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cept in special circumstances) from deducting the 36% corporation tax.

The effect of the tax reform in a nutshell is to give a tax break to resident individuals or corporations receiving profit dividends, which puts them at an advantage over corporations with foreign individual or corporate ownership where the profits flow out of Germany.

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The political and social changes which began after the death of Franco are still the protagonists of Spanish life. Day-to-day business and economic considerations are forgotten as each political group tries to prepare for the new situation and seeks to place itself in the most advantageous position for the years to come.

Everyone, including myself, believes that with all this activity, and until the new government has become securely established, the economic situation will deteriorate, particularly in view of the wave of strikes and petitions for salary increases. But in spite of that, with the exception of the Stock Exchange, where quotations have been at record lows, conditions are not too bad and in quite a number of businesses, including insurance, results this year are acceptable; in any case much better than expected.

A significant event for the insurance industry was the appointment as Minister of Finance (one of the most important government jobs) of Eduardo Carriles, general manager of the Union and Fénix Español, the largest insurance group in Spain. Sr. Carriles is an able lawyer with a distinguished career in public administration.

Important implications for the future are seen in the upgrading of the insurance department to the rank of *direccion general* related directly to the Ministry of Finance. The department enjoyed this status until it was downgraded 10 years ago, which could be considered one of the reasons for the lack of attention given to the problems of the insurance industry.

Fernando del Caño, one of the senior and best qualified members of the department, has been appointed to the new position. Both these steps will change substantially, and I am sure for the good, the development of our insurance industry, and it is foreseeable that in the next few years the industry will achieve strong financial consolidation.

Also good news is the increase in the amount deductible from the personal income tax by life insurance policyholders from 200.000 pesetas (U.S. $3) to 300.000 pts. This will serve to strengthen the new but aggressive development of the life insurance industry in our country.

On the other hand, the needed and expected increase in motor insurance rates has been delayed once more, and it is understandable that Sr. Carriles would be reluctant to press for an increase that would benefit his company. Fortunately, the restriction on the use of automobiles in order to reduce fuel consumption could reduce the frequency of claims and make it a little easier to wait.

Apart from the loss of nearly 3.000 million pesetas of the tanker *Urquiola*, the largest claim in the history of Spanish insurance, the marine results are satisfactory, and

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the same could be said of fire insurance until recently when two large losses were registered, one in a tobacco plant in Tenerife, a 400 million pts. insured loss, and the other in a big condominium in the Costa Brava, a total loss that could cost the market a similar amount.

On the financial side, inflation does not seem reduced and a devaluation of the peseta is not impossible.

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The year 1976 should prove a good one for the Australian insurance industry, for with higher premium rates, increased investment income, and the lack of a major natural disaster, most companies have been able to report a considerable increase in profits. Commercial Union Assurance Co. of Australia, for example, showed a 1975-1976 profit of A$715,000 against a loss of A$1,125,000 in 1974-1975.

Perhaps the best news of the year, however, was the September 29 announcement by Australian Prime Minister Malcom Fraser of his intention to restructure the tax system to encourage citizens "to do things for themselves," and his desire to return such expenses as education fees and life insurance premiums back to concessional deductions against personal income.

The actual implementation of such a scheme should restore some of the prominence that the heavily savings-linked insurance plans had experienced under the former Liberal government. Life insurance companies had found with the greatly reduced tax benefits on insurance premiums that have existed since 1975 that term insurance and superannuation business were growing at a much faster rate than their normal life business.

The format of the new deductions remains to be seen, as does the status of the government's apparently postponed National Compensation Scheme. Two other pieces of legislation which are under implementation are much clearer—the Medibank levy and the Trade Practices Act.

As of October 1, all Australians were required to be insured against both medical and hospital expenses either by paying the Medibank levy to the government or by contributing for both medical and hospital cover with a registered health fund. There are basically three choices of coverage: public hospital and medical treatment (known as standard Medibank) by paying a levy on 2.5% of one's salary up to $2.90 a week for a single person or $5.80 for a family; private hospital and/or medical insurance to supplement the standard coverage gained through the levy; or strictly private medical and hospital coverage. The actual mechanics of what is referred to by some as the "medi-muddle" is too complex for this discussion, but basically it has had the effect of encouraging taxpayers to insure with a private fund rather than through the government-funded levy plan.

The initial Medibank scheme was financed from general revenue and provided universal coverage for all Australian residents, and not surprisingly had the effect of slowly destroying the private health insurance business. The Fraser government move was designed to reduce both government spending and involvement in the economy, and has already restored life to the private insurance funds.

In the other area of government legislation, the Trade Practices Act of 1974 is still having its effects on the industry. Recently, for example, the Trade Practices Commission disallowed a long-standing tradition in the domestic insurance industry that housing lenders, mainly building societies (like savings and loans associations), could nominate the insurer or insurers from which a lender could choose his policy. The real area where the act may soon be felt, though, is the life insurance industry.

Under the present system the Life Offices Association, whose 24 member companies conduct some 85% of the Australian life insurance business, requires that members operate only through sole agency agreements and not make price or policy comparisons in their marketing efforts. These rules have meant that brokers or agents wishing to sell for more than one company do not receive commissions and that the competition between member companies has been not on a pricing or performance basis.

The industry has hoped to continue this arrangement and plans to request permission to do so, but the chances of approval are somewhat doubtful. The recent announcement that five of the Life Offices Association members will not support the application and in the future will also pay commissions to brokers and multiple agents is expected to detract further from the value of the submission. Fortunately for the industry, the public hearings involved with their applications are not scheduled till February 1977, and a restoration of life insurance and superannuation premiums' tax deductibility should help to reduce any adverse effects.

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