

Tuesday 14 February 2012

Government sets out measures to tackle compensation culture, reduce legal costs and cut red tape.



The Prime Minister met with the insurance industry, consumer and business groups today to discuss the rising premiums that many drivers, families, consumers and businesses are facing, and the action that the Government is taking to help bring these down.

There was a commitment from the Prime Minister that the Government will take action to the compensation culture, reduce legal costs and cut health and safety red tape. The insurance industry committed to pass savings made on to consumers.

The Government and insurance industry agreed to work together in future to make progress on this.

Measures agreed include:

- industry commitment to pass savings onto customers resulting from a Government commitment to reduce the current £1,200 fee that lawyers can earn from small value personal injury claims;
- industry commitment to adjust premiums to reflect any reductions in legal costs created through the Jackson reforms that will reform 'no win, no fee' and ban referral fees; and extending the road traffic accident claims process to cover employers liability and public liability;
- the Government and insurance industry committed to work together to identify effective ways to reduce the number and cost of whiplash claims. Options include improved medical evidence, technological breakthroughs, the threshold for claims or the speed of accidents. Progress on this will be made in the coming months;
- to tackle the issue identified by the Red Tape Challenge of health and safety 'myths', insurers will provide short guidance to all clients at the point of purchasing insurance setting out clearly what SMEs need to do, and critically what they don't need to do, to comply with health and safety law and get insurance cover, to ensure that businesses are not asked to go beyond what is actually required by law;
- insurers committed to challenge more vexatious health and safety civil claims in order to tackle the compensation culture;
- the Government and insurance industry agreed to work together to look at what more can be done regarding young drivers' risk and safety. This includes the wider use of telematics or 'smartbox' technology. This monitors driving behaviour, giving young drivers the chance of affordable car insurance by adopting safer driving.

Background:

Britain is now the whiplash capital of Europe, with more than 1,500 claims a day, with people claiming for whiplash injuries sustained in the most minor of incidents; According to the ABI the cost to the industry from whiplash claims is £2 billion, adding £90 to the average premium;

The Government has already cracked down on uninsured driving, which puts at least £30 on the price of each premium, by making it illegal to own an uninsured car;

The Government is addressing the fear from businesses of being sued for trivial or excessive claims by extending the road traffic accident claims process, by increasing the value of the claims that go through it from £10,000 to £25,000, and extending the process to employer liability and public liability claims;

Committing to reduce the £1,200 fee that lawyers can earn from small value personal injury claims will help bring down the legal cost of many cases and deter the speculative health and safety claims being made;

Red Tape Challenge comments on health and safety legislation were fed into the independent Lofstedt Review. The Government supports Lofstedt's recommendations and has committed to using the Red Tape Challenge process to go even further.

Some of the key commitments resulting from the Lofstedt Review are:

- To exempt from health and safety law around 1 million self-employed people whose work activities pose no potential risk of harm to others.
- The Health & Safety Executive (HSE) to review all its Approved Codes of Practice.
- The HSE to undertake a programme of sector-specific consolidations, by the end of 2014 (including sectors such as Mining).
- Giving HSE the authority to direct all Local Authority health and safety inspection and enforcement activity, to ensure it is consistent and targeted at the most risky workplaces.

The average motor insurance bill today is £410 – a 17 per cent rise on last year. (ABI)

The average premiums for young drivers are £2,977 for a young male driver and £1,682 for a female driver (The AA)

Attendees at the Summit:

The Rt Hon David Cameron MP, Prime Minister
The Rt Hon Oliver Letwin, Minister of State, Cabinet office
The Rt Hon Justine Greening, Secretary of State for Transport
Nick Herbert, Minister of State for Justice

Otto Thoresen, Director General, ABI
David Stevens, COO, Admiral
Trevor Matthews, Chief Executive, Aviva UK
Paul Evans, Group CEO, Axa UK and Ireland,
David Riches, Director of Ops, British Chamber of Commerce
John Cridland, Director General, CBI
David Neave, Director of General Insurance, Co-operative Insurance
Judith Hackitt, Chair, Health and Safety Executive
Paul Geddes, Chief Executive, RBS Insurance

Ann Robinson, Uswitch
Stephen Lewis, CEO, Zurich UK

Related

Tags: [Consumer Protection](#), [Transport](#)

HM Government

Crown copyright 2012

- [Home](#)
- [Contact us](#)
- [News](#)
 - [Latest News](#)
 - [Press Briefings](#)
 - [Press Notices](#)
 - [Prime Minister's Questions](#)
 - [Speeches and Transcripts](#)
 - [Statements and Articles](#)
- [Policy](#)
 - [Afghanistan](#)
 - [Business, Innovation and Skills](#)
 - [Cabinet Office](#)
 - [Communities and Local Government](#)
 - [Culture, Media and Sport](#)
 - [Defence](#)
 - [Education](#)
 - [Energy and Climate Change](#)
 - [Environment, Food and Rural Affairs](#)
 - [Foreign Affairs](#)
 - [Health](#)
 - [HM Revenue and Customs](#)
 - [HM Treasury](#)
 - [Home Office](#)
 - [International Development](#)
 - [Justice](#)
 - [Transport](#)
 - [Work and Pensions](#)
- [The Coalition](#)
 - [Prime Minister's Biography](#)
 - [Deputy Prime Minister's Biography](#)
 - [The Cabinet](#)
 - [All Government](#)
 - [Programme for Government](#)

