

Current Issues in General Insurance, Royal College of Physicians, London
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Current Issues in Ireland

12th May 2011

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Content of Workshop

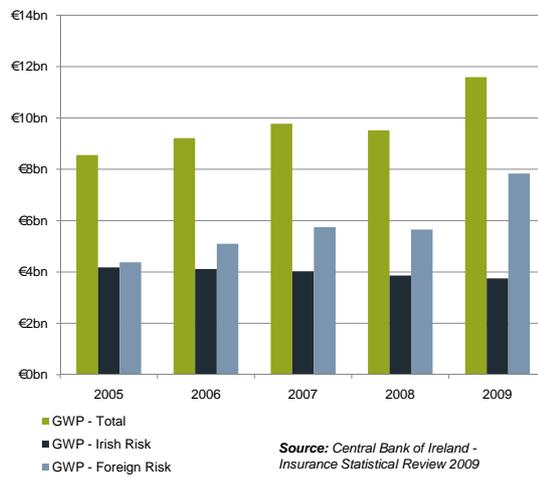
Agenda

- 2009 Year-End Results
- Current Issues by Class
- Injuries Board
- Periodic Payment Orders
- Solvency 2 – Irish QIS 5 Results
- International and Reinsurance
- Society of Actuaries in Ireland

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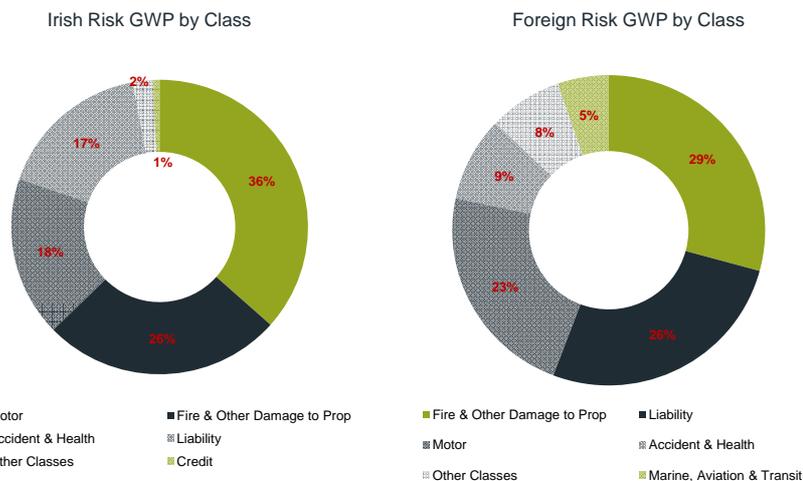
Ireland – Non-Life Gross Written Premium



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Gross Written Premium by Class and by Risk

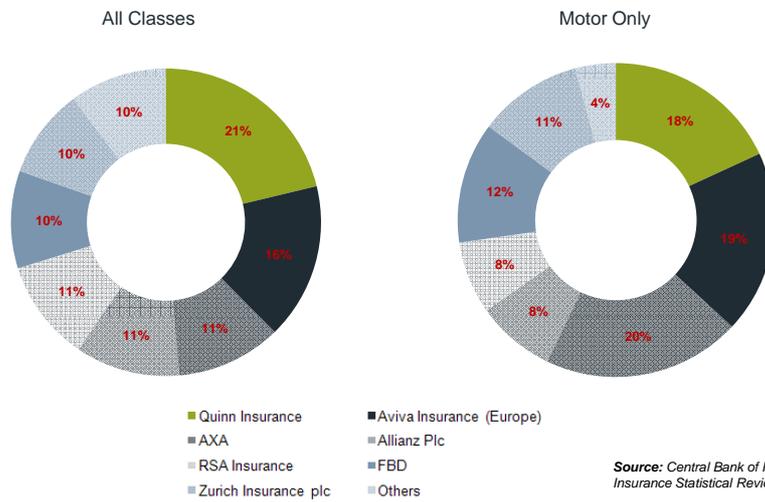


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Source: Central Bank of Ireland - Insurance Statistical Review 2009

