



CTP Premium System Review



CTP TAXI INSURANCE SUBMISSION





Introduction

The Australian Taxi Federation was formed in 2014 by Taxi driver/operator/owner bodies from around Australia and has quickly become the peak industry body in Australia. The head office is based in Sydney but has offices in most states in Australia. The formation of this body came about over frustration drivers, operators and owners having no voice in the industry.

The industry has been unevenly represented by undemocratic organizations who only ever represented the big end of town and used monies from the owners and operators of taxis gained through dubious means.

Encourage all insurers to provide insurance to the industry at an equitable rate but at the best available practices and standards for Australia.

“Using Austroads test for risk (Likelihood of the event x severity of the accident) it is not clear why a taxi driver would be at higher risk or cause any greater risk than any non-commercial driver on the road. The likelihood of any taxi driver having an accident is no higher than any non-commercial driver in any given hour of driving. Taxi drivers may be in more accidents overall, however this may be due to the larger number as a group and the large number of hours driven. The consequences of a taxi driver crashing is exactly the same as a non-commercial vehicle on the road.” Qld EPG Report.

“SIRA data shows that taxis are more likely to be involved in accidents resulting in a CTP claim in the Sydney Local Government Area, with 38 per cent of all casualties in NSW occurring in this area. Many accidents occur late at night on weekends and on busy roads.”

The ABS statistics show a different scenario and the figures show the number of accidents have vastly reduced at the same rate as normal passenger vehicles and using the Austroads test for risk it proves that taxi drivers are less likely to have an accident.

STATISTICS

The rate of road transport related deaths, injuries and accidents per 100,000 people in NSW has been declining since the 1970s, though speed as a contributing cause to an accident increased from 13.4% to 17.3% between 1990 and 2005.

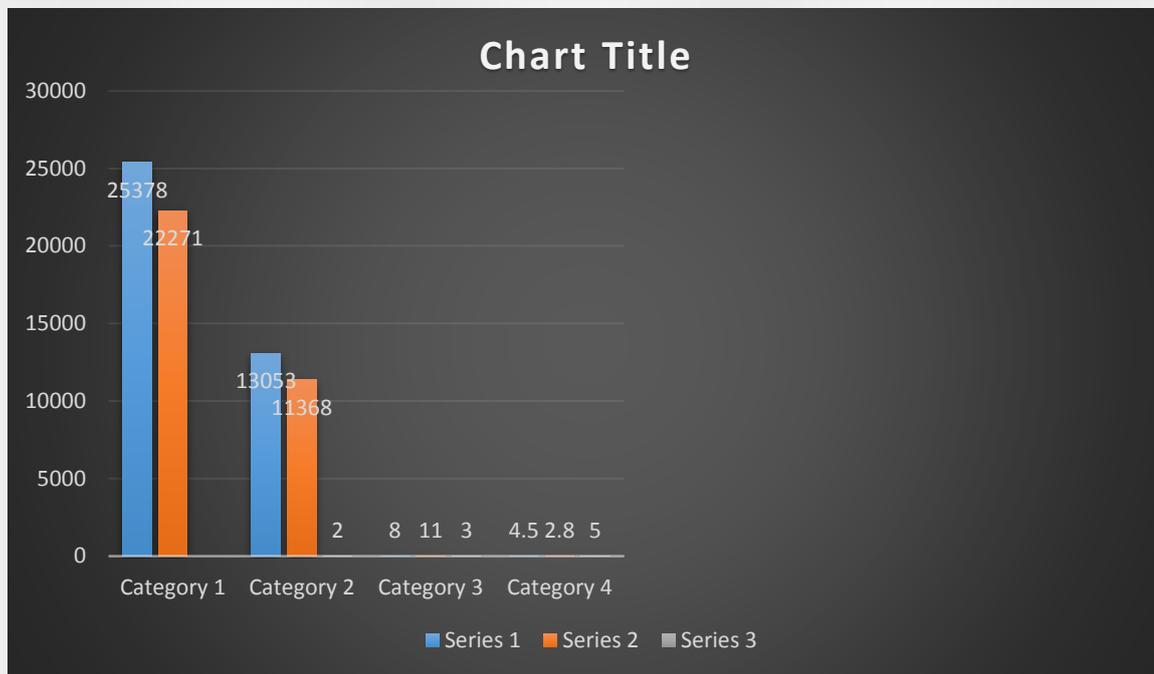
NSW statistics show that in this period the rate of deaths in NSW has been consistently below the national average where upon in 2005 only 8 in 100,000 died in a road accident and the national average was 11 in 100,000.

