

FOR PRESS:

P. M. No 86/1970

COMMONWEALTH TO LEGISLATE ON
GENERAL INSURANCE

Statement by the Prime Minister, Mr. John Gorton

The Government has given close consideration, in the light of recent developments in the insurance industry, to the broad question of supervision of the affairs of general (non-life) insurance companies. I have received letters on the subject from the Premier of New South Wales and Sir Arthur Rylah when Acting Premier of Victoria and we have also had the benefit of views conveyed to the Government by a number of organisations in the insurance field.

We have reached the conclusion that there is a need for better supervision of general insurance companies conducting business in Australia. At present, Queensland is the only State which exercises a comprehensive form of supervision, and existing Commonwealth legislation - the Insurance Act 1932-1966 - is very limited in scope. While the deposit requirements of the Insurance Act have served a useful purpose over the years, recent developments have shown that deposit requirements on their own do not provide adequate protection of the interests of policy-owners. They need to be supplemented by a system of supervision under which companies are required to meet specified standards before they are authorised to begin carrying on general insurance business and in the conduct of their affairs thereafter.

The Government has given careful thought to the question whether supervision should be a Commonwealth responsibility or whether it is best regarded as a matter for the States. For various reasons, it seems to us that Commonwealth legislation is the preferable course.

The fact that the Commonwealth has powers in respect of insurance under the Constitution is itself a very relevant consideration. The Commonwealth has already legislated for supervision of life insurance and since its enactment in 1945 that legislation has been successful in ensuring sound and stable conduct of life insurance business in Australia. As in the case of life offices, many general insurance companies operate in a number of States and in the interests of the smooth running of their businesses it seems desirable that they should deal with one supervisory authority. In the representations they have made the main insurance organisations in Australia have all accepted the need for greater supervision of general insurance and have expressed a strong belief that it should be conducted by the Commonwealth.

...../2

At the same time, we recognise that the State Governments have a close and practical interest in insurance in a number of ways. Queensland is involved in general insurance over the whole field, both in an overall regulatory capacity and through the operations of its State insurance office. Most of the other States are engaged in insurance business through their government insurance offices and they all have statutory provisions covering the licensing of insurers for workers' compensation and compulsory third party insurance purposes.

In these circumstances we feel it would be most helpful if, before proceeding further, we could have the benefit of the views of State Governments as to the kind of provisions they think it would be desirable for Commonwealth legislation to contain. Accordingly, I have written to the Premiers of all the States inviting their advice and comments and indicating that, if they so desire, we would be happy to have discussions with representatives of State Governments.

The Government regards the subject as one of urgency and we will press ahead with it with all possible speed. I should perhaps say, however, that the preparation of a comprehensive legislative scheme will be a large and complex operation, and I am unable at this stage to indicate a likely timetable for the introduction of legislation.

CANBERRA
8 September 1970