APPENDIX A

ORGANISATIONS CONSULTED DURING THE PROJECT¹

¹ All organisations listed were contacted by members of the JDI. However, not all organisations chose to contribute to the research.

AA

Association of Car Fleet Operators

Association of Chief Police Officers of England, Wales, and Northern Ireland,

Road Policing (ACPO)

British Vehicle Rental and Leasing Association

Department for Transport, Local Government and the Regions (DTLR)

Driver and Vehicle Licensing Agency (DVLA)

DTI

Essex Trading Standards

Finance and Leasing Association

Freight Transport Association

HPI (formerly Equifax)

Lord Chancellor's Department

Metropolitan Police, Stolen Vehicles Unit

Motor Insurers Information Centre (MIIC)

Motor Insurers' Bureau (MIB)

Motor Vehicle Dismantlers Association

Motor Vehicle Repairers Association

Motorists' Forum

National Criminal Intelligence Service (NCIS)

North Wales Police

Office of Fair Trading

Policing and Crime Reduction Group, Home Office

RAC

Retail Motor Industry Federation

Road Haulage Association

Social Exclusion Unit

Society for Motor Manufacturers and Traders

Treasury

Vehicle Builders and Repairers Association

Vehicle Inspectorate

Vehicle Systems Installation Board

West Midlands Police, Stolen Vehicles Unit

APPENDIX B

THE INSURANCE INDUSTRY'S VIEW ON THE VEHICLE LICENSING SYSTEM

A PAPER BY MARTELL CONSULTANTS (SCOTLAND) LTD

INTRODUCTION

This paper has been produced as a result of discussions with a number of people working within the insurance industry, at a variety of levels. The organisations involved are listed at Appendix 1. Consultees were contacted by phone to explain the aims of the study and then sent more detailed information (a background note as attached at Appendix 2) which contained an indication of the particular areas of interest.

The researchers then followed up a few days later to obtain consultees' views on the questions posed, by phone or in person. A number of participants were kind enough to record their thoughts in writing. These are also attached. Views were given on a personal basis, rather than as a representative of the organisation concerned, and should not be considered the "policy" of those organisations. Although the list of consultees is relatively short, we believe that all the key points have been raised; it was noticeable that the number of new points being raised fell off rapidly after four or five interviews.

The section "Views on the current system" is a summary of "raw" comments which have not been sanitised or critiqued, although the final section provides some assessment by the researchers themselves of the key conclusions which they believe should be drawn. The researchers have extensive personal experience of motor insurance and of systems in some other countries, which has been used to produce the following explanatory section, and the conclusions.

THE RÔLE OF VEHICLE LICENSING IN INSURANCE

The insurance industry is a key stakeholder in the vehicle registration process because it is dependent on the accuracy and success of the system in a number of ways:

- (a) vehicle data is used by many insurers to populate their policy records from only the Vehicle Registration Number (VRN), using the data supplied by DVLA to data houses. Inaccuracies may result in incorrect premiums being charged (which may also affect the customer adversely) or in disputes in the event of a claim at a later date;
- on those occasions where third party vehicles have been untraced, the keepers register is used to trace liable parties (particularly by the Motor Insurers' Bureau);
- (c) the annual insurance check carried out at the time of relicensing provides a mechanism – albeit imperfect – which assists in the containment of uninsured driving;
- a system which allows vehicles to remain unregistered and untraceable also allows vehicles to be uninsured, thus increasing the cost of uninsured claims;

- (e) a system which allows vehicles to be cloned, or to carry false identities without detection, promotes the incidence of vehicle theft and insurance fraud;
- (f) vehicle roadworthiness is clearly relevant to the probability of an accident. Insurers therefore rely on the enforcement of the MOT system;
- (g) the registration of foreign imports without proper controls allows vehicles with differing specifications particularly in security to be insured without the insurer charging the appropriate premium for the risk.

These interactions translate into the following high level requirements for a licensing system:

- reliable make and model data for vehicles, including imports, linked unambiguously to the correct number plate
- up to date and reliable keeper information, ie. where the keeper identity and residence are genuine and where changes of keeper are recorded effectively
- a mechanism which prevents vehicles being used without being registered and traceable
- an effective means of enforcing the requirement to have third party motor insurance (NB that this does not necessarily mean use of the licensing system)
- preventing changes in vehicle identity going undetected, in particular the falsification of number plates
- effective enforcement of MOT checks
- effective control of vehicles at first registration, especially for imports

Views on the Current System

Insurers welcomed many of the steps taken by the DTLR and Home Office in the context of the Vehicle Crime Reduction Action Team (VCRAT), in which the insurance industry was closely involved. Nevertheless many deficiencies remain, which require more fundamental change to address them effectively. Interviewees highlighted the following concerns:

◆ The low chances of being caught when driving without tax, insurance, MOT and without the vehicle properly registered with DVLA, partly due to the low level of resource dedicated to enforcement of the system, especially by the Police and DVLA

