



Society of Actuaries in Ireland

General Insurance Newsletter

August 2020

General Insurance Committee

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Coronavirus (COVID-19)

COVID-19 Action Group

The Society has established a COVID-19 Action Group (CAG) comprising representatives from the Practice Committees and members who had expressed an interest in getting involved. It was agreed to set up two separate subgroups: the Members Interest Group (“MIG”) and the Public Interest Group (“PIG”).

The primary objectives of the MIG are to collate and share with members relevant information on the implications of COVID-19, with a particular focus on matters in the Irish market and Irish context, including the impact on healthcare, mortality and morbidity, insurance, pensions and investment.

The primary objective of the PIG at present is to consider what actions the Society can take to contribute to the response to COVID-19 including:

- Analysis of data, modelling of mortality and morbidity.
- Offering assistance and expertise to public bodies to help with the national response to the pandemic.

The secondary objectives are:

- Consider the medium and longer term impacts of the pandemic on society, the economy, mortality, morbidity etc.
- Direct action in terms of charitable donations, e.g. computer equipment to DEIS schools.

The group has collated “**COVID-19 - Useful Links & Wider Perspectives**” for members’ benefit – these are available [here](#). You can also access our **COVID-19 Action Group Blog** [here](#).

Business Interruption Insurance

The coronavirus pandemic has led to widespread disruption and business closures resulting in substantial financial loss. Many customers have made claims for these losses under their Business Interruption (BI) insurance policies. There has been widespread concern about the lack of clarity and certainty for some customers making these claims, and the basis on which some insurers are making decisions in relation to claims.

There is a significant amount of complexity relating to BI and a large degree of variation between contract wordings. This will likely result in challenges going through the court systems for years to come. In order to expedite matters, the Financial Conduct Authority (FCA) in the UK has taken a test case to obtain court declarations aimed at resolving the contractual uncertainty around the validity of BI claims.

Eight days of court hearings commenced on 22 July 2020. The FCA has made available a significant amount of information relating to the Test Case on its [website](#).

In Ireland, FBD Insurance has taken a test case, which is scheduled for the Commercial Court in October, to defend its position that its business insurance policies do not provide cover for a pandemic of this nature. In addition, the CBI recently stated that it is considering taking legal action to resolve stand-offs between insurers and businesses over whether losses resulting from Covid-19 should be covered by insurance companies.

STOP PRESS: On 5th August, the CBI issued [COVID-19 and Business Interruption Insurance Supervisory Framework](#).

Personal Injury Discount Rate

In June, the Department of Justice and Equality launched a [public consultation](#) on the personal injury discount rate. This rate is used by the courts in cases involving catastrophic and other personal injuries to determine the size of an award necessary to compensate a person for damages for future loss. A review of this rate arose as one of the recommendations of the Cost of Insurance Working Group.

The intention is not to change the fundamental principle that a claimant should be fully compensated but to consider what, if anything, needs to be done to update the current system of setting the discount rate.

There are two key issues on which the Department is seeking views:

- Should it be left to the Judiciary to decide on the appropriate rate on a case-by-case basis, or should legislation be amended to allow the Minister for Justice and Equality to determine the rate and to review it at regular intervals thereafter?
- Is there a need to update the investment strategy that a plaintiff is assumed to take in determining the discount rate (as has happened in the UK)?

More detailed questions in the consultation cover issues including:

- the principles that should guide the setting of the rate;
- the extent to which the courts would retain powers to vary the rate applied;
- whether there should be different rates for different classes of case;
- the frequency of review;
- the impact on PPOs; and

- the relevance of UK practice and experience in this area.

The Department has extended the deadline for responses to 31 August 2020. The Society has set up a small group of practitioners and representatives of relevant committees to draft a response.

National Claims Information Database (NCID) - EL and PL

Following on from their production of the first NCID report on Private Motor last December, the CBI has now completed a feasibility study on whether there is merit in producing similar information for Employers and Public Liability (EL and PL).

The findings of the study, which can be found [here](#), were as follows:

- There is merit in extending the scope of the NCID to EL and PL.
- Producing credible, publicly available data on these would be a benefit to all stakeholders.
- This involves more complex data collection than for Private Motor, as Liability insurance consists of a broad range of business sectors covering a variety of risks.
- A material amount of Liability insurance is purchased as part of a, formal or informal, package including non-liability coverages such as property. To obtain full insight it would be necessary to get an understanding of other commercial lines.

The CBI would seek to commence data collection in H2 2020 and publish its first report on this subject in H1 2021.

Central Bank of Ireland review of differential pricing in motor and home insurance

Arising from regular and ongoing supervisory and policy work, the Central Bank has identified potential risks to consumers whereby customers with the same risk and servicing costs are charged different premium i.e. differential pricing.

In order to assess this risk, the Central Bank issued a “Dear CEO” letter on General Insurance pricing practices in November 2019, announcing a review of differential pricing in the motor and home insurance markets. The review will examine the extent to which the practice of differential pricing is consistent with the 2012 Consumer Protection Code (CPC) and has now been underway for several months.

The Central Bank expects insurance firms to adhere to the requirements in the CPC to:

- act honestly, fairly and professionally in the best interests of their customers and the integrity of the market;
- act with due skill, care and diligence in the best interests of their customers; and
- make full disclosure of all relevant material information, including all charges, in a way that seeks to inform their customers.

