insurance europe

European Motor Insurance Markets

November 2015

Contents

Acknowledgements

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Methodological note

Insurance Europe compiles and analyses annually a substantial amount of general, financial and technical data relating to insurance, obtained from its members.

This financial information is collected in each market's national currency. For non-eurozone countries, it is then converted into euros at the end-of-period exchange rate of each year, as published by Eurostat.

Growth rates are calculated in nominal term but at constant exchange rates (2013) in order to remove the impact of variations in exchange rates on the growth rate calculation.

Different data samples are used in the report, reflecting the figures available. Sample sizes are indicated in footnotes.

Year-on-year changes have been calculated at constant exchange rates and for comparable samples (ie by subtracting from the total amount countries for which there is no information for the previous or following year).

Corrections for purchasing power parity have been calculated on the basis of the purchasing power parities index for GDP produced by Eurostat.

Figures have been rounded up to the nearest thousand and are in millions of euros unless otherwise stated.

Ratios

Average claim cost	Gross claims expenditure divided by the number of claims notified, excluding nil claims[1]
Average premium per insured	Gross earned premiums divided by the number of insured vehicles[2]
Claims frequency	Number of claims notified divided by the number of insured vehicle years[3]
Combined ratio	Sum of the loss ratio and the expense ratio
Expense ratio	Gross operating expenses as a percentage of gross direct premiums written
Loss or claims ratio	Gross claims expenditure as a percentage of total gross earned premiums

1 If not available, number of claims including nil claims
2 If not available, number of insureds or number of policies
3 If not available, number of insureds or number of policies

Glossary

Bodily injury	Physical harm to one's person.
Claims expenditure	Gross claims and claims management expenses paid during the accounting year (ie gross payments related both to that year's claims and unpaid claims from previous years), together with the movement in the gross provisions for outstanding claims, net of salvage and subrogation recoveries.
Comprehensive cover	A motor insurance policy that includes both MTPL and damage cover[4].
Damage cover	Optional motor insurance cover that can be purchased in addition to compulsory MTPL cover. This type of policy covers the insured for a range of first-party damages, such as: own damage to the vehicle (ie damage caused directly by the insured driver), damage to glass parts, vandalism, fire, natural forces and theft.
Gross direct premiums written	Total premiums underwritten by the insurer during the year under review. Accepted reinsurance is not included.
Domestic market	The domestic market includes all domestic companies operating in the country of review, including subsidiaries of EU/EEA and non-EU/EEA country companies and branches of companies from third (non-EU/EEA) countries. It excludes branches of companies from EU/EEA countries and those operating under freedom of services (FOS).
Gross earned premiums	Gross written premiums minus the change in gross provisions for unearned premiums. The provision for unearned premiums comprises the share of gross premiums written that is to be allocated to subsequent financial years.
Insured vehicle year	A measure of exposure equivalent to one vehicle insured for one year, two vehicles insured for six months each, etc.
Motorisation rate	Number of passenger cars and commercial light vehicles per 1 000 inhabitants.
MTPL	Motor third-party liability, which refers to a person's legal liability for the bodily injury and/or property damage sustained by another as the result of a motor vehicle-related accident. The EU Motor Insurance Directive mandates that all motor vehicles are covered by insurance for third-party liability.
Net risk premium	The amount of premium required to cover claims expected for a risk. The net risk premium therefore does not include operating expenses, the cost of capital and reinsurance, taxes and parafiscal charges. It is calculated as the average claims cost multiplied by the average claims frequency.
Nil claim	A claim that results in no payment by the insurer.

4 In Germany, comprehensive cover also includes "motor accident" cover, an additional cover that provides compensation for an insured's own bodily injury or death in the event of a motor vehicle accident, regardless of fault

Personal and commercial 4-wheeled vehicle	Registered vehicle whose laden weight is less than 3.5 tons (including ambulances, taxis, vans, etc.).
"Premium" or "premium income"	Refer to gross direct premiums written unless otherwise stated.
Total motor	MTPL and damage cover

Abbreviations

n.a Not available

p.p Percentage point

Member associations and country codes

Austria (AT) — Versicherungsverband Österreich (VVO)

Belgium (BE) — Assuralia

Bulgaria (BG) — Association of Bulgarian Insurers (ABZ)

Croatia (HR) — Hrvatski ured za osiguranje

Cyprus (CY) — Insurance Association of Cyprus

Czech Republic (CZ) — Česká asociace pojišťoven (ČAP)

Denmark (DK) — Forsikring & Pension (F&P)

Estonia (EE) — Eesti Kindlustusseltside Liit

Finland (FI) — Finanssialan Keskusliitto

France (FR) — Fédération Française des Sociétés d'Assurances (FFSA)

Germany (DE) — Gesamtverband der Deutschen Versicherungswirtschaft (GDV)

Greece (GR) — Hellenic Association of Insurance Companies

Hungary (HU) — Magyar Biztosítók Szövetsége (MABISZ)

Iceland (IS) — Samtök Fjármálafyrirtækja (SFF)

Ireland (IE) — Insurance Ireland

Italy (IT) — Associazione Nazionale fra le Imprese Assicuratrici (ANIA)

Latvia (LV) — Latvijas Apdrošinātāju Asociācija (LAA)

Liechtenstein (LI) — Liechtensteinischer Versicherungsverband

Luxembourg (LU) — Association des Compagnies d'Assurances du Grand-Duché de Luxembourg (ACA)

Malta (MT) — Malta Insurance Association

Netherlands (NL) — Verbond van Verzekeraars

Norway (NO) — Finance Norway

Poland (PL) — Polska Izba Ubezpieczeń (PIU)

Portugal (PT) — Associação Portuguesa de Seguradores (APS)

Romania (RO) — Uniunea Națională a Societăților de Asigurare şi Reasigurare din Romania (UNSAR)

Slovakia (SK) — Slovenská asociácia poist'ovní (SLASPO)

Slovenia (SI) — Slovensko Zavarovalno Združenje (SZZ)

Spain (ES) — Unión Española de Entidades Aseguradoras y Reaseguradoras (UNESPA)

Sweden (SE) — Svensk Försäkring

Switzerland (CH) — Schweizerischer Versicherungsverband (ASA/SVV)

Turkey (TR) — Türkiye Sigorta, Reasürans ve Emeklilik Şirketleri Birliği

United Kingdom (UK) — The British Insurers' European Committee:
Association of British Insurers (ABI)
International Underwriting Association of London (IUA)
Lloyd's

Executive summary

Motor insurance is the most widely purchased non-life insurance product in Europe, accounting for 27.4% of non-life business. Total motor premium income amounted to €123.5bn in 2013. Around 1 000 companies provided cover for 334 million vehicles, offering a variety of motor insurance products tailored to consumer needs and local regulatory requirements.

The EU Motor Insurance Directive (2009/103/EC) requires all vehicles to be covered for motor third-party liability (MTPL) up to a minimum amount for both bodily injury and physical damage. In addition to MPTL cover, optional motor insurance — often known simply as "damage cover" — can be purchased. This covers, for example, damage caused to an insured vehicle by the insured (first-party loss), by external events (eg natural disasters or fire) or by third parties (eg theft or vandalism).

This report provides data on European premiums, claims expenditure and combined ratios. It also sets out the legislative and country-specific factors that explain the differences in premiums across the continent. It ends with a brief look at current trends and technological advances in the motor market.

Compulsory MTPL premiums, which accounted for 58% of total motor premiums in 2013, remained largely stable between 2004 and 2013. Optional damage premiums, on the other hand, grew by almost 20%, leading total premium income to grow by 6% over the period.

Claims expenditure grew 10% between 2004 and 2009, causing motor insurers' combined ratio — a key indicator of underwriting profitability — to rise above 100% in 2009, indicating an underwriting loss after five profitable years. From 2009 onwards, a reduction in the number of road accidents (down 6.5% between 2009 and 2013) and a drop in the number of claims notified (8.6% in the same period) resulted in a decrease in claims expenditure of 5%.

The reduction in claims expenditure, together with an increase in earned premium income of 5.4% between 2009 and 2013, contributed to the combined ratio falling back below 100% in 2012 and 2013. This has allowed insurers to restore profitability (€1.3bn of underwriting profit in 2013) despite the difficult financial markets environment, which impacts insurers' investment income.

Average motor insurance premiums differ between EU member states. This is sometimes perceived as inconsistent with the ideal of a single EU market. However, this diversity in premiums reflects factors that are linked to a member state's regulatory, risk and economic environment, which all have an impact on the costs of claims and the frequency and severity of accidents. Insurers must thus account for these factors in the calculation of their premiums in order to build appropriate financial capacity to cover their risks.

Firstly, the regulatory environment, such as national liability laws, litigation rules and compulsory MTPL insurance obligations, shape the type and amount of compensation to which an injured party is entitled following a motor vehicle accident. The regulatory environment can also be influenced by local attitudes to litigation and compensation.

Secondly, road- and traffic-related factors affect the risk of accidents. Demographics or driving habits can increase risk (high traffic density or a high proportion of young drivers, for example). Severe weather can affect driving conditions, while the level of expenditure on road maintenance or road-safety initiatives can also have an impact on accident levels.

Thirdly, the economic situation of a member state — or of a particular region — plays a large role in the cost of risk, as it can affect the cost of vehicle repair (including labour costs and the price of spare parts), of medical expenses (eg hospitalisation costs or treatment) and the type and value of vehicles at risk of theft.

Motor insurers are now increasingly adapting their business model to the technological innovations that are constantly changing the landscape in which they operate. This includes developing products that interact with intelligent transport systems (ITS). By applying information and communication technologies to road transport, ITS also give insurers an opportunity to obtain more accurate risk data, which they can then use to better tailor their products to each customer's needs.

These technological advancements will also allow insurers to offer a wider range of services such as driver coaching (ie providing advice and feedback on driving behaviour), road assistance and weather or traffic information. The key to unlocking this potential is to ensure that access to all the risk data generated is controlled by consumers and achieved through open, interoperable, standardised and secure technology to which all service providers, including insurers, can have access.

A.Overview

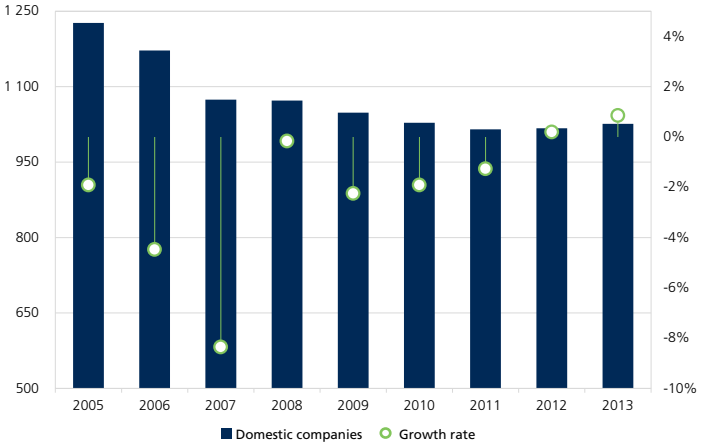
I. Number of domestic motor insurance companies

1 026
motor insurance companies

In recent years, the number of domestic motor insurance companies[5] in Europe has been reducing.

The number of active companies decreased from 1 227 companies in 2005 to 1 026 in 2013[6]. This represents a decrease of 16%.

Chart 1: Number of domestic motor insurance companies — 2005–2013



II. Cross-border providers

Cross-border insurance can occur on two different bases:

- freedom of establishment (FOE), through branches of insurance companies that are established in a different country to that of the person insured
- freedom of services (FOS), through direct cross-border contracts between the insured and an insurance company established in another country

Providing services via FOE rather than FOS can be advantageous, notably because it enables insurance companies to have a local presence in the market in which they wish to operate. A local presence can enhance an insurer's ability to maintain its contractual relationship with the insured through faster and more direct communication. Direct access to the insured can expedite claims-handling and the settlement of claims, as well as facilitate annual policy renewals.

From the countries that supplied data[7], it would appear that the number of branches of companies with their head office in a different EU country grew between 2007 and 2013, indicating a trend for an increasing number of European motor insurance companies to diversify their business geographically by extending their operations to other European countries through branches. A growth of 30% was reported by the countries in the sample for the period.

In 2010, according to the European Commission, 0.6% of the total European motor insurance market was written under FOS[8]. In some countries, the number of companies with a licence to operate through FOS has been growing since then. In Italy, for example, the number increased by 12% between 2010 and 2013, while in Malta it increased by 22.5% over the same time period.

5 Based on figures for 28 countries accounting for 96% of total European motor premium income
6 Based on companies that actually collected premiums in the year in question. DE and UK figures relate to the number of licensed companies.
7 Based on data from countries that account for 40% of total European motor premium income
8 Source: http://ec.europa.eu/finance/insurance/docs/motor/20100302rim_en.pdf

Nevertheless, it has to be kept in mind that insurance companies may apply for a licence allowing them to operate in another EU country but not make great use of it; so there is not always a link between the number of companies licensed to operate under FOS and the amount of premiums generated by these companies.

III. Vehicles in use

III.1 Total number of vehicles

Between 2004 and 2014, the number of vehicles in Europe grew by almost 18%[9]. With 334m vehicles on the road, Europe has the largest motor market in the world, ahead of North America (US and Canada), which has approximately 250m vehicles of all types.

334m
vehicles on Europe's roads

In 2013, about 82% of European vehicles were personal and commercial four-wheeled vehicles (vehicles with laden weight of under 3.5 tons), 8% were utility vehicles (vehicles with laden weight of over 3.5 tons) and 10% were motorcycles.

Chart 2: Number of vehicles in Europe — 2004–2013 (m)

New passenger car registrations in 2013 were almost 30% lower than in 2007, indicating the impact of the economic slowdown on the demand for new cars. According to the most recent data collected by the European Automobile Manufacturers' Association, the six years of decline reversed in 2014, when new car registrations grew by 5.6%. Spain, the UK and Italy, in particular, registered substantial growth (+18.4%, +9.3% and +4.2% respectively), while in France registrations remained stable (+0.3%).

Whereas the number of new cars is generally an indication of the economic environment, it is not necessarily an indication of the number of cars on the road, as can be observed in the case of Europe in recent years.

New passenger car registrations are expected to continue to grow in Europe in 2015.

III.2 Motorisation rate

There are clear differences in the motorisation rate (number of passenger cars and commercial light vehicles per 1 000 inhabitants) across Europe.

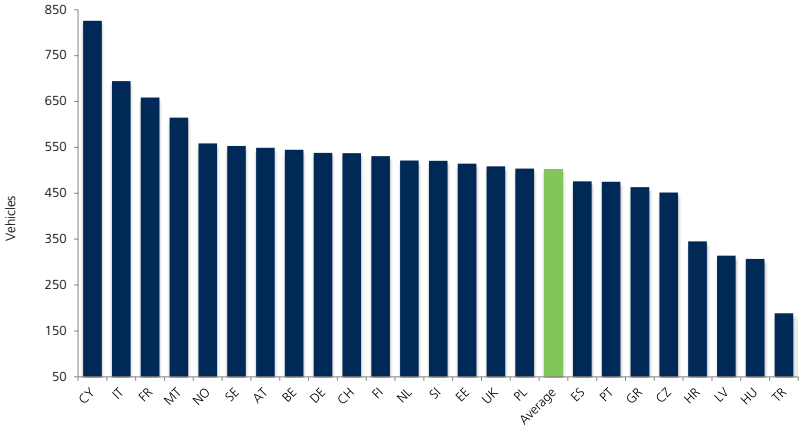
The overall European motorisation rate is estimated at 503 in 2013[10], which represents a 15% increase since 2007. The highest level recorded is in Cyprus (826 vehicles per 1 000 inhabitants) and the lowest levels are in Croatia, Latvia, Hungary and Turkey (fewer than 350).

9 Based on data from countries that account for 95% of total European motor premium income
10 Based on data from countries that account for 88% of total European motor premium income

In general terms, there are more vehicles per inhabitant in western European countries than in central and Eastern Europe, which can be explained by the difference in purchasing power. Other factors may explain some of the other differences observed. For instance, the high motorisation rate in Cyprus and Malta[11] may in part be explained by limited alternative transport options.

Globally, motorisation rates also vary significantly. The US average is 776 passenger vehicles per 1 000 inhabitants, in Central and South America it is 160 and in Africa it is 42. In 2012, the average motorisation rate worldwide was estimated at 170 passenger vehicles per 1 000 inhabitants[12].

Chart 3: Motorisation rate — 2013



Source: Insurance Europe, Eurostat

11 For more information: http://ec.europa.eu/eurostat/documents/3217494/5735065/KS-HA-12-001-10-EN.PDF/1134e4ff-a660-43ef-abf5-6f8f28a44e00?version=1.0

12 Source: Organisation of Motor Vehicle Manufacturers (OICA)

B. Key market data

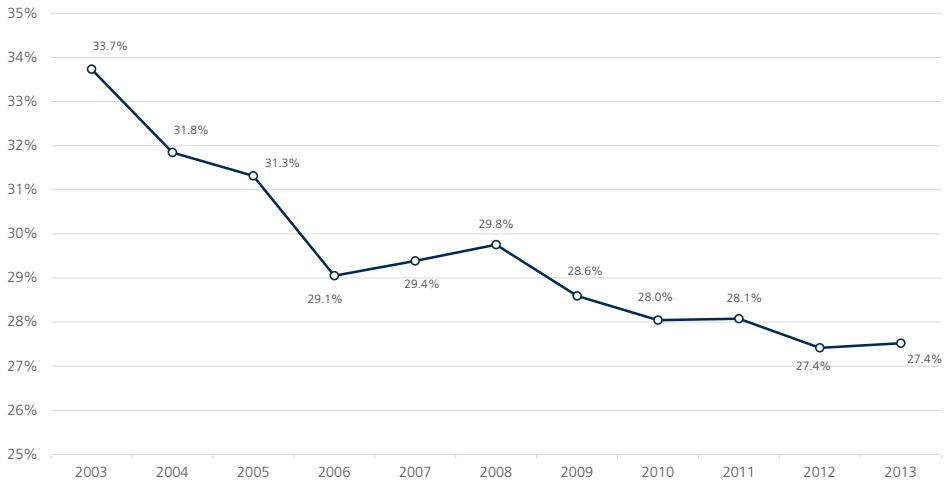
I. Total motor (motor third-party liability and damage)

I.1 Premiums — European trends

Motor insurance was the largest non-life business line in 2013, with a 27.4% share of the whole non-life market, followed closely by health and property insurance.

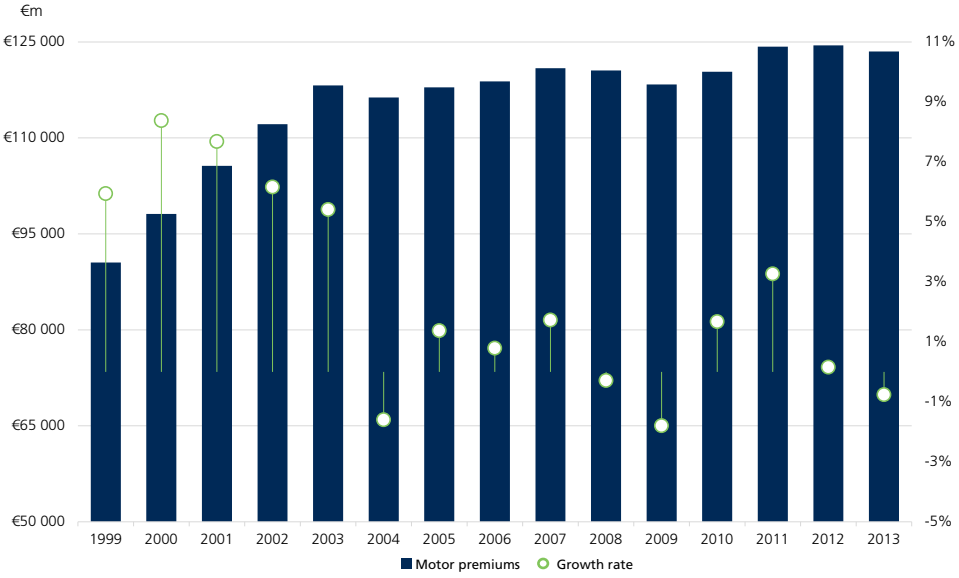
27.4%
of non-life premiums are motor

Chart 4: Motor premiums as proportion of non-life market — 2003–2013



However, motor insurance's market share has fallen over 5 percentage points over the last 10 years. This is due to higher growth rates in other non-life businesses over the period, during which the motor insurance market has remained relatively stable.

Chart 5: Direct motor premiums written in the domestic market — 1999–2013 (€m)



In 2013, motor premiums are estimated to have totalled €123.5bn, against €124.4bn in 2012. This represents a 0.8% decrease and is the first EU-wide drop since the 2% decrease between 2008 and 2009. Taking a longer perspective, premium growth shows a positive trend, up 6% since 2004.

€123.5bn
motor premiums in 2013

4.4%
growth in premiums 2009–13

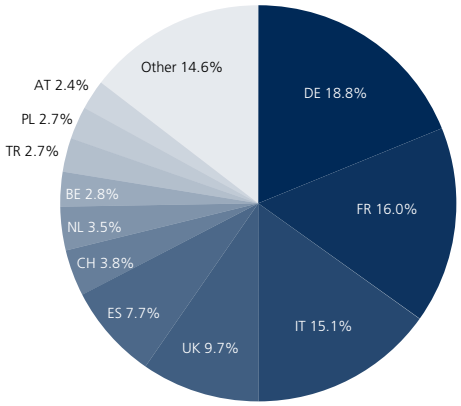
During the period, the motor insurance market has recovered from the financial and economic crisis, growing by 4.4% on average in Europe between 2009 and 2013, after the two consecutive years of negative growth in 2008 and 2009.

The growth between 2004 and 2013 was mainly driven by the almost 20% growth registered in optional damage; compulsory MTPL cover, on the other hand, remained broadly stable.

As described in more detail in Section D of this report, premium levels are influenced by a number of factors, of which the number and severity of accidents is a key one, as it has a direct impact on claims expenditure. The efforts by European countries in recent years to reduce car accidents have made it possible to maintain stable premium levels on average in Europe.

Other important factors that impact premiums are the level of competition — which is intense in motor insurance — and the economic situation. The economic hardship brought about by the financial crises in Europe has reduced many European citizens' disposable income, making them more selective about the goods and services they buy. This has clearly had a negative impact on vehicle purchases and hence motor insurance policies sold in Europe, especially at the height of the economic crisis.

Chart 6: Distribution of motor premiums by country — 2013



67%
of premiums are in 5 largest markets

The leading markets — Germany, France, Italy, the UK and Spain — account for 67% of all European motor insurance premiums.

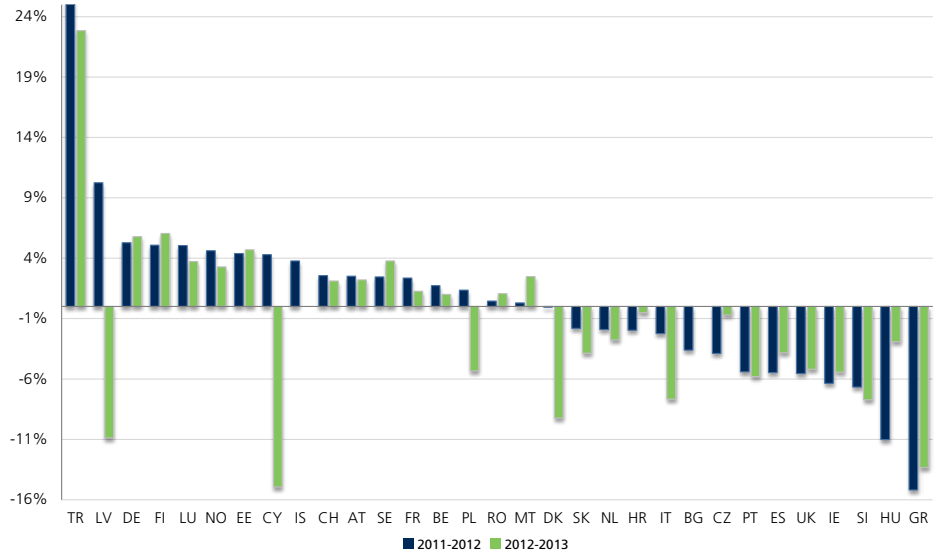
I.2 Premiums — national trends

There were 16 countries that recorded negative growth in their motor premium income in 2013. 13 countries recorded positive growth, 10 of them for the third consecutive year.

Some western European countries, including Italy, Portugal and Spain, recorded negative growth for the second consecutive year in 2013. In Portugal, for example, gross written premiums shrank by 18% between 2008 and 2013, reflecting the macro-economic environment. Two years of negative growth were also recorded in some eastern European countries, including Slovakia, Slovenia and the Czech Republic, where strong competition within the motor insurance market was largely responsible for the slowdown.

Positive growth was registered in 2012 and 2013 in some western European countries (including Germany, Finland, Switzerland, Austria, France and Belgium), in Turkey (mainly driven by a big increase in MTPL written premiums) and in some eastern European countries including Estonia and Romania.

Chart 7: Nominal change in total motor premiums (at constant exchange rates) — 2011/12 and 2012/2013



I.3 Claims expenditure — European trends

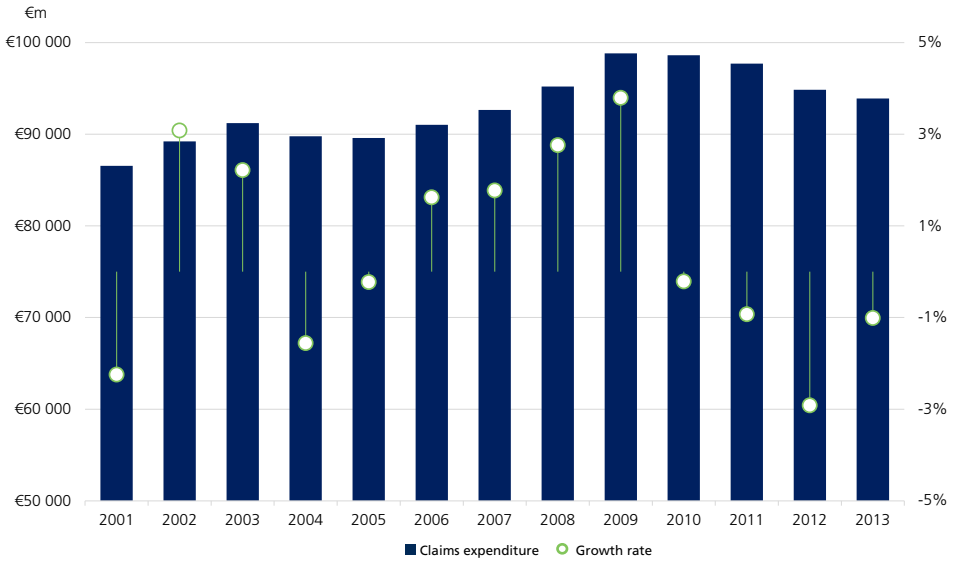
The years 2001 to 2009 were marked by a significant increase in claims expenditure, with a growth rate of 14% over the period. This trend was interrupted by two years of decline (-1.8%) in 2004 and 2005.

14%
growth in claims expenditure 2001–09

After reaching a high of €98.8bn in 2009, claims expenditure then decreased until 2013, dropping to €93.9bn from €94.8bn in 2012.

The decrease in claims expenditure between 2009 and 2013 reflects the reduction in the number of claims as a result of the fall in road accidents[13] (-14% over the past decade).

Chart 8: Total motor claims expenditure — 2001–2013 (€m)



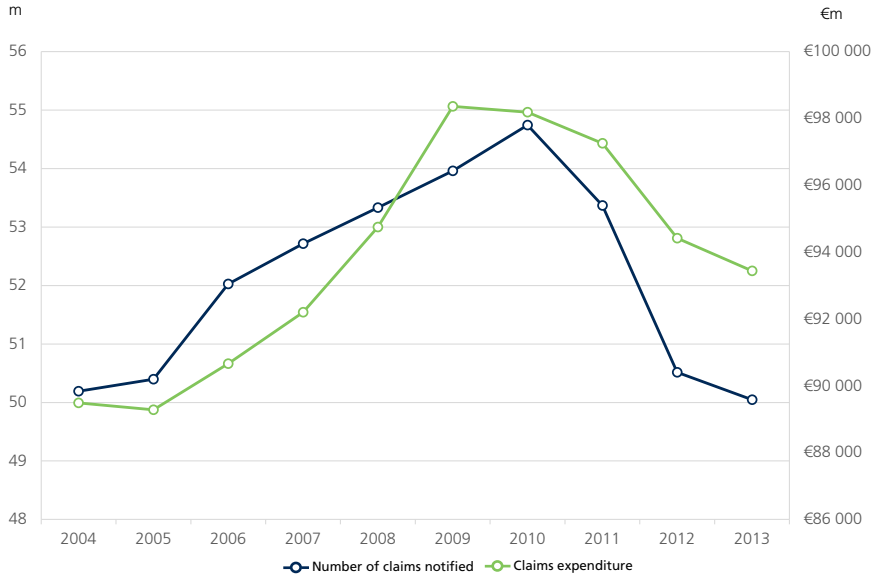
13 Number of accidents involving bodily injury, collected by Insurance Europe from countries that account for 86% of total European motor premium income

I.4 Claims expenditure — national trends

There were notable increases in claims expenditure in Turkey, Luxembourg, Denmark and Poland (70%, 45%, 41% and 33% respectively between 2008 and 2013). Other countries, however, experienced a sharp decline. These included Sweden, Croatia, Greece, Ireland and Italy (-52%, -46%, -44%, -35% and -20% respectively between 2008 and 2013).

Greece and Italy are among the countries with the biggest decrease in the number of claims notified (-30% and -33% respectively between 2008 and 2013) and in the number of road accidents involving bodily injury (-19% and -16% respectively) together with Croatia, France and Cyprus.

Chart 9: Number of total motor claims and claims expenditure — 2004–2013



I.5 Claims ratio — European trends

An important ratio, directly related to claims expenditure, is the claims (or loss) ratio, which is claims expenditure as a percentage of gross earned premiums. The evolution of the claims ratio illustrates the cyclical nature of motor insurance.

Underwriting cycle in the non-life insurance sector

The cyclical nature of the non-life insurance industry is well-recognised. The cycle refers to an upward and then downward movement in insurance premium levels and combined ratios, which typically runs over a period of six to nine years.

A cycle thus comprises a hard market and a soft market; a period of strong competition when margins are squeezed and then one of recuperation when reserves can be accumulated.

For years, many researchers have examined potential internal and external factors (Cummins and Outreville, 1987; Harrington and Danzon, 1994; Lamm-Tenant and Weiss, 1997; Venezian and Leng, 2006), but there is no unanimously accepted theory of the causes of underwriting cycles. The factors analysed include internal rate-making processes, interest rates, inflation patterns, and accounting and regulatory lags.

Venezian (1985) proposes that the autocorrelation inherent in the cost-prediction process could drive the profit cycles. Cummins and Outreville (1987) relate the cyclical phenomenon to

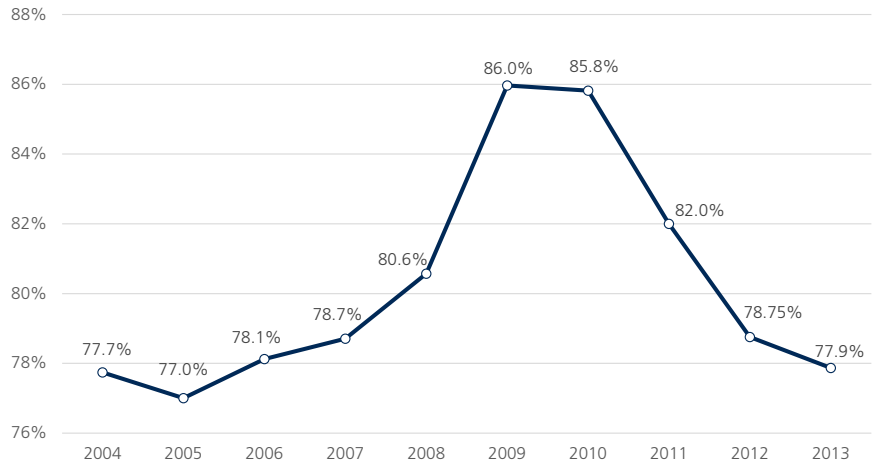
institutional and regulatory rigidity. Doherty and Kang (1988) discuss the inverse relationship between premiums and interest rates, and attribute the underwriting cycle to interest rate fluctuations. Leng (2006) and Lamm-Tenant and Weiss (1997) also believe that interest rates and general business cycles can cause the underwriting cycle, as premiums reflect discounted future losses and income from investments. Some other studies associate the underwriting cycle to capital adequacy, concluding that capital shocks cause the price increase and quantity reduction in hard markets.

The claims ratio was at its highest at 86% in 2009, compared to 77.7% in 2004 and 77.9% in 2013. The years 2004 to 2009 were characterised by a consistent rise in claims ratio, indicating a faster increase in claims than in premium income[14].

77.9%
claims ratio in 2013

This trend was unsustainable and led to substantial underwriting losses (€5bn in 2009). Since then, stable claims expenditure and an increase in earned premium income (+5.4% between 2009 and 2013) have allowed insurers to restore their profitability and to absorb the reduction in investment income caused by the financial crisis.

Chart 10: Average motor claims ratio — 2004–2013



I.6 Claims ratio — national trends

The claims ratio in 2013 shows variations from country to country. Most countries' claims ratios[15] are close to or below the sample average (77.9%), while countries including Hungary, Germany, France and Spain are above this level.

In Germany, premium volumes grew by 5% between 2011 and 2012, leading the claims ratio to decrease from 98% to 92%[16]. In 2013, premiums continued to grow, but an increase of 8% in claims expenditure meant the claims ratio increased again, reaching 94%.

