

# COST OF INSURANCE WORKING GROUP

FIRST MOTOR INSURANCE KEY INFORMATION REPORT, JULY 2017



An Roinn Airgeadais  
Department of Finance

## Summary and Introduction

### Summary of Report

**Any assumptions made or definitions used in this section are set out in full in the main body of the Report. See Part 4 of report for chart references (Page 16).**

#### General Overview and Conclusions

- Pending the establishment of the National Claims Information Database, the Cost of Insurance Working Group recommended that the Department of Finance publish key aggregated metrics on a quarterly basis from Q2 2017.
- A request for key aggregated metrics issued to Insurance Ireland at the end of March 2017. A return was received on 13 June 2017. The Sub-group has analysed that data, which included a number of clarifications.
- This first report represents the start of a process to improve data transparency in the insurance sector and it is expected that the quality of the data and response rates will improve in future iterations.
- Given that this is the first time such data has been requested from industry, it is possible there are issues with the quality of certain data and that data provided in this iteration may be revised in future iterations.
- The Sub-group will continue to work with Insurance Ireland with regard to improving the quality of the data for the years 2011 and 2012, particularly with respect to the total expenditure and implied claims positions for those years.
- Notwithstanding these challenges, the Sub-group believes that this exercise lays the groundwork for the effective establishment of the National Claims Information Database and strongly demonstrates the value and need for the National Claims Information Database.
- The next report will include further metrics and will be published in November 2017.

#### Motor Insurance - Inflation

- Premium levels for motor insurance have stabilised since the third quarter of 2016. On a year-on-year basis, private car premiums have reduced by 8.5% at the end of May 2017 according to CSO consumer price statistics. This followed almost three years of price increases which accumulated to approximately 70% rising from an index point of 62.6 in September 2013 to 106.0 in September 2016.

#### Motor Insurance – Income

- For the years 2011 to 2012, data suggests that private motor insurance business was profitable (Chart 1, metric 10).
- For the years 2013 until 2015, private motor insurance moved to a loss-making position (Chart 1, metric 10).
- It has returned to profitability in 2016, as income has increased, in light of considerable increases in gross earned premiums (Chart 1, metric 10).
- Gross Earned Premium (GEP) has been increasing since 2013 with the biggest increase of 18% between 2015 and 2016 (Chart 1, metric 17). This increase was due to an increase in average premium per vehicle (rather than an increase in vehicle numbers).
- Average Earned Premium in 2016 for the sample of companies surveyed was €556 per vehicle insured (Chart 1, metric 14). This had increased by 21% since 2015 and had increased by 34% since 2013. The average annual earned premium increase since 2011 was 3% (Chart 1, metric 18).
- Investment income fell from €64.7m in 2011 to €25.2m in 2016 representing a reduction of 61% for the companies surveyed.

#### Motor Insurance – Expenditure

- Expenditure<sup>1</sup>, as a percentage of Gross Earned Premium, had averaged 114% between 2013 and 2015. In 2016, this fell to 90%. Between 2011 and 2016, expenditure, as a percentage of Gross Earned Premium, averaged 101%; this averaged 107% for the most recent four years from 2013 to 2016 (Chart 1, metric 12). We have assumed that Expenditure includes MIBI payments.
- On average, gross claims costs<sup>2</sup> accounted for 78% of gross earned premium between 2011 and 2016; this averaged 83% for the most recent four years from 2013 to 2016 (Chart 1, metric 11). This started at 65% in 2011, peaked at 96% in 2013 and reduced to a reported 68% in 2016.
- Commissions and Other (Operating) Expenses combined averaged 18% of Gross Earned Premium since 2011 (Chart 1, metric 13). This ratio has reduced from 20% in 2013 to 17% in 2016, most likely as a result from increasing earned premiums (expenses grew less quickly than premiums over this time).
- MIBI payments have increased since 2011. As a percentage of gross earned premium, MIBI averaged 4.6% between 2011 and 2013. Since 2014, MIBI payments have averaged 5.4% of Gross Earned Premium (Chart 1, metric 16).

#### **Claims Trends**

- The frequency of reported injury claims reported did not change significantly over the six years. Injury claim frequency averaged 0.85% since 2011 (Chart 2).<sup>3</sup>
- Based on the data received, injury claim frequency increased by 12% in 2012 but immediately reduced again by 12% in 2013. Since 2014, injury claim frequency has increased by 3% (Chart 2).
- It is difficult to compare changes in reported claims count over this time period due to the changing volume of business included in the sample. The number of recorded private motor injury claims has reduced by 1% since 2014 (Chart 2). This was impacted by the reduction in number of earned vehicles in our sample which reduced by 3.5% over this period. This decrease may indicate that the return from Insurance Ireland covers a lower percentage of the overall private insurance market.

#### **Settlement Channels**

- The percentage of personal injuries claims for private motor business settled pre-Personal Injuries Assessment Board (PIAB) or during the PIAB process has fallen from 56% in 2013 to 52% in 2016 (Chart 4a).
- This has been offset by a corresponding increase in the percentage of personal injury claims settled following a PIAB process or by way of a court award from 44% to 48% (Chart 4a).
- The percentage of private motor personal injury claims settled during the PIAB process increased from 11% in 2013 to 12% in 2016 (Chart 4a).
- Total compensation paid for settled private motor personal injury claims for the companies sampled has increased from €178.8 million in 2013 to €205.5 million in 2016, an increase of almost 15% (Chart 5).

#### **Legal and Other Costs**

- Legal and other costs as a percentage of total compensation has remained relatively flat since 2013 (Chart 5a).

<sup>1</sup> For the purposes of this report, insurer expenditure consists of the following: the cost of incurred claims; the cost of commissions; other costs, and MIBI contributions.

