



Society of Actuaries in Ireland

**Joint Committee on Finance, Public
Expenditure and Reform, and Taoiseach**

Wednesday, 14th September 2016

About the Society of Actuaries in Ireland

- The Society of Actuaries in Ireland (“SAI”) is the professional body representing actuaries. The Society’s roles are:
 - To develop the role and standing of the actuarial profession in Ireland and enhance its reputation
 - To support actuaries throughout their career
 - To develop, maintain, and enforce actuarial standards
- The Society seeks to make an impartial contribution to public debate on social policy and public interest matters where an actuarial perspective can add value.

The Rising Costs of Motor Insurance (1)

- The premium that a customer pays today will discharge the claims that may be settled more than 10 years into the future. The length of time to settle a claim introduces uncertainty when the policy is being priced.
- Property damage claims are relatively predictable in terms of incidence and cost.
- Injury claims are subject to much greater levels of uncertainty.
- The key factors of the price of insurance are:
 - The total cost of claims, which in turn depends on the number of claims incurred and the average cost of individual claims
 - The insurance company's expenses including commissions
 - The insurance company's profit target

The Rising Costs of Motor Insurance (2)

- From the CSO statistics car insurance prices fell 27% between 2003 and the start of 2010.
- Since 2010, we have had:
 - Quinn going into administration in 2010;
 - RSA incurring a loss of €240m in 2013;
 - Setanta collapse, Court Awards changes, Russell Case in 2014;
 - Civil Liability Bill / PPOs, FDB €96m loss in 2015;
 - 42% increase in the number of Injuries Board awards for Motor Insurance.
- Three insurance companies required significant increases in reserves. This means that their pricing was too low over this period.
- This in turn, is backed up by the CBI statistics, which show motor underwriting losses of €20-€30+ per €100 premium for motor insurance in 2013 – 2015.
- Recent premium increases reflect the need to restore pricing to a level that provides better security for claim payments.
- Another part of the increase in costs is a higher degree of uncertainty in awards, driven by court and other changes.
- In addition to this, experience has been worse than expected (more claims and higher costs).

The Rising Costs of Motor Insurance (3)

- There has been some criticism of the lack of information on claims and market trends in the Irish motor insurance sector. This contrasts with the availability of information in the US and the UK.
- The Institute and Faculty of Actuaries (“IFoA”) has undertaken a market-wide analysis since 2010.
 - The annual analysis has highlighted key drivers of changes in insurance costs.
 - It has allowed the IFoA to provide valuable support to policy making, such as the 2013 Transport Select Committee investigation into whiplash claims.
- We have done initial work on the feasibility of the SAI performing a similar analysis here.
 - Considerations that we would need to address include getting access to data and financing and resourcing the work. We have received legal advice that there may be competition law considerations.
 - We note that Insurance Ireland is now starting a process to gather industry data. It may be that this data could be used to undertake a market-wide actuarial analysis.
- We believe that evidence-based research is vital to underpin informed policy making. We support the Minister’s call for greater transparency and we urge the government to commission an annual analysis similar to that performed in other jurisdictions. We believe that such an analysis should not just cover Industry data, but also data from the Injuries Board and Road Safety data.
- The SAI would be very happy to contribute to the design of such a study.