



Australian
Competition &
Consumer
Commission

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24 February 2006

Ms Carolyn Oddie
Partner
Allens Arthur Robinson
GPO Box 50
Sydney NSW 2001
By facsimile: (02) 9230 5333

Dear Ms Oddie

**Community Care Underwriting Agency application for
revocation and substitution of authorisations A30217 and A30218**

I refer to the above mentioned application for revocation and substitution of authorisations lodged with the Australian Competition and Consumer Commission (ACCC) on 22 December 2005.

As you may be aware, the closing date for submissions to the ACCC regarding the Community Care Underwriting Agency (CCUA) application was 10 February 2006, although submissions have continued to be received beyond this date. Eight public submissions in relation to the application were received. These are publicly available on the ACCC website <www.accc.gov.au>.

The ACCC has also received a submission in relation to the application for which confidentiality was granted. Broadly, this submission argues that the application should be rejected on the basis that the public liability insurance sector has changed considerably since the 'insurance crisis' and that there is now sufficient capacity and competition in the local and overseas insurance markets to provide cover for all 'not-for-profit organisation' (NFPO) risks. It also argues that the 'quantity' of individual risks in this sector is usually not significant and the diversification benefit arises from a 'number of risks' rather than the 'sharing of risks'. Further, it considers it 'misleading' to argue that the risks management education provided by CCUA exceeds that available via brokers.

The ACCC would be happy to receive any comments you might wish to make in response to these submissions.

In addition, to assist its consideration of the application, the ACCC would be interested in the Applicant's views on the following issues:



1. In the Applicant's estimation, what proportion of the total public liability insurance sector does NFPO business represent? Further, in the Applicant's estimation, what proportion of the 'total public liability insurance sector' do the parties to the CCUA represent in terms of gross premium revenue?
2. In the Applicant's view, do the pool arrangements administered by the CCUA provide the most affordable insurance for NFPOs that satisfy the eligibility criteria? In particular, can the Applicants provide evidence that public liability insurance provided by CCUA is cheaper than that provided by the applicants individually, or the market more broadly, for the same (or similar) level of risk?
3. In the Applicant's view, are there NFPOs currently insured by the CCUA that would not be able to source public liability insurance from any of the Applicants operating on an individual basis? If so, which NFPOs specifically?
4. Can the Applicant's confirm whether any NFPOs have been declined public liability insurance by the CCUA even though they satisfy the eligibility criteria? If so, which NFPOs specifically and on what basis?
5. Does the CCUA offer public and product liability insurance to NFPOs in a single package, or is public liability insurance offered on a 'stand alone' basis?

In order to expedite the ACCC's consideration of this matter, it would be appreciated if your comments on these issues, and any comment you may wish to make in respect of interested party submissions, could be provided to the ACCC in writing by Friday **10 March 2006**.

I note that some of the information requested may be commercially sensitive. Should you wish to claim confidentiality in respect of any information provided, guidelines for doing so are attached.

After considering the submissions from the CCUA and interested parties, the ACCC will release a draft determination which will indicate the ACCC's preliminary views on the merits of the application. The ACCC will provide both the CCUA and interested parties with the opportunity to provide a further submission on the draft determination before the ACCC issues a final decision.

This letter has been placed on the ACCC's public register. If you wish to discuss any aspect of this matter, please do not hesitate to contact Carl Toohey on (03) 9290 1480 or by email at carl.toohey@accc.gov.au.

Yours sincerely



Gavin Jones
Director
Adjudication Branch