

Uninsured Driving in the United Kingdom

**A report to the Secretary of State for
Transport by Professor David Greenaway,
University of Nottingham**

July 2004

Uninsured Driving in the United Kingdom

A report to the Secretary of State for Transport
by Professor David Greenaway,
University of Nottingham

Department for Transport
Great Minster House
76 Marsham Street
London SW1P 4DR
Telephone 020 7944 8300
Web site www.dft.gov.uk

© Queen's Printer and Controller of Her Majesty's Stationery Office, 2004

Copyright in the typographical arrangement rests with the Crown.

This publication, excluding logos, may be reproduced free of charge in any format or medium for research, private study or for internal circulation within an organisation. This is subject to it being reproduced accurately and not used in a misleading context. The material must be acknowledged as Crown copyright and the title of the publication specified.

For any other use of this material please apply for a Click Use Licence at HMSO's web site at www.hmso.gov.uk, or by writing to The Licensing Division, HMSO, St Clements House, 2-16 Colegate, Norwich NR3 1BQ Fax: 01603 723000, or e-mail hmsolicensing@cabinet-office.x.gsi.gov.uk.

This is a value added publication which falls outside the scope of the Core Click Use Licence.

To order further copies of this publication or to arrange a standing order for all the department's publications contact:

DfT Publications
PO Box 236
Wetherby LS23 7NB
Tel: 0870 1226 236
Fax: 0870 1226 237
Textphone: 0870 1207 405
Email: dft@twoten.press.net
or online via www.publications.dft.gov.uk

ISBN 1 904763 48 0

If you would like to be informed in advance of forthcoming Department for Transport titles, or would like to arrange a standing order for all of our publications, call 020 7944 4668.

Printed in Great Britain on material containing 75% post-consumer waste and 25% ECF pulp.

July 2004

Product Code no. 45 TSP 02254

Contents

Acknowledgements	4
Index of acronyms and abbreviations	5
1 Summary and recommendations	7
2 Context and consultation	10
Context	10
Consultation with key stakeholders and review of evidence	11
3 The extent and costs of uninsured driving in the UK	13
What is uninsured driving?	13
What is the scale of uninsured driving in the UK?	14
What are the costs of uninsured driving in the UK?	15
Who drives uninsured and why?	17
4 A strategy for reducing the incidence of uninsured driving in the UK	20
Raising public awareness and vigilance	20
Pricing young drivers into the market	22
Improving detection rates and compliance	23
Insuring the driver or insuring the vehicle	28
Diversifying penalties for non-compliance	30
Complementarity with other policies	32
Implementation	33
5 Conclusions	34
<i>Appendix 1 Terms of reference</i>	<i>35</i>
<i>Appendix 2 Organisations, corporate bodies and agencies consulted</i>	<i>36</i>
<i>Appendix 3 Individuals consulted</i>	<i>37</i>
<i>Appendix 4 Written submissions received</i>	<i>39</i>

Acknowledgements

The Reviewer would like to acknowledge the contribution made by a Review Liaison Group comprising Richard Jones, Tom Roberts and Fred Hackman (Department for Transport); Anthony Hammill (HM Treasury); Geoffrey Biddulph (Home Office); Tony Jeeves (Department for Constitutional Affairs) and Jo Dagustun (Association of British Insurers), which was supplemented by specialist advice from Lisa Brittan (Norwich Union). Excellent administrative and logistical support was provided by Susan Berry (University of Nottingham) and Tom Roberts (Department for Transport) and this too is gratefully acknowledged.

Index of acronyms and abbreviations

AA	Automobile Association
ACPO	Association of Chief Police Officers
ANPR	Automatic Number-Plate Recognition
ABI	Association of British Insurers
BIBA	British Insurance Brokers Association
DfT	Department for Transport
DSA	Driving Standards Agency
DVLA	Driver and Vehicle Licensing Agency
DVLNI	Driver and Vehicle Licensing, Northern Ireland
DVO	Driver, Vehicle and Operator Group
EC	European Commission
ELVI	Electronic Vehicle Licensing Initiative
EU	European Union
JDI	Jill Dando Institute
LMUA	Lloyd's Motor Underwriters Association
MASS	Motor Accident Solicitors' Society
MIA	Motor Investigation Agency
MIB	Motor Insurers' Bureau
MID	Motor Insurance Database
MIIC	Motor Insurers' Information Centre
MORI	Market and Opinion Research International
OECD	Organisation for Economic Co-operation and Development
PNC	Police National Computer
RAC	Royal Automobile Club
RBS	Royal Bank of Scotland
RTA	Road Traffic Act
VED	Vehicle Excise Duty
VOSA	Vehicle and Operator Services Agency

Chapter 1

Summary and recommendations

SUMMARY

- 1.1 All motorists are legally obliged to be insured against third party risks before driving a motor vehicle. Not all are insured. In the UK it is estimated that one in twenty motorists drive without insurance. This incidence is high relative to some, though not all, Member States in the EU.
- 1.2 Uninsured drivers impose a financial burden on honest motorists. The damage they inflict in road traffic accidents results in claims against the Motor Insurers' Bureau or against the policies of insured drivers. Industry estimates suggest this adds around £30 on average to the annual premium of honest motorists.
- 1.3 In addition, uninsured driving imposes other costs on society as a result of these drivers being more likely to be involved in road traffic accidents, more likely to be non-compliant with other road traffic requirements and obligations and potentially involved in other criminal activity.
- 1.4 There is no single 'cause' of uninsured driving nor is there a single solution. Reducing its incidence will require a range of complementary measures that will not only strengthen enforcement of the legal obligation but make that obligation more transparent and detection of non-compliance more effective.
- 1.5 In conducting this Review, extensive consultation with all key stakeholders was undertaken: those who sell insurance; those who set the legal framework within which it applies; those who enforce the legal requirement; those who have to deal with the consequences of uninsured driving.
- 1.6 Consultation revealed not only widespread and deep frustration at the extent and consequences of uninsured driving but a real hunger to see action to reduce its incidence.
- 1.7 This Review recommends a package of measures which include: actions designed to increase awareness of the insurance requirement, especially among young drivers; actions which could make third party insurance more affordable to young drivers; actions designed to increase dramatically the chances of those who choose to drive uninsured being caught; actions which increase the costs of driving uninsured on those who are caught.
- 1.8 The measures proposed are complementary to each other and to other current public policy initiatives. Moreover, they are also measures that are practical and implementable in a reasonable timeframe. If implemented, the measures can be expected to have a significant impact on the incidence of uninsured driving in the United Kingdom.

RECOMMENDATIONS

Recommendation 1: The current widespread practice of condoning any apparent grace period for renewal of lapsed motor insurance policies should be discontinued and insurance providers should enforce the insurance requirement on a continuous basis.

Recommendation 2: Insurance providers should be required to collect systematically and report information on claims which they settle directly relating to incidents involving uninsured drivers in order to improve information capture on the scale and costs of the problem.

Recommendation 3: The purpose of, and legal requirement for, third party insurance should feature much more prominently in the *Highway Code* and driving theory test than at present.

Recommendation 4: Government and the industry should co-operate to initiate a programme of awareness raising of the requirement for third party insurance, the risks of driving uninsured and the consequences of doing so. This should coincide with the implementation of measures to increase detection.

Recommendation 5: Since young drivers are a particularly high-risk group, targeted initiatives could also be helpful. The school based programme currently sponsored by the Motor Accidents Solicitors' Society is an example of good practice here.

Recommendation 6: The insurance industry should continue to develop products which price young drivers into the market earlier, provide incentives to them to gain driving experience and see the benefits of that experience in terms of the premiums they pay.

Recommendation 7: The insurance industry and Department for Transport should co-operate in building an easily navigable and searchable insurance portal on the DVLA and DSA web sites, which reminds clients of their legal responsibility for third party insurance, provides rapid access to information on insurance premia and links to on-line purchase facilities.

Recommendation 8: Appropriate changes in the Police Bill should be made, or the next available legislative opportunity taken, to provide Police Forces with full and unrestricted access to the Motor Insurance Database (MID).

Recommendation 9: MID should be fully integrated with the Police National Computer in the same way as DVLA's vehicle register.

Recommendation 10: The roll-out of Automatic Number-Plate Recognition (ANPR) should be accelerated to ensure that more Police Forces have access to the technology to underpin enhanced detection and enforcement.

Recommendation 11: Fixed penalties paid by those caught driving without insurance should be retained to help fund accelerated roll-out of ANPR.

Recommendation 12: Before being accredited to write motor insurance business, providers should be required not only to sign-up to their Motor Insurers' Bureau (MIB) levy but also to demonstrate to the appropriate regulatory authority that they have the capacity required to comply with rapid data entry to MID.

Recommendation 13: The permitted interval between an insurance policy being issued and details uploaded in the MID should be reduced from 14 days to 7 days by the end of 2006 with a target of 100% compliance. Moreover, a target date by which real time data entry will be implemented should be set, at no later than the end of 2008.

Recommendation 14: More severe penalties should be implemented and applied for non-compliance with these targets.

