

1984

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

HOUSE OF REPRESENTATIVES

LIFE INSURANCE AMENDMENT BILL 1984

EXPLANATORY MEMORANDUM

(Circulated by Authority of the Treasurer,
the Hon P.J. Keating MP)

LIFE INSURANCE AMENDMENT BILL 1984

GENERAL OUTLINE AND MAIN PURPOSE OF THE BILL

This Bill contains a number of amendments to the Life Insurance Act 1945 which would be necessary or desirable consequent upon the enactment of the Insurance Contracts Bill 1983.

The amendments recognise that the Insurance Contracts Bill contains a number of more up-to-date and comprehensive provisions relating to life insurance policies than the existing provisions in the Life Insurance Act (the Principal Act).

Explanatory notes on the amendments are set out below.

EXPLANATORY NOTES ON THE LIFE INSURANCE AMENDMENT BILL 1984

CLAUSE 1 SHORT TITLE & C

Self explanatory

CLAUSE 2 COMMENCEMENT

This clause provides for the provisions of the Bill to come into operation on the same date as the Insurance Contracts Bill 1983.

CLAUSE 3 INSURABLE INTEREST

Section 86 of the Principal Act sets out the categories of insurable interest that must be present if valid policies of life insurance are to be effected. However, clause 20 of the Insurance Contracts Bill 1983 would, on enactment, specify a wider range of interests constituting insurable interests for the purpose of life insurance contracts than is currently specified in section 86.

The amendment will ensure that the existing provisions of section 86 will continue to apply in respect of life insurance contracts entered into before the commencement of the provisions in the Insurance Contracts Bill.

CLAUSE 4

APPLICATION OF SECTIONS 83, 84 and 86

This clause inserts a new section, section 86A, into the Principal Act. The new section will provide that certain sections of the Principal Act do not apply to life insurance policies to which the provisions of the Insurance Contracts Bill 1983 are to apply (that is, to life insurance policies effected after the commencement of the provisions in that Bill).

The particular sections which will not apply are:

- . Section 83 - dealing with the effect of a misstatement as to the age of a life insured to the insurer. (See clause 31 - as amended - of the Insurance Contracts Bill 1983);
- . Section 84 - providing a three year limitation period on the insured's right to avoid a contract other than for fraud. (See clause 30 of the Insurance Contracts Bill 1983); and
- . Section 86 - dealing with what constitutes an insurable interest. (See notes on clause 3 above and clause 20 of the Insurance Contracts Bill 1983).

CLAUSE 5

PAID-UP POLICIES

Section 96 of the Principal Act gives a policy owner an entitlement to discontinue premium payments on a policy on which not less than three years' premiums have been paid and to receive in lieu a paid-up policy for an amount as determined in accordance with the rules relating to paid-up policies.

This clause will effect a minor consequential amendment to that section to provide for the relevant contract to be varied (rather than a paid-up policy issued in lieu) to recognise a policy owner's right to payment of that varied amount and to ensure that the provisions relating to misrepresentation in the Insurance Contracts Bill 1983 apply to paid-up policies.

CLAUSE 6

SAVINGS AS TO INSURABLE INTEREST

Division 6 of Part IV of the Principal Act contains a number of provisions relating to the payment of claims on the death of children under ten years of age, including provisions prescribing a limit on the amount that can be paid.

Section 113 of the Principal Act in effect provides that these provisions shall only apply in situations where there exists a family or personal interest, as distinct from an economic interest, in the life of a child.

Against the background of the changes envisaged in clause 20 of the Insurance Contracts Bill 1983 (see note on clause 4 above) this clause will remove any doubt that provisions of Division 6 will continue to apply to contracts entered into after the date of commencement of the provisions reflected in the Insurance Contracts Bill 1983.