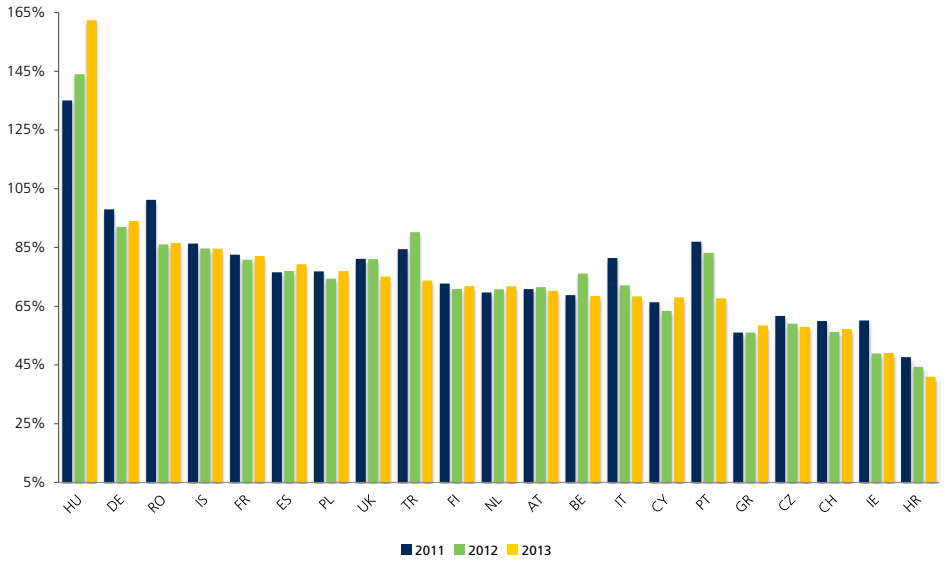
The claims ratio recorded in Hungary in 2013 is particularly high, owing to an increase in claims expenditure of 11.5% and a decrease in premiums of 1.2% compared to 2012. Premium volumes

14 An increase of 10% in claims expenditure while earned premiums remained stable
15 Based on data from countries that account for 84% of total European motor premium income
16 The claims ratio for Germany is calculated in accordance with the German Commercial Code (HGB)

have been falling since 2008 (-44.6% between 2008 and 2013), due to fierce price competition and also to a 30% accident tax imposed on compulsory motor insurance.

Some other countries, including the Czech Republic, Greece, Switzerland and Croatia, present a much lower claims ratio (below 60%). In Switzerland there was a significant drop in the claims ratio (especially for MTPL, which fell from 73% in 2009 to 35.5% in 2013) due to a fall in the number of road traffic accidents. This is in turn due to improved road-safety measures and safety features in vehicles. The claims ratio has also been influenced by a more restrictive legislative environment, tightening the law in relation to whiplash injury compensation.

Chart 11: Total motor claims ratio by country — 2011–2013

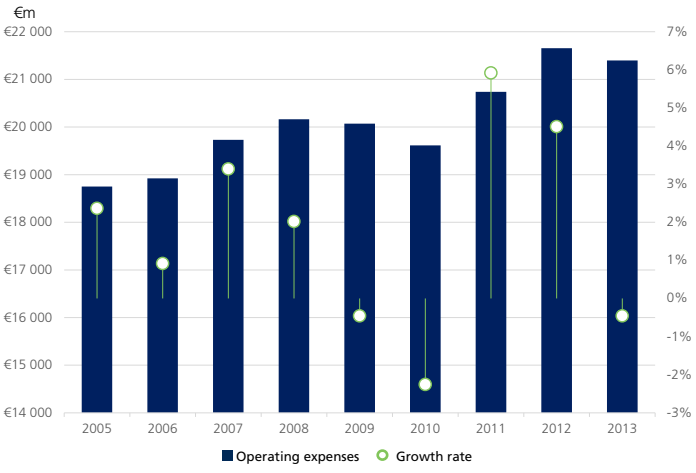


I.7 Operating expenses

Operating expenses are the technical costs of managing motor insurance business. They include administrative expenses and acquisition costs.

After constant growth between 2005 and 2008, followed by two years of decreases in 2009 and 2010 (-2.7% over the 2008 level), operating expenses grew again in 2011 and 2012 and then decreased only slightly in 2013. Total operating expenses were estimated at €21.4bn in 2013[17] compared to €21.6bn in 2012, which represents a decrease of 0.5%.

Chart 12: Total motor insurance operating expenses — 2005–2013 (€m)



17 Based on data from countries accounting for 88% of total European motor premium income

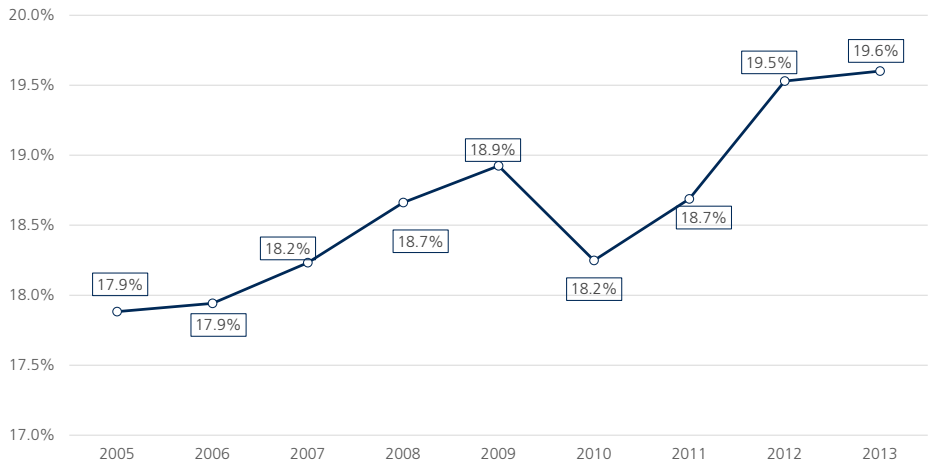
I.8 Expense ratio

The expense ratio relates operating expenses to written premiums and follows the same cyclical pattern as that seen in Chart 12.

Since 2005, the marginal growth in premiums compared to more significant growth of 14% in operating expenses resulted in increases in the expense ratio.

In 2013, the expense ratio reached 19.6%; slightly higher than the 2012 level of 19.5%.

Chart 13: Average motor insurance expense ratio — 2005–2013

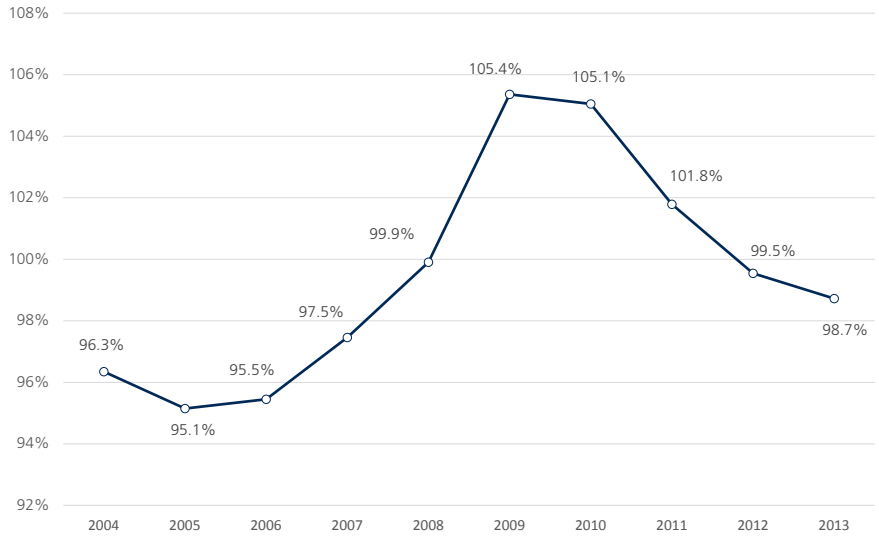


I.9 Combined ratio and underwriting results — European trends

The combined ratio, which measures expenses and claims against premiums, is a key indicator of the adequacy of premiums.

It measures underwriting performance, allowing the sources of profitability to be highlighted. An improvement in the combined ratio can be due to higher premiums, better cost control, better management of the risks covered or a combination of all three.

Chart 14: Average motor insurance combined ratio — 2004–2013



A combined ratio of more than 100% represents an underwriting loss, although a company with a combined ratio over 100% may still be profitable due to investment earnings.

From 2005 to 2009, the average European combined ratio increased. Between 2007 and 2010, premiums increased less than claims expenditure, which led to a rise in the combined ratio to over 105% in 2009 and 2010, generating an underwriting loss.

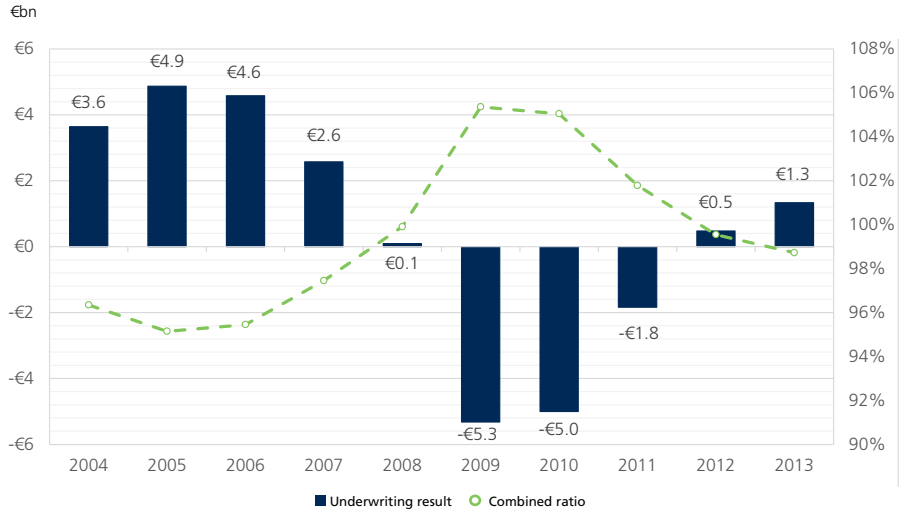
98.7%
combined ratio in 2013

From 2011, the improved economic environment and the slight reduction in the number of accidents led to a decrease in the combined ratio, which dipped below 100% in 2012 and reached 98.7% in 2013.

Underwriting profit is the amount remaining after claims have been paid and administrative expenses have been deducted. It does not include any investment income earned on held premiums.

After three years of negative results, underwriting profitability returned in 2012 and reached €1.3bn in 2013.

Chart 15: Motor underwriting results — 2004–2013 (€bn)



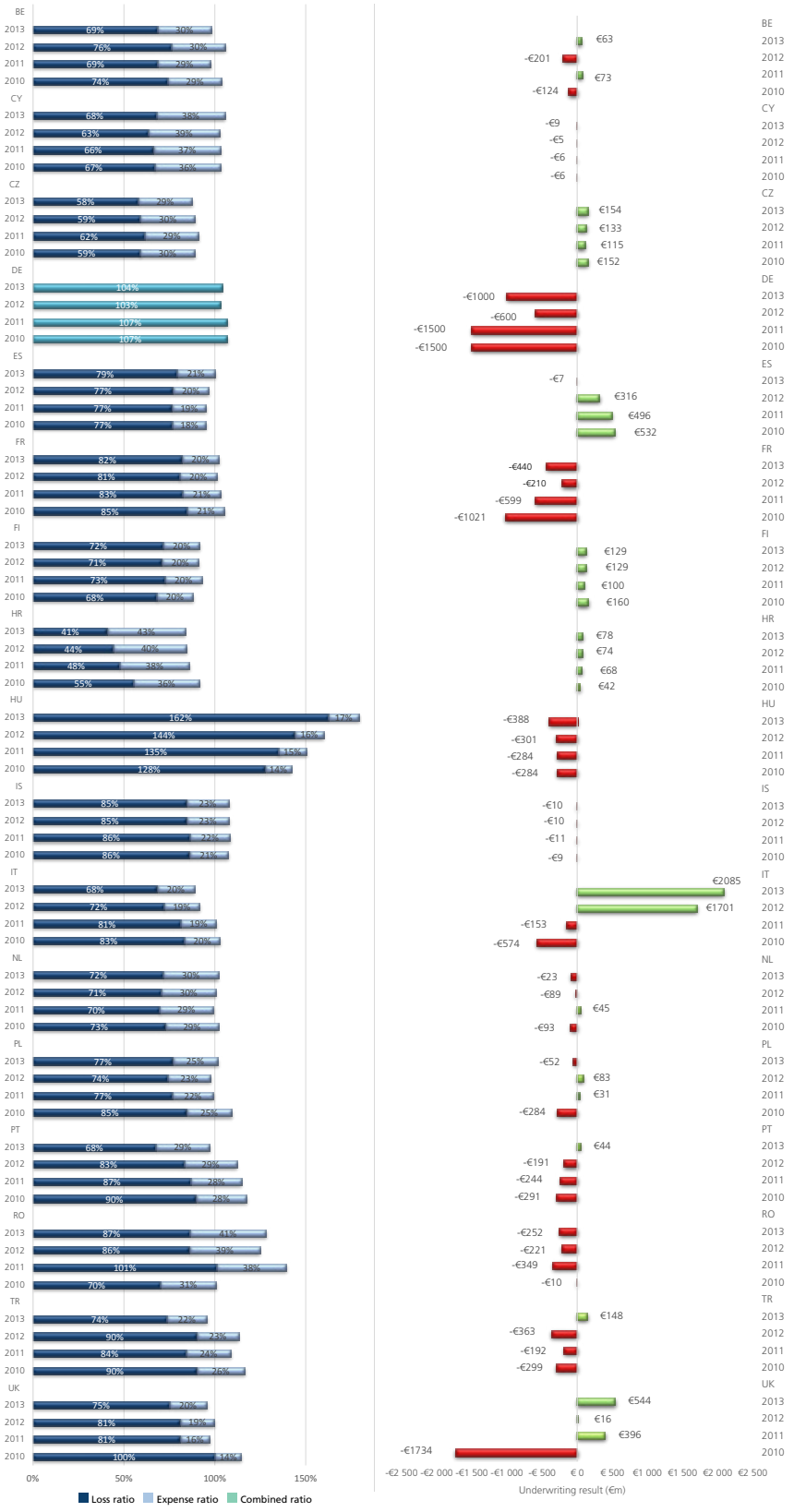
I.10 Combined ratio and underwriting results —— national trends

There are significant divergences between countries' combined ratios. In 2013, among western European countries, Germany (104%), France (102%) and the Netherlands (102%) had the highest combined ratios.

France and Germany both experienced an increase in claims expenditure (by 4% and 9% respectively) between 2010 and 2013, recording combined ratios higher than 100% for four consecutive years.

As a result, underwriting results were negative between 2010 and 2013 in these two countries. In particular, in 2013, insurers in France and Germany experienced negative underwriting results of €440m and €1bn respectively.

Chart 16: Motor underwriting results and loss and expense ratios by country[18]



18 For Germany, combined ratio, as the split in loss ratio and expense ratio is not available

The UK, Portugal and Turkey had combined ratios between 90% and 100% in 2013. However, these countries tended towards underwriting losses in earlier years (ie their combined ratios were often higher than 100%), with net profitability being reliant on investment returns.

Finland, Croatia and the Czech Republic are the only countries that recorded a positive underwriting result for four consecutive years between 2010 and 2013.

With a combined ratio close to 90% in 2012 and 2013, Italy recorded a positive underwriting result of €1.7bn in 2012 and €2bn in 2013. Spain's combined ratio was lower than 100% for three consecutive years, between 2010 and 2012. In 2013, however, a decrease of 4% in premiums led the combined ratio to rise above the 100% threshold, causing a negative underwriting result of €7m, after three positive years.

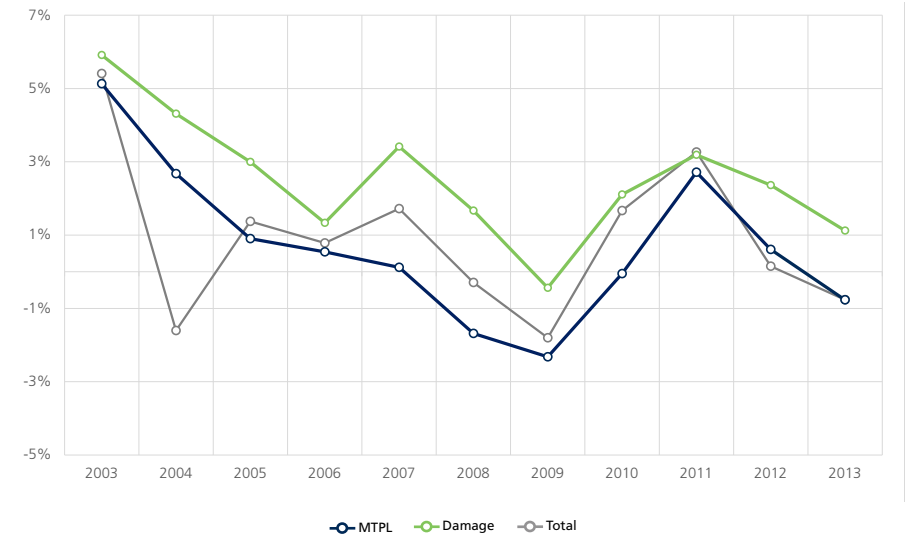
II. Motor third-party liability

Methodological note

The breakdown between MTPL and damage cover is not available for all countries. As a consequence, not all markets are covered in this section. The UK and Ireland are among those missing, as motor insurance in those countries is sold as a package.

The data presented in this section is from countries that represent between 60% and 89% of total motor premiums, depending on the indicator analysed.

Chart 17: Growth in total motor, MTPL and damage premiums — 2003–2013



II.1 MTPL premiums — European trends

57.9%
of premiums are MTPL

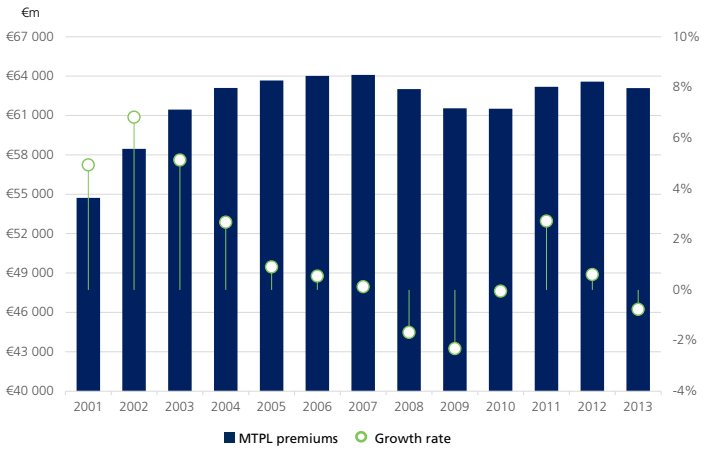
MTPL premiums represented 57.9% of total motor premiums in 2013, following a slight downward trend observed since 2004, when they were at a high of 61.8%. The growth in total motor premiums is therefore mainly triggered by the increase in damage premium income.

MTPL policies are somewhat homogeneous across the EU in terms of the cover provided. This reflects the fact that MTPL is partially harmonised by the EU Motor Insurance Directive (MID), which obliges all motor vehicles in the EU to be covered by MTPL insurance. The Directive also harmonises cross-border claims settlement and compensation procedures under Articles 19-27 (eg national compensation bodies, claims representatives in other member states, a time limit to

make a "reasoned offer" and rules for national information centres to assist claimants seeking compensation). However, civil liability and calculations of awards remain at the discretion of EU member states.

In light of the high level of homogeneity in MTPL cover provided in individual member states, competition between insurers is mainly based on pricing and quality of services, rather than on product design. Competition means insurers offer rates that match as closely as possible the specific risk profile of each policyholder.

Chart 18: MTPL premiums — 2001–2013 (€m)



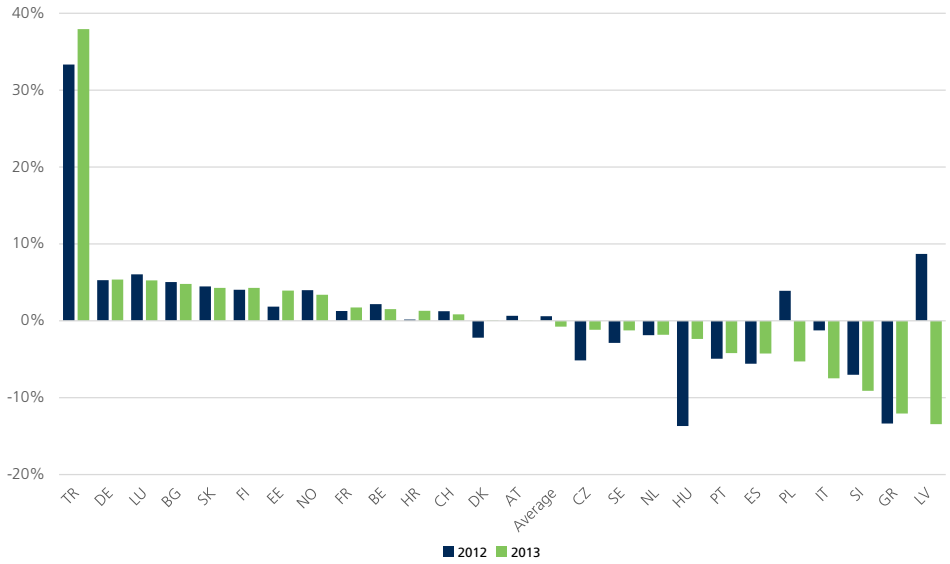
After growing by 15% between 2001 and 2004, the amount of MTPL premiums remained relatively stable for the next 10 years, reducing just 0.2% over the whole decade. In 2013, the premium income in MTPL amounted to €63bn[19], a slight decline of 0.8% compared to 2012.

Total MTPL premiums in 2013
98.7%

II.2 MTPL premiums — national trends

The European average change in premiums hides very different situations at national level. In 2013, for instance, when the average European growth rate was -0.8%, out of the 27 countries under review, 11 experienced a decrease in MTPL premium income. For eight of them, it was the third consecutive year of decrease.

Chart 19: Nominal change in MTPL premiums by country (at constant exchange rates) — 2012–2013



19 Based on data from countries that account for 88% of total European motor premium income

No recovery was registered in some stressed eurozone countries: the sharpest decreases are in some of the biggest markets, such as Italy and Spain, but also in smaller ones such as Greece, Slovenia and Latvia. In Greece, the fall in written premiums of more than 10% in 2012–13 is due to a decline in the number of vehicles in circulation since the financial crisis[20].

Turkey is the country that registered the biggest increase in MTPL premiums in 2013. Turkey has been an attractive market for insurers in recent years due to the combination of economic growth, changing demographics and low insurance penetration. In particular, the compulsory MTPL market is the highest policy-volume market in Turkey, with the number of policies growing by 75% from 2004 to 2013. However, insurers are facing challenges in the MTPL area, notably due to the significant amount of bodily injury claims.

II.3 MTPL claims expenditure — European trends

MTPL claims expenditure remained largely stable between 2002 and 2013, growing by just 0.4% over the whole period with, however, significant fluctuations.

After growing 5.2% between 2002 and 2005, the market experienced a period of high volatility between 2006 and 2011. In 2009 claims expenditure reached €54bn, its highest ever level. Since 2009, claims expenditure has decreased by 6.5% to reach €51bn[21] in 2013.

Total MTPL claims in 2013
€51bn

Chart 20: MTPL claims expenditure — 2002–2013 (€m)

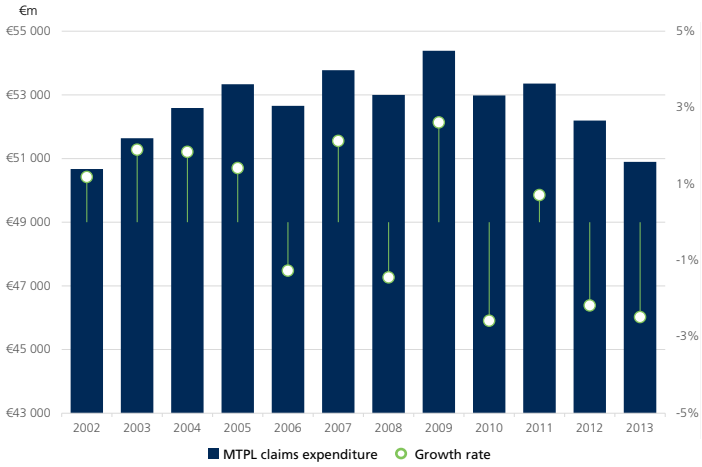
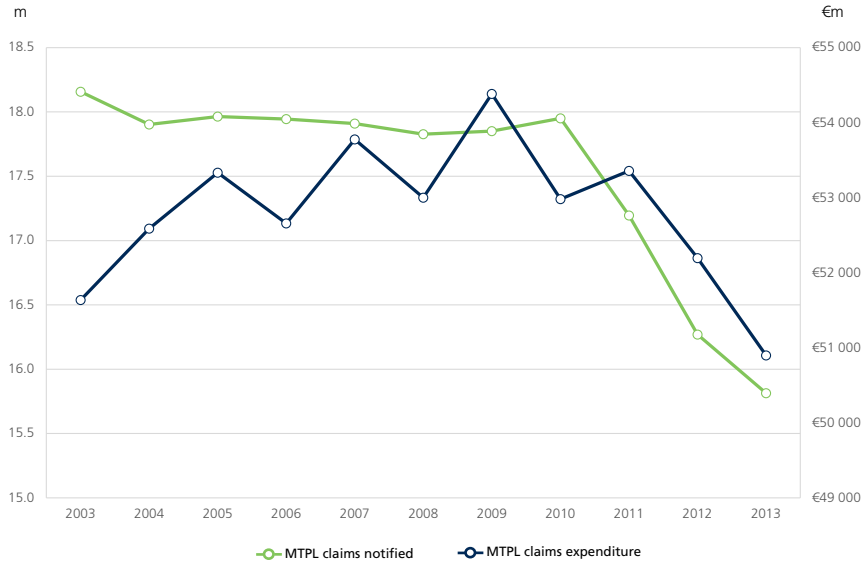


Chart 21: Number of MTPL claims and claims expenditure — 2003–2013



20 Source: http://www.oecd.org/daf/fin/insurance/Global-Insurance-Market-Trends-2014.pdf
21 Based on data from countries that account for 88% of total European motor premium income

The number of MTPL claims notified also fell during the same period (2009–2013) by 11%, as shown in Chart 21.

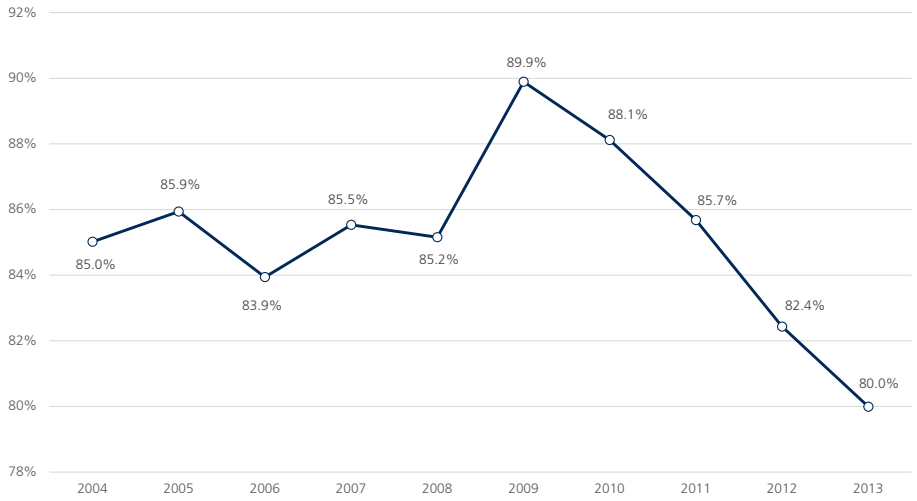
II.4 MTPL claims ratio

The changes in MTPL premiums and claims expenditure are illustrated by the MTPL claims ratio.

After remaining relatively steady between 2004 and 2008, in 2009 the growth in claims expenditure and the reduction in earned premium income led the average claims ratio[22] to increase by 5 percentage points, reaching 89.9%, from a starting level of 85%.

Between 2009 and 2013, the sharp decrease in claims expenditure described in the previous section inverted the upward trend of the claims ratio, driving it from 89.9% down to 80%.

Chart 22: Average MTPL claims ratio — 2004–2013

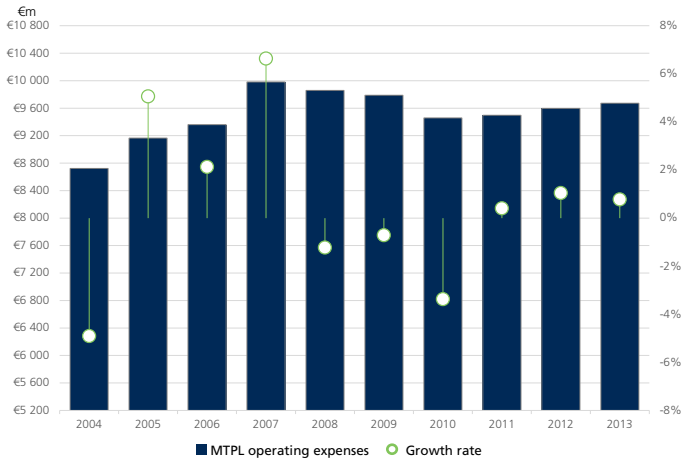


II.5 MTPL operating expenses

MTPL operating expenses grew by 10.8% between 2004 and 2013. After growing 14% between 2004 and 2007, operating expenses have remained relatively stable. The only exception to this trend was between 2009 and 2010, when a negative growth rate of -4% was registered.

In 2013, operating expenses were estimated at €9.7bn, compared to €9.6bn in 2012.

Chart 23: MTPL operating expenses — 2004–2013 (€m)



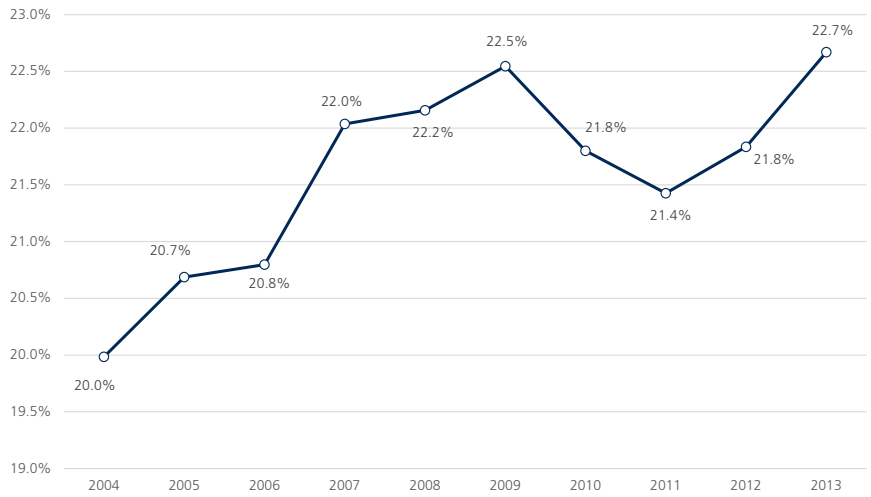
22 Based on data from countries that account for 60% of total European motor premium income

II.6 MTPL expense ratio

Higher expense growth rates than premium growth rates have meant an increase in the MTPL expense ratio from 20% in 2004 to 22.5% in 2009.

Between 2009 and 2011, operating expenses decreased faster than premium income and, as a result, the ratio fell to 21.4%. As premium income remained quite stable between 2011 and 2013, the upward trend in the ratio since 2011 is due to operating expenses increasing by almost 2% in 2012 and 2013.

Chart 24: Average MTPL expense ratio — 2004–2013



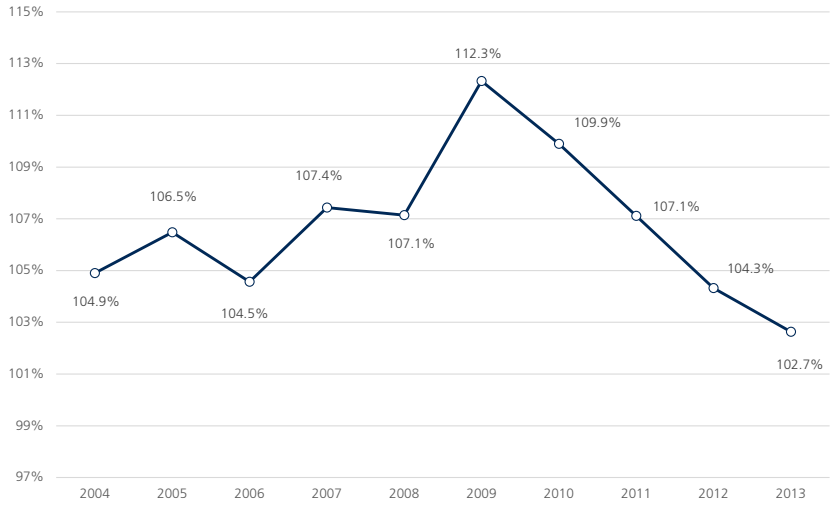
II.7 MTPL combined ratio — European trends

MTPL combined ratio in 2013
103%

The MTPL combined ratio shows an evolution similar to that of the claims ratio. After increasing slowly between 2004 and 2008 (influenced by the rise in operating expenses), the combined ratio grew by 5 percentage points in 2009, reflecting the increase in claims and the decrease in premiums.

In subsequent years, a decrease in the number of accidents has led to a more favourable insurance environment, causing the combined ratio to decrease sharply from 112% in 2009 to 103% in 2013.

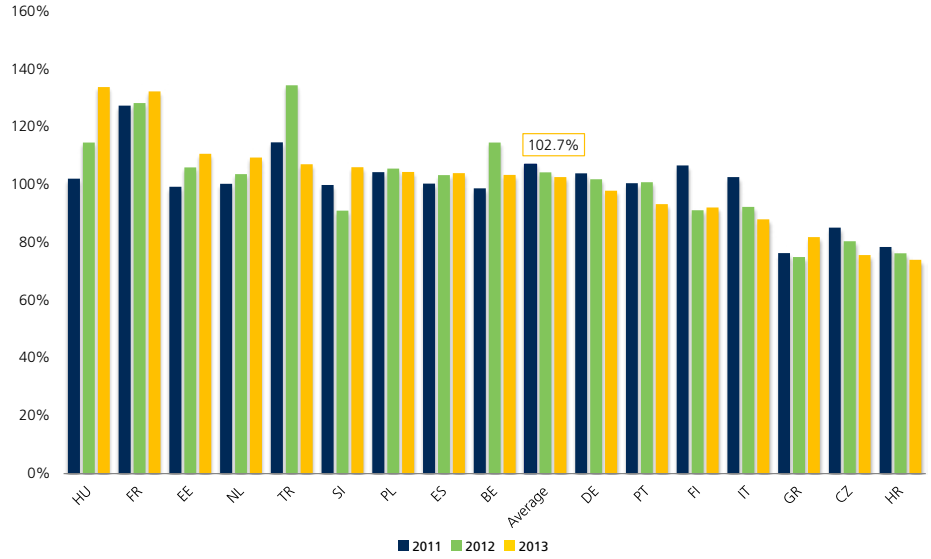
Chart 25: Average MTPL combined ratio — 2004–2013



II.8 MTPL combined ratio — national trends

As shown in Chart 26, the combined ratio increased for the two consecutive years 2011-12 and 2012-13 in five countries (Hungary, France, Estonia, the Netherlands and Spain), but decreased in both years in Germany, Italy, Croatia and the Czech Republic.

