

Non-Life Insurance Newsletter



HLD Actuarial Consultants
Office 2
Grand Canal Wharf
South Docks Road
Dublin 4

Phone: 01-6620221
Fax: 01-6620230

HLD Actuarial Consultants provide actuarial services to the non-life insurance industry in Ireland. For more information contact Declan Lavelle at the address above or visit our website www.hld.ie

In this Issue

Imminent Implementation of Reinsurance Directive in Ireland

Financial Regulator publishes Motor Insurance 2002 Report

Third Interim report on the Irish Insurance Market published

Consultation on transitional requirements for Non-Life Reinsurers

Health Insurance Risk Equalisation Introduced

Financial Regulator Consults on Collection of Liability Data

CEIOPS Quantitative Impact Study

RMS CEO Warns of Increases in Catastrophe Reserves.

Issue 3

April 2006

This newsletter, produced by HLD's Non-Life Actuarial Consultancy, provides an update on some of the recent developments in the Non-Life Insurance arena in Ireland and internationally. We hope you find it informative.

Irish News

Imminent Implementation of Reinsurance Directive in Ireland

The EU Reinsurance Directive was adopted by the Council of the EU last October.

This directive introduces a regulatory framework for EU reinsurers, similar to the existing regime in place for direct insurance.

The directive sets the implementation deadline for member states as December 2007. However the Financial Regulator intends to implement the directive in Ireland as soon as possible, and is well advanced in its plans.

The current draft of the proposed Irish legislation can be viewed at :

<http://www.finance.gov.ie/documents/legi/drafteureinsurancedirapr06.pdf>.

Patrick Neary, CEO of the Financial Regulator, has noted that the new regime will recognise Finite Risk entities as special purpose vehicles, which will be required to follow a different authorisation process.

queries to nonlife@hld.ie

Financial Regulator publishes Motor Insurance 2002 Report

The Financial Regulator has compiled and published detailed statistics for 2002 on the motor insurance industry in Ireland. These are available in a seventy page report at :

http://www.ifsra.ie/data/pub_files/Strategic.pdf.

The 2002 report is very detailed and, in particular, gives useful information on the profile of insureds by company, age, sex and cover type and provides claims development tables by company and cover type.

The Regulator plans to publish the statistics for 2003 and 2004 later this year.

Among the headline findings in the 2002 report are:

- The number of policies written in the Irish market grew by 63% from 1997 to 2002.
- By 2002, 71% of the policies were for comprehensive cover compared with 55% in 1997.
- Accident frequency has fallen to less than 5% in 2002.
- Average claim cost per vehicle has continued on a downward trend.

queries to nonlife@hld.ie

Third Interim report on the Irish Insurance Market published

The Oireachtas Joint Committee on Enterprise and Small Business published in January its Third Interim report on the Irish Insurance Market.

The report highlights the fall in premiums and continuing strong growth in insurance profits in recent years.

In its discussion of the implementation of the insurance reform programme it raises three particular concerns :

- the level of motor vehicle fatalities and injuries.
- the level of workplace fatalities.
- the general implementation of the Road Safety Strategy for 2004-2006.

and has made some additional recommendations in this regard.

Consultation on transitional requirements for Non-Life Reinsurers

The Financial Regulator has issued a consultation paper, CP16, to provide guidance to non-life reinsurers on transitional arrangements for the new EU Reinsurance Directive.

CP16 will cover practical requirements in place until the final date for full compliance with the new Directive (June 2007). The Regulator hopes to establish the degree of compliance within existing reinsurance undertakings vis-à-vis the required standard.

The Financial Regulator acknowledges that not all currently authorised reinsurers will be in a position to immediately comply with all requirements set down in the Directive. Therefore, reinsurers are expected to analyse their position in respect of the Directive's requirements and establish whether they are compliant and set out the position in a statement of compliance.

more information at www.ifsra.ie

Health Insurance Risk Equalisation Introduced

On the recommendation of the Health Insurance Authority, the Tánaiste, and Minister for Health, Mary Harney has triggered the activation of the Risk Equalisation from 1st January 2006.

BUPA is challenging this decision in the courts and the final outcome remains uncertain. BUPA have gone so far as to threaten to withdraw from the market if the equalisation scheme is found to be valid.

Financial Regulator Consults on Collection of Liability Data

In March of last year the Competition Authority published its final report and recommendations on a study of competition in the Irish insurance market. One of the recommendations made was that the Financial Regulator "should establish a system for the on-going collection and publication of data on mass risk employer's liability and public liability policies".

The Competition Authority commented that "The more information that an insurer has about claims in the market, the more precisely it can calculate its costs and hence more keenly it can price. Furthermore the lack of such information should remove this reported hindrance to new insurers entering the Irish market".

The Financial Regulator has now issued Consultation Paper 17 "Consultation Paper on the Collation and Publication of Insurance Liability Claims Data".

This consultation will assist the Financial Regulator to conduct a Regulatory Impact Analysis in relation to the on-going collection and publication of data on mass risk employer's liability and public liability policies.

The paper also seeks views on whether or not the Financial Regulator should also compile and publish market statistics in relation to the home insurance market.

more information at www.ifsra.ie

International Developments

CEIOPS Quantitative Impact Study

The Committee of European Insurance and Occupational Pension Supervisors (CEIOPS) is continuing with its series of Quantitative Impact Studies (QIS's) of the insurance industry in preparation for the introduction of the new EU Solvency II standard.

CEIOPS conducted its first QIS at the end of 2005. QIS1 focused on the level of prudence in the current technical provisions, benchmarking them against some predefined confidence levels. QIS2 covers the effect on insurers of the potential restatement of

the values of assets and liabilities under the Solvency II framework, as well as some possible options for setting capital requirements.

CEIOPS is inviting life and non-life insurance undertakings and reinsurers to participate in the exercise, and will be circulating the final package of documents for QIS2 on 2nd May with a completion deadline of 31st July 2006.

queries to nonlife@hld.ie

RMS CEO Warns of Increases in Catastrophe Reserves

Speaking at the World Insurance Forum in Bermuda in early March, Hemant Shah, CEO of Risk Management Solutions, warned that insurers should be preparing to increase their reserves for catastrophe losses.

Shah stressed the importance of the insurance market working in cooperation with "the modeling firms if the new models were to

have the desired impact of allowing insurers to get a better grip on the levels and types of exposures they face."

He indicated that new CAT models which take into account the lessons learned from the 2005 hurricane season show much increased levels of exposure.



The information given in this newsletter is for general interest and guidance only. Although care is taken to ensure that the information is correct, HLD Actuarial Consultants will not be responsible for any damage caused by any inaccuracy contained in this newsletter or omission of any information from this newsletter.