

<b>Title:</b> Removal of Insurance Check at Vehicle Licensing  <b>IA No:</b> DfT00148  <b>Lead department or agency:</b> Driver and Vehicle Licensing Agency (DVLA)  <b>Other departments or agencies:</b> Department for Transport (DfT)	<b>Impact Assessment (IA)</b>		
	<b>Date:</b> 15/10/2012		
	<b>Stage:</b> Consultation		
	<b>Source of intervention:</b> Domestic		
	<b>Type of measure:</b> Secondary legislation		
<b>Contact for enquiries:</b> Jason Donovan			

<b>Summary: Intervention and Options</b>	<b>RPC:</b> RPC Opinion Status
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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, Measure qualifies as One-Out?
£24.68m	£4.78m	£-0.51m	Yes   OUT

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

There are two checks for evidence for valid vehicle insurance; one when a motorist licenses their vehicle and the other via Continuous Insurance Enforcement (CIE), where evidence of insurance is checked on a more regular basis. This affects around 34 million licensed vehicles. The more comprehensive checks of insurance made by CIE mean that Government intervention is required to consider removing the burden of the additional check when an application is made to license a vehicle.

**What are the policy objectives and the intended effects?**

The objective is to remove the burden of proving valid vehicle insurance when motorists license their vehicles. It will also increase the number of successful licensing transactions on DVLA's Electronic Vehicle Licensing facility.

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

Do nothing - this would continue with the additional burden of conducting two separate checks for valid vehicle insurance.

Option 1 (preferred option) - Remove the insurance check when motorists license their vehicles. This will mean changes to secondary legislation that will deliver the policy aims above and provide benefits to both the public and Government.

<b>Will the policy be reviewed?</b> It will be reviewed. <b>If applicable, set review date:</b> 10/2018					
Does implementation go beyond minimum EU requirements?			No		
Are any of these organisations in scope? If Micros not exempted set out reason in Evidence Base.	<b>Micro</b> No	<b>&lt; 20</b> No	<b>Small</b> No	<b>Medium</b> No	<b>Large</b> No
What is the CO <sub>2</sub> equivalent change in greenhouse gas emissions? (Million tonnes CO <sub>2</sub> equivalent)			<b>Traded:</b> N/A	<b>Non-traded:</b> N/A	

*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 SELECT SIGNATORY: \_\_\_\_\_ Date: \_\_\_\_\_

# Summary: Analysis & Evidence

# Policy Option 1

**Description:** Remove the requirement to check for evidence of a valid insurance policy when an application is made to license a vehicle.

## FULL ECONOMIC ASSESSMENT

<b>Price Base Year</b> 2011	<b>PV Base Year</b> 2011	<b>Time Period</b> Years 10	<b>Net Benefit (Present Value (PV)) (£m)</b>		
			<b>Low:</b> 18.09	<b>High:</b> 30.34	<b>Best Estimate:</b> 24.68

<b>COSTS (£m)</b>	<b>Total Transition (Constant Price) Years</b>		<b>Average Annual (excl. Transition) (Constant Price)</b>	<b>Total Cost (Present Value)</b>
<b>Low</b>	0.2	10	0.0	<b>0.2</b>
<b>High</b>	0.2		0.0	<b>0.2</b>
<b>Best Estimate</b>	0.2		0.0	<b>0.2</b>

### Description and scale of key monetised costs by 'main affected groups'

Government - there will be a one off cost of around £200,000 to amend IT systems.

No costs have so far been identified with other affected groups. These will be explored through the consultation process.

### Other key non-monetised costs by 'main affected groups'

None have been identified. These will be explored through the consultation process.

<b>BENEFITS (£m)</b>	<b>Total Transition (Constant Price) Years</b>		<b>Average Annual (excl. Transition) (Constant Price)</b>	<b>Total Benefit (Present Value)</b>
<b>Low</b>	0.0	10	2.1	<b>18.3</b>
<b>High</b>	0.0		3.6	<b>30.5</b>
<b>Best Estimate</b>	0.0		2.9	<b>24.9</b>

### Description and scale of key monetised benefits by 'main affected groups'

Public - between £0.6m and £1.5m savings per annum for the 553,000 vehicles registered to private motorists that want to use EVL but are unable due to insurance issues. Business - between £0.3 and £0.7 savings per annum for 42,000 vehicles registered to businesses that want to use EVL but are unable due to insurance issues. Government - around £1.2m per annum through a combination of saving £0.03 per insurance check by not checking the MID via EVL as well as an increase in EVL take up.

