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Update from the Third Party Working Party

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22 October 2015

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

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Third Party Working Party

- Sixth iteration of the Institute and Faculty of Actuaries Third Party Working Party (TPWP), which investigates third party motor claims (injury and property damage)
- Scope focussed on private car comprehensive (PCC) including geographical analysis
- Data representing earned premium for accident year 2014 of £7.8 billion for private car comprehensive
- This pack represents the first stage of this year's research to be presented at the GIRO conference in October 2015

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Acknowledgements

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Tesco Underwriting
The Co-operative Insurance
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Market statistics

Notes on data

- The collection of contributing insurers has changed materially over the years. Relative to last year's study this year's includes additional data from some contributors (generally relating to more accounts) and, in some cases, less data from other contributors.
- In addition, in 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 (but not always) improvements 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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Introduction

- This presentation summarises the findings of the sixth TPWP analysis of third party property damage (“TPD”) and bodily injury (“TPI”) claims.
- Initial results were presented in June covering analysis of TPD and capped TPI triangular data and geographic data for Private Car Comprehensive.
- This presentation also includes projections of TPI claims split by claim size and total TPD claims for Private Car Comprehensive data.
- TPD claims have further been split into credit hire and non-credit hire heads of damage.
- TPI claims have further been split by head of damage (third party legal fees, general damages, special damages and other)
- We have furthermore collated solicitor data and grouped these into ABS and non ABS sourced claims

- The bodily injury claims have been analysed in 11 layers , given in 2010 money, indexed at 7% pa for other accident years (in 2014 money)
  - 0 to £1k (to £1.3k)
  - £1k to £10k (to £13k)
  - £10k to £20k (to £26k)
  - £20k to 50k (to £66k)
  - £50k to £100k (to £131k)
  - £100k to £250k (to £328k)
  - £250k to £500k (to £655k)
  - £500k to £1m (to £1.3m)
  - £1m to £2m (to £2.6m)
  - £2m to £5m (to £6.6m)
  - £5m+ (to £6.6m+)

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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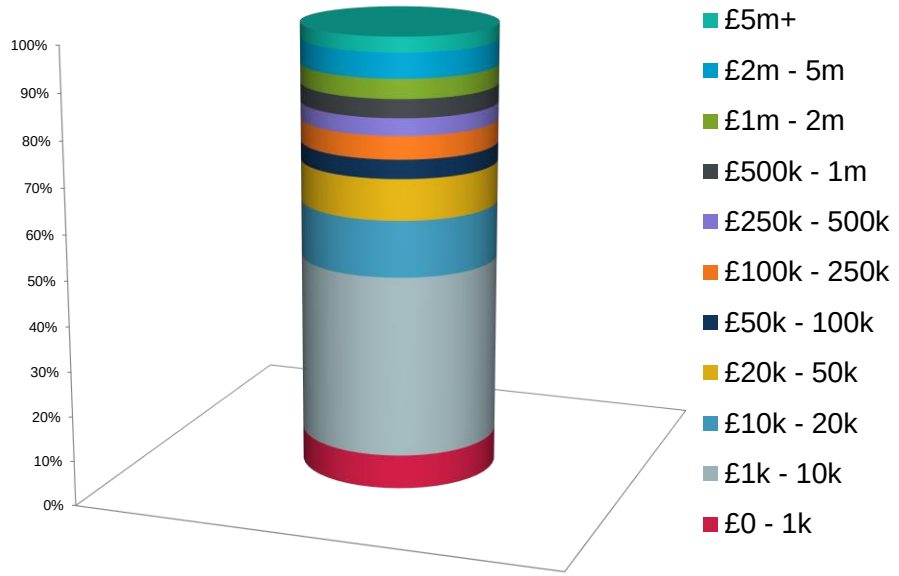
Introduction
Graph terminology

- 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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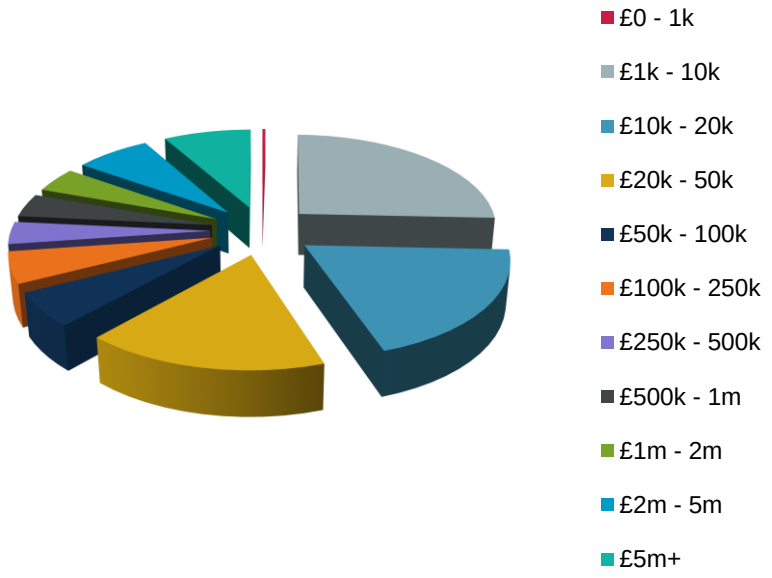
Introduction
Graph terminology

- 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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Introduction
Methodology

Projected Results

- TPD claims have been projected on a quarterly accident period basis and monthly development basis with ultimates based on an equal weighting of paid and incurred modelling.
- For TPI, the contributors have been modelled split into three groups based on their excess incurred development with all groups having at least four companies in them and over £2bn of premium in 2014.
    1. Companies with development over 120% at 24 months
    2. Companies with development between 80% and 120% at 24 months
    3. Companies with development less than 80% at 24 months
- This allows for shifting proportions of business between companies with different case reserving philosophies.
- Claims in excess of £5m have been modelled aggregating all companies data together to reduce volatility as much as possible.
- For TPI layers up to and including £100k to £250k the data has been projected on a quarterly accident period basis and monthly development basis and for higher layers on an annual accident period basis and monthly development basis.
- In general the TPI results are based on projections of incurred data.
- No tail beyond 14 years has been projected as the earliest data is from 2000. An x% tail factor would increase ultimates for all accident years by x% but with the same trend across years.

Heads of Damage

- The Head of Damage analysis uses the following definitions to split the ***settled claims*** into layers:
    - The heads of damage on each claim are assigned to the layer containing the total settled cost of the claim (indexed at 7% to 2010).
    - For example, if a claim settles at £75k then each head of damage will be allocated to the £50k to £100k layer and nothing will be allocated to any other layer – as with a Type 2 definition.

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Scene Setting

Summary

- Motor environment continues to evolve rapidly: with both tailwinds and headwinds from **insurer** perspective:

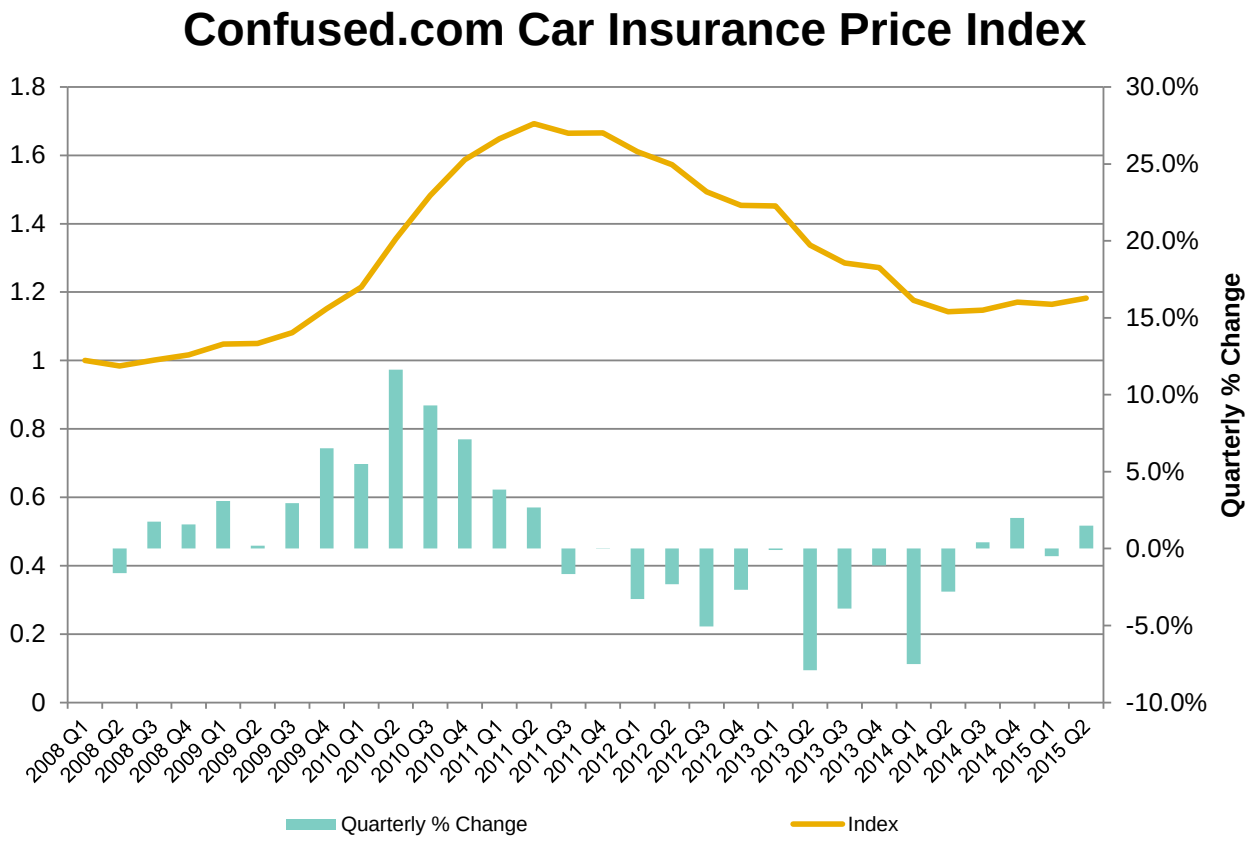
  - FCA uncertainty: big data, add-ons; competition
  - CMA review of credit hire/repair
  - Solvency II
  - Increased litigation & now US style class action
  - Fuel prices, the cost of motoring and more cars
  - CORs remain challenging
  - Low investment returns
  - PPOs and review of Ogden discount rate
  - CMC developments and ABSs
  - Increases to General Damages[4]
  - MoJ and LASPO Act
  - MedCo and further whiplash initiatives
  - Technology
  - Post RSA ruling TPPD inflation offset by AD income
  - Market premium rates[1]

- PRA returns for 2014 show a net COR of 114% and a loss ratio of 82% for 2014 on a pure accident year basis (101% and 70% on a financial year basis). [2]
- Our study covers the cost of third party claims, which make up 70% of motor insurance claims costs – the OFT figures cite 50% for TPI, 20% for TPPD. [3]
- TPWP therefore focuses on the most material and analytically problematic areas of cost, in order to provide information to help actuaries, consumers, regulators and companies make informed decisions.

Sources

1. Confused.com Insurance Price Index shows PCC rates increased by 3.4% in 12 months to end June 2015
2. Deloitte Analysis of AM Best data
3. http://www.oft.gov.uk/shared_oft/market-studies/private-motor-insurance/Motor_Insurance.pdf
4. Judicial College Guideline increases on 1/9/15 of 3.4%

Scene Setting
Motor Premium Rate Movements



- The Confused.com Car Insurance Price Index shows that comprehensive premiums began to fall at the end of 2011 and continued to fall into 2014.
- Premiums began to rise in the second half of 2014 and premiums in 2015 Q2 are 3.4% higher than a year ago.
- Premiums have increased, on average, 2.2% per annum from 2008 Q1 to 2015 Q2.

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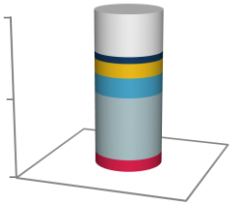
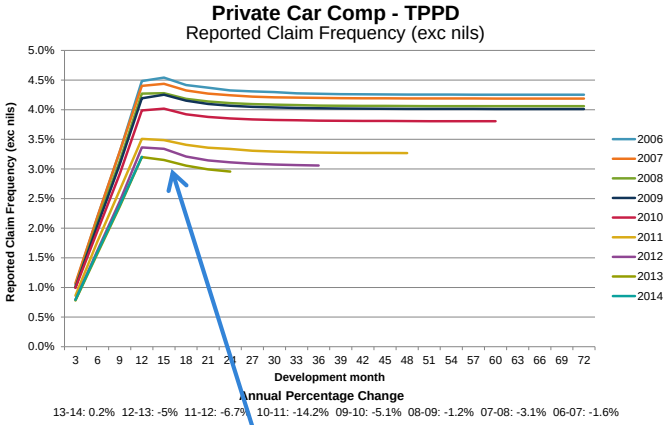
Property Damage

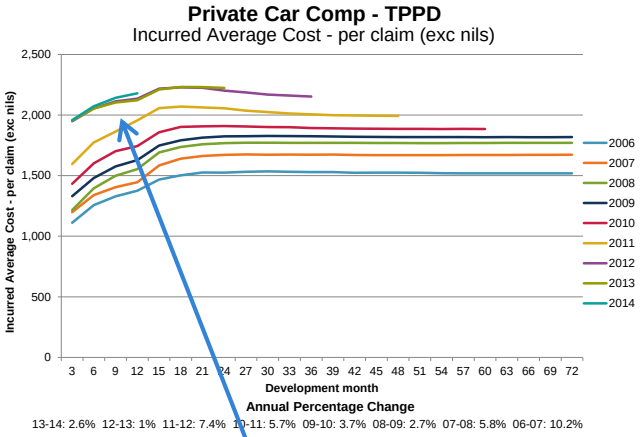
Conclusions from June results





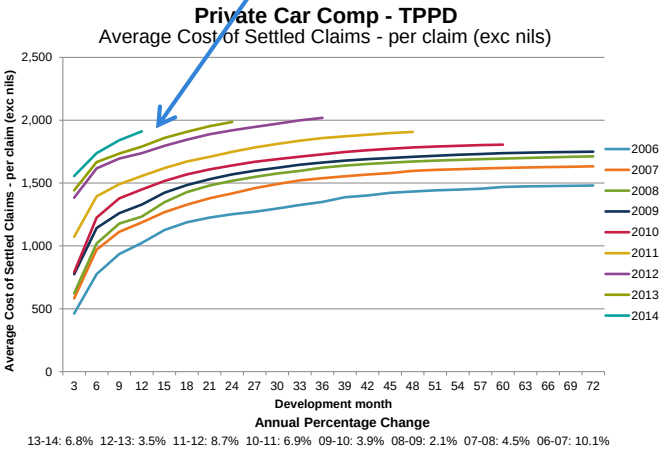
No reduction in TPD frequency in 2014

Mileage per vehicle increased by 0.3% in 2014 following reductions of around 1% a year from 2003 onwards. 2014 also saw increased road congestion.



Incurred severity inflation in 2013 and 2014 lower than historically seen at 1% to 2.5%.

Settled inflation higher than incurred inflation at 3.5% to 7% in 2013 and 2014.



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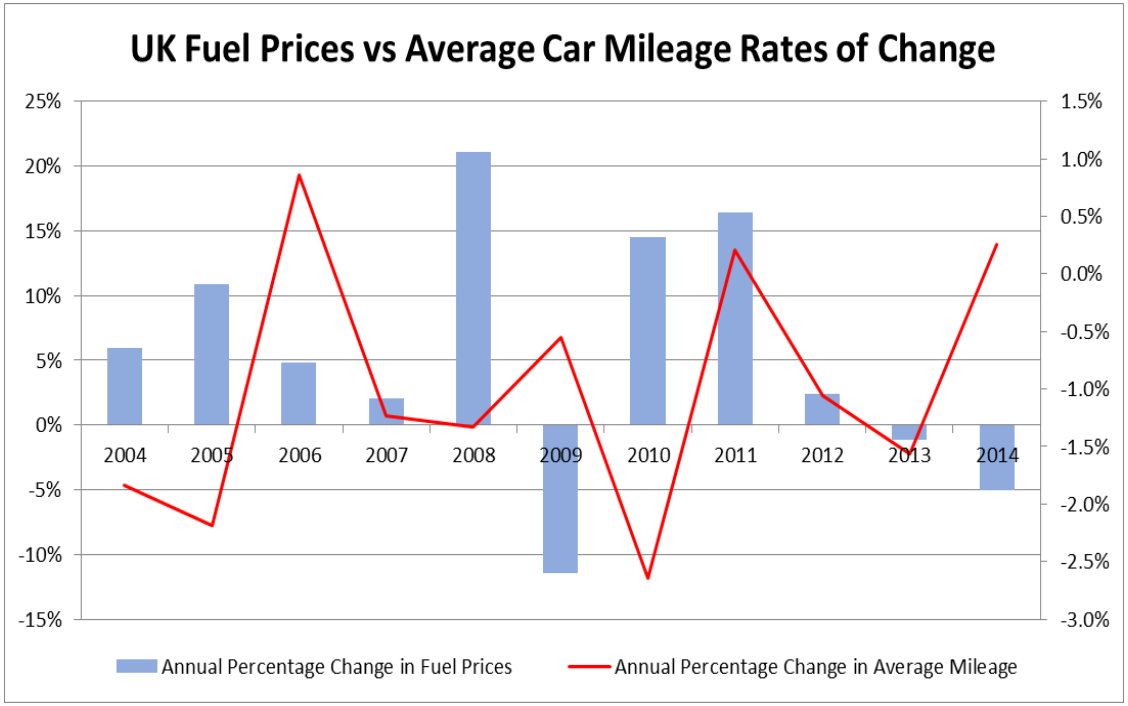
Market Statistics
Road Usage Data

Period	Car Park	Average Mileage	% Change
2003	26,240	9,234	
2004	27,028	9,065	-1.8%
2005	27,520	8,866	-2.2%
2006	27,609	8,943	0.9%
2007	28,000	8,832	-1.2%
2008	28,161	8,714	-1.3%
2009	28,246	8,667	-0.5%
2010	28,421	8,437	-2.6%
2011	28,467	8,455	0.2%
2012	28,722	8,366	-1.1%
2013	29,141	8,236	-1.6%
2014	29,611	8,257	0.3%

- Average mileage has fallen by 11% since 2003
- Average reduction is 1% a year
- The number of licensed cars has risen by 13% since 2003.

- Average mileage does not appear to be closely aligned with change in petrol prices



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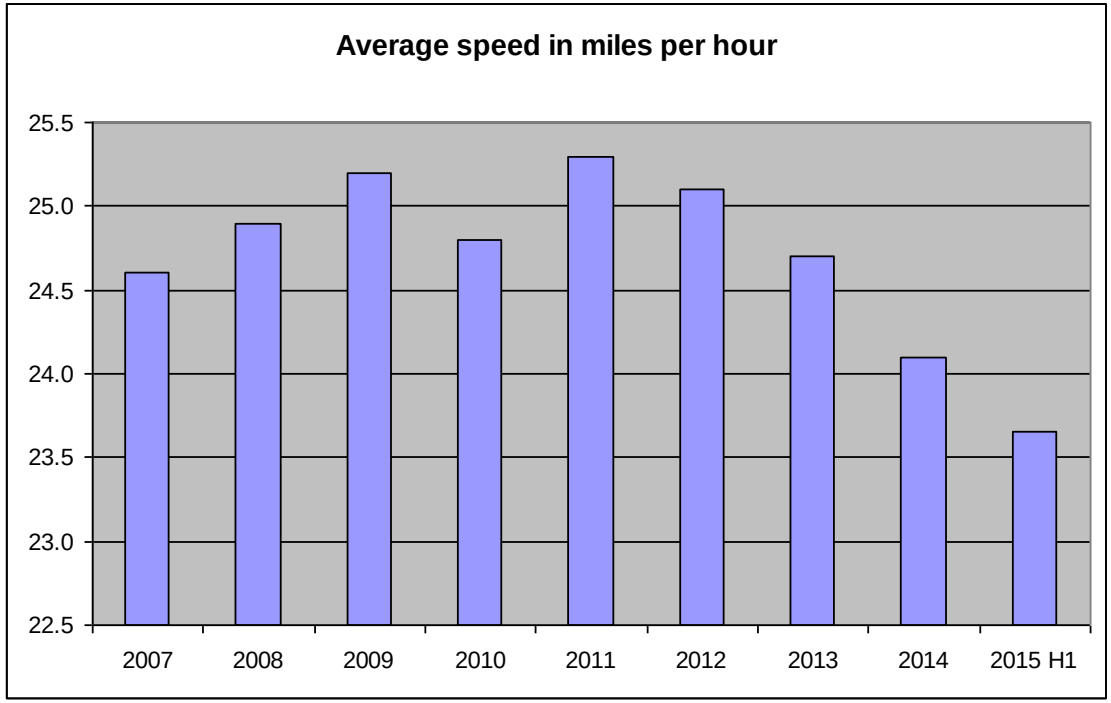
Source: https://www.gov.uk/government/statistical-data-sets/oil-and-petroleum-products-weekly-statistics/
https://www.gov.uk/government/organisations/department-for-transport/about/statistics

Market Statistics

Road Congestion – reduction in average speed



- Congestion (measured as the inverse of average speed during morning hours) has increased year on year since 2011.
- Average increase in congestions was 1.6% a year from 2011 to 2014.
- Congestion is positively correlated with the total number of miles driven per year.
- However, there seems to be no clear relationship between congestion and the number of accidents from Stats 19.
- In 2015 congestion has increased further by 1.9% with an average speed of 23.7 mph for the first half of 2015.