Recommendation 15: To minimise the scope for fraudulent behaviour, arrangements for notification of cancellation of insurance should be altered to require insurers to notify MID and DVLA immediately of any policy cancellation, with appropriate penalties for non-compliance.

Recommendation 16: Insurance of the individual driver rather than insurance of the vehicle should continue to be the basis for third party liability cover in the UK.

Recommendation 17: Every motor insurance policy which is issued should contain information on both the insured driver(s) and the vehicle(s) they are insured to drive, in order to ensure that the relevant agencies can confidently use the MID to enforce insurance from the record.

Recommendation 18: Sentencing guidelines for Magistrates should be revised to require a *minimum* fine for uninsured driving which *exceeds* the fixed penalty.

Recommendation 19: A review should be undertaken of the non-fiscal penalties which could be made available to Magistrates in dealing with uninsured drivers.

Recommendation 20: Police Forces should be given the power to seize and, in appropriate circumstances, destroy vehicles that are being driven uninsured.

Chapter 2

Context and consultation

CONTEXT

- 2.1 According to recent Department for Transport (DfT) estimates, there were in excess of 31 million registered vehicles on the UK's roads in 2003, with potentially up to a further 4 million unregistered and/or off road for one reason or another.¹ The overwhelming majority of these vehicles and their drivers are fully compliant with all of the legal responsibilities associated with driving: possessing a valid driving licence; having the vehicle registered with DVLA; having appropriate confirmation of roadworthiness in the form of a valid MOT certificate; having valid vehicle excise duty; and having third party liability insurance cover against damage inflicted on persons or property.
- 2.2 But a non-negligible minority of motorists are non-compliant in one or more of these requirements. For example, DVLA estimates that some 1.75 million vehicles, which is 5.6% of registered vehicles, do not have valid vehicle excise duty (VED). A range of initiatives has recently been implemented or planned, including continuous registration and electronic purchase of vehicle excise duty, aimed at improving compliance.
- 2.3 Having insurance against third party liabilities is a legal requirement under Section 143 of the 1988 Road Traffic Act. This is a standard requirement across EU Member States and indeed all OECD countries. In some countries third party liability is provided by the state via a direct levy on road duty or fuel. In the United Kingdom, motor insurance is provided in an extensive and diversified market. In 2001, the gross written premium against private motor insurance was £9 billion, with a further £3 billion being written against commercial motor risks. 51% of the private motor market was accounted for by brokers, 33% by direct writers and 16% by other providers (such as affinity groups and retailers). In the commercial motor market, 81% of gross premium was written by brokers, 16% by direct writers and 3% by other providers.² Entry into the market is relatively easy and, with the proliferation of on-line business, the market is increasingly competitive.
- 2.4 Non-compliance with the motor insurance requirement appears to be significant, both in absolute terms and relative to some other Member States in the EU. Reliable estimates of the incidence of uninsured driving in the UK are hard to come by, for the obvious reason that those involved in breaking the law have every incentive to keep their activity as covert as possible. Calculations based on information from a number of sources suggest that around 5% of vehicles are being driven without valid insurance, compared with an incidence as low as 1% in some Member

¹ Department for Transport, 'Vehicle Licensing Statistics 2003' and DVLA submission to this Review.

² DATAMONITOR, UK Motor Insurance 2003, ref. DMFS 1533.

States. Increasingly, uninsured driving is being regarded as a major social problem since this group of people not only imposes costs on honest motorists in the form of higher premia, their presence on our roads also represents a serious risk to other road users.

- 2.5 Driving without insurance is not a victimless crime. The costs associated with the damage to persons and property caused by uninsured drivers are largely paid for by the Motor Insurers' Bureau (MIB), which is funded in its entirety by the industry, or by individual insurance providers. Ultimately therefore these costs are borne by honest motorists. But there are wider public policy dimensions as driving uninsured often occurs alongside non-compliance with other vehicle requirements (like VED and MOT certification) as well as other criminal activity. Moreover, evidence from a range of sources suggests that uninsured drivers also have a higher likelihood of being involved in a road traffic accident.³ Therefore, reducing the incidence of uninsured driving might not only benefit honest motorists by reducing the premium they would otherwise pay; it can also be expected to have broader public policy benefits.
- 2.6 This independent Review of Motor Insurance Arrangements was commissioned by the Secretary of State for Transport in response to the rising incidence of driving uninsured and growing public concern about the problem. The Terms of Reference for the Review are set out at Appendix 1. In essence they require a thorough appraisal of the current arrangements for complying with and enforcing the insurance requirement as set out in the Road Traffic Act and the recommendation of practical and implementable measures targeted at reducing the incidence of driving uninsured in the United Kingdom.

CONSULTATION WITH KEY STAKEHOLDERS AND REVIEW OF EVIDENCE

- 2.7 Driving without insurance is a controversial crime that affects the lives and livelihoods of a great many people in the UK. It was therefore vital to consult widely and ensure that the perspectives and views of key stakeholders were heard. During the consultation phase the Reviewer engaged with⁴:
- *Motorist Organisations* including the Automobile Association, Royal Automobile Club and Motorists' Forum;
 - *Victim Representatives* such as the Motor Accident Solicitors' Society;
 - *Insurance Providers* both in the form of the Association of British Insurers, the British Insurance Brokers Association and a significant number of large and small motor insurance providers;
 - *Law Enforcement Agencies* in the form of various Police Forces and the Magistrates' Association;

³ Guy Holland 'Uninsured Drivers – A Danger on the Roads?', *Insurance Trends*, Edition 41 (2004); Stephanie Blows et al 'Car Insurance and the Risk of Car Crash Injury', *Accident Analysis and Prevention*, Vol.35, (2003), pp.987–990.

⁴ Full details of organisations, corporate bodies and agencies, and individuals consulted, are set out in Appendices 2 and 3 respectively.

- *Government Departments* with an obvious interest in the problem, namely the Department for Transport, Home Office and Treasury.
- 2.8 In addition, many of those consulted provided written submissions to the Review.⁵ Not only did these complement oral consultations but also other written submissions from organisations not involved in face-to-face consultation and more generally from the wider public. All of this has been an essential input to this Review. Clearly the perspectives of those affected by uninsured driving are important, so too are their views on measures which might make a difference.
- 2.9 This evidence gathered during consultation was complemented by a range of secondary sources of data and published research to provide as complete a picture as possible of the scale, costs and consequences of uninsured driving. Evaluation of evidence of the extent of the problem elsewhere in Europe and measures deployed in enforcement of the legal requirement in other Members States of the EU has also been undertaken.
- 2.10 This Report constitutes not only a record of the Reviewer's findings but more importantly sets out the ingredients of a strategy for reducing the incidence of uninsured driving in the United Kingdom. It does not come down in favour of a single solution. Rather, it has a number of elements, with an emphasis on instruments that are practical and implementable and which can deliver results within a reasonable timescale.
- 2.11 Specifically, the strategy recommends implementation of a number of measures targeted at: raising public awareness and enhancing driver education; modifying the behaviour of young drivers; increasing the likelihood of detection; and increasing the costs of non-compliance. The measures have been crafted in such a way as to complement rather than cut across on-going initiatives and policies.

⁵ Full details are set out in Appendix 4.

Chapter 3

The extent and costs of uninsured driving in the UK

WHAT IS UNINSURED DRIVING?

- 3.1 The compulsory requirement for drivers of motor vehicles to be covered for third party liability is clearly set out in Section 143 of the Road Traffic Act (RTA) 1988. It is in fact the only form of insurance that is a mandatory requirement on individuals in the UK. The United Kingdom is not, of course, unique in this regard. Indeed, in some OECD countries, third party liability is provided by the state on an opt-out rather than opt-in basis. By contrast, in the UK motor insurance provision is entirely market based and it is the legal responsibility of the individual driver to arrange and purchase the necessary cover. Only third party liability is mandatory, with other forms of cover, such as fully comprehensive, being optional. (As it happens, the take-up of the latter is very high in the UK relative to other EU Member States.)
- 3.2 Driving a vehicle without third party liability cover is a criminal offence, albeit one where an offender can only be dealt with summarily in Magistrates' Courts. Failure to insure could be accidental or intentional. Examples of the former are:
- drivers misunderstanding the nature of the cover they require for the type of driving they do: a not unusual occurrence given the existence of no fewer than nine (sometimes subtly different) types of cover offered by the market;
 - drivers taking advantage of what they believe to be a 14 day 'grace' period for renewal after a policy lapses: in practice the grace may not actually be written into the policy and, even if it is, generally only covers third party liability, whatever the cover provided by the lapsed policy.
- 3.3 Even if accidental, driving without insurance is a criminal offence. It is not, however, the focus of this Report. That does not imply a judgement that it is to be condoned. Rather that its incidence could be minimised by relatively small changes to existing practice, for example eliminating any apparent grace period and making a policy renewal date 'hard'. There are probable benefits to its elimination, in the form of less accidental non-insurance and wilful abuse of the provision but no obvious diminution of service to the customer. Simplifying classes of coverage would almost certainly reduce the incidence of under-insurance.

