



Concern for the public interest: The role of the independent actuary in relation to future damages to the population caused in traffic accidents (and others)

Luis Sáez de Jauregui, Olga Gomez Pérez-Cacho, Rafael Moreno Ruiz
Axa España – Universidad Carlos III de Madrid, Universidad de Málaga
Instituto de Actuarios Españoles

About the speakers

- **Dr. Luis Sáez de Jauregui**

ExComm Member , Axa España & Member of the Axa Group Senior Executives (GLN)

Professor. Universidad Carlos III de Madrid

President of the Instituto de Actuarios Españoles 2012-2016

- **Mrs. Olga Gomez Pérez-Cacho**

Professor. Universidad de Málaga

Member of the Actuarial Observatory for the valuation of economic damages caused to persons in accidents of the Instituto de Actuarios Españoles

- **Dr. Rafael Moreno Ruiz**

Professor. Universidad de Málaga

President of the Instituto de Actuarios Españoles 2020-2024

Director of the Actuarial Observatory for the valuation of economic damages caused to persons in accidents of the Instituto de Actuarios Españoles

Road traffic accidents and other accidents



Traffic



Occupational



Medical



Other accidents where there is a responsible party for the damages suffered by injured or affected persons

Types of damages (injured/affected persons)

1) Damages related with incomes or expenses (economic damages)

▪ Loss of earnings

- Disability of the victim
- Death of the victim

▪ New expenditures

- Assistance from third person
- Protesis and orthoses
- Medical and rehabilitation
- Mobility restrictions/needs
- Housing adaptation
-

2) Damages not related with incomes or expenses (non-economic damages)

Fundamental principles of the (legal) compensation system



- **Well being of society – Public interest:** any citizen can be a victim of a road accident or be affected by the consequences of a road accident, so it is in the interest of the society as a whole to seek fair compensation
- **Full compensation:** the main aim is to try to restore the situation of every injured or affected person as far and as well as possible to what it was before the accident
- **Vertebrate compensation:** the different damages must be assessed separately, according to its nature



Special nature of the (legal) compensation system

- Its aim is to protect any injured or affected person, not (only) insurance consumers
- Compensation should be for the amounts that compensate for the damage caused (fair), not for any insured amount
- Insurance is compulsory by Law for the responsible parties, so that they bear the overall cost of accidents in the society
- So it can be considered a **social protection system**

Economic damages – Assessment models

- Many of the economic damages (may) correspond to a permanent situation over time (long term)
- So application of Actuarial Models from Life Insurance is needed.
Different options and hypothesis in the models to be defined:
 - Specific mortality tables (general population)
 - In cases of victim's death: several lives (affected people)
 - Maturation period: annual or less than one year
 - Rate of interest
 - Inflation (costs)
 - Income growth rates
 - Social Security pensions and other public benefits
 - ...

Types of (legal) compensation systems for economic damages

First criteria

- **Type 1: Open list of damages**
 - Pro: full compensation
 - Con: complexity
- **Type 2: Closed list of damages**
 - Pro: not full (partial) compensation
 - Con: simplicity

Types of (legal) compensation systems for economic damages



Second criteria

■ Type 1: Gross losses compensations

- Pro: simplicity
- Con: possible overcompensation

■ Type 2: Net losses compensations

- Pro: proper compensation
- Cons:
 - Complexity
 - Third party to be compensated by the responsible (Social Security system or the State)

Types of (legal) compensation systems for economic damages



Third criteria

- **Type 1: Compensation tables/scales**
 - Pro: agility
 - Con: not necessarily full compensation
- **Type 2: Individual assessments**
 - Pro: full/fair compensation
 - Cons: complexity, slow process and more costs
- **Type 3: Compensation scales, but individual assessments in certain cases**
 - Pro: Pros of the two types
 - Con: Possible partial use for convenience (companies)

Roles of the actuarial profession

- In any type of system, economic damages must be assessed applying actuarial models (life)
- Well being of society - Public interest require that the actuarial profession is involved in different ways
- Both in systems based on scales and in systems based on individual assessments, the profession must participate:
 - In the definition of the different parts and elements of the model and in every periodical review
 - In every process of scales calculations

Role of the independent actuary

- In systems based on individual assessments of economic damages or hybrid systems, those which require applying actuarial models must be made by an actuary
- The relevant expert's report must be signed by an actuary



- This role of the independent actuary is the guarantee of a fair valuation of the compensations for the injured and affected persons.

Conclusions and remarks

- The compensation system is a social protection system
- Very relevant roles of the profession and of actuaries in different types of systems/models
- It is a(n) (emerging) *wider field* for actuaries
- Public Interest: protection of the role of the independent actuary
 - Reservation of activity for actuaries in Spain
 - Fit & Proper requirements for actuaries playing this roles
 - Education
 - Code of Conduct (+ Disciplinary Process)
 - Practice Standards – Specific Guidelines

Poll



- Is there a role of the independent actuary in the national (legal) compensation system for accidents of your country?
 - a) Yes
 - b) No
 - c) I don't know

References

- Anderson, Donald R. (1986): *Actuarial Evidence. Valuing Past and Future Income*. Second edition. Carswell
- Ley 35/2015, de 22 de septiembre, de reforma del sistema para la valoración de los daños y perjuicios causados a las personas en accidentes de circulación.
- Orden ETD/949/2022, de 29 de septiembre, por la que se actualizan las bases técnicas actuariales que sustentan los cálculos del sistema para la valoración de los daños y perjuicios causados a las personas en accidentes de circulación contenido en el anexo del texto refundido de la Ley sobre responsabilidad civil y seguro en la circulación de vehículos a motor, aprobado por el Real Decreto Legislativo 8/2004, de 29 de octubre.

Thank you

Contact Details

Luis Sáez de Jauregui: ljauregu@emp.uc3m.es

Olga Gomez Pérez-Cacho: ogp@uma.es

Rafael Moreno Ruiz: moreno@uma.es;
rafael.moreno@actuarios.org