

A CALL TO ACTION!

**THE MAG CAMPAIGN FOR FAIRNESS AND
TRANSPARENCY IN MOTOR INSURANCE**



Motorcycle Action Group MAG (UK)

The Leading Riders Rights Organisation

www.mag-uk.org

CONTENTS

PAGE

3 - A CALL TO ACTION! THE CAMPAIGN

4 – DRAFT EXAMPLE LETTER TO MP

6 – STREETBIKER ARTICLE: Motor Insurance – It's Time to Break the Mould and Put an
End to the Protection Racket

7 – MAG PRESS RELEASE

A CALL TO ACTION!

THE MAG CAMPAIGN FOR FAIRNESS AND TRANSPARENCY IN MOTOR INSURANCE

Dear Fellow Motorcyclists,

You may by now know that my article on insurance published in the February/March edition of StreetBiker has been picked up and supported by MCN. The ammunition for the campaign has been accumulated through riders' responses to MAG's UK Theft and Insurance surveys, with co-operation from NABD, the National Association for Bikers with a Disability.

A big thank-you goes to those of you who responded to our surveys. These have provided much of the basic information that we needed to put a realistic campaign together.

If we now act together, promptly, we can bring about a massive change for the better in bike insurance. We **MUST** strike while the iron is hot. Our argument is simple. We demand transparency. Specifically, we want:

1. Disclosure by insurance companies of the estimated profit margin on each individual motor insurance policy at the time the quotation is given, in manner that conveys a fair and understandable picture to the would-be policyholder.
2. Disclosure of commissions by motor insurance brokers at the time a quotation is given.
3. Insurers to be compelled by law to publicly disclose premium income and claim expenses showing separately expenses for:
 - Third-party personal injury claims
 - Third-party property damage claims
 - Own vehicle damage claims
 - Theft claims
 - Amounts paid in legal fees and related expenses, court costs etc.
 - Insurers internal administration costs
4. Insurers to be compelled by law to offer Third Party Only cover, theft cover, and own-bike damage cover as separate items.

Motor insurance is compulsory. If you don't buy it then you can't drive. If you do drive without insurance you can be fined, have your license endorsed, be banned from driving or even imprisoned. Given the element of compulsion the Government has a **duty** to its citizens to regulate the profits of insurers. The most efficient means of regulation is a regime of enforced transparency, policed by government regulation, so you the consumer can make an **informed** choice when you buy a policy.

PLAY YOUR PART – ACTION WE NEED BY YOU!

- Write to your MP. DO IT TODAY!
- To find your MP check the House of Commons Website on <http://www.parliament.uk>
- Wrap a letter of your own around the points above and ask him/her to support our campaign.
- Ask your MP to **demand** government-sponsored legislation for better regulation of motor insurance along the lines described above.

Standard letters get ignored. Every letter needs to be personal for maximum impact. However, to give you an idea, a copy follows of a letter I am sending to my own MP.

All biker-MPs are being asked to support our campaign and MAG lobbyists will be campaigning at every level.

To succeed though we need the support of tens of thousands of ordinary motorcyclists.

This then is a call to action. Play **your** part and together we can bring about a fair and transparent insurance market. Please copy your letters to MAG, so we know which MPs have been contacted.

Neil F. Liversidge,
Director

Draft example letter to MP

Dear

The Motorcycle Action Group – MAG – is campaigning for greater transparency in the motor insurance market in general, and in motorcycle insurance in particular.

Insurers continually bleat about the problem of uninsured drivers and the cost to the Motor Insurers Bureau, which is of course passed on to honest premium paying policyholders. Complaints by insurers about claims for vehicle theft, genuine or otherwise, are also a frequent occurrence. These complaints by insurers are of course nothing more than an attempt to condition us into paying ever-higher premiums for motor insurance.

Very few forms of insurance are compulsory. Premiums for those insurances that are compulsory - such as Employer's Liability Insurance, and Professional Indemnity Insurance for financial advisers, have increased massively in recent years. The net result has been the closure of businesses, the loss of jobs, a reduction in profits and higher costs passed on to the consumer.

When a form of insurance is compulsory, normal market forces are to a degree suppressed and there must always be the suspicion that consumers are at the mercy of a price-fixing cartel.

Independent Financial Advisers (IFAs) who sell non-compulsory life insurance are heavily regulated for the privilege. Motor insurers and brokers, by comparison, are very lightly regulated.

