

Motor claims in Germany

- claims handling, regulations & trends in the light of the new legal regulations in Poland -

Polish Chamber of Insurance (PIU)

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May 14-2012

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German Motor Insurance: Market-Overview

2

German Motor Insurance: Present Legal Regulations

3

German Motor Insurance: Trends and Challenges

Market-Overview: premiums and claims



Premium income and claims expenditure in motor insurance¹

Insurance class	1990	2000	2007		2008		2009		2010	
	EUR m	EUR m	EUR m	change against previous year as %	EUR m	change against previous year as %	EUR m	change against previous year as %	EUR m	change against previous year as %
Premium income total ²	14 346	20 358	20 800	- 2.0	20 372	- 2.1	20 057	- 1.5	20 158	0.5
Motor TPL	9 371	12 628	12 805	- 2.2	12 495	- 2.4	12 148	- 2.8	12 124	- 0.2
Full comprehensive cover	3 528	5 748	6 303	- 1.1	6 260	- 0.7	6 373	1.8	6 530	2.5
Semi-comprehensive cover	1 047	1 740	1 562	- 2.6	1 495	- 4.2	1 422	- 4.9	1 394	- 2.0
Passenger accident	400	242	131	- 9.9	121	- 7.7	114	- 5.7	110	- 3.6
Benefits total ³	12 847	20 355	19 094	1.6	19 561	2.4	19 420	- 0.7	20 060	3.3

¹ domestic direct business of GDV member companies

² gross premiums written, without insurance premium tax

³ gross claims expenditures in the financial year

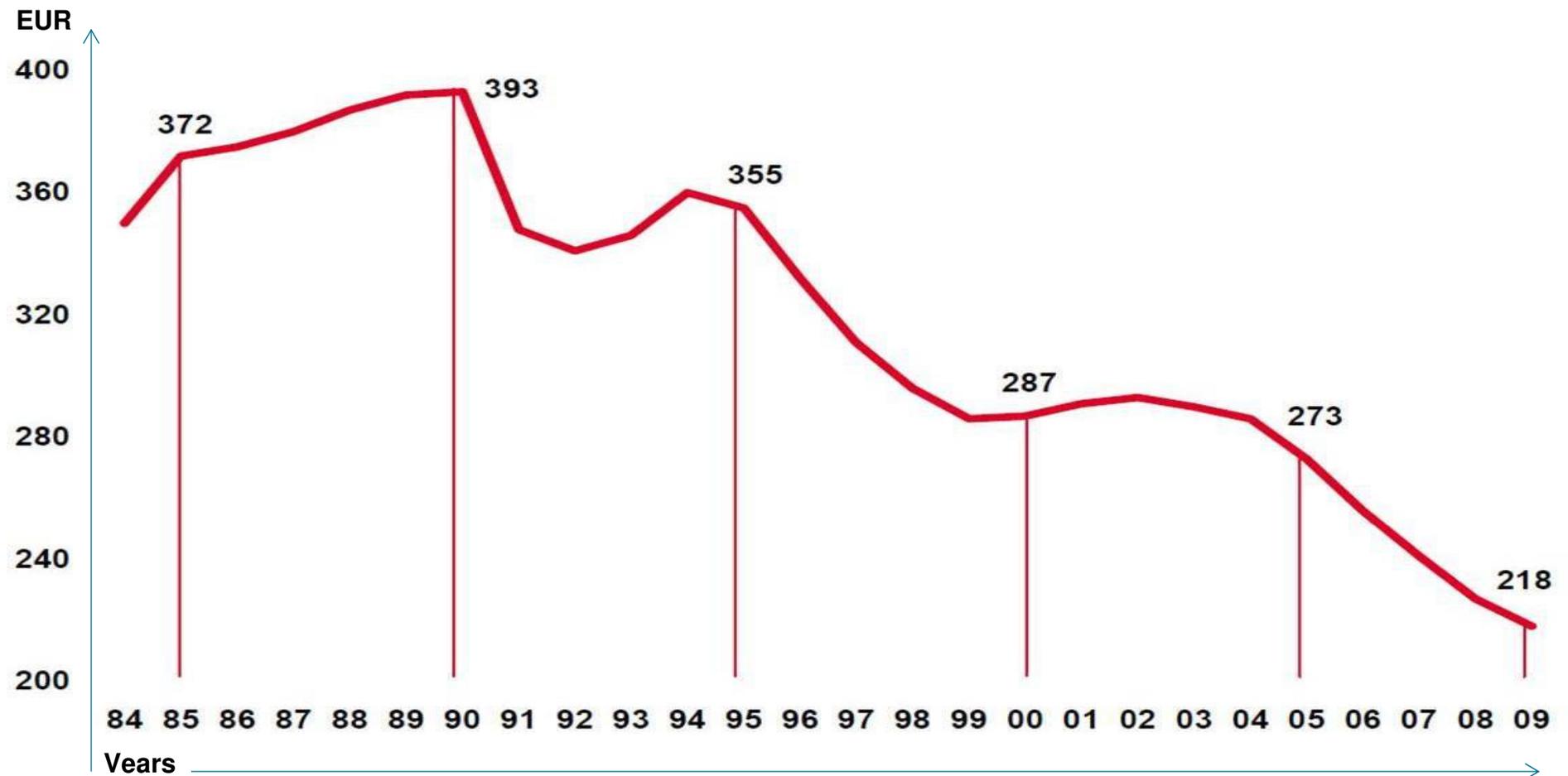
Source: GDV, Statistical Yearbook

Market-Overview: development of premiums



Average premium in motor liability (MTPL)

