



Department for Transport

A consultation on amending the Road Traffic Act 1988 to remove the need for motor insurance certificates

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Department for Transport
Great Minster House
33 Horseferry Road
London SW1P 4DR
Telephone 0300 330 3000
Website www.dft.gov.uk
General email enquiries FAX9643@dft.gsi.gov.uk

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Executive summary

1. This consultation seeks views on the principle of removing the need for insurers to issue a motor insurance certificate. Currently, under the provisions of section 147(1) and (2) of the Road Traffic Act 1988, a policy of motor insurance is not valid unless the insurer issues an insurance certificate or a certificate of security to the policy holder. This certificate can be delivered as a hard copy (usually in the post) or electronically (via email or the web). The certificate is used as evidence of valid insurance cover and there are circumstances when it must be produced by the insured to demonstrate they have valid cover.
2. The proposal stems from the Government's Red Tape Challenge initiative, designed to reduce unnecessary regulation and bureaucracy within road transport. In December 2011, the Department for Transport announced a number of measures to reduce paper work for motorists. One of these measures was removing the need for motor insurance certificates.
3. All policies of insurance are already recorded on a central database, the motor insurance database (MID) which is managed under the guardianship of the Motor Insurers' Bureau (MIB). Insurers are required by law to enter details of all motor insurance policies onto the MID. This consultation document considers using the MID as the single source for checking if insurance cover is in place and explores what further changes and developments are needed to facilitate this.
4. In addition to removing unnecessary paperwork, there are practical advantages in abolishing certificates and using a single source, such as the MID, as the record of insurance. Certificates can be easily forged or a policy may be cancelled leaving invalid certificates in circulation. Therefore checking the record on the MID would provide a more accurate position of the insurance status of a vehicle. A number of organisations already use the MID as de facto evidence that insurance cover is in place. In particular, the use of data from the MID is integral to enforcement activity in identifying uninsured vehicles.
6. We welcome your views on any of the issues raised and the questions posed in this document. We would also welcome any views on the Impact Assessment which assesses the costs versus the benefits of the proposal.

How to respond

The consultation period began on 13 November 2012 and will run until 11 January 2013. Please ensure that your response reaches us before the closing date. If you would like further copies of this consultation document, it can be found at www.dft.gov.uk/consultations or you can contact Christopher Curson if you would like alternative formats (Braille, audio CD, etc).

Please send consultation responses to

Christopher Curson
Zone 3/21 Department for Transport
33 Horseferry Road
London
SW1P 4DR

Phone number 020 7944 6650

Email address InsuranceCertificate.Removal@dft.gsi.gov.uk

When responding, please state whether you are responding as an individual or representing the views of an organisation. If responding on behalf of a larger organisation, please make it clear who the organisation represents and, where applicable, how the views of members were assembled.

Freedom of Information

Information provided in response to this consultation, including personal information, may be subject to publication or disclosure in accordance with the Freedom of Information Act 2000 (FOIA) or the Environmental Information Regulations 2004.

If you want information that you provide to be treated as confidential, please be aware that, under the FOIA, there is a statutory Code of Practice with which public authorities must comply and which deals, amongst other things, with obligations of confidence.

In view of this it would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information, we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on the Department.

The Department will process your personal data in accordance with the Data Protection Act (DPA) and in the majority of circumstances this will mean that your personal data will not be disclosed to third parties.

The proposals

What is the current position?

