Insurance Council of Australia

Motor Insurance Policy Paper: A Roadmap for Reducing Rising Premiums

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Executive Summary

Overview

This paper provides a comprehensive analysis of the factors influencing motor insurance pricing and offers strategic recommendations for government action to help address these cost pressures—building on measures already implemented by insurers, such as controlling supply chain costs and investing in the motor repair workforce. However, further government support is required, and this paper outlines specific recommendations to meet that need.

Key Findings

- **Premium Increases:** The average cost of a comprehensive motor insurance policy has increased by 42.35% since 2019, reaching $1,052 per year in 2024.
- **Claims Costs as Primary Driver:** The average claim size has risen by 42.2% (2019-2024), outpacing inflation and reflecting higher costs of vehicle replacement, parts, and labour as well as increasing complexity of vehicle technology. Insurers are investing in streamlined repair processes and partnerships with repair networks to control costs.
- **Impact of External Factors:** Inflation and reinsurance expenses (+20% since 2019) are putting upward pressure on premiums.
- **Increasing Total Loss Claims:** Total loss claim frequency has grown by 20% since 2019, exacerbated by regulatory constraints in NSW reducing salvage recovery values.
- **Towing and Storage Costs:** Regulatory gaps, particularly in Queensland and, until recently, Western Australia, have led to excessive storage and towing fees, inflating claims costs. Insurers are engaging with regulators to advocate for fairer towing and storage fee structures to prevent price gouging.
- **Fraud and Legal Costs:** The rise of credit hire/accident management companies (CHC/AMCs) has led to inflated claims, litigation costs. Separately, fraudulent activities such as staged accidents and multiple simultaneous insurance claims for the same vehicle, cost the industry $560 million in detected fraud in 2023. Insurers have ramped up fraud detection capabilities, data-sharing initiatives, and consumer awareness campaigns to combat fraudulent activities.

Recommendations

1

Address Skill Shortages in Motor Trades

- Expand skilled migration pathways and training for panel beaters, mechanics, and vehicle painters.
- Increase investment in EV and ADAS repair training.
- Improve motor trade apprenticeship completion rates to build long-term industry resilience.

2

Enhance Automotive Supply Chain Resilience

- Recognise the automotive sector in Federal Government supply chain resilience initiatives.
- Extend the Motor Vehicle Information Scheme (MVIS) to ensure independent repairers have access to essential parts.
- Strengthen obligation on manufacturers to ensure the availability of parts.

3

Regulate Credit Hire and Accident Management Companies

- Implement consumer protections against misleading advertising and inflated costs.
- Strengthen oversight to curb excessive legal and hire car charges.

4

Regulate Towing and Storage Fees

- Support Queensland regulatory reforms to cap storage fees and secondary towing costs.
- Ensure effective enforcement and eventual expansion of Western Australia's Towing Services Bill 2024.

5

Combat Insurance Fraud

- Enhance insurer-law enforcement collaboration to target organised fraud networks.
- Strengthen fraud detection and prevention initiatives across the industry.

6

Reform Written-Off Vehicle Rules

- Amend New South Wales regulations to enable repairable total loss vehicles to be re-registered after stringent safety inspections, to align approach with other states to improve salvage recovery values and reduce claims costs.

Introduction

Amid the rising cost of living, many Australians are feeling the impact of increasing motor insurance premiums. We understand it can be frustrating for customers to receive an insurance renewal notice only to discover that the price has gone up, and many often left wondering why?

This paper aims to help consumers and policymakers better understand motor insurance—particularly the recent key trends in pricing and the factors contributing to these higher costs. By transparently explaining what drives these changes, the industry hopes to provide greater clarity on the challenges facing the industry and ultimately answer the question: **“Why is motor insurance going up?”**

In addition, this paper provides recommendations for the insurance industry, government, and other stakeholders to collaborate on finding practical solutions to address the underlying causes of rising motor insurance. Since rising insurance premium costs are a complex challenge, only coordinated efforts can ensure affordability for everyone and continued protection for the 1 in 7 motor insurance policyholders who lodge a claim each year.

Overview of motor insurance

What is motor insurance?

Motor insurance acts as a financial safety net for drivers, protecting them from financial liability if they are involved in accidents or if their vehicles are damaged.

Motor insurance **should not be confused with compulsory third-party (CTP) insurance**, which is mandatory and only covers liabilities for injuries caused during a motor accident. Motor insurance, on the other hand, is not mandatory and covers damage or loss to property.

There are different levels of motor insurance coverage:

- **Comprehensive cover:** This covers damage to your vehicle and other vehicles or property if you are in an accident. It also covers theft and damage from storms, fire, and floods. Some policies even cover the cost of a hire car after an accident.
- **Third-party property damage:** This only covers damage to other people's vehicles or property if you are in an accident.
- **Third-party fire and theft:** This covers fire or theft of your own vehicle, as well as damage to other people's vehicles or property if you are in an accident.

For more information about motor insurance we recommend referring to MoneySmart.gov.au/car-insurance.

How is motor insurance priced?

Insurance pricing is a complex process that varies among insurers, but at its core, the cost of insurance reflects the underlying risk. In insurance context risk is a combination of:

1. **The likelihood (frequency) of a claim** over a set period (usually one year).
2. **The average cost (severity) of each claim.**

In addition to claims costs, insurers collect premiums to cover overheads (administration, underwriting, and reinsurance) and to ensure a profit margin that maintains business viability.

Specific factors in motor insurance pricing

When setting prices for motor insurance policies, insurers consider several key factors:

1. Claims frequency

Claims frequency refers to the number of claims per policyholder over a certain period. In Australia, on average, one in seven (14%) policyholders makes a claim each year. Higher claims frequency means more policyholders are making claims, which leads insurers to increase premiums to cover the anticipated costs. For motor insurance, claim frequency depends on collision rates, vehicle theft, and, to a lesser extent, natural disasters like floods, fires, and storms.

2. Claims size

Claims size is a measure of the cost of each claim. Claim costs are influenced by factors such as the extent of vehicle damage, the complexity of repairs, cost of parts and labour, and the type of benefits a customer is entitled to—like rental cars. Rising repair costs or more frequent severe accidents can drive up premiums to keep the insurance portfolio profitable.

Individual policyholder characteristics

Since every driver is different, insurers tailor pricing based on individual risk factors. Common factors include:

- **Age:** Younger drivers are statistically more likely to be involved in accidents.
- **Driving history:** Drivers with poor records have a higher risk of making a claim.
- **Gender:** Female drivers are generally considered lower risk than male drivers.
- **Vehicle type and usage:** Certain cars have higher claim frequencies, are more costly to repair, or are associated with riskier driving behaviour.
- **Location:** Some suburbs have higher rates of accidents or theft, and rural areas often experience higher frequency and severity of accidents.

External economic and regulatory factors

External economic and regulatory factors also have a material impact on the overall cost of insurance, independent of individual characteristics, claims frequency, and claim size. These factors include:

- **Inflation expectations:** If higher inflation is expected, insurers may raise prices to cover increased claims and operational costs, maintaining their financial viability.
- **Reinsurance:** Reinsurance is insurance for insurers and represents a significant expense that affects premium prices. According to APRA reports, reinsurance expenses for motor insurance rose from $2,046 million in FY2019 to $2,470 million in FY2023—a 20% increase—which puts upward pressure on premiums.
- **Interest rates:** Higher interest rates can increase insurers' investment income, which influences overall profitability. Economic conditions, including interest rate changes, also affect insurers' operating costs and long-term sustainability.
- **Regulatory environment:** Changes in regulations that impact insurers' operating costs can influence the cost of insurance premiums for customers.

