IIF Factfile 2002

President's Introduction

IIF President Peter Towers

As president of the IIF, I am delighted to introduce this year's *Factfile*. This is the eleventh year of publication, and the Factfile is now well-established as a primary reference source for statistics on the domestic and international business of insurers based in Ireland. This year we cover 2002 in depth and look at trends over the 5-year period 1998 to 2002.

The Non-life Market

There was double digit percentage premium growth in all main classes of non-life insurance in 2002, although the rate of increase in premium volume slowed in both motor (+13%) and property insurance (+25%). Gross liability premium income grew by over 40%.

There was much lower growth in the cost of claims, and the number of new claims notified to IIF members was slightly down at 434,400 in the year. The number of new motor claims fell by 9%. These trends led to a turnaround in the motor and property markets, with a net underwriting profit in the motor market for the first time in many years. Liability insurance still produced an underwriting loss of over €115 million, though this was an improvement on the horrendous €164 million loss in 2001. Investment income fell back sharply in 2002 (down 10.8% to €262 million), but overall the market recorded a net operating profit of nearly €217 million in 2002, in contrast to losses of €138million in 2000 and €67 million in 2001.

Needless to say, the improvement in the 2002 motor results, announced by IIF at the beginning of August 2003, has sparked calls from the business and consumer lobbies and from politicians for immediate rate cuts in all classes, although the 2002 result has only just brought the motor market back into the black after huge losses in the previous 3 years. In fact, the improved results and keen competition have already led to significant cuts in motor rates. But the liability market remains a serious problem with a net operating loss of €56 million in 2002, notwithstanding the reported slowdown in rate increases in the first half of 2003.

The improvement in 2002 results was achieved without **ANY** of the core cost-saving reforms promised by Government in the wake of the *Motor Insurance Advisory Board Report* (MIAB) published in April 2002. Continued progress in bringing down motor insurance costs, and the prospect of stability and, hopefully, a reduction in liability rates now rests on urgent action by Government on three agreed and long-established priority areas:

- more efficient and better-resourced road and workplace safety law enforcement;
- immediate establishment of PIAB; and
- immediate implementation of necessary reforms to the litigation system via the proposed Civil Liability and Courts Bill, 2003.

Unless and until these issues are addressed – and addressed effectively – any further improvements in the market environment for motor and liability insurers and their policyholders will be achieved despite, rather than because of the Government's reform programme.

Life & Pensions

The environment continued to be very difficult for the life and pensions market in 2002. Total premium income increased by only 1.2%, and there was a significant drop of over €540 million in single premium business. However, new regular premium sales increased by over 11%, leading to an overall increase of 3.5% in new business (A.P.E. basis). Aggregate regular premium business increased by over 21%, in contrast to the much more modest increase in total income.

IIF is currently carrying out commissioned research on the extent of the "savings gap" in Ireland. One of the major challenges facing both our life and pensions members and indeed our society as a whole is the need to make adequate provision for income in retirement. Notwithstanding laudable initiatives by Government such as the National Pensions Reserve Fund and the launch of PRSAs earlier this year, there is every sign that we will continue to have a problem with inadequate pensions coverage (estimated to be 51% of the private sector work force) and insufficient contributions by most of those who ARE covered by private pensions arrangements. Working together, the industry, Government, regulators and intermediaries must find new ways to reach people with no pension and to educate those who have existing arrangements on their pensions' true funding needs. The objective must be to make sure that the highest possible proportion of workers fund adequately for their retirements which are now lasting longer than ever before thanks to greater life expectancy. Squaring this particular circle will mean a combination of some or all of the following:

- longer contribution periods – earlier inception of pension policies and /or later retirement;
- increased rate of contributions – especially in the new, global low-return investment climate;
- reduced expectations as to income in retirement based on current contribution periods and levels;
- a redistribution of the financing burden as between State pensions and privately-funded retirement funding arrangements;
- new ways of bundling retirement income, health insurance and long-term care financing.

In the meantime, life offices, other pension providers and The Pensions Board must all do their utmost to remind people of the importance of addressing – and regularly reviewing – their individual retirement financing needs and options.

Of course, as well as confronting these topical issues, insurance continues its pivotal role of providing financial protection – life assurance protection in force at the end of 2002 was estimated at €198 billion – and investment opportunities to individuals and businesses. On top of that, insurance remains an important economic sector in its own right. Our industry provides employment to well over 15,000 people in Ireland and maintains huge investment funds (approximately €25 billion) in Ireland.

All of these key statistics and others are presented in a bright, lively and informative way in IIF's *Factfile 2002*. *Factfile 6* also comments from a policy perspective on current issues, some of which I have touched on here.

I am sure that this year's edition of the *Factfile* will, like its predecessors, give its readers all of the data on our market that they need and will remain an invaluable year-round reference tool.

PETER TOWERS
President

Key Statistics 2002

- Total domestic premium income increased by 7.8% to €11.2 billion, and now accounts for 8.7% of Irish GDP (down from 9% in 2001). Premiums per person in 2002 were €2861 (up 5.7% from €2708 the previous year);

- Non-life gross written premium in Ireland increased 22.5% to €3955 million;

- There was a modest increase in domestic life and pensions business – aggregate gross premium rose 1.2% to €7253 million;

- Annualised growth in the life and pensions market continued to slow significantly, falling to 14.3% *p.a.* over the period 1998-2002, compared to 21.6% *p.a.* in the five years to 2001; conversely, the significant increase in non-life gross premium in 2002 raised the five year growth rate to 18.3% *p.a.*;

- Life assurance benefits and claims payments fell 9.9% in 2002, to €3731 million; conversely, non-life claims costs (gross incurred claims) increased to €2870 million (up 9.4%);

- The value of insurers' investments representing life policyholder funds and non-life technical reserves amounted to €46.6 billion at the end of 2002, down from €47.4 billion in 2001;

- The insurance industry provides direct employment to over 15,000 people in Ireland.

General Economic Indicators 1998 - 2002

General Economic Indicators 1998-2002						
IRELAND	1998	1999	2000	2001	2002	[1]Annualised % Change 1998 – 2002
GDP (€ billion)	77.54	89.62	102.85	114.74	129.34	13.7%
Real Growth (€ billion) (GDP at constant 1995 prices)	68.66	76.41	84.11	89.32	95.50	8.6%
GNP (€ billion)	68.16	76.67	88.01	96.45	103.43	11.0%
Real Growth (€ billion) (GNP at constant market 1995 prices)	59.62	64.93	71.57	74.32	74.37	5.7%
Consumer Price Index (% change)	2.4	1.6	5.6	4.9	4.6	4.2%
Unemployment Rate %	7.8	5.7	4.3	3.7	4.3	-12.7%
Population ('000s)	e3705	e3745	e3787	e3839	3917	1.4%
Insurance Premiums (€ billion)	6.264	8.241	10.295	10.396	11.208	15.7%

Source: CSO; IIF; e = estimated.

[1]Annualised Growth Rate: Economic activity is normally plotted on a curve that shows peaks and troughs. The formula for the Annualised Growth Rate takes the start and finish point of said curve and draws a horizontal line between them. This is then, in effect, an average rate of growth (or decline) over the period identified at the two end points.

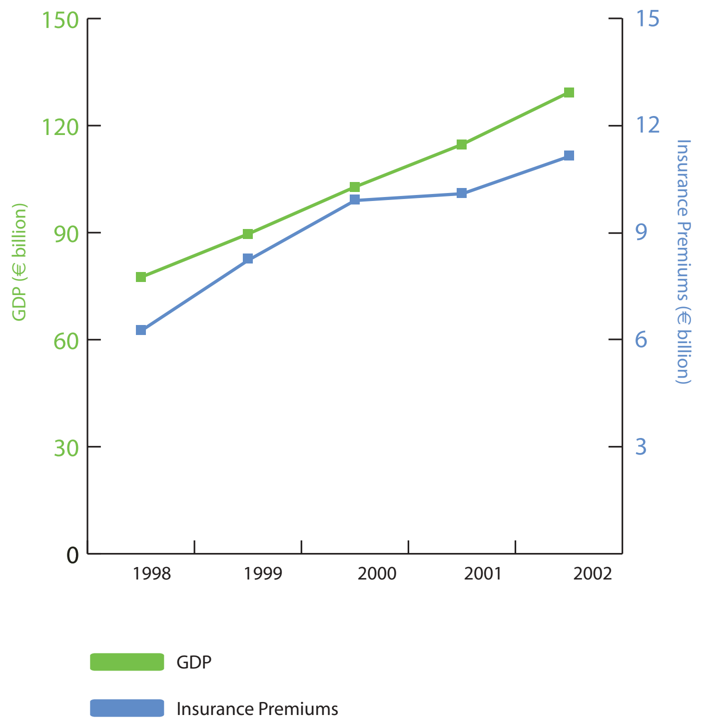
In 2002

- Irish GDP grew to €129.3 billion in 2002, up 12.7% on 2001 (+ 6.9% in real terms). GNP rose by 7.2% in 2002 (+ 0.1% real growth);
- Inflation between 1996 and 1999 was consistently low, but it rose sharply to 5.6% in 2000 and then declined to 4.6% in 2002. Although it decreased to 4.6% in 2002, this rate is still high in comparison to recent years and our Euroland partners.
- Unemployment continued its year-on-year fall until 2001, but in 2002 it rose up to 4.3%. The unemployment rate in 2001 was at a historic low of 3.7%;
- Gross written premiums from Irish insurance business rose by 7.8% to €11.2 billion in 2002.

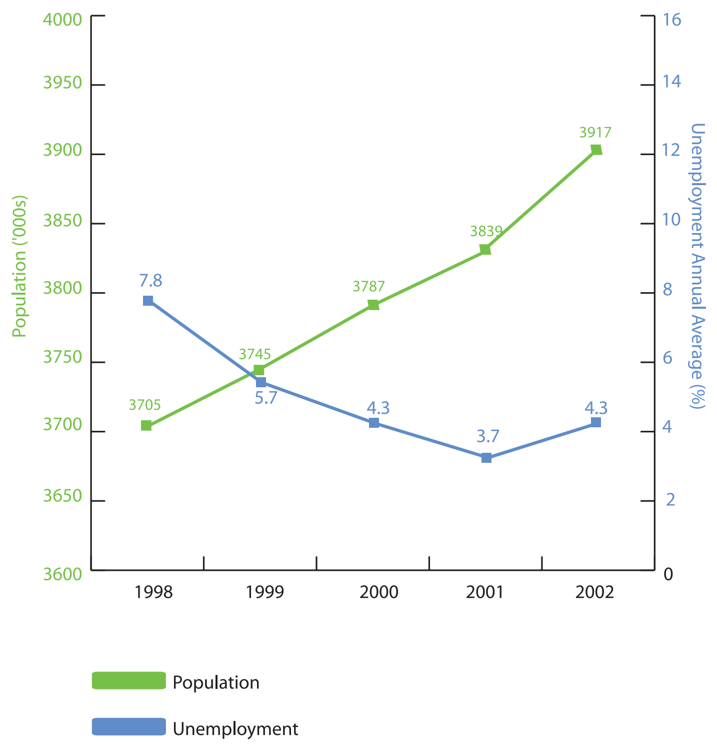
Over the 5 years 1998 - 2002

- Real GDP growth averaged 8.6% per annum; real growth in GNP was 5.7%;
- The annual average change in price inflation was 4.2%;
- The population continues to grow at an annual average rate 1.4% per year. The unemployment rate however fell consistently from 10.3% in 1997 to an all time low of 3.7% in 2001, but again rose to 4.3% in 2002 back to the level of year 2000;
- Premium income for the insurance industry has increased by an average of 15.7% per annum over this five year period.

Ireland – GDP; Insurance Premiums 1998-2002



Ireland - Population; Unemployment 1998-2002



Insurance Trends 1998-2002

- **Irish insurance market trends 1998-2002**
- **Irish insurance market in a global context**

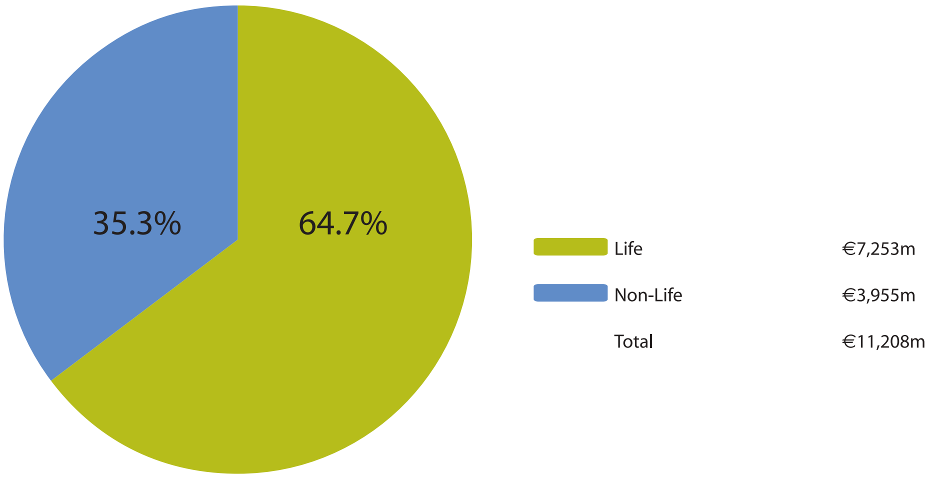
Irish insurance market trends 1998-2002

2002 Key Data

	LIFE	NON-LIFE	TOTAL
Gross Premium Income (€m)	7253	3955	11208
Premium Income: GDP(%)	5.61	3.06	8.67
Premiums per capita (€m)	1852	1010	2862
Investments[1](€m)	38047	8597	46644

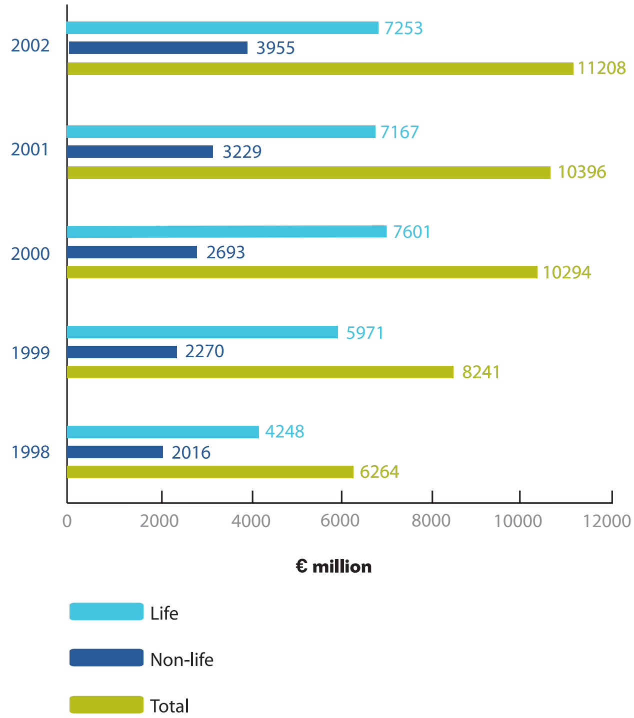
[1]Policyholders' funds (Life assurance); Technical Reserves (Non-life insurance) at December 31, 2002.

