

Application to Federal Court of Australia under Part III, Division 3A of the Insurance Act 1973 for the consolidation of Suncorp Group general insurance businesses into AAI Limited

One Company
Many Brands



Summary of Schemes

We're proposing to transfer the insurance businesses of Suncorp Metway Insurance Limited, GIO General Limited, Australian Alliance Insurance Company Limited and Australian Associated Motor Insurers Limited to AAI Limited. These changes will not affect the way we handle your policy or claim or how you can contact us.

Background

The Suncorp Group is taking steps to consolidate its general insurance businesses in order to:

- efficiently manage regulatory requirements following the introduction of new regulatory standards in 2013 for general insurers;
- better align our legal structure to the way we currently run our business; and
- further simplify financial and administrative processes.

As part of that internal reorganisation, the following Suncorp Group companies intend to transfer their general insurance businesses to AAI Limited ABN 48 005 297 807 (**AAI**):

- (a) Suncorp Metway Insurance Limited ABN 83 075 695 966 (**SMIL**) (which currently underwrites Suncorp Insurance general insurance policies);
- (b) GIO General Limited ABN 22 002 861 583 (**GIOG**) (which currently underwrites GIO, AMP and Resilium general insurance policies);
- (c) Australian Alliance Insurance Company Limited ABN 11 006 471 709 (**Aust Alliance**) (which currently underwrites Apia, InsureMyRide and Shannons general insurance policies); and
- (d) Australian Associated Motor Insurers Limited ABN 92 004 791 744 (**AAMI**) (which currently underwrites AAMI, Bingle.com.au and Just Car Insurance general insurance policies).

AAI Limited is a part of the Suncorp Group with company origins dating back to 1833. It is currently a licensed general insurer and underwrites Vero general insurance policies.

The transfers will be effected by four separate but concurrent schemes (**Schemes**) under Part III, Division 3A of the *Insurance Act 1973* (Cth) (the **Insurance Act**).

Subject to confirmation of all of the Schemes by the Federal Court of Australia (the **Court**) and the receipt of all necessary Federal and State government approvals and third party consents, it is proposed to effect the transfer of the general insurance businesses of the

insurers listed above (the **Businesses**) to AAI under the Schemes. The terms and conditions are summarised below in 'Details of the Schemes'.

Each Scheme is conditional on the other three 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?

AAI, SMIL, GIOG, Aust Alliance and AAMI are all public companies incorporated in Australia which 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 (AAI, SMIL, GIOG, Aust Alliance and AAMI) are currently part of the Suncorp Group, the ultimate parent of which is Suncorp Group Limited. **Therefore these Schemes are for the intra-group transfer of the Businesses to AAI.**

The head office of all companies involved is:

Level 18
36 Wickham Terrace
Brisbane QLD 4000

What are your rights?

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

An application by AAI for confirmation of the Schemes will be made to the Court in Sydney on 2 May 2013 at 10.15am, or on such other date as the Court appoints.

Any policyholder under a policy affected by any of the Schemes (**Affected Policyholder**) has the right to attend the Court on the application for confirmation of the Schemes. An Affected Policyholder may request to be heard by the Court on the application.

If you wish to appear at the hearing, it would assist if you let our lawyer, Mr Malcolm Stephens of Allens, Level 28, Deutsche Bank Place, 126 Phillip Street, Sydney NSW 2000 (Telephone: (02) 9230 4828), know this at least 3 days before the date fixed for the hearing.

Details of the Schemes

Subject to the Schemes being confirmed by the Court, the Businesses of SMIL, GIOG, Aust Alliance and AAMI will be automatically transferred to AAI in accordance with the terms of the Schemes simultaneously on or around 1 July 2013 or another date agreed between the parties and approved by the Court.

Summary of Schemes

The Businesses to be transferred include all of the insurance contracts and insurance liabilities of each of SMIL, GIOG, Aust Alliance and AAMI, as well as certain assets of the Businesses of those companies. Following the transfer, AAI will indemnify each of SMIL, GIOG, Aust Alliance and AAMI 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 AAI.

How will your interests be protected?

In order to safeguard policyholder interests we have consulted extensively with APRA and an actuarial report has been prepared by Tim Andrews of Finity Consulting Pty Limited ABN 89 111 470 27 (the **Independent Actuary**) who considered the impact of the Schemes on Affected Policyholders, including consideration of:

- (a) the contractual rights of existing policyholders;
- (b) the continuity of claims management procedures; and
- (c) the financial security provided to policyholders before and after the transaction having regard to the risks faced and capital position of the insurance entities.

The Independent Actuary has concluded that the interests of the policyholders of SMIL, GIOG, Aust Alliance and AAMI will not be adversely affected in a material way as a consequence of the Schemes, and notes:

- policy terms and conditions will remain unchanged as a result of the Schemes (other than the insurer becoming AAI);
- policyholders will have their policies and claims managed under the same practice and philosophy as before the transfer;
- post-transfer, policyholders' exposure to AAI (as the insurer) will not introduce any material changes in risk profile to policyholders;
- post-transfer the capital adequacy position of AAI will be well in excess of the minimum regulatory level; and
- all policyholders would benefit from being part of a larger and more diversified insurer.

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 SMIL, GIOG, Aust Alliance or AAMI, other than that AAI 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 AAI as the insurer. The Schemes will also reflect the change in insurer as follows:

- all outstanding claims-related rights and liabilities of SMIL, GIOG, Aust Alliance and AAMI in respect of the insurance contracts will be transferred to AAI such that any claims arising under or in connection with

any insurance contract must be made against AAI, rather than SMIL, GIOG, Aust Alliance or AAMI;

- all premiums and other amounts payable to or recoverable by SMIL, GIOG, Aust Alliance or AAMI under the insurance contracts will be payable to and recoverable by AAI;
- AAI will be entitled to enforce all rights and remedies which but for the Schemes would have been enforceable by SMIL, GIOG, Aust Alliance or AAMI under or in respect of the insurance contracts; and
- any policyholder under an insurance contract or other person who has a claim on or obligation to SMIL, GIOG, Aust Alliance or AAMI under or in respect of an insurance contract will have the same claim on or obligation to AAI in substitution for his or her claim on or obligation to SMIL, GIOG, Aust Alliance or AAMI irrespective of when such claim or obligation arose.

Following completion of the transfer AAI will be required under the Insurance Act to continue to comply with APRA prudential standards applicable to it.

Would you like to know more?

Further information, including this Scheme Summary, the Schemes, the Actuarial Report and the notice of intention are available free of charge on the website www.schemesummary.com.au or can be inspected at the locations listed below between 9:00am and 5:00pm each day (other than weekends and public holidays) from 2 April 2013 until 22 April 2013 (inclusive).

On request each Affected Policyholder may obtain a full copy of the Scheme(s).

If you have any questions in relation to the Schemes or any information contained in this summary, please contact AAI on **1800 064 521** or by email through the website www.schemesummary.com.au. This telephone number and website is 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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