

HDI-Gerling Australia Insurance Company Pty Limited ABN 16 069 085 196

and

HDI-Gerling Industrie Versicherung AG ARBN 134 049 951

Summary of a scheme under Part III Division 3A of the Insurance Act 1973 (Cth) for the transfer of the insurance business of HDI-Gerling Australia Insurance Company Pty Limited to HDI-Gerling Industrie Versicherung AG

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.

Introduction

1. This is a scheme under Part III Division 3A of the *Insurance Act 1973* (Cth) (the **Insurance Act**) for the transfer of insurance and reinsurance contracts underwritten by HDI-Gerling Australia Insurance Company Pty Limited ABN 16 069 085 196 (**HDI-GAUS**) (**Insurance Contracts**), and reinsurance contracts and treaties entered into by HDI-GAUS as reinsured or cedant (**Reinsurance Contracts**), to HDI-Gerling Industrie Versicherung AG ARBN 134 049 951 (**HG/AUST**) (the **Scheme**).
2. Subject to confirmation of the Scheme by the Federal Court of Australia and to any modifications ordered by the Federal Court, it is proposed to effect the transfer of the Insurance Contracts and Reinsurance Contracts under the Scheme on the terms and conditions described in this Summary.
3. Upon confirmation of the Scheme by the Federal Court of Australia, the Scheme becomes binding on all persons.
4. An actuarial review has been prepared by Adam Payne of Finity Consulting Pty Limited, the Appointed Actuary of HDI-GAUS and the Australian branch of HG/AUST (**Appointed Actuary**), in connection with the Scheme (the **Actuarial Report**). The Actuarial Report is summarised in paragraphs 16 and 17.
5. On 4 May 2010, HDI-GAUS and HG/AUST entered into a Transfer Agreement to give effect to the transfer of HDI-GAUS's insurance business to HG/AUST (the **Transfer Agreement**). The material terms of the Transfer Agreement are summarised in paragraph 13.

The parties

6. HDI-GAUS is a company incorporated in Australia and is authorised under the Insurance Act to carry on insurance business in Australia. HDI-GAUS can be contacted at:

Level 4
44 Pitt Street
Sydney NSW 2000
Tel: (02) 8274 4200
Fax: (02) 9274 1711

7. HG/AUST is a company incorporated in Germany and is authorised under the Insurance Act to carry on insurance business in Australia through its Australian branch. HG/AUST can be contacted at:

Level 4
44 Pitt Street
Sydney NSW 2000
Tel: (02) 8274 4200
Fax: (02) 9274 1711



8. Both HDI-GAUS and HG/AUST are regulated by the Australian Prudential Regulation Authority (**APRA**). Both HDI-GAUS and HG/AUST are members of the Talanx Group.

Court Application and Right to Appear

9. An application for confirmation of the Scheme will be made to the Federal Court of Australia in Sydney on Thursday, 24 June 2010 at 10.15am, or on such later date as the Court appoints. Any insured under an Insurance Contract affected by the Scheme may request to be heard by the Court on the application. You have the right to attend the Court on the application for confirmation.
10. If you wish to appear at the hearing in the Federal Court of Australia at which HDI-GAUS will seek an order confirming the Scheme it would assist us if you would let us know before the hearing by writing to HDI-GAUS c/- Allens Arthur Robinson, Level 5, Deutsche Bank Place, 126 Phillip Street, Sydney, in the State of New South Wales (Attention: John Morgan).

Details of the Scheme

11. As set out above, subject to securing the necessary Court approvals, HDI-GAUS's Insurance Contracts and Reinsurance Contracts will be transferred to HG/AUST under the Scheme. This will involve the transfer by HDI-GAUS to HG/AUST of cash in an amount equal to the Transfer Value, together with any relevant adjustments (see paragraph 12 below).
12. The "Transfer Value" is the value of HDI-GAUS's Net Insurance Liabilities (calculated in accordance with Prudential Standard GPS 310 made under the Insurance Act) for the quarter ending 30 June 2010, calculated by reference to information contained in the quarterly trial balance which is used as the basis for preparing the statutory returns submitted by HDI-GAUS to APRA. An initial payment of the Transfer Value will be made on the Effective Date (1 July 2010) using the above methodology but based on the accounts for the quarter ending 31 March 2010. An adjustment of the Transfer Value will be made by the parties 10 business days after the completion of the accounts of HDI-GAUS for the quarter ending 30 June 2010, such that one party will pay to the other any amount as determined by the Appointed Actuary as the difference (if any, and whether positive or negative) between the value of HDI-GAUS's Net Insurance Liabilities as at 31 March 2010 and its value on 30 June 2010, and the amount, if any, by which HG/AUST's Capital Base is less than 145% of its Minimum Capital Requirement based on the Prescribed Method (as those terms are defined in the Prudential Standards made under the Insurance Act).
13. Under the Transfer Agreement:
 - (a) HDI-GAUS agrees to pay cash to HG/AUST equal to the Transfer Value; and
 - (b) following the transfer, HG/AUST indemnifies HDI-GAUS against all future claims, losses, liabilities, costs and expenses that might arise in connection with the Insurance Contracts.
14. The Scheme is expressed to take effect from 1 July 2010, subject to the confirmation of the Federal Court of Australia of the Scheme.