In 2005 there were 25,378 injuries in road accidents but by 2013 there were 22,271 injuries. We have not seen any downward trend in motor vehicle CTP Insurance in that period but the reverse is the case.

Overall 10 year data shows what SIRA are saying but between 2011 and 2013 traffic accidents in Sydney metro area reduced in fact from 13,053 to 11,368 so the downward trend in accidents in metro areas are coming down but CTP insurance has doubled. Overall traffic accidents including those involving taxis continue to this day.



Since the mandatory wearing of seatbelts was introduced the number of injuries has reduced so a higher CTP insurance is unwarranted.



[http://www.ntc.gov.au/Media/Reports/\(09DA0743-CAAC-4B2A-A04B-D8E63C47C2B8\).pdf](http://www.ntc.gov.au/Media/Reports/(09DA0743-CAAC-4B2A-A04B-D8E63C47C2B8).pdf)

<http://roadsafety.transport.nsw.gov.au/statistics/interactivecrashstats/nsw.html?tabnsw=3>

http://search.abs.gov.au/s/search.html?query=traffic+accidents&collection=abs&form=simple&profile=default_preview

Changing the way we get a license to force down CTP insurance costs.

- All persons applying for a driver's license in NSW must have a medical with which the following report stipulates medical conditions must be checked for
- Elderly medicals bought in at seventy years of age
- All persons having three at fault accidents in financial year to undergo mandatory licence testing

Reducing the number of fatalities and injuries on Australia's transport network is our number one priority. Since the guidelines were last published in 2012, there have been medical, legal and social developments that may require changes to the AFTD medical standards to ensure they are accurate and reflect current practices.

The changes will take into account:

- *advances in medical knowledge and practice*
- *changes to the driving or rail operating environments and policies*
- *stakeholder feedback on the operation of the standards, including any problems faced by medical professionals currently doing the testing*
- *findings from relevant recent inquiries*
- *Any other new issues affecting the medical standards.*



Review payouts and compliance of how people claim.

- Set limits on payouts similar to workers compensation and have a review system to ensure insurers comply
In line with the court ordered payments a list of payments could be compiled and used as a benchmark to be able to legislate the benchmarks as maximum payout.

What Are the Minimum Liability Insurance Requirements for Private Passenger Vehicles

\$15,000 for injury/death to one person.

\$30,000 for injury/death to more than one person.

\$5,000 for damage to property.

Maximum payouts (suggested)

\$100,000 for injury/death to one person

\$200,000 for injury/death to more than one person

\$30,000 for damage to property

Or use the scales of payments in the following

<https://www.legislation.qld.gov.au/LEGISLTN/CURRENT/W/WorkersCompR14.pdf>

- Strengthen compliance so that all accidents are investigated by insurers. All suspicious claims to be immediately referred to NSW Police Fraud squad for investigation
- Defrauding an insurance company must be made a criminal offence with jail time
- Reduce the minimum \$ value of an accident so more accidents are seen by police
- Legislate a cap on taxi third party person insurance payouts to maximum of \$40,000.
- Run similar scheme as QLD
- Advertise all changes to take effect to educate the public that defrauding an insurer will not be tolerated
- Capping past and future wage loss payments on the basis that those on high incomes can have private income protection insurance. Compensate the full wage loss of lower income earners.
- Substantially restrict payments for voluntary and paid care.
- A variety of measures to reduce disputation within the scheme including:
 - Better exchange of liability information
 - Removing arbitrary late claim disputes
 - Prescription of answers for common contributory negligence disputes
 - Streamlining the Medical Assessment Service (MAS) and Claims Assessment and Resolution Service (CARS)
 - Improving the hardship payment system so that more benefits are paid out more quickly.
 - Better regulation of the legal profession for the protection of the public
 - Better regulation of insurers to ensure both sides in a dispute engage in the early resolution of claims.
 - Better regulation of premiums so that insurers cannot remove 30% of premium collected as profits.
 - Restricting the recovery of costs in small cases and providing for quick resolution of disputes with paper assessments.