Recommendation 1: The current widespread practice of condoning any apparent grace period for renewal of lapsed motor insurance policies should be discontinued and insurance providers should enforce the insurance requirement on a continuous basis.

3.4 The principal focus of this Report is the *intentional avoidance* of the purchase of motor insurance. This is a criminal act that imposes costs on other motorists and society more generally. Research suggests that it appears to be undertaken by:

- those who feel they can save what they would otherwise have spent on insurance and go undetected in the process;
- those who are likely to be non-compliant in other respects, for example in avoiding VED; or driving without a valid licence;
- those who are making use of motor vehicles to engage in other (non-motoring related) criminal activity.

It is the intentionally uninsured who are the greatest risk to other road users and impose the greatest costs on society and it is here that the need for active intervention is most pressing.

WHAT IS THE SCALE OF UNINSURED DRIVING IN THE UK?

3.5 The honest answer to this question is that we do not know for certain, for a very obvious reason: those who drive whilst intentionally avoiding taking out insurance cover are hardly likely to self-refer. There is, however, a range of evidence from survey sources, conviction records and industry estimates from which we can build a picture. Specifically:

- DVLA's most recent survey estimates that almost 6% of registered vehicles do not have valid vehicle excise duty. It is likely that the overwhelming majority of these vehicles are being driven by drivers who do not have third party cover.
- The Motor Insurers' Bureau (MIB), using information based on the MIB levy, the number of cases they deal with and (limited) information on the number of cases which insurance companies settle themselves, estimate that up to 6% of vehicles on UK roads are being driven uninsured.
- The Association of British Insurers (ABI) estimates that 5% of drivers are uninsured.
- In its 2004 annual report on motoring, the RAC estimated that 5% of motorists were driving uninsured and that the number was on a rising trend.

From this data, a defensible (but probably conservative) estimate of 5% is reasonable. Moreover, it would appear that the phenomenon is on the

increase and at current levels adds up to a significant social problem with, as we shall see, significant associated costs.⁶

- 3.6 Comparisons are often made with incidence in other jurisdictions. In some countries the problem is almost non-existent. For example, incidence levels are estimated at 0.1% and 0.2% respectively in Sweden and Germany, with the Netherlands a little higher at 1% to 2%. Further south in Europe, levels are comparable to the UK or higher: 5% to 10% in Spain, for instance. It is believed that incidence is higher than the UK in Italy and Greece but no reliable estimates are currently available.⁷
- 3.7 There has been considerable speculation around the explanation for these differences. Some observers have been tempted to ascribe them to a single cause: displaying an insurance disk or not; insuring the vehicle rather than the driver; and so on. Potential causes of uninsured driving in the UK will be discussed later in the Report. For now, we merely note that the determinants of the problem are multi-factoral and unlikely to be attributable to a single cause. In the context of international comparisons the point can be made most powerfully by reference to the United States. The US is a single market in a way that the EU is not. 46 of the States (and the District of Columbia) have similar vehicle insurance arrangements and the other four States have financial responsibility arrangements. Yet, recent research estimated that the incidence of uninsured driving in 1995 varied across States by a factor of 10 from 3.4% of vehicles at the bottom end (Maine) to 34.3% at the top end (Colorado).⁸

WHAT ARE THE COSTS OF UNINSURED DRIVING IN THE UK?

- 3.8 Establishing firm and reliable estimates of costs to society is complicated by the fact that information on the incidence of driving without insurance is fragmented and incomplete. However, some costs are transparent, because uninsured drivers who are involved in road traffic accidents generate claims and the direct costs associated with a significant tranche of these claims can be identified. As with incidence, therefore, we can build a picture of costs by drawing on a range of data sources.
- 3.9 Most claims generated by uninsured drivers are handled by the MIB, which in turn is funded by a levy on individual motor insurance providers set by reference to their turnover. The MIB levy in 2003 amounted to £250 million, up from £34 million in 1991 and £100 million in 1995. Although the average cost per settlement has increased in recent years, so too has the number of new claims, from 44,000 in 1997 to 53,000 in 2003.⁹
- 3.10 Because MIB's activities are funded in full by the industry, this £250 million represents an annual direct charge to honest motorists. However, it

⁶ At the time of writing, ACPO was co-ordinating Operation V79, a comprehensive vehicle document check on a stratified sample of 5,000 vehicles. This will provide an additional source of information.

⁷ Data from 'Uninsured Driving in Europe'. Report on the Causes of Uninsured Driving Across Europe for the Association of British Insurers, Watson Wyatt LPP, March 2004.

⁸ J. Daniel Khazzoom 'What We Know About Uninsured Motorists and How Well We Know What We Know', *Journal of Insurance Regulation* (2000), pp.59–93.

⁹ Data provided by the Motor Insurers' Bureau.

underestimates the full costs they bear. The reason for this is that many claims relating to incidents involving uninsured drivers are settled directly by individual insurance providers. There are in fact four other routes by which victims of uninsured motorists can secure compensation. The first is a so-called 'Article 75' insurer, where a policy is in place but the insurer could legally refuse to deal with any claims because, for instance, the policy has been obtained fraudulently. Under Article 75 of MIB's Articles, insurers have agreed to settle such claims directly. A second is referred to as a 'Road Traffic Act' Insurer. In such cases the use of the vehicle is not properly insured because conditions of contract have been broken, for example because a joy-rider has caused damage in a stolen vehicle. Under the Road Traffic Act insurers are obliged to settle such claims. Third, an individual could secure recovery from his/her own insurer. Finally, he/she could pursue a civil action against the liable party.

- 3.11 Remarkably, in the consultation process underpinning this Review, it became clear that there is hardly any information on which to draw to provide an accurate estimate of these total costs. Individual insurers do not appear to record this information systematically. The industry's 'best guess' is that they are around the same order of magnitude as the MIB levy but this is just an informed guess. The insurance industry is clearly fulfilling its legal obligations, as well as acting responsibly in funding the MIB, and the MIB levy is a 'hard' estimate of the costs of uninsured driving. It is clearly an incomplete record, however. In this regard, it is unhelpful that individual providers do not systematically record claims settled directly in connection with incidents involving uninsured drivers. It is also clear that public policy interests would be served by more complete and more accurate information.

Recommendation 2: Insurance providers should be required to collect systematically and report information on claims which they settle directly relating to incidents involving uninsured drivers in order to improve information capture on the scale and costs of the problem.

- 3.12 It is the summation of the MIB levy and the industry's guess that direct claims are 'about the same again' that yield the widely cited estimate that uninsured drivers add £30 per annum to the premia of honest motorists. However, this misses two very important elements of indirect costs. Given the high correlation between lack of insurance, no MOT certificate/vehicle registration and/or no valid licence, the likelihood of uninsured drivers being involved in a road traffic accident is almost certainly higher than average. There is unfortunately no independent research on this issue in the UK. However, a recent study in New Zealand reported that uninsured drivers faced a significantly higher risk of car crash injury. After controlling for age, gender and level of education, they were in fact five times more likely to face car crash injury.¹⁰

¹⁰ S. Blows et al 'Car Insurance and the Risk of Car Crash Injury' *Accident Analysis and Prevention*, Vol.35 (3003), pp.987-990.

- 3.13 This is reinforced by what we know from conviction data, namely that the largest part of this population is young males. It is further reinforced by what we know of re-test information. Following the promulgation of the Road Traffic Act (New Drivers) 1995, and its implementation from January 1998, any new driver accumulating six penalty points within two years of passing a test has his/her full licence revoked and has to re-test. By November 2003, almost 72,000 young drivers had had their licence revoked; only 34,000 have so far re-tested.¹¹
- 3.14 The key point is that many uninsured drivers would appear to be young, unqualified and potentially driving vehicles that are not roadworthy. Their greater incidence of accidents may ultimately translate into higher MIB/industry settlements but it also translates into more personal trauma and more pressure on public services, which are more complicated to calibrate. But the potential gains of reducing road traffic accidents are known to be substantial. According to DfT estimates, the financial benefit of preventing one road fatality is £1.2million (comprising lost output, medical and ambulance costs and human costs) and that associated with preventing a serious accident is over £140,000.¹²
- 3.15 One of the points stressed by the Jill Dando Institute Report (2002) on Crime Prevention and the UK Vehicle Registration and Licensing System was the link between misuse of vehicles of various forms and criminal activity. It estimated that *'car crime accounts for a fifth of all recorded crimes and costs at least £3 billion annually'* and added that *'many serious crimes including murder, rape, abduction and armed robbery rely on the ease with which vehicles can be stolen and remain outside the system and the simplicity with which the apparent identity of the vehicle can be changed'*. The Motor Insurers' Information Centre also places a high cost on vehicle crime, putting this at £2.3 billion annually. Driving uninsured obviously contributes to avoiding leaving an individual/vehicle 'fingerprint' and is a contributory factor to these wider (and very substantial) social costs.

WHO DRIVES UNINSURED AND WHY?

- 3.16 At various points we have drawn attention to the difficulty of mapping uninsured drivers, their characteristics and their motives. Yet gaining some insight into this population is clearly essential to the development of robust and sustainable solutions. Although, as we have already noted, this is not a group that will readily identify itself, we do have various secondary sources of information that are revealing. These are:

- Data from court convictions;
- MIB data on the characteristics of claimants and defendants;

¹¹ Data from DVLA.

