



Driving **better consumer outcomes** in motor insurance: **Focus on fraud**

An Aviva Policy Paper, November 2015

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Motor insurance – driving better consumer outcomes in the EU

1. Green Paper in Retail Financial Services and Insurance: an opportunity to act

Aviva supports the key aims of the forthcoming Green Paper to boost competition in financial services across the EU, so that consumers have more choice and are not faced with steep price differences when they move between countries.

One way to lower prices in motor insurance is to bring down the cost of fraud, which raises the price of premiums in many Member States. Aviva provides motor insurance in five EU markets – Poland, UK, France, Ireland and Italy. In our experience one of the biggest factors increasing costs is **fraud and uninsured drivers**, which increase premiums for all policy holders.

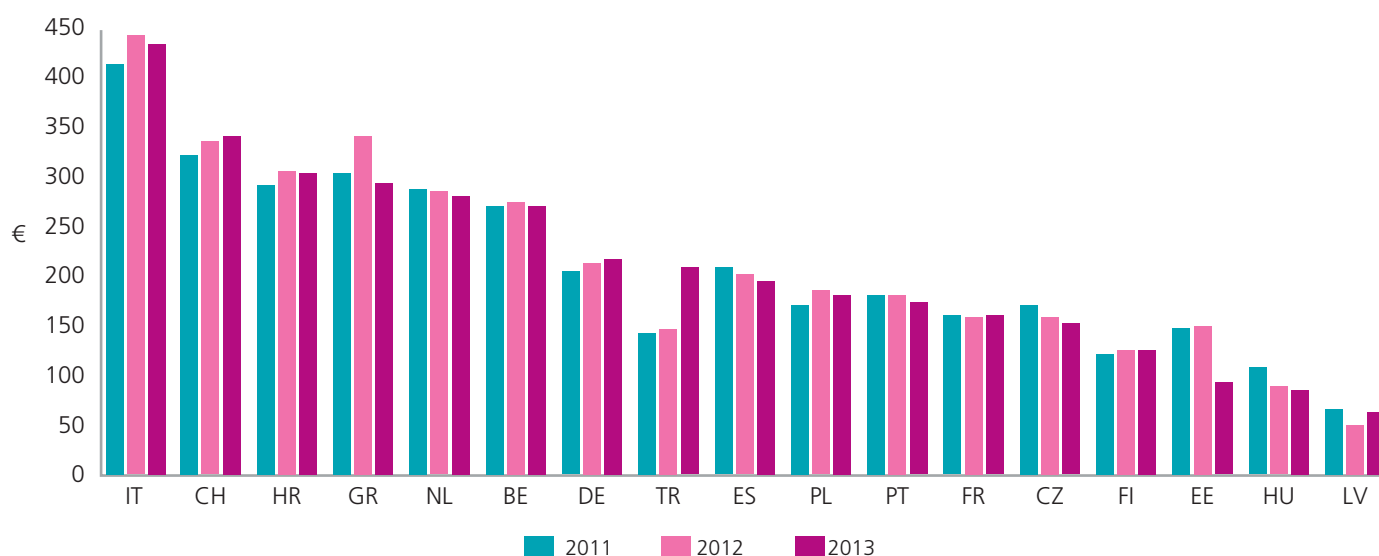
The average cost for an Italian motorist in higher premiums due to fraud is estimated at €76¹, for an Irish consumer it is €50² and premiums for the UK are £50 higher than they otherwise would be.³

2. Excessive price dispersion across EU Member States

In an earlier policy paper we explored the barriers to cross-border motor insurance and the factors influencing pricing in each market. Insurance Europe's recent [report](#) further highlights the degree of price dispersion in motor insurance markets across Europe, and emphasises fraud as a key factor.

Adjusting the average MTPL premium for purchasing power parity (PPP) smooths out some differences, leaving those that reflect regional characteristics.

Chart 48: Average MTPL premiums (PPP-adjusted) by country 37 - 2011-2013 (€)



Price dispersion arises from differences in the many factors that affect the cost of insurance:

- Fraud and uninsured driving
- Taxation
- Regulatory environments
 - National laws governing liability, Compensation procedure and culture
- Road related factors
 - Road safety, Traffic conditions
- Cost related factors
 - Differences in personal injury compensation, Medical costs, Motor vehicle theft

¹ [European Motor Insurance Markets](#), Insurance Europe, November 2015

² [Insurance Ireland](#), September 2015

³ [Road to Reform](#): Driving our compensation culture, Aviva, March 2015

3. How the EU can make a difference to consumers

EU collaboration could address this challenge in motor insurance. This is where the greatest fraud and accompanying customer detriment exists, and is also where there is the greatest commonality of markets and products (e.g. EU compulsory insurance requirements under the Motor Directives).

Motor insurance fraud is increasingly a cross-border issue. We are seeing more criminal gangs that operate cross-border, for example across the UK and Ireland, but also gangs that span the UK and other countries. The cross-border nature of this organised fraud requires a cross-European approach, and so there is a clear rationale for the EU to act.

In our view, one of the most effective ways for the European Commission to add value in this area is to encourage **better data sharing** within, and then between, Member States to combat fraud. Our European businesses would very much welcome this development and greater intra- and cross-sector data sharing is also likely to be a key recommendation from the UK government's [Insurance Fraud Taskforce](#) (due to report in December 2015).

In the UK insurers are sharing more data about fraud across the industry and across sectors. For example if firms can share data about fraudulent claims then firms can identify fraudsters as they apply for insurance. The industry is also beginning to work with government and law enforcement authorities to tackle fraudsters. Initiatives that already enable this data sharing in the UK are:

- [Insurance Fraud Bureau \(IFB\)](#): The IFB acts as a central hub for sharing insurance fraud data and intelligence, using it to detect and disrupt organised fraud networks. It helps insurers identify fraud and supports police, regulators and other law enforcement agencies in finding fraudsters and bringing them to justice. It is paid for by the UK insurance industry.
- [Insurance Fraud Register \(IFR\)](#): This IFR is a database of known insurance fraudsters currently being rolled out across the UK general insurance sector.
- [Claims Underwriting Exchange \(CUE\)](#): The CUE is a central database of motor, home and personal injury/industrial illness incidents reported to insurance companies. It is managed by a not-for-profit company on behalf of its member organisations such as insurers and local authorities. It helps keep down premiums for honest policyholders by preventing multiple claims fraud and the misrepresentation of claims histories.

Whilst more can be done to make this sharing more efficient, particular with government bodies, progress is being made and we value these developments, the assistance they provide us and the positive benefit for our customers.

To build on this the European Commission could helpfully:

1. Encourage **Member States to establish data sharing frameworks** and **fraud registers** within their national markets
2. Promote **data sharing** across member states for the purpose of fraud prevention/detection
3. Work to make sure that the **Data Protection Regulation** does not prevent firms and government from sharing information in order to combat fraud.

Better sharing within Member States by setting up insurance fraud registers is an important first step. Once this foundation has been achieved the Commission could explore how to **facilitate sharing fraud register information across Member States**, via bodies like the Insurance Fraud Bureau. Best practice to monitor and reduce the rate of uninsured drivers could also be reviewed and shared between national markets. We hope these will be considered appropriate actions given the cross-border nature of the challenge and their potential to **reduce premiums without extra EU legislation**.

