

Analysis of the Bill

Overview

- 2.1 There is wide support for the introduction of a standard definition of flood and a key fact sheet for home building and home contents insurance contracts. The submissions to the government's consultation paper, *Reforming Flood Insurance – Clearing the waters* demonstrated that there was wide support from industry and consumer groups for these two measures.
- 2.2 The Natural Disaster Insurance Review (NDIR) recommended that 'the Commonwealth Government introduce a standard definition of flood in the form proposed in the *Reforming flood insurance – Clearing the waters* consultation paper.'¹ In addition, the NDIR recommended that:
- ...in endorsing the Government proposal for a Key Facts Statement, the Key Facts Statement list replacement cover and all natural disaster events, identified as 'standard cover' in the Insurance Contracts Regulations 1985.
- That insurers issue a Key Facts Statement to policy holders with all new policies written and all policy renewals on an annual basis.²
- 2.3 The submissions to the committee's inquiry were also highly supportive of both a standard definition of flood and a key fact sheet (KFS). The
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1 Natural Disaster Insurance Review, *Inquiry into flood insurance and related matters, Executive Summary and Recommendations*, September 2011.

2 Natural Disaster Insurance Review, *Inquiry into flood insurance and related matters, Executive Summary and Recommendations*, September 2011, Recommendation 34 (KFS) and Recommendation 36 (Standard definition of flood).

National Insurance Brokers Association (NIBA) commented that ‘as a general statement we support both of the initiatives: the standard definition provisions in relation to flood and the key facts sheet.’³ Similarly, RACQ insurance supported both measures.⁴ The Insurance Council of Australia (ICA) commented that ‘we emphasise that we do strongly endorse both of the initiatives – the standard definition of flood and the key facts sheet’.⁵ In addition to the industry groups, the Consumer Action Law Centre (CALC) was also highly supportive of the initiatives. The CALC stated:

We understand that there is now broad agreement on the proposed definition of flood. This is something we strongly support. We believe that a standard definition will assist in reducing disputes about when someone who experienced a flood is or is not covered. Key facts sheets, which are designed to provide simple and accessible information about a policy so that a consumer does not have to wade through hundreds of pages of product disclosure, is also a good reform which, if implemented properly, will empower consumers in the marketplace to make more effective choices.⁶

- 2.4 While there is general support, some groups raised technical issues about the two key measures in the Bill which are examined in this chapter.

Proposed section 37C – Insurer must clearly inform insured whether prescribed contract provides insurance cover in respect of flood

- 2.5 Proposed section 37C of the Insurance Contracts Amendment Bill 2011 states:

37C Insurer must clearly inform insured whether prescribed contract provides insurance cover in respect of flood

Before entering into a prescribed contract, the insurer must clearly inform the insured in writing whether the contract provides insurance cover in respect of loss or damage caused by, or resulting from, flood as defined by the regulations.

3 Mr Mark Radford, NIBA, *Committee Hansard*, Canberra, 8 February 2012, p. 1.

4 Mr Christopher Walsh, RACQ, *Committee Hansard*, Canberra, 8 February 2012, p. 2.

5 Mr John Anning, ICA, *Committee Hansard*, Canberra, 8 February 2012, p. 2.

6 Mr Gerard Brody, CALC, *Committee Hansard*, Canberra, 8 February 2012, p. 2.

Application to new policies, renewals, extensions, variations and reinstatements

- 2.6 Insurance groups raised concerns that proposed section 37C will require them to advise insureds of their flood insurance cover every time a variation is made to their insurance policy.
- 2.7 The RACQ notes that under proposed section 37C there is a requirement that insurers clearly inform the insured in writing as to whether the contract of insurance provides cover in respect to flood. The RACQ notes that 'insurers would be required to send the customer a Product Disclosure Statement (PDS) at renewal and also in the event of a policy variation.'⁷ The RACQ is critical of this noting that 'this approach would be impractical and excessive in the context of the requirements that presently exist in section 11(9) of the *Insurance Contracts Act 1984*.'⁸ (IC Act)
- 2.8 The RACQ notes that the requirement to comply with proposed section 37C could be required by any variation to the policy even if it was unrelated to the flood provisions of the policy. The RACQ states:
- By way of example, following the renewal of an existing policy, a customer contacts their insurer to specify an item of jewellery. Whilst there has been a change in the risk, this variation would bear little consequence to the provision of flood cover.
- Despite this, under the current proposal a PDS would be required to be sent to the customer, essentially for the sole purpose of providing disclosure regarding flood coverage.⁹
- 2.9 The Insurance Council of Australia (ICA) raised similar concerns. The ICA advised that 'by virtue of section 11(9) of the IC Act, the requirement imposed by proposed section 37C would apply not only to new policies but also to renewals, extensions, variations and reinstatements of the contract of insurance.'¹⁰ Section 11(9) of the *Insurance Contracts Act 1984* states:

Section 11(9) – Insurance Contracts Act 1984

- (9) *Subject to subsection (10), a reference in this Act to the entering into of a contract of insurance includes a reference to:*
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7 RACQ Insurance, *Submission 3*, p. 2.

8 RACQ Insurance, *Submission 3*, p. 2.

9 RACQ Insurance, *Submission 3*, p. 2.

10 Insurance Council of Australia, *Submission 4*, p. 1.

- (a) *in the case of a contract of life insurance—the making of an agreement by the parties to the contract to extend or vary the contract;*
- (b) *in the case of any other contract of insurance—the making of an agreement by the parties to the contract to renew, extend or vary the contract; or*
- (c) *the reinstatement of any previous contract of insurance.*

2.10 In relation to section 11(9), the ICA stated:

It is unnecessarily onerous to require a general insurer to inform the insured in writing in all these circumstances. For example, an individual may take out a home contents insurance policy and would be informed, in writing, whether the contract provides insurance cover in respect of loss or damage caused by/resulting from flood. If the insured then contacts their insurer the next day to vary the contract by adding an additional item to the policy, under the proposed section 37C the insurer would be required to again inform the insured, in writing, whether the contract provides insurance cover in respect of loss or damage caused by/resulting from flood.¹¹

2.11 In proposing a solution, the ICA stated:

This issue can be overcome with an amendment so that the words "before entering into a prescribed contract" in section 37C are dealt with in a similar way to the current sections 35 and 37 under subsection 11(10) of the IC Act. That is, the insurer should only be required to clearly inform the insured whether the prescribed contract provides insurance cover in respect to flood (as defined by the Regulations):

- at or before initially entering into a contract;
- at or before the first renewal, variation, extension or reinstatement of the contract after the amending legislation commences; and
- at or before any renewal or variation but only where the renewal or variation changes the extent of flood cover.¹²

2.12 During the roundtable public hearing, the Treasury acknowledged that its interpretation of the current provisions is consistent with the concerns being raised by industry. The Treasury advised that 'we are looking at whether some changes might need to be made to those provisions.'¹³

11 Insurance Council of Australia, *Submission 4*, p. 1.

12 Insurance Council of Australia, *Submission 4*, p. 2.

13 Ms Sue Vroombout, Department of the Treasury, *Committee Hansard*, Canberra, 8 February 2012, p. 3.

- 2.13 The ICA noted its concern about the possible requirement to clearly inform with every variation to a contract. The ICA stated:

To the extent of flood cover, we have certainly agreed that the obligation is appropriate when the contract is first being entered into; certainly also when the contract is renewed, varied, reinstated after the standard definition comes into force, or if there is a renewal or variation which affects flood cover. But given that in Australia the risk of flood is really only present for five to 10 per cent of the population—I think that is the figure used by the National Disaster Insurance Review—to have a very onerous obligation to clearly inform in writing of flood cover at all those touch points is unnecessary.¹⁴

- 2.14 In response to the issues raised at the hearing, the Treasury stated:

This will ultimately be a matter for government decision. I guess our thinking is around something along the lines of what is already in section 11(10) as the circumstances where ‘clearly informed’ would be necessary in relation to flood cover. So it is not required for renewals, extensions and reinstatements provided they do not involve a significant variation of the contract. What we are saying is that if there is a significant variation to the contract then the clearly inform obligation should apply.¹⁵

Conclusion

- 2.15 Insurance groups were concerned that proposed section 37C would require them to advise insureds of their flood insurance cover every time a variation is made to their insurance policy. For example, if a consumer varied their policy by including a new item of jewellery then the insurance company would need to provide advice of the consumers flood insurance cover. During the hearing, the Treasury acknowledged that this interpretation was correct and, therefore, could lead to unintended consequences. Treasury was therefore examining ways to respond to this concern.. Treasury noted that section 11(10) of the *Insurance Contract Act 1984* may provide a possible solution.
- 2.16 This matter was dealt with effectively at the roundtable public hearing. Treasury are aware of the need to provide an effective solution which