1. Under Section 147(1) and (2) of the Road Traffic Act 1988 a policy of motor insurance is only valid if a certificate of insurance or security is issued. The certificate is used as evidence of insurance and can be issued either as a hard copy document in the post or electronically via email or internet. As evidence of insurance, a number of bodies ask to see it including the police, the courts, local authorities (for parking permits), and hire/vehicle rental companies.
2. The Motor Vehicles (Third Party Risk) Regulations 1972 describe what information certificates must contain and some of the occasions when they need to be produced. Certificates fall broadly into two categories – certificates which specify the vehicle registration and certificates which do not for example commercial policies which insure vehicles in use under a company name.
3. The Motor Insurers' Database (MID) has long been established as the UK's central record of insurance policies. EU Directive 2009/103/EC which consolidates a series of earlier Directives, requires all member states to have a central database of motor insurance policies. This provision is transposed into UK law by the Motor Vehicles (Compulsory Insurance) (Information Centre and Compensation Body) Regulations 2003. Insurers are required by law to enter details of all motor insurance policies onto the MID; the guardian of the database is the Motor Insurers' Bureau (MIB). Motorists can already check to see if their vehicle is recorded on the MID through the industry's askMID website (www.askmid.com).
4. In the event of a claim being made, insurers will check the MID to establish whether an insured had valid cover at the time of the incident. Given claims may be presented some years after the accident, insurers do not rely on seeing the original certificate held by the policy holder. In any case, many policy holders would not retain the certificate beyond its validity date.
5. The Police has powers to request a certificate of insurance to be produced, but this is becoming less common. Checking the insurance status of a vehicle at the roadside through the MID is a quicker and more effective use of police resource. The Police already obtain limited information from the MID to identify uninsured drivers and have access to the MIB's police helpline to check insurance status direct with insurers.
6. Drivers currently need to provide proof of insurance when applying to pay Vehicle Excise Duty (VED). As part of the Red Tape Challenge the DVLA is proposing to eliminate this requirement and the proposal is being taken forward in a separate consultation.

What do we propose?

7. We propose that, instead of a certificate, evidence of insurance would be the record held on the MID. We do not propose any change in practice to how insurers issue their policies which contain the full terms and conditions between the policy holder and the insurer. Removing the need for issuing a certificate requires a change in primary legislation, in particular amending section 147 (1) and (2) of the Road Traffic Act 1988 but changes are also likely to be needed to secondary legislation where certificates are referred to.

Why do we want to change?

8. Our policy objective is to establish a single source for checking whether a driver and vehicle has valid insurance with appropriate access for those that need to make such checks. We consider this would be more effective than having to rely on a variety of separately issued certificates. It reduces paperwork for motorists, and insurers would also save on administration costs. The Impact Assessment provides further details of the benefits and costs.

9. For those who need access to check the insurance status of a vehicle (e.g. the police, lease/hire companies), on line access to the MID would be quicker and more reliable than relying on motorists to provide insurance documents. Although the insurance certificate is currently evidence of insurance, for practical purposes many organisations already use information from the MID as the basis for checking that a vehicle has an insurance policy in force. The wider use of the MID as the record of insurance would therefore reduce the potential for forged or fraudulent use of certificates and in many respects reflects what has already become working practice.

Question 1

Do you agree with the policy objective and that the law should be amended to abolish insurance certificates and instead make the record on the MID evidence of insurance? If not, why not?

How we propose to do it

10. Moving from a long established practice of issuing certificates to one where the MID holds the record of insurance requires some change in practice, wider access to the MID as well as consumer confidence that their record of insurance is accurate. We recognise that this would require investment from the insurance industry to get the process right and to ensure that it achieves a better customer experience. Some of the key areas which would need to be considered are covered below.

Keeping records on the MID

11. The MID already records key information which appears on the insurance certificate for example the names of those insured, vehicle registrations, validity dates. Policy holders are likely to want some way of confirming that the entry on the MID is representative of the whole contract they have with their insurer. The policy document would remain the contract between the insured and their insurer but it is possible that the document would need to cover some information that is traditionally provided on the face of the certificate. We consider it is important that the insured is in no doubt about, and can easily understand, what level of insurance cover he has, and any changes during the life of the policy. The certificate is currently used as the mechanism to advise or confirm any changes to customers.