Chart 26: MTPL combined ratio by country — 2011–2013



The combined ratio in Hungary is particularly high, influenced by a large increase in the claims ratio as a result of an increase in claims expenditure of 11.5% in 2013.

In the same year, the combined ratio in France increased by 4 percentage points. This increase is linked to an increase in MTPL claims above the threshold of "serious personal damage", ie damage that has a significant impact on a victim physically and psychologically. Such accidents, although they affected only 2% of claimants in 2013, accounted for more than 50% of the amounts paid by insurers in the settlement of motor losses[23].

In Turkey, the combined ratio reached 134% in 2012, following an increase in claims expenditure of 45%, triggered by an increase of almost 100% in the amount of bodily injury claims expenditure. Bodily injury claims compensation has become one of the main issues in Turkey in recent years, due to significant changes in reserving regulations and the increasing activity of claims management companies. In 2013, an increase of 55% in earned premiums allowed the national combined ratio to return to a level closer to the European average.

III. Bodily injury claims in MTPL insurance

III.1 Introduction

Bodily injuries are a key driver of average claims costs as they account for a significant share of total MTPL claims expenditure in most countries.

III.2 Number of accidents involving bodily injury

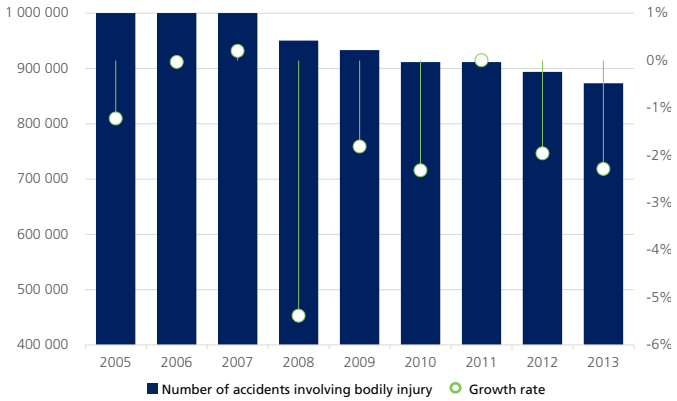
The number of accidents involving bodily injury remained largely stable between 2005 and 2007. In 2008, the number decreased by 5.4% and continued to decrease, at a slower pace, until 2013.

23 Source: http://www.ffsa.fr/sites/upload/docs/application/pdf/2013-11/ffsa-ra-_uk-_6_nov_-_interactif_-_1854_-_bd.pdf

Overall, between 2005 and 2014, the number of bodily injury accidents per year decreased by almost 14%, or 142 000. This trend was especially clear in France, the UK, Croatia, Cyprus, Slovenia, Latvia and Estonia, where the decrease was above 30%.

A different trend was recorded in Turkey and Iceland, where the number of bodily injury accidents more than doubled between 2004 and 2013. While Turkey was the second country after Italy in 2013 in terms of number of bodily injury accidents, the level still remained low in Iceland compared to other countries.

Chart 27: Number of accidents involving bodily injury — 2005–2013



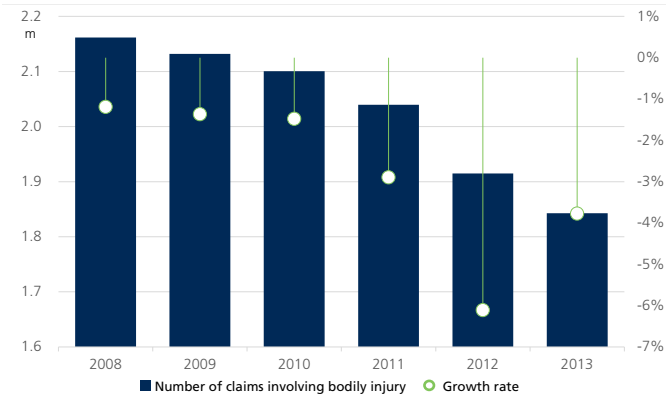
III.3 Number of bodily injury claims

1.85m
claims involving bodily injury in 2013

In 2013, almost 1.85m claims[24] involved bodily injuries in Europe. The number of such claims decreased by 3.8% compared to 2012, and by almost 15% compared to 2008, following the same trend as the number of MTPL claims.

The number of bodily injury claims as a share of total MTPL claims varies significantly from country to country, ranging from 3.5% in Greece to 19.3% in Italy in 2013.

Chart 28: Number of claims involving bodily injury — 2008–2013 (m)



Since 2009, the number of bodily injury claims as a share of MTPL claims has decreased in Italy, Finland, Germany, Sweden and Estonia. The opposite trend is recorded in Slovenia, where the share was already above the average, and Turkey, where the share more than doubled between 2009 and 2013. Greece and Hungary also saw an increase in the share of bodily injury claims, but in these two countries the share still remains low.

On average, the claims frequency involving bodily injury (number of personal injury claims per insured[25]) dropped to 0.6% in 2013[26], having fallen steadily over the past four years.

Again, there are large variations between countries, with the lowest level of 0.15% recorded in Hungary and the highest level of 1.1% in Italy, even though the frequency in Italy has decreased every year between 2009 and 2013, making it comparable only with the claims frequency in Turkey

24 Based on data from countries accounting for 73% of total European motor premium income
25 Where data is available, otherwise per number of policies or number of vehicles
26 Based on data for countries accounting for 62% of total European motor premium income

Chart 29: Number of bodily injury claims as share of total MTPL claims — 2009 and 2013

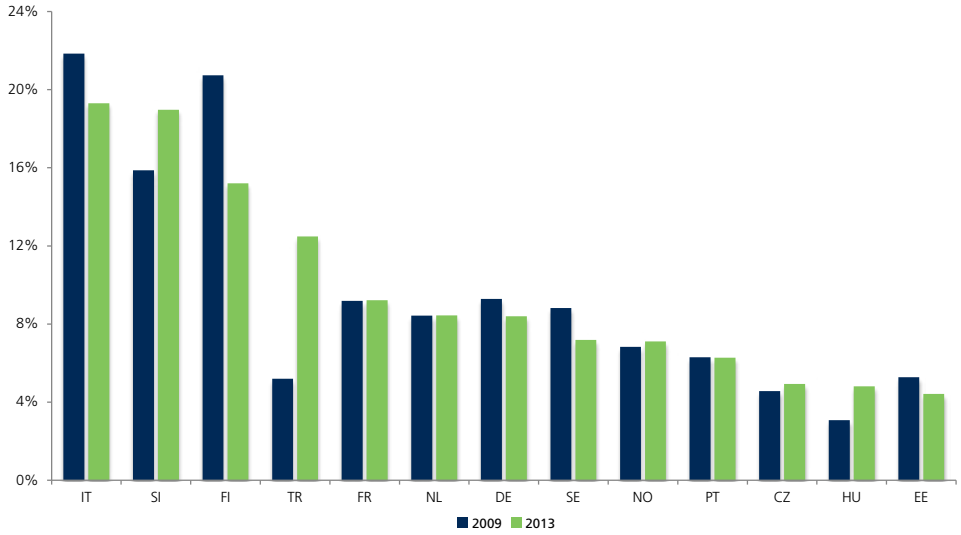


Chart 30: Bodily injury claims frequency — 2009–2013

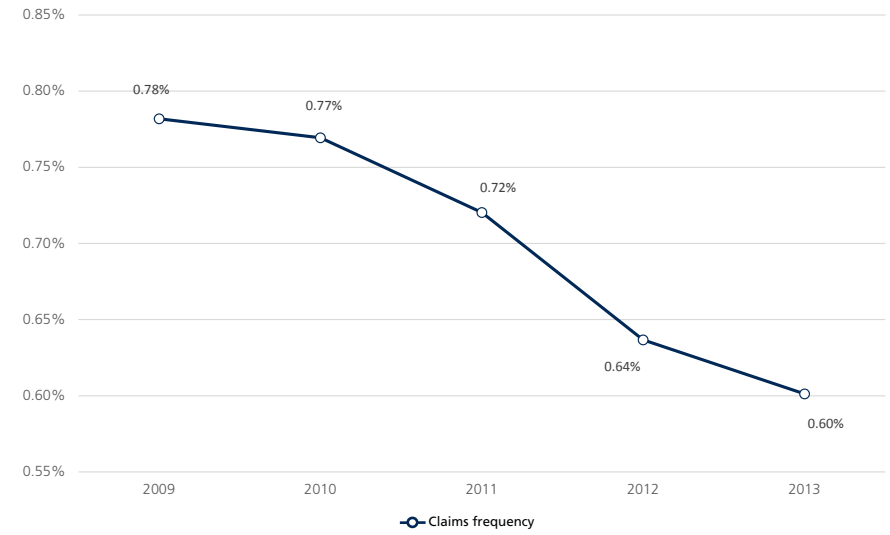
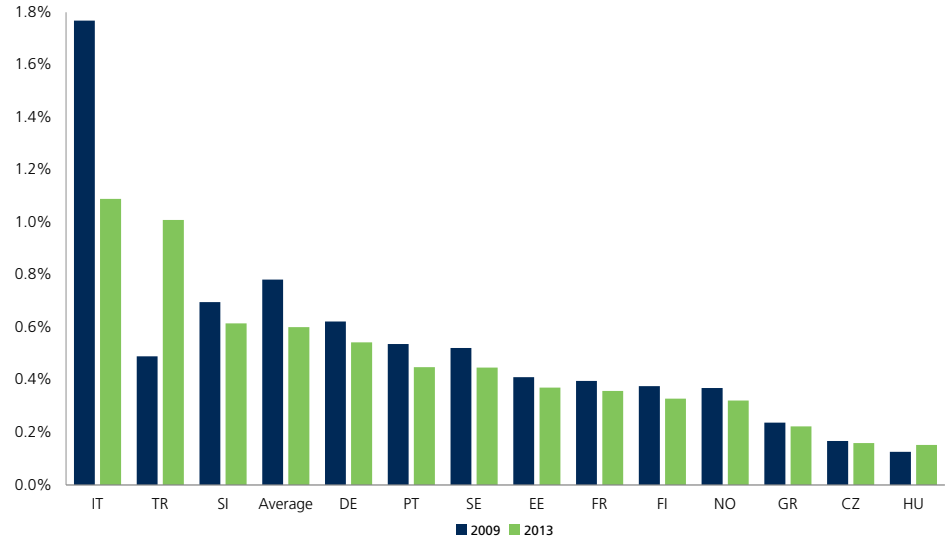


Chart 31: Bodily injury claims frequency by country — 2009 and 2013



of 1.01%. The frequency of bodily injury claims is generally higher in western than eastern European countries, which can to some extent be attributed to differences in litigation culture, as claims tend to be brought more frequently in western European countries due to long-standing liability regimes and greater awareness of the right to be compensated for an injury.

III.4 Bodily injury claims expenditure

48.4%
of all MTPL claims expenditure is for bodily injury

Although the number of bodily injury claims only accounts for just under 14% of all MTPL claims recorded by European insurers it represents 48.4% of all claims expenditure (2013 figures)[27]. This is similar to the level observed in 2012 (47.9%) but five percentage points lower than in 2008. In 2013, bodily injury claims expenditure amounted to €24.2bn, decreasing 1.6% on 2012.

Chart 33 displays the fact that bodily injury claims expenditure was much more volatile than overall MTPL claims expenditure between 2008 and 2013. This is mainly driven by the volatility in Italy and in France, which together account for 48% of all the claims expenditure in 2013 in this sample. In these two countries, growth rates of respectively 20% and 5% were registered in 2009, followed by decreases of 12% and 8% respectively in 2010, contributing to the total bodily injury claims expenditure falling for the sample by 6% in the same year.

Chart 32: Bodily injury claims expenditure — 2008–2013 (€m)

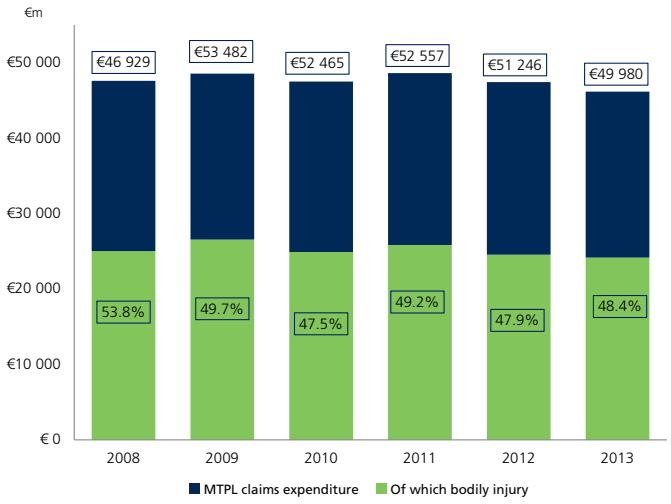
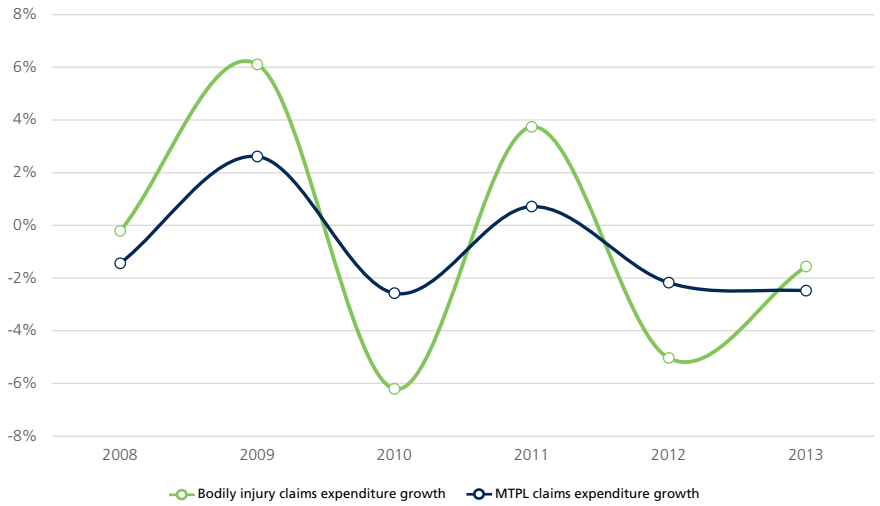


Chart 33: Growth rates for MTPL and bodily injury claims expenditure — 2008–2013

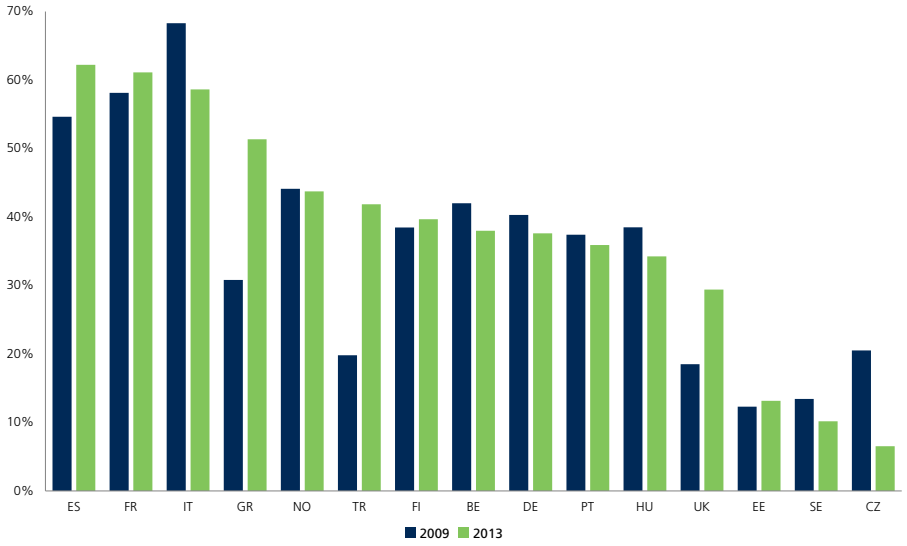


From 2010 to 2013, bodily injury claims expenditure grew by almost 23% in France, but substantially decreased in Italy (-25%), leading the overall figure to decrease 3% in the same period.

27 Based on data from countries that account for 73% of total European motor premium income

The bodily injury share of total claims expenditure is close to 60% in Spain, France and Italy. At the other end of the spectrum, it is below 15% in Estonia and the Czech Republic, as well as in Sweden, where social security covers a large share of the cost.

Chart 34: Share of bodily injury claims expenditure in MTPL claims expenditure[28] — 2009 and 2013

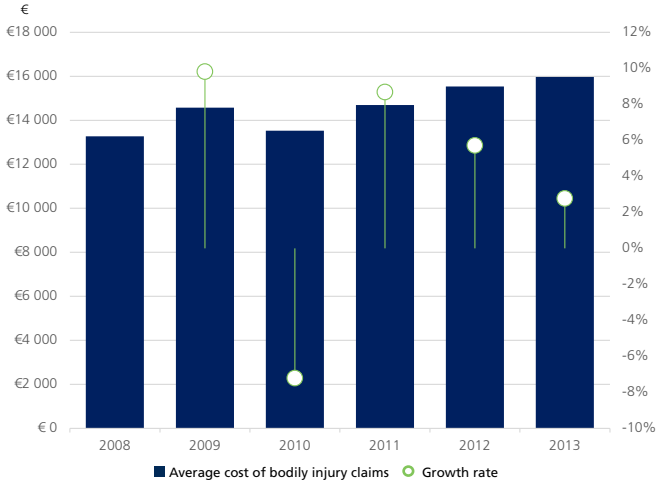


III.5 Average cost of claims with bodily injury

In 2013, the average cost of bodily injury claims was €15 970[29] compared to €15 540 in 2012.

Between 2008 and 2013, the average cost of bodily injury claims grew by 20%. The average cost of bodily injury claims went up in all countries except Hungary, Portugal and the Czech Republic. The increase was particularly high in Greece, Italy and France, where the average claim costs grew respectively by 58%, 45% and 25%.

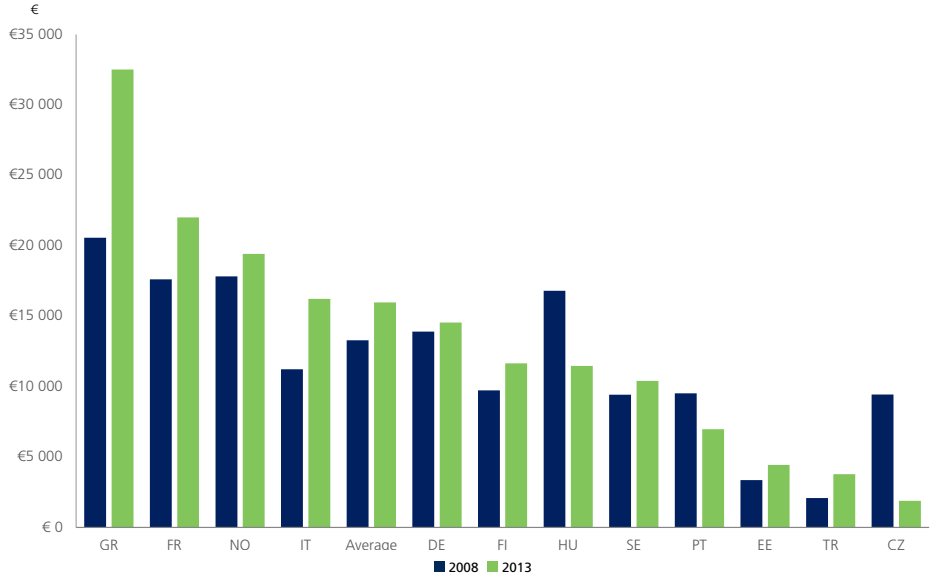
Chart 35: Average cost of bodily injury claims — 2008–2013 (€)



€15 970
average cost of bodily injury claim

28 For Germany, bodily injury claims also include property damage claims
29 Based on data from countries that account for 61% of total European motor premium income

Chart 36: Average cost of bodily injury claims by country[30] — 2008–2013 (€)

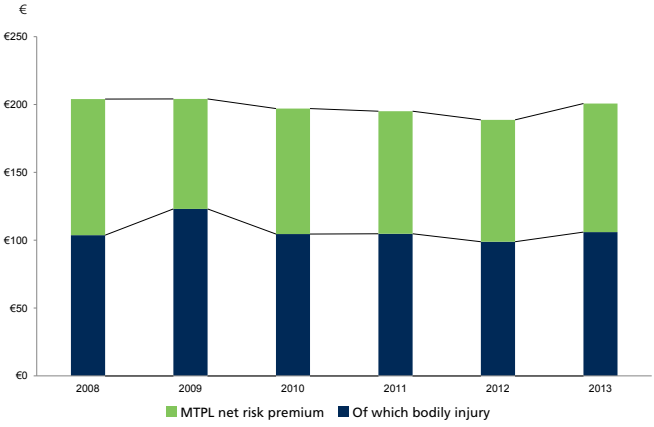


III.6 Net risk premium

The net risk premium is the amount of premium required to cover claims expected for a risk. The net risk premium therefore does not include operating expenses, the cost of capital and reinsurance, taxes and parafiscal charges. It is calculated as the average claims cost multiplied by the average claims frequency.

On average, for 14 countries representing about 70% of the EU market, the average net risk premium for MTPL amounted to €201 in 2013, against €189 in 2012 and €204 in 2008, corresponding to a decrease of almost 2% between 2008 and 2013.

Chart 37: Bodily injury and MTPL net risk premium — 2008–2013 (€)



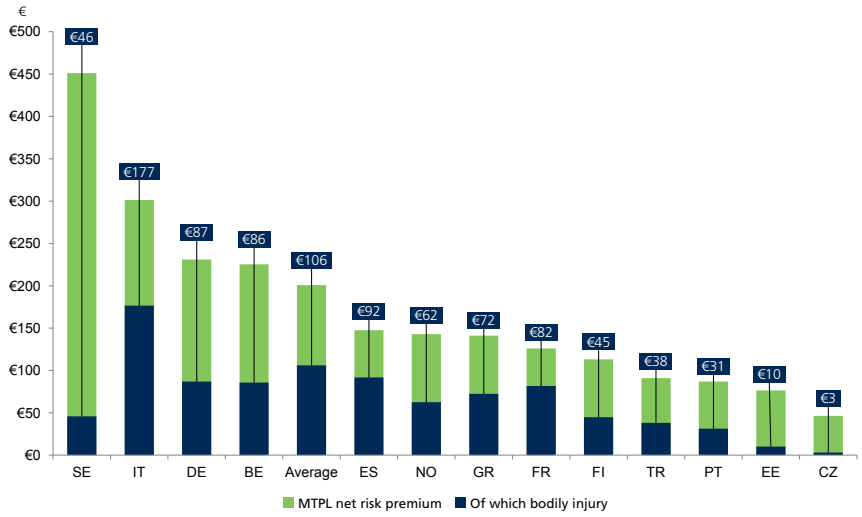
In the same period, the net risk premium for bodily injuries increased by 2.3%, causing the share of bodily injury costs in the net risk premium to go from 50.8% in 2008 to 52.8% in 2013.

The analysis by country for 2013 shows that the share of bodily injury net risk premium in the total net risk premium varies from €3 in the Czech Republic to €177 in Italy.

Both the bodily injury share and the net risk premium in general tend to be higher in western European countries than in eastern Europe.

30 For France, 2009 and 2013 figures. For Germany bodily injury claims also include property damage claims

Chart 38: Bodily injury net risk premium in total net risk premium — 2013 (€)



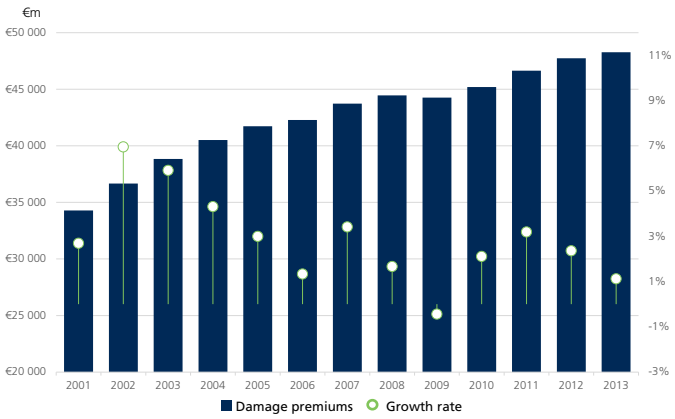
It is also noticeable that the differences in net risk premium between countries are, for the most part, explained by the bodily injury element. A notable exception is Sweden, where the share of bodily injury claims is lower than the average because social security covers a large share of the cost.

IV. Damage

IV.1 Premiums

Motor damage insurance is a voluntary form of insurance that covers risks beyond MTPL. It accounts for a smaller, but growing, share of total motor premiums (over 40%).

Chart 39: Motor damage premiums — 2001–2013 (€m)



Total damage premiums
€48bn

From 2001 to 2013, the amount of damage premiums grew by 41%[31]. In 2013, damage premiums amounted to €48bn, which was an increase on 2012 but at a slower rate than the year before (1.1% compared to 2.4%). The decrease in new passenger car registrations in 2013 is thought to be one of the main reasons for this slowdown.

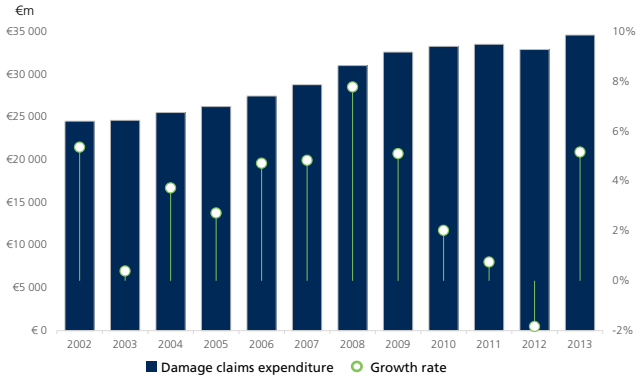
Austria, Belgium, Denmark and Spain recorded growth rates close to 50% during the 2001 – 2013 period, while in Finland and Sweden the volume of premiums almost doubled in that period.

IV.2 Claims expenditure

Claims expenditure grew steadily between 2002 and 2008 at an average rate of 4.4% a year.

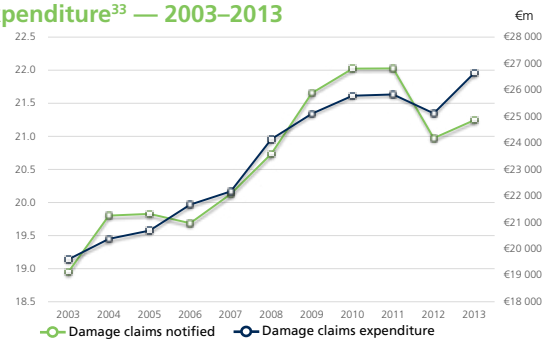
This growth was interrupted by three years of slower claims expenditure growth and a decline of 1.8% in 2012. In 2013, the total amount of claims paid by insurers for motor damage cover amounted to €34.6bn, against €33bn in 2012.

Chart 40: Motor damage claims expenditure[32] — 2002–2013 (€m)



This trend is echoed in the number of claims notified (excluding nil claims).

Chart 41: Number of motor damage claims and claims expenditure[33] — 2003–2013



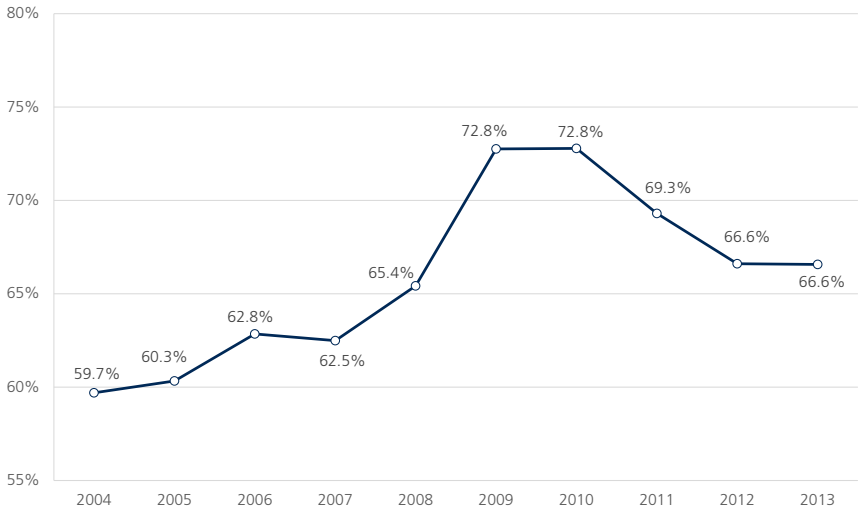
31 Based on data from countries that account for 89% of total European motor premium income
32 Based on data from countries that account for 89% of total European motor premium income
33 Calculated for comparable samples based on data from countries that account for 72% of total European motor premium income

IV.3 Claims ratio and underwriting results

In 2013, the damage claims ratio was 66.6%. This represents a 6 percentage point decline from the 2010 peak of 72.8%, closely approaching the 10-year historical average of 65.0%.

Damage motor insurers' claims ratio increased steadily by 13 percentage points between 2004 and 2010 due to a 30% increase in claims expenditure. The faster increase in earned premiums recorded since 2010 and a 1.8% decline in damage claims expenditure in 2012 both contributed to a recent improvement in damage insurers' underwriting results.

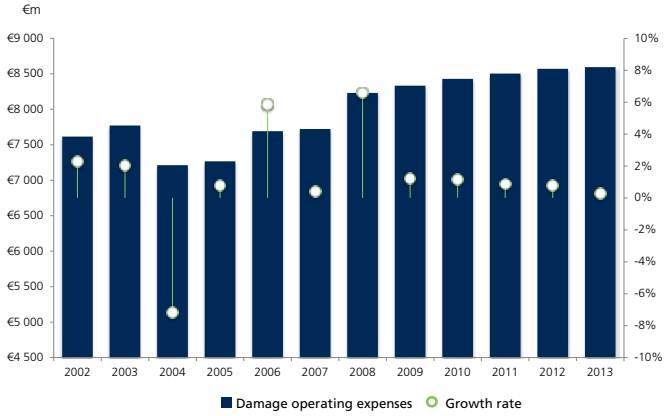
Chart 42: Average motor damage claims ratio — 2004–2013



IV.4 Operating expenses and expense ratio

After two years of growth in 2002 and 2003, damage insurers' operating expenses experienced a period of volatility between 2004 and 2008. Between 2009 and 2013 operating expenses remained largely stable, growing at an average rate of 0.9% per year, to reach €8.6bn[34] in 2013.

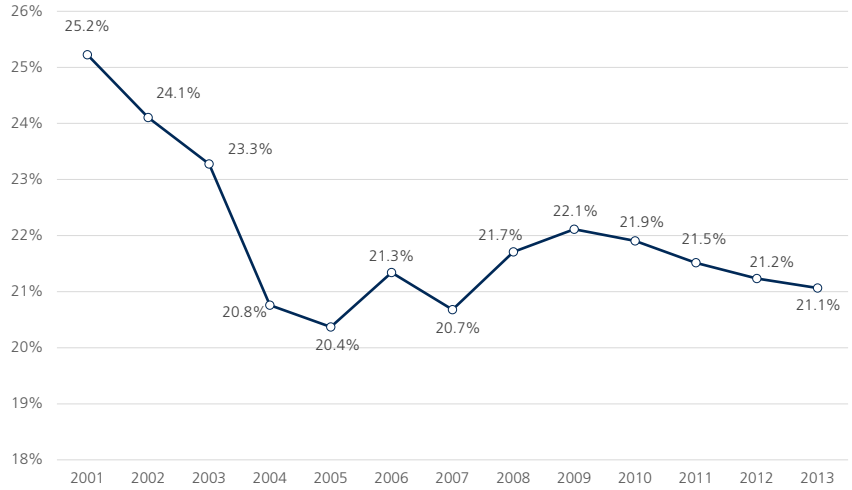
Chart 43: Motor damage operating expenses — 2002–2013 (€m)



As a result of the 22% growth in premiums, the expense ratio decreased by 5 percentage points between 2001 and 2005. It then increased again until 2009 to reach 22% due to an increase in operating expenses of 15%. The increase in premiums recorded since 2009 and the stability in operating expenses led the average damage expense ratio to go down to 21.1% in 2013.

34 Based on data from countries representing 78% of total European motor premium income

Chart 44: Average motor damage expense ratio — 2001–2013



IV.5 Combined ratio

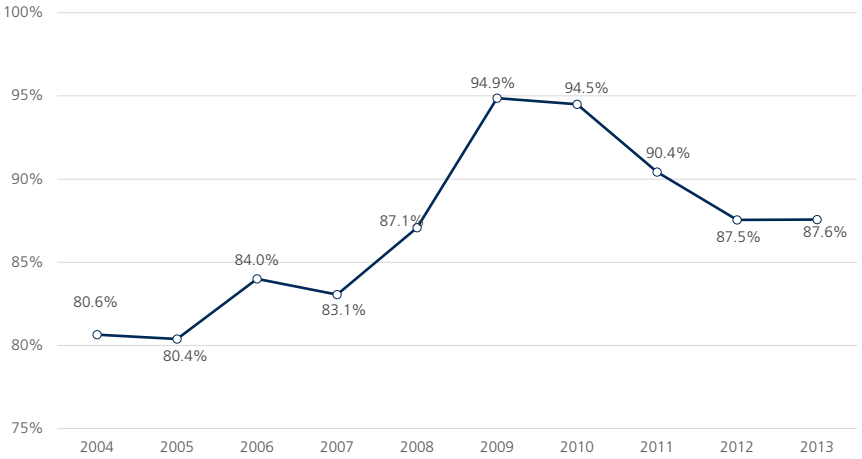
Damage combined ratio

87.6%

After reaching a peak of 94.9% in 2009, the average damage combined ratio in Europe declined for three consecutive years to 87.5% in 2012 and then increased slightly to 87.6% in 2013. The declining combined ratio is the result of growing premiums in 2010–2012, decreasing claims expenditure in 2012 and largely stable operating expenses in 2011–2013.

The damage combined ratio stabilised in 2012 and 2013 at a level around the 10-year average (86.5%), thereby recovering from the peak observed at the height of the financial crisis.

Chart 45: Average motor damage combined ratio — 2004–2013



C. National premiums and claims

I. Average premiums

I.1 Total motor (MTPL and damage)

The average premium per insured for a policy differs significantly between European countries. Variations in economic development and standards of living explain these differences to some extent, as do differences in risk exposure and coverage (see Section D for more information on premium differentials).

