



20 December 2018

Manager, Scheme Policy
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To the Scheme Policy Manager

Point to Point Horizon Scanning Issues Paper

We refer to SIRA's recently released Point to Point Horizon Scanning Issues Paper (the Issues Paper).

The Insurance Council of Australia (ICA) thank you for the opportunity to provide input on behalf of our NSW CTP Insurer members on the development of post transitional CTP arrangements for the point to point industry.

The ICA agrees that the key task for SIRA is to develop a complete framework for CTP arrangements that can evolve to meet the needs of modern mobility services and deliver fair outcomes for everyone involved.

The ICA is firmly of the view that SIRA's framework for CTP arrangements for the point to point industry should continue to be limited to passenger services that are carried out in accordance with the *Point to Point Transport (Taxis and Hire Vehicles) Act 2016*. While point to point service providers may be utilising their fleets for other non-passenger commercial services, such as food delivery, we do not believe the same concerns regarding the imbalance in CTP arrangements exist in the food delivery and other industries.

We are also of the view that post-transitional arrangements need to utilise the data and system arrangements set up with point to point providers. SIRA should not require insurers to undertake any further mandatory IT system changes.

Insurers should be free to work with point to point service providers to obtain additional data to innovate their pricing and increase competition.

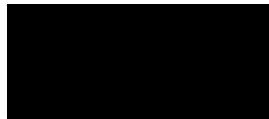


At the same time, the framework itself shouldn't cause unintended consequences for the rest of the CTP scheme arrangements. Therefore it will be important for SIRA to consider the implications for other classes of vehicles beyond point to point.

Attached is the ICA's response to the matters raised in the Issues Paper.

If you have any questions, please contact Tom Lunn, Acting General Manager, Consumer Outcomes at [REDACTED].

Yours sincerely



Robert Whelan
Executive Director & CEO

ATTACHMENT: SIRA POINT TO POINT HORIZON SCANNING ISSUES PAPER
ICA Response to Issues for Consideration

Issue 1 - Design principles

The following are our NSW CTP insurer members' position on each of the principles outlined in the Issues Paper, along with our comments on how some principles could be enhanced and where additional principles may be warranted.

Design principles suggested by SIRA

The ICA welcomes the proposal to have a set of principles that guide SIRA's development of post transitional CTP arrangements for the point to point industry.

The principles should be consistent with SIRA's goal to have a complete framework that can evolve and deliver fair outcomes for all stakeholders. It is equally important that the principles do not have unintended consequences on other CTP scheme arrangements.

1) Affordability and sustainability

The ICA supports this principle and the balance required to keep CTP insurance accessible and affordable for all motorists and ensure insurers are fairly compensated for the risks they bear.

The ability to drive safely on NSW roads and be supported in the event of injury provides significant social and economic benefits for all people. Ensuring the ongoing affordability and sustainability of the CTP scheme must be paramount.

2) Simplicity

The ICA supports this principle as it underpins the ongoing affordability and sustainability of the scheme.

3) Promotes competition

The ICA strongly supports the principle that CTP arrangements for the point to point industry should actively encourage and maintain competition. This includes allowing for innovation in ways to price risk, keeping barriers to new market entrants low and keeping implementation costs commensurate with the benefits to be realised.

This principle should not be limited to CTP insurers alone and should apply for all stakeholder groups involved in the point to point industry. Broadening this principle to encompass all stakeholders would also be consistent with how the principle of competitive neutrality is defined.

4) Promotes road safety

The ICA agrees with the principle that CTP arrangements should continue to promote road safety and encourage drivers to practice safer driving behaviour. We would add that the arrangements to incentivise safe behaviour shouldn't be prescriptive and should enable innovation.

5) *Neutrality*

The ICA supports the principle of competitive neutrality to the extent that it doesn't conflict unnecessarily with other principles.

We also endorse the application of this principle for all point to point stakeholders. The CTP framework should be sufficiently broad so that it is accessible for smaller operators and, at the same time, avoids gaming of the system.

6) *Evidence based*

The ICA agrees that evidence and data are beneficial for determining CTP arrangements and premiums for the point to point industry to the extent that it is practical and enables fair pricing of risk. The ICA would be reluctant to support arrangements where the amount of evidence or data required to prove significance was burdensome or prevented innovation.

We note that by the time of implementation from late 2020 the point to point industry is likely to have a stronger evidence base on which to rely.

7) *Privacy*

The ICA agrees that the development of the new framework for CTP arrangements should ensure that necessary privacy protections are in place for all stakeholders in the point to point industry. We are mindful that the privacy requirements may depend on the particular stakeholder and the specific information that is being provided or collected. We are also mindful that who determines the privacy requirements should be identified. As such, a comprehensive review is likely required.

8) *Future proof*

The ICA strongly supports the goal to future proof the CTP framework for the point to point industry to the maximum extent possible by making it flexible enough to incorporate further developments with minimal change so not to constrain those developments.

While we recognise it can be challenging to anticipate innovations in technology, usage and business models, limiting the CTP framework to passenger services will be important in future proofing and limiting how much change is required.

9) *Fair pricing of risk*

The ICA fully supports the principle that point to point CTP arrangements should reflect the fair pricing of risk. We agree that CTP premiums should continue to be calculated according to the risk that is brought by the vehicle and its use.

Additional Design principle

In addition to the set of principles identified in the Issues Paper, the ICA recommends adding a principle around enforceability of the CTP framework with various stakeholders.

