

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

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

Allianz Australia

ALZ03QW: 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?

Background: Allianz Australia Insurance Limited (**Allianz**) offers a number of different insurance options for small business, with policies tailored to suit the nature of individual small businesses and their insurance needs. Our insurance policies can cover:

1. Business interruption
2. Management liabilities (includes directors' and officers' insurance, employee practices liability, employee dishonesty)
3. Commercial motor
4. Property damage
5. Theft
6. Breakdown in electronic equipment
7. Machinery breakdown
8. Glass breakage
9. Property in transit
10. Public and products liability
11. Personal accident and sickness
12. Professional indemnity
13. Directors' and officers' liability
14. Workers compensation (privately underwritten) and those where insurers act as managing agents

Small businesses will often select a range of specific covers relevant to their business in a single package such as a Business Pack, Trades Pack or an Office Pack. These insurance packs may contain covers listed in items 1 to 10 above. Small businesses may also purchase covers listed in items 11 to 14 on a stand-alone basis.

Each of these types of insurance policies are designed to provide cover where specific events, perils or risks occur. For example, property damage insurance covers accidental physical loss or damage to a property as a result of specified events or perils. Insurance policies generally do not cover damage, loss or risk arising from certain widespread events such as war, terrorism, nuclear accidents and pandemics. This is because these events are difficult to price, with the resulting premiums very high and reinsurance coverage is not available. The exclusion of such events from insurance contracts is a standard industry practice.

Many of the covers listed above are not directly relevant to the risks associated with infectious diseases. The most relevant is the business interruption policy and our response is focussed on the cover offered under these types of policies.

We note that state-based workers compensation, personal accident and sickness and employee practices liability insurance may also cover infectious diseases. However, there is no express cover for infectious diseases under these insurance policies.

Answer (a): Business interruption insurance in an Allianz business package will provide cover for disruption to the business as a result of physical loss or damage to property and/or premises. In addition, business interruption insurance provides limited protection for the closure of a business by a public authority as a result of an infectious or contagious disease at the premises, or a notifiable human infectious disease at the premises, or

within a specified radius of the premises. As an example, an order relating to an outbreak of Legionnaires disease which may require closure of the premises.

The coverage intent of the infectious diseases cover is to provide insurance cover for a single event of an infectious disease at the insured's premises. The scope of insurance cover will depend on the terms of the particular business interruption insurance. The pricing of the policy (premium) takes into consideration a range of factors including the nature of the business, the premises and the location.

Business interruption insurance is not intended to cover a widespread outbreak of an infectious or contagious disease which is not connected with the premises or an outbreak of an infectious disease which has been notified or listed under the relevant legislation and/or is considered a notifiable human infectious disease. To reflect this intention, the business interruption insurance excludes cover for an outbreak due to Highly Pathogenic Avian Influenza or other disease declared to be a 'listed human disease' under the Biosecurity Act.

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

Answer (b): The cover for infectious disease (whether notifiable or listed) under business interruption insurance is intended to apply in the same manner to diseases listed under the *Quarantine Act* and the *Biosecurity Act*.

As such, Allianz refers to its response at (a) above and notes that there is no cover for an outbreak due to Highly Pathogenic Avian Influenza or other disease declared to be a 'quarantinable disease' under the *Quarantine Act* or a 'listed human disease' under the *Biosecurity Act*.

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

Answer (c): The subject matter of the legislation is broadly the same; being the regulation of specified infectious or contagious diseases and specifying the powers available to certain persons to take measures for the control, containment and eradication of infectious diseases. Both Acts include a provision for the Governor-General to make declarations to prevent or control outbreaks of listed infectious diseases in serious situations.

There are some differences in the two Acts, including in terminology. For example, a 'quarantinable disease' under the *Quarantine Act* is declared by proclamation by the Governor-General. In the *Biosecurity Act*, human diseases can be determined to be a 'listed human disease' by the Director of Human Biosecurity.

However, the legislative intent of the *Biosecurity Act* is to cover similar ground to the *Quarantine Act*, but with necessary updated mechanisms and extensions reflecting the advances in knowledge, treatment and management of health and security resources.

In particular, the purpose of the two Acts in allowing for the listing of certain infectious diseases and for emergency declarations by the Governor General are the same. Many of the diseases which were previously listed as a 'quarantinable disease' under the *Quarantine Act* are now also listed as a 'listed human disease' under the *Biosecurity Act*.

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

Answer (d): As outlined at (a) and (b) above, the intention of the infectious diseases cover under business interruption insurance is that the exclusion will apply in the same way in respect of both Acts.