

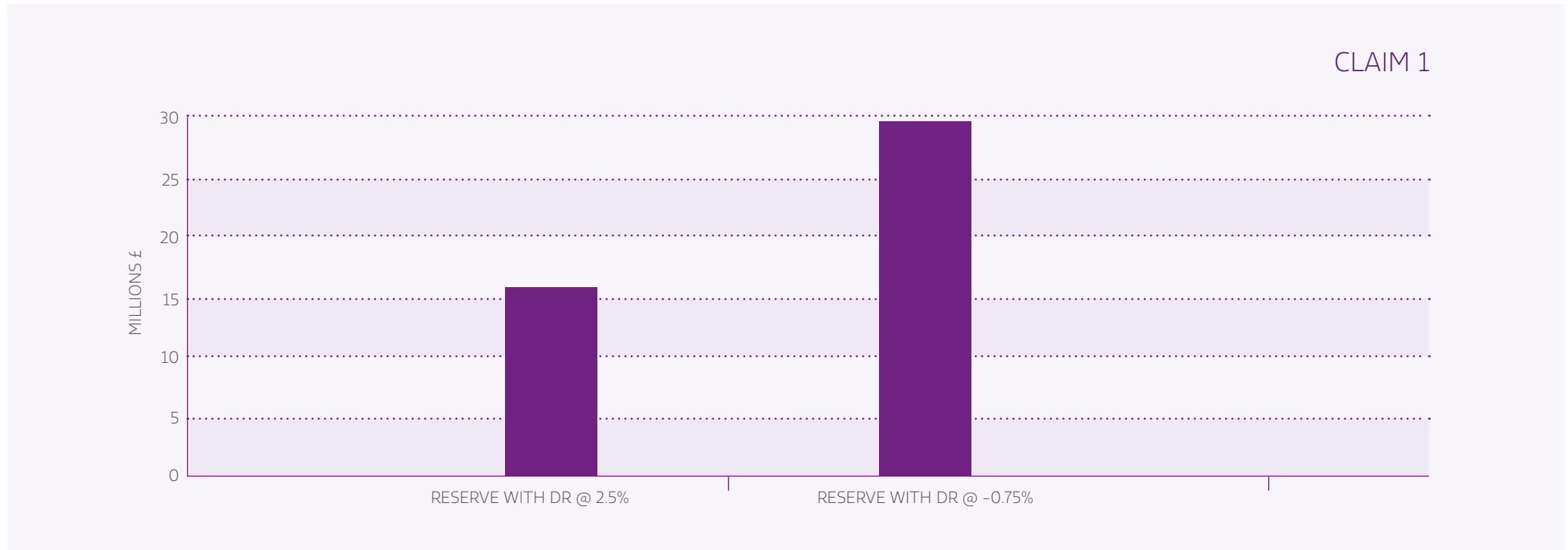


**IMPACT IS GREATEST  
ON SERIOUS INJURY  
CLAIMS FOR THE  
RELATIVELY YOUNG  
WITH LITTLE OR  
NO IMPACT ON LIFE  
EXPECTANCY**

⊕ £5bn hit to the insurance industry.

