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Eurosystem

Employers' Liability, Public Liability and Commercial Property Insurance Report 1

National Claims Information Database (NCID)

July 2021

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Introduction

The Central Bank is publishing the first National Claims Information Database (NCID) Employers' Liability (EL), Public Liability (PL) and Commercial Property Insurance Report in an effort to improve transparency in the insurance claims environment.

Background to NCID

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 making. The NCID was a recommendation of the Cost of Insurance Working Group (CIWG¹).

Background to this Report

The CIWG's Report on the Cost of Employer and Public Liability Insurance included actions to increase transparency of data across the insurance sector through improved data sharing and collection processes. The report recommended that the Central Bank consider the merits and feasibility of extending the scope of the National Claims Information Database (NCID) to incorporate a liability insurance element, specifically data on EL and PL.

The Central Bank of Ireland published the merits and feasibility report in May 2020 with a key finding being that there was merit in extending the scope of the NCID to include EL and PL². While there was complexity in collecting this data and a requirement for an incremental approach, the Central Bank outlined an intention to start collecting and publishing related data.

The merits and feasibility study also included a key finding that a material amount of liability business is purchased as part of a package including non-liability coverages, most notably Commercial Property. To obtain full insight on EL and PL, therefore, it is also necessary to get an understanding of other commercial lines. While focusing on liability insurance, this report will also report on Commercial Property in the sections related to Premiums, Claims and Income and Expenditure.

¹ <https://www.centralbank.ie/statistics/data-and-analysis/national-claims-information-database>

² <https://www.centralbank.ie/statistics/data-and-analysis/national-claims-information-database/ncid-employers-public-liability-insurance>

Reporting Population

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

The process of identifying firms and collecting data was a complex undertaking. The General Liability insurance market, which includes EL and PL insurance, is more fragmented than the private motor insurance class for instance and there are a number of insurers that specialise in certain sectors of EL and PL insurance. Firms writing General Liability insurance in Ireland were identified by analysing the European Insurance and Occupational Pensions Authority (EIOPA) register and the Register of Life and Non-Life Insurance Undertakings maintained by the Central Bank of Ireland. Captive insurance undertakings were not in scope.

In 2019, the total gross earned premium was €0.8bn for EL and PL, and €0.4bn for Commercial Property. Part 1 of this report is predominantly based on data covering 86% of the EL, PL and Commercial Property market in Ireland in 2019³; Part 2 is predominantly based on 75% market coverage; Part 3 is based on 83% market coverage; and Part 4 includes sections based on 82% and 70% market coverage. There are some exceptions to these percentages which are noted in relevant sections. Certain submissions were excluded from our analysis due to insufficient quality of, or granularity in, the data.

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 relating to 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 either the impact of COVID-19 or the adoption of Personal Injuries Guidelines by the Judicial Council on EL, PL and Commercial Property insurance in Ireland.

³ As measured by the ratio of 2019 gross earned premium of included data to the total gross earned premium in 2019.

Future Enhancements to the Report

The NCID EL, PL and Commercial Property insurance data specification will continue to be expanded, increasing the insight that can be gained into the cost of claims. The following enhancements are proposed to be considered:

- Alignment with the most recent Private Motor Insurance Data Specification by collecting the following additional data
 - Reinsurance amounts split between related firms and third party reinsurers
 - Commissions split between related firms and third party intermediaries
 - Settlement Quarter to support the duration of claim settlement metric calculation
- Investigation regarding collection of policy excess and limits information from firms.
- Investigation regarding the collection of further settlement channel data following the introduction of judicial guidelines.

Executive Summary

Overview of the Report

This report is organised as follows:

Part 1 considers earned premiums for EL, PL and Commercial Property insurance between 2009 and 2019.

Part 2 examines claims related to EL, PL and Commercial Property accidents that occurred between 2009 and 2019 and compares earned premiums and claims costs between 2009 and 2019.

Part 3 gives a breakdown of insurers' income and expenditure for EL, PL and Commercial Property insurance in financial years 2018 and 2019.

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

Part 5 provides notes and information on the key terms and methodology employed in this report.

Appendices provide further information on the background to the NCID and reporting population.

Note on the Grouping of Claims

Liability and Commercial Property insurance claims are discussed in Parts 2 and 3 of the report with liability only claims analysed in section 4 of this report. It is important to note that the claims discussed in Parts 2, 3 and 4 were collected on different time bases. An explanation is provided below.

Accident year (Part 2): 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 cost⁴. Estimates of ultimate claims costs are regularly updated based on the most recent data available. The ultimate claims costs shown in this report were calculated as at 31 December 2019.

Financial year (Part 3): 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

⁴ The concept of ultimate claims costs is explained in Part 5.

happened that year; and changes to the reserves put aside for claims that happened in previous years.

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.

Key Findings

Cost of Insurance 2009-2019	
<p>When addressing the cost of EL, PL and Commercial Property insurance, it is important to recognise the broad variety of risks covered.</p> <p>An overall average premium may not reflect the reality experienced by policyholders in individual sectors or subsectors.</p>	
<p>How consumers purchase EL, PL and Commercial Property Insurance 2009 to 2019</p>	<p>Policy types:</p> <ul style="list-style-type: none"> • 86% Package policies • 14% Standalone policies <p>Policies less than €5k:</p> <ul style="list-style-type: none"> • 93% of policies • 34% of premium <p>Policies greater than €25k:</p> <ul style="list-style-type: none"> • 1% of policies • 44% of premium
<p>Trend in Average Premium per Policy for Package Policies</p>	<p>The overall average premium for package policies (86% of policies):</p> <ul style="list-style-type: none"> • ↓ 16% from 2009 to 2013 • ↑ 24% from 2013 to 2019

Claims by Accident Year 2009-2019	
<p>Claims as % of Premium (Loss Ratio) for EL, PL and Commercial Property Insurance combined</p>	<p>2009 to 2019: 74%</p> <p>2009 to 2015: 80%</p> <p>2015 to 2019: 64%</p>

Income & Expenditure 2009-2019

Insurers' Operating Profit across the EL, PL and Commercial Property lines	<p>2009 to 2019:</p> <ul style="list-style-type: none"> Operating profit was 5% of total income Net insurance-related loss was 2% of total income <p>2009 to 2014:</p> <ul style="list-style-type: none"> Operating profit was 11% of total income Net insurance-related profit was 2% of total income. <p>2015 to 2019:</p> <ul style="list-style-type: none"> Operating loss was 3% of total income Net insurance-related loss was 6% of total income.
Investment Income as % of Total Income	<p>2009 to 2019: 10%</p> <p>2009 to 2014: 13%</p> <p>2015 to 2019: 6%.</p>
Reinsurance Cost as % of Total Income	<p>2009 to 2019: 7%</p> <p>2009 to 2014: 4%</p> <p>2015 to 2019: 10%</p>

Injury Claim Settlements 2015-2019

The complexity 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.

	Employers' Liability	Public Liability
Method of Claimant Settlement by Channel	% of injury claimants settled by channel: <ul style="list-style-type: none"> • 30% directly • 13% via PIAB • 58% via litigation 	% of injury claimants settled by channel: <ul style="list-style-type: none"> • 28% directly • 16% via PIAB • 57% via litigation
Method of Settlement (by Cost)	% of injury costs settled by channel: <ul style="list-style-type: none"> • 11% directly • 6% via PIAB • 83% via litigation 	% of injury costs settled by channel: <ul style="list-style-type: none"> • 12% directly • 10% via PIAB • 78% via litigation
Direct Settlements	Average compensation €24,232 Average legal costs €2,790	Average compensation €16,851 Average legal costs €2,706
PIAB Settlements	Average compensation €36,320 Average legal costs €902	Average compensation €27,484 Average legal costs €1,734
Litigated Settlements	Average compensation €69,865 Average legal costs €35,268	Average compensation €38,599 Average legal costs €24,421
Litigated Settlements <€150k	Injury claimants settling for less than €150k: Claimants 81% of total litigated Average compensation €35,642 Average legal costs €22,792	Injury claimants settling for less than €150k: Claimants 94% of total litigated Average compensation €25,088 Average legal costs €18,680

Method of Settlement⁵ by Channel in 2019	<p>% of injury claimants settled by channel:</p> <ul style="list-style-type: none"> • 14% directly, before PIAB • 7% directly, after PIAB • 12% through PIAB • 63% through litigation, before a court award • 3% through litigation, with a court award 	<p>% of injury claimants settled by channel:</p> <ul style="list-style-type: none"> • 13% directly, before PIAB • 12% directly, after PIAB • 12% through PIAB • 58% through litigation, before a court award • 4% through litigation, with a court award
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⁵ The different settlement channels are described in Part 4.

PART 1 - Premiums

Data was collected on premiums, the number of policies and the number of insurance covers provided under those policies between 2009 and 2019. Policies were split into Package and Standalone policies, and premium was split by the Employers' Liability (EL), Public Liability (PL) and Commercial Property components of those policies.

Key Insights and Findings

The large majority (86%) of EL, PL and Commercial Property insurance policies earned between 2009 and 2019 were taken out as part of a package policy.

59% of package policies were for a premium of less than €1,000 while 99% were for a premium of less than €25,000.

For package policies:

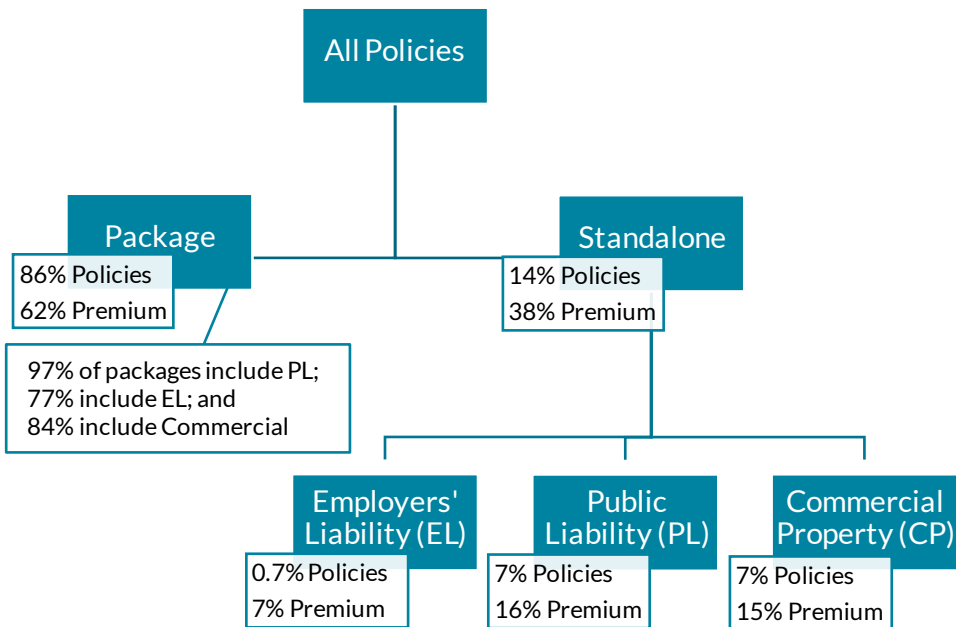
- The average premium decreased by 16% from €2,188 in 2009 to €1,828 in 2013. It then increased by 24% to €2,269 in 2019.
- The decrease in premium is seen across the EL, PL and Commercial Property covers within these policies. The average EL premium decreased by 24% while the average premium for both PL and Commercial Property decreased by 15% from 2009 to 2013.
- The increase in premium from 2013 to 2019 is driven by the EL and PL components of policies whose average premium increased by 31% and 32% respectively over this time period. The average Commercial Property premium increased by 8% from 2013 to 2019.

Overview of the Market

EL, PL and Commercial Property insurance cover is bought by a wide range of policyholders and businesses. This can vary from the archetypal small farmer or corner shop owner to a major manufacturing, construction or pharmaceutical company. As a result, the insurance policies provided can vary significantly in size and coverage.

Policies can include cover for one of EL, PL or Commercial Property as a Standalone policy; or they can include a combination of these covers sold as a Package policy. A Package policy can include any combination of two or three of EL, PL and Commercial Property insurance covers under a single policy.

Figure 1: The proportion of earned policy count and grossearned premium by policy type for years 2009-2019.



From 2009 to 2019, 86% of policies earned were package policies which accounted for 62% of the gross earned premium over the period.

Standalone policies made up 14% of all policies; 0.7% were Standalone EL policies, 7% were Standalone PL policies, and 7% were Standalone Commercial Property policies.

Although Standalone policies made up 14% of policy count, these accounted for 38% of earned premium; 7% from Standalone EL, 16% from Standalone PL and 15% from Standalone Commercial Property.

Table 1: The total earned policy count, earned subclass count and gross earned premium over 2009-2019.

Year	Earned Policy Count	Earned Subclass Count	Gross Earned Premium (€m)
2009	318,914	723,058	899
2010	310,765	720,839	819
2011	306,250	712,658	781
2012	300,373	701,890	751
2013	291,729	685,334	720
2014	288,241	678,301	734
2015	300,254	711,172	766
2016	294,114	699,171	832
2017	296,381	706,652	890
2018	299,129	719,545	960
2019	312,245	745,941	1,044

Table 1 shows that there were over 312,000 earned policies and €1.04bn in premium earned in the EL, PL and Commercial Property market in 2019.

As a Package policy includes more than one insurance cover within each policy, the earned subclass count shown in Table 1 gives a count of the number of individual insurance covers provided. For instance, if a Package policy includes cover for EL and PL, this will count as one policy with two subclasses. If the Package includes EL, PL and Commercial Property insurance, this will count as one policy with three subclasses. Each Standalone policy will have a subclass count of one as it only includes one insurance cover. For 2019, we can see that there were almost 746,000 insurance subclasses (covers) provided through more than 312,000 individual policies.

Between 2009 and 2019, EL made up 28% of insurance covers (earned subclass counts) and 24% of gross earned premium; PL made up 38% of insurance covers and 36% of gross earned premium; and Commercial Property made up 33% of insurance covers and 41% of gross earned premium.

It should be noted that the proportion of the market captured in the data may be higher or lower in previous years than it is in 2019 (86%) as a result of firms having entered or left the market over that time or due to the changing share of the market of firms currently captured.

Type of Policies

As Package policies can include different combinations of EL, PL and Commercial Property insurance covers, Table 2 shows the proportion of Package policies that include each insurance cover and the average number of insurance covers per package policy.

