Executive Summary

The UK Motor Periodical Placement Order (PPO) Environment Continues to Stabilise

We are pleased to present the findings of our tenth annual Market Review of the UK Motor Re/insurance Market.

Now in its tenth year, The Willis Re UK Motor Market Review explores the trends of large motor claims and presents the findings of a market-wide survey of insurers from across the UK.

Given their increasing prevalence and the impact PPOs are having on the UK motor re/insurance market, over the last four years the focus of our review has shifted from a broad claims analysis to a more targeted review of PPOs.

This year, 333 PPOs have been analysed, up from 276 in 2014, and over two-thirds of the UK motor insurance market (based on gross earned premium) have participated.

This paper presents an executive summary of the key findings of the review. Insurers participating in the survey have access to the full report and Willis Re analysis, which is used to help benchmark relative market performance and re/insurance strategies as the market continues to evolve.

If you would like to learn more about the information contained within the review, or to become involved in future surveys, please contact us.

Key Findings

PPO settlements look set to decline for the first time since 2008; clearer patterns starting to emerge around payments

Number of PPOs

- The total number of PPOs appears to be stabilising – number of PPOs in 2012/2013 were approximately equal
- 2014 dataset is incomplete (not a full year), but looks likely to finalise at a much lower number
- From our findings, the majority of PPOs are settled within 0-10 years of the date of accident, and approximately one-third are settled within 0-5 years
Propensity of PPOs
- A greater proportion of high value claims settle as PPO than lower value claims
- Propensity levels in this year’s study are below last year at all values

Distribution of Claimant Age
- The greatest frequency of PPO claimants at time of accident is in the younger age bracket

Future Life Expectancy of PPO Claimants
- The study confirms the stability behind the average future life expectancy of PPO claimants

Injury type
- Brain injuries predominate the injury type for PPO settlements
- Brain injuries take marginally longer to settle than spinal injuries
- From our findings, spinal injuries result in higher annual PPO awards than brain or other injuries

Lump Sum Awards
- Average lump sum continues to account for approximately half of the total net present value of a PPO claim

Stepped Payments and Variation Order
- Approximately one quarter of PPOs have a stepped payment component to the award
- Stepped payments are more prevalent for spinal than brain injuries
- Approximately one in ten PPOs have a variation order

Further Market Commentary: Increasing Capitalisation Options for Insurers
Beyond PPOs, the current landscape for UK motor insurers is further complicated by the introduction of a range of capitalisation options. Although the motor market remains one of the few areas of reinsurance in which rates have not fallen in recent years, buyers are faced with a confusing range of options.

The increase in the market price of the excess of loss product over the last few years has forced buyers to think more seriously about the value of the product they purchase, and in particular to examine the relationship between the margin ceded to reinsurers and the level of downside cover. Buyers are also needing to look in more detail at the relative value between traditional and capitalised options. Furthermore, this environment has also raised a focus on other areas of risk transfer and capital substitute - quota share, co-insurance, adverse development covers and loss portfolio transfers have all been of increasing interest to motor insurers.

We would like to thank all participants for their continued involvement in our Motor Market Review and we look forward to working with them, and other participants in the future, to more accurately assess and benchmark reinsurance pricing across the sector.