IFAs are also compelled to disclose commission up front. Motor insurance brokers work under no such regulation. Likewise motor insurers make no disclosure of charges levied or estimated profit on the policies they write.

For consumers to benefit from a competitive market, motor insurance needs increased transparency. A first step would be to compel brokers to disclose commissions. Insurers should likewise be compelled to disclose the profit margin they expect to make on each individual policy at the point of sale. Premium income and claim costs should also be disclosed and a detailed breakdown given of what those costs relate to.

Specifically, insurers should publish information on the amount paid in claims that relates to third party personal injuries, how much to third-party property damage and how much to own vehicle damage.

We should also be told how much is being paid out to personal injury lawyers in legal fees since ambulance chasing was made a national institution with the near-abolition of legal aid for personal injury cases.

Were Third Party Only (TPO) cover to be made more affordable, it is of course possible that the problem of uninsured drivers would greatly diminish, as the basic level of legal insurance would be more readily obtainable.

Research into motorcycle insurance premiums suggests that in many cases there is little difference in cost between TPO cover and Third Party Fire & Theft (TPFT). Why is this? If insurers are to be believed then theft is a major factor in motorcycle insurance premium increases. If that is true then TPO should be substantially cheaper. It should be, but generally it isn't. Many insurers apparently refuse point blank to quote for TPO.

Insurers should be compelled by law to offer TPO. Couple this to hard disclosure of profit margins and there is a prospect that we might see more realistic TPO premiums in short order.

Were it possible to buy different cover components as separate items, consumers would then be able to shop around for the cheapest TPO policy and to buy additional cover for theft cover or own-bike damage cover elsewhere if they required it and could find it cheaper. It should be possible, but it isn't.

The financial services industry has already shown that disclosure of commission and charges **can** be done. It is also perfectly possible to buy Life Assurance from one company, Critical Illness Cover from another, Income Protection Insurance from a third and Unemployment Cover from a fourth. Similarly it has always been possible to buy buildings cover from one insurer and contents from another. The sophistication of modern computerised quotation systems can easily cope with disclosure of profit margins.

Currently the Government in effect says, "We will make you buy this product. If you don't buy it then you can't drive. If you do drive without buying this product then we will fine you, endorse your license, ban you from

driving or even send you to prison. But we will in no way regulate the profits of those selling the product we are compelling you to buy.”

This is a patently unsafe and unfair arrangement. In the interests of a free and fair market in motor insurance it is high time it was changed.

To summarise therefore, MAG demands legislation to bring about:

1. Disclosure by insurance companies of the estimated profit margin on each individual motor insurance policy at the time the quotation is given, in manner that conveys a fair and understandable picture to the would-be policyholder.
2. Disclosure of commissions by motor insurance brokers at the time a quotation is given.
3. Disclosure of premium income and claim expenses, showing separately expenses for:
 - Third-party personal injury claims
 - Third-party property damage claims
 - Own vehicle damage claims
 - Theft claims
 - Amounts paid in legal fees and related expenses, court costs etc.
 - Insurers internal administration costs
4. Compulsory offering of Third Party Only cover, theft cover, and own-vehicle damage cover as separate items by motor insurers

I would be grateful if you would please bring this to the attention of the appropriate Minister. If you would like to put down an Early Day Motion, that would be very much appreciated. Likewise I ask you to please support any EDMs put down by other MPs to the same effect.

Yours sincerely,

Your Name

Motor Insurance – It's Time to Break the Mould and Put an End to the Protection Racket

Very few forms of insurance are compulsory. Three that are compulsory are Employer's Liability Insurance - for all employers, Professional Indemnity Insurance - for financial advisers, and Third Party motor insurance – for all of us who ride and drive.

Employer's Liability Insurance and Professional Indemnity Insurance premiums have increased massively in recent years. The net result has been the closure of businesses the loss of jobs and the cutting of living standards. If the noises being made by motor insurers are anything to go by we should all expect big premium increases in the next year. Will you be able to afford to insure your bike? If you can't, how will you get to work? Will you be able to work? And what are you paying for anyway?

When insurance is compulsory, insurers have consumers over a barrel. It's a protection racket in the true sense. Why is it that people who sell non-compulsory life insurance are regulated up to the eyeballs whilst the purveyors of motor insurance face almost no regulation at all? In my working life outside MAG I am an Independent Financial Adviser. If I advise you to take out a life policy or an investment then I have to tell you, up front, what commission I will earn on the deal. It's called hard disclosure. But when did your motor insurance broker last tell you what profit they would make on the deal? When did the insurance company last disclose the profit margin on your policy?