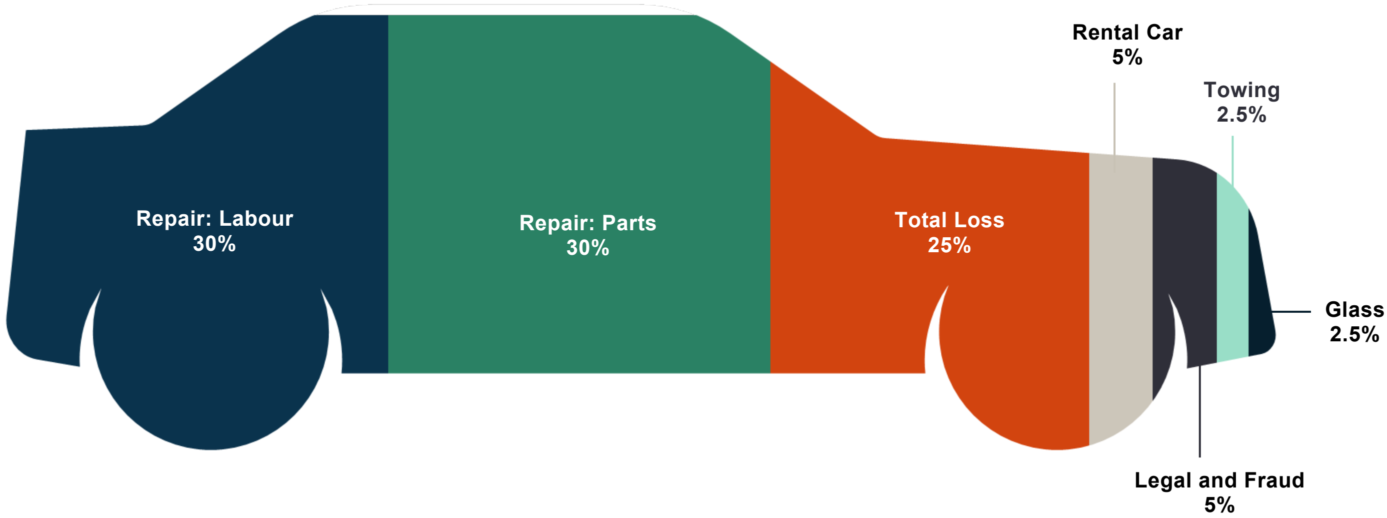
Understanding claims costs

Claims costs are the expenses insurers incur when paying out claims.

This includes things like the cost replacing or repairing cars, towing and rental vehicles but excludes other costs such as underwriting and distribution costs, expenses for assessing and processing claims, costs of running customer and repairer disputes as well administrative overheads such as IT and staffing.

While claims costs can vary among insurers, the general breakdown of these expenses typically follows a consistent pattern:

- **Repair costs (approximately 60%):** The majority of claims expenses—around **60%**—are attributed to the labour and parts involved in repairing damaged vehicles.
- **Total losses or write-offs (about 25%):** Approximately **25%** of claims costs result from vehicles deemed total losses. When a vehicle is deemed a total loss, insurers either replace it or pay out its equivalent value.
- **Other costs (remaining 15%):** The remaining portion includes expenses for rental cars, legal fees, fraud-related costs, glass replacement, and towing services. While individually smaller, cumulatively they represent a substantial share of claims costs.



Why premiums rise even as a car's market value falls

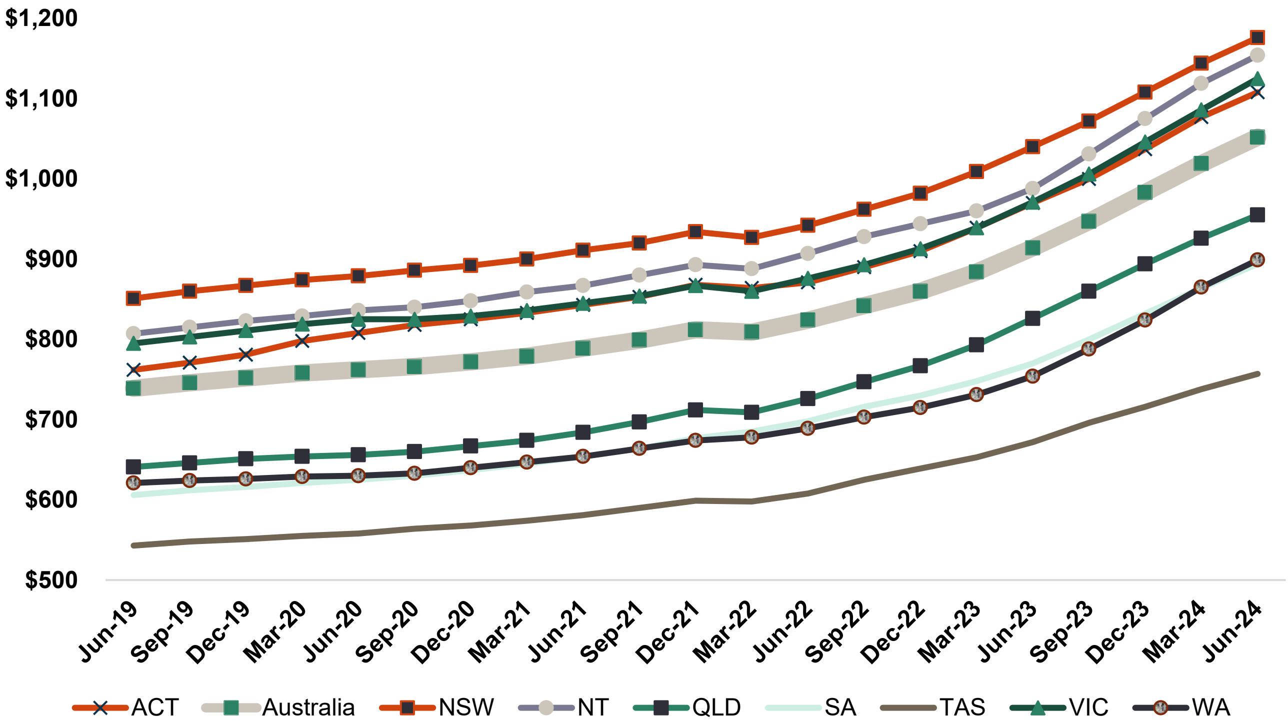
Many customers wonder why their premium goes up if the market value of their car is declining. The key is that the **primary driver of insurance costs is repair expenses—not the resale value** of the vehicle. Even if your car's market value is lower than before, parts and labour costs often keep rising. Most claims involve repairs rather than total replacements, so insurers must charge premiums that reflect escalating costs for parts, labour, and related services.

Rising cost of motor insurance: recent trends

1. Dramatic increases in the last five years

As of June 2024, insurance customers pay an average of $1,052 (per year) for a comprehensive motor insurance policy—a 42.35% increase from the same period in 2019. Lockdowns during the COVID-19 pandemic kept average premium prices flat from 2019 to 2021 due to lower claim frequency. Since then, premiums have risen substantially due to inflation.

Average gross premium 2019 to 2024[1]



[1] Insurance Statistics Australia. June 2024. Private Motor.

2. Premiums as proportion of one week's income and regional variation

In 2019, Australians spent an average of 43.6% of one week's income on annual comprehensive motor insurance. By June 2024, that figure rose to 53.7%.

