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**Historical Notes on the
Government Insurance Office of
New South Wales 1926-1991**

by

Jane R. Nauta



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FOREWORD

Jane R. Nauta was Librarian at the Government Insurance Office from 1973 to 1986. During that time she compiled these detailed notes which are a valuable record of the growth and development of a major New South Wales institution. It is the Parliamentary Library's privilege to bring about the publication of these useful historical insights. We are all indebted to Ms Nauta for the diligence of her research.

Rob Brian
Parliamentary Librarian

July 1999

PRE HISTORY OF GOVERNMENT INSURANCE

The Government of New South Wales took its first very small step into insurance in 1891, when the Colonial Treasurer inaugurated the Treasury Guarantee Fund. Previously officers of the Public Service had been obliged to insure themselves privately, by taking out Fidelity Guarantee Policies against misappropriation of public funds. Now they were required, instead, to contribute to the new Treasury Guarantee Fund.

On **December 21st 1903**, under the Protectionist Government of John See, the Colonial Treasurer's Fire Insurance Account was set up under the authority of an Executive Minute. After 16 months operation its loss ratio of 1.62% was considered too dangerous and it was closed.

On **1st July 1911**, against much opposition, a progressive Labor Premier and Colonial Treasurer, James McGowen, opened the Colonial Treasurer's Fire Insurance Fund to provide against loss of Government property, to be administered by a Board.

In 1914 efforts to introduce a State Fire Insurance Office Bill were unsuccessful.

On **1st July 1917** the Treasurer's Workmen's Compensation Fund was set up to insure all government employees who came under the scope of the Workmen's Compensation Act 1916. The first policy was issued to the Royal Mint.

In 1921, under the Storey Labor Government with Jack Lang as Treasurer, a Bill was again prepared for a Government Insurance Office, but never brought down in Parliament.

In **February 1924**, under the Nationalist Progressive Coalition with Premier and Colonial Treasurer Sir George Fuller, the Treasury Insurance Board was reconstructed by Executive authority empowered to "transact all classes of insurance business (other than life insurance) in all matters where the Government of New South Wales has an insurable interest of any description". Some members of the staff of the Branch were among the earliest Associates of the Incorporated Insurance Institute of New South Wales.

In 1925 a Labor Government came to power enacting major social reforms which included widows' pensions, child endowment and reformed workers' compensation. Under J.M.Baddeley, Minister for Labor and Industry, Ralph Perdriau, later to become first Chairman of the Workers' Compensation Commission, drafted the Workers' Compensation Bill making compulsory insurance by every employer of his workers' compensation liability. The definition of worker was widened and benefits increased, a controversial disease benefit was introduced, premium rates for different occupations were set, and risk was to be spread by reinsurance. Insurers were to provide three year balance sheets and lodge a deposit in order to be licensed to insure in this field. The preliminary draft provided for establishment of a Government Insurance Office such as was already a monopoly in Queensland, but this aspect was eliminated from the Bill before going to Parliament.

BIRTH OF THE GIO

The **Worker's Compensation Bill 1926** had an unprecedented hostile reception from the press, well organised by both insurers and employers' organisations. Postponement of its enactment was refused when, on June 24th, a deputation from the Accident Underwriters Association of New South Wales representing 71 insurance companies objected to its terms. The following day Premier Jack Lang announced that the Treasury Insurance Branch would enter into competition for the business as the **Government Insurance Office**. It was expected that this would eliminate the excessive charges by insurers. The Mutual Indemnity Co. reduced its disease premium from 40s% to 30s%, and the Premier announced the GIO rate as 20s% (There were 20 shillings to each pound so that 20s was in fact 1%). It was announced in the press that 51 companies would withdraw. The offices of the 24 who where the staff of the Insurance Branch augmented by officers of the State Taxation department tried to cope with applicants overflowing into corridors and filling in forms propped against the wall, until 1st July when they moved into the old Mint building, originally part of Governor Macquarie's hospital, and now a museum.

Parliament had not been in session during the crisis which brought the GIO into being, and it was not until 20th January 1927 that William McKell, as Assistant Treasurer, introduced the **Government Insurance (Enabling and Validating) Bill** to give legislative authority, by which time the Office's rates had already been lowered, thus lending an argument to the lengthy debate. Following assent to the Act, all powers that it conferred upon the Colonial Treasurer were delegated to the General Manager, **William McFarlane**, previously manager of the United Insurance Company, and with experience of workers compensation.

In 1923 the Commonwealth Royal Commission on National Insurance had proposed a National Insurance Fund to cover workers' compensation. In his first annual report, McFarlane recommended that, in order to reduce premium rates to a minimum, insurance be scrapped and a State Compensation Fund set up to which employers should compulsorily contribute at a flat rate chargeable on wages. Such a simple but radical proposal attracted little support.

The staff of the new GIO was about 70. Sports were played in the neighbouring Domain, social events organised, and the first staff magazine Cover Notes was produced in 1929. In June of that year the overcrowded GIO moved to the lower 5 floors of Hardie's new building Asbestos House. From the roof in August 1930, staff were able to see the Harbour Bridge's huge spans which had been joined at midnight when the temperature was exactly correct. The contractors, Dorman Long, and the Newcastle Dockyard from which the stone for the pylons were shipped, were both insured with GIO for workers' compensation. In 1928, in order to be in fair competition, GIO was charged stamp duty, fire brigade contributions and income tax. The equivalent of the latter was paid into consolidated revenue. This was applied retrospectively and validated by the **Government Insurance (Amendment) Act, 1930**, and the principle later incorporated into the Amending Act of 1941.

From **29th November 1929**, under Thomas Bavin's Nationalist Government, the Workers' Compensation Act was amended to increase the waiting period for benefits, to reduce the maximum benefit, to disallow compensation for injuries received on the way to and from work, and to lower the salary ceiling for which compensation could be paid.

George Spence, who had originally declined the position, succeeded as General Manager when William McFarlane died late in 1929. In 1930 premium rates were reviewed by GIO, reduced in 90% of classifications, and applied retrospectively for 12 months. Private companies followed suit.

Over half a million pounds had been transferred from the Treasury Insurance Board to the GIO at its inception. Under the 1930 Amendment two hundred thousand was transferred from the Fire and Marine Fund of the GIO, to establish, within the Treasury, the Treasury Risks Fire Account. Government properties such as schools, court houses, police stations and other non-hazardous buildings ceased to be insured with the Office.

The **Commonwealth and State Banks Agreements Ratification Act, 1931** amended the Government Insurance Act authorising the GIO to transact all classes of insurance in which the Commonwealth and Commonwealth Savings Banks of Australia had an insurable interest, including property and the insurance of officers of such banks. At this time many public servants placed their insurance with the Office.

During the Depression the **Public Service (Salaries Reduction) Act, 1930**, reduced salaries by 12%, and in 1931 was amended to a 8% to 32.5% reduction, and re-enacted annually till **1st July 1937**, superannuation still being paid at the rate for nominal salary, and Unemployment Relief Tax was also levied, rising to one shilling in the pound.

In **June 1933**, Cabinet restricted the business of GIO by limiting the General Manager's delegated authority to transact only insurances where the Crown was direct owner or employer. Notification was sent out to all clients, but the staff found it illegal to refuse business under the Office's obligations to the Workers' Compensation Act! Staff numbers were reduced from 74 to 40, surplus officers being transferred to other departments, and office tenancy reduced. Notice given to amend the Government Insurance Act to restrict operations was withdrawn in **March 1935**.

