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On-demand Transport Reform Green Paper

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Insurance Australia Group (IAG) welcomes the opportunity to make a submission in relation to the On-demand Transport Reform Green Paper.

Who is Insurance Australia Group?

IAG is the parent company of a general insurance group with controlled operations in Australia, New Zealand, Thailand, Vietnam and Indonesia, employing more than 15,000 people. Its businesses underwrite over \$11.4 billion of premium per annum, selling insurance under many leading brands, including: NRMA Insurance, CGU, SGIO, SGIC, Swann Insurance and WFI (Australia); NZI, State, AMI and Lumley Insurance (New Zealand); Safety and NZI (Thailand); AAA Assurance (Vietnam); and Asuransi Parolamas (Indonesia). IAG also has interests in general insurance joint ventures in Malaysia, India and China.

As one of the largest motor vehicle insurers in Australia, this topic is of relevance to IAG's Australian businesses and the insurance industry more generally. IAG views the developments in the transport sector to be an indication of consumer preference. There is a need for industries and governments to evolve and adjust to the changing business environment.

Clarity and consistency are required in the regulatory treatment of emerging alternative business models to provide certainty for businesses and their customers. This in turn will encourage adaptive innovation, ensure sustainability of insurance schemes and improve consumer outcomes. There is also a need for regulation of minimum standards to protect consumers and drivers and raise the bar for safety across the broader transport industry. Given that ridesharing services have been available in Australia since 2009, a clear regulatory response is long overdue.

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IAG's position

IAG has attempted to respond to the rising popularity of transport network companies such as Uber by developing an approach that will ensure that our customers are protected until greater regulatory certainty is available, which will enable a more tailored response.

Since the emergence and rapid growth of Uber, IAG has been faced with questions from Uber X drivers using their private vehicles as to the degree to which our Comprehensive Motor policy provides coverage.

IAG's priority is to protect its customers. We believe drivers have the right to insurance and safe transport options. The growing uptake of shared economy services like Uber has the potential to leave a large number of drivers exposed because they are unaware they are uninsured. That is why IAG has made a discretionary decision to insure customers who occasionally use their vehicle for UberX. This is a somewhat unique position in the market at the moment. UberX drivers are excluded from most Australian insurance policies due to ambiguity about the legality of the service.

The cover offered by IAG is an interim measure to limit the exposure of IAG's customers until governments are able to provide greater certainty about the legality of ridesharing, and the regulations that apply to non-traditional transport providers.

Potential insurance solutions

A clear, consistent regulatory framework nationally will allow insurers to customise business models to the changing needs of today. The current situation makes it difficult for insurers to make informed decisions about the appropriateness of providing cover to ridesharing participants. While there are tailored insurance solutions available overseas (see <https://www.metromile.com/uber/>, <https://www.geico.com/getaquote/ridesharing/>), a more certain regulatory environment is required in Australia to encourage investment in, and development of innovative products for this market.

In Australia, Uber has an estimated 9,000 drivers and has grown at 700% since January 2014. As the popularity and availability of shared service models is likely to continue to grow, IAG is exploring alternative insurance options and reviewing the appropriateness of our existing business models for these schemes.

As outlined above, the activity of rideshare drivers is a combination of private and commercial use of the vehicle. An insurance solution should be designed to ensure that the individual's asset is covered when they are using it for personal purposes, and when they are using it in the sharing economy.

Given the varying nature of how people use their assets in the sharing economy, insurance should cater for an individual's circumstances while ensuring that the costs associated with additional risks of ridesharing are not borne by private vehicle users.

Alternatively, an insurance solution could be developed for the network transport provider rather than the individual driver. For example, insurance schemes exist for state run taxi organisations that have been designed to meet the common needs and interests of taxi cab owners and operators.

IAG is open to working collaboratively with government and road transport networks to develop appropriate insurance solutions for ridesharing activities. Sharing of data by transport network companies will assist the insurance industry to accurately assess and price risk for suitable insurance policies.

Road Safety

All vehicles used to deliver on-demand transportation should be held to a higher standard of safety requirements due to the unique characteristics of the vehicle use, and the additional responsibility of carrying passengers for monetary gain.

Consumers should be able to expect that vehicles that transport the public meet satisfactory safety standards. Taxis and rideshare vehicles should aspire towards a 5 Star ANCAP safety rating.

Moreover, the nature of taxis and ridesharing means that they are subject to greater mileage and wear and tear than vehicles used exclusively for personal use. This means that standard deterioration of the vehicle and some of its safety apparatuses are accelerated. Risks could be minimised by the introduction of guidelines for the maximum age of passenger vehicles and frequency of servicing required.

Finally, the increasing reliance on technology by taxi and rideshare drivers (such as smartphones and GPS navigators) also necessitates safety measures to minimise the risks of driver distraction. Drivers put themselves at increased risk of a collision when they attempt to combine driving with another task, such as operating digital devices. Regulation of passenger vehicles should include prescribing the location and use of portable devices in vehicles.

IAG has conducted numerous road safety tests and studies into driver distraction. Some key findings of which include;

- Mobile phone use significantly impairs driving ability
- Visual GPS navigators can impair driving ability as they require the driver to divert his/her eyes from the road.
- Voice commands are the safest means by which drivers can be directed by GPS technology
- The least safe position for a portable GPS navigator is in the centre of the windscreen under the rear-vision mirror or directly in front of the driver, as these locations block the field of view creating large areas invisible for the driver.
- Activities that encourage a driver to take their eyes off the road are a particularly dangerous source of distraction.

(Refer to IAG's submission to the NSW Staysafe Joint Standing Committee on Road Safety <http://www.nrma.com.au/sites/default/files/NRMA-Documents/Stay-Safe-Driver-Distraction-Submission.pdf>)

If you wish to discuss this matter or make further inquiries please contact Gulshan Singh, Manager, Public Policy & Industry Affairs on (02) 9292 8907.

Yours sincerely

A handwritten signature in black ink, appearing to be 'Tracy Green', written in a cursive style.

Tracy Green

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