

Scheme Summary

This document provides a summary of a scheme under Division 3A of Part III of the *Insurance Act 1973* (Cth) for the transfer of the insurance business of Sunderland Marine Insurance Company Limited (Australian branch) to The North of England Protecting and Indemnity Association Limited (Australian branch).

This information is provided to you on the basis that you are a policyholder of Sunderland Marine Insurance Company Limited (Australian Branch) ABN 89 007 508 401 (referred to in this document as **SMI Aus**). SMI Aus is applying to the Federal Court of Australia in respect to the proposed transfer of its insurance business to The North of England Protecting and Indemnity Association Limited (Australian Branch) ARBN 624 528 123 (referred to in this document as **North Aus**).

This document provides information about the scheme, how your policy with SMI Aus will be affected and provides details about your right to appear before the Federal Court in respect to the scheme.

This summary has been approved by the Australian Prudential Regulatory Authority (**APRA**).

Summary and background

1. This is a summary of a scheme under Division 3A of Part III of the *Insurance Act 1973* (Cth) (the **Insurance Act**) providing for the transfer of (amongst other things) the Insurance Business, including the insurance contracts (the **Insurance Contracts**), of SMI Aus to North Aus (the **Scheme**).
2. Sunderland Marine Insurance Company Limited (**SMI**) is a wholly owned subsidiary of The North of England Protecting and Indemnity Association Limited (**North**). Both companies are incorporated in the United Kingdom. SMI carries on its insurance business in Australia through its Australian branch, SMI Aus. Subject to approval from APRA, North will be authorised to carry on insurance business in Australia through its branch, North Aus, prior to the Scheme being confirmed.
3. The Scheme is being undertaken as part of an internal group reorganisation for the purpose of adopting a simplified and more cost effective corporate and regulatory structure.
4. Upon confirmation of the Scheme by the Federal Court of Australia (**Court**), and subject to any modifications ordered by the Court, the Scheme is proposed to effect the transfer of the Insurance Business, including the Insurance Contracts, to North Aus on the terms of the Scheme. A summary of the material terms of the Scheme is included in this document.
5. Once the Court confirms the Scheme, the Scheme will become binding on all persons, including North (and its branch, North Aus), SMI (and its branch, SMI Aus) and affected policyholders.
6. An actuarial report dated 13 July 2018 has been prepared by Geoff Atkins of Finity Consulting Pty Limited ABN 89 111 470 270 in support of the Scheme (the **Actuarial Report**). The key findings of the Actuarial Report are summarised in this document.
7. North and SMI have entered into a Transfer Agreement to give effect to the transfer of the Insurance Business, including the Insurance Contracts, from SMI Aus to North Aus (the **Transfer Agreement**), subject to confirmation of the Scheme by the Court. Material terms of the Transfer Agreement are summarised in this document.

The parties involved in the Scheme

8. North is a company incorporated in the United Kingdom, and is registered as a foreign company in Australia. Subject to approval from APRA, it will be authorised to carry on insurance business in Australia under the Insurance Act through its Australian branch, North Aus, and will be regulated by APRA. North Aus can be contacted at:

19 Agnes Street, East Melbourne, Victoria 3002
Tel: +61 03 9650 6288
Fax: +61 03 9650 6396

9. SMI is a company incorporated in the United Kingdom, and is registered as a foreign company in Australia. It is authorised to carry on insurance business in Australia under the Insurance Act, and does so through its branch, SMI Aus. It is regulated by APRA. SMI Aus can be contacted at:

19 Agnes Street, East Melbourne, Victoria 3002
Tel: +61 03 9650 6288
Fax: +61 03 9650 6396

Details of the Scheme

10. The Scheme will result in a transfer of all assets and liabilities of SMI Aus to North Aus, including the Insurance Business comprising the Insurance Contracts and all liabilities arising under them. Certain other business assets and liabilities of SMI Aus will also be transferred to North Aus pursuant to the Scheme.
11. Subject to the Scheme being confirmed by the Court, the Insurance Business will be transferred to North Aus in accordance with the terms of the Scheme on or around 2 November 2018 or such other date that the Court orders.
12. Following the transfer, North Aus will indemnify SMI Aus against all future claims, losses, liabilities, costs and expenses that arise in connection with the Insurance Contracts.
13. Any stamp duty and other costs and expenses incurred in connection with the Scheme will not be charged to policyholders, but will be met by North Aus.

Actuarial report

14. In support of the Scheme, North and SMI have engaged Geoff Atkins of Finity Consulting Pty Limited as an independent actuary (**Independent Actuary**) to prepare the Actuarial Report.
15. The Independent Actuary has concluded that the interests of policyholders of SMI Aus will not be adversely affected in a material way as a consequence of the Scheme. He has concluded (among other things) that:
 - (1) there will be no changes to the terms and conditions of current and prior policies issued by SMI Aus as a result of the Scheme. Policyholders therefore do not face any changes in the entitlements and obligations relating to their insurance coverage.
 - (2) Claims management for SMI and North has already been consolidated. There will be no change to claims management staff, policies or procedures as a result of the Scheme.
 - (3) Because North Aus is a new entity that will take on all of the assets and liabilities of SMI Aus there is no change in the risk profile of the Australian business that would be relevant to the interests of Australian policyholders.

