

SIRA

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# Executive Consultation Summary: Point to Point Guidelines

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## Background

On 1 December 2020, the current Compulsory Third Party (CTP) transitional arrangements for the Point-to-Point industry under the *Motor Accident Injuries Act 2017* expired. Transitional arrangements delivered the first phase of premiums equivalence between taxis and comparable hire vehicles for the part of the premium related to Point-to-Point services. This provided a solution for premiums to be paid on the basis of the distance travelled. In practical terms, these arrangements adjust CTP insurance costs to reflect the distance travelled that a Point-to-Point vehicle does on providing passenger services, or in the case of taxis also the distance travelled whilst pursuing fares.

## Purpose

The State Insurance Regulatory Authority (SIRA) has developed the **Motor Accident Guidelines: Determination of Insurance Premiums for Taxi and Hire Vehicles (the Guidelines)**. The initial framework was developed following consultation with the Point-to-Point industry in early 2020, when it became clear that a single prescribed solution would not work for all stakeholders due to the diverse and constantly evolving industry.

The Guidelines developed by SIRA offer a non-prescriptive premium setting framework that creates greater flexibility for insurers to tailor premiums in line with different needs and risk levels within the Point-to-Point Industry.

The Guidelines will commence on 1 July 2023. The early publication and release of the Guidelines is required to support the transitional process for insurers, authorised service providers and policy holders.

## Legislative Change

The Motor Accidents and Workers Compensation Legislation Amendment Bill 2021 assented on 20 June 2022 made amendments to the *Motor Accident Injuries Act 2017* and *Motor Accidents Compensation Act 1999*, giving SIRA additional powers necessary to enforce guidelines for authorised service providers and policy holders. SIRA now has direct powers to:

- issue notices to authorised service providers and Taxi and Hire Vehicle policy holders for non-compliance with the guidelines and
- issue penalties ranging from \$11,000 to \$55,000 for failing to comply with notices.

## Consultation Process

SIRA held numerous consultations during the development of the Guidelines and would like to acknowledge and thank those stakeholders who provided considered feedback to inform the Guidelines. A summary of consultation process held by SIRA is outlined below:

- In June 2021, the Point-to-Point industry and insurers were consulted and invited to provide feedback on the draft Guidelines.
- Following legislative amendments, from June to September 2022, SIRA undertook further consultations with the Point-to-Point industry and insurers.
- Stakeholders were invited to provide further feedback on the Guidelines considering the final amendments to section 2.26 of the *Motor Accident Injuries Act 2017*.

- In October 2022 SIRA ran a final series of refreshed consultations with key stakeholders.

SIRA carefully considered the feedback submitted by stakeholders and amended the Guidelines accordingly, where appropriate.

The Guidelines provide the framework for premium equivalence for both taxis and hire vehicles to manage market fluidity and promote innovation. SIRA acknowledges that stakeholders have flagged a need for a robust methodology that could alleviate operational barriers and enable equivalence in CTP pricing across the industry. The Guidelines present a non-prescriptive framework as summarised in clause 1.9, designed to allow insurers to develop innovative premium setting methodologies for Taxis and Hire Vehicles. The aim of the framework is to promote sustainability, CTP pricing equivalence and innovation. SIRA will continue to maintain strong regulatory oversight to ensure that premiums remain fair and affordable across the Point-to-Point industry.

This executive summary presents an overview of the stakeholder feedback provided during the consultation process and a high-level summary of key changes that were made to the Guidelines in response to stakeholder feedback.

## Key Themes and Summary of Changes

The key themes that have emerged from the stakeholder consultation process are summarised below:

### SIRA's Compliance Powers

Stakeholder feedback suggested transparency around the powers SIRA holds in the monitoring of the collection of premiums. SIRA's direct power to enforce the guidelines for authorised service providers is articulated under the heading 'Guideline making power,' in accordance with sections 2.19, 2.26, 9.16 and 10.2 of the *Motor Accident Injuries Act 2017*.

