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Motor and Home Insurance - what next after Ogden and Weather?

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Introductions



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Agenda

- Ice-breaker to ensure you don't fall asleep
- State of the personal lines market
- Motor
 - Pricing
 - Claims trends
- Home
 - Pricing
 - Claims trends
- Other topics



Who wants to be a millionaire?

Q1: In what year was the first Edinburgh Fringe?

A: 1926

B: 1947

C: 1956

D: 1965

Q2: What UK region pays the highest av. car insurance premium? (confused.com)

A: Scotland

B: North East England

C: South West England

D: London

Q3: What is the name of the male giant panda in Edinburgh Zoo?

A: Bai Yun

B: Yang Guang

C: Su Lin

D: Bao Bao

Q4: Approx. how many car insurance policies were cancelled in the last year?

A: 1 million

B: 1.3 million

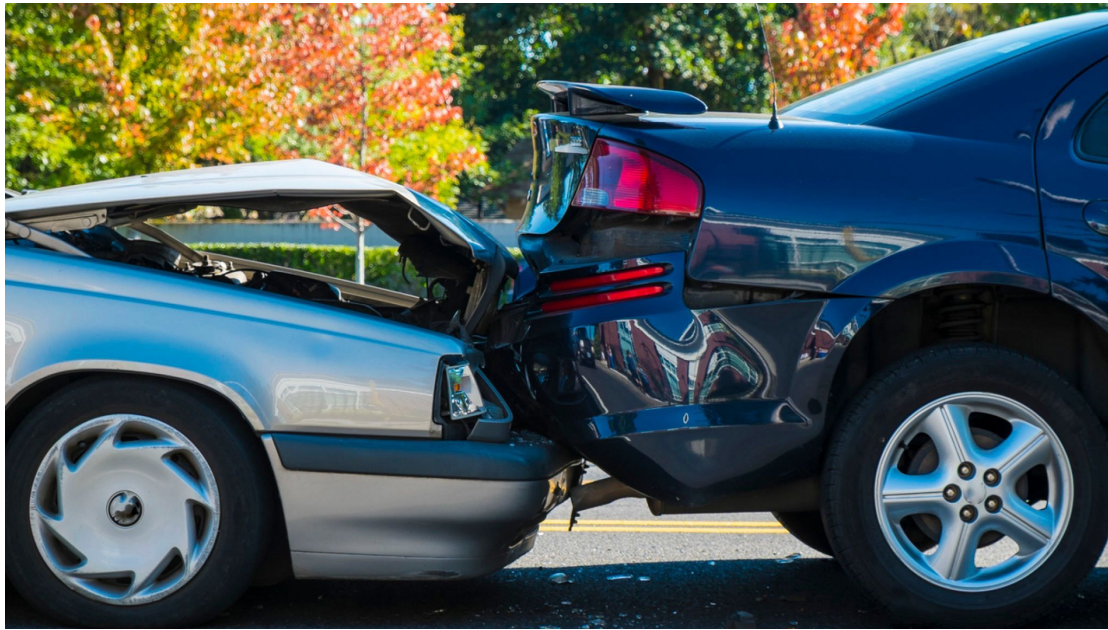
C: 1.7 million

D: 2.1 million



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State of the UK Personal lines market



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UK Motor Market



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Pricing

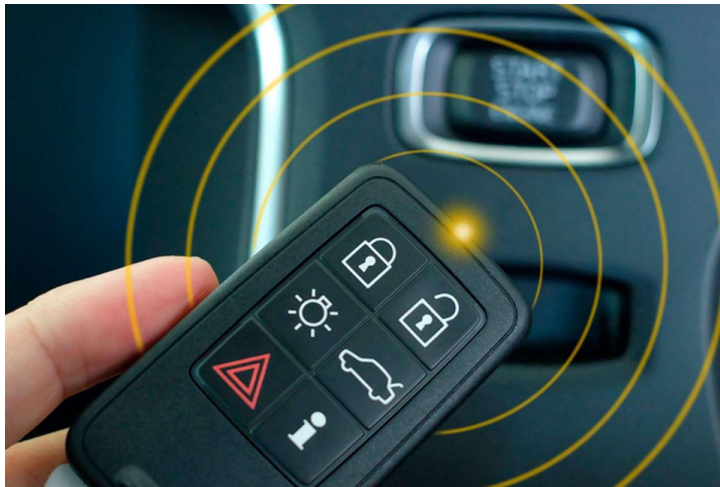


Impact of the Civil Liability Act on Pricing

- Increase of £15-£25 for the average motorist by the end of the year because of the new Ogden rate
- Younger drivers will pay £50-£100 more per year
- Whiplash reforms to deliver a reduction in premium from April 2020
- Pricing will also be impacted by high claims inflation



UK Motor Claims Inflation



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Bodily Injury



Personal Injury “Ogden” rate

- Rate set at -0.25%
- GAD recommended a rate of +0.25%

Government Actuary's advice to the Lord Chancellor	
Weighted return	4.00%
Tax and Expenses	0.75%
Return post Tax and Expenses	3.25%
Inflation	3.00%
Real Return	0.25%

- Rate to be reviewed at least every 5 years
- Future rate dependent on political and economic considerations
- Potential for multiple rates



Personal Injury “Ogden” rate

Scenarios to reach a discount rate of -0.25%

Option 1 - Reduction in equities

Asset class	GAD low risk portfolio	Portfolio required to reach a discount rate of -0.25%
Equities	32.5%	12.5%
Gilts	30.0%	35.0%
Corporate bonds	17.5%	22.5%
Cash	10.0%	15.0%
Property	0.0%	0.0%
Alternatives	10.0%	15.0%

