



Banc Ceannais na hÉireann
Central Bank of Ireland

Eurosystem

Employers' Liability, Public Liability and Commercial Property Insurance Report 2

National Claims Information Database (NCID)

June 2022

Contents

Introduction.....	4
Background to NCID	4
Data Contained within the Report.....	4
Reporting Population.....	4
Future Enhancements to the Report	5
Executive Summary.....	6
Overview of the Report.....	6
Note on the Grouping of Claims	6
Key Findings	7
PART 1 - Premiums.....	12
Overview of the Market.....	13
Type of Policies	14
Size of Policies.....	15
Basis of Cover.....	16
Trends in Premium Costs	16
Trends in Premium Costs by Sector.....	21
Trends in Premium Costs - Standalone Policies.....	23
PART 2 - Claims.....	25
Total Claims.....	26
Average Cost of a Claim	28
Comparison of Premiums and Claims Costs	30
PART 3 - Income and Expenditure.....	32
Breakdown of Income and Expenditure	33
Profitability of EL, PL and Commercial Property.....	34
Operating Performance split by Key Components.....	37
Reinsurance.....	39
Combined Operating Ratio	42
Underwriting Expenses	44
Commission	45

PART 4 – Claim Settlements	47
Background to Claims Settlement	49
Settlement of Claims.....	50
Settlement of Injury Claims	52
Distribution of Injury Claim Settlements	54
Average Settlement Costs of Injury Claims.....	56
Time to Settlement of Injury Claims	62
Analysis of Damage Claim Settlements	64
PART 5 – Claim Development.....	66
Premium and Claims Cost by Reporting Year	66
Claim Development Patterns	68
Part 6 - Key Terms and Report Methodology	73
Definition of Key Terms	73
Explanation of Key Concepts and Methodologies	75
Ultimate Claims.....	75
Earned Premium and Policy Count	76
The Underwriting Cycle.....	76
Appendix 1 – Background to the National Claims Information Database.....	77
Appendix 2 - List of Participating Insurers.....	78

Introduction

The Central Bank is publishing the second 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.

Data Contained within the Report

This year's report

- Is based on data up to 31 December 2020.
- Will contain the impact of COVID-19 as evaluated by firms at the end of 2020.
- Will not contain any data on the impact of the Personal Injuries Guidelines on EL, PL and Commercial Property insurance in Ireland.

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 this report 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 2020, the total gross earned premium was €0.85bn for EL and PL, and €0.49bn for Commercial Property. Part 1 (Premiums) of this report is predominantly based on data covering 90% of the EL, PL and Commercial

Property market in Ireland in 2020¹; Part 2 (Claims) is predominantly based on 80% market coverage; Part 3 (Income and Expenditure) is based on 90% market coverage; Part 4 (Claims Settlement) includes sections based on 84% and 73% market coverage; and Part 5 (Claim Development) includes sections based on 76% and 71% 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 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.

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 have been made for the next data collection exercise:

- Claim settlement data will be banded by the compensation amount of claims in addition to the total cost of the claim.
- An additional field will be collected within the claim settlement data to indicate whether a claim has been assessed under the personal injury guidelines of the judicial council.
- Commissions will be split between commission for sales only and commission for other services.

The following enhancements are proposed:

- Qualitative review with firms regarding policy excesses and limits.
- Review of settlement data to ascertain whether additional data is required on the impact of Personal Injury Guidelines.
- Investigating the feasibility of a review of specific subsectors.

¹ As measured by the ratio of 2020 gross earned premium of included data to the 2020 gross earned premium of the total market.

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 2020.

Part 2 examines claims related to EL, PL and Commercial Property accidents that occurred between 2009 and 2020 and compares earned premiums and claims costs between 2009 and 2020.

Part 3 gives a breakdown of insurers' income and expenditure for EL, PL and Commercial Property insurance for financial years 2009 to 2020.

Part 4 analyses how EL and PL claims were settled between 2015 and 2020 and the various associated costs (claimant compensation, legal fees and other costs).

Part 5 analyses the change in the ultimate cost of claims for EL, PL and Commercial Property insurance from 2019 to 2020, and provides information on claim development patterns from 2009 to 2020.

Part 6 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, 3 and 5 of the report with liability only claims analysed in Part 4 of this report. It is important to note that the claims discussed in Parts 2 and 5 were collected on a different basis to the claims in Part 3, which in turn were collected on a different basis to the claims in Part 4. An explanation is provided below.

Accident year (Parts 2 and 5): the year in which the accident occurred. It may take several years for all claims to be fully paid. In the interim period, insurers need to estimate how much it will ultimately cost to pay all claims that occurred in a particular accident year. This estimate is called the ultimate claims cost². Estimates of ultimate claims costs are regularly

² The concept of ultimate claims costs is explained in Part 6.

updated based on the most recent data available. The ultimate claims costs shown in this report were calculated as at 31 December 2020.

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 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

Injury Claim Settlements 2015-2020		
<p>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.</p>		
	Employers' Liability	Public Liability
Method of Claimant Settlement by Channel	% of injury claimants settled by channel: <ul style="list-style-type: none"> • 29% directly • 13% via PIAB • 58% via litigation 	% of injury claimants settled by channel: <ul style="list-style-type: none"> • 28% directly • 15% 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 €25,290 Average legal costs €2,859	Average compensation €16,973 Average legal costs €2,767
PIAB Settlements	Average compensation €36,037 Average legal costs €901	Average compensation €27,364 Average legal costs €1,606

Litigated Settlements	Average compensation €70,687 Average legal costs €35,965	Average compensation €38,736 Average legal costs €24,567
Litigated Settlements <€150k	Injury claimants settling for less than €150k: Claimants 81% of total litigated Average compensation €36,151 Average legal costs €22,889	Injury claimants settling for less than €150k: Claimants 94% of total litigated Average compensation €25,401 Average legal costs €18,863
Method of Settlement³ by Channel in 2019 and 2020	% of injury claimants settled by channel: <ul style="list-style-type: none"> • 15% directly, before PIAB • 8% directly, after PIAB • 12% through PIAB • 63% through litigation, before a court award • 1% through litigation, with a court award 	% of injury claimants settled by channel: <ul style="list-style-type: none"> • 13% directly, before PIAB • 11% directly, after PIAB • 12% through PIAB • 60% through litigation, before a court award • 4% through litigation, with a court award

³ The different settlement channels are described in Part 4.

Income & Expenditure 2009-2020	
<p>Insurers' Operating Profit across the EL, PL and Commercial Property lines</p>	<p>2009 to 2020:</p> <ul style="list-style-type: none"> • Operating profit was 3% of total income • Net insurance-related loss was 5% 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 0.3% 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 8% of total income. <p>2020:</p> <ul style="list-style-type: none"> • Operating loss was 11% of total income • Net insurance-related loss was 14% of total income.
<p>Investment Income as % of Total Income</p>	<p>2009 to 2020: 9%</p> <p>2009 to 2014: 13%</p> <p>2015 to 2019: 6%</p> <p>2020: 3%.</p>
<p>Net Cost of Reinsurance as % of Total Income</p>	<p>2009 to 2020: -4%</p> <p>2009 to 2014: -3%</p> <p>2015 to 2019: -9%</p> <p>2020: 12% (i.e., 2020 had a Reinsurance Benefit of 12% of total income).</p>

Cost of Insurance 2009-2020	
<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 purchased EL, PL and Commercial Property Insurance in 2020</p>	<p>Policy types:</p> <ul style="list-style-type: none"> • 84% Package policies • 16% Standalone policies <p>Policies less than €5,000:</p> <ul style="list-style-type: none"> • 92% of policies • 27% of premium <p>Policies greater than €25,000:</p> <ul style="list-style-type: none"> • 2% of policies • 53% of premium
<p>Trend in Average Premium per Policy for Package Policies</p>	<p>The overall average premium for Package policies (84% of policies in 2020):</p> <ul style="list-style-type: none"> • ↓ 17% from 2009 to 2013 • ↑ 25% from 2013 to 2019 • ↑ 2% from 2019 to 2020

Claims by Accident Year 2009-2020	
<p>Claims as % of Premium (Loss Ratio) for EL, PL and Commercial Property Insurance combined</p>	<p>2009 to 2020: 76%</p> <p>2009 to 2015: 82%</p> <p>2016 to 2019: 65%</p> <p>2020: 85%</p>

Claim Development 2009-2020	
Ultimate Claim Costs in 2020 vs 2019 for EL, PL and Commercial Property Insurance combined	Insurers' best estimate of total claims cost across accident years 2009 to 2019 increased by approximately €77m (or 1% of total claims cost) at year-end 2020 compared to year-end 2019.
Paid and Incurred Claim Costs as % of Ultimate Claim Costs for the 2020 Accident Year as at year-end 2020.	<p>For EL, PL and Commercial Property insurance combined, 13% of the expected ultimate claim costs are paid, 39% are claim reserve estimates (outstanding) and 47% are estimates of the cost for claims that have not yet been reported, i.e., incurred but not reported claims (IBNR).</p> <p>Split by policy type:</p> <ul style="list-style-type: none"> • EL – 1% paid, 33% outstanding and 66% IBNR • PL – 3% paid, 38% outstanding and 59% IBNR • Commercial Property – 21% paid, 42% outstanding and 37% IBNR.

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 2020. 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 (84%) of EL, PL and Commercial Property insurance policies earned between 2009 and 2020 were taken out as part of a Package policy.

57% of Package policies were for a premium of less than €1,000, 92% had a premium less than €5,000 while 99% were for a premium of less than €25,000. These percentages vary across different sectors.

For Package policies:

- The average premium decreased by 17% from €2,232 in 2009 to €1,852 in 2013. It increased by 25% to €2,318 in 2019. The average premium increased by 2% to €2,356 in 2020.
- The decrease in premium from 2009 to 2013 is seen across the EL, PL and Commercial Property covers within these policies. The average premium decrease from 2009 to 2013 was 26% for EL, 14% for PL and 9% for Commercial Property.
- The increase in premium from 2013 to 2020 is driven by the EL and PL components of policies whose average premium increased by 44% and 25% respectively over this time period. The average Commercial Property premium increased by 5% from 2013 to 2020.

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 2020.

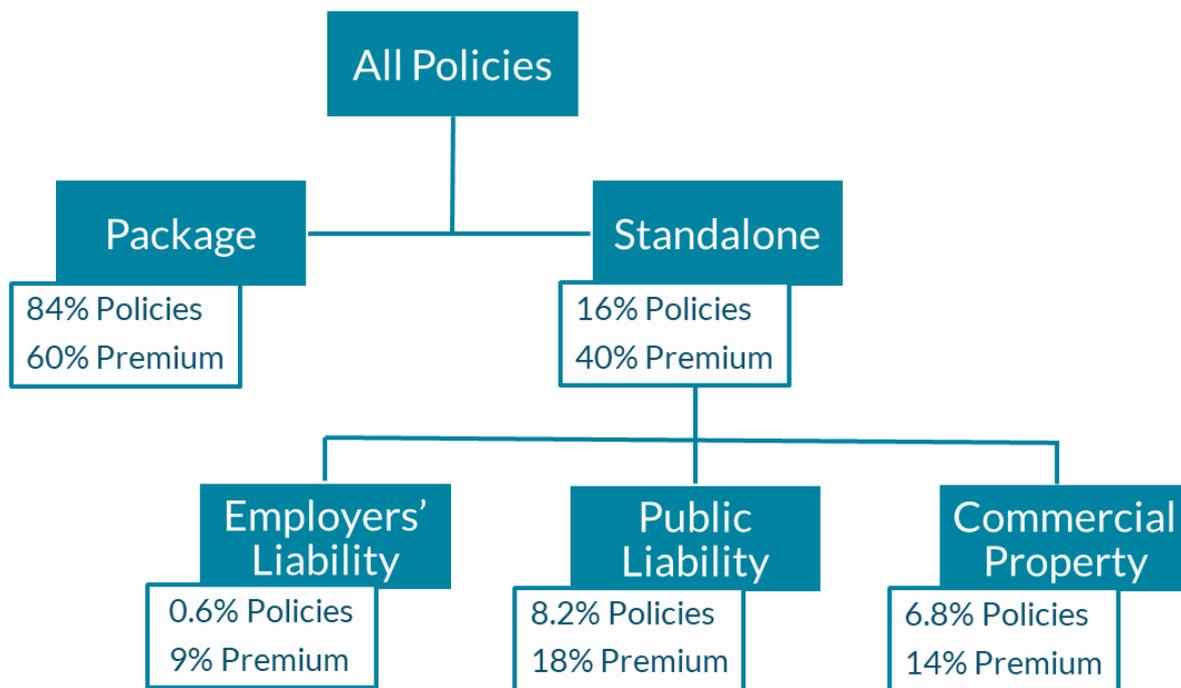


Figure 1 shows that in 2020, 84% of policies earned were Package policies which accounted for 60% of the gross earned premium. Standalone policies made up 16% of all policies; 0.6% were Standalone EL, 8.2% were Standalone PL, and 6.8% were Standalone Commercial Property policies. Although Standalone policies made up 16% of policy count, these accounted for 40% of earned premium; 9% from Standalone EL, 18% from Standalone PL and 14% from Standalone Commercial Property. This breakdown was relatively consistent across the data series from 2009 to 2020.

Table 1: Total earned policy count, earned subclass count and gross earned premium.

Year	Earned Policy Count	Earned Subclass Count	Gross Earned Premium (€m)
2009	325,052	734,560	920
2010	315,730	731,278	835
2011	308,722	709,006	793
2012	303,025	699,654	764
2013	295,544	686,469	735
2014	293,521	683,184	750
2015	307,216	720,537	786
2016	305,811	716,182	859
2017	313,291	732,545	925
2018	319,736	754,006	995
2019	325,622	764,354	1,073
2020	328,389	775,179	1,095

Table 1 shows that there were over 328,000 earned policies and €1.095bn in premium earned in the EL, PL and Commercial Property market in 2020.

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 2020, we can see that there were 775,000 insurance subclasses (covers) provided through more than 328,000 individual policies.

Between 2009 and 2020, EL made up 29% of insurance covers (earned subclass counts) and 24% of gross earned premium; PL made up 39% of insurance covers and 36% of gross earned premium; and Commercial Property made up 33% of insurance covers and 40% 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 2020 (90%) as a result of firms having entered or left the market over that time or due to the changing share of the market that firms captured in a particular year.

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 2009-2020.

