



Government Actuary's
Department

Personal Injury Discount Rate

GAD and Expert Panel Perspectives

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Paul Butcher, GAD advice lead

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Introductions



Fiona Dunsire
Government Actuary

Chair of Expert Panel
for the E&W process



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Project lead
for PIDR reviews

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Role of GAD /
GA

2024 rate
reviews

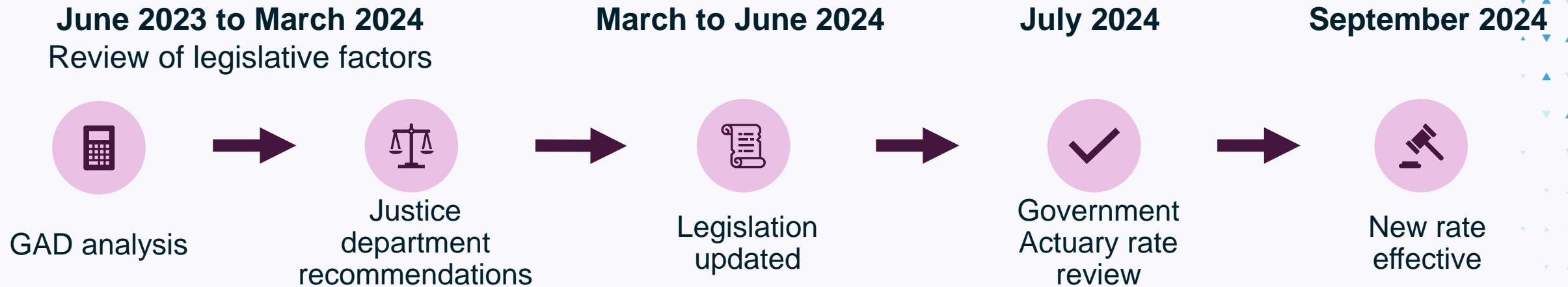
Panel
reflections

Future review
considerations

Legislative frameworks

	England & Wales	Scotland	Northern Ireland
When?	Five years from last review completion	Fixed five-year periods	Fixed five-year periods
Who sets rate?	Lord Chancellor , on advice from an expert panel and HMT	Government Actuary	Government Actuary
Assumptions	Principles-based e.g. 'diversified portfolio of investments', 'more risk than a very low level of risk'	Prescribed e.g. composition of investment portfolio	Prescribed e.g. composition of investment portfolio

2024 Scotland and Northern Ireland reviews



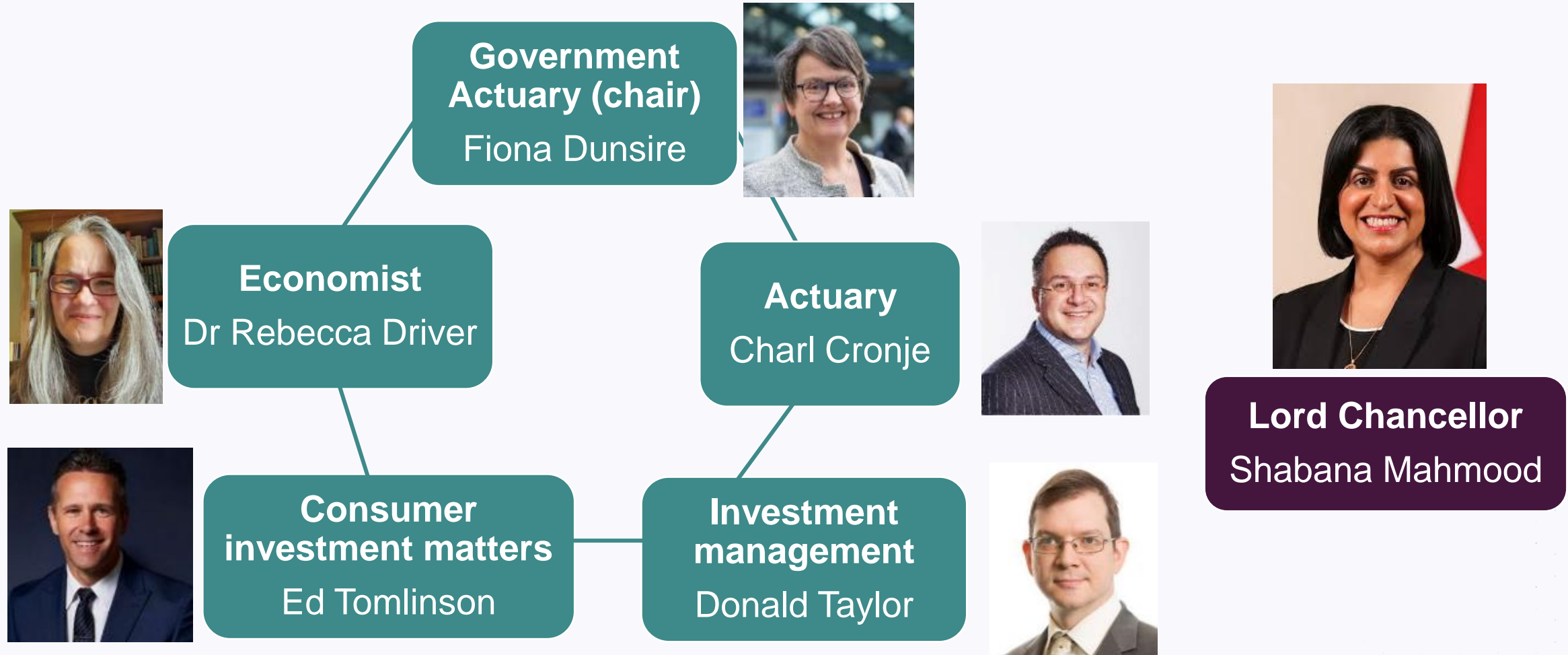
2024 Scotland and Northern Ireland reviews

