Current Issues in General Insurance, Royal College of Physicians, London
Marian Keane

Current Issues in Ireland
10th May 2010

Content of Workshop

Agenda
• 2008 year-end results
• Credit Crisis / Recession
• Current issues by class
• Financial Regulator
• International and reinsurance
• Society of Actuaries in Ireland
Ireland Non-Life Gross Written Premium

Domestic market – down 4% in 2008.

Foreign risk* business unchanged in 2008, but will increase significantly in 2009 and 2010 due to expansion of Zurich Insurance plc (ZIP)

Source: Insurance Statistical Review 2008

*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 in 2009 and expect €11bn in 2010

Underwriting Result – Irish Risk Business

2008 result impacted by soft market, floods and poor investment returns

Source: Insurance Statistical Review 2008
Market Share 2008

Irish Risk NWP – all classes – top 5 write 67%

Irish Motor NWP – top 5 write 81%

Gross Written Premium 2008 by Class and Risk

Irish Risk CWP by Class, £m

Foreign Risk GWP by Class, £m
**Combined Ratio 2008 by Class (Irish Risk Business)**

- Total Motor 99.5%
- Total Property 122.2%
- Total Liability 70.3%
- Total all classes 98.1%

Source: IIF Factfile

**Credit Crisis / Recession**

- Property bubble
- Banks over-exposed to commercial property loans
- NAMA set up by Irish govt to buy bad loans from banks
- Cost of bailout €73bn or 47% of GDP (Source: ESRI)
### Current Issues - Motor

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

Sources:
- Claim Frequency: Road Safety Authority ([www.rsa.ie](http://www.rsa.ie))
- PIAB: [www.injuriesboard.ie](http://www.injuriesboard.ie)
- Enforcement: Central Statistics Office ([www.cso.ie](http://www.cso.ie))
- Uninsured drivers: [www.mibi.ie](http://www.mibi.ie)

### Current Issues - Property

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

Source:
- Flood / Freeze: IIF ([www.iif.ie](http://www.iif.ie))
- Rate increase: CSO ([www.cso.ie](http://www.cso.ie))
### Current Issues - Liability

<table>
<thead>
<tr>
<th>Issue</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Solicitors PI</td>
<td>Crisis at Oct 2009 renewal</td>
</tr>
</tbody>
</table>
| 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

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