Late in 1937, a **Royal Commission** was set up to consider sale by the Government of the assets of State Monier Pipe and Reinforced Concrete Works, the State Brickworks, the withdrawal of the GIO from competition with private insurers on other than Government risks. The Commissioner held that it was beyond his jurisdiction to inquire into the GIO.

Under the Government of the United Australia Party in 1938, Alexander Mair became Colonial Treasurer, and shortly before succeeding Stevens as Premier, he instructed GIO to carry on freely workers' compensation and employers' liability insurance, and to undertake business for Municipal, Shire and City Councils. An attempt had been made through the Local Government Association to form a company for this purpose and it had not been

approved. Many of these bodies quickly transferred their insurance to GIO's low rates, and the Office became increasingly busy in the following years.

Under the National Security Act, the Commonwealth War Risks Board was established and from 1941 some of its work was undertaken by GIO until 1943 when The Board opened an office in Asbestos House. GIO also acted as agent for the War Damage Commission. Some members were precluded from war service being engaged in Reserved Occupations, 31 enlisted, out of whom 5 were killed.

FROM INCORPORATION TO PRIVATISATION

Under the Labor Government Premier and Colonial Treasurer William McKell introduced, on 5th November 1941, a Bill to incorporate the GIO, empowering competition in all phases of insurance, including life. The Bill passed through after an interesting debate and was given assent on 25th November 1941.

The **Government Insurance (Amendment) Act, 1941** also covered delegation to the General Manager, so that this could no longer be attenuated without legislative amendment.

Max Cooke, from the Prudential Insurance, was chosen to be General Manager, George Spence being happy to step down and become his Deputy. Max Cooke, awarded the OBE in 1959, held the position for nearly twenty years until his retirement in 1962, at which time he was also President of the Insurance Institute of NSW. He continued to be active in insurance for some years, living to the age of 91, in 1989. He was succeeded by his Deputy, **L.J.Murray**, who died in office in 1964.

R. Max Porter, Deputy General Manager, succeeded to the office, which he held until his retirement in 1979. He was elected President of the Insurance Institute of New South Wales in 1964 and later awarded the Order of Australia for services to insurance. He has been a member of the Remuneration Tribunal for many years, and on his retirement from GIO the Law Society of New South Wales appointed him to be the Lay Review Tribunal.

His Deputy, GIO Solicitor **Kevin Beckton**, acted as General Manager for three months until the **Government Insurance (Amendment) Act, 1978 No.153** became effective, appointing the first **Government Insurance Office Board**. This was constituted under the chairmanship of **Joshua Trimmer** from another State Government Department. The position later became that of Managing Director.

In 1983 **William Jocelyn**, who had come to GIO as Actuary in 1978 succeeded him as Managing Director. From this time GIO pursued a policy of decentralisation.

The first Board had consisted of GIO's J.Trimmer, K.R.Beckton and C.Fairbrother with L.G.C.Moyle and T.J.Reynolds as the part-time members.

From 16th October 1982, the Board consisted of Chairman **R.D.Somerville** with other part-time members L.G.C.Moyle, Prof.D.Yerbury and A.A.Constantine, GIO members J.Trimmer, W.J.Jocelyn, and K.P.H.Kerruish (staff elected).

W.J.Jocelyn was appointed Managing Director, and J.D.Crawford as his Deputy on J.Trimmer's retirement in 1983. B.A.Hogan joined in 1984 in place of L.G.C.Moyle, and in 1986 Dr.A.J.Christie was elected by staff.

In 1989 the position of Chairman, briefly occupied by G.Gleeson, was taken by **S.J.Howard**, Deputy by W.L.Lange, with A.Kaldor, A.A.Constantine, Prof.Di Yerbury and D.J.Halloran as the part-time members.

Whereas under in its government role under compulsory insurance GIO has had to shoulder responsibility for Insurers Contribution Fund and Nominal Defendant Trust Account, as well as administer statutory funds of failed insurance companies; from 1984 GIO formed or purchased subsidiary companies:-

Jecha Pty Ltd (primarily joint with Jecha Unit Trust Pty Ltd). Computations Pty Ltd. GIO Holdings Ltd wholly owned by GIO. GIFC Ltd wholly owned by GIO to provide consumer credit. 1985 MIRA Consultants to advise clients on risk management. Fieldmont Pty Ltd as trustee for:- GIO-Kurts Trust No 1. GIO Portfolio Managers to market unit trusts. 1986 GIO Securities Ltd (formerly Capel Court Securities Ltd). GIO Financial Services Ltd to market financial services.

GIO (UK) Ltd to assess risks & reports on London markets. 1988 GIO Life Ltd. Legal Expense Insurance Ltd. GIO Compulsory Third Party Insurance Ltd. I.B.Boda & Co (S) Pte Ltd.

Between 1984 and 1990 GIO had also the entered into the following joint ventures:-

Langtree (Mineral Exploration)
PEL 182 PEL 244 PEL 267 (Petroleum Exploration)
Adelong (Gold Exploration)
Spaceguard (Aerospace)
Computations (Computing Services)
Comserv (779) (Management Services)

In 1986 a representative office was opened in Tokyo, and in 1987 a London office followed in the same year by representation in Jakarta, and in Kuala Lumpur in 1988.

THE NAME GIO

On 12th June 1946, the Commonwealth Life Insurance Act had been proclaimed, appointing a Life Insurance Commissioner, to whom insurance companies were to report results. The Act also provided for a Government Insurance Office. This was not mooted again until 1975, at which time the GIO's General Manager telegraphed the Prime Minister who graciously changed that name to Government Insurance Commission.

In 1990 GIO adopted the name GIO AUSTRALIA as part of its strategy to become accepted as a national insurer, and interstate offices were opened in Melbourne in Brisbane,

then in Perth.

HOME FOR GIO IN MANY PLACES

As GIO grew following World War II, offices in Asbestos House had to be supplemented by renting and subsequently purchasing 55 Market Street. More space was rented until GIO was spread among four buildings. In 1955 the old "Sun" newspaper building, 60 Elizabeth Street, was purchased and refitted, and the basement let as a car park. Gradually this too became crowded and staff worked in Leagues House in Phillip Street and in Kent Street. The ground floor, previously let as an airways terminal was resumed. By the end of 1978 GIO had built St James Centre as a property investment, and Phillip Street staff moved there taking several floors of the building. GIO had purchased a building in Clarence St rented by a failed company and floors were taken here by GIO, also in Bligh House, and again GIO was in four locations. By then the old Sun Building had long had its lifts modernised and was then due for complete renovation, not for occupation but to let. By this time a large old bank building, No.2 Martin Place on the corner of George Street had been superbly renovated. GIO bought it on the understanding that the owner could continue to occupy the spectacular banking chamber for two years. The upper floors were then refitted to accommodate the GIO Board, Corporate Services and Personnel Divisions. The part of GIO that dealt principally with the public, now the City Region office, was downtown in the Haymarket area at 770 George Street.

From the punch cards of the 50s to preparation for decimalisation in 1966, computer services had been developed in temporary premises and from 1970 in 60 Elizabeth St. The Information Services Division had by 1987 become so extensive, that together with the network PABX systems, it was moved to St Leonards.

