

PIAB – Can we believe the press?

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SAI Convention 2008

Agenda

- Background
- Process
- Press
- Timelines
- Costs / savings
- Questions / Comments

Background

- As part of government's *Insurance Reform Programme Action Plan*, Statutory body set up under the Personal Injuries Assessment Board Act 2003
- Fully operational 22 July 2004
- First awards March 2005
- Function is to assess compensation where legal issues are not in dispute (thus reducing the time to deliver, and the costs of delivery)
- Will not make any findings of fact relating to fault or negligence

Process (1)

- Anyone intending to seek compensation for *a personal injury* must apply to PIAB (unless settlement has been reached)
 - Claimant can deal directly with PIAB (no legal fees) or can engage agent
 - must submit application form and medical assessment
 - Cost is application fee of €50 plus cost of medical examination
- Respondent has 90 days to decide if he/she agrees to PIAB assessment of claim
 - Cost is €1,050
 - If rejected then authorisation (release) issued by PIAB
 - Claim can be pursued through courts (or settled out of court)

Process (2)

- If accepted then case assessed by two or more PIAB assessors
 - PIAB use book of quantum (June 2004)
- Assessment required within 9 months
- When assessment made needs to be accepted by both parties
 - Claimant has 28 days to respond; if no response considered rejected
 - Respondent has 21 days; if no response considered accepted
 - If assessment rejected by either party claim can be pursued through courts

Press

2005 IFSRA Private Motor Report

“...PIAB), which had its first full year of operation in 2005, appears to have had a beneficial impact on the legal component of insurers’ claim costs and on the speed of settlements. The percentage of costs that are finalised one year after an accident increased to 44 per cent in 2005 from 39 per cent in 2004 for comprehensive cover and to 32 per cent from 24 per cent for third party fire and theft cover. In addition, the average cost per claim (year 1 development) declined in 2005 by 6 per cent for comprehensive cover and by 16 per cent for third party fire and theft cover compared with 2004”

IIF

“... (IIF) welcomes the launch of this publication. The analysis clearly demonstrates the significant impact PIAB is having on the settlement of personal injury cases.”

“Also cases are resolved a lot faster by PIAB than in the courts system. 90% of cases have been assessed by PIAB within one year while the consumer gets the same level of awards as they would from the courts.”

PIAB

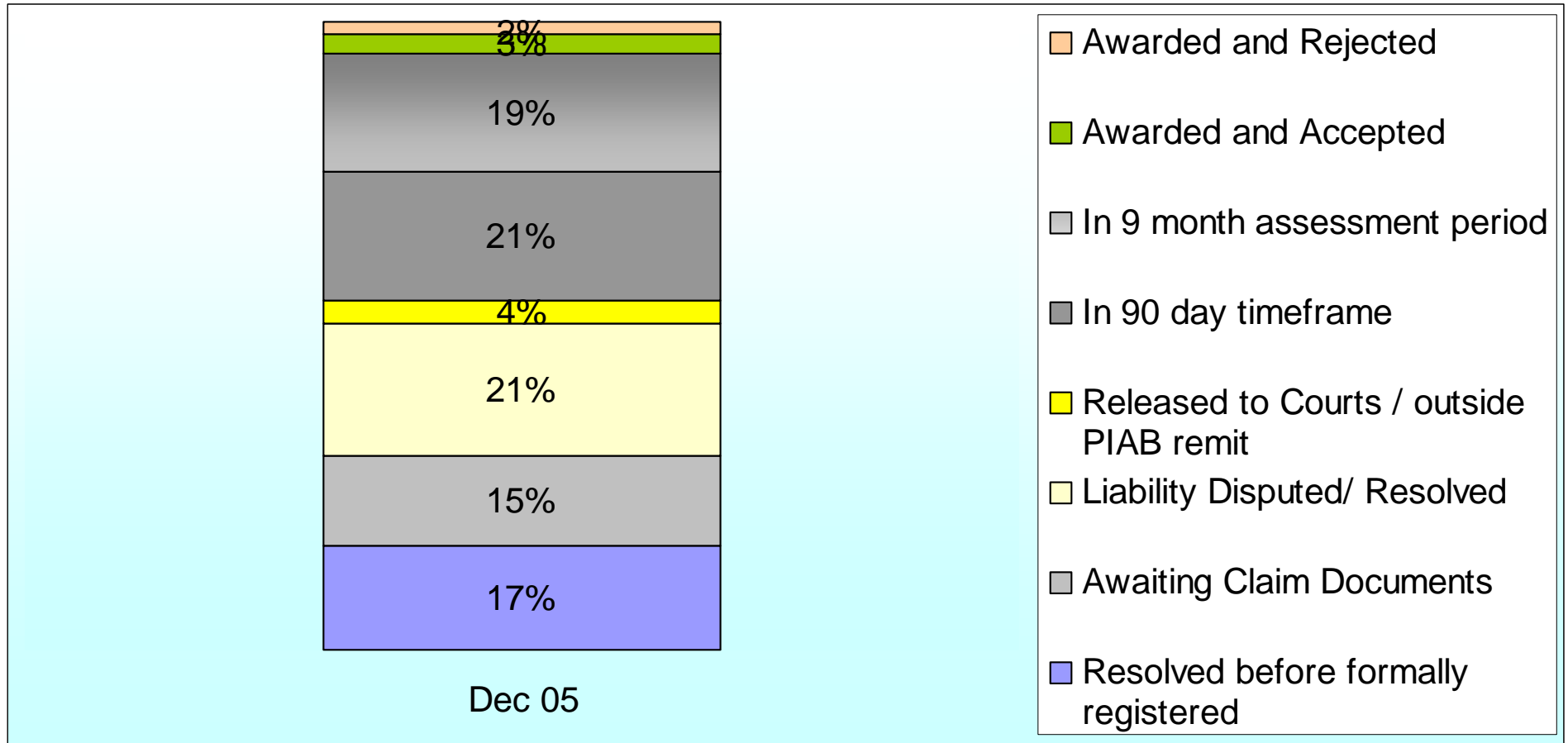
“The benefits of PIAB span a number of key areas. In reducing the cost of delivering compensation to the victims, the cost of insurance in this country has reduced and is evidenced by a number of key sources such as the Central Statistics Office”

