



Taxi Industry Inquiry  
Department of State Transport  
State Government of Victoria  
Locked Bag 20046  
Melbourne VIC 3001

Email: [taxiindustryinquiry@transport.vic.gov.au](mailto:taxiindustryinquiry@transport.vic.gov.au)

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Dear Sir/Madam

### **Response to Draft Report: Customers First: Service, Safety, Choice**

The Insurance Council of Australia (ICA) is pleased to make this submission to the Victorian Government Taxi Industry Inquiry. We appreciate the extension that has been provided to the ICA for the delivery of this submission.

The purpose of this submission is to provide comment to the Inquiry on the Draft Report, on the issue of mandating third party property damage insurance for taxis in Victoria, from the perspective of the Australian general insurance industry.

Specifically, we would like to register our support for draft recommendations 6.15, 6.23 and 6.24 which together seek to ensure all taxi drivers are adequately and fairly covered by third party property damage insurance, issued by an authorised and regulated insurance provider.

The ICA acknowledges the Inquiry's discussion on the current problems associated with third party property damage insurance for taxis in Victoria. Specifically we note the following.

It is estimated that up to 70% of taxis on Victorian roads are not covered by third party property damage insurance, and as such, the lack of adequate insurance means that:

- taxi drivers may be vulnerable to the high cost of repairs following a collision, which is significant given that taxis spend considerable periods of time on Victorian roads
- ordinary uninsured drivers may have difficulty recovering costs from uninsured taxi drivers following a collision where the taxi driver is at fault
- insurance companies are frequently unable to recover costs when one of their not-at-fault insureds is involved in a collision with a taxi.

Many inadequate arrangements for the provision of insurance (including third party property damage) exist between taxi clubs and taxi operators in Victoria, which can have negative consequences including:

- leaving taxi drivers without cover for third party property damage in the event of a collision, when in fact the driver thought he/she was covered
- the absence of formal or transparent processes for the handling of a claim following a collision
- insurers and not-at-fault drivers experiencing great difficulty in making recoveries from taxi clubs, even in circumstances where taxi drivers have paid an excess to the taxi club.

In response to the above, recommendation 6.15 provides for the mandating of third party property damage insurance for taxi operators in Victoria via an agreement between taxi operators and drivers, which would result in all taxi drivers being covered.

Further, recommendations 6.23 and 6.24 provide for the drafting and enactment legislation supporting these agreements. The legislation would:

- require a permit holder to have a policy of insurance covering third party property damage arising out of the use of the permit holder's taxi. The policy of insurance should:
  - be issued by a corporation authorised under the *Insurance Act 1973* (Cth) to carry on insurance business; and
  - provide sufficient cover in the opinion of the TSC
- require a permit holder to indemnify his or her driver/s in relation to any vehicle damage arising out of the use of the permit holder's taxi. But if an excess is charged to the permit holder and the driver is at fault, the driver may be required to pay the excess.

Third party property damage insurance is compulsory in the ACT, NSW and WA. Based on experience in these jurisdictions we believe adopting draft recommendations 6.15, 6.23 and 6.24 would largely address the issue of underinsurance for taxis in Victoria and eradicate many of the unacceptable practices carried out by a number of Victorian taxi clubs in the provision of insurance (such as the examples provided in the Review's Draft Report).

Lastly, we also support the finding in the Draft Report that "Consumer Affairs Victoria (CAV) should ensure that taxi clubs comply with the provisions of the *Associations Incorporation Act 1981* (the AI Act) when they are registered under the Act" (see p 530 at 6.19). Although this will not in itself resolve the issue of insurance for taxis in Victoria, greater scrutiny of taxi clubs can only assist in protecting individual taxi drivers.

#### Conclusion

The ICA wishes the Victorian Department of State Transport and the Inquiry Team every success for the current Review.

We look forward to receiving the outcome of the Review in due course.

If you have any questions in relation to this submission, please don't hesitate to contact Amber Fitzpatrick, Policy Advisor within the Consumer Relations and Market Development Directorate via email [afitzpatrick@insurancecouncil.com.au](mailto:afitzpatrick@insurancecouncil.com.au), or phone (02) 9253 5129.

Yours sincerely



Robert Whelan  
Executive Director & CEO