# DISCOUNT RATE IMPACT

## CLAIMS EXAMPLE

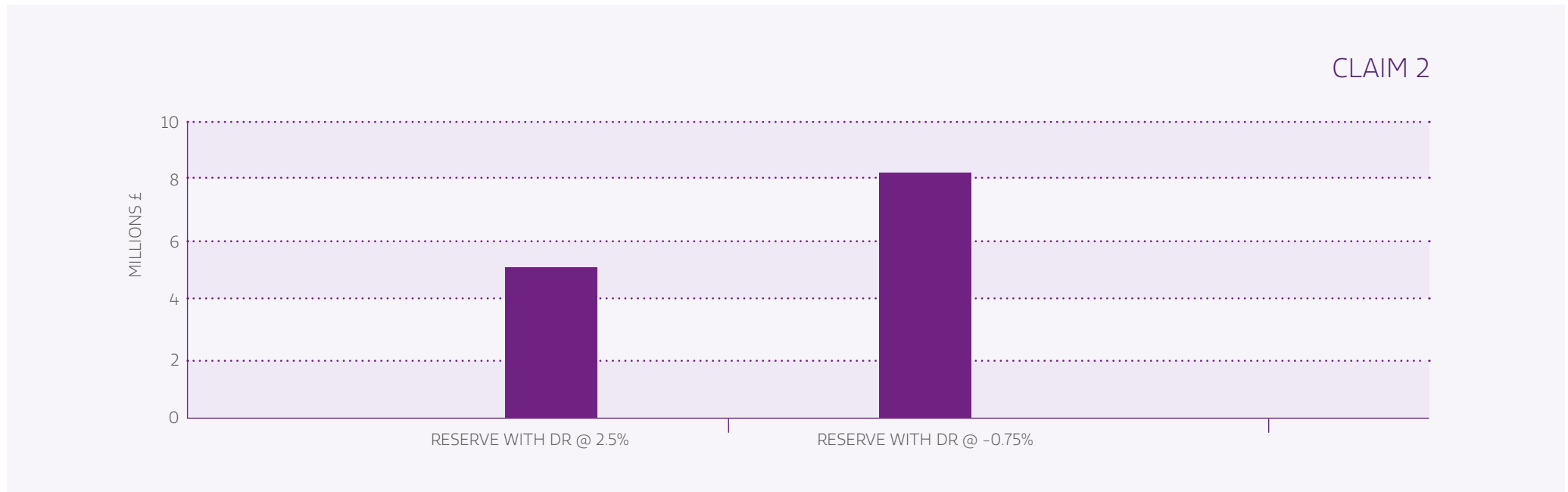


Example of a 21-year-old male with life expectancy to age 87, with 24-hour care of £135k per annum required.  
Loss of earnings to age 70.

- + Life multiplier @ 2.5% = 31.87 but @ -0.75% = 87.14
- + Earnings multiplier @ 2.5% = 27.71 but @ -0.75% = 56.95
- + Future care @ 2.5% = £4.3m but @ -0.75% = £11.7m (172% increase)
- + Reserve @ 2.5% = £15.1m but @ -0.75% = £29.3m (94% increase).

# DISCOUNT RATE IMPACT

## CLAIMS EXAMPLE

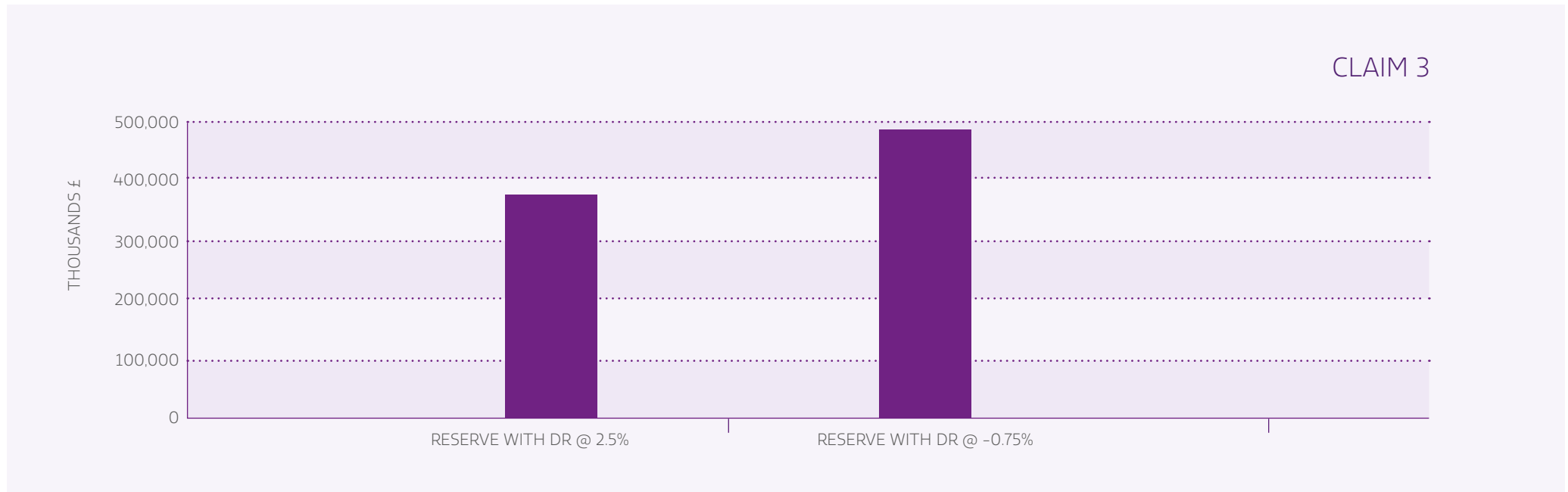


Example of a 31-year-old female with life expectancy to age 90, impaired by nature of injuries (paraplegia). Allowed reduction of 10 years.