The rate of premium increases varies by state and territory:

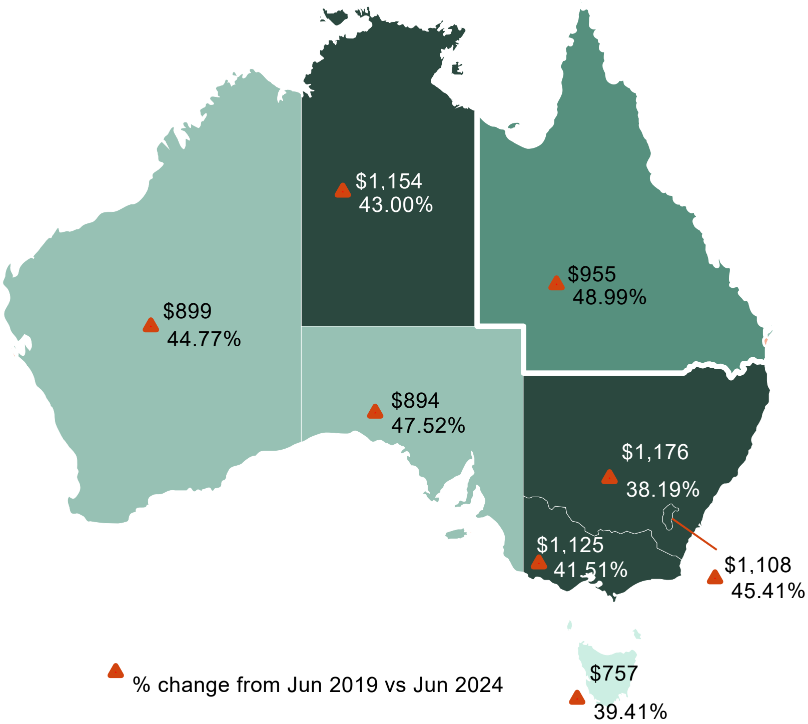
- New South Wales residents pay the highest average premiums at $1,176 per policy, up 38.19% since 2019.
- Tasmanians still enjoy the lowest premiums, at an average of $757 per policy, although this is up 39.41% from 2019.
- Queensland has experienced the steepest relative increase with premiums rising from $641 in 2019 to $955 in 2024, an increase of 48.99%.

Affordability, that is proportion of one week's income required to purchase an annual motor insurance premium, also varies by state and territory:

- In **Western Australia**, motor insurance costs represent about **42.77%** of an average week's income, which is the lowest in the country.
- In the **Northern Territory**, it accounts for **62.39%** of an average week's income.

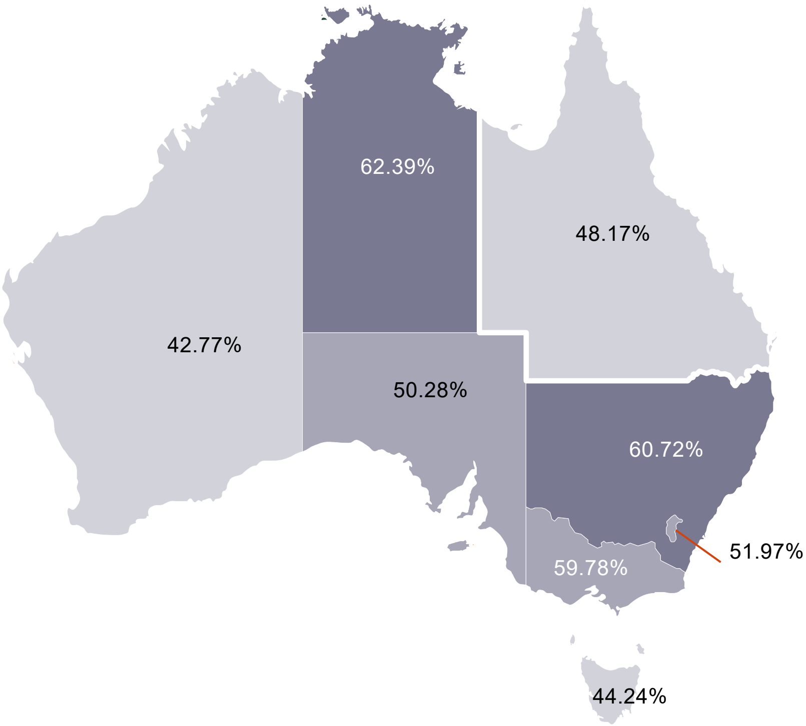
These variations stem from differences in income levels, labour and parts costs, and vehicle values across jurisdictions. Repair costs are higher in some states, and areas with older vehicle fleets tend to, on average, have lower insurance costs.

Average Gross Premium by jurisdiction as at June 2024[2]



[2] ibid

Average motor insurance premium cost as a % of one week's average income[3]



[3] Insurance Statistics Australia. June 2024. Private Motor

Deep dive into the factors behind rising premiums

1. Profit margins are not the main culprit

Contrary to some popular narratives, **insurer profitability has not significantly contributed** to recent premium increases.

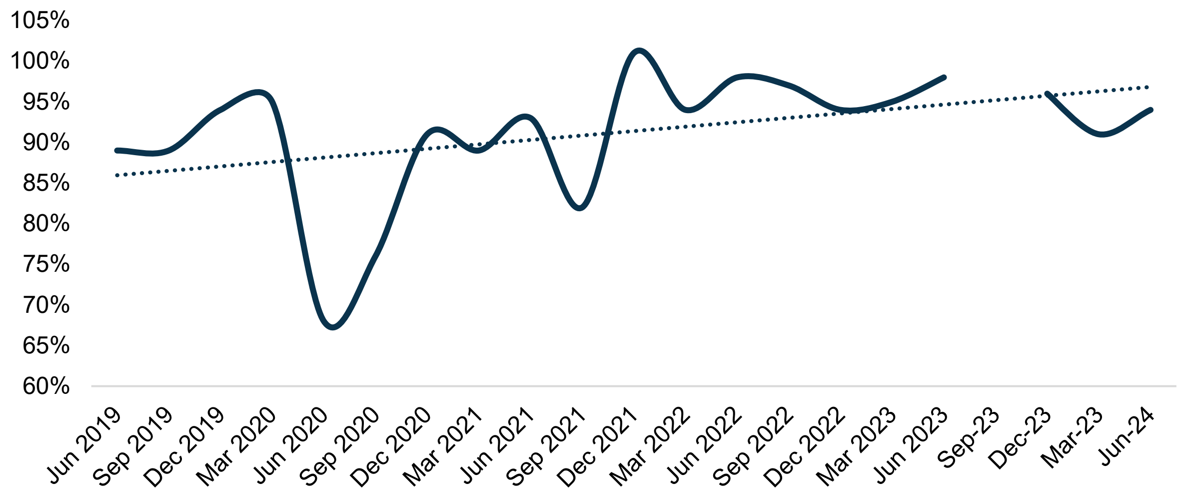
While insurers, like any other business, aim to maintain profitability to ensure long term viability and sustainability, data from 2019 to 2024 indicate declining underwriting profit for motor insurance lines.

According to APRA's quarterly general insurance statistics, the **net combined ratio (NCR)** for domestic motor insurance—which is total costs divided by total premiums collected —has increased from **89% in June 2019 to 94% in June 2024**.

A lower NCR indicates higher underwriting profitability, so an increase in the NCR reflects reduced underwriting profit margins. This is particularly noteworthy given that average premiums have risen during the same period.

Despite some recent improvements in insurer underwriting profitability, trends over the past five years show that average premium prices have been increasing while underwriting profits for insurers have been declining.

