



Institute
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Irish Issues

G Bradley, C Niven, D Lavelle

23 November 2015



Agenda

- **Current Market**
- PPO's
- CP92 and Practising Certs



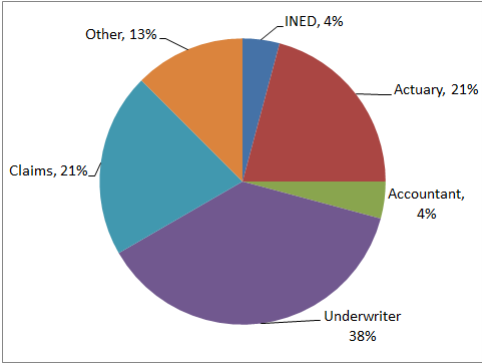
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Survey

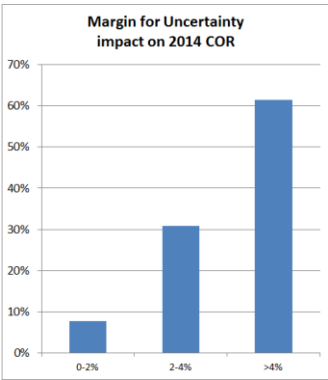
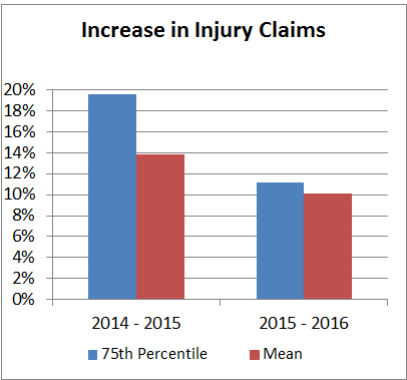


Industry Survey

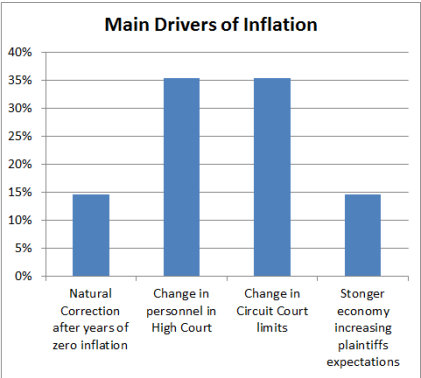
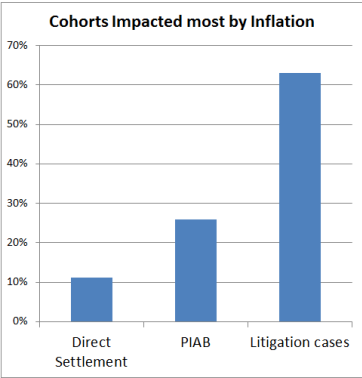
Profile of participants



