



Banc Ceannais na hÉireann  
Central Bank of Ireland

Eurosystem

# Private Motor Insurance Report 3

## National Claims Information Database

November 2021

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# Introduction

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

## Background

The National Claims Information Database<sup>1</sup> (NCID) was established in order to improve transparency in the Irish insurance claims environment and to support data driven policy. The NCID was a recommendation of the Cost of Insurance Working Group<sup>2</sup> (CIWG). Private motor insurance is one of two classes of non-life insurance in scope of the NCID along with liability insurance.

## Reporting Population

All insurers selling private motor insurance in Ireland were required to meet the same data submission requirements, regardless of country of authorisation. The insurers that submitted a return for year ending 31 December 2020 are listed in Appendix 2.

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

The total earned premium for private motor insurance in Ireland in 2020 was €1.36bn. Part 1 of this report is based on data from firms that insured 99% of the private motor insurance market in Ireland in 2020<sup>3</sup>; Part 2 of the report is based on 95% market coverage; Part 3 is predominantly based on 98% market coverage (with some exceptions which are noted); Part 4 (settled claims) is predominantly based on 88% market coverage (with some exceptions which are noted); and Part 5 includes sections based on

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

<sup>2</sup> <https://www.gov.ie/en/organisation-information/fbc791-the-cost-of-insurance-working-group/>

<sup>3</sup> As measured by the ratio of 2020 gross earned premium of included submissions to the 2020 gross earned premium of all submissions.

92% and 98% market coverage. Certain submissions were excluded from our analysis due to insufficient quality of, or granularity in, the data.

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

## Data Contained within the Report

The data collected for the purpose of this report relates to the time period up to 31 December 2020. Therefore, this year's report will not contain any information on the adoption of Personal Injury Guidelines by the Judicial Council and their impact on private motor insurance in Ireland.

## Impact of COVID-19

Data for 2020 will be influenced by the impact of COVID-19 and subsequent government restrictions. This impact can be seen on insurer's premiums, claim costs and financial results; and should be borne in mind when considering this data.

Premium and exposure data was enhanced to include the collection of data on rebates offered by firms to customers to reflect the lower usage of vehicles in 2020 as a result of government restrictions. This data can be found in Part 1, Premium Rebates.

## Future Enhancements to the Report

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

- The first Employers' Liability, Public Liability and Commercial Property Insurance Report published in July 2021, highlighted the need to undertake an investigation regarding the collection of further claim settlement data following the introduction of Personal Injury Guidelines by the Judicial Council. This is currently in progress with the intention to collect this claim settlement data for all classes of business within the remit of the NCID.
- Currently data collected on claim settlements is banded by the total cost of the claim. The intention for future collections is to add additional bands based on compensation amounts.

- The Insurance (Miscellaneous Provisions) Bill which is currently being drafted will introduce enhancements to the National Claims Information Database (NCID) to collect data on the deduction of taxpayer supports to businesses by insurance companies from compensation pay-outs.

# Executive Summary

## Overview of the Report

This report is organised as follows:

**Part 1** considers earned premiums for private motor insurance between 2009 and 2020.

**Part 2** examines claims related to motor accidents that occurred between 2009 and 2020.

**Part 3** gives a breakdown of insurers' income and expenditure for private motor insurance in financial years 2009 to 2020.

**Part 4** analyses how 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 from 2018 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

Private motor insurance claims are discussed in Parts 2, 3, 4 and 5 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 cost<sup>4</sup>. Estimates of ultimate claims costs are regularly updated based on the most recent data available. The ultimate claims costs shown in this report were calculated as at 31 December 2020. Further information on ultimate claims costs is available in Parts 5 and 6 of this report.

**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.

## Private Motor Insurance Report 3 - Key Findings

Cost of Insurance 2009-2020	
Premium per policy	<p>The average earned premium per policy decreased by <b>7%</b> from 2019 to 2020.</p> <p>Some of this reduction is attributable to COVID-19 premium rebates of <b>€42.5m</b> in 2020 (3% of gross earned premium in 2020).</p> <p>Average earned premium increased <b>26%</b> from 2009 to 2020, following:</p> <ul style="list-style-type: none"> <li>• ↓ <b>12%</b> from 2009 to 2013;</li> <li>• ↑ <b>62%</b> from 2013 to 2018; and</li> <li>• ↓ <b>11%</b> from 2018 to 2020.</li> </ul>
Premium levels by quarter	<p>On a quarterly basis, as at Q4 2020, the average earned premium has decreased by <b>16%</b> since its highest point in Q4 2017.</p>

<sup>4</sup> The concept of ultimate claims costs is explained in Part 6.

<p><b>Claims cost per policy</b></p>	<p>Claims cost per policy decreased by <b>20%</b> from 2019 to 2020, reflecting the impact of COVID-19.</p> <p>Claims cost per policy decreased <b>29%</b> from 2009 to 2020, following:</p> <ul style="list-style-type: none"> <li>• ↓ <b>15%</b> from 2009 to 2010;</li> <li>• ↑ <b>13%</b> from 2010 to 2014;</li> <li>• ↓ <b>26%</b> from 2014 to 2020.</li> </ul>
<p><b>Claims as % of premiums</b></p>	<p>Claims costs as a percentage of premiums were at their lowest point in 2020 at <b>50%</b>.</p> <p>Claims costs were on average <b>69%</b> of premiums from 2009 to 2020.</p> <p>Claim costs as a percentage of premiums were at their highest point in 2014 at <b>92%</b></p>
<p><b>Claims frequency (claims count per policy)</b></p>	<p>Claims frequency decreased by <b>26%</b> from 2019 to 2020.</p> <p>From 2009 to 2020, claims frequency decreased <b>59%</b>. Over this time:</p> <ul style="list-style-type: none"> <li>• <b>Injury</b> frequency ↓ <b>48%</b></li> <li>• <b>Damage</b> frequency ↓ <b>59%</b></li> </ul>
<p><b>Cost per claim</b></p>	<p>Cost per claim increased <b>9%</b> from 2019 to 2020.</p> <p>From 2009 to 2020, the average cost per claim increased by <b>72%</b>. Over this time:</p> <ul style="list-style-type: none"> <li>• Cost per <b>injury</b> claim ↑ <b>73%</b></li> <li>• Cost per <b>damage</b> claim ↑ <b>9%</b></li> </ul>

Income & Expenditure 2009-2020	
<p><b>Combined Operating Ratio (COR)<sup>5</sup></b></p>	<p>The 2020 COR was <b>77%</b> gross of reinsurance and <b>79%</b> net of reinsurance.</p> <p>Over 2009 to 2020, the COR was on average <b>98%</b> gross of reinsurance and <b>103%</b> net of reinsurance.</p> <p>The COR averaged:</p> <ul style="list-style-type: none"> <li>• <b>101%</b> gross and <b>102%</b> net from 2009 to 2012</li> <li>• <b>118%</b> gross and <b>123%</b> net from 2013 to 2016</li> <li>• <b>83%</b> gross and <b>86%</b> net from 2017 to 2020.</li> </ul>
<p><b>2020 private motor revenue results<sup>6</sup></b></p> <p><b>Insurers' Operating Profit</b></p>	<p>Operating profit was <b>12%</b> of total income in 2020.</p> <p>Across all years, 2009 to 2020, operating profit was <b>3%</b> of total income.</p> <p>The operating result was on average:</p> <ul style="list-style-type: none"> <li>• A profit of <b>7%</b> of total income from 2009 to 2012</li> <li>• A loss of <b>10%</b> of total income from 2013 to 2016</li> <li>• A profit of <b>9%</b> of total income from 2017 to 2020</li> </ul>

<sup>5</sup> The Combined Operating Ratio is a key measure of the profitability of an insurance business. It is defined in Part 3.

<sup>6</sup> As some firms do not account for private motor insurance business separately, an income and expenditure statement was prepared on a proportioned basis.

<p><b>Reinsurance Cost as % of Total Income</b></p>	<p>The reinsurance cost was <b>10%</b> of total income in 2020.</p> <p>Across all years, 2009 to 2020, reinsurance costs were <b>3%</b> of total income.</p> <p>Reinsurance costs were on average:</p> <ul style="list-style-type: none"> <li>• <b>1%</b> of total income from 2009 to 2012</li> <li>• <b>0%</b> of total income from 2013 to 2016</li> <li>• <b>8%</b> of total income from 2017 to 2020.</li> </ul>
<p><b>Investment Income as % of Total Income</b></p>	<p>Investment income was <b>2%</b> of total income in 2020.</p> <p>Across all years, 2009 to 2020, investment income was <b>6%</b> of total income.</p> <p>Investment income was on average:</p> <ul style="list-style-type: none"> <li>• <b>9%</b> of total income from 2009 to 2012</li> <li>• <b>6%</b> of total income from 2013 to 2016</li> <li>• <b>3%</b> of total income from 2017 to 2020.</li> </ul>

## Injury Claim Settlements Data post 2019

<p><b>Method of Settlement<sup>7</sup> by Channel</b></p>	<p>The % of injury claimants who settled claims by channel during 2019 and 2020:</p> <ul style="list-style-type: none"> <li>• <b>36%</b> before PIAB</li> <li>• <b>13%</b> directly, after PIAB</li> <li>• <b>15%</b> through PIAB</li> <li>• <b>34%</b> through litigation, before a court award</li> <li>• <b>2%</b> through litigation, with a court award</li> </ul>
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<sup>7</sup> The different settlement channels are described in Part 4.

## Injury Claim Settlements 2015-2020

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

<b>Method of Claimant Settlement by Channel</b>	Duration of injury claims settled by channel: <ul style="list-style-type: none"> <li>• <b>1.3 years</b> through direct channel</li> <li>• <b>2.0 years</b> through PIAB</li> <li>• <b>3.9 years</b> through litigation</li> </ul>
<b>Method of Settlement (by Cost)</b>	% of injury claim costs settled by channel: <ul style="list-style-type: none"> <li>• <b>22%</b> through direct channel</li> <li>• <b>11%</b> through PIAB</li> <li>• <b>66%</b> through litigation</li> </ul>
<b>Claims &lt; €100K</b>	For 94% of claimants, the total cost of a claim was less than €100K
<b>Direct Settlements &lt;€100k</b>	Average compensation <b>€13,111</b> Average legal costs <b>€1,414</b>
<b>PIAB Settlements &lt;€100k</b>	Average compensation <b>€21,845</b> Average legal costs <b>€665</b>
<b>Litigated Settlements &lt;€100k</b>	Average compensation <b>€23,454</b> Average legal costs <b>€15,235</b>

# PART 1 - Premiums

Data was collected on premiums and the number of policies between 2009 and 2020.

## Key Insights and Findings

The average earned premium per policy was €622 in 2020. This was 7% lower than in 2019.

For the annual average earned premium, there are three distinct periods of pricing behaviour leading up to 2020:

- A period of falling premiums from 2010-2013, when premiums decreased by 14%.
- A period of increasing premiums from 2013-2018, when premiums increased by 62%.
- A period of falling premiums from 2018, when premiums decreased by 11% to 2020.

On a quarterly basis, Q4 2017 had the highest average earned premium per policy at €708. This has since decreased by 16% to €595 in Q4 2020.

Insurer's issued premium rebates of €42.5m for private motor insurance in 2020 as a result of the COVID-19 pandemic and subsequent government restrictions. This equates to 3% of Gross Earned Premium in 2020.

## Total Premiums

Table 1 shows that for firms that insured 99% of the private motor insurance market in 2020, there were 2.18 million earned policies and €1.36bn in earned premium collected in 2020. The earned policy count in past years is lower than shown for 2020. It should be noted that the proportion of the market captured in this data may be higher or lower in 2020 compared to previous years.

**Table 1: The total earned policy count and gross earned premium over 2009-2020.**

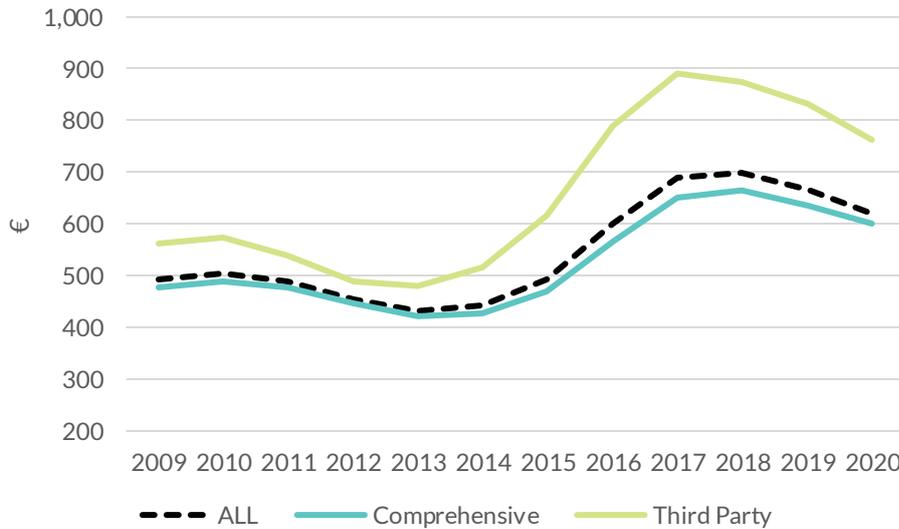
Year	Earned Policy Count (000's)	Gross Earned Premium (€m)
2009	1,878	926
2010	1,752	884
2011	1,804	883
2012	1,871	852
2013	1,875	810
2014	1,858	824
2015	1,815	894
2016	1,795	1,076
2017	1,873	1,289
2018	1,934	1,352
2019	2,030	1,352
2020	2,180	1,355

## Trends in Premium Costs

Figure 1 shows the average earned premium per policy<sup>8</sup> for different levels of cover. Policies that provide comprehensive cover accounted for at least 80% of policies in each year since 2009. For this reason, the average premium paid for all policies is significantly weighted by the average premium paid for comprehensive policies.

