



# SEVERE BODILY INJURY CLAIMS IN EUROPE – DEVELOPMENTS AND TRENDS

Warsaw, 12 May 2011  
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Munich RE 

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# Germany

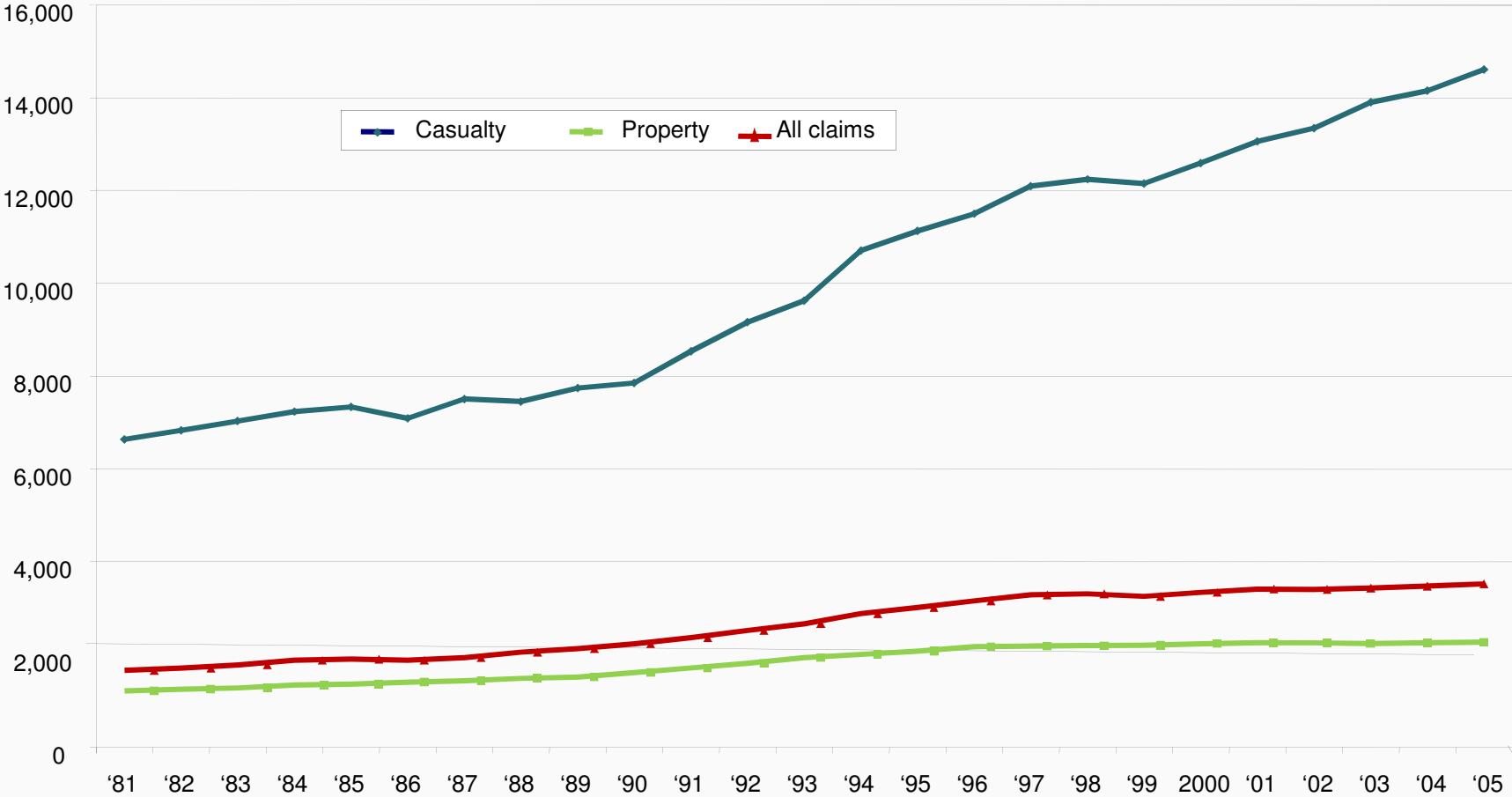




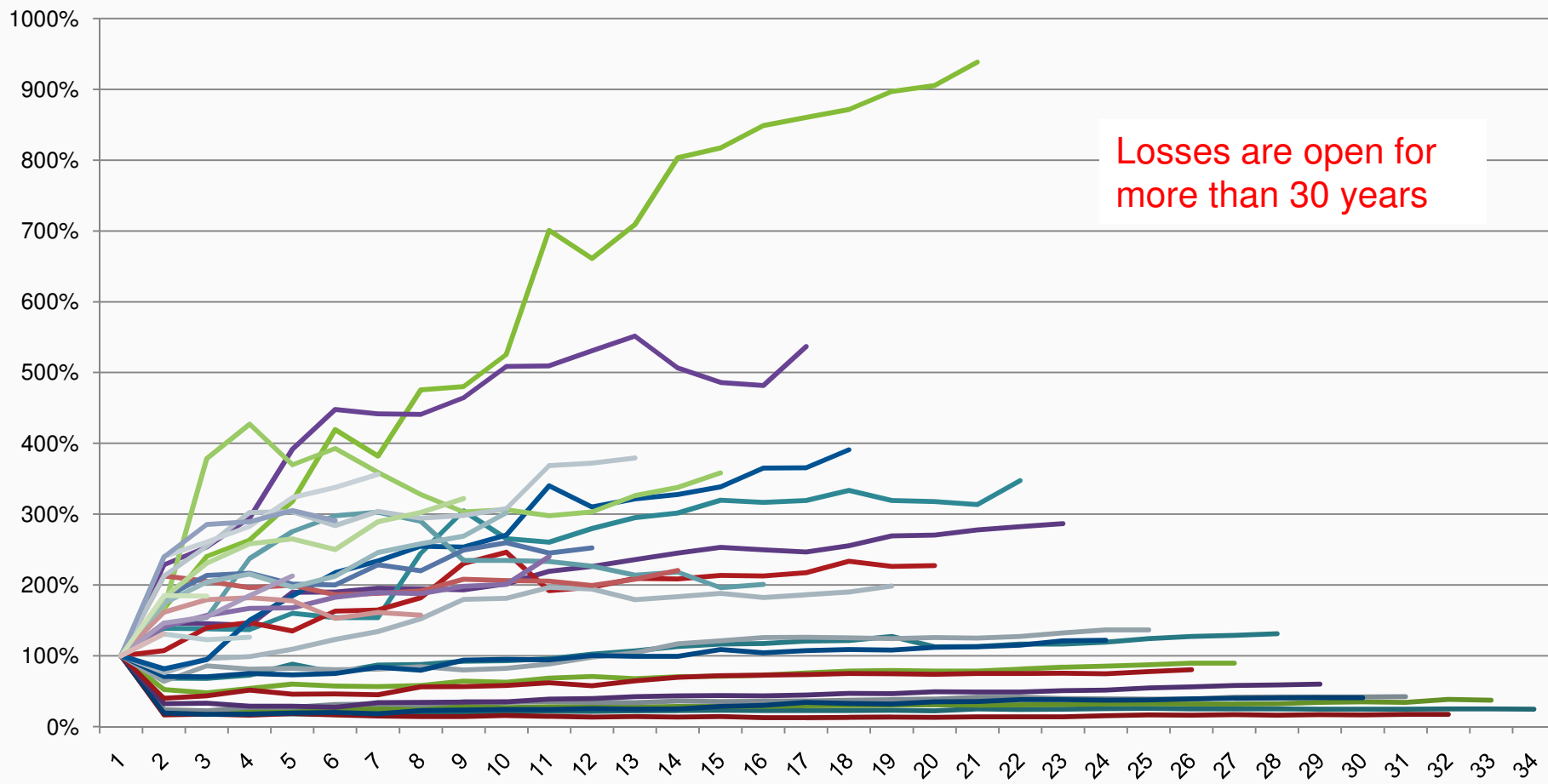
## Tendencies in severe bodily injury cases in Germany:

- The average claims amount