Paying compensation in itself can be linked to worse outcomes. Yang et al. (2010) found that people with a minor to moderate severity injury who do not receive compensation for work-related or vehicle-related injuries are more likely to have better physical and psychological health outcomes 12 months after the accident than those who receive compensation.



AUSTRALIAN TAXI FEDERATION, INC.

It may be that lump sum payments for pain and suffering, in particular, go along with a higher rate of claim, slower processing and poorer recovery. In Saskatchewan, Canada, in 1995, the law changed from a fault-based compensation system with payments for pain and suffering, to a no-fault system without such payments. In 2000, Cassidy et al.⁶ compared outcomes for whiplash injury patients who made insurance claims in the last six months of the old system with two other groups: those claiming in the first six months and those claiming in the second six months of the new system. The researchers found a decrease in claims (by 43% for males and 15% for females) between the old and new systems, as well as in the time taken from injury to claim closure. Further, they found that “the intensity of neck pain, the level of physical functioning, and the presence or absence of depressive symptoms were strongly associated with the time to claim closure in both systems”. They concluded that: “The elimination of compensation for pain and suffering is associated with a decreased incidence and improved prognosis of whiplash injury.”

The Productivity Commission concluded that existing fault-based insurance arrangements for injury do not meet People’s care needs efficiently because:

- *legal costs can be substantial, court outcomes can be uncertain, the level of compensation could be insufficient, particularly in meeting a person’s lifetime needs arising from a catastrophic injury;*
 - *Adversarial processes and delay may hamper effective recovery and health outcomes;*
 - *They provide little incentive for prudent behaviour by motorists and other parties; and*
 - *Compensation payments are often made in a one-off lump sum, which may not adequately provide for future needs, payment is often delayed and claimants and their families may not have the skills to manage a lump sum over the claimant’s lifetime.*

Current arrangements also mean that those who cannot prove fault (or are not covered by no-fault schemes such as workers compensation schemes and motor vehicle accident schemes in some jurisdictions) are not compensated, and as such must rely on support from family and friends and publicly funded health and welfare systems.

EXCLUSIONS THAT SHOULD BE ADDED TO HIGH RISK

- Buses should be added to high risk
- Police vehicles added to high risk
- Emergency vehicles added to high risk

We do not believe that there be a high risk class at all but we are just pointing out the hypocritical way insurers classify taxis when the same amount of accidents are had by these classes of vehicles.

Option 1: Creation of a new vehicle class for ride-share services

- This option would only benefit one area of the industry and that would be rideshare and the compliance would actually force up costs and that is not a viable option as the costs for the taxi industry remains the same.

- Uber is renowned for telling its drivers not to comply with this type of policy and worldwide they have used millions to fight this sort of legislation.
- The exclusion of buses, community transport, trains shows that this point to point vehicle class is not a class at all as it excludes major players.

Challenges of a new vehicle class for ride-share services one of the challenges of this option is compliance and enforcement difficulties surrounding ride-share vehicles declaring their status to RMS at the point of registration. Even if it were possible to identify if a vehicle is being used for ride-share purposes, under the current premium rules:

- It is still not easy to know if the vehicle is being used mostly for business, or mostly for private purposes, in order to set appropriate premium. If all ride-share operators were in the same vehicle class, this would disadvantage the low risk, or low use operator, who would have to cross-subsidise the higher risk operators. This would discourage disclosure by some ride-share operators.
- Likewise, good risk taxi operators, that may have a similar risk profile to a ride-share operator, are bundled into the general pool of taxis and will pay higher premiums than necessary to pay for high risk taxi operators. This may make them uncompetitive versus equivalent hire car or rideshare operators.

Option 2: Creation of a point-to-point vehicle class

- This option will not benefit anyone but it will just introduce another level of compliance issues.
- Uber is renowned for telling its drivers not to comply with this type of policy and worldwide they have used millions to fight this sort of legislation.
- The exclusion of buses, community transport, trains shows that this point to point vehicle class is not a class at all as it excludes major players.