From 1949 GIO branches in rented, purchased, and new buildings, staffed by public servants gradually replaced agencies:-

1949 LISMORE; 1960 WOLLONGONG; 1961 NEWCASTLE; 1963 WAGGA WAGGA; 1963 DUBBO; 1964 CANBERRA ; 1965 WATERLOO ADP computer centre & drive-in assessment centre ; 1965 ORANGE; 1966 TAMWORTH; 1966 BANKSTOWN; 1966 GOSFORD; 1968 TAREE; 1968 GOULBURN; 1968 PARRAMATTA (GIO House); 1968 BRADDON ACT (GIO House); 1970 CHATSWOOD; 1975 LIVERPOOL; 1976 PENRITH; 1977 DEE WHY; 1977 BURWOOD; 1978 CAMPBELLTOWN; 1979 MAITLAND; 1979 ALBURY; 1980 sub-branches in Charlestown, Fairfield, Miranda and Belconnen.

The majority of these branches had been refitted or moved to new buildings prior to Regionalisation.

From 1983 Regionalisation progressed under the organisation of the Customer Services Division. New South Wales was divided into five country regions, and Sydney into five metropolitan regions. Each Regional Centre supported a number of Sales and Service Offices strikingly fitted in the corporate colours of red, white and blue, and serviced by

uniformed staff. These reflect the extensive advertising pursued since 1980 which included appearance of the two GIO hot air balloons, and extensive sports sponsorship.

OF PROFIT TO THE STATE

At the time of incorporation, after interesting parliamentary debate, it was had been resolved that some GIO surplus would be paid to the building and equipment of hospitals. By 1978 this totalled \$5.38m, and the amount that had been paid to the State, since 1928 as equivalent of tax, was \$75m of which \$70 had been earned since 1964.

During the 1950s, when borrowing was restricted, GIO granted loans to Local Government bodies totalling the equivalent of \$16.8m during the decade.

From 1939 a closed profit insurance scheme for local government councils had existed whereby GIO refunded 70% of annual surplus. By 1969 participants numbered 187, and \$1.35m had been returned. The scheme was modified at this date and the distribution confirmed annually by conference with the Local Government Electricity Association, the Shires Association and the Local Government Association. By 1973 overall premium income was insufficient to pay total claims, nevertheless surplus from the profitable lines was still distributed. By 1975 losses from workers compensation and public risk insurance had become too great. 24 councils had discontinued and GIO was liable for an estimated \$1.2m in respect to the run off of unsettled long tail claims, without access to premiums to compensate for retrospectively increased benefits. The scheme was discontinued leaving GIO free to operate competitively.

GIO's competitive edge was limited by experience of the reality of costs involved in compulsory insurance. Yet when other insurance companies failed it was GIO, as representative of the State, which was called upon to put a team together from the staff, limited in number by Public Service ceilings, to administer the affairs and long tail claims of the failed companies. GIO thus by 1990 was still administering companies under the following legislation:-

Standard Insurance Company Limited and Certain Other Insurance Companies Act, 1963; Riverina Insurance Company and Another Act, 1971; Northumberland Insurance Company Act, 1975; Associated General Contractors Insurance Company Act, 1980; Bishopsgate Insurance Company Act, 1983 also the **Insurers Guarantee Fund** acting for National Employees General Insurance Association Limited, which was in provisional liquidation in 1990.

WORKERS' COMPENSATION

The line of insurance for which GIO had originally been brought into being, from 1939 onwards become increasingly complex. GIO kept down premiums and maintained bonus rates, as well as special rates for large businesses, but struggled to keep ahead of the reserves needed for outstanding claims.

Benefits became larger and applied to higher paid workers, included increasingly diverse compensation to relatives, covered a wider range of illness and a wider definition of injury. The definition of 'journey' was extended so that a worker was covered from the doorstep of anywhere a night had been spent. Hospital and medical fees became immediately payable and Medibank refunds were discontinued. Also the period beyond employment in which claims might arise was extended. Promotion of employers' interest in rehabilitation, by provision of light work, was sometimes successful but not widespread, and tended to result in loss of morale requiring full compensation.

Through the 1950s and 1960s GIO had continued to pay a 20% bonus well above any rebate set by the Premiums Committee. In 1967 it was increased to 25%, but progressively reduced to 5% following the first of five years of underwriting deficit. All such losses were cushioned by the large invested reserves that a prudent company aims to build on annually.

The success of a merit bonus scheme negotiated in 1966 for the Snowy Mountains Authority to provide a direct financial incentive to contractors to achieve the best safety record, proved to be a contributing factor in accident prevention. The Fixed Loss Ratio Scheme for setting premiums had been introduced by Judge Perdriau in 1942 to ensure that "private enterprise cannot make disproportionate profits out of ... social services" and to ensure "the financial stability of the insurer". It had been adopted in the legislation of 1945, making premium rates fixed as near as possible to 70%, and did not make schemes such as that negotiated with the SMA practicable on a single contractor basis. GIO argued that it had been assessed on a liability for incomplete cases considerably under-estimated by inexperienced licensed insurers, so that premiums fixed thereon were inadequate; further that in view of the failure of some insurers, premium control should be on the minimum rather than the maximum premiums.

In a submission to the **Woodhouse Inquiry into National Compensation** in 1973, GIO stated that provision for outstanding claims in recent years had averaged 191% of earned premium and was already grossly inadequate due to increases in benefits. There was cause for grave concern when the Workers Compensation Commission annual report showed that the average provision for all insurers was 119%. Subtracting GIO's provisions meant that the average of all other insurers was only 72%. GIO held that this showed that competitive insurance in this field was no longer viable.

There was concern by all insurers that, should the Federal Government set up a scheme, then they would have to continue to compensate previous claims without the benefit of premium income. This was happening too, when companies changed insurers, leaving the original company to compensate previous claims.

This anxiety led to the setting up of the **Insurers Contribution Fund** under the **Workers Compensation (Further Amendment) Act, 1975**. GIO had the responsibility of administering the fund and was also appointed "insurer of last resort". If an insurer applied for a special rate of excess in the recommended rate of premium for a company considered a bad risk, the Premiums Committee could assign that risk to GIO. By 1983 there were four such cases.

The **Workers Compensation Rates of Premium Scheme 1977** determined to establish the Insurers Contribution Fund on a "pay-as-you-go" unfunded basis, the Loss Ratio increased to 75%. GIO's government business was not subject to the Fund, but by 1979 discontinued full funding and became virtually a self insurance scheme in which the 'premium' paid was broadly equivalent to the claims cost.

At this time GIO had pursued a policy of not paying brokers, and lost considerable business. But in 1980 a Health Commission Scheme to insure Public Hospitals was entered into. Competition tightened, Risk Management and Loss Control became important, and, in 1982-3, GIO could claim an increase of 19,000 new policies, developing a **Management Injury Analysis Service** to promote loss control programmes and monitor their progress. The standard of GIO service now retained business in a competitive market. Large and longstanding claims were handled in Head Office, but non-litigated claims dealt with in Regional Centres. In 1986 **MIRA**, a Risk Management consultancy was established in concert with government insurance offices in other states.

