

Current Issues in European Motor Insurance

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Overview

- Fifth EU Motor Insurance Directive Highlights
- EU Membership
- Previous Directives
- New Provisions
- Impact



Current Issues in European Motor Insurance

- The content of these slides are based upon a variety of data sources, which have not been independently verified for accuracy. As such, no reliance should be placed upon, nor any action taken as a consequence of, the content or conclusions contained in this presentation.



Fifth Directive Timescales

- Adopted 11 May 2005
- In force 11 June 2005
- 24 month implementation window



Fifth Directive Provisions

- Security for victims
- Increased minimum cover amounts
- Protection for “non-motorised road users”
- Cross-border protection
- Provision of information



EU Evolution

- 1957 – Treaties of Rome creates EEC
 - Belgium
 - France
 - (West) Germany
 - Italy
 - Luxembourg
 - Netherlands



1972 – First Motor Directive

- Member states to ensure domestic vehicles have civil liability insurance cover for all member states
- Refrain from checking civil liability insurance of vehicles from other member states
- Make necessary checks of insurance provisions of vehicles from non-member states





EU Evolution

- 1973
 - Denmark
 - Ireland
 - UK
- 1981
 - Greece



1983 – Second Motor Directive

- Provision for compensation where guilty vehicle/driver is uninsured/unidentified
- Minimum cover amounts
 - BI - ECU 350k per victim
 - PD - ECU 100k per claim
- No recourse to insurance company where operators are in breach of insurance terms
- Protection of family
- Clarification of identification of home state





EU Evolution

- 1986
 - Portugal
 - Spain



1990 – Third Motor Directive

- Equal treatment across the Community
- Passenger protection
- Single premium guarantees cover across Community
- Burden of proof moved from victim to compensation body





EU Evolution

- 1991 – Maastricht and EEC becomes EU
- 1992 – Decision on Economic and Monetary Union
- 1995
 - Austria
 - Finland
 - Sweden



2000 – Fourth Motor Directive

- Prompt settlement of injury claims
- Accessibility of information – requiring register

