

Inflation Report 2022: Rising Costs of Casualty Claims

Inflationary and workforce pressures affecting the global economy are well known. There is myriad of factors contributing to this for the UK and Ireland including: COVID-19 pandemic; Brexit; Russia – Ukraine conflict; climate related changes; transportation problems. What impact are these developments having on casualty claims?

As of August 2022, we have not seen any widescale increase of reserves across casualty because of these factors. Similarly, there has been no significant shift towards quicker settlements and savings, because of the cost-of-living crisis.

We do anticipate that this will change and are monitoring the situation regularly to enable us to identify and be proactive in reporting any impact to claims due to inflation, COVID-19 pandemic, and political related factors over the coming months.

Impact on Classes

All Classes

As claimants encounter financial pressures due to the effect of inflation, it is expected that there will be increased pressure on insurers to settle claims and the temptation for fraud is likely to be greater.

Whilst we have seen no evidence of it to date, we do anticipate that service providers such as medical experts, engineers, forensics etc. will seek to increase their fees and expect earlier payments.

Injury Claims

Injury damages are guided by the Judicial College Guidelines in the UK and the Personal Injuries Guidelines in the ROI, and they should not generally be affected by current inflation.

In the UK, there have been overall reserve increases in the last few months. This is due to the latest Judicial College Guidelines and the new pain, suffering and loss of amenity valuations, rather than global factors.

In the ROI, there have been reserve decreases on lower value claims that are being processed via the Personal Injuries Assessment Board. This is because of the new Personal Injuries Guidelines which came into effect in April 2021. The initial legal challenges to the Personal Injuries Guidelines have failed so it looks like they are here to stay.

Some UK claimant solicitors are attempting to value an increasing number of claims outside of the portal and we are being vigilant in this respect. The involvement of multiple experts is becoming increasingly common, with orthopaedic consultants referring claimants to psychology

and chronic pain consultants. This clearly has the capacity to increase reserves.

Similarly, in ROI claimants are seeking to offset some of the reductions brought about by the new Personal Injury Guidelines by pleading psychological injuries and often recurring special damages. In the ROI, there has been no wholesale shift towards quicker settlements and no noticeable increase in pre-medical offers from claimant solicitors; however, we anticipate that we may start to see some attempts to seek increased legal costs for inflation.

UK injury liability claims should not be subject to significant increased legal costs, as hourly rates are generally subject to pre action protocol costs, which have not increased for several years or otherwise Court Hourly Rate Guidelines.

In ROI the costs being allowed by the local county registrars and taxing adjudicators have increased. This trend commenced prior to the current wider inflation changes and cost of living increases and is likely due to the lack of increases in the legal costs' scale fees for several years. The Personal Injury Guidelines may also have had an impact here as the complexity of the cases have not changed despite the value reductions brought about by the guidelines.

Third Party Property Damage & Financial Losses

Most casualty claims involving property damage arise from incidents that have occurred several weeks to months before the claim is submitted. Many feature subrogation actions by insurers where the costs of the incident have been incurred some time ago. These property damage claims will not therefore be affected by the very recent inflation issues.

Claims arising from more recent incidents will have seen repair cost increases due to higher labour, materials and transport costs. Further detail on this has been outlined in our article [Inflation Report 2022: Rising Costs of Property Claims](#).

Energy prices are beginning to give rise to higher drying costs on water damage claims and increased cost of production in product liability and recall cases. On product liability and recall cases, supply chain issues, driven by the war in Ukraine have also resulted in the price of certain materials, such as flour rising exponentially. The way in which many manufacturers' financial models operate mean that additional costs may not be known until month end and cannot always be accurately anticipated. Our reserves and claim consideration will reflect this.

“This has caused a feeling of loss of control over values that were once reasonably predictable.”
– Insured

What Next?

Given the long-tail nature of casualty claims the detrimental impact of inflation has yet to be seen but we do expect to see pressure on indemnity costs start to feature particularly on special damages and third party property claims and we continue to monitor the situation closely.



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