

# 2014 Irish Motor Market Returns

Current Topics - Taking the Temperature  
Ger Bradley & Eoin Ó Baoighill

22 September 2015

# Agenda

Claims  
environment

Industry  
reaction

Outlook for  
2016

Milliman  
Industry  
Survey

# Taking the temperature Claims environment

Pressure on Claims

High Court Judges  
Recovery of Benefits  
and Assistance  
Gill Russell  
PPO legislation and  
submissions  
MIBI Decision

FBD Half Yearly  
Statement  
Sunday Times 13  
Sept and CBI quote  
Insurance Ireland  
Statement 14 Sept

Industry reaction

# 1. Composition of the High Court

Pre-2013		
1	Michael Moriarty	1996
2	Nicholas Kearns	1998
3	Paul Butler	2000
4	Henry Abbott	2002
5	Paul Gilligan	2003
6	Michael Hanna	2004
7	Brian McGovern	2006
8	John Hedigan	2007
9	Patrick McCarthy	2007
10	Michael White	2011
11	Kevin Cross	2011
12	Paul McDermott	2012
13	Colm Mac Eochaidh	2012



New since 2013		
14	Anthony Barr	2013
15	David Keane	2013
16	Marie Baker	2013
17	Max Barrett	2013
18	Bronagh O'Hanlon	2013
19	Bernard Barton	2014
20	Deirdre Murphy	2014
21	Brian Cregan	2014
22	Caroline Costello	2014
23	Aileen Donnelly	2014
24	Seamus Noonan	2014
25	Mary Faherty	2014
26	Tony Hunt	2014
27	Raymond Fullam	2014
28	Carmel Stewart	2014
29	Donald Binchy	2014
30	Robert Eagar	2014
31	Robert Haughton	2014
32	Margaret Heneghan	2014
33	Isobel Kennedy	2015
34	Mary Ellen Ring	2015
35	Richard Humphreys	2015
36	Tony O'Connor	2015

# Court Awards

	Amount		Inflation	
	High	Circuit	High	Circuit
2014	€304,353	€13,550	34%	13%
2013	€227,321	€11,941	-10%	4%
2012	€252,146	€11,452	17%	-7%
2011	€215,730	€12,362	-2%	-2%
2010	€219,303	€12,662		

Pressure on Claims

## 2. Recovery of Benefits and Assistance

- Recovers certain illness-related social welfare payments
- Recovered from the compensator, not from the injured person
  - illness benefit
  - partial capacity benefit
  - injury benefit
  - incapacity supplement
  - invalidity pension
  - disability allowance
- Commenced 1 August 2014