15. 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 HG/AUST out of shareholder funds.

Actuarial Report

16. The Actuarial Report explains the Appointed Actuary's understanding of the Scheme and examines the impact of the Scheme on the policyholders of HDI-GAUS and HG/AUST.
17. After taking into account a number of considerations, including the issues of financial security, policy terms and conditions and claims handling processes, the Appointed Actuary concludes that:
 - given the expected financial position of HG/AUST immediately following the Transfer, the Appointed Actuary is satisfied that the Scheme provides adequate financial security to the policyholders of both companies; noting that there is always uncertainty with the outcome of insurance business and ongoing solvency cannot be guaranteed;
 - given that the HDI-GAUS policies will be assumed by HG/AUST with no changes to the policy terms and conditions, the Appointed Actuary is satisfied that the Scheme will not adversely impact the interests of HDI-GAUS policyholders in that regard;
 - given the claims management practices of each company will remain unchanged, as the same staff will continue to manage the claims following the transfer, the Appointed Actuary does not believe that there will be any detriment to policyholders in this regard; and
 - in summary, the Appointed Actuary is satisfied that the interests of policyholders should not be adversely affected in any material way as a consequence of the Scheme.

Effect of Scheme on policyholders

18. Upon confirmation of the Scheme by the Federal Court of Australia, all outstanding claims-related rights and liabilities of HDI-GAUS in respect of the Insurance Contracts will be transferred to HG/AUST such that any claims arising under or in connection with any Insurance Contract underwritten by HDI-GAUS must be made against HG/AUST.
19. All premiums and other amounts payable to or recoverable by HDI-GAUS under the Insurance Contracts will be payable to and recoverable by HG/AUST instead of HDI-GAUS.
20. The Insurance Contracts will be transferred to HG/AUST with the same benefits, conditions and premium rates applying under the contracts as applied prior to the Transfer Agreement.
21. Any policyholder under the Insurance Contracts or other person who has a claim on or obligation to HDI-GAUS pursuant to the Insurance Contracts or the Reinsurance

Contracts will have the same claim on or obligation to HG/AUST in substitution for their claim on or obligation to HDI-GAUS.

22. Policyholders are not required to take any action before or as a result of the Scheme.

Further Information

23. Notice of HDI-GAUS's intention to apply to the Federal Court of Australia for confirmation of the Scheme will be published in the Commonwealth *Special Gazette* on 28 May 2010 and in *The Weekend Australian* newspaper on 29 May 2010.

24. Following completion of the transfer HG/AUST will comply with APRA prudential standards applicable to it.

25. If you have any questions in relation to the Scheme or any information contained in this summary, please contact:

Kenneth Devlin, Managing Director of HDI-GAUS by calling +61 (02) 8274 4236 between 9am and 5pm each weekday (other than public holidays).

Public Inspection

26. A policyholder affected by the Scheme may inspect a copy of the Scheme, the Transfer Agreement and the actuarial report of Mr Adam Payne of Finity Consulting Pty Limited, upon which the Scheme will be based, and obtain a copy of the documentation free of charge between 31 May 2010 and 22 June 2010 (inclusive), between 9am and 5pm, Monday to Friday (other than public holidays) at the following addresses:

Australian Capital Territory	New South Wales	Northern Territory
KPMG Level 3 20 Brindabella Circuit Brindabella Business Park Canberra Airport ACT 2609	KPMG Level 15 10 Shelley Street Sydney NSW 2000	KPMG 18 Smith Street Darwin NT 0800
Tel 02 62481255	Tel 02 9455 9234	Tel 08 8982 9000
Contact: Naomi Bradfield	Contact: Gillian Reynolds	Contact: Michelle De La Rosa
Queensland		South Australia
KPMG Riparian Plaza Level 16, 71 Eagle Street Brisbane QLD 4000		KPMG Level 7 151 Pirie Street Adelaide SA 5000
Tel 07 3233 3111		Tel 08 8236 3299
Contact: Peter Yoong		Contact: Ben Fischer
Tasmania	Victoria	Western Australia
KPMG Level 3 100 Melville Street Hobart TAS 7000	KPMG Level 4 147 Collins Street Melbourne VIC 3000	KPMG Level 8 235 St Georges Terrace Perth WA 6000
Tel 03 6230 4000	Tel 03 9288 6562	Tel 08 9263 7171
Contact: Colette Goodman	Contact: Stuart Rose	Contact: Frances Coull

27. A copy of this Scheme summary, the Scheme, the Transfer Agreement and actuarial report can be viewed via the link titled 'SCHEME TO TRANSFER THE INSURANCE BUSINESS OF HDI-GERLING AUSTRALIA INSURANCE COMPANY PTY LIMITED TO HDI-GERLING INDUSTRIE VERSICHERUNG AG AUSTRALIAN BRANCH' located under the Australian branch office contact details at:

http://www.hdi-gerling.de/en/about_us/international/locations/index.jsp#au