



Society of Actuaries in Ireland

General Insurance Newsletter

December 2018

General Insurance Committee

Aoife Martin

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Declan Lavelle

Deirdre O'Brien

Dermot Marron

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Joanne Lonergan

Joe Kennedy

Mary de Búrca

Niamh Gaudin (Deputy chair)

Noel Garvey

Paul Connor

Ronan Mulligan (Chair)

Tanya Beattie

Exec support:

Yvonne Lynch

Philip Shier

GI Forum

This year's forum had a common theme throughout all of the presentations: personal injury claims. The forum provided a range of speakers and points of views ensuring that attendees were given a rounded, balanced view of the topic. The presentations are available [here](#).

GI Committee Update

Ronan Mulligan opened the forum with a brief update of the GI Committee's activities during the year. This year the Committee established two new working groups: an IFRS17 working group and a Professional Standards working group. The Committee has also organised a significant number of CPD sessions which have proven very successful.

Motor Data Project

In 2018 Verisk performed an analysis of the cost of motor insurance claims in Ireland. Niall Kavanagh, Managing Director of Verisk Ireland, presented a summary of the analysis, which was published in the summer in the [CIWG Second Report](#), and the results observed. Before getting into specifics, Niall gave the audience a good overview of Verisk – the industries it operates in and the services it provides. Niall went on to describe a key stage of the analysis: data capture. He explained the challenges of getting data from multiple insurers and ensuring that it was on a consistent basis.

Niall then passed the baton to Joe Kennedy, who described the results of the analysis. Over the period 2011 to 2016, the average claims cost per policy has risen by 2.7% per annum. Joe explained that most of this increase is driven by an increase in the average Personal Injury (PI) claim cost, which has risen 6.2% per annum over that period. Joe noted that although there was uncertainty around the estimates, the cost of a

PI claim in Ireland is significantly higher than in the UK.

PIC and UK & Ireland comparison on whiplash claims

Expanding on this topic further, Noel Garvey gave an interesting presentation of a study that had been performed comparing the cost of whiplash claims in Ireland and the UK. As a background Noel discussed the establishment of the Personal Injuries Commission ("PIC").

For further detail, see the article on the Cost of Insurance Working Group and Personal Injuries Commission in this newsletter.

High Court Settlement Data 2017 – brief analysis

Ronan Mulligan provided a summary of an analysis of High Court personal injury award data based on a relatively limited data set provided by the courts. The analysis considered the distribution of awards for different claim types (Medical Negligence and Other) and different claims sizes (claims less than €250k and claims greater than €250k). The results suggested that inflation for claims less than €250k was between 2% and 6% between 2014 and 2017. As expected, the analysis also showed that there was significant volatility in the large claims above €250k.

View from the Alliance for Insurance Reform Group

Peter Boland from the Alliance for Insurance Reform Group gave an excellent presentation on the challenges of rising insurance premiums. Peter offered "a view from the trenches", sharing the views of many diverse policy holders. Peter primarily spoke on behalf of Public Liability and Employers Liability policyholders and discussed the significant pressure they face

following substantial premium rate increases. This has potentially serious consequences as more and more people decide to operate uninsured. Peter clearly laid out the simple requests of policyholders: prevention, consistency and transparency

View from Insurance Ireland

Finally, Kevin Thompson acted as advocate for the insurance industry, providing an alternative point of view to Peter. Kevin is CEO of Insurance

Ireland and gave a very interesting overview of Insurance Ireland's role in addressing the ever-increasing cost of personal injury claims. Kevin argued that rather than insurance companies needing to reform, the government needs to address the issue through legislation that would ensure the consistent treatment of claims. Kevin explained that in setting premium, insurers are pricing risk. Personal injury claims are expensive and vary widely. Insurers need to reflect this in the premium charged.

Cost of Insurance Working Group and Personal Injuries Commission

On the back of significant increases to insurance premiums since 2014, the Cost of Insurance Working Group (CIWG) was established by the Department of Finance in July 2016 to undertake a review of the factors which influenced the increasing cost of insurance.

The [CIWG Report on the Cost of Motor Insurance](#) was published on January 2017 and made 33 recommendations including the establishment of the Personal Injuries Commission (PIC). In particular, it was recommended that the PIC look in detail at issues around soft tissue injuries (whiplash claims), with a view to proposing measures to help reduce the cost of claims.

