

NZX Announcement

21 December 2010

Strategic Acquisition Proposed

The Directors of Insured Group Limited (NZX:INS) (Company) have the pleasure in announcing that the Company has entered into a conditional agreement to purchase 51% of International Vehicle Integrity Centre Limited (IVIC), a public unlisted company incorporated in Melbourne, and its wholly owned subsidiaries, DealerOnline Pty. Limited (see www.dealeronline.com.au) and Asia Australia Pty Limited trading as ANZRA (ANZRA).

Operating in Sydney and Melbourne as an independent organisation IVIC assesses passenger motor vehicles for structural integrity following motor vehicle collisions. Using its unique reporting system a Structural Tolerance Report incorporating a forensic style of review to compare the structural tolerances from Original Manufacturer Specifications to advise the insurance industry and vehicle owners.

Designed to operate as a proactive measure, the IVIC Structural Tolerance Report is targeted at the continuous improvement in the quality of repairs to motor vehicles, which ultimately can minimise repair costs and improve safety in repaired vehicles. With this objective ANZRA was incorporated which has its central focus to provide accreditation, training, and advice to the motor vehicle repair industry participants. Compatible with insurance company objectives by capturing the value chain of economical and safe repairs ANZRA will utilize the innovative on line membership of motor vehicle original parts manufacturer site www.dealeronline.com.au which has substantial benefits for the consumer.

The fundamental premise for the transaction is the recapitalization of INS to enable its further reduction in debt whilst utilizing opportunities such as this which provide parallel growth in the core insurance business.

The parties have signed a term sheet which sets out the intended parameters of the acquisition, which will include a cash component and a staged earn-out under which the vendors will receive shares in INS as the gross revenue contribution of IVIC to the INS group is established.

At this time, it is envisaged that if all performance targets are met the transaction will result in the vendors holding the equivalent of 49% of the fully paid ordinary shares in the Company. The vendors will also be invited to nominate representatives to the INS board.

The cash consideration component of the purchase price will be derived from an agreed capital raising initiative which will be detailed in subsequent announcements.

A formal due diligence process will commence immediately. The transaction will be subject to shareholder approval. A shareholders' meeting will be held in the New Year.

The Directors of the Company believe that IVIC represents an excellent addition to the group bringing intellectual property, high value input into the business via its Risk Management market segment accompanied by synergies enabling each business to benefit from the other's existing market presence.

Upon completion, IVIC will operate as a majority owned subsidiary of the Company.

For further information, please contact the undersigned on +61 (08) 9287 0499.

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