I.2 MTPL

The average MTPL premium per insured has decreased by 13% between 2004 and 2013. The average premium amounted to €230[35] in 2013, a decrease of 0.3% compared with 2012.

Average MTPL premium
€230

Again, there are significant differences between countries. In Italy, the average MTPL premium is almost two and a half times higher than in Spain, while the level reported in Poland is 45% of the European average. In general, the premiums are higher in western European countries.

Chart 46: Average MTPL premiums — 2004–2013 (€)

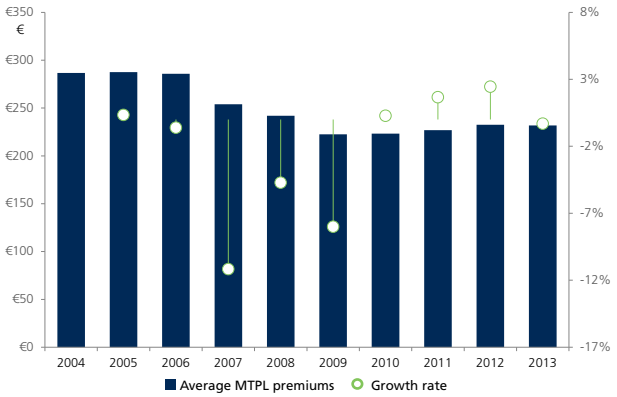
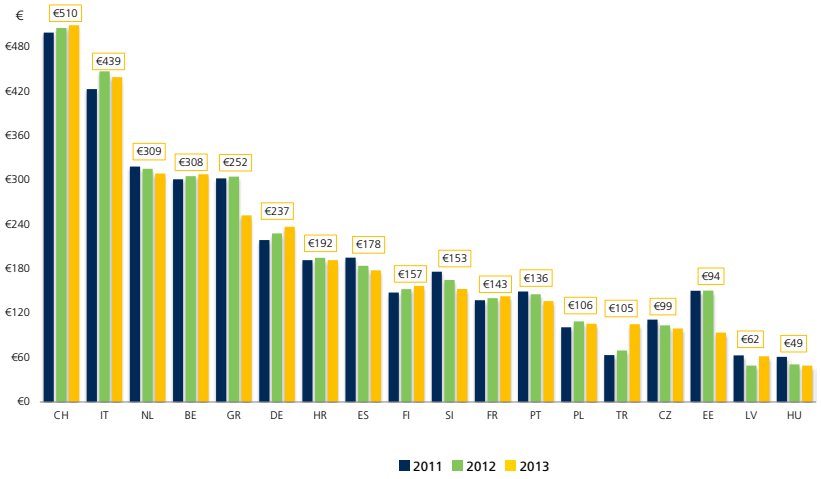


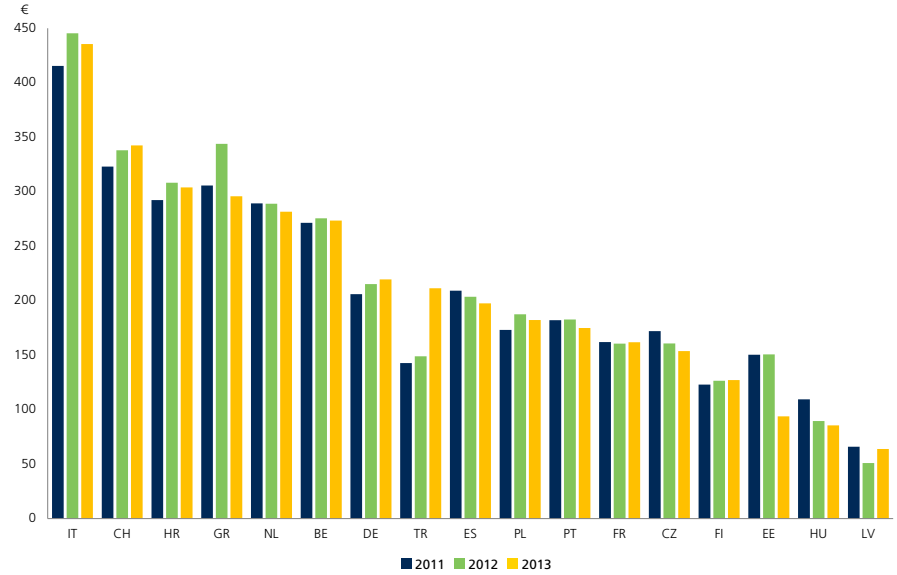
Chart 47: Average MTPL premiums by country[36] — 2011–2013 (€)



35 Based on data from countries representing 60% of total European motor premium income
36 For Latvia, gross direct premiums are used instead of earned premiums

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 (€)

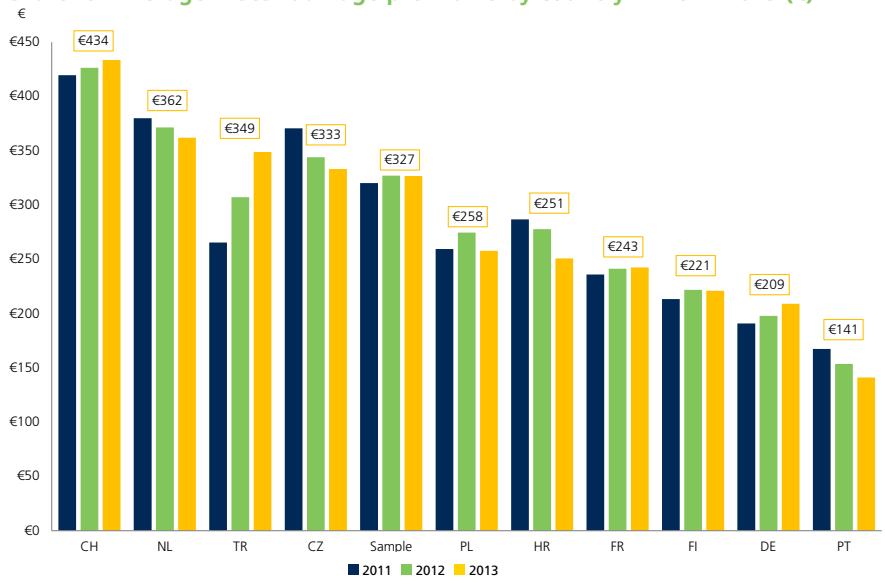


I.3 Damage[38]

Similarly to MTPL, average premiums for damage cover differ widely from country to country as a reflection of the difference in risk levels and of a country's price levels (see Section D).

The average damage premium also depends on the level of economic development of a country, which has an impact on the type of vehicles covered for optional damage. For example, the purchase of optional damage insurance may be more widely spread in a country with a higher level of economic development, as people may have more disposable income and, thus, buy damage

Chart 49: Average motor damage premiums by country — 2011-2013 (€)



37 For Latvia, gross direct premiums are used instead of earned premiums

38 Average damage premiums are only available for 11 countries, accounting for 55% of total European motor premium income. Overall average data is therefore not provided.

cover regardless of the vehicle type. In other words, the vehicles insured against damage are more likely to range from mid-range vehicles to more costly, luxury vehicles. The average premium level for damage cover in such a market therefore reflects this wide range of vehicles.

In countries with lower economic development, in contrast, where more people have a lower level of spending power, damage cover tends to be purchased predominantly by consumers owning high-end, luxury vehicles. The average damage premium thus reflects, in these countries, the higher level of risk presented by these high-end vehicles.

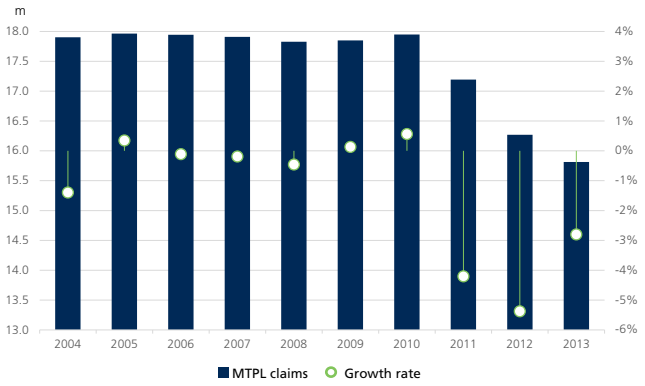
II. Cost of motor insurance

II.1 Number of MTPL claims

The number of MTPL claims went down in 2013 for the third consecutive year[39]. After being relatively stable between 2004 and 2010 (decreasing by 0.3%), the number of claims decreased sharply by 12% over the three subsequent years.

A similar trend is observed for the number of claims involving bodily injury, which decreased by 13.4% in the five years to 2013 (see Section B.III.4).

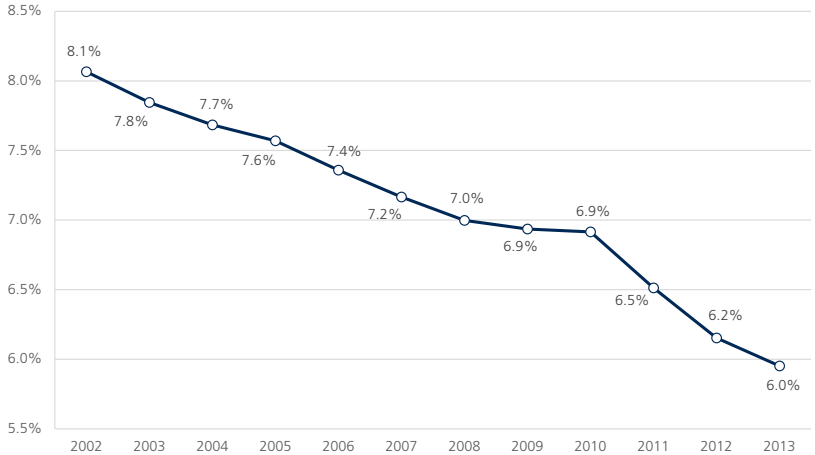
Chart 50: Number of MTPL claims[40] — 2004–2013 (m)



II.2 MTPL claims frequency

The MTPL claims frequency (the number of claims — excluding nil claims — divided by the number of insured vehicle years) has been falling steadily; from 8.1% in 2002 to 6.0% in 2013[41]. This trend is due to the numbers of claims and of insured vehicles moving in opposite directions; the number of claims went down by 15.4% between 2002 and 2013, while the number of insured vehicles went up by 13.0%.

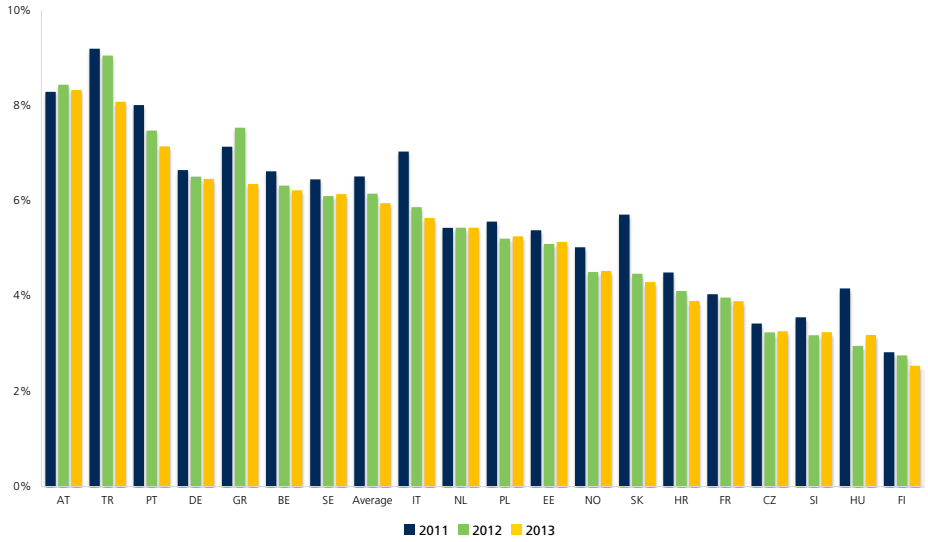
Chart 51: MTPL claims frequency — 2002–2013



39 According to data from countries that account for 82% of total European motor premium income
40 Figures reported by BE, DE and NO include nil claims
41 Based on data from countries that account for approximately 82% of total European motor premium income

The claims frequency varies significantly between national markets. In 2013, Turkey and Austria showed rates close to or above 8%, while the Czech Republic, Slovenia, Hungary and Finland reported frequencies close to 3%.

Chart 52: MTPL claims frequency by country[42] — 2011–2013



II.3 Average MTPL claims costs

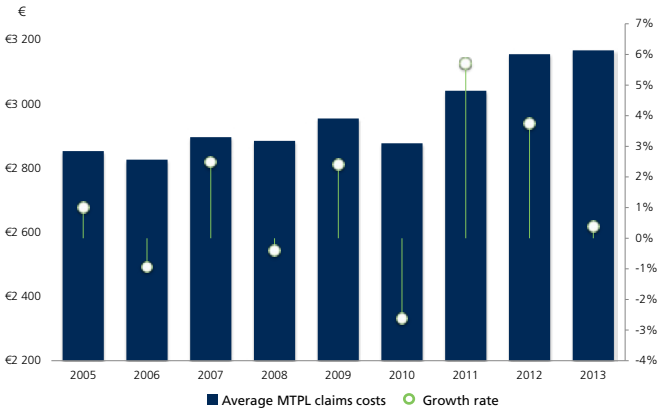
Average MTPL claims cost
€3 200

The average cost of an MTPL claim increased from over €2 883 in 2005 to approximately €3 200 in 2013, or 9.8%[43].

Like the claims frequency, the average cost of MTPL claims shows strong variations between countries. In Sweden and Italy, an MTPL claim costs on average more than €5 000, while it costs less than €1 500 in Slovakia, the Czech Republic, Portugal and Turkey. In general, an MTPL claim costs less in Eastern Europe than in western Europe, reflecting differences in economic conditions.

Adjusting these costs for purchasing power parity (PPP) reduces the disparities between countries, but differences remain, due notably to different legislation and compensation levels.

Chart 53: Average MTPL claims costs — 2005–2013 (€)



The cost of motor insurance varies not only from country to country but also from region to region within countries and even from one municipality to another. The case study on the next page illustrates this.

42 For Germany, the figures include nil claims
43 Based on data from countries that account for approximately 82% of total European motor premium income

Chart 54: Average MTPL claims costs by country — 2011–2013 (€)

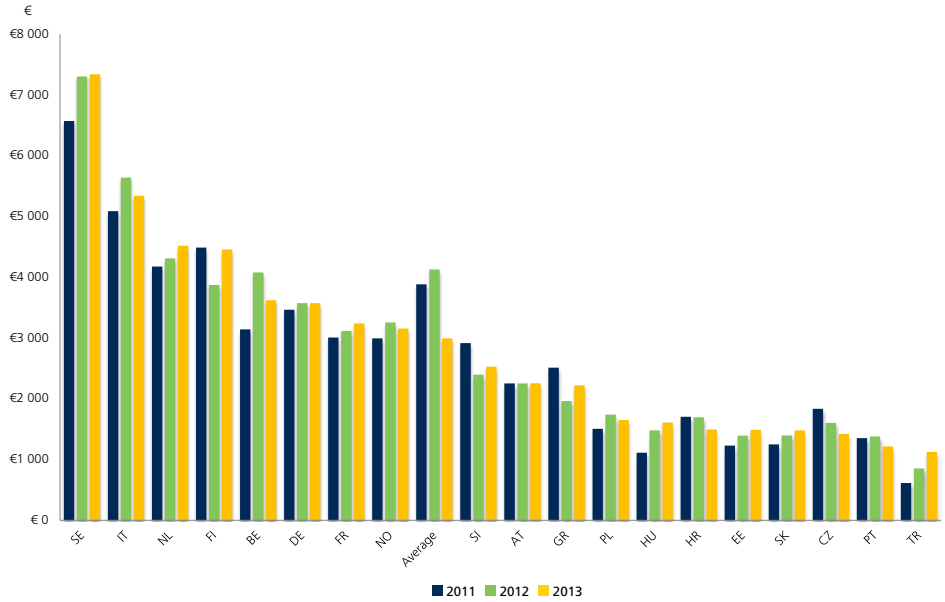
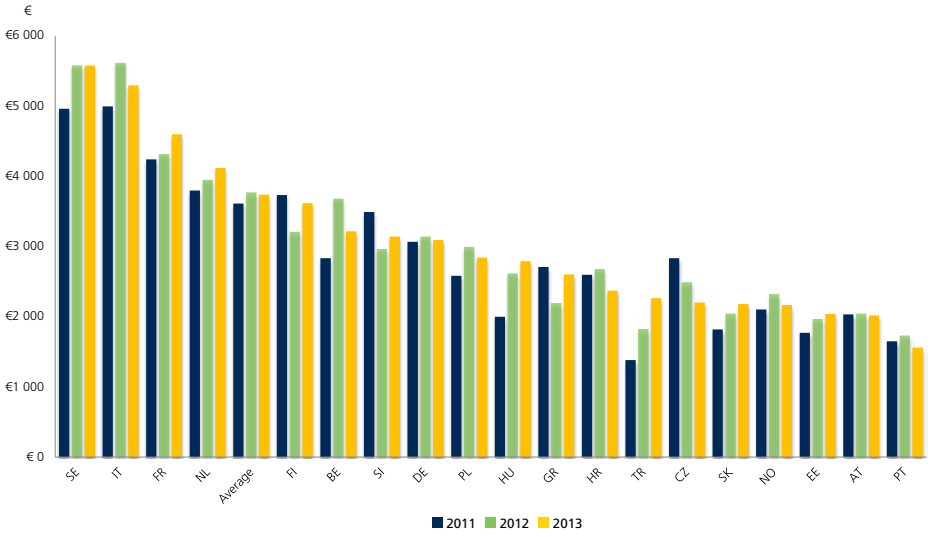


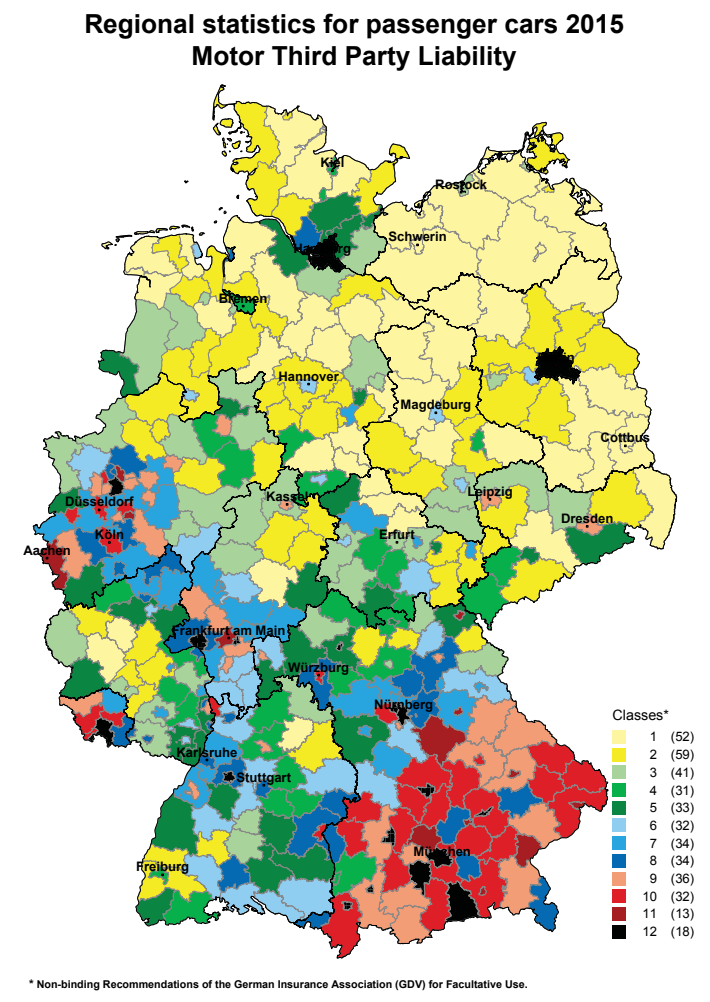
Chart 55: Average MTPL claims costs (PPP-adjusted) by country — 2011–2013 (€)



Case study: Germany

The map below shows the regional differences in claims costs for private passenger cars in Germany.

Based on data broken down by region, an index for MTPL insurance is calculated for each registration district. Then, depending on the claims index level, these registration districts are subdivided into 12 classes (the 12 different colours on the map) established by statistical means. The darker the colour, the higher the claims index and thus the price.



Source: GDV

The factors that explain these differences include, for example:

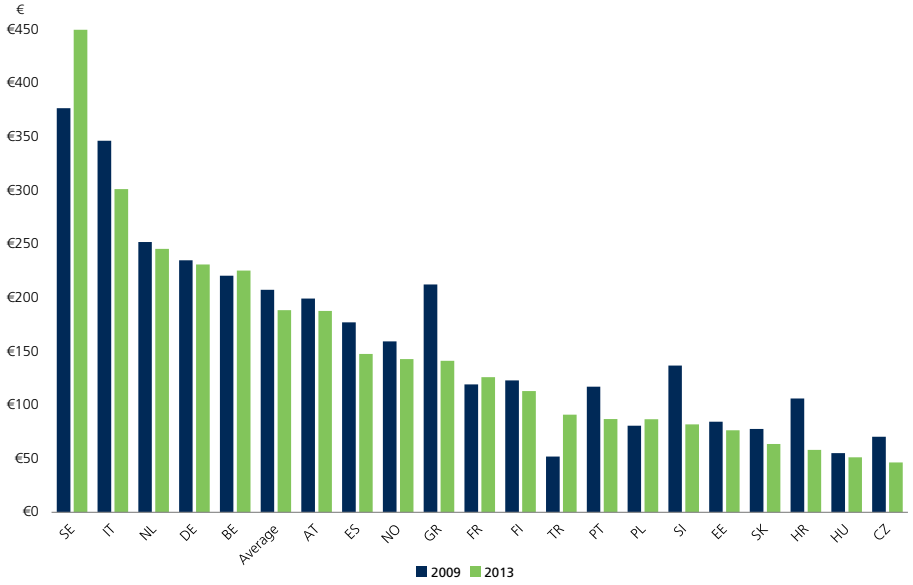
- traffic density, which is higher in urban areas (eg the Ruhr district, Berlin, Munich, etc.)
- landscape (eg the claims index is higher in the southern mountainous region than in the north)

II.4 MTPL net risk premium

Like its two components (average claims cost and claims frequency), the net risk premium varies between countries. It is, however, important to keep in mind when comparing net risk premiums that equal levels of risk premium may conceal different claims frequencies and average claims costs.

As with the average MTPL claim cost, western European countries tend to have higher net risk premiums than eastern European countries.

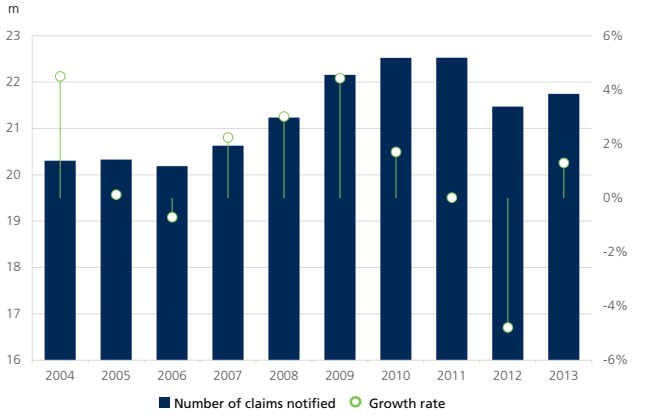
Chart 56: Net risk premium by country — 2009 and 2013 (€)



II.5 Number of motor damage claims and claims frequency

The number of motor damage claims notified totalled 21.2m in 2013 versus 20.9m in 2012[44]. This is a 1.3% increase, compared with the 2.8% decrease reported in the number of MTPL claims notified in the same year.

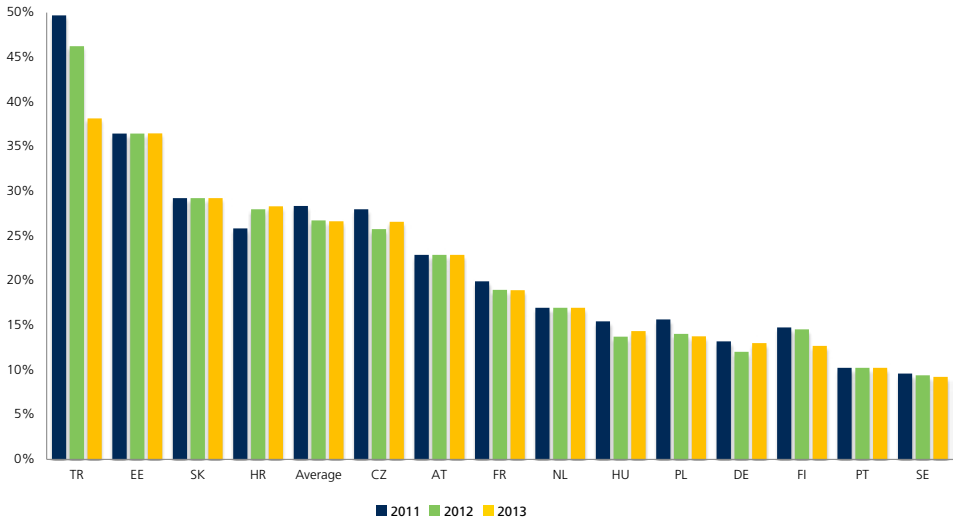
Chart 57: Number of motor damage claims — 2004–2013 (m)



The motor damage claims frequency is generally higher in eastern European countries than in western ones. This helps to explain the higher level of average damage premiums in some of those countries (see Section C.I.3), as insurers must take into account the greater costs incurred when setting their premiums.

44 Based on data from countries that account for 72% of total European motor premium income

Chart 58: Damage claims frequency by country — 2011–2013



II.6 Average motor damage claim cost

The average European motor damage claim cost was €1 273 in 2013, compared to €1 038 in 2004, growing by 22% over the period[45].

The sample average (€1 273) hides significant differences between countries. The average claim cost in Turkey and Greece in 2013 was less than €600, whereas in Sweden a claim costs more than €1 800 on average.

Chart 59: Average motor damage claims costs — 2004–2013 (€)

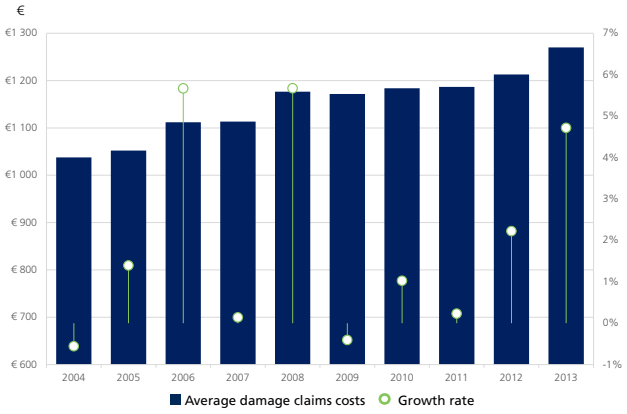
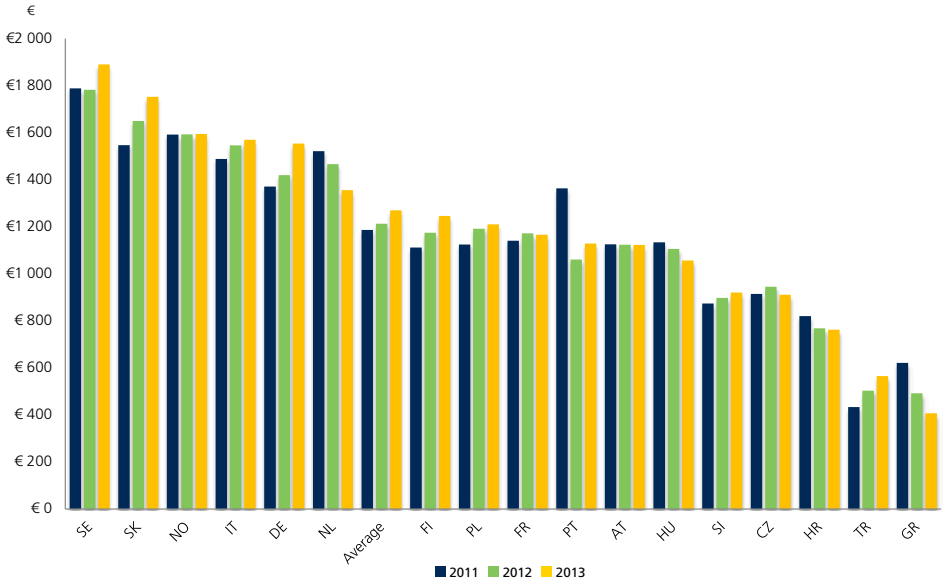


Chart 60: Average motor damage claims costs by country — 2011–2013 (€)



45 Calculated from countries representing 50% of total European motor premium income

D. Main factors explaining national differences

Many factors affect the cost of motor claims

A range of regulatory, risk and economic factors have an impact on the cost of insurance and in turn on the level of premiums. These factors differ widely from one country to another, which explains the sometimes significant differences in premiums across Europe. To understand this better, it is important to keep in mind how premiums are set.

Firstly, premiums are set in proportion to expected risks, which are estimated from historical risk data as well as current market prices. Historical risk data helps to estimate two key factors: the likelihood that a claim will arise (loss frequency) and the likely cost of that claim (loss severity). Precise risk calculation is indispensable for predicting the financial capacity required to pay future claims.

Secondly, premiums need to cover not just expected claims but also operational and administrative costs, as well as other financial obligations. These include, for example, the cost of staff and the cost of obligations imposed by solvency legislation. In addition to these costs, insurers must take into account taxes set by national law as well as fulfil financial commitments to their investors.

Finally, insurers must assess the impact of other, external factors arising from the market in which they offer cover, such as the level of fraudulent insurance claims and the costs arising from uninsured driving. Along with fraudulent claims that drive up the cost of premiums and so must be factored into the risk frequency (the number of times a claim is brought), uninsured driving must be similarly factored into premiums. Motor insurers must make financial contributions to their national guarantee fund, the administrative body responsible for providing compensation to victims of accidents involving uninsured drivers.

I. Regulatory environment

National laws governing liability

The national laws governing liability, in particular the judicial procedure and rules for proving a liability claim, are a significant factor in risk calculation. They affect issues of causation, loss rules and procedural rules (eg determination of liability and settlement procedures). As a result, they shape the type and amount of compensation an injured party may be entitled to following a motor vehicle accident.

Compulsory MTPL sums insured

Motor insurance products are designed in line with the legal framework in place in each country. These national frameworks are based on the 5th Codified EU Motor Insurance Directive (MID 5), which sets out a number of important parameters, such as the minimum sums insured at EU level for MTPL insurance[46].

However, as these amounts are a minimum, EU member states have the discretion to set higher ones. Member states that have adopted higher minimum insurance amounts have often done so on the basis of the expected damages and costs associated with motor liability risks in their market.

46 As of the first half of 2015, the minimum insured amounts were: €1.12m per victim or €5.6m per claim for personal injury; and €1.12m per claim for property. Pursuant to Article 9 of the MID, the amounts are automatically adjusted every five years by the percentage change indicated in the European Index of Consumer Prices for the relevant period.

Forms of liability

While the minimum compulsory MTPL amounts are regulated at EU level, motor liability legislation is left to member states, which leads to diverging liability schemes. For example, there are different rules for determining liability ("fault" and "no-fault" systems[47]), as well as differing national rules concerning burden of proof, presumption of fault standards and defences against liability for *force majeure* events (eg severe storms), an external cause (eg the involvement of a third-party driver) or contributory negligence (eg fault on the part of the injured party).

As a result of these differences, the liability exposure in member states with a more "generous" compensation system, where liability awards may be granted more frequently, is likely to be greater than in other member states where compensation may be more difficult to obtain (eg strict burden of proof legislation).

Compensation procedure and culture

Under Article 22 of the MID, member states are entitled to adopt provisions to ensure that a reasoned offer of compensation is made to a claimant within three months of presentation of the claim. If a dispute over the compensation ensues, the court's interpretation of liability — and the compensation ultimately awarded by the court — will depend on national compensation rules and/or practices and, in some member states, regional practices. Compensation amounts may differ even in cases involving an identical injury, if different liability elements exist and/or other types of damage are attached to the injury. For example, compensation amounts may be greater in regions that permit MTPL claims for loss of income as a result of being unable to work due to the bodily injury caused in a motor vehicle accident.

In addition to the national differences in compensation procedures, cultural attitudes toward victim compensation — and, hence, legal liability claims — can greatly affect claims frequency. Those living in countries with well-developed liability legislation, for instance, may be more familiar with their right to bring an MTPL claim and, thus, may be more inclined to do so. The economic development of a member state can also affect claims frequency, as higher asset values may result in greater interest in getting compensation for damaged assets.

II. Road-related factors

When setting premiums, insurers also take account of road-related factors that can increase the risk of motor vehicle accidents, such as driving habits that create a concentration of high-risk drivers in a particular market; severe and dangerous weather conditions that affect driving conditions; road conditions and maintenance; and traffic density.

Road safety

The proportion of high-risk drivers in a particular market affects the frequency of claims, and will therefore have an impact on general premium levels. The presence of high-risk drivers increases the probability of an accident even for low-risk drivers, and therefore has to be taken into account.

Risks are generally considered to be heightened by:

- the proportion of younger drivers, due to their lack of driving experience and more frequent recklessness than older age groups

47 A fault-based system imposes liability upon proof that the third party breached a duty of care to the claimant (eg set by motor civil liability rules) which directly caused the claimed loss. A no-fault system, also known as "strict liability", imposes liability regardless of the fault of the third party (often the case for transportation of hazardous or dangerous chemicals and materials).

- the proportion of elderly drivers, due to their physical disabilities, slower reaction times and deteriorating eyesight
- the alcohol and drugs culture, which can lead to driving while under the influence of alcohol or drugs
- powered-two wheelers, which expose the driver to more risks than a motor vehicle, particularly when a helmet is not worn
- poor road conditions and/or maintenance

Initiatives taken in many countries in recent years in traffic law enforcement (speed control, alcohol testing, automatic radar, etc.) have changed driver behaviour and generally improved road safety. However, within this general trend, there remain significant differences between EU countries. Road-safety data shows that, in particular, the influence of alcohol in fatal crashes as well as the respect for speed limits and the extent to which seatbelts are used continue to vary widely from country to country.

These factors are influenced by the local culture, population density and attitudes toward road safety and driving, so they tend to vary across the EU.