Table 2: The proportion of Package policies that include each insurance cover and the average number of insurance covers per policy for 2009-2019.

Year	Employers' Liability	Public Liability	Commercial Property	Average No. Covers per Policy
2009	76%	92%	85%	2.52
2010	76%	97%	84%	2.57
2011	76%	97%	84%	2.57
2012	76%	97%	83%	2.56
2013	76%	97%	83%	2.56
2014	77%	97%	82%	2.57
2015	78%	98%	82%	2.58
2016	79%	98%	82%	2.59
2017	77%	98%	83%	2.58
2018	77%	98%	85%	2.60
2019	78%	98%	86%	2.62

The average number of insurance covers per Package policy increased from 2.52 in 2009 to 2.62 in 2019. EL insurance was included in 78% of Package policies in 2019, 98% of policies included PL insurance and 86% included Commercial Property insurance.

As highlighted in Figure 1, 14% of all policies are Standalone policies. EL, PL and Commercial Property policies make up 5%, 47% and 49% of all Standalone policies respectively.

Size of Policies

There is a large spread in the size of policies earned in the EL, PL and Commercial Property market based on the premium per policy which reflects the large range of policyholders and diverse set of risks which fall under this insurance cover (see Table 3). From 2009 to 2019, 59% of Package policies and 78% of Standalone policies had a premium of €1,000 or less. 93% of both Package and Standalone policies had a premium of €5,000 or less.

Table 3: The proportion of earned policy count and gross earned premium by premium size band for Package and Standalone policies, 2009-2019⁶.

Premium Band	Package		Standalone		Total	
	% of Policies	% of Premium	% of Policies	% of Premium	% of Policies	% of Premium
€1-€1,000	59%	13%	78%	5%	62%	10%
€1,001-€2,000	21%	13%	9%	2%	20%	10%
€2,001-€5,000	13%	18%	6%	3%	12%	14%
€5,001-€10,000	4%	13%	2%	3%	4%	10%
€10,001-€25,000	2%	14%	2%	7%	2%	12%
>€25,001	1%	29%	3%	80%	1%	44%

1% of Package policies had a premium greater than €25,000 which accounted for 29% of gross premium earned on Package policies, while 3% of Standalone policies had a premium greater than €25,000 which accounted for 80% of Standalone gross earned premium. 1% of all policies had a premium greater than €25,000 which accounted for 44% of all premium.

Basis of Cover

Policies can be written on a Losses Occurring or a Claims Made basis. A policy written on a Losses Occurring basis insures claim events that occur during the period that the insurance policy is in force, i.e., events that occur after the inception and before the expiry of the policy, irrespective of when the claim is reported. Policies written on a Claims Made⁷ basis insure claims that are reported to the insurer during the period that the policy is in force, irrespective of when the claim event occurred.

The vast majority of policies earned between 2009 and 2019 were written on a Losses Occurring basis with only a very small proportion being Claims Made.

⁶ Table 3 is based on a market coverage of 74%.

⁷ Under a Claims Made policy, a claim can be made as a result of an event that occurred many years before the inception of the insurance policy.

Trends in Premium Costs

The cost of EL, PL and Commercial Property insurance will vary considerably as a result of the different types and size of policies bought by consumers. This section will focus on trends in the cost of Package policies as this is the most common type of policy taken out accounting for 86% of all policies. Detail on the cost of Standalone policies is shown separately.

As can be seen in Table 4, the proportion of Package policies with a premium of less than €2,000 increased from 77% in 2009 to 83% in 2014 and subsequently reduced to 80% in 2019.

For policies with a premium of less than €5,000, there was a similar but less pronounced trend. 92% (summing the two bands €1-€2,000 and €2,001-€5,000) of Package policies had a premium of less than €5,000 in 2009 which increased to 94% in 2014 and reduced to 93% in 2019.

The proportion of policies with a premium between €5,001 and €50,000 decreased from 2009 to 2014 and increased from 2014 to 2019. This trend can be seen separately by band in Table 4. The proportion of policies with a premium greater than €50,001 increased from 0.3% to 0.4% from 2009 to 2019.

Table 4: The proportion of earned policy count in each premium cost band for Package policies and years 2009-2019.

Year	€1- €2,000	€2,001- €5,000	€5,001- €10,000	€10,001- €25,000	€25,001- €50,000	>€50,000
2009	77%	15%	5%	2.4%	0.6%	0.3%
2010	78%	15%	4%	2.1%	0.5%	0.3%
2011	80%	14%	4%	1.9%	0.4%	0.3%
2012	81%	13%	4%	1.8%	0.4%	0.3%
2013	82%	12%	4%	1.7%	0.4%	0.3%
2014	83%	12%	3%	1.7%	0.4%	0.3%
2015	82%	12%	3%	1.7%	0.4%	0.3%
2016	82%	12%	4%	1.8%	0.5%	0.3%
2017	81%	13%	4%	1.9%	0.5%	0.4%
2018	81%	13%	4%	2.0%	0.6%	0.4%
2019	80%	13%	4%	2.1%	0.6%	0.4%

Table 5 shows the proportion of Package premium earned within each cost band over time. This shows a similar trend to Table 4 between 2009 and 2014 where the proportion of premium for policies less than €5,000 increased from 43% to 46%. From 2014 to 2019 this proportion decreased to 40%.

The proportion of policies with a premium greater than €50,000 makes up a much larger proportion of premium than it does of policy count. While the proportion of policy count for these policies has increased from 0.3% in 2009 to 0.4% in 2019 the proportion of premium earned by these policies has increased from 18% to 25% of all Package premium over the same period.

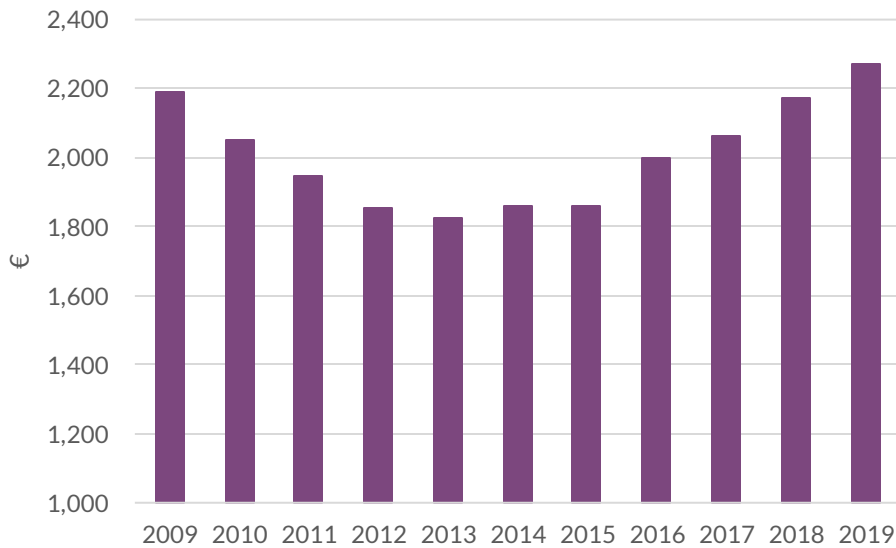
Table 5: The proportion of gross earned premium in each premium cost band for Package policies and years 2009-2019.

Year	€1- €2,000	€2,001- €5,000	€5,001- €10,000	€10,001- €25,000	€25,001- €50,000	>€50,000
2009	23%	20%	15%	15%	8%	18%
2010	25%	20%	14%	15%	8%	18%
2011	26%	20%	14%	14%	7%	18%
2012	28%	20%	14%	13%	7%	19%
2013	28%	19%	13%	13%	7%	20%
2014	28%	18%	13%	13%	7%	20%
2015	28%	18%	13%	13%	8%	21%
2016	26%	17%	12%	13%	8%	24%
2017	25%	17%	12%	13%	8%	25%
2018	24%	17%	11%	13%	9%	26%
2019	23%	17%	12%	14%	9%	25%

Figure 2 shows the average earned premium for Package policies from 2009 to 2019. It is important to stress that calculating an average premium metric that accurately reflects market price movements in liability and commercial insurance markets is very challenging due to changes in the mix of policies, lines of business and sectors as well as changes in the size of policies, policy excesses, limits, risk and covers. These can all significantly impact the average premium so that this may not accurately reflect the change in rate charged per unit of risk by insurers nor may it reflect the average premium experience of insured customers in particular sectors.

As highlighted previously, there may be a large spread in the type of risk encountered by policyholders depending on the sector they operate in. Moreover there are very significant differences in business size within sectors, for example, small convenience stores to large shopping centres. Therefore while an average premium metric is a crude measure, this metric represents the best available indicator of overall average premiums from the data captured.

Figure 2: The average earned Package premium per policy for years 2009-2019.



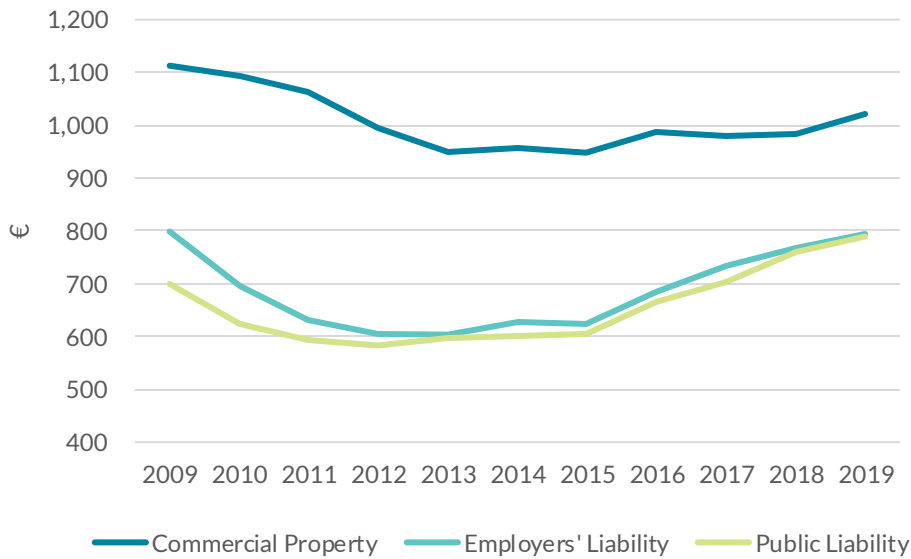
The average earned premium for all Package policies increased by 4% from €2,188 in 2009 to €2,269 in 2019. This can be broken into a period of decreasing premiums from 2009 to 2013, when premiums decreased by 16% to €1,828; and a period of increasing premiums from 2013 to 2019, when premiums increased by 24%.

Changes to the average cost of a Package policy will be driven by the number and cost of the underlying insurance covers within that policy.

Figure 3 shows the average earned premium for each individual insurance cover under a Package policy, where the average is taken across policies that included that cover. The average earned premium for the Commercial Property cover (€1,022 in 2019) was higher than the EL and PL covers which had an average earned premium of €792 and €789 respectively in 2019.

It should be noted that while premium has been reported per insurance cover, pricing for Package policies may be carried out at a policy level, i.e., for the combination of covers. The allocation of this total premium to insurance cover may not always be proportional to the expected cost of insurance cover.

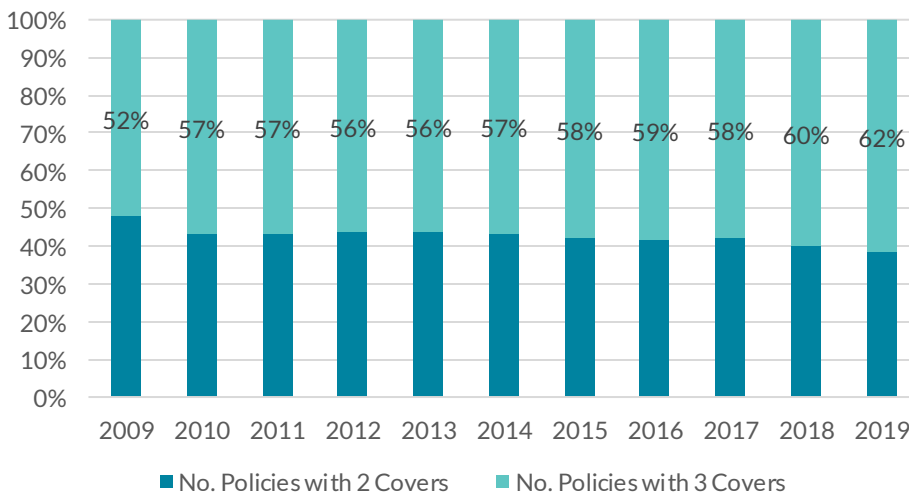
Figure 3: Average earned premium per insurance cover for Package policies and years 2009-2019.



The average earned premium for the EL and PL components of Package policies decreased by 24% and 15% respectively from 2009 to 2013, and then increased by 31% and 32% respectively between 2013 and 2019. The average earned premium for the Commercial Property component of a Package policy decreased by 15% from €1,113 in 2009 to €950 in 2013 and then increased by 8% to €1,022 in 2019.

Therefore, the increase in Package premium from 2013 appears to be driven by the EL and PL insurance covers within Package policies.

Figure 4: The proportion of package policies split between those that include two insurance covers and those that include three insurance covers for years 2009 to 2019.



As shown in Figure 4, the proportion of Package policies with three insurance covers, compared to those with two, has increased from 52% of policies in 2009 to 62% of policies in 2019.

The increase in the proportion of packages with three insurance covers would also naturally lead to an increase in the average earned premium per Package policy. All else being equal, this would have increased the average earned premium by 2% from 2009 to 2013 and again by 2% from 2013 to 2019.

The average earned premium per insurance cover across all cover types removes the impact that this increase in cover has on the average earned Package premium. This shows that with a fixed number of covers per policy, the average earned premium would have decreased by approximately 18% from 2009 to 2013 and increased by 22% from 2013 to 2019.

Trends in Premium Costs by Sector

The previous section showed that the average earned premium for Package policies decreased by 16% from 2009 to 2013 and increased by 24% from 2015 to 2019.

This is the average experience across 86% of all policies. However, the experience of individual policyholders will vary considerably for many reasons. As an example, Table 6 shows the percentage change in average earned premium for these policies from 2009 to 2013, 2013 to 2019 and 2009 to 2019 split by sector⁸.

