



The Actuarial Profession

making financial sense of the future

Current Issues in General Insurance, GIRO 2010
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Current Issues in Ireland

14th October 2010

Content of Workshop

Agenda

- 2009 year-end results
- Credit Crisis / Recession
- Current issues by class
- InjuriesBoard.ie update
- Financial Regulator
- International and reinsurance
- Society of Actuaries in Ireland



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2009 Year End Results

Ireland Non-Life Gross Written Premium

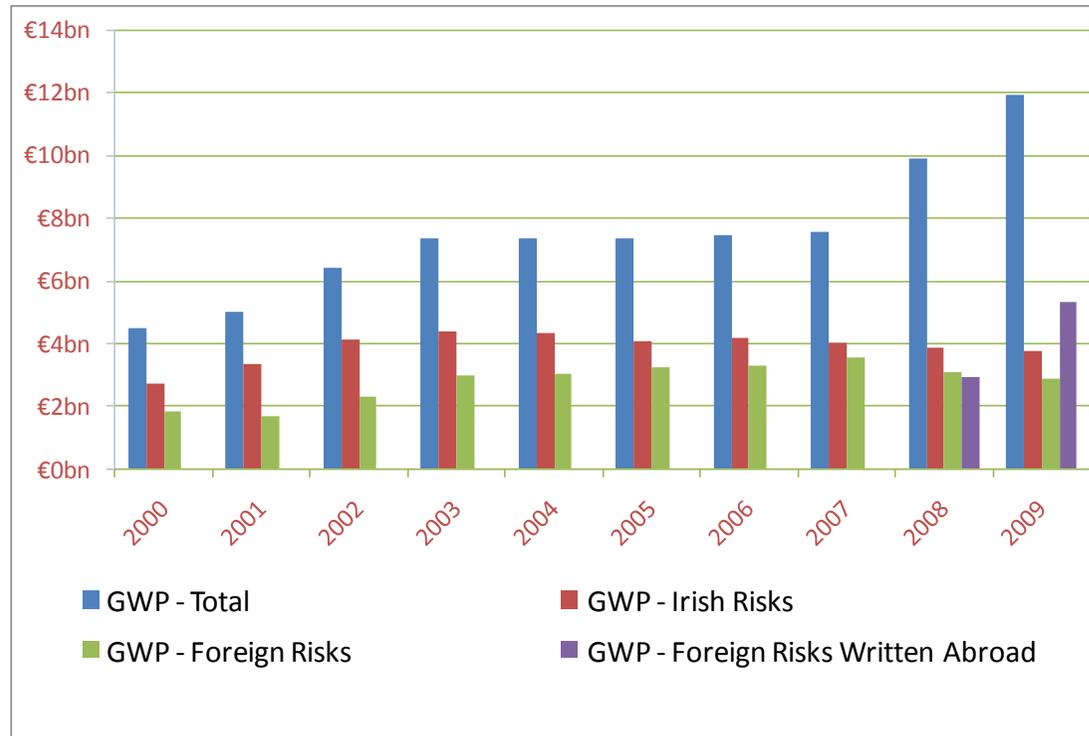
Domestic market – down 0.9% in 2009 (down 4% in 2008).

New break-down of risks in FR report to reflect the expansion of Zurich Insurance plc (ZIP).

