



## Claims Management Regulation – Analysis of applications for authorisation

22 June 2007

### Introduction

1. This paper analyses the 1,656 applications on the database of the Monitoring and Compliance Unit as at 7 June 2007. Some limitations of the data should be noted –

- Some of the applications will not turn into authorisations. 1,200 of the businesses have been authorised; the remainder are in the authorisation process or in some cases will not lead to an authorisation.
- Some of the information provided in respect of businesses not yet authorised is incorrect and will be corrected as part of the authorisation process.
- In respect of some of the information, applicants have been protecting themselves for the future (eg by indicating that they intend to operate in a sector in the future even if they do not).

2. However, the information is more than adequate to provide a good analysis of the market to stakeholders and to guide monitoring and compliance work. Encouragingly, the results are very similar to an initial analysis completed in March 2007.

### Total number of claims management businesses

3. The following table sets out the key data -

*Table 1 Applicants by sector and turnover*

Sector	<i>Businesses intending to operate</i>	<i>Businesses trading in full year to 30/9/07</i>	<i>Businesses with turnover in full year to 30/9/06</i>	<i>Turnover</i>
Personal injury	1,308	606	832	£177m
Criminal injuries	413	191	160	£1m
Industrial injuries	216	80	60	£1m
Financial matters	376	138	145	£74m
Employment	195	96	87	£4m
Housing disrepair	83	30	21	-
<b>Total</b>	1,656	745	1,020	£258m

4. The following points should be noted –

- The first column adds up to 2,591, indicating that many businesses say that they intend to operate in more than one sector. In practice almost all the businesses in the criminal injuries, industrial injuries and housing disrepair sectors (712) were also in the personal injuries sector.
- The second column probably gives a better indication of the number of active businesses.

5. 911 businesses, over half the total, said that they had not been trading for the full year to 30 September 2006. This indicates both a rapidly changing sector, and probably also some re-organisation to take account of the introduction of regulation.
6. 879 businesses reported that they had contractual relationships with clients and 645 that they represented clients. At first sight both these figures seem implausibly high.
7. 502 businesses said that they accepted cases from exempt introducers.
8. 159 businesses were FSA authorised.
9. 1,095 businesses were private limited companies. 436 were sole traders, 84 were partnerships, 16 were public limited companies and 18 had another form of ownership.
10. Table 2 shows an analysis by principal activity of business –

*Table 2 Applicants by principal activity of business*

Claims management	1,108
Accident management	240
Insurance broker	47
Garage/bodyshop/breakdown	42
Medical/health	7
Other	212
<b>Total</b>	<b>1,656</b>

11. Most businesses are specialist claims management businesses.

### **Personal injury**

12. 1,308 businesses said that they intended to operate in the personal injury sector. The size breakdown is shown in Table 3.

*Table 3 Personal injury businesses by turnover  
In year to 30 September 2006*

<i>Turnover</i>	<i>Number of businesses</i>
Over £5m	6
£1 - 5m	23
£0.5 – 1m	26
£0.25 -0.499m	47
£0.1m – 0.249	121
£50,000 - 99,000	155
£20,000 - 49,000	222
£10,000 -19,000	111
Under £10,000	120
Zero	477
<b>Total</b>	<b>1,306</b>

13. Table 4 breaks down the businesses by stated principal activity.

*Table 4 Personal injury businesses by principal activity*

Principal activity	Number of businesses	Turnover in year to 30 September 2006
Claims management	873	£96m
Other	121	£51m
Accident management	236	£16m
Brokers	32	£11m
Garages etc	39	£2m
Medical	5	-
<b>Total</b>	<b>1306</b>	<b>£177m</b>

14. There are several interesting features of this table –
- The high turnover in the other sector, explained by BTE and ULR insurers and also some claims management companies that prefer not to define themselves as such.
  - The large number of accident management companies.
  - The small numbers in the other categories.
15. Other key statistics are –
- 443 businesses with turnover of £72 million used exempt introducers.
  - 573 businesses with turnover of £77 million said that they had contracts with clients.
  - 343 businesses with turnover of £49 million said that they represented clients.
  - Only 606 businesses, 46% of the total, said that they had been trading in the full year to 30 September 2006.
  - 137 businesses were FSA authorised. Of these 31 were “other”, mainly insurance companies, and 29 were insurance brokers.
16. The figures for contracts with clients and representing clients are implausibly high. Among other factors businesses may have contracts with clients or represent clients, but not in respect of claims management services.

### **Criminal Injuries Compensation**

17. 160 businesses reported turnover in criminal injuries but 413 indicated that they intended to operate in this market. Total turnover was £1.2 million. No individual business had turnover in excess of £100,000. The three largest companies were specialist, the remainder were predominantly personal injury businesses.

18. This is clearly a very small scale sector. Most of the businesses are also in the personal injury field. A number do not represent clients or have contracts with clients, suggesting that they simply refer them to solicitors probably for a small fee.

### **Industrial Injuries Disablement Benefit**

19. 60 businesses reported turnover in the year to 30 September 2006 with 216 saying they intended to operate. Turnover was £1.4 million. Five businesses reported turnover in excess of £100,000.

### **Financial services and products**

20. 145 businesses reported turnover in financial services and products with 376 saying they intended to operate. Total turnover was £74.5 million. Three businesses reported turnover in excess of £5 million, 12 other businesses reported turnover of over £1 million and another 28 had turnover in excess of £0.25 million. 37 businesses had turnover of under £10,000.

21. All of the turnover figures are in respect of endowment business. There are no separate figures for bank charge companies, most of which have been established in the last six months or so.

22. The following table shows some of the characteristics of the businesses

*Table 5 Characteristics of financial services companies*

	Yes	No
Intends to use exempt introducers	88	288
Contracts with clients	301	75
Represents clients	294	82
FSA authorised	39	337
Handles client money	188	188
Trading for full year	138	238

### **Employment**

23. 87 businesses reported turnover in this sector with 195 stating that they intended to operate. Turnover was £4.0 million. 13 businesses had turnover of over £100,000, but 30 were very small with turnover of under £5,000. Almost all the businesses are specialised and do not operate in the other sectors. Some work predominantly for defendants with only a small part of their work being for clients.

### **Housing disrepair**

24. Just 21 businesses reported activity in the housing disrepair sector although 83 said that they intended to operate. Most of the turnover of £0.5 million was accounted for by two companies.