

25 September 2015

Secretariat
Regulation of Point to Point Transport
Level 7, 12 Castlereagh Street
Sydney NSW 2000

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Dear Secretariat

**POINT TO POINT TRANSPORT TASKFORCE
DISCUSSION PAPER**

The Insurance Council of Australia (ICA) is the industry association for the general insurance industry. ICA members provide a range of insurance products in New South Wales, including motor vehicle property insurance and compulsory third party (CTP) personal injury coverage.

The ICA appreciated the opportunity to recently meet the Point to Point Transport Taskforce (Taskforce) Chair, Professor Sturgess, as the Discussion Paper was being developed.

The ICA is pleased to provide this brief submission addressing insurance arrangements for point to point transport providers (discussion point 11), with particular reference to ridesharing providers.

A number of reports have recommended reviews of current regulatory frameworks to ensure Australian competition laws do not stifle competition. These issues have been canvassed in various reviews of regulatory frameworks such as the Financial System Inquiry and the Competition Policy Review.

The ICA has a keen interest in competition and innovation, with appropriate checks and balances. It supports the principle of competitive neutrality. Like goods and services should be subject to the same consumer and safety regulations and requirements.

In relation to the entry to the marketplace of new point to point transport services, it is the ICA's position that it is a matter for State and Territory governments to determine:

- the legality of new services outside of regulated taxi or hire car services;
- the characterisation of such services for the purposes of regulation; and
- the specific regulatory requirements that should apply for nominated categories of point to point transport services.

For example, whether ridesharing services are to be characterised as a taxi or hire car service (or something else, such as a booked service) is for governments to determine in consultation with interested parties.

General insurance can offer protection for those involved in new business models that offer services via "shared economy" platforms. However, personal insurance policies for home or motor insurance typically do not cover activities of a commercial nature. If a rideshare driver sustained damage to his or her vehicle in an accident, or caused damage to other property while providing a rideshare service, a personal motor insurance policy may not cover the cost of this damage.

However, as regulatory certainty for new services increases, it is likely that competitive market forces will respond to the commercial insurance needs of rideshare drivers. The Discussion Paper notes, for example, media reports that some Australian insurers are starting to explore how their products could cover rideshare providers.

A consumer using a personal vehicle for commercial purposes should therefore clarify with their insurer whether they are covered for motor vehicle property damage (comprehensive or third party property) sustained during the commercial activity.

The Discussion Paper has specifically asked whether it is necessary to specify a minimum level of coverage for third party property insurance. The ICA supports a minimum level of such cover because of the higher risk of motor accidents of point to point transport services. This ensures that not-at-fault motorists can successfully claim compensation for property damage, and it can prevent situations where passenger transport service providers could sustain large personal losses if directly sued for compensation for property damage caused.

In relation to compulsory third party (CTP) insurance, scheme funding is the key issue. Premiums must be sufficient to meet the cost of claims. The ICA's recent submission to the ACT's 2015 Taxi Industry Innovation Review provided an alternative suggestion for CTP vehicle classification that the Taskforce may also wish to consider, depending on regulatory frameworks.

We suggested ridesharing vehicles be separately classified, so that at registration, vehicle owners who intend to provide ridesharing services are required to register their vehicle on this basis and pay the relevant CTP premium for the ridesharing vehicle class. The ICA further suggested that ridesharing operators should require proof of this registration from their drivers.

The reasons for this proposal included:

- different vehicle classes are subject to different CTP premiums, depending on the risk relevant to that class;
- taxis have their own vehicle class, as they represent a substantially higher risk for CTP insurance claims, due to the increased time spent on the road, and the carriage of third party passengers. This risk is reflected in the premium charged;
- vehicles used for ridesharing services may attract a higher claims frequency and higher claims cost than vehicles that are only used privately.

Critically, separate classification would ensure that providers of rideshare services pay a CTP premium appropriate for the related risk, to ensure the class is fully funded. If claims data over a relevant period of time demonstrates that ridesharing services do attract a higher claims frequency, this would avoid the potential cross-subsidisation for providers of rideshare services by other classes of lower risk vehicles in the scheme (such as private use only vehicles).

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
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