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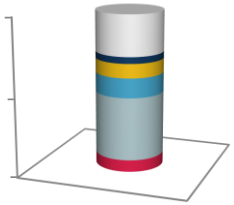
Source: https://www.gov.uk/government/statistics/congestion-on-local-a-roads-england-april-to-june-2015

Property Damage

Projected results



Projected Ultimate TPD Results for Private Car Comprehensive

Accident Period	Earned Exposure (millions of policy years)	Ultimate TPD Claim Frequency (Non-nil claims per million vehicle years)	Ultimate TPD Claim Severity (£)	Ultimate TPD Burning Cost (£)	Year-on-Year Change in Frequency (% pa)	Year-on-Year Change in Severity (% pa)	Year-on-Year Change in Burning Cost (% pa)
2006	19.5	42,526	1,521	64.7			
2007	19.8	41,864	1,675	70.1	-1.6%	10.2%	8.5%
2008	19.6	40,573	1,772	71.9	-3.1%	5.8%	2.5%
2009	20.1	40,093	1,819	72.9	-1.2%	2.7%	1.5%
2010	20.6	38,032	1,886	71.7	-5.1%	3.7%	-1.7%
2011	20.3	32,648	1,994	65.1	-14.2%	5.7%	-9.2%
2012	20.2	30,453	2,144	65.3	-6.7%	7.5%	0.3%
2013	20.5	28,947	2,183	63.2	-4.9%	1.8%	-3.2%
2014	20.7	28,956	2,269	65.7	0.0%	3.9%	4.0%
Average (2007 to 2014)					-5.1%	4.4%	-0.9%
Average (2010 to 2014)					-6.6%	4.7%	-2.2%
Average (2012 to 2014)					-2.5%	2.9%	0.3%

- As with the triangular analysis the reduction in frequency ceased in 2014
- Average cost inflation averaging 4.7% from 2010 to 2014 with the inflation in 2014 estimated at 3.9%.

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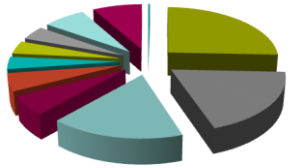
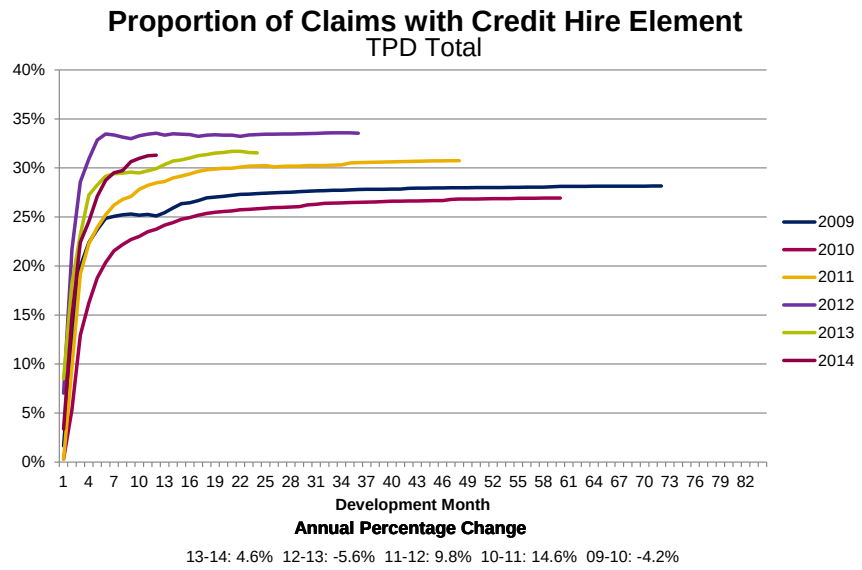
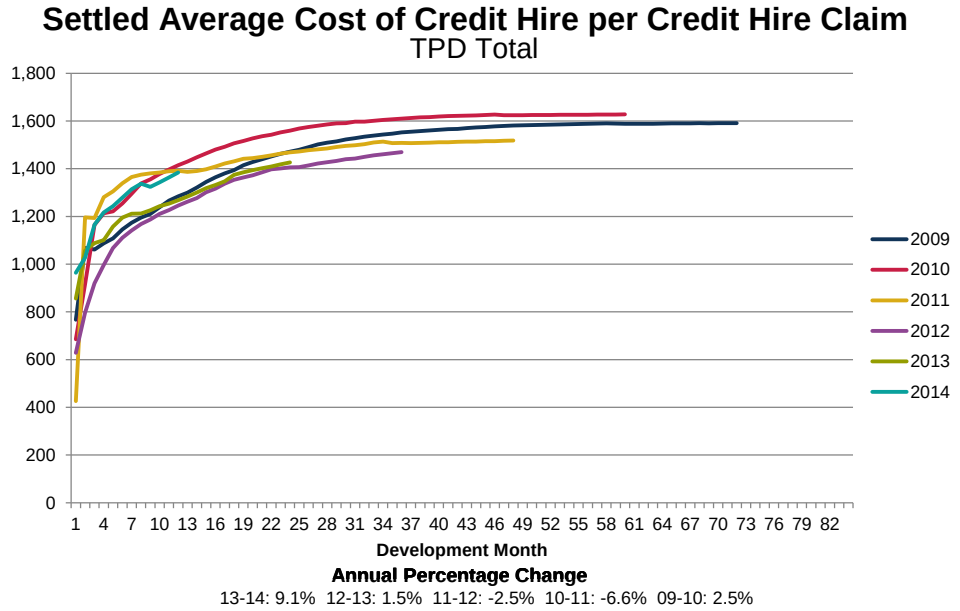
Property Damage

Head of damage – Credit Hire







- The proportion of claims with credit hire fell in 2013 and credit hire inflation was modest at 1.5%.
- However, 2014 has seen large increases in the proportion of claims with credit hire (4.6%) and their average cost (9.1%). Average cost inflation averaging 4.7% from 2010 to 2014 with the inflation in 2014 estimated at 3.9%.

"Other accident management activity including vehicle recovery, storage, repair and hire, has been proving more profitable than injury claim services"

Ministry of Justice – Claim Management Regulation Annual Report 2014 / 2015

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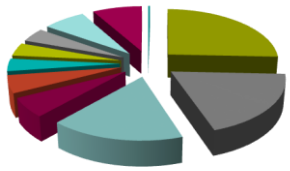
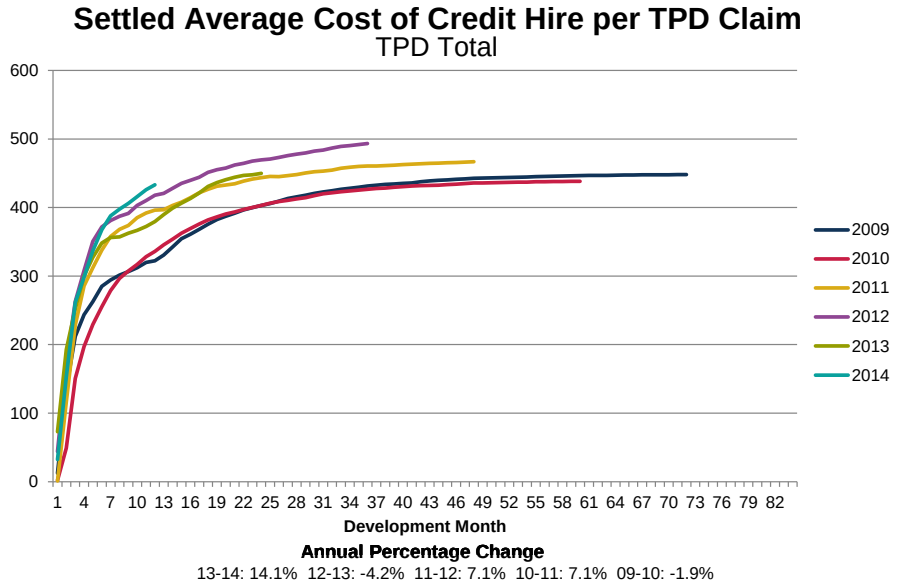
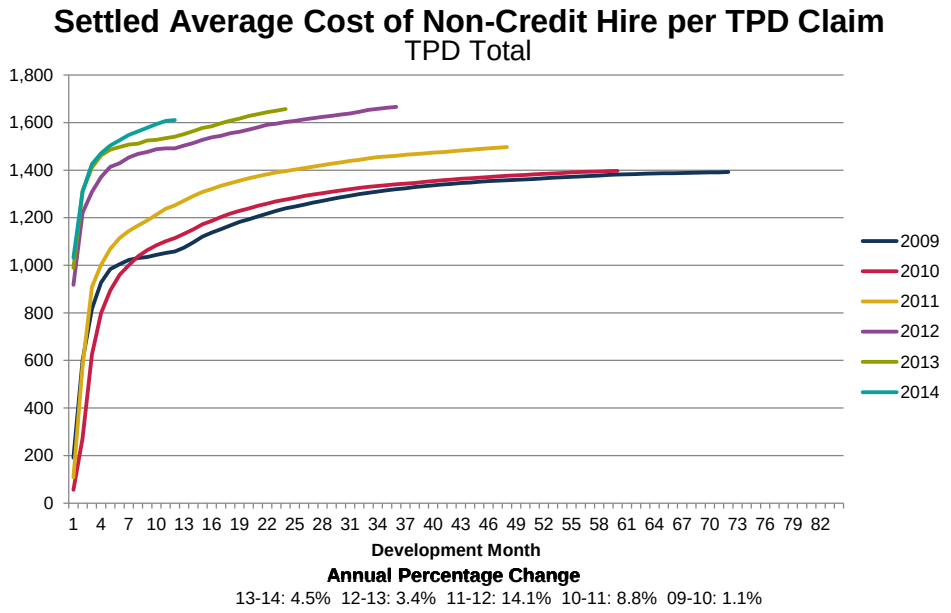
Property Damage

Head of damage – Credit Hire







- Overall the average cost of Credit hire per TPD claim has increased by 14.1% for claims settled in 2014.
- For Non-Credit Hire claims there has been consistent inflation from 2009 to 2014 with a large increase observed from 2010 to 2012.
- The RSA model of charging the retail cost for repairs carried out through their repair networks has been replicated by a number of other insurers and has resulted in increased TPD inflation and is likely to do so in the future.
- The CMA ruling in July 2014 offered no relief from inflated third party hire and other costs.

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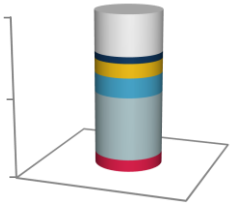
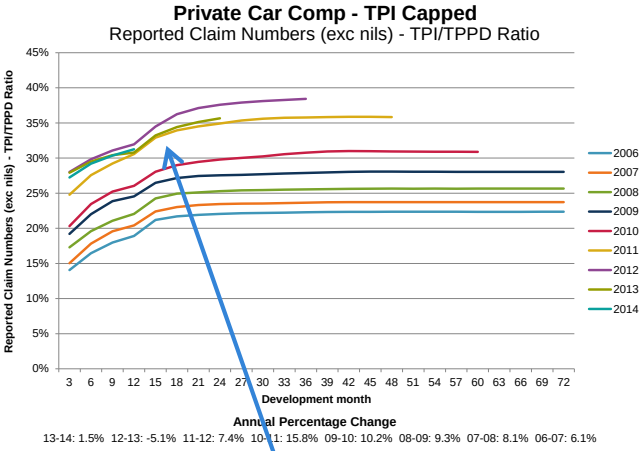
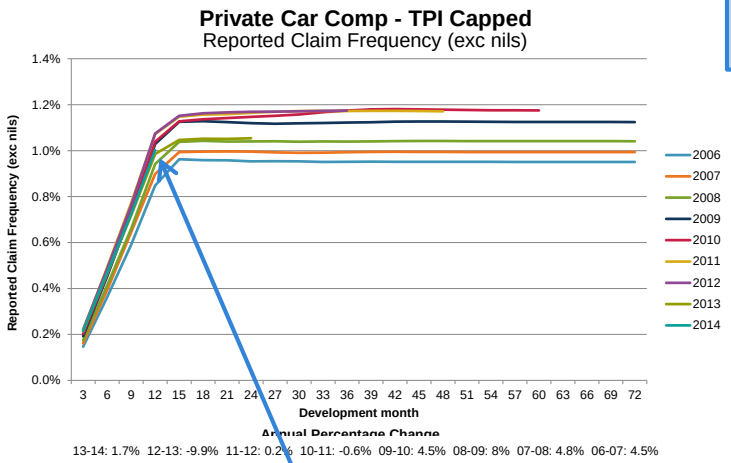
Capped TPI

Conclusions from June Results



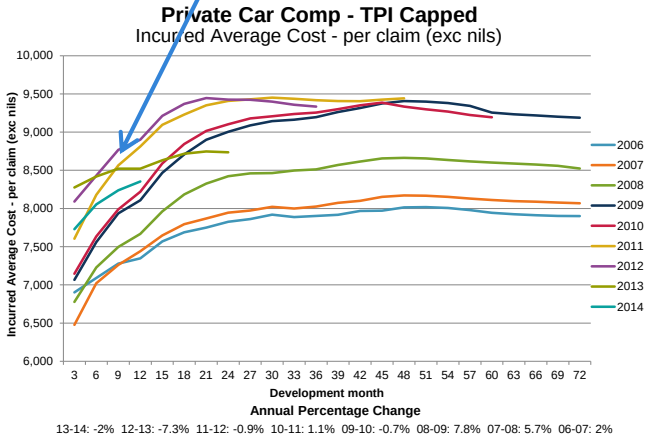


Following six years of continuous increases, TPI to TPD ratio fell in 2013. The ratio increased by 1.5% in 2014 but is still below the 2012 level at the same point in development



Following LASPO frequency fell 10% in 2013. There has been an increase in 2014 of 1.7%

On an incurred basis the severity impact of LASPO has been a reduction of 7.3% in 2013 and a further 2% in 2014.



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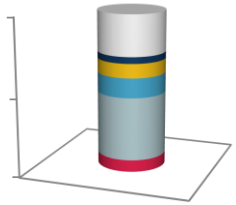
Transactional – Capped TPI

Projected results (Type 1)



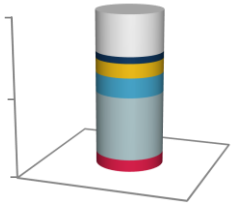
Projected Ultimate Capped TPI Results for Private Car Comprehensive

Accident Period	Earned Exposure (millions of policy years)	Ultimate TPI Capped Claim Frequency (Non-nil claims per million vehicle years)	Ultimate TPI Capped Claim Severity (£)	Ultimate TPI 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)
2006	9.0	10,962	6,993	76.7			
2007	9.8	10,839	7,165	77.7	-1.1%	2.5%	1.3%
2008	10.5	11,008	7,904	87.0	1.6%	10.3%	12.0%
2009	16.2	11,205	8,969	100.5	1.8%	13.5%	15.5%
2010	18.8	11,826	8,927	105.6	5.5%	-0.5%	5.0%
2011	19.5	11,931	9,018	107.6	0.9%	1.0%	1.9%
2012	20.1	12,124	9,128	110.7	1.6%	1.2%	2.9%
2013	20.2	10,798	8,596	92.8	-10.9%	-5.8%	-16.1%
2014	20.4	10,633	8,720	92.7	-1.5%	1.4%	-0.1%
Average (2007 to 2014)					-0.3%	2.8%	2.6%
Average (2010 to 2014)					-2.6%	-0.6%	-3.2%
Average (2012 to 2014)					-6.4%	-2.3%	-8.5%

- Capped TPI frequency is estimated at 10.9% lower in 2013 than 2012 and a further 1.5% lower in 2014.
- The estimated 5.8% fall in average costs in 2013 is likely to be the result of LASPO. Inflation of 1.4% is estimated for 2014.
- The frequency trend is not consistent with portal data which shows reported claims returning to pre-LASPO levels.

Transactional – Capped TPI

Projected results (Type 1)



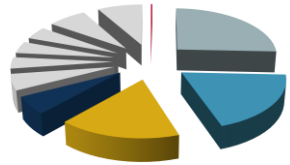
Projected Ultimate Capped TPI Results for Private Car Comprehensive

Accident Period	Earned Exposure (millions of policy years)	Ultimate TPI Capped Claim Frequency (Non-nil claims per million vehicle years)	Ultimate TPI Capped Claim Severity (£)	Ultimate TPI 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)
2009 H1	7.4	10,782	8,876	95.7			
2009 H2	8.9	11,556	9,041	104.5			
2010 H1	9.3	11,067	9,065	100.3	2.6%	2.1%	4.8%
2010 H2	9.5	12,564	8,808	110.7	8.7%	-2.6%	5.9%
2011 H1	9.7	11,691	8,989	105.1	5.6%	-0.8%	4.8%
2011 H2	9.9	12,165	9,046	110.0	-3.2%	2.7%	-0.6%
2012 H1	10.0	11,729	9,034	106.0	0.3%	0.5%	0.8%
2012 H2	10.2	12,513	9,215	115.3	2.9%	1.9%	4.8%
2013 H1	10.0	10,808	8,645	93.4	-7.8%	-4.3%	-11.8%
2013 H2	10.2	10,789	8,548	92.2	-13.8%	-7.2%	**-20.0%**
2014 H1	10.1	10,671	8,563	91.4	-1.3%	-0.9%	-2.2%
2014 H2	10.3	10,595	8,875	94.0	-1.8%	3.8%	2.0%

- The frequency and severity reduction are higher for the second half of 2013 than the first, as might be expected given the timing of the LASPO reforms.
- Severity inflation has returned in the second half of 2014.

Transactional – Capped TPI

Projected results (Type 2)



Private Car Comprehensive Capped TPI 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 to £100k
Frequency exc Nils (finishing in layer) (claims per million policy years)					
2007	2,198	5,881	1,810	737	123
2008	1,626	6,487	1,891	800	118
2009	977	7,012	2,111	903	120
2010	1,001	7,787	2,043	816	108
2011	1,150	7,973	1,905	730	102
2012	1,193	8,309	1,812	650	89
2013	919	8,119	1,230	391	71
2014	717	8,473	994	298	77
Average Cost (£)					
2007	154	4,337	11,216	23,543	55,290
2008	222	4,526	12,039	25,116	58,414
2009	267	4,808	12,907	26,714	62,679
2010	322	5,075	13,742	28,593	67,369
2011	330	5,272	14,677	30,515	72,571
2012	312	5,483	15,675	32,764	77,520
2013	303	5,399	16,719	35,719	82,402
2014	371	5,528	17,647	39,420	88,213
Burning Cost (£)					
2007	0.3	25.5	20.3	17.3	6.8
2008	0.4	29.4	22.8	20.1	6.9
2009	0.3	33.7	27.2	24.1	7.5
2010	0.3	39.5	28.1	23.3	7.3
2011	0.4	42.0	28.0	22.3	7.4
2012	0.4	45.6	28.4	21.3	6.9
2013	0.3	43.8	20.6	14.0	5.9
2014	0.3	46.8	17.5	11.7	6.8

- Despite the reforms in 2013 targeting the smaller end of bodily injury claims, the frequency of claims in the £1k to £10k band has not been materially impacted
- However it appears that the reduction in severity has resulted in claims which would previously have been in bands £10k to £20k and £20k to £50k falling into the £1k to £10k band

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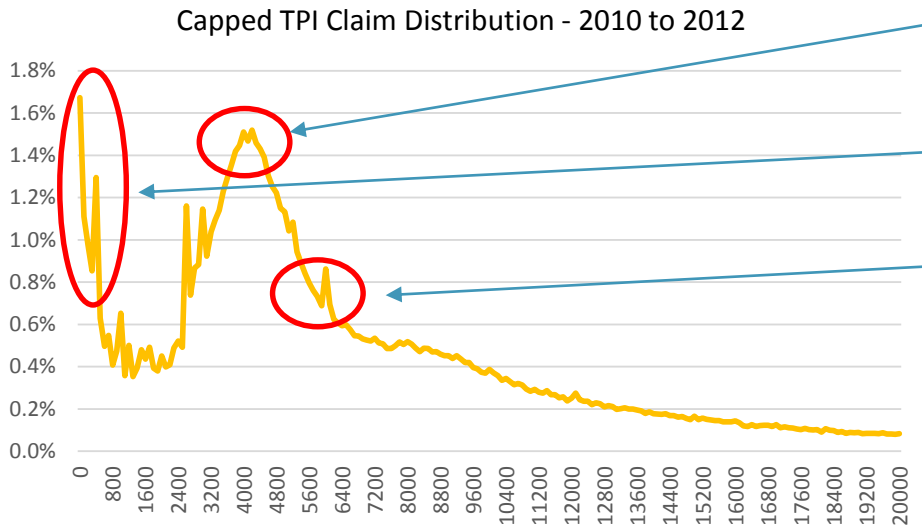
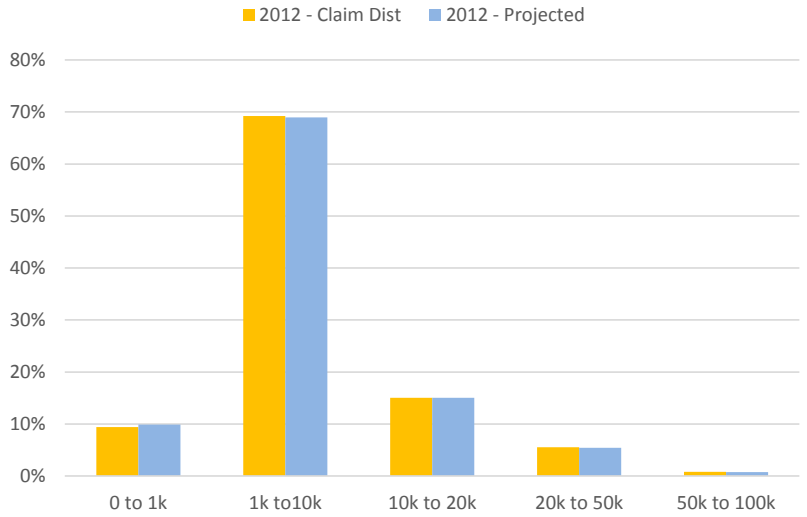
Transactional – Capped TPI

Distribution of claim size



- Peak claim value between £4,000 and £4,300
- 5.9% of claims less than £500
- Some evidence of claims still on initial estimates

- The distribution is based on the incurred value of all claims in accident years 2010 to 2012 and so can be considered a pre-LASPO distribution.
- The distribution produces a split by bands consistent with the projected results for 2012.

