

Non-Life Insurance Newsletter



HLD Actuarial Consultants
Office 2
Grand Canal Wharf
South Docks Road
Dublin 4
www.hld.ie

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 by email at declanlavelle@hld.ie.

In this Issue

New Regulations for
Non-Life Insurance
Renewals

Financial Regulator
Publishes Private Motor
Insurance Statistics 2004

Sharp fall in Road Deaths
since August 2006

PIAB Publishes Cost
Benefit Analysis

UK Motor Insurance
Certificates to be Issued
Online

IAIS Common Structure
for Assessment of Insurer
Solvency

UK OFT Refers Payment
Protection Insurance to
Competition Commission

Issue 5

April 2007

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

New Regulations for Non-Life Insurance Renewals

The Non-Life Insurance (Provision of Information) (Renewal of Policy of Insurance) Regulations 2007 were published in February and will come in to force on 1 July,

The new regulations replace the Motor Insurance (Provision of Information) (Renewal of Policy of Insurance) Regulations 2002.

The Regulations require insurers to give clients:

- 15 working days notice in writing of a renewal of the policy and terms of the renewal

- A No-Claims-Bonus Certificate in respect of Motor Insurance policies, as a separate document in addition to the renewal notification.

The effect is to extend the current renewal notification requirement which applies to Motor Insurance to all non-life insurance classes.

In most cases these regulations are simply reflecting current market practice.

Financial Regulator Publishes Private Motor Statistics 2004

In December the Financial Regulator published detailed statistics for 2004 on the Private Motor Insurance market in Ireland. The report is based on policy, premium and claims data for 2004 submitted by the Irish Insurance Federation to the Financial Regulator. This follows up on the 2003 statistics which were published in July 2006.

The details of the report provide very useful information on the profile of insureds by company, age, sex and cover type. The report also provides claims development tables by cover type. Among the headline findings in the report are:

- The motor insurance market expanded by 81% to 1.5 million policies between 1997 and 2004.

- Following consistent year-on-year increases in premium income per policy between 1997 and 2002, premiums leveled off in 2003 and reduced significantly in 2004.

- Accident frequency had been on a downward trend between 1997 and 2003. In 2004, however this trend was reversed and accident frequency increased by 7 per cent for comprehensive cover and by 13 per cent for third party fire and theft cover.

- The trends in accident frequency are reflected in the total claim costs per vehicle.

The 2005 Statistics are expected to be published later this year.

See the full report at the www.ifsra.ie

Sharp fall in Road Deaths since August 2006

Garda road death statistics show a sharp fall in the level of road deaths since August 2006. Road accident fatalities have reached levels similar to those seen in the immediate aftermath of the introduction of penalty points in October 2002, although, regrettably, figures for March 2007 were the highest for some years.

The recent improvements follow the intro-

duction of random breath testing and an expansion of the range of offences eligible for penalty points. The total number of road deaths for 2006 was 386, the second lowest annual total since 1965. This is a reversal of a recent trend of rising road deaths over the period 2003-2005.

Garda Statistics available at:

<http://www.garda.ie/angarda/stats.html>

PIAB Publishes Cost Benefit Analysis

In January the PIAB published a cost benefit analysis prepared by Dr. Vincent Hogan of UCD.

In 2004, the Motor Insurance Advisory Board report showed that litigation overheads had risen to a level of 46% on top of the direct compensation cost. The new report finds that litigation costs now represent less than a 10% overhead.

In addition, the report states that it appears that cases are resolved by the PIAB on average 4 times faster than traditional litigation and without any lessening in the compensation received by injured individuals.

The report includes some interesting detail on the comparison of

the cost structures under the PIAB regime and the Court System and concludes that

- In the High Court, the most important determinant of fees charged in personal injury cases was the level of the award to the plaintiff. Measures of the quality/quantity of legal services provided did not appear to be major factors.
- In the Circuit Court, the level of the award does appear to influence the levels of the fees – but the effect is weaker than in the High Court and held only for solicitors fees.

The full report is available at

<http://www.piab.ie/pdf/CostBenefitAnalysis.pdf>

International Developments

UK Motor Insurance Certificates to be Issued Online

UK motorists will be able to arrange their motor insurance quicker and more conveniently thanks to a proposed change in the law announced during March according to the Association of British Insurers.

The UK Department for Transport announced plans to allow motor insurance certificates to be issued electronically. Currently the law requires these certificates to be sent by insurers to policyholders by post.

Justin Jacobs, the ABI's head of motor insurance, said:

"This is good news for customers and insurers. Over half of UK households are now online, and this will enable them to arrange motor insurance more speedily. This will be especially helpful when buying and taxing a vehicle quickly. It will also help insurers provide a faster, more cost-effective service to their customers."

www.abi.org.uk

IAIS Common Structure for Assessment of Insurer Solvency

In February the International Association of Insurance Supervisors (IAIS) released its proposals for a common structure for the assessment of insurer solvency.

The IAIS believes that new document is "fundamental in developing a common structure for the assessment of insurer solvency and an important stepping stone for the IAIS in developing its standards and guidance on this topic."

The paper presents a coherent risk-based methodology for the setting of regulatory financial requirements. It describes the respective roles of technical provisions and required capital and discusses the concepts that underpin the determination of these components in the context of a risk-based solvency regime.

For more information visit

www.iaisweb.org

UK OFT Refers Payment Protection Insurance to Competition Commission

The UK Office of Fair Trading (OFT) has decided to refer to the Competition Commission for an investigation into the supply of all payment protection insurance (PPI) services. The referral excludes store card payment protection insurance services to non-business customers in the UK.

The OFT identified several structural features adversely affecting competition including:

- The point of sale (POS) advantage experienced by distributors means that there is little competitive pressure.
- The complex nature of PPI makes comparison between different policies difficult.
- Stand alone providers, who might otherwise be thought to offer a competitive pressure, have difficulty accessing consumers.

- Vertical integration is a significant feature with around 60% of the market undertaking both the underwriting and the distribution of PPI within the same group.

The OFT also cites some aspects of the conduct of firms which adversely affects competition:

- Competition is centred on the sale of the credit and not the PPI.
- PPI is often automatically included in the quote for credit without a customer's knowledge.
- Consumers in some cases either assume or are told or given the impression by the distributor that taking out the PPI will help the application for credit.

See the OFT's report at

[http://www.offt.gov.uk/shared_offt/reports/financial_products/offt899\(1\).pdf](http://www.offt.gov.uk/shared_offt/reports/financial_products/offt899(1).pdf)



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.