

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

REVIEW OF THE FOUR MAJOR BANKS AND OTHER FINANCIAL INSTITUTIONS
INSURANCE SECTOR

AON (Aon Risk Services Australia Limited)

Response dated: 10 April 2020

AON01QW:

To what extent do your insurance policies for small business cover notifiable diseases under:

(a) The *Biosecurity Act 2015* (Cth)? And if not, why not?

(b) The *Quarantine Act 1908* (Cth)? And if not, why not?

(c) What differences are there between what is covered under the *Biosecurity Act 2015* (Cth) and the *Quarantine Act 1908* (Cth)?

(d) Are there any differences that apply based on the policies related to diseases covered under either?

Answer:

Aon Risk Services Australia Limited ABN 17 000 434 720AFSL 241141 (**Aon**) is not an insurer or product issuer.

Aon is a provider of insurance broking and risk services including to small business clients. Aon is part of the Aon Group, which is a global leader in the provision of insurance, reinsurance, risk and employee benefit services.

Aon's answers to each of the above questions is accordingly "not applicable". Aon, however, provides the following commentary as an insurance broker regarding cover for notifiable diseases under policies available to small business clients in the Australian general insurance market.

Business Pack Policies

In that market, business pack policies (including broker wordings) typically include business interruption cover (**BI Cover**) where elected to be taken out by the insured.

While there are some differences in terms and conditions, the typical coverage available is as described below.

Typically BI cover needs to be triggered by: (a) “damage” at (b) “the insured premises”. An infectious disease, like COVID-19, does not cause damage and it does not normally occur at an insured premises.

However, the BI cover available in the Australian general insurance market also typically provides extended cover for closure or evacuation of an insured business by order of government, public authority in response to the outbreak of a human infectious or contagious disease within a specified distance of the insured premises (Closure or Evacuation Extension). That Extension is subject to an exclusion for diseases listed under the *Biosecurity Act 2015* (Cth), being the successor legislation to the *Quarantine Act 1908* (Cth).

Since COVID-19 was declared a listed human disease on 21 January 2020, the exclusion applies to deprive cover under the Extension.

Public Liability Policies

Public liability policies in the Australian general insurance market indemnify insureds against their liability to pay compensation to third parties for personal injury, including illness and disease and property damage.

There is typically no exclusion for liability for infectious diseases in Australian market wordings. It should be noted that such policies typically have conditions obliging insured’s to:

1. take reasonable precautions to prevent or minimise liability; and
2. make reasonable endeavours to comply with all statutory obligations and regulations.

Insurers’ rights to rely on such conditions is limited by section 54 of the *Insurance Contracts Act*, which is subject to the insurer proving that the breach of the condition was causative of the loss.