

**INDUSTRY NEWS**

# Increase in FOS compensation caps from January 2018

From 1 January 2018, FOS will be able to award increased remedies for claims in a dispute.

The new compensation caps (not including interest or costs) which apply to each claim in disputes lodged from 1 January 2018 are:

- \$8,700 per month for income stream risk or advice claims<sup>1</sup>
- \$5,000 for third party claims for property loss or motor vehicle claims
- \$174,000 for general insurance broking claims
- Up to \$323,500 for all other claims (e.g. death, total and permanent disability or trauma claims)

There is no change to the monetary limit of \$500,000 in relation to each claim in a dispute. Accordingly the \$500,000 monetary limit and the compensation caps continue to apply to each claim in a dispute<sup>2</sup>.

For disputes lodged on 31 December 2017, compensation caps are limited to \$8,300 per month for income stream claims and a standard compensation cap of \$309,000 applies.

Please refer to the comparison table overleaf for further details of FOS compensation caps.

In addition to the overall cap on the compensation that can be awarded, there are specific limits on some types of compensation:

- for consequential financial loss, the limit is \$3,500 per claim<sup>3</sup>
- for non-financial loss, the limit is \$3,000 per claim

For a full copy of the current Terms of Reference which were released on 1 January 2018, [click here](#).

**Table 1: Comparison table of FOS compensation cap that apply to each claim in a dispute lodged 2010 to date**

Timeframe New Dispute Lodged with FOS		01.01.2010 – 31.12.2011	01.01.2012 – 31.12.2014	01.01.2015 – 31.12.2017	On or after 01.01.2018
<b>Type of Claim<sup>4</sup></b>	1. Claim on a Life Insurance Policy or a General Insurance Policy dealing with income stream risk or advice about such a contract.  If the claim is in Excess of this monthly limit, the monthly limit will apply unless: <ul style="list-style-type: none"> <li>• The total amount payable under the policy can be calculated with certainty by reference to the expiry date of the policy and/or age of the insured; and</li> <li>• That total amount is less than the amount specified in row 2.</li> </ul> If this is the case, then the limit will be the amount in the row 2.	\$6,700 per month	\$7,500 per month	\$8,300 per month	\$8,700 per month
	2. Other	\$280,000	\$280,000	\$309,000	\$323,500

<sup>1</sup> Refer to table 1 for full details.

<sup>2</sup> I.e. FOS cannot consider a dispute if the value of a claim is over \$500,000. However, FOS can consider a dispute lodged on or after 1 January 2018, if the value of a claim is say over \$323,500, but can only award a maximum of \$323,500 inclusive of costs and interest. Exceptions apply. See the FOS Terms of Reference for full details.

<sup>3</sup> Previously \$3,300 per claim for disputes lodged with FOS between 1 January 2015 and 31 December 2017 and \$3000 per claim for disputes lodged between January 2010 and 31 December 2014.

<sup>4</sup> In any dispute, one claim or multiple claims can be raised by an applicant. The compensation caps shown and the \$500,000 monetary limit apply to each claim in a dispute.