<sup>2</sup> We have calculated gross claims costs by subtracting commission expense, MIBI and other expense from total expenditure. Gross claims costs will be understated in the event company submissions did not include MIBI as part of overall expenditure.

<sup>3</sup> Injury claim frequency is defined here as injury claim numbers reported as a percentage of earned vehicle years. This statistic may be impacted by any change in the time between accident date and notification date of injury claims.

- Legal and other costs for all closed personal injury claims can typically represent over 42% of the actual compensation amount paid to claimants. This has consistently averaged 24.9% for claimant legal and other costs and 17.5% for insurer (defendant) legal and other costs<sup>4</sup>.
- Average compensation per settled personal injury claim increased from €22.1k in 2013 to €23.6k in 2016 which equates to an increase of 7% (Chart 5c).
- As an example, if there is an injury compensation payment of €100k to a claimant, there will be, on average, a further payment of €24.9k to cover claimant legal and other costs and €17.2k to pay for insurer legal and other costs. This would result in total payments by the insurer of €142.4k of which the claimant would receive €100k.
- Legal costs as a percentage of compensation are significantly higher for post-PIAB settlements than pre-PIAB and PIAB settlements. The vast majority of such costs occur post PIAB (Chart 6).

## Introduction

Pricing in the non-life insurance sector has been subject to volatility in recent years, from unsustainably low premiums to the large price increases experienced, particularly since 2014. As a result of this and other developments in the insurance sector, the Minister for Finance, Michael Noonan TD established the Cost of Insurance Working Group (the Working Group) in July 2016. Minister of State at the Department of Finance, Eoghan Murphy TD was appointed Chair and the Working Group published its Report and Action Plan on the Cost of Motor Insurance on 10 January 2017.

## Data Transparency

Discussions with stakeholders during the deliberations of the Working Group highlighted that an improvement in transparency, facilitated by additional collection and publication of data, was essential. Recommendation 11 of the Cost of Insurance Report recommended the establishment of a National Claims Information Database. In light of the time it would take to establish the Database, Recommendation 12 recommended that the Minister for Finance publish key aggregated metrics on claims costs and trends within the market on a quarterly basis. A Sub-group of the Cost of Insurance Working Group, chaired by the Department of Finance, was established in January 2017 to implement this recommendation. This report is the result of that recommendation and represents the start of a process to improve data transparency in the insurance sector.

## Principles underpinning the Quarterly Reports / Methodology

The Sub-group used the key metrics identified by the Working Group in the Report as a starting point for its considerations. It engaged extensively with Insurance Ireland who indicated that a number of the metrics being sought were not available in a consistent fashion from its members due to different

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<sup>4</sup> We have assumed from Insurance Ireland data submission that 'Claimant Legal Costs' includes other (non-legal) costs incurred by the claimant as part of the claim settlement process. We have assumed that 'Other Costs' primarily relate to non-legal costs incurred by *insurers* as part of claims settlement (engineer, medical, actuarial reports etc.).

definitions and different ways for reporting and recording data. In addition to this, to ensure the confidentiality of the information requested, it was agreed that Insurance Ireland would aggregate the data on behalf of its members. It was also agreed that the Sub-group would have the right to request verification of the data going forward if it was necessary.

The data request that issued at the end of March therefore sought data relating to income and expenditure of insurers (Chart 1 in Part 4) as well as an update of the information provided to the Working Group in 2016 regarding personal injury claims (Charts 2-6 in Part 4). The focus of the metrics in this report is on personal injury claims.

### **Scope of the Request**

The scope of the request relates primarily to private motor insurance and was directed to member companies that provided data to the Working Group in 2016. The return rates vary dependent on the data sought and but generally are based on figures supplied by companies representing between 70% and 80% of the Insurance Ireland private motor market in 2015 Gross Written Premium terms. For the purposes of the report, the 2015 Insurance Ireland Gross Written Premium has been taken to represent the market share.

While this cohort does not represent 100% of private motor business written in Ireland, it includes all of the major underwriters so can be taken to represent a large percentage of the overall insurance market.

The rate of response on each metric is indicated in each section of the report in terms of the market share which it represents. The data collected relates to the period 2011 – 2016 but the market share will fluctuate over that time.

### **Overview of the Return**

On 13 June 2017, Insurance Ireland replied to the data request. Insurance Ireland, in its reply to the request, stated that the data supplied by members is based on methodologies and dataset definitions which are not identical across the market. In some cases, companies used approximations, because of the breakdowns required. Insurance Ireland also expressed some concerns around the inconsistencies between the two datasets (private motor and total motor) that form part of the request. To ensure as much consistency as possible between the two datasets used, the Sub-group agreed that the quarterly report should only provide an overview of the private motor insurance market. In some cases, the response rate was deemed too low to provide a representative sample of the industry. This data has been excluded.

The Sub-group was also cognisant that Insurance Ireland members do not have a consistent percentage of market share and so year on year aggregate comparisons are challenging as business volumes fluctuate. During the analysis of the data return, the Sub-group requested clarifications as it did not have sight of individual company level information. The Sub-group will continue to work with Insurance Ireland with regard to improving the quality of the data for the years 2011 and 2012, particularly with respect to the total expenditure and implied claims positions for those years. The accuracy of submissions is expected to improve in future iterations.

### **Conclusions of the Exercise**

This exercise represents the start of a process to improve data transparency in the insurance sector and it is expected that the quality of the data and response rates will improve in future iterations. It is possible therefore that data provided in this iteration may be revised in future iterations. The Sub-group will continue to review the templates issued and may make some adjustments in future reports to improve the consistency of data received. The Sub-group believes that this exercise lays the groundwork for the effective establishment of the National Claims Information Database next year. In addition, in view of the challenges in collating and analysing aggregate level data across the insurance sector in Ireland, this exercise strongly demonstrates the value and need for the National Claims Information Database.