It can be seen that the experience of consumers within different sectors has varied. It is worth noting that the activities of businesses within each sector can also be very different and so the experience of consumers within an individual sector may also vary.

Table 6: The percentage change in average earned premium for package policies from 2009 to 2013, 2013 to 2019 and 2009 to 2019 by Sector.

Sector (NACE Level 1)	% Change		
	2009-2013	2013-2019	2009-2019
Manufacturing	-1%	62%	61%
Construction	-50%	63%	-18%
Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles	-8%	31%	21%
Transportation and Storage	-17%	40%	16%
Accommodation and Food Service Activities	-3%	23%	19%
Financial and Insurance Activities	-65%	-10%	-69%
Real Estate Activities	-6%	13%	6%
Administrative and Support Service Activities	9%	14%	24%
Arts, Entertainment and Recreation	2%	101%	105%
Other Service Activities	-7%	0%	-7%

Please note that that it is not possible to publish information on all sectors due to statistical confidentiality rules which are applied to ensure that individual insurance undertakings are not identified as per the Central Bank (National Claims Information Database) Act 2018⁹.

⁸ Sectors as defined by Level 1 of the Statistical Classification of Economic Activities in the European Community ("NACE") system, Rev. 2 (2008) (<https://ec.europa.eu/eurostat/web/nace-rev2/overview>).

⁹ Section 12, subsection 2 of the Central Bank (National Claims Information Database) Act 2018 states that: "Data shall not be provided to a person under this section such that there is identifiable from the data, any insurance undertaking or individual."

Trends in Premium Costs - Standalone Policies

Standalone policies are policies which include only one of EL, PL or Commercial Property insurance covers. Between 2009 and 2019, these Standalone policies make up 14% of all policies; 0.7% EL, 7% PL and 7% Commercial Property. Over the same period, these Standalone policies make up 38% of total earned premium.

Table 7: The proportion of policies and gross earned premium by premium band and policy type, for Standalone policies and years 2009 to 2019¹⁰.

Premium Band	Employers' Liability		Public Liability		Commercial Property	
	% of Policies	% of Premium	% of Policies	% of Premium	% of Policies	% of Premium
€1-€1,000	24%	0%	87%	6%	73%	6%
€1,001-€2,000	15%	1%	7%	2%	10%	3%
€2,001-€5,000	17%	2%	3%	2%	7%	5%
>€5,001	44%	97%	3%	90%	9%	86%

Table 7 shows the distribution of policies and premium across premium size bands and policy types. For each policy type the majority of gross earned premium is attributed to the proportion of policies with a premium greater than €5,000. This reflects the very large Standalone policies which can be found in the EL, PL and Commercial Property insurance markets.

As highlighted for Package policies, the average earned premium may be significantly influenced by changes to the underlying mix of policies over time. This is particularly relevant for Standalone policies given that they make up a smaller proportion of the market and include some very large policies. Policies entering or leaving the dataset will have a greater influence on the average for Standalone policies than they will for Package policies.

As shown in Figure 5, the average earned premium for EL policies increased by 28% from €27,015 in 2009 to €34,553 in 2019. There were much fewer standalone EL policies earned over the period compared to PL or Commercial Property and the premium for these policies was higher on average.

Standalone PL policies had the highest increases in average earned premium at 53% from €4,970 in 2009 to €7,586 in 2019. The average

¹⁰ Table 7 and Figure 5 are based on 74% and 80% market coverage respectively.

earned premium for Commercial Property policies has increased by 48% from €4,982 in 2009 to €7,384 in 2019.

In total, the average premium on Standalone policies increased by 46% from 2009 to 2019. An increase of 57% was experienced from 2013 to 2018.

Figure 5: The average earned premium for Standalone policies by policy type, for years 2009 to 2019.



PART 2 - Claims

Data was collected on the number and cost¹¹ of EL, PL and Commercial Property claims between 2009 and 2019. This was reported separately for claims relating to Losses Occurring policies and claims relating to Claims Made policies.

Key Insights and Findings

The average cost of EL and PL claims increased by 56% and 48% respectively between 2009 and 2015. The average cost then reduced by 16% and 22% for EL and PL claims respectively from 2015 to 2019. Overall, the average cost of an EL claim increased by 31% and the average cost of a PL claim increased by 16% between 2009 and 2019.

The average cost of Commercial Property claims is volatile from year to year between 2009 and 2019.

The loss ratio (claims as a percentage of premiums) across all EL, PL and Commercial Property policies averaged 74% between 2009 and 2019.

The loss ratio decreased from 80% on average between 2009 and 2015 to 64% on average between 2016 and 2019. This reduction was driven by increasing premium and a reduction in the average cost per claim over this time period.

The 2019 loss ratio was lower than any other year at 56%.

¹¹ Premiums and claims were collected and aggregated on the same accident and reporting year bases (depending on whether they are Losses Occurring or Claims Made) enabling a like-for-like comparison over time. Claims costs are insurers' latest view (as calculated at 31 December 2019) for each of the eleven accident years.

Total Claims

When analysing claims trends by year, the characteristics of Losses Occurring policies and Claims Made policies are different. Claims under Losses Occurring policies are grouped by accident year (the year in which the claim event occurred) while claims under Claims Made policies are grouped by reporting year (the year in which these claims were reported to the insurer).

Due to these differences, it is necessary to analyse claims from these policy types separately. As highlighted in Part 1, Losses Occurring policies make up the vast majority of policies. For this reason, Part 2 of the report will focus on Losses Occurring policies only, hence claims are analysed on an Accident Year basis.

Table 8: Total ultimate claim costs and ultimate claim numbers for all policy types over accident years 2009-2019.

Accident Year	Ultimate Claim Costs (€m)	Ultimate Claim Numbers
2009	713	49,031
2010	605	48,733
2011	540	37,031
2012	484	31,531
2013	531	32,188
2014	536	38,771
2015	562	30,146
2016	483	25,782
2017	481	27,714
2018	532	27,954
2019	468	25,893

As shown in Table 8, the total ultimate claim costs in 2019 was €468m and the total ultimate claim count was 25,893. This represents 75% of the total EL, PL and Commercial Property market.

Claim costs in 2009 were much higher at €713m than any other accident year. It can be seen from Table 9 and Table 10 that this was driven primarily by Commercial Property claims experience. Commercial Property claims experience can be significantly impacted by major weather events such as the significant freeze and flood events that occurred in 2009 and 2010.

PL claim costs and numbers were also higher in 2009 and 2010 than any other accident year with the exception of 2015. The high level of claims costs in 2014 and 2015 were driven by EL claims experience as well as the experience of PL claims in 2015.

The high number of claims in 2014 was driven by Commercial Property claims. This appears to be as a result of weather events in 2014 which, despite leading to a much higher number of claims, did not have a significant impact on the overall cost of claims in 2014.

Table 9: Ultimate claim costs and ultimate claim numbers for Employers' Liability and Public Liability policies over accident years 2009-2019.

Accident Year	Employers' Liability		Public Liability	
	Ultimate Claim Costs (€m)	Ultimate Claim Numbers	Ultimate Claim Costs (€m)	Ultimate Claim Numbers
2009	154	6,171	204	14,277
2010	149	5,871	208	14,738
2011	170	5,390	181	13,872
2012	171	5,302	172	11,531
2013	173	5,094	185	10,593
2014	203	5,296	173	10,622
2015	203	5,200	214	10,108
2016	185	5,031	172	9,774
2017	191	5,476	162	9,645
2018	186	5,451	195	10,235
2019	161	4,939	144	8,702

Table 10: Ultimate claim costs and ultimate claim numbers for Commercial Property policies over accident years 2009-2019.

Accident Year	Commercial Property	
	Ultimate Claim Costs (€m)	Ultimate Claim Numbers
2009	354	28,583
2010	248	28,125
2011	189	17,768
2012	141	14,698
2013	173	16,501
2014	160	22,853
2015	145	14,838
2016	126	10,977
2017	128	12,593
2018	152	12,268
2019	162	12,252

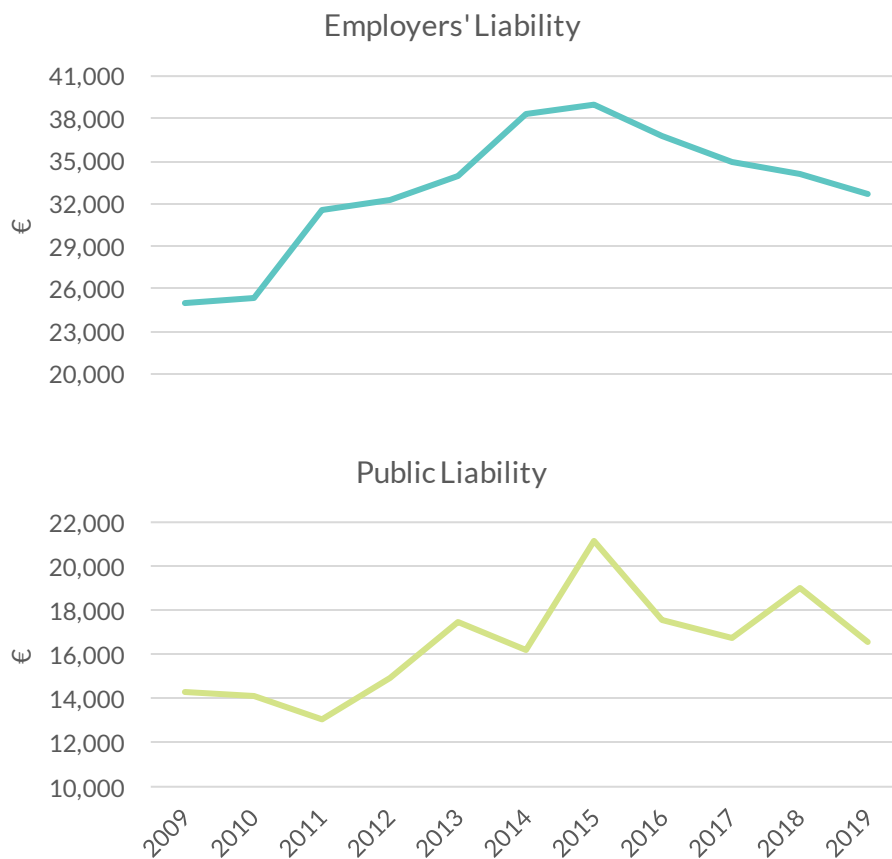
Average Cost of a Claim

Figure 6 and Figure 7 show the average ultimate cost per claim over the period for EL, PL and Commercial Property claims.

As can be seen in Figure 6, the average cost of EL and PL claims followed similar trends over the period. The average cost of EL claims increased by 56% from €25,001 in 2009 to €38,988 in 2015, while the average cost of PL claims increased by 48% from €14,286 to €21,154 over the same period.

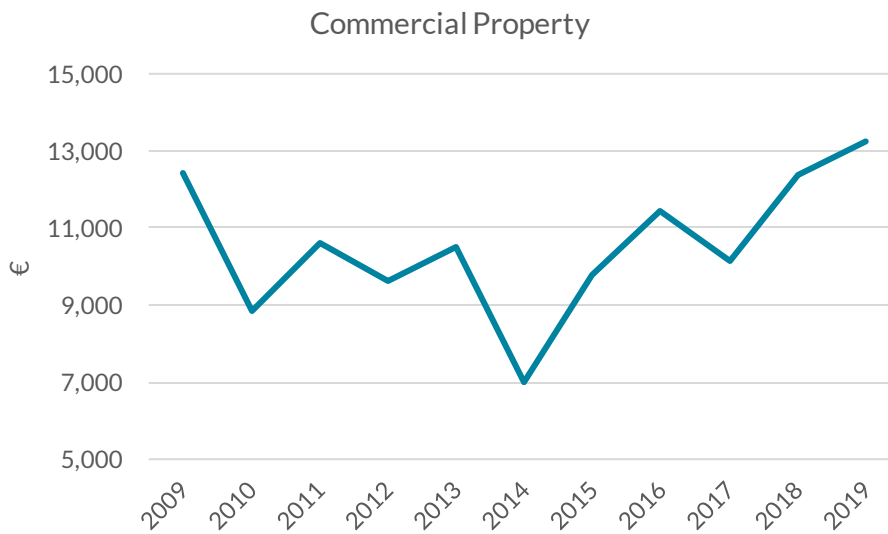
From 2015 to 2019, the average cost of EL and PL claims then decreased by 16% and 22% respectively to values of €32,635 and €16,587 in 2019.

Figure 6: Average cost per claim for Employers' Liability and Public Liability claims over accident years 2009-2019.



The average cost of Commercial Property claims has been volatile over the period. Given the large variety of Commercial Property claims that can be incurred under these policies, the average cost per claim depends on the type of claims reported in any given year. As shown in Figure 7, the average cost of Commercial Property claims increased by 7% from €12,401 in 2009 to €13,245 in 2019.

Figure 7: Average cost per claim for Commercial Property claims over accident years 2009-2019.



The levels of excess and deductibles on policies earned over each accident year can influence the average cost per claim trends. For instance, increasing levels of excess will reduce the cost of each claim to the insurer and hence reduce insurers' ultimate claim cost. This may lead to a lower average cost per claim to an insurer in relation to these claims. However, there will be an offsetting influence where increasing levels of excess leads to fewer lower value claims (those under the excess) being handled by the insurer, therefore increasing the overall average cost per claim. The converse is true for decreasing levels of excess.

