

1994

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA
HOUSE OF REPRESENTATIVES

LIFE INSURANCE (CONSEQUENTIAL AMENDMENTS AND REPEALS) BILL 1994
EXPLANATORY MEMORANDUM

(Circulated by authority of the Treasurer,
the Hon Ralph Willis, MP)



LIFE INSURANCE (CONSEQUENTIAL AMENDMENTS AND REPEALS) BILL 1994

GENERAL OUTLINE AND MAIN PURPOSE OF THE BILL

This Bill, provides for a number of amendments to legislation following from the introduction of the companion Life Insurance Bill 1994, which establishes a new modern regulatory regime for the life insurance industry. This new regime will substantially strengthen prudential supervision and improve consumer protection.

This Bill amends the Life Insurance Act 1945, the Defence Force Retirement and Death Benefits Act 1973, the Defence Forces Retirement Benefits Act 1948, the Financial Corporations Act 1974, the Income Tax Assessment Act 1936, the Insurance Acquisitions and Takeovers Act 1991, the Insurance Act 1973, the Insurance (Agents and Brokers) Act 1984, the Insurance and Superannuation Commissioner Act 1987, the Insurance Contracts Act 1984, the Insurance Supervisory Levies Collection Act 1989, the Life Insurance Supervisory Levy Act 1989, the Parliamentary Contributory Superannuation Act 1948, the Pooled Development Funds Act 1992, the Social Security Act 1991, the Superannuation Act 1922, the Superannuation Act 1976, the Superannuation Industry (Supervision) Act 1993 and the Corporations Law as a consequence of the commencement of the Life Insurance Bill 1994.

The provisions of the Bill generally replace references in the Principal Acts to the Life Insurance Act 1945 with references to the Life Insurance Act 1994.

The Bill also provides for the repeal of the Life Insurance Policy Holders' Protection Levies Act 1991 and the Life Insurance Policy Holders' Protection Levies Collection Act 1991. These Acts were originally put in place to provide for the imposition of levies on life insurance companies to raise revenue to provide a measure of financial protection to the policy holders of the Occidental and Regal life insurance companies. The judicial manager for Occidental and Regal has advised that it is not necessary to call on these levies. It is therefore appropriate that the Acts now be repealed.

FINANCIAL IMPACT STATEMENT

The measures contained in this Bill are consequential upon the commencement of the Life Insurance Bill 1994 and will not directly incur any costs.

The companion Life Insurance Bill 1994 will result in additional supervisory costs being incurred by the Insurance and Superannuation Commission.

These additional resources have been estimated at \$0.370m in 1993-94, \$1.269m in 1994-95, \$1.053m in 1995-96 and \$1.053m in 1996-97.

These additional costs will be recovered through an increase in the annual supervisory levy on life insurance companies which is expected to rise from \$28 000 per company in 1992/93 to around \$70 000 per company.

EXPLANATORY NOTES ON THE LIFE INSURANCE (CONSEQUENTIAL AMENDMENTS AND REPEALS) BILL 1994

PART 1 - PRELIMINARY

CLAUSE 1 SHORT TITLE

1. This clause provides the mode of citation of the Bill.

CLAUSE 2 COMMENCEMENT

2. This clause provides for the Bill to come into operation immediately on the commencement of the Life Insurance Act 1994.

CLAUSE 3 APPLICATION

3. This clause provides that amendments to the Defence Force Retirement and Death Benefits Act 1973, the Defence Forces Retirement Benefits Act 1948, the Parliamentary Contributory Superannuation Act 1948 and the Superannuation Act 1976 only apply to a transfer value that has become payable to, or in respect of, a person on or after the commencement of this Act.

4. Subclause (2) provides that amendments to the Income Tax Assessment Act 1936 only apply to the 1994-95 year of income and the subsequent years of income.

CLAUSE 4 TRANSITIONAL - ANNUAL REPORT

5. Subclause (1) provides that the amendment to the annual reporting provision in the Life Insurance Act 1945 (section 11) applies to the financial year that ends on 30 June 1995, and each subsequent financial year.

6. Subclause (2) provides that in relation to any earlier financial year section 11 as it applied before the commencement of this Act, will have effect.

PART 2 - CONSEQUENTIAL AMENDMENTS

CLAUSE 5 CONSEQUENTIAL AMENDMENTS

7. This clause provides that:

subclause (1) - amendments to the Life Insurance Act 1945 are set out in Part 1 of the Schedule to the Act;

subclause (2) - amendments to a number of Acts are set out in Part 2 of the Schedule to the Act; and

subclause (3) - amendments to the Corporations Law are set out in Part 3 of the Schedule to the Act.

PART 3 - REPEAL OF ACTS**CLAUSE 6 REPEAL OF ACTS**

8. This clause provides for the repeal of the Life Insurance Policy Holders' Protection Levies Act 1991 and the Life Insurance Policy Holders' Protection Levies Collection Act 1991.

