

INSURANCE ACT 1973

(PART III DIVISION 3A)

**SCHEME FOR THE TRANSFER OF THE INSURANCE BUSINESS OF
REALCOVER INSURANCES PTY LIMITED TO
QBE INSURANCE (AUSTRALIA) LIMITED**

**The Summary has been approved by the Australian Prudential Regulation
Authority and is required to be given to affected policyholders.**

**The Scheme requires the confirmation of
the Federal Court of Australia before it can take effect.**

1. INTRODUCTION

- (a) This is a scheme (**the Scheme**) under Part III Division 3A of the *Insurance Act 1973* (Cth) (**the Insurance Act**) for the transfer by Realcover Insurances Pty Limited ACN 103 975 355 (**Realcover**) to QBE Insurance (Australia) Limited ACN 003 191 035 (**QBE**) of Realcover's insurance business (**the Business**).
- (b) Subject to confirmation of the Scheme by the Federal Court of Australia (**the Court**) and to any modifications ordered by the Court, it is proposed to effect the transfer of the Business under the Scheme on the terms described in this Summary on 30 June 2020 or such other date that the Court may specify as the commencement date of the Scheme.
- (c) If the Scheme is confirmed by the Court, it will become binding on all persons.
- (d) Actuarial reports have been prepared by:
 - (i) Francois Rademeyer, the Appointed Actuary of QBE, dated 6 May 2020;
 - (ii) Kaise Stephan, the Appointed Actuary of Realcover, dated 27 April 2020; and
 - (iii) Warrick Gard of Ernst & Young, an independent actuary, dated 7 February 2020,in connection with the Scheme (**the Actuarial Reports**). The Actuarial Reports are summarised in Section 5 below.
- (e) Realcover and QBE entered into a transfer agreement to give effect to the transfer of the Business to QBE (**the Transfer Agreement**). The material terms of the Transfer Agreement are summarised in Section 4(c) below.

2. THE PARTIES

- (a) Realcover is a company incorporated in Australia and is authorised under the Insurance Act to carry on insurance business in Australia only for the purposes of discharging liabilities arising under policies issued by it prior to 1 July 2017. Realcover can be contacted at:

30 - 32 Wentworth Avenue
Sydney NSW 2000

Phone: +61 2 8267 0571
- (b) QBE is a company incorporated in Australia and is authorised under the Insurance Act to carry on insurance business in Australia. QBE can be contacted at:

Level 27
8-12 Chifley Square
Sydney NSW 2000

Phone: +61 2 8227 8250
- (c) Both Realcover and QBE are prudentially regulated by the Australian Prudential Regulation Authority (**APRA**).

3. COURT APPLICATION AND RIGHT OF POLICYHOLDER TO APPEAR

- (a) An application for confirmation of the Scheme will be made to the Court in Sydney on 26 June 2020 at 8:30am, or on such later date as the Court appoints.
- (b) Policyholders under a policy affected by the Scheme (**Affected Policyholder**) are not required to take any action before or as a result of the Scheme, however they have

the right to attend the Court and request to be heard regarding the application. Due to the COVID-19 pandemic, policyholders may do so by notifying Court (by contacting the Associate to Justice Lee by email at Associate.LeeJ@fedcourt.gov.au), of their intention to do so at least seven (7) days prior to the hearing on 26 June 2020. The Court will then make arrangements to allow Policyholders to be heard and advise any such Policyholders of those arrangements.

4. DETAILS OF THE SCHEME

- (a) QBE's acquisition of the insurance contracts and insurance liabilities in Realcover's insurance business is conditional on:
 - (i) the grant of a 'go-ahead' decision under section 41 of the *Insurance Acquisitions and Takeovers Act 1991* (Cth) (**the IATA**); and
 - (ii) the acquisition being carried out by way of a Scheme confirmed by the Court.
- (b) Subject to QBE receiving the necessary 'go-ahead' decision under the IATA and Court approval under the Insurance Act, the Business will be transferred to QBE under the Scheme on 30 June 2020 or such later date ordered by the Court (**the Effective Date**), together with the assets and liabilities of the Business described more particularly in the Transfer Agreement.
- (c) Under the Scheme:
 - (i) Realcover will transfer all of the Business to QBE;
 - (ii) QBE will indemnify Realcover against all future claims, losses, liabilities, costs and expenses that might arise in connection with the Business; and
 - (iii) Realcover will be released from all obligations and liabilities in connection with the Business.
- (d) The Scheme is expressed to take effect from the Effective Date, subject to confirmation of the Scheme by the Court.
- (e) Any stamp duty and other costs and expenses incurred in connection with the Scheme will not be paid by or charged to policyholders but will be met by QBE out of shareholder funds. Realcover and The Real Estate Institute of New South Wales Limited have agreed to reimburse QBE for external legal costs, external actuarial costs, stamp duty and other external costs agreed between the parties that are reasonably incurred by QBE.