- inflation-adjusted, in EUR



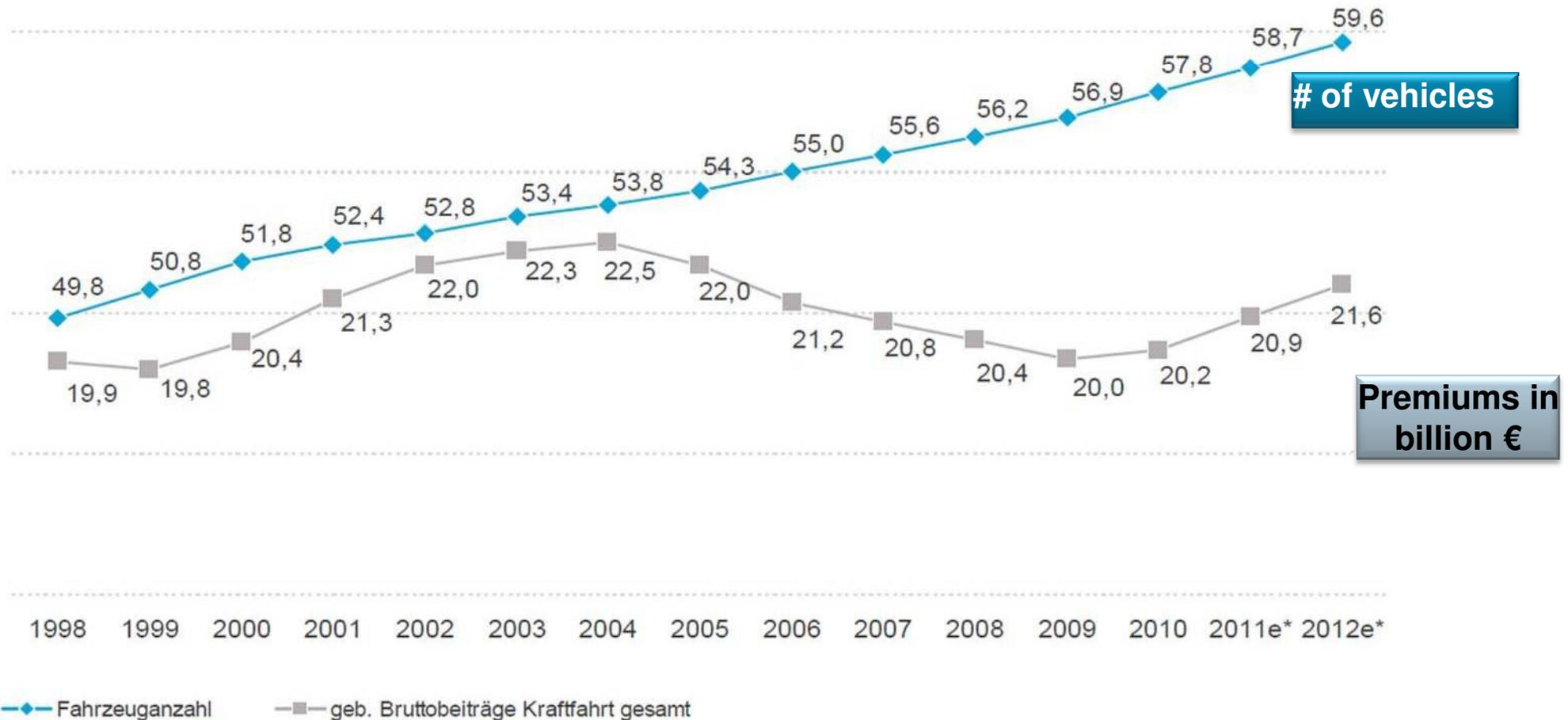
Source: GDV

Market-Overview: premium income in comparison to # of vehicles



in Mio. EUR

in Mrd. EUR



Quelle: GDV
* Eigene Schätzung

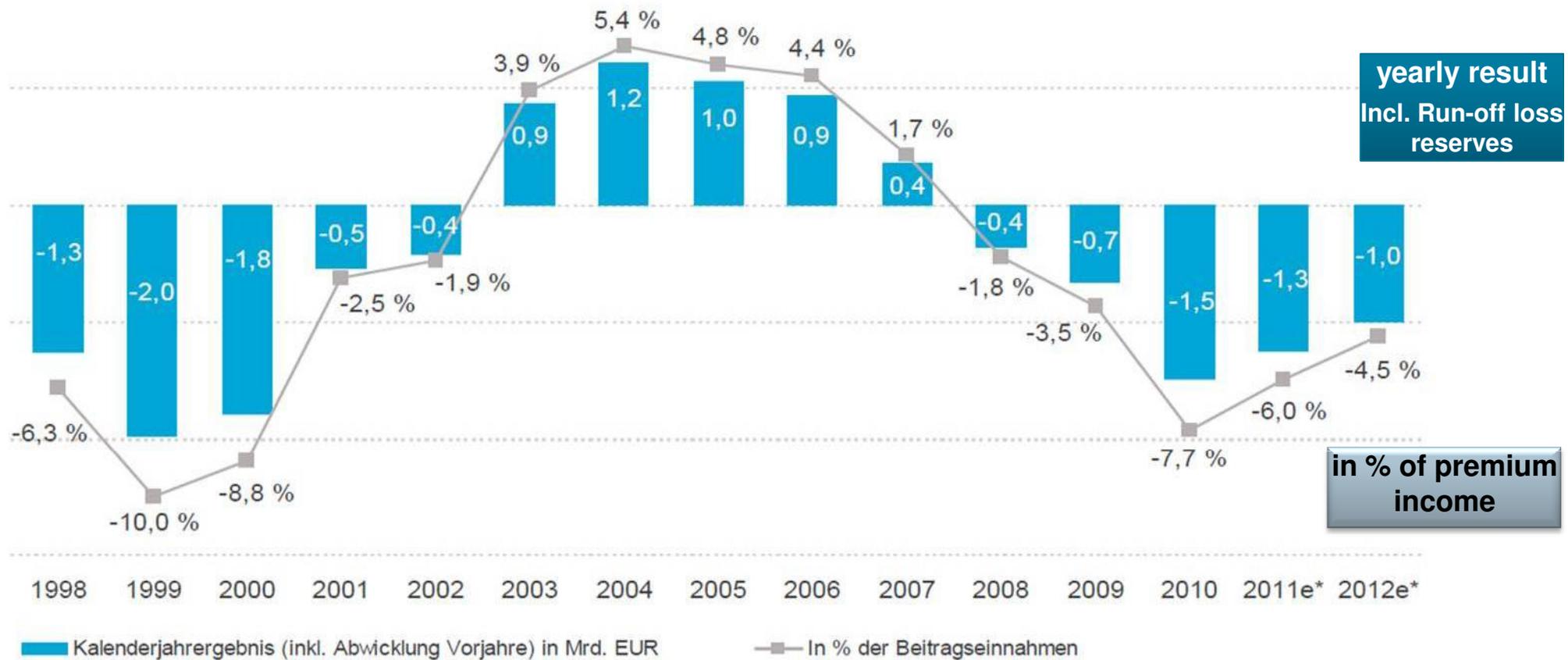
Source: GDV, E+S Re

Market-Overview: technical results



in Mrd. EUR

in %



yearly result
Incl. Run-off loss
reserves

in % of premium
income

Quelle: GDV
* Eigene Schätzung

Source: GDV, E+S Re

Market-Overview: loss ratios in motor insurance



Year	Loss ratio ² as per cent		
	motor liability	full comprehensive cover	semi-comprehensive cover
1980	99.2	94.2	79.7
1990	93.5	92.7	90.0
1995	96.7	75.6	68.7
2000	108.4	93.3	70.0
2001	102.5	87.7	66.1
2002	97.0	89.6	78.8
2003	93.0	83.5	68.7
2004	91.9	79.4	63.2
2005	92.6	80.7	61.7
2006	94.0	84.7	63.9
2007	96.9	88.9	67.9
2008	97.3	98.3	81.2
2009	100.6	96.8	72.8
2010	103.7	99.5	71.7

¹ domestic direct business of GDV member companies

