

# **IFoA GIRO Conference 2024**

18-20 November, ICC, Birmingham



# **Update from the Third Party Working Party**

Jacqui Draper Robert Treen

**IFoA GIRO Conference 2024** 

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This handout supports the research effort of the Institute and Faculty of Actuaries Third Party Working Party and is not written advice directed at the particular facts and circumstances of any given situation and/or data.

The materials contained in this presentation pack and any oral representation of it by the working party are explicitly outside the scope of the TAS.

### **Third Party Working Party**

- Fifteenth iteration of the Institute and Faculty of Actuaries Third Party Working Party (TPWP), which investigates motor claims (injury and property damage).
- Scope focused on private car comprehensive (PCC).
- Data representing earned premium for accident year 2023 of £9.5 billion for private car comprehensive.
- This pack contains this year's research to be presented at the GIRO conference in November 2024.

# Acknowledgements

#### **Working Party:**

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#### **Market statistics**

#### Notes on data

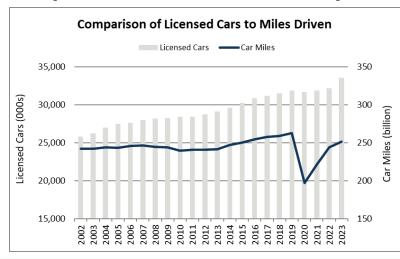
20 November 2024

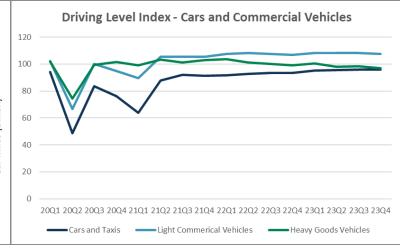
- The collection of contributing insurers has changed materially over the years. Relative to last year's study this year's includes additional data from some contributors (generally relating to more accounts) and, in some cases, less data from other contributors.
- In addition, in each year it is common for a number of insurers to make relatively subtle changes to their definitions of claim statistics. In the aggregate, these lead to distortions when comparing the market studies between different years.
- Not all contributors are able to supply data to support every claim statistic in each study. There are generally (but not always) improvements in the availability of data from year to year, and as such, the results of the most recent study will be based upon data from an increased proportion of the contributor companies (and not just new contributors). Again, this introduces a material distortion into any analysis which attempts to compare the results across different studies.
- It is reasonably common for insurers to restate the claims statistics of prior accident years (and prior periods of development), particularly in the case where portfolios (including movements on prior year liabilities) have been acquired or disposed of by the contributor(s) in question. Other reasons for such changes can be changes in the availability of granular data pertaining to (potentially large) segments of portfolios (such as in the case where data is provided by bordereaux rather than being integrated in insurer administration systems) or in some cases changes in the mapping of data to classes.
- For this reason, we would recommend that if the user of the research wishes to understand how trends have evolved over time, then they should focus on looking at trends by accident year within the latest study, rather than attempting to compare the results across studies. This is particularly true this year where there has been more movement in the data between studies than in previous years.
- Likewise we do not consider statistically valid any back engineering of individual contributors' contributions.

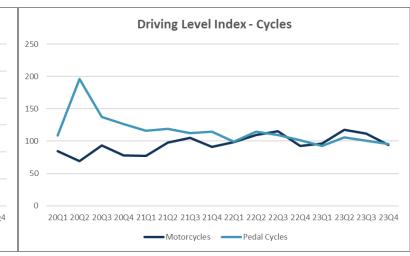


- 1. Market Environment
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### Impact of Covid-19 pandemic on driving levels







- The number of licenced cars increased by 24% between 2002 and 2019 whilst the total number of car miles increased by 8%
- The average miles driven per car reduced by 12% between 2002 and 2019, perhaps related to more households having more than one vehicle.
- There was a material reduction in miles driven during the Covid-19 pandemic. In 2023 average car miles remained 4% below 2019 levels. It is up 3% from 2022 levels.

#### Indices presented are relative to the equivalent month in 2019

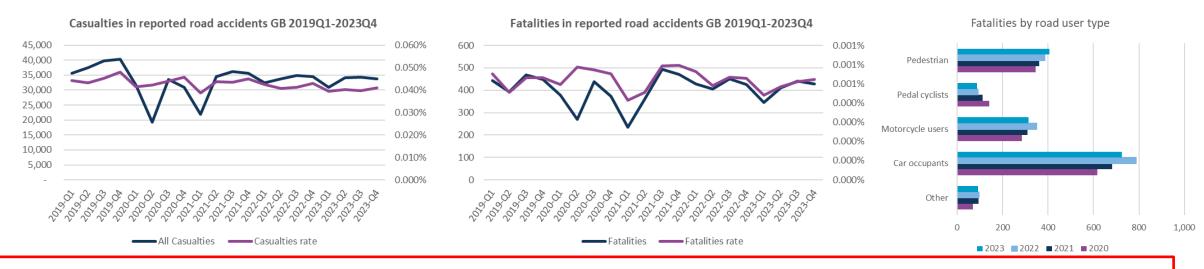
Government daily driving statistics suggest 2023 driving levels for cars and commercial vehicles are at similar levels to 2022

- There was a significant increase to pedal cycle miles in 2020, with 2021-2022 continuing to show higher pedal cycle miles than 2019, particularly outside of the winter months.
- Return to 2019 levels pedal cycle miles observed during 2023.



<sup>2.</sup> Table TRA2501a; <a href="https://www.gov.uk/government/statistical-data-sets/tra25-quarterly-estimates">https://www.gov.uk/government/statistical-data-sets/tra25-quarterly-estimates</a>;

### Casualty, Fatality and Mileage Statistics (per Vehicle Mile)



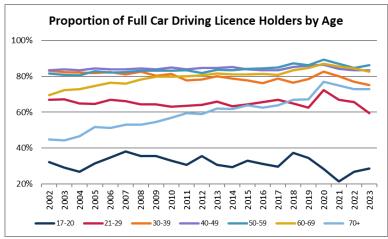
- There were 1,624 reported road deaths in 2023, a reduction of 87 deaths (or 5%) from 2022, a 128 reduction (or 7%) compared to 2019. There were also 132,977 casualties in reported road traffic accidents, a 2% decrease from 2022 or a decrease of 13% compared to 2019.
- The vehicle miles driven was 2% higher in 2023 than in 2022, therefore 2022 still saw the rate of casualties and fatalities per mile decrease.

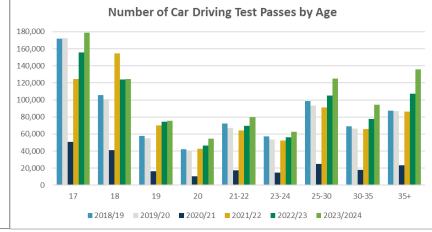
Source: Reported road casualties by road user type and severity, Great Britain 2019 – 2023

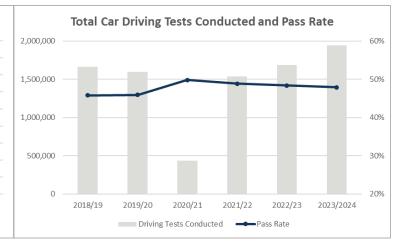
TRA2502b - Road traffic (vehicle miles) by road class in Great Britain, guarterly

All road user types saw a decrease in the number of fatalities in 2023 with the exception of pedestrian. Cyclist however continue to see a decrease since 2020 and a 4% reduction in fatalities compared to 2022.

### Changing driving habits







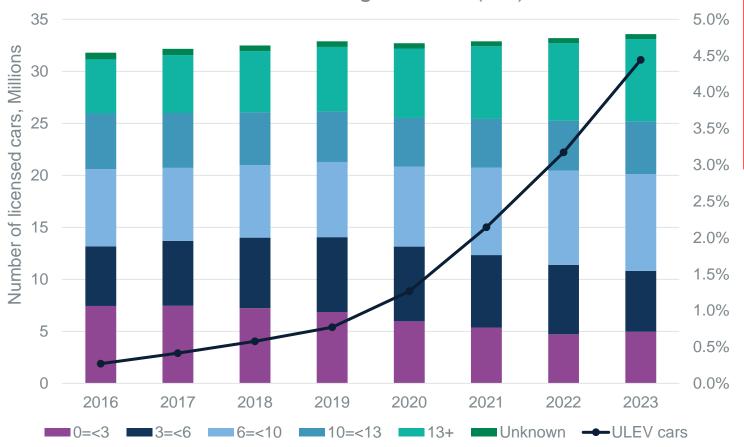
- The proportion of those aged 70+ with a full car licence had been steadily increasing.
- The proportion of 17-20 year olds with a full car licence shows a significant reduction following several suspensions to driving tests during the pandemic, with 2023 still below the pre-pandemic proportion. Uptick noted from 2021 onwards.
- Driving test data shows that the number of 17-19 year olds passing their test has exceeded the pre-pandemic levels.
- Total tests conducted have returned to pre-pandemic levels, with the pass rate remaining higher than pre-pandemic

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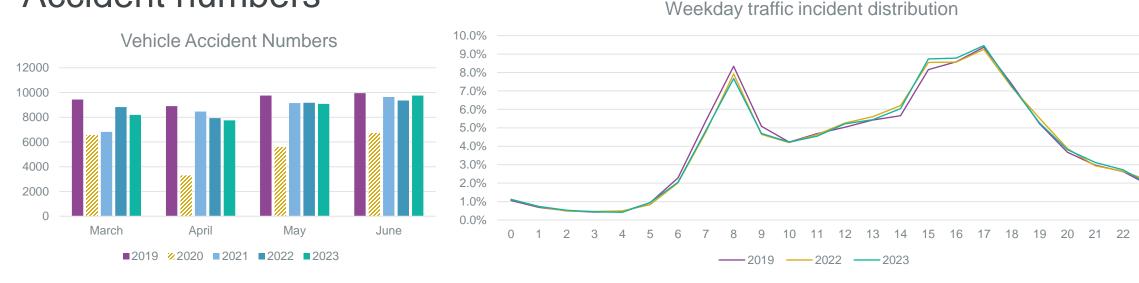
#### Car registrations





- The proportion of all registrations that are ULEV (Ultra Low Emission Vehicles) is up from 3.1% in 2022 to 4.5% in 2023.
- However, the proportion of new vehicles that are ULEV appears to be levelling off (23% of new vehicles in 2023 vs 22% in 2022).
- In total 1.9m new cars were registered in 2023. Registration levels remain lower than pre-pandemic levels (2.3m in 2019) but a growth on last year (1.7m)
- From Q4 2016 to Q4 2023, estimated average car age has increased from 7.9 to 9.3 years.
- New petrol and diesel car ban extended from 2030 to 2035.

#### Accident numbers



Left hand graphic shows the distribution of accidents during the first lockdown relative to the same period between 2019 and 2023. (The first lockdown was announced on 23<sup>rd</sup> March 2020, with most businesses allowed to reopen in early July.)

#### Key observations are:

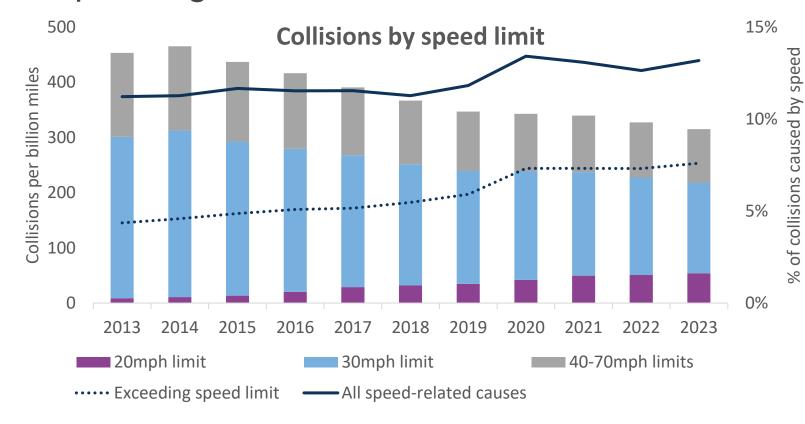
- Accident numbers in 2023 are c90% of the 2019 levels and are broadly the same as in 2022. It appears that there are
  now reduced overall accident numbers, perhaps due to the continuation of working from home.
- Right hand graph considers full years and shows proportion of weekday accidents in morning and evening rush hours has returned to pre-pandemic levels.
- Weekend accidents remained broadly similar in distribution throughout the pandemic.