- ◆ The ineffectiveness of the penalties even if caught and convicted, including, for example, the (astonishing) fact that an uninsured driver can drive away from court after sentencing still having no valid insurance
- The culture of evasion, where people boast about breaking the law without rebuke by their peers
- The perceived lack of training of, and detailed attention paid by, Post Office employees when examining documents at the point of re-licensing, perhaps due to the low transaction charge and high workload. Another factor to be considered is that, as more and more individuals own PC's with highly capable desktop publishing capabilities, fraudulent certificates are easier to reproduce and the scale of this problem may increase.
- The difficulties of tracing criminals by co-ordinated data sharing because of the data protection rules – the perception is that the Data Protection Acts do more to prevent the detection of criminals than to protect the rights of the innocent
- ◆ The current level of inaccuracy of the vehicles register in terms of the keepers recorded, the number of vehicles no longer actually on the road, and data discrepancies
- The ease with which false plates can be produced and procured (it is not yet known to what extent the new provisions in the Vehicles (Crime) Act 2001 will address this)
- ◆ The ease with which duplicate V5s can be obtained fraudulently (although this may be improved by V(C)A 2001 provisions
- ◆ The apparent lack of Police co-ordination because of the Forces system and the perceived "fiefdom" attitude of many Chief Constables
- The lack of EU-wide co-ordination and enforcement, which currently allows UK vehicles to be based and circulate freely in eg. Spain, without tax or insurance
- ♦ Lack of scrutiny of imports, particularly from Japan
- Lack of control of "personal" exports which allow stolen vehicles to leave the UK undetected
- The ease with which all documents can be falsified and not detected (even if ever checked)
- ◆ The lack of control of "end of life" vehicles (ELVs) generally, in particular the lack of mandatory, centralised recording of ELVs (although this may be partly addressed by implementation of the End of Life Vehicles Directive)
- The lack of scrutiny of vehicles submitted for "Q-plating"

 The lack of co-ordination of data on vehicles held by government and nongovernment bodies

Illustrative example

One insurer representative told the following cautionary tale which illustrates the failings of the system. A man applied to DVLA for UK registration documents on a high value vehicle purchased elsewhere in the EU and imported by him personally. These were duly issued, and the vehicle recorded on the register, and he insured the vehicle. A short time later he reported the vehicle stolen and it remained unrecovered. Investigations by the insurer concerned revealed that the documents used to register the vehicle were fake, and the vehicle had never actually existed. However, the man had managed to create a "genuine" vehicle identity on the vehicles register which had allowed the alleged theft to be supported by the "official" evidence.

Very few positive attributes were identified. Some were:

- ⊗ The advantages of a centralised (rather than regionalised) system
- The ease of compliance for honest motorists, due to the reminder system and the availability of "licensing stations", ie. Post Offices, and the low burden
- ⊗ The apparent efficiency of the system when used correctly and honestly

Suggested improvements (1) – the "simple" and short/medium term

Interviewees suggested how the current system might be improved without radical change. Although some of these measures are apparently basic, and low-tech, they may have political and legislative implications

- "Privatise" enforcement of licensing-related requirements, or even decriminalise them altogether to allow interested parties to pursue them
- In total contrast to the previous point, automatic endorsement and/or suspension of driving licences for road tax/MOT/insurance evasion
- Improve deterrence by expanding the "penalties" available eg. confiscate/crush offenders' vehicles irrespective of ownership/keepership, confiscate other property
- Introduce "secure" tax stickers which are harder to forge or falsify and cannot be stolen
- Introduce "secure" number plates which are uniquely linked to the vehicle and cannot easily be forged
- Increase the resources allocated to enforcing the registration requirement
 also to improve the register in the short term

- Use of the Motor Insurance Database by Post Office clerks to prevent use of fraudulent insurance certificates and cancelled insurance policies
- Introduce a national traffic police service
- Standardise Police procedures nationwide/unify the Forces
- Separate taxation and registration so that the disincentive to register is reduced
- Introduce a mechanism to collect taxation which cannot be evaded (eg. fuel duty)
- Provide incentives to comply, eg. one level of tax costs £110 if you pay on time, but more if you pay late/when caught – there is a precedent in parking fines, which are cheaper if you pay within two weeks
- On-the-spot enforcement vehicles confiscated, fines levied on driver, irrespective of whether they are the registered keeper
- Use of the Motor Insurance Database to help update DVLA's records
- Link data available from as many sources as possible (preferably on the same database) to increase likelihood of detecting evasion – and of finding the culprit. In particular insurance evasion could be pursued by matching Motor Insurance Database and the vehicles register
- Widen use of ANPR (automated number plate readers)
- Better cross-EU co-ordination eg. allow other Member States to access the DVLA register

Suggested Enhancements (2) - Technology-based and Long Term

Interviewees were asked to suggest how an improved system might be developed without reference to the existing system – a "blue-sky" approach. Not surprisingly, the use of technology was seen by all as a major feature. Suggestions were as follows:

- "Chipped" vehicles whose identity could not be changed and which could be tracked by external monitors
- Fit all vehicles with a central management system which can be controlled remotely. This would enable stolen vehicles to be disabled remotely and could be linked to the registration/insurance/MOT systems to prevent a vehicle being driven if the law had not been complied with. Vehicles could be "credited" with tax, MOT, insurance, relevant road usage tolls and simply "switched off" when any of these expired.
- Extensive deployment of (ANPRs) connected to databases of potential evaders to identify these quickly

