

EXPLANATORY STATEMENT

Issued by authority of the Treasurer

Terrorism Insurance Act 2003

Treasurer to Australian Reinsurance Pool Corporation (Payments to the Commonwealth) Amendment Direction 2014

Section 38 of the *Terrorism Insurance Act 2003* provides for the responsible Minister to give written directions to the Australian Reinsurance Pool Corporation (ARPC), including directions requiring it to pay money to the Commonwealth.

The *Minister to Australian Reinsurance Pool Corporation (Payments to the Commonwealth) Direction 2012* directed the ARPC to make the following payments to the Commonwealth:

- a one-off payment of \$100 million to be made in January 2013;
- a payment of \$75 million to be made in January 2013;
- a payment of \$75 million to be made in January 2014;
- a payment of \$75 million to be made in January 2015; and
- a payment of \$75 million to be made in January 2016.

The first three payments have been made. The payments scheduled for January 2015 and January 2016 have not yet been made.

The 2014-15 Budget measure *Australian Reinsurance Pool Corporation – assess future options* specified that the ARPC is to pay the Government a fee totalling \$450.0 million over four years for the \$10.0 billion guarantee provided by the Government to the ARPC. The fee will replace the current requirement for the ARPC to provide a dividend to the Government.

Under subsection 33(3) of the *Acts Interpretation Act 1901*, where an Act confers a power to make, grant or issue any instrument of a legislative or administrative character (including rules, regulations or by-laws), the power shall be construed as including a power exercisable in the like manner and subject to the like conditions (if any) to repeal, rescind, revoke, amend, or vary any such instrument.

This Direction amends the *Minister to Australian Reinsurance Pool Corporation (Payments to the Commonwealth) Direction 2012* in order to cancel the requirement for the ARPC to pay the Commonwealth a \$75 million payment in January 2015 and a \$75 million payment in January 2016.

A separate Direction will be issued in the 2014-15 financial year directing the ARPC to make payments to the Government as compensation for the \$10.0 billion guarantee.

Consultation on the original scope of the dividend to be paid to the Commonwealth by the ARPC was first considered as part of the 2012 Review of the *Terrorism Insurance Act 2003*.

No further consultation was undertaken for this Direction. As this Direction is of a minor or machinery nature, and as it gives effect, in terms announced in the Budget,

to a decision to revoke an obligation, section 18 of the *Legislative Instruments Act 2003* provides that consultation is not required.

Statement of Compatibility with Human Rights

Prepared in accordance with Part 3 of the Human Rights (Parliamentary Scrutiny) Act 2011

This Legislative Instrument is compatible with the human rights and freedoms recognised or declared in the international instruments listed in section 3 of the *Human Rights (Parliamentary Scrutiny) Act 2011*.

Overview of the Legislative Instrument

The *Treasurer to Australian Reinsurance Pool Corporation (Payments to the Commonwealth) Amendment Direction 2014* is a Direction made under section 38 of the *Terrorism Insurance Act 2003*.

Human rights implications

This Legislative Instrument does not engage any of the applicable rights or freedoms.

Conclusion

This Legislative Instrument is compatible with human rights as it does not raise any human rights issues.