ABI
Association of British Insurers
One America Square, 17 Crosswall,
London EC3N 2LB
T: 020 7600 3333 | **abi.org.uk**

Huw Evans
Director General

Direct Tel. 020 7216 7401
Huw.Evans@abi.org.uk

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

Dear Lord Chancellor,

On behalf of the insurance industry, I am writing to object in the strongest possible terms to the misleading and wholly disingenuous Impact Assessment (IA) issued to Parliament this week in relation to your decision on a new Personal Injury Discount Rate (PIDR).

The Impact Assessment completely misrepresents insurance market pricing and reserving in response to the setting of the previous minus 0.75% rate and omits to mention Ministerial decisions since 2017 designed to ensure that the minus 0.75% rate was not widely adopted. I am very surprised indeed you chose to sign such a flawed document. In particular:

- No mention is made of the Ministry of Justice's guidance to the Stock Market in September 2017 that it expected a new rate to be set at between 0-1%. This is a material fact because - as is a matter of public record - many large insurance companies used this guidance for their reserving and pricing decisions from this point on, enabling insurance premiums to fall during the passage of the Civil Liability Act and ahead of the setting of a new rate. **No subsequent guidance has been issued to the Stock Market since then.**

- There is also no mention of the earlier statement in February 2017 by the Chancellor of the Exchequer in which he announced the Government's intention to swiftly review the framework that had led to the setting of the minus 0.75% rate by one of your predecessors. This public statement had the desired effect of ensuring that lawyers did not adopt the minus 0.75% rate in practice. This intervention was widely reported upon at the time, including on the front page of several national newspapers, and its likely impact commented upon.

- As a result of the two Government interventions above, motor premiums have fallen since Q1 2018. The majority of personal injury cases, as the Government intended, have been settled at a rate between 0% and 1% enabling motor premiums across the market to stabilise in 2017 and then fall in 2018.

It is therefore wholly inappropriate that the IA issued to Parliament repeatedly compares the new PIDR of minus 0.25% to the previous rate of minus 0.75% and estimates a 'saving' to insurers of £230 to £320 million. Your department can be in no doubt this is not an accurate reflection of the current market situation because it has worked hard with HM Treasury over the last 2.5 years to ensure it never became so. **No such saving exists to be passed onto customers**. I would urge you to submit an accurate and more balanced IA to Parliament

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before the new Statutory Instrument comes into force on August 5th. Such an IA should reflect the reality of the impact of your decision with full reference to the Government's material signals to the market in February and September 2017. For the avoidance of doubt, this request is irrespective of consideration of any other errors in the decision-making process leading to the setting of the new rate, which we are currently reviewing.

I am copying this letter to the Chair of the Joint Committee on Statutory Instruments, Chairman of the Secondary Legislation Scrutiny Committee and the Chairs of the Justice and Treasury Select Committees as well as putting it in the public domain.

Yours,

Huw Evans

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