- Replace ANPRs with transponder systems which cannot be fooled by false plates
- ♦ Register drivers, not vehicles identities cannot be change so easily, and there are no arguments about who is responsible for the vehicle
- ◆ Streamline identity numbers everyone has a unique National Insurance number so why do we need driving licence numbers, passport numbers, national health numbers, tax referencesetc.?
- ◆ Charge vehicle users via their personal finances eg. debit from bank accounts, social security payments etc.
- ◆ Introduce close controls on identity either by reference to passports or secure ID cards (for which the driving licence might be used)
- ◆ Make driving licences "smart" and use them for vehicle control replace keys with card readers and enable only the registered keeper/drivers to use a vehicle. The driving licence could also become the "charge card" which must be credited with tax, MOT, insurance etc.
- Improve personal registration (ie. electoral roll) so that addresses can be authenticated and people tracked
- ◆ Link driver and vehicles databases perhaps link vehicles to specific drivers to identify stolen vehicles and enforce insurance
- Change cultural attitudes to evasion, perhaps by making a more convincing "social case" for compliance
- ◆ Change the liability for registration etc. to a party who can be traced more easily eq. the driver of the vehicle when stopped

Summary and Conclusions

The Jill Dando Institute has not asked for an evaluation of the suggestions, or a recommended way forward. Nevertheless we believe it would be helpful if Martell crystallised the above "stream of consciousness" lists into a few constructive points, also taking into account the political environment. Drawing on our discussions with the insurance market and the information obtained on the Austrian registration system (and knowledge of others), we would make the following points.

- One key element of any successful system has to be an effective means
 of tracing those responsible for a vehicle. This requires far more stringent
 control of UK citizens than currently exists, and which is bound to be
 controversial. We would question the Government's appetite for such a
 step, but would advocate this as a critical building block.
- 2) The second significant element is the control of vehicles and their use. In the UK it is possible for a vehicle to be used for significant periods of time

without any control of its tax and insurance status, particularly if stored in a garage. Many people go their whole lives without being stopped by a Police officer, and alternative means of detection are limited. It is essential that the control of vehicles is increased. Enforcement must become "active". Technology increasingly gives us the tools to achieve this, but there is also scope for "low-tech" visible indicators such as coloured plates/removal of plates.

- 3) Straddling both these issues is the difficulty of ensuring that vehicle ownership is traceable. There must be a mechanism which makes it impossible for a transfer of ownership to remain undetected for any period of time (once it is possible to trace the original owner successfully).
- 4) Although we believe new technology can play a vital rôle, the use of technology is only as good as the mechanisms it supports. The data must be accurate, real-time and reliable. Requirements to provide data and take any other steps to underpin the systems must be rigidly enforced.
- 5) The current system does not provide sufficient disincentive for non-compliance. Not only is the probability of detection low, but there is minimal hardship for those convicted. Naturally this could have implications for Government policies on social exclusion. Nevertheless this must be addressed if compliance is to be improved.

December 2001

Martell Consultants (Scotland) Ltd 24 Lauder Crescent Perth PH1 1SU

Tel: +44 1738 562522 Fax: +44 1738 562523

APPENDIX 1

Organisations which contributed to the study

Association of British Insurers
Axa Insurance
Churchill Insurance
Direct Line
Equity Red Star
Lloyd's Motor Underwriters' Association
NFU Mutual
Norwich Union
Royal & Sun Alliance

APPENDIX 2 VEHICLE LICENSING REVIEW: BRIEFING PAPER

The Jill Dando Institute for Crime Science has been contracted by DTLR and the Home Office to carry out a study of the current UK vehicle licensing system to investigate the scope for designing a new system which will significantly reduce vehicle-related crime (VRC).

For the avoidance of doubt, this study is independent of the recent Vehicle Crime Reduction Action Team (VCRAT) which was looking at the narrow problem of vehicle theft. The JDI study is considering all crime involving vehicles, including those in which vehicles play a part, including, for example, burglary and money-laundering involving vehicle purchase or theft.

Martell Consultants is participating in the work and has been tasked, amongst other things, with obtaining and consolidating the views of the motor insurance industry.

The project is due to report in February 2002, and the initial phase, to be completed by mid-December, is to gather the views of all interested parties and consolidate them. Discussions with industry representatives should be complete by 2 December.

The contractors have been given an open brief to design a licensing system "from the ground up", without (at this stage) reference to existing procedures or the constraints which may exist. This will draw on systems which operate successfully in other countries and have been seen to have an appreciable effect on vehicle-related crime.

Contributors are asked to consider the characteristics of a "blue sky" licensing regime which would be efficient and effective in preventing or limiting vehicle-related crime. In particular, Martell would be interested in views on the following:

- ◆ The characteristics of the current system which deter or prevent VRC;
- Those aspects which facilitate such crime (or at least do nothing to hinder it)
- Mechanisms in other countries which could usefully be adopted in the UK to tackle the crime
- New mechanisms utilising new technology if appropriate which should be introduced in the UK
- ◆ Likely future technological developments which may have an impact on the issue – either offering an opportunity for improved crime prevention or which may assist would-be criminals

All suggestions for "how to do it better" will be welcome.

If you have any questions which you would like answered before we talk to you, please contact Penny Coombs (07764 660409) or Neil Drane (07764 660410).