Year	Employers' Liability	Public Liability	Commercial Property	Average No. Covers per Policy
2009	76%	92%	84%	2.52
2010	76%	97%	84%	2.57
2011	76%	97%	79%	2.51
2012	76%	97%	78%	2.51
2013	76%	97%	78%	2.51
2014	77%	97%	78%	2.51
2015	78%	97%	78%	2.53
2016	78%	98%	78%	2.54
2017	77%	98%	79%	2.53
2018	77%	98%	82%	2.57
2019	77%	98%	85%	2.60
2020	76%	98%	87%	2.61

The average number of insurance covers per Package policy increased from 2.52 in 2009 to 2.61 in 2020. In 2020, EL insurance was included in 76% of Package policies, 98% of policies included PL insurance and 87% included Commercial Property insurance.

As highlighted in Figure 1, 16% of all policies were Standalone policies in 2020. EL, PL and Commercial Property policies make up 4%, 47% and 48% of these 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). For 2020, 57% of Package policies and 74% of Standalone policies had a premium of €1,000 or less. 92% of all policies had a premium of €5,000 or less.

1% of package policies had a premium greater than €25,000 which accounted for 36% of gross premium earned on package policies, while 4% of standalone policies had a premium greater than €25,000 which accounted for 83% of Standalone gross earned premium. 2% of all policies had a premium greater than €25,000 which accounted for 53% of all premium.

The distribution of policies in premium bands will vary across different sectors. For example, 68% of policies in the Manufacturing sector (NACE code C) have a premium less than €5,000, whereas 94% of policies in Administrative and Support Service Activities sector (NACE code N) are below €5,000.

Table 3: The proportion of earned policy count and gross earned premium by premium size band for Package and Standalone policies, 2020⁴.

Premium Band	Package		Standalone		Total	
	% of Policies	% of Premium	% of Policies	% of Premium	% of Policies	% of Premium
€1-€1,000	57%	10%	74%	3%	60%	8%
€1,001-€2,000	21%	11%	9%	2%	19%	7%
€2,001-€5,000	14%	16%	8%	3%	13%	12%
€5,001-€10,000	4%	12%	3%	3%	4%	9%
€10,001-€25,000	2%	15%	3%	6%	2%	12%
>€25,001	1%	36%	4%	83%	2%	53%

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. A policy written on a Claims Made⁵ basis insures 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 2020 were written on a Losses Occurring basis with only a very small proportion being Claims Made.

Trends in Premium Costs

The cost of EL, PL and Commercial Property insurance will vary considerably as a result of the different type 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 84% of all policies. Detail on the cost of Standalone policies is shown separately.

⁴ Table 3 is based on a market coverage of 84%.

⁵ 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.

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 82% in 2013 and subsequently reduced to 79% in 2020.

The percentage of package policies with a premium less than €5,000 has varied between 92% and 94% between 2009 and 2020. The proportion of policies with a premium greater than €50,001 increased from 0.3% to 0.5% from 2009 to 2020.

Table 4: The proportion of earned policy count in each premium cost band for Package policies and years 2009-2020.

Year	€1- €2,000	€2,001- €5,000	€5,001- €10,000	€10,001- €25,000	€25,001- €50,000	>€50,001
2009	77%	15%	5%	2%	0.6%	0.3%
2010	78%	15%	5%	2%	0.5%	0.3%
2011	80%	14%	4%	2%	0.5%	0.3%
2012	81%	13%	4%	2%	0.4%	0.3%
2013	82%	12%	4%	2%	0.4%	0.3%
2014	82%	12%	4%	2%	0.4%	0.3%
2015	82%	12%	4%	2%	0.4%	0.3%
2016	81%	12%	4%	2%	0.5%	0.3%
2017	81%	13%	4%	2%	0.6%	0.4%
2018	80%	13%	4%	2%	0.6%	0.4%
2019	79%	13%	4%	2%	0.7%	0.4%
2020	79%	14%	4%	2%	0.7%	0.5%

Table 5 shows the proportion of Package premium earned within each cost band over time. Between 2009 and 2012 the proportion of premium for policies less than €5,000 increased slightly from 43% to 46%. From 2012 to 2020 this proportion decreased to 37%.

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 0.5% in 2020 the proportion of premium earned by these policies has increased from 18% to 26% of all Package premium over the same period.

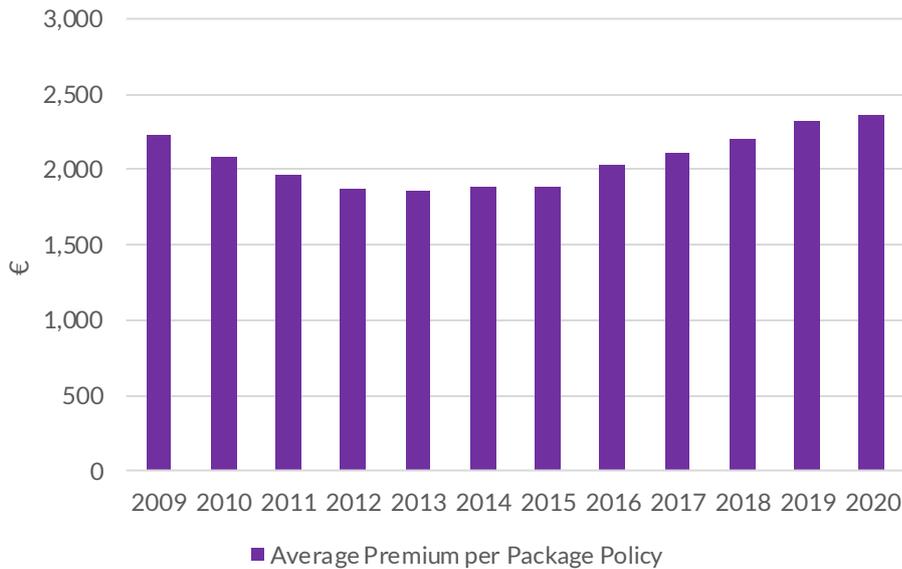
Table 5: The proportion of gross earned premium in each premium cost band for Package policies and years 2009-2020.

Year	€1- €2,000	€2,001- €5,000	€5,001- €10,000	€10,001- €25,000	€25,001- €50,000	>€50,001
2009	23%	20%	15%	15%	9%	18%
2010	25%	20%	14%	15%	8%	18%
2011	26%	20%	14%	14%	8%	18%
2012	27%	19%	14%	14%	8%	18%
2013	27%	19%	13%	14%	8%	19%
2014	27%	18%	13%	14%	8%	20%
2015	27%	18%	13%	14%	8%	21%
2016	25%	17%	12%	14%	8%	23%
2017	24%	17%	12%	14%	9%	24%
2018	22%	17%	12%	15%	9%	25%
2019	22%	16%	12%	15%	10%	26%
2020	21%	16%	12%	15%	10%	26%

Figure 2 shows the average earned premium for Package policies from 2009 to 2020. 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 insurers across different sectors. Moreover, there are very significant differences in business size within sectors, for example, from 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 2009-2020.



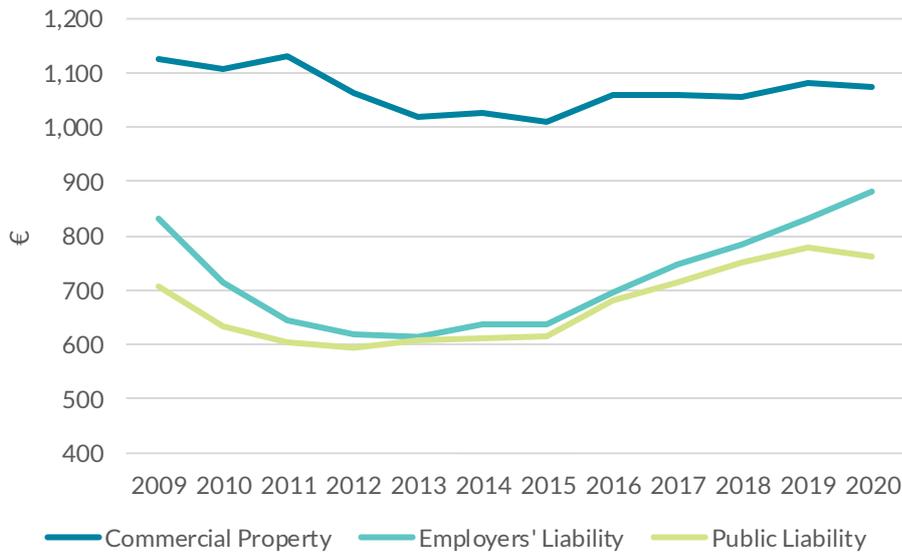
The average earned premium for all Package policies increased by 6% from €2,232 in 2009 to €2,356 in 2020. This can be broken into a period of decreasing premiums from 2009 to 2013, when premiums decreased by 17% to €1,852; and a period of increasing premiums from 2013 to 2019, when premiums increased by 25% to €2,318, followed by a further 2% increase in 2020 to €2,356.

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 (€1,074 in 2020) was higher than the EL and PL covers which had an average earned premium of €882 and €763 respectively in 2020.

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 2009-2020.



The average earned premium for the EL and PL components of Package policies decreased by 26% and 14% respectively from 2009 to 2013, and then increased by 44% and 25% respectively between 2013 and 2020. From 2019 to 2020, EL increased by 6% whereas PL decreased by 2%.

The average earned premium for the Commercial Property component of a Package policy decreased by 9% from €1,124 in 2009 to €1,019 in 2013 and then increased by 5% to €1,074 in 2020. From 2019 to 2020 Commercial Property average premiums decreased by 1%.

Therefore, the increase in Package premium from 2013 to 2019 is driven by the EL and PL insurance covers within Package policies, with the 2019 to 2020 increase driven by EL.

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 2020.



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 61% of policies in 2020.

The change in the proportion of Packages with three insurance covers would also naturally impact the average earned premium per Package policy. All else being equal, this would have decreased the average earned premium by 0.4% from 2009 to 2013 and increased the average earned premium by 4% from 2013 to 2020.

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 17% from 2009 to 2013 and increased by 22% from 2013 to 2020.

Trends in Premium Costs by Sector

From Figure 2 in the previous section it was seen that the average earned premium for Package policies decreased by 17% from 2009 to 2013, increased by 25% from 2013 to 2019 and increased by 2% from 2019 to 2020.

This is the average experience across 84% 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, 2019 to 2020 and 2009 to 2020 split by sector⁶.

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 over different time periods from 2009 to 2020 and split by sector⁷.

Sector (NACE Level 1)	Sector (NACE Level 1)	% Change			
		2009-2013	2013-2019	2019-2020	2009-2020
C	Manufacturing	-1%	64%	4%	68%
F	Construction	-50%	69%	10%	-7%
G	Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles	-5%	35%	5%	35%
H	Transportation and Storage	-21%	53%	13%	37%
I	Accommodation and Food Service Activities	4%	23%	-3%	23%
J	Information and Communication	-45%	45%	1%	-20%
K	Financial and Insurance Activities	-65%	-1%	-15%	-71%
L	Real Estate Activities	-5%	18%	8%	22%
N	Administrative and Support Service Activities	1%	35%	0%	37%
Q	Human Health and Social Work Activities	-17%	4%	5%	-9%
R	Arts, Entertainment and Recreation	4%	99%	2%	111%
S	Other Service Activities	-6%	2%	-1%	-4%

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 2018⁸.

⁶ 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>).

⁷ Table 6 is based on 79% market coverage

⁸ 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. In 2020, these Standalone policies make up 16% of all policies; 0.6% EL, 8% PL and 7% Commercial Property. Standalone policies make up 40% of total earned premium.

Table 7: The proportion of policies and gross earned premium by premium band and policy type, for Standalone policies in 2020⁹.

Premium Band	Employers' Liability		Public Liability		Commercial Property	
	% of Policies	% of Premium	% of Policies	% of Premium	% of Policies	% of Premium
€1-€1,000	12%	0%	84%	3%	66%	4%
€1,001-€2,000	14%	1%	6%	1%	12%	3%
€2,001-€5,000	21%	2%	5%	2%	11%	5%
>€5,001	52%	97%	6%	94%	11%	88%

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 52% from €26,882 in 2009 to €40,734 in 2018 and then decreased by 15% to €34,743 in 2020. 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 increased by 72% from €4,586 in 2009 to €7,892 in 2018 and then decreased by 23% to €6,069 in 2020. The average earned premium for Commercial Property increased by 20% from €4,941 in 2009 to €5,922 in 2018 and then increased by 12% to €6,656 in 2020.

⁹ Table 7 is based on 84% market coverage.

In total, the average premium on standalone policies increased by 32% from 2009 to 2020.

Figure 5: The average earned premium for Standalone policies by policy type, for years 2009 to 2020.



PART 2 - Claims

Data was collected on the number and cost¹⁰ of EL, PL and Commercial Property claims between 2009 and 2020. 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 37% and 24% respectively from 2019 to 2020. This followed a period where EL and PL claims increased by 49% and 48% respectively between 2009 and 2015, and then reduced by 18% and 23% respectively from 2015 to 2019.

The average cost of Commercial Property claims is volatile from year to year between 2009 and 2020.

The loss ratio (claims as a percentage of premiums) across all EL, PL and Commercial Property policies averaged 76% between 2009 and 2020.

The loss ratio decreased from 82% on average between 2009 and 2015 to 65% 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 2020 loss ratio was the highest since 2009 at 85% and followed the lowest loss ratio over the period of 57% in 2019. The increase in loss ratio for 2020 was driven by business interruption claims on Commercial Property insurance due to COVID-19.

¹⁰ 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 2020) for each of the twelve 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 2009-2020.

Accident Year	Ultimate Claim Costs (€m)	Ultimate Claim Numbers
2009	722	50,704
2010	622	50,942
2011	554	39,113
2012	498	34,476
2013	548	34,978
2014	553	41,028
2015	567	31,455
2016	493	26,898
2017	496	29,310
2018	559	29,446
2019	473	28,503
2020	757	37,757

Table 8 shows the total ultimate claim costs and numbers for 80% of the EL, PL and Commercial Property market in 2020. It is estimated that the total ultimate claim costs for 2020 will be €757m across 37,757 claims. This represents an increase of approximately €284m in claim costs and approximately 9,000 claims compared to the 2019 accident year.

Overall, claim costs in 2020 and 2009 were much higher 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 insurance can include cover for business interruption and there was a significant increase in business interruption claims in 2020 as a result of COVID-19 related restrictions. Commercial Property claims

experience can also 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. High claims costs in 2014 and 2015 were driven by EL claims experience as well as the experience of PL claims in 2015.

Table 9: Ultimate claim costs and ultimate claim numbers for Employers' Liability and Public Liability policies over accident years 2009-2020.