Timelines (1) – PIAB Statistics

- PIAB Statistics available to September 2007
 - **Average duration from consent to assessment 7.2 months**
 - **Average duration from completed application to assessment 10 months**
- On the PIAB website these are compared favourably with “prior to PIAB introduction where cases took on average 36 months to be resolved through the litigation system”.
- **BUT**
- The 36 months is based on McAuley report (1999) and represents period from accident date to trial date
- There are two delays before application considered completed (from when 90 days commences):
 - Accident date to report date
 - Report date to completed application
- In 2005 delay from accident to completed application 9.3 months
- Total delay accident to award **19.3 months?**

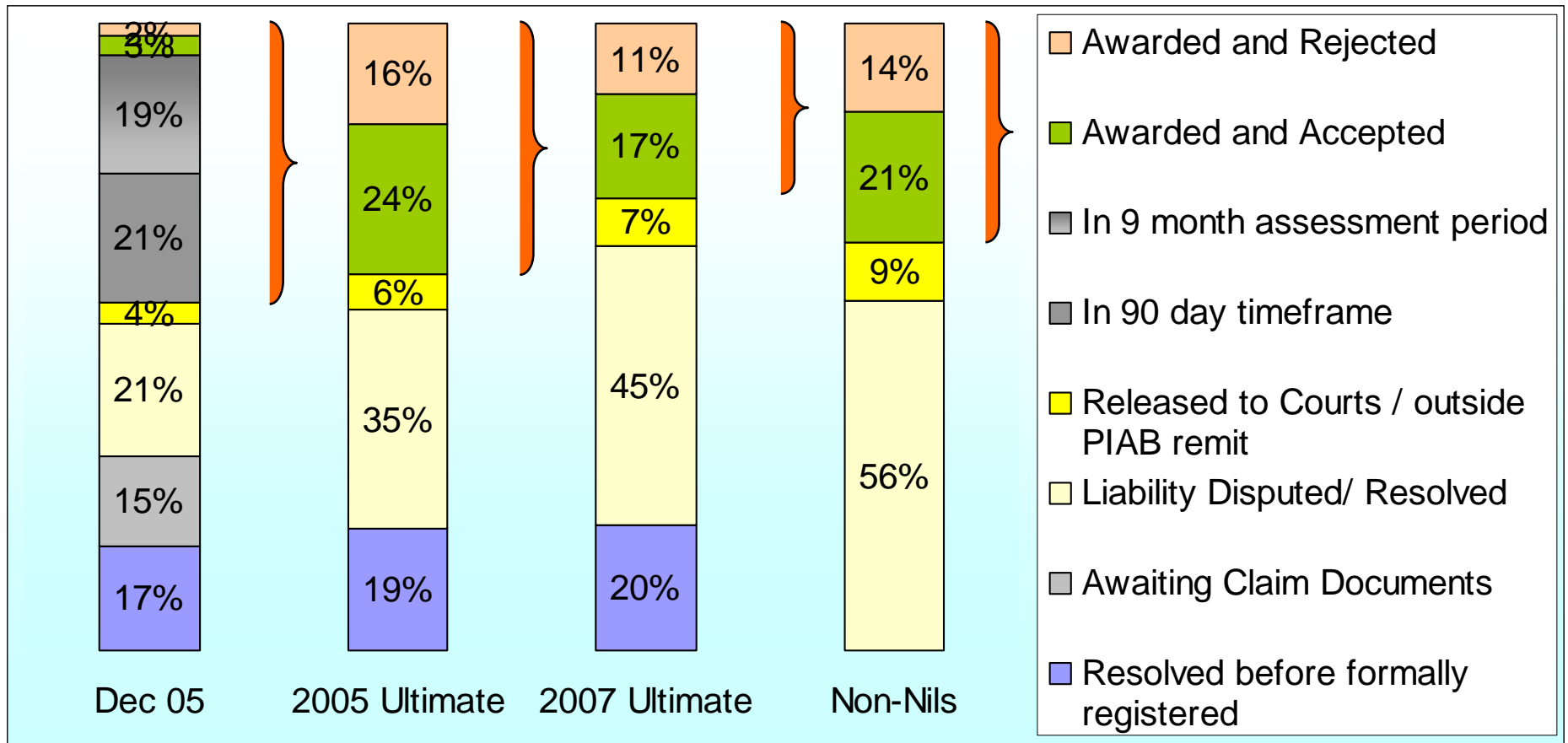
Timelines (2) – PIAB claim distribution

- Most recent available breakdown December 2005 (20,000 notifications)
- 55% of cases still in workflow (early days)



