Current Issues in General Insurance, GIRO 2010
Paul Duffy, Karl Murphy

Current Issues in Ireland

14th October 2010
Content of Workshop

Agenda

• 2009 year-end results
• Credit Crisis / Recession
• Current issues by class
• InjuriesBoard.ie update
• Financial Regulator
• International and reinsurance
• Society of Actuaries in Ireland
2009 Year End Results
Ireland Non-Life Gross Written Premium

Domestic market – down 0.9% in 2009 (down 4% in 2008).

New break-down of risks in FR report to reflect the expansion of Zurich Insurance plc (ZIP).

Source: Insurance Statistical Review 2009
*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 2009 and expect €11bn in 2010.
Negative underwriting result in 2009 reflects soft market and poor investment returns.

Source: Insurance Statistical Review 2009
Gross Written Premium 2009 by Class and Risk

Irish Risk GWP by Class €m
- Motor: 1,365
- Property: 975
- Liability: 627
- A&H: 657
- Other: 129

Foreign Risk GWP by Class, €m
- Motor: 692
- Property: 622
- Liability: 507
- A&H: 323
- Other: 610
Market Share 2009

Irish Risk NWP – all classes – top 5 write 64%

- Quinn Insurance: 19%
- AXA: 15%
- RSA Insurance: 10%
- Zurich Insurance plc: 10%
- Others: 10%

Irish Motor NWP – top 5 write 81%

- AXA: 19%
- Aviva Insurance (Europe): 11%
- Quinn Insurance: 10%
- FBD: 12%
- Allianz Plc: 17%
- Others: 18%
Combined Ratio 2009 by Class (Irish Risk Business)

Total Motor 101.2%
Total Property 125.0%
Total Liability 98.6%
Total all classes 107.1%

Source: Irish Insurance Federation 10 Factfile
Credit Crisis / Recession

Property bubble

Banks over-exposed to commercial property loans

NAMA set up by Irish government 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</td>
</tr>
<tr>
<td></td>
<td>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</td>
</tr>
<tr>
<td></td>
<td>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>
<tr>
<td>PIAB update</td>
<td>PL claims up 6%, EL claims down 6.5%</td>
</tr>
<tr>
<td></td>
<td>Average award €25k PL, €32k EL</td>
</tr>
<tr>
<td>Fraud</td>
<td>Industry-wide initiatives include confidential hotline, central database and advertising</td>
</tr>
<tr>
<td>Recessionary impact</td>
<td>Affordability, Reduction in Market size</td>
</tr>
</tbody>
</table>
## Current Issues – Health Insurance

<table>
<thead>
<tr>
<th>Issue</th>
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</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>
<tr>
<td>Rate Increases</td>
<td>VHI +8% Feb 2010&lt;br&gt;Quinn +15% Jan 2010&lt;br&gt;Aviva +12% Oct 2009</td>
</tr>
</tbody>
</table>
InjuriesBoard.ie
An Irish Solution to a Universal Problem
Background

Extract from Personal Injuries Assessment Board Annual Report 2006

• 1996 Deloitte Report: Insurance costs in Ireland ‘very high’ compared to European counterparts
• 2001 Special Working Group on a Personal Injuries Tribunal recommends establishment of PIAB
• Personal Injuries Assessment Board Act 2003 put through the Oireachtas
• June 2004 PIAB commences service
• March 2005 First PIAB awards
• End-2005 PIAB – 951 awards
• End-2006 PIAB – 5,573 awards
• PIAB (and subsequently InjuriesBoard.ie)
  – considerably reduced cost of processing personal injury claims
  – no diminution in size of awards to injured parties
  – PIAB cases assessed within statutory timeframes (three times faster)
**PIAB – 6 stage process**

1. **Notification**: Claimant notification of claim by telephone, post or email. PIAB agents available to assist with application.

2. **Claim Registration**: Submission of Application along with Medical Assessment Form from treating doctor.


4. **Respondent Party Reply**: Respondent agrees to PIAB process*.

5. **Assessment**: Assessment of personal injury damages completed.

6. **Acceptance**: Assessment accepted by Claimant and Respondent and ‘Order to Pay’ issued, which holds the same enforcement rights as Court decree.

*If the Respondent does not consent to the process or if either party rejects the assessment, PIAB will issue an ‘Authorisation’ to the Claimant which entitles them to pursue their claim through the courts, if they so wish.

PIAB had noted an increasing number of cases where assessments, which were accepted by Respondents but unnecessarily declined by Claimants, were concluded at the same compensation figure after initiation of legal proceedings with avoidable legal costs being incurred.

In such circumstances, the Amendment Act provides that where a Claimant does not receive more than the amount of the original assessment in any subsequent proceedings they will not recover their legal costs and may be responsible for costs incurred by the Respondent. The Amendment Act also provides that legal costs incurred in dealing with the PIAB process are not recoverable in the litigation process (some such costs are now recoverable in the PIAB process).

