

**Injury  
Schemes  
Seminar**



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Hilton • Adelaide



**Actuaries  
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## **The Magic Pudding – Another Spoonful**

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### Abstract

At ISS 2011, Geoff Atkins and Jamie Reid presented 'The Magic Pudding – UK Motor Insurance'. The paper described the distressed state of the motor vehicle insurance market in the UK, particularly with respect to bodily injury claims. It also explored the UK government responses, lessons learned and their application to relevant Australian CTP jurisdictions.

Four years on, this paper updates the position in the UK, where a string of 'reforms' regarding legal costs, banning referral fees, medical reports and the like have been enacted. Insurers too have upgraded their fraud protection and detection efforts.

We see in the paper that the ecosystem that we described as 'the Magic Pudding' has been very resilient. The emerging evidence is that the ecosystem has been very adaptive and the motor insurance market is still far from stable.

Turning to Australian CTP jurisdictions, we take a look at recent changes to NSW legal fee regulation which also bans referral fees and aims to promote disclosure and transparency of legal costs.

Finally, the paper takes a further look at claims fraud, including 'claim farming', which is still an area of focus in the UK, but is now also of keen interest for Australian regulators and insurers.

Throughout the paper we try to identify and reiterate the lessons that can be learned by Australian jurisdictions.



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## 1. The Magic Pudding regurgitated

### 1.1. A synopsis

In 2011, Geoff Atkins and Jamie Reid wrote 'The Magic Pudding – UK Motor Insurance' describing the controversial motor vehicle insurance market in the UK, particularly with respect to bodily injury claims.

Four years on, what have been the main developments?

The nature and seriousness of the problem has been well recognised in government. The responses from government have included a string of reforms outlined in this paper.

Despite all the reforms, those feasting on the Magic Pudding still seem to be doing very nicely. There was a significant reduction in both the number and cost of bodily injury claims in 2013 when a serious package of legislative reforms was passed. Nevertheless the data prepared by the IoFA working party shows the number of claims growing again in 2014, leading some to ask whether the reforms will lead to sustainable improvements.

### 1.2. The Magic Pudding (of insurance premiums)

For those too young to know, 'The Magic Pudding' is a classic Australian children's yarn that tells of a magic pudding which, no matter how often it is eaten, always reforms in order to be eaten again.<sup>1</sup>

In the first decade of the new millennium, the UK insurance market resembled a magic pudding characterised by:

- **Claims management companies (CMCs)** engaged by claimants to deal on their behalf with insurance companies, including arranging for legal services. As at March 2011 there were over 3,000 companies authorised to assist with motor accident claims in the UK. Despite being regulated since 2007, CMCs continued to attract criticism for engaging in 'misleading marketing, high pressure selling, unfair contracts, poor customer service, outright scams and fraud.'<sup>2</sup>
- **Personal Injury Lawyer market** featuring 'no win, no fee' arrangements that are different to those in Australia. Conditional Fee Agreements (CFAs)

<sup>1</sup> Norman Lindsay, 'The Magic Pudding: Being the Adventures of Bunyip Bluegum and his friends Bill Barnacle and Sam Sawnoff'

<sup>2</sup> Minister J Djanogly, Claims Management Regulation Annual Report 2009, Department of Justice

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incorporate success fees payable to the solicitor if the claim succeeds, which were fully recoverable from the losing party (the insurance company).

- **After the event insurance (ATE)** covering the claimant's legal expenses if the legal action was unsuccessful. However, if the action was successful, the premium (typically not payable until the end of the action) could also be recovered from the insurance company. The combination of CFAs with success fees of 100% of costs, ATE insurance and third party funding of the above had created 'super claimants'<sup>3</sup> who had minimal costs exposure and who were able to pressure insurance companies to settle early.
- **Credit hire companies** proliferated, offering 'like for like' replacement vehicles, co-ordinating repair works and recovering any costs from the at-fault driver's insurer.
- **Referral network** – CMCs and lawyers would be referred details of an accident and those injured for a fee of up to several hundred pounds. Claimants' details could be referred by tow-truck companies, police officers, paramedics, car hire companies, insurance brokers, aggregators and even insurers ('if you can't beat them, join them').
- **Whiplash claims and fraud.** Whiplash is a term used to describe injuries to the neck or spine following a sudden strain, for example, in a rear-end collision. Three quarters of all UK personal injury claims are for whiplash and the insurance industry submits that a sizeable portion is fraudulent. As at 2011, the Insurance Fraud Bureau (IFB) estimated that 30,000 crashes were staged each year, with each claim averaging about £17,000. Types of insurance scams identified by the Association of British Insurers (ABI) include:
  - Phantom passengers or fake 'add on' passengers
  - 'Crash for cash' – deliberate or staged road traffic collision solely for the purpose of financial gain
  - Exaggerated claims – exaggeration of injuries and disabilities accompanied by inflated or wholly fictitious claims for damages.

