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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
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

Quarrying (in 1973)

- Cement
- Energy
- Plastics
- Manufacturing
- Property
- Financial Services
- Glass
- Hotels
Quinn Insurance Limited

1996
Quinn Insurance Limited set up

2004
QIL moves into GB market

2006
QIL starts to expand business

2010
QIL put into administration
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