

Current Issues in General Insurance (CIGI) Seminar

The Barbican, Tuesday 17 May 2005

Current issues in Ireland

Issues for discussion

- Impact of PIAB and court reform
- Reinsurance regulation
- Extension of SAO to assets
- Review of remuneration structures
- Other

PIAB - Background

Concern at high cost insurance
Review of motor, public, employer's liability
MIAB inquiry
Government Insurance Market Reform Programme
Implementation group - report 2002
Bill enacted
PIAB established Q1 2004, accepting cases from
summer 2004

PIAB - process

Initial contact to PIAB call centre
Claim forms, medicals plus €50 submitted to PIAB
PIAB copies documentation to respondent (policyholder) and insurance company
Respondent has 90 days to reject assessment by PIAB
PIAB only assess where liability is accepted
If respondent accepts PIAB assessment, insurer pays €850 fee to PIAB
If respondent does not accept liability or does not want PIAB to handle, PIAB will issue a release certificate to claimant

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PIAB - process

Insurer may offer settlement at any stage
PIAB use a book of quantum to decide awards
PIAB make an assessment within 9 months (6 month extension possible)
Release certificate may be issued if PIAB consider that assessment is premature
Once notified of assessment, claimant has 28 days to accept/reject; respondent has 21 days

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PIAB – first settlements and statistics

Announced on 9th May
8,156 cases currently submitted: 3,581 motor, 2,497 PL and 2,078 EL
80% acceptance of awards (20 out of 25)
Average costs per €1,250 which compares favourably with average litigation costs which are generally considered to be 30% to 45% of awards
One of the case study awards for €64,000 had costs of €1,450
Customer satisfaction appears to be high – over 90% according to PIAB daily surveys

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PIAB – potential issues

BOQ considered generous at lower end but too light at upper end
Process too easy for claimants?
Respondent, not insurer, makes decisions
Recent judgement that claimant may have legal representation – but no ruling on who pays


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Related issues

Impact on pre-PIAB reportings settled post PIAB
Civil Liability and Courts Bill
Judges required to take account of BOQ
Reduction of the limitation period for personal injuries actions
All pleadings in a personal injuries action which contain statements of fact to be supported by a verifying affidavit
Procedures – emphasis will be on the provision of full information (including past medical history)
Mediation conferences


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Reinsurance regulation

Representatives of the Society of Actuaries in Ireland met with IFSRA recently to discuss reinsurance regulation
Drivers for change:
International Association of Insurance Supervisors (due back in January 2006)
IFSRA want to be proactive
Scrutiny of certain companies and contracts
US trust funds
A reinsurance SAO is seen as an important step
Proposal not yet approved by IFSRA board


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Reinsurance regulation

IFSRA have been considering the issue for some time; they issued a questionnaire in 2004 to 160 reinsurers and received a near-100% response rate

The 160 reinsurers are split 20 Life, 40 non-life (of whom 15 have actuaries), 20 composite and 80 reinsurance captives

IFSRA want input from the SoA about how to implement, need for guidance notes etc.

A consultant may be appointed to look at the issue for IFSRA

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Reinsurance regulation - issues

Actuarial resourcing

Issues surrounding how accurate the reserves can be

There may be mandatory statements in the documentation – e.g. that there are no side letters, that there is appropriate risk transfer, that there is approval from the local authority where the risk is based

A sub-committee of the general insurance committee of SoA is looking at this area

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Extension of SAO to assets

Discussed in SoA report to IFSRA about role of non-life actuary

Reputation risk if company fails due to asset problem? Is it recognised that SAO does not certify financial condition?

Discussions with IFSRA suggest that a full FCR was certainly a consideration for the future but not yet

Issues:

Should actuaries be considered only expert on risk

How far should asset view go? Value, cashflow, liquidity, duration, deterministic/stochastic?

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Review of remuneration structures

SoA was asked by IFSRA for views on remuneration structures, in particular disclosure requirements
Competition Authority report very negative about brokers and their disclosure regimes
IFSRA have real concerns over volume overrides – 'average' commission is disclosed but not overrides
Should overrides be banned completely?
Should consumer just care about price – if they are happy with that does commission matter?

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Other issues

Equality issues:
Discrimination by gender
Data pooling
Market contestability – Competition Authority seeks new market entrants – data sharing an issue here too
Any other issues for discussion

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