### Special Arrangements

Stakeholders sought clarity around the distinctions between the various premium methodologies available. The Guidelines have been amended to clarify the options for Taxi and Hire Vehicle policy holders and authorised service providers. These Guidelines are supplementary to Parts 1 and 2 of the Motor Accident Guidelines in force in respect of:

- the determination of instalment premiums
- the issuing of Compulsory Third-Party policies for taxis and hire vehicles that allow instalment premiums where data requirements are satisfied
- the payment of instalment premiums.

### Filing Requirements

Stakeholders expressed the need for premiums to reflect the risks of the operating vehicles as well as safety factors. The non-prescriptive approach provides sufficient scope for insurers to adopt innovative rating factors. Authorised service providers and policy holders will now have the capacity to negotiate with insurers in determining an innovative approach. To clarify the filing requirements, SIRA amended the Guidelines to include Part 2: Premium filing process. This includes the covering letter, filing report and additional information reasonably required by the Authority, in an electronic format. SIRA acknowledges that filing processes will vary across insurers and strongly encourages a pre-filing meeting with the Authority.

### Roles and Responsibilities

Stakeholders sought clarity on the roles and responsibilities of the insurer, authorised service provider and policy holder. The Guidelines have been amended to include Parts 3 and 4 which provides transparency to the requirements of all parties involved. Under Parts 3 and 4, the requirements for authorised service providers to collect and pay Taxi and Hire Vehicle instalment premiums on behalf of certain taxis and hire vehicle policy holder is detailed.

Furthermore, the ultimate responsibility remains with the policy holder, as referenced in clause 2.11. All vehicles working for an authorised service provider who expects to complete above 100,000 fare paying trips must collect and pay instalment insurance premiums on behalf of taxi and hire vehicle policy holders that use their services. Those below the 100,000 fare paying trips are subject to meeting insurer requirements. Insurers can refuse to issue an instalment policy in certain circumstances, as referenced in the changes in clause 2.9 and 2.10.

## Criteria for Instalment Premiums

Stakeholders commented on the structure of the industry and the differences between Taxis and Hire Vehicles considering the customer journey. These differences may result in operational differences for the various parties including the collection and payment of instalment premiums and relevant data.

The Guidelines have been amended to enforce payment by authorised service providers on behalf of a policy holder where the authorised service provider can:

- satisfy the reasonable data requirements
- the collection and payment of instalment premiums.

Clause 2.6 makes this mandatory for qualifying authorised service providers, who expect to exceed 100,000 fare paying trips per annum, and optional for other authorised service providers.

To provide flexibility for Taxi Owners who may choose to collect instalment premiums directly, a change was made to the Guidelines to adopt the wording of '*authorised service providers and/or policy holders*' generally throughout the Guidelines.

The Guidelines have included clause 2.9 to outline the criteria in which a licensed insurer may decline to determine or continue to accept payment of a premium payable in instalments.

## Delivery and Implementation Timeframe

Stakeholders sought clarity on the commencement date on the transition period post commencement of the Guidelines. Changes have been included in the Guidelines to specify that the Guidelines will commence on 1 July 2023. The Motor Accident Guidelines: Determination of Insurance Premiums for Taxis and Hire Vehicles published in October 2018 will continue to apply up to but not including 1 July 2023.

## Editorial changes

Editorial revisions have been made throughout the Guidelines in accordance with stakeholder feedback, including the structure to ensure consistency with other guidelines published by SIRA. The Guidelines are presented in plain English to ensure clarity and readability.

## Disclaimer

This publication may contain information that relates to the regulation of workers compensation insurance, motor accident compulsory third party (CTP) insurance and home building compensation in NSW. This publication does not represent a comprehensive statement of the law as it applies to particular problems or to individuals, or as a substitute for legal advice.

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Catalogue no. SIRA09174 | ISBN 978-0-7347-4798-3

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