

**Association of British Insurers, Thatcham Research & British Insurance Brokers’  
Association Response to Future of Transport Regulatory Review: Regulatory  
Sandboxes**

**About the Association of British Insurers**

1. The Association of British Insurers is the voice of the UK’s world-leading insurance and long-term savings industry. A productive and inclusive sector, our industry supports towns and cities across Britain in building back a balanced and innovative economy, employing over 310,000 individuals in high-skilled, lifelong careers, two-thirds of which are outside of London.
2. Our members manage investments of nearly £1.7 trillion, collect and pay over £16 billion in taxes to the Government and support communities across the UK by enabling trade, risk-taking, investment and innovation.
3. We are also a global success story, the largest in Europe and the fourth largest in the world.
4. The ABI represents over 200 member companies, including most household names and specialist providers, giving peace of mind to customers across the UK.

**About Thatcham Research**

5. Thatcham Research is the motor insurers’ automotive research centre. Established by the motor insurance industry in 1969, the centre’s main aim is to contain or reduce the cost of motor insurance claims whilst maintaining safety standards.
6. A founding member of the international ‘Research Council for Automobile Repairs’ (RCAR), Thatcham Research has also been a member of the European New Car Assessment Programme (Euro NCAP) since 2004.

**About the British Insurance Brokers’ Association (BIBA)**

7. BIBA membership includes around 1800 regulated firms, employing more than 100,000 staff. General insurance brokers contribute 1% of GDP to the UK economy; they arrange 67% of all general insurance with a premium totalling £65.1bn and 81% of all commercial insurance business. Insurance brokers put their customers’ interests first, providing advice, access to suitable insurance protection and risk management.
8. BIBA receives hundreds of thousands of enquiries per year to its Find Insurance Services, online and via the telephone, which are directed to insurance broking firms.
9. BIBA is the voice of the sector advising members, Government, regulators, consumer bodies and other stakeholders on key insurance issues.

**Executive Summary**

10. The Association of British Insurers, Thatcham Research, and British Insurance Brokers’ Association believe that regulatory sandboxes could, in theory, help foster innovation in surface transport, but would require greater detail into specific plans to support a sandbox scheme. The most effective sandboxes will have considerable buy-in from Government which would allow innovators better access to a network of specialist that could help reduce legal, financial, and regulatory barriers. However, we also have concerns that sandboxes could potentially be exploited to erode safety and environmental standards or facilitate non-competitive behaviour.
11. Overall, we believe that the scope of this consultation is quite broad, and we would appreciate being consulted again when plans for specific sandboxes for surface transport are at a more advanced stage.

## Consultation Questions

### Advantages and disadvantages of sandboxes

*What do you see as the advantages of using a sandbox in surface transport?*

12. We believe that the 'Code of Practice: Automated vehicle trialling' could be considered an example of a sandbox that has already been applied in one area of surface transport. However, in that scheme, regulators take a relatively 'hands off' approach and the arrangement still leaves innovators to do a large amount of work in contacting a wide range of authorities and navigating the relevant regulatory frameworks. Formalising a sandbox approach could extend the reach to innovations outside of the connected and automated vehicles (CAV) field. If a network of relevant contacts in different authorities were to be established, then application for a sandbox trial could become a much easier 'one-stop shop' for innovators to be able to access and engage with all the necessary parties. If regulators are able to provide interpretations of the law specific to the innovation to be trialled, it could significantly reduce legal uncertainty. In addition, an ability to provide specific exemptions or derogations to existing regulations that act as a barrier to implementation could substantially reduce the costs of running a trial.
13. The current 'Code of Practice: Automated vehicle trialling' does not set out a system where authorities are deeply involved in trials and their obligations relate mainly to publishing an abridged version of the safety case and reporting on general results of the trial. It is not clear how much each of the relevant regulators learn about how future regulations or enforcement of regulations will need to change. Formalising the sandbox approach could involve defining projects as more of a partnership between innovator and regulator – in return for the help from the regulator in making it easier to undertake a trial, the innovator provides greater access to the results of the trial that would be needed to help understand the best ways to amend regulations.
14. We believe the Department for Transport are correct in their assertion that making a sandbox location specific will allow the regulator and innovators to focus on specific solutions to local problems.

*What do you see as the disadvantages of using a sandbox in surface transport?*

15. A successful sandbox approach is likely to take more resources than the Government is currently applying to the administration of trials and to leveraging the learning from those trials. The sharing of data may also be seen as a significant disadvantage for innovators. However, without both measures, the sandbox is unlikely to meet its objectives.
16. Making sandboxes too specific to individual locations would carry some risk. Although the trial itself may directly benefit the locality, regulations would need to change to make that benefit permanent. If the development focus is too specific to the trial location and does not consider scalability and transferability to other locations, the challenge of regulating all the local variations could be substantial. It may also be difficult for innovators to scale products and make them commercially successful without amending solutions to fit different localities. It will be important to frame this in a balanced way that encourages the advantages of a localised approach while minimising disadvantages. This could be done by ensuring that scalability, consistency, and simplicity of future regulation are measured as explicit performance indicators for success of the trial.

