

FINAL

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Personal injury disputes jump 32% in two years

- **Reforms to regulate claims handling companies failing to halt increase**
 - **Insurers scrutinising claims closely because of recession**
 - **Shake up of legal costs system proposed to reduce claims**

The number of personal injury claims continues to surge despite reforms to regulate claims handling companies according to statistics obtained by Sweet & Maxwell, the leading legal information provider.

The number of personal injury claims launched in the High Court* jumped 31.8% over the last two years from 914 in 2006 to 1205 in 2008 (Jan 1 – Dec 31, latest data available – see below).

Sweet & Maxwell points out that the increase comes despite a Government effort to reduce the number of claims three years ago by reforming the legal system.

The Compensation Act 2006 imposed new registration requirements on claims management companies, who advertise to attract personal injury victims. The Act also set up a regulator to supervise them called the Claims Management Services Regulator.

Sweet & Maxwell says that despite these reforms personal injury claims have continued to rise.

Anecdotal evidence from law firms and insurers has suggested that the recession has both increased the number of personal injuries claims made and the willingness of insurers to fight those claims through the courts.

Financial stress has meant that some individuals will have submitted personal injury claims – including perfectly legitimate claims - which they might not normally have been motivated enough to pursue. Meanwhile, insurers suffering from weak returns from their investments may be more willing to contest a claim that they feel has no merit.

The Association of British Insurers has also suggested that the recession has led to an increase in insurance fraud with the number of detected insurance frauds increasing by 17% in 2008 to 107,000 (compared to 2007, source ABI). However, it is not known whether fraudulent claims would ever translate into a significant number of High Court cases.

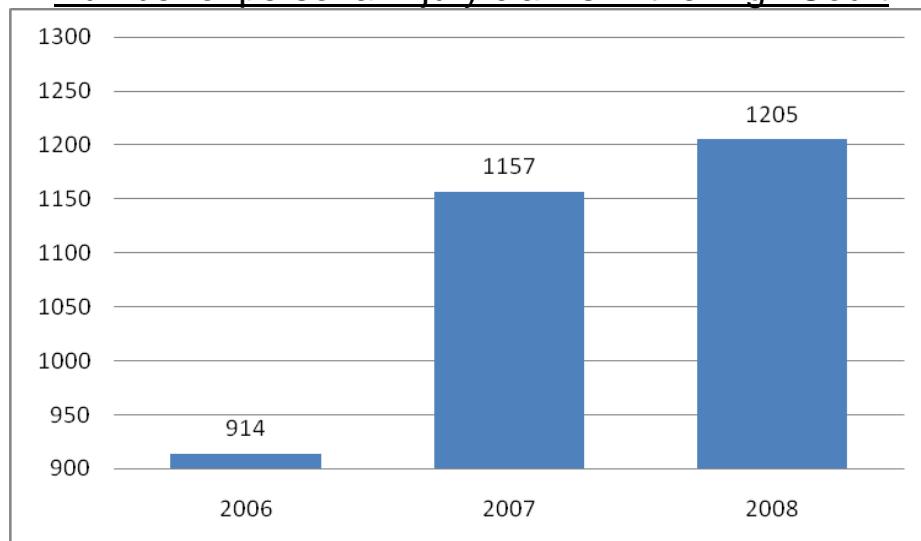
The growing number of personal injury and other legal claims and the high costs associated with them led the judiciary to commission a major review of legal costs, which was concluded earlier this year by Lord Justice Jackson.

One of the main findings was that the legal costs system for personal injury claims should be reformed so that people bringing the claim would have to bear some of the financial burden of funding their legal advice.

Currently someone who suffers a personal injury can hire a lawyer under a "conditional fee agreement" (CFA). If the claimant solicitor loses a case they do not get paid but if they win they are paid a bonus by the loser, called a success fee. Under the proposed reforms the claimant would have to pay the success fee, which would be capped at 25%, from the damages awarded to them for their injury.

It is not known whether these reforms will be implemented by the new Government. If they do come into force, some commentators think they could reduce the number of personal injury claims reaching the courts. Law firms that represent personal injury claimants have said, however, that the reforms could reduce access to justice for anyone who cannot afford to hire a solicitor.

Number of personal injury claims in the High Court



* Claims for more serious injuries where the value of the damage award could exceed £50,000 tend to go through the High Court.

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Notes to Editors:

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