agreement.

14 Confidentiality

14.1 Disclosure of Confidential Information

All Confidential Information exchanged between the parties under this agreement or during the negotiations preceding this agreement is confidential to them and may not be disclosed to any person except:

- (a) Representatives of the party or its Related Bodies Corporate (or in the case of Berkshire, its Affiliates) requiring the information for the purposes of this agreement;
- (b) with the written consent of the party who supplied the information;
- (c) if a party is required to do so by law, a securities exchange or any regulatory authority, so long as that party has provided:
 - (i) the other party with sufficient notice to enable it to seek a protective order or other remedy; and
 - (ii) all assistance and co-operation that the other party considers necessary to prevent or minimise that disclosure;
- (d) if a party is required to do so in connection with legal proceedings relating to this agreement; or
- (e) as expressly permitted under the terms of any of the Transaction Documents.

14.2 Use of Confidential Information

A party must not use any Confidential Information, except for the purpose of performing its obligations under this agreement or the other Transaction Documents, as otherwise required by operation of law or as otherwise permitted under this agreement or the other Transaction Documents.

14.3 Excluded Information

Clauses 14.1 and 14.2 do not apply to the Confidential Information which:

- (a) is in or becomes part of the public domain other than through breach of this agreement or an obligation of confidence owed to a party or any Related Body Corporate (or in the case of Berkshire, any Affiliate) of a party;
- (b) the party receiving the Confidential Information can prove by contemporaneous written documentation was already known to it at the time of disclosure by a party or its Related Bodies Corporate (or in the case of Berkshire, its Affiliates) or Representatives (unless that

knowledge arose from disclosure of information in breach of an obligation of confidentiality); or

- (c) the party receiving the Confidential Information acquires from a source other than the party disclosing the Confidential Information or any Related Body Corporate (or in the case of Berkshire, any Affiliate) or Representative of that party where such source is entitled to disclose it.

14.4 Return of Confidential Information

Subject to clause 14.5, a party who has received Confidential Information from another under this agreement must, on the request of the disclosing party, immediately deliver to that party or destroy (and must certify such compliance) all documents or other materials containing or referring to the Confidential Information which are in its possession, power or control or in the possession, power or control of persons who have received Confidential Information from it under clauses 14.1(a) or 14.1(b).

14.5 Retention of Confidential Information

Despite clause 14.4, a party may:

- (a) retain one single copy only of the documents or other materials referred to in that clause; and
- (b) retain copies of computer records and files containing Confidential Information, provided that such retained copies:
 - (i) have been created pursuant to automatic electronic archiving and back-up processes in the ordinary course of business and cannot be reasonably deleted; and
 - (ii) are only accessible by legal or specialised information technology personnel in the ordinary course of their duties,

provided that the party continues to comply with all other obligations set out in this clause 14 in respect of any retained copies.

15 Announcements

15.1 Public announcements

Subject to clause 15.2, neither party may, before or after Completion, make or send a public announcement, communication or circular concerning the transactions referred to in this agreement unless it has first obtained the written consent of the other party, which consent is not to be unreasonably withheld or delayed.

15.2 Public announcements required by law

Clause 15.1 does not apply to a public announcement, communication or circular required by law or a regulation of a securities exchange, if the party required to make or send it has, to the maximum extent reasonably permitted by the circumstances, provided:

- (a) the other party with sufficient notice and opportunity to comment on such public announcement;
- (b) the other party with sufficient notice to enable it to seek a protective order or other remedy; and

- (c) all assistance and co-operation that the other party considers necessary to prevent or minimise that disclosure.

16 Costs and stamp duty

The parties agree to pay their own legal and other costs and expenses (including those of their advisers) in connection with the negotiation, preparation, execution and completion of this agreement and any other related documentation, except for stamp duty.

17 Notices and other communications

17.1 Form - all communications

Unless expressly stated otherwise in this agreement, all notices, certificates, consents, approvals, waivers and other communications in connection with this agreement must be:

- (a) in writing;
- (b) signed by the sender (if an individual) or an Authorised Officer of the sender; and
- (c) marked for the attention of the person identified in the Details or, if the recipient has notified otherwise, then marked for attention in the way last notified.

