

# EXPOSURE DRAFT



EXPOSURE DRAFT

## Insurance Contracts Regulations 2017

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I, General the Honourable Sir Peter Cosgrove AK MC (Ret'd), Governor-General of the Commonwealth of Australia, acting with the advice of the Federal Executive Council, make the following regulations.

Dated 2017

Peter Cosgrove  
Governor-General

By His Excellency's Command

Kelly O'Dwyer [**DRAFT ONLY—NOT FOR SIGNATURE**]  
Minister for Revenue and Financial Services

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EXPOSURE DRAFT



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## Part 1—Preliminary

### 1 Name

This instrument is the *Insurance Contracts Regulations 2017*.

### 2 Commencement

- (1) Each provision of this instrument specified in column 1 of the table commences, or is taken to have commenced, in accordance with column 2 of the table. Any other statement in column 2 has effect according to its terms.

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Commencement information		
Column 1	Column 2	Column 3
Provisions	Commencement	Date/Details
1. The whole of this instrument	1 April 2018.	1 April 2018

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Note: This table relates only to the provisions of this instrument as originally made. It will not be amended to deal with any later amendments of this instrument.

- (2) Any information in column 3 of the table is not part of this instrument. Information may be inserted in this column, or information in it may be edited, in any published version of this instrument.

### 3 Authority

This instrument is made under the *Insurance Contracts Act 1984*.

### 4 Definitions

- (1) In this instrument:

**accidental damage**, in relation to a thing, means damage that occurs to the thing fortuitously in relation to the insured.

**accidental injury** means an injury that occurs fortuitously to the insured but does not include an injury that is caused by or results from a sickness or disease.

**contents**, in relation to a residential building, means:

- (a) furniture, furnishings and carpets (whether fixed or unfixed); or
- (b) household goods; or
- (c) clothing and other personal effects; or
- (d) any of the following:
  - (i) a picture;
  - (ii) a work of art;
  - (iii) a fur;
  - (iv) a piece of jewellery;

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### Section 4

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- (v) a gold or silver article;
  - (vi) a document of any kind;
  - (vii) a collection of any kind;
- the value of all of which at the time when the relevant contract of insurance is entered into does not exceed \$500; or
- (e) swimming pools that are not fixtures, that are owned by the insured or by a residing family member of the insured, but does not include an article or thing to which the expression *residential building* extends.

*eligible contract of insurance* has the meaning given by section 6.

*expropriation*, in relation to property, means the lawful seizure, confiscation, nationalisation or requisition of the property.

*home building*, in relation to a site, means:

- (a) a building used principally and primarily as a place of residence; or
- (b) out-buildings, fixtures and structural improvements used for domestic purposes, being purposes related to the use of the building mentioned in paragraph (a);

on the site and, without limiting the generality of the expression, includes the following:

- (c) fixed wall coverings, fixed ceiling coverings and fixed floor coverings (other than carpets);
- (d) services (whether underground or not) that are the property of the insured or that the insured is liable to repair or replace or pay the cost of repairing and replacing;
- (e) fences and gates wholly or partly on the site;

but does not include:

- (f) a hotel; or
- (g) a motel; or
- (h) a boarding house; or
- (i) a building that is in the course of construction; or
- (j) a temporary building or structure or a demountable or moveable structure; or
- (k) a caravan (whether fixed to the site or not); or
- (l) a building that is let or rented by the insured, as lessor, as a business and is not the principal residence of the insured.

*home buildings insurance contract* means a contract referred to in section 18.

*home contents insurance contract* means a contract referred to in subsection 21(1).

*member of the insured's travelling party* means a member of the family of the insured, or a person specified in the contract of insurance, travelling or intending to travel with the insured on the specified journey.

*motor vehicle* means a vehicle that is designed:

- (a) to travel by road; and

(b) to use volatile spirit, steam, gas, oil, electricity or any other power (not being human power or animal power) as its principal means of propulsion; and

(c) to carry passengers;

and includes a motor cycle but does not include an omnibus or a tram or a motor vehicle the carrying capacity of which exceeds 2 tonnes.

**personal belongings**, in relation to a specified journey, means baggage and other personal effects (including tickets, credit cards, travellers cheques, travel documents and passports) that accompany the insured on the specified journey (whether acquired before or during the journey) or have been collected from the insured by a carrier in order to be taken on the specified journey, but does not include:

(a) currency notes, bank notes or coins; or

(b) goods so taken that are intended for trade.

**residential building**, in relation to a site, means:

(a) a building used principally and primarily as a place of residence; or

(b) out-buildings used for domestic purposes, being purposes related to the use of the building mentioned in paragraph (a);

on the site but does not include:

(c) a hotel; or

(d) a motel; or

(e) a boarding house; or

(f) a building that is in the course of construction; or

(g) a temporary building or structure or a demountable or moveable structure; or

(h) a caravan (whether fixed to the site or not); or

(i) a building that is let or rented by the insured, as lessor, as a business and is not the principal residence of the insured.

**residing family member of the insured** means a member of the insured's family ordinarily residing with the insured.

**site**, in relation to a building, means the site specified in the relevant contract of insurance as the site on which the building is situated.

**small business** has the meaning given by section 35.

**specified journey** means a journey in relation to which insurance cover is provided by the relevant contract of insurance.

**the Act** means the *Insurance Contracts Act 1984*.

**warlike activities** means any of the following activities:

(a) invasion;

(b) act of foreign enemy;

(c) hostilities (whether war is declared or not);

(d) civil war;

(e) rebellion;

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## Part 1 Preliminary

### Section 5

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- (f) revolution;
  - (g) insurrection;
  - (h) military or usurped power;
  - (i) looting, sacking or pillage following an activity referred to in any of paragraphs (a) to (h).
- (2) If a residential building is a part of a building that has been subdivided under a law of a State or Territory that relates to the subdivision of buildings into strata (however described), a reference in this instrument to the contents of the residential building includes a reference to such fixtures and structural improvements in the part of the building that are not insured under a contract of insurance that:
- (a) provides insurance cover in respect of the destruction of, or damage occurring to, the building; and
  - (b) is a contract under which the body corporate established by or under that law is the insured.
- (3) A reference in this instrument to a period during which a person is disabled is a reference to a period specified in a certificate given by a duly qualified medical practitioner that certifies that the person is disabled during that period.

#### **5 Definition of *consumer credit insurance***

For the purposes of paragraph (b) of the definition of *consumer credit insurance* in subsection 11(1) of the Act, the class of contracts referred to in section 27 of this instrument is identified as consumer credit insurance.

Note: For the purposes of paragraph (a) of the definition of *consumer credit insurance* (a class of contracts declared to be a class of contracts to which Division 1 of Part V of the Act applies), see section 27 of this instrument.

## Part 2—Disclosures and misrepresentations

### Division 1—Insured's duty of disclosure

#### 6 Eligible contracts of insurance

- (1) This section is made for the purposes of the definition of *eligible contract of insurance* in subsection 21A(6) of the Act.
- (2) A contract of insurance is an *eligible contract of insurance* if it:
  - (a) is for new business; and
  - (b) is wholly in a class of contracts that is declared to be a class of contracts in relation to which Division 1 of Part V of the Act applies.

Note: The following sections of this instrument declare certain classes of insurance contracts to be classes of contracts in relation to which Division 1 of Part V of the Act applies (see the definition of *prescribed contract* in section 34 of the Act):

- (a) section 15 (motor vehicle insurance);
  - (b) section 18 (home buildings insurance);
  - (c) section 21 (home contents insurance);
  - (d) section 24 (sickness and accident insurance);
  - (e) section 27 (consumer credit insurance);
  - (f) section 30 (travel insurance).
- (3) A contract of insurance is an *eligible contract of insurance* if:
    - (a) it is not mentioned in subsection (2); and
    - (b) it is for new business; and
    - (c) the insurer, before the contract is entered into, gives to the insured:
      - (i) a written notice in accordance with the form set out in Part 3 of Schedule 1; or
      - (ii) an oral notice in accordance with the words set out in Schedule 4; or
      - (iii) a notice otherwise complying with subsection 22(1) of the Act clearly informing the insured of the general nature and effect of the duty of disclosure and the general nature and effect of section 21A of the Act.

#### 7 Duty of disclosure—written notice

- (1) This section is made for the purposes of paragraph 22(4)(a) of the Act.
- (2) The form of writing that may be used to inform an insured of the matters mentioned in subsection 22(1) of the Act is:
  - (a) for a contract of general insurance that is not an eligible contract of insurance—the form set out in Part 1 of Schedule 1; and
  - (b) for a contract of life insurance—the form set out in Part 2 of Schedule 1; and
  - (c) for the original entering into of an eligible contract of insurance—the form set out in Part 3 of Schedule 1; and
  - (d) for the renewal of an eligible contract of insurance—the form set out in Part 4 of Schedule 1.

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## Part 2 Disclosures and misrepresentations

### Division 1 Insured's duty of disclosure

#### Section 8

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- (3) The form of writing that may be used to inform another person who may become a life insured of the matters mentioned in subsection 22(1) of the Act is set out in Schedule 2.

#### **8 Duty of disclosure—reminder notice**

- (1) This section is made for the purposes of paragraph 22(4)(b) of the Act.
- (2) The form of writing that may be used to remind an insured of the matters mentioned in subsection 22(1) of the Act is:
  - (a) for a contract of general insurance that is not an eligible contract of insurance—the form set out in Part 1 of Schedule 3; and
  - (b) for a contract of life insurance—the form set out in Part 2 of Schedule 3; and
  - (c) for an eligible contract of insurance—the form set out in Part 3 of Schedule 3.

#### **9 Duty of disclosure—oral notice**

- (1) This section is made for the purposes of subsection 69(1A) of the Act.
- (2) The words that may be used to inform an insured orally of the matters mentioned in subsection 22(1) of the Act for the original entering into of an eligible contract of insurance are set out in Schedule 4.

