



## Motor Accidents Compensation Amendment (Terrorism)

### Bill.

#### Second Reading

**The Hon. HENRY TSANG** [Parliamentary Secretary] [9.10 p.m.]: I move:

That this bill be now read a second time.

I seek leave to have the second reading speech incorporated in *Hansard*.

#### Leave granted.

The *Motor Accidents Compensation Amendment (Terrorism) Act 2002* was passed during the Budget session of Parliament 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 (CTP) 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.

In introducing the amendments last year the Government indicated that the action of reinsurers had serious potential to impact on the viability of the NSW Green Slip scheme as it left CTP insurers exposed to a potential liability that could not be covered by reinsurance.

The Government also indicated that should no viable alternatives emerge then it would be necessary to extend the terrorism exclusion further into the future.

The NSW Motor Accidents Authority (MAA) has been closely monitoring the reinsurance position and assessing the requirements for further action.

Arising from discussions with re-insurers and information available from international sources, the MAA is of the view that terrorism cover for CTP 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.

NSW responded to the Commonwealth indicating its interest in commencing discussions with a view to extending the Commonwealth scheme to cover the NSW CTP 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 NSW will continue to pursue discussions with the Commonwealth to assess the feasibility of including the CTP 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 Accident Scheme terrorism exclusion.

The *Motor Accidents Compensation Amendment (Terrorism) Bill 2003* 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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