

29 June 2018

By email: terrorisminsurance@treasury.gov.au

Jacqui Roessgen
The Treasury
Langton Crescent
Parkes ACT 2600

Dear Ms Roessgen,

Submission: Terrorism Insurance Act Review 2018

Thank you for the opportunity to comment on Treasury's review of the Terrorism Insurance Act Review 2018. This submission makes brief comment on two aspects of the Terms of Reference:

- Regular enquiries: *whether there continues to be market failure in the private sector supply of terrorism insurance, and consequently whether there is a need for the Act to continue; and*
- Recently emerging issues: *the extent of coverage available for terrorism incidents causing harm to people including armed assault.*

While Consumer Action does not provide advice or assistance in relation to commercial insurance, in our view the broader coverage of terrorism events under domestic insurance is a relevant consideration in the continuation of the Australian Reinsurance Pool Corporation (**ARPC**) scheme. For the purposes of domestic insurance, whether or not an incident is defined as 'terrorism' can have a momentous impact on people's quality of life, financial security and families after the incident. We emphasise that there is a significant gap in insurance cover which most Australian are unaware of it.

About Consumer Action

Consumer Action is an independent, not-for profit consumer organisation with deep expertise in consumer and consumer credit laws, policy and direct knowledge of people's experience of modern markets. We work for a just marketplace, where people have power and business plays fair. We make life easier for people experiencing vulnerability and disadvantage in Australia, through financial counselling, legal advice, legal representation, policy work and campaigns. Based in Melbourne, our direct services assist Victorians and our advocacy supports a just market place for all Australians.



Terrorism-related cover under domestic insurance policies

We reviewed a selection of current Product Disclosure Statements (**PDSs**) of major brands of domestic insurance to assess whether they are likely to cover loss, damage, liability, costs, injury, illness or death caused by terrorism. We selected these brands based on market prominence and share, and, in some cases, how frequently we assist people in disputes with the relevant insurers. Our review was a sample size and obviously not exhaustive. We note that many of the brands are underwritten by a small number of large insurers.

The types of insurance reviewed include:

- life insurance, total and permanent disability (**TPD**) insurance and income protection (**IP**) insurance (11 brands),
- home insurance (ten brands), and
- travel insurance (ten brands).

A table of the PDSs reviewed is included in this submission.

Life, TPD and IP insurance

We note that life insurance products fall outside the ARPC scheme.

Several of the 11 major brands of life insurance products which we reviewed do not cover terrorism-related injury, illness, death or other loss. These include TAL, Qantas (IP insurance) and NRMA, all underwritten by TAL Life Limited. Most brands we reviewed, including Insuranceline (also underwritten by TAL) do not appear to exclude claims related to terrorism.

In our view, terrorism exclusions in life insurance products have the potential to cause significant distress and financial hardship if there is a terrorism event in which Australians are injured or killed. It is particularly concerning that Qantas is selling policies with a terrorism exclusion, when terrorism is a risk that many people have in mind when travelling to some locations. In our experience, other events which occur outside Australia will typically be covered by life insurance products.

Home insurance

We note that the majority of residential properties in Australia are likely to fall outside the ARPC scheme.

Most of the home building and/or contents insurance policies we reviewed exclude cover for loss, damage, liability or costs arising from terrorism. The major brands with some form of terrorism exclusion include Budget Direct (underwritten by Auto & General Insurance Company Limited), Coles, Woolworths, RACV and NRMA (underwritten by Insurance Australia Limited), QBE and Youi.

These exclusions vary in extent. For example, Budget Direct's home and contents policy excludes only contamination or pollution caused by certain forms of terrorism, while NRMA has a general exclusion for 'any act of terrorism that involves any biological, chemical, or nuclear pollution, contamination or explosion'.

The significance of these exclusions obviously depends heavily on the location, use and other risk factors of properties. Bearing in mind the intent of the ARPC scheme, we note that these exclusions could have a



significant impact on people's lives and livelihoods. This is particularly difficult to reconcile for mixed-use properties which fall outside the scheme.

Travel insurance

All of the travel insurance policies we reviewed contain terrorism exclusions. The brands reviewed include CGU (underwritten by Insurance Australia Group), NRMA (underwritten by Insurance Australia Group and Zurich), RACV (underwritten by Tokio Marine & Nichido Fire Insurance Company Limited), CoverMore, Coles and Flight Centre (underwritten by Zurich), QBE and Qantas (underwritten by QBE), Real Insurance (underwritten by Holland Insurance Company) and Allianz. The breadth of these exclusions vary. While terrorism risks overseas present significant underwriting challenges for insurers, it is unclear why the policy exclusions vary.

A summary table of all insurance PDSs reviewed in preparation for this submission is attached.

Please contact Susan Quinn at Consumer Action Law Centre on 03 9670 5088 or at susan@consumeraction.org.au if you have any questions about this submission.