² gross expenditure on claims of the financial year as a proportion of gross premiums earned

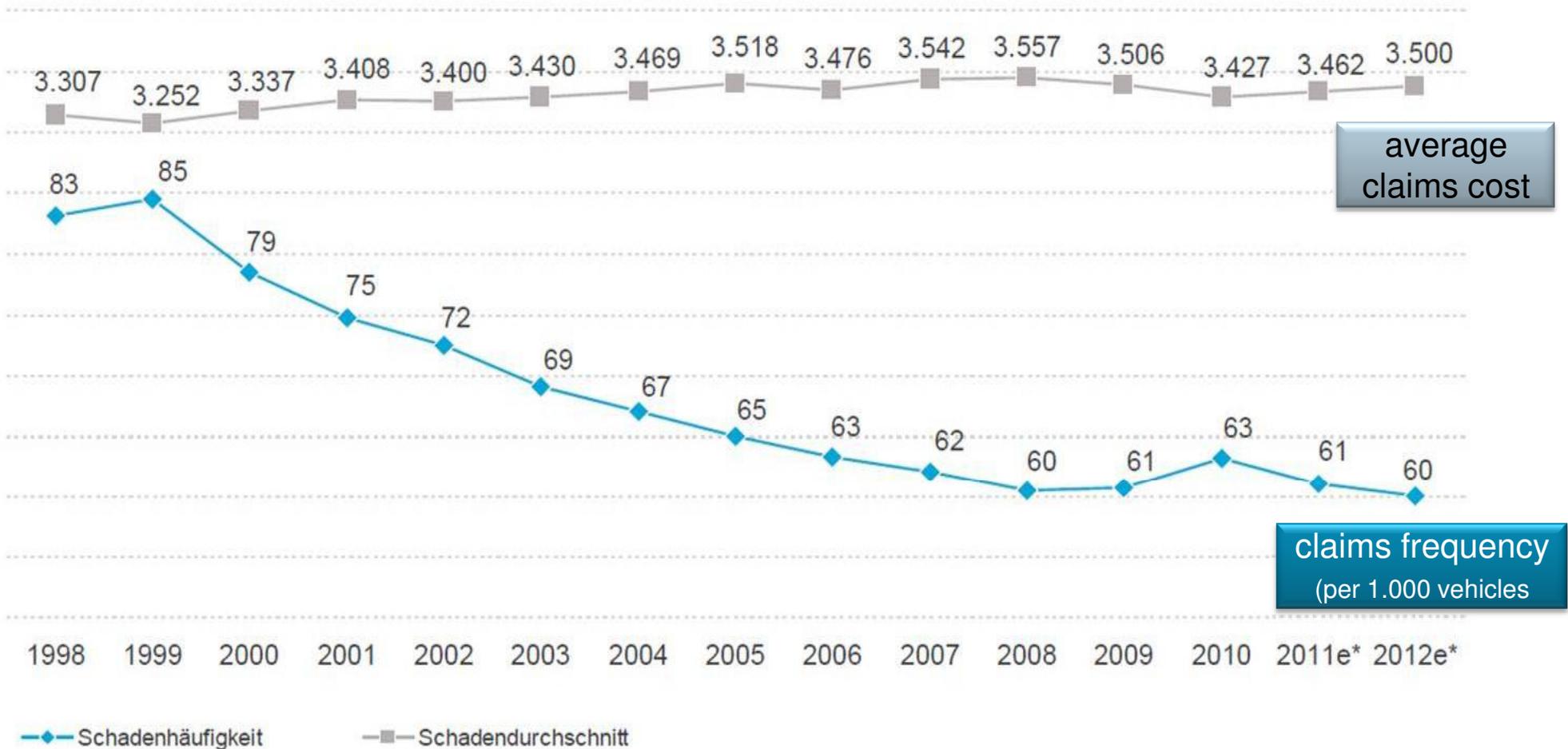
Source: GDV, Statistical Yearbook

Market-Overview: claims frequency and average claims cost in motor liability



Pro 1.000 Fahrzeuge

in EUR



—◆— Schadenhäufigkeit —■— Schadendurchschnitt

Quelle: GDV

* Eigene Schätzung

Source: GDV, E+S Re

Market-Overview: # of total vehicle theft claims and claims cost (in Mio EUR)



<u>Year of notification</u>	<u># of total theft claims</u>		<u>Claims cost (in Mio EUR)</u>	
	alle Kfz	davon Pkw	alle Kfz	davon Pkw
1990	53 705	40 079	312	261
1995	111 272	89 072	686	587
2000	65 784	42 560	429	316
2001	61 062	37 549	418	308
2002	58 764	34 775	416	301
2003	55 767	31 707	411	293
2004	52 980	28 674	403	284
2005	46 562	23 771	370	253
2006	41 632	18 965	318	211
2007	38 813	16 502	275	178
2008	37 621	16 134	272	176
2009	37 964	18 215	315	219
2010	36 551	19 503	348	257