Gross Premium Income 2002



- In 2002, IIF members' Irish risk gross premium income increased by 7.8% from €10.4 billion in 2001 to €11.2 billion.
- Life premiums increased by 1.2% to €7.3 billion in 2002. The average annual growth of the domestic life sector in the 5 years 1998-2002 was 14.3% *p.a.*
- Non-life premiums increased by 22.5% to €3.9 billion in 2002. The average annual increase in non-life premiums for 1998-2002 was 18.4% *p.a.*
- Premium income as a percentage of GDP decreased from 9% in 2001 to 8.7% in 2002 (life 5.6%; non-life 3.1%). This percentage decrease in premium income is set against economic growth of over 12% in 2001.
- Premiums per head of population have increased from €2708 in 2001 to €2862 in 2002, an increase of 5.7%.

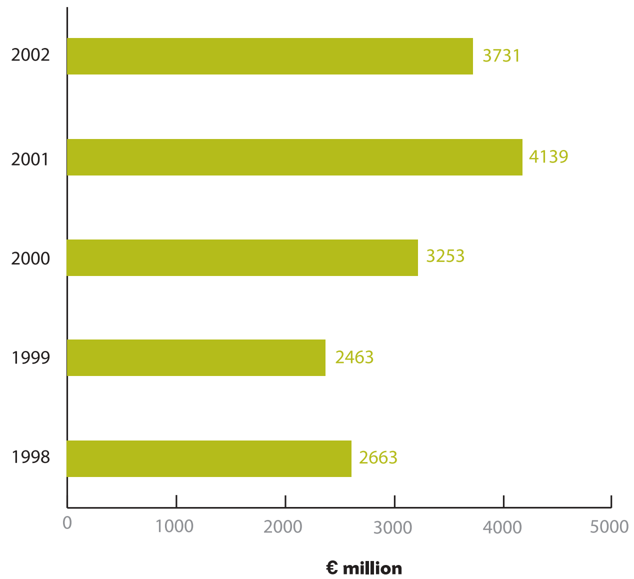
IIF Members' Gross Premium Income 1998-2002 (€m)



- Life premium income increased by 1.2% in 2002 however it has increased by 14.3% *p.a.* (compound) from 1998 to 2002.

- Non-life gross written premium (GWP) increased by 22.5% in 2002, and at a compound annual rate of 18.4% *p.a.* since 1998.

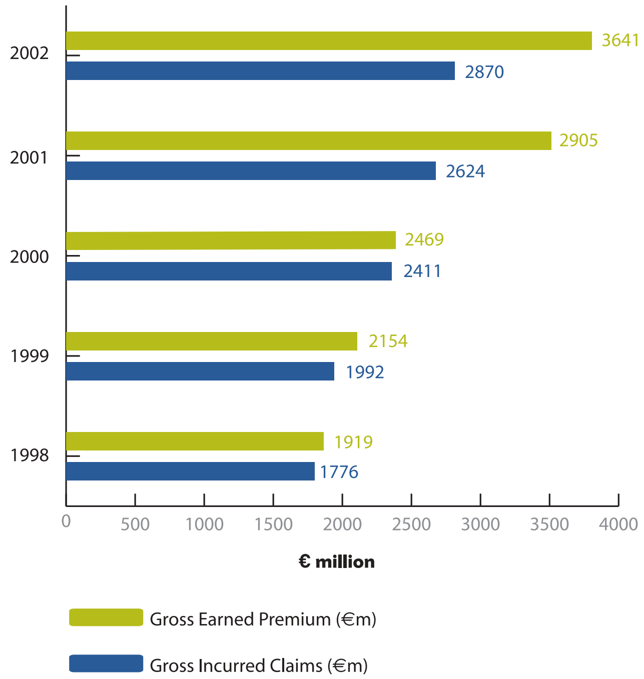
Life assurance benefits and claims paid 1998-2002 (€m)



- Life assurance benefits and claims paid decreased by 9.9% in 2002 to €3731m, compared with €4139m in 2001.

- However, Life benefits and claims paid increased by an average figure of 8.8% *p.a.* from 1998 to 2002.

Non-life Insurance Premiums & Claims 1998 - 2002 (4m)



- Non-life gross earned premium (GEP) increased by 25.3% in 2002, reaching €3.6 billion. GEP has increased at an average of 17.4% *p.a.* from 1998 to 2002.
- Gross incurred claims costs (claims payments plus increase in reserves for outstanding claims) grew by 9.4% in 2002, amounting to €2.9 billion for the year. Claims costs increased by 12.8% *p.a.* from 1998 to 2002.

Year-end Value of Investments* (4bn)

	1998	1999	2000	2001	2002	% Change p.a.
Life	30.394	36.587	39.547	40.058	38.047	+5.8%
Non-life	4.951	5.622	6.598	7.354	8.597	+14.8%
Total	35.345	42.209	46.148	47.412	46.644	+7.2%

**Policyholders' funds (life); Technical reserves (non-life).*

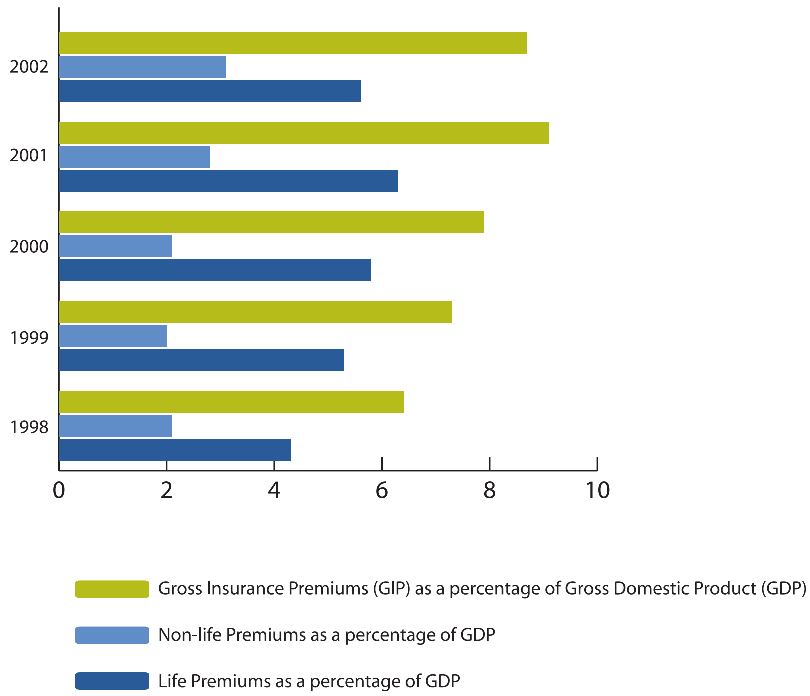
- Year-end market value of investments representing life policyholders' funds and non-life technical reserves decreased by 1.6% in 2002 to €46.6 billion at the end of 2002.
- Over the five year period 1998 - 2002, the value of reserves has risen by an average of 7.2% *p.a.*
- Life policyholders' funds declined by 5% to €38 billion in 2002; non-life technical reserves increased by 16.9% to €8.6 billion in 2002.
- Over the five years 1998 - 2002:
  - life policyholders funds have increased by 5.8% *p.a.*
  - non-life technical reserves have increased by 14.8% *p.a.*
- In addition to these investments, insurance companies hold significant investments representing free reserves and shareholders' funds.
- Although the proportion of assets invested in Ireland has fallen in recent years, with the relaxation of regulatory and exchange controls and the creation of the European single currency, the majority of insurers' investments is still based in Ireland.
- For a more detailed breakdown of IIF life members' investments, by location and category, see *Factfile 4*.

Gross Insurance Premium Income and Gross Domestic Product 1998-2002 (€m)

Year	Gross Insurance Premiums	Gross Domestic Product	Premium Income: GDP %
1998	6264	77543	8%
1999	8241	89614	9.2%
2000	10295	102845	10%
2001	10396	114743	9.1%
2002	11208	129344	8.7%

- Gross Insurance Premiums increased from €6.3bn to €11.2bn, an average rise of 15.7% *p.a.*;
- Gross Domestic Product increased from €77.5bn to €129.3bn, an average rise of 13.7% *p.a.*

Premiums as a percentage of GDP for Ireland 1998-2002



- For the five years 1998 to 2002, the above graph shows GIP as a percentage of Ireland's GDP. GIP as a percentage of GDP reached its peak at 9.1% in 2001 and fell to 8.7% in 2002;
- The same pattern is apparent with Life premiums as a percentage of GDP, reaching a peak of 6.3% in 2001, and then falling back to 5.6% in 2002;
- Non-life premiums as a percentage of GDP have remained almost static between 1998-2000. There has been a noticeable growth since 2001 reaching 3.1% in 2002.

Irish insurance market in a global context

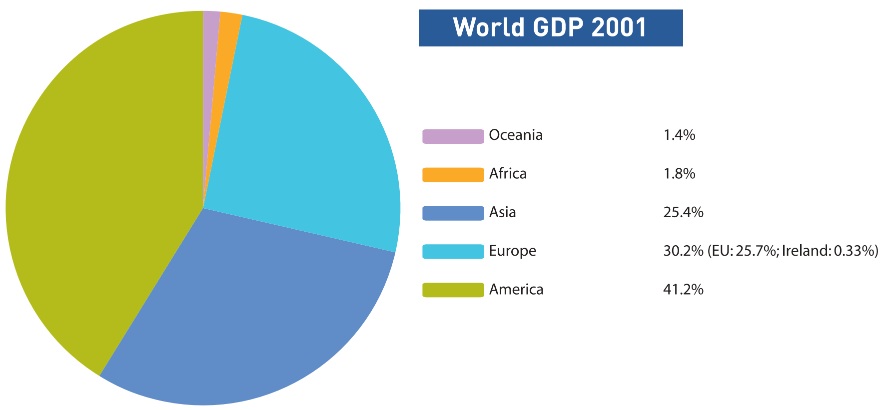
The Irish Insurance Market in the World 2001

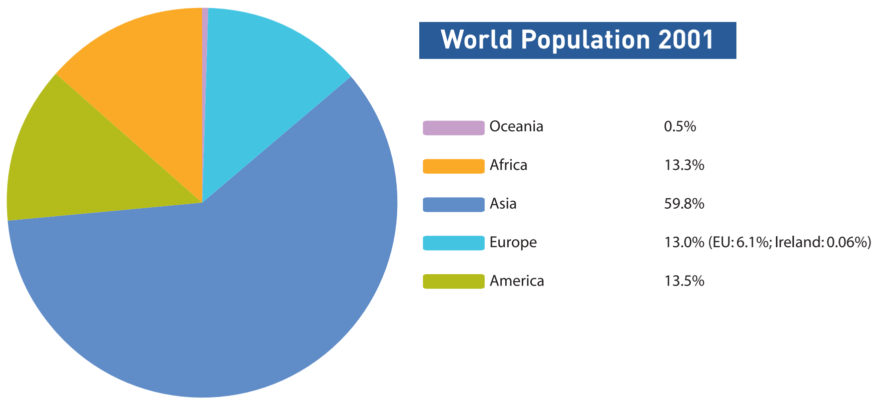
	Global Share %					Insurance Premiums (gross)	
	Population	GDP	Insurance Premiums (gross)			As % GDP	Per Capita US$
			Life	Non-life	Total		
Ireland	0.06	0.33	0.79	0.41	0.64	9.14	2466
EU	6.1	25.7	30.0	27.5	29.0	8.4	1763
Europe	13.0	30.2	32.2	30.8	31.7	7.8	918
America	13.5	41.2	33.2	52.9	41.1	7.8	1201
Asia	59.8	25.4	31.8	14.2	24.7	7.6	163
Oceania	0.5	1.4	1.5	1.5	1.5	8.6	1173
Africa	13.3	1.8	1.3	0.6	1.0	4.5	30
WORLD	100	100	100	100	100	7.8	393

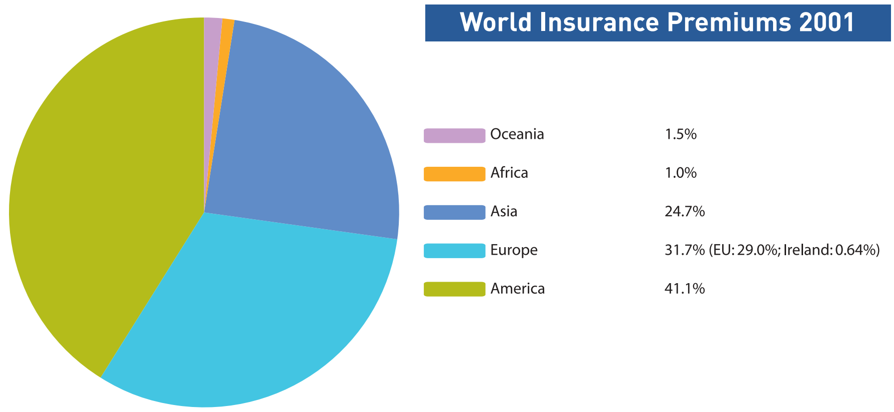
Sources: IIF; Swiss Re sigma No. 6/2001; CSO; EU Commission.

- The above table gives a perspective on the Irish insurance market on the global stage, comparing key economic and insurance data for Ireland with the EU, the wider continent of Europe, and other continents.

World: GDP; Population; Insurance Premiums 2001



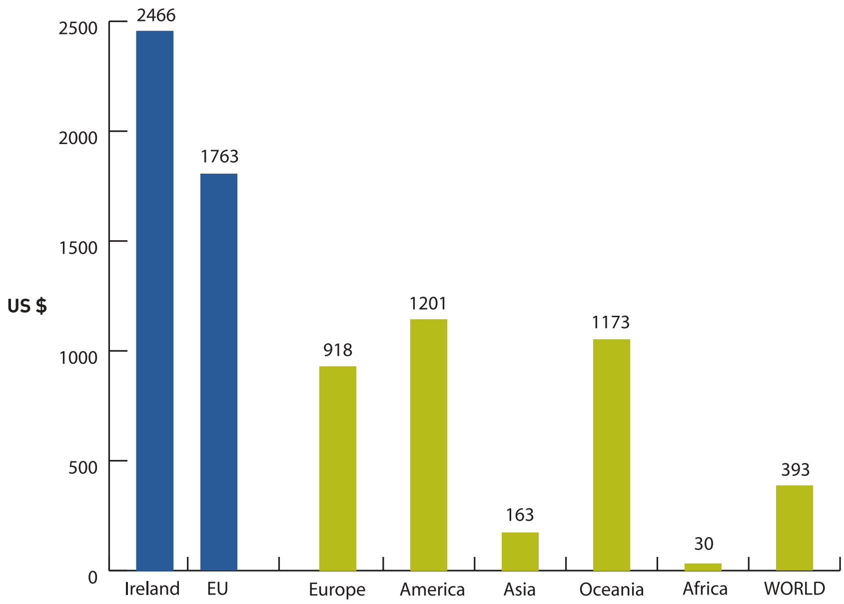




- The Irish economy and insurance market account for only tiny fractions of world outputs, but in proportion to both national population and GDP, insurance premium income in Ireland is more significant than in many other parts of the world.