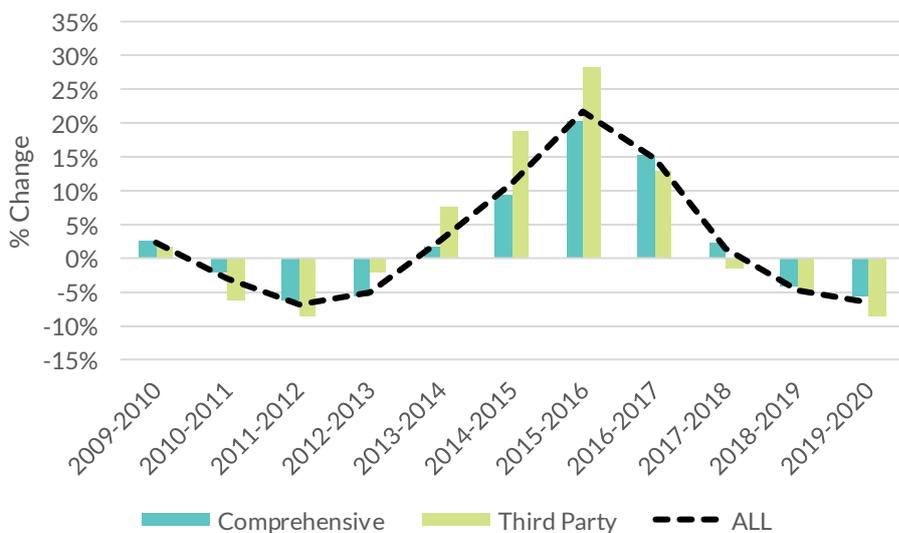
<sup>8</sup> See Part 6 for an explanation of earned premium and policy count.

**Figure 1: The average earned premium per policy for different levels of cover for years 2009-2020.**



Overall, average earned premiums per policy increased by 26% from 2009-2020. This was characterised by three distinct periods: a period of falling premiums from 2010-2013, when premiums decreased by 14%; a period of rising premiums from 2013-2018, when premiums increased by 62%; and a period of falling premiums from 2018 when premiums decreased by 11%. Over the last year, the average earned premium decreased by 7% to €622 in 2020. The year-on-year changes in average earned premiums are shown in Figure 2.

**Figure 2: Annual year-on-year changes in average earned premium per policy for different levels of cover for years 2009-2020.**



The cumulative increases and decreases in average earned premium per policy are more pronounced for Third Party policies than for

comprehensive policies. Third party policies had a 66% cumulative increase from 2013 to 2018 compared to 49% for comprehensive policies. From 2018 to 2020 third party policies had a 14% cumulative decrease in average premium compared to 10% for comprehensive policies.

However, comprehensive policy premiums drive the overall trend, as they account for 83% of all policies on average each year. The vast majority of third party policies include cover for fire and theft.

**Figure 3: Quarterly average earned premium per policy for all policy types Q1 2009-Q4 2020.**

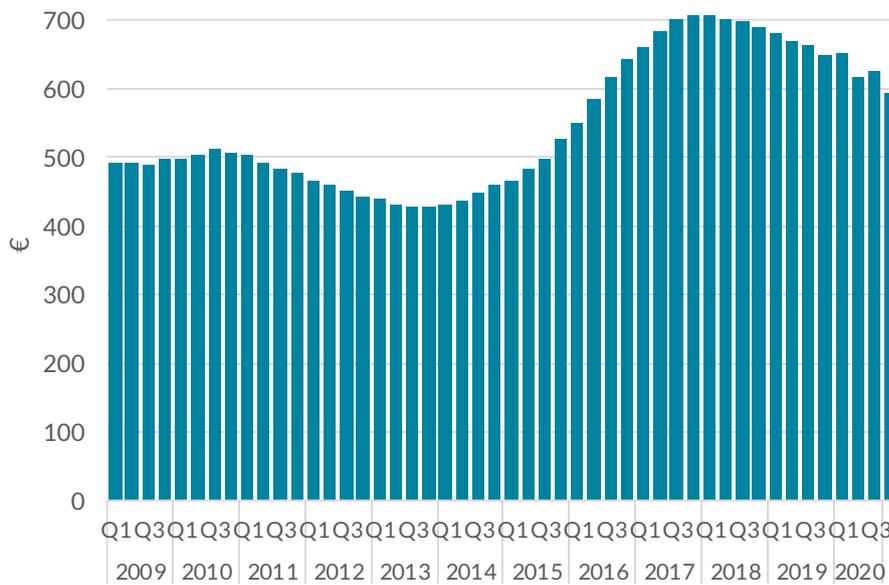


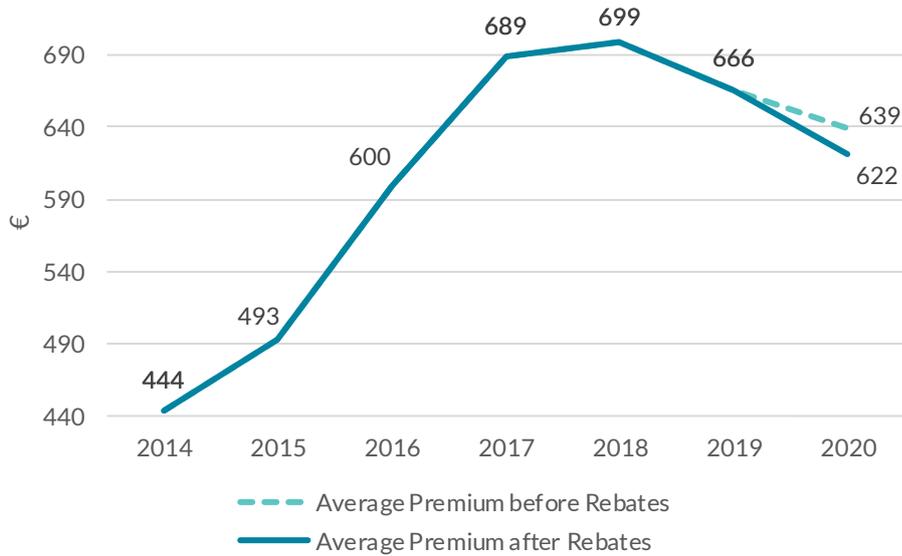
Figure 3 shows the average earned premium per policy across all policy types by quarter. The average earned premium increased by 65% from its lowest point of €428 in Q4 2013 to its highest point of €708 in Q4 2017. The average earned premium began to fall slowly in 2018 and has since decreased at a faster rate leading to an average earned premium of €595 in Q4 2020, a 16% reduction on Q4 2017.

## Premium Rebates

Several insurers issued premium rebates to customers because of the impact of the COVID-19 pandemic. Rebates took a variety of forms including cash, shop vouchers, charitable donations and discounts on future policy renewals. Where a discount was applied to policies on the following year's renewal, these are not included in the rebate figures. Also, a small proportion of the rebates issued were not treated as a reduction to premium and therefore these are not included in Figure 4.

The data in Part 1 has shown earned premium after rebates were given to policyholders. Figure 4 shows the impact of rebates on the average earned premium in 2020. Before rebates, the average earned premium would have been €639 in 2020. After rebates (as shown elsewhere in Part 1), the average earned premium was €622 in 2020.

**Figure 4: Average earned premium before and after rebates for years 2014-2020.**



The total premium rebate amount earned for private motor insurance in 2020 was €42.5m. To put this in context, this is equivalent to 3% of gross earned premium before rebates in 2020. Figure 4 shows the impact of this rebate amount when spread across all policies earned in the market in 2020. Not all policies were issued rebates so the actual rebate amount per policy would be higher for policies with firms that did give rebates and it would be zero for policies with firms that did not give rebates.

## PART 2 - Claims

Data was collected on the number and cost<sup>9</sup> of private motor insurance claims relating to accidents that occurred between 2009 and 2020. Data was collected separately for different types of claims: third party injury; accidental damage; fire & theft; third party damage; and windscreen.

### Key Insights and Findings

The impact of reduced driving activity as a result of COVID-19 and government restrictions can be observed on insurers' ultimate cost of claims, from 2019 to 2020:

- The average cost of claims per policy reduced by 20%;
- Claims frequency decreased by 26%, and the average cost per claim increased by 9%.

Between 2009 and 2020, the average cost of claims per policy reduced by 29%.

Over this period, the average cost of an injury claim increased by 73% and the average cost of a damage claim increased by 9%.

Claims frequency reduced by 59%, with injury claims frequency reducing by 48% and damage claims frequency reducing by 59%.

The industry gross loss ratio (claims as a percentage of premiums) averaged 69% between 2009 and 2020. This reached a high of 92% in 2014 and a low of 50% in 2020.

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<sup>9</sup> As calculated at 31 December 2020.

## Total Claims

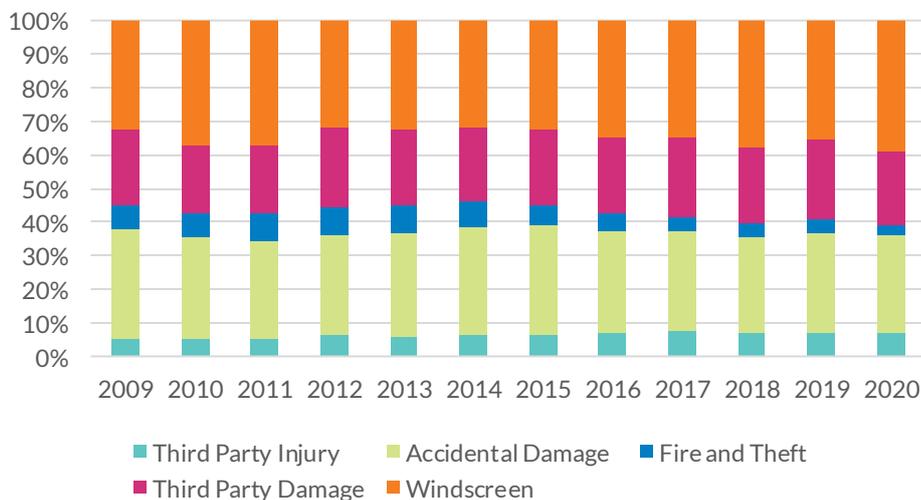
**Table 2: Total ultimate claim numbers and ultimate claim costs for accident years 2009-2020.**

Accident Year	Ultimate Claim Numbers (000's)	Ultimate Claim Costs (€m)
2009	295	806
2010	256	636
2011	231	662
2012	224	692
2013	223	697
2014	219	759
2015	199	722
2016	181	706
2017	171	717
2018	180	746
2019	177	764
2020	137	642

Table 2 shows the total ultimate claim numbers and ultimate claim costs for 95% of the private motor insurance market in 2020. It is estimated that the total claims cost for 2020 will be approximately €642m across 137,000 claims. This represents a decrease of approximately €122m in claim costs and a reduction of approximately 40,000 in the number of claims compared to the 2019 accident year.

## Type of Claims

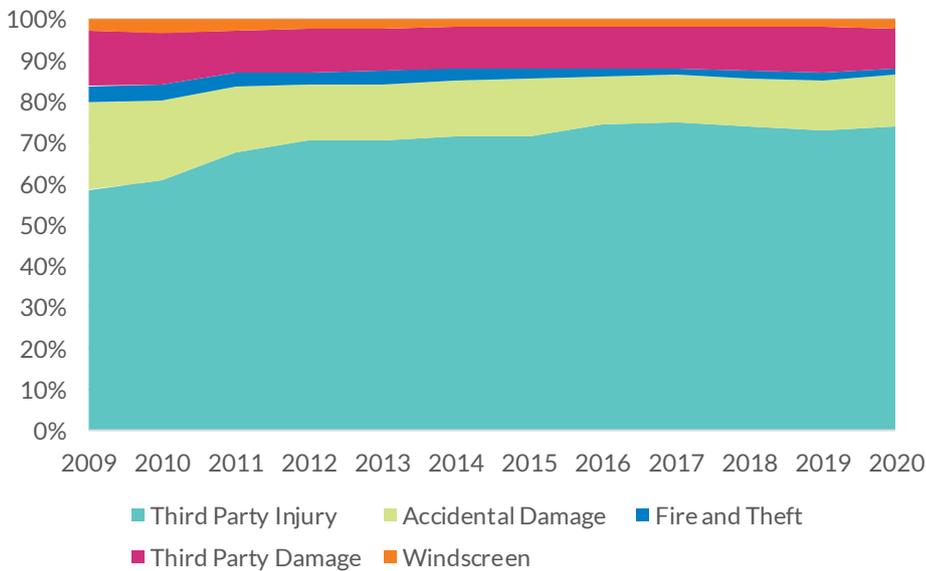
**Figure 5: Percentage of ultimate claim numbers by claim type for accident years 2009-2020.**



As seen in Figure 5, damage claims (i.e., those relating to accidental damage, fire & theft, third party damage, and windscreen<sup>10</sup>) make up the majority of claims by number. Damage claims made up 93% of the total number of claims in 2020, a 2% decrease from 95% in 2009.

Figure 6 shows the breakdown of insurers’ total claims costs. Between 2009 and 2020, total injury claims costs accounted for 70% of the total cost of claims on average. Injury claims’ share of the total costs increased over that time from 59% in 2009 to 74% in 2020. The increase was mostly realised by 2012, when injury claims accounted for 71% of the total claims cost. The relative contribution of injury claims costs to total claims costs was reasonably stable from 2012 to 2020.

**Figure 6: Percentage of ultimate claims costs by claim type for accident years 2009-2020.**



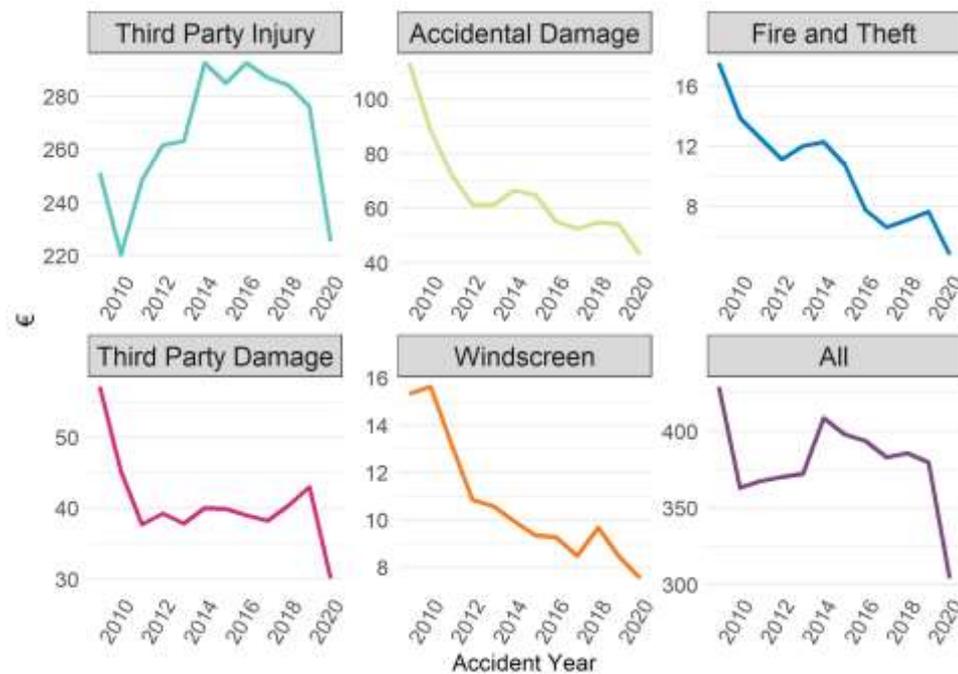
<sup>10</sup> See Part 6 for descriptions of claim types.