It was clear that pretty much everybody involved was having a piece of the magic pudding, sometimes quite a generous piece.

### 1.3. The cost of the pudding

Insurance premiums rose significantly from the late 1990s through to 2011. For example, the average premium increased by 40% just in the one year to March 2011 after insurers realised just how bad things were.

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<sup>3</sup> In the words of Lord Justice Jackson in his report 'Review of Civil Litigation Costs' 2010

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The UK motor insurance industry had been unprofitable over a long period (since 1994) with the cost of bodily injury claims increasing in some years at around 30% per annum. Cost pressures came both from increasing claim size and increasing frequency (particularly whiplash claims). This was despite the number of UK motor accidents reducing in recent years due to improved vehicle and road safety.

As a consequence of high and escalating premiums, many drivers in the UK (especially the young) chose not to insure (even though motor insurance is compulsory), adding a further £30 per annum to the average motor premium to fund the nominal defendant.

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## 2. How can you have any pudding if you don't eat your meat?<sup>4</sup>

# or what the UK Government and the insurance industry did to try to fix the problems

### 2.1. Jackson Review

Lord Justice Jackson's 2010 comprehensive report pertaining to the 'Review of Civil Litigation Costs' concluded that legal costs were often disproportionately high, thereby impeding access to justice. The report recommended:

- Banning referral fees
- Abolishing the recoverability of success fees and ATE premiums
- Increasing general damages awards by 10%
- Introducing fixed legal costs for fast track cases worth up to £25,000
- Promoting 'Before the Event' legal expense insurance.

### 2.2. Government response

#### *The legal market*

UK personal injury legal services have seen significant regulatory and legislative change since 1999:

- Between 1999 and 2004, the Access to Justice Act expanded the use of CFAs and allowed lawyers to widely advertise; from 2004 solicitors could pay for claim referrals
- In 2011, solicitors were able to set up businesses directly with insurers or claims managers.

#### **LASPO**

Adopting many of the Jackson recommendations, the 2012 *Legal Aid, Sentencing and Punishment of Offenders (LASPO) Act* (in effect from 1 April 2013) repealed many previous liberalisation reforms:

- Reduced the scope of CFAs
  - ended the recoverability of success fees and ATE insurance from the losing party
  - success fees have to be taken from damages, rather than recoverable from the losing party and are capped at 25% (as opposed to the 100% loading that lawyers were charging)
- Banned the use of referral fees – the Jackson report concluded that 'referral fees add to the costs of litigation, without adding any real value to it'

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<sup>4</sup>Pink Floyd, 'Another Brick in the Wall'



- Introduced a reduced fixed fee (from £1,200 to £500) for solicitors' services processing basic uncontested claims of low-value up to £25,000
- Introduced a new regime of 'qualified one way costs shifting' (QOCS) in personal injury cases. 'Honest' claimants who lose their case are protected from having to pay the insurer's legal costs

### **More recent reform**

There have been further government reforms which have targeted CMCs:

- Tougher rules for CMCs to ensure that claims are properly substantiated before being pursued and any data they receive through telemarketing is legally obtained (October 2014)
- Enabling the fining of CMCs which breach Claims Management Regulation rules (December 2014)

A tougher line on dishonest claiming is reflected in provisions in the *Criminal Justice and Courts Act 2015*:

- Allowing courts to strike out claims where there has been fundamental dishonesty by the claimant in personal injury cases
- Banning legal service providers from offering inducements to potential personal injury clients – to address concerns that some firms were offering 'free iPads', thereby encouraging trivial and unmeritorious claims.

Currently, the focus is on dealing with whiplash claims, which have increased at a time when motor accident rates are falling:

- A fixed £180 fee for an initial medical report in whiplash claims (October 2014)
- Banning experts who provide treatment to an injured claimant from writing the medical report in whiplash claims (October 2014)
- Requiring that medical reports for whiplash claims will have to be verified by a medical professional who has been randomly allocated to the case through the MedCo IT portal (April 2015)
- Introducing a robust accreditation scheme for medical professionals registered with MedCo (from January 2016).<sup>5</sup>

The latest reforms are too recent for their effects to be discerned, however the earlier changes do appear to have had some material impact, which is discussed in the section below.

