



8 April 2016

Point-to-point review  
State Insurance Regulatory Authority  
Level 25  
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Sydney NSW 2000

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**RE: REVIEW OF COMPULSORY THIRD PARTY (CTP) MOTOR VEHICLE INSURANCE FOR POINT-TO-POINT TRANSPORT VEHICLES**

I refer to the Review of Compulsory Third Party (CTP) motor vehicle insurance for point-to-point transport vehicles Discussion paper (the Discussion paper). Suncorp welcomes the opportunity to contribute to the discussion regarding this issue.

**Executive Summary**

Effective regulation of CTP insurance requires a balance between having premiums reflect the risk profile of a specific customer and the desire to generate sufficient cross-subsidy within vehicle classes to ensure coverage can be provided to all motorists.

App-based ride-sharing platforms, such as Uber, challenge the existing CTP framework because this type of vehicle use does not fit neatly into any current vehicle class.

In order to maintain fair and affordable CTP premiums and a competitively neutral operating environment for all forms of point-to-point transport, an effective regulatory framework is required.

In the context of broader reforms to the NSW CTP scheme, there is a clear opportunity for this review to ensure that point-to-point vehicles are classified in a way that creates competitive neutrality between different types of operators, while fostering innovative approaches to assessing risk.

These outcomes can best be achieved through the implementation of a new vehicle class for ride-sharing services.

**An optimal model**

Suncorp believes that the most efficient way to achieve the policy goals of the CTP scheme for ride-sharing vehicles is through the implementation of a new vehicle class for ride-sharing services – Option 1 in the Discussion Paper.

This option provides optimal outcomes by:

- facilitating collection of accurate claims data to inform CTP pricing for ride-sharing vehicles;
- minimising cross-subsidisation between vehicle uses; and
- allowing innovative use of the unique data available through ride-sharing platforms.



This approach also creates efficiencies through:

- simplifying implementation, which can happen quickly and with minimal risk to the CTP regulator;
- retaining consistency with the treatment of other vehicle types and uses; and
- building the foundation for nationally consistent treatment of ride-sharing vehicles by aligning with the ACT Government's announced model.

### **Pricing for risk**

The accuracy of an insurer's risk-rating for a particular vehicle is determined by the quantity and quality of the data relating to that vehicle and its driver.

Currently, insurers do not possess sufficient data relating to vehicles used for ride-sharing to accurately price CTP policies.

We know that point-to-point vehicles are at higher risk of being involved in an accident than passenger vehicles, and at less risk than taxis. However the level of risk associated with ride-sharing vehicles, as a cohort, is yet to be determined.

Creating a new class for ride-sharing vehicles will allow insurers to set premiums that more accurately reflect the risk of this cohort of motorists, as claims data specific to ride-sharing vehicles can be collected and analysed over time.

In addition to claims data, the gradual penetration of technologies such as telematics is also increasing the amount of high-quality data available to assist insurers in more accurately assessing risk.

Given that ride-share platforms also have accurate, real-time data regarding the levels of activity of their operators, it may be possible to further refine risk and usage ratings to more accurately price premiums within a ride-sharing vehicle class.

### **Managing cross-subsidies**

Full risk rating can allow insurers to accurately price CTP policies based on risk factors. However, this is likely to result in high premiums for some individuals in high-risk demographics.

While it is important that CTP premiums fairly reflect risk, it is also vital that coverage can still be provided to all motorists, through a degree of cross-subsidisation.

Including different vehicle uses in one class of vehicles significantly increases the degree of cross-subsidisation between different types of risks.

For example:

- including all point-to-point vehicles as Class 1 vehicles (Option 4 in the Discussion Paper) would increase premiums for current Class 1 vehicles and create a situation where private passenger vehicle owners are significantly subsidising commercial operators;
- including all point-to-point vehicles in one class (Option 2) will result in excessive cross subsidisation of taxis, which are highest-risk point-to-point vehicles;



- retaining ride-share vehicles in Class 1, but allowing only these vehicles to be fully risk-rated (Option 6), would be complex and potentially create anomalies that could be considered unfair by private passenger vehicle operators – for example, a ride-share operator with a low risk profile could be offered a CTP premium well below the cheapest premium available for a private passenger vehicle.

Creating a separate vehicle class for ride-sharing would still result in ride-share operators with minimal activity paying the same CTP premium as those who are highly active. This reflects the cross-subsidy that currently occurs in other vehicle classes, where low-activity operators subsidise more active vehicle users.

It should also be noted that any decision about risk rating and cross-subsidisation for point-to-point vehicles needs to take place in the context of broader CTP reforms. For example, the recent review of insurer profits in NSW included a recommendation to free up risk rating for most of the market, while pooling risk for the most expensive 10% of premiums. It is not clear how such a model would interact with the options set out above.

### **Leveraging ride-sharing data**

App-based ride-sharing platforms are rich in real-time data, which can be used to improve risk rating as well as address compliance and flexibility concerns with the application of CTP to ride-sharing vehicles.

For example, ride-sharing platforms could be required to notify Roads & Maritime Services (RMS) of the registration details of all vehicles that are current ride-share operators on a periodic basis.

Utilising the current real-time interface between RMS and insurers, ride-share operators would be allocated to the ride-sharing vehicle class and charged the appropriate CTP insurance premium when obtaining a Green Slip prior to registration.

This could eliminate the need for RMS and insurers to rely on individuals voluntarily declaring their ride-sharing status, and help overcome associated compliance issues.

As an extension of this process, RMS could notify insurers immediately (either in real time, weekly or monthly) when a vehicle commences or ceases to operate as a ride-sharing vehicle.

Insurers could then contact the policyholder to collect or refund the difference in premiums between the private passenger and ride-share classes, to ensure vehicles remain correctly insured throughout the period of coverage.

This variation would result in ride-share operators paying the appropriate CTP premiums, even if they are not using their vehicle for ride-sharing throughout the whole year. It would also prevent 'gaming' of the system by operators de-activating their ride-share status just before their registration is due, then re-activating it after registration is complete.

Creating a new vehicle class for ride-sharing is the most efficient way to take advantage of the data available regarding vehicles used in this capacity, and ensure that future innovation can be encouraged in this sector.



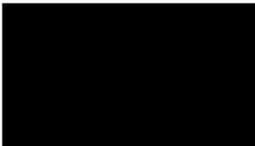
**Conclusion**

Suncorp supports the development of a simple, flexible regulatory environment for all point-to-point vehicles.

Creating a new class for ride-sharing vehicles is the most efficient and effective way to balance risk and affordability concerns, while ensuring competitive neutrality between point-to-point operators. This approach also provides the best opportunity to make use of the significant amount of data available relating to the use of ride-sharing vehicles.

Should you wish to discuss any of the points raised in this submission, please contact Jonathan Davies, Manager, Public Policy – Commercial Insurance on [REDACTED] or [REDACTED].

Yours faithfully



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