12. Insurers issue commercial policies or open cover policies which specify the company name but do not list all vehicles covered by the terms of the policy. Such commercial policies provide the flexibility that fleets, motor traders or companies need working in an environment where there is a constant flux of vehicles in their possession. These policy holders have a legal responsibility to ensure that they list their vehicles in use and enter the vehicle registrations onto the MID, and they may use their insurer or an intermediary to update the MID on their behalf. While policy holders are already obliged to update the MID, the policies they hold are more likely to see in year changes compared with private motorists. The need to update the MID and the information it is capable of holding would need to give reassurance to users of the MID that it is accurate if the MID record to be is used as evidence of insurance.

Question 2

If there were no certificate, in what ways do you feel that insurers could best communicate any changes to levels of insurance cover?

Question 3

Do you feel any change in practice would be needed in respect of commercial policies? If so, what changes would you wish to see? What impact do you feel this would have on commercial policy holders?

Access to the MID

13. In order to be a suitable replacement for insurance certificates, wider access to the MID would be needed. Presently the policyholder can check if their vehicle is insured through the industry's askMID website (www.askmid.com). However, the information it provides is limited and does not provide all details for example named drivers, any restrictions or conditions of use, or validity dates. It would be reasonable to assume that policy holders would want access to see on the MID at

least the same information they see on the certificate. We also recognise that policyholders will want reassurance that they are indeed insured in line with the terms and conditions agreed with the insurer. We are working with the insurance industry on what access can be provided and, while no final decisions have been taken on what the infrastructure platform will be, we would anticipate on line access via the internet with protected levels of access.

14. We recognise there must be safeguards about how information is accessed. Insurers are already subject to data protection rules and must ensure that sensitive or personal information is handled in accordance with data protection laws. We would work with the industry to ensure that the appropriate safeguards are put in place.

Question 4

What access or information do you think policy holders will want to see? Do you agree that policyholders would want the same information as they currently receive in the insurance certificate? If not, why not?

Question 5

Do you have any data protection concerns? If so, what are they and what measures do you think should be introduced to resolve them?

15. It will also be the case that some drivers would still need evidence of insurance in hard copy format, possibly as a downloaded document or sent by post. Motorists who travel outside of the European Union (EU) will continue to need from their insurer a “green card” as evidence of insurance. For travel within the EU, where motorists can rely on a certificate as evidence, a hard copy of a certificate would be needed to provide evidence to foreign enforcement authorities who do not have access to the MID. There will also be policy holders that do not have on line access or do not wish to use on line access. Some insurers may also prefer to have the flexibility to issue a certificate as well as maintain a record on the MID.

Question 6

Do agree that there should be an option to issue a hard copy of the record of insurance e.g. those travelling to other Member States in the EU?

Question 7

Are there any other circumstances where you think a hard copy document should still be issued?

16. There are other parties that need to check if a vehicle is insured and, in many cases, currently rely on seeing an insurance certificate. The Police currently have limited access to the MID via their Police National Computer and also receive

information about potentially uninsured vehicles to target vehicles on the road through their Automatic Number Plate Recognition (ANPR) system. The hire and rental vehicle companies generally rely on seeing an insurance certificate although some have limited access to check the MID through their members' associations. Better and wider access to the MID would reduce companies' dependence on the insured providing evidence. There are of course others who rely on seeing the insurance certificate, for example local councils for parking permits who would also need access to the MID.

Question 8

Is there further information that the Police should have?

Question 9

What other parties do you think would need access?

Accuracy of the MID

17. We have already raised the principle as part of the broader Road Transport Red Tape Challenge consultation between May and July last year and announced our intention to make this change. There were few comments specifically about this principle but those who did comment wanted assurances that the MID was accurate.

18. We recognise that motorists will want to be sure that they are validly insured and if the MID record is used as evidence of insurance, that the record is correct. The insurance industry's target is that 95 per cent of new records for individual insurance policies (both new policies and cancellations) should be on the database within seven days. The industry estimates that this target is currently achieved within four days and nearly 99 per cent of records are updated on the database within seven days. But we know that some commercial policies take longer. We consider it is important that this turnaround time is reduced to enable the MID to provide as up to date information as possible and we are working with the insurance industry on how this could be best achieved.