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<sup>5</sup> Insurance Fraud Taskforce, interim report, March 2015





### 2.3. Insurance industry initiatives

The UK insurance industry has been active in lobbying the government to address what it labels the UK's 'compensation culture'. It has also engaged in fraud prevention and mitigation strategies while promoting better data collection and exchange with other insurers and agencies. These include:

- Industry-funded Insurance Fraud Enforcement Department (IFED) of the City of London Police was established in 2012
  - As at February 2015, IFED had made 645 arrests, secured 193 police cautions and 114 convictions
  - At any given time, IFED has between £20-£35m of fraud under investigation
- Industry has established a number of data sources to combat fraud, whilst ensuring privacy, protection and safe sharing of data e.g.:
  - Insurance Fraud Register (IFR) – register of known insurance fraudsters across all insurance product lines
  - Claims and Underwriting Exchange (CUE) – central database of motor, home and personal injury/industrial illness incidents reported to insurance companies and self-insured organisations such as local authorities. It was established in 1994 to prevent multiple claims fraud and the misrepresentation of claims histories.
    - Working with lawyer representatives to finalise arrangements for 'askCUEPI' system
    - Under 2015 Civil Procedure Rules changes, claimant lawyers will be required to undertake a search using askCUEPI before filing a soft tissue claim
  - Motor Insurers Ant-Fraud and Theft Register (MIAFTR) – database of vehicles which have been stolen or damaged beyond economic repair
  - Motor Insurance Database (MID) – database containing insurance records for 38 million motorists
  - MyLicence – joint initiative between insurance industry, Driver Vehicle and Licencing Authority (DVLA) and the Department of Transport which provides the industry with access to DVLA driver data (including convictions) and can be used at point of quote, mid-term adjustments and at renewal.

Insurance industry also makes use of wider initiatives such as the National Fraud Intelligence Bureau (NFIB), the UK's current fraud detection hub, operated by City of London Police.



### 3. The proof of the pudding is in the eating

*#or what has been the impact of some of these reforms*

#### 3.1. Claims frequency and severity

The LASPO reforms commencing in 2013 had a significant impact on third party personal injury (TPI) claims. The combined impact of the ban on referral fees and cash incentives, as well as the reduced costs payable led to marked reductions in frequency and severity as shown below:<sup>6</sup>

#### Change in reported TPI claim frequency (excluding nil claims) at latest development

PERIOD	CHANGE IN FREQUENCY
2006-07	4.5%
2007-08	4.8%
2008-09	8.0%
2009-10	4.5%
2010-11	-0.6%
2011-12	0.2%
<b>2012-13</b>	<b>-9.9%</b>
2013-14	1.7%
<i>Average (2006-14)</i>	<i>1.5%</i>

The substantial reduction in 2013 has been largely attributed to the LASPO reforms, however, the increase in frequency in 2014 has some concerned about whether the impacts will be sustained.

#### Change in reported TPI claim severity (excluding nil claims) at latest development

PERIOD	CHANGE IN INCURRED SEVERITY
2006-07	2.0%
2007-08	5.7%
2008-09	7.8%
2009-10	-0.7%
2010-11	1.1%
2011-12	-0.9%
<b>2012-13</b>	<b>-7.3%</b>
2013-14	-2.0%
<i>Average (2006-14)</i>	<i>0.6%</i>

<sup>6</sup> Institute and Faculty of Actuaries, 2015 Report on third party motor claims



The significant reduction in small claims severity post 2013 is attributed to LASPO, most notably the reduction in legal fees. However, we are cautioned that 'development patterns have fundamentally changed and ultimate costs may defy initial expectations.'<sup>7</sup>

The impact on premium has been marked – after rising significantly during 2010 as a consequence of increasing claim costs, premiums began to fall and were 10% lower by March 2013. The following year saw a 19% reduction in premiums across the industry.<sup>8</sup> However, frequency and costs are on the rise again, which is partly attributed to the action of CMCs – regions (such as Liverpool) where there were large numbers of CMCs continue to have higher proportions of personal injury claims.