Source: Insurance Statistical Review 2009

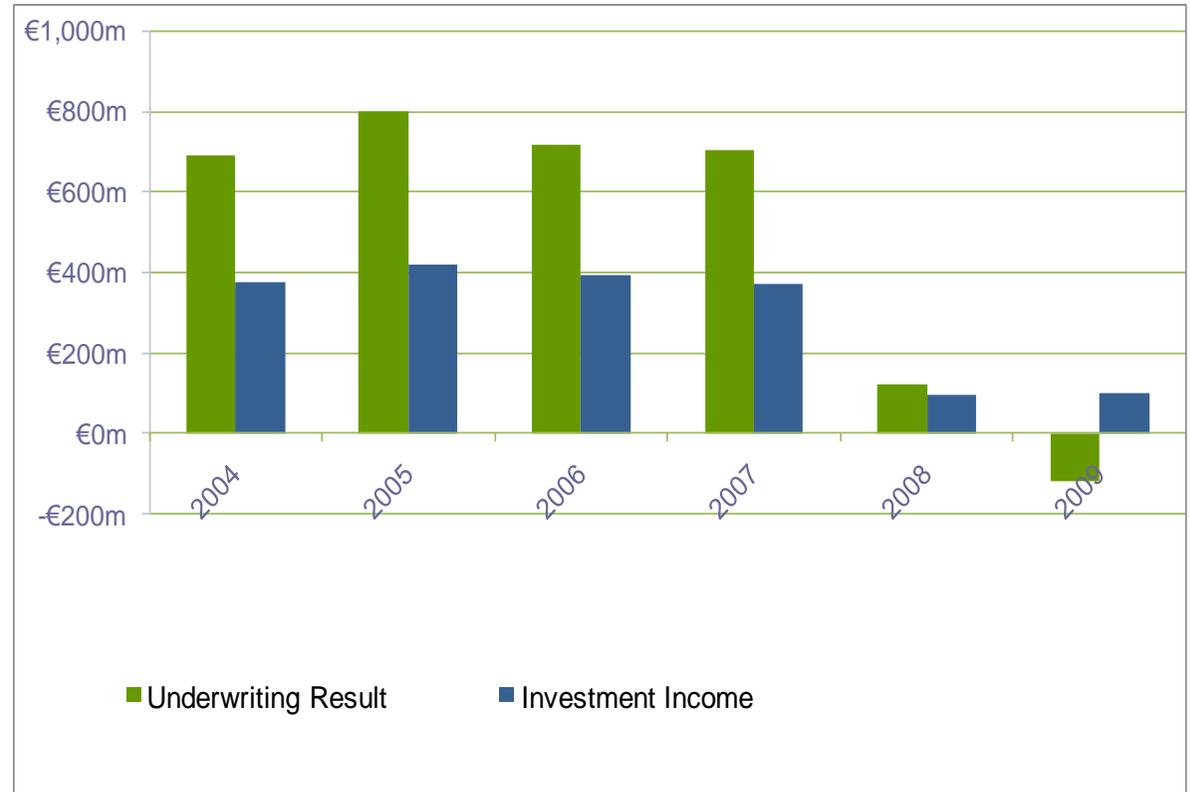
*The Foreign Risk business figures reflect the level of business underwritten from Ireland on a Freedom of Services basis.

ZIP premium income €4.6 bn 2009 and expect €11bn in 2010



Underwriting Result – Irish Risk Business

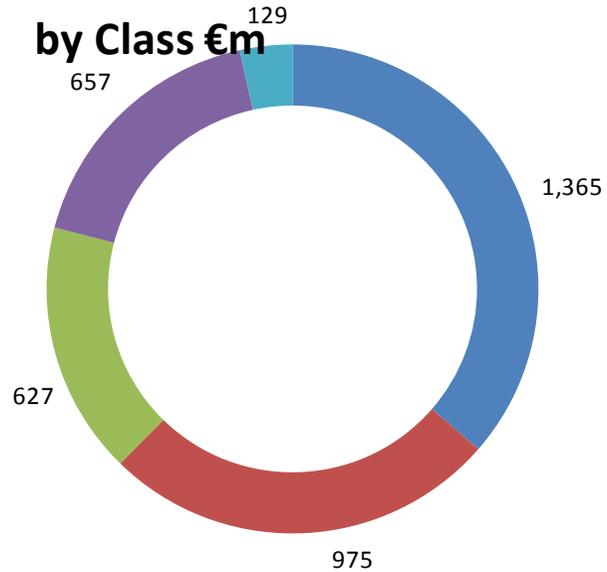
Negative underwriting result in 2009 reflects soft market and poor investment returns



Source: Insurance Statistical Review 2009

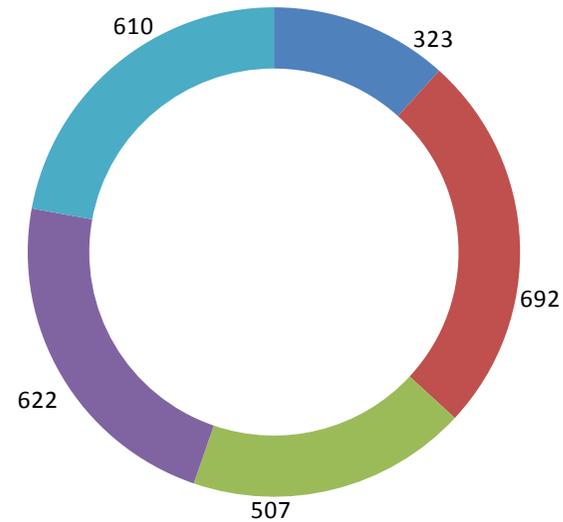
Gross Written Premium 2009 by Class and Risk