is increasing - in particular in more recent years there has been a considerable increase of the claims amount
- Care costs are the most important cost drivers in bodily injury claims
- Lengthy run-off periods (30 years or more)

## Increase of average loss amounts



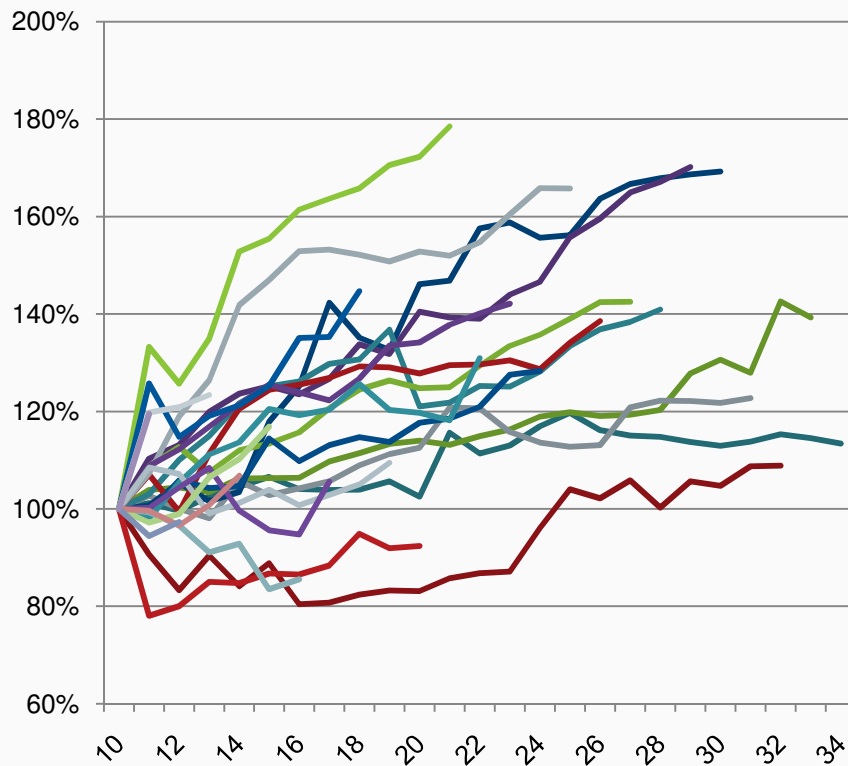
Loss development pattern (above reinsurance priority) in % (1st year = 100%)