## Average Cost of Claims per Policy

Figure 7 shows the average cost per policy of each claim type<sup>11</sup>. Overall, the cost per policy of all claims reduced by 12% from 2009 to 2019 and by 20% in 2020 (29% from 2009 to 2020).

Over this period, the average cost per policy decreased by 15% from 2009 to 2010, increased by 13% from 2010 to 2014 and decreased by 7% from 2014 to 2019 before the decrease from 2019 to 2020.

**Figure 7: Average cost per policy of each claim type for accident years 2009-2020.**



The average cost of injury claims per policy increased 33% from 2010 to 2014 where it stabilised around €290 from 2014 to 2018. It then decreased by 3% in 2019 and by 18% in 2020 to €225. The trend in the cost per policy of injury claims drives much of the aggregate trend as this makes up a large proportion of the €304 average cost of claims per policy in 2020. The cost per policy of all damage claims decreased by 56% from 2009 to 2020; by 42% from 2009 to 2019 and by 24% in 2020.

The large decrease in average cost of claims per policy shown from 2019 to 2020 is driven primarily by reduced driving activity as a result of COVID-19 related restrictions. The impact of this can be seen in both the frequency of claims and the average cost per claim in 2020.

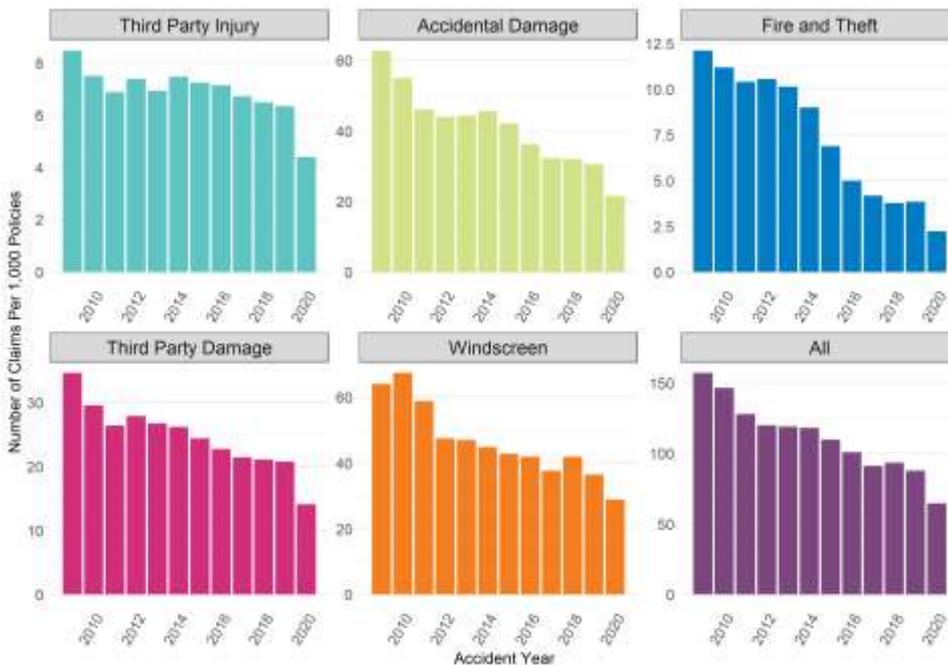
<sup>11</sup> The average cost is per the policy that covers the claim type in question.

## Frequency of Claims

Figure 8 shows the number of each type of claim per 1,000 policies<sup>12</sup>. Between 2009 and 2020, the frequency of claims has decreased for all claim types. The overall frequency reduced by 44% from 2009 to 2019 and by 26% in 2020 (59% over the whole period).

The decrease in frequency from 2009 to 2019 was mostly driven by a reduction in damage claims of 45%. Injury claims decreased by 25% from 8.5 per thousand policies in 2009 to 6.3 in 2019. The decrease in frequency from 2019 to 2020 can be seen for both injury claims (-31%) and damage claims (-26%).

**Figure 8: Number of claims per 1,000 policies by claim type for accident years 2009-2020.**



<sup>12</sup> Note that not every policy will cover each claim type – e.g., accidental damage is only covered by comprehensive policies. The frequency by cover has been calculated as the average number of claims per policy that covers the claim type in question. The overall frequency per policy has been calculated as the average number of claims per policy, including all policies, regardless of coverage.

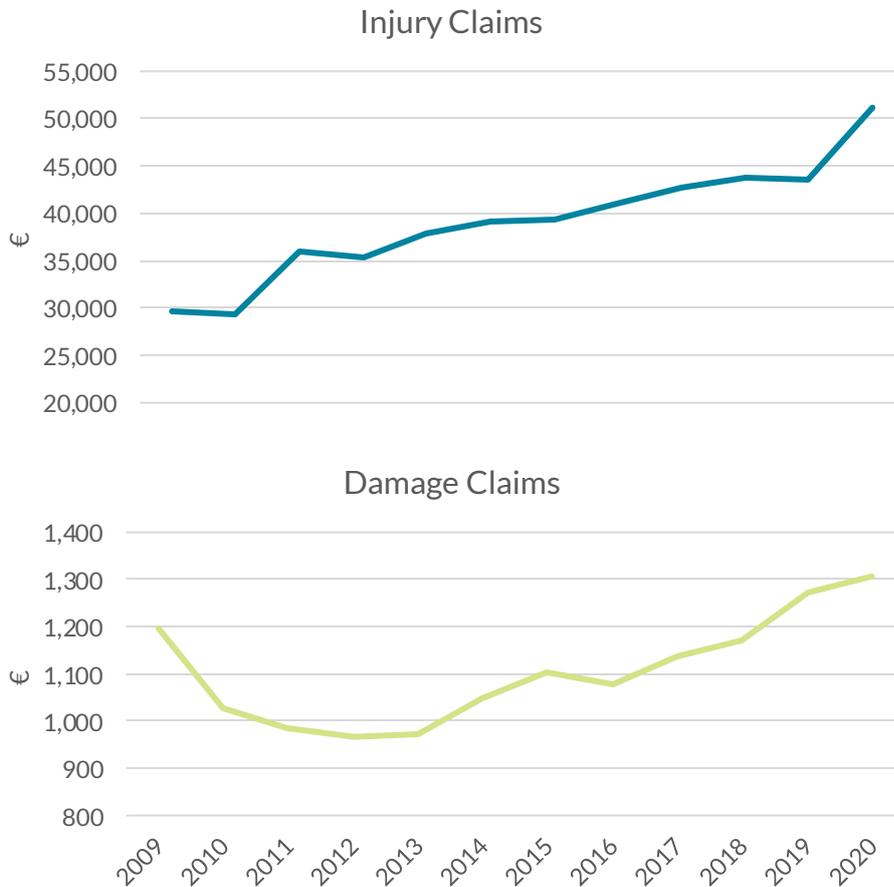
## Average Cost of a Claim

Figure 9 shows the average ultimate cost per claim over the period for injury and damage claims. Overall, the average cost of a claim increased by 72% from €2,733 in 2009 to €4,698 in 2020.

The average cost of an injury claim increased by 47% from €29,624 in 2009 to €43,517 in 2019 and then by 18% to €51,162 in 2020 (a 73% increase overall). The average cost of a damage claim increased by 9% from €1,198 in 2009 to €1,307 in 2020. However, there was a 19% decrease in the average cost of a damage claim from 2009 to 2013 followed by a 35% increase from 2013 to 2020.

The sharp increase in the average cost of an injury claim in 2020 is attributed to the uniqueness of the 2020 accident year as a result of COVID-19. Larger injury claims made up a higher proportion of all injury claims in 2020 than in previous years leading to an increased average cost per claim.

**Figure 9: Average cost per claim of injury and damage claims for accident years 2009-2020.**

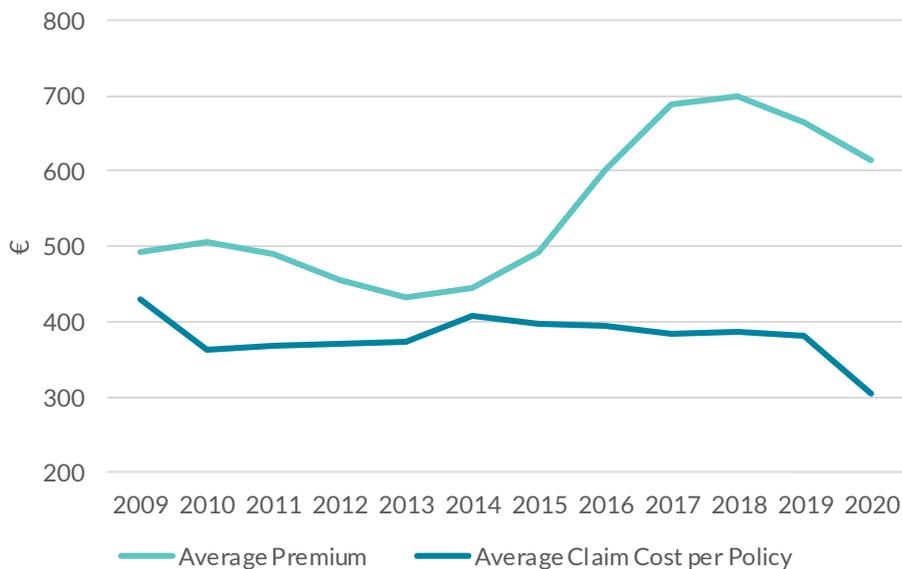


## Premiums and Claims Costs

The trends in claims costs shown in this Part are based on an estimate of claims costs calculated as at 31 December 2020. This may differ from the estimates that insurers made when setting their premium levels. The difference between the estimates calculated at 31 December 2018, 31 December 2019 and 31 December 2020 are shown in Part 5.

Figure 10 compares the average cost of claims per policy to the average earned premium per policy. The cost of claims is just one element of the total cost to insurers of servicing insurance policies. Other costs that impact industry profitability include management expenses, commissions and reinsurance costs<sup>13</sup>.

**Figure 10: Comparison of the average earned premiums per policy and the average cost of claims per policy for accident years 2009-2020.**



To recap on Parts 1 and 2 so far:

- Between 2009 and 2020, the annual average earned premium per policy increased by 25%<sup>14</sup>; the average cost of claims per policy reduced by 29% (12% to 2019).
- 2013 was the lowest point for average earned premiums over the twelve year period, having decreased by 12% from €493 in 2009 to €432 in 2013. Premiums started to increase in 2013, increasing by 62% to an average of €699 in 2018. Premiums have decreased by 12%<sup>14</sup> since 2018 to an average of €614<sup>14</sup> in 2020.

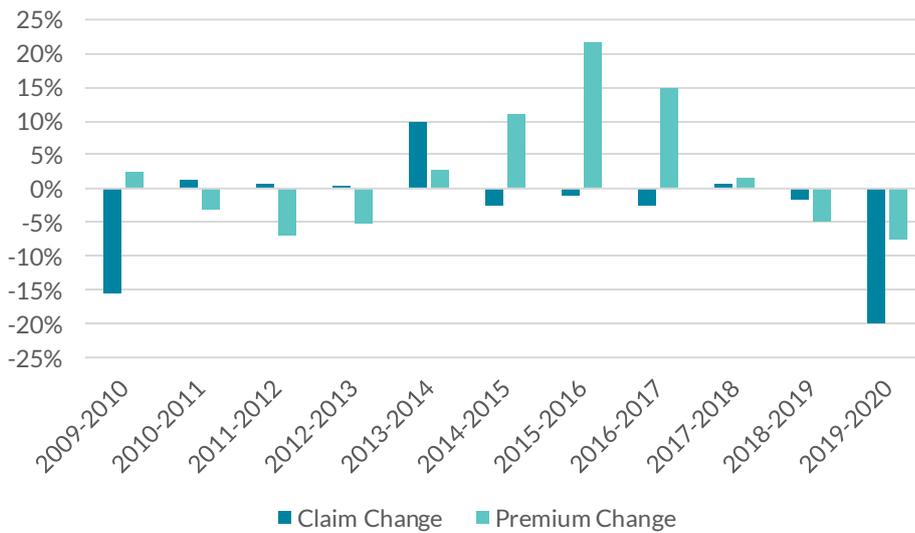
<sup>13</sup> These expenses are defined in Part 6.

<sup>14</sup> These were shown to be 26%, 11% and €622 in Part 1 which was based on 99% market coverage. To be consistent with claims cost these are shown here based on 95% market coverage.

- Average claims cost per policy reduced by 13% from €429 in 2009 to €372 in 2013, and increased by 4% to €386 in 2018. Since 2018 the average claims cost per policy has reduced by 21% to €304. Changes in claims cost over the period were mostly driven by changes within three single years (i.e., 2010, 2014 and 2020).

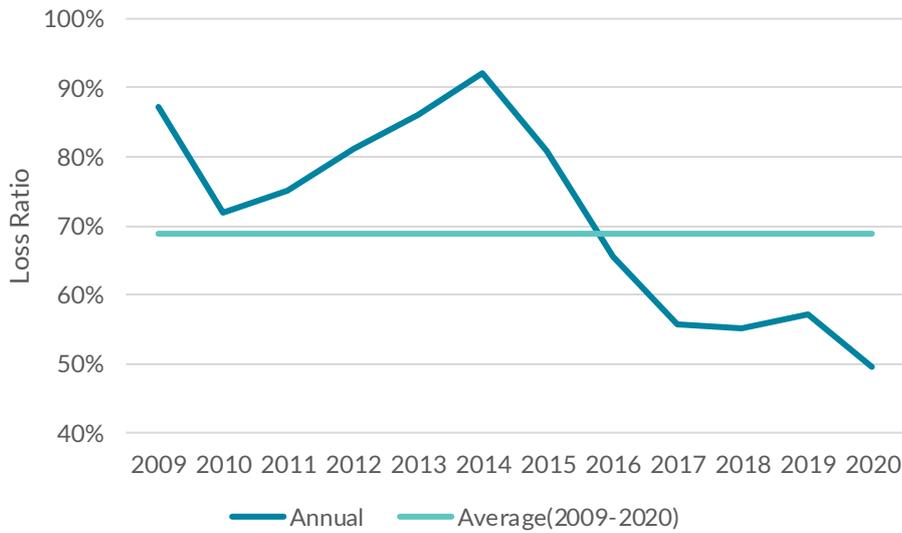
Figure 11 provides a year-on-year comparison of changes in annual premiums and the ultimate cost of claims.