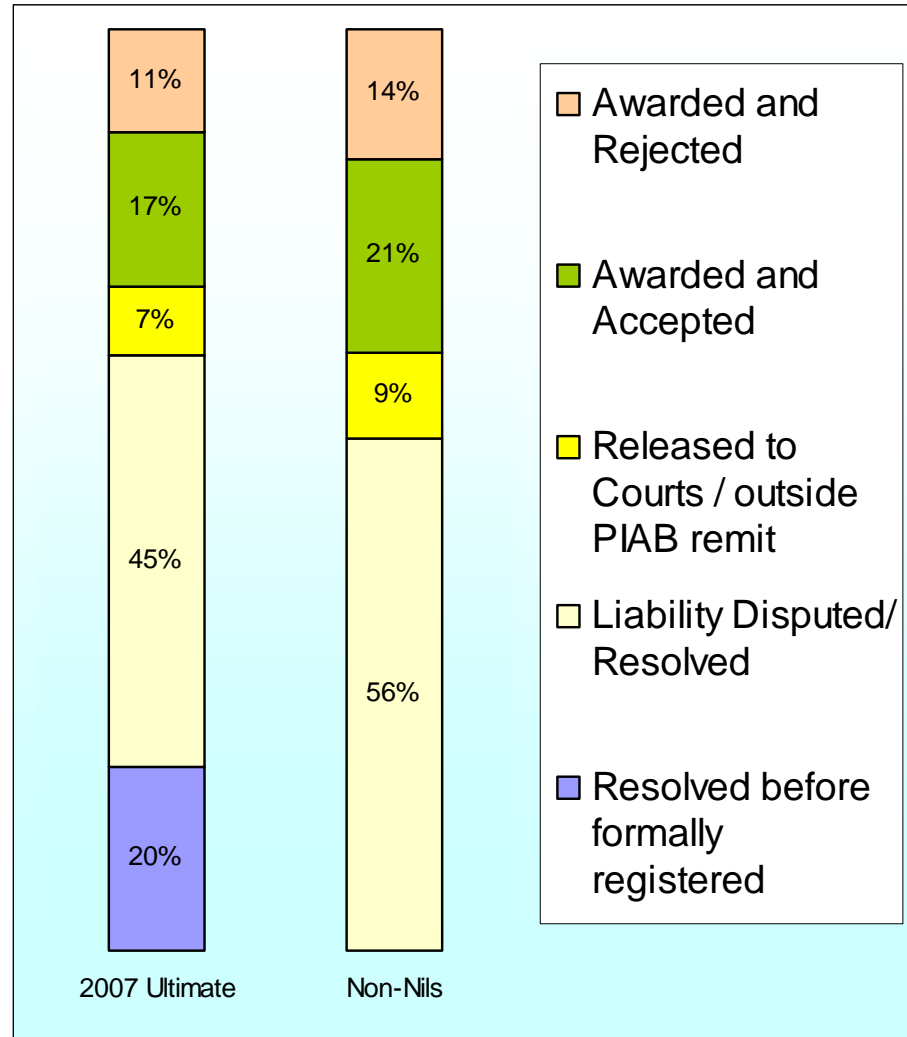
Timelines (3) – Ultimate Claim Outcome

- PIAB estimate for assessments has been falling
- Estimate that accepted assessments comprise 21% of non-nil claims (17% all claims)



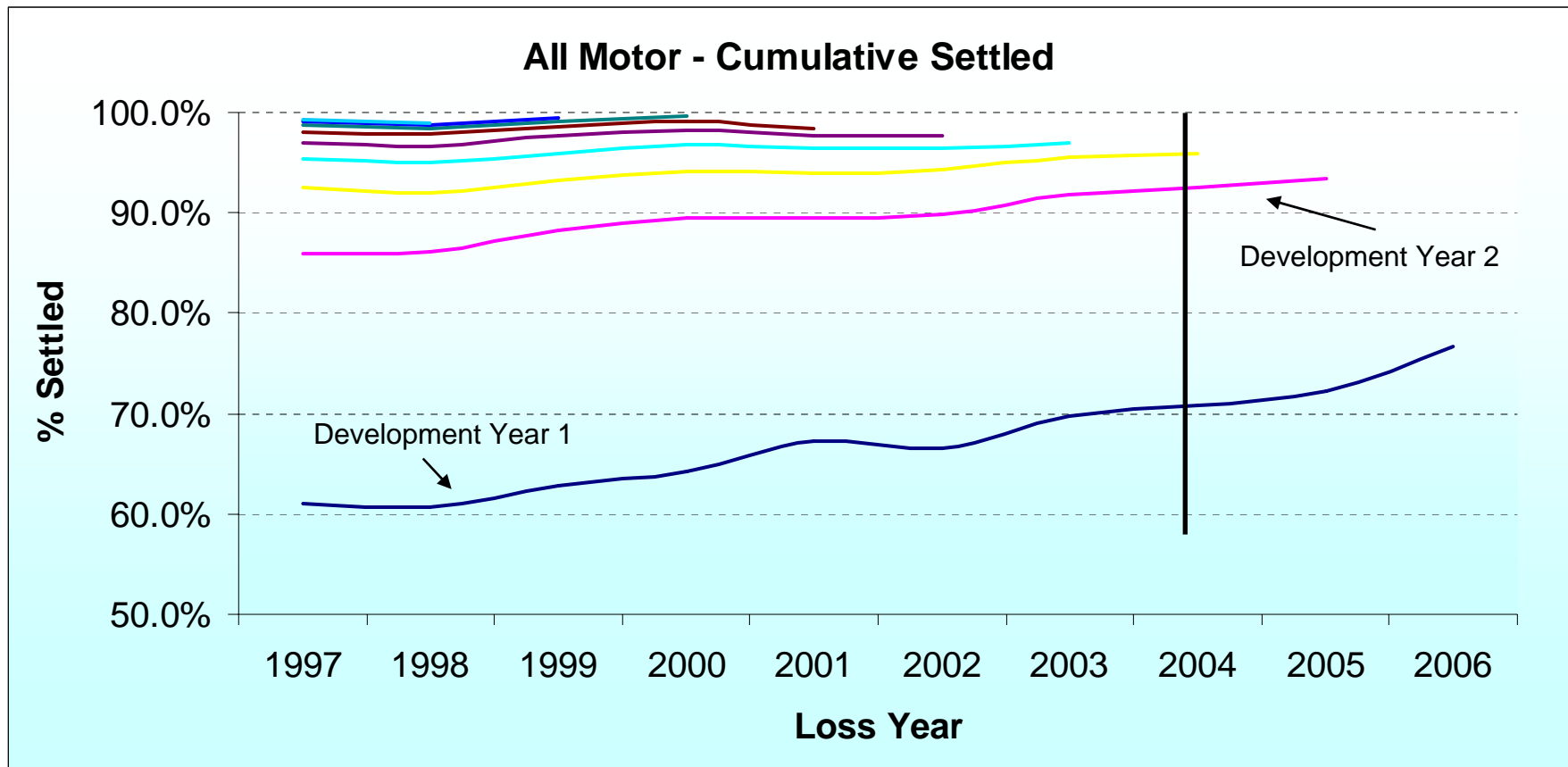
Timelines (4) - Conclusions

- We propose that **accepted** assessments lie in claim cohorts
 - 30% - 47% of all settlements
 - 10% - 31% of non-nil settlements
- Pre PIAB, term from accident to settlement (for this cohort) – 18 – 27 months
- Not too far from the 19 months taken by PIAB



