

[Public consultation](#) on REFIT review of Directive 2009/103/EC on motor insurance – ‘Vnuk’

RAC Foundation response.

October 2017

The RAC Foundation is an independent UK charity that conducts, commissions and disseminates research relating to motoring and road use. More details about the Foundation and its work is available on its website: www.racfoundation.org

The RAC Foundation supports and advocates the principle that road users are adequately insured to financially protect themselves and their vehicles as well as those of third parties.

The vast majority of the UK's 30+ million drivers have the insurance required of them and over the past decade the number of uninsured drivers has fallen by some 50%, in large part because of the introduction of Continuous Insurance Enforcement which means vehicle keepers must demonstrate they have insurance even if they are not out on the road with their vehicle (unless it has been issued with a Statutory Off Road Notice - SORN).

However, there are around [one million drivers who are still uninsured](#). One reason for this significant minority not having insurance is likely to be cost.

Motoring insurance costs are frequently cited by UK car owners and drivers as one of their biggest concerns. The problem is particularly acute for young drivers, [UK national statistics](#) show that over the past ten years there has been general inflation of approximately 33%, but motor insurance and tax costs have risen by about 173%.

Ironically, one thing that impacts on the cost of insurance is the levy that drivers with a policy end up paying – via their insurance companies – to the Motor Insurers' Bureau, a body of last resort – or guarantor - which meets the claims of victims of uninsured drivers.

The RAC Foundation fears that if the ruling of the European Court of Justice in the Vnuk case is implemented through the Motor Insurance Directive then there will be a number of unwelcome consequences:

- 1) There is no guarantee the private insurance market will provide competitive policies for the types of vehicle captured in the current proposals.
- 2) Even with a market in place there are likely to be many owners of golf buggies, ride-on mowers, tractors, etc. who do not take out insurance – either because of the cost or simply through an ignorance of the requirements.

- 3) Others might be aware of their obligations but choose to ignore them because they believe there will be no sanction taken against them. This thinking is likely to be correct given that there is an absence of a licensing system for non-road vehicles.¹
- 4) In the event of accidents and claims involving uninsured non-road vehicles it will be the Motor Insurers' Bureau – and hence by extension law-abiding motorists – who have to foot the bill.
- 5) For the reasons explained in 4) above the already high cost of motor insurance is likely to rise further, in the face of which more rather than fewer people will decide to drive on the public highway uninsured and therefore illegally. The danger is that ultimately the insurance system falls into disrepute, fewer and fewer people take out any, or adequate, cover and costs for those trying to do the right thing spiral.
- 6) Because motorsport participants will now require motor insurance policies, the cost of these policies (calculated as they are on risk) is likely to be prohibitive to competitors and many will decide to exit the sport, threatening the very future of a hugely-popular pastime and the multi-billion-pound business supporting it.

The RAC Foundation believes the mechanisms are already in place to allow users of non-road vehicles to take out appropriate financial protection, either through public liability insurance or employers' liability insurance.

In summary: the RAC Foundation believes that the negative impacts of the proposed directives outweigh the positive impacts, and rather than increasing protection for those people involved in accidents with motorised vehicles there is a real risk that protection will decrease with the financial burdens falling disproportionately on law-abiding road users.

¹ See more on this from the joint ABI, Motor Insurers' Bureau et al response to Vnuk: <https://www.abi.org.uk/news/news-articles/2017/08/prospect-of-owners-of-off-road-vehicles-needing-insurance-is-----unnecessary-unworkable-and-unfair-says-the-insurance-industry/>