- History & Tour
 - Past Prime Ministers
 - The Building
 - Art at Number 10
 - Virtual Tour of Number 10
 - Articles by Historians
 - Contributors

- Transparency
 - Business Plans
 - Who Does What in Whitehall
 - Who Ministers are Meeting
 - Government Contracts in Full
 - How Your Money is Spent
 - Find other Government data

- Take Part
 - In Your Neighbourhood
 - Public Engagement
 - Giving
 - Public Services
 - Community Safety
 - Recognise Others

- Copyright
- Freedom of Information
- Privacy and Cookie Policy
- Site Map
- Accessibilty
- RSS
- Links

[REDACTED]

Note of PM's Insurance Summit

14 February 2012 – 17:00 – 18:00

The Prime Minister opened the summit by welcoming attendees and thanking them for their involvement. He was pleased to see that the Association of British Insurers (ABI) had already said that 10 per cent reductions in insurance premiums were possible and welcomed discussions on what else could be done, including reforms to legal processes, action on motor insurance and reducing unnecessary burdens arising from health and safety practices.

The ABI responded that insurance companies were one player in the system. Insurance companies wanted to continue to pay out for genuine injury, but the compensation culture had gone over the top and honest customers were paying higher premiums because of this. If minor personal injury claims were taken out of the equation, more than 10 per cent could be taken off premiums.

Legal Reforms

There seemed to be vast differences between Scotland and England in terms of personal injury claims. For instance, the average cost of premium for 40 year old males in Scotland was currently £460 whereas the average in the north west of England was £1,600. This was attributed to the vast number of claims management companies who operated in the north west of England and encouraged people to claim for personal injuries. The MoJ portal was not used in Scotland, and industry claimed that this reduced the incentives for claims management firms to operate there.

The insurance industry wanted two sets of legal reforms. These were:

- 1) The reforms currently being taken through MoJ's LASPO Bill, which included the banning of referral fees; and
- 2) Significantly cutting fixed legal fees for low level personal injury claims from £1,200 to more like £400. (It is currently 300 Euros in Germany). This should disincentive claims management companies from profiteering from minor personal injuries.

The Prime Minister noted that much of this was already being legislated but the fixed legal fees of £1,200 must be significantly reduced and government should not delay in enacting these changes. He tasked MoJ to achieve this more quickly than originally planned.

Motor Insurance

Whiplash

The UK had the highest number of whiplash claims in Europe, and the Prime Minister wanted to know more of the facts and statistics underpinning whiplash

[REDACTED]

claims. There were several options that could tackle increasing claims of whiplash injuries. Speed of impact was one of the most important factors – for example, some people claimed they had whiplash injuries from impacts lower than 10 mph, the same speed as dodgem cars at fairgrounds. It was reported that you cannot claim a whiplash injury if the impact occurs at a speed lower than 10 kmph in Germany, and is 8kmph in Austria.

It was important to consider the feasibility of whiplash injuries (through speed of impact) as well as combining this with medical evidence. In Ireland there is a personal injury board which assesses personal injury claims. Government and industry should develop a framework together on what was sufficient evidence of whiplash. Currently it was difficult for insurance companies to challenge these claims as claims management companies used doctors that signed off whiplash injuries without sufficient consideration. It would be useful to find out if the money from claims was being spent on medical treatment.

Young people's premiums

The premiums that young people pay were very high, and were going up significantly each year. Insurance companies wanted graduated licences, like those used in Australia to improve driver safety, although it was agreed around the table that incidences of young people causing accidents were not increasing and that the driving test in the UK was tough. A major reason for young people's increasing premiums was linked to pay outs on whiplash injuries. However, more work should be done to look at increasing safety amongst young drivers.

Telematics was one way to help improve the safety of young drivers. This was an emerging market, involving the use of technology in cars which monitored speed, acceleration, braking, time of driving etc. It was currently being used as an incentive to reward young drivers who could get cash back from their premiums if they consistently demonstrated safe driving. It also meant that where young people were particularly dangerous drivers their policies could be cancelled. Telematics was not the only solution to improve young people's driving safety but the government could help industry develop telematic solutions more widely and help promote common use of technology. Also, telematics should not be used to prosecute people in driving offences as this would kill off the development of drivers using this technology voluntarily. It was important that industry worked with government to develop options for young drivers.

Garage repairs and car hire

There were other aspects that increased drivers' insurance premiums, and these included the increasing charges made by garages and car hire firms that insurance companies used. A longer term option was for the insurance sector to look at the pros and cons of a first party insurance model, and this was agreed as something that could be explored further. It was also important to see what the OFT report on the cost of repairs and credit hire concluded in the Spring.