Yours sincerely,

Consumer Action Law Centre



Gerard Brody
CEO



Domestic insurance policies – terrorism exclusions

Domestic insurance PDSs reviewed by Consumer Action Law Centre, June 2018.

Insurer	Exclusion	PDS link
Income protection, life insurance and/or total and permanent disablement insurance		
AMP	N	https://www.amp.com.au/content/dam/amp/digitalhub/common/Documents/Insurance/Productinfo/AMP_MyLife_Super_PDS.pdf
ANZ	N	https://www.wealth.anz.com/content/dam/anzwealth/pdfs/insurance/ANZ-Life-Insurance-PDS.pdf
CommInsure	N	https://www.commbank.com.au/personal/apply-online/download-printed-forms/CIL70-PDS-290310.pdf
InsuranceLine	N	https://www.insuranceline.com.au/~/_media/PDS/life-insurance-5-nov-pds.ashx
MLC	N	https://www.mlc.com.au/content/dam/mlc/fb/common/application-forms/84052_mlc_insurance_pds_brochure_combined.pdf
NRMA	Y	https://www.nrma.com.au/sites/nrma/files/nrma/policy_booklets/life_pds_0617_all.pdf
Qantas	Y	https://www.qantasassure.com/life-insurance/pds
Real	N	https://www.realinsurance.com.au/RealInsurance/media/documents/pds/income/real-insurance-income-pds.pdf
Suncorp	N	https://www.suncorp.com.au/content/dam/suncorp/insurance/suncorp-insurance/documents/life-and-income/life-protect/suncorp-life-protect-pds.pdf
TAL	Y	https://www.tal.com.au/~/_media/tal/files/pds/tal_lifetime_protection_pds.pdf
Woolworths	N	https://insurance.woolworths.com.au/content/dam/Woolworths/Insurance/Life/UsefulDocumentsLife/H2304%20Woolworths%20Life%20PDS_WEB.pdf
Home building and/or contents insurance		
AAMI	N	https://www.aami.com.au/aami/documents/personal/home/pds-building.pdf



Insurer	Exclusion	PDS link
Allianz	N	https://www.allianz.com.au/openCurrentPolicyDocument/POL013BA/\$File/POL013BA.pdf
Budget Direct	Y	https://ecommerce.disonline.com.au/branding/resources/BUDD/legal/home/HCPDSA.pdf
Coles	Y	coles-home-plus-insurance-pds-aug2017.pdf
NRMA	Y	https://www.nrma.com.au/sites/nrma/files/nrma/policy_booklets/home_pds_0418_nsw_act_tas.pdf
NRMA	Y	https://www.nrma.com.au/sites/nrma/files/nrma/policy_booklets/home_pds_0316_nsw_act_tas.pdf
QBE	Y	http://www.qbe.com.au/content/idcplg?IdcService=GET_FILE&dDocName=PRODUCT057365&RevisionSelectionMethod=LatestReleased&Rendition=primary
RACV	Y	https://www.racv.com.au/content/dam/racv/documents/insurance/racv-home-insurance/home-insurance-pds-current.pdf
Real	Y	https://www.realinsurance.com.au/RealInsurance/media/documents/pds/home/real-insurance-home-contents-30-10-2015-pds.pdf
Woolworths	Y	https://insurance.woolworths.com.au/content/dam/Woolworths/Insurance/Home/UsefulDocumentsHome/Woolworths_Home_Insurance_PDS.pdf
Youi	Y	https://www.youi.com.au/GetPDS?riskType=BUJ
Travel insurance		
Allianz	Y	https://travel.allianz.com.au/File/Download?docType=PDS
CGU	Y	https://www.cgu.com.au/sites/default/files/kentico_legacy/a0/a023e914-b0a4-4182-b5a3-0436931552ab.pdf
Coles	Y	https://financialservices.coles.com.au/~/_media/financial-services/files/insurance/product-disclosure-statements/coles-travel-insurance-international-pds.pdf
CoverMore	Y	https://www.covermore.com.au/aucm/pdf/pds/PNO/pds_pno_cm.pdf
Flight Centre	Y	Provided by CoverMore



Insurer	Exclusion	PDS link
NRMA	Y	https://www.nrma.com.au/sites/nrma/files/nrma/policy_booklets/travel_pds_0717_all.pdf
QBE	Y	http://www.qbe.com.au/content/idcplg?IdcService=GET_FILE&dDocName=PRODCT031697&RevisionSelectionMethod=Latest&Rendition=primary
RACV	Y	https://www.racv.com.au/content/dam/racv/documents/insurance/racv-travel-insurance/travel-insurance-fsg-pds-current.pdf
Real	Y	https://www.realinsurance.com.au/RealInsurance/media/documents/pds/travel/real-insurance-travel-pds.pdf
Woolworths		https://insurance.woolworths.com.au/content/dam/Woolworths/Insurance/Travel/UsefulDocumentsTravel/Woolworths_Travel_Insurance_PDS.pdf

