




The Actuarial Profession

making financial sense of the future

GIRO 2011
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Quinn Insurance

Where did it all go wrong?

13 October 2011

Disclaimer

The views expressed in this presentation are those of the presenter and are not of the Actuarial Profession, Quinn Insurance Limited, Grant Thornton UK or Grant Thornton Ireland.

Agenda

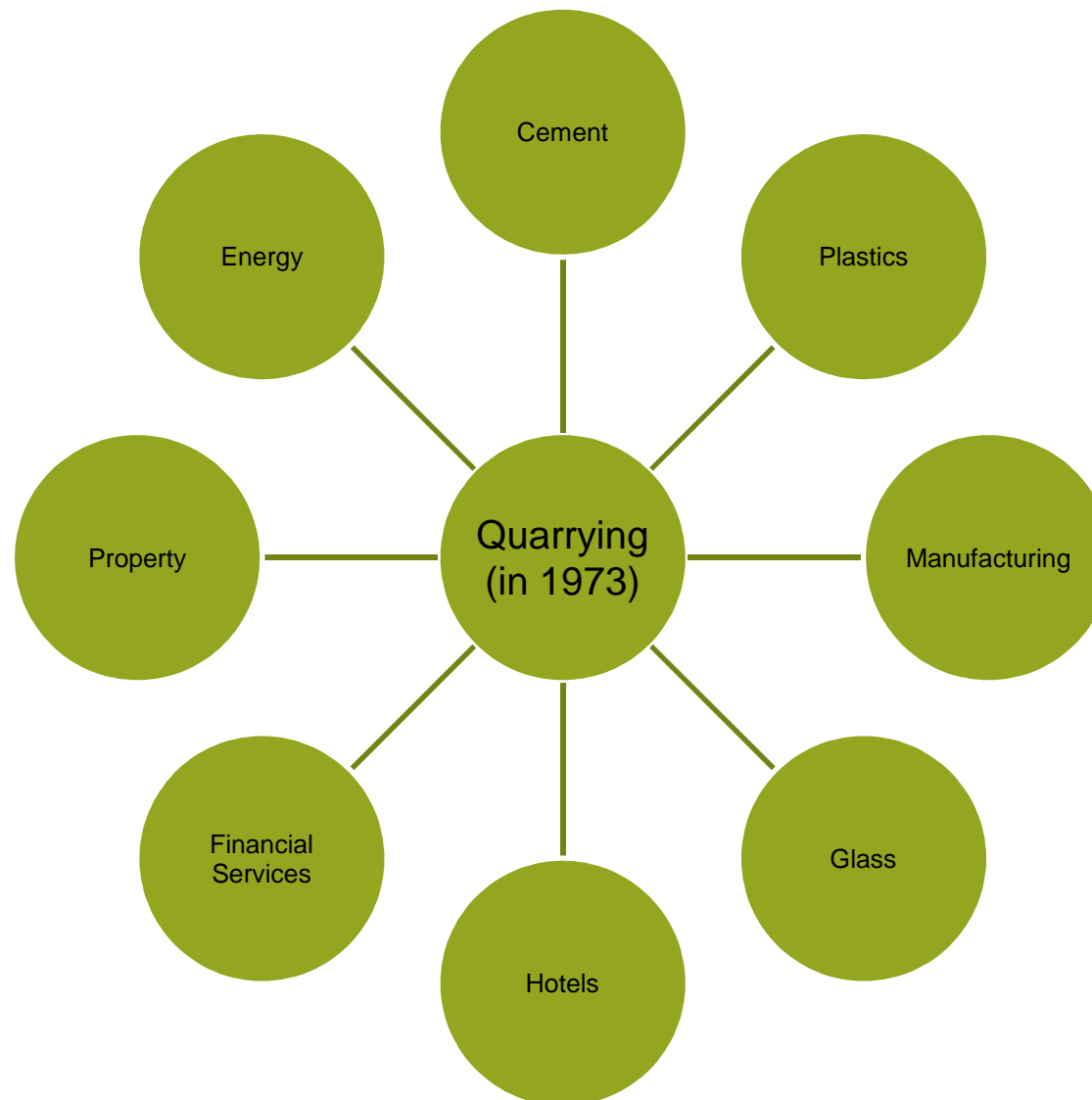
- Background
- Administration
- Quinn prior to administration
- Quinn post administration
- What went wrong?
- Our role
- Lessons learnt
- The sale process
- Questions and discussion