A real and continuous drive to reduce unnecessary litigation.
Costs

- InjuriesBoard.ie funded on a fixed fee basis
- €50 (refundable) fee charged to Applicant
- €1,050 fee charged to the Respondent
As confidence in our non-adversarial model grows ..... a greater number of the more serious cases assessed. This trend is contributing to an even higher level of direct savings, up to €50m...

For awards under €38,000 ..... the rise in numbers was modest at just 4%. However the number of awards over €38,000 rose by 47%, with the number of awards over €100,000 rising by 87%.

24,000 applications:
- 7,000 outside scope (released to the courts)
- 8,000 resolved without intervention by the Board – settled amicably to mutual satisfaction
- 9,000 assessed by the Board
## PIAB / Injuries Board statistics

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Number of applications</strong></td>
<td></td>
<td></td>
<td>23,345</td>
<td>24,722</td>
<td>25,919</td>
</tr>
<tr>
<td><strong>Number of awards</strong></td>
<td>951</td>
<td>5,573</td>
<td>8,208</td>
<td>8,845</td>
<td>8,643</td>
</tr>
<tr>
<td><strong>Compensation timeline: consent to award in months - (pre PIAB = 36)</strong></td>
<td>5.1</td>
<td>7.4</td>
<td>6.9</td>
<td>7.0</td>
<td>6.5</td>
</tr>
<tr>
<td><strong>Total value of Assessments (€m)</strong></td>
<td>115</td>
<td>181</td>
<td>217</td>
<td>200</td>
<td></td>
</tr>
<tr>
<td><strong>Total value of accepted Assessments (€m)</strong></td>
<td>67</td>
<td>102</td>
<td>131</td>
<td></td>
<td></td>
</tr>
</tbody>
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<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall average compensation amount (€)</td>
<td>19,610</td>
<td>22,057</td>
<td>24,552</td>
<td>23,166</td>
<td></td>
</tr>
<tr>
<td>Motor average compensation amount (€) – 72% of awards in 2009</td>
<td>15,074</td>
<td>18,982</td>
<td>21,707</td>
<td>23,327</td>
<td>21,844</td>
</tr>
<tr>
<td>EL average compensation amount (€) – 11% of awards in 2009</td>
<td>25,908</td>
<td>23,141</td>
<td>26,038</td>
<td>32,266</td>
<td>31,970</td>
</tr>
<tr>
<td>PL average compensation amount (€) – 17% of awards in 2009</td>
<td>16,894</td>
<td>19,308</td>
<td>20,792</td>
<td>24,769</td>
<td>23,143</td>
</tr>
<tr>
<td>Highest award (includes EL and PL)</td>
<td>405,711</td>
<td>408,415</td>
<td>620,383</td>
<td>582,932</td>
<td>493,902</td>
</tr>
<tr>
<td>Lowest award (includes EL and PL)</td>
<td>1,350</td>
<td>1,000</td>
<td>1,000</td>
<td>550</td>
<td>1,000</td>
</tr>
</tbody>
</table>
## PIAB / Injuries Board statistics
Includes Motor, Public and Employers Liability

<table>
<thead>
<tr>
<th>Percentage Breakdown of all Injuries Board awards</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;10K</td>
<td>23</td>
<td>12</td>
<td>8</td>
<td>7</td>
<td></td>
</tr>
<tr>
<td>10K-20K</td>
<td>59</td>
<td>59</td>
<td>56</td>
<td>53</td>
<td>63</td>
</tr>
<tr>
<td>20K-30k</td>
<td>9</td>
<td>17</td>
<td>21</td>
<td>21</td>
<td></td>
</tr>
<tr>
<td>30K-38K</td>
<td>3</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>25</td>
</tr>
<tr>
<td>38K-100K</td>
<td>5</td>
<td>6</td>
<td>8</td>
<td>11</td>
<td>10</td>
</tr>
<tr>
<td>&gt;100K</td>
<td>1</td>
<td>0</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Percentage below 38K (historical 89%)</td>
<td>94</td>
<td>93</td>
<td>91</td>
<td>88</td>
<td>88</td>
</tr>
</tbody>
</table>
## PIAB / Injuries Board statistics
### Motor Only

<table>
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<tr>
<th>Percentage Breakdown of all Injuries Board awards</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;20K</td>
<td>68</td>
<td>64</td>
<td>68</td>
</tr>
<tr>
<td>20K-38K</td>
<td>24</td>
<td>25</td>
<td>23</td>
</tr>
<tr>
<td>38K-100K</td>
<td>7</td>
<td>9</td>
<td>7</td>
</tr>
<tr>
<td>&gt;100K</td>
<td>1</td>
<td>2</td>
<td>1</td>
</tr>
</tbody>
</table>
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

Why is Ireland attractive?

• 12.5% Corporate Tax
• Passport into EU
• Regulatory Environment
• Skilled workforce
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.