Health and Safety

There was more that could be done in terms of guidance and best practice to help businesses, particularly for small businesses who often were unsure of what was the law and what was an additional requirement. Examples have been raised in the Red Tape Challenge process that showed that some businesses were being asked to go beyond health and safety requirements by their insurance assessors, especially on testing of electronic equipment like kettles and toasters. That being said, insurance companies were concerned about minor injury claims on health and safety issues which drove these additional requirements. It was just as important for businesses as it was for the cost of motor insurance, that the legal fees for minor personal injuries were cut down to reduce the incentives to pursue such a high number of minor personal injuries.

Insurance companies recognised there was more they could do on communications to reduce unnecessary burdens on businesses for their health and safety practices.

It was expensive for insurance companies to challenge vexatious health and safety claims. However, insurance companies often challenged such claims and were committed to do more of this.

Summary of actions


There were mutually acceptable solutions to the problems raised at the Summit, and costs of premiums should be brought down for both drivers and businesses.

Commitments and action from government included:

- MoJ to continue implementation of the Jackson reforms in the Legal Aid, Sentencing and Punishment Offenders Bill, including banning referral fees.
- MoJ to reduce the £1,200 fee that lawyers can earn from small value personal injury claims.
- DfT to hold a follow-up summit, planned for April, to discuss actions to reduce motor insurance.
- MoJ to enact changes to reduce the number and cost of whiplash claims, following DfT's summit.
- DfT to look at what can be done on young drivers' risk and safety, including encouraging the growth of telematics.

Insurance companies committed to:

- Pass on to consumers and businesses savings of approximately £1.5 – £2 billion that could come from reforms on both legal fees and future changes to whiplash claims.
- Insurance industry to produce guidance for SMEs setting out what was and was not required to comply with health and safety law when obtaining insurance cover.
- Challenge vexatious civil claims in order to tackle compensation culture.

- 
- Look at pros and cons of a first party insurance model after the OFT's report on motor insurance was published in the Spring.

Attendees

- The Rt Hon David Cameron MP, Prime Minister
- The Rt Hon Justine Greening, Secretary of State for Transport
- The Rt Hon Oliver Letwin, Minister of State, Cabinet Office
- Nick Herbert, Minister of State for Justice
- Otto Thoresen, Director General, ABI
- David Stevens, COO, Admiral
- Trevor Matthews, Chief Executive, Aviva UK
- Paul Evans, Group CEO, Axa UK and Ireland,
- David Riches, Director of Operations, British Chamber of Commerce
- John Cridland, Director General, CBI
- Mary Boughton, small business owner
- David Neave, Director of General Insurance, Co-operative Insurance
- Judith Hackitt, Chair, Health and Safety Executive
- Paul Geddes, Chief Executive, RBS Insurance
- Ann Robinson, Uswitch
- Stephen Lewis, CEO, Zurich UK

www.abi.org.uk
Association of British Insurers
51 Gresham Street
London
EC2V 7HQ

From: Dalton, James
Sent: 09 February 2012 18:27
To: Kate.Starkey@cabinet-office; Geoffrey.Baldwin@cabinet-office
Cc: 'Katy.Owen@cabinet-office'; Wolfe, James
Subject: PM SUMMIT
Importance: High

Dear Kate, Geoff

Thank you for co-ordinating the useful call earlier today and apologies once again for the technical difficulties. As agreed, I've set out below the industry's "priority" lists on a number of issues.

But first I thought it would be useful to set out what the outcomes of the Summit might look like. This is on a without prejudice basis as we have not agreed any of the below with those attending the Summit or the wider insurance industry.

Please feel free to circulate to other officials as necessary.

Potential outcomes

Commitments from the Government

- To introduce legislation this year to crack down on Britain's whiplash epidemic where we will look at things like speed limits under which a whiplash claim cannot be made [naturally, the detail of this will need to be worked out between officials across Government departments and with interested stakeholders during the course of 2012 but it is the absolute commitment to implement measures which would allow insurers to decline claims without the need for lengthy and expensive litigation of a condition that can neither be proven nor disproven which is what our members are really seeking]
- To introduce legislation this year to deliver a package of reforms to improve the safety of young drivers on Britain's roads
- To actively support, and to remove competition issues relating to, the industry investigating a move to a first party model of insurance, or a similar solution, which might provide a longer-term solution to some of the unnecessary costs facing the industry
- To commit to reform the RTA portal process to substantially reduce the fixed legal fees received by solicitors in light of the Government's ban on personal injury referral fees to such a level so as to remove the excessive reward for acquiring claimants through referral, advertising or text messaging.
- To investigate the regulation of the credit hire industry, including the establishment of a credit hire regulator to examine credit hire daily rates

Commitments from the insurance industry:

- That if meaningful reform of whiplash, reduced solicitor fees and the package of proposed reforms on young drivers are delivered as a complete package, car insurance premiums will come down [We absolutely cannot commit to a percentage – but if insurers claims costs reduce, in a highly competitive

market, cost savings will be passed onto customers. Furthermore, we cannot agree to a timeframe. As discussed, there are a large number of claims in the pipeline at the moment, so even if the Government introduced all these changes tomorrow, claims costs for insurers would not reduce for some time]