Challenges of creating a point-to-point vehicle class. The better risk point-to-point vehicles may still be required to subsidise poor risk vehicles depending on the extent to which prices are allowed to vary in the class. This would act as a disincentive for the ride-share vehicle owner to disclose use. Some vehicles may see higher prices overall but other vehicles would see lower prices. Point-to-point operators may face disincentives to operate in places or times of day where there is higher risk, as this may add to their insurance cost – this may result in a poorer outcome for passengers.

The same challenges appear in this option as in option 1 in relation to identification of ride-share vehicles. It could take at least two to three years for the correct premiums to be set for ride-share vehicles, and therefore all point-to-point to have premiums set according to their risk.

Risk avoidance behaviours by insurers are also a potential risk if insurers actively seek to avoid offering premiums for some (higher risk) point to-point vehicles, which would require greater regulatory supervision. A risk equalisation mechanism may be required to spread the risk of point-to-point vehicles across all insurers to prevent risk avoidance

Option 3: Deregulation of point to point premiums to allow risk rating

- This option will not benefit anyone but it will just introduce another level of compliance issues.
- Uber is renowned for telling its drivers not to comply with this type of policy and worldwide they have used millions to fight this sort of legislation.
- Risk rating will only further isolate the industry and cause more hardship as the equation used by the insurance companies which will use the fact that taxi drivers, owners and operators are on the road 24/7 not the fact that taxi drivers are safer on the road than the normal road user.
- I note that buses are excluded from point to point but they are actually point to point transportation.

Challenges of deregulation of point-to-point services The main challenge of this option would be to ensure that insurers do not charge excessive premiums and SIRA may need to ensure some level of protection for consumers.

For those poorer risk point-to-point vehicles, such as some taxis, this may mean significantly higher premiums and this may inhibit their ability to compete in the point-to-point market (however it would encourage the adoption of better practices and may see the exit of higher risk practices). Point-to-point operators may be discouraged from operating at certain times or places, to the detriment of passenger outcomes.

Option 4: Rate all point-to-point vehicles as Class 1 vehicles

- Insurance companies forced to lower the cost of insurance costs by getting quotes by the companies to insure the various classes then contracting them for one year to provide that insurance in conjunction with registration costs and have one single payment.
- If hire car is under finance hire car drivers must ensure the loan provider has a copy of a passenger vehicle insurance note acceptable to the Insurance Council of Australia.
- All point to point drivers must be provided with copies of insurance notes and have it with them when they are engaged in point to point transportation
- Copies of all insurance must be retained in cars.
- All taxis/hire cars must have a \$10 million public liability insurance on top of CTP and acceptable to the Insurance Council of Australia
- If workers compensation cannot be changed to cover drivers all owners, operators and partners must carry private insurance to cover drivers for accidents at work and to and from work.
- Piece meal insurance whereby the insurance only applies when other insurance cover will not cover to be legislated against and all insurance vetted by insurance council of Australia.
- This model will only raise passenger vehicles CTP insurance by a maximum of \$8.75 not the \$18 as advertised and this is based on data from the ABS which show NSW has 5.2 million vehicles and all those vehicles should pay the extra as taxis should never have been put in a standalone pool as it caused hardship for the industry.
- There are 7000 taxis in NSW and if the CTP is reduced by \$6,500 it equates to \$45,500,000 being added to the class 1 pool. Divide \$45,500,000 by 5.2 million vehicles this is a cost of \$8.75 extra for every vehicle.
- With the capping of CTP payouts this will actually reduce the cost of the normal passenger vehicle CTP so this \$8.75 will reduce accordingly
- Class 1 could have high risk classes put in for the most at risk like the elderly and young drivers

- CTP Costs in QLD are \$329.60 for a class 1 pool but in NSW with identical risk factors it starts at \$479 and this just amounts to price gouging by insurance companies and the CTP insurance scheme should be bought under the same regulations as QLD thus there would be no increase in CTP for ordinary motorists there will be a decrease.
- Sustains and promotes the ongoing future growth of the NSW economy through improvements to efficiency and resource allocation.

