

## HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

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

#### AIG Australia

- AIG03QW:** 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:** General

AIG Australia offers a range of insurance products for small business, including bundled business pack insurance products incorporating various covers and single cover insurance products. The products variously can cover a policy holder's own physical loss, own financial loss or their liability to a third party. AIG Australia does not issue any workers compensation products.

In the context of this question, AIG Australia considers the most relevant AIG Australia products for small business are those products insuring a policy holder's own business interruption loss. The answers below relate to these products.

The questions refer to notifiable diseases but, considering the terminology of the legislation, AIG Australia has answered on the basis of listed human diseases for the *Biosecurity Act 2015* and quarantinable diseases for the *Quarantine Act 1908*.

Question (a)

AIG Australia's view is that there is no cover under our business interruption insurance products for small business for listed human diseases under the *Biosecurity Act 2015*

AIG Australia's business interruption insurance products provide cover for interruptions subject to conditions that include physical loss or damage to the

policy holder's insured property. An outbreak of a listed human disease does not constitute physical loss or damage.

An epidemic or pandemic is also outside the cover of any infectious disease extension (if applicable). Some business interruption insurance products have an extension for interruptions which are not contingent on physical loss, and the extension may provide cover for an outbreak of infectious or contagious diseases. However, the extended cover is intended for a localised outbreak at the insured situation or nearby and not for a wider epidemic or pandemic. The extensions exclude cover for specified diseases, by name of the disease or by reference to legislation, including the *Biosecurity Act 2015*.

AIG Australia also notes that this exclusion of cover is consistent with broadly accepted underwriting intention across the insurance market for business interruption insurance cover, particularly comparing the level of premiums charged to the scale of a pandemic.

For completeness, we also note that coverage for any particular claim depends on the product and the circumstances of the policy holder's claim.

Question (b)

Please refer to answer (a) above, which also applies to this question, except that the references to *Biosecurity Act 2015* are replaced by the *Quarantine Act 1908*.

Question (c)

The differences between what is covered depends on the legislation itself and what diseases have been listed as listed human diseases under the *Biosecurity Act 2015* and declared as quarantinable diseases under the *Quarantine Act 1908*.

Question (d)

AIG Australia's view is that there are no differences. As outlined in answer (a) and (b) above the intention is that there is no cover for listed human diseases or quarantinable diseases.

For completeness, we also note that coverage for any particular claim depends on the product(s) and the circumstances of the policy holder's claim.