17.2 Delivery

Communications must be:

- (a) left at the address set out or referred to in the Details;
- (b) sent by prepaid ordinary post (airmail if appropriate) to the address set out or referred to in the Details;
- (c) sent by fax to the fax number set out or referred to in the Details; or
- (d) given in any other way permitted by law.

However, if the intended recipient has notified a changed address or fax number, then communications must be to that address or fax number.

17.3 When effective

Communications take effect from the time they are received or taken to be received under clause 17.4 (whichever happens first) unless a later time is specified.

17.4 When taken to be received

Communications are taken to be received:

- (a) if sent by post, 3 days after posting (or 7 days after posting if sent from one country to another); or
- (b) if sent by fax, at the time shown in the transmission report as the time that the whole fax was sent.

17.5 Receipt outside business hours

Despite clauses 17.3 and 17.4, if communications are received or taken to be received under clause 17.4 after 5.00pm in the place of receipt or on a non-Business Day, they are taken to be received at 9.00am on the next Business Day and take effect from that time unless a later time is specified.

18 Miscellaneous

18.1 Severability

If the whole or any part of a provision of this agreement is void, unenforceable or illegal in a jurisdiction it is severed for that jurisdiction. The remainder of this agreement has full force and effect and the validity or enforceability of that provision in any other jurisdiction is not affected. This clause has no effect if the severance alters the basic nature of this agreement or is contrary to public policy.

18.2 Discretion in exercising rights

A party may exercise a right or remedy or give or refuse its consent in any way it considers appropriate (including by imposing conditions), unless this agreement expressly states otherwise.

18.3 Failure to exercise rights

Except as otherwise set out in this agreement, any partial exercise, failure to exercise, or delay in exercising, a right or remedy provided under this agreement or by law does not operate as a waiver or prevent or restrict any further or other exercise of that or any other right or remedy in accordance with this agreement.

18.4 No liability for loss

Except as otherwise set out in this agreement, a party is not liable for loss caused by the exercise or attempted exercise of, failure to exercise, or delay in exercising a right or remedy under this agreement.

18.5 Approvals and consents

By giving its approval or consent a party does not make or give any warranty or representation as to any circumstance relating to the subject matter of the consent or approval.

18.6 Conflict of interest

The parties' rights and remedies under this agreement may be exercised even if it involves a conflict of duty or a party has a personal interest in their exercise.

18.7 Remedies cumulative

The rights and remedies provided in this agreement are in addition to other rights and remedies given by law independently of this agreement.

18.8 Rights and obligations are unaffected

Rights given to the parties under this agreement and the parties' liabilities under it are not affected by anything which might otherwise affect them by law.

18.9 Variation and waiver

Except as, and to the extent, expressly stated otherwise in this agreement, a provision of this agreement or a right created under it, may not be waived or varied except in writing, signed by the party or parties to be bound.

18.10 No merger

The warranties, undertakings and indemnities in this agreement do not merge and are not extinguished on Completion and will survive after Completion.

18.11 No assignment

A party must not assign or otherwise deal with its rights under this agreement or allow any interest in them to arise or be varied, in each case without the written consent of the other party (that consent must not be unreasonably withheld or delayed) provided that NICO may assign its rights under this agreement to an Affiliate within its wholly owned group and the Company may assign its rights under this agreement to a Related Body Corporate.

18.12 Further steps

Each party agrees, at its own expense, to take such commercially reasonable actions requested by the other party (such as negotiating in good faith, obtaining consents, signing and producing documents and getting documents completed and signed) as may be necessary to give full effect to the provisions of this agreement and the transactions contemplated by it, including obtaining all relevant licences and authorisations in connection with this agreement and those transactions.

18.13 Entire agreement

This agreement together with the other Transaction Documents constitutes the entire agreement of the parties about its subject matter and supersedes all previous agreements, understandings and negotiations on that subject matter.