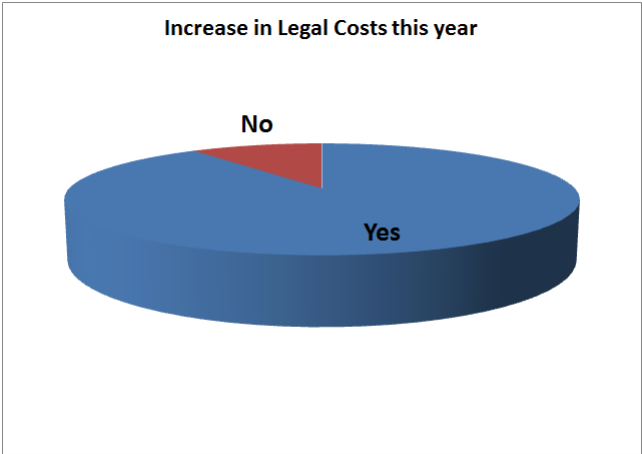
Industry Survey



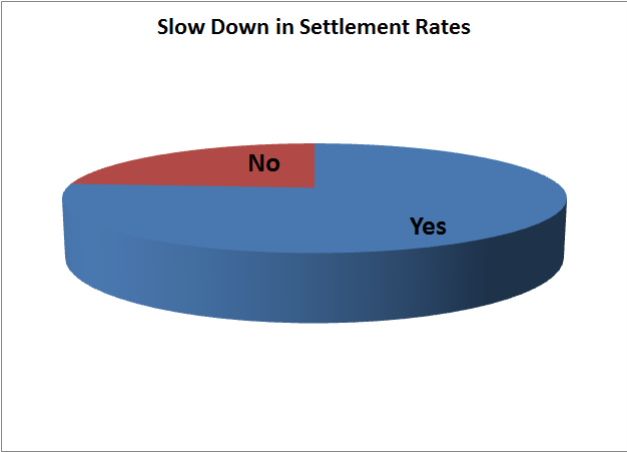
Industry Survey



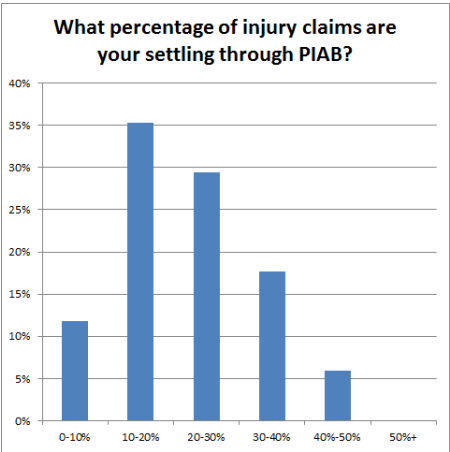
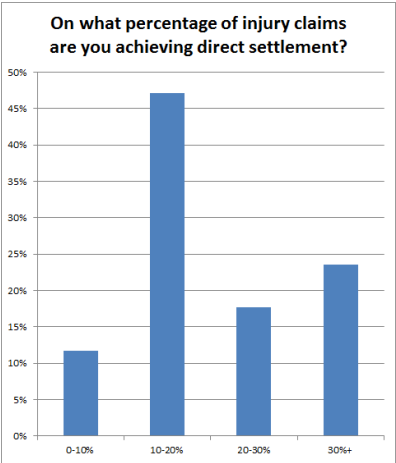
Industry Survey



Industry Survey

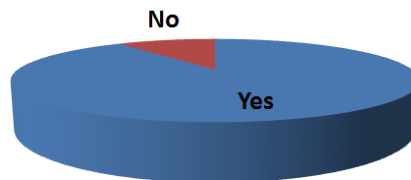


Industry Survey



Industry Survey

Should we as an industry now be looking to leverage UK experience on MedCo and claims portals to streamline delivery costs?



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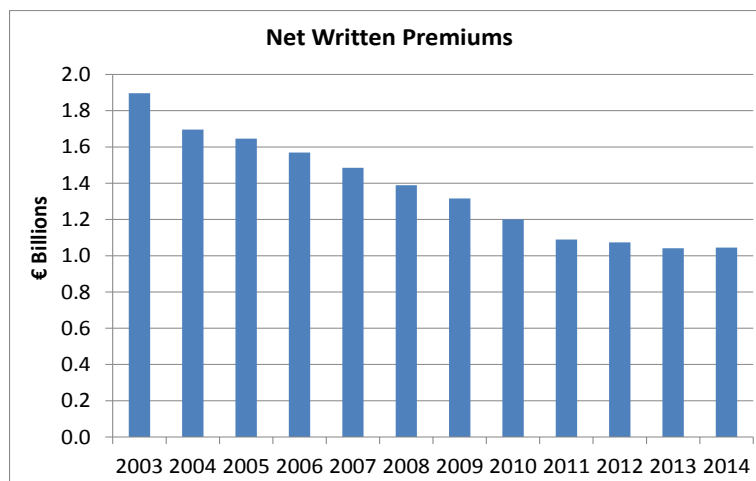
2014 Irish Motor Market Returns



Data Sources

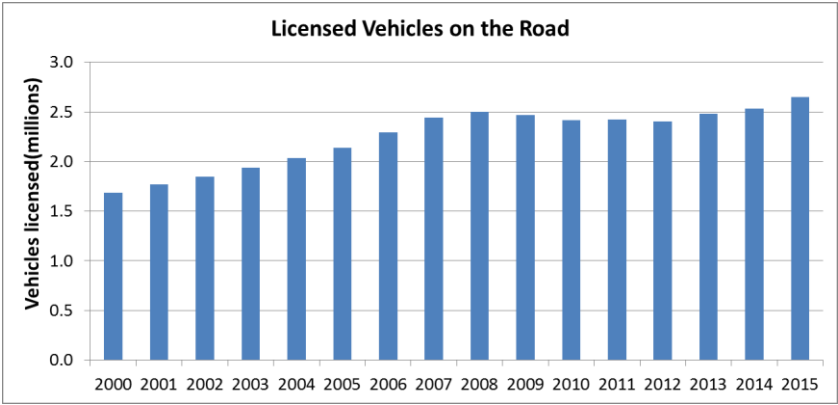
- Some issues with Market Returns
 - Data is sourced from early release by major companies to Risk Intelligence
 - (all major companies except Liberty were available)
 - Difficult to reconcile Form 2 data (net revenue accounts) and Form 8 (claims settlement analysis)
 - More closed claims than reported claims in the Form 8
 - Companies moving to branch structures – AIG, Aviva
-

