




The Actuarial Profession
making financial sense of the future



GIRO Conference and Exhibition 2012
Juggling uncertainty – the actuary's part to play

19 September 2012

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making financial sense of the future

GIRO Conference and Exhibition 2012

Third Party Working Party
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The materials contained in this presentation pack and any oral representation of it by the working party are outside the scope of the TAS.

Third Party Working Party

- Third iteration of the Actuarial Profession's Third Party Working Party, which investigates third party motor claims (injury and property damage)
- Scope this year focussed on private car comprehensive business, with a more granular analysis of geography
- At £8.5bn earned premium for 2011, greater volumes of data than ever before:
 - Data from new contributors representing an extra £2.1bn in earned premium for 2011
 - Significant increase in number of contributors since last year, including new FSA and FSC (Gibraltar) regulated companies
 - Analysis of geography now supported by data at postcode sector level
 - Data collected, processed and analysed in aggregate by Towers Watson

Third Party Working Party

- Initial results presented at June Reserving Seminar and Pricing Seminar:
 - Market statistics and accident year trends, with commentary from the Working Party
 - Analysis of regional experience
- Further potential results to be presented at GIRO:
 - Analysis of individual bodily injury claims data
 - Ancillary analysis from publicly available sources
 - Data questionnaire
 - Implications for the PPO working party results
- Data is provided as at 31 December 2011
- But the focus of today's workshop will be Small Bodily Injury Claims

Acknowledgements

Working Party:

David Brown (Chair)
John Berry
Simon Black
Nigel Carpenter
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Leon Jones
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Provident
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Tesco Underwriting
The Co-operative Insurance
Zurich

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Admiral: Jamie Long

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Data

Market statistics

- Third party injury (TPI) claims have been “capped” at £50,000 (1999 money, indexed at 7% pa) to remove the distorting effect of very large claims
- Inflation rates quoted in the charts give the latest position of the relevant accident year divided by the equivalent position of the previous year (for example, the 2011 accident year position after 12 months of development divided by the 2010 accident year position after 12 months of development)
- Because not every contributor provided every data item, not every chart and statistic in this analysis is based upon data from the full set of contributors. This can result in minor inconsistencies between charts.
- Data has been checked for consistency but has not been independently audited

Data

Market statistics

- The collection of contributing insurers has changed materially over the years. For example relative to last year's study it includes four new insurers.
- Each year it is common for a number of insurers to make relatively subtle changes to their definitions of claim statistics. In the aggregate, these lead to distortions when comparing the market studies between different years.
- Not all contributors are able to supply data to support every claim statistic in each study. There are generally improvements (but not always) in the availability of data from year to year, and as such, the results of the most recent study will be based upon data from an increased proportion of the contributor companies (and not just new contributors). Again, this introduces a material distortion into any analysis which attempts to compare the results across different studies.
- It is reasonably common for insurers to restate the claims statistics of prior accident years (and prior periods of development), particularly in the case where portfolios (including movements on prior year liabilities) have been acquired or disposed of by the contributor(s) in question. Other reasons for such changes can be changes in the availability of granular data pertaining to (potentially large) segments of portfolios (such as in the case where data is provided by bordereaux rather than being integrated in insurer administration systems) or in some cases changes in the mapping of data to classes.
- For this reason, we would recommend that if the user of the research wishes to understand how trends have evolved over time, then they should focus on looking at trends by accident year within the latest study, rather than attempting to compare the results across studies.
- Likewise we do not consider statistically valid any back engineering of individual contributors' contributions

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Data

State of Health of Market Statistics

Questionnaire

- Following the initial data collection exercise, it became apparent that the breadth of data available from contributors was less than desired
- The Working Party issued a data questionnaire asking contributors to assess the availability of 13 desired data items, and if unavailable, whether there were plans to capture this data.
- Contributors were asked to comment on claims handling systems and actuarial systems separately.
- The results from the 10 respondents are shown on the Appendix but summarised here.

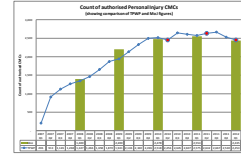
Results

- Claims Handling Systems capture the majority of the additional data items, with the exception of PPOs
- Actuarial Systems are not generally extracting these additional data items
- Actuarial Systems need to be enhanced to monitor changing claims environment (e.g. MoJ process) and to be able to provide enhanced support to the business
- Whilst some data items are not currently available (classified as red), some companies have developed ad-hoc or manual data feeds to monitor this data

Data

Claim Management Companies

- CMC analysis is based upon data extracts on 3 dates June 2010, June 2011 and March 2012, i.e. census data. From this transactional data has been inferred by interpolation between census points.
- If the status of a CMC has changed prior to the first census then interpolation cannot be used:
 - *Eg if at first census in 2010 we know that CMC 12345 cancelled its authorisation on 01/03/2009 we cannot tell its date of first authorisation.*
- However the CMC registration number (which follows a sequential pattern) has been used to infer a start date.
 - *Eg if we know that CMC 12344 was first authorised on 01/02/2008 and CMC 12346 first authorised on 03/02/2008 we can reasonably assume CMC 12345 was authorised on 02/02/2008.*



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Data

CRU

- CRU data records claimant counts (not claim counts)
- It is recorded for the purposing of recovering DWP benefits, and we understand (from the CRU) that average costs do not include any NHS recoveries.
- It is, however, obligatory for each TPI claimant to be counted

24/09/2012

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Data

Police statistics

- The Road Traffic Act 1991[^], defines the duty of the public to report a personal injury road accident on a public road involving at least one motor vehicle (unless details such as insurance documents, name, etc. are exchanged between drivers).
- Stats19 is a set of data collected by a Police Officer when a road accident involving an injury or death occurring on a public road is reported (within 30 days of occurrence).
- Non-motor vehicles such as pedal cycles and ridden horses are reported regardless of motor vehicle or pedestrian involvement. Thus, Stats19 road accidents are defined wider than under the Road Traffic Act.
- Casualties per road accident as measured by Stats19 can be viewed as a proxy for the ratio of claimants per injury claim.
- The Department for Transport acknowledged in their 2008 report that a considerable proportion of non-fatal casualties are not reported to the police.
- In addition consistency in time in the data collection can not be guaranteed.

[^]Road Traffic Act 1988, s 170 amended by the Road Traffic Act 1991, Sch 4

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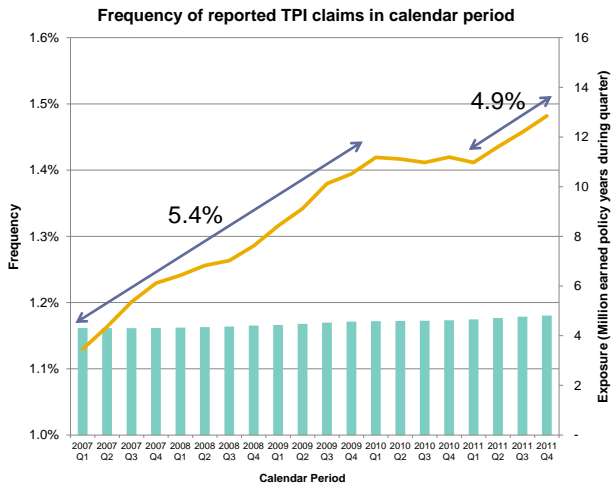
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Scene Setting

High Level Market Claims Data

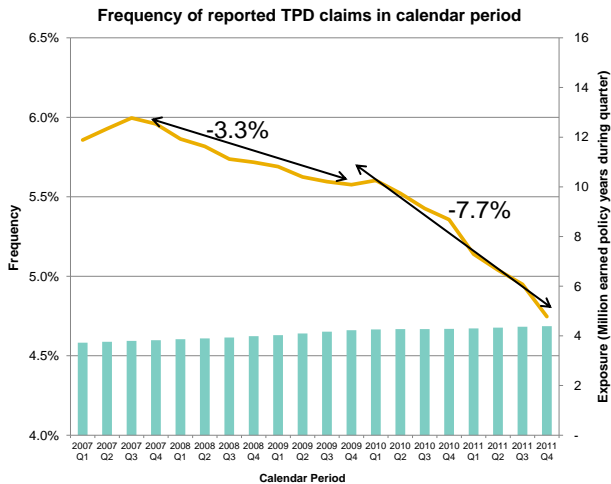


- The chart shows that the frequency of reported bodily injury claims has started to increase again in 2011 having, to some extent, plateaued during 2010.
- Was 2010 an anomalous year?
- Has 2011 resumed the previous trend or is it the “final fling” before referral fees are banned

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Scene Setting

High Level Market Claims Data



- The frequency of reported TPD claims continues to decrease
- Increase in the gradient could be due to increase in petrol prices

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Scene Setting

Types of Injury

Examples of types of injury falling into various claim band sizes - bodily injury claims up to £100k

- *The following are broad guidelines only. The assessment of any injury depends on the actual circumstances of an individual incident / claimant. The figures below are per claimant, include general damages and solicitor costs, but exclude any special damages.*
- **Up to £1k:**
 - Minor soft tissue and whiplash injuries, fully resolved within a few weeks.
 - Low level travel anxiety.
- **Over £1k & up to £10k:**
 - Moderate soft tissue and whiplash injuries, complete recovery to nuisance levels within a few years.
 - Simple fractures – i.e. tibia or fibula with complete recovery (dependant on healing time / age etc).
 - Damage to teeth – loss of one to several front teeth.

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Scene Setting

Types of Injury

- **Over £10k & up to £20k:**
 - Moderate psychiatric damage, depending on length and extent, but generally improved within several years.
 - Serious fractures – eg. one or both forearms where there is significant permanent residual disability.
 - Scarring.
 - Minor / moderate hand injuries.
- **Over £20k & up to £50k:**
 - Severe soft tissue injury, permanent damage, significant disability.
 - Serious hand, foot, leg injuries.
- **Over £50k & up to £100k:**
 - Minor to moderate head injuries – eg. brain damage, concentration and memory affected, ability to work is reduced, small risk of dependence on others.
 - Severe post traumatic stress disorder.
 - Facial injuries – eg. significant scarring, disfigurement and psychological reaction.
 - Amputation (loss of 1 arm or 1 leg or 1 foot or 1 hand).

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Scene Setting

Legislation and the Market

- Motor environment is evolving fast: but with tailwinds as well as headwinds
 - Gender Directive
 - Solvency II
 - Low investment returns
 - Fuel prices and the cost of motoring
 - Market premium increases unwinding ⁽¹⁾
 - But still CORs above 100%
 - PPOs and review of Ogden discount rate
 - MoJ - extension of process, review of fees
 - LASPO Act (banning of referral fees)
 - Whiplash consultation, increase to SCT
 - OFT enquiry on credit hire / repair
 - Simmons v Castle - general damages up 10%

FSA returns for 2011 show a net COR of 106% and a loss ratio of 78% for 2011 ⁽²⁾

- Our study covers the cost of third party claims which cover 70% of Motor Insurance claims costs – the OFT figures cite TPI – 50%, other TPD = 20% ⁽³⁾ .
- Focus of working party (Third Party) is therefore on the most analytically problematic and the most material areas of cost and provides information to help actuaries, consumers, regulators and companies make informed decisions

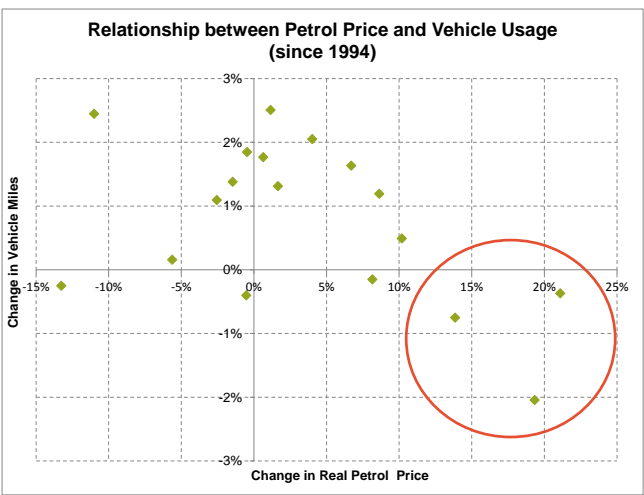
Sources

1. Confused.com/Towers Watson Insurance Price Index shows Private Comp rates dropped by 7.1% in 12 months to end June 2012
2. Deloitte Analysis of AM Best data
3. http://www.offt.gov.uk/shared_offt/market-studies/private-motor-insurance/Motor_Insurance.pdf

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Scene Setting

Vehicle Mileage & Petrol Price



Vehicle mileage source: <http://www.dft.gov.uk/statistics/series/traffic>
Petrol price source: <http://www.speedlimit.org.uk/petrolprices.html>

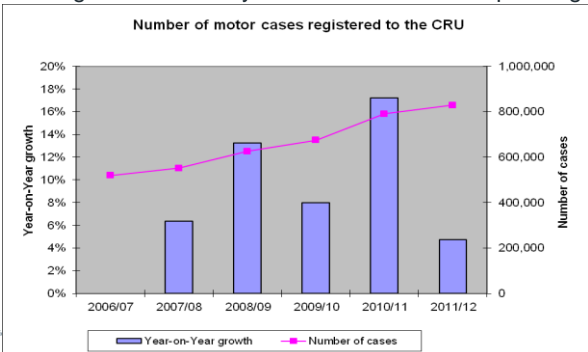
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Scene Setting

CRU Data

Number of motor cases registered to the Compensation Recovery Unit has increased in each year correlating broadly with TPWP TPI data

- The number registered in the 2011-12 financial year was 5% higher than in the previous year, the lowest recent level of year-on-year growth, but follows a 17% increase last year and sits in the context of a long term 10% trend
- This is based on registration so may reflect an element of speeding up in 2010.



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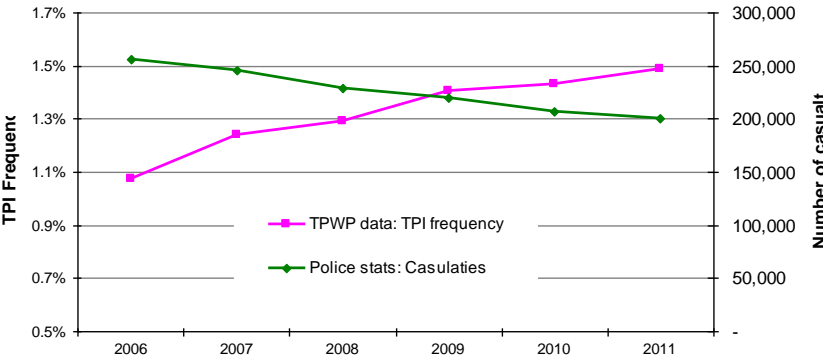
Scene Setting

Police Statistics

•Police statistics show a decreasing number of injuries against market TPI frequency increases

•This data supports a view that TPI frequency inflation is more related to claiming behaviour than any change in the underlying risk

Police vs Market data



Source: STATS19

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Scene Setting
CMC Data

•Claim Management Companies: slightly fewer but more activity (+52% in 2010; + 21% in 2011)

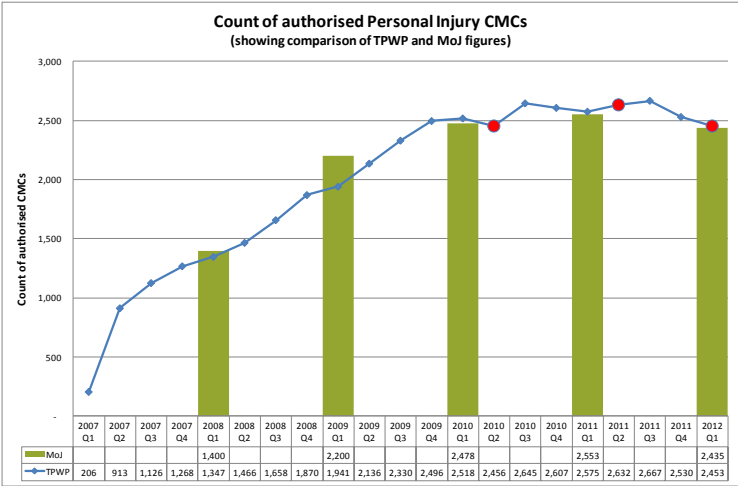
Key

TPWP estimate of count of CMCs.

TPWP data extraction periods.

Count of CMCs from MoJ annual report.

Year to Nov	CMC £m Turnover	YoY % inc
2007		
2008		
2009	247.5	
2010	377.0	52%
2011	455.4	21%
2012		



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Scene Setting
Weather

•TPD and TPI are impacted by seasonality and by unusual weather

Year	Q1	Q2	Q3	Q4
2006				
2007				
2008				
2009				
2010				
2011				



= snow / ice



= unusual rain



= flooding



= storm

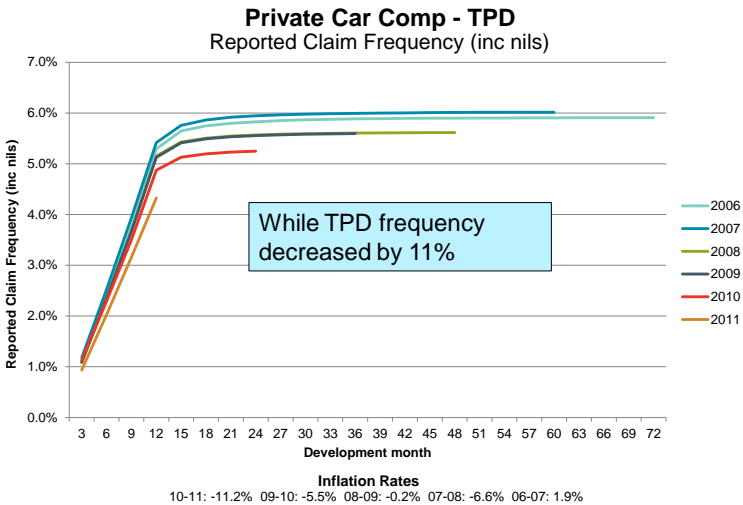
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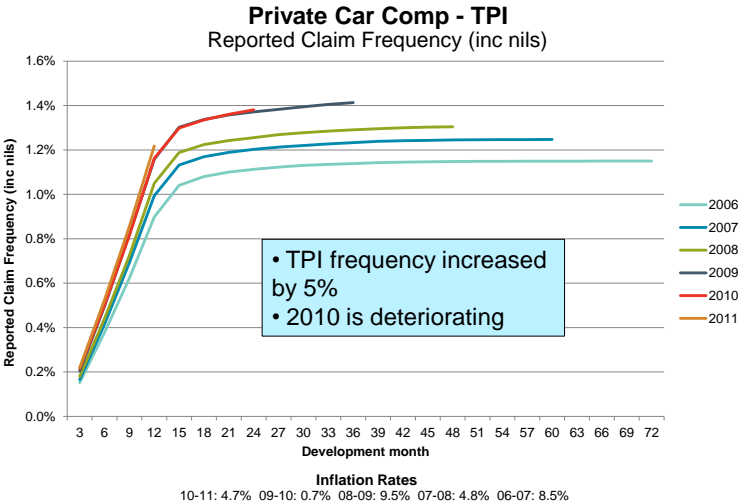
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Summary of Published Findings (June 2012) Claim frequency



Summary of Published Findings (June 2012)

Claim frequency

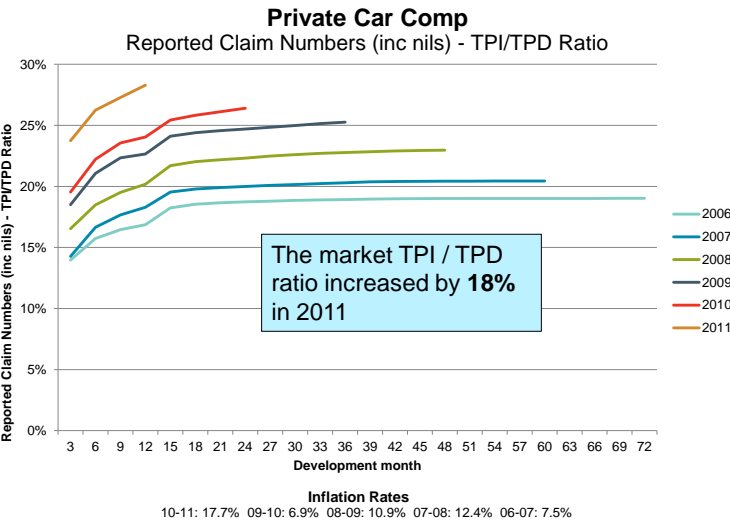


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Summary of Published Findings (June 2012)

Ratio of TPI to TPD claim numbers



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Summary of Published Findings (June 2012)

Conclusions for 2011

- A dramatic 11% drop in TPD frequency; the highest level of average cost inflation on TPD since 2006
- Slowing down in TPD settlement and increase in case estimate strength / size
- Huge increase in the percentage of accidents with TPI
- Despite an 11% drop in TP accidents, TPI frequency is still up by 5% with TPI/TPD inflation at 18%
- Both TPI/TPD frequency inflation and views on incurred severity inflation are consistent with 2010 being anomalous with 2011 showing a catch up with 2 years inflation in one. Capped TPI inflation appears to have taken off again to previous levels after a (6-9%) increase relative to 2010, potentially resuming its annualised trended rate of 6% with a speeding up in settlement and payment, potentially due to MOJ
- Any increases or decreases in TPD frequency flow through to TPI inflation. Norming to zero TPD frequency inflation (-11% in 2011), the data supports a trended view of TPI burn cost inflation in excess of 15% **unless one believes that the lower settlement cost inflation will continue.**
- These key alternative hypotheses will be investigated further with new data which splits the capped TPI claims into size bands for GIRO
- However for the moment, the most plausible hypothesis would appear to be that 2010 was a benign anomaly and 2011 has had both its own natural inflation and the "missing inflation" from 2010.

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Questions and Hypotheses (to be answered later)

	Questions	Our Prejudices
a.	What is small TPI inflation?	<ul style="list-style-type: none">• > 15% on burn cost norming for TPD distortions driven by small (MOJ type) claims with single and multiple claimants
b.	2011 – catch up or new trend?	<ul style="list-style-type: none">• Catch Up with 2010 experience driven by<ul style="list-style-type: none">i. Anomalous weatherii. fewer accidents due to lower vehicle mileageiii. MOJ changes disrupting CMCs?• No further adverse development on i, ii; but potential for this on iii with “back-farming”
c.	What do we know about multi-claimant claims?	<ul style="list-style-type: none">• c. 1.5 claimants per claim with 5% pa inflation: claimant per claim inflation ~ freq inflation
d.	How weak/strong are case estimates?	<ul style="list-style-type: none">• Case estimates were identified as weak in our 09/10 work; they have strengthened but are still a concern
e.	What’s changed post MOJ?	<ul style="list-style-type: none">• Simple whiplash claims settling faster and same cost

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Introduction

- This presentation summarises the data trends for the TPWP analysis of capped bodily injury claims in a series of 5 indexed layers
- The layers are given in 2010 money, indexed at 7% pa for other accident years
 - 0 to £1k
 - £1k to £10k
 - £10k to £20k
 - £20k to 50k
 - £50k to £100k
- Large TPI claims will be covered at the Reserving Plenary

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Introduction

Graph terminology

- When presenting results of a layered analysis, there is a choice in how to partition the claim amounts:
 - Type 1: In which claims that exhaust the width of a particular layer contribute an amount equal to the layer's width
 - Type 2: In which claims that exhaust the width of a particular layer are removed from that layer, and the full claim amounts "from ground up" ("FGU") are allocated to the next layer up

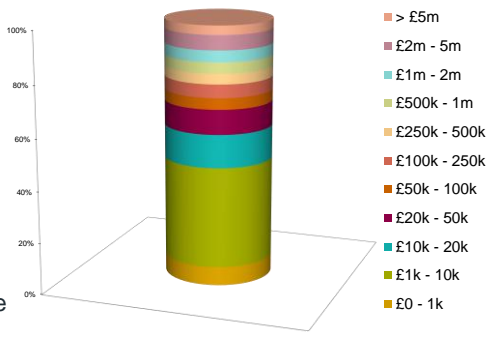
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Introduction

Graph terminology

- Using the Type 1 definition, a claim of £15,000 from accident year 2010 contributes:
 - £1k to Layer 1 (0 – £1k)
 - £9k to Layer 2 (£1k – £10k)
 - £5k to Layer 3 (£10k – £20k)
 - £0 to all other layers
- The chart shows the projected total TPI burning cost split by layer using Type 1 definition.
- In this presentation, any charts which use this definition will be accompanied with a version of this graphic. Shading represents the portion(s) of the claim that is relevant to the given statistic.

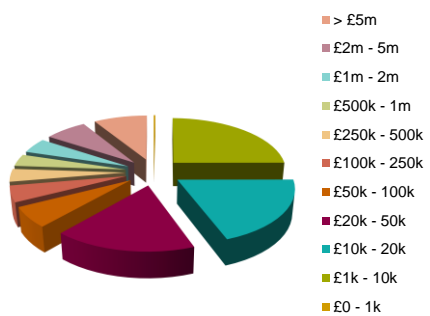


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Introduction

Graph terminology

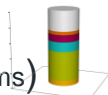
- Using the Type 2 definition, a claim of £15,000 from accident year 2010 contributes:
 - £15k to Layer 3 (£10k – £20k)
 - £0 to all other layers
- The chart shows the projected total TPI burning cost split by layer using Type 2 definition.
- In this presentation, any charts which use this definition will be accompanied with a version of this graphic. Shading represents the portion(s) of the claim that is relevant to the given statistic.



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Capped bodily injury

Projected Results (Type 1 – incl capped component of excess claims)



Projected Ultimate Capped TPI Results for Private Car Comprehensive

Accident Period	Earned Exposure (millions of policy years)	Ultimate Capped Claim Frequency (claims per million vehicle years)	Ultimate Capped Claim Severity (£000s)	Ultimate Capped Burning Cost (£)	Year-on-Year Change in Frequency (% pa)	Year-on-Year Change in Severity (% pa)	Year-on-Year Change in Burning Cost (% pa)
2004	9.80	8,526	6,397	54.5			
2005	10.76	9,879	5,956	58.8	15.9%	-6.9%	7.9%
2006	12.58	10,639	6,064	64.5	7.7%	1.8%	9.6%
2007	13.03	11,843	6,201	73.4	11.3%	2.3%	13.8%
2008	14.75	12,487	6,714	83.8	5.4%	8.3%	14.2%
2009	15.65	13,777	7,432	102.4	10.3%	10.7%	22.1%
2010	15.64	14,040	7,474	104.9	1.9%	0.6%	2.5%
2011	15.74	14,856	8,366	124.3	5.8%	11.9%	18.5%
Average					8.3%	3.9%	12.5%

- Alternate years have shown High/Low frequency Inflation at 8% over the period
- Severity inflation has been higher since 2008 averaging 8% (10% excluding 2010 which was benign; but 6% in the post MOJ years)
- Burn cost inflation has averaged 14% since 2008 (18% excluding 2010; but 10% in the post MOJ years), with periods with 2009 and 2011 particularly high.