It's time to break the mould and put an end to the gravy train for insurers. How do we do it? Reform number one - by campaigning for better regulation of motor insurance. Specifically we need transparency. Brokers must be compelled to disclose commissions. Insurance companies must be compelled by law to disclose the profit margin they make on individual policies at the point of sale. They must be compelled to publicly disclose premium income and claim costs and to provide a detailed breakdown of what those costs relate to. We should be told how much relates to third party personal injuries, how much to third-party property damage and how much to own vehicle damage under fully comprehensive policies. We should also be told how much is being paid out to personal injury lawyers in legal fees since ambulance chasing was made a national institution. We don't have a choice about buying third party cover so we have a right to know what we are paying for.

Which brings me nicely to the issue of Third Party Only (TPO) cover. Research suggests that in many cases there is little difference between TPO cover and Third Party Fire & Theft (TPFT). Why is this? If insurance industry propaganda is to be believed then theft is a major factor in premium increases. If that is true then TPO should be substantially cheaper. It should be but it isn't. Any many insurers apparently refuse point blank to quote for it. Reform number two then – insurers should be compelled by law to offer TPO. Couple this to hard disclosure of profit margins and we should get realistic TPO costs in short order.

But what about all the people, I hear you say, who don't want TPO? What about all those with twelve grand Harleys? Reform number three – it should be possible to buy theft cover and own-bike damage cover as separate items. Consumers could then shop around for the cheapest TPO policy and buy theft cover or own-bike damage cover elsewhere if they could find it cheaper. Sure comprehensive cover should still be available. But why should you not be able to buy the different component parts from different companies if you can get it cheaper?

I can hear now all the bleating from insurers who will say that it won't work and can't be done. It's tough luck for them then that the financial services industry has already shown that it can be done. It is perfectly possible to buy Life Assurance from one company, Critical Illness Cover from another and Income protection Insurance from a third. You can go on to buy Unemployment Cover from a fourth and so on. The sophistication of modern computerised quotation systems can easily cope with disclosure of profit margins.

Right now the Government in effect says, "We will make you buy this product. If you don't buy it then you can't drive. If you do drive without buying this product then we will fine you, endorse your license, ban you from driving or even send you to prison. But we will in no way regulate the profits of those selling the product we are compelling you to buy."

This is a patently unsafe and unfair arrangement. In the interests of a free and fair market in insurance it is time it was changed. It is time to fight.

Neil F. Liversidge
31 January 2004

Published in issue 132 of Streetbiker the MAG Members newspaper.

MAG Press Release Issued 11th March

Motor Insurance Time for Reform

The Motorcycle Action Group (MAG) has launched a campaign for total transparency in the motor insurance market.

MAG has asked its 53,000 members nation-wide to write to their MPs urging them to support MAG's demands which are as follows:

Disclosure by insurance companies of the estimated profit margin on each individual motor insurance policy at the time the quotation is given, in a manner that conveys a fair and understandable picture to the would-be policyholder.

Disclosure of commissions by motor insurance brokers at the time a quotation is given.

Insurers to be compelled by law to publicly disclose premium income and claim expenses showing separately expenses for:

- Third-party personal injury claims
- Third-party property damage claims
- Own vehicle damage claims
- Theft claims

Amounts paid in legal fees and related expenses, court costs etc.

Insurers' internal administration costs

Insurers to be compelled by law to offer Third Party Only cover, theft cover, and own-bike damage cover as separate items.

nb: All MPS details are available from www.locata.co.uk/commons/

MAG point out that:

Motor insurance is compulsory. If you don't buy it then you can't drive. If you do drive without insurance you can be fined, have your license endorsed, be banned from driving or even imprisoned. Given the element of compulsion the Government has a duty to its citizens to regulate the profits of insurers. The most efficient means of regulation is a regime of enforced transparency, policed by government regulation, so you the consumer can make an informed choice when you buy a policy.

MAG's latest campaign comes on the back of research to assess riders' experiences of motorcycle insurance and theft which MAG conducted by means of questionnaires with help from MAG Netherlands and The National Association of Bikers with a Disability.

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The UK's Leading Riders' Rights Organisation