- + Life multiplier @ 2.5% = 27.43 but @ -0.75% = 58.97
- + Reserve @ 2.5% = £5.2m but @ -0.75% = £8.1m (56% increase).

# DISCOUNT RATE IMPACT

## CLAIMS EXAMPLE

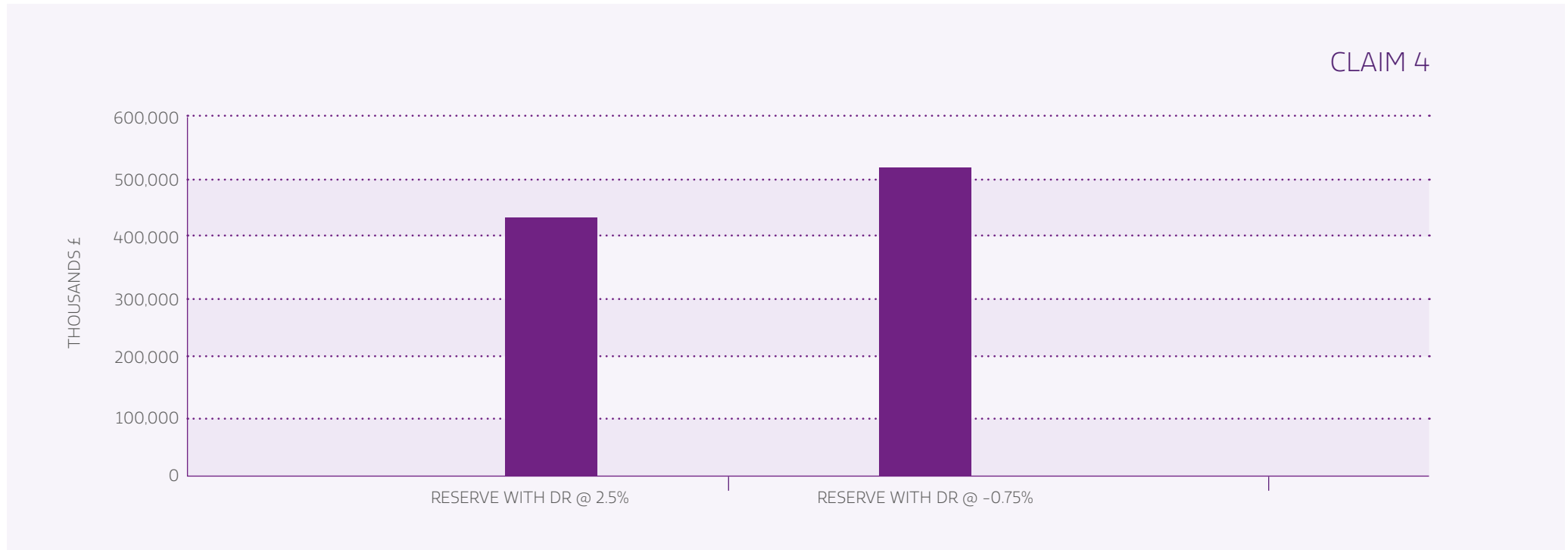


Example of a 57-year-old female with fractured hip, leg and wrist and assumed normal retirement age of 65, but not returning to work. Small element of care required.

- + Life multiplier @ 2.5% = 21.21 but @ -0.75% = 36.43
- + Earnings multiplier @ 2.5% = 7.13 but @ -0.75% = 8.09
- + Reserve @ 2.5% = £375,905 but @ -0.75% = £481,203 (28% increase).

# DISCOUNT RATE IMPACT

## CLAIMS EXAMPLE



Example of a 39-year-old male with neck, back and head injuries with a normal retirement age of 65. Assuming returning to work but with reduced earnings capability.

- + Earnings multiplier @ 2.5% = 18.62 but @ -0.75% = 27.69
- + Reserve @ 2.5% = £428,118 but @ -0.75% = £514,810 (20% increase).



# UNDERSTANDING THE IMPACT OF OGDEN DISCOUNT RATE

MAY 2017

