

5.6 RESPONSIBILITY OF HFC FOR THE CONDUCT OF THE
HERITAGE COMPANIES

In a number of issues that have arisen during this hearing, fault has been found with the conduct of Heritage Life or Heritage General. In other issues where fault has been found it has not been possible to determine with certainty whether it was a Heritage company or HFC whose conduct was responsible.

HFC can take no comfort in those situations. The Heritage companies are the wholly owned subsidiaries of HFC. Mr. Wilson was at all relevant times the Chairman of all three companies and the statutory officer under the Commonwealth Insurance legislation for the Heritage companies. Mr. Hood, the general manager of both Heritage companies is also a Vice President of HFC. Mr. Shaw, the Chief Financial Officer for HFC is also the Chief Financial Officer for the Heritage companies and in his evidence Mr. Hood emphasised the reality of Mr. Shaw's role as such in the Heritage companies. (8445)

HFC staff perform many essential functions on behalf of Heritage. HFC staff account for a large proportion of the sales of Heritage insurance. They are responsible for assessing and collecting premiums, assessing and paying rebates and receiving claims and they issue all credit insurance policies other than Homelife Special policies.

Further, HFC has for some years been highly dependent on the earnings of the Heritage companies. In 1987 HFC would have recorded significant losses were it not for those earnings. In letters to HFC

staff Mr. Wilson exhorted HFC employees to promote the sale of Heritage products because they were so important to group profits.

From the above it is clear that HFC was at all times in a position not merely of control but of active direction of the Heritage companies.

From the point of view of assessing the likely nature of HFC's future conduct, it is, therefore, as relevant to examine how HFC directed, caused or permitted Heritage to conduct itself as it is to examine HFC's own conduct.