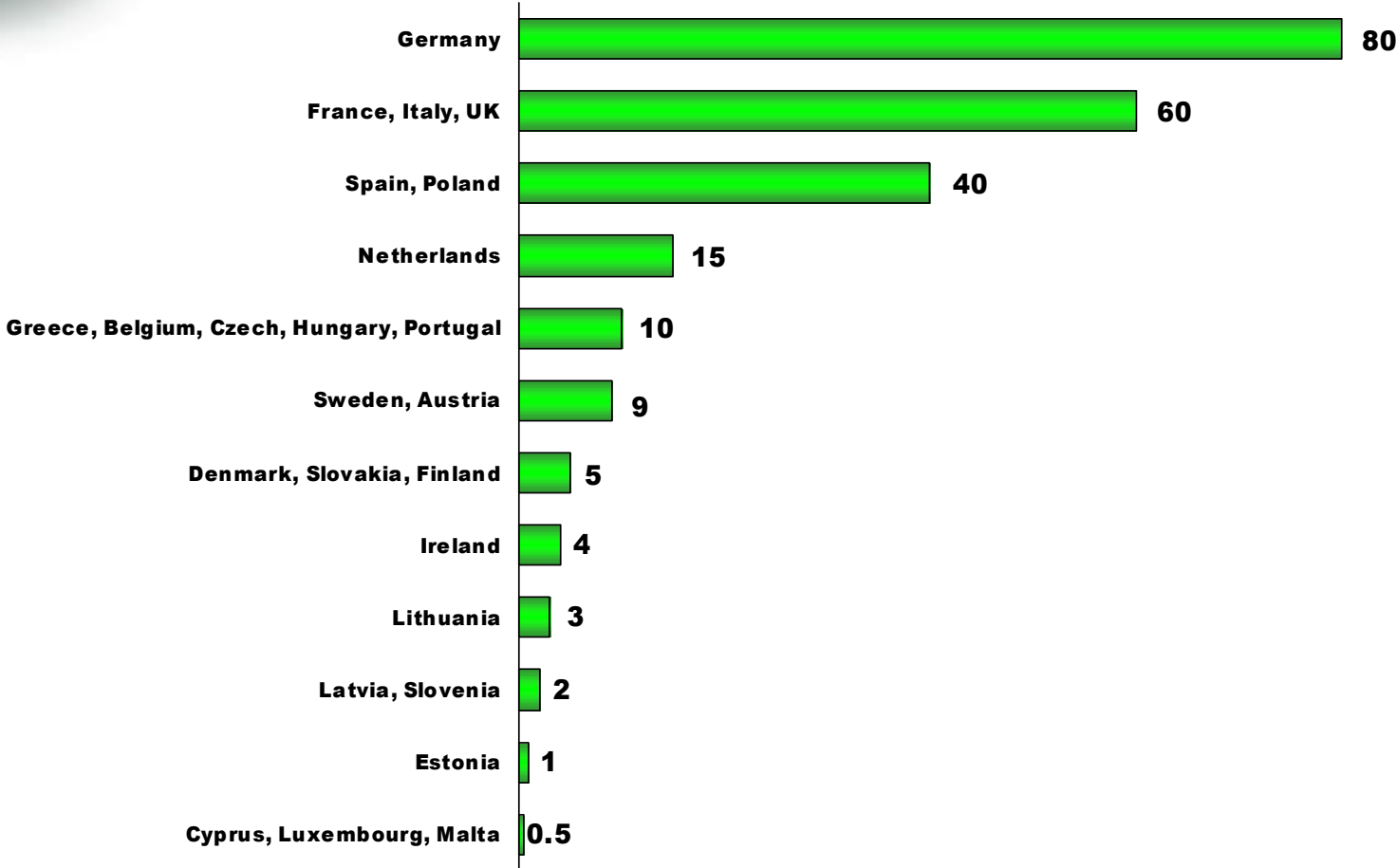


EU Evolution

- 2004
 - Estonia, Latvia, Lithuania
 - Poland, Czech Republic, Slovakia, Hungary
 - Slovenia
 - Malta, Cyprus