APPENDIX C

SYSTEMS IN SWEDEN, THE NETHERLANDS AND AUSTRIA

SWEDEN

- Information on car registrations, insurance details and MOT tests are held on a single database. The database is accessed and maintained by insurance companies/brokers, garages, motor traders, etc. Changes of address of keepers/owners updated daily via National Population Register (used to update all public records).
- Very free access to public information engrained in Swedish society. Any
 one can access public databases and extract most information (including
 all current information on vehicle registration and details of last keeper
 but not any earlier keepers but not police information such as information
 about persons suspected of stealing cars).
- Secure driving licences produced and despatched by National Register Office (NRO). But dealings with the public mainly through regional network. Up-to-date addresses available from Population Register.
- Tax discs (equivalent) despatched by NRO: then attached by keeper to rear numberplate - cannot be removed intact. Refund available when offroad by removing part of disc to reveal hidden code that is reported to NRO.
- Police can check on-line whether cars are taxed, insured and have MOT (so can insurance companies).
- If records show cars on road but uninsured a body under the auspices of the insurance industry is required to follow-up and secure insurance cover plus collecting a punitive premium for the period since previous insurance expired. If owner does not take out insurance it becomes a matter for the police to impound the licence plates/car.
- Licence plates can be obtained from a single supplier only and stringent tests applied before supply. But numberplates are stolen and there is no immediately detectable link between numberplate and VIN other then through garage inspection.
- Car theft appeared to be around half the UK rate. Reported thefts
 recorded on vehicle database and police have access to list of all thefts
 including time of theft and place of theft. Most cars recovered in two to
 five days. Around 10% never recovered (assumed to have been illegally
 exported mainly to Russia).

HOLLAND

- RDW is an agency of the Dutch Government responsible for vehicles from 'drawing board to shredder'. An underlying principle is that they do not like paper documents and aspire to a completely computer based system. Their computer department of about 155 people, is, therefore, central to their core business and is retained as an in-house facility.
- RDW take responsibility for licensing, general periodical inspection (our MOT) and for maintaining an insurance database. They are, effectively, a one stop shop.
- Their database contains information on all vehicles on the road in Holland and including whether or not the vehicle is taxed, insured, had passed it's MOT and the name and address of the registered owner. All vehicle owners are held absolutely liable for anything affecting the vehicle. They are, therefore, responsible for paying any fines associated with the vehicle while that vehicle is in their legal control.
- The Dutch system is heavily dependent on accuracy of its database.
 This is facilitated by the fact that any changes to the home address of Dutch residents is passed automatically to RDW by the municipality in which the individual lives.
- There is a legal obligation for insurance companies to send information to RDW within 28 days. Not withstanding this, 10 15% are still late, although there is a project underway at present intended to get them all working on-line. The RDW is now planning to publish a league table of insurers who fail to meet their deadline. This is intended to pressure them into dealing with RDW on-line rather than through the multivarious methods currently in use fax, post, email, telephone etc.
- There are four points at which the car owner might need to contact RDW. These are when the car is:
 - 1. Sold, either privately or through a garage
 - 2. Exported
 - Scrapped
 - Stolen
- Transfers of ownership are strictly controlled. Essentially it depends on the use of the local Post Office. If an individual wants to sell his car to another individual, i.e., it is a private sale, then the seller hands to the buyer his personal document (which proves he owns the car) and a transfer document (he or she retains the technical document). The potential buyer takes these to the post office with his own personal identification papers, which would include a drivers licence which has a photo on it. It is only once the buyer has registered with the Post Office that the seller will hand over the car. Dutch driving licenses are secure

documents and are printed in one place, but issued by the municipality who check that you are who you say who you are and can verify your address.

- The Post Office then checks on-line the authenticity of the vehicle including whether it is taxed, insured, stolen or has outstanding fines. If the computer verifies that the vehicle is owned by the person who claims to own it and it meets other criteria (for example that the car has passed its periodic inspection), then they issue a document to the potential buyer who returns to the potential seller and pays for the car, at which point he is provided with the technical details of the car. It is important to note that the seller is totally responsible for all traffic violations until the buyer returns with the appropriate papers from the Post Office. The Post Offices are not concerned with outstanding fines.
- If the car is to be sold through a licensed dealer then that dealer has to have an on-line connection to be licensed. The seller can then bring the car into the company and it is taken into the company's stock. The seller is then no longer responsible for the vehicle. There are approximately 13,000 garages in Holland with on-line access to RDW. An individual buying a new car through a licensed garage can do so very easily with the garage arranging all formalities. If the seller chooses to sell a car to an unlicensed garage then the garage will have to go the Post Office to deal with the formalities as they would if they were an individual purchaser. In Holland most garages have on-line capability and this is not seen as any problem.
- The Dutch have discovered two weak points in their change of ownership system, one is the process of getting license plates and the other is 'ghost' ownership. Ghost ownership occurs when somebody who is homeless or otherwise disadvantaged takes over the car in their name, the real owner does not then pay any fines and is essentially untraceable. They pay the ghost owner a small sum for this service. The RDW response has been to place a flag over the name of known individuals who are offering themselves as 'ghosts' for this purpose. If the police see a 'ghost owned' car they can now phone a single number to check whether it is taxed etc, but if there is no tax then the tax company checks that it really is a ghost vehicle, they can then send a towing vehicle immediately and with the tax authority, seize the car and sell it. This pays off all the fines outstanding on that vehicle and all other fines outstanding on the name of that particular ghost owner.
- If a leasing company car is fined then the company usually pays and passes the bill over to the leasee. If a finance company 'owns' the car they keep the register but do not keep responsibility for the car.
- If there is any transfer between garages then the registration is changed at the same time.