Weather conditions and terrain

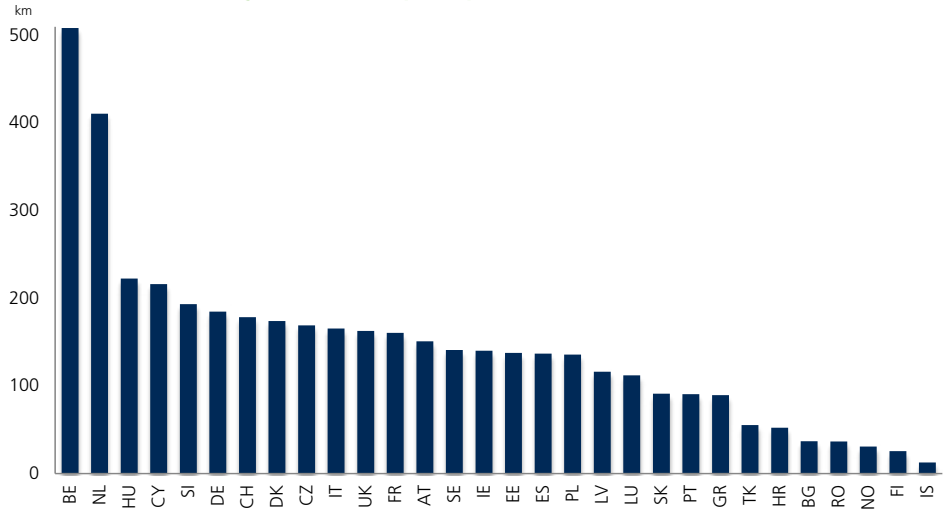
Adverse weather such as heavy rain, fog, snow and ice generally lead to increases in claims, so they can also have an impact on premium levels, as insurers need to ensure that such potential risks — and risk trends — are incorporated into risk-based premium calculations.

The landscape of a particular country, sometimes in combination with the weather conditions, can also affect the driving risks. For instance, snowstorms or ice may increase the risks, especially in places with mountainous or hilly terrain. These risks can nevertheless be reduced by the laws implemented by the government and the enforcement of those laws, such as, for example, a legal obligation for private and commercial drivers to use winter tyres.

Traffic conditions

Traffic conditions tend to vary greatly from country to country, reflecting the natural environment (eg mountainous terrain, weather conditions), road density (see Chart 62), vehicle density, the state of the roads or driving habits. People living in urban areas make more, and longer, journeys to work, which increases the risk of accidents due to distracted or hurried driving.

Chart 61: Road density (km of road per sq. km of land area) — 2013



Source: Eurostat

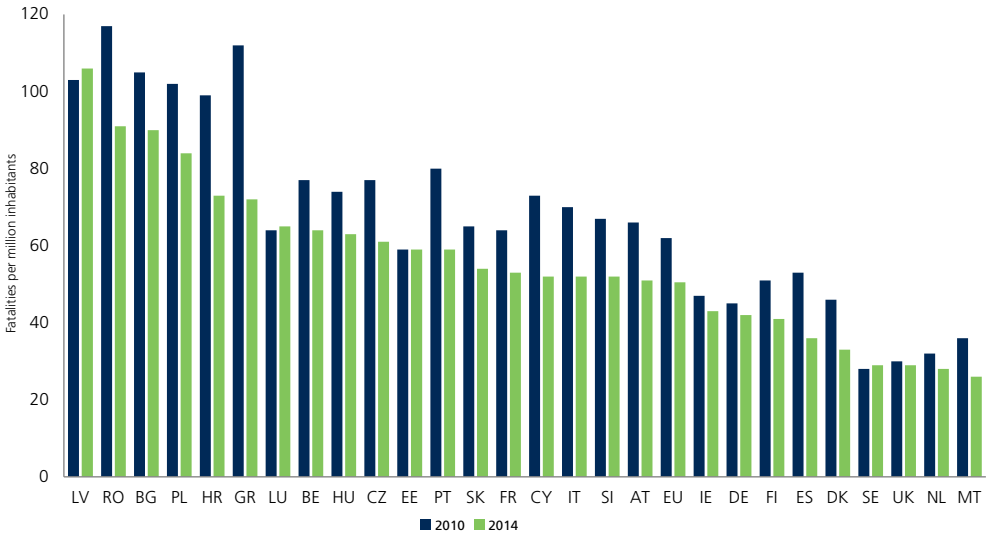
Typical driving habits in different age groups and the level of driving skills are potential risk factors, together with drivers' education.

Fatalities due to road-related factors

Due to the sizeable compensation amounts that can be awarded in some markets, road fatality rates (fatalities per million inhabitants) are an important factor that MTPL insurers take account of when setting premiums. In 2014, the average road fatality rate in Europe was 51 deaths per million inhabitants (see Chart 62), with, however, significant differences. Sweden, the Netherlands, the UK and Malta have the lowest road fatality rates of below 30 deaths per million inhabitants, while Latvia, Romania, Bulgaria and Poland, with more than 80 deaths per million inhabitants, have the highest rates.

It should be highlighted that as a result of the efforts of national governments and other stakeholders, including insurers, to improve road safety, the number of road fatalities in Europe

Chart 62: Road fatality rates — 2010 and 2014



Source: Insurance Europe, Eurostat

Reducing the number of road deaths in Europe

The EU has an ambitious road-safety target for this decade: halving the number of road deaths between 2010 and 2020. To achieve this, additional efforts are needed.

Road-safety actions need to be undertaken both at local and national level, for example through the enforcement of road-traffic rules, education campaigns and infrastructure development and maintenance, and at EU level, with legislation and recommendations on issues of common concern (minimum requirements for technical vehicle inspections, harmonisation of technical standards, etc.).

In addition to the efforts by national governments to improve road safety, insurers are also looking for new ways to reduce the number and severity of collisions on the road, both as part of their commitment to social responsibility and in an effort to lower claim rates. By analysing claims data, insurers identify groups of high-risk drivers and isolate the factors that contribute to their risk as a group.

decreased by 18% between 2010 and 2014. In some countries (Croatia, Denmark, Greece, Malta, Portugal, Spain) the decrease was even sharper; almost 30%. The total number of fatalities in the EU in 2014 was 25 700[48].

III. Cost-related factors

While most of the previous road-related factors influence primarily motor claims frequency, many other cost-related factors influence insurers' claims expenditure and help explain the differences in the average claim cost between European countries.

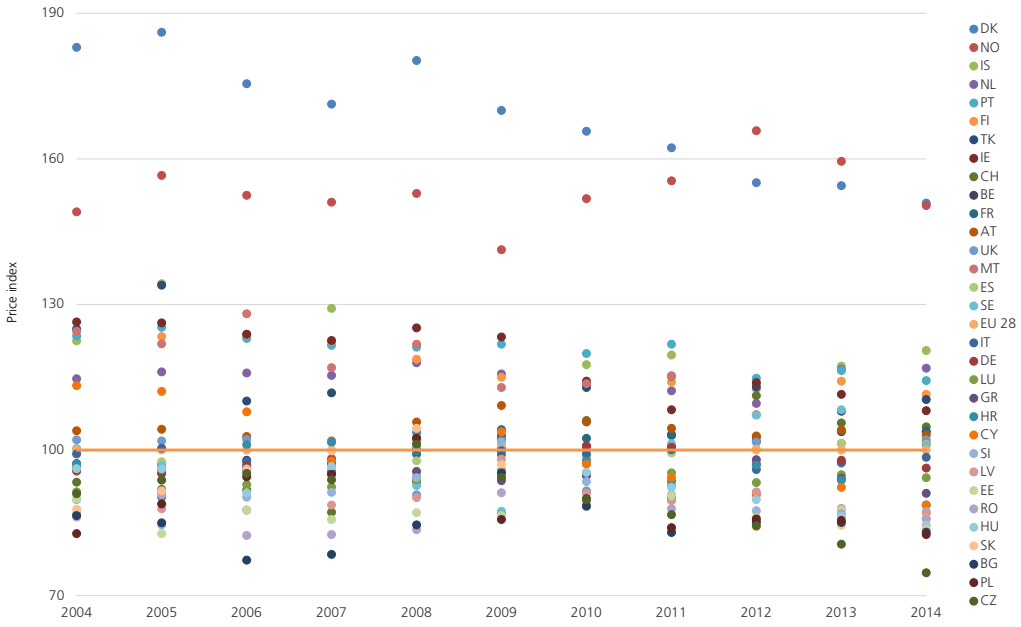
Differences in personal injury compensation

The level of indemnities can vary considerably between countries. This can affect compensation for both economic loss and costs (loss of income, annuities, medical costs, fitting out of homes, wheelchairs, cosmetic surgery, etc.) and non-economic loss (compensation for pain and suffering, moral compensation, compensation for disfigurement, etc.).

Personal transport equipment

Personal transport equipment prices can also vary from country to country. However, as shown in Chart 63, price differences for personal transport equipment are generally not as significant as for other price-level indices. Of the 31 countries analysed, 28 have price-level indices between 80 and 120 (100 being the EU average). Denmark and Norway are the only two countries with significantly higher price levels (50% above the EU average). In Czech Republic, on the other hand, the price level is 25% below the EU average.

Chart 63: Personal transport equipment price-level indices —2004–2014 (EU28=100)



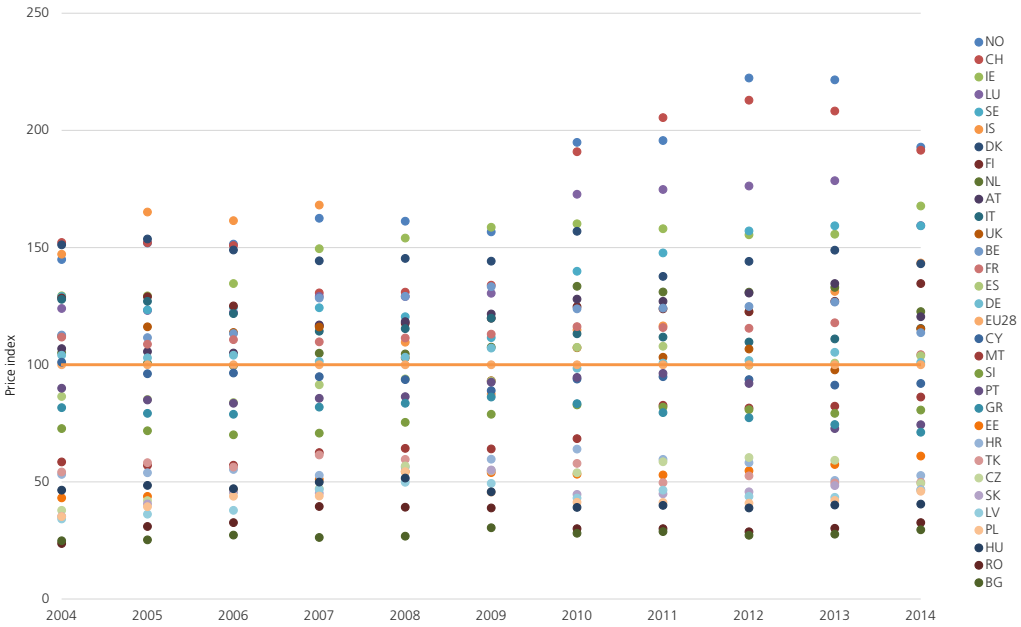
Source: Eurostat

48 Source: http://europa.eu/rapid/press-release_IP-15-4656_en.htm

Medical costs

As bodily injuries represent a large share of insurers' claims expenditure (see Section B.III on bodily injuries), differences in healthcare prices contribute to the explanation of differences between MTPL premiums. The extent to which medical costs are covered by insurance does, however, vary from country to country.

Chart 64: Healthcare price level indices — 2004–2014 (EU28=100)



Source: Eurostat

As shown in Chart 64, healthcare price-level indices vary widely between countries. Bulgaria and Romania have price levels that are 70% below the EU average, while in Norway and Switzerland healthcare is almost twice as expensive as the EU average.

Based on 2014 price levels, it is possible to identify three clusters of countries: eight eastern European countries with price-level indices below 50, 17 countries with between 50 and 150 and five western European countries with indices above 150.

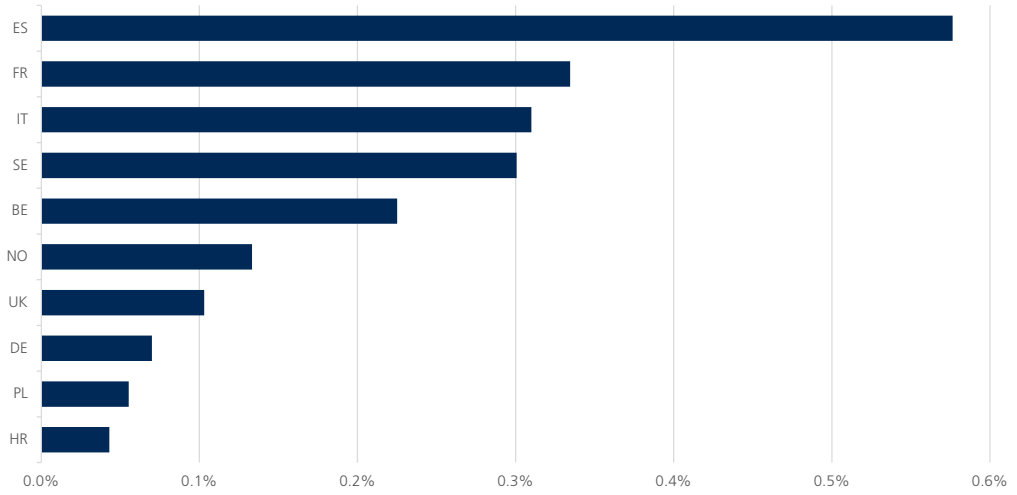
Importantly too, medical habits can differ from country to country. This means, for instance, that the injuries from similar road accidents will lead to different hospitalisation rates and durations, depending on the country. These variations result in different claims expenditure and, therefore, different premiums.

Motor vehicle theft

Finally, levels of motor vehicle theft also have a major impact on premiums for comprehensive cover. In some member states, such thefts are particularly concentrated on luxury vehicles, thereby driving up insurance premiums for such vehicles.

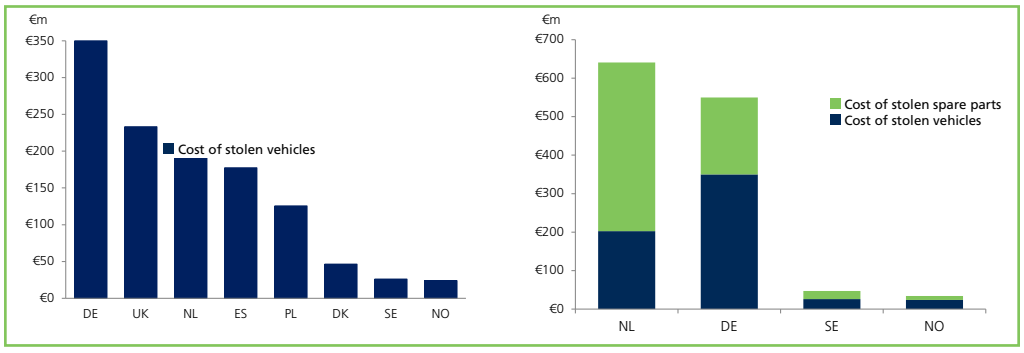
The number of car thefts varies enormously between countries, ranging from 192 360 in Spain[49] to 805 in Croatia in 2014. Between 2010 and 2014, the biggest decreases in the number of stolen vehicles were recorded in Denmark and the UK, respectively -32% and -61%.

Chart 65: Proportion of stolen vehicles[50] — 2014



Large differences between countries are apparent when reviewing the claims payments made to cover the costs of stolen vehicles and stolen spare parts. Chart 67 shows the cost of stolen vehicles in a sample of reporting countries, ranging from €24m in Norway to €350m in Germany, while Chart 68 provides a comparison of the costs of stolen vehicles and the costs of spare parts in the Netherlands, Germany, Sweden and Norway.

Chart 66: Cost of stolen vehicles and cost of stolen spare parts — 2013



IV. Fraud

Fraudulent insurance claims, which have been increasing over recent years, are yet another factor that must be considered when calculating premiums.

49 Number of theft guarantee losses declared by companies to ESA (Estadística de Seguro del Automóvil, the motor insurance statistics service). The guarantee includes: partial (spare parts) or total theft of the vehicle, damage to the vehicle when it has been stolen and damage to third parties while the stolen car was being used.

50 2013 figures for Belgium, Spain, France and Germany. For Germany, extrapolated figure, calculated on the basis of vehicles with total and partial own-damage insurance.

An insurance fraud arises when a policyholder acts to obtain compensation for a claim that is not truthful or submits incorrect information when taking out a policy. More specifically, fraud includes:

- providing untruthful or incomplete information in applications for insurance or in answers on an insurance proposal form;
- submitting a claim for a loss based on misleading or untruthful circumstances, including exaggerating a genuine claim; and
- being misleading or untruthful in dealings with an insurer with the intention of gaining a benefit under the insurance contract.

Insurance fraud may be committed by the policyholder or by a third party claiming against an insurance policy. It can range from opportunistic claims, through claims for phantom passengers and fictitious injuries in road accidents, to highly organised crime rings.

Insurers must not only estimate the frequency and severity of fraud, but also have the resources necessary to exercise an appropriate level of fraud management. This could include, for instance, the need to identify and pursue a potentially high level of fraudulent claims in a particular market while simultaneously efficiently handling and settling genuine claims.

Investigating fraud can also have an impact on insurers' ability to deal with genuine claims quickly. This is one of the reasons why insurers do their utmost to fight fraud and reduce it to a minimum.

The estimated number of fraudulent claims varies between countries and even regions. For example, in 2013 the average percentage of fraudulent claims was estimated at 3.7% in Slovakia and 1.6% in the UK, while in 2014 it was only 0.6% in Sweden and below 0.2% in the Netherlands and Norway. In Italy, the average national percentage of fraudulent claims was estimated at 14%, but with clear regional differences: in the south of the country it can be as high as 24%.

V. Taxation

In addition to the different risk factors and indemnity levels described above, an external factor that also has an impact on premium levels is the fiscal regime applicable to insurance premiums.

Chart 67: Taxation of MTPL insurance — 2014

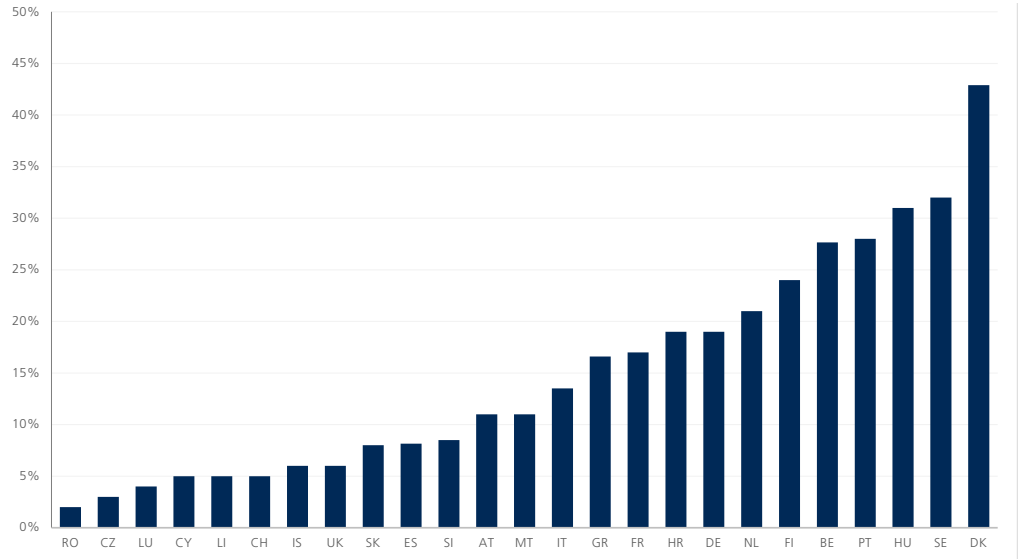
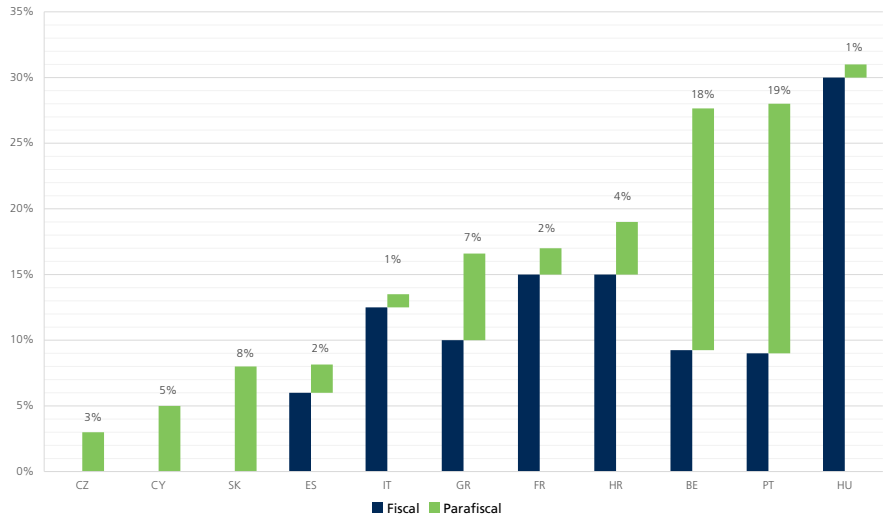


Chart 68: Parafiscal taxation in Europe — 2014



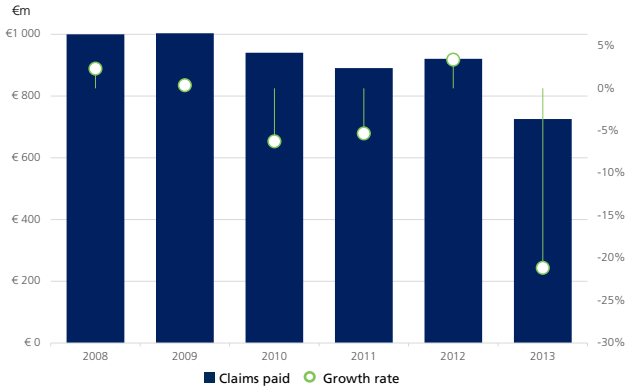
As Chart 67 shows, the rate of taxation on motor insurance premiums is as high as 43% in Denmark and 32% in Sweden. Meanwhile several countries, such as Ireland and Poland, do not impose any tax on motor insurance premiums.

Taxes are frequently made up of contributions to different bodies. For example, in Portugal the 14.45% tax is split into 9% stamp duty, a 2.5% contribution to the National Institute of Medical Emergency, 2.71% to the Motor Guarantee Fund and 0.24% to the Portuguese Insurance Supervisory Authority. Slovakia levies a parafiscal tax only, which is an 8% contribution to the fire brigade.

VI. Uninsured driving

Uninsured driving is another factor that affects insurance costs and thus premium levels. While the obligation to have MTPL insurance is one of the core principles of the MID, uninsured driving continues to be a pressing, and in some cases growing, problem throughout Europe.

Chart 69: Claims caused by uninsured vehicles (€m) — 2008–2013



Article 10 of the MID obliges all EU member states to "set up or authorise a body" responsible for compensation for claims resulting from uninsured vehicles. The aim of this guarantee fund is to facilitate the compensation for damage to property or personal injuries caused by a vehicle whose identity cannot be traced (unidentified vehicles) or for which the insurance obligation has not been satisfied (uninsured vehicles).

Guarantee funds are financed through levies applied to motor insurers that offer their services within a particular fund's member state. The levies are directly related to the number and severity of uninsured motor vehicle accidents. This will in turn be reflected in motor premiums. Markets with

high rates of uninsured driving will inevitably experience higher costs and, consequently, higher premiums.

According to the figures provided by the Council of Bureaux, the amount of claims caused by uninsured vehicles in the EU decreased by 26% in the past six years, from almost €1bn in 2008 to €726m in 2013.

Even though this is a significant decrease, much work still needs to be done, since uninsured driving continues to have a major impact on the level of MTPL claims and therefore on the premiums paid by policyholders.

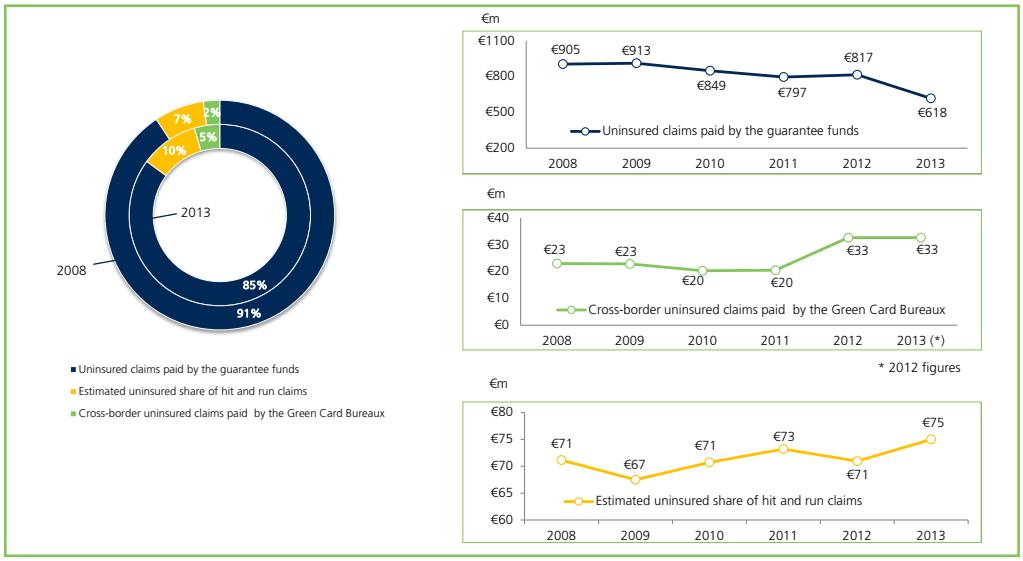
There are nevertheless striking differences between countries and regions. In Spain and Germany, for example, the impact of non-insured driving is deemed to be fairly low, being well below 1% in the case of Germany. At the opposite end of the spectrum, in Italy an estimated 3.5m vehicles (8% of all those on the roads) had no insurance coverage in 2013, up from an estimated 3.1m in 2012. The percentage of uninsured vehicles is above 13% on average in the southern regions of Italy and below 5% in the north.

International aspects of uninsured driving

In addition to being of national concern, uninsured driving is also an international issue, since uninsured drivers can be involved in accidents outside their home countries. A distinction has to be made between two different areas: European Economic Area (EEA) countries and non-EEA countries.

Vehicles crossing in and out of EEA territory are subject to insurance checks; the inspection of so-called Green Cards. Such checks do not occur at national borders within the EEA, in line with the objective of the MID to help build the internal market and promote freedom of movement, so uninsured driving can be difficult to detect within the EU.

Chart 70: Uninsured claims — 2008–2013



Source: Data from Council of Bureaux

Within the EEA, guarantee funds not only intervene for accidents involving domestic vehicles and injured parties, but also in the case of cross-border accidents. A guarantee fund will thus intervene as final debtor for cross-border accidents caused by uninsured vehicles that are normally based in its country. These interventions are either based on the MID or on the rules of the Green Card system. Within the latter, the national Green Card Bureau of an EEA member state has the task of guaranteeing compensation for cross-border accidents, regardless of the status of insurance. In its capacity as guaranteeing bureau it may, depending on national legislation, make payments to victims of cross-border accidents with uninsured vehicles, then seek reimbursement from its guarantee fund.

Chart 70 above thus represent payments made directly by the Green Card Bureaux as final debtors and payments ultimately made by the Guarantee Funds (whether or not initially made by the Green Card Bureaux themselves). In the case of unidentified vehicles — ie hit-and-run incidents — the compensation is paid by the guarantee fund. As uninsured driving is a likely factor in hit-and-run incidents but cannot be established with concrete figures, Chart 70 includes an estimate of the costs of hit-and-run accidents in which the fleeing driver may have been uninsured.

According to the Council of Bureaux, 85% of the claims caused by uninsured vehicles were paid by national guarantee funds in 2013. These were both national and cross-border claims, while 5% were cross-border and paid by the Green Card Bureaux. The estimated percentage of claims caused by unidentified (ie hit and run) vehicles was 10% in 2013, growing by 3 percentage points compared to 2008. The percentage of claims paid by guarantee funds decreased by 6 percentage points, from 91% in 2008 to 85% in 2013. On the other hand, cross-border claims grew by 3 percentage points in the same period.

Chart 70 shows the evolution of uninsured claims payments made by guarantee funds and by the Green Card Bureaux and estimated uninsured "hit-and-run" claims between 2008 and 2013. The claims paid by the guarantee funds decreased by almost 32%, while the amount of cross-border claims paid by the Green Card Bureaux increased by 42%. The estimated claims compensation that arose from traffic accidents caused by unidentified uninsured vehicles grew by 5.5% between 2008 and 2013.

Fighting uninsured driving at national level

In order to make MTPL cover accessible for all citizens and to ensure fair compensation for the victims of road accidents, the issue of uninsured driving should remain a priority for public authorities. For example, re-registration requirements, including insurance preconditions to re-registration, should be better enforced. In addition, penalties for failure to re-register a motor vehicle in a member state or to obtain compulsory MTPL insurance should likewise be enforced. Penalties should be significant enough to deter individuals from failing to obtain the obligatory insurance.

Many countries are looking for ways to tackle uninsured driving, as explained in detail in the country sections in Annex I of this report.

E. Current trends and future developments

Constant innovation in technology is changing the landscape for motor insurance products and impacting motor insurers' existing business models. Access to data is key to unlocking the business potential of these new technologies for insurers. Be it the expansion of intelligent transport systems (ITS) or the increasing automation of cars, these technological advances all involve the production of an ever-increasing amount of data which can then serve as the basis for new motor insurance products.

ITS have the potential to revolutionise the environment in which motor insurers operate. ITS are defined at EU level as "systems in which information and communication technologies are applied in the field of road transport, including infrastructure, vehicles and users, and in traffic management and mobility management, as well as for interfaces with other modes of transport"[51]. As ITS are used more and more, data will be generated that, in turn, will speed up the development of telematics. Telematics is the use of computers and wireless telecommunication technologies that convey, store or receive data via large networks maintained for the purpose of carrying out transport-related services. These services include, for example, traffic and fleet management, GPS navigation and vehicle-tracking.

The concept known as the "connected car" has emerged in relation to telematics and ITS. It refers to motor vehicles connected to other vehicles, road users and infrastructure via networks including but not limited to the internet. The connection allows vehicle data to be shared with other devices both inside and outside the vehicle. Through this technology, motor insurers can expand usage-based insurance (UBI, also known as pay-as-you-drive (PAYD) or pay-how-you-drive (PHYD)), which makes it possible to monitor an insured's driving behaviour, enabling insurers to incorporate that behaviour into their risk assessments in order to calculate a more accurate risk profile of the insured. For example, risk factors such as driving habits, the motor vehicle's condition or maintenance and the geographic scope of motor vehicle use may be monitored on a constant basis, as the data relating to these factors can flow to the insurer on a near-real time basis.

These technological advancements surrounding ITS and connected cars will have an increasing impact on motor insurance products resulting in them being better tailored to an insured's individual risk profile. This will also allow insurers to greatly increase the range of services provided to insureds such as, for instance, motor insurance policies with "driver coaching" options (ie providing advice and feedback on driving behaviour) along with UBI. Insurers may also complement their products with other road-related services, such as breakdown assistance, traffic and weather reports and real-time location information (ie directing drivers to the nearest repair centre, service station or hotel). Better access to data will also allow insurers to investigate and settle claims more quickly. The wealth of data available directly to insurers will enable them to analyse accident scenarios more precisely and more quickly. Direct access to full accident data will also help insurers to tackle fraudulent motor insurance claims, thus reducing the significant costs borne by insurers and, ultimately, their customers as a result of fraudulent claims.

51 EU Directive 2010/40/EU on the framework for the deployment of intelligent transport systems in the field of road transport and for interfaces with other modes of transport

Finally, the increasing automation of vehicles, leading to fully automated vehicles (also known as driverless cars), may open up the potential for even more sophisticated motor insurance products. However, in order to offer competitive and innovative services, motor insurers will once again need direct access to the data produced by these autonomous vehicles.

From ITS and connected cars to driverless cars, access to in-vehicle data is therefore essential for insurers to maximise the potential of these technological advances to benefit consumers and to develop efficient business models, which are also in the interest of consumers.

F. Conclusions

This report demonstrates that there are substantial differences between motor insurance claims costs in different EU member states. As a result, motor insurance premiums differ between markets in order to reflect these differences in claims.

MTPL claims in the EU ranged in average cost from €1 200 in Portugal to more than €5 000 in Italy and in Sweden. Bodily injury claims account for 14% of all MTPL claims recorded by European insurers but accounted for 48.4% of all European MTPL claims expenditure in 2013, making it an important factor. On average, a bodily injury claim cost €16 000 in 2013. At national level, bodily injury claims ranged in average cost from less than €4 500 in Estonia, Turkey and the Czech Republic to more than €20 000 in France and Greece, reflecting differences in the costs of medical treatment and in compensation practices.

Similar differences can be observed when looking at the claims costs for optional (ie damage) cover, ranging from €407 in Greece to €1 900 in Sweden in 2013.

In order to fully understand the level of risk exposure in a region, both the cost and the frequency of claims must be considered. MTPL claims vary widely in frequency in the EU, from almost 2.5% in Finland to 9% in Austria in 2013. Similarly, damage claims frequency varies from 9% in Sweden to more than 30% in Estonia and Turkey.

These regional variations are the result of a range of factors. These include the regulatory environment, which determines, for example, liability regimes; road-related factors, such as driving habits and road or traffic conditions; and economic factors, such as the cost of vehicle repairs or medical treatment.

In light of these regional differences, Insurance Europe believes that the level of harmonisation currently provided by the EU Motor Insurance Directive is appropriate. It provides member states with the necessary discretion to set civil liability rules and calculate compensation awards that are suitable for their region. It provides motor insurers with the flexibility they need to design and price motor insurance products that are appropriate for local consumers. A motor insurance product designed to accommodate all the liability laws and regional cost factors in the EU would not address the needs of consumers at a competitive price.

Further access to vehicle data is the best way to address consumers' needs, as this information can be used to design competitive motor insurance products to meet those needs. The increasing amount of data produced with the deployment of new motor technologies can facilitate the development of sophisticated and innovative motor insurance products. "Connected car" technology, for example, provides data that can enable insurers to offer usage-based insurance by using information about an insured's driving behaviour to create a tailored risk profile.

Key here is the access to the data created by these new technologies. From Insurance Europe's perspective, it is vital that it is consumers who control to whom their in-vehicle data is transferred and for what purpose, so that they have access to a wide variety of service providers. The European Commission should ensure that consumers have this control and that the transmission of data is through open, interoperable, standardised and secure technology.

