

11 December 2003

Ms Pam Ross  
Manager, Company Announcements Office  
Australian Stock Exchange Limited  
Level 4, Exchange Centre  
20 Bridge Street  
SYDNEY NSW 2000



Dear Ms Ross

**INSURANCE AUSTRALIA GROUP LIMITED ('IAG')  
AGREEMENT TO SELL CLEARVIEW BUSINESSES TO MBF**

Attached for immediate release is a statement announcing that IAG has agreed to sell its ClearView businesses to MBF for approximately \$220 million plus up to \$50 million in earn-out, subject to business performance.

Yours sincerely

Anne O'Driscoll  
**Group Company Secretary &  
Head of Investor Relations**

Attachment: 2 pages

# MEDIA RELEASE

## *IAG to sell ClearView life, investment planning and retirement solutions businesses to MBF*

Insurance Australia Group (IAG) and MBF Australia Limited (MBF) today announced that IAG had agreed to sell its ClearView businesses to MBF. The price paid by MBF will be approximately \$220 million plus up to an additional \$50 million earn-out, subject to business performance.

Under the sale agreement, MBF will pay IAG an upfront payment of \$213 million, plus a net asset adjustment, which is expected to be about \$7 million. IAG will also receive an 'earn out' of up to \$50 million over five and a half years, based on certain performance targets being met by the ClearView business. The transaction is expected to be completed in January 2004.

ClearView comprises financial planning, investment and superannuation businesses branded 'ClearView', and a life insurance business marketed under the 'NRMA Life' brand. MBF will acquire the rights to the ClearView brand as part of the sale and plans to market the life insurance products under the MBF brand.

IAG's Chief Executive Officer, Mr Michael Hawker, said the sale of ClearView was consistent with IAG's stated strategy to focus on its core general insurance business.

"ClearView is an attractive and well-targeted business, but now represents a comparatively small proportion of our overall revenue and profit. We believe it is in our customers' interests for ClearView to be an integral part of a company that is committed to expanding its role in financial services. As a result, it makes sense to sell the business to MBF," Mr Hawker said.

"MBF's decision to acquire ClearView is recognition of its value. This is a tribute to the achievements of the ClearView team in building both the business and the brand from the ground up."

MBF Managing Director, Mr Eric Dodd, said the acquisition aligned with MBF's diversification strategy. "We wanted to expand the concept of protection by helping our customers secure their financial wellbeing as well as assisting them to maintain their physical health," he said.

"The ClearView businesses are a natural addition to our private health insurance business," Mr Dodd said. "Life insurance, trauma support, income protection and retirement planning will complement the products and services we have traditionally offered as Australia's largest privately managed health insurer.

"We also see a strong connection between financial planning services and enabling older Australians to retain things that they value, including access to affordable private health insurance in retirement."

Mr Dodd said Standard & Poor's had advised that MBF would retain its A-insurer financial strength rating – the highest among major Australian health insurers – following the acquisition of the ClearView businesses. Grant Samuel acted as MBF's corporate advisers in the acquisition.



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Under the sale arrangement, ClearView customers and staff will be transferred to MBF. ClearView products and services will ultimately be offered through MBF's retail network and life insurance products will be marketed under the MBF brand.

IAG customers will continue to have access to ClearView products and services through periodic MBF offers to selected customer groups. Premium rates and investment fees are unaffected by the acquisition and all investment options and fund managers are unchanged.

Mr Hawker said that based on an upfront payment of \$220 million, IAG expected to generate a net profit for shareholders from the transaction of \$42-45 million (pre-tax \$60-65 million). The earn out provisions have the potential to increase the pre-tax profit by a further \$50 million.

Under the earn out provisions, IAG will receive 75% of any increase in the embedded value of the ClearView businesses, over and above a 9% per annum growth 'hurdle' rate. Payments will be made annually in accordance with the provisions.

The sale price of ClearView represents a multiple of between 1.1 and 1.3 times the embedded value.

Funds released by the sale will be factored into the IAG Board's current review of capital management policy, including dividend policy. Mr Hawker said if the sale had been completed on 31 October 2003, the Group MCR multiple would have been approximately 1.9 times. "This compares with a multiple of 1.62 times as at 30 June 2003, and reflects the strength of the Group's operating performance and higher returns from equity markets since 30 June 2003."

The current arrangements for the management of the ClearView funds will continue and have no direct impact on IAG's asset management operations.

**ENDS**

#### **About ClearView**

- Operates in New South Wales and ACT.
- 120,000 customers.
- \$1.2 billion funds under management (FuM) at 30 September 2003.
- \$1.7 billion funds under advice (FuA) at 30 September 2003.
- \$27 million annual premium at 30 June 2003.
- Products are primarily marketed through a dedicated call centre, direct mail and financial advisers located in selected NRMA branches.
- Operates under the ClearView and NRMA Life brands.
- Rates among the top three companies considered for retirement advice by customers (Source: Millward Brown).
- Comprises the operations of NRMA Life Limited, NRMA Financial Management Limited and NRMA Life Nominees Pty Limited. (Note: company names will change to reflect the acquisition.)

#### **About MBF**

- Australia's largest privately managed health insurer providing health insurance products and services since 1947.
- Provides private health insurance to nearly two million people with a national market share of 19%.
- Net income in 2002-2003 of \$56.1 million, the fifth consecutive year of profit.
- Net assets at 30 June 2003 of \$480 million with surplus capital of \$236 million.
- In 2002-2003, MBF received \$1.4 billion in premiums and returned \$1.2 million to members in benefits.
- Acquired NRMA Health business in July 2003, which now operates within the MBF group as MBF Health Limited.
- On 21 November 2003, changed corporate name from Medical Benefits Fund of Australia Limited to MBF Australia Limited to reflect current business strategy.