

.....HLD have merged with industry award winning actuarial consultancy LCP!

Lane Clark & Peacock Ireland

This month saw the launch of Lane Clark & Peacock Ireland Limited following the merger of our Irish firm HLD Actuarial Consultants (HLD) and industry award winning actuarial consultancy Lane Clark & Peacock LLP (LCP).

LCP Ireland will continue the work of HLD in delivering a quality service to our Irish clients. We will ensure they benefit from the

merger which greatly enhances our service offering in the Irish market, by combining the local expertise of HLD Actuarial Consultants with the international experience of Lane Clark & Peacock LLP.



This newsletter, produced by LCP Ireland'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. For more information on Non-life services contact Declan Lavelle.

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Financial Regulator reviews 3rd party motor injury claims

The Financial Regulator has recently undertaken a review of 3rd party motor insurance personal injury claims. The review, which took place prior to the coming into force of the Consumer Protection Code in July 2007 highlighted the following main issues:

- in approximately two thirds of cases reviewed, policyholders were not notified by their insurer that a settlement had been made on a claim against their policy with a 3rd party claimant.

- approximately 1 in 6 agreed settlements took more than 10 business days to be paid.
- in general the settlement terms were agreed verbally.
- all firms visited had developed step-by-step claims handling and complaints procedures. Most of these firms had very few complaints connected to the claims process during the time period on which the themed inspection focused.
- there was a variety of ways in which firms made claimants aware of the role of the PIAB. The regulator encourages firms to develop leaflets explaining the PIAB process.

The Consumer Protection Code now requires that policyholders must be advised in writing by insurers of the outcome of 3rd party claims. Insurers must also pay all claims within 10 business days of specified conditions being satisfied.

Authorisation figures for 2007 published

In February the Financial Regulator published figures showing the number of authorisations granted to firms in 2007.

The number of new Non-Life insurers authorised was five, the same level of new authorisations as in 2006. There were three new reinsurers authorised in 2007, two fewer than in the previous year. At the end of 2007, the Financial Regulator had responsibility for the supervision of over 12,933 firms and funds.

This figure relates to all types of regulated financial services operations including credit institutions, insurance companies, intermediaries and funds.

Rules for sale of PPI highlighted

“ PPI is an optional product, a lender cannot refuse to give you a loan because you do not want this insurance. As PPI can be expensive you should think carefully about whether you need it.

Consumer Director, Mary O’Dea

The Financial Regulator highlighted in November the rules for the sale of Payment Protection Insurance (PPI) with personal loans, in its new guide, ‘Personal loans and credit made easy’. Under the

Consumer Protection Code lenders cannot insist that consumers buy payment protection insurance to cover a loan and they cannot include the cost of PPI in their initial loan-repayment quote.

The new guide, ‘Personal loans and credit made easy’, tells customers everything they need to know if they are considering taking out a personal loan.

International developments

CEIOPS launches Solvency II QIS4

CEIOPS (the Committee of European Insurance and Occupational Pensions Supervisors) launched its fourth round of quantitative impact studies (QIS4) for Solvency II at the start of April. QIS4 will provide the main quantitative input that will be used by CEIOPS in the development of its final advice on “level 2” implementing measures (detailed technical rules applying to the EU directive), which is due in October 2009. The key non-life changes from QIS3 are:

- **MCR:** A “combined approach” is tested, ie QIS3 linear approach with cap of 50% and floor of 20% of SCR.
- **Non life underwriting risk:** Entity specific parameters are allowable for reserve risk as well as premium risk in the SCR formula.
- **Equities:** An equity shock “dampener” proposed by the French Trésor and French industry will be tested.
- **Deferred taxes:** An economic approach will be taken to tax cash-flows in determining SCR.
- **Groups:** Group specifications have been made clearer. The default method is the worldwide accounting consolidation method which applies the SCR calculation to the group as a single entity.

The EU commission and parliament believe a high level of participation in QIS4 is vital. To this end a change has been made to the QIS4 specifications to boost participation. This change increases the percentage of business for which simplified SCR calculations can be used. Contributions to QIS4 through the national supervisory authorities are expected by 7 July 2008, and in the case of (re)insurance groups by 31 July 2008.

Lloyd's announces £3.8 billion profit for 2007

Lloyd’s this month announced:

- Profit before tax of £3,846 million (2006: £3,662m);
- Combined ratio of 84.0% (2006: 83.1%)

“ Lloyd’s benefited from a limited exposure to catastrophes but this has resulted in increased pressure on rates across all lines of business. The need to exercise underwriting discipline and maintain a focus on underwriting for profit rather than market share remains essential.

Chairman of Lloyd’s, Lord Levene

IAIS: Mutual Recognition of Reinsurance Supervision

The IAIS (International Association of Insurance Supervisors) recently released a “Discussion Paper on the Mutual Recognition of Reinsurance Supervision”. The IAIS is working towards the development of a framework for an efficient and effective international supervisory system for mutual recognition of reinsurance supervision. The framework should be sufficient to allow supervisors to mutually recognise the quality of the supervision exercised by one another in their respective jurisdictions.

For reinsurers, the IAIS cites the potential benefits of mutual recognition as:

- reduced compliance costs
- easier market access
- greater certainty of the regulatory process
- more efficient allocation of capital with the removal of regulatory barriers to the flow of capital between companies in reinsurance groups.

For insurers, the benefits may include:

- increased access to reinsurance markets
- reduced costs

For supervisors, the IAIS sees advantages including:

- lower administrative costs by taking advantage of the comparable supervisory regimes in the countries where reinsurance entities or groups are registered
- more resources available to devote to domestic supervision
- improved collaboration with their counterparts in other jurisdictions



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