



Speech by

**GEOFF WILSON**

**MEMBER FOR FERNY GROVE**

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Hansard 31 May 2000

**MOTOR ACCIDENT INSURANCE AMENDMENT BILL**

**Mr WILSON** (Ferry Grove—ALP) (12.17 p.m.): It is my pleasure to speak in support of the Motor Accident Insurance Amendment Bill 2000. I particularly want to focus on the concept of limited competition which will be introduced by significant elements of this Bill. The compulsory third party review committee concluded that the Queensland community is not well served by the Government regulated premium regime. Currently, premium calculations are based upon industry-wide averages which can provide increased profit margins for insurers with economies of scale and reduced margins for insurers with a small Queensland CTP market share and limited business of a similar type elsewhere.

The regulated premium-setting process does not allow revisiting the premium for any excess profit or funding shortfalls related to past years premium assessments. A major concern with the regulated premium process is that it can be a cost-plus exercise which can lead to accelerating claim payments and overall scheme inefficiencies. In the current Queensland scheme, lack of price competition is a major barrier to insurers gaining market share. This is compounded by the impediments currently affecting the motor vehicle owner's ability to nominate a change of insurer. The National Competition Policy review indicated that the existing scheme does not meet the requirements of the NCP public benefit test, a most important test that it is.

The review committee closely assessed the various CTP insurance models operating in Australia and also considered some overseas models. In most States the product is delivered by a Government-run monopoly, with a single private insurer monopoly in the ACT. Queensland and New South Wales are the only States with multiple insurers. The committee considered various options, including the New South Wales green slip model and the linking of CTP insurance with major vehicle damage insurance, as both systems are well placed to provide rewards for good driving. Analysis by the review committee of the New South Wales "file and write" model, which includes some provision for individual rating, indicated that such a scheme has the potential to result in large premium increases for some motorists, particularly younger drivers and those with poor driving records.

The committee was of the view that Queensland motor vehicle owners would benefit most by the introduction of a limited price competitive model, which maintains the lower delivery cost and convenience achievable through the Queensland Transport registration system and retains community rating of policies. The model requires each licensed insurer to file a premium for each class of vehicle every three months within a floor and ceiling range determined by the Motor Accident Insurance Commission. The commission must seek submissions from the licensed insurers and major motoring organisations and obtain actuarial advice on the effect of current trends on the financial soundness of the scheme before fixing the floors and ceilings. The Government recognises that there is an element of uncertainty in respect of scheme stability if premium rates and market share fluctuate widely. The role of the Motor Accident Insurance Commission will be crucial in maintaining an appropriate level of stability through the setting of well-chosen floor and ceiling ranges.

The Government is confident that the vehicle class filing model will bring a greater level of competition into the scheme and will further develop marketing relationships of insurers, for example, other products, such as a no-fault insurance option, which will benefit the motor vehicle owner. For these reasons and the others that have been submitted by my colleagues on the Government side, it is my great pleasure to commend this legislation to the House.