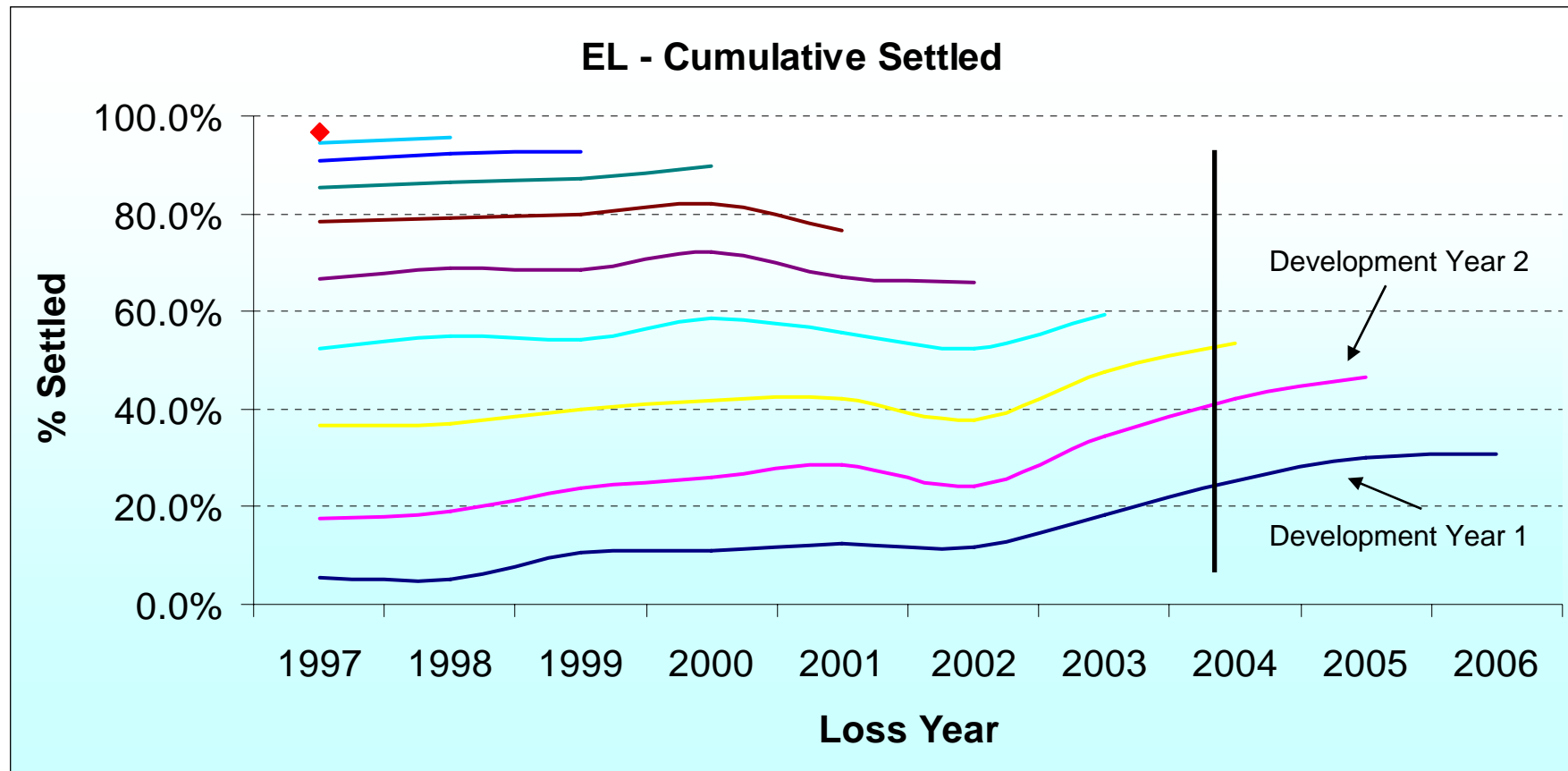
Industry Settlement Speed – Motor (All Claims)