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Market Share 2009 – NWP (Irish Risk only)

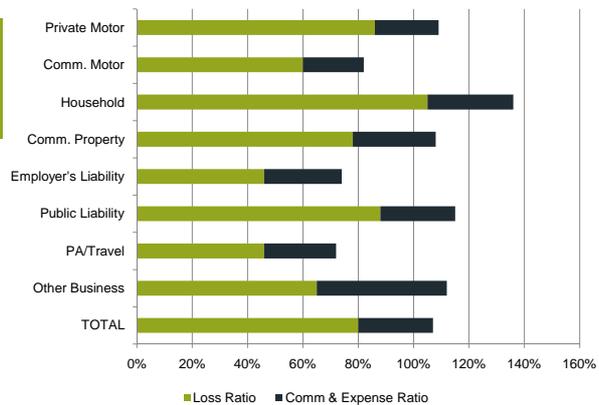


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Combined Ratio 2009 by Class (Irish Risk business)

Total Motor CR	101.2%
Total Property CR	125.0%
Total Liability CR	98.6%
Total All Classes CR	107.1%



Source: Irish Insurance Federation (IIF) – Factfile 2010

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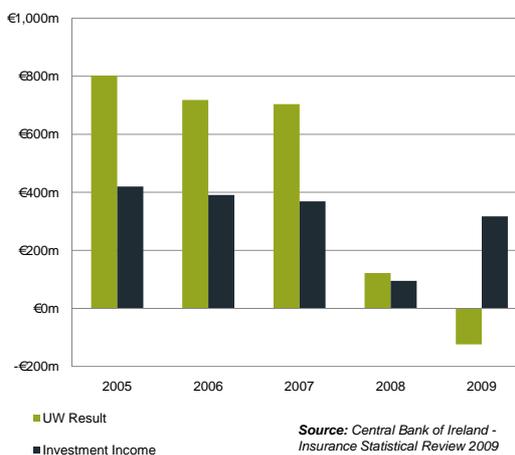
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Underwriting Result – Irish Risk Business

Net Underwriting Loss of €124m for 2009

Income from investments increased from €95m in 2008 to €317m in 2009

Underwriting loss driven by unprecedented property losses in late 2009



Current Issues - Motor

Issue	Comment
Exposure	Fewer Private Cars on the Road Movement from Comprehensive to Third Party
Claim Frequency	Fatalities down 47% (2005 to 2010)
Enforcement	Lower Alcohol Limits (Road Traffic Act 2010) Drink Driving Cases down 22% (2009 to 2010)
Rating Actions	Premiums on the rise
Injuries Board Update	Average Award - €22k
Gender Directive	Uncertainty over pricing implications

Sources: Motor Insurance Seminar 2010, Road Safety Authority, Injuries Board, Insurance Statistical Review 2009

Current Issues - Property

Household & Commercial	
Rating Actions	Significant rate increases in 2010
Claims Trends	Unprecedented Claims Volumes
Underwriting	Excess Increases More Restrictive Terms

Other Issues	
Freeze Costs	Jan 2010 €300 million Dec 2010 €224 million (Almost 30,000 claims)
Crime	Arson up almost 4% (Q4 2009 to Q4 2010)
Impact of Recession	Rebuilding Costs have fallen by 4% since 2010

Sources: Lloyds Market Presentation Jan 2011, CSO Recorded Crime Statistics, Irish Insurance Federation, Society of Chartered Surveyors

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Current Issues - Liability

Public Liability	Employer's Liability
Rates on the rise	Rates on the rise
Upward trend in Claims (Retail Sector)	Stable Claims Rate
Issue	Comment
Injuries Board Update	PL claims up 8% EL claims down 10% Average award €23k PL, €28k EL
Fraud	700 new cases of fraud reported to Insurance Confidential Hotline (300 in 2008)
Recessionary impact	Minimal impact on EL claim trends

Sources: Lloyds Market Presentation Jan 2011, Injuries Board, IIF Annual Report 2010

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Current Issues – Health Insurance

