



Institute
and Faculty
of Actuaries

EMBARGOED TO

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IFoA research suggests that third party motor property damage case estimates are too low and a late rise in claims farming for 2010 injuries

- **Data suggests that case estimates may be weakening for private car comprehensive TPD business which could lead to future reserving issues**
- **Number of reported TPI claims for accidents occurring in 2010 has risen rapidly since last year suggesting 'claims farming' has been occurring ahead of the introduction of LASPO**

The Institute and Faculty of Actuaries (IFoA) has released its 4th annual report looking at 'third party injury (TPI) and third party damage (TPD) UK motor insurance claims data'. The report collates and analyses data from across the motor insurance industry for 2012. This year the report included data analysis for commercial vehicles.

David Brown, one of the authors of the IFoA report said;

"The report suggested two areas worthy of further scrutiny by the motor insurance industry. Firstly, the data shows that there is a possibility that case estimates for third party damage (TPD) are weakening. Recent increases in the average settled cost of TPD claims are significantly higher than recent increases in the average incurred cost. There can be a number of reasons for such a difference and often it can go with more complex (and therefore more expensive) cases being settled fast. However there has been little change in settlement rates, which leaves the most likely explanation that claims handlers' case estimates aren't keeping pace with inflation. This could lead to reserving issues and we recommend that reserving actuaries review this area.

“Secondly, the number of reported TPI claims for 2010 continues to increase and is not following the pattern of previous years’ data. This is likely to be due to late ‘claims farming*’. We won’t know for some time if this is the beginning of a new pattern – or if it is simply a sudden one-off rush of activity in advance of the introduction of LASPO** measures in April of this year.”

The report also includes analysis of commercial fleet and commercial non-fleet third party TPI and TPD claims. For a full copy of the Institute and Faculty of Actuaries research into third party motor injury and damage visit www.actuaries.org.uk.

** claims management companies retrospectively filing claims on behalf of clients*

*** LASPO – legal aid and sentencing punishment offenders, a package of legislation implementing many of the recommendations of the Jackson Report that was published in 2010 came into force from April 2013*

The ratio of TPI/TPD is the proportion of (third party) insured accidents involving (third party) injury

~ENDS~

For further comment, an in-depth summary of the findings of the report inclusive of charts, a full copy of the report, a jpeg image of David Brown or to answer any questions that you may have please contact Karen Wagg at the IFoA on 077 255 58 551 or by emailing Karen.wagg@actuaries.org.uk

Editorial notes:

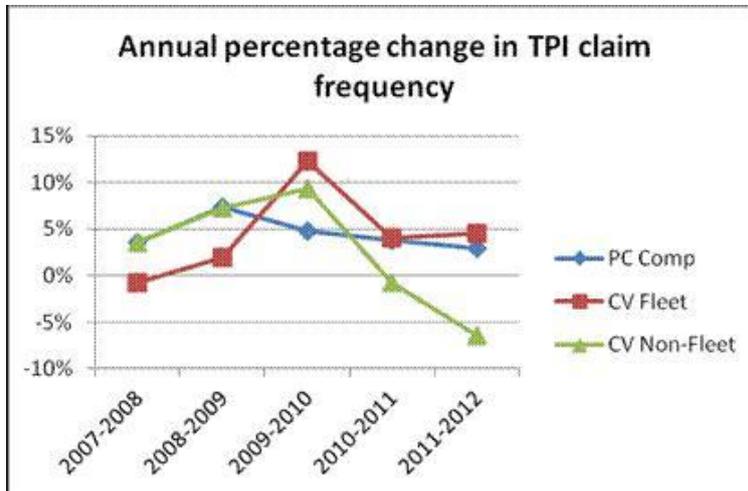
Please find below data supporting this media release.

Fig 1: Ratio of TPI/TPD Claim Numbers from 2007 to 2012: annual percentage change

Accident Period	Private car %	Commercial fleet %	Commercial non-fleet %
2011 – 2012	4.5	6.8	-3.3
2010 – 2011	18.8	7.9	16.5
2009 – 2010	10.9	7.2	8.2
2008 – 2009	9.3	12.0	10.6
2007 - 2008	8.3	10.4	7.9

Source: the Institute and Faculty of Actuaries, Update from the Third Party Working Party, June 2013

Fig 2: Annual percentage claims in TPI claim frequency



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1. Actuaries provide commercial, financial and prudential advice on the management of a business's assets and liabilities, especially where long term management and planning are critical to the success of any business venture. They also advise individuals, and advise on social and public interest issues
2. Members of the IFoA have a statutory role in the supervision of pension funds and life insurance companies. They also have a statutory role to provide actuarial opinions for managing agents at Lloyd's.
3. Members are governed by the Institute and Faculty of Actuaries. A rigorous examination system is supported by a programme of continuing professional development and a professional code of conduct supports high standards reflecting the significant role of actuaries in society.
4. The IFoA is available to provide independent expert comment to the media on a range of actuarial- related issues, including enterprise risk management, finance and investment, general insurance, health and care, life assurance, mortality, and pensions.