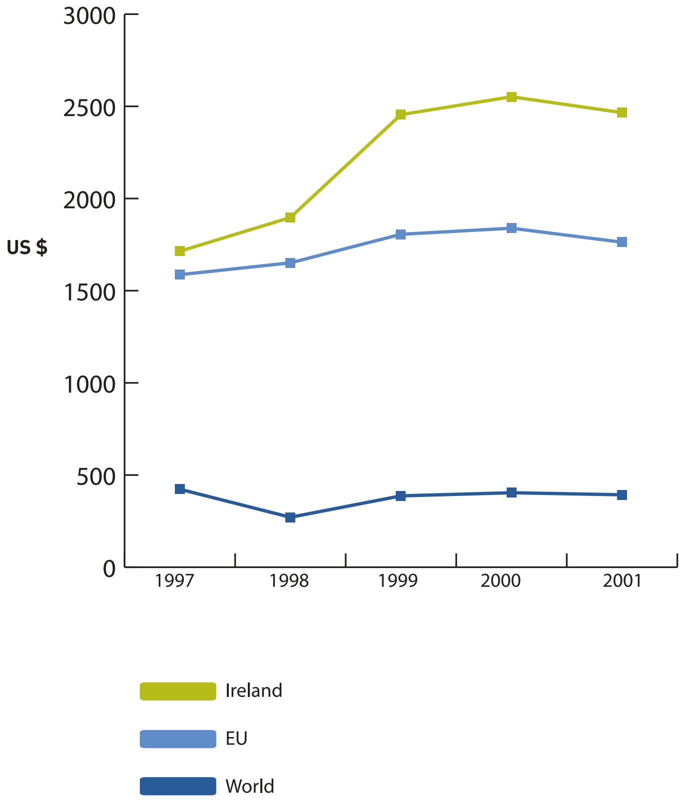
- In 2001 gross premiums as a proportion of GDP were 9.1% in Ireland, significantly above the global figure (7.8%) and premiums as a proportion of GDP across the continents amounted to:
  - Oceania (8.6%);
  - Europe (7.8%);
  - Asia (7.6%);
  - America (7.8%); and,
  - Africa (4.5%).

Insurance premiums spent per head of population for Ireland, EU and the world in 2001 (US $)



- Premiums per head of population in Ireland at US $2466 also ranked well above the comparative European figure of US $918 and world figure of US $393.

Premiums spent per head of population for Ireland, EU and the World 1997 - 2001 (US $m)



- The above graph shows the US dollar growth in the insurance premium spend per capita comparing Ireland, EU and the World;
- Irish spend per capita on insurance premiums increased from $1714 to $2466, an average increase of 9.5% *p.a.*;
- In the case of EU, spend per capita increased from $1587 to $1763, an average increase of only 2.7% *p.a.*;
- The global spend per capita on insurance premiums in the five year period 1997 to 2001 actually declined from $423 to $393, an average decrease of 10% *p.a.*

The Life Assurance & Pensions Market

- **Key Statistics 2002**
- **Market trends 1998-2002**

Key Statistics 2002

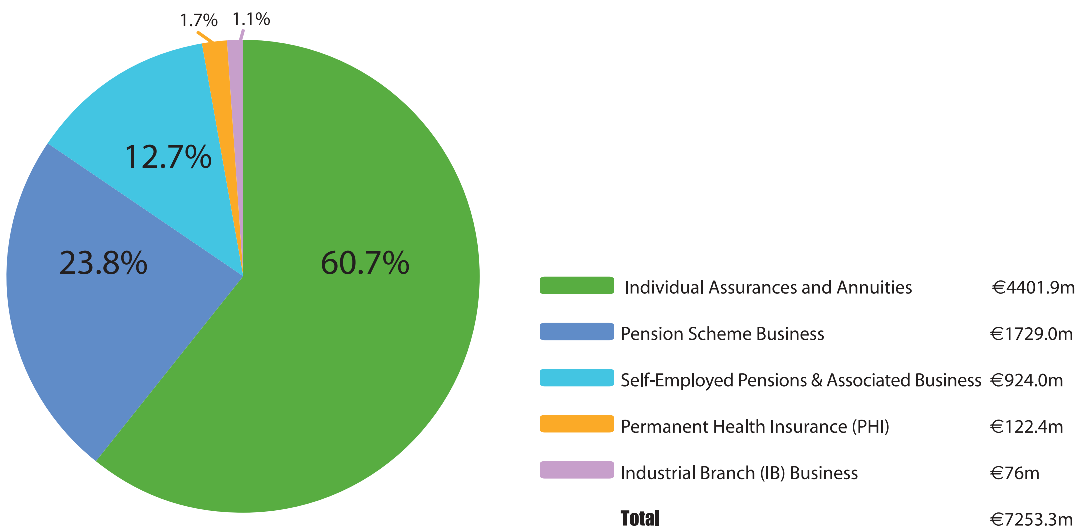
Premium Income 2002

	New Business (€m)			Total Annual Premium €m (3)	All Business €m (2) + (3)
	Annual Premium (1)	Single Premium (2)	A.P.E. (1) + 10% of (2)		
Individual Assurances and Annuities	540.6	2474.7	788.1	1927.2	4401.9
Pension Scheme Business	319.4	752.0	394.6	977.0	1729.0
Self-employed Pensions	116.5	447.2	161.2	476.8	924.0
Permanent Health Insurance	14.1	0	14.1	122.4	122.4
Industrial Branch Business	2.9	0	2.9	76.0	76.0
Total	993.5	3673.9	1360.9	3579.4	7253.3

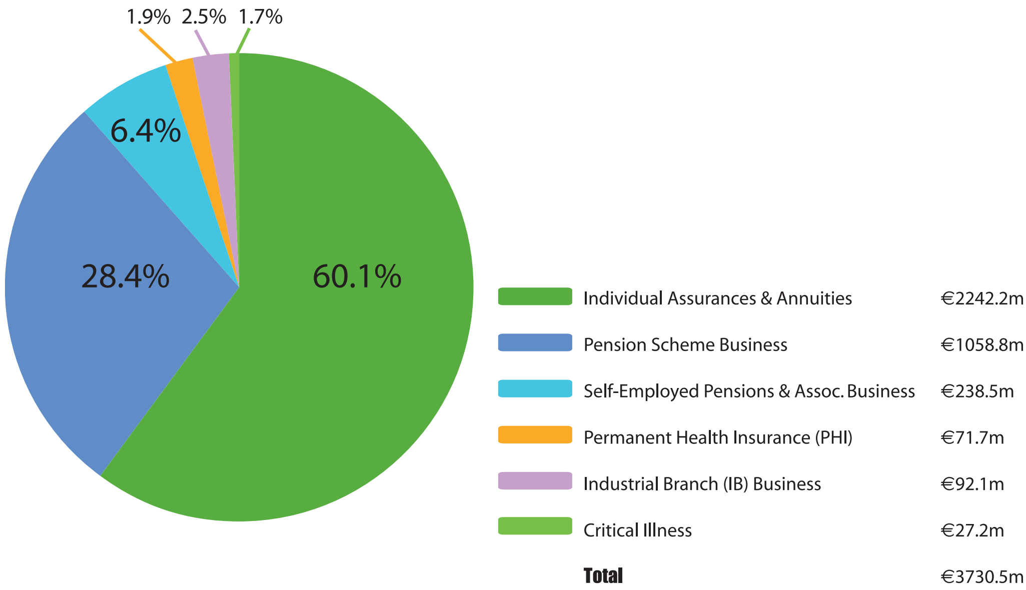
Premium Income

- In 2002, the IIF's domestic life assurance members had aggregate premium income of €7253.3m, an increase of 1.2% on the previous year (€7167.7m).
- The total value of life assurance protection in force at the end of 2002 was estimated at €205bn (€183bn in 2001).
- New annual premium (AP) business was €993.5m (up 14.4%).
- New single premium (SP) business was €3673.9m (down 12.8%).
- The new business Annual Premium Equivalent (AP business + 10% of SP business) was €1360.9m (up 5.5%).

Life Assurance Gross Premium Income 2002 (type of policy)



Life Assurance Claims & Benefits paid 2002 (type of policy)



Claims and Benefits

- Claims payments by domestic life assurance companies were €3731m in 2002 (€4139m in 2001).
- The bulk of claims were paid under individual assurance/annuity contracts (60.1%) and pension schemes (28.4%).

Claims By Type (4m)

Surrenders and Maturities	*3030.9*
Death / Critical Illness Claims	*404.1*
Annuities	*295.5*
Total	*3730.5*

- Benefits paid on policy surrenders and maturities were €3030.9m.
- Death and critical illness claims under protection contracts amounted to €404.1m in 2002.
- Annuity payments were €295.5m.

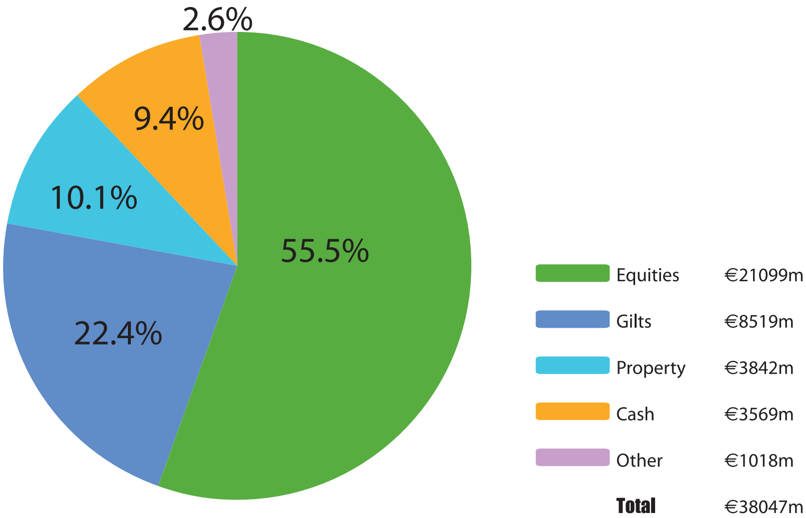
Source of New Business 2002

		Brokers %			Agents %			Tied Agents %			Employee & Company Representatives %			Direct %		
		2000	2001	2002	2000	2001	2002	2000	2001	2002	2000	2001	2002	2000	2001	2002
Annual Premium	*Life*	15	8	15	1	1	1	11	17	17	18	25	21	1	1	1
	Pensions	29	25	32	1	1	1	9	10	6	14	9	6	1	3	2
	Total	44	33	47	2	2	2	20	27	23	32	34	27	2	4	3
Single Premium	*Life*	49	34	31	1	3	2	7	17	17	14	7	10	4	1	1
	Pensions	21	32	31	0	1	1	0	2	3	2	2	2	2	1	1
	Total	70	66	62	1	4	3	7	19	20	16	9	12	6	2	2

Source of new business

- The previous table indicates brokers' new business market share increased by 14% in 2002 for annual premium (AP) business. There was a decrease of 4% of brokers' single premium (SP) business.
- Independent agents' AP business remained static, but their share of SP business reduced by 1% to 3% in 2002.
- The percentage of AP business written through tied agents fell by 4% to 23%, whereas their SP business increased slightly (by 1% to 20%).
- Life office employees/company representatives saw a 7% fall in their share of AP business while their share of the SP market increased by 3%.
- Direct sales (i.e. other than through employees/representatives) remain a relatively small part of the market, at 3% of AP and 2% of SP.

Life Assurance Investments 2002 (4m policyholder funds)



Life assurance investment of policyholder funds

- Policyholders' funds invested by IIF life members declined 5% to €38,047m in 2002 (€40,058m in 2001);
- The value of equity investments fell 12.3% to €21,1099m. Equities now represent 55.5% of total policyholder's funds, compared to 60% at the end of 2001;
- Gilts increased slightly (up 3.6%) to €8,519m;
- There was also a small increase in the value of property assets (up 2% to €3,842m);
- Cash holdings increased significantly to €3,569m (up 16.8%).

Investments (4m policyholder funds)

	Irish €m	Foreign €m	Total €m
Equities[1]	8829	12270	21099
Gilts[2]	2596	5923	8519
Property[3]	3274	568	3842
Cash	3411	158	3569
Other	953	65	1018
Total	19063	18984	38047

[1] *Inc. preference, guaranteed and ordinary stocks and unit trusts*
[2] *Inc. Government, local & public authority securities*
[3] *Inc. own use buildings, office, residential, commercial and individual investment properties and debenture stocks.*

- Just over 50% of the Life companies' investments are in Ireland (slightly lower than in 2001). Domestic investment at the end of 2002 was €19,063m, with foreign investment at €18,984m.
- 46.3% of Irish investments are in equities (down from 51% in 2001), with 13.6% in gilts (down from 16% in 2000). Cash holdings increased to 17.9% (up from 13% in 2001), and property holdings were also up at 17.2% (from 15% in 2001).
- Of the foreign holdings, 64.6% are in equities (down from over 70% the year before) and 31.2% are in gilts (up from 26% in 2000) with relatively small holdings of property, cash and other investments, totalling just over 4% between them.

