

Direct Off Shore Foreign Insurers (DOFIs)

The Federal Government in August of 2007 introduced Legislation into Parliament concerning DOFIs that comes into force on the 1st July 2008. The enacted legislation was introduced to protect consumers as well as to try and lessen the chances of another HIH debacle.

The legislation requires that unless a DOFI is authorised under the Insurance Act they must cease operating in Australia on the 1st July 2008. There is a transitional period for the natural run off of existing policies but those policies can not be renewed with the DOFI unless they are authorised. Lloyd's of London is not regarded as a DOFI.

Before the legislation came into force an offshore foreign insurer could sell insurance products to Australians without obtaining authorisation under the Insurance Act, by offering insurance in the Australian Market through agents in Australia or solely from overseas via a direct approach from the client or its broker and sometimes through the internet. The new legislation will effectively ban these dealings. The Australian Prudential Registry Authority (APRA) has been given additional enforcement powers in relation to these changes to the Insurance Act.

There are some exemptions under the Act but these relate to other categories of insurance and not Aviation.

The Australia Prudential Registry Authority is taking the legislative changes most seriously given that they are responsible for insurers in this country and their duty to protect the consumer.

If you would like to know more about the changes in the legislation and how it might affect you then please contact our office and we would be glad to discuss them with you.