Comparison of Premiums and Claims Costs¹²

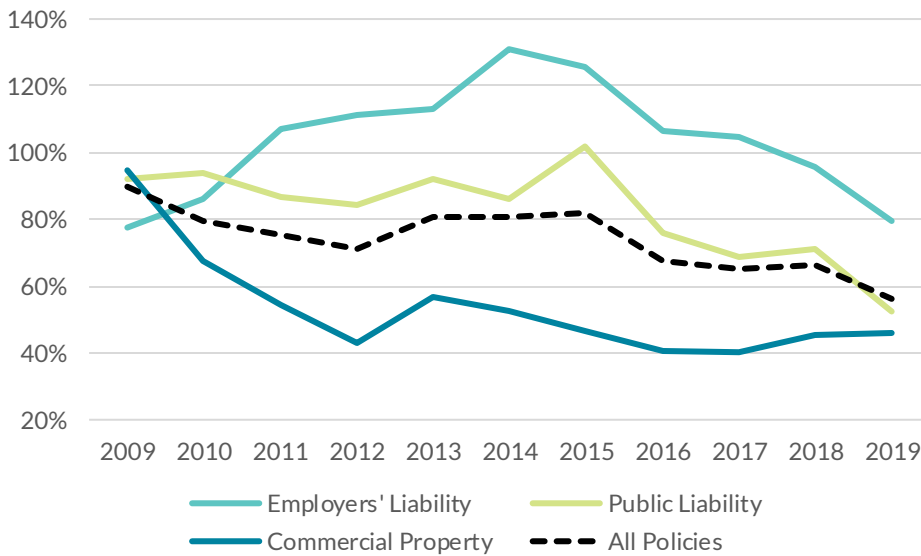
The trends in claims costs shown in this Part are based on an estimate of ultimate claims costs¹³ calculated as at 31 December 2019. This may differ from the estimates that insurers made when setting their premium levels.

Figure 8 shows the loss ratio (claim costs as a percent of premium earned) for all policies and split by cover type. It should be borne in mind that as the majority of policies are package policies, pricing may be determined at the policy level and not by cover type; hence, profitability is most accurately considered for all cover types combined ("all policies" line in Figure 8).

¹² This section of the report shows the premium and claims costs for 79% of the market in 2019.

¹³ The concept of ultimate claims costs is explained in Part 5.

Figure 8: The ratio of ultimate claims costs to earned premiums (loss ratio) by policy type for accident years 2009-2019.



Between 2009 and 2019, claims costs have been on average 74% of premiums earned across all policies. The loss ratio decreased from 90% in 2009 to 71% in 2012; the loss ratio was between 80% and 82% from 2013 to 2015 and then reduced from 67% in 2016 to 56% in 2019.

Between 2009 and 2019, the average loss ratio was 102% for EL, 81% for PL and 54% for Commercial Property.

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 costs¹⁴. These elements will be addressed in the following chapter.

¹⁴ These expenses are defined in Part 5.

PART 3 - Income and Expenditure

Statements of income and expenditure were collected from firms for financial years 2009 to 2019. Data was collected for the different coverage types individually: Employers' Liability, Public Liability and Commercial Property.

Key Insights and Findings

Insurers' operating profit across EL, PL and Commercial Property for all years was 5% of total income. In the period 2009 to 2014, an operating profit of 11% was recorded while between 2015 and 2019 there has been a 3% operating loss.

Insurers' net insurance-related result as a proportion of total income was a loss of 2% across all years. In the period between 2009 and 2014, a net insurance-related profit of 2% was recorded while between 2015 and 2019 there has been a 6% net insurance-related loss.

The Combined Operating Ratio (COR) was 95% gross of reinsurance and 103% net of reinsurance across all years.

Investment income has averaged 10% of total income across all years. In the period 2009 to 2014, investment income averaged 13% of total income; this reduced to 6% of total income in the period 2015 to 2019.

The net reinsurance impact across all years has been negative. From 2009-2019, the net cost of reinsurance averaged -7% of total income. The net cost of reinsurance changed from -4% for 2009-2014 to -10% for 2015-2019.

Breakdown of Income and Expenditure

A significant enhancement for this report compared to previous NCID reports is the collection of income and expenditure data from 2009 to 2019. Table 11 and Table 12 below provide the breakdown of the income and expenditure components for the latest financial year (2019) similar to that presented in previous NCID reports. As illustrated below, the resulting profit for the 2019 financial year across EL, PL and Commercial Property was 3% of total income.

The remainder of the Income and Expenditure section will concentrate on the financial performance of firms providing EL, PL and Commercial Property insurance cover from 2009 to 2019. The data tables, which will be published following the report, will include the breakdown of income and expenditure results by year.

Table 11: Breakdown of total income and expenditure for 2019.

Category	2019
Income (€ Millions)	
Gross earned premium	985
Investment income	72
Other earnings	7
Expenses (€ Millions)	
Gross UW expenses	-889
Reinsurance impact	-96
Other expenses, Interest & Tax	-49
Profit (€ Millions)	
Profit (€)	29
Profit (%)	3%

Table 12: Breakdown of gross underwriting expenses for 2019.

Category	2019
Gross Underwriting Expenses (€ Millions)	
Gross Claims Incurred	-603
Claims Management Expenses	-57
Management Expenses	-87
Gross Commission	-141
Total (€ Millions)	
Total - Gross UW expenses	-889

Profitability of EL, PL and Commercial Property

Figure 9 shows the total income and total expenses across all firms over the period 2009 to 2019. These results are limited to those firms still writing liability insurance in Ireland in 2019; i.e., it does not include firms that exited the market over that time period.

Operating profit as a percentage of total income is also displayed. The combined operating profit of EL, PL and Commercial Property insurance between 2009 and 2019 was 5% of total income.

Figure 9: Breakdown of total income and expenditure from 2009-2019.

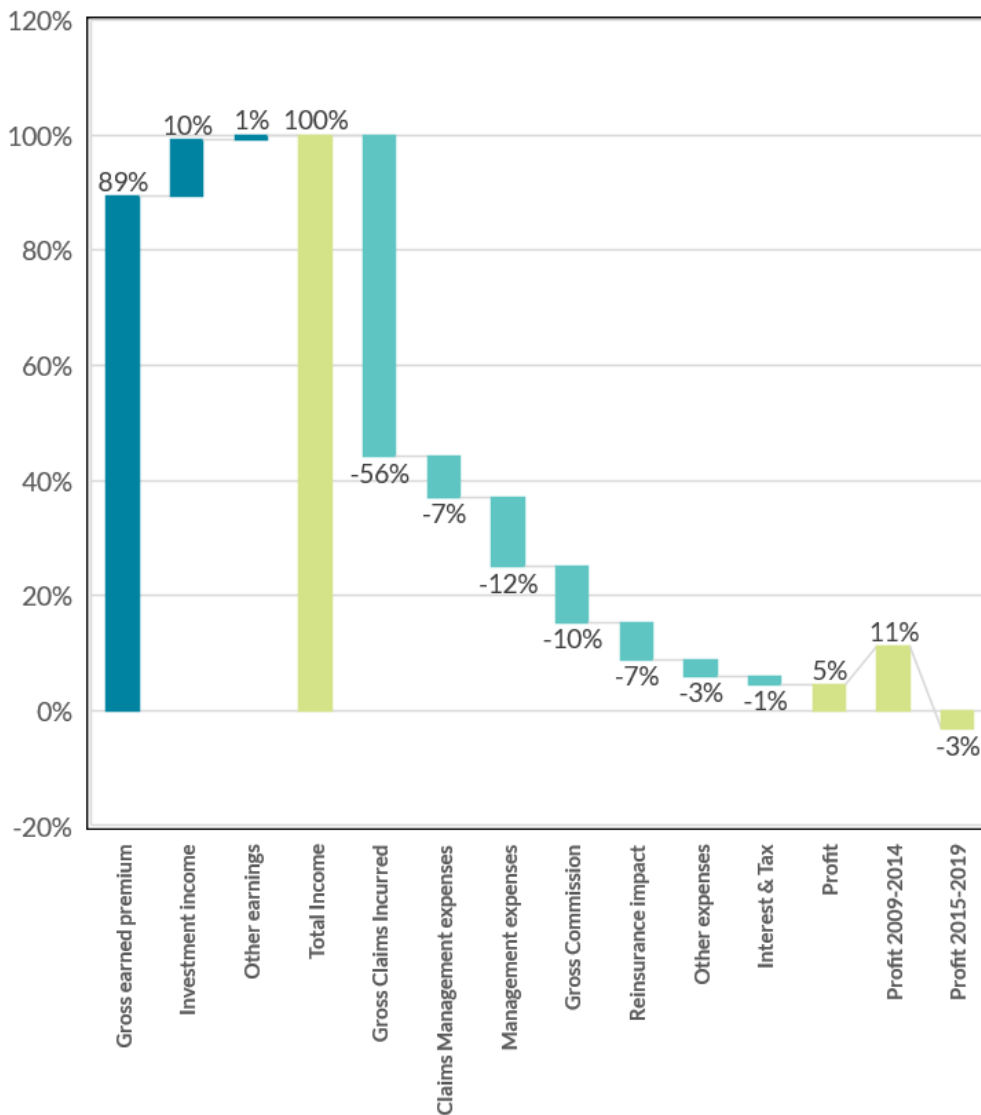


Table 13 shows the varying operating result across the time series and between EL, PL and Commercial Property coverages. There are two distinct periods in the data: 2009-2014 and 2015-2019.

During the years, 2009-2014, EL, PL and Commercial Property insurance were predominantly profitable. The combined operating profit across all coverage types was 11%.

However, during the last five years of the time series, from 2015-2019, there was a combined operating loss of 3%. EL has been consistently unprofitable equating to a loss as a percentage of total income of 26% in this period. PL has had 1% profit, while Commercial Property has been consistently profitable equating to an 8% profit as a percentage of total income in this period.

In summary, over the entire time period from 2009-2019 there has been an average operating profit of 5% across all firms and coverage types.

As highlighted previously, the data collection includes any firm writing liability business in 2019. The profitability figures will have an element of survivor bias; they will not include the results of those firms that exited the market in 2018 and prior.

Table 13: Operating result by coverage type and financial year.

Year	Employers' Liability	Public Liability	Commercial Property	Total
2009	43%	29%	4%	23%
2010	30%	28%	16%	23%
2011	21%	12%	2%	10%
2012	14%	-1%	9%	6%
2013	2%	-5%	7%	2%
2014	-7%	10%	0%	2%
2009-2014	18%	12%	6%	11%
2015	-50%	15%	6%	-4%
2016	-44%	-12%	7%	-12%
2017	-12%	-5%	8%	-2%
2018	-21%	-3%	10%	-3%
2019	-8%	6%	6%	3%
2015-2019	-26%	1%	8%	-3%
2009-2019	-2%	7%	7%	5%

The key drivers of operating profit/loss are gross earned premium and investment income in relation to the income components; the key drivers are gross underwriting expenses and reinsurance in relation to the expense components.

The remainder of this section will go into more detail on these key elements. This will include the following breakdowns:

- (i) A breakdown of underwriting performance by focusing on the following metrics:
 1. Operating Performance Components (Underwriting Result, Investment Income and Reinsurance)
 2. Combined Operating Ratio (COR based on Earned Premium and Underwriting Expenses);
- (ii) A breakdown of individual Underwriting Expenses (i.e., Gross claims incurred, Claims management expenses, Gross commission and Management expenses);
- (iii) A breakdown of the impact of Reinsurance; and
- (iv) A breakdown of earnings from Investment Income

A breakdown of Underwriting Performance

Operating Performance split by Key Components

Table 14 shows the key components of operating performance as a percentage of total income split between the net insurance-related result (including reinsurance impact), investment income and other earnings, tax and expenses.

Table 14: Profit, investment income and other earnings and expenses for years 2009-2019 as a proportion of income.

Year	Gross Insurance-Related Result	Reinsurance	Net Insurance-Related Result	Investment Income	Other Earnings, Tax and Expenses	Operating Result
2009	8%	6%	14%	12%	-3%	23%
2010	23%	-4%	19%	11%	-6%	23%
2011	13%	-8%	4%	8%	-3%	10%
2012	-7%	-6%	-13%	19%	0%	6%
2013	-1%	-3%	-5%	13%	-7%	2%
2014	-1%	-8%	-10%	14%	-2%	2%
2009-2014	5%	-4%	2%	13%	-3%	11%
2015	-5%	-8%	-13%	12%	-3%	-4%
2016	-5%	-9%	-14%	6%	-3%	-12%
2017	8%	-13%	-5%	7%	-4%	-2%
2018	11%	-9%	2%	0%	-5%	-3%
2019	9%	-9%	0%	7%	-4%	3%
2015-2019	4%	-10%	-6%	6%	-4%	-3%
Total	5%	-7%	-2%	10%	-3%	5%

The gross insurance-related result indicates if there is a profit or loss in relation to insurance activities, gross of any reinsurance impact; this is shown as a percentage of total income. This includes the performance of premiums, claims, and expenses. Across all years, there has been a gross insurance-related profit of 5% as a proportion of total income (+5% from 2009-2014 followed by +4% from 2015-2019). From 2009-2011 there was a gross insurance-related profit; there was a gross insurance-related loss from 2012 until 2016; and from 2017 to 2019, there was a gross insurance-related profit recorded.

The net insurance-related result indicates if there is a profit or loss in relation to insurance activities net of reinsurance costs. This calculates the

gross insurance-related resulted highlighted in the previous paragraph net of any reinsurance impact. Across all years, there has been a net insurance-related loss of 2% as a proportion of total income (+2% from 2009-2014 followed by -6% from 2015-2019). From 2009-2011, there was a net insurance-related profit; there was a net insurance-related loss every year from 2012 until 2017; in 2018, there was a 2% profit recorded; and in 2019, profit was 0.01%.

Investment income as a proportion of total income across all years has averaged 10%. From 2009-2014, investment income as a percentage of total income averaged 13%; from 2015-2019, investment income as a percentage of total income averaged 6%. As detailed in Table 14, investment income is notably larger for the years 2009-2015 and drops off in 2016. The decrease in investment income is consistent from 2016, the drop in 2018 is more pronounced due to firms with negative investment returns. Further information on investment income will be provided in the subsequent sections.

Combined Operating Ratio

The above operating result looked at the split of the key components of income and expenditure as a percentage of total income. However, a key ratio used by insurers to measure the underlying performance of their insurance-related activities is the Combined Operating Ratio (COR). The COR describes insurance-related outgoings as a proportion of earned premium.

This is defined as:

$$\text{COR} = \frac{\text{Claims incurred}^{15} + \text{Other underwriting expenses}^{16}}{\text{Earned premium}}$$

The COR can be calculated either gross (before the effect) or net (after the effect) of reinsurance¹⁷.

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

Further information on gross underwriting expenses and reinsurance costs is provided in subsequent sections.

¹⁵ 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.

¹⁶ Other underwriting expenses include: commissions; other acquisition costs; policy administration; and claims handling expenses.

¹⁷ Reinsurance is defined in Part 5.

