



Speech by

Hon. J. FOURAS

MEMBER FOR ASHGROVE

Hansard 29 April 1999

MOTOR ACCIDENT INSURANCE AMENDMENT REGULATION (No. 2) 1999

Disallowance of Statutory Instrument

Hon. J. FOURAS (Ashgrove—ALP) (4.52 p.m.): I am pleased to take part in this debate today. In 1996 the member for Moggill, Dr Watson, called the \$66 CTP increase by the then Treasurer, Mrs Sheldon, a brave and tough decision. Dr Watson accused the then Opposition of absolute hypocrisy. Dr Watson said that the \$66 increase in 1996 was actuarially necessary and recommended by the Insurance Commissioner. He accused Labor members critical of Sheldon's tough, brave decision of scapegoating. He called them blamers.

How did the member for Moggill keep a straight face as he, in his own words, today took part in hypocrisy in seeking to disallow the \$40 increase in CTP premiums? How can Dr Watson want the Parliament to disallow the regulation increasing CTP without giving one rational argument to justify it? And he talks of hypocrisy on this side of the House!

How can the member for Indooroopilly suggest that the CTP increase is necessary because the Beattie Labor Government has budgetary problems or because it is for budgetary purposes? The CTP scheme is an insurance scheme based on premiums paid to insurance companies. Those moneys play no part in our Budget.

The CTP premium for motor cars was a mere \$20 in 1967. It increased to \$168 in 1985. Between 1985 and 1996 we had no increases at all. On 1 July 1999 the premium will be \$284. There have been three increases recently—the \$66 increase in 1996, the \$13 increase in 1998 and this \$40 increase. Inside four years we have had a 70% increase in CTP, whilst the CPI went up less than 7%. I do not want to suggest that comparison of CTP increases and the CPI is relevant in discussing the rate of CTP, but it is relevant because inflation is a major factor in the amount of money people get in wages and what pensioners get in pension increases. It is relevant in regard to affordability. It is a significant part of affordability.

We have had increases of \$119 since 1996. Whatever else we disagree on today, we in this House must all agree that this 70% increase inside four years is unsustainable. We cannot have premiums increasing at that rate. The viability of the CTP insurance scheme has been threatened, as the member for Cleveland said, by a 25% increase in the level of claims in a very short time.

I think concern that CTP premiums will make the scheme unaffordable to pensioners and low income earners is shared by every member in this Chamber. I think it is not improbable that declining affordability will result in more unregistered vehicles on the road and will cause the Nominal Defendant to have to find more moneys to pay for accidents that happen on the road. How pensioners will cope with this increase is a question that I think all of us have to find the answer to. This decision was necessary because we need a viable scheme while we review the system to see whether we can do things differently.

Premium rates are made up of a number of components. One is risk premium. Another is administrative expenses. Of course there are statutory levies that the funds have to pay to the insurance scheme, to the Nominal Defendant and to hospital and emergency services. Other components are the cost of reinsurance and profit margin, of which the member for Cleveland spoke before.

I think the risk premium is the most important component of CTP. As I said earlier, factors affecting that are the increasing claim frequency and claim size. Although the claims are increasing faster at the lower end, which I think is indicative of the role that lawyers are playing in this, nevertheless it is true that the average size of claims has increased substantially in the last three or four years. I do not know what the annual inflationary impacts are because we have had so little inflation recently. So that should not be a factor.

The Insurance Commissioner said something about lower rates of investment return. I thought that share prices were going through the roof. I remember when Larry Adler burst onto the scene in Queensland, investing in Myer shares and making killings with the cash flows he had—of \$20m or \$30m a pop. He had that money while he did not have to pay premiums. That long tail insurance is analogous. Similarly, wages have not been increasing at that fast a rate. It really has to come back down to the frequency and size of the claims. They are the relevant issues.

I agree with the member for Gladstone. I do not think we as members of this Parliament are ever given full justification. We do not know the facts on each decision we make. When we talk about an insurance industry that is long tail in nature, we really need to know all the facts. Later I will read from a letter that I was given by a constituent, who expresses those concerns and wants the review—which will happen very shortly—to look at the issue.

I think the Beattie Government has acted responsibly in setting a profit margin at 6%, which is the 1994 level, rather than the 8.5% recommended. That did take 12% off the premium. I think we need to ensure that motorists have a stable, financially viable and fully funded CTP scheme. We do need to have the review. I will talk very briefly about the review.

One of my constituents sent me a letter that he had received from his insurance company. The letter stated—

"Save up to \$40 on your car and home insurance"—

just by keeping his CTP with that company. To me, the idea of touting for business is not indicative of a losing game. I understand that having compulsory third-party insurance is a leg up—because everybody has to have that insurance, and most people have cars—to other insurance policies. It is something with which to drag them in. But to me, giving away \$40 to keep people's business does not sound like a losing proposition.

In 1985, I bought a new car, and I found out that my third-party insurance had been changed from Suncorp to another insurance company. I asked the person who sold me the car, "Why did you do that? I didn't tell you to." He said, "Oh, Mr Fouras, I actually got a fair bit of money for doing so." I said, "Why me?" He said, "Because you're over 25 and you bought a small car. You're a low-risk person, and they will pay a large benefit for you to do so."

I commend the Premier for initiating the review. The real issue here is the affordability for Queenslanders of the current scheme. I note that, as a matter of urgency, the review will consider what can be done about tow truck operators having contracts with people in the legal profession to get spotters' fees and whatever. We need to stop that practice, and I believe that the legal profession wants to stop it.

We also need a way of determining premiums. That is the note on which I wish to finish. We need a more transparent and more accountable way of determining premiums. This constituent of mine said that we should thoroughly check on figures supplied. He talks about estimated claims being set usually for a very high figure and that, in most cases, they generally settle for lower amounts. He said that we should check how estimated loss claims are brought into account; that it must be realised that considerable numbers take several years to finally come to a decision; and that some figures therefore are included in annual figures several times. This constituent wants a way of reducing legal fees. He also wants to check the amount of money that is received from these cash flows. He was in the insurance business, but he is not convinced that we really know how much money we are getting from these cash flows. The Insurance Commissioner's suggestion in the report that I saw that those figures were low in this climate does not gel very well with me. I am sure that you, Mr Deputy Speaker, being a bit of an investor, would very much agree with that.

Time expired.
