



Speech by

Mrs E. CUNNINGHAM

MEMBER FOR GLADSTONE

Hansard 29 April 1999

MOTOR ACCIDENT INSURANCE AMENDMENT REGULATION (No. 2) 1999

Disallowance of Statutory Instrument

Mrs LIZ CUNNINGHAM (Gladstone—IND) (4.23 p.m.): In 1996 this House debated a proposed premium rise of \$66. The incidents that occurred in the Chamber at that time—the comments, statements and allegations that were made—are still quite clear in my mind. A press release issued on 19 May 1996 states—

"Opposition Leader Peter Beattie yesterday launched a petition against the State Government's decision to increase compulsory third party insurance ... Mr Beattie said the rise would be a tax on cars and the Coalition had not consulted the community before bringing it in. He said insurance companies were making healthy returns of 6 per cent on their compulsory third party insurance. 'A lot of families are struggling to make ends meet. This is going to be a very significant, painful exercise for them to find the money,' Mr Beattie said."

At that time my position was significantly different from what it is now. I believed it was incumbent on all of us to understand clearly the reasons for the increase and to act in the best interests of the public. I endeavoured to do that.

The 1996 increase of \$66 was the first for a number of years. Since that time, there have been several increases: premiums have gone up by \$5 and \$16 and now there is this proposed \$40 increase. I acknowledge that on two occasions there was a late loading of \$10 and \$3. I notice that the Motor Accident Insurance Amendment Bill, which is yet to be debated, removed the barrier that fee hikes could only occur on 1 June each year if they were required.

Mr Hamill: That has already been passed through the House.

Mrs LIZ CUNNINGHAM: The legislation has been passed by the House. It removes the late levy that was included in a couple of those premium increases.

At the moment, I am concerned—and this has come through from 1996 till now—at the apparent lack of a transparent audit trail for either the insurance companies or actuarial projections. In 1995-96, the projections were 3.13 claims per thousand with an average settlement of \$34,000; in 1996-97, 4.38 claims with an average settlement of \$31,900; in 1997-98, 4.1 claims with an average settlement of \$33,900; in 1998-99, 3.8 claims with an average settlement of \$36,300; and for 1999-2000, there is an expectation of 4.39 claims per thousand with an average settlement of \$42,000. The settlement costs are increasing incrementally, but they are not increasing extravagantly.

I recognise that it takes a very complex and convoluted process to set these premiums. Things like common law claims, which must be projected at least three years ahead, have to be included in the process. However, it should be recognised that the tail diminishes and over time the basis on which the tail is assessed—that is, experience—would be much more clearly anticipated. Included in that area is the incurred but not reported claims. Superimposed inflation must be included and a history of court settlements must be included. I acknowledge that history also shows that claims for minor injuries are increasing and claims for serious injuries are decreasing.

My concern is with the established agreement that the actuaries make notional projections, the premiums are set and the insurance companies carry the risk. On a year by year basis, any overpayment or underpayment to the insurance company is retained by the insurance companies; again, they are the ones that carry the risk. I do not have a problem with that principle. However, it

concerns me that while the actuaries make their assumptions on a year by year basis, they never appear to have to genuinely factor in to a progressive assumption the real claims history in retrospect. Because of the insurance agreement, there is no rebate or top up for underpayments or overpayments of premiums, and that is fine. Over time, that would even out. However, I am not convinced that there is an adequate accountability trail to ensure that progressive actuarial assumptions factor in a past real claims history. Insurance companies do not appear to have to report under-receipts or over-receipts, even as a matter of record. The actuaries do not appear to report to Government on projected versus real outcomes.

Under the previous Government, I was given access to the actuary's report, for which I was thankful. I understand that there are confidentiality concerns about those reports. However, those reports are intended to carry the detail of the rationale behind fee increases. When the \$66 increase was proposed in 1996, the claim that it was going to affect motorists significantly and detrimentally was in some ways rightfully pressed across this State. People in my electorate were told over and over that I was a mongrel because I supported the \$66 increase.

Over the past three years, there have been small incremental increases in the premium, and this \$40 increase is significant. Again, my concern is that there does not appear to be a proper accountability trail. It has been stated that the insurance companies made an ambit claim for an \$80 increase. The Insurance Commissioner asked for a \$52 increase. No explanation is given as to why the difference fell off the table. Were the insurance companies making an ambit claim or was it a genuine claim supported by figures? The Insurance Commissioner was able to whittle back that claim to \$52. As I said, that is a significant reduction. By cutting its funding to hospitals and cutting its receipts, the Government was able to pare back that increase to \$40. I congratulate the Treasurer on that. Any reduction in the impact on the community is to be commended.

Over the past four years, I have watched as this issue was raised time and again. I note that in the past any increases have been relatively small. Historically, there has been no obvious check and balance in respect of the way in which the increases are calculated. On a revolving basis, actuaries continue to cite their notional claims and settlements history. It does not appear that they have to factor in any real historical data. I have little doubt that the Treasurer will correct me if I am wrong. CTP insurance is a difficult area. It appears that we are continuing to accept the predictions of insurance companies and actuaries, who have significant business acumen and a long history to defend, when they make recommendations for cost increases without being required transparently—and not necessarily confidentially—to pass on to those of us who are required to support any increase the rationale behind it.

The comments and accusations made in 1996, namely, the claims by the current Government, which at the time was in Opposition, that the increase was an unnecessary impost on motorists that could not be justified—even though I supported the increase; it had been some years since there had been one—add weight to what I just said; that is, there is a lack of accountability and a clear audit trail in relation to significant increases which affect every motor vehicle owner. Until audit trails are put in place, I will have concerns about accepting this level of increase.