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Capped bodily injury

Projected Results (Type 2)

Most claims are in bottom two layers; but most of cost comes from middle 3 layers



Private Car Comprehensive Type 2 Layered Results (all layers given in 2010 money, indexed at 7% pa)

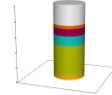
Accident Year	£0 - 1k	£1k - 10k	£10k - 20k	£20k - 50k	£50k - 100k	< 100k
Frequency (finishing in layer) (claims per million policy years)						
2004	2,268	3,808	1,550	672	129	8,427
2005	2,736	4,765	1,539	632	115	9,787
2006	3,015	5,178	1,598	651	113	10,556
2007	3,400	5,858	1,702	682	118	11,759
2008	3,419	6,285	1,817	770	118	12,408
2009	3,578	6,963	2,102	924	125	13,692
2010	3,556	7,494	1,988	809	122	13,969
2011	3,677	7,710	2,259	991	141	14,778
Average Cost (£000s)						
2004	0.10	3.83	9.21	19.39	45.40	5.69
2005	0.10	3.88	9.77	20.54	48.10	5.34
2006	0.09	4.06	10.44	22.01	51.42	5.51
2007	0.10	4.23	11.18	23.45	54.97	5.66
2008	0.10	4.49	12.10	25.34	58.76	6.20
2009	0.09	4.81	13.11	27.42	61.66	6.90
2010	0.10	5.10	13.89	28.55	69.51	7.00
2011	0.11	5.26	14.96	30.68	76.37	7.85
Burning Cost (£)						
2004	0.2	14.6	14.3	13.0	5.9	47.99
2005	0.3	18.5	15.0	13.0	5.5	52.29
2006	0.3	21.0	16.7	14.3	5.8	58.15
2007	0.3	24.8	19.0	16.0	6.5	66.58
2008	0.3	28.2	22.0	19.5	6.9	76.94
2009	0.3	33.5	27.6	25.3	7.7	94.46
2010	0.4	38.2	27.6	23.1	8.5	97.80
2011	0.4	40.6	33.8	30.4	10.8	115.96

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Neg cost ¼ cost ¼ cost ¼ cost ¼ cost

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Capped bodily injury Projected Results (Type 1)



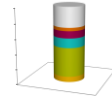
Private Car Comprehensive Type 1 Layered Results (all layers given in 2010 money, indexed at 7% pa)

Accident Year	£0 - 1k	£1k - 10k	£10k - 20k	£20k - 50k	£50k - 100k	< 100k
Frequency (in layer and above) (claims per million policy years)						
2004	8,526	6,257	2,449	899	228	8,526
2005	9,879	7,143	2,378	839	207	9,879
2006	10,639	7,624	2,446	848	196	10,639
2007	11,843	8,443	2,586	884	202	11,843
2008	12,487	9,068	2,783	966	197	12,487
2009	13,777	10,199	3,236	1,134	210	13,777
2010	14,040	10,484	2,990	1,002	193	14,040
2011	14,856	11,179	3,469	1,211	219	14,856
Average Cost (£000s)						
2004	0.52	4.27	4.06	9.59	21.24	6.40
2005	0.54	4.25	4.22	10.01	22.73	5.96
2006	0.57	4.44	4.48	10.49	23.84	6.06
2007	0.61	4.62	4.77	11.09	25.24	6.20
2008	0.66	4.92	5.23	11.61	26.56	6.71
2009	0.72	5.32	5.72	12.31	27.77	7.43
2010	0.77	5.50	5.94	12.69	30.77	7.47
2011	0.83	5.88	6.51	13.41	33.76	8.37
Burning Cost (£)						
2004	4.4	26.7	9.9	8.6	4.8	54.54
2005	5.4	30.3	10.0	8.4	4.7	58.84
2006	6.1	33.9	11.0	8.9	4.7	64.51
2007	7.2	39.0	12.3	9.8	5.1	73.43
2008	8.3	44.6	14.6	11.2	5.2	83.84
2009	9.9	54.2	18.5	14.0	5.8	102.39
2010	10.9	57.7	17.8	12.7	5.9	104.93
2011	12.4	65.7	22.6	16.2	7.4	124.29

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Capped bodily injury Projected Results (Type 1)



Private Car Comprehensive Type 1 Layered Results (all layers given in 2010 money, indexed at 7% pa) - Implied % Change

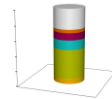
Accident Year	£0 - 1k	£1k - 10k	£10k - 20k	£20k - 50k	£50k - 100k	< 100k
Frequency % Change						
2004	16%	14%	-3%	-7%	-9%	16%
2005	8%	7%	-2%	1%	-2%	8%
2006	11%	11%	6%	-4%	-3%	11%
2007	5%	7%	8%	9%	-3%	5%
2008	10%	12%	16%	17%	7%	10%
2009	2%	3%	-8%	-12%	-8%	2%
2010	6%	7%	16%	21%	13%	6%
2011	8%	9%	5%	4%	-1%	8%
Average						
All	6%	7%	8%	8%	2%	6%
Last 4	7%	9%	13%	16%	6%	7%
Last 4 (Excl 2010)	4%	5%	4%	3%	2%	4%
Last 2	4%	5%	4%	3%	2%	4%
Average Cost % Change						
2004	5%	-1%	4%	4%	7%	-7%
2005	5%	5%	6%	5%	5%	2%
2006	6%	-2%	7%	6%	6%	2%
2007	8%	7%	10%	5%	5%	8%
2008	8%	8%	9%	6%	5%	11%
2009	8%	3%	4%	3%	11%	1%
2010	8%	7%	10%	6%	10%	12%
2011	7%	5%	7%	5%	7%	4%
Average						
All	8%	6%	8%	5%	8%	10%
Last 4	8%	7%	9%	5%	6%	10%
Last 4 (Excl 2010)	8%	5%	7%	4%	10%	6%
Last 2	8%	5%	7%	4%	10%	6%
Burning Cost % Change						
2004	8%	13%	1%	-3%	-3%	8%
2005	14%	12%	15%	8%	-1%	12%
2006	19%	15%	13%	10%	9%	14%
2007	14%	14%	18%	14%	3%	14%
2008	19%	22%	27%	24%	12%	22%
2009	10%	6%	-4%	-9%	2%	2%
2010	14%	14%	27%	28%	24%	18%
2011	14%	14%	12%	9%	6%	12%
Average						
All	14%	14%	16%	13%	10%	14%
Last 4	16%	17%	24%	22%	13%	18%
Last 4 (Excl 2010)	12%	10%	10%	8%	13%	10%
Last 2	12%	10%	10%	8%	13%	10%

Frequency

- Impacted by TPD frequency – Slide 42
- Inflation is volatile but has been reducing overall and for Band 2, averaging 8-9% across all years, 6-7% (2008-2011)
- Inflation has been increasing for layers 3&4 with higher volatility, averaging 5%, or 8-9% (2008-2011)
- Inflation is broadly flat for layer 5 averaging 0%, or 2% (2008-2011)
- Frequency inflation is more volatile for layers 3 and above

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Capped bodily injury Projected Results (Type 1)



Private Car Comprehensive Type 1 Layered Results (all layers given in 2010 money, indexed at 7% pa) - Implied % Change

Accident Year	£0 - 1k	£1k - 10k	£10k - 20k	£20k - 50k	£50k - 100k
Frequency % Change					
2004	16%	14%	-3%	-7%	-9%
2005	8%	7%	3%	1%	-5%
2006	11%	11%	6%	4%	3%
2007	5%	7%	8%	9%	-3%
2008	10%	12%	16%	17%	7%
2009	2%	3%	-8%	-12%	-8%
2010	6%	7%	16%	21%	13%
2011	8%	9%	5%	4%	-1%
All	6%	7%	8%	8%	2%
Last 4	7%	9%	13%	16%	6%
Average	4%	5%	4%	3%	2%
Last 2					
Average Cost % Change					
2004	5%	-1%	4%	4%	7%
2005	5%	5%	6%	5%	5%
2006	6%	4%	7%	6%	6%
2007	8%	7%	10%	5%	5%
2008	8%	8%	9%	6%	5%
2009	8%	3%	4%	3%	11%
2010	8%	7%	10%	6%	10%
2011	7%	5%	7%	5%	7%
All	8%	6%	8%	8%	8%
Last 4	8%	7%	9%	5%	6%
Average	8%	5%	7%	4%	10%
Last 2					
Burning Cost % Change					
2004	8%	13%	1%	-3%	-3%
2005	14%	12%	9%	6%	-1%
2006	19%	15%	13%	10%	9%
2007	14%	14%	18%	14%	3%
2008	19%	22%	27%	24%	12%
2009	10%	6%	-4%	-9%	2%
2010	14%	14%	27%	28%	24%
2011	14%	14%	12%	9%	6%
All	14%	14%	16%	13%	10%
Last 4	16%	17%	24%	22%	13%
Average	12%	10%	10%	8%	13%
Last 2					

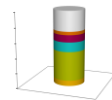
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14%
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10%

Severity

- Inflation overall is volatile overall but averages 4%, increasing in 2008, since when it has averaged 8%. The post MOJ years show average inflation at 6%
- The increases in overall severity inflation is driven by increases in each of layers 1-3 in 2008
- The potentially lower inflation post MOJ is driven by layers 2-3
- Layer 5 is either volatile or has increased since 2010

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Capped bodily injury Projected Results (Type 1)



Private Car Comprehensive Type 1 Layered Results (all layers given in 2010 money, indexed at 7% pa) - Implied % Change

Accident Year	£0 - 1k	£1k - 10k	£10k - 20k	£20k - 50k	£50k - 100k
Frequency % Change					
2004	16%	14%	-3%	-7%	-9%
2005	8%	7%	3%	1%	-5%
2006	11%	11%	6%	4%	3%
2007	5%	7%	8%	9%	-3%
2008	10%	12%	16%	17%	7%
2009	2%	3%	-8%	-12%	-8%
2010	6%	7%	16%	21%	13%
2011	8%	9%	5%	4%	-1%
All	6%	7%	8%	8%	2%
Last 4	7%	9%	13%	16%	6%
Average	4%	5%	4%	3%	2%
Last 2					
Average Cost % Change					
2004	5%	-1%	4%	4%	7%
2005	5%	5%	6%	5%	5%
2006	6%	4%	7%	6%	6%
2007	8%	7%	10%	5%	5%
2008	8%	8%	9%	6%	5%
2009	8%	3%	4%	3%	11%
2010	8%	7%	10%	6%	10%
2011	7%	5%	7%	5%	7%
All	8%	6%	8%	8%	8%
Last 4	8%	7%	9%	5%	6%
Average	8%	5%	7%	4%	10%
Last 2					
Burning Cost % Change					
2004	8%	13%	1%	-3%	-3%
2005	14%	12%	9%	6%	-1%
2006	19%	15%	13%	10%	9%
2007	14%	14%	18%	14%	3%
2008	19%	22%	27%	24%	12%
2009	10%	6%	-4%	-9%	2%
2010	14%	14%	27%	28%	24%
2011	14%	14%	12%	9%	6%
All	14%	14%	16%	13%	10%
Last 4	16%	17%	24%	22%	13%
Average	12%	10%	10%	8%	13%
Last 2					

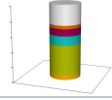
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6%
10%
6%
8%
10%
14%
14%
22%
2%
18%
12%
14%
18%
10%

Burn Cost

- The combination of frequency and severity, on a higher level since 2007, when it has averaged 14%. Since 2010 it has averaged 10%, but it remains to be seen if this is a new trend or an outlier.
- Although differing in detail in frequency and severity, overall patterns of inflation are not dissimilar in shape across all layers.

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Capped bodily injury Projected Results (Type 1)



Private Car Comprehensive Type 1 Layered Results (all layers given in 2010 money, indexed at 7% pa)

Accident Year	£0 - 1k	£1k - 10k	£10k - 20k	£20k - 50k	£50k - 100k	< 100k
TPI/TPD Numbers Index						
2004						0.52
2005						0.57
2006						0.70
2007	0.52	0.50	0.51	0.51	0.65	0.78
2008	0.57	0.54	0.53	0.52	0.65	0.85
2009	0.70	0.67	0.67	0.66	0.75	1.00
2010	0.78	0.76	0.78	0.78	0.80	
2011	0.85	0.84	0.77	0.74	0.79	
Claim Numbers Index	1.00	1.00	1.00	1.00	1.00	
TPI/TPD Claim Numbers Index % Change						
2004						9%
2005						23%
2006						11%
2007	9%	8%	3%	2%	0%	9%
2008	23%	25%	26%	28%	14%	23%
2009	11%	13%	17%	18%	8%	11%
2010	9%	10%	-1%	-6%	-2%	9%
2011	18%	19%	30%	35%	27%	18%
Average	14%	15%	14%	14%	9%	14%
All	15%	17%	17%	18%	11%	15%
Last 4	17%	19%	24%	27%	16%	17%
Last 4 (Excl 2010)	13%	14%	13%	13%	12%	13%
Last 2						

2010 & Prior

- Normalising for TPD, frequency shows a more inflationary picture at c. 14% over all years; 15% (2008-11)
- Similar inflation is seen up to layer 4; but with more marked increases in inflation across layers 2-4 since 2008.

2011 is an outlier (or a new trend?) with inflation at 18%. Layer 2 is similar, but layers 3, 4 and 5 show inflation at c. 30% at marked variance to previous years. However inflation across 2010 and 2011 is not out of line with longer averages.

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 - d. How weak/strong are case estimates?
 - e. What changes has MOJ brought about?
5. Conclusions

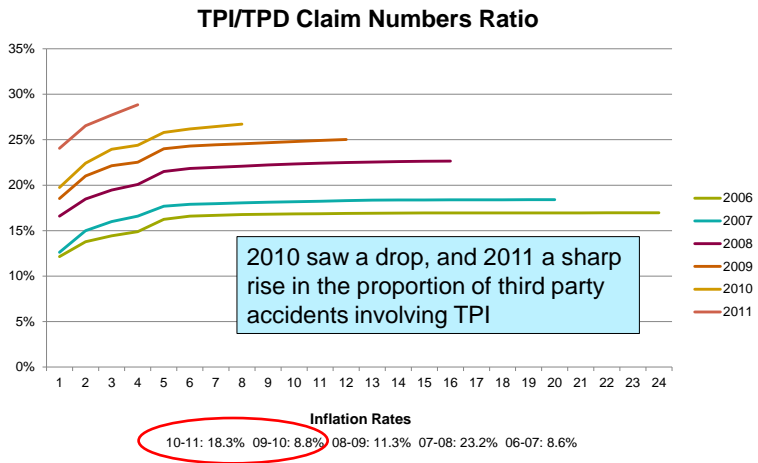
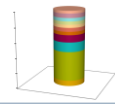
Question b: 2011 – catch-up or new trend?

- Q1 & Q4 saw snow/ice in 2010; with Q2 being unusually dry
- 2011 did not see these more extreme weather patterns
- 30 April 2010 saw the introduction of the MOJ reforms attaching to accidents post that date
- The following charts will show that the predominant effect could be weather related through to layer 2. A potential MOJ effect may additionally be seen in Layer 3 post introduction to the end of 2010, with no particular evidence of this for Layer 2.
- Overall the predominant effect is likely to be weather with MOJ being a smaller factor. Any MOJ factor may risk late reporting/deterioration – although this risk will diminish as time passes.
- As such 2011 is largely a catch up and it is appropriate to average the frequency inflation over the two years: 2011 inflation does not appear to be setting a new trend

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Transactional Analysis – 0-1k Layer Data trends

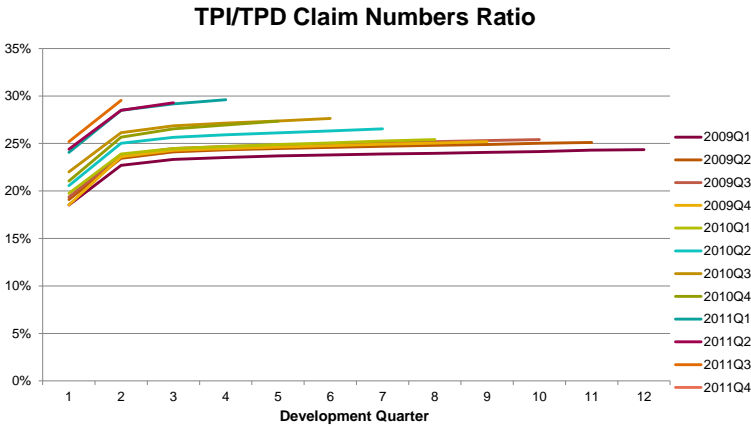
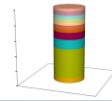


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Transactional Analysis – 0-1k Layer

Data trends

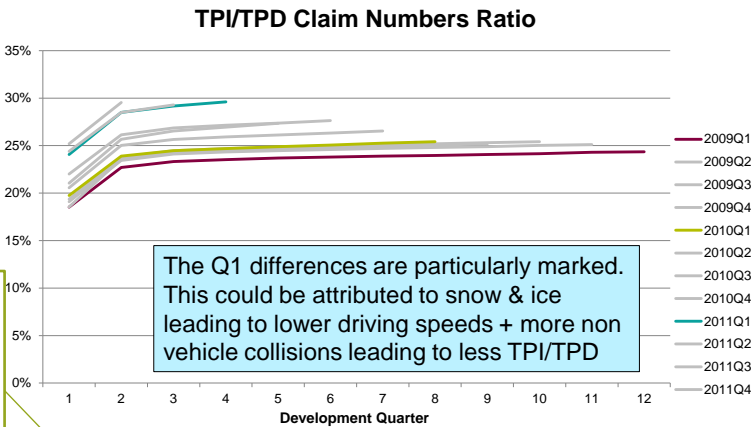
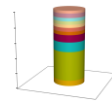


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Transactional Analysis – 0-1k Layer

Data trends



Variation from 10 year quarterly average rainfall in England & Wales
Source: Met Office Hadley Observation centre

The Q1 differences are particularly marked. This could be attributed to snow & ice leading to lower driving speeds + more non vehicle collisions leading to less TPI/TPD

Inflation Rates
10Q1-11Q1: 20% 09Q1-10Q1: 6%

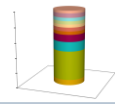
2009	-7%	-12%	2%	28%
2010	7%	-39%	14%	-27%
2011	-9%	-24%	-7%	-21%

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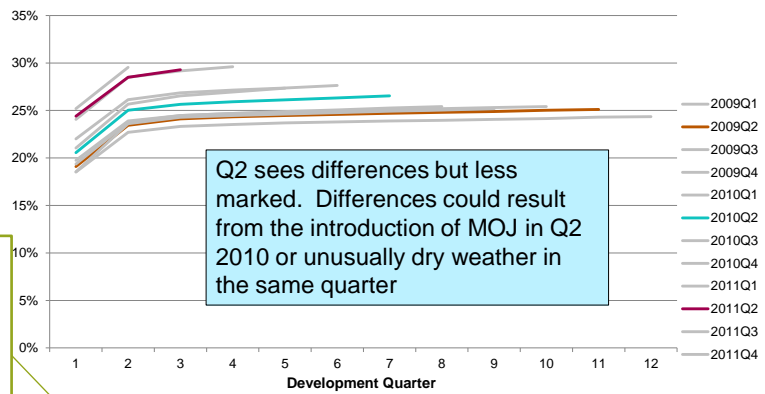
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Transactional Analysis – 0-1k Layer

Data trends



TPI/TPD Claim Numbers Ratio



Variation from 10 year quarterly average rainfall in England & Wales
Source: Met Office Hadley Observation centre

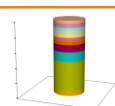
Inflation Rates				
10Q2-11Q2: 14.2% 09Q2-10Q2: 7.4%				
2009	-7%	-12%	2%	28%
2010	7%	-39%	14%	-27%
2011	-9%	-24%	-7%	-21%

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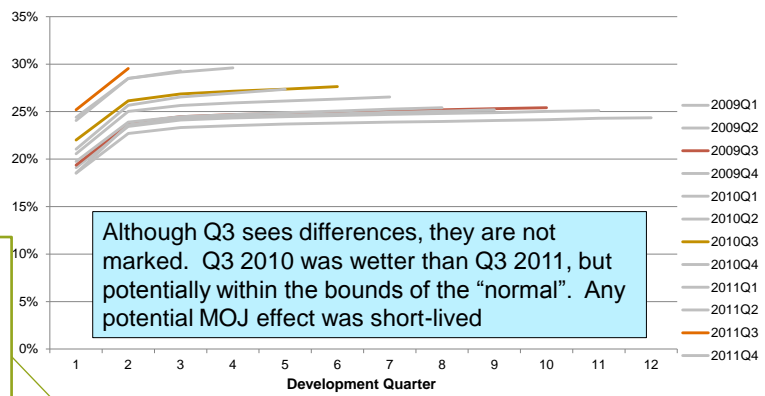
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Transactional Analysis – 0-1k Layer

Data trends



TPI/TPD Claim Numbers Ratio



Variation from 10 year quarterly average rainfall in England & Wales
Source: Met Office Hadley Observation centre

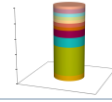
Inflation Rates				
10Q3-11Q3: 13% 09Q3-10Q3: 10.9%				
2009	-7%	-12%	2%	28%
2010	7%	-39%	14%	-27%
2011	-9%	-24%	-7%	-21%

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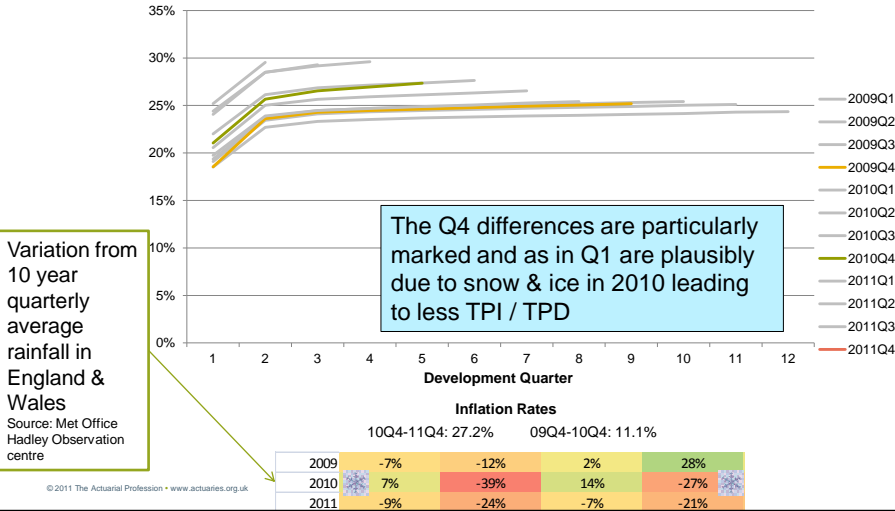
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Transactional Analysis – 0-1k Layer

Data trends



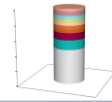
TPI/TPD Claim Numbers Ratio



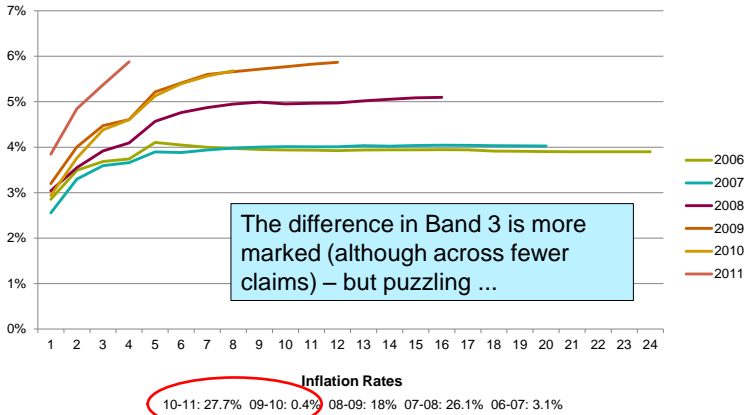
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Transactional Analysis – 10k-20k Layer

Data trends

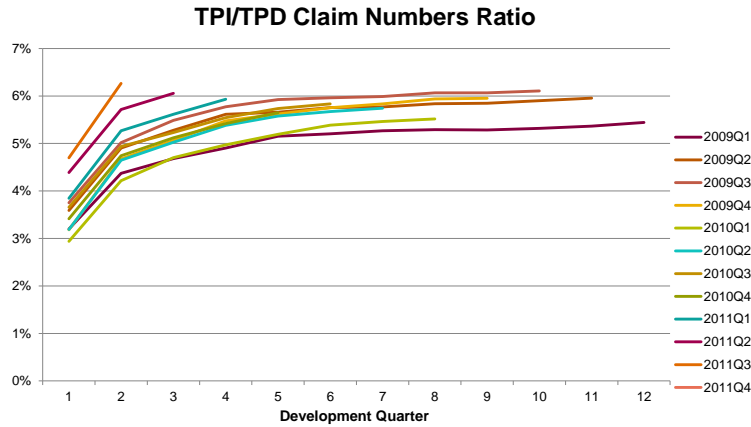
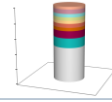


TPI/TPD Claim Numbers Ratio



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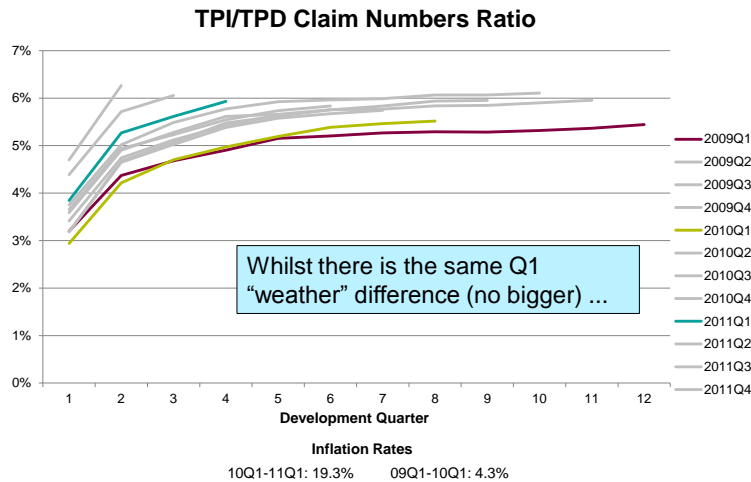
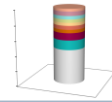
Transactional Analysis – 10k-20k Layer Data trends



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Transactional Analysis – 10k-20k Layer Data trends

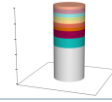


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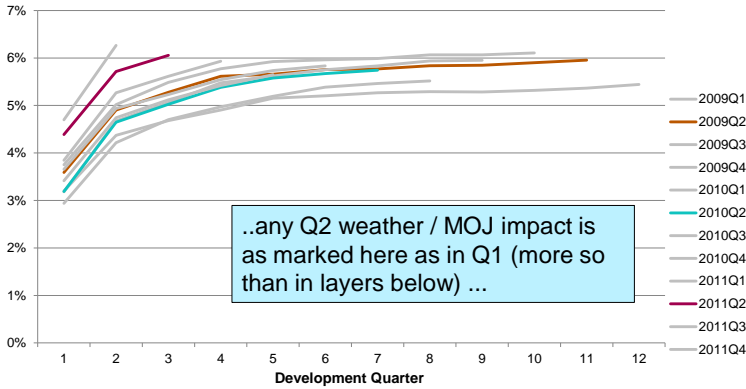
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Transactional Analysis – 10k-20k Layer

Data trends



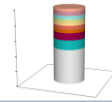
TPI/TPD Claim Numbers Ratio



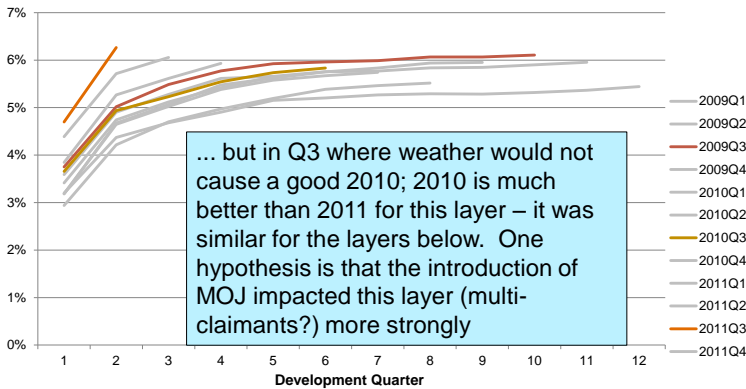
Inflation Rates
10Q2-11Q2: 20.5% 09Q2-10Q2: -0.4%

Transactional Analysis – 10k-20k Layer

Data trends

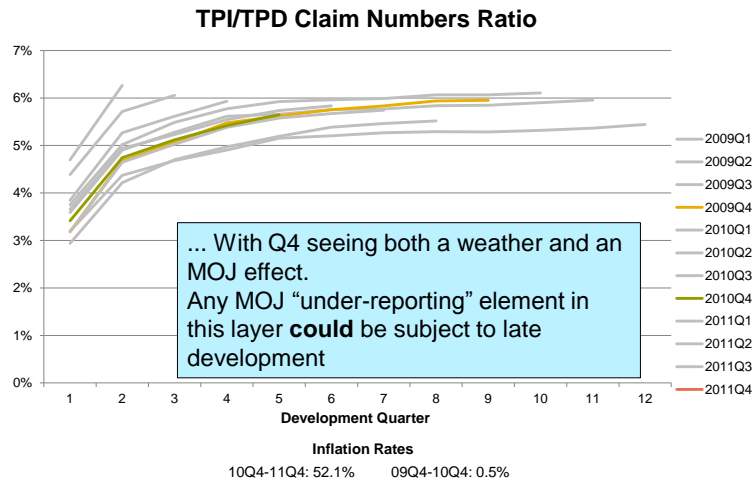
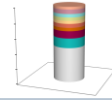


TPI/TPD Claim Numbers Ratio



Inflation Rates
10Q3-11Q3: 26.9% 09Q3-10Q3: -2.2%

Transactional Analysis – 10k-20k Layer Data trends



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Question c: What do we know about multi-claimant claims?

- MOJ individual claimant indemnity element of claim is in the range £1k to £10k.
- Multi-claimant claims would reasonably be expected to impact the £10k-£20k band
- Recognising we have no claimant data, can we infer anything about claimant per claim rates?

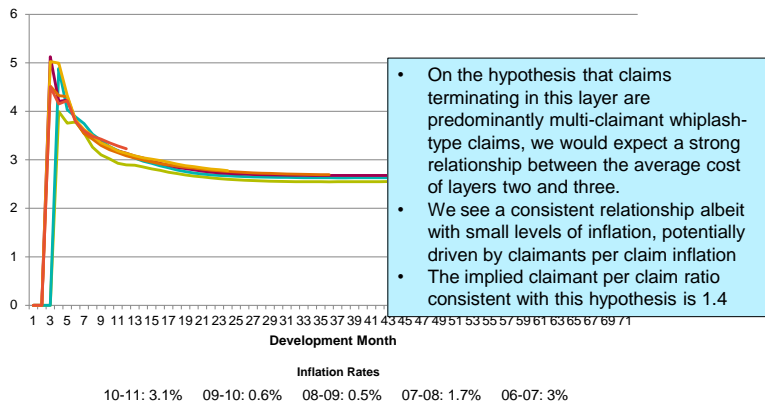
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Transactional Analysis – 10k-20k Layer Data trends



**FGU Average Cost of Claims Settling in Layer 3 over
FGU Average Cost of Claims Settling in Layer 2**



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Transactional Analysis – 10k-20k Layer

Data trends



- Assuming claims finishing in layers two and three are predominantly whiplash-type claims (with those in layer two being single claimant and those in layer three being multi-claimant)
- The previous slide would then give an approximation to the average claimants per claim *for multi-claimant whiplash-type claims* of 2.7
- Using the number of claims ultimately finishing in layers two and three as a weighting (slide 37), this implies an average number of claimants per claim *for all whiplash-type claims* of circa 1.4

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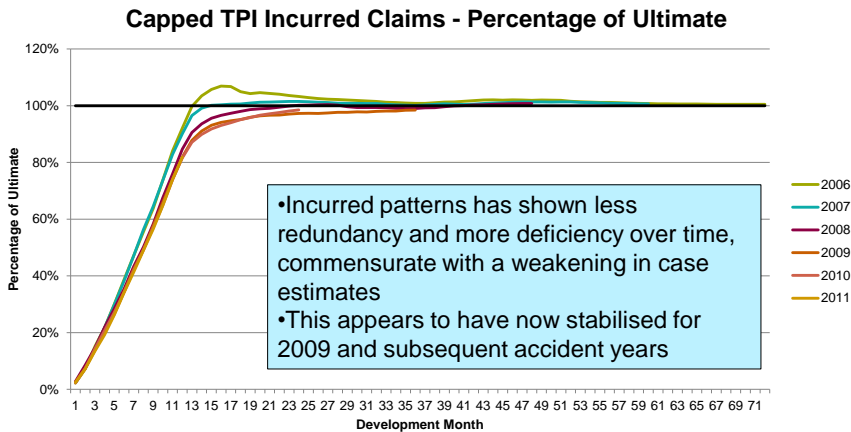
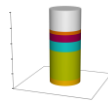
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 - e. What changes has MOJ brought about?
5. Conclusions

Question d: How weak/strong are case estimates?

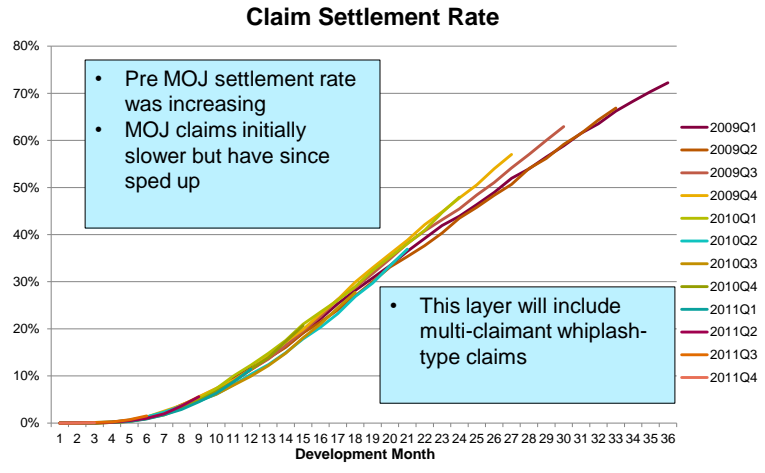
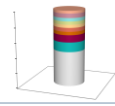
- There were material concerns in 2010 that case estimates had weakened, with the risk that any reserving based on incurred methods could be flawed
- Emerging evidence suggests that this risk has reduced. It is hard to conclude however that it has disappeared.

