



Australian Government

The Treasury

Financial System and Services Division
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Senator Sean Edwards
Legislation Committee Chair
Senate Standing Committees on Economics
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Parliament House
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Dear Senator

Supplementary Budget Estimates 2014-15 – Letter of correction to evidence

At the Supplementary Budget Estimates hearing of 31 October 2014, before the Economics Legislation Committee, I was asked about the coverage of the Financial Claims Scheme (the Scheme). Below is an extract from pages 17-18 of the Proof Committee Hansard:

Senator DASTYARI: ... Is it correct that consumers who take up policies with an unauthorised financial insurer are not able to access APRA supervised Financial Claims Schemes?

Ms Quinn: We are talking about general insurance products here, and the financial claims scheme does not cover the general insurance aspects.

Senator WONG: I just did not hear what was said. It does not cover the general insurance?

Ms Quinn: It covers life insurance but not general insurance. At the moment if a general insurance company was unfortunately to fail, there is no cover from the government for that circumstance. That would be the case whether they are domestic or foreign.

I wish to correct this evidence.

The Financial Claims Scheme does apply to certain categories of general insurance. However, the Scheme does not apply to life insurance policyholders.

Specifically in relation to general insurance, the Scheme applies to certain categories of policyholders with eligible insurance policies issued by general insurers supervised by APRA. It also applies to certain categories of third parties who are able to claim against a general insurer pursuant to a policy issued to another party by that insurer. The eligible claimants include:

- individuals who are Australian citizens or permanent residents;
- non-resident individuals who have insured against risks located in Australia;
- Australian-based small businesses, as defined in section 328-110 of the *Income Tax Assessment Act 1997*;

- Australian-based not-for-profit organisations; and
- trustees of Australian-based family trusts established to hold property for private residential purposes.

Insurance policies held by medium and large businesses are not covered by the Scheme unless the claim is under \$5,000.

The Scheme applies to any insurance policy issued by an APRA authorised general insurer, other than insurance policies excluded from the Scheme. Regulations made under the *Insurance Act 1973* specify the types of policies excluded from the Scheme:

- insurance policies required to be held under State/Territory law and protected through State/Territory arrangements, such as compulsory third party insurance and workers' compensation;
- insurance policies being pre-authorisation liabilities of a foreign general insurer;
- reinsurance and retrocession policies; and
- insurance policies being an indemnification of another policy.

I apologise for any inconvenience that my evidence may have caused the Committee.

Yours sincerely

Meghan Quinn
General Manager
Financial System and Services Division

4 November 2014