14 Mr John Anning, ICA, *Committee Hansard*, Canberra, 8 February 2012, p. 4.

15 Ms Sue Vroombout, Department of the Treasury, *Committee Hansard*, Canberra, 8 February 2012, p. 4.

balances the needs of consumers and insurers. The committee is confident that the level of consultation as demonstrated in the hearing will provide a strong foundation to achieve an effective outcome.

Proposed section 37D – Circumstances in which prescribed contract is taken to provide insurance cover etc in respect of flood

2.17 Proposed section 37D of the Insurance Contracts Amendment Bill 2011 states:

37D Circumstances in which prescribed contract is taken to provide insurance cover etc. in respect of flood

- (1) *This section applies in relation to a prescribed contract that includes provisions (**flood provisions**) that provide insurance cover in respect of loss or damage caused by, or resulting from, one or more flood events (whether or not the contract expressly provides insurance cover for flood as defined by the regulations).*
- (2) *The prescribed contract is taken to provide insurance cover in respect of loss or damage caused by, or resulting from, flood as defined by the regulations.*
- (3) *The insurer under the prescribed contract may not refuse to pay a claim in respect of loss or damage caused by, or resulting from, the happening of a flood event by reason only that, but for subsection (2), insurance cover in respect of loss or damage caused by, or resulting from, that event was not provided by the contract.*
- (4) *If the prescribed contract includes provisions (also **flood provisions**) that provide different maximum amounts of insurance cover in respect of different flood events, the prescribed contract is taken to provide a maximum amount of insurance cover in respect of loss or damage caused by, or resulting from, flood, as defined by the regulations, equal to the highest maximum amount (the **maximum flood cover amount**) of insurance cover provided by the contract in respect of any flood event.*
- (5) *The insurer under the prescribed contract may not refuse to pay an amount equal to the maximum flood cover amount in relation to a claim in respect of loss or damage caused by, or resulting from, the happening of a flood event by reason only that, but for subsection (4), the maximum amount of insurance cover provided by the contract in respect of loss or damage caused by, or resulting from, that event was less than the maximum flood cover amount.*
- (6) *This section has effect in relation to a prescribed contract whether or not the insurer clearly informed the insured of the purported effect of the flood provisions in the contract.*
- (7) *In this section:*

***flood event** means an event that is, or would be, a flood as defined by the regulations.*

2.18 The ICA sought clarification on proposed section 37D. The ICA advised that:

- Insurance policies providing flood cover commonly include:
 - ⇒ an exclusion for flood damage which occurs within the first 72 hours of a policy first being issued;
 - ⇒ exclusions for specific items of high risk property such as sea walls, jetties and pontoons; and
 - ⇒ general exclusions that apply to all types of loss under the property such as where the home does not comply with building laws and regulations or a flood that was the result of malicious or deliberate damage to a dam.¹⁶

2.19 The ICA advised that its members 'are concerned that section 37D as currently worded would operate to prohibit any limitation on the operation of the standard definition of flood.'¹⁷ The ICA concluded that 'such a result would be clearly unreasonable and we would appreciate consideration being given to how the wording of this section could be clarified.'¹⁸

2.20 The Treasury was scrutinised on this issue and advised that it was not the intention of the legislation to disallow exclusions. The Treasury stated:

That is not the intention of the bill and it is not our view of the legal effect of the bill. Our view of the legal effect of the bill is that it would allow those sorts of exclusions – the 72 hours and the sorts of provisions around attached structures such as jetties and the like. We believe that the legal effect of the bill is that it would allow those sorts of exclusions.¹⁹

2.21 The Treasury indicated that it would make this clarification in the Explanatory Memorandum. The ICA commented that 'it is a serious issue for our members, so if Treasury is taking it on to clarify it, that it is very welcome.'²⁰