Irish Motor Market Size



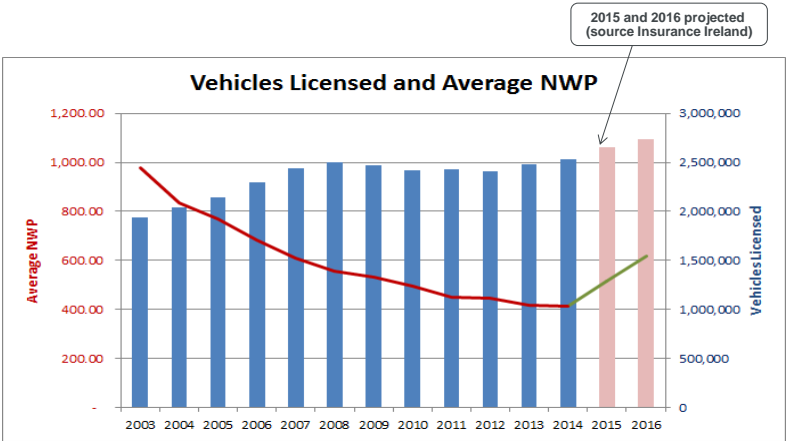
Source: INCA, Risk Intelligence Insurance Analytics

Irish Motor Market Size



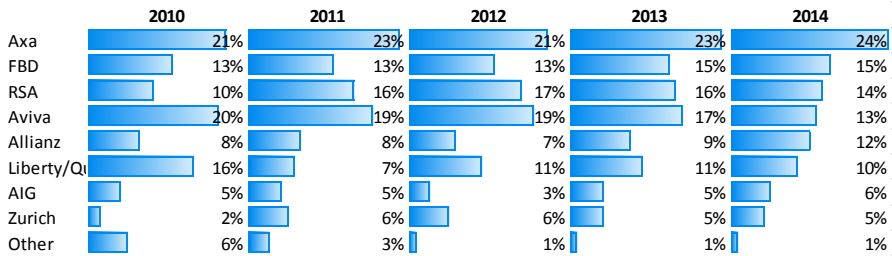
Source: INCA, Risk Intelligence Insurance Analytics

Average Net Written Premiums



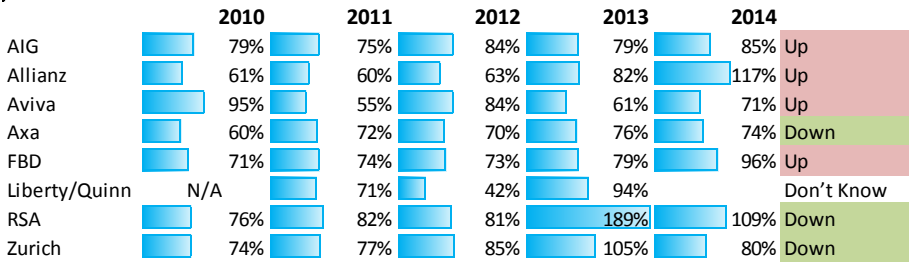
Source: INCA, Risk Intelligence Insurance Analytics

Motor Market Share by Company (based on NWP)



Source: INCA, Risk Intelligence Insurance Analytics

Financial Year Booked Loss Ratios



Source: INCA, Risk Intelligence Insurance Analytics

Total Motor Industry Performance

| Total Industry less RSA | | | | | | |
|--------------------------|--------|--------|--------|--------|--------|--------|
| | 2010 | 2011 | 2012 | 2013 | 2014 | Total |
| Loss Ratio | 86% | 68% | 71% | 78% | 87% | |
| Expense Ratio | 20% | 26% | 31% | 23% | 19% | |
| Commission Ratio | 6% | 7% | 7% | 7% | 8% | |
| Combined Operating Ratio | 113% | 100% | 109% | 108% | 114% | |
| Prem inc RSA (€m) | €1,147 | €1,130 | €1,076 | €1,029 | €1,022 | €5,404 |
| Target | 95% | 95% | 95% | 95% | 95% | |
| UW Loss (€m) | -€145 | -€1 | -€92 | -€77 | -€141 | -€457 |
| Loss / Premium | -13% | 0% | -9% | -8% | -14% | -8% |

Source: INCA, Risk Intelligence Insurance Analytics

Prior Year Releases (Gross): '13 versus '12 – (last year's Slide)

| | Pre '12 €M | 2012 €M | 2013 €M |
|-----------|---------------|------------|------------|
| Axa | -72 | 11 | 211 |
| % of 2013 | -34% | 5% | |
| Zurich | -4 | -2 | 94 |
| % of 2013 | -4% | -2% | |
| FBD | -7 | 2 | 118 |
| % of 2013 | -6% | 2% | |
| Allianz | -3 | 10 | 68 |
| % of 2013 | -4% | 14% | |
| RSA | 50 | 52 | 219 |
| % of 2013 | 23% | 24% | |

