

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

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

QBE

QBE01QW: *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: QBE Insurance Australia Limited (**QBE**) provides the following response in relation to the insurance products written by it that provide coverage for business interruption and travel.¹

Please note that for the purposes of this response:

- We have defined ‘small business cover’ as cover for an individual, partnership or company operating a business with total insurable asset values up to \$10 million.
- We note the concept of a ‘notifiable disease’ is not found in the *Biosecurity Act 2015 (Cth)* (the **Biosecurity Act**), the *Quarantine Act 1908 (Cth)* (the **Quarantine Act**), or in QBE’s business interruption or travel policies. However, we have interpreted the Committee’s questions to be focused on the current COVID-19 pandemic and respond on this basis.

BUSINESS INTERRUPTION

QBE’s business interruption (BI) cover is offered in combination with commercial property insurance and mainly sold as part of a ‘business pack’ of insurances, or under an industrial special risks (ISR) policy. BI cover is generally only triggered where the insured’s business is interrupted by physical damage to insured property at the business premises.

Business interruptions that occur for reasons other than physical damage to the business premises are also available. This can include a limited form of cover for infectious diseases (**infectious disease cover**) and applies where part or all of a business premises is closed by order of a government authority due to the presence of an infectious disease at or near the premises.

Infectious disease cover is limited and does not, however, provide cover for any disease declared to be a ‘quarantinable disease’ under the Quarantine Act, or as amended. Severe acute respiratory disease (SARS) was declared a ‘quarantinable disease’ under the Quarantine Act in 2003. The Biosecurity Act replaced the Quarantine Act in 2015. In 2016, SARS was determined to be a ‘listed human disease’ under the Biosecurity Act. In January 2020, human coronavirus with pandemic potential was also determined to be a ‘listed human disease’ under the Biosecurity Act.

¹ This response is limited to business interruption and travel insurance, as agreed by the Committee and confirmed by way of email dated 31 March 2020.

The World Health Organisation (WHO) has named the 2019 novel coronavirus which originated in Wuhan China COVID-19 and has identified it as a virus known as severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2).

The declaration of SARS as a quarantinable disease and human coronavirus with pandemic potential as a listed human disease effectively excludes business interruption losses caused by government ordered restrictions due to COVID-19 from QBE's infectious disease cover, regardless of whether the reference is to the Quarantine Act or the Biosecurity Act.

As such, in the context of the COVID-19 pandemic, there are no relevant differences between the cover provided by our policies regardless of which Act is referred to. This result is consistent with the intent of QBE's business interruption insurance as well as the intent of most other insurer's standard business interruption policies and is essential for the proper operation of the market.

Most insurers excluded infectious diseases with pandemic potential following an Australian Prudential Regulation Authority (**APRA**) pandemic 'stress test' in 2006. APRA provided a set of stress test parameters to all life and general insurers in Australia and asked that they estimate the potential claims impacts on their business.

This stress test provided an important initial benchmark for assessing the potential financial impact of a pandemic on the Australian insurance industry. Insurers most affected in terms of capital adequacy were shown to be those with large exposures to business interruption, consumer credit or travel insurance. As a result of this process, many insurers (including QBE) excluded cover for some products that were highly exposed to the risk of infectious diseases with pandemic potential.

TRAVEL

In May 2019, QBE completed the sale of its leisure travel insurance business to NIB. Subject to a small number of group insurance arrangements providing cover for individuals, QBE no longer provides leisure travel insurance. Transitional arrangements in relation to the sale are due to be finalised mid-2020.

QBE does continue to provide a small number of corporate travel insurance policies and our response to the Committee's questions with respect to travel relate to these policies.

These policies do not specifically refer to either the Biosecurity Act or the Quarantine Act. As such, they will provide cover according to their terms. This includes cover for the loss of deposits, cancellation and additional expenses, and emergency travel costs.