Accident Year	Employers' Liability		Public Liability	
	Ultimate Claim Costs (€m)	Ultimate Claim Numbers	Ultimate Claim Costs (€m)	Ultimate Claim Numbers
2009	160	6,392	201	14,910
2010	156	6,069	207	15,267
2011	175	5,528	182	14,311
2012	178	5,610	177	12,538
2013	183	5,338	189	11,556
2014	211	5,481	178	11,287
2015	202	5,419	211	10,551
2016	190	5,351	176	10,347
2017	192	5,843	172	10,561
2018	187	5,887	201	11,027
2019	166	5,418	153	9,996
2020	173	4,121	150	7,888

Table 10: Ultimate claim costs and ultimate claim numbers for Commercial Property policies over accident years 2009-2020.

Accident Year	Commercial Property	
	Ultimate Claim Costs (€m)	Ultimate Claim Numbers
2009	361	29,401
2010	259	29,606
2011	196	19,275
2012	143	16,328
2013	176	18,083
2014	164	24,260
2015	154	15,484
2016	126	11,201
2017	132	12,905
2018	171	12,532
2019	154	13,089
2020	434	25,748

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.

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.

Figure 6: Average cost per claim for Employers' Liability and Public Liability claims over accident years 2009-2020.



As can be seen in Figure 6, the average cost of EL and PL claims followed similar trends over the period, increasing from 2009 to 2015 by 49% and 48% respectively. The average cost of EL claims increased from €24,963 to €37,228, and from €13,510 to €19,962 for PL claims.

From 2015 to 2019, the average cost of EL and PL claims decreased by 18% and 23% respectively to values of €30,704 and €15,292 in 2019. In 2020, the average cost then increased by 37% to €42,037 for EL and by 24% to €18,981 for PL.

Throughout the whole time series from 2009 to 2020, the average cost of EL and PL claims increased by 68% and 40% respectively.

It should be noted that there is significant uncertainty in the average cost per claim for accident year 2020 given it is the most recent accident year and the unique nature of this year as a result of COVID-19.

Figure 7: Average cost per claim for Commercial Property claims over accident years 2009-2020.



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 decreased by 5% from €12,291 in 2009 to €11,728 in 2019, before increasing by 44% to €16,860 in 2020. From 2009 to 2020 the average cost of Commercial Property claims increased by 37%.

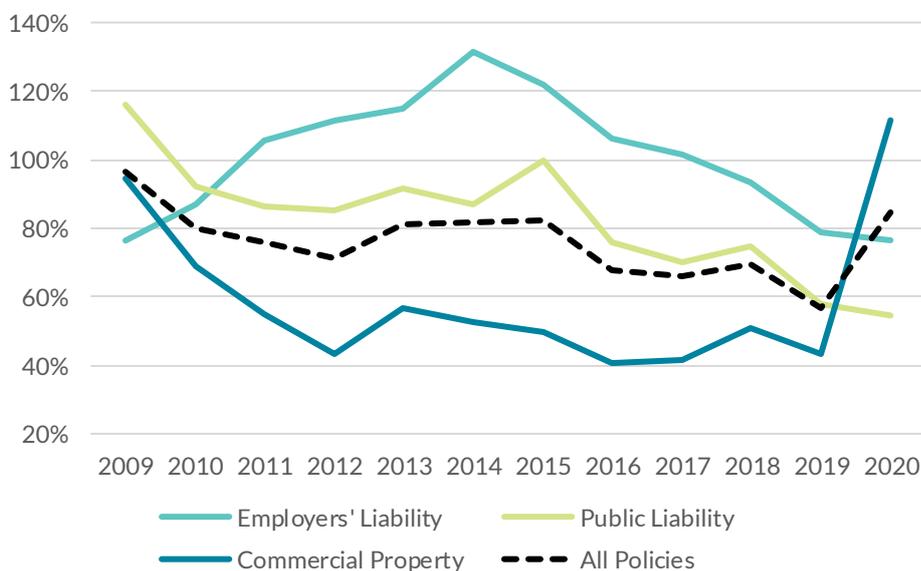
The levels of excesses and deductibles on policies earned over each accident year can influence the average cost per claim trends. For instance, increasing levels of excess will reduce the cost of each claim to the insurer and hence reduce insurers' ultimate claim cost. This may lead to a lower average cost per claim to an insurer in relation to these claims. However, there may 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 Costs¹¹

The trends in claims costs shown in this Part are based on an estimate of ultimate claims costs¹² calculated as at 31 December 2020. 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).

Figure 8: The ratio of ultimate claims costs to earned premiums (loss ratio) by policy type for accident years 2009-2020.



Between 2009 and 2020, claims costs have been on average 76% of premiums earned across all policies. The loss ratio decreased from 96% in 2009 to 71% in 2012; the loss ratio was between 81% and 82% from 2013 to 2015 and then reduced from 68% in 2016 to 57% in 2019 before increasing to 85% in 2020.

Between 2009 and 2020, the average loss ratio was 98% for EL, 81% for PL and 60% for Commercial Property. The increase in loss ratio for the 2020 accident year is driven by Commercial Property which has a loss ratio of 111% for this year.

¹¹ This section of the report shows the premium and claims costs for 84% of the market in 2020.

¹² The concept of ultimate claims costs is explained in Part 6.

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 costs¹³. These elements will be addressed in the following chapter.

¹³ These expenses are defined in Part 6.

PART 3 - Income and Expenditure

Statements of income and expenditure were collected from firms for financial years 2009 to 2020. Data was collected for the different coverage types individually: Employers' Liability, Public Liability and Commercial Property.

Key Insights and Findings

Insurers made an operating loss of 11% across EL, PL and Commercial Property for the 2020 financial year. This is primarily due to an operating loss of 30% on the Commercial Property line of business which suffered business interruption claims due to COVID-19.

Across all years 2009 to 2020, insurers' operating profit was 3% of total income. In the period 2009 to 2014, an operating profit of 11% was recorded and between 2015 and 2019 there has been a 3% operating loss.

The Combined Operating Ratio (COR) for 2020 was 127% gross of reinsurance and 133% net of reinsurance. Across all years this was 100% gross and 108% net.

Investment income has averaged 9% 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 and further reduced to 3% for the 2020 year.

The net reinsurance impact across all years from 2009 to 2019 has been a cost to insurers of 4% of total income. In 2020, owing to the unusually high claims experience as a result of COVID-19, the net reinsurance impact was a benefit to insurers equating to 12% of total income (i.e., insurers profited from their reinsurance in 2020).

Breakdown of Income and Expenditure

Table 11 and Table 12 below provide the breakdown of the income and expenditure components for the latest financial year (2020) similar to that presented in previous NCID reports. As illustrated below, the resulting loss for the 2020 financial year across EL, PL and Commercial Property was 11% 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 2020. 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 2020.

Category	2020
Income (€ Millions)	
Gross earned premium	1,086
Investment income	33
Other earnings	1
Expenses (€ Millions)	
Gross UW expenses	-1,378
Reinsurance impact	130
Other expenses	-8
Interest & Tax	8
Profit (€ Millions)	
Profit (€)	-128
Profit (%)	-11%

Table 12: Breakdown of gross underwriting expenses for 2020.

Category	2020
Gross Underwriting Expenses (€ Millions)	
Gross Claims Incurred	-1,035
Claims Management Expenses	-58
Management Expenses	-132
Gross Commission	-153
Total (€ Millions)	
Total - Gross UW expenses	-1,378

Profitability of EL, PL and Commercial Property

Figure 9 shows the total income and total expenses across all firms over the period 2009 to 2020. These results are limited to those firms writing liability insurance in Ireland in 2019 and 2020; these results do not include firms that exited the market prior to 2019.

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 2020 was 3% of total income.

Figure 9: Breakdown of total income and expenditure from 2009-2020.

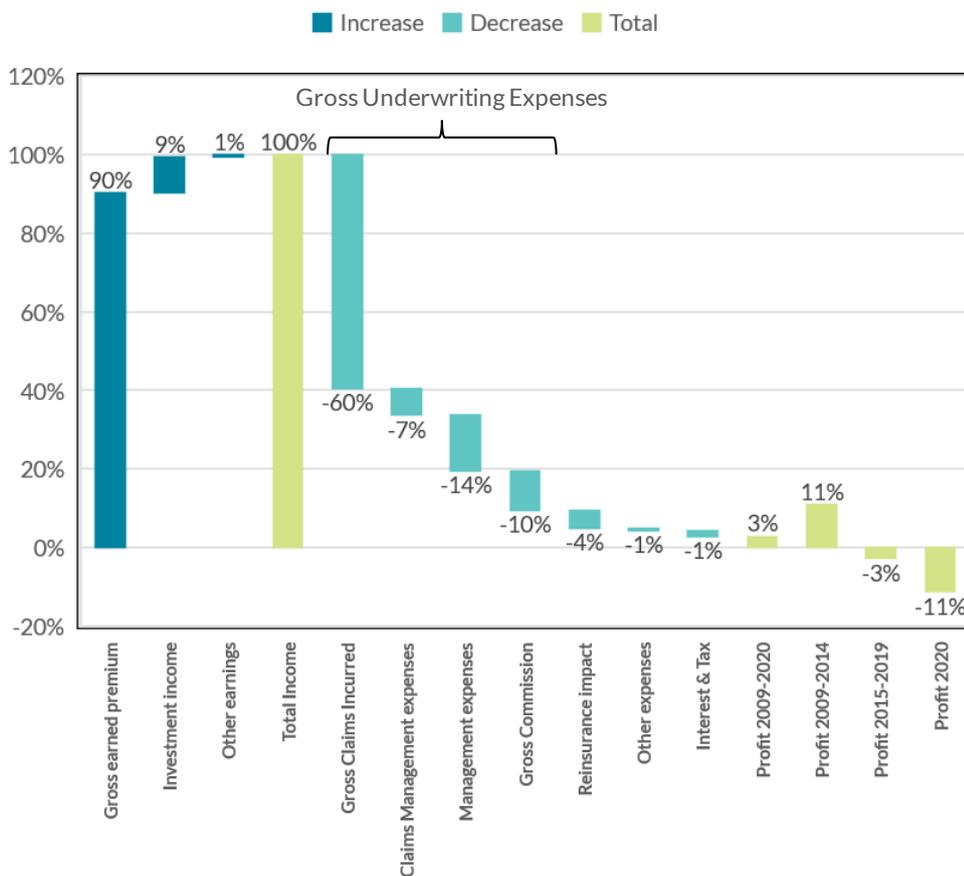


Table 13 shows the varying operating result across the time series and between EL, PL and Commercial Property coverages. There are three distinct periods in the data: 2009-2014, 2015-2019 and 2020.

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, from 2015-2019, there was a combined operating loss of 3%. EL was consistently unprofitable averaging a loss as a percentage of total income of 23% in this period. PL averaged 0.5% profit, while Commercial

Property was consistently profitable equating to a 7% profit as a percentage of total income in this period.

During 2020, there was a combined operating loss of 11%, Commercial Property experienced an operating loss of 30%, PL had a 0.1% loss and EL had a 0.1% profit.

In summary, over the entire time period from 2009-2020, there has been an average operating profit of 3% across all firms and coverage types.

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

Year	Employers' Liability	Public Liability	Commercial Property	Total
2009	43%	31%	4%	23%
2010	30%	29%	16%	24%
2011	20%	10%	0%	8%
2012	11%	-4%	7%	4%
2013	3%	-4%	7%	2%
2014	-3%	11%	1%	4%
2009-2014	18%	12%	6%	11%
2015	-49%	12%	6%	-5%
2016	-37%	-10%	9%	-9%
2017	-11%	-5%	7%	-2%
2018	-19%	-1%	9%	-2%
2019	-6%	6%	5%	3%
2015-2019	-23%	0.5%	7%	-3%
2020	0.1%	-0.1%	-30%	-11%
2009-2020	-1%	6%	3%	3%

As highlighted previously, the data collection includes any firm writing liability business in 2019 or 2020. The profitability figures will have an element of survivor bias; they will not include the results of those firms that exited the market prior to 2019.

For income components the key drivers of operating profit/loss are gross earned premium and investment income, for expense components they are gross underwriting expenses and reinsurance.

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

- (i) Operating performance split by key components (underwriting result, investment income and reinsurance);
- (ii) A breakdown of the impact of reinsurance split between reinsurance cover from third party reinsurers i.e., external reinsurance arrangements; and related reinsurers i.e., from entities that are part of the same group as the firm;
- (iii) Combined Operating Ratio performance (COR based on earned premium and underwriting expenses);
- (iv) A breakdown of individual underwriting expenses (i.e., gross claims incurred, claims management expenses, gross commission and management expenses); and
- (v) A further breakdown of the gross commission expenses between third party distribution channels i.e., brokers and comparison websites; and related distribution channels i.e., the firm's own distribution networks or distribution through related companies.

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 2009-2020 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	7%	6%	13%	12%	-1%	23%
2010	22%	-4%	18%	11%	-5%	24%
2011	11%	-8%	3%	8%	-3%	8%
2012	-9%	-6%	-15%	19%	0%	4%
2013	-4%	-4%	-8%	13%	-4%	2%
2014	-4%	-6%	-9%	13%	0%	4%
2009-2014	4%	-3%	0.3%	13%	-2%	11%
2015	-7%	-9%	-16%	11%	-1%	-5%
2016	-8%	-7%	-15%	6%	0%	-9%
2017	5%	-13%	-8%	7%	-1%	-2%
2018	8%	-9%	-1%	0%	-2%	-2%
2019	7%	-10%	-2%	6%	-1%	3%
2015-2019	2%	-9%	-8%	6%	-1%	-3%
2020	-26%	12%	-14%	3%	0%	-11%
Total	0%	-4%	-5%	9%	-1%	3%

* Gross Insurance-related result:

$\frac{\text{Gross Earned Premium} - \text{Gross UW Expenses}}{\text{Total Income (including Investment Income)}}$

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 result of 0% as a proportion of total income (4% from 2009-2014, 2% from 2015-2019 and -26% for the 2020 year). 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 2020 financial year resulted in the largest gross insurance-related loss across the time series of 26%.

The net insurance-related result indicates if there is a profit or loss in relation to insurance activities net of reinsurance costs; we have shown this as a percentage of total income. This calculates the insurance-related result highlighted in the previous paragraph net of any reinsurance impact, i.e., using premiums, claims and expenses net of reinsurance. Across all years, there has been a net insurance-related loss of 5% as a proportion of total income (+0.3% from 2009-2014, -8% from 2015-2019 and -14% for the 2020 year).

From 2009-2011, the market experienced an insurance-related profit; there was a gross and net insurance-related loss from 2012 to 2016. From 2017 to 2019 the market experienced an insurance-related profit on a gross basis, and a loss on a net basis. For 2020 the insurance related loss was 26% gross and 14% net. The reinsurance impact will be discussed in more detail in the next section.