### Other key non-monetised benefits by 'main affected groups'

Government - potential reduction in transaction handling costs. Reduction in around 200 complaints about insurance issues with EVL. Benefits for other affected groups will be considered as part of the consultation process.

### Key assumptions/sensitivities/risks

**Discount rate (%)** 3.5

The 595,000 motorists who could not use EVL would decide to use EVL in the future. There is a risk that a percentage of these will not return to use EVL, meaning that the benefits would be lower. There is a risk that there may be a slight increase in short term insurance evasion. The unavailability of forecast transaction volumes past 2014/15 has led to an assumption that predicted benefits will rise as per previous years trend.

## BUSINESS ASSESSMENT (Option 1)

<b>Direct impact on business (Equivalent Annual) £m:</b>			<b>In scope of OIOO?</b>	<b>Measure qualifies as</b>
<b>Costs:</b> 0.0	<b>Benefits:</b> 0.5	<b>Net:</b> 0.5	Yes	OUT



# Evidence Base (for summary sheets)

## Problem under Consideration

### Checking Insurance at Licensing (taxing)

1. The Vehicle Excise and Registration Act 1994<sup>1</sup> requires a vehicle excise duty (VED) to be charged on all vehicles that are to be driven on the public road. Upon payment of the relevant amount of VED, a tax disc is issued to the vehicle keeper on DVLA's record.
2. In Great Britain, the Driver and Vehicle Licensing Agency (DVLA) currently collects VED for the Government through five different channels:
  - at the Post Office®,
  - at DVLA Local Offices,
  - DVLA's Electronic Vehicle Licensing (EVL) facility, either
    - by automated telephone service, or
    - Self-service portal via [www.direct.gov.uk](http://www.direct.gov.uk).
  - Automated First Registration and Licensing (AFRL) scheme
  - Fleets Relicensing scheme
3. The Road Traffic Act 1988<sup>2</sup> requires all motorists to be insured against their liability for injuries to others (including passengers) and for damage to other people's property resulting from use of a vehicle on a road. It is an offence to drive a car or allow it to be driven without insurance.
4. The Motor Vehicles (Third Party Risks) Regulations 1972<sup>3</sup> requires the DVLA to check for evidence of valid insurance when an application is made to license a vehicle. In addition to certificates, cover notes and temporary certificates are also accepted at the point of vehicle licensing.
5. The check of valid insurance at vehicle licensing should be able to establish a link between the person(s) named on the insurance certificate and the registered keeper. In most cases, the insurance certificate will be in the name of the registered keeper (the applicant). Where the names differ, some additional proof will be required to ensure that the registered keeper is covered by the policy.
6. In the past, the check for insurance at licensing was the only system of checking that motorists were complying with their insurance requirements. This check only ensured that there was a valid insurance policy in place on the day that licence was due. There was nothing in place to stop the applicant cancelling their insurance the next day and driving the rest of the licensing period without valid insurance.
7. Until the introduction of Continuous Insurance Enforcement (CIE) the only enforcement available was if the vehicle was spotted on-road. Vehicles caught being used without insurance can be seized, and ultimately destroyed, by the Police.

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<sup>1</sup> The Vehicle Excise and Registration Act 1994 (VERA). Legislation available at [www.legislation.gov.uk/ukpga/1994/22/contents](http://www.legislation.gov.uk/ukpga/1994/22/contents)

<sup>2</sup> The Road Traffic Act 1988. Legislation available at <http://www.legislation.gov.uk/ukpga/1988/52/section/156>

<sup>3</sup> The Motor Vehicles (Third Party Risks) Regulations 1972. Legislation available at <http://www.legislation.gov.uk/uksi/1972/1217/crossheading/production-of-evidence-of-insurance-or-security-on-application-for-excise-licences/made>

