Financial Services Forum

Scoring Goals in a Changing World

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SYNOPSIS

IMPACT OF LEGAL ACTIVITY ON GROUP TPD CLAIMS (INSIGHTS FROM INJURY SCHEMES)

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Purpose of your paper: To examine the impact of litigation and legal activity as a driver of the surge in claims activity in the TPD Insurance market.

This paper explores the adverse claims experience of Group TPD insurance portfolios and draws some insights from General Insurance Injury Schemes and their experience with the legal challenges driving claims activity.

We set out possible courses of action for Group TPD insurers to assist in reserving and also to assist in potentially mitigating the surge in claims for this class of business.

Synopsis: There has been concern over the increasing number of legal challenges on Group TPD claims. We discuss the cost and impact of common law claims in General Insurance Injury Schemes, and extrapolate this to potential impacts on Group TPD claims

Over the last twenty years, the General Insurance industry has experienced varying degrees of legal activity in Workers Compensation Schemes. This has resulted in difficulties in setting outstanding claims reserves, understanding underlying trends based upon the actual data collected and, ultimately solvency issues.

Some of the areas explored include:

- data collection,
- examples of various periods of time when adverse claims experience was caused by increased legal activity,
- how the medical profession interacts with the legal profession exacerbating adverse claims experience,
- product design options to mitigate risk ,
- fraudulent claims, and
- how actuaries can assist Group TPD insurers.