

10-Point Roadmap to Tackle Motor Insurance Costs

One year update

In February 2024, we published a [10-Point Roadmap](#) to help combat the cost of motor cover. The Roadmap outlines ten actions that the industry, government or regulators could take, and areas where improvements could be made. This update serves to highlight the work that the ABI, our members, and the wider insurance industry has done to address the affordability of motor insurance. Government can help combat high claim costs by addressing the skills and capacity challenge in the vehicle repair sector, improving the UK's roads, and delivering its road safety strategy.

1. Help consumers make informed decisions

We continue to publish our Motor Insurance Premium Tracker every quarter which covers the average price paid for the nearly 28 million comprehensive motor insurance policies sold annually. Our Tracker is the only one that measures what people pay for an insurance policy as opposed to what they have been quoted. Please refer to our [press release](#) for the latest data on motor insurance premiums.

Last year, we updated a range of resources on our website to help improve consumer understanding of the motor insurance market. This included an [FAQ](#) on insurance pricing with tips on how to help consumers find a suitable policy, as well as an [article](#) explaining how various cost pressures impact motor insurance premiums. Following this, many of our members went through a process of updating their consumer communications by adding additional information to renewal letters and providing training to front-line staff to better communicate why there may be premium changes for customers when renewing their cover.

With increasing average motor insurance premiums, we appreciate that more people considered paying their premium in instalments. While premium finance remains an important option, we acknowledged that the costs associated with providing this service can impact those who need to manage their budgets carefully. ABI members committed to our [Premium Finance Principles](#) which revolve around five elements: transparency, affordability, fair value, proportionality and accountability. As a result, such charges should be made completely clear to consumers and be reasonable, relative to the cost incurred by the insurer for providing this as a payment option. We are also engaging closely with the FCA since the launch of their Market Study on premium finance in October 2024.

We want to ensure that the consumer's voice is heard, and throughout our work on motor insurance affordability and broader financial inclusion we have consulted a wide range of consumer representatives. We've developed important partnerships with consumer interest groups who sit on our Consumer Advisory Group to ensure that insurance can adapt to changing customer needs.

Across the insurance industry, other organisations have also made progress to help consumers make informed decisions. In September 2024, Thatcham Research – an independent, not-for-profit automotive risk intelligence company, funded by UK motor insurers – introduced Vehicle Risk Rating (VRR). The VRR system is built on five interconnected risk assessments – performance, damageability, repairability, safety, and security – to provide a more precise differentiation between vehicle attributes that can affect the cost of insurance. As the system develops, we hope that it can provide consumers with more transparent information regarding the relative risk of a vehicle, but also to incentivise carmakers to prioritise designs and technologies that enhance safety, security, and cost-effective repairs.

2. Combat vehicle theft

According to ABI data, there were 61,000 settled claims related to vehicle theft and theft from a vehicle in 2023, up 2,000 claims from the year prior. Vehicle theft remains a persistent problem and while vehicle manufacturers are strengthening new vehicle security, thieves and criminals continue to find novel ways to defeat those systems.

We recently updated our [Vehicle Security Guidance](#). This document provides guidance on how to keep a vehicle, vehicle parts, and vehicle contents safe from theft as well as advice on what someone should do if they become a victim of vehicle crime.

Throughout the year, we also had fruitful discussions with national government and local authorities, police forces, and vehicle manufacturers to discuss how different stakeholders can come together to advance the shared goal of improving the fight against vehicle theft.

As a part of these discussions, we began a partnership with the National Vehicle Crime Intelligence Service (NaVCIS), a national police unit coordinating the strategic and frontline response to vehicle crime. We are in advanced negotiations to formalise an agreement with NaVCIS to deploy resource at ports to intercept and recover stolen vehicles destined for overseas.

In addition to our work in this space, Thatcham Research continues to collaborate closely with vehicle makers and the police to identify theft trends and devices and to encourage prompt action to address vulnerabilities. For example, Thatcham Research successfully persuaded vehicle makers to take urgent steps to close the keyless theft vulnerability with the widespread introduction of 'sleeping' key fobs which are less susceptible to keyless or 'relay' attacks.

3. Tackle fraud and uninsured driving

Alongside the Home Office, we launched the [Insurance Sector Fraud Charter](#) in 2024. This Charter contains insurance and public sector commitments that will make the UK even more resilient to insurance fraud. Notable industry commitments include exploring opportunities with price comparison websites to tackle ghost brokers and application fraud, raising awareness of insurance fraud, supporting victims of fraud, and identifying online platforms facilitating fraud. The UK Government has committed to tackling the threat posed by professional enablers (individuals or organisations such as rogue doctors, lawyers or claims management companies that provide professional services that enable criminality) and are working with the industry to understand the benefits of broader information sharing.