Question 10

What measures do you think would give motorists confidence in the accuracy of the MID to ensure it is effective as an alternative to the certificate of insurance as evidence of insurance?

Conclusion and what happens next.

19. Currently, an insurance policy is only valid if the insurer issues a certificate. We are considering the principle of removing the need for insurers to issue a certificate and use the record held on the MID as evidence of insurance. The

objective is to establish a single source for checking whether a driver and vehicle has valid insurance with appropriate access for those that need to make such checks.

20. A summary of responses, including the next steps, will be published within three months of the consultation closing on <http://www.dft.gov.uk/>
Paper copies will be available on request.

Consultation questions

Question 1

Do you agree with the policy objective and that the law should be amended to abolish insurance certificates and instead make the record on the MID evidence of insurance? If not, why not?

Question 2

If there were no certificate, in what ways do you feel that insurers could best communicate any changes to levels of insurance cover?

Question 3

Do you feel any change in practice would be needed in respect of commercial policies? If so, what changes would you wish to see? What impact do you feel this would have on commercial policy holders?

Question 4

What access or information do you think policy holders will want to see? Do you agree that policyholders would want the same information as they currently receive in the insurance certificate? If not, why not?

Question 5

Do you have any data protection concerns? If so, what are they and what measures do you think should be introduced to resolve them?

Question 6

Do agree that there should be an option to issue a hard copy of the record of insurance e.g. those travelling to other Member States in the EU?

Question 7

Are there any other circumstances where you think a hard copy document should still be issued?

Question 8

Is there further information that the Police should have?

Question 9

What other parties do you think would need access?

Question 10

What measures do you think would give motorists confidence in the accuracy of the MID to ensure it is effective as an alternative to the certificate of insurance as evidence of insurance?

Annex A

Impact assessment

The Impact Assessments for the proposals contained in the attached Annex

When responding to the consultation, please comment on the analysis of costs and benefits, giving supporting evidence wherever possible.

Please also suggest any alternative methods for reaching the objective and highlight any possible unintended consequences of the policy, and practical enforcement or implementation issues

Title: Amend Road Traffic Act 1988 to remove motor insurance certificates IA No: Lead department or agency: Department for Transport Other departments or agencies:	Date: 16/12/2011 Stage: Development/Options Source of intervention: Domestic Type of measure: Primary legislation Contact for enquiries: Geoff Finch.dft.gsi.gov.uk
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Summary: Intervention and Options

RPC: RPC Opinion Status

Cost of Preferred (or more likely) Option				
Total Net Present Value	Business Net Present Value	Net cost to business per year (EANCB on 2009 prices)	In scope of One-In, One-Out?	Measure qualifies as One-Out?
£288.25m	£288.35m	-£33.5m	Yes	Out

What is the problem under consideration? Why is government intervention necessary?

Under Section 147(1) of the Road Traffic Act 1988 a policy of insurance is only valid if there is a certificate of insurance issued (either as a hard copy by post or an electronic one issued via email or internet). The law requires the policyholder to produce the certificate as evidence of insurance, for example to the police or the courts. As part of the Government's Red Tape Challenge for road transport we examined what policy measures might be placing unnecessary burden on motorists and proposed to remove the need for a certificate in order to reduce paperwork for motorists and insurance providers. Government intervention is required in order for amendments to be made to the Road Traffic Act.

What are the policy objectives and the intended effects?

The objective is to remove the insurance certificate and reduce administration and paperwork. The intended effect is to save insurers administration costs from issuing copies of insurance certificates. Policyholders should realise benefit from insurers passing on their saving in costs through reduced premiums and from not having to keep hard copies of the insurance policy. On line access to the Motor Insurance Database (MID) which holds all insurance policies, if used as the legal proof of insurance, would be quicker and more reliable than relying on motorists providing insurance documents for those that need access to check insurance status (e.g. the police, lease/hire companies),.

What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base)

Option 1 – Do nothing.