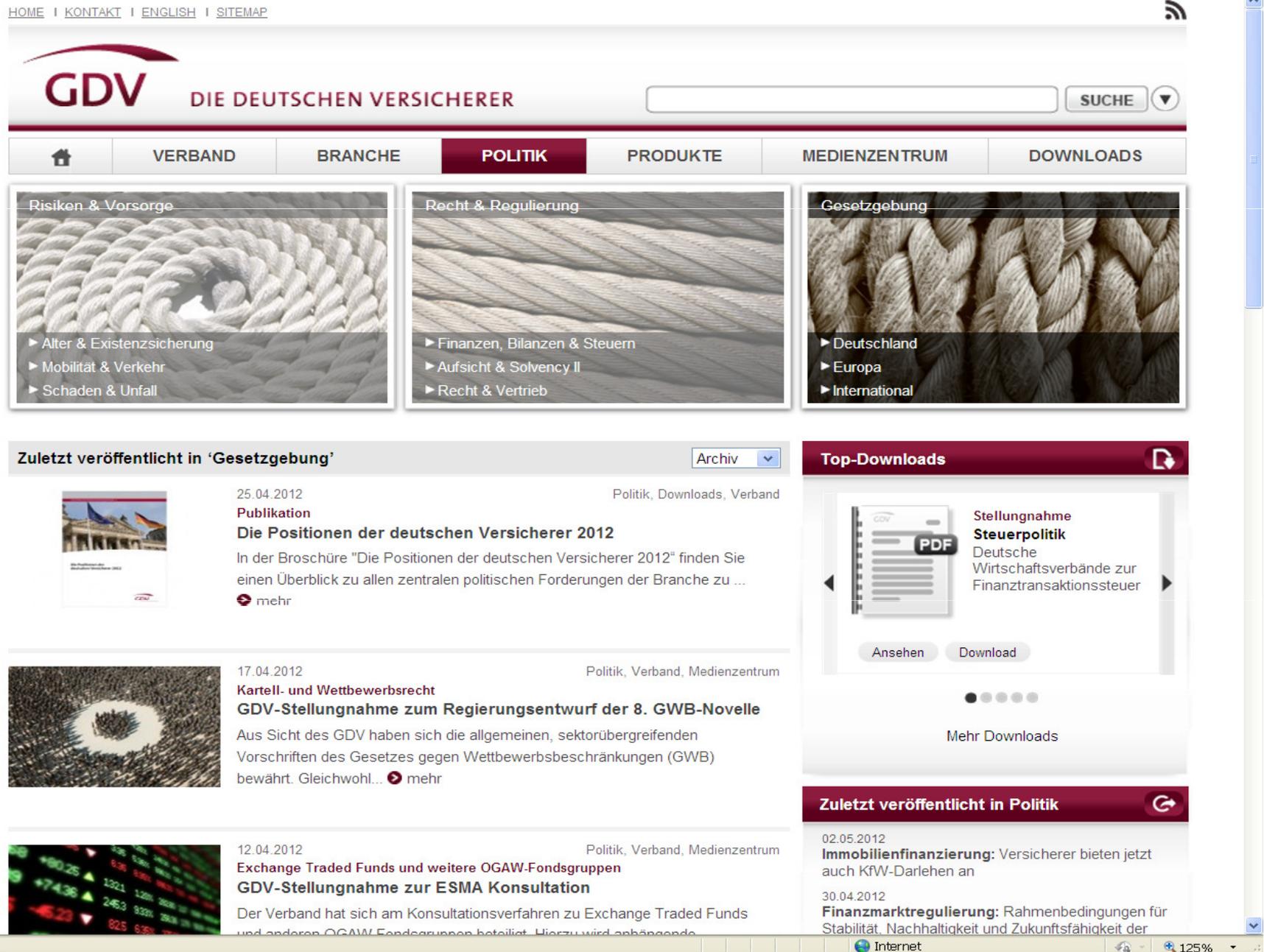
¹ ab 1995 Gesamtdeutschland

² Bruttoaufwendungen für gemeldete Versicherungsfälle inkl. Schadenregulierungsaufwendungen

Source: GDV

Market-Overview: German Insurance Association (GDV)

www.gdv.de



The screenshot shows the homepage of the German Insurance Association (GDV). At the top, there is a navigation bar with links for HOME, KONTAKT, ENGLISH, and SITEMAP. The main header features the GDV logo and the text "DIE DEUTSCHEN VERSICHERER". Below this is a search bar and a "SUCHE" button. A secondary navigation bar includes icons for home, VERBAND, BRANCHE, POLITIK (highlighted), PRODUKTE, MEDIENZENTRUM, and DOWNLOADS. The main content area is divided into three columns: "Risiken & Vorsorge" (listing Alter & Existenzsicherung, Mobilität & Verkehr, Schaden & Unfall), "Recht & Regulierung" (listing Finanzen, Bilanzen & Steuern, Aufsicht & Solvency II, Recht & Vertrieb), and "Gesetzgebung" (listing Deutschland, Europa, International). Below these are three news articles under the heading "Zuletzt veröffentlicht in 'Gesetzgebung'": 1. "Die Positionen der deutschen Versicherer 2012" (25.04.2012), 2. "GDV-Stellungnahme zum Regierungsentwurf der 8. GWB-Novelle" (17.04.2012), and 3. "GDV-Stellungnahme zur ESMA Konsultation" (12.04.2012). On the right side, there is a "Top-Downloads" section featuring a PDF document titled "Stellungnahme Steuerpolitik Deutsche Wirtschaftsverbände zur Finanztransaktionssteuer". At the bottom right, another section titled "Zuletzt veröffentlicht in Politik" shows articles from 02.05.2012 and 30.04.2012. The browser's address bar shows "Internet" and the page is zoomed to 125%.