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Disclosures and misrepresentations **Part 2**  
Remedies for non-disclosure and misrepresentations by insured **Division 2**

Section 10

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## **Division 2—Remedies for non-disclosure and misrepresentations by insured**

### **10 Prescribed rate of interest**

For the purposes of subparagraph 30(2)(b)(i) of the Act, the rate of 11 per cent per annum is prescribed.

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## Part 2 Disclosures and misrepresentations

### Division 3 Key Facts Sheets

#### Section 11

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## Division 3—Key Facts Sheets

### 11 Application of Division

- (1) This section is made for the purposes of section 33A of the Act.
- (2) Each of the following class of contracts of insurance is declared to be a class of contracts in relation to which Division 4 of Part IV of the Act applies:
  - (a) a home buildings insurance contract;
  - (b) a home contents insurance contract.
- (3) In this Division, *prescribed contract* and *potential prescribed contract* have the same meanings as in section 33A of the Act.

### 12 What is a Key Facts Sheet?

- (1) This section is made for the purposes of section 33B of the Act.
- (2) A Key Facts Sheet, for a prescribed contract or a potential prescribed contract, must:
  - (a) contain the information, and be completed in the way, specified in the following form:
    - (i) for a home buildings insurance contract—Form 1 in Schedule 5;
    - (ii) for a home contents insurance contract—Form 2 in Schedule 5; and
  - (b) be A4 in size; and
  - (c) be set out in Arial font, in the following sizes:
    - (i) the heading at the top of the first page that starts with the words “KEY FACTS” must be in size 18 font;
    - (ii) the word “STEP” must be in size 16 font;
    - (iii) the number after the word “STEP” must be in size 48 font;
    - (iv) the footnote after step 2 must be in size 8 font;
    - (v) the rest of the document must be in size 10 font; and
  - (d) be set out in the following colours, with sufficient contrast in the colours to allow the text to be easily read:
    - (i) the headings, subheadings, and policy name, must be in blue type on a white background;
    - (ii) the top box in step 2 must be in white type on a blue background;
    - (iii) the remaining boxes in step 2 must alternate between black type on a white background, and black type on a light blue background;
    - (iv) the box in step 3 must be in white type on a blue background;
    - (v) the rest of the document must be in black type on a white background.

### 13 Insurer’s obligation to provide Key Facts Sheet

- (1) This section is made for the purposes of section 33C of the Act.

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- (2) An insurer must provide a person (a *consumer*) with a Key Facts Sheet for a prescribed contract, or a potential prescribed contract, as soon as reasonably practicable but not later than 14 days, after:
  - (a) if the consumer requests information about the contract—the consumer first requests information about the contract; or
  - (b) if the consumer enters into the contract with the insurer (other than by an agreement to extend or vary the contract or a reinstatement of the contract)—the consumer enters into the contract.
- (3) The insurer may provide the Key Facts Sheet by electronic means at the consumer's request.
- (4) If an insurer has a website that is accessible by members of the public, the insurer must keep the most current copy of each Key Facts Sheet for a prescribed contract on the website, in a format that may be downloaded by members of the public.
- (5) An insurer is not required to provide a consumer with a Key Facts Sheet for a prescribed contract or a potential prescribed contract:
  - (a) if:
    - (i) the insurer has already provided the consumer with the Key Facts Sheet; and
    - (ii) the Key Facts Sheet has not changed since then, other than a change to the date of the Key Facts Sheet; or
  - (b) if:
    - (i) the insurer reasonably believes that someone else has already provided the consumer with the Key Facts Sheet; and
    - (ii) the Key Facts Sheet has not changed since then, other than a change to the date of the Key Facts Sheet; or
  - (c) if the consumer:
    - (i) requests information about the contract from an insurance broker; or
    - (ii) enters into the contract through an insurance broker who is not acting as an agent of the insurer in relation to the contract; or
  - (d) if the consumer does not provide the insurer with the consumer's address (postal or electronic) to which the Key Facts Sheet is to be sent; or
  - (e) if the consumer informs the insurer that the consumer does not want the Key Facts Sheet.

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## Part 3 The contract

### Division 1 Standard cover

#### Section 14

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## Part 3—The contract

### Division 1—Standard cover

#### Subdivision A—Purpose of Division

##### 14 Purpose of Division

This Division is made for the purposes of the definitions of *minimum amount*, *prescribed contract* and *prescribed event* in section 34 of the Act.

#### Subdivision B—Motor vehicle insurance

##### 15 Prescribed contracts

The following class of contracts of insurance is declared to be a class of contracts in relation to which Division 1 of Part V of the Act applies, namely, contracts that provide insurance cover (whether or not the cover is limited or restricted in any way) in respect of one or more of the following:

- (a) loss of, or damage to, a motor vehicle;
- (b) liability for loss of, or damage to, property caused by or resulting from impact of a motor vehicle with some other thing;

where the insured or one of the insureds is a natural person.

##### 16 Prescribed events

- (1) The following, except in so far as they are excluded by subsection (2), are declared to be prescribed events in relation to a contract referred to in section 15:
  - (a) the occurrence within Australia of the destruction or, theft of, or accidental damage to, the motor vehicle specified in the contract;
  - (b) the occurrence within Australia of accidental damage to, or the theft of:
    - (i) a tool or appliance that is standard equipment for the motor vehicle; or
    - (ii) an accessory that forms part of the motor vehicle;at a time when the tool, appliance or accessory is attached to or within the motor vehicle;
  - (c) the insured or a person:
    - (i) who, with the express or implied consent of the insured, was driving, using or in charge of the motor vehicle at the relevant time; or
    - (ii) who, at the relevant time, was an authorised passenger in the motor vehicle or, if the motor vehicle is a motor cycle, who, at the relevant time, was an authorised passenger on the motor vehicle;incurring a liability (otherwise than under a contract) to pay compensation or damages in respect of loss of, or damage occurring to, property (not being the motor vehicle or a tool, appliance or accessory as mentioned in paragraph (b)) in Australia, being loss or damage that occurs as a result of the use of:
    - (iii) the motor vehicle; or

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The contract **Part 3**  
Standard cover **Division 1**

Section 16

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- (iv) a trailer or caravan attached to the motor vehicle;
- (d) a person who, at the relevant time, was an employer, principal or partner of the insured, incurring a liability (otherwise than under a contract) as employer, principal or partner, respectively, to pay compensation or damages in respect of loss of, or damage occurring to, property (not being the motor vehicle or a tool, appliance or accessory as mentioned in paragraph (b)) if:
  - (i) the loss or damage occurred in Australia; and
  - (ii) the loss or damage occurred as the result of the use of the motor vehicle or a trailer or caravan attached to the motor vehicle.
- (2) The following are excluded:
  - (a) depreciation;
  - (b) wear and tear, rust or corrosion;
  - (c) structural failure;
  - (d) mechanical or electrical breakdown or failure;
  - (e) the tyres of the motor vehicle being damaged by application of brakes or by road punctures, cuts or bursting;
  - (f) destruction or damage, or the incurring of a liability as mentioned in paragraph (1)(c) or (d), at a time when:
    - (i) the motor vehicle is being used in, or tested in preparation for, racing, pacemaking, a reliability trial or a speed or hill-climbing test by the insured or by some other person with the express or implied consent of the insured; or
    - (ii) the motor vehicle, trailer or caravan is being used in an experiment, test, trial or demonstration, in connection with the motor trade by the insured or by some other person with the express or implied consent of the insured; or
    - (iii) the motor vehicle is being used to tow some other vehicle in connection with the motor trade by the insured or by some other person with the express or implied consent of the insured; or
    - (iv) the motor vehicle, trailer or caravan is let on hire by the insured as lessor; or
    - (v) the motor vehicle, trailer or caravan is being used in the course of the business of carrying passengers or goods for hire or reward by the insured or by some other person with the express or implied consent of the insured; or
    - (vi) the motor vehicle, trailer or caravan is in the possession of a person as part of the person's stock in trade; or
    - (vii) the motor vehicle, trailer or caravan is being used for an unlawful purpose by the insured or is being so used by some other person with the express or implied consent of the insured; or
    - (viii) the insured is driving the motor vehicle and is not authorised under the law in force in the State or Territory in which the motor vehicle is being driven, being a law with respect to the licensing of drivers of motor vehicles, to drive the motor vehicle; or
    - (ix) the insured is driving the motor vehicle and is under the influence of intoxicating liquor or of a drug;

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## Part 3 The contract

### Division 1 Standard cover

#### Section 16

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- (g) destruction or damage, or the incurring of a liability as mentioned in paragraph (1)(c) or (d), at a time when:
- (i) a person other than the insured is driving the motor vehicle with the express or implied consent of the insured; and
  - (ii) that person is not authorised under the law in force in the State or Territory in which the motor vehicle is being driven, being a law with respect to the licensing of drivers of motor vehicles, to drive the motor vehicle;
- and the insured knew or should reasonably have known, at the time when the consent was given or impliedly given, that that person was not so authorised;
- (h) destruction or damage, or the incurring of a liability as mentioned in paragraph (1)(c) or (d), at a time when:
- (i) a person other than the insured is driving the motor vehicle with the express or implied consent of the insured; and
  - (ii) that person is under the influence of intoxicating liquor or of a drug;
- and the insured knew or should reasonably have known, at the time when the consent was given or impliedly given, that that person was or was to be at the relevant time under that influence;
- (i) destruction or damage, or the incurring of a liability as mentioned in paragraph (1)(c) or (d), as a result of:
- (i) the expropriation of the motor vehicle, trailer or caravan; or
  - (ii) war or warlike activities; or
  - (iii) the use, existence or escape of nuclear weapons material, or ionising radiation from, or contamination by radioactivity from, any nuclear fuel or nuclear waste from the combustion of nuclear fuel; or
  - (iv) the unroadworthy or unsafe condition of the motor vehicle, caravan or trailer concerned, being a condition that was known to the insured, or should reasonably have been known to the insured, at the time of the occurrence of the loss or damage or the incurring of the liability;
- (j) destruction or damage intentionally caused by, or a liability as mentioned in paragraph (1)(c) or (d) intentionally incurred by, the insured or a person acting with the express or implied consent of the insured;
- (k) destruction or damage occurring as a result of the insured failing to take steps that are, in the circumstances, reasonable for the security of the motor vehicle after accidental damage has occurred to it;
- (l) the incurring of a liability as mentioned in paragraph (1)(c) or (d) (whether to the insured or to some other person) in respect of damage to property that belongs to, or is in the custody of, the person so liable;
- (m) the incurring of a liability as mentioned in paragraph (1)(c) or (d) by a person other than the insured at a time when that person is driving the motor vehicle and:
- (i) is not authorised under the law in force in the State or Territory in which the motor vehicle is being driven, being a law with respect to the licensing of drivers of motor vehicles, to drive the motor vehicle; or
  - (ii) is under the influence of intoxicating liquor or of a drug;

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The contract **Part 3**  
Standard cover **Division 1**

Section 17

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- (n) the incurring of a liability to pay compensation or damages in respect of loss or damage, if:
  - (i) the loss or damage occurred as a result of the use of a trailer or caravan attached to the motor vehicle; and
  - (ii) there were, at the time the loss or damage occurred, 2 or more trailers or caravans, or one or more trailers and one or more caravans, attached to the motor vehicle.