Pressure on Claims

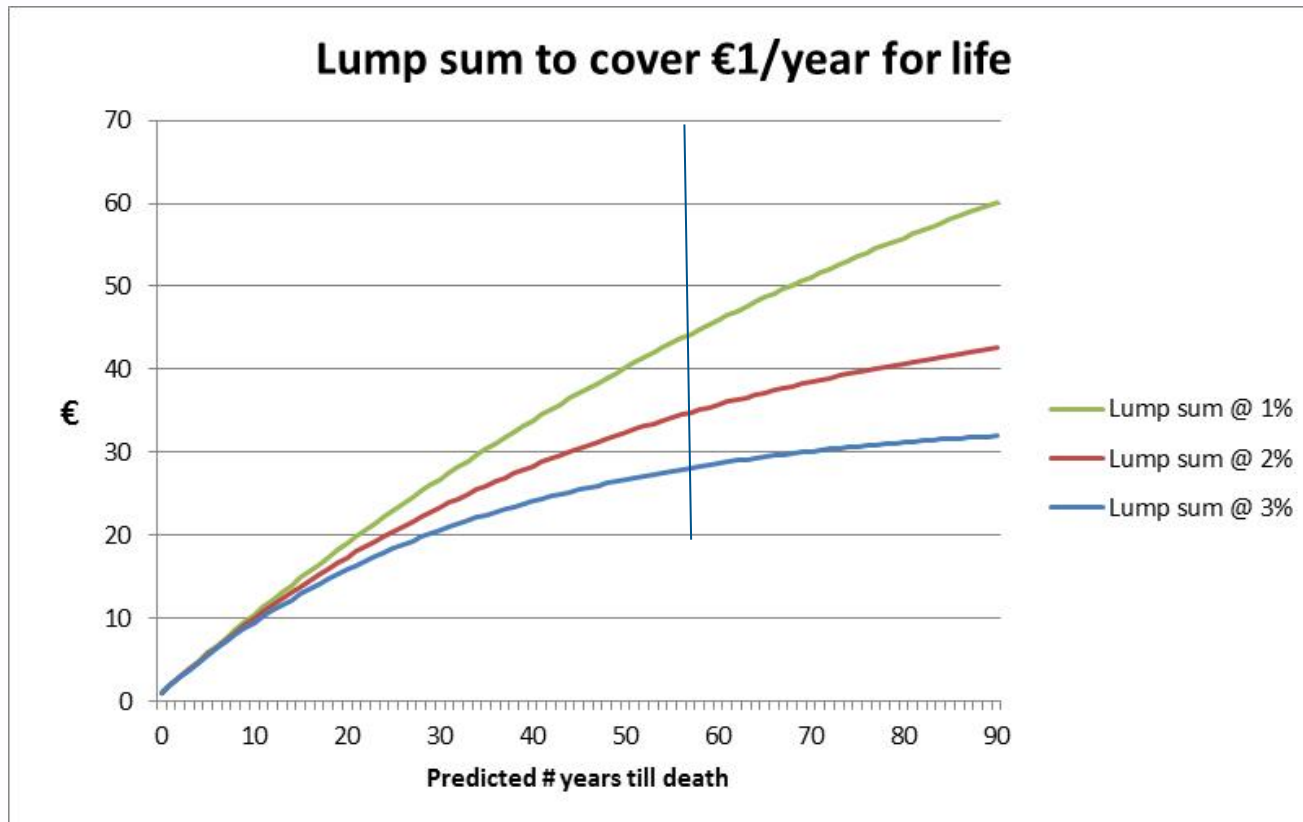


### 3. Gill Russell judgment

- December 2014, Gill Russell was awarded a record €13.5m by the High Court for serious injuries he incurred at birth in Cork University Maternity Hospital
- Claim set relative to an assumed 1% p.a. rate of return (down from 3%)
- Being appealed by State Claims Agency
- State Claims Agency estimated this may add €100m per annum to total State claims bill

# Gill Russell Impact by return and duration

Pressure on Claims





## 4. Periodic Payment Orders (PPO)

- Now have government approval
- General Scheme of the Civil Liability (Amendment Bill 2015)
- Definition of “catastrophic”
- Court Discretion
- Continuity of payment
- Consequences for Insurance Compensation Fund
- Claims are indexed (HICP)
- And a provision for stepped payments



Pressure on Claims

# PPO – Insurance Ireland response

- Call for PPO regime to include as much certainty as possible
- Call to tighten definition of “catastrophic”
- Call for a limit of indemnity
- Contributory negligence?
- Comment on scope of Insurance Compensation Fund
- Claims reforms
  - Administration
  - Joint Wrongdoers
  - Pre-trial protocols
  - Scott’s Schedule
  - Split Trials
  - Draft PPO for Court

# 5. Motor Insurance Bureau of Ireland

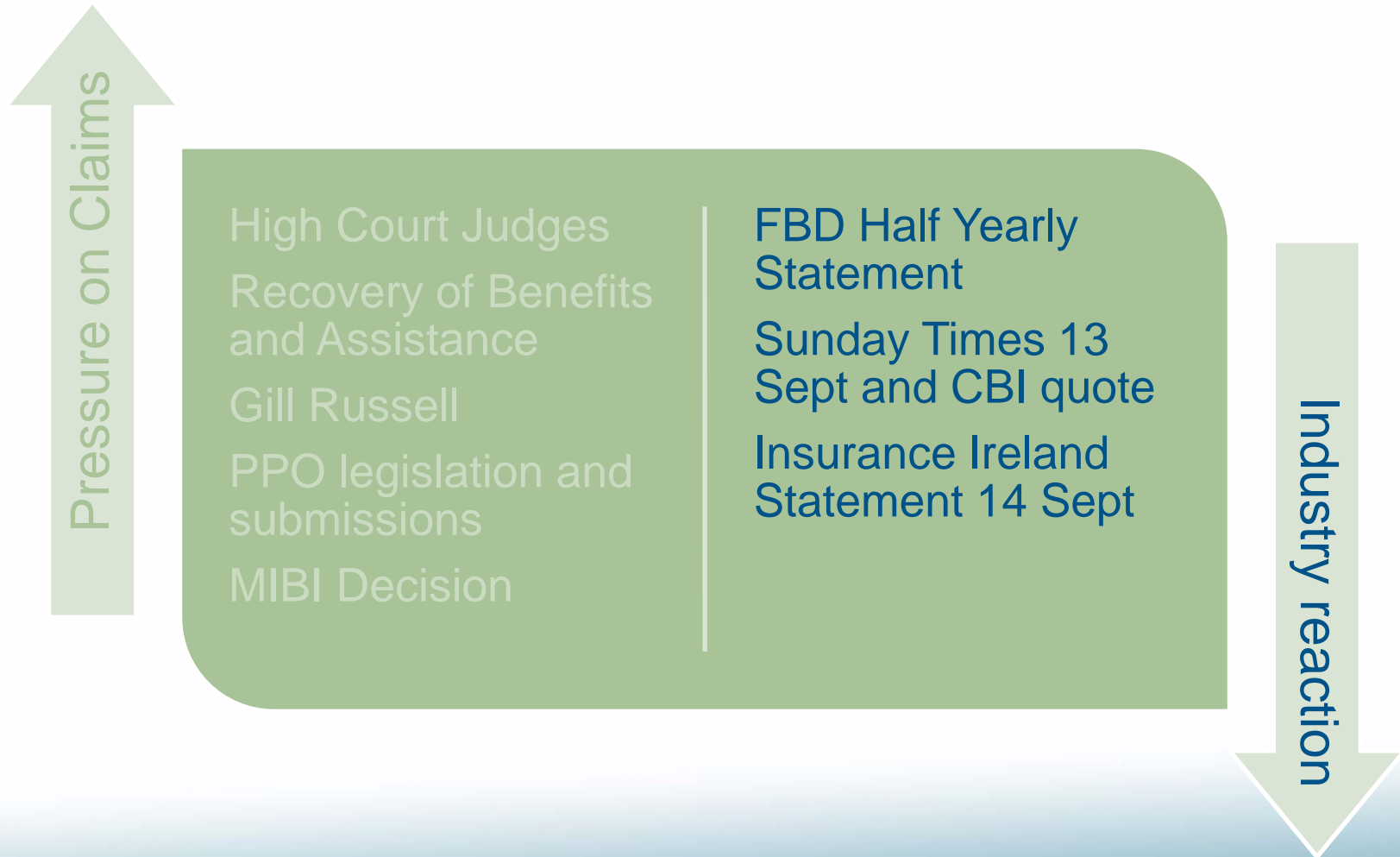
- High Court ruling on Setanta
- 1,800 outstanding claims, €90 million liability
- Setanta established in Malta, 75,000 motorists covered
- Liquidation in April 2014
- Dispute on who covers claims - MIBI or the ICF
- MIBI claimant receives 100%; ICF claimant capped at 65%
- Law Society took a case to the High Court
- Justice Hedigan - MIBI liable
- Likely to be appealed



