

## ASX announcement

### Cover-More announces new strategic underwriting relationship with a global insurer

**Sydney, 10 November 2016:** Ahead of its Annual General Meeting, Cover-More Group Limited (ASX:CVO), a specialist, integrated travel insurance provider, today announced a binding heads of agreement has been signed with the Australasian branch of global insurer, Berkshire Hathaway Specialty Insurance Company (BHSI). This is a significant first step to implement Cover-More's new global underwriting panel.

Cover-More and BHSI must now use best endeavours to work together in good faith to agree/finalise a new underwriting agreement.

BHSI provides commercial property, casualty, healthcare professional liability, executive and professional lines, surety, travel, programs, and homeowners insurance worldwide. It is part of the global insurance operations of the Berkshire Hathaway Group of Insurance Companies.

Cover-More and BHSI currently work together in the USA to market online travel insurance to consumers. The new agreement will expand the relationship to include the appointment of BHSI as Cover-More's primary underwriter in Australia and New Zealand and the identification of business opportunities in other markets.

The new underwriting agreement with BHSI will not impact the existing underwriting agreements with Transamerica who will remain as underwriter for Cover-More's recent US acquisition, Travelex Insurance Services, and for Flight Centre USA.

Key terms of the new underwriting agreement in Australia and New Zealand will include the following.

- Commercial terms will be similar to the existing commercial terms with Munich Re's Great Lakes Australia however, with greater certainty of underwriting premium.
- Specifically, there will be no Cover-More share of downside risk for losses worse than an agreed target loss ratio.
- The agreement will run for a five-year term and will include a change of control clause.
- The new agreement will enable Cover-More to terminate the current underwriting agreement with Great Lakes Australia.

Cover-More Group Chief Executive Officer, Mike Emmett, said that Cover-More had received strong interest from a number of global underwriting parties however, BHSI emerged as a preferred partner due to the strong fit with Cover-More's strategic growth aspirations and burgeoning global footprint.

"BHSI consistently demonstrated that they sought an entrepreneurial and collaborative partnership in our dealings with them and it was clear that we were strongly aligned from the outset, both strategically and culturally," Mike said.

Chris Colahan, President of BHSI Australasia, said the opportunity to partner with Cover-More was in line with the global insurer's focus on working with like-minded organisations that have a strong vision and customer focus.

"The combination of Cover-More and BHSI will make for a formidable partnership in the global travel insurance market. We add significant scale to Cover-More's specialist travel insurance, optimisation and medical assistance capability," he said.

In addition to the new underwriting partnership in Australia and New Zealand, Cover-More and BHSI intend to collaborate in the following areas:

- BHSI will utilise Cover-More's global medical assistance team to provide emergency and medical assistance to customers in selected markets and
- exploration of additional underwriting opportunities in other geographies.

Mike Emmett said "We are delighted to have the opportunity to build on our existing, strong relationship with BHSI by entering into this new arrangement. The agreement will enable Cover-More to leverage BHSI's scale, international product suite and significant technical capability."

Cover-More also provided an update on the recent acquisition of Travelex Insurance Services and business strategy heading into the Annual General Meeting.

### **Update on Travelex Insurance Services acquisition**

On 27 September Cover-More announced the acquisition of Travelex Insurance Services, significantly scaling up our presence in the USA market. The all-cash purchase price of US\$105m was funded through the combination of an equity entitlement offer and debt facilities.

The institutional offer completed on 29 September 2016 and the retail offer completed on 17 October 2016, with all new shares allotted by 24 October 2016.

Travelex Insurance Services is an excellent strategic fit for Cover-More as it gives the group an accelerated growth path in the North American market and adds considerable scale to the group's global platform. The business has a well-known brand name which Cover-More can use in perpetuity on a global basis.

Cover-More intends to focus on unlocking incremental value by combining Travelex Insurance Services and Cover-More's existing operations and capabilities in the USA.

Initially, the focus will be on four areas as follows.

1. Removal of duplicated costs in Cover-More's existing USA start-up.
2. Reduced operating costs to support existing customers as a result of the increased scale.
3. The build-out of Cover-More's existing medical assistance and operations capabilities in North America.
4. Establishment of a 'follow-the-sun' model to deliver additional scale and cost efficiencies in medical assistance and operations arising from a presence in multiple global time-zones.