## 17 Minimum amounts

*Claims arising out of events referred to in paragraph 16(1)(a) or (b)*

- (1) The minimum amount in respect of a claim made under a contract referred to in section 15, being a claim arising out of an event referred to in paragraph 16(1)(a) or (b), is declared to be the amount sufficient to indemnify the person who made the claim.

*Claims arising out of events referred to in paragraph 16(1)(c) or (d)*

- (2) The minimum amount in respect of a claim made under a contract referred to in section 15, being a claim that arises out of an event referred to in paragraph 16(1)(c) or (d), is declared to be the amount, not exceeding \$5,000,000, sufficient to indemnify the person who made the claim in respect of his or her liability.
- (3) If there is more than one such claim arising out of the same event, being an event referred to in paragraph 16(1)(c) or (d), then the minimum amount in respect of a claim made after the first of those claims has been made is declared to be the lesser of the following amounts:
  - (a) the amount sufficient to indemnify the person who made the claim;
  - (b) the amount ascertained by subtracting from \$5,000,000 the amount or the sum of the amounts, as the case may be, that the insurer has paid, or is liable to pay, in respect of the claim or claims arising out of that event that have already been made.

## Subdivision C—Home buildings insurance

### 18 Prescribed contracts

The following class of contracts of insurance is declared to be a class of contracts in relation to which Division 1 of Part V of the Act applies, namely, contracts that provide insurance cover (whether or not the cover is limited or restricted in any way) in respect of destruction of, or damage to, a home building, where the insured or one of the insureds is a natural person.

### 19 Prescribed events

- (1) The following, except in so far as they are excluded by subsection (2), are declared to be prescribed events in relation to a contract referred to in section 18:

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## Part 3 The contract

### Division 1 Standard cover

#### Section 19

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- (a) the destruction of, or damage occurring to, the home building on the site, being destruction or damage that is caused by or results from:
    - (i) fire or explosion; or
    - (ii) lightning or thunderbolt; or
    - (iii) earthquake; or
    - (iv) theft, burglary or housebreaking or an attempt to commit theft, burglary or housebreaking; or
    - (v) a deliberate or intentional act; or
    - (vi) bursting, leaking, discharging or overflowing of fixed apparatus, fixed tanks or fixed pipes used to hold or carry liquid of any kind; or
    - (vii) riot or civil commotion; or
    - (viii) an action of a person acting maliciously; or
    - (ix) impact by or arising out of the use of a vehicle (including an aircraft or a water-borne craft); or
    - (x) impact by space debris or debris from an aircraft, a rocket or a satellite; or
    - (xi) impact by an animal (other than an animal kept on the site or a domestic animal); or
    - (xii) impact by a falling tree or part of a tree; or
    - (xiii) impact by a television or radio aerial that has broken or collapsed; or
    - (xiv) storm, tempest, flood (within the meaning given by section 34), the action of the sea, high water, tsunami, erosion or land slide or subsidence;
  - (b) accidental damage that is breakage of any fixed glass, fixed shower base, fixed basin, fixed sink, fixed bath, fixed lavatory pan or fixed cistern;
  - (c) loss by theft, burglary or housebreaking;
  - (d) the insured or a residing family member of the insured incurring a liability as owner or occupier of the home building to pay compensation or damages to some other person.
- (2) The following are excluded:
- (a) depreciation;
  - (b) wear and tear, rust or corrosion;
  - (c) the action of insects or vermin;
  - (d) destruction or damage, or the incurring of a liability as mentioned in paragraph (1)(d), as a result of:
    - (i) the expropriation of the home building; or
    - (ii) war or warlike activities; or
    - (iii) the use, existence or escape of nuclear weapons material, or ionising radiation from, or contamination by radioactivity from, any nuclear fuel or nuclear waste from the combustion of nuclear fuel; or
    - (iv) the use of the home building for the purposes of a business, trade or profession; or
    - (v) tree lopping or felling by the insured or a person acting with the express or implied consent of the insured;

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- (e) destruction or damage intentionally caused, or a liability as mentioned in paragraph (1)(d) intentionally incurred, by:
  - (i) the insured; or
  - (ii) a residing family member of the insured; or
  - (iii) a person acting with the express or implied consent of the insured or a residing family member of the insured;
- (f) if the home building is unoccupied and has been unoccupied for a continuous period of more than 60 days—destruction or damage occurring otherwise than as mentioned in subparagraph (1)(a)(ii) or (iii) or (vii) to (xiv), or the incurring of liability as mentioned in paragraph (1)(d);
- (g) destruction of, or damage occurring to:
  - (i) a free-standing or retaining wall (whether or not part of the home building), or to a gate or fence, as a result of a storm or tempest; or
  - (ii) an electrical machine or apparatus as a result of the electric current in it; or
  - (iii) any property as a result of it undergoing a process necessarily involving the application of heat;
- (h) theft by a person ordinarily residing with the insured at the time of the theft;
  - (i) in the case of destruction or damage that is caused by or results from bursting, leaking, discharging or overflowing of fixed apparatus, fixed tanks or fixed pipes used to hold or carry liquid of any kind—damage to the apparatus, tanks or pipes;
  - (j) in the case of destruction or damage that is caused by or results from impact by a television or radio aerial that has broken or collapsed—damage to the television or radio aerial;
- (k) the incurring of a liability as mentioned in paragraph (1)(d):
  - (i) to the insured or a residing family member of the insured; or
  - (ii) as a result of the use of a vehicle (including an aircraft or water-borne craft) on the site by the insured, a residing family member of the insured or a person acting with the express or implied consent of the insured or a residing family member of the insured.

## 20 Minimum amounts

*Claims arising out of events referred to in paragraph 19(1)(a), (b) or (c)*

- (1) The minimum amount in respect of a claim made under a contract referred to in section 18, being a claim arising out of an event referred to in paragraph 19(1)(a), (b) or (c), is declared to be the amount sufficient to indemnify the person who made the claim, reduced, in respect of destruction or damage occurring as a result of and within 48 hours after an earthquake, by \$200.
- (2) The amount declared by subsection (1) to be the minimum amount in respect of a claim is taken to include the reasonable cost of:
  - (a) identifying and locating the cause of destruction or damage concerned if it is necessary to do so to effect a repair; and

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- (b) demolition and removal of debris; and
- (c) emergency accommodation.

*Claims arising out of events referred to in paragraph 19(1)(d)*

- (3) The minimum amount in respect of a claim made under a contract referred to in section 18, being a claim that arises out of an event referred to in paragraph 19(1)(d), is declared to be the amount, not exceeding \$2,000,000, sufficient to indemnify the person who made the claim in respect of his or her liability.
- (4) If there is more than one such claim arising out of the same event, being an event referred to in paragraph 19(1)(d), the minimum amount in respect of a claim made after the first of those claims has been made is declared to be the lesser of the following amounts:
  - (a) the amount sufficient to indemnify the person who made the claim;
  - (b) the amount ascertained by subtracting from \$2,000,000 the amount or the sum of the amounts, as the case may be, that the insurer has paid, or is liable to pay, in respect of the claim or claims arising out of that event that have already been made.

### Subdivision D—Home contents insurance

#### 21 Prescribed contracts

- (1) The following class of contracts of insurance is declared to be a class of contracts in relation to which Division 1 of Part V of the Act applies, namely, contracts that provide insurance cover (whether or not the cover is limited or restricted in any way) in respect of loss of or damage to the contents of a residential building where the insured or one of the insureds is a natural person.
- (2) However, the class of contracts does not include contracts that provide insurance cover only or primarily in respect of specified personal effects.

#### 22 Prescribed events

- (1) The following, except in so far as they are excluded by subsection (2), are declared to be prescribed events in relation to a contract referred to in subsection 21(1):
  - (a) destruction of, or damage occurring to, the contents of the residential building which is specified in the contract, at a time when they are in the residential building or on the site of the residential building, being destruction or damage that is caused by or results from:
    - (i) fire or explosion; or
    - (ii) lightning or thunderbolt; or
    - (iii) earthquake; or
    - (iv) theft, burglary or housebreaking or an attempt to commit theft, burglary or housebreaking; or
    - (v) a deliberate or intentional act; or

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- (vi) bursting, leaking, discharging or overflowing of fixed apparatus, fixed tanks or fixed pipes used to hold or carry liquid of any kind; or
  - (vii) riot or civil commotion; or
  - (viii) an action of a person acting maliciously; or
  - (ix) impact by or arising out of the use of a vehicle (including an aircraft or water-borne craft); or
  - (x) impact by space debris or debris from an aircraft, a rocket or a satellite; or
  - (xi) impact by an animal (other than an animal kept on the site or a domestic animal); or
  - (xii) impact by a falling tree or part of a tree; or
  - (xiii) impact by a television or radio aerial that has broken or collapsed; or
  - (xiv) storm, tempest, flood (within the meaning given by section 34), the action of the sea, high water, tsunami, erosion or land slide or subsidence;
- (b) accidental damage that is breakage of glass forming part of an item of furniture (including fixed or unfixed glass table tops), at a time when it is in the residential building or on the site of the residential building;
- (c) loss by theft, burglary or housebreaking of contents while in the residential building on the site;
- (d) if:
- (i) the insured is a tenant or lessee of the residential building; or
  - (ii) the residential building is a unit (however described) created by the subdivision of strata (however described) in a building and the insured is the owner of the unit;
- the insured or a residing family member of the insured incurring a liability as occupier of the home building to pay compensation or damages to some other person.