Irish Risk GWP by Class €m



■ Motor ■ Property ■ Liability ■ A&H ■ Other

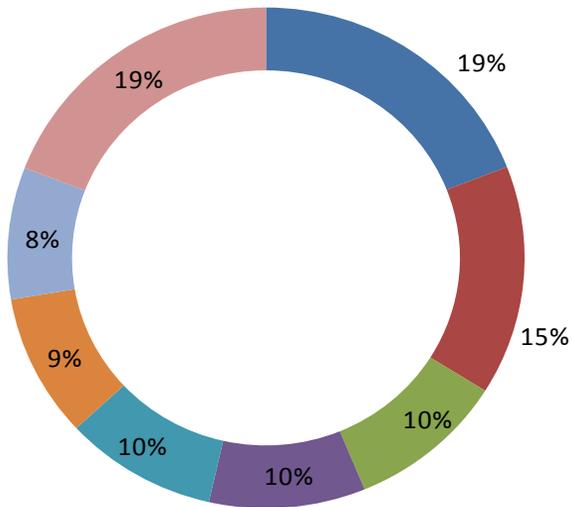
Foreign Risk GWP by Class, €m



■ Motor ■ Property ■ Liability ■ A&H ■ Other

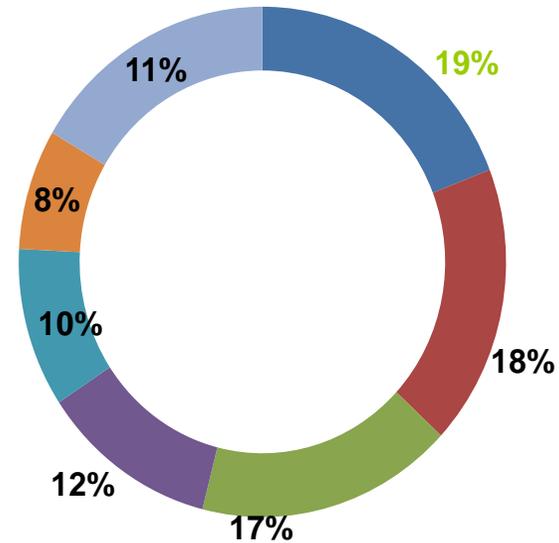
Market Share 2009

Irish Risk NWP – all classes – top 5 write 64%



- Quinn Insurance
- AXA
- RSA Insurance
- Zurich Insurance plc
- Aviva Insurance (Europe)
- Allianz Plc
- FBD
- Others

Irish Motor NWP – top 5 write 81%



- AXA
- Quinn Insurance
- Zurich Insurance plc
- Others
- Aviva Insurance (Europe)
- FBD
- Allianz Plc

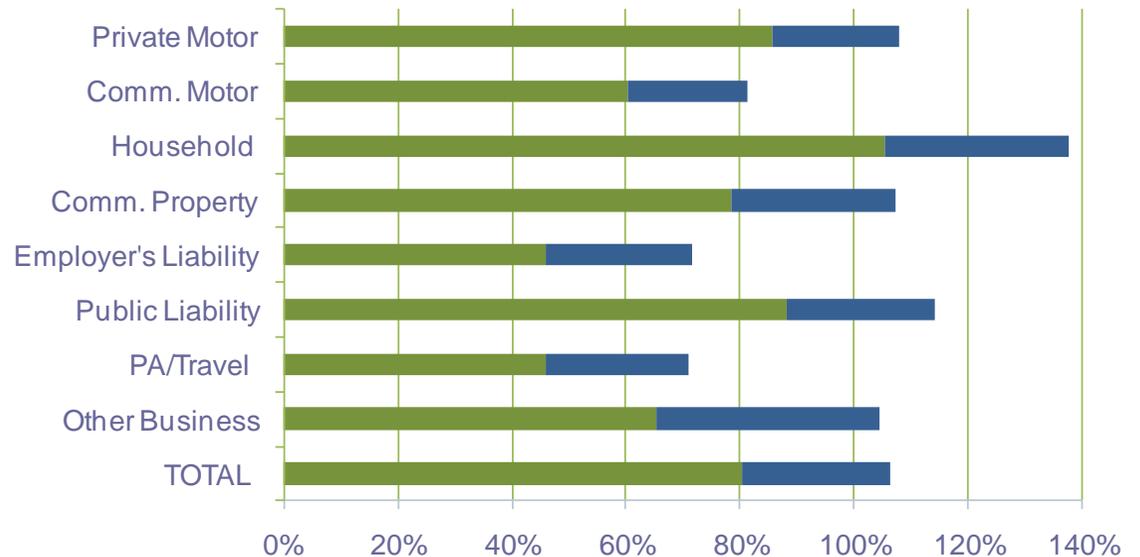
Combined Ratio 2009 by Class (Irish Risk Business)