- A number of players in the industry are already investigating the merits of introducing telematics based insurance policies and the industry commits to expediting those investigations [there can be no commitment that all insurers will offer a telematics based policy as this is a commercial decision for each insurer to make on their own]
- To produce a short two page guidance note to SMEs to be included with their premium bill/policy wording which sets out in high level terms what is and isn't expected/required by their insurer
- The industry has already agreed that student, work experience students are automatically covered by an EL policy. We commit to update that agreement with participating insurers and publicise it, including in the two page guidance note referred to above

Whiplash

There are currently 1600 whiplash claims per day in the UK: one claim every minute of every hour of every day. This represents a cost of over £2 billion to the insurance industry every year. Insurers are often criticised for not fighting these claims sufficiently. The reality is that whiplash is like a headache or a backache: it is self-reported with no physical evidence of injury. Insurers cannot disprove whiplash any more than a claimant can prove it and nobody can tell the claimant whether they do or do not feel pain. The current system simply requires a claimant to describe their symptoms to a GP/doctor so that they can issue a diagnostic medical report for which they receive a fee. This means that there is a perverse incentive for GPs to make a diagnostic finding of "whiplash".

We would like a commitment from the Government to introduce legislation this year to crack down on Britain's whiplash epidemic. The issues that will need to be explored further are:

- the potential to introduce a court-appointed pool system of impartial medical experts. This would ensure that the medical professional has the appropriate training in soft tissue injuries and do not have perverse incentives to provide a diagnosis of whiplash
- the potential introduction of a change in velocity speed under which there would be a rebuttable presumption that whiplash could not have occurred. In Germany this limit is 10 km/h and in Austria it is 8 km/h and the level of whiplash claims in both countries are substantially lower than in the UK

Young drivers

The cost of insurance for a young driver is driven less by the potential damage to their vehicle, or the car they may crash into, but the statistically higher risk that they will cause death or injury to themselves, their passengers, other drivers or passing pedestrians. Car insurance provides unlimited coverage for injury claims and in the case of young drivers, insurers' claims experience demonstrates a substantially higher premium is necessary – all insurers will be able to point to claims running to millions of pounds as a result of young drivers and their passengers suffering catastrophic, life changing injuries which require long-term care and compensation for loss of earnings.

The unfortunate reality is that:

- One in five young male drivers will crash in the first six months after passing their driving test, while more than 3,300 young drivers and passengers aged 17-24 are killed or suffer a serious injury every year;
- 17-20 year old male drivers are almost 10 times more likely to be killed or seriously injured than more experienced drivers;
- Almost 25% of passengers who have been seriously injured were travelling with a young driver at the time; and
- Although drivers aged 17-24 account for only 12% of licence holders, they are involved in 25% road deaths and serious injuries.

No one solution will lead to more affordable insurance for young drivers and the effectiveness of any package of measures would take some time to emerge.

Amongst the initiatives we would like to see are:

- The introduction of a minimum learning period before the driving test can be taken, complemented by a structured learning programme, enabling drivers to undertake supervised practice without an incentive to rush to take the practical test
- The introduction of graduated driver licencing, which would include restrictions on the number of passengers a young person can carry and the time of day they can drive. This will enable young drivers to develop experience and skills gradually over time in low-risk environments.
- The introduction of a zero alcohol limit for young drivers and a ban on them taking intensive driving courses as a sole means of learning to drive.

This should be seen as the Government driving social change and changing behaviours for the benefit of society. The key outcome here will be that young people's lives are saved and that should be the priority. That their insurance policies are likely to reduce over time as young people's claims costs reduce should be a secondary consideration.

None of the proposals will work unless there is effective enforcement by the Police. If, for example, drivers ignore the curfew and had an accident, their insurance policy will be void and they will be uninsured. Then the insurance industry as a whole will need to pay through the Motor Insurers Bureau – an increased cost for the industry that will inevitably be passed back to customers.

Civil litigation

We have welcomed today's announcement by the Government concerning the extension of the RTA portal claims limit from £10,000 to £25,000 and the extension of the model to EL and PL claims.

The fixed fee for claimant lawyers at Stages 1 and 2 of the portal is £1200. Most pay referral fees of £800 to get the claim making the net profit from a case £400. But if referral fees are to be banned, the fixed fee in the portal needs to be reduced to £400 at a minimum – a point at which claimant lawyers already make a profit. We want the Government to consult key stakeholders on what the fixed fee should be as a priority. Change should be introduced this year – it does not require primary legislation but a change to the Civil Procedure Rules.

The Government needs to recognise that without a material reduction in solicitors fees or a reduction in personal injury claims costs, including whiplash and claims from young drivers, there should be no expectation of reductions in premiums.

Employers' liability and health and safety

We *absolutely do not accept* that insurers act as "blockers" by "gold plating" health and safety requirements for SMEs. Professor Lofstedt found no evidence of this, neither did Lord Young and in the last three years there has only been only one example raised with the ABI of insurers imposing additional requirements (which related to an employer employing on work placement prisoners with theft convictions).