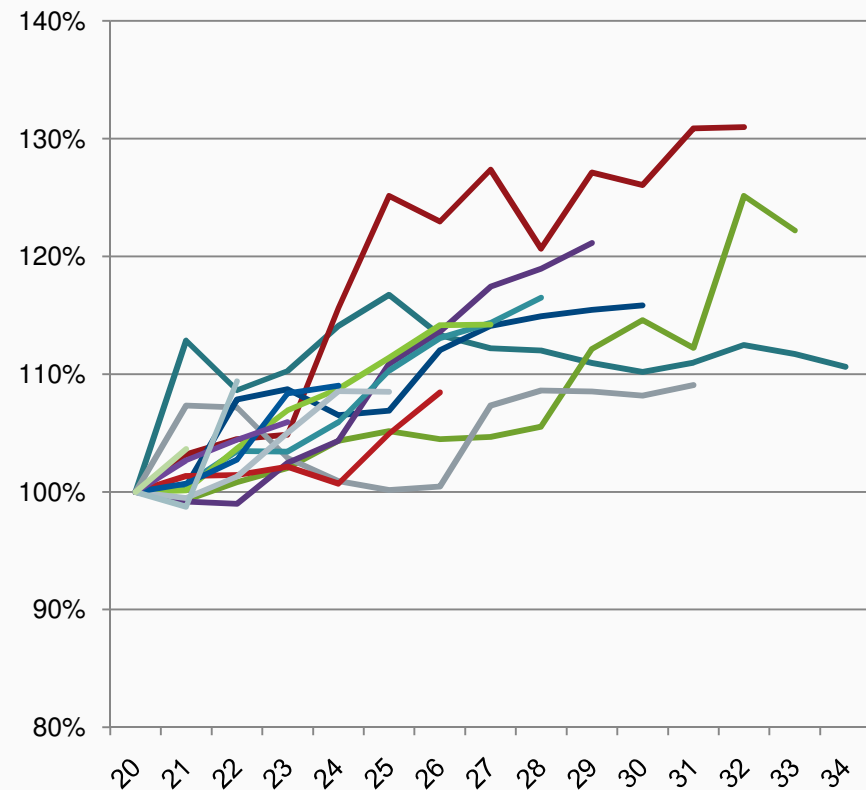


## Developments of accident years in %

10th development year = 100%



20th development year = 100%





Reasons

Cost drivers influencing severe bodily injury claims:

→ medical expenses

→ care costs

→ loss of earnings



...in the focus of superimposed inflation





Cost driver: **Medical expenses**

Increase because of:

- medical and technical progress
- increasing demand of “high-tech medicine”
- new disease pattern: e.g. post-traumatic stress disorder



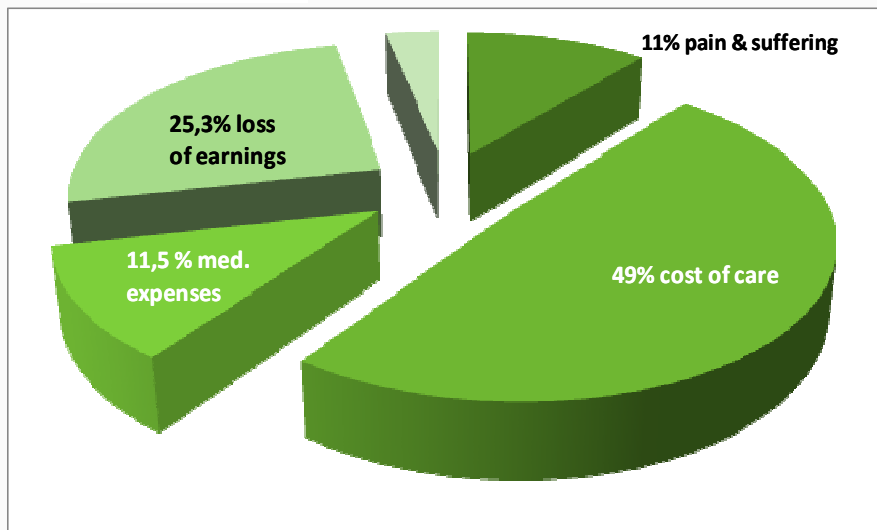
Cost driver: **Care costs**

Increase because of:

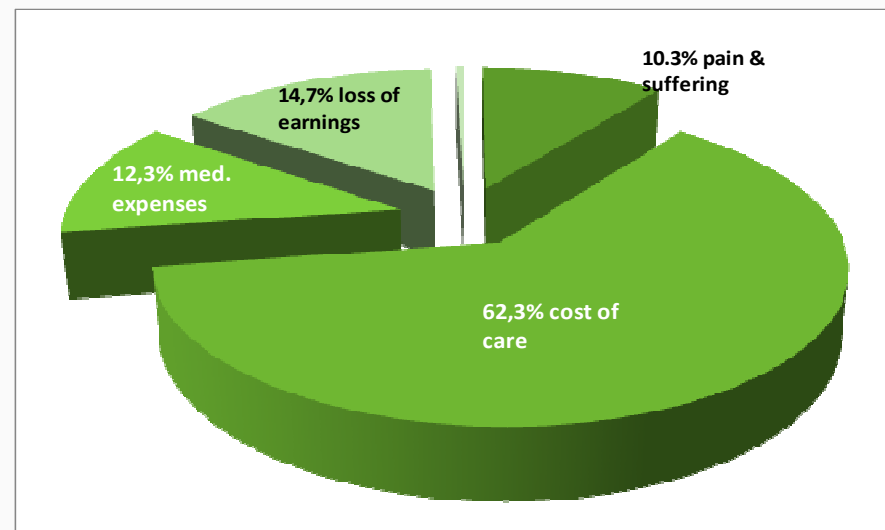
- shortage of qualified nursing staff due to demographic reasons
- increasing professionalization of care: increase of care by qualified staff instead of care by relatives
- claimants opt for private care at home instead of nursing homes
- stricter standards of care
- tendency towards more than 24h-care (holiday replacement)
- increased life expectancy due to medical progress

Average split of a large bodily injury loss – 1st year and 10th year

1st year



10th year



Care costs rose from 49% to 62% of total loss



Example: 35 year old man, 100% invalidity, 100% reduction in earning capacity

	2006		1995		1985	
Average income, gross:	3.400 €	p.m.	2.600 €	p.m.	2.100 €	p.m.
net:	2.380 €		1.820 €		1.470 €	
	<b>incurred amount</b>					
Medical expenses	180.000 €		100.000 €		90.000 €	
Loss of earnings	838.500 €		551.000 €		398.000 €	
Pain and suffering	300.000 €		200.000 €		125.000 €	
Additional expenses (lifelong)	163.300 €	500 €	75.750 €	300 €	27.000 €	125 €
<b>Care costs (lifelong)</b>	<b>2.123.000 €</b>	<b>6.500 €</b>	<b>757.500 €</b>	<b>3.000 €</b>	<b>377.100 €</b>	<b>1750 €</b>
Costs	30.000 €		20.000 €		7.500 €	
Rebuilding costs	180.000 €		100.000 €		75.000 €	
<b>Total:</b>	<b>3.634.800 €</b>		<b>1.804.250 €</b>		<b>1.099.600 €</b>	

# France



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## Case study

9<sup>th</sup> November **1998**: A four-year-old boy was a passenger in a vehicle. Another driver lost control of his car and collided with the first vehicle. The boy sustained a severe head injury (brain damage, 100% disability).