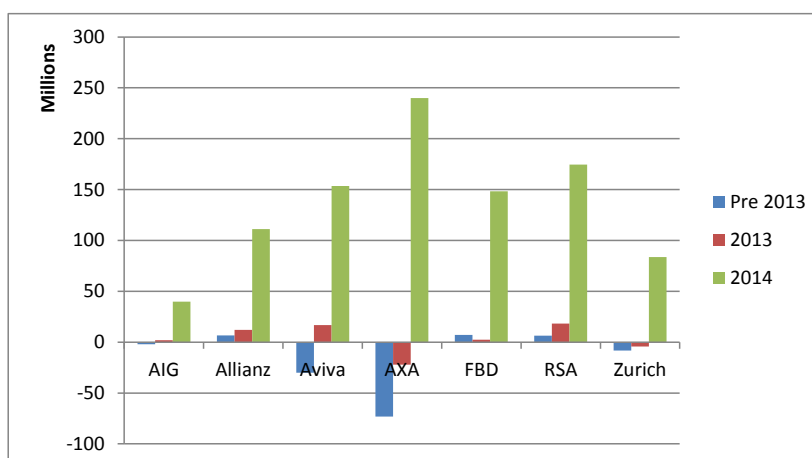
Source: INCA, Risk Intelligence Insurance Analytics

Prior Year Movements (Gross)

| Gross AY Incurred | Pre '13 €m | 2013 €m | 2014 €m | Total €m | Current Yr / Total incurred |
|-------------------|---------------|------------|------------|-------------|--------------------------------|
| Allianz | 7 | 12 | 111 | 130 | 86% |
| % of 2014 | 6% | 11% | | | |
| Aviva | -30 | 17 | 153 | 140 | 109% |
| % of 2014 | -20% | 11% | | | |
| AXA | -73 | -22 | 240 | 145 | 166% |
| % of 2014 | -30% | -9% | | | |
| FBD | 7 | 2 | 148 | 158 | 94% |
| % of 2014 | 5% | 2% | | | |
| RSA | 6 | 18 | 174 | 199 | 88% |
| % of 2014 | 4% | 10% | | | |
| Zurich | -8 | -4 | 84 | 71 | 118% |
| % of 2014 | -10% | -5% | | | |
| Total of above | -91 | 23 | 911 | 843 | 108% |
| % of 2014 | -10% | 3% | | | |
| Total Ex AXA | -18 | 45 | 671 | 698 | 96% |
| % of 2014 | -3% | 7% | | | |

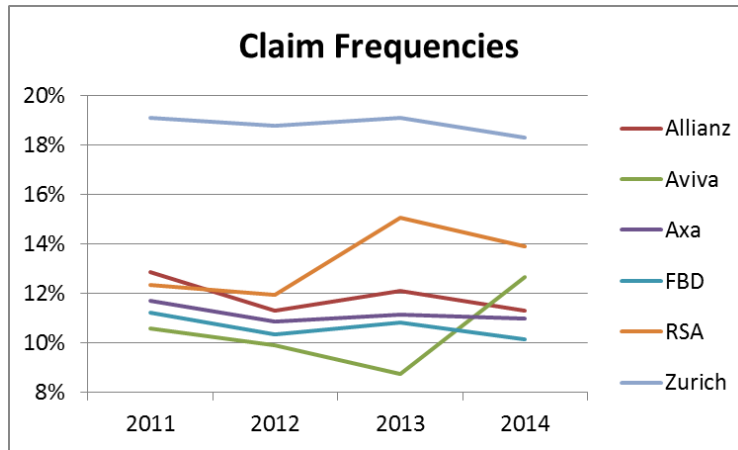
Source: INCA, Risk Intelligence Insurance Analytics

Prior Year Movements (Gross)



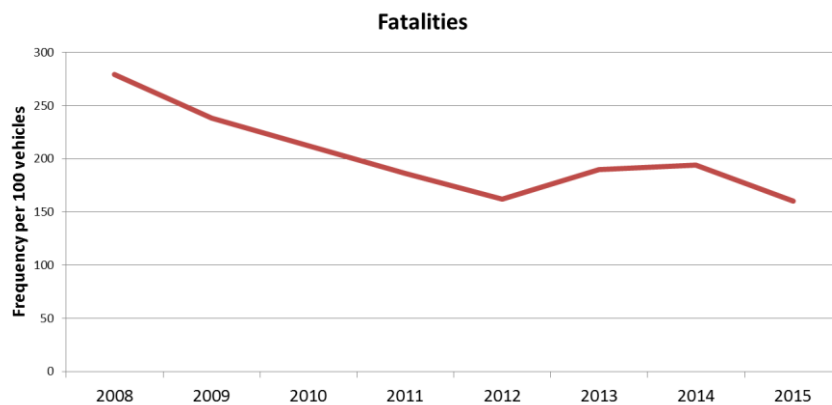
Source: INCA, Risk Intelligence Insurance Analytics

