

**GOVERNMENT INSURANCE OFFICE (PRIVATISATION)
BILL 1991**

NEW SOUTH WALES



EXPLANATORY NOTE

(This Explanatory Note relates to this Bill as introduced into Parliament)

The object of this Bill is to provide for the conversion of the Government Insurance Office into a public company and for its sale by a public float, and in particular:

- (a) to convert GIO from a statutory authority into a public company limited by shares and with the name "GIO Australia Holdings Limited"; and
- (b) to repeal the Government Insurance Act 1927 and to apply the Corporations Law to GIO after its conversion; and
- (c) to replace the State's existing equity in GIO by the issue of fully paid up shares to the State and the creation of a debt payable to the State by GIO after its conversion; and
- (d) to authorise the Minister to exclude from the sale of GIO any part of the business undertakings of GIO and of its subsidiaries, and to reorganise those business undertakings before the sale; and
- (e) to authorise the sale of GIO by a public float (comprising the disposal of the shares issued to the State on the conversion and the initial issue of shares by GIO after its conversion to repay the specially created debt to the State) and to limit to 10% the maximum initial shareholding of any one purchaser.

PART 1—PRELIMINARY

Clause 1. Short title.

Clause 2. Commencement.

Clause 3. Object of Act.

Clause 4. Definitions.

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**PART 2—CREATION OF CAPITAL STRUCTURE AND OTHER STEPS
PRIOR TO CONVERSION OF GIO INTO PUBLIC COMPANY**

Clause 5 confers a share capital on GIO to take effect on its conversion into a public company under proposed Part 3.

Clause 6 provides for GIO to issue paid up shares to the State.

Clause 7 creates a debt to the State so as to provide an additional means (apart from the sale of the shares in GIO issued to the State) by which the State is to receive the proceeds of the sale of GIO.

Clause 8 authorises GIO to retain certain distributable reserves.

Clause 9 requires GIO to apply for registration as a company and for the reservation of the name “GIO Australia Holdings Limited”.

**PART 3—CONVERSION OF GIO INTO PUBLIC COMPANY AND REPEAL
OF GOVERNMENT INSURANCE ACT 1927**

Clause 10 deems GIO’s application for registration as a company, and for the reservation of its new name, to have been granted.

Clause 11 changes GIO’s name to “GIO Australia Holdings Limited” and prevents it from using a name (apart from “GIO”) which suggests it is associated with the State.

Clause 12 provides that the new memorandum and articles of association of GIO are those lodged with the application for registration under clause 9.

Clause 13 provides that the State becomes a member of GIO on the conversion because of its shareholding.

Clause 14 authorises the Minister administering the proposed Act to act for or on behalf of the State in connection with the State’s shares in GIO.

Clause 15 preserves the legal identity of GIO despite its conversion into a public company and provides for the construction of references to “GIO” in Acts and other instruments.

Clause 16 preserves the Government guarantee for GIO policies and contracts issued or made before its conversion into a public company. In addition, the clause enables the Treasurer to extend the Government guarantee to policies and contracts issued or made after the Conversion and before the sale or issued or made after any undertaking has been excluded.

Clause 17 repeals the Government Insurance Act 1927, Acts amending that Act and regulations under those Acts.

Clause 18 is a formal provision which gives effect to the Schedule of savings and transitional provisions relating to the conversion of GIO.

Clause 19 is a formal provision which gives effect to the Schedule of consequential amendments to other Acts.

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PART 4—REORGANISATION OF GIO BUSINESS UNDERTAKING IN CONNECTION WITH CONVERSION AND SALE OF GIO

Clause 20 authorises the Minister to transfer any part of the business undertaking of GIO to GIO subsidiaries to establish an appropriate corporate structure.

Clause 21 authorises the Minister to make a similar transfer from a GIO subsidiary to another such subsidiary or to GIO.

Clause 22 provides for the allocation of transferred undertakings to capital or reserves.

Clause 23 provides that the power to direct transfers ceases if GIO is no longer wholly Government owned.