Domestic motor insurance net combined ratio[4]



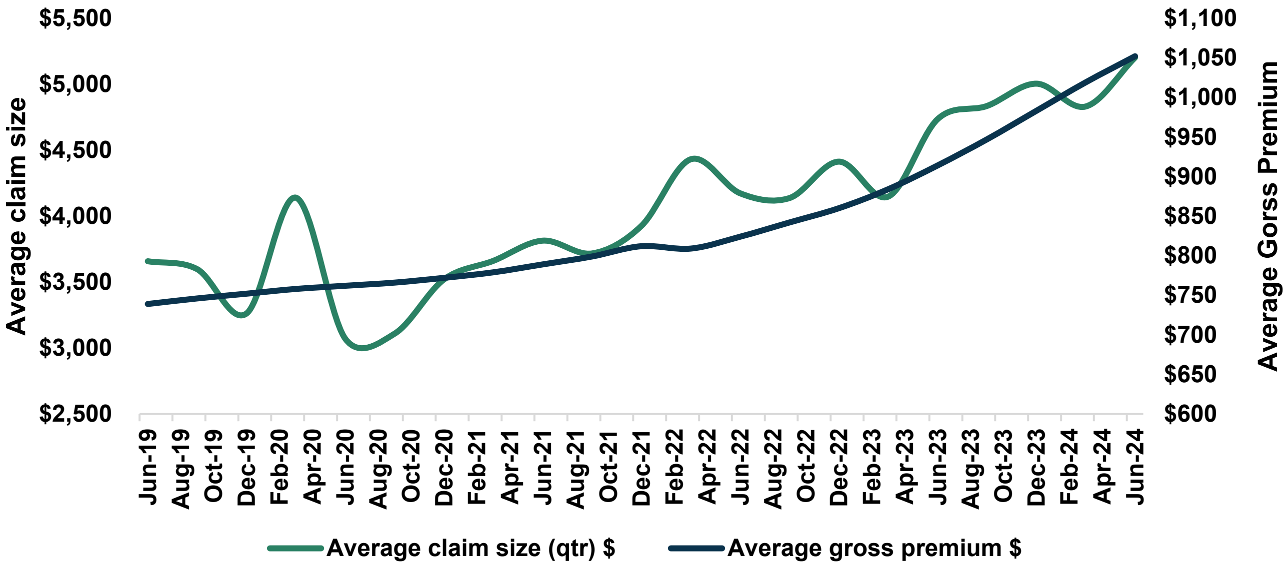
2. Rising claims costs are the primary driver of premium increases

Claims costs for private motor insurance, as measured by the average claim size, have increased sharply from an average of **$3,658 in June 2019 to $5,202 in June 2024** – a 42.2% increase, which is double the rate of inflation for the same period.

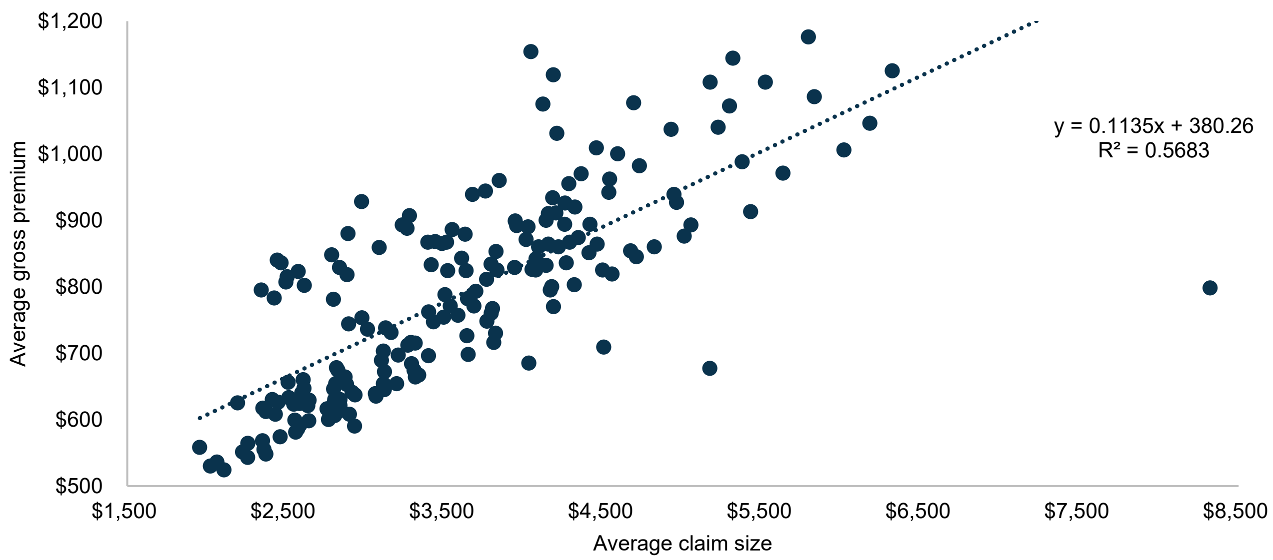
[4] Australian Prudential Regulatory Authority. 2024. Quarterly general insurance performance statistics.

Rising claims costs are closely related to premium prices. Analysis of insurer quarterly claims data from 2019 to 2024 shows that **every $1 increase in claims size is associated with an approximate $0.11 increase** in average premium prices.

Average claim size vs average gross premium[5]



Average claim size vs average gross premium[6]



[5] Insurance Statistics Australia. June 2024. Private Motor

[6] ibid

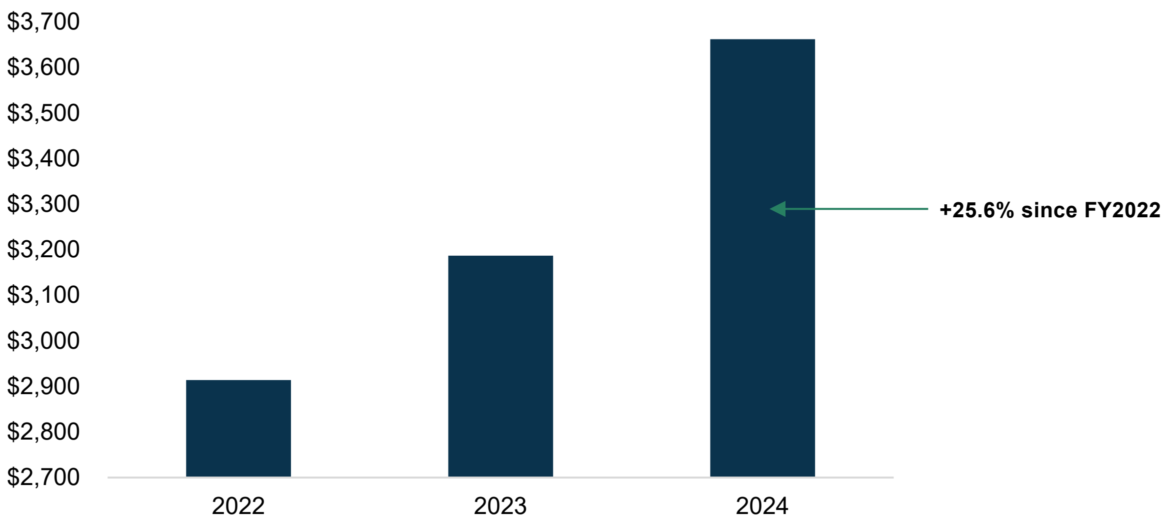
3. Rising cost of repairs

As previously outlined, repair costs account for about 60% of motor insurance claims costs and this has experienced considerable increases in recent times.

While there is limited publicly available data on motor vehicle repairs costs, analysis of recent annual reports of AMA Group – Australia's largest collision repair business and a major supplier of parts and repair services to Australian motor insurers – show that average motor collision repair costs prices have increased from $2,914 in Q1 2022 to $3,662 in FY2024, representing a 25.6% increase over three years.

The underlying cost pressures is attributable to rising cost of labour, increasing cost of parts as well as increasing complexity of motor vehicle repairs, driven by new technologies.

AMA Group average repair price[7],[8]



[7] AMA Group. 2023. Q1 Quarterly Cash Flow and Activities Report.
[8] AMA Group. 2024. 2024 Annual Report.

Rising cost of labour

Labour costs form a significant component of insurer claims costs (around 30%). Due to inflation and workforce shortages, salaries for key trades have risen substantially between 2018 and 2023, which in turn is factored into the cost of repairs.

