

## **Summary of Responses and the Government's Response to the consultation on amending the Road Traffic Act 1988 to remove the need for motor insurance certificates.**

The purpose of the consultation was to seek 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.

The proposal stemmed 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.

The consultation period ended on 11 January 2013. A couple of late responses were allowed as we had been contacted by the organisations concerned before the end of the consultation period.

This document is divided into two parts:

- Part 1 provides a summary of the responses to the consultation questions. A total of 61 responses were received and a list of respondents is attached at Annex A.
- Part 2 gives the Government's response to the consultation.

## **Summary of Responses**

### **Part 1 Summary of Responses to the 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?*

There was broad agreement that certificates were vulnerable to fraud due to good quality scanning equipment and the possibility of a policy being cancelled once the certificate was issued. However, there was also concern about the readiness of the Motor Insurance database (MID) to become the proof of insurance due to the time that insurers/fleets have to enter data, (these are 7 days for private cars and 14 days for fleet vehicles). The

insurance industry was not supportive of the proposal despite a strong defence particularly of the entry times for privately owned vehicles by the Motor Insurers' Bureau (MIB). There were general concerns about how those without access to the internet would know the details of their policies.

The ABI did not support the proposal. They maintain that such a move would confuse the public who rely on the certificate for information on policy terms conditions and limitations in standard format. Without this then insurers would probably adopt different formats of when presenting information about what is and what is not covered. They believe changes to documents, systems and practices would be costly and that costs would have to be passed on to customers.

The MIB always thought that it was intended that the MID would be formal evidence of insurance across a range of requirements including supporting all enforcement activity. But the costs surrounding the transition means that the MIB neither supports or opposes the policy objective.

British Insurance Brokers Association (BIBA) thought that such a change would be easier if real time updating of the MID were to be possible. Changes to the availability of open certificates for MID 2 (fleet) vehicles would be difficult and need a significant educational campaign.

ACPO were in principle supportive of removing the insurance certificate but had concerns about enforcement. They wanted the MID more up to date with 24/7 access and that the onus should remain with the driver and not the police to demonstrate they had insurance.

There were concerns by local authorities about those without access to the internet and the relicensing of taxis where the level of cover and specifics of the policy would need to be checked.

The results from an AA Populus panel poll showed that 21% supported abolition of certificates, 49% were opposed and 28% were strongly opposed.

## 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?*

There was broad agreement that communication could be made by email, or for those without internet access by post. Alternatively a telephone call could be made but would need to be confirmed in writing. Information could be included on the schedule of insurance although it was felt by some that the removal of the certificate would result in the information being sent out in varying inconsistent formats. The layout of the certificate is specified in regulations but there is no such requirement for policy schedules.

### 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?*

There was general agreement that all vehicles in a fleet should be shown on the MID but some debate over whether this would be possible. Information on the specific level of cover would need to be available to fleets and to licensing authorities. Employers would need to be able to check that employees using their own vehicles for work purposes were properly insured. British Insurance Brokers Association (BIBA) pointed out that commercial fleets are in a constant state of flux. The MIB acknowledged that policy documentation could be improved and additional information would need to be placed on the MID and made available to the police.

The ABI thought that a fundamental redesign would be needed for details of fleet vehicles to be shown on the MID and that there would be additional problems for car hire companies.

### 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?*

There was broad agreement that the minimum amount of information that policyholders would wish to see on the MID would be the information currently held on the insurance certificate. Licensing authorities and fleet managers would need access to that data if the certificate were scrapped. The ABI pointed out that there would be increased demand on the askMID website for which access would need to be widened, as only limited information is provided present, i.e. whether the vehicle has an insurance policy in place. The MIB suggested that secure portal access could be made available but there would be significant development costs.

### 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?*

There was general agreement that if more information were to be put on to the MID and access were allowed to a greater number of individuals or organisations then it would be vital for access to be restricted, probably by password. The ABI were concerned that different levels of access would be required by different people and would need tight control to ensure compliance with the Data Protection Act. BIBA pointed out that drivers who moved between companies would need to check that they were correctly insured.

### Question 6

*Do you 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?*

There was unanimous agreement that there should be an option of a hard copy for those travelling abroad. The British Insurance Brokers Association (BIBA) and broker Grove & Dean ask why, if this is necessary the insurance certificate should be scrapped at all.

### Question 7

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

Responses included, on request and in all cases where a policyholder does not have access to the internet. The Association of Chief Police Officers (ACPO) suggested that it should be available to anyone who has been stopped by the police and required to produce their documentation within 7 days under section 165 of the Road Traffic Act 1988, as amended.

Local authorities and licensing authorities suggested that a hard copy should be issued when insurance details needed to be checked by any licensing authority or an employer needed to check that an employee had sufficient cover for using his/her vehicle for work purposes. Other suggestions included situations where hire and reward cover needed to be checked and where an organisation or council needed to check cover for volunteer drivers.

### Question 8

*Is there further information that the Police should have?*

Most agreed that the police should have sufficient information to verify cover when a vehicle is not yet on the MID. Some also thought that the police should have access to data to historical data including any record of past fraudulent claims and reasons for the cancellation of policies.