### **Next Reports**

A similar report will issue on a quarterly basis going forward. However, future iterations of the report will include a number of specific additional key metrics on projections on certain ultimate figures to provide a clearer insight into the component parts of the cost of claims including for instance legal costs. In light of the additional information requested, additional time has been provided for the collation of the data. This second report will be published in November 2017.

## **PART 1 - General Information on the Motor Insurance Sector**

### **Overview of the Motor Insurance Market in Ireland**

In June 2017, there were 42 insurers and 5 Lloyd's Syndicates registered with MIBI for the purpose of writing motor insurance in Ireland either from a head office located in Ireland, on a Freedom of Establishment (FOE) or Freedom of Services (FOS) basis. However, the market is dominated by eight insurers, six of which are prudentially regulated by the Central Bank of Ireland; the remaining two currently operate in Ireland on a Freedom of Establishment basis. All of these insurers are covered within the scope of this report.

All insurance undertakings underwriting motor insurance in Ireland must, by law, be members of the MIBI and contribute to funding for claims in proportion to their market share. This includes those operating in Ireland on an FOE or FOS basis.<sup>5</sup>

### **Number of Insured Vehicles in Ireland**

The number of vehicles insured in 2016 in the data sample submitted by Insurance Ireland members was 1.84 million. This represents 89.2% of taxed private cars and motor cycles in Ireland in 2016.

It should be noted that, according to the Department of Transport, Tourism and Sport, the private vehicle population grew by 7% since 2011 although the private vehicle population in our sample grew by just 2% over this time period. There are two possible reasons for this divergence. The first possibility is that the divergence reflects a possible decrease in market share for companies surveyed since 2011. The second possible reason is that there has been an increase in the number of uninsured vehicles<sup>6</sup>. The likely overall scenario is that a combination of both of the factors above has played a role in this divergence.

### **CSO Data on the Cost of Private Motor Insurance**

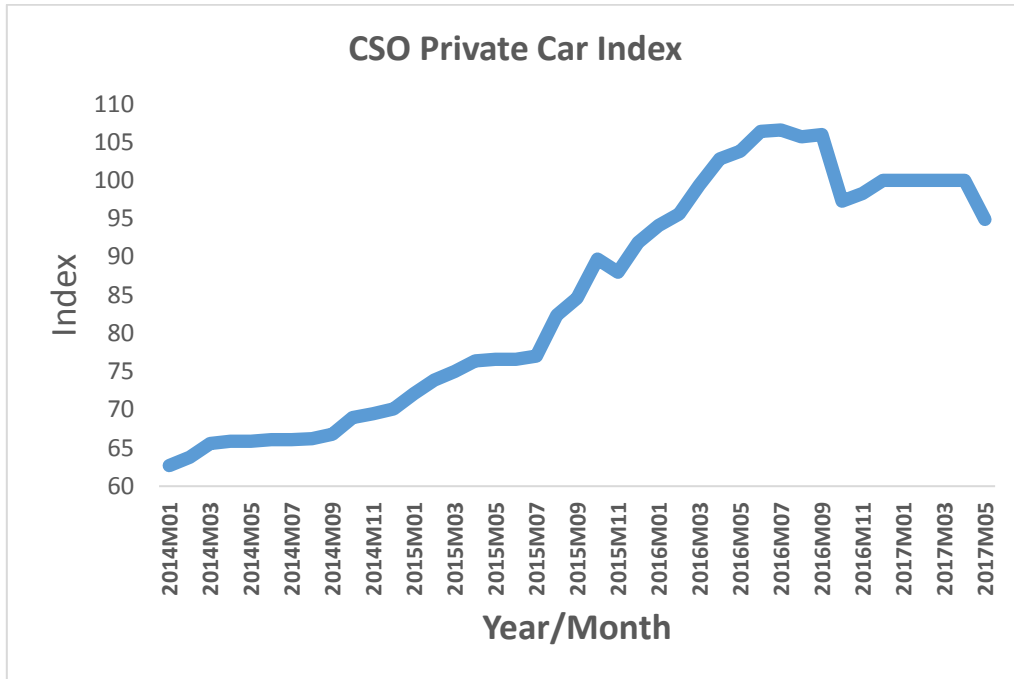
CSO consumer price data shows that premium levels for motor insurance have stabilised since the third quarter of 2016. On a year-on-year basis, private car premiums have reduced by 8.5% at the end of May 2017 according to CSO consumer price statistics. This followed almost three years of price increases which accumulated to approximately 70% rising from an index point of 62.6 in September 2013 to 106.0 in September 2016. See graph 1 which follows.

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<sup>5</sup> Motor Insurer's Bureau of Ireland, *Members list*, (June 2017), <http://www.mibi.ie/fileupload/Member%20list/5%20MIBI%20Members%20List%20-%20June%202017.pdf>

<sup>6</sup> MIBI reported in August 2016 they had seen a 17% year-on-year increase in the number of claims relating to uninsured or untraced drivers in the first half of 2016

