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UK motor bodily injury claims: A practitioner's perspective

Charl Cronje and Rose Pashley, LCP



Agenda

- Small BI claims/large BI claims
- Common drivers vs specific drivers
- Different methodologies
- Data sources/issues
- Uncertainties



Suggested ideas



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Small bodily injury claims

- LASPO / MOJ portal
- Recent drop in claim frequency
- Future issues: whiplash reforms

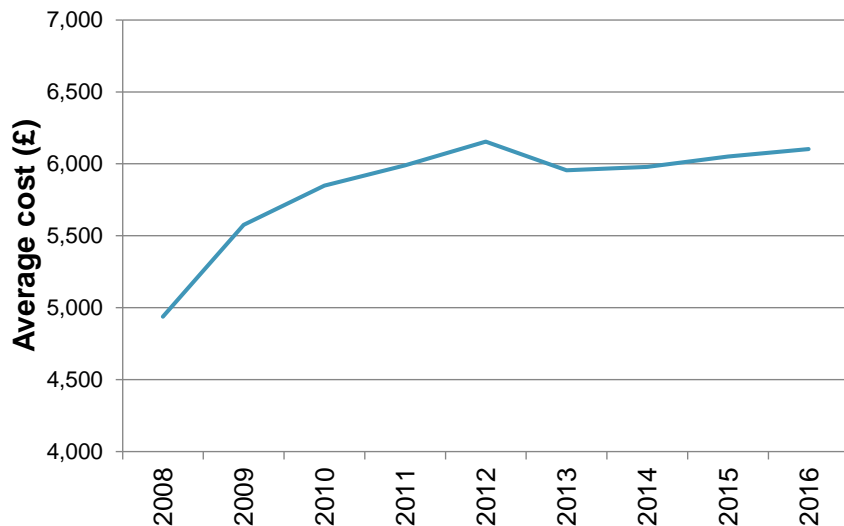


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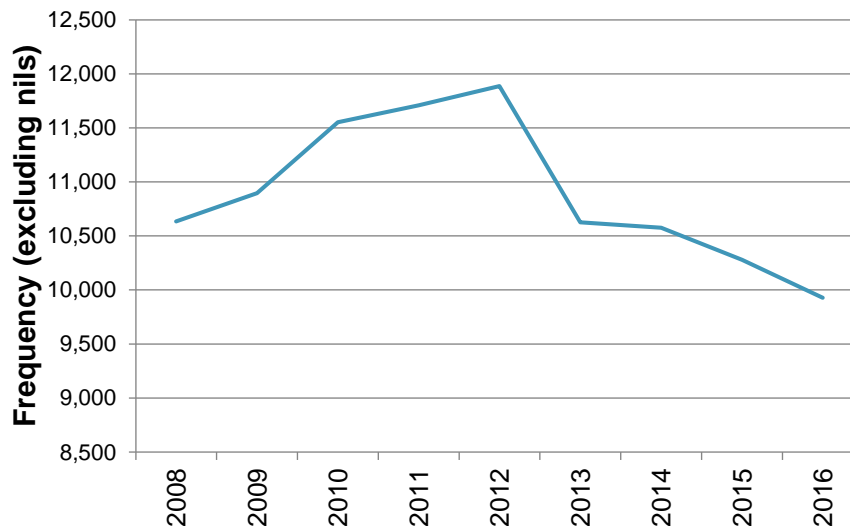
Small bodily injury claims