4be6-4935-9277-47e5ce24a11f/road-safety-data)

Source: DfT, Road Safety Statistics - Collisions (https://www.data.gov.uk/dataset/cb7ae6f0-



### Speeding



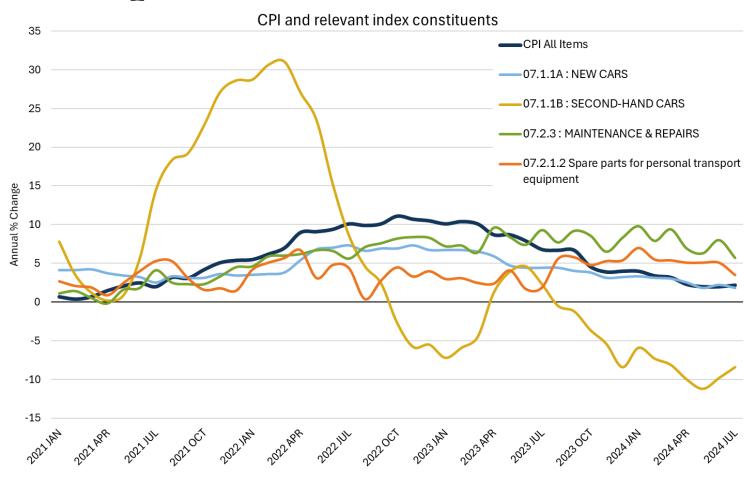
Data source: UK Depart for Transport tables RAS0301, RAS0703 and TRA0102 https://www.gov.uk/government/statistical-data-sets/reported-road-accidents-vehicles-and-casualties-tables-for-great-britain

for-drivers-by-50-per-year-says-insurance-firm-esure.pdf

- 20mph zones continued to be introduced across the UK, including in Wales in 2023
- Studies indicate that reducing the speed limit from 30mph to 20mph reduces collisions
  - Welsh government: by 16% 23Q1 to 24Q1
  - Edinburgh study: by 22%
  - esure: by 20% in Wales
- UK-wide collisions in 20mph zones are increasing as the zones are rolled out...
- ... but overall collisions in 20/30mph areas have reduced by 28% over the last 11 years, 4% in the last year.
- Exceeding speed limit is cited as the cause of collisions in an increasing proportion of incidents as speed limits are lowered...
- ... and when combined with 'travelling too fast for the conditions', the proportion of incidents caused by speed has not recovered from the Covid spike



#### Damage Inflation



https://www.abpclub.co.uk/abp-bodyshop-magazine-publications.htm

https://www.gtacredithire.com/rates/car-hire/

- CPI fell in the latter half of 2023 and into 2024. hitting the Bank of England's 2% target in May.
- Costs associated with maintenance and repairs have experienced inflation rates exceeding 5% for an extended period.
- Second-hand vehicle prices have decreased, reversing some of the post-COVID-19 spikes.
- Repair costs, specifically ABP standard labour rates, saw a 14% increase in January 2024 compared to the rates last reviewed in January 2023, outpacing the CPI constituent.
- Indices for credit hire are not readily available. The General Terms of Agreement (GTA) rates for general cars have remained stable since November 2023.

Data source: ONS CPI Datasets: D7G7, D7IK, D7IL, D7IP, J3A2

https://www.ons.gov.uk/economy/inflationandpriceindices/datasets/consumerpriceindices

#### **TPI Inflation**

In addition to market inflation, TPI costs will be influenced by legal requirements and, for larger claims, wage inflation. Below, we outline key legal developments impacting TPI costs.

#### Whiplash Injury Regulations:

- On 22 May 2024, former Lord Chancellor Alex Chalk completed his statutory review. However, its publication was delayed due to the general election. The new government's stance on the review remains to be seen.
- Tariffs were applied to accidents occurring on or after 31 May 2021.
- Since the initial establishment of the tariffs, there has been considerable inflation. However, this review may also consider a range of broader factors.

#### Judicial College Guidelines:

- The 17th edition, published in March 2024, introduced a 22% increase in guideline amounts for England and Wales. Although, many had anticipated this update and adjusted their reserves accordingly.
- The latest edition mandates ongoing inflationary adjustments to general damages, ensuring awards or settlement offers are current.
- These guidelines apply to claim settlements post-publication.

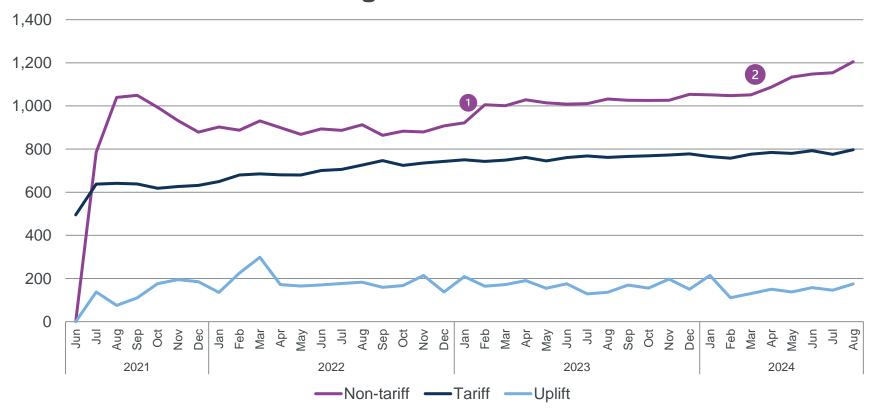
#### Ogden discount rate review:

- Rate increased to 0.5% in Scotland (previously -0.75%) and Northern Ireland (previously -1.5%) on 26 September 2024.
- The review for England and Wales (rate currently -0.25%) is set for completion by 11 January 2025 and will impact **claim settlements** thereafter.
- For more details, refer to the IFoA's Ogden Discount Rate working party.



#### Whiplash reforms three years on

#### **OICP** average settlement amounts



Source: https://www.officialinjuryclaim.org.uk/resources-for-professionals/data/

- Non-tariff settlements stepped up from Jan 2023 1 and from April 2024 2 now c £1,250
- Tariff settlements seemed to have settled at c £800
- Uplift has stabilised to under £200 (The Regulations provide for an uplift in damages of up to 20%)
- Uncertainties remain over ongoing amounts and proportions of each type:
  - Step up in April 2024 of non-tariff amounts following Court of Appeal ruling on mixed injuries
  - Non-tariff settlements will be impacted by JCG update (17th Ed)
  - Awaiting update of Tariff amounts – was due 31/05/24

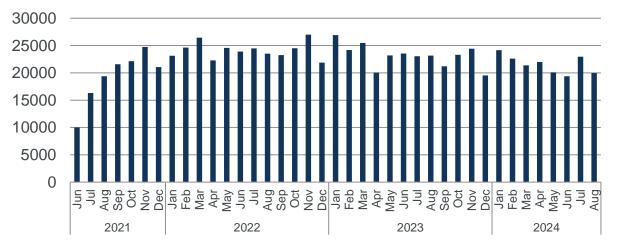
**OICP = Official Injury Claim Portal** 

#### Whiplash reforms three years on

#### Claims submitted to OICP

- 875k claims submitted to OICP since launch
  - Possible flattening of the rate submitted per month in 2024Q2
  - 30% of total claims submitted now settled

#### **OICP claims submitted**



■ Volume of claims submitted

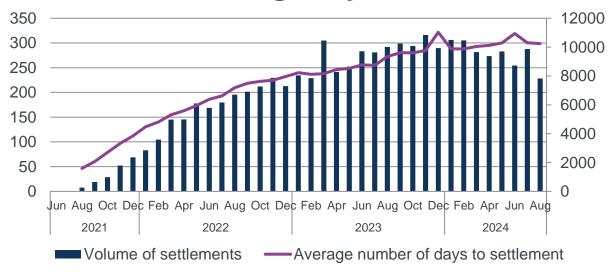
Source: https://www.officialiniurvclaim.org.uk/resources-for-professionals/data/

Data from OICP to 31/08/24

#### Claims settled within OICP

Average time to settlement appears to be settling at c 300 days

#### **OICP** average days to settle



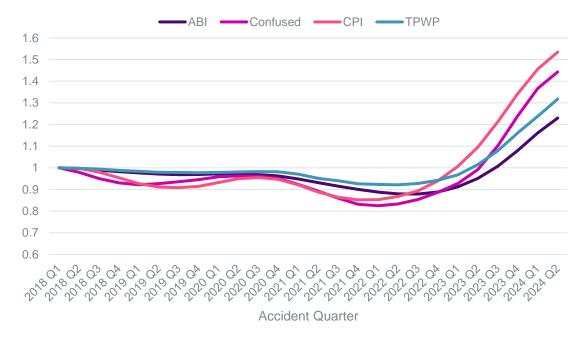
#### **Premium Rates**

#### Market premium measures



- All premium measures showing strong increases in premium from 2022 Q2 to 2023 Q4. In 2024 premium have levelled off or started to fall.
- ABI (Association of British insurers) has 2024 Q2 48% higher than 2022 Q2, Confused.com 59% higher and CPI 69% higher.

#### **Earned Premiums**



- On an earned basis 2023 premiums were 12% to 31% higher than 2023. 2024 H1 is 28% to 46% higher than 2023 H1.
- ABI data is most consistent with TPWP industry data.

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#### Market Commentary

ABI: The costs of vehicle repairs leapt by 28% over the year since Q2 2023 to £1.9 billion, the highest figure since ABI started collecting this data back in 2013

Pressures on claims costs appear to have eased this quarter, with the average claim paid remaining stable (+0.4%) after an 8% rise in Q1.

**WTW:** Car insurance premiums have now decreased for two consecutive quarters following an initial price fall of 5% in the first three months of 2024. However, car insurance premiums still recorded an annual rise of 14%.

Insurers still face a number of ongoing challenges, including the rising cost of materials and labour, second hand cars and advanced vehicle technology, as well as operating in a changing political landscape

Year on year price rises are creating the opportunity for customers to save by switching.

**Key Themes** 

- Inflationary pressure on claims costs and pricing showing signs of stabilising
- More uncertainty around bodily injury claims and potential pressures on injury claims inflation
- Evidence of more shopping around, driven by cost of living crisis and higher car insurance premiums.

Frequency remains 10-15% below pre-Covid level despite overall road usage having largely recovered

Damage inflation expected to remain high but reducing. Repair costs increasing at a slightly slower rate and second-hand car prices reducing.

**Volatility remains for Bodily** injury due to Ogden, Judicial College Guidelines, and a new Whiplash tariff Admiral

Continue to see **elevated claims inflation**, with some areas of **moderation**. Following record YoY market increases, **new business premiums reduced** in Q2. Full year outlook: Maintain underwriting discipline; prioritise margin over growth; claims inflation expectation unchanged at high single digits.

Evidence of claims environment stabilising, albeit pricing continues to reflect elevated severity inflation. esure<sup>®</sup>

Hastings continues to prioritise pricing discipline over volume growth and has continued to increase prices in the face of ongoing motor claims inflation.

The average cost of claims **continues to rise**, reflecting increases in the value of second-hand cars and increases in repair costs, largely due to extended repair periods as a result of continuing supply chain disruption, along with inflation in labour, parts and paint. **Hastings** DIRECT

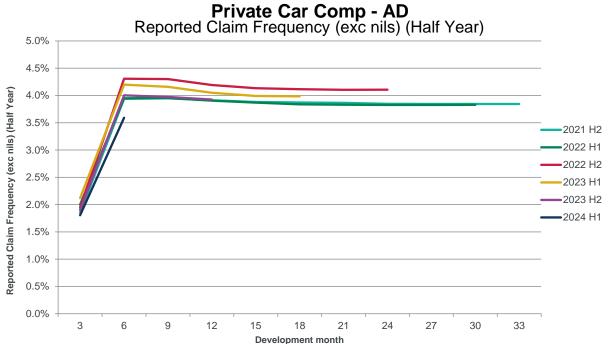
Oxbrow Partners: Claims inflation will remain slightly elevated for much of 2024 as easing in damage claims is offset by increased bodily injury claims.

In 2024 we expect the market to continue to increase written prices, slightly ahead of underlying claims inflation of 6%. Several key factors will impact this including the **Supreme** Court multi-injury judgement, whiplash tariffs and Ogden rate change.



