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Professionals face insurance slug

Annabel Hepworth and Duncan Hughes

Businesses are facing double-digit increases in professional indemnity insurance premiums because of a surge in negligence claims triggered by the global financial crisis and collapse of financial advisory firms. Insurance brokers said sectors with higher incidences of negligence

'As the Sons of Gwalia saga rolls on, the federal government is considering the hierarchy of creditors in a corporate failure.'

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claims — such as mortgage brokers, financial planners, property valuers, architects, engineers and others in construction — could be hit by

premium rises of up to 10 per cent, as well as more restrictive cover. As concerns mount that insurance is more expensive and difficult to

obtain, the Australian Securities and Investments Commission has said it will review its policy on what is "adequate" indemnity cover for financial planners and other licensed financial services providers. ASIC deputy chairman Jeremy Cooper said there were suggestions the global financial crisis and high-profile financial services collapses could "make insurers more wary

about writing these sorts of cover". His comments come amid a hardening insurance market, with the major insurers — QBE, IAG and Suncorp — having indicated there is pressure on premiums in a range of insurance classes as risk is reassessed. Aon Risk Services Australia's general manager of market services, Ross Castle, said several professions with **Continued page 10**

Future Fund raises heat on Telstra chair

Pamela Williams
National correspondent

The Future Fund has escalated its campaign against Telstra chairman Donald McGauchie, with direct calls made by directors of the fund to members of the Telstra board.

Telstra's biggest shareholder, the powerful Future Fund led by chairman David Murray, has been pressuring the combative McGauchie in recent weeks.

Some fund directors, who are known as guardians, have telephoned individual Telstra directors to push their concerns over the collapse in the telco's share price since its exclusion from the government's broadband tender, as well as its long-running aggressive strategy towards the federal government.

They have suggested to individual Telstra directors that this means it is time for McGauchie to be replaced with a chairman who is prepared to abandon the high-stakes political warfare that has defined Telstra since McGauchie's appointment in 2004, and that was ramped up by his hand-selected chief executive Sol Trujillo.

But members of the Telstra board are understood to be pooling information about the pressure and are determined to maintain control of appointing their own chairman.

Telstra is said to be infuriated that a "sovereign fund" like the Future Fund is pressing for change.

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Street Talk, page 24 ■



Getting the chop... after a 15-year bull run, overstuffed stockbroking firms are being forced to downsize.

Photo: ROB HOMER

Boulevard of stockbroken dreams

The mood within Australia's stockbroking fraternity was neatly encapsulated when Ross Noye of Wilson HTM emailed clients to tell them a colleague was leaving to work in the caravan park management business of his wife's family.

"While there are many of us who would love to join him, I'm sure you would all join me in wishing Hamish all the very best in his new property management career!" Noye wrote.

"Caravan parks will probably be one of the few beneficiaries of the fallout of the current turmoil in capital and credit markets — they'll

They were masters of the universe. Now many are out of a job, writes **Matthew Drummond.**

fill up quickly with stockbrokers." Noye was only half kidding. Many industries are in the midst of a restructure, but few are in as tight a spot as stockbroking.

The future of the broking giants is in doubt as their troubled parents in London and New York look to the public purse to keep them solvent.

And many smaller local players will be unable to afford new capital adequacy rules imposed by the Australian Securities Exchange.

After a 15-year bull run there are too many broking firms trying to survive on too little revenue, and the process of "right-sizing" has begun.

While no one knows exactly how many jobs vanished in 2008 and early 2009, estimates range from 10 to 25 per cent of the industry, amounting to 2200 to 5500 jobs.

All agree that another wave is around the corner.

Continued page 60

China shows early signs of a revival

Colleen Ryan SHANGHAI

China's economy grew by 6.1 per cent in the first quarter, its slowest pace since records were first published in 1992, but there are signs that the economy has bottomed as massive government spending and bank lending gains traction.

There are indications that the Chinese government's 4 trillion yuan (\$815 billion) fiscal stimulus plan and interest rate cuts may be stabilising growth in the world's third-largest economy, which has been hurt by a slump in exports due to recessions in the US, Europe and Asia.

China is the only major economy not expected to contract in 2009, despite the largest downturn in world trade since World War II.

The World Bank recently said Beijing's plans to bolster demand by massive infrastructure spending could support growth across Asia.

Data showing improved industrial production and fixed-asset investment underpinned hopes for stronger growth later this year, although many forecasters estimate it will fall shy of the 8 per cent level needed to provide new jobs and limit social unrest.

The Organisation for Economic Co-operation and Development recently cut its estimate for growth in Australia's largest trading partner in 2009 from 8 per cent to 6.3 per cent.

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Swan warns on economy, page 6 ■

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