Investment income as a percentage of total income across all years has averaged 9% (13% from 2009-2014, 6% from 2015-2019 and 3% for the 2020 year). As detailed in Table 14, investment income is notably larger for the years 2009-2015 and drops off in 2016. The lower level of investment income is consistent from 2016 to 2019; 2018 being more pronounced due to firms with negative investment returns. Investment income as a percentage of total income dropped further to 3% in 2020.

Figure 10: Interaction between profit and investment income for 2009 - 2020.

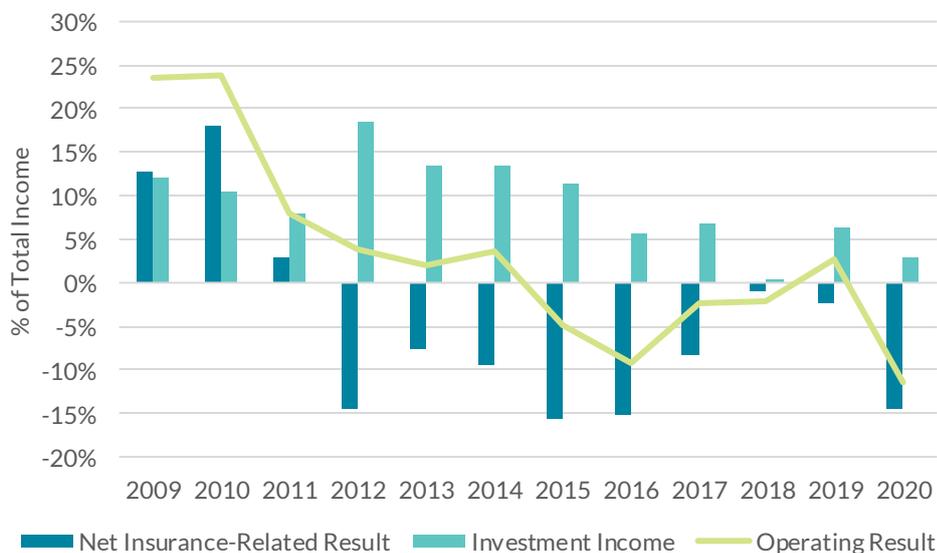


Figure 10 shows the interaction of the net insurance-related result, investment income and operating result for the 2009 to 2020 financial years.

- For the 2009 to 2011 financial years, 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 2018 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 financial year 2019, the net insurance-related result was negative, but this was offset by investment income leading to the first positive operating result since 2014.
- For financial year 2020, a large negative net insurance-related result combined with a low level of investment income resulted in an operating loss of 11%.

Reinsurance¹⁴

Figure 11 below shows how the proportion of premium ceded to reinsurers has changed from 2009-2020. Premiums ceded refers to the premium paid by an insurer for a reinsurance contract. In exchange, the reinsurer covers an agreed level of claim experience therefore reducing the claims risk borne by an insurer. The reinsurer may also cover a proportion of the expenses incurred by the insurer for writing the business. Premiums can be ceded to a third party reinsurer, i.e., an external provider of reinsurance cover; or through a reinsurer within the same group as the firm which is defined here as related reinsurance.

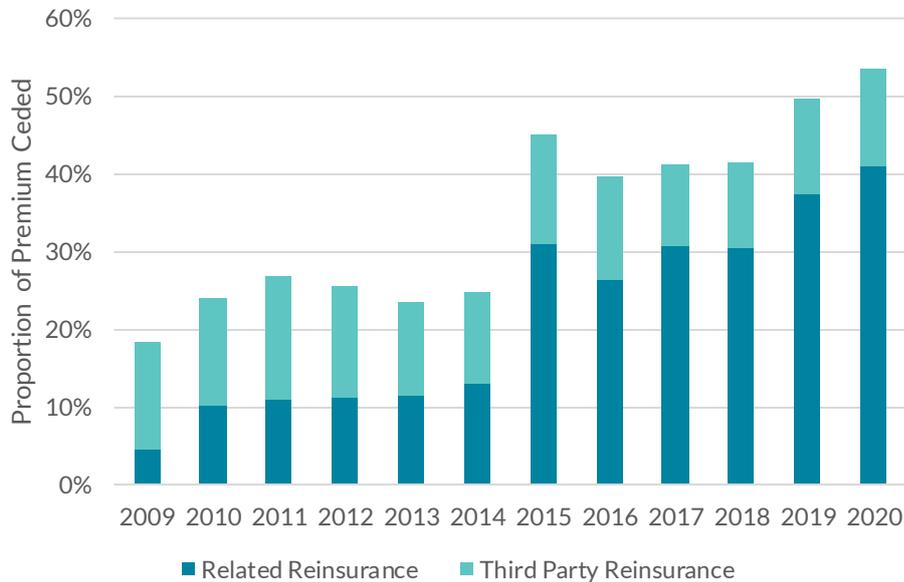
The percentage of premium ceded by insurers increased from an average of 24% for 2009-2014 to 46% for 2015-2020. This increase is driven by the increase in related reinsurance cover which has increased from 10% on average for 2009-2014 to 33% for 2015-2020.

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

¹⁴ This section is based on 83% of market coverage in 2020.

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 11: Proportion of premium ceded by insurers to cover reinsurer costs for all cover types and years 2009-2020.



For the most part, the increase in related reinsurance cover from 2015 is attributable to the use of quota share reinsurance arrangements which are used to share premiums, claims and expenses between the insurer and a reinsurer in pre-determined proportions. This facilitates the sharing of losses in unprofitable years and profits in profitable years. These arrangements can reduce the level of risk within each firm and provide benefit through a reduction in the amount of capital that an individual firm, or a group, has to hold to satisfy regulatory requirements.

Figure 12 illustrates the net cost of reinsurance each year from 2009 to 2020 for related and third party reinsurance. Across EL, PL and Commercial Property insurance and all financial years 2009-2020, the net cost of reinsurance was 4% of total income; this is shown as -4% to signify that reinsurance was an expense to the insurer. This is the case where the insurer paid more money to a reinsurer in premium than they received back in claims and expense payments. This varies across the time period for related and third party reinsurance. Where the net cost is positive, this signifies that reinsurance was an income to the insurer, with claims and expense payments from the reinsurer being larger than the premium paid to the reinsurer; this has been the case for the 2009 and 2020 financial years.

Figure 12: Net cost of related and third party reinsurance cover for years 2009-2020.

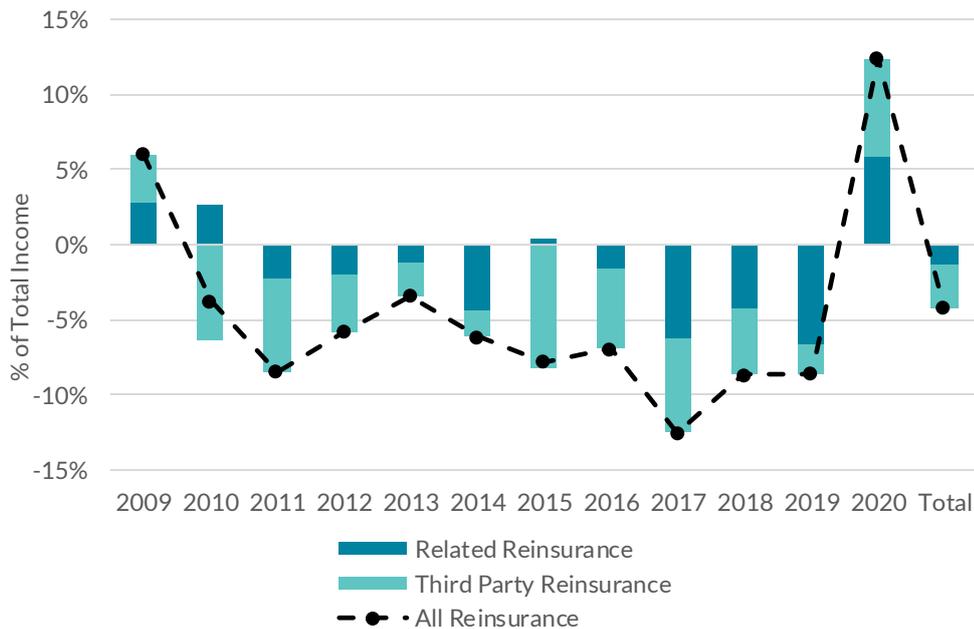


Table 15 and Table 16 show how the net cost of reinsurance varies for related and third party reinsurance cover across the various time periods and coverage types.

At a total coverage type level, the net impact of related reinsurance is that it has been a cost to insurers for the 2009-2014 and 2015-2019 time periods, however the net impact was a benefit to insurers for the 2020 year. This averaged -1% of total income for 2009-2014, -4% for 2015-2019 and 5% for 2020.

For third party reinsurance, the total net impact was -3% across all years. Again, this has been a cost to the insurer for the 2009-2014 and 2015-2019 time periods, however reinsurance was a benefit to insurers for the 2020 year. This has averaged -3% for 2009-2014, -5% for 2015-2019 and 7% for 2020.

Table 15: Net cost of related reinsurance by coverage type.

Coverage Type	2009-2014	2015-2019	2020	All Years
Employers' Liability	-1%	5%	-2%	2%
Public Liability	1%	-3%	3%	0%
Commercial Property	-2%	-11%	12%	-4%
Total	-1%	-4%	5%	-1%

Table 16: Net cost of third party reinsurance by coverage type.

Coverage Type	2009-2014	2015-2019	2020	All Years
Employers Liability	0%	-1%	0%	0%
Public Liability	-2%	-4%	8%	-2%
Commercial Property	-5%	-9%	11%	-5%
Total	-3%	-5%	7%	-3%

Combined Operating Ratio

The operating result in the earlier section looked at the split of the key components of income and expenditure as a percentage of total income, with a particular focus on the net cost of reinsurance. 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:

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

This metric is an important performance indicator used by insurers in making pricing and underwriting decisions. The COR can be calculated either gross (before the effect) or net (after the effect) of reinsurance¹⁷, and is unchanged by the quota share reinsurance arrangements described previously in the reinsurance section. The Net COR will differ from the Gross COR as a result of other types of reinsurance arrangements.

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

From an insurer's perspective, a high COR represents an unfavourable result. A COR greater than 100% represents a higher level of insurance-related outgo than insurance-related income.

Figure 13 provides the Gross and Net COR from 2009 to 2020. The total Gross COR was 100% across all financial years; the Net COR was 108%¹⁸.

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 was described in the previous section and is defined in Part 6.

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

For the period 2009 to 2011 the Gross and Net COR were both less than 100% - i.e., the gross and net underwriting results were profitable. The Net COR is higher than the Gross COR for all years with the exception of 2009 and 2010. The Net COR has been greater than 100% every year from 2012 i.e., the net underwriting result has been unprofitable. Between 2012 and 2020, the only period where the Gross COR was less than 100% was between 2017 and 2019.

Figure 13: Total Gross and Net COR for 2009-2020.

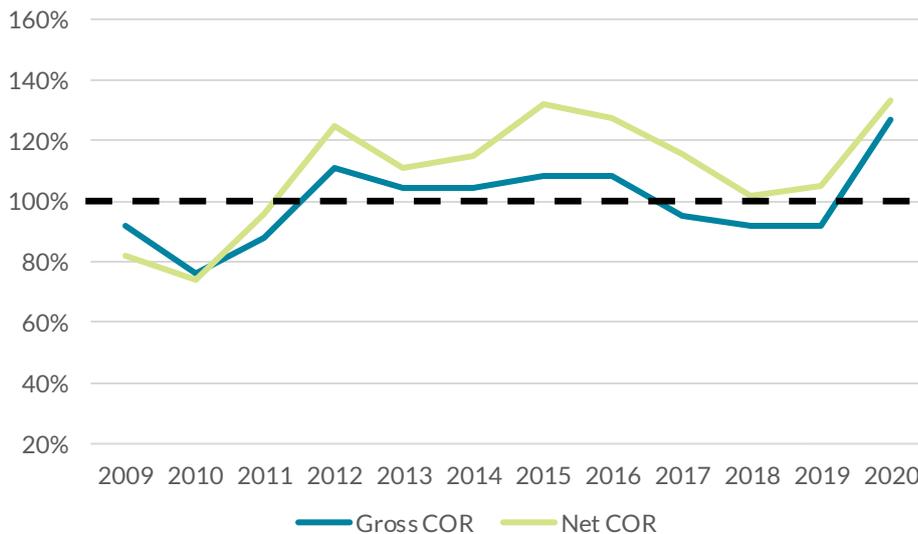


Table 17 provides the Gross COR split by coverage type across a number of distinct periods through 2009 to 2020. For EL, the Gross COR across all years was 114%; this averaged 94% from 2009-2014, 137% from 2015-2019 and 98% for 2020.

For PL, the Gross COR across all years was 101%; this averaged 102% from 2009-2014, 98% from 2015-2019 and 112% for 2020.

For Commercial Property, the Gross COR across all years was 91%; this averaged 91% from 2009-2014, 73% from 2015-2019 and 159% for 2020.

Table 17: Gross COR by coverage type.

Coverage Type	2009-2014	2015-2019	2020	All Years
Employers' Liability	94%	137%	98%	114%
Public Liability	102%	98%	112%	101%
Commercial Property	91%	73%	159%	91%
Total	96%	98%	127%	100%

Table 18 provides the Net COR split by coverage type across the same periods through 2009 to 2020. For EL, the Net COR across all years was

120%; this averaged 94% from 2009-2014, 160% from 2015-2019 and 103% for 2020.

For PL, the Net COR across all years was 107%; this averaged 104% from 2009-2014, 111% from 2015-2019 and 104% for 2020.

For Commercial Property, the Net COR across all years was 102%; this averaged 99% from 2009-2014, 89% from 2015-2019 and 200% for 2020.

Table 18: Net COR by coverage type.

Coverage Type	2009-2014	2015-2019	2020	All Years
Employers' Liability	94%	160%	103%	120%
Public Liability	104%	111%	104%	107%
Commercial Property	99%	89%	200%	102%
Total	99%	115%	133%	108%

Underwriting Expenses

Figure 14 provides a breakdown of the underwriting costs as shown in the Combined Operating Ratio section above.

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 by insurance companies.

Figure 14 shows that gross claims-related costs (i.e., claims incurred and claims handling expenses) were the greatest expenditure accounting for, on average, 74% of gross earned premium across 2009 to 2020.

The other key underwriting expenses were management expenses, which amounted to 16% of gross earned premium, and commissions, which amounted to 11% of gross earned premium.