Several recommendations were made in the [first report of the PIC](#) including:

- the introduction of a standardised approach to examination of and reporting on soft-tissue injuries;
- that the medical profession should introduce training/CPD for those medical experts who complete injury claim reports;
- that future Book of Quantum updates should be linked to the standardised injury categories and grading scales; and

- that injury data should be made publicly available (e.g. the information recently released by the Injuries Board in respect of whiplash awards for the first half of 2018).

The recommendations in the second PIC report included:

- that the Judicial Council, when established, should set guidelines for appropriate general damages for various types of personal injury, to help achieve greater consistency;
- the development of best practice treatment plans focusing on recovery.
- where insurers deal directly with claimants, that medical reports be obtained that detail the nature, extent and prognosis of the injury;
- support for a CIWG recommendation for further cooperation between the Insurance Sector and the Gardai to reduce fraud, through the establishment of a Garda Fraud Investigation Bureau.
- that insurers step up their anti-fraud capacity, adopt consistent industry-wide coding of injury data and establish a national medical research study on the prevention and management of soft-tissue injuries.

A key focus of the second report was on a benchmarking exercise which showed that the level of general damages for whiplash claims in Ireland are a multiple of those in the UK, confirming anecdotal evidence about comparative award levels.

The results based on about 80% of the Irish market in 2016 GWP terms, indicated that soft tissue injury claim costs in Ireland (including psychological injury) are approximately:

- 5.0 times that of the UK cost when capped at €100,000 per claimant.
- 4.4 times that of the UK cost when capped at €50,000 per claimant. (The PIC adopted the €50,000 cap).

Detail of the process, assumption, exclusions, sensitivities and limitations of the benchmarking exercise can be found [here](#).

Changes to Domestic Actuarial Regime

A consultation paper ([CP122](#)) on changes to the Domestic Actuarial Regime and Related Governance Requirements under Solvency II was published by the Central Bank of Ireland (CBI) on the 22nd June 2018 proposing a number of amendments to the Domestic Actuarial Regime relating to:

- (i) the governance of With-Profits funds, and
- (ii) the format of the Actuarial Opinion on the Technical Provisions (AOTP) as outlined in the Domestic Actuarial Regime

The focus of the GI Committee was to work with the Life Committee in preparing the [Society's response](#) to the proposed changes to the AOTP.

In late November the CBI published its feedback statement. The main highlights arising from the consultation and feedback are:

- The Opinion must be based on Technical Provisions net of reinsurance recoveries
- Each line of business is being opined on separately
- The requirement to provide a "Qualification" on Opinions has been removed and replaced with 'Key Reliances' and 'Key Limitations' sections.
- Wording has been added to clarify that no decision should be made based on the AOTP in isolation and that the full Actuarial Report on Technical Provisions should be read in conjunction with the AOTP.

Full information on the consultation paper and the CBI feedback can be found [here](#).

European Updates

Consultation on amendments to Solvency II Delegated Act

In early November, the European Commission published a consultation on draft amendments to the Solvency II delegated act. The proposed amendments are on foot of EIOPA's advice published earlier this year. In general, the amendments follow EIOPA's advice, with the notable exception of the proposed changes to the calculation of interest rate risk. The consultation closed on 7 December.

The next step is for the Commission to assess the responses and then to formally adopt the amendments. Assuming the European Parliament and Council do not object within two months, the act will then enter into force. The draft amendments and consultation responses are available [here](#).

Actuarial Association of Europe

The AAE has updated the membership and terms of reference of its Solvency II Working Group. The new Working Group is expected to run until 2020, and its main focus will be on the forthcoming review of Solvency II Long Term Guarantee (LTG) measures.

In addition to working on LTG issues the working group will provide advice to the AAE's Insurance and Risk Management Committees on wider Solvency II (and related) issues. Most recently the Working Group assisted in preparing the AAE's response to an EIOPA discussion paper on national insurance guarantee schemes. This included input from the Society.

IFRS 17 Update

Summary of IFRS 17 Transition Resource September meeting

The third meeting of the IASB's Transition Resource Group (TRG) was in late September, and the several key aspects of the standard were discussed. Click [here](#) for the full summary of topics discussed during the meeting.

The next TRG meeting will be held in early April 2019. This meeting was previously scheduled to be held in December 2018, but was postponed due to the limited number of submissions and narrow scope of some submissions.

EIOPA analysis on IFRS 17 and Solvency II

On 18 October 2018, EIOPA published a detailed assessment of the IFRS 17 insurance contracts standard, including potential impacts on

financial stability and supply and demand of insurance contracts, as well as IFRS 17's practical implementation in light of the applicable inputs and processes for Solvency II.