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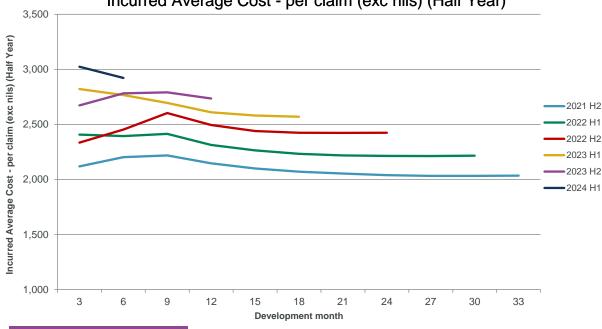
### Frequency and Severity HY 2024



Annual % Change
24.3%
31.2%
6.7%
3.9%
-6.3%
-14.5%

2024 H1 frequency is 14.5% lower than 2023 H1.





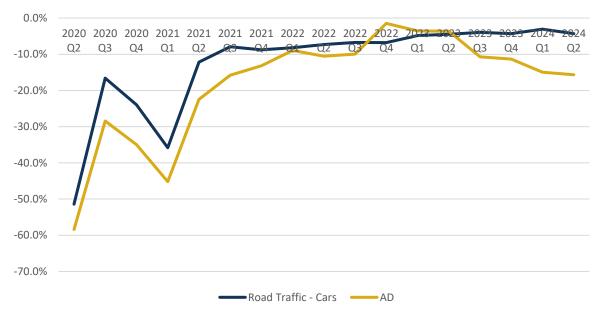
Accident Period	Annual % Change				
2021 H2	11.8%				
2022 H1	17.9%				
2022 H2	18.9%				
2023 H1	15.1%				
2023 H2 🜈	9.6%				
2024 H1	5.6%				

Inflation less than 10% in 2023 H2 and 2024 H1

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### Frequency HY2024

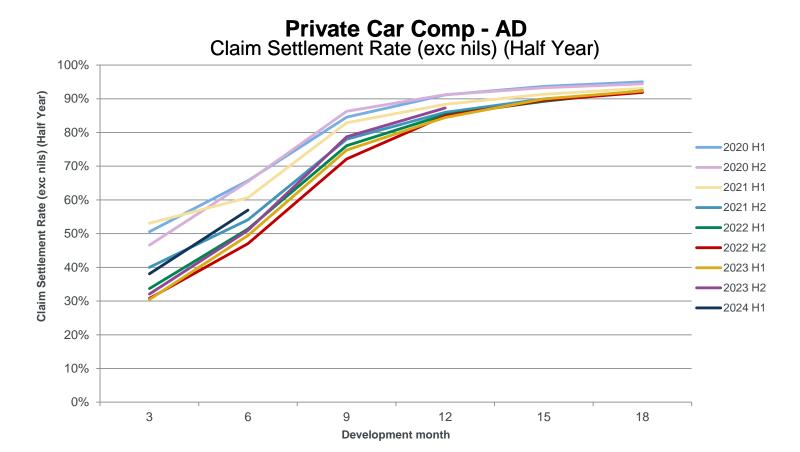




Reduction in AD frequency around 11% in 2023 H2 vs 4% reduction in mileage. In 2024 H1 frequency has fallen further despite no mileage reduction.

Accident Quarter	Change in Car Traffic	Change in AD Frequency
2020 Q2	-51%	-58%
2020 Q3	-17%	-28%
2020 Q4	-24%	-35%
2021 Q1	-36%	-45%
2021 Q2	-12%	-22%
2021 Q3	-8%	-16%
2021 Q4	-9%	-13%
2022 Q1	-8%	-9%
2022 Q2	-7%	-11%
2022 Q3	-7%	-10%
2022 Q4	-7%	-1%
2023 Q1	-5%	-4%
2023 Q2	-4%	-4%
2023 Q3	-4%	-11%
2023 Q4	-4%	-11%
2024 Q1	-3%	-15%
2024 Q2	-4%	-16%

#### Settlement Rate HY2024



Accident Period	Annual % Change
2021 H2	-0.5%
2022 H1	-0.2%
2022 H2	0.2%
2023 H1	-0.1%
2023 H2	2.8%
2024 H1	15.2%

Settlement rates getting considerably slower from 2021 H2 onwards.

Settlement rates in 2024 H1 have increased vs 2022 and 2023 but are still behind 2020.

# Industry Statistics - AD Projected AD Results HY2024

Projected Ultimate AD Results for Private Car Comprehensive

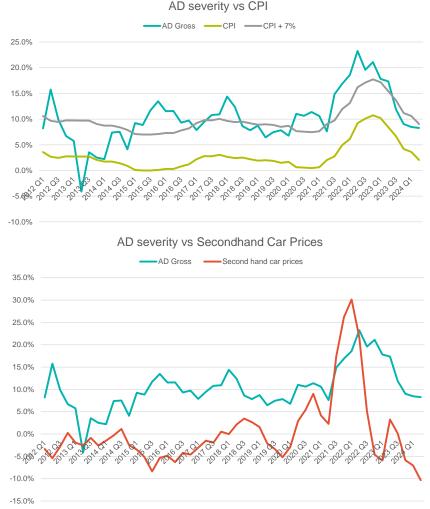
Accident Period	Earned Exposure	Ultimate AD Claim Frequency	Ultimate AD Gross Claim Severity	Ultimate AD Recovery Rate	Ultimate AD Net Claim Severity	Ultimate AD Net Burning Cost	Year-on-Year Change in Frequency	Year-on-Year Change in AD Gross Severity	Year-on-Year Change in AD Recovery Rate	Year-on-Year Change in AD Net Severity	Year-on-Year Change in AD Net Burning Cost
	(millions of vehicle years)	(Non-nil claims per million vehicle years)	(£)	%	(£)	<b>(£)</b>	(% pa)	(% pa)	(% pa)	(% pa)	(% pa)
2021 Q1	5.6	24,846	3,425	38.7%	2,101	52.2	-36.7%	10.4%	-8.2%	16.9%	-26.0%
2021 Q2	5.7	33,492	3,298	44.7%	1,825	61.1	92.4%	7.4%	12.9%	-1.7%	89.3%
2021 Q3	5.7	36,349	3,565	44.2%	1,990	72.3	18.2%	14.7%	5.1%	10.4%	30.6%
2021 Q4	5.7	40,591	3,879	42.3%	2,240	90.9	30.2%	16.7%	5.1%	12.7%	46.8%
2022 Q1	5.6	39,489	4,057	42.0%	2,355	93.0	58.9%	18.4%	8.5%	12.1%	
2022 Q2	5.6	37,116	4,062	44.2%	2,266	84.1	10.8%	23.2%	-1.0%	24.1%	37.6%
2022 Q3	5.6	37,560	4,262	44.8%	2,351	88.3	3.3%	19.6%	1.5%	18.1%	22.1%
2022 Q4	5.6	44,625	4,699	43.0%	2,678	119.5	9.9%	21.1%	1.7%	19.6%	31.5%
2023 Q1	5.4	40,491	4,783	43.1%	2,724	110.3	2.5%	17.9%	2.6%	15.7%	18.6%
2023 Q2	5.5	39,059	4,773	45.3%	2,613	102.1	5.2%	17.5%	2.4%	15.3%	21.3%
2023 Q3	5.6	36,855	4,779	45.4%	2,608	96.1	-1.9%	12.1%	1.3%	10.9%	8.8%
2023 Q4	5.7	40,306	5,146	42.9%	2,939	118.5	9.7%	9.5%	-0.2%	9.7%	-0.9%
2024 Q1	5.7	35,389	5,214	43.8%	2,928	103.6	-12.6%	9.0%	1.8%	7.5%	-6.1%
2024 Q2	5.7	33,747	5,245	44.8%	2,897	97.8	-13.6%	9.9%	-1.1%	10.9%	-4.2%

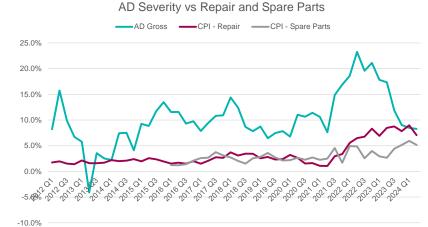
13% decrease in frequency 2024 H1.

Inflation 7.5% to 10% in the last year.

 Note – No adjustments have been made for potential distortions / impact of COVID-19 or claims inflation on claims experience.

### Severity HY2024





#### Methodology

Projection of AD Gross severity excluding nils severity triangle.

Compare accident quarter inflation rates (e.g. 2021 Q4 vs 2020 Q4) against CPI, 'Secondhand Car Prices – CPI', 'Repair – CPI Vehicle Transport and Repair' and 'CPI – Spare Parts'.

A limitation of the analysis is comparing an accident period inflation rate to a calendar period economic inflation measure.

- Projections of AD Gross severity have inflation increasing significantly in 2021 Q3 up and averaging 21% in 2022, 14% in 2023 and 8% in 2024H1.
- Claims inflation was on average 7% higher than CPI from 2012 to 2020.

Correlation between claims inflation and economic indices							
Periods	СРІ	Secondhand car prices	Repair	Spare Parts			
2012-2016	-42%	-57%	7%	-64%			
2017-2020	5%	47%	11%	3%			
2021-2024 Q2	82%	51%	19%	-19%			
2012-2024 Q2	62%	45%	51%	20%			

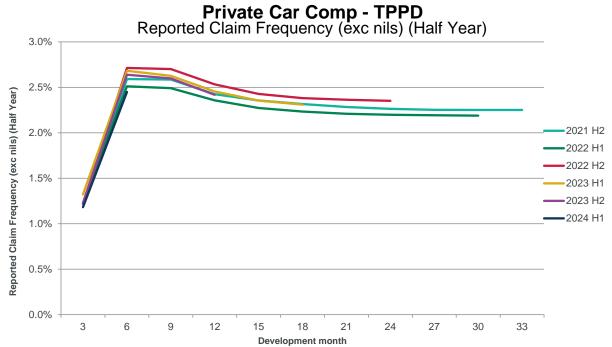
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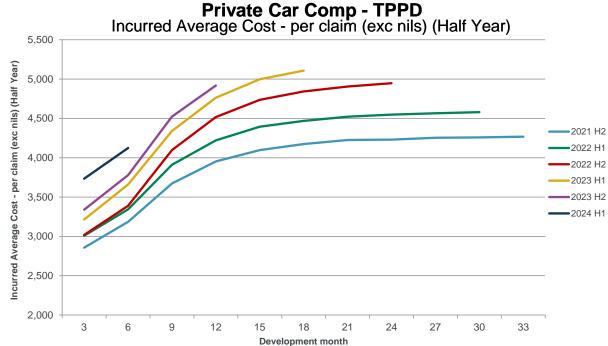
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### Frequency and Severity HY 2024



Accident Period	Annual % Change
2021 H2	21.3%
2022 H1	27.1%
2022 H2	3.9%
2023 H1	3.4%
2023 H2	4.5%
2024 H1	-8.7%

TPPD frequency down 9% in 2024 H1 (vs 14.5% for AD)



Accident Period	Annual % Change
2021 H2	15.2%
2022 H1	19.3%
2022 H2	16.9%
2023 H1	14.3%
2023 H2	8.9%
2024 H1	12.6%

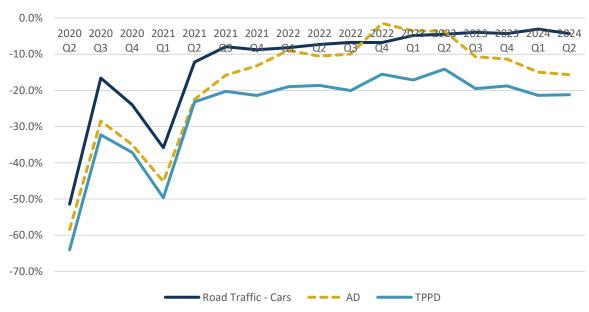
Inflation falling slightly in 2023 H2 and 2024 H1.

