



## Workers Compensation Amendment (Terrorism Insurance Arrangements) Bill

Bill Introduced And Read A First Time  
Second Reading

Corrected  
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### WORKERS COMPENSATION AMENDMENT (TERRORISM INSURANCE ARRANGEMENTS) BILL

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**Bill introduced and read a first time.**

#### Second Reading

**Mr WHELAN** (Strathfield—Parliamentary Secretary), on behalf of Mr Amery [1.34 p.m.]: I move:

That this bill be now read a second time.

I seek leave to incorporate the second reading speech in *Hansard*.

#### Leave granted.

Following the terrorist attacks in the United States of America on 11 September 2001, reinsurers worldwide indicated that unlimited cover in relation to claims arising from acts of terrorism may no longer be available. This lack of availability of re-insurance for terrorism-related losses has serious implications for insurers underwriting a range of insurance business across Australia. It is compounded by requirements on all insurers to comply with the regulatory requirements of Federal authorities such as the Australian Prudential Regulation Authority in relation to re-insurance and capital adequacy. Specialised workers compensation insurers are required to hold an authority to carry on insurance business under the Commonwealth Insurance Act 1973. In order to obtain an authority, it is necessary to have re-insurance arrangements which have been approved by the Australian Prudential Regulation Authority.

On 27 June 2002, I announced the Government's intention to introduce arrangements to establish a Workers Compensation Terrorism Re-insurance Fund. I am pleased to introduce the Workers Compensation Amendment (Terrorism Insurance Arrangements) Bill 2002. The bill aims to address the potential impact of the lack of availability of re-insurance for terrorism related losses. The bill represents the outcome of consultation with scheme stakeholders, including licensed workers compensation insurers, specialised insurers and self insurers.

The bill enables the establishment of a Workers Compensation Terrorism Re-insurance Fund in the event of a significant terrorism related loss. The bill will assist workers compensation insurers to meet licensing requirements and will ensure that individual insurers are not exposed to the full cost of workers compensation losses in the event of an act of terrorism in New South Wales. The bill provides for the activation of the fund upon declaration by the Minister that a "significant terrorism related loss" had been incurred. The purpose of the bill is to offer insurers a "safety net" in the event of significant workers compensation losses caused by an act of terrorism after 30 June 2002.

The intention of the arrangements is to ensure that no individual insurer or employer will be

exposed to the full cost of any workers compensation losses arising out of acts of terrorism but rather to spread any such losses across the broadest base available. The purpose of the fund must be considered in determining the monetary value of a "significant terrorism related loss". In addition, the threshold must be set at a level which encourages insurers to obtain appropriate re-insurance, where available.

Therefore, the bill provides that a declaration can only be made if the loss incurred by the insurer or insurers exceeded or was expected to exceed \$1 million. An insurer with re-insurance would be required firstly to make a claim against that re-insurance, and would only be able to make a claim on the fund for any amount not covered by the re-insurance and in excess of their portion of the \$1 million threshold.

The bill provides for contributions to the fund by all licensed insurers, self-insurers and specialised insurers in the event of a significant terrorism related loss. A total figure to be contributed to the fund would be determined by WorkCover, based on the cost of claims not covered by re-insurance and above the \$1 million threshold. This figure would then be apportioned according to the wages on which an insurer's premium is assessed. The bill provides for a review of the Workers Compensation Terrorism Re-insurance Fund provisions after two years. Any decision to continue or discontinue provisions for the Fund will be based on the availability of terrorism re-insurance at that time.

The measures contained in this bill will provide an interim solution for New South Wales to what is a serious national problem. I commend the bill to the House.

**Debate adjourned on motion by Mr Debnam.**

**The House adjourned at 1.39 p.m.**

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