¹² Highways Economics Note No.1, *2002 Valuation of the Benefits of Prevention of Road Accidents and Casualties*, Department for Transport (2003).

- Information from focus group work on non-compliance conducted by ABI, DfT and individual motor insurance providers.
- 3.17 By definition, data on court convictions apply only to those who have been detected, prosecuted and convicted. It is unlikely therefore to be wholly representative. If the characteristics of those in this sub-group are manifestly at odds with characteristics suggested by other work, it would be appropriate to disregard the information. However, as we shall see, it is in fact consistent with other evidence.
- 3.18 In 2001 there were almost 267,000 findings of guilt in all courts in England and Wales for the offence of using a motor vehicle uninsured against third party risks. Three things stand out from closer examination of this data. First a very striking gender imbalance: over 90% of those convicted in recent years in England and Wales were male. Second, an even more striking age imbalance: almost 60% of male convictions are aged under 25 and almost half of these are under 20. Third, a clear urban-rural divide, with almost half of all convictions being in nine Police Force Areas, all of which are predominantly urban.¹³
- 3.19 Thus, judging from those detected and convicted, uninsured drivers are typically young males living in an urban environment. This is echoed by work undertaken by the MIB, in collaboration with Experian, using a mapping tool called *Mosaic* to summarise socio-economic and demographic characteristics of uninsured driving ‘defendants’ in cases which the MIB handles.¹⁴
- 3.20 The segment of the population most over-represented among defendants relative to their share in the population, are those described as in the ‘Welfare Borderline’ and those in ‘Municipal Dependency’. Both are over-represented by a factor of at least 2.5. The former are *‘people who are struggling to achieve rewards and are mostly reliant on the council for accommodation and benefits’*; the latter are *‘families on lower incomes who often live in large council estates where there is little owner-occupation’*. Those most under-represented are those described as ‘Symbols of Success’, those in ‘Rural Isolation’ and the so-called ‘Grey Perspectives’: in order words, relatively well-off people, rural inhabitants and older drivers.
- 3.21 Mapping these various groups by postal areas and postcodes again points to a significant urban bias/inner city clustering. For example, 35% of MIB cases in 2003 involving uninsured drivers involved individuals located in ten urban postcode areas.¹⁵
- 3.22 Opportunities for contrasting this picture with elsewhere are limited as the UK is not alone in relying on patchy information. Some research has been undertaken in the US, however. This too points to uninsured driving being

¹³ Those Police Force areas being Greater Manchester, Lancashire, Merseyside, Metropolitan Police, Northumbria, South Yorkshire, South Wales, West Midlands and West Yorkshire.

¹⁴ Profiling and Mapping of MIB Claimants and Defendants.

¹⁵ These were (in descending order) Manchester, Liverpool, Birmingham, East London, Belfast, South East London, North London, Sheffield, Bradford and South West London.

associated primarily with young males in inner-city neighbourhoods, driving old/low value vehicles.¹⁶

3.23 Most of the information on why some individuals make a conscious choice to drive without insurance relies on a combination of qualitative evidence from focus group work, qualitative evidence from the regulatory and enforcement agencies and inference. There would seem to be a cocktail of factors which include, in any particular case, some combination of the following:

- *Misperception regarding the purpose of third party liability:* focus group work by ABI, DVO and RBS reported that it was not unusual to hear the claim from the habitually uninsured that it is not worth taking out insurance because the insurance costs more than the value of the vehicle, clearly signalling ignorance of the reasons why third party cover is necessary.
- *Misperception regarding the cost of insurance:* focus group work also reveals considerable ignorance regarding the cost of motor insurance among the uninsured, that cost generally being exaggerated.
- *Spending choices:* a preference for spending what would otherwise be spent on insurance on other vehicle enhancements.
- *Low perceived likelihood of being detected:* a perception among those who regularly drive uninsured that they are highly unlikely to be detected.
- *Low Perceived Penalties:* a presumption on the part of the habitually uninsured that, if detected, penalties will be modest.
- *Remaining Outside the Law:* an intentional avoidance of compliance in order to use a vehicle for other criminal activity.

3.24 Consultation exposed real frustration on the part of most stakeholders with this problem and the need to do something about those who wilfully break the law in this way and act irresponsibly. MORI findings for MIB reported that 95% of drivers felt that driving without insurance was wrong and people should be prosecuted for it, whilst a survey conducted for ABI reported that 83% of motorists view driving without insurance as a serious offence. Consultation also threw up many proposals for remedies, sometimes suggesting that a single initiative or instrument would suffice. This is, however, a complex issue which will require a multi-element strategy if we are to make a significant impact on its incidence, to which we now turn.

¹⁶ J.D. Khazzoom 'What We Know About Uninsured Motorists and How Well We Know What We Know', *Journal of Insurance Regulation* (2000), pp.59–93; C.R. Cole et al 'The Uninsured Motorist Problem: An Investigation of the Impact of Enforcement and Penalty Severity on Compliance', *Journal of Insurance Regulation* (2000), pp.603–637.

Chapter 4

A strategy for reducing the incidence of uninsured driving in the UK

- 4.1 As summarised in paragraph 3.23 above, it is clear from the evaluation of documentation in the public domain and from extensive consultations with key stakeholders that uninsured driving is a multi-faceted problem. Moreover, it must not be seen in a vacuum, independent of other motoring and non-motoring offences. Indeed, as we have seen earlier in this Report, statistical and circumstantial evidence point to a correlation between driving without insurance and other crimes. Since it is a multi-faceted problem, it follows that there is no single intervention that will deal with it. However, there are a range of practical measures that can be taken and which can be expected to result in reduced levels of uninsured driving.
- 4.2 A strategy for dealing effectively with this problem needs to include the following:
- Measures targeted at *raising public awareness and vigilance*;
 - Measures targeted at those *groups with the highest risk of offending*, i.e. young drivers;
 - Measures targeted at *improving compliance* with current legislation;
 - Measures targeted at *more effective enforcement* of current legislation;
 - Measures which have *no undesirable side-effects*;
 - Measures which are *complementary with initiatives targeted at other vehicle related crime*;
 - Measures which are *forward-looking* and make full use of the opportunities afforded by modern information technology;
 - Measures to which *key stakeholders can sign-up* and co-operate in implementing.

RAISING PUBLIC AWARENESS AND VIGILANCE

- 4.3 As we saw earlier, there is evidence of widespread ignorance of a number of aspects of motor insurance and uninsured driving. Evidence relating to the attitudes of those who choose to drive whilst uninsured is scarce, for obvious reasons. However, in written submissions to this Review, focus group based research by the ABI, DVO and RBS yielded interesting insights, not least among young drivers. In particular it revealed ignorance as to the purpose of third-party liability. Many respondents believed its

purpose was to cover potential damage to their vehicle, rather than to cover for damage that use of their vehicle may inflict on other drivers, passengers or vehicles. Therefore, if the cost of insurance was seen as exceeding the value of the vehicle, it followed that it was not worth taking out the insurance.

- 4.4 This points to a serious gap in driver education. It is the case that the Driving Test Theory paper currently administered by the Driving Standards Agency (DSA) *can* include questions on insurance but *need not* and it would seem that it rarely does. Moreover, the current version of the *Highway Code* contains only two paragraphs (paragraph 3 of the Annex and paragraph 261) on vehicle insurance, one of which states that valid insurance should be held prior to driving and the other which states what to do with an insurance certificate in the event of a road traffic accident. These provisions are unlikely to make new and especially young drivers fully aware of the purpose of third party liability insurance, the risks to themselves and others of driving without adequate cover, the (future increased) likelihood of detection and the consequences of being caught. This must change if we are to change the proportion of new drivers driving with insurance.

Recommendation 3: The purpose of, and legal requirement for, third party insurance should feature much more prominently in the Highway Code and driving theory test than at present.

- 4.5 Recommendation 3 applies specifically to new drivers. Motorists more generally should be reminded of the legal requirement of third party liability. Government has experience of raising awareness relating to other road traffic offences and road safety via media campaigns, most recently through the *THINK* initiative which has targeted speeding, driver fatigue and, most recently, driving whilst using a hand-held mobile 'phone. The insurance industry has also launched targeted initiatives such as its recent '*Safer, Cheaper, Legal*' leaflet. A major campaign, timed to coincide with the implementation of measures set out below to increase detection rates dramatically, would be a helpful ingredient of the overall strategy for reducing uninsured driving.

Recommendation 4: Government and the industry should co-operate to initiate a programme of awareness raising of the requirement for third party insurance, the risks of driving uninsured and the consequences of doing so. This should coincide with the implementation of measures to increase detection.

Recommendation 5: Since young drivers are a particularly high-risk group, targeted initiatives could also be helpful. The school based programme currently sponsored by the Motor Accidents Solicitors' Society is an example of good practice here.