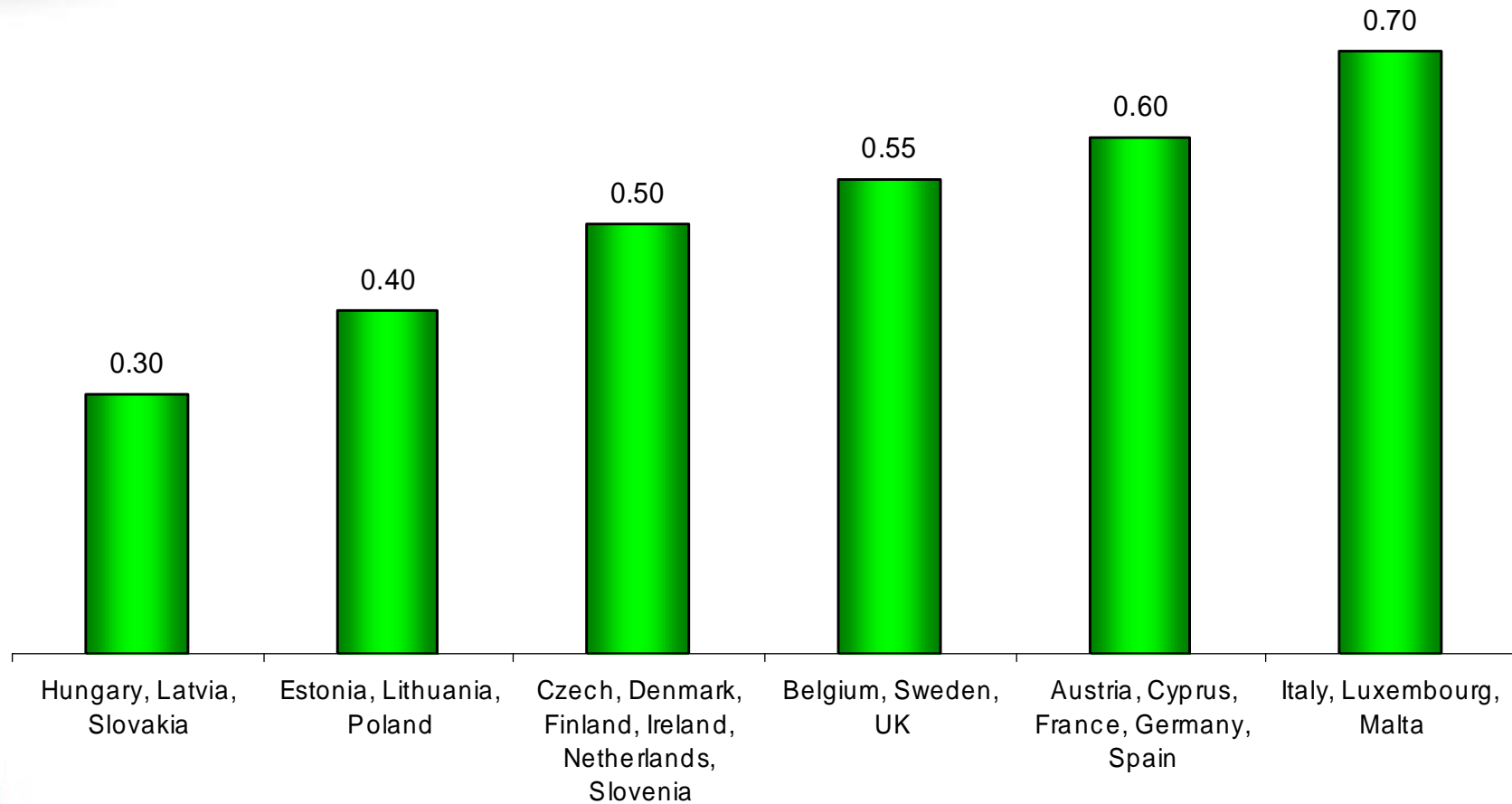


Country Comparisons – Popn (m)