PART 5—EXCLUSION OF BUSINESS UNDERTAKING FROM GIO OR GIO SUBSIDIARY

Clause 24 authorises the Minister to exclude any business undertaking from GIO or a GIO subsidiary and transfer it to a specially constituted Ministerial Corporation or other person on behalf of the State.

Clause 25 provides that the power to exclude undertakings ceases if GIO is no longer wholly Government owned.

Clause 26 authorises the Ministerial Corporation or other body to which any excluded undertaking is transferred to hold it or to sell or otherwise dispose of it.

Clause 27 authorises the Ministerial Corporation or other person to enter into an agreement with GIO or a GIO subsidiary for the continued management of any excluded undertaking.

Clause 28 constitutes the NSW Insurance Ministerial Corporation.

PART 6—SALE OF GIO BY PUBLIC FLOAT AFTER CONVERSION INTO PUBLIC COMPANY

Clause 29 authorises the Minister to make arrangements for the sale of GIO by public float, comprising the disposal of the shares issued to the State and the issue of shares by GIO after its conversion to repay the specially created debt to the State.

Clause 30 authorises the Minister (subject to the proposed Part) to dispose of the State's shares in GIO.

Clause 31 provides that the maximum shareholding of any one person or body in the initial offer of shares in the public float is 10%.

Clause 32 requires the proceeds of sale to be paid into the Consolidated Fund. The proceeds will include the payments for the disposal of the shares, the repayment of the specially created debt in GIO and specified sales of excluded undertakings.

Clause 33 protects the money owing to the State from the proceeds of the public float.

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**PART 7—SPECIAL PROVISIONS APPLYING TO GIO DURING PERIOD
AFTER CONVERSION INTO PUBLIC COMPANY AND PRIOR TO
DISPOSAL OF STATE'S MAJORITY SHAREHOLDING**

Clause 34 provides that the proposed Part applies during any period after the conversion when the State retains a majority of the shares in GIO.

Clause 35 places the board of directors of GIO under Ministerial control.

Clause 36 declares, for constitutional, taxation and related purposes, that GIO and relevant subsidiaries are the agencies through which the State engages in State insurance.

Clause 37 applies certain provisions of the State Owned Corporations Act 1989 to GIO, such as those relating to accountability, affirmative action etc.

PART 8—VESTING OF UNDERTAKING ON TRANSFER ETC.

Clause 38 provides that the proposed Part applies whenever an order is made under the proposed Act transferring any business undertaking.

Clause 39 effects a statutory transfer of assets, rights and liabilities and avoids the necessity for the execution of transfer documents.

Clause 40 preserves the rights of staff of GIO transferred to a GIO subsidiary during the reorganisation of GIO prior to sale.

Clause 41 enables a transfer order to specify the consideration for the transfer and the values at which assets etc. are transferred.

PART 9—MISCELLANEOUS

Clause 42 declares that the Act binds the Crown.

Clause 43 prohibits the disclosure of confidential information about the affairs of individual customers of GIO or a GIO subsidiary.

Clause 44 exempts from stamp duty and other State taxes documents executed in connection with the conversion of GIO into a public company.

Clause 45 relates to evidentiary certificates with respect to transfer orders and other matters under the proposed Act.

Clause 46 confers power to make regulations, including savings and transitional regulations.

Schedule 1 contains savings and transitional provisions consequent on the Conversion. In particular

Clause 1 dissolves the existing GIO Board on the conversion of GIO.

Clause 2 modifies the application to GIO of certain provisions of the Corporations Law because of its conversion, eg. while the State holds the shares in GIO it is to have the usual 5 members as a public company.

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Clause 3 makes transitional arrangements with respect to audit for the completed part of the financial year at the time of the conversion.

Clause 4 saves tax-equivalent payments payable by GIO before its conversion and provides for such payments until the sale.

Clause 5 makes transitional arrangements with respect to contributors to State Superannuation schemes on the conversion.

Schedule 2 contains consequential amendments of other Acts.