Option 2 - Repeal Section 147 (1) of the Road Traffic Act 1988 to remove the Certificate of Insurance as the legal proof of motor insurance and designate the Motor Insurers' Database (MID) as the legal record. This would reduce the cost and administrative burden on insurers and ultimately to policyholders through reduced premiums.

Will the policy be reviewed? It will/will not be reviewed. **If applicable, set review date:** Month/Year

Does implementation go beyond minimum EU requirements?			N/A		
Are any of these organisations in scope? If Micros not exempted set out reason in Evidence Base.	Micro Yes	< 20 Yes	Small Yes	Medium Yes	Large Yes
What is the CO ₂ equivalent change in greenhouse gas emissions? (Million tonnes CO ₂ equivalent)			Traded: N/A		Non-traded:

I have read the Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options.

Signed by the responsible Minister:

Date:

Summary: Analysis & Evidence Policy Option 2

Description: Amend the Road Traffic Act to remove the requirement of a certificate of insurance

FULL ECONOMIC ASSESSMENT

Price Base Year	PV Base Year	Time Period	Net Benefit (Present Value (PV)) (£m)		
			Low: Optional	High: Optional	Best Estimate:
COSTS (£m)	Total Transition (Constant Price) Year		Average Annual (excl. Transition) (Constant		Total Cost (Present Value)
Low	Optional		Optional		Optional
High	Optional		Optional		Optional
Best Estimate	£15m		0		£15m
Description and scale of key monetised costs by 'main affected groups'					
There is a monetised cost to insurers from amending IT systems to ensure that organisations such as the police, courts and policyholders have access to the MID and that the system is fit for purpose and would protect personal information. Evidence on the costs of similar changes made in past projects of this size, suggests that the one-off cost of this for insurers would be £15 million.					
Other key non-monetised costs by 'main affected groups'					
None.					
BENEFITS (£m)	Total Transition (Constant Price) Year		Average Annual (excl. Transition) (Constant		Total Benefit (Present Value)
Low	Optional		Optional		Optional
High	Optional		Optional		Optional
Best Estimate	0		£35.3m		£303.3m
Description and scale of key monetised benefits by 'main affected groups'					
It would save insurers the time and cost of issuing insurance certificates. The industry informs us that it costs them in production costs about £1 per certificate. Based on the number of registered vehicles each year, over a year total costs to the industry would be in the region of £35.3 million. Although certificates can be issued electronically these are less common than hard copies sent through the post.					
Other key non-monetised benefits by 'main affected groups'					
Use of the MID as the legal record would be more consistent with current practice by the police. They do not rely solely on the paper or electronic versions of the insurance policy as proof of insurance when stopping vehicles at the roadside. Rather, they use a download from the MID to identify vehicles on the road without an insurance policy in force. In the event of a claim, insurers check their database and the policyholder would be saved the burden of keeping their					
Key assumptions/sensitivities/risks					
All insurance policies would need to be accurately entered on the MID. There would have to be measures built in to any IT system which allows access to the MID to ensure personal and commercially sensitive data is protected.					

BUSINESS ASSESSMENT (Option 2)

Direct impact on business (Equivalent Annual) £m:			In scope of	Measure qualifies
Costs:	1.7	Benefits:		
			Yes	OUT

Evidence Base

Problem under Consideration

Under Section 147(1) of the Road Traffic Act 1988 a policy of motor insurance is only valid if a certificate of insurance is issued. It is the legal proof of insurance and can be issued either as a hard copy document in the post or an electronic one issued via email or internet. The law requires the certificate to be produced as evidence of insurance by various bodies including the police or the courts. Under some circumstances a claim might be made against the policyholder several years after an accident so it is wise for a policyholder to retain the certificate for several years after its validity has expired.

We propose that instead of the Certificate of Insurance being the evidence of insurance we would designate the Motor Insurance Database (MID), managed by the Motor Insurers' Bureau (MIB) as evidence that a vehicle is insured. Insurers are responsible for entering data onto the MID but the guardian of the database is the MIB. We think that this would be a more effective form of proof of motor insurance and as described in this Impact Assessment there would be a reduction in cost and burden to the advantage of interested parties in doing so.