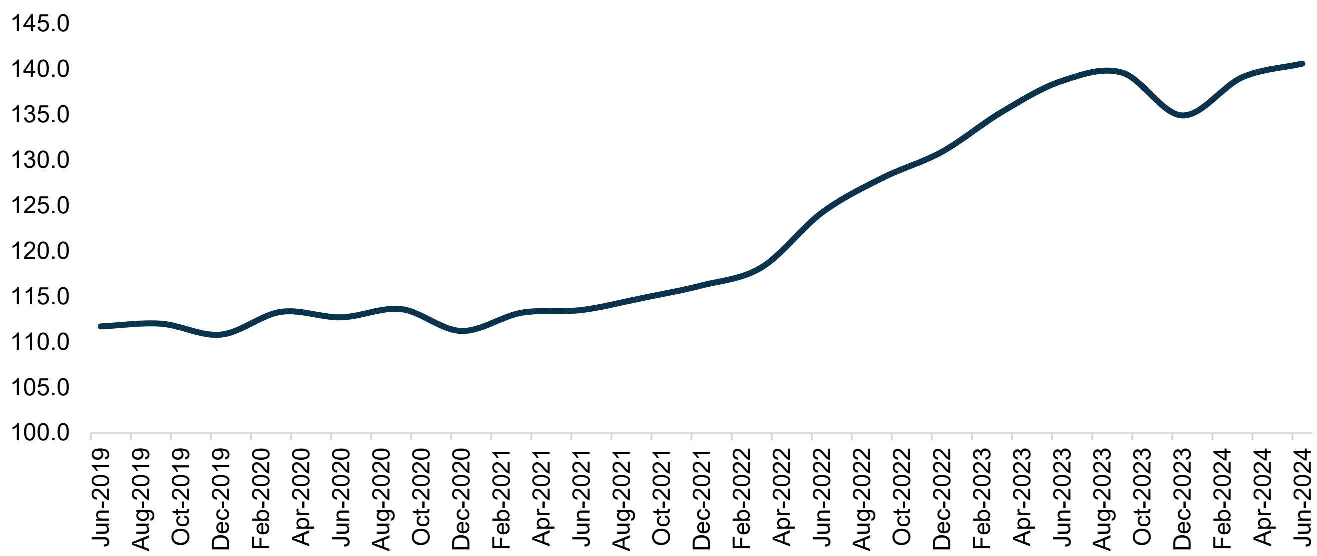
The table below shows ABS data of average pay for critical vehicle collision repair trades from 2018 to 2023, indicating that salaries for automotive electricians, panelbeaters and vehicle painters have increased 54.5%, 32.9% and 20.3% respectively.[9,10]

Average weekly total cash earnings (all methods of setting pay) Employee Earnings and Hours, Australia, May 2018 vs May 2023			
Occupation	**2018**	**2023**	**% change**
3211 Automotive electricians	$1,437.30	$2,221.20	**Δ 54.5%**
3241 Panelbeaters	$1,254.80	$1,668.00	**Δ 32.9%**
3243 Vehicle painters	$1,283.20	$1,543.60	**Δ 20.3%**

Rising cost of parts

Due to ongoing global supply shortages of motor parts, as well as increasing complexity of vehicle technology components, the cost of motor parts has also seen a substantial rise. For example, the ABS consumer price index for 'spare parts and accessories for motor vehicles', a proxy for the cost of smash repair parts, shows a 25.9% increase between 2019 and 2024.

ABS consumer price index – Spare parts and accessories for motor vehicles[11]



[9] Australian Bureau of Statistics. 2018. Data Cube 12 Table 1 All employees, Average weekly total cash earnings, Average age-Sex, Occupation
[10] Australian Bureau of Statistics. 2023. Data Cube 12 Table 1 All employees, Average weekly total cash earnings, Average age-Sex, Occupation
[11] Australian Bureau of Statistics. 2024. TABLE 9. CPI: Group, Sub-group and Expenditure Class, Index Numbers by Capital City, Spare parts and accessories for motor vehicles

Increased complexity of repairs

Advanced Driver Assistance Systems (ADAS) – The growing prevalence of ADAS in modern cars (including EVs and hybrids) means repairers must handle complex recalibrations and higher-cost components. This technological shift has significantly increased average repair costs.

Electric Vehicles (EVs) – EVs often require specialised parts, more sophisticated diagnostic tools, and skilled technicians. Batteries, sensors, and advanced onboard systems can be expensive to repair or replace, contributing to higher average repair costs. Since EVs are still relatively new in Australia, the limited number of repair shops servicing them also drives up repair costs.

4. Rising cost of motor vehicles

Increases in motor vehicle prices, driven in part by the higher costs of new technology components, affect motor insurance premiums in two ways:

- **Higher vehicle replacement costs:** when vehicles are written off the cost to replace them will increase. As outlined previously, total loss claims account for about 25% of insurer claims costs.
- **Higher sums insured:** higher motor vehicle costs will also tend to increase the average cost of sums insured.

From 2019 to 2024, new vehicle prices in certain segments rose by up to 39%, with used vehicle costs also increasing by around 32% (Cox Automotive/Manheim Used Value Index).

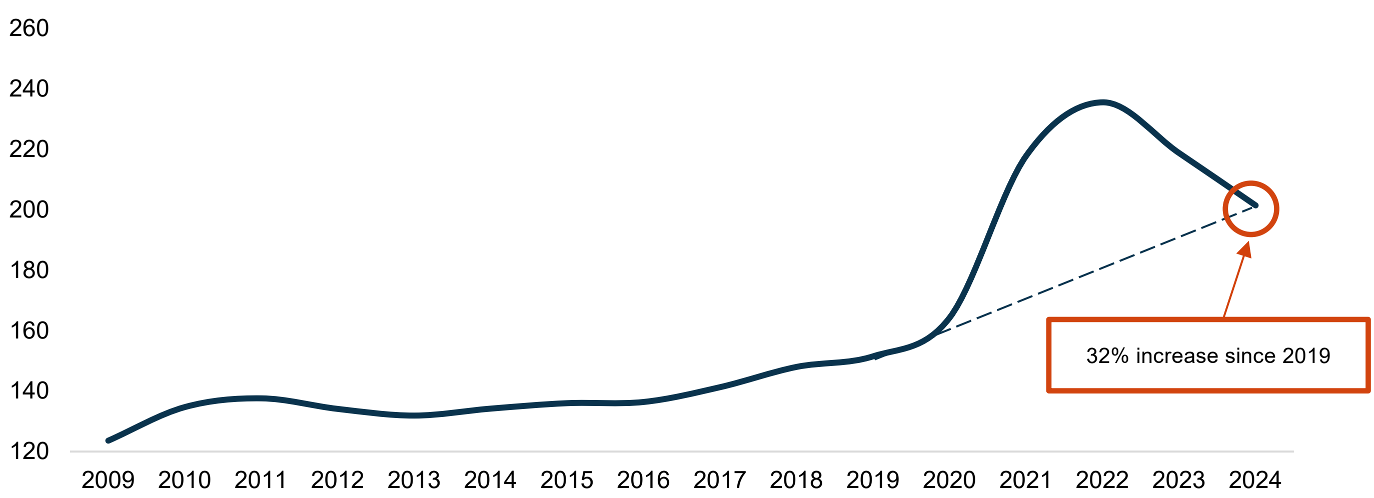
Given that vehicle replacement makes up 25% of motor insurance claims costs, the rising cost of motor vehicles has a considerable impact on the overall cost of motor insurance.

Five-year price increases across popular market segments*:[12]

Seg	2020	2021	2022	2023	2024
Light Car	+14.9%*	+30.8%	+34.3%	+37.5%	+39.0%
Small Car	N/C	+8.4%	+16.4%	+19.2%	+18.7%
Medium Car	N/C	+8.5%	+5.8%	+11.6%	+12.7%
Small SUV	+4.8%	+5.9%	+7.1%	+9.3%	+24.5%
Medium SUV	N/C	+3.5%	+10.3%	+18.5%	+19.0%
Large SUV	N/C	+3.5%	+6.3%	+10.4%	+13.2%
4x4 Ute	N/C	+3.5%	+7.8%	+9.1%	+9.7%
*Relative to 2019					

[12] GoAuto.com. 2024. Mark insights new car prices compared.

