

The Actuarial Profession
making financial sense of the future

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Quinn Insurance Where did it all go wrong?

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Agenda

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



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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

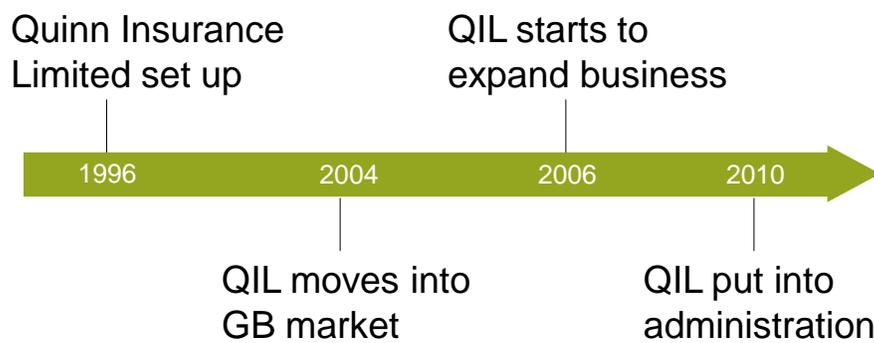
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Quinn Group



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Quinn Insurance Limited



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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

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The situation prior to administration

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



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Where was business written?

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



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What business was written?



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What business is now written?

- Private motor
 - Motorbike
 - Commercial motor
 - Liability
 - Commercial property
 - Household
 - Health
- } Currently ROI only

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What went wrong?



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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



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Quinn's actuarial team

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



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Cavan



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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

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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



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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



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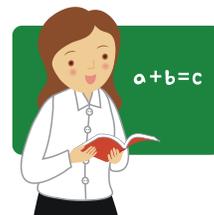
Solvency II preparations

- 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 emphasis on risk management
- Increased emphasis on reserving claims adequately
- Cavan is not London!



Welcome to Cavan



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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
- Completed in early November
- UK business to remain under administration

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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

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Questions and discussion



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