Graph 1





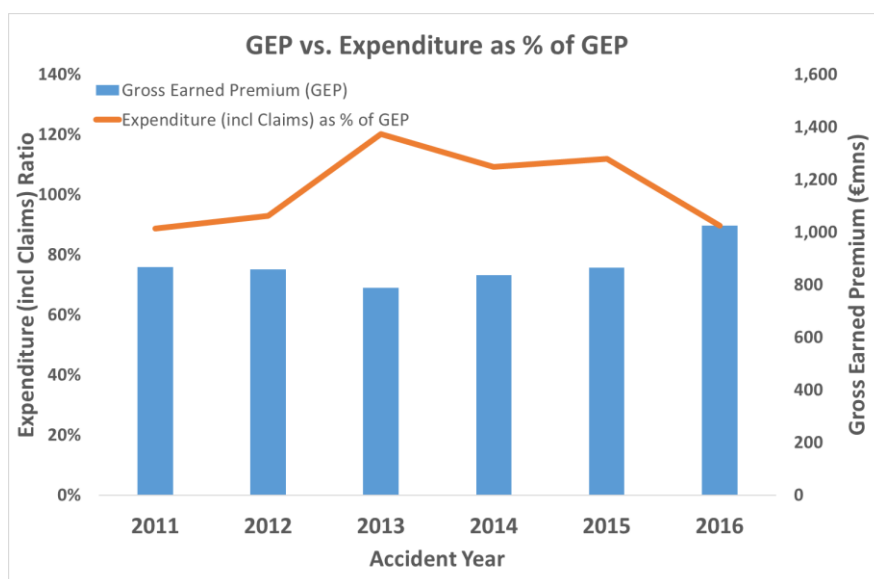
## PART 2 – Financial Information on the Motor Insurance Sector

### 1. Motor Insurance – Income and Expenditure

#### Introduction

The Insurance Ireland data suggests that since 2011<sup>7</sup>, insurers went from a period of profitability to losses and have recently returned towards profitability in 2016. Notwithstanding that figures show gross level data and do not include such expenses as reinsurance, it is possible to determine that between the years 2013 until 2015, the insurance sector became loss making with regard to its private motor business and that it has returned towards profitability in 2016 due to increased income, in light of considerable increases in income generated from gross earned premiums.

Graph 2



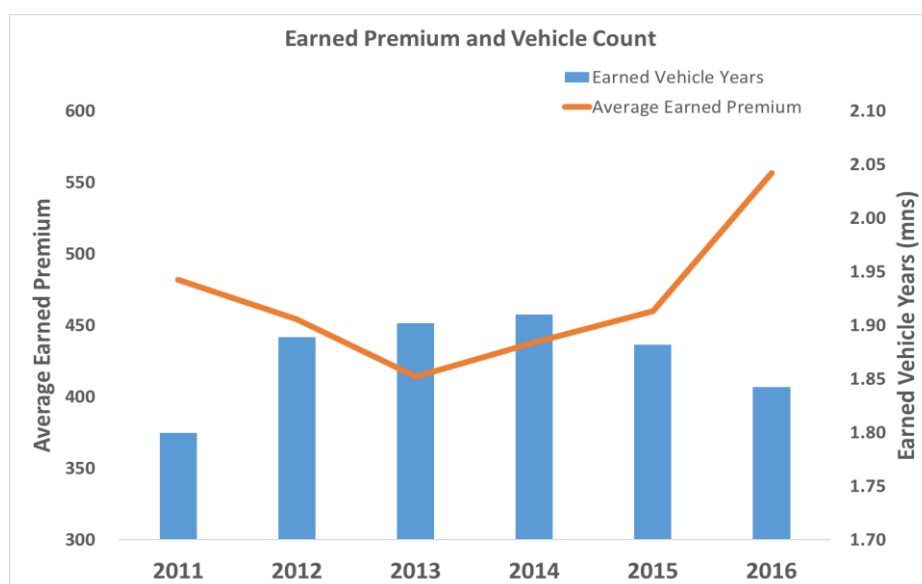
Graph 2 above provides a visual representation of the Gross Earned Premium for those companies surveyed with regard to the Expenditure as a percentage of that Gross Earned Premium figure. Expenditure, represented as a percentage of Gross Earned Premium averaged 114% between 2013 and 2015. In 2016, this fell to almost 90% (Chart 1, Metric 12).

<sup>7</sup> Note the Sub-group has questions with respect to the 2011 and 2012 figures returned but expects the quality of this data to improve in the next report. See page 5.

## Gross Earned Premium

As outlined above, Gross Earned Premium<sup>8</sup> for those companies surveyed represented approximately €868 million in 2011. This fell to €788 million in 2013, and has steadily risen to €1,025 million in 2016 (Chart 1, metric 1). The average earned premium in 2016 for the sample size was €556 per vehicle insured. This had increased by 21% since 2015 and had increased by 34% since 2013. The average increase since 2011 is 3% per annum as price reductions between 2011 and 2013 were more than offset by subsequent increases. This movement can be seen in graph 3 below. The average *written* premium per vehicle in 2016 is likely to have been higher than €556 given the significant rate increases up to the third quarter of 2016.

Graph 3



## Investment Returns

Investment income is generally a significant generator of income for insurers when underwriting profits are low (or negative). Investment income fell from €64.7m in 2011 to €25.2m in 2016 representing a reduction of 61% for the companies surveyed. This decrease over the period can be attributed to the low interest rate environment that insurance companies are operating within. Investment income is used by insurers to supplement premium income.

<sup>8</sup> In insurance, written premiums refer to the amount of premiums customers are required to pay for insurance policies written during the accounting period. Earned premium is the portion of an insurance written premium which is considered "earned" by the insurer, based on the part of the policy period that the insurance has been in effect, and during which the insurer has been exposed to loss. For example, if a 12-month policy is written on July 1<sup>st</sup> 2015, half of this written premium will be earned in 2015 and 50% will be earned in 2016 as the insurer is exposed to that policy evenly over both calendar years.