As the successful deployment of ITS, and in particular of cooperative ITS (which refers to the communication between vehicles and infrastructure, as well as between vehicles themselves), depends on vehicle manufacturers, the European Commission should ensure manufacturers do not restrict access to customers and give themselves an unfair advantage over other service providers. Consumers can benefit if they have access to a large spectrum of competitive services from a wide variety of providers. These include the services that insurers can provide beyond usage-based insurance policies, such as driver coaching (ie providing advice and feedback on driving behaviour), road assistance and weather or traffic information.

Annex I: Country reports

Belgium

I. Market overview

	2008	2009	2010	2011	2012	2013	Growth 2008/2013	Growth 2012/2013
Structural data								
Number of insurance companies	n.a.	n.a.	30	29	28	25	n.a.	-10,7%
Concentration ratio — 5 largest groups	n.a.	n.a.	75%	73%	71%	70%	n.a.	-1 p.p.
Concentration ratio — 10 largest groups	n.a.	n.a.	95%	96%	94%	94%	n.a.	-
Vehicles per 1 000 inhabitants	602	607	615	621	623	626	4.0%	0.5%
Financial data								
Gross written premiums (€m)	3 105	3 154	3 270	3 402	3 460	3 495	13%	1%
of which MTPL	1 956	1 968	2 014	2 071	2 116	2 148	10%	2%
of which own damage	1 149	1 185	1 256	1 330	1 344	1 347	17%	0.2%
Motor insurance as % of total non-life premiums	33.7%	33.7%	34.1%	33.8%	33.3%	32.8%	-1 p.p.	-0.5 p.p.
Average MTPL premium per insured (€)	305	299	298	301	305	308	1.0%	1.0%
Combined ratio — MTPL	110%	104%	104%	99%	115%	103%	-7 p.p.	-12 p.p.
Macroeconomic indicators								
Real GDP growth	1.0%	-2.6%	2.5%	1.6%	0.1%	0.3%		
Inflation	4.5%	0.0%	2.2%	3.5%	2.8%	1.1%		

II. Market structure and characteristics

II.I Uninsured driving

In the context of the fight against uninsured driving, a check is made on the presence of the green card (mandatory in Belgium) in the vehicle during the annual technical check. Absence of a green card is noted on the check card.

II.II Compensation of potentially responsible parties

Developments in case law allow that in the case of an accident for which it is not possible to establish responsibility between the parties involved, the parties that may be potentially responsible can be fully compensated for their injuries and property damage by the MTPL insurers concerned.

II.III European Accident Statement on smartphone or tablet

The Belgian market is developing an app that will make it possible to report an accident by filling in the European Accident Statement on a smartphone or tablet. Implementation is scheduled for the end of 2015.

II.IV New types of vehicles

With the introduction of new types of motor vehicles (electric bikes, Segways, monowheels, etc.), discussions are underway to make clearer the registration and insurance obligations. Initial discussions have also taken place on the future impact of driverless cars.

III. Future developments

The Belgian insurance association, Assuralia, continues to work on new ways to enable insurance companies to speed up and simplify claims-handling. This includes, for example, the computerisation of the procedure, which enables insurance companies to make petitions to the judicial authorities to consult criminal files.

Croatia

I. Market overview

	2008	2009	2010	2011	2012	2013	Growth 2008/2013	Growth 2012/2013
Structural data								
Number of insurance companies	14	14	14	15	15	14	-	-6.7%
Concentration ratio — 5 largest groups	84%	81%	79%	78%	79%	78%	-6 p.p.	-1 p.p.
Concentration ratio — 10 largest groups	96%	98%	95%	94%	93%	95%	-1 p.p.	2 p.p.
Vehicles per 1 000 inhabitants	456	453	446	460	437	439	-3.7%	0.5%
Financial data								
Gross written premiums (€m)	534	514	494	488	479	476	-10.9%	-0.6%
of which MTPL	383	383	378	384	385	390	1.8%	1.3%
of which own damage	151	131	116	104	94	86	-43%	-8.5%
Motor insurance as % of total non-life premiums	57%	57%	56%	55%	56%	56%	-1 p.p.	-
Average MTPL premium per insured (€)	187	190	191	193	195	193	3.2%	-1.0%
Combined ratio — MTPL	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a
Macroeconomic indicators								
Real GDP growth	2.1%	-6.9%	-2.3%	-0.2%	-1.9%	-1%		
Inflation	6.1%	2.4%	1.1%	2.3%	3.4%	2.2%		

Croatian insurers have been operating in a challenging business environment for half a decade, since the economic crisis.

MTPL insurance accounted for 33% of total market premiums in 2013, with a non-life premium share of 46%. The declining claims figures, both in number (3.19%) and amount of claims paid (3.01%), resulted in an improved MTPL claims ratio, giving Croatian insurers some room to lower MTPL premiums. In addition, shortly after Croatia joined the EU on 1 July 2013, several MTPL insurers launched new personalised MTPL tariffs. Latest statistics based on cumulative monthly data for January to December 2014 show a 26% decrease in MTPL premiums. This reflects the ongoing and intense competition between insurers since the liberalisation of insurance conditions and tariffs on 1 July 2013.

Motor own damage premiums continue their downward spiral and fell below 2002 figures. In 2013 the premiums decreased by 8% and the number of policies by 3%, followed by a further drop of 2.6% in premiums in 2014 and a stagnating number of policies. These results are not surprising as full comprehensive coverage is primarily linked to the sale of new vehicles, which has stagnated due to the economic downturn. The market response to the ageing national fleet is partial coverage offered through so-called mini or flexi damage policies. These policies offer various kinds of partial coverage, as opposed to standard policies which offer full coverage.

II. Market structure and characteristics

II.I Uninsured driving

Addressing the issue of uninsured vehicles is one of the most important ongoing projects of the Croatian Insurance Bureau. The "Stop Uninsured Driving" project was launched at the end of 2009, when the Croatian Insurance Bureau initiated a national media campaign in co-operation with the Ministry of the Interior to inform the public about the consequences of uninsured driving. The campaign aims to increase public interest in the high level of uninsured driving and to remind irresponsible drivers of the consequences of not renewing their MTPL insurance. This educational media campaign, together with intensified police efforts and other measures introduced through the information centre at the Croatian Insurance Bureau, proved to be efficient in reducing the level and impact of uninsured driving in Croatia, as recent figures show a significant decrease of 74% in uninsured claims since the campaign started (535 claims reported in 2013 compared to 2 047 claims reported in 2008).

II.II Road safety

The Croatian Insurance Bureau is involved in road safety activities through its membership of the national road safety working group responsible for the operation of the national road safety programme. The activities comprise road safety campaigns (eg anti-speeding campaigns, media campaigns on drinking and driving, young drivers, children and vulnerable road-users) and activities aimed at accident prevention and improving road safety, reducing the number of road fatalities, individual road safety projects, measures to improve road safety at danger spots on roads and railroad crossings, and other road safety activities leading to better protection of vulnerable road-users.

Since 2009, the Croatian Insurance Bureau's activities have mainly been in co-operation with the Ministry of the Interior, aimed at accident prevention by reducing the number of uninsured vehicles and thereby ensuring that vehicles comply with roadworthiness requirements.

II.III Insurance fraud

Although one of the key issues of the last couple of years, insurance fraud first came into focus back in 2002, when the Croatian Insurance Bureau initiated the "Agreement on Cooperation to Combat Motor Insurance Fraud" and defined the ways to work with the relevant authorities in a combined effort to combat fraudulent traffic accidents.

In accordance with the agreement, the Croatian Insurance Bureau developed a central database to maintain data on motor third-party and damage claims submitted to insurance companies. The database has been expanded to include data to facilitate the detection of insurance fraud and modified to apply to other insurance classes. The information centre at the Croatian Insurance Bureau also operates a claims database aimed at combating motor insurance fraud by giving its members access to claims data in order to enable the detection of multiple and fraudulent motor insurance claims. Automated procedures have been implemented supporting the detection of potentially false policies as well as uninsured vehicles by cross-referencing data on MTPL policies collected from insurance companies with data supplied by the Ministry of the Interior.

In light of the fact that insurance fraud does not affect an individual insurance company or country, but rather is a matter of international concern, it is essential to facilitate a transparent and quick exchange of information between the state bodies of a region. The Croatian Insurance Bureau initiated an international co-operation agreement resulting in the protocol on cooperation to combat insurance fraud signed on 12 April 2011 in Zagreb by representatives of the insurance associations of Bosnia-Herzegovina, Montenegro, Hungary, Macedonia, Slovenia, Serbia and Croatia. The insurance associations of the Czech Republic and Romania joined the protocol on 1 September and 1 November 2011 respectively, the Austrian association joined at the beginning of 2012, the Swiss National Bureau of Insurance in September 2013 and the National Bureau of Bulgarian Motor Insurers at the beginning of 2014.

The signatories to the protocol undertake to cooperate at insurance association level with a view to preventing insurance fraud by exchanging: statistical and other indicators showing different aspects of the existence and consequences of insurance fraud in their markets; information on national legislation provisions dealing with insurance fraud issues; and information on case law. They also exchange information on systems to detect and prevent insurance fraud.

In accordance with national data protection provisions, the signatories assist each other with requests for information regarding a potential case by directing enquiries to the relevant state, judicial and other bodies for data collection purposes, establishing communication with their own member insurance companies, instructing on the relevant laws and provisions of the particular state, organising regular meetings to exchange information on their activities and sharing expert knowledge, experiences and good practices concerning insurance fraud prevention. Other countries in the region have also been invited to join the protocol, which was presented as an example of good practice at the fraud workshop organised alongside the 2011 General Assembly of the Council of Bureaux in Dubrovnik.

As a further step, the Croatian Insurance Bureau joined the International Convention for the Recovery of Stolen Vehicles (ICRV) in May 2012.

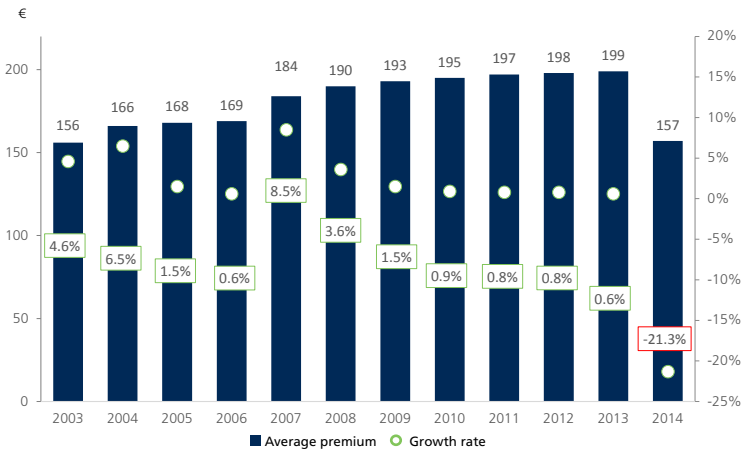
III. Regulatory environment

As part of the harmonisation process required before Croatia's accession to the EU in 2013, the insurance law and the compulsory traffic insurance law (regulating compulsory motor insurance, aircraft and motorboat third-party liability, and accident insurance for passengers on public transport) required further amendments. This was despite the fact that both laws had already been, to a large extent, harmonised with EU directives.

The amendments to both laws came into force on 1 July 2013. The amendments to the insurance law primarily relate to the implementation of Directives 2009/138/EC (Solvency II) and 2010/78/EU (establishment of EIOPA). The amendments to the compulsory traffic insurance law implemented the remaining provisions of the Motor Insurance Directive 2009/103/EC (regarding minimum amounts of cover, random insurance checks) and Regulation no.285/2010 amending Regulation no.785/2004 on insurance requirements for air carriers and aircraft operators.

Certain practice-related proposals of the working group set up by the Croatian Insurance Bureau have been accepted, the most important being limiting the annual exposure of the guarantee fund in case of insolvency to 0.5% of the MTPL market premium.

Average MTPL premium



Note: Conversions from the national currency to euros have been made at the 2014 official exchange rate of the Croatian National Bank (€1 = HRK 7.630014)

Market trends - January-September 2014 and 2015

MTPL	Jan–Sept 2014	Jan–Sept 2015	% change	Absolute change
Gross written premium (€)	243 516 163	205 746 284	-15.51%	-37 769 879
Number of policies	1 527 786	1 570 563	2.80%	42 777
Average premium (€)	159	131	-17.81%	-28
Number of claims paid	53 144	54 457	2.47%	1 313
Claims paid, gross amounts (€)	94 763 779	94 652 444	-0.12%	-111 334
Average claims paid	1 783	1 738	-2.53%	-45

Note: Conversions from the national currency to euros have been made at the September 2014 official exchange rate of the Croatian National Bank (€1 = HRK 7.630014)

Cyprus

I. Market overview

	2008	2009	2010	2011	2012	2013	Growth 2008/2013	Growth 2012/2013
Structural data								
Number of insurance companies	22	22	23	23	23	22	0	-0.04
Concentration ratio — 5 largest groups	49%	45%	44%	46%	46%	45%	-4 p.p.	-1 p.p.
Concentration ratio — 10 largest groups	71%	71%	71%	71%	74%	74%	-3 p.p.	-
Vehicles per 1 000 inhabitants	905	901	905	895	877	887	-2.0%	1.1%
Financial data								
Gross written premiums (€m)	178	184	185	186	178	165	-7%	-7%
of which MTPL	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a
of which own damage	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a
Motor insurance as % of total non-life premiums	41%	42%	40%	40%	38%	37%	-4 p.p.	-1 p.p.
Average MTPL premium per insured (€)	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a
Combined ratio — MTPL	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a
Combined ratio	106%	105%	112%	106%	105%	105%	-1 p.p.	-
Macroeconomic indicators								
Real GDP growth	3.6%	-1.9%	1.3%	0.5%	-2.4%	-5.4%		
Inflation	4.7%	0.3%	2.6%	3.3%	2.4%	-0.4%		

In 2013, motor insurance represented 37% of total non-life premiums (figures excluding policy fees), while in 2012 motor insurance represented 41% of total non-life premiums. Even so, motor is still the largest non-life business line in Cyprus. The gross written premiums totalled €165m in 2013, against €178m in 2012, corresponding to a 7% decrease. The table above clearly shows the effects of the economic recession that hit Cyprus in 2012 and escalated dramatically later with the Eurogroup decisions in March 2013 that granted Cyprus a bail-out under strict conditions. While motor premiums had seen steady year-on-year growth, the situation reversed from 2012. This is mainly due to a reduction in new vehicle registrations, which dropped from 26 679 in 2012 to 19 083 in 2013 (a 28% fall). Due to tighter budgets, consumers looked for cheaper premiums, downsizing policy covers or even taking their vehicles off the roads and cancelling their insurance policies.

A police road safety campaign led to a reduction in road accidents involving bodily injury which, according to police statistics, registered an overall decrease of 18% (from 1 432 in 2012 to 1 173 in 2013). Furthermore, the campaign reduced fatalities from 51 deaths in 2012 to 44 deaths in 2013, while people sustaining serious injuries decreased by 26% from 551 in 2012 to 407 in 2013.

Another development relates to the number of stolen vehicles (cars and motorcycles) which, again according to police department statistics, fell from 1 811 vehicles stolen in 2012 to 1 504 in 2013, or a 17% decrease. Since the occupation of

the northern part of Cyprus, and the opening of the borders, theft of vehicles increased because the stolen vehicles can be transported to the occupied areas and sold as spare parts.

II. Market structure and characteristics

The Insurance Association of Cyprus has 22 members carrying out motor business in Cyprus and of these 18 are domestic companies, one is a branch of a non-EU insurer and three are branches of companies operating under freedom of establishment. The intensity of competition is increasing due to the fact that a number of motor insurers from other EU member states are entering the market under freedom of services. The five largest motor insurers have a market share of 45%, while the top 10 insurance companies have 74% of total motor market premium.

The motor insurers' fund, in cooperation with the Cyprus police authorities, organised and sponsored a campaign during September 2014 in an effort to address the problem of uninsured driving, which has grown significantly since the economic crisis.

Furthermore, the Ministry of Communication and Works is in the process of implementing a strategic road safety plan 2012–2020. The eight areas that the plan intends to tackle are: improved safety for vulnerable road-users; legislation, Highway Code and enforcement; driver training and testing; road safety education and publicity; safer roads and mobility; post-crash response; safer vehicles; and organisational structure and operation. The insurance industry welcomes any measures taken to improve road safety and is willing to cooperate as appropriate.

III. Regulatory environment

The revision of the law relating to the level of the judicial interest rate is an important regulatory development as it reduces the interest rate that courts can award in connection to an insured's damages from 5.3% to 4%, something that has a positive impact on insurers' claims costs. The revised law took effect in January 2015.

IV. Future developments

The Insurance Association of Cyprus is currently working on the launch of a campaign to combat soliciting by car repairers at the scene of an accident. This campaign will be organised in cooperation with the police authorities. The current situation is that garage owners are approaching accident victims at the scene of an accident, advising them on how to claim higher compensation amounts and offering to assist by referring them to doctors and lawyers. At the same time they promise to give the victims replacement cars while their car is under repair, all to convince the accident victims to entrust the repairs to their garage.

The insurance association is also currently working on the development of an electronic data-sharing platform that will assist in the prevention and detection of fraud in motor insurance.

Czech Republic

I. Market overview

	2008	2009	2010	2011	2012	2013	Growth 2008/2013	Growth 2012/2013
Structural data								
Number of insurance companies	14	14	13	13	13	13	-7%	0%
Concentration ratio — 5 largest groups	97%	95%	93%	93%	92%	90%	-7 p.p.	-2 p.p.
Concentration ratio — 10 largest groups	100%	99.5%	99%	99%	99%	100%	-	1 p.p.
Vehicles per 1 000 inhabitants	671	676	685	698	708	720	7%	2%
Financial data								
Gross written premiums (€m)	1 483	1 476	1 382	1 288	1 239	1 230	-17%	-1%
of which MTPL	867	866	812	747	708	700	-19%	-1%
of which own damage	615	610	570	542	530	530	-14%	0%
Motor insurance as % of total non-life premiums	58%	56%	53%	51%	50%	50%	-8 p.p.	-
Average MTPL premium per insured (€)	138	133	123	111	104	99	-28%	-5%
Combined ratio — MTPL	81%	82%	79%	85%	80%	75%	-6 p.p.	-5 p.p.
Macroeconomic indicators								
Real GDP growth	-0.2%	-3.6%	2.9%	1.0%	-1.4%	1.1%		
Inflation	6.4%	1.1%	1.4%	1.9%	3.3%	1.4%		

Commercial MTPL insurance has been provided since de-monopolisation in 2000, currently by 12 insurers. Every insurer with the intention to sell MTPL products must be a member of the Czech Insurers' Bureau (CKP), which is a member of the Council of Bureaux. The number of insurance companies has remained quite stable during the last few years. Some undertakings have left the market, but they did not hold a significant market share. There are two dominant insurance groups, Generali (Italy) and VIG (Austria), and the remainder are also mostly foreign-owned insurers (from Germany, Belgium, France).

Statistical data on distribution channels is not available, but from market information it can be estimated that traditional distribution channels (sales through branches, broker and agent offices) are prevalent. Internet distribution is quite popular as well, so both insurance companies and insurance intermediaries (comparison websites) provide their services online.

The Green Card system and uninsured/untraced losses are managed by the CKP, which also operates the guarantee fund. The Bureau also provides frontier insurance — the supplementary MTPL insurance product intended for vehicles that are registered outside the European Economic Area (EEA).

Czech MTPL insurers benefit from close cooperation with the traffic police. The result is the availability of helpful police protocols from investigated road accidents.

I.I Trends in motor rates/premiums

The average MTPL rate in the Czech market has decreased significantly since 2010 (up to -10% year-on-year). This situation — leading in fact to a technical loss (see MTPL combined ratio development below) — was generated by strong competition that drove insurance rates down.

The first proof of turnaround began with a 4% growth in MTPL premiums and own damage insurance remaining stable in 2014, but it is thought to have been driven mainly by the impact of recent changes in legislation (new Civil Code, introduction of a mandatory contribution to the Loss Prevention Fund, compensation for firefighters — see below for additional information).

The total "real" growth of average premiums of around 2% (if both the overall premium increase of 4% and 2% growth in insured vehicles are taken into account) could not cover all the increasing MTPL liabilities in 2014. Despite the fact that rates in new business rose by 7% on average, the overall development of motor insurance premiums is still considered insufficient. Another consequence of strong market competition is that, in a bid to acquire higher market share, insurers nowadays focus more on additional services like roadside assistance.

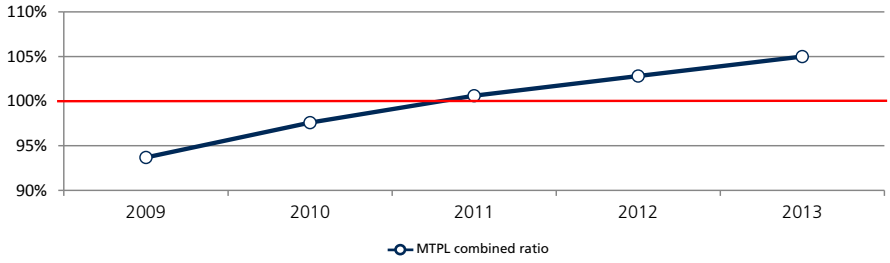
In motor own damage insurance, the close relation between premium rates and vehicle prices persists.

In addition to the statistics provided (where the incurred amount is based on claims paid plus change in technical provision in respective accounting/calendar years), it is useful to provide an alternative view based on accident year technical development, where the ultimate claims amounts (value of paid compensation, claims reserve and IBNR/IBNER[1] for the respective accident year) estimated for each accident year with all related expenses are compared with total earned premiums. In this approach, the result of the respective calendar year is not affected by the positive or negative run-off of previous accident years. This is more relevant for displaying claims trends, legislative changes, loss inflation, etc. The table and chart below show that the technical results for the latest accident years are significantly worse and the future outlook is even more negative (due to the effect of the New Civil Code on bodily injury compensation).

I.II MTPL combined ratios — 2009–2013

	2009	2010	2011	2012	2013
MTPL premiums earned (€m)	871.80	818.67	759.03	716.76	702.23
Total MTPL costs (€m)	816.47	799.38	763.75	736.92	737.09
Combined ratio	93.7%	97.6%	100.6%	102.8%	105.0%

MTPL combined ratio, based on accident year technical development



MTPL is expected to suffer a technical loss in 2015 for the third year in a row and it is expected that this loss will be even greater than the 10% in 2014.

1 Incurred but not reported/incurred but not enough reported losses

Additional trends and figures

The number of insured vehicles is gradually growing and currently exceeds 7m.

Inflation in loss costs is a noticeable phenomenon in the motor market. Its growth is significantly faster than real inflation. This is especially true with regard to bodily injury claims, but repair and spare parts costs have also been increasing over recent years.

II. Market structure and characteristics

Mandatory application of "bonus/malus"

MTPL insurers are obliged by law to take into consideration the claims history of a person who is taking out MTPL insurance in the form of a "bonus" (discount) in the case of a history of no claims, or "malus" (surcharge) in the case of previous claims. Details (scale) are not regulated by law. Insurers can obtain information about an applicant´s claims history from the database operated by the Czech Insurance Bureau or from the statement provided by the applicant.

Insurance fraud detection

To be able to tackle insurance fraud more effectively, MTPL insurers share relevant motor insurance claims data via their professional bodies. These bodies provide insurers with IT tools that alert them to suspicious claims and provide them with direct access to information about details of these claims. Thanks to cooperation with traffic police, MTPL insurers have access to reports on the examination of the scenes of road accidents (limited to serious road accidents that are being investigated by the police).

Uninsured driving

Uninsured driving and uninsured claims were significantly reduced between 2009 and 2014 by the introduction of a national legislation that required drivers of registered yet uninsured vehicles to make a financial contribution to the guarantee fund managed by the Czech Insurers' Bureau. This financial contribution, which was collected by the Bureau, effectively acted as a penalty for failure of the driver to obtain the required insurance. The estimated number of uninsured vehicles was believed to have reduced by half (from 250 000 in 2008 to 120 000 in 2014) and the number of uninsured claims reported every year dropped from approximately 4 900 cases in 2008 to around 2 800 cases in 2014. Unfortunately, the application of this measure was accompanied by both practical and legal drawbacks due to which it became controversial and received negative media coverage. It was abolished by the Czech Parliament at the end of 2014.

III. Regulatory environment

New Civil Code

A new Civil Code was adopted in 2012 and became effective on 1 January 2014. It represents a complex recodification of private law in the Czech Republic, replacing an outdated Civil Code dating back to 1964. The new Civil Code significantly modifies the landscape of Czech private law in general, but the most important changes for motor insurers are in the area of tort law. It deregulates the way compensation for certain non-pecuniary damages are calculated, as well as introducing brand new categories of claims in this area. It provides for a modern tort law of the standard that already exists in western European countries, but its direct impact on MTPL insurance is expected to be at least a 12% loss ratio increase; average bodily injury losses alone increased by 50% in 2014 (from roughly €14 000 to €21 000).

Mandatory contribution to Loss Prevention Fund

A levy imposed on MTPL insurers was introduced with effect from 1 January 2014. Every MTPL insurer has to contribute at least 3% of yearly premium income from MTPL insurance to the Loss Prevention Fund. The fund was established within the Czech Insurers' Bureau and its task is to collect the revenue of the levy and divide it among the beneficiaries defined by law (Integrated Rescue System and providers of road safety initiatives).

Compensation for firefighters

With effect from September 2013, firefighters, the core of the rescue system in the Czech Republic, have the right to claim from at-fault parties' MTPL insurers a lump-sum compensation (approximately €210) for each hour of services (extinguishing fires, rescue services, road cleaning, dealing with environmental threats, etc.) provided at the site of a road accident. Previously, the compensation could be claimed only on the basis of the actual cost of the services provided.

IV. Future developments

Helpline for motorists

In 2014 the Czech Insurers' Bureau started to operate a 4-digit phone number on which roadside assistance companies in a contractual relationship with MTPL insurers can be contacted. The aim of the helpline is to make it easier for motorists to order roadside assistance services that are covered by their motor insurance policies.

Use of telematics

On an individual basis, motor insurers offer the installation of various telematics devices in insured cars. These facilitate the requesting of assistance services (like eCall), pay-as-you-drive policies or the tracing of stolen vehicles. Where relevant, insurers reflect the impact of these measures in insurance tariffs.

Finland

I. Market overview

	2008	2009	2010	2011	2012	2013	Growth 2008/2013	Growth 2012/2013
Structural data								
Number of insurance companies	12	12	13	13	13	13	8.3%	-
Concentration ratio — 5 largest groups	92%	92%	89%	89%	89%	93%	1 p.p.	4 p.p.
Concentration ratio — 10 largest groups	100%	100%	100%	100%	100%	100%	-	-
Vehicles per 1 000 inhabitants	864	869	882	897	905	908		
Financial data								
Gross written premiums (€m)	1 239	1 300	1 343	1 399	1 470	1 559	25.8%	6.1%
of which MTPL	661	693	712	741	771	804	21.6%	4.3%
of which own damage	578	607	631	658	699	755	30.6%	8.0%
Motor insurance as % of total non-life premiums	36.7	37.6	38.1	37.4	37.3	36.7	- 6 p.p.	-2 p.p.
Average MTPL premium per insured (€)	154	157	149	148	153	157	2.2%	2.8%
Combined ratio — MTPL	103%	100%	101%	108%	92,5%	93%	-10 p.p.	0.5 p.p.
Macroeconomic indicators								
Real GDP growth	-2.9	-6.4	4.8	0.7	-3.1	-0.2		
Inflation	4.1	0.0	1.2	3.4	2.8	1.5		

II. Market structure and characteristics

II.I Road safety

The road safety work of the Finnish Motor Insurers' Centre (FMIC) is carried out by the traffic safety committee of insurance companies (VALT). According to Finnish legislation, the FMIC is in charge of in-depth investigations of road and cross-country traffic accidents. 20 teams across the country investigate all fatal traffic accidents and some non-fatal accidents, according to a standardised investigation method. More emphasis than before is put on serious injury accident investigation. In addition, the FMIC compiles statistics on all accidents compensated by motor liability insurance.

The data collected is used for evidence-based decision-making. The FMIC uses the data for road safety-related studies, a daily information service and responding to ministries' questions. Current topics studied include fit-to-drive issues, heavy goods vehicle accidents, the safety of powered two-wheelers, suicides in road traffic and the effects of safety equipment.

II.II Uninsured driving

Annually, there are some 45 000 uninsured vehicle cases in Finland, which amounts to less than 1% of all registered vehicles. The key is the automated transfer of information between the registration authorities and the Finnish Motor Insurers' Centre; since the registration of motor vehicles and insurance are tied together, uninsured driving is scarce.

II.III Whiplash

There have not been any significant problems concerning whiplash injuries. However, during the past 10 years, the insurance industry has been faced with a growing number of lawsuits related to alleged brain injuries. These cases have been quite complex and challenging.

III. Future developments

There is currently a development project underway that concerns the registration of vehicles as an electronic service by the insurers. Changes in the ownership of vehicles may be updated as part of the process of insuring the vehicle. This information will then be sent electronically to the central vehicle database of the Finnish Transport Safety Agency. This will increase the amount of registrations via insurers.

IV.I Telematics

The FMIC is member of ITS Finland and has taken part in ITS (Intelligent Transportation System) Finland's co-operative body and in the Traffic Lab Working Group (Electronic Transport Services) launched by the Finnish Ministry of Traffic and Communications. The FMIC took part in the 10th ITS European Congress in June 2014 in Helsinki. The newly prepared MTPL law allows automatic vehicles in Finland.

France

I. Market overview

	2008	2009	2010	2011	2012	2013	Growth 2008/2013	Growth 2012/2013
Structural data								
Number of insurance companies	97	97	96	96	94	92	-5.2%	-2.1%
Concentration ratio — 5 largest groups	65%	65%	65%	64%	63%	63%	-2 p.p.	-
Concentration ratio — 10 largest groups	89%	89%	90%	89%	88%	88%	-1 p.p.	-
Vehicles per 1 000 inhabitants	694	703	708	714	719	722	4.1%	0.5%
Financial data								
Gross written premiums (€m)	17 879	17 953	18 540	19 120	19 572	19 820	10.9%	1.3%
of which MTPL	6 885	6 798	6 922	7 045	7 135	7 259	1.1%	1.7%
of which own damage	10 994	11 155	11 618	12 075	12 437	12 561	14.3%	1.0%
Motor insurance as % of total non-life premiums	40%	40%	40%	40%	39%	39%	-1 p.p.	-
Average MTPL premium per insured (€)	135	132	134	138	140	143	5.9%	2.1%
Combined ratio — MTPL	122%	130%	121%	127%	128%	132%	10 p.p.	4 p.p.
Macroeconomic indicators								
Real GDP growth	2.6%	-2.8%	3.1%	3.0%	1.3%	8.6%		
Inflation	2.8%	0.1%	1.5%	2.1%	9.0%	0.7%		

II. Market structure and characteristics

II.I Road safety

On 26 January 2015, the Minister of the Interior issued a press release announcing 26 measures to improve road safety, of which the following measures are of specific interest to insurers:

- The alcohol limit for young drivers will be reduced to 0.2g/l of blood instead of the current 0.5g/l.
- It will be easier for local authorities to lower speed limits in a wide area or even a whole town. Some roads with single carriageways will have their speed limit reduced to 80km/h instead of 90km/h in order to test whether the maximum speed of all such roads should be lowered to 80km/h.
- Learners will be authorised to start driving at the age of 15 instead of 16.
- Use of headsets (which might be connected to mobile phones) will be strictly forbidden while driving.
- Technical tools will be introduced in order to tackle uninsured driving.

II.II Uninsured driving

Since a report about uninsured driving was published in 2011, demonstrating the awareness and readiness of the Ministry of Finance to tackle this problem, French insurers have been working on this issue with the Ministry of the Interior in order to exchange data from the registration databases and insurance data so that the police can identify vehicles that are not insured. However, it was considered politically difficult to implement databases that would lead to new actions against drivers. The

press release by the Ministry of the Interior of 26 January 2015 is the first public political evidence of willingness to deal with this subject.

III. Regulatory environment

French insurance policies are traditionally issued for 12 months and are automatically renewed unless terminated by either the insured or the insurance company with two months' notice.

For several years, contract termination has been considered by French governments as an essential way to improve competition in the insurance market. This is why a law was adopted in 2005 giving subscribers a second opportunity to terminate their contracts by sending notice within 20 days of receiving the premium advice note.

Since 1 January 2015, a new law concerning insurance contract termination has been in force, giving a third opportunity to individual subscribers to terminate their contracts. They may be terminated at any time after a one-year period with one month's notice. This opportunity is given to contracts entered into on or after 1 January 2015. For older contracts, termination is possible after the first renewal of 2015.

However, in order to avoid drivers being uninsured, those taking out motor insurance can only terminate their contracts by subscribing to a new one. The new contract termination procedure can only be carried out by the new insurance company, which will be responsible for insurance continuity.

The complexity of the new law has led the insurance industry to work out a commitment to organise an information exchange between both insurance companies in order to standardise and facilitate the procedure.

The same law also contains an obligation to inform insureds in contracts or premium advice notes that they have a right to choose their car repairer. This information must also be given when receiving any notification of claim. When given orally, a written confirmation by any means (letter, e-mail, text message) must be sent to the customer.

IV. Future developments

IV.I Compensation for personal injury accidents

A new trend is being observed in the French market concerning personal injury. The number of accidents involving personal injury is increasing again (+4% in 2014) after several decades of decrease, although material losses are stable. There is no clear evidence yet whether this trend will continue and how it is linked to new behaviours of pedestrians and drivers using smartphones.

This trend is even more concerning given that individual compensation is still increasing by up to 6% per annum as a result of societal and governmental choices:

- Most jurisdictions have at last harmonised compensation, but this harmonisation has been achieved by aligning the highest compensations paid for non-pecuniary losses.
- Jurisdictions and the government are furthermore examining the possibility of regulating the discount rates used to transform annuities into lump sums. These rates should, according to lawyers defending victims, include future inflation.
- The Ministry of Justice wants to increase the types of losses currently accepted by jurisdictions by approving a new list of types of losses.

IV.II Telematics

The insurance industry launched, on 1 December 2014, an electronic accident statement application. This app, available on Apple Store and Google Play, may be downloaded free of charge and can be used for accidents without personal injury occurring between a maximum of two vehicles registered in France. The accident must have taken place in France. In any other case, it is necessary to use a traditional paper accident statement. The electronic statement can be filled out on a single or on two different smartphones. In the latter case, each driver fills out his personal details. When ready, both fill in together the common information (about the accident circumstances) on one smartphone.