Market trends 1998-2002

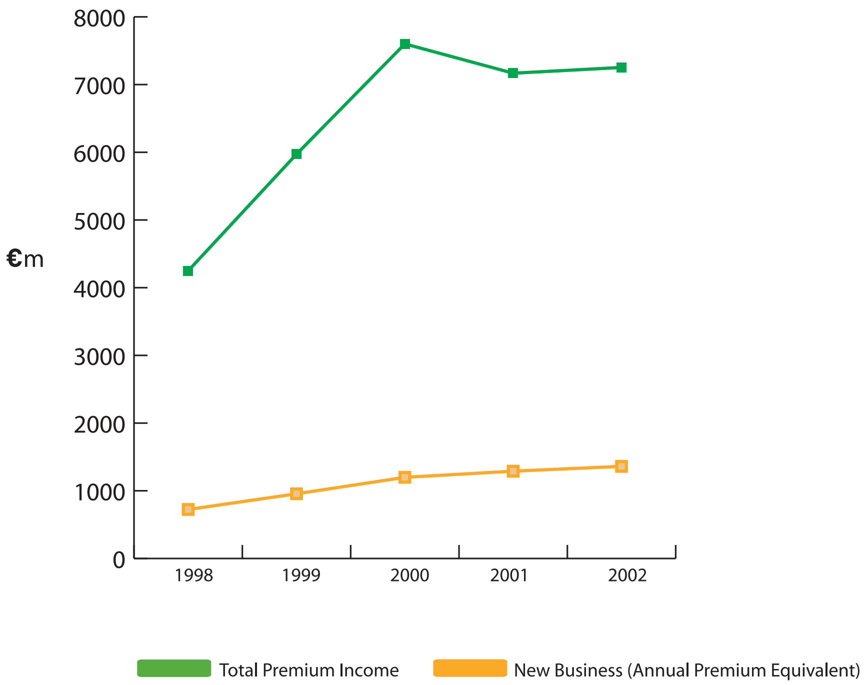
Life Assurance Premiums and Claims 1998-2002

€m	1998	1999	2000	2001	2002	Annual change 1998-2002
Premium Income (Annual Premium Business)	1830	2082	2378	2953	3579	18.3%
Premium Income (All Business)	4249	5972	7601	7168	7253	14.3%
New Business:						
• Annual Premiums	483	566	678	868	994	19.8%
• Single Premiums	2419	3898	5222	4215	3674	11.0%
• Annual Premium Equivalent (APE)	724	956	1199	1290	1361	17.1%
Benefits & Claims	2664	2463	3253	4139	3731	8.8%

Life assurance premiums and claims 1998 to 2002

- Annual premium business increased from €1830m to €3579m, an average rise of 18.3% *p.a.*
- Total premium income increased over the same period from €4249m to €7253m (up 14.3% *p.a.*)
- New annual premium business increased at an average rate of 19.8% *p.a.*, from €483m in 1997 to €994m in 2002.
- Single Premiums rose from €2419m to €5222m in 2000, before falling in 2001 and 2002. Over the five years there was an average increase of 11% *p.a.*
- On an APE basis new business has risen from €724m in 1998 to €1361m in 2002 (up 17.1% *p.a.*)
- Benefits paid increased by an average of 8.8% over the period 1998 – 2002, having peaked in 2001 before falling back in 2002.

Life Assurance Premium Income 1998 – 2002



Investments (by type)

% of total value	1998	1999	2000	2001	2002
Equities[1]	51.0	56.5	53.6	60.1	55.5
Gilts[2]	31.5	26.1	27.7	20.5	22.4
Property[3]	7.9	8.2	8.9	9.4	10.1
Cash	8.0	7.7	8.2	7.6	9.4
Other	1.8	1.5	1.6	2.4	2.6
Total	100	100	100	100	100

[1] Inc. preference, guaranteed and ordinary stocks and unit trusts
[2] Inc. Government, local & public authority securities
[3] Inc. own use buildings, office, residential, commercial and individual investment properties and debenture stocks

Since 1998

- Investment in equities has increased as a percentage of total investments, from 51% in 1998, to 55.5% in 2002, with intermediate rises and falls.
- Investment in gilts has decreased from 31.5% in 1998 to 22.4% in 2002.
- The property portfolio has increased consistently from 7.9% in 1998 to 10.1% 2002.
- Cash holdings have increased from 8% in 1998 to 9.4% in 2002, with a significant increase in 2002 itself.
- Investment in other assets has increased from 1.8% in 1998 to 2.6% in 2002.

Investments (by location)

% of total value	1998	1999	2000	2001	2002
In Ireland	72.3	59.0	57.0	53.0	50.1
Outside Ireland	27.7	41.0	43.0	47.0	49.9

- Generally the proportion of investments in Ireland has been reducing and the proportion outside Ireland has been increasing, to the point at which they are virtually in balance.

IIF Life Members' Foreign New Business 1998 – 2002

		Annual Premium	Single Premium	APE
1998	EU	64.5	885.2	153.0
	Non EU	17.0	191.6	36.2
	Total	81.5	1076.8	189.2
1999	EU	111.1	897.7	200.8
	Non EU	16.5	236.4	40.1
	Total	127.6	1134.1	241.0
2000	EU	140.4	1634.7	303.9
	Non EU	15.3	436.2	58.9
	Total	155.7	2070.9	362.8
2001	EU	94.9	1299.2	224.8
	Non EU	2.4	1001.5	102.6
	Total	97.3	2300.7	327.4
2002	EU	61.4	928.4	154.2
	Non EU	6.4	605.4	66.9
	Total	67.8	1533.8	221.1
Annualised Change % (APE) 1998-2002:				
	EU			0.2%
	Non EU			16.6%
	Total			4.0%

- In 2002, IIF's Life assurance members wrote foreign annual premium business of €67.8m (down by 30% on 2001).
- New single premium business decreased by 33%, to €1533.8m.
- New Annual Premium Equivalent (APE) sales fell to €221.1m in 2002 (down 32% on the previous year).
- Over the 5 years 1998-2002, APE in EU countries has risen substantially and fallen back almost to 1998 levels (+0.2% p.a. over 5 years), whereas non-EU business grew by 16.6% *p.a.* although with a significant fall in 2002 from a high in 2001.
- Overall new foreign business written by IIF Life members increased by 4% *p.a.* on an APE basis over the period.

Non-life Insurance Market

- **Key Statistics 2002**
- **Market trends 1998-2002**

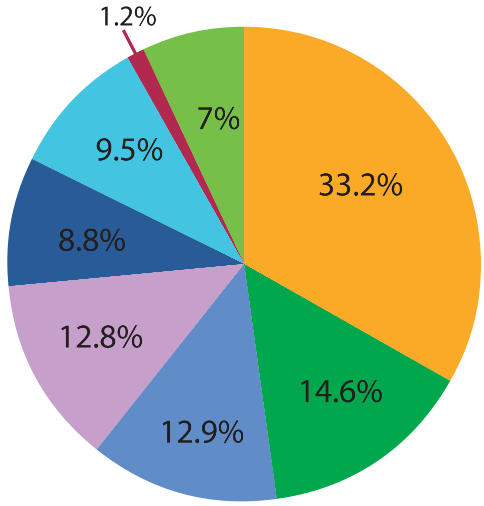
Key Statistics 2002

Premiums and Claims 2002

CLASS OF BUSINESS	PREMIUMS €m			CLAIMS		Net U/W Result	Estimated Investment Income	Estimated Net Operating Result
	Written		Earned Net	Net Incurred 3m	No. of new Claims notified			
	Gross	Net				3m	3m	3m
Private Motor	1311.8	1128.7	1126.9	996.3	162093	-9.7	116	106.3
Commercial Motor	578.9	465.7	462.1	385.9	50968	28.2	48.7	76.9
ALL MOTOR	1890.7	1594.4	1588.9	1382.2	213061	18.5	164.7	183.2
Household	510	419.1	368.7	301.8	122806	-44.4	10.6	-33.8
Commercial	505.6	346.5	313.4	143.7	18948	86.2	21.6	107.7
ALL PROPERTY	1015.7	765.6	682.1	445.5	141754	41.8	32.2	74
Employer's	348.4	313.7	269	290.3	6860	-68.4	29.9	-38.5
Public/Products	376.8	311.1	283.3	275	15311	-47.3	29.8	-17.5
ALL LIABILITY	725.2	624.8	552.3	565.3	22171	-115.7	59.7	-56
PERSONAL ACCIDENT /TRAVEL	48.9	43.8	42.6	22.2	12001	4	1.9	5.9
OTHER CLASSES	274.5	132.9	122.6	62.2	45413	6	3.7	9.7
ALL BUSINESS	3954.9	3161.5	2988.5	2477.5	434,400	-45.4	262.2	216.8

- The IIF's 18 non-life members write in excess 95% of domestic non-life premiums. In 2002 IIF members wrote gross premiums of €3955m, an increase of 22% over 2001's figure of €3229m.
- Net written premiums (i.e. total premiums after reinsurance costs have been deducted) were €3161m, this is up 10.1% on 2001.
- Net earned premiums were €2988m in 2002, an increase of 16.4% on 2001.
- In 2002, net incurred claims rose by 3% to €2477.5 m.
- In 2002, IIF members were notified of 434,400 new claims.
- The net underwriting result of the non-life market in 2002 improved to a loss of €45.4m from a loss of €361.2m in 2001.
- In 2002 the market made a net operating profit of €216.8m compared with a net operating loss of €67m in 2001.

Non-life Premium Income 2002



Private Motor	€1311.8m
Commercial Motor	€578.9m
Household	€510m
Commercial Property	€505.6m
Employers Liability	€348.4m
Public Liability	€376.8m
Personal Accident & Travel	€48.9m
Other	€274.5m
Total	€3945.9m

Investing Non-life premium income

Non-life insurers' technical reserves are principally invested in cash and gilts, with only between 10% to 15% invested in equities. This is because of the need for security balanced by liquidity in order to meet claims and other short-term liabilities, and is in contrast to the investment portfolios of life and pensions companies which are principally invested in assets which have historically given a better long-term return, in particular equities and property. With changing economic and investment conditions worldwide, Ireland's entry to the euro and the resultant lower inflation and interest rates, yields from all categories of assets have reduced in recent years.

Key ratios

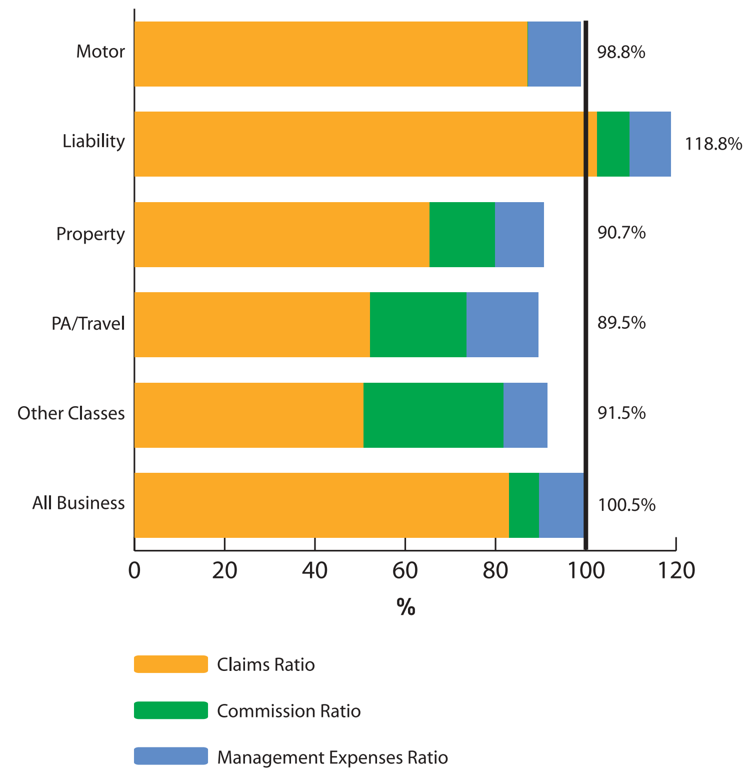
A number of key ratios are used to assess the cost of claims, and the efficiency and profitability of non-life insurance business:

- The **claims ratio** measures the cost of claims as a proportion of premiums earned. In 2002 the IIF non-life market produced a net claims ratio of almost 83% - in other words claims cost 83 cent out of every €1 earned in premium. The claims ratio varied between sectors: in motor insurance it improved from 97.4% in 2001 to 87% in 2002, while the property claims ratio improved from 78% in 2001 to 65% in 2002. Liability insurance continues to operate at a claims ratio in excess of 100%, in 2002 it was 102%. This means that, even before account is taken of management and other expenses associated with the administration of liability insurance business, claims incurred cost 2% more than premiums earned;

- The **management expenses and commission ratios** are calculated by comparing the internal management expenses of insurance companies and commissions paid to intermediaries with the total value of written premium. The overall commission ratio in 2002 was 6.7%. The management expenses ratio for the non-life market in 2002 was 10.9%;

- The **combined or operating ratio** combines the claims, commissions and management expenses ratios. The operating ratio for the non-life market improved significantly from 112% in 2001 to 100.5% in 2002. In money terms this means that the non-life market lost half a cent on underwriting insurance for every €1 of premium earned in 2002.
  The operating ratio for liability business was unsatisfactorily high at 119%.

Non-life Insurance Operating Ratios 2002



Motor Insurance

- Motor insurance GWP exceeded €1890m in 2002, an increase of 13% on 2001. This increase should be seen against the background of significant economic expansion (GDP rose by 12% in 2002) and in the national vehicle fleet as a whole.

- Motor insurance business accounts for almost 48% of total non-life premium, making motor insurance by far the largest class of business in the Irish non-life market.

- Nearly 70% of motor insurance premiums are earned from the private motor insurance market, and just over 30% from commercial motor business.

- Net earned motor premiums increased from €1456.3m in 2001 to €1588.9m in 2002 (up 9.1%).

- Net incurred claims costs decreased by 2.5% from €1418.2m in 2001 to €1382.2m in 2002.

- The net underwriting loss in motor insurance improved from a loss of €174.1m in 2001 to a positive return of €18.5m in 2002.

- Motorists often tend to relate the cost of motor insurance to the value of their car. In fact, the greater part of a private motor insurance premium covers the third party insurance risk. Third party insurance covers the insured driver against liability to compensate others for personal injury and property damage caused by the insured driver. The cost of insuring against fire damage, theft, and accidental damage is relatively small in comparison. **Typically, about 70% of the premium for a comprehensive policy – and about 85% of the premium for a third party, fire and theft policy – is used to cover the third party risk.**

1998 – 2002 CSO Consumer Price and Motor Insurance Indices			1998 – 2002 1m
Year	Consumer Price Index annual change	Motor Insurance Index annual change	Pre-tax Motor Insurance Net Operating Results*
1998	+2.4%	+4.7%	+ €19.7m
1999	+1.6%	+5.8%	- €20.3m
2000	+5.6%	+8.9%	- €166.2m
2001	+4.9%	+17.6%	- €12.7m
2002	+4.6%	+13.6%	+ €183.2m**
1998/2002	+17.7%	+53.8%	+ €3.7m

(Source: 1998 – 2000 Department of Enterprise, Trade & Employment's Insurance Annual Report; 2001 and 2002: IIF). (**IIF estimate). Figures from the Central Statistics Office's surveys of the cost of motor insurance show how rates have changed:*

- General inflation, as measured by the Consumer Price Index, has varied between 2.4% and 5.6% annually over the five year period 1998 to 2002, although the rate of inflation has decreased in 2002 to 4.6%. Over the full five years to the end of 2002, prices increased by 17.7%.

- Private motor insurance costs are also tracked by the CSO and form part of the "Services" element of the CPI calculation. Motor insurance costs have continued to increase above the general inflation rate. Over the five years 1998 to 2002, the cost of motor insurance has increased by 53.8%, largely driven by claims inflation and heavy market losses sustained during this period.

- It was only in 2002 that the motor insurance market returned to profitability for the first time in four years. Over the five years 1998 to 2002, the motor market managed a net operating profit of only €3.7m - based on €7 billion gross written premium in this period - and this equals a return on premium of 0.05% before tax!

Property Insurance

- In terms of size, the property insurance market is split roughly equally between household and commercial property. The property insurance class is the second largest sector in the Irish non-life market after motor insurance.

