BIBA MOTOR PANEL DIGEST

BIBA Motor Panel meeting held on the 27th January 2005 at BIBA House.

SUBLIMITS FOR INTERFERENCE WITH ROAD, RAIL AND AIRCRAFT

The BIBA motor panel had previously been concerned that commercial fleet policy wordings might carry a restricted sub limit of £1 million under the third party section where the vehicle causes interference with road, rail and aircraft or consequential losses. The concern is about seeking to place a limit on losses arising from a disaster like Selby.

The insurer in question has stated that material damage must normally occur but for example, if a car came off a bridge onto an overhead line and caused an interruption to services, this might be picked up by the clause in question. If it is an extension under this insurer’s policy, then maybe other insurers should be persuaded to provide.

REINSURERS ATTITUDE TO UNLIMITED THIRD PARTY INJURY COVER

ABI is raising the issue of the potential loss of availability of unlimited third injury cover from the reinsurance market to insurers and will respond to BIBA shortly.

UNINSURED DRIVING

A. Last MICAB meeting 01.12.04

At the last MICAB meeting on 1st December 2004, it was confirmed that the Road Safety Bill was going through Parliament. This involves improving police access to the MID as well as legislation allowing detection of uninsured vehicles by means of automatic number plate reading.

BIBA has returned its official response to the DfT consultation document on seizure of uninsured vehicles and this is available via the BIBA website at www.biba.org.uk

Other ideas for combating uninsured driving and the associated costs of implementation have been passed on from the BIBA motor panel to the DfT, including:
• Reinvesting the proceeds from confiscated vehicles.
• Destruction of low value vehicles and sale of high value vehicles to contribute toward funding the operation.
• A study of the Swedish operation, which is understood to be fully self-funded through fines and storage charges.
• An option to fine the driver as well as the owner of the vehicle (the latter being potentially innocent of any offence).

B. PA Consulting Group- Updating the MID - Interim Report

Greenaway Report – Recommendation 13
The report commissioned by ABI supports the opinion that uninsured driving is primarily an activity associated with standard rather than open cover contracts. Provided that vehicles insured under open cover contracts can be identified in DVLA’s vehicle keeper’s database, it is not considered necessary that they be subject to any more stringent MID submission requirements than already required to satisfy the 4th EU Directive.

Overall, there is no real benefit to enforcement for data to be anymore up to date than 7 days. The costs of achieving quicker updates are substantially higher and any target based on 100% compliance is unlikely to be met.

A strategy to achieve a target of 95% of Phase 1 records on the MID within 7 days by mid 2006 is therefore deemed appropriate but this should not be a barrier to earlier introduction of enforcement from the record.

Greenaway Report – Recommendation 15
Provided MID ‘time to update’ targets are being met, there is no perceived need for insurers to have to notify DVLA separately of policy cancellations. In practice, database comparisons should automatically achieve this, avoiding the need for each insurer to handle such notifications individually.

Greenaway Report – Recommendation 17
For Phase 1 policies, vehicle and driver information is already recorded.

For Phase 2 policies, insurers have minimal information on drivers but, as identified above, given that open cover vehicles do not pose a significant uninsured problem, this information is not considered necessary.

C. MIIC Meeting 06.12.04 – Manual Update to MIC

BIBA’s help has been enlisted in streamlining manual transactions in order to improve data quality and supply to the MID. The panel agreed that the immediate submission of manual cover notes and supporting information by the broker to the insurer would greatly reduce the problem and thereafter it is mainly an insurer issue.

BIBA contributed input to a manual update form that will be uniform for the industry and will be of particular assistance to smaller brokers who do not use EDI. This form will be
sent by fax or by post with a cover note to the insurer on the day of issue and will
circumnavigate problems of insurers who, in the past, were awaiting proposal forms,
copy no claims bonuses and copy driving licences before issuing a policy number and
entering information onto the MID.

D. **Professor Greenaway**

Professor Greenaway has confirmed to Graeme Trudgill of BIBA that there is no
significant uninsured driving problem relating to Phase 2 policies and therefore it was his
view that blanket policies, with any driver, could remain.

E. **DfT consultation document – continuous enforcement from the record**

BIBA has formally responded to this consultation document and the response can be

It is still felt that the proposed punishment system is somewhat flawed as fines are based
on people’s ability to pay rather than the actual insurance premium that has been
avoided. BIBA therefore support the call for stricter deterrents, such as seizure of
vehicle, community service or custodial sentences, particularly for persistent offenders.

