

HD Allianz Australia Wins Bid to Buy Government-owned TIO

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SYDNEY (BestWire) - Allianz Australia will be the new owner of the Territory Insurance Office, Australia's last government-owned insurance **company**.

The government of the Northern Territory announced that TIO will be split into two, with Allianz Australia chosen as the buyer of the insurance business, while the banking services will transition to People's Choice Credit Union.

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Chief Minister Adam Giles said in a statement the deal is worth A\$424 million (US\$367.3 million), without indicating how much each business was worth.

Under the deal with Allianz, Giles said the TIO brand will be retained and flood, storm surge and cyclone cover continue to be offered.

"All along, the government has said that any new owner must look after the respected TIO brand, maintain the services Territorians rely on, and look after TIO's staff," Giles said. "Allianz have committed to all this, ensuring that TIO has a long future in the Territory and that Territorians continue to have access to the insurance cover they need."

Also part of the deal is a 10-year agreement for Allianz to manage the Government Motor Accidents Compensation scheme, which will start in January 2015. The deal is subject to the passage of the relevant legislation through the parliament of the Northern Territory and Australian Competition and Consumer Commission approval.

Allianz Australia said winning the bid for TIO will be highly beneficial as they see northern Australia, particularly the Northern Territory as the region that will play a major role for the **company's** growth in the country.

"Allianz is Australia's fourth-largest insurance **company**, but our presence in the Northern Territory is well below that of other states. Thus, TIO was a perfect 'fit' for Allianz in a business sense," Niran Peiris, managing director of Allianz Australia, said in a statement.

Currently, Allianz offers workers' compensation cover in the Northern Territory. The insurer also provides **commercial property** business and personal lines through intermediaries such as National Australia Bank in the region. In the whole Australia, Allianz had gross written premiums of A\$3.9 billion last year.

The acquisition will give Allianz huge scale in the Northern Territory, said the **company**, with TIO considered a market leader in general insurance in the region. According to TIO's annual report for the fiscal year ending June 2014, gross written premiums rose 2% to A\$128.9 million.

Its reinsurance bill fell slightly to A\$49.71 million and net premium revenue rose 10% to A\$77.59 million.

Claims rose 29% to A\$61.29 million resulting to a 3% decline in underwriting profit to A\$23.04 million.

As a state-owned insurer in the Northern Territory, TIO said catastrophic weather events is "one of the most significant risks" it is exposed to, particularly cyclones in the Darwin urban area.

TIO Chairman Bruce Carter said the **sale** protected the important community values of TIO, while giving it access to the global capital markets it needed to compete in today's insurance market.

"TIO has a uniquely concentrated book of risk, it is dominated by one single catastrophic risk; Darwin cyclone. This **sale** means TIO can now spread that risk beyond a single state, territory or even country. It will make TIO stronger," Carter said.

Allianz said it can bring its technical capability in flood mapping, data analysis and risk pricing and will work with the government as it invests in mitigation in flood prone areas such as Katherine and parts of Darwin.

Giles said A\$50 million of the total proceeds from privatizing TIO will go to flood mitigation work in Rapid Creek, Katherine and Darwin's rural area.

Allianz **Group** reported a 11.2% increase in net income for the third quarter to â¬1.61 billion from â¬1.45 billion in the same period last year, driven by strong performance in its **property**/casualty and life insurance businesses (Best's News Service, Nov. 7. 2014).

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