The NSW Law Reform Commission which had been looking into the problems of compulsory insurance, published "NSW Workers Compensation Scheme - Options for Reform" in September 1986. This resulted in the setting up of "**WorkCover**" which operated from July 1, 1987. Business was to be managed by selected licensed Insurers on behalf of the Government in terms of the **Workers' Compensation Act, 1987**. Premiums were fixed and competitiveness therefore based on quality of service. Some large organisations were licensed to provide cover on a self-insured basis. GIO was well placed to write record business and capitalise on the range of services developed. One of these, **GIO Risk Management System**, personal computer based, allowed clients to analyse data from GIO's mainframe computer to identify location of accidents and types of injuries occurring, and to introduce measures to minimise these, assisted by **GIO Safety Consultants**.

WorkCover's accent on rehabilitation is underlined by GIO's computer based monitoring system to measure effectiveness of rehabilitation providers and supply information on the most effective ways of achieving back-to-work results. Fraud detection developed in the transport accident area was applied to workers compensation. GIO prepared brochures "**How to Build the Complete Workers' Compensation Management Plan**" and "**Occupational Rehabilitation in the Workplace**" to assist and motivate clients.

GIO has also had responsibility for administering Workers' Compensation Interim and Statutory Managed Funds to meet previous claims under the direction of the Workers' Compensation and Rehabilitation Authority.

LIFE WITH GIO ALWAYS ON THE GO

William McKell ceremonially purchased the first of the 1,700 life insurance policies issued in the first year of operation.

In 1943 a small amendment to the Government Insurance Act allowed a General Manager appointed from outside the Public Service to take out insurance on his life to which the GIO would also contribute. Accounting procedures in relation to internal reinsurance were also facilitated, except in relation to life assurance funds; also the GIO was given freedom to appoint agents and establish branches.

GIO endeavoured to tailor policies for substandard life applicants, also adding hospital, nursing and surgical benefits to larger policies. Agency development was slow owing to wartime manpower shortage and to strict selection as to integrity and ability. By June 15th 1945 Agency was strongly enough established to print a monthly journal for field staff, "Security". The names of 55 agents appear in the first year's issues. In late 1948 Max Cooke wrote "when a book is written about the GIO, you early pioneers will be well and truly mentioned in it, so I say to you, do your best now, and in future years history will record just exactly what you have done for posterity". In that financial year new sums assured totalled over two million pounds. The cost of winning them was 70.1% which compared favourably with other life offices, and was to fall to 50.09% in the next ten years.

The removal of tax deductions for life premiums in the mid 1970s was not advantageous, and term life insurance became popular, and in 1984 Non Smoker discounts were introduced. By 1979 GIO created investment linked **GIOL** units, by which the investor could choose a mix of types of investment, later to be greatly extended. These were held in a fund, soon to be known as **Good Life**, which could involve life cover; or they could be held in the **Superannuation Fund**. Many companies followed suit with products which came to be known as Insurance Bonds. Initially these were not taxable, and were later exempt if held for 10 years. For pensioners they provided a bulwark that could be cashed in to provide extra income later in retirement, until 1988, after which date any purchased were to be deemed to produce 11% income.

In 1984 GIO introduced a **Money Planning Service** and in 1986 an **Investment Planning Service**, further products being introduced, such as the **GIO Approved Deposit Fund**, (succeeded by the **Cash ADF Fund** and **Capital Secured ADF Fund** owing to changes in taxation) and **GIO Rollover Investment Plan**. GIO later set up a **Monthly Income Rollover**, which defers tax on superannuation until withdrawal or death, and obviates the loss of capital inherent in annuities. Delays of over a year between Commonwealth announcement and enactment of tax changes made such financial planning very difficult. The investment of the many types of clients' funds in addition to the judicious care of the reserves of GIO's increasing divisions, later brought about the setting up of a separate investment division.

By 1988, as the 4th largest life insurer in Australia, but limited to one state, **GIO Life Ltd** registered under the Life Insurance Act, to do business in the ACT. This was followed by

the opening of offices in Victoria, Queensland and WA.

THE MOTOR VEHICLE TAKES OVER

It was shortly after the GIO's incorporation that comprehensive motor vehicle insurance became a line of insurance separate from that also covering bodily injury, by reason of the introduction of compulsory third party insurance. It was not until the year following the end of World War 2 that the claims from either began to increase drastically and leave little profit, and sometimes loss. The numbers of vehicles on the road, and their speed, picked up progressively resulting in a larger proportion of accidents.

The Prices Commission had imposed a 40% petrol rationing discount on premiums. This was reduced to 12.5% until discontinued in August 1947. By April 1948 a 15% premium increase was granted and adopted six weeks later by GIO, whose policyholders were still granted a bonus of 15% which had been maintained for some years. This was not substantially reduced to 5% until 1950 when the cost of labour for repairs, together with scarcity of materials and spare parts, increased alarmingly. To compensate safe drivers, "no-claims" bonuses were raised from 20% to 25% and 33.5%. Premiums were decontrolled from mid-year and more increases followed, 1951 being the first year of loss largely due to vehicles under Hire Purchase. In 1957 this was to become the subject of legislation through Regulations under the **Hire Purchase Agreements (Amendment) Act**, which set maximum premiums until 1970. There was a startling increase in policies for vehicles under hire purchase and their rate of total loss was twice that of owned vehicles. They represented 50% of incinerated and 30% of unrecovered stolen vehicles.

In July 1959, space was rented at Shea's Creek in Alexandria for storage of "total loss" damaged vehicles until disposal by tender, 525 being sold in the first year. By 1974 when there was a great shortage of new replacement panels, 29 auctions sold 2279 cars for \$800,635.

In 1958-59, and in 1966-69 Motor Omnibus Third Party Property Damage incurred losses, and insurance of heavy vehicles and semi-trailers was also unprofitable, maximum premiums being set by Regulations under the **Transport Act 1930** as amended.

With the help of a premium rise and a \$20 excess imposed in 1962, some years overall were reasonably profitable, until 1964 and 1965 when only the interest on investment kept accounts in balance. Premiums had to rise, but again GIO rewarded safe drivers with a 20% no claims bonus rising to 50% in the fourth and subsequent years. By then it was recognised that 50% of wrecks were from the 20% of policyholders who were under 25 years of age. Insuring young drivers became unpopular and GIO won a large proportion of their business imposing only a \$50 excess, in addition to the general excess. This was increased in 1970 to \$70. The introduction of P-plates slowed the accident rate slightly and by 1975 the excess was imposed only on new drivers, of whatever age, for two years and subsequently rose to \$100. The general excess by then had risen through \$50 and \$70 to \$100, and by 1979 to \$150. Despite these repeated increases the number of policies increased 50% in the three years to 1976.

Following a study of overseas motor insurance, Max Porter remarked in his submission to the **House of Representatives Select Committee on Road Safety** in July 1972, that little had been done to involve the insurance industry, and that it was now fashionable to denigrate insurers as exhibiting lack of concern for, or interest in road safety. He had sought to interest the major manufacturers in examining wrecked cars in the possession of GIO with a view to assessing the nature and extent of damage sustained, to encourage them to incorporate greater safety factors. GIO wrecks were frequently used as background for road safety features by the media, and school visits arranged to warn young drivers. He pointed out that more than 50% of collisions were at road intersections. It was not until 1980 that improvements to intersections with "stop" and "give-way" signs improved the statistics of collisions.