PRICING YOUNG DRIVERS INTO THE MARKET

- 4.6 Currently UK motor insurance cover is tied to the driver rather than the vehicle. This is a set of arrangements strongly favoured by the insurance industry on the grounds that the driver, rather than the vehicle, is the insurance risk and current arrangements ensure that price (i.e. premium) can be more closely linked to risk than in a vehicle based regime. Among other things, this means that lower risk drivers pay lower premiums than higher risk drivers.
- 4.7 All of the evidence we have available suggests, conclusively, that the highest risk group of motorists is young drivers and in fact young males. Moreover, this is not a characteristic peculiar to the UK; it is also true of other countries, for example the US, Australia and New Zealand. Inevitably this means that the highest premiums apply to young drivers and, given the upward trend in age-earnings profiles we observe for almost all occupations, high premiums apply at a time of relatively low earnings.
- 4.8 There are sound economic and commercial reasons for pricing insurance cover to risk. There are also good public policy reasons if pricing to risk has road safety benefits. It is also the case, however, that some young drivers will choose not to enter the market because they take the view that insurance is unaffordable. Clearly there are no obvious public policy or commercial reasons for subsidising this risk group. However, there may be mechanisms that the industry could use to bring into the market more quickly at least some proportion of those younger drivers who do choose to take a chance and drive uninsured.
- 4.9 Both industry based and academic research more generally points to several key age-related factors that make young drivers a relatively high risk. The most important is experience: there is robust evidence to show that risk drops sharply with driver experience. A second factor is the time of day when a vehicle is driven: despite lower traffic density, young drivers are at much greater risk of being involved in a serious road traffic accident during hours of darkness.
- 4.10 The motor insurance industry is competitive and innovative and some providers recognise that age *per se* is not the source of higher risk but age related factors; and some are responding by developing products that take advantage of better information on driver experience, driver behaviour and road traffic incidents. For example, a number of providers now offer accelerated accrual of no-claims bonus, with a full year's bonus offered for nine or ten months driving without claims. Some providers will offer credit for a period of safe driving on a parental policy or for accompanied driving.
- 4.11 Most ambitious of all perhaps, one major provider is close to piloting a telematics based 'pay as you drive' product. This is conceived of as a two-part tariff, a fixed (monthly or annual) charge and a variable element that depends upon miles driven. The technology also has the potential to be deployed in ways which could change driver behaviour, for instance by levying charges that vary by time of day. The potentially helpful innovation here is that rates for night-time (when the evidence shows young drivers to

be most at risk) can be set at a sufficiently high level to act as a strong disincentive for young drivers to use their vehicle then. These initiatives should be encouraged and accelerated.

Recommendation 6: The insurance industry should continue to develop products which price young drivers into the market earlier, provide incentives to them to gain driving experience and see the benefits of that experience in terms of the premiums they pay.

- 4.12 There is also evidence from ABI supported focus group work that some young drivers simply do not attempt to take out insurance on the grounds that it is too expensive but without checking the actual cost. Whilst it is certainly true that young drivers pay a higher premium on average than older drivers, it is also true that the variation around this average is very wide. For example, a simple web search for quotes for a single male driver wishing to insure a 'middle aged' small car, across 12 recognised motor insurance providers yields annual premia for an identical policy of £1,378 to £2,317 for an 18 year old; £644 to £1,543 for a 20 year old; and £314 to £1,108 for a 23 year old.
- 4.13 Modern technology and the explosion of on-line business makes search easier than even five years ago. However, it would still be possible to provide better and more readily available information on the range of premia available and the rapidly accruing benefits of gaining experience and building a safe driving record. The modernisation of DVLA processes and databases offers an opportunity here. With the development of continuous registration and plans to make DVLA's business more electronically based, links to searchable databases of insurance services and premia could be created. Thus when a client goes on line to, for instance, renew his/her VED, the opportunity to purchase insurance cover there and then could be available. This would not only serve as another reminder of the requirement to hold valid insurance cover but would also make search easier and price variation more transparent. It is hard to imagine that the industry would not co-operate in developing such a facility since their commercial interests could only be well served by such a development. It would of course only be available to distributors who have an internet sales capacity. As such it provides a strong incentive to those who do not have such a facility to modernise their business practices.

Recommendation 7: The insurance industry and Department for Transport should co-operate in building an easily navigable and searchable insurance portal on the DVLA and DSA web sites, which reminds clients of their legal responsibility for third party insurance, provides rapid access to information on insurance premia and links to on-line purchase facilities.

IMPROVING DETECTION RATES AND COMPLIANCE

- 4.14 Earlier in this Report the characteristics of uninsured drivers and their motives for intentionally driving uninsured were discussed. It is clear that

among the population of uninsured drivers some will attempt to operate outside of the law, whatever the arrangements around enforcement of compliance with third party liability. It may be the case that for this particular sub-set it is only changes to the criminal justice system and in particular the penalties available to enforcement agencies which will have any significant impact on their behaviour. This we address below.

- 4.15 Some proportion of the uninsured driving population clearly make what appears to them to be a perfectly rational economic calculation in that they compare the premium they think they might pay against the chances of getting caught and costs of being caught. With regard to the former, the likelihood of being detected whilst driving a vehicle without insurance is very low indeed. An insurance check is made if vehicle excise duty is purchased. But insurance can be purchased to facilitate VED, then cancelled. Under current arrangements that is easy to do and difficult to detect. As police resources have to be targeted and roadside checks are relatively uncommon, an uninsured driver is only likely to be detected if he or she is involved in a road traffic incident or has been apprehended for some other offence (such as VED evasion). A recent survey of almost 3,000 motorists commissioned by the ABI revealed that less than one-third of the *regularly uninsured* had been convicted of this offence.
- 4.16 Public concern about the levels and consequences of uninsured driving has led to considerable debate recently on alternative mechanisms for improving compliance. One possible development that appears to have enjoyed some public support was the focus of a recent Private Members Bill¹⁷ to require insurance companies to issue, and vehicles to display, a windscreen insurance disc.
- 4.17 Insurance discs have some superficial attractions: they are visible and in some sense provide instant proof of insurance. They are also used in a number of other countries in the EU. There are, however, a number of practical problems with their use. First, like tax discs they can be forged and, in the absence of a single design, more easily forged. Second, since it is the individual rather than the vehicle who is insured, it is not clear what kind of information could legally be displayed on a disc. Third, unless responsibility for enforcement was changed to incorporate Traffic Wardens and Local Authority Traffic Marshals, they would be unlikely to make any difference to enforcement. Finally, we have had tax discs for a very long time and on DVLA's own estimates almost 6% of registered vehicles on our roads do not have valid tax. It is difficult to imagine therefore that insurance discs will have a significant and long-term impact on the incidence of uninsured driving. As one Chief Constable put it during consultation, "it is yesterday's solution to today's problem".
- 4.18 The key to raising the likelihood of detection is more efficient and more extensive reliance on modern information technology to facilitate intelligence led detection. At the heart of this is realising the potential offered by the Motor Insurance Database (MID) which, among other things,

¹⁷ Bill number 46 introduced by Mr A. Burnham to the House of Commons on 28th January, 2004.

will require more rapid data entry, easier police access and the integration of MID with other databases.

- 4.19 The MID was developed to help tackle uninsured driving and ensures industry's compliance with the EC's 4th Insurance Directive, which requires Member States in effect to centralise record keeping on motor vehicle insurance. It is funded and operated by the insurance industry and became operational in 2001. It is a major investment on the part of the industry and a crucially important and welcome innovation. Its future development and exploitation is fundamental to improved compliance.
- 4.20 Since becoming live, MID's coverage has grown rapidly and it is now populated by information on the insurance status of some 30 million vehicles in the UK.¹⁸ Equivalent databases exist in other Member States and have underpinned compliance and enforcement in countries like Sweden and the Netherlands where levels of uninsured driving are far lower than in the UK. Thus the MID offers the potential for proof of insurance from the record, this being an easily accessible and searchable electronic record. In principle this should be less susceptible to avoidance since forging a data entry would be far more difficult than forging an insurance certificate. It should also be more accurate in that cancellation of a policy could trigger a data entry. By contrast, under current arrangements cancellation can still leave an individual in possession of a superficially legal, but invalid, insurance certificate. Since the database can be searched remotely and rapidly, much less by way of police resources is required for checking insurance status.
- 4.21 The MID is currently used by many Police Forces. Indeed, the average number of enquiries per day currently exceeds 24,000.¹⁹ These may be triggered by a road traffic incident or a roadside check but most are triggered by an Automatic Number-Plate Recognition (ANPR) generated enquiry into some other incident. The installation of ANPR cameras has enabled a growing number of Police Forces to capture high frequency information on vehicles and use number plate information to trigger automatic searches of data held in the Police National Computer and DVLA database. If this provides a 'valid reason' for making a follow-up enquiry through the MID, a check can be requested. Since this search takes place as a secondary enquiry, however, it means that there can be avoidable delays in checks. More importantly, it also means that at present a vehicle that is uninsured, but taxed and with no recorded link with other criminal activity, can pass through an ANPR camera without triggering a 'hit'.
- 4.22 For ANPR to be utilised in ways that could dramatically increase the likelihood of detection, more Police Forces must have easier and automatic access to MID. In other words, they should not require a 'valid reason' to check insurance status. The MID should be integrated with the PNC to ensure that *any* vehicle which is uninsured is automatically identified by an ANPR camera, fixed or mobile.