1

German Motor Insurance: Market-Overview

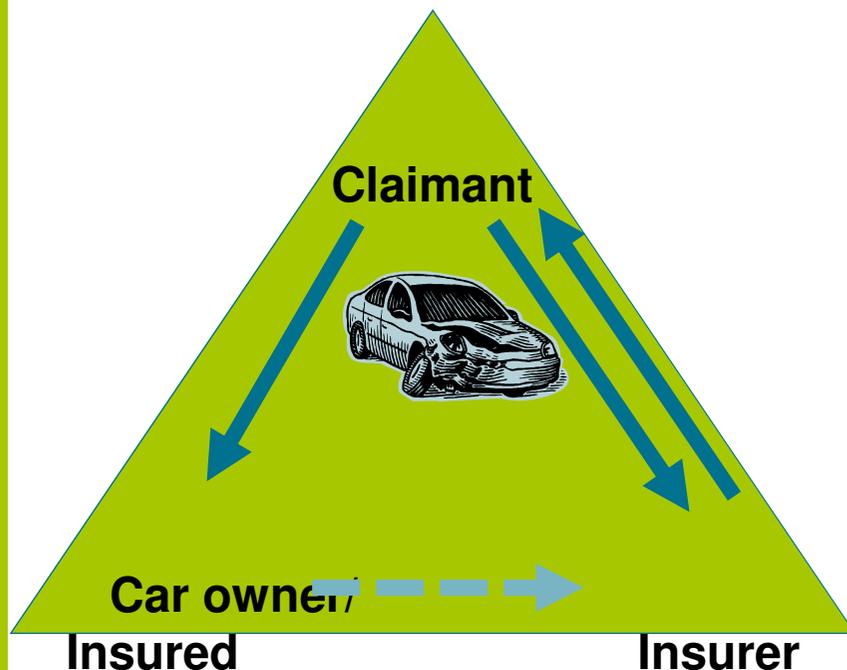
2

German Motor Insurance: Present Legal Regulations

3

German Motor Insurance: Trends and Challenges

Present Legal Regulations: guiding principle in motor liability



1. Usually right of “direct claim” to the MTPL Insurer for the claimant (§ 115 VVG) in case of an obligatory insurance, insolvency or unknown residence
2. Right of “direct claim” for the claimant to the car owner/driver, who has to “hand over the claim” to the insurer

But: no “Direct claim handling process” in Germany (like in UK)

That means, **no** claims-settlement in MTPL-Claims by the casco-insurer of the claimant (out of his casco policy) and compensation by the MTPL-Insurer of the author of damage afterwards

Present Legal Regulations: types of liabilities / legal responsibilities

First Principle:

„tortious liability or “fault-based-liability“ (“Verschuldenshaftung”)

- the debtor is liable for any damage only when this has caused or contributed to a wrongful behaviour.
- wrongful behaviour means: deliberately or negligently or unlawful.

Second Principle:

„absolute liability“ or “strict liability in tort” (“Gefährdungshaftung”)

- independent from “wrongful behaviour”
- liability based on the “inside –risk” of the vehicle and follows from “operating the vehicle” - that means not only driving the vehicle !
- Exceptions:
 - (1) accident by an “act of god”
 - (2) if the vehicle is stolen – but only if the owner has not offer culpable this drive

**Speciality for claims
compensation in Germany**

Restitution in kind or money equivalent

Present legal regulations: compensation in motor liability (MTPL)

Property damage



1. Repair Cost
 - imaginary: max . up to replacement amount (replacement value ./ residual value) **VAT only if accrued !**
 - concrete: up to 130% of replacement value (VAT incl.)
2. Rental Car (same type) or loss of use
3. Decrease in market value
 - calculated by an expert advice
4. Cost of claims expert (if accrued)
5. Cost of lawyer (if accrued)

Bodily injury



1. Medical Expenses
2. Loss of earnings
3. Pain & Suffering
4. Housekeeping expenses
5. Livelihood expenses
6. Funeral expenses
7. Cost for rehabilitation/
reha-management
8. Residual Cost (added needs)

Present Legal Regulations: compensation in motor casco (semi & full comprehensive)

Property Damage



1. repair cost

- imaginary (cost estimated): max. up to replacement amount (replacement value ./ residual value) → VAT only if accrued
- concrete: replacement value
- under certain circumstances: original price compensation 24 months (full c.) – theft 12 months (full comprehensive – not incl. by semi comprehensive)

2. broken glass

→ minimizing the cost by commitment with glass specialist (e.g. carglass)
“first repair - second replacement”

3. Theft of car / theft of parts

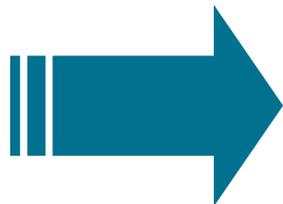
4. special terms and conditions:

- “garage commitment” → mandatory steering of customer for damages of car body and glass
- expanding coverages, e.g. for mobile navigation systems, bite of marten or bite of any animal and consequential damages (in full comprehensive)

Present Legal Regulations: VAT added to cost–estimated calculation ?

Law changed by a reform in 2002.

- replacement of vat tax in tort (relevant for MTPL and TPL) **only if it has been accrued !**
- Cost estimation based on a cost calculation by an claims expert or a body shop