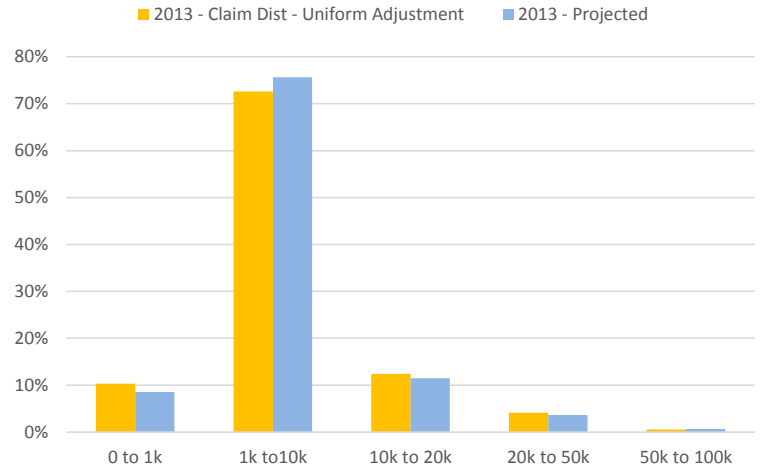


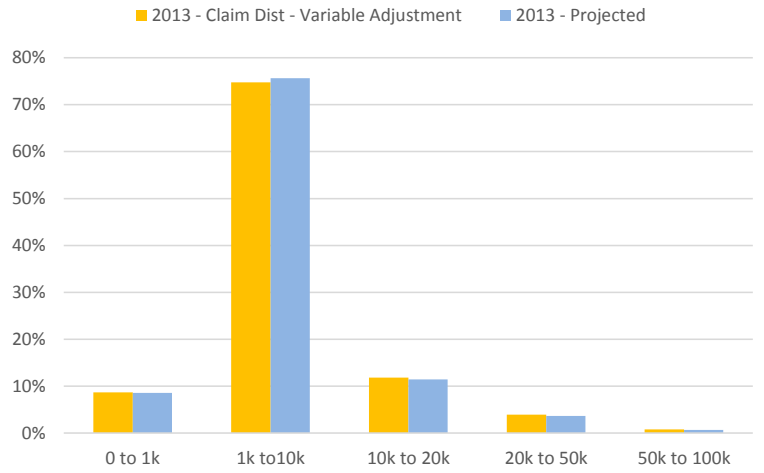
Transactional – Capped TPI

Distribution of claim size

- Our projected results imply a reduction of 7.6% in claims severity in 2013 ***on a Type 2 basis.***
- We have applied this reduction uniformly to the distribution and then compared it below to the projected % by band. This shows that a uniform reduction does match to the projected results.
- A variable impact on inflation has been considered with different inflation rates applied to different claim sizes and also assuming a reduction of 10% of the claims in the £0k to £1k band while maintaining an overall reduction of 7.6%. This approach more accurately matches the projected distribution but differences still remain.

Band	Inflation	Change in numbers
£0k to £1k	7.0%	-10%
£1k to £10k	-10.0%	0%
£10k to £20k	-10.0%	0%
£20k to £50k	-7.5%	0%
£50k to £100k	7.0%	0%





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Transactional – Capped TPI

Distribution of claim size

- Under the variable assumptions the transition between claim bands in 2013 is as below

		2013 Band					
		£0k to £1k	£1k to £10k	£10k to £20k	£20k to £50k	£50k to £100k	2012 Total
2012 Band	£0k to £1k	9%	0%	0%	0%	0%	9%
	£1k to £10k	0%	69%	0%	0%	0%	69%
	£10k to £20k	0%	5%	10%	0%	0%	15%
	£20k to £50k	0%	0%	2%	4%	0%	6%
	£50k to £100k	0%	0%	0%	0%	1%	1%
	2013 Total	9%	75%	12%	4%	1%	100%

- 1/3 of the former £10k to £20k claims have moved down to £1k to £10k
- 1/3 of the former £20k to £50k claims have move down to £10k to £20k
- But note that 2013 is a “split” year; not all of it is post LASPO

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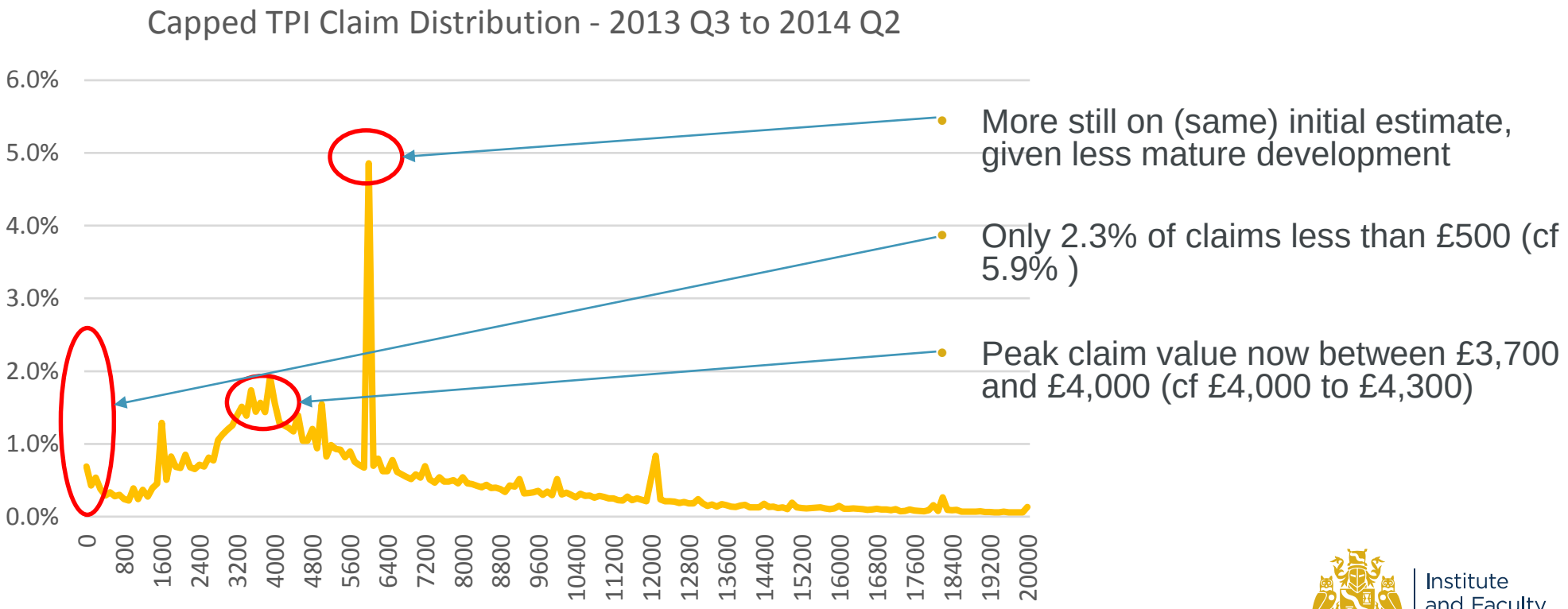
Transactional – Capped TPI

Distribution of claim size

- The post LASPO claim size distribution is below.
- This is based on the incurred claims with accident dates from 2013 Q3 to 2014 Q2



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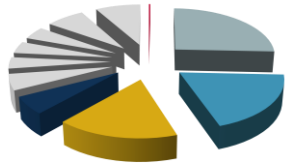
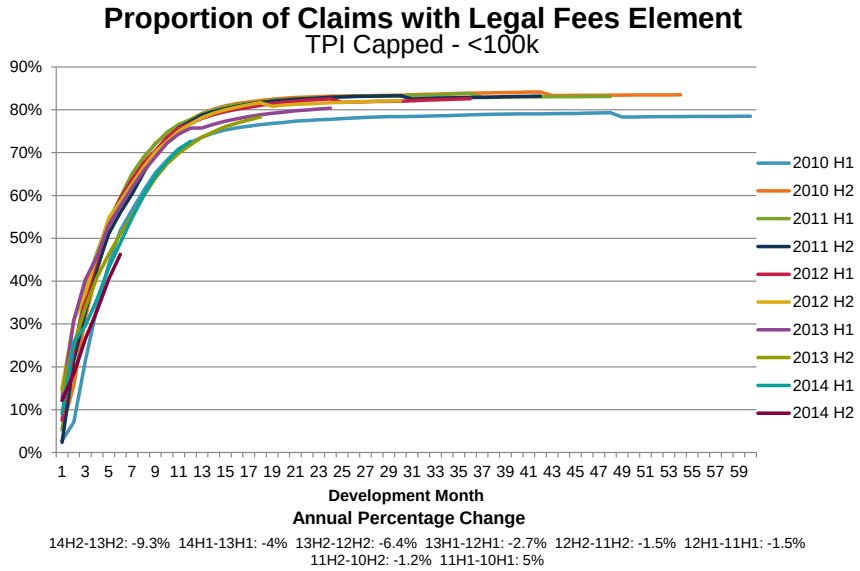
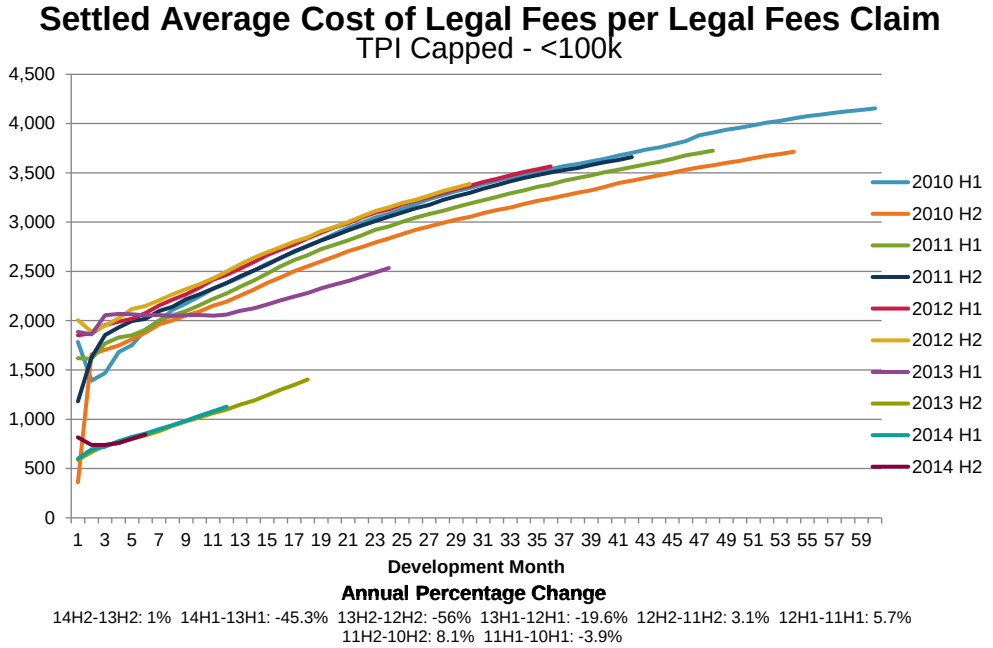
Transactional – Capped TPI

Head of Damage – Legal Fees



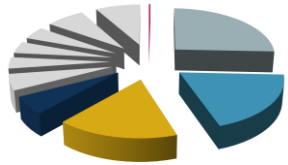


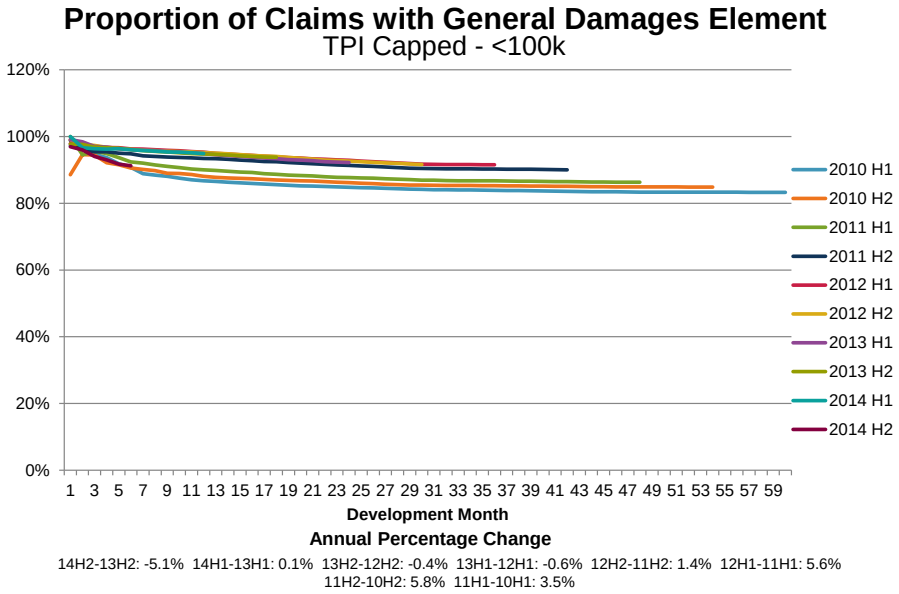


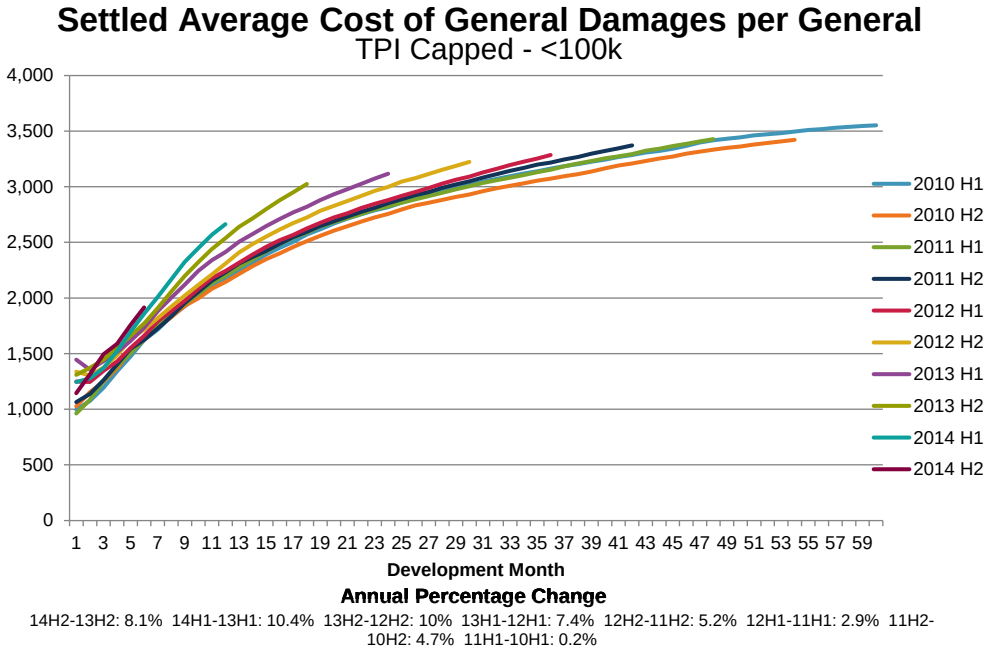
- The proportion of claims with legal fees has been falling in 2013 and 2014. This could be the result of increasing levels of direct claimant capture by insurers or from increasing numbers of claims dropping out of the MoJ portal.
- The impact of LASPO can be seen very clearly in the reduction in legal fees from 2013 H2 onwards. The reduction in 2013 H2 of 56% is just below the reduction in legal costs for a stage 2 settlement as a result of LASPO of around 67%

Transactional – Capped TPI

Head of Damage – General Damages







- There has been strong inflation on general damages settlements. From 2011 H2 to 2014 H2 there has been inflation of 25%. The increase over the same period from MoJ Portal data, albeit on a settlement basis rather than accident basis, is around 34%.

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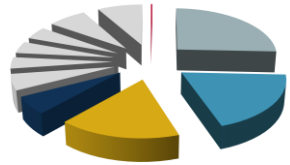
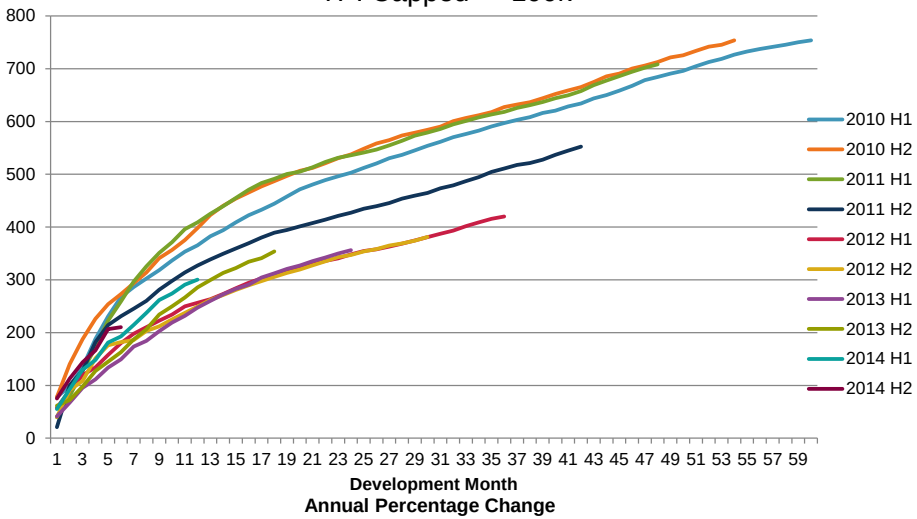
Transactional – Capped TPI

Head of Damage – Special Damages and Other



Settled Average Cost of Special Damages per TPI Claim

TPI Capped - <100k



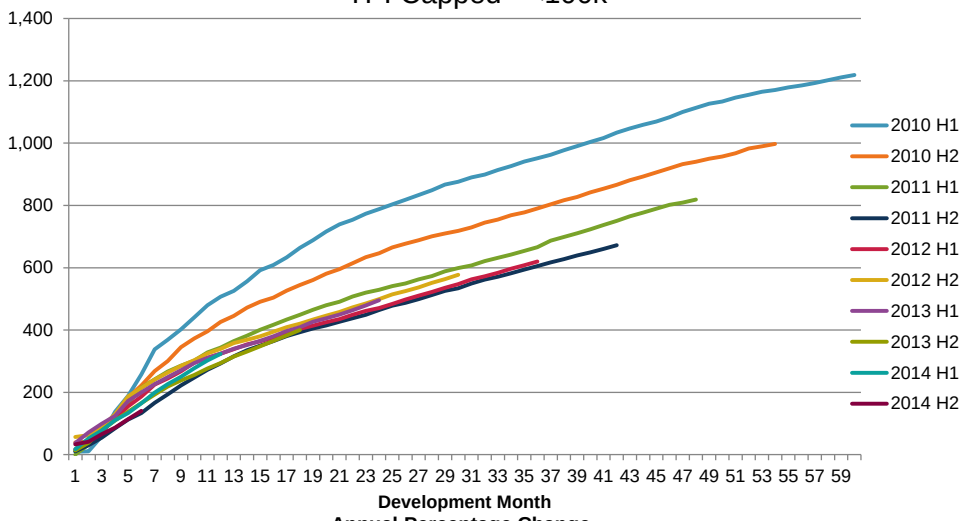
Development Month

Annual Percentage Change

14H2-13H2: 29.1% 14H1-13H1: 21.5% 13H2-12H2: 14.6% 13H1-12H1: 0.6% 12H2-11H2: -18.7% 12H1-11H1: -34.2%
11H2-10H2: -18.5% 11H1-10H1: 3.8%

Settled Average Cost of Other per TPI Claim

TPI Capped - <100k



Development Month

Annual Percentage Change

14H2-13H2: -15.3% 14H1-13H1: -0.2% 13H2-12H2: -13.4% 13H1-12H1: 1.4% 12H2-11H2: 7.6% 12H1-11H1: -8.5%
11H2-10H2: -23.4% 11H1-10H1: -27.4%

- While general damages and legal fees are the largest elements of claims cost for small BI claims there are material costs associated with special damages and other.