- (4) After the Scheme the Australian policyholders (now being policyholders of North Aus) will have the same financial security that they had before the Scheme. The ultimate security of the assets of North and the ability of North to make a call on its mutual members remains unchanged.

Effect of the Scheme on policyholders

16. The Scheme will not result in any change to the terms of your policy, or affect any claim that you have or may have under the Insurance Contracts.
17. By way of summary, on confirmation of the Scheme by the Court:
 - (1) the rights, benefits and liabilities of policyholders under the Insurance Contracts will be assumed by North Aus in the place of SMI Aus, and will remain the same in all respects as they would have been if the Insurance Contracts had been issued or entered into by North Aus instead of SMI Aus. In effect, the Scheme will result in the replacement of the insurer, but not the terms of any Insurance Contract.
 - (2) SMI will be released and discharged from all liabilities and obligations under the Insurance Contracts and all premiums and other amounts payable to or recoverable by SMI and SMI Aus under the Insurance Contracts will be payable to and recoverable by North and North Aus.
 - (3) Apart from North becoming the insurer in place of SMI under the Insurance Contracts, the Insurance Contracts will be transferred to SMI with the same terms and conditions as applied prior to the Scheme taking effect. Any policyholder under the Insurance Contracts who has a claim on or obligation to SMI pursuant to the Insurance Contracts will have the same claim on or obligation to North in substitution for his or her claim on or obligation to SMI.
18. Policyholders are not required to take any action before or as a result of the Scheme and the terms of the Insurance Contracts will not be varied as a consequence of the Scheme, save for the substitution of North as the insurer.
19. Upon confirmation of the Scheme by the Federal Court of Australia, the Scheme becomes binding on all parties.
20. Following completion of the transfer, North Aus will be required under the Insurance Act to continue to comply with APRA prudential standards and all other laws applicable to it.

Policyholders' right to appear

21. An application for confirmation of the Scheme will be made to the Court in Sydney on 2 November 2018 at 10:15 am, or such later date as the Court appoints. Any policyholder affected by the Scheme has the right to attend the Court hearing and be heard by the Court on the application for confirmation of the Scheme.
22. If you wish to appear at the hearing you are requested to advise the solicitor for North, Matthew Ellis of Norton Rose Fulbright Australia (Level 15, 485 Bourke Street, Melbourne, 3000) by phone on (03) 8686 6329 or by email to matt.ellis@nortonrosefulbright.com at least three days prior to the date fixed for the hearing.
23. Any policyholder affected by the Scheme is not required to take any action if they have no objection to the Scheme.
24. Other than the right to appear, any person who holds a policy affected by the Scheme has the right to obtain a copy of the Scheme free of charge on request.

Further information and public inspection

25. Copies of this summary of the Scheme, the Scheme, the notice of intention and the Actuarial Report (**Scheme Documents**) are available at <https://www.sunderlandmarine.com/australia/home/> or <http://www.miaustralia.com/> or <http://www.nepia.com>. Policyholders may obtain or inspect a copy of these documents at the places set out below during the hours of 9:00am to 5:00 pm each day (other than weekends and public holidays) from 24 September 2018 until 10 October 2018:

State	Address	State	Address
Victoria	Norton Rose Fulbright Level 15 485 Bourke Street Melbourne 3000 Contact: Matt Ellis	South Australia	Finlaysons Lawyers 81 Flinders Street Adelaide SA 5000 Contact: Alicia Jennison
New South Wales	Norton Rose Fulbright 44 Martin Place Sydney 2000 Contact: Ray Giblett	Western Australia	Norton Rose Fulbright Level 30 108 St Georges Terrace Perth 6000 Contact: JP Wood
Queensland	Norton Rose Fulbright Level 21, ONE ONE ONE 111 Eagle Street Brisbane 4000 Contact: Brett Solomon	ACT	Norton Rose Fulbright 9 Sydney Avenue Barton 2600 Contact: Amanda Smith
Northern Territory	Finlaysons Lawyers Level 3/9 Cavenagh Street Darwin NT 0800 Contact: Leah White	Tasmania	Groom Kennedy Level 1 47 Sandy Bay Road Battery Point, Hobart Contact: James Groom

26. If you would like to know more about the Scheme or any information contained in this summary, or if you would like to obtain a copy of the Scheme Documents free of charge, please contact North by calling Chris Kennedy, Australian Branch Manager of SMI Aus, on (03) 8199 4405, or email chris.kennedy@sunderlandmarine.com.

THIS SUMMARY HAS BEEN APPROVED, AS A SUMMARY OF THE SCHEME, BY THE AUSTRALIAN PRUDENTIAL REGULATION AUTHORITY.