



**Response to the Public Works and Utilities
Committee inquiry into the Transport and Other
Legislation (Personalised Transport Reform)
Amendment Bill 2017**

April 2017

About QBE

QBE is one of the few Australian-based financial institutions to be operating on a truly global landscape, with operations in and revenue flowing from 37 countries. Listed on the ASX and headquartered in Sydney, organic growth and strategic acquisitions have seen QBE grow to become one of the world's top 20 general insurance and reinsurance companies, with a presence in all key global insurance markets.

As a member of the QBE Insurance Group, QBE Australia & New Zealand (**QBE**) has been an integral part of the Australian business landscape since its early beginnings in Queensland in 1886, providing peace of mind to Australians during normal business and times of crises.

Within Australia, QBE operates primarily through an intermediated business model that provides all major lines of general insurance cover for personal and commercial risk. QBE has a major presence in the Australian compulsory third party (**CTP**) and workers compensation sectors, providing insurance and specialist agency services in most jurisdictions throughout the country.

Background

QBE appreciates the opportunity to respond to the inquiry by the Public Works and Utilities Committee (**Committee**) into the Transport and Other Legislation (Personalised Transport Reform) Amendment Bill 2017 (**Bill**) and the draft regulations¹.

QBE understands that the Bill will deliver the second stage of the Queensland Government's personalised transport reform program, and we welcome the proposed adjustment of the regulatory framework to provide a level playing field for all personalised transport operators, whilst maintaining the benefits of innovation for the community at large.

As recognised in the Opportunities for Personalised Transport Review Taskforce's Consultation Paper², there is significant inequity in the current arrangements in Queensland where ride-sourcing vehicles are operating under the passenger vehicle CTP class (\$336.60 annually). This means that drivers who use their cars only for private purposes are cross-subsidising drivers ride-sourcing for profit.

QBE's strong view is that for the CTP scheme in Queensland to remain viable, premiums for each vehicle class need to broadly align with the underlying risk that each class of vehicle represents to insurers. For example, taxi premiums are higher than passenger vehicle premiums, because taxis represent a far higher proportion of insurer claims costs.

Combining different vehicle types into a single class could mean that insurers who inadvertently pick up higher risk segments of the market find themselves in a position where the amount of premium collected does not cover claims costs.

Maintaining a broad alignment between vehicle classes and premiums based on underlying risk reduces the need for large cross-subsidies between different vehicle types. It also reduces the likelihood that insurers who cover higher risk classes will need to recover the shortfall caused by their additional exposure from other classes. This would otherwise have the effect of making them less competitive for general business and exacerbate the problem.

QBE response

QBE understands that a key consideration in the Committee's inquiry is the classification and associated determination of the CTP arrangements for ride-sourcing vehicles registered in Queensland.

¹ Transport and Other Legislation (Personalised Transport Reform) Amendment Regulation 2017, including proposed amendments to the Transport Operations (Passenger Transport) Regulation 2005 and the Motor Accident Insurance Regulation 2004 (**collectively - Draft Regulation**)

² Opportunities for Personalised Transport Taskforce, Consultation Paper: The future of Queensland's personalised transport industry, May 2016.

In the Bill, ride-sourcing vehicles are now referred to as “booked hire vehicles”, with the following licence requirements as set out in Section 117E of the Draft Regulation:

- (1) *The vehicle requirements for a motor vehicle stated in a booked hire service licence are that the vehicle must—*
- (a) be a passenger vehicle; and*
 - (b) have no more than 12 seating positions, including the driver’s position; and*
 - (c) be registered in Queensland under the Transport Operations (Road Use Management) Act 1995; and*
 - (d) if the owner of the vehicle is required to possess a current certificate of inspection for the vehicle—be the subject of a current certificate of inspection; and*
 - (e) be the subject of a CTP insurance policy for a class of vehicle that includes booked hire vehicles or another class of vehicle that attracts a higher premium.*

Further, as set out in the Draft Regulation (Part 2, Clauses 6-9), the current proposal is for the creation of a new vehicle class of CTP insurance for booked hire vehicles and limousines (Class 26) through amendment of the Motor Accident Insurance Regulation 2004. This would see limousines move from the existing Class 4 into the new class, with all other vehicles remaining in Class 4.

Other CTP insurance aspects under the Motor Accident Insurance Act 1994 such as premium rates, levies and administrative fees are as yet undefined, and QBE understands that the Motor Accident Insurance Commission (**MAIC**) intends to consult with key stakeholders including insurers on these aspects in due course.

As such, QBE’s comments at this stage are limited to the proposed new vehicle class of CTP insurance for booked hire vehicles and limousines (Class 26), as follows:

Single CTP insurance class for booked hire vehicles only

While QBE supports the proposal to move booked hire vehicles out of Class 1, our preference is that a separate class be created for booked hire vehicles, rather than combining booked hire vehicles and limousines into a single CTP class.

In our view, segregating booked hire vehicle risks from limousine and other vehicle risks would provide more granular information about the performance of this new personal transport class. This over time would enable a clearer understanding of the unique characteristics of this sector and a more accurate assessment of the risk and appropriate pricing. Premiums for this new class could be adjusted over time as insurers are able to better identify and price the actual risk.

Addressing variability of exposure for booked hire vehicles

QBE is mindful that experience shows CTP risk is closely related to the number of kilometres driven, and the time and location of travel. The creation of a separate class for booked hire vehicles will not entirely cater for the variability of risk exposure within this vehicle group. For example, it would not differentiate between drivers using their vehicles for booked hire services on a very limited basis, and drivers using their vehicles for booked hire services extensively.

An alternative – and in our view preferable – approach would be to set premiums for booked hire vehicles based on actual usage. This would also allow premiums to more accurately reflect the degree to which booked hire vehicles are used privately or publicly.

We appreciate, however, that a usage-based approach would require a degree of lead-time for implementation. As such, we consider that creating a separate class solely for booked hire vehicles would be a positive interim step, before moving to a usage-based approach in the future.

For further information

QBE appreciates the opportunity to respond to the inquiry into the Transport and Other Legislation (Personalised Transport Reform) Amendment Bill 2017.

For further information, please do not hesitate to contact [REDACTED]