

IFSRA Publishes Irish Insurance Statistical Review

During October the Irish Financial Services Regulatory Authority (IFSRA) published the Insurance Statistical Review 2003¹. The Review, which was previously known as the Insurance Annual Report (or colloquially as the Blue Book), has been given a make-over and appears now in the new IFSRA corporate colours rather than the traditional blue. As was the case with the Blue Book, the Review includes statistical and financial data relating to the Irish Insurance industry. However, this year's review also includes some new content arising from the recommendations of the Motor Insurance Advisory Bureau (MIAB). In particular there is a breakdown of motor statistics between private and commercial business as well as further detail on the 2003 accident year from the largest motor insurers.

In the non-life insurance area the published statistics confirm recent reports that the industry has achieved high levels of profitability in 2003. Profits have been particularly strong for motor classes, with liability classes also making a substantial contribution.

The review also signals IFSRA's intention to consult on modifications to the non-life returns in the near future, and summarises EU developments in the regulation of reinsurance companies.

Non-Life Insurance Highlights

The high level statistics in the Review are summarized below, with 2002 figures also given for comparison purposes. Gross Written Premium has grown from €6.4bn to €7.4bn with the vast bulk of the growth in the non-Irish risks for which premiums have grown by almost 29%. Growth for Irish premiums has been retarded because of a 0.4% decline in motor premiums. This is consistent with media and other reports of premium reductions in response to improved claims performance.

2003 Gross Revenue a/c €m	Irish Risks				Foreign	Grand
	Motor	Liability	Other	Total	Risks	Total
Net Written Premium	1905.4	966.7	1516.1	4388.3	2966.3	7354.6
Earned Income (EP)	1952.6	929.5	1473.0	4355.2	3130.1	7485.3
Paid Claims	994.3	345.3	611.5	1951.2	839.3	2790.4
Incurred Claims	1379.6	719.6	622.1	2721.2	1135.4	3856.6
Expenditure	281.1	152.6	371.3	805.0	450.2	1255.2
UW Profit	292.0	54.6	476.1	822.7	1152.6	1975.2
Inv Income	181.7	106.4	51.5	339.6	88.4	428.1
Ins Result	473.7	161.0	527.6	1162.3	1241.0	2403.3
Loss Ratio	70.7%	77.4%	42.2%	62.5%	36.3%	51.5%
Expense Ratio	14.4%	16.4%	25.2%	18.5%	14.4%	16.8%
UW Result % EP	15.0%	5.9%	32.3%	18.9%	36.8%	26.4%
Inv Income % EP	9.3%	11.4%	3.5%	7.8%	2.8%	5.7%
Ins Result % EP	24.3%	17.3%	35.8%	26.7%	39.6%	32.1%

2002 Gross Revenue a/c €m	Irish Risks				Foreign	Grand
	Motor	Liability	Other	Tot Irish	Risks	Total
Net Written Premium	1913.1	846.4	1360.2	4119.7	2303.1	6422.7
Earned Income (EP)	1801.7	755.4	1215.1	3772.1	2134.2	5906.3
Paid Claims	1121.3	356.5	604.3	2082.1	853.5	2935.7
Incurred Claims	1542.2	755.7	750.6	3048.6	1190.5	4239.1
Expenditure	231.3	125.1	298.3	654.7	357.8	1012.5
UW Profit	28.9	-125.8	166.2	69.3	352.3	421.6
Investment Income	168.8	60.3	39.3	268.4	72.1	340.5
Insurance Result	197.8	-65.5	205.4	337.7	424.4	762.1
Loss Ratio	85.6%	100.0%	61.8%	80.8%	55.8%	71.8%
Expense Ratio	12.8%	16.6%	24.5%	17.4%	16.8%	17.1%
UW Result % EP	1.6%	-16.7%	13.7%	1.8%	16.5%	7.1%
Investment Income % EP	9.4%	8.0%	3.2%	7.1%	3.4%	5.8%
Insurance Result % EP	11.0%	-8.7%	16.9%	9.0%	19.9%	12.9%

Reported loss ratios have reduced dramatically, with the overall loss ratio down from 71.8% to 51.5%. Despite the drop in premium income the loss ratio for motor risks has fallen from 85.6% to 70.7%, surely a signal of further premium reductions to come.

