



Banc Ceannais na hÉireann
Central Bank of Ireland

Eurosystem

Private Motor Insurance Report 2

National Claims Information Database

November 2020

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Introduction

The Central Bank is publishing the National Claims Information Database (NCID) Private Motor Insurance Report in an effort to improve the overall transparency of the private motor claims environment. This is the second publication of the Private Motor Insurance Report.

Background

The National Claims Information Database (NCID) was established in order to improve transparency in the Irish insurance claims environment and to support data driven policy. The NCID was a recommendation of the Cost of Insurance Working Group (CIWG). Private motor insurance is the initial class of insurance in scope of the NCID.

Reporting Population

All insurers selling private motor insurance in Ireland were required to meet the same data submission requirements, regardless of country of authorisation. The insurers that submitted a return for year ending 31 December 2019 are listed in Appendix 2.

The Central Bank identified firms writing private motor insurance in Ireland with reference to the list of members of the Motor Insurance Bureau of Ireland (MIBI). All companies underwriting motor insurance in Ireland are required to be members of MIBI, as provided for under Section 78 of the Road Traffic Act, 1961. These firms were contacted and advised that they came under the scope of the NCID legislation.

The total earned premium for private motor insurance in Ireland in 2019 was €1.47bn. Parts 1-3 of this report are based on data from firms that insured 94% of the private motor insurance market in Ireland in 2019¹; Part 4 (settled claims) is predominantly based on 83% market coverage (with some exceptions which are noted); Part 5 of the report is based on 93% market coverage; and Part 6 of the report is predominantly based on 89% market coverage. Certain submissions were excluded from our analysis due to insufficient quality of, or granularity in, the data.

¹ As measured by the ratio of 2019 gross earned premium of included submissions to the 2019 gross earned premium of all submissions.

The market coverage for different statistics may change from one iteration of the report to the next. This may be due to changes in the reporting population (i.e. firms entering or leaving the market), or changes in the availability of data collected year-on-year. For this reason, it is recommended that trends over time are analysed within each report, rather than comparing across different iterations of the report. There may also be changes in the data over time due to insurers restating claims statistics of prior years.

Data Contained within the Report

The data collected for the purpose of this report relates to the time period up to 31 December 2019. Therefore, this year's report will not contain any information on the impact of COVID-19 on private motor insurance in Ireland.

Future Enhancements to the Report

The NCID private motor insurance data specification will continue to be expanded, increasing the insight that can be gained into the cost of claims in private motor insurance. The following enhancements are proposed for the next collection of the data:

- Collecting historical income and expenditure data. Currently data for two years of income and expenditure, 2018 and 2019, has been collected. To assess the profitability of the private motor insurance sector more comprehensively, there is a need for data over a longer time period.
- Collecting data on the impact of catastrophe weather events on the cost of claims. Over the course of the time series, there has been a number of significant weather events, which may have impacted on the number and cost of claims. We will endeavour to capture data on such events as part of the expansion of the return for 2021.
- Collecting data from firms on the quarter in which the accident was reported to the insurer, the quarter in which the accident occurred and the quarter in which the claim was settled. This data will enhance the accuracy of the duration to settlement of claims metric.

More detail on proposed enhancements can be found in Part 7 – Planned Enhancements to Data Specification.

Executive Summary

Overview of the Report

This report is organised as follows:

Part 1 examines claims related to motor accidents that occurred between 2009 and 2019.

Part 2 considers earned premiums for private motor insurance between 2009 and 2019.

Part 3 compares earned premiums and claims costs between 2009 and 2019.

Part 4 analyses how claims were settled between 2015 and 2019 and the various associated costs (claimant compensation, legal fees and other costs).

Part 5 gives a breakdown of insurers' income and expenditure for private motor insurance in financial years 2018 and 2019.

Part 6 analyses the change in the ultimate cost of claims from 2018 to 2019, and provides information on claim development patterns from 2009 to 2019.

Part 7 provides notes and information on the key terms and methodology employed in this report.

Appendices provide further information on the background to the NCID, reporting population and supporting data tables.

Note on the Grouping of Claims

Private motor insurance claims are discussed in Parts 1, 3, 4, 5 and 6 of this report. It is important to note that the claims discussed in Parts 1, 3 and 6 were collected on a different basis to the claims in Part 4, which in turn were collected on a different basis to the claims in Part 5. An explanation is provided below.

Accident year (Parts 1, 3 and 6): the year in which the accident occurred. It may take several years for all claims to be fully paid. In the interim period, insurers need to estimate how much it will ultimately cost to pay all claims that occurred in a particular accident year. This estimate is called the ultimate claims cost². Estimates of ultimate claims costs are regularly updated based on the most recent data available. The ultimate claims costs

² The concept of ultimate claims costs is explained in Part 7.

shown in this report were calculated as at 31 December 2019. Further information on ultimate claims costs is available in Parts 6 and 7 of this report.

Settlement year (Part 4): the year in which the final payment is made in respect of a claim. Claims settled in a particular settlement year may be in respect of accidents that happened in prior years.

Financial year (Part 5): the year for which financial accounts are stated. When stating the claims incurred in a financial year, insurers include: claims which were paid in the year; reserves that they put aside for claims that happened that year; and changes to the reserves put aside for claims that happened in previous years.

Private Motor Insurance Report 2 - Key Findings

Cost of Insurance 2009-2019	
Claims cost per policy	Claims cost per policy decreased 9% from 2009 to 2019, following: • ↓ 14% from 2009 to 2013; • ↑ 7% from 2013 to 2018; and • ↓ 1% from 2018 to 2019.
Premium per policy	Premium per policy increased 35% from 2009 to 2019, following: • ↓ 13% from 2009 to 2013; • ↑ 63% from 2013 to 2018; and • ↓ 4% from 2018 to 2019.
Premium levels by quarter	The average earned premium per policy was: • €431 in Q4 2013 (low point) • €714 in Q2 2018 (high point ↑66% from low point) • €653 in Q4 2019 (↓9% from high point)
Claims as % of premiums	Claims costs were on average 72% of premiums from 2009 to 2019: • High of 92% in 2014; • Low of 57% in 2017 and 2018. • 59% in 2019.

Claims frequency (claims count per policy)	Claims frequency decreased 45% from 2009 to 2019. Over this time: • Injury frequency ↓ 25% • Damage frequency ↓ 46% Claims frequency ↓ 5% between 2018 and 2019.
Cost per claim	Cost per claim increased 65% from 2009 to 2019. Over this time: • Cost per injury claim ↑ 53% • Cost per damage claim ↑ 6% Cost per claim ↑ 4% from 2018 to 2019.

Injury Claim Settlements 2015-2019

The nature or severity of the injury claims settled in the different channels could vary significantly. This should be borne in mind when comparing the cost and time of settling injury claims in the different channels.

Method of Claimant Settlement by Channel	% of injury claimants settled by channel: • 50% directly • 17% through PIAB • 33% through litigation
Method of Settlement (by Cost)	% of injury costs settled by channel: • 22% directly • 12% through PIAB • 67% through litigation
Direct Settlements	Average compensation €13,427 Average legal costs €1,397
PIAB Settlements	Average compensation €23,137 Average legal costs €716
Litigated Settlements	Average compensation €46,214 Average legal costs €23,409

Litigated Settlements <€100k	85% of claimants who settled injury claims through litigation during 2015 to 2019 settled for less than €100K. For these claimants: Average compensation €23,572 Average legal costs €14,949
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New Injury Claim Settlements Data for 2019

Method of Settlement³ by Channel	% of injury claimants settled by channel: • 39% before PIAB • 13% directly, after PIAB • 14% through PIAB • 31% through litigation, before a court award • 2% through litigation, with a court award
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Income & Expenditure 2019

2019 private motor revenue results⁴	Operating Profit was 10% of total income Combined Operating Ratio (COR)⁵ was 83% gross of reinsurance
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³ The different settlement channels are described in Part 4.

⁴ As some firms do not account for private motor insurance business separately, an income and expenditure statement was prepared on a proportioned basis.

⁵ The Combined Operating Ratio is a key measure of the profitability of an insurance business. It is defined in Part 5.

PART 1 - Claims

Data was collected on the number and cost⁶ of private motor insurance claims relating to accidents that occurred between 2009 and 2019. Data was collected separately for different types of claims: third party injury; accidental damage; fire & theft; third party damage; and windscreen.

Key Insights and Findings

The average cost of claims per policy reduced by 9% between 2009 and 2019. Costs decreased by 16% between 2009 and 2010, increased by 12% from 2010 to 2014, and decreased by 3% from 2014 to 2019.

Over this period 2009 to 2019, the average cost of an injury claim increased by 53% and the average cost of a damage claim increased by 6%.

Claims frequency reduced by 45% over the period 2009 to 2019. Injury claims frequency reduced by 25% and damage claims frequency reduced by 46%.

⁶ As calculated at 31 December 2019.

Total Claims

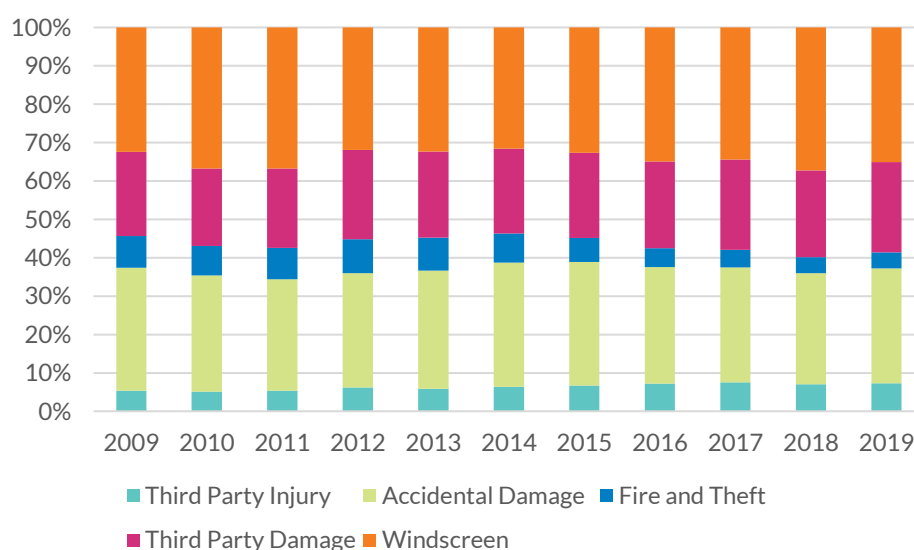
Table 1: Total ultimate claim costs and ultimate claim numbers for accident years 2009-2019.

Accident Year	Ultimate Claim Costs (€)	Ultimate Claim Numbers
2009	791,922,413	290,516
2010	625,436,646	250,398
2011	639,585,204	225,732
2012	684,296,204	219,936
2013	683,605,606	217,766
2014	746,152,723	214,786
2015	720,025,573	195,417
2016	728,908,429	182,134
2017	751,289,761	172,299
2018	792,613,082	183,940
2019	818,940,830	182,506

Table 1 shows the total ultimate claim costs and ultimate claim numbers for 94% of the private motor insurance market in 2019. It is estimated that the total claims cost for 2019 will be approximately €819m across 182,506 claims. This represents an increase of €26m in claim costs and a reduction of approximately 1,400 in the number of claims compared to the 2018 accident year.

Type of Claims

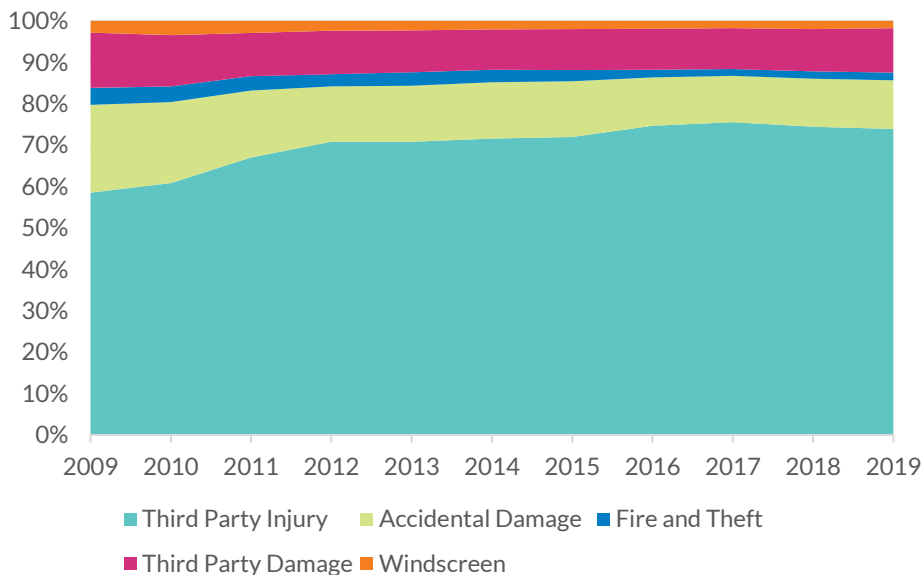
Figure 1: Percentage of ultimate claim numbers by claim type for accident years 2009-2019.



Damage claims (i.e. those relating to accidental damage, fire & theft, third party damage, and windscreen⁷) make up the majority of claims by number. Figure 1 shows that damage claims made up 93% of the total number of claims in 2019. This shows a 2% decrease from 95% in 2009.

Figure 2 shows the breakdown of insurers' total claims costs. Between 2009 and 2019, total injury claims costs accounted for 70% of the total cost of claims on average. Injury claims' share of the total costs increased over that time from 59% in 2009 to 74% in 2019. The increase was mostly realised by 2012, when injury claims accounted for 71% of the total claims cost. The relative contribution of injury claims costs to total claims costs was reasonably stable from 2012 to 2019.

Figure 2: Percentage of ultimate claims costs by claim type for accident years 2009-2019.