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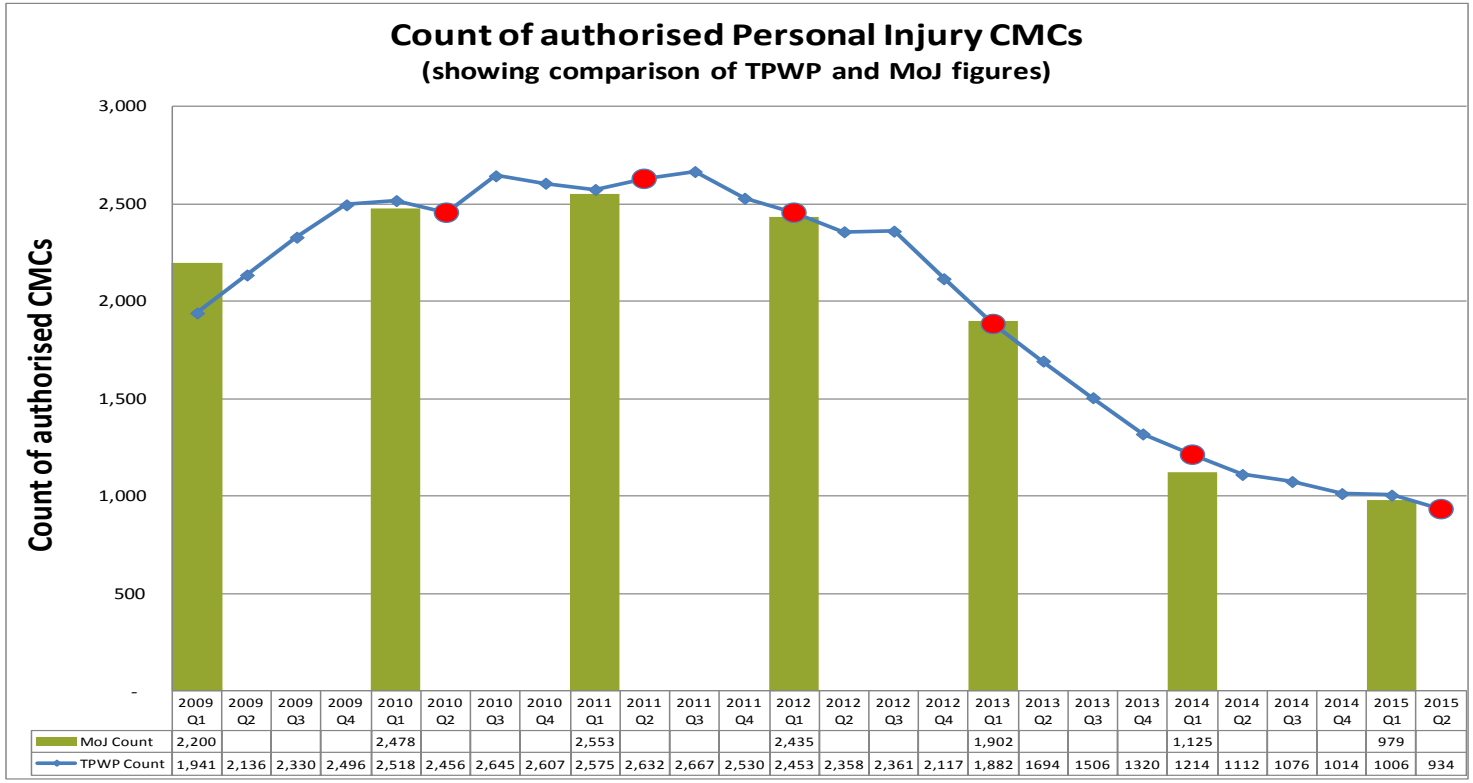
Claims Management Companies

- The number of authorised CMCs decreased to 934, a reduction of 16% in the year to June 2015. This compares to drop of 34% in the previous year. The rate of decline in the number of CMCs is reducing. But the number of CMCs has now fallen more than 60% below the peak of more than 2,500 in 2011 and now stands at levels last seen in the middle of 2007.
- However, the latest Claim Management Regulation report shows that turnover for Personal Injury sector (measured the year to Nov 2014) has increased by 30% from £238m to £310m. Consolidation has reduced the number of CMCs with the largest increasing market share.
- The report further comments that accident management activity including vehicle recovery, storage, repair and hire, has been proving more profitable than injury claim services.



	2009 Q1	2009 Q2	2009 Q3	2009 Q4	2010 Q1	2010 Q2	2010 Q3	2010 Q4	2011 Q1	2011 Q2	2011 Q3	2011 Q4	2012 Q1	2012 Q2	2012 Q3	2012 Q4	2013 Q1	2013 Q2	2013 Q3	2013 Q4	2014 Q1	2014 Q2	2014 Q3	2014 Q4	2015 Q1	2015 Q2
MoJ Count	2,200				2,478				2,553				2,435				1,902				1,125				979	
TPWP Count	1,941	2,136	2,330	2,496	2,518	2,456	2,645	2,607	2,575	2,632	2,667	2,530	2,453	2,358	2,361	2,117	1,882	1694	1506	1320	1214	1112	1076	1014	1006	934

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Source: https://www.claimsregulation.gov.uk/
http://www.justice.gov.uk/claims-regulation

Claims Management Companies
Percentage Change Q1 2013 – Q1 2015

- The table below compares the % reduction in the postcode areas with the largest number of CMCs in Q1 2015 with the overall national reduction of 51%.
- The reduction in the number of CMCs in the two years following LASPO has been fairly uniform geographically though the reductions in urban areas have been slightly higher than average.

Postcode Area with largest number of CMCs in Q1 2015

Postcode Area	Postal Town	April 2013 Count	April 2015 Count	% Change
B	Birmingham	156	72	-54%
M	Manchester	128	66	-48%
E	East London	103	50	-51%
BD	Bradford	60	25	-58%
L	Liverpool	58	26	-55%
BB	Blackburn	57	32	-44%
SK	Stockport	55	34	-38%
BL	Bolton	52	32	-38%
NW	North West London	46	19	-59%
PR	Preston	44	18	-59%
OL	Oldham	43	26	-40%
LS	Leeds	42	18	-57%
UB	Uxbridge	39	14	-64%
SL	Slough	39	15	-62%
WA	Warrington	38	15	-61%

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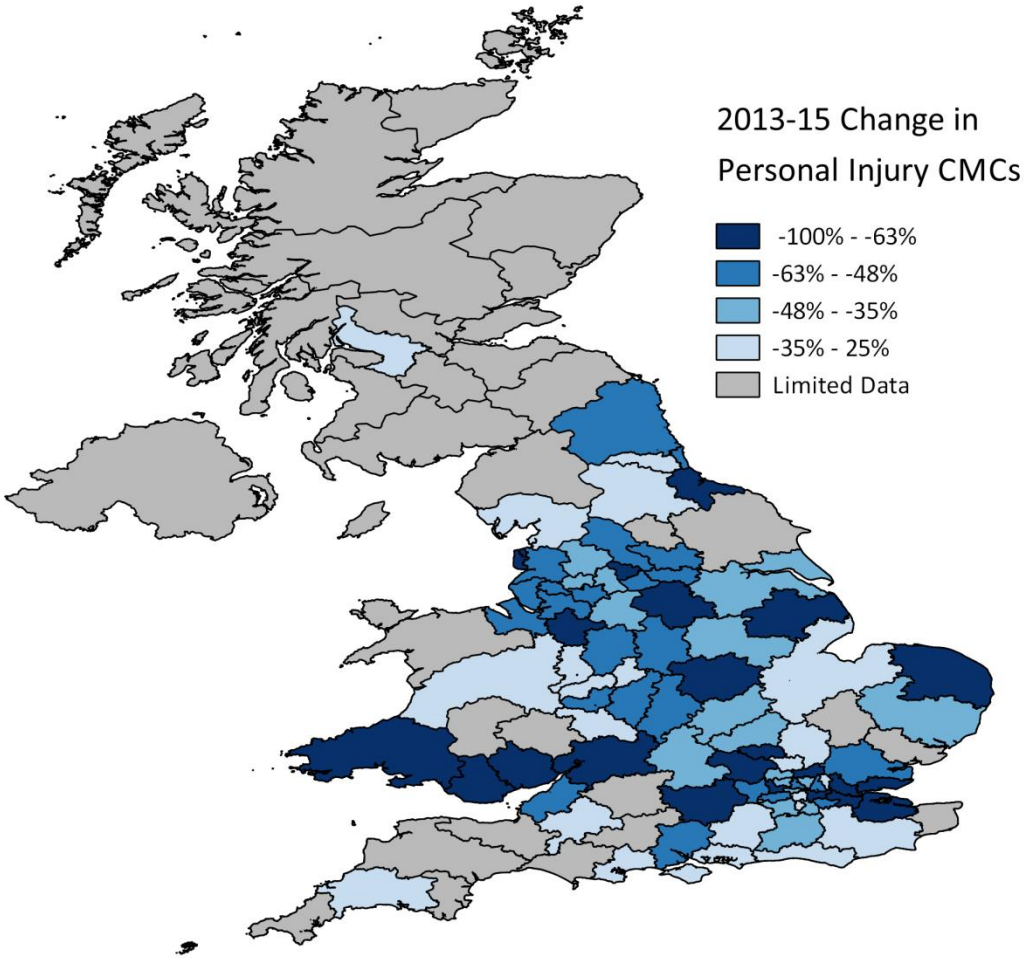
Source: https://www.claimsregulation.gov.uk/
http://www.justice.gov.uk/claims-regulation

Claims Management Companies
Percentage Change Q1 2013 – Q1 2015



- All postcode areas with more than 3 Personal Injury CMCs operating in Q1 2013 have been mapped.
- Urban areas with higher injury frequencies tend to have seen a bigger % reduction in the number of CMCs:
  1. There was probably a 'lower barrier to entry' in these areas before referral fees were banned.
  2. More consolidation of CMCs in these areas.

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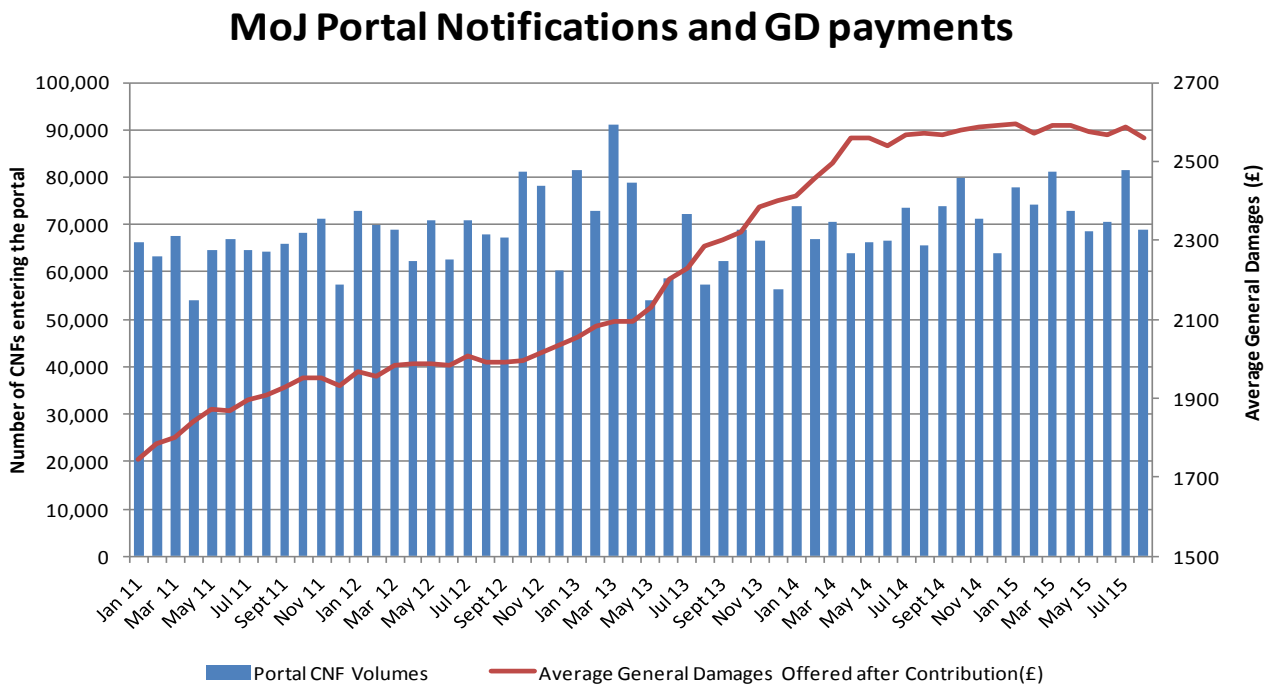
MoJ Portal Notifications and GD payments

- The number of claims reported through the portal has recovered to pre-LASPO levels, having fallen by 10% after the introduction of LASPO and continues to rise into 2015 with levels around 9% higher than in 2014.
- The portal was extended from £10k to £25k on 31 July 2013 and this will have distorted comparisons in number of reported claims. Furthermore the number of licensed vehicles has increased over the last few years which may have contributed to the increased level of reported claims.
- General Damage payments have stabilised, following a marked rise from 2012 to 2014 (c 23%). This is in line with the expected increases from the Judicial College Guidelines for the Assessment of General Damages and the 10% uplift in general damages post-Laspo upheld by the Court of Appeal - see table below.
- A new edition of the Judicial College Guidelines was published on 17th September 2015 with an average uplift of 3.4%.



JC Edition	Month Published	Average Uplift
8th	Sep-06	5.2%
9th	Sep-08	9.6%
10th	Sep-10	2.8%
11th	Sep-12	9.0%
Laspo	Apr-13	10.0%
12th	Sep-13	2.3%
13th	Sep-15	3.4%

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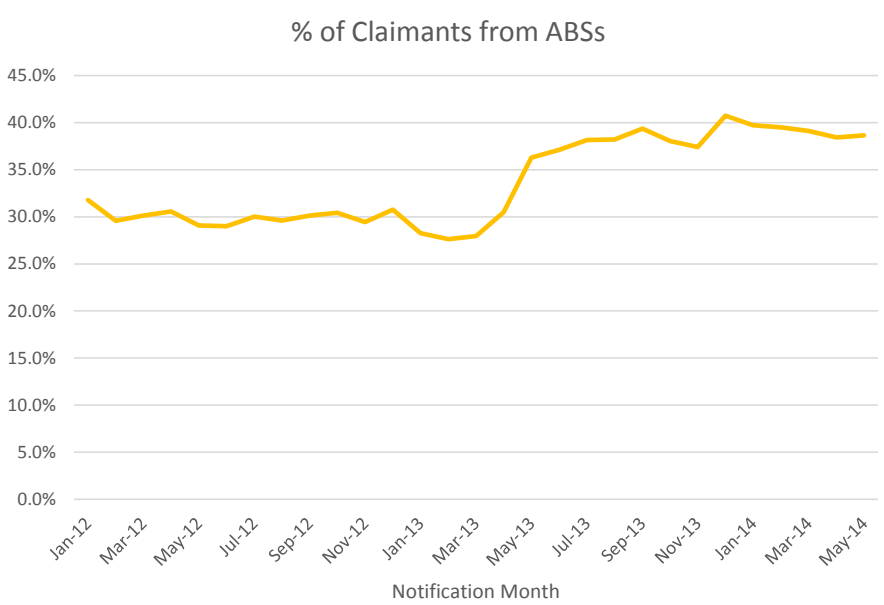
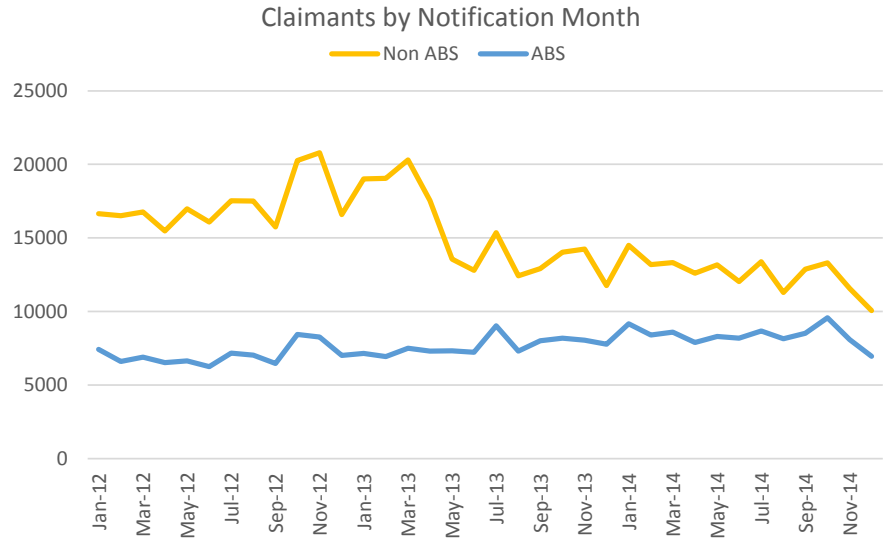
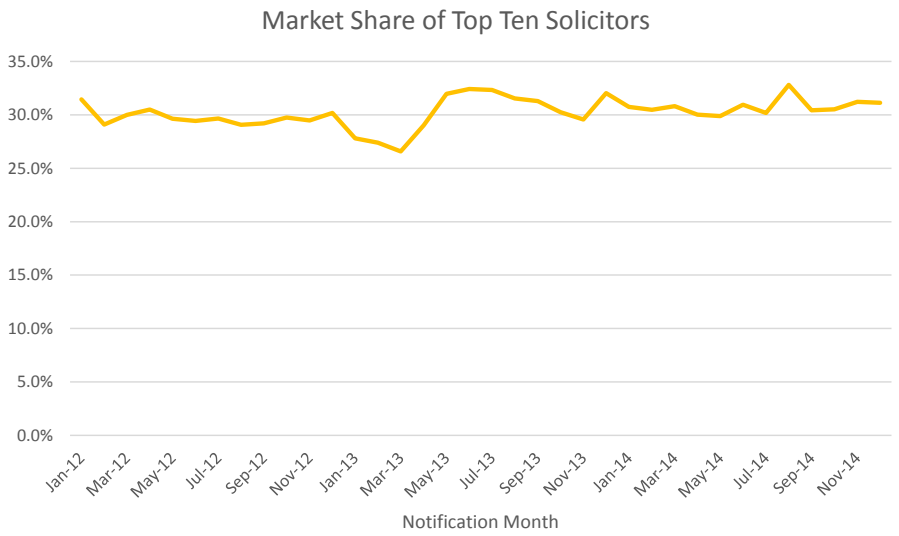
Solicitors and ABSs – Market Structure

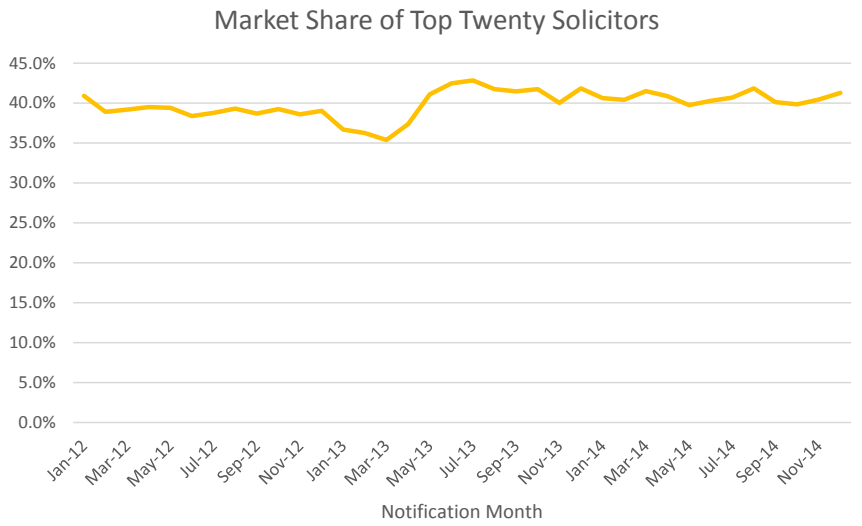




- There has been a step change in the proportion of claimants from ABSs from 30% to around 40% in May 2013 which is consistent with the introduction of LASPO.
- Looking at absolute numbers it is clear that this change in the result of a sharp reduction in claimants from Non-ABSs following the reforms including banning referral fees.
- The numbers of claimants from ABSs has steadily risen from 2012 to 2014 at around 7% a year.
- Note that a firm has been classified as an ABS based on its status as at April 2015 and that precursor organisations will be identified with this later status potentially overstating ABS levels for early periods.

