

10 June 2016

Green Paper Submission
OPT Review Taskforce
GPO Box 50
Brisbane Qld 4001

Email: info.optreview@qld.gov.au

Dear Sir/Madam

The future of Queensland's personalised transport industry

The ICA is the representative body of the general insurance industry in Australia. This includes the four licensed general insurers who currently underwrite the Queensland CTP motor accidents compensation scheme.

The ICA welcomes the opportunity to provide feedback to the Opportunities for Personalised Transport (OPT) Review. Our submission focuses on the sharing economy and its impact on the personalised transport sector as well as addressing the CTP reform options that have been outlined by the OPT Review Taskforce (taskforce).

The sharing economy

The ICA agrees with the taskforce's assessment that the emergence of sharing economy businesses has led to new opportunities to create efficiencies, develop new service models and radically change the business/customer relationship. The ICA recognises the economic potential of such businesses and we support a regulatory environment that is conducive to innovation.

The taskforce has noted that the current regulatory framework has not been able to adapt to the rapid changes occurring in Queensland's personalised transport sector. It is evident that a more agile framework is needed. The ICA submits that whilst flexibility is required, a level playing field must be maintained. This will ensure that established businesses do not have to navigate cumbersome regulatory and compliance requirements that new businesses are not subject to.

The ICA welcomes the taskforce's intention to bring clarity to the regulation of Queensland's personalised transport sector. Disjointed and ambiguous regulation creates confusion for business providers and consumers. Clarification on regulatory requirements will provide certainty for consumers and allow businesses such as insurers to respond with appropriate products.

Reform options: CTP insurance

The taskforce has presented four reform options for CTP insurance.

1. Implement a new CTP insurance category for ride-sourcing vehicles.
2. Implement a single CTP insurance category for taxi and ride-sourcing vehicles.
3. Implement a single CTP insurance category for limousine and ride-sourcing vehicles.
4. CTP insurance for personalised transport vehicles is calculated based on individual risk.

Notwithstanding the final option that is implemented, the ICA submits that there are core principles to be considered when pricing CTP for personalised transport.

As noted earlier, the principle of competitive neutrality, where like goods and services are subject to the same regulatory requirements, should be central to considerations of the most appropriate CTP option for personalised transport. This will help to ensure an equitable playing field for traditional personalised transport providers and new market entrants.

Following from this principle, the ICA supports an option where personalised transport providers pay the CTP premium that adequately reflects the associated risk of this service. Currently taxis have their own CTP category, as they represent a higher risk for CTP insurance claims due to increased time spent on the road and carriage of third party passengers. This risk is reflected in their premiums.

Similar to taxis, ride-sourcing vehicles may present a higher risk than passenger vehicles, resulting in higher claims frequency and claims costs. For this reason the ICA has consistently called for ride-sourcing vehicles to be separately classified¹.

One of the advantages of separate classification is that the class can remain fully funded as premium remains aligned to risk. An additional advantage is that separate classification can provide useful insights into the claims trends for ride-sourcing vehicles. We consider a mechanism to capture data on ride-sourcing vehicles a key feature of any model that seeks to appropriately align premium with risk. Over time, data may show that ride-sourcing vehicles tend towards a higher or lower claims frequency than initially anticipated. This would allow the premium to be adjusted accordingly. This is the method the ACT Government has adopted.

The taskforce notes that one of the challenges associated with ride-sourcing vehicles is identifying, and therefore appropriately pricing, vehicles used mainly in a commercial capacity and vehicles used mainly for private purposes. Option 4, which would calculate CTP premium based on business use hours or distance travelled could help to address this issue. Time spent on the road in the personalised transport capacity would be measured and an additional premium charged. This could be a fixed amount per trip, a charge per kilometre or it could be adjusted according to factors such as time of day or location. Premium could be collected on a periodic basis from the personalised transport operator. Both the base premium and the variable premium would be paid to the CTP insurer.

¹ Insurance Council of Australia, *ICA submission to the Point to Point Transport Taskforce Discussion Paper*, 25 September 2015

We note that such an arrangement would require collecting information on driver usage from the operators of personalised transport vehicles. The importance of adequate data collection has been a matter of discussion in NSW. The Point to Point Transport (taxis and hire vehicles) Bill 2016 recognises that information on vehicle usage and claims is required to assist the State Insurance Regulatory Authority (SIRA) and CTP insurers to accurately determine risk profiles and price accordingly. The Bill provides SIRA with powers to collect data from booking service and taxi service providers to help determine the appropriate CTP premium to be charged.

If a separate classification for ride-sourcing drivers is created, measures will be needed to ensure drivers declare their status to the Department of Transport and Main Roads at registration. As we submitted to the ACT Government's Taxi Industry Innovation Review, individuals who intend to use their car for ride-share purposes should be required to disclose this in order to be appropriately classified.² We suggest that the ride-sourcing operator requires proof of this registration from their drivers before allowing them to participate in the service. A two-pronged approach from both the Department of Transport and Main Roads and the ride-sourcing operator should help to minimise non-compliance.

Currently in NSW, SIRA is conducting a review of its premium system. This includes reviewing CTP premiums for taxis and hire vehicles, with the intention of allowing insurers to innovate in underwriting and move towards greater levels of risk-based pricing. Insurers would also welcome the opportunity to work with the Queensland Government and the Motor Accident Insurance Commission to explore how innovative means to apply CTP premiums could be implemented in Queensland.

If you would like to discuss this submission further, please contact Vicki Mullen, ICA's General Manager, Consumer Relations and Market Development on 02 9253 5120 or vmullen@insurancecouncil.com.au

Yours sincerely



Robert Whelan
Executive Director and CEO

² Insurance Council of Australia, *ICA submission to the ACT Taxi Industry Innovation Review*, 29 June 2015