

# Data from the Institute and Faculty of Actuaries shows material worsening of bodily injury claims experience

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- Staggering 18% increase in proportion of accidents involving bodily injury
- £400m estimated extra cost to insurance industry
- Clear correlation between injury hotspots and claim management company locations
- Drivers likely to bear brunt of costs with rising motor insurance premiums
- UK hotspots worsen as US hotspots improve

The Institute and Faculty of Actuaries has released its 3rd annual report looking at 'third party motor and periodic payment orders (PPOs) UK claims data'; a report which collates and analyses data from across the motor and PPO insurance industry for 2011.

A key finding of the Institute and Faculty of Actuaries report is the increase in the proportion of third party accidents involving bodily injury where data shows a staggering 18% increase from 2010 to 2011.

A rise in the proportion of reported accidents involving bodily injury has been a key trend for several years; however this year has seen the greatest increase ever. The Institute and Faculty of Actuaries believes that this rise is down to unprecedented activity by claims management companies. The increase in claims increased costs to insurers to the tune of approximately £400 million in 2011.

David Brown, chairman of the Institute and Faculty of Actuaries UK third party motor and PPO claims working parties which produce the annual reports comments;

"The increase in costs to insurers because of the rise in bodily injury claims is likely to result in a rise in motor insurance premiums for drivers. The clear correlation between claims management companies office locations and the 'hotspots' for bodily injury claims suggests that the two are interlinked. We expect to see legislation coming soon which will affect the way in which claims management companies do business, which may account for the significant increase seen in 2011 – it is possible this is a last hurrah.

"In 2010 the worst areas of the UK overtook the worst areas of the US in terms of the proportion of accidents involving bodily injury. It is disappointing to see this trend not only continue, but worsen in all regions with the exception of Scotland."

The maps below illustrate the correlation between the locations of claims management companies and third party motor bodily injury claims. (These images are available as jpegs on request.)

[Map of third party injury/third party damages claim numbers ratio in the UK in 2011; red represents high ratio](#)  
[2011 density of claims management companies per head of population; red represents high densities](#)

~Ends~

Editorial notes:

A communication pack with a 12 page abridged version of the full 100 page report is available here.

Key findings of the report, in addition to the above were:

- **Accidents giving rise to third party claims are on the decline according to our 2011 data.** Our research suggests that the rise in petrol prices has contributed to a reduction in the number of hours people spend driving and therefore has reduced accidents. **Specifically third party damage claim frequencies have continued to decrease. This is the sharpest drop for the last 5 years, representing a decrease of 11%. However..,**
- **Third party bodily injury (TPI) claim frequencies increased by 5% in 2011.** Claim numbers have been rising year on year since our records began, (with the exception of 2010 which appears to have been the result of Ministry of Justice personal injury claims reform rather than a change in trend).
- **A staggering 18% increase in third party accidents involving bodily injury (third party bodily injury/third party damage ratio) from 2010 to 2011.** Since our records began year on year a greater proportion of accidents has involved a bodily injury claim, but this year has seen the greatest increase ever. We believe this rise goes with **unprecedented activity by claims management companies. This change alone increased costs to insurers in excess of £400m and as a result it is likely that motor insurance premiums will rise.**
- **Hotspots of third party accidents with bodily injury claims were found** - mostly in the North West and West Midlands, **in particular Liverpool, Manchester and Birmingham.** Previously these hotspots were contained to city centres but our 2011 data shows they are now spreading out to more rural areas within these regions.
- **One trend that did continue from 2010 is that the worst areas of the UK overtook the worst areas of the US in terms of the proportion of accidents involving bodily injury.**
- **There was a 9% increase in the average cost of small third party bodily injury claims reported to insurers.**
- **Third party damage claim amounts increased by 12.5%,** a dramatic rise from 2010. The data also points to a slowing down in third party property damage settlement rates.
- **For the 3rd year in a row PPO awards that were settled in the UK motor insurance market totalled around the 70 mark,** suggesting that a 'mercury level' has been reached.
- **There is evidence of stabilisation in the average PPO awards.** The average age of PPO claimants increased only slightly from 34.4 years in 2010 to 35.2 years in 2011. Consistent with this increase, there was a slight decrease in future life expectancy in the 2011 data from the previous year reducing from 41.5 years to 40.4 years.

- **The average size of an annual PPO payment in 2011 was £78,700**– almost identical to the 2010 data.

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