Capped bodily injury Projected Results



Transactional Analysis – 10k-20k Layer

Data trends

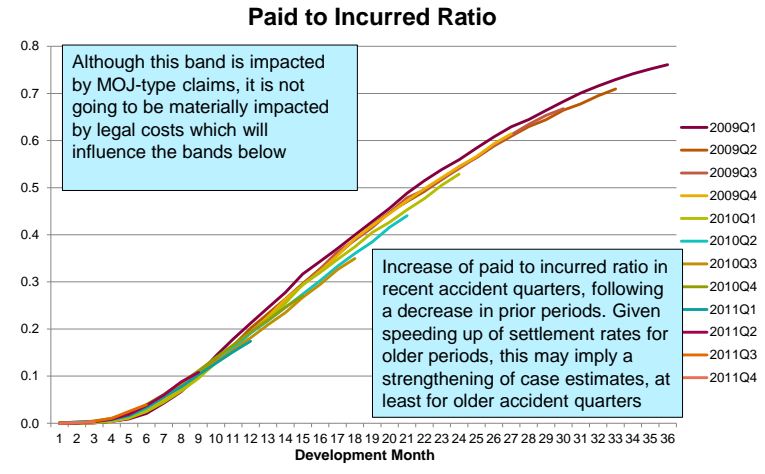
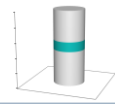


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Transactional Analysis – 10k-20k Layer

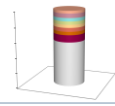
Data trends



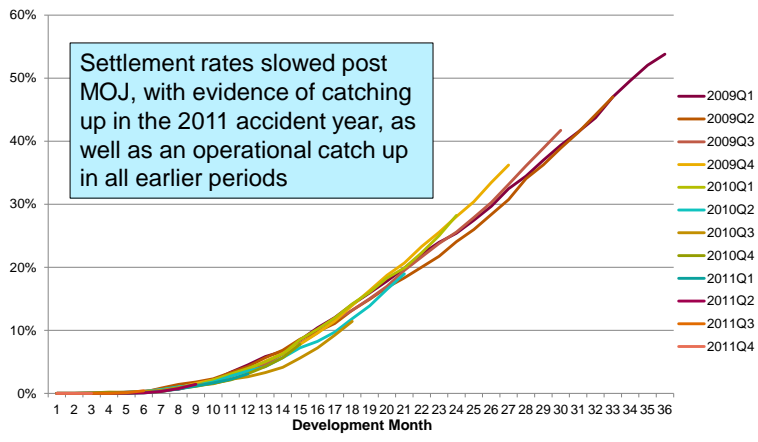
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Transactional Analysis – 20k-50k Layer Data trends



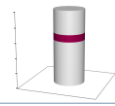
Claim Settlement Rate



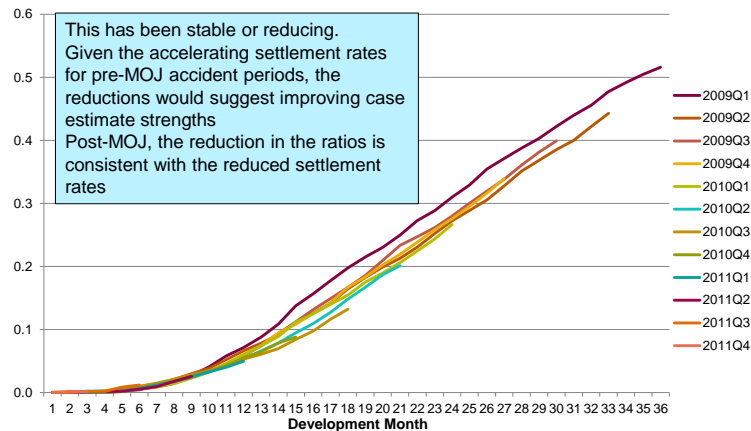
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Transactional Analysis – 20k-50k Layer Data trends



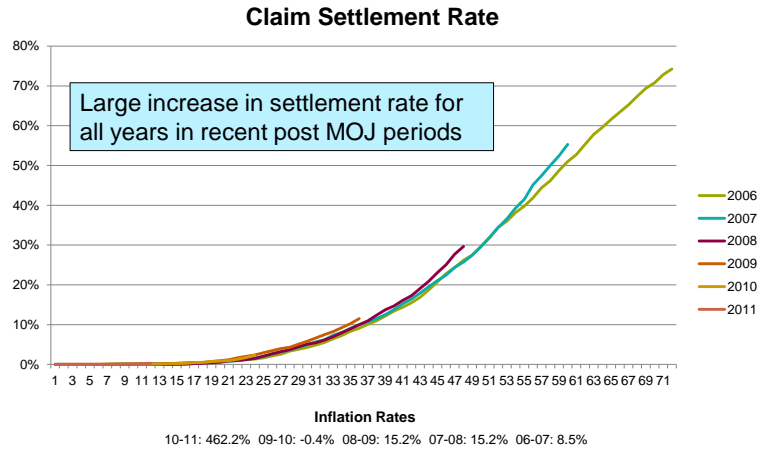
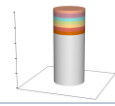
Paid to Incurred Ratio



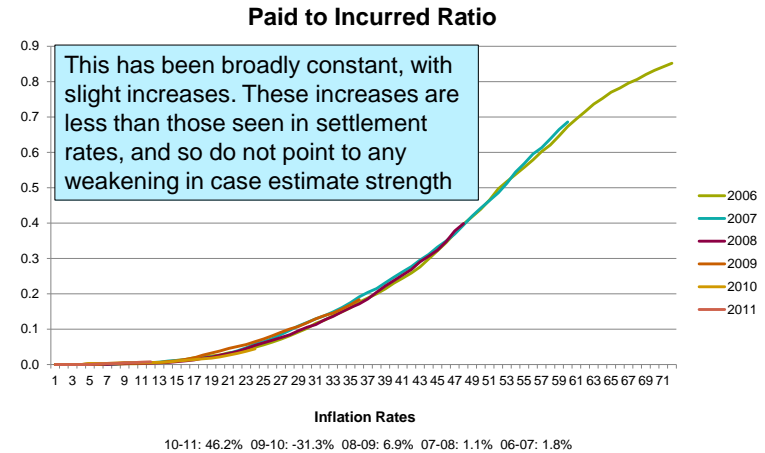
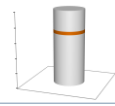
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Transactional Analysis – 50k-100k Layer Data trends



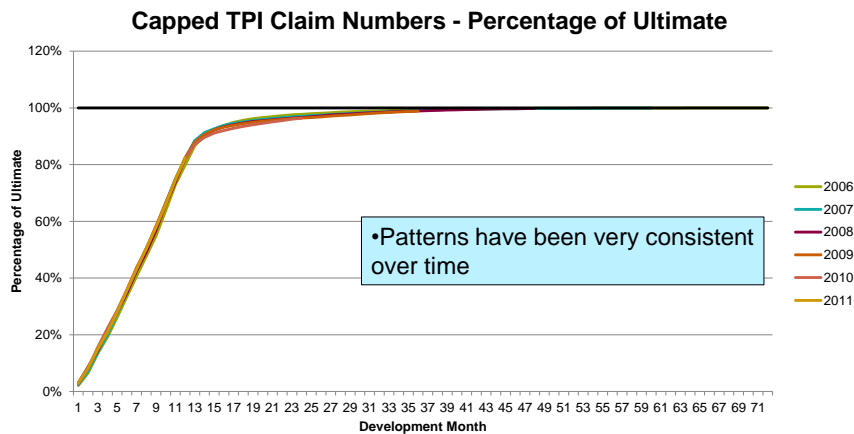
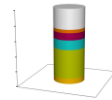
Transactional Analysis – 50k-100k Layer Data trends



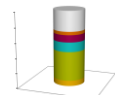
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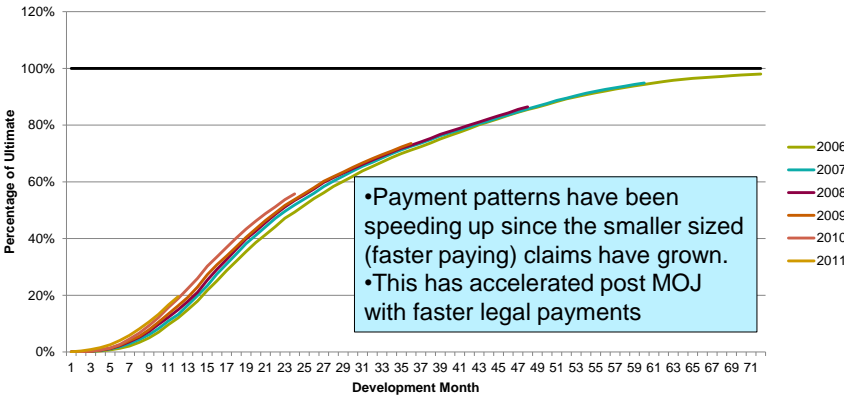
Capped bodily injury Projected Results



Capped bodily injury Projected Results



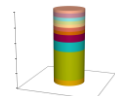
Capped TPI Paid Claims - Percentage of Ultimate



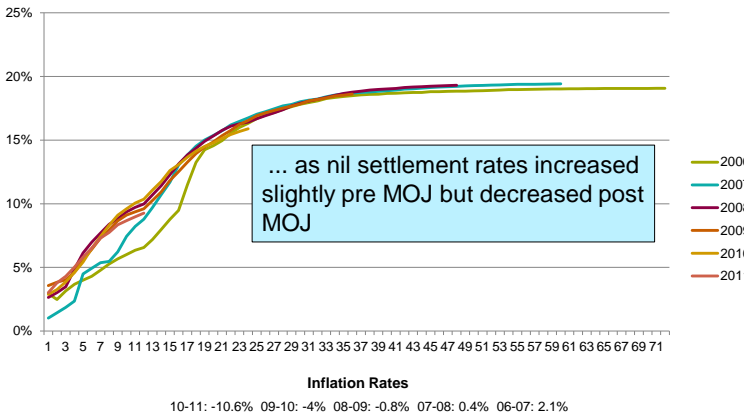
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Transactional Analysis – 0-1k Layer Data trends



Nil Claims Proportion

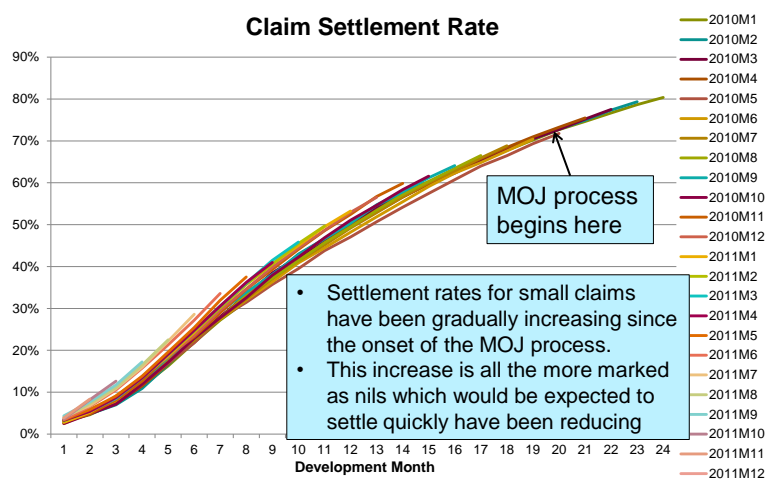
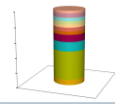


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Transactional Analysis – 0-1k Layer

Data trends

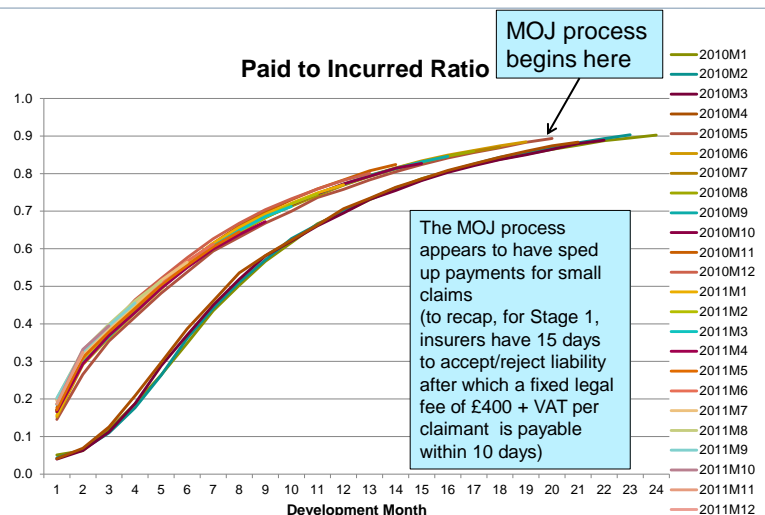
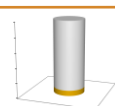


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Transactional Analysis – 0-1k Layer

Data trends

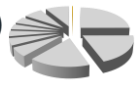


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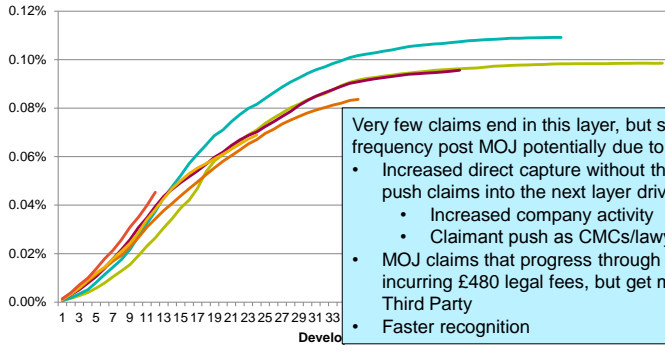
Transactional Analysis – 0-1k Layer (excl nils)

Data trends



Frequency of Claims in Layer (excl nils)

Layer 1: 0 to 1k



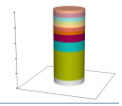
Very few claims end in this layer, but strong relative increases in frequency post MOJ potentially due to:

- Increased direct capture without the legal costs that would push claims into the next layer driven by
 - Increased company activity
 - Claimant push as CMCs/lawyers can't get involved <£1k
- MOJ claims that progress through Stage I successfully incurring £480 legal fees, but get marooned at Stage II by Third Party
- Faster recognition

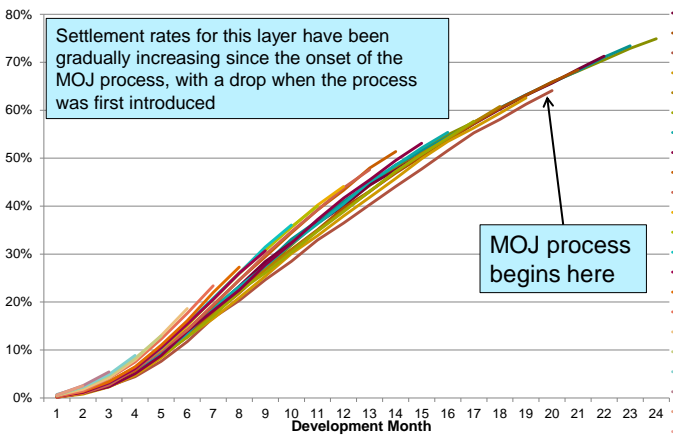
Inflation Rates
10-11: 18.7% 09-10: 2.8% 08-09: -8% 07-08: -10.9% 06-07: 11.1%

Transactional Analysis – 1k-10k Layer

Data trends



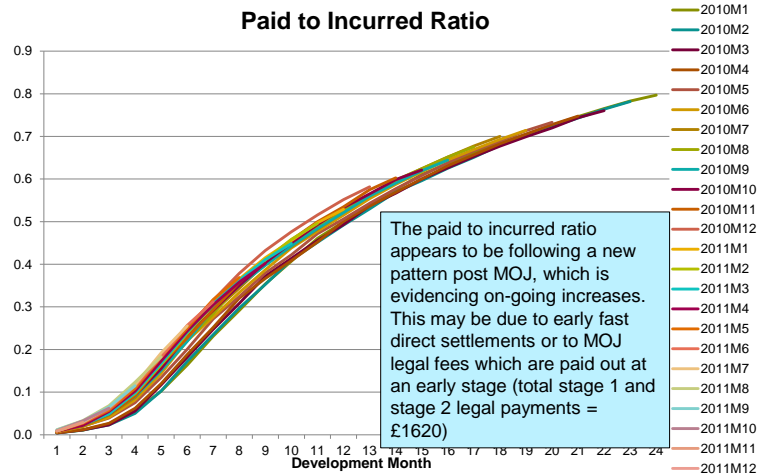
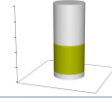
Claim Settlement Rate



Settlement rates for this layer have been gradually increasing since the onset of the MOJ process, with a drop when the process was first introduced

MOJ process begins here

Transactional Analysis – 1k-10k Layer Data trends



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5. Conclusions

Questions and Provisional Answers

	Questions	Our Provisional Answers
a.	What is small TPI inflation?	<ul style="list-style-type: none">• Burn cost inflation has increased slightly since 2008, now sitting at 15%. Greater numbers of claims between £20k & £50k have been the greatest contributor to recent higher inflation. If future TPD frequencies do not drop, prospective burn cost inflation could be > 20%.
b.	2011 – catch up or new trend?	<ul style="list-style-type: none">• Catch Up from 2010 experience driven by<ul style="list-style-type: none">i. Anomalous weather in 2010ii. MOJ changes disrupting CMCs?• These support 2011 being a catch-up• Relatively, 2010 should not develop adversely based on i; but ii could bring (diminishing) risk of “back-farming”
c.	What do we know about multi-claimant claims?	<ul style="list-style-type: none">• data supports £10k-£20k layer being dominated by multi-claimant claims, with c. 1.4 claimants / claim
d.	How weak/strong are case estimates?	<ul style="list-style-type: none">• Case estimates were identified as weak in our 09/10 work; they have strengthened but are still a concern
e.	What's changed post MOJ?	<ul style="list-style-type: none">• Simple whiplash claims settling faster; inflation continues. Adverse operational impact on large claims now diminishing.

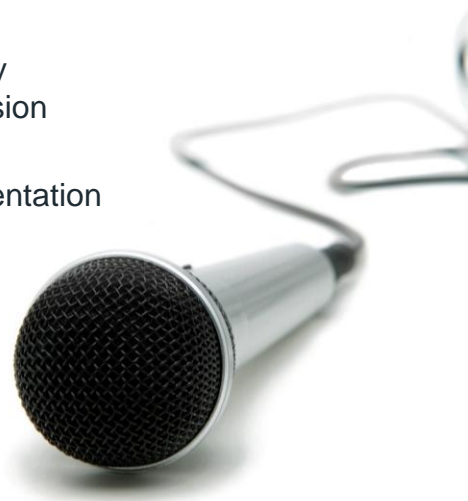
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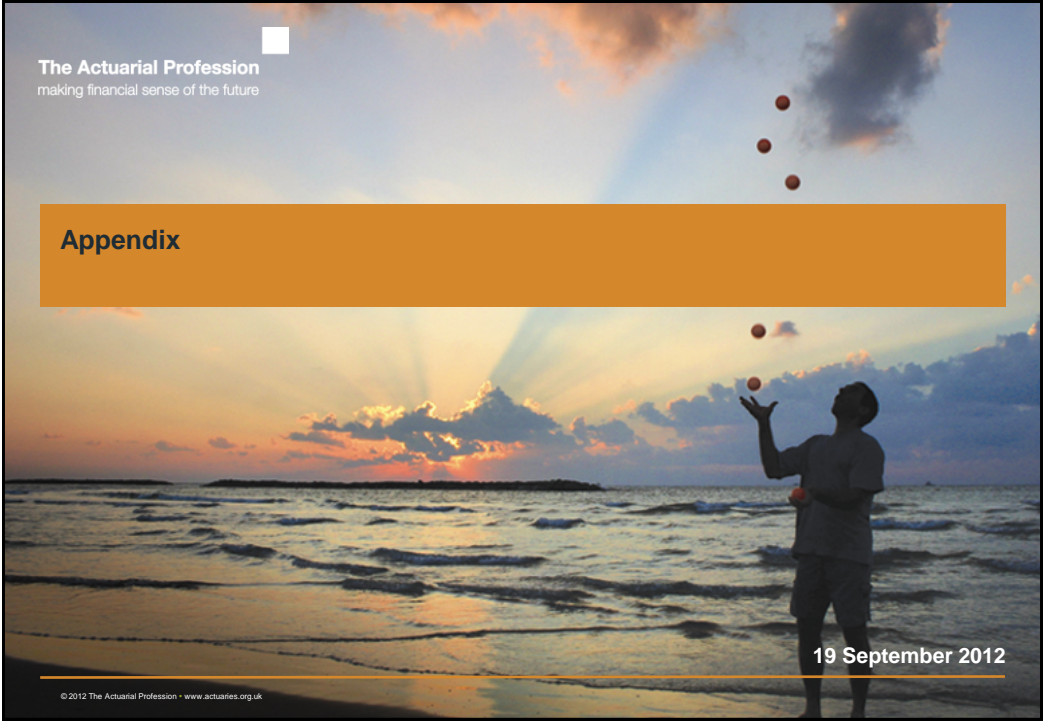
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Questions or comments?

Expressions of individual views by members of The Actuarial Profession and its staff are encouraged.

The views expressed in this presentation are those of the presenter.





The Actuarial Profession
making financial sense of the future

Appendix

19 September 2012

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Appendix

- Have kept entire slide deck following. Comments will needed editing

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Notes to Graphs

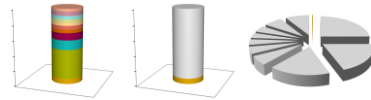
All Layers

- Development graphs in the 0 to 1k and 1k to 10k layers are shown on a monthly origin basis except 'reported claim frequency' which is shown on both an annual and a quarterly origin basis
- Development graphs in the 10k to 20k and 20k to 50k layers are shown on a quarterly origin basis except 'reported claim frequency' which is shown on both an annual and a quarterly origin basis
- Development graphs in the 50k to 100k layer are shown on an annual origin basis except 'reported claim frequency' which is shown on both an annual and a quarterly origin basis
- The transactional analysis is based on transactional data provided by contributors and therefore may differ from the triangular analysis due to differences in contributors

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Transactional Analysis

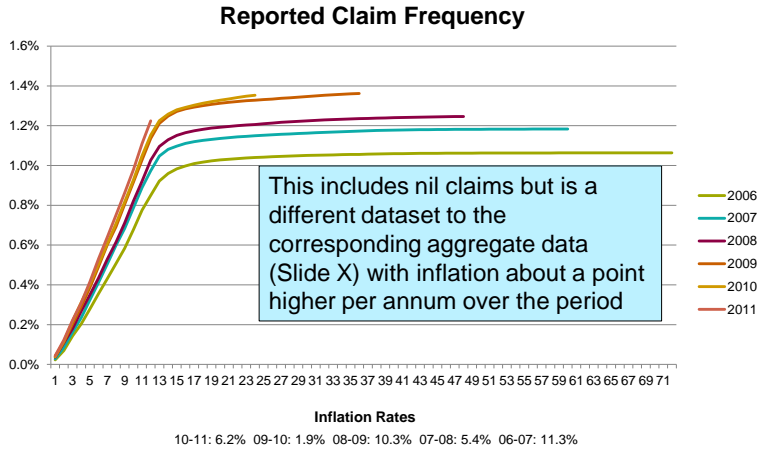
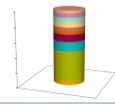


- 0 to 1k Layer
- All claims pass through this layer – so they show
- Those ending in the layer are few in number unusually small but have been growing post MOJ but still only contribute about 50p cost per policy

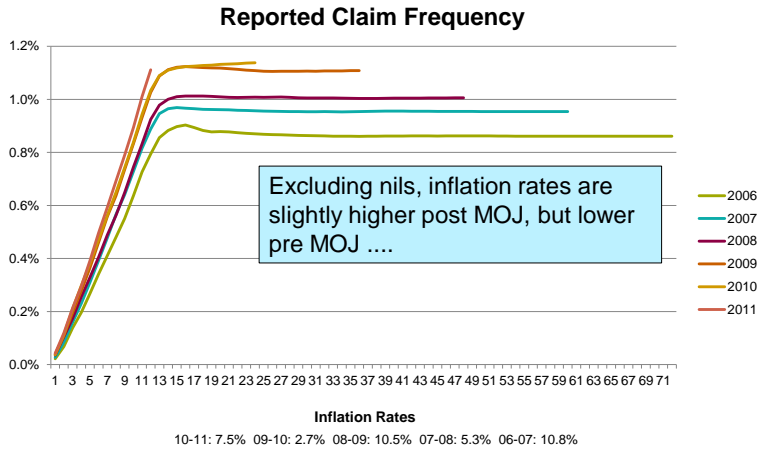
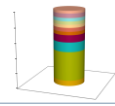
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Transactional Analysis – 0-1k Layer Data trends

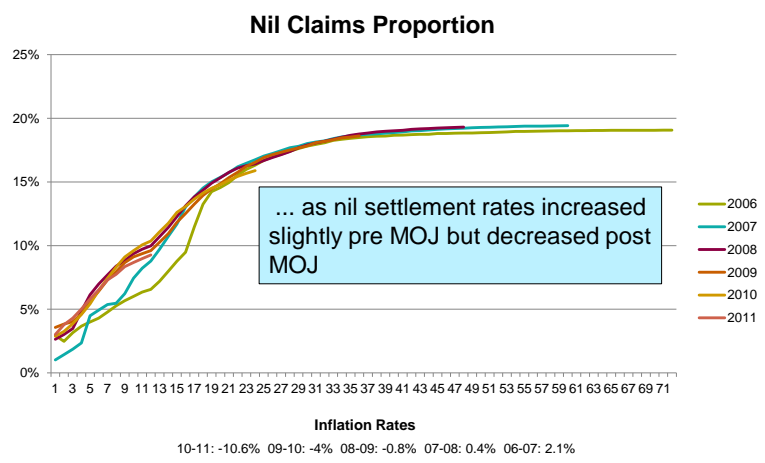
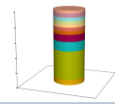


Transactional Analysis – 0-1k Layer (excl nils) Data trends



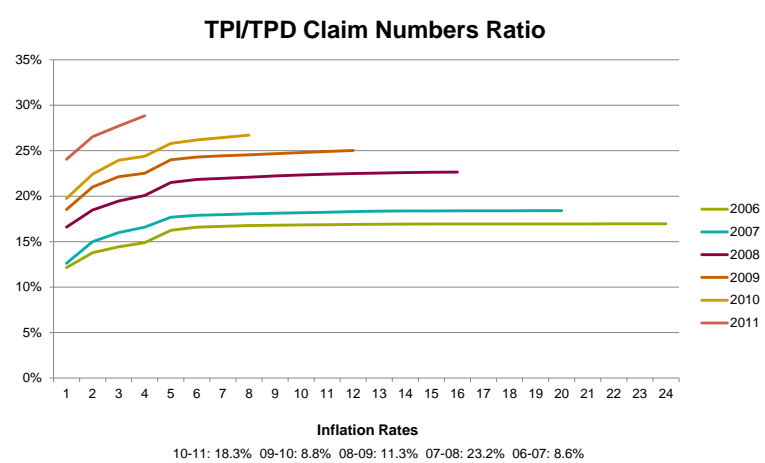
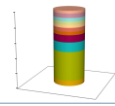
Transactional Analysis – 0-1k Layer

Data trends



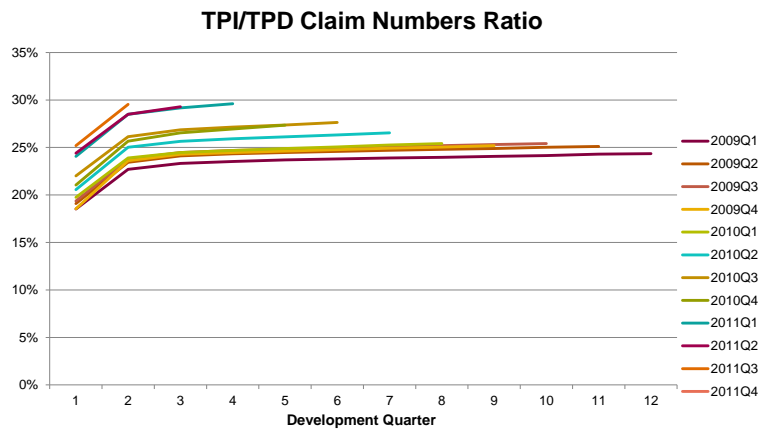
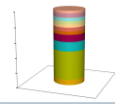
Transactional Analysis – 0-1k Layer

Data trends



Transactional Analysis – 0-1k Layer

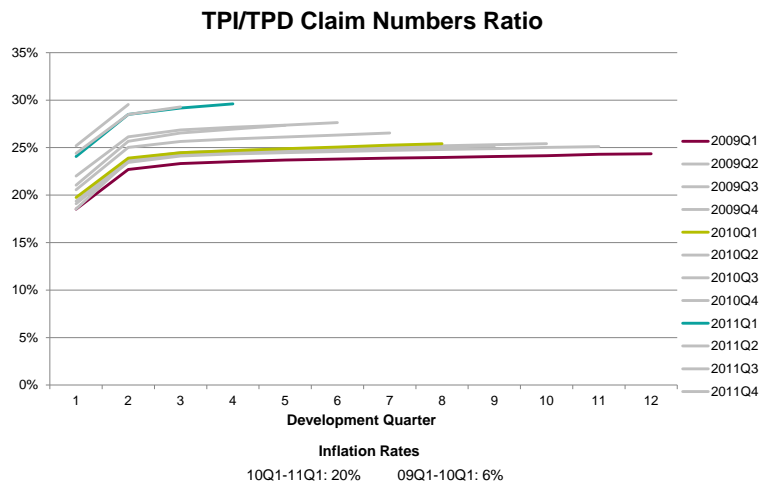
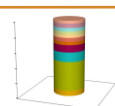
Data trends



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Transactional Analysis – 0-1k Layer

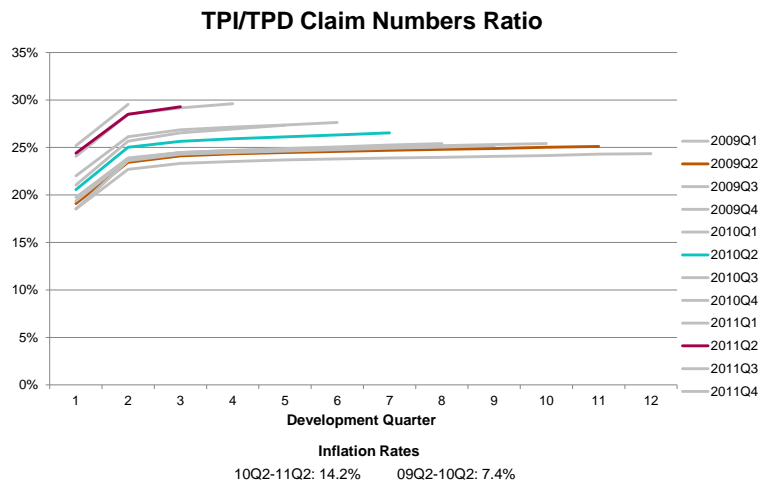
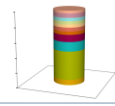
Data trends



