

INSURANCE ACT 1973
(PART III DIVISION 3A)

**SCHEME FOR THE TRANSFER OF THE INSURANCE BUSINESS OF ST ANDREW'S
INSURANCE (AUSTRALIA) PTY LTD TO HALLMARK GENERAL INSURANCE COMPANY LTD**

Background

- A. St Andrew's Insurance (Australia) Pty Ltd (ABN 89 075 044 656) (**St Andrew's General**) and Hallmark General Insurance Company Ltd (ABN 82 008 477 647) (**Hallmark General**) are authorised under the Insurance Act to carry on insurance business in Australia.
- B. St Andrew's General has, as part of its business, operated the Business in Australia as an APRA-licensed general insurer.
- C. This Scheme has been prepared under Part III Division 3A of the *Insurance Act 1973* (Cth) to give effect to the terms of an agreement by which St Andrew's General has agreed to transfer, and Hallmark General has agreed to accept the transfer of all of the Business carried on by St Andrew's General.
- D. If confirmed by the Federal Court of Australia, the Scheme will become binding on all persons.
- E. An Actuarial Report has been prepared in connection with the Scheme.

1. Definitions and Interpretation

1.1 Definitions

In this Scheme, unless the context requires otherwise:

APRA means the Australian Prudential Regulation Authority.

Assets means the assets of St Andrew's General used for the purposes of conducting the Insurance Business as at the Transfer Effective Date including (without limiting the generality of the foregoing):

- (a) the rights, benefits and powers of St Andrew's General under or by virtue of the Transferring Policies;
- (b) all rights and Claims (present or future, actual or contingent) against any third party in relation to the Insurance Business or arising as a result of St Andrew's General having carried on the Insurance Business;
- (c) the rights, benefits and powers of St Andrew's General under or by virtue of any contracts or arrangements in connection with the Insurance Business;
- (d) the Business Intellectual Property;
- (e) the Fixed Assets; and
- (f) all book, trade and other debts owing to St Andrew's General as at the Transfer Effective Date and all deposits and bills receivables held by St Andrew's General as at the Transfer Effective Date, in each case relating to the Business, and all rights in relation thereto and the benefit of all guarantees or other security in respect thereof.

but excluding the Second Tranche Assets.

Business means the business carried on by St Andrew's in Australia as at the Transfer Effective Date including:

- (a) the Insurance Business;
- (b) the Assets;
- (c) the Liabilities; and
- (d) the Records,

and all powers, functions, rights and liabilities arising under, by virtue of, attributable to or in connection with these.

Business Transfer Agreement means the Business Transfer Agreement dated on or about 26 April 2024 between Hallmark General and St Andrew's General pursuant to which St Andrew's General agrees to transfer, and Hallmark General agrees to accept, the Business.

Claim means any claim, demand, legal proceedings or cause of action including any claim, demand, legal proceedings or cause of action based in contract, tort (including misrepresentation or negligence), under common law or under statute and includes a claim, demand, legal proceeding or cause of action arising from any breach of warranty or indemnity.

Insurance Act means the *Insurance Act 1973* (Cth), including any act or enactment which amends or replaces, or has amended or replaced it and shall include any subordinate legislation made under it.

Independent Actuary means David Goodsall of Synge & Noble who is the independent qualified actuary instructed by St Andrew's General to provide the Independent Actuarial Report.

Independent Actuarial Report means the report dated 26 April 2024 prepared by David Goodsall of Synge & Noble, the Independent Actuary, which sets out actuarial opinions in respect of the transfer of the Business to Hallmark General.

Insurance Business means the business carried on by St Andrew's General in or from Australia in connection with its undertaking of liability under the Transferring Policies.

Liabilities means all liabilities whatsoever (whether present or future, certain or contingent) of St Andrew's General as at the Transfer Effective Date under or by virtue of the Business or any cost, expense (including the fees and expenses of professional advisers), liability under any contracts or arrangements in connection with the Business, and damage or Loss of any kind in connection with the Business.

Records means the books and records (held in whatever medium) referable to the Business in the Transferor's possession or control up to the Transfer Effective Date, including (but not limited to) any books and records relating to sales, marketing, underwriting and outstanding claims in respect of the Insurance Business, and any related accounting and financial records.

Scheme means the scheme, as set out in this document, to be confirmed by the Federal Court of Australia in accordance with Part III Division 3A of the Insurance Act for the transfer of the Business to Hallmark General.

Second Tranche Assets means a combination of cash and non-cash investments and STA Records as agreed between the parties (on the terms described in the Business Transfer Agreement) as at the STA Date.