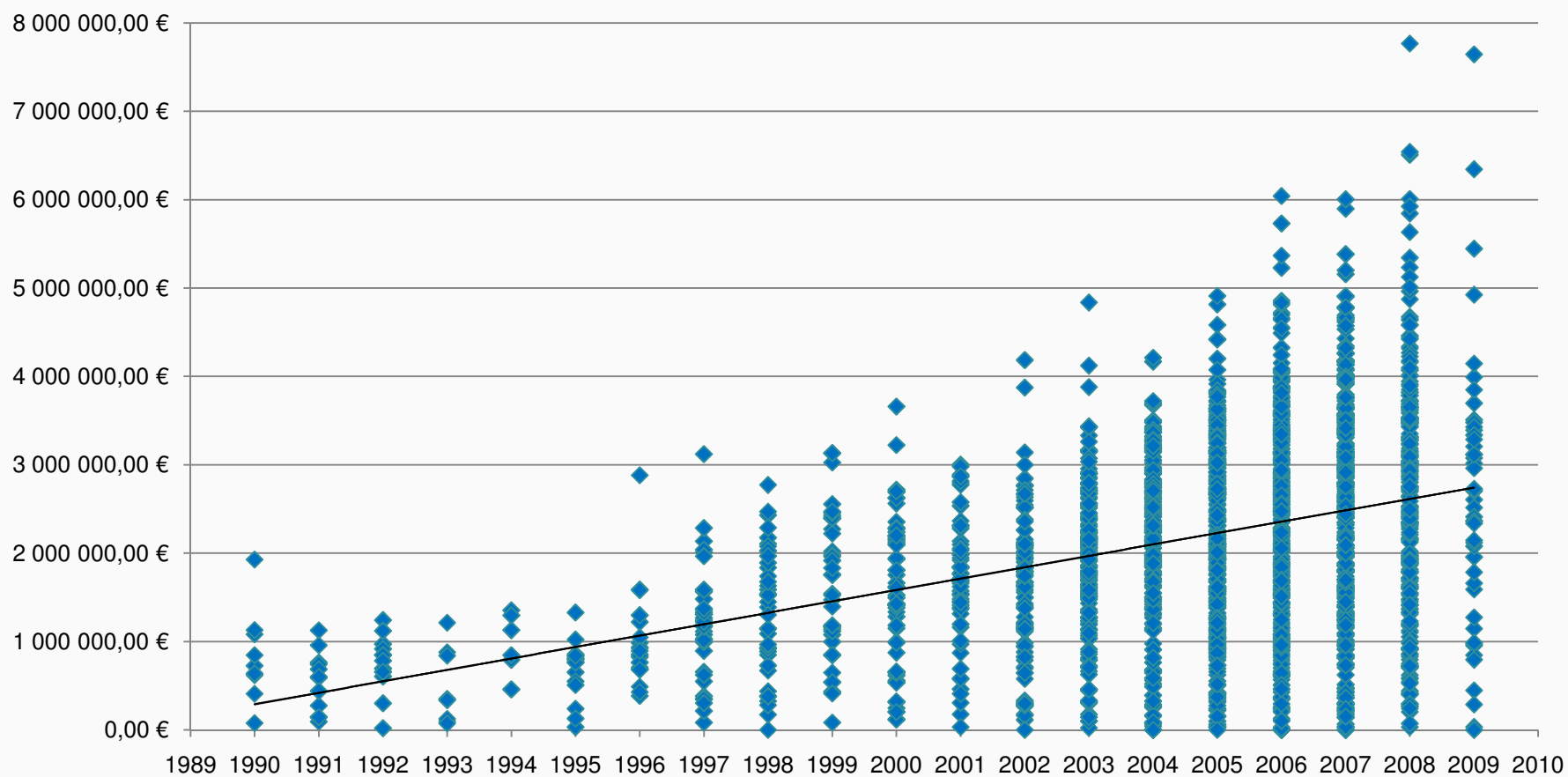
- The reinsurer was informed about the claim in **1999**. Costs of **€4.8m** (fgu) were estimated at the time.
- **Today**, payments and outstandings amount to **€11.2m**.

**What happened?**

## Case study

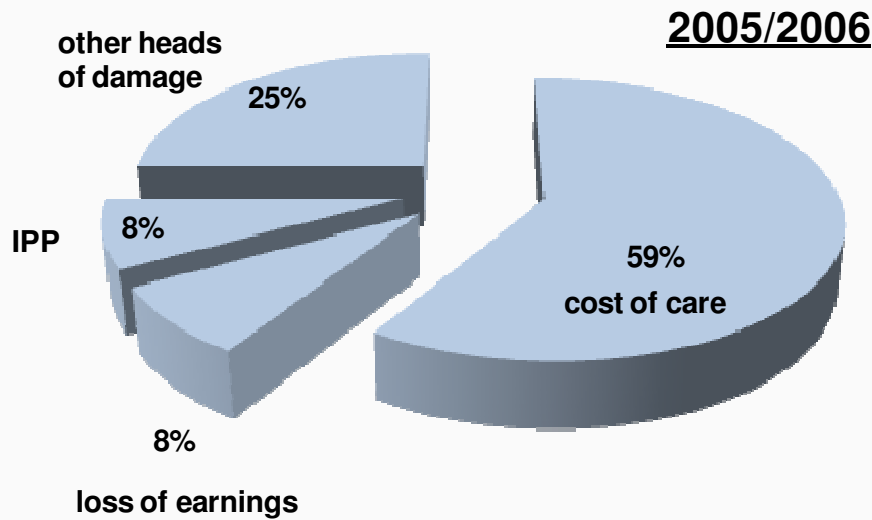
Year	Action	Incurred (fgu)	Reason for change
1999	1st advice	4.8 million	First calculation of reserve
2000	2nd advice	4.6 million	24 h care calculated with €10.50 per hour
2001	3rd advice	4.6 million	Maintaining the reserve: boy stays in a nursing home
2002	4th advice	4.7 million	Small payment, keeping same reserve
2004	5th advice	4.9 million	Increase of future medical costs and loss of income; care at home
2006	6th advice	7.6 million	Discount factor reduced to 2.01% (from 3.1%)
2007	7th advice	10.1 million	New care concept set up: €15/24 per hour
2010	8th advice	11.2 million	Deterioration of state of health, Adding a variable adjustment of 2% for 6 years = € 1.1 million increase