- We do know that most companies, and the industry have experienced a speeding up of settlement rates (non-nil claims)
 - Motor (including damage) – since 1998



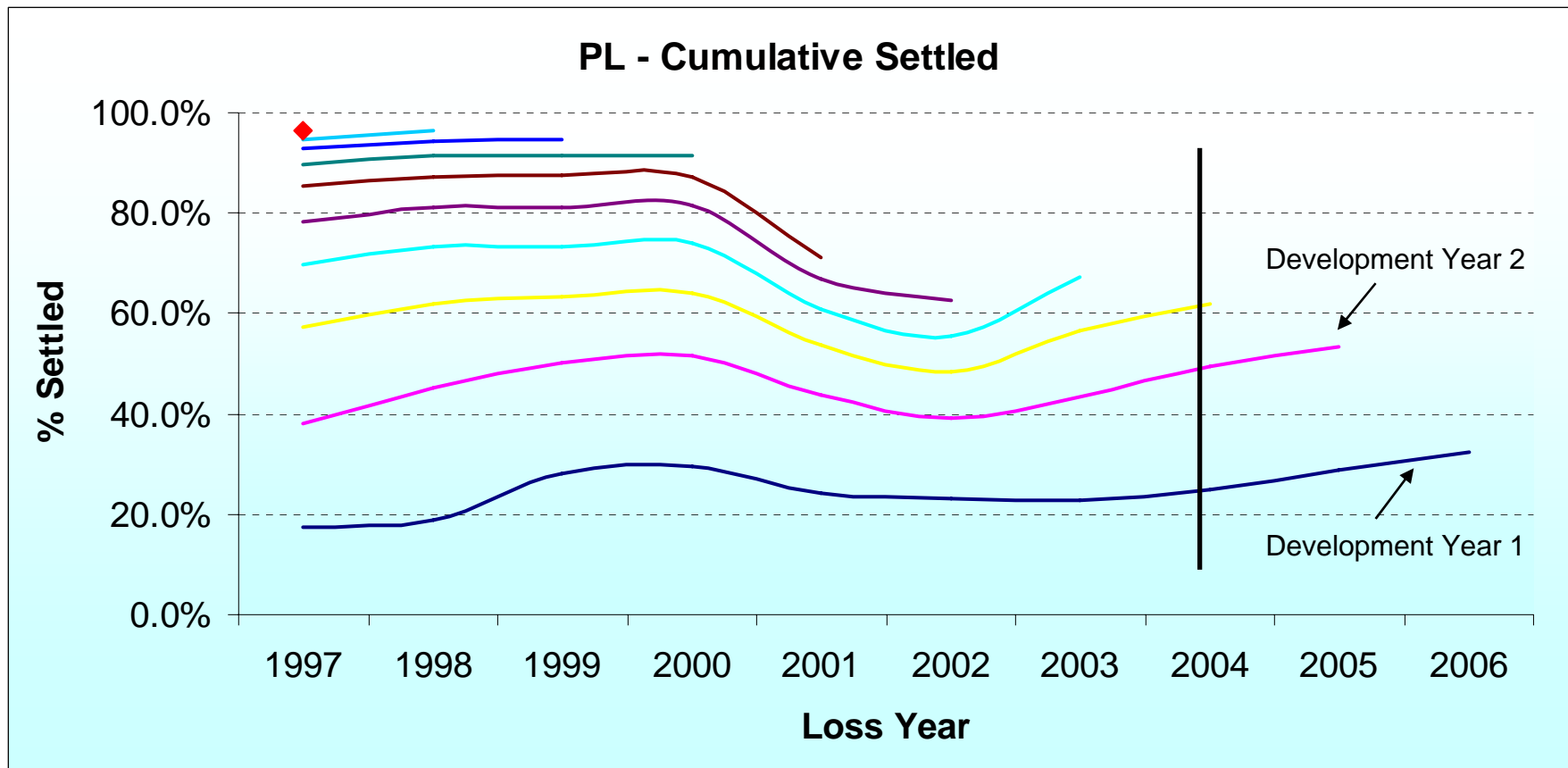
Industry Settlement Speed - EL

- We do know that most companies, and the industry have experienced a speeding up of settlement rates (non-nil claims)
 - EL - since 2002;



Industry Settlement Speed - PL

- We do know that most companies, and the industry have experienced a speeding up of settlement rates (non-nil claims)
 - PL - since 2002;