(2) The following are excluded:

- (a) depreciation;
- (b) wear and tear, rust or corrosion;
- (c) the action of insects or vermin;
- (d) destruction or damage, or the incurring of a liability as mentioned in paragraph (1)(d), as a result of:
  - (i) the expropriation of the contents; or
  - (ii) war or warlike activities; or
  - (iii) the use, existence or escape of nuclear weapons material, or ionising radiation from, or contamination by radioactivity from, any nuclear fuel or nuclear waste from the combustion of nuclear fuel; or
  - (iv) the use of the residential building for the purposes of a business, trade or profession; or
  - (v) tree lopping or felling by the insured or a person acting with the express or implied consent of the insured;
- (e) destruction or damage intentionally caused, or a liability as mentioned in paragraph (1)(d) intentionally incurred, by:
  - (i) the insured; or

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- (ii) a residing family member of the insured; or
- (iii) a person acting with the express or implied consent of the insured or a residing family member of the insured;
- (f) if the residential building is unoccupied and has been unoccupied for a continuous period of more than 60 days—destruction or damage occurring otherwise than as mentioned in subparagraph (1)(a)(ii) or (iii) or (vii) to (xiv), or the incurring of liability as mentioned in paragraph (1)(d);
- (g) destruction of, or damage occurring to:
  - (i) an electrical machine or apparatus as a result of the electric current in it; or
  - (ii) any property as a result of it undergoing a process necessarily involving the application of heat;
- (h) accidental breakage of:
  - (i) a television picture tube or screen; or
  - (ii) the picture tube or screen of an electronic visual display unit; or
  - (iii) a ceramic or glass cooking top of a stove; or
  - (iv) glass in a picture frame, a radio set or a clock;
- (i) theft by a person ordinarily residing with the insured at the time of the theft;
- (j) in the case of destruction or damage that is caused by or results from bursting, leaking, discharging or overflowing of fixed apparatus, fixed tanks or fixed pipes used to hold or carry liquid of any kind—damage to the apparatus, tanks or pipes;
- (k) in the case of destruction or damage that is caused by or results from impact by a television or radio aerial that has broken or collapsed—damage to the television or radio aerial;
- (l) the incurring of a liability as mentioned in paragraph (1)(d):
  - (i) to the insured or a residing family member of the insured; or
  - (ii) as a result of the use of a vehicle (including an aircraft or water-borne craft) on the site by the insured, a residing family member of the insured or a person acting with the express or implied consent of the insured or a residing family member of the insured.

#### 23 Minimum amounts

*Claims arising out of events referred to in paragraph 22(1)(a), (b) or (c)*

- (1) The minimum amount in respect of a claim made under a contract referred to in subsection 21(1), being a claim arising out of an event referred to in paragraph 22(1)(a), (b) or (c), is declared to be the amount sufficient to indemnify the person who made the claim, reduced, in the case of destruction or damage occurring as a result of an earthquake, by \$200.

*Claims arising out of events referred to in paragraph 22(1)(d)*

- (2) The minimum amount in respect of a claim made under a contract referred to in subsection 21(1), being a claim that arises out of an event referred to in paragraph 22(1)(d), is declared to be the amount, not exceeding \$2,000,000,

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sufficient to indemnify the person who made the claim in respect of his or her liability.

- (3) If there is more than one such claim arising out of the same event, being an event referred to in paragraph 22(1)(d), then the minimum amount in respect of a claim made after the first of those claims has been made is declared to be the lesser of the following amounts:
- (a) the amount sufficient to indemnify the person who made the claim;
  - (b) the amount ascertained by subtracting from \$2,000,000 the amount or the sum of the amounts, as the case may be, that the insurer has paid, or is liable to pay, in respect of the claim or claims arising out of that event that have already been made.

## **Subdivision E—Sickness and accident insurance**

### **24 Prescribed contracts**

- (1) The following class of contracts of insurance is declared to be a class of contracts in relation to which Division 1 of Part V of the Act applies, namely, contracts that provide insurance cover (whether the cover is limited or restricted in any way) in respect of the insured:
- (a) contracting a sickness or disease or a specified sickness or disease; or
  - (b) sustaining an injury or a specified injury;
- where the insured or one of the insureds is a natural person.
- (2) However, the class of contracts does not include any of the following:
- (a) a life policy within the meaning of the *Life Insurance Act 1995*;
  - (b) a continuous disability insurance contract incorporated within a life policy within the meaning of the *Life Insurance Act 1995*;
  - (c) a sickness and accident policy that:
    - (i) is guaranteed renewable at the option of the insured; or
    - (ii) the insurer guarantees not to cancel in response to a change in the risk; where the policy has been effected for a predetermined period of years in excess of 1 year;
  - (d) a contract that is included in a class of contracts that is declared by some other section to be a class of contracts in relation to which Division 1 of Part V of the Act applies.

### **25 Prescribed events**

- (1) The following, except in so far as they are excluded by subsection (2), are declared to be prescribed events in relation to a contract referred to in subsection 24(1):
- (a) if the contract provides insurance cover (whether the cover is limited or restricted in any way) in respect of the insured contracting a specified sickness or disease:
    - (i) the death of the insured; or

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- (ii) the total disablement of the insured from carrying out all the normal duties of his or her usual occupation;  
being death or disablement that results from the insured contracting that sickness or disease;
  - (b) if the contract (not being a contract referred to in paragraph (a)) provides insurance cover (whether the cover is limited or restricted in any way) in respect of the insured contracting a sickness or disease—the total disablement of the insured from carrying out all the normal duties of his or her usual occupation, being disablement that results from the person contracting a sickness or disease;
  - (c) the death of the insured, or the total disablement of the insured from carrying out all the normal duties of his or her usual occupation, as a result of the insured sustaining an accidental injury, being death or disablement that occurs within 12 months after the insured sustains the injury;
  - (d) the partial disablement of the insured from carrying out the normal duties of his or her usual occupation as a result of the insured sustaining an accidental injury, being disablement that occurs within 12 months after the insured sustains the injury.
- (2) The following are excluded:
  - (a) death or disablement that results from:
    - (i) a deliberately self-inflicted injury; or
    - (ii) war or warlike activities; or
    - (iii) the use, existence or escape of nuclear weapons material, or ionising radiation from, or contamination by radioactivity from, any nuclear fuel or nuclear waste from the combustion of nuclear fuel;
  - (b) death or disablement that results from the insured:
    - (i) being under the influence of intoxicating liquor or of a drug, other than a drug taken or administered by or in accordance with the advice of a duly qualified medical practitioner; or
    - (ii) being addicted to intoxicating liquor or to a drug; or
    - (iii) taking part in a riot or civil commotion; or
    - (iv) acting maliciously; or
    - (v) engaging in professional sporting activities;
  - (c) death or disablement occurring at a time when the insured is flying, or engaging in aerial activities, otherwise than as a passenger in an aircraft that is authorised to fly under a law that relates to the safety of aircraft.

#### 26 Minimum amounts

- (1) If the insured has expressly agreed that no amount is to be payable under the contract of insurance in particular circumstances, then, for the purposes of this section, the contract must be read as though it specified an amount to be payable in those circumstances.
- (2) If a contract of insurance provides that an amount is payable by reference to a period other than a day, then, for the purposes of this section, the contract must be read as though it specified as the daily amount an amount ascertained by dividing the amount payable for that period by the number of days in that period.

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- (3) The minimum amount in respect of a claim made under a contract referred to in subsection 24(1), being a claim that arises as mentioned in column 1 of an item of the following table, is declared to be the amount ascertained in accordance with column 2 of that item, reduced by an amount equal to the amount so payable in respect of the first 14 days of the period during which the insured is disabled.

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## Minimum amounts

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<b>Item</b>	<b>Column 1 Description of claim</b>	<b>Column 2 Minimum amount</b>
1	A claim that arises out of the death of the insured	The amount specified in the contract as the amount payable under the contract in respect of the death of the insured or, if no amount is so specified, \$25,000
2	A claim that arises out of the total disablement of the insured	If: (a) a daily amount is specified in the contract in respect of the total disablement of the insured—that amount multiplied by the number of days during which the insured is so disabled; or (b) if no amount is so specified—an amount equal to the amount of income lost by the insured by reason of the disablement
3	A claim that arises out of the partial disablement of the insured	If: (a) a daily amount is specified in the contract in respect of the partial disablement of the insured—that amount multiplied by the number of days during which the insured is so disabled; or (b) if no amount is so specified—an amount equal to the amount of income lost by the insured by reason of the disablement

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## Subdivision F—Consumer credit insurance

### 27 Prescribed contracts

The following class of contracts of insurance is declared to be a class of contracts to which Division 1 of Part V of the Act applies, namely, contracts that provide insurance cover (whether the cover is limited or restricted in any way) in respect of:

- (a) the death of the insured; or
- (b) the insured:
  - (i) contracting a sickness or disease; or
  - (ii) sustaining an injury; or
  - (iii) becoming unemployed;

where:

- (c) the insured or one of the insureds is a natural person; and

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- (d) the amount of the liability of the insurer under the contract is to be ascertained by reference to a liability of the insured under a specified agreement to which the insured is a party.

