

CBL delivers clear strategy for Assetinsure Pty Ltd in first 90 days

In October 2015 the NZ based CBL Insurance Group completed a successful listing on the New Zealand and Australian share markets.

This listing also coincided with a move by CBL to expand its footprint in Australia with the strategic acquisition of Assetinsure Pty Ltd – completed shortly after listing.

Assetinsure is a leading surety bond insurer in Australia, and provides a range of speciality products including: credit enhancement, surety bonds, construction and rural risk and related speciality and other niche insurance lines.

CBL Insurance Group Managing Director Peter Harris and the **Assetinsure Executive team** have delivered a clear strategy for Assetinsure Pty Ltd, and today provided an update on the main achievements to date and the path ahead for Assetinsure, - the key outcomes of which include:

General Aviation book of business has been sold to Swiss Re. Whilst profitable, the book was not considered core business. Assetinsure will continue to generate some revenue from providing key IT and support services to Swiss Re in relation to the business. Staff associated with the Aviation book have transferred to Swiss Re.

Board changes. Sir John Wells (Chair of CBL Group), and Peter Harris (M/D of CBL Group), have been appointed to the Assetinsure board, and three Assetinsure directors have retired. Independent directors have been retained, and the remaining slimmer board will be reduced further with the retirement of the present Chairman John Fahey who will retire at the next board meeting in February after twelve years of service.

Strategic Review of all product lines, including Property, Agency lines, Multi-peril Crop Insurance, Enthusiast special lines, and Rural products, as well as a review and realignment of targets, distribution channels, and reinsurance rationalisation. Un-profitable business will be divested.

The introduction in November last year of an Owner-Builder Warranty product through a Managing General Agency arrangement with Melbourne based AOBIS. Assetinsure will be the exclusive Insurer under this agreement.

Surety & Bonding lines will be expanded to include Tier 4 clients and in doing so leverage CBL's knowledge and IP across this customer segment. In the past Assetinsure has only provided surety and bonding facilities for large corporates (known in the industry as Tier 1-3 clients).

Expansion of Credit enhancement product internationally, in particular into New Zealand and SE Asia (especially Hong Kong and Singapore), and now into the London and European markets working with several commercial banks, and investment bankers. This specialist product is core business, typically offers good margins and continues to offer solid growth prospects.

Two new products are being analysed and prepared for introduction in the next 60 days:

- **Builders Warranty** business in Victoria and South Australia. This business is core business to the CBL Group, and brings a new product line on-board to Assetinsure using existing structures, people and systems, and the experience and knowledge of the CBL Group. Revenue and risk will be shared between Assetinsure and CBL.

- **Personal Guarantee Insurance** for SME Company Directors. This is a new product developed by CBL and is planned to be launched in Australia in March by Assetinsure. The product indemnifies company directors from personal loss suffered as a result of providing a personal guarantee in respect of SME corporate borrowings which subsequently go into default.

Upgrade of premises and shifting to a new location that is more suitable, more modern and efficient. The current premises do not meet CBL standards and whilst the current premises at 44 Pitt St, Sydney are likely to be difficult to sublet at a reasonable level for the three year remainder of the lease (current annual rent roll A\$1.2m), it is expected that additional rationalisation and relocation costs during these years will be offset by efficiencies across the business and offer a better working environment for all staff.

Commutation of the Catholic Church reinsurance treaty. It has been mutually agreed to commute this treaty with the Catholic Church Insurance Company. The commutation will result in a positive release of reserves into the 2015 financial year for Assetinsure and will flow up to CBL Group on consolidation. The benefit of certainty; the removal of future liability under this treaty; and the elimination of future management and board resource on this item is a significant benefit to Assetinsure, - with Assetinsure no longer having any past, current and future risk from the treaty. The full details of the commutation agreement remain subject to confidentiality provisions.

Rationalisation and alignment of Assetinsure and CBL policies and procedures, internal audit, professional service providers to best meet local regulatory, and company and market requirements will continue to be worked through over the next 12 months.

IT system provider Graile will be reported separately so that its operational metrics are more transparent to management, thus enabling better evaluation of this business going forward.

Summary: Assetinsure Executive Director Peter Wedgwood: "Overall, it is pleasing to be able to say that the union with CBL offers both CBL and Assetinsure significant opportunities, and NPBT and regulatory solvency is expected to exceed CBL IPO projections. We appreciate the energy and focus that CBL is providing us in support of Assetinsure going forward".

CBL MD Peter Harris commented "The benefits of CBL now having an ability through Assetinsure to sell product in Australia on Assetinsure paper is an exciting opportunity and is expected to become more significant over time for the benefit of both staff and shareholders".

Ends 20th January 2016