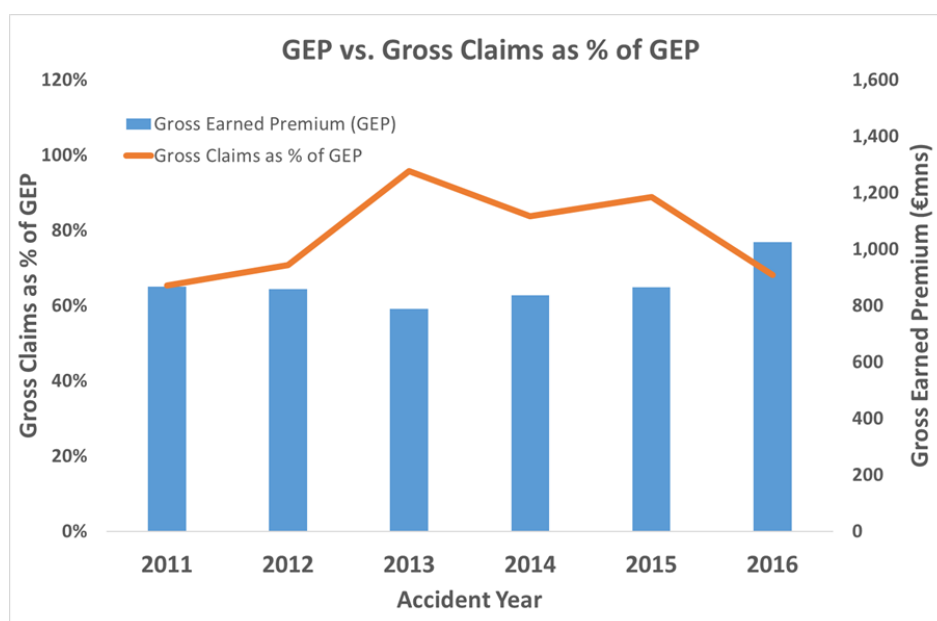
## Expenditure

Using the data provided, insurers' expenditure<sup>9</sup>, was approximately €770m in 2011, before rising to €967 million in 2015, and then falling back in 2016 to approximately €919 million (Chart 1, Metric 4). Expenditure, as a percentage of Gross Earned Premium, had averaged 114% between 2013 and 2015. In 2016, this fell to 90% (Chart 1, metric 12). Commissions and Other (Operating) Expenses combined averaged 18% of Gross Earned Premium since 2011 (Chart 1, metric 13). This ratio has reduced from 20% in 2013 to 17% in 2016.

## Gross Claims Costs

According to the data submitted by Insurance Ireland, Gross Claims<sup>10</sup> Costs accounted for 78% of Gross Earned Premium over the period from 2011 to 2016; this increased to 83% for the most recent four years from 2013 to 2016. According to the data provided, Gross Claims Costs as a percentage of Gross Earned Premiums increased from 65% in 2011 to 96% in 2013 before reducing to 68% in 2016 following significant price increases over the last three years (Chart 1, Metric 11). See graph 4 below.

Graph 4



## Commission Expenses

Commissions have increased from €64.1 million in 2011 to €77.2 million in 2016 for the companies surveyed. As a percentage of gross earned premium, Commission as a percentage of Gross Earned Premium reduced from 7.4% in 2011 to 6.3% in 2014 before increasing again to 7.5% in 2016 (Chart

<sup>9</sup> We have assumed that, according to the information provided by Insurance Ireland, expenses consist of the following: the cost of incurred claims; the cost of commissions; other operating costs; and MIBI contributions. For the purposes of the report, we refer to expenses as expenditure.

<sup>10</sup> We have assumed that Gross Claims Costs equals Expenditure (Total) less Commissions, MIBI and Other Expenses.

1, metric 22). This metric can be significantly impacted by changing market shares of the companies included in the sample surveyed, which will have different commission ratios depending on the relative size of their direct and broker portfolios. For example, if business moves from a direct-to-consumer insurer to a broker-focused insurer, the commission rate captured here is likely to increase.

### **Other (Operating) Expenses**

Other (operating) expenses, expressed as a percentage of gross earned premiums have reduced slightly over this time from 11.5% to 9.9%, particularly since 2014 when this ratio peaked at 13.0% (Chart 1, metric 21). At least some of this reduction in expense ratio will have resulted from increased premiums in 2015 and 2016. Over the period, these types of expenses represent an average of 11.3% of the Gross Earned Premium.

Looking at these types of expenses on a year-to-year basis, the figures vary considerably between years. This reflects that fact that insurers operate in different ways – through branch offices, brokers, on-line or other means of distribution, and results in varying expense structures.

### **MIBI**

All insurance undertakings underwriting motor insurance in Ireland must, by law, be members of the Motor Insurers' Bureau of Ireland<sup>11</sup> and contribute to funding for claims in proportion to their market share.

MIBI payments increased over this period. As a percentage of gross earned premium, MIBI averaged 4.6% between 2011 and 2013. Since 2014, MIBI payments have averaged 5.4% of Gross Earned Premium (Chart 1, metric 16). This is the percentage of insurance premium collected that goes towards compensating victims of road traffic accidents caused by uninsured drivers and unidentified vehicles.

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<sup>11</sup> The Motor Insurers' Bureau of Ireland (MIBI) is the body in Ireland tasked with meeting the EU requirement of compensating victims of accidents caused by uninsured and unidentified vehicles. Claims paid by the MIBI account for approximately 7% of all motor insurance claims paid by value (CIWG Report).

## PART 3 – Other Relevant Information

### Claims Trends

#### Claims Frequency and Volume

The frequency of injury claims<sup>12</sup> did not change significantly over the six years. The data provided shows an unusual movement in 2012 with an increase of 12% immediately followed by a reduction again in 2013 of 12%. Injury claim frequency increased by 3% since 2014 (Chart 2). On average, injury claims frequency averaged 0.85% since 2011.