#### 28 Prescribed events

- (1) The following, except in so far as they are excluded by subsection (2), are declared to be prescribed events in relation to a contract referred to in section 27:
  - (a) the total disablement of the insured from carrying out all the normal duties of his or her usual occupation as a result of the insured contracting a sickness or disease, being disablement that occurs within 12 months after the insured contracted the sickness or disease;
  - (b) the death of the insured, or the total disablement of the insured from carrying out all the normal duties of his or her usual occupation, as a result of the insured sustaining an accidental injury, being death or disablement that occurs within 12 months after the insured sustains the injury;
  - (c) the insured becoming unemployed.
- (2) The following are excluded:
  - (a) death, disablement or unemployment resulting from:
    - (i) a deliberately self-inflicted injury; or
    - (ii) war or warlike activities; or
    - (iii) expropriation of any property; or
    - (iv) the use, existence or escape of nuclear weapons material, or ionising radiation from, or contamination by radioactivity from, any nuclear fuel or nuclear waste from the combustion of nuclear fuel;
  - (b) death, disablement or unemployment resulting from the insured:
    - (i) being under the influence of intoxicating liquor or of a drug, other than a drug taken or administered by or in accordance with the advice of a duly qualified medical practitioner; or
    - (ii) being addicted to intoxicating liquor or to a drug; or
    - (iii) taking part in a riot or civil commotion; or
    - (iv) acting maliciously; or
    - (v) engaging in professional sporting activities;
  - (c) death or disablement occurring at a time when the insured is flying, or engaging in aerial activities, otherwise than as a passenger in an aircraft that is authorised to fly under a law that relates to the safety of aircraft;
  - (d) the insured becoming voluntarily unemployed;
  - (e) if the insured is employed for a specified period or by reference to specified work—the insured becoming unemployed at the expiration of the period or on the completion of the work.

#### 29 Minimum amounts

- (1) A reference in this section to the amount falling due under an agreement in respect of a day is a reference to the amount ascertained by dividing the amount of the payment that next falls due after that day under the agreement (excluding any arrears) by the number of days in the period:

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- (a) commencing on the day on which the immediately previous payment under the agreement fell due; and
  - (b) ending on the day on which that next payment falls due.
- (2) The minimum amount in respect of a claim made under a contract referred to in section 27, being a claim that arises as mentioned in column 1 of an item of the following table, is declared to be the amount ascertained in accordance with column 2 of the item, reduced by an amount equal to the amount so payable in respect of the first 14 days of the period during which the insured is disabled.

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## Minimum amounts

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<b>Item</b>	<b>Column 1 Description of claim</b>	<b>Column 2 Minimum amount</b>
1	A claim that arises out of the death of the insured	The amount due at the date of death (excluding any arrears) under the agreement specified in the contract
2	A claim that arises out of the total disablement of the insured	The sum of the amounts falling due under the agreement specified in the contract in respect of each day during the period during which the insured is so disabled
3	A claim that arises out of the insured becoming unemployed	The sum of the amounts falling due under the agreement specified in the contract in respect of each day during the period during which the insured is unemployed

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## Subdivision G—Travel insurance

### 30 Prescribed contracts

The following class of contracts of insurance is declared to be a class of contracts in relation to which Division 1 of Part V of the Act applies, namely, contracts that provide insurance cover (whether or not the cover is limited or restricted in any way) in respect of one or more of the following:

- (a) financial loss in respect of:
    - (i) fares for any form of transport to be used; or
    - (ii) accommodation to be used;in the course of a specified journey in the event that the insured does not commence or complete the specified journey;
  - (b) loss of or damage to personal belongings that occurs while the insured is on a specified journey;
  - (c) a sickness or disease contracted or an injury sustained by the insured while on a specified journey;
- where the insured or one of the insureds is a natural person.

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#### 31 Prescribed events

- (1) The following, except in so far as they are excluded by subsection (2), are declared to be prescribed events in relation to a contract referred to in section 30:
- (a) financial loss on account of:
    - (i) fares for any form of transport to be used; or
    - (ii) accommodation to be used;in the course of the specified journey in the event that the insured or a member of the insured's travelling party, through unforeseen circumstances beyond the control of the insured or the member, respectively, cannot reasonably be expected to commence or complete the journey;
  - (b) loss of or damage to personal belongings of the insured during the course of the specified journey;
  - (c) the death of the insured or a member of the insured's travelling party while on the specified journey;
  - (d) the insured or a member of the insured's travelling party contracting a sickness or disease, or sustaining an injury, while on the specified journey.
- (2) The following are excluded:
- (a) financial loss, loss of or damage to personal belongings or death, sickness or injury, occurring as a result of:
    - (i) war or warlike activities; or
    - (ii) expropriation of anything; or
    - (iii) the use, existence or escape of nuclear weapons material, or ionising radiation from, or contamination by radioactivity from, any nuclear fuel or nuclear waste from the combustion of nuclear fuel;
  - (b) financial loss, loss of or damage to personal belongings or death, sickness or injury, occurring as a result of the insured or a member of the insured's travelling party:
    - (i) being under the influence of intoxicating liquor or of a drug, other than a drug taken or administered by or in accordance with the advice of a duly qualified medical practitioner; or
    - (ii) being addicted to intoxicating liquor or to a drug; or
    - (iii) taking part in a riot or civil commotion; or
    - (iv) acting maliciously; or
    - (v) engaging in professional sporting activities;
  - (c) financial loss, loss of or damage to personal belongings or death, sickness or injury, intentionally caused by:
    - (i) the insured; or
    - (ii) a member of the insured's travelling party; or
    - (iii) a person acting with the express or implied consent of the insured or a member of the insured's travelling party;
  - (d) financial loss as a result of the insured failing to commence or complete the specified journey:
    - (i) for financial, business or contractual reasons, being reasons related to the insured or to a member of the insured's travelling party; or

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- (ii) because of a sickness, disease or disability to which a person was subject at any time during the period of 6 months before the contract was entered into and continues to be subject to after that time;
- (e) financial loss as a result of:
  - (i) the insured or a member of the insured's travelling party being disinclined to travel; or
  - (ii) contravention of, or failure to comply with, a law (including the law of a foreign country) by the insured or a member of the insured's travelling party;
- (f) loss of or damage occurring to personal belongings as a result of:
  - (i) depreciation; or
  - (ii) wear and tear, mildew, rust or corrosion; or
  - (iii) the action of insects or vermin; or
  - (iv) mechanical or electrical breakdown or failure of the personal belongings; or
  - (v) the personal belongings being cleaned, dyed, altered or repaired; or
  - (vi) in the case of personal belongings that are fragile or brittle—the negligence of the insured;
- (g) death occurring or injury sustained as a result of a sickness or disability to which the person concerned was subject at any time during the period of 6 months before the contract was entered into and continues to be subject to after that time;
- (h) death occurring or injury sustained at a time when the person concerned is flying, or engaging in aerial activities, otherwise than as a passenger in an aircraft that is authorised to fly under a law that relates to the safety of aircraft;
- (i) the insured or a member of the insured's travelling party sustaining a deliberately self-inflicted injury.

## 32 Minimum amounts

*Claims arising out of events referred to in paragraph 31(1)(a) or (b)*

- (1) The minimum amount in respect of a claim made under a contract referred to in section 30, being a claim that arises out of an event referred to in paragraph 31(1)(a) or (b), is declared to be the amount sufficient to indemnify the person who made the claim in respect of his or her loss or damage.

*Claims arising out of events referred to in paragraph 31(1)(c)*

- (2) The minimum amount in respect of a claim made under a contract referred to in section 30, being a claim that arises out of an event referred to in paragraph 31(1)(c), is declared to be the amount sufficient to indemnify the person who made the claim in respect of the reasonable cost of:
  - (a) the funeral or cremation; or
  - (b) transporting the remains of the deceased person to the deceased's former place of residence.

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*Claims arising out of events referred to in paragraph 31(1)(d)*

- (3) The minimum amount in respect of a claim made under a contract referred to in section 30, being a claim that arises out of an event referred to in paragraph 31(1)(d), is declared to be the amount sufficient to indemnify the person who made the claim in respect of the reasonable cost of:
- (a) medical, surgical, hospital, ambulance and nursing home charges; and
  - (b) other medical treatment;
- incurred during the specified journey as a result of the sickness, disease or injury.

## Division 2—Definition of flood

### 33 Prescribed contracts

- (1) For the purposes of section 37A of the Act, the following classes of contracts of insurance are declared to be classes of contracts in relation to which Division 1A of Part V of the Act applies:
- (a) home building insurance contracts;
  - (b) home contents insurance contracts;
  - (c) insurance contracts that combine home building insurance and home contents insurance;
  - (d) contracts that provide insurance cover (whether or not the cover is limited or restricted in any way) in respect of destruction of, or damage to, a strata title residence;
  - (e) contracts that provide insurance cover (whether or not the cover is limited or restricted in any way) in respect of the loss of the equipment, stock, inventory or premises of a small business;
  - (f) contracts that provide insurance cover (whether or not the cover is limited or restricted in any way) in respect of damage to the equipment, stock, inventory or premises of a small business.

Note 1: Division 1A of Part V of the Act refers to these contracts as *prescribed contracts*.

Note 2: For the meaning of *small business*, see section 35.

- (2) However, subsection (1) does not apply to a contract that is arranged by an insurance broker who is acting as an agent of the insured.
- (3) In this section:

*strata title residence* means a residence to which the following apply:

- (a) the portion of land on which the residence is located exists as the result of the subdivision of the title to a larger portion of land into separate titles for use for residential purposes;
- (b) property that is common between the residence and one or more other portions of land is managed by a single body corporate (however described);  
Example: An “owners corporation”.
- (c) the title to the portion of land on which the residence is located is regulated under the law of the State or Territory in which the land is located as a “strata title”, a “community title” or another description that refers to the title being created as described in paragraphs (a) and (b).

### 34 Meaning of *flood* in prescribed contracts etc.

- (1) For the purposes of paragraph 37B(2)(a) of the Act, *flood* means the covering of normally dry land by water that has escaped or been released from the normal confines of any of the following:
- (a) a lake (whether or not it has been altered or modified);

# EXPOSURE DRAFT

## Part 3 The contract

### Division 2 Definition of flood

#### Section 35

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- (b) a river (whether or not it has been altered or modified);
- (c) a creek (whether or not it has been altered or modified);
- (d) another natural watercourse (whether or not it has been altered or modified);
- (e) a reservoir;
- (f) a canal;
- (g) a dam.