## Development of care costs 1990-2009

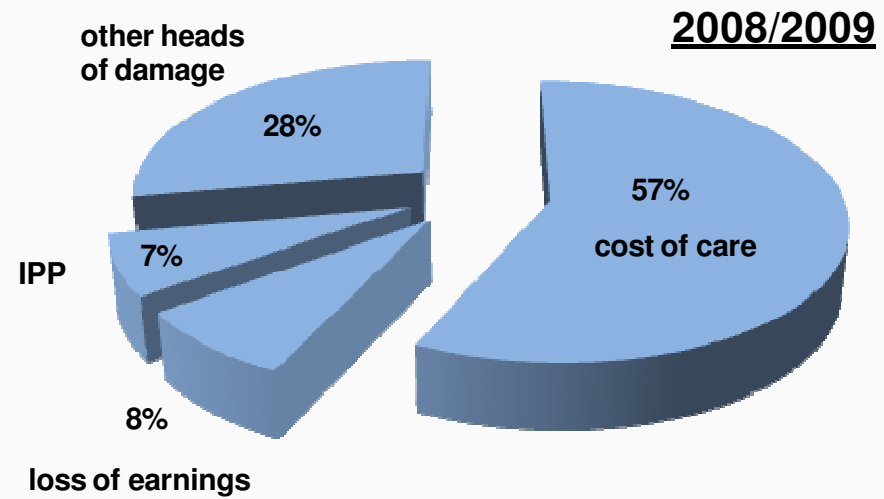




Share of care cost in total claim



**1995 – 2000:  
care costs = 45%**







## Summary

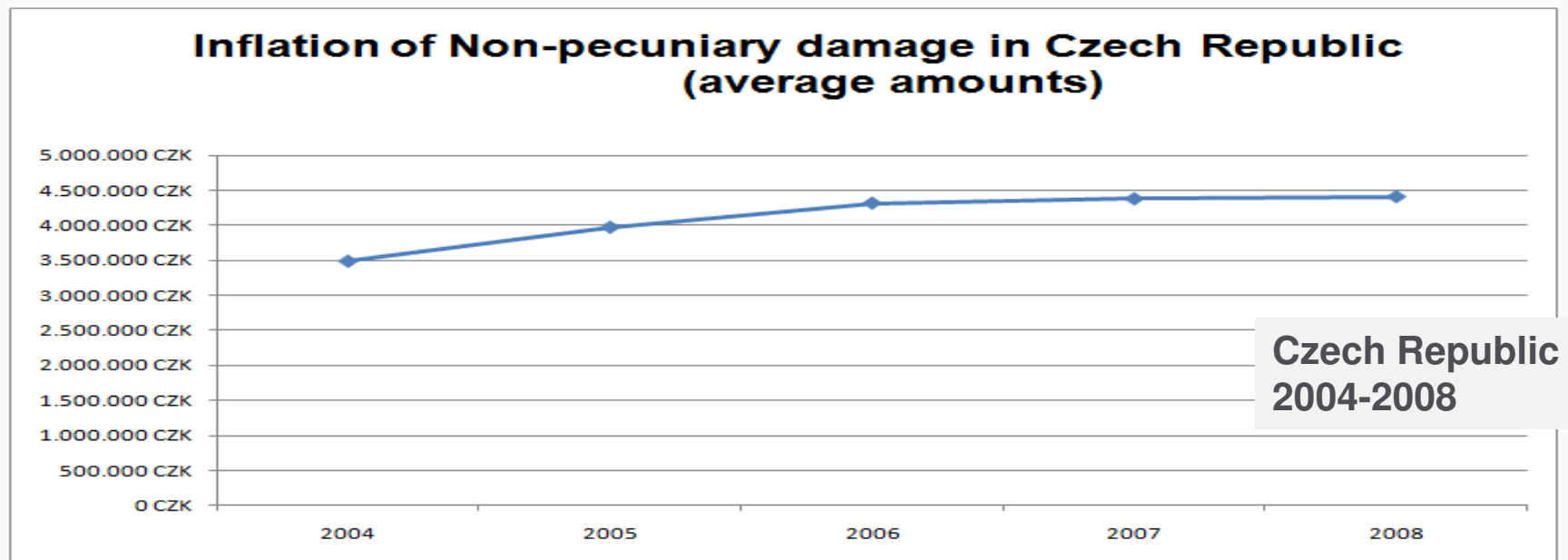
- Lengthy run-off periods: 30 years or more due to annuity-payments
- Increase of costs and negative developments of claims are possible even in the 10th and 20th development year due to various reasons
- Care costs are the most important cost drivers in bodily injury claims – affected by superimposed inflation

