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Central Bank of Ireland

Eurosystem

Private Motor Insurance Report 4

National Claims Information Database

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Introduction

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

Background

The National Claims Information Database¹ (NCID) was established in order to improve transparency in the Irish insurance claims environment and to support data driven policy. The NCID was a recommendation of the Cost of Insurance Working Group² (CIWG). Private motor insurance is one of two classes of non-life insurance in scope of the NCID along with liability insurance.

Reporting Population

All insurers selling private motor insurance in Ireland were required to meet the same data submission requirements, regardless of country of authorisation. The insurers that submitted a return for year ending 31 December 2021 are listed in Appendix 2.

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

The total earned premium for private motor insurance in Ireland in 2021 was €1.38bn. Part 1 of this report is based on data from firms that collected 98% of the private motor insurance premiums in Ireland in 2021³; Part 2 of the report is based on 93% market coverage; Part 3 is predominantly based on 97% market coverage (with some exceptions which are noted); Part 4 (settled claims) is predominantly based on 87% market coverage (with some exceptions which are noted); and Part 5 includes sections based on

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

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

³ As measured by the ratio of 2021 gross earned premium of included submissions to the 2021 gross earned premium of all submissions.

92%, 98% and 93% market coverage. Certain submissions were excluded from our analysis due to insufficient quality of, or granularity in, the data.

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

Data Contained within the Report

The data collected for the purpose of this report relates to the time period up to 31 December 2021. Therefore, this year's report will contain the initial impact on private motor insurance in Ireland from the introduction of Personal Injuries Guidelines by the Judicial Council in April 2021.

Impact of COVID-19

Data for 2020 and 2021 is influenced by the impact of COVID-19 and subsequent government restrictions. This impact can be seen on insurers' premiums, claim costs and financial results; and should be borne in mind when considering this data.

Future Enhancements to the Report

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

Executive Summary

Overview of the Report

This report is organised as follows:

Part 1 considers premiums for private motor insurance between 2009 and 2021.

Part 2 examines claims related to motor accidents that occurred between 2009 and 2021.

Part 3 gives a breakdown of insurers' income and expenditure for private motor insurance in financial years 2009 to 2021.

Part 4 analyses how claims were settled between 2015 and 2021 and the various associated costs (claimant compensation, legal fees and other costs).

Part 5 analyses the change in the ultimate cost of claims from 2018 to 2021, and provides information on claim development patterns and large claims from 2009 to 2021.

Part 6 provides notes and information on the key terms and methodology employed in this report.

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

Note on the Grouping of Claims

Private motor insurance claims are discussed in Parts 2, 3, 4 and 5 of this report. It is important to note that the claims discussed in Parts 2 and 5 were collected on a different basis to the claims in Part 3, which in turn were collected on a different basis to the claims in Part 4. An explanation is provided below.

Accident year (Parts 2 and 5): the year in which the accident occurred. It may take several years for all claims relating to a particular accident year to be fully paid. In the interim period, insurers need to estimate how much it will ultimately cost to pay all claims that occurred in a particular accident year. This estimate is called the ultimate claims cost⁴. Estimates of ultimate claims costs are regularly updated based on the most recent data available. The ultimate claims costs shown in this report were calculated as at 31 December 2021. Further information on ultimate claims costs is available in Parts 5 and 6 of this report.

Financial year (Part 3): the year for which financial accounts are stated. When stating the claims incurred in a financial year, insurers include: claims which were paid in the year; reserves that they put aside for claims that happened that year; and changes to the reserves