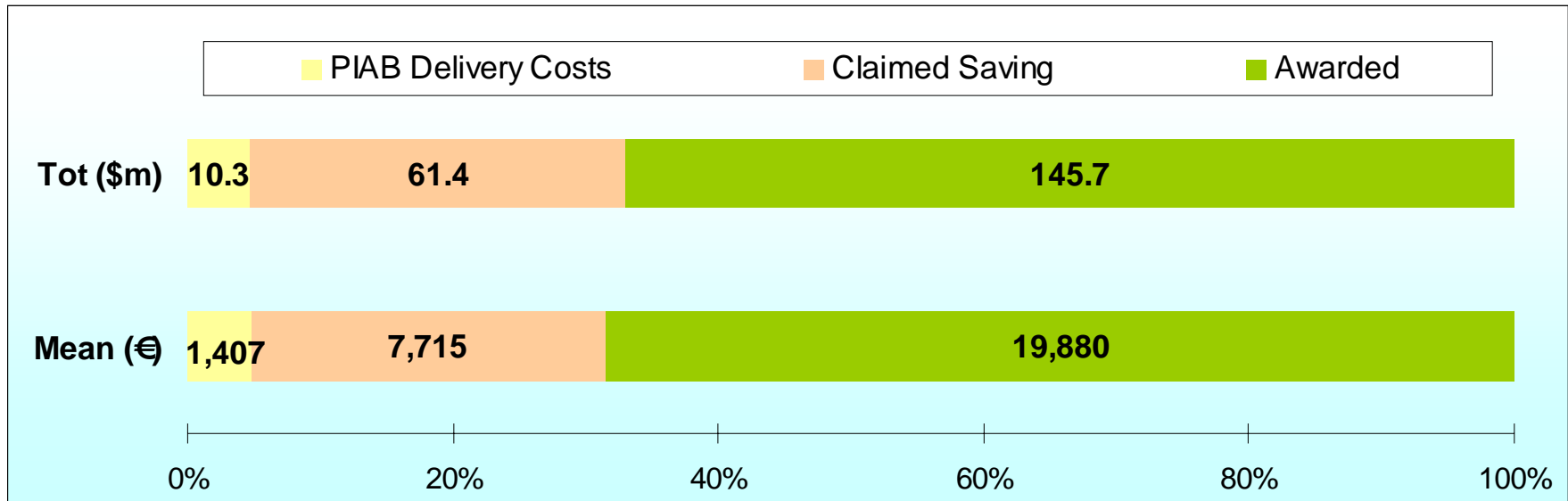
Costs – PIAB average Costs

- About **12,900** assessments issued to Q3 2007

	Total PIAB Awards Issued	Average Cost Q3 2007	Average Cost to date
Employer Liability	1,781	23,039	23,005
Motor Liability	8,970	20,340	19,476
Public Liability	2,160	19,304	18,984
All Lines	12,911	20,539	19,880

- Issued assessments **€270.0m** to end Q3 2007 (30 months of assessments)
- Accepted assessment **€156.0** to end Q3 2007
 - Allowing for a month's lag, acceptance rate about **60%** (by value)