- IIF members wrote gross property insurance premiums of just over €1015m in 2002, up nearly 25% on the previous year.

- Net written premium increased by 18.9% to €765.6m.

- Net earned premium at €682.1m and net incurred claims at €445.5m resulted in a net underwriting profit of €41.8m in the property insurance market in 2002, an improvement on 2001 when the underwriting loss was €41.3m.

- Having made a net operating loss of €8.3m in 2001, property insurers made a net operating profit of €74m in 2002.

Liability Insurance

- The liability insurance market divides in premium income terms between employer's liability at 48% and public liability (including product liability and professional indemnity insurances) at 52%.

- IIF liability insurance members wrote gross liability premiums of €725.2m in 2002, up 41.6% on the previous year.

- Net earned premium increased by 39.7%, from €395m in 2001 to €552.3m in 2002.

- Net claims incurred rose by 18.8% in 2002, resulting in an underwriting loss of €115.7m, and this compares with an underwriting loss of €163m in 2001.

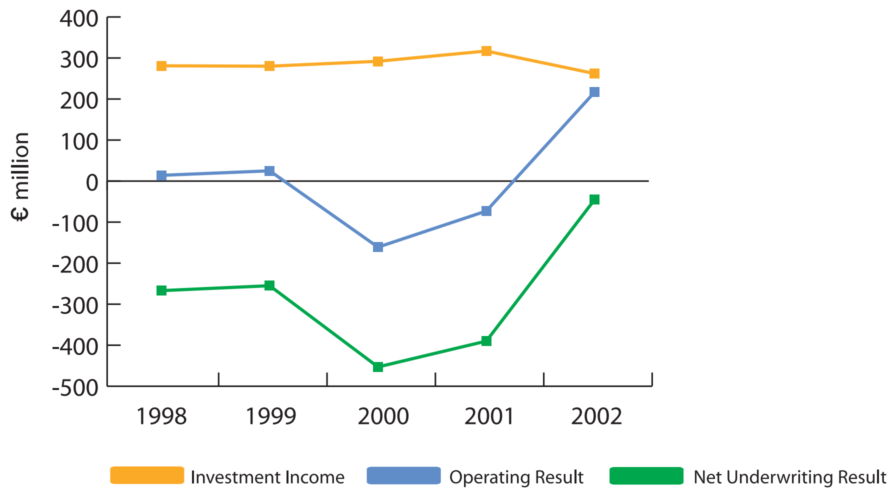
Other Non–life lines

- IIF members wrote gross personal accident and travel insurance premiums of €48.9m in 2002, a drop of 11.9% in 2001 when the comparable figure was €55.5m. This class of business generated a modest net underwriting profit of €4m, down from €4.7m in 2001.

- Other classes of non-life business – including marine aviation and transit (MAT), credit and suretyship, other financial loss covers and legal expenses insurance were worth over €274m in gross written premium to IIF members in 2002. These classes produced a net underwriting profit of €6m for the year.

Market trends 1998-2002

Market Underwriting and Operating Results and Investment Income 1998-2002

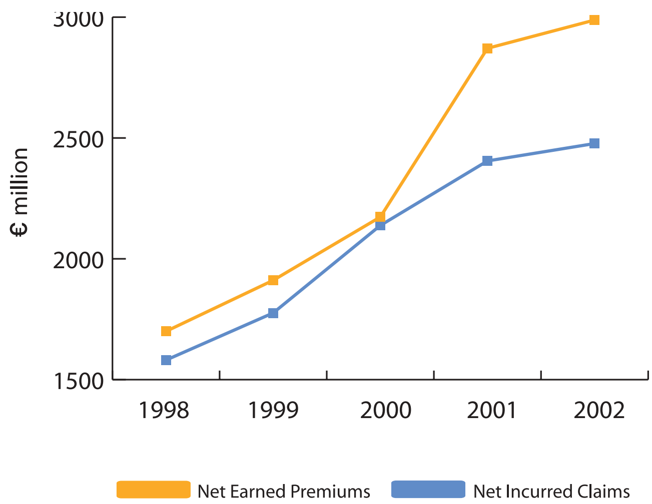


Sources, 1998 to 2001: Department of Enterprise, Trade & Employment's Insurance Annual Report; 2002: IIF.

- The graph shows net underwriting result, investment attributable to the underwriting account and the operating result for the non-life business market for years 1998 to 2002.

- While the underwriting result has deteriorated from a loss of €267m in 1998 to a loss of €390m in 2001, there was a marked improvement in 2002 to a net underwriting loss of €45m. Investment income on technical reserves (income plus realised gains/losses on disposal of investments and unrealised gains/losses on year-end investment holdings) has in the past generally enabled insurers to generate an operating profit. Although this was not the case in 2000 and 2001, the situation has turned round in 2002 and, after investment income was taken into account, insurers made an operating profit of €217m.

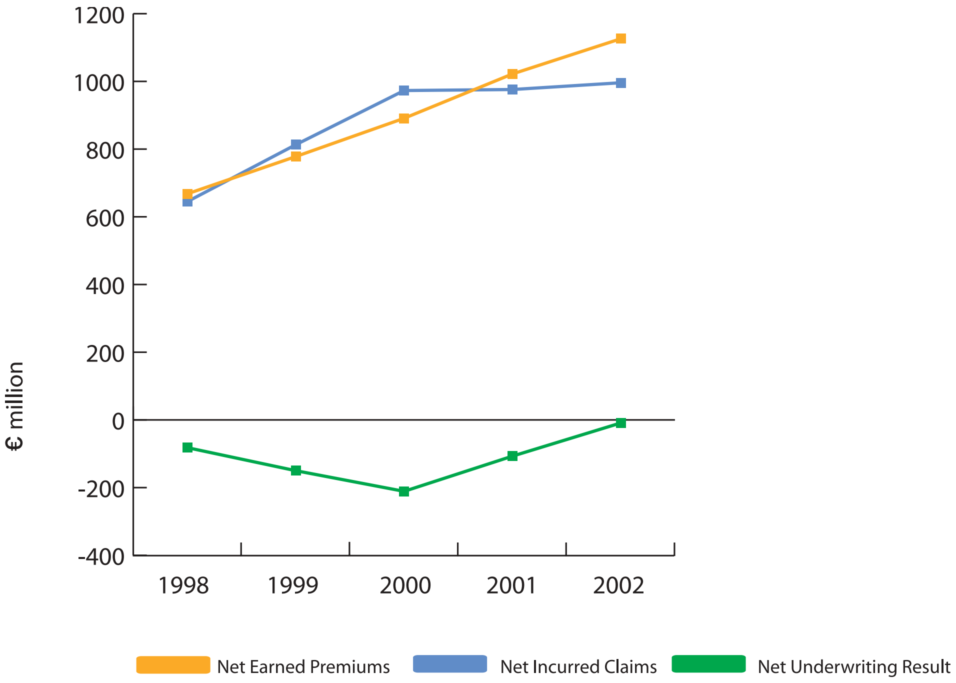
Market Premiums and Claims 1998 - 2002



- The chart shows five year trends in net earned premium (NEP) and net incurred claims costs (NIC) for all non-life business.

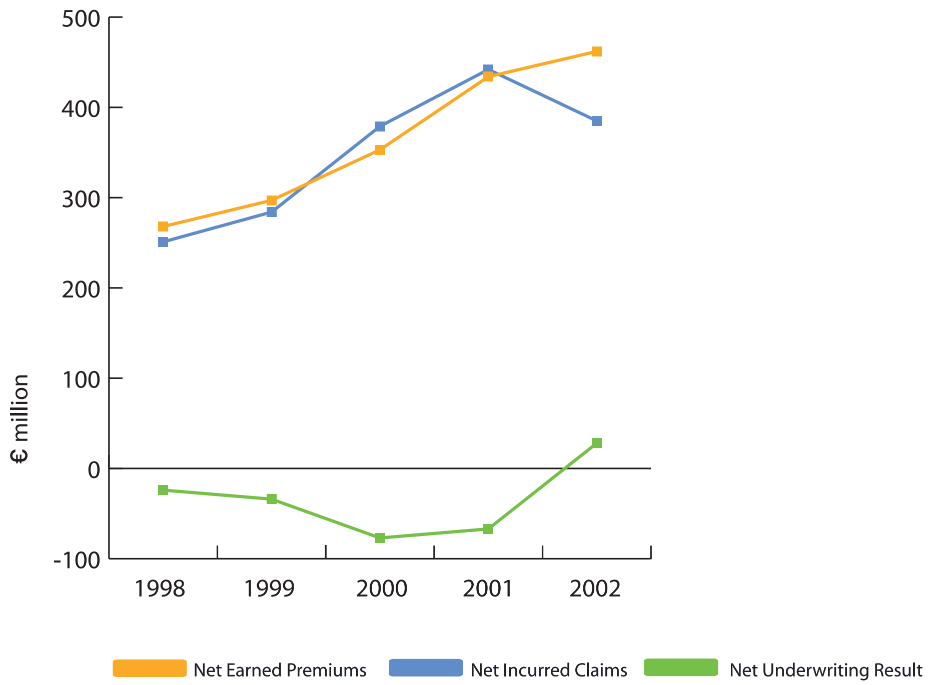
- Whilst net earned premium increased by 75.8% during the period 1998 to 2002, claims costs increased by 56.7%. While still a negative figure, this resulted in an improvement in the underwriting result, from a loss of €253m in 1998 to a loss of €45m in 2002.

Private Motor 1998 - 2002



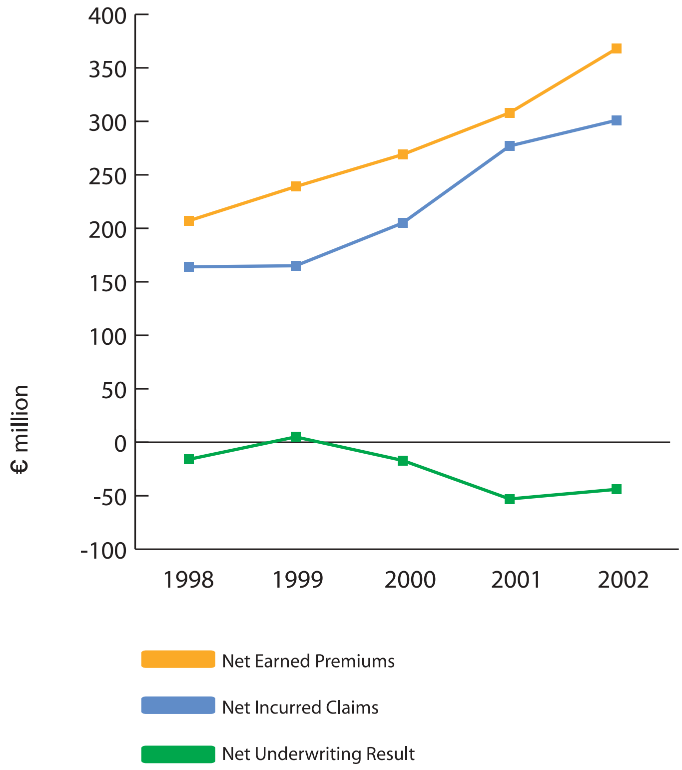
- The private motor market has increased by 68% over the five year period 1998 to 2002, from €668m in 1998 to €1126m in 2002. However, the claims ratio has remained very high in this time, with claims costs exceeding earned premium in 1999 and 2000. The net underwriting result improved to a loss of €9m in 2002, from a loss of €107m in 2001.

Commercial Motor 1998 - 2002



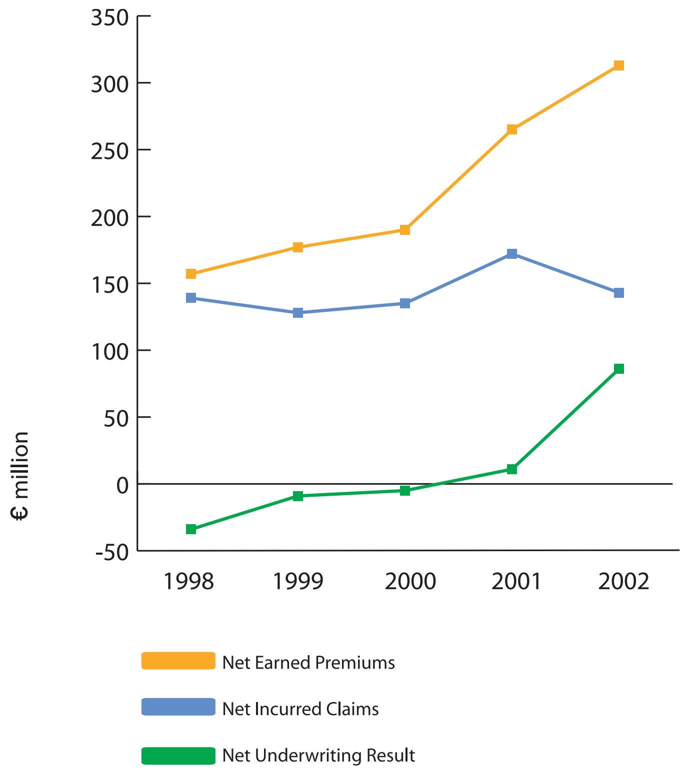
- The size of the commercial motor insurance market has increased by 72.4% in the five year period 1998 to 2002. The underwriting result improved from a loss of €67m in 2001 to a profit of €28m in 2002.

Household Property 1998 - 2002



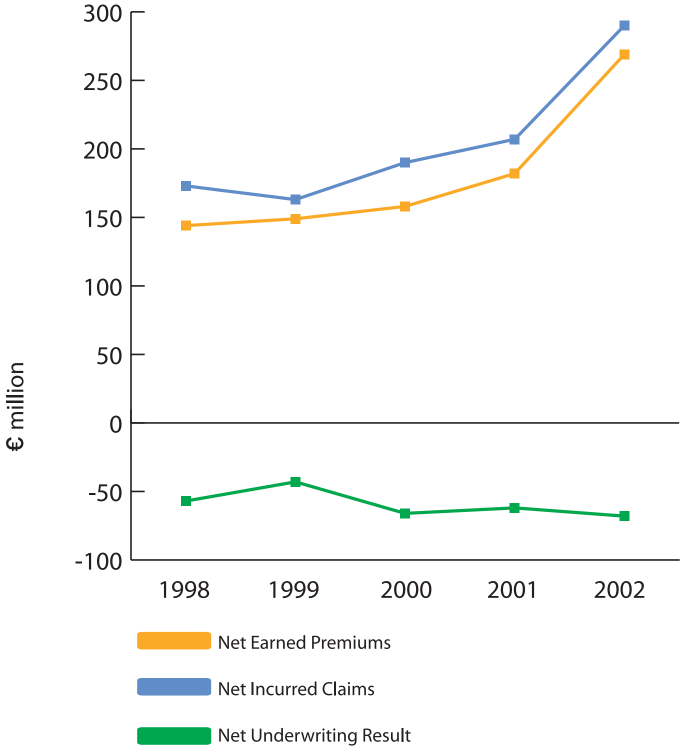
- The household insurance account registered an underwriting loss of €44m in 2002. This is an improvement on the 2001 figure of a loss of €53m. The November 2002 floods, which generated 1171 household claims, cost insurers €39m.