# CEE Markets



East – West adjustment :  Non-pecuniary damage

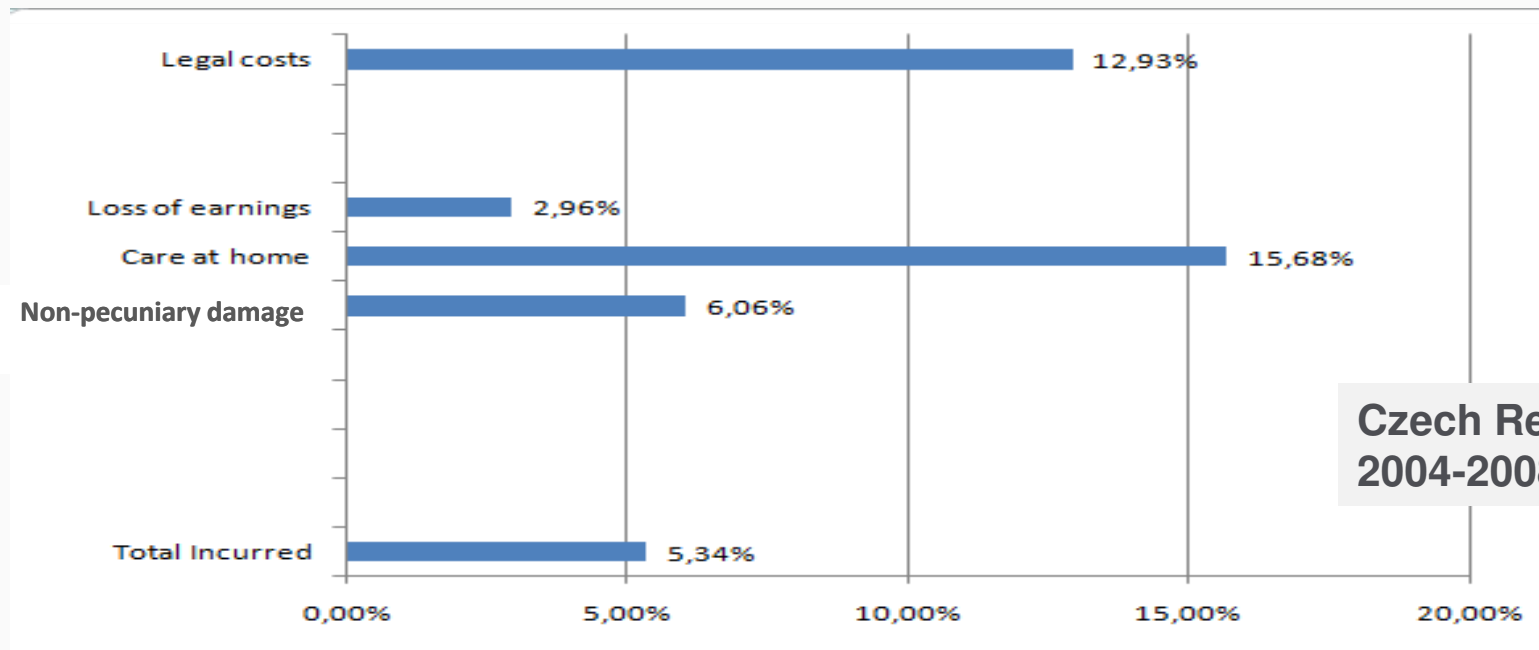
- **Czech Republic:** already on a high level  
     about € 500.000 in severe cases
- **Romania, Bulgaria:** for same cases usually € 25.000 - 50.000



Czech Republic  
2004-2008

East – West adjustment : → Care Costs

- **Czech Republic:** € 700 – 900 per month in 2009 / 24h care
- **Poland:** care costs claimed more seldom
- **Bulgaria:** low claims awareness, usually no claims for care costs



Czech Republic  
2004-2008

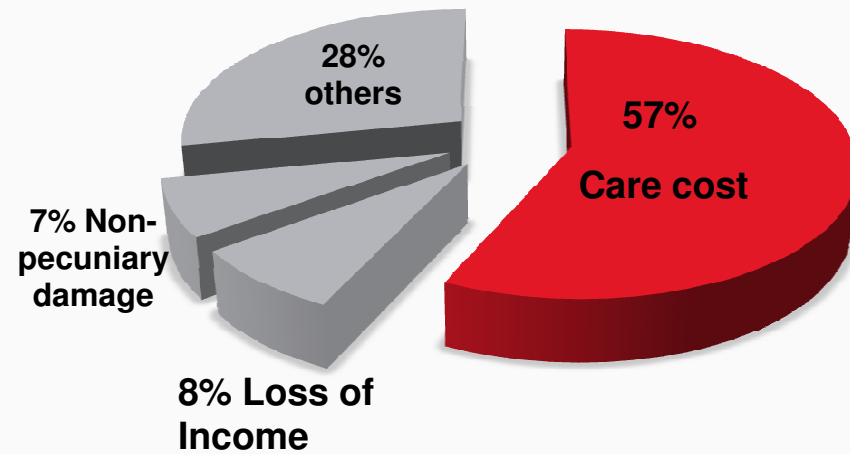
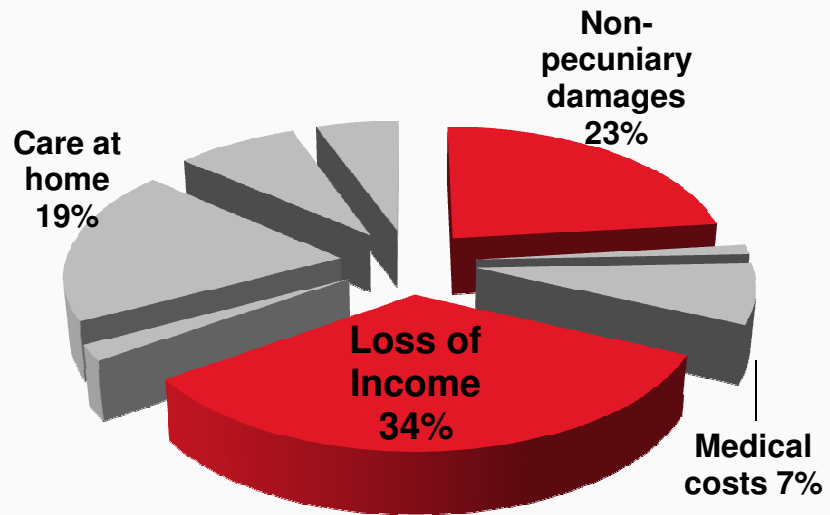
# East – West adjustment