Ultimate Claim Frequencies



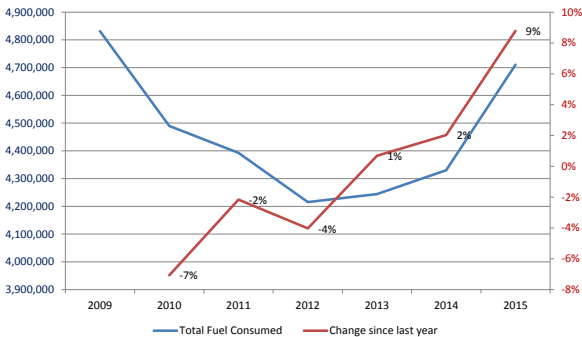
Source: INCA, Risk Intelligence Insurance Analytics

Fatalities



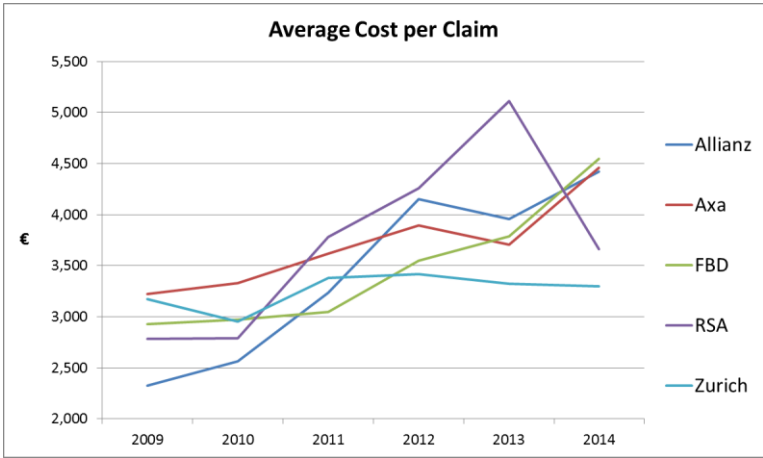
Source: Garda Statistics (2015 projection)

Kilolitres of Fuel Consumed (Petrol plus Diesel)



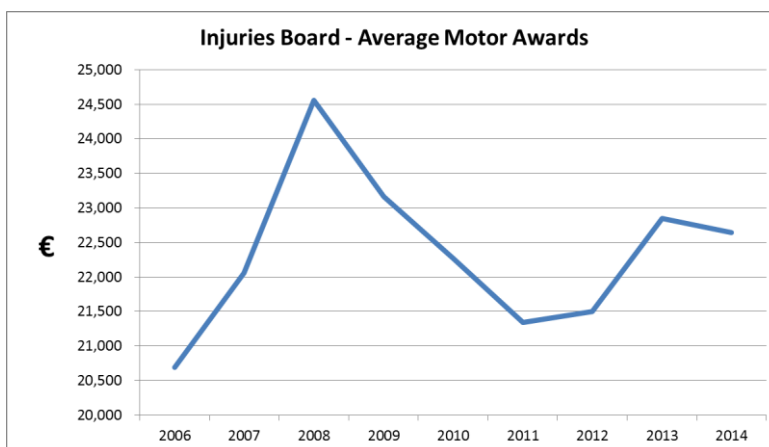
Source: ICSSO

Average Ultimate Cost by Settlement Year



Source: INCA, Risk Intelligence Insurance Analytics

PIAB Average Settled Costs



Source: PIAB Annual Report 2014 and prior



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Pressure!