Note: The meaning of **flood** set out in subsection (1) will apply in the prescribed contract even if the meaning of the word provided by the prescribed contract (or by a notice or other document or information given by the insurer in relation to the prescribed contract) is different from the meaning set out in subsection (1), see subsection 37B(3) of the Act.

- (2) For the purposes of entering into a contract that provides insurance cover (whether or not the cover is limited or restricted in any way) in respect of loss caused to a business, if an insurer proposes to:
  - (a) use the word “flood” in the contract; and
  - (b) give the word a meaning other than the meaning set out in subsection (1);the insurer must take reasonable steps to ensure that the contract is not a prescribed contract in respect of loss caused to a business that would, at that time, be a small business.

Note 1: The insurer is likely to rely on information provided by the insured to assess whether the business is a small business. The provision of false or misleading information is a serious matter.

Note 2: For the meaning of **small business**, see section 35.

- (3) Subsection (2) does not apply to:
  - (a) the making of an agreement to renew, extend or vary the contract; or
  - (b) the reinstatement of any previous contract of insurance.

Note: See subsection 11(9) of the Act.

### 35 Meaning of **small business**

- (1) A business is a **small business** if:
  - (a) the business has operated in the last completed financial year; and
  - (b) its turnover in the last completed financial year was less than \$1,000,000; and
  - (c) the total number of hours worked each week by the employees of the business is no more than 190 hours (whether or not the employees are employed on a full-time, part-time or casual basis).

Note: 190 hours is the equivalent of 5 employees each working a 38 hour week.

- (2) If:
  - (a) a business did not operate in the last completed financial year; or
  - (b) the turnover of the business in the last completed financial year is unknown;

# EXPOSURE DRAFT

The contract **Part 3**  
Definition of flood **Division 2**

Section 35

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the business is a *small business* if the number of hours worked each week by the employees of the business is no more than 190 hours (whether or not the employees are employed on a full-time, part-time or casual basis).

Note: 190 hours is the equivalent of 5 employees each working a 38 hour week.

# EXPOSURE DRAFT

## Part 3 The contract

### Division 3 General provisions relating to insurance contracts

#### Section 36

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### **Division 3—General provisions relating to insurance contracts**

#### **36 Classes of contracts of insurance in relation to which section 46 of the Act does not apply**

For the purposes of section 46 of the Act, each of the following classes of contracts is declared to be a class of contracts in relation to which that section does not apply:

- (a) contracts of insurance commonly known as construction risks insurance contracts;
- (b) contracts of insurance commonly known as industrial special risks insurance contracts or commercial risks insurance contracts;
- (c) contracts of insurance under which the insurer agrees to indemnify the insured, in relation to a business undertaking, against loss resulting from a breakdown of, or malfunction in, machinery (including electronic equipment) or plant of the insured, being:
  - (i) loss in respect of the repair or replacement of that machinery or plant;
  - or
  - (ii) any further loss resulting from that breakdown or malfunction;or both, but not against any other loss;
- (d) contracts of insurance commonly known as products liability insurance contracts;
- (e) contracts of insurance commonly known as “broad form” accidental loss and damage insurance contracts.

#### **37 Classes of contracts of insurance in relation to which section 53 of the Act does not apply**

- (1) For the purposes of section 53 of the Act, each of the following classes of contracts is declared to be a class of contracts in relation to which that section does not apply:
  - (a) each of the classes of contracts referred to in section 36 of this instrument;
  - (b) contracts of insurance under which the insurer agrees to indemnify the insured against loss in respect of failure by a debtor to pay a debt due to the insured, but not against any other loss;
  - (c) contracts of life insurance;
  - (d) superannuation contracts, including individual superannuation contracts and blanket superannuation contracts;
  - (e) sickness and accident insurance contracts to which paragraph 24(2)(c) applies;
  - (f) export payments insurance contracts within the meaning of subsection 14(2) of the *Export Finance and Insurance Corporation Act 1991*;
  - (g) aviation liability indemnity contracts.
- (2) In this section:

# EXPOSURE DRAFT

*aviation liability indemnity contracts* means contracts under which the Commonwealth provides indemnities to airlines, airports or other aviation service providers for claims against them by third parties, for property damage or bodily injury or both (other than injury to aircraft passengers and employees of the insured travelling as passengers in the course of their duties) arising as a consequence of:

- (a) war, invasion, acts of foreign enemies, hostilities (whether war has been declared or not), civil war, rebellion, revolution, insurrection, martial law, military law, military or usurped power or attempts at usurpation of power; or
- (b) strikes, riots, civil commotions or labour disturbances; or
- (c) an act of one or more persons (whether or not as agent of a sovereign power) for political or terrorist purposes (whether the resulting loss or damage is accidental or intentional); or
- (d) a malicious act or act of sabotage; or
- (e) hi-jacking or an unlawful seizure or wrongful exercise of control of the aircraft or crew in flight (including an attempt at such seizure or control) made by any person acting without the consent of the insured; or
- (f) confiscation, nationalisation, seizure, restraint, detention, appropriation, requisition or use by, or under the order of, a government (civil, military or de facto) or a public or local authority.

# EXPOSURE DRAFT

## Part 4 Claims

### Section 38

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## Part 4—Claims

### 38 Interest on claims

- (1) For the purposes of subsection 57(3) of the Act, the rate applicable to a day in respect of which interest is payable by an insurer, is the rate worked out under the following formula:

$$Y + 3\%$$

where:

*Y* is the rate of:

- (a) 10-year Bond yield at the end of the half-financial year ending in the period that, in relation to the withheld amount, is mentioned in subsection 57(2) of the Act, or
  - (b) if more than one half-financial year has ended during that period—the mean of the rates of the 10-year Bond yield at the end of each of those half-financial years; or
  - (c) if no half-financial year has ended during that period—the 10-year Bond yield at the end of the half-financial year immediately preceding the commencement of that period.
- (2) In subsection (1):

**10-year Bond yield** means the rate known as the 10-year Australian Government Bond yield, published by the Reserve Bank of Australia.

**mean**, in relation to rates, means, if the mean of the rates is not a whole number, or does not end in .75, .50 or .25, the mean rate rounded to the nearest lower quarter of 1%.

### 39 Insurance for risks related to war and terrorism

For the purposes of paragraph 9(4)(b) of the Act, a provision of a contract, or proposed contract, for extended coverage endorsement (aviation liabilities) is prescribed if it provides one or more of the following:

- (a) the insurers may give notice in writing to review the premium or geographical limits, and the notice becomes effective at least 7 days after the day on which notice is given;
- (b) following a hostile detonation of any weapon of war employing atomic or nuclear fission or fusion or other like reaction or radioactive force or matter, regardless of the place or time of the detonation and whether or not the insured aircraft may be involved—the insurers may give notice, in writing, of the cancellation of one or more parts of the cover provided by the endorsement, and the notice becomes effective at least 48 hours after the day on which notice is given;
- (c) the cover provided by the endorsement may be cancelled by either the insurer or the insured giving notice in writing, and the notice becomes effective at least 7 days after the day on which notice is given.

# EXPOSURE DRAFT

Claims **Part 4**

Section 39

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Note: Subsection 9(4) of the Act allows an insurer to vary or cancel a provision of a contract or proposed contract of insurance only to the extent that the provision covers risks related to war or terrorism.

**EXPOSURE DRAFT**

# EXPOSURE DRAFT

## Part 5 Transitional matters

### Section 40

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## Part 5—Transitional matters

### 40 Things done under the *Insurance Contracts Regulations 1985*

(1) If:

(a) a thing was done for a particular purpose under the *Insurance Contracts Regulations 1985* as in force immediately before those regulations were repealed; and

(b) the thing could be done for that purpose under this instrument;  
the thing has effect for the purposes of this instrument as if it had been done under this instrument.

(2) Without limiting subsection (1), a reference in that subsection to a thing being done includes a reference to a notice or a document being given or made.

Example 1: A notice given in accordance with paragraph 2B(2)(c) of the *Insurance Contracts Regulations 1985* has effect for the purposes of this instrument as if it had been made under paragraph 6(3)(c) of this instrument.

Example 2: A Key Facts Sheet given in accordance with Division 4 of Part 4 of the *Insurance Contracts Regulations 1985* has effect for the purposes of this instrument as if it had been given under Division 3 of Part 2 of this instrument.

# EXPOSURE DRAFT

Writing to inform of duty of disclosure **Schedule 1**  
Contracts of general insurance, other than eligible contracts of insurance **Part 1**

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## **Schedule 1—Writing to inform of duty of disclosure**

Note: See subsection 7(2).

### **Part 1—Contracts of general insurance, other than eligible contracts of insurance**

#### **Your duty of disclosure**

Before you enter into an insurance contract, you have a duty to tell us anything that you know, or could reasonably be expected to know, may affect our decision to insure you and on what terms.

You have this duty until we agree to insure you.

You have the same duty before you renew, extend, vary or reinstate an insurance contract.

You do not need to tell us anything that:

- reduces the risk we insure you for; or
- is common knowledge; or
- we know or should know as an insurer; or
- we waive your duty to tell us about.

#### **If you do not tell us something**

If you do not tell us anything you are required to, we may cancel your contract or reduce the amount we will pay you if you make a claim, or both.

If your failure to tell us is fraudulent, we may refuse to pay a claim and treat the contract as if it never existed.

# EXPOSURE DRAFT

Schedule 1 Writing to inform of duty of disclosure

Part 2 Contracts of life insurance

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## Part 2—Contracts of life insurance

### Your duty of disclosure

Before you enter into a life insurance contract, you have a duty to tell us anything that you know, or could reasonably be expected to know, may affect our decision to insure you and on what terms.

You have this duty until we agree to insure you.

You have the same duty before you extend, vary or reinstate the contract.

You do not need to tell us anything that:

- reduces the risk we insure you for; or
- is common knowledge; or
- we know or should know as an insurer; or
- we waive your duty to tell us about.

If the insurance is for the life of another person and that person does not tell us everything he or she should have, this may be treated as a failure by you to tell us something that you must tell us.