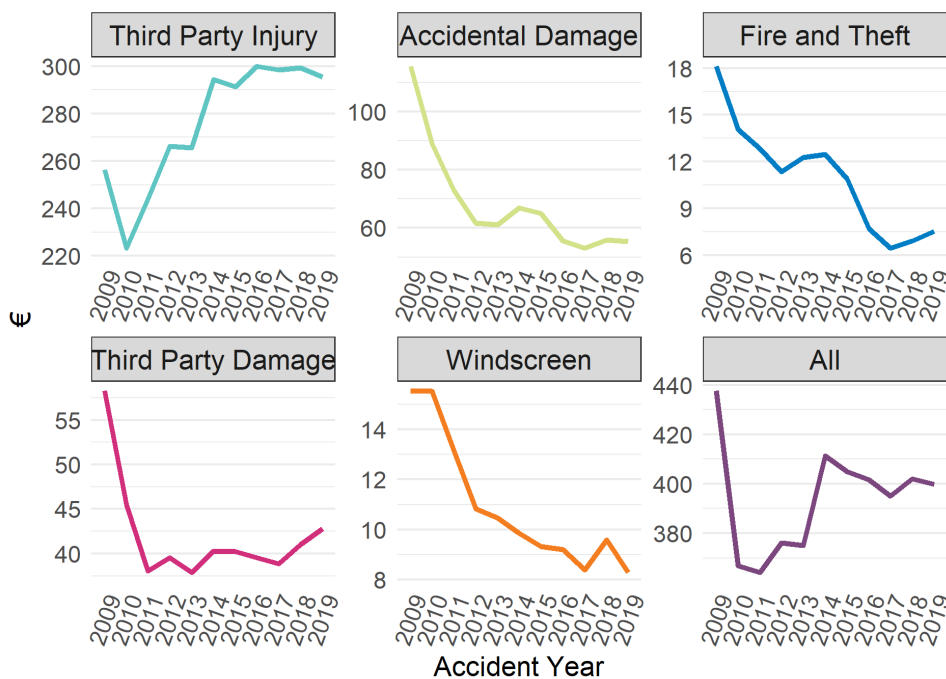
⁷ See Part 7 for descriptions of claim types.

Average Cost of Claims per Policy

Figure 3 shows the average cost per policy of each claim type⁸. Overall, the cost per policy of all claims reduced by 9% between 2009 and 2019.

Over this period, the average cost per policy decreased by 16% from 2009 to 2010, increased by 12% from 2010 to 2014 and then decreased by 2% from 2014 to 2018 and 1% from 2018 to 2019. The average cost per policy has remained relatively stable over recent years with a value of €400 in 2019.

Figure 3: Average cost per policy of each claim type for accident years 2009-2019.



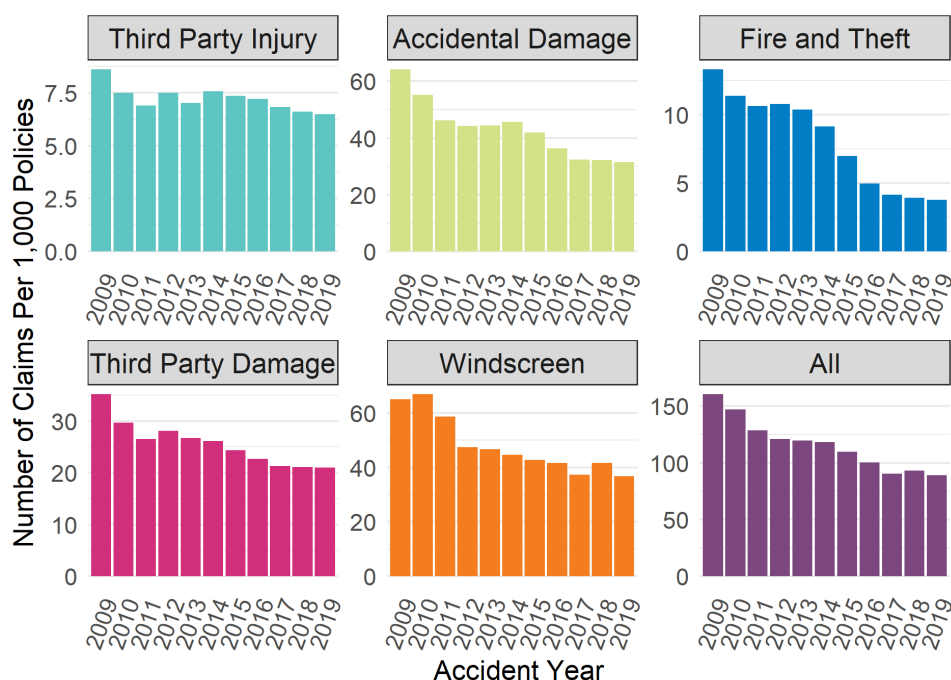
The overall increase in injury claims cost per policy was 15% from 2009 to 2019. The trend in the cost per policy of injury claims drives much of the aggregate trend as this makes up €295 of the average cost of claims per policy in 2019. The cost per policy of all damage claims decreased by 43% from 2009 to 2019.

⁸ The average cost is per the policy that covers the claim type in question.

Frequency of Claims

Figure 4 shows the number of each type of claim per 1,000 policies⁹. Between 2009 and 2019, the frequency of claims has decreased for all claim types. The overall frequency reduced by 45% over this period. This was mostly driven by a reduction in damage claims of 46%. Injury claims frequency reduced by 25% from 8.6 claims per thousand policies in 2009 to 6.5 claims per thousand policies in 2019.

Figure 4: Number of claims per 1,000 policies by claim type for accident years 2009-2019.



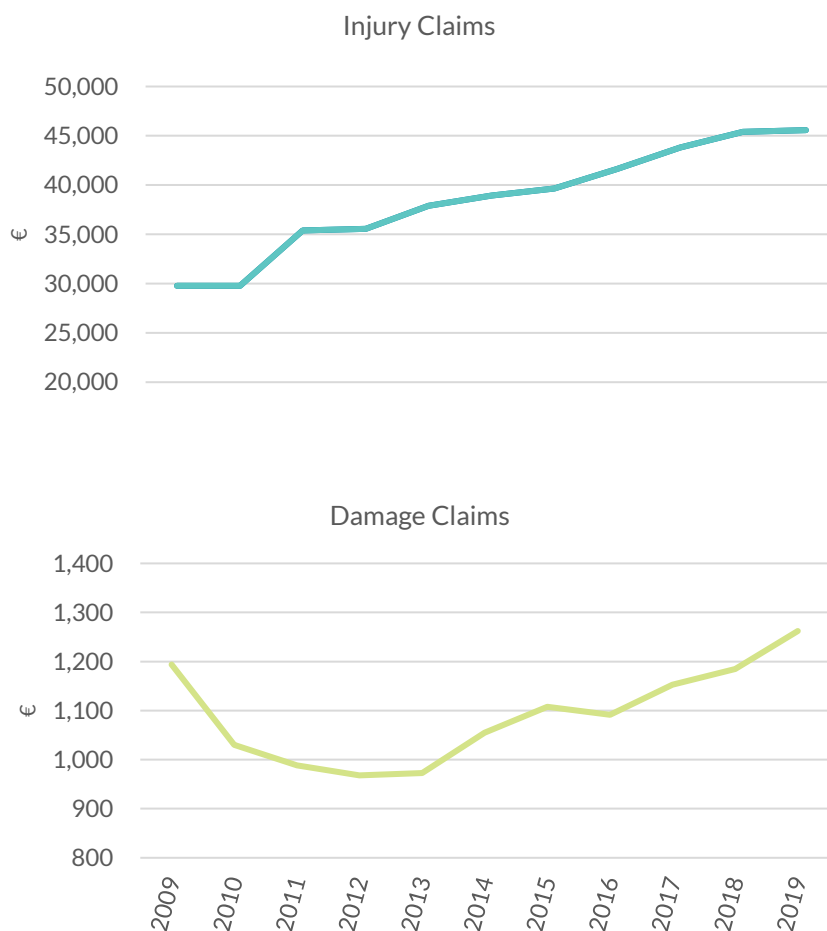
⁹ Note that not every policy will cover each claim type – e.g. accidental damage is only covered by comprehensive policies. The frequency by cover has been calculated as the average number of claims per policy that covers the claim type in question. The overall frequency per policy has been calculated as the average number of claims per policy, including all policies, regardless of coverage.

Average Cost of a Claim

Figure 5 shows the average ultimate cost per claim over the period for injury and damage claims. Overall, the average cost of a claim increased by 65% from €2,726 in 2009 to €4,487 in 2019.

The average cost of an injury claim increased by 53% from €29,780 in 2009 to €45,576 in 2019. The average cost of a damage claim increased by 6% from €1,194 in 2009 to €1,262 in 2019. However, there was a 19% decrease in the average cost of a damage claim from 2009 to 2013 followed by a 30% increase to 2019.

Figure 5: Average cost per claim of injury and damage claims for accident years 2009-2019.



PART 2 - Premiums

Data was collected on premiums and the number of policies between 2009 and 2019.

Key Insights and Findings

There are two distinct periods of pricing behaviour leading up to 2019:

- A period of falling premiums from 2010-2013, when premiums decreased by 15%.
- A period of increasing premiums from 2013-2018, when premiums increased by 63%.

The average earned premium per policy was €676 in 2019. This was 4% lower than in 2018 and 35% higher than in 2009.

On a quarterly basis, Q2 2018 had the highest average earned premium per policy at €714. This has since decreased by 9% to €653 in Q4 2019.

Total Premiums

Table 2 shows that for firms that insured 94% of the private motor insurance market in 2019, there were over 2 million earned policies and €1.38bn in earned premium collected in 2019. The earned policy count in past years is lower than shown for 2019. It should be noted that the proportion of the market captured in this data may be higher or lower in older years than it is in 2019.

Table 2: The total earned policy count and gross earned premium over 2009-2019.

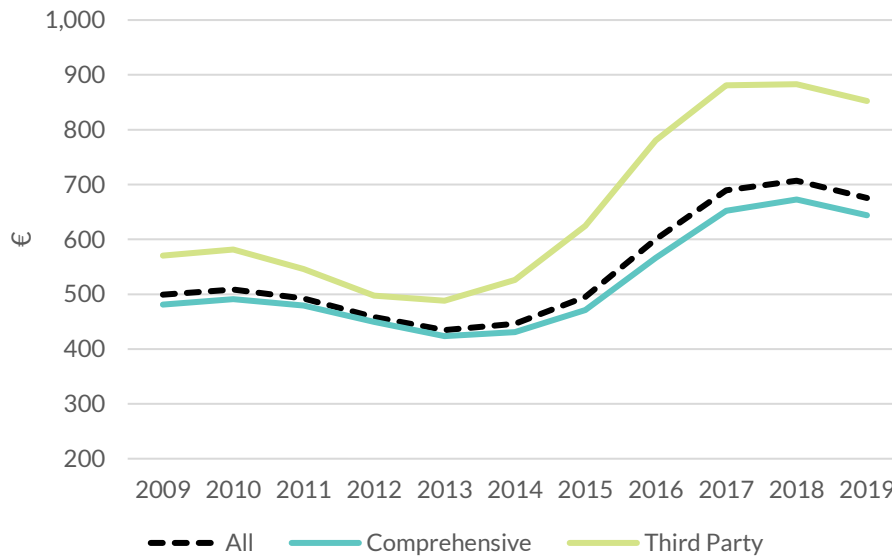
Year	Earned Policy Count	Gross Earned Premium
2009	1,808,919	902,525,078
2010	1,705,122	867,127,045
2011	1,756,789	864,976,740
2012	1,819,843	834,426,155
2013	1,822,745	792,147,139
2014	1,814,403	809,258,380
2015	1,778,122	880,799,200
2016	1,814,934	1,089,639,112
2017	1,902,012	1,311,924,910
2018	1,971,892	1,394,092,529
2019	2,048,683	1,384,217,891

Trends in Premium Costs

Figure 6 shows the average earned premium per policy¹⁰ for different levels of cover. Comprehensive cover accounted for at least 80% of policies in each year since 2009 (shown in Table 25, Appendix 3). For this reason, the average premium paid for all policies is significantly weighted by the average premium paid for comprehensive policies.

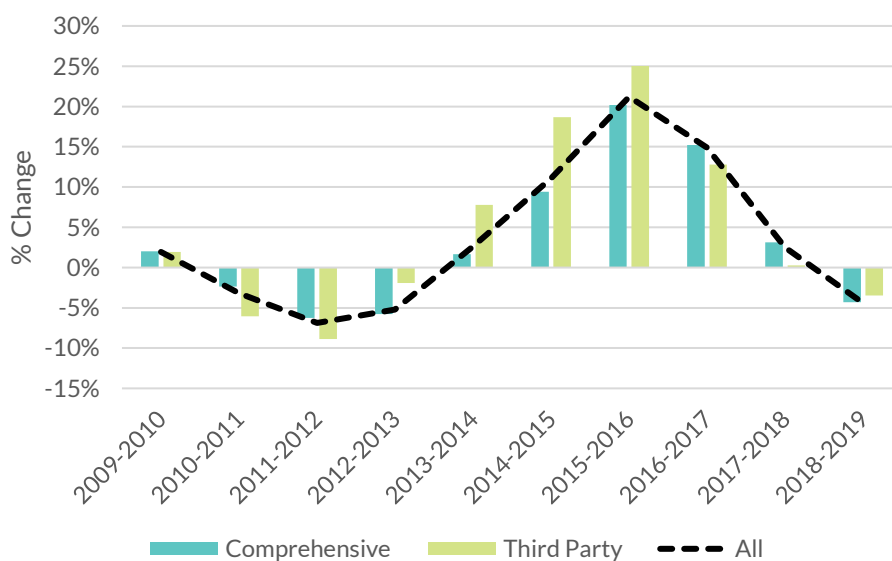
¹⁰ See Part 7 for an explanation of earned premium and policy count.

Figure 6: The average earned premium per policy for different levels of cover for years 2009-2019.



Overall, average earned premiums per policy increased by 35% from 2009-2019. This was characterised by two distinct periods: a period of falling premiums from 2010-2013, when premiums decreased by 15%; and a period of increasing premiums from 2013-2018, when premiums increased by 63%. Over the last year, the average earned premium has reduced by 4% to €676 in 2019. The year-on-year changes in average earned premiums are shown in figure 7 below.

