



# Legislative Assembly

## Motor Accidents Compensation Further Amendment (Terrorism) Bill

12/11/2002

Hansard

Extract

### Second Reading

**Mr GAUDRY** (Newcastle—Parliamentary Secretary), on behalf of Mr Aquilina [11.46 p.m.]: I move:

That this bill be now read a second time.

As honourable members will recall, the Motor Accidents Compensation Amendment (Terrorism) Act 2002 was passed during the budget session of Parliament. The Act amended the Motor Accidents Compensation Act 1999 to temporarily exclude liability arising from a terrorist act involving a motor vehicle from the compulsory third party [CTP] motor accidents insurance scheme. The exclusion of terrorist acts currently applies from 1 January 2002 until 1 January 2003. After the 11 September 2001 terrorist attacks in the United States of America, international reinsurers withdrew unlimited liability cover for terrorist-related losses. The motor accidents scheme terrorist exclusion was introduced in response to these changes in the international reinsurance market.

In introducing the amendments last session 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 CTP insurers exposed to a potential liability that could not be covered by reinsurance. The Government also indicated that should no viable alternatives develop during the remainder of this year, 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.

Following the withdrawal of terrorism cover on all lines of insurance business post-September 11, the market is slowly reintroducing cover for domestic lines of insurance, such as motor vehicle and home insurance. However, the market is not offering cover at an affordable price for commercial lines or third party liability lines such as CTP or personal injury insurance. Arising from discussions with reinsurers and information available from international sources, the MAA is of the view that terrorism cover for CTP reinsurance will remain unavailable for the foreseeable future. Indeed, following the terrorist bombings in Bali last month terrorist acts, as with acts of war, may become completely uninsurable.

On 25 October 2002 the Commonwealth announced its proposal for a national scheme for replacement terrorism insurance, to commence from 1 July 2003. Whilst State statutory schemes are not at this stage part of the Commonwealth's planned national scheme, the Commonwealth has indicated that subject to discussions with State and Territory governments the national scheme may be extended to include State workers compensation and CTP schemes. The Government will take up the Commonwealth's offer to discuss the inclusion of the New South Wales CTP and workers compensation schemes within the national scheme.

The reinsurance market conditions, which necessitated the introduction of the terrorism exclusion for the motor accidents scheme, remain unchanged. There will be no alternative national scheme in place before 1 July 2003 at the earliest. The terrorism exclusion approved by this Parliament in the last session is only in place until 1 January 2003. Accordingly, it is necessary to extend the terrorism exclusion for a further period. The Motor Accidents Compensation Further Amendment (Terrorism) Bill proposes to extend the terrorism exclusion until 1 January 2004. I commend the bill to the House.