

Media Release

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Insurers campaign to protect motorists

NSW motor insurers have launched a major advertising campaign opposing anti-steering legislation now before the NSW Parliament.

The insurers are concerned that if the private members bill introduced by Independent MP, Richard Torbay, gains major party support and is passed, it will lead to higher premiums, inconvenience for policyholders and less protection against poor repairs.

Concerns have also been expressed by the Australian Consumers' Association and the Productivity Commission.

The first of a series of full-page advertisements appeared in today's Sydney Morning Herald and Telegraph, calling the bill "anti-motorist" and urges MPs to "support motorists and oppose anti-steering laws."

The advertisement says:

- Premiums are likely to rise
- Repair quality will be at risk
- Insurers will not be able to assist motorists find a suitable repairer.

ICA Deputy Chief Executive, Dallas Booth said: "All motor insurers in NSW are concerned about this bill because they believe costs will go up and quality will suffer.

"The bill would prevent insurers directing repair work to their preferred repairer schemes, an outcome the NSW Government has suggested could add \$80 to a car insurance premium.¹ There will be less convenience and less protection for car owners. In any case, for those owners who do want to choose their own repairer, the option is already available."

The bill also curtails insurers' ability to influence the type of parts used and allows a car to be "captured" by a repairer, preventing an insurer moving the car to another repairer if it believes the costs are inflated.

The Productivity Commission concluded that: "Apart from increasing costs for insurers and consumers, it would adversely affect the structure and operating economies of the repair sector itself – through greater repairer fragmentation, lower scale and reduced incentive for productivity improvement."²

In a letter to the Premier, Morris Iemma on 21 March, 2006, the Australian Consumers Association said: "The proposed Bill is not in the consumer interest; if it became law it would act in the interest of sectors of the motor repair industry, allowing them to maintain poor practices and excessive costs, which are ultimately borne by consumers."

All ICA Media Releases are available on our website at www.ica.com.au

The letter can be found at :

<http://www.choice.com.au/viewArticle.aspx?id=105186&catId=100499&tid=100008&p=1>

Mr Booth said: "Overseas experience also suggests anti-steering legislation adds to premiums and in California it was found that 42% of vehicles had fraudulent repair costs added at an average cost of US\$811.³

"That is why in these advertisements we are urging NSW MPs to put motorists' interests first and not support this bill."

¹ Sydney Morning Herald, 9/3/06, page 3

² Productivity Commission Inquiry Report, March 2005, page 117

³ California Auto Body Repair Inspection Pilot Program – Report to the Legislature, September 2003

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