**Figure 11: Year-on-year changes in average expected ultimate claims costs and average premiums per policy for accident years 2009-2020.**



Between 2009 and 2020, claims costs have been, on average, 69% of premiums earned. As per Figure 12, the loss ratio (claims as a percentage of premiums) peaked in 2014 at 92%. By 2017 this had reduced to 56%, and remained stable from 2017 to 2019, falling to 50% in 2020.

**Figure 12: The ratio of ultimate claims costs to earned premiums (loss ratio) for accident years 2009-2020.**



The relative trends in claims costs and premiums observed between 2009 and 2020 are indicative of an underwriting cycle. This cycle, with peaks and troughs in premiums, reserves and profitability, is a feature of all insurance markets but appears to be particularly pronounced in Ireland<sup>15</sup>.

<sup>15</sup> The Underwriting Cycle is described in more detail in Part 6.

## PART 3 - Income and Expenditure

Statements of income and expenditure for private motor insurance were collected from firms across financial years 2009 to 2020.

### Key Insights and Findings

The Combined Operating Ratio (COR) was 77% gross of reinsurance and 79% net of reinsurance for 2020. Across all years the Combined Operating Ratio was 98% gross of reinsurance and 103% net of reinsurance.

Insurers operating profit across private motor in 2020 was 12%.

Insurers' operating profit across private motor for all years was 3% of total income. In the period 2009 to 2012, an operating profit of 7% was recorded, between 2013 and 2016 there was an operating loss of 10% and from 2017 to 2020 there was a 9% operating profit.

The net cost of reinsurance across all years has averaged 3% of total income. The net cost of reinsurance averaged 1% of total income from 2009-2012, 0% of total income from 2013-2016, and 8% of total income from 2017-2020.

Investment income has averaged 6% of total income across all years. Investment income averaged 11% of total income in 2009; this has reduced gradually over the time period to 2% of total income in 2020.

## Breakdown of Income and Expenditure

A significant enhancement for this report compared to previous Private Motor NCID reports is the collection of income and expenditure data from 2009 to 2020. Table 3 and Table 4 below provide the breakdown of the income and expenditure components for the latest financial year 2020. From Table 3, it can be seen that the profit for the 2020 financial year was 12% of total income.

The remainder of the Income and Expenditure section will concentrate on the financial performance of firms providing private motor insurance cover from 2009 to 2020. The data tables, which will be published in an annex following the report, will include the breakdown of income and expenditure results by year.

**Table 3: Breakdown of total income and expenditure for 2020.**

Category	2020
<b>Income (€m)</b>	
Gross earned premium	1,355
Investment income	25
Other earnings	14
<b>Expenses (€m)</b>	
Gross UW expenses	-1,047
Reinsurance impact	-144
Other expenses	-11
Interest & Tax	-29
<b>Profit (€m)</b>	
Profit	163
Profit (%)	12%

**Table 4: Breakdown of gross underwriting expenses for 2020**

Category	2020
<b>Gross Underwriting Expenses (€m)</b>	
Gross Claims Incurred	-602
Claims Management Expenses	-58
MIBI Expenses	-59
Gross Commission	-132
Management Expenses	-195
<b>Total (€m)</b>	
Total - Gross UW expenses	-1,047

## Profitability of Private Motor

Figure 13 shows the total income and total expenses across all firms over the period 2009 to 2020. These results are limited to those firms still writing motor insurance in Ireland in 2020; i.e., it does not include firms that exited the market over the time period 2009 to 2019.

Operating profit as a percentage of total income is also shown. The aggregate operating profit for private motor insurance across all years 2009 to 2020 was 3% of total income.

**Figure 13: Breakdown of total income and expenditure from 2009-2020.**

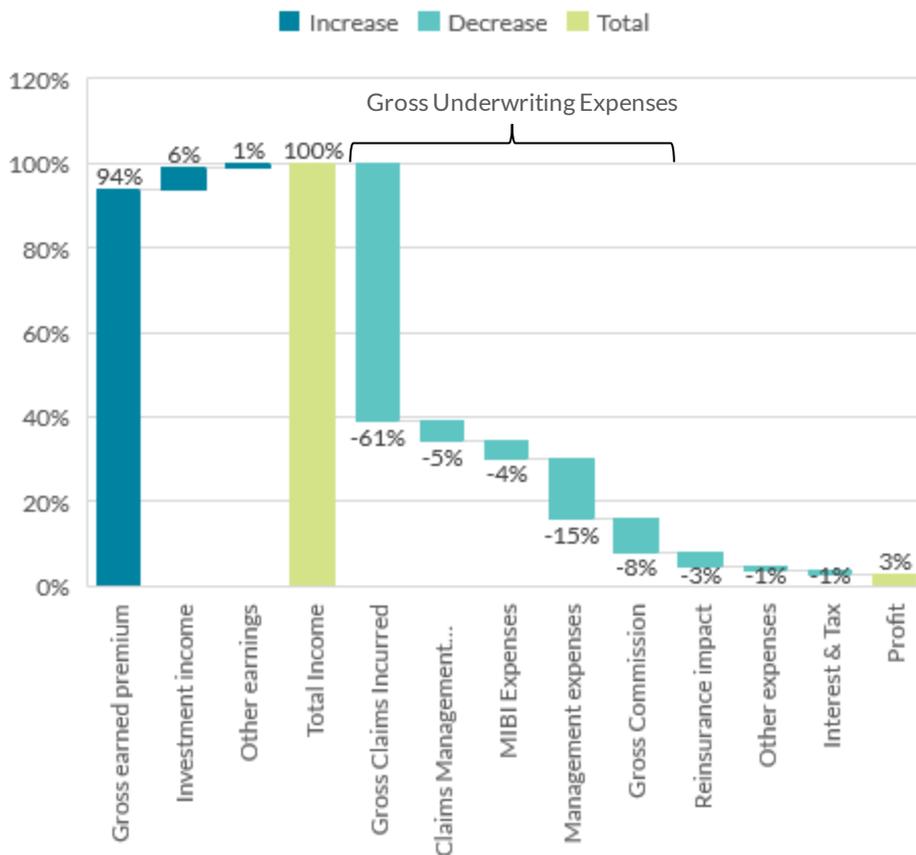


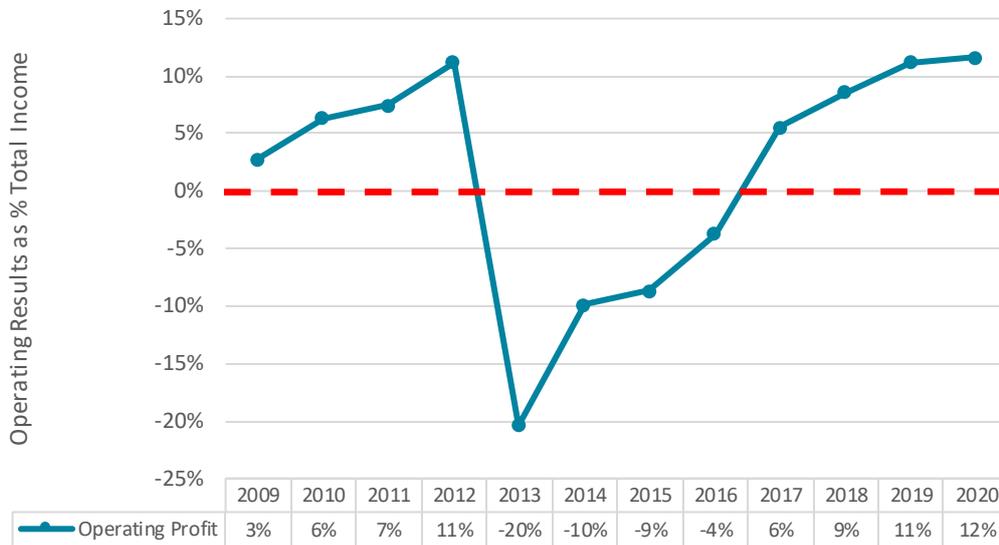
Figure 14 shows how insurer’s operating results varied across the time series for private motor insurance. There are three distinct periods in the data: 2009-2012, 2013-2016 and 2017-2020.

From 2009 to 2012, private motor insurance was predominantly profitable, with an operating profit of 7% of total income across this period. From 2013 to 2016, it was predominantly unprofitable and the market had an operating loss of 10% of total income across these years.

The private motor market was profitable again from 2017 to 2020 with a combined operating profit of 9% of total income. In summary, over the time

period from 2009-2020, there has been an average operating profit of 3% across all firms for private motor insurance.

**Figure 14: Operating result by financial year from 2009 to 2020.**



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

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

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

- (i) 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, management expenses and MIBI 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 5 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 5: Profit, investment income and other earnings and expenses 2009-2020 as proportion of total income.**

Year	Gross Insurance Related Result*	Reinsurance	Net Insurance Related Result	Investment Income	Other Earnings, Tax and Expenses	Operating Result
2009	-7%	-1%	<b>-8%</b>	11%	-1%	<b>3%</b>
2010	0%	-2%	<b>-2%</b>	10%	-2%	<b>6%</b>
2011	6%	-2%	<b>4%</b>	8%	-4%	<b>7%</b>
2012	-1%	1%	<b>0%</b>	8%	3%	<b>11%</b>
2009-2012	-1%	-1%	<b>-1%</b>	9%	-1%	<b>7%</b>
2013	-27%	0%	<b>-27%</b>	8%	-1%	<b>-20%</b>
2014	-19%	-1%	<b>-20%</b>	7%	2%	<b>-10%</b>
2015	-17%	2%	<b>-15%</b>	7%	0%	<b>-9%</b>
2016	-8%	0%	<b>-8%</b>	4%	0%	<b>-4%</b>
2013-2016	-17%	0%	<b>-17%</b>	6%	0%	<b>-10%</b>
2017	8%	-4%	<b>4%</b>	3%	-1%	<b>6%</b>
2018	17%	-9%	<b>8%</b>	3%	-2%	<b>9%</b>
2019	17%	-7%	<b>10%</b>	3%	-2%	<b>11%</b>
2020	22%	-10%	<b>12%</b>	2%	-2%	<b>12%</b>
2017-2020	16%	-8%	<b>8%</b>	3%	-2%	<b>9%</b>
Total (2009-2020)	2%	-3%	<b>-2%</b>	6%	-1%	<b>3%</b>

\* Gross Insurance-related re return:

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

The gross insurance-related result indicates if there is a profit or loss in relation to insurance activities, gross of any reinsurance impact; we have

shown this as a percentage of total income. This includes the performance of premiums, claims, and expenses related to writing insurance business. Across all years, there has been a gross insurance-related profit of 2% as a proportion of total income (-1% from 2009-2012, -17% from 2013-2016 and +16% from 2017-2020).

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 2% as a proportion of total income (-1% from 2009-2012, -17% from 2013-2016 and +8% from 2017-2020). From 2009-2016, the market experienced an insurance-related loss each year with the exception of 2011, both gross and net of reinsurance. From 2017 to 2020, there was a net insurance-related profit each year both gross and net of reinsurance. The reinsurance impact will be discussed in more detail in the next section.

Investment income as a proportion of total income across all years has averaged 6%. As detailed in Table 5, investment income as a percentage of total income has been gradually reducing across the time period; from a high of 11% in 2009 to 2% in 2020.

**Figure 15: Interaction between profit and investment income for 2009-2020.**

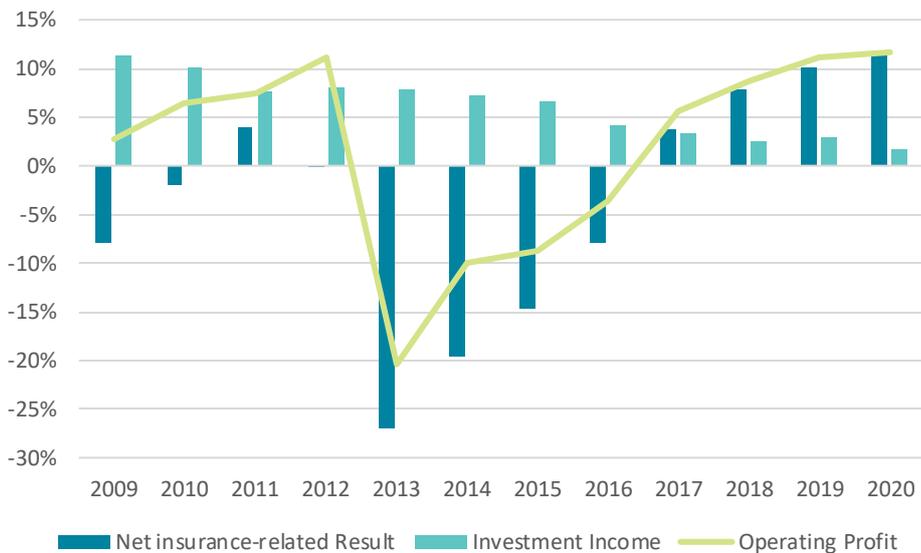


Figure 15 shows the interaction of the net insurance-related result, investment income and operating profit for the 2009 to 2020 financial years.

- For the 2009 to 2010 financial years, the net insurance-related result was negative, but this was offset by investment income leading to a positive operating result;
- For the 2011 to 2012 financial years, low net insurance-related results combined with investment income resulted in a positive operating result;
- For the 2013 to 2016 financial years, the operating result was negative as a result of negative net insurance-related results which falling levels of investment income could not offset fully;
- For the 2017 to 2020 financial years, although investment income continues to fall, the increasingly positive net insurance-related result has led to an operating profit.