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Transactional Analysis – 0-1k Layer

Data trends

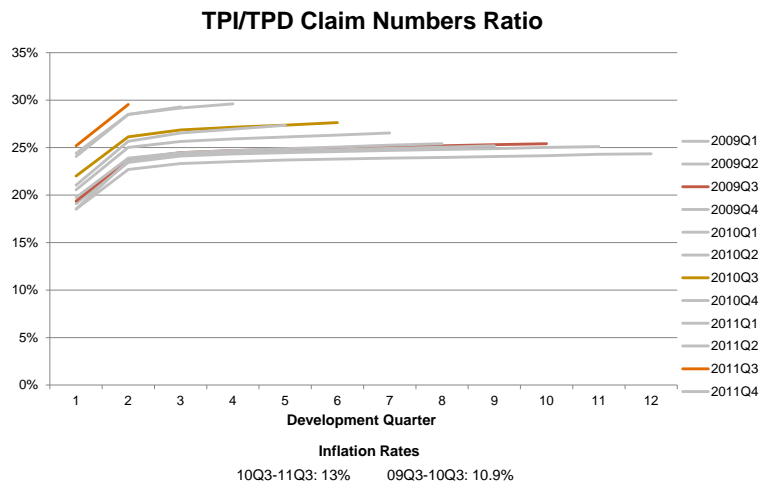
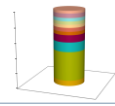


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Transactional Analysis – 0-1k Layer

Data trends

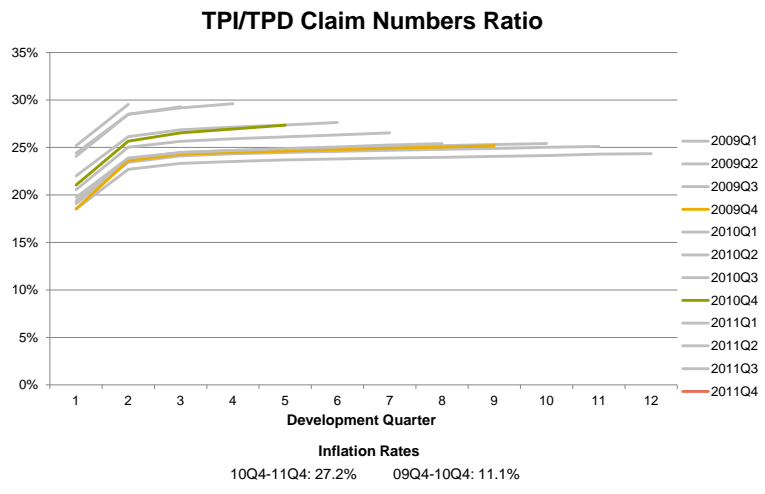
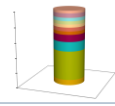


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Transactional Analysis – 0-1k Layer

Data trends

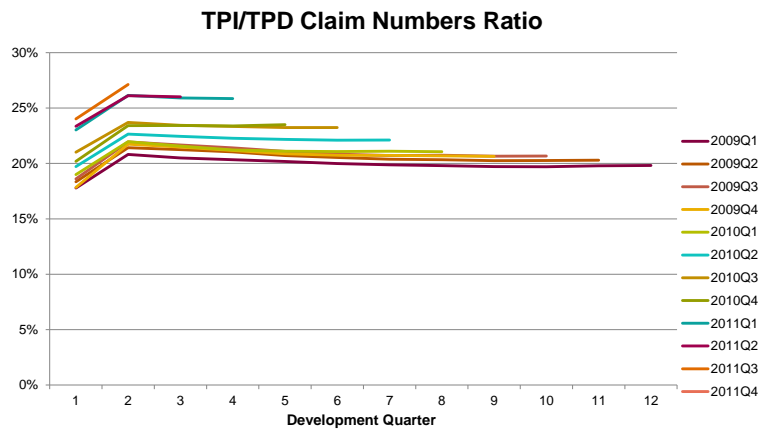
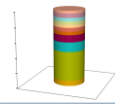


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Transactional Analysis – 0-1k Layer (excl nils)

Data trends

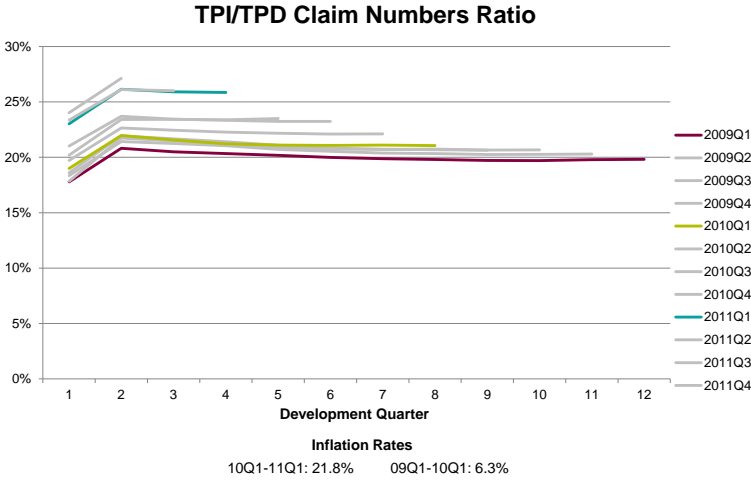
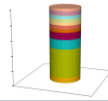


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Transactional Analysis – 0-1k Layer (excl nils)

Data trends

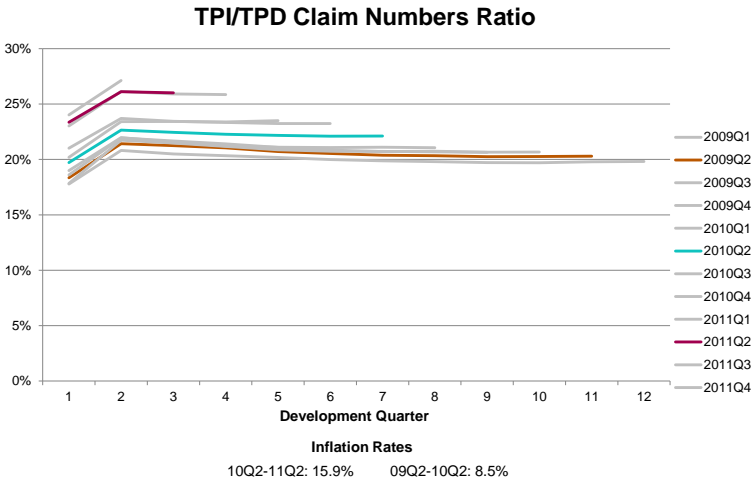
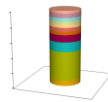


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Transactional Analysis – 0-1k Layer (excl nils)

Data trends

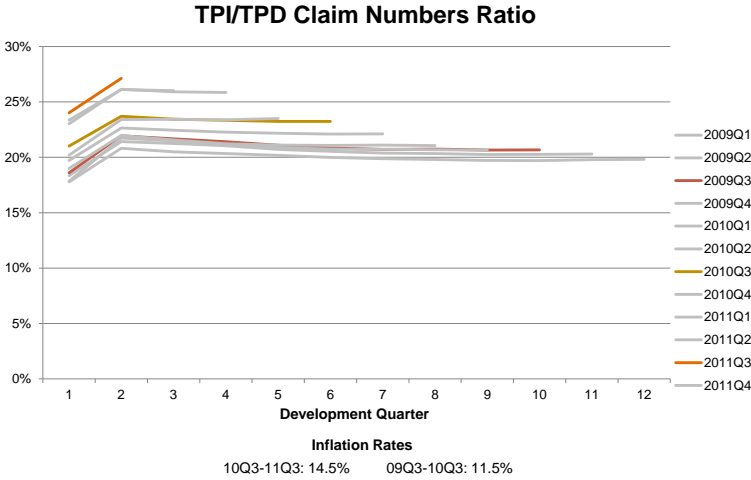
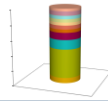


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Transactional Analysis – 0-1k Layer (excl nils)

Data trends

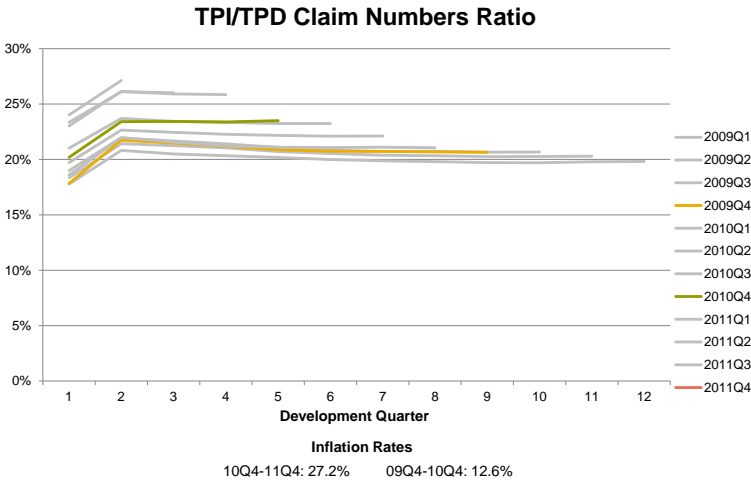
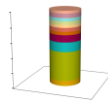


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Transactional Analysis – 0-1k Layer (excl nils)

Data trends

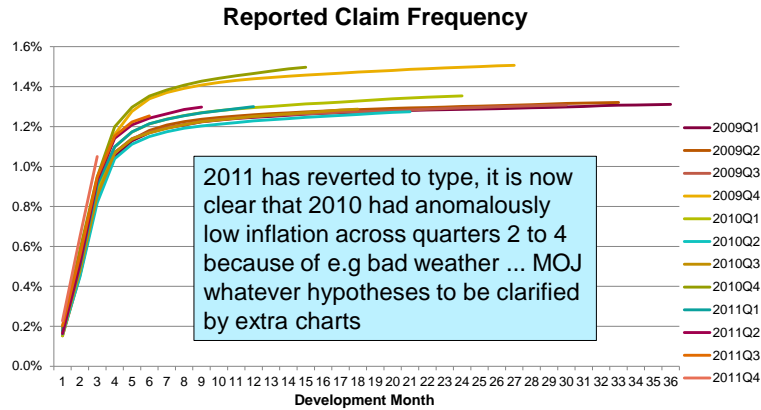
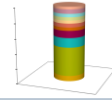


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Transactional Analysis – 0-1k Layer

Data trends

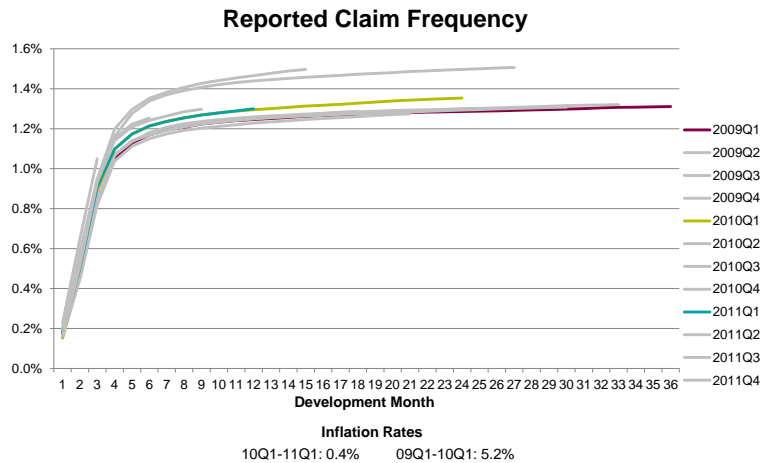
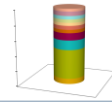


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Transactional Analysis – 0-1k Layer

Data trends

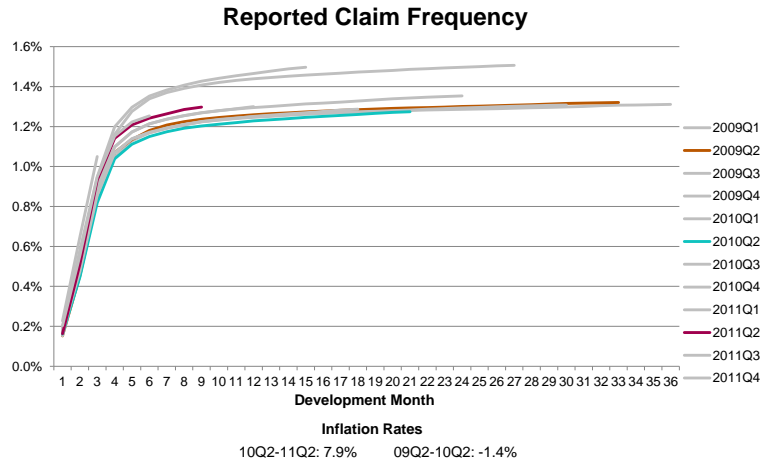
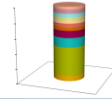


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Transactional Analysis – 0-1k Layer

Data trends

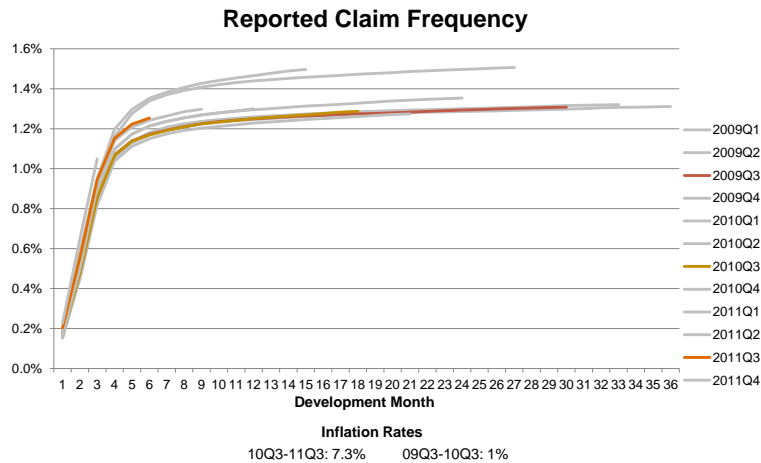
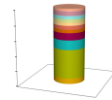


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Transactional Analysis – 0-1k Layer

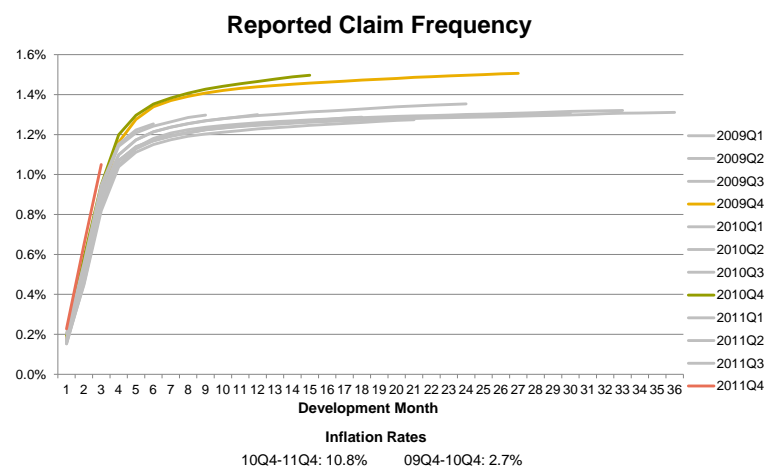
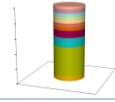
Data trends



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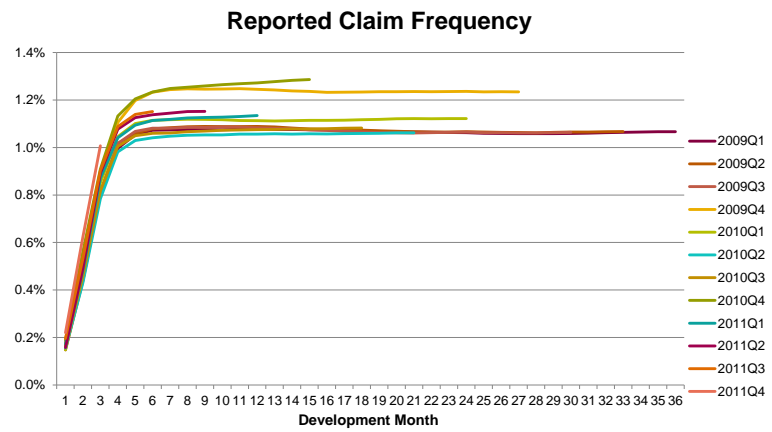
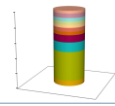
Transactional Analysis – 0-1k Layer Data trends



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Transactional Analysis – 0-1k Layer (excl nils) Data trends

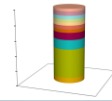


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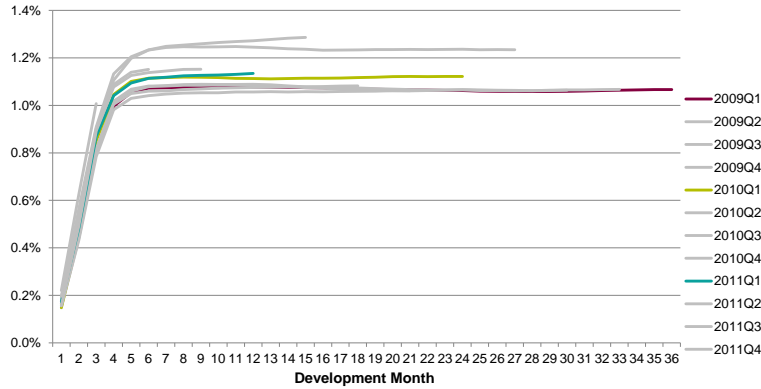
105

Transactional Analysis – 0-1k Layer (excl nils)

Data trends



Reported Claim Frequency



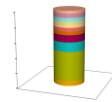
Inflation Rates
10Q1-11Q1: 1.9% 09Q1-10Q1: 5.5%

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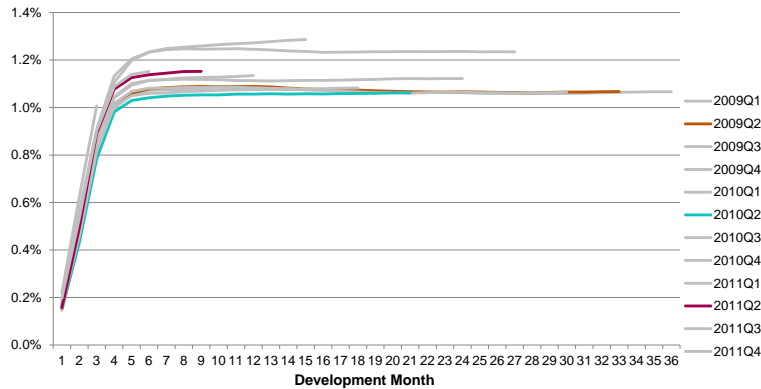
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Transactional Analysis – 0-1k Layer (excl nils)

Data trends



Reported Claim Frequency

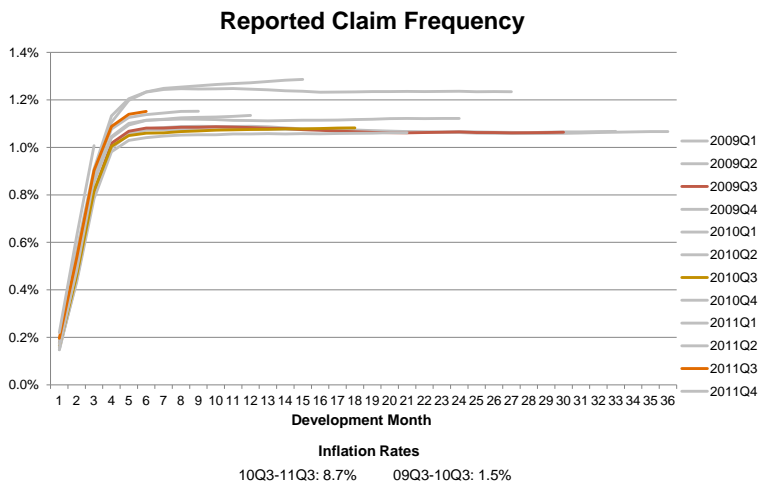
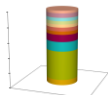


Inflation Rates
10Q2-11Q2: 9.4% 09Q2-10Q2: -0.5%

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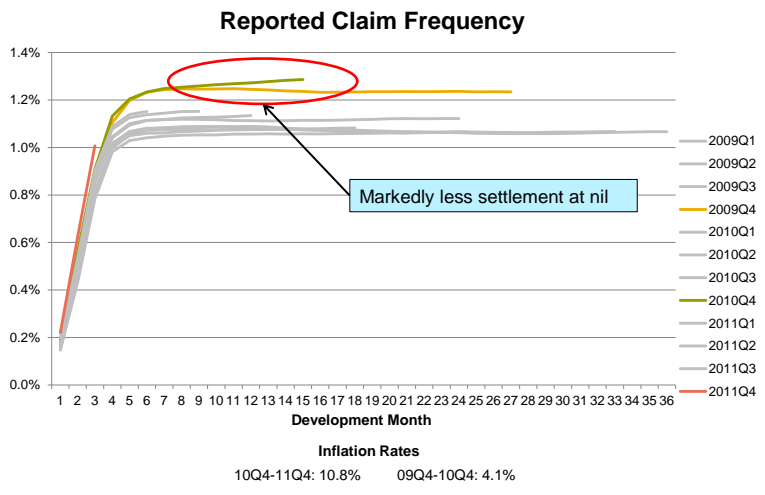
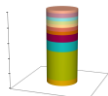
107

Transactional Analysis – 0-1k Layer (excl nils) Data trends



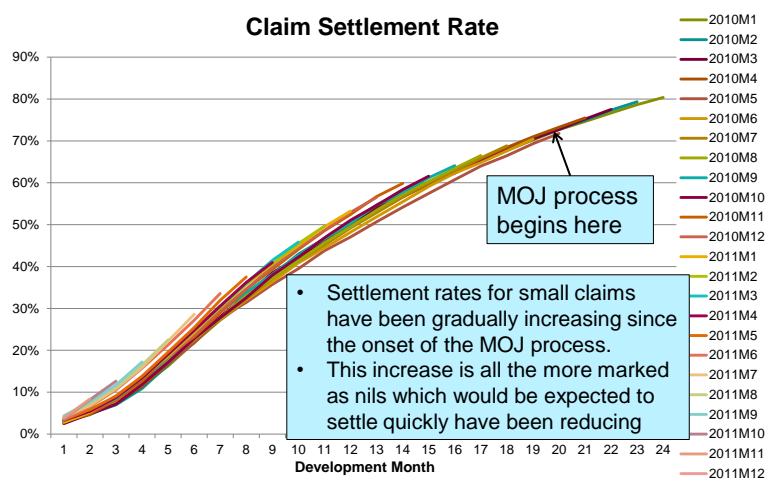
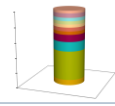
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Transactional Analysis – 0-1k Layer (excl nils) Data trends



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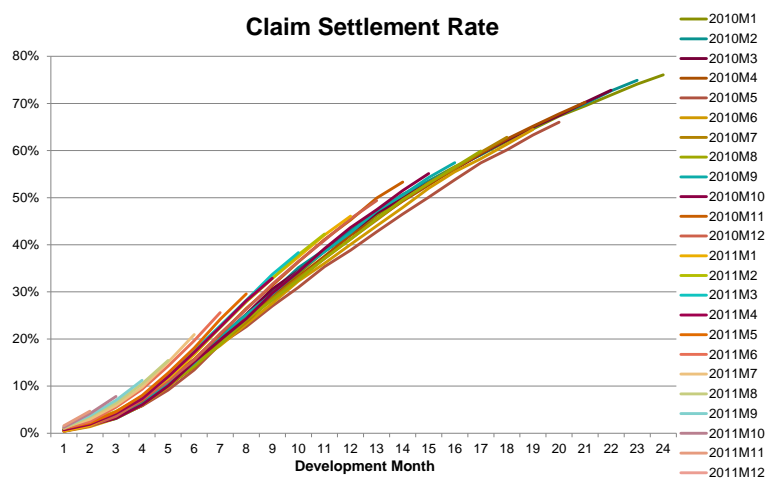
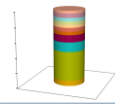
Transactional Analysis – 0-1k Layer Data trends



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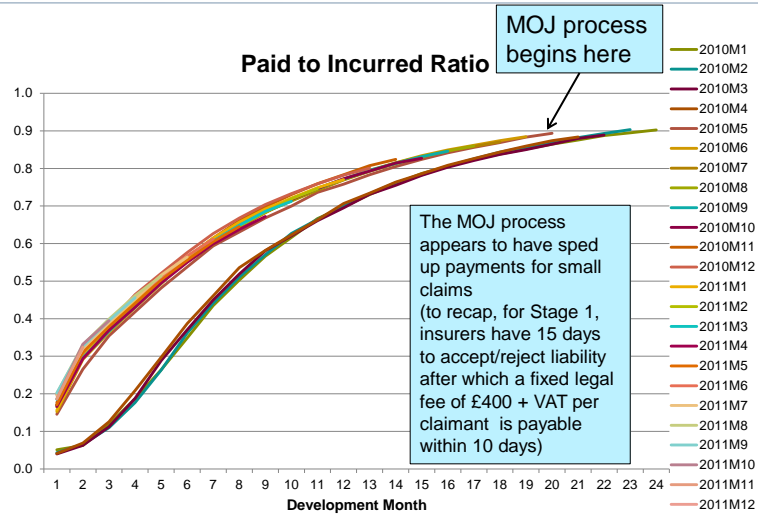
Transactional Analysis – 0-1k Layer (excl nils) Data trends



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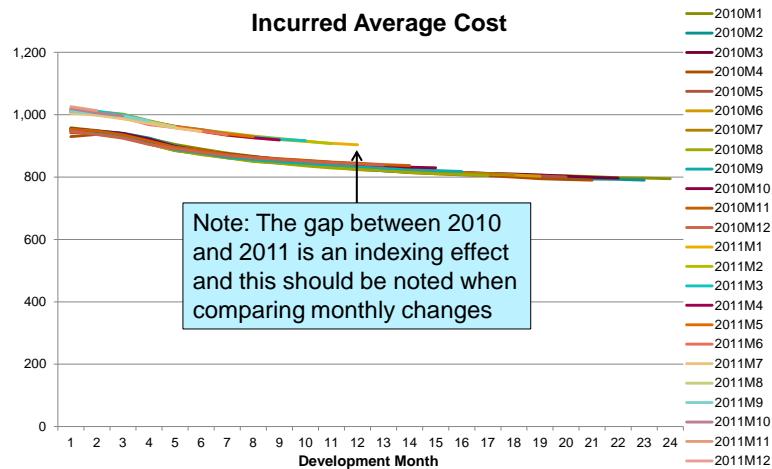
111

Transactional Analysis – 0-1k Layer Data trends



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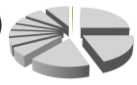
Transactional Analysis – 0-1k Layer Data trends



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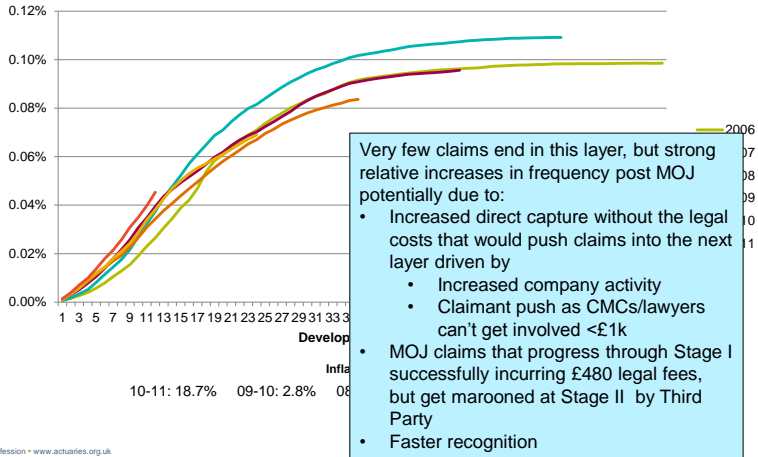
Transactional Analysis – 0-1k Layer (excl nils)

Data trends



Frequency of Claims in Layer (excl nils)

Layer 1: 0 to 1k

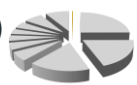


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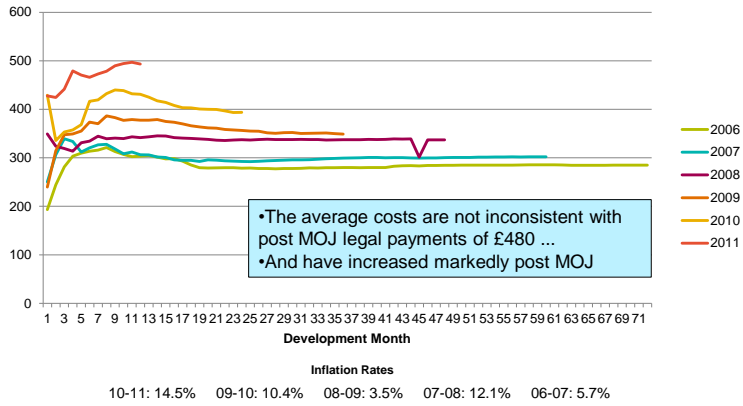
Transactional Analysis – 0-1k Layer (excl nils)

Data trends



FGU Incurred Average Cost of Claims in Layer (excl nils)

Layer 1: 0 to 1k



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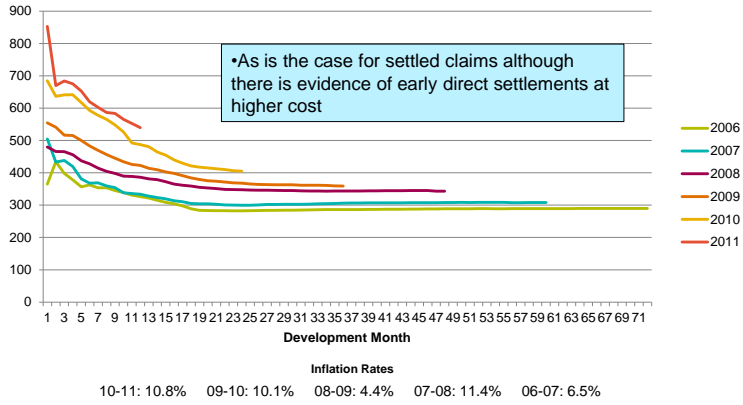
Transactional Analysis – 0-1k Layer (excl nils)