We ran a public awareness campaign aimed to equip consumers with the knowledge and tools they need to protect themselves against being scammed online, in particular against ghost brokers. The campaign began with an exclusive article in [The Sun](#) and utilised ads running across Meta and Google. We also partnered with five prominent financial influencers to raise awareness of these different types of fraud. Working with the City of London Police's Insurance Fraud Enforcement Department (IFED) we created a [film](#) featuring IFED officers who explained the impact of online insurance fraud and what people can look out for to stay safe online. Our campaign received over 1.7 million impressions and the public's knowledge of online insurance fraud improved from 69% to 73%.

We [published](#) enhanced detected fraud statistics which for the first time included statistics on the most common insurance fraud types.

Beyond the ABI, the Motor Insurers' Bureau (MIB) has continued to build on its collaboration with police forces across the UK to optimise the use of Automatic Number Plate Recognition (ANPR) systems in clamping down on non-compliant drivers and vehicles. It has also introduced and is committed to ongoing development of Navigate, a single data platform capable of handling input from several sources and serving

multiple customer groups. Such innovations, financed by the insurance industry, are using the latest technology to make our roads safer.

4. Improve road safety and road infrastructure

We continue to work closely with governments across the UK, road safety organisations, and all relevant stakeholders to ensure that our roads are safe and to demonstrate that improved road safety outcomes for drivers can help support competitively priced motor insurance.

We are a proud member of the Parliamentary Advisory Council for Transport Safety (PACTS), and we have collaborated with them and other members to advance the shared goal of safe transport for all.

The UK government has promised to publish the first Road Safety Strategy in over a decade, and we look forward to inputting into the development of this strategy. The government must make sure that new infrastructure is safe while improving existing infrastructure by fixing potholes and improving safety outcomes, particularly for vulnerable road users.

We will shortly be publishing an updated version of the Salvage Code of Practice, which sets out detailed guidance for insurers and salvage firms regarding how written-off vehicles should be categorised. The voluntary code helps ensure that unsafe vehicle parts are not put back onto our roads. The new code improves clarity of the salvage code and its vehicle categorisation and disputes processes, and reflects changes brought on by rapidly advancing vehicle technologies, including electric vehicles and new manufacturing processes.

Insurers will continue to take steps to understand the effectiveness of recent road safety enhancements in reducing the frequency and severity of accidents. This coupled with greater understanding of the benefits of improving safety technology within vehicles, enables insurers to take account of the reduced risk.

5. Support new and novice drivers

According to a report from the Transport Select Committee on road safety and young drivers, young car drivers (aged 17 to 24) are over-represented in the statistics for involvement in fatal and serious road traffic crashes. In 2019, young drivers made up 7% of all licence holders but were involved in 16% of fatal and serious crashes. Because motor insurance premiums are based on risk, many young and novice drivers pay more on average for their policies.

One way to potentially reduce premiums is through a telematics policy. Telematics can monitor driving behaviour, providing insurers with data tailored to each individual driver. This technology enables personalised pricing that reflects the unique driving habits, and therefore, risk of each driver. Safer drivers could then benefit from lower premiums. We have compiled a [list](#) on our website showing insurer members that provide a telematics policy.

However, the understanding of telematics and its impacts is still evolving, and it may not be suitable for many drivers. As such, we have asked the UK Government to consider adopting a change to the driving test system and implement Graduated Driving Licensing (GDL). GDL is a phased licensing approach designed to help novice drivers gain driving experience gradually in a lower-risk environment by imposing certain temporary restrictions on novice drivers. We're calling for the introduction of GDL in Northern Ireland as a pilot for Great Britain, as GDL was legislated for in 2016 but has yet to be implemented.

We have highlighted this approach in numerous parliamentary briefings and during our oral evidence session with the Treasury Select Committee. In the UK Government's 2019 Road Safety Statement there was a commitment to review GDL in the UK, which was not taken forward. We strongly encourage the government to re-engage on the issue.

6. Reduce the impact of the Personal Injury Discount Rate (PIDR)

The PIDR is a mechanism which aims to make sure a claimant receives 100% compensation (neither over nor under-compensation) when they have suffered long-term, severe injuries that sometimes result from road traffic accidents, when their claim is settled as a lump-sum payment. A lump-sum compensation settlement will include damages for any future financial losses, such as loss of earnings and cost of future care. The PIDR is part of the lump sum calculation to help ensure 100% compensation by taking into account the fact that the claimant will invest this sum, with appropriate financial advice, over the course of their lifetime.

