

## Why motor premiums differ across Europe

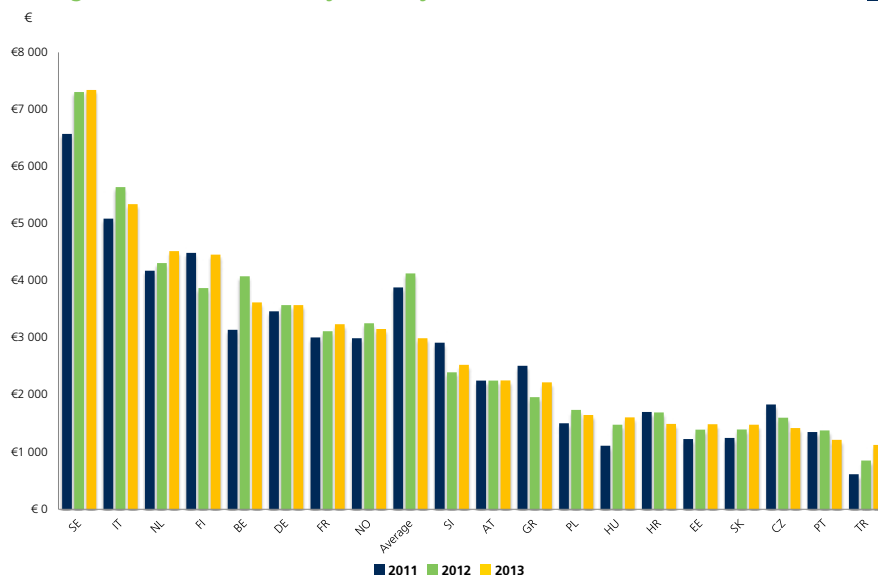
A one-size-fits-all motor insurance policy would not offer value to policyholders

The fact that motor insurance premiums differ between EU member states is sometimes perceived as being inconsistent with the ideal of a single EU market. However, premiums reflect expected claims costs and frequency, and there are a range of factors that mean that claims differ from one country to another.

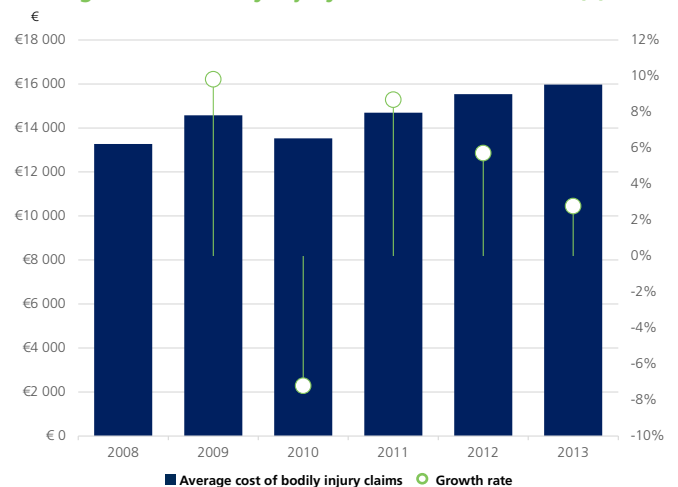
A report, published by Insurance Europe, on European motor insurance markets confirmed that the cost of motor insurance claims varies widely across Europe.

The report revealed that in 2013 the average cost of motor third-party liability (MTPL) claims ranged from €1 200 in Portugal to more than €5 000 in Italy and Sweden.

### Average MTPL claims costs by country — 2011–2013 (€)



### Average cost of bodily injury claims — 2008–2013 (€)



Bodily injury claims account for a large percentage of the total cost of motor insurance claims. One important factor affecting claims costs, therefore, is that it costs insurers more to pay bodily injury claims resulting from traffic accidents in some countries than it does in others.

For example, bodily injury claims ranged in average cost from less than €4 500 in Estonia, Turkey and the Czech Republic to more than €20 000 in France and Greece, reflecting differences in the costs of medical treatment and in compensation practices.

The average cost of bodily injury claims in Europe is increasing. In 2013, the average cost of a bodily injury claim was €15 970, compared to €15 540 in 2012. Between 2008 and 2013, the average cost of a bodily injury claim grew by 20%.

The factors that influence the frequency and costs of claims fall into three broad categories.

One is the regulatory environment — such as national liability laws, litigation rules and compulsory MTPL insurance obligations. This will shape the type of compensation to which an injured party is entitled following a traffic accident. This environment can also be influenced by local attitudes to litigation and compensation.

Secondly, there are road and traffic-related factors resulting from demographics, terrain and driving habits that affect the risk of accidents. For instance, if a country — or even a particular region — has high traffic density or a significant proportion of young drivers, risks will be higher.

Whether a country is prone to severe weather is also an important factor, and the level of expenditure on road maintenance and road-safety initiatives can impact the number and severity of traffic accidents.

Finally, the economic situation of a member state plays a large role in the cost of premiums, as it can affect the cost of vehicle repair (including labour costs and the price of spare parts), medical expenses and the type and value of vehicles at risk of theft.

In light of these regional differences, amongst others, Insurance Europe believes that the level of harmonisation currently provided by the EU's Motor Insurance Directive is appropriate. The Directive provides member states with the necessary discretion to set civil liability rules and calculate compensation awards that are suitable for their region. It also provides motor insurers with the flexibility they need to design and price motor insurance products that are best suited to local consumers.

For these reasons, Insurance Europe believes that a pan-European motor insurance product designed to accommodate all the liability laws and regional cost factors in the EU would not address the needs of consumers at a competitive price.

For any additional information, please contact Rosa Armesto, head of public affairs and communications at Insurance Europe (tel: +32 894 30 62, [armesto@insuranceeurope.eu](mailto:armesto@insuranceeurope.eu)).

### Some key facts about Europe's motor insurance markets

Motor insurance is the most widely purchased non-life insurance product in Europe, accounting for 27.4% of non-life business, and in 2013 total motor premiums in Europe equalled €123.5bn.

Motor insurance markets are highly competitive. Around 1 000 companies provide cover for 334 million vehicles, offering a variety of motor insurance products tailored to consumer needs and local regulatory requirements.

While the number of cars on the road continues to increase, since 2009 the volume of claims has actually decreased, due to an overall reduction in traffic accidents, which have fallen by over 13% over the last decade.

Direct motor premiums written in the domestic market — 1999–2013 (€m)