Figure 7: Annual changes in average earned premium per policy for different levels of cover for years 2009-2019.



The cumulative increases in average earned premium per policy between 2013 and 2018 are more pronounced for Third Party policies (+81%) than for comprehensive policies (+59%). However, comprehensive policy premiums drive the overall trend, as they account for 83% of all policies on average each year. The vast majority of third party policies include cover for fire and theft.

Figure 8: Quarterly average earned premium per policy for all policy types Q1 2009-Q4 2019.

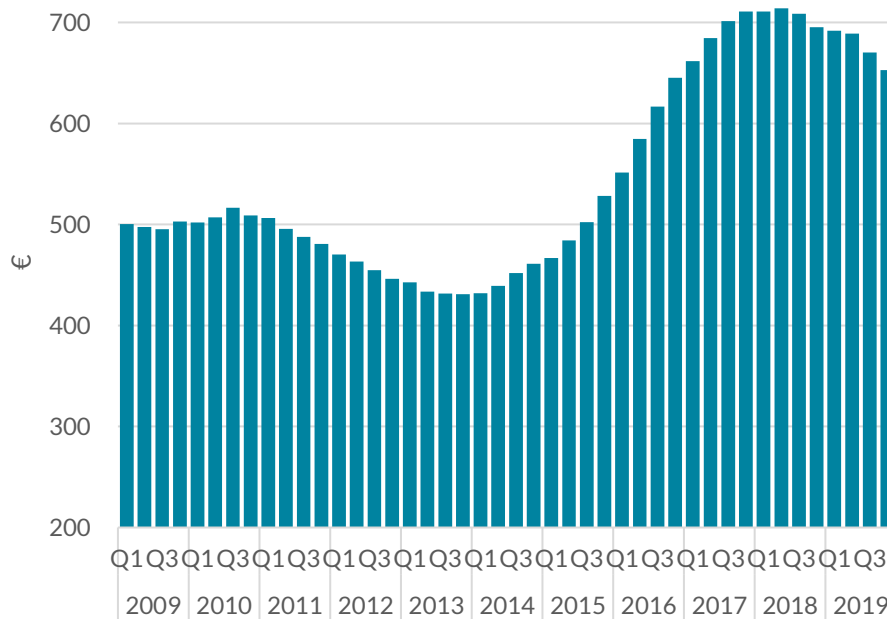


Figure 8 shows the average earned premium per policy across all policy types by quarter. The average earned premium increased by 66% from its lowest point of €431 in Q4 2013 to its highest point of €714 in Q2 2018. The average earned premium was largely flat from Q4 2017 to Q2 2018, varying between €709 and €714, suggesting that this was the peak of the underwriting cycle. It decreased by 9% from Q2 2018 to €653 in Q4 2019.

PART 3 - Comparison of Premiums and Claims Costs

This section compares premiums with expected claims costs¹¹ between 2009 and 2019. This shows how much of premiums insurers ultimately expect to pay out in claims.

Key Insights and Findings

The industry loss ratio (claims as a percentage of premiums) averaged 72% between 2009 and 2019. This reached a high of 92% in 2014 and a low of 57% in 2017 and 2018.

The industry loss ratio was 59% in 2019.

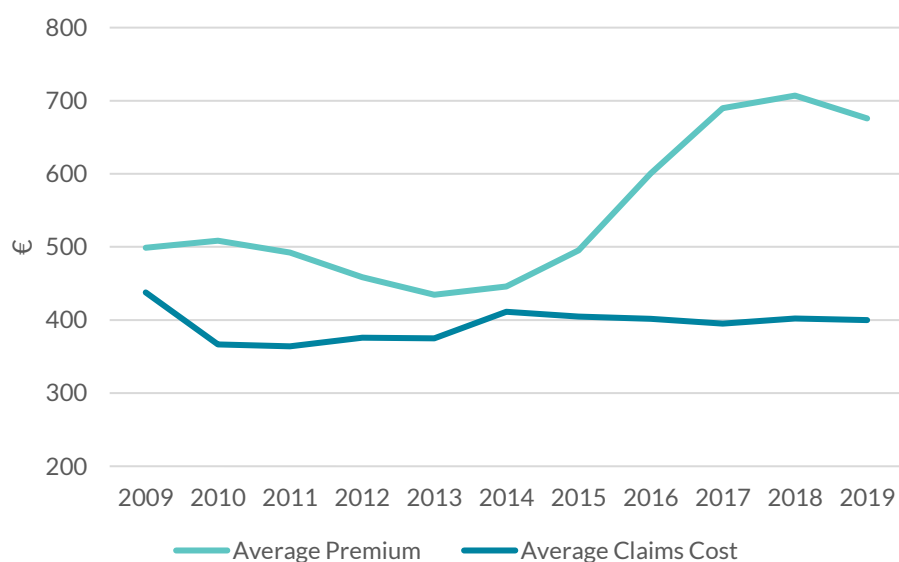
¹¹ Premiums and claims were collected and aggregated on the same accident year basis enabling a like-for-like comparison over time. Claims costs are insurers' latest view (as at 31 December 2019) for each of the eleven accident years.

Premiums and Claims Costs

The trends in claims costs shown in this Part are based on an estimate of claims costs calculated as at 31 December 2019. This may differ from the estimates that insurers made when setting their premium levels. The difference between the estimates calculated at 31 December 2018 and 31 December 2019 are shown later in Part 6.

Figure 9 compares the average cost of claims per policy to the average earned premium per policy. The cost of claims is just one element of the total cost to insurers of servicing insurance policies. Other costs that impact industry profitability include management expenses, commissions and reinsurance costs¹².

Figure 9: Comparison of the average earned premiums per policy and the average cost of claims per policy for accident years 2009-2019.



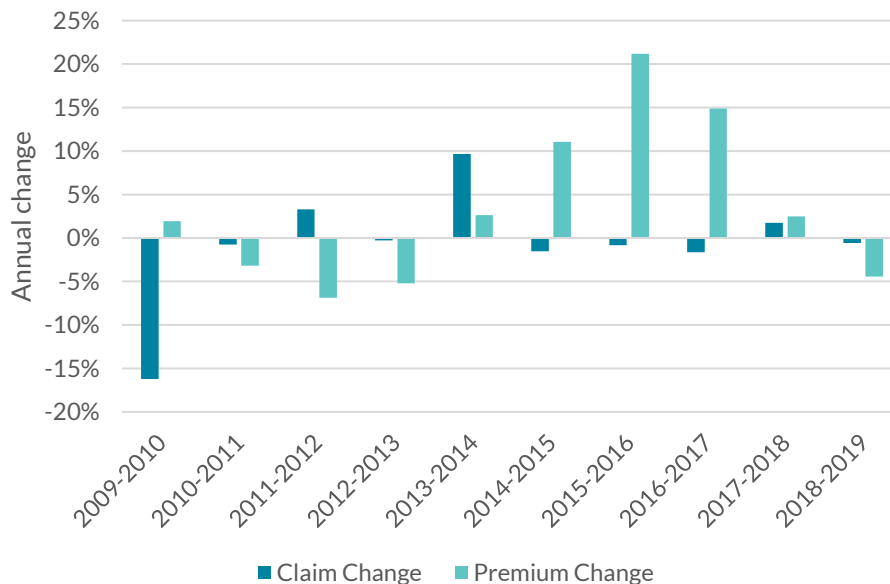
¹² These expenses are defined in Part 7.

To recap on Parts 1 and 2:

- Between 2009 and 2019, the average annual gross earned premium per policy increased by 35%; the average cost of claims per policy reduced by 9% over this time.
- 2013 was the lowest point for average earned premiums over the eleven year period, having decreased by 13% from €499 in 2009 to €435 in 2013. Premiums started to increase again in 2013, increasing by 63% to an average of €707 in 2018. Premiums have decreased by 4% since 2018, to an average of €676 in 2019.
- Average claims cost per policy reduced by 14% from €438 in 2009 to €375 in 2013, and increased by 7% to €402 in 2018. There was little change in the average claims cost per policy in 2019, when it stood at €400. Both changes in claims cost per policy were realised mostly in a single year (i.e. in 2010 and 2014).

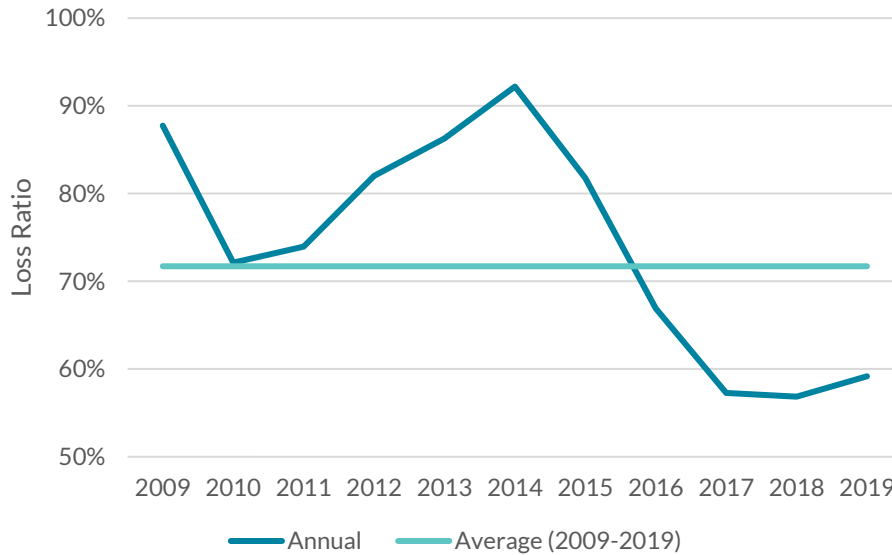
Figure 10 provides a year-on-year comparison of changes in annual premiums and the ultimate cost of claims.

Figure 10: Year-on-year changes in average expected ultimate claims costs and average premiums per policy for accident years 2009-2019.



Between 2009 and 2019, claims costs have been on average 72% of premiums earned. As per Figure 11, the loss ratio (claims as a percentage of premiums) peaked in 2014 at 92%. By 2018, this had reduced to 57% and has since increased slightly to 59% in 2019.

Figure 11: The ratio of ultimate claims costs to earned premiums (loss ratio) for accident years 2009-2019.



The relative trends in claims costs and premiums observed between 2009 and 2019 are indicative of an underwriting cycle. This cycle, with peaks and troughs in premiums, reserves and profitability, is a feature of all insurance markets but appears to be particularly pronounced in Ireland¹³.

¹³ The Underwriting Cycle is described in more detail in Part 7.

PART 4 – Claim Settlements

Data was collected on claimants who settled claims between 2015 and 2019. The number of claimants and the aggregate cost of settling their claims was collected by claim type and settlement channel. This gave insight into trends in the settlement channel used, and the various costs associated with settling claims.

Key Insights and Findings

50% of all injury claimants settled directly over the five years 2015-2019; 17% settled through PIAB; and 33% settled through litigation.

22% of injury settlement costs were attributable to directly settled claims over the period, 2015-2019; 12% to claims settled through PIAB; and 67% to claims settled through litigation.

Average settled costs between 2015 and 2019 for injury claims:

- Direct: compensation was €13,427 and legal was €1,397
- PIAB: compensation was €23,137 and legal was €716
- Litigated: compensation was €46,214 and legal was €23,409

Average settled costs between 2015 and 2019 for injury claims settled through litigation for less than €100K (85% of claimants):

- Compensation was €23,572 and legal was €14,949

The new data collected for this year's report shows us that of the claimants who settled injury claims in 2019:

- 39% settled directly, before PIAB
- 13% settled directly, after PIAB
- 14% settled through PIAB
- 31% settled through litigation, before a court award
- 2% through litigation, with a court award.

Data available on Settlement Channels

The settlement channels analysed in the report have been expanded. For claims settled in 2019, claims were split into five settlement channels:

- **Direct before PIAB:** Claims settled directly between claimant and insurer before PIAB involvement and before the initiation of legal proceedings.
- **Direct after PIAB:** Claims settled directly between claimant and insurer after PIAB involvement but before the initiation of legal proceedings.
- **PIAB:** Claims settled through the Personal Injuries Assessment Board (PIAB).
- **Litigated before Court Award:** Claims settled following the initiation of legal proceedings, but which did not proceed to an award set by a judge.
- **Litigated with Court Award:** Claims settled following the initiation of legal proceedings, for which the compensation award was set by a judge.

For years 2015 to 2018, claims are split into three settlement channels only:

- **Direct:** both before and after PIAB.
- **PIAB**
- **Litigated:** both before and with court award.

The least complex claims are expected to be settled early between a claimant and insurer. If settlement is not reached, all injury claims then pass through PIAB. PIAB calculates compensation amounts using the ranges set out in the Book of Quantum¹⁴, with additional consideration given to any financial loss incurred by the claimant. PIAB releases cases where an insurer/claimant does not consent to PIAB assessing the case, the injury is of a nature that is not appropriate for PIAB to assess, or an insurer/claimant rejects PIAB's award. In these instances, the claimant may pursue the case through litigation. It is common for complex cases or claims where liability is contested to be settled through litigation.

¹⁴ The Book of Quantum provides data on the range of compensation payment for an assortment of injuries, based on actual figures from court cases, insurance company settlements, State Claims Agency cases and Personal Injuries Assessment Board (PIAB) data. It provides compensation ranges for six categories and 34 sub-categories of injury, and for four levels of injury severity.

