

FELIX ZACCAR
Regional Managing Director & CEO

 **GERLING**
AUSTRALIA INSURANCE
COMPANY PTY. LIMITED
ACN 069 085 196

26 June 2002

Dr Kathleen Dermody
Committee Secretary
Australian Senate Economics
Committee
Parliament House
Canberra ACT 2600

Dear Dr Dermody,

INQUIRY INTO PUBLIC LIABILITY & PROFESSIONAL INDEMNITY INSURANCE

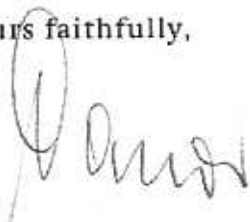
Enclosed is our redrafted document in response to your letter dated 11 June 2002.

Could you please disregard our previous letter, the original of which has been posted today with a copy forwarded to you via email this afternoon.

We understand this redrafted letter can be placed in the public arena.

If you have any queries or confusion in relation to the above matter please do not hesitate to contact me on (02) 8274 4255.

Yours faithfully,



FELIX ZACCAR
Chief Executive Office

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Dear Dr Dermody,

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I refer to your letter dated 11 June 2002 and advise that Gerling Australia Insurance Company Pty Ltd ("GAUS") is a relatively new entrant into the Australian Insurance market place having written business here for only the last six years.

The Company's philosophy has been to focus on large corporate accounts. This philosophy reflects the Group's strategic direction.

As such, your request is geared towards small business etc, and has no relevance to our ongoing opportunities.

Nevertheless GAUS can provide, as background information, the results of previously underwritten schemes.

These schemes in the Entertainment Leisure and Sports areas protected liability exposures for Hotels, RSL and Sporting Clubs, Sporting Associations and the like.

GAUS ceased supporting these arrangements due to the extreme losses experienced, as well as falling outside our underwriting charter.

The following represents a summary of our involvement from 1996 to date (the arrangements were formally cancelled with effect from 31 March 2000):

GROSS RESULTS FROM 1996 TO 31 MAY 2002

• Written Premium (Net)	\$23,783,000
• Claims Insured	\$49,427,000
• Loss	<u>(\$25,644,000)</u>

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There is a substantial risk that there will be further incurred but not reported losses ("IBNR's"), in excess of our own provisions.

There is no doubt that this style of business has destroyed shareholders funds to a very substantial degree.

Having withdrawn from this type of accounts, we cannot encourage other underwriters to get involved in that line of business, other than at different terms and conditions.

We trust this is useful information for your inquiry.

Yours faithfully,

FELIX ZACCAR
Chief Executive Office