The Review began in January 2020 and is being conducted in three phases:

- Phase 1 – Market Analysis;
- Phase 2 – Quantitative Analysis and Consumer Insight; and
- Phase 3 – Conclusions and recommendations.

While the industry awaits Central Bank feedback, the scope and expectation set out in the Dear CEO letter provides some insight into the Central Bank’s thoughts including:

- Boards should be aware of their firms’ pricing policies and satisfied that they are implemented in a manner compliant with the CPC; and
- Boards should ensure that the requirement to treat customers fairly forms an integral part of their firms’ corporate culture.

This is in keeping with the Central Bank’s wider expectations that firms are well governed, have an appropriate culture, effective risk management (including conduct risk management) and control arrangements in place, which are commensurate with their size, scale and complexity.

With the increasing sophistication of big-data and modelling techniques within the insurance industry this is likely to be an area of increased regulatory scrutiny in the future.

Open Consultations

The Society is in the process of developing responses to the following consultations:

- 1. EU Commission: Review of prudential rules for insurance and reinsurance companies (Solvency II)**

https://ec.europa.eu/info/sites/info/files/business_economy_euro/banking_and_finance/documents/2020-solvency-2-review-consultation-document_en.pdf

- 2. EIOPA-BoS-20/341: Second discussion paper on methodological principles of insurance stress testing**

https://www.eiopa.europa.eu/content/eiopa-publishes-its-second-discussion-paper-methodological-principles-insurance-stress_en?source=search

These are being considered by our Solvency II 2020 Review GI Working Group, which will work with its Life equivalent to prepare our input to the AAE, which will in turn make a submission on behalf of the actuarial profession in Europe to the Commission and EIOPA respectively.

- 3. Central Bank of Ireland CP 131 Regulations for pre-emptive recovery planning for (re)insurers**

[https://www.centralbank.ie/docs/default-source/publications/consultation-papers/cp131/cp131---regulations-for-pre-emptive-recovery-planning-for-\(re\)insurers.pdf?sfvrsn=4](https://www.centralbank.ie/docs/default-source/publications/consultation-papers/cp131/cp131---regulations-for-pre-emptive-recovery-planning-for-(re)insurers.pdf?sfvrsn=4)

A cross-practice working group drawn from ERM, GI and Life Committees is developing the Society's submission to this consultation.

IFoA consultation on Professional Shortcomings

Last December the IFoA ran a consultation on the withdrawal of GN30 and introduction of new APS X5. Both of these standards cover "Compensation for Professional Shortcomings", and implement broadly the same requirements.

GN30 was last reviewed in 2008, and is one of two remaining guidance notes that continue to be in force. The letter "X" in the title of the proposed APS denotes its applicability to all practice areas (cross-practice).

The proposed APS X5 requires IFoA members who are principals in organisations that provide actuarial work to external clients, to have in place measures relating to compensation of clients, or alternative arrangements relating to liability, for losses caused by professional shortcomings.

The proposed new standard is not designed to impose any new obligations, but rather to provide clarification and consistency for IFoA members.

The consultation closed on 17 February 2020. At the time of writing, no feedback has been published by the IFoA.

The Society is currently considering whether it should have a standard in relation to this topic.

Call for Presenters for 2020 Pricing CPD Series

Following the success of the Society's first two non-life insurance seminars with an Actuarial Pricing focus that were held in 2018 and 2019, we are now at the planning stages for our next Pricing CPD event. Given current circumstances, it is planned that this year's event will instead take the form of a series of presentations across a period of one to two weeks. Dates are yet to be confirmed; however, it is expected that the sessions will occur in late September or October 2020. We are inviting expressions of interest from members and non-members who would like to deliver a session as part of this series.

2020 Pricing CPD Series

The sessions are 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.

Submissions are particularly welcomed on the following topics:

- Ethics in pricing
- Price optimisation
- Dual pricing (new business versus renewals)

Expressions of interest

- **Format:** All submissions will be need to be presented via Zoom. You may deliver a session on your own or jointly with others.
- **Content:** *The following proposals are welcome, but topics are not limited to the following:*
 - Traditional Pricing Techniques and Developments
 - Machine Learning Techniques and Developments
 - Pricing Volume Lines / Non Volume Lines / Unusual risks with limited data
 - Reinsurance Pricing Techniques and Developments
 - Telematics
 - 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
 - IFRS17: Impact on Products and Pricing
 - COVID-19: 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, 21st August 2020** 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 2020 agenda.

We look forward to hearing from you!

COVID-19 CPD Event

The first online CPD event held by the General Insurance Committee took place on 3rd July, with over 150 people in attendance via Zoom. The theme of the event was “The impact of COVID-19 on General Insurance”. The meeting was chaired by Niamh Gaudin with three presentations provided, which are all available [here](#):

- COVID-19 Survey Results: Mark Hardy FSAI, IPB Insurance
- Insurance & Claims Post COVID: Rachel Kavanagh, Mason Hayes Curran
- COVID Operational Issues: Dermot Marron FSAI, Allied Risk Management

Thank you to all our speakers and attendees. A video recording of the event is available on [actuvuew](#), which can be used for the purposes of verifiable CPD.

Upcoming General Insurance Events

Date/Time	Title	Location
Wednesday 26th August (11.30am-1pm)	IFRS17 Panel Discussion	Online

Society of Actuaries in Ireland, Clanwilliam House, Clanwilliam Place, Dublin 2, D02 AV90

If you have any queries or comments about the Newsletter, or would like more information on any of the topics mentioned, please contact the Society at info@actuaries.ie