What we *absolutely do accept* is that SMEs do not understand the difference between their regulatory requirements and what insurers require to provide EL cover. In order to address this problem, we have produced an insurance guide for small business and in November last year – in response to Lord Young's report – we produced a Key Principles document setting out what insurers look for when evaluating health and safety. Both DWP and DCLG indicated that they were happy with this document before we published it. Both documents are attached for your information.

Clearly the myths continue and we all have an interest in separating the myths from the reality of what insurers require. Therefore we propose that **all participants in the Summit, including Government, FSB, Which? etc** work together and with other stakeholders to develop a short document setting out what SMEs need to do to comply with health and safety requirements and what they do not need to do (see more detail below). Insurers would commit to send this document to all new policyholders and at the point they renew their policies but the only way that these myths will be dispelled is if everyone is saying the same thing.

The industry has already agreed that student, work experience students are automatically covered by an EL policy. The ABI published guidance in 2007 to clarify this situation but, despite this, misconceptions clearly still exist. We could commit to update the 2007 guidance with participating insurers and publicise it, including in the two page guidance note referred to above.

In relation to the issues you raised on the call today:

- **External H&S consultants:** Insurers do not require external health and safety consultants to carry out risk assessments; these appointments can be made internally. Where external consultants are used, insurers may ask that they are suitably qualified (i.e. registered with the Occupational Safety and Health Consultants Register). However, as set out on page 5 of our Key Principles document, many SMEs will not need to use external consultants.
- **Written risk assessments:** Risk assessment has been a statutory requirement since 1993 – however, insurers do not require written risk assessments for businesses with less than five employees. This is also set out in our Key Principles document (page 10).
- **PAT:** There is no specific legal requirement to carry out annual portable appliance tests (PAT). The legal requirement is that duty holders must maintain their equipment under the Electricity at Work Regulations. This does not include annual PATs. Insurers only ask that customers apply controls specifically adopting the standards specified by HSE in their leaflet INDG 236. The ABI met with the HSE recently on this very issue and we agreed that there is a lot of misunderstanding about what is required, not least because the myth is being perpetuated by electrical testing firms with an obvious financial incentive in this market. Many policyholders simply adopt an annual

inspection regime to ensure they are always compliant. This generally will not, however, be at the request of their insurer.

We will absolutely not agree to:

- Standardised or kite-marked EL policies. Apart from the fact that collectively agreeing to do so is potentially anti-competitive, it reduces consumer choice and solves a problem that does not exist
- Insurers not having the flexibility to require written H+S assessments for firms with fewer than 5 employees if they think they are high risk.
- Some form of self-declaration, tick box H+S compliance by firms with less than 5 employees.

Conclusion

I hope the above information is useful. I would of course be happy to provide any clarification that you may require.

As we discussed, it would be useful to set up a call on Monday with all relevant officials to discuss any issues before the Summit itself on Tuesday.

Best regards
James

For Sponsorship and Exhibitor information, accommodation enquiries and for all other conference information please email ABLevents@abi.org.uk or phone 020 7216 7487.

1. The information transmitted is intended only for the person or entity to which it is addressed and may contain confidential and/or privileged material.
2. Any review, retransmission, dissemination or other use of, or taking of any action in reliance upon, this information by persons or entities other than the intended recipient is prohibited. If you received this in error, please contact the sender and delete the material from any computer.
3. The Association of British Insurers will not be liable to you or any other person or entity for any statement including but not limited to defamatory statements made by any employee acting outside the proper course of their duties.
4. This footnote confirms that this email message has been swept by Websense Hosted E-Mail for the presence of viruses and unacceptable or offensive material.
5. The Association also scans all incoming mail, and reserves the right to reject and return any material which is considered either to be a security risk or to contain unsuitable material.

This email was received from the INTERNET and scanned by the Government Secure Intranet anti-virus service supplied by Cable&Wireless Worldwide in partnership with MessageLabs. (CCTM Certificate Number 2009/09/0052.) In case of problems, please call your organisation's IT Helpdesk.

Communications via the GSi may be automatically logged, monitored and/or recorded for legal purposes.

This email and any files transmitted with it are intended solely for the use of the individual(s) to whom they are addressed. If you are not the intended recipient and have received this email in error, please notify the sender and delete the email.

This footnote also confirms that our email communications may be monitored to ensure the secure and effective operation of our systems and for other lawful purposes, and that this email has been swept for malware and viruses.