Total Motor 101.2%

Total Property 125.0%

Total Liability 98.6%

Total all classes 107.1%



Source: Irish Insurance Federation 10 Factfile

■ Loss Ratio ■ Comm & Expense Ratio

Credit Crisis / Recession

Property bubble

Banks over-exposed to commercial property loans

NAMA set up by Irish government to buy bad loans from banks

Cost of bailout €73bn or 47% of GDP (Source: ESRI)





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Current Issues

Current Issues – Motor

Issue	Comment
Exposure	Unemployment + Fuel Prices = reduction in traffic volumes
Claim Frequency	Fatalities down 40% 2005 to 2009 Serious Injuries up slightly in 2008 (2009 not available)
Enforcement	Drunk driving offences down 23%, 2008 to 2009
Rating Actions	Premiums on the rise, but slowly. Back to 1999 levels.
PIAB update	Average award €21,800
Uninsured Drivers	26% increase in number of claims in 2008

Sources:

Claim Frequency: Road Safety Authority (www.rsa.ie)

Enforcement: Central Statistics Office (www.cso.ie)

PIAB: www.injuriesboard.ie

Uninsured drivers: www.mibi.ie

Current Issues – Property

Issue	Comment
Flood (Nov 2009)	€244 million (household 32%, commercial property 65%, motor 3%)
Freeze (Jan 2010)	€300 million
Crime	Arson up 40% 2008 to 2009 Burglary, Robbery up 9% 2008 to 2009
Impact of Recession	Rebuilding costs down 13% since 2008
Rates	Up 9.9%, March 2009 to March 2010 Expect significant rate hikes in 2010

Source:

Flood / Freeze: IIF (www.iif.ie)

Rate increase: CSO (www.cso.ie)

Current Issues – Liability

Issue	Comment
Solicitors PI	Crisis at Oct 2009 renewal
PIAB update	PL claims up 6%, EL claims down 6.5% Average award €25k PL, €32k EL
Fraud	Industry-wide initiatives include confidential hotline, central database and advertising
Recessionary impact	Affordability, Reduction in Market size

Current Issues – Health Insurance

Issue	Comment
Regulation	Health Insurance Authority, not FR Community Rating achieved through tax scheme
Take-up rate	High at 50%
Market Share	31 Dec 2009: VHI 64%; Quinn 22% ; Aviva 10%; Restricted membership schemes 4%
Rate Increases	VHI +8% Feb 2010 Quinn +15% Jan 2010 Aviva +12% Oct 2009



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InjuriesBoard.ie

An Irish Solution to a Universal Problem

Background

Extract from Personal Injuries Assessment Board Annual Report 2006

- 1996 Deloitte Report: Insurance costs in Ireland ‘very high’ compared to European counterparts
- 2001 Special Working Group on a Personal Injuries Tribunal recommends establishment of PIAB
- Personal Injuries Assessment Board Act 2003 put through the Oireachtas
- June 2004 PIAB commences service
- March 2005 First PIAB awards
- End-2005 PIAB – 951 awards
- End-2006 PIAB – 5,573 awards
- PIAB (and subsequently InjuriesBoard.ie)
 - considerably reduced cost of processing personal injury claims
 - no diminution in size of awards to injured parties
 - PIAB cases assessed within statutory timeframes (three times faster)

PIAB – 6 stage process

- 1. Notification:** Claimant notification of claim by telephone, post or email. PIAB agents available to assist with application.
- 2. Claim Registration:** Submission of Application along with Medical Assessment Form from treating doctor.
- 3. Respondent Party Notification:** Respondent notified.
- 4. Respondent Party Reply:** Respondent agrees to PIAB process*.
- 5. Assessment:** Assessment of personal injury damages completed.
- 6. Acceptance:** Assessment accepted by Claimant and Respondent and 'Order to Pay' issued, which holds the same enforcement rights as Court decree.