## **Current levels of uninsured driving**

8. Since 2004, the MIB has seen a reduction in just over 30% in the amount of claims received for uninsured and untraced accidents. In the same period, the estimated level of uninsured driving has also reduced by 30%.
9. The reduction in uninsured driving can be attributed to the combination of:
  - The Police enforcement approach that has been in place since 2005.
  - Since 2009, there has been increased activity to raise awareness of the consequences of no insurance.
  - The continual improvement of the accuracy of the records on the Motor Insurance Database (MID).
10. The penalty for driving without insurance is a maximum fine of £5,000 and 6-8 penalty points. Around 242,000 offenders are convicted for uninsured driving every year.

## **Continuous Insurance Enforcement (CIE)**

11. Although the trend in uninsured driving is decreasing, there were still concerns over the size of the problem. To counter this, the Department for Transport introduced the CIE scheme. Rather than relying on spotting uninsured vehicles on-road, CIE identifies offenders by regularly comparing the DVLA record of vehicle keepers with the database that holds all motor insurance policies managed by the Motor Insurers Bureau (MIB). It will mean that a much higher volume of offenders can be identified and encouraged to become compliant - essentially stripping out the "soft" evader and leaving a smaller group of persistent evaders to be more effectively tackled by the same level of police resources as is currently available for on-road enforcement.
12. Keepers of vehicles that appear to be uninsured will be sent an advisory letter by the MIB asking them to insure their vehicle or to check that their insurance company has correctly entered their insurance policy details on the Motor Insurance Database (MID). The scheme was established to enforce the offence of being a registered keeper of a vehicle with no insurance.
13. The aim of CIE is to warn keepers of registered vehicles identified as uninsured and to encourage them to take out valid insurance. Where necessary, CIE will penalise those who take no appropriate action (initially through a variety of out-of-court measures, including penalty notices, but then leading to the potential of wheel clamping and ultimately, seizure of the vehicle). This enables strong action to be taken without necessarily imposing an additional burden on the courts, and it shifts the focus of police attention on the road to the most determined offenders.
14. Enforcing insurance from the record via CIE is designed to complement the enhanced police powers of seizure and to put the improved MID to appropriate use, as well as the DVLA vehicles register (the accuracy of which has been tightened in recent years in connection with enforcing VED).
15. The new law will run alongside the existing offence of using a vehicle with no insurance, which is enforced by the Police. The Police seize 150,000 vehicles each year for this offence, and offenders also face a £200 fixed penalty or a court fine of up to £5,000 and possible disqualification.
16. DVLA is now able to identify uninsured drivers in a way that was not possible before CIE came in. Latest DVLA statistics states that over 480,000 Insurance Advisory Letters (IALs) have been issued since the introduction of CIE. 66% of people that have been issued IALs have acted on the advice by either insuring their vehicle or declaring a Statutory Off-Road Notification (SORN), meaning that DVLA does not have to take any enforcement action. Those that did not act on the IAL will face further enforcement measures.

## **Red Tape Challenge**

17. The Government's Red Tape Challenge website focuses on reducing regulatory burden. It gathers views on which regulations should stay, which can be merged and which can be scrapped. During the Road Transportation theme of the Red Tape Challenge, a number of comments were received about the administration of the insurance check when licensing a vehicle. These were around the bureaucracy of the administration process and how the presence of CIE negates the need to produce evidence of insurance when licensing.

## **Rationale for Intervention**

### **Burden on motorists**

18. There are around 34million licensed vehicles on the road. Every time one of these vehicles are licensed motorists must provide evidence of insurance before they obtain a tax disc.
19. The introduction of CIE has resulted in there being two simultaneous checks of vehicle insurance. CIE performs regular checks to confirm that a valid insurance policy is place for a vehicle. On top of these checks, DVLA request an additional check for valid insurance when a vehicle is presented for licensing.
20. A further burden is the fact that although around 19 million licensing transactions are successfully processed via DVLA's EVL system every year, around 595,000<sup>4</sup> vehicles fail because the DVLA could not confirm electronically that there was a valid insurance policy in place for those vehicles. On further analysis of the 595,000 vehicles DVLA believe that we have identified around 42,000 vehicles that were registered to businesses. Applications can fail because the insurance information on the MID does not match the information held on DVLA's vehicle register (or vice versa). These motorists are then forced to license elsewhere, with around 99% finally completing their application at a Post Office®<sup>5</sup>.
21. The extra burden on the public, Government and businesses that is created by the simultaneous checks, as well as the unnecessary failures, needs to be addressed. The Government believes that the time is right to look at the value of checking insurance at licensing now that a more comprehensive check is made through CIE.