Once this task is finished, a summary, presented like a traditional accident statement, is sent to the stakeholder(s). As soon as it is signed (by touching the screen), the information cannot be altered and it is automatically transmitted to the insurance company. The driver(s) receive a confirmation text message and an e-mail containing a PDF-copy of the signed statement.

The app offers to pre-fill all personal information, to draw a sketch, and even offers help to fill out the statement by using geolocation and a timestamp. Pictures of damage can be taken using built-in photo software. By 26 January 2015, 110 000 users had uploaded the application. 1 300 statements have been signed and transmitted to insurers, half of them involving two vehicles.

Germany

I. Market overview

	2008	2009	2010	2011	2012	2013	Growth 2008/2013	Growth 2012/2013
Structural data								
Number of insurance companies	106	104	100	99	97	96	-9%	-1%
Concentration ratio — 5 largest groups	47%	47%	46%	46%	47%	47%	-	-
Concentration ratio — 10 largest groups	68%	68%	68%	68%	69%	69%	1 p.p.	-
Vehicles per 1 000 inhabitants	602	606	614	634	642	649	8%	1%
Financial data								
Gross written premiums (€m)	20 372	20 057	20 158	20 887	21 989	23 260	14%	6%
of which MTPL	12 495	12 148	12 124	12 551	13 216	13 927	12%	5%
of which own damage	7 756	7 794	7 924	8 231	8 672	9 236	19%	7%
Motor insurance as % of total non-life premiums	24%	23%	23%	23%	23%	24%	-	1 p.p.
Average MTPL premium per insured (€)	228	219	215	219	228	237	4%	4%
Combined ratio — MTPL	96%	100%	106%	104%	102%	98%	2 p.p.	-4 p.p.
Macroeconomic indicators								
Real GDP growth	+1.1%	-5.60%	4.10%	3.70%	0.40%	0.30%		
Inflation	+2.6%	0.30%	1.10%	2.10%	2.00%	+1.5%		

II. Market structure and characteristics

II.I Whiplash not a major problem

Neck complaints are still a matter of concern for German insurers, although currently there is no precise data available on this phenomenon. Nonetheless, the associated problems are by far not as serious as they seem to be in other countries.

In Germany, a distinction is made between first-, second- and third-degree whiplash injuries. Second- and third-degree injuries can be diagnosed on the basis of clear objective criteria.

First-degree whiplash injuries are the mildest form of injury. It is considered problematic that the physician's diagnosis often depends entirely — and only — on the statement of the claimant. The findings (eg pressure pain, muscle tightness, headaches, movement limitations, position of the cervical spine) are not very reliable and meaningful. These complaints can be only an indication of either accident-dependent or accident-independent damage to the spine.

However, under German law, the claimant has to provide full proof that his personal injury has actually occurred and is caused by the accident. Only once this requirement is fulfilled does the easier standard of proof apply to the extent of the damage resulting from the injury (for example, the duration of the alleged complaints).

In disputed cases, an interdisciplinary expert's opinion is taken on whether the spine injury is caused by the accident. In this opinion, the collision-induced speed change and the specific type of collision (area of impact) are identified. Then, the expert considers whether these findings may have caused the alleged complaints or whether such complaints result from, for example, age-related spine abrasions. The required degree of certainty for the assumption of accident-related cervical injuries is higher the lower the collision-induced velocity change in the accident. There is no minimum limit for collision-induced velocity changes, ie the court will not hear the argument that the collision-induced velocity change is too marginal to have caused the spine injury.

The severity of injuries is decreasing due to the continuous improvement in vehicle safety components. In particular, modern crash-safety systems that activate restraint systems (airbags, emergency tensioning retractors) and better vehicle seats and (active) headrests are increasing driver safety.

II.II Fraud

The German Insurance Association (GDV) estimates that the cost of insurance fraud in Germany exceeds €4bn per year. For motor insurance, the GDV estimates that there are approximately 975 000 fraudulent claims per year, costing approximately €2.2bn per annum.

According to public figures, the number of stolen passenger cars rose to 19 395 in 2013. This is an increase of 5% compared to the previous year and 3% higher than the average of the previous five years. Statistics on the number of fraudulent car thefts are, however, not available.

In Germany, as in several other countries, insurers exchange relevant information to help them identify potential frauds. Insurers are transparent about this and clear compliance and data protection rules are in place. The Hinweis- und Informationssystem HIS (Indicator and Information System) is operated by an external company. Individuals and vehicles can be reported to the system and the reports have to comply strictly with predefined criteria.

Furthermore, several insurers have set up specialised anti-fraud departments. Training of insurance staff is used to raise awareness of fraud, to show how to detect it and to learn about the new methods used by fraudsters. The training is conducted by insurance and police experts, legal advisors and lawyers as well as technical specialists.

Beyond that, insurers are constantly striving to improve co-operation with law enforcement agencies. The GDV provides a platform for co-operation, especially in motor insurance, by organising meetings at regional level.

II.III Accident research

The UDV (German Insurers Accident Research), which is part of the GDV, aims to improve road safety in Germany and help to prevent accidents or at least mitigate their effects. The UDV is an important source of knowledge and expertise and one of the largest commissioners of university and non-university research on road safety in Germany. The UDV has a long history. Its predecessor institutions began providing advice and carrying out research designed to improve safety on Germany's roads and prevent accidents over 60 years ago. Safety on the roads can only be improved by taking a comprehensive view of the problem. That is why the interdisciplinary research approach of the UDV encompasses roads, vehicles and finally people. An accident database derived from the claim files of car insurers permits accidents to be investigated in detail and quickly, taking a variety of interdisciplinary aspects into consideration. As of October 2013, the accident database contained detailed records of 7 181 accidents, in which 12 945 people suffered injuries.

Against this background, the UDV is deeply involved in national discussions regarding new key safety topics in Germany, such as, for example, highly automated driving in cars, safety aspects of electrically-assisted bicycles (pedelecs), the threshold level of impairment for riding a bicycle and the safety of bicycle helmets.

Driven by the Ministry of Transport, open issues regarding high automation in cars were discussed in a roundtable meeting. The question of road safety in this context is not fully answered yet. For that reason, the UDV will start a research project in 2015 to get answers to the issues of the human/machine interface, especially regarding the length of time for which drivers can safely take over control in critical situations.

In 2015, the German Council on Jurisdiction in Traffic discussed the topic of the threshold level of impairment for riding a bicycle. On the basis of the research results of the UDV, it seems to be necessary to discuss the 1.6mg/ml legal alcohol limit. UDV results showed that unfortunately some volunteers were still able to ride their bicycles at this level or even at levels above it. That is why a new legal limit of 1.1mg/ml seems to be reasonable to increase the awareness of cyclists of this safety risk.

Stakeholders in the road safety arena have been calling for a bicycle helmet law in Germany for years. The UDV can show from a research project based on real world accident data that bicycle helmets appear to be particularly effective in reducing the frequency of facial injuries and severe traumatic brain injury. With the help of numerical simulation, the significant potential for a helmet to reduce injury risk can be demonstrated. However, in very severe crashes, the limitations of current helmets also became clear. With these results in mind, the UDV feeds into national discussions with the Ministry of Transport and other stakeholders to support an increase in helmet use.

Because of a lack of accident data on electrically-assisted bicycles, the UDV conducted the first real-life German cycling study to quantify the risk of this new kind of vehicle compared to ordinary bicycles. The results show that the risks of slow pedelecs (25kph) are comparable to the risks of bicycles and therefore slow pedelecs present no safety implications. However, fast pedelecs (45kph) seem to be more risky in traffic, not least because of the higher travel speed. There could thus be more accidents with fast pedelecs as they become more common and more used. Against this background, the UDV supported the activities of the Ministry of Transport with regard to the separation of pedelecs into two categories: a bicycle category (pedelec 25) that is legally treated like a bicycle and a motorised two-wheeler category (pedelec 45) that is legally treated like a moped.

III. Regulatory environment

At the beginning of 2015 two traffic law changes entered into force which affected car insurance. The first law change concerns temporary number plates for transferring vehicles. Such number plates are valid for a period of five days. Up to now, the holder of the short-term plate could determine for which specific car they intented to use the plate: they were free to insert the vehicle identification number in the registration certificate of the registration authority themselves. Thus, spontaneous purchases of vehicles are possible, even if — for example at weekends — the registration authority is closed. However, as of 1 April 2015 the registration papers of the car must be submitted to the registration authority when the temporary number plate is applied for. This change of law should minimise the abuse of temporary number plates, eg unauthorised resale within the validity of the temporary plate.

A second law change relates to the regional allocation of number plates. The first letters of the German number plate specify the registration authority that issued the plate (eg "B" for Berlin). If a car owner moved to another registration district, they were obliged to register their car at the new registration authority. This registration authority issued a new number plate. In the future, this will no longer be necessary. As a result, the number plate will no longer indicate the place of residence of the vehicle owner.

IV. Future developments

Online registration of cars is foreseen. The idea is that the applicant can apply to register a car on the website of the competent registration office. If all data is correct, a temporary registration is approved at once and a PDF document with a code is issued to the applicant. This code enables certified workshops to check the validity of the registration process and to

produce the relevant number plate. The registration authority provides the applicant with the original registration documents as well as the seals for the number plate by mail.

Another development concerns the legal framework for self-driving cars. Today, technology allows cars to drive on motorways without the intervention of a human driver. Many legal topics have to be solved — from data protection to the liability of the driver or car manufacturer. It is absolutely clear that, irrespective of any possible product liability, car insurance will remain the first port of call for claims by victims of traffic accidents. To ensure the protection of a traffic victim, a variety of legal and technical measures have to be taken, eg cars with self-driving abilities have to be recorded with EU-type approval and standardised conventions on data recording of such cars have to be established. Above all, though, the safety of self-driving cars must be ensured.

Greece

I. Market overview

	2008	2009	2010	2011	2012	2013	Growth 2008/2013	Growth 2012/2013
Structural data								
Number of insurance companies[1]	48	43	37	31	34	29	-39.6%	-14.7%
Concentration ratio — 5 largest groups[2]	37%	42%	45%	44%	42%	42%	5 p.p.	-
Concentration ratio — 10 largest groups[1]	62%	62%	67%	68%	65%	67%	5 p.p.	2 p.p.
Vehicles per 1 000 inhabitants[3]	485	435	441	431	369	392	-19.2%	6.2%
Financial data								
Gross written premiums (€m)[4]	1 650	1 881	1 954	1 827	1 550	1 343	-18.6%	-13.4%
of which MTPL	1 238	1 451	1 542	1 482	1 284	1 129	-8.8%	-12.1%
of which own damage	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a
Motor insurance as % of total non-life premiums	62%	64%	65%	65%	63%	62%	-	-1 p.p.
Average MTPL premium per insured (€)	202	248	273	276	267	234	15.8%	-12.4%
Loss ratio — MTPL	89%	74%	64%	64%	47%	60%		
Macroeconomic indicators								
Real GDP growth	-0.2%	-3.1%	-4.9%	-7.1%	-7.0%	-3.8%		
Inflation	4.2%	1.2%	4.7%	3.3%	1.5%	-0.9%		
Accidents and fatalities								
Accidents	15 100	14 914	15 146	13 717	12 231	12 072	-20.1%	-1.3%
Deaths	1 559	1 463	1 265	1093	984	874	-43.9%	-11.2%
Critically injured	1 878	1 681	1 742	1 666	1 422	1 303	-30.6%	-8.4%
Lightly injured	16 918	16 872	17 140	15 041	13 791	13 509	-20.2%	-2.0%
Thefts								
Stolen vehicles	23 550	26 711	27 587	32 242	31 166	28 801	22.3%	-7.6%
Consumer price indices[5]								
Spare parts	n.a	2.6%	2.9%	2.2%	0.9%	-0.3%		
Maintenance and repair	n.a	3.0%	3.2%	2.6%	-2.1%	-4.4%		

Notes:
1 Active motor insurers
2 Estimate
3 Insured vehicles
4 Direct premiums written in the domestic market
5 Growth rate over previous year

The Hellenic Association of Insurance Companies (HAIC) conducts annual surveys of the motor market and publishes the following:

- Motor statistical yearbook 2013: http://www.eaee.gr/cms/uploads/StatisticalYearbook2013.pdf
- Financial study for motor insurance (executive summary): http://www.eaee.gr/cms/eng/uploads/finstu-motor13en.pdf

II. Market structure and characteristics

II.I HAIC's road-safety activities

Despite efforts during the last few years to improve the level of road safety in Greece, it is still unfortunately one of the worst causes of death in the country, according to European Commission data. The HAIC has undertaken the following road-safety activities:

- Member of European Charter
  In 2008, the HAIC made a commitment to improve road safety in Greece. The campaign was an innovative activity to educate younger people about the dangers of drinking while driving and was conducted over a two-year period. The target group was people between 15 and 25 years-old and it included the following activities:

  - Road assistance trucks with a crashed car on their platform and a banner with the message "He drank, he drove, he killed. What will you do?" circulated at night where there were crowds of the target age group. The aim was to attract their attention and deter them from drinking while driving.
  - At the same time, promoters placed, on all parked vehicles and bicycles in the same locations, an innovative leaflet against alcohol and driving. The leaflets had the slogan "Do not ignore life".

- Participation in the Greece national organisations for road safety:

  - the National Council of Road Safety
  - the National Advisory Group of the ROSEE Research Programme for the south-eastern countries of Europe (2013–2015)

- Road Safety Festival in the central (Syntagma) square in Athens
  The HAIC, in cooperation with the Hellenic Institute of Road Safety (Panos Mylonas), organised an open festival with the central message "Safe driving is an issue of life". The festival was held on 28 May 2014 to highlight road safety under the auspices of the Hellenic Presidency of the European Union.

  The Festival included:

  - The opportunity to experience the circumstances and possible consequences of a crash (simulators of driving, crash, roll over, etc.)
  - Interactive educational programmes (www.kantososta.gr)
  - First-aid for car accidents and a training certification
  - Blood donation to people involved in a car accident
  - A leaflet with advice on road safety
  - T-shirts with messages on road safety

III. Regulatory environment

III.I New legal framework for compulsory MTPL

2014 was a year of radical changes in compulsory MTPL in Greece as a new law was voted in on 5 May (Law 4261/2014). The law establishes a more operational and clearer legal framework.

The new law makes the following key changes:

- The contract of compulsory MTPL is rendered explicitly as a contract of a defined duration. This means that insurance is valid for the period of time defined in the insurance contract and therefore a specific date and starting time as well as specific date and expiration time is set.
- Renewal of an insurance contract or conclusion of a new contract is allowed as long as the premium is paid before the cover commences.
- The insurance contract becomes the key proof of insurance for police checks and the insurance sticker is repealed.
- The possibility of electronic communication between insurer, insured and compensation beneficiary during all stages and procedures of their transaction is institutionally acknowledged (for example the conclusion of insurance or settlement of damages).

III.II New legal provision for the detection of uninsured driving

Following several months of consultations with all competent bodies, a new legal provision was introduced in April 2013 (Law 4141/2013). The law establishes a new electronic procedure for the detection of uninsured driving by linking the existing electronic databases of registered vehicles with the existing database of insured vehicles, so that the competent authority (eg the General Secretariat of Information Systems (GSIS) of the Ministry of Finance) can identify vehicles that are not insured.

Hungary

I. Market overview

	2008	2009	2010	2011	2012	2013	Growth 2008/2013	Growth 2012/2013
Structural data								
Number of insurance companies	15	14	14	15	15	15	0%	0%
Concentration ratio — 5 largest groups	71%	72%	71%	66%	65%	65%	-6 p.p.	0 p.p
Concentration ratio — 10 largest groups	93%	95%	95%	92%	91%	90%	-3 p.p	-1 p.p
Vehicles per 1 000 inhabitants	367	363	360	360	365	372	1.53 %	2.14 %
Financial data								
Gross written premiums (€m)	881	782	718	540	513	488	-44.6%	-4.8%
of which MTPL	508	465.6	424.5	313	288	276	-45.7%	-4.2%
of which own damage	373	316	293	227	224	212	-43.1%	-5.4%
Motor insurance as % of total non-life premiums	55%	50.5%	50%	44%	40.5%	38.5%	-16.5 p.p	-2 p.p
Average MTPL premium per insured (€)	130	119	105	75	67	66	-49.5%	-2.1%
Combined ratio — MTPL	106%	87%	93%	102%	115%	134%	28 p.p.	19 p.p.
Macroeconomic indicators								
Real GDP growth	0.8%	-6.6%	0.7%	1.8%	-1.7%	1.9%		
Inflation	6.1%	4.2%	4.9%	3.9%	5.7%	1.7%		

II. Market structure and characteristics

In 2013, the decrease in premiums experienced in previous years continued, both in MTPL and damage insurance. This is largely a consequence of strong competition and the significant role of online premium calculator services. In 2014, though, this trend seemed to be turning around in MTPL.

Claims costs in 2013 decreased by 4.8% in damage but increased by 16% in MTPL.

In terms of distribution channels, the number of online contracts is growing significantly every year.

III. Regulatory environment

In 2013, the former Financial Supervisory Authority merged with the National Bank of Hungary, which supervises the insurance sector.

Since 1 January 2013, insurance companies are allowed to publish revised premium rates for new contracts at any time (60 days in advance). Previously, publishing revised premiums was allowed only once a year.

IV. Future developments

The number of road accidents has decreased steadily due to increasing fuel prices, resulting in lower traffic density. This trend is expected to change, in light of lower fuel prices. The market for new and used cars is also experiencing a revival, which could further strengthen the change.

Italy

I. Market overview

	2008	2009	2010	2011	2012	2013	Growth 2008/2013	Growth 2012/2013
Structural data								
Number of insurance companies	71	69	65	62	62	58	-18%	-6%
Concentration ratio — 5 largest groups	70%	69%	70%	68%	72%	71%	1 p.p.	-1 p.p.
Concentration ratio — 10 largest groups	89%	88%	88%	87%	89%	90%	1 p.p.	1 p.p.
Vehicles per 1 000 inhabitants	866	859	863	865	864	856	-1.15%	-0.9%
Financial data								
Gross written premiums (€m)	20 814	20 094	19 831	20 652	20 190	18 644	-10%	-8%
of which MTPL	17 606	16 962	16 881	12 761	17 542	16 230	-8%	-7%
of which own damage	3 208	3 132	2 950	2 891	2 649	2 413	-25%	-9%
Motor insurance as % of total non-life premiums	47.1%	46.3%	47.5%	48.9%	49.6%	48.3%	1.2 p.p.	-1.3 p.p.
Average MTPL premium per insured (€)	410	390	400	423	447	439	7%	-2%
Combined ratio — MTPL	101%	108%	105%	103%	92%	88%	-12 p.p.	-4 p.p.
Macroeconomic indicators								
Real GDP growth	-1.0%	-5.5%	1.7%	0.6%	-2.8%	-1.7%		
Inflation	3.5%	0.8%	1.6%	2.9%	3.3%	1.9%		

MTPL premiums for direct domestic business, collected by the 58 companies operating in this class, totalled €16 230m in 2013, down 7% on 2012. These premiums represented 48.3% of the total for non-life classes (49.6% in 2012). In addition, it is necessary to consider the significant share of premiums (more than 5.5% of the overall premiums of this sector, amounting to over €950m) collected by branch offices of foreign companies registered in EU countries operating under the freedom to provide services.

Including these insurers, the total volume of MTPL premiums was €17 187m in 2013, representing a decline of 7.3%.

II. Market structure and characteristics

During the positive phase of the insurance cycle in 2013, 2014 and the first part of 2015, insurance companies made unprecedented reductions in premiums. In 2014, in fact, motor insurance premiums registered a decrease of 6.5%, following the 7% drop in 2013. The cost of claims also fell, but less sharply, by 3.1%. Since earned premiums decreased faster than claims expenditure, the loss ratio for the 2014 accident year increased from 68.5% to 71.8%.

In an effort to understand why average premiums are higher in Italy than in other large European markets, ANIA, the Italian insurance association, hired the Boston Consulting Group (BCG) to carry out a comparative analysis of the technical reasons

explaining price differences in motor insurance[2]. BCG analysed the following countries that were considered similar to Italy in terms of population and the number of vehicles in circulation: France, Germany, Spain and the UK.

BCG found four possible factors to explain the differences:

- In Italy there is greater traffic congestion, which results in an increased likelihood of accidents, partially outweighed by lower average mileage (under 12 000 km/year per vehicle in Italy compared with 14 500 in the other countries in the sample). The traffic index — calculated by dividing total kilometres travelled in one country by the total kilometres of the national highway network — is 0.9m kilometres compared with 0.8m in the four others in the sample.
- A higher rate of undetected frauds (7–10% in Italy against a sample average of 3–5%), which is partially explained by the absence of effective tools (such as integrated databases) to make it easier for insurance companies to identify fraudulent claims. This is a widespread phenomenon in some areas of the country where poorer economic conditions, the greater presence of organised crime and less effective law enforcement are conducive to widespread fraudulent claims.
- Poorer road safety and a larger number of motorcycles and scooters have a direct impact on claims frequency and on the rate of serious injuries, which are both higher. Motorcycles/scooters in Italy account for 13% of all vehicles, compared to 10% in France, 8% in Spain and a low of 3% in the UK. The rate of fatal accidents per kilometre travelled for this type of vehicle is 40% higher in Italy than in the countries in the sample, and the accident rate per kilometre is 70% higher than for passenger cars. Both factors can explain the difference in the total claims frequency.
- A higher rate of whiplash injuries in Italy compared to the sample average (0.6% versus 0.5%).

Premiums are also affected by cost-related factors. For instance, the cost of spare parts in Italy is in line with other countries (49%), although the average value is slightly higher (€853 per claim compared to the sample average of €836). The Boston Consulting Group (BCG) has found that one possible reason for this difference is the lower bargaining power of Italian body repair shops on parts prices, due to greater fragmentation and lower turnover than in the rest of Europe. This also translates into lower efficiency, higher fixed costs and a lower productivity rate.

II.I Uninsured driving and fraud

Province-level data gathered by the highway police and municipal police have been compared to the insured vehicles in the ANIA database to produce an estimate of the total number of uninsured vehicles on the roads.

The analysis found that 3.5m vehicles, or 8% of all those on the roads, had no insurance cover in 2013, up from an estimated 3.1m in 2012, with significant geographical differences. In the southern provinces, the average figure is above 13% (12% in 2012). In the centre of the country, the average is 8.1% (6.4% in 2012) and in the north it is 5.3% (4.6% in 2012).

Region	Total insured vehicles	Estimated uninsured vehicles	Total vehicles in circulation	Proportion of vehicles uninsured
North	20.9	1.2	22.1	5.3%
Centre	9.4	0.8	10.2	8.1%
South	10.1	1.5	11.6	13.1%
Total	40.4	3.5	43.9	8.0%

The competition bill contains provisions such as the derogation (art. 2) on the obligation to provide coverage, imposed on all insurance undertakings engaged in motor vehicle liability, when the information provided by the policyholder is suspected to be fraudulent. The insurer obtains such information from the AIA (Archivio Integrato Antifrode – Integrated Antifraud

2 "European Benchmarking on MTPL — 2014", Boston Consulting Group

Database). The database is an interconnected system able to check personal data in different data banks such as insurance coverage databases, the public register, the drivers' licence register, etc.

II.II ANIA Foundation for Road Safety

The ANIA non-profit Foundation for Road Safety was established in March 2004 with the aim of taking concrete steps to meet the obligation on all European countries to reduce the number of road traffic victims by 40% by 2010.

Its current projects are:

- **Novice drivers**
  New drivers are those exposed to the highest risk of road accidents, mainly because of their limited driving experience, lack of fear of danger and limited knowledge of the reactions of the vehicle. In Italy, the acquisition of a driving licence is more oriented towards the acquisition of knowledge rather than good driving practice.

  In order to improve the driving skills of young people aged between 18 and 26 years, the ANIA Foundation created a project called "Novice drivers", which allows them to:

  - experience some virtual routes through a driving simulator available on a dedicated website
  - know how to face the dangers of the road
  - participate in safer driving courses on a driving circuit for free

  The project started in 2007 and it is one of the most successful initiatives of the ANIA Foundation.
- **Drive in Italy**
  "Drive in Italy" is a project carried out by the ANIA Foundation for Road Safety under the sponsorship of the Ministry of Integration and is targeted at foreign citizens with a driver's licence valid in Italy.

  The initiative is aimed at promoting knowledge of traffic rules, spreading responsible behaviour behind the wheel and offering practical training to tackle the dangers faced while driving.

  Foreign citizens are an important resource for Italy, but their integration is often hindered by cultural and language barriers that prevent them from fully understanding and respecting Italian rules.

  "Drive in Italy" was created to facilitate cohesion between foreign citizens and the Italian social environment, starting with driving, by giving them the opportunity to participate in a theoretical course of safe driving which, if successfully completed, allows them to have access to practical courses in safe driving provided by the ANIA Foundation. The course is free.

- **Black points**
  Road accidents are often caused by the presence of construction/maintenance faults in existing infrastructure which can distract drivers.

  Roads have particularly dangerous stretches defined as "black points" or black spots, where most road accidents happen. Italian statistics show that 80% of accidents happen on 20% of the national road network, confirming a certain repetitiveness in risk location.

  Increasing people's knowledge of this and developing surveys, analyses and data will help improve road safety.

  The "Black Point" project aims to provide more complete information on road accidents, helping to locate accidents and victims on urban and rural roads, thus allowing a more thorough analysis of the phenomenon and the determination of specific risk factors present in different stretches of road or means of transport.

- **Psychological support for families of traffic victims**
  Psychological consequences can accompany the physical injuries from an accident and significantly affect the long-term quality of life of those involved and their families.

  These consequences, previously insufficiently considered, have recently attracted the attention of organisations and institutions that see the need to implement strategies and structures of support and assistance.

  Against this background, the ANIA Foundation for Road Safety has developed a project aimed at improving the social inclusion of vulnerable people, focusing on road victims by giving them real support in order to mitigate the problems that follow road accidents.

II.III Minor injuries

With reference to minor injuries (less than permanent disability), and according to estimates by BCG, this particular class of damage shows the greatest difference between Italy and the other countries (the average 2008–2012 claim cost in Italy is €4 592, 24% higher than the sample average of €3 691).

Claims for minor injuries include "whiplash," which in Italy, especially recently, accounts for a high percentage of insurance frauds. As a result of the implementation of the "Monti law", the number of claims for permanent disability of under 3% decreased significantly in 2012 (nearly 30%), and this downward trend continued in 2013 (-12% on 2012).

III. Regulatory environment

Incentives to adopt new technologies: Non-insured vehicle monitoring through remote devices (art 31 D.L. Liberalizzazioni, n. 1/2012) Discontinuation of physical insurance documents (windshield stickers and claims statement) (art. 31-32 D.L. Liberalizzazioni, n. 1/2012)	Measures targeting the falsification of paper documents and non-insured vehicles through: a) gradual discontinuation of physical insurance windshield stickers via the complete replacement of paper documents by electronic and ICT systems; possibility to check motor liability coverage through remote devices b) replacement of paper claim with computer-storage mechanism
Insurance policies linked to "black box" technology (art. 31-32 D.L. Liberalizzazioni, n. 1/2012)	Premium reduction for policyholders who agree to install a "black box" in their vehicles.
Antifraud measures (art. 21 D.L. Crescita-bis, n. 179/2012)	IVASS is assigned certain powers in order to reduce fraud in the motor liability sector.
Common baseline contract for motor liability sector (art. 22 D. L. Crescita-bis, n. 179/2012)	Contract with common clauses that insurance companies should provide to consumers.
Web "home insurance" (art. 22 D. L. Crescita-bis, n. 179/2012)	Requirement for companies to provide, on their website, areas of consultation accessible to policyholders to check their insurance policies (entered into force in September 2013).

IV. Future developments

IV.I Discontinuation of physical documents

Decree Law 1/2012, of 24 January, on liberalisations, converted with substantial amendments into Law 27/2012 of 24 March, containing "Urgent measures for competition, the development of infrastructures and competitiveness", calls for a series of implementing regulations.

Among the various provisions, there are some innovative changes concerning motor liability, with measures against the falsification of stickers.

The regulatory decree provided for the gradual "dematerialisation" of insurance windshield stickers via the complete replacement of paper documents by electronic systems for checking the vehicle's regular insurance coverage through remote checking devices envisaged by the Highway Code.

The regulation established:

- the creation at the motor vehicles bureau of an integrated file of registered and insured vehicles
- the setting-up of procedures and a timetable for data input to the file by insurers, either directly or through ANIA
- the complete phasing-in of the "dematerialisation" process within 18 months of the issue of the decree

ANIA worked together with the motor vehicle bureau to implement the procedures enabling insurance companies to promptly and correctly transmit motor liability policies to the integrated file through the SITA database[3].

ANIA stepped up its efforts to make insurers aware of the need to take the strategic and operational measures needed to complete the SITA database and the ATRC database of risk statements[4].

Since 18 October 2015, the checking of insurance cover is much easier, as windshield insurance stickers have been replaced by the reading of vehicle registration plates directly by the police, using remote checking equipment such as limited-traffic-zone monitors, electronic toll-collection systems, and so on.

IV.II Black boxes

Black boxes in motor vehicles are used by insurance companies to offer both MTPL and other cover and to provide more accurate risk-assessment and therefore pricing.

The number of black boxes used for insurance purposes is increasing: a tenfold increase since 2004, with more than 3m vehicles with operative black boxes at the end of 2014, making Italy a world leader in this area.

Black boxes have helped to reduce the high percentage of car thefts and frauds. They are also a new tool with which insurers can calculate the price of insurance cover at a time when the traditional system of classifying clients (bonus malus) has seen increasing limits[5]. Those who agree to install electronic devices receive a limit to increases in insurance tariffs.

The new telematics devices represent an opportunity to reduce premiums for younger drivers who normally, due to their propensity to cause accidents, pay higher premiums.

Many honest policyholders consent to install black boxes in their vehicles to defend themselves against fraud. For example, companies usually receive requests for compensation for claims which are not reported by their policyholders. The use of black boxes can detect such fraudulent claims.

Black boxes have started to monitor the conduct of drivers via a sophisticated tariff system (pay as you drive). These tools also have a role in prevention, because drivers who are aware of their driving are pushed to correct their conduct in order to maintain favourable contractual conditions.

3 SITA (Sistema Integrato delle Targhe Assicurate – Integrated System of Insured Plates) is an ANIA database where all historical information about insurance coverages of vehicles identified through the registration plate number is stored

4 ATRC (Banca Dati Attestati di Rischio – Risk Statement Database) is a database where all historical information on the claims experience for the last 6 years and the bonus malus class reached is stored

5 The introduction of the Bersani law in 2007 allowed young drivers in particular (or new vehicles bought within a household in general) to benefit from the best bonus malus class of the family. This law has therefore been diminishing the discriminatory power related to the bonus malus class, since even inexperienced drivers can obtain higher merit classes.

With some exceptions, devices help to understand crashes as they make it possible to reconstruct accidents. Other accessory services are also offered, depending on the contract: guarantees for assistance (95% of cases) or against car theft (60%). Black boxes also make it possible to forward emergency messages for breakdown trucks or for medical aid, following a car malfunction or an accident.

Positive effects in terms of a reduction in claims and, mostly, a lower incidence of physical injury are particularly evident, which create benefits not only for the insurance system but also for society through reduced social costs connected to the health and assistance expenses that are generated in the event of more or less serious disability.

With the most sophisticated black boxes on the market, premiums are determined on the basis of the actual use of the car, distance driven, driving style and observance of the rules of the road. More precise risk measurement will primarily benefit honest, prudent drivers in the most problematic parts of the country, who currently bear the consequences of relatively widespread fraud and abusive practices.

Netherlands

I. Market overview

	2008	2009	2010	2011	2012	2013	Growth 2008/2013	Growth 2012/2013
Structural data								
Number of insurance companies	51	47	44	38	36	36	-29%	-
Concentration ratio — 5 largest groups	45%	45%	47%	53%	54%	51%	6 p.p.	-3 p.p.
Concentration ratio — 10 largest groups	69%	69%	71%	76%	77%	76%	7 p.p.	-1 p.p.
Vehicles per 1 000 inhabitants	552	561	563	567	572	573	4%	0.2%
Financial data								
Gross written premiums (€m)	4 630	4 539	4 635	4 587	4 499	4 375	-6%	-3%
of which MTPL	2 423	2 410	2 406	2 373	2 329	2 287	-6%	-2%
of which own damage	2 207	2 129	2 229	2 214	2 170	2 088	-5%	-4%
Motor insurance as % of total non-life premiums	27%	27%	27%	28%	28%	28%	1 p.p.	-
Average MTPL premium per insured (€)	328	320	316	307	296	289	-12%	-3%
Combined ratio — MTPL	102	109	104	101	104	110	8%	5%
Macroeconomic indicators								
Real GDP growth	2.1%	-3.3%	1.1%	1.7%	-1.6%	-0.7%		
Inflation	2.5%	1.2%	1.3%	2.3%	2.5%	2.5%		

II. Market structure and characteristics

II.I Compensation for pain and suffering

In 2013, an expert group was set up with representatives from different stakeholders in order to improve the way the compensation for pain and suffering is calculated. The aim is to develop a more transparent system. At the same time, there is a common understanding that the current compensation should be increased for very severe bodily injury claims, as the highest amount ever paid in the Netherlands is not more than €140 000, 10 years ago. As a consequence of this project, in a court case, the judge will add 10% for this part of the claim following a "stakeholders' debate". Draft legislation on the compensation, with fixed amounts for the next of kin of those who have died, is being developed.

II.II Loss of maintenance (dependency)

In 2015 a directive was established which calculates the damage of survivors in a different way. This new directive will increase the transparency, predictability and clarity of the calculation of the family members of a deceased. As a result the claims handling will also be settled faster. This is important for the families of the deceased.

The new directive is binding on all insurers. The most important part of the directive is the calculation model. Starting point for this model is to see the family as an economic unit. This means that the bereaved relatives should keep the same standard of living as they had before the death of their family member.

II.III Trailers

In the Netherlands, there is still no obligation to insure separate trailers; MTPL is provided by the towing vehicle. This creates a problem with accidents abroad with foreign towing vehicles and Dutch trailers, as in some countries the insurer of the towing vehicle will seek recourse from the owner of the trailer. If no insurance for the trailer exists, there might be a risk for the Dutch trailer owner. A court verdict is expected on this matter in 2015.

II.IV Telematics

In 2014, the Dutch Minister of Transportation declared that the Netherlands should be one of the countries in which the development of self-driving vehicles is strongly promoted. Some pilots with connected vehicles are now underway. The concept of "pay how you drive" insurance was (re)introduced in 2014 by one player in the market by using a plug-in chip on the motor management system that gives information about speed and braking.