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### Frequency HY2024



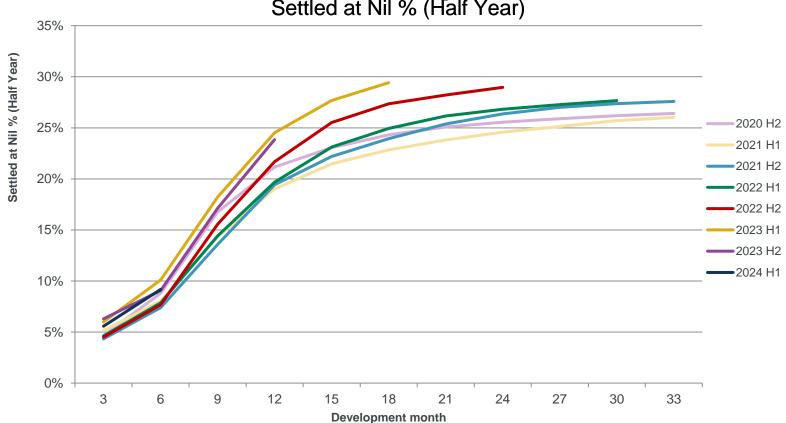


 Reduction in TPPD frequency around 19% in 2023 H2 vs 4% reduction in mileage. In 2024 H1 frequency has fallen although to a lesser degree than for AD.

Accident Quarter	Change in Car Traffic	Change in TPPD Frequency
2020 Q2	-51%	-64%
2020 Q3	-17%	-32%
2020 Q4	-24%	-37%
2021 Q1	-36%	-50%
2021 Q2	-12%	-23%
2021 Q3	-8%	-20%
2021 Q4	-9%	-21%
2022 Q1	-8%	-19%
2022 Q2	-7%	-19%
2022 Q3	-7%	-20%
2022 Q4	-7%	-16%
2023 Q1	-5%	-17%
2023 Q2	-4%	-14%
2023 Q3	-4%	-19%
2023 Q4	-4%	-19%
2024 Q1	-3%	-21%
2024 Q2	-4%	-21%

#### Nil Rate HY 2024





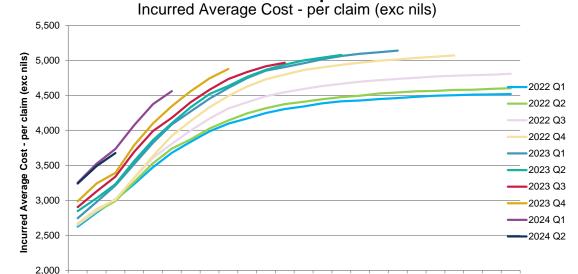
Annual % Change
4.5%
7.7%
9.9%
17.9%
10%
-9.1%

Nil Rates increased in 2022 H2. 2024 H1 nil rate is lower at the same point as development than 2023 H1.

These changes are potentially distorting the reported claim frequency changes.

### Severity HY2024

#### **Private Car Comp - TPPD**



Development month

Annual Percentage Change

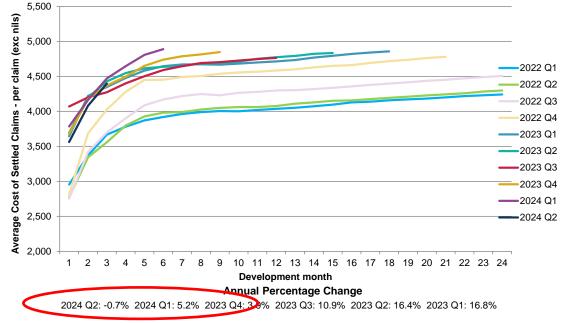
10 11 12 13 14 15 16 17 18 19 20 21 22 23 24

2024 Q2: 13.7% 2024 Q1: 11.6% 2023 Q4: 5.9% 2023 Q3: 9.2% 2023 Q2: 13.4% 2023 Q1: 15.2%

Incurred severity inflation <10% in 2023 H2 but back above this level in 2024 H2

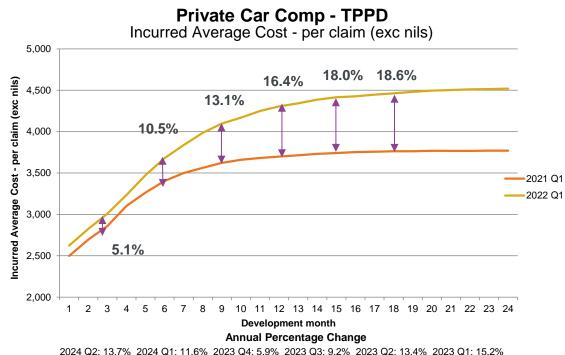
#### Private Car Comp - TPPD





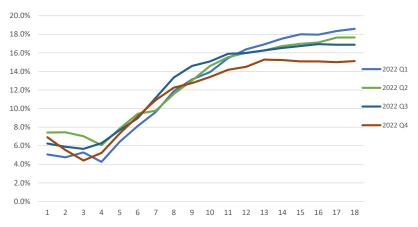
Settled severity inflation lower than incurred for 2024 H1.

### Severity HY2024



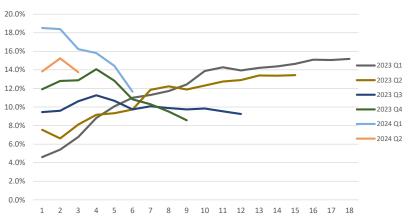
Taking 2022 Q1 as an example we can see that the inflation rate started 5.1% after 3 months of development but increased to 18.6% at 18 months development.





Inflation rates started to 'develop' in 2021 Q3 and with 2022 showing similar development.

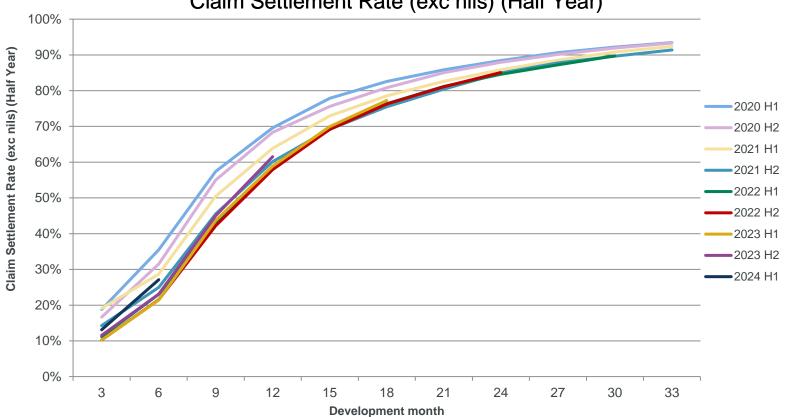




2023 Q1 and Q2 show a similar pattern to 2022 but in 2023 Q3 to 2024 Q2 initial incurred inflation rates appear more robust and develop downwards.

#### Settlement Rate HY2024





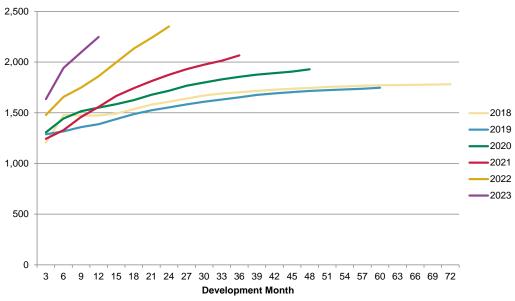
Accident Period	Annual % Change
2021 H2	-1.5%
2022 H1	-1.2%
2022 H2	0.2%
2023 H1	1.2%
2023 H2	6.3%
2024 H1	26.5%

As with AD, increasing levels of slowdown from 2021 Q3 onwards.

Some increase in 2024 H1 but still well below 2020 settlement rates.

### Heads of Damage YE2023

#### Credit Hire Settled Average Cost per Credit Hire Claim



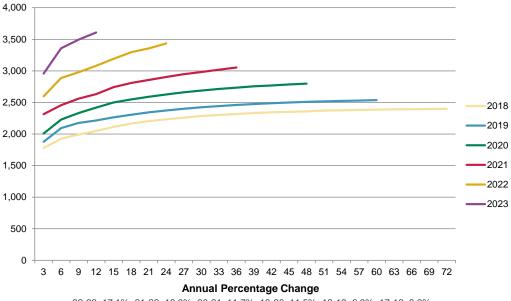
#### **Annual Percentage Change**

22-23: 20.8% 21-22: 25.4% 20-21: 11.4% 19-20: 12.5% 18-19: -1.4% 17-18:

Credit Hire settled cost increased 27% in 2022 and a further 30% in 2023.

30% increase in 2023 is due to a 7% increase in proportion of claims with credit hire and a 21% increase in cost per credit hire claim.

#### Non-Credit Hire Settled Average Cost per TPPD Claim



22-23: 17.1% 21-22: 18.3% 20-21: 11.7% 19-20: 11.5% 18-19: 6.3% 17-18: 9.3%

Non-Credit Hire settled cost also increased strongly at 18% in 2022 and 17% in 2023.

### Projected TPPD Results HY2024

Projected Ultimate TPPD Results for Private Car Comprehensive

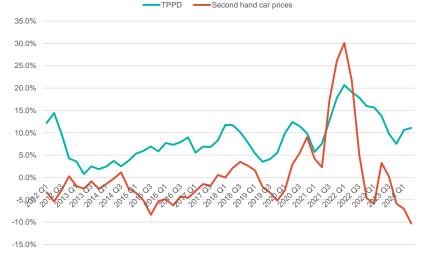
Accident Period Exposure		Ultimate TPPD Claim Frequency	Ultimate TPPD Claim Severity	Ultimate TPPD Burning Cost	Year-on-Year Change in Frequency	Year-on-Year Change in Severity	Year-on-Year Change in Burning Cost
	(millions of vehicle years)	(Non-nil claims per million vehicle years)	<b>(£)</b>	<b>(£)</b>	(% pa)	(% pa)	(% pa)
2021 Q1	5.6	13,484	3,788	51.1	-43.1%	5.8%	-39.8%
2021 Q2	5.7	20,491	3,915	80.2	113.2%	7.6%	129.49
2021 Q3	5.7	21,502	4,129	88.8	17.5%	12.7%	32.49
2021 Q4	5.7	23,078	4,448	102.6	24.9%	17.7%	47.09
2022 Q1	5.6	21,644	4,566	98.8	60.5%	20.5%	93.5%
2022 Q2	5.6	21,659	4,654	100.8	5.7%	18.9%	25.79
2022 Q3	5.6	21,550	4,857	104.7	0.2%	17.6%	17.9%
2022 Q4	5.6	24,754	5,151	127.5	7.3%	15.8%	24.29
2023 Q1	5.4	22,134	5,271	116.7	2.3%	15.4%	18.1%
2023 Q2	5.5	22,689	5,287	120.0	4.8%	13.6%	19.0%
2023 Q3	5.6	21,312	5,319	113.4	-1.1%	9.5%	8.3%
2023 Q4	5.7	22,812	5,549	126.6	-7.8%	7.7%	-0.7%
2024 Q1	5.8	20,227	5,844	118.2	-8.6%	10.9%	1.3%
2024 Q2	5.9	20,246	5,915	119.8	-10.8%	11.9%	-0.2%

TPPD frequency down by around 9.5% in 2024 H1 Severity inflation 8.5% in 2023 H2 and 11.5% in 2024 H1

 Note – No adjustments have been made for potential distortions / impact of COVID-19 or claims inflation on claims experience.

#### **Incurred Severity HY2024**





Correlation between claims inflation and economic indices				
Periods	СРІ	Secondhand car prices	Repair	Spare Parts
2012-2016	3%	-55%	-10%	97%
2017-2020	-26%	61%	25%	-46%
2021-2024 Q2	69%	60%	22%	-4%
2012-2024 Q2	65%	54%	56%	27%

#### Methodology

Projection of TPPD severity excluding nils severity triangle.

Compare accident quarter inflation rates (e.g. 2021 Q4 vs 2020 Q4) against CPI, 'Secondhand Car Prices – CPI', 'Repair – CPI Vehicle Transport and Repair' and 'CPI – Spare Parts'.

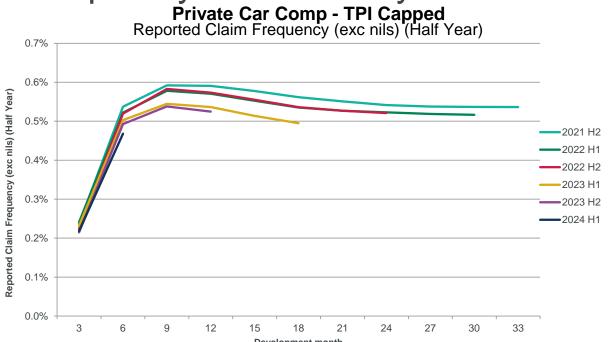
A limitation of the analysis is comparing an accident period inflation rate to a calendar period economic inflation measure.

