

ASX/Media Release

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Australian Securities Exchange
20 Bridge St,
Sydney NSW 2000

FREEDOM ANNOUNCES BUSINESS RESTRUCTURE

Freedom Insurance Group Limited (ASX: FIG) ('Freedom') today announces a restructuring of its business and changes to its senior management.

As previously announced, the Board, with Deloitte's assistance, has been undertaking a review of Freedom's strategy, business structure and operating model. The review aimed to protect and maximise shareholder value, in particular future revenue from trail commissions represented by the value of the company's trail asset.

The strategic review considered options to transition the business model to comply with ASIC recommendations following its recent review into the direct life insurance industry. In particular, the Board notes that Freedom's upfront commission revenue is largely derived from the sale of final expenses insurance and the existing distribution model will not meet ASIC's proposed new regulatory regime.

The strategic review also has taken into account discussions with ASIC and critical business partners, and the time and risks associated with any transition.

Based on detailed analysis, the Freedom Board decided to implement a restructuring of the business involving the following elements:

- immediate suspension of new business sales of all direct insurance products;
- continued servicing and renewals of its in force book of policies; and
- restructuring of operations to align the business and staffing with its reduced activities.

Over the coming months, Freedom will continue to work constructively with its business partners to assess future options for its business model.

Freedom will reduce its staff to approximately 90 employees and will decrease other operating costs to align them with the reduced activities.

As a consequence of the reduced business activities, Managing Director and Chief Executive Officer, Mr Keith Cohen has left the company and will cease as a Director of Freedom, effective immediately. Mr Craig Orton, who has been responsible for managing Freedom's operations since joining the company in February this year as Chief Operating Officer, has been appointed as Chief Executive Officer. Freedom's Chief Financial Officer, Ms Jenny Andrews, intends to depart the company.

On implementation, these initiatives are expected to reduce annual operating expenses by at least \$15 million. The company will incur approximately \$4.8 million of restructuring costs, inclusive of redundancy payments for affected staff. The company will not generate up front commission revenue while its sales are suspended. Consequently, the Board expects that, subject to the character of any new business model that results in a resumption of sales, upfront commission revenue for the current financial year will be lower than the prior year.

Following this business restructure, Freedom will continue to service its existing 350,000 customers, whose policies will be unaffected by these changes. Freedom will continue to receive administration fees and trailing commissions from its existing in force policies. As at 30 June 2018, the net present value of commissions from its in force policies was valued at \$73.971 million, partly offset by a provision for clawback of commissions of \$16.338 million.

The Board unanimously believes that, in light of the significant impacts on the business arising from the recent ASIC review of the direct life insurance market and anticipated changes to the regulatory environment, the business restructure announced today is in the best interests of Freedom shareholders, business partners and policy holders.

The restructure also provides greater certainty for our existing policyholders. The business will remain focussed on providing an excellent customer experience, including ongoing service and supporting our customers in times of need through our high quality insurance and simple and timely claims management.

ENDS

For more information, please contact:

investorrelations@freedominsurance.com.au