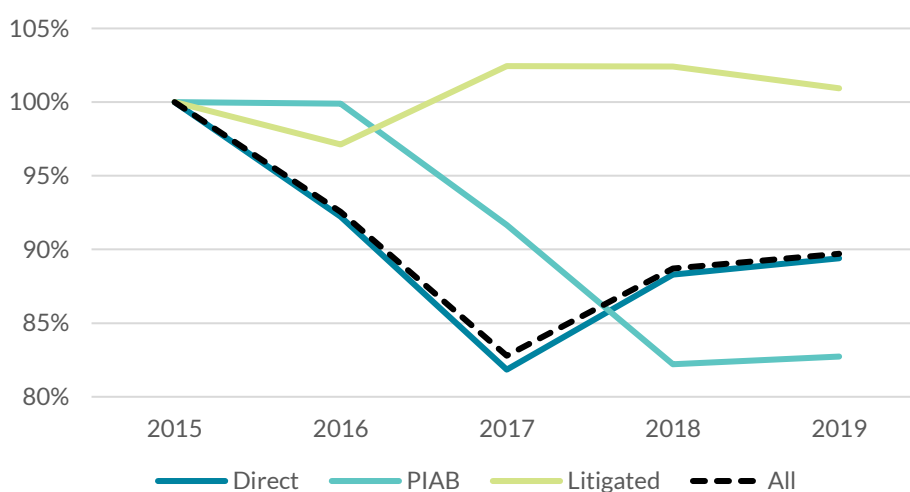
Settlement of Claims

Table 3: Total number of claimants settled and total cost of settlements for settlement years 2015-2019.

Settled Year	Number of Claimants Settled	Total Settled Cost (€)
2015	139,011	605,974,892
2016	128,664	594,456,753
2017	115,087	638,016,362
2018	123,297	630,776,149
2019	124,686	680,424,336

Table 3 shows the total number of claimants that settled, and the total cost of claimant settlements, based on firms that insured 83% of the private motor insurance market in 2019. It can be seen that the cost of claims that settled in 2019 totalled approximately €680m, and this was spread across 124,686 claims.

Figure 12: Change in the number of claims settled per annum, compared to 2015.



The overall number of claimants who settled claims decreased by 10% from 2015 to 2019. As can be seen in Figure 12, there was a 17% reduction between 2015 and 2017; this was followed by a 7% increase between 2017 and 2019.

Between 2015 and 2019 there was an 11% reduction in directly settled claims, a 17% reduction in claimants settling through PIAB and a 1% increase in settlements through litigation.

Table 4 shows the breakdown of claimant numbers and claimant costs between the different settlement channels.

Table 4: Breakdown of claimant numbers and claim costs, for all claim types, between the different settlement channels for settlement years 2015-2019.

Years	2015	2016	2017	2018	2019
Settled Claimant Numbers					
Direct	94%	94%	93%	94%	94%
PIAB	2%	2%	2%	2%	2%
Litigated	4%	4%	5%	4%	4%
All	100%	100%	100%	100%	100%
Settled Claim Costs					
Direct	44%	43%	38%	41%	44%
PIAB	9%	10%	9%	8%	7%
Litigated	46%	46%	54%	51%	49%
All	100%	100%	100%	100%	100%

During the period from 2015 to 2019, 94% of claimants settled directly with the insurer, 2% settled through PIAB and 4% settled through litigation. Over this period, 42% of total claim costs were settled through the direct channel, 9% through PIAB and 49% through litigation.

90% of claimants over the period made damage claims, which would seldom require PIAB or court assessment. 99% of damage claimants settled directly with the insurer.

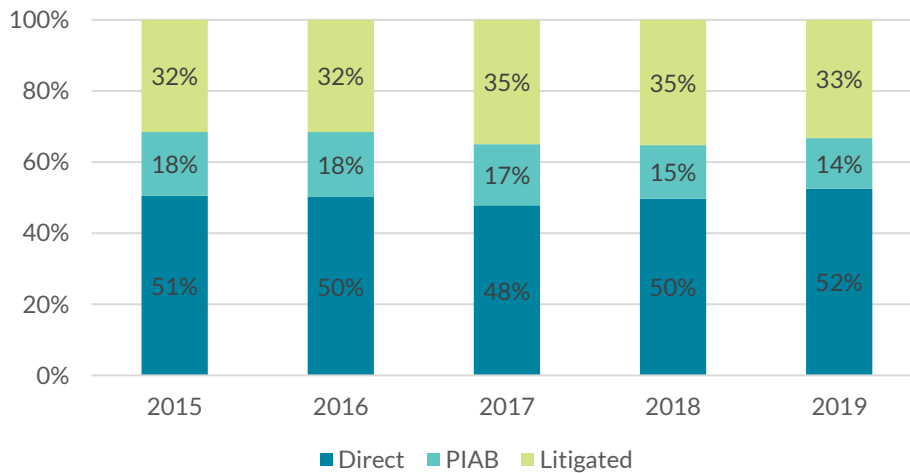
10% of claimants who made claims between 2015 and 2019 made injury claims. These claimants accounted for 73% of total settlement costs in the same period.

As a result of their significance in total claim costs, the remainder of Part 4 focuses mainly on injury claims. This allows for a more consistent comparison of claims settled through each settlement channel.

Settlement of Injury Claims

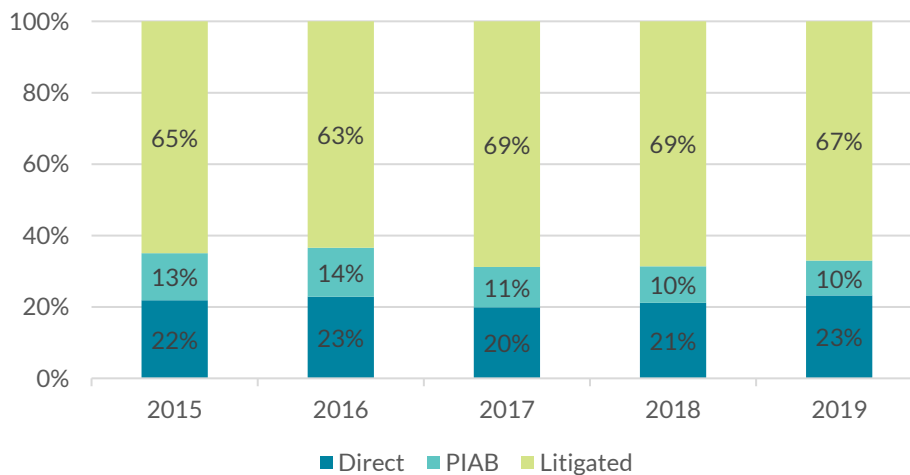
Half of all injury claimants settled directly with the insurer in years 2015 to 2019, as illustrated in Figure 13. The proportion of claimants who settled via litigation was 33% over this period, and the proportion who settled through PIAB was 17%.

Figure 13: The proportion of injury claimants who settled through each settlement channel in years 2015-2019.



Between 2015 and 2019, injury claimants that settled directly (50%) accounted for 22% of total settlement costs; injury claimants that settled through litigation (33%) accounted for 67% of settlement costs; injury claimants that settled through PIAB (17%) accounted for 12% of settlement costs.

Figure 14: The proportion of total cost to insurers of settling injury claims in each of the settlement channels in settlement years 2015-2019.



As can be seen in Figure 14, litigated settlements have become a larger component of total injury settlement costs since 2017 than they were in 2015 and 2016. PIAB settlements have become a less material component, decreasing from 13% to 10% of costs from 2015 to 2019.

Figure 15: The proportion of settled claimants and total cost of injury claims through each of the five settlement channels in 2019.

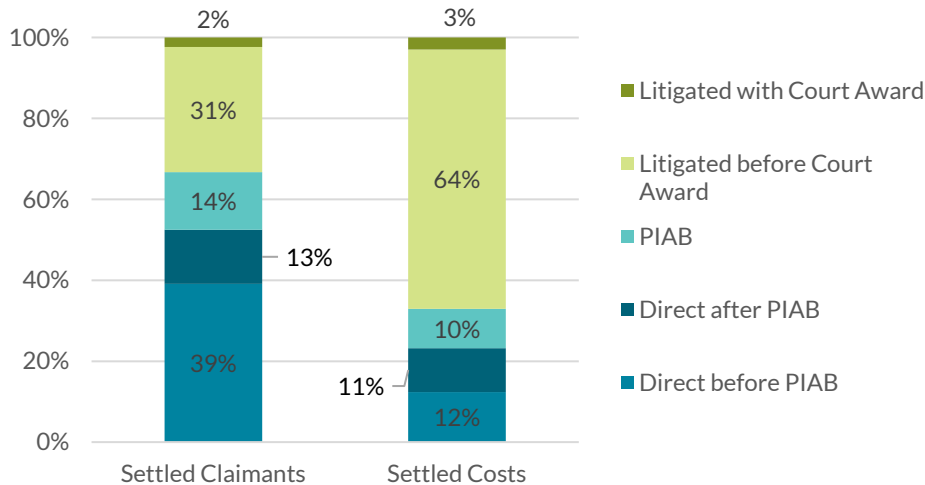


Figure 15 shows the proportion of settled injury claimants and costs that went through the five settlement channel split in 2019. The 52% of claimants that settled directly in 2019 can be divided into 39% that settled directly before PIAB involvement, and 13% that settled directly after PIAB involvement (but before the initiation of any legal proceedings).

The 33% of claimants that settled through litigation in 2019 can be divided into 31% that settled before a court award and 2% that settled with a court award.

It can be seen that while 39% of claimants settled directly before PIAB, only 12% of total settlement costs were attributable to this channel. Litigated claims that settled before a court award accounted for 64% of total settlement costs.

Distribution of Injury Claim Settlements ¹⁵

Figure 16 shows the distribution of claimants across settlement channels for different bands of total settlement cost.

It can be seen that a high proportion of claims in the lowest settlement cost band are settled directly, which decreased as claim settlement amounts increased. The proportion of claimants that settled through PIAB was at its highest at 30% of settlements in the €15,001 - €30,000 band.

Litigated settlements accounted for a low proportion of claimants in the lower claim size bands. This ratio increased to 100% for settlements in excess of €1m.

Figure 16: The proportion of injury claimants that settled in each channel, by settlement cost band in years 2015-2019 collectively.

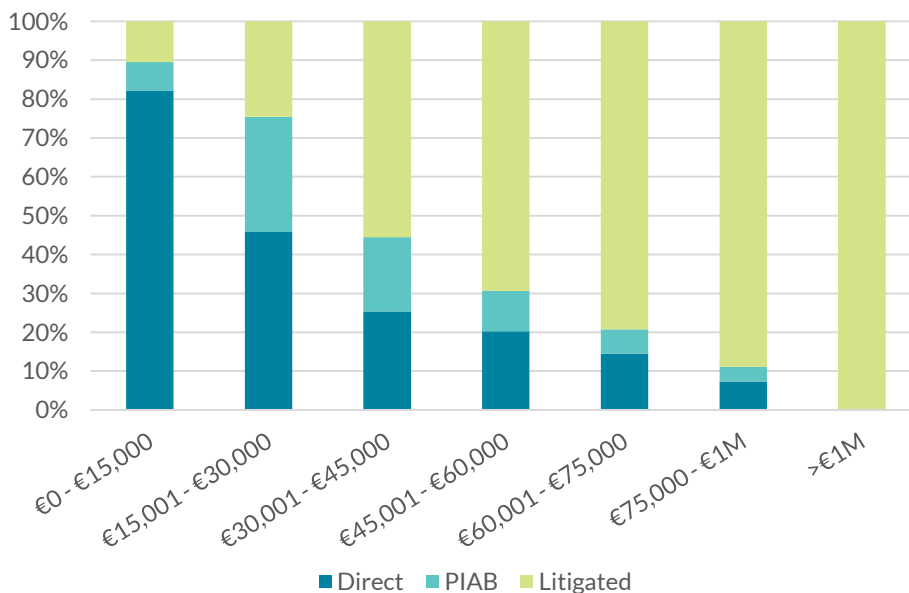


Figure 17 provides this breakdown using the five settlement channel split for 2019 only.

It can be seen that claims settled directly before PIAB make up the majority of direct claims in the lowest claim size bands. The proportion of claimants that settled directly after PIAB was at its highest (at 22%) in the €30,001 - €45,000 claim size band.

The proportion of claimants that settled through litigation before a court award increased as claim settlement amounts increased, with more than

¹⁵ The statistics in this section are based on data from firms that insured 71% of the private motor insurance market in Ireland in 2019.

50% of claimants settling through this channel for each claim size band above €30,000.

Claimants who settled through litigation with a court award accounted for between 1% and 3% of claimants in each band up to €1m, while there were no claimants who settled for greater than €1m in this channel (based on 71% market coverage).

Figure 17: The proportion of injury claimants that settled in each channel, by settlement cost band in 2019.

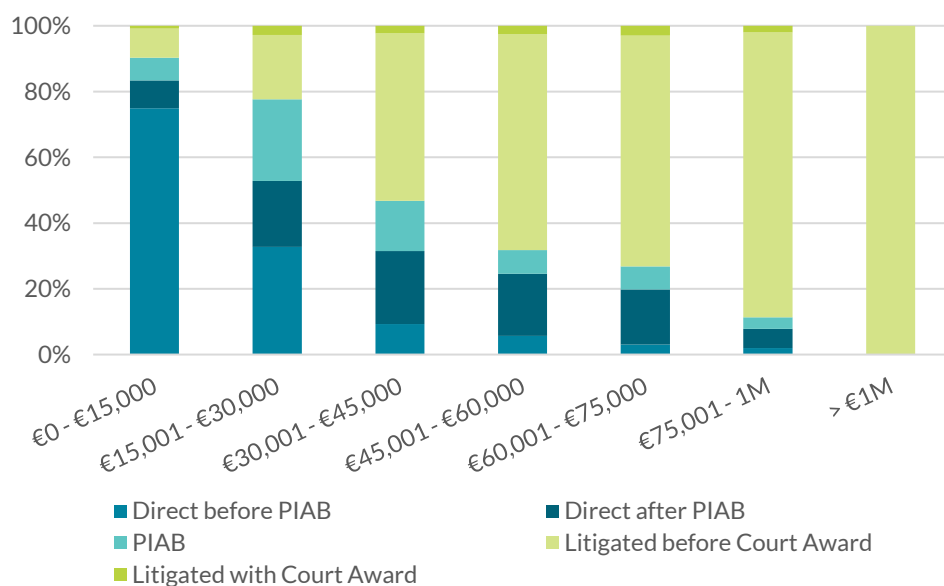


Table 5 shows the split of total claims across the different value bands and settlement channels. It can be seen that the highest proportion of claims are found in the €0 - €15,000 settlement cost band for 2015 to 2019. 70% of claimants had a total settlement cost less than or equal to €30,000.