The total gross COR was 95% across all financial years; the net COR was 103%¹⁸. From an insurer's perspective, a high COR represents an unfavourable result. A COR greater than 100% represents a higher level of insurance-related outgoings than insurance-related income. We have provided these results gross (Gross COR) and net (Net COR) of reinsurance costs. Figure 10 provides the Gross and Net COR from 2009 to 2019. The Net COR is higher than the Gross COR for all years with the exception of financial year 2009.

Figure 10: Total Gross and Net COR for 2009-2019.

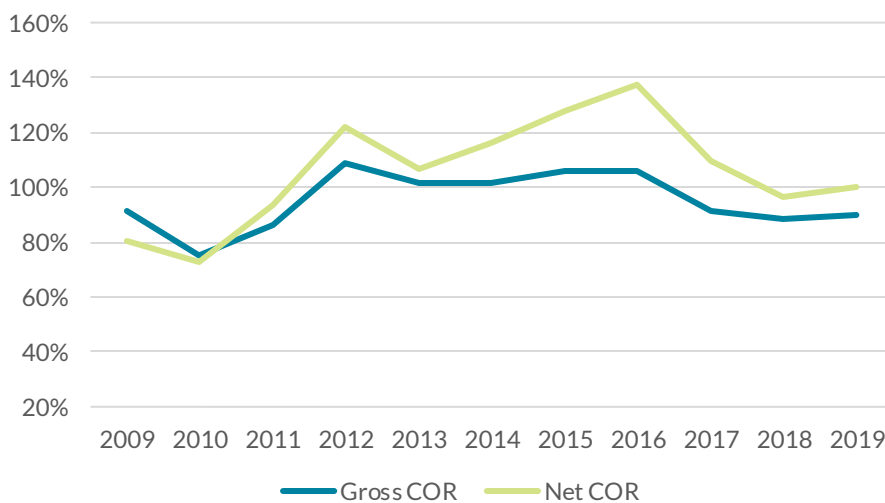


Table 15 provides the Gross COR split by coverage type across a number of distinct periods through 2009 to 2019. For EL, the Gross COR across all years was 115%; from 2009-2014, the Gross COR was 93% and from 2015-2019, the Gross COR averaged 137%.

For PL, the Gross COR was 97% across all years; from 2009-2014, the Gross COR was 99% and this reduced to 95% for 2015-2019.

For Commercial Property, the Gross COR across all years was 81%; from 2009-2014, the Gross COR was 90% and this reduced to 70% for 2015-2019.

¹⁸ Net COR may be sensitive to the restructuring of firms and of reinsurance arrangements.

Table 15: Gross COR by coverage type.

Coverage Type	2009-2014	2015-2019	All Years
Employers' Liability	93%	137%	115%
Public Liability	99%	95%	97%
Commercial Property	90%	70%	81%
Total	94%	96%	95%

Table 16 provides the Net COR split by coverage type across a number of distinct periods through 2009 to 2019. For EL, the Net COR across all years was 124%; from 2009-2014, the Net COR was 94% and this increased to 196% for 2015-2019.

For PL, the Net COR was 102% across all years; from 2009-2014, the Gross COR was 100% and this increased to 105% for 2015-2019. For Commercial Property, the Net COR across all years was 93%; from 2009-2014, the Net COR was 97% and this reduced to 85% for 2015-2019.

Table 16: Net COR by coverage type.

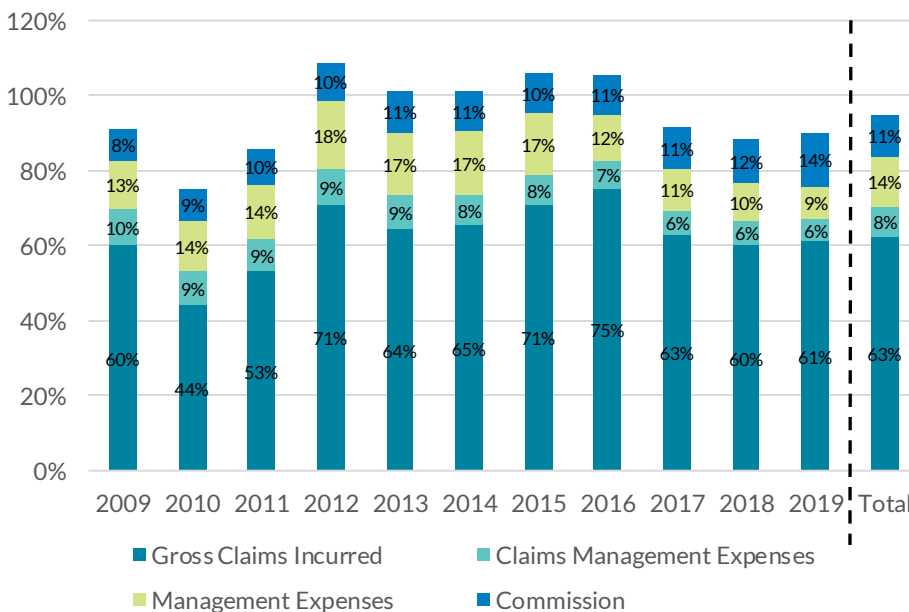
Coverage Type	2009-2014	2015-2019	All Years
Employers' Liability	94%	196%	124%
Public Liability	100%	105%	102%
Commercial Property	97%	85%	93%
Total	97%	113%	103%

Underwriting Expenses

Figure 11 provides a breakdown of the underwriting costs associated with the metrics shown in the section above. We can see that gross claims-related costs (i.e., claims incurred and claims handling expenses) were the greatest expenditure accounting for, on average, 70% of gross earned premium across 2009-2019.

The other key underwriting expenses were commissions, which amounted to 11% of gross earned premium, and management expenses, which amounted to 14% of gross earned premium.

Figure 11: Breakdown of the gross underwriting costs for 2009-2019 across all Coverage Types as a percentage of Gross Earned Premium.



Management expenses are the expenses related to product development, system improvements, salaries, auditing costs and regular day-to-day costs i.e., electricity bills, rent for accommodation, and IT costs. Claims management expenses are the expenses related to the processing and resolving of claims, including certain legal and adjusters' fees and internal costs of processing claims payments.

The amount shown here is the share of total management expenses and claims management expenses that have been apportioned to EL, PL and Commercial Property insurance business.

Reinsurance

Figure 12 illustrates the impact of reinsurance costs from 2009-2019. The total reinsurance impact of EL, PL and Commercial Property insurance between financial years 2009-2019 has been negative equating to -7% of total income. A negative impact is a result of more money being paid to a reinsurer compared to what is received in reinsurance recoveries and expenses. The reinsurance impact has been negative for all financial years except 2009.

Figure 12: Reinsurance impact across all Coverage Types from 2009-2019.

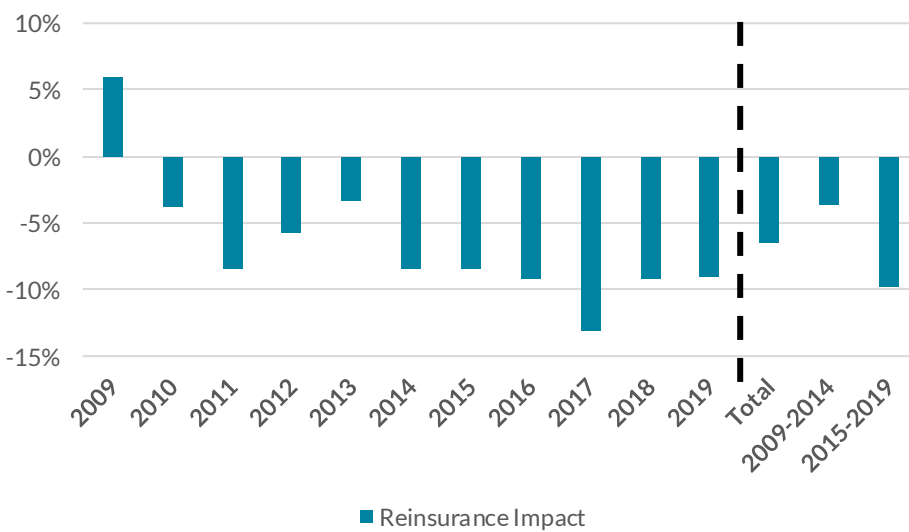


Table 17 below shows how the reinsurance impact varies across coverage types. At a total coverage type level, the reinsurance impact has been positive for EL and negative for PL and Commercial Property. For EL, the total reinsurance impact across all years was 1%; this averaged -1% for 2009-2014 and 3% for 2015-2019.

For PL, the total reinsurance impact across all years was -4%; this averaged -1% for 2009-2014 and -7% for 2015-2019. For Commercial Property the total reinsurance impact across all years was -13%; this averaged -7% for 2009-2014 and -21% for 2015-2019.

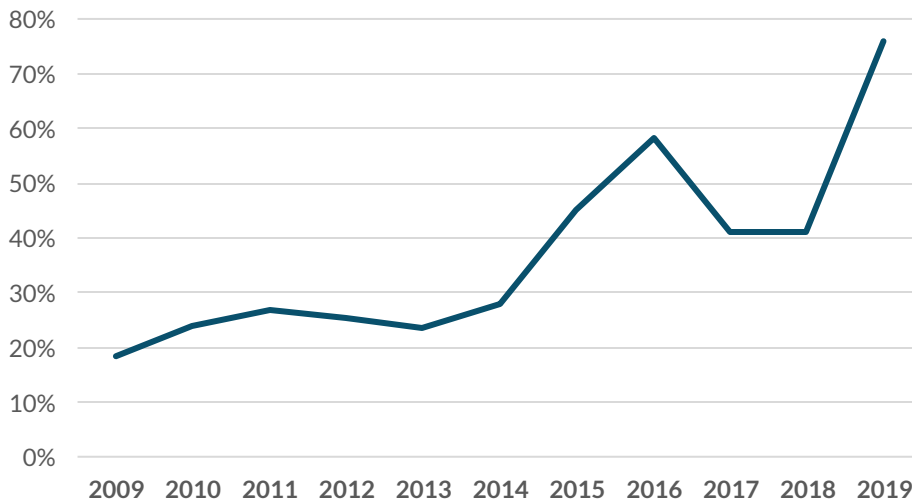
Table 17: Reinsurance impact by coverage type.

Coverage Type	2009-2014	2015-2019	All Years
Employers' Liability	-1%	3%	1%
Public Liability	-1%	-7%	-4%
Commercial Property	-7%	-21%	-13%
Total	-4%	-10%	-7%

Figure 13 below shows how the proportion of premium ceded to reinsurers has changed from 2009-2019. Premiums ceded refers to the premium paid by an insurer for a reinsurance contract in exchange for which the reinsurer covers an agreed level of claim experience therefore reducing the claims risk borne by an insurer. This is taken as a proportion of the insurers' premium income. The percentage of premium ceded by insurers increased from an average of 24% for 2009-2014 to 53% for 2015-2019.

This metric can be influenced by one-off reinsurance arrangements that are put in place to cover losses for previous accident years e.g., following a merger or re-structure. This would result in firms ceding large volumes of premium compared to the actual premium received for a particular financial year.

Figure 13: Proportion of premium ceded by insurers to cover reinsurer costs for all cover types and years 2009-2019.



Investment Income

Table 18 below provides detail on investment income as a proportion of total income by coverage type. As observed above, investment income was a more substantial proportion of income pre-2016 equating to 13% of total income; this has reduced to 5% since 2016.

Investment income is a more material component for liability coverage types compared to commercial property.

Table 18 below illustrates that the reduction in investment income from 2016 is a consistent feature for each coverage type.

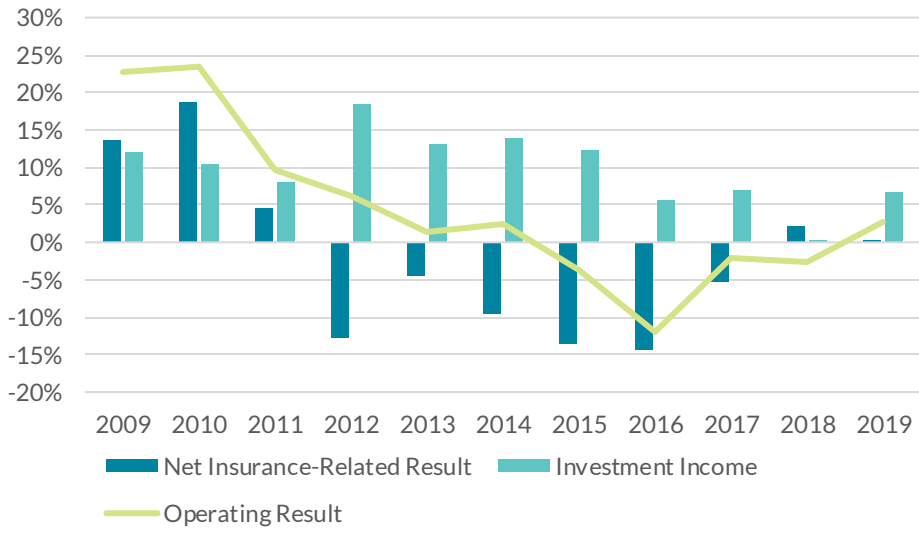
Table 18: Investment income as a percentage of total income by coverage type.

Coverage Type	2009-2015	2016-2019	All Years
Employers' Liability	16%	5%	12%
Public Liability	18%	7%	13%
Commercial Property	7%	3%	5%
Total	13%	5%	10%

Figure 14 shows the interaction of the net insurance-related result, investment income and operating profit for the 2009 to 2019 financial years.

- For the 2009 to 2011 financial years, it can be observed that the operating result was positive as a result of positive net insurance-related results and investment income; net insurance-related returns included significant reserve releases (profit adjustments) relating to claims in 2008 and prior accident/reporting years.
- For the 2012 to 2014 financial years, the net insurance-related result was negative, but this was offset by investment income leading to a positive operating result;
- For the 2015 to 2017 financial years, the operating result was negative as a result of negative net insurance-related results and falling investment income to offset these losses;
- For the 2018 and 2019 financial years, low positive net insurance-related results and investment income combined with other earnings, tax and expenses to result in operating results of -3% and 3% respectively.

Figure 14: Interaction between profit and investment income for 2009-2019.



PART 4 – Claim Settlements

Data was collected on claimants who settled liability 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

92% of total settlement costs between 2015 and 2019 are in relation to injury claims.

67% of costs associated with settling injury claims between 2015 and 2019 were compensation costs while 30% were legal costs.