Czech Republic (2009)



France (2009)





## Discount- and inflation rates

- Figures Czech Republic 2010 – recommended by the Czech MTPL-Insurer association (CKP):

Discount factor		2.0%		
Unified valorization	Limited time	5.2%		
	Long life compensation	4.6%		
3 stage model	Limited time	4.0%	6.5%	4.0
	Long life compensation	2.0%	4.5%	4.0
		<b>up to 2012</b>	<b>2013 – 2020</b>	<b>after 2020</b>

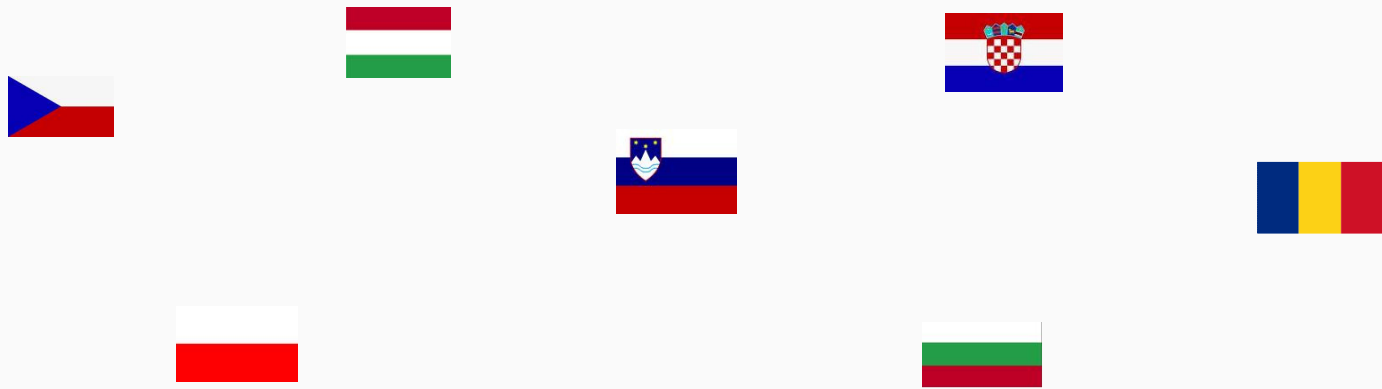
- Different approaches in other CEE Markets

Source: CKP



## Summary

- East-West adjustment is the main issue
- Still significant differences between the single CEE Markets





# Finland



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## In a nutshell

- **Non-pecuniary damage:** → moderate level of compensation
  - highest amounts for pain and suffering: € 20,000 – 30,000
  - permanent defect and handicap: € 45,000 – 90,000  
(depending on the age of the claimant)
  
- **Medical expenses**
  - since 2005 at first to be paid by the MTPL-Insurer
  - after 10 years costs covered by the Finnish motor insurers pool → no case by case recourse of the social insurer

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- **Care costs**

- only partly met by the MTPL-Insurers due to subsidies from Municipalities / Communities

- **Loss of earnings:**

- annuity-payments
- costs generally met by the MTPL-Insurer excluding inflation
- inflation risk covered by Indexpool