- If the car is to be scrapped it has to be taken to a licensed scapper.
 These are now approved by the European Union in Brussels. All new
 cars brought into The Netherlands have to pay an end of life fee which
 goes into a private company fund and pays out for scrapping cars. The
 regulations are now very strict.
- If a car is to be exported, vehicles for export have to be notified to RDW who then take away the existing registration plates and mark the vehicle as for export within their own database. The vehicle is then given temporary plates which enable it to drive legally to the border.
- If the car is stolen the owner has to notify RDW immediately and the
 vehicle is no longer their responsibility. The database is noted that the
 vehicle is stolen. If the vehicle is subsequently recovered this is also
 noted on the vehicle history and the owner would then resume
 responsibility for it. The fact that the car was stolen is not deleted from
 the database.
- If a car is taken off the road then the owner has to pay 150 guilders and has to say where the car is being garaged. This is liable to be checked by the authorities.
- The Dutch have a system of general periodic inspections (known there as APK). These compare with our MOT and, as in the UK, are held every year after three years. There are 13,000 garages approved to carry out these tests. In order to qualify for RDW approval a garage has to have on-line capability and employ staff who are required to take an annual training course. Currently 6 million cars are tested annually.
- There is a computer generated system of retesting for vehicles which
 acts as a quality assurance procedure for the garages. If a car is
 identified by the computer for re-test then it is kept in the garage for
 about 1.5 hours and is visited by an RDW mechanic. Three percent of
 vehicles are re-checked in this way, but if garages are underperforming then they are checked more frequently.
- The Dutch system was planned over a period of seven years, from 1987-1994. It was introduced in a 'big bang' in 1994 at a cost of 60 million guilders. The turnover of RDW is now 300 million guilders.

KEY FEATURES OF THE DUTCH SYSTEM

- 1. The RDW sees itself as responsible for all vehicles from 'design to shredder'.
- 2. There is continuous registration.
- 3. The registered owner is liable for all fines.
- 4. Characteristics of the car, its registration and tax status, its owner, the fact that it has an 'MOT' and its insurance details are all on one database which is controlled by RDW.

- 5. The databases are integrated and authorised agents are able to input (e.g., post offices, police, importers, dealers, insurers, RDW)
- 6. Owner identity is checked at least annually.
- 7. There is no 'tax disc' displayed on the vehicle, which means, inter alia, that the fee can be paid monthly (unlike in the UK).
- 8. The system is facilitated by the fact that the home address of all Dutch citizens is known to the Municipality, and changes are reported to RDW.
- 9. RDW tighly control the entry and exit of vehicles into and out of the system.
- 10. The Dutch police are not responsible for chasing up unpaid vehicle tax. This is initiated automatically through the computer and is followed-up by a private company.
- 11. The Dutch aspire to a completely paperless system, but they have not yet achieved that.

AUSTRIA

(Note that this note was prepared by Martell Consultants and therefore it emphasises the insurance side of the system in Austria)

- When regulated, all negotiations with the government were done by the association
- This was 1st step in liberalisation, price only all conditions remained standard
- Major losses were incurred in the TPL area (note TPL / AD sold separately)
- Repair costs were increasing faster than inflation which had a very negative effect on comprehensive results
- Customers are very loyal to local insurers foreign entrants can only get in by offering lower premiums which makes no sense against current loss ratios – possible also related to role of intermediary and level of service provided by them
- Note: vehicle, not driver, insured in Austria
- All vehicles must be registered excluding trailers solely for agricultural use – that is if it is to be used on a public road it must be registered
- 1st two letters of registration say where vehicle is from moving to a different district with Austria can therefore require re-registration
- If registering a new vehicle you can keep your existing number
- If selling and not replacing vehicle, buyer can get your existing number
- If seller does not do their bit in terms of advising the sale, they remain liable
- More than one vehicle can be covered by same plate as long as they are not used on the road at the same time
- The vehicle log book is a key document and must be kept updated
- Seller must have terminated registration of a vehicle before buyer can register it
- Concept of owner vs holder exists for lease vehicles

- At the moment when terminating registration the seller does not need to declare who the vehicle has been sold to although EU legislation is coming along which will require this for end of life vehicles
- When you terminate registration you must surrender the plates plate does not automatically stay with the vehicle
- At registration you must provide proof of who you are and where you live – insurance certificate is accepted because of sale process regarding insurance
- Registration is almost always done (90%) by the intermediary on behalf of the customer – this has a major impact on the penetration of direct selling of insurance in Austria
- The intermediary also has a much more active role in the claims process - this again affects penetration of direct selling
- Registration as taken on by insurers replicates what was the state process – it did not change the process – it did involve new IT systems
- Insurers initially saw ability to do registration as providing a competitive advantage – this did not turn out to be the case as those authorised to register were compelled to provide same level of support for those who could not
- The above outcome was also affected / influenced by the role of the intermediary
- For registration process, the state gets €109, Insurer gets €35 of which 20% goes to state as tax
- This fee is paid only once for the vehicle it is not an annual fee and there is no charge for amendments such as change of address / termination / vehicle laid up advices
- Insurance certificate is required by the registration authority when the vehicle is registered
- Of the 28 motor liability insurers in Austria, 18 are authorised to do registration
- Plates cost extra (c. €16) as do inspection discs (c.€2)
- Technical inspection requirements are about to change was every year – now going to be after 3years, then 2 years later, then annually thereafter

