

27 June, 2018

Unfair Contract Terms

Statement from Rob Whelan, CEO, Insurance Council of Australia:

The Insurance Council of Australia (ICA) and its members have serious concerns with the Commonwealth Government's Proposals Paper on applying Unfair Contract Terms to insurance contracts.

While the ICA will work carefully through the proposed model with members, on an initial reading, the Government's proposal has profound implications for insurance contracts, the scope of cover offered and the pricing of insurance.

If implemented, it would cause insurers to fundamentally review their contracts and reassess their pricing.

The model under discussion would change the nature of the industry and the risks that insurers are prepared to underwrite. This is not consistent with the Government's announcement that it would apply UCT protections to insurance contracts in line with other sectors of the economy.

Many inquiries and reviews have explored the extension of UCT protections to insurance contracts. No compelling evidence has been put forward to suggest the extension of UCT protections to general insurance contracts will benefit consumers.

Though the industry has argued consumers already have sufficient protections through the Insurance Contracts Act, the Corporations Act, federal and state fair trading laws and the General Insurance Code of Practice, it has been willing to work with stakeholders on developing outcomes that are considered reasonable to all parties. The ICA has also been working on improving product disclosure to help customers during the purchasing process.

The ICA will respond to the proposals paper and will continue to work with stakeholders on seeking mutually acceptable outcomes.

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