Cox Automotive/Manheim Used Value Index 2009 – 2024[13]

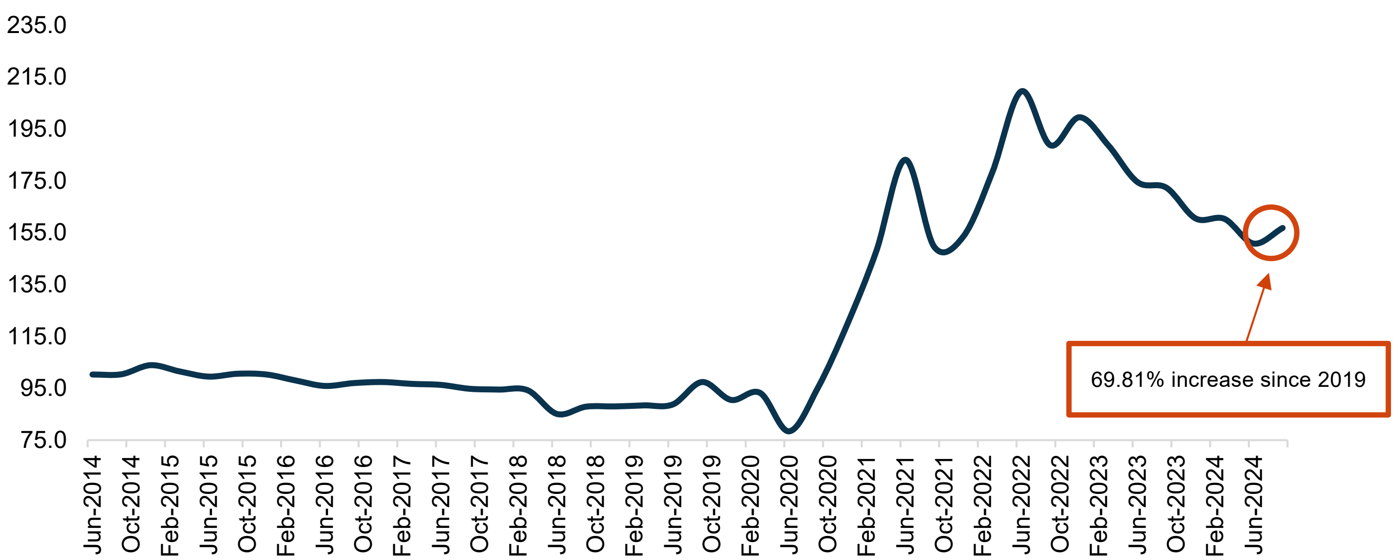


5. Rising cost of rental cars

Rental cars account for approximately 5% of insurers' claims costs and this category has experienced a significant cost increase in recent years, according to the ABS Producer Price Index. Although rental car prices have moderated since peaking in 2022, they remain 69.81% higher in 2024 compared to 2019. This sustained rise has contributed to an overall increase in claims costs for insurers.

Key factors behind the rising cost of rental cars for insurers include the increase of repair waiting times for customers and growth of credit hire/accident management company claims (CHC/AMC).

ABS Producer Price Index Passenger car rental and hiring[14]



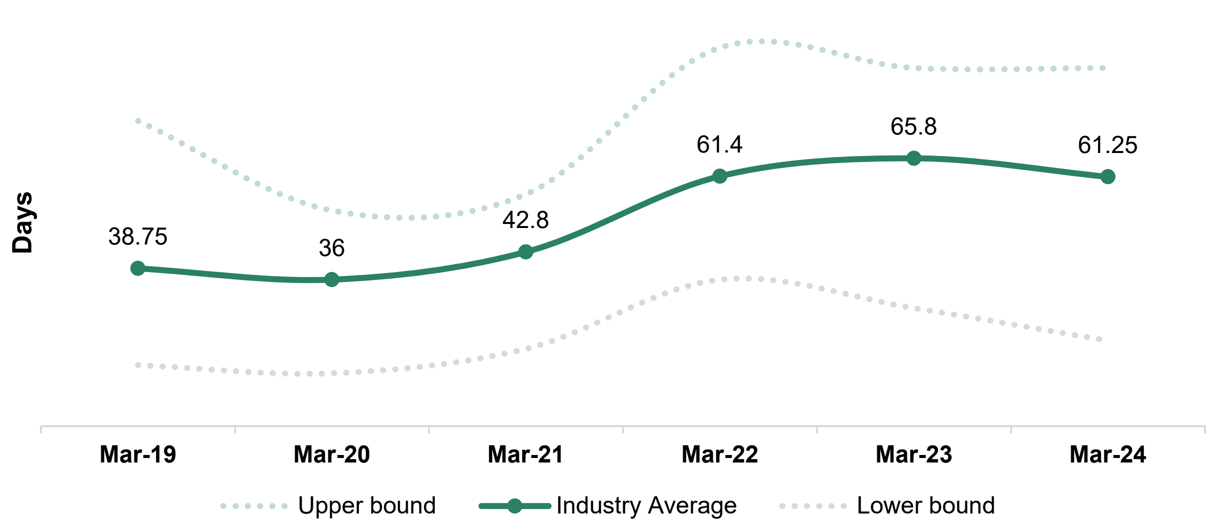
[13] Manheim. 2024. Manheim Used Vehicle Value Index.

[14] Australian Bureau of Statistics. 2024. Table 23. Output of the Rental, hiring and real estate services industries, subdivision, group and class index numbers. Passenger car rental and hiring.

Increased waiting time for repairs

Data from Australia's motor insurers indicates that the average time to get a car repaired has increased from 38.57 days in 2019 to 61.25 days in 2024 or an increase of 58.06%, as a result of labour shortages and parts delays. This means that insurers are now paying out more for rental cars for customers that are entitled to them under their motor insurance policy.

Snapshot of motor insurance vehicle repair times 2019 - 2024[15]



Rise of Credit Hire and Accident Management Companies

Credit Hire and Accident Management Companies (CHC/AMC) provide rental vehicles and/or repair services to drivers who are not at fault in a motor accident. These companies then seek to recover the costs from the at-fault driver's insurance company—often at significantly inflated rates. Data[16] from insurers reveals two concerning trends:

- The number of settlement claims involving CHC/AMCs increased by approximately 400% between 2019 and 2022.
- The average value of settlement demands from CHC/AMCs is 3x higher than those of claims not involving these companies.

While the volume of CHC/AMC in Australia remains small, experience in the UK, where CHC/AMCs have greater market share, points to the potential negative impact for the motor insurance market. A 2014 United Kingdom Competition and Markets Authority study estimated that credit hire businesses added an additional 0.67% and 1.8% to cost of motor insurance for UK customers a result of additional transactional costs and lost efficiencies. Applied to Australia, this would equate to, on average, an additional $19 per policy.

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[15] Analysis based on internal insurer 'keys-to-keys' waiting times data.

[16] Analysis based on internal member claims and settlements data.

6. Rising legal and fraud costs

Legal costs

Insurer legal costs are expenses that insurers incur when they defend a claim for compensation or to recover costs against an at fault party. In a typical scenario, Insurer A would seek to recover costs from Insurer B, whose client was responsible for causing an accident, in an effort to offset the expenses incurred while settling their own customer's claims.