Benefits of a risk pool. This option would have the advantage of being user pays and related to vehicle usage, thus neither advantaging nor disadvantaging the vehicle owner who would simply collect and pass through the levy. It would ensure a more level playing field in terms of premium prices across the point-to-point market and contribute to the sustainability of taxis operating in the point-to-point market. It would mean that point-to-point operators would not be disadvantaged if they sought to operate in places and times of the day that are higher risk.

Option 5: Risk pool (insurance levy on fares)

- This option will not benefit anyone but it will just introduce another level of compliance issues.
- Uber is renowned for telling its drivers not to comply with this type of policy and worldwide they have used millions to fight this sort of legislation.
- Uber will never allow the authorities access to its data to have this option move forward.

Challenges of a risk pool. The main challenge of this option is the administrative and legal complexities in operating the risk pool and collecting revenue. Insurers may find this option less conducive for effective underwriting. Passengers may also see their fares rise and this may be a point of concern (however insurance is already implicitly built into fares). Point-to-point operators would have less incentive for safer behaviour as the risk pool would offset some of the insurance cost. Claims processes may be more complicated with the introduction of a separate insurance pool.

Option 6: Retaining current vehicle class arrangements, but freeing up risk factors

- This option will not benefit anyone but it will just introduce another level of compliance issues.
- Uber is renowned for telling its drivers not to comply with this type of policy and worldwide they have used millions to fight this sort of legislation.
- Risk rating will only further isolate the industry and cause more hardship as the equation used by the insurance companies which will use the fact that taxi drivers are on the road 24/7 not the fact that taxi drivers are safer on the road than the normal road user.

Challenges of retention of current classes but freeing risk factors Passenger vehicles (Class 1) would become more complicated as insurers would be free to risk rate ride-share vehicles but not for other types of vehicles (opening the whole class to free rating would lead to very large price increases for some vehicle owners). Ride-share operators may have perverse incentives to only declare use when they think they may get a lower price. The price for some higher risk taxi and hire car operators would go up.

References

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<file:///C:/Users/Dennis%20Julian/AppData/Local/Microsoft/Windows/INetCache/IE/MYUVGEM0/706695.pdf>

THE HAZARDS OF ONLINE DETAILS

New research released suggests almost half of Australians (47 per cent) admit to giving false personal details to online sites.

The Australian Communications and Media Authority's *Digital footprints and identities* research report indicates that Australians have three distinct online 'identities':

- a 'social identity'—used for social networking and often including photos and other personal data that is shared with their online communities
- a 'transactional identity'—the minimum identity information required by financial institutions, insurance companies, online retailers or government agencies to complete a specific task
- a 'professional identity'—a positive picture of one's skills, experience or business offering.

'This research suggests Australians balance the rewards and risks of engaging in the online world and are putting some considerable thought into the construction of their digital identities. With personal data becoming a key asset in the digital economy, protecting against unwanted intrusions, embarrassment and financial loss is crucial to how individuals successfully manage their online interactions,' said ACMA Chairman Chris Chapman.

Some Australians respond to unwelcome demands for online information by going to another service. But a significant number (47 per cent)—rising to 64 per cent of those aged 18 to 24—adopt a digital disguise by providing inaccurate or misleading information about themselves, effectively relying on anonymity and pseudonymity for protection.

The report also indicates that most of us (65 per cent) are managing between five and 50 login and password combinations for day-to-day online activities; however, and not surprisingly, half of us (51 per cent) sometimes have difficulty managing these. The research also suggests that Australians want to know more about why and how their personal information will be used, while almost half agree they are primarily responsible for protecting their online identity data.

'Just as in the physical world, Australians want control over the way they share information about who they are and what they do online,' said Mr Chapman.



There are a number of strategies to help Australians take control of their online identities including conducting a personal identity audit and consider using Privacy Enhancing tools (PETs) such as digital key-chains and password vaults. These are discussed in *Managing your digital identity*, also released today, the first of three short reports that drill down on the specific research findings.

<http://www.peteraclerke.com.au/2013/11/13/acma-report-highlights-australians-lack-of-confidence-in-on-line-privacy/>