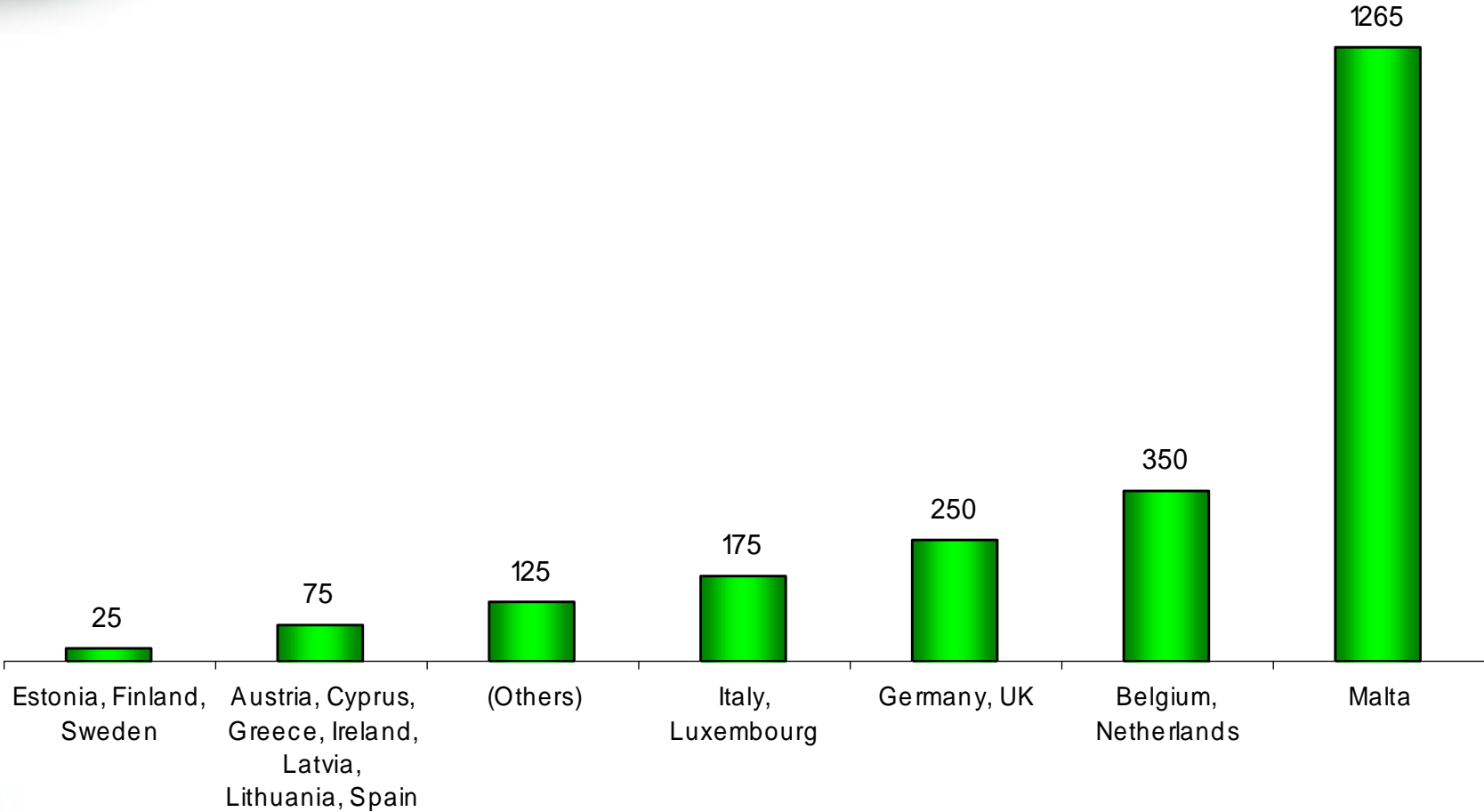


Vehicles per capita





Population Density (people/km²)





Country Comparisons

- Road death rates are similar across most countries, between 80 and 120 per million population
- Particularly high rates in:
 - Latvia 220 per million
 - Lithuania 210 per million





2005 - Fifth Motor Directive

- Security for victims
- Increased minimum cover amounts
- Protection for “non-motorised road users”
- Cross-border protection
- Provision of information





2005 - Fifth Motor Directive

- Security for victims – Responsible bodies
 - False/illegal plates
 - First directive indicated member state was wherever original plates were from
 - Fifth directive - responsible body is defined by location of accident
 - Insurance-exempt vehicles
 - Where accident occurs in another member state, that member state's compensation body pays claim, then re-claims from responsible body
 - Where the responsible body is not identifiable, the compensation body of the vehicle's member state is responsible