Recap – impacts of LASPO

Average cost for claims between £0 - £10k



Frequency for claims between £0 - £10k



Source: TPWP market statistics

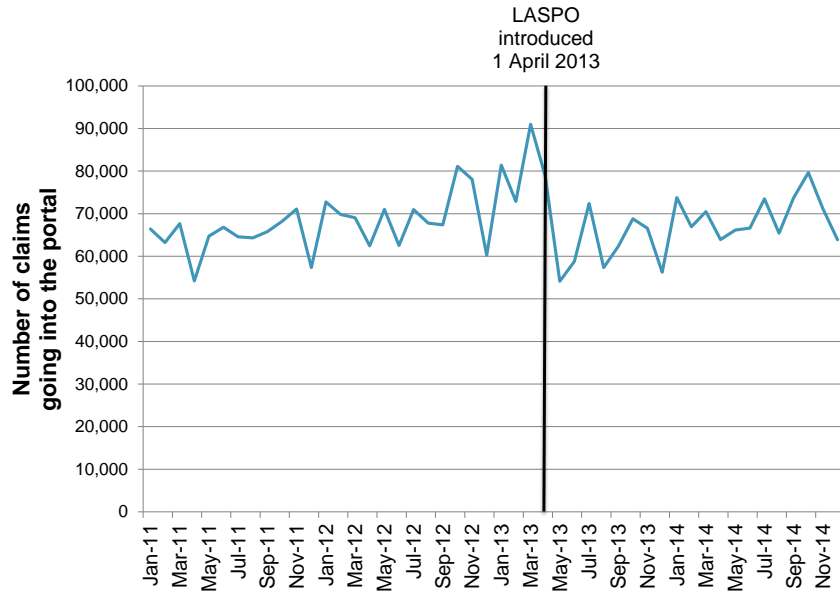


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Small bodily injury claims

Claimant lawyer behaviour

MOJ portal: road traffic accident claim numbers



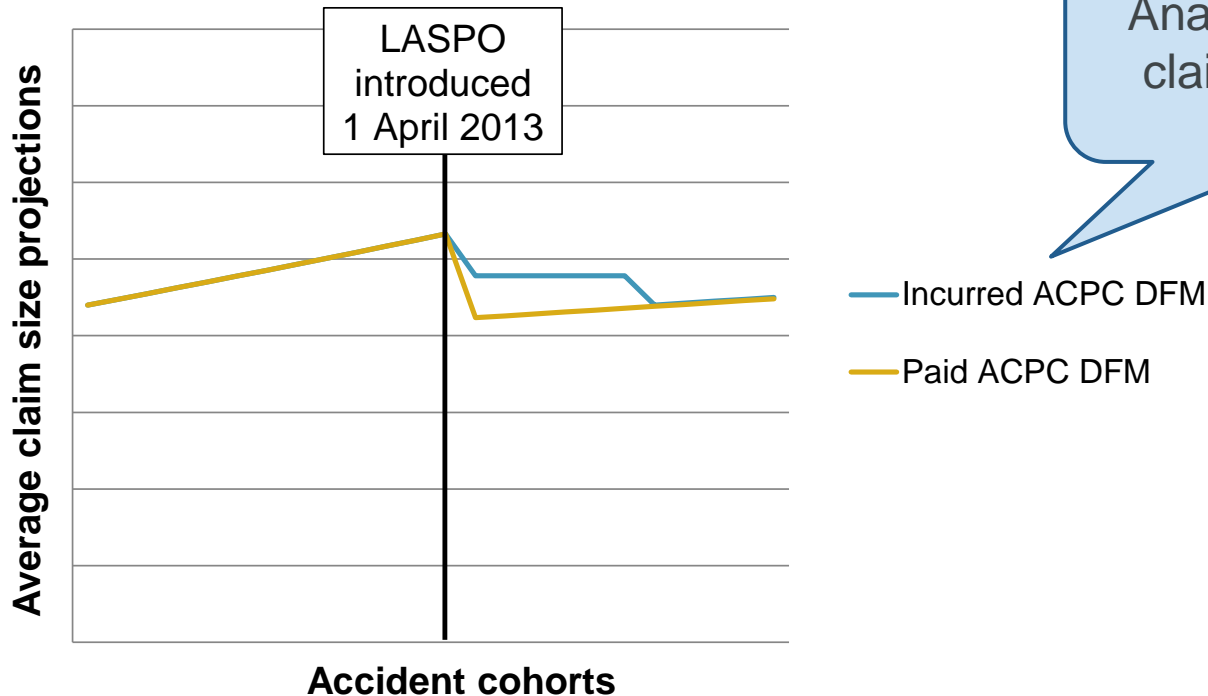
- Much consolidation in the market
- Remaining players larger and more efficient
- Optimising income through both portal and litigation



