



Mr Andrew Sellars
Corporations and Financial Services Division
Treasury
Langton Crescent
PARKES ACT 2600

25 February 2011

Dear Mr Sellars

INSURANCE CONTRACTS ACT TRANSITION PERIOD

The Insurance Council of Australia¹ (Insurance Council) refers to recent correspondence from Allianz Australia Insurance Ltd (Allianz) to you in relation to the transition period for the Insurance Contracts Act Amendment Bill yet to be introduced into Parliament. Our members agree with the issues raised by Allianz in relation to the inadequacy of the transitional arrangements.

As outlined in the Allianz submission, insurance contracts issued 6 months after Royal Assent will fall due for renewal after the 18 month transition period. The new duty of disclosure changes will apply on renewal.

The effect of that is that Product Disclosure Statements (PDSs), which currently state that section 21 applies on renewal, will be inconsistent with the new requirement (which will apply from the end of the transition period). Please see the enclosed graph which illustrates the problem.

Despite notionally having an 18 month transition period, insurers will need to time changes to their systems and documents so that documents issued 6 months after Royal Assent contain the new information. Given that revising a PDS is time consuming and that a large number of PDSs will need to be changed following amendment of the Insurance Contracts Act, the Insurance Council submits that it is necessary to reconsider the transition arrangements in order to ensure that they are workable.

If you have any questions or comments in relation to our submission please contact John Anning, Insurance Council's General Manager Policy, Regulation Directorate on tel: (02) 9253 5121 or email: janning@insurancecouncil.com.au.

Yours sincerely

A handwritten signature in black ink, appearing to be "R Whelan", written over a horizontal line.

Robert Whelan
Chief Executive Officer

¹. The Insurance Council of Australia is the representative body of the general insurance industry in Australia. Our members represent more than 90 percent of total premium income written by private sector general insurers. Insurance Council members, both insurers and reinsurers, are a significant part of the financial services system. September 2010 Australian Prudential Regulation Authority statistics show that the private sector insurance industry generates gross written premium of \$33.8 billion per annum and has total assets of \$101.5 billion. The industry employs approx 60,000 people and on average pays out about \$86 million in claims each working day.

Insurance Council members provide insurance products ranging from those usually purchased by individuals (such as home and contents insurance, travel insurance, motor vehicle insurance) to those purchased by small businesses and larger organisations (such as product and public liability insurance, professional indemnity insurance, commercial property, and directors and officers insurance).