- TPPD incurred inflation increased in 2021 reaching a peak of 21% in 2022 Q1 before falling from this point.
- Claims inflation was on average 6% higher than CPI from 2012 to 2020.
- CPI has highest correlation to claims inflation from 2021 to 2024 Q2.
- Correlations are similar on a settlement period basis.



- 1. Market Environment
- 2. Industry Statistics
  - AD
  - TPPD
  - Capped TPI
  - Excess TPI
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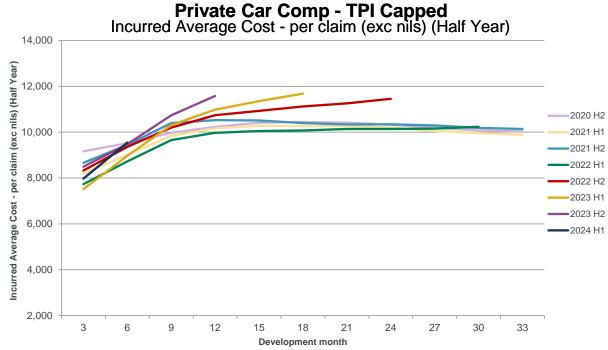
#### Frequency and Severity HY 2024



0.2%	/					
0.1%						

Accident Period	Annual % Change
2021 H2	-15.8%
2022 H1	-2.9%
2022 H2	-3.8%
2023 H1	-7.5%
2023 H2	-8.5%
2024 H1	-6.9%

2024 H1 frequency 7% lower than 2023 H1 (vs 14.5% for AD and 8.7% for TPPD)



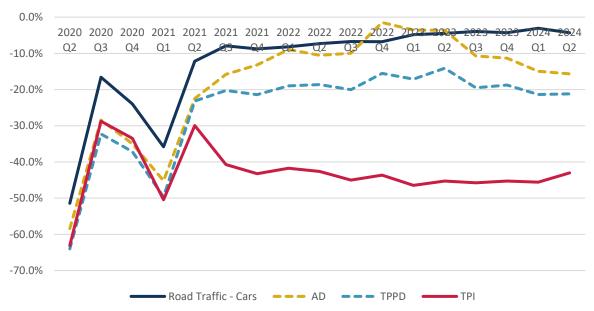
Accident Period	Annual % Change
2021 H2	1.5%
2022 H1	2.8%
2022 H2	10.7%
2023 H1	15.9%
2023 H2	7.8%
2024 H1	6.5%

High inflation from 2022 H2



#### Frequency HY2024





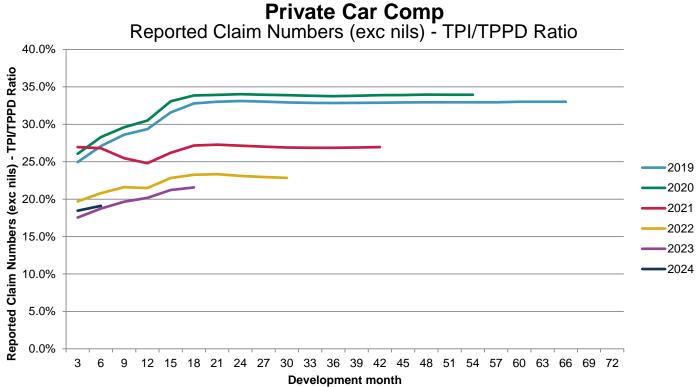
 Reduction in TPI frequency compared to 2019 significantly larger than for TPPD at around 45% in recent accident periods.

sets/tra25-quarterly-estimates

Source: Table TRA2501b; https://www.gov.uk/government/statistical-data-

Accident Quarter	Change in Car Traffic	Change in TPI Frequency
2020 Q2	-51%	-63%
2020 Q3	-17%	-29%
2020 Q4	-24%	-33%
2021 Q1	-36%	-50%
2021 Q2	-12%	-30%
2021 Q3	-8%	-41%
2021 Q4	-9%	-43%
2022 Q1	-8%	-42%
2022 Q2	-7%	-43%
2022 Q3	-7%	-45%
2022 Q4	-7%	-44%
2023 Q1	-5%	-46%
2023 Q2	-4%	-45%
2023 Q3	-4%	-46%
2023 Q4	-4%	-45%
2024 Q1	-3%	-46%
2024 Q2	-4%	-43%

#### TPI to TPPD Ratio HY2024



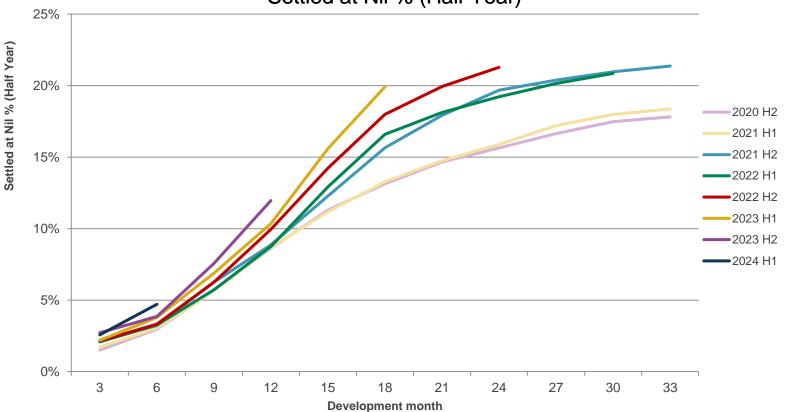
- 2022 TPI to TPPD ratio is 31% lower than 2019 at the same point of development.
- 2023 is 34% lower than 2019.

**Annual Percentage Change** 

23-24: 1.9% 22-23: -7.3% 21-22: -15.1% 20-21: -20.4% 19-20: 3% 18-19: -1.1%

#### Nil Rate HY 2024

#### Private Car Comp - TPI Capped Settled at Nil % (Half Year)



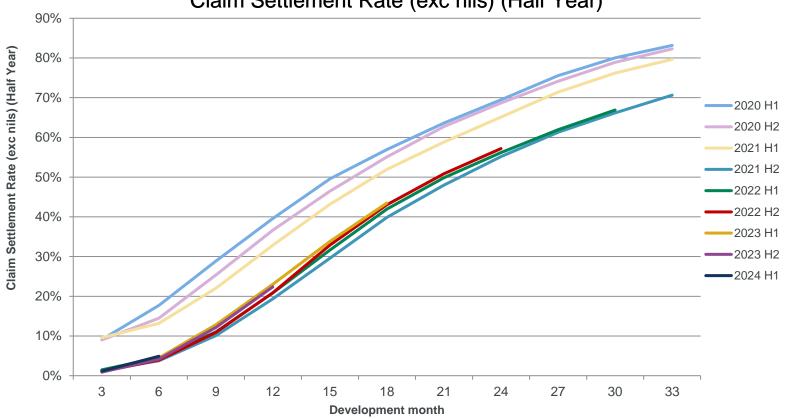
Annual % Change
20.3%
16%
8.1%
20%
20.3%
24.2%

Nil Rates increased in 2021 H2, potentially due to changes from the introduction of the whiplash reforms.

Nil rates increased again in 2022 H2.

#### Settlement Rate HY2024

Private Car Comp - TPI Capped Claim Settlement Rate (exc nils) (Half Year)



Accident Period	Annual % Change
2021 H2	-12.3%
2022 H1	-12.2%
2022 H2	3.7%
2023 H1	3.6%
2023 H2	7.1%
2024 H1	8.4%

Post whiplash reform periods continue to have a significantly lower settlement rate.

#### Projected Capped TPI Results - Methodology

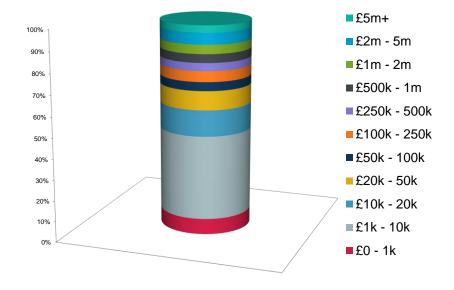
- As with previous iterations of the TPWP we have analysed Capped TPI by bands. We have used an indexation of 1% p.a. The exception is for the 100k limit which is still indexed at 7% p.a. The bands are defined as below in 2010 accident year years and indexed at 1% p.a. These definitions are unchanged from last year.
  - £0 to £1k (£1.1k in 2023 accident year)
  - £1k to £5k (£6k in 2023 accident year)
  - £5k to £10k (£11k in 2023 accident year)
  - £10k to £20k (£23k in 2023 accident year)
  - £20k to £50k (£57k in 2023 accident year)
  - £50k to £100k (£241k in 2023 accident year)
- We have maintained the same band definitions as previously for Excess TPI.

#### Projected Capped TPI Results - Methodology

- When presenting results of a layered analysis, there is a choice in how to partition the claim amounts:
  - Type 1: In which claims that exhaust the width of a particular layer contribute an amount equal to the layer's width
  - Type 2: In which claims that exhaust the width of a particular layer are removed from that layer, and the full claim amounts "from ground up" ("FGU") are allocated to the next layer up

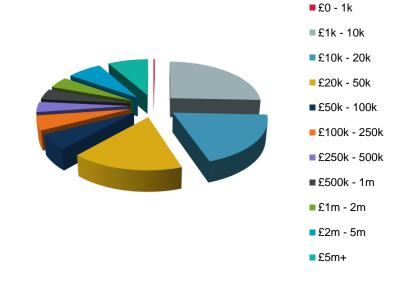
# Industry Statistics - Capped TPI Projected Capped TPI Results - Methodology

- Using the Type 1 definition, a claim of £15,000 from accident year 2010 contributes:
  - £1k to Layer 1 (0 £1k)
  - £9k to Layer 2 (£1k £10k)
  - £5k to Layer 3 (£10k £20k)
  - £0 to all other layers
- The chart shows the projected total TPI burning cost split by layer using Type 1 definition.
- In this presentation, any charts which use this
  definition will be accompanied with a version of this
  graphic. Shading represents the portion(s) of the
  claim that is relevant to the given statistic.



# Industry Statistics - Capped TPI Projected Capped TPI Results - Methodology

- Using the Type 2 definition, a claim of £15,000 from accident year 2010 contributes:
  - £15k to Layer 3 (£10k £20k)
  - £0 to all other layers
- The chart shows the projected total TPI burning cost split by layer using Type 2 definition.
- In this presentation, any charts which use this definition will be accompanied with a version of this graphic. Shading represents the portion(s) of the claim that is relevant to the given statistic.



#### Projected Capped TPI Results YE2023

Projected Ultimate Capped TPI Results for Private Car Comprehensive

Accident Period	Earned Exposure	Ultimate Capped TPI Claim Frequency	Ultimate Capped TPI Claim Severity	Ultimate Capped TPI Burning Cost	Year-on-Year Change in Frequency	Year-on-Year Change in Severity	Year-on-Year Change in Burning Cost
	(millions of vehicle years)	(Non-nil claims per million vehicle years)	<b>(£)</b>	(£)	(% pa)	(% pa)	(% pa)
2014	13.1	11,243	8,104	91.1	-9.8%	0.0%	-9.9%
2015	13.7	10,607	7,958	84.4	-5.7%	-1.8%	-7.4%
2016	16.3	10,166	8,267	84.0	-4.1%	3.9%	-0.4%
2017	16.9	9,127	8,328	76.0	-10.2%	0.7%	-9.6%
2018	17.4	9,247	8,395	77.6	1.3%	0.8%	2.19
2019	17.4	9,216	8,432	77.7	-0.3%	0.4%	0.19
2020	17.3	6,129	8,873	54.4	-33.5%	5.2%	-30.0
2021	17.8	5,595	8,996	50.3	<i>-</i> 8.7%	1.4%	7.4
2022	17.8	5,547	9,056	50.2	-0.9%	0.7%	•
2023	17.7	5,234	9,772	51.2	-5.6%	7.9%	1.89
verage (2016 to 2023)					-9.0%	2.4%	-6.89
verage (2018 to 2023)					-10.8%	3.1%	-8.0
verage (2020 to 2023)					-5.1%	3.3%	-2.0°

Burning cost in 2023 close to 2022 at £51.

No severity benefit apparent from the whiplash reforms.

Projections make no allowance for any other distortions in claim developments or experience such as more widespread COVID-19 impact, changes due to whiplash reforms or recent economic inflationary environment. Estimates of the impact of whiplash reforms will be highly dependent on the case reserve changes introduced by companies following the reforms.

