



# Roadmap to Tackle Insurance Costs

We want to help keep the costs of motor insurance under control and we're working with our insurance firm members, partner organisations, regulators and the government to do so.

February 2024





## On track

Some initiatives are underway but will need continued focus.

### 1 Help consumers make informed decisions

The industry should do more on transparency around which vehicles are more costly to insure. For example, increasing visibility of the Group Rating system (which rates vehicles on risk and is administered by Thatcham Research) would help consumers make more informed choices.

This is in addition to a concerted industry effort to better explain how insurance is priced both at renewal and through the customer buying journey. This work is currently underway.

### 2 Combat vehicle theft

We have recently updated our [Vehicle Security Guidance](#). This gives advice on how to keep vehicles and contents safe, what you should do if you become a victim of vehicle crime, and what the industry is doing to combat vehicle crime.

It's important that we continue to work closely with Thatcham Research to address issues around vehicle security and engage with local government and police forces to stay ahead of criminal activity. We also need to work with Thatcham to inform vehicle manufacturers how vehicle risk is assessed from a repair, security, and performance standpoint.

We are also exploring a partnership with the police to aid in the recovery of stolen vehicles. The pilot would fund additional police presence at ports where stolen vehicles are often shipped abroad.

### 3 Tackle fraud and uninsured driving

Continuing to crack down on fraud and uninsured driving will reduce the costs borne by law-abiding drivers for their insurance. This is because the industry funds the Motor Insurers' Bureau (MIB) which pays claims against uninsured drivers, and the Insurance Fraud Bureau (IFB) which works with police and the Insurance Fraud Enforcement Department (IFED) to arrest insurance fraudsters. This work is ongoing, but the hope is that improvements will deter criminals and bring down prevalence of crime.

We are also working with government on its Fraud Strategy as well as developing an Insurance Sector Fraud Charter which will comprise a series of insurance sector and public sector commitments to make the UK more resilient to insurance fraud.





## Around the corner

There are initiatives where we need to work with partners to make progress, which means they'll a little take longer to progress.

### 4 Improve road safety and road infrastructure

Through campaigns and road improvement initiatives we can improve road safety. To do this we will work with key stakeholders such as government bodies like THINK! and the Health & Safety Executive (HSE), fellow member organisations like Road Safety GB and charities such as Brake, ROSPA, and the Road Safety Trust.

Through the Parliamentary Advisory Council for Transport Safety (PACTS), of which we a member, we will continue to lend our support to initiatives that will make the roads safer but also improve the state of our highways and associated infrastructure, given that poor road maintenance can contribute to accidents and vehicle damage.

### 5 Support new and novice drivers

Young and inexperienced drivers pose a greater risk to themselves and other road users. We believe more should be done to support them.

We are calling for the adoption of graduated driving licences, where new licence holders take a phased approach to full road use. This involves avoiding the most dangerous elements of driving (e.g. late-night driving or carrying numerous passengers) in the early phases of driving and adding broader allowances as the driver gains more road experience. The effectiveness of such licences is clear from the wealth of evidence in jurisdictions where they have been introduced, such as Australia, Canada, New Zealand and the United States, where they have been highly effective in reducing young driver casualties. We are working with UK government and devolved nations to move this plan forward.

We will also continue to explore technological solutions such as expanding our support of telematics policies which take into account how vehicles are driven when setting the premiums.

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

The personal injury discount rate relates to large compensation sums paid to people who have suffered severe, life changing injuries. The amounts granted are often invested, with the returns providing an income for life. These lump sums are subject to an adjustment (discount) to reflect that the lump sum will grow due to investment/interest returns.

The rate at the moment is negative (-0.25% in England & Wales, -0.75% in Scotland and -1.5% in Northern Ireland), suggesting a lump sum would not generate any returns. This makes paying compensation much more expensive as these amounts can reach into the tens of millions of pounds for a single claim - which have to be factored into the cost of premiums. We think the rates in the UK should be re-evaluated to better reflect the real returns accumulated by low-risk investors of lump sums and have been working to feed into calls for evidence which will inform a decision this year.

This issue doesn't just affect our industry, but impacts any public bodies paying out similar compensation, including the NHS.



## 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, in order 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 that have been set for whiplash. Reform principles enacted for whiplash should be applied to similar injuries to keep costs under control. Increasing the £ cap at which higher legal fees are incurred to account for inflation would also help control the total cost of settling such claims.

We continue to work with government, regulators and the courts to reflect these views on behalf of the customers who are paying premiums.

## 8 Advocate for safety-focused vehicle technology

Making assisted safety features mandatory in new cars would contribute to road safety. This is the case across Europe, where countries adopt regulation known as GSR2 (General Safety Regulation 2).

The UK is currently considering adopting the same set of rules and we would strongly support doing so. This would mean all new cars would have measures such as advanced driver distraction warnings, driver drowsiness and attention warnings, and intelligent speed assistance.

Beyond assisted systems, automated vehicles could revolutionise road safety but only if legislation ensures user and system safety. We are working to feed into the evolving Automated Vehicles Bill, including making clear that insurers should be able to access relevant vehicle data, to be able to deal with claims quickly and ensure that victims are properly compensated.





## Further down the road

There are some reforms needed to deliver lower premiums, but we can't control how quickly they're implemented.

### 9 Lower Insurance Premium Tax (IPT)

IPT adds £67 to the average motor policy. And because it's a fixed 12% of the premium, as prices have risen it's taken a larger bite out of household finances. We believe that it punishes responsible customers who take out insurance and have been vocal on the need for a cut in IPT to help struggling households and businesses alike.

However, as we can only suggest tax policy to government, we can't be sure when this wrong will be put right. But we will continue to campaign, both to those in power and to the public, so they understand that government insurance taxation punishes responsible decisions.



### 10 Support the repair sector

Vehicle repairs costs have increased significantly due to rising costs associated with energy, labour, spare parts, among many other factors. Even as these pressures ease, there are still concerns about the rising cost of repair related to increasing vehicle sophistication and the widespread adoption of connected and electric vehicles.

Skills and training for repairers of such vehicles is also a concern. Longer repair times add further costs to the insurance industry but there is an acute and severe shortage of skilled labour to do the work.

We will support Thatcham Research's work with vehicle manufacturers to better understand what vehicle technologies and trends are coming onto the market. At the same time, we want to support the independent repair sector to ensure that they have access to the parts, labour and tools required to work on all new vehicles. This means tens of thousands more vehicle technicians over the next decade. In doing this, we will help create a robust repair sector that is future-proofed and will continue to give consumers more choice in how they maintain and fix their vehicles.

As a part of ensuring the sustainability of insurance supply chains, we must also explore the wider use of green parts (i.e. safely recycling functional elements of write-offs) and ensure that vehicle mechanics are trained to work safely on alternate fuel vehicles.

However, this is a huge job requiring collaboration of many stakeholder groups. It is a long-term but important challenge.



## About us

The ABI is the voice of the UK's world-leading insurance and long-term savings industry, which is the largest sector in Europe and the third largest in the world. We represent more than 300 firms within our membership, including most household names and specialist providers, providing peace of mind to customers across the UK.

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