



SYNOPSIS

The Magic Pudding is here! Dodgy business networks are targeting CTP and Motor insurance and driving up costs

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Key words: CTP insurance, Motor insurance, Claim farming, Credit hire, Claim costs, Fraud

Purpose of your paper: This presentation highlights the extent to which claim farming and vehicle hire business models have become embedded in Australia, and explores what can be done to disrupt these business models.

Synopsis Finity has previously highlighted problems in the UK motor/CTP market, which we termed 'The Magic Pudding', and warned of the potential for this to spread to Australia. There is strong evidence that a similar business model is well and truly entrenched in the Australian market now, driving up costs significantly.

We will explore the business models and provide examples of how these third parties insert themselves between the insurer and its customer / claimant. We will look at available evidence to describe the impact of:

- *CTP claim farming*
- *Networks of providers involved in lodging exaggerated claims*
- *Overpriced replacement vehicles provided under misleading contracts*
- *Inflated vehicle repair costs*

As the UK has been struggling with these issues for over a decade, we will look at recent developments and strategies employed there and whether they have been effective. We will also examine recent steps taken in the NSW CTP scheme and elsewhere, seeking to address these problems.

In Australia our State-based systems, siloed operations and lack of cross-product and cross-insurer communication channels make us potentially more vulnerable and less able to respond effectively. The industry and regulators need to urgently develop co-ordinated and proactive strategies to counter this growing problem.