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Small bodily injury claims

Average claim size projections



Analyse very small claims separately

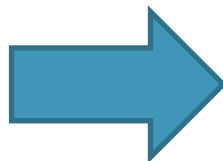


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Small bodily injury claims

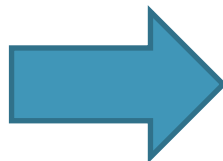
Theory – a polarised claims profile

Smaller claims
settling more quickly



Early development
faster than before

Larger claims taking
longer to settle



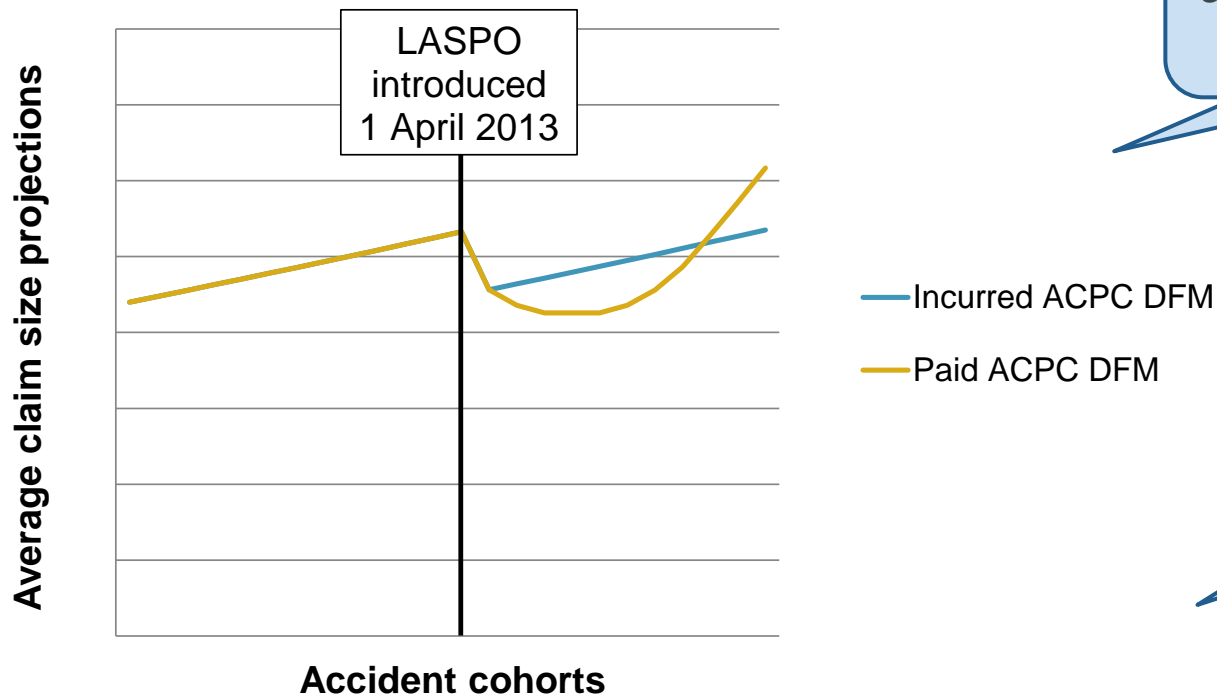
Longer settlement
tail



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Small bodily injury claims

Average claim size projections



Use recent averages for paid projections

Consider longer tail than history suggests

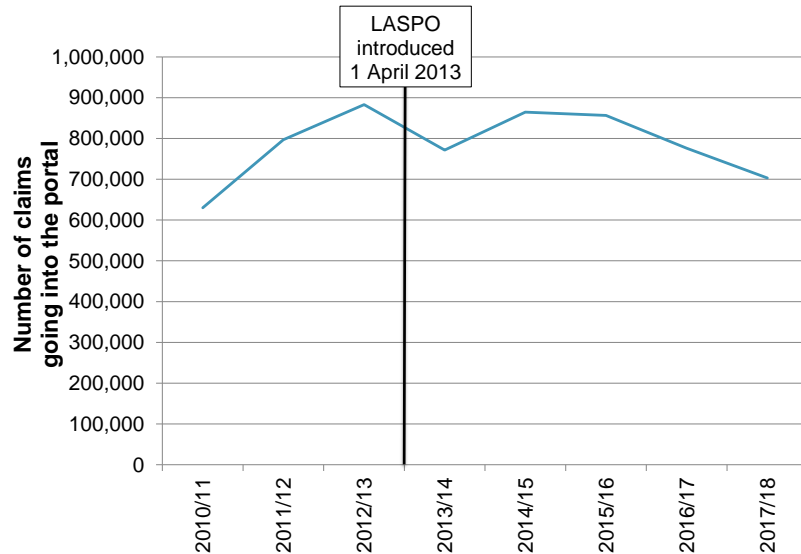