¹⁸ Data provided by the Motor Insurers' Bureau.

¹⁹ Data provided by the Motor Insurers' Bureau.

Recommendation 8: Appropriate changes in the Police Bill should be made, or the next available legislative opportunity taken, to provide Police Forces with full and unrestricted access to the Motor Insurance Database (MID).

Recommendation 9: MID should be fully integrated with the Police National Computer in the same way as DVLA's vehicle register.

4.23 Since it is the integration of ANPR and enhanced access to MID that is vital to raising the likelihood of detection in a credible way, the reach of ANPR must be extended more rapidly. Every Police Force in the UK now has a mobile ANPR capability (under Project Spectrum). The current pilot of extended ANPR usage with dedicated intercept teams and specifically assigned funding is, however, taking place in only 23 out of 43 Police Forces. There is evidently a long-term plan to roll out ANPR to all 300 Basic Command Units in the UK. Clearly the more rapidly this can be done, the greater the impact on more effective detection and compliance.

Recommendation 10: The roll-out of Automatic Number-Plate Recognition (ANPR) should be accelerated to ensure that more Police Forces have access to the technology to underpin enhanced detection and enforcement.

4.24 Accelerating the implementation of ANPR clearly has resource implications. In the current pilot, its development has in large measure been self-financed by a process of 'netting off', i.e. the hypothecation to Police Forces for ANPR financing of fixed penalty income resulting from offences enforced by ANPR. This hypothecation includes the fixed penalty income from driving without insurance offences detected as a result of ANPR intervention. The yield here is relatively low, however, partly because the limited access to MID information restricts levels of detection, chiefly because drivers may choose not to accept a fixed penalty in the expectation that any subsequent fine imposed by the courts will be lower. This we will address below. The ability to continue to rely on fixed penalties is an important element in the strategy for dealing more effectively with uninsured driving.

Recommendation 11: Fixed penalties paid by those caught driving without insurance should be retained to help fund accelerated roll-out of ANPR.

4.25 To be effective in increasing compliance, it is essential that the information on the MID is current and up-to-date. Clearly if there is a significant gap between when an insurance policy is issued and when details of that policy are uploaded into the MID obvious problems can arise. In particular, insured motorists could be identified by an ANPR camera as uninsured, causing obvious frustration to the innocent motorist and embarrassment to the enforcement agencies. Were this to occur on a regular basis, honest

motorists and the police would lose confidence in the system and those driving without insurance would be sent quite the wrong signal.

- 4.26 Current guidelines agreed between MIB and DfT have set a target for 95% of policies being uploaded to the MID within 14 days of being issued, by 2005. MIB estimates that in fact only 84% of policies are on the MID within this time period. Moreover, at the 95th percentile the current upload delay for recent months was 80 days in February 2004 and 54 days in March 2004. Furthermore, although there are penalties for non-compliance, including fines and even prosecution, as yet no insurer has been subject to the latter. If MID is to be the bedrock of a strategy to improve compliance and data accuracy is fundamental to engendering public confidence, it follows that a 14-day lag between an insurance policy being activated and MID being notified is too long. Clearly target dates should be set for a rapid reduction in this time lag and for its eventual elimination. The latter would be achieved by real time data entry. When this stage is reached all parties could have confidence in enforcement of the insurance requirement from the record, with obvious benefits to enforcement agencies (less time processing paperwork) and to the industry (less time issuing paperwork) and of course detection rates would be significantly higher. It also follows that non-compliance with whatever targets are set must be dealt with more severely than at present.

Recommendation 12: Before being accredited to write motor insurance business, providers should be required not only to sign-up to their Motor Insurers' Bureau (MIB) levy but also to demonstrate to the appropriate regulatory authority that they have the capacity required to comply with rapid data entry to MID.

Recommendation 13: The permitted interval between an insurance policy being issued and details uploaded in the MID should be reduced from 14 days to 7 days by the end of 2006 with a target of 100% compliance. Moreover, a target date by which real time data entry will be implemented should be set, at no later than the end of 2008.

Recommendation 14: More severe penalties should be implemented and applied for non-compliance with these targets.

Recommendation 15: To minimise the scope for fraudulent behaviour, arrangements for notification of cancellation of insurance should be altered to require insurers to notify MID and DVLA immediately of any policy cancellation, with appropriate penalties for non-compliance.

- 4.27 Recommendations 12 to 15 clearly have important implications for the insurance industry and will require appropriate business process re-engineering to ensure compliance. In practice it will mean that motor

insurers will not be able to issue valid RTA insurance unless they are also capable of fulfilling the MID requirement. This in itself involves a key sanction in that insurers who are unable to make timely updates to the MID would only be able to transact business where there is a long lead-time between purchase of insurance and the activation of the policy.

INSURING THE DRIVER OR INSURING THE VEHICLE

- 4.28 There are differences between the United Kingdom and other Member States in the EU in the risk that is insured. Most countries in Western Europe insure the vehicle whilst in the UK it is the driver that is the insured risk. The JDI Report specifically drew attention to this and raised the issue of whether this had anything to do with differences in the incidence of uninsured driving across countries. That Report speculated that proof of insurance might be easier when the vehicle is the insured risk than when an individual motorist is insured, because it is currently easier to verify the identity of a vehicle than it is to verify the identity of an individual at a roadside check. If it could be established that insuring the vehicle rather than the driver did benefit enforcement and did so without any offsetting adverse consequences, then change would be worth contemplating.
- 4.29 The fact that there are differences between the UK and the rest of the EU is largely due to the historical evolution of the industry in the UK. Specifically, it has been less heavily regulated, direct government provision has been absent and it has generally been a more competitive market. The core argument for insuring the driver is that it is the driver, not the vehicle, that is responsible for the risk and it is possible to relate price much more closely to risk than would be the case in a vehicle based system. Safer drivers with a good driving record then pay a lower premium than those with a history of being involved in road traffic accidents. Given the very strong correlation between age and risk, this means among other things that younger drivers pay higher premia.
- 4.30 In principle, with vehicle-based insurance, once a policy has been issued, anyone can drive the vehicle as long as he or she has the registered keeper's permission. In practice it is not quite that straightforward as, increasingly, insurers writing business in continental Europe are requesting driver details and using this information to inform their pricing.
- 4.31 If the UK were to move to a regime grounded on insuring the vehicle, several consequences are probable. First, it is likely that there would be a narrowing of the range of premiums charged, because underwriters would not be able to discriminate individual risk as finely as at present. This would almost certainly mean that (current) high-risk drivers would pay less and low risk drivers more. Second, with fewer risk factors on which to price, it is probable that average premia could increase as insurers attempt to cover for greater uncertainty. Finally, the offence of driving without insurance would effectively be de-criminalised. This follows because driving without insurance would only be deemed to have occurred if an individual were driving without the permission of the registered keeper. This would be a civil matter between the registered keeper, his/her insurance company and the driver. If the overarching objective of policy is

to reduce the incidence of uninsured driving, one would need to question what kind of signal this sends to those minded to break the law.

- 4.32 There are also reasons for believing that a switch could have adverse consequences for road safety. With a narrowing of premia, low risk drivers would effectively be subsidising high risk drivers. In particular, it is possible that more younger drivers would be priced into driving high performance vehicles, something which is minimised under current arrangements. Experience in Canada is instructive in this regard. There, four Provinces have social insurance of the vehicle. In other words, motor insurance is publicly provided with premiums averaged across all risks. The remainder have market based systems. Premia in the latter are much more widely spread because of closer pricing to risk using age, gender, location and so on as rating factors. Recent analysis estimates that the smoothing inherent in the social insurance Provinces results in fatality rates that are 18% higher and young male admissions to hospitals that are 57% higher.²⁰
- 4.33 The UK's record on road traffic fatalities compares very favourably with other EU Member States. For example, in 2001 the fatality rate for 15 to 24 year olds was 12.4 per 100,000 population in the UK compared to 28.7 in France, 20.4 in Germany, 19.9 in Italy, 30.8 in Belgium and 20.7 in Spain.²¹ A regime change to vehicle-based insurance would almost certainly put more road users at risk of being involved in road traffic accidents and increase the vulnerability of young drivers in particular.
- 4.34 But would switching to insuring the vehicle benefit enforcement of the law? At present when an insurance policy is issued, details of the individual driver(s) and the vehicle are generally included on that policy and details of both are uploaded to the MID. If the MID is to be the foundation for enforcement from the record and it is a requirement that insurance policies contain information on drivers and vehicles, then any vehicle which cannot be located in the MID can reasonably be deemed uninsured (assuming of course that the MID is up-to-date). There remains the issue of establishing the identity of an individual driver but that is already an issue for the enforcement agencies and one that will not be dealt with satisfactorily until such times as individuals are legally required to carry proof of identity at all times.
- 4.35 There is no evidence to support a simple correlation between insuring the vehicle or individual and levels of uninsured driving. Both Sweden and Italy insure the vehicle and uninsured driving is lower than the UK in Sweden but higher in Italy. As acknowledged elsewhere in this Report, the problem is multi-factoral in its causes and will require a multi-element strategy to make progress. There are no sound reasons for believing that switching the basis of insurance from the individual to the vehicle will have any decisive impact on the incidence of uninsured driving. It could, however, result in less efficient market provision; with prices being less closely related to risk with adverse consequences for road safety.

