

Myth: Balance has now been restored to compensation laws

Fact

Insurers claim that the balance between individual rights and the community's willingness to pay has now been restored.

In fact, tort law changes have gone much further than legislators could have anticipated, stripping seriously injured people of their right to fair compensation and enabling insurers to earn record profits.

In 2005, the Australian insurance industry announced the largest profit it has ever recorded. As demonstrated by the table below, just 45 per cent of gross premium revenue was paid by way of compensation under all liability schemes.

In NSW, CTP insurers collected approximately \$8 billion in premiums in the 6 years the new scheme has been in operation. Over the same period, a total of \$1.78 billion was paid out in claims, meaning that over \$6.2 billion – or 78 per

cent - is being held in 'reserve'. While it is not claimed that all of this reserve is profit, MAA figures reveal that CTP greenslip insurers are declaring more than three times the profit that was considered reasonable when the scheme was established.

Clearly the 'balance' has tipped too far and some correction is needed.

Insurance	Gross premium revenue (\$billion)	Total compensation paid (\$billion)	Pocketed by insurers (\$billion)
Public liability*	\$1.60	\$0.52	\$1.08
CTP**	\$1.34 (avg)	\$0.54	\$0.80
Workcover***	\$2.73	\$1.51	\$1.22
Total	\$5.67	\$2.57	\$3.10

* Data taken from APRA's National Claims and Policies Database for the 2005 reporting year

** Data is an estimate, based on averages over the 6 years of the new Motor Accident Scheme's operation (source: Motor Accident Authority of NSW 2004-2005 Annual Report)

*** Data taken from Price Waterhouse Coopers' Actuarial valuation of outstanding claims liability for the NSW Workers Compensation Nominal Insurer as at 31 December 2005.