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## UK Bodily Injury Claims Settlement Framework

Staple Inn Update and Discussion Event

Chaired by Philippa King  
9<sup>th</sup> April 2019



10 April 2019

### HIDDEN SLIDE: FOR INFO

#### Advertised on website:

1. the Civil Liabilities Bill and MOJ Call for Evidence: status and next steps
2. IFoA consultation responses: summarising and explaining the IFoA's thinking
3. PPOs: a summary of recent trends and next steps of the IFoA PPO working party
4. Open-forum Q&A: incl. other related topics that you feel should be debated further
5. external speaker involvement: we are exploring the potential to invite speakers that widen the set of actuarial and other viewpoints



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## Agenda

### 1. Updates

- Ogden Rate Review (Mohammad Khan, PwC)
- PPO Working Party

### 2. Roundtable “speed-dating”

- Feedback to the IFoA/GI Board on IFoA’s consultation responses
- Discuss issues with wider perspectives

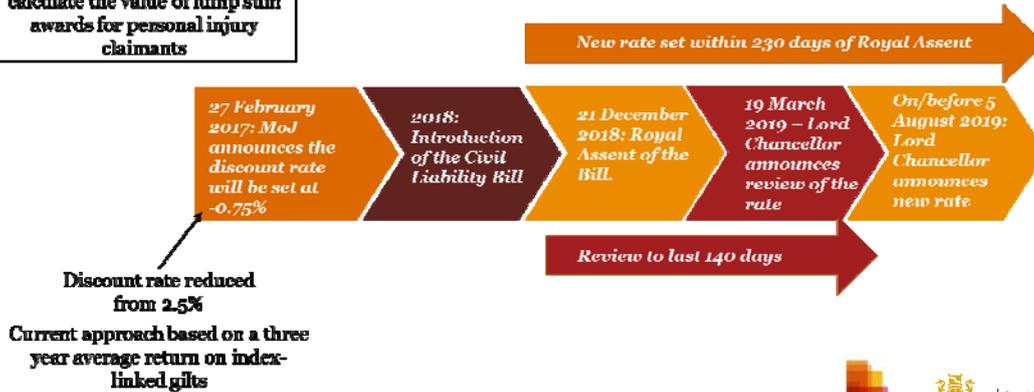
### 3. Closing Summary



***Ogden Discount Rate Review***  
***Mohammad Khan***  
***PwC***

## Civil Liability Bill - progress

The Ogden discount rate is used to calculate the value of lump sum awards for personal injury claimants



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## Setting the new discount rate - considerations



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## Different rates in different countries

Country	Current Real Rate/ Discount Rate Used	Likely to change/ Recently changed
Germany	4% (for German Social Security System settlements), but not mandatory.	Reduction likely, potentially to 3%
Israel	2%	Reduced from 3% (for settlements from 1 October 2017 onwards) as at September 2016
Ireland	1% for cost of care and 1.5% for other costs.	Reduced from 3%
France	0.495% under French GAAP	Reduced from 2.5% four years ago to reflect falling bond yield rates.
Hong Kong	(0.5%) for claimants with needs (e.g. care costs to be paid) for less than 5 years; 1% for claimants with needs between 5-10 years; and 2.5% for those with needs exceeding 10 years	Discount rate changed from 4.5% in 2013.
Scotland	-0.75%	Likely to move closer to 0% in 2019.
Jersey	0.5% for claimants with needs up to 20 years 1.8% for claimants with needs over 20 years	N/A
UK	-0.75%	Likely to move closer to 0% in 2019. Single/multiple rate approach to be determined.

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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 Bill intends to increase 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.



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## Looking Forward

Following on from the discount rate announcement, there are a number of different areas that firms need to consider both from a short-term and long-term perspective, in key areas, as displayed below.