Table 5: The proportion of injury claimants settled in each settlement cost band and settlement channel, for years 2015-2019.

Band	Direct	PIAB	Litigated	All
€0 - €15,000	32%	3%	4%	39%
€15,001 - €30,000	14%	9%	8%	31%
€30,001 - €45,000	3%	2%	7%	12%
€45,001 - €60,000	1%	1%	4%	5%
€60,001 - €75,000	1%	0%	3%	3%
€75,000 - €1M	1%	0%	8%	9%
>€1M	0%	0%	0%	0%
All Bands	51%	15%	33%	100%

Taking €30,000 as a benchmark settlement cost, it can be seen that there was a shift towards higher claims costs from 2015 to 2019. The number of claims costing less than €30,000 to settle decreased over the period, and the number costing more than €30,000 to settle increased. In 2015, 43% of litigated settlements cost less than €30,000, while in 2019, only 32% of such settlements cost less than €30,000. This trend is also visible for direct and PIAB settlements, as seen in Table 6.

Table 7 shows these proportions for the five settlement channel split for 2019 only.

Table 6: Proportion of injury claimants settling for less than €30k.

Channel	2015	2016	2017	2018	2019
Direct	92%	91%	89%	89%	87%
PIAB	81%	78%	77%	77%	77%
Litigated	43%	36%	35%	32%	32%

Table 7: Proportion of injury claimants settling for less than €30k in 2019.

Settlement Channel	2019
Direct before PIAB	95%
Direct after PIAB	65%
PIAB	77%
Litigated before Court Award	30%
Litigated with Court Award	61%

Average Settlement Costs of Injury Claims

The nature or severity of the injury claims settled in the different channels could vary significantly. This should be borne in mind when comparing the cost and time of settling injury claims in the different channels.

Table 8 shows the average costs of settling injury claims per claimant, split into compensation paid to the claimant, legal fees and other costs¹⁶ (e.g. the cost of medical assessment).

Table 8: Breakdown of the average injury settlement costs in each settlement channel in the years 2015-2019.

Average Settlement Cost	Compensation €	Legal €	Other €	Total €
Direct				
2015	12,368	1,057	435	13,861
2016	13,384	1,210	506	15,100
2017	14,133	1,422	635	16,191
2018	13,648	1,505	610	15,764
2019	13,673	1,773	695	16,141
PIAB				
2015	22,133	459	999	23,591
2016	23,173	562	1,012	24,747
2017	23,895	776	967	25,639
2018	23,450	919	864	25,233
2019	23,177	957	721	24,856
Litigated				
2015	42,203	22,040	1,698	65,941
2016	42,434	22,241	1,764	66,439
2017	50,699	24,178	1,670	76,546
2018	46,950	23,492	1,712	72,154
2019	48,269	24,908	351	73,528

The average cost of settling injury claims has increased by 14% between 2015 and 2019: 16% in the direct channel; 5% in the PIAB channel; and 12% in the litigated channel.

Legal expenses are most significant for litigated settlements. They amounted to 51% of the compensation cost (or 33% of the total cost) for litigated injury claims, on average, in years 2015-2019. It should be noted that, the legal costs associated with settling claims via all channels may be

¹⁶ Note that “other costs” include recovery of costs in the case that another party is found (partially) liable for the claim. Large recoveries can lead to volatility in the average “other costs”.

understated as claimant legal costs are not always captured by the settling insurer.

Litigated settlements costing more than €100k account for 15% of claimants settling through litigation yet they account for 53% of total settlement costs in that channel. This category includes some very large settlements, which impact the average costs. Table 9 shows the average costs for claimants whose claims cost less than €100k to settle, in each of the three channels. This includes 85% of litigated claimants and 94% of all claimants who settled injury claims between 2015 and 2019.

Table 9: Breakdown of the average injury settlement costs, where the total cost of settlement is less than €100k, in the years 2015-2019¹⁷.

Average Settlement Cost	Compensation €	Legal €	Other €	Total €
Direct <€100k				
2015	11,627	940	471	13,037
2016	12,740	1,071	551	14,363
2017	13,212	1,244	703	15,159
2018	12,891	1,324	688	14,903
2019	13,144	1,581	766	15,491
PIAB <€100k				
2015	21,555	331	1152	23,039
2016	22,476	439	1,204	24,118
2017	22,815	507	1200	24,523
2018	22,737	604	1295	24,635
2019	22,206	791	918	23,915
Litigated <€100k				
2015	21,505	14,314	963	36,782
2016	23,617	14,788	1,070	39,475
2017	24,449	14,685	1,170	40,304
2018	24,517	15,111	1,073	40,700
2019	23,801	15,891	813	40,505

For years 2015-2019, the average compensation cost of these settlements in the litigated channel (€23,572) is considerably less than the overall average in the litigated channel (€46,214), but still significantly higher than the average for direct (€12,706) and marginally higher than for PIAB (€22,319).

¹⁷ The statistics in this table are based on data from firms that insured 71% of private motor insurance market in Ireland in 2019.

Table 10 shows the average costs of settling injury claims per claimant, using the 5-way settlement channel and cost type split, in 2019. Here, compensation costs are split into general damages and special damages, where general damages are those that compensate for non-monetary loss suffered by the claimant, e.g. pain and suffering; and special damages are those that compensate for financial loss, e.g. loss of earnings or medical expenses. Legal costs are split into the insurer's own legal costs and those of the claimant (third party) which were paid by the insurer. Third party legal costs may be understated as claimant legal costs are not always captured by the settling insurer.

Table 10: Breakdown of the average injury settlement costs by settlement channel, using the 5-way settlement channel and cost splits, for 2019¹⁸.

Average Settlement Cost (2019)	Comp - General Damages €	Comp - Special Damages €	Legal Own €	Legal Third Party €	Other €	Total €
All Claims						
Direct before PIAB	9,387	813	71	617	625	11,512
Direct after PIAB	21,754	2,107	280	4,655	920	29,717
PIAB	21,276	1,783	325	652	685	24,720
Litigated before Court Award	41,034	8,976	7,848	17,475	176	75,509
Litigated with Court Award	21,131	3,887	6,391	12,922	398	44,729
Claims <€100k						
Direct before PIAB	9,003	803	24	496	743	11,068
Direct after PIAB	20,822	1,710	153	4,383	864	27,932
PIAB	20,390	1,668	85	717	888	23,747
Litigated before Court Award	23,211	1,236	5,226	10,980	775	41,428
Litigated with Court Award	13,798	750	4,311	9,054	586	28,500

This shows that in 2019, claimants that settled directly after PIAB had an average total settlement cost of €29,717 compared to €11,512 for those

¹⁸ The statistics in this table relating to all claims and claims less than €100k are based on data from firms that insured 79% and 67% respectively of the private motor insurance market in Ireland in 2019.

that settled directly before PIAB, and €24,720 for those that settled through PIAB. Third party legal costs made up the largest difference between the average costs of claims settled through PIAB and directly after PIAB.

Claims that settled through litigation before a court award in 2019 had an average cost of €75,509 compared to €44,729 for those that settled with a court award. These averages reduced to €41,428 and €28,500 respectively when claimants that settled for greater than €100k were excluded.

For claimants that settled for less than €100k through litigation before a court award, legal costs totalled 66% of the compensation award (or 39% of total cost), split 21% own legal costs and 45% third party legal costs. For those settled with a court award, legal costs totalled 92% of the compensation award (or 47% of total cost), split 30% own legal costs and 62% third party legal costs.

Time to Settlement of Injury Claims

Settlement delay is the time lag between the accident happening and the claim being settled. For private motor business in general, 68% of all claimants have their claims settled in the same year that the accident occurred, and 89% by the end of the year after the accident. However, certain claims, and in particular injury claims, can take significantly longer to settle.

Table 11 shows the average number of years after the accident that claims were settled in years 2015 to 2019, which has been approximated¹⁹ based on the accident and settlement years of claims. Damage claims settled much faster than injury claims, with an average delay after the accident of 0.9 years and 2.9 years respectively. Of the injury claims, litigated claims took the longest to settle, with an average delay of 4.5 years. Injury claims settled directly had the shortest average delay at 1.9 years, followed by claims settled through PIAB at 2.6 years. Settlement delays increased slightly for injury claims over the period 2015 to 2019 in all settlement channels.

¹⁹Average settlement delay was approximated due to limited granularity in the data. Claims with the same accident year and settlement year were assumed to have 0.5 years settlement delay, with consecutive accident and settlement years to have 1.5 years settlement delay, etc. Claims with 15 years or more between accident year and settlement year (which were grouped together in the data) were assumed to have 15.5 years settlement delay. An enhancement to data collection for this metric has been proposed for the next iteration of the report and it is detailed in Part 7.

Table 11: The average time (years) since the claim event occurred, for claims settled between 2015 and 2019.

Years	2015	2016	2017	2018	2019	All Years
Injury Claims						
Direct	1.7	1.9	1.9	1.9	1.9	1.9
PIAB	2.4	2.5	2.6	2.7	2.9	2.6
Litigated	4.3	4.4	4.5	4.6	4.7	4.5
All Claims						
Injury	2.7	2.8	2.9	2.9	3	2.9
Damage	0.9	0.9	0.9	0.9	0.9	0.9

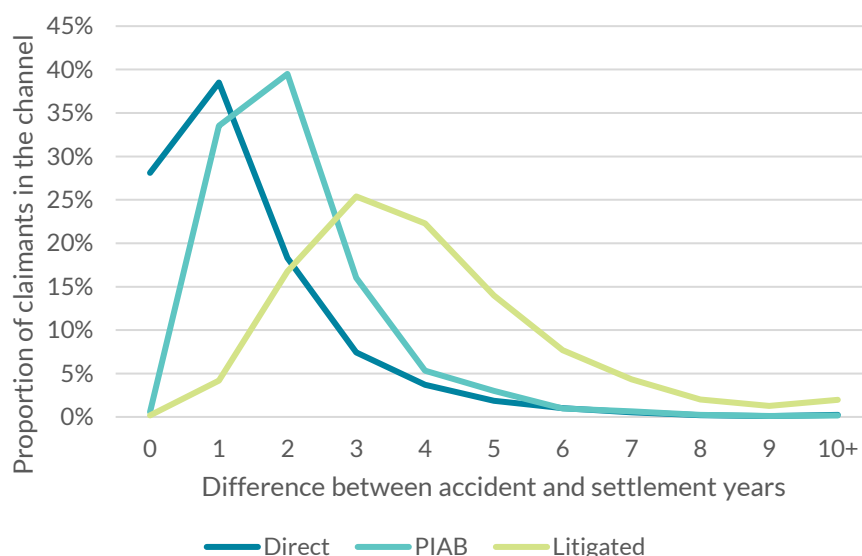
As can be seen in Table 12, claims settled directly before PIAB in 2019 had the shortest settlement delay (1.6 years). Claims settled directly after PIAB had a slightly shorter settlement delay on average (2.8 years) compared to those that were settled through PIAB (2.9 years). All claims that settle directly after PIAB have to first go through the PIAB process, therefore it is likely that the difference in settlement times is down to sampling anomalies. On average, claims settled through litigation before a court award and with a court award had the same settlement delay (4.7 years).

Table 12: The average time (years) since the claim event occurred, for injury claims settled in 2019.

Settlement Channel	2019
Direct before PIAB	1.6
Direct after PIAB	2.8
PIAB	2.9
Litigated before Court Award	4.7
Litigated with Court Award	4.7

Figure 18 shows the distribution of injury claims in each of the settlement channels across different settlement process durations. It can be seen that 85% of claimants who settled directly and 74% of claimants who settled through PIAB had their claim settled by the end of the second year after the accident year. However, only 21% of claimants who settled through litigation had their claim settled by this time.

Figure 18: Distribution of injury claimants by duration of settlement process, for injury claims settled between 2015 and 2019.



Litigated claims also have a greater spread of settlement delays. Although nearly half of claimants (46%) who settled through litigation had their claim settled in the first three years after the accident year, 17% of claimants took six or more years to have their claim settled. For both direct and PIAB, 2% of settlements took six or more years to settle.

Analysis of Damage Claim Settlements

Given that less than 1% of damage claims were settled via PIAB and litigated channels combined, comparison of damage claims by settlement channel was not meaningful.

Table 13: Average cost of settling damage claims in the years 2015-2019.

Cost Component (€)	2015	2016	2017	2018	2019
Compensation	1,439	1,421	1,426	1,502	1,681
Legal	10	10	8	8	7
Other	-20	-19	-12	-12	-28
Total	1,429	1,411	1,421	1,498	1,660

The average cost of settling damage claims has increased by 16% over the period 2015-2019, with an 11% increase from 2018 to 2019. This is driven by an increase in the average compensation cost. Legal and other costs are not a significant proportion of damage claim compensation. It should be noted that the negative other costs relate to recoveries from a third party (where they were found to be partially or wholly liable for the claim).

PART 5 - Income and Expenditure 2018 and 2019

Statements of income and expenditure were collected for private motor insurance for the 2018 and 2019 financial years. As this data is currently only available for two years, it does not give much insight into trends. These trends will start to emerge over the coming years as annual statements are collected and analysed.

