

June 19, 2014

## Insurance Council welcomes privatisation of SA's CTP vehicle insurance scheme

The Insurance Council of Australia (ICA) welcomed today's announcement that South Australia's Compulsory Third Party (CTP) motor vehicle insurance has been opened up to the private sector.

ICA CEO Rob Whelan said the privatisation of South Australia's CTP scheme would bring the state into line with New South Wales, Queensland and the Australian Capital Territory.

"The South Australian Government is to be congratulated for embarking on the first privatisation of a personal injury statutory scheme since 1988 when New South Wales reformed its CTP scheme," Mr Whelan said.

Mr Whelan called on the West Australian, Victorian, Tasmanian and Northern Territory governments to also consider privatising their personal injury motor vehicle insurance schemes.

"Australian insurers have extensive experience in efficiently providing competitive insurance choices under personal injury statutory schemes in many Australian jurisdictions," Mr Whelan said.

"This is good for consumers, who will have greater choice not just on price but also on product features.

"Privatisation also benefits governments and the taxpayer by removing huge liabilities from state balance sheets."

Today's announcement supports the ICA's position outlined in its submission this month to Treasury's Competition Policy Review.

The ICA argued that the ongoing existence of government monopolies in the provision of statutory insurance is contrary to the framework for reform of government services under the National Competition Policy (NCP).

While it is acknowledged that there are genuine arguments to be made in support of private and public underwriting of statutory insurance, particularly in relation to catastrophic injuries, the ICA believes that general insurers are best placed to underwrite well-designed statutory insurance schemes. In addition to removing financial risk for governments and taxpayers, it also avoids the inherent volatility in the performance of government monopoly schemes, political interference with pricing of risk and government reliance on premiums as a source of revenue.

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In addition, schemes competitively underwritten by general insurers are backed by the strong prudential regime under the Commonwealth's Insurance Act, which is good for policyholders and third-party claimant protection.

The ICA and its member companies look forward to further discussions with the South Australian government about the details on the implementation of its privatisation plan.

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