

Arbitration of reinsurance disputes in Australia

In Australia, arbitration clauses in most contracts of insurance (other than marine insurance) are rendered void by s 43 of the federal *Insurance Contracts Act 1984*. However, that Act expressly excludes reinsurance contracts. Accordingly, for many years, practitioners assumed that arbitration clauses in reinsurance contracts were enforceable in Australia.

This changed with the decision of the New South Wales Supreme Court in *HIH Casualty & General Insurance Ltd (in liq) v Wallace* [2006] NSWSC 1150; (2006) 68 NSWLR 603. The Court held that s 19 of the New South Wales *Insurance Act 1902*, which provides that arbitration clauses in insurance contracts do not bind the insured, applied to reinsurance contracts, as there was no express exclusion of reinsurance contracts. (There is a good summary of this and other remedial provisions in the NSW Act, and further matters arising from the decision in *Wallace*, in this paper presented by Allens Arthur Robinson partner Michael Quinlan in 2007.)

In light of concerns expressed by practitioners and reinsurers, by the Insurance Regulation 2009, the NSW government has now excluded reinsurance contracts from the remedial provisions of the NSW Act, including s 19.

However, some uncertainty remains. Section 28 of the Victorian *Instruments Act 1958* is an equivalent provision to s 19 of the NSW Act: it allows an insured to institute court proceedings notwithstanding an arbitration clause and reinsurance contracts are not excluded from the provision. There does not appear to be any case law on this provision. However, following *Wallace*, it would apply to reinsurance contracts. Arbitration clauses in reinsurance contracts governed by Victorian law could therefore still be ignored by reinsureds. Moreover, it was stated in *obiter* in *Wallace* that s 19 of the NSW Act is a mandatory law of the forum. If this view is correct and applicable to s 28 of the Victorian Act, whatever the law of the reinsurance contract, a reinsured could institute court proceedings in Victoria in the face of an otherwise binding arbitration clause.