



Society of Actuaries in Ireland

THE FEASIBILITY OF AN INSURANCE CLAIM-BY-CLAIM REGISTER

Response to Department of Finance consultation

22 June 2018

Preface

The Society of Actuaries in Ireland (“Society”) is the professional body representing the actuarial profession in Ireland. Many of our members work in the non-life (re)insurance industry. Some carry responsibilities relating to the determination of technical provisions for insurance liabilities. Others are engaged in designing, pricing and underwriting products and in managing the risks inherent in insurance portfolios. Many also carry broader management responsibilities, including strategy planning and implementation. We can therefore draw on a wide range of expertise when we contribute to debate on insurance matters.

The comments set out in this document reflect the views of members of our General Insurance Committee on the proposal to establish a claim-by-claim register (CBCR). In the time available we have not applied our standard governance procedures in preparing this submission, resulting in a more limited submission than we might otherwise have provided, but we set out below our responses to the questions posed and we hope these are of assistance to you.

If you have any queries on the content of this letter, please do not hesitate to contact Philip Shier, Actuarial Manager at philip.shier@actuaries.ie

Response to consultation questions

1. What would the primary purpose of a claim-by-claim register be in view of the proposed establishment of a National Claims Information Database and Fraud Database?

The Society considers that the primary added value in developing a CBCR would be to inform policymakers in relation to developments in claims and to enable appropriate actions to be taken on a timely basis. This may over time provide a more certain environment and may reduce the severity of future price volatility.

The CBCR could enable more flexibility in analysis compared to the National Claims Information Database (NCID) and might provide better information on the real drivers of trends to the extent those might be obscured by the aggregation of claims in the NCID. For example, recent targeted policy making proposals in the UK have been informed by analysis of settled claims based on claimant-by-claimant data.

A secondary benefit to the State may be more stability in the insurance market if better information enables the Central Bank to focus supervision more effectively.

We cannot comment on the added value from a CBCR compared with the NCID and Insurance Fraud Database (IFD) as neither of those is yet in operation so it is unclear what benefits they will deliver.

2. With regard to this primary purpose, what specific data would need to be collected?

There may be considerable overlap with the IFD. The IFD must contain personal data which we do not consider would be appropriate or necessary for the CBCR. We think that there would be advantages in defining the CBCR so that data is anonymised. This could allow consideration of sharing the CBCR data with a wider range of stakeholders, including existing or potential market participants, academics or professional bodies (such as the Society of Actuaries in Ireland) who might wish to conduct some research studies.

An important point would be to specify data collection in such a way that the CBCR could be reconciled to the NCID and IFD on an ongoing basis. This would also allow more powerful analysis based on combining insights from analysis of the separate databases for the same set of claimants. For example, if the NCID has claim level data and if the same set of claims/ claimants could be extracted for the NCID and CBCR then it could enable statistics about the number of claimants per motor claim to be monitored. This is one indicator of trends in litigiousness.

Subject to protecting anonymity, then the scope of the CBCR could be relatively broad and relatively granular, acknowledging that there could be a delay of a number of years before contributing organisations are able to provide all data items and it may be better to consider removing from scope at least some data items for claims closed prior to a particular date.

3. How would this specific data achieve the primary purpose of the database?

If policy making is to be targeted rather than broad-brush then definitive detailed claimant-by-claimant information may be needed to inform decisions.

4. How would the accuracy of the data be guaranteed?

It is important that there is clarity, and no ambiguity, in relation to the data requested. This may prove challenging given that, for example, there are no industry standard definitions of various elements of a claim. Some insurers may then need to completely change their IT infrastructure to label claims in a consistent format, which would be a time-consuming and expensive exercise. If for example the first claim in this new consistent format is registered in January 2020 it will take a significant amount of time to build up a database of claims to be worthwhile in a trends analysis.

Once established, we recommend that the data included in the CBCR should be reconciled to the NCID and IFD on an ongoing basis.

5. Who should administer a claim-by-claim register?

The Society does not have a strong view on this, but it would seem preferable that a State body were responsible for the ongoing administration of the register.

6. Who should fund a claim-by-claim register?

The Society does not have a strong view on this, but it would seem appropriate that the costs are met by those who benefit from the register.

7. Who should be able to access this register and for what purpose?

If access to the register is freely available, the data may be used by different parties for different purposes, and policymakers may consider that it is not in the public interest to facilitate all of these. It would also be necessary to ensure that there were no potential data protection issues if the register were publicly available, and this might necessitate some aggregation of individual claims data.

Consideration could be given to making the register accessible to existing or potential market participants for use in pricing their products, and to academics and professional bodies who might wish to undertake research.

8. How should the data be collected?

The Society does not have a view on this. A balance should be struck between the cost of overly frequent data collection and the benefit of having an up-to-date register. We consider that data should be collected from MIBI and the State Claims Agency as well as from insurers.

9. What are your views on the possibility that a detailed claim-by-claim register may discourage new entrants from entering the market, particularly if there is a significant cost associated with such a register?

It depends on the charging structure. New entrants may be encouraged if they see a regime where State policy making is enabled to respond quickly to adverse issues that arise in the claims environment and claims information is publicly available.

10. What would be the additional value that a claim-by-claim register would add to the insurance environment?

See the answers to questions 1 and 7. There may also be unanticipated benefits in the future depending on the precise scope of the data collected and the degree to which that is made available.

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Clanwilliam House
Clanwilliam Place
Dublin 2, D02 AV90,
Ireland
Tel: + 353 1 634 0020
Fax: +353 1 634 0039
Email: info@actuaries.ie
Web: www.actuaries.ie