Solicitors and ABSs – Market Structure





- There have been no major concentration changes in the market with both the market share for the top ten and top twenty firms remaining reasonably constant from 2012 to 2014.
- However there has been a change in the market share for ABSs associated with insurance companies. In 2013 around 6% of claims were from insurance company ABSs. In 2014 this increased to 11%.

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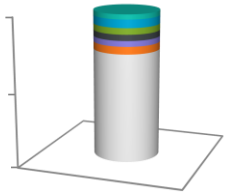
Excess TPI

Projected Results (Type 1)



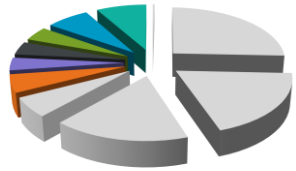
Projected Ultimate Excess TPI Results for Private Car Comprehensive

Accident Period	Earned Exposure (millions of policy years)	Ultimate TPI Excess Claim Frequency (Non-nil claims per million vehicle years)	Ultimate TPI Excess Claim Severity (£)	Ultimate TPI Excess Burning Cost (£)	Year-on-Year Change in Frequency (% pa)	Year-on-Year Change in Severity (% pa)	Year-on-Year Change in Burning Cost (% pa)
2006	9.0	104	381,311	39.8			
2007	9.8	91	241,558	21.9	-13.3%	**-36.7%**	**-45.1%**
2008	10.5	86	317,822	27.4	-4.9%	**31.6%**	**25.1%**
2009	16.2	82	387,313	31.7	-4.9%	**21.9%**	15.9%
2010	18.8	70	403,517	28.3	-14.3%	4.2%	-10.8%
2011	19.5	71	402,155	28.4	0.8%	-0.3%	0.4%
2012	20.1	71	468,042	33.3	0.8%	16.4%	17.3%
2013	20.2	68	493,257	33.5	-4.8%	5.4%	0.3%
2014	20.4	73	593,803	43.3	7.4%	**20.4%**	**29.3%**
Average (2007 to 2014)					-3.1%	13.7%	10.2%
Average (2010 to 2014)					1.0%	10.1%	11.2%
Average (2012 to 2014)					1.1%	12.6%	13.9%

- There has been an increase in large claims in 2014 of 7.4% after a period where frequency had, on average, been falling.
- Claim severity inflation is high, averaging just over 10% for the last 4 years.
- Note that there is a considerable amount of uncertainty projecting large BI claims, especially for recent accident years where there has been limited development to date. In the past we have observed both reductions and increases in KPIs between studies, particularly for the two most recent accident years.

Excess TPI

Projected Results (Type 2)



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

Accident Year	£100k - 250k	£250k - 500k	£500k - 1m	£1m - 2m	£2m to 5m	> £5m
Frequency exc Nils (finishing in layer) (claims per million policy years)						
2006	65.1	18.8	10.0	5.1	2.5	3.0
2007	57.6	17.2	8.8	4.1	2.2	0.5
2008	53.9	16.4	8.0	4.1	2.4	1.2
2009	49.1	16.7	7.2	3.9	2.9	2.0
2010	44.5	12.6	6.1	3.6	2.0	1.3
2011	43.6	13.7	6.6	3.7	2.4	0.7
2012	42.8	14.9	6.4	3.5	2.7	0.9
2013	40.9	14.4	5.6	3.3	2.6	1.0
2014	42.2	16.0	6.1	3.8	3.3	1.4
Average Cost (£)						
2006	116,535	255,399	523,551	1,021,585	2,417,744	6,268,139
2007	124,144	284,770	550,622	987,360	2,164,448	6,578,727
2008	130,880	298,444	578,235	1,105,055	2,583,403	6,249,665
2009	138,810	317,642	614,559	1,132,464	2,318,093	5,798,997
2010	149,011	340,960	676,514	1,346,898	2,969,261	7,160,085
2011	163,226	369,757	725,212	1,495,598	3,437,200	7,506,498
2012	171,091	399,980	802,417	1,568,504	3,620,927	8,363,891
2013	186,302	433,063	791,231	1,587,944	3,484,967	9,340,969
2014	200,801	463,954	861,652	1,786,874	3,548,661	9,147,886
Burning Cost (£)						
2006	7.6	4.8	5.2	5.2	6.1	18.9
2007	7.2	4.9	4.9	4.0	4.9	3.4
2008	7.1	4.9	4.6	4.5	6.3	7.5
2009	6.8	5.3	4.4	4.4	6.8	11.6
2010	6.6	4.3	4.1	4.9	5.9	9.5
2011	7.1	5.1	4.8	5.5	8.2	5.3
2012	7.3	6.0	5.2	5.5	9.7	7.9
2013	7.6	6.2	4.4	5.3	9.0	9.2
2014	8.5	7.4	5.3	6.8	11.7	13.1

- There is significant volatility in the excess £5m burning cost.
- Claims above £1m account for around 55% of large claims cost on average over the last four years

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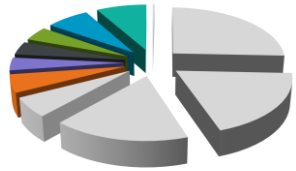
Excess TPI

Projected Results (Type 2)



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

Accident Year	£100k - 250k	£250k - 500k	£500k - 1m	£1m - 2m	£2m to 5m	> £5m
Change in Frequency exc Nils (finishing in layer)						
2006	-6.5%	-21.3%	4.9%	-18.0%	-20.5%	105.7%
2007	-11.5%	-8.1%	-11.5%	-19.4%	-10.6%	-82.7%
2008	-6.5%	-4.7%	-8.8%	0.1%	8.4%	127.9%
2009	-8.8%	1.5%	-9.9%	-5.6%	20.6%	67.6%
2010	-9.4%	-24.7%	-15.5%	-6.5%	-32.3%	-33.8%
2011	-2.0%	9.0%	7.5%	2.3%	19.8%	-46.5%
2012	-2.0%	9.0%	-2.0%	-6.0%	12.2%	33.5%
2013	-4.3%	-3.4%	-13.3%	-4.1%	-3.7%	4.3%
2014	3.0%	11.2%	9.7%	14.1%	28.8%	45.0%
Average (2007 to 2014)	-4.4%	-1.0%	-5.1%	-1.0%	5.7%	15.4%
Average (2010 to 2014)	-1.3%	6.3%	0.0%	1.3%	13.7%	1.9%
Average (2012 to 2014)	-0.7%	3.6%	-2.5%	4.6%	11.4%	22.9%
Change in Average Cost						
2006	7.5%	3.5%	5.5%	2.4%	39.5%	22.7%
2007	6.5%	11.5%	5.2%	-3.4%	-10.5%	5.0%
2008	5.4%	4.8%	5.0%	11.9%	19.4%	-5.0%
2009	6.1%	6.4%	6.3%	2.5%	-10.3%	-7.2%
2010	7.3%	7.3%	10.1%	18.9%	28.1%	23.5%
2011	9.5%	8.4%	7.2%	11.0%	15.8%	4.8%
2012	4.8%	8.2%	10.6%	4.9%	5.3%	11.4%
2013	8.9%	8.3%	-1.4%	1.2%	-3.8%	11.7%
2014	7.8%	7.1%	8.9%	12.5%	1.8%	-2.1%
Average (2007 to 2014)	7.1%	7.2%	6.6%	8.8%	7.3%	4.8%
Average (2010 to 2014)	7.7%	8.0%	6.2%	7.3%	4.6%	6.3%
Average (2012 to 2014)	8.3%	7.7%	3.6%	6.7%	-1.0%	4.6%
Change in Burning Cost						
2006	0.6%	-18.6%	10.6%	-16.1%	11.0%	152.3%
2007	-5.7%	2.5%	-6.9%	-22.1%	-20.0%	-81.8%
2008	-1.4%	-0.1%	-4.2%	12.0%	29.4%	116.5%
2009	-3.3%	8.0%	-4.3%	-3.2%	8.2%	55.5%
2010	-2.7%	-19.2%	-7.0%	11.2%	-13.3%	-18.2%
2011	7.3%	18.2%	15.2%	13.6%	38.7%	-43.9%
2012	2.8%	17.9%	8.4%	-1.5%	18.2%	48.8%
2013	4.2%	4.6%	-14.5%	-2.9%	-7.3%	16.4%
2014	11.1%	19.1%	19.5%	28.4%	31.2%	42.0%
Average (2007 to 2014)	2.4%	6.1%	1.2%	7.7%	13.5%	21.0%
Average (2010 to 2014)	6.3%	14.8%	6.3%	8.7%	18.8%	8.4%
Average (2012 to 2014)	7.6%	11.6%	1.1%	11.7%	10.3%	28.6%

- Despite overall numbers of large claims falling on average there have been increases in the number of the largest claims.

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Excess TPI

Stats 19 Data

		Percentage change from:		
		Last year	Five years ago	2005-2009 average
	2014	*2013*	*2009*	
Killed	1,775	↑ 4%	↓ 20%	↓ 37%
Seriously injured	22,807	↑ 5%	↓ 8%	↓ 16%
KSI[1]	24,582	↑ 5%	↓ 9%	↓ 18%
Slightly injured	169,895	↑ 6%	↓ 13%	↓ 21%
All casualties	194,477	↑ 6%	↓ 12%	↓ 21%

Source: Department for Transport
(Stats 19 data as at end of December 2014)

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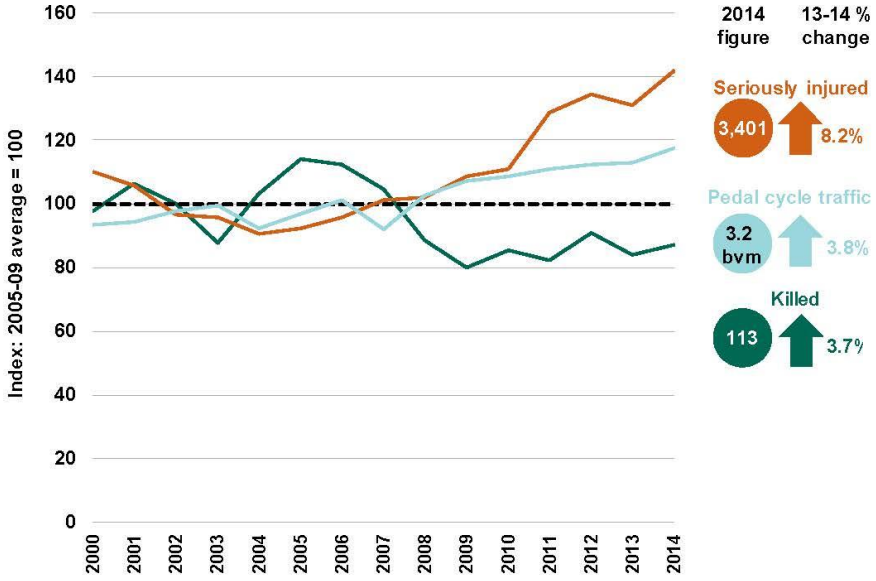
(1) KSI: Killed or Seriously injured

Excess TPI

Stats 19 Data

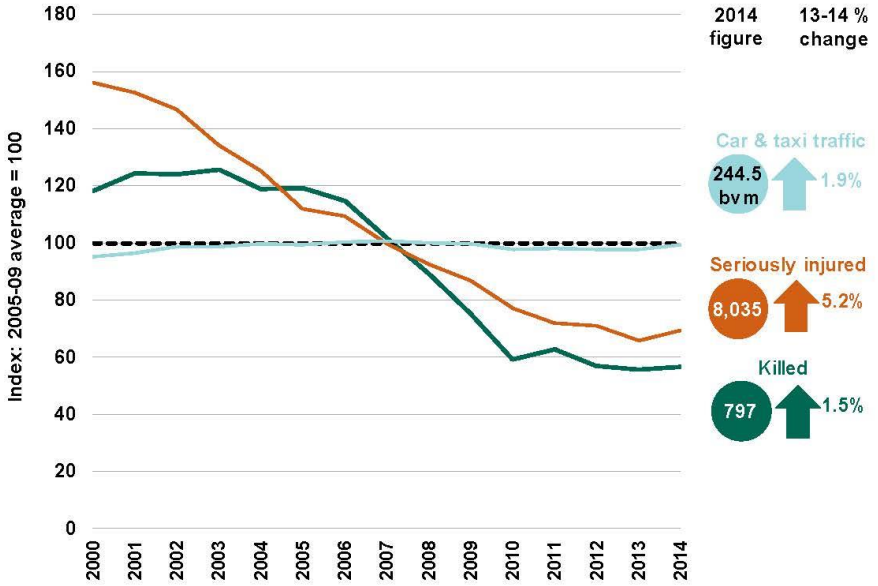
Chart 5: Number of killed and seriously injured pedal cyclists compared with pedal cycle traffic, GB: 2000-2014



Tables

- Pedal cycle traffic (vehicle miles/ kilometres) in Great Britain, annual from 1949, table TRA0401.

Chart 3: Number of killed and seriously injured car occupants compared with car and taxi traffic, GB: 2000-2014

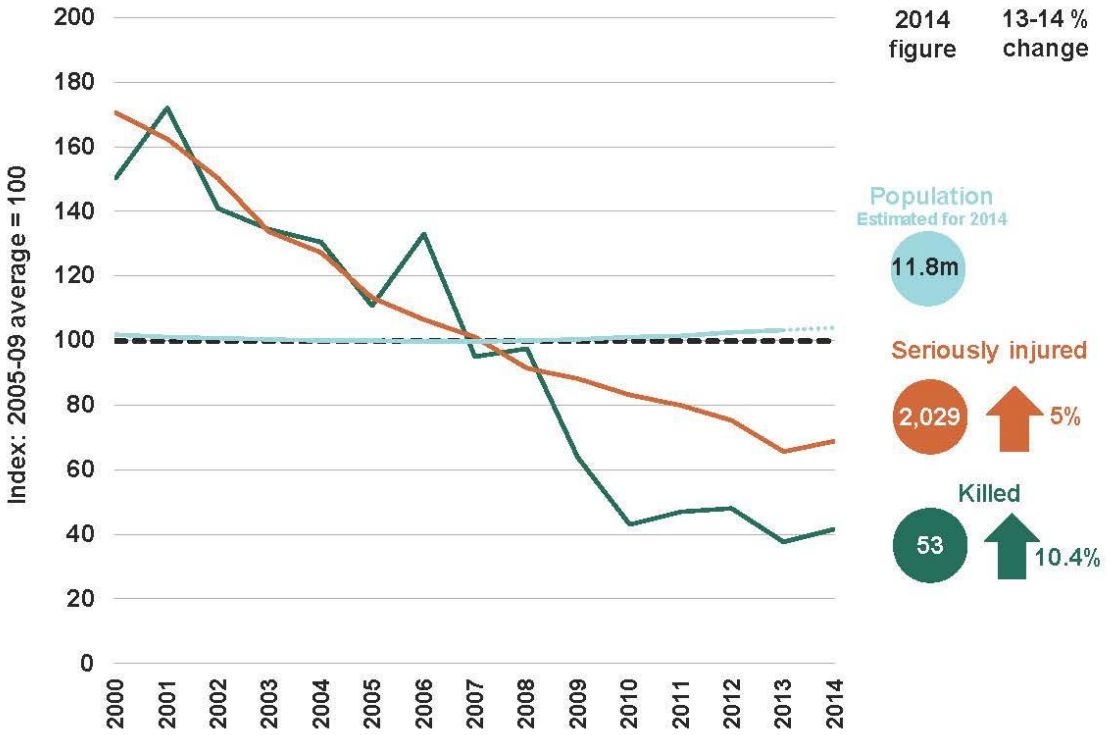


Source: Department for Transport
(Stats 19 data as at end of December 2014)

Excess TPI

Stats 19 Data

Chart 7: Number of killed and seriously injured children (aged 15 or under) compared with the child population, GB: 2000-2014



Source: Department for Transport
(Stats 19 data as at end of December 2014)

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Excess TPI

Stats 19 Data

Number and Proportion of Injuries by Casualty Type

	2014		2012	
Pedestrians	24,748	12.7%	25,218	12.9%
Cycle	21,287	10.9%	19,091	9.8%
Other	148,442	76.3%	151,414	77.4%
Total	194,477		195,723	

Injury Severity Distribution for Cyclists

Cyclists	Casualties	Killed	Seriously Injured	Slightly Injured
2012	19,091	0.6%	16.9%	82.5%
2014	21,287	0.5%	16.0%	83.5%

Injury Severity Distribution for Total Casualties

	Total Casualties	Killed	Seriously Injured	Slightly Injured
2012	195,723	0.9%	11.8%	87.3%
2014	194,477	0.9%	11.7%	87.4%

- **The increasing exposure to cyclists in 2014 is borne out in the Stats 19 injury data.**
- Whilst there is a small decrease in the total number of injuries from 2012 to 2014, the proportion involving cyclists has increased by 1.1 ppts.
- This leads to an increase of over 2000 in the number of injuries to cyclists.
- **A positive observation would be that the proportion of cyclists killed or seriously injured has decreased during this period.**
- The increased number of injuries to cyclists has, on the whole, led to an increased frequency of ‘slight injuries’ i.e. no ambulance was required.
- However there is an absolute increase of 174 KSI injuries from 2012- 2014.
- During the same period, there was little change in the overall distribution of the severity of injuries when all casualty types are considered.

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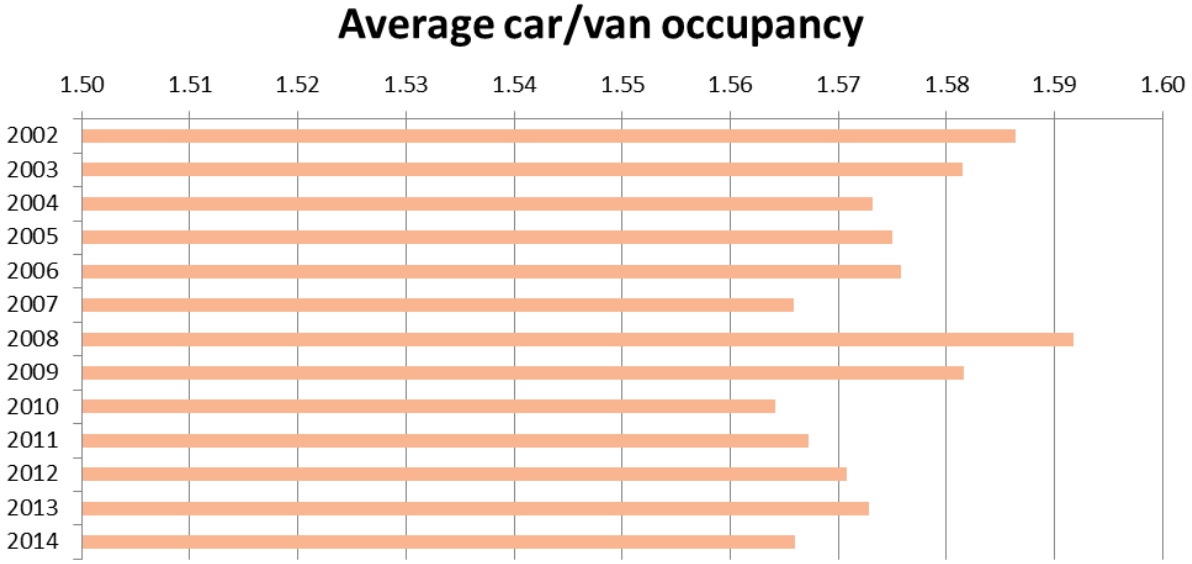
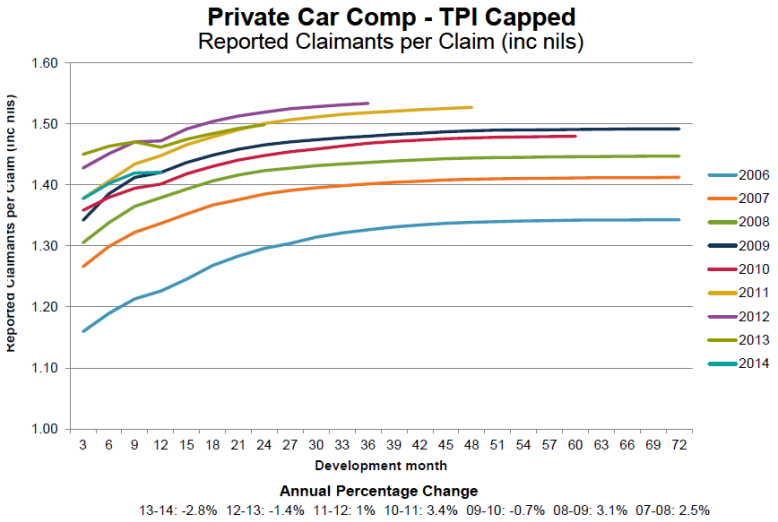
Claimants per claim