From: Evans, Huw [mailto:Huw.Evans@abi██████████]
Sent: Thursday, February 09, 2012 11:26 PM
To: 'Geoffrey.Baldwin@cabinet-office██████████' <Geoffrey.Baldwin@cabinet-office██████████>; Dalton, James <James.Dalton@abi██████████>; Starling, Nick <Nick.Starling@abi██████████>; Katy.Owen@cabinet-office██████████ <Katy.Owen@cabinet-office██████████>; Kate.Starkey@cabinet-office██████████ <Kate.Starkey@cabinet-office██████████>; Chris Turner; Clare Lombardelli; Ameetpal Gill; Samuel.Nguyen@cabinet-office██████████ <Samuel.Nguyen@cabinet-office██████████>
Cc: David Halpern; Will.Cavendish@cabinet-office██████████ <Will.Cavendish@cabinet-office██████████>
Subject: RE: Insurance summit

Geoff

Thanks for your note and for the conversation with James earlier after the respective notes crossed in email. I won't reiterate the details set out in the ABI note James sent but just confine myself to your main points:

MOTOR

1. We think the principle of trying to agree a sum which represents the cost that could be saved by meaningful reform is potentially promising. Our CEOs are likely to be fine to agreeing publicly that any major costs taken out of the system will result in lower premiums; this is a highly competitive market and members want to be able to lower premiums to attract new business. However, expectations are important here; even if reform is delivered radically and speedily (two big 'ifs' – see below), there will still be pipelines cases so it will be important to be transparent about timelines.

2. The four commitments (several of which, of course, are not new) are covering the right topics so the absolutely critical point will be how radical the Government is prepared to be when it comes to the detail of reform – especially when departments are not under the pressure that a PM summit temporarily places on officials and ministers. A bold approach across the four points could potentially take over £1 billion out of the system which would clearly impact on premiums significantly. In practice, this means:

- Jackson implementation; full and complete action on referral fees including investigating the regulation of the credit hire industry if any ban on referral fees is not to be sidestepped.

- Legal costs: the key here is the amount, given the Justice Minister has already promised on the floor of the House to reduce the fees in principle. This is not about just lowering the number. It has to reduce substantially so there is no economic value in a solicitor acquiring a claimant through referral or advertising. As the typical referral fee is £800 and the fixed cost is £1200, the fee has to come down to £400 or thereabouts if it is to work. I understand MoJ may not want to pre-empt the consultation but it is vital that the PM and ministers understand the economics of this or the system will not be cleaned up.

- Whiplash. We would welcome this commitment but again, the stronger the better given it is absolutely critical to tackling the overall premium problem. We would like an explicit commitment to 'legislate, if necessary', and a sense of urgency; nearly all the necessary changes will require legislation and will therefore take some time to flow through to premiums however bold the Govt is.

- Young drivers. This is the vaguest of the draft commitments and the one where the CEOs will be most sceptical given the history of Dft officials and ministers in the previous government and this one being hostile to the concept of imposing restrictions on young driver-voters. The prize for any meaningful and enforced restrictions over time would be far fewer catastrophic accidents among younger drivers which would then drive lower premiums. Here, as in many other areas of public policy, insurer pricing is just holding up a mirror to the real problem which in the UK's case is the appalling level of death and serious injury on our roads that results from our highly permissive young driver regime; more than

3,3000 young people are killed or seriously injured every year. Ultimately the Government has to want to tackle the problem head-on – if it does, it is likely to make a difference and this will lower premiums.

-

EMPLOYER LIABILITY

This wasn't covered in your note but as per the call, insurers would almost certainly agree to a new insert to go out with all policies and renewal notices to be clear what SMEs do or don't need to do on health & safety regulation, including tackling the perception that insurers want them to use health & safety consultants. This should be joint branded with HMG/DWP, HSE, FSB, Which? etc to give it authority and credibility. This would also cover the work experience issue. Overall the benefit of this is that it would tackle the root problem, namely the myths which continue to confuse and concerns SMEs. As we set out in the note and explained over the phone, insurers will not agree to any contract measures and do not accept there is any problem with gold-plating or the imposition of additional requirements.

OTHER POLICY AREAS

Two other areas which are likely to come up verbally and on which the PM should be briefed are:

- Discount Rate. This is the % by which large payouts to victims of catastrophic accidents/negligence victims are reduced to allow for the likely investment return that the victim will receive from investing the payment. It is set by the Lord Chx in consultation with HMT and both the formula used (which only uses UK Gilts and is therefore narrowly defined) and the level of the rate itself are being reviewed at the moment. A reduction in the rate could add over £1 billion in costs to insurers. In short, the gains of any radical reform on legal fees, whiplash and young drivers could easily be neutered by Govt if it reaches the wrong decision on the Discount Rate.

- Flooding. While out of scope for this summit, this is the single biggest area of difficulty between the general insurance industry and the Govt so it would be surprising if one of the CEOs was not to raise it. The ABI has (highly unusually) publicly criticised Defra for its handling to date of negotiations to establish a framework for long term flood cover for high risk households and has written to all MPs in England & Wales setting out its case.

LOGISTICS:

- The media handling is clearly the other critical piece. Please could you let me know who is handling this in no 10 so I can make contact and try and avoid an unnecessary briefing war ahead of the summit. To state (I hope) the obvious, it is vital our good work to establish some concrete outcomes is not undermined by any briefing that seeks to portray this as CEOs being hauled into explain themselves. Indeed, several CEOs have said they would publicly boycott the meeting if that were the story on the day. We would want to agree the broad outlines of what the pre-briefing looks like and be reassured that the PM's initial on-camera remarks are constructive and acknowledge the broader problems which the premiums reflect rather than attack the premiums themselves.

- We have several calls with our members tomorrow so will flag any major new issues to you and would be grateful if you did the same from your end.

