

## George Liondis

ASX Limited will keep outgoing chief executive Robert Elstone around for as long as three months after his contract was due to expire as it carries out an international search for a successor.

Mr Elstone, who is stepping down after five years as head of ASX, was scheduled under the original terms of his contract to finish up on Monday.

But ASX confirmed it had taken up an option allowing for his tenure to be extended till as late as October while it looks for a replacement chief.

Mr Elstone announced plans to retire from ASX in September last year, a month before the exchange entered into an ultimately ill-fated takeover deal with the Singapore Exchange.

If the deal had gone ahead, Singapore Exchange chief Magnus Bocker would have taken charge of ASX, relieving it of the need to find a replacement for Mr Elstone.

Treasurer Wayne Swan's decision to block the takeover in April left ASX to fill the vacancy left by Mr Elstone's impending departure at a critical juncture.

As well as recovering from the disappointment of the Singapore deal, ASX is confronting the prospect of competition for the first time, with alternative market operator Chi-X set to launch later this year.

A spokesperson for ASX said yesterday that the search for a new chief executive was "well under way", but declined to comment further.

The exchange has previously said it will consider both local and international candidates for the job.

Mr Elstone took over as ASX chief in 2006, when the group merged with the Sydney Futures Exchange. Before that, he ran the futures exchange for six years.

As part of its contract with Mr Elstone, ASX agreed to increase his pay by \$750,000 last September in exchange for the right to be able to ask him to stick around for up to three months after his planned departure date.

The additional payment was due whether or not the option was needed.

"Robert Elstone's contract officially ends in July but, as announced at last year's AGM [September 2010] and reiterated in April this year [after the ASX-Singapore Exchange merger was rejected], Robert agreed to extend it for up to another three months," the spokesperson for ASX said. "So, he could be CEO until October 2011."

Meanwhile, new figures yesterday showed futures trading on the ASX soared to a record high last month as volatility on global markets prompted traders to take out contracts to hedge risks.

A total of 13.6 million futures contracts were traded on the exchange over the month, up more than 70 per cent compared with June 2010.

The contracts had a notional value of \$6.6 trillion, the ASX said in its monthly activity report.

Global sharemarkets fell last month as a result of the sovereign debt concerns in Europe, driving investors towards futures markets, where they can take out options to potentially profit from the volatility.

In contrast to the heavy volume of activity in futures markets last month, equity trading was subdued as investors sat out weak sharemarket conditions.

Equity trades reached an average \$5.3 billion a day, up 1 per cent on May and 2 per cent higher than June 2010.

Over the past year, the total value of trading has fallen by 1 per cent.

Chi-X, which is ultimately owned by Japanese broking house Nomura, plans to compete directly with ASX for equity trading customers from the fourth quarter of this year after it was granted a licence by the government in May.

Thirteen new companies floated on the ASX in June, raising \$3.3 billion from investors and taking the total number of listings for the 2011 financial year to 160. Companies that were already listed on the ASX raised \$1.6 billion by issuing shares to investors in June, the ASX said.

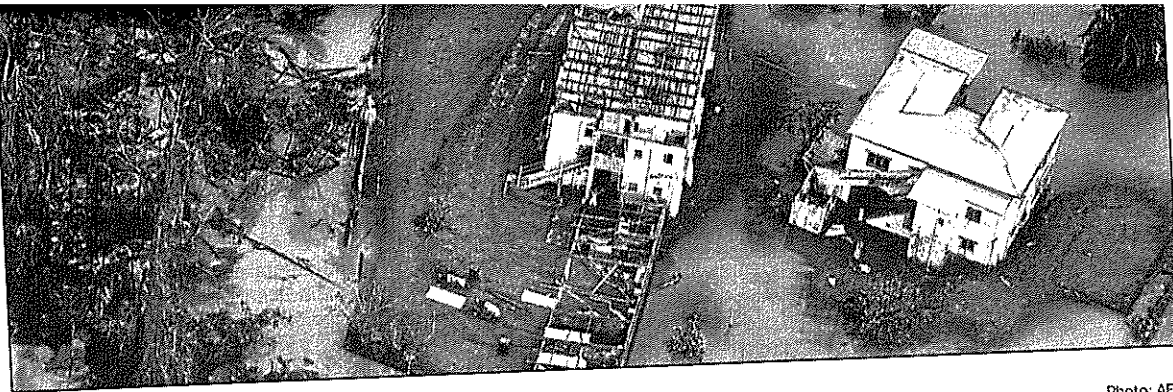


Photo: AFP

Insurers say that a lack of flood mapping hampers them from pricing the risks.

# ICA wades into flood debate

## Jane Searle

The peak insurance body has rejected a flood model under which all customers would pay higher premiums and has pointed to state stamp duty as a revenue source for subsidising properties with a high flood risk.

The industry's response came as Insurance Council of Australia chief executive Rob Whelan addressed an Institute of Actuaries conference in Sydney yesterday on a government paper that puts forward two models to solve the problem of low insurance coverage for properties with high flood risk.

The issue was highlighted by the Queensland floods in January, which review chairman John Trowbridge said generated 10 times as many complaints to the Financial Ombudsman Service than disasters such as the Victorian bushfires.

Insurers said a lack of flood mapping data did not enable them to price the risk, and true risk pricing would make premiums unaffordable for high-risk properties.

The Natural Disasters Insurance Review is calling for submissions by July 14 and has put forward two

models to solve the problem of affordable flood coverage. In one, flood cover would be included as a standard part of home insurance, while the other would enable consumers to opt out of flood cover.

Mr Whelan pointed to the \$4.6 billion collected annually in state insurance taxes as a means to subsidise insurance for high-risk properties.

He said the annual cost of riverine flooding was between \$400 million and \$450 million, which could easily

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Rob Whelan, Insurance Council CEO

be covered by the tax pool without government intervention in the broader insurance market.

"Poor planning is at the heart of the flood risk problem and we don't want to add to the stock of high-risk properties," Mr Whelan told the conference.

"The lack of flood mapping adds to the problem and we are not convinced government is fully aware of the risks. Just look at Queensland

[which did not insure its infrastructure, leading the federal government to introduce a \$1.8 billion levy to help fund rebuilding]."

"Insurance is at the very end of the risk management chain and we are concerned there is a singular focus on insurance being a solution to the problem, which disregards that fact."

An insurance tax pool could insure properties at high risk of flooding if home owners were able to demonstrate they had taken action to reduce risk.

This would avoid all consumers paying higher premiums under the review's model for full flood cover to help subsidise those with high risks.

Asked what the panel would propose if few submissions backed the review's models, Mr Trowbridge said: "We will be influenced by information we receive but have to make our own assessment because we were set up as an independent panel and are keen to make serious progress."

Consumer Action Law Centre director of policy Gerard Brody supported full flood cover as the best solution for access to affordable insurance.