

Wednesday March 2, 2016

Insurance Council welcomes crackdown on suspicious NSW CTP claims

The Insurance Council of Australia (ICA) has accepted an invitation to join a taskforce investigating suspicious claims within the New South Wales compulsory third party (CTP) insurance scheme.

The NSW CTP Fraud Taskforce, which will be managed by the State Insurance Regulatory Authority (SIRA), will examine unusual claims patterns and possible exaggeration of injuries and medical expenses.

ICA CEO Rob Whelan, who will represent the ICA on the Taskforce, said NSW motorists were paying the price for an unprecedented explosion in CTP claims.

“SIRA’s figures show that Sydney experienced a 39 per cent surge in the number of CTP insurance claims in the seven years to 2014,” he said. “This is despite a steady fall in the number of road accidents.

“The sharpest rise was for minor injuries where the claimant uses legal representation – an increase of 124 per cent in metropolitan Sydney and 92 per cent across the state between 2008 and 2014*.”

Mr Whelan said the blowout in claims was contributing to increases in CTP premiums. He said urgent action was required to address the problem and alleviate unacceptable cost pressures within the scheme.

“Though most claims are genuine, NSW Government evidence shows that an increasing number of claims being lodged are likely to lack merit,” he said.

“It’s in the interests of all NSW motorists and people injured in motor vehicle accidents that the CTP scheme is fair, affordable and sustainable. The insurance industry is pleased to be invited to work with SIRA and other stakeholders, in particular the legal and medical professions, to identify solutions.”

Mr Whelan said the resources of the Insurance Fraud Bureau of Australia (IFBA) would be mobilised to support the State Government’s efforts.

“People who wish to report a case of suspected CTP fraud can contact the IFBA Hotline on **1800 600 444** or visit the website www.ifba.org.au,” he said.

“Australian insurers are becoming increasingly effective at detecting and responding to questionable insurance claims. The ICA and its member companies look forward to sharing that expertise with other Taskforce participants in a bid to keep the system financially sustainable and fair to everyone.”

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Additional material:

Between 2008 and 2014, there was a 39 per cent rise in the number of CTP claims in the Sydney metropolitan region. This compares to a 22 per cent rise statewide.**

The rise in minor Class 1 claims in Sydney with legal representation soared 124 per cent over that period, and 92 per cent statewide.**

In contrast, there was a 12 per cent decrease in road casualties over the same period.**

CTP claims handling expenses have increased from \$62 million in 2008 to \$90 million in 2014.**

Insurers estimate up to 10 per cent of all insurance claims involve an element of fraud, which costs the industry more than \$2 billion a year and adds about \$75 to the cost of each policy.

The Economic Intelligence Unit believes more than 40 per cent of insurance fraud involves motor vehicle claims.

Notes:

*Refers to CTP Class 1: Motor cars, station wagons and 4WDs used for movement of passengers, with 9 or less seats (including the driver). Excludes 4WD vehicles designed for the movement of goods.

** Source: State Insurance Regulatory Authority Compulsory Third Party 2014 Scheme Performance Report

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