### 3.2. Claims management companies

The LASPO changes led to a significant reduction in the number of authorised CMCs as can be seen in the table below:<sup>9</sup>

YEAR (Q1)	NUMBER OF PI CMCs	PERIOD (Dec – Nov)	TURNOVER
2011	2,553	2009-10	£377m
2012	2,435	2010-11	£455m
2013	1,902	2011-12	£354m
2014	1,125	2012-13	£238m
2015	979	2013-14	£310m

Interestingly, the market appears to be stabilising and turnover increased over 2014/15 by 30%, following prior year reductions. It has been suggested that this is due to *recent increased volumes of TPI claims*, increasing market share of the large CMCs and the return of smaller CMCs with LASPO-compliant business models.<sup>10</sup>

### 3.3. Personal injury lawyer market and referral fees

The introduction of Alternative Business Structures (ABS) in 2011 allowed solicitors to set up business with insurers or CMCs. As a result, the enforcement of the ban on referral fees has been rendered somewhat illusory as solicitors have acquired CMCs or employ claim farmers<sup>11</sup> directly. Moreover, CMCs have lawyers working inhouse.<sup>12</sup>

<sup>7</sup> Ibid

<sup>8</sup> Confused.com Car Insurance Price Index in association with Towers Watson

<sup>9</sup> Claims management regulator, Annual reports, UK government, reproduced in IFoA, ibid 2015

<sup>10</sup> Ibid

<sup>11</sup> <http://www.lawgazette.co.uk/practice/the-spirit-of-the-referral-fee-ban-it-doesnt-exist/5038640.fullarticle>

<sup>12</sup> <http://www.macfarlanes.com/media/1541/abss-and-the-ban-on-referral-fees-an-investment-opportunity.pdf>



Anecdotally, law firms disguise referral fees and the fact that such fees do not attract criminal sanction also waters down the ban. Of course the reduction in legal fees has partly mitigated these problems.

Despite the LASPO reforms, it appears that legal firms have changed their business models and are targeting claimants with minor whiplash injuries through aggressive marketing tactics. Aviva, one of the larger players in the market has recently reported that 96% of personal injury claims it received in 2014 came from CMCs and solicitors.<sup>13</sup>

### 3.4. Whiplash and fraud

#### **Whiplash**

According to research conducted by AA Insurance, two thirds of motorists had been cold-called by CMCs in 2014.

One in three received more than 10 calls reflecting the sharp increase in the number of claims for whiplash and other minor injuries, the research found.<sup>14</sup> Despite the recent legislative reform, and some early positive indications, there are clear signs that the practice of claim farming and encouraging minor, often spurious claims continues unabated.

Whiplash/soft tissue claims account for about 80% of all personal injury actions in the UK, which is significantly greater than the rest of Europe. As an example, in France, only 3% of motor personal injury claims are for whiplash/soft tissue injuries. Several features of the motor insurance system in France seem to filter out whiplash claims, reducing the opportunity for lawyers to get involved and keeping compensation 'in check'. The UK has sought to replicate a few of these features, in particular, more rigorous medical processes involving specialist medical accreditation and the requirement that there be physical evidence of whiplash as a pre-requisite to compensation.

#### **Fraud**

Progress in enabling insurers and claimant solicitors to share data about potentially fraudulent claims has been slow in the UK. A key impediment is that data sharing is not compulsory, so arguably, only the most reputable firms get involved.

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<sup>13</sup> Frontier economics, report for Aviva, 'Motor insurance compensation systems with a focus on whiplash and soft tissue injuries'

<sup>14</sup> <http://www.express.co.uk/finance/personalfinance/567069/Five-minute-guide-rise-motor-injury-payouts>



Furthermore, although the IFED has had some noteworthy successes in the formative years, there remains the question of its sustainability, so some level of Government oversight for funding arrangements may be called for.<sup>15</sup>

With greater scrutiny applying to medical reports for whiplash claims, evidence of new forms of potentially dishonest practice appears to be emerging. Interestingly but not surprisingly, (and consistent with some other common law jurisdictions) solicitors are instructing additional medical reports on psychological harm arising from road traffic accidents.<sup>16</sup>

### 3.5. Reform impact key findings

- The 2013 LASPO reform had a significant impact on third party injury claims with reductions in claims frequency, the number of claimants per claim and in the average cost per claim
- The long-term impact of legislative and regulatory changes remains uncertain:
  - 2% reduction in average incurred cost continued in 2014
  - On a settled basis, average costs increased by 3% in 2014, compared to the significant reduction by 15% in 2013, post LASPO
- Third party personal injury claim frequency increased by 1.7%, reversing the prior year reduction of almost 10%.<sup>17</sup>

It will be interesting to see whether the immediate reduction in frequency and average size represented something of a honeymoon period. As is evidenced by the rebound in CMCs turnover figures, the main players may have simply adapted their business models to suit the new environment. The need to put a lid on the 'compensation culture' has meant that the UK government has had to devise more and more regulatory instruments in a previously laissez faire market. Time will tell whether the latest efforts to curtail frivolous claiming have the desired effect.

