

Committee Secretary  
Joint Standing Committee on Treaties  
PO Box 6021  
Parliament House  
Canberra ACT 2600

24 July 2015

Dear Sir/Madam

### **FREE TRADE AGREEMENT BETWEEN AUSTRALIA AND CHINA**

The Insurance Council of Australia<sup>1</sup> (Insurance Council) welcomes the opportunity to make a submission to the inquiry by the Joint Standing Committee on Treaties into the Free Trade Agreement between the Commonwealth of Australia and the Peoples' Republic of China (ChAFTA).

After consultation with its members that are actively expanding their general insurance businesses outside of Australia, the Insurance Council would like to express its support for ChAFTA because of the benefits it will deliver. There will be specific benefits in terms of access for general insurers and also improvements more broadly in the business environment which will make operating in China easier for our members.

#### **Benefits Specific to General Insurance**

China has committed to allowing Australian insurance providers access to China's statutory third-party liability motor vehicle insurance market without formal of establishment or equity restrictions. While in practice this access was provided some time ago, the ChAFTA guarantee of improved access is above and beyond China's World Trade Organisation obligations. This will protect the position of Australian insurers if there is a shift in policy by the Chinese Government.

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<sup>1</sup> 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. December 2014 Australian Prudential Regulation Authority statistics show that the private sector insurance industry generates gross written premium of \$41.7 billion per annum and has total assets of \$114.7 billion. The industry employs approximately 60,000 people and on average pays out about \$107 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).

China has also undertaken to provide improved treatment on the establishment of internal branches of Australian insurers in China. This will facilitate the expansion of Australian general insurers within China.

### **Improvements in the Business Environment**

General insurers wanting to do business in China will benefit from the treaty-level commitments on financial services. The regulatory environment in which they operate will be more transparent, regulatory decision-making should be improved and financial services licence applications streamlined.

Confidence that the ChAFTA commitments will be upheld is bolstered by the financial services committee which will be established providing for regular engagement between Chinese and Australian financial regulators. This will allow issues arising in the bilateral financial services relationship to be addressed quickly.

The ChAFTA commitments on movements of natural persons should improve labour mobility and facilitate the completion of requirements such as approval of corporate appointments; approvals of directorships; and granting of work permits. This would greatly help insurers build the capabilities of their businesses in China. It would be a two-way exercise where insurers could also provide opportunities for Chinese counterparts to spend time within the business in Australia. The extension of the commitments to spouses and dependents will enhance the insurer's ability to attract staff to support its investments in China.

The explicit inclusion of intellectual property protection within ChAFTA is welcome. It provides insurers with greater confidence to share expertise and capability with partners. They do this in the knowledge that they are protected by international obligations.

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

Yours sincerely



Robert Whelan  
Executive Director and CEO