## **Policy Objective**

22. The objective is to remove the burden of having to produce an insurance certificate when licensing a vehicle. The removal of the insurance check will also increase the number of successful transactions via EVL, which will realise savings for both the public and Government.

## **Options**

### **Do nothing**

23. Motorists would continue to carry the burden of producing physical evidence of insurance when licensing their vehicles, alongside the checks the Government makes via CIE.
24. Motorists will continue to be forced into licensing their vehicle via a less convenient channel because of insurance validation issues. The burden remains with the 595,000 motorists that fail every year to obtain a paper certificate and travel to their nearest Post Office® or DVLA Local Office in order to license their vehicle.

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<sup>4</sup> Figure obtained from a sample of EVL transactions between June 2010 and May 2011 undertaken by DVLA Data Analysis Team.

<sup>5</sup> Taken from DVLA's 2008 EVL Insurance Failure survey. The survey identified that those people who were unable to license their vehicles on EVL because of insurance issues eventually completed their transaction elsewhere, with 99% visiting the Post Office and the remainder attending the DVLA Local Office.

## Option 1

25. The Government proposes to no longer check for valid insurance when an application is made to license a vehicle. The removal of the check would apply to all licensing channels.
26. This option would not change the way in which the DVLA and the MIB administers CIE.
27. The proposal will only apply to Great Britain. The need to check for evidence of insurance when taxing a vehicle in Northern Ireland will remain as the CIE scheme has only been implemented in Great Britain.
28. By removing the requirement, it aids the Government's transparency agenda. Business and public will be able to see that the Government regularly reviews its rules/regulations and has the ability to make informed, common-sense decisions when there is clear need to change. The removal of this bureaucracy will be seen as a positive measure and a good example of reducing burden on the public.

This option will impact on the following groups:

### Public

29. *Less burden when taxing their vehicle.* 553,000 vehicles will now be able to license without having to present evidence of a valid insurance policy. Motorists that choose to license at a Post Office® or a DVLA Local Office will no longer have to replace lost, stolen or damaged vehicle insurance certificates.
30. *Less chance of their EVL transaction failing and being directed to the Post Office® or DVLA Local Office to complete the transaction.* Motorists now face less risk of their EVL transaction failing.

### Business

31. *Less burden when taxing their vehicle.* 42,000 vehicles will now be able to license without having to present evidence of a valid insurance policy. Businesses that choose to license at a Post Office® or a DVLA Local Office will no longer have to replace lost, stolen or damaged vehicle insurance certificates.
32. *Less chance of their EVL transaction failing and being directed to the Post Office® or DVLA Local Office to complete the transaction.* Businesses now face less risk of their EVL transaction failing.

### Government

33. *Less time taken to process the transaction.* The removal of the check at DVLA Local Offices will mean that clerks dealing with such applications do not have to cross-reference the paperwork to make sure that the applicant is named on the insurance certificate as well as on the vehicle registration certificate (V5C).
34. *Less time dealing with queries about uninsured driving/failed transactions.* Complaints that stem from insurance-based problems will reduce. There will be no failed transactions due to insurance issues as there will be no insurance validation required to process the licensing application.
35. *Increased take-up of EVL.* If the number of insurance failures were added to the overall amount, there would be 595,000 more transactions completed via EVL.

### Post Office®

36. *Less time taken to process the transaction.* The removal of the check will free up clerks time.

## **Insurance Industry**

37. *Decrease in the need to produce and issue paper vehicle insurance certificates.* The removal of the need to check for a paper insurance certificate may mean that the Insurance Industry could see savings by producing less paper insurance certificates.