Component	Determiner
Investment portfolio return	Investment portfolio and period – set in legislation Return – assessed by Government Actuary
minus Damage inflation	Average weekly earnings index - set in legislation Level – assessed by Government Actuary
minus Tax & expenses	Set in legislation
minus “ Further Margin ”	Set in legislation

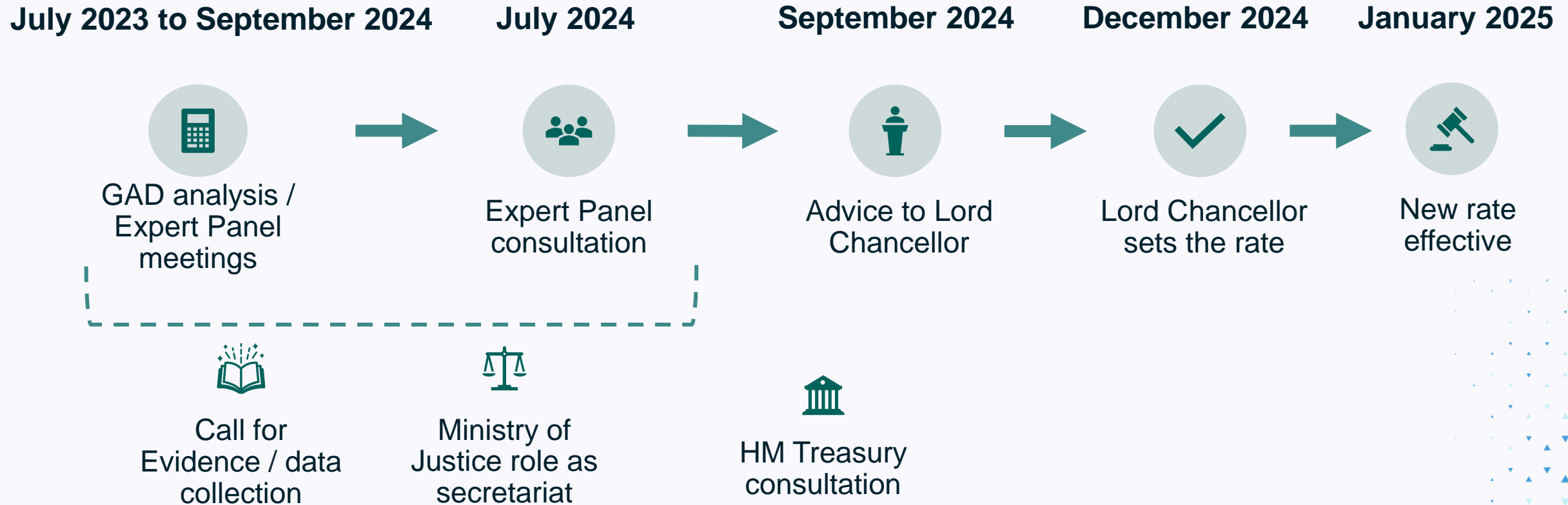
2024 Scotland and Northern Ireland reviews

Component	Assessment
Investment portfolio return	CPI + 3.5%
minus Damage inflation	CPI + 1.25%
minus Tax & expenses	1.25%
minus “Further Margin”	0.5%
PIDR	+0.5%

Advice process



2024 England & Wales Review



Approach taken



Claimant universe

Call for evidence seeking information from various stakeholders on characteristics and actual decisions made by claimants



Derived assumptions

Derived from data and evidence gathered to set appropriate assumptions for a range of claimant types



Quantified claimant outcomes

To inform the Lord Chancellor's decision

Factors considered



Claimant Characteristics



Investment Portfolio



Expenses and Tax



Damage Inflation

Core claimant types

	20-year	40-year	60-year
Investment term	20 years	40 years	60 years
Lump sum size	£0.5m	£1m	£5m
Investment strategy (cash / invested portfolio)	30% cash 60% lower risk 40% higher risk	15% cash 50% lower risk 50% higher risk	10% cash 40% lower risk 60% higher risk
Other taxable income	£30k	£7k	£7k
Damage inflation	CPI+1.0%	CPI+1.0%	CPI+1.0%
Expenses	0.9%	0.9%	0.6%
Tax	0.3%	0.2%	1.2%

Over / under-compensation considerations

- Claimants should receive at least sufficient compensation
measure: at least a 50% likelihood of 100% compensation
- High risk of significant under-compensation should be avoided
measure: a low likelihood of less than 90% compensation
- Significant over-compensation should be limited to the extent possible
measure: limit the likelihood of greater than 120% compensation
- Subject to the above, limiting the likelihood and extent of under-compensation should be given greater weight than limiting overcompensation.

Over / under-compensation analysis

	Core claimant type								
	20-year			40-year			60-year		
PIDR	Likelihood of achieving a compensation level of...								
	Under 90%	90 to 120%	Over 120%	Under 90%	90 to 120%	Over 120%	Under 90%	90 to 120%	Over 120%
-0.25%	7%	73%	20%	5%	26%	69%	12%	25%	64%
0.50%	17%	76%	7%	13%	42%	45%	25%	34%	41%
0.75%	22%	74%	5%	17%	45%	37%	30%	37%	33%
1.00%	27%	70%	3%	22%	48%	30%	36%	38%	26%
1.25%	33%	65%	2%	28%	50%	22%	43%	38%	19%
1.50%	40%	58%	1%	34%	51%	16%	50%	36%	14%

Future review reflections

- Early engagement on data and evidence
- Increased understanding of the characteristics of claimant universe
- Further information on the investment approaches of a wider range of claimants
- Practicalities of dual/multiple rates