Data trends



FGU Average Cost of Claims Settling in Layer (excl nils)

Layer 1: 0 to 1k



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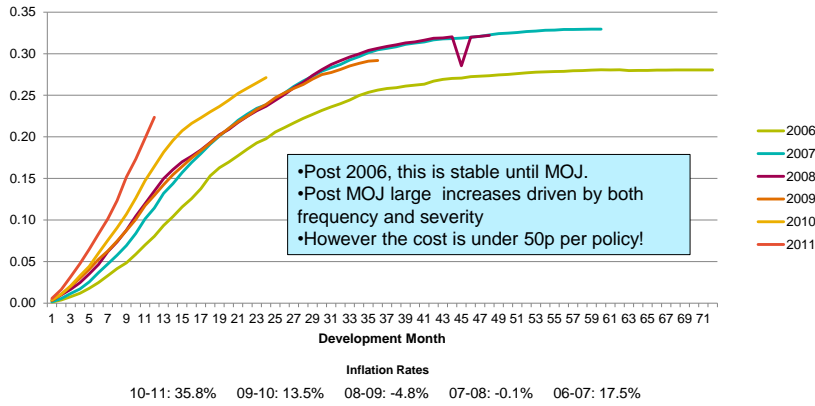
Transactional Analysis – 0-1k Layer (excl nils)

Data trends



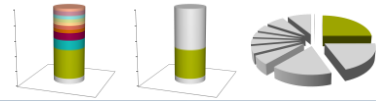
FGU Incurred Burning Cost

Layer 1: 0 to 1k



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Transactional Analysis

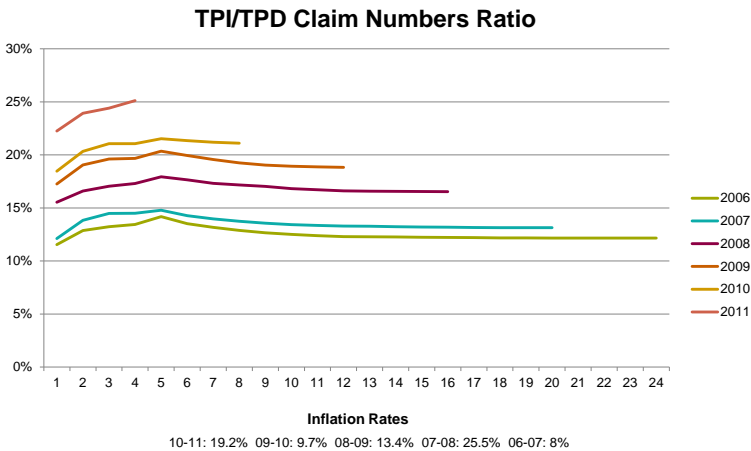
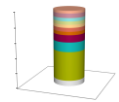


- 1k to 10k Layer
- Most claims pass through this layer
- Those ending in the layer are typically small individual “whiplash” claims
- These claims are now the most significant of all layers contributing £x cost per policy

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Transactional Analysis – 1k-10k Layer Data trends

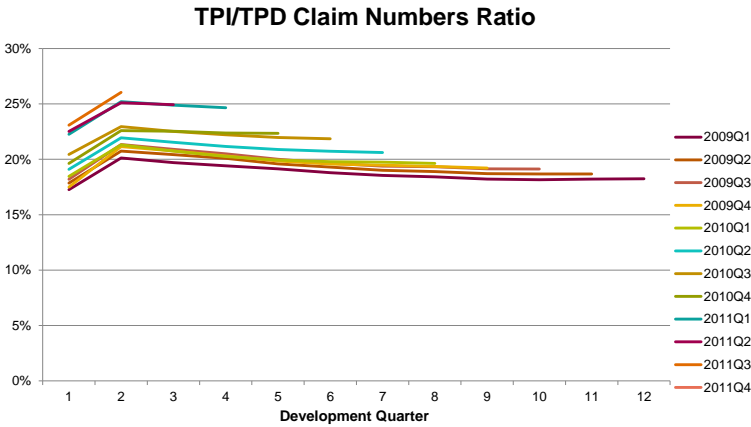
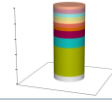


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Transactional Analysis – 1k-10k Layer

Data trends

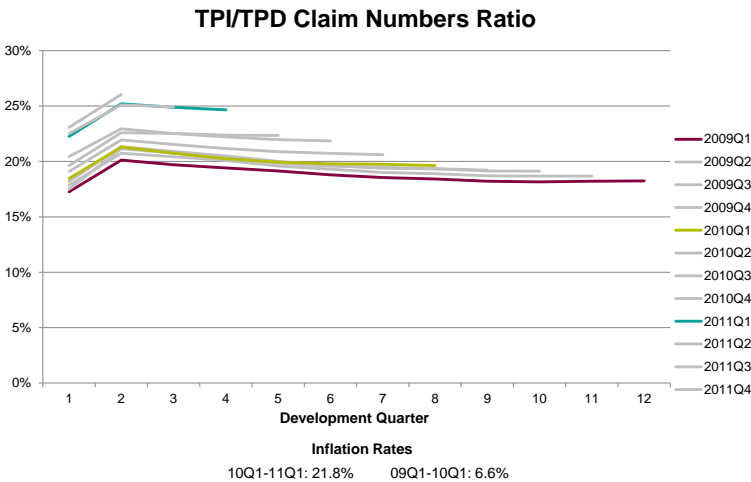
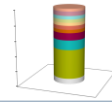


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Transactional Analysis – 1k-10k Layer

Data trends

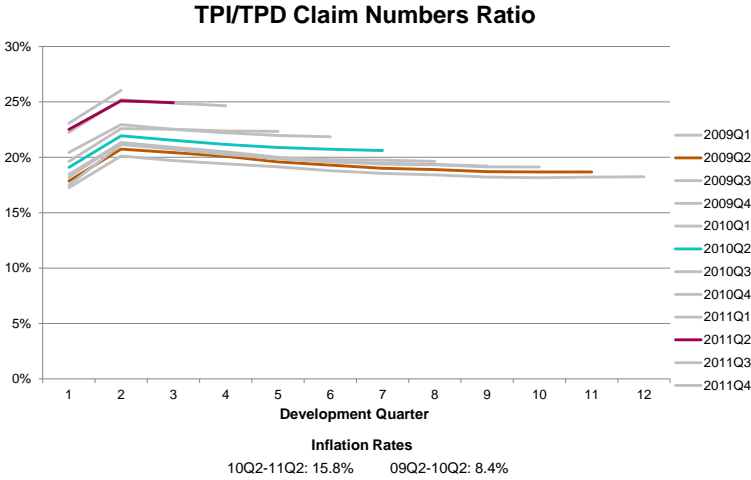
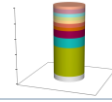


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Transactional Analysis – 1k-10k Layer

Data trends

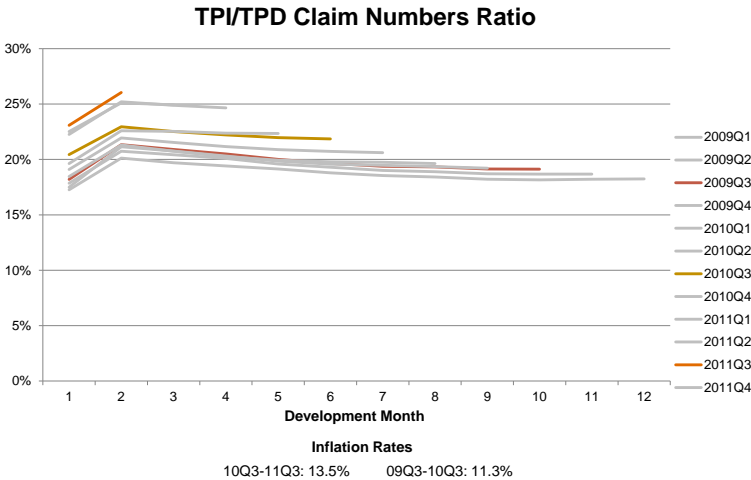
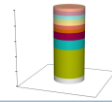


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Transactional Analysis – 1k-10k Layer

Data trends

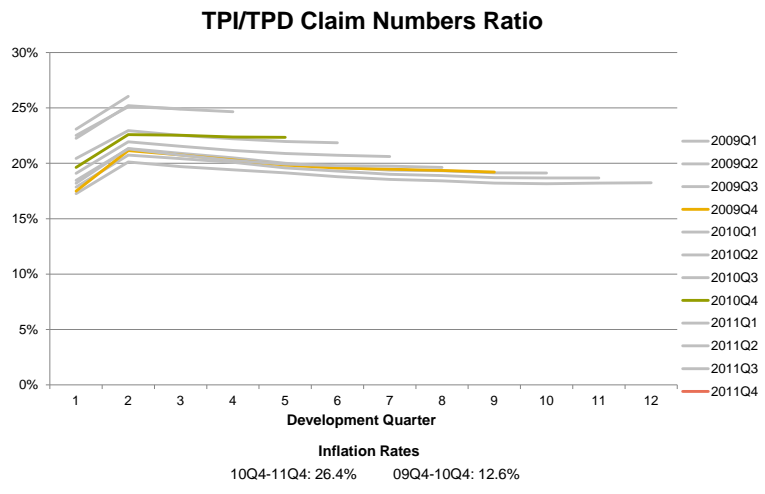
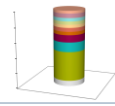


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Transactional Analysis – 1k-10k Layer

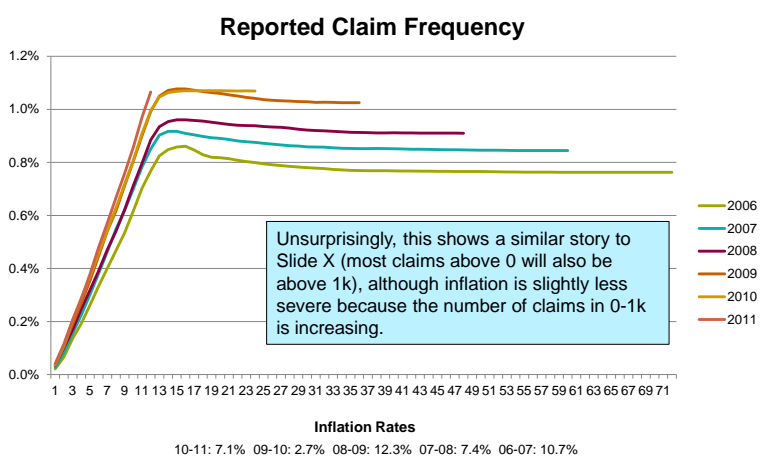
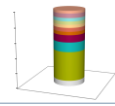
Data trends



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Transactional Analysis – 1k-10k Layer

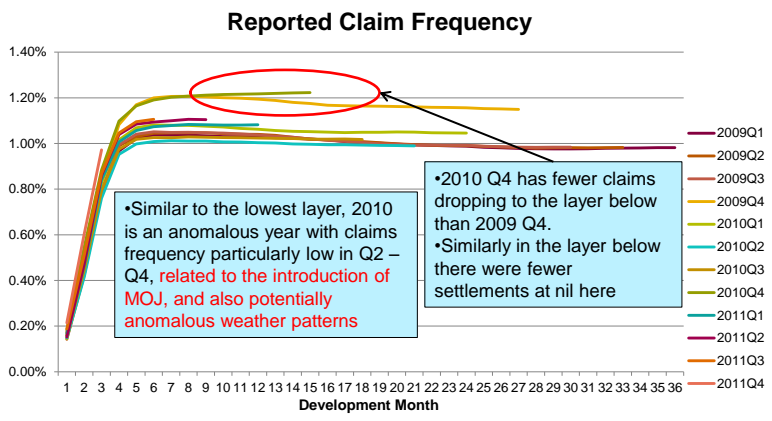
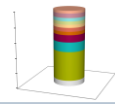
Data trends



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Transactional Analysis – 1k-10k Layer

Data trends

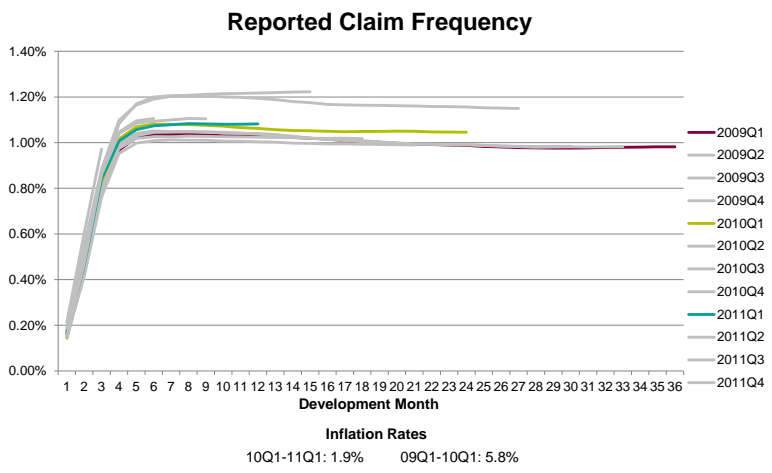
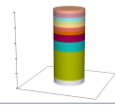


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Transactional Analysis – 1k-10k Layer

Data trends

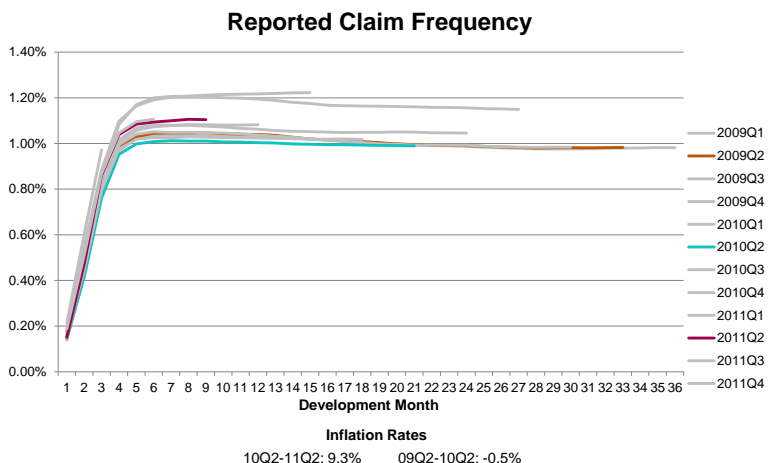
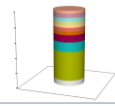


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Transactional Analysis – 1k-10k Layer

Data trends

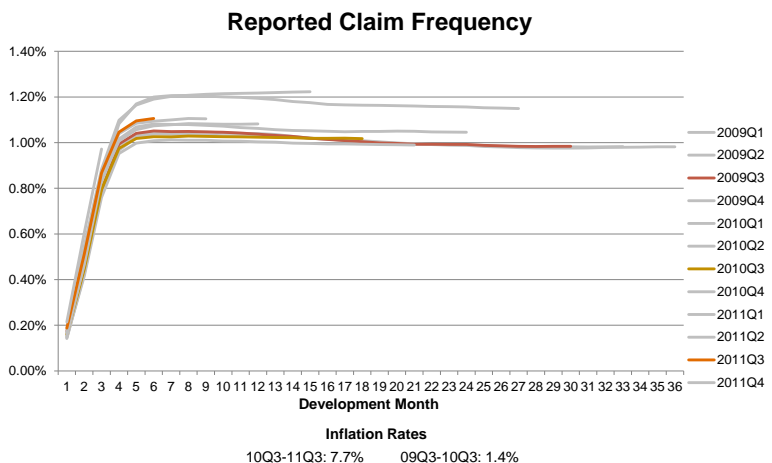
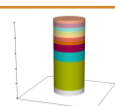


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Transactional Analysis – 1k-10k Layer

Data trends

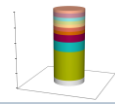


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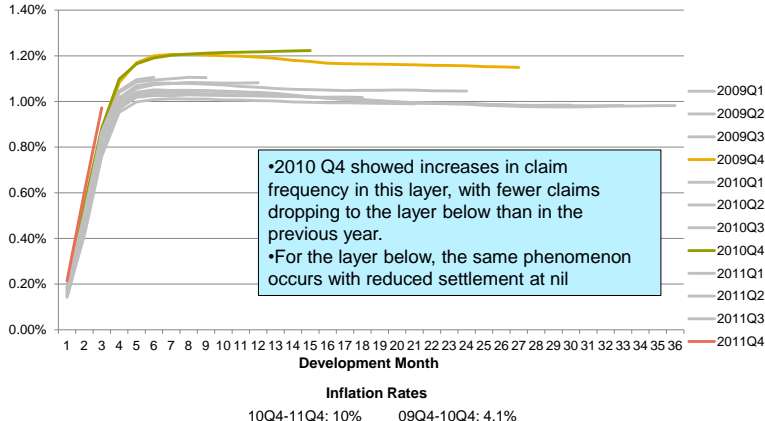
129

Transactional Analysis – 1k-10k Layer

Data trends



Reported Claim Frequency

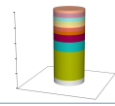


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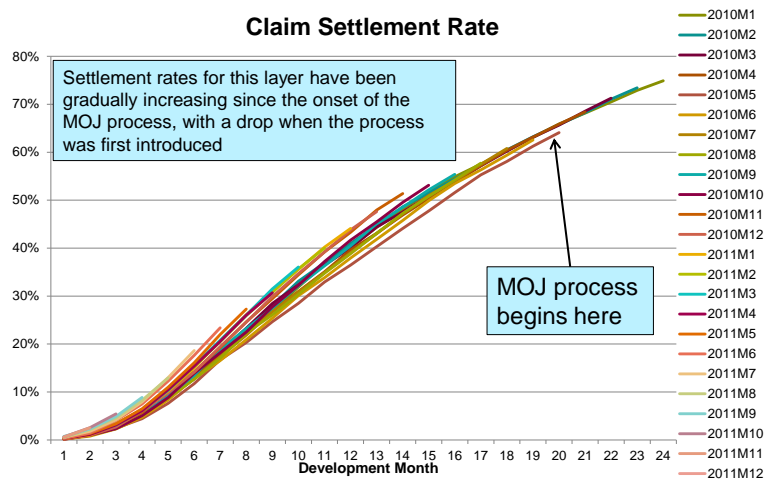
130

Transactional Analysis – 1k-10k Layer

Data trends



Claim Settlement Rate

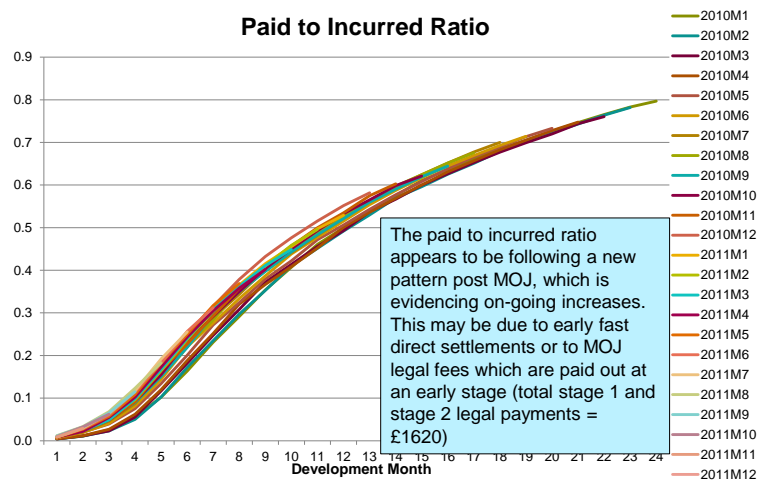
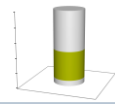


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Transactional Analysis – 1k-10k Layer

Data trends

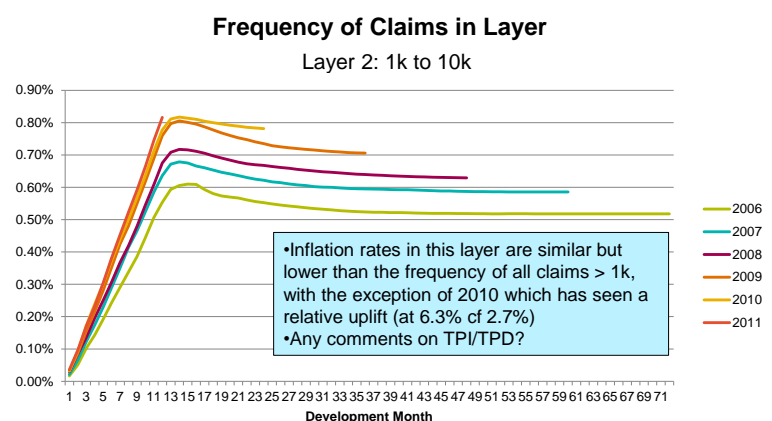


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Transactional Analysis – 1k-10k Layer

Data trends



Inflation Rates
10-11: 5% 09-10: 6.3% 08-09: 10.3% 07-08: 7.2% 06-07: 13.1%

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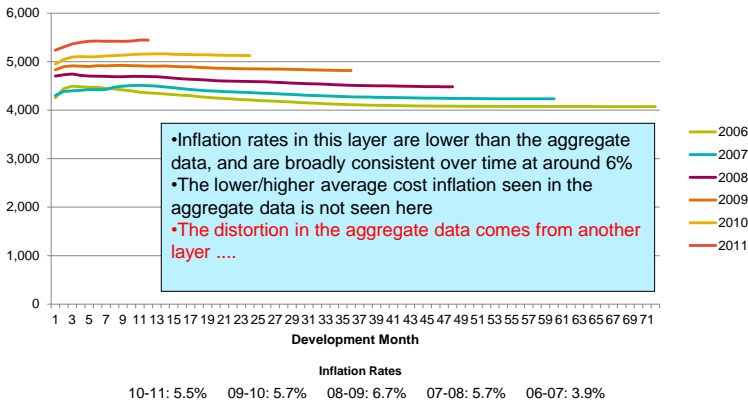
133

Transactional Analysis – 1k-10k Layer

Data trends



FGU Incurred Average Cost of Claims in Layer
Layer 2: 1k to 10k



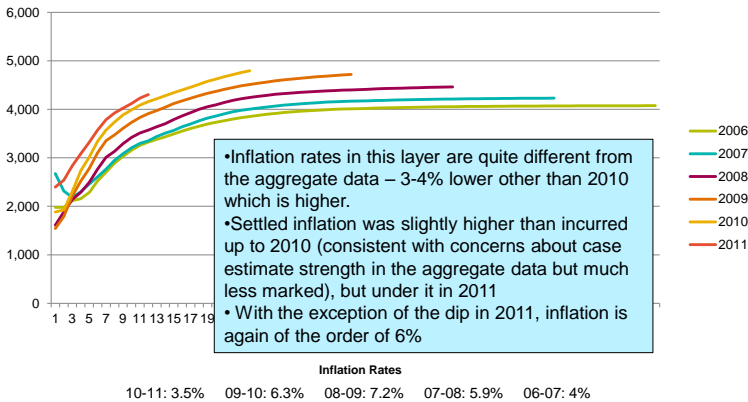
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Transactional Analysis – 1k-10k Layer

Data trends



FGU Average Cost of Claims Settling in Layer
Layer 2: 1k to 10k



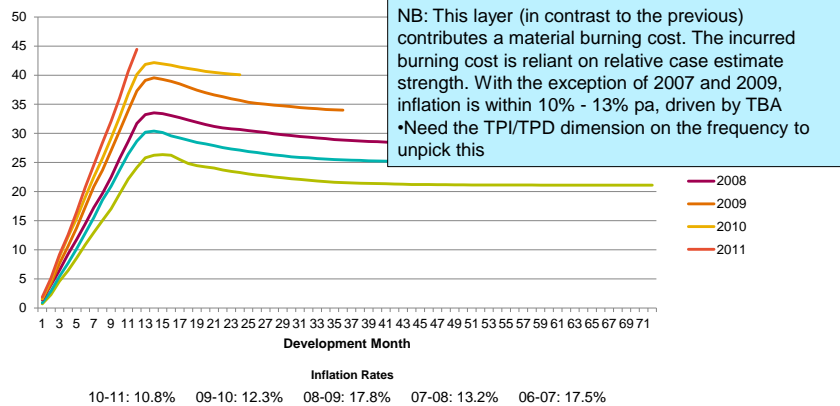
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Transactional Analysis – 1k-10k Layer

Data trends



FGU Incurred Burning Cost
Layer 2: 1k to 10k

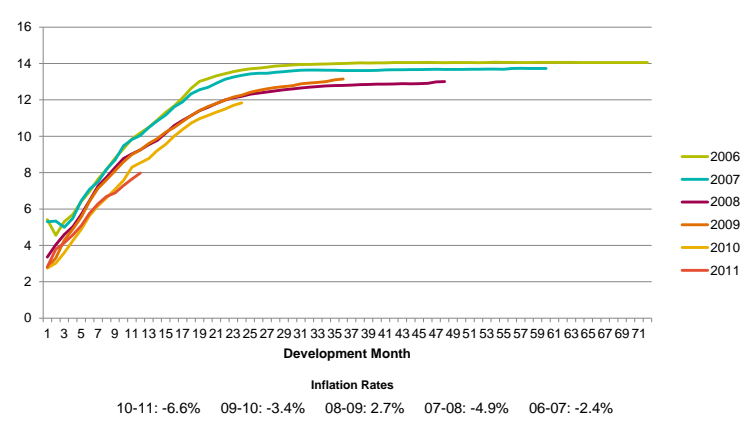


Transactional Analysis – 1k-10k Layer

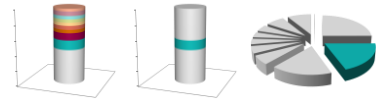
Data trends



**FGU Average Cost of Claims Settling in Layer 2 over
FGU Average Cost of Claims Settling in Layer 1 (excl nils)**



Transactional Analysis

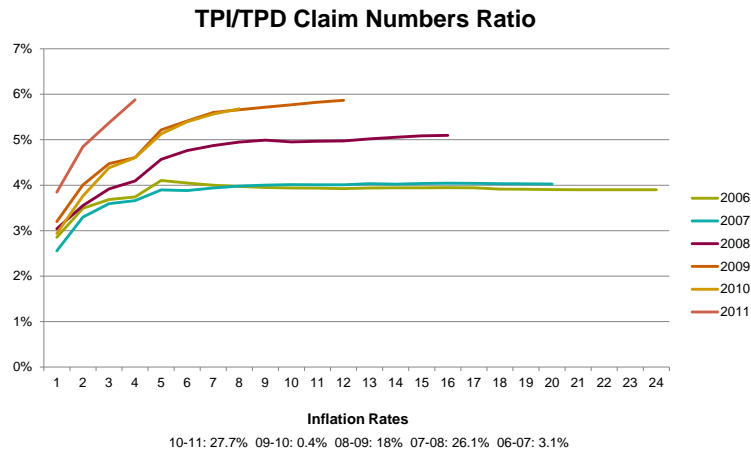
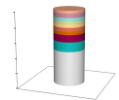


- 10k to 20k Layer
- 1/3 of Type 1 claims pass through this layer
- Those ending in the layer are typically multiple claimant “whiplash” claims (hypothesis to be tested)
- Claims ending in this layer contribute almost as much cost as (type 2) Layer 2 claims at circa £x cost per policy

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Transactional Analysis – 10k-20k Layer Data trends

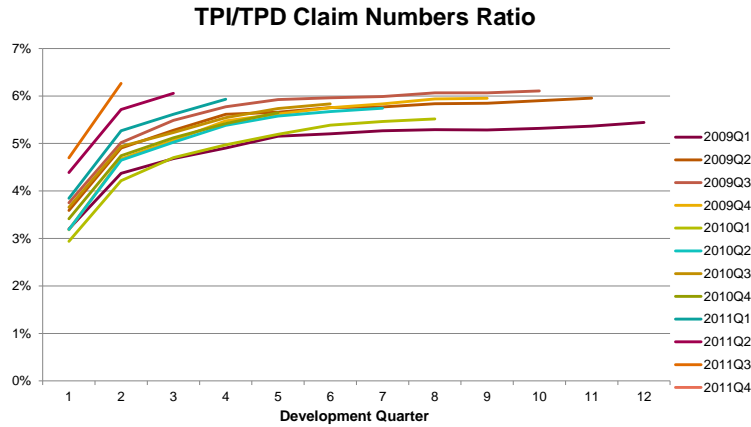
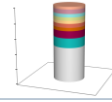


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Transactional Analysis – 10k-20k Layer

Data trends

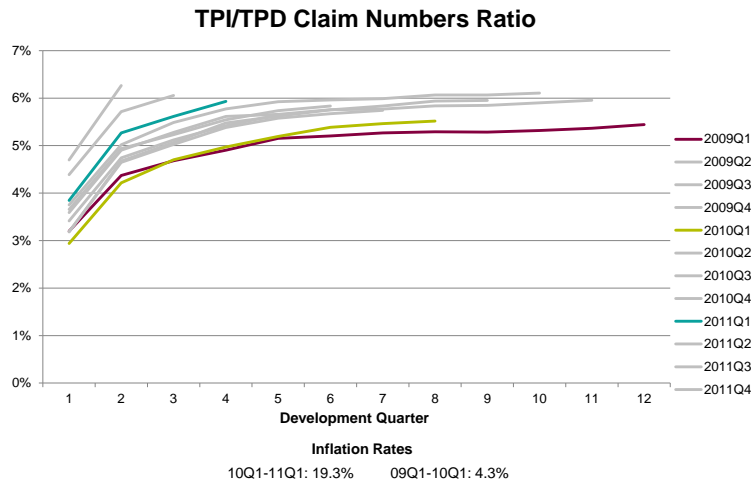
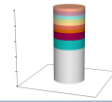


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Transactional Analysis – 10k-20k Layer

Data trends

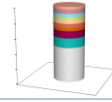


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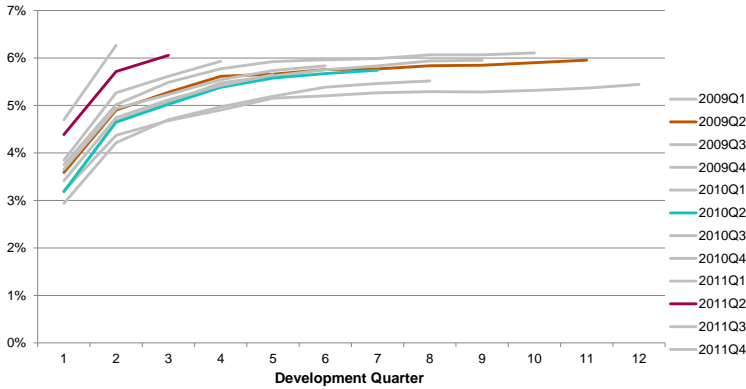
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Transactional Analysis – 10k-20k Layer