• Rationale for intervention;

Under the Government's Red Tape Challenge (RTC) for the road transport theme we examined ways to reduce unnecessary regulation and bureaucracy as a result of policy measures currently in place. As a result of that work we propose that it would no longer be necessary for insurers to issue hard and electronic certificates of insurance as proof of insurance. Instead the legal evidence of insurance would be the record held on the Motor Insurer's Database (MID).

EU Directive 2000/26/EC transposed into UK law by the Motor Vehicles (Compulsory Insurance) (Information Centre and Compensation Body) Regulations 2003 requires all member states to have a central database of motor insurance policies. In the UK the central database is the MID. Insurers are required by law to enter details of all motor insurance policies onto the MID.

Although the Certificate of Insurance is currently the legal evidence of insurance, for practical purposes many organisations presently use information from the MID as de facto evidence that a vehicle has an insurance policy in force. The Police identify drivers who drive without insurance on the road through the Police National Computer (PNC) which obtains information from a download of information from the MID. The Police can request a certificate of insurance to be produced at the station within seven days, but if they are unsure about the insurance status, they can call the MIB's helpline who will in turn contact the insurer. Legally, policy holders should return a certificate to their insurer if it is cancelled although in practice this is not frequently done. It is possible therefore even if a driver produces a certificate of insurance may not be valid or a fraudulent copy

Regulation 9 of The Motor Vehicles (Third Party Risks) Regulations 1972 requires a motorist to provide evidence of valid insurance when applying for a vehicle licence. As part of the Red Tape challenge the DVLA are proposing to eliminate this requirement. The implementation of Continuous Insurance Enforcement (CIE) has negated the need to verify that valid insurance is in place before a tax disc is issued because there are continual monthly checks between the DVLA vehicle database and the MID. This work is being taken forward as part of a separate consultation.

Scope of geographic coverage

The proposal will only apply to Great Britain. In Northern Ireland, motor insurance is a devolved matter.

Consultation

The Government's Red Tape Challenge on the road transport theme invited comments from the public and industry representatives on its website between May 2011 and July 2011. It gathered views on which regulations could stay, be merged and or scrapped.

Under the Road Transport theme of the Red Tape Challenge, there were few comments specifically about this proposal but those which were made wanted assurances that the MID was accurate.

Insurers' initial views were positive as it would offer cost savings to them.

- **Policy objective;**

The policy objective is to remove the insurance certificate and reduce administration and paperwork. The intended effect is to save insurers administration costs from issuing copies of insurance certificates. Policyholders should realise benefit from insurers saving costs through reduced premiums which in turn are passed onto them and from not having to keep hard copies of the insurance policy. For those that need access to check insurance status (e.g. the police, lease/hire companies), on line access to the MID would be quicker and more reliable than relying on motorists providing insurance documents.

- **Options considered (including do nothing);**

Option 1: Do nothing

This would leave the certificate of insurance as the legal proof of insurance.

Option 2: Change the law to remove the Certificate of Insurance as the legal evidence of insurance and designate the Motor Insurers' Database (MID) as the legal proof of motor insurance. If insurers and other interested parties can agree, our aim is to implement by 2015. More detailed planning work will need to be undertaken with the insurance industry

- **Monetised and non-monetised costs and benefits of each option (including administrative burden);**

Option 1: Do nothing

No change from now.

Option 2: Change the law to remove the certificate of insurance as the legal evidence of insurance and designate the Motor Insurers' Database (MID) as the legal record of motor insurance.

Monetised Costs

IT system changes necessary for access to the MID.

There would need to be improved access to the MID for interested parties because it would be the only record of evidence of insurance. This includes the policyholder who presently has restricted access through askmid.com to show whether their vehicle is covered by an insurance policy. The policyholder would probably expect to see the same information on the MID as that which presently appears on the certificate of insurance such as the names of the drivers covered. Similarly the Police who presently have a download from the MID for their Automatic Number Plate Recognition (ANPR), in order to target uninsured vehicles on the road would probably require more details.