Agenda

Claims
environment

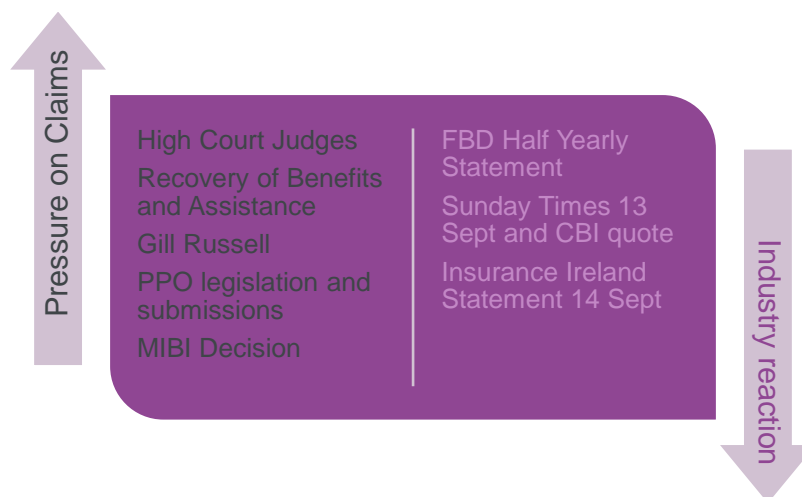
Industry
reaction

Outlook for
2016

Q&A

Taking the temperature

Claims environment



1. Composition of the High Court

| Pre-2013 | | |
|----------|-------------------|------|
| 1 | Michael Moriarty | 1996 |
| 2 | Nicholas Kearns | 1998 |
| 3 | Paul Butler | 2000 |
| 4 | Henry Abbott | 2002 |
| 5 | Paul Gilligan | 2003 |
| 6 | Michael Hanna | 2004 |
| 7 | Brian McGovern | 2006 |
| 8 | John Hedigan | 2007 |
| 9 | Patrick McCarthy | 2007 |
| 10 | Michael White | 2011 |
| 11 | Kevin Cross | 2011 |
| 12 | Paul McDermott | 2012 |
| 13 | Colm Mac Eochaidh | 2012 |



| New since 2013 | | |
|----------------|-------------------|------|
| 14 | Anthony Barr | 2013 |
| 15 | David Keane | 2013 |
| 16 | Marie Baker | 2013 |
| 17 | Max Barrett | 2013 |
| 18 | Bronagh O'Hanlon | 2013 |
| 19 | Bernard Barton | 2014 |
| 20 | Deirdre Murphy | 2014 |
| 21 | Brian Cregan | 2014 |
| 22 | Caroline Costello | 2014 |
| 23 | Aileen Donnelly | 2014 |
| 24 | Seamus Noonan | 2014 |
| 25 | Mary Faherty | 2014 |
| 26 | Tony Hunt | 2014 |
| 27 | Raymond Fullam | 2014 |
| 28 | Carmel Stewart | 2014 |
| 29 | Donald Binchy | 2014 |
| 30 | Robert Eagar | 2014 |
| 31 | Robert Haughton | 2014 |
| 32 | Margaret Heneghan | 2014 |
| 33 | Isobel Kennedy | 2015 |
| 34 | Mary Ellen Ring | 2015 |
| 35 | Richard Humphreys | 2015 |
| 36 | Tony O'Connor | 2015 |

Court Awards

| | Amount | | Inflation | |
|------|----------|---------|-----------|---------|
| | High | Circuit | High | Circuit |
| 2014 | €304,353 | €13,550 | 34% | 13% |
| 2013 | €227,321 | €11,941 | -10% | 4% |
| 2012 | €252,146 | €11,452 | 17% | -7% |
| 2011 | €215,730 | €12,362 | -2% | -2% |
| 2010 | €219,303 | €12,662 | | |

Pressure on Claims

Source: Insurance Ireland

2. Recovery of Benefits and Assistance

Pressure on Claims

- Recovers certain illness-related social welfare payments
 - Recovered from the compensator, not from the injured person
 - illness benefit
 - partial capacity benefit
 - injury benefit
 - incapacity supplement
 - invalidity pension
 - disability allowance
 - Commenced 1 August 2014
-

3. Gill Russell judgment

- December 2014, Gill Russell was awarded a record €13.5m by the High Court for serious injuries he incurred at birth in Cork University Maternity Hospital
 - Claim set relative to an assumed 1% p.a. rate of return (down from 3%)
 - Being appealed by State Claims Agency
 - State Claims Agency estimated this may add €100m per annum to total State claims bill
-

4. Periodic Payment Orders (PPO)

- Now have government approval
- General Scheme of the Civil Liability (Amendment) Bill 2015)
- Definition of “catastrophic”
- Court Discretion
- Continuity of payments
- Consequences of Personal Injuries Compensation Fund
- Claims are not subject to the Limitation Period (LCP)
- And a new system for stepped payments

Pressure on Claims

PPO – Insurance Ireland response

- Call for PPO regime to include as much as possible
- Call to tighten definition of “catastrophic”
- Call for a limit of indemnity
- Contributory negligence?
- Comment on scope of Personal Injuries Compensation Fund
- Claims reforms
 - Administrative
 - Joint Factfinders
 - Pre-trial Protocols
 - Solicitors Schedule
 - Split Trials
 - Draft PPO for Court

5. Motor Insurance Bureau of Ireland

- High Court ruling on Setanta
- 1,800 outstanding claims, €90 million liability
- Setanta established in Malta, 75,000 motorists covered
- Liquidation in April 2014
- Dispute on who covers claims - MIBI or the ICF
- MIBI claimant receives 100%; ICF claimant capped at 65%
- Law Society took a case to the High Court
- Justice Hedigan - MIBI liable
- Likely to be appealed