Data trends



TPI/TPD Claim Numbers Ratio



Inflation Rates

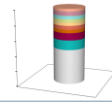
10Q2-11Q2: 20.5% 09Q2-10Q2: -0.4%

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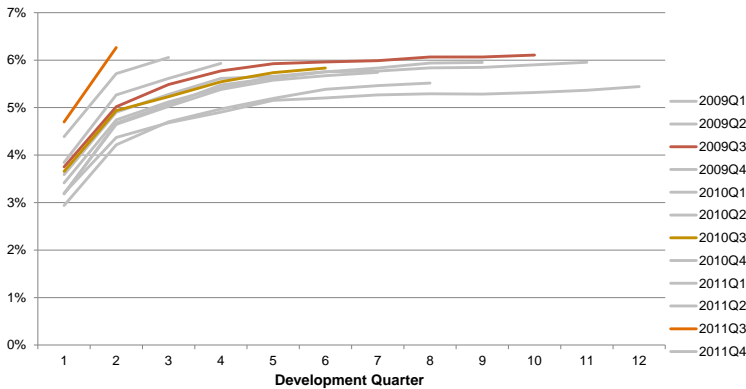
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Transactional Analysis – 10k-20k Layer

Data trends



TPI/TPD Claim Numbers Ratio



Inflation Rates

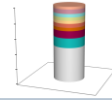
10Q3-11Q3: 26.9% 09Q3-10Q3: -2.2%

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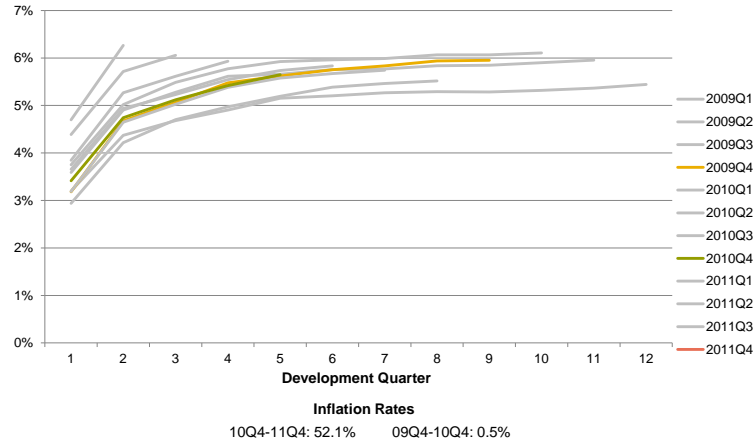
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Transactional Analysis – 10k-20k Layer

Data trends



TPI/TPD Claim Numbers Ratio

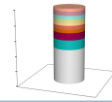


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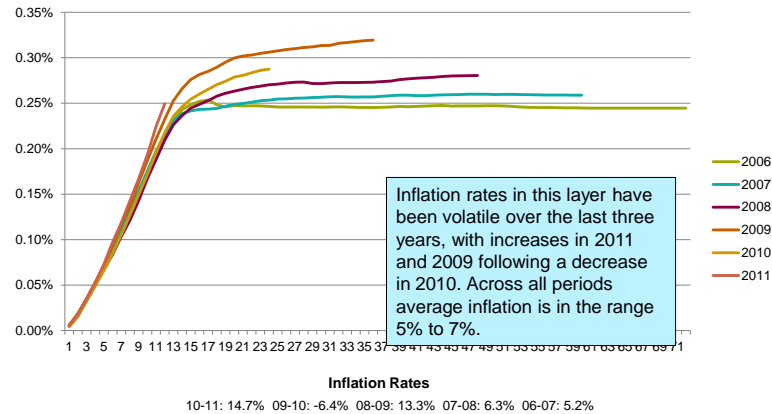
144

Transactional Analysis – 10k-20k Layer

Data trends



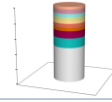
Reported Claim Frequency



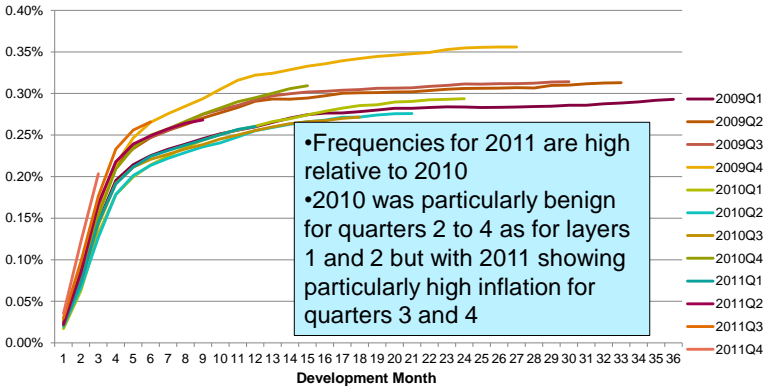
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Transactional Analysis – 10k-20k Layer Data trends



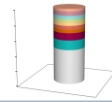
Reported Claim Frequency



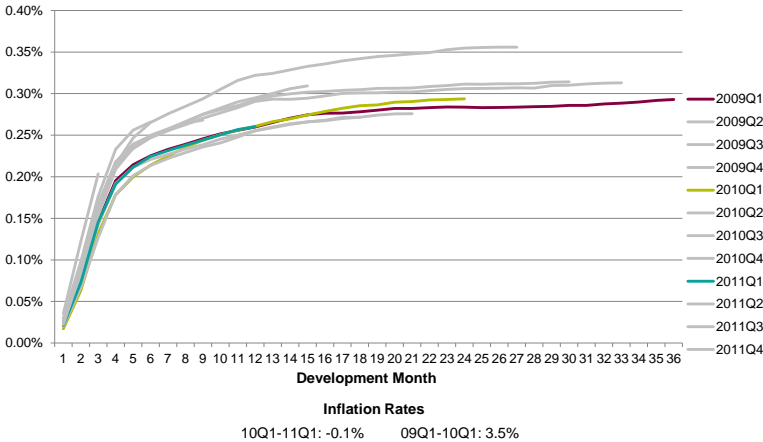
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Transactional Analysis – 10k-20k Layer Data trends



Reported Claim Frequency

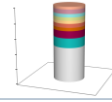


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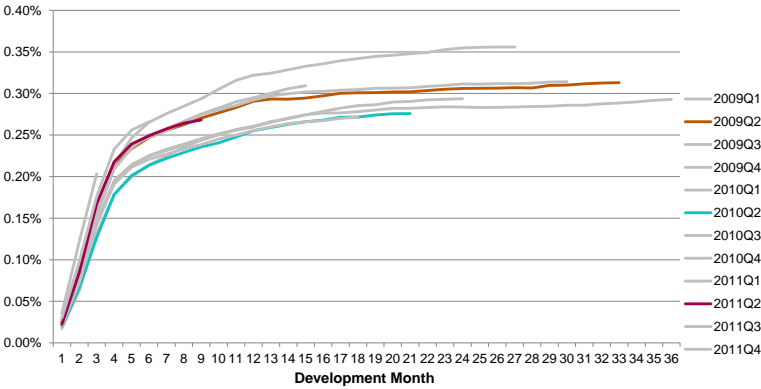
147

Transactional Analysis – 10k-20k Layer

Data trends



Reported Claim Frequency



Inflation Rates

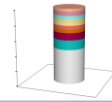
10Q2-11Q2: 13.8% 09Q2-10Q2: -8.6%

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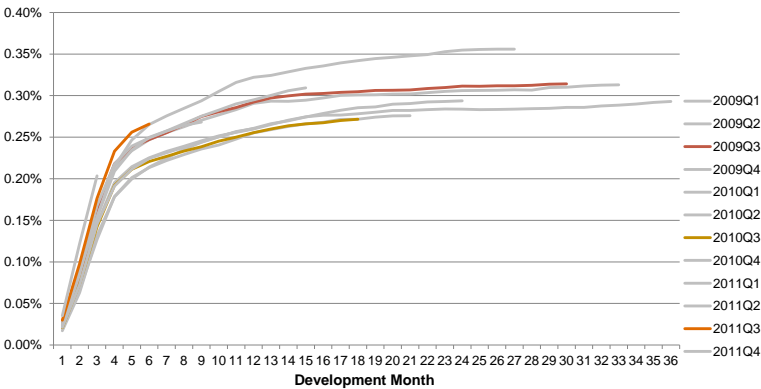
148

Transactional Analysis – 10k-20k Layer

Data trends



Reported Claim Frequency



Inflation Rates

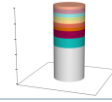
10Q3-11Q3: 20.5% 09Q3-10Q3: -10.9%

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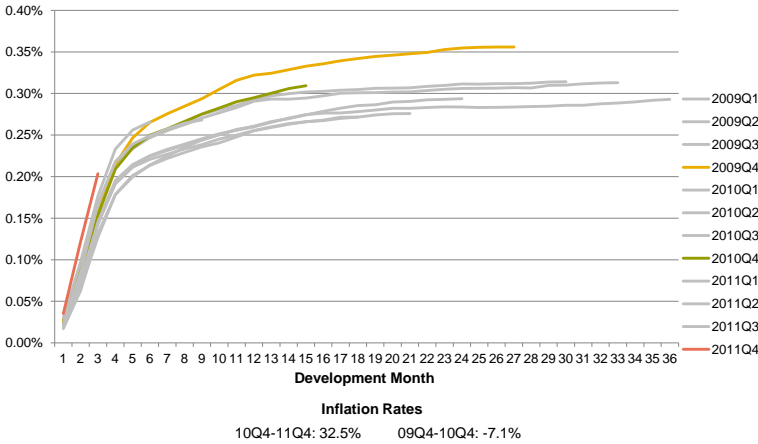
149

Transactional Analysis – 10k-20k Layer

Data trends



Reported Claim Frequency

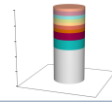


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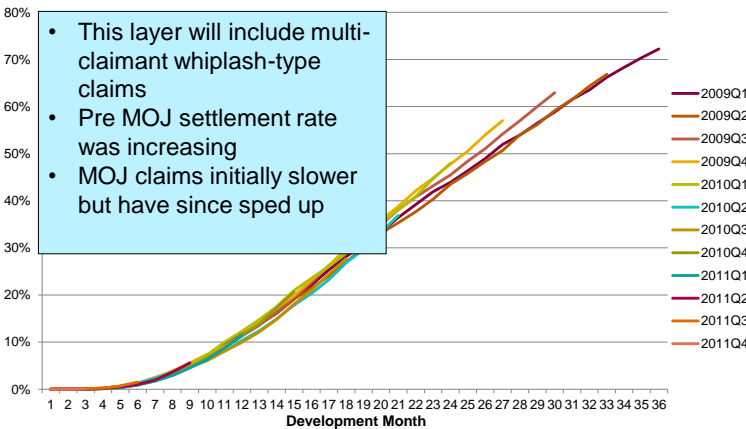
150

Transactional Analysis – 10k-20k Layer

Data trends



Claim Settlement Rate

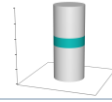


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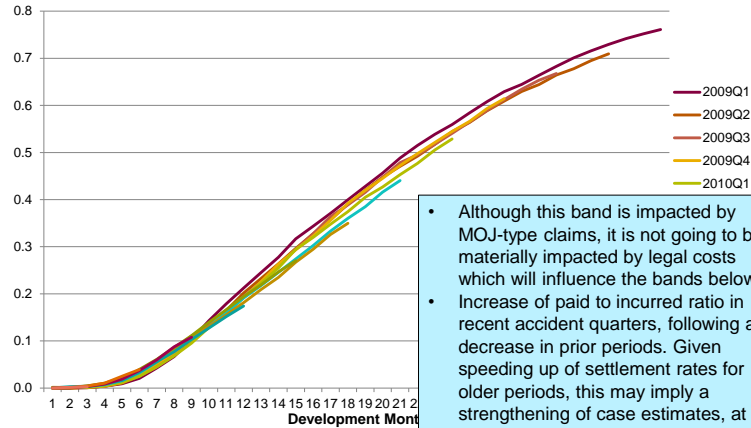
151

Transactional Analysis – 10k-20k Layer

Data trends



Paid to Incurred Ratio



- Although this band is impacted by MOJ-type claims, it is not going to be materially impacted by legal costs which will influence the bands below
- Increase of paid to incurred ratio in recent accident quarters, following a decrease in prior periods. Given speeding up of settlement rates for older periods, this may imply a strengthening of case estimates, at least for older accident quarters

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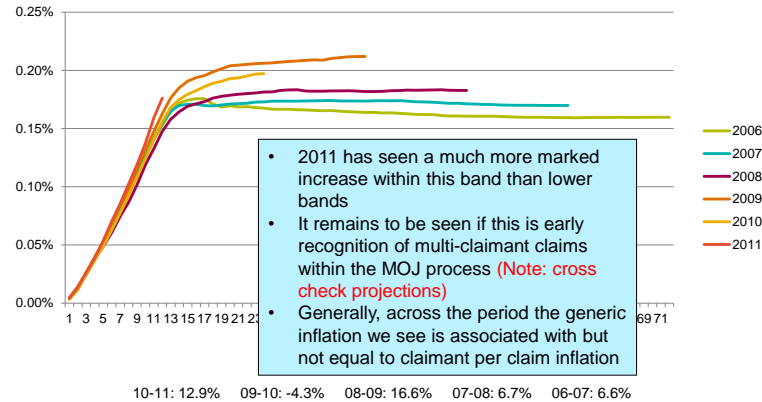
Transactional Analysis – 10k-20k Layer

Data trends



Frequency of Claims in Layer

Layer 3: 10k to 20k



- 2011 has seen a much more marked increase within this band than lower bands
- It remains to be seen if this is early recognition of multi-claimant claims within the MOJ process (Note: cross check projections)
- Generally, across the period the generic inflation we see is associated with but not equal to claimant per claim inflation

10-11: 12.9% 09-10: -4.3% 08-09: 16.6% 07-08: 6.7% 06-07: 6.6%

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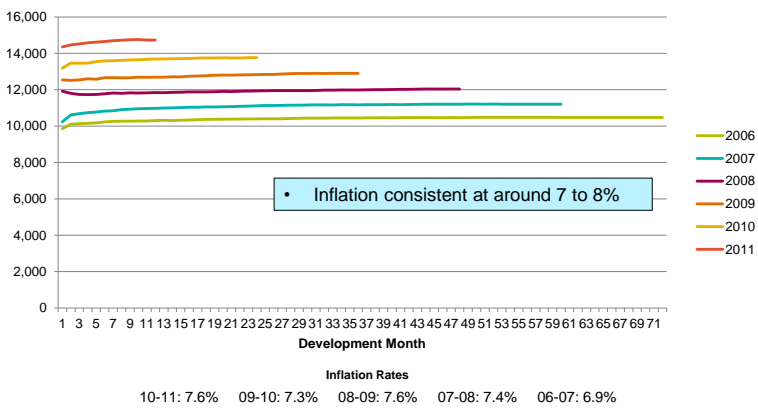
153

Transactional Analysis – 10k-20k Layer

Data trends



FGU Incurred Average Cost of Claims in Layer
Layer 3: 10k to 20k

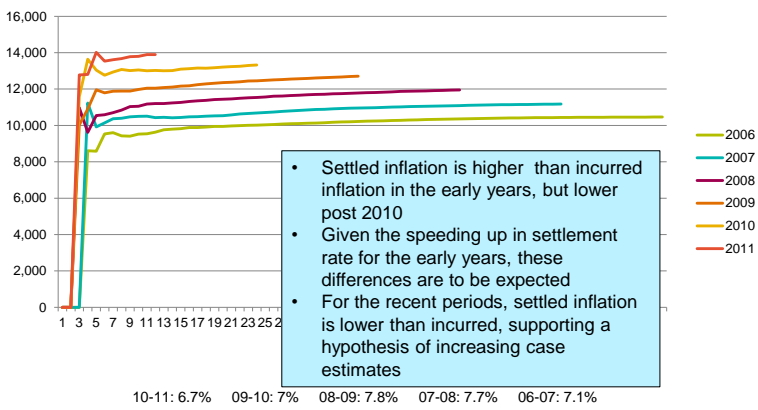


Transactional Analysis – 10k-20k Layer

Data trends



FGU Average Cost of Claims Settling in Layer
Layer 3: 10k to 20k

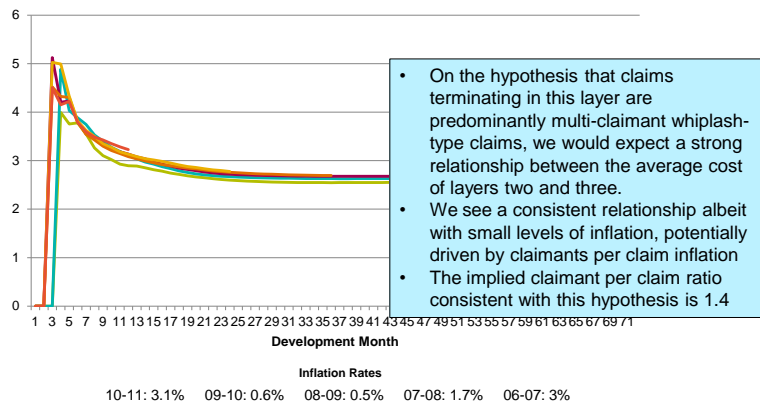


Transactional Analysis – 10k-20k Layer

Data trends



FGU Average Cost of Claims Settling in Layer 3 over
FGU Average Cost of Claims Settling in Layer 2



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Transactional Analysis – 10k-20k Layer

Data trends



- Assuming claims finishing in layers two and three are predominantly whiplash-type claims (with those in layer two being single claimant and those in layer three being multi-claimant)
- The previous slide would then give an approximation to the average claimants per claim *for multi-claimant whiplash-type claims* of 2.7
- Using the number of claims ultimately finishing in layers two and three as a weighting (slide 30), this implies an average number of claimants per claim *for all whiplash-type claims* of circa 1.4

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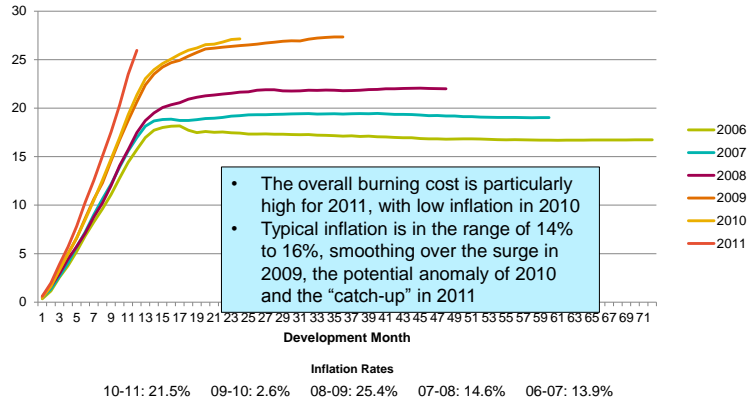
Transactional Analysis – 10k-20k Layer

Data trends



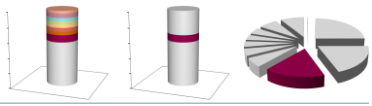
FGU Incurred Burning Cost

Layer 3: 10k to 20k



158

Transactional Analysis

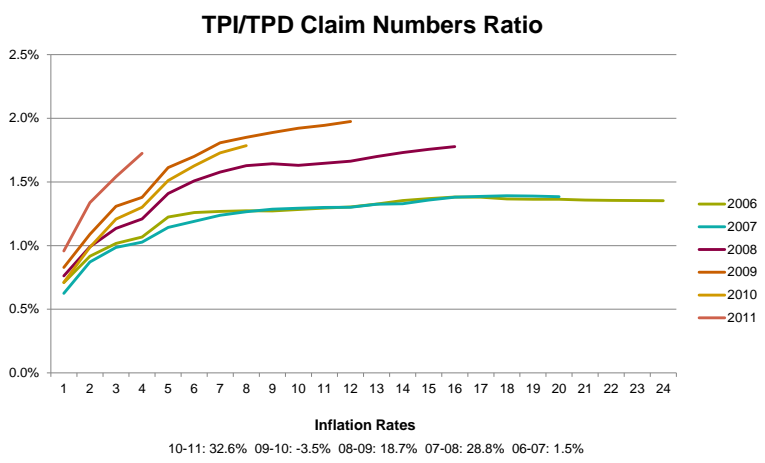
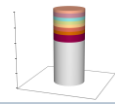


- 20k to 50k Layer
- Our prior hypothesis is that this layer is largely free of multi-claimant whiplash type claims
- Claims ending in this layer contribute significant cost per policy at £x (just slightly less than layers 2 and 3)

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Transactional Analysis – 20k-50k Layer

Data trends

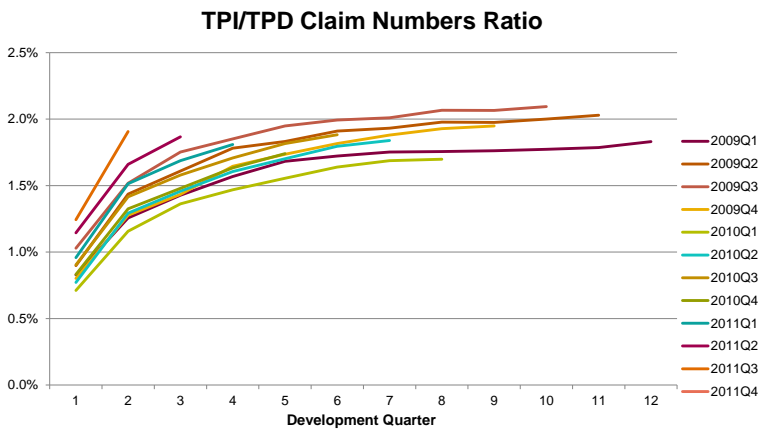
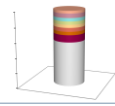


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Transactional Analysis – 20k-50k Layer

Data trends

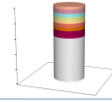


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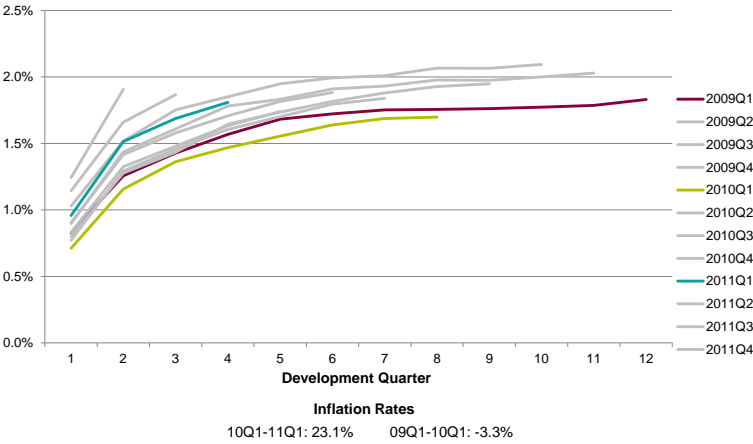
161

Transactional Analysis – 20k-50k Layer

Data trends



TPI/TPD Claim Numbers Ratio

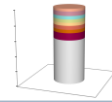


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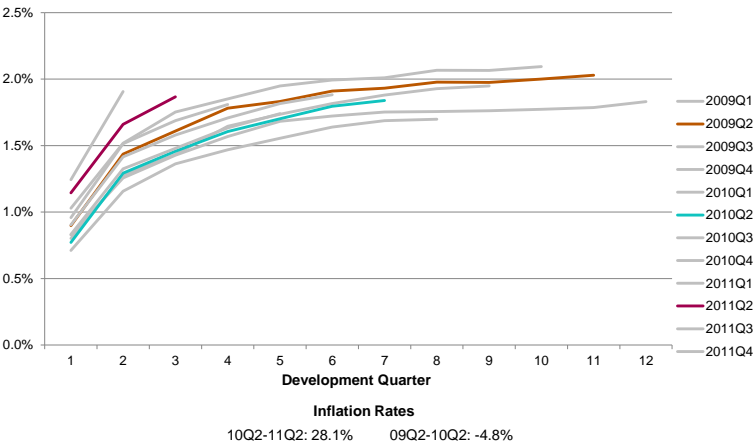
162

Transactional Analysis – 20k-50k Layer

Data trends



TPI/TPD Claim Numbers Ratio

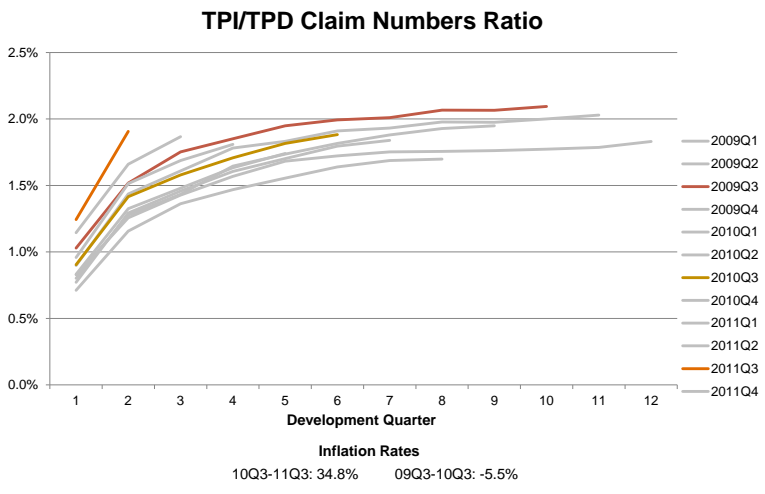
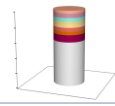


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Transactional Analysis – 20k-50k Layer

Data trends

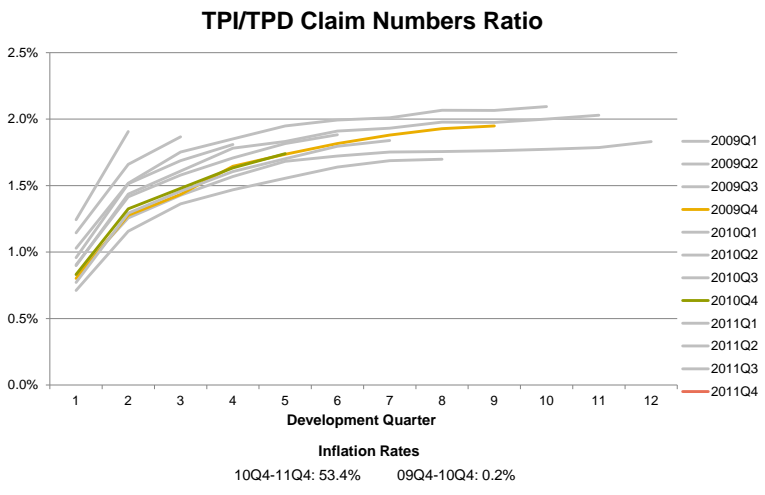
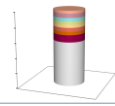


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Transactional Analysis – 20k-50k Layer

Data trends

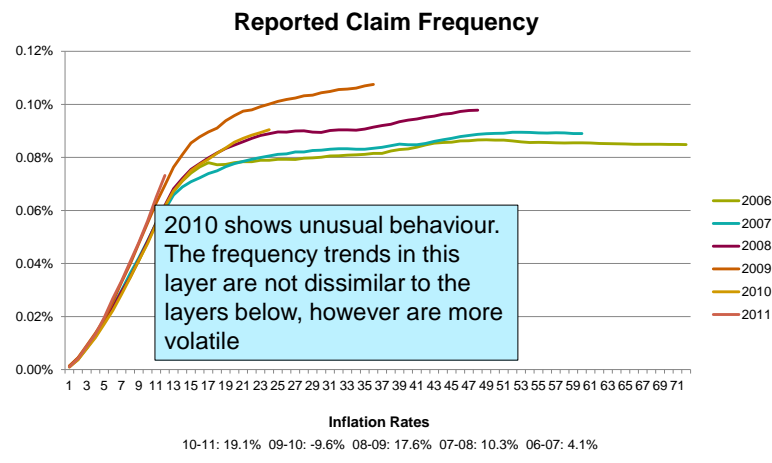
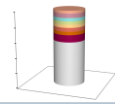


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Transactional Analysis – 20k-50k Layer

Data trends

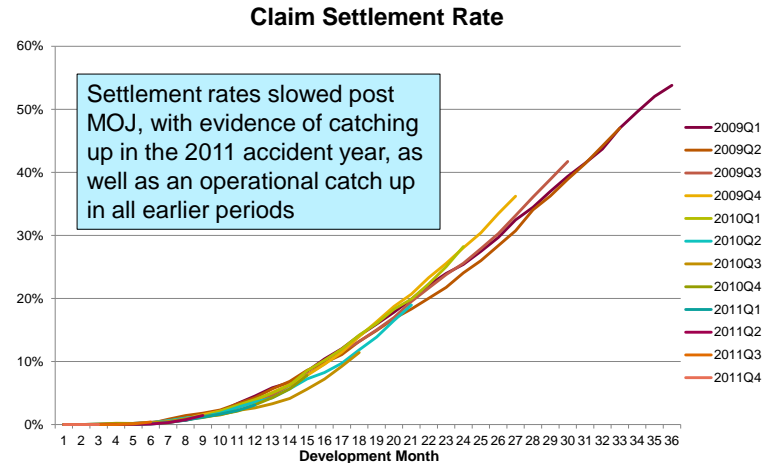
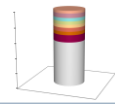


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Transactional Analysis – 20k-50k Layer

Data trends

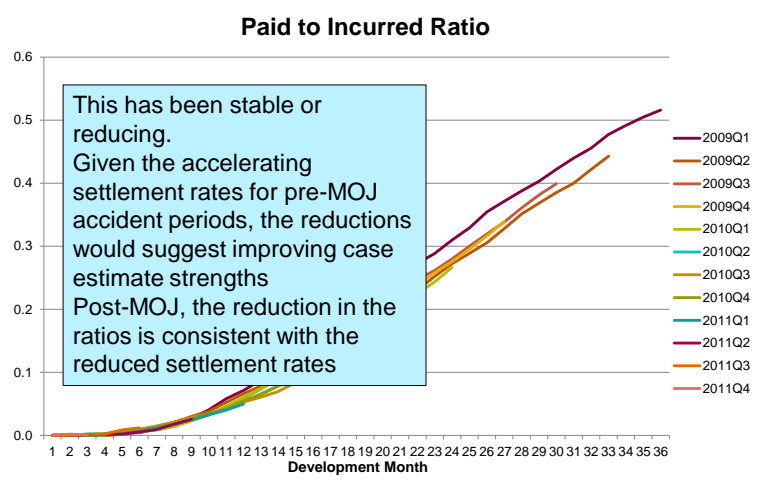
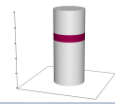


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Transactional Analysis – 20k-50k Layer

