

Historical Introduction

HIH Casualty & General Insurance Limited ("HIH C&G")

HIH C&G was the largest operating company in the HIH Group. Originally, it was the vehicle through which CE Heath operated its insurance business in Australia. The nature of its operations in workers compensation, property, commercial and professional liability provided the commercial rationale for the merger with CIC and later the takeover of FAI Insurances.

CIC Insurance Limited ("CIC")

On 13 July 1995, HIH Insurance Limited acquired the CIC Insurances Group for \$154.2 million. The consideration for this acquisition was HIH Insurance Limited issuing 97,609,715 ordinary fully paid shares to CIC Holdings Limited, the holding company of CIC Insurances Group. Concurrently, CIC Holdings Limited acquired C E Heath's shareholding in the company for \$63,308,000. The selling shareholder, HIH Winterthur Holdings Australia Limited (formerly CIC Holdings Limited) consequently became the largest shareholder in HIH Insurance Limited. Thereafter CIC became one of the major operating companies in the HIH Group and remained a licensed insurer.

FAI General Insurance Company Limited ("FAI General")

FAI General, a licensed insurer, was a wholly owned subsidiary and the principal operating subsidiary of FAI Insurances Limited. In September 1998, HIH Insurance Limited announced a takeover bid for FAI Insurances Limited. The offer was successful and HIH Insurance Limited became entitled to all issued capital in FAI Insurances in 1999. Accordingly, upon takeover of FAI Insurances Limited by HIH Insurance Limited, FAI General became a wholly owned subsidiary of HIH Insurance Limited. It continued as an operating, licensed insurer until liquidation.

FAI Traders Insurance Company Pty Limited ("FAI Traders")

FAI Traders was an underwriter of insurance which was owned by FAI General Insurance Company Limited and FAI Insurances Limited.

FAI Reinsurances Pty Limited ("FAI Reinsurances")

From 1996, FAI Reinsurances was a wholly owned subsidiary of FAI General Insurance Company Limited, which was a wholly owned subsidiary of FAI Insurances Limited.

FAI Insurances Limited ("FAI Insurances")

Historical Introduction to the FAI Group

FAI Insurances was until 1999 a publicly listed insurance, financial and investment group with international interests. It had major investments in coal mining and property.

FAI Insurances was founded in 1953 and by 1995 described itself as one of Australia's largest publicly listed insurance companies with:

- 1 Net written premium in excess of \$600 million.
- 2 Approximately 1.6 million policyholders in Australia, New Zealand and the Asia Pacific.
- 3 Approximately 2,400 people employed throughout the business, 1,100 in the general insurance division, 200 in life insurance, 800 in mining and 300 in financial services and other areas.
- 4 A branch network in Australia, New Zealand, Hong Kong, Fiji and Papua New Guinea.
- 5 A wholly owned subsidiary which was one of Australia's largest coal exporters producing 5 million tonnes of raw coal with 90% of sales to long term customers in Australia and offshore.
- 6 Substantial property developments including the Emu Brewery site in Western Australia and the St Moritz Hotel in New York.

In September 1998, HIH Insurance Limited announced a takeover bid for FAI Insurances. The offer, which valued FAI Insurances shares at \$0.763 per share, was either 1 HIH Insurance Limited share for every 3 FAI Insurances shares, or 1 HIH Insurance Limited share together with \$2.26 cash for every 6 FAI insurances shares. The offer was successful and HIH Insurances Limited became entitled to all the issued capital in FAI Insurances in 1999.

World Marine & General Insurances Pty Limited ("WMG")

WMG was acquired by HIH on 17 December 1999 for \$9.6 million. Note 38 to the financial statements of HIH for this period disclosed that the fair value of the net tangible assets at the time of acquisition was \$9.6 million. Until that time, WMG was controlled by BHP Marine & General Insurances Limited and had no apparent connection to the HIH Group. No financial statements are available for WMG for the financial period ending 30 June 2000.

HIH Underwriting and Insurance (Australia) Pty Limited ("HIH Underwriting")

HIH Underwriting has been an operating company in the HIH Group since incorporation in 1971. It remained a licensed insurer until 2001. Since 1996 it has not published its financial statements with the Australian Securities and Investment Commission. Its financial statements filed in respect of the financial year ending 31 December 1995 include detailed claims development tables in respect of its business which was running off the workers compensation insurance portfolio in Victoria and South Australia.