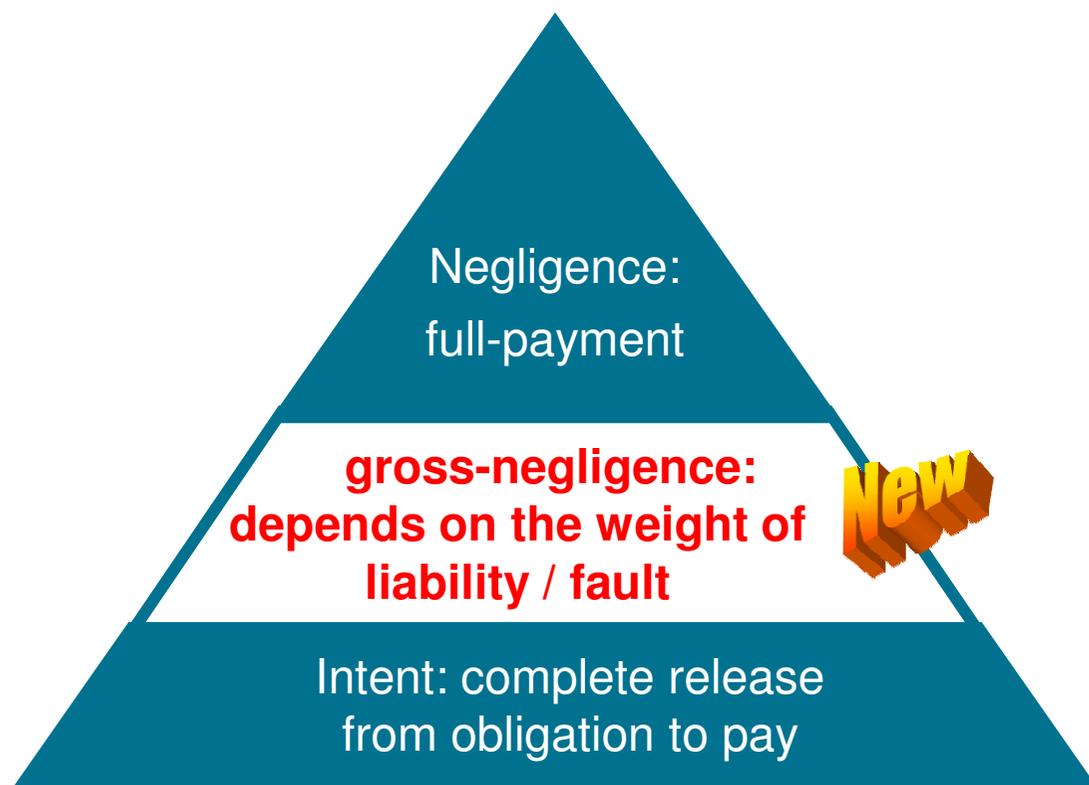


legal discussion about the parameters of cost-calculation, especially of the working hours rates (“free-market body shop” vs. “OEM body shop”)

- other regulations had been changed, e.g. compensation for pain and suffering also in case of the “absolute liability”

Present legal regulations: reform of the german insurance contract law in 2008

**Cancellation of “make or break – principle” (“100% or nothing”)
→ basically relevant for motor casco**



Quota for gross negligence in the case of legal, subsequent conditions to the policy and gross negligence causing an insured loss



1. Intensification of "risk consulting" for brokers: obligations of advice before signing the contract and during the contract period
2. “Bazaar-Fighting” about weights (in %)

Present legal regulations : residual value and internet-auctions for total damaged cars

Guiding principle of the german jurisdiction is:
The claimant is the “master of the situation”

That means

1. The claimant can sell the total damaged car by his own, based on residual offerings from the (his) claims expert (→ 3 offers are sufficient)
2. The insurer can only prevent this, if he can offer a better binding offer as fast as possible



1. **Fast Track processing for expertises to upload in online auction for wrecked cars (e.g. www.autoonline.de)**
2. **Bring the claimant „on hold“ - waiting for advice of the insurer**
3. **Fast Track processing for binding offer to the claimant**

Present legal regulations: rental car



Right for the claimant to get a rental car, if the vehicle is not usable

→ the claimant is set to like there was no accident

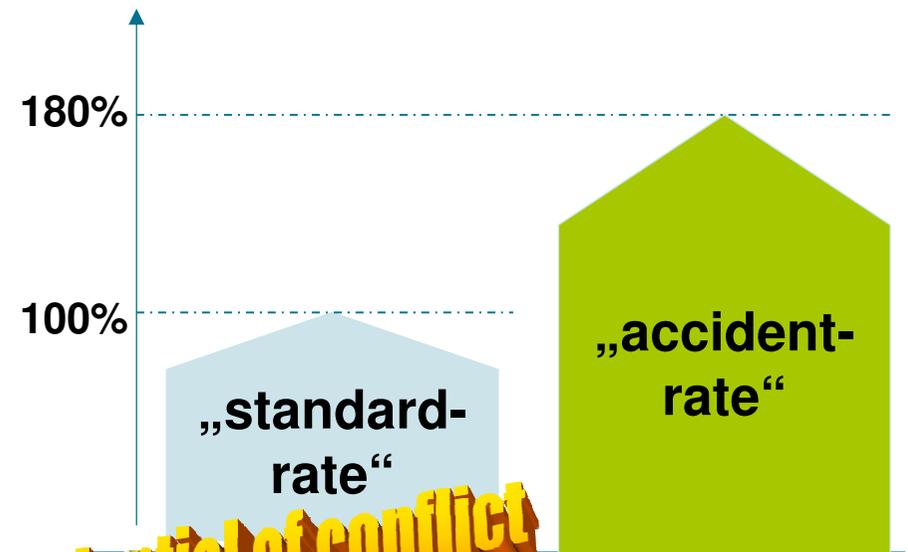
Cost will be paid, only if necessary and willingness of use (needful requirement)

→ average daily road performance, saved primary cost, duration of rental

→ duty to minimise costs

If there are several possibilities the economical way is to be taken: the rental car is chosen which is **the cheapest on the local market**

Two different kinds of rates for rental-cars:



high potential of conflict



1. Special rates for direct procurement
2. Check of Invoices and stringent reduced payments

1

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German Motor Insurance: Trends and Challenges

Trends and Challenges: Overview

1

- constant or smooth decreasing **claims frequency** due to ..
- less milage per vehicle (second / third car, ...)
 - more active and passiv security devices/systems

2

- Smooth increasing average **claims cost** due to ...
- legal regulations and more customer oriented jurisdiction
 - Ordinary inflation and „superimposed inflation“ in bodily injury cases
 - extension in coverages – especially in motor casco
 - Constant / smooth increasing benefits in active claims management

3

Increasing electronic workflows, e.g. insurance certificate, vehicle admission and “underwriting-internetplatforms”

→ www.check24.de www.transparo.de

4

Strategic challenges

- **eCall-Initiative of European Government**
- “Pay as you drive,, or “UBI” and flat rates for car+insurance
- **Insurance Fraud**
- increasing competition on claims service provider capacity
- Reserving-procedures and –audits due to Solvency II regulations