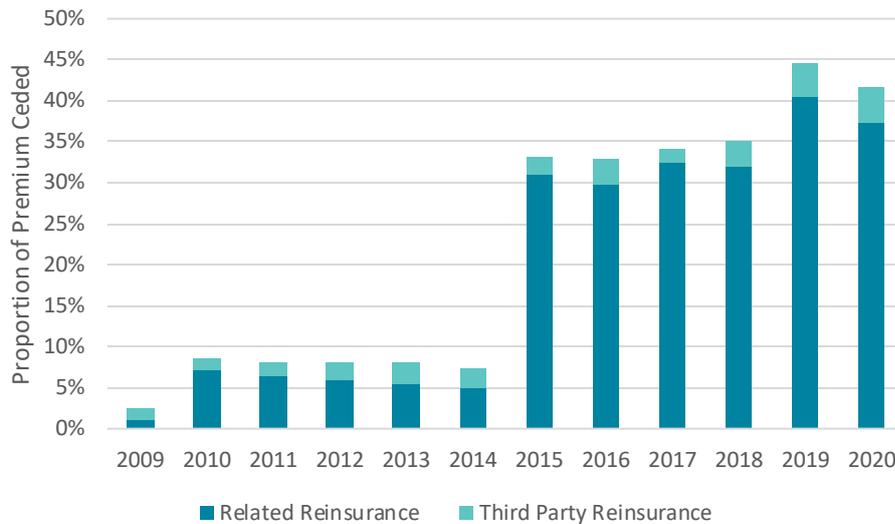
## Reinsurance

Figure 16 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 7% for 2009-2014 to 37% for 2015-2020. This increase is driven by the increase in related reinsurance cover which has increased from 5% on average for 2009-2014 to 34% 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 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 16: Proportion of premium ceded by insurers for reinsurance, split between related and third party reinsurers for 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 poor-performing years and profits in well-performing 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 17 illustrates the net cost of reinsurance for each year from 2009 to 2020 for related and third party reinsurance. The total net cost across all financial years 2009-2020 equates to a cost of 3% of total income, this is shown as -3% to signify that reinsurance was an expense to the insurer. This is the case where the insurer paid more 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 them.

**Figure 17: Net cost of related and third party reinsurance cover for years 2009-2020.**

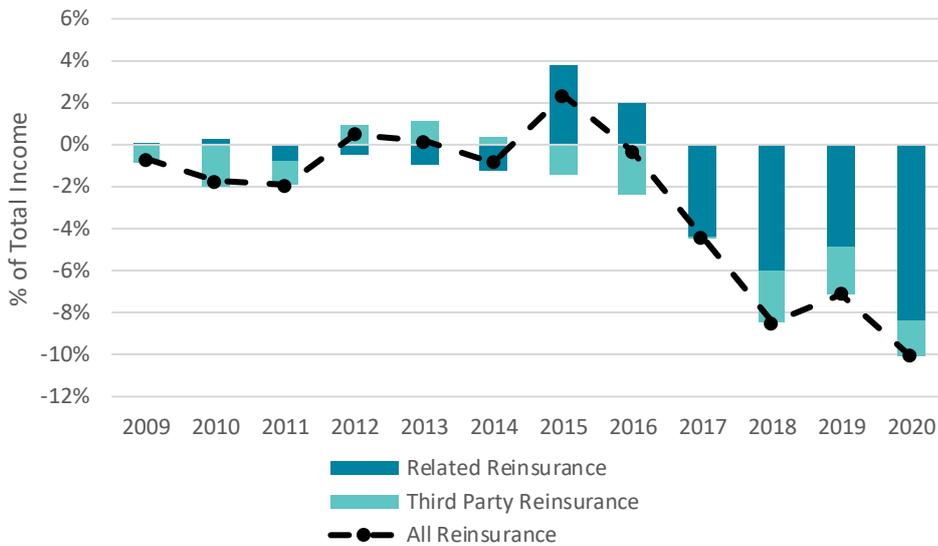


Table 6 below shows how the net cost of reinsurance varies for related and third party reinsurance cover across various time periods.

At a total level, the impact of third party reinsurance was -1% across all years and this has been relatively stable across the time period; this averaged -1% for 2009-2011, 1% for 2012-2014 and -2% for 2015-2020.

For related reinsurance, the total impact was -2% across all years and this has varied across the time period; this averaged 0% for 2009-2011, -1% for 2012-2014, 3% for 2015-2016 and -6% for 2017-2020.

**Table 6: Net cost of related and third party reinsurance cover.**

Year	Third Party Reinsurance	Related Reinsurance
2009-2011	-1%	0%
2012-2014	1%	-1%
2015-2016	-2%	3%
2017-2020	-2%	-6%
<b>Total</b>	<b>-1%</b>	<b>-2%</b>

## 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:

$$\text{COR} = \frac{\text{Claims incurred}^{16} + \text{Other underwriting expenses}^{17}}{\text{Earned premium}}$$

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 reinsurance, 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 outgoings than insurance-related income.

Figure 18 provides the Gross and Net COR from 2009 to 2020. The total Gross COR was 98% across all financial years; the Net COR was 103%<sup>18</sup>. Between 2009 and 2016, 2011 was the only year where the Gross and Net COR were less than 100% - i.e. where underwriting was profitable. From 2017 to 2020 the COR has been less than 100%.

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<sup>16</sup> 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.

<sup>17</sup> Other underwriting expenses include: commissions; other acquisition costs; policy administration; and claims handling expenses.

<sup>18</sup> Net COR may be sensitive to the restructuring of firms and of reinsurance arrangements.

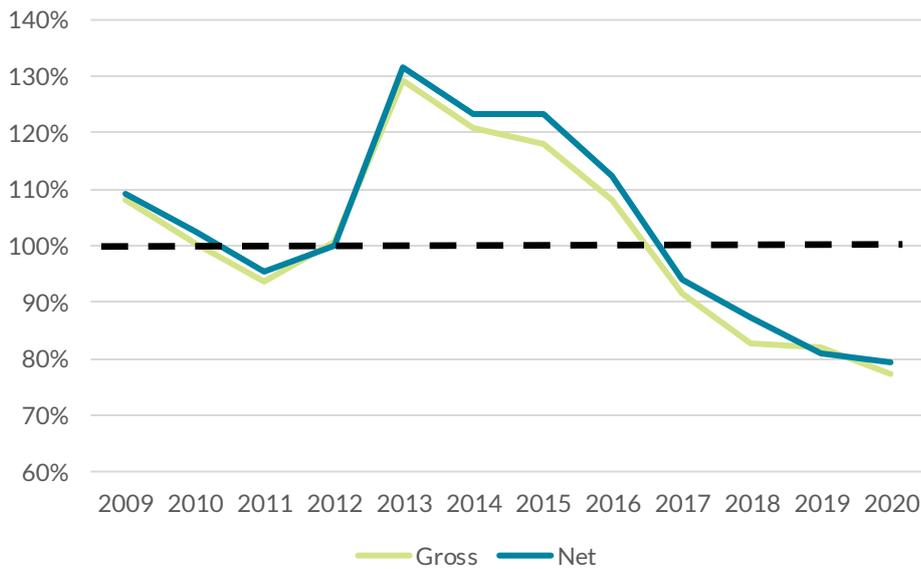
**Figure 18: Total Gross and Net COR for 2009-2020.**

Table 7 shows the Gross and Net COR across the distinct periods of profit and loss. Between 2009 and 2012 both the Gross and Net COR were slightly above 100%, which meant insurance outgoings slightly exceeded premium income for this period. For the period between 2013 and 2016 the ratio was very high, with a Gross COR of 118% and a Net COR of 123%, indicating that the insurance business was loss making.

From 2017 to 2020 the Gross and Net COR's averaged 83% and 86% respectively, indicating that the insurance business has been profitable. The lowest COR results were achieved during 2020, which had a Gross COR of 77% and a Net COR of 79%.

**Table 7: Gross and Net COR for various time periods.**

Year	Gross COR	Net COR
2009-2012	101%	102%
2013-2016	118%	123%
2017-2020	83%	86%
2020	77%	79%
All Years	98%	103%

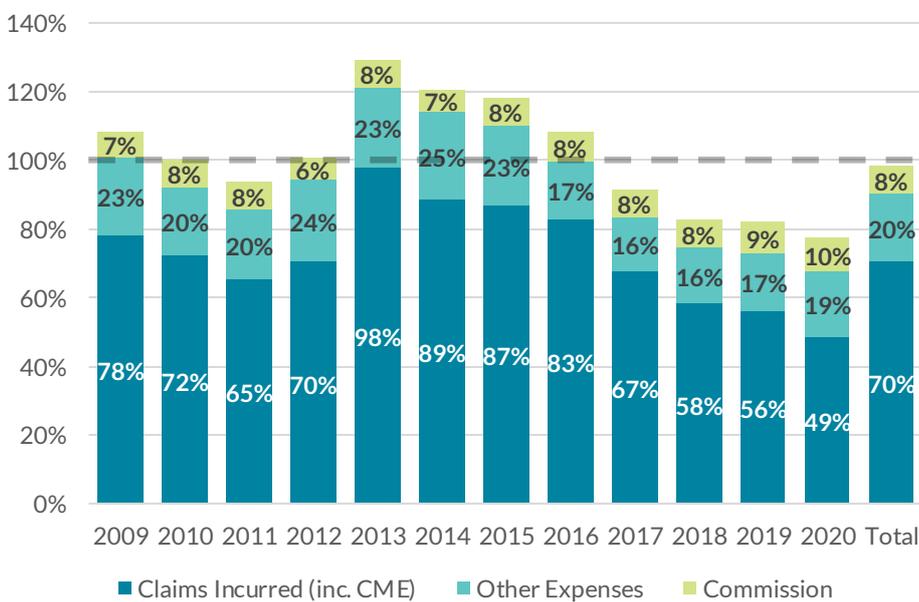
## Underwriting Expenses

Figure 19 provides a breakdown of the underwriting costs as shown in the Combined Operating Ratio section above. We can see that gross claims-related costs (i.e., claims incurred and claims handling expenses) were the greatest expenditure accounting for 70% of gross earned premium across 2009-2020.

Other expenses are a combination of management expenses and MIBI<sup>19</sup> expenses. These amounted to 20% of gross earned premium across 2009-2020. Commission expenses amounted to 8% of gross earned premium.

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

**Figure 19: Breakdown of the gross underwriting costs for 2009-2020 across private motor as a percent of gross earned premium.**



## Commission

Figure 20 provides a breakdown of gross earned premium 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. Policies sold through third party intermediaries made up 45% of gross earned premium across all years, 2009 to 2020. The proportion sold through this channel decreased from 48% of premium in 2009 to 39% in 2012. Following this, the proportion increased to 49% of premium for 2020.

<sup>19</sup> MIBI expenses are amounts payable to the Motor Insurance Bureau of Ireland (MIBI). MIBI's principal role is to compensate victims of road traffic accidents caused by uninsured and unidentified vehicles and is funded by all companies underwriting motor insurance in Ireland.

**Figure 20: Split of gross earned premium between third party and related distribution channels<sup>20</sup>.**

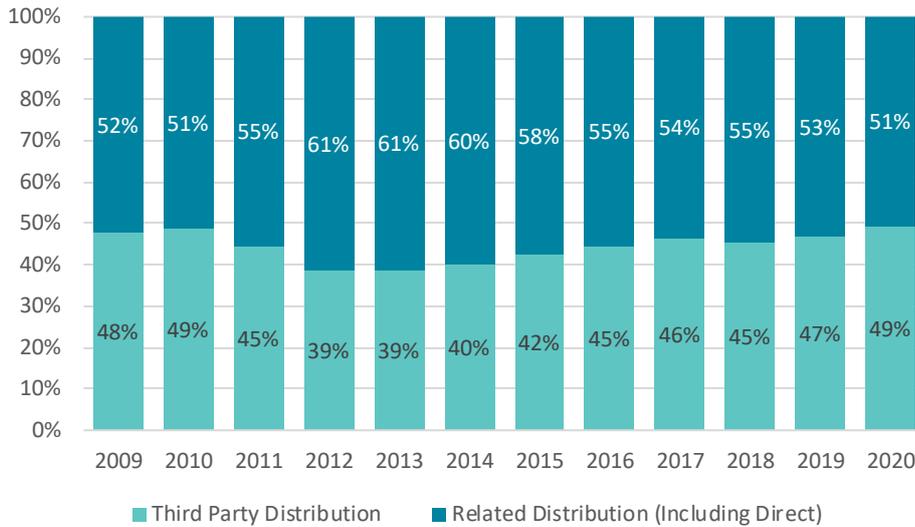
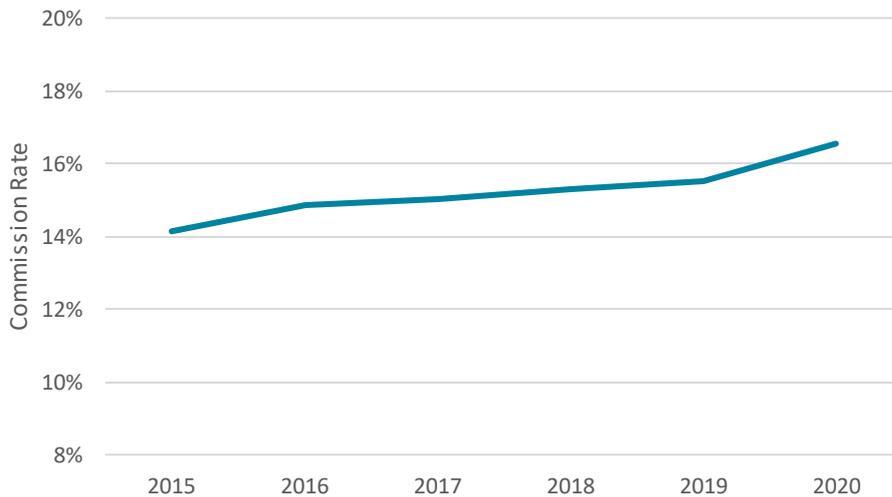


Figure 21 highlights commission costs as a percentage of premium on policies sold through third party intermediaries. On average, the total amount of commission as a percentage of premium sold through third party intermediaries was 15% from 2015 to 2020. This increased from 14% in 2015 to 17% in 2020.

**Figure 21: Commission as a percentage of earned premium for policies sold through third party intermediaries<sup>21</sup>.**



<sup>20</sup> Based on 84% of market coverage in 2020.

<sup>21</sup> Based on 77% of market coverage in 2020.

## PART 4 – Claim Settlements

Data was collected on claimants who settled 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

For claimants who settled injury claims in 2019 and 2020:

- 36% settled directly, before PIAB
- 13% settled directly, after PIAB
- 15% settled through PIAB
- 34% settled through litigation, before a court award
- 2% through litigation, with a court award.

