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| **EXPOSURE DRAFT** |

Inserts for

Financial Sector Reform (Hayne Royal Commission Response—Protecting Consumers (2020 Measures)) Bill 2020: Avoidance of life insurance contracts (FSRC Rec 4.6)

| Commencement information |
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| Column 1 | Column 2 | Column 3 |
| Provisions | Commencement | Date/Details |
| 1. Schedule 1 | The day after this Act receives the Royal Assent. |  |

Schedule 1—Increasing the standard for insurer avoidance of life insurance contracts

Insurance Contracts Act 1984

1 Subsection 29(3)

Repeal the subsection, substitute:

 (3) If:

 (a) the failure was not fraudulent or the misrepresentation was not made fraudulently; and

 (b) the insurer would not have been prepared to enter into a contract of life insurance with the insured on any terms, if the duty of disclosure had been complied with or the misrepresentation had not been made;

the insurer may, within 3 years after the contract was entered into, avoid the contract.

2 Application

(1) The amendments made by this Schedule apply to a contract of life insurance that is originally entered into after the commencement of this item.

(2) If:

 (a) a contract of life insurance that was originally entered into before the commencement of this item is varied after that commencement to:

 (i) increase a sum insured under the contract in respect of one or more of the life insureds; or

 (ii) provide one or more additional kinds of insurance cover; and

 (b) the variation was not an automatic variation but was required to be expressly agreed between the insurer and the insured before the contract was varied;

then:

 (c) the contract is treated, to the extent of the variation, as if it had been originally entered into after the commencement of this item; and

 (d) the amendments made by this Schedule apply to the contract to the extent of the variation.