A key part of any regulatory framework is enforceability. Of course, enforcement should be reasonable and cover key areas, including:

- Those organisations empowered to enforce compliance (e.g. SIRA, the Point to Point Commissioner);
- What compliance and non-compliance look like; and
- The consequences of non-compliance for respective stakeholders.

Issue 2 – Key challenges

The ICA has considered the industry characteristics and challenges outlined in the Issues Paper and provides the following feedback.

Multiple functions

In line with the principles of affordability and sustainability, simplicity and future proofing, SIRA's framework for CTP arrangements for the point to point industry should be limited to passenger services that are carried out in accordance with the *Point to Point Transport (Taxis and Hire Vehicles) Act 2016*.

One of the main objectives of Horizon 3 is to make premiums commensurate with the risk for point to point service providers. Claims history demonstrates that taxis are higher risk because they are on the road with passengers in heavily pedestrianised zones. Rideshare operators are providing a comparable service and this risk should be reflected in their CTP premiums.

The ICA recommends that CTP insurers be able to consider the impact of other non-passenger commercial services when writing CTP policies. This will be important to maintain simplicity and future proof the CTP arrangements.

Vehicle, driver and business relationships

When developing the new CTP framework for the point to point industry, the current registration framework should remain intact. The relationship between service provider, vehicle and driver should remain the cornerstone because all three inform the CTP risk profile.

Responsibilities within that relationship may need to be more clearly defined, including the responsibility for obtaining and renewing the CTP policy and registering a vehicle with RMS. These responsibilities should remain with the vehicle operator irrespective of whether the vehicle is used for a point to point service.

Insurers recognise that changes to legislation may be required to enable CTP premiums for point to point vehicles to be administratively simple.

Section 2.26 of the *Motor Accidents Injury Act 2017* provides one example of where change would bring improvement. This section allows part of the premium to be paid before the issue of a policy and for the remainder of the premium to be paid during the period for which the policy is issued. Currently when the Motor Accident Guidelines authorise the remainder of the premium to be paid on behalf of the person to whom the third party policies are issued, a complex Goods and Service Tax (GST) issue arises. A possible remedy is to make the “remainder of the premium to be paid during the period for which the policy is issued” a new supply for GST purposes. This change would simplify the transaction for point to point service providers and their drivers.

Identification

There are already mechanisms in place for CTP insurers to identify point to point service providers and these should not be changed. Insurers are currently dealing with the issue of identification under the current scheme arrangements for the point to point industry, where identification is achieved via the data feed attached to individual trips.

Access

The distinction between businesses that do only booked services and those that are permitted to do rank and hail is still considered important from a CTP perspective. Hail work could include additional risks that are not as apparent in booked work.

Issue 3 – Risk rating factors

The ICA welcomes SIRA's acknowledgement that a well-designed risk-based scheme will ensure competitive neutrality, fairness and promote responsible and safe driver behaviour.

The development of the post transitional CTP arrangements provides an ideal opportunity to update the risk-rating factors that may be considered by CTP insurers when calculating premiums for the point to point industry. This could have two parts:

- Firstly, the existing data collected on point to point trips offers three data points that could be used by insurers as rating factors – namely kilometres travelled, time of day, and trip start location.
- Secondly, individual insurers would have the option to negotiate with individual point to point service providers (and their related technology providers) about risk-rating factors (in addition to the data already provided to SIRA) that could be applied when calculating their CTP premiums.

Of course, any new rating factor proposed by an insurer would continue to be subject to SIRA approval.

Risk-rating factors where data is already collected by SIRA

Point to point service providers are already providing the data on kilometres travelled, time of day and trip start location. As such, service providers wouldn't need to change any technology or data feeds to enable these rating factors to be implemented.

- Kilometres travelled – the issue raised of rural vs metro kilometres driven is already addressed in the current framework with trips beginning in the country required to pay

6.6c (incl. GST) per fare paying kilometre and trips beginning in metro required to pay 10c (incl. GST) per fare paying kilometre. A cap is not a sensible solution to high kilometres as, all other things being equal, higher kilometres represent higher risk. Instead further refinement could be made to the ‘per fare paying km price’ based on location.

- Driving location – whilst this is already captured in the current scheme in a basic manner this could be further refined to provide more granular pricing based on where the trip begins.
- Time of day – similar to driving location a different ‘per fare paying kilometre price’ could be applied based on time of day.

We note that SIRA may need adequate regulatory powers to enforce the provision of this minimum set of data.

Additional risk-rating factors for vehicles/drivers through particular point to point service providers

The ICA agrees with SIRA that the point to point industry will continue to evolve and innovate in how providers offer services, including improvements to the safety of their services.

To promote competition and tap into this innovation, insurers should be free to negotiate with individual point to point service providers on the provision of further data. Where that data provides an expectation that certain drivers and/or vehicles will have lower CTP claims costs the insurer should be permitted to offer lower CTP prices to that service provider for those drivers and/or vehicles (and vice versa).

We would recommend that the provision of data be provided directly from the point to point service provider to the insurer. Insurers anticipate that the cost of transferring and ingesting data will continue to reduce in future years making such arrangements economically viable for a single insurer and point to point service provider.

The ICA also recognise that a driver and/or vehicle may undertake work for multiple point to point service providers. Where an insurer enters an exclusive relationship with a particular point to point service provider the new rating factors and prices would only be available to drivers/vehicles when using that point to point service provider. This would provide a point of differentiation for both the insurer and the point to point service provider.

To meet the affordability principle, SIRA would need to ensure that any increase in price based on data that is privately negotiated between an insurer and a point to point service provider did not result in point to point transport becoming prohibitively expensive. The ICA submits that SIRA would be able to do this using its existing premium determination powers.