However, the loss ratio reductions have been consistent across the board. The 2003 loss ratio of 77.4% for liability business will lead to pressure for reductions in commercial liability premiums. Reflecting the exceptionally low loss ratios, the industry has produced an underwriting profit in 2003 in all the major classes. It is also interesting to note that the actual claims paid during 2003 declined in absolute terms relative to 2002 for motor and liability classes.

Expressed as a percentage of earned premium, expenses have for Irish risks risen slightly, mostly reflecting the decline in motor premiums. This may well lead to some pressure on costs in the near future.

Some Interesting Motor Statistics

In response to the recommendations of the MIAB, the Review contains two interesting tables giving more detail on motor insurance.

The first is a breakdown of motor into Private and Commercial business. The MIAB had requested a more detailed breakdown but the figures presented are the currently available statistics from the IIF, in which "Personal" includes motorcycle and "Commercial" includes motor-fleet.

Gross of Reinsurance		2001	2002	2003
Loss Ratio	Private Motor	95.1%	85.8%	70.4%
	Commercial Motor	101.6%	81.3%	74.5%
UW Result as % of Earned Premium	Private Motor	-9.6%	0.9%	15.4%
	Commercial Motor	-14.8%	7.5%	13.2%

The table above summarises the improvements in loss ratio and underwriting result from 2001 to 2003. It is clear that the improvements have been strong in both Private and Commercial motor.

The second element of new detail in the Review is a breakdown of the motor insurance statistics for the 2003 accident year for the ten largest motor insurers. The figures given are effectively the 2003 data from Form 8 of the IFSRA returns. The data is not immediately useful in the format given and would benefit from the inclusion of the corresponding Earned Premium data.

Applying approximate earned premium data highlights a very great variation in estimated loss ratio for the 2003 accident year across the companies concerned. Large variation is also evident in the estimated average cost per claim by insurer. It will be interesting to see how the wider availability of this information impacts on the market in the future.

Future Developments in Non-Life Statutory Returns

Recommendation 31 of the MIAB related to the format and content of Statutory Returns. The 2003 Review notes that the financial returns are being examined with a view to

revised formats being put in place during 2005 following consultation with the Irish insurance industry. Reading between the lines this is also likely to affect the frequency with which returns will be required.

EU Reinsurance Developments

The Review draws attention to the draft EU Reinsurance Directive which proposes a model of regulation based principally on current direct insurance supervision rules. The Directive applies to reinsurance undertakings in the EU that conduct only reinsurance business. Companies that write both direct business and reinsurance will continue to be regulated under the direct EU Insurance Directives.

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Christmas Charity Table Quiz

This year the newly formed social committee decided to replace the traditional Christmas Drinks Evening in the Stephen's Green Club with a Charity Table Quiz. It was a huge success with 32 tables. The quizmaster was Stephen Lalor, an affiliate member of the Society. In Stephen's own words he set questions to challenge the mighty intellectual forces of the actuarial profession and duly presented signed

Supergenius Certificates to the winning team!

The winning team comprised of Paul Victory, Joseph O'Dea, Eleanor O'Callaghan and Donal Keating. They also received Christmas hampers for their efforts. There were also some seasonal Christmas spot prizes during the night.

The President, Pat Healy, announced

that the Society would meet the costs of the evening and that the entire proceeds, which amounted to €3,285, would go to charity. The winning team very appropriately chose Barrestown Gang Camp as the chosen charity this year. This was the charity chosen by the Goold family on the sudden and untimely death of Jonathan's wife, Liz, RIP.

