

Octo Calls For Insurance Tax Relief To Encourage Safer Young Drivers

Chancellor is penalizing the under 25s and has missed an opportunity to incentivize safer driving through IPT relief for telematics

LONDON, 23 November, 2016: Octo Telematics, the number one global provider of telematics for the auto insurance industry, said the rise in Insurance Premium Tax (IPT) announced by the Chancellor today will disproportionately penalise younger drivers and is a missed opportunity to incentivize safer driving among the under 25's by offering IPT relief on telematics insurance products.

The Chancellor announced on Wednesday that IPT will rise to 12% from 10% next June – double what it was in November 2015. This is now likely to add more than 10% to the cost of motor insurance and young motorists will be hit hardest as they face often face premiums of over £1300.

The ABI's Quarterly Motor Insurance Premium Tracker for the third quarter of 2016 showed that the average price paid for comprehensive insurance was £440, a rise of 9% compared to the same period last year, adding an extra £38 to the average price paid for comprehensive cover. Part of this increase is attributable to the steady rise in IPT.

Telematics insurance products collect contextual vehicle and driver data to correctly assess risk and accurately price premiums. They provide actionable intelligence to motorists to help them improve their driving, become safer road users and take more control of the insurance premium they pay. BIBA member research shows that there is a 40% drop in crash risk for new drivers that use a telematics device.

Jonathan Hewett, Executive Vice President at Octo Telematics, said: "With this rise in IPT, younger drivers are once more being disproportionately penalized on top of their soaring insurance premiums. They need every incentive to be educated and informed about their driving behaviour, for their own safety and that of other road users. We would like to see the government's commitment to road safety demonstrated in IPT relief for insurance products that reward safer driving, such as telematics."

Brake, the road safety charity, also said it supported incentives and rewards for drivers to increase telematics adoption and make the roads safer. This follows a proposal made by the British Insurance Brokers' Association (BIBA).

Richard Coteau, corporate fundraising manager at Brake, said: "Telematics can play a crucial role in helping to monitor and improve driver behaviour. Drivers who choose to install telematics in their vehicle have made a positive choice to try and improve their driving habits, and it is important that insurers work with these drivers to help them to understand how telematics can help them to be safer on our roads. Incentivising or rewarding those who decide to use telematics would be a positive move, helping to encourage more people to utilise technology which will make our roads safer."

Research shows that driver aged 17-24 years old are at a much higher risk of crashing than older drivers¹. Drivers aged 17-19 only make up 1.5% of UK licence holders, but are involved in 9% of fatal and serious crashes where they are the driver². Drivers aged 16-19

¹ Full and provisional driving licences by age and gender, Driver and Vehicle Licensing Agency, 2015

² Reported road casualties Great Britain 2014, Department for Transport, 2015, table RAS3001

are a third more likely to die in a crash than drivers aged 40-49³ and one in four 18-24 year olds (23%) crash within two years of passing their driving test⁴.

Telematics can benefit all motorists and the advent of the connected car means that the technology is evolving beyond after-market devices into in-car connectivity and smartphone apps such as Octo U. Penetration of global integrated telematics is expected to reach 88% for new cars by 2025⁵, making the technology central to the future safety of all drivers.

Telematics has already become key to reducing the number of accidents involving people who are driving as part of their job, according to research by RAC Business⁶. More than half (52%) of the 500 UK businesses surveyed said telematics has reduced the number of collisions for their fleets, while 58% reported a reduction in speeding incidents and fines. For the second year running, Octo has partnered with Brake, the road safety charity operating across the UK, for Road Safety Week 2016. Taking place on the 21st to 27th November 2016, Road Safety Week is the UK's biggest road safety event. It involves thousands of schools, organisations and community groups.

Octo Telematics has a strong commitment to creating safer drivers. The company is at the forefront of telemetry technology and has developed powerful analytics that transform driving behavior by providing drivers with actionable intelligence. Octo is constantly improving algorithms that assess contextual driving behavior and provide crash alerts and accident reconstruction, ultimately to make the roads safer.

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About Octo Telematics

Octo is the number 1 global provider of telematics and data analytics solutions for the auto insurance industry. Founded in 2002, Octo is one of the pioneers of the insurance telematics industry. Today, Octo is the largest and most experienced insurance telematics company in the world, transforming auto insurance through behavioral, contextual and driving analytics for more than 60 insurance partners. Octo has more than 4.6 million connected users and the largest global database of telematics data, with over 136 billion miles of driving data collected and 358,000 crashes and insurance events analyzed (as of 30 September 2016). Octo applies proprietary algorithms to this market-leading database to deliver powerful new insights into driver risk, informing solutions that benefit both auto insurance companies and policyholders. The company is headquartered in London, with offices in Boston, Rome, Stuttgart, Madrid, and Sao Paulo. <http://www.octotelematics.com/>

³ Reported road casualties Great Britain 2014, Department for Transport, 2015, table RAS30025

⁴ Young drivers at risk, The AA, 2012

⁵ EY research report 'The quest for Telematics 4.0'

⁶ Research carried out by 3Gem Media among 500 UK businesses with vehicles, on behalf of RAC Business in September 2015.

