
The Parliament of the Commonwealth of Australia

Advisory Report on the Insurance Contracts Amendment Bill 2011

House of Representatives
Standing Committee on Economics

February 2012
Canberra

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ISBN 978-0-642-79615-8 (Printed version)

ISBN 978-0-642-79616-5 (HTML version)

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Chair's foreword

The floods of 2010-11 were a devastating blow to many communities with lives lost and homes and property destroyed. In the aftermath, the tragedy and devastation was made worse when many people found that they were under insured or their insurance policies did not provide cover. In many cases, people thought they were insured only to be advised that their policies did not provide for the types of floods that occurred. The discovery that homes were not adequately insured against the floods was devastating for families.

The Insurance Contracts Amendment Bill 2011 is part of suite of measures to address issues associated with flooding. The Bill is a technical piece of legislation which introduces, through schedule 1, a standard definition of flood and, through schedule 2, a Key Facts Sheet (KFS).

Both the standard definition of flood and the KFS are widely supported by both Industry and consumer groups. It is clear that consumer groups have wanted these measures and industry groups support them. The National Insurance Brokers Association (NIBA), RACQ Insurance, the Insurance Council of Australia, and the Consumer Action Law Centre all indicated that they support both measures.

The Bill provides the framework for the introduction of the standard definition and the KFS. Once the Bill is passed the regulations prescribing the standards definition and the KFS will be introduced.

The Treasury has issued draft regulations on the standard definition and will soon issue a discussion paper on the KFS. The committee's roundtable public hearing provided a constructive forum to gauge the adequacy of Treasury's performance in consulting on the standard definition and the KFS. The committee is reassured by the constructive dialogue between the Treasury, industry groups and consumer

groups and believes that the technical points raised during the hearing can be successfully dealt with as the regulations are further developed.

The committee concludes that the Insurance Contracts Amendment Bill 2011 is an important piece of legislation that should be passed.

I would like to thank the organisations that assisted the committee during the inquiry through submissions or participating in the hearing in Canberra. I also thank my colleagues on the committee for their contribution to the report.

Julie Owens MP
Chair



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Membership of the Committee

Chair	Ms Julie Owens MP
Deputy Chair	Mr Steven Ciobo MP (from 13 February 2012) Ms Kelly O'Dwyer MP (until 13 February 2012)
Members	Mr Scott Buchholz MP Mr Stephen Jones MP Dr Andrew Leigh MP Ms Kelly O'Dwyer MP Mr Tony Smith MP (until 7 February 2012) Mr Craig Thomson MP

Committee Secretariat

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Terms of reference

On 24 November 2011 the Selection Committee requested the Committee to inquire into and report on the Insurance Contracts Bill 2011.

Under Standing Order 222(e), the House is taken to have adopted the Selection Committee's reports when they are presented.



List of abbreviations

CALC	Consumer Action Law Centre
HBHC	Home Building and Home Contents (combined and individual)
IC Act	<i>Insurance Contracts Act 1984</i>
ICA	Insurance Council of Australia
ICR	Insurance Contracts Regulations 1985
KFS	Key Facts Sheet
NIBA	National Insurance Brokers Association
PDS	Product Disclosure Statement
RIS	Regulation Impact Statement
this Bill	Insurance Contracts Amendment Bill 2011



Recommendation

2 Analysis of the Bill

Recommendation 1

The committee recommends that the House of Representatives pass the Insurance Contracts Amendment Bill 2011.