57% of all injury claimants settled through litigation over the five years 2015-2019; 29% settled directly; and 14% settled through PIAB.

80% of injury settlement costs were attributable to claims settled through litigation over the period 2015-2019; 12% to claims settled directly; and 8% to claims settled through PIAB.

Average duration of an injury claim from reporting quarter to settlement year is 4.5 years for a claim settled through litigation, 1.7 years for a claim settling directly and 1.8 years for a claim settling through PIAB.

Key Insights and Findings

Average settlement cost between 2015 and 2019 for injury claims is higher for EL claim settlements compared to PL:

EL (39% claimants, 51% total costs)

- Direct: compensation was €24,232 and legal was €2,790
- PIAB: compensation was €36,320 and legal was €902
- Litigated: compensation was €69,865 and legal was €35,268

PL (61% claimants, 49% total costs)

- Direct: compensation was €16,851 and legal was €2,706
- PIAB: compensation was €27,484 and legal was €1,734
- Litigated: compensation was €38,599 and legal was €24,421

Average settled costs between 2015 and 2019 for injury claims settled through litigation for less than €150K (81% of EL and 94% of PL claimants):

- EL compensation was €35,642 and legal was €22,792
- PL compensation was €25,088 and legal was €18,680

Of the claimants who settled injury claims in 2019:

- 14% settled direct, before PIAB
- 12% settled through PIAB
- 10% settled direct, after PIAB
- 60% settled through litigation, before a court award
- 4% through litigation, with a court award.

Background to Claims Settlement

This section looks at liability claims that settled during the period 2015 to 2019. There is particular focus on the settlement channel through which these claims are settled.

Claims are split into three main settlement channels for years 2015 to 2019:

- **Direct:** Claims settled directly between claimant and insurer; this can be before or after PIAB involvement, but before initiation of legal proceedings.
- **PIAB:** Claims settled through the Personal Injuries Assessment Board (PIAB).
- **Litigated:** Claims settled following the initiation of legal proceedings. These awards can be settled before reaching a judge or decided by a judge.

For claims settled in 2019, claims are further 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.

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. For all relevant claims included in this report, PIAB calculated compensation amounts using the ranges set out in the Book of

Quantum¹⁹, 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.

From April 2021, the Book of Quantum, which was relied upon by PIAB in assessing awards, was replaced by Personal Injury Guidelines adopted by the Judicial Council. This change does not affect any of the settled claims in this report which includes settled data up to 31 December 2019.

Settlement of Claims

Table 19: Total number of claimants settled and total cost of settlements for settlement years 2015-2019.

Settled Year	Number of Claimants Settled	Total Cost (€m)
2015	8,841	334
2016	9,089	372
2017	8,440	375
2018	9,209	362
2019	9,278	390

Table 19 shows the total number of claimants who settled and the total cost of claimant settlements for EL and PL claims combined. This data is based on 82% of the EL, PL and Commercial Property insurance market in 2019. It can be seen that the cost of claims that settled in 2019 totalled approximately €390m spread across 9,299 claimants.

Figure 15 and Figure 16 show that 33% of claimants who made claims between 2015 and 2019 made damage claims, which account for 8% of total settled costs. Between 2015 and 2016, 67% of claimants made injury claims; these accounted for 92% of total settled costs.

¹⁹ 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

Figure 15: Breakdown of settled claimants by claim type, across all settlement channels for settlement years 2015-2019.

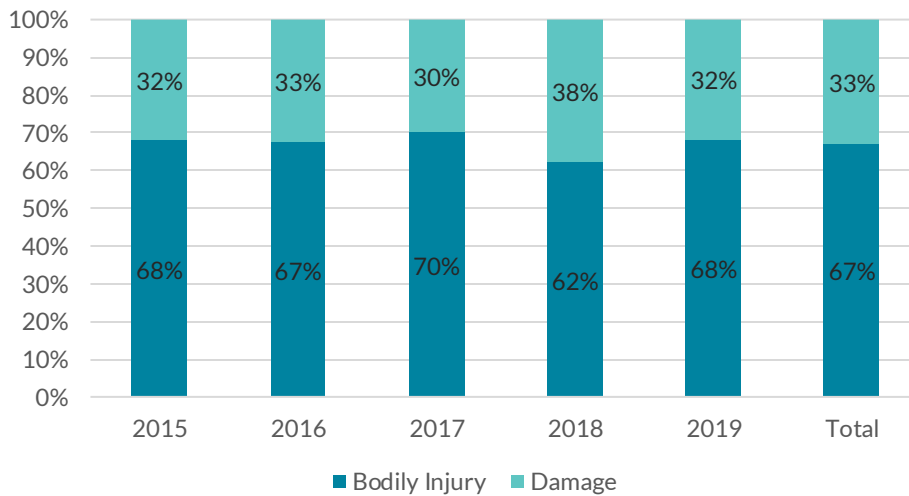
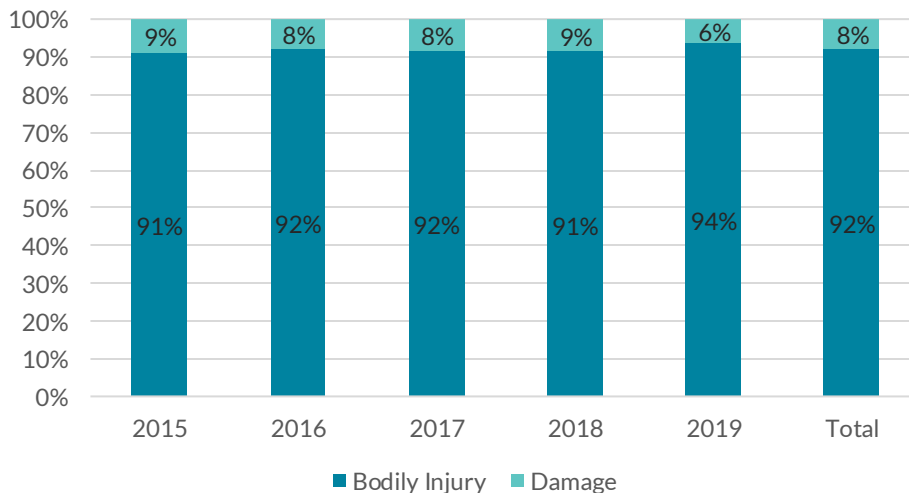


Figure 16: Breakdown of settled costs by claim type, across all settlement channels for settlement years 2015-2019.



EL claims are predominantly injury claims, however PL claims are a mix of bodily injury and damage. The majority of damage claims (92%) are settled directly with the insurer.

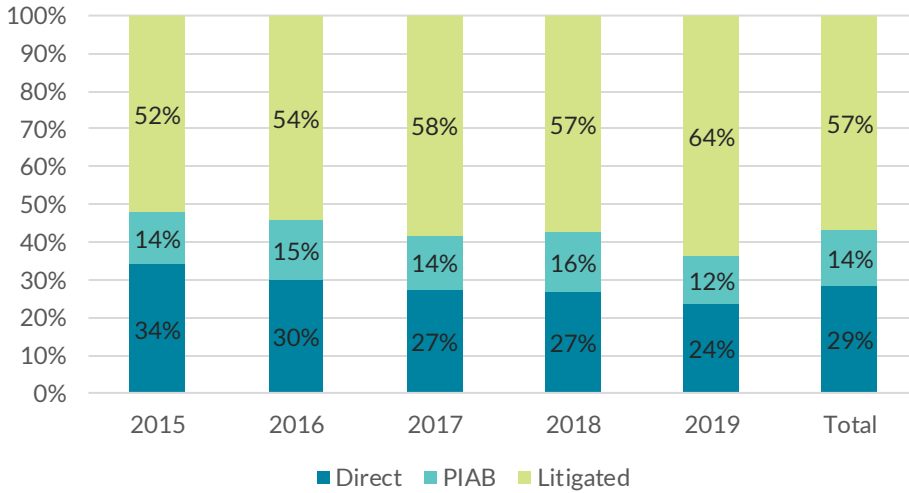
As a result of their significance to overall claim costs, the remainder of Part 4 focuses on injury claims. There is a summary of damage claims at the end of Part 4.

Settlement of Injury Claims

The proportion of claimants who settled through litigation increased from 52% in 2015 to 64% in 2019, averaging 57% over the period; as illustrated in Figure 17. The proportion of claimants who settled directly with the insurer decreased from 34% in 2015 to 24% in 2019, averaging 29% over

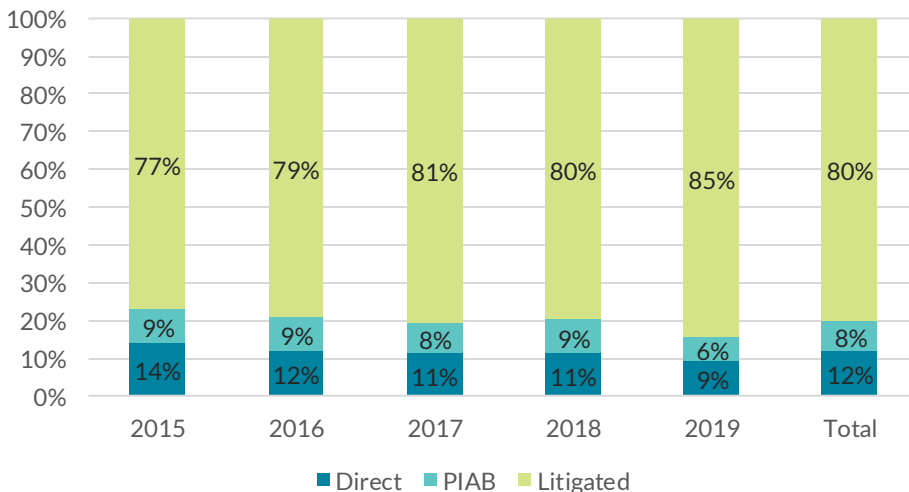
this period. The proportion that settled through PIAB averaged 14% from 2015 to 2019.

Figure 17: The proportion of injury claimants who settled through each settlement channel from 2015-2019.



As illustrated in Figure 18, between 2015 and 2019, injury claimants who settled through litigation (57%) accounted for 80% of settlement costs; injury claimants who settled directly (29%) accounted for 12% of total settlement costs; injury claimants who settled through PIAB (14%) accounted for 8% of settlement costs.

Figure 18: The proportion of total cost to insurers of settling injury claims in each of the settlement channels from 2015-2019.



As can be seen in Figure 18, litigated settlements have become a larger component of total injury settlement costs having increased from 77% to 85% of costs from 2015 to 2019. Direct and PIAB settlements are a less material component for liability claims. The proportion of costs for claims

settling directly has decreased from 14% to 9% from 2015 to 2019. The proportion of costs for claims settling through PIAB has remained relatively stable during the period from 2015-2018 accounting for approximately 9% of settlements; this reduced to 6% for 2019.

Figure 19: The proportion of settled claimants and total cost of injury claims through each of the five settlement channels in 2019.

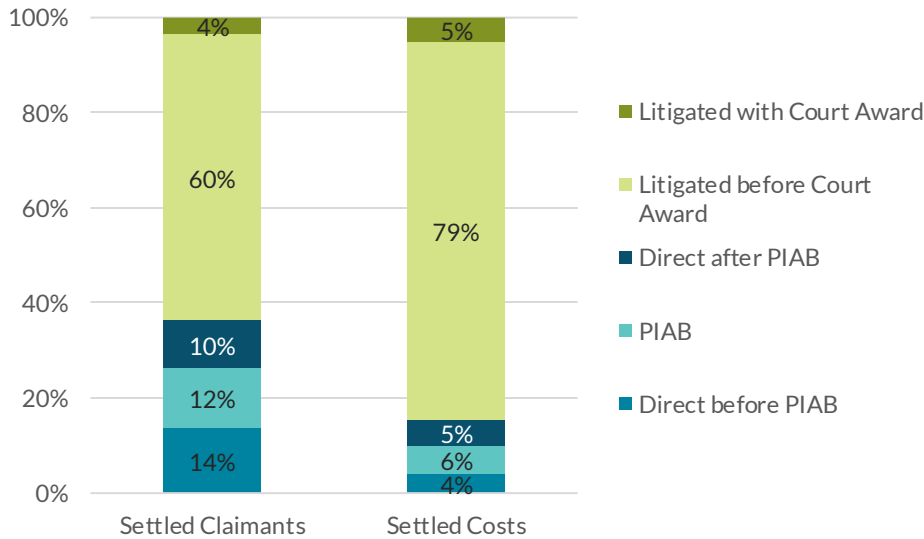


Figure 19 shows the proportion of settled injury claimants and costs that went through the five settlement channel split in 2019. The 24% of claimants who settled directly in 2019 can be divided into 14% who settled directly before PIAB involvement, and 10% who settled directly after PIAB involvement (but before the initiation of any legal proceedings).

The 64% of claimants who settled through litigation in 2019 can be divided into 60% who settled before a court award and 4% who settled with a court award.

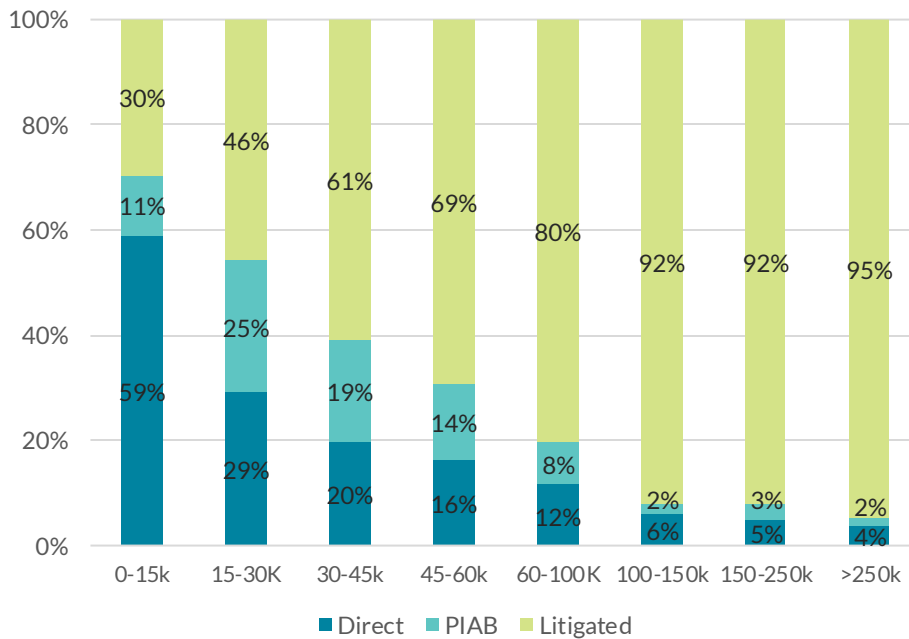
It can be seen that while 14% of claimants settled directly before PIAB, only 4% of total settlement costs were attributable to this channel. Litigated claimants who settled before a court award accounted for 79% of total settlement costs.