- On late Monday or Tuesday morning, it would be helpful to agree the final choreography of the meeting; given the number of CEOs attending, we will agree in advance with them who answer the PM's initial questions on the key topics. As ever, it would seem sensible to agree an outline plan for the first half of the meeting and to ensure the PM is briefed to know which CEO is best placed to cover particular market issues.

I hope this covers everything and look forward to hearing confirmation of the best no 10 media contact so I can follow up there.

Thanks and best wishes

Huw

Huw Evans
Director of Operations



www.abi.org.uk
Association of British Insurers
51 Gresham Street
London
EC2V 7HQ

From: Geoffrey.Baldwin@cabinet-office [mailto:Geoffrey.Baldwin@cabinet-office]

Sent: 09 February 2012 18:59

To: Evans, Huw; Dalton, James; Starling, Nick; Kate.Starkey@cabinet-office; cturner@no10; clombardelli@no10; AGill@no10; Samuel.Nguyen@cabinet-office

Cc: DHalpern@no10; Will.Cavendish@cabinet-office

Subject: Insurance summit

Huw & James:

Following our discussion this morning, we promised to come back to you on what the government will do.

1. Implement Jackson reforms in the Legal Aid, Sentencing and Punishment Offenders Bill.
2. Commit to reducing the £1,200 fee that lawyers can earn from small value personal injury claims. We can't give a figure until the consultation, but we can say that the govt is committed to reducing the fee.
3. Government will commit to taking action to reduce the number and cost of whiplash claims (and we will look at a number of options on how to do this in the next few months with ABI/insurance companies).
4. Government will look at what can be done on young drivers' risk and safety.

If government commits on these four things, can we get a commitment at the summit on Tuesday from ABI and insurance companies to commit to passing on savings to consumers/businesses? Government will want to indicate a figure of some sort, which we should discuss further; you've indicated that you would be unlikely to commit to a percentage reduction but we should be able to come to a ballpark view of what sort of cost reductions we could get from proposed changes (and say we should see this feeding through into premia.) I'm around tomorrow, though in meetings for much of the morning.

Best,
Geoff

p.s. I believe that you owe Kate a note on what options you think there are on whiplash; we've discussed here and I am hoping that there will be good common ground here; we should aim to enumerate the types of things that we will peruse.

Geoff Baldwin | Head of Business, Banking, and Regulation | Economic and Domestic Secretariat |
Cabinet Office | geoffrey.baldwin@cabinet-office | | |
| www.cabinetoffice.gov.uk

.....
This email and any files transmitted with it are intended solely for the use of the individual(s) to whom they are addressed. If you are not the intended recipient and have received this email in error, please notify the sender and delete the email.

This footnote also confirms that our email communications may be monitored to ensure the secure and effective operation of our systems and for other lawful purposes, and that this email has been swept for malware and viruses.

The original of this email was scanned for viruses by the Government Secure Intranet virus scanning service supplied by Cable&Wireless Worldwide in partnership with MessageLabs. (CCTM Certificate Number 2009/09/0052.) On leaving the GSi this email was certified virus free.

Communications via the GSi may be automatically logged, monitored and/or recorded for legal purposes.

For Sponsorship and Exhibitor information, accommodation enquiries and for all other conference information please email ABLevents@abi.org.uk or phone 020 7216 7487.

1. The information transmitted is intended only for the person or entity to which it is addressed and may contain confidential and/or privileged material.
- 2 Any review, retransmission, dissemination or other use of, or taking of any action in reliance upon, this information by persons or entities other than the intended recipient is prohibited. If you received this in error, please contact the sender and delete the material from any computer.
3. The Association of British Insurers will not be liable to you or any other person or entity for any statement including but not limited to defamatory statements made by any employee acting outside the proper course of their duties.
4. This footnote confirms that this email message has been swept by Websense Hosted E-Mail for the presence of viruses and unacceptable or offensive material.
5. The Association also scans all incoming mail, and reserves the right to reject and return any material which is considered either to be a security risk or to contain unsuitable material.

For latest news and information from Downing Street visit: <http://www.number10.gov.uk>

Help save paper - do you need to print this email?

For latest news and information from Downing Street visit: <http://www.number10.gov.uk>

Help save paper - do you need to print this email?

From: Sophie Spink [mailto:sophie.spink@zurich.com]
Sent: 07 February 2012 12:34
To: Owen, Katy - Cabinet Office [Restricted]
Cc: david.swaden@zurich.com; Starkey Kate - Economic and Domestic Affairs Secretariat (Cabinet Office); Nguyen, Samuel - Cabinet Office [Restricted]; George Sophie (BRE)
Subject: Re: [UNCLASSIFIED] Insurance Summit

Katy

Good to hear from you too and always nice to get positive feedback from customers. I'm in London tomorrow, as it happens, so could meet to answer some of your queries in the second part of the email. I'll also be with my Underwriting colleague that I mentioned last week so he could cover off any outstanding queries you have around EL and H&S (although I believe he may be calling Sam this afternoon too).