Figure 14: Breakdown of the gross underwriting costs for 2009-2020 across all Coverage Types as a percentage of Gross Earned Premium.



Commission

Table 19 provides a breakdown of gross earned premium between policies sold through third party distribution channels, i.e., brokers and comparison websites, and related distribution channels, i.e., the firm’s own distribution networks or distribution through related companies. Policies sold through third party intermediaries made up 72% of gross earned premium across all years, 2009 to 2020. The proportion sold through this channel has remained relatively stable from 2011 to 2020; decreasing from 74% of premium in 2011 to 70% in 2015, before increasing to 74% in 2020.

Table 19: Split of gross earned premium between third party and related distribution channels¹⁹.

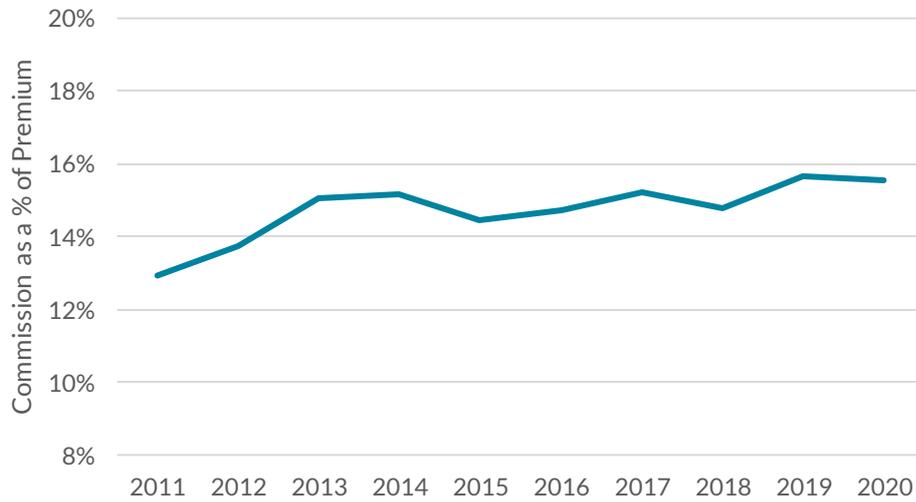
Gross Earned Premium	2011	2015	2020	All Years
Related Distribution	26%	30%	26%	28%
Third Party Distribution	74%	70%	74%	72%

Figure 15 highlights commission costs as a percentage of premium on policies sold through third party intermediaries. On average, the total amount of commission as a percentage of premium sold through third party

¹⁹ Based on 83% of market coverage in 2020.

intermediaries was 15% from 2011 to 2020. This increased from 13% in 2011 to 15% in 2013 where it remained relatively stable, increasing slightly to 16% for 2019 and 2020.

Figure 15: Commission as a percentage of earned premium for policies sold through third party intermediaries¹⁹.



PART 4 – Claim Settlements

Data was collected on claimants who settled liability claims between 2015 and 2020. 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 2020 are in relation to injury claims.

68% of costs associated with settling injury claims between 2015 and 2020 were compensation costs while 29% were legal costs.

58% of all injury claimants settled through litigation over the five years 2015-2020; 28% settled directly; and 14% settled through PIAB.

81% of injury settlement costs were attributable to claims settled through litigation over the period 2015-2020; 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 injury settlement cost between 2015 and 2020:

EL claims (39% claimants, 51% total costs) by settlement channel

- Direct: compensation was €25,290 and legal was €2,859
- PIAB: compensation was €36,037 and legal was €901
- Litigated: compensation was €70,687 and legal was €35,965

PL claims (61% claimants, 49% total costs) by settlement channel

- Direct: compensation was €16,973 and legal was €2,767
- PIAB: compensation was €27,364 and legal was €1,606
- Litigated: compensation was €38,736 and legal was €24,567

Average settled costs between 2015 and 2020 for injury claims settled through litigation for less than €150K (81% of EL and 94% of PL claimants):

- EL compensation was €36,151 and legal was €22,889
- PL compensation was €25,401 and legal was €18,863

Of the claimants who settled injury claims in 2019 and 2020:

- 14% settled direct, before PIAB
- 12% settled through PIAB
- 10% settled direct, after PIAB
- 61% settled through litigation, before a court award
- 3% through litigation, with a court award.

Background to Claims Settlement

This section looks at liability claims that settled during the period 2015 to 2020. 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 2020:

- **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 and 2020, 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 often settled early between a claimant and insurer. If settlement is not reached, all personal injury claims must be made through PIAB. For all relevant claims included in this report, PIAB calculated compensation amounts having regard to the ranges set out in the Book of Quantum, along with the amount of any financial loss and treatment costs incurred by the claimant. PIAB releases cases where an insurer does not consent to PIAB assessing the case, or where the case is of

a particular nature that is not appropriate for PIAB to assess. PIAB also releases cases it has assessed but where the insurer or the claimant rejects the award. Where PIAB releases a case the claimant may pursue the case through litigation. From 24 April 2021, the Book of Quantum, which was relied upon by PIAB in assessing awards, was replaced by the Personal Injuries 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 2020.

Settlement of Claims

Table 20: Total number of claimants settled and total cost of settlements for settlement years 2015-2020.

Settled Year	Number of Claimants	Total Cost (€m)
2015	9,165	337
2016	9,173	363
2017	8,375	370
2018	9,202	358
2019	8,666	360
2020	8,694	373

Table 20 shows the total number of claimants who settled with compensation and the total cost of those settlements for EL and PL claims combined. This data is based on 84% of the EL, PL and Commercial Property insurance market in 2020. It can be seen that the cost of claims that settled in 2020 totalled approximately €373m spread across 8,694 claimants.

Figure 16 shows that 32% of claimants who made claims between 2015 and 2020 made damage claims, and these accounted for 8% of total settled costs (Figure 17). Between 2015 and 2020, 68% of claimants made injury claims; these accounted for 92% of total settled costs.

Figure 16: Breakdown of settled claimants by claim type, across all settlement channels for settlement years 2015-2020.

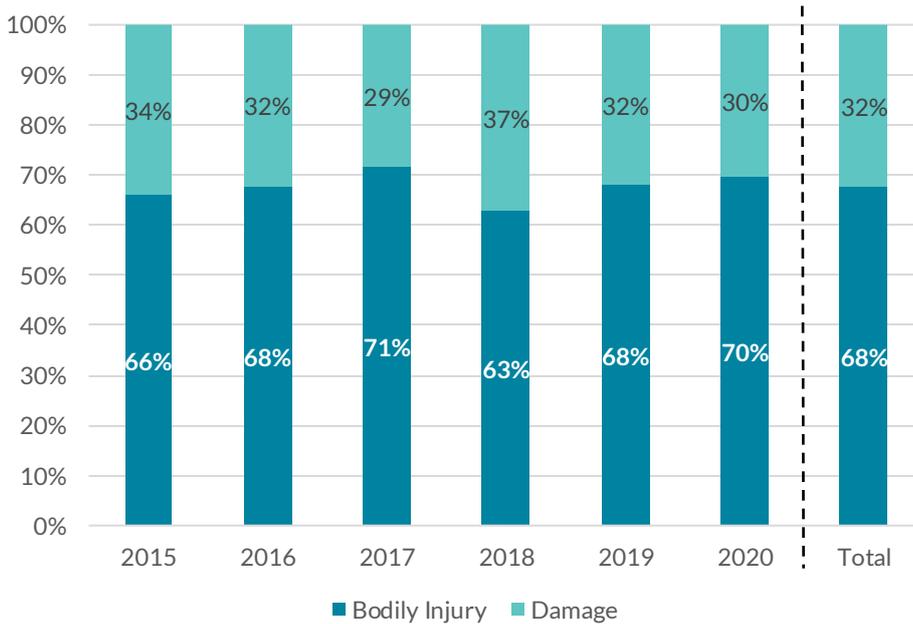
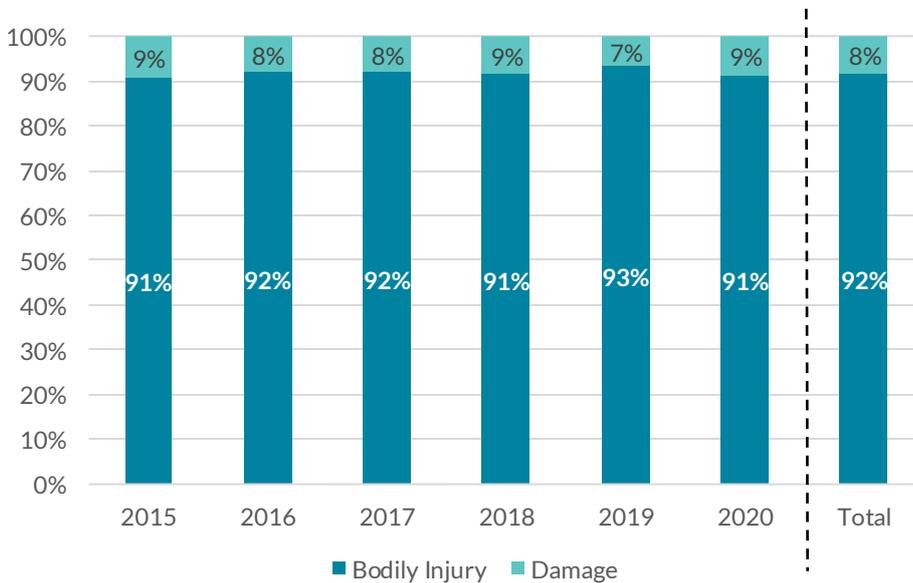


Figure 17: Breakdown of settled costs by claim type, across all settlement channels for settlement years 2015-2020.



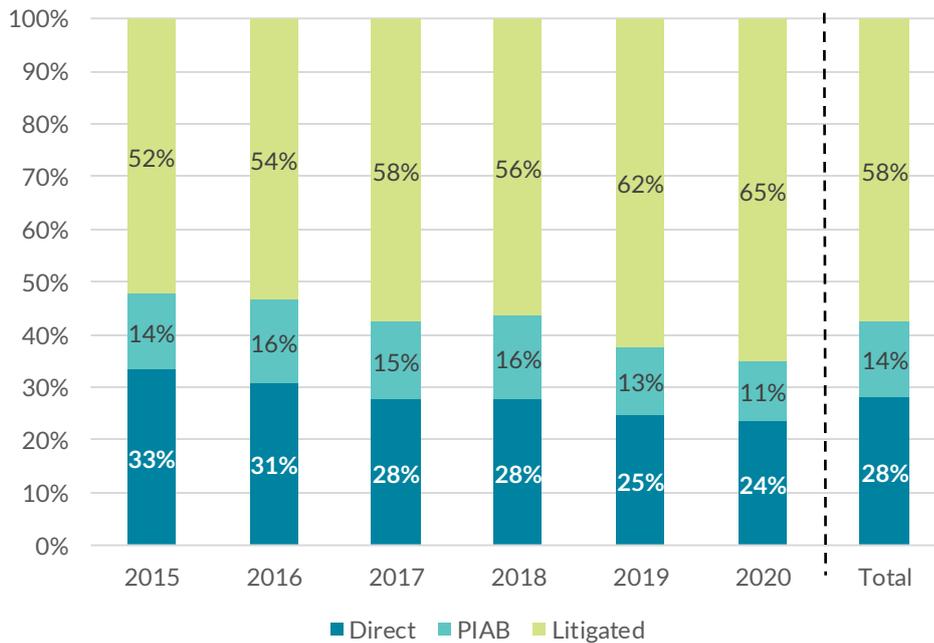
EL claims are predominantly injury claims, however PL claims are a mix of bodily injury and damage. The majority of damage claims (92%) are settled directly with the insurer.

On account 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

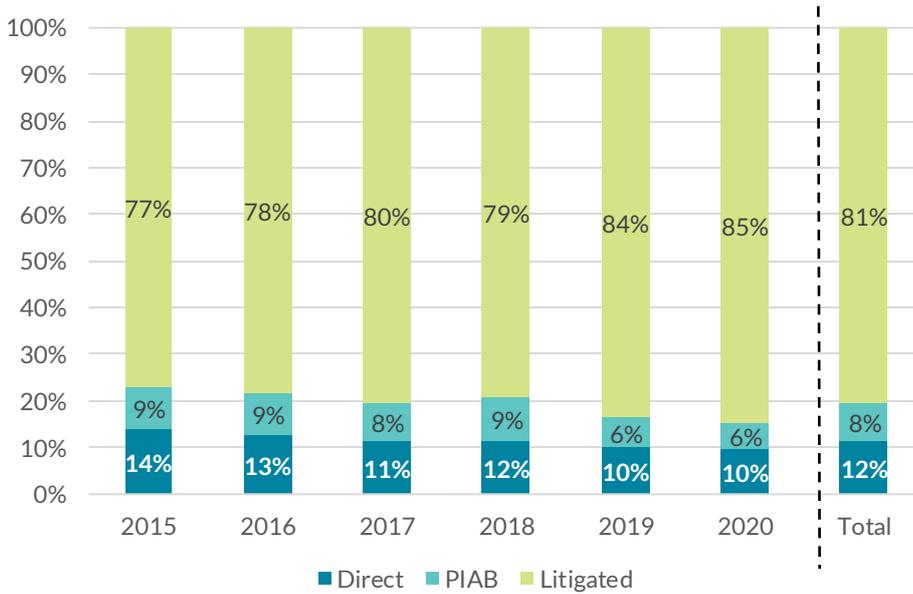
The proportion of claimants who settled through litigation increased from 52% in 2015 to 65% in 2020, averaging 58% over the period, as illustrated in Figure 18. The proportion of claimants who settled directly with the insurer decreased from 33% in 2015 to 24% in 2020, averaging 28% over this period. The proportion that settled through PIAB averaged 14% from 2015 to 2020.

Figure 18: The proportion of injury claimants who settled through each settlement channel from 2015-2020.



As illustrated in Figure 19, between 2015 and 2020, injury claimants who settled through litigation (58%) accounted for 81% of settlement costs; injury claimants who settled directly (28%) accounted for 12% of total settlement costs; injury claimants who settled through PIAB (14%) accounted for 8% of settlement costs.

Figure 19: The proportion of total cost to insurers of settling injury claims in each of the settlement channels from 2015-2020.



As can be seen in Figure 19, litigated settlements have become a larger proportion of total injury settlement costs having increased from 77% to 85% of costs from 2015 to 2020. Direct and PIAB settlements are a less material proportion of total injury settlement costs for liability claims. The proportion of costs for claims settling directly has decreased from 14% to 10% from 2015 to 2020. 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 and 2020.