Department for Transport



Claimants per claim (including nils)



- A reduction in claimants per claim in 2014 of 2.8% was reported in June following the reduction of 1.4% in 2013.
- 2013 reduction explained by LASPO while 2014 may be a result of car/van occupancy dipping slightly in 2014 although overall remains at around 1.57 on average.
- This may also have contributed to at least the more recent increases in congestion

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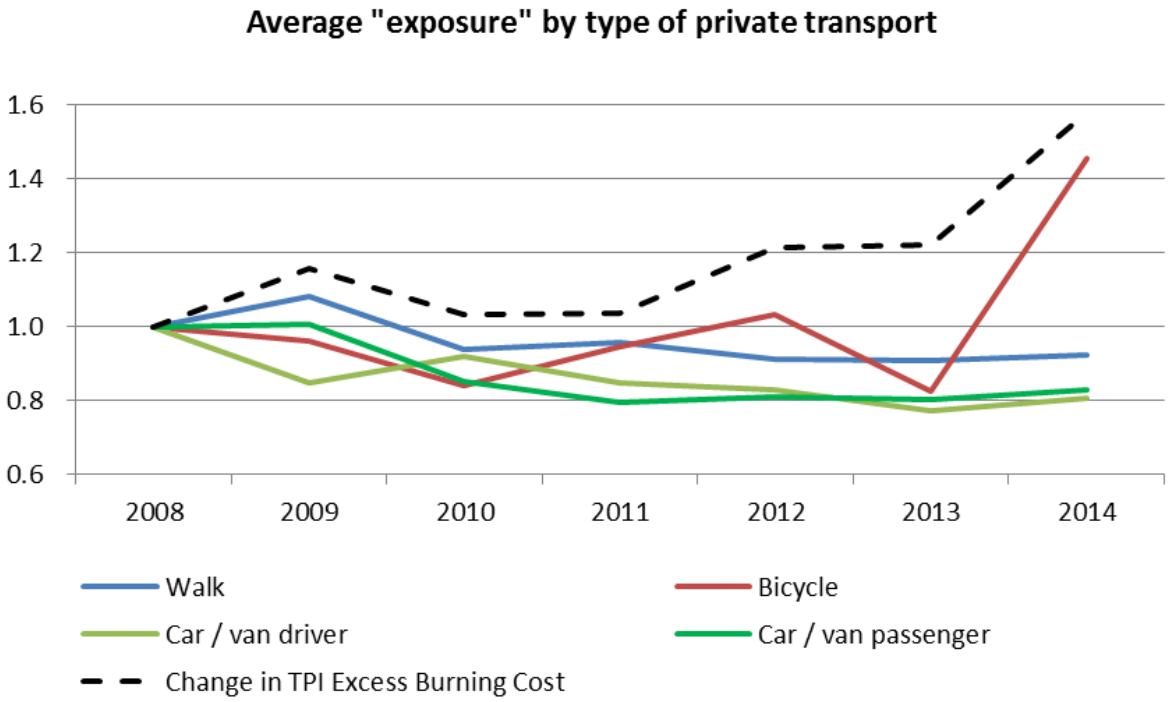
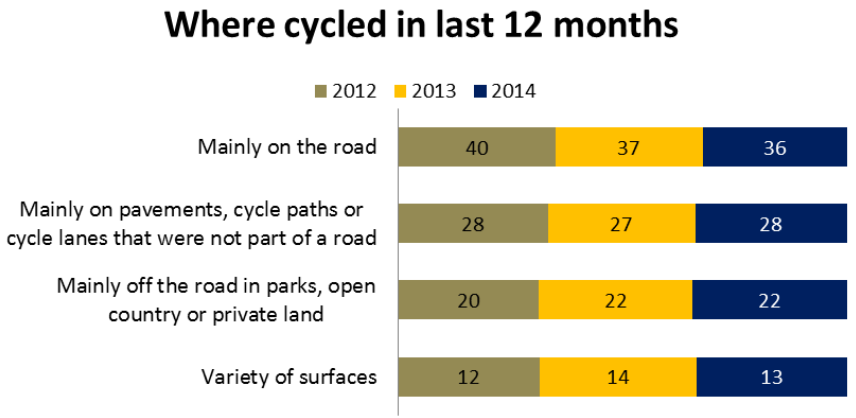
Cyclists

Department for Transport



- Number of trips & average length of cycling trips both increased significantly in 2014
- Resulting in an increase to the average "exposure" to cyclists by a 76% between 2013 & 2014
- Projected burning bost on TPI Excess largely follow exposure pattern

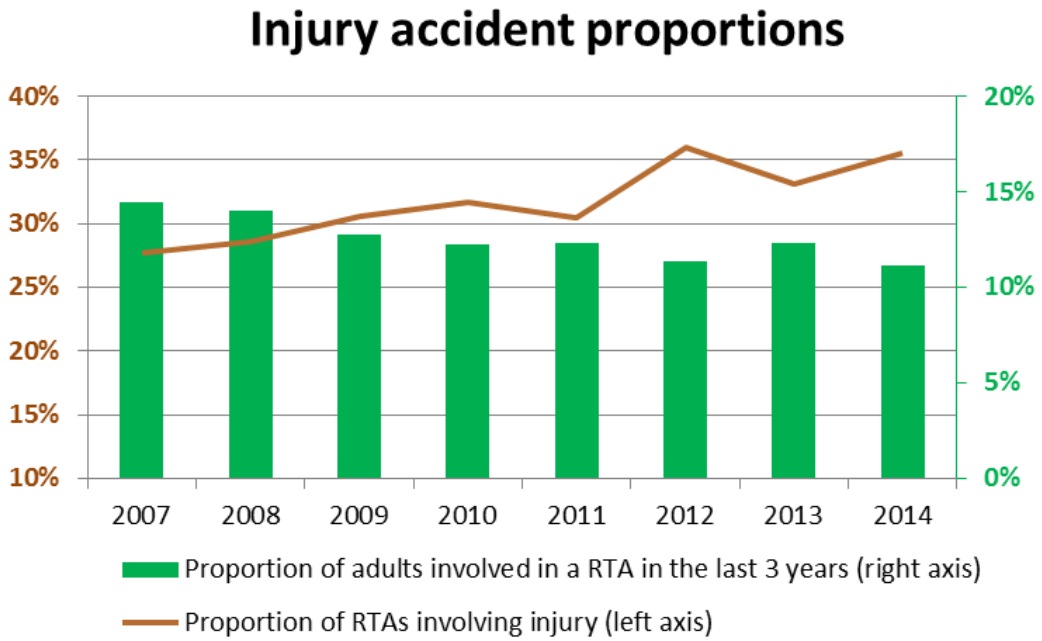


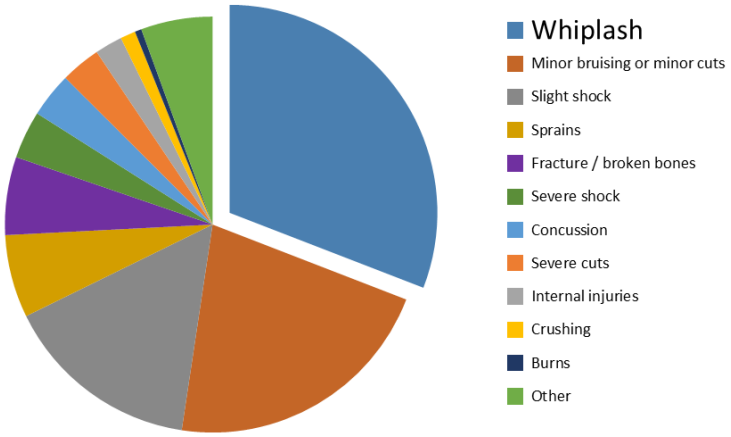
- Only 22% of cyclists in 2014 claimed to cycle off the road
- But proportions have remained stable in the last few years.

NTS 2014 England: indexed to 2008; exposure approximated by length of trip x average number of trips

National Travel Survey

Department for Transport





- Injury accidents make up 36% of all accidents, with the dip last year looking like noise (or temporary LASPO lull?) from the general trend.
- 55% of NTS injured respondents in the last 3 years experienced whiplash.

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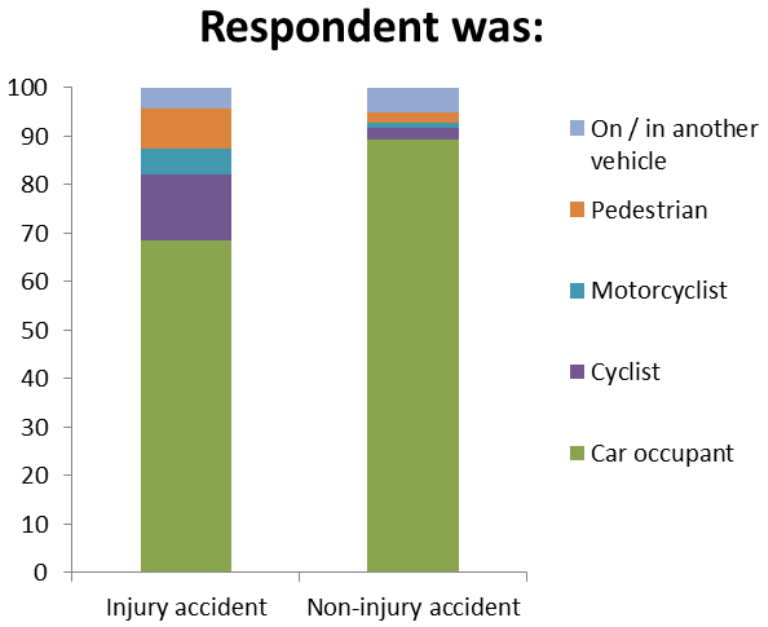
National Travel Survey vs Stats19

Department for Transport



Number/*percentage*

	Proportion of injured road users	
	National Travel Survey (2012/14)[2]	**STATS19 (2010/14 average)**
Car Occupant	*68*	*64*
Cyclist	*14*	*9*
Motorcyclist	*5*	*11*
Pedestrian	*8*	*10*
Other	*4*	*6*

1 Includes casualties aged 16 years or over only

2 Based on England only resident sample

The figures in this table are National Statistics

- 68% of the injured respondents were car occupants and 14% cyclists.
- Proportions of injured road users are slightly at odds with the police statistics (stats19) suggesting under reporting.
- NTS respondents reported around 50% of injury accidents to the police.

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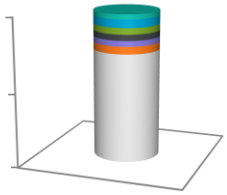
Conclusions (1/2)



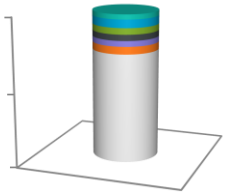
Third Party Property Damage

- Former frequency reductions stalled entirely in 2014 against the long term trend of 5% year on year reductions
- Average cost increase in 2014 of 4%, continuing the longer term trend of 4% year on year increases
- Credit Hire is a material cost and is present in about 1/3 of claims, costing almost as much as other heads of claims where present (c £1,600), but there are other drivers of inflation – noting new CMC activity and AD retail rates increasingly being charged

Third Party Personal Injury (Capped)

- Frequency reductions have continued in 2014 (1.5%) in the post LASPO environment, following an 11% reduction in 2013, marking a change to the previous inflationary trend since 2007. Note caution on this from other indicators such as TPD frequency trends, 2015 increases in MOJ portal notifications as well as increases in CMC turnover.
- Severity inflation has returned post the 2013 reduction of 6%, with inflation of 4% post LASPO (1.5% in 2014 as a whole)
- Leading to similar burning cost in 2014 to 2013 following the of 16% reduction from 2012. The post LASPO environment is however seeing inflation of circa 2%

Conclusions (2/2)



Third Party Personal Injury (Excess)

- Frequency increases in 2014 of 7%, against the longer term trend of frequency deflation (of circa 3%); in a context of accident frequency deflation stalling; and of police reported killed and serious injury notifications up 6%
- Average cost increases of 20% in 2014 remain at a very early stage of development and are driven in large part by claims in excess of £2m, and particularly those in excess of £5m. These increases are high enough to lift the long term average to 13%. Given the contribution of very large claims and immature development, we do not yet know the extent to which these increases will develop as the year matures, or whether the increases are simply year on year volatility rather than inflation.
- The remarkable headline burn cost inflation of 30%, has been driven across all bands, but disproportionately coming from the largest claims, and sits against long term inflation of around 10% as a notable outlier to previous trends.

Public Data

- Road safety has on some measures deteriorated in line with Excess TPI claims experience.
- The richness of non insurance industry data continues to be a key theme

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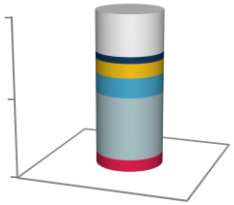
Appendix

Transactional – Capped TPI

Projected results (Type 1)

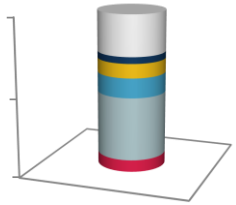


Private Car ComprehensiveTPI Capped Results in Layer (all layers given in 2010 money, indexed at 7% pa)

Accident Year	£0 - 1k	£1k - 10k	£10k - 20k	£20k - 50k	£50k - £100k	<100k
Frequency exc Nils (in layer and above) (claims per million vehicle years)						
2007	10,839	8,641	2,760	950	213	10,839
2008	11,008	9,383	2,895	1,005	204	11,008
2009	11,205	10,228	3,215	1,105	202	11,205
2010	11,826	10,825	3,037	995	179	11,826
2011	11,931	10,781	2,808	902	172	11,931
2012	12,124	10,931	2,622	810	160	12,124
2013	10,798	9,880	1,761	530	139	10,798
2014	10,633	9,915	1,442	447	150	10,633
Average Cost (£)						
2007	682	4,743	4,812	11,092	25,661	7,165
2008	777	4,951	5,189	11,421	26,931	7,904
2009	876	5,300	5,549	11,674	28,452	8,969
2010	943	5,457	5,791	12,437	30,179	8,927
2011	999	5,615	6,137	13,506	33,184	9,018
2012	1,063	5,769	6,457	14,704	36,722	9,128
2013	1,147	5,395	6,812	17,903	40,737	8,596
2014	1,247	5,319	7,198	21,936	43,556	8,720
Burning Cost (£)						
2007	7.4	41.0	13.3	10.5	5.5	77.7
2008	8.6	46.5	15.0	11.5	5.5	87.0
2009	9.8	54.2	17.8	12.9	5.7	100.5
2010	11.1	59.1	17.6	12.4	5.4	105.6
2011	11.9	60.5	17.2	12.2	5.7	107.6
2012	12.9	63.1	16.9	11.9	5.9	110.7
2013	12.4	53.3	12.0	9.5	5.7	92.8
2014	13.3	52.7	10.4	9.8	6.5	92.7

Transactional – Capped TPI

Projected results (Type 1)



Private Car ComprehensiveTPI Capped Results in Layer (all layers given in 2010 money, indexed at 7% pa)

Accident Year	£0 - 1k	£1k - 10k	£10k - 20k	£20k - 50k	£50k - £100k
Frequency exc Nils (in layer and above) (claims per million vehicle years)					
2007	-1.1%	0.6%	-5.4%	-8.7%	-13.8%
2008	1.6%	8.6%	4.9%	5.7%	-4.2%
2009	1.8%	9.0%	11.0%	9.9%	-1.4%
2010	5.5%	5.8%	-5.5%	-10.0%	-11.4%
2011	0.9%	-0.4%	-7.6%	-9.3%	-3.5%
2012	1.6%	1.4%	-6.6%	-10.2%	-7.1%
2013	-10.9%	-9.6%	-32.9%	-34.5%	-13.3%
2014	-1.5%	0.4%	-18.1%	-15.6%	7.7%
Average Cost (£)					
2007	6.5%	3.8%	5.5%	3.2%	7.5%
2008	14.0%	4.4%	7.8%	3.0%	4.9%
2009	12.8%	7.0%	6.9%	2.2%	5.6%
2010	7.5%	3.0%	4.4%	6.5%	6.1%
2011	5.9%	2.9%	6.0%	8.6%	10.0%
2012	6.4%	2.7%	5.2%	8.9%	10.7%
2013	7.9%	-6.5%	5.5%	21.8%	10.9%
2014	8.8%	-1.4%	5.7%	22.5%	6.9%
Burning Cost (£)					
2007	5.3%	4.4%	-0.2%	-5.7%	-7.3%
2008	15.7%	13.4%	13.1%	8.9%	0.6%
2009	14.8%	16.7%	18.7%	12.4%	4.2%
2010	13.5%	9.0%	-1.4%	-4.1%	-6.0%
2011	6.9%	2.5%	-2.0%	-1.5%	6.1%
2012	8.2%	4.2%	-1.7%	-2.3%	2.8%
2013	-3.9%	-15.5%	-29.2%	-20.3%	-3.8%
2014	7.1%	-1.0%	-13.5%	3.4%	15.2%

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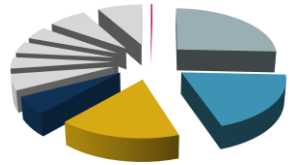
Transactional – Capped TPI

Projected results (Type 2)



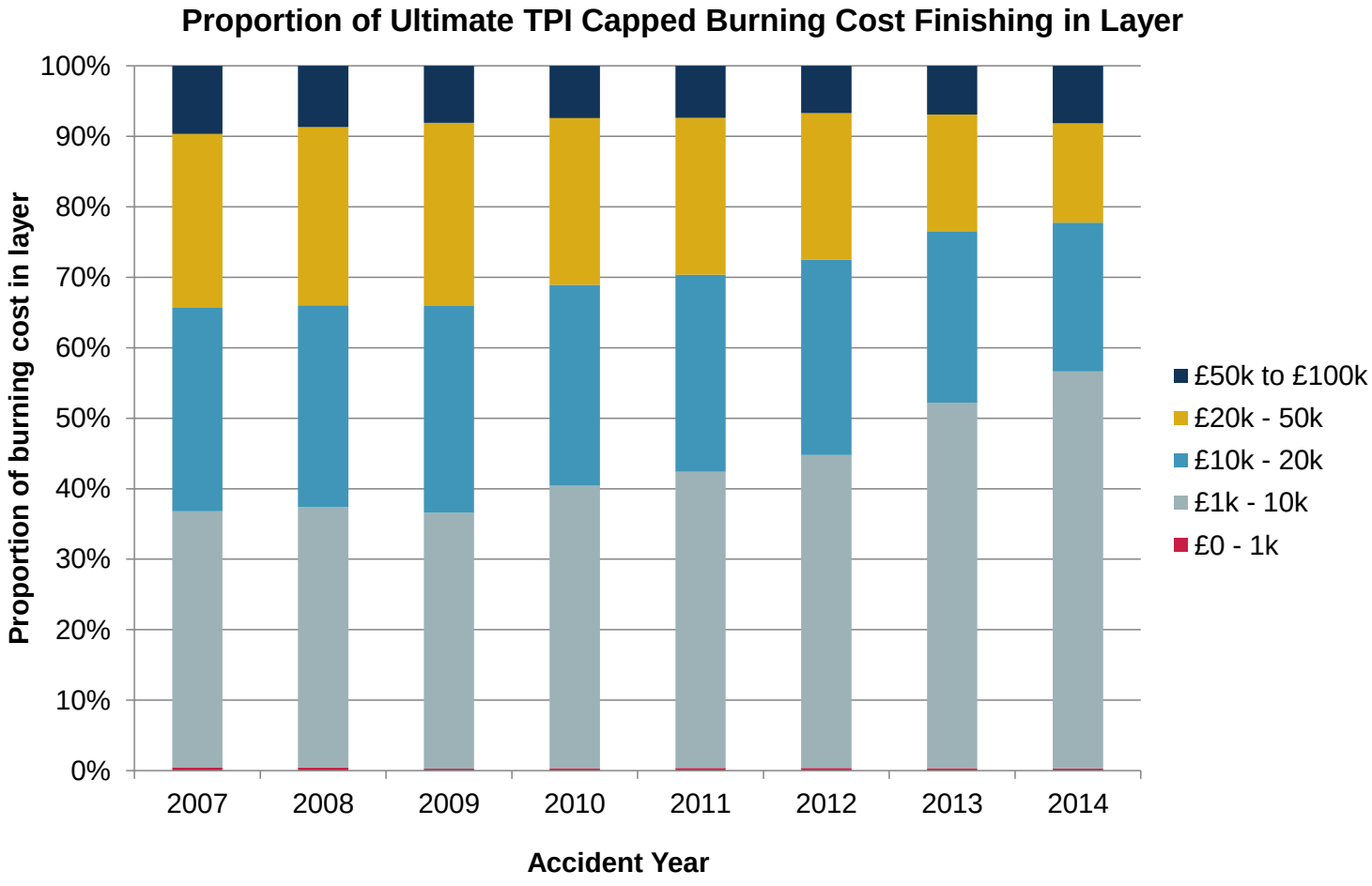
Private Car Comprehensive Capped TPI Type 2 Layered Results (all layers given in 2010 money, indexed at 7% pa)

