



ENFORCEABLE UNDERTAKING

SECTION 93AA

AUSTRALIAN SECURITIES AND INVESTMENTS COMMISSION ACT 2001

The commitments in this Enforceable Undertaking are offered to the Australian Securities and Investment Commission ("ASIC") by:

Insurance Brokers Limited ACN 005 754 718
652 Glenhuntly Road
Caulfield South Victoria 3162
("the Company")

1. BACKGROUND

- 1.1 The Company has been registered as an insurance broker in relation to general insurance business under the Insurance (Agents and Brokers) Act 1984 ("IABA") since 26 September 1986 and holds registration number 30104. The Company's current registration expires on 25 September 2001.
- 1.2 In accordance with section 21(3A) of IABA, the Company has produced satisfactory audited accounts to the then Insurance and Superannuation commission ("ISC") for the financial years ended 31 December 1993 to 31 December 1997 and to ASIC for the financial years ended 31 December 1998 to 31 December 2000, in each case on or before 30 April in the year following the financial year.
- 1.3 The accounts produced by the Company to the ISC and ASIC respectively disclosed that as at 31 December in each year there were amounts due to insurers for greater than 90 days from the inception of the risk.
- 1.4 The accounts produced by the Company to ASIC for the financial years ended 31 December 1999 and 31 December 2000 disclosed that the Company had entered into specific arrangements with underwriters which allowed for the payment to the underwriters to occur at 120 days from the inception of the risk.
- 1.5 ASIC has formed the view that the Company has, in the financial years ended 31 December 1999 and 31 December 2000, repeatedly contravened section 27(2) of IABA.
- 1.6 ASIC has the power under section 25(1A) of IABA to suspend or cancel the registration of the Company as a general insurance broker.
- 1.7 ASIC has agreed to accept the commitments in this Enforceable Undertaking as an alternative to the exercise of the power referred to in paragraph 1.6.

2. CONCERNS OF ASIC

- 2.1 ASIC is concerned that by repeatedly contravening section 27(2) of IABA, the Company has failed to meet the ordinary obligations of an insurance intermediary, as set out in the decision-making principles in force under section 41A of IABA, by failing to exercise reasonable care and skill in relation to carrying on the business of an insurance intermediary.
- 2.2 The Company acknowledges the ASIC's concerns and offers the undertaking set out in section 3 below.

3. UNDERTAKINGS

Pursuant to Section 93AA of the Australian Securities and Investments Commission Act 2001, the Company gives the following enforceable undertaking.

- 3.1 The company undertakes that within 14 days of acceptance of this undertaking all agreements between the Company and insurance underwriters will comply with IABA and any other subsequent legislation or relevant legislation.
- 3.2 The Company undertakes that by 1 September 2001 it will not be holding any amounts due to insurers for greater than 90 days from the date of the inception of the risk other than as provided for in section 27(2) of IABA.
- 3.3 The Company undertakes:
- (a) to engage an auditor, at the expense of the Company, for the purpose of conducting audits of the Company's Insurance Broking Account ("IBA") as stipulated in sub-paragraph 3.3(b) of this undertaking in addition to the audit of the Company's accounts for the financial year ended 31 December 2001 as is required by IABA;
 - (b) that it will instruct the auditor to conduct an audit of the IBA for the three month periods ending on 30 September 2001 and 30 April 2002;
 - (c) that it will instruct the auditor to provide ASIC within 1 month of each audit period stipulated in sub-paragraph 3.3(b) with an audit report which states whether or not, in the opinion of the auditor, the IBA has been operated in accordance with sections 26 and 27 of IABA.
 - (d) that it will instruct the auditor to include in the audit report provided to ASIC for the period ending 30 September 2001 a statement or statements as to whether or not, in the opinion of the auditor, the Company has complied with paragraphs 3.1 and 3.2 of this undertaking.
- 3.4 The Company undertakes that, subject to paragraph 3.5, if:
- (a) the Company breaches this Enforceable Undertaking; or
 - (b) any audit report provided to ASIC pursuant to sub-paragraph 3.3(c) or in respect of the financial year ended 31 December 2001 states that, in the opinion of the auditor, the Company has not complied with section 27 of IABA or any subsequent or relevant legislation or has breached a term of this Enforceable Undertaking ("Adverse Audit Opinion");
- the Company will:
- (c) make an application to ASIC seeking the cancellation of its registration as an insurance broker within 14 days of:
 - (i) a breach of this Enforceable undertaking; or
 - (ii) in the case of an Adverse Audit Opinion, the date of the Adverse Audit Opinion, and
 - (d) not apply to be registered as an insurance broker under IABA for a period of two years from the date on which the application referred to in sub-paragraphs 3.4(c) is lodged with ASIC.
- 3.5 Where an Adverse Audit Opinion discloses non-compliance with section 27(2) of IABA and the amount reported by the auditor as being due to insurers for greater than 90 days from the inception of the risk is less than 1% of the total premiums for insurance business placed during the financial year immediately preceding the audit report, or ASIC has notified the Company in writing that the circumstances do not



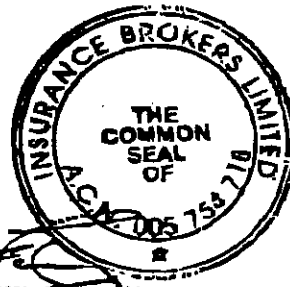
require it to seek cancellation the Company does not have to apply to ASIC to seek the cancellation of its registration as an insurance broker.

3.6 This undertaking terminates on 30 June 2002.

4. ACKNOWLEDGEMENTS

- 4.1 The Company acknowledges that it has had the opportunity to obtain legal advice in relation to the content and effect of this enforceable undertaking.
- 4.2 The Company acknowledges that the responsible officers who sign this enforceable undertaking have full authority to sign and enter into the undertaking on behalf of the company.
- 4.3 The Company acknowledges that ASIC:
- (a) will make this enforceable undertaking available for public inspection;
 - (b) may issue a media release on execution of this undertaking referring to its terms and the concerns of ASIC which led to its execution; and
 - (c) may from time to time publicly refer to this enforceable undertaking.
- 4.4 The Company acknowledges that this undertaking in no way derogates from the rights and remedies available to any other person or entity arising from any conduct described in this undertaking.
- 4.5 The Company acknowledges that ASIC's acceptance of an enforceable undertaking does not affect its power to investigate a contravention arising from conduct other than in respect of the conduct for which this undertaking is given, or pursue a criminal prosecution or its power to lay charges or seek a pecuniary penalty order.
- 4.6 The Company acknowledges that this undertaking has no operative force until accepted by ASIC.

The Common Seal of Insurance Brokers Limited (ACN 005 754 718) was affixed to this undertaking on 5/9/2001 2001 in accordance with its articles of association in the presence of)
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[Signature]
Signature of Director/Secretary

[Signature]
Signature of Director / Secretary

DAVID KINGSLEY LINLEY
Full Name of Signatory

Robert Henry Fairley
Full Name of Signatory

Accepted by the Australian Securities and Investments Commission pursuant to section 93AA of the Australian Securities and Investments Commission Act by its duly authorised delegate

[Signature]

Date: 5/9/2001