In terms of injury claim settlements between 2015 and 2020, and the duration between the reporting and settling of claims:

- Claimants that settled directly (before or after engagement with the PIAB) had an average duration of 1.3 years
- Claimants that settled through the PIAB had an average duration of 2 years
- Claimants that settled via litigation (before or with court award) had an average duration of 3.9 years
- 22% of costs related to claimants settling directly, 11% to claimants settling through the PIAB, and 66% to claimants settling via litigation

Between 2015 and 2020, 94% of injury claimants had total claim costs less than €100k, average costs for these were:

- Direct: compensation was €13,111 and legal was €1,414
- PIAB: compensation was €21,845 and legal was €665
- Litigated: compensation was €23,454 and legal was €15,235

## Data available on Settlement Channels

The settlement channels analysed in this report are of two types. For claims settled in 2019 onwards, claims are split into five settlement channels:

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

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

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

The least complex claims are expected to be settled early between a claimant and insurer. If settlement is not reached, all injury claims then pass through PIAB. For data collected in this report until the end of 2020, PIAB calculated compensation amounts using the ranges set out in the Book of Quantum<sup>22</sup>, with additional consideration given to any financial loss incurred by the claimant. PIAB releases cases where an insurer/claimant does not consent to PIAB assessing the case, the injury is of a nature that is not appropriate for PIAB to assess, or an insurer/claimant rejects PIAB's award. In these instances, the claimant may pursue the case through

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<sup>22</sup> The Book of Quantum provided data on the range of compensation payments for an assortment of injuries, based on actual figures from court cases, insurance company settlements, State Claims Agency cases and Personal Injuries Assessment Board (PIAB) data. It provided compensation ranges for six categories and 34 sub-categories of injury, and for four levels of injury severity.

litigation. It is common for complex cases or claims where liability is contested to be settled through litigation.

From April 2021, the Book of Quantum, which was relied upon by PIAB in assessing awards until then, was replaced by Personal Injury Guidelines adopted by the Judicial Council. This change does not affect any of the settled claims in this report which includes settled data up to 31 December 2020.

## Settlement of Claims

**Table 8: Total number of claimants settled and total cost of settlements for settlement years 2015-2020.**

Settled Year	Number of Claimants Settled (000's)	Total Settled Cost (€m)
2015	139	601
2016	129	588
2017	115	621
2018	126	608
2019	124	639
2020	116	621

Table 8 shows the total number of claimants that settled, and the total cost of claims, based on firms that insured 88% of the private motor insurance market in 2020. It can be seen that the cost of claims that settled in 2020 totalled approximately €621m, and this was spread across 116,000 claims.

**Figure 22: Change in the number of claims settled per annum, compared to 2015.**

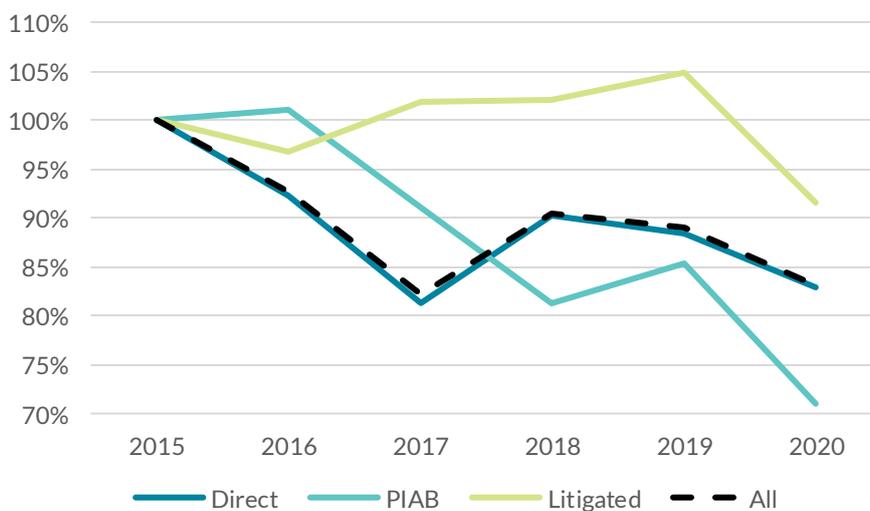


Figure 22 shows the change in the number of claims settled per annum, relative to 2015. The overall number of claimants who settled claims decreased by 17% from 2015 to 2020. There was an 18% reduction between 2015 and 2017; this was followed by an 8% increase in 2018 before falling a further 1% in 2019 and 6% in 2020.

Between 2015 and 2020 there was a 17% reduction in directly settled claims and a 29% reduction in claimants settling through PIAB. The number of claimants settling through litigation increased by 5% from 2015 to 2019, before falling 13% in 2020.

**Table 9: Breakdown of claimant numbers and claim costs, for all claim types, between the different settlement channels for settlement years 2015-2020.**

Years	2015	2016	2017	2018	2019	2020	All
<b>Settled Claimant Numbers</b>							
Direct	95%	94%	94%	94%	94%	95%	94%
PIAB	2%	2%	2%	2%	2%	2%	2%
Litigated	3%	4%	4%	4%	4%	4%	4%
All	100%	100%	100%	100%	100%	100%	100%
<b>Settled Claim Costs</b>							
Direct	45%	44%	39%	43%	44%	45%	43%
PIAB	9%	10%	9%	8%	8%	7%	8%
Litigated	46%	46%	52%	49%	48%	49%	48%
All	100%	100%	100%	100%	100%	100%	100%

Table 9 shows the breakdown of claimant numbers and claimant costs between the different settlement channels. During the period from 2015 to 2020, 94% of claimants settled directly with the insurer, 2% settled through PIAB and 4% settled through litigation. Over this period, 43% of total claim costs were settled through the direct channel, 8% through PIAB and 48% through litigation.

**Table 10: Breakdown of claimant numbers and claim costs for injury and damage claims for 2015 to 2020.**

Year	2015	2016	2017	2018	2019	2020	All
<b>Settled Claimant Numbers</b>							
Damage	91%	90%	89%	90%	90%	90%	90%
Injury	9%	10%	11%	10%	10%	10%	10%
<b>Settled Claim Costs</b>							
Damage	31%	29%	24%	28%	28%	29%	28%
Injury	69%	71%	76%	72%	72%	71%	72%

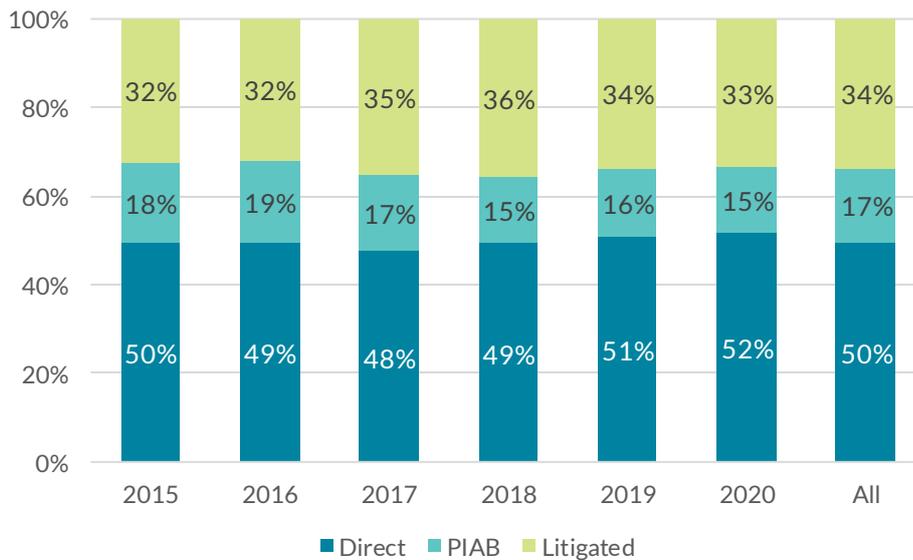
From Table 10 it can be seen that 90% of claimants made damage claims between 2015 and 2020. Damage claims would seldom require PIAB or court assessment and 99% of them settled directly with the insurer. Injury claims accounted for 10% of claimants and 72% of total settlement costs between 2015 and 2020.

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

## Settlement of Injury Claims

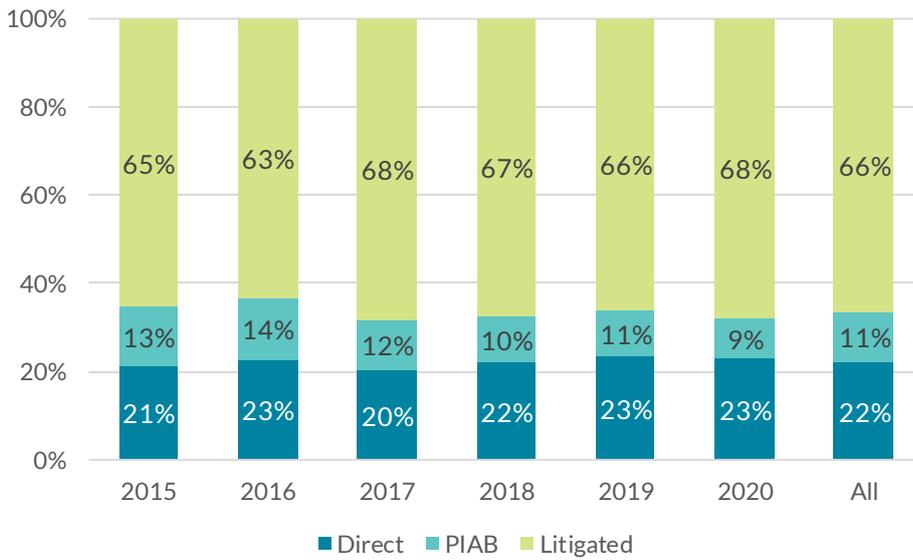
From Figure 23, it can be seen that 50% of all injury claimants settled directly with the insurer in years 2015 to 2020. The proportion of claimants who settled via litigation was 34% over this period, and the proportion who settled through PIAB was 17%.

**Figure 23: The proportion of injury claimants who settled through each settlement channel in years 2015-2020.**



As can be seen in Figure 24, between 2015 and 2020, injury claimants who settled directly (50%) accounted for 22% of total settlement costs; injury claimants who settled through litigation (34%) accounted for 66% of settlement costs; injury claimants who settled through PIAB (17%) accounted for 11% of settlement costs.

**Figure 24: The proportion of total cost to insurers of settling injury claims in each of the settlement channels in settlement years 2015-2020.**



Litigated settlements have become a larger component of total injury settlement costs since 2017 than they were in 2015 and 2016. PIAB settlements have become a less material component, decreasing from 13% to 9% of costs from 2015 to 2020.

**Figure 25: The proportion of settled claimants and total cost of injury claims through each of the five settlement channels in 2019 and 2020<sup>23</sup>.**

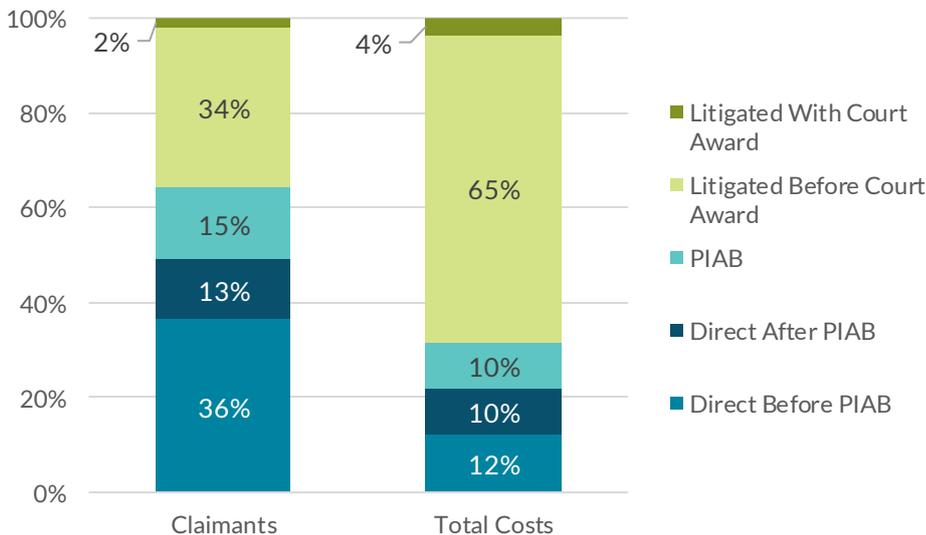


Figure 25 shows the proportion of settled injury claimants and costs that went through the five settlement channel split in 2019 and 2020. The claimants that settled directly over these years can be divided into 36%

<sup>23</sup> Based on 93% of market coverage in 2020.

that settled directly before PIAB involvement, and 13% that settled directly after PIAB involvement (but before the initiation of any legal proceedings).

The claimants that settled through litigation can be divided into 34% that settled before a court award and 2% that settled with a court award.

It can be seen that while 36% of claimants settled directly before PIAB, only 12% of total settlement costs were attributable to this channel. Litigated claims that settled before a court award accounted for 65% of total settlement costs.

## Distribution of Injury Claim Settlements

Figure 26 shows the distribution of claimants across settlement channels for different bands of total settlement cost. It can be seen that a high proportion of claims in the lowest settlement cost band are settled directly, which decreased as claim settlement amounts increased. The proportion of claimants that settled through PIAB was at its highest at 31% of settlements in the €15,001 - €30,000 band.

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

**Figure 26: The proportion of injury claimants that settled in each channel, by settlement cost band in years 2015-2020 collectively.**

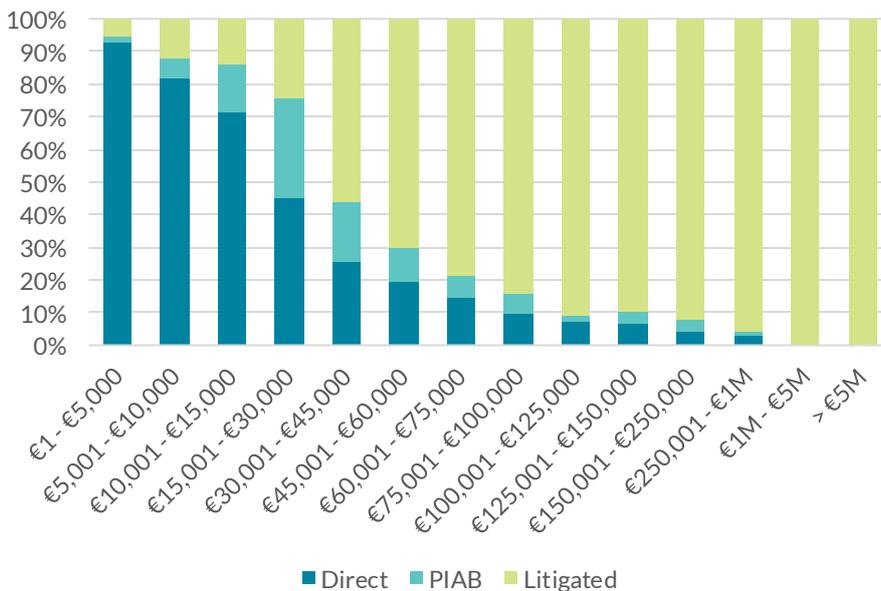
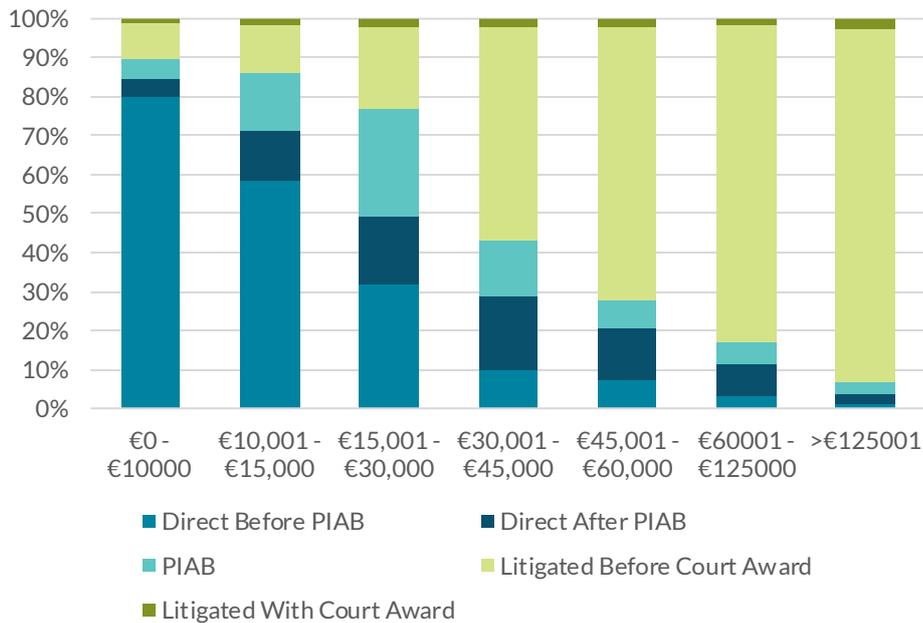


Figure 27 provides the distribution of claimants across total settlement cost bands using the five settlement channel split for 2019 and 2020 combined. It can be seen that claims that settled directly before PIAB make up the majority of direct claims in the lowest claim size bands.