SCHEDULE

Part 1 - Amendments to the Life Insurance Act 1945

Part 1 of the Schedule provides for a number of provisions in the Life Insurance Act 1945 to be repealed or omitted and also allows provisions in the Life Insurance Act 1945 to continue until all the provisions of the Life Insurance Act 1994 are introduced.

Part 2 - Amendments of other Acts

Part 2 of the Schedule provides for amendments to Commonwealth Acts for the purpose of transition to the new Life Insurance Act 1994.

Defence Force Retirement and Death Benefits Act 1973

The nature of the amendments is essentially to provide for a change to the definition of 'life policy' and the introduction of a definition for 'owner of a life policy', following commencement of the Life Insurance Act 1994.

Defence Forces Retirement Benefits Act 1948

The nature of the amendments is essentially to provide for a change to the definition of 'life policy' and the introduction of a definition for 'owner of a life policy', following commencement of the Life Insurance Act 1994.

Financial Corporations Act 1974

This amendment replaces a reference to 'Life Insurance Act 1945-1973' with 'Life Insurance Act 1994'.

Income Tax Assessment Act 1936

These amendments essentially replace references to 'Life Insurance Act 1945' with 'Life Insurance Act 1994', and references to 'Division 3 of Part III of the Life Insurance Act 1945' with 'Part 4 of the Life Insurance Act 1994'.

Insurance Acquisitions and Takeovers Act 1991

These amendments essentially:

- replace references to 'Life Insurance Act 1945' with 'Life Insurance Act 1994';
- replace references to 'accounts' with 'statements';
- replace references to section 52 of the Life Insurance Act 1945 with references to section 82 of the Life Insurance Act 1994; and
- insert 'or statements' in subsections 77(2) and (3).

Insurance Act 1973

These amendments essentially replace references to 'Life Insurance Act 1945' with 'Life Insurance Act 1994'.

Insurance (Agents and Brokers) Act 1984

These amendments essentially replace references to 'Life Insurance Act 1945' with 'Life Insurance Act 1994', and replace the reference to the annual report section of the Life Insurance Act 1945 with a reference to the annual report provision in the Life Insurance Act 1994.

Insurance and Superannuation Commissioner Act 1987

This amendment replaces a reference to 'Life Insurance Act 1945' with 'Life Insurance Act 1994'.

Insurance Contracts Act 1984

The nature of these amendments is essentially to provide for the introduction of definitions for 'continuous disability insurance policy' and 'contract of life insurance' following the commencement of the Life Insurance Act 1994.

Insurance Supervisory Levies Collection Act 1989

These amendments provide for the life insurance supervisory levy to be collected from life companies registered under the Life Insurance Act 1994

Life Insurance Supervisory Levy Act 1989

These amendments essentially amend the Title and replace a reference to 'Life Insurance Act 1945' with 'Life Insurance Act 1994'.

Parliamentary Contributory Superannuation Act 1948

The nature of the amendments is essentially to provide for a change to the definitions of 'life policy' and the introduction of a definition for 'owner of a life policy', following commencement of the Life Insurance Act 1994.

These changes lead to amendments to sections of the Act dealing with situations where life policies associated with a person's previous employment may be included in his or her transfer value to the Scheme.

Pooled Development Funds Act 1992

This amendment involves the replacement of the definition of 'life office' following commencement of the Life Insurance Act 1994.

Social Security Act 1991

The nature of these amendments involve replacement of a reference to 'Life Insurance Act 1945' with 'Life Insurance Act 1994'.

Superannuation Act 1922

This amendment involves the replacement of the definition of 'life policy' following commencement of the Life Insurance Act 1994.

Superannuation Act 1976

The nature of the amendments is essentially to provide for a change to the definition of 'life policy' and the introduction of a definition for 'owner of a life policy', following commencement of the Life Insurance Act 1994.

These changes lead to amendments to sections of the Act dealing with situations where life policies associated with a person's previous employment may be included in his or her transfer value to the Scheme.

Superannuation Industry (Supervision) Act 1993

The nature of these amendments are purely reference changes from 'Life Insurance Act 1945' to 'Life Insurance Act 1994' and subsequent section references.

Part 3 - Amendments of the Corporations Law

Part 3 of the Schedule provides for amendment of the Corporations Law for the purpose of transition to the new Life Insurance Act 1994. The nature of these amendments are purely reference changes from 'Life Insurance Act 1945' to 'Life Insurance Act 1994' and subsequent section references.

The Life Insurance Act 1994 will ensure that all life company products issued out of a statutory fund are subject to regulation by the Insurance and Superannuation Commission, and not subject to duplicate regulation under the Corporations Law. All life company products, including investment linked products, will be exempt from the Corporations Law, but subject to equivalent regulation under the Life Insurance Act 1994.