We recognise the cost of making changes to IT systems would fall to insurers. This would require investment from the industry to get the process right and achieve a better customer experience. At this stage we do not know the nature of all the changes that would need to be made. We are seeking views on this as part of the consultation. We will work with the insurance industry to refine any figures. To estimate a cost we can use the current proposal to allow insurers access to the DVLA vehicles database of drivers' penalty points and driving disqualifications to enable insurers to more accurately price insurance premiums as a guide. Based on the evidence from past projects involving similar changes made in to IT systems, we provisionally think the IT changes to MID would cost in the region of £15 million. This would be a one-off cost, incurred by the time the MID replaces the certificate of insurance as the legal evidence of insurance. Therefore over the appraisal period the present value cost (PVC) is estimated to be £15m.

Non-monetised costs

There would be annual running costs associated with the restructured IT systems, but we assume that once the system is implemented these costs would be similar to the current system. Therefore it is reasonable to assume that this should be minimal

(or not additional costs of the policy) and therefore has not been monetised in the assessment. We will establish this further through the consultation process.

Monetised Benefits

Insurers would save the time and cost of issuing insurance certificates. The Association of British Insurers (ABI) estimate the cost of producing each certificate is about £1 and around 34.2 million insurance documents are issued per annum based on one certificate per vehicle so the amount insurers would save would be about £34.2 million¹ per year. In practice the saving may be slightly less – there will be those policy holders that may continue to want a certificate as a form of evidence. For example those who travel abroad may require a certificate because foreign enforcement authorities do not have access to the MID. Similarly some concession might be offered to others who might not have online access to check the MID (see under *Equality* heading below). Although the certificates can be issued electronically as an alternative to hard copies we think that electronic versions are not as commonly used as the hard copy but the consultation could reveal more details about this. Over a 10 year appraisal period, the present value benefit (PVB) is estimated to be £303 million.

Non monetised benefits

For the policyholder, if insurers pass on the full effect of the estimated benefits they could expect to see their premiums reduced.

A non-monetised benefit for policyholders would be removing the need to keep certificates in a safe place in the event that they may need to produce the document. This would help those who need to rely on their certificate as proof where a claim is made against them beyond the expiry date of the policy; most policyholders would no longer have their certificate to hand. It would also remove the need for policy holders to surrender certificates in specified circumstances, so they would not have to return their certificates to the insurer if they cancel their insurance. Many do not realise it is an offence not to surrender a certificate. Downloaded electronic and hard copy certificates are easily forged; falsifying document would not be possible if the record on the MID was the evidence of insurance.

¹ Source: The cost of an insurance certificate is from the ABI.
The number of vehicles in 2011: <http://assets.dft.gov.uk/statistics/tables/veh0102.xls>

If the MID becomes the legal evidence of insurance then it would formalise the present de facto position concerning the police who rarely rely on paper or electronic versions of the insurance policy. As explained above the police use ANPR, a download from the MID as evidence of insurance but this will only show whether the vehicle they stop is covered by an insurance policy. If the police were given improved access to the MID they might have the benefit of being able to ensure the driver of a vehicle which they stop is insured.

Net Present Value

The estimated benefits (£303m) of amending the Road Traffic Act to remove the requirement of holding an insurance certificate as proof of insurance outweigh the estimated costs (£15m), providing a net benefit of £288m (NPV).