Overall, EIOPA found that the expected increased transparency and comparability of insurers' financial statements and providing better insights into insurers' business models through IFRS 17, have the potential to strengthen financial stability in the European Economic Area. The IFRS 17 standard is therefore regarded by EIOPA as beneficial for the European good and a significant improvement to financial reporting compared to current IFRS 4 reporting. However, EIOPA has reservations on certain aspects of IFRS 17's principles that it believes may affect comparability and relevance of IFRS 17 financial statements.

EIOPA expects that insurers will see “significant efficiency gains” from using inputs and processes developed for Solvency II for their IFRS 17

implementation, with adaptation required to varying degrees. They consider these gains to be most relevant in the areas of cashflows, risk adjustment and discount rate.

Click [here](#) for link to the EIOPA analysis.

Global Insurance Industry Comments on IFRS 17

On 16 October 2018, several Insurance Associations around the globe (including Insurance Europe) combined forces and submitted a [joint letter](#) to the IASB requesting a two year deferral in the effective date of the standard to allow time for necessary improvements to the standard to be implemented and to deal with operational constraints such as skilled resource needs and software solutions.

Deferral of effective date of IFRS 17

On 14 November 2018, the IASB deliberated and voted unanimously (14 votes in favour) to amend IFRS 17 to defer the effective date by one year to 1 January 2022. In addition, the IASB also voted to amend IFRS 9 to defer the effective date by one year as well. This enables insurers to continue with the simultaneous implementation of IFRS 17 and IFRS 9 at the same date. It is

important to note that the deferral is not yet effective until the final IASB vote following the due process is complete. The final decision and official IFRS changes to the effective dates is expected to take place in Q1 2019.

SAI IFRS 17 GI and Life Committee subgroups

On Friday 9th November, the GI IFRS 17 and Life IFRS 17 subgroups held a joint introductory talk on IFRS 17, with an impressive 115 people in attendance. The aim was to provide SAI members with a good understanding of the IFRS17 requirements and to equip them with the necessary basics/background information to understand the key challenges to be discussed at future talks. Specifically, the presentation gave a brief overview of the following:

- Objectives
- Scope
- Key definitions
- Requirements
- Methodologies

A link to the presentation and accompanying podcast can be found [here](#).

The subgroups are expecting to hold their next joint IFRS 17 session in early 2019.

Call for presenters for 2019 Pricing Seminar

Following the success of the Society's first non-life insurance seminar with an Actuarial Pricing focus that was held in early 2018, we are now at the planning stages for our next Pricing Seminar and are inviting expressions of interest from members and non-members who would like to deliver a session at this event.

2019 Pricing Seminar

The 2019 half-day Pricing Seminar will take place on Thursday 27th June from 12.30pm in the Alex Hotel, Fenian Street, Dublin 2.

The event is aimed at qualified and student actuaries working in non-life (re)insurance who are looking to keep up to date with pricing developments as well as the impact these developments have on other areas of actuarial work. It also provides a great networking opportunity for all members working in the non-life industry.

Expressions of interest

- **Format:** As well as presentations, formats such as a panel discussion, round table discussion or debate would be welcome. You may deliver a session on your own or jointly with others.
- **Content:** *Proposals on the following topics are welcome, but topics are not limited to the following:*
 - Traditional Pricing Techniques and Developments
 - Machine Learning Techniques and Developments
 - Pricing for Volume Lines / Non-Volume Lines / Unusual risks with limited data
 - Reinsurance Pricing Techniques and Developments
 - Telematics
 - Optimisation
 - Panel Management

- Interactions between Pricing and other functions
- Market and new products development
- Insure Tech and future of Pricing
- Weather and Pricing models
- Building models in R
- Pricing for PPO exposure business
- Under the spotlight: New business vs Renewals Pricing
- IFRS17: Impact on Products and Pricing

- **Length of session:** The proposed length is around 45 minutes including approximately 10 minutes for questions from the audience. However, if you think that your topic needs more time, please indicate that.

If you wish to suggest a topic but do not want to present it yourself, we are also keen to hear from you.

How to submit your Proposal

Please email info@actuaries.ie by **Friday, 29th March 2019** to express your interest in getting involved.

Please provide a short outline of your proposal:

- Topic and format of session;
- The technical level of knowledge that the audience would need in order to understand the topic (beginner / intermediate / advanced);
- If the speakers are decided: the employer and contact details for each speaker; and
- Whether the session has been (or will/might be) delivered elsewhere and if so, where and when.

We will then review all submissions and will be in touch to confirm if your proposal has been accepted onto the 2019 agenda. We look forward to hearing from you!