Key Insights and Findings – 2019

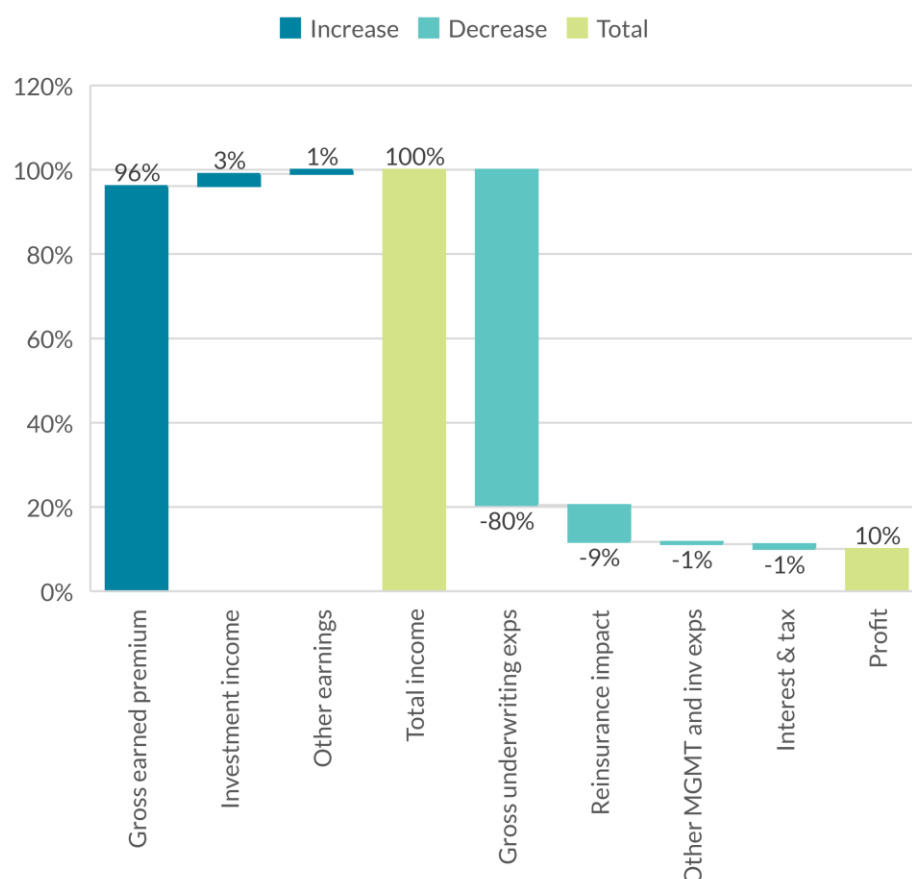
Insurers' Operating Profit was 10% of total income

The Combined Operating Ratio (COR) was 83% gross of reinsurance

Breakdown of Income and Expenditure

Figure 19 shows the total income, expenses and operating profit as a percentage of total income for 2019. Gross earned premiums accounted for 96% of income. The operating profit was 10% of total income.

Figure 19: Breakdown of total income and expenditure for 2019.



Combined Operating Ratio

A key ratio used by insurers to measure the underlying performance of their insurance business is the Combined Operating Ratio (COR). The COR describes insurance-related outgo as a proportion of income. This is defined as:

$$\text{COR} = \frac{\text{Claims incurred}^{20} + \text{Other underwriting expenses}^{21}}{\text{Earned premium}}$$

²⁰ Incurred claims include: claims paid in the year; reserves for claims which occurred in the year; and changes in reserves for claims which occurred in prior years.

²¹ Other underwriting expenses include: commissions; other acquisition costs; policy administration; and claims handling expenses.

The COR can be calculated either gross (before the effect) or net (after the effect) of reinsurance²².

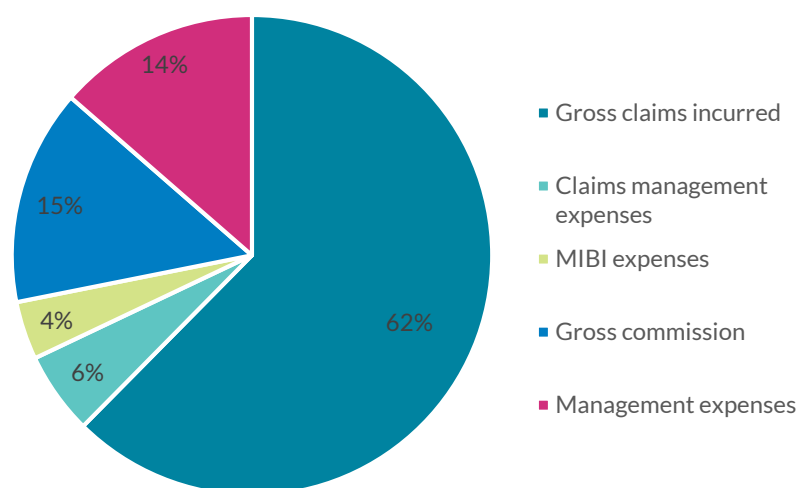
The 2019 gross COR was 83%; the net COR was 75%²³.

The reinsurance impact is the cost of paying premiums to reinsurers minus the value of claims and expenses recovered from reinsurers.

Figure 20 provides a breakdown of the costs included in the COR calculation. We can see that gross claims-related costs (i.e. claims incurred, claims handling expenses and Motor Insurance Bureau of Ireland (MIBI) costs²⁴) were the greatest expenditure, accounting for 72% of gross underwriting costs.

The other key underwriting expenses were commissions, which amounted to 15% of gross underwriting costs, and management expenses, which also amounted to 14% of gross underwriting costs.

Figure 20: Breakdown of the gross underwriting costs for 2019.



Management expenses are the expenses related to product development, system improvements, salaries to general managers, auditing costs and regular day-to-day costs i.e. electricity bill, rent for accommodations, and IT costs. The amount shown here is the share of total management expenses that have been apportioned to private motor insurance business.

²² Reinsurance is defined in Part 7.

²³ Net COR may be sensitive to the restructuring of firms and of reinsurance arrangements.

²⁴ The Motor Insurance Bureau of Ireland (MIBI) has the primary function of compensating victims of road traffic accidents caused by uninsured and unidentified vehicles. This is funded through a levy on firms that underwrite motor insurance in Ireland.

Table 14 and Table 15 show the information behind the graphs above for the 2019 financial year.

Table 14: Breakdown of total income and expenditure for 2019.

Category	2019
Income (€)	
Gross earned premium	1,365,822,689
Investment income	40,641,475
Other earnings	13,787,155
Expenses (€)	
Gross UW expenses	-1,130,257,741
Reinsurance impact	-123,432,867
Other expenses	-7,763,484
Interest & Tax	-16,657,398
Profit	
Profit (€)	142,139,829
Profit (%)	10%

Table 15: Breakdown of gross underwriting expenses for 2019.

Category	2019
Gross Underwriting Expenses (€)	
Gross Claims Incurred	705,327,641
Claims Management Expenses	62,709,222
MIBI Expenses	44,257,061
Gross Commission	164,337,346
Management Expenses	153,626,471
Total (€)	
Total - Gross UW expenses	1,130,257,741

Comparison of 2018 and 2019

Table 16: Comparison of measures of profitability for insurance business in 2018 and 2019.

Measure	2018	2019
Operating Profit	9%	10%
Gross COR	81%	83%
Net COR	88%	75%

It can be seen from Table 16 that operating profit as a percent of total income was 10% in 2019 compared to 9% in 2018.

Gross COR was 83% in 2019 compared to 81% in 2018.

The breakdown of operating profit as shown in Figure 19 was very similar for both years, with investment income making up a slightly larger proportion of total income in 2019 at 3% compared to 2% in 2018.

The COR does not take investment income into account and this was higher on a gross basis for 2019 than for the 2018 financial year, which indicates that underwriting costs were higher relative to earned premium on a gross basis. The net COR was lower for 2019 than it was for the 2018 financial year.

PART 6 – Claim Development

Data on the development of claims was collected for accident years 2009-2019. This data forms the basis for insurers' estimates of claim numbers and costs, as discussed in Part 1. As new data emerges, estimates are updated. This part discusses how estimates of ultimate claims costs have changed from 2018 to 2019. It also provides insight into the underlying claims development patterns.

Key Insights and Findings – 2019

In 2019, insurers' best estimate of total claims cost reduced by approximately €120m across accident years 2018 and prior.

As at 31 December 2019, 23% of the expected ultimate claim costs for accident year 2019 are paid, 43% are claim reserve estimates and 34% are estimates of the cost for claims that have not yet been reported.

Premium and Claims Cost: 2018 vs 2019²⁵

The trends in claims costs shown in Parts 1 and 3 of this report are based on estimates of ultimate claims cost²⁶ for each accident year, calculated as at 31 December 2019. Not all of these claims will be paid yet. Some claims, injury claims in particular, can take many years to be fully paid.

In order to calculate the cost of claims for a particular accident year, insurers estimate the cost of claims that haven't been paid yet. This is added to the paid claims to give an ultimate claims cost, which represents the insurers' best estimate of total claims cost for a given accident year.

The ultimate claims cost is recalculated regularly, based on the most up-to-date information available. The more time that has passed since the accident year, the more certain the ultimate claims cost. For more recent accident years, the ultimate cost is more reliant on estimates.

Figure 21: Comparison of the average cost of claims per policy across accident years 2009-2019 as at 31 December 2018 and 31 December 2019.

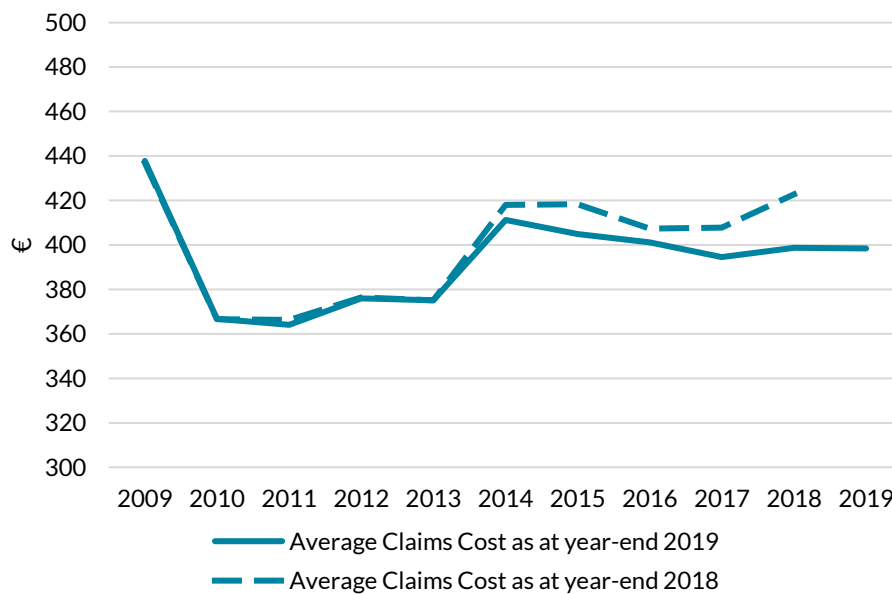


Figure 21 compares the average claims cost per policy using ultimate claims costs calculated at 31 December 2019 and 31 December 2018.

In 2019, insurers' estimates of the average cost per policy reduced by between 1% and 3% for accident years 2014 to 2017. The estimate of the

²⁵This section is based on 89% market coverage to provide a consistent comparison against the ultimate claims cost reported in the first NCID Private Motor Insurance Report.

²⁶The concept of ultimate claims costs is explained further in Part 7.

average cost per policy reduced by 6% for accident year 2018 from €423 as at 31 December 2018 to €399²⁷ at 31 December 2019.

Figure 22: The ratio of premiums to ultimate claim costs (loss ratio) as at 31 December 2019 and 31 December 2018 for accident years 2009-2019.

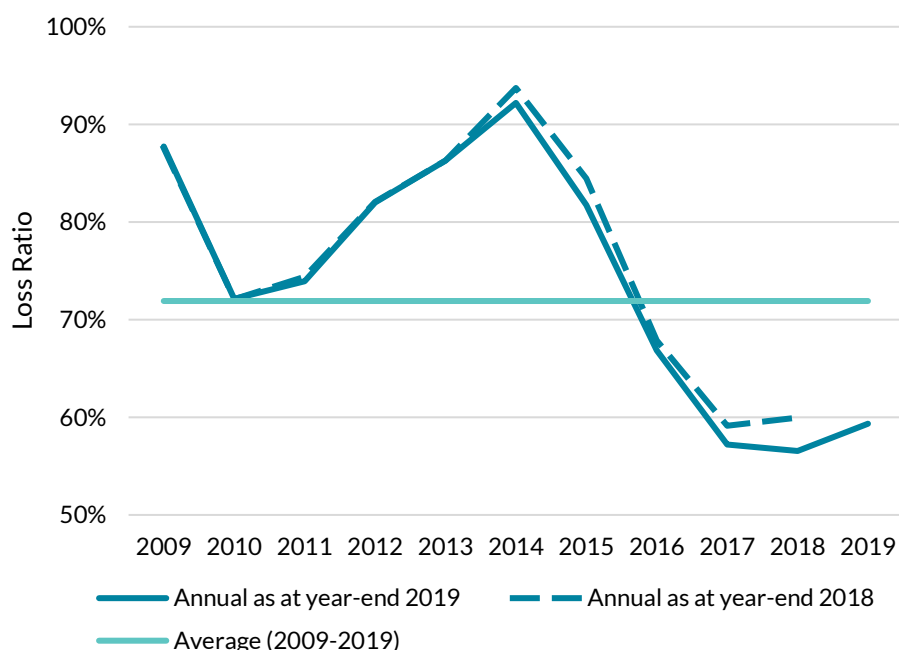


Figure 22 shows the impact of the change in ultimate claim costs on the loss ratio, as first discussed in Part 3. The percentage changes are the same as described for Figure 21 for each accident year. The 2017 accident year loss ratio decreased from 59% at year-end 2018 to 57% at year-end 2019. The 2018 accident year loss ratio decreased from 60% to 57% over the same period.

Claim Development Patterns

Analysis of claim development patterns can provide insight into changes in the claims environment over time, and into how claims might develop in future. The results of this analysis are usually a key input in the estimation of insurers' ultimate cost of claims. This section shows claim development patterns for 94% of the private motor insurance sector (based on the proportion of 2019 gross earned premium).

Table 17 shows the proportion of ultimate claims cost that are paid for each accident year across development years. The development year measures the number of years that have passed since the start of the accident year.

²⁷ This was shown to be €402 in figure 9 which is based on 94% market coverage, whereas figure 12 is based on 89% market coverage.

Table 17: Paid claims as a percent of ultimate claim costs for each accident year across development years.