Data trends

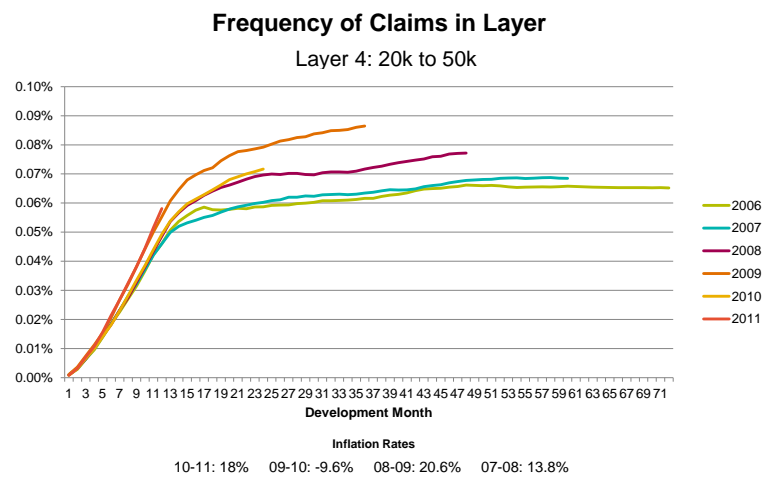
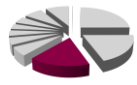


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Transactional Analysis – 20k-50k Layer

Data trends



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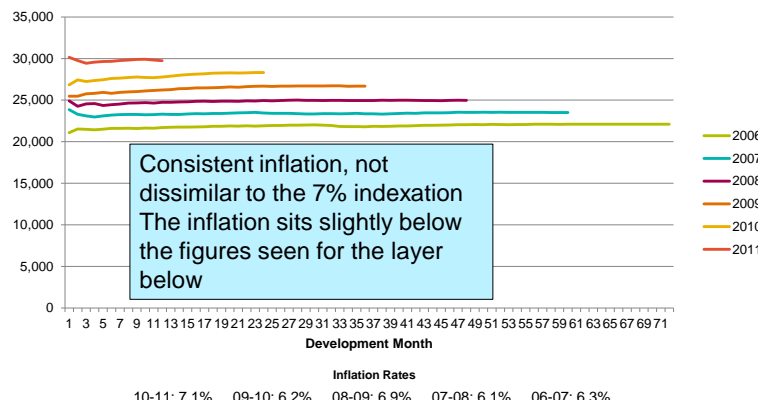
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Transactional Analysis – 20k-50k Layer

Data trends



FGU Incurred Average Cost of Claims in Layer
Layer 4: 20k to 50k



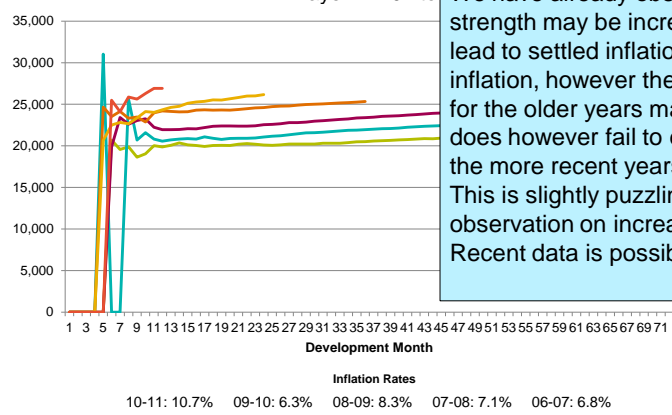
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Transactional Analysis – 20k-50k Layer

Data trends



FGU Average Cost of Claims
Layer 4: 20k to 50k



Settled inflation rates are above incurred
We have already observed that case estimate strength may be increasing. Normally this lead to settled inflation being lower than incurred inflation, however the increase in settlements for the older years may make this consistent does however fail to explain the discrepancy the more recent years – **reword**
This is slightly puzzling given the previous observation on increasing case estimates
Recent data is possibly unreliable

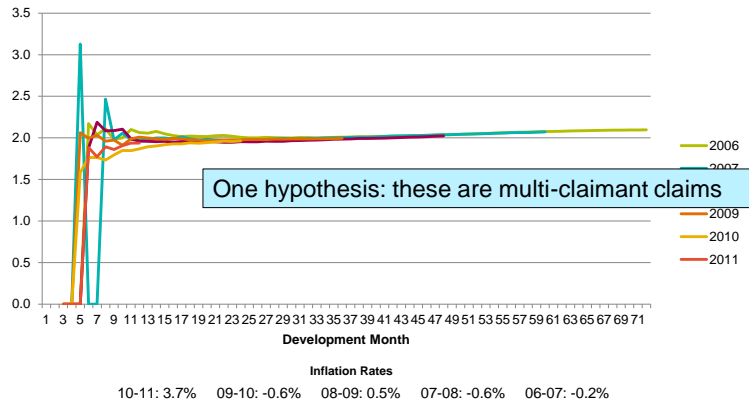
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Transactional Analysis – 20k-50k Layer

Data trends



FGU Average Cost of Claims Settling in Layer 4 over
FGU Average Cost of Claims Settling in Layer 3



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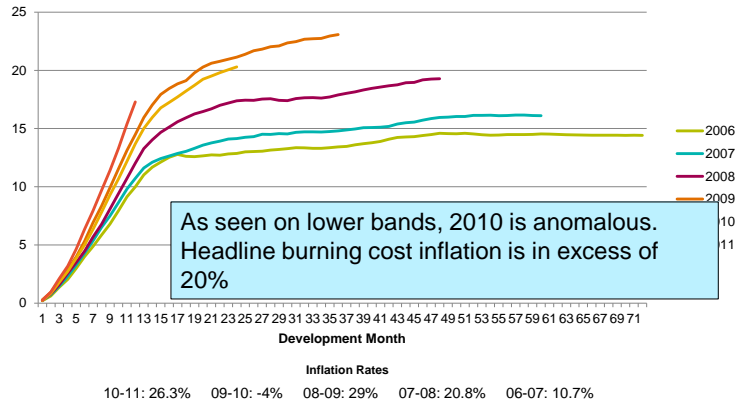
Transactional Analysis – 20k-50k Layer

Data trends



FGU Incurred Burning Cost

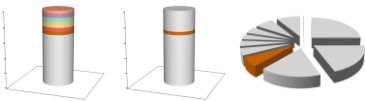
Layer 4: 20k to 50k



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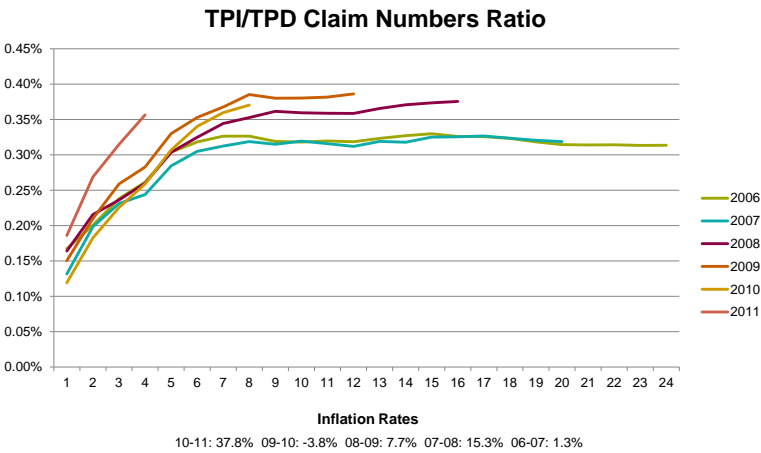
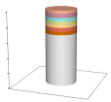
173

Transactional Analysis



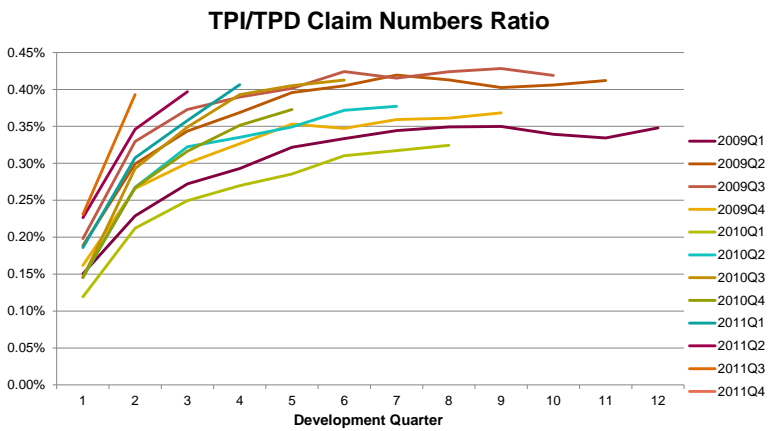
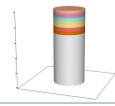
- 50k to 100k Layer

Transactional Analysis – 50k-100k Layer Data trends



Transactional Analysis – 50k-100k Layer

Data trends

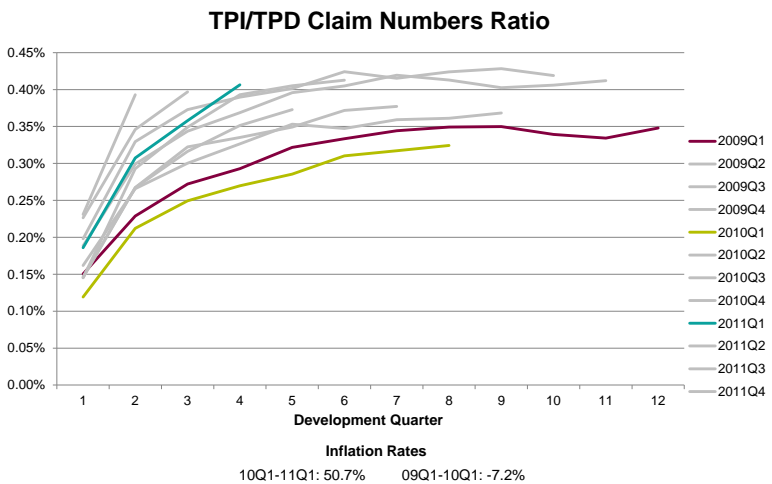
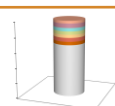


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Transactional Analysis – 50k-100k Layer

Data trends

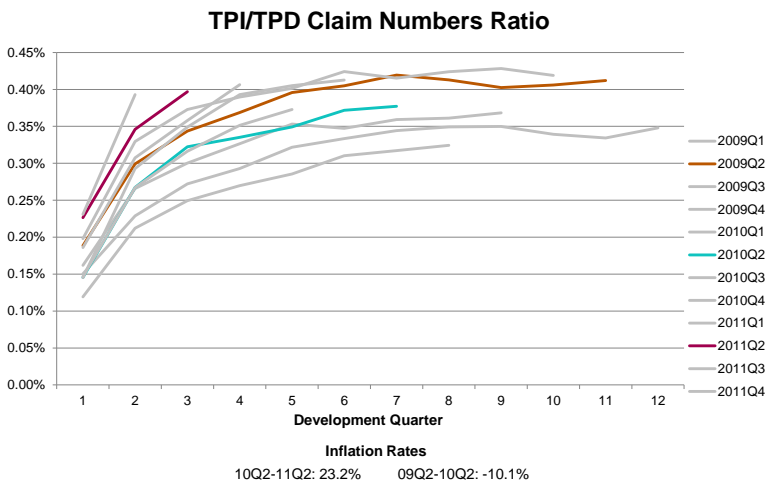
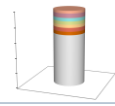


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Transactional Analysis – 50k-100k Layer

Data trends

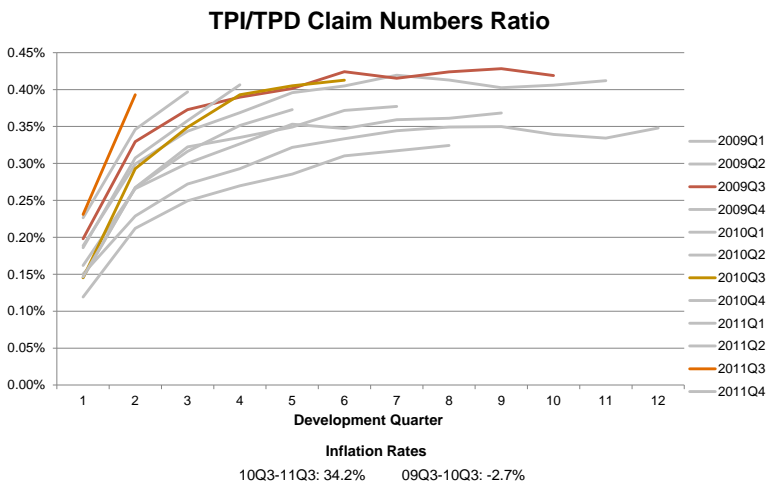
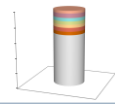


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Transactional Analysis – 50k-100k Layer

Data trends

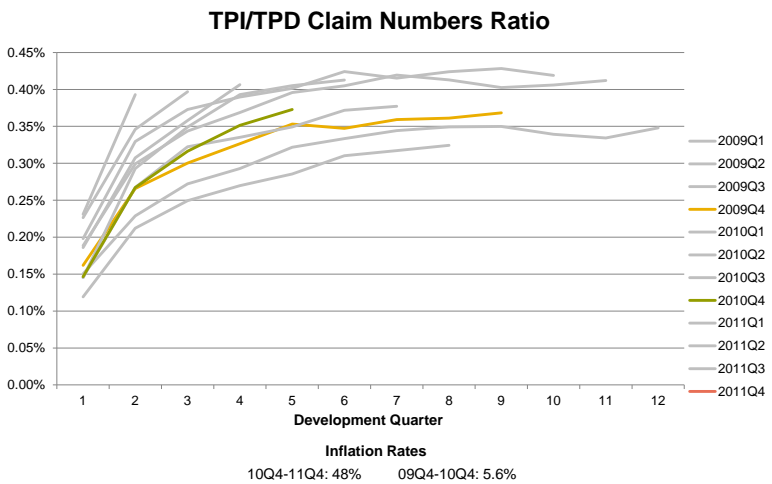
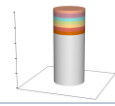


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Transactional Analysis – 50k-100k Layer

Data trends

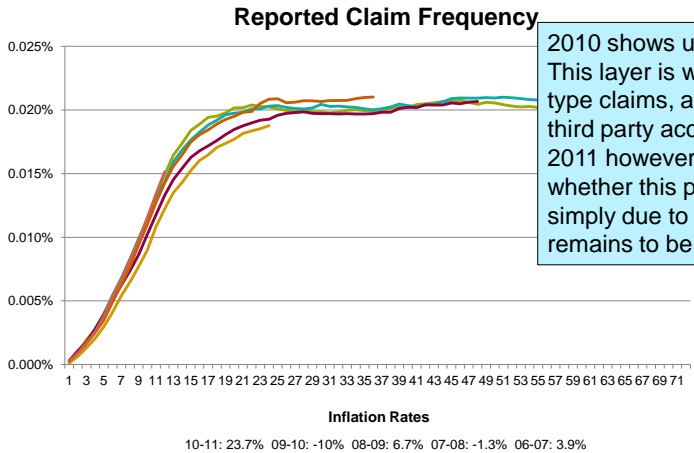
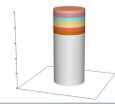


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Transactional Analysis – 50k-100k Layer

Data trends

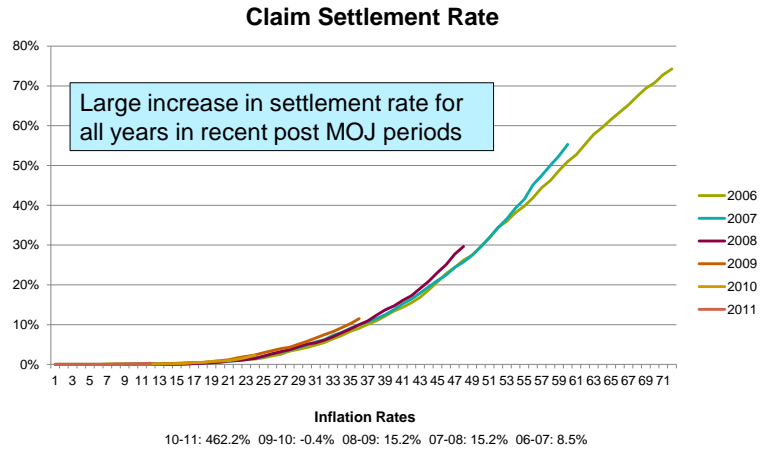
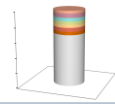


2010 shows unusual behaviour
This layer is well beyond multi-claim type claims, and shows behaviour of third party accident frequencies
2011 however is to date showing unusual behaviour
whether this persists in further development remains to be seen.

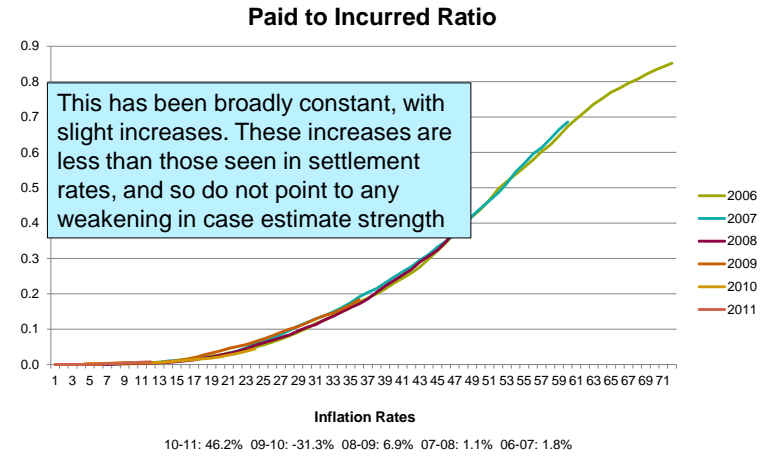
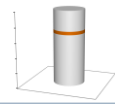
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Transactional Analysis – 50k-100k Layer Data trends

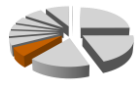


Transactional Analysis – 50k-100k Layer Data trends



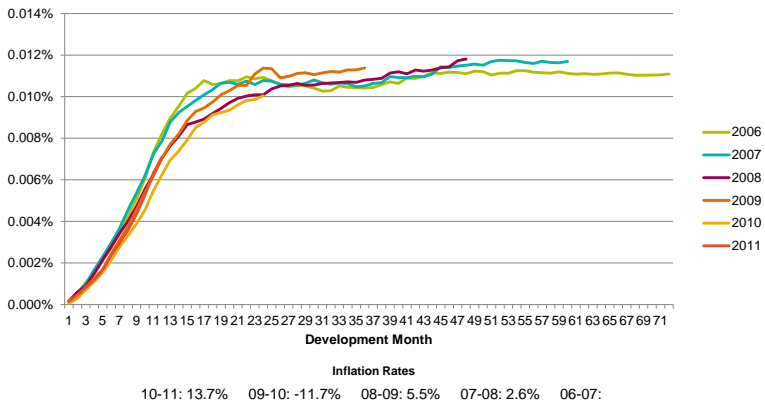
Transactional Analysis – 50k-100k Layer

Data trends



Frequency of Claims in Layer

Layer 5: 50k to 100k

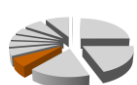


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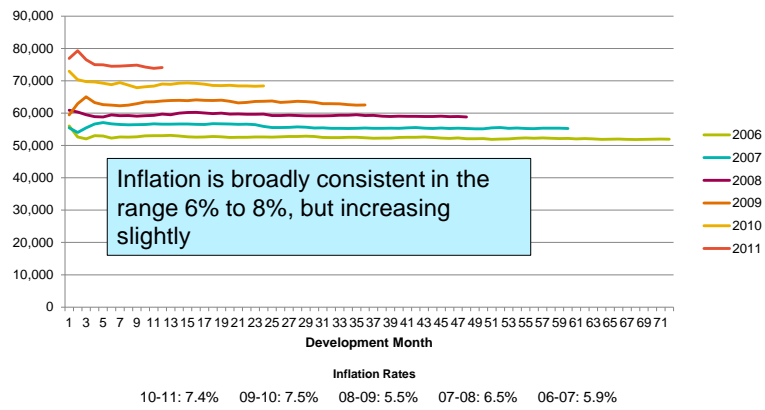
Transactional Analysis – 50k-100k Layer

Data trends



FGU Incurred Average Cost of Claims in Layer

Layer 5: 50k to 100k



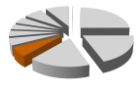
Inflation is broadly consistent in the range 6% to 8%, but increasing slightly

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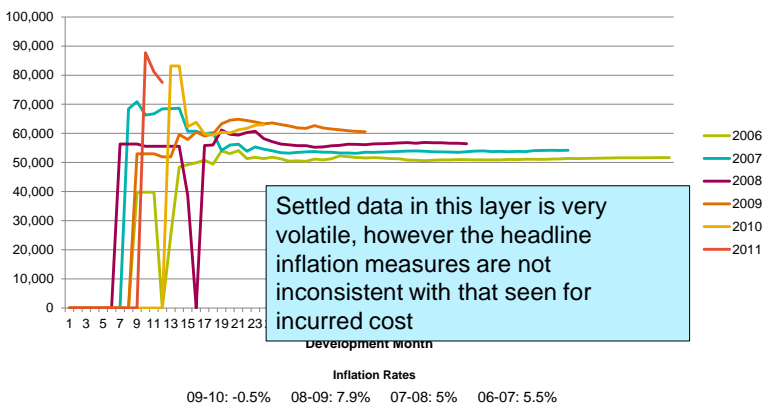
Transactional Analysis – 50k-100k Layer

Data trends



FGU Average Cost of Claims Settling in Layer

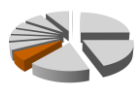
Layer 5: 50k to 100k



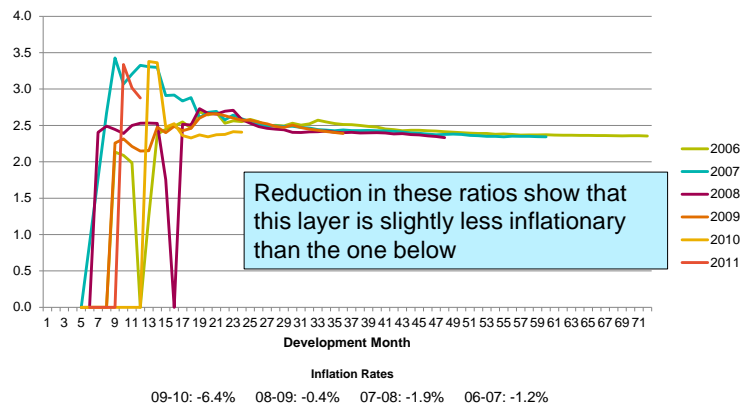
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Transactional Analysis – 50k-100k Layer

Data trends



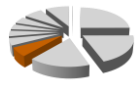
FGU Average Cost of Claims Settling in Layer 5 over FGU Average Cost of Claims Settling in Layer 4



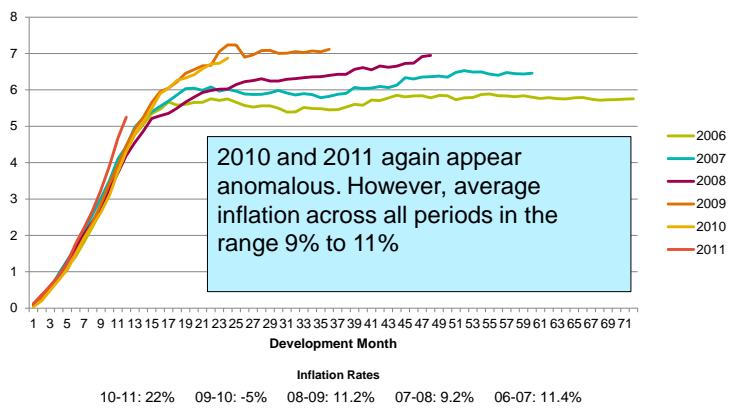
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Transactional Analysis – 50k-100k Layer

Data trends



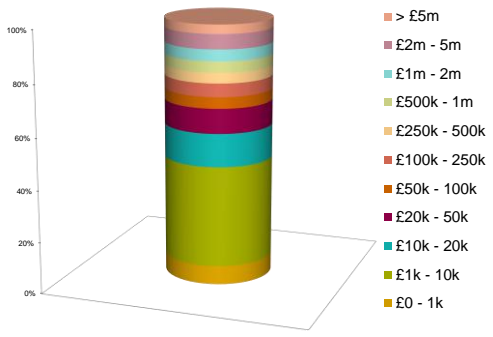
FGU Incurred Burning Cost
Layer 5: 50k to 100k



Introduction

Graph terminology

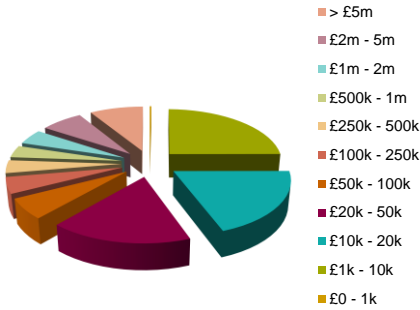
Layer	Type 1 - Burning cost contribution
> £5m	3.5%
£2m - 5m	5.7%
£1m - 2m	4.4%
£500k - 1m	4.3%
£250k - 500k	4.0%
£100k - 250k	5.1%
£50k - 100k	4.4%
£20k - 50k	9.6%
£10k - 20k	12.8%
£1k - 10k	39.0%
£0 - 1k	7.3%



Introduction

Graph terminology

Layer	Type 2 - Burning cost contribution
> £5m	8.8%
£2m - 5m	6.9%
£1m - 2m	4.5%
£500k - 1m	3.6%
£250k - 500k	3.8%
£100k - 250k	4.8%
£50k - 100k	6.0%
£20k - 50k	17.1%
£10k - 20k	19.4%
£1k - 10k	24.7%
£0 - 1k	0.3%

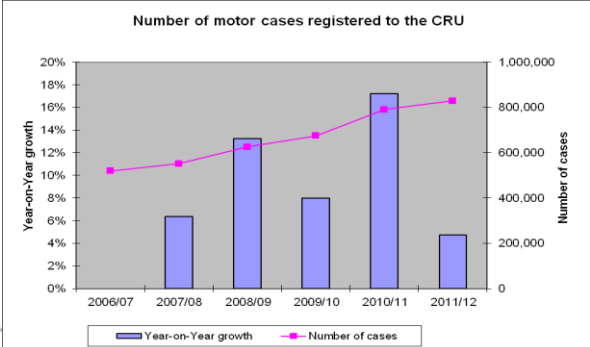


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We note that the CRU Data continues to show frequency INCREASES not DECREASES

- Number of motor cases registered to the Compensation Recovery Unit has increased in each year
- The number registered in the 2011-12 financial year was 5% higher than in the previous year, the lowest recent level of year-on-year growth, but follows a 17% increase last year and sits in the context of a long term 10% trend
- This is based on registration so may reflect an element of speeding up in 2010.



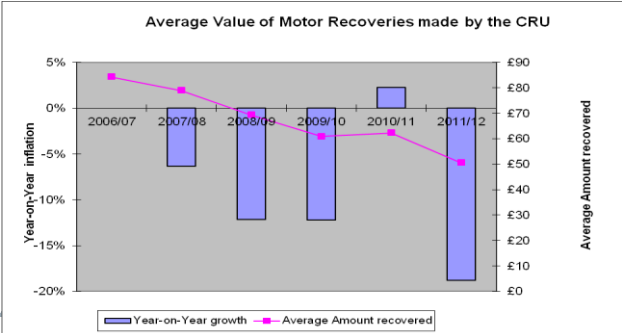
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Average CRU recoveries show DECREASE only for Motor

Comments to be added on report costs by Leon

- Average recovery for motor cases settled by the Compensation Recovery Unit has decreased in 4 of the last 5 years
- The average motor recovery in the 2011-12 financial year was £51, 19% lower than in the previous year, but follows a 2% increase last year and sits in the context of a long term -10% trend
- Average recoveries in other lines of business all show increasing or flat trends (Clinical Negligence +13%, Employers Liability +17%, Public Liability 0%)



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Claim Management Company update

- We have, again, extracted and analysed details of the count and location of CMCs.
- Our analysis shows that the number of authorised CMCs decreased to 2,453 a reduction of 5% in the year to March 2012. (This compares to modest growth of 3% in the previous year).
- While the growth in the number of CMCs has stopped, income continues to increase.
- The MoJ annual Claim Regulation report shows revenues in 2011 rose by 21% to £455m.

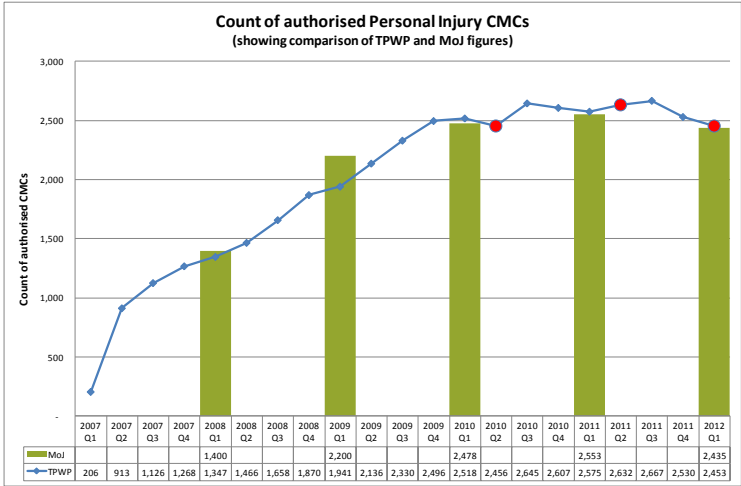
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Claim Management Companies: slightly fewer but more activity (+52% in 2010; + 21% in 2011)

Key

- TPWP estimate of count of CMCs.
- TPWP data extraction periods.
- Count of CMCs from MoJ annual report.

Year	CMC £m	YoY
to Nov	Turnover	% inc
2007		
2008		
2009	247.5	
2010	377.0	52%
2011	455.4	21%
2012		



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Market statistics Scene setting

Stuff from AM on size and type?