Direct Line thought that the police should have access to all data on MID and guidelines so that no-one would have their vehicle seized purely because the vehicle was not yet on the MID. Licensing Authorities and local councils suggested that the police should also have access to details of whether a vehicle is covered for hire and reward services.

The MIB pointed out that the police currently have access to MID data and a dedicated call centre from which to seek clarification of insurance cover. Work is ongoing with regard to enhanced data on commercial and motor trade policies. Grove Dean thought that the names of all drivers on the policy should be accessible and details of any D.O.V. (Drive other vehicle entitlement) entitlement.

### Question 9

*What other parties do you think would need access?*

Suggestions included:-

- The Policyholder
- The police
- Finance and Leasing Association
- Car rental Companies
- Licensing Authorities
- Local Authorities
- Court and Prosecution bodies
- DVLA
- Highways Agency
- Transport for London
- Post Offices
- Windscreen repairers e.g. Autoglass

### 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?*

Most agreed that an improvement in data entry times onto the MID would be helpful. Some acknowledged the impact of news stories that may not have presented the whole picture and suggested some sort of public awareness campaign to increase confidence in the MID. It was also suggested that complaints about insured vehicles that are not on the MID should be processed within 48 Hours,

The MIB pointed out that motorists should have confidence in the MID as industry data errors are rare and 99.85% of seized vehicles are uninsured. In the private car sector 99% of all information is on the MID within 7 days and 91% within 48hrs.

### General comments

The ABI is supportive of other measures to reduce the burden on motorists. In discussions with them they do not think there would be any benefit to removing insurance certificates. They believe that the cost of issuing certificates would be negligible and not £1 as they presented prior to consultation and added there would be significant costs to making the changes to established practice and making the MID the legal evidence of insurance.

A measure they have proposed is the removing the requirements of insurers or their agents to obtain the return of the certificate as proof of cancellation

when a policyholder cancels their insurance. Instead they think the MID could be the evidence of cancellation. They think this would facilitate a faster return of premium to the policyholder. Since the closure of the consultation we have discussed this further with insurers who thought this might save money. However, they have so far been unable to put an estimate of the savings.

## **Annex A**

### **List of respondents**

#### **Insurers (3)**

Direct Line group  
Fleet Risk Management Limited  
Grover-Dean

#### **Insurance Organisations (3)**

Association of British Insurers  
British Insurance Brokers Association  
Motor insurers' Bureau

#### **Organisations (10)**

Vehicle Builders and Repairers Association Ltd  
Alliance of British Drivers  
Magistrates Association  
National Federation of Dealers Associations  
Confederation of Passenger transport  
Motor Accident solicitors Society  
Royal Society for the Prevention of Accidents  
British Vehicle Rental and Leasing Association  
Trading Standards  
AA Public Affairs

#### **Licensing and Local Authorities (26)**

Blackpool Council  
Dacorum Council  
Rushcliffe Council  
North Devon Council  
Lincolnshire council  
South Somerset  
Erewash Council  
Plymouth City Council  
North Dorset Council

Rugby  
South Ribble Council  
Sheffield Council  
West Oxfordshire District Council  
Rushmoor Council  
Darlington Borough Council  
Licensing Bureau Ltd  
National Association of Licensing and Enforcement Officers  
Tamworth Council  
Local Government Association  
Institute of Licensing  
Luton Borough Council  
Stockton Council  
Lincoln Council  
Brentwood Council  
Transport for London  
Hertsmere Council

### **Police (8)**

ACPO  
ACPO Scotland  
West Yorkshire  
Strathclyde  
Lancashire  
Sussex  
Derbyshire  
Staffordshire

## **Part 2 The Government's response to the Consultation**

In the light of the responses to the consultation we will not pursue the proposal as consulted on because:

- 1) The insurance industry is strongly opposed to this because they think there are instances when the certificate has important uses in certain situations, such as for fleet policies and policyholders prefer the standard format of certificates.
- 2) Although there would be benefits of policyholders of not having to return insurance certificates if they cancel their policies in mid term, there would be significant IT costs (possibly in the region of £15 million based on projects of a similar size) as a one off payment to allow improved access for users such as the police and policyholders. We would not know the nature of the changes required and how long they would take.
- 3) There would also need certificates to be issued for some people such as those travelling abroad or without access to the internet. Even without a

certificate then insurers would need to provide this information to policyholders so there would be no benefit of removing certificates.

4) The financial benefits presented at the consultation were based on the issuing of 35 million certificates at a cost of £1 per certificate. These figures were not correct as the cost of issuing certificates would be negligible and not £1 as stated in the consultation paper.

Instead we will legislate for the ABI's suggestion of removing the present requirement for a policyholder to return their certificate if they cancel their policy in mid-term and to use the MID as evidence of the cancellation. This was part of the original proposal because it would have been the inevitable end product of abolishing the certificate because the requirement to return it would naturally fall away. We believe the benefits are in a range of £27 - £46m per annum, with a best estimate of £36 million (constant 2013 prices) with virtually zero costs.

We will also alter slightly the existing legislation regarding the provision of insurance certificates: retaining the requirement for insurers to issue an insurance certificate, but removing the link between the insurance policy having no effect until an insurance certificate is delivered to the policyholder, as the police and insurers hardly ever recognise delivery of the insurance certificate as significant.

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