Accident Year	Development Year										
	1	2	3	4	5	6	7	8	9	10	11
2009	38%	54%	66%	76%	85%	91%	95%	96%	98%	98%	99%
2010	36%	53%	66%	78%	87%	93%	96%	97%	98%	99%	
2011	31%	46%	58%	72%	82%	88%	92%	95%	96%		
2012	27%	43%	59%	73%	84%	91%	95%	96%			
2013	27%	43%	59%	72%	83%	91%	94%				
2014	26%	42%	58%	73%	83%	89%					
2015	26%	42%	59%	73%	83%						
2016	24%	39%	54%	68%							
2017	22%	38%	53%								
2018	23%	37%									
2019	23%										

Table 18 shows the proportion of ultimate claims cost that are incurred for each accident year across development years. Incurred claim costs consist of the cost of claims that are paid added to case estimates for claims that have been reported to the insurer but not yet paid. These are the sum of the paid and outstanding costs shown in Figure 23 of Part 7.

Table 18: Incurred claims as a percent of ultimate claim costs for each accident year across development years.

Accident Year	Development Year										
	1	2	3	4	5	6	7	8	9	10	11
2009	77%	89%	97%	100%	100%	99%	99%	100%	100%	100%	100%
2010	76%	89%	97%	100%	101%	100%	100%	100%	100%	100%	
2011	73%	87%	94%	98%	100%	100%	100%	100%	100%		
2012	72%	87%	96%	100%	101%	100%	100%	100%			
2013	73%	89%	97%	101%	100%	99%	99%				
2014	71%	87%	98%	100%	100%	99%					
2015	70%	88%	97%	100%	99%						
2016	69%	85%	95%	97%							
2017	68%	85%	93%								
2018	69%	82%									
2019	66%										

It can be seen from Table 17 and Table 18 that paid and incurred development patterns appear to have slowed between the 2009 and 2019 accident years. Claims for more recent accident years are less developed

than older accident years were at the same development year. This is more pronounced for earlier accident years.

It should be noted here that the ultimate cost of claims for more recent accident years are uncertain and that the percentages shown above may change if the expected ultimate claims costs were revised upwards or downwards in future.

PART 7 - Key Terms and Report Methodology

Definition of Key Terms

Policy

An insurance contract between an insurer and a policyholder. Policies may cover more than one person or vehicle.

Premium

The amount that an insured person pays an insurer in exchange for an insurance policy.

The premiums shown in this report are gross of reinsurance.

Claim

An insured person, or an aggrieved third party, may claim against an insurer in the event that they suffer a financial loss which is covered by an insurance policy. The person who makes the claim is known as a claimant. A single claim may involve multiple claimants (e.g. in the event of a car crash that involved multiple vehicles and/or passengers).

The claims costs shown in this report are gross of reinsurance and net of salvage and subrogation.

Salvage

Insurers receive salvage rights over property on which they have paid claims, such as cars that have been written off. The insurer may sell the car (e.g. for parts) in order to offset the cost of the claim.

Subrogation

An insurer's legal right to pursue a third party that caused a claim which was paid for by the insurer. This is done in order to recover the amount of the claim paid by the insurer.

Accident

An event that gave rise to a claim.

Periodic Payment Order (PPO)

A PPO is a series of payments made to an injury claimant to pay for the cost of their care for the rest of their life. The NCID allowed for the collection of data in respect of PPOs. As at the end of 2019, no PPOs had been awarded in respect of private motor accidents.

Frequency

The total number of claims divided by the total number of policies which could have given rise to the claims.

Cost of a Claim

The average cost of a claim is calculated as the total cost of claims divided by the number of claims that could have given rise to those costs.

Cost of Claims per Policy

The cost of claims per policy is calculated as the total cost of claims divided by the number of policies that could have given rise to that cost.

Cost of Premium per policy (Average Premium)

The cost of premium per policy (or average premium) is calculated as the total cost of premiums divided by the number of underlying policies.

Loss Ratio

The loss ratio is the total cost of claims divided by the total premiums earned in the same period. For the purpose of this report the loss ratio is calculated as:

$$\text{Loss Ratio} = \frac{\text{gross ultimate claims costs}}{\text{gross earned premium}}$$

by accident year and expressed as a percentage.

Reinsurance

Reinsurance is a mechanism by which insurers pass some of their risk on to a reinsurer. The insurer pays a premium to the reinsurer and, in exchange, the reinsurer pays some of the insurer's claims and expenses.

Commission

A percentage of premium that is retained by the selling agent or broker as compensation for acquiring business for the insurer.

Management Expenses

The expenses related to product development, system improvements, salaries to general managers, auditing costs and regular day-to-day costs i.e. electricity bill, rent for accommodations, and IT costs.

Types of Insurance Cover

Comprehensive: The majority of motor insurance policies purchased in Ireland have comprehensive cover. Comprehensive policies cover all claim types: third party injury, accidental damage, fire & theft, third party damage and windscreen.

Third Party Fire & Theft: Third party fire & theft policies cover fire & theft, third party damage and third party injury.

Third Party Only: Third party only policies only cover third party injury and third party damage claims. Third party only cover is the mandatory minimum cover for motor insurance in Ireland.

Types of Claims

Throughout this report, third party injury claims are referred to as “**injury**” claims. The other claim types are collectively referred to as “**damage**” claims.

Third Party Injury: Claims arising from injuries caused by the policyholder while driving. This does not include injury of the insured person.

Accidental Damage: Claims arising from damage to the policyholder’s own vehicle.

Third Party Damage: Claims arising from damage caused by the policyholder while driving. This does not include damage to the policyholder’s own vehicle.

Fire & Theft: Claims arising from arson or theft of the policyholder’s vehicle.

Windscreen: Claims arising from damage to the policyholder’s windscreen.

Components of Settlement Costs

Compensation: The amount paid to a claimant in respect of a claim they have made. For the 2019 settlement year, compensation costs are split by:

- **General Damages:** Compensation for non-monetary loss suffered by the claimant, e.g. pain and suffering; and
- **Special Damages:** Compensation for financial loss, e.g. loss of earnings or medical expenses.

Legal: The legal fees paid by an insurer in the course of settling a claim. For the 2019 settlement year, legal costs are split by:

- **Own Legal Costs:** Legal costs incurred by the insurer in the course of settling a claim; and
- **Third Party Legal Costs:** Legal costs incurred by the claimant in the course of settling a claim, and which were paid by the insurer.

Other: All other expenses incurred by an insurer in the course of settling a claim. This may include the cost of assessing claims (e.g. medical or engineering), administration costs or recoveries from a third party claimant (where they are found to be liable).

Planned Enhancements to Data Specification

The NCID private motor data specification will continue to be expanded, increasing the insight that can be gained into the cost of claims in private

motor insurance. The following enhancements are planned for the next collection of the data.

Historical Income and Expenditure Data

The NCID currently has two years of data for income and expenditure, 2018 and 2019. The loss ratio for private motor insurance has varied significantly over the 11 year period from 2009 to 2019, as seen in Figure 11 of Part 3. This highlights the cyclical nature of the private motor insurance market in Ireland. To assess the profitability of the private motor insurance sector more fully there is a need for data over a greater time period. This will allow for a longer term view of profitability to be determined.

Information on Catastrophe Weather Events

2009 is the first year for which the Central Bank collected results for the NCID. This was a notable year for weather events, including a flood event, two freeze events, and a storm event. Weather events can have an impact on the number and cost of claims.

Over the course of the time series there have been a number of other significant weather events. The NCID will endeavour to capture data on such events as part of the expansion of the return for 2021.

Duration to Settlement of Claims

The analysis of the time taken to settle injury claims shown in Table 11 of Part 4 is based on an approximation of average settlement delay calculated from annual data. This measures the average number of years between the year in which the accident occurred and the year in which the claim was settled. This does not distinguish between the delay in the claim being reported to the insurer and the subsequent delay in settling that claim.

To enhance the accuracy of this analysis, the NCID will look to collect data on the quarter in which accidents occurred, the quarter in which claims were settled and the quarter in which claims were reported.

Explanation of Key Concepts and Methodologies

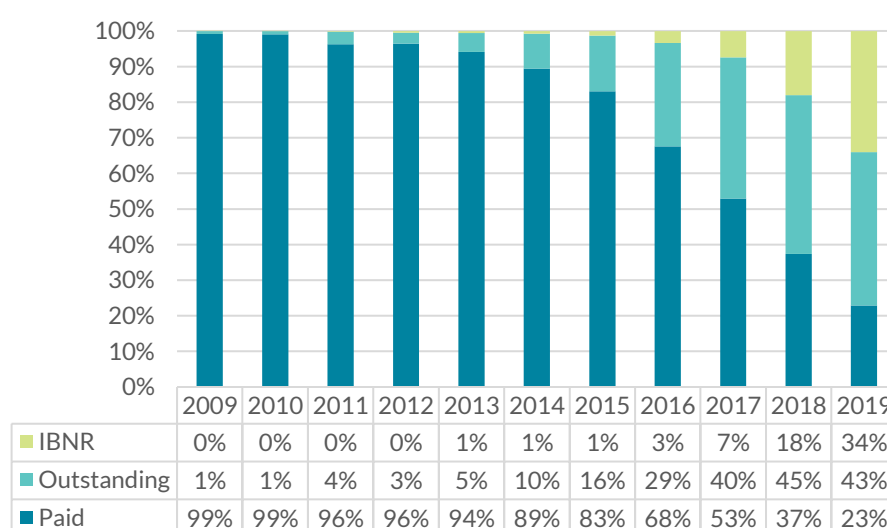
Ultimate Claims

In Parts 1 and 3 of this report, claims are grouped together by the accident year, the year in which the accident occurred. Not all of these claims will be paid yet. Some claims, injury claims in particular, can take many years to be fully paid.

In order to calculate the cost of claims for a particular accident year, insurers estimate the cost of claims that haven't been paid yet. This is added to the paid claims to give an ultimate cost of claims. The ultimate cost of claims is recalculated regularly, based on the most up-to-date information available. The more time that has passed since the accident year, the more certain the ultimate cost of claims. For the most recent accident years, the ultimate cost is more reliant on estimates.

Figure 23 shows an illustration of the breakdown of ultimate claims costs for accident years 2009-2019 as at 31 December 2019. Here the ultimate claims cost consists of paid claims (Paid), case estimates for claims that have been reported but not yet paid (Outstanding), and an estimate of costs for claims that have not yet been reported, i.e. incurred but not reported claims (IBNR).

Figure 23: Breakdown of ultimate claim costs for accident years 2009-2019.



2019 is the most recent accident year and hence its ultimate claims cost is made up of the lowest proportion of paid claim at 23%, while 77% of this ultimate cost is made up of estimates. We can see that as ten years has passed since the 2009 accident year, 99% of the total ultimate claims cost for this accident year have been paid, with 1% of claims cost outstanding.

The ultimate claims costs shown in this report represent insurers' best estimate of costs and do not take account of the time value of money.

Earned Premium and Policy Count

The premiums and policy numbers presented in this report were collected on an "earned" basis. This means that they are allocated to the year(s) they were in force. A policy can be in force over more than one calendar year: for

example, a typical motor policy will provide cover for 12 months. If a policy comes into force on 1 October 2018, with a premium of €800, that policy will be in force from 1 October 2018 to 30 September 2019. 25% of the premium for that policy will be accounted for (i.e. earned) in 2018, and the other 75% will be accounted for (i.e. earned) in 2019.

This earned basis corresponds directly with the accident year basis on which claims were collected for Parts 1 and 3.

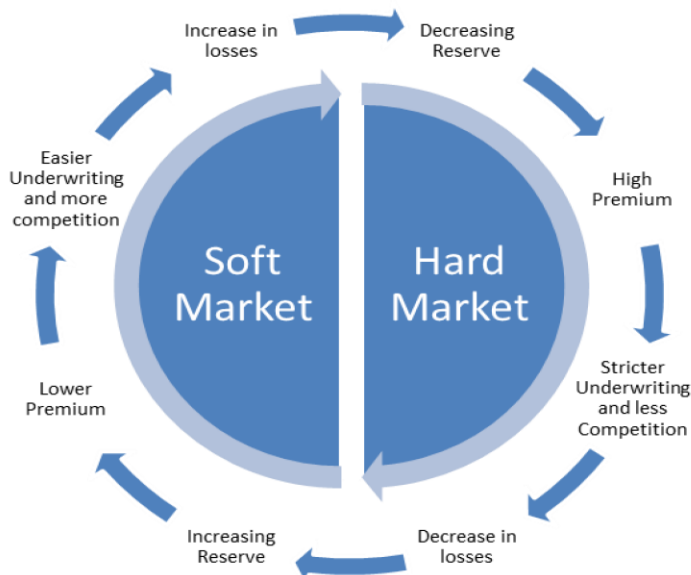
The Underwriting Cycle

The pricing of insurance risks will generally depend on the position in the insurance underwriting cycle. The cyclical nature of property and casualty (liability) insurance is well recognised. Insurance markets tend to move between hard and soft markets, as illustrated in Figure 6.

A hard market is characterised by higher premiums, stricter underwriting criteria and (relative) profitability. A soft market is characterised by lower premiums, looser underwriting criteria and (relative) unprofitability. An underwriting cycle lasts a number of years, typically 6-9 years.

The Irish Private Motor underwriting cycle is particularly pronounced.

Figure 24: An illustration of the insurance underwriting cycle.



Appendix 1 – Background to the National Claims Information Database

The Cost of Insurance Working Group (CIWG)²⁸ was established by the Minister for Finance in 2016, in response to volatility in the pricing of non-life insurance in Ireland – particularly motor and liability insurance. The CIWG published its Report on the Cost of Motor Insurance²⁹ in January 2017, which made 33 recommendations within six broad themes:

- Protecting the consumer
- Improving data availability
- Improving the personal injuries claims environment
- Reducing costs in the claims process
- Reducing insurance fraud and uninsured driving
- Promoting road safety and reducing collisions.