As a result of the overseas study, GIO carried out repair research, including standard repair time, and adopted nominated repairers. By 1978 the cost and unreliability of car repairs had become so great that an **Inquiry into the Panel Beating Industry** was held, with public hearings, as a result of which the Department of Industrial Relations set up registration of smash repairers and certification of craftsmen. Manufacturers now sold kits, for example it was no longer possible to replace the plastic cover of one tail light, the whole assembly of lights had to be purchased at greatly inflated cost. GIO arranged to obtain parts directly from manufacturers.

Car theft increased alarmingly . In 1971-72 \$470,000 was paid out on 328 vehicles, and GIO initiated investigation into fraudulent claims. By 1986, a year of loss, theft had become so prevalent that GIO introduced an alarm package by which policyholders fitting and using theft alarm systems paid lower premiums. Excess was increased to \$250 and the following year a theft excess was imposed.

Hailstorms wreaked havoc during the late 80's and 1990, damaging lightweight panels and plastic materials now used in car manufacture beyond repair.. Frequent wet weather also raised the number of collisions. Reinsurance, to a large extent, covered losses by hail, but it was expected that reinsurance premiums would rise considerably with a deteriorating world wide weather pattern.

New products launched included three caravan policies in 1987. Rewards for safe driving included the **Gold Customer Scheme** in 1988 and **GIO Family of Discounts** in 1989.

The end of the decade saw the newly named **GIO AUSTRALIA** move into marketing motor vehicle insurance in Queensland and Victoria. In 1990 interstate branches were opened in Southport on the Gold Coast, and in

Geelong, and in 1991 in Toowong and Frankston, the Geelong office already making its presence felt by sponsoring a member of the Australian Boomers Basketball Team, Geelong Supercat, Shane "Hammer" Seal, who distributed 5,000 GIO AUSTRALIA posters.

THIRD PARTY INSURANCE

Incorporation was followed by the **Motor Vehicles (Third Party Insurance) Act 1942**, commencing 1st February 1943. Every motor vehicle owner had to insure with an Authorised Insurer or nominate the GIO as insurer, to cover themselves for liability for personal injury.

It was found that many claims were not reported for two or three years. As Average Weekly Earnings rose, together with increases in legal fees, medical and hospital expenses, and delay due to backlogs in the Courts, awards for damages rose faster than any increase in the premium set by the Government. The infrequent recommendations of the **Insurance Premiums Advisory Committee** were not always adopted since rises were an electoral hazard. As claims experience worsened other insurers withdrew and GIO insured an increasing proportion to over 97%. Even with the employment of its own legal staff GIO's administration cost was kept down to a very low percentage of premium income.

Until 1949 GIO could offset the losses by drawing on interest, but then reserves had to be used. It was only for a short period of low inflation, and after efforts to effect out of court settlements, that from 1971-1973 the consolidated loss was reduced from \$24.5 to \$19.7 million dollars. From 1974 onwards losses increased alarmingly and the **Government Insurance (Amendment) Act 1977** indexed premiums annually to the Consumer Price Index of the previous September Quarter. The Act also legislated to isolate accounts and protect other GIO finances from the effect of these losses which then totalled over \$50 million, but was to increase one hundredfold when estimated in 1990. Two previous decades had seen subtle complications in calculation of damages which were the subject of Court Appeals. Such legal terms as 'interest', 'taxation', 'discounting', and 'lost years' were of enormous financial significance.

Most other relevant legislation, such as **Ambulance Transport Service(Amendment) Act,1951**, and **Law Reform(Married Persons) Act 1964**, **Law Reform(Miscellaneous Provisions) Act, 1965**, **Compensation to Relatives (Amendment) Act,1953** and **Compensation to Relatives (de facto Relationships), 1984**, tended to increase losses. Improvement in medical techniques and the compulsory wearing of seatbelts have had the admirable effect of keeping more injured alive but often at great cost. Rehabilitation became important and in the 1980's GIO gave generous financial support to the Spinal Research Unit at Royal North Shore Hospital, supported a trial of coma arousal at Westmead Hospital, and also operated a **Baby Restraint Rental Plan**.

Unregistered and uninsured drivers had been represented by the **Nominal Defendant**, formerly the Secretary of the Fire & Accident Underwriters Association, the administration being provided by GIO since 1972, and the actual role since 1974. In 1965 40% of cases awaiting hearing were handled by solicitors whose affairs were subject to investigation by the Law Society. A **Special Claims Unit** with responsibility for the management of potentially fraudulent claims had, by 1990, resulted in the arrest of 127 suspects and 315 verdicts for the defendant.

The **Motor Vehicles (Third Party Insurance) Act** was amended in 1984, appointing GIO as sole insurer, and manager, of the **Department of Motor Transport Third Party Insurance Scheme** to be funded on a "pay as you go" basis, in which GIO could be sued as defendant in lieu of the driver, with some limitation on the damages. Both legal and claims sections of GIO were reorganised and computerised, resulting in faster disposal of claims. Structured settlements for badly disabled claimants, by way of advances on damages, were arranged to reduce hardship to them and their dependants. A levy on every vehicle was set to finance winding up of claims estimated to take more than five years.

In 1972 NSW Government had set up a Committee with GIO representation, to look into the possibility of No Fault insurance, which had been disbanded when the Commonwealth set up the Inquiry into National Compensation. In September 1986, after various reports and discussion papers, the NSW Law Reform Commission, produced NSW Transport Accident Compensation Scheme-Options for Reform. **Transcover**, a **Transport Accident Compensation** scheme was set up as from **1st July 1987**, administered by GIO Transport Accidents Compensation Fund continuing until 30th June 1989, when the Greiner Government replaced it with a private sector based common law system. **GIO Compulsory Third Party Insurance Ltd**, a wholly owned subsidiary applied for 10% of this new business, which was allocated in such a way that insurers did not know with which company they were insured until after 1st July 1991. From this date it became commercially competitive with a limit of \$20, up or down, on variations that could be made to the set premiums, and insurance was not to be refused to those regarded as bad risks. GIO offered a discount on motor vehicle comprehensive insurance to those transferring their third party cover.

FROM FIRE TO HOUSEHOLDERS INSURANCE

By 1945 GIO's Fire Department could report in excess of \$20 m. of new cover insured, and had paid, or allowed for claims totalling \$28,700. Classes of insurance were Householders Comprehensive, Loss of Profits, Windstorm, Pluvius, Hail, All Risks and Sprinkler Leakage.

The severe hailstorm of 1947 revealed that a large proportion of claimants had not taken out extra cover against hail, which would have cost them the equivalent of 10c per \$200 of property insured. GIO made the generous gesture of paying claims, provided that policyholders paid arrears from the date of policy inception, not exceeding 5 years. A similar gesture was made in 1974 in regard to a freak storm which resulted in street floods.

The early policies were subject to a \$10 "franchise" not to rise until the introduction of \$30 excess in 1978.

From 1949 Fire Brigade charges rose sharply and insurers were compelled to pay a larger percentage of these, also a vast amount of staff time had to be spent filling in complicated, detailed returns. The latter were simplified in 1958, and in 1986 the burden of Fire Brigade charges was altered, allowing GIO to disperse some reserves as a bonus to policyholders, in proportion to the time policies had been held.