16 Insurance Council of Australia, *Submission 4*, pp. 2-3.

17 Insurance Council of Australia, *Submission 4*, p. 3.

18 Insurance Council of Australia, *Submission 4*, p. 3.

19 Ms Sue Vroombout, Department of the Treasury, *Committee Hansard*, Canberra, 8 February 2012, p. 4.

20 Mr John Anning, ICA, *Committee Hansard*, Canberra, 8 February 2012, p. 4.

Interaction of proposed section 37D and the standard definition of flood

2.22 During the hearing, the ICA sought clarification on the interaction of proposed section 37D and the proposed standard definition of flood. The ICA noted that 'if you have an insurer who is offering coverage under storm, there may be certain things under storm that are covered that are deemed to be under flood and therefore you may be forced to cover complete flood when your intent was only to cover, say, escape of water from stormwater drains.'²¹ The ICA stated:

Perhaps a practical example is the best way to explain it: an insurer would not want to risk offering escape of water from stormwater channels in their storm cover as a stormwater channel may be considered a canal under the definition of flood. The insurer would therefore, under section 37D, be deemed to have offered complete flood cover even when their intent was not to do so. So the effect of the provision may be to make insurers think very carefully about what they include under stormwater coverage when in fact they are looking at excluding flood for fear that if they include some stuff under stormwater coverage, that falls within the definition of flood and then they will automatically be seen to cover all of it.²²

2.23 The NIBA commented that 'from the perspective of the brokers advising the clients, the concern would be, if that became an issue, that insurers would then potentially take away the storm cover in that circumstance so that they are not exposed to the full flood cover.'²³

2.24 The Treasury acknowledged that as part of its consultation on the standard definition of flood the issue of 'man-made watercourses and what is or is not covered in the definition of flood is one that has been raised with us in submissions on the draft regulations.'²⁴ The Treasury stated:

Those sorts of issues I think we will be discussing in further detail as we go through the consultation process on the regulations, but it is an issue that has been squarely raised with us in the context of the regulations. The standard definition that we are consulting on

21 Mr Andrew Yeend, ICA, *Committee Hansard*, Canberra, 8 February 2012, p. 5.

22 Mr Andrew Yeend, ICA, *Committee Hansard*, Canberra, 8 February 2012, p. 5.

23 Mr Mark Radford, NIBA, *Committee Hansard*, Canberra, 8 February 2012, p. 6.

24 Ms Sue Vroombout, Department of the Treasury, *Committee Hansard*, Canberra, 8 February 2012, p. 5.

says it covers canals; the explanatory statement to the regulations says it does not cover man-made watercourses. The issue or question that has been put to us is that there might be some kinds of watercourses that could meet both the definition of canal and the definition of man-made watercourse and I think that issue we need to, as I say, work through in the consultation process on the draft regulations.²⁵

Conclusion

- 2.25 The committee's examination of the interaction of proposed section 37D and the standard definition of flood has helped to raise a potential issue regarding the level of coverage provided by insurers. The ICA noted that if you have an insurer who is offering coverage under storm, there may be certain things under storm that are covered that are deemed to be under flood and therefore the insurer may be forced to cover complete flood when its intentions were only to cover, for example, escape of water from stormwater drains.
- 2.26 The Treasury noted this concern and indicated that as part of current consultation on the standard definition of flood it would need to take this into account. Again, there was confidence by the industry groups at the roundtable hearing that the Treasury would take a constructive approach to dealing with this as part of their consultations.

Proposed section 33C – Insurers obligation to provide Key Fact Sheet

- 2.27 Proposed section 33C of the Insurance Contracts Amendment Bill 2011 states:

33C Insurer's obligation to provide Key Facts Sheet

- (1) An insurer must provide a Key Facts Sheet for a prescribed contract, or a potential prescribed contract, in the circumstances, and in the manner, prescribed by the regulations.*
- (2) Regulations made for the purposes of subsection (1) may prescribe circumstances in which a Key Facts Sheet may or must be provided by electronic means. The regulations have effect despite subsection 77(1).*

25 Ms Sue Vroombout, Department of the Treasury, *Committee Hansard*, Canberra, 8 February 2012, p. 5.

(3) *The regulations may prescribe exceptions to the requirement in subsection (1).*

Note: A defendant bears an evidential burden in relation to a matter prescribed for the purposes of subsection (3) (see subsection 13.3(3) of the Criminal Code).

