

Questions from the Association of British Insurers on the template for provision of information required under the Civil Liability Act 2018 (the Act).

The following questions/comments were provided by the Association of British Insurers (ABI) after reviewing a draft of the template and subsequent engagement. An FCA response is provided to each question/comment following further engagement with the ABI and some of its members.

These form the frequently asked questions (FAQs) document, which should be read alongside the basis of preparation. This document will be updated when we provide answers to any new questions not covered below.

FAQs

A) Where there are several claimants (injured parties) under a single claim event, should these be recorded as separate claims for the purposes of these definitions? It is worth clarifying if "claim" = incident (with potentially multiple claimants); or = claimant.

FCA response: The words claim, and incident are interchangeable for the purposes of this data provision exercise.

B) Question 2a and f / 4a and f: What definition of "settled" should be used? We assume it means that no reserve is left outstanding on the claim, but it would be helpful to clarify in the guidance.

FCA response: Settled means that there is no reserve left outstanding on the claim although there may be amounts not yet paid.

C) Question 2a and f/ 4a and f: How should insurers treat PPOs as "settled" – when agreed in court or another way? We would expect this to mean when it is agreed in court, but it could be interpreted to mean when the claimant has died and no more payments are being made.

FCA response: In the case of PPOs, settled means that the PPO has been agreed in court - the amount to be included in this submission

should be the total value of the PPO including all estimated future payments.

D) Question 2a and f / 4a and f: Do the claims amounts reported under questions 2a) and 4a) relate only to the injury elements of the claim, and exclude property damage costs etc., and exclude legal costs (which are covered in 2b and 4b)?

FCA response: Settled third party personal injury claims should be excluded where no payments were made in settlement or part settlement of the injury claim. Property damage payments should be excluded where possible. Where it is not possible to exclude property damage payments, they should be included in the amount disclosed, and a note should be added to Question 6c to state this fact

E) Question 2a and f / 4a and f: Does this exclude legal costs? 2 (e) suggests it excludes these costs which gives rise to a concern that insurers may interpret the spend in this section differently. If legal costs are not part of the overall definition of a personal injury cost, should investigation costs and others be included/excluded?

FCA response:

Please see methodology explain in the Factual Basis of Preparations within the [template](#). Average Cost Per Claim (ACPC) would include all damages and costs settled in relation to bodily injury exposures per claim.

F) Question 2a and f / 4a and f: It would be helpful to clarify whether this is meant to be claims both reported and settled in the year we are reporting on, or just claims settled in the reporting year (which could have been open from a prior period)?

FCA response: All claims settled in the period are to be reported irrespective of when they were first reported.

G) Question 2a / 4a: Is this where the settled for all claims totals over £100k, or is this where the individual settled amount on each of the claims is over £100k?

FCA response: Question adjusted to make clear that it is individual claims (each claim) was more than £100,000. Please see basis of preparation within the [template](#) for updated wording.

H) Question 2a and f / 4a and f: The definitions refer to claims more than £100,000, and claims less than £100,000. Where should claims of exactly £100,000 be allocated?

FCA response: Claims of exactly £100,000 should be allocated to claims of less than £100,000.

I) Question 2b / 4b: Do the legal costs reported relate to both third party legal fees and the insurer's own legal fees? And is the definition of "that a firm would record on its systems to be included in the Ultimate Gross amount recorded for each claim" supposed to indicate that it is only allocated costs that should be reported – i.e. no apportionment of legal overhead costs?

FCA response:

Question 2b / 4b in the previous template related to disclosure of legal costs. This question has been replaced.

The Template has been updated and the basis of preparation does not require separation of legal costs. The data should include all damages and costs settled in relation bodily injury exposures for each claim.

In any event, centrally recorded legal costs should not be included.

J) Question 2b / 4b: Does this include disbursements, VAT, and insurers' own solicitors' fees where a case goes to court?

FCA response: This question is no longer relevant as Template has been updated.

K) Question 2c / 4c: Does this mean recoveries that the insurer has actually been paid; or expects to make (i.e. paid or incurred)?

FCA response: This question is no longer relevant as Template has been updated.

L) Question 2k / 4k: Should the Gross Written Premium paid by the customer include IPT?

FCA response: This question is now reflected in 2g and 4g. Gross Premium means, the amount charged to the customer for their policy at inception - excluding the premium for any optional add-ons and excluding IPT. Therefore also excluding any mid-term adjustments and cancellations.

Observations / comments

1) It would be preferable to add the additional (voluntary) reporting period to the template to enable insurers to provide figures that illustrate how claimant behaviour (frequency & severity) may have changed since the announcement of the reforms and before the reporting period.

FCA response: Please use the Additional information section question 6b to provide such information. Firms must answer question 6a and 6c.

2) It would be helpful to clarify whether the definition of "private motor insurance policy" excludes policies sold to a private individual but which might include an element of business use. We would further expect policies which cover commuting to be included – the reference to "Social, Domestic & Pleasure", rather than "SDP + Commuting" might lead to inconsistencies.

FCA response: For the purposes of this data provision exercise, we have defined the term 'Private Motor Insurance Policy' in the '*Introduction: Definitions*' section of the Template.

3) There is a mismatch between collecting claims data on a settled basis and premium data on an actual year basis – particularly on large claims where the lifecycle is often multiple years.

FCA response: The questions in the survey are designed to collect the data as specified by the Act.

4) Gross premium: we assume that this will be for the policy being sold and not include any add-ons (it would be worth clarifying in accompanying guidance to avoid inconsistent reporting).

FCA response:

Gross Premium means, the amount charged to the customer for their policy at inception - excluding the premium for any optional add-ons and excluding IPT. Therefore, also excluding any mid-term adjustments and cancellations.

6) It may be worth considering a cut-off in terms of age of claims for any claims under £100,000 as the CLA / whiplash reforms will only apply to accidents after a certain date (April 2021).

FCA response: The Act or Regulations do not allow for this.

7) Question 4a / 4f: where there is a claimant with a whiplash-type injury that falls under the definition of the Civil Liability Act, then by definition the price at which the General Damage element of the claim settles (for the whiplash injury itself) should be different (lower). However, if a second / third site minor injury is sustained at the same time, then how these settle in the future may have a corresponding reversal effect.

FCA response: This is not covered by the Act or Regulations but firms may wish to include such matters in their response to question 6b.

8) Some insurers may allocate certain costs, like legal costs, centrally rather than at specific claim level. So, this is an area where a less granular approach may be helpful. We are looking for how claims costs to the firm change.

FCA response: The Act and Regulations refer to individual claims.

9) We have received a few queries regarding the auditing requirements – I appreciate that the definitions are set out in the CLA (which cross-references other legislation) but it would be helpful to add this to the guidance.

FCA response: Please see basis of preparation. It is for the insurer to comply with the Act.

10) Where there is more than one insurer underwriting the same motor insurance policy, who should report the required information.

FCA response: Where there is more than one insurer underwriting the same motor insurance policy, the same approach should be taken as per the fair pricing regulation i.e. the insurer who underwrites the largest proportion of the cover should report the required information.