Pressure on Claims

Taking the temperature Industry reaction

Pressure on Claims

High Court Judges
Recovery of Benefits
and Assistance
Gill Russell
PPO legislation and
submissions
MIBI Decision

FBD Half Yearly
Statement
Sunday Times 13
Sept and CBI quote
Insurance Ireland
Statement 14 Sept

Industry reaction

FBD Mid 2015 – Lowlights

- Congested and dysfunctional market
 - Rate increase of 21% implemented in last 12 months
 - Strengthening PY estimates & MFU: €88m
 - Adverse claim development first evident in the second half of 2014
 - More pronounced for accident years 2011 onwards.
 - Across all the Group's distribution channels
-

FBD Mid 2015 – More lowlights

- Structural changes to Judiciary
 - Change in Court Limits
 - Introduction of RBA
 - Lower Discount rate for award settlements
 - Introduction of PPO's
 - Shift in settlement approach of claimants' solicitors
 - All resulting in a slowdown in settlements
 - Inflation payments? / outstanding claims
 - Will probably lead to a change in actuarial Best Estimate
-



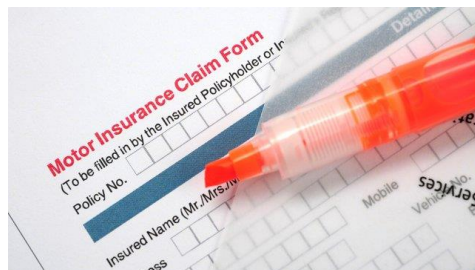


Sunday Times – 13th Sept (again)

- PIAB sees no evidence for sharp increases
- But Setanta / FBD has made losses
- PC motor market has lost money in 6 out of the last 7 years
- Circuit court changing jurisdiction
- Aviva panel of solicitors citing 10% to 20% claims inflation
 - Rise in fraudulent claims
 - Legal professions also being blamed for no/poor engagement
- 20% of all claims settled by PIAB
- 40% of claims assessed by PIAB are appealed



Central Bank comments in the media



“Insurers will have to set aside significantly more reserves to cover car-crash, workplace injuries and other claims as compensation payouts surge, according to the industry’s regulator”

Insurance Ireland statement



Measures to limit the increase in premiums

- Garda Siochana and the Road Safety Authority enforcement
 - Compensation at reasonable levels
 - Reduce legal costs in litigated cases
 - Flaws in the Injuries Board tackled
 - Act to ensure fraudsters are deterred - not suspended sentences
 - Fix the Setanta problem
-

Taking the temperature

What next?



What to Think About Now

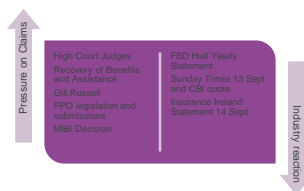
Provocative?



1. How much margin is left in the industry?

- Are all the “caves” empty yet?
- Look at reserves again – A lot of ENID (e.g. explicit inflation assumption)
- Reserve/Capital & impact on your Solvency II ORSA

What to Think About Now



2. Underwriting

- Get smarter with rate increases - Advance Telematics?
 - What segments will be impacted most by next years' trends – are Aviva and Allianz right?
 - Solvency II – opinion on underwriting from Actuarial Function – Boards?
-

What to Think About Now



3. Industry and Professional Bodies support

- Compensation at reasonable levels - Courts
 - Reduce legal costs in litigated cases
 - Flaws in the Injuries Board tackled
 - UK Third Party Working Party – can Society of Actuaries in Ireland do something similar?
-



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PPOs



Agenda

- **Current Market**
- PPO's
- CP92 and Practising Certs



PPOs – Timeline

- Consultation earlier this year
 - Next stage is for Oireachtas Committee
 - Expected to be introduced in 2016
-



PPOs – Compared to UK

- Escalation
 - Set centrally by Dept. of Justice and Dept. of Finance
 - Initially will be HICP reviewed within 5 years and then every 5 years
 - Cost of care/future medical expenses treated differently to future loss of earnings
 - Stepped payments are allowed but no orders for variation
 - Propensity could be expected to be different due to legislation and claims environment
-



PFOS - Year-end & beyond

- Best estimate / Margin for Uncertainty
 - Discounting
 - Preparation for S2 including CP92
-



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CP92 and Practising Certs



Agenda

- **Current Market**
- PPO's
- CP92 and Practising Certs

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Agenda

- **The new “CP92” regime**
- Practising Certificates
- Experience requirements

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The new “CP92” regime

- An evolution of the current CP73 regime
- Head of Actuarial Function
 - Single individual as HoAF
 - A Preapproval Controlled Function (PCF)
- Incorporates the Solvency II Actuarial Function responsibilities
 - Technical Provisions
 - Opinions on Underwriting Policy & Reinsurance Arrangements
 - Contribute to the Risk Management System