### If you do not tell us something

In exercising the following rights, we may consider whether different types of cover can constitute separate contracts of life insurance. If they do, we may apply the following rights separately to each type of cover.

If you do not tell us anything you are required to, and we would not have insured you if you had told us, we may avoid the contract within 3 years of entering into it.

If we choose not to avoid the contract, we may, at any time, reduce the amount you have been insured for. This would be worked out using a formula that takes into account the premium that would have been payable if you had told us everything you should have. However, if the contract has a surrender value, or provides cover on death, we may only exercise this right within 3 years of entering into the contract.

If we choose not to avoid the contract or reduce the amount you have been insured for, we may, at any time vary the contract in a way that places us in the same position we would have been in if you had told us everything you should have. However, this right does not apply if the contract has a surrender value or provides cover on death.

If your failure to tell us is fraudulent, we may refuse to pay a claim and treat the contract as if it never existed.

# EXPOSURE DRAFT

Writing to inform of duty of disclosure **Schedule 1**  
Eligible contracts of insurance **Part 3**

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## **Part 3—Eligible contracts of insurance**

### **Your duty of disclosure**

Before you enter into an insurance contract, you have a duty of disclosure under the *Insurance Contracts Act 1984*.

If we ask you questions that are relevant to our decision to insure you and on what terms, you must tell us anything that you know and that a reasonable person in the circumstances would include in answering the questions.

You have this duty until we agree to insure you.

### **If you do not tell us something**

If you do not tell us anything you are required to tell us, we may cancel your contract or reduce the amount we will pay you if you make a claim, or both.

If your failure to tell us is fraudulent, we may refuse to pay a claim and treat the contract as if it never existed.

# EXPOSURE DRAFT

Schedule 1 Writing to inform of duty of disclosure

Part 4 Renewal of eligible contracts of insurance

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## Part 4—Renewal of eligible contracts of insurance

### Your duty of disclosure

Before you renew this contract of insurance, you have a duty of disclosure under the *Insurance Contracts Act 1984*.

If we ask you questions that are relevant to our decision to insure you and on what terms, you must tell us anything that you know and that a reasonable person in the circumstances would include in answering the questions.

Also, we may give you a copy of anything you have previously told us and ask you to tell us if it has changed. If we do this, you must tell us about any change or tell us that there is no change.

If you do not tell us about a change to something you have previously told us, you will be taken to have told us that there is no change.

You have this duty until we agree to renew the contract.

### If you do not tell us something

If you do not tell us anything you are required to tell us, we may cancel your contract or reduce the amount we will pay you if you make a claim, or both.

If your failure to tell us is fraudulent, we may refuse to pay a claim and treat the contract as if it never existed.

## **Schedule 2—Writing to inform persons to be insured by others**

Note: See subsection 7(3).

### **Insured's duty of disclosure**

A person who enters into a life insurance contract in respect of your life has a duty, before entering into the contract, to tell us anything that he or she knows, or could reasonably be expected to know, may affect our decision to provide the insurance and on what terms.

The person entering into the contract has this duty until we agree to provide the insurance.

The person entering into the contract has the same duty before he or she extends, varies or reinstates the contract.

The person entering into the contract does not need to tell us anything that:

- reduces the risk we insure you for; or
- is common knowledge; or
- we know or should know as an insurer; or
- we waive your duty to tell us about.

If you do not tell us something that you know, or could reasonably be expected to know, may affect our decision to provide the insurance and on what terms, this may be treated as a failure by the person entering into the contract to tell us something that he or she must tell us.

### **If the person entering the contract does not tell us something**

In exercising the following rights, we may consider whether different types of cover can constitute separate contracts of life insurance. If they do, we may apply the following rights separately to each type of cover.

If the person entering into the contract does not tell us anything he or she is required to, and we would not have provided the insurance if he or she had told us, we may avoid the contract within 3 years of entering into it.

If we choose not to avoid the contract, we may, at any time, reduce the amount of insurance provided. This would be worked out using a formula that takes into account the premium that would have been payable if he or she had told us everything he or she should have. However, if the contract has a surrender value, or provides cover on death, we may only exercise this right within 3 years of entering into the contract.

If we choose not to avoid the contract or reduce the amount of insurance provided, we may, at any time vary the contract in a way that places us in the same position we would have been in if he or she had told us everything he or she should have. However, this right does not apply if the contract has a surrender value or provides cover on death.

If the failure to tell us is fraudulent, we may refuse to pay a claim and treat the contract as if it never existed.

# EXPOSURE DRAFT

**Schedule 3** Writing to remind of duty of disclosure

**Part 1** Contracts of general insurance, other than eligible contracts of insurance

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## **Schedule 3—Writing to remind of duty of disclosure**

Note: See section 8.

### **Part 1—Contracts of general insurance, other than eligible contracts of insurance**

#### **Reminder—your duty of disclosure**

You have previously been given a notice informing you of your duty of disclosure in relation to a general insurance contract.

This is a duty to tell us about anything that you know, or could reasonably be expected to know, may affect our decision to insure you and on what terms.

You have this duty until we agree to insure you.

# EXPOSURE DRAFT

Writing to remind of duty of disclosure **Schedule 3**  
Contracts of life insurance **Part 2**

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## **Part 2—Contracts of life insurance**

### **Reminder—your duty of disclosure**

You have previously been given a notice informing you of your duty of disclosure in relation to a life insurance contract.

This is a duty to tell us about anything that you know, or could reasonably be expected to know, may affect our decision to insure you and on what terms.

If the contract is for insurance of the life of another person, and that person does not tell us about anything that he or she knows, or could reasonably be expected to know, may affect our decision to provide the insurance and on what terms, this may be treated as a failure by you to tell us something that you must tell us.

You have this duty until we agree to provide the insurance.

# EXPOSURE DRAFT

**Schedule 3** Writing to remind of duty of disclosure

**Part 3** Eligible contracts of insurance

---

## **Part 3—Eligible contracts of insurance**

### **Reminder—your duty of disclosure**

You have previously been given a notice informing you of your duty of disclosure in relation to an eligible contract of insurance.

This is a duty to tell us, in response to our questions, anything that you know, and that a reasonable person in the circumstances would include in answering the questions.

You have this duty until we agree to insure you.

# EXPOSURE DRAFT

Words to inform of duty of disclosure for eligible contracts of insurance **Schedule 4**

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## **Schedule 4—Words to inform of duty of disclosure for eligible contracts of insurance**

Note: See section 9.

Before you enter into an eligible contract of insurance with us, you have a duty of disclosure under the *Insurance Contracts Act 1984*.

We may ask you questions that are relevant to our decision to insure you and on what terms. If we do, you must tell us anything that you know and that a reasonable person in the circumstances would include in their answer.

You have this duty until we agree to insure you.

If you do not tell us anything you are required to, we may cancel your contract or reduce the amount we will pay you if you make a claim, or both.

If your failure to tell us is fraudulent, we may refuse to pay a claim and treat the contract as if it never existed.

# EXPOSURE DRAFT

Schedule 5 Key Facts Sheets

Form 1 Home buildings insurance contract

## Schedule 5—Key Facts Sheets

Note: See section 12.

### Form 1—Home buildings insurance contract

The content of this Key Facts Sheet is prescribed by the Australian Government and is a requirement under the *Insurance Contracts Act 1984*

#### KEY FACTS ABOUT THIS HOME BUILDING POLICY

[insert policy name]

Prepared on: [insert date of this key facts sheet's preparation]

[Insert insurance provider's/  
distributor's logo or brand]

THIS IS NOT AN INSURANCE CONTRACT

#### STEP 1 Understanding the Facts Sheet

This Key Facts Sheet sets out some of the events covered and not covered by this policy and other information you should consider. This sheet does not provide a complete statement of the cover offered, exclusions, conditions and limits that apply under the policy. You should carefully read the Product Disclosure Statement (PDS) and all policy documentation for more details.

#### STEP 2 Check the maximum level of cover and the events covered

Under this policy [insert details of the maximum cover provided in accordance with step 3]

Event/Cover	Yes/No Optional	Some examples of specific conditions, exclusions or limits that apply to events/covers (see PDS and other policy documentation for details of others)*
Fire and Explosion	[Yes/No Optional]	[insert policy specific condition, exclusion or limits] [if the wording of event/cover in column one is not consistent with the wording used in the PDS insert an explanation on how the event cover applies in respect to the policy]
Flood	[Yes/No Optional]	[insert policy specific condition, exclusion or limits] [if the wording of event/cover in column one is not consistent with the wording used in the PDS insert an explanation on how the event cover applies in respect to the policy]
Storm	[Yes/No Optional]	[insert policy specific condition, exclusion or limits] [if the wording of event/cover in column one is not consistent with the wording used in the PDS insert an explanation on how the event cover applies in respect to the policy]
Accidental breakage	[Yes/No Optional]	[insert policy specific condition, exclusion or limits] [if the wording of event/cover in column one is not consistent with the wording used in the PDS insert an explanation on how the event cover applies in respect to the policy]
Earthquake	[Yes/No Optional]	[insert policy specific condition, exclusion or limits] [if the wording of event/cover in column one is not consistent with the wording used in the PDS insert an explanation on how the event cover applies in respect to the policy]
Lightning	[Yes/No Optional]	[insert policy specific condition, exclusion or limits] [if the wording of event/cover in column one is not consistent with the wording used in the PDS insert an explanation on how the event cover applies in respect to the policy]
Theft and Burglary	[Yes/No Optional]	[insert policy specific condition, exclusion or limits] [if the wording of event/cover in column one is not consistent with the wording used in the PDS insert an explanation on how the event cover applies in respect to the policy]
Actions of the sea	[Yes/No Optional]	[insert policy specific condition, exclusion or limits] [if the wording of event/cover in column one is not consistent with the wording used in the PDS insert an explanation on how the event cover applies in respect to the policy]
Malicious Damage	[Yes/No Optional]	[insert policy specific condition, exclusion or limits] [if the wording of event/cover in column one is not consistent with the wording used in the PDS insert an explanation on how the event cover applies in respect to the policy]
Impacts	[Yes/No Optional]	[insert policy specific condition, exclusion or limits] [if the wording of event/cover in column one is not consistent with the wording used in the PDS insert an explanation on how the event cover applies in respect to the policy]
Escape of liquid	[Yes/No Optional]	[insert policy specific condition, exclusion or limits] [if the wording of event/cover in column one is not consistent with the wording used in the PDS insert an explanation on how the event cover applies in respect to the policy]
Removal of debris	[Yes/No Optional]	[insert policy specific condition, exclusion or limits] [if the wording of event/cover in column one is not consistent with the wording used in the PDS insert an explanation on how the event cover applies in respect to the policy]
Alternative accommodation	[Yes/No Optional]	[insert policy specific condition, exclusion or limits] [if the wording of event/cover in column one is not consistent with the wording used in the PDS insert an explanation on how the event cover applies in respect to the policy]

\* This Key Facts Sheet is a guide only. The examples provided are only some of the conditions, exclusions and limits in this policy. You must read the PDS and policy documentation for all information about this policy.



