



# Financial Claims Scheme for general insurers

## Key features of the Scheme

In the unlikely event that a general insurer becomes insolvent, the Australian Government may activate the Financial Claims Scheme, which covers all policyholders or others who have valid claims against the affected insurer up to \$5,000. For any claims of \$5,000 or over, the policyholder or claimant must be eligible under the Scheme.

The Scheme is administered by the Australian Prudential Regulation Authority (APRA) and applies to insurance policies issued by a general insurer authorised by APRA. The Scheme does not apply to policies issued by life insurance companies.

Refer to the APRA website for a list of authorised general insurers: [www.apra.gov.au/GI/Pages/general-insurers.aspx](http://www.apra.gov.au/GI/Pages/general-insurers.aspx).

The Scheme can be activated by the Australian Government in a situation where a general insurer is insolvent and where the best course of action is to close the company and wind it up.

A claim made under the Scheme generally must be under a policy issued by the general insurer, and the event giving rise to the claim against the insurer must occur before the Scheme is activated, or in some circumstances within 28 days after that time. Generally, the claim must be made no later than 12 months after the Scheme is activated. APRA does have power to specify an extended period for making claims.

## Who is protected under the Scheme

All policyholders or others who have valid claims against the affected insurer are covered up to \$5,000.

Valid claims covered up to

\$5,000 

The following policyholders with protected insurance policies issued by the affected insurer also are covered by the Scheme for claims of \$5,000 and above:

- individuals who are Australian citizens or permanent residents;
- non-resident individuals who have insured against risks located in Australia;
- Australian-based small businesses, as defined under the *Income Tax Assessment Act 1997*;
- Australian-based not-for-profit organisations; and
- trustees of Australian-based family trusts.

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The Scheme also applies to certain third parties who are able to claim against a general insurer under a policy issued to another party by that insurer. For instance, individuals making a claim under their company's employer's liability insurance policy with the affected insurer may be eligible for payment under the Scheme.

Insurance policies held by medium and large businesses are only covered under the Scheme for claims under \$5,000.

### How amounts payable for each claim are determined

If the insurance claim is valid and under \$5,000, APRA will pay the amount that the policyholder or claimant would have been able to claim from the failed insurer.

If the insurance claim is valid and \$5,000 or over, APRA will need to determine whether the policyholder or claimant is eligible under the Financial Claims Scheme. If they are eligible, the amount paid will be the full amount that the policyholder or claimant would have been entitled to under the insurance policy. If they are not eligible, they would need to apply to the liquidator and rank with other unsecured creditors in the liquidation of the insurer.

APRA will determine through a claims assessment process the validity of each claim and the amount payable to eligible policyholders and claimants. Claims will be assessed by a party appointed by APRA and this could be the failed insurer, another designated insurer or an agency appointed to process the claims.

### Treatment of unexpired insurance premium

The Scheme does not apply to any unexpired insurance premium paid to the insurer before its failure. Policyholders may be entitled to claim some or all of their unexpired premiums in the winding up of the general insurer.

### Alternative insurance cover arrangements

It is recognised that policyholders whose policies are in force at the time the Scheme is activated will need some time to find alternative insurance cover. The Scheme will continue to cover policyholders and claimants for valid claims for 28 days following the activation of the Scheme for a general insurer. After this time, policyholders will be expected to establish alternative insurance cover.

### Who provides the money to make payments under the Financial Claims Scheme?

The Government initially provides the funds to make payments under the Scheme. Monies paid under the Scheme are then recovered from the general insurer in the winding up process. There is provision to make up any shortfall by applying a levy on the general insurance sector.

#### Further information

If you want to know more about the Financial Claims Scheme and how it operates, you can read additional information on the APRA website here: [www.apra.gov.au/CrossIndustry/FCS/Pages/default.aspx](http://www.apra.gov.au/CrossIndustry/FCS/Pages/default.aspx).

You can also call the APRAinfo line on 1300 558 849.