



Hon Dr Stephen Martin MP

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2 May 2002

Senator the Hon Helen Coonan
Minister for Revenue and Assistant Treasurer
Parliament House
CANBERRA ACT 2600



Dear Minister

I note that Commonwealth and State Ministers with responsibility for insurance matters met on 27 March 2002 to establish preliminary responses to increased insurance premiums and increasing inability of community and sporting organisations to obtain public liability coverage.

Small and medium sized businesses are also reporting similar problems.

Yesterday, in Wollongong, I co-hosted with the Illawarra Business Chamber, a Forum where participants from the community, sporting organisations and small businesses expressed frustration and anger at this crisis in insurance.

I understand Commonwealth and State Ministers are scheduled to meet again on this issue on 31 May 2002.

I am also aware that the Senate Economics Reference Committee is undertaking an inquiry into the cost of public liability and professional indemnity insurance. I am copying this letter to the Committee inquiry.

As a contribution to the forthcoming Commonwealth/State Ministers meeting, I submit to you and your colleagues a summary of the major observations from the Wollongong Forum:

- All community representatives and small businesses indicated premiums have increased between 30 and 600 percent.
- Community and sporting groups suggest examining blanket cover for activities and group purchasing of insurance. (Queensland Government recently sought expressions of interest for group purchasing, expecting 1,000 responses – received 6,000).

- Small business under the impression that stamp duty was abolished with the introduction of Goods and Services Tax (GST).
- Finding that insurance coverage includes higher excess, with much less coverage.
- Revenue is lost by community and sporting organisations cancelling or postponing events.
- Criticism of the legal profession, Courts and payouts.
- Organisations are waiting for over 2-months to get an insurance quote.
- Organisations with no previous claims history are now being slugged.
- Views expressed that there should be increased personal responsibility for actions.
- Suggestions that individuals should have the right to sign a waiver against taking legal action for activities.
- Medical profession expresses view that even with a good record, premiums are rising. Also time limit on claims should be established.
- Suggestion that Commonwealth and State Governments should re-establish public insurance companies, for example GIO.
- Small business express frustration and lack of control: no claims made, yet premiums rise; also cannot pass these increased costs on to consumers.
- Tax system encourages taking out lump sum. Suggestion that structured settlements should be introduced.
- Peak business organisations should examine purchase of group insurance for members.
- Peak business organisations should establish risk management training sessions for members.

- Suggested introduction of mass campaign to encourage individuals to look after themselves and take personal responsibility, including for children.
- Insurance industry mismanagement raised. Suggestions that premiums have been set too low and were always unsustainable for the industry.
- Legal profession warned to be careful of claims that Courts and payouts are a problem. Suggestion that people are turned away daily because no fault can be established in their cases. Principles of negligence are founded in common law. Should be cautious of calls for 'cap' on payouts. Suggestion those reporting on payouts are selective.
- Wollongong Council suggests a good risk management record; demonstrating good practices and procedures can discount insurance premiums.
- Failure of regulatory authorities in supervision of insurance industry.

The Wollongong Forum participants also outlined possible solutions to the current insurance crisis:

- Blanket insurance cover for community and sporting organisation activities and the group purchase of insurance;
- Altering tax components on insurance, including reform of lump sum payments and introduction of structured payments;
- Peak business organisations should examine purchase of group insurance for members and establish training sessions on risk management;
- A marketing or education campaign should be funded encouraging individuals to promote safety and personal responsibility, including an emphasis on children;
- Reforming regulatory authorities to ensure minimisation of insurance industry mismanagement.

As you are aware, this crisis in insurance is threatening the continued existence and operation of so many varied community and sporting organisations.

Small and medium businesses are also faced with similar circumstances.

I hope this submission will highlight some of the observations made in the Wollongong/Illawarra community.

I hope a comprehensive response to this crisis will be produced at the forthcoming meeting of Commonwealth/State Ministers in late May.

Yours sincerely

A handwritten signature in black ink, appearing to read 'S. Martin', written in a cursive style.

STEPHEN MARTIN