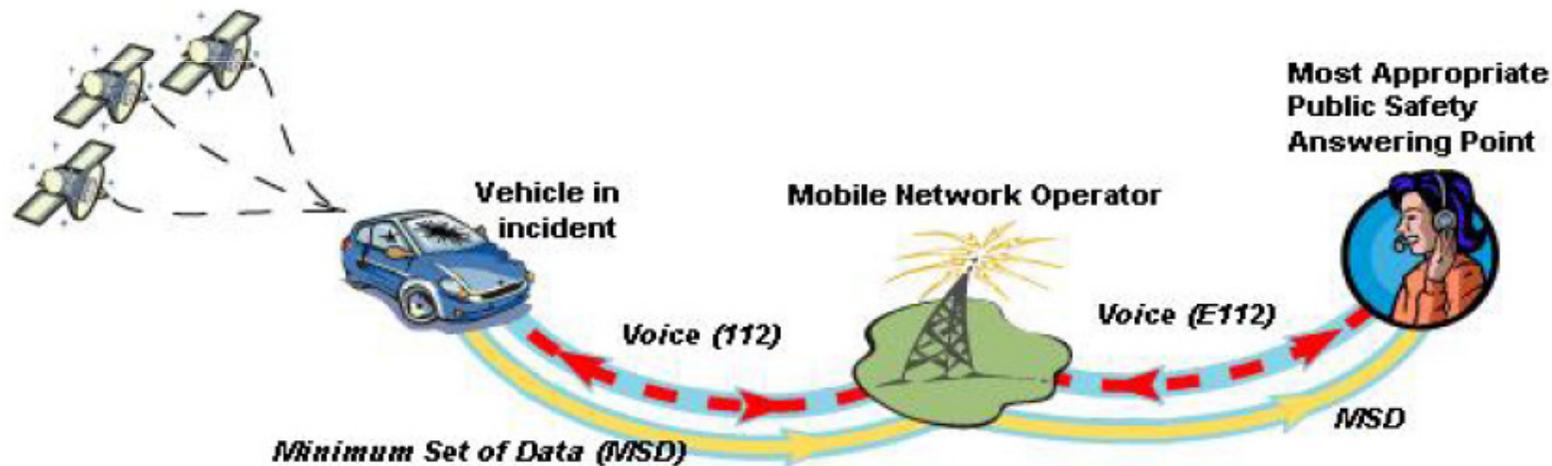


European eCall Implementation Platform



Adobe Acrobat
Document

1. Europe-wide eCall service in electronic communication networks for the transmission of in-vehicle emergency calls based on 112
2. improvement for post-accident road safety
3. Increasing development of add-on telematics services in connection to eCall





2.3 Benefits

The major benefit of eCall will be the reduction of the number of fatalities and the mitigation of the severity of injuries caused by road accidents due to faster arrival of the emergency services to the accident scene⁴, due mainly to two reasons:

1. Immediate set-up of a voice call between the occupants of the vehicle and the emergency response centres operators
2. Sending at the same time of a Minimum Set of Data including accurate location of the vehicle.

Several national, European and international studies have estimated the possible impact of the introduction of the eCall service in all vehicles in Europe, which could led to up to 2,500 lives saved annually in Europe and a reduction of 10% of the severity of the injuries.

Trends and Challenges: eCall



Gothaer

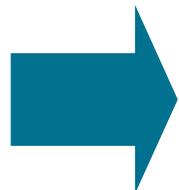
4.1 Parts of the in-vehicle system

The eCall in-vehicle system equipment (OBE) comprises different parts:

1. Electronic Control Unit (ECU)
2. Positioning system
3. Communication system
4. Human-Machine Interaction (HMI)

Challenges:

- Safeguarding of free and fair competition
- Consumer choice and data protection



Less possibilities for insurers to steer the customer in own body shop network

Trends and Challenges: insurance fraud



Versicherungsbetrug – na und?

Repräsentative Studie 2011

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Trends and Challenges: insurance fraud

Estimation of acts

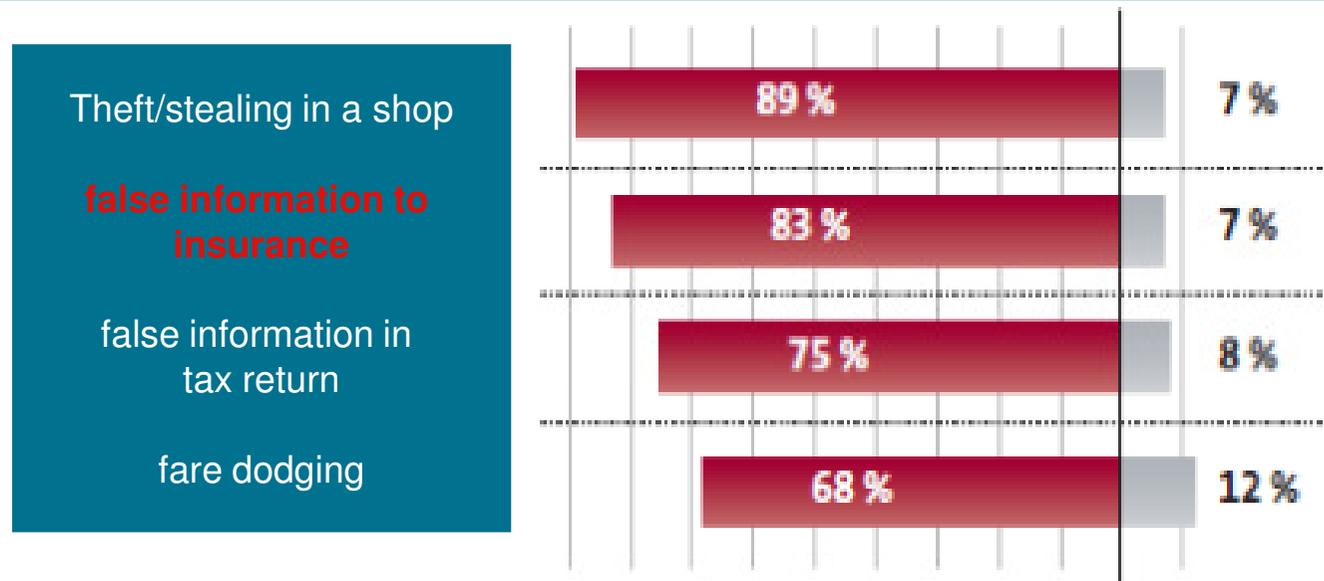
all respondents

(very)

