



Drink driving and the wider purpose of insurance

Dec 11 2007 [Jonathan Goodliffe](#)

The insurance industry should take a more active role in reducing deaths and injuries caused by drink driving, and in the wider development of policy on the reduction of alcohol related harm.

The UK drink driving problem

In 2006, 540 people are estimated to have been killed in motor accidents involving illegal alcohol levels. 1,960 people were seriously injured and 11,880 slightly injured. In 1995 when the figures for deaths were similar, the government estimated that another 250 people were killed in accidents involving drivers and riders with raised blood alcohol levels, but below the legal limit.

Reducing death and injury

The blood alcohol limit for driving in the UK is 80 milligrammes of alcohol in 100 millilitres of blood. In most of the rest of Western Europe it is 50mg. Over the last ten years, the police, magistrates and the medical profession have supported a reduction in the current UK limit, but it is not clear whether this will ever be done.

There are other things that might help to reduce deaths and injuries. Examples include more publicity for the don't drink and drive message and more resources for police enforcement. Subject to human rights considerations, blood testing might be carried out at random. Ensuring that banned drivers are not driving without a licence and insurance is also crucial.

The responsibility of society

In the latest government paper on its alcohol strategy, Vernon Coaker, under-secretary of state at the Home Office, identified an equally important approach to reducing alcohol-related crime. He said that "promoting a sensible drinking culture that reduces violence and improves health is a job for us all ... Business and industry should reinforce responsible drinking messages at every opportunity."

Nick Starling, head of general insurance at the Association of British Insurers, has recently joined an alcohol policy panel convened by Alcohol Concern. The ABI's press office responded to an enquiry about the insurance industry's role in reducing the problems arising from drink driving:

"[Mr Starling] feels that, given that he has had only a very brief contact with Alcohol Concern and that we have relatively little to say on this, that it would not be worthwhile your interviewing him. I am happy to outline the main insurance implication of drink-driving — higher motor insurance premiums — if you wish."

The wider purpose of insurance

This response hardly does justice to the role of insurance in modern society. Insurance not only protects the financial interests of policyholders and of people whom they have harmed; it may also encourage a more creative approach to the management of risk, including risk arising from alcohol misuse.

In some US states, for example, insurers underwriting lawyers' malpractice cover have taken a lead in founding programmes for helping addicted lawyers. These programmes also educate other lawyers about how to recognise the problem in colleagues and to provide help. No doubt the insurers hoped that they would reduce claims rates and increase their profits. They also helped the individuals concerned and their families and contributed to improving the quality of the legal service provided to their clients.

Another example of "enlightened self-interest" is the insurance industry's involvement in the subject of climate change. The industry (and the ABI) has a leading role in the long-term planning of counter-measures, such as flood defences, and in promoting climate awareness.

What about motor insurance?

No equivalent process is apparent in the field of motor insurance. People who take out motor insurance (in contrast to, for instance, life or illness insurance) are not usually asked about their drinking habits. Sometimes they are not asked at all about whether they are fit to drive. The applicant for cover will, however, be required to declare any motoring convictions for drink driving. In the absence of such a conviction, alcohol misuse will not be identified. In a sense, therefore, motor insurers underwrite against the risk of drink driving only after the risk has materialised. A part of the wider social purpose of the underwriting process is therefore lost.

Twenty years ago, alcohol and other health issues were more systematically covered on proposal forms for

motor insurance. Under Section 148 of the Road Traffic Act 1988, however, the insurer is liable to anyone injured by the motorist's drink driving, even if it repudiates the insurance because of the motorist's fraud. The insurer may sue the motorist to recover its payout to the victim, but that will generally not be cost-effective. It may be like trying to get blood out of a stone. Losses can only be recouped when the motorist gets his licence back and is charged a penal premium.

Heavy competition in the motor insurance market is another factor. Insurers and their intermediaries advertise how easy it is to get insurance, particularly over the internet. Too much focus on getting the motorist to ask himself whether he is fit to drive may dilute that message and lose business. Insurers give advice on their web sites as to how to avoid an insurance claim. This advice does not seem to include "don't drink and drive".

A motorist is, of course, under a legal obligation to notify the licensing authorities if he becomes unfit to drive. Problem drinkers, however, are typically in "denial". A more effective approach might be for insurers to raise the issue when cover is taken out and every year when it is renewed.

New York legal rules

Section 312(1) of the New York Vehicle and Traffic Law requires insurers, when issuing or renewing motor insurance, to provide a statement on this issue to every insured (i.e., not just the policyholder but also any "named" drivers). The statement outlines the legal and financial consequences of convictions for operating a motor vehicle when under the influence of alcohol or drugs. The six-page statement contains the following passage: "We [i.e. the New York insurance industry] strongly endorse the message conveyed by the law — that it does not pay to drink and drive."

Corporate social responsibility

The ABI's apparent lack of interest in drinking and driving may not, however, be representative of the attitude of the insurance industry as a whole. Lord Sharman is chairman of Aviva, the international insurance group which includes, among other members, the Norwich Union. He remarked in the Aviva 2007 corporate social responsibility report:

"The board remains keenly aware of the need to develop our business to be sustainable and responsive to the needs of customers, staff and the wider communities in which we operate."

Motor insurance and its wider purpose (in contrast to, for instance, climate change) does not seem to be covered in insurers' CSR policies. There are, however, at least three good reasons why it should be:

1. Motor insurance is compulsory and, therefore, a captive market for insurers. The profits from that market should be counterbalanced by a more significant contribution by insurers to the development of longer term solutions to the risks which they cover.
2. This is not an area where the initiative is likely to come from the insurance industry's regulator, the Financial Services Authority. The FSA's statutory objectives (in sections three to six of the Financial Services and Markets Act 2000) do not include protecting and treating fairly people who are liable in the future to be injured in motor accidents. Motor insurance (unlike, for instance, payment protection insurance) is therefore not a current problem on the FSA's regulatory agenda.
3. In other areas of insurance against risks where alcohol misuse may be a factor, such as professional indemnity, life, illness and fire, research carried out by Aviva and other insurers (including for instance, Swiss Re and SCOR) has provided valuable insights for the study and reduction of alcohol problems. When insurers apply their minds to these matters the result can be significant.

It is to be hoped that a dialogue between the government, insurers and professionals in the alcohol field will ultimately emerge.

1 **Jonathan Goodliffe** is a solicitor who specialises in insurance regulation. His research paper "[Insurance: solving some alcohol problems and causing others](#)" (PDF) is published by the Institute of Alcohol Studies.

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