38. Further impact may be identified during the consultation process.

## **Police**

39. *Increased potential for the redirection of resource.* There is a possibility that customers may choose to delay getting insurance for their vehicle as evidence of insurance would not be required at licensing. This may result in an increase in short-term insurance evasion, which may see a proportionate increase in Police resource required. However, this risk currently exists in circumstances where the insurance policy expires before the VED. Motorists may not renew their insurance policy until the VED is due.

40. The added presence of CIE has doubled the enforcement options available to tackle uninsured driving. Previously to CIE, the only way uninsured drivers could be identified was if they were caught driving an uninsured vehicle on the road by a Police officer. CIE now brings the ability to identify evaders directly from the electronic records held by DVLA and the MIB.

41. As part of the consultation process, DVLA will be approaching the Police for their views on how the proposal will impact on them. We hope to include a section in a later version of the IA that covers potential enforcement costs.

## **Costs and Benefits<sup>6</sup>**

### **Monetised Benefits**

#### **Public**

42. There will be a reduction in the amount of people having to complete their application at the Post Office® following the rejection of their EVL transaction. DVLA looked at a random sample of 500,000 Post Office® relicensing transactions during October 2011, matched their home postcode to the postcode they relicensed at and calculated the difference in drive time (minutes) from home to Post Office®. This showed that customers live within an average of 20 minutes drive from the Post Office® that they chose to license at. This time, when added to the 5mins it takes to transact at a Post Office branch<sup>7</sup>, can be multiplied against the average cost of an hour's leisure time (£6.58)<sup>8</sup> to give a potential saving.

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<sup>6</sup> All financial figures are taken from DVLA's 2010/11 Service Level Agreement with the Department for Transport.

<sup>7</sup> Figure taken from the DVLA - Post Office SLA that is provided on a monthly basis by PO Ltd. The data is sourced from mystery shopping exercises undertaken for DVLA.

<sup>8</sup> Figure taken from DfT's 'Transport Analysis Document' (2009). These recommendations provide the latest values of time for use in economic appraisals of transport projects. Document found at [www.dft.gov.uk/webtag/documents/archive/1104/unit3.5.6.pdf](http://www.dft.gov.uk/webtag/documents/archive/1104/unit3.5.6.pdf)



Table 1: showing the range of saving in leisure time if the 553,000 customers were able to transact via EVL and not be forced to complete their licensing application at the Post Office®. The estimates take into account the assumptions that any trips to pay VED that are combined with other tasks (such as shopping, or the commute to/from work) will take longer than unique trips made to visit the Post Office® to solely pay VED.

<b>Estimate (time in minutes)</b>	<b>Saving (£m)</b>
Low (10)	0.6
Mid (18)	1.1
High (25)	1.5

## **Business**

43. There will be a reduction in the amount of businesses having to complete their application at the Post Office® following the rejection of their EVL transaction. Based on the same criteria that was used to estimate public savings, it is estimated that it would take around 25 minutes to complete the licensing transaction at a Post Office®. This time can be multiplied against the average cost of an hour's business time (£40.25)<sup>9</sup> to give a potential saving.

Table 2: showing the range of saving in business time if the 42,000 vehicles were able to transact via EVL and not be forced to complete their licensing application at the Post Office®. The estimates take into account the assumptions that any trips to pay VED that are combined with other tasks will take longer than unique trips made to visit the Post Office® to solely pay VED.

<b>Estimate (time in minutes)</b>	<b>Saving (£m)</b>
Low (10)	0.3
Mid (18)	0.5
High (25)	0.7

## **Government**

44. The removal of the check for the EVL transaction would mean that the Government would save on the cost of the electronic check of the MID that is made. Every time a unique licensing application is made via EVL, it costs the Government 3p<sup>10</sup> to check the MID.
45. The 595,000 vehicles that cannot complete their transactions online will complete their transactions either at a Post Office® or a DVLA Local Office. A 2008 survey<sup>11</sup> showed that 99% of these motorists will license their vehicles at the Post Office®, whilst the remaining 1% will choose to use a DVLA Local Office.
46. For the financial year 2011/12, it cost the Government £54.1m to administer vehicle licensing. This is made up of the SLA cost for licensing at the Local Office, Post Office® and via EVL multiplied by the number of keepers who licensed. These figures are derived from the number of actual transactions to date together with projected volumes until 31 March 2012.
47. The cost to Government if the insurance check was abolished would have been less, as the 595,000 vehicles that would have failed previously would have been able to transact via EVL at a lower SLA cost. The cost would have been £52.9m thus realising a saving of £1.2m.