²⁰ M. Mullins 'Public Auto Insurance: A Mortality Warning for Motorists' *Fraser Alert* (2003), The Fraser Institute.

²¹ Data from International Road Traffic and Accident Database.

Recommendation 16: Insurance of the individual driver rather than insurance of the vehicle should continue to be the basis for third party liability cover in the UK.

4.36 The balance of arguments and evidence therefore favours a continuation of current arrangements that permit insurance providers to price to risk. However, the industry has a responsibility to organise its business in ways that are helpful rather than unhelpful to the enforcement agencies. This not only means rapid entry of accurate data on the MID, it also means that data entered should include information on both driver and vehicle. For the overwhelming majority of policies written, this is unproblematic and indeed is exactly what happens currently. It would, however, effectively mean that 'drive any (un-named) vehicle' policies would have to be reviewed and discontinued. It would also mean that fleet and motor trade policies would also have to carry an obligation to dual notification.

Recommendation 17: Every motor insurance policy which is issued should contain information on both the insured driver(s) and the vehicle(s) they are insured to drive, in order to ensure that the relevant agencies can confidently use the MID to enforce insurance from the record.

DIVERSIFYING PENALTIES FOR NON-COMPLIANCE

4.37 Penalties for non-compliance is a controversial issue, on which strong views were expressed by the insurance industry, Police, Magistrates Association and the general public. In 2003 uninsured driving was made a fixed penalty offence, the penalty being £200. This level was set following extensive consultation and views differ as to whether it is too high (thereby encouraging drivers to opt for prosecution instead) or too low (and so not adequately reflecting the seriousness of the offence).

4.38 In the event that a fixed penalty offer is not accepted and the offence proceeds to court, Magistrates can in principle levy a fine of up to a maximum of £5,000. They cannot impose custodial sentences. In practice, however, average fines are much lower. In 2001 there were almost 267,000 convictions for uninsured driving in England and Wales. The average fine levied by Magistrates Courts was £146. In 51% of all cases the fine was less than £100.²² Moreover, for many of those subject to these penalties, their fines can be repaid in instalments.

4.39 Average fines at these levels cause obvious frustration to the industry and indeed to the honest motorist. Both take the view that they cannot act as a deterrent when they are a fraction, rather than a multiple, of the insurance premium which offenders are avoiding. The view taken by the Magistrates Association is that in sentencing they are specifically obliged by statute to take ability to pay into account. Levying higher fines may in any case be

²² 'Offences Relating to Motor Vehicles, England and Wales 2001', Home Office (2003).

ineffective since for many offenders there may be no realistic prospects of them being paid.

- 4.40 For some who are driving uninsured, a low likelihood of being caught combined with a low expected fine if he/she is caught is sufficient to make it rational to take a chance. For these, dramatically raising the likelihood of detection may in itself be sufficient to persuade them that it is not worth taking the chance and the measures recommended earlier could bring this sub-set within the law. For those persistent offenders, however, who are unlikely to be deterred by an increase in the likelihood of detection, as they are clearly undeterred by current penalties, other penalties that might be more effective are required.
- 4.41 During consultation and evidence gathering a range of views were expressed. These included higher fines, greater use of custodial sentences, greater use of community service orders and providing Police Forces with powers of vehicle seizure.
- 4.42 The evidence to support a regime of higher fines being the whole answer is lacking. After all, the courts can currently levy fines of up to £5,000 but choose not to on grounds of ability to pay and many of those that are levied go unpaid. However, a perverse incentive is currently provided to offenders who know they can refuse a fixed penalty of £200 and go to court in the expectation that the actual fine will almost certainly be less than this. Not only does this send a perverse signal but, in responding to this signal, offenders waste police and court time. This signal should be removed.

Recommendation 18: Sentencing guidelines for Magistrates should be revised to require a minimum fine for uninsured driving which exceeds the fixed penalty.

- 4.43 Custodial sentences may be used for those guilty of other criminal offences whilst driving uninsured. The judgement as to when to impose such a penalty must clearly be left to the discretion of the courts. Since, however, fines are clearly not an effective deterrent for all offenders, the criminal justice system needs to evolve in such a way as to provide more credible and more effective deterrents, not only because driving uninsured is a criminal offence in itself but also because we know that it is highly correlated with other criminal activity and likely to be associated with vehicles that are not roadworthy and more likely therefore to cause injury and damage.
- 4.44 The guidelines to which Magistrates work include the option of a community penalty. However, this can only take the form of community rehabilitation or a curfew order. Neither involves community service or direct restitution to victims. These do have their own logistical problems with compliance but that in itself is not an argument against greater reliance on them. Rather, it is an argument for careful thought to what might be available.

Recommendation 19: A review should be undertaken of the non-fiscal penalties which could be made available to Magistrates in dealing with uninsured drivers.

4.45 The concentration of convictions for uninsured driving among young inner-city males is very striking. As we have noted at various points, we do not know a great deal about the behaviours and attitudes of this group of the population. One common practice among this group does, however, appear to be car pooling or vehicle sharing; a low value vehicle is acquired and shared by the group. Often the vehicle in question is not registered nor certified as roadworthy. There would almost certainly be road safety benefits in such vehicles being removed from our roads. There are also likely to be benefits for levels of vehicle related crime since many such vehicles are known to be associated with other criminal activity. At present Police Forces do not have the legal authority to impound these vehicles. Yet there are grounds for believing that doing so would not only assist with efforts in controlling vehicle related crime, it could also have a direct impact on driving uninsured.

4.46 Impounding of vehicles and eventual confiscation is now an instrument available to the enforcement agencies for increasing compliance with vehicle excise duty. Vehicles without valid duty can be removed from the roadside and impounded. They can only subsequently be redeemed after production of evidence of valid VED and payment of storage and release fees. Failure to do so within a specified period results in disposal of the vehicle.

Recommendation 20: Police Forces should be given the power to seize and, in appropriate circumstances, destroy vehicles which are being driven uninsured.

COMPLEMENTARITY WITH OTHER POLICIES

4.47 The Recommendations set out above complement rather than cut across other current Government policies and industry initiatives. Specifically:

- The Government's Road Safety strategy 'Tomorrow's Roads: Safer for Everyone' has among its key targets reductions in road accidents and fatalities and improvement in driver training and education. Reducing the incidence of uninsured driving will almost certainly have a positive impact on reducing road accidents and fatalities.
- ACPO's stated aim is 'Denying Criminals the Use of our Roads' and the Home Office recognises the crime reduction potential of effective roads policing. Increasing enforcement efforts to drive down uninsured driving is clearly consistent with this.

- The extended use of ANPR and its funding by netting off fixed penalty income is currently being piloted. Putting this on a permanent basis would clearly benefit a drive to lower driving without insurance.
- Agency modernisation is being actively promoted. Among other things, this has targeted DVLA's processes to develop on-line business, tighten record-keeping and facilitate more intelligent use of databases to ensure compliance. Enhancing MID's capability and increasing its use aligns well with these initiatives.
- The insurance industry, through the ABI, has invested resource in raising awareness of the incidence of uninsured driving and its costs and consequences through the publication of such brochures as *One in Twenty* and *Safer, Cheaper, Legal*. The awareness raising initiative recommendation above is clearly complementary.
- Initiatives targeted at reducing the incidence of other road traffic offences, such as driving unregistered vehicles, avoiding VED and driving at excess speed, clearly align with the measures proposed to reduce uninsured driving.

IMPLEMENTATION

4.48 Successful implementation of the strategy outlined in this Review would involve a range of organisation and agencies. Specifically:

- Raising Public Awareness and Vigilance (Recommendations 3, 4 and 5): Department for Transport, Driving Standards Agency and insurance providers.
- Pricing Young Drivers into the Market (Recommendations 6 and 7): DVLA, Driving Standards Agency and insurance providers.
- Improving Detection Rates and Compliance (Recommendations 9, 10, 11, 12, 13, 14, 15 and 16): Home Office, Department for Transport, Police Forces, MIB and insurance providers.
- Diversifying Penalties for Non-Compliance (Recommendations 18, 19 and 20): Home Office.

4.49 If this strategy is accepted, its implementation will need to be carefully planned and individual measures appropriately sequenced. For example, an initiative designed to raise public awareness would be inappropriate until the threat of more effective enforcement was credible. That threat will only be credible when Police Forces can enforce from the record, which relies upon them having easier access to a more reliable MID. Considerable thought will need to be given to implementation to reassure the general public that action will be taken quickly and will be effective. These are matters for the Secretary of State to consider, should the Recommendations of this Review be accepted.

