

# Basel III sends IAG back to hybrid market

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"They are coming back to the market with a security that is compliant," RBS Morgan analyst James Lawrence said.

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Australian Securities & Investments Commission chairman Greg Medcraft also felt compelled to warn investors of the "pitfalls of more complicated products like hybrids", which can vary enormously from issue to issue.

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Separately, IAG chief executive Mike Wilkins has called on the government to restrict development in disaster-prone areas in the aftermath of one of the worst calendar years on record for the insurance industry.

"Development simply should not be allowed in areas of unacceptable risk," Mr Wilkins said in a conference speech on the Gold Coast yesterday. "It is important that all stakeholders are discouraged, through a price signal, from establishing new property in high-

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"We were looking to roll over our existing hybrid into a security that was as close to Basel III compliance as possible," a spokesman for IAG said.

Due to come into force on January 1 next year, the Basel III regulations seek to address capital adequacy shortcomings that

emerged in banks and insurance companies during the depths of the global financial crisis.

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But with almost \$6 billion raised in such a short time, the market is beginning to show signs of fatigue.

Two weeks ago AGL Energy was persuaded by its joint lead managers to improve the rate it

was offering by 40 basis points, and reports have emerged that other prospective issuers such as SP AusNet have been forced to delay their plans until investor appetite returns.

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The burst of hybrid capital raising has provided a handy fillip for a financial sector starved of growth options. Goldman Sachs, Macquarie Group, National Australia Bank, UBS and Westpac have acted as joint lead managers on the IAG deal, which opens to investors on March 27.

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"Development simply should not be allowed in areas of unacceptable risk," Mr Wilkins said in a conference speech on the Gold Coast yesterday. "It is important that all stakeholders are discouraged, through a price signal, from establishing new property in high-risk locations."

IAG subsidiary Cbus has been heavily criticised by Queensland floods commission earlier this week, with the claims processor the company described as "neither careful nor diligent".

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