As previously discussed, the rise of CHC/AMC has placed significant upward pressure on legal costs for insurers given the typically aggressive tactics CHC/AMCs adopt in pursuing recoveries against insurers. In our members' experience, CHC/AMC recovery actions often involve:

- **Unreasonable demands for settlement:** often CHC/AMC claims for repair or hire car costs are well in excess of average market price for similar services
- **Threats of litigation** – immediate legal action if demands are not met
- **Short response timeframes** – sometimes as short as 48 hours

This high-pressure approach leaves insurers with little time to adequately respond and consequently claims are more likely to escalate to litigation through the magistrate's court, which incurs additional costs. For instance, a recent case in Victoria saw a $1,500 claim from a CHC/AMC rise by more than $1,100 in additional costs due to litigation. Legal costs accounted for 42% of the total claim once the case was resolved.[17]

Fraud

Increasingly fraud is becoming a major contributing factor to insurance inflation. Insurance companies must either absorb fraud costs or spread them across the business as an underwriting expense. As such, insurance fraud is also putting pressure on overall claims costs. Insurance fraud refers to acts such as:

- Deliberate non-disclosure of key information to insurers that could influence their decisions. For example, not mentioning a drink-driving conviction or misrepresenting drivers of a car.
- Deliberate acts to deceive insurers for financial gain, like deliberately damaging property, staging motor vehicle accidents or faking theft.
- Misrepresentation of damage or loss amounts to boost claim payouts.

While a significant amount of insurance fraud is carried out by individuals, there is an increasing element of systemic fraud that is organised and structured in a manner which funds other organised crime activities and mirrors criminal enterprises' involvement in other financial crime sectors.

In 2023, ICA members detected $560 million worth of opportunistic insurance fraud for motor and property alone, with undetected fraud estimated to cost the insurance industry around $400 million a year.[18]

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[17] ibid

[18] Insurance Council of Australia. 2024. Insurance industry boosts fight against fraud and scams.

7. Rising accident towing and storage costs

The insurance industry has long raised alarms about how the escalating costs of towing and storage services in Western Australia are negatively impacting the insurance claims costs.

Data from two insurers, spanning a nine-year period from 2012-13 to 2020-21, shows average towing and storage costs have increased by 71.3% and 66.5%. Consequently, the Western Australia Government introduced the Towing Services Bill 2024 in September 2024 to provide government with powers to regulate the cost of towing and storage as well as to crack down on price gouging by some operators.

We understand from our members that storage costs are also becoming a growing issue in Queensland. While Queensland regulations cap towing fees, there have been multiple instances where operators take advantage of regulatory loopholes to tack on additional storage fees as well as secondary tows[19], which are not subject to any caps. Data provided by insurers shows that accident storage rates in Queensland can be more than three times higher than in other jurisdictions.

8. Higher rates of total loss

Motor vehicles are declared total losses when the cost of repairs exceeds their insured value. Due to rising repair costs, longer repair waiting times, and additional claims expenses like rental cars, insurers are increasingly opting to declare vehicles as total losses rather than repairing them.

Since 2019, total loss claims have also increased, with some insurers indicating around a **20% increase in frequency of total loss claims**, leading to higher overall claims costs.

Typically, insurers can offset some of these costs by selling the salvaged vehicles at auctions. Tradespeople often purchase these vehicles, restore them to pre-accident condition more economically than insurers can, and then sell them at a profit. In most jurisdictions, this practice is permitted: total loss vehicles can be bought at salvage auctions, repaired, and re-registered, provided they pass the necessary safety checks before returning to the road.

However, in New South Wales, government regulations prohibit this. Total loss vehicles must be declared as statutory total losses, meaning they can only be sold for scrap.

This artificially reduces the value of these salvage vehicles on average by 30%, limiting the amount insurers can recover from them, which unnecessarily adds to the overall claims costs.

[19] Secondary tows are instances where a vehicle is towed from a place of storage immediately following an accident to a facility where the vehicle is eventually repaired.

Recommendations to address rising motor insurance premiums

While individual policyholders can mitigate the rising costs of motor insurance — such as by shopping around, selecting a higher excess (noting that this may mean paying more when it comes to lodging a claim), keeping their vehicles in a secure location, or bundling their motor insurance across multiple cars or with home and contents insurance —there's a pressing need for a coordinated effort to tackle the root causes of escalating claims costs described above, which have been the primary cause for increasing motor premiums.

1. Address critical motor trades skill shortages

The motor insurance industry is critically reliant on skilled workers from various motor trades to perform repairs efficiently. Accordingly, the insurance industry invests significantly to attract and train new talent in critical trades. Initiatives include:

- Sponsorship of the 'Future Leaders of the Industry' to recognise and continue support and development for young people in the collision repair industry[20]
- Subsidised training for repairers wishing to enhance their skills in electric vehicle repairs
- Sponsorship of the Australian Collision Industry Alliance to promote careers in the collision repair industry[21]

However, there remains a significant shortage of professionals in critical trades like panelbeaters, motor mechanics, vehicle painters, and automotive electricians. The Motor Trades Association of Australia (MTAA) reports that businesses filled only **26%** of panelbeater vacancies, **29%** of vehicle painter vacancies, and **38%** of motor mechanic vacancies.[22] These shortages underscore an urgent need for government action particularly in the areas of skilled migration and national skills training policy.

Addressing the skills gap through skilled migration

Skilled migration is a crucial short-term solution, with MTAA research finding that nearly 1 in 2 motor trade vacancies are being filled through business-sponsored visas.[23]

While the Australian Government has undertaken efforts to streamline visa processes, further improvements can enhance efficiency. These include:

- **Streamline skills assessment:** Allow motor trades associations and educational institutions like TAFE to conduct skills assessments, reducing bottlenecks in Trades Recognition Australia.
- **Reduce or waive migration levies:** Temporarily lower or waive the Skilling Australians Fund (SAF) levies for key motor trades to ease financial burdens on employers, especially small businesses.

[20] The National Collision Repairer 2024. Future Leaders of the Industry - National Collision Repairer.

[21] The Australian Collision Industry Alliance 2024. The ACIA.

[22] Deloitte. 2024. Skills shortages in the Australian automotive industry MTAA member survey findings 2024. Page 12.

[23] ibid. page 17.

- **Remove geographic restrictions:** Lift restrictions preventing 482 visa holders in certain trades from working in non-regional areas to allocate resources where needed.
- **Adding key trades on the Core Skills Migration List:** Add Panelbeater (ANZSCO 324111) and Motor Mechanic (General) (ANZSCO 321211) to address acute shortages. Notably, panelbeater employment dropped from 18,500 in 2014[24] to 8,300 in 2024, even as passenger vehicles increased by 15%.[25]

Investing in training local talent

Beyond immigration, attracting and retaining apprentices and trainees is vital. Only 58.1% of apprentices in automotive trades complete their qualifications within four years.[26] With nearly half not finishing and existing shortages, urgent action is needed.

Government initiatives, such as Queensland's Fee-Free TAFE EV skills program[27] and the Federal Government's new energy apprentice payment[28] (offering up to $10,000 for apprentices in clean energy fields, including EV repairs), are positive steps. Expanding these programs to further incentivise training in EV and general motor vehicle repairs would be crucial for improving apprenticeship completion rates and ensuring a strong local workforce to meet industry needs.

2. Enhance automotive supply chain resilience

Automotive manufacturing in Australia has undergone significant downsizing since the departure of major auto industries. However, the COVID-19 pandemic has highlighted our reliance on global supply chains and their vulnerabilities in relation sourcing spare parts required for motor repairs, which in turn has had consequences on motor insurance claims costs.

To address these challenges, the insurance industry has undertaken various initiatives including:

- Partnering with original equipment manufacturers (OEMs) to create alternative parts sourcing channels and develop less invasive repair methods that reduce reliance on part replacements.
- Working with the motor vehicle dismantling industry to establish a supply chain for high-quality recycled and used parts, expanding replacement options when parts are needed.

However, we believe greater government action is needed to enhance automotive supply chain resilience. Specifically, we see value in government:

Prioritising the automotive industry in government supply chain resilience initiatives

Currently, the automotive sector is not expressly recognised as a priority industry under various Australian Government initiatives designed to enhance supply chain and economic resilience. This includes the Supply Chain Resilience Initiative and the Future Made in Australia National Interest Framework which aim to support local manufacturers in scaling operations.

Elevating automotive manufacturing would recognise the critical role it plays in the Australian economy and provide support for Australian-based automotive component manufacturers to scale up as well as to encourage more Australian-based manufacturers to join the automotive supply chain.