STA Date means the date the parties agree the combination of cash and non-cash investments that will form the Second Tranche Assets, which must occur prior to the Transfer Effective Date.

STA Records means the books and records (held in whatever medium) referable to the Second Tranche Assets in the Transferor's possession or control up to the STA Transfer

Effective Date, including (but not limited to) any books and records, and any accounting and financial records.

Transfer Effective Date means the time and date on which the Transferring Policies are transferred to the Transferee pursuant to an order made by the Court pursuant to section 17F of the Insurance Act confirming the Scheme.

Transfer Value means the consideration for the Business, being the amount equal to the difference between the Assets and Liabilities as at the Transfer Effective Date, calculated in accordance with the Australian Accounting Standards.

Transferring Contracts means all contracts to which St Andrew's General is a party to as at the Transfer Effective Date which relate to the Insurance Business.

Transferring Policies means any general insurance policies or risks forming part of the policies underwritten by St Andrew's General.

1.2 Interpretation

In this Scheme:

- (a) the singular includes the plural and the plural includes the singular;
- (b) if a word or phrase is defined, its other grammatical forms have a corresponding meaning;
- (c) a reference to a person, corporation, trust, partnership, unincorporated body or other entity includes any of them;
- (d) a reference to a party includes the party's executors, administrators, successors and permitted assigns;
- (e) a reference to a clause or schedule is a reference to a clause of or a schedule to, this Scheme;
- (f) a reference to an agreement or document (including, without limitation, a reference to the Business Transfer Agreement) is to the agreement or document as amended, varied, supplemented, novated or replaced except to the extent prohibited by this Scheme or that other agreement or document;
- (g) a reference to a statute or to a provision of a statute includes any amendment to or re-enactment of that statute, including any subordinate legislation issued under it; and
- (h) headings are for convenience only and do not form part of the Scheme or affect its interpretation.

2. Conditions Precedent

Amongst other commercial condition precedents, this Scheme and the Business Transfer Agreement are conditional upon and will have no effect unless and until:

- (a) the Scheme is confirmed by the Federal Court of Australia and, if made on conditions, on such conditions as are acceptable to the parties; and
- (b) the Treasurer of the Commonwealth of Australia or his permitted delegate having no objection to the acquisition by Hallmark General of the Business under section 41 of the *Insurance Acquisitions and Takeovers Act 1991* (Cth) and, if made on conditions, on such conditions as are acceptable to the parties.

3. Transfer of Business

In accordance with the terms of the Business Transfer Agreement, St Andrew's General agrees to transfer and Hallmark General agrees to accept the transfer of the Business, with effect on and from the Transfer Effective Date.

4. Consideration

In consideration of the transfer of the Business from St Andrew's General to Hallmark General, Hallmark General agrees to assume the Liabilities.

5. Proceedings

- (a) As at the Transfer Effective Date there are no proceedings on foot against St Andrew's General.
- (b) If any proceedings are pending or any proceedings are brought on or after the Transfer Effective Date by St Andrew's General in any court or tribunal in respect of the Business, St Andrew's General and Hallmark General shall determine whether such proceedings will be continued by St Andrew's General in which case the parties agree to take all necessary action to effect a change of the name of the plaintiff or applicant in those proceedings from St Andrew's General to Hallmark General and Hallmark General agrees to indemnify St Andrew's General in relation to any adverse costs orders made in the proceedings.
- (c) If any proceedings are pending or any proceedings are brought on or after the Transfer Effective Date against St Andrew's General in any court or tribunal in respect of the Business, Hallmark General agrees that it will indemnify in relation to any judgment or adverse costs order made in the proceeding against St Andrew's General and will keep St Andrew's General indemnified accordingly.
- (d) Hallmark General will be entitled to all defences, claims, counterclaims and rights of set-off that would have been available to St Andrew's General in relation to any such proceedings.
- (e) Hallmark General, in its absolute discretion, may determine after the Transfer Effective Date to continue, discontinue or settle any proceedings relating to the Business that have been brought by St Andrew's General.
- (f) Any judgement, settlement, order or award (or relevant part thereof) obtained by or against St Andrew's General whether before or after the Transfer Effective Date to the extent that it relates to any part of the Business and which is not fully satisfied before the Transfer Effective Date shall, on that date and to the extent to which it was enforceable by or against immediately St Andrew's General prior to such date (or, if later, the date on which the judgement, settlement, order or award is obtained), become enforceable by or against Hallmark General (to the exclusion of St Andrew's General).
- (g) All documents which would before the Transfer Effective Date have been evidence in respect of any matter for or against St Andrew's General shall on and from the Transfer Effective Date be evidence in respect of the same matter for or against Hallmark General.