Pressure on Claims

# Taking the temperature

## Industry reaction



# FBD Mid 2015 – Lowlights

- Congested and dysfunctional market
- Rate increase of 21% implemented in last 12 months
- Strengthening PY estimates & MFU: €88m
- Adverse claim development first evident in the second half of 2014
- More pronounced for accident years 2011 onwards.
- Across all the Group's distribution channels

# FBD Mid 2015 – More lowlights

- Structural changes to Judiciary
- Change in Court Limits
- Introduction of RBA
- Lower Discount rate for award settlements
- Introduction of PPO's
- Shift in settlement approach of claimants' solicitors
- All resulting in a slowdown in settlements
- Inflation payments? / outstanding claims
- Will probably lead to a change in actuarial Best Estimate



Pressure on Claims

# Sunday Times – 13<sup>th</sup> Sept

- Clare man's lawyers sought €150k for claim
- Claims assessor estimated €40k to €60k
- High Court awarded €508k
  
- Underwriting criteria hardened
- But also premium rate increases
  - Blamed on historic under-pricing, low investment returns, and more onerous capital requirements





# Sunday Times – 13<sup>th</sup> Sept (again)

- PIAB sees no evidence for sharp increases
- But Setanta / FBD has made losses
- PC motor market has lost money in 6 out of the last 7 years
- Circuit court changing jurisdiction
- Aviva panel of solicitors citing 10% to 20% claims inflation
  - Rise in fraudulent claims
  - Legal professions also being blamed for no/poor engagement
- 20% of all claims settled by PIAB
- 40% of claims assessed by PIAB are appealed



Pressure on Claims

# Central Bank comments in the media



“Insurers will have to set aside significantly more reserves to cover car-crash, workplace injuries and other claims as compensation payouts surge, according to the industry’s regulator”

# Insurance Ireland statement

## Measures to limit the increase in premiums

- Garda Siochana and the Road Safety Authority enforcement
- Compensation at reasonable levels
- Reduce legal costs in litigated cases
- Flaws in the Injuries Board tackled
- Act to ensure fraudsters are deterred - not suspended sentences
- Fix the Setanta problem

# Taking the temperature

## What next?

Pressure on Claims

High Court Judges  
Recovery of Benefits  
and Assistance  
Gill Russell  
PPO legislation and  
submissions  
MIBI Decision

FBD Half Yearly  
Statement  
Sunday Times 13  
Sept and CBI quote  
Insurance Ireland  
Statement 14 Sept

Industry reaction

# What to Think About Now



## 1. How much margin is left in the industry?

- Are all the “caves” empty yet?
- Look at reserves again – A lot of ENID (e.g. explicit inflation assumption)
- Reserve/Capital & impact on your Solvency II ORSA

# What to Think About Now



## 2. Underwriting

- Get smarter with rate increases - Advance Telematics?
- What segments will be impacted most by next years' trends – are Aviva and Allianz right?
- Solvency II – opinion on underwriting from Actuarial Function – Boards?



# What to Think About Now



## 3. Industry and Professional Bodies support

- Compensation at reasonable levels - Courts
- Reduce legal costs in litigated cases
- Flaws in the Injuries Board tackled
- UK Third Party Working Party – can Society of Actuaries in Ireland do something similar?

# Milliman Industry Survey