In terms of the first part and Zurich's willingness to agree to all the commitments outlined, I do think these need further discussion. We've been a long-term supporter of the Jackson package and think it could lead to real step-change. However, there are still a number of elements that haven't been brought forward e.g. measures to tackle hourly rates for solicitors' costs and the extension of fixed fees. I guess we'll know more when the 'Solving Disputes' response is out but it would be premature of me to commit to any premium reductions at this stage. I hope you understand.

Let me know about tomorrow.

All the best

Sophie

Sophie Spink
Head of Government and Industry Affairs for UK General Insurance
Zurich Insurance plc

[Redacted]

Tel: [Redacted]
Int: [Redacted]
Mob: [Redacted]
Mobex: [Redacted]

From: "Owen, Katy - Cabinet Office" <Katy.Owen@cabinet-office>
To: "sophie.spink@zurich" <sophie.spink@zurich>
Cc: "Nguyen, Samuel - Cabinet Office" <Samuel.Nguyen@cabinet-office> "Starkey Kate - Economic and Domestic Affairs Secretariat (Cabinet Office)" <Kate.Starkey@cabinet-office> "George Sophie (BRE)" <sophie.george@bis> "david.swaden@zurich" <david.swaden@zurich>
Date: 07/02/2012 11:28
Subject: [UNCLASSIFIED] Insurance Summit

Dear Sophie,

It was good to meet you last week and I was very pleased to hear everything that Zurich are doing. We have also received some good feedback from one of your customers regarding your H&S requirements which is great. In the meeting we explained that the government was progressing with the implementation of the Jackson reforms and that we want to discuss this further at the summit. We are keen to get commitments from the whole industry at the summit on this and it would be great to get commitments from Zurich to encourage others to follow suit, can you confirm that Zurich will agree to these at the summit?

- Commitment to adjust EL and motor premiums to reflect the reductions in legal costs created through the Jackson reforms. It is also worth noting that we are also exploring reducing the current £1,200 cap that lawyers can earn from small value personal injury claims – please do not share this more widely as this has not been agreed as yet and there would need to be a consultation process first.
- A commitment to ensure that premiums reflect good health and safety performance.
- A commitment to challenge vexatious civil claims rather than settling out of court (once the Jackson reforms are in place) – for EL & motor.
- Tackle the perception of Health and Safety culture and what is required by insurance companies – we discussed responding to media stories at the meeting, but you mentioned that this could become very time consuming. It would be good to get your thoughts on how this could be tackled by the industry and what Zurich would be willing to do.
- Commitment to follow the ABI Code of Principles

We also discussed a standard insurance contract yesterday, my colleague Sam Nguyen, copied in above, will send this over to you to run past your risk and legal experts.

I mentioned to David that the scope of the summit has changed slightly to fit into the PMs schedule & other areas of work. As well as H&S it will also cover motor and home insurance. Some of this relates to the Jackson reforms which I have covered above. Over areas of work that we are exploring and are likely to come up at the summit include:

- Insurers to create more affordable policies for young people by: wider use of telematics technology; restricted driving licenses (restrictions on time of day, restrictions on number of people in cars).
- Reduce baseline awards for whiplash and other hard to test claims by: stronger medical evidence/diagnosis requirements for whiplash cases; whiplash not recognised for crashes below a certain speed.
- Better sharing of information between DVLA and industry to help prevent fraud.
- First party cover – move from current system of second and third party cover
- Government to work with insurance companies and local authorities to provide more block products for those on low incomes who do not have home insurance. Is this something that you already do? If so we would be keen to hear about what you are already doing in this field.

I am not as heavily involved in the motor or home side, however if you would find it useful to discuss this further then perhaps we could meet tomorrow afternoon with some other colleagues that are working on these areas?

I will have limited access to my emails this afternoon so please do give me a call to discuss. I look forward to hearing from you.

Kind regards.
Katy

Katy Owen
Red Tape Challenge Team
[REDACTED]

.....
This email and any files transmitted with it are intended solely for the use of the individual(s) to whom they are addressed. If you are not the intended recipient and have received this email in error, please notify the sender and delete the email.

This footnote also confirms that our email communications may be monitored to ensure the secure and effective operation of our systems and for other lawful purposes, and that this email has been swept for malware and viruses.

The original of this email was scanned for viruses by the Government Secure Intranet virus scanning service supplied by Cable&Wireless Worldwide in partnership with MessageLabs. (CCTM Certificate Number 2009/09/0052.) On leaving the GSi this email was certified virus free.

Communications via the GSi may be automatically logged, monitored and/or recorded for legal purposes.

Zurich Financial Services (UKISA) Limited and Zurich Insurance plc are members of the Zurich Financial Services group of companies, of which the ultimate parent company is Zurich Financial Services Ltd, a company registered in Switzerland (number CH-023.3.020.5108).

This email was received from the INTERNET and scanned by the Government Secure Intranet anti-virus service supplied by Cable&Wireless Worldwide in partnership with MessageLabs. (CCTM Certificate Number 2009/09/0052.) In case of problems, please call your organisation's IT Helpdesk.

Communications via the GSi may be automatically logged, monitored and/or recorded for legal purposes.