The rate of burglary increased until, in 1981, GIO introduced a scheme, based on claims experience, of rating city areas as "high risk". Later "medium risk" was introduced, and then areas were rated from 1 to 6, according to risk, and premiums increased accordingly. GIO issued "**Crime Prevention - A Guide to Planned Security**" to help policyholders.

In 1967 all policies throughout Australia, except those attaching to a person, were subject to nuclear exclusion. In 1971 a new form of Houseowners or Householders Policy was introduced combining fire, burglary, storm and tempest and other perils previously optional, also cover for impact by own vehicle, and increased indemnity insurance, but excluding damage by sound vibration or sonic boom. A high rise in building costs caused the value of property insured to be indexed on renewal from 1976, this was later applied to Contents insurance.

In 1984 GIO set up a **Domestic Insurance Division** to cover Household, Motor Vehicle and Pleasure Boat insurances, with a **Weekend Hotline** to answer questions and issue cover notes. By 1986 all policies were redrafted in an easy-to-read style, complying with the **Insurance Contracts Act**. The Division worked to introduce new products tailored to demand, including Strata Title Unit insurances designed to satisfy Corporate bodies and incorporate Workers Compensation. In 1991 the **Householders Operations Centre** set up a **Think Tank Team**, and an **In-House Assessing Service**.

From 1951 to 1963, and again in 1973, record surpluses had been proudly declared. Since then surpluses have been larger but with hail and torrential thunder and rainstorms, bushfires and, more catastrophically, the Newcastle earthquake, there have been underwriting losses adequately cushioned by GIO's growing reserves. They would have been more severe except for the practice of reinsurance.

COMMERCIAL INSURANCE

In the 1940s the division of general insurance within GIO was into Marine, Fire and General Accident, which included predominantly Motor Vehicle and Motor Vehicle (Third Party).

The **Marine** Department traditionally had a difficult time. Wartime shipbuilding provided Hull insurance, to be partially replaced by Cargo, and in the 1960s a conservative policy of underwriting was followed with satisfactory results.

The department took on Contractors All Risks insurance, notably for the Opera House. By 1970 this type of insurance had become part of standard conditions of contract approved by the Master Builders Federation and the Institute of Architects. With the insurance of Botany Bay Development Stage 1 (later to become subject of a long court case) the total cover was up to \$200m in 1972, adding in 1975 the construction of Westmead Hospital for 7 years, and in 1978 Royal Prince Alfred 1A.

On the water setbacks were experienced. Whereas the ownership of pleasure craft escalated, there was a ever increasing experience of theft of equipment, and in 1977 the State Fisheries ship "Tracker" was lost. The following year the NSW Floating Dock

"Muloobinba" was insured for \$12m.

The **Fire** department reported losses from Hailstone insurance on cereal crops in 1948 and from 1970-73. Insurance of Government property was run on a co-operative basis, profits being returned as premium rebates or bonuses. Fire policies covering commercial and industrial risk carried a co-insurance clause requiring the insured to share the risk to the extent that the property was underinsured.

Following major industrial fire losses GIO partially followed insurance market premium increases in 1971 applying a non-rebateable premium to risks in Sydney, Newcastle and Wollongong.

The **General Accident** department reported little of its non-vehicle insurance in early years. 1944 saw an increase in Plate Glass premiums, and the mid 1960s experienced losses in Burglary insurance necessitating increased premiums in 1965 and 1967. In 1966 there was a new tariff to modernise Personal Accident insurance where there was increased demand for policies of greater diversity which required more careful underwriting attention. In 1967 Public Liability experience deteriorated and to a lesser extent Fidelity Guarantee, the Boiler & Pressure Vessel Explosion tariff was amended and inspections charged separately from premiums.

In 1969 Business All Risks insurance was expanding with increasing demand for wider cover, and the demand for Personal Accident policies reflected the appreciation of their obligations by organisers and committees. The increasing number of swimming pools increased awareness of Public Liability insurance and as inflation continued all clients were encouraged to check whether their cover was adequate. Some small inexperienced contractors engaging in demolition had to be refused cover owing to bad claims experience.

From 1972 Personal Accident insurance was in demand by some group schemes for the provision of benefits wider than those provided by workers compensation. This was terminated from 9th December 1977 when the Workers Compensation Act was amended to pay Award rates. There was also demand for Tourist and Travellers Accident Insurance.

The Granville train disaster in 1977 killed 12 passengers, injured 30, as well as 10 rescue workers all of which gave rise to claims through GIO's insurance of the Public Transport Commission. Public Liability also experienced loss through increased litigation by claimants, and from claims arising from fires caused by falling power lines. In 1980-81 a landmark Court of Appeal decision, upheld by the High Court, held that hospitals are responsible for the negligence of honoraries using their facilities, even though not strictly servants of the hospital. There was also loss from the Builders Licensing Board House Purchasers' Insurance Scheme and GIO reduced participation to 25%.

The **1984 reorganisation of general insurance** into client class areas of Domestic or Commercial, the latter segmented into Corporate, Government and Small Business, provided clients with the opportunity to deal at one point of contact for all insurances except workers compensation. A "**Small Business Pack**" for shops and offices was tailored,

allowing no claim discount and a selection of seven components. This was followed by the development of a "Multi Pack Policy" for light industry. Both policies were marketed by a newly developed team of highly qualified field underwriters (GIO Representatives) who increased sales by 200%, in their first year.

Public sector clients' needs were studied by the development of more appropriate covers and assistance with risk assessment. 1987-88 saw the distribution of a client newsletter "**News & Views**" and seminars were organised for awareness programs related to Public Liability and Fire insurance.

In 1988-89 the NSW Government reviewed its commercial insurance relationship to GIO deciding to create a self-insurance fund, the NSW Treasury Managed Fund. Whereas GIO was appointed Fund Manager, the Corporate insurance premium income was cut by 54%. However freedom to trade as **GIO Australia** opened up the possibility of interstate accounts, notably Brisbane City Council.

Other lines of commercial insurance in which GIO now engaged included Industrial Special Risks, Motor Fleet, Contract Works, Public & Professional Indemnity, Computer Insurance, Business Interruption, and sometimes insurance of a unique nature requiring considerable expertise in the associated underwriting and claims administration activities.

REINSURANCE

General insurances were protected from drastic losses by the practice of reinsurance. An Internal Reinsurance Pool was constituted, in accordance with Section 6A of the Government Insurance Act, 1926, as amended in 1943, in which all departments, other than Life, shared the Trading Surplus.

In 1955-56 Max Cooke visited England, Europe, USA and Canada arranging reinsurance treaties for the Fire Department and Workers' Compensation. In 1964 L.J.Murray visited insurance offices in England, Europe and USA with which treaties had been placed, also investigating lines of insurance not commonly transacted in Australia, also the use of electronic data processing by non-life companies. In 1968, and again in 1971, Max Porter went overseas visiting UK, Europe, Scandinavia, USA and Japan, and took some reinsurance inwards on terms which suggested profit, but with a carefully conservative approach. By 1970 GIO participated in 42 treaties throughout the world, yielding a premium income of about half a million dollars. Ten years later a bad experience for the GIO was the reinsurance of the Builders Licensing Board in NSW.