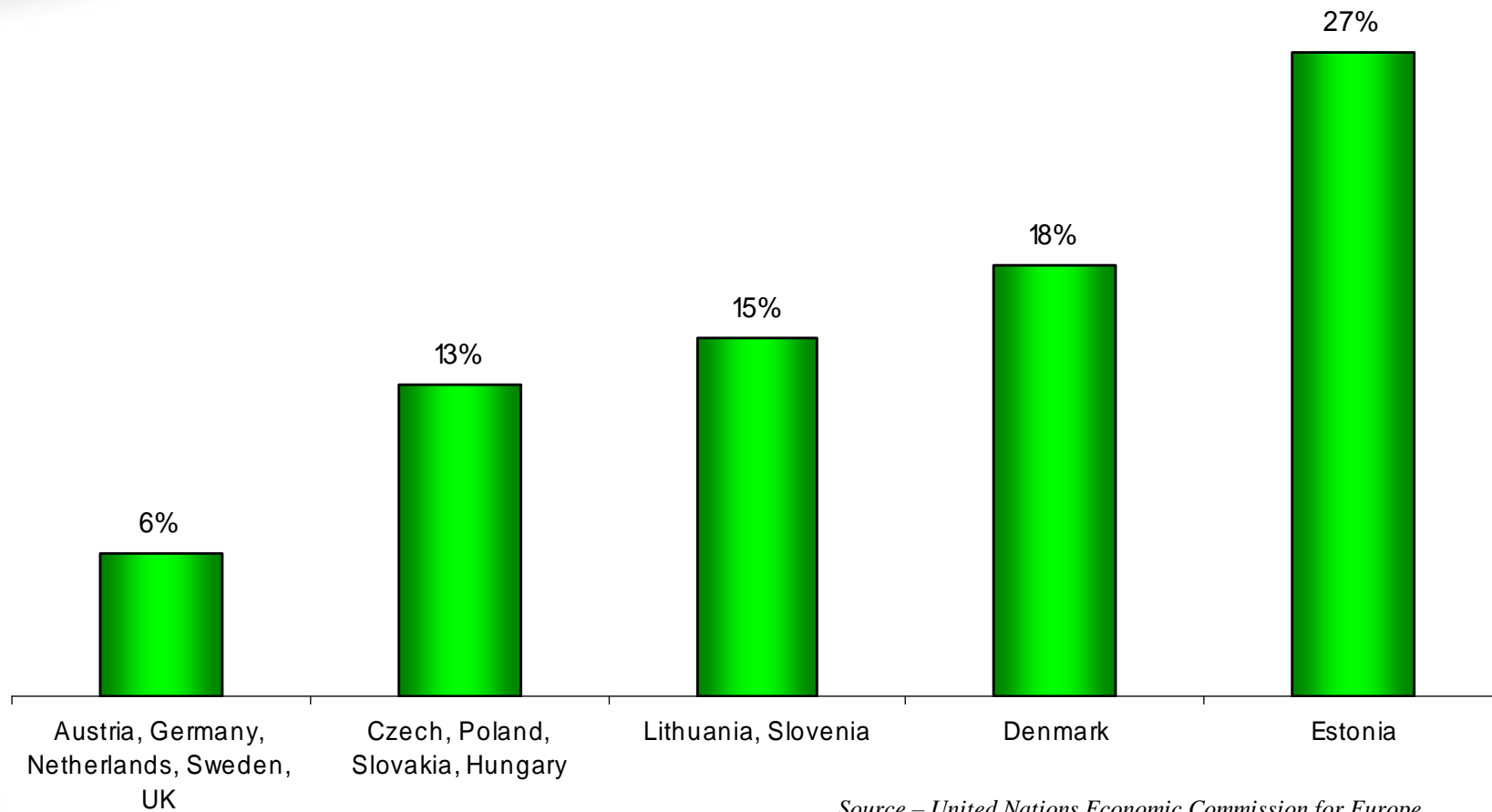


2005 - Fifth Motor Directive

- Security for victims – Cover
 - Second directive set out a number of situations where passengers of a vehicle were covered, irrespective of clauses in insurance contract
 - Fifth clarifies that passengers should be covered if driver is under the influence of drugs/alcohol



Proportion of Accidents Related to Alcohol



Source – United Nations Economic Commission for Europe





2005 - Fifth Motor Directive

- Increased minimum cover amounts
 - Second directive specified
 - ECU 350k per BI victim, or ECU 500k per BI claim
 - ECU 100k per PD claim
 - Alternatively
 - ECU 600k per BI&PD claim
 - Update to allow for inflation, and increase real protection