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The new “CP92” regime

- HoAF has additional responsibilities
 - Actuarial Opinion to Central Bank of Ireland (CBI) on Technical Provisions
 - Actuarial Report to Board on Technical Provisions
which may incorporate the Actuarial Function Report
 - Opinion to Board on ORSA
covering at a minimum scenarios / projections
- Reviewing Actuary on a 2/3/5 year cycle
 - not a PCF
 - Independent view of TPs. Recalculation for material LoBs

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The new “CP92” regime

- CBI sees HoAF as a “sparring partner” for the CRO
- HoAF role is similar in scope to the current Appointed Actuary for Life companies
- HoAF is not just a technical role
 - requires critical assessment, seniority and influencing skills.
- Step change from Solvency I to Solvency II
 - Step up is greater for Signing Actuaries than Appointed Actuaries
 - Range of technical competencies
 - Seniority of role within companies
 - Ongoing role as opposed to once-a-year certification

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The new “CP92” regime

- HoAF is expected to be a “member of a recognised actuarial association”
- CBI is developing guidance around the HoAF’s responsibilities
- Society of Actuaries (SAI) is providing input to the CBI guidance which will apply to all HoAFs
- SAI may decide to introduce additional guidance for its members

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Agenda

- The new “CP92” regime
- **Practising Certificates**
- Experience requirements

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Practising Certificates

- SAI is introducing Practising Certificates for its members taking on HoAF / Reviewing Actuary roles
- A Voluntary Scheme for the first year
 - SAI’s Articles of Association require a member vote to approve a mandatory scheme (where regulation does not require the role to be fulfilled by an actuary)
 - Aim is to implement a mandatory scheme next year.
- Will **not** be a simple grandfathering of current Signing Actuaries

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Why Practising Certificates for SII?

- A level of **competence/experience** above Fellowship (FSAI) is needed as a minimum for certain statutory roles.
- SAI has a **public interest responsibility** to ensure that regulatory roles are performed only by suitably experienced actuaries.
- SAI believe that PCs will provide an **objective quality mark** for Boards appointing HoAFs/Reviewing Actuaries.
- Unlike the PCF regime, PCs are **renewed annually** and supported by ongoing CPD requirements.

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Practising Certificates

- For year-end 2015, the Society operates two PC schemes
 - Last annual renewal of Appointed Actuary and Signing Actuary certificates
 - First year for new HoAF/Reviewing Actuary certificates
 - No additional cost for new certs if also hold a Signing Actuary Certificate for year-end 2016
- Same certificate for HoAF and Reviewing Actuary.
- The application / renewal processes will make best efforts to process HoAF/RA certificates in a timely manner.

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Agenda

- The new “CP92” regime
- Practising Certificates
- **Experience requirements**

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Experience Requirements

Summary

- A Fellow of the Society
- In general, and especially for Signing Actuaries, broader technical experience is now required;
- Need to demonstrate experience of operating at a senior level
- Full details available at <https://web.actuaries.ie/standards/certificates>

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Experience Requirements

| General Requirements | |
|----------------------|---|
| Member Status | Normally: Fellow for 5+ years; or Exceptional: member for 10+ years (3+ as Fellow) |
| References | 2 Referees: <ul style="list-style-type: none"> • at least one a Fellow of the Society • at least one external Cover 3 dimensions: <ul style="list-style-type: none"> • technical • seniority • Probity |
| Other | <ul style="list-style-type: none"> • CPD / Professionalism training up to date • “appropriate person” |

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Experience Requirements

| Technical Experience (4+ of last 6 years) | |
|---|---|
| Technical Provisions | <ul style="list-style-type: none"> • Methods, assumptions, data; • Solvency II |
| Underwriting | <ul style="list-style-type: none"> • Determining or assessing pricing bases / underwriting policy |
| Reinsurance | <ul style="list-style-type: none"> • Assessing impact on TPs and Risk Profile • Analysing effectiveness of RI |
| Risk Management | <ul style="list-style-type: none"> • Analysing risk factors • Assessing/projecting capital needs |
| Range | <ul style="list-style-type: none"> • Range of risks appropriate to extent of certificate applied for |

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Experience Requirements

Senior Experience

Scheme will check to see that the applicant has **experience operating at a senior level** and what kind of experience they have, e.g.

-
- Level of responsibility?
 - Wider role(s) within the organisation?
 - Delivery of advice to senior management / board?
 - Defending challenges to advice?
 - Reviewing and challenging work, proposals or decisions made by others at senior level?
-

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Summary

- CP92 a natural evolution from CP73
- A step change in scope and seniority for signing actuaries
- A new SAI practicing certificate regime
- Scheme will open for applications shortly

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Questions

Comments

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