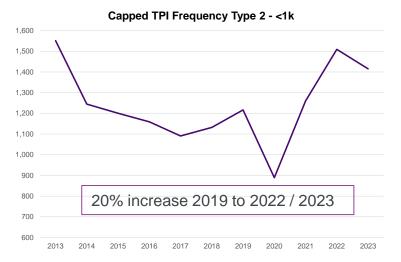
#### Projected Capped TPI Results YE2023

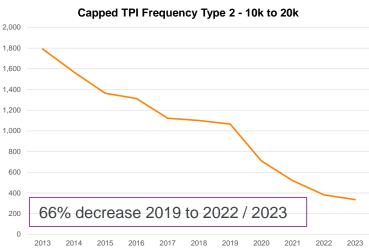
Projected Ultimate Capped TPI Results for Private Car Comprehensive

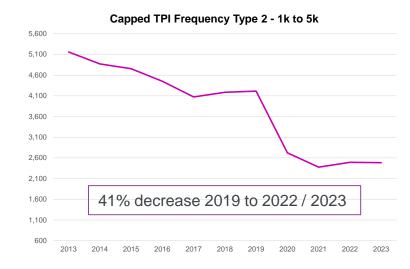
Accident Period	Earned Exposure	Ultimate Capped TPI Claim Frequency	Ultimate Capped TPI Claim Severity	Ultimate Capped TPI Burning Cost	Year-on-Year Change in Frequency	Year-on-Year Change in Severity	Year-on-Year Change in Burning Cost	
	(millions of vehicle years)	(Non-nil claims per million vehicle years)	<b>(£)</b>	(£)	(% pa)	(% pa)	(% pa)	
2021 Q1	4.3	4,667		40.8	-42.4%		-38.3%	
2021 Q2 2021 Q3	4.4 4.5	6,276 5,494		57.9 50.7	<b>93.9%</b> -14.8%		<b>88.3%</b> -16.8%	
2021 Q4	4.5	5,919		51.7	-11.4%		-12.8%	Some initial severity
2022 Q1	4.4	5,726	8,409	48.1	22.7%	-3.7%	18.1%	reductions seen pos
2022 Q2	4.5	5,363	8,765	47.0	-14.5%	-5.0%	-18.8%	the reforms but
2022 Q3	4.5	5,177	9,862	51.1	-5.8%	6.8%	0.6%	reasonable levels of
2022 Q4	4.4	5,927	9,237	54.7	0.1%	5.7%	5.9%	
2023 Q1	4.3	5,360	9,006	48.3	-6.4%	7.1%	0.2%	severity inflation in
2023 Q2	4.4	5,191	10,170	52.8	-3.2%	_	12.3%	2022 and 2023.
2023 Q3	4.5	4,947	10,350	51.2	-4.4%	5.0%	0.3%	
2023 Q4	4.6	5.440	9.603	52.2	-8.2%	4.0%	-4.6%	

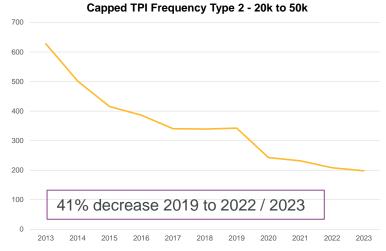
Burning cost post reforms is around £27 less than in 2019. Adjusting for reductions in TPPD frequency over this time suggests a whiplash reforms benefit of approximately £16 per policy.

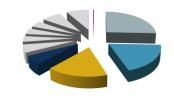
#### Projected Capped TPI Results YE2023

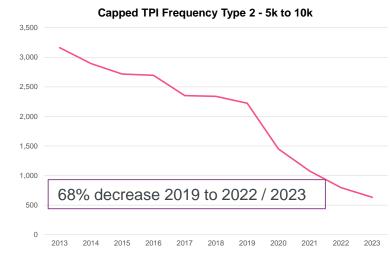


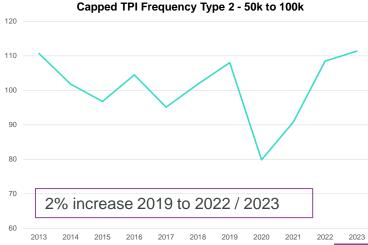




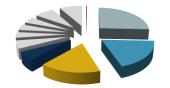




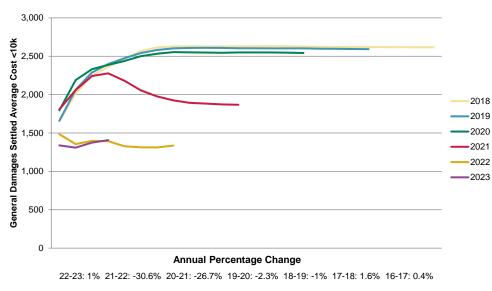




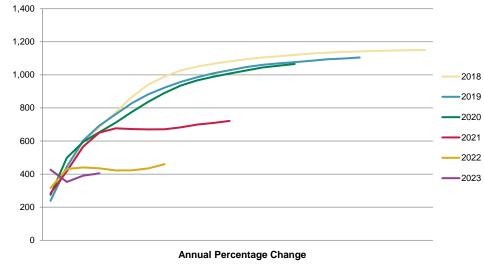
## Heads of Damage <10k YE2023







#### Third Party Legal Fees Settled Average Cost <10k



22-23: -7% 21-22: -31.5% 20-21: -28.4% 19-20: -1.1% 18-19: -3.2% 17-18: 2.6% 16-17: 2.7%

Average general damages has reduced from around £2,600 pre Whiplash Reforms to around £1,400 post reforms.

Average third party legal fees has reduced from around £1,150 pre Whiplash Reforms to around £425 post reforms.

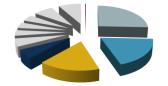
#### **Special Damages**

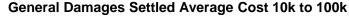
 Average special damages appear broadly unaffected by the Whiplash Reforms

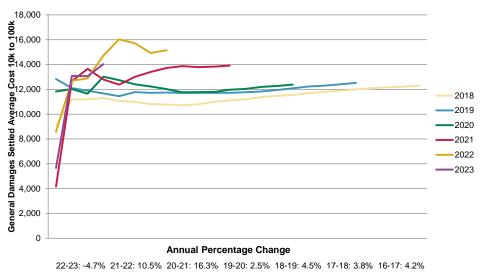
#### Other

Average other costs appear to have increased post the reforms by around 25% or £100.

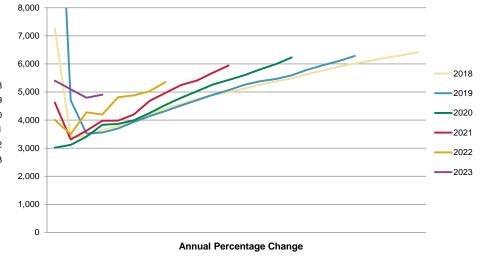
#### Heads of Damage 10k to 100k YE2023







#### Third Party Legal Fees Settled Average Cost 10k to 100k



22-23: 16.8% 21-22: 7.8% 20-21: 9.5% 19-20: 11.4% 18-19: 4.5% 17-18: 6.3% 16-17: 4.7%

General Damages average cost appears to have increased post the reforms but this may be due to change in proportion of claims of various sizes.

Third party legal fees showed reasonably high inflation levels pre reforms that have continued in recent periods.

#### **Special Damages and Other**

- Both special damages and other average cost show significant increases post reforms.
- It's not clear how much of this is due to changing mix of claims as opposed to genuine inflation.



- 1. Market Environment
- 2. Industry Statistics
  - AD
  - TPPD
  - Capped TPI
  - Excess TPI
- 3. Conclusions
- 4. Appendix

#### Projected Excess TPI Results - Methodology

- We have maintained the same band definitions as previously for Excess TPI. The bands are defined as below in 2010 accident year years and indexed at 7% p.a.
  - £100 to £250k (£602k in 2023 accident year)
  - £250k to £500k (£1.2m in 2023 accident year)
  - £500k to £1m (£2.4m in 2023 accident year)
  - £1m to £2m (£4.8m in 2023 accident year)
  - £2m to £5m (£12.0m in 2023 accident year)
  - >£5m

- Projections undertaken by layer with companies grouped into two levels of case reserving strength.
- Open claims data at an Ogden -0.25% basis and hence results presented assuming future claim settlements are at Ogden -0.25%.
- In general, the development profile is based on data for the last few calendar years with calendar periods impacted by the Ogden rate change removed as well as some accident periods particularly impacted by COVID-19.
- Approach is mechanical with judgement generally limited.

#### Projected Excess TPI Results

Projected Ultimate Excess TPI Results for Private Car Comprehensive

Accident Period	Earned Exposure	Ultimate Excess TPI Claim Frequency	Ultimate Excess TPI Claim Severity	Ultimate Excess TPI Burning Cost	Year-on-Year Change in Frequency	Year-on-Year Change in Severity	Year-on-Year Change in Burning Cost
	(millions of vehicle years)	(Non-nil claims per million vehicle years)	<b>(£)</b>	<b>(£)</b>	(% pa)	(% pa)	(% pa)
2014	13.1	62	697,190	43.0	-9.5%	19.5%	8.2%
2015	13.7	59		38.5	-5.1%	-5.7%	-10.5%
2016	16.3	58	812,704	47.2	-0.7%	23.6%	22.7%
2017	16.9	53	894,114	47.5	-8.6%	10.0%	0.5%
2018	17.4	50	791,304	39.5	-6.1%	-11.5%	-16.9%
2019	17.4	46	956,359	43.9	-8.0%	20.9%	11.2%
2020	17.3	35	1,185,286	41.8	-23.1%	23.9%	-4.7%
2021	17.8	41	1,113,298	46.0	17.2%	-6.1%	10.0%
2022	17.8	50	1,090,368	55.0	22.0%	-2.1%	19.5%
2023	17.7	57	1,136,375	65.0	13.4%	4.2%	18.1%
Average (2016 to 2023)					-0.2%	4.9%	4.7%
Average (2018 to 2023)					2.8%	7.5%	10.5%
Average (2020 to 2023)					17.5%	-1.4%	15.8%

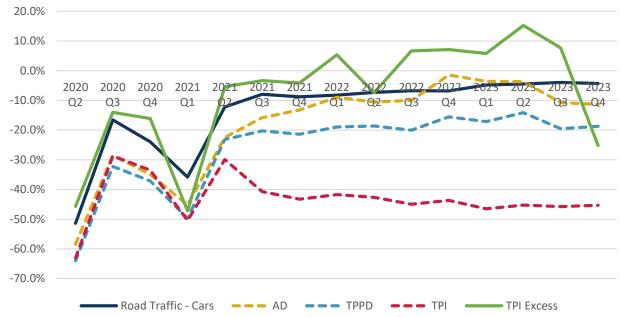
Frequency in 2022 and 2023 higher than pre-COVID19 levels despite reductions in accident frequency.

Year-on-year severity is volatile but the averages are in the range 5% to 8% p.a. Some of this will be due to the change in Ogden rate.

Projections make no allowance for any other distortions in claim developments or experience such as more widespread COVID-19 impact or recent economic inflationary environment.

#### Frequency





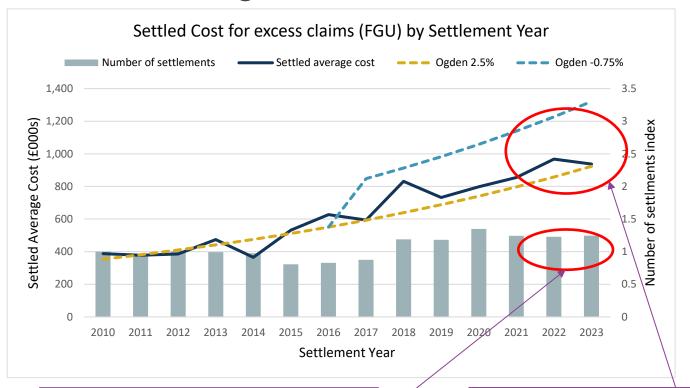
- Reductions in TPI Excess frequency have generally been less than for other claims types.
- In 2022 average reported increase is 3% above 2019 and 1% in 2023.

sets/tra25-quarterly-estimates

Source: Table TRA2503b; https://www.gov.uk/government/statistical-data-

Accident Quarter	Change in Car Traffic	Change in TPI Excess Frequency
2020 Q2	-51%	-46%
2020 Q3	-17%	-14%
2020 Q4	-24%	-16%
2021 Q1	-36%	-47%
2021 Q2	-12%	-5%
2021 Q3	-8%	-3%
2021 Q4	-9%	-4%
2022 Q1	-8%	5%
2022 Q2	-7%	-7%
2022 Q3	-7%	7%
2022 Q4	-7%	7%
2023 Q1	-5%	6%
2023 Q2	-4%	15%
2023 Q3	-4%	8%
2023 Q4	-4%	-25%

#### Settled average cost



- The graph shows the settled average cost of all excess claims by settlement year. Claims are defined as settled when paid is greater than 80% of incurred
- The dotted gold line shows a trend line fitted to the data from 2010 to 2016 and projected forward as an estimate of the expected Ogden 2.5% severity in 2017, 2018 and 2019. The fitted inflation rate is 8.0%.
- The blue dotted line is the gold line uplifted by 43%, the estimated impact from Ogden 2.5% to Ogden -0.75% in a previous TPWP study.
- The grey bars are the number of settlements in the data indexed to 2010.