(4) *The following provisions do not apply in relation to the requirement in subsection (1):*

(a) *subsection 11(11);*

(b) *section 69.*

Offence

(5) *An insurer commits an offence if:*

(a) *the insurer is subject to a requirement under subsection (1); and*

(b) *the insurer engages in conduct; and*

(c) *the conduct contravenes the requirement.*

Penalty: 150 penalty units.

The provision of insurance quotations and the need to provide a KFS

2.28 The RACQ has interpreted proposed section 33C(1) to mean 'that a KFS will be required to be provided in writing to a customer at the time of a quotation.'²⁶ The RACQ is concerned about this because a large number of informal quotations are made over the phone so that customers can determine their possible premium. The RACQ believe that this process will become inefficient if a KFS is required to be provided with every quotation. The RACQ state:

The introduction of a regime which requires insurers to send a KFS (and other associated paperwork) to the customer would add significant cost to the new business quotation process by virtue of the increased processing time and documentation required.

Ultimately, insurers would be forced into a position where these additional acquisition costs would be passed onto the consumer.²⁷

2.29 The RACQ supports the need to provide a KFS when the consumer is approaching the point of purchasing a new insurance contract. The NIBA commented that 'if everyone is trying to wait until the KFS has been delivered then, in certain urgent cases, people might not have the insurance they would otherwise get as part of the process.'²⁸ The ICA stated:

26 RACQ Insurance, *Submission 3*, p. 1.

27 RACQ Insurance, *Submission 3*, pp. 1-2.

28 Mr Mark Radford, NIBA, *Committee Hansard*, Canberra, 8 February 2012, p. 7.

Going back to a practical example which could arise is, if I am buying a house and I want to get insurance on a house straightaway in order to protect my purchase, then in that situation I would want to make sure that I can get insurance straightaway. I would not want to the insurer saying to me, 'Oh, we can't provide it to you until we give you this key facts sheet.'²⁹

- 2.30 The Treasury acknowledged that this interpretation of the legislation is accurate.³⁰ However, the Treasury advised that 'we are working through those sorts of issues in the development of the discussion paper on the key facts sheet and the explanatory memorandum indicates that there will be some flexibility around the provision of the key facts sheet, but always bearing in mind that the purpose of the key facts sheet is to help inform the consumer in making decisions about the insurance policy they are entering into.'³¹
- 2.31 The Treasury indicated that it would be issuing a discussion paper on the key fact sheets as part of its consultation strategy to ensure the key fact sheet achieves an effective outcome. Treasury advised that this issue would be included in the discussion paper.
- 2.32 The ICA concluded that 'the key part for us is that flexibility is delivered somehow in the use of the KFS.'³² The Treasury acknowledged this point stating:

Yes and I think the key issue for consultation is: is it the same sort of flexibility that is provided in 69D or is it some variant on that sort of flexibility, given the different nature of the key facts sheet and the different purpose of the key facts sheet? So you might not necessarily apply the same sort of flexibility as in 69D. It might be slightly different given the different purpose and nature of the key facts sheet.³³

29 Mr Andrew Yeend, ICA, *Committee Hansard*, Canberra, 8 February 2012, p. 8.

30 Ms Sue Vroombout, Department of the Treasury, *Committee Hansard*, Canberra, 8 February 2012, p. 6.

31 Ms Sue Vroombout, Department of the Treasury, *Committee Hansard*, Canberra, 8 February 2012, pp. 6-7.

32 Mr John Anning, ICA, *Committee Hansard*, Canberra, 8 February 2012, p. 7.

33 Ms Sue Vroombout, Department of the Treasury, *Committee Hansard*, Canberra, 8 February 2012, p. 7.

Conclusion

- 2.33 Insurance groups advised that the proposed legislation could require them to issue a key fact sheet (KFS) when an insurance quotation is required. The insurance groups noted that this could have disadvantages when consumers needed urgent advice. The Treasury was constructive in its advice advising that a proposed discussion paper on the KFS would include discussion of this matter with the aim of developing a response that meets the needs of insurers and consumers.