6. Transfer of Assets

The Business Transfer Agreement provides for the transfer of two classes of assets:

- (a) The first class is the transfer of the Assets under the Scheme. In particular, on and from the Transfer Effective Date, Hallmark General is legally and beneficially entitled to the benefit of the Assets and Hallmark General assumes responsibility for the Assets and shall indemnify and keep St Andrew's General indemnified from and against all Claims under or in connection with the Assets.
- (b) The second class is the transfer of the Second Tranche Assets which will take place after the Transfer Effective Date in accordance with the terms of the Business Transfer Agreement.

7. Transfer of Liabilities

On and from the Transfer Effective Date, St Andrew's General transfers the Liabilities to Hallmark General and Hallmark General accepts the transfer of the Liabilities, and Hallmark General assumes and takes over and must indemnify and keep St Andrew's General indemnified from and against all Claims under or in connection with the Liabilities.

8. Transfer Effective Date

The sale and purchase of the Business from St Andrew's General to Hallmark General, and the transfer to and assumption of the Insurance Business, Assets, Liabilities and Records by Hallmark General pursuant to this Scheme take effect on and from the Transfer Effective Date.

9. Implementation

St Andrew's General and Hallmark General will do all such things and execute all such deeds, instruments, transfers or other documents as may be necessary or desirable to give full effect to the provisions of the Business Transfer Agreement, this Scheme, the Actuarial Report and the transactions contemplated by them.

10. Costs of the Scheme

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 Hallmark General and St Andrew's General out of shareholder funds.

11. Consequences of the transfer of the Business

- (a) The Scheme does not change the terms of any Transferring Policies or affect any claim in respect of any Transferring Policies, issued by St Andrew's General other than that Hallmark General will become the insurer in place of St Andrew's General. Policyholders will continue to have the same rights and obligations under or in respect of any Transferring Policies or claim but with Hallmark General as the insurer.
- (b) Subject to confirmation of the Scheme by the Federal Court of Australia, on and from the Transfer Effective Date:
 - (i) all outstanding claims-related rights and liabilities of St Andrew's General in respect of the Transferring Policies will be transferred to Hallmark General

- such that any claims arising under or in connection with any Transferring Policies underwritten by St Andrew's General must be made against Hallmark General;
- (ii) all premiums and other amounts payable to or recoverable by St Andrew's General under the Transferring Policies will be payable to and recoverable by Hallmark General instead of St Andrew's General;
 - (iii) Hallmark General will be entitled to enforce all rights and remedies which but for the Scheme would have been enforceable by St Andrew's General under or in respect of the Transferring Policies (including but not limited to any claims by way of subrogation, contribution, outstanding premium and any other recoveries related directly or indirectly to any Transferring Policies);
 - (iv) any policyholder under a Transferring Policy or other person who has a Claim on or obligation to St Andrew's General under or in respect of a Transferring Policy will have the same Claim on or obligation to Hallmark General in substitution for his or her Claim on or obligation to St Andrew's General irrespective of when such Claim or obligation arose; and
 - (v) any authority granted to St Andrew's General by a policyholder under or in respect of a Transferring Policy will be vested in Hallmark General as if Hallmark General was, and at all time had been so authorised. This includes all directions, authorities, mandates or instructions given to St Andrew's General to deduct premium or fees payable in respect of the Transferring Policies (including by debiting a bank account/credit card or through electronic bank transfer) or to use, disclose or obtain information in the course of carrying on the Business (including personal information within the meaning of the *Privacy Act 1988* (Cth) are deemed to be given to Hallmark General instead of St Andrew's General.
 - (vi) All references to St Andrew's General in any of the Transferring Policies are replaced with Hallmark General.
 - (vii) The Transferring Policies will remain on foot and there will be no cancellation and reissue of the Transferring Policies as a result of the Scheme.
 - (viii) Hallmark General assumes the position of St Andrew's General under all Transferring Contracts as if Hallmark General was the original party to those contracts in place of St Andrew's General. The Transferring Contracts will remain in full force and effect on this basis.
- (c) Policyholders are not required to take any action before or as a result of the Scheme.
 - (d) In the event of any inconsistency between this clause 11 and any other provision of this Scheme or the Business Transfer Agreement, the other provision shall prevail to the extent of the inconsistency.
 - (e) The terms of this clause 11 apply *mutatis mutandis* to any other third-party contracts that form part of the Assets.