



Speech by

Hon. PETER BEATTIE

MEMBER FOR BRISBANE CENTRAL

Hansard 24 August 1999

MINISTERIAL STATEMENT

Compulsory Third-party Insurance

Hon. P. D. BEATTIE (Brisbane Central— ALP) (Premier) (9.33 a.m.), by leave: In April of this year my Government ordered a sweeping review of Queensland's compulsory third-party insurance scheme. The review was initiated after the Insurance Commissioner recommended that Queensland motorists be charged an additional \$52 a year for CTP insurance. We managed to reduce that recommended increase by cutting the profit margins for insurers from 8.5% to just 6%. I should add that the insurance industry was seeking an increase of up to \$80 in CTP premiums.

Any increase in premiums—particularly of the size that was being sought earlier this year—is disagreeable. But we bit the bullet—albeit a politically unpalatable one—and ensured that Queensland's CTP scheme remains fully funded. Unlike the coalition's actions in February 1998, we did not bury a recommendation from the Insurance Commissioner for a premium increase because we lacked the political spine to tackle the issue. We acted to address a potential shortfall in the scheme and we acted to ensure that the cost of running the scheme does not blow out in the future.

The review committee recently delivered to me its draft issues paper on CTP, and that draft paper confirms many of the concerns that I expressed when we ordered the review. I assure the House that this Government will overhaul the CTP scheme to ensure that Queensland has a fully funded and affordable scheme that looks after the interests of motor accident victims, not the interests of certain greedy sections of the legal profession.

The issues paper was prepared by an independent review team chaired by former Suncorp Insurance chief executive Mr Bernard Rowley, and is open for further public comment and submissions until 6 September.

I am not going to pre-empt any further submissions that may be made, or try to predict the review committee's final recommendations, but the bottom line is that there are a number of issues that must be addressed. One of the major strains being placed on the scheme has been a dramatic rise in not only the number of injury claims in recent years but also the growth in smaller claims.

Since 1994, the number of claims per 1,000 vehicles has grown almost 50% from 3.1 a year to 4.6 in 1999. The rise in smaller claims can be linked to the advent of legal advertising in 1994, and the practice of lawyers "touting" for business. My Government is already drafting legislation to prevent touting.

What is disturbing is that the preliminary report of the review committee reveals that only 67% of the money raised from CTP premiums is distributed back to injured parties. Insurance companies and legal fees largely consume the rest of this premium money. That is one dollar in every three. This is not good enough. I am determined to see a scheme where CTP insurance premiums are directed to where they belong—that is to helping rehabilitate and compensate the victims of road trauma.

The review committee has suggested that we might aim for a claims efficiency rate of 75% or higher over the next three years. I would like to think we can aim for the "or higher". The issues paper also reveals concern at the profit margins being extracted by some insurers, with some achieving a profit margin of up to 16%. This is well in excess of the 6% profit margin set by my Government.

What we have to do here is examine a more competitive model for premium setting that may involve more direct competition among insurance companies. There is a common misconception that

CTP premiums are a Government tax or charge. They are not! CTP premiums are paid to insurance companies based on an actuarial assessment of the cost of meeting outstanding insurance claims. None of this CTP premium money goes to Government. The Government is involved only because third-party insurance is compulsory. My Government will redesign the scheme so that it is fair and affordable for all.
