

DEXTA CORPORATION INVESTMENT REPORT

1. Summary of the Deal

On 13 October 2004, Ironbridge Capital led the management buy out of Dexta Corporation (Dexta) from GE ERC and the founding partner.

The transaction was funded by Ironbridge and Dexta management, with debt provided by the Commonwealth Bank.

2. Background

Dexta Corporation was established in 1999 with the support of Employers Reinsurance Corporation, a subsidiary of GE Corporation. After the collapse of HIH in 2001, Dexta took advantage of the loss of capacity in long-tail professional indemnity, directors & officers and IT liability insurance lines in Australia.

The business grew quickly by developing niche products in the professional and financial risks (PFR) category, with particular focus on small to medium sized professional service companies such as accountants, architects, contract work providers, engineers, financial planners and software providers.



3. The Business

Dexta is a general insurance underwriting agency servicing more than 600 insurance brokers in specialist classes, with annual premium income approaching \$100 million.

Dexta's tailored insurance products include professional and financial risks, information technology and trade credit

insurance, underwritten by major insurance and reinsurance companies in Australia and overseas.

Dexta generates income from:

1. agency commissions on insurance premiums written;
2. policy administration fees charged direct to insureds;
3. interest received on premiums held before being paid to the insurer; and
4. over the longer term, a share of the underwriting profit earned from the insurer.

The company has focused on providing exceptional service to broker customers in terms of tailored policies and the speed by which it can quote and bind policies. The strategy has had significant success for Dexta, with its retention rate in 2004 being in excess of 85%.

A core ingredient in implementing its successful strategy has been the development of software systems for underwriting, claims management and customer management development.

Dexta has operations in Sydney, Brisbane and Melbourne. It employs 53 staff. The majority are involved in underwriting, with the rest in head office, claims management and compliance and risk management functions.

“Dexta Corporation is a very successful, large, multi-product underwriting agency with an outstanding track record of innovation and a well-established, highly regarded management team.”

- Ironbridge Managing Partner, Greg Ruddock

4. The Management Team

Dexta has a management team that is well placed to manage expansion by organic growth and acquisition.

Chief Executive Officer – Bob Lee

Bob Lee has extensive experience in the general insurance industry. Before joining Dexta in 2002, he held general management positions in underwriting, distribution and strategic development of Australian and international insurers, including Royal & Sun Alliance and AMP General.

Business Unit Head – Mike Grossman

Mike Grossman has more than 25 years' experience with AIG, an international insurer, in general and products liability, pollution liability and alternate risk programs in Australia and the USA. Mike joined Dexta in August 1999.

Business Unit Head – Graeme King

Graeme has extensive experience in the insurance industry covering management and underwriting, particularly in specialised liability classes. Graeme joined Dexta in January 2002.

5. Transaction Rationale

Leading market position: Dexta is the leading independent underwriting agent in Australia. In the professional indemnity market, Dexta has the strongest position in the SME market and is a leading

provider to the IT segment of the SME market.

Rapidly growing market: Premiums in Australia and internationally have increased significantly in the last four years, consistent with a 20-year average increase of 8% per annum in Australia.

Large but fragmented industry: Although there are several substantial groups in the wider insurance market, Dexta believes there are niche products where customers are seeking more specialised insurance solutions. This provides the opportunity for underwriting agencies to secure strong market positions.

Strong systems: Dexta has invested a significant amount in recent years in building strong operating systems for underwriting, claims and customer management.

Experienced management: Bob Lee and his team have significant experience in building profitable positions in niche sectors of the insurance market.

Organic and acquisitive growth prospects: Dexta has excellent opportunities to grow further in its current niche markets and has already identified attractive prospects for acquisitive growth.

Good exit opportunities: Following completion of Dexta's growth strategy, we believe the business will be attractive to Australian and international trade buyers. The clear focus and strong growth prospects for the company should also make it an attractive candidate for an IPO.



Your needs are highly specialised.
So are our services.

- ▲ Professional Indemnity Insurance
- ▲ Directors & Officers' Liability Insurance
- ▲ Information Technology Liability Insurance