Figure 20: The proportion of settled claimants and total cost of injury claims through each of the five settlement channels in 2019 and 2020.

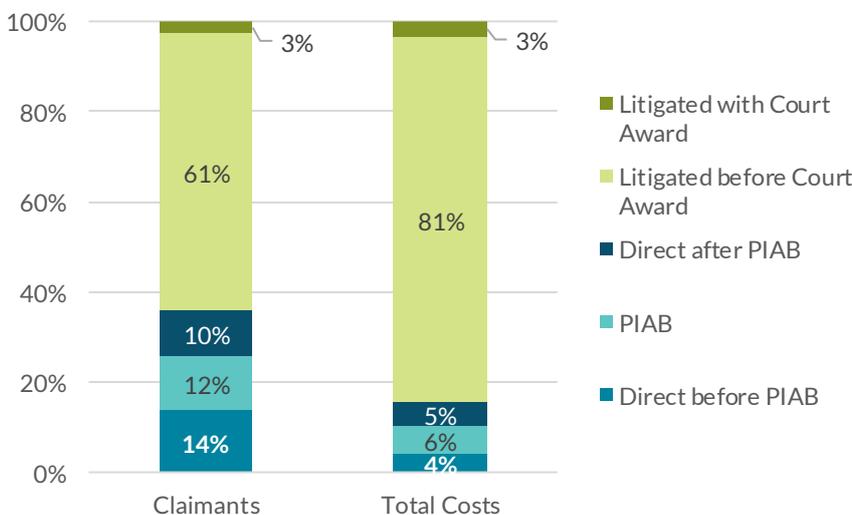


Figure 20 shows the proportion of settled injury claimants and costs in 2019 and 2020 through the more detailed split of settlement channels.

The 24% of claimants who settled directly in 2019 and 2020 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).

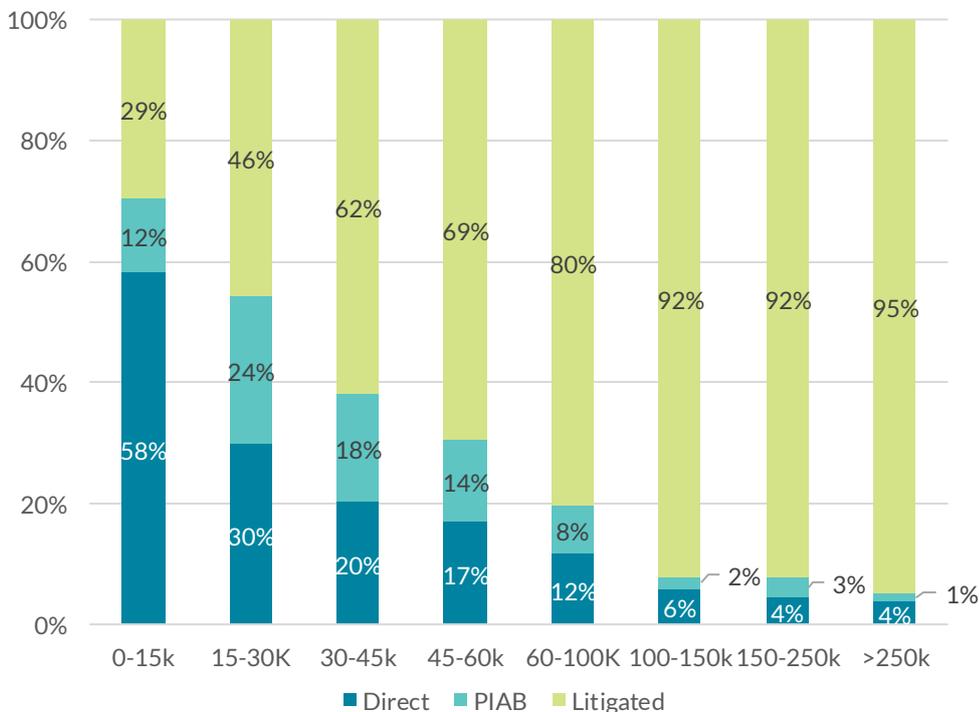
The 64% of claimants who settled through litigation in 2019 and 2020 can be divided into 61% who settled before a court award and 3% who settled with a court award.

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 81% of total settlement costs.

Distribution of Injury Claim Settlements ²⁰

Figure 21 shows the distribution of claimants across settlement channels for various total settled cost bands over the period 2015 to 2020.

Figure 21: The proportion of injury claimants that settled in each channel, by settlement cost band over 2015-2020.



²⁰ Figure 21 and Table 21 in this section are based on data from firms that insured 73% of the EL, PL and Commercial Property insurance market in Ireland in 2020. Figure 22 is based on data from firms that insured 71% of the market.

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 24% of settlements in the €15,001-€30,000 band.

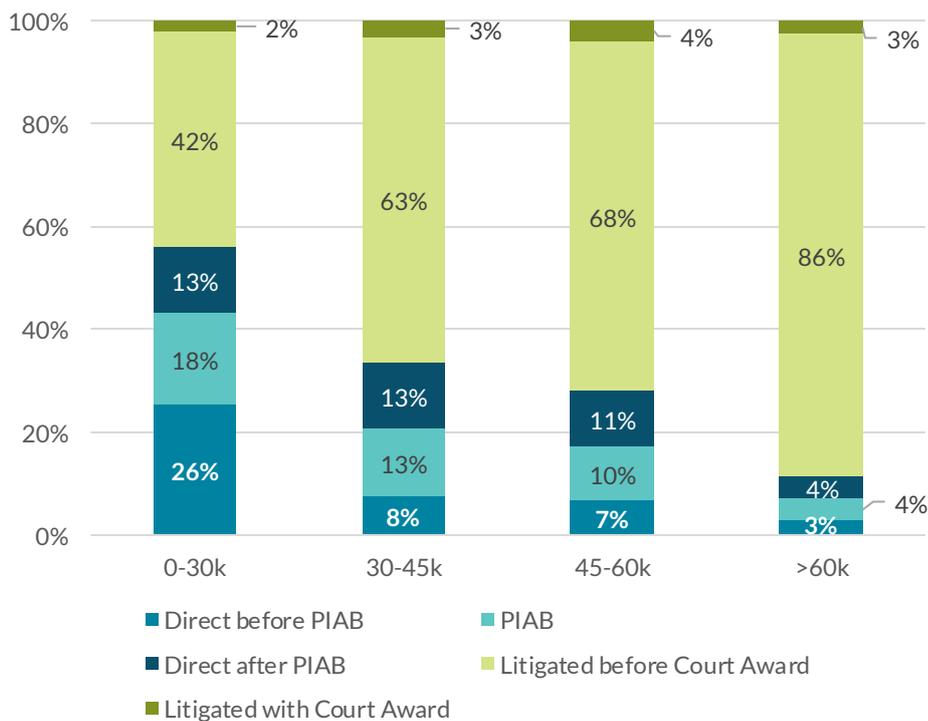
Litigated settlements accounted for a low proportion of claimants in the lower claim size bands. This ratio increased to over 90% for settlements in excess of €100k.

Figure 22 provides the settlement channel and settled cost band breakdown using the five settlement channel split collected for 2019 and 2020 only.

It can be seen that a larger share of direct claims are settled before PIAB in the €0-€30,000 band. The proportion of direct claimants who settled after PIAB is greater than before PIAB for all bands >€30,000. The proportion of claimants who settled directly after PIAB was at its highest (13%) for both claim size bands <€45,000.

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 22: The proportion of injury claimants that settled in each channel, by settlement cost band in 2019 and 2020.



Claimants settling through litigation with a court award can be seen across all of the bands. The proportion of claimants that settled through this channel is at its lowest at 2% of injury claimants in the €0-€30,000 band. The proportion of injury claimants that settled through court award ranges from 3-4% for the bands above €30,000.

Table 21 shows the split of total claimants 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 24% of all claimants from 2015 to 2020. 63% of claimants had a total settlement cost less than or equal to €45,000.

Table 21: The proportion of injury claimants settled in each settlement cost band and settlement channel for years 2015-2020.

Band	Direct	PIAB	Litigated	All
€0-15k	14%	3%	7%	24%
€15-30k	7%	6%	11%	23%
€30-45k	3%	3%	10%	16%
€45-60k	2%	1%	6%	9%
€60-100k	2%	1%	11%	14%
€100-150k	0%	0%	6%	7%
€150-250k	0%	0%	4%	4%
>€250k	0%	0%	3%	3%
All Bands	28%	14%	58%	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 22 and Table 23 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 respectively. 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 combined total

²¹ The statistics in this section are based on data from firms that insured 73% of the EL, PL and Commercial Property insurance market in Ireland in 2020.

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”.

of EL and PL injury claimants, whereas they make up 48% of total settled injury costs.

The average costs by channel for EL and PL claims remained stable for the period between 2015 and 2020; the tables below show the average cost components for all settlements for the period from 2015 to 2020.

Table 22: Breakdown of the average EL injury settlement costs in each settlement channel across years 2015-2020.

Settlement Cost	Direct	PIAB	Litigated	Total
Compensation Cost (€)	25,290	36,037	70,687	53,100
Legal Cost (€)	2,859	901	35,965	21,903
Other Cost (€)	1,145	875	3,336	2,387
Total Cost (€)	29,293	37,813	109,988	77,391
Legal Cost as % of Compensation	11%	3%	51%	41%
Legal Cost as % of Total Costs	10%	2%	33%	28%

For 2015-2020, the average compensation cost of EL settlements in the litigated channel (€70,687) is considerably higher than the overall average in the direct channel (€25,290) and the PIAB channel (€36,037).

For EL injury claims, legal costs are most significant for litigated settlements averaging 51% of the compensation cost (or 33% of total cost) for the period 2015-2020. This compares with the direct channel where legal costs averaged 11% of the compensation cost (or 10% of total cost) and PIAB where legal costs averaged 3% of the compensation cost (or 2% of total cost). It should be noted that the legal costs shown here are those paid by the insurer, there may be additional legal costs incurred by the claimant that the insurer was not required to pay (across all settlement channels).

Table 23: Breakdown of the average PL injury settlement costs in each settlement channel in the years across 2015-2020.

Settlement Cost	Direct	PIAB	Litigated	Total
Compensation Cost (€)	16,973	27,364	38,736	30,995
Legal Cost (€)	2,767	1,606	24,567	15,054
Other Cost (€)	864	712	1,096	974
Total Cost (€)	20,603	29,682	64,399	47,022
Legal Cost as % of Compensation	16%	6%	63%	49%
Legal Cost as % of Total Costs	13%	5%	38%	32%

For PL injury claims, the average total cost is lower across all channels compared to EL injury claims. For 2015-2020, the average compensation cost of PL settlements in the litigated channel (€38,736) is higher than the overall average in the direct channel (€16,973) and the PIAB channel (€27,364).

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 5% of total cost).

Table 24 illustrates the cumulative percentage of claimants and total settlement costs by total settled cost band for EL claims split by settlement channel for the period from 2015 to 2020. For all EL claims that settled directly, 98% of all claimants and 83% of all settlement costs were for claims with a total settlement cost of less than €150k. Similarly, for claims that settled through PIAB, 98% of all claimants and 84% of all settlement costs were for claims with a total settlement cost of less than €150k.

Table 24: Percentage of claimants and costs of EL claims by cumulative settlement band and by settlement channel from 2015-2020.

Band	Direct - EL		PIAB - EL		Litigated - EL	
	Claimants	Costs	Claimants	Costs	Claimants	Costs
<€15k	46%	9%	18%	4%	7%	1%
< €30k	69%	26%	57%	27%	20%	3%
< €45k	81%	41%	77%	46%	35%	8%
< €60k	88%	53%	86%	59%	45%	13%
< €100k	96%	74%	96%	78%	66%	28%
< €150k	98%	83%	98%	84%	81%	44%
< €250k	99%	91%	99%	92%	92%	63%
All	100%	100%	100%	100%	100%	100%

Table 25 shows the cumulative average compensation cost and average legal cost by total settled cost band for EL claims split by settlement channel for the period from 2015 to 2020. 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 25 illustrates the total average compensation and average legal cost for all claims within that settlement channel as highlighted in

Table 22. 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 25: Average injury settlement costs of EL claims by cumulative settlement band by settlement channel from 2015-2020.

Band	Direct - EL		PIAB - EL		Litigated - EL	
	Avg Comp	Avg Legal	Avg Comp	Avg Legal	Avg Comp	Avg Legal
<€15k	5,057	578	10,169	264	5,275	4,795
< €30k	9,806	1,005	17,144	410	9,861	8,023
< €45k	13,351	1,233	21,699	452	14,463	10,908
< €60k	15,719	1,405	24,554	504	18,078	13,025
< €100k	20,008	1,928	29,467	562	27,330	18,290
< €150k	21,948	2,192	30,916	689	36,151	22,889
< €250k	23,429	2,413	33,606	742	46,493	27,548
All	25,290	2,859	36,037	901	70,687	35,965

For those EL claims where the total settlement cost is less than €150k, the average compensation cost is €36,151 in the litigated channel, €30,916 through PIAB and €21,948 through the direct channel. For those EL claims where the total settlement cost is less than €150k, the average legal cost in the litigated channel (€22,889) is significantly higher than the PIAB channel (€742) and the direct channel (€2,192).

There are likely to be some very large claim settlements for EL injury claims greater than €150k; these affect the total average costs across all channels. For litigated claims, 56% of the total costs relate to claimants who have a total settlement cost of greater than €150k. This is a much higher proportion compared to claimants who have claims greater than €150k that settle directly (17%) and through PIAB (16%). Due to very large claims being more likely to settle through the litigated channel, there is a larger increase (+96%) in the average compensation of litigated claims cost from €36,151 for claims less than €150k to €70,687 for all claims compared to claims that settle directly (+15%) and through PIAB (+17%).

Table 26 illustrates the cumulative percentage of claimants and total settlement costs by total settlement band for PL claims split by settlement channel for the period from 2015 to 2020. For all PL claims that settled directly, 99.5% of all claimants and 94% of all settlement costs were for claims with a total settlement cost of less than €150k. Similarly, for claims that settled through PIAB, 99.5% of all claimants and 97% of all settlement costs were for claims with a total settlement cost of less than €150k.

Table 26: Percentage of claimants and costs of PL claims by cumulative settlement band by settlement channel from 2015-2020.