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[24] Australian Bureau of Statistics. 2024. 6291.0.55.001 - EQ08 - Employed persons by Occupation unit group of main job (ANZSCO)

[25] Australian Bureau of Statistics. 2014. 9309.0 - Motor Vehicle Census.

[26] Australian Mining and Automotive Skills Alliance. 2024. Industry Workforce Plan: Moving ahead together. Page 127.

[27] TAFE Queensland. 2023. Fee-free TAFE for Queensland Mechanics. Fee-Free TAFE EV skills | TAFE Queensland.

[28] Australian Government. 2024. Financial support for apprentices in priority occupations. Financial support for apprentices in priority occupations | Australian Apprenticeships

Extending the motor vehicle information scheme (MVIS) to include motor parts

The Motor Vehicle Information Scheme (MVIS) was created to require motor manufacturers to make service and repair information available to independent repairers, addressing anti-competitive behaviour. This change has been crucial in enabling independent repairers to compete fairly for work, thereby driving down repair costs.

Recently, however, we understand that some manufacturers have begun restricting the sale of parts to independent repairers, supplying only their own repair networks. This practice artificially limits competition, restricting the repair of certain makes and model of vehicles to select group of repairers, and putting upward pressure on repair costs.

We believe it would be worthwhile for the MVIS to be extended also cover parts, requiring manufacturers to supply independent repairers with spare parts in a similar manner to how they are required to provide repair and service information. This extension would ensure that independent repairers have the necessary parts to perform repairs efficiently and effectively, aligning with the current requirements for technical repair information.

Strengthen legal obligations on motor vehicle manufacturers to ensure the availability of spare parts

While the Australian Consumer Law (ACL) requires manufacturers, as part of consumer guarantees, to take reasonable steps to ensure that spare parts are reasonably available for a reasonable period of time, the ICA understands that there are limited consequences for manufacturers who fail to meet these obligations. In its submission to the Productivity Commission's Inquiry into the Right to Repair in Australia, the Australian Competition and Consumer Commission (ACCC) highlighted significant practical challenges in enforcing these consumer guarantees. The ACCC also recommended amending the ACL to make it a contravention for manufacturers to fail to honour their consumer guarantees, including in relation to parts availability.[29] The ICA would be supportive of such an amendment as we consider that this would incentivise businesses to improve their products and practices, ensuring prioritisation of parts supply.

In addition to ACL amendments, the ICA recommends government consideration for amending the Road Vehicle Standards Act 2018 to require that spare parts be readily available as a condition for manufacturers to obtain approval for the import and sale of vehicles in Australia. At present, there is no requirement for manufacturers to ensure the ongoing supply of spare parts, and our members have experienced this issue with new car brands entering the Australian market. While these brands are expanding their market share and creating greater competition and consumer choice, many have failed to establish adequate spare parts supply chains. As a result, consumers often face delays of several months for necessary repairs, which can be frustrating for consumers while also increasing costs.

An explicit obligation for supply of parts as part of import approvals would compel manufacturers to factor in parts supply when seeking to enter the Australian market, thereby ensuring better support for consumers throughout the lifecycle of their vehicles.

3. Regulation of credit hire/accident management companies

The rise of credit hire and accident management companies have caused significant consumer harm as well as claims cost inflation. Issues include:

[29] Australian Competition and Consumer Commission. 2021. Productivity Commission Inquiry into the Right to Repair in Australia – ACCC submission in response to the Issues Paper.

- Deceptive advertising that misleads consumers into contacting CHC/AMCs instead of their insurers, leading to confusion, distress, and delays in claim processing.
- Uninsured drivers receiving demands for inflated hire car and repair charges.
- Customers being pursued for these charges and legal fees after unsuccessful recovery attempts, with vehicles sometimes held ransom until payments are made.
- Legal proceedings initiated in customers' names without their knowledge.
- Customer personal information shared with third parties without consent.

Insurers are already taking action to address the challenges CHC/AMCs pose including through greater consumer awareness and education, referral of certain CHC/AMC operators who engage in questionable practices to relevant regulatory authorities as well as improving the availability and accessibility of hire car services for not at fault third parties.

However, given the growing consumer harm and the expanding scale of questionable practices within the CHC/AMC industry, the ICA recommends enhanced regulatory oversight, including the introduction of targeted regulations to address misconduct and protect consumers from unscrupulous operators.

4. Regulation of accident towing and storage regulations

Western Australia

The Western Australian (WA) Government's recent introduction of the Towing Services Act 2024 represents a significant and positive step forward in promoting increased transparency and fairness in the towing industry.

By setting a regulated fee schedule for light vehicle tows in the Perth and Peel regions and introducing more stringent requirements for obtaining towing operator authorisation, the Act helps to eliminate exploitative practices, boosts public confidence, and places downward pressure on the cost of motor insurance.

While this progress is encouraging, the ICA believes there is scope to strengthen the Act even further. Currently, heavy vehicle towing is outside the scope of the Act, leaving motorists vulnerable to exorbitant fees of $35,000–$40,000 for basic services—eight to ten times the cost in other jurisdictions.[30] Moreover, limiting the Act to the Perth and Peel regions risks seeing these problematic practices shift elsewhere in Western Australia, which would undermine the intent of the reforms.

To ensure the Act's full potential is realised, the ICA recommends that the next phase of its implementation:

- **Include heavy vehicle towing:** Bringing heavy vehicles under the Act's provisions will eliminate inflated costs in this segment, providing fairer outcomes for all road users.
- **Extend statewide:** Applying the Act beyond Perth and Peel will prevent unscrupulous operators from relocating to unregulated areas and ensure consistent standards across WA.
- **Create a clear implementation roadmap:** Collaborating with industry on a transparent, phased plan will foster stability, maintain stakeholder confidence, and ensure a smooth transition to a fully regulated and competitive towing environment.

[30] In New South Wales for example, the maximum charge for towing of 60 tonne+ truck is $459 per hour.

Queensland

In Queensland, there is an urgent need to address regulatory gaps that allow some operators to charge excessive storage fees well above fair market prices. We support amendments to the Queensland Tow Truck Regulation 2009 to extend the regulated fee regime to include storage as well as secondary towing costs.

5. Combatting insurance fraud

The ICA has made significant investments in counter-fraud initiatives to provide an industry-wide capability focused on detecting organised fraud networks and identifying emerging fraud-related trends or criminal scams. We collaborate with ICA members to collect intelligence on organised fraud, enhancing insurers' ability to detect and prevent insurance fraud.

To further these efforts, the ICA welcomes collaboration with Australian law enforcement agencies. By partnering with the insurance sector, we aim to identify and prosecute organised insurance fraud, focusing on enhancing existing intelligence and investigative capabilities to target the increasing involvement of organised crime in insurance fraud schemes.

6. Reform written-off vehicle rules

To address the rising claims costs due to the increasing number of cars being declared total losses, the ICA urges the NSW Government to amend its written-off vehicle regulations. We propose allowing total loss salvage vehicles to be repaired and re-registered—a practice already permitted in other jurisdictions. This change would enable insurers to recover more value from these vehicles, reducing overall claims costs.

To ensure that repaired vehicles meet safety standards, we recommend implementing stringent safety inspection frameworks. By adopting these measures, we can alleviate cost pressures on motor insurance while maintaining the highest levels of road safety.

Insurance Council of Australia

The Insurance Council of Australia is the representative body for the general insurance industry of Australia. Our members represent approximately 90 per cent of total premium income written by private sector general insurers, spanning both insurers and reinsurers. General insurance has a critical role in the economy, insulating individuals and businesses from the financial impact of loss or damage to their insured assets. Our work with our members, consumer groups and all levels of government serves to support consumers and communities when they need it most. We believe an insurable Australia is a resilient Australia – and it's our purpose to be the voice for a resilient Australia.

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