- **Rationale and evidence that justify the level of analysis used in the IA (proportionality approach);**

As part of our Red Tape challenge we identified removing the certificate of insurance as the legal proof of insurance and relying instead on the MID. It is too early to state what the actual cost of developing an IT system. Our initial analysis in the Impact Assessment, based on experience of similar projects is that the system changes required to allow interested parties suitable access and to have data protection measures in place would cost in the region of £15 million. With around 34.2 million licensed vehicles the benefits for insurers of not issuing hard copies of the certificates would be around £34.2 million. This would increase to about £36.7 million in 2020 with a forecast increase in vehicles to 36.7 million². On this basis we think that there are benefits to pursuing this policy. As explained earlier a small number of certificates might still be issued, e.g. to those travelling overseas because foreign authorities do not have access to the MID or for those who are less IT literate such as the elderly. This would reduce some of the benefit and we will endeavour to determine how many there might be as we develop the policy following consultation.

- **Risks and assumptions;**

The assumptions are:

The insurance industry is willing to fund any changes to IT systems to improve access to the MID

That there would need to be some facility to obtain a hard copy certificate if for example the policy holder was travelling abroad where enforcement authorities would not have access to the MID

The risks are:

We must ensure that the MID is accurate and that all data is entered immediately, is 'fit for purpose' and has the confidence of all interested parties.

There is potential for IT costs to increase during development of the policy which insurers would not be prepared to fund.

- **Direct costs and benefits to business calculations (following OIOO methodology);**

There is a cost of £1.7 million to the insurers, a benefit of £35.2 to the insurers and a net benefit per annum of £33.5 million.

This is an out because it imposes no extra costs to the insurance industry as there will be a net benefit. However, there may be a cost to operators of fleets having to ensure that their vehicle registrations are entered onto the MID more promptly than at present in order to ensure the integrity and accuracy of the MID. We do not currently know what this cost is but will seek to establish this through consultation.

² Source: Forecast for growth in vehicles is the National Transport Model (NTM) and for car ownership is the National Car Ownership Model (NATCOP). HGV numbers forecast for 2020 is based on the growth of HGV traffic from the number of HGVs in 2011 based on an assumption the distance travelled by each HGV would remain constant.

There will need to be safeguards about data protection and how information is accessed. This responsibility will broadly fall on insurers – they already bound by data protection laws and as the information held is commercially sensitive already ensure that it is not disclosed to competitors, for example knowledge of policyholders whose policies are due to expire, to prevent ‘poaching’ of policy holders. We will work with the industry to ensure any risks to requirements of data protection law are met.

The policyholder would have to be confident that their records are entered correctly on MID. Because MID would be the only legal record of insurance it would be essential that the MID is very accurate and is updated quickly. We will work with the insurance industry and other interested parties on how this can be best achieved.

- **Summary and preferred option with description of implementation plan.**

Our preferred option is 2. Change the law to remove the Certificate of Insurance as the legal evidence of insurance and designate the Motor Insurers’ Database (MID) as the legal record of motor insurance. This will be done by primary legislation and there might also be accompanying secondary legislation. .

- **Specific impact test**

Competition & Small firms

This is being funded by insurance industry.

Equality

Some people might have no access to the internet or be as IT literate. We will look at measures to help these such as allowing them the option of receiving a hard copy of their certificate if they request it.

Annex B

Consultation Principles

[The Civil Service Reform Plan](#) commits the Government to improving policy making and implementation with a greater focus on robust evidence, transparency and engaging with key groups earlier in the process.

As a result the Government is improving the way it consults by adopting a more proportionate and targeted approach, so that the type and scale of engagement is proportional to the potential impacts of the proposal. The emphasis is on understanding the effects of a proposal and focussing on real engagement with key groups rather than following a set process.

The key Consultation Principles are:

- departments will follow a range of timescales rather than defaulting to a 12-week period, particularly where extensive engagement has occurred before;
- departments will need to give more thought to how they engage with and consult with those who are affected;
- consultation should be 'digital by default', but other forms should be used where these are needed to reach the groups affected by a policy; and
- the principles of the Compact between government and the voluntary and community sector will continue to be respected.

The new Consultation Principles will be promoted within Whitehall now, and the public will begin to see the new guidance take effect in early autumn 2012.

The guidance above replaces the [Code of Practice on Consultation](#) issued in July 2008 on the BIS website

<http://www.bis.gov.uk/policies/bre/consultation-guidance>