

1 February 2011

Proceedings to be issued by the NZ Securities Commission regarding historical matters

The New Zealand Securities Commission (**Securities Commission**) has advised Insured Group Limited (**Company**) that it has instigated proceedings in the High Court of New Zealand for alleged breaches in 2008 by Lombard Group Limited (as the Company was then known) of its continuous disclosure obligations.

In March 2010, Perth based Australian Consolidated Insurance Limited (**ACIL**) engaged in a process to reverse list on the New Zealand Stock Exchange through the then shell-company Lombard Group Limited and migrate that company's place of incorporation to Australia. In 2008, the Company was the holding company for a finance company, headquartered in Wellington and 100% owned by New Zealanders while today its head office is in Perth, Western Australia, it operates in the insurance sector and its current shareholders are almost entirely Australians who did not own Lombard Group at the material time.

The Company understands that the allegations relate to an alleged failure in early 2008 for the Company to adequately disclose the impact on the Company of the financial position of its then subsidiary Lombard Finance and Investments Limited (**LFIL**).

The Company understands that the Securities Commission is seeking, among other things, orders that the Company pays the Crown a pecuniary penalty (which due to the change in the relevant statutory provisions during the relevant period is expressed to amount to up to a maximum of NZ\$1.3 million).¹

Managing Director Wayne Miller said "At the time of the RTO in 2009 and 2010 I had not received any notice from the Securities Commission regarding potential continuous disclosure proceedings in relation to Lombard Group. Insured Group in its current form has had nothing to do with the 2008 business position of LFIL or Lombard Group."

Mr Miller also said, "It is extraordinary that the Securities Commission has never discussed this matter with us, nor provided details of the allegations beforehand so that we might have an opportunity to respond before the Securities Commission took the Court action that it has. I am advised that, even where there is a case to answer, the remedies the Securities Commission is seeking are discretionary and I simply cannot understand how a court would seek to penalise the current Australian owners of the Company. The Securities Commission must have been well aware of the significant transformation of our company created by the RTO and has waited almost three years to take action which could potentially penalise the current Australian owners."

¹ There is little or no precedent indicating how penalties would be set in a case under the relevant legislation.

“The Group’s assets today have no connection with the finance company operation in 2008. The residual assets of the Company from the period during which LFIL was a subsidiary were excluded from the RTO transaction in 2010 and were transferred to a newly formed company (First One Holdings Limited) owned by the original Lombard Group shareholders in the same proportion as their then shareholding in Lombard Group².”

“The Securities Commission has already taken different proceedings in relation to LFIL’s operations (which are still to be heard) so we cannot understand why it is taking this particular action now some 3 years after the relevant events occurred and when the changes to the Company effected by the RTO were fully advised to NZ regulators last year before the Company migrated its place of incorporation to Australia. This does little to engender confidence in the NZ capital markets, which is particularly disappointing for us as a company that sought to be listed in New Zealand, in contrast to the developing trend of companies leaving the NZX for other exchanges.”

“I note that so far as our current business in concerned, this is a parent company issue only and our operating subsidiaries in Australia are unaffected at this time.”

“We will be seeking further legal advice once we receive the full papers from the Securities Commission and will update our shareholders accordingly.”

Wayne Miller
Managing Director
Insured Group Limited

² First One Holdings Limited was established to hold the residual assets from the prior businesses conducted by Lombard Group and as part of the RTO has accepted responsibility for historical liabilities emanating from that prior business.