In 1986 a **Reinsurance and International Division** was formed, a contact office was opened in **Tokyo**, later in **London**, in **Jakarta** and in **Kuala Lumpur**. A reinsurance portfolio in excess of \$20m was secured in the first year of operation, increasing to \$106m by mid 1988. **GIO(UK)Ltd**, a wholly owned subsidiary was formed in 1987 to operate in the London reinsurance market, protected by a retrosurance programme.

GIO pioneered the writing of space and satellite risks in Australia, securing support from other major Australian insurers for the Aussat 3 satellite launch insurance programme, and went on to participate in 10 satellite launches.

STAFF AND TECHNOLOGY

From those first days of operation, in 1926, GIO has frequently been overworked and understaffed due to unavailability of suitable staff, lack of office space and, in the early 1980s, staff ceilings imposed by the Public Service Board.

In 1950 a **Staff Social Club** was formed, many sporting teams were formed and annual musical reviews performed, and a staff magazine "**Cover Notes**" produced. In 1989 a **Staff 25 Year Service & Retired Officers Club** was formed, also the **GIO Toastmasters Club**.

From 1960 responsibility for litigation in connection with claims against GIO was conducted internally, and a growing number of legal officers were employed. Members of staff studied for insurance examinations, and legal qualifications. In 1978 a Staff Training centre in 60 Elizabeth Street conducted 30 courses for 350 staff members, 50 attended external courses and 228 were studying for degrees, diplomas or certificates. These numbers were to grow, and in 1987 a **Staff Training Centre** to run residential courses was set up at Mona Vale.

In 1979 a spokeswoman was elected to represent women. In 1981 an Equal Employment Opportunity Management Plan was adopted and a Coordinator appointed the following year.

In 1986, having been declared a **Commercial Authority**, GIO staffing was no longer under the control of the Public Service Board, allowing competition for well qualified and experienced management and staff in the fields into which GIO was now branching. It was now possible for attractive remuneration packages to be negotiated. A **Personnel Practices Committee** and **GIO Appeals Tribunal** were set up, soon followed by a **GIO Welfare Service** to provide counselling services, and personal and group development programmes. The **GIO Commercial Employees Superannuation Plan** took over arrangement which had applied to certain employees since 1979. The **GIO Administrative Employees Superannuation Plan (1985)** was set up, followed by the **GIO Administrative Employees Superannuation Plan (1988)**, and the **GIO Master Superannuation Plan** for eligible employees and employees of participating employers.

The Accounting function within GIO, once linked with Investments, has been an everchanging and expanding one, immensely speeded by computerisation. From time to time the basis of GIO's accounting has been changed by legislative amendments to the Government Insurance Act.

One of GIO's supports has been its Services division which arranges for furniture and equipment, plans new office space and orchestrates moves, looks after supplies, printing, distribution despatch, and vehicles, and at some time, canteen services and the much used Credit Union for staff. Its responsibilities have varied with GIO's ever-changing structure.

The first offices had little more than manual typewriters and adding machines and simple telephones with which to work. In 1962 a telephone PABX was installed and replaced 20 years later by a D2000 PABX. The punch card machines introduced in 1955, were worn out by 1963 and had to be replaced, planning was started on automatic data processing to facilitate metrication. In September 1965 a Honeywell 400 was installed making GIO the first non-life insurance company in Australia to put records, of nearly two million policies, onto magnetic tape. Five years later a Honeywell H2200 was integrated with the existing equipment to cover all insurance, accounting and statistical processes. A **Methods Department** had been set up, and work measurement techniques used to improve efficiency. Teleprinter links with major country branches had been installed in 1963. The installation of two Honeywell 66-20 computers enabled setting up of on-line enquiry systems for motor vehicle, fire and life insurances, which by 1980 served 26 branches, improving service, lifting morale and saving staff. Fax machines were to follow at the end of the decade.

In 1986 the **Information Services Division** was set up in St Leonards, north of the harbour, with over 100 technical staff providing computing, communications, applications and consulting staff, the central computer complex supporting a network of 575 terminals and 460 printers in more than 60 locations. The Division implemented a modern voice communications network consisting of 8 NEC PABXs covering all localities in the Sydney metropolitan area.

The company **Jecha** was formed in 1984 as a joint venture between GIO and Computations Pty Ltd a company which develops IBM based application software packages for the finance industry. By 1987 it had two large NAS computers. Jecha network served GIO head offices and regional centres supporting Commercial, Funds Administration, Finance Company and Investments Division business, also connecting Computations locations in UK, USA, Sydney and Melbourne. GIO subsequently purchased Computations interest in the joint venture and all computer processing facilities and most staff transferred to **GIO Information Technology Division** which provided processing facilities to Computations.

By 1990 an "intelligent" computer system **COLOSSUS** had been developed by GIO, capable of assessing personal injury claims and eliminating inconsistencies in assessments.

The immense expansion of GIO was achieved through the formation of a **Distribution Division** in 1983, to provide the infrastructure and marketing co-ordination skills that enable insurance products and financial services to reach GIO's customers in the most efficient way. The marketing which had already commenced from radio advertising to TV, sports sponsorship to representation at major agricultural shows, and introduction of the GIO Hot Air Balloon, had been the division's advance guard. Now the business of **regionalisation** into 10 areas of NSW began in earnest and was achieved during 1986.

Each area was to be served by a Regional Centre operating as a local administration and sales centre. Wherever a disaster, such as a severe hailstorm, occurred, the Regional Centre would set up an emergency claims hot-line and a temporary drive-in assessment centre. A Customer Relations Manager was also appointed to the Division. From 1981 uniforms and the corporate colour scheme of red, white and blue had been introduced into branches, with

the logo **GIO Big, Safe & Friendly**. In 1989 **GIO Security for Your World**, and in 1990 **GIO Australia** were to appear on publications and stationery.

INVESTMENTS & FINANCIAL SERVICES

The vast reserves that GIO has had to keep have always needed constant care and wise investment in both securities and property. GIO's first venture into large scale building had not been a happy one, the French contracting company's employees having been on strike in connection with political disagreements over nuclear testing in the Pacific. However by the end of 1979 the **St James Centre** was ready for occupation. Demand for office space was low, and some sections of GIO were very happy to occupy a new building with a spectacular view. A later plan to build an office tower adjacent to the Metropolitan Water Board was eventually abandoned. The later purchase of the heritage **No.2 Martin Place** proved a great advantage as a central corporate headquarters for an organisation by then in the process of regionalisation. Other office buildings were purchased and refurbished, occupied or leased out according to GIO's needs and the demands of the market. Building in Parramatta, Newcastle and in country centres either for occupation or investment was successful.

The investment arm of GIO was for many years under the direction of the Actuary, except for the Home Loans Department bracketed with Accounts under the Finance Manager. Investment developed under W.J.Jocelyn who had joined GIO as Actuary, and for two years been Chief Manager Life, then Chief Manager Investments. On his promotion to Deputy Managing Director in 1982, Alan Clark who had joined GIO in the previous year became Chief Manager of the Investments Division. The total value of investment including property, had grown from \$1.3m to \$2.3m in 1983, and more than 900 housing loans were granted in that year. GIO entered into a joint venture with Charbonnage de France to buy a coal mine in the Upper Hunter region of NSW and a number of senior executives joined the Property Investment Group.