Accident Year	£0 - 1k	£1k - 10k	£10k - 20k	£20k - 50k	£50k to £100k
Frequency exc Nils (finishing in layer) (claims per million policy years)					
2007	-7.3%	3.7%	-3.6%	-7.1%	-14.2%
2008	-26.0%	10.3%	4.5%	8.6%	-3.6%
2009	-39.9%	8.1%	11.6%	12.8%	1.2%
2010	2.5%	11.0%	-3.2%	-9.6%	-9.3%
2011	14.8%	2.4%	-6.7%	-10.5%	-6.2%
2012	3.7%	4.2%	-4.9%	-11.0%	-12.6%
2013	-23.0%	-2.3%	-32.1%	-39.8%	-20.1%
2014	-21.9%	4.4%	-19.2%	-23.9%	8.0%
Average Cost (£)					
2007	-21.8%	4.5%	6.9%	6.0%	7.2%
2008	43.8%	4.4%	7.3%	6.7%	5.6%
2009	20.5%	6.2%	7.2%	6.4%	7.3%
2010	20.2%	5.6%	6.5%	7.0%	7.5%
2011	2.5%	3.9%	6.8%	6.7%	7.7%
2012	-5.4%	4.0%	6.8%	7.4%	6.8%
2013	-2.9%	-1.5%	6.7%	9.0%	6.3%
2014	22.4%	2.4%	5.6%	10.4%	7.1%
Burning Cost (£)					
2007	-27.5%	8.3%	3.1%	-1.5%	-8.0%
2008	6.4%	15.1%	12.1%	15.9%	1.8%
2009	-27.5%	14.8%	19.7%	20.0%	8.6%
2010	23.2%	17.2%	3.0%	-3.3%	-2.6%
2011	17.7%	6.4%	-0.4%	-4.5%	1.0%
2012	-1.9%	8.4%	1.6%	-4.4%	-6.7%
2013	-25.2%	-3.8%	-27.6%	-34.3%	-15.0%
2014	-4.4%	6.9%	-14.7%	-16.0%	15.6%

Institute and Faculty of Actuaries

Transactional – Capped TPI

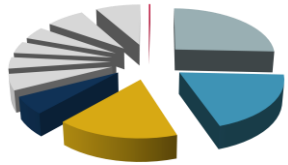
Projected results (Type 2)

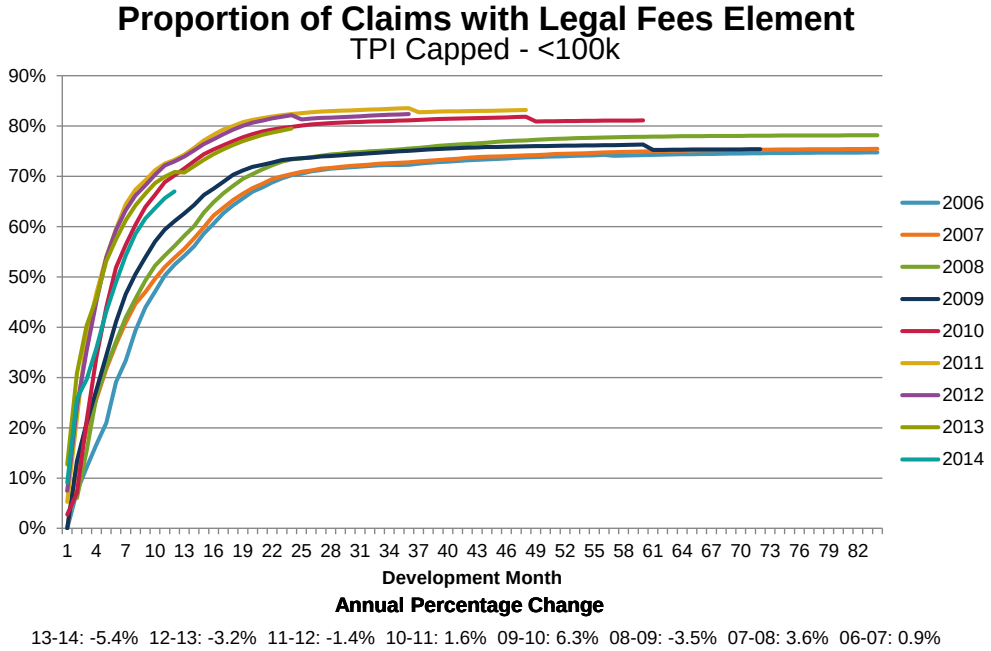


Institute and Faculty of Actuaries

Transactional – Capped TPI

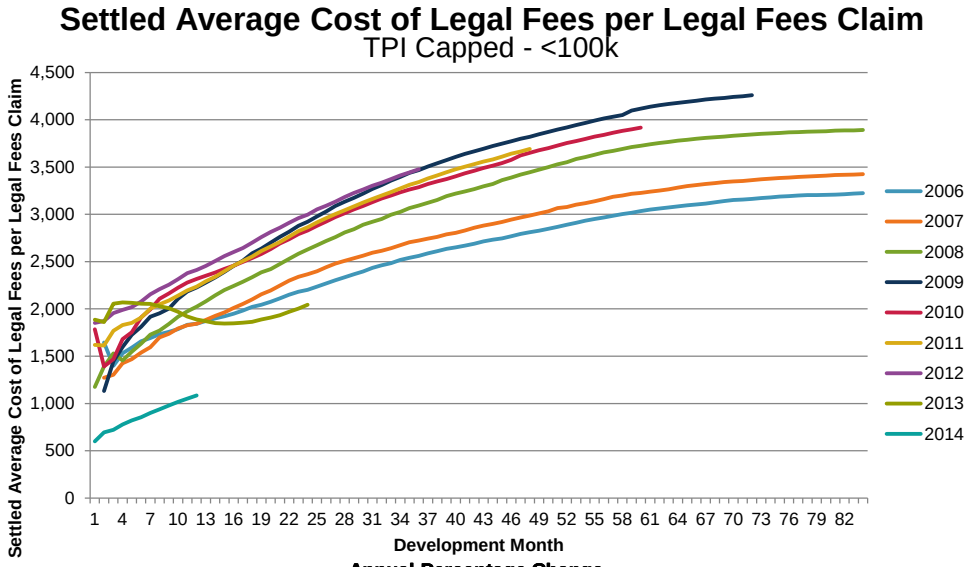
Head of Damage – Legal Fees





Annual Percentage Change

13-14: -5.4% 12-13: -3.2% 11-12: -1.4% 10-11: 1.6% 09-10: 6.3% 08-09: -3.5% 07-08: 3.6% 06-07: 0.9%



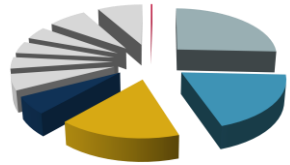
Annual Percentage Change

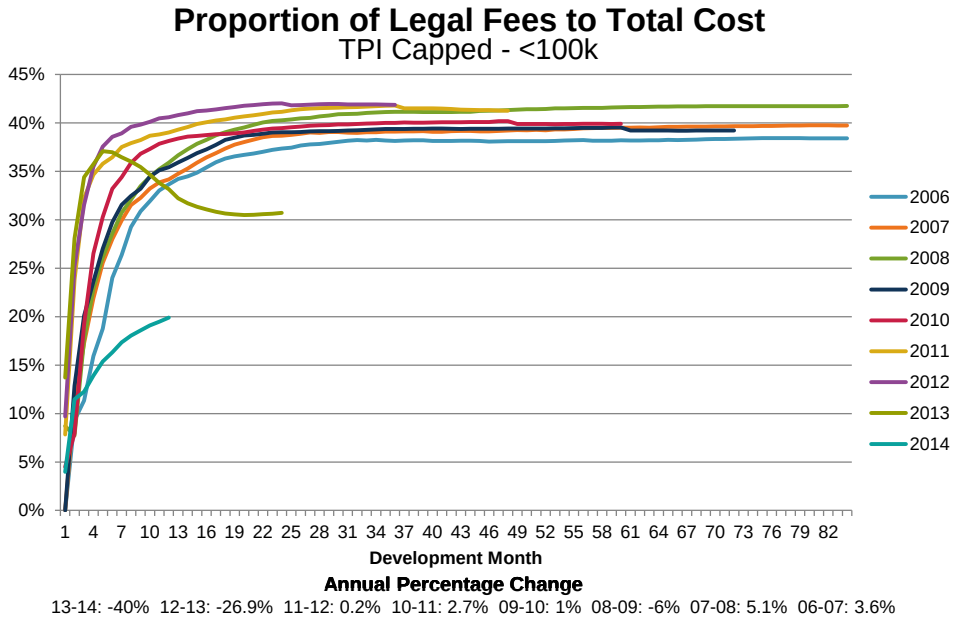
13-14: -42.5% 12-13: -31.8% 11-12: 4% 10-11: 1.1% 09-10: -4.8% 08-09: 10.8% 07-08: 13.6% 06-07:

Institute and Faculty of Actuaries

Transactional – Capped TPI

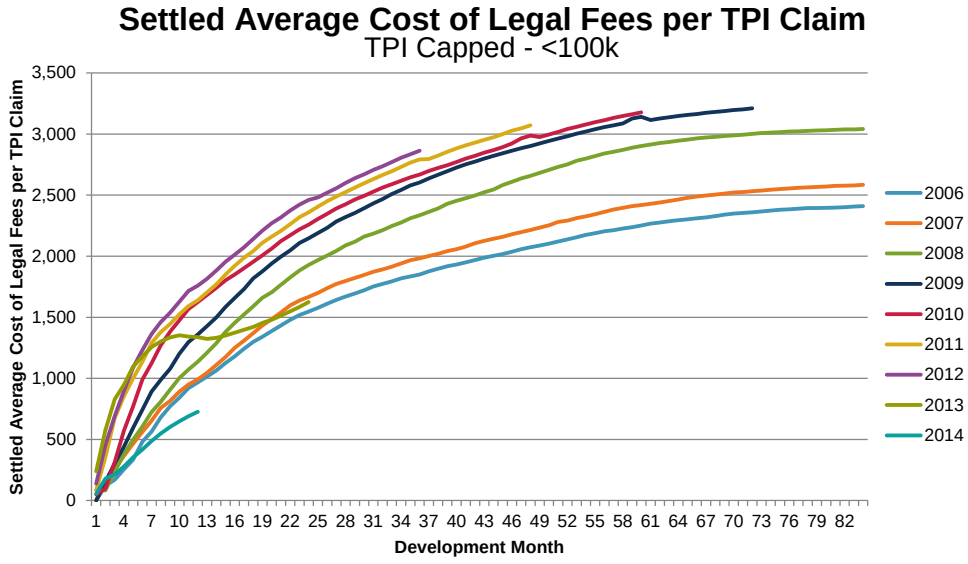
Head of Damage – Legal Fees





Annual Percentage Change

13-14: -40% 12-13: -26.9% 11-12: 0.2% 10-11: 2.7% 09-10: 1% 08-09: -6% 07-08: 5.1% 06-07: 3.6%



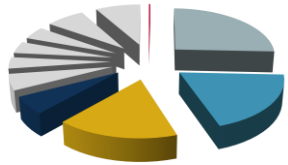
Annual Percentage Change

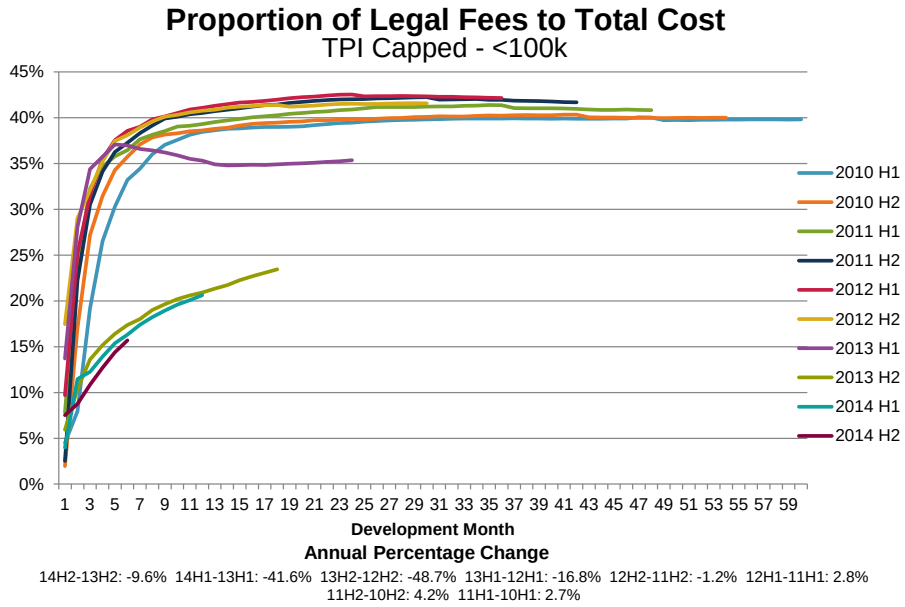
13-14: -45.7% 12-13: -34% 11-12: 2.6% 10-11: 2.8% 09-10: 1.2% 08-09: 6.9% 07-08: 17.7% 06-07: 7.2%

Institute and Faculty of Actuaries

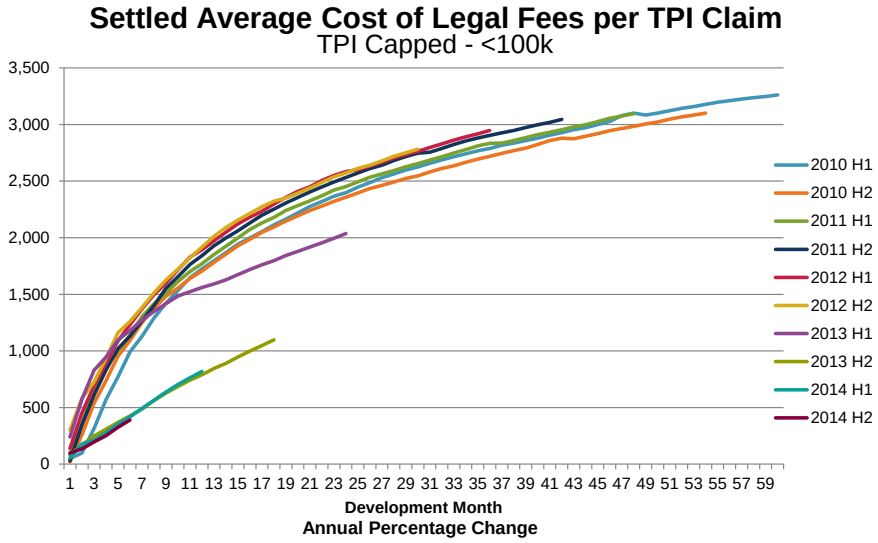
Transactional – Capped TPI

Head of Damage – Legal Fees





14H2-13H2: -9.6% 14H1-13H1: -41.6% 13H2-12H2: -48.7% 13H1-12H1: -16.8% 12H2-11H2: -1.2% 12H1-11H1: 2.8%
11H2-10H2: 4.2% 11H1-10H1: 2.7%

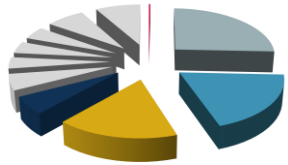


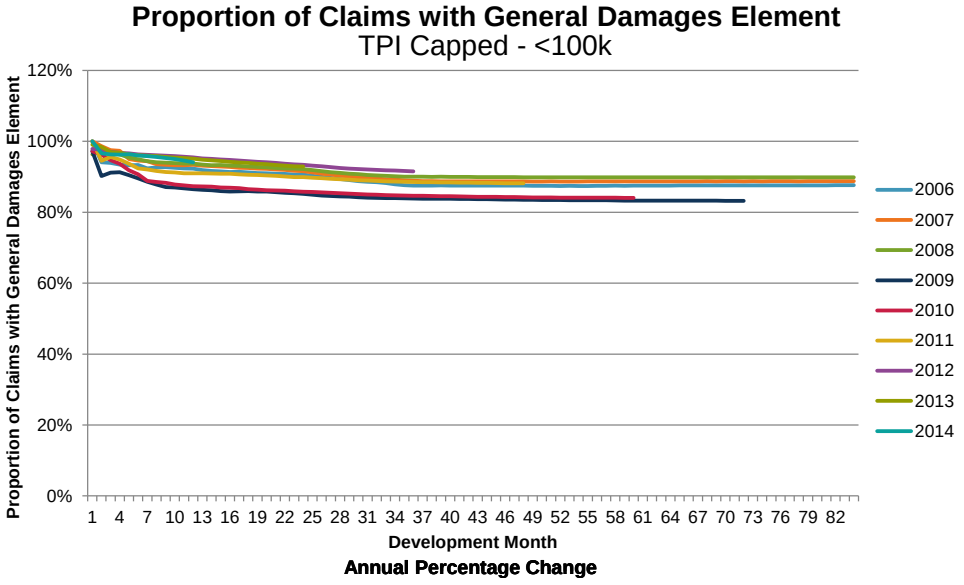
14H2-13H2: -8.4% 14H1-13H1: -47.5% 13H2-12H2: -58.8% 13H1-12H1: -21.8% 12H2-11H2: 1.6% 12H1-11H1: 4.1%
11H2-10H2: 6.8% 11H1-10H1: 0.9%

Institute and Faculty of Actuaries

Transactional – Capped TPI

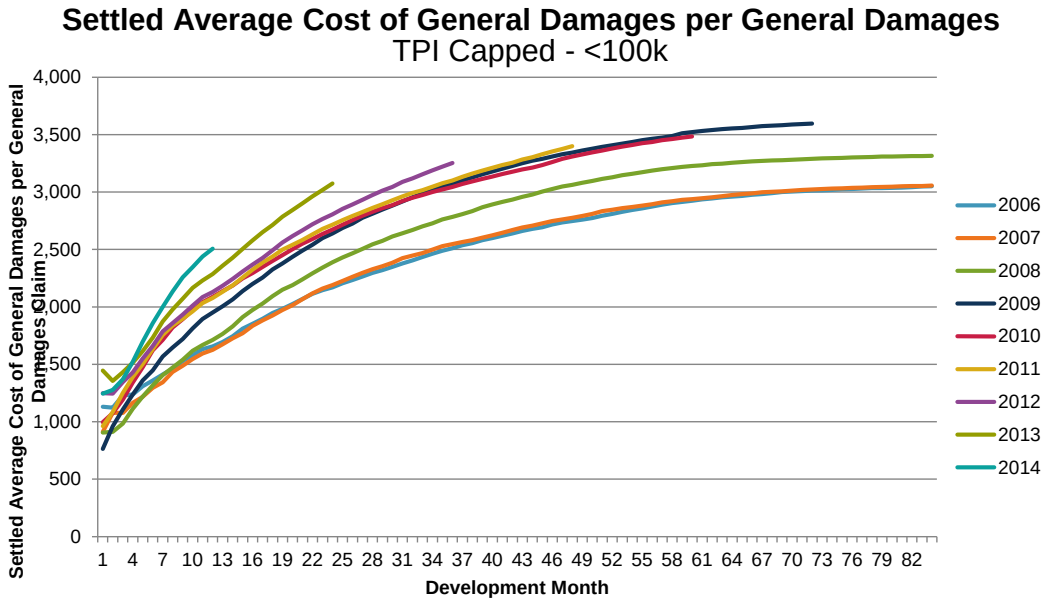
Head of Damage – General Damages





Annual Percentage Change

13-14: -1% 12-13: -0.6% 11-12: 3.4% 10-11: 4.7% 09-10: 0.9% 08-09: -7.4% 07-08: 1.2% 06-07: 1.3%



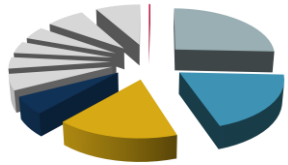
Annual Percentage Change

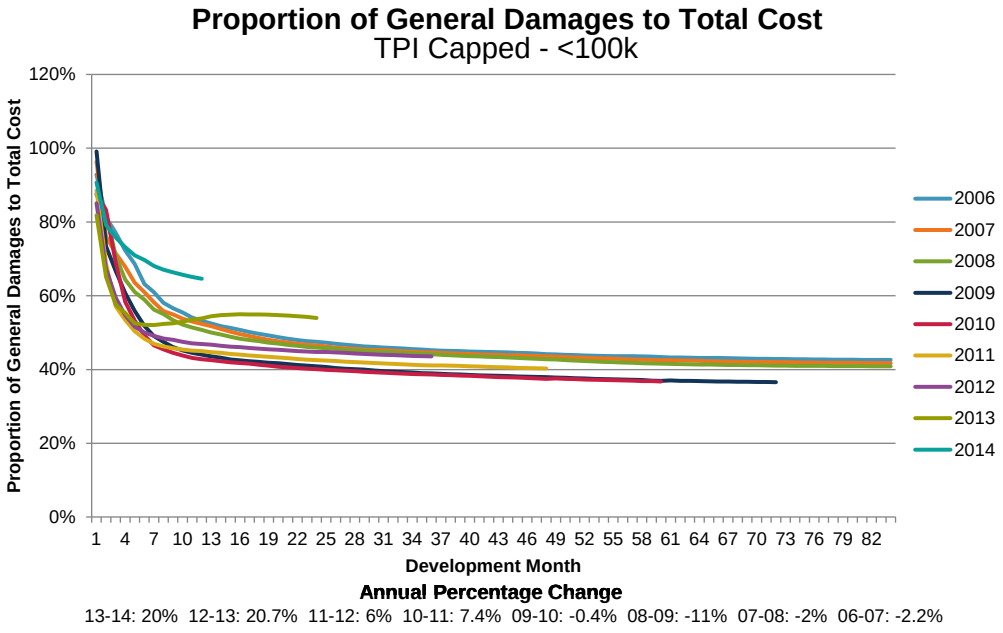
13-14: 9.7% 12-13: 9.6% 11-12: 4.9% 10-11: 2.7% 09-10: -1.1% 08-09: 9.3% 07-08: 8.4% 06-07: -0.1%