F. **Days of Grace**

GT has written to all major motor insurers in the UK regarding their position on DoG and
responses have been received from the majority. A response from the MIB has also
confirmed that nearly all UK motor insurers are withdrawing or had already withdrawn
this facility. The ABI had gained legal opinion that this removal of days of Grace was not
in breech of the competition act.

Consumers need to be made aware of the removal of this facility and BIBA urges broker
members to advise their clients as soon as possible.

Many insurers trading via EDI have indicated that systems will be set to Auto Lapse
policies 5 days after their due date if renewal instructions have not been received.

G. **Young Drivers**

BIBA has made 6 suggestions to the ABI to help make insurance more affordable for
young drivers and prevent young drivers driving without insurance. These include:

- Additional drivers earning their own NCD while on their parents policy.
- Use of telematics based ‘pay as you go’ products.
- Short period policies.
- Assistance with and recognition of Pass Plus participation.
- Accelerated NCB schemes.
- R plates for newly qualified drivers.
- Reduce upfront premiums and load those drivers having accidents.
The ABI has commissioned research into this issue and this will take place over the first 9 months of 2005. Everyone agreed that risk based pricing should remain.

Young driver’s behavioural characteristics by means of psychometric testing should also be considered as a possible future underwriting method. A young drivers ‘grant’ system was also discussed.

EU GENDER DIRECTIVE

The gender directive has been passed but with an opt out for motor insurance policies. Therefore rating by way of gender will be permitted provided that this is supported by relevant statistical data.

5th EU MOTOR INSURANCE DIRECTIVE

The second reading of the 5th Motor Directive has gone through EU Parliament. If it is ratified it will be signed off quickly and is likely to come into force in 2007.

If all proposals are adopted it will make it easier to arrange insurance for vehicles being imported into the UK and also when a UK vehicle is taken abroad for an extended period such as work secondment.

The proposed increased minimum compulsory cover requirements have been confirmed as € 1,000,000 per claimant for injury (or € 5,000,000 per incident) and € 1,000,000 for third party property damage. This means that the current RTA TPPD requirement of £250,000 will have to be increased to @ £750,000.

Strict liability in respect of incidents involving pedestrians or cyclists is still in the draft but the extent of liability and subsequent awards will remain a matter to be determined by local law in each territory, taking account of contributory negligence as appropriate.

The position regarding compulsory insurance requirements for unattached trailers remains unclear and will be kept under review.

MODIFIED VEHICLES

BIBA are preparing a consumer and members advise note on this subject.

VEHICLES WRITE OFFS

Following the last BIBA motor panel meeting a letter was sent to DVLA asking for clarification over the possession of and procedures relating to the V5 registration document when a vehicle is written off and becomes the property of the insurer or the salvage company.

DVLA’s response was that it is the previous owner’s responsibility to tell DVLA that they no longer have the vehicle. BIBA’s opinion therefore is that the client should return the
'tear off' portion of the registration document to DVLA but further consultation is taking place with ABI before a full guidance note is issued.

**AXA COVER NOTES**

Axas have issued instructions to brokers stating that all cover notes must be restricted to 15 days maximum with no extension period allowed. BIBA is contacting Axas to clarify the intention as the restriction is onerous and could lead to problems where longer periods of cover are required.

**CLASS OF USE**

BIBA continues to lobby for a simplification of use classifications and is pursuing this with insurers, ABI and MIB.

**DRIVING OTHER CARS**

BIBA believe this is also an area of confusion among the public and an area of uninsured driving, albeit in some cases unintentional. There has been a suggestion that having separate buy back stand alone cover would mean that people would have a full explanation of the type of cover that was in place. This will be discussed further with ABI.

**RECENT EU EXPANSION**

BIBA has written to the embassies of the 10 new EU Member States and Cyprus, The Czech Republic, Malta and Poland have stated that Green Cards are not required when visiting their respective countries. BIBA believes however that it would still be prudent to obtain Green Cards for some of the new member countries in the short term, to avoid any difficulties or confusion with local police authorities.

The next BIBA motor panel meeting will be held on the 27th April 2005 and agenda items or enquiries from the membership are welcomed.