**Figure 27: The proportion of injury claimants that settled in each channel, by settlement cost band in 2019 and 2020 collectively.**



The proportion of claimants that settled through litigation before a court award increased as claim settlement amounts increased, with more than 50% of claimants settling through this channel for each claim size band above €30,000. Claimants who settled through litigation with a court award accounted for between 1% and 3% of claimants in each band.

**Table 11: The proportion of injury claimants settled in each settlement cost band and settlement channel, for years 2015-2020.**

Band	Direct	PIAB	Litigated	All
€1 - €5,000	10%	0%	1%	11%
€5,001 - €10,000	9%	1%	1%	11%
€10,001 - €15,000	11%	2%	2%	16%
€15,001 - €30,000	15%	10%	8%	32%
€30,001 - €45,000	3%	2%	7%	12%
€45,001 - €60,000	1%	1%	4%	6%
€60,001 - €75,000	1%	0%	3%	3%
€75,001 - €100,000	0%	0%	3%	4%
€100,001 - €125,000	0%	0%	2%	2%
€125,001 - €150,000	0%	0%	1%	1%
€150,001 - €250,000	0%	0%	1%	1%
€250,001 - €1M	0%	0%	1%	1%
€1M - €5M	0%	0%	0%	0%
> €5M	0%	0%	0%	0%
All Bands	50%	17%	34%	100%

Table 11 shows the split of total claims across the different value bands and settlement channels. It can be seen that the highest proportion of claims are found in the €15,000 - €30,000 settlement cost band for 2015 to 2020. 70% of claimants had a total settlement cost less than or equal to €30,000.

Taking €30,000 as a benchmark settlement cost, it can be seen that there was a shift towards higher claims costs from 2015 to 2020, as shown in Table 12 and Table 13. The proportion of claims costing less than €30,000 to settle decreased over the period, and the proportion costing more than €30,000 to settle increased. In 2015, 44% of litigated settlements cost less than €30,000, while in 2020, only 31% of such settlements cost less than €30,000. This trend is also visible for direct settlements.

**Table 12: Proportion of injury claimants settling for less than €30k.**

Channel	2015	2016	2017	2018	2019	2020
Direct	93%	91%	89%	89%	87%	86%
PIAB	81%	80%	78%	78%	80%	80%
Litigated	44%	37%	35%	33%	32%	31%

From Table 13 it can be seen that a larger proportion of claims under €30,000 were found in the direct before PIAB channel than in the direct after PIAB channel. For claims settled through litigation, claims settled via litigation before court award had a much lower proportion of claims less than €30,000 at 30% in 2020 compared to claims settled via litigation with a court award at 57%.

**Table 13: Proportion of injury claimants settling for less than €30k in each of the five settlement channels in 2019 and 2020<sup>24</sup>.**

Channel	2019	2020
Direct Before PIAB	95%	93%
Direct After PIAB	66%	65%
PIAB	79%	80%
Litigated Before Court Award	31%	30%
Litigated With Court Award	64%	57%

<sup>24</sup> Based on 93% market coverage in 2020.

## Average Settlement Costs of Injury Claims

Table 14 shows the average costs of settling injury claims per claimant, split into compensation paid to the claimant, legal fees and other costs<sup>25</sup> (e.g., the cost of medical assessment). The nature or severity of the injury claims settled in the different channels could vary significantly. This should be borne in mind when comparing the cost and time of settling injury claims in the various channels.

**Table 14: Breakdown of the average injury settlement costs in each settlement channel in the years 2015-2020.**

Average Settlement Cost	Compensation €	Legal €	Other €	Total €
<b>Direct</b>				
2015	12,440	1,027	423	13,891
2016	13,360	1,213	507	15,080
2017	14,288	1,435	654	16,378
2018	14,127	1,556	541	16,224
2019	14,184	1,880	680	16,743
2020	14,691	2,199	688	17,577
<b>2015-2020</b>	<b>13,822</b>	<b>1,542</b>	<b>580</b>	<b>15,944</b>
<b>PIAB</b>				
2015	22,018	464	1,025	23,507
2016	22,891	532	1,007	24,429
2017	23,972	762	974	25,708
2018	22,974	836	1,009	24,819
2019	22,909	920	889	24,718
2020	22,905	912	887	24,704
<b>2015-2020</b>	<b>22,928</b>	<b>717</b>	<b>970</b>	<b>24,615</b>
<b>Litigated</b>				
2015	41,540	21,859	1,691	65,091
2016	41,580	22,075	1,636	65,291
2017	49,156	23,837	1,609	74,601
2018	43,707	23,016	1,827	68,550
2019	46,797	24,620	333	71,750
2020	53,385	26,590	1,358	81,334
<b>2015-2020</b>	<b>45,905</b>	<b>23,613</b>	<b>1,410</b>	<b>70,929</b>

The average cost of settling injury claims has increased by 24% between 2015 and 2020: 27% in the direct channel; 5% in the PIAB channel; and 25% in the litigated channel.

<sup>25</sup> Note that “other costs” include recovery of costs in the case that another party is found (partially) liable for the claim. Large recoveries can lead to volatility in the average “other costs”.

Legal expenses are most significant for litigated settlements, averaging 33% of the total cost (or 51% of the compensation cost) in years 2015-2020. It should be noted that, the legal costs associated with settling claims via all channels may be understated as claimant legal costs are not always captured by the settling insurer.

**Table 15: Breakdown of the average injury settlement costs, where the total cost of settlement is less than €100k, in the years 2015-2020.**

Average Settlement Cost	Compensation €	Legal €	Other €	Total €
<b>Direct</b>				
2015	11,615	922	414	12,951
2016	12,768	1,098	493	14,359
2017	13,395	1,288	647	15,331
2018	13,253	1,415	621	15,289
2019	13,640	1,752	650	16,042
2020	14,145	2,067	683	16,873
<b>2015-2020</b>	<b>13,111</b>	<b>1,414</b>	<b>581</b>	<b>15,103</b>
<b>PIAB</b>				
2015	21,261	422	1,017	22,699
2016	21,918	528	1,016	23,461
2017	22,367	656	922	23,946
2018	22,426	769	994	24,189
2019	21,682	890	807	23,379
2020	21,449	841	829	23,118
<b>2015-2020</b>	<b>21,845</b>	<b>665</b>	<b>938</b>	<b>23,449</b>
<b>Litigated</b>				
2015	21,179	14,311	796	36,286
2016	23,290	14,896	954	39,139
2017	24,215	14,841	923	39,979
2018	24,197	15,390	882	40,469
2019	23,939	16,056	701	40,695
2020	23,956	16,064	545	40,566
<b>2015-2020</b>	<b>23,454</b>	<b>15,235</b>	<b>807</b>	<b>39,497</b>

Table 15 shows the average costs for claimants whose claims cost less than €100k to settle, in each of the three channels. This includes 94% of all claimants and 85% of litigated claimants who settled injury claims between 2015 and 2020. Litigated settlements costing more than €100k account for 15% of claimants settling through litigation yet they account for 53% of total settlement costs in that channel. This category includes some very large settlements, which impact the average costs.

For years 2015-2020, the average compensation cost relating to settlements less than €100k in the litigated channel is €23,454 considerably less than the overall average in the litigated channel at €39,497 because of the substantial legal fees that averaged €15,235. Average compensation payments for claimants settling through PIAB were marginally lower than the litigated channel at €21,845 with average legal fees much lower at €665. Claims settling directly had lower compensation and total costs at €13,111 and €15,103 respectively.

**Table 16: Breakdown of the average injury settlement costs by settlement channel, using the 5-way settlement channel and cost splits, for 2019 and 2020<sup>26</sup>.**

Settlement Channel	Comp General (€)	Comp Special (€)	Legal Own (€)	Legal Third Party (€)	Other (€)	Total (€)
All Claims						
Direct Before PIAB	10,742	703	112	876	606	13,039
Direct After PIAB	21,512	1,802	303	4,823	943	29,383
PIAB	21,041	1,674	956		877	24,548
Litigated Before Court Award	38,752	10,318	7,821	17,571	692	75,154
Litigated With Court Award	53,071		8,478	16,428	448	78,426
Claims < 100k						
Direct Before PIAB	10,499	678	95	820	605	12,698
Direct After PIAB	20,514	1,475	260	4,577	872	27,699
PIAB	19,970	1,513	903		802	23,189
Litigated Before Court Award	23,344	1,262	5,116	11,173	586	41,481
Litigated With Court Award	13,391		4,893	9,050	397	27,731

<sup>26</sup> The statistics in this table relating to all claims and claims less than €100k are based on data from firms that insured 83% of the private motor 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. Data table was revised on 25/11/2021, replacing initial publication.

Table 16 shows the average costs of settling injury claims per claimant, using the 5-way settlement costs and channels for 2019 and 2020 combined for all claims and those less than €100k. Here, compensation costs are split into general damages and special damages, where general damages are those that compensate for non-monetary loss suffered by the claimant, e.g. pain and suffering; and special damages are those that compensate for financial loss, e.g. loss of earnings or medical expenses. Legal costs are split into the insurer's own legal costs and those of the claimant (third party) which were paid by the insurer. Third party legal costs may be understated as claimant legal costs are not always captured by the settling insurer.

Overall, claimants who settled directly after PIAB had an average total settlement cost of €29,383 compared to €13,039 for those who settled directly before PIAB, and €24,548 for those who settled through PIAB. Legal costs made up the largest difference between the average costs of claims settled through PIAB and directly after PIAB.

Claims that settled through litigation before a court award had an average cost of €75,154 compared to €78,426 for those that settled with a court award. These averages reduced to €41,481 and €27,731 respectively when claimants that settled for greater than €100k were excluded.

For claims that had total settlement costs less than €100k, those settling by litigation before a court award had legal costs that were 39% of total cost (or 66% of the compensation award). For those settled with a court award, legal costs totalled 50% of total costs (or 104% of the compensation award).

## Time to Settlement of Injury Claims

An enhancement to the third collection of NCID private motor data was the collection of claims information at an accident quarter and settlement quarter level as opposed to being aggregated at the year level in the first two reports. In addition, the quarter in which the claim was reported was also collected. Settlement duration in this report is the time lag between the accident being reported to the relevant insurer and the claim being settled by the insurer. It should be noted that in previous reports settlement durations were calculated as the time between the accident occurring and the claim being settled.

Overall 86% of all claimants (damage and injury claimants) have their claims settled within 12 months of the accident being reported, and 92% within 24 months of the accident being reported. However, certain claims, and in particular litigated injury claims, can take significantly longer to settle.

Table 17 shows the average number of years after the accident was reported to the insurer that claims were settled in years 2015 to 2020. Damage claims settled much faster than injury claims, with an average settlement duration after reporting of 0.4 years and 2.3 years respectively. Of the injury claims, litigated claims took the longest to settle, with an average duration of 3.9 years. Injury claims that settled directly had the shortest average duration at 1.3 years, followed by claims settled through PIAB at 2 years. Settlement durations increased slightly for injury claims over the period 2015 to 2020 in all settlement channels.

**Table 17: The average time (years) between claims being reported to the insurer and claims being settled between 2015 and 2020 by channel.**

Channel	2015	2016	2017	2018	2019	2020	All Years
<b>Injury Claims</b>							
Direct	1.1	1.3	1.3	1.3	1.3	1.5	1.3
PIAB	1.8	1.8	2.0	2.0	2.1	2.3	2.0
Litigated	3.7	3.7	3.8	3.9	4.0	4.2	3.9
<b>All Claims</b>							
Injury	2.1	2.2	2.3	2.3	2.4	2.5	2.3
Damage	0.3	0.4	0.4	0.4	0.4	0.4	0.4

Table 18 shows the average number of years after the accident was reported that claims were settled in years 2019 and 2020 for the 5-way settlement channel split. As can be seen, claims settled directly before PIAB in 2020 had the shortest settlement duration at 1.1 years. Claims settled directly after PIAB had a slightly longer settlement duration compared to those that were settled through PIAB, although both were approximately 2.2 years. On average, claims settled through litigation before a court award have a slightly longer duration of 3.9 years compared to claims settled with a court award at 3.8 years.