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<sup>15</sup> House of Commons Transport Committee, 'Driving premiums down: fraud and the cost of motor insurance', First Report of Session 2014-15

<sup>16</sup> Ibid

<sup>17</sup> IFoA, ibid



#### 4. A head like a boarding house pudding

*#An Australian slang, meaning 'it's ugly mate'. So if the UK isn't pretty, what are the lessons for us?*

##### 4.1. Lessons for Australia – claim farming

As mentioned earlier in this paper, claim farming is the practice of third party intermediaries encouraging people to make insurance claims and who refer or sell these claims on to a lawyer or claims management company.

Although referral fees were banned in the UK in 2013, this paper has noted that nuisance phone calls, text messages and unsolicited approaches from companies encouraging people to take legal action for compensation continue.

In Australia, there have been recent reports of call scams operating within the CTP industry. CTP regulators have issued warnings in respect of:

- Members of the public being 'cold called' and asked to provide or confirm personal information about their involvement in a motor vehicle accident
- Callers fraudulently telling motorists that they are owed money for motor accident claims and asking for bank account details
- Callers falsely associating themselves with government agencies, legal firms and insurance companies
- Callers encouraging motorists to lodge fraudulent claims with CTP insurers.

As in the UK, the concern is that claim farming will add to transaction costs, encourage unmeritorious claims and ultimately increase premiums for all motorists.

Although there are no industry statistics to indicate how widespread the problem may be, the increase in claim frequency in NSW may be at least partly related to such activities.

Responding to concerns about claim farming and referral networks, the *Motor Accidents Compensation Regulation 2015* (NSW) banned referral fees for CTP claims.

#### **Lesson #1 The test of the effectiveness of any regulation is in its enforcement.**

Although the ban on referral fees and the regulation of CMCs in the UK has had some success in reducing claim frequency, this appears to be weakening in recent periods with firms creating alternative business structures and operating models. Another problem (anecdotally) both in the UK and Australia is that some of the claim



farming companies operate from overseas jurisdictions, making enforcement all the more difficult.

#### 4.2. Access to justice can have a downside

The period from 1999 to 2011 in the UK was characterised by the liberalisation of the legal services market essentially allowing greater advertising, referral fees, expansion of conditional fee agreements and alternative business structures.

There is a strong view held by many in the insurance industry that regulatory and legislative liberalisation may have led to 'too much' access to justice, especially regarding motor claims. The theory is that because it became easy for individuals to make claims, a 'compensation culture' developed and there was an increase in fraudulent claims.<sup>18</sup>

In Australia, the Productivity Commission draft report on Access to Justice Arrangements<sup>19</sup> recommended that the prohibition on 'damages-based' billing (where the lawyer receives an agreed share of the amount recovered by the client), be removed for most civil matters. Based on the experience in the UK (and elsewhere), Australian regulators would need to be wary about the impact of unfettered damages-based billing and at the very least, impose strict caps and mandatory disclosure requirements.

**Lesson #2 A laissez faire approach to the personal injury services market on the grounds of increased access to justice can have unintended and undesirable consequences. There needs to be a tailoring of regulation to individual markets, and sometimes, to the types of claims.**

#### 4.3. Incentives matter – the role of behavioural economics

The UK experience shows us (such as the extensive referral networks that existed), that players in any scheme will try to maximise the financial gains that they can extract, if the system allows them to do so. In some instances, they will try even if the system does not allow it. Ultimately, the costs that are incurred in rewarding the players will have to be passed on to the consumer. In the UK, there was essentially no downside to referring a case, taking the matter on, providing adjunct services such as credit hire and ATE insurance as the costs were ultimately paid for by the losing party, that is, almost always by the insurance company.