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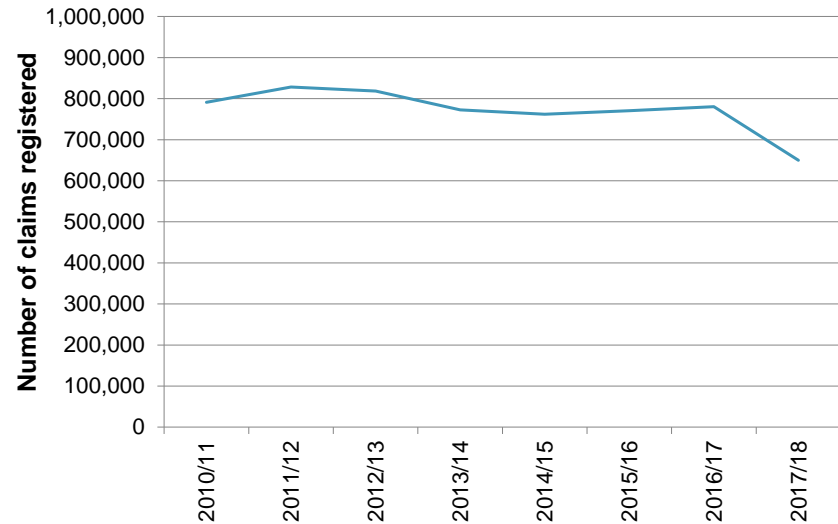
Small bodily injury claims

Fall in claim frequency

MOJ portal: road traffic accident claim numbers



Number of motor claims registered to CRU



CRU = Compensation Recovery Unit (government stats)



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Small bodily injury claims

Fall in claim frequency: Possible drivers



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Small bodily injury claims

Whiplash reforms: what we know



£1k → £5k

Small claims limit



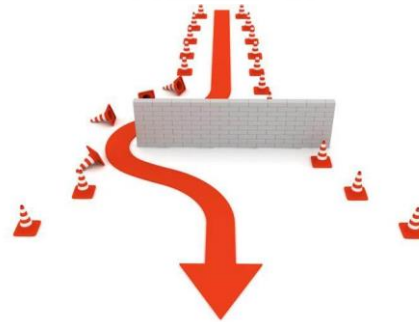
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Small bodily injury claims

Whiplash reforms: what we don't know



Strip out
whiplash claims
(if possible)