Issue	Comment
Regulation	Regulated by Health Insurance Authority (HIA) Established in 2001 (Health Insurance Act) Statutory Regulator of Private Health Insurers
Health Insurance Levy	Introduced in November 2008 2008 Fee: €160 per adult, €53 per child 2011 Fee: €205 per adult, €66 per child
Population Participation	50% take-up rate (Dec 2010)
Rate Increases	VHI +15% Feb 2011 Quinn +6% April 2011 (2 nd increase this year) Aviva +14% March 2011
Reasons	High costs of Private Beds Medical Inflation – over 9%

Source: Health Insurance Authority

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Injuries Board (1)

Background

- Independent statutory body established in 2004
- Provides assessment of personal injury claims for workplace, motor and public liability accidents
- First port of call for all personal injury claims (except medical negligence)
- Funded through fees levied on claimants and respondents

Aims:

- Assessing how much compensation is due to an injured party
- Reducing costs and fees involved in the admin of Personal Injury Claims
- Reducing the amount of time it takes to finalise a claim for compensation

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Injuries Board (2)

- Estimated savings - €250m since inception in 2004
- For example in 2009:
 - Total value of awards accepted - €118m
 - Injuries Board Delivery Costs - €10m
 - Comparable Litigation Costs - €54m
 - Total Savings in 2009 - €44m
- Faster assessment times - **6.5** months versus **36** months through litigation system
- Faster claim settlement leads to lower litigation costs for insurers

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Periodic Payment Orders (1)

What are they?

- Awarded by the Courts instead of large lump sum payments in bodily injury cases
- Claimants receive an annual payment which increases in line with a prescribed index (eg. RPI, ASHE)
- Can be awarded by a judge without the claimant or insurers agreement (different to structured settlements)
- Adoption of PPO's by UK courts in 2003

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Periodic Payment Orders (2)

How will PPO's impact Irish (re) insurers??

- Uncertainty
- Additional Risks - Mortality, Investment and Inflation risks
- Costs
- Pricing
- Benefits??

Preparation for Solvency II – Irish QIS5 Results

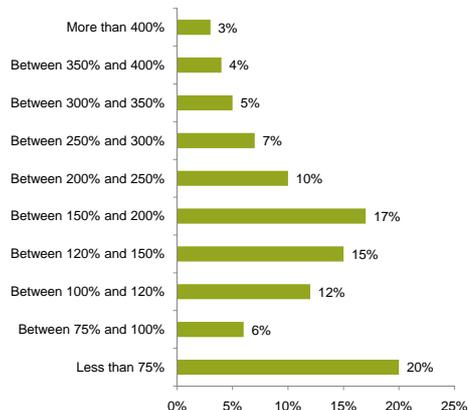
- Very strong participation
- Total of 143 non life entities completed the exercise and submitted results
- Versus 39 who submitted results for QIS4
- Respondents accounted for 89% of total market share (64% for QIS4)
- High participation rate => greater credibility to results

Irish QIS5 Results - continued.....

QIS5 Results

- Solvency Ratio under QIS5 defined as Eligible Own Funds / SCR
- 78% of Non Life Companies saw a decrease in the Solvency Ratio from Solvency 1 to QIS5
- Increased capital requirement mostly arose in Non Life Underwriting Risk module
- Are current calibrations for this module at 99.5% confidence level?
- Complexity & high capital charges arising from Cat sub-module an issue

SCR Coverage (Non-Life)



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International and Reinsurance

Growth

- 175 Non-Life insurance companies & 120 reinsurers domiciled in Ireland
- Recent moves: Zurich, XL, Everest Re, Aviva, Willis

Why is Ireland attractive?

- 12.5% corporate tax rate – amongst the lowest in Europe
- Overhauled regulatory environment – Matthew Elderfield
- Passport into the EU
- Skilled workforce
- Falling costs (labour, claims....)

Source: www.centralbank.ie

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Society of Actuaries in Ireland

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

Membership (General Insurance)

Signing Actuaries - 35
Fellows – Resident in Ireland – 130
Students - 53

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.