Recommendation 11 in this report required the Central Bank of Ireland to establish a National Claims Information Database (NCID), to improve data availability. Legislation was required to confer this new function on the Central Bank, and the Central Bank (National Claims Information Database) Act 2018 commenced in January 2019. After consultation with the Minister for Finance, private motor insurance was selected to be the initial class of insurance in scope of the NCID. The legislation requires that the bank publish a report on a yearly basis.

A data sub-group of the CIWG (with representatives from the Department of Finance, the Personal Injuries Assessment Board (PIAB), the State Claims Agency, the Central Statistics Office (CSO), the Society of Actuaries in Ireland and the Central Bank) developed a Data Submission Requirement³⁰, specifying the data to be collected from insurers.

²⁸ [Cost of Insurance Working Group](#)

²⁹ [Cost of Insurance Working Group private motor report 2017](#)

³⁰ [NCID website](#)

Appendix 2 - List of Participating Insurers

In order to identify firms in scope of the NCID we referred to the list of Motor Insurance Bureau Ireland (MIBI) members. Only those firms who write private motor insurance were required to participate. MIBI members who write commercial motor insurance only, were not in scope of this report. Here we list those firms that submitted data to the NCID.

Table 19: Firms who submitted data to NCID in 2020.

Authorisation Status	Undertaking Name
Irish Authorised	Allianz plc
	Arch Insurance (EU) dac
	Aviva Insurance Ireland dac
	AXA Insurance dac
	FBD Insurance plc
	Irish Public Bodies clg
	RSA Insurance Ireland dac
	Zurich Insurance Company
EU/EEA Authorised, Freedom of Establishment basis	AIG Europe S.A. (Irish Branch)
	Liberty Seguros Compañía De Seguros y Reaseguros, S.A.
EU/EEA Authorised, Freedom of Services basis	Accredited Insurance (Europe) Limited
	Ageas Insurance Limited
	Alwyn Insurance Company Limited
	Calpe Insurance Company Limited
	Chubb European Group Plc.
	Faraday
	Gefion Insurance A/S
	La Parisienne Assurances
	Watford Insurance Company Limited

Appendix 3 - Data Tables

Part 1 Accident Year Cost Tables

Table 20: Percentage of ultimate claim numbers by claim type, for accident years 2009-2019, accompanies Figure 1.

Year	Third Party Injury	Accidental Damage	Fire & Theft	Third Party Damage	Windscreen	Total
2009	5%	32%	8%	22%	32%	100%
2010	5%	30%	8%	20%	37%	100%
2011	5%	29%	8%	21%	37%	100%
2012	6%	30%	9%	23%	32%	100%
2013	6%	31%	9%	22%	32%	100%
2014	6%	32%	8%	22%	32%	100%
2015	7%	32%	6%	22%	33%	100%
2016	7%	30%	5%	23%	35%	100%
2017	8%	30%	5%	24%	34%	100%
2018	7%	29%	4%	23%	37%	100%
2019	7%	30%	4%	24%	35%	100%

Table 21: Percentage of ultimate claims costs by claim type, for accident years 2009-2019, accompanies Figure 2.

Year	Third Party Injury	Accidental Damage	Fire & Theft	Third Party Damage	Windscreen	Total
2009	59%	21%	4%	13%	3%	100%
2010	61%	20%	4%	12%	3%	100%
2011	67%	16%	3%	10%	3%	100%
2012	71%	13%	3%	11%	2%	100%
2013	71%	14%	3%	10%	2%	100%
2014	72%	14%	3%	10%	2%	100%
2015	72%	14%	3%	10%	2%	100%
2016	75%	12%	2%	10%	2%	100%
2017	76%	11%	2%	10%	2%	100%
2018	74%	12%	2%	10%	2%	100%
2019	74%	12%	2%	11%	2%	100%

Table 22: Average cost (€) per policy of each claim type for accident years 2009 to 2019³¹, accompanies Figure 3.

Year	Third Party Injury	Accidental Damage	Fire & Theft	Third Party Damage	Windscreen	All
2009	256	116	18	58	16	438
2010	223	89	14	45	16	367
2011	244	73	13	38	13	364
2012	266	62	11	40	11	376
2013	266	61	12	38	10	375
2014	294	67	12	40	10	411
2015	291	65	11	40	9	405
2016	300	56	8	40	9	402
2017	298	53	6	39	8	395
2018	299	56	7	41	10	402
2019	295	55	8	43	8	400

Table 23: Number of claims per 1,000 policies, by claim type, for accident years 2009 to 2019, accompanies Figure 4.

Year	Third Party Injury	Accidental Damage	Fire & Theft	Third Party Damage	Windscreen	All
2009	9	64	13	35	65	161
2010	7	55	11	30	67	147
2011	7	46	11	27	59	128
2012	7	44	11	28	47	121
2013	7	44	10	27	47	119
2014	8	46	9	26	45	118
2015	7	42	7	24	43	110
2016	7	36	5	23	42	100
2017	7	32	4	21	37	91
2018	7	32	4	21	42	93
2019	6	31	4	21	37	89

³¹ Note that not every policy will cover each claim type – e.g. accidental damage is only covered by comprehensive policies. The frequency by cover has been calculated as the average number of claims per policy that covers the claim type in question. The overall frequency per policy has been calculated as the average number of claims per policy, including all policies, regardless of coverage.

Table 24: Average cost (€) per claim for injury and damage claims, for accident years 2009 to 2019, accompanies Figure 5.

Year	All Injury	All Damage	All
2009	29,780	1,194	2,726
2010	29,794	1,030	2,498
2011	35,396	988	2,833
2012	35,559	968	3,111
2013	37,893	973	3,139
2014	38,940	1,055	3,474
2015	39,651	1,108	3,685
2016	41,645	1,091	4,002
2017	43,814	1,153	4,360
2018	45,393	1,185	4,309
2019	45,576	1,262	4,487

Part 2 Premium Tables

Table 25: Percentage breakdown of policies between different levels of cover, by year of cover, accompanies Figure 6.

Year	Comprehensive	Third Party	Total
2009	80%	20%	100%
2010	81%	19%	100%
2011	81%	19%	100%
2012	81%	19%	100%
2013	83%	17%	100%
2014	84%	16%	100%
2015	84%	16%	100%
2016	84%	16%	100%
2017	84%	16%	100%
2018	84%	16%	100%
2019	85%	15%	100%

Table 26: Average cost (€) of insurance premiums for different coverage types, and by year of coverage, from years 2009-2019, accompanies Figure 6.

Year	Comprehensive	Third Party	All
2009	481	570	499
2010	491	581	509
2011	479	546	492
2012	449	498	459
2013	424	488	435
2014	431	526	446
2015	471	624	495
2016	566	781	600
2017	652	881	690
2018	673	883	707
2019	644	852	676

Table 27: Annual changes in average premiums earned per policy, shown for different coverage levels and total, accompanies Figure 7.

Year	Comprehensive	Third Party	All
2009-2010	2%	2%	2%
2010-2011	-2%	-6%	-3%
2011-2012	-6%	-9%	-7%
2012-2013	-6%	-2%	-5%
2013-2014	2%	8%	3%
2014-2015	9%	19%	11%
2015-2016	20%	25%	21%
2016-2017	15%	13%	15%
2017-2018	3%	0%	3%
2018-2019	-4%	-4%	-4%

Table 28: Average earned premium per policy for Q1 2009-Q4 2019, accompanies Figure 8.

Year	Qtr 1	Qtr 2	Qtr 3	Qtr 4
2009	500	497	495	503
2010	502	507	516	509
2011	506	496	488	481
2012	470	463	455	446
2013	443	434	432	431
2014	432	439	452	461
2015	467	484	502	528
2016	551	585	617	645
2017	662	685	701	711
2018	711	714	709	695
2019	692	689	670	653

Part 3 Premiums and Claims Costs Comparison Tables

Table 29: Comparison of the average cost (€) of private motor insurance premiums and the average expected cost to insurers of paying claims on private motor insurance, as well as the ratio of claims to premiums (loss ratio), by year of coverage 2009-2018 accompanies Figure 9 and Figure 11.

Year	Average Claim Cost	Average Premium	Loss Ratio
2009	438	499	88%
2010	367	509	72%
2011	364	492	74%
2012	376	459	82%
2013	375	435	86%
2014	411	446	92%
2015	405	495	82%
2016	402	600	67%
2017	395	690	57%
2018	402	707	57%
2019	400	676	59%

Table 30: Annual changes in average ultimate claims costs per policy and in average premiums earned per policy, accompanies Figure 10.

Year	Claim Change	Premium Change
2010	-16%	2%
2011	-1%	-3%
2012	3%	-7%
2013	0%	-5%
2014	10%	3%
2015	-2%	11%
2016	-1%	21%
2017	-2%	15%
2018	2%	3%
2019	-1%	-4%

Part 4 Settled Cost Tables

Table 31: Percentage of claims settled per annum as a proportion of the 2015 figure, accompanies Figure 12.

SettledYear	Direct	Litigated	PIAB	All
2015	100%	100%	100%	100%
2016	92%	97%	100%	93%
2017	82%	102%	92%	83%
2018	88%	102%	82%	89%
2019	89%	101%	83%	90%

Table 32: The proportion of injury claimants settled in each channel, split by settlement cost in years 2015-2019 collectively, accompanies Figure 16.

Band	Direct	PIAB	Litigated	Total
€0 - €15,000	82%	7%	10%	100%
€15,001 - €30,000	46%	30%	25%	100%
€30,001 - €45,000	25%	19%	56%	100%
€45,001 - €60,000	20%	10%	69%	100%
€60,001 - €75,000	14%	6%	79%	100%
€75,000 - €1M	7%	4%	89%	100%
>€1M	0%	0%	100%	100%

Table 33: The proportion of injury claimants settled in each channel, split by settlement cost in years 2015-2019 collectively, accompanies Figure 16.

Band	Direct	PIAB	Litigated
€0 - €15,000	62%	18%	12%
€15,001 - €30,000	28%	60%	23%
€30,001 - €45,000	6%	15%	20%
€45,001 - €60,000	2%	4%	11%
€60,001 - €75,000	1%	1%	8%
€75,000 - €1M	1%	2%	25%
>€1M	0%	0%	0%
All Bands	100%	100%	100%

Table 34: The proportion of total injury claims costs attributable to each compensation award band and each channel, for claims settled in years 2015-2019 collectively, accompanies Figure 16.

Band	Direct	PIAB	Litigated
€0 - €15,000	28%	8%	2%
€15,001 - €30,000	37%	50%	7%
€30,001 - €45,000	14%	21%	10%
€45,001 - €60,000	7%	7%	8%
€60,001 - €75,000	4%	4%	8%
€75,000 - €1M	10%	10%	52%
>€1M	0%	0%	13%
All Bands	100%	100%	100%

Table 35: The proportion of claimants who settled injury claims in each channel, split by settlement cost, in 2019, accompanies Figure 17.

Band	Direct before PIAB	Direct after PIAB	PIAB	Litigated before Court Award	Litigated with Court Award	All
0 - 15,000	75%	9%	7%	9%	1%	100%
15,001 - 30,000	33%	20%	25%	20%	3%	100%
30,001 - 45,000	9%	22%	15%	51%	2%	100%
45,001 - 60,000	6%	19%	7%	66%	3%	100%
60,001 - 75,000	3%	17%	7%	70%	3%	100%
75,001 - 1M	2%	6%	3%	87%	2%	100%
> 1M	0%	0%	0%	100%	0%	100%

Table 36: The proportion of claimants who settled injury claims in each cost award band and each channel in 2019, accompanies Figure 17.

Band	Direct before PIAB	Direct after PIAB	PIAB	Litigated before Court Award	Litigated with Court Award
0 - 15,000	71%	22%	20%	11%	17%
15,001 - 30,000	25%	42%	58%	19%	44%
30,001 - 45,000	3%	20%	15%	21%	15%
45,001 - 60,000	1%	8%	3%	12%	8%
60,001 - 75,000	0%	4%	2%	8%	5%
75,001 - 1M	0%	4%	3%	28%	10%
> 1M	0%	0%	0%	0%	0%
All Bands	100%	100%	100%	100%	100%

Table 37: The proportion of total injury claims costs attributable to each compensation award band and each channel, for claims settled in 2019, accompanies Figure 17.

Band	Direct before PIAB	Direct after PIAB	PIAB	Litigated before Court Award	Litigated with Court Award
0 - 15,000	38%	8%	8%	1%	5%
15,001 - 30,000	43%	31%	48%	6%	25%
30,001 - 45,000	9%	24%	21%	10%	15%
45,001 - 60,000	4%	13%	6%	8%	11%
60,001 - 75,000	2%	9%	5%	6%	9%
75,001 - 1M	4%	15%	12%	56%	36%
> 1M	0%	0%	0%	13%	0%
All Bands	100%	100%	100%	100%	100%

Table 38: Difference between accident and settlement years for settled injury claims, accompanies Figure 18.

Settlement Delay (Years)	Direct	PIAB	Litigated
0	28%	1%	0%
1	39%	34%	4%
2	18%	39%	17%
3	7%	16%	25%
4	4%	5%	22%
5	2%	3%	14%
6	1%	1%	8%
7	1%	1%	4%
8	0%	0%	2%
9	0%	0%	1%
10	0%	0%	2%
All Delay	100%	100%	100%

Part 6 Claim Development Patterns

Table 39: Comparison of the average cost of claims per policy across accident years 2009-2019 as at 31 December 2018 and 31 December 2019, accompanies Figure 21.

Year	Average Cost 2018	Average Cost 2019
2009	437	438
2010	367	367
2011	366	364
2012	376	376
2013	375	375
2014	418	411
2015	418	405
2016	407	401
2017	408	395
2018	423	399

Table 40: The ratio of premiums to ultimate claim costs (loss ratio) as at 31 December 2019 and 31 December 2018 for accident years 2009-2019, accompanies Figure 22.

Year	Loss Ratio 2018	Loss Ratio 2019
2009	88%	88%
2010	72%	72%
2011	74%	74%
2012	82%	82%
2013	86%	86%
2014	94%	92%
2015	84%	82%
2016	68%	67%
2017	59%	57%
2018	60%	57%



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