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Large bodily injury claims

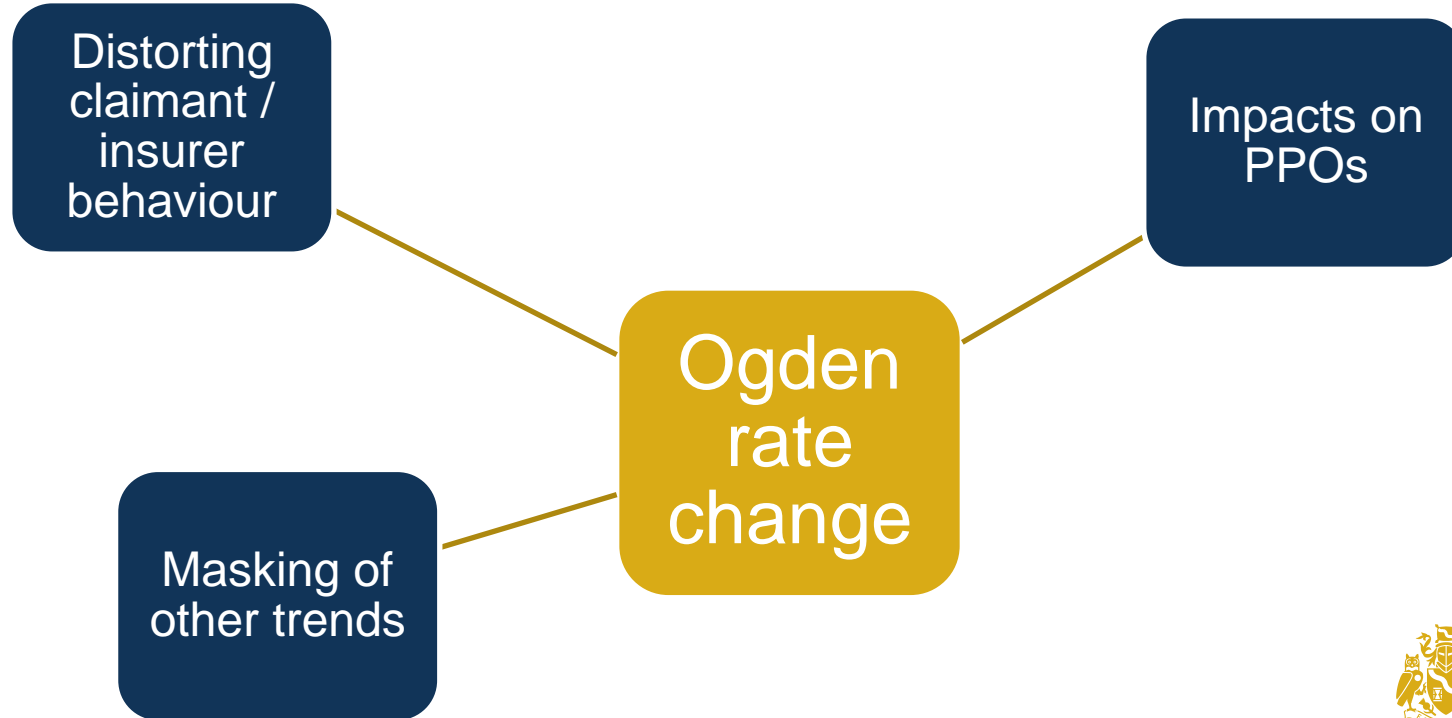
- Ogden!