<sup>9</sup> Figure taken from DfT's 'Transport Analysis Document' (2009). These recommendations provide the latest values of time for use in economic appraisals of transport projects. Document found at [www.dft.gov.uk/webtag/documents/archive/1104/unit3.5.6.pdf](http://www.dft.gov.uk/webtag/documents/archive/1104/unit3.5.6.pdf)

<sup>10</sup> Figure taken from the Contract Agreement between DVLA and MIIC. MIIC is a division of the MIB, whilst Experian is the 'operator' of the MID.

<sup>11</sup> DVLA's 2008 EVL Insurance Failure survey. The survey identified that those people who were unable to license their vehicles on EVL because of insurance issues eventually completed their transaction elsewhere, with 99% visiting the Post Office and the remainder attending the DVLA Local Office.

Table 3: showing the total amount of savings if Option 1 was implemented (presented in 2011/12 prices. The table assumes that 0% inflation has been applied post 2011/12. Unfortunately, the transaction unit costs for the periods past 2011/12 are unavailable).

	Total - Do Nothing option (£m)	Total - Option 1 (£m)	Saving (£m)
<b>2010/11</b>	54.9	53.7	<b>1.2</b>
<b>2011/12</b>	54.1	52.9	<b>1.2</b>
<b>2012/13</b>	54.7	53.5	<b>1.2</b>
<b>2013/14</b>	53.7	52.5	<b>1.2</b>
<b>2014/15</b>	53.3	52.1	<b>1.2</b>

## **Non-monetised Benefits**

### **Government**

48. There is a potential saving to be made from the reduction in the volume of complaints received from motorists who are unable to license their vehicles because of insurance issues. In 2010, DVLA received nearly 200 complaints about the problems when validating insurance through EVL applications. However, it is not possible to quantify the saving as the time taken to deal with individual complaints is not recorded. Furthermore, depending on the type of query, complaints are dealt with by different staff at varying grades – again, this information is not recorded so it is not possible to attribute a monetised saving.

### **Insurance Industry**

49. DVLA have started discussions with the Association of British Insurers and whilst it is not possible at this stage to quantify any savings that the removal of the insurance check will have on the whole insurance industry, it is the intention to work with the industry as part of the consultation process to establish if there would be any monetised benefits.

## **Monetised Costs**

### **Government**

50. There will be a system cost associated with switching off the current IT requirement that performs the check with the MID. DVLA's IT providers have identified that it will cost around £200,000 to make the necessary system changes to switch the check off.

51. The facility to check insurance details via the MID link will remain as this is required as part of the CIE enforcement process. CIE will need the capability to check the MID when dealing with potential wheel-clamping enquiries. In the first year of CIE it is envisaged that around 6,000 enquiries will be made. At present, the Government only pay database support and maintenance costs and are not charged per check. The removal of the insurance check could mean that a charge is introduced and this would fall to Government as part of the CIE scheme.

Table 4: showing the increase in cost if a charge was levied.

	<b>Cost of checking database</b> (based on 6000 potential queries)		
	£0.03	£0.06	£0.09
<b>Cost to Government</b>	£180	£360	£540

52. There will be a one-off cost associated with issuing new instructions to the Post Office. The DVLA Post Office Contract Team has estimated a cost of £5000 + VAT for this work.

**Business**

53. There are no monetised costs to business.

**Non-monetised Costs**

**Insurance Industry**

54. DVLA have started discussions with the industry and whilst it is not possible to calculate costs at this stage, it is the intention to work with the industry as part of the consultation process to establish what monetary impact the proposal may have.

**Police**

55. DVLA have started discussions with the Police and whilst it is not possible to calculate costs at this stage, it is the intention to work with the Police as part of the consultation process to establish what monetary impact the proposal may have.

