



Motor Accidents Compensation Amendment (Terrorism)

Bill.

Second Reading

Mr GRAHAM WEST (Campbelltown—Parliamentary Secretary) [11.40 a.m.], on behalf of Ms Reba Meagher: I move:

That this bill be now read a second time.

The Motor Accidents Compensation Amendment (Terrorism) Act 2002 was passed during the budget session of Parliament in 2002. The Act amended the Motor Accidents Compensation Act 1999 to exclude all liability arising from a terrorist act involving a motor vehicle from the Compulsory Third Party Motor Accidents Insurance Scheme for the period 1 January 2002 until 1 January 2003. In the spring session last year the Motor Accidents Compensation Further Amendment (Terrorism) Act 2002 was enacted, extending the temporary terrorism exclusion for a further 12 months until 1 January 2004.

The motor accidents scheme terrorist exclusion was introduced in response to changes in the international reinsurance market. After the 11 September 2001 terrorist attacks in the United States, international reinsurers withdrew unlimited liability cover for terrorist-related losses. When introducing the amendments last year the Government indicated that the action of reinsurers had serious potential to impact on the viability of the New South Wales green slip scheme as it left compulsory third party insurers exposed to a potential liability that could not be covered by reinsurance. The Government also indicated that should no viable alternatives emerge, it would be necessary to extend the terrorism exclusion further into the future.

The New South Wales Motor Accidents Authority [MAA] has been closely monitoring the reinsurance position and assessing the requirements for further action. Arising from discussions with reinsurers and information available from international sources, the MAA is of the view that terrorism cover for compulsory third party reinsurance will continue to remain unavailable for the immediate future. The reinsurance market conditions, which necessitated the introduction in 2002 of the terrorism exclusion for the motor accidents scheme, remain unchanged.

In November 2002 the Commonwealth Treasurer wrote to the States and Territories offering to consider coverage for State-Territory statutory insurance schemes under a proposed national scheme for replacement terrorism insurance. New South Wales responded to the Commonwealth indicating its interest in commencing discussions with a view to extending the Commonwealth scheme to cover the New South Wales compulsory third party scheme. To date the Commonwealth has established a reinsurance replacement scheme for commercial property and associated public liability and business interruption insurance. However, there has been limited Commonwealth progress on the issue of the possible inclusion of State and Territory statutory schemes.

Whilst New South Wales will continue to pursue discussions with the Commonwealth to assess the feasibility of including the compulsory third party scheme in a national approach for terrorism cover, those discussions will not be finalised before the expiry of the terrorism exclusion currently in place until 1 January 2004. It is, therefore, necessary to further extend the motor accidents scheme terrorism exclusion. The Motor Accidents Compensation Amendment (Terrorism) Bill proposes that the motor accidents scheme terrorism exclusion continue to operate until a date appointed by proclamation. I reiterate the Government's commitment to continue to pursue discussions with the Commonwealth to determine whether an affordable alternative arrangement can be put in place. I commend the bill to the House.

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