

# Non-Life Insurance Newsletter



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## In this Issue

Reinsurance Directive and Actuarial Certification of Reserves

IMF Report Highlights Improvements in Irish Insurance Supervision

PIAB Publishes Summary of its Annual Figures for 2005

Financial Regulator Publishes Private Motor Insurance Statistics 2003

EU Commission Refers Ireland to European Court over Uninsured Drivers Issue

Financial Regulator Publishes Insurance Statistical Review 2005

OPW Flood-Maps website Launched

International Underwriting Association launches Solvency II website.

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This newsletter, produced by HLD's Non-Life Actuarial Team, 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

### Reinsurance Directive and Actuarial Certification of Reserves

The European Communities (Reinsurance) Regulations 2006 came into effect in July and Ireland became the first EU member state to implement the European Reinsurance Directive.

The Regulations introduce a comprehensive framework for the authorisation and supervision of reinsurers in Ireland for the first time.

All Irish reinsurers established before 10 December 2005 are deemed to be authorised under the Regulations.

In addition all authorised reinsurance

undertakings are now required to file an annual return with the Financial Regulator within six months of their financial year-end.

In parallel with this, the Financial Regulator has announced its intention to require an actuarial certification of reserves for reinsurers. It is planned that the certification scheme will be in place in time for the current year end, although Captives may be exempt until 2007. HLD will be providing assistance to our clients in this area.

*For information or assistance contact Declan Lavelle*

### IMF Highlights Improvements in Irish Insurance Supervision

In August the IMF published a report entitled "Ireland: Financial System Stability Assessment Update".

Among other findings the report states that "good progress has been achieved since the 2000 FSAP in strengthening the regulatory and supervisory framework"

and that

"financial institutions have improved their own risk management practices, so that the financial system as a whole is better placed to identify and manage risks."

The report also identifies that :

- there is a need to continuously review the adequacy of supervisory regulatory resources.
- there is scope for more robust on-site visits to insurers.
- the introduction of a formal reinsurance regulatory regime will be a challenge.
- a formal reassessment of the IAIS Principles seems warranted, once the EU Reinsurance Directive has been fully transposed.

See: <http://www.imf.org/external/pubs/ft/scr/2006/cr06292.pdf>

### PIAB Publishes Summary of its Annual Figures for 2005

Announcing a summary of its annual figures for 2005 on October 11<sup>th</sup>, the PIAB confirmed that it is continuing to process claims at a rate that is three times faster and four times cheaper than the old litigation based process whilst still providing similar value awards.

Early settlement of claims is growing due to the Board's influence, and most of the legal profession is now working with the PIAB.

PIAB's 2005 figures show that it delivers

compensation within 9 months while the litigation process delivered compensation in 3 years.

The average cost of processing a claim under the PIAB system is 10% of the award made, while under litigation that figures was 46%. The 2005 annual figures also showed that PIAB has, within two years of its establishment, moved to an operational model that requires no state subvention.

see [www.piab.ie](http://www.piab.ie)

## Financial Regulator Publishes Private Motor Insurance Statistics 2003

In July the Financial Regulator published detailed statistics for 2003 on the motor insurance industry in Ireland. This is the second such report published by the Regulator.

The primary objective of the report is to examine accident frequency and costs, and the impact on the premium differentials by driver profile. The report is based on policy, premium and claims data for 2003 submitted by the Irish Insurance Federation to the Financial Regulator.

As with the previous report, the 2003 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.

Among the headline findings in the 2002 report are:

- The motor insurance market expanded by 70 per cent to 1.4 million policies between 1997 and 2003.

- Premium income per policy increased by 45 per cent for comprehensive cover and by over 70 per cent for third party fire and theft cover between 1997 and 2002.
- Accident frequency continued its downward trend in 2003. The consequential effect was a significant decrease in claim cost per policy in 2003.

In the context of these trends in premiums, accident frequency and claim costs, average surplus per policy in the industry have continued to rise. Between 2002 and 2003, average surplus per policy (year one claim cost development) grew by 14 per cent for comprehensive cover and by 17 per cent for third party fire and theft cover.

The Regulator plans to publish the statistics for 2004 later this year, and for 2005 next year.

See the full report at: [http://www.ifsra.ie/data/pub\\_files/Motor%20stat%20report.pdf](http://www.ifsra.ie/data/pub_files/Motor%20stat%20report.pdf)

## EU Commission Refers Ireland to European Court over Uninsured Drivers Issue

In June the European Commission decided to refer Ireland to the European Court of Justice over its rules excluding payment of any compensation from the Motor Insurance Bureau of Ireland to drivers of vehicles in cases where all vehicles involved in a collision are uninsured. This means that if a driver of an uninsured vehicle

is involved in an accident with another uninsured vehicle but is blameless, that driver will not receive any compensation.

The Commission considers that this is contrary to EU law, which requires that national compensation bodies cover victims of accidents caused by unidentified or uninsured vehicles.

## Financial Regulator Publishes Insurance Statistical Review 2005

At the end of August, the Financial Regulator published its Insurance Statistical Review for 2005.

The review includes detailed statistics and market information on the insurance industry in Ireland, based on insurers' annual regulatory returns.

Among the headlines in the non-life insurance area are:

- Gross Written Premium in 2005 was €7.34bn (€4.1b Irish Risk business and €3.24bn Foreign Risk business)
- Irish Risk premium decreased by 5.1% and Foreign Risk premium increased by 7.4%.
- For Irish Risks, Net Underwriting Profit grew to €801.67m, up from €689.3m in 2004.

## OPW Flood-Maps website Launched

Minister of State Tom Parlon recently launched the Office of Public Works (OPW) website [floodmaps.ie](http://floodmaps.ie), which highlights flood risk areas. The website includes detailed maps and historical

information dating back more than 100 years. The Irish Insurance Federation has welcomed the publication of the maps, but called on the Government to increase the OPW's funding.

## International Developments

### International Underwriting Association launches Solvency II website

The International Underwriting Association (IUA) has launched a new web site aimed at promoting discussion on the developing Solvency II Directive. The aim of this website is to summarise the information and issues for non-life insurers arising from the introduction of the proposed new EU-wide solvency regime.

Quoting from the site "Great attention is being paid by insurers and reinsurers to the new regime proposed by the EU. The industry has been given its biggest opportunity for decades to assist in the development of the new regime and create a truly competitive

European wide market where each organisation can demonstrate its capital strength as well as give a fair account of its past activities. It is proposed that Solvency II will be a risk based economic framework which gives insurers an incentive to measure and monitor their risks and have their capital requirements based on this risk assessment. The aim of this site is to explain how the regime may work and when it is likely to happen."

Irish Insurers may find this site a useful source of background material and information on the developing solvency regime.



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