bad

not

bad



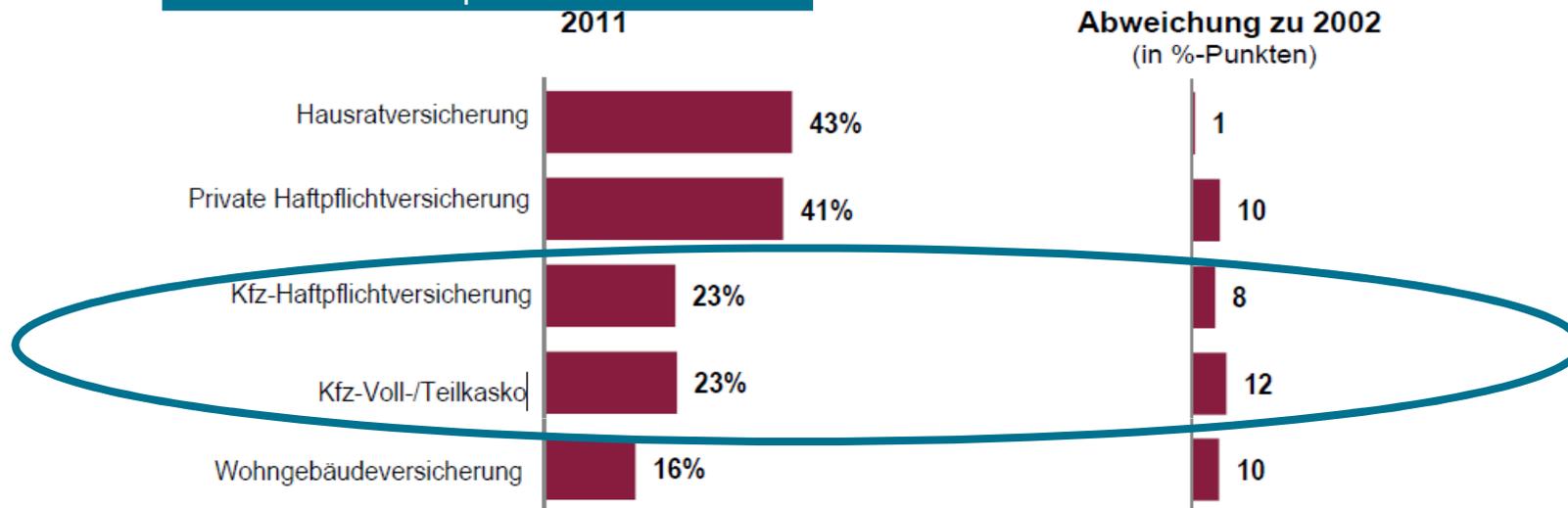
Falsche Angaben gegenüber einer Versicherung ist für die Befragten weniger schlimm als Diebstahl in einem Geschäft.

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Trends and Challenges: insurance Fraud

In the most classes the customers think the possibility to fool the insurance, is today higher than 10 years before

Possibility of insurance fraud All respondents



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Bothner

Thank you for your attention!

Backup



Market-Overview: premium income, claims expenditure and claims ratio



year	number of insurance companies	premium income ¹		claims expenditure ²		claims ratio ³ as %
		in EUR m	change against previous year as %	in EUR m	change against previous year as %	
2004	109	22,504.2	0.8	19,223.0	-1.8	85.4
2005	106	22,005.3	-2.2	18,952.9	-1.4	86.1
2006	103	21,221.4	-3.6	18,788.9	-0.9	88.4
2007	104	20,800.4	-2.0	19,094.5	1.6	91.8
2008	106	20,371.9	-2.1	19,560.7	2.4	96.0
2009	104	20,056.6	-1.5	19,420.0	-0.7	97.0
2010	100	20,158.0	0.5	20,060.2	3.3	99.6
average annual rates of change as %						
1976–1980	x	9.4	x	11.0	x	x
1980–1990	x	6.2	x	5.6	x	x
1990–2000	x	3.6	x	4.7	x	x
2000–2010	x	-0.1	x	-0.1	x	x

* German direct business

1 written gross premiums; without insurance premium tax

2 gross claims incurred for the accounting year

3 gross claims incurred for the accounting year as % of earned gross premiums

Source: GDV

Market-Overview: main KPIs



Year of notification	vehicles ² 1 000		number of claims 1 000		claims expenditure ³ EUR m		loss frequency ⁴		average loss ⁵ EUR	
	total ⁶	thereof passenger cars	total	thereof passenger cars	total	thereof passenger cars	total	thereof passenger cars	total	thereof passenger cars
1980	26 964	19 980	3 331	2 505	5 499	4 377	124	125	1 651	1 747
1990	34 368	26 851	3 756	2 903	8 362	6 772	109	108	2 226	2 333
1995	46 794	35 510	4 256	3 281	12 816	10 199	91	92	3 011	3 108
2000	50 924	37 586	3 996	3 017	13 337	10 376	78	80	3 337	3 439
2001	51 431	37 911	3 841	2 934	13 090	10 290	75	77	3 408	3 507
2002	51 963	38 239	3 765	2 901	12 801	10 118	72	76	3 400	3 488
2003	52 564	38 752	3 652	2 842	12 527	9 936	69	73	3 430	3 496
2004	52 895	38 969	3 569	2 785	12 381	9 797	67	71	3 469	3 518
2005	53 221	39 056	3 466	2 700	12 193	9 622	65	69	3 518	3 564
2006	53 942	39 440	3 413	2 653	11 862	9 354	63	67	3 476	3 526
2007	54 340	39 475	3 382	2 633	11 977	9 433	62	67	3 542	3 583
2008	54 904	39 771	3 317	2 585	11 798	9 290	60	65	3 557	3 594
2009	55 493	39 963	3 371	2 656	11 817	9 348	61	66	3 506	3 520
2010	56 211	40 434	3 552	2 783	12 172	9 513	63	69	3 427	3 418

¹ from 1995 for Eastern and Western Germany; deviations from the Statistical Yearbook due to different reporting systems of underlying statistics; here: based on the reporting year, motor trade and craft, border insurance and NATO business not included; Stat. Yearbook: based on the financial year, complete motor business included

² units per year: contracts of less than one year have been aggregated

³ gross expenditure on reported claims incl. claim settlement expenses

⁴ number of claims per 1 000 vehicles

⁵ claims expenditure divided by number of claims

⁶ passenger cars, lorries, motorcycles, mopeds, etc.

Market-Overview: average claims cost MTPL, full and semi comprehensive (in EUR)



Was Autounfälle im Schnitt kosten

Schadenaufwand je Pkw-Unfall in der Kraftfahrzeughaftpflicht-, Vollkasko- und Teilkaskoversicherung; ab 1995 Gesamtdeutschland

Schadendurchschnitt in EUR

- Kraftfahrzeughaftpflicht
- Vollkasko
- Teilkasko