Number of settlements in 2023 was broadly consistent with 2022.

Actual settled severity in 2022 was 3% lower than in 2022.



- 1. Market Environment
- 2. Industry Statistics
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#### **Conclusions**

Accident Year	Burning Cost (£)								
	AD	TPD	Capped TPI	Excess TPI*	Total AD + TP				
2014	48	71	91	43	253				
2015	55	74	84	39	252				
2016	59	79	84	47	269				
2017	60	81	76	47	265				
2018	69	90	78	39	277				
2019	71	93	78	44	286				
2020	55	66	54	42	218				
2021	69	82	50	46	248				
2022	96	105	50	55	306				
2023	107	119	51	65	342				

<sup>\*</sup>Note – Excess TPI burning cost assumes future claims settle at Ogden -0.25%.

- Damage severity increased in 2023 by 12.5% and 11.2% for AD and TPPD causing increases in burning cost of £25 on non-injury in 2023.
- TPI Capped burning cost level in 2023 but TPI Excess increasing due to higher frequency as well as long-term severity inflation.
- Overall burning cost is 12% or £36 higher in 2023 than 2022.
- 2023 burning cost is 20% higher than 2019 but earned premium is around 8% higher, suggesting loss ratio for 2023 is 11% higher (multiplicatively) than in 2019 for these claim types.
- 2024 seeing reductions in claim frequency and falling damage inflation.
- Settlement rates remain slower than in 2020 / 2021 H1.

Projections based on data as at 30 June 2024 for AD and TPPD and as at 31 December 2023 for TPI and make no allowance for any distortions in claim developments or experience due to COVID-19, whiplash reforms or recent economic inflationary environment other than that already within the claims data.

#### **Conclusions**

- UK motor claims trends have been considerably more uncertaint since 2020:
  - Initially the direct impacts of COVID-19 reduced claim frequency, but the pandemic also had wider effects changing commuting and driving patterns.
  - The Whiplash Reforms in 2021 were a significant change to the bodily injury claims environment.
  - Increased economic inflation at the end of 2021 and through 2022 and 2023 materially impacted damage inflation.
  - In 2024 the Judicial College Guidelines were increased by 22% and the Ogden Discount Rate was increased to 0.5% in Scotland and Northern Ireland, with a new rate due in England and Wales by January 2025.
- In 2024, some data suggests a more stable environment:
  - Changes in mileage have been reasonable small over the past three years.
  - The time of day of accidents is similar in 2022 and 2023.
  - Economic inflation has returned to close to long-term averages with Motor damage inflation following economic inflation down.
  - Road casualty data following long-term trends.
- Despite this there remain significant areas of volatility:
  - Reported frequency is down significantly in 2024 H1 (15% for AD, 9% for TPPD and 7% for TPI).
  - The impact of the Whiplash Reforms is still unclear at year end 2023 with significant changes in frequency by claim size as well as evolving settled severity within the OIC portal.
  - Injury claims inflation uncertain with Judicial College and Ogden changes as well as large injury frequency increasing to above pre pandemic levels.

#### **Contact Details**

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## Questions

## Comments

Expressions of individual views by members of the Institute and Faculty of Actuaries and its staff are encouraged.

The views expressed in this presentation are those of the presenter.



- 1. Market Environment
- 2. Industry Statistics
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# **Industry Statistics - AD**Projected AD Results HY2024

Projected Ultimate AD Results for Private Car Comprehensive

Accident Period	Earned Exposure	Ultimate AD Claim Frequency	Ultimate AD Gross Claim Severity	Ultimate AD Recovery Rate		Ultimate AD Net Burning Cost	Year-on-Year Change in Frequency	Year-on-Year Change in AD Gross Severity	Year-on-Year Change in AD Recovery Rate	Year-on-Year Change in AD Net Severity	Year-on-Year Change in AD Net Burning Cost
	(millions of vehicle years)	(Non-nil claims per million vehicle years)	(£)	%	<b>(£)</b>	<b>(£)</b>	(% pa)	(% pa)	(% pa)	(% pa)	(% pa)
2015	20.5	47,702	1,998	42.2%	1,154	55.1	0.3%	10.9%	-4.3%	14.6%	15.0%
2016	21.8	46,935	2,206	43.3%	•	58.7	-1.6%	10.4%		8.3%	
2017	22.4	44,366	2,424	44.0%	•	60.3	-5.5%	9.9%		8.6%	
2018	22.9	44,981	2,677	42.6%	1,537	69.2	1.4%	10.5%	-3.2%	13.2%	14.8%
2019	23.0	43,508	2,877	43.2%	1,633	71.1	-3.3%	7.4%	1.5%	6.2%	2.7%
2020	22.8	29,676	3,158	41.2%	1,857	55.1	-31.8%	9.8%	-4.7%	13.7%	-22.4%
2021	22.7	33,852	3,568	42.7%	2,045	69.2	14.1%	13.0%	3.6%	10.1%	25.6%
2022	22.4	39,683	4,286	43.5%	2,423	96.2	17.2%	20.1%	1.8%	18.5%	38.9%
2023	22.2	39,170	4,875	44.1%	2,726	106.8	-1.3%	13.7%	1.5%	12.5%	11.0%
2024 H1	11.4	34,566	5,229	44.3%	2,913	100.7	-11.8%	7.3%	0.5%	6.9%	-5.7%
Average (20	17 to 2024)						-3.5%	11.6%	0.1%	11.5%	7.6%
Average (20	19 to 2024)						-4.5%	12.7%	0.5%	12.3%	7.2%
Average (202	21 to 2024)						0.7%	13.6%	1.2%	12.5%	13.3%

Burning cost £107 in 2023, 50% higher than in 2019, but falling in 2024.

Inflation peaked at 18.5% in 2022 falling to 6.9% in 2024 H1.

 Note – No adjustments have been made for potential distortions / impact of COVID-19 or claims inflation on claims experience.

## **Industry Statistics - TPPD**

#### Projected TPPD Results HY2024

**Projected Ultimate TPPD Results for Private Car Comprehensive** 

Accident Period	Earned Exposure	Ultimate TPPD Claim Frequency	Ultimate TPPD Claim Severity	Ultimate TPPD Burning Cost	Year-on-Year Change in Frequency	Year-on-Year Change in Severity	Year-on-Year Change in Burning Cost
	(millions of vehicle years)	(Non-nil claims per million vehicle years)	<b>(£)</b>	(£)	(% pa)	(% pa)	(% pa)
2015	20.5	29,405	2,480	72.9	-1.1%	6.0%	4.8%
2016	21.8	28,991	2,678	77.6	-1.4%	8.0%	6.5%
2017	22.4	27,665	•	79.3	-4.6%	7.0%	2.19
2018	22.9	27,946		88.2	1.0%	10.2%	11.39
2019	23.0	27,494	•	90.9	-1.6%	4.7%	3.09
2020	22.8	17,545	3,662	64.3	-36.2%	10.8%	-29.3
2021	22.7	19,660	4,109	80.8	12.1%	12.2%	25.7
2022	22.4	22,397	4,818	107.0	13.9%	17.3%	33.6
2023	22.3	22,238	5,360	119.2	-0.7%	11.2%	10.59
2024 H1	11.7	20,237	5,880	119.0	-9.0%	9.7%	-0.29
verage (2017 to 2024)					-4.4%	10.8%	6.0
verage (2019 to 2024)					-5.9%	12.2%	5.59
verage (2021 to 2024)					1.0%	12.7%	13.89

TPPD burning cost level in 2024 H1

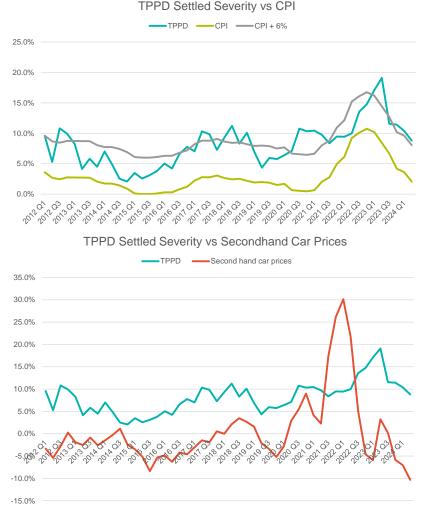
Inflation reducing from peak of 17% in 2023 and 2024

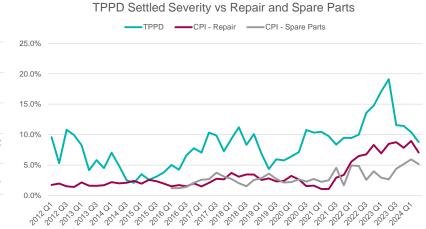
 Note – No adjustments have been made for potential distortions / impact of COVID-19 or claims inflation on claims experience.



#### **Industry Statistics - TPPD**

#### Settled Severity HY2024





#### Methodology

Take settled TPPD severity excluding nils by calendar quarter.

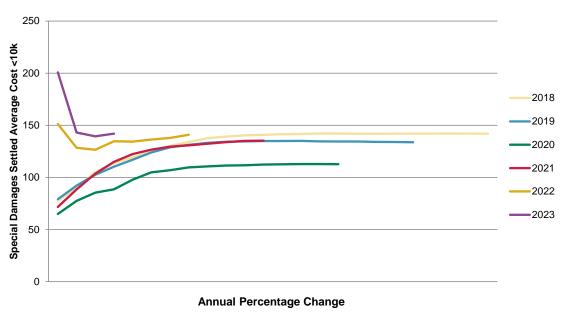
Compare accident quarter inflation rates (e.g. 2021 Q4 vs 2020 Q4) against CPI, 'Secondhand Car Prices – CPI', 'Repair – CPI Vehicle Transport and Repair' and 'CPI – Spare Parts'.

- TPPD settled severity inflation increased significantly in 2021 Q3, reaching a peak of 19% in 2023 Q2 before falling from this point.
- Correlations on a settlement basis are similar to those on an accident basis.

Correlation between claims inflation and economic indices								
Periods	СРІ	Secondhand car prices	Repair	Spare Parts				
2012-2016	65%	24%	-52%	89%				
2017-2020	3%	60%	-4%	-19%				
2021-2024 Q2	69%	-37%	48%	-35%				
2012-2024 Q2	74%	23%	62%	25%				

#### Heads of Damage <10k YE2023

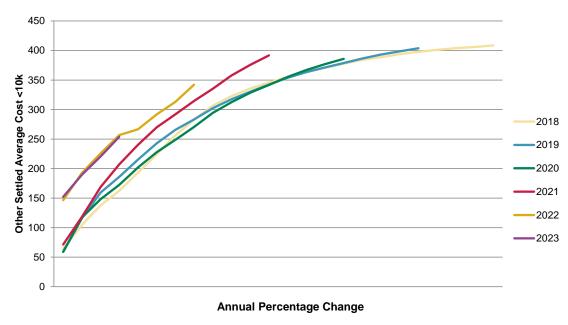
#### **Special Damages Settled Average Cost <10k**



22-23: 5.4% 21-22: 7.8% 20-21: 20.4% 19-20: -16.2% 18-19: -5.8% 17-18: -12.7% 16-17: -11.3%

Average special damages appear broadly unaffected by the Whiplash Reforms

#### Other Settled Average Cost <10k



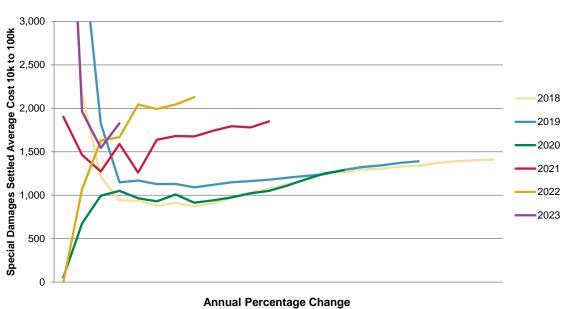
22-23: -1.1% 21-22: 8.7% 20-21: 14.7% 19-20: 1.9% 18-19: 1.5% 17-18: -2.9% 16-17: -2.6%

Average other costs appear to have increased post the reforms by around 25% or £100.