**Risks/Uncertainties**

56. There is a possibility that short term evasion could rise, as customers may choose to delay getting insurance for their vehicle as evidence of insurance would not be required at licensing. However, CIE and on-road enforcement will continue to act as an effective deterrent, so we view the impact as being relatively small. Furthermore, this risk currently exists in scenarios where the insurance policy does not expire at the same time as VED. Motorists may not choose to renew their insurance policy until the VED is due for renewal. The MIB have recently advised that uninsured driving has fallen by 25% over the last 5 years.

57. DVLA are unable to forecast transaction figures past 2014/15. For this reason, the forecast savings to Government has been flat-lined at 2014/15 figures in the IA calculator. This has resulted in a potentially lower Government savings figure being attributed to the proposal, however, we expect the saving to increase according to the current trend shown up until 2014/15. DVLA are currently reviewing how they can improve its forecasting.

## Wider Impacts

### Social impact

58. **Statutory Equalities Duties impact:** there is no gender, race, sexual orientation, transgender, age disability, pregnancy/maternity or religious implications.
59. **Human Rights impact:** there are no implications resulting from the introduction of this proposal.
60. **Health and Well-being impact:** there are no changes to lifestyle brought about by the removal of the insurance check at licensing, as well as no foreseeable likelihood of a significant demand on any Health and Social Care services.
61. **Justice System impact:** we have considered the checklist for identifying if the change would impact on the Justice system and conclude that there are no implications.

### Financial impact

62. **Competition impact:** the removal of the insurance check will not affect the scope and nature of competition between businesses.
63. **Small Firms impact:** we have found that the implementation of the policy will have a minimal effect on small firms. These include smaller, licence-issuing Post Office® branches and insurance companies. Further analysis will be undertaken following the outcome of the public consultation process.

### Environmental impact

64. **Wider Environmental Issues impact:** the removal of the insurance check at relicensing will have no significant environmental impacts.
65. **Rural Proofing impact:** the impact the policy will have on rural communities has been fully considered and we consider there to be minimal and incidental impact on Post Offices in rural areas.
66. **Sustainable Development impact:** there will be no significant environmental or intergenerational impacts affected by this policy.

## Summary and Preferred option with description of implementation plan.

67. The preferred option is to implement the removal of the insurance check at the point of vehicle licensing. This option would ensure that motorists are not subject to additional burden when licensing their vehicles.
68. The preferred implementation option is to amend Regulation 9 of The Motor Vehicle's (Third Party Risks) Regulations 1972 to remove the requirement to produce evidence of insurance when an application for a vehicle licence is made. Changes to the legislation are expected to be completed by October 2013.
69. Despite the removal of the check, there will be no decrease in our ability to identify uninsured driving. There remains a comprehensive check of current insurance levels.

## **One In, One Out (OIOO).**

70. This measure is in scope of OIOO as it can be defined as an 'OUT', this being a deregulatory measure whose direct incremental economic benefit to business and civil society organisations exceeds its direct incremental economic cost to business and civil society organisations.
71. As this measure is considered an 'OUT' via the implementation of deregulatory measures, it can be 'banked' against any future 'INs'.

## **Regulatory Policy Committee**

72. The consultation stage impact assessment has been given an amber rating by the Regulatory Policy Committee (RPC). The Committee considered that the impact assessment should provide greater clarity on whether some of the benefits identified would accrue to business. It would also benefit from greater elaboration on the possible introduction of an additional charge, as well as benefiting from a more detailed discussion on the risks of this proposal.
73. The impact assessment has been reworded to make clear that there are no costs to business. Further analysis of DVLA's data has shown that around 42,000 of the 595,000 vehicles that were unable to license were owned by businesses. This benefit has been reflected in the impact assessment.
74. The impact assessment has been updated to reflect that following the removal of the insurance check if an additional charge is imposed to make a check of the Motor Insurance Database as part of the Continuous Insurance Enforcement process the charge would fall to Government.
75. The impact assessment identifies that there is a possibility that short term evasion could rise. The DVLA, as part of the consultation process, will conduct detailed discussions with the insurance industry and the police to establish the impact that this proposal could have on uninsured driving.