

28 November 2019

Australian Securities Exchange
20 Bridge St
Sydney NSW 2000

Chair's address

The 2019 financial year was an extremely challenging year for Freedom Insurance Group Limited. The Company appeared at the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry and felt the full impact of the implications arising from the Royal Commission.

Immediately prior to the Royal Commission, ASIC conducted a review of the life insurance industry and released ASIC Report 587. This report included a number of recommendations that significantly affected Freedom's operations. Specifically, it appeared that Freedom's sales model would not meet the requirements of ASIC's proposed new regime. Freedom began consulting with ASIC to understand the effects the new regime would have on its business. Following discussions with ASIC and the recommendations made by ASIC, the Company launched a strategic review to examine the Company's business model. As part of that process, the Company initially decided to temporarily suspend new business sales.

After undertaking the strategic review, the Company concluded that there were no commercially viable options to recommence sales. As such, the suspension of new sales became permanent. Nevertheless, the Company remained optimistic about potential new business opportunities and ongoing revenue as it still had ongoing administration fees and trailing commissions from servicing its existing book of policies with AIA, NobleOak and Swiss Re. However, the Company's previous agreement to purchase St Andrews Life Insurance Pty Ltd from Bank of Queensland as a possible alternative growth path was mutually terminated as the parties were unable to agree to an extension of time for completion.

Additionally, as a result of a liquidity shortfall in early 2019 arising from payments on commission clawbacks, the Company was forced to enter into an arrangement to transfer its policy administration services for both Swiss Re and NobleOak to Genus Life Insurance, a subsidiary of NobleOak, and to enter into a suspension of trading. The policy administration services for AIA were also transferred to another entity. As such, the Company now no longer receives any future trail commissions or other revenue from AIA, NobleOak or Swiss Re and therefore has no operating business or source of income. The only other viable option at that time was to put the Company into voluntary administration. The transfer of the policy administration service allowed us to look at a range of options for the Company, deal with our major creditors, and provide for and facilitate the transfer or redundancy of our staff. We have also handed in our Australian Financial Services Licence. Over recent months we have continued to respond to requests from ASIC for documents and information and sought to ensure records were appropriately maintained, accounts were audited, costs managed, and appropriate advice sought as issues arose.

Additionally, as shareholders would be aware, the Company previously operated a financial planning dealer group through its wholly owned subsidiary, Spectrum Wealth Advisers Pty Ltd. As you may also recall, the previous chair announced at the last AGM that Freedom would seek to sell the Spectrum business. Despite best efforts, this could not be done. In that regard, those of you familiar with the industry would be aware that a large number of dealer groups are leaving the industry. This and other pressures including significant ASIC scrutiny meant the value of the Spectrum business diminished significantly. The demise of the business came swiftly when Spectrum was unable to continue meeting a key condition of its Financial Services Licence and as such the Spectrum business had to cease operations. All employees have since been terminated and Spectrum has formally applied to ASIC to surrender its Financial Services Licence. The Spectrum business is now in the process of being wound down, a process which has been complex and time consuming.

Looking towards the future, in order to continue, the Company would need to commence or acquire a new business and seek to have its shares reinstated to quotation on the ASX. These options require significant additional capital and human resources which the Company does not currently have and does not believe that it will be able to attract.

The Board currently considers that the only option available for the Company moving forward is to prepare the Company for a formal voluntary wind up process. In preparation of a members' solvent wind-up, the Board has been overseeing the finalisation of the Company's remaining operations. The Company is continuing to address a number of outstanding matters including producing information requested by various regulators enquiring into the past conduct of the Company, progressing the cancellation of the Company's and Spectrum's AFSL and ACL licences, and managing outstanding issues regarding the transfer of services and administration to Swiss Re and NobleOak. The Board anticipates the wind-up process will formally commence in early 2020.

I would like to thank the management team for their assistance during this challenging period. In particular, I wish to thank Doug Halley and Jamie Green who joined me on the board to steer the Company through this challenging time.

Ladies and gentlemen, we now move to the formal business of the Meeting.

ENDS

For more information:

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