

 <b>Regulatory Policy Committee</b>	<b>Validation of the One-in, Two-out Status and the Net Direct Impact on Business</b>
<b>Validation Impact Assessment (IA)</b>	Amendment of the Road Traffic Act (RTA) 1988 to remove the requirement of a policyholder to return a motor insurance certificate if they cancel their policy mid term
<b>Lead Department/Agency</b>	Department for Transport
<b>IA Number</b>	
<b>Origin</b>	Domestic
<b>Expected date of implementation (and SNR number)</b>	Under consideration - In the draft Deregulation Bill
<b>Date of Regulatory Triage Confirmation</b>	Not Applicable (Red Tape Challenge)
<b>Date submitted to RPC</b>	17/09/2013
<b>Date of RPC Validation</b>	08/11/2013
<b>RPC reference</b>	RPC13-DFT-1898
<b>Departmental Assessment</b>	
<b>One-in, Two-out status</b>	OUT
<b>Estimate of the Equivalent Annual Net Cost to Business (EANCB)</b>	£-28.69m
<b>RPC assessment</b>	<b>VALIDATED</b>
<b>Background (extracts from IA)</b>	
<b>What is the problem under consideration? Why is government intervention necessary?</b>	
<p>As part of the Government's Red Tape Challenge for road transport we examined what policy measures might place unnecessary burden on motorists and proposed to remove the need for a certificate in order to reduce paperwork for motorists and insurance providers. Instead those who require evidence of the insurance status of a vehicle, e.g. police, would use the Motor Insurance Database (MID). Intervention is necessary to remove the requirement in the RTA 1988 to reduce burden on motorists and insurers.</p>	
<p>Consultation revealed the industry is fundamentally opposed to the removal for the need for certificates for commercial reasons and withdrew the figure of £1 per certificate saving on which the previous IA was conducted. Instead, we will remove the requirement of policyholders to <b>return</b> the certificate if they cancel in mid-term which has significant benefits with no costs. This can only be done through primary legislation.</p>	
<b>What are the policy objectives and the intended effects?</b>	
<p>The objective is to remove the requirement in the Road Traffic Act 1988 which requires policyholders to return their motor insurance certificate if they cancel their policy or security mid term. The MID would be the evidence the policy has been cancelled. This should save insurers administration costs of reminding policyholders to return certificates, such as ensuring their return</p>	

and processing returned certificates. The intended effects of the policy are to save on administrative costs to insurers (businesses) and remove unnecessary burden on motorists by reducing paperwork.

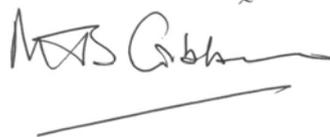
**RPC comments**

This is a deregulatory proposal under the Red Tape Challenge that removes the requirement for policy-holders to return their vehicle insurance certificates if they cancel their policy mid-term. The impact on business is that it would result in a large saving in administrative costs without compromising on legal requirement for motorists to hold the necessary document as there are other compensating controls.

The EANCBS of -£28.69 million is based on the estimate of the Association British Insurers that 6 million policy-holders per year cancel their policies mid-term, increasing in line with growth of car ownership. The benefits to insurers are the reduction in administrative and postage costs from no longer having to process and maintain the returned certificates, which is estimated to be £4 per certificate. There are no costs to insurers, police, and courts or to policy holders.

The IA does not include any discussion of costs to policy holders that are businesses. The Department has provided us with additional information explaining that these savings would be minimal next to the overall size of the benefit as few policy holders would be businesses and the savings per policy holder are small. The validation should have included this additional information.

**Signed**

A handwritten signature in black ink, appearing to read "Michael Gibbons", with a long horizontal line underneath it.

**Michael Gibbons, Chairman**