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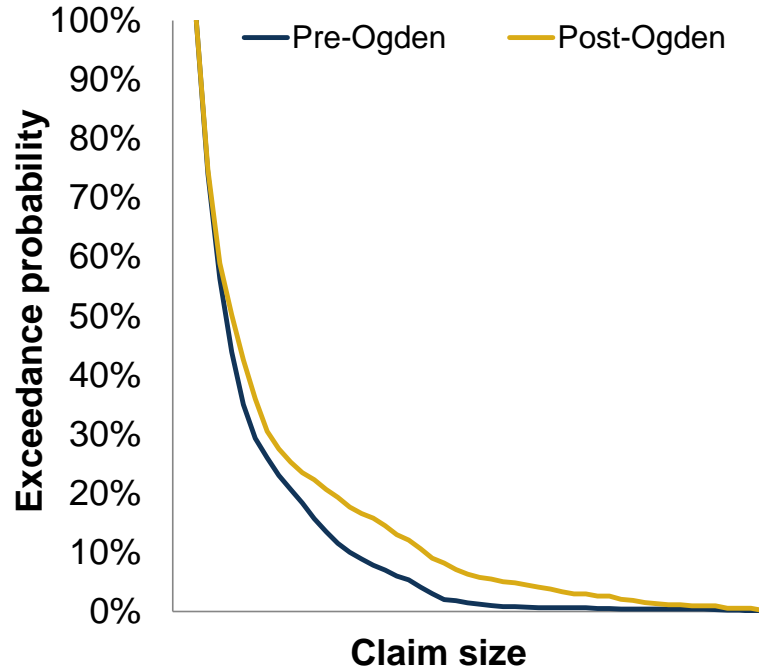
Large bodily injury claims

Ogden rate change



Large bodily injury claims

Ogden rate change: claim size distribution



Percentage uplift
from 2.5%pa to -0.75%pa



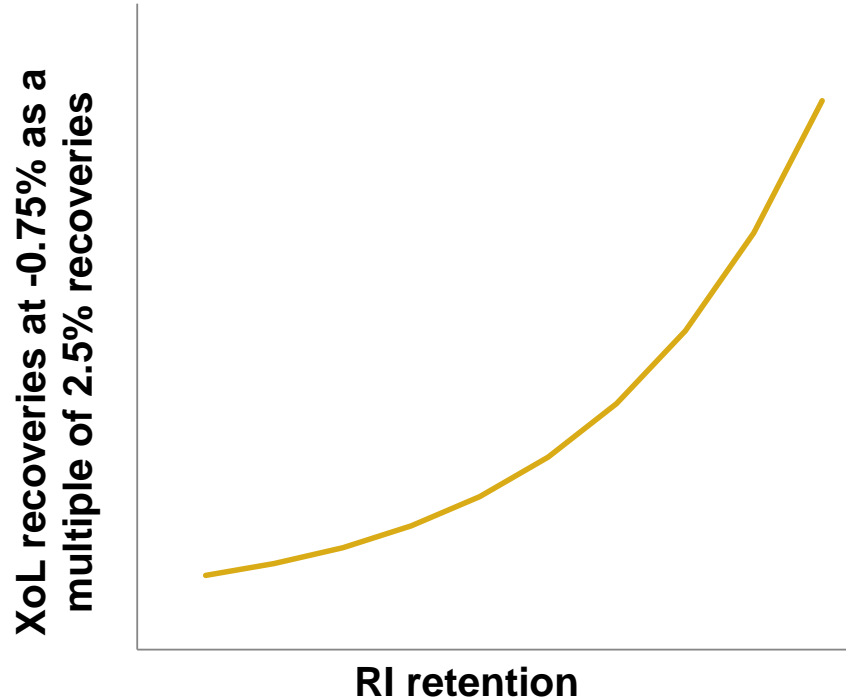
What do these
charts look like
for your
business?



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Large bodily injury claims

Ogden rate change: modelling reinsurance



Importance of
stochastic modelling
of RI



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Large bodily injury claims

Ogden rate change: suggested ideas

Need good
quality data!

Analyse settlement
rates

Net projection plus gross-up
vs
Gross projection minus net-down

Think about knock-on effect
of Ogden on PPOs



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3 Reserving Principles

1. Understand the business and the environment
2. Make the most of your data
3. Communicate the “why”, not just the “what”



Questions

Comments

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