In 1984 **Portfolio Managers** was formed to develop and market public unit trusts, before its activities were changed to providing financial services. the following trusts were launched:-Fixed Interest, Growth, International, and Property, and some years later the Monthly Income Fund. **GIO Securities**, formerly Capel Court Securities, was acquired to act as an authorised dealer in the short term money market. **GIO Financial Services**, formerly Votrant No 105 Pty Ltd, was acquired to provide administrative services to GIO Securities and to conduct futures and options trading, debt management and arbitrage opportunities to a broad range of Australian corporate bodies and institutions. **GIO - Kurts Trust No 1** was formed as a unit trust to hold the investment in the Victoria Centre, Perth, with Fieldmont Pty Ltd, incorporated in 1983, acting as trustee.

The Investment Division was supported by a sophisticated computer system which gave a significant competitive advantage, with a high standard of accounting and management information. Staff had played a key role in its development and went on to co-operate with GIO's computer professionals to develop **PRIMER**, an investment performance system resulting from systematic measurement on a market value basis, which was also offered to

other public sector investors.

The IMS survey results to June 1986 awarded GIO top rank as fund manager in the category of Government Securities. A year later the division was managing 45 different portfolios of investments totalling \$4.8 billion. It became a profit centre generating revenue as a percentage of the funds managed, the operating profit from \$8.2m in management fees was \$1.8m in 1988, rising to \$3.6m the following year. The magazine "Money Management" awarded GIO 2nd place among 91 managers in a survey which considered performance, volatility and risk adjusted returns.

The **Corporate Funding Group** was formed to act as in-house "banker" to GIO's divisions, subsidiaries and associates, with all their borrowing activities thus managed centrally. The credit rating of the General Division was AA (very strong capacity to meet general financial obligations) and AAA with respect to insurance obligations.

GIFC, which had been formed in 1984 to finance commercial loans, real estate mortgages and personal loans, ceased lending and changed its name to **GIO Holdings** to reflect its future role as a holding company for investment in GIO subsidiaries. Lending became the responsibility of **GIO Finance Division** with a new team experienced in marketing and lending. Net receivables grew from \$67m to \$172m by 1989, \$237m by 1990. Cash and term deposits amounting to \$600m were attracted by GIO's competitive returns and reputation.

In 1990 the magazine "Personal Investment " ranked GIO as one of the top three managers in a "Funds Manager of the Decade" survey, and a new product the **Asset Accumulator Account**, a secured personal lending facility, was launched. A \$200m domestic paper programme rated A+ was also launched. GIO, as the only Australian financial and insurance institution to have issued in the Australian Dollar Eurobond Market, had loans outstanding of \$355m by mid 1990, including new issues totalling \$115m during that year.

GIO Rural Property Trust was developed late in 1990, units of which may be offered to GIO clients at some time in the future, with farming operations conducted by **South Pacific Agricultural Company Pty Ltd**, wholly owned by GIO. The first acquisition was 'Cooplacurripa' a large cattle station, established in 1845 in the Upper Manning Valley running 10,000 head of Hereford type cattle on 50,000 acres. More recently 'Milchengowrie' in the Gunnedah district, was acquired, a substantial property producing irrigated cotton and other crops.

Financial Risk Services was formed to conduct such activities as financial market underwriting, credit enhancement, mortgage insurance, promissory note underwriting transactions for such corporations as AGL, Incitec, Australian National Lines and Alcan. In addition residual value insurance for the Commonwealth's new VIP jet fleet was written in 1990.

FROM 1891 TO 1991

At many times in the life of GIO there has been a tendency for the press, particularly the insurance press to knock government insurance and call out that it was not fair, and it was never more so than after the collapse of the Commonwealth government's scheme for Australian Government Insurance in 1975. Yet GIO has always paid the equivalent of tax to the NSW government, has paid Fire Brigade and other charges, born the brunt of bad risk insurance that other companies would not take, administered the affairs of collapsed companies, and made representations to governments for improvement in safety, drink driving, rehabilitation and many other topics to improve the lot of insurers, has provided funds for the building of hospitals, local government loans, housing loans, and loans to public utilities.

1991 sees a century since the NSW government first involved itself with insurance, sixty five years since Premier Jack Lang set up the Government Insurance Office to transact workers' compensation insurance, and half a century since Premier and Colonial Treasurer William McKell introduced its incorporation. In the last decade GIO of NSW has become a giant, GIO AUSTRALIA, and brings in even more revenue to the NSW Government.

Legislation to privatise the GIO was assented to on 22 November 1991.

At its inception the equivalent of a million dollars was transferred from the Treasury Branch to the Government Insurance Office, \$400,000 of which was paid back in 1930 to the Treasury Risks Fire Account. A further equivalent of \$100,000 was paid by the Government to GIO to establish the Life Assurance Department in 1942. The share float to sell the GIO in June 1992 realised \$1,200m.

HINDSIGHT

'Retiring GIO chief executive Mr Bill Jocelyn yesterday dealt the local insurance industry a parting shot over management salaries and questioned whether the insurer should have been privatised.

"I don't mind taking what I get . . . but I think generally speaking, the chief executives in the financial services industry are overpaid relative to what the community ought to pay them,' Mr Jocelyn said. "There's a danger with the incentive-style remuneration that lines up management with shareholders, that you leave policyholders out of the equation. Then there's the problem that there's too much incentive to rip off the policyholders and not enough to look after them. There's the unholy alliance between shareholders and senior management to . . . in a sense, take advantage of those who deal with it" he said. "We've now moved away from customers to shareholders and senior management. And I think there's something unfortunate about all that."

Mr Jocelyn presided over GIO in its transition from the State Government-owned Insurance Office of NSW to a publicly listed insurance group.

Yesterday he also raised concerns over the wisdom of privatisation, saying he had supported it on ideological grounds in 1992, but “I’m not sure I have exactly the same view now. I think a government organisation that actually works as a mutual, that looks after the people who are doing business with it, is probably the best approach of the lot,” Mr Jocelyn told the *Business Sunday* program.

“I think a government monopoly is no use at all but there’s a big argument for a government owned organisation that ploughs the benefits back to the people who use it,” Mr Jocelyn said. “It’s got a lot going for it to keep the private sector honest”.

He also said profits from this month’s AMP float should have flowed back to government coffers.

Mr Jocelyn leaves GIO after 20 years with the insurer, 15 as the chief executive. He will be replaced by former Boston-based Liberty Mutual executive Mr Nick Steffey when he retires tomorrow.’

Sydney Morning Herald, 29 June, 1998

APPENDIX

Management Calendar

1926 1st July Government Insurance Office opened in the Mint building.
MANAGER William N.McFarlane.

1929 23rd October W.N.McFarlane died suddenly. MANAGER George H.Spence.

1942 16th November The GIO became established as a body corporate and empowered to carry on all classes of insurance including life assurance. GENERAL MANAGER Max G. Cooke.

1962 31st July M.G.Cooke retired. GENERAL MANAGER L.J.Murray

1964 15th November L.J.Murray died suddenly in office. GENERAL MANAGER R.Max Porter.

1979 14th June R.M.Porter retired. GENERAL MANAGER Kevin R. Beckton. 17th September GIO came under the direction of a Board. CHAIRMAN Joshua Trimmer. 1982 16th October GIO BOARD reconstituted. MANAGING DIRECTOR Joshua Trimmer.

1983 14th October J.Trimmer retired.

15th October MANAGING DIRECTOR William J. Jocelyn.