



Housing Loans Insurance Corporation (Transfer of Assets and Abolition) Repeal Bill 2006

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Contents

Purpose.	2
Background.	2
Main provisions.	2
Endnotes.	3

Housing Loans Insurance Corporation (Transfer of Assets and Abolition) Repeal Bill 2006

Date introduced: 13 September 2006

House: House of Representatives

Portfolio: Treasury

Commencement: This Bill only comes into effect if the transfer of the pre-transfer contracts occurs. In that event, this Bill will commence on the latter of two dates — either the day after Royal Assent or the transfer vesting day when declared.

Purpose

To repeal the *Housing Loans Insurance Corporation (Transfer of Assets and Abolition) Act 1996* as much of the Act is now redundant. Operative provisions in the repealed Act are included in the accompanying Housing Loans Insurance Corporation (Transfer of Pre-transfer Contracts) Bill 2006.

Background

Background to this legislation is included in the Bills Digest for the Housing Loans Insurance Corporation (Transfer of Pre-transfer Contracts) Bill 2006 (the Transfer Bill).

The Housing Loans Insurance Corporation (Transfer of Assets and Abolition) Repeal Bill 2006 (the Repeal Bill) repeals the Commonwealth's rights and obligations as owner of the pre-transfer contracts. It also repeals the Commonwealth's guarantee to meet payments arising under the contracts. The repeal of the current law in its entirety occurs on the same day as the Commonwealth vests its ownership of the remaining mortgage insurance contracts (the pre-transfer contracts) in a person in accordance with the Transfer Bill. The Bill further provides that a person can seek compensation from the Commonwealth if the repeal of the Commonwealth guarantee under the current law has the effect of involving an acquisition of property other than on just terms.

Main provisions

Item 1 of Schedule 1 repeals the *Housing Loans Insurance Corporation (Transfer of Assets and Abolition) Act 1996*. According to the Explanatory Memorandum, the repeal has no adverse effect on lenders holding an insurance contract that is still in force to which

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the HLIC was a party prior to its restructure and abolition in 1997.¹ In the event that these pre-transfer contracts are able to be vested in an acquirer, all obligations under the pre-transfer contracts will be met by the acquirer in whom the contracts are vested. In the event that vesting does not occur, the Repeal Bill does not commence. Ownership of the pre-transfer contracts will continue to be vested in the Commonwealth. All obligations arising under the contracts will continue to be paid by the Commonwealth.

Schedule 2 provides that compensation may be sought from the Commonwealth. Under the current law, the Commonwealth guarantees the payment of all money arising under the pre-transfer contracts. **Item 1** of **Schedule 2** provides that, if the repeal of the Commonwealth guarantee results in an acquisition of property from a person other than on just terms, then the Commonwealth will pay compensation to the person. If the person and the Commonwealth do not agree on the amount of the compensation, **item 2** of **Schedule 2** provides that the person may take the Commonwealth to court. Any amount that is payable in compensation is to be paid out of the Consolidated Revenue Fund (**item 3** of **Schedule 2**). Accountability to Parliament for making such a payment would be met through the Treasury Portfolio Budget Statements and the Treasury Annual Report.

Endnotes

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1. *Explanatory Memorandum*, Housing Loans Insurance Corporation (Transfer of Assets and Abolition) Repeal Bill 2006, p. 14.

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