

15 July 2019

AMP Life sale and interim dividend update

AMP Limited today advises that the transaction for the sale of AMP Life (the Australian and New Zealand wealth protection and mature businesses) to Resolution Life is highly unlikely to proceed on the current terms due to the challenges in meeting the condition precedent for Reserve Bank of New Zealand (RBNZ) approval.

This condition requires RBNZ approval of a change of control for AMP Life in a form consistent with the current branch structure (which exempts AMP Life from a number of New Zealand legislative requirements).

On 13 July 2019, Resolution Life notified AMP that:

- RBNZ would not consider Resolution Life's change of control application unless it agreed to have separate, ringfenced assets held in New Zealand for the benefit of New Zealand policyholders, which is inconsistent with the current branch structure; and
- as a result, Resolution Life does not expect RBNZ to approve an application that would satisfy the condition precedent.

AMP believes that this reflects RBNZ's position and that addressing these requirements would adversely impact the commercial return of the sale for both AMP and Resolution Life.

The failure to meet this condition precedent is exceptionally disappointing as the sale of AMP Life is a foundational element of AMP's strategy.

Recognising that the transaction is unlikely to proceed in its current form, AMP is now working with Resolution Life to determine whether there is a solution that addresses policyholder interests, regulatory requirements and provides certainty of execution. This will require negotiation of new terms and is not certain.

The interests of policyholders, both in New Zealand and Australia, have been and will continue to be paramount.

While the earnings impacts since 30 June 2018 from unwinding the risk sharing agreement in the current transaction are not substantial, the long-term valuation effect would have a more significant influence on any future price negotiation because of best estimate assumption changes since 30 June 2018 (reduction of approximately A\$400m) and the impact of Protecting Your Super legislation (reduction of approximately A\$300m).

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There is a range of other factors, both positive and negative, that would be taken into consideration in any future sale price including the effects of the Putting Members' Interests First Bill.

The AMP Limited Board will review any revised transaction to determine if it is in the best interests of policyholders, the company and its shareholders. If a revised transaction cannot be achieved on acceptable terms, and receive regulatory approval, AMP will retain AMP Life and manage it as a specialist life insurance and mature business with a focus on policyholder outcomes, cost and capital efficiency.

Capital position and interim dividend expectations

While the 1H 19 accounts are yet to be finalised, AMP expects to report a Level 3 eligible capital surplus above minimum regulatory requirements and in line with Board limits for target capital surplus.

Given the uncertainty around the AMP Life transaction, the AMP Board expects to continue its prudent approach to capital management and anticipates that an interim dividend will not be paid for 1H 19.

A further update will be provided at our 1H 19 Results on 8 August 2019. 

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