

## Uninsured driving

It is estimated that there are currently around one million motorists breaking the law by driving without motor insurance. The cost of compensating victims of accidents caused by uninsured motorists is more than £400 million a year. Ultimately motorists pay for these costs, through their motor premiums to victims. To help reduce the problem, the insurance industry has established a national database which enables the police, when carrying out roadside checks, rapidly to establish whether the motorist is insured.

### ▪ **Serious Organised Crime Act**

New powers were provided by the Serious Organised Crime Act which, for the first time, enables the Motor Insurers' Bureau to pass on details of suspected uninsured drivers to police forces across the UK.

### ▪ **Road Safety Bill**

The proposed Road Safety Bill will help deliver casualty reduction targets and provide better and fairer enforcement of road traffic law. This Bill is currently in its Committee Stage in the House of Lords. To strengthen the efforts against uninsured driving, the Association of British Insurers is hoping the Government will amend to the Bill to make it an offence to keep a vehicle without insurance; it is in dialogue with Stephen Ladyman, the new minister with responsibility for road safety and has said "We are very hopeful that the Government will respond to our call for a new offence of 'keeping a vehicle without insurance'. The Road Safety Bill provides an excellent opportunity for them to proceed along these lines. Our research shows that this would make a significant dent in the levels of driving without insurance."

### ▪ **Early Day Motions**

On 17 May, Alan Duncan MP re-introduced the following Early Day Motion (No 86) on uninsured drivers that had been tabled in the last two Parliamentary sessions. It has so far been signed by 76 MPs.

"That this House welcomes the Safer, Cheaper, Legal campaign by the Association of British Insurers to draw attention to the UK's high levels of uninsured driving and to promote policy proposals contained in submissions to the Greenaway Review established by the Department of Transport; notes that in the UK approximately five per cent. of motorists on the roads are currently driving without insurance, which costs policyholders around £500 million a year in compensation payments for injury or property damage equivalent to around £30 on every motor premium; recognises that systems need to be introduced to stop such practices which cause misery and damaged lives to many; and calls upon the Government quickly to establish links between the existing Driver and Vehicle Licensing Authority and motor insurance databases, so that a system of continuous monitoring and enforcement can be introduced".

### ▪ **European Commission consultation**

The European Commission has recently announced a consultation on the awareness & effectiveness of national compensation bodies in settling claims.

One of the aims of the Fourth Motor Insurance Directive (Directive 2000/26/EC) is to enable 'visiting victims' (people who have been injured or suffered damages outside their Member State of residence) to get faster compensation in their Member State of residence by contacting where necessary a compensation body, which the Directive (under Article 6) requires each Member State to set up. The injured party can apply to the compensation body when an insurer has not replied to a claim within three months or when an insurer has failed to appoint a claims representative in the victim's Member State of residence. The Commission is examining the effectiveness of these bodies.

## Motor Insurers' Bureau

MIB was established in 1946 as a private company limited by guarantee for the purpose of entering into Agreements with the Government to compensate the victims of negligent uninsured and untraced motorists. Every insurer underwriting compulsory motor insurance is obliged, by virtue of the Road Traffic Act 1988, to be a member of MIB and to contribute to its funding.

The Chief Executive of MIB is Ashton West.

In 2003, the MIB paid compensation of £238 million; since inception it has paid over £1.8 billion

	2003	2002
<b>No. of claims</b>		
▪ Untraced Drivers Agreement	14,897	14,882
▪ Uninsured drivers Agreement	37,912	37,658
▪ Green Card System	22,480	21,673
<b>Amounts paid</b>		
▪ Untraced Drivers Agreement	£63.6 m	£54.8 m
▪ Uninsured drivers Agreement	£164.4 m	£154.4 m
▪ Green Card System	£10.2 m	£7.2 m

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### Recent articles on the MIB website:

#### 1. The battle is joined!

2005 could prove to be a pivotal year in the fight against the crime of driving without insurance. With the publication last year of the Greenaway Report and the subsequent establishment of the Motor Insurance Compliance Action Board to oversee implementation of recommendations, this year could witness the most concerted and integrated offensive to date against this social menace.

The insurance industry through MIB/MIIC and the ABI is working with other stakeholders such as the Department of Transport, Home Office, DVLA and BIBA to establish the way forward to deal with this problem in the most effective way.

Insurer compliance - this will certainly be the main focus as MIIC seeks continuous improvement in the accuracy and completeness of data submitted to the Motor Insurance Database (MID).

The use of the MID by the police is increasing significantly with an enquiry being made once every 2.5 seconds and is viewed by them as the tool of choice in the fight against uninsured drivers.

#### 2. MORE UNINSURED DRIVERS TO FACE PROSECUTION

A new crackdown on uninsured drivers could result in an additional 50,000 successful prosecutions during the next 12 months, the Motor Insurers' Bureau predicted today.

The MIB has drawn up plans with the police and the government for tougher penalties and better methods of identifying uninsured drivers.

The UK has one of the highest levels of uninsured driving in Europe, with more than one million uninsured vehicles on our roads. Last year the MIB handled more than 41,000 claims from victims of road accidents caused by untraced and uninsured drivers.

Uninsured driving now costs Britain more than £500 million per year and adds around £30 to the insurance premium of honest motorists.

