

15 April 2019

Australian Securities Exchange
20 Bridge St
Sydney NSW 2000

FREEDOM INSURANCE GROUP LTD AGREES TO TRANSITION ITS SERVICES

Key Points:

- Freedom has reached an agreement in principle to transfer its policy administration business to a third party
- Post allowance for customer remediation, Freedom expects to receive payment of approximately \$5m
- Freedom intends to exit Spectrum Wealth Management, post completion of the transfer of its administration business. After the exit of Spectrum Wealth Management, Freedom will have exited all its operating businesses
- Proceeds from the transfer of its administration business will be used to pay creditors, wind down remaining operations and meet any final regulatory obligations. After meeting these obligations the board intends to return any excess funds to shareholders

Freedom Insurance Group Ltd (ASX:FIG) ("**Freedom**") advises that it has reached an agreement in principle in relation to the transition of its policy administration services to another service provider ("**Service Provider**"), which will involve a payment to Freedom of \$5.0 million.

The payment amount reflects the value of net trail commissions after offsetting commission clawbacks, expected administration costs and an allowance for remediation of customers who may have suffered financial detriment in line with the customer remediation program announced on 6 December 2018. Management of the remediation program will be by a third party.

For confidentiality reasons, Freedom is unable to disclose the identity of the Service Provider before it enters into the underlying agreements. All customer policies continue to be underwritten by the current APRA regulated insurers.

Freedom advised on 6 December 2018 that it faced a liquidity shortfall and was considering various funding options. A significant rise in lapse rates accelerated the expected timing of the shortfall and increased the magnitude of the potential cash deficit that the business may face.

Freedom negotiated interim commission clawback relief support which has allowed for ongoing administration and preparation for an orderly transition, ensuring an optimal outcome for policyholders and a potential return to shareholders.

The Freedom board has continued to explore a range of alternatives that would allow it to maintain its administration business, including its rights to trail commissions. The long-term adverse impact on net trail commissions and administration income as a result of increased lapse rates considerably diminished the options available to Freedom. Based on the alternatives available, the Freedom board considers that the transition and associated payment is in the best interests of shareholders.

The amount of \$5.0 million will be payable the day following the transition of the administration services to the Service Provider.

In conjunction with the transfer of its administration business Freedom is considering alternatives to exit Spectrum Wealth Management. Subject to successfully exiting this business, Freedom will have exited all its operating businesses.

Freedom anticipates that after the exit of its operating businesses, it will finalise any ongoing regulatory obligations and then be in a position to consider the best method for the return of any excess funds to shareholders.

Freedom will make a further announcement upon all the agreements being entered into to effect the transition. Freedom also expects to make an announcement of its financial position after the end of the transition.

ENDS

For more information:

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