- Documents in Austria tend to be changed as people gain academic titles
- Statistics suggest average of 2.5 transactions for the above €144 fee
- There are approximately 900 registered offices for a population of 8m people / 5m vehicles – one third of all cars are registered in Vienna
- Central database is run by the association and is online to the Police
- Insurers can only access database for registration purposes not for claims handling – this may change with 4th directive
- Prior to insurers taking this on there was no central database of registered vehicles – state had various local systems
- Central system holds no insurer data other thanks TPL info
- Even the association at the moment cannot do enquiries against the database - they have to write to the state who enquire against the database and respond in writing – after 4th directive they will be allowed access to TPL info but not to any personal details
- System is an online system online for updates from insurers at time of registration and online updates to Police replica of system
- System cost c. £3-4m. in development costs funded by insurers
- No contract exists with the state requirement for insurers to do this is written in law and is non negotiable
- Austria think they will get 100k enquiries per annum as a result of the 4th directive –estimate derived from some work dome in Germany
- Austria plan to give free access for all enquiries from 4th Directive no plans exist to have any front end control –since they will only return the insurer info they see no advantage / requirement the fact that their system carries no transaction costs probably influences this decision
- Hungary and Belgium already do internet solutions
- Austria also see internet as preferred mechanism for supporting other information centre enquiries
- They are also considering providing limited vehicle info (e.g. BMW but no model info) to provide reassurance that enquirer got the right registration number

- Germany currently offer to connect the caller to the insurer responsible
 Austria are not looking to do the same
- Running costs are / will be recharged across the industry
- D/B is on AS400; IBM supported plus associations own IT people
- Association is currently negotiating with the state to pay for part of this support – not optimistic about outcome
- Database has much more legal standing in Austria in reality seen as proof of insurance
- All registered vehicles must be insured except state / state bus / local authority vehicles
- Above represent 200k-400k of the 5m vehicles
- Insurance contracts are annual; if not cancelled by the policyholder they are automatically renewed
- 1 month notice required for cancellation
- Client has 1 month to cancel following notification of any increase in premium
- Auto renewal seen as value added service to Policyholder prevents them accidentally becoming uninsured
- Various payment options apply
- Presentation of certificate to insurer for registration renders the insurer liable even if there is no contract of insurance
- Registration offices retain certificate of insurance at time of registration
- In the event of a breach, the insurer can cancel the system automatically notifies the authorities – this has always been the case even prior to insurers taking on registration
- Police procedure kicks in at this stage if no insurance police visit address of registered owner and remove plates
- If caught driving with no plates Police may remove keys
- Plates are removed if caught driving with no insurance

- This system works extremely well in the countryside regions less perfect although still effective in the cities; this proactive approach has a major effect on uninsured driving
- Fines exist for UI driving but perception is that of they do not pay the insurance they will not pay the fine – fear factor is the key deterrent – plus removal of plates
- Key point within initial registration process is need for individual to prove they are who they say they are – there is apparently no problem with forging of identity papers
- Insurance certificates are issued for every vehicle in a fleet how the premium is calculated is the only real difference. This is apparently to change in the future and become e-based system
- If a fleet vehicle is sold insurer is obliged to inform registration system just as for privately owned vehicles
- Insurers are automatically informed at termination of registration
- If a fleet moves from one insurer to another, current insurer must terminate cover for all vehicles – new insurer must reinstate for all vehicles
- Vehicles are not registered during the period when they are owned by
- The Motor trade if used during this time they use test plates (equivalent of trade plates) – usage of test plates must be logged by the trader although usually just on paper
- There are also green plates (temporary plates) these would be used to export / import vehicles for example – valid only for a short period of time – these are also added to the central d/b as is the insurer responsible for them
- Red plates exist for foreign trailers towed by Austrian cars
- There are 14/15 different types of plate for different vehicles (fittings)
- Plates are stockpiled at insurers authorised to register
- Plates are easily removed clip on / off
- VVO believe that based on the low volume of claims they handle they do not have a problem with stolen plates – perhaps a questionable assumption

- Role of the intermediary is also key in this area they will often visit / know the individual – will also check at initial contact proof of identity
- Cultural difference is apparent having a vehicle is seen as prestigious

 there is an attitude of "they just would not do anything that might jeopardise them having a vehicle"
- Feeling is that c.3000 vehicles are stolen each year, based on
- 1800 stolen vehicle claims handled per annum
- 75% stolen outside Austria
- 50% of those fraudulent sold not stolen.
- Austrian association dealt with c.600 uninsured / untraced claims last year – seems very low volume compared to UK. (600 in 5m vehicles vs 50,000 in 30m vehicles)
- People do not steal cars in Austria for permanent use only for temporary use therefore a large proportion are recovered
- VIN is now used as part of registration process for new vehicles harder for older vehicles as information was not always properly collected
- Two documents are key to ownership of a car
- Letter from car manufacturer required for registration
- Letter from Authorities for registration (must be carried)
- Imports can only be registered on production of all relevant documentation
- Two types of tax are applied in Austria
- Normal Insurance tax (11% of premium)
- Engine Dependant tax rate depends on the power of the engine
- Both collected by the registering insurer no payment received for doing this from the government – only slight benefit is insurer sits on cash for typically 2 months
- These are equivalents of IPT and Road tax and are often higher than the insurance premium
- Average TPL premium c. 4000 schillings