Commercial Property 1998 - 2002



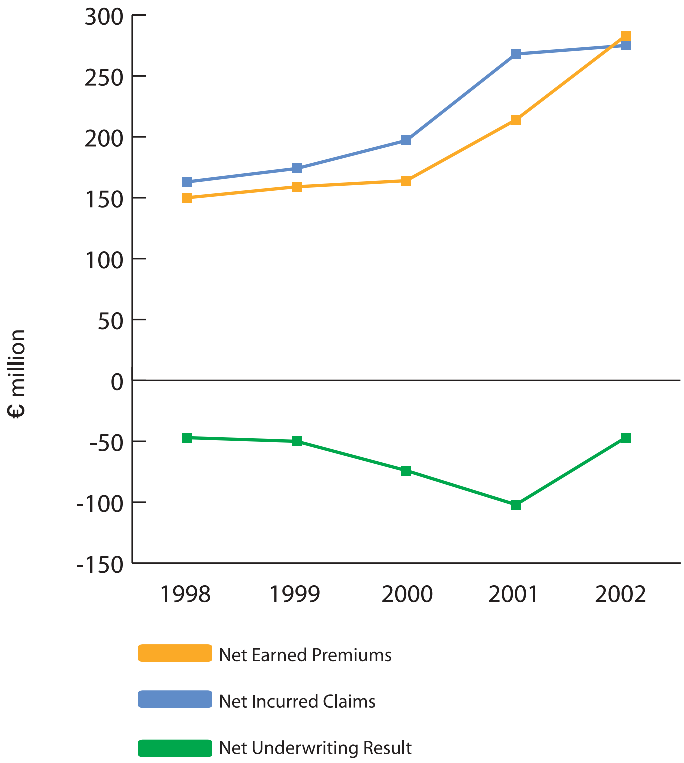
- Commercial property insurance made an underwriting profit in only two of the five years under review. From an underwriting loss of €34m in 1998, the underwriting loss improved in 1999 and 2000 and commercial property insurance returned a profit of €11m in 2001 and €86m in 2002.

Employer's Liability 1998 - 2002



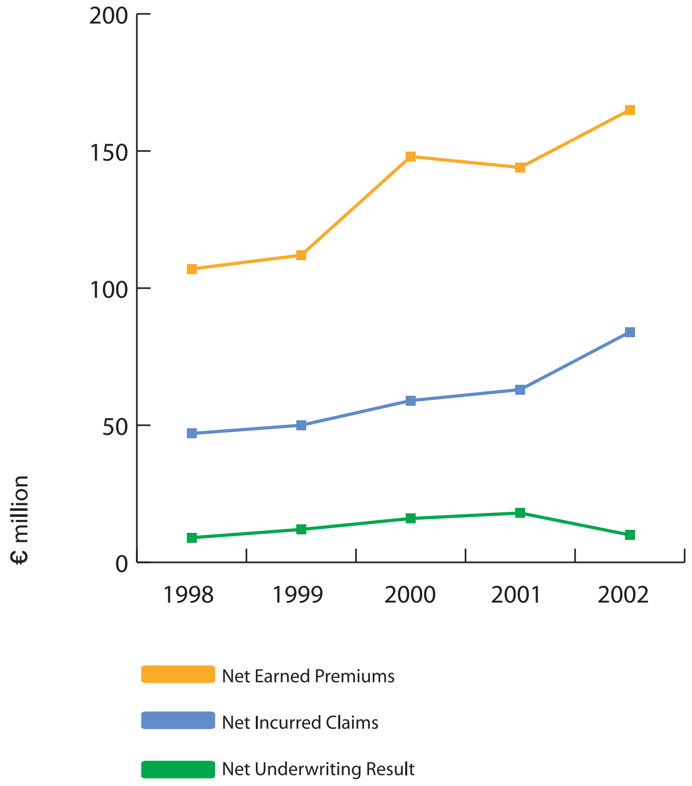
- The continuing poor underwriting results in the employer's liability class are cause for extreme concern. As can be seen from the above graph, net claims costs have exceeded net earned premium in each of the last five years, contributing to accumulated net underwriting losses of €283m in the five year period 1998 to 2002.

Public Liability 1998 - 2002



- As with employer's liability, public liability claims costs also give cause for concern. There have been consistent underwriting losses, reaching a low of €102m in 2002 during the last five years.

Other Classes 1998 - 2002



- Other classes of Non-life business includes personal accident, travel, and financial loss insurances. The situation for these business lines is a lot healthier than in the liability market. In the period under review, there has been an underwriting profit returned every year between 1998 and 2002.

Currents Issues

- IFRSA – The First Term's Report
- Pensions
- Anti-fraud Awareness Campaign
- Liability and Motor Insurance
- EU Developments

IFRSA – The First Term's Report

Insurers were calling for a single regulatory authority for financial services even before the Government decision of 1998 to centralise the solvency and consumer protection supervision of financial services firms. It took a long time from that decision, via the deliberations of the McDowell Committee, for the new Irish Financial Services Regulatory Authority (IFSRA) to be set up. But the new Single Regulator finally took over the supervision of insurers, banks, investment intermediaries and other financial services firms on 1st May 2003.

So now that we have it, what do we think of it? Has the establishment of IFSRA improved the quality of supervision of the insurance industry? Will its existence lessen the chances of an insurance company going to the wall? Can consumers look forward to greater protection in their dealings with insurers in the future?

It is of course far too soon to make a definitive assessment on these issues, but, from our first few months of dealing with IFSRA, we can perhaps make out some indicators as to where it is headed in the longer term.

A new era for regulation. The Irish Financial Services Regulatory Authority (IFSRA) was launched on May 1 st 2003, (from left to right) Minister for Finance Charlie McCreevy, Tánaiste Mary Harney and IFSRA Chairman Brian Patterson.

Essentially, IFSRA is tasked with two distinct – and potentially conflicting – functions in relation to insurance companies. Firstly, it takes over the Department of Enterprise Trade and Employment's former tasks of licensing new insurers setting up in Ireland and of supervising Irish insurers' solvency on an ongoing basis. Secondly, it has a specific brief to address consumer protection issues and has wide – and in future even wider – powers to prescribe rules governing insurers' dealings with policyholders. These consumer protection rules will cover the marketing and sales processes, the ongoing insurer-policyholder relationship, claims and disputes. The consumer protection area is expected to be a more active field for the development of new laws and codes of practice. Whereas the authorisation and solvency rules are more or less uniform throughout the EU, there is more scope for variation between the consumer protection laws in Ireland and those in other EU countries;

The insurance market's initial impression is of contrasting approaches being adopted by the separate units of IFSRA. The approach to solvency supervision reflects a continuation of the inclusive, consultative approach of the former regulator. Discussions have already commenced on a number of areas with a view to improving the effectiveness and efficiency of solvency supervision, notably with regard to:

- increasing the detail and regularity of financial reporting;
- elaboration of guidelines for insurers on the placement of reinsurance; and,
- consultation on forthcoming EU supervisory and accounting initiatives which will have significant consequences for the Irish and EU insurance market.

The new Consumer Division of IFSRA, on the other hand, initially seemed much more cautious about engaging with insurers and addressing the commercial realities of the insurance market. A draft code of conduct for insurers was issued, which draws on terminology and practice appropriate to investment markets but less relevant to insurance products. However, discussions on the code are continuing and it is to be hoped that a potentially valuable piece of consumer protection legislation can be put in place, which recognises the unique features of insurance products within the wider spectrum of financial services, and accommodates the commercial and practical realities of the market. Although not charged with the direct supervision of pensions provision, IFSRA has also issued a consumer information leaflet on PRSAs with attendant requirements for insurers in relation to the sale of PRSAs.

We believe that closer integration of the various units of IFSRA, which will undoubtedly take place as personnel move and systems and premises are finalised, will help to synchronise the policy and philosophy adopted by IFSRA. There is also a need for early adoption and implementation of the Central Bank and Financial Services Authority of Ireland (No.2) Bill. The Bill will provide for the establishment of industry and consumer consultation panels and a statutory Ombudsman for Financial Services.

It is important for the insurance industry to establish its bona fides with the new regulatory authority. Whilst there may be periodic differences of opinion on details of proposed legislation or regulatory requirements, insurers are strong supporters of the concept of a professional single regulatory authority. We believe that both solvency supervision and consumer protection structures, rules and practices must evolve to maintain the reputation and standards of the Irish financial services market generally, and of the insurance industry in particular.

One of the traditional strengths of the supervisory system in Ireland is an open and inclusive approach to consultation with all interests. It is important that this feature of the supervisory system is maintained in the new environment. In relation to the consumer protection agenda, we believe that any new requirements should emerge from a rigorous analysis of their value to the consumer compared to the costs of providing those consumer benefits. Whilst any extra administrative costs initially fall on the providers and distributors of financial products, inevitably those costs are passed on to the consumer in the pricing of the products. It is pointless to implement measures that increase the cost of the product or cause suppliers to withdraw from a market, to the detriment of the consumer, if the benefits of the increased consumer protection do not outweigh the costs. There should not be regulation for regulation's sake, but only to serve the positive goal of generating a net improvement in consumer protection.

Overall, the initial assessment of IFSRA's first few months of operation must be that the model and structure are fundamentally sound; there are certainly teething troubles, but nothing that an open attitude, adequate human and technical resources and a flexible and inclusive approach to consultation cannot overcome. IIF and its members, for their part, are pledged to work constructively with IFSRA to maintain and improve the quality of supervision of insurance companies, the availability of up-to-date market intelligence to the regulator and the level and relevance of consumer protection measures for policyholders.

Pensions

The last few months has seen a huge amount of publicity surrounding the introduction of Personal Retirement Savings Accounts (PRSAs) to the pensions market. A significant range of products is now firmly in the marketplace, mainly being offered by Life assurance companies.

The original concept behind PRSAs, which came from the National Pensions Policy Initiative Report in 1998, was that PRSAs would replace a range of exiting pension products, that has turned out not to be the case. We therefore have another pension product on top of the existing array of products. The industry has been actively inputting ideas on how the pension market might be simplified going forward and we look forward to progress on this front in the coming months and years.

Much of the commentary to date has concentrated on the complexity that now exists in the pensions market, which covers a range of options for retirement provision including: defined benefit pension schemes; defined contribution pension schemes, additional voluntary contribution schemes; retirement annuity contracts and buy-out bonds as well as Standard and non-Standard PRSAs. It is when an individual can opt for more than one of these and is trying to compare the

Irish Insurance Federation (IIF) Chief Executive Michael Kemp, Minister for Social and Family Affairs Mary Coughlan and IIF Vice-President Tom Barry at an IIF pensions briefing for the Minister and officials in Insurance House on August 27th, 2003.

relative pros and cons that things can get complicated. Different rules apply to different types of pension arrangements, leading to confusion in the minds of those funding for retirement. Many of the rules are designed to ensure that individuals do not exceed the Revenue limits. However, in practice, most people seriously underfund their pensions and suffer a significant drop in income on retirement.

A key element of additional complexity was the fact that the PRSA was the first product that had its terms and conditions specifically set down in legislation and regulation. However the existing regulation of sales processes is also applicable to the PRSA resulting in a product which is potentially over-regulated and thus more expensive to distribute, whilst at the same time, in the case of the standard PRSA, being subject to a legal cap on charges. Again industry has been making proposals to IFSRA and The Pensions Board about how this issue can be tackled without diminishing the protections afforded to consumers.

September 15th 2003 was an important milestone date for PRSAs. The reaction of employers to the new obligation to provide access to PRSAs, if they do not already provide pension benefits to their staff, will determine the success or otherwise of the objective of achieving a 70% coverage level for pensions within 5 years.

The Government has said that the introduction of PRSAs will be accompanied by a pensions awareness campaign aimed at the general public and this is to be welcomed. The Pensions Board has been given the task of monitoring the development of PRSAs over the next three years and at the end of this period producing a report on the success of the initiative. However improving pensions coverage is not just about people taking out their own pension plan. A meaningful retirement income will only result if meaningful contributions are made over an individual's working life. In this age of lower investment returns and people living longer, this means starting contributions on entry into the employment market and at a level of about 15% of salary each year. This represents a very significant commitment.

IIF Anti-fraud Awareness Campaign

At their most fundamental level, insurance companies operate by earning premiums and by paying out on claims. An efficient insurance industry should also process all legitimate claims in an expeditious and fair manner, and Irish insurance companies pride themselves on doing a good job on behalf of their policyholders in this regard.

In order to determine the price of a risk, insurance premiums are calculated using relevant statistics based on the cost of claims facing insurers such as claims frequency, the level of compensation and associated litigation costs, and, the costs incurred from exaggerated or fraudulent personal injury claims. These claims costs have spiralled in recent times, and as a consequence insurance premiums have increased sharply in Ireland since 1999, especially in motor and liability insurance.

While one of the principles underpinning an insurance contract is that all parties should deal with each other in "utmost good faith" (i.e. disclose all material information and not embellish any aspect of it etc.) it is a reality however that insurance claims, especially those with a personal

IIF's nationwide anti-fraud awareness campaign, including the Insurance Confidential facility, was launched on February 20th, 2003 by An Tánaiste Mary Harney. An Tánaiste described the reporting of insurance fraud as "a patriotic duty".

injuries component, are open to abuse. Claims may be used as vehicles to exaggerate existing injuries in order to gain greater levels of monetary compensation, or the claim presented to an insurer may be spurious and be a complete fabrication from start to finish. In 2003, in Ireland, the cost of spurious and exagerated insurance fraud was an estimated €100m.

In an attempt to effectively address one factor driving up insurance premiums – fraud – the IIF planned, prepared and executed a public relations awareness campaign in 2003 that involved, as well as member companies, all the major stakeholders in the issue: the public; the Government; and, An Garda Síochána.

The IIF's anti-fraud campaign was based on a public relations strategy with two key objectives:

- that insurance fraud is not a victimless crime and it costs policyholders – that's you and me – real money;
- to create a facility for concerned members of the public to take action and help stamp out the culture of insurance fraud. IIF established "Insurance Confidential" on 1890 333 333 – a LoCall telephone service staffed by dedicated personnel dealing exclusively with reports of suspicious insurance claims and then advising IIF member companies of this new information, as appropriate. Undoubtedly the existence of Insurance Confidential also acts as a deterrent to those contemplating an insurance fraud.

An Tánaiste and Minister for Enterprise, Trade and Employment Mary Harney launched the IIF anti-fraud awareness campaign on February 20th, 2003. At the press conference the Tánaiste described the reporting of insurance fraud as "a patriotic duty". A joint IIF/ Tánaiste press release was published and the Tánaiste stated that the Government intended to introduce "tough new legislation … to combat the fraudsters".