- Motor environment is evolving fast: but with tailwinds as well as headwinds
 - Gender Directive
 - Solvency II
 - Low investment returns
 - Fuel prices and the cost of motoring
 - Market premium increases unwinding ⁽¹⁾
 - But still CORs above 100%
 - PPOs and review of Ogden discount rate
 - MoJ - extension of process, review of fees
 - LASPO Act (banning of referral fees)
 - Whiplash consultation, increase to SCT
 - OFT enquiry on credit hire / repair
 - Simmons v Castle - general damages up 10%

FSA returns for 2011 show a net COR of 106% and a loss ratio of 78% for 2011 ⁽²⁾

- Our study covers the cost of third party claims which cover 70% of Motor Insurance claims costs – the OFT figures cite TPI – 50%, other TPD = 20% ⁽³⁾.
- Focus of working party (Third Party) is therefore on the most analytically problematic and the most material areas of cost and provides information to help actuaries, consumers, regulators and companies make informed decisions

Sources

- Confused.com/Towers Watson Insurance Price Index shows Private Comp rates dropped by 7.1% in 12 months to end June 2012
- Deloitte Analysis of AM Best data
- http://www.ofc.gov.uk/shared_ofc/market-studies/private-motor-insurance/Motor_Insurance.pdf

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Legislative Developments

Ogden Discount Rate

- The current discount rate of 2.5% was set in June 2001 by reference to the yield on Index-Linked Government Stock (ILGS) over the previous three years.
 - The approach used in 2001 would now lead to a discount rate of c.1%.
- Under pressure from claimant solicitors, Lord Chancellor Kenneth Clarke agreed to review the discount rate.
- The Ministry of Justice has now issued a consultation on the methodology used to set the discount rate. This asks for views on two possible bases
 1. An approach based on recent ILGS yields, similar to that used in 2001;
 2. An approach based on a mixed portfolio of investments
- This consultation closes on 23rd October. But further new consultation has recently been announced, to be issued in Autumn 2012, on "whether the restrictions on the factors that can be taken into account in prescribing a rate" ... "are still appropriate."
- The new Lord Chancellor, Chris Grayling, will then have to consider the responses, decide on an appropriate methodology and consult further (at least with the Government Actuary and the Treasury) before making any announcement.
 - This means that the discount rate is unlikely to change before mid-2013 at the earliest
- Any reduction in discount rate would increase the cost of settling large personal injury claims.
 - It could also increase the attractiveness to claimants of lump sum awards relative to PPOs
 - A period of uncertainty before the setting of a new rate could lead to delays in settlement of large claims.
 - In insurance, this would impact Motor Liability and Commercial General Liability (EL/PL), but also MOD and NHS settlements

Legislative Developments

MoJ Process

- The Ministry of Justice wrote to interested parties in February 2012 inviting views on its plans to extend the existing MoJ process for road traffic accidents to cover claims up to £25,000.
- The then Justice Minister Jonathan Djanogly indicated to Parliament that changes would take effect in April 2013.
 - However, there has been no formal confirmation that this extension will take place or when.
- The Ministry also sought views on a possible reduction in the level of fixed recoverable costs for MoJ claims.
 - Many consider that a reduction in recoverable costs (both for MoJ claims and under the predictable costs regime) is a natural corollary of the ban on referral fees.

Legislative Developments

LASPO Act

- The Legal Aid, Sentencing and Punishment of Offenders Act received Royal Assent in May 2012.
- It is expected to come into force in April 2013.
- LASPO introduces many of the reforms proposed by Lord Justice Jackson in his review of civil litigation costs.
- The Act will
 - Ban referral fees for personal injury claims
 - Make success fees and After-the-Event legal expense insurance premiums unrecoverable from the liable insurer
 - Introduce Damages Based agreements (whereby claimant solicitors take a percentage of any damages awarded)
- The introduction of Qualified One-Way Costs Shifting, also proposed by Jackson, is not included in LASPO but is widely expected to be introduced by an amendment to the Civil Procedure Rules from the same time.
 - This would mean that (other than in exceptional circumstances) an unsuccessful claimant would not be liable for the defendant's costs, negating the need for legal expense insurance.

Legislative Development

General Damages

- Lord Justice Jackson recommended in his report that awards of general damages should be increased by 10% to compensate claimants for the non-recoverability of success fees and ATE premiums (introduced in the LASPO Act).
- The Court of Appeal used the case of *Simmons v Castle* to announce that general damages awards made from 1st April 2013 would be increased by 10%, in line with Jackson's recommendation.
- This would create a mismatch of timing, with success fees and ATE premiums still recoverable for agreements entered into before April, but general damages increased if the claim is subsequently settled after April.
- It is also likely that this would cause delays in settlement of claims before April, with claimant solicitors holding out for a higher award if the claim remains open until then.
- The ABI applied to the Court to intervene in this case and the Court agreed to listen to submissions both from the ABI and from the Association of Personal Injury Lawyers. The date for this hearing has been provisionally set for 25th September.

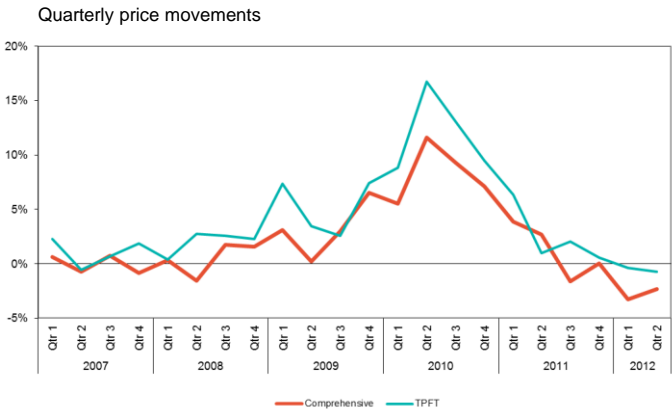
Legislative Developments

Other developments

- The Government is expected to issue a consultation paper shortly on options to reduce whiplash claims.
 - Possible options include raising the small claims track limit for injury claims from £1000 to £5000. This would mean that legal costs would not be recoverable for the majority of whiplash claims.
 - Another possible measure is to establish an independent panel of medical experts to diagnose whiplash injuries rather than relying on GPs.
- The Office of Fair Trading recently completed a review into credit hire and repair.
 - Its report was published in May and found that dysfunctional practices within the insurance industry added £10 to the average cost of a motor insurance policy.
 - The OFT was provisionally minded to refer the matter to the Competition Commission. It will make a final decision on whether or not to make a referral in October.

Motor Premium Rate Movements

Confused.com/Towers Watson Car Insurance Price Index



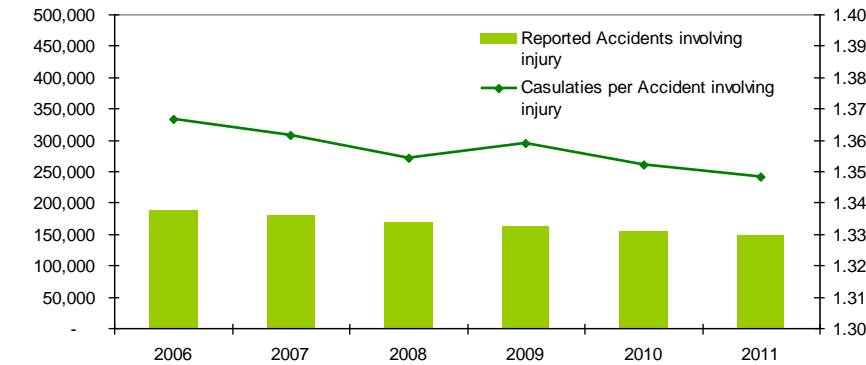
- Average prices across the UK have fallen by 2.3% in the second quarter, contributing to a 7.1% decrease in the last 12 months
- For the third quarter out of the last four, prices for comprehensive insurance fell, having been flat in the final quarter of 2011
- Average price is the average of the 5 cheapest quotes obtained on confused.com

Source: Confused.com / Towers Watson Car Insurance Price Index July 2012

Police statistics

Slides to be updated

Reported Injuries (Stats 19)



Source : www.data.gov.uk ???

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Police statistics

Slides to be updated

Reported Injuries per accident

Police vs Market data

TPWP data: TPI/TPD ratio
Police stats: Casualties per Accident involving injury

Police statistics show a decreasing trend in time unlike the ratio of TPI to TPD market data

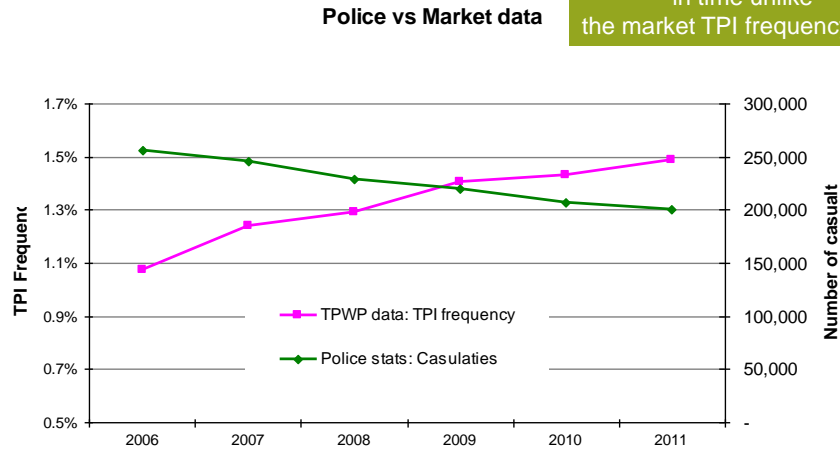


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Police statistics Reported Injuries

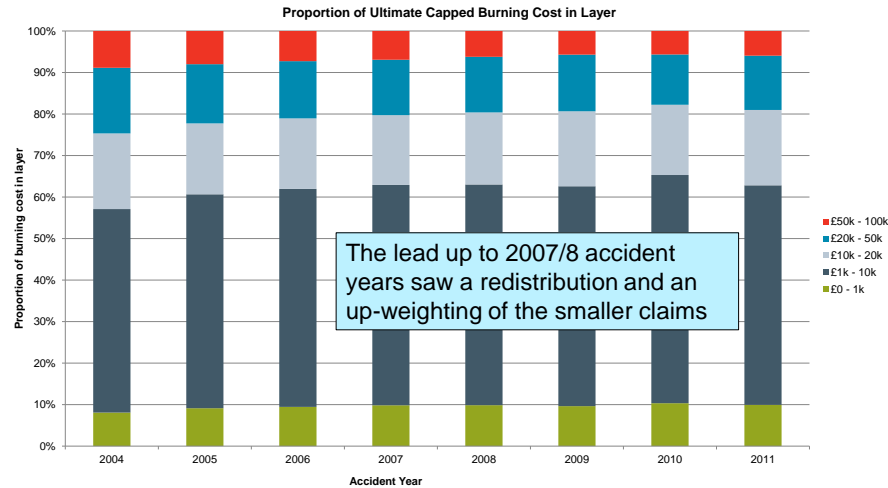
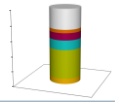
Slides to be updated
show a decreasing
number of injuries
in time unlike
the market TPI frequency data



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Excess of capped bodily injury Projected Results (Type 1)



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Capped bodily injury Projected Results (Type 2)



Private Car Comprehensive Type 2 Layered Results (all layers given in 2010 money, indexed at 7% pa) - Implied % Change

Accident Year	E0 - 1k	E1k - 10k	E10k - 20k	E20k - 50k	E50k - 100k
Frequency % Change					
2004	21%	25%	-1%	-6%	-11%
2005	10%	9%	4%	3%	-2%
2006	13%	13%	6%	5%	4%
2007	1%	7%	7%	13%	0%
2008	5%	11%	16%	20%	6%
2009	-1%	8%	-5%	-12%	-3%
2010	3%	3%	14%	23%	16%
2011					
Average	7%	11%	6%	6%	1%
Last 4	2%	7%	7%	10%	5%
Last 4 (Excl 2010)	3%	7%	12%	18%	7%
Last 2	1%	5%	4%	4%	6%
Average Cost % Change					
2004	-3%	1%	6%	8%	6%
2005	-2%	5%	7%	7%	3%
2006	6%	4%	7%	7%	7%
2007	3%	6%	8%	8%	7%
2008	-8%	7%	8%	8%	8%
2009	15%	6%	8%	8%	13%
2010	4%	3%	8%	7%	10%
2011					
Average	1%	5%	7%	7%	8%
Last 4	3%	6%	8%	7%	9%
Last 4 (Excl 2010)	-1%	5%	8%	8%	7%
Last 2	9%	5%	7%	6%	11%
Burning Cost % Change					
2004	17%	27%	5%	0%	-6%
2005	2%	14%	11%	10%	5%
2006	20%	18%	14%	12%	12%
2007	4%	14%	16%	22%	7%
2008	-5%	19%	25%	30%	12%
2009	14%	14%	0%	36%	10%
2010	8%	6%	22%	32%	27%
2011					
Average	8%	16%	13%	13%	9%
Last 4	5%	13%	15%	17%	14%
Last 4 (Excl 2010)	2%	13%	21%	28%	15%
Last 2	11%	10%	11%	10%	18%

< 100k
16%
8%
11%
8%
10%
2%
6%
8%
6%
1%
8%
6%
7%
4%
6%
1%
6%
3%
7%
10%
11%
1%
12%
5%
8%
11%
7%
13%
15%
19%
11%

Frequency

- Impacted by TPD frequency – Slide X. A clearer view comes when year on year differences are accounted for.
- Inflation is volatile but has been reducing overall and for Band 2, averaging 7-8% across all years, 6-7% (2008-2011)
- Inflation has been increasing for layers 3&4 with higher volatility, averaging 6%, or 7-10% (2008-2011)
- Inflation is broadly flat for layer 5 averaging 1%.
- Frequency inflation is more volatile for layers 3 and above

Capped bodily injury Projected Results (Type 2)



Private Car Comprehensive Type 2 Layered Results (all layers given in 2010 money, indexed at 7% pa) - Implied % Change

Accident Year	E0 - 1k	E1k - 10k	E10k - 20k	E20k - 50k	E50k - 100k
Frequency % Change					
2004	21%	25%	-1%	-6%	-11%
2005	10%	9%	4%	3%	-2%
2006	13%	13%	6%	5%	4%
2007	1%	7%	7%	13%	0%
2008	5%	11%	16%	20%	6%
2009	-1%	8%	-5%	-12%	-3%
2010	3%	3%	14%	23%	16%
2011					
Average	7%	11%	6%	6%	1%
Last 4	2%	7%	7%	10%	5%
Last 4 (Excl 2010)	3%	7%	12%	18%	7%
Last 2	1%	5%	4%	4%	6%
Average Cost % Change					
2004	-3%	1%	6%	8%	6%
2005	-2%	5%	7%	7%	3%
2006	6%	4%	7%	7%	7%
2007	3%	6%	8%	8%	7%
2008	-8%	7%	8%	8%	8%
2009	15%	6%	8%	8%	13%
2010	4%	3%	8%	7%	10%
2011					
Average	1%	5%	7%	7%	8%
Last 4	3%	6%	8%	7%	9%
Last 4 (Excl 2010)	-1%	5%	8%	8%	7%
Last 2	9%	5%	7%	6%	11%
Burning Cost % Change					
2004	17%	27%	5%	0%	-6%
2005	2%	14%	11%	10%	5%
2006	20%	18%	14%	12%	12%
2007	4%	14%	16%	22%	7%
2008	-5%	19%	25%	30%	12%
2009	14%	14%	0%	36%	10%
2010	8%	6%	22%	32%	27%
2011					
Average	8%	16%	13%	13%	9%
Last 4	5%	13%	15%	17%	14%
Last 4 (Excl 2010)	2%	13%	21%	28%	15%
Last 2	11%	10%	11%	10%	18%

< 100k
16%
8%
11%
8%
10%
2%
6%
8%
6%
1%
8%
6%
7%
4%
6%
1%
6%
3%
7%
10%
11%
1%
12%
5%
8%
11%
7%
13%
15%
19%
11%

Severity

- Inflation has increased since 2008, averaging 5% across all years, 8% (2008-2011)
- Although they are slight increases in inflation within each layer post 2008, increases in the overall severity inflation are driven by a rebalancing across the layers with the up-weighting of layers 3&4.
- For Layer 1, inflation was particularly high in 2010, potentially driven by MOJ changes.
- For Layer 5, inflation has been higher in the last 2 years (at 11%) than the all year average of 8%.

Capped bodily injury Projected Results (Type 2)



Private Car Comprehensive Type 2 Layered Results (all layers given in 2010 money, indexed at 7% pa) - Implied % Change

Accident Year	E0 - 1k	E1k - 10k	E10k - 20k	E20k - 50k	E50k - 100k	< 100k
Frequency % Change						
2004	21%	25%	-1%	-6%	-11%	16%
2005	10%	9%	4%	3%	-2%	8%
2006	13%	13%	6%	5%	4%	11%
2007	1%	2%	7%	13%	16%	8%
2008	5%	11%	16%	20%	6%	10%
2009	-1%	8%	-5%	-12%	-3%	2%
2010	3%	3%	14%	23%	16%	6%
2011						
Average	7%	11%	6%	6%	1%	8%
Last 4	2%	7%	7%	10%	5%	6%
Last 4 (Excl 2010)	3%	7%	12%	18%	7%	7%
Last 2	1%	5%	4%	4%	6%	4%
Average Cost % Change						
2004	-3%	-1%	6%	8%	6%	-6%
2005	-2%	5%	7%	7%	7%	3%
2006	6%	4%	7%	7%	7%	3%
2007	3%	6%	8%	8%	7%	10%
2008	-2%	7%	8%	8%	8%	11%
2009	15%	6%	8%	8%	13%	1%
2010	4%	3%	8%	7%	10%	12%
2011						
Average	1%	5%	7%	7%	8%	5%
Last 4	3%	6%	8%	7%	9%	8%
Last 4 (Excl 2010)	-1%	5%	8%	8%	7%	11%
Last 2	9%	5%	7%	6%	11%	7%
Burn Cost % Change						
2004	17%	27%	5%	0%	-6%	9%
2005	20%	18%	11%	10%	8%	11%
2006	20%	18%	14%	12%	12%	15%
2007	4%	14%	16%	22%	7%	16%
2008	5%	19%	25%	30%	12%	23%
2009	14%	14%	3%	3%	10%	8%
2010	8%	6%	22%	32%	27%	19%
2011						
Average	8%	16%	13%	13%	9%	13%
Last 4	5%	13%	15%	17%	14%	15%
Last 4 (Excl 2010)	2%	13%	21%	28%	15%	19%
Last 2	11%	10%	11%	10%	18%	11%

Burn Cost

- Burn Cost inflation is built from frequency and severity inflation. However as we have noted, frequency inflation is itself impacted by year on year movements in the number of accidents. We have not normed for this impact. If we did, inflation would be higher.
- Inflation has increased since 2007, averaging 13% across all years, 15% (2008-2011), with recent TPD led reductions in frequency inflation being more than offset by increases in severity inflation.
- Burn cost inflation is not dissimilar across layers 2 to 5; but layers 3&4 have seen the greatest increases since 2008.

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Capped bodily injury Projected Results (Type 2)



Private Car Comprehensive Type 2 Layered Results (all layers given in 2010 money, indexed at 7% pa) - Implied % Change

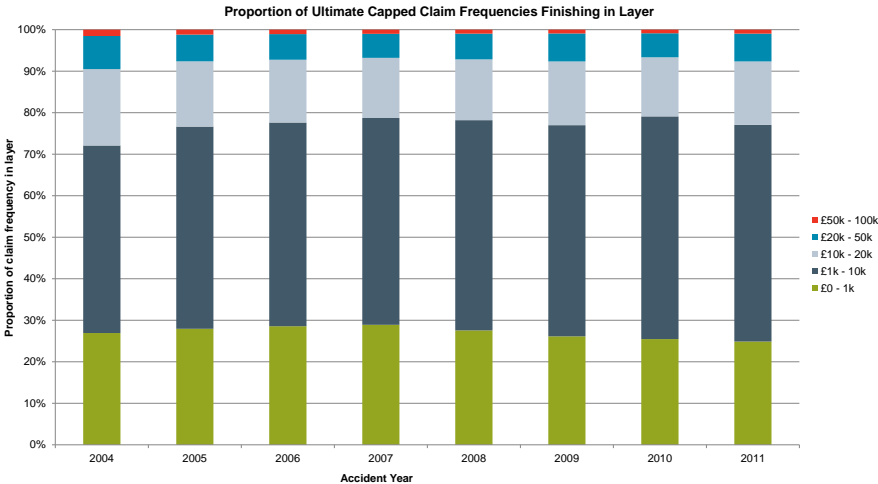
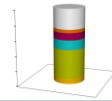
Accident Year	E0 - 1k	E1k - 10k	E10k - 20k	E20k - 50k	E50k - 100k	< 100k
TP/TPD Claim Numbers Index						
2004						0.52
2005						0.57
2006	0.60	0.49	0.52	0.48	0.58	0.57
2007	0.66	0.54	0.54	0.49	0.59	0.70
2008	0.77	0.68	0.67	0.64	0.69	0.78
2009	0.81	0.76	0.78	0.78	0.74	0.85
2010	0.87	0.87	0.79	0.73	0.77	0.85
2011	1.00	1.00	1.00	1.00	1.00	1.00
TP/TPD Claim Numbers Index % Change						
2004						9%
2005						23%
2006	10%	10%	4%	2%	2%	11%
2007	17%	25%	25%	32%	17%	9%
2008	6%	12%	17%	21%	7%	18%
2009	6%	15%	1%	-6%	4%	
2010	16%	15%	27%	37%	30%	
2011						
Average	11%	15%	14%	16%	11%	14%
Last 4	11%	17%	17%	20%	14%	15%
Last 4 (Excl 2010)	13%	17%	23%	30%	18%	17%
Last 2	11%	15%	13%	13%	16%	14%

TPI / TPD Frequency

- This view norms for the differing levels of third party accidents taking place each year and arguably gives the purest view of underlying frequency inflation
- Overall inflation has averaged 14% across all years; 15% (2008-2011).
- A one surge in inflation was clear across all layers in 2008; which extended to 2009 for layers 3&4
- Inflation was particularly low across layers 3-5 in 2010, with 2011 showing a catch up
- Inflation in 2011 was high for the bottom layer

2011 is an outlier (or a new trend?) with higher inflation at 18%. High inflation is universal other than in layer 2, but is particularly marked in layers 3, 4 and 5 (c. 30%). Inflation across 2010 and 2011 is not out of line with longer averages.

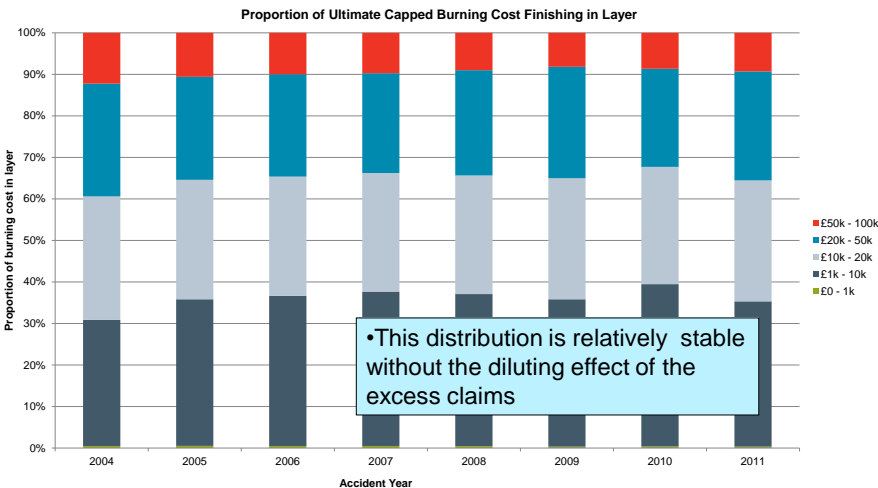
Capped bodily injury Projected Results (Type 2)



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Capped bodily injury Projected Results (Type 2)



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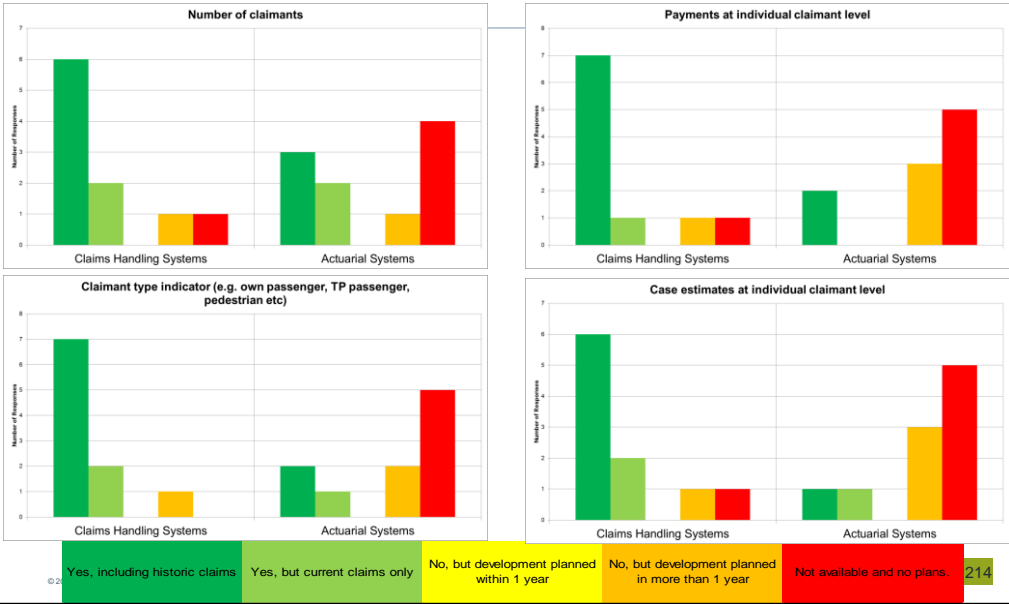
Summary of FOI Whiplash Data

- To be completed later

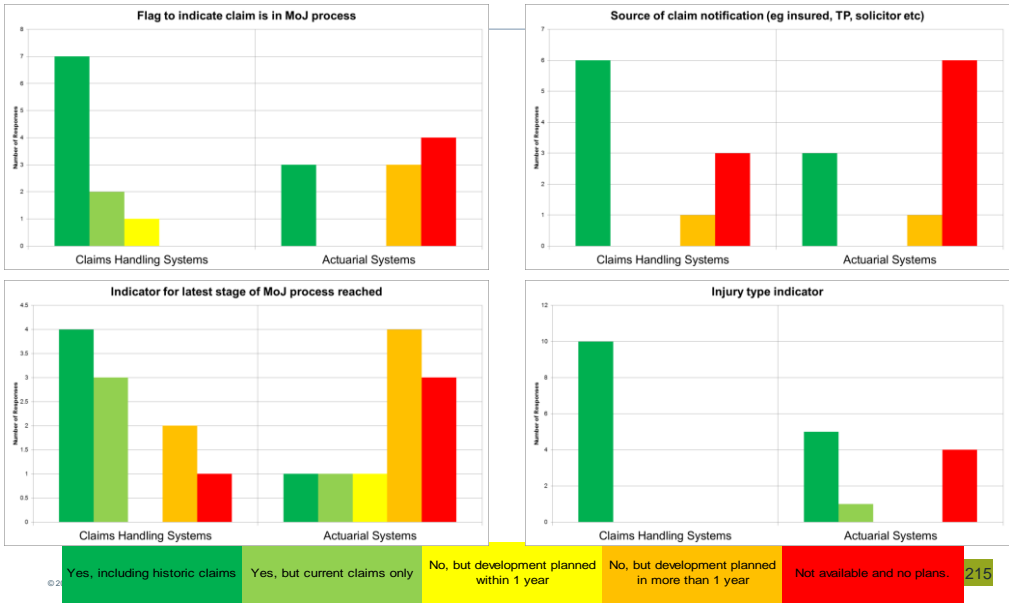
Results of Questionnaire

- Following the initial data collection exercise, it became apparent that the breadth of data available from contributors was less than desired
- The Working Party issued a data questionnaire asking contributors to assess the availability of 13 desired data items, and if unavailable, whether there were plans to capture this data.
- Contributors were asked to comment on claims handling systems and actuarial systems separately.
- The results from the 10 respondents are shown on the following slides

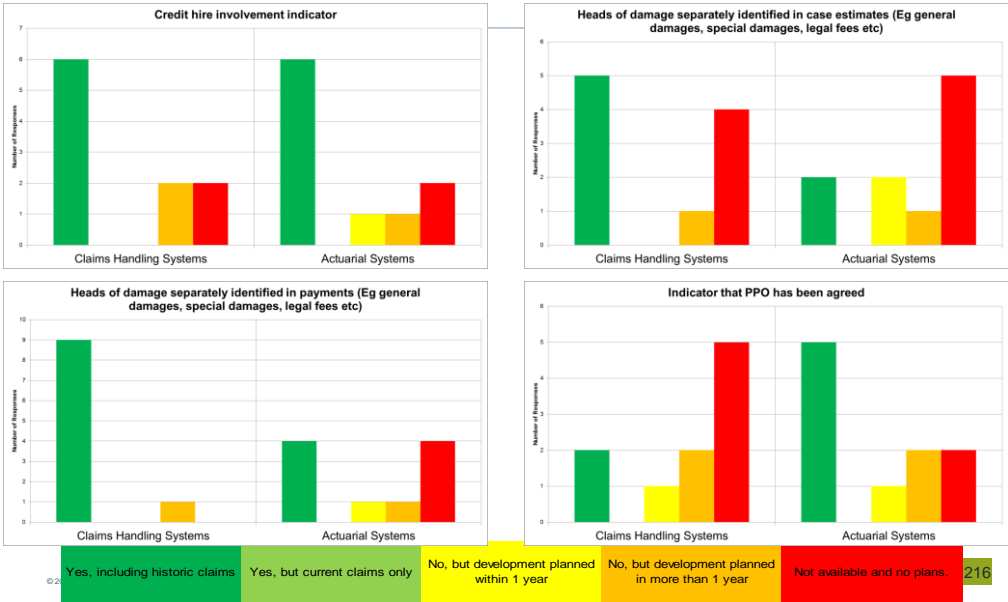
Data Questionnaire – Results (1)



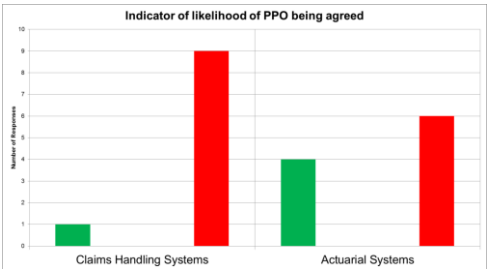
Data Questionnaire – Results (2)



Data Questionnaire – Results (3)



Data Questionnaire – Results (4)



Conclusions

- Claims Handling Systems capture the majority of the additional data items, with the exception of PPOs
- Actuarial Systems are not generally extracting these additional data items
- Actuarial Systems need to be enhanced to monitor changing claims environment (e.g MoJ process) and to be able to provide enhanced support to the business
- Whilst some data items are not currently available (classified as red), some companies have developed ad-hoc or manual data feeds to monitor this data

© 2012 Yes, including historic claims Yes, but current claims only No, but development planned within 1 year No, but development planned in more than 1 year Not available and no plans. 217

Transactional Analysis – 20k-50k Layer

Data trends



Model this one?

FGU Average Cost of Claims Settling in Layer 4 over
FGU Average Cost of Claims Settling in Layer 3