- Average cost of two taxes c. 5000 schillings
- Results in poor view of insurance industry bad PR insurance seen as very expensive when much of what is collected goes to Gov
- Gunter believes this affects insurers ability to cross sell public see themselves as paying enough to insurers already
- People tend to buy insurance from employed intermediaries (tied agents) – typical commission rate c.7% - toed to one organisation
- Other extreme is brokers to be a broker you must trade with >1 insurer
- Public are quite content with the system largely on the grounds that they have very little to do – the intermediary does the vast majority of the work
- System has concept of open dated cover only change to central d/b is when there is a cancellation or change of insurer
- Moving from one insurer to another at renewal more common now and on the increase as a result of competition – there is no move to change the key role of the intermediary
- Blank Sheet
- Better commercial arrangements between Government and insurance industry
- Would challenge need for registration to be district related
- Special numbers exist for some occupations such as fire brigade why?
- Would not allow multi vehicles on same plate
- Would get rid of red plates and get more standardised plate fitting
- Key Points
- Insurance of vehicle vs driver
- No insurance / registration = no plates very visible deterrent
- Identity checks closely controlled
- Tax paid at same time and as integral part of insurance deal

- Role of the intermediary
- Culture no apparent "why should I do that" approach
- Proactive communication insurance industry to Police
- Stops short on test inspection integration
- Low claims volumes at association

APPENDIX D

ORGANISATIONS CONTRIBUTING BRAINSTORMING PARTICIPANTS

Association of Car Fleet Operators (ACFO)

Department for Transport, Local Government and the Regions (DTLR)

Direct Line

Driver and Vehicle Licensing Agency (DVLA)

Ford Motor Company

Foresight

Jill Dando Institute of Crime Science, University College London

Kent Police

Lancashire Police

Lloyds

Metropolitan Police

Motor Insurers Information Centre (MIIC)

Motor Insurers' Bureau (MIB)

National Criminal Intelligence Service (NCIS)

Police Scientific Development Branch, Home Office

Policing and Crime Reduction Group, Home Office

QinetiQ

RAC

Social Exclusion Unit, Cabinet Office

Transport Research Group, Southampton University

Vehicle Inspectorate, DTLR

APPENDIX E

OUTCOMES FOR BRAINSTORMING WORKSHOPS 1-4

SESSION ONE

How to identify vehicles

a. How to have 100% accurate record on vehicles and keepers

- Owner liable
- Incentivise people to register/tax/etc
- Accredited agency to authorise sale/purchase of vehicles
- Commercial service to check ownership
- Inspection of vehicles at MOT engine/chassis/VIN/colour/ keeper name etc

b. I wish for a single fool-proof electronic ID

- Do it through the number plate create a secure number plate
- Electronic verification of number plate, which you can't take off the car
- Infallible device which tells you that vehicle is that vehicle eg a sticker you get with MOT
- Auto check that transponder matches number plate

SESSION TWO

How to minimise evasion of Tax, MOT, insurance, vehicle disposal and encourage compliance

a. Tax, MOT, insurance lumped on smart card / sticker

- Single co-terminus payment where tax and insurance run out together
- Tax and basic insurance in one payment
- Car can't be driven without smart card (i.e. linked through petrol system)

b. Encourage compliance

- Incentivise payment/registration
- Confiscation of car by the courts non-negotiable
- MOT and insurance checks at change of ownership
- ➤ Have an easy system of payment eg continuous licensing, direct debit, variety of mechanisms – choose the best for you

SESSION THREE

How to unambiguously link a car with a person

- a. I wish we had a photo/ID/biometric cards that you couldn't drive without
 - A registered body, eg MOT station, has to see the person, vehicle and authenticated documentation
 - Tie in with a rewrite of the licensing system in 2005
 - Secure smart cards for you and your car facilitate internet use
 - De-register before you re-register
- b. I wish we could combine all databases
 - ➤ Link them together
 - Create a single database
 - Validate the data (address)
 - Database = Insurance

MOT Drivers/owner Vehicles

SESSION FOUR

How do we accommodate the 'underclass', who cannot pay

a. Research project

- Ken Pease's team and JDI and Social Exclusion group do research to identify the real sources of the problems and specifically what they are
- ldentify the 'disadvantaged' eg elderly, infirm, rural, versus 'underclass'

b. How to manage minicabs

- Create a regulatory system
- Identification of cars through registration/large numbers stuck on them
- Have a local authority bond, linking person, vehicle, insurance, tax

APPENDIX F

RECRUITMENT SPECIFICATION – VAR International Ltd

Recruitment criteria:

- 8 drivers and owners of private cars
- Must be responsible, or share responsibility, for paying car insurance, tax, MOT certificate, etc.
- Social Class Criteria (4 AB/C1, 4 C2/DE)
- 4 aged 18-44 years, 4 aged 45+
- Minimum of 3 men
- Minimum of 3 to be in full or part time employment
- 2 respondents to be unemployed
- Remainder can be housewives or retired.

