



What's driving liability claims inflation?





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Why are liability claims costs rising?



Like the cost of living, claims inflation is driven by prices.

So, when the cost of repairs, materials and labour rises, so does the cost of third party liability for property damage. Inflation also pushes up settlements and damages awarded in court cases.

There are also more liability claims being made. For example, tighter safety regulation is opening new avenues for claims against those responsible for fire and building safety.

The pandemic brought an increase in negligence claims against employers, all adding to costs.

In this section, we explain these trends and changes and how they impact on the cost of liability claims.



Price inflation

What's driving costs?

- **Retail price inflation** is pushing up claim payouts, including loss of income costs, as wages increase. It's also driving up the cost of legal and other services, rescue and recovery costs in personal injury cases, and most other costs involved in processing a claim.
- **The Judicial College Guidelines (JCG)** set the rules for damages awards in courts. The latest guidelines in June 2022 increased damages in line with inflation.
- **The cost of care** is rising for those who need ongoing care after an accident.

How does this impact liability claims?

When costs rise in the economy, there's an inevitable knock-on effect on the cost of claims and damages awarded.

Cost of repairs

What's driving costs?

- **Supply chain issues** and skill shortages resulting from the pandemic and Brexit are adding to costs and delays in building repair. Repairs to machinery are affected by shortages and longer waiting times for parts, import costs and fuel expenses.
- **Accommodation costs:** delays in repairs increase the cost of providing alternative accommodation for claimants while work is carried out. Rising interest rates are forcing landlords to increase rents for accommodation too.
- **Price inflation**, as described above, is driving up the cost of materials and labour.

How does this impact liability claims?

These pressures are driving up the cost of reinstating property to its pre-damaged state. This, in turn, adds to the cost of liability claims for damage to third party property. Similar factors are driving costs in property insurance claims – see our 'Guide to Property claims inflation'.



Regulation

What's driving costs?

- **The Fire Safety Act 2021** increases the fire safety responsibilities of professionals involved in construction and management of buildings, including external walls and fire doors.
- **The Buildings Safety Act 2022** increases professional responsibility for building safety in residential buildings, and expands the time limit for claims from six to 15 years.
- **The Judicial College Guidelines** introduced new categories of settlement for sexual abuse and work-related limb disorders.

How does this impact liability claims?

The new legislation and JCG guidelines open the door to more liability claims against a wider range of professionals, which drives claims costs higher.

Economy

What's driving costs?

- **Company insolvencies** increased by more than 1,000 in April 2022 compared to the same month in 2021. When insolvencies increase, this leads to more liability claims by the affected firms against their professional advisers, such as valuation firms, auditors and banks.
- **Fraudulent claims** tend to rise when the economy is in a downturn, particularly for public liability injury damages.

How does this impact liability claims?

If the number of claims increases, there's an added cost of processing and investigating those claims, even if they aren't successful.

The pandemic

What's driving costs?

- **Delays in medical assessments** caused by the pandemic backlog continue to lead to claims taking longer. Delays can also result in injuries leading to longer tail issues.

How does this impact liability claims?

The pandemic opened new avenues for claimants. As stated above, handling these claims increases overall costs even if the claims are rejected. Medical delays increase costs and damages awarded.



What AXA is doing to control costs

Preventing risks and losses

Our business resilience team includes surveyors who can help customers identify health and safety risks and take action to prevent them. These proactive measures can reduce claims and help control future premiums.

Managing claims

We use the latest digital technology to triage claims and support claims handling. This helps us to speed up processing and keep costs to a minimum, while also reducing loss adjuster fees.

Supporting customers

Our claims team can help customers limit the damage and cost when an incident happens – to get the best support, make sure your customers call us immediately. For larger corporate clients, we provide regular claims reviews to help them learn the lessons from previous claims, and advice on how to contain costs.

Detecting fraud

We have a team dedicated to detecting fraudulent claims and identifying emerging areas of fraud that could affect liability claims.

Providing legal advice

Our Management Liability policy includes access to rradar, a specialist law firm offering guidance on how to prevent problems escalating into claims.

Sourcing suppliers

We may be able to source suppliers or contractors quicker than customers, at a lower cost. We're always willing to discuss the best and most cost-effective way to carry out work or repairs.





What customers can do to protect themselves



Manage risks robustly

Customers can take action to reduce risks by carrying out risk assessments and making sure their people have the right training to help prevent an incident escalating into a claim.

Have written procedures

Written method statements for how to deal with incidents can help firms respond effectively and also make it easier to defend claims if needed.

Take precautions

Making sure that facemasks, hand sanitiser, soap and hot running water are available to employees and visitors, can help firms avoid a claim of negligence.

Keep updated

It's important for customers to stay up to date with all the regulations affecting their industry, as well as Health and Safety Executive (HSE) updates.

Identify gaps in cover

As a broker you can help clients review whether their insurance protects them against the main risks they face, identify any gaps, and work out how to reduce or manage those exposures.



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