The latest figures from the Home Office, published last month, show that there were more than 230,000 successful prosecutions for uninsured driving in England and Wales in 2003, a 12% increase on 2002. But the MIB hopes that new detection and enforcement methods will result in an additional 50,000 convictions over the coming 12 months.

The initiatives highlighted by the MIB include:

- New powers provided this month by the Serious Organised Crime Act which, for the first time, will enable the MIB to pass on details of suspected uninsured drivers to police forces across the UK
- Greater use of automatic number plate recognition cameras to help police identify and track down uninsured drivers
- The introduction of hand-held technology, which will allow police officers to check vehicle insurance details at the roadside without referring enquiries to their stations
- The imposition of tougher penalties, including larger fines and the crushing of uninsured vehicles

"Whoever they are, all uninsured motorists need to know that the chances of escaping detection and prosecution are shrinking rapidly," said Ashton West, the MIB's chief executive. "The MIB, motor insurers, the police and the government are working together to reduce the unacceptable levels of uninsured driving on our roads.

"We already know a great deal about the average uninsured motorist," Mr West continued. "Although the proportion of female offenders is rising, the typical uninsured driver is male, under 30 and likely to have committed other motor offences. We're constantly gathering more information about these offenders, which will make identifying and prosecuting them easier in the future."

The police share these views, according to Med Hughes from the Association of Chief Police Officers.

"All these developments will make it much harder for offenders to hide from us," he said. "As we access more and more information, the net will continue to tighten around uninsured motorists."

### 3. **Changes required in broker and insurer practices to ensure MID success**

Ashton West, Chief Executive of the Motor Insurers' Bureau

Much has been printed about the issue of uninsured driving recently, and it is certainly an issue that elicits common views across the industry and the motoring public— there is too much of it and the problem needs to be addressed.

Since its launch in 2001 the Motor Insurance Database (MID) has proven itself to be a key tool in tackling uninsured driving. Now holding details on some 30 million vehicles and handling around 15 million enquiries each year, it is viewed by the police as a vital source of information. As Med Hughes, Chief Constable of South Yorkshire said: "to the officer on the street the Motor Insurance Database is rapidly becoming the 'weapon of choice' to deal with motorists".

New strategies, aimed at tackling uninsured driving, position the MID as central to the overall approach. The government's recent consultation on the issue of continuous enforcement of motor insurance, following the very successful implementation of the same approach for vehicle excise duty, is welcomed by the industry overall, especially those who have been most involved in progressing the industry's response to Professor Greenaway's recommendations.

As we move forward, it is important to remember that data quality is a prerequisite to success. When referring to data quality, we look at this in terms of:

- Timeliness – does the information get onto the MID within the target timeframes?
- Completeness – is all of the information that should be on MID actually there?
- Accuracy – does the MID reflect the position as recorded on the insurers' systems?

Delivery in all of these areas is fundamental to maintaining the credibility of MID and ensuring success is not compromised. Whilst all three are important, timeliness is the measure that draws most attention.

The industry has improved its timeliness figures noticeably over the last year. For example, in personal lines business 91% of all MID records are now received within 14 days, compared to 82.5% 12 months ago. However, it is clear to us that to meet the proposed seven day target, and indeed to achieve the existing 14 day target in relation to intermediary business, process changes are required.

Whilst some insurers that predominantly rely on intermediaries are already compliant, many are not. One insurer recently stated that: “although there is clearly a high level of awareness about MID in the intermediary market, communications to date have failed to bring about the necessary changes in behaviour to deliver compliance with self regulatory targets”.

Self regulation for the industry is not, as some might suggest, a soft option. Under our sanction regime, the Motor Insurers’ Bureau can suspend membership where necessary, thus preventing an insurer from continuing to underwrite motor insurance.

Although we would naturally prefer not to take such action, we cannot ignore our duty to tackle, effectively, the issue of non compliance. To do so would not be fair to those members that have invested in becoming compliant.

However, as the pressure increases on insurers to become compliant, many of them will focus on the brokers and intermediaries that are jeopardising their businesses. We already know of insurers that have cancelled agency arrangements because the required information was not delivered in time. If this trend continues, it could have significant implications for intermediaries.

For an insurer, reaching the stage where its ability to underwrite motor business was suspended would be a notifiable event under FSA regulation. The intermediary market, governed by the same regulatory framework, may well face the same issue. Consider the situation where an agency’s agreement is terminated by an insurer (or even worse by a group of insurers). These decisions may well affect an intermediary’s ability to offer adequate choice to its customers. In certain circumstances it could be argued that this failure would be deemed a notifiable event under the General Notification Requirements set out in the Regulatory Process section of the FSA Handbook for General Insurance Intermediaries.

All of these scenarios, however, miss out on the most important issue – the fact that it is in everyone’s interest to make the MID as successful as possible. The industry has invested significantly in the MID’s development and it is clear that its success paves the way for other key stakeholders such as the government and the police to do their bit in terms of enforcement activities.

We now have a real opportunity to deliver a step change in tackling this crime and we should seize it, by building on our success to date. However, this will require the buy-in of all key stakeholders including insurers, brokers and software houses. Above all, both insurers and brokers must now streamline their business processes to enable the timely supply of accurate information that achieves compliance.

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Sources of information:

MIB website and 2003 financial statements

ABI website

Internal Market: Commission Consults on Motor Insurance Issues consultation notification