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# EXPOSURE DRAFT

Key Facts Sheets **Schedule 5**  
Home buildings insurance contract **Form 1**

The content of this Key Facts Sheet is prescribed by the Australian Government and is a requirement under the *Insurance Contracts Act 1984*

## STEP 3 Other things to consider

### Limits

This policy has restrictions that limit your cover for certain events and items, for example [insert policy specific example]. To find out these limits you need to read the PDS and other relevant policy documentation.

### Excesses

If you make a claim, the excess is the amount you may have to pay for each incident. A number of different excesses may apply in respect to this policy, for example [insert policy specific example]. You may be able to increase these excesses to lower your premium. For more detail, please read the PDS and other policy documentation [if no excesses apply to the policy the words from "A number of different" to "other policy documentation" can be removed and the following wording can be inserted: However under this policy no excesses apply.]

### Legal liability

This policy covers your legal liability when you are found to be legally responsible for damage or personal injury to a third party or their property. It is limited to [insert policy specific information]. You should read the PDS carefully to determine the extent of this cover. [If no cover is provided for limited liability under the policy the wording in this section can be deleted and the following wording can be inserted: This policy doesn't provide cover for legal liability.]

### Cooling off period

If you decide you don't want this policy within [insert policy specific information] days of it being issued and you haven't made a claim, you can cancel it and receive a refund.

### Maximum level of cover offered by insurers

Insurers offer different maximum levels of cover in the event of the loss or destruction your home including where:

- you set the maximum level of cover and your payout is limited to that amount\* (*Sum insured*).
- you set the maximum level of cover and the insurer may provide you with some agreed extra cover above that amount (*Sum insured plus safety net*).
- the insurer will cover all the reasonable costs to rebuild your home (*Total replacement*).

\* the insurer may provide some cover above this amount.

You should consider which type of cover is best for you.

Failure to adequately insure your home may result in underinsurance.

Warning: this Key Facts Sheet sets out some of the conditions, exclusions and limits in respect to this policy. You should read the PDS and all policy documentation for all the conditions, exclusions and limitations of this policy that limit or exclude cover

## STEP 4 Seek more information

If you want more information on this policy contact us on [insert insurer/distributor specific details].

For more information on choosing insurance and to better understand insurance visit the Australian Government website: [www.moneysmart.gov.au](http://www.moneysmart.gov.au)

The policy this KFS relates to is:

- Provided/Distributed by [insert policy specific details including the AFSL number].
- Underwritten by [insert policy specific details including the AFSL number].

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# EXPOSURE DRAFT

Schedule 5 Key Facts Sheets

Form 2 Home contents insurance contract

## Form 2—Home contents insurance contract

The content of this Key Facts Sheet is prescribed by the Australian Government and is a requirement under the Insurance Contracts Act 1984.

### KEY FACTS ABOUT THIS HOME CONTENTS

[insert policy name]

Prepared on: [insert date of this key facts sheet's preparation]

[insert insurance provider/  
distributor's logo]

THIS IS NOT AN INSURANCE CONTRACT

#### STEP 1 → Understanding the Facts Sheet

This Key Facts Sheet sets out some of the risks covered and not covered by this policy and other information you should consider. This sheet does not provide a complete statement of the cover offered, exclusions, conditions and limits that apply under the policy. You should carefully read the Product Disclosure Statement (PDS) and all policy documentation for more details.

#### STEP 2 → Check the maximum level of cover and the events covered

Under this policy [insert details of the maximum cover provided in accordance with step 3]

Event/cover	Yes/No/Optional	Some examples of specific conditions, exclusions or limits that apply to events/covers (see PDS and other policy documentation for details of others)
Fire and Explosion	[Yes/No/Optional]	[insert policy specific condition, exclusion or limits] If the wording of event/cover in column one is not consistent with the wording used in the PDS—insert an explanation on how the event/cover applies in respect to the policy
Flood	[Yes/No/Optional]	[insert policy specific condition, exclusion or limits] If the wording of event/cover in column one is not consistent with the wording used in the PDS—insert an explanation on how the event/cover applies in respect to the policy
Storm	[Yes/No/Optional]	[insert policy specific condition, exclusion or limits] If the wording of event/cover in column one is not consistent with the wording used in the PDS—insert an explanation on how the event/cover applies in respect to the policy
Accidental breakage	[Yes/No/Optional]	[insert policy specific condition, exclusion or limits] If the wording of event/cover in column one is not consistent with the wording used in the PDS—insert an explanation on how the event/cover applies in respect to the policy
Earthquake	[Yes/No/Optional]	[insert policy specific condition, exclusion or limits] If the wording of event/cover in column one is not consistent with the wording used in the PDS—insert an explanation on how the event/cover applies in respect to the policy
Lightning	[Yes/No/Optional]	[insert policy specific condition, exclusion or limits] If the wording of event/cover in column one is not consistent with the wording used in the PDS—insert an explanation on how the event/cover applies in respect to the policy
Theft and Burglary	[Yes/No/Optional]	[insert policy specific condition, exclusion or limits] If the wording of event/cover in column one is not consistent with the wording used in the PDS—insert an explanation on how the event/cover applies in respect to the policy
Actions of the sea	[Yes/No/Optional]	[insert policy specific condition, exclusion or limits] If the wording of event/cover in column one is not consistent with the wording used in the PDS—insert an explanation on how the event/cover applies in respect to the policy
Malicious Damage	[Yes/No/Optional]	[insert policy specific condition, exclusion or limits] If the wording of event/cover in column one is not consistent with the wording used in the PDS—insert an explanation on how the event/cover applies in respect to the policy
Impacts	[Yes/No/Optional]	[insert policy specific condition, exclusion or limits] If the wording of event/cover in column one is not consistent with the wording used in the PDS—insert an explanation on how the event/cover applies in respect to the policy
Escape of liquid	[Yes/No/Optional]	[insert policy specific condition, exclusion or limits] If the wording of event/cover in column one is not consistent with the wording used in the PDS—insert an explanation on how the event/cover applies in respect to the policy
Cover for valuables, collections and items away from the insured address		
High value items and collections	[Yes/No/Optional]	[insert policy specific condition, exclusion or limits] If the wording of event/cover in column one is not consistent with the wording used in the PDS—insert an explanation on how the event/cover applies in respect to the policy
Items away from insured address	[Yes/No/Optional]	[insert policy specific condition, exclusion or limits] If the wording of event/cover in column one is not consistent with the wording used in the PDS—insert an explanation on how the event/cover applies in respect to the policy

\* This Key Facts Sheet is a guide only. The examples provided are only some of the conditions, exclusions and limits in this policy. You must read the PDS and policy documentation for all information about this policy.



# EXPOSURE DRAFT

Key Facts Sheets **Schedule 5**  
Home contents insurance contract **Form 2**

The content of this Key Facts Sheet is prescribed by the Australian Government and is a requirement under the Insurance Contracts Act 1984

## STEP 3 → Other things to consider

### Limits

This policy has restrictions that limit your cover for certain events and items, for example [insert policy specific example]. To find out these limits you need to read the PDS and other relevant policy documentation.

### Excesses

If you make a claim, the excess is the amount you may have to pay for each incident. A number of different excesses may apply in respect to this policy, for example [insert policy specific example]. You may be able to increase these excesses to lower your premium. For more detail, please read the PDS and other policy documentation. [if no excesses apply to the policy the words from "A number of different" to and "other policy documentation" can be removed and the following wording can be inserted: However under this policy no excesses apply.]

### Legal liability

This policy covers your legal liability when you are found to be legally responsible for damage or personal injury to a third party or their property. It is limited to [insert policy specific information]. You should read the PDS carefully to determine the extent of this cover. [if no cover is provided for limited liability under the policy the wording in this section can be deleted and the following wording can be inserted: This policy doesn't provide cover for legal liability]

### Cooling-off period

If you decide you don't want this policy within [insert policy specific information] days of it being issued and you haven't made a claim, you can cancel it and receive a refund.

### Maximum level of cover offered by insurers

Insurers offer different maximum levels of cover in the event of the loss or destruction your contents including where:

- → you set the maximum level of cover and your payout is limited to that amount\* (Sum insured).
- → you set the maximum level of cover and the insurer may provide you with some agreed extra cover above that amount (Sum insured plus safety net).

\* the insurer may provide some cover above this amount

When working out how much cover you need for your contents, ensure that you value your possessions correctly. To do this you could start by listing all your contents and working out how much it would cost to replace them.

A failure to adequately insure your contents for their replacement value may result in underinsurance.

**Warning:** this key Facts Sheet sets out some of the conditions, exclusions and limits in respect to this policy. You should read the PDS and all policy documentation for all the conditions, exclusions and limitations of this policy that limit or exclude cover.

## STEP 4 → Seek more information

If you want more information on this policy contact us on [insert insurer/distributor specific details]

For more information on choosing insurance and to better understand insurance visit the Australian Government website: [www.moneysmart.gov.au](http://www.moneysmart.gov.au)

The policy this KFS relates to is:

- → Provided/Distributed by [insert policy specific details including the APBL number]
- → Underwritten by [insert policy specific details including the APBL number]

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