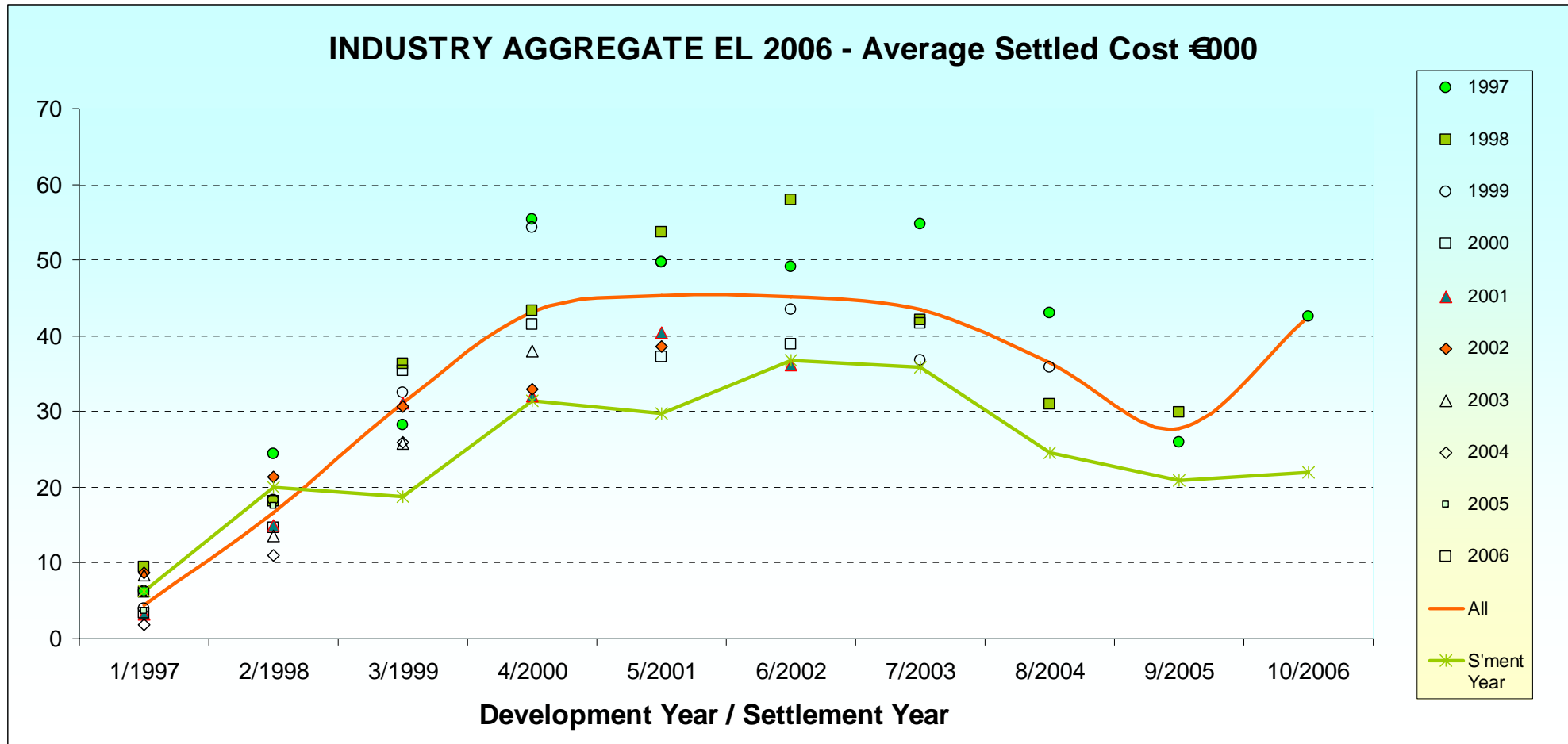
Savings



- Average assessment about **€20,000**
 - Implied pre PIAB cost **€29,000**
 - Based on MIAB study 2004
- PIAB claim a saving of **€61.4m** on the **€156.0** accepted assessments (or just under 40% of the award value)
 - Does not incorporate legal costs now incurred by 90% of claimants

All injury Average Costs (EL - non-nil)

- We estimate average claim cost at about €35,000, €23,000 and €25,000 for Motor, PL and EL (see below) respectively - overall about **€30,000**



Savings (2)

- Three alternative scenarios examined where accepted PIAB claim are those in the following operational claim cohorts:
 - (A) 10% - 31% of non-nil settlements (28% - 45% of all settlements)
 - We estimate (pre-PIAB) industry average PI claim costs are in the range **€7,500** - **€17,500** for claims settled in this cohort
 - (B) 20% - 41% of non-nil settlements (36% - 53% of all settlements)
 - We estimate (pre-PIAB) industry average PI claim costs are in the range **€15,000** - **€27,500** for claims settled in this cohort
 - (C) 30% - 51% of non-nil settlements (44% - 61% of all settlements)
 - We estimate (pre-PIAB) industry average PI claim costs are in the range **€25,000** - **€40,000** for claims settled in this cohort
- For (A) and (B) PIAB assessments at €20,000 net or **€29,000** inclusive of all costs are significantly higher; if scenario correct this indicates that:
 - The BOQ produce may higher awards than would previously been the case; **or**
 - the estimate of legal costs may be overstated; **or**
 - the PIAB assessments represent a different cohort of claims ; **or**
 - some combination of the above

Conclusions

Overall

- Care needs to be taken in attributing all good news to PIAB, regardless of relative contribution

Speed

- Misleading to compare time to assessment of 10 months with 36 months
 - different cohort of claims
 - different measurement basis

Quantum

- Overall savings may be overstated as awards may be higher than previously

Data

- Better (and more timely) information from PIAB would be useful
 - Number of releases granted / reasons for release
 - Data by accident or report period to enable ageing
 - Delay from notified application (report date) to completed application
 - Back to format of 2005 Annual Report would be a good start

Questions / Comments