Distribution of Injury Claim Settlements ²⁰

Figure 20 shows the distribution of claimants across settlement channels for different bands of total settlement cost in 2019.

²⁰ The statistics in this section are based on data from firms that insured 70% of the EL, PL and Commercial Property insurance market in Ireland in 2019.

Figure 20: The proportion of injury claimants that settled in each channel, by settlement cost band in 2019.



It can be seen that a high proportion of claimants with claims in the lowest settlement cost band settled directly; the proportion of claimants who settled directly decreased as claim settlement amounts increased. The proportion of claimants who settled through PIAB was at its highest at 25% of settlements in the €15,001-€30,000 band.

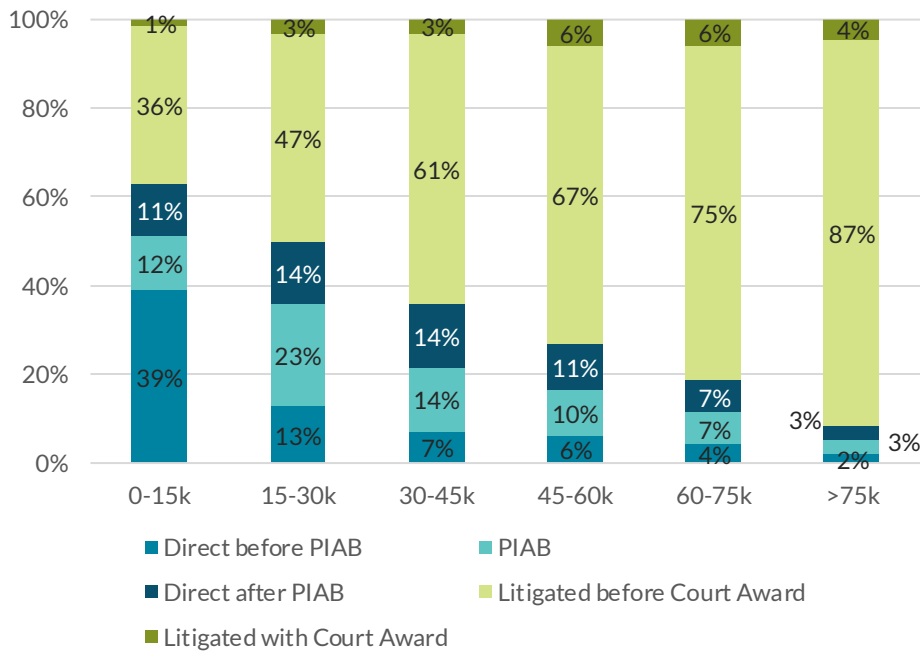
Litigated settlements accounted for a low proportion of claimants in the lower claim size bands. This ratio increased to over 90% for settlements in excess of €100k.

Figure 21 provides the settlement channel and settled cost band breakdown using the five settlement channel splits collected for 2019 only.

It can be seen that claims settled directly before PIAB make up the majority of direct claims in the €0-€15,000 band. The proportion of claimants who settled directly after PIAB was at its highest (14%) in the €15,001-€30,000 and €30,001-€45,000 claim size bands.

The proportion of claimants that settled through litigation before a court award increased as claim settlement amounts increased, with more than 60% of claimants settling through this channel for each claim size band above €30,000.

Figure 21: The proportion of injury claimants that settled in each channel, by settlement cost band in 2019.



Claimants settling through litigation with a court award is a feature across all of the bands. For the lowest band the proportion is low; making up 1% of injury claimants in the €0-15k band. However, the proportion of injury claimants settled through court award is higher and ranges from 3-6% for the bands above €15k.

Table 20 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, which account for 25% of all claimants from 2015 to 2019. 64% of claimants had a total settlement cost less than or equal to €45,000.

Table 20: The proportion of injury claimants settled in each settlement cost band and settlement channel for years 2015-2019.

Band	Direct	PIAB	Litigated	All
€0-15k	15%	3%	7%	25%
€15-30k	7%	6%	11%	23%
€30-45k	3%	3%	10%	16%
€45-60k	1%	1%	6%	9%
€60-100k	2%	1%	11%	14%
€100-150k	0%	0%	6%	6%
€150-500k	0%	0%	5%	6%
>€500k	0%	0%	1%	1%
All Bands	29%	14%	57%	100%

Average Settlement Costs of Injury Claims²¹

The complexity 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 21 and Table 22 show the average costs of settling injury claims per claimant, split into compensation paid to the claimant, legal fees and other costs²² (e.g., the cost of medical assessment) for EL and PL separately. The average costs associated with an injury claim are higher for EL compared to PL across all channels. PL claimants account for 61% of the total claimants, whereas they make up 49% of the total settled cost.

The average costs by channel for EL and PL claims remained stable for the period between 2015 and 2019, therefore the tables below show the average cost components for all settlements for the period from 2015 to 2019.

Table 21: Breakdown of the average EL injury settlement costs in each settlement channel in the years across 2015-2019.

Settlement Cost	Direct	PIAB	Litigated	Total
Compensation Cost (€)	24,232	36,320	69,865	52,082
Legal Cost (€)	2,790	902	35,268	21,292
Other Cost (€)	1,115	897	3,412	2,413
Total Cost (€)	28,137	38,120	108,545	75,786
Legal Cost as % of Compensation	12%	2%	50%	41%
Legal Cost as % of Total Costs	10%	2%	32%	28%

For 2015-2019, the average compensation cost of EL settlements in the litigated channel (€69,865) is considerably higher than the overall average in the direct channel (€24,232) and the PIAB channel (€36,320).

For EL injury claims, legal costs are most significant for litigated settlements. They averaged 50% of the compensation cost (or 32% of total cost) for litigated EL injury claims from 2015-2019. This compares with Direct where legal costs averaged 12% of the compensation cost (or 10% of total cost) and PIAB where legal costs averaged 2% of the compensation

²¹ The statistics in this section are based on data from firms that insured 67% of the EL, PL and Commercial Property insurance market in Ireland in 2019.

²² Note that "other costs" include all other expenses incurred in the course of settling a claim. This may include the cost of assessing claims (e.g. medical or engineering reports), administration costs or 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".

cost (or 2% of total cost). It should be noted that the legal costs associated with settling claims via all channels may be understated, as all claimant legal costs are not always captured by the settling insurer.

Table 22: Breakdown of the average PL injury settlement costs in each settlement channel in the years across 2015-2019.

Settlement Cost	Direct	PIAB	Litigated	Total
Compensation Cost (€)	16,851	27,484	38,599	30,842
Legal Cost (€)	2,706	1,734	24,421	14,883
Other Cost (€)	786	666	1,237	1,024
Total Cost (€)	20,343	29,884	64,257	46,749
Legal Cost as % of Compensation	16%	6%	63%	48%
Legal Cost as % of Total Costs	13%	6%	38%	32%

For PL injury claims the average total cost is lower across all channels compared to EL injury claims.

For 2015-2019, the average compensation cost of PL settlements in the litigated channel (€38,599) is higher than the overall average in the direct channel (€16,851) and the PIAB channel (€27,484).

For PL injury claims, legal costs are a higher proportion of compensation costs compared to EL injury claims. Legal costs are most significant for litigated settlements. They amounted to 63% of the compensation cost (or 38% of the total cost) for litigated PL injury claims. This compares to Direct where legal costs averaged 16% of compensation costs (or 13% of total costs) and PIAB where legal costs averaged 6% of compensation costs (and 6% of total cost).

Table 23 illustrates the cumulative percentage of claimants and total settlement costs by total settlement band for EL claims split by settlement channel for the period from 2015 to 2019. For all EL claims that settled directly, 98% of all claimants and 82% of all settlement costs were for claims with a total settlement cost of less than €150k. Similarly, for claims that settled through the PIAB channel, 98% of all claimants and 84% of all settlement costs were for claims with a total settlement cost of less than €150k. For claims that settled through the litigation channel, 81% of all claimants and 45% of all settlement costs were for claims with a total settlement cost of less than €150k.

Table 23: Percentage of claimants and costs of EL claims by cumulative settlement band by settlement channel from 2015-2019.

Band	Direct - EL		PIAB - EL		Litigated - EL	
	Claimants	Costs	Claimants	Costs	Claimants	Costs
< €15k	49%	9%	18%	4%	8%	1%
< €30k	70%	26%	55%	26%	21%	3%
< €45k	82%	41%	77%	47%	35%	8%
< €60k	88%	52%	86%	60%	46%	13%
< €100k	96%	73%	96%	79%	66%	28%
< €150k	98%	82%	98%	84%	81%	45%
< €500k	100%	97%	100%	98%	98%	82%
All	100%	100%	100%	100%	100%	100%

EL litigated settlements costing more than €150k account for 19% of claimants settling through litigation yet they account for 55% of total settlement costs in that channel.

Table 24 shows the cumulative average compensation cost and average legal cost by total settlement band for EL claims split by settlement channel for the period from 2015 to 2019. Since compensation and legal costs account for a majority of all settlement costs, other costs have been excluded from this analysis. The 'All' row in Table 24 illustrates the total average compensation and average legal cost for all claims within that settlement channel as highlighted in Table 21. For all other rows, the average compensation and average legal costs are calculated for all claims that have total settlement costs less than the amount labelled in the 'Band' column.

Table 24: Average injury settlement costs of EL claims by cumulative settlement band by settlement channel from 2015-2019.

Band	Direct - EL		PIAB - EL		Litigated - EL	
	Avg Comp	Avg Legal	Avg Comp	Avg Legal	Avg Comp	Avg Legal
< €15k	4,763	578	10,012	237	5,113	4,617
< €30k	9,151	972	17,214	441	9,579	7,921
< €45k	12,558	1,192	22,042	481	14,123	10,764
< €60k	14,872	1,339	25,007	541	17,805	12,900
< €100k	18,978	1,839	29,919	594	26,899	18,249
< €150k	20,836	2,076	31,250	685	35,642	22,792
< €500k	23,691	2,590	35,496	877	56,350	31,291
All	24,232	2,790	36,320	902	69,865	35,268

PL litigated settlements costing more than €150k account for only 6% of claimants settling through litigation yet they account for 35% of total settlement costs in that channel.

Table 26 shows the cumulative average compensation cost and average legal costs by total settlement band for PL claims split by settlement channel for the period from 2015 to 2019. The 'All' row in Table 26 shows the average compensation and average legal cost for all claims within each settlement channel.

Table 26: Average injury settlement costs of PL claims by cumulative settlement band by settlement channel from 2015-2019.

Band	Direct - PL		PIAB -PL		Litigated - PL	
	Avg Comp	Avg Legal	Avg Comp	Avg Legal	Avg Comp	Avg Legal
<€15k	5,422	842	9,144	659	4,316	4,686
< €30k	9,303	1,453	16,306	1,125	8,064	8,308
< €45k	11,730	1,839	20,580	1,436	11,625	11,065
< €60k	13,401	2,097	23,082	1,598	14,512	12,931
< €100k	15,536	2,389	26,270	1,698	20,895	16,674
< €150k	16,139	2,579	26,760	1,705	25,088	18,680
< €500k	16,664	2,698	27,484	1,734	31,176	21,827
All	16,851	2,706	27,484	1,734	38,599	24,421

For all claims that settled for less than €150k, average claim settlements via the litigated channel (€25,088) are broadly comparable to the PIAB channel (€26,760) and higher than the direct channel (€16,139). The average legal costs of PL settlements less than €150k through the litigated channel (€18,680) are significantly higher than the PIAB channel (€1,705) and the direct channel (€2,579).

Again, there are likely to be some very large claim settlements for PL injury claims greater than €150k; these increase the total average costs across the channels. For litigated claims, 35% of the total costs relate to claims with a total settlement cost of greater than €150k. This is a much higher proportion compared to claims greater than €150k that settled directly (7%) and through PIAB (3%). Due to very large claims being more likely to settle through the litigated channel, there is a larger increase (+54%) in the average compensation of litigated claims from €25,088 for claims less than €150k to €38,599 for all claims compared to claims that settled directly (+4%) and through PIAB (+3%).

Table 27 shows the average costs of settling injury claims per claimant, using the 5-way settlement channel and cost type for liability claims 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 insurer's own legal costs and third party legal costs. Own legal costs are the legal costs incurred by the insurer in settling a claim and third party legal costs are those incurred by the claimant in the course of settling a claim and 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.

This shows that in 2019, liability claimants who settled directly after PIAB had an average total settlement cost of €31,141 compared to €18,128 for those who settled directly before PIAB, and €30,824 for those who settled through PIAB.

Third party legal costs made up the largest difference between the average costs of claims settled through PIAB (€404) and directly after PIAB (€5,677).

Liability claimants who settled through litigation before a court award in 2019 had an average cost of €77,668 compared to €93,719 for those who settled with a court award.

Table 27: Average injury settlement costs of liability claims by settlement channel, using the 5-way settlement channel and cost splits, for 2019.

Average Settlement Cost (2019)	Comp-General Damages (€)	Comp-Special Damages (€)	Legal Own (€)	Legal Third Party (€)	Other (€)	Total (€)
Total Liability						
Direct before PIAB	13,273	2,368	328	1,033	1,126	18,128
PIAB	27,160	2,191	313	404	756	30,824
Direct after PIAB	22,282	2,612	436	5,677	134	31,141
Litigated before Court Award	35,183	8,909	11,702	19,045	2,830	77,668
Litigated with Court Award	34,375	14,690	17,254	26,985	415	93,719

For claimants who settled through litigation before a court award, legal costs totalled 70% of the compensation award (or 40% of total cost), split 27% own legal costs and 43% third party legal costs. For those who settled with a court award, legal costs totalled 90% of the compensation award (or 47% of total cost), split 35% own legal costs and 55% third party legal costs.