18.14 Construction

No rule of construction applies to the disadvantage of a party because that party was responsible for the preparation of, or seeks to rely on, this agreement or any part of it.

18.15 Supervening legislation

Any present or future legislation which operates to vary the obligations of a party in connection with this agreement with the result that another party's rights, powers or remedies are adversely affected (including, by way of delay or postponement) is excluded except to the extent that its exclusion is prohibited or rendered ineffective by law.

18.16 Inconsistent agreements

If a provision of any Transaction Document is inconsistent with a provision of any other Transaction Document, then the parties will work together in good faith and use reasonable endeavours to resolve the inconsistency in a way which is consistent with the objectives of the Strategic Relationship.

18.17 Counterparts

This agreement may consist of a number of copies, each signed by one or more parties to the agreement. If there are a number of signed copies they are treated as making up the one document and the date on which the last counterpart is executed will be the date of the agreement.

19 Dispute resolution

The parties agree that all disputes between them arising out of or in connection with this agreement (including formation and validity) are subject to, and will be resolved in accordance with the same methods and procedures for dispute resolution and arbitration set out in, Article 24 of the Quota Share Agreement.

20 Governing law

This agreement is governed by the law in force in the place specified in the Details.

EXECUTED as an agreement

Subscription Agreement

Schedule 1 - Application for Subscription Shares (clause 3.2)

To: Insurance Australia Group Limited (ABN 60 090 739 923) ("**Company**")
Level 26, 388 George Street, Sydney NSW 2000, Australia

Attention: Group General Counsel and Company Secretary

[insert date]

Dear Sirs

Application for shares pursuant to Subscription Agreement dated [16] June 2015

National Indemnity Company (incorporated in United States) ("**Subscriber**") of 100 First Stamford Place, Stamford, Connecticut United States, 06902:

- (a) hereby applies for the issue of [insert] ordinary shares in the capital of the Company ("**Subscription Shares**");
- (b) agrees to pay the Subscription Price upon Completion in accordance with the Subscription Agreement; and
- (c) agrees to become a member of and be bound by the constitution of the Company.

Capitalised terms which are used but not defined in this application have the meaning given to them (if any) in the Subscription Agreement.

Yours faithfully

[insert execution block]

Subscription Agreement

Schedule 2 - Confirmation (clause 6.3(a)(iii))

To: Insurance Australia Group Limited (ABN 60 090 739 923) ("**Company**")
Level 26, 388 George Street, Sydney NSW 2000, Australia

Attention: Group General Counsel and Company Secretary

[insert date]

Dear Sirs

Confirmation of acceptance of shares pursuant to Put Notice dated [insert]

National Indemnity Company (incorporated in United States) ("**Subscriber**") of 100 First Stamford Place, Stamford, Connecticut United States, 06902:

- (a) hereby confirms its acceptance to the issue of [insert] ordinary shares in the capital of the Company ("**Option Shares**") to it;
- (b) agrees to pay the aggregate Option Share Price for the Option Shares in accordance with the Put Notice and the Subscription Agreement between the Company and NICO dated [16] June 2015 ("**Subscription Agreement**"); and
- (c) agrees to become a member of and be bound by the constitution of the Company.

Capitalised terms which are used but not defined in this application have the meaning given to them (if any) in the Subscription Agreement.

Yours faithfully

[insert execution block]

Subscription Agreement

Signing page

DATED: 16 June 2015

EXECUTED by INSURANCE)
AUSTRALIA GROUP LIMITED in)
accordance with section 127(1) of the)
Corporations Act 2001 (Cth) by)
authority of its directors:)
)

.....)
Signature of director)

.....)
Name of director (block letters))

.....)
Signature of director / company)
secretary*)
*delete whichever is not applicable)

.....)
Name of director / company secretary*)
(block letters))
*delete whichever is not applicable)

Signed for and on behalf of

NATIONAL INDEMNITY COMPANY

.....
By

.....
Name

.....
Title