

Chris Steel MLA

Minister for Planning

Minister for Skills and Training

Minister for Transport

Special Minister of State

Member for Murrumbidgee

RESPONSE TO QUESTION ON NOTICE**Question on Notice Paper No 41****12 April 2024****Question No. 1767****MR CAIN MLA:** To ask the Special Minister of State—

- (1) Can the Minister provide the actuarial and regulatory factors that inform taxi drivers paying \$5000+ per annum in Motor Accident Injuries (MAI) insurance premiums to operate in the ACT.
- (2) What is the average amount paid per capita each year of MAI insurance premiums for (a) rideshare services, such as Uber, On Demand Transport Rideshare, or Ola, (b) taxi drivers and (c) any other form of commercial vehicle service.
- (3) Who has oversight of the calculation of these premiums, whether the insurance agencies, the MAI Commissioner, or the Minister.
- (4) Are the relatively high premiums paid in the ACT a consequence of the smaller ratio and share of taxi drivers vis-a-vis other jurisdictions, for example NSW who have more taxi drivers to extract premiums from.
- (5) Can the Minister provide the logistics for how MAI insurance for taxi drivers and rideshare (or commercial vehicles) is managed.
- (6) Can the Minister advise whether an equitable distribution of premiums is aimed to be achieved in the administration of MAI insurance and collection of premiums.
- (7) Of the four insurers, which insurance provider administers the majority of MAI insurance for taxi drivers.

MR STEEL MLA - The answer to the Member's question is as follows:

- (1) When setting premiums for the year, MAI insurers consider two primary issues - the estimated number of claims (claim frequency) and the estimated claims cost (the average claim cost).

Taxis have higher premiums than other On Demand Transport (ODT) vehicle classes such as rideshare and personal share vehicles. The higher premiums for taxis compared to other ODT vehicle classes reflects the higher insurance risk of personal injuries from a motor accident where the at fault vehicle is a taxi. This higher insurance risk arises from the frequency and average cost of motor accident claims for the taxi vehicle class based on the claims experience for the class. The specific factors leading to the higher frequency and average cost of taxis are provided in response to Question 4.

The insurers are required to justify the premiums requested in their premium filings which are reviewed and then either approved or rejected by the MAI Commission, with the Scheme Actuary providing expertise to the MAI Commission in assessing the filing, including whether the premiums fully fund and meet the present and likely future liability ('fully funded test') and are not excessive ('not excessive test').

- (2) The premium that a registered owner / operator pays per type of vehicle is the MAI premium for that class. The latest average 12 month non-input tax credit MAI premiums effective 19 March 2024 for these vehicle classes are:
- (a) rideshare vehicle (class 25A) \$1,049.45;
 - (b) taxis (class 6) \$7,543.30; and
 - (c) Personal Share Vehicles (class 25B) \$997.88.

In terms of total premiums collected for these vehicles in 2022-23 on a per capita basis (ACT population), the amounts are:

- (a) rideshare vehicle (class 25A) \$3.85;
 - (b) taxis (class 6) \$3.87; and
 - (c) Personal Share Vehicles (class 25B) \$0.11.
- (3) The insurers undertake all of the modelling and the risk assessment required for premiums in their annual de novo filing in accordance with the Premium Guidelines. The Premium Guidelines outline how MAI premiums are to be worked out and the factors to be taken into account in working out MAI premiums.

The MAI Commission requests the Scheme Actuary to provide expertise in assessing premium filings, including whether the premiums fully fund and meet the present and likely future liability ('fully funded test') and are not excessive ('not excessive test').

The MAI Commissioner may then approve a premium for an MAI policy if it meets the legislative requirements, which includes that the premium:

- fully funds the present and likely future liability of the licensed insurer; and

- is not excessive; and
- complies with the MAI Premium Guidelines.

- (4) Taxis have higher premiums than other ODT vehicle classes such as rideshare and personal share vehicles. The higher premiums for taxis reflects the greater estimated insurance risk of personal injuries caused by a motor accident where a taxi is the vehicle at fault arising from the frequency of motor accident claims and average cost of motor accident claims, relative to the other ODT vehicle classes.

The factors leading to the high frequency and average cost of taxi motor accident claims, and thus the high taxi premiums in the ACT MAI Scheme are disparate and numerous. To better understand these factors and what has been causing the high taxi premiums, the MAI Commission engaged an expert consultant over the period from late 2022 until late 2023 to develop the ACT Road Safety Taxi Manual (the Manual), in conjunction with the taxi industry.

The Manual identifies the specific causes of taxi accidents in the ACT and provides an effective risk management approach that identifies hazards and risks and how they may be addressed or mitigated. The taxi industry has been encouraged to adopt safer driving arrangements using the risk mitigation strategies and associated tools outlined in the Taxi Manual to reduce accidents.

Some of the causes or hazards identified by the consultant and taxi industry leading to accidents include:

- driver factors - driver distraction; driver fatigue; risky driving behaviour; and seatbelt non-use and
- road factors – interaction with traffic and pedestrians at busy pedestrian locations.

- (5) The logistics for how MAI insurance for taxi drivers and rideshare vehicles is managed, is the same as for all other MAI vehicle classes. MAI insurance premiums for all vehicle classes are assessed through the premium filing mechanism - see above answers to Questions 1 and 3.

Taxis and rideshare operators take out MAI insurance via a one-stop registration process at the time of registration or re-registration just like any other vehicle class. However, there are some additional requirements for these ODT vehicles:

- rideshare drivers need driver accreditation; a 'D' condition on their driver licence; and access to an approved rideshare licensed vehicle:
 - as rideshare drivers use privately-owned vehicles to transport passengers, when applying for vehicle licencing online and completing the rideshare vehicle application form, Access Canberra may contact the applicant to upgrade their vehicle's MAI insurance - the difference between the vehicle's current MAI insurance class and the rideshare class; and

- taxi drivers need driver accreditation; a 'T' condition on their driver licence with 2 types of taxi accreditation to choose from to operate - Taxi service operator accreditation or Independent taxi service operator accreditation; and access to an approved taxi, via a proposed lease arrangement with the owner of a perpetual taxi plate or a leased licence plate from the ACT Government.

- (6) Two key drivers of MAI premiums are the frequency of claims and average cost of claims. Each vehicle class has differing levels of frequency and average cost, with the MAI premiums charged for that class reflective of the insurance risk for that class. If a vehicle class has a relatively low numbers of claims and/or less severe personal injuries then the premium for that class will be lower. In this way the premiums for the vehicle class reflects the behaviours of the drivers in that vehicle class.

In addition, the MAI Scheme is community rated. 'Community rated' schemes provide equality and affordability, with every person in a vehicle class paying the same premium. Insurers cannot charge different premiums based on the age of the driver (such as young and older drivers), or kilometres travelled.

- (7) For the 2023-24 financial year (to the end of February 2024), GIO has the largest market share of 79 per cent, with market share being based on premiums collected.

Approved for circulation to the Member and incorporation into Hansard.



Chris Steel MLA
Special Minister of State

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This response required 200 mins to complete, at an approximate cost of \$375.