



# Scheme Summary

Application to the Federal Court of Australia under Division 3A of Part III of the Insurance Act 1973 (Cth) for the consolidation of certain Insurance Australia Group insurance businesses into Insurance Australia Limited.

## SUMMARY OF SCHEMES

We are proposing to transfer the insurance businesses of the following Insurance Australia Group companies (**IAG Group**) to Insurance Australia Limited ABN 11 000 016 722 (**IAL**):

- CGU Insurance Limited ABN 27 004 478 371;
- Swann Insurance (Aust) Pty Ltd ABN 80 000 886 680;
- WFI Insurance Ltd ABN 24 000 036 279 (which currently underwrites Coles Car, Home & Landlords Insurance, Lumley and WFI insurance policies);
- CGU-VACC Insurance Ltd ABN 73 004 167 953;
- Mutual Community General Insurance Proprietary Limited ABN 59 007 895 543;
- HBF Insurance Pty Ltd ABN 11 009 268 277; and
- IAG Re Australia Limited ABN 96 001 948 278

(together, **Transferring Insurers**).

These changes will not affect the way we handle your policy or claim or how you can contact us.

## BACKGROUND

IAG is taking steps to consolidate its insurance businesses in order to:

- manage our regulatory requirements more efficiently;
- better align our legal structure to the way we currently run our business; and
- further simplify our financial and administrative processes.

As part of that internal reorganisation, the Transferring Insurers intend to transfer their insurance businesses (**Businesses**) to IAL.

IAL is currently an authorised insurer under the *Insurance Act 1973* (Cth) (**Insurance Act**) and underwrites NRMA, SGIO and SGIC branded insurance policies.

The transfer will be effected by seven separate but concurrent schemes (**Schemes**) under Division 3A of Part III of the Insurance Act.

Subject to confirmation of all of the Schemes by the Federal Court of Australia (**Court**) and the receipt of all necessary government approvals, it is proposed that the Businesses will be transferred to IAL under the Schemes. The terms and conditions are summarised below in 'Details of the Schemes'.

Each Scheme is conditional on the other six Schemes also being confirmed by the Court. The Schemes will become binding on all persons if they are confirmed by the Court.

## WHO IS INVOLVED?

IAL and the Transferring Insurers are all companies incorporated in Australia and are authorised by the Australian Prudential Regulation Authority (**APRA**) under the Insurance Act to carry on insurance business in Australia.

All of the companies involved (that is, IAL and the Transferring Insurers) are part of the IAG Group, the ultimate parent of which is Insurance Australia Group Limited. Therefore, these Schemes are for the intra-group transfer of the Businesses to IAL.

## DETAILS OF THE SCHEMES

Subject to the Schemes being confirmed by the Court, the Businesses will be transferred to IAL in accordance with the terms of the Schemes on or around 1 August 2017 or another date agreed between the parties and approved by the Court.

The Businesses to be transferred include all of the insurance contracts and insurance liabilities of each of the Transferring Insurers, as well as certain assets and liabilities related to the Businesses. Following the transfer, IAL will indemnify each of the Transferring Insurers against all future claims, losses, liabilities, costs and expenses that might arise in connection with the insurance contracts.

Any stamp duty and other costs and expenses incurred in connection with the Schemes will not be paid by or charged to policyholders, but will be met by IAL.

## HOW WILL YOUR INTERESTS BE PROTECTED?

In order to safeguard policyholder interests we have consulted extensively with APRA and an actuarial report (**Actuarial Report**) has been prepared by Estelle Pearson of Finity Consulting Pty Limited ABN 89 111 470 270 (**Independent Actuary**) who considered the impact of the Schemes on policyholders of IAL and the Transferring Insurers, including consideration of:

- the contractual rights of existing policyholders;
- the continuity of claims management procedures;
- the nature of the risks faced by policyholders before and after the transaction; and
- the capital position of the insurance entities before and after the transaction.

The Independent Actuary has concluded that the interests of policyholders of IAL and the Transferring Insurers will not be adversely affected in a material way as a consequence of the Schemes, and notes (among other things):

- policy terms and conditions will not change as a result of the Schemes (other than the insurer becoming IAL);
- policyholders will have their policies and claims managed under the same practice and philosophy as before the transfer;
- there are no material adverse changes to the risk profile for any group of policyholders;
- capital levels would be well in excess of the minimum regulatory level for IAL post-transfer; and
- the post-transfer insurer will be larger and more diversified than any of the individual insurers pre-transfer.

#### HOW DOES THIS AFFECT YOU?

The Schemes will not change the terms of any insurance contract, or affect any claim in respect of any insurance contract, issued by the Transferring Insurers other than that IAL will become the insurer.

Policyholders will continue to have the same rights and obligations under or in respect of any insurance contract or claim but with IAL as the insurer. The Schemes will also reflect the change in insurer as follows:

- all outstanding claims-related rights and liabilities of the Transferring Insurers in respect of the insurance contracts will be transferred to IAL such that any claims arising under or in connection with any insurance contract must be made against IAL, rather than the Transferring Insurers;
- all premiums and other amounts payable to or recoverable by the Transferring Insurers under the insurance contracts will be payable to and recoverable by IAL;
- IAL will be entitled to enforce all rights and remedies which but for the Schemes would have been enforceable by the Transferring Insurers under or in respect of the insurance contracts; and
- any policyholder or other person who has a claim on or obligation to the Transferring Insurers under or in respect of an insurance contract will have the same claim on or obligation to IAL in substitution for the claim on or obligation to the Transferring Insurers irrespective of when such claim or obligation arose.

Following completion of the transfer, IAL will be required under the Insurance Act to continue to comply with APRA prudential standards and all other laws applicable to it.

#### WHAT ARE YOUR RIGHTS?

We do not anticipate that the Schemes will have any material effect on your policy or on any claim. Policyholders are not required to take any action before, or as a result of, the Schemes.

Any person who holds a policy affected by any of the Schemes has the right to:

- obtain a copy of the Schemes free of charge on request; and
- attend the Court hearing and request to be heard on the application for confirmation of the Schemes.

An application by IAL for confirmation of the Schemes will be made to the Court in Sydney in or about July 2017 (the exact date will be published on the website [www.iag.com.au/licences](http://www.iag.com.au/licences) when available). If you wish to appear at the hearing, it would assist if you could first contact our lawyer, Mr Kemsley Brennan of MinterEllison, Level 40, Governor Macquarie Tower, 1 Farrer Place, Sydney NSW 2000 (telephone (02) 9921 8888) at least three days before the hearing date.

#### WOULD YOU LIKE TO KNOW MORE?

Further information, including this summary, the Schemes, the Actuarial Report and the notice of intention (**Scheme Documents**) is available free of charge on the website [www.iag.com.au/licences](http://www.iag.com.au/licences) or can be inspected at the locations listed below between 9:00am and 5:00pm each day (other than weekends and public holidays) from 8 May 2017 until 31 May 2017 (inclusive).

If you have any questions in relation to the Schemes or any information contained in this summary, please contact IAL on 1800 907 424 or by email at [licences@iag.com.au](mailto:licences@iag.com.au). This telephone number and email are for enquiries relating to the Schemes only. For queries about a policy or claim please contact us using the usual contact details for your insurer set out on your policy or claim documents.

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Level 40, Governor Macquarie Tower  
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#### QUEENSLAND

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#### AUSTRALIAN CAPITAL TERRITORY

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Level 3, 25 National Circuit  
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