Last year, we saw the PIDRs change in England and Wales, Scotland, and Northern Ireland. The rates in those three jurisdictions are now aligned at +0.5%, adjusted from -0.25%, -0.75%, and -1.5%, respectively. The setting of the PIDRs at +0.5% is welcome and the move to positive rates reflects the improved investment market conditions since the rates were last set. The UK Government's impact assessment for the PIDR review in England and Wales estimated that the 0.5% rate will result in cost savings of approximately £150m per annum. Despite this positive move, the process still embeds significant caution into the calculation of the rate and future reviews will need to reflect on this given the potential for it to lead to over-compensation and impact the cost of insurance for all motor premium paying customers.

7. Continue whiplash reform

The industry campaigned for reform of compensation for whiplash injuries, which set the amounts people receive when injured in road traffic accidents, to deter spurious claims and activity such as 'cash for crash' fraud.

However, many claimants are now encouraged to claim for additional injuries that the claimant legal sector argue should attract significantly higher damages amounts than the tariffs which have been set for whiplash.

Reform principles enacted for whiplash should be applied to similar injuries to keep costs under control and to combat spurious claims. Increasing the £ cap at which higher legal fees can be recovered would reflect the inflationary uplifts that damages for these injuries have been subject to in recent years and help control the total cost to insurers of settling such claims. We continue to work with the UK Government to reflect these views on behalf of the customers who are paying premiums.

8. Advocate for safety-focused vehicle technology

The insurance industry has played a pivotal role in enabling and supporting the development of automated vehicle technologies that have the potential to drastically improve road safety. In 2015, the industry established the Automated Driving Insurer Group (ADIG), now the Vehicle Technology Working-Group, to share information and form industry views on issues related to insurance and liability for automated driving.

The group has provided views on several Law Commission and government consultations; been represented on working groups including the AV-DRIVE, to establish communication standards for automated vehicles; and has had regular meetings to offer insurance industry support to governments and relevant stakeholders in the development of this policy area. Overall, the industry has been influential in the development of the Automated and Electric Vehicles Act (2018) as well as the Automated Vehicles Act (2024).

Now that the Automated Vehicles Act has recently received Royal Assent, we are working with the Centre for Connected and Autonomous Vehicles (CCAV) to develop the vital secondary legislation and look forward to further collaboration between insurers, government, and the wider motor industry to address any potential barriers around data sharing, road safety and cyber security. In partnership with Thatcham

Research, we launched the [‘Insurer Requirements for Automated Vehicles’](#) report, detailing the key measures that must be undertaken to realise the safety and wider societal benefits of automated vehicles.

9. Lower Insurance Premium Tax (IPT)

IPT applies to most general insurance policies including motor, home, pet, and private medical insurance and impacts 84% of UK households. It is likely to hit the poorest the hardest who spend proportionately more on insurance, such as home and motor. The standard rate has doubled to 12% since October 2015 and currently adds an extra £67 to the average motor insurance premium.

We submitted a response to the government’s 2024 Autumn Budget. While recognising the UK’s fiscal position and significant pressure on the public finances as set out in the Chancellor’s Fiscal Inheritance Statement, the industry remains concerned about the impact of the current rate of Insurance Premium Tax (IPT) on households and businesses. In our submission, we continued to call for the government to consider a reduction in IPT, a regressive tax that punishes people who are doing the right thing in protecting themselves from financial shocks. Ahead of the Spring Forecast and with the ongoing pressure on the cost of living, we continue to call for the government to reduce the rate of IPT.

10. Support the repair sector

We continue to see reports of high repair costs for motor vehicles. These have increased in large part due to rises in costs associated with parts, labour, and energy, as well as repairs taking longer to complete, which impacts the cost of providing replacement vehicles to customers. Moreover, with greater levels of vehicle sophistication, it is likely that higher repair costs could persist. A car bumper, for instance, is no longer merely a piece of metal, but integrated with multiple sensors, all of which attract significantly higher costs to replace when damaged.

We have begun to engage with organisations within the repair sector, such as the Institute of the Motor Industry (IMI), to understand the issues in greater detail and take targeted measures to support the sector. This is by no means a simple task and will require collaboration between many stakeholder groups, including government over the long-term. For instance, we recently highlighted some of the challenges within the repair sector for electric vehicles to the Office for Zero Emission Vehicles (OZEV). We will also be responding to the ZEV Mandate Consultation emphasising the importance of building up and re-skilling the repair sector to support the transition from internal combustion engine vehicles to ZEVs.

We also continue to work with Thatcham Research to better understand what vehicle technologies are coming onto the market and repairability trends. Thatcham Research continues to lead on industry initiatives including the development of pioneering training programmes, in addition to training apprentices in its Automotive Academy.

We continue to call on the UK Government to consider how it can help address the skills and capacity challenge in the vehicle repair sector. Beyond attracting new talent, there is also the need to retool and retrain the existing workforce so that they are equipped to work on new vehicle technologies, including connected and electric vehicles.