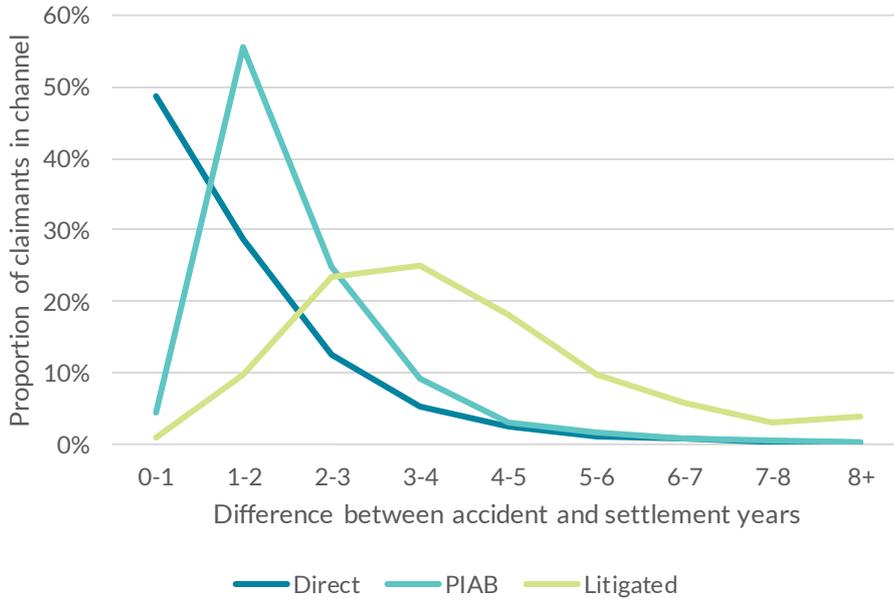
**Table 18: The average time (years) between claims being reported to the insurer and claims being settled between 2019 and 2020 by channel.**

Settlement Channel	2019	2020	All
Direct before PIAB	1.0	1.3	1.1
Direct after PIAB	2.2	2.3	2.2
PIAB	2.1	2.3	2.2
Litigated before Court Award	3.8	4.1	3.9
Litigated with Court Award	3.7	4.0	3.8

Figure 28 shows the distribution of injury claimants in each of the settlement channels across different reported to settlement durations. It

can be seen that 77% of claimants who settled directly and 60% of claimants who settled through PIAB had their claim settled by the end of the second year after the accident was reported. However, only 11% of claimants who settled through litigation had their claim settled by this time.

**Figure 28: Distribution of injury claimants by duration of settlement process, for injury claims settled between 2015 and 2020.**



Litigated claims also have a greater spread of settlement durations. Although 34% of claimants who settled through litigation had their claim settled in the first three years after the accident was reported, 13% of claimants took six or more years to have their claim settled.

## Analysis of Damage Claim Settlements

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

**Table 19: Average cost of settling damage claims in the years 2015-2020.**

Cost Component (€)	2015	2016	2017	2018	2019	2020
Compensation	1,443	1,431	1,425	1,484	1,604	1,707
Legal	10	9	8	8	7	6
Other	-7	1	10	13	-1	3
Total	1,445	1,442	1,443	1,505	1,610	1,716

From Table 19 it can be seen that the average cost of settling damage claims has increased by 19% over the period 2015-2020, with a 7% increase from 2019 to 2020. This is driven by an increase in the average compensation cost. Legal and other costs are not a significant proportion of damage claim compensation. It should be noted that the negative other costs relate to recoveries from a third party (where they were found to be partially or wholly liable for the claim).

## PART 5 – Claim Development

Data on the development of claims was collected for accident years 2009-2020. This data forms the basis for insurers' estimates of 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 2018 to 2020. It also provides insight into the underlying claims development patterns.

### Key Insights and Findings – 2020

In 2020, insurers' best estimate of total claims cost reduced by approximately €92m (or 1% of total claims cost) across accident years 2009 to 2019.

As at 31 December 2020, 22% of the expected ultimate claim costs for accident year 2020 are paid, 39% are claim reserve estimates and 40% are estimates of the cost for claims that have not yet been reported.

### Premium and Claims Cost by Reporting Year<sup>27</sup>

The trends in claims costs shown in Part 2 of this report are based on estimates of ultimate claims cost<sup>28</sup> 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.

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

<sup>27</sup>This section is based on 92% market coverage to provide a consistent comparison against the ultimate claims cost reported for previous NCID Private Motor Insurance Reports.

<sup>28</sup>The concept of ultimate claims costs is explained further in Part 6.

accident year, the more certain the ultimate claims cost. For more recent accident years, the ultimate cost is more reliant on estimates.

**Figure 29: Comparison of the average cost of claims per policy across accident years 2009-2020 as at 31 December 2018, 2019 and 2020.**

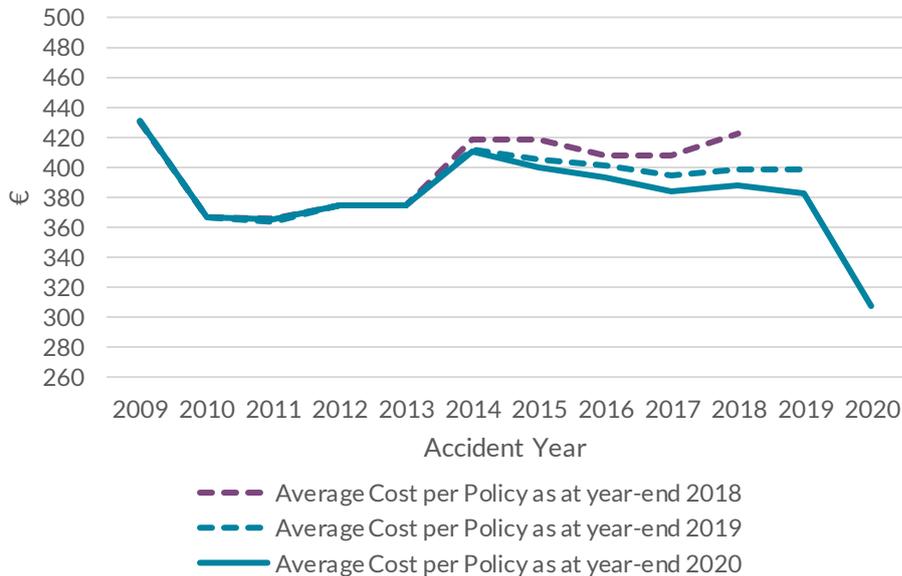


Figure 29 compares the average claims cost per policy using ultimate claims costs calculated at 31 December 2018, 2019 and 2020. From year-end 2019 to year-end 2020, insurers' estimates of the average cost per policy reduced by between 1% and 3% for accident years 2015 to 2018. The estimate of the average cost per policy for accident year 2019 reduced by 4% from €399 as at 31 December 2019 to €383<sup>29</sup> at 31 December 2020.

From 2018 to 2020, insurer's estimates of the average cost of claims per policy reduced by 8% for accident year 2018, from €423 to €388.

Figure 30 shows the impact of the change in ultimate claim costs on the loss ratio, as first discussed in Part 2. The percentage changes are the same as described for Figure 29 for each accident year.

The 2017 accident year loss ratio decreased from 59% at year-end 2018 to 56% at year-end 2020. The 2018 accident year loss ratio decreased from 60% to 55% over the same period, and the 2019 loss ratio decreased from 59% at year-end 2019 to 57% at year-end 2020.

<sup>29</sup> This was shown to be €386 in Figure 7 which is based on 95% market coverage, whereas figure 12 is based on 92% market coverage.



Table 20 shows the proportion of ultimate claims cost that are paid for each accident year across development years. The development year measures the number of years that have passed since the start of the accident year.

Table 21 shows the proportion of ultimate claims cost that are incurred for each accident year across development years. Incurred claim costs consist of the cost of claims that are paid added to case estimates for claims that have been reported to the insurer but not yet paid. These are the sum of the paid and outstanding costs shown in Figure 31 of Part 6.

**Table 21: Incurred claims as a percent of ultimate claim costs for each accident year across development years.**

Accident Year	Development Year												
	1	2	3	4	5	6	7	8	9	10	11	12	
2009	77%	89%	97%	100%	100%	99%	100%	100%	100%	100%	100%	100%	100%
2010	76%	89%	97%	100%	101%	100%	100%	100%	100%	100%	100%	100%	
2011	73%	86%	93%	98%	100%	99%	100%	99%	99%	99%			
2012	72%	87%	96%	100%	101%	100%	100%	100%	100%				
2013	73%	89%	97%	101%	100%	100%	100%	99%					
2014	71%	87%	98%	100%	100%	99%	99%						
2015	71%	89%	98%	102%	100%	99%							
2016	71%	87%	97%	98%	97%								
2017	69%	87%	95%	95%									
2018	70%	84%	89%										
2019	68%	79%											
2020	60%												

It can be seen from Table 20 and Table 21 that paid and incurred development patterns appear to have slowed between the 2009 and 2020 accident years. Claims for more recent accident years are less developed than older accident years were at the same development year. This is more pronounced for earlier accident years.

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

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 in both Table 20 and Table 21 highlight this uncertainty.

# PART 6 - Key Terms and Report Methodology

## Definition of Key Terms

### Policy

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

### Premium

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

The premiums shown in this report are gross of reinsurance.

### Claim

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

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

### Salvage

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

### Subrogation

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

### Accident

An event that gave rise to a claim.

### Periodic Payment Order (PPO)

A PPO is a series of payments made to an injury claimant to pay for the cost of their care for the rest of their life. The NCID allowed for the collection of data in respect of PPOs. As at the end of 2020, no PPOs had been awarded in respect of private motor accidents.

### Frequency

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

### Cost of a Claim

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

### Cost of Claims per Policy

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

### Cost of Premium per policy (Average Premium)

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

### Loss Ratio

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

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

by accident year and expressed as a percentage.

### Reinsurance

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

### Commission

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

### Management Expenses

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

## Types of Insurance Cover

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

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

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

## Types of Claims

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

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

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

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

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

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

## Components of Settlement Costs

**Compensation:** The amount paid to a claimant in respect of a claim they have made. For the 2019 and 2020 settlement years, compensation costs are split by:

**General Damages:** Compensation for non-monetary loss suffered by the claimant, e.g., pain and suffering; and

**Special Damages:** Compensation for financial loss, e.g. loss of earnings or medical expenses.

**Legal:** The legal fees paid by an insurer in the course of settling a claim. For the 2019 and 2020 settlement years, legal costs are split by:

**Own Legal Costs:** Legal costs incurred by the insurer in the course of settling a claim; and

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

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

## Explanation of Key Concepts and Methodologies

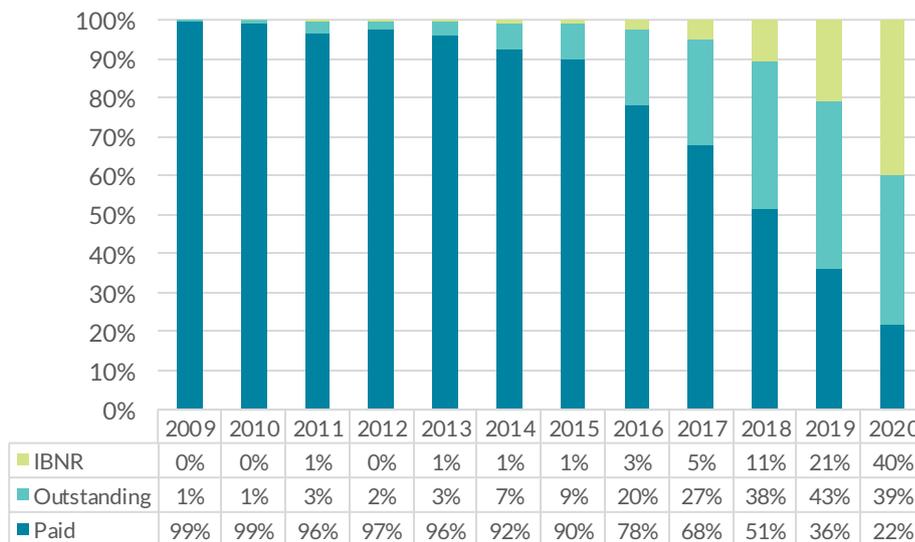
### Ultimate Claims

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 have not yet been paid. 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 31 shows an illustration of the breakdown of 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).

**Figure 31: Breakdown of ultimate claim costs for accident years 2009-2020.<sup>30</sup>**



2020 is the most recent accident year and hence its ultimate claims cost is made up of the lowest proportion of paid claim at 22%, while 78% of this ultimate cost is made up of estimates. We can see that, as eleven years have

<sup>30</sup> Based on 98% of market coverage in 2020.

passed since the 2009 accident year, 99% of the total ultimate claims cost for this accident year have been paid, with 1% of claims cost outstanding.

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

### **Earned Premium and Policy Count**

The premiums and policy numbers presented in this report were collected on an "earned" basis. This means that they are allocated to the year(s) they were in force. A policy can be in force over more than one calendar year: for example, a typical motor policy will provide cover for 12 months. If a policy comes into force on 1 October 2018, with a premium of €800, that policy will be in force from 1 October 2018 to 30 September 2019. 25% of the premium for that policy will be accounted for (i.e., earned) in 2018, and the other 75% will be accounted for (i.e., earned) in 2019.

This earned basis corresponds directly with the accident year basis on which claims were collected for Part 2.

### **The Underwriting Cycle**

The pricing of insurance risks will generally depend on the position in the insurance underwriting cycle. The cyclical nature of property and casualty (liability) insurance is well recognised. Insurance markets tend to move between hard and soft markets, as illustrated in Figure 32.

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

The Irish Private Motor underwriting cycle is particularly pronounced.

Figure 32: An illustration of the insurance underwriting cycle.



# Appendix 1 – Background to the National Claims Information Database

The Cost of Insurance Working Group (CIWG)<sup>31</sup> 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 Insurance<sup>32</sup> in January 2017, which made 33 recommendations within six broad themes:

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

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

A data sub-group of the CIWG (with representatives from the Department of Finance, the Personal Injuries Assessment Board (PIAB), the State Claims Agency, the Central Statistics Office (CSO), the Society of Actuaries in Ireland and the Central Bank) developed a Data Submission Requirement<sup>33</sup>, specifying the data to be collected from insurers.

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<sup>31</sup> Cost of Insurance Working Group

<sup>32</sup> Cost of Insurance Working Group private motor report 2017

<sup>33</sup> NCID website

## Appendix 2 - List of Participating Insurers

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

Table 22: Firms who submitted data to NCID in 2020.

Authorisation Status	Undertaking Name
Irish Authorised	Allianz PLC
	Arch Insurance (EU) DAC
	Aviva Insurance Ireland DAC
	AXA Insurance DAC
	FBD Insurance PLC
	Irish Public Bodies CLG
	RSA Insurance Ireland DAC
	Zurich Insurance Company
EU/EEA Authorised, Freedom of Establishment basis	AIG Europe S.A. (Irish Branch)
	Liberty Seguros Compañía De Seguros y Reaseguros, S.A.
EU/EEA Authorised, Freedom of Services basis	Accredited Insurance (Europe) Limited
	Ageas Insurance Limited
	Chubb European Group PLC
	WAKAM



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Central Bank of Ireland

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Eurosystem