For every million vehicle years, there are on average 8,494 motor injury claims. This compares favourably with the 10,537 motor injury claims per million vehicle years reported in the UK in 2015 according to the Third Party Working Party report<sup>13</sup>. It is challenging to get consistency in defining this statistic consistently as different providers may classify non-nil injury claims differently, for example. Given that, injury frequency appears to have been trending upwards slowly since 2014. See Graph 5 below.

With regard to reported claims count, it is difficult to compare changes over this time period due to the changing volume of business included in the sample, however based on the data received the number of recorded private motor injury claims has reduced by 1% since 2014 (Chart 2). This was impacted by the reduction in number of earned vehicle years<sup>14</sup> in our sample which reduced by 3.5% over this period.

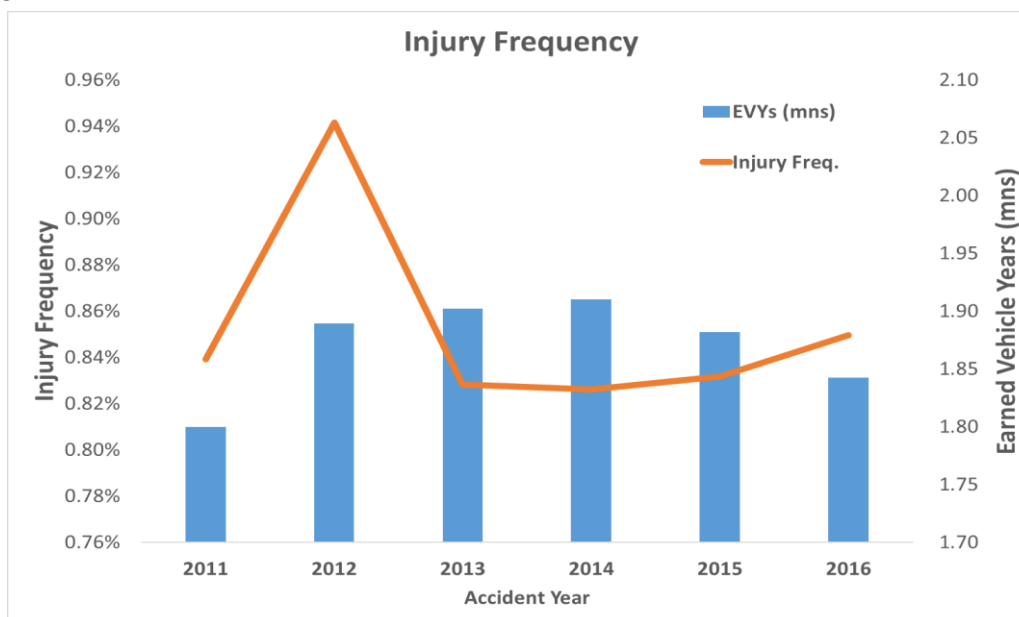
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<sup>12</sup> Injury claim frequency is defined here as injury claim numbers reported as a percentage of earned vehicle years. This statistic may be impacted by any change in the time between accident date and notification date of injury claims.

<sup>13</sup> Update from the Third Party Working Party by Simon Black and Robert Treen 29 September 2016, <https://www.actuaries.org.uk/documents/a5-update-third-party-working-party-latest-trends-personal-motor-bodily-injury-and-property-damage>

<sup>14</sup> This refers to the exposure to risk measured in vehicle years (i.e. one vehicle year of exposure equals one vehicle on full cover for one year or two vehicles for six months).

Graph 5



## Settlement Channels and Legal Costs (2013 – 2016)

### Settlement Channels

Insurance Ireland data suggests that the percentage of personal injuries claims for private motor business settled pre-PIAB or during the PIAB process has fallen from 56% in 2013 to 52% in 2016. This has been offset by an increase in the percentage of injury claims settled following a PIAB process or by way of a court awards from 44% to 48%. The percentage of injury claims settled during the PIAB process has increased from 11% in 2013 to 12% in 2016 (Chart 4a).

### Compensation Paid

Insurance Ireland data suggests that total compensation paid for settled private motor personal injury claims between 2013 and 2016 has increased from almost €179 million to €205.5 million, an increase of almost 15%. This increase may have been caused by a change in underlying claim costs, a change in the market share of the companies sampled or a change in settlement patterns.

This equates to an average compensation per injury claim settled increasing from €22,091 in 2013 to €23,634 in 2016 (+7% approximately) (Chart 5b).

### Legal and Other Costs borne by insurers relative to Compensation Paid

Insurance Ireland data shows that legal and other costs for all closed injury claims can typically represent over 42% of the actual compensation amount paid to claimants. This has consistently averaged 24.9% for claimant legal costs and 17.5% for insurer (defendant) legal and other costs. We have assumed from Insurance Ireland’s data submission that ‘Claimant Legal Costs’ includes other (non-legal) costs incurred by the claimant as part of the claim settlement process as these would

regularly be handled by the Claimant's solicitor. We have assumed that 'Other Costs' primarily relate to non-legal costs incurred by insurers as part of claims defence (engineer, medical, actuarial reports etc.). Legal costs as a percentage of total compensation has remained relatively flat since 2013 (Chart 5a).

Based on 2016 data a typical compensation payment of €20,000 would have associated settlement costs of approximately 43% i.e. the cost of the claim to an insurer would be €20,000 in compensation, approximately €5,100 in claimant legal and other expenses, and €3,500 in insurer legal and other expenses – a total of €28,600.

### **Legal and Other Costs by Settlement Channel**

Insurance Ireland data shows that legal costs as a percentage of total compensation are significantly higher for post-PIAB settlements than pre-PIAB settlements and settlements made between insurers and claimants directly during the PIAB process. The vast majority of such costs occur post PIAB. Chart 6 illustrates the allocation of costs in the various settlement channels and demonstrates that legal and other costs as a percentage of total compensation across all of the channels are significantly higher for post-PIAB settlements/Court awards than pre-PIAB settlements and settlements that occur during the PIAB process<sup>15</sup>.