All respondents to be:

- Live in urban areas
- Self-confident, articulate and have outgoing personalities
- Prepared to sign the client's confidentiality form
- Prepared to be video-taped
- None to have connections with the usual industry exclusion

APPENDIX G

OUTCOMES AND STIMULI FOR CONSUMER WORKSHOPS 1 & 2

SYNECTICS FEEDBACK FROM LONDON AND NORWICH CONSUMER GROUPS

How to identify vehicles

A. 1. Liability to rest with owner

- Liability has to stay with the owner (morally and practically)
- Concern about 100% owner liability as it would imply that every individual has to own their own car
- > Should only be one *keeper* of the car

A more formal procedure when borrowing a vehicle

- Should also be down to the borrower to check tax/insurance implications etc
- English like to use verbal agreements –down to trust etc. –legally problematic
- Should be a legal borrowers document that people have to sign up front and carry in the car with them

A. 2. Money incentives

- ➤ £100 fines that government charged for late self-employed tax returns was a very good idea –great incentive and collected lots of money
- ➤ A discount of 10% would be a good incentive e.g. on the Internet, over the phone etc.
- Would like special incentives like with Council Tax
- > A sliding scale discount for those who regularly pay on time over the years
- > Should be more ways to pay
- > The incentive is all down to how much money they will discount
- Should be at least some kind of incentive for drivers under 21 to get them used to doing this for later life

Convenience-based incentives

- Would like to be able to buy from a machine like books of stamps
- Direct debit set-ups would appeal
- > Discounts for people who set up direct debits
- People didn't like the fact that Post Offices don't take credit cards
- Would like to be able to buy in bulk e.g. 5 years in one go

Transparency

People would be more incentivised if they knew where their money was going – people want more transparency re: how their payment is working There should be more band segmentation for tax purposes

Penalise vs. Incentivise

- > Traffic wardens also to be tax disc wardens
- ➤ Should be much harsher fines for those who transgress car should be put in compound for amount of time in direct proportion to the number of days that the tax etc. was overdue
- > The crime of forgetting to pay road tax should be raised in status

A. 3. Commercial morality

Not much interest in this idea: only worry was for that the motor trade would suffer as consequence

A. 4. The Police already have the infrastructure to do this

Should not be a commercial body but the police

A. 5. Fear of Cowboys

- "a license to print money" (for the MOT garages)
- > "a conflict of interests"
- lots of mistrust over MOT garages in general

Trust in status and impartiality

- ➤ Would be ok if there was a return to national MOT stations
- People don't trust MOT stations because often they do the appraisal and then the work for you
- People would be happier if a 'trustworthy' body like the AA took this duty on
- ➤ If there was an impartial national MOT body —they could do things like send you reminders for when your tax etc. was due to run out
- This check should be free (as should the MOT if your car passes first time)
- More confidence in a 'national body' vs. a commercial body

B. 1. Comfortable with electronic tagging

- Computer chip should be included that can be scanned on the spot by police
- Computer chip should include all tax/ownership info etc.
- > This info could be included on a bar code
- > Number plate could include SIM-card that could track the car at any time
- Number plate could be moulded onto car
- ➤ A number plate for life that was unique to each individual —and SIM card details could be changed remotely when necessary

Visual

- > Different colour number plates for different regions
- Number plates include symbols as well as numbers for ease of recognition by pedestrians

How to minimise evasion of Tax, MOT, insurance, vehicle disposal and encourage compliance

A. 1. Convenience with flexibility please

- > Brilliant idea –as long as you can pay direct debit
- > Direct debit for co-terminus payment must be flexible e.g. you determine which day of month the payment comes out

A. 2. Confidence in basic, necessary insurance

Overwhelming support for a basic national 3rd party insurance –would give confidence to all other drivers on the road

A. 3. More convenient for everyone –Big Brother not a worry

- ➤ If the card was a pre-requisite for the driving of the car, it would prevent untaxed and uninsured drivers being on the road
- ➤ If you were stopped by the police, they would immediately be able to scan your card to get your details —no having to go down the police station the next day with your documents
- Would be useful in accidents for identifying drivers
- General liking to having a card system tied to buying petrol though the groups added that they thought it would be too complicated

Concerns with owner operated technology

- Worried about electronics failure or being shut in the car
- Preference for a key to open the car but a pin number entry system built into dash board to drive it
- Older participants worried that a card was one more thing to remember/lose
- Generally adding to the complications of the vehicle

B. 1. Encourage compliance

- > I wish the threat was immediate
- > I wish we had prison sentences for offenders
- > I wish we had detention centres for offenders
- ➤ I wish there was a system of warning for tax payment etc.
- ➤ I wish we had instant cash fines of £40
- ➤ I wish for a reasonable chance to pay
- I wish the police were more lenient on private owners (vs. company owned)
- > There was a theme of much harsher punishments for obvious offenders
- People thought about 3 weeks was the line between forgetfulness and negligence

B. 2. Confiscation of car by the courts -non-negotiable

- ➤ No concerns in theory though didn't feel right in practice —too much concern over how a non-profit organisation would take cars away, where would they out them etc.
- > Punishment could be linked to the price of the car

How to unambiguously link a car with a person

A. 1. More distrust in MOT stations

- Agreement that once a year would be a good amount of time to go to somewhere to have your car/ID card (containing all tax/insurance info etc.) verified –but not at an MOT station
- > The verification should be done at the Police station
- ➤ There could be a drive-in section at the Post Office
- The verification should be convenient to you i.e. the Police send someone out to you

A.3. Security of Smart Cards

- > Only Police should have the ability to read the info on the smart card
- > This info should not be held or accessed on-line

Other key issues:

Educate owners early on

- Overwhelming support for education of tax/insurance/MOT laws and processes to become an integral part of driving test
- Once drivers have passed their test, they have to take a compulsory night course at local police station to learn about tax/insurance/MOT