

Data from the Institute and Faculty of Actuaries shows whiplash type claims continue to increase despite Police statistics showing a decrease in road accident injuries

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1). Frequency of third party injury (TPI) claims increased by 6%. 2). Police data shows 20% decrease in number of accidents involving injuries since 2006 whilst Institute and Faculty of Actuaries data shows 40% increase in TPI claims. 3). TPI claim hotspots in Birmingham, Manchester, Liverpool correspond with locations of claims management companies (CMCs). 4). Despite decline in the number of authorised CMCs the income of these companies increased by 21% in 2011. 5). Despite estimated £400m increase in cost to insurers of claim payouts cost of average UK motor insurance premium has fallen by 7.1% in last 12 months.

The latest report from the Institute and Faculty of Actuaries looking at third party motor UK claims data; a report which collates and analyses data from across the motor insurance industry for 2011.

The updated report shows a marked discrepancy between Police data for road accident injuries since 2006 and the number of injury claims made to insurers.

The report also highlights the best and worst postcode districts for TPI claims frequency, with Birmingham contributing 11 of the 20 worst postcode districts for TPI claims.

The updated report also lists the average size of a small TPI claim for the first time - £8,400. This figure highlights that the majority of claims are for whiplash like injuries.

David Brown, chairman of the Institute and Faculty of Actuaries UK third party motor and PPO claims working parties which produces the reports comments; “All of the updated data that we have collated supports the conclusion that claims management companies have had a marked effect on the number of small injury, whiplash like, claims. This increase in claims has cost the insurance industry what we estimate to be £400m, but despite this the average cost of a UK motor insurance policy is decreasing. This is good news for the consumer, but it does raise the question of how sustainable this is for insurers.”

Further findings from the updated report include:

- The frequency of TPI claims has increased by 6%. This increase contrasts starkly with the decline of 11% in accidents giving rise to third party claims
- Whilst there was a 20% decrease in the number of injuries reported to the police in accidents between 2006 and 2011, data from the Institute and Faculty of Actuaries shows an increase of 40% in the number of TPI claims over the same period. This data discrepancy supports the view that TPI claims are driven by a change in claiming behaviour rather than a change in the underlying risk
- The average size of a small* TPI claim in 2011 was £8,400. This highlights an increase in the average size of small claims, for which we have reported an increasing trend since 2005. (*small claims exclude any claims amount in excess of £100,000, in 2010 money, thereby excluding particularly serious personal injury claims)
- There has been a 5% decline in the number of authorised CMCs although their income rose by 21% to £455m in 2011. (Source for income: Ministry of Justice annual claims regulation report).
- The Northwest region of the UK continues to be a hotspot for TPI claims and this corresponds with the high concentration of CMCs per capita found in this region. Scotland has the lowest ratio of third party injury claims to third party damage claims (TPI/TPD ratio) of anywhere in the UK and likewise the lowest concentration of CMCs per capita.
- Birmingham postcodes dominate the 20 worst postcode districts for TPI claims frequency per capita in the UK with 11 of its postcode districts listed.
- There was a 19% increase in TPI claim costs in 2011 which led to an estimated £400m increase in costs to insurers. However despite this increase insurers appear not to have passed on this cost to consumers – the average cost of UK motor insurance premiums has fallen by 7.1% over the last 12 months (source: Confused.com/Tower Watson Car Insurance Price Index July 2012).

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For further comment, jpeg images for David Brown or UK claim maps please contact the media team at the Institute and Faculty of Actuaries. The updated report can be found [here](#).

Editorial Notes:

20 worst postcode districts for TPI frequency and 20 best postcode districts for TPI frequency can be found within the report.

More about the Institute and Faculty of Actuaries

- 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
- Members of the Profession 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
- The Profession is 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 the Profession in society
- The Institute and Faculty of Actuaries is available to provide 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.