II.V Social security

Some important changes in social security took place on 1 January 2015, specifically in the field of health issues. Some tasks have been transferred from national public level (Dutch healthcare law AWBZ) to municipality level (support for living, household support, etc.) and some other tasks went to health insurance companies (personal care). The main goal is to decrease the cost of healthcare and to bring the support closer to the client. These changes will have a direct influence on the handling of bodily injury claims, as the rules for recourse will change too. In principle, the municipality will have a right of recourse for their outlays. A collective recourse agreement is still under construction.

II.VI Vehicle crime

At the start of 2015, the insurance bureau for vehicle crime (VbV) changed the requirements for the certification of car alarm systems. When a system is hacked, or thieves have found some way to disable an alarm system, the car manufacturer must solve the problem. If the manufacturer does not succeed, the certificate can be revoked.

Due to the technical abilities of car thieves, new security systems must have a separate on/off switch. A system will not be granted a certificate if the alarm is disarmed with the same authorisation as is used for unlocking the car. A survey proved that a car that is fitted with a VbV-certified alarm and a track-and-trace system is less likely to be stolen. The survey showed spectacular risk reduction on certain cars.

The number of stolen mopeds and motor-scooters is also decreasing due to the fact that more of them are fitted with track-and-trace systems. The certified system automatically gives a signal to an alarm centre if a moped is moved or when someone tries to jam the signal. The alarm centre contacts local police so they can respond immediately. This leads to a very high recovery rate, and in most cases the police are able to arrest the thief.

In a public-private partnership, insurers participate in the national office for the registration of stolen vehicles. This "one-stop-shop" enables car owners to report their car missing or stolen with their insurer and the police. An (inter)national registration of the stolen vehicle is established within two hours of the theft being reported. In 2015, an agreement was drafted to use ANPR (automatic number plate recognition) cameras for the police to find stolen vehicles and inform insurers of their whereabouts so that they can recover their clients' property.

II.VII Road safety

Together with road safety organisations, the Dutch association runs "trials, the ultimate driving test", a road safety project. The project focuses specifically on young people who have had their driving licence for a year or 18 months. The idea is to give them a refresher course to teach them the finer points of safe driving. A relatively high number of accidents, often fatal ones, occur among 18 to 25 year-olds. This is also one of the reasons for the high number of claims in this age group. Since the start of the project in mid-2006, 15 000 young people have taken part.

Since 2011, the Dutch association, in conjunction with road safety organisations, has been working on a system to register all traffic accidents in a database called Smart Traffic Accident Reporting (STAR). Due to the under-reporting of traffic accidents, it is difficult to come up with appropriate measures to improve road safety. The main goal of STAR is to persuade people involved in a traffic accident to register the accident in a simple but clear way so that reliable accident analysis is possible. The association has also created an application for mobile devices called "mobiel schade melden" and a website to support registration.

Norway

I. Market overview

	2008	2009	2010	2011	2012	2013	Growth 2008/2013	Growth 2012/2013
Structural data								
Number of insurance companies	27	28	32	31	28	28	4%	0%
Concentration ratio — 5 largest groups	90%	86%	86%	83%	82%	80%	-11%	-2%
Concentration ratio — 10 largest groups	98%	96%	96%	96%	95%	94%	-4%	-1%
Vehicles per 1 000 inhabitants	664	681	692	701	697	738	11%	6%
Financial data								
Gross written premiums (€m)	1 778	1 878	1 985	2 092	2 189	2 261	27%	3%
of which MTPL	708	736	778	821	854	883	25%	3%
of which own damage	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a
Motor insurance as % of total non-life premiums	40%	40%	40%	39%	38%	38%	-6%	-1%
Average MTPL premium per insured (€)	223	220	229	231	244	238	7%	-2%
Combined ratio — MTPL	102	109	104	101	104	110	8%	5%
Macroeconomic indicators								
Real GDP growth	10.87	-6.74	6.6	7.79	6.2	3.49		
Inflation	3.79	2.11	2.47	1.24	0.77	2.13		

II. Market structure and characteristics

II.I Whiplash injuries

In general, there are very few problems with whiplash injuries in Norway. This has a lot to do with the fact that in 2010 the Norwegian Supreme Court reiterated a ruling from 1998 concerning the causation between a traffic accident and subsequent soft tissue injuries and incapacity for work.

The 2010 judgment deals with a number of questions that have been controversial in Norwegian law and the Supreme Court's formulations are, on several points, general and concern matters of principle. In the grounds for judgment, the Supreme Court goes further than necessary to justify its result in this specific case.

In a test case from 1998, the Supreme Court underlined that in making an assessment of causation, the starting point must be medical consensus. Guided by the court-appointed medical expert, the Supreme Court established the following conditions ("chain of conditions") that would all have to be met before it would be possible to conclude with more than 50% probability that a whiplash trauma had caused permanent damage:

- There must have been an adequate trauma, ie mechanical forces sufficient to damage biological tissue must have been at work.

- There must be acute head or neck symptoms within a maximum of 72 hours.
- There must be "bridge symptoms" from the acute phase to a chronic, delayed phase, one year or more after the accident.
- There must be pathology compatible with what is known about whiplash injuries.

The health problems after the accident must not be a continuation of health problems the patient had before the accident.

The pathology cannot find its explanation in a different, more probable condition that the patient is suffering from. Such a condition could be a different somatic or psychiatric illness, which was already present before the accident or that manifested itself subsequently.

In its judgment, the Supreme Court underlined that in the assessment of evidence, the greatest weight must be given to evidence close in time, particularly in the form of the physician's notes in medical records concerning the patient's condition at the time of the consultation in question.

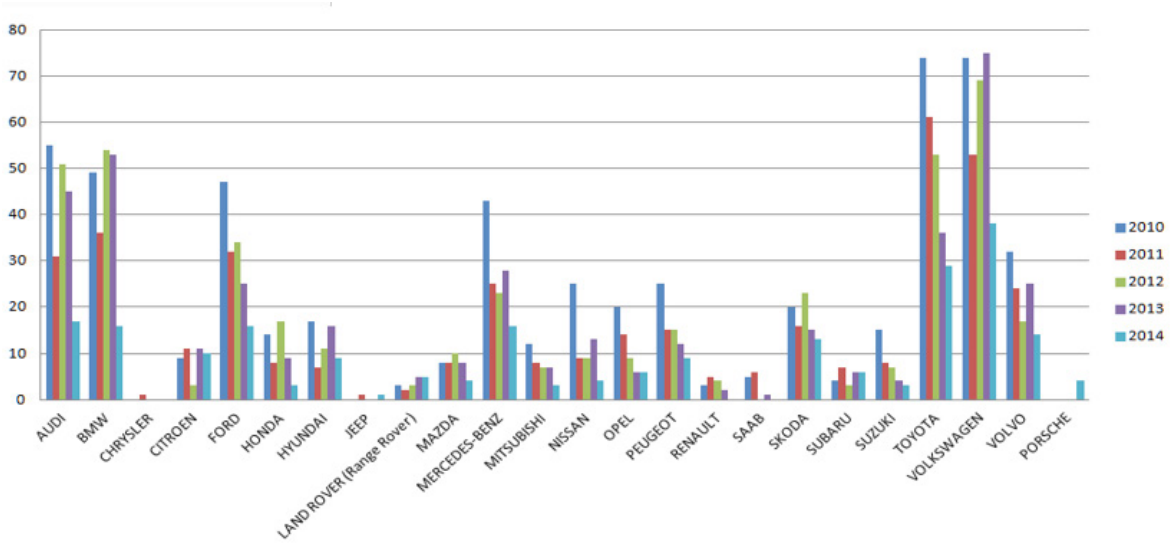
II.II Auto theft

Recent years have seen a decline in the number of vehicles stolen, and from 2013 to 2014 there was a decrease of around 10%. The number of arranged thefts has also fallen. This may be due to better anti-theft devices and to insurers increasingly requiring tracking systems in newer/costlier cars, making it harder to arrange thefts. Active use of the media, for example when recovering vehicles dumped in water, may also have had a preventive effect.

2014 data

Total number of stolen vehicles	4 973
Cost of stolen vehicles (claims expenditure)	€24m
Cost of stolen spare parts (claims expenditure)	€9.9m
Total number of fraudulent motor claims	204
Cost of fraudulent motor claims (claims expenditure)	€3m

Stolen cars 2010–2014 (brands 5 years-old or newer)



III. Future developments

The Norwegian authorities have proposed that insurance companies pay a tax on MTPL insurance instead of vehicle owners paying road tax. The proposal will probably go to Parliament in 2015.

III.I Road safety

Together with the Norwegian Council for Road Safety, Finance Norway now runs several road-safety projects. The projects focus specifically on traffic education in kindergartens and schools, and provide information and knowledge about road safety.

Portugal

I. Market overview

	2008	2009	2010	2011	2012	2013	Growth 2008/2013	Growth 2012/2013
Structural data								
Number of insurance companies	25	25	25	24	23	23	-8%	-
Concentration ratio — 5 largest groups	57%	55%	53%	52%	60%	60%	3 p.p.	-
Concentration ratio — 10 largest groups	81%	80%	81%	84%	87%	87%	+6 p.p.	-
Vehicles per 1 000 inhabitants	545	549	548	551	560	558	+2.4%	-0.35%
Financial data								
Gross written premiums (€m)	1 809	1 665	1 671	1 658	1 569	1 478	-18%	-6%
of which MTPL	1 117	1 056	1 058	1 049	997	955	-14%	-4%
of which own damage	556	538	536	500	453	450	-19%	-0.7%
Motor insurance as % of total non-life premiums	42%	40%	40%	40%	39%	38%	-4 p.p	-1 p.p.
Average MTPL premium per insured (€)	164	160	158	155	148	141	-14%	-5%
Combined ratio — MTPL	101%	105%	102%	101%	101%	94%	-7 p.p.	-7 p.p
Macroeconomic indicators								
Real GDP growth	0.2%	-3%	2%	-2%	-3%	-1%		
Inflation	0.8%	-0.1%	2%	3%	2%	0.2%		

II. Market structure and characteristics

After a significant contraction in 2012 (-0.7%), the number of insured vehicles returned to growth in 2013, albeit at a relatively moderate pace (1%).

However, for the third consecutive year and the eighth of the last 10, the volume of motor premiums fell again in 2013 (-5.8%) to about €1 478m. Even from a nominal perspective (no deflation), almost €500m in annual revenue has been lost in motor business since 2004, during which time the share of motor insurance in the whole insurance market decreased from 18.8% to 11.3%.

This evolution of premiums is even more significant considering that in the same decade — 2004–2013 — the insured vehicle fleet grew by almost 10%, the number of policies to protect transported persons by about 50%, the volumes covered for MTPL related risks by almost 70% and the number of vehicles with own damage cover by close to 100%.

Over the same period, the average annual premium lost about a third of its value for the total motor market (decreasing from €319 to €213) and the same proportion of loss was observed for MTPL (€214 to €141).

2013, however, was also marked by a reversing of the trends in accident claims, linked to the higher traffic density resulting from an improved economic environment. The number of claims incurred and open in 2013 grew 3.6% to 808 000, a growth that applies to MTPL and other covers (ie material and personal damage).

The average claim cost eased in 2013 (-9.6% to €1 414). This reduction was common to MTPL and to all other covers, including material damage and bodily injury.

In total, the Portuguese association recorded almost €1 000m as the cost of claims already paid and recognised provisions in 2013. Two-thirds were recorded for MTPL cover and the remaining third for other covers, of which three-quarters were property damage and the remainder bodily injury.

II.I Road safety

Road safety has been improving in Portugal. In its annual report, the national authority for road safety (http://www.ansr.pt/Estatisticas/RelatoriosDeSinistralidade/Pages/default.aspx) published positive news in terms of deaths and serious injuries on Portuguese roads, comparing today with the beginning of the century. In 2000, there were 44 159 accidents with victims. In 2013, that number was 30 339, a decrease of about 1 000 accidents with victims per year. These improvements are confirmed by other figures in the report and, to a large extent, it is the direct result of a strong and well-directed education campaign in schools, the media and elsewhere since the 1990s.

Slovenia

I. Market overview

	2008	2009	2010	2011	2012	2013	Growth 2008/2013	Growth 2012/2013
Structural data								
Number of insurance companies	6	6	6	6	6	6	-	-
Concentration ratio — 5 largest groups	99%	99%	99%	99%	99%	99%	-	-
Concentration ratio — 10 largest groups	100%	100%	100%	100%	100%	100%	-	-
Vehicles per 1 000 inhabitants	516	521	519	520	519	517	0.2%	-0.4%
Financial data								
Gross written premiums (€m)	534	543	551	532	497	458	-14%	-8%
of which MTPL	330	317	297	278	258	235	-29%	-9%
of which own damage	205	226	254	254	238	224	9%	-6%
Motor insurance as % of total non-life premiums	39%	38%	39%	37%	34%	33%	-6 p.p.	-1 p.p.
Average MTPL premium per insured (€)	215	211	185	176	165	153	-29%	-7%
Combined ratio — MTPL	86%	99%	87%	90%	78%	91%	5 p.p.	13 p.p.
Macroeconomic indicators								
Real GDP growth	3%	-8%	1%	1%	-3%	-1%	-4 p.p.	2 p.p.
Inflation	2%	2%	2%	2%	3%	1%	-1 p.p.	-2 p.p.

The economic crisis in the past few years has contributed to the deterioration of motor insurance indicators in Slovenia. In addition, intensive price competition among insurance companies has been evident in the market for several years.

Low growth in the number of registered vehicles in the last few years has resulted in stagnation in the number of motor vehicles in use. The impact of the crisis is seen in the decline in MTPL premiums collected, which have fallen by almost a third in five years.

Despite the growth in motor-vehicle use, traffic safety on Slovenian roads has improved greatly in the past decade. Traffic accidents involving fatalities, bodily injury or even just material damage have been more than halved over the last 10 years.

The number of stolen vehicles, however, rose by 51.3% from 2008 to 2013. In this period the average annual growth rate in the number of stolen vehicles was 8.8%.

II. Market structure and characteristics

II.I Road safety

Slovenian insurance companies that offer MTPL insurance and the Slovenian Insurance Association (SIA) participate in many road-safety activities. They take part mostly by financing different preventive activities, such as light signs at dangerous

crossroads, films about road safety, brochures, driving schools, etc. The SIA also cooperates with the Slovenian Traffic Safety Agency.

II.II Uninsured driving

The percentage of uninsured drivers in Slovenia is relatively low (less than 1%). However, the SIA and insurance companies are still trying to lower this percentage by working closely with the Ministry of the Interior and the police and by publishing a brochure about the consequences of uninsured driving. The SIA is also trying to improve data quality in the registration of compulsory MTPL insurance (RAZ). A higher level of data quality would enable the SIA to access up-to-date information on uninsured vehicles. It would also enable the SIA to take preventive action and take those vehicles off the road.

II.III Fraud detection IT system (AdmiralMIA)

The SIA, together with its member companies, has developed a fraud detection IT system that automatically searches for suspicious connections of vehicles, events and the people involved. The system connects events, vehicles and people into a social network, which is an ideal form for the detection of suspicious connections. It also imports data from existing data sources and supplements the data with police accident reports. It automatically detects suspicious claims and alerts insurance companies to these claims, showing all the data needed for investigation (in accordance with the Data Protection Act).

II.IV Whiplash claims

The Compulsory Insurance in Traffic Act provides for MTPL insurance coverage for any (third-party) injury caused to cervical vertebrae, provided that the injury emerges during the use of the insured vehicle. This means the law does not recognise any prior formal restrictions to the insurance coverage, eg in cases of a traffic accident occurring above a certain speed limit or in the course of actual driving.

However, in handling such claims in practice there are certain circumstances that may lead to the rejection of the existence of a causal connection between the loss event and the claimed cervical vertebrae-linked injuries. A typical example of this would be when the vehicles claimed to have been involved in an accident show no visible results of collision/vehicle contact that could have caused the injuries claimed. The same applies in cases in which there are, for example, visible results of a vehicle collision, but the speed and position at the time of collision show that the critical/impact velocity in that particular case could not have been sufficient to cause the claimed injuries to cervical vertebrae. The establishment of a causal connection can also depend on other circumstances, eg old age or the medical condition of the injured person (especially the condition of his/her vertebral spine), the position of the head rest in the car seat, and the position of the injured person's body at the time of collision. On the other hand, there are examples where the causal connection is undisputable, but the consequences of the loss event are too minor to be considered legally acknowledged damage (eg temporary/minor body pain).

The situation is different with voluntary insurance — special car owner and driver accident insurance (so-called MTPL + damage) where insurance companies widely apply restrictions/exclusions to the insurance coverage in terms of injury gravity. In case of injury to the vertebral spine of the responsible driver/owner, the coverage is only provided on condition that an injury to the vertebrae or a more than 3mm displacement between vertebral corpuses is medically established. Such limitation of coverage does not apply to MTPL insurance since it is compulsory.

III. Regulatory environment

The 2007 Compulsory Insurance in Traffic Act (which regulates MTPL insurance too) remains unchanged, with the exception of the provision for a lump-sum payment to the Health Insurance Institute of Slovenia for the death or injury of insured persons in traffic accidents: MTPL insurers are required to pay the Institute 8.5% of gross MTPL premiums instead of the previous 6.5%. The change has been applicable since 1 June 2012.

The next change in relation to MTPL insurance in the Compulsory Insurance in Traffic Act is expected before 1 January 2017. Namely, Slovenia is obliged to apply new minimum MTPL insurance limits (€5.6m for personal damages/€1.12m for material damages according to the notice 2010/C 332/01 of the European Commission regarding the adaptation in line with inflation of certain amounts laid down in the Motor Insurance Directive 2009/103/EC), after the expiry of the five-year transition period that Slovenia announced upon transposition of the Fifth EU Motor Insurance Directive into national law.

IV. Future developments

Insurance companies are planning to develop their insurance products in line with technological developments, including telematics. For now, the technology is largely just used to provide discounts.

However, in the near future, products will have to change as a result of cars being increasingly automated and having increasingly well performing sensors and automatic braking systems. These new features could result in fewer accidents and consequently in lower premiums. Insurance companies are already having to think about new products that will be attractive to clients.

Spain

I. Market overview

	2008	2009	2010	2011	2012	2013	Growth 2008/2013	Growth 2012/2013
Structural data								
Number of insurance companies	54	52	52	55	57	65	20%	14%
Concentration ratio — 5 largest groups	56%	56%	57%	60%	59%	59%	3 p.p.	-
Concentration ratio — 10 largest groups	75%	76%	77%	79%	79%	80%	5 p.p.	1 p.p.
Vehicles per 1 000 inhabitants	625	616	612	625	626	615	-2%	-2%
Financial data								
Gross written premiums (€m)	12 253	11 640	10 781	10 612	10 259	9 833	-20%	-4%
of which MTPL	6 735	6 290	5 720	5 667	5 494	5 248	-22%	-4%
of which own damage	5 518	5 350	5 061	4 945	4 765	4 585	-17%	-4%
Motor insurance as % of total non-life premiums	38%	37%	37%	35%	34%	33%	-5 p.p.	-1 p.p.
Average MTPL premium per insured (€)	233	218	199	196	190	183	-21%	-4%
Combined ratio — MTPL	104%	99%	98%	98%	99%	98%	-6 p.p.	-1 p.p.
Macroeconomic indicators								
Real GDP growth	1%	-4%	-2%	0,1%	-2%	-1%		
Inflation	4%	-3%	2%	3%	2%	1%		

The period 2008-2013 has been one of very deep macroeconomic recession in Spain, with a "double dip" recession that registered a weak recovery in 2011 but was followed by further falls. The sluggish economy, particularly in relation to private consumption, has lowered pressure on prices, placing the economy in a period of negative inflation in 2014.

The total number of vehicles on the road has remained static since 2008. The government has attempted to stimulate the market for new vehicles by making available public financial assistance to those buying a new vehicle when an old one is de-registered. This means that, in terms of total vehicles, this is a zero-sum operation. Even though there have been some positive signals during 2014, it is still too early to talk about a recovery of the market

What is clear is that during the crisis the risk exposure of those using vehicles has reduced, pushing down claim frequencies (more than average costs) and consequently reducing claims costs. This is the main factor explaining the observed reduction in premium levels.

II. Market structure and characteristics

The main characteristics of the Spanish motor insurance market are:

- The importance of two-wheeled vehicles, which are used more frequently than in most other European countries.
- The impact of uninsured driving is deemed to be fairly low. All claims caused by uninsured vehicles in Spain are met by a public institution ("Consorcio de Compensación de Seguros" or CCS) and the number of claims the CCS has to deal with seems small in relation to total claims.
- Motor insurers in Spain record 150 000 attempted frauds per year, at an overall cost of €325m. Motor insurance is one of the insurance branch in which fraud is considered to be most frequent; with fake claims for non-existent accidents or the exaggeration of real accidents the most common.
- More than 60% of the effects of all road accidents (ie bodily injuries causing lifelong consequences) registered by insurance companies are whiplash damages or similar.

III. Regulatory environment

III.I Penal Code

On July 1, 2015 a reform of the Penal Code came into force in Spain, which is of great importance for the way insurers process claims, especially motor insurers.

Under this reform, a new classification of offences has been established, so that current faults are de-criminalised or classified as minor offences. Because of this, all offences claimed by the civil courts have been excluded from being considered criminal behaviour.

This poses a major change to claims-handling, mainly in the field of compulsory MTPL insurance. Some claims will not be handled as minor offences anymore, so the insurer will be forced to go to civil courts.

However, with the new system for assessing injuries caused to persons in traffic accidents (Baremo), which will take effect from 1 January 2016, an extrajudicial procedure to provide a solution to cases of personal injury claims resulting from traffic accidents has been set up, which in many cases will avoid the claims being handled in civil courts.

III.II General Regulation of traffic

A draft traffic regulation is being discussed that changes insurance requirements for participants in motor sport events, cycle tours and events involving vintage vehicles.

IV. Future developments

IV.I System for the assessment of damages caused to persons in traffic accidents (Baremo)

Recent legislation introduces a new system for assessing injuries caused to persons in traffic accidents (Baremo).

The new Baremo has the following features:

- It is a closed model, in which all items have ceilings to adjust the cost and facilitate insurance management, but also to provide more resources for both minor and more serious injuries.
- Those with serious injuries will receive higher compensation.
- It highlights the difference between moral injury and property damage.
- Concepts that will be covered by insurance, such as "rehabilitation or future prosthesis" are incorporated.

United Kingdom

I. Market overview

	2008	2009	2010	2011	2012	2013	Growth 2008/2013	Growth 2012/2013
Structural data								
Number of insurance companies	n.a.	n.a.	n.a.	n.a.	n.a.	280	n.a.	n.a.
Concentration ratio — 5 largest groups	56%	54%	53%	49%	50%	49%	-7 p.p.	-1 p.p.
Concentration ratio — 10 largest groups	74%	75%	74%	75%	76%	77%	3 p.p.	1 p.p.
Vehicles per 1 000 inhabitants	548	545	543	541	542	547	-0.2%	0.9%
Financial data								
Gross written premiums (€m)	12 840	12 562	13 584	14 569	15 060	14 516	13%	-4%
of which MTPL	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a
of which own damage	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a
Motor insurance as % of total non-life premiums	28%	30%	30%	34%	33%	33%	5 p.p.	-
Average MTPL premium per insured (€)	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a
Combined ratio — MTPL	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a
Macroeconomic indicators								
Real GDP growth	-0.3	-4.3	1.9	1.6	0.7	1.7		
Inflation	4%	2%	3%	5%	3%	3%		

II. Regulatory environment

II.I Key development: legislation

In November 2008, a senior judge, Lord Justice Jackson, was appointed to conduct a review of the costs in the civil justice system in England and Wales. He reported in January 2010 and made a number of recommendations to make the costs incurred in civil litigation more proportionate, discouraging unnecessary or unmeritorious claims and ensuring that claimants take greater interest in the costs that are being incurred on their behalf in pursuing claims.

The Government took forward the recommendations from Lord Justice Jackson's report by way of primary legislation through the Legal Aid Sentencing and Punishment of Offenders Act 2012 (LASPO), amendments to the Civil Procedure Rules and case law. The majority of the changes came into force on 1 April 2013, including:

- An end to the recoverability of success fee uplifts and after-the-event (ATE) insurance premiums from compensators.
- The introduction of a qualified one-way costs shifting (QOCS) regime for the majority of personal injury cases.
- A 10% increase in awards for pain, suffering and loss of amenity.
- A new and stricter approach to cost management and cost budgeting.
- Lower fixed recoverable costs for motor vehicle accident claims up to £10 000.

- An extension of fixed recoverable costs to pre-litigated and litigated motor vehicle accident claims up to £25 000 (from 31 July 2013).

II.II Key development: political interest in the cost of motor insurance

As a result of the political interest in the cost of motor insurance in the UK, since 2010 the Transport Select Committee of the House of Commons has held a number of inquiries with a view to understanding the reasons for and consequences of the increases in the cost of motor insurance, whether there are public policy implications and, if so, what steps the Government might take in response to them. Further information on the Committee's inquiries can be found at: http://www.parliament.uk/business/committees/committees-a-z/commons-select/transport-committee/inquiries/parliament-2010/cost-of-motor-insurance/.

II.III Prime Ministerial Insurance Summit

In February 2012, the Prime Minister hosted a motor insurance summit at which he met the insurance industry and consumer and business groups to discuss the rising premiums that many drivers, families, consumers and businesses are facing, and the action that the Government was taking to help bring these down. There was a commitment from the Prime Minister that the Government would take action to tackle the compensation culture, reduce legal costs and cut health and safety red tape. The insurance industry committed to pass savings made on to consumers. The Ministry of Justice subsequently announced that the fixed legal costs for low-value personal injury claims in the RTA Claims Portal, the electronic portal through which all personal injury claims are submitted, would be reduced from £1 200 to £500. In addition, the claims limit for the portal was increased from £10 000 to £25 000 for claims arising from a motor vehicle accident.

II.IV Premium tracker

Every available index indicates that car insurance premiums have reduced substantially in the UK in recent years following reforms to the civil justice system (most notably the reduction in fixed legal costs). In response to consumer, media and political demand for more transparency on premium levels from the industry, the Association of British Insurers (ABI) launched a new motor premium tracker in February 2014 which shows that the average premium has fallen by 10% since the Prime Minister's Insurance Summit in February 2012. The ABI premium tracker can be found at: https://www.abi.org.uk/News/Industry-data-updates/2015/02/ABI-average-motor-insurance-premium-tracker-Q4-2014-data and indicates that premiums reduced by 4% over the course of 2014, despite a 5% increase in the fourth quarter of 2014 (the most recent period for which data is available).

II.V Whiplash reform

In 2013, the Ministry of Justice consulted on how to reform the whiplash claims system. Its consultation responses recommended fixing the fees charged for medical reports and the development and implementation of a robust accreditation system for those medical professionals preparing medical reports in support of whiplash claims. An important part of the system, the Ministry argued, is that there is financial independence between the organisation commissioning the medical report and the organisation preparing the medical report. The Government, in collaboration with the insurance industry, is now in the process of establishing a web-based system (MedCo) that will randomly allocate a medical reporting organisation or qualified medical professional capable of preparing a medical report in soft-tissue injury cases to a claimant lawyer who has requested such a report. Further information on MedCo is available at www.medco.org.uk and the system was scheduled to commence operations on 6 April 2015.

II.VI Young drivers

The insurance industry has long been of the view that reform to the way young people learn to drive in the UK is urgently required in order to reduce the number of deaths and serious injuries of young people on the roads. The Government had indicated its intention to publish a Green Paper on reform, which has not yet emerged. The insurance industry remains supportive of the introduction of graduated driving licencing (GDL) schemes, which have been proven to work in other parts of the world. The Government has shown a greater interest in telematics technology and the role it can play to help young drivers. While the technology shows promise, given the extremely small size of the market at present, it is likely that most

of the road-safety benefits currently identified are a result of already safe drivers self-selecting telematics products. Further information on the ABI's Safe Young Driver Campaign can be found at: https://www.abi.org.uk/Insurance-and-savings/Products/Motor-insurance/Young-drivers/ABI-campaign-for-safe-young-drivers.

II.VII Competition and Markets Authority investigation

Following a market study, in May 2012 the Office of Fair Trading (OFT) decided to refer the private motor insurance market to the (now) Competition and Markets Authority (CMA) for investigation. The OFT's study focused on the provision of replacement vehicles and vehicle repairs and considered that the insurers of drivers responsible for an accident ("at-fault" drivers) appear to have little control over the way repairs and replacement vehicles are provided to the "not-at-fault" driver. The OFT was concerned that this could enable the insurers of not-at-fault drivers, and others such as insurance brokers, credit hire organisations and repairers, to engage in practices that result in the cost of replacement vehicles and vehicle repairs provided to not-at-fault drivers being higher than they might otherwise be.

The CMA undertook a two-year inquiry, concluding in September 2014, which found that:

- In relation to the market for temporary replacement vehicles, although there is separation of cost control and cost liability that results in an adverse effect on competition, the CMA was unable to find a remedy within its powers that was both effective and proportionate. As such, the CMA decided not to move forward with any remedy, including its proposed consumer information remedy.
- The Financial Conduct Authority should (i) consider whether insurers and brokers should be required to provide to price comparison website (PCWs) the prices of the add-ons they provide; and (ii) work with insurers, brokers and PCWs to consider how the descriptions of add-ons could be improved.
- The use of wide most favoured nation (MFN) clauses in contracts been insurers and PCWs should be banned and the behaviour of large PCWs that seek to replicate the anti-competitive effects of wide MFNs should also be banned.

Further information on the CMA's investigation can be found at: https://www.gov.uk/cma-cases/private-motor-insurance-market-investigation.

II.IX Removal of the requirement for a Vehicle Inspection Certificate (VIC)

The VIC scheme was introduced in April 2003 with the purpose of deterring the crime of vehicle "ringing". Typically, this involves the theft of a car of significant value, which is then given the identity of a similar car (make, model, colour, etc.) that has been the subject of an insurance write-off. The written-off car is obtained cheaply; its identity (Vehicle Identity Number (VIN) and Vehicle Registration Mark (VRM) is then transferred to a higher-value stolen car which, now apparently genuine, can be sold at market price. The VIC check was designed to prevent vehicle ringing by confirming that the car presented is legitimate.

In 2012, the Department for Transport consulted on the future of the VIC scheme. The VIC scheme applied to written-off cars in particular salvage categories determined under an insurance industry code of practice. This placed a burden on a large number of owners who opt to retain the salvage (ie the car) because relatively minor damage can result in repairs costing more than the value of the vehicle. For many motorists, it has become an unnecessary procedure, particularly when a vehicle has remained in the hands of the same keeper for several years and the market value of the vehicle is low.

The vehicle crime element is now largely dealt with by modern vehicle technology, which has improved vehicle security over the 10 years since the inception of the VIC scheme. Therefore the Department for Transport decided to abolish the VIC scheme with effect from October 2015.

II.X Insurance Fraud Bureau (IFB)

The IFB was established by the ABI in July 2006. It is a not-for-profit organisation funded by the insurance industry, specifically focussed on detecting and preventing organised and cross-sector insurance fraud, primarily "crash for cash" scams. IFB membership is made up of insurers (managing around 98% of UK personal lines motor claims) supplemented by a few self-insured companies, compensators and local authorities.

The IFB has several key roles: detection, co-ordination and prevention. Firstly, the IFB receives data from industry databases and analyses that data to find the trends and patterns that fraudsters are trying to conceal and insurers alone cannot detect. Once a potential fraud has been detected, the IFB works with insurers, regulators and law enforcement agencies to investigate and prosecute those criminals. In addition to the enforcement aspect, the IFB also acts as a data and intelligence hub, enabling regulators and law enforcement to share data through a single source that it would not be practical to do at an individual insurer level. Finally, the IFB has an important role to play in prevention, not least by managing the Insurance Fraud Register (see below), but also through supporting the ABI on any lobbying activity and supporting the industry on consumer education.

II.XI Insurance Fraud Enforcement Department (IFED)

The IFED is a bespoke insurance fraud police unit, housed within the City of London Police, the lead UK force for economic crime. It became operational in January 2012. As of 1 December 2014, the IFED had made 612 arrests and secured 184 police cautions and 105 convictions. At any given time, the IFED has between £20m and £30m of fraud under investigation. On the IFED's direction, in excess of £200 000 has been seized from convicted insurance fraudsters and returned to their victims. A further £650 000 has been restrained.

In March 2014 the ABI demonstrated its continued commitment to tackling insurance fraud and its confidence in the IFED by extending and increasing its investment in the IFED by 20% to £11.7m over three years (to the end of 2017). The increased industry investment will fund the expansion of the IFED to 46 staff to more effectively tackle organised, high-value criminality and create capacity to deal with a greater level of opportunistic fraud.

Further information on the Insurance Fraud Enforcement Department can be found at: https://www.cityoflondon.police.uk/advice-and-support/fraud-and-economic-crime/ifed/pages/default.aspx.

II.XII Insurance Fraud Register (IFR)

The Insurance Fraud Register (IFR) is the UK's first industry-owned, cross-sector register of known insurance fraudsters across all product lines — whether general, life or health insurance. This database was created by the ABI and is managed by the IFB. It holds details of first-party fraudsters, third-party fraudsters, suppliers, professional enablers and articles used in fraud in relation to fraud committed at any stage during a policy lifecycle.

The consequences of appearing on the register can be significant. At the very least, fraudsters may find it harder to obtain insurance and will pay higher premiums. They may also find it harder to obtain other financial services, including mortgages and loans. So the due diligence requirements and contractual arrangements are prescriptive. And a number of safeguards are built into the system, including a robust complaints mechanism.

The register is currently being used by nearly 30% of the general insurance market (by GWP income). Interest in using the IFR remains strong, both from ABI members and the wider market, with over 100 formal registrations of interest received.

II.XIII MyLicence

MyLicence is a joint initiative between the insurance industry, the Driver and Vehicle Licensing Agency (DVLA) and the Department for Transport. MyLicence provides the insurance industry with access to DVLA driver data. The data includes convictions and entitlements and can be used at the point of quote, for mid-term adjustments and at renewal calculation.

As well as deterring application fraud, it is anticipated that MyLicence that will save honest customers an average of £15 on the cost of their motor insurance and improve the customer experience as insurers will need to ask fewer questions during the application process. Further information can be found at: https://www.abi.org.uk/Insurance-and-savings/Topics-and-issues/Insurance-industry-access-to-driver-data.

European Motor Insurance Markets is available on the Insurance Europe website: www.insuranceeurope.eu.

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