17. Lastly, the Government should avoid using sandboxes to bypass existing regulatory frameworks that would enable faster adoption but compromise existing and well thought out safety directives.

### **Roles and responsibilities**

*What, in your view, should be the role of central government in a surface transport sandbox?*

18. The central Government should clearly have a role in setting the framework for the use of sandboxes nationally, ensuring a degree of consistency of approach, fairness, quality, and safety. In surface transport, a large part of the applicable regulation is controlled directly by central Government. For example, the Driver and Vehicle Standards Agency is one such enforcement entity that is centrally managed. The central Government has the responsibility for amending regulations and, as such, needs to learn how to safely facilitate the innovation that is needed to solve local problems. As such, the central Government should not only set guidelines, but should have an active, ongoing role in the development and management of sandboxes to ensure that the learning from trials is maximised.

*What, in your view, should be the role of local government in a surface transport sandbox?*

19. Local government will clearly have ownership of the local transport problems that they wish innovators to solve. They may also have some powers such as Traffic Regulation Orders (TRO) to facilitate innovations that do not meet current regulations. As such, local governments can act as the first point of contact with the innovators and coordinate projects from the bottom-up. However, the most successful projects will likely involve partnerships between local governments, innovators, the central Government, and the various authorities and regulators. Trials should use the best tools available to balance the goal of simplifying processes for innovators to encourage more participation, with the need to ensure adequate safety and environmental standards.

*How, in your view, should relationships between parties be managed within a surface transport sandbox? For example, contractual or voluntary arrangements.*

20. While non-contractual arrangements could potentially help further lower the barriers to innovation, these arrangements are not appropriate for all parties and for all relationships. Diverse sets of innovative projects with different advantages, challenges and risks will require different types of relationships between parties. For any transport innovations, insurers should be considered a contracting party given that they underwrite the risks of the trial. A lack of legal certainty around who is responsible for what facet of the trial or who is liable if something goes wrong may present an obstacle to processing an insurance claim, which would in turn be a barrier to the innovation. Insurers will require a direct contractual relationship with a party in the trial and may need to establish other contractual relationships with, for example, suppliers to provide indemnity.
21. However, that does not necessarily mean that all relationships within the sandbox need to be contractual. If guidance and interpretation of regulation and commitments around enforcement activities work better on a non-contractual basis, that should also be considered on a case-by-case basis.

## **Sandbox powers and regulatory flexibility**

*What existing legal powers, in your view, might unlock barriers to innovation in surface transport?*

22. In the field of road transport, there are many existing legal powers that can be used to support innovation. The small series and individual vehicle approval routes are alternatives to type approval for small volume vehicles that are less burdensome to the applicant. There is the ability to register a vehicle as a prototype with exemptions to many regulatory standards and Vehicle Special Orders (VSO) can be granted to exempt vehicles for trials from regulatory requirements. TROs can be used to manage the access of vehicles which allow for the departure from normal regulations on specific roads. There may still be very specific requirements in regulation that are difficult to circumvent but, as part of separate consultation on 'Modernising Vehicle Standards', these powers are under consideration.
23. As such, we consider that there are many powers that can and have been used to remove barriers to innovation. For example, these powers have been used in nearly all CAV trials, the widespread in-service trial of longer semi-trailers, the trialling of the transport of abnormal loads, and in a wide range of other safety and environmental trials.
24. The biggest barrier remains the complexity of some of these arrangements. There is a wide range of different regulations, owned by different Government departments and sometimes even overseen by different supranational bodies. The various powers used to work around the regulations are also administered by different individuals, sometimes influenced by specific political agendas. Innovators without substantial experience of working within the parameters of a regulatory system may encounter difficulties relating to compliance or, conversely, not be aware of the powers that could allow them to waive certain requirements. A system that helps innovators navigate the existing regulations and powers of exemption could be of significant benefit.

*What existing powers, in your view, could be transferred or delegated to help support innovation at a local level?*

25. In theory, local authorities could be given powers to allow vehicles that don't comply with regulations to circulate in limited capacity. However, there is still a need to assess whether a vehicle that does not comply with regulations is at least as safe as those that do before they should be allowed on the roads. This would require significant expertise that is not typically taken on by local authorities. Training and equipping local authorities to assess vehicles may not be an effective use of resources. As such, schemes could work more effectively partnering with organisations that already have the required expertise. In this example, local authorities could work with the Vehicle Certification Agency (VCA) to assess vehicles.

*In your view, are new powers required to enable the use of sandboxes in surface transport?*

26. Not to our knowledge

## **Other questions on regulatory sandboxes**

*Please share any other views on the use of regulatory sandboxes in surface transport.*

27. While we are supportive of innovation in transport and the need for new technology in pursuit of road safety and transport decarbonisation, we cannot forget that regulations were designed to protect public interest. While it is important to remove unnecessary

barriers to innovation, it will be very important to insure we do not promote innovation at any price and create a 'race to the bottom' in terms of safety and environmental protection. The concept of a sandbox should only be deployed where no existing market alternatives exist.

*Do you have data or evidence about whether any of the proposals would positively or negatively impact individuals with protected characteristics? (As defined in section 4 of the Equality Act 2010)*

28. Not for ABI, Thatcham, and BIBA to answer.