The acquisition does still remain subject to a final condition, being anti-trust approval from the USA regulator however, Cover-More expects that condition to be satisfied and for the transaction to reach financial close by the end of November 2016.

### **Strategic growth and business update**

At the time of the acquisition of Travelex Insurance Services in September 2016, Cover-More indicated that the group would provide an update on progress for the current financial year at the 2016 Annual General Meeting.

Since the FY16 results announcement in August 2016, Cover-More has made good progress on strategic growth pathways. Core to the strategy is the evolution of the operating model around industry verticals: Travel and Aviation; Financial Institutions; Direct; Medical Assistance; and Employee Assistance.

The new operating model will reduce operating costs by centralising a number of core support services and delivering better alignment with a go-to-market industry approach. To support the evolution of the new operating model there have also been a number of changes to the senior leadership team including the recent appointment of Judith Crompton.

Cover-More Group CEO, Mike Emmett, said, "On 14 November we are very pleased to welcome Judith Crompton to Cover-More as CEO of our Travel and Aviation team. Judith is a senior airline and travel industry executive with more than 30 years' experience."

“Judith’s appointment adds considerable strength to Cover-More’s senior leadership talent.”

“We have also created a new digital technology division to house our portfolio of technology assets including our optimisation tool, IMPULSE and I am pleased to announce the appointment of Scott Adams as CEO of this new division,” he said.

As highlighted in Cover-More’s full year results announcement, overhead costs have been problematic in the lead up to the current financial year.

Mike Emmett said Cover-More had taken swift action to reduce overheads and while benefits have started to emerge from these improvements, the majority of the benefits will occur in the second half of FY17 and into FY18.

“We have also taken other actions to reduce the risk profile of the portfolio including pricing and wording changes. These have started to deliver some improvements although the consequential benefit to claims costs is expected to be experienced in the second half.”

“In the aggregate, both these factors will result in a greater proportion of group earnings being delivered in the second half of FY17 than historically observed,” he said.

Cover-More is scheduled to report H1 FY17 financial results to the market on 17 February 2017.

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### **About Berkshire Hathaway Specialty Insurance**

Berkshire Hathaway Specialty Insurance Company ([www.bhspecialty.com](http://www.bhspecialty.com)) provides commercial property, casualty, healthcare professional liability, executive and professional lines, marine, surety, travel, programs, medical stop loss, and homeowners insurance.

In Australia and New Zealand, Berkshire Hathaway Specialty Insurance underwrites on the paper of Berkshire Hathaway Specialty Insurance Company (Australia ABN 84 600 643 034, AFS Licence No. 466713). Based in Boston, Berkshire Hathaway Specialty Insurance has offices in Atlanta, Boston, Chicago, Houston, Irvine, Los Angeles, New York, San Francisco, San Ramon, Seattle, Stevens Point, Auckland, Brisbane, Düsseldorf, Hong Kong, Macau, Melbourne, Singapore, Sydney and Toronto. For more information, contact [info@bhspecialty.com](mailto:info@bhspecialty.com).

### **About Travelex Insurance Services**

Travelex Insurance Services is the third largest retail travel insurance specialist provider in the USA. The company develops and distributes a comprehensive suite of travel protection products for travel suppliers, tour operators, cruise lines, vacation clubs and timeshare operators. With more than 3,400 distribution partners, 70 specialty risk clients, 85 insurance programs and licences in all 50 USA states, Travelex Insurance Services insured 1.3 million travellers in 2015. For more information:

<https://www.travelexinsurance.com/company/>

### **About Cover-More Group**

Cover-More Group Limited is a specialist and integrated travel insurance, medical assistance and employee assistance provider. The group listed on the Australian Securities Exchange (ASX) in 2013. Cover-More has the leading market position in Australia—with an approximate 40% share of the national travel insurance market and a growing footprint in India and China as well as a presence in Malaysia, Singapore, New Zealand and the United Kingdom and now the United States. Visit <https://www.covermoregroup.com> for more information.