Band	Direct - PL		PIAB - PL		Litigated - PL	
	Claimants	Costs	Claimants	Costs	Claimants	Costs
<€15k	54%	16%	23%	7%	16%	2%
< €30k	79%	43%	63%	37%	38%	10%
< €45k	90%	62%	84%	63%	57%	21%
< €60k	95%	74%	92%	78%	69%	30%
< €100k	99%	89%	99%	95%	86%	52%
< €150k	99.5%	94%	99.5%	97%	94%	66%
< €250k	100%	96%	100%	100%	98%	76%
All	100%	100%	100%	100%	100%	100%

For all PL claims that settled through the litigation channel, 94% of all claimants and 66% of all settlement costs were for claims with a total settlement cost of less than €150k. Therefore, PL litigated settlements costing more than €150k account for only 6% of claimants settling through litigation yet they account for 34% of total settlement costs in that channel.

Table 27 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 2020. The 'All' row in Table 27 shows the average compensation and average legal cost for all claims within each settlement channel.

Table 27: Average injury settlement costs of PL claims by cumulative settlement band by settlement channel from 2015-2020.

Band	Direct - PL		PIAB - PL		Litigated - PL	
	Avg Comp	Avg Legal	Avg Comp	Avg Legal	Avg Comp	Avg Legal
<€15k	5,397	838	8,889	611	4,331	4,780
< €30k	9,387	1,510	16,000	1,028	8,160	8,397
< €45k	11,893	1,912	20,254	1,333	11,863	11,196
< €60k	13,639	2,177	22,815	1,480	14,781	13,043
< €100k	15,745	2,482	26,061	1,570	21,124	16,731
< €150k	16,307	2,659	26,507	1,579	25,401	18,863
< €250k	16,606	2,723	27,275	1,598	28,701	20,587
All	16,973	2,767	27,364	1,606	38,736	24,567

For all claims that settled for less than €150k, average claim settlements via the litigated channel (€25,401) are broadly comparable to the PIAB channel (€26,507) and higher than the direct channel (€16,307). The average legal

costs of PL settlements less than €150k through the litigated channel (€18,863) are significantly higher than the PIAB channel (€1,579) and the direct channel (€2,659).

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, 34% 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 settle directly (6%) and through PIAB (3%). Due to very large claims being more likely to settle through the litigated channel, there is a larger increase (+52%) in the average compensation of litigated claims from €25,401 for claims less than €150k to €38,736 for all claims compared to claims that settle directly (+4%) and through PIAB (+3%).

Table 28 shows the average costs of settling injury claims per claimant, using the 5-way settlement channel and cost type split for liability claims in 2019 and 2020. Here, compensation costs are split into general damages and special damages. 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 insurers' 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. This may not include all legal costs incurred by the claimant.

This shows that in 2019 and 2020, liability claimants who settled directly after PIAB had an average total settlement cost of €33,911 compared to €20,245 for those who settled directly before PIAB, and €31,639 for those who settled through PIAB.

Legal costs made up the largest difference between the average costs of claims settled through PIAB (€735) and directly after PIAB (€5,853), with third party legal costs making up the majority of legal costs for claims settled directly after PIAB.

Liability claimants who settled through litigation before a court award in 2019 and 2020 had an average cost of €82,483 compared to €78,966 for those who settled with a court award.

Table 28: Average injury settlement costs of liability claims by settlement channel, using the 5-way settlement channel and cost splits, for 2019-2020²³.

Average Settlement Cost (2020)	Comp-General Damages (€)	Comp-Special Damages (€)	Legal Own (€)	Legal Third Party (€)	Other (€)	Total (€)
Total Liability						
Direct before PIAB	14,846	2,515	527	1,342	1,015	20,245
PIAB	28,315	2,179	735		410	31,639
Direct after PIAB	23,889	3,884	435	5,418	285	33,911
Litigated before Court Award	37,504	10,719	12,195	19,864	2,200	82,483
Litigated with Court Award	28,210	9,908	14,655	24,093	2,100	78,966

For claimants who settled through litigation before a court award, legal costs totalled 66% of the compensation award (or 39% of total cost), split 25% own legal costs and 41% third party legal costs. For those who settled with a court award, legal costs totalled 102% of the compensation award (or 49% of total cost), split 38% own legal costs and 63% 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 29 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 2020. 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 to the settled year for a damage claim of 1.0 years compared to 3.3 years for an injury claim. Of the injury claims, litigated claims took the longest to settle,

²³ The statistics in Table 28 are based on data from firms that insured 65% of the liability insurance market in Ireland in 2020. Please note that that it is not possible to publish information on all data points due to statistical confidentiality rules applied to the data.

with an average delay of 4.5 years. Claims settled directly had the shortest average delay for injury claims 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. The average settlement delays for injury claimants increased in 2020 across all settlement channels; this may be owing to the unique nature of the 2020 settlement year as a result of COVID-19.

Table 29: The average time at settlement (years) since the claim event was reported, for claims settled between 2015 and 2020.

Years	2015	2016	2017	2018	2019	2020	All Years
Injury Claims							
Direct	1.5	1.5	1.8	1.9	1.6	1.9	1.7
PIAB	1.7	1.8	1.8	1.8	1.8	2.2	1.8
Litigated	4.4	4.5	4.5	4.5	4.5	4.6	4.5
All Claims							
Injury	3.1	3.1	3.4	3.3	3.4	3.7	3.3
Damage	1.1	1.1	1.1	0.9	0.9	0.9	1.0

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. 89% of claimants who settled directly and 78% 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; 66% of litigated claims were reported within 2 quarters, however 12% of litigation claims took more than 2 years to be reported.

Table 30: The average time (years) since the claim event was reported, for injury claims settled in 2019-2020.

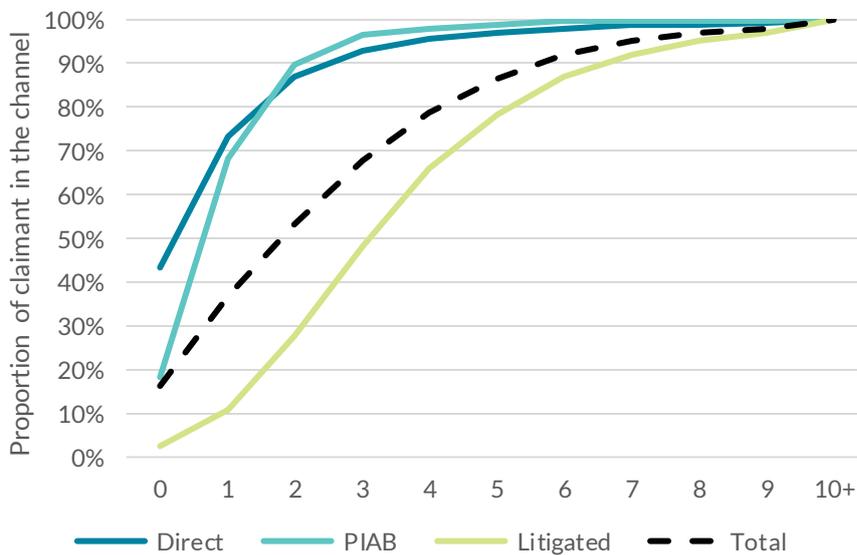
Settlement Channel	2019	2020	Total
Direct before PIAB	1.3	1.8	1.5
PIAB	1.8	2.2	1.9
Direct after PIAB	1.9	2.1	2
Litigated before Court Award	4.5	4.6	4.6
Litigated with Court Award	4.7	4.8	4.7

As can be seen in Table 30, claims settled directly before PIAB in 2019 and 2020 had the shortest settlement delay (1.5 years). Claims settled directly after PIAB had a slightly longer settlement delay on average (2.0 years) compared to those that were settled through PIAB (1.9 years). On average,

claims settled through litigation before a court award had a slightly shorter delay (4.6 years) compared to litigation with a court award (4.7 years). Similar to Table 29 above the average settlement delay across all channels has increased slightly in 2020 when compared to settlements in 2019.

As can be seen in Figure 23, 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, 21% of claimants took six or more years to have their claim settled. For direct, 3% of settlements and for PIAB, 1% of settlements took six or more years to settle.

Figure 23: Distribution of injury claimants by duration of settlement process for injury claims settled between 2015 and 2020.



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 31: Average cost of settling damage claims in the years 2015-2020.

Cost Component (€)	2015	2016	2017	2018	2019	2020
Compensation	7,504	7,285	7,566	5,793	5,682	8,631
Legal	1,847	2,295	2,335	1,685	1,551	1,756
Other	406	199	146	345	296	466
Total	9,756	9,779	10,048	7,822	7,529	10,854

Table 31 highlights that the average cost of settling damage claims has increased by 11% over the period 2015-2020, with a 23% decrease from 2015 to 2019 followed by an increase of 44% from 2019 to 2020.

PART 5 – Claim Development

Data on the development of claims was collected for accident years 2009-2020. This data forms the basis for insurers' estimates of ultimate claim numbers and costs, as discussed in Part 2. As new data emerges, estimates are updated. This part discusses how estimates of ultimate claims costs have changed from 2019 to 2020. It also provides insight into the underlying claims development patterns.

Key Insights and Findings

In 2020, insurers' best estimate of total claims cost for EL, PL and Commercial Property increased by approximately €77m (or 1% of total claims cost) across accident years 2009 to 2019.

As at 31 December 2020, 13% of the expected ultimate claim costs for accident year 2020 are paid, 39% are claim reserve estimates and 47% are estimates of the cost for claims that have not yet been reported.

This varies significantly by policy type, with Commercial Property claims developing and being paid faster than EL or PL claims.

This is driven by Commercial Property primarily covering Damage claims which tend to be reported and settled much faster than Injury claims.

Premium and Claims Cost by Reporting Year²⁴

The trends in claims costs shown in Part 2 of this report are based on estimates of ultimate claims cost²⁵ for each accident year, calculated as at 31 December 2020. Not all of these claims will be paid yet. Some claims, injury claims in particular, can take many years to be fully paid.

²⁴ This section is based on 76% market coverage to provide a consistent comparison against the ultimate claims cost reported for the first EL, PL and Commercial Property NCID report.

²⁵ The concept of ultimate claims costs is explained further in Part 6.

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

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

Figure 24: The ratio of ultimate claim costs to premiums (loss ratio) for Employers’ Liability and Public Liability as at 31 December 2019 and 2020 and for accident years 2009-2020.

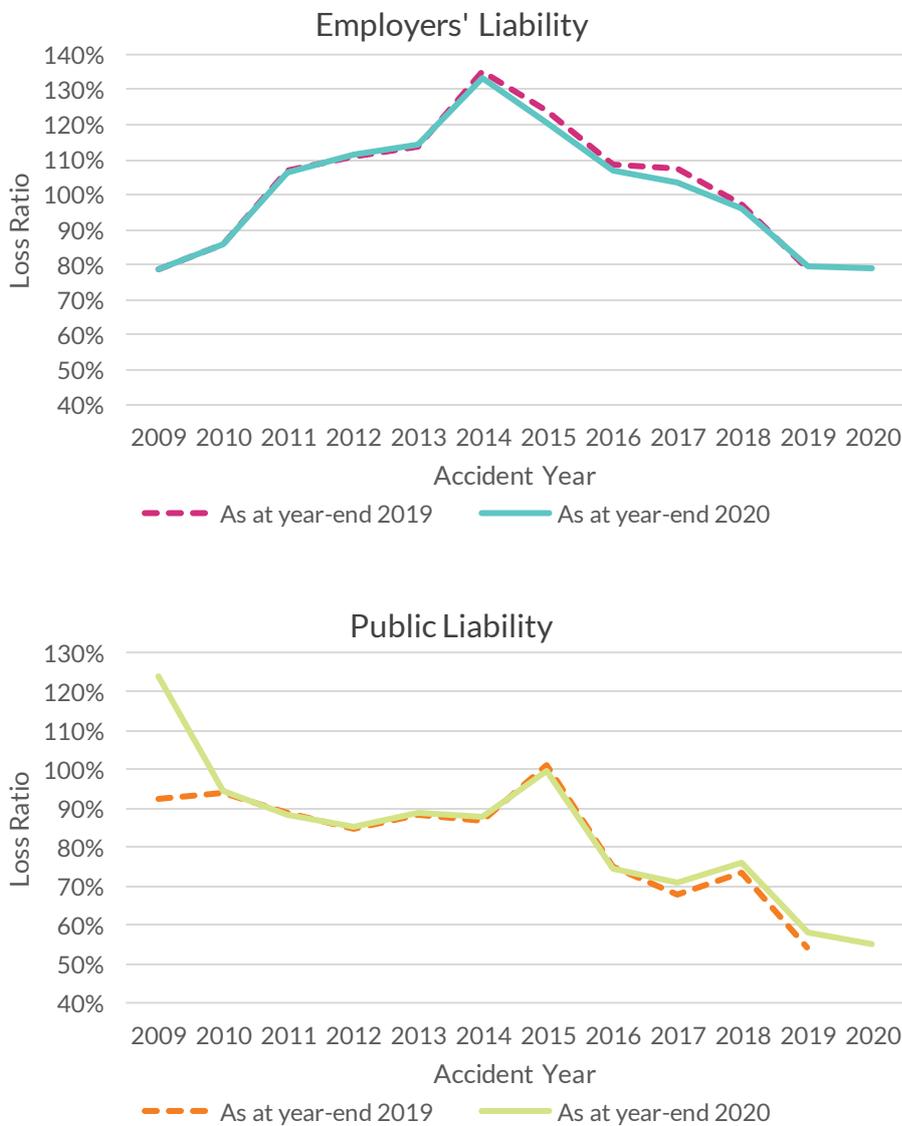


Figure 25: The ratio of ultimate claim costs to premiums (loss ratio) for Commercial Property as at 31 December 2019 and 2020 and for accident years 2009-2020.



Figures 24 and 25 compare the loss ratios for EL, PL and Commercial Property using ultimate claims cost calculated at 31 December 2020 against those calculated at 31 December 2019.

Overall, the estimates of ultimate claims cost have remained relatively stable over the year, with the combined EL, PL and Commercial Property loss ratio decreasing by less than 1% for the 2015-2017 and 2019 accident years, and increasing by 1% for the 2018 accident year.

The largest movement was an increase of 10% in the total loss ratio for the 2009 accident year. As can be seen in Figure 25, this was driven by a large increase in PL ultimate claims costs for this accident year which led to a 32% increase in the 2009 PL loss ratio from 92% to 124%.

Claim Development Patterns

Analysis of claim development patterns can provide insight into changes in the claims environment over time, and into how claims might develop in future. The results of this analysis are usually a key input in the estimation of insurers' ultimate cost of claims. This section shows claim development patterns for 71% of the EL, PL and Commercial Property market (based on the proportion of 2020 gross earned premium).

Table 32: Incurred claims as a percent of ultimate claim costs for each accident year across development years, for Employers' Liability.