Seán Quinn

- Started in the quarrying industry
- Built a large empire in border counties
- In 2008, richest person in Ireland and 164th richest in the world
- Currently, is estimated to have debts of at least €5 billion
- No longer plays any role in any of his businesses

Quinn Group



Quinn Insurance Limited

Quinn Insurance
Limited set up

1996

QIL starts to
expand business

2006

QIL moves into
GB market

2004

QIL put into
administration

2010

Administration in Ireland

- Very different from administration in UK
- Can only be used for insurance companies
- Aim is to rescue company and return it to profitable trading
- The focus is on saving jobs
- Irish Courts are heavily involved

The situation prior to administration

- 6 offices in ROI, NI and UK
- 2,400 staff
- €770m premium income in 2009



Where was business written?

- Republic of Ireland
- Great Britain
- Northern Ireland
- Mainland Europe - ceased writing in 2009



What business was written?



What business is now written?

- Private motor
- Motorbike
- Commercial motor
- Liability
- Commercial property
- Household
- Health



Currently ROI only

What went wrong?



What went wrong?

- QIL subsidiaries gave guarantees to Quinn Group financiers
- Under pricing
- Private motor rates set without any actuarial input
- Entering markets without sufficient research
- Delays in recognising large claims



Quinn's actuarial team

- There wasn't one
- Quinn had never employed an actuary
- We needed to build an actuarial capability from scratch



Cavan



Our first task

- To convince regulator to allow us to recommence writing private motor business in GB and NI
 - Provided a number of reports
 - Met with FSRA
 - Achieved our objective
-
- Then, turned our attention to establishing an actuarial function

What we have done

- Quarterly reserving
 - accident year
 - underwriting year
- Private motor pricing using GLM analysis
- Pricing of commercial risks
- Solvency II preparations
- Provision of management information
- Provision of information to regulators
 - Central Bank of Ireland
 - FSA



Pricing

- Developed formal rating process for Private Motor
 - including undertaking GLM analysis
- Built rating model for Commercial Non Motor
- Experience based modelling for largest clients
- Discussions to assess the rates to be charged
- Reviews of rating adequacy



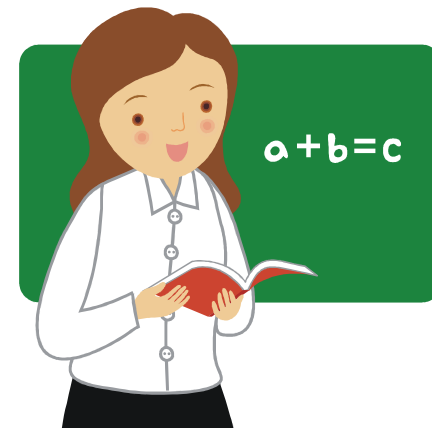
Solvency II preparations

- QIS5
- Development of economic capital model
- Risk management
- ORSA
- Reporting and disclosure
- Systems and data
- Communications



Lessons learnt

- In-house actuarial function
- More science behind premium rates for motor
- Time taken to extract data
- More interaction between departments
- More emphasis on risk management
- increased emphasis on reserving claims adequately
- Cavan is not London!



Welcome to Cavan



The sale



- Sale agreed
- Joint venture between Liberty Mutual and Anglo Irish Bank
 - called Liberty Mutual Direct Insurance
- ROI business only
 - historical liabilities as well as renewal rights
- Portfolio transfer
- Completion expected in October
- UK business to remain under administration

Quinn Group - share receivership

- Placed into share receivership in April 2011
- Receiver taken control of all Group businesses
- Distinct from Administration proceedings
- Upheaval in the border counties

Questions and discussion