2005 - Fifth Motor Directive

- Increased minimum cover amounts
 - Fifth directive specifies
 - €1m per BI victim, or €5m per BI claim
 - €1m per PD claim
 - Reach half the increase two-and-a-half years after implementation
 - Reach full amounts by five years after implementation
 - Index in line with EICP at least every five years after full implementation



2005 - Fifth Motor Directive

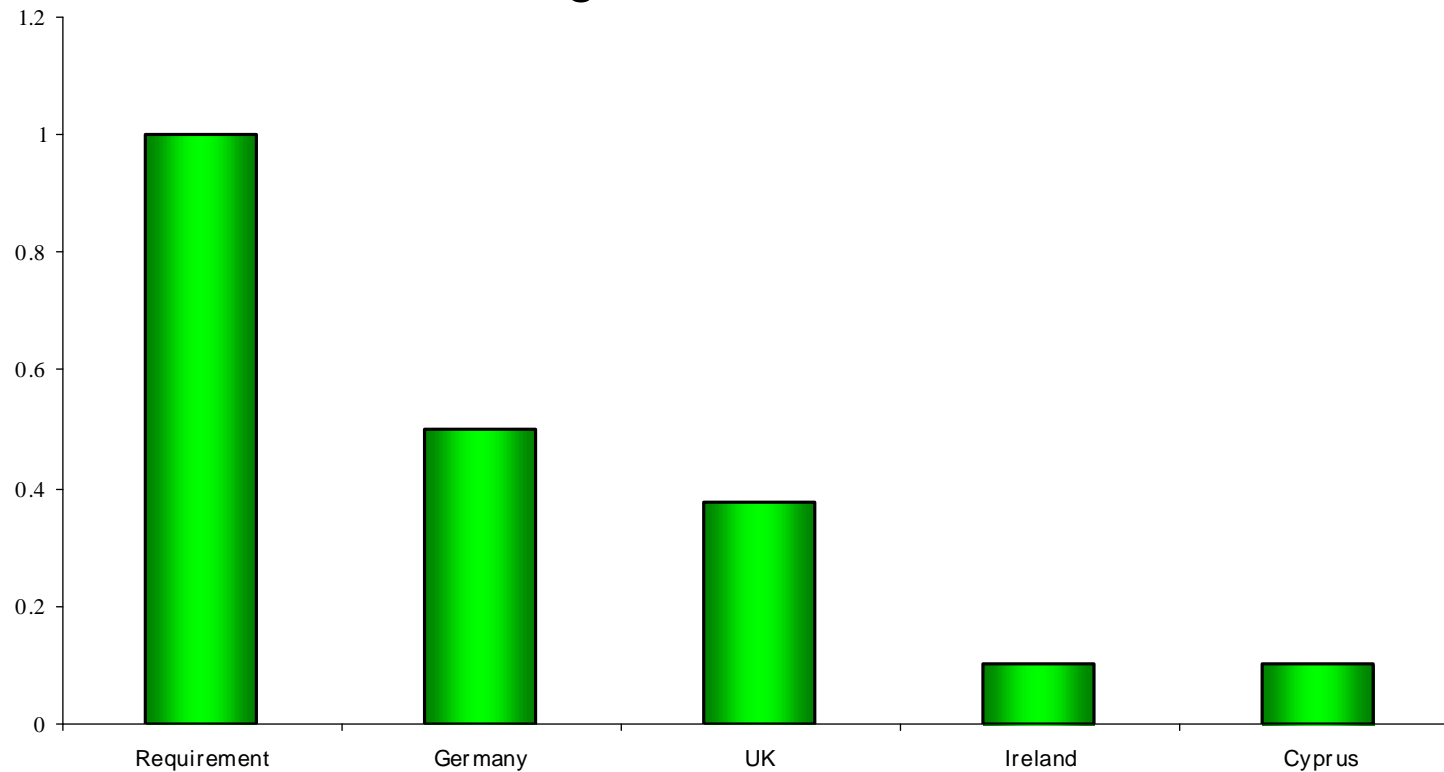
- Sufficient current coverage BI and PD
 - France
 - Belgium
 - Czech Republic
 - Hungary
 - Austria
 - Sweden
 - Denmark
 - Finland
 - Luxembourg