Institute and Faculty of Actuaries

Transactional – Capped TPI

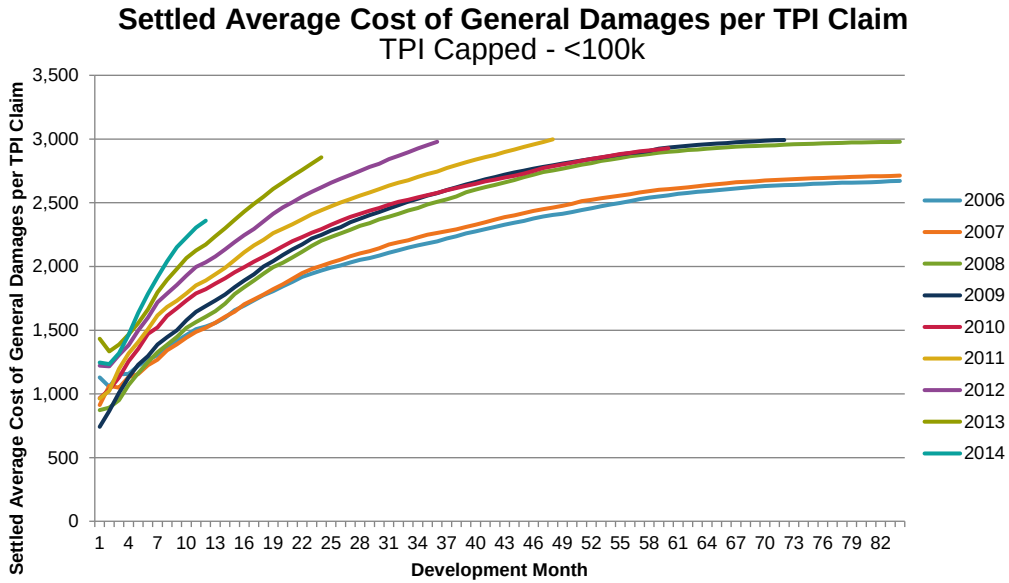
Head of Damage – General Damages





Annual Percentage Change

13-14: 20% 12-13: 20.7% 11-12: 6% 10-11: 7.4% 09-10: -0.4% 08-09: -11% 07-08: -2% 06-07: -2.2%



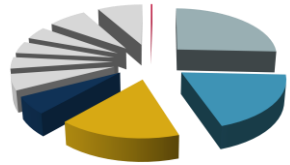
Annual Percentage Change

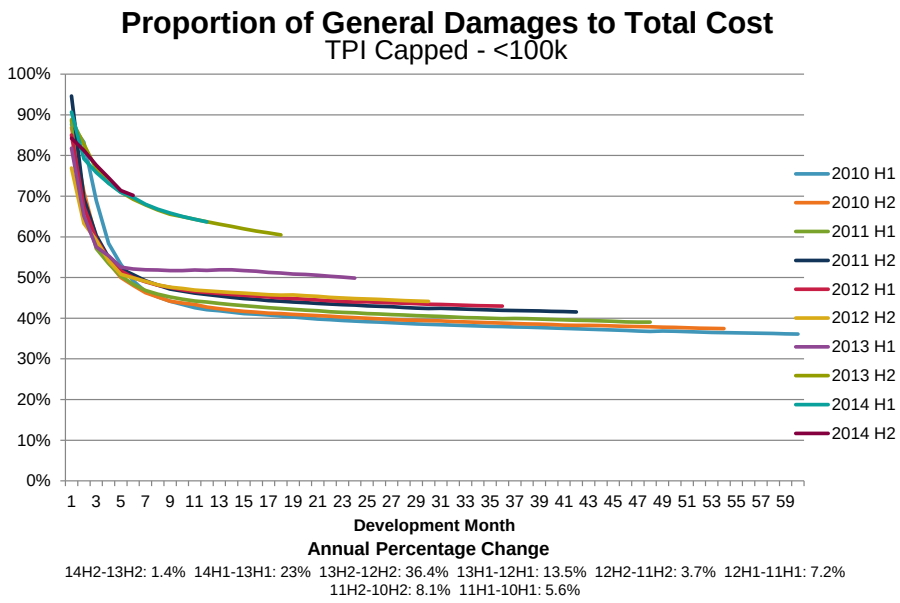
13-14: 8.6% 12-13: 9% 11-12: 8.5% 10-11: 7.5% 09-10: -0.2% 08-09: 1.2% 07-08: 9.7% 06-07: 1.2%

Institute and Faculty of Actuaries

Transactional – Capped TPI

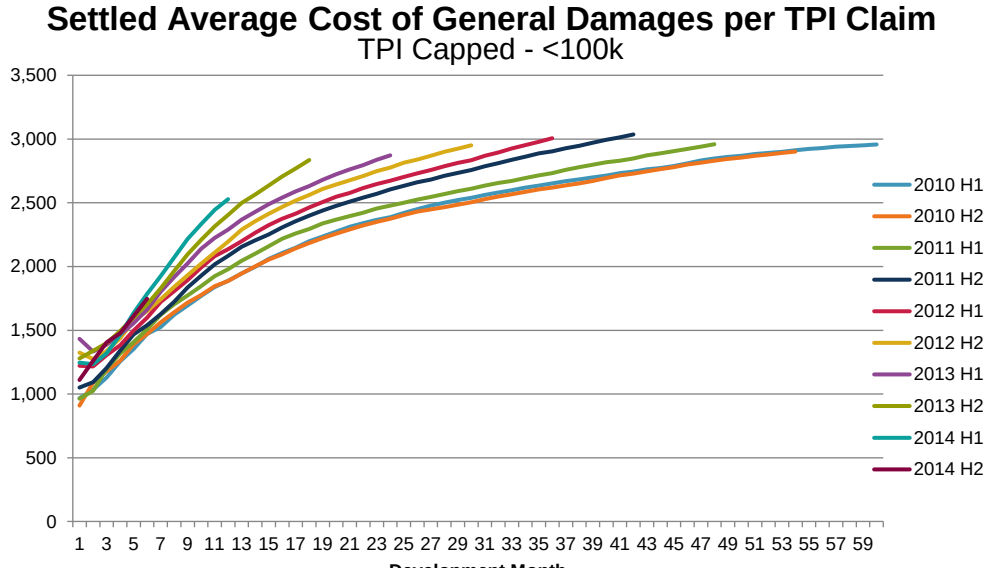
Head of Damage – General Damages





Annual Percentage Change

14H2-13H2: 1.4% 14H1-13H1: 23% 13H2-12H2: 36.4% 13H1-12H1: 13.5% 12H2-11H2: 3.7% 12H1-11H1: 7.2% 11H2-10H2: 8.1% 11H1-10H1: 5.6%



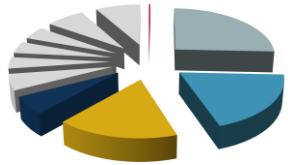
Annual Percentage Change

14H2-13H2: 2.6% 14H1-13H1: 10.5% 13H2-12H2: 9.5% 13H1-12H1: 6.8% 12H2-11H2: 6.6% 12H1-11H1: 8.6% 11H2-10H2: 10.8% 11H1-10H1: 3.8%

Institute and Faculty of Actuaries

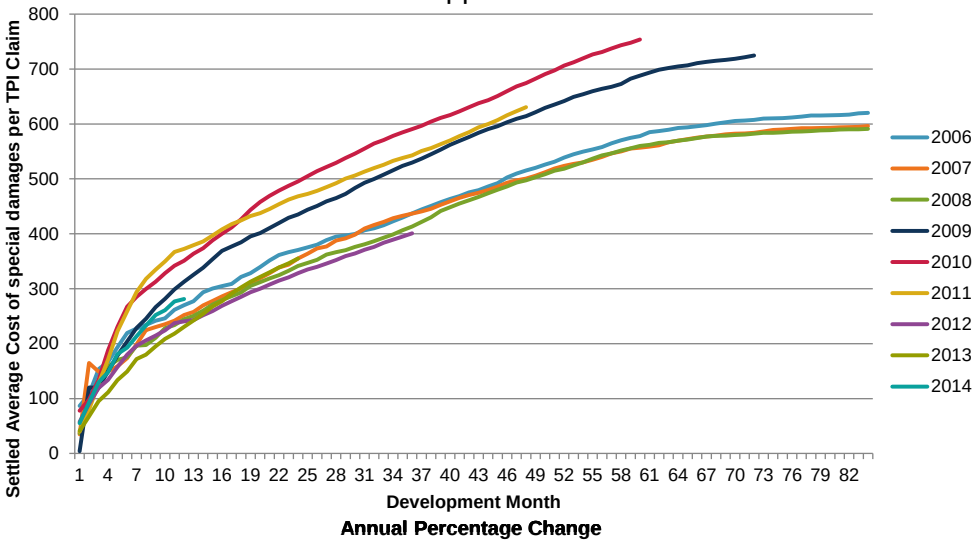
Transactional – Capped TPI

Head of Damage – Special Damages and Other



Settled Average Cost of special damages per TPI Claim

TPI Capped - <100k

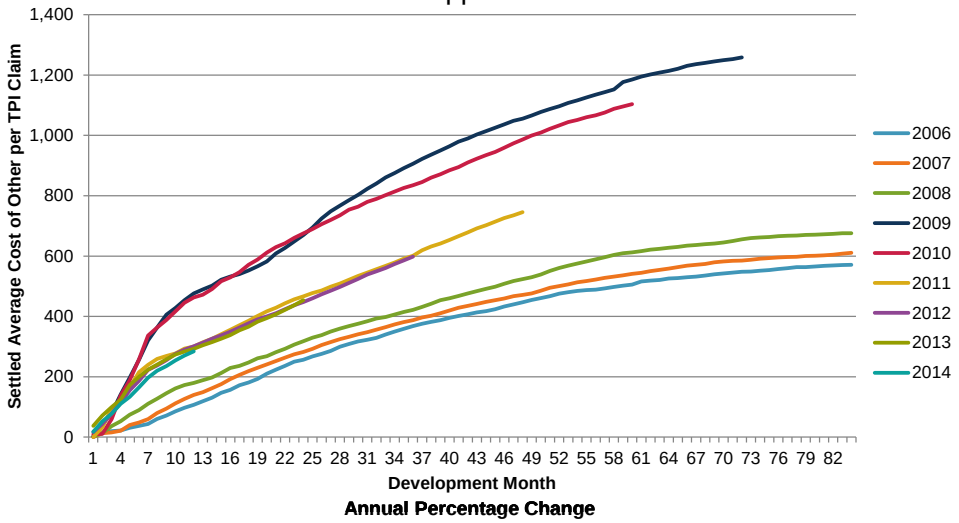


Annual Percentage Change

13-14: 21.8% 12-13: 8.2% 11-12: -26.2% 10-11: -6.6% 09-10: 9.6% 08-09: 24.4% 07-08: -0.9% 06-07: -4.3%

Settled Average Cost of Other per TPI Claim

TPI Capped - <100k



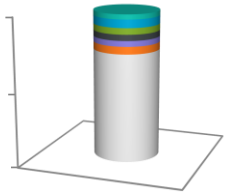
Annual Percentage Change

13-14: -3% 12-13: 1.5% 11-12: -0.4% 10-11: -24.4% 09-10: -6.9% 08-09: 92% 07-08: 10.6% 06-07: 6.6%

Institute and Faculty of Actuaries

Excess TPI

Projected Results (Type 1)



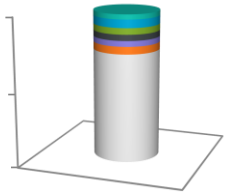
Private Car ComprehensiveTPI Capped Results in Layer (all layers given in 2010 money, indexed at 7% pa)

Accident Year	£100k - 250k	£250k - 500k	£500k - 1m	£1m - 2m	£2m to 5m	> £5m	>100k
Frequency exc Nils (in layer and above) (claims per million vehicle years)							
2007	90.5	32.9	15.7	6.9	2.8	0.5	90.5
2008	86.1	32.2	15.8	7.7	3.6	1.2	86.1
2009	81.9	32.7	16.0	8.8	4.9	2.0	81.9
2010	70.1	25.6	13.0	6.9	3.3	1.3	70.1
2011	70.7	27.0	13.4	6.8	3.1	0.7	70.7
2012	71.2	28.5	13.5	7.1	3.6	0.9	71.2
2013	67.8	26.9	12.5	6.9	3.6	1.0	67.8
2014	72.9	30.7	14.7	8.6	4.7	1.4	72.9
Average Cost (£)							
2007	71,572	139,463	258,815	431,083	894,701	2,497,238	241,558
2008	76,246	147,809	286,226	532,718	1,423,744	1,882,471	317,822
2009	83,258	157,396	322,916	610,564	1,403,758	1,126,100	387,313
2010	85,877	172,008	348,369	658,776	1,782,306	2,160,085	403,517
2011	96,133	183,906	365,443	718,501	1,736,398	2,156,498	402,155
2012	102,596	195,800	409,508	791,041	1,882,003	2,639,391	468,042
2013	111,357	210,104	418,390	807,624	1,767,394	3,215,754	493,257
2014	123,172	227,804	467,919	938,911	1,833,889	2,593,906	593,803
Burning Cost (£)							
2007	6.5	4.6	4.1	3.0	2.5	1.3	21.9
2008	6.6	4.8	4.5	4.1	5.2	2.2	27.4
2009	6.8	5.1	5.2	5.4	6.9	2.3	31.7
2010	6.0	4.4	4.5	4.6	5.9	2.9	28.3
2011	6.8	5.0	4.9	4.9	5.4	1.5	28.4
2012	7.3	5.6	5.5	5.6	6.8	2.5	33.3
2013	7.6	5.6	5.2	5.6	6.3	3.2	33.5
2014	9.0	7.0	6.9	8.0	8.7	3.7	43.3

Institute and Faculty of Actuaries

Excess TPI

Projected Results (Type 1)



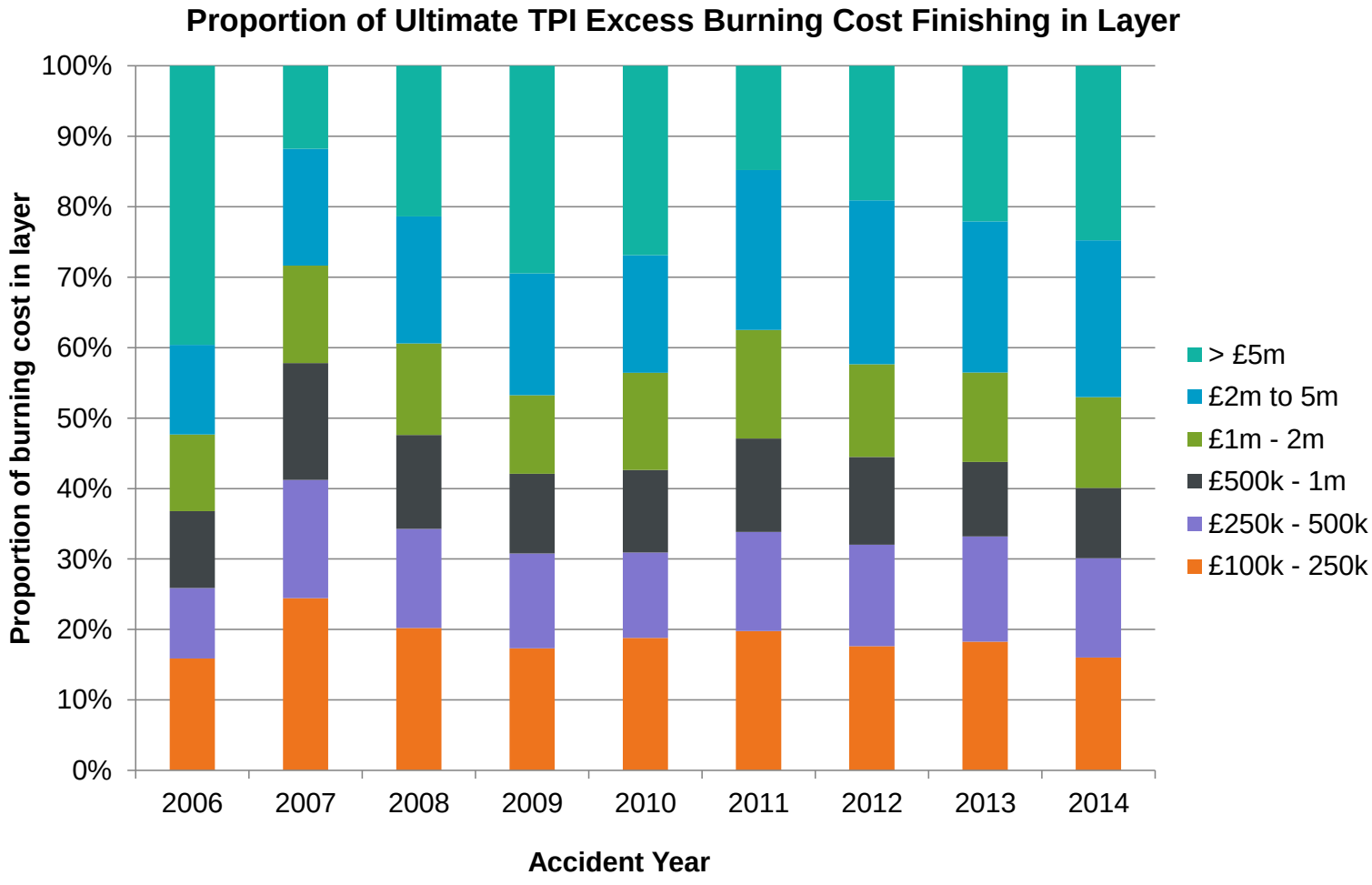
Private Car ComprehensiveTPI Capped Results in Layer (all layers given in 2010 money, indexed at 7% pa)

Accident Year	£100k - 250k	£250k - 500k	£500k - 1m	£1m - 2m	£2m to 5m	> £5m
Frequency exc Nils (in layer and above) (claims per million vehicle years)						
2007	-13.3%	-16.3%	-23.8%	-35.3%	-50.0%	-82.7%
2008	-4.9%	-2.2%	0.6%	12.6%	31.1%	127.9%
2009	-4.9%	1.6%	1.8%	14.0%	36.1%	67.6%
2010	-14.3%	-21.8%	-18.7%	-21.3%	-32.9%	-33.8%
2011	0.8%	5.7%	2.4%	-2.0%	-6.7%	-46.5%
2012	0.8%	5.2%	1.3%	4.5%	17.1%	33.5%
2013	-4.8%	-5.5%	-7.8%	-2.8%	-1.6%	4.3%
2014	7.4%	14.2%	17.6%	24.0%	33.3%	45.0%
Average Cost (£)						
2007	5.0%	6.8%	-2.6%	-17.3%	-45.9%	1.8%
2008	6.5%	6.0%	10.6%	23.6%	59.1%	-24.6%
2009	9.2%	6.5%	12.8%	14.6%	-1.4%	-40.2%
2010	3.1%	9.3%	7.9%	7.9%	27.0%	91.8%
2011	11.9%	6.9%	4.9%	9.1%	-2.6%	-0.2%
2012	6.7%	6.5%	12.1%	10.1%	8.4%	22.4%
2013	8.5%	7.3%	2.2%	2.1%	-6.1%	21.8%
2014	10.6%	8.4%	11.8%	16.3%	3.8%	-19.3%
Burning Cost (£)						
2007	-9.0%	-10.6%	-25.7%	-46.5%	-72.9%	-82.3%
2008	1.3%	3.7%	11.2%	39.1%	108.6%	71.8%
2009	3.8%	8.2%	14.8%	30.6%	34.2%	0.3%
2010	-11.6%	-14.5%	-12.3%	-15.1%	-14.8%	27.0%
2011	12.8%	13.0%	7.5%	6.9%	-9.1%	-46.6%
2012	7.6%	12.0%	13.5%	15.0%	26.9%	63.4%
2013	3.4%	1.4%	-5.8%	-0.8%	-7.6%	27.0%
2014	18.8%	23.8%	31.5%	44.2%	38.3%	16.9%

Institute and Faculty of Actuaries

Excess TPI

Projected Results (Type 2)



Institute and Faculty of Actuaries