

Tuesday, November 24, 2015

Harper Review response should tackle unfinished business on competition in compensation schemes

The Insurance Council of Australia (ICA) strongly endorses the Federal Government's clear support for a fresh phase of competition reforms to drive economic growth and productivity.

Treasurer Scott Morrison's response to the Harper Review of Competition Policy identifies competition reform as vital to supporting innovation in the national economy, consumer choice, and new markets.

The ICA has identified state and territory government monopolies in mandatory personal injury insurance as being contrary to the long-standing principles of National Competition Policy.

ICA CEO Rob Whelan said about half the country's workers' compensation and personal injury motor accident schemes were government monopolies underwritten by governments.

"10 years ago, the Productivity Commission report on National Competition Policy Reforms described government monopolies in statutory insurance as 'unfinished business'," Mr Whelan said.

"Despite that, four of Australia's eight state or territory workers' compensation schemes are still underwritten by government. Five of the eight personal injury motor insurance schemes are also protected from competition*.

"The ICA calls on governments with monopoly schemes to consider the benefits of competitive markets for workers' compensation and motor accidents insurance.

"If governments wish to be an insurer in these schemes, the principle of competitive neutrality provides that they should be subject to the same prudential and other regulatory requirements as general insurance companies.

"Competitive underwriting for these schemes will remove the financial risk to governments, taxpayers and future policyholders. It will drive innovation, and provide choice for consumers.

"The ICA welcomes Treasurer Scott Morrison's commitment to work with the states and territories to reach agreement on nationally consistent competition reforms, and hopes this issue will be seriously considered."

The ICA also supports the government's decision to hold further consultations on Professor Harper's recommendation concerning an effects test to deal with abuses of market power.

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“The ICA is pleased the government has acknowledged its concern that incorporating this measure would create uncertainty for business and suppress competition,” Mr Whelan said.

“The ICA and its members look forward to further discussions with governments at all levels on how competition reform can drive economic growth, innovation and productivity gains to benefit all Australians.”

-ENDS-

* South Australia’s personal injury motor insurance scheme becomes competitively underwritten from July 1, 2016.