Sources – *International Insurance Law and Regulation, Insurance Services Network*



2005 - Fifth Motor Directive

- Sufficient current coverage BI - increase for PD

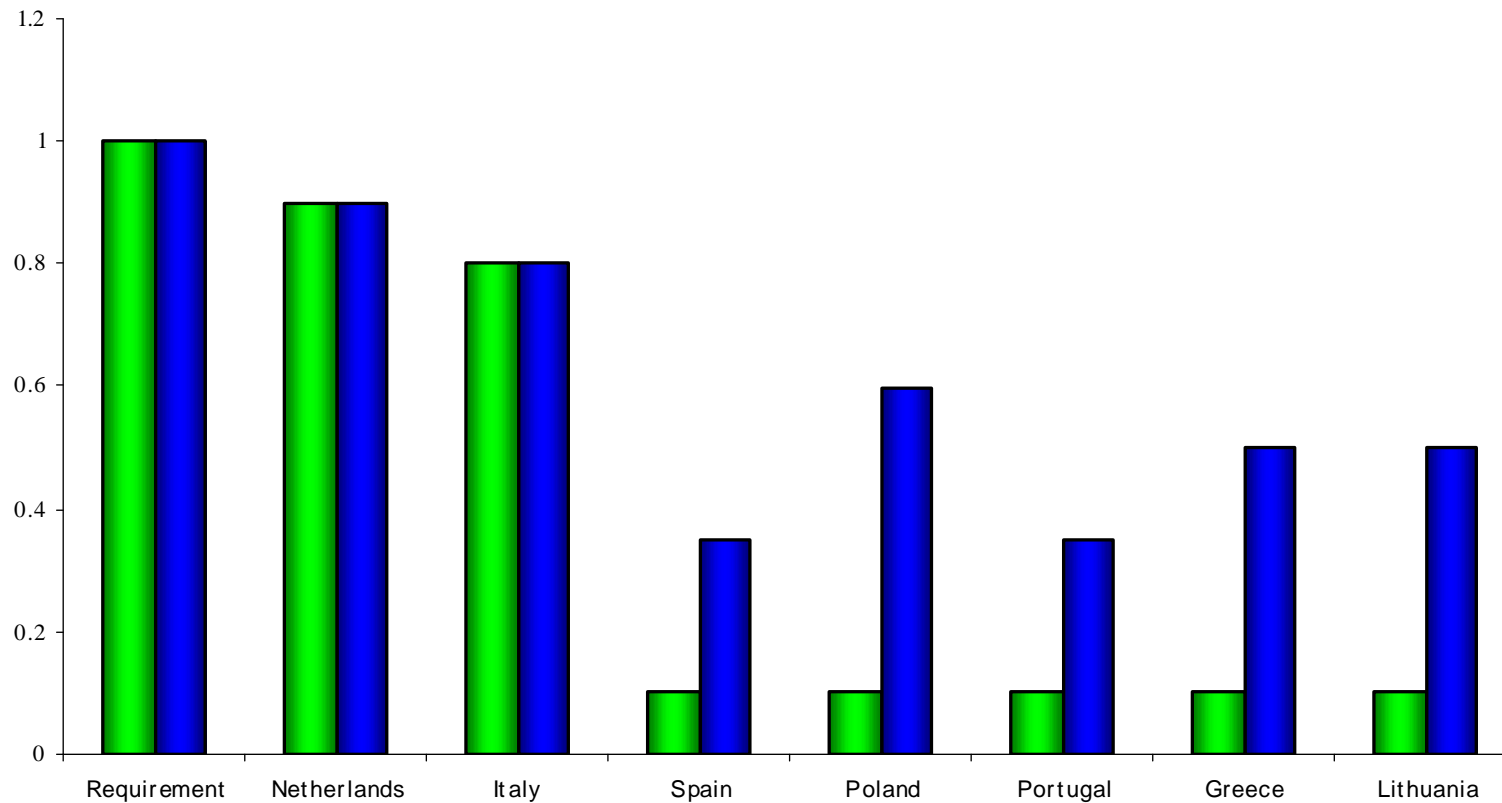


Sources – *International Insurance Law and Regulation, Insurance Services Network*



2005 - Fifth Motor Directive

- BI and PD increases required



Sources – *International Insurance Law and Regulation, Insurance Services Network*

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2005 - Fifth Motor Directive

- Increased cover where vehicle unidentified
 - Second directive allowed for limiting/withholding PD payments to reduce fraud
 - Fifth prevents this where “significant” BI payments are made
- PD Excesses
 - Second directive allowed for a ECU 500 excess where vehicle was uninsured
 - Fifth retains this only for unidentified vehicles





2005 - Fifth Motor Directive

- Protection for “non-motorised road users”
 - Member states required to ensure vehicles have civil liability cover where victims are entitled to compensation under national law



2005 - Fifth Motor Directive

- Cyclist road deaths as a proportion of total road deaths
- <5%
 - UK
 - France
 - Spain
 - Portugal
 - Greece
 - Cyprus
 - Ireland

Source – United Nations Economic Commission for Europe

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2005 - Fifth Motor Directive

- Around 10%
 - Germany
 - Poland
 - Czech Republic
 - Hungary
 - Denmark
 - Finland
 - Slovakia
 - Lithuania
 - Estonia



2005 - Fifth Motor Directive

- Cyclist road deaths as a proportion of total road deaths
- 20%
- Netherlands



2005 - Fifth Motor Directive

- Pedestrian road deaths as a proportion of total road deaths
- 6% - Netherlands
- 10-20% majority of countries
- 30%+
 - Poland
 - Lithuania
 - Estonia

Source – United Nations Economic Commission for Europe



2005 - Fifth Motor Directive

