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General Manager
Infrastructure, Competition and Consumer Division
The Treasury
Langton Crescent
PARKES ACT 2600

competitionlaw@treasury.gov.au

**EXPOSURE DRAFT – COMPETITION AND CONSUMER AMENDMENT BILL
(No.1) 2011**

Insurance Australia Group (IAG) welcomes the opportunity to make a submission in relation to the *Exposure Draft - Competition and Consumer Amendment Bill (No.1) 2011*.

IAG is an international general insurance group, with operations in Australia, New Zealand, the United Kingdom and Asia. Its current businesses underwrite more than \$7.8 billion of premium per annum. It employs more than 12,700 people of which around 9,000 are in Australia. IAG operates some of Australia's leading insurance brands including NRMA Insurance, CGU, SGIO, SGIC, Swann Insurance and The Buzz. IAG also distributes insurance in Victoria through the RACV brand. IAG insures approximately one in three motor vehicles, and one in four homes, in Australia.

IAG understands the proposals amending the *Trade Practices Act 1974* (to be referred to as the *Competition and Consumer Act 2010* from 1 January 2011) will give the Australian Competition and Consumer Commission (ACCC) the power to take action against businesses in specified sectors like banking who signal their prices to their competitors to undermine competition. The Government has indicated the reforms "will apply initially to banks, with the capacity for other sectors to be specified in future after further review and detailed consideration." As such, the proposed laws are capable of being applied to other industry sectors by regulation. IAG believes any legislative proposals need to be fully thought through to ensure there are no intended consequences for other industry sectors.

IAG for example, discusses at half-year and full year results meetings the expected outlook in relation to premium movements and cost pressures that may lead to premium increases. IAG also provides market updates after a major catastrophe event. While the Government has said that the proposed laws will not prevent publicly listed companies from fully complying with their continuous disclosure obligations, the *Exposure Draft - Competition and Consumer Amendment Bill (No.1) 2011 Bill* does not contain any specific exceptions to capture disclosure made pursuant to these obligations.

While IAG agrees that regulation has an important role to play within the economy and regulatory frameworks play a critical role in shaping the business environment in which economic activity takes place, the difficult task is to strike an appropriate regulatory balance.

In particular, it is essential to ensure that the application of competition laws remain in step with the competitive pressures faced by the economy and businesses.

The purpose of regulation should be to support and enhance competition. As the Finance Industry Council of Australia (FICA) highlighted to the Australian Government's Regulation Taskforce (2005):

“it needs to be recognised that the success of market economies is built on their ability to respond flexibly and in innovative ways to changing circumstances. Rigid regulations can harm this flexibility. Thus, the presumption should be to intervene only where there is a clear need and to do so in ways that minimise costs and distortions. Wherever feasible, policy-makers and regulators should aim to establish the objectives that the policy or regulations aim to achieve and then design regimes that allow these to be carried out in a flexible rather than prescriptive manner” (FICA submission to Australian Government Taskforce on Reducing the Regulatory Burden on Business, November 2005, p. 1).

IAG believes the evidence does not support the need for the application of additional regulation to general insurance. To do so would result in unwarranted layering of regulatory requirements on insurers and lead to uncertainty with consequential operating inefficiencies.

If you wish to discuss this matter or make further inquiries please contact David Wellfare on 9292 8593 or me on 9292 9557.

Yours sincerely

Carolyn McCann
Group General Manager
Corporate Affairs & Investor Relations