Option 2 - Reduction in duration*

Asset class	GAD 40 year return	GAD 20 year return
Equities	3.2%	3.0%
Gilts	-0.6%	-1.9%
Corporate bonds	0.8%	0.0%
Cash	0.2%	-0.4%
Property	3.0%	2.9%
Alternatives	0.8%	0.0%

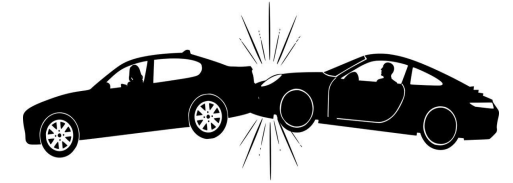
*Illustrative example of reducing the duration from 40 years to 20 years. GAD in fact used a duration of 43 years in their best estimate calculation.



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Whiplash reforms

- Whiplash reforms aim to make it more difficult to make a dishonest claim by revisiting the way damages are awarded and moving to a prescribed tariff-based approach
- The Act increases the small claims track limit to £5,000 for road traffic claims meaning claimants will not be able to recover legal costs for the majority of minor injuries
- The new approach will be supported by medical evidence and therefore the need to employ legal professionals to support claiming is likely to be made redundant. Removing the legal cost element and validating the claim through medical evidence should in turn reduce claims farming and fraud
- MoJ as requested potential audit evidence that the reforms will lead to a reduction in premium
- What next?



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Other Topics



Brexit

- Contract certainty
- Business and operational change
- Personnel
- Suppliers



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Climate Change



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New entrants and new products

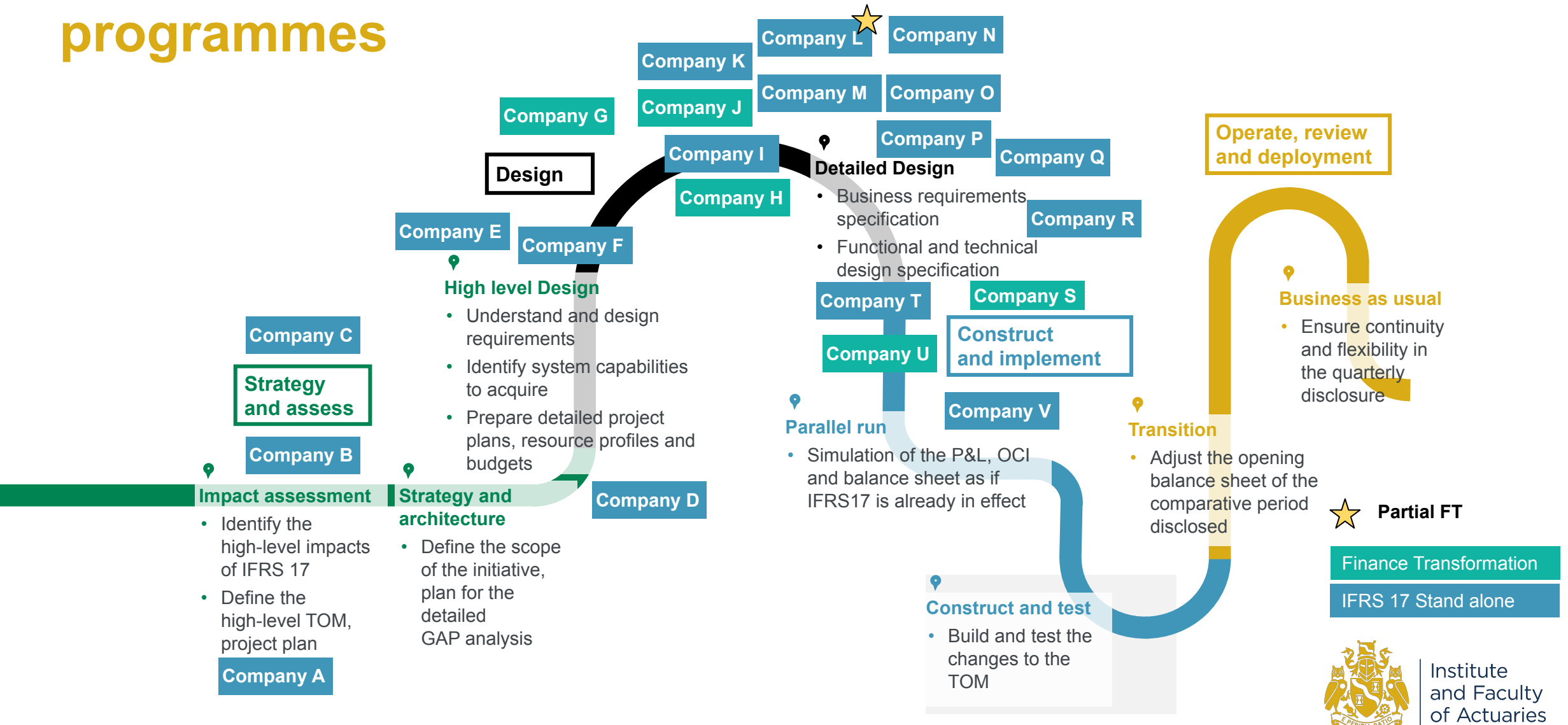
amazon.com

Google



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Status of global market progression - IFRS 17 programmes



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FCA Market Study

The Industry challenge



What next?



Questions

Comments

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