In order to build on public confidence that action is being taken at industry level to eradicate insurance fraud, IIF worked with the Garda Bureau of Fraud Investigation and agreed new procedures for insurers to refer suspected cases of fraud to An Garda Síochána. The rollout of these procedures is planned for late 2003 and it is hoped that this new arrangement will greatly increase the number of successful prosecutions of insurance fraud.

In its first 6 months of operation, Insurance Confidential received over 750 calls from members of the public. The vast majority of the calls explicitly praised the existence of the telephone service and supported the IIF anti-fraud campaign generally.

Since the IIF anti-fraud campaign started, the Government has progressed its responsibility on this issue also. On July 4th, the Minister for Justice, Equality and Law Reform Michael McDowell, announced that the Government had approved the Heads of a Bill to radically reform the law on personal injury actions. The Government authorised the Minister to publish the heads, entitled the Civil Liability and Courts Bill, 2003. In reality, only when this piece of legislation gets published in its entirety, and enacted, will the public begin to truly believe that the fraudulent and exaggerated claims environment is being taken seriously by our legislators.

At the time of going to press, the IIF Anti-fraud Awareness Campaign had been short-listed by the Graphic Design Business Association for an Irish Design Effectiveness Award (IDEA), 2003. At a public policy level, it is fair to say that combating insurance fraud is now high on the political agenda. Like another issue close to the heart of the insurance industry - road safety - we can see that publicity, supported by the various stakeholders and tangible initiatives, can prove to be the successful combination in achieving pre-determined strategic objectives.

Liability and Motor Insurance

Liability insurance costs are high in Ireland in comparison to other countries. While there is good reason to hope that current downward trends in the cost of motor insurance may continue, the picture in the highly unprofitable and volatile liability market is bleaker.

The liability market is still in crisis, as the following headline figures illustrate;

- the Irish liability insurance market has incurred significant net underwriting losses in each of the last five years 1998-2002 (cumulatively a loss of over €600 million over the five year period when one takes employer's and public liability together);
- liability insurance has recorded an operating loss after investment income in each of the last five years (cumulatively almost €179 million);
- in 2002 liability underwriters incurred a net underwriting loss of €115.7 million and an operating loss of €56 million after investment income;
- net claims and expenses have exceeded earned premium every year in the period 1998-2002;
- over the five years 1998-2002 the return on turnover has been –7%;
- the five year return on capital has been –18.4% at 40% solvency.

In short, despite the high premiums charged for employer's and public liability insurance in Ireland, insurers are not making money in this market. The Irish market results reflect both local factors and worldwide difficulties with capacity and profitability. These factors collectively account for significant cost increases in liability insurance over the last few years along with reduced capacity with a number of providers of liability insurance pulling out of the market or significantly restricting their underwriting.

IIF's Ian Stuart presents Minister of State at the Department of Transport Dr Jim McDaid and National Safety Council Chairman Eddie Shaw with a sponsorship cheque of 41.24 m for 2003, on behalf of IIF motor insurance companies.

When the market figures are analysed it is clear that suggestions of average increases of 200% or 300% over the past three years are wildly exaggerated. There is no doubt that there have been very significant increases for some policyholders and the cost of liability insurance has clearly been a major problem for many businesses. Nevertheless, the figures suggest that average increases (after allowing for increased wageroll and turnover exposure and economic growth) in the region of 20%-30% per annum have been recorded over the last 2-3 years.

It is vital that all of us – Government, insurers, policyholders and others involved in the system – understand that liability insurance premiums will only fall if claims costs reduce. In this context, the early adoption of legislation from the Departments of Justice and Enterprise, Trade and Employment designed to give effect to important recommendations of the Motor Insurance Advisory Board (MIAB) is vital as many of these recommendations will – if implemented – have a beneficial effect on liability insurance costs as well as on motor insurance. These Bills will establish the Personal Injuries Assessment Board (PIAB), streamline the litigation process in the courts and introduce greater deterrents to fraudulent and exaggerated claims.

Of course the best way to reduce claims costs is to prevent accidents happening in the first place. It is important that Government sees investment in safety in the workplace and on the roads (funding of the Health and Safety Authority inspectorate and the Gardaí respectively) as an investment in the country's future and not as a drain on resources if we are to break the vicious circle of high claims costs and premiums.

Motor

The 2002 operating profit of €183 million brought the motor insurance market back into the black for the first time in four years. In the longer term context of the five years 1998-2002, the operating result of the motor insurance market was a profit of a mere €3.7 million, equivalent to a return of 0.05% on premiums written and 0.12% on capital employed.

Over the course of 2003 there have been numerous and significant reductions in motor insurance rates announced by a number of motor insurers. Furthermore, there is reason to suppose that there will be continuing reductions in motor insurance costs, assuming of course that progress is made on implementation of the MIAB recommendations. It is important to realise that reductions in motor insurance rates implemented by various insurance companies during 2003 have been on foot of savings realised as a result of improvements in claims frequency and average cost which have not been generated by implementation of MIAB recommendations, with the possible exception of a marginal impact on claims frequency associated with the introduction of penalty points for speeding in November 2002.

The bulk of the MIAB recommendations, and all of the core recommendations which have the potential to bring down the cost of motor insurance, are directed at Government and **none** of these has yet been implemented. It is therefore vital that Government assigns top priority to implementing the MIAB recommendations addressed to Government departments urgently and to making further significant reductions in the numbers of people killed and injured on the roads. While the introduction of penalty points for speeding and some other offences has been effective in the short term, current fatal and serious injury accident statistics give cause for concern with regard to the level of enforcement activity. The National Road Safety Strategy 1998-2002 expired some time ago and it is vital that a follow-up three year road safety strategy is put in place urgently.

Insurance issues at European level

Lamfalussy / Financial Stability, Supervision and Integration

Draft Directives to establish two committees, the European Insurance and Occupational Pensions Committee (EIOPC) and the Committee of European Insurance and Occupational Pensions Supervisors (CEIOPS) have been approved by the Insurance Committee.

The EIOPC will consist of senior Finance Ministry officials, whilst the CEIOPS will consist of insurance and pensions supervisors. CEIOPS will advise the Commission on technical measures to implement framework directives regarding insurance and pension fund supervision, and actively seek greater convergence amongst supervisory authorities in the implementation of EU rules. Under these arrangements CEIOPS will play a critical role in the development of the 'Solvency II' rules.

The decision to make CEIOPS fully operational is expected before the end of 2003.

Guarantee Schemes

The EU Insurance Committee has not committed to supporting DG *Markt* in drawing up a directive on a European Guarantee scheme. While concluding that further work is needed before legislation is drafted the Commission has indicated that it is in favour of introducing such schemes to reinforce policyholder protection measures contained in existing insurer winding-up legislation.

Proposal for a directive on consumer credit

The proposal for a directive on consumer credit, revising the existing Consumer Credit Directive and further harmonising Member States' legislation on consumer credit and surety agreements, awaits votes on the First Reading in the European Parliament.

In its position paper of 19 February, the CEA – umbrella group of European insurers – warned that the proposal imposes disproportionate constraints on operators without improving consumer protection.

Proposed 5th Motor Directive

The proposal for a new Motor Directive seeks to modernise existing EU rules on motor insurance in a number of areas. Some of the proposals are, in principle, uncontroversial, subject to resolving potential practical difficulties and ensuring that no undue cost and administrative burdens fall on insurers.

The most controversial issue remains the attempt to create a presumption of liability on the part of motorists when involved in traffic accidents with pedestrians and cyclists. Another issue of concern is the question of payment for property damage claims in accidents with unidentified vehicles, which has the potential to lead to an increase in fraud.

Reinsurance Directive

A formal Commission proposal for reinsurance is expected by the end of 2003. The Commission's Insurance Committee is supporting a fast-track approach to a Reinsurance Directive with simplified supervision based on the present non-life directives and a 'single passport'. This would remove unnecessary barriers and provide a guarantee of financial strength, transparency and management quality in pure reinsurance companies operating cross-border in Europe.

Solidarity fund on natural disasters

An EU Solidarity Fund to cover uninsurable / uninsured damage was set up last year with €1bn. The CEA was concerned that 'uninsurable' is not defined but has got confirmation from DG Environment that the fund will not disincentivise private insurance provision against weather damage. European Contract Law - Action Plan

The Commission 'Action Plan' on contract law, which was published in February, lists proposes a mixture of regulatory and non-regulatory measures to resolve the perceived problem to trade in insurance caused by the EUs different legal codes. It proposes a three-pronged strategy including: a common frame of reference; standard contract terms; an optional legal instrument.

IIF has opposed harmonisation of European contract law, arguing that it would cause legal instability, impose disproportionate costs and administrative burdens on the insurance sector, whilst resulting in little benefit for consumers.

Gender Equality

DG Employment and Social Affairs is preparing a draft Directive to ban discrimination on the basis of gender in the European Union. The draft Directive is intended to apply to all sectors, including insurance and pensions. Article 4(a) seeks to prevent companies from using gender in actuarial calculations of premiums. The IIF believes that pricing of insurance needs to be based on risk considerations alone.

Solvency II

The Solvency II project aims to review the solvency requirements for insurers. It will have important impacts on determining capital requirements of industry and hence competitiveness. The European Commission's Insurance Committee is leading the project, with Member State representation.

The Commission intends to: a) establish the criteria which a system of solvency and prudential supervision should meet; b) study various EU, US and other insurance models; c) consider models used in other sectors, especially banking; d) consider the impact on solvency regulation of changes to accounting systems. A consultation paper is expected in late 2003.

International Financial Reporting Standards (IFRS)

The final adoption of the IFRS is expected in Autumn.

The EU will require all listed EU companies, as well as companies preparing to list, to prepare their consolidated financial statements in accordance with IFRS by 2005. The new Standard will apply to all transactions, assets and liabilities arising out of insurance contracts.

Revision of the 4th and 7th Accounting Directives

The Council of Ministers adopted the proposed changes to the Accounting Directives on 6 May. The revision of the Accounting Directives awaits entry into force.

The Commission's intention is to establish a level playing field between those companies that apply International Accounting Standards (IAS) and those that do not.

Revision of the Investment Services Directive

The European Commission has proposed a revision of the 1993 Investment Services Directive (ISD). The ISD is the cornerstone of the of EU legislative framework for investment firms and securities markets. The proposed revision addresses issues of market structure and consumer protection. A common position is not expected until October 2003 at the earliest.

EU Competition Rules: Insurance Block Exemption Regulation

The Regulation entered into force on 1 April, replacing a previous Regulation expiring on 31 March, and will take effect as of 1 April 2004, after a one-year transitional period.

The Regulation covers four types of agreement in the insurance sector, namely agreements on:

- common risk premium tariffs
- common standard policy conditions
- joint coverage of certain types of risks
- testing and acceptance of safety devices

The Irish Insurance Federation

About the Irish Insurance Federation

The Irish Insurance Federation was established in March 1986 and is the trade body representing insurance companies in Ireland. The objectives of the IIF are:

"To influence the domestic and international regulatory, legal, political and social environments in which our members operate, in order to advance the interests of the insurance industry and its customers."

The Organisation of the IIF

The IIF has a board on which both the life and non-life insurance sectors of the industry are represented. The board deals with matters of common interest to both sectors and the industry in general. However, to cater for their special interests, the life and non-life sectors and IFSC have separate management committees and a number of standing committees dealing with specific aspects of life and non-life insurance business.

The Chief Executive of the IIF, with responsibility for day to day management, is Michael Kemp.

Member Companies

In 2003, the IIF membership amounted to 56 companies which between them control 98% of the total insurance business in Ireland. Membership includes 12 International Financial Services Centre companies, writing foreign business. Membership of IIF is open to all authorised insurers operating as Irish-authorised companies, or as branch offices of overseas firms.

Website

www.iif.ie is an online information resource with six sections:

1. About the IIF
2. Consumer Information
3. Industry statistics
4. Media Section
5. Members' Section
6. News Update

Links from the site connect to a glossary of insurance terms, to IIF members, to Government departments and agencies and to insurance and other associations.

Life Members	IFSC Members	Non-life Members
Acorn Life	*AIG Life*	*ACE Insurance S.A.-N.V.*
Anglo Irish Assurance	*Area Life*	*AIG Europe*
Ark Life	*BFC Insurance (Life)*	*Allianz*
Bank of Ireland Life	*Eagle Star European Life*	*AXA*
Caledonian Life	*Assurance Company*	*BFC Insurance*
Canada Life	*Hansard Europe*	*BUPA Ireland*
Combined Life	*HSBC Life*	*Combined Insurance*
Eagle Star Life	*Irish Life International*	*DAS Legal Expenses*
ECCU	*Prudential Europe*	*DeMontfort Insurance*
Equitable Life	*Scottish Mutual International*	*Eagle Star Insurance*
Friends First Life	*SEB Trygg Life*	*Ecclesiastical*
GE Financial Insurance	*Skandia*	*FBD*
Hibernian Life	*St James's Place International*	*Generali*
Irish Life		*Halifax Insurance*
Pinnacle		*Hibernian Insurance*
Quinn Life-Direct		*Irish Public Bodies Mutual*
Royal Life		*Mapfre Asistencia Agency*
Royal Liver		*Probus Insurance*
Scottish Legal Life		*Quinn-Direct Insurance*
Scottish Provident		*Royal & SunAlliance*
Standard Life		*St Paul*
		Vhi Healthcare

Codes of Conduct

The IIF's life and non-life members abide by a series of self regulatory Codes of Practice. These Codes provide a thorough framework of guidelines and recommendations for insurers and provide essential protection for our customers. Full details of these codes can be found on www.iif.ie

Life Codes

Code of Practice on Life Assurance

This Code applies to life policies taken out in a private capacity by individuals and contains rules on the duty of disclosure, the content of proposal forms and other documentation and claims payment procedures.

Code of Practice on Life Assurance Selling

This Code sets out guidelines on general sales principles for salespeople. The Code stresses that the overriding obligation of a salesperson at all times is to conduct business with the utmost good faith and integrity and includes recommendations on how to make contact with prospective policyholders and how to explain details of individual contracts.

Code of Practice on Advertising and Sales Material

This Code is intended as a guide to the standards, which should be observed when advertising life assurance products, and in the production of sales material. Its purpose is to ensure that all advertising and sales material is accurate and does not contain, by omission or otherwise, any statement that could mislead.

Codes of Practice on Life Insurance Medical Reports

This Code includes guidelines for companies on the requesting of, payment for and confidentiality of medical reports and HIV blood testing.

Code of Practice on HIV Testing Limits

Because of the risk of the spread of AIDS, the life assurance industry introduced measures designed to protect the funds held for existing and future policyholders. Under this Code, IIF members agree to send individuals proposing for life cover for a routine HIV antibody test where the sum assured under the proposed policy is greater than or equal to £1,000,000 (from 1st of January 2002). Members are free to request tests at sums lower than the above at their own discretion.