Chapter 5

Conclusions

- 5.1 In recent years the incidence of uninsured driving in the UK has increased, as have its associated costs to society. The proportion of motorists who choose to drive without insurance cover is high relative to some EU Member States. The fact that the incidence is as low as one per cent in some countries confirms that, in principle, it is possible to reduce incidence in the UK below an estimated 5% of motorists. Moreover, it is clear that there is strong public support for achieving this.
- 5.2 This Report has set out a strategy designed to have a significant impact on uninsured driving. The Review process confirmed that this is a complex issue that cannot be effectively dealt with by implementing any specific measure: there is no magic pill for the problem. Rather, a cocktail of measures is required, targeted at enhancing prevention, improving compliance and strengthening enforcement.
- 5.3 The process of consultation and analysis that underpinned this Review has resulted in 20 specific recommendations. Collectively, these comprise a strategy for tackling the problem of uninsured driving by bringing into the market some of those who currently commit this crime and by denying others the use of our roads. If implemented, these measures should have a significant impact on the incidence of uninsured driving, with beneficial financial consequences for honest motorists and wider social, including road safety, benefits.

Appendix 1

Terms of reference

1. To carry out an independent review of the UK's compulsory motor insurance arrangements which provide third party liability insurance cover for the protection of victims of road traffic accidents. This review follows recommendations on reducing vehicle crime made by the Jill Dando Institute of Crime Science, which highlighted the high level of uninsured driving in the UK compared to other European states.
2. The purpose of the review is to produce recommendations for improving the effectiveness of compulsory motor insurance in the context of uninsured driving and shall focus particularly on changes that might help to reduce the high levels of uninsured driving in the UK.
3. In comparing options the Contractor shall consider the relative costs and benefits, the level of premiums, the factors affecting them and their effect upon the various social and economic groups.
4. A key task for the Contractor shall be to consider the practical implications of the UK system of 'insuring the driver' against the system of 'insuring the vehicle' which operates in other parts of the European Union. In particular, the Contractor shall report on how the two insurance models affect:
 - enforcement of the insurance requirement
 - the ease with which claims are made
 - driver behaviour and road safety
 - vehicle crime.
5. The Contractor shall make recommendations based on market provision of third party liability motor insurance. He shall not consider Government provision of motor insurance through tax-based or levy-based systems.

Appendix 2

Organisations, corporate bodies and agencies consulted

Admiral Insurance
Aon Limited
Association of British Insurers
Association of Chief Police Officers
Automobile Association
British Insurance Brokers' Association
Corinthian Insurance
Co-operative Insurance Society
Direct Line Insurance
Driving and Vehicle Licensing Agency
Equity Red Star (Cox)
e-sure
J. Hatty and Company
Highway Insurance
Home Office
James and Browne Insurance Brokers Limited
KGM Motor Policies at Lloyd's
Lloyd's Motor Underwriters Association
Magistrates' Association
Marsh Limited
Motor Accident Solicitors' Society
Motor Insurance Bureau
Motor Insurers' Information Centre
Motor Investigation Agency
Motorists' Forum
North Wales Police
Northamptonshire Police
Norwich Union
Nottinghamshire Police
One Call Insurance Services
Provident Insurance
Royal Automobile Club
Sabre Insurance Company Limited
South Yorkshire Police
University of Nottingham's Centre for Risk and Insurance Studies
Willis Limited

Appendix 3

Individuals consulted

Lorna Adams, Director, IFF Research
 Julian Beardsworth, Head of Statistics and Development, Norwich Union
 Rebecca Bell, Royal Automobile Club
 Geoffrey Biddulph, Head of Road Crime Section, Home Office
 Clive Bolton, Director of Pricing and Head of Underwriting, Norwich Union
 Allan Briscoe, Chairman, Aon Limited
 Lisa Brittan, Senior Underwriter, Sales and Marketing, Norwich Union
 Eamonn Browne, Director, James and Browne Insurance Brokers Limited
 Richard Brunstrom, Chief Constable, North Wales, and Head of Road Policing in the UK
 Karen Bunt, Director, IFF Research
 Martyn Capewell, Chief Executive, Corinthian, Barking
 Liz Chettlesborough, Public Affairs Manager, Norwich Union
 Sir Trevor Chinn, Chairman, Motorists' Forum
 Mark Collier, Chief Executive, Provident
 Adrian Curd, Divisional Director, Global Property and Casualty, Willis Limited
 Jo Dagustun, Head of Motor Insurance, Association of British Insurers
 Iain Davanna, Statistical Analyst, Association of British Insurers
 John Dawson, Director, The AA Motoring Trust
 Steve Diacon, Professor of Insurance Management, Centre for Risk and Insurance Studies, University of Nottingham Business School
 Kevin Dowd, Professor of Financial Risk Management, Centre for Risk and Insurance Studies, University of Nottingham Business School
 Neil Drane, Head of Motor Insurers' Information Centre, Motor Insurers' Bureau
 Paul Fenn, Norwich Union Professor of Insurance Studies, Centre for Risk and Insurance Studies, University of Nottingham Business School
 Maurice Fuller, Fleet Insurance Manager, Norwich Union
 Stephen Green, Chief Constable, Nottinghamshire Police, and Chair of the Road Policing Operational Forum
 Elliot Griffiths, Chair, Magistrates' Association
 Fred Hackman, Branch Head, LRI Division, Department for Transport
 Anthony Hammill, Banking and General Insurance Team, HM Treasury
 Colin Hart, Underwriter of KGM Motor Policies at Lloyd's
 Roger Henderson, Uninsured Driving Committee, Motor Accident Solicitors' Society
 Stephen Hickey, Director General, Driver Vehicle Operator Group, Department for Transport
 Chris Hill, Underwriting Director, Highway Insurance

Trevor Horton, Director, External and Corporate Services, Driver and Vehicle Licensing Agency

Andrew Howard, Head of Road Safety, Automobile Association

Meredydd Hughes, Deputy Chief Constable, South Yorkshire Police

Wynn Hughes, Chairman, Motor Investigation Agency

Anthony Jeeves, Department of Constitutional Affairs

Ian Johnstone, Deputy Chairman, Marsh Limited

Richard Jones, Divisional Manager, LRI Division, Department for Transport

Roger Jones, Executive Chairman of Lloyd's Motor Underwriters Association

Magarida Judice, Watson Wyatt

Simon Kneller, IT Director, Provident

Lawrence Locknaeye, Underwriting Manager, Norwich Union

Jane Loney, Senior Executive, Motor Accident Solicitors' Society

Donald Martin, Motor Insurers' Information Centre and Managing Director, CTK Limited

Anne McAleer, Group Manager, Vehicle Policy, Driving and Vehicle Licensing Agency

Ewan McClure, Partner, J. Hatty and Company

Keith Morris, Chairman, Sabre Insurance Company Limited

Dawn Neild, Underwriting Analyst, Co-operative Insurance Society

Chris O'Brien, Director, Centre for Risk and Insurance Studies, University of Nottingham Business School

Diana O'Keefe, Statistical Analyst, Association of British Insurers

John Parker, Head of General Insurance, Association of British Insurers

Mike Pickard, Head of Risk and Underwriting, e-sure

David Prescott, Secretary, Motorists' Forum

Nick Purdie, Inspector, Northants Police

John Radford, Managing Director, One Call Insurance Services

Tom Roberts, Policy Adviser, LRI Division, Department for Transport

Alex Roy, Senior Economist, Association of British Insurers

Richard Rumbelow, Strategy and Public Affairs Manager, Direct Line

David Stevens, Pricing and Claims Director, Admiral Insurance

Stephen Treloar, Commercial Director, Direct Line

Michael Tripp, Watson Wyatt

Graeme Trudgill, Manager, Technical Services, British Insurance Brokers Association

Doug Valgren, Head of Telematics Project, Norwich Union

Adrian Webb, Head of External Communications, e-sure

Ashton West, Group Chief Executive, Motor Insurers' Bureau

Ray White, Underwriter of Equity Red Star (Cox)

Frank Whiteley, Deputy Chief Constable, Northamptonshire Police

Lesley Whittaker, Co-operative Insurance Society

Appendix 4

Written submissions received

Association of British Insurers
British Insurance Brokers' Association
Co-operative Insurance Society
Department of the Environment, Northern Ireland
Driver and Vehicle Licensing Agency
Gloucestershire County Council
Geoffrey Biddulph, Head of Road Crime Section, Home Office
Mr Elliot Griffiths, Magistrates' Association
Wynn Hughes, Motor Investigation Agency
Lloyds Motor Underwriters' Association
Members of the General Public
Motor Accidents Solicitors' Society
Royal Automobile Club
Royal Bank of Scotland Insurance
Motor Insurers' Bureau
Motorists' Forum
Richard Brunstrom, Chief Constable, North Wales Police, and Head of Road Policing in the UK
Norwich Union
Sabre Insurance
Young Persons Nationwide

This independent review was commissioned by the government in response to growing public concerns about the incidence of uninsured driving in the United Kingdom. The review provides an overview of the scale and costs of uninsured driving and proposes to government a series of recommendations intended to reduce its incidence.

Price £14
ISBN 1 904763 48 0

