

Actuarial Profession welcomes move to ban referral fees for third party injuries

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The Actuarial Profession has welcomed news that the Ministry of Justice is to ban referral fees in personal injury cases. The Actuarial Profession has been undertaking research in this area for several years and this has demonstrated a clear correlation between the growth of claims management companies and the increase in personal injury claims resulting from motor accident insurance claims.

The research has consistently identified high levels of personal injury claims as a key inflationary driver for the motor insurance industry. And, as costs to the industry rise, so do premiums. Figures from the Confused.com/Towers Watson Car Insurance Price Index shows consumers paying 25% more for comprehensive car insurance than they did a year ago.

David Brown, of the Actuarial Profession said:

"In November last year, we gave evidence to the Transport Select Committee's enquiry into the costs of motor insurance and made the link between claims management companies and the rising costs of motor insurance clear to MPs. We are pleased that the Ministry of Justice is taking action in this area.

"It remains to be seen to what degree this decision will reverse the trends in bodily injury claims costs. With FSA returns showing that £1.24 was paid out in claims and expenses for every £1 of premium collected in 2010, there is some way to go before insurance companies stop losing money in this area, and so it seems unlikely that premium increases are yet a thing of the past. However, at a time when motorists are increasingly feeling the pinch, today's decision will certainly help reduce the upwards pressure on rates, and is to be welcomed."

ENDS

Enquiries: Tel. Michael Scanlan on 07798 804 871 or email michael.scanlan@actuaries.org.uk
Notes for editors

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 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.
3. 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.
4. The Profession 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.

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