



Speech by

Hon. J. FOURAS

MEMBER FOR ASHGROVE

Hansard 28 November 2001

MOTOR ACCIDENT INSURANCE AMENDMENT BILL

Hon. J. FOURAS (Ashgrove—ALP) (12.52 p.m.): I am pleased to rise in support of the Motor Accident Insurance Amendment Bill, which allows the transfer of some \$57 million from the Motor Accident Insurance Fund to the Nominal Defendant—that is, the state government—to allow it to meet outstanding compulsory third party claims following the HIH collapse. I am pleased that the opposition is supporting this amendment bill because it is prudent financial management where the government has to pick up the excesses of the private sector. This issue interests me very much, because I have followed FAI's role in the CTP market since the 1980s. The director of FAI Insurance fortuitously sold the company, which holds something like 23 per cent of the CTP market in Queensland, in January 1999. However, that creates the potential for claims of some \$403 million less the eventual dividend to be received from the liquidator.

When I bought a two-litre car in the early 1980s I found that I was insured with FAI for CTP. Philosophically, I wanted to be covered by SGIO, the major company underwriting CTP in Queensland at the time. However, I was told that the CTP cover had been touted and that the company that had signed me up for CTP cover with FAI had received a payment from FAI for doing so. FAI wanted to underwrite the CTP insurance of people like me at the time—that is, people who drove small cars who were over 30 and therefore not a very high risk. I made a speech in this House on this issue and uncovered the proportion of policy cover arrangements vis-a-vis SGIO and FAI. SGIO had some 70 per cent of the market while FAI had 30 per cent, but FAI covered something like 50 per cent of drivers who did not have powerful cars and did not cover motorcyclists. That speech made it to the front page of the *Courier-Mail*, because it was a major roort.

In effect, FAI was taking the low-risk business and leaving SGIO with the high-risk business. As a result, SGIO went to the Insurance Commissioner to increase the amount of CTP cover. We all know what happens in this place when in opposition: every time CTP goes up the opposition blames the government of the day. It does not look at the factors that cause it. In some ways, I find it amusing that what gets said in this place depends on what side of the chamber one sits on. We do not look at the factors that lead to a claim on compulsory third party, its components or what it costs for a person to have that cover. As to the money that FAI made during the 1980s from insurance policies for compulsory third party and large investment returns—it was a goldmine. It allowed FAI to be given a licence to underwrite CTP in Queensland in the 1980s. The sad thing is that it took its profits when it could and when it knew that business was not good it was sold to HIH in January 1999. At the time it had 23 per cent of the Queensland market but had losses of at least \$300 million. Therefore, those policyholders who receive no cover in other states receive cover in Queensland because the Nominal Defendant, the state government, is meeting any outside claims.

There are matters about the director, Mr Larry Adler, before the court now, and I do not want to canvass those. However, we are not stringent enough in checking the behaviour of these so-called captains of industry and the morality of the decisions they take. They take a lot of punters for a ride. Unfortunately, the punter we are talking about in this case is the Queensland government, because we have to ensure that people are being covered for CTP. When a person gets their licence, there is nothing more important than knowing that if they happen to injure somebody to an extent that a large claim could be made there is that cover. It is essential to protect our citizens. It is unfortunate that in

other cases of injury people are not protected to the same extent as they are with compulsory third party insurance.

As I said, the history of FAI in CTP insurance in Queensland is one of opportunism. I do not know what it did to get the licence in the 1980s from the Bjelke-Petersen government so I cannot say, but it was the only company other than SGIO allowed into the market during those years and it ripped off the whole process by underwriting CTP consumers who were considered less risky and left SGIO to seek increases in insurance premiums. I do not have the figures with me—I could look up my old speech—but it was making unbelievable profits from that process.

Getting back to the bill before the House, I commend the Treasurer for his prudent proposal. I am pleased to see that the opposition supports the bill. With greed being the driver of economic philosophies nowadays, unfortunately there will be more companies like FAI in the future that rip off the government and citizens alike. As much as the member for Moggill would like to see people behave properly, when it comes to the dollar propriety goes out the window.