While not providing total compensation figures for each of the settlement channels, Chart 6 shows that in 2016, Legal and Other Costs accounted for 38.6% of total compensation paid for all settlements/awards across the channels, while pre-PIAB costs were 2.3% and during PIAB costs were 0.9%. The relevant figures are indicative only given that these costs may be impacted by the differences in the nature and complexity of claims that are settled through each channel and differences in the extent to which claimant legal costs are visible through each channel.

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<sup>15</sup> 'Claims settled during the PIAB process' refer to claims settled directly between insurer and claimant while that claim is being assessed by PIAB. Claims settled by PIAB have not been included in these metrics.

## PART 4 - Index of Tables

### Chart 1: Private Motor market – Key Metrics

(Based on returns for 98% of the Insurance Ireland private motor market in 2015 GWP terms)

Data in millions - Accident Year								
Metric No.	Metric Name	2011	2012	2013	2014	2015	2016	2011-2016
1	Gross Earned Premium (GEP)	867.5	858.5	787.7	836.5	865.2	1,025.0	5,240
2	Earned Vehicle Years (EVY)	1.80	1.89	1.90	1.91	1.88	1.84	11.22
3	Investment income	64.7	59.3	33.4	38.4	32.6	25.2	253.6
4	Expenditure (including Claims)	769.9	796.8	946.3	913.7	967.5	919.2	5,313.4
5	Commission expense	64.1	56.8	54.7	52.3	63.1	77.2	368.2
6	MIBI expense	39.3	37.7	38.5	52.1	50.5	42.2	260.3
7	Other (operating) expense	99.4	94.7	99.4	109.1	85.9	101.4	589.8
8 <sup>(1)</sup>	Claims	567.1	607.7	753.7	700.2	768.0	698.4	4,095.1
9 <sup>(2)</sup>	GEP - Expenditure	97.6	61.7	(158.6)	(77.2)	(102.2)	105.8	(73.0)
10 <sup>(3)</sup>	GEP + Inv Income - Expenditure	162.4	120.9	(125.2)	(38.9)	(69.6)	130.9	180.6
11 <sup>(4)</sup>	Claims as % of GEP	65%	71%	96%	84%	89%	68%	78%
12 <sup>(5)</sup>	Expenditure (incl Claims) as % of GEP	89%	93%	120%	109%	112%	90%	101%
13 <sup>(6)</sup>	"Comm + Other Exp" as % of GEP	19%	18%	20%	19%	17%	17%	18%
14 <sup>(7)</sup>	Average Earned Premium (AEP)	482	454	414	438	460	556	467
15 <sup>(8)</sup>	Inv. Income as % of GEP	7.5%	6.9%	4.2%	4.6%	3.8%	2.5%	4.8%
16 <sup>(9)</sup>	MIBI as % of GEP	4.5%	4.4%	4.9%	6.2%	5.8%	4.1%	5.0%
17 <sup>(10)</sup>	GEP year-on-year change		-1.0%	-8.2%	6.2%	3.4%	18.5%	3.4%
18 <sup>(11)</sup>	AEP year-on-year change		-5.7%	-8.9%	5.8%	5.0%	21.0%	2.9%
19 <sup>(12)</sup>	DTTAS Motor Cycles + Cars	1.92	1.92	1.95	1.98	2.02	2.07	11.86
20 <sup>(13)</sup>	EVY as % of DTTAS vehicles	93.5%	98.5%	97.7%	96.4%	93.1%	89.2%	94.7%
21 <sup>(14)</sup>	Other expense as % of GEP	11.5%	11.0%	12.6%	13.0%	9.9%	9.9%	11.3%
22 <sup>(15)</sup>	Commission expense as % of GEP	7.4%	6.6%	6.9%	6.3%	7.3%	7.5%	7.0%

Metric No.	Metric Name	Formula / Description
1	Gross Earned Premium (GEP)	Written premium pro-rata'd to the years on cover - gross of reinsurance and commission
2	Earned Vehicle Years (EVY)	Vehicle numbers pro-rata'd to the years on cover
3	Investment Income	Insurer income received from investments by calendar year
4	Expenditure (including Claims)	Total claims and expenses outgo (including commission, operating expenses and MIBI)
5	Commission expense	Commissions paid to brokers to cover business acquisition costs
6	MIBI expense	Payments to MIBI to cover victims of accidents caused by uninsured/unidentified drivers
7	Other (operating) expense	Other expense - typically representing operating expense of insurers
8 <sup>(1)</sup>	Claims	4 - (5 + 6 + 7)
9 <sup>(2)</sup>	GEP - Expenditure	1 - 4
10 <sup>(3)</sup>	GEP + Inv Income - Expenditure	1 + 3 - 4
11 <sup>(4)</sup>	Claims as % of GEP	8 ÷ 1
12 <sup>(5)</sup>	Expenditure (incl Claims) as % of GEP	4 ÷ 1
13 <sup>(6)</sup>	"Comm + Other Exp" as % of GEP	(5 + 7) ÷ 1
14 <sup>(7)</sup>	Average Earned Premium (AEP)	1 ÷ 2
15 <sup>(8)</sup>	Inv. Income as % of GEP	3 ÷ 1
16 <sup>(9)</sup>	MIBI as % of GEP	6 ÷ 1
17 <sup>(10)</sup>	GEP year-on-year change	Year-on-Year % change of metric 1
18 <sup>(11)</sup>	AEP year-on-year change	Year-on-Year % change of metric 14
19 <sup>(12)</sup>	DTTAS Motor Cycles + Cars	Irish Bulletin of Vehicle Driver Statistics 2016, Table 1, Private Cars + Motor Cycle numbers
20 <sup>(13)</sup>	EVY as % of DTTAS vehicles	2 ÷ 19
21 <sup>(14)</sup>	Other expense as % of GEP	7 ÷ 1
22 <sup>(15)</sup>	Commission expense as % of GEP	5 ÷ 1