Code of Practice on Factfinds

This Code states that a life assurance company salesperson must carry out a "factfind" to obtain an overall picture of the client's financial circumstances and needs as part of the sales process.

Code of Practice on Genetic Testing

This Code confirms that insurers will not send applicants for insurance for genetic tests and restricts the circumstances in which insurers will seek the results of tests undertaken by the applicant prior to applying for cover..

IIF Competency Scheme

This requires all persons involved in the sale of life assurance to have passed an industry competency test.

Code of Practice for handling Customer Complaints

This Code lays down minimum standards for dealing with customer complaints.

NON-LIFE CODE

The non-life members of the IIF are also subject to self-regulation through a Code of Practice drawn up by the Federation. The Code contains guidelines on the following:

- The duty of disclosure for private consumers;
- The content of proposal forms;
- The use of clear language in proposal forms and policy documents;
- Procedures on payments of claims;
- The content of renewal notices.

This Code provides clear and concise guidelines for all those involved in the design and sale of non-life insurance products.

IIF Customer Services

Customer Information Leaflets

A variety of information leaflets are available for insurance customers. These can be downloaded from www.iif.ie and topics include:

- IIF & IBEC Communication Guidelines for Insurers and Policyholders
- Safety at work
- Making a claim
- Making your home more secure
- Insurance for young drivers
- Insurance and the euro
- Genetic testing
- Permanent health and serious health insurance
- A Guide to Unclaimed Life Assurance Policies

Irish Insurance Federation (IIF) Vice-President Paul Donaldson and Minister for Justice, Equality and Law Reform Michael McDowell at the press conference launching the IIF and IBEC 'Communication Guidelines for Insurers and Policyholders', May 1st 2003.

Query and Complaint Procedures

In addition to the above Codes of Practice and Information Leaflets, the industry has established a number of practices and structures to ensure the maximum protection for our insurance customers.

Insurance Information Service and Insurance Confidential

The IIF call centre, based in Insurance House, combines the Insurance Information Service and the anti-fraud telephone service, Insurance Confidential.

The Insurance Information Service answers queries on all types of insurance and also investigates complaints made against insurers. Staff liaise between policyholders and companies in areas of dispute, provide assistance to people having difficulty in obtaining quotes and advise the general public on all areas related to the insurance field. This service helps keep the industry in touch with the views, opinions and changing needs of the public while also keeping the public informed about the operations of the industry. In 2002, this service dealt with 8,413 query and complaints.

Insurance Confidential is a LoCall telephone service and was launched by An Tánaiste in February 2003. Insurance Confidential is the centrepiece of an industry led national awareness campaign to eradicate insurance fraud. The facility enables concerned members of the public to contact the IIF with information relating to suspicious claims. In its first six months of operation, Insurance Confidential recieved 750 calls.

IIF's Information Service can be contacted at (01) 6761914 or fed@iif.ie.
Insurance Confidential is a LoCall number 1890 333 333

The Insurance Ombudsman of Ireland

The Insurance Ombudsman scheme was established in September 1992. The Ombudsman provides advice to policyholders about claims, mediates between the policyholder and the insurer and has the power to make a judgement in relation to claims. Insurance companies that are members of the Insurance Ombudsman Scheme have agreed to be bound by any judgement made by the Ombudsman.

Policyholders can refer their cases to the Ombudsman after the dispute or claim has gone through the insurance company's complaints procedures and the company has confirmed in writing that no settlement has been reached. The complaint must be referred to the Ombudsman within six months of receiving the written confirmation. A policyholder cannot refer a case if court proceedings have already been initiated or if the case has been referred to arbitration or to the Minister for Enterprise, Trade and Employment under Section 72 of the Insurance Act, 1936.

The Ombudsman Scheme cannot deal with disputes about the technical calculations of life companies. Nor can it arbitrate in disputes between the complainant and any other person other than the complainant's insurance company. The Ombudsman also cannot deal with disputes relating to acts or omissions of any insurance intermediary other than those for which the member insurance company bears full legal responsibility. Finally, it cannot deal with a matter that has been, or should be more appropriately dealt with, by a court of law, or with a matter barred by law because the time for bringing legal action has expired.

The Insurance Ombudsman can be contacted at www.ombudsman-insurance.ie or 32 Upper Merrion Street, Dublin 2, telephone (01) 6620899 and fax (01) 6620890.

Appendix I

IIF Life Members' Gross Premium Income 2002 €'000

€'000 Companies	Life Business			Pensions Business		Total
	Annual Premiums	Single Premiums	Industrial Branch	Annual Premiums	Single Premiums	
Acorn Life	48588	12048	0	11135	3176	74947
Anglo Irish	0	9748	0	3626	27152	40526
Ark Life	273933	428659	0	89591	38102	830285
BoI Life *	423797	458452	4500	229832	131811	1248392
Caledonian	27314	64504	0	12259	4178	108255
Canada Life	180747	138658	0	121063	81357	521825
Combined Life	430	17648	0	104	0	18182
Eagle Star Life	118380	100658	0	125091	138146	482275
Friends First Life	128195	215777	0	109075	122765	575812
GE Financial	8139	0	0	0	0	8139
Hibernian Life	181580	247218	0	168875	174518	772191
Irish Life	448483	501525	3114	402087	201792	1557001
Quinn Life-Direct	7480	1371	0	580	1128	10559
Royal Liver	60698	87163	65674	16784	4219	234538
Scottish Legal	3014	2767	2666	140	0	8587
Scottish Provident	39890	14238	0	49245	51636	155009
Standard Life	98903	174229	0	114334	219296	606762
Total	2049571	2474663	75954	1453821	1199276	7253285

Appendix II

IIF Non-life Members' Gross Written Premium 2002

€'000 Company	Motor	Property	Liability	PA/Travel	Other Classes	Total
AIG Europe	41152	39284	44933	14717	111764	251850
Allianz	221438	204228	144420	1960	18310	590356
AXA	446522	74802	646	4069	0	526039
Combined	0	0	0	0	54117	54117
DAS	0	0	0	0	3556	3556
DeMontfort	0	0	0	0	2523	2523
Eagle Star	186163	112965	69256	102	3513	371999
Ecclesiastical	3	6980	1821	46	0	8850
FBD	165768	85189	67067	3645	4139	325808
GE Financial	0	0	0	0	50928	50928
Generali	0	391	-60	1625	9	1965
Hibernian	477806	228032	146408	2440	2711	857397
Irish Public Bodies	8152	16342	75304	0	308	100106
Pinnacle	0	0	0	0	0	0
Quinn-Direct	177504	3128	42951	0	0	223583
Royal & Sun Alliance	127712	222411	71414	20304	22539	464380
St Paul	28166	11404	57925	0	0	97495
Zurich	10311	10512	3092	0	67	23982
Total	1890697	1015668	725177	48908	274484	3954934

Appendix III

Life Assurance

Single premium
A lump sum life investment or pension policy under which the policyholder makes a one-off payment to the life office. The life office uses the money to provide life assurance protection or invests it on the policyholder's behalf, for repayment, with investment gains, at the end of the policy term (or in the case of a pension, for purchase of retirement benefits when the policyholder retires).

Annual (Regular) premium
A policy where the policyholder makes annual/regular payments of premium to finance life assurance protection cover or to build up an investment or retirement fund. Premiums are invested by the life office as they are received and build up over time - with accumulated investment gains - to provide a lump sum on maturity, for payment to the policyholder or purchase of a retirement annuity.

Annual Premium Equivalent (APE)
An industry standard formula for calculating levels of life and pensions new business over a period of time, to smooth out the effect of large, one-off payments. It is the total of new annual premiums plus 10% of single premiums.

Term assurance
This is the simplest form of life assurance, and is a pure protection product. A term assurance policy is taken out for a set period of time (e.g. 10, 20 or 25 years) and guarantees to pay out a specified sum if you die during that period of time. If you survive the term of the policy, no payment is made.

Whole of Life Assurance
As with the term assurance policy, whole of life assurance is a protection product which promises to pay out an agreed sum on the death of the life assured. However, in this case, there is no time limit on the term of the policy. Once the policy is taken out, the policy can continue uninterrupted for the rest of the policyholder’s life, as long as the premiums continue to be paid.

Critical Illness
Critical illness insurance policies are a more recent market innovation and have proven very popular. Under the policy, the policyholder will be paid an agreed sum if he/she contracts one of a number of specified serious illnesses. Typical illnesses covered include cancer, strokes, heart attacks, multiple sclerosis and kidney failure.

Permanent Health Insurance
Permanent Health Insurance is a protection policy that provides an income if the policyholder is unable to work because of sickness or disability. Each PHI policy includes a ’deferred period’. The individual must be off work because of illness for longer than the deferred period before an income is payable under the policy. The deferred period is usually 13, 26 or 52 weeks. PHI is available on an individual or group basis (i.e. where an employer may establish a scheme for employees).

Endowment Insurance
Endowment policies usually combine an element of life assurance protection with a larger element of savings. The idea is to invest an amount of money on a regular basis into an endowment policy so that at the end of a specified term, the policyholder will receive back an amount which will reflect a good return on the premiums paid.

Unit Linked
The premiums under your savings policy are invested in units of one of the investment funds of your chosen life assurance company and the growth in the value of the units purchased determines how much your policy is worth at any point in time.

With Profit
Each year, depending on underlying investment conditions, bonuses are added to your policy. On the maturity date of the policy or earlier death of the policyholder, the sum assured plus all bonuses added will be paid. The intention is to smooth out the effect of year-to-year investment fluctuations.

Maturity Value
This is the final value of a savings policy if it is allowed to run for the full term specified in the contract.

Surrender Value
This is the value of a savings policy if it is cashed in before it has reached maturity. Surrendering of policies is discouraged by life assurance companies, because in the early years the surrender value may be less than the premiums paid. Savings policies taken out with life companies should be considered as long term savings vehicles.

Pensions / Annuities
For many people, the income they receive from the State on retirement will not be sufficient to support them. For this reason, increasing numbers of people have chosen to provide for their retirements by taking out pensions with a life assurance company. This is usually done by way of a contract where, in return for a lump sum or a series of regular payments to the life company, the policyholder will receive a regular income at retirement. This regular income during retirement is called an "annuity".

Personal Retirement Savings Accounts
The National Pension Policy Initiative Report of The Pensions Board on "Securing Retirement Income" was published in 1998 and made a number of recommendations in relation to pensions. One of these recommendations was the introduction of a new, easy access, low cost, flexible personal pension, called a Personal Retirement Savings Account, to encourage individuals who have not already done so to make provision for retirement. PRSAs pension products were launched on the market in early 2003.

Approved Retirement Fund
An Approved Retirement Fund (ARF) is a type of investment plan available at retirement to the self-employed, directors of family firms and certain other individuals, as an alternative (or in addition) to an annuity (see above). An ARF is bought with the proceeds of the individual's pension plan and can be invested in a range of assets from a variety of financial services providers. The ARF can be left to grow or part of it can be cashed in from time to time to provide an income.

Cooling-off notice/period
When you take out a savings policy with a life assurance company, you are given a period of grace (normally 15 days) after the policy comes into force during which you can change your mind and cancel the contract without incurring a penalty. This is known as the "cooling-off period" and is described fully in a "cooling-off notice" which is sent to you by the life assurance company.

Illustrations
With savings/investment policies, you may be provided with an illustration showing future values of your policy. These illustrations are made using standard investment rates of growth and should not be taken as a guarantee, but merely as an example of what the investment would achieve under certain conditions.

Intermediary
An intermediary is someone who advises potential clients about their insurance needs, helps them to select the most appropriate policy and provides an ongoing service in all subsequent matters relating to such policy.

Gross roll-up

A term which describes life assurance investment funds which are not subject to tax as they accumulate. Traditionally this has applied only to pensions and, more recently, to insurers selling overseas from the International Financial Services Centre. Other life assurance funds paid tax each year but the policyholder had no further tax to pay when he/she received any payment from the policy. Since 1st January 2001, all new life assurance policies are on a gross roll-up basis. No tax is paid by the fund but an exit tax of, currently, 23% is deducted by the insurance company from amounts paid to policyholders. Certain payments on death and disability or to non-residents are exempt from the exit tax.

Non-life Insurance

Reinsurance

Insurance protection bought by an insurer to limit its own exposure. The availability of reinsurance protection allows an insurer to expand its own capacity to take on risk. Without a reinsurance facility, each insurer would be able to accept less business.

Premium - Written and Earned

Written premium is the actual premium paid by a policyholder for an insurance policy. Earned premium is the premium allocated to the actual exposure to risk arising during a particular period. For example, if an insurance company issues a 12-month policy for a premium of €500 on 1st January 2003, the written premium for 2003 will be €500, and so will the earned premium. But if the same policy is issued on 1st July 2003, the written premium will be €500, but the earned premium will only be €250; the other half of the premium will be allocated to an unearned premium reserve which will be credited to 2004 earned premium. This is because half of the premium written will be in respect of the exposure of loss during the first half of 2004.

Premium - Gross and Net

Gross premium is the total amount of premium income of an insurer. Net premium is the premium retained by the insurer after it pays for its reinsurance protection. Similarly, gross claims costs are the total claims costs for which the insurer is liable under the policies it issues. Net claims costs take account of reinsurance claims recoveries due to the insurer from its reinsurers.

Cost of Claims Incurred

The total amount paid out in claims during a given period, plus the movement in technical reserves during that period. For example, if an insurer pays out €10m in claims during 2003, and technical reserves stood at €50m at the beginning of the year and increase to €55m by the end of the year, then the insurer's claims incurred cost for 2003 would be €15m (€10m + €(55m-50m)).

Management Expenses

The internal expenses of an insurer incurred in acquiring and serving insurance business.

Commission

The money paid out to an insurance intermediary in recognition of the business written by the insurer through the agency of the intermediary.

Technical Reserves

The amounts insurers hold against future payment of claims. There is Government supervisory control of the proper estimation of outstanding claims and the nature and spread of assets which can be used to cover technical reserves.

Underwriting Result

A non-life insurer's underwriting result is the profit or loss left after the cost of incurred claims, management expenses, commissions and other costs are deducted from earned premium income.

Investment Income

Income received on investments PLUS gains/losses realised on disposal of investments PLUS unrealised gains/losses over the period in question on investments held at the end of the period.

Operating Result

A non-life insurer's profit or loss after its investment income has been added to its underwriting result.

Types of Motor Insurance Cover

- Third Party: provides cover against the policyholder's legal liability to meet compensation claims from passengers, occupants of other vehicles, or other road users who are injured or whose property is damaged as a result of negligence by the policyholder or other insured user of the vehicle;

- Third Party, Fire and Theft (TPF&T): provides the same cover as Third Party PLUS cover against theft of the insured vehicle and fire and theft damage to the insured vehicle;

- Comprehensive: full Third Party, Fire and Theft cover PLUS cover for accidental damage to the insured vehicle. It does NOT provide cover for injuries sustained in an accident by the policyholder or other insured driver.

Notes

Notes

Notes