Reserving

Reinsurance

Capital

Pricing



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## IFoA Position on Bodily Injury Claims Settlement

- (a) Different aspects of bodily injury claims settlement again under consultation by range of stakeholders in recent months
- (b) In response, IFoA have considered issues by considering the wider 'public interest'
- (c) It is in the public interest for the needs of injured parties to be at the centre of any compensation
- (d) The IFoA supports the use of PPOs where this is the **most appropriate** outcome for an individual claimant
- (e) PPOs give rise to challenges for insurers, and these challenges extend to wider societal impacts
- (f) A broad perspective on the public interest therefore needs to be considered, where it is acknowledged there are several public interest angles



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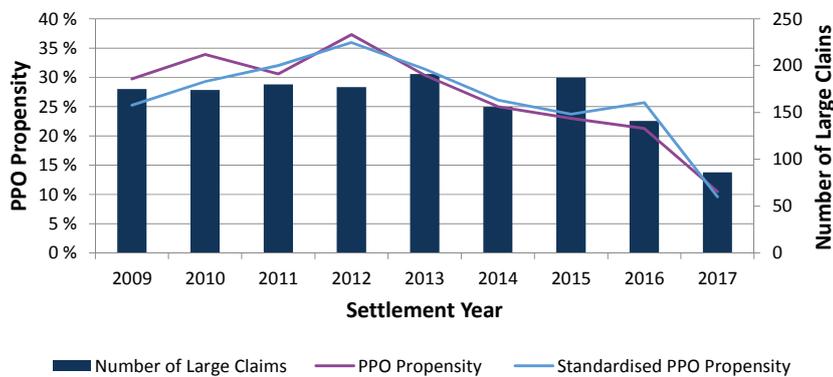
## PPO Working Party Update

Expertise  
Sponsorship  
Thought leadership  
Progress  
Community  
Sessional Meetings  
Education  
Working parties  
Volunteering  
Research  
Shaping the future  
Networking  
Professional support  
Enterprise and risk  
Learned society  
Opportunity  
International profile  
Journals  
Supporting

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## PPO Propensity

Standardised PPO Propensity of Large Claims - Motor  
Ogden Adjustment



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## Research

- Qualitative (how) and quantitative (how many) surveys published in 2018
- Current active workstreams
  - Survey updates
  - Investment
  - Mortality
  - Public policy
  - Reinsurance
  - Market solutions
  - Etc.



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## Call to ARMS

There are a number of vacant roles currently

- Lead of investment workstream
- ESG modelling expert
- Minute taker
- For info about vacancies email [Peter.Saunders@chubb.com](mailto:Peter.Saunders@chubb.com)
- For more info about the mortality research contact Fiona Darwin or Chukwudi Onyia, Research and Knowledge Team at the IFoA



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## Roundtable Speed-dating: Themes

### 1. IFoA - Opportunity to give views to GI Board and IFoA on:

- Claimants at the centre of the 'public interest', while acknowledging other public interest angles (e.g. prospective policyholders and the price of cover)
- The IFoA's position with respect to supporting PPOs where this is the most appropriate settlement basis: e.g. do you agree and what are the counter-arguments?
- PPO working party: future research focus areas – are these the right areas to focus on?
- Other aspects of the IFoA's position and its consultation responses – do you agree?

### 2. Wider Perspectives

- Discussion with non-actuarial stakeholders on issues around Bodily Injury claims
- How will the new changing landscape will impact actuarial analysis?



## Roundtable Speed-dating: Approach

Table(s)	IFoA/Board	Wider Perspectives
1 and 2	Steven Graham <i>IFoA Technical Policy Manager</i>	Andrew Jinks <i>Government Actuary's Department</i>
3 and 4	Camilla Bennett <i>GI Board</i>	Luke Armitage <i>Everest Re</i>
5 and 6	Philippa King <i>GI Board</i>	John McGlade <i>Association of Personal Injury Lawyers</i>
7	Fiona Darwin <i>IFoA – ARC Manager</i>	Mohammad Khan <i>PwC</i>



## Closing Remarks



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**Questions**

**Comments**

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