Employers' Liability												
Accident Year	Development Year											
	1	2	3	4	5	6	7	8	9	10	11	12
2009	53%	70%	96%	103%	103%	104%	103%	101%	100%	100%	99%	99%
2010	51%	69%	93%	97%	100%	100%	99%	99%	99%	98%	98%	
2011	42%	66%	86%	95%	101%	101%	100%	100%	98%	98%		
2012	42%	62%	84%	95%	97%	97%	97%	98%	97%			
2013	40%	62%	83%	95%	96%	97%	97%	97%				
2014	44%	68%	89%	95%	99%	99%	97%					
2015	44%	70%	91%	99%	100%	97%						
2016	47%	68%	92%	97%	96%							
2017	41%	65%	87%	92%								
2018	49%	67%	80%									
2019	40%	52%										
2020	34%											

Table 33: Incurred claims as a percent of ultimate claim costs for each accident year across development years, for Public Liability.

Public Liability												
Accident Year	Development Year											
	1	2	3	4	5	6	7	8	9	10	11	12
2009	47%	61%	78%	82%	79%	79%	78%	83%	82%	77%	77%	97%
2010	64%	90%	103%	104%	105%	105%	103%	103%	103%	99%	99%	
2011	61%	83%	98%	106%	102%	101%	100%	98%	99%	99%		
2012	64%	87%	99%	104%	101%	102%	101%	100%	100%			
2013	63%	86%	102%	105%	102%	99%	100%	98%				
2014	64%	89%	106%	106%	104%	103%	101%					
2015	52%	78%	95%	101%	102%	99%						
2016	61%	89%	104%	103%	102%							
2017	64%	86%	101%	100%								
2018	59%	79%	95%									
2019	55%	68%										
2020	41%											

Table 32 and Table 33 show the proportion of ultimate claims cost that are incurred for each accident year across development years for EL and PL. The development year measures the number of years that have passed since the start of the relevant accident year.

Incurred claim costs consist of the cost of claims that are paid added to case estimates for claims that have been reported to the insurer but not yet paid. These are the sum of the paid and outstanding costs shown in Figure 26 of Part 6.

Based on these tables, it can be seen that PL claims generally develop to their ultimate claim costs faster than EL claims. Across all accident years, 58% of ultimate claim costs for PL are incurred in development year 1, 81% are incurred by development year 2 and 98% by development year 3. In contrast, these figures are 44%, 65% and 88% of ultimate claim costs respectively for EL incurred claim costs as a percentage of ultimate claim costs. Incurred claim costs for both EL and PL claims are very close to the ultimate claims cost by development year 5 at 99% and 99.7% respectively.

Table 34: Incurred claims as a percent of ultimate claim costs for each accident year across development years, for Commercial Property.

Commercial Property												
Accident Year	Development Year											
	1	2	3	4	5	6	7	8	9	10	11	12
2009	103%	102%	98%	97%	99%	101%	102%	102%	101%	102%	102%	102%
2010	87%	107%	104%	104%	105%	104%	104%	100%	100%	100%	100%	
2011	110%	103%	102%	102%	101%	101%	101%	100%	100%	100%		
2012	111%	101%	100%	100%	99%	99%	99%	99%	99%			
2013	108%	107%	103%	103%	104%	103%	101%	100%				
2014	107%	102%	100%	101%	100%	100%	100%					
2015	97%	102%	101%	100%	101%	100%						
2016	104%	100%	100%	100%	100%							
2017	108%	101%	100%	100%								
2018	105%	100%	100%									
2019	93%	100%										
2020	63%											

Table 34 shows the proportion of ultimate claim costs that are incurred by accident year and development year for Commercial Property. Commercial Property claims tend to develop much faster than EL or PL claims as a result of Commercial Property business primarily covering damage claims, the costs for which can be reasonably accurately estimated faster than injury claims. Property claims tend to settle much faster than EL or PL claims.

Where this is greater than 100%, this suggests that insurers' estimates for incurred claim costs at that time were greater than what they ultimately settled for, or what they currently expect these claims to settle for in future.

The 2020 accident year is an outlier here for each policy type and is unusually uncertain given the unique nature of this year as a result of COVID-19. This is especially true for Commercial Property due to business interruption claims.

Table 35: Paid claims as a percent of ultimate claim costs for each accident year across development years, for Employers' Liability.

Employers' Liability												
Accident Year	Development Year											
	1	2	3	4	5	6	7	8	9	10	11	12
2009	3%	10%	24%	43%	60%	73%	83%	88%	93%	95%	97%	98%
2010	2%	9%	20%	37%	51%	65%	77%	83%	90%	92%	93%	
2011	2%	7%	18%	33%	53%	69%	80%	87%	91%	93%		
2012	2%	7%	19%	35%	52%	65%	75%	81%	85%			
2013	2%	8%	19%	37%	55%	69%	77%	81%				
2014	1%	6%	18%	38%	54%	67%	76%					
2015	1%	7%	19%	32%	51%	62%						
2016	1%	7%	18%	32%	45%							
2017	1%	7%	19%	32%								
2018	1%	6%	15%									
2019	1%	5%										
2020	1%											

Table 36: Paid claims as a percent of ultimate claim costs for each accident year across development years, for Public Liability.

Public Liability												
Accident Year	Development Year											
	1	2	3	4	5	6	7	8	9	10	11	12
2009	4%	13%	22%	32%	41%	50%	57%	62%	64%	66%	67%	68%
2010	6%	16%	30%	45%	59%	74%	80%	86%	89%	91%	93%	
2011	5%	15%	29%	43%	57%	68%	76%	80%	83%	87%		
2012	5%	15%	30%	44%	59%	71%	77%	82%	85%			
2013	4%	14%	28%	46%	58%	70%	77%	82%				
2014	6%	17%	32%	48%	61%	70%	75%					
2015	4%	13%	25%	36%	48%	56%						
2016	4%	14%	27%	40%	51%							
2017	4%	13%	27%	37%								
2018	4%	12%	22%									
2019	4%	9%										
2020	3%											

Table 35, Table 36 and Table 37 show the proportion of ultimate claims cost that are paid for each accident year across development year for EL, PL and Commercial Property claims. This differs from incurred cost as paid cost does not include case estimates for claims that have been reported but not yet paid.

Paid costs are much slower to develop to ultimate due to the time lag between when claims are reported and their costs are estimated, to when claims are settled and paid. For example, while incurred costs for EL and PL

claims are 99% and 99.7% of ultimate claims cost by development year 5, only 53% of EL and 54% of PL ultimate claim costs have been paid.

Table 37: Paid claims as a percent of ultimate claim costs for each accident year across development years, for Commercial Property.

Commercial Property												
Accident Year	Development Year											
	1	2	3	4	5	6	7	8	9	10	11	12
2009	33%	75%	84%	93%	95%	98%	99%	100%	100%	101%	101%	101%
2010	40%	91%	97%	100%	102%	102%	102%	100%	100%	100%	100%	
2011	41%	85%	95%	100%	100%	101%	101%	100%	100%	100%		
2012	51%	87%	95%	97%	98%	98%	99%	99%	99%			
2013	47%	91%	99%	101%	101%	102%	100%	99%				
2014	68%	94%	98%	98%	99%	99%	100%					
2015	43%	86%	93%	96%	98%	98%						
2016	45%	85%	94%	97%	98%							
2017	42%	87%	94%	96%								
2018	57%	89%	93%									
2019	35%	76%										
2020	21%											

Table 37 shows that, as with incurred claims cost as a percentage of ultimate claims, paid costs develop to ultimate much faster for Commercial Property claims than they do for EL or PL claims. On average, 44% of Commercial Property ultimate claims cost are paid in development year 1, 86% by development year 2 and 99% by development year 5.

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

As mentioned previously, the 2020 accident year will be particularly uncertain given the unique nature of this year as a result of COVID-19. The difference in values for 2020 compared to previous accident years highlight this uncertainty.

Part 6 - 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 26: Breakdown of EL, PL and Commercial Property ultimate claim costs for accident years 2009-2020.

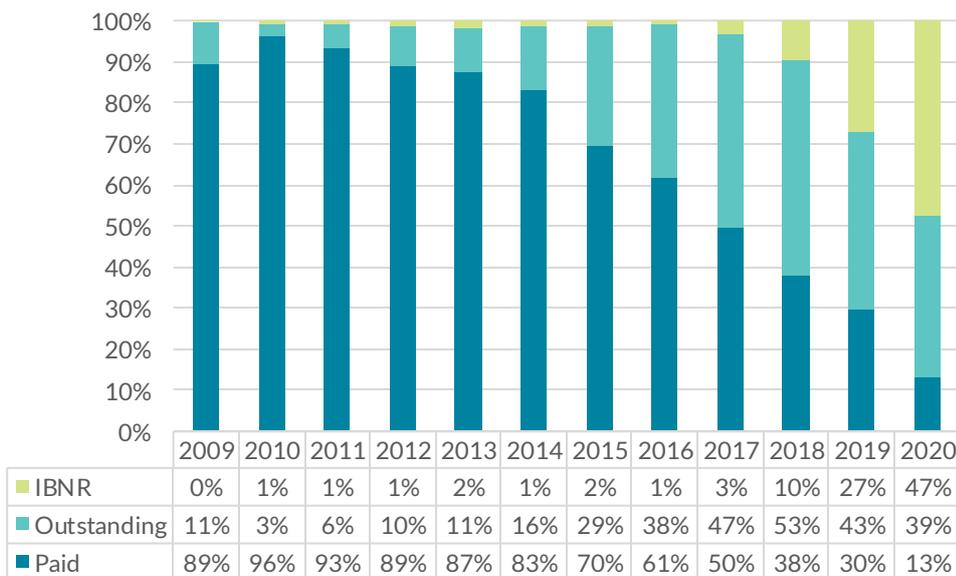


Figure 26 shows an illustration of the breakdown of EL, PL and Commercial Property ultimate claims costs for accident years 2009-2020 as at 31 December 2020. Here the ultimate claims cost consists of paid claims (Paid), case estimates for claims that have been reported but not yet paid (Outstanding), and an estimate of costs for claims that have not yet been reported, i.e., incurred but not reported claims (IBNR).

2020 is the most recent accident year and hence its ultimate claims cost is made up of the lowest proportion of Paid claims at 13%, while 87% of this ultimate cost is made up of estimates (IBNR + Outstanding). As an example, ten years have passed since the end of the 2010 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 1% are an IBNR estimate.

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 2 and 5.

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 27.

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

Figure 27: An illustration of the insurance underwriting cycle.



Appendix 1 – Background to the National Claims Information Database

The Cost of Insurance Working Group (CIWG)²⁶ 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 Insurance²⁷ 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.

²⁶ [Cost of Insurance Working Group](#)

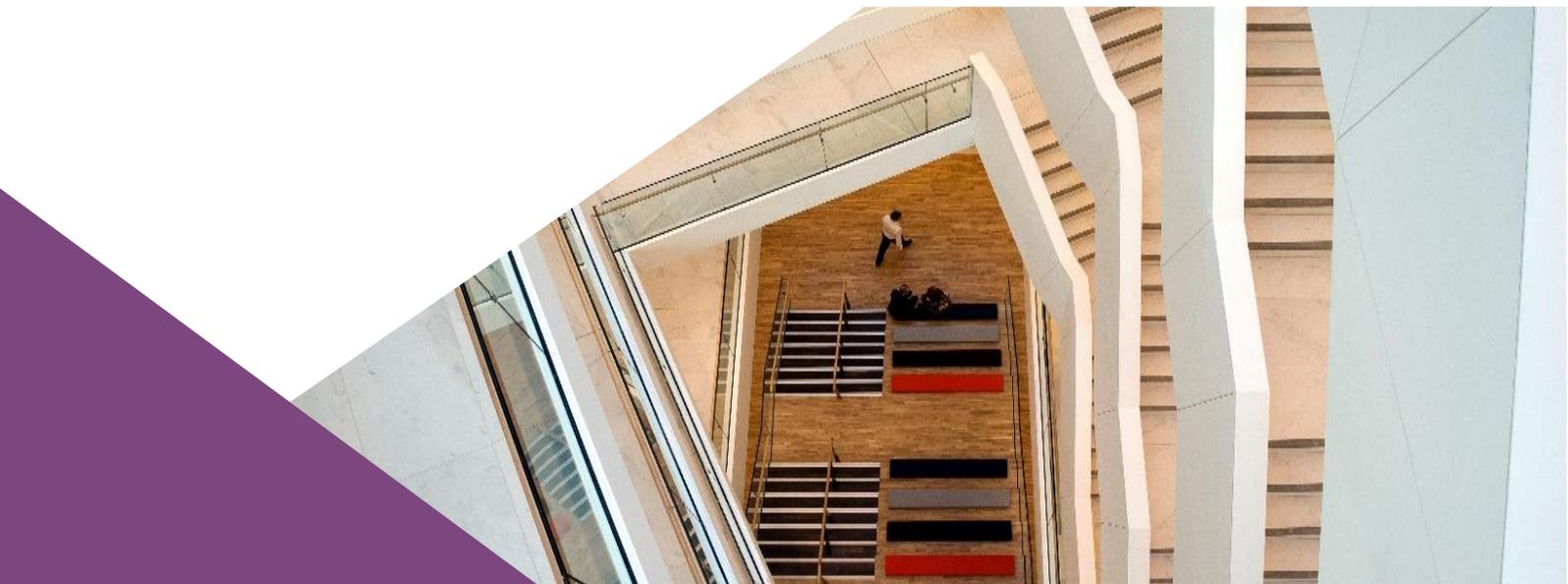
²⁷ [Cost of Insurance Working Group private motor report 2017](#)

Appendix 2 - List of Participating Insurers.

Table 38: Firms who contributed data to this report.

Authorisation Status	Undertaking Name
Irish Authorised	Allianz PLC
	Allied World Assurance Company (Europe) 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) DAC
	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	Allianz Risk Transfer AG
	Allianz Versicherungs AG
	ArgoGlobal SE
	CNA Insurance Company (Europe) S.A. (UK)
	ERGO Versicherung AG
	Generali Espana S.A. de Seguros y Reaseguros
	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
	SI Insurance (Europe), SA
	Societa Reale Mutua di Assicurazioni
	Starr International (Europe) Limited
	Tokio Marine Europe S.A. (UK)
	Unipol Assicurazione S.P.A.
	WAKAM
Wurtembergische Versicherung AG	
Zavarovalnica Sava d.d.	



T: +353 (0)1 224 6000
E: ncid@centralbank.ie
www.centralbank.ie



Banc Ceannais na hÉireann
Central Bank of Ireland

Eurosystem