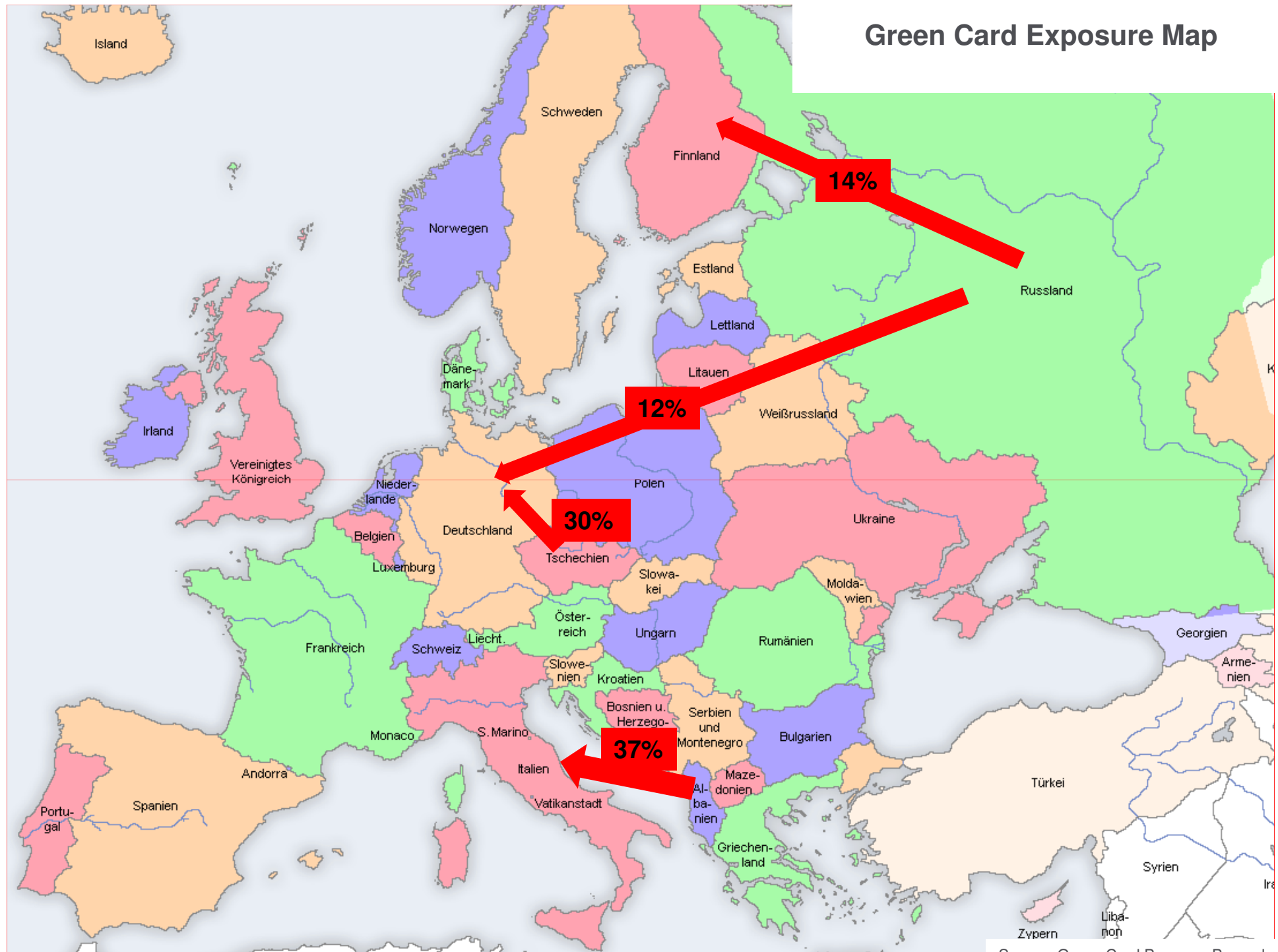
- **Traffic Accident Board**

- gives recommendations on compensation amounts

# The Green Card Exposure – Mutual Awareness of Developments and Trends between the Markets



# Green Card Exposure Map



Source: Green Card Bureau, Brussels

Domestic claims in CEE show in general moderate claims costs

but



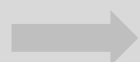
## Green Card claims



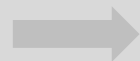
### Loss Example:

Accident in Germany:

German male, \*1971, severe brain injury after being hit by a Lithuanian lorry (no artificial respiration)



Green Card claim is reserved at **€ 4 m** FGU

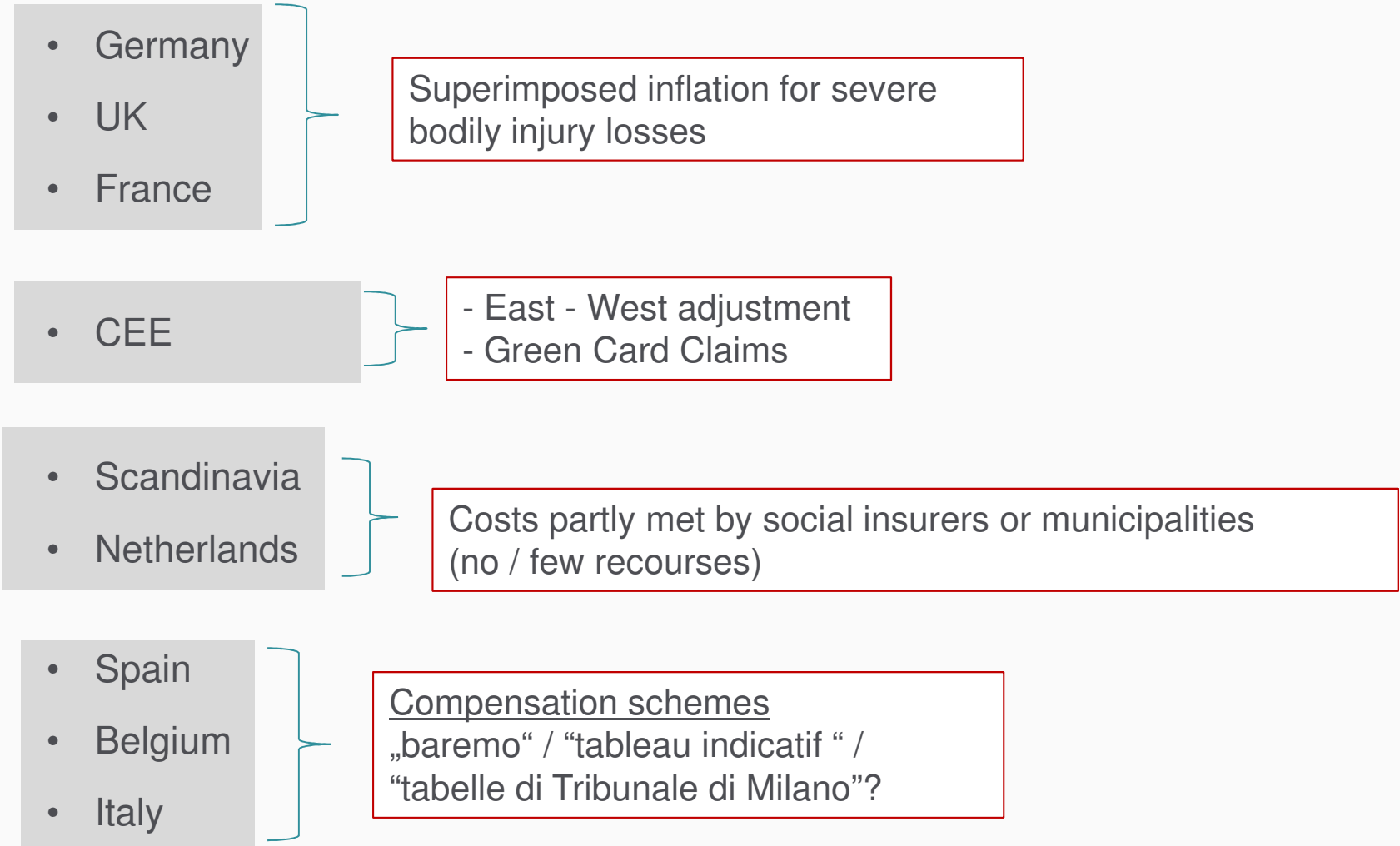


hypothetical costs for a similiar domestic case in Lithuania: **€ 500,000**

# Summary: Clustering of Markets



## Clustering of markets







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# THANK YOU FOR YOUR ATTENTION!

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