- Cross-border protection – Geographical Cover
 - Third directive required cover across whole of EU
 - Common clause of lapse following extended stays abroad
 - Fifth directive clarifies that lapse cannot be triggered by stays abroad



2005 - Fifth Motor Directive

- Cross-border protection – Imported Vehicles
 - Compensation body currently required to be that in member state of registration
 - Fifth directive - Immediately upon acceptance of vehicle, destination state's protection body is responsible
 - If not re-registered, after 30 days, reverts to state of registration



2005 - Fifth Motor Directive

- Cross-border protection – Victims of visitors
 - Fourth directive required right for victims to claim when abroad, against vehicles insured in any member state
 - Fifth requires any victims to enjoy the same right



2005 - Fifth Motor Directive

- Provision of information – Claims statement
 - Insurance company or specific body
 - Third party liability claims only
 - Latest five years
 - 15 days



2005 - Fifth Motor Directive

- Provision of information – Access
 - Fourth directive provided for access to victims of accidents abroad
 - Fifth amends this to allow access for any victim of any accident in EU



Impact of the Directive - UK

- The MIB and MIIC are in a position to provide the new services required
- MIB 2005 - £320m compensation
- Funding costs around £25 per motor policy
- PD limit will need to increase from £250k to satisfy €1m requirement
- Significant cost and administration implications of removal of PD excess

Source – MIB Website



The Future

- Sixth directive - Post Magazine reported:
 - Compulsory €1m “first-party” BI cover
 - Compensation for “weak drivers”



The Future

- Romania and Bulgaria to join EU 2007



The Future

- PAYD
- Third party cover only





The Future

- Price optimisation



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