** If the Respondent does not consent to the process or if either party rejects the assessment, PIAB will issue an 'Authorisation' to the Claimant which entitles them to pursue their claim through the courts, if they so wish.*

Amending Legislation

- The Personal Injuries Assessment Board (Amendment) Act 2007.
- PIAB had noted an increasing number of cases where assessments, which were **accepted by Respondents** but unnecessarily **declined by Claimants**, were concluded at the **same compensation figure** after initiation of legal proceedings with **avoidable legal costs** being incurred.
- In such circumstances, the Amendment Act provides that where a **Claimant does not receive more** than the amount of the original assessment in any subsequent proceedings **they will not recover** their legal costs and may be responsible for costs incurred by the Respondent. The Amendment Act also provides that legal costs incurred in dealing with the PIAB process are not recoverable in the litigation process (some such costs are now recoverable in the PIAB process).
- A real and continuous drive to reduce unnecessary litigation.

Costs

- InjuriesBoard.ie funded on a fixed fee basis
- €50 (refundable) fee charged to Applicant
- €1,050 fee charged to the Respondent

PIAB Annual Report 2008

- As confidence in our non-adversarial model grows a greater number of the more serious cases assessed. This trend is contributing to an even higher level of direct savings, up to €50m...
- For awards under €38,000 the rise in numbers was modest at just 4%. However the number of awards over €38,000 rose by 47%, with the number of awards over €100,000 rising by 87%.
- 24,000 applications:
 - 7,000 outside scope (released to the courts)
 - 8,000 resolved without intervention by the Board – settled amicably to mutual satisfaction
 - 9,000 assessed by the Board

PIAB / Injuries Board statistics

	2005	2006	2007	2008	2009
Number of applications			23,345	24,722	25,919
Number of awards	951	5,573	8,208	8,845	8,643
Compensation timeline: consent to award in months - (pre PIAB = 36)	5.1	7.4	6.9	7.0	6.5
Total value of Assessments (€m)		115	181	217	200
Total value of accepted Assessments (€m)	11	67	102	131	

PIAB / Injuries Board statistics

	2005	2006	2007	2008	2009
Overall average compensation amount (€)		19,610	22,057	24,552	23,166
Motor average compensation amount (€) – 72% of awards in 2009	15,074	18,982	21,707	23,327	21,844
EL average compensation amount (€) – 11% of awards in 2009	25,908	23,141	26,038	32,266	31,970
PL average compensation amount (€) – 17% of awards in 2009	16,894	19,308	20,792	24,769	23,143
Highest award (includes EL and PL)	405,711	408,415	620,383	582,932	493,902
Lowest award (includes EL and PL)	1,350	1,000	1,000	550	1,000

PIAB / Injuries Board statistics

Includes Motor, Public and Employers Liability

Percentage Breakdown of all Injuries Board awards	2005	2006	2007	2008	2009
<10K	23	12	8	7	
10K-20K	59	59	56	53	63
20k-30k	9	17	21	21	
30K-38K	3	5	6	7	25
38K-100K	5	6	8	11	10
>100K	1	0	1	1	1
Percentage below 38K (historical 89%)	94	93	91	88	88

PIAB / Injuries Board statistics

Motor Only

Percentage Breakdown of all Injuries Board awards	2007	2008	2009
<20K	68	64	68
20K-38K	24	25	23
38K-100K	7	9	7
>100K	1	2	1

Developments at the Financial Regulator

People

- New head Matthew Elderfield
- Actuaries (6 qualified, expanding)
- Industry Experience (50% of insurance staff from industry)

Interaction with industry

- SAO reports
- Solvency II questionnaires
- Internal Models

International and Reinsurance

Growth

- Number of entities regulated in Ireland: 157 non-life insurance, 119 reinsurance (www.financialregulator.ie, Apr 2010)
- DIMA survey shows gross premium €26bn in 2009 (2008: €18bn)
- Recent moves: Zurich, XL, Everest, Aviva, Willis, United America Indemnity

Why is Ireland attractive?

- 12.5% Corporate Tax
- Passport into EU
- Regulatory Environment
- Skilled workforce

Society of Actuaries in Ireland

www.actuaries.ie

- Professional Conduct Standards
- Actuarial Standards of Practice (ASP)
- Events and Papers

Membership

- Fellows – resident in Ireland – 554
- Fellows – non-resident in Ireland – 130
- Students – 409
- General Insurance Signing Actuaries – 37

Questions or comments?

Expressions of individual views by members of The Actuarial Profession and its staff are encouraged.

The views expressed in this presentation are those of the presenter.