## Chart 2: The total number of Private Motor personal injuries claims recorded

(Based on returns for 98% of the Insurance Ireland private motor market in 2015 GWP terms)

Year	Injury claim count	Earned Vehicles	Claim frequency
2011	15,102	1,799,749	0.839%
2012	17,784	1,889,163	0.941%
2013	15,754	1,902,017	0.828%
2014	15,775	1,909,773	0.826%
2015	15,649	1,881,729	0.832%
2016	15,648	1,842,182	0.849%

## Chart 3: The total number of Private Motor personal injuries claims closed

(Based on returns for 70% of the Insurance Ireland private motor market in 2015 GWP terms)

YEAR	Injury settled count
2013	8,093
2014	9,446
2015	9,084
2016	8,695

### Chart 4: The total number of Private Motor personal injuries claims closed

(Based on returns for 70% of the Insurance Ireland private motor market in 2015 GWP terms)

Chart 4: Closed numbers by settlement channel (70%)

Settlement Year	Settled Pre-PIAB	Settled During PIAB	Settled Post-PIAB & <i>incl</i> Court Award	Total
2013	3,699	855	3,539	8,093
2014	4,472	892	4,082	9,446
2015	4,017	983	4,084	9,084
2016	3,507	1,012	4,176	8,695

Chart 4a: Closed numbers by settlement channel as % of total

Settlement Year	Settled Pre-PIAB (1)	Settled During PIAB (2)	Settled Post-PIAB & <i>incl</i> Court Award (3)	Settled during or Pre-PIAB (4)=(1)+(2)
2013	46%	11%	44%	56%
2014	47%	9%	43%	57%
2015	44%	11%	45%	55%
2016	40%	12%	48%	52%

**Charts 5 to 5b: Closed Private Motor personal injury claims**

- a) The total cost of compensation paid to claimants.
- b) The total legal costs involved in each of the years split by claimant, and own costs, etc.
- c) The total of other costs involved in each of the years (medical reports, actuarial reports, engineers' reports, etc).

(Based on returns for 70% of the Insurance Ireland private motor market in 2015 GWP terms)

**Chart 5: 70% of Insurance Ireland Private Motor Insurance Market 2015 in GWP Terms**  
Closed claim settlements by cost type (€mns)

Settlement Year	Compensation	Claimant Legal Costs	Insurer Legal Costs	Other Costs	Insurer Legal & Other Costs
	(1)	(2)	(3)	(4)	(5) = (3) + (4)
2013	178.8	44.3	16.8	14.8	31.6
2014	199.6	48.6	18.0	16.5	34.5
2015	206.4	51.6	19.0	17.0	36.0
2016	205.5	52.3	18.7	17.1	35.9

**Chart 5a: Legal and other costs as a % of Compensation**

Settlement Year	Claimant Legal Costs	Insurer Legal Costs	Other Costs	Insurer Legal & Other Costs	Total Legal & Other Costs
	(1)	(2)	(3)	(4) = (2) + (3)	(5) = (1) + (4)
2013	24.8%	9.4%	8.3%	17.7%	42.5%
2014	24.3%	9.0%	8.3%	17.3%	41.6%
2015	25.0%	9.2%	8.3%	17.5%	42.5%
2016	25.4%	9.1%	8.3%	17.5%	42.9%

**Chart 5b: Compensation and average compensation settlement**

Settlement Year	Compensation	Claim numbers	Average Compensation
2013	178,779,937	8,093	22,091
2014	199,562,084	9,446	21,127
2015	206,378,797	9,084	22,719
2016	205,494,177	8,695	23,634

**Chart 6. Breakdown of the settlement channels for Private Motor personal injury claim costs expressed as a percentage of the total cost of compensation paid to claimants**

**a) Cases settled pre PIAB.**

**b) Cases settled during the PIAB process (but excluding accepted PIAB awards).**

**c) Cases settled post PIAB process including Court awards**

(Based on returns for 70% of the Insurance Ireland motor market in 2015 GWP terms)

**Chart 6: Legal and other costs as % of compensation by settlement channel**

<b>Settlement Year</b>	<b>Settled pre-PIAB</b>	<b>Settled during PIAB (excluding PIAB awards)</b>	<b>Settled post-PIAB incl. Court Awards</b>
<b>2013</b>			
Claimant legal costs	0.8%	0.6%	23.4%
Insurer legal costs	0.2%	0.0%	9.1%
Insurer other costs	1.0%	0.2%	7.1%
<b>Total</b>	<b>2.0%</b>	<b>0.8%</b>	<b>39.6%</b>
<b>2014</b>			
Claimant legal costs	0.8%	0.7%	22.9%
Insurer legal costs	0.2%	0.0%	8.8%
Insurer other costs	1.1%	0.2%	7.0%
<b>Total</b>	<b>2.1%</b>	<b>0.9%</b>	<b>38.6%</b>
<b>2015</b>			
Claimant legal costs	0.9%	0.6%	23.6%
Insurer legal costs	0.2%	0.0%	8.9%
Insurer other costs	1.1%	0.3%	6.8%
<b>Total</b>	<b>2.2%</b>	<b>0.9%</b>	<b>39.3%</b>
<b>2016</b>			
Claimant legal costs	0.9%	0.5%	23.3%
Insurer legal costs	0.3%	0.0%	8.6%
Insurer other costs	1.1%	0.4%	6.7%
<b>Total</b>	<b>2.3%</b>	<b>0.9%</b>	<b>38.6%</b>