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<sup>18</sup> London Economics, 'Access to Justice: Learning from long term experiences in the personal injury legal services market', 2014

<sup>19</sup> April 2014



The magic pudding analogy is apt in that the UK exhibits the characteristics of:

*'a highly dysfunctional market in which the pursuit of profit by the different firms involved has led to higher prices for consumers and, in some cases, business practices which are not in the consumer interest...the business models of firms in this area have, inadvertently, encouraged criminal activity. There is no clearer example of this than insurance firms' willingness to pay compensation for whiplash claims which they suspect are fraudulent without requiring the claimant to undergo a medical examination.'* (My emphasis)<sup>20</sup>

There are two salutary lessons here:

### **Lesson #3 Always back the horse named self-interest (and follow the money)**

**Lesson #4 Take the bigger picture view. As in the UK, we often hear in Australia that insurers find it 'too hard' and costly to properly investigate suspect claims, preferring to commercially resolve them early by settlement. This can create adverse and unintended consequences – rendering the organisation and industry vulnerable to fraudsters.**

#### **4.4. Don't just focus on the players – look at the rules of the game and also the prize**

Another key lesson from the UK is that a focus by regulators merely upon scheme participants and the process will be inadequate to address run-away costs and claim frequency. The UK experience tells us that although various costs pertaining to their scheme have been tackled (such as legal costs), not much has been done by way of addressing other heads of damage. Of particular interest is that general damages were actually increased by 10% following the Jackson review in 2010.

In a situation where there is effectively no injury severity hurdle to access damages, it is no wonder that whiplash claims have again continued to grow, despite a reduction in the 2013 period.

**Lesson #5 The compensation system must be looked at holistically – all facets, including benefit design must be addressed in order to ensure that it works well as an (eco)-system.**

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<sup>20</sup> House of Commons Transport Committee, Ibid





#### **4.5. It's not just the lawyers you have to watch – doctors have a big role to play in personal injury scheme outcomes**

Justifiably, the initial tranches of reform in the UK market targeted solicitors and CMCs. As detailed above, the reforms did appear to have the desired effect, although it has recently become evident that claim frequency (particularly for whiplash injury) is increasing again. The latest round of reform is therefore aimed also at the medical profession.

From April 2015 the new medical reporting panel called MedCo requires claimants to see an independent doctor, rather than one chosen by their solicitor, in the hope of deterring people who are not genuinely injured. Insurers have welcomed this stating that, 'the panel should provide better quality medical evidence to help insurers set compensation and break the financial links between medical consultants and claims firms.'<sup>21</sup>

In an adversarial-type compensation scheme that is characterised by duelling doctors, treating practitioners can sometimes abandon evidence-based medicine to become patient or claimant advocates. Moreover, 'hired-gun' experts appointed by claimant lawyers and insurers can create enormous friction in a scheme. Accordingly, a high degree of rigour and independence ought to be applied by suitably trained and accredited practitioners in order to assess a claimant's injury and disabilities.

**Lesson #6 Even in a common law based, adversarial scheme, some degree of regulation, training and accreditation of medical experts is desirable.**

#### **4.6. To tackle fraud, insurers cannot go it alone**

Tackling fraud is an area that requires a co-ordinated and co-operative effort on the part of the insurers. In the UK, the industry estimates it spends in excess of £200m per year tackling it.<sup>22</sup> The industry realised that data and intelligence sharing was critical in order to avoid duplication and to get better at preventing, detecting and prosecuting fraud.

**Lesson #7 Data and intelligence sharing between insurers is critical in order to prevent and detect fraud (ensuring that privacy obligations are met). Sometimes regulators may need to get involved to ensure that such disclosure and sharing is mandatory so that potential fraudsters do not target the weak links.**

<sup>21</sup> D Barnes, Zurich, quoted in The Express, 'Backlash on fake claims: Five-minute guide to the rise in motor injury payouts', 29 March 2015

<sup>22</sup> Insurance Fraud Taskforce, Ibid



### 5. The last slice (concluding remarks)

Problems in UK motor were first called out more than five years ago. A whole series of reforms has ensured, some more successful than others. Despite all the activity, it seems to be impossible for the UK to put the genie back in the bottle.

Australia maintains strong links with the UK. Just as good business ideas are copied quickly, so are the money-making models of the unscrupulous.

Is there more claim farming happening here than we might like to think? We wonder how many people have had a call asking about that car accident they were in?

Who is paying and receiving referral fees in some of the Australian schemes? Legal advertising has certainly been on the increase. Could fraud be on the increase also?

As we pointed out in the 2011 paper, Australian jurisdictions have many advantages over the UK meaning that they are less vulnerable to a Magic Pudding eco-system. Nonetheless, we should not be complacent.



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