



Rt Hon David Gauke MP
 Lord Chancellor and Secretary of State for Justice
 Ministry of Justice
 102 Petty France, London,
 SW1H 9AJ

March 2018

Dear Lord Chancellor

As leaders of some of the largest insurance companies in the United Kingdom, we are writing today about the cost of motor and liability insurance. Across the industry as a whole, the Association of British Insurers' premium tracker demonstrates the highest ever level of motor premiums. Similarly, for SMEs, the cost of insurance continues to be impacted by the change in the Discount Rate and an unreformed small claims track. We wish to see premiums return to a more affordable level, supporting millions of motorists and small business owners. Taken together, our firms represent 86% of the ABI's members' UK motor and liability insurance business.

The Government's plans to address the persistent and significant cost of exaggerated low value personal injury claims are welcome. The cost and number of low value personal injury claims remain too high, despite the initial positive impact of earlier reforms which led to over £1.2 billion of cost savings being passed on to customers in the form of lower premiums. The measures contained within the Civil Liability Bill, along with the rise in the small claims track and tighter regulation of Claims Management Companies, should lead to more cost savings for customers if implemented in full.

The significant change in the Discount Rate last year means that we now have one of the most expensive regimes for catastrophic injury compensation in the world. Recently the leaders of seven NHS organisations (including the NHS Confederation, the Academy of Medical Royal Colleges, the BMA, the Family Doctors Association and medical defence organisations) wrote to you demanding urgent action to bring forward the legislation necessary to reform the personal injury Discount Rate. Both the public sector and the private sector are calling for swift action by Government to reform the current framework, which is no longer fit for the modern world.

We remain committed to the principle of 100% compensation for victims of catastrophic injury but we also want to see a modernised framework that is fair for everyone who buys insurance. If the Government's proposed changes are implemented, we believe this will deliver on this principle. Serious injury claimants will still benefit from one of the most generous compensation systems in the world and one which would be roughly fifty per cent more generous than it was just over a year ago. Those who wish to will still be able get permanent annual payments, such as

PPOs, and young victims with long life expectancy would nearly always be advised to do this. The size of these payments is not affected by the Discount Rate.

Subject to any commercial responses made when the Government stated its intention to change the framework, the Government's reforms for setting the personal injury Discount Rate may also assist individual companies in relieving some of the future cost pressures on motor and liability insurance for ordinary customers.

In the UK's fiercely competitive insurance market, each individual insurer will continue to make their own independent decisions on pricing in order to remain competitive. Indeed, such independent decision-making is a requirement of applicable competition law.

However, the signatories to this letter today publicly commit to passing on to customers cost benefits arising from Government action to tackle the extent of exaggerated low value personal injury claims and reform to the personal injury Discount Rate.

We are sending a copy of this letter to the Chancellor of the Exchequer.

Yours sincerely

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Admiral Group Plc

Andy Watson,
CEO
Ageas UK

Mike Swanborough
CEO, Aioi Nissay
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Jon Dye,
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