

NEWS BRIEF

Presented by **Crendon Insurance Brokers Ltd**

Upcoming Changes to the Road Traffic Act

The Deregulation Act 2015, which received Royal Assent on 26th March 2015, contains important changes to the Road Traffic Act 1988 regarding the return and recovery of motor insurance certificates. The Deregulation Act 2015 is a sweeping new law meant to simplify bureaucracy as part of the government's Red Tape Challenge.

As such, the Deregulation Act 2015 reduces burdens and streamlines regulation for a range of industries and individuals, such as landlords, driving instructors and motor insurers. The provisions affecting motor insurers go into force on 30th June 2015 and will impact all UK motor policies, both new and existing. For this reason, the Deregulation Act 2015 has serious implications for commercial and personal lines policyholders, and the brokers selling those policies.

What Are the Changes?

The main motor insurance changes brought about by the Deregulation Act 2015 govern the delivery and return of motor insurance certificates:

- Insurers are still required to send and deliver certificates to their policyholders, but the Deregulation Act 2015 dictates that the delivery of those certificates is no longer the requirement for commencing cover—after 30th June, cover will become effective according to the date specified/date on the certificate rather than when policyholders receive their certificates.
- In the same way that the commencement of motor insurance policies is no longer dependent on policyholders receiving their certificates, returning them will no longer be a requirement for terminating policies mid-term. Going forward, cancelling cover will take effect on the agreed-upon date. Insurers will

not need to retrieve policyholders' certificates in order to avoid any ongoing liability. Any premium owed to policyholders will be calculated according to the policy terms, and insurers' liability will end once they update the Motor Insurance Database (MID).

What Should Insurers Do?

Because the cancellation of motor policies under the Deregulation Act 2015 is dependent on updating the MID, insurers should update it immediately. Neglecting to do so could expose them to undue liability.

Insurers should ensure the wording of their motor policies reflects the Deregulation Act 2015 changes—specifically the areas that reference the delivery and return of motor insurance certificates.

What Should Policyholders Do?

Commercial and personal lines policyholders should note that their motor cover commences on the specified date, not when they receive their certificate, and that they do not need to return their certificates or make a declaration in order to cancel their policies after 30th June—they must simply notify their brokers of the cancellation.

What Are the Benefits of the Deregulation Act?

These changes make it easier for brokers and policyholders to establish accurate cancellation dates. It will save brokers from having to track and receive insurance certificates, and it will eliminate the ambiguous delay caused by policyholders needing to send in their certificates to cancel their cover and insurers waiting to receive them.

For more information on complying with the terms of your commercial or personal lines motor policy, contact **Crendon Insurance Brokers Ltd** today.

