

General Manager
Financial System Division
The Treasury
Langton Crescent
PARKES ACT 2600
Email: lossabsorption@treasury.gov.au

30 June 2014

Dear Sir/Madam

Providing Certainty for Contractual Loss Absorption Provisions in Regulatory Capital

The Insurance Council of Australia¹ (Insurance Council) appreciates the opportunity to comment on the Consultation Paper on this matter which Treasury released on 2 June 2014. The Consultation paper deals with the need for amendments to ensure that contractual loss absorption provisions contained in Additional Tier 1 and Tier 2 capital instruments issued by ADIs, general insurers (GIs) and life insurers (LIs) operate as intended and are not rendered ineffective by provisions in the Corporations Act 2001 that may restrict the ability of companies to issue, vary, convert or cancel shares.

Following consultation with our members, we can advise that there are no concerns that we wish to raise with the amendments proposed in Section 4.1 of the Consultation Paper.

If you have any questions or comments, please contact John Anning, the Insurance Council's General Manager Policy, Regulation Directorate, on tel: 02 9253 5121 or email: janning@insurancecouncil.com.au.

Yours sincerely



Robert Whelan
Executive Director & CEO

¹ The Insurance Council of Australia is the representative body of the general insurance industry in Australia. Our members represent more than 90 percent of total premium income written by private sector general insurers. Insurance Council members, both insurers and reinsurers, are a significant part of the financial services system. March 2014 Australian Prudential Regulation Authority statistics show that the private sector insurance industry generates gross written premium of \$41.4 billion per annum and has total assets of \$111.5 billion. The industry employs approximately 60,000 people and on average pays out about \$111 million in claims each working day.

Insurance Council members provide insurance products ranging from those usually purchased by individuals (such as home and contents insurance, travel insurance, motor vehicle insurance) to those purchased by small businesses and larger organisations (such as product and public liability insurance, professional indemnity insurance, commercial property, and directors and officers insurance).