

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

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

Insurance Australia Group

IAG04QW: To what extent do your insurance policies for small business **not cover** notifiable diseases under:

(a) The *Biosecurity Act 2015* (Cth)? And if not, why not?

Answer: Notifiable diseases (or a 'listed human disease' under the *Biosecurity Act 2015* (Cth)) are excluded in certain coverage sections under some of our small business and rural / farm insurance policies. The relevant coverage sections for the relevant insurance policies are set out below:

Business interruption

Certain small business insurance policies sold through intermediaries by CGU, exclude loss resulting from business interruption directly or indirectly arising from or in connection with any human disease determined to be a 'listed human disease' under the *Biosecurity Act 2015* (Cth).

Certain industrial special risks insurance policies sold directly by CGU and WFI, and certain policies sold through intermediaries by CGU, exclude loss resulting from business interruption directly or indirectly arising from or in connection with any human disease determined to be a 'listed human disease' under the *Biosecurity Act 2015* (Cth).

Personal accident & illness exposure (WFI only)

Certain small business insurance policies sold directly by WFI and the WFI Rural Plan insurance policy do not provide cover for bodily injury, inability to work or death which is attributable wholly or in part to any 'listed human disease' under the *Biosecurity Act 2015* (Cth).

Legal liability (WFI only)

Certain small business insurance policies sold directly by WFI and the WFI Rural Plan insurance policy do not provide cover for a liability for Personal Injury or Damage to Property directly or indirectly caused by or arising out of or in connection with any 'listed human disease' under the *Biosecurity Act 2015* (Cth).

Rationale for exclusion

The exclusion for notifiable diseases was first introduced in business interruption policy wordings following the SARS (Severe Acute Respiratory Syndrome) outbreak in 2003.

This change was driven globally by reinsurers as they held a view that a global pandemic outbreak in the future was unquantifiable from an aggregated loss perspective and had the potential to severely stress/collapse the global insurance/reinsurance industry.

The nature of the potential losses means that insurers are not able to collect adequate premiums and there is also the likelihood that insurers' capital position would be insufficient to cover these types of events.

IAG04QW: To what extent do your insurance policies for small business **not cover** notifiable diseases under:

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

Answer: Notifiable diseases (or a 'quarantinable disease' under the *Quarantine Act 1908* (Cth) and subsequent amendments) are excluded in certain coverage sections under some of our small business and rural / farm insurance policies. The relevant coverage sections for the relevant insurance policies are set out below:

Business interruption

Certain small business insurance policies sold directly by NRMA Insurance, SGIO and SGIC, and certain policies sold directly and through intermediaries by CGU, exclude loss resulting from business interruption directly or indirectly arising from or in connection with any diseases declared to be a 'quarantinable disease' under the *Quarantine Act 1908* (Cth) and subsequent amendments.

Certain industrial special risks insurance policies sold directly by WFI, and certain policies sold directly and through intermediaries by CGU, exclude loss resulting from business interruption directly or indirectly arising from or in connection with any diseases declared to be a 'quarantinable disease' under the *Quarantine Act 1908* (Cth) and subsequent amendments.

Personal accident & illness exposure (WFI only)

Certain small business insurance policies sold directly by WFI and the WFI Rural Plan insurance policy do not provide cover for bodily injury, inability to work or death which is attributable wholly or in part to a disease declared to be a 'quarantinable disease' under the *Quarantine Act 1908* (Cth) and subsequent amendments.

Legal liability (WFI only)

Certain small business insurance policies sold directly by WFI and the WFI Rural Plan insurance policy do not provide cover for a liability for Personal Injury or Damage to Property directly or indirectly caused by or arising out of or in connection with a disease declared to be a 'quarantinable disease' under the *Quarantine Act 1908* (Cth) and subsequent amendments.

Rationale for the exclusion

The exclusion for notifiable diseases was first introduced in business interruption policy wordings following the SARS outbreak in 2003.

This change was driven globally by reinsurers as they held a view that a global pandemic outbreak in the future was unquantifiable from an aggregated loss perspective and had the potential to severely stress/collapse the global insurance/reinsurance industry.

The nature of the potential losses means that insurers are not able to collect adequate premiums and there is also the likelihood that insurers' capital position would be insufficient to cover these types of events.

IAG04QW:

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

Answer:

There are no differences between what is covered under the *Biosecurity Act 2015* (Cth) or the *Quarantine Act 1908* (Cth).

IAG04QW:

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

Answer:

There is no difference in relevant coverage depending on whether the policy is covered under the *Biosecurity Act 2015* (Cth) or the *Quarantine Act 1908* (Cth).