65

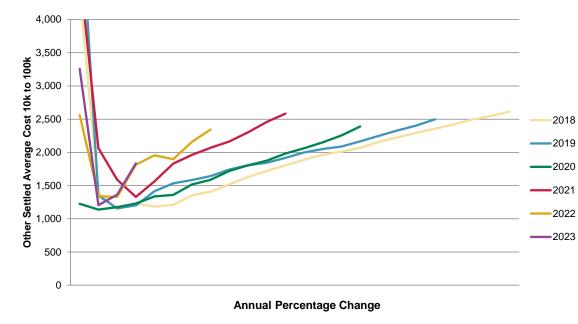
#### Heads of Damage 10k to 100k YE2023

#### Special Damages Settled Average Cost 10k to 100k



22-23: 9.6% 21-22: 26.9% 20-21: 76.2% 19-20: -0.3% 18-19: 3.9% 17-18: 5.1% 16-17: -1.9%

#### Other Settled Average Cost 10k to 100k



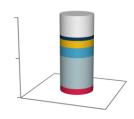
22-23: 1.1% 21-22: 13.3% 20-21: 30.3% 19-20: 10.4% 18-19: 6.1% 17-18: 5.9% 16-17: -1.1%

Both special damages and other average cost show significant increases post reforms. It's not clear how much of this is due to changing mix of claims as opposed to genuine inflation.

## KPIs by Layer – Type 1

Private Car ComprehensiveTPI Capped Results in Layer (all layers given in 2010 money, indexed at 1% pa)

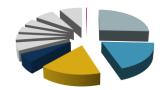
Accident Year	£0 - 1k	£1k - 5k	£5k - 10k	£10k - 20k	£20k - 50k	£50k - £100k
Frequency exc Nils (in layer and above)						
(claims per million vehicle years)						
2014	11,243	9,999	5,127	2,233	665	164
2015	10,607	9,406	4,651	1,935	571	155
2016	10,166	9,007	4,557	1,862	549	163
2017	9,127	8,036	3,963	1,611	489	148
2018	9,247	8,115	3,930	1,591	491	152
2019	9,216	7,999	3,786	1,562	496	154
2020	6,129	5,240	2,518	1,067	358	115
2021	5,595	4,335	1,959	883	364	132
2022	5,547	4,037	1,545	749	367	159
2023	5,234	3,819	1,335	702	366	168
Average Cost (£)						
2014	970	3,222	3,491	5,743	14,196	47,977
2015	977	3,222	3,451	5,767	15,002	51,205
2016	984	3,311	3,463	5,783	15,870	55,073
2017	990	3,328	3,493	5,868	16,200	60,804
2018	995	3,344	3,518	5,993	16,601	64,490
2019	996	3,338	3,585	6,162	16,669	67,249
2020	992	3,362	3,662	6,393	17,104	74,042
2021	958	3,149	3,732	7,096	18,911	82,259
2022	946	2,829	3,870	7,830	20,803	88,546
2023	967	2,748	4,122	8,255	21,381	97,986
Burning Cost (£)						
2014	10.9	32.2	17.9	12.8	9.4	7.8
2015	10.4	30.3	16.1	11.2	8.6	8.0
2016	10.0	29.8	15.8	10.8	8.7	9.0
2017	9.0	26.7	13.8	9.5	7.9	9.0
2018	9.2	27.1	13.8	9.5	8.2	9.8
2019	9.2	26.7	13.6	9.6	8.3	10.4
2020	6.1	17.6	9.2	6.8	6.1	8.5
2021	5.4	13.7	7.3	6.3	6.9	10.9
2022	5.2	11.4	6.0	5.9	7.6	14.1
2023	5.1	10.5	5.5	5.8	7.8	16.5



#### KPIs by Layer – Type 2



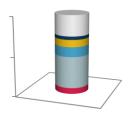
Accident Year	£0 - 1k	£1k - 5k	£5k - 10k	£10k - 20k	£20k - 50k	£50k to £100k
Frequency exc Nils						
(claims per million policy years)						
2014	1,245	4,871	2,894	1,568	501	102
2015	1,200	4,755	2,717	1,364	416	97
2016	1,159	4,450	2,695	1,313	386	104
2017	1,091	4,073	2,352	1,122	340	95
2018	1,132	4,185	2,339	1,100	339	102
2019	1,216	4,213	2,224	1,066	342	108
2020	889	2,722	1,451	709	243	80
2021	1,260	2,377	1,076	519	232	91
2022	1,509	2,492	796	382	208	109
2023	1,415	2,484	633	336	198	111
Average Cost (£)						
2014	401	3,272	7,372	14,173	29,456	81,160
2015	397	3,313	7,422	14,291	29,843	81,670
2016	381	3,415	7,496	14,378	30,374	84,824
2017	388	3,466	7,575	14,475	30,692	88,634
2018	361	3,500	7,643	14,663	31,157	92,586
2019	353	3,501	7,731	14,875	31,285	95,637
2020	325	3,489	7,816	15,091	31,592	99,463
2021	414	3,182	7,795	15,404	32,918	105,056
2022	463	2,916	7,845	15,792	33,413	107,531
2023	504	2,916	8,074	16,228	33,301	110,508
Burning Cost (£)						
2014	0.5	15.9	21.3	22.2	14.8	8.3
2015	0.5	15.8	20.2	19.5	12.4	7.9
2016	0.4	15.2	20.2	18.9	11.7	8.9
2017	0.4	14.1	17.8	16.2	10.4	8.4
2018	0.4	14.6	17.9	16.1	10.6	9.4
2019	0.4	14.8	17.2	15.9	10.7	10.3
2020	0.3	9.5	11.3	10.7	7.7	7.9
2021	0.5	7.6	8.4	8.0	7.6	9.5
2022	0.7	7.3	6.2	6.0	7.0	11.7
2023	0.7	7.2	5.1	5.4	6.6	12.3



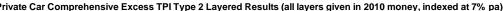
#### KPIs by Layer – Type 1

Private Car ComprehensiveTPI Capped Results in Layer (all layers given in 2010 money, indexed at 7% pa)

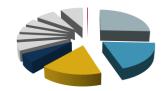
Accident Year	£100k - 250k	£250k - 500k	£500k - 1m	£1m - 2m	£2m to 5m	> £5m
Frequency exc Nils (in layer and above)						
(claims per million vehicle years)						
2014	61.7	26.1	13.5	7.0	4.3	1.1
2015	58.6	23.9	11.6	5.9	3.7	1.0
2016	58.1	24.3	12.2	7.4	4.3	1.3
2017	53.1	24.1	13.3	7.2	3.6	1.1
2018	49.9	21.3	10.7	5.6	2.8	1.0
2019	45.9	19.6	11.3	6.5	3.2	1.2
2020	35.3	15.9	9.0	5.5	3.1	1.0
2021	41.4	17.3	9.6	5.5	3.1	1.1
2022	50.5	20.7	11.3	6.9	4.2	1.3
2023	57.2	24.5	12.8	7.4	3.9	1.4
Average Cost (£000s)						
2014	127	234	470	989	2,367	4,949
2015	131	240	504	1,084	2,431	3,811
2016	137	256	585	1,108	2,455	5,325
2017	157	299	568	1,084	2,740	6,091
2018	160	304	586	1,237	2,873	3,855
2019	170	342	663	1,252	3,111	3,043
2020	191	358	753	1,391	3,429	4,316
2021	195	392	774	1,411	3,397	5,029
2022	205	407	850	1,592	2,759	2,977
2023	228	436	880	1,562	3,287	4,010
Burning Cost (£)						
2014	7.8	6.1	6.3	7.0	10.1	5.7
2015	7.6	5.8	5.9	6.4	8.9	3.9
2016	8.0	6.2	7.1	8.2	10.5	7.2
2017	8.3	7.2	7.6	7.8	9.8	6.9
2018	8.0	6.5	6.3	6.9	8.1	3.8
2019	7.8	6.7	7.5	8.1	10.1	3.8
2020	6.8	5.7	6.8	7.6	10.5	4.5
2021	8.1	6.8	7.5	7.8	10.7	5.3
2022	10.3	8.4	9.6	11.0	11.7	3.9
2023	13.0	10.7	11.2	11.6	12.8	5.7



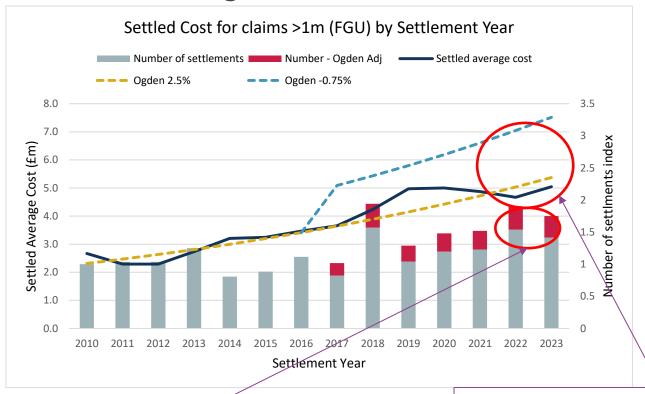
#### KPIs by Layer – Type 2



			ivate Car Comprehensive Excess TPI Type 2 Layered Results (all layers given in 2010 money, indexed at 7% pa)								
Accident Year	£100k - 250k	£250k - 500k	£500k - 1m	£1m - 2m	£2m to 5m	> £5m					
Frequency exc Nils (finishing in layer)											
(claims per million policy years)											
2014	35.6	12.6	6.4	2.8	3.1	1.1					
2015	34.6	12.3	5.7	2.3	2.6	1.0					
2016	33.9	12.1	4.8	3.1	2.9	1.3					
2017	29.0	10.8	6.1	3.6	2.4	1.1					
2018	28.6	10.5	5.2	2.7	1.8	1.0					
2019	26.3	8.3	4.8	3.2	2.0	1.2					
2020	19.4	6.9	3.5	2.4	2.0	1.0					
2021	24.0	7.7	4.1	2.4	2.1	1.1					
2022	29.8	9.4	4.4	2.7	2.9	1.3					
2023	32.6	11.8	5.4	3.5	2.5	1.4					
Average Cost (£000s)											
2014	207	462	922	1,800	4,416	11,503					
2015	216	486	1,000	1,974	4,546	10,824					
2016	224	511	1,078	2,069	4,518	12,828					
2017	248	574	1,097	2,172	4,993	14,120					
2018	258	606	1,153	2,461	5,093	12,446					
2019	275	642	1,234	2,505	5,299	12,235					
2020	303	675	1,379	2,624	6,084	14,152					
2021	319	749	1,457	2,593	6,141	15,553					
2022	338	783	1,537	2,805	5,448	14,238					
2023	369	857	1,636	3,037	5,848	16,059					
Burning Cost (£)											
2014	7.4	5.8	5.9	5.0	13.9	13.2					
2015	7.5	6.0	5.7	4.5	12.0	11.1					
2016	7.6	6.2	5.2	6.5	13.3	17.3					
2017	7.2	6.2	6.7	7.8	12.2	15.9					
2018	7.4	6.4	6.0	6.7	9.3	12.2					
2019	7.2	5.3	5.9	8.1	10.6	15.1					
2020	5.9	4.7	4.9	6.3	12.3	14.8					
2021	7.7	5.7	6.0	6.1	12.8	16.3					
2022	10.1	7.3	6.7	7.5	15.9	18.8					
2023	12.0	10.1	8.8	10.7	14.4	22.7					



#### Settled average cost



- The graph shows the settled average cost of claims greater than £1m by settlement year.
- The estimated Ogden uplift to severity is 40% (from last year's study). This allows for the fact that at Ogden -0.75% there are more claims above £1m than at Ogden 2.5%.
- The red bars are the proportion of additional claims due to the change in Ogden rate to -0.75%.

Level of settlements in 2023 lower than for 2022.

Actual settled severity in 2023 is 8% higher than in 2022.

