

Senate Economics Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Supplementary Budget Estimates

2014 - 2015

Department/Agency: Treasury

Question: SBT 4333

Topic: Foreign insurance

Reference: Hansard page no. 22 - 31 October 2014

Senator: Dastyari, Sam

Question:

Senator DASTYARI: I have one final question, going back to what we were talking about earlier. Outside the context of northern Queensland—which we all admit is a unique circumstance, and the government is trying to find a policy response to a challenge—right now there is nothing stopping me, if I am buying a house on, say, the Nepean River, the Liverpool Plains or wherever, which is a higher flood area of Sydney, Melbourne or whatnot, going to my broker and getting them to find a foreign insurer who will undercut an Australian competitor. There is nothing stopping me doing that if I can demonstrate that I have a higher risk or that I fall into those categories. Is that correct?

Ms Quinn: There has to be a demonstration that the situation meets one of the three exemptions that I outlined earlier.

Senator DASTYARI: But the demonstration is only to the broker, and the broker does not have to inform anyone that they have made that determination.

Ms Quinn: I can take on notice the exact mechanisms between the broker and the purchaser.

Senator DASTYARI: Yes, if you can. I know some of these are done by ASIC, so there is a bit of overlap in between you and ASIC.

Ms Quinn: There are regulatory arrangements through APRA and there are regulatory arrangements through ASIC, so I am happy to take on notice how they work.

Answer:

4333. Current regulatory arrangements allow for access to unauthorised foreign insurers in circumstances including where a broker certifies in writing that the risk insured cannot reasonably be placed with an Australian insurer. Brokers may make that certification where they are satisfied that the terms (including price) on which any Australian insurer will insure against the risk are substantially less favourable to the insured than the terms on which the unauthorised foreign insurer will insure against the risk. Brokers must make reasonable inquiries into these matters and keep written records of their inquiries and their reasons for being satisfied that the conditions are met. Failure to discharge these obligations may affect the financial services licence of the broker under Part 7.6 of the *Corporations Act 2001*, for which ASIC has portfolio responsibility.