5. ACTUARIAL REPORTS

- (a) The Actuarial Reports consider the impact of the Scheme on Affected Policyholders.
- (b) After taking into account a number of considerations, including:
 - (i) that Realcover policyholders will have access to a larger capital base which will be beneficial in the event of significant adverse run-off development;
 - (ii) that Realcover policyholders will continue to be protected by their existing extensive reinsurance protection, which will be novated to QBE;
 - (iii) the prescribed capital amount coverage ratio does not change as a result of the transfer due to the small size of the liabilities transferred compared to the existing QBE business;
 - (iv) there will be no materially adverse impact on the management of claims following the transfer;

- (v) QBE's estimated prescribed capital amount coverage ratio after the transfer still lies above QBE's target capital coverage ratio; and
- (vi) QBE is financially robust,

the independent actuarial reports of Warrick Gard dated 7 February 2020 concludes that, for the reasons set out in the report, the change in capital position of Realcover and QBE as a result of the transfer of the Business to QBE will not result in a materially adverse impact on existing or transferring policyholders of either Realcover or QBE. The actuarial reports of Francois Rademeyer, the Appointed Actuary of QBE, dated 6 May 2020 and of Kaise Stephan, the Appointed Actuary of Realcover, dated 27 April 2020 agree with the conclusions of the independent actuarial report.

6. EFFECT OF SCHEME ON POLICYHOLDERS

- (a) The Scheme will not change the terms of any insurance contract or affect any claim in respect of any insurance contract relating to the Business, other than that QBE will become the insurer in place of Realcover.
- (b) Policyholders will continue to have the same rights and obligations under or in respect of any insurance contract, claim or recovery relating to the Business but with QBE as the insurer. Upon confirmation of the Scheme by the Court, the Scheme and Transfer Agreement will also reflect the change in insurer as follows:
 - (i) all outstanding claims-related rights and liabilities of Realcover in respect of the Business will be transferred to QBE such that any claims arising under or in connection with any insurance contract underwritten by Realcover must be made against QBE;
 - (ii) all premiums and other amounts payable to or recoverable by Realcover under or in connection with the Business will be payable to and recoverable by QBE instead of Realcover;
 - (iii) QBE will be entitled to enforce all rights and remedies which, but for the Scheme, would have been enforceable by Realcover under or in respect of the Business; and
 - (iv) any policyholder under an insurance contract or other person who has a claim on or obligation to Realcover in respect of the Business will have the same claim on or obligation to QBE in substitution for their claim on or obligation to Realcover irrespective of when such claim or obligation arose.
- (c) Policyholders are not required to take any action before or as a result of the Scheme, however they have a right to attend the Court and be heard regarding the application as detailed in Section 3 above.
- (d) Following completion of the transfer, QBE will be required under the Insurance Act to continue to comply with the requirements of the APRA prudential standards applicable to it.

7. PUBLIC INSPECTION

- (a) A link to a copy of this Summary, the Scheme and the Actuarial Reports are available and may be accessed on the websites maintained by:
 - Realcover at www.realcover.com.au;
 - the Real Estate Institute of New South Wales at www.reinsw.com.au; and
 - QBE at www.qbe.com/au,

between 29 May 2020 and until a decision on the Scheme is made by the Court or the application is withdrawn.

- (b) Any Affected Policyholder may also obtain a copy of the Scheme Documents free of charge by contacting Genevieve Staff on **+61 2 8227 8250**, Monday to Friday between 8:30am and 5:30pm (other than public holidays), from 29 May 2020 to 22 June 2020, or by email at **genevieve.staff@qbe.com**.

8. FURTHER INFORMATION

- (a) Notice of QBE's intention to apply to the Court for confirmation of the Scheme will be published in
 - (i) the Commonwealth Government Notices Gazette on 29 May 2020; and
 - (ii) The Australian newspaper on 29 May 2020,
and in the following online publications maintained by A Bit of This Publishing Pty Limited directly targeted at real estate professionals:
 - (iii) the Elite Agent website at www.eliteagent.com/au/; and
 - (iv) an advertisement in the electronic direct mail 'The Brief'.
- (b) If you have any questions in relation to the Scheme or any information contained in this Summary, please contact Genevieve Staff at QBE on +61 2 8227 8250 between 8:30am and 5:30pm, Monday to Friday (other than public holidays) or by email at genevieve.staff@qbe.com.