



# Insight

# The Ogden Discount Rate explained

The discount rate used in the calculation of claim settlements dropped from +2.5% to -0.75 in March this year, but what does this mean?

## What is it?

The Ogden discount rate is a calculation used to determine how much money insurance companies should pay out to people who have suffered life-changing injuries, in order to cover all their predicted future losses.

The settlement amount agreed needs to accurately reflect the claimant's future loss of earnings, as well as covering any care costs.

However, because it's paid in a lump sum which will be invested when it's received, the amount is adjusted to account for the interest they would expect to earn. That's where the discount rate comes in.

## What does the cut mean?

The rate, which had been consistent at +2.5% since 2001, has now dropped to -0.75%.

The new rate means the payout due to a claimant will be much higher than the same settlement would have been at the old rate.

This significant change is expected to cost the insurance industry millions of pounds.

## What will the impact be on my insurance?

Insurance premiums are likely to rise, particularly personal and commercial motor insurance premiums, as insurers try to make back the extra money they will now have to pay out.

Insurer Admiral announced it would be raising car insurance premiums by an average of 10%. Aviva UK's combined operating ratio has surged to 106.3%, whilst Direct Line has revealed a £175million drop in full-year profits as a result of the change.

If you are worried about how this may impact you, contact the team at FR Ball and one of our advisers will be happy to talk through any worries you may have.







# Master the holiday “recharge” with these 4 tips

Do you return from holiday restored, or ready for another?

“Ready for a holiday” is British speak for “tired/fed-up/keen to switch off/all three”.

But there's definitely a knack to ensuring that your well deserved break is just that, and you don't return more tired and less ready to face the daily grind than before your departure.

## Tip 1:

### Actually switch off

Many workers want to touch base with work to ensure they're not hit with an unexpected, potentially stressful situation upon their return.

But stewing about something before you're in a position to do anything about it is not going to help, and means you'll likely be more drained and less able to deal with whatever the issue is upon your return.

You could even be catastrophising, blowing the supposed “disaster” out of all proportion, at the cost of your holiday happiness and relaxation.

**Why stop at your phone?** Switch off your mind to work as well, especially negative thoughts about work.

“Thinking about the negative aspects of your job during vacation has been associated with greater burnout, more health complaints, and lower job performance after vacation.” says Charlotte Fritz, associate professor of industrial and organisational psychology at Portland State University.

## Tip 2:

### Relax

This is the main order of the day for the majority of us when booking a holiday, but relaxation takes many different forms. Poolside sun worshippers may be completely averse to the idea of going for a 4-mile hike every day, while those who are more physically active may rely on exercise to unwind.

While you may want to cram in everything on your holiday to do list, be sure that time to relax, however you choose to-do so, is accounted for.

## Tip 3:

### Avoid stressful scenarios

Daily life stressors like getting ill or having a car breakdown don't vanish the moment you clock off. Do yourself a favour and don't welcome holiday hassles into your time off. If you're hiring a car, make sure it's from a reputable company who have the right insurance in place, and take advice on local cuisine to avoid getting ill. These are little things that could help you side step the bigger issues.

## Tip 4:

### Little and often

According to experts, the holiday effect fades away within three weeks of returning to work, whether you've been away for a week or a month. By this reasoning, taking more than one holiday a year, whether it's a trip abroad or a “staycation”, could equate to less time as your usual, stressed, burnt-out work self.

# Keep your home secure this *summer*

The promise of a sunny day brings with it a high state of excitement and relaxation in a country where the summer months don't come with a guarantee of hot weather.

Dusty barbecues are dragged out of sheds, picnics are packed, and windows and doors are thrown open to welcome the summer breeze. Therein lies the security problem, and the perfect opportunity for thieves. Even if you don't forget to close a window at night, bolder criminals might even take advantage of easy access to your valuables in broad daylight.

**North Yorkshire Police offer the following advice to avoid a theft in warmer weather:**

- Keep the front and back doors locked, and windows closed as much as possible, also on cars.
- If windows are open, keep them on the latch so that they cannot be opened further from outside.
- Keep valuables and keys out of sight and well away from front or back doors where they may be easily reached.
- Keep side gates locked.
- Put away garden tools, ladders, etc. after use so they cannot be used to gain access.
- Use a strong lock on sheds, garages and other outbuildings and bolt hinges on for additional security.
- Consider fitting outdoor security lighting.
- Keep an eye on neighbouring properties.
- If you see anything suspicious contact police on 101.
- Remember that if you are a victim of theft but there is no sign of break-in as the thief has gained access through an open window, you may be unable to claim. Check your home insurance policy details for more information.

## Higher rate of insurance premium *tax comes into play*

### On 1st June, Insurance Premium Tax switched to a higher rate of 12%.

The new figure is estimated to add £51 to the average household's bills, with an increase on car insurance of £15 a year, according to research from Mirror Money.

However, the government insists that when offset with a crackdown on whiplash claims and a freeze in fuel duty, drivers may see a decrease in their motoring outgoings, despite the change in IPT.

### **IPT – when it will affect you**

#### Policies arranged after 1st June

Unlike previous increases – of which there have already been two in recent times – there will be no concessionary period, meaning new policies and renewals arranged after the 1st June will automatically come with the higher 12% rate. The rate will also apply to any mid-term adjustments, which may be pertinent to businesses which have seen a change in circumstances, such as an expansion or relocation.

#### Policies arranged before 1st June

It won't apply, however, to policies arranged or renewed before the 1st June. Any mid-term adjustments or cancellations will also follow the same rate as that which the policy was arranged with – so 10% if it was purchased before 1st June.