Time to Settlement of Injury Claims

Settlement delay is the time lag between either the accident happening or the accident being reported to an insurer and the claim being settled. For EL and PL business in general, 38% of all claimants have their claims settled within 12 months of when the accident was reported, and 54% within two years after the accident was reported. However, certain claims, and particularly injury claims, can take significantly longer to settle.

Table 28 shows the average number of years from when the claim event was reported until the claim was settled for all claims settling in years 2015 to 2019. This has been calculated based on the quarter the claim event was reported and the year of settlement. Damage claims settled much faster than injury claims, with an average delay from the reported quarter for a damage claim of 1.1 years compared to 3.3 years for an injury claim. 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 1.7 years, followed by claims settled through PIAB at 1.8 years. Settlement delays by settlement channel remained relatively constant for injury claims over the period 2015 to 2019.

Table 28: The average time (years) since the claim event was reported, for claims settled between 2015 and 2019.

Years	2015	2016	2017	2018	2019	All Years
Injury Claims						
Direct	1.9	1.5	1.8	1.9	1.6	1.7
PIAB	1.7	1.8	1.8	1.8	1.8	1.8
Litigated	4.5	4.5	4.6	4.5	4.5	4.5
All Claims						
Injury	3.2	3.2	3.4	3.4	3.3	3.3
Damage	1.1	1.2	1.3	1.1	1.0	1.1

There is a further delay when considering the length of time it takes between a claim event happening and the claim settling. This delay is the amount of time it takes for the claimant to report a claim event to the insurer. The above table excludes this element of claim delay. 81% of claimants who settled directly and 81% of claimants who settled through PIAB reported their claim within 2 quarters of the accident event. There is a longer reporting delay for claims that settled through the litigation channel; 65% of litigated claims were reported within 2 quarters, however 17% of litigation claims took more than 2 years to be reported.

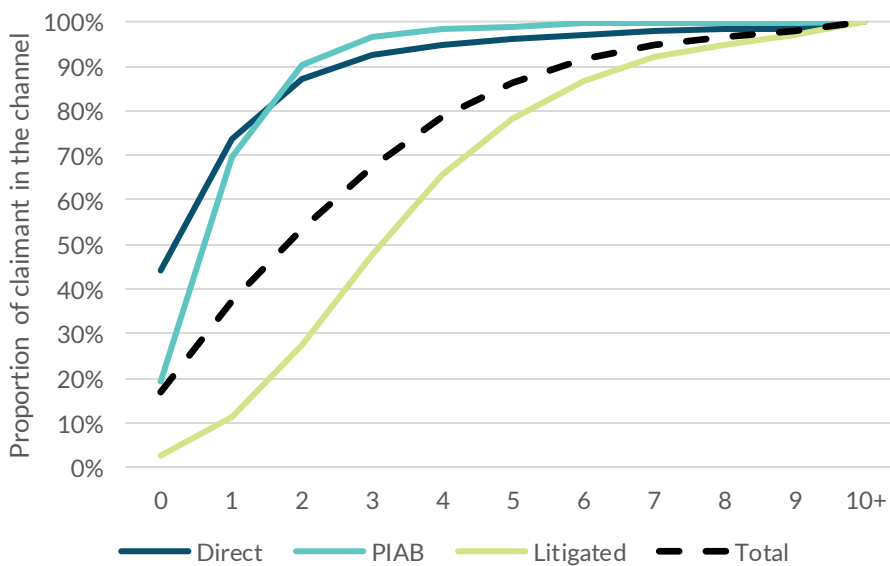
Table 29: The average time (years) since the claim event was reported, for injury claims settled in 2019.

Settlement Channel	2019
Direct before PIAB	1.3
PIAB	1.8
Direct after PIAB	1.9
Litigated before Court Award	4.5
Litigated with Court Award	4.9

As can be seen in Table 29 claims settled directly before PIAB in 2019 had the shortest settlement delay (1.3 years). Claims settled directly after PIAB had a slightly longer settlement delay on average (1.9 years) compared to those that were settled through PIAB (1.8 years). On average, claims settled through litigation before a court award had a slightly shorter delay (4.5 years) compared to litigation with a court award (4.9 years).

As can be seen in Figure 22, litigated claims have a greater spread of settlement delays. Although nearly half of claimants (48%) who settled through litigation had their claim settled within three years of the accident being reported. 22% of claimants took six or more years to have their claim settled. For direct, 4% of settlements and for PIAB, 1% of settlements took six or more years to settle.

Figure 22: Distribution of injury claimants by duration of settlement process for injury claims settled between 2015 and 2019.



Analysis of Damage Claim Settlements

Damage claims account for 32% of the overall claimants and 8% of the total settlement costs. The majority of these claims are PL damage claims.

Given that 92% of damage claims are settled directly, comparison of damage claims by settlement channel was not meaningful.

Table 30: Average cost of settling damage claims in the years 2015-2019.

Cost Component (€)	2015	2016	2017	2018	2019
Compensation	8,009	7,193	6,330	5,787	4,976
Legal	1,860	2,229	2,037	1,673	1,325
Other	410	156	64	299	246
Total	10,279	9,578	8,430	7,759	6,546

Table 30 highlights that the average cost of settling damage claims has reduced by 36% over the period 2015-2019, with a 16% decrease from 2018 to 2019. This reduction is evident across all cost types.

PART 5 - Key Terms and Report Methodology

Definition of Key Terms

Accident

An event that gave rise to a claim.

Average Premium

Average premium is calculated as the total cost of premiums divided by the number of underlying policies.

Bodily Injury or Injury Claim

A claim is deemed to be an injury claim where compensation relates to the bodily injury, disease or death of the insured or a third party.

Claim

An insurance claim is a formal request by a policyholder to an insurance company for coverage or compensation for a covered loss or policy event. The insurance company validates or denies the claim. If it is approved, the insurance company will issue payment to the insured or an approved interested party on behalf of the insured.

Claims Management Expenses

The expenses related to the processing and resolving of claims, including certain legal and adjusters' fees and internal costs of processing claims payments.

Commercial Property

Commercial property insurance indemnifies the insured against loss or damage to their buildings and its contents from perils such as fire, theft, and natural disaster.

Commission

A percentage of premium that is retained by the selling agent or broker as compensation for selling and servicing business on behalf of the insurer.

Cost of a Claim

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

Damage

A claim is deemed to be a damage claim where compensation relates to the loss of or damage to property.

Employers' Liability Insurance

Employers' Liability indemnifies the insured against legal liability to compensate an employee or their estate for bodily injury, disease or death suffered, owing to negligence of the employer, in the course of employment. Loss of or damage to employee's property is usually also covered.

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.

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.

Package

Policy with two or more cover types included; this could be any combination of EL, PL or Commercial Property covers.

Policy

An insurance contract between an insurer and a policyholder.

Premium

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

Public Liability

Public Liability indemnifies the insured against legal liability for the death of or bodily injury to a third party or for damage to property belonging to a third party, other than those liabilities covered by other liability insurance.

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.

Standalone Policy

Policy with an individual cover of either EL, PL or Commercial Property.

Explanation of Key Concepts and Methodologies

Ultimate Claims

In Part 2 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: Breakdown of EL and PL ultimate claim costs for accident years 2009-2019.

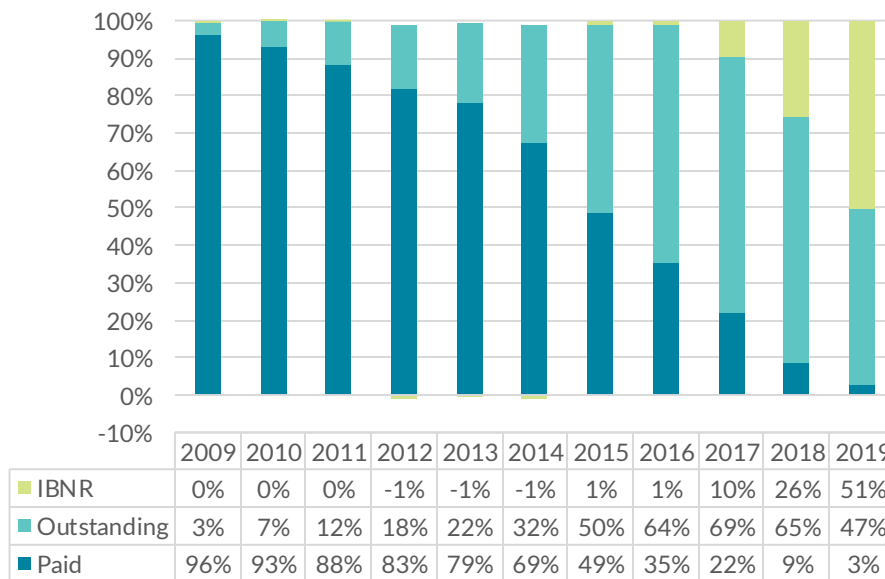


Figure 23 shows an illustration of the breakdown of EL and PL ultimate claims costs for accident years 2009-2019 as at 31 December 2019. Here the ultimate claims cost consists of paid claims (Paid), case estimates for claims that have been reported but not yet paid (Outstanding), and an estimate of costs for claims that have not yet been reported, i.e., incurred but not reported claims (IBNR²³).

²³ IBNR is negative when the estimate of ultimate claims cost is less than the sum of Paid and Outstanding claims. This may occur if an insurer expects overall Outstanding claims to settle for less than estimated, or if the insurer expects to receive recoveries on Paid claims.

2019 is the most recent accident year and hence its ultimate claims cost is made up of the lowest proportion of Paid claims at 3%, while 97% of this ultimate cost is made up of estimates (IBNR + Outstanding). Ten years have passed since the 2009 accident year, hence, 96% of the total ultimate claims cost for this accident year have been paid, with 3% of ultimate claims cost still Outstanding and less than 0.5% are an IBNR estimate.

There tends to be less delay in the reporting and settlement of Commercial Property claims relative to EL or PL claims. Paid claims make up 33% of ultimate claims cost for Commercial Property in the 2019 accident year and this increases to 91% for the 2018 accident year.

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 liability 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.

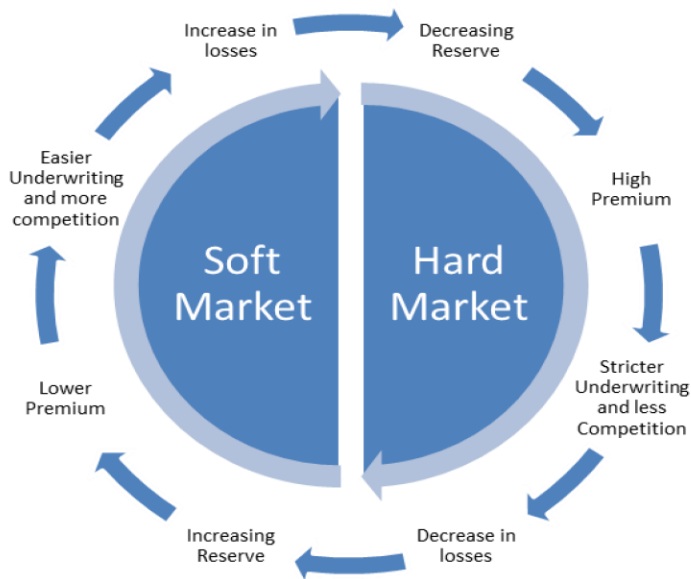
This earned basis corresponds directly with the accident year basis on which claims were collected for Parts 1 and 3.

The Underwriting Cycle

The pricing of insurance risks will generally depend on the position in the insurance underwriting cycle. Insurance markets tend to move between hard and soft markets, as illustrated in Figure 24.

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.

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)²⁴ 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 Insurance²⁵ 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 and this has been followed by Employers' Liability, Public Liability and Commercial Property in H2 2020. The legislation requires that the Central Bank publishes a report on a yearly basis.

²⁴ [Cost of Insurance Working Group](#)

²⁵ [Cost of Insurance Working Group private motor report 2017](#)

Appendix 2 - List of Participating Insurers.

Table 31: Firms who contributed data to this report.

Authorisation Status	Undertaking Name
Irish Authorised	Allianz PLC
	Allied World Assurance Company (Europe) DAC
	Amtrust International Underwriters DAC
	Arch Insurance (EU) DAC
	Aviva Insurance Ireland DAC
	AXA Insurance DAC
	AXIS Specialty Europe SE
	Berkshire Hathaway European Insurance DAC
	Chaucer Insurance DAC
	Everest Insurance (Ireland) Designated Activity Company
	FBD Insurance PLC
	Fidelis Insurance Ireland DAC
	Hamilton Insurance DAC
	IPB Insurance CLG
	Markel International Insurance Company Ltd
	RSA Insurance Ireland DAC
	SureStone Insurance DAC
	Travelers Insurance DAC
	XL Insurance Company SE
	Zurich Insurance PLC
EU/EEA Authorised, Freedom of Establishment basis	AIG Europe S.A. (Irish Branch)
	Chubb European Group SE (Irish Branch)
	Ecclesiastical Insurance Office PLC
	HDI Global SE
	Hiscox S.A (Irish Branch)
	Liberty Mutual Insurance Europe SE
	Liberty Seguros Compania de Seguros y Reaseguros
	RiverStone Insurance (UK) Limited

EU/EEA Authorised, Freedom of Services basis	Accredited Insurance (Europe) Ltd
	Ageas Insurance Limited
	Allianz Risk Transfer AG
	Allianz Versicherungs AG
	ArgoGlobal SE
	China Taiping Insurance (UK) Co Ltd
	CNA Insurance Company (Europe) S.A. (UK)
	ERGO Versicherung AG
	Generali Espana S.A. de Seguros y Reaseguros
	GENERALI IARD
	HDI Versicherung AG
	IDA Insurance Ltd
	If P&C Insurance Ltd (publ)
	Lloyd's of London
	Methodist Insurance PLC
	Mitsui Sumitomo Insurance Company (Europe) Limited
	QBE Europe SA/NV
	SI Insurance (Europe), SA
	Societa Reale Mutua di Assicurazioni
	Starr International (Europe) Limited
	Tokio Marine Europe S.A. (UK)
	Unipol Assicurazione S.P.A.
	W. R. Berkley Insurance (Europe), SE
WAKAM	
Wurttembergische Versicherung AG	
Zavarovalnica Sava d.d.	



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