Size of Key Facts Sheet

- 2.34 The National Insurance Brokers Association (NIBA) supports the introduction of a standard definition of flood and a KFS. NIBA commented that ‘overall both initiatives will be of value to consumers.’³⁴
- 2.35 In relation to the proposal for a KFS, NIBA noted some reservations. NIBA stated:
- NIBA is concerned that a one page KFS will not be likely to assist clients in *properly* understanding the nature of the cover being offered by the insurer, or in comparing products being offered by different insurers. To do so would require a level of information that is not possible to include in such a short form document.³⁵
- 2.36 NIBA was concerned that ‘consumers may end up being misled or seek to rely on this document [KFS] as an explanation of the cover, rather than the PDS or the policy itself, and this can have significant consequences.’³⁶
- 2.37 In addressing this concern, NIBA concluded that the preferred ‘approach would be to have the KFS identify for clients the key concepts and differences relevant to such policies they need to be aware of and consider when reading PDSs.’³⁷

Conclusion

- 2.38 The committee notes that the Treasury will issue a discussion paper on the KFS and views about the format and substance can be raised as part of this process. As part of this consultation, the KFS will be subject to consumer testing.
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34 National Insurance Brokers Association, *Submission 2*, p. 2.

35 National Insurance Brokers Association, *Submission 2*, p. 10.

36 National Insurance Brokers Association, *Submission 2*, p. 10.

37 National Insurance Brokers Association, *Submission 2*, p. 10.

Compliance cost impact

2.39 The Explanatory Memorandum noted that the compliance cost impact would be medium. The EM stated:

The measures contained in this Bill are expected to increase compliance costs for industry. However, the compliance costs will be minimised by having a two year transition period from the date the regulations are made.³⁸

2.40 During the hearing, industry groups were examined on the potential costs of the measures. In relation to the standard definition, the ICA noted that there would be costs and benefits but overall the impact would be 'cost neutral.'³⁹

2.41 In relation to the costs associated with a KFS, the ICA stated:

There will be costs in relation to the facts sheet. We have raised those with members and provided there is electronic communication and realistic requirements around provision of the key fact sheet, we see those costs as being manageable.⁴⁰

Transition period

2.42 The Explanatory Memorandum states that 'the regulations in relation to the measures in this Bill (the standard definition of flood and the KFS) will commence two years after the day the regulations are made in respect of each of the measures.'⁴¹

2.43 CALC is concerned about the length of the transition period and recommends that the government ensure that 'it is as short as possible.' CALC stated:

While we recognise that insurers will need time to put processes in place to comply with the key facts sheet requirements, we query whether two years is necessary. We note that much shorter transition periods apply to the introduction of key facts sheets for

38 Explanatory Memorandum, Insurance Contracts Amendment Bill 2011, p. 4.

39 Mr John Anning, ICA, *Committee Hansard*, Canberra, 8 February 2012, p. 17.

40 Mr John Anning, ICA, *Committee Hansard*, Canberra, 8 February 2012, p. 17.

41 Explanatory Memorandum, Insurance Contracts Amendment Bill 2011, p. 3.

home loans (around six months) and credit cards (around 12 months).⁴²

- 2.44 In contrast to the concerns raised by CALC, the ICA was concerned that the transition period may not be long enough. The ICA stated:

Any new policy that is entered into or renewed at least 12 months after the date the Regulations are made will still be in force at the date that the standard definition of flood is deemed to apply.

Unless the content of the PDS contains the standard definition of flood at the time of the new business or renewal, at the end of the transition period the standard definition of flood will apply rather than the definition in the PDS.⁴³

- 2.45 In view of these issues, the ICA commented that 'in effect, this means insurers have less than 12 months to make the necessary changes to PDSs.' The ICA concluded that 'we strongly encourage the Government to consult further with the general insurance policy to determine a reasonable timeline for implementation.'⁴⁴

Conclusion

- 2.46 The regulations for the standard definition and the KFS will commence two years after they are made in relation to each measure. Industry groups would prefer a longer transition while the Consumer Action Law Centre would prefer a short transition. The existing timeframe provide a balance between these competing positions.

Overall conclusion

- 2.47 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.

42 Consumer Action Law Centre, *Submission 1*, p. 4.

43 Insurance Council of Australia, *Submission 4*, p. 4.

44 Insurance Council of Australia, *Submission 4*, p. 4.

- 2.48 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).
- 2.49 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.
- 2.50 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.
- 2.51 It is noted that there were no points raised in submissions or at the hearing that the Treasury was not already across or was taking steps to consider solutions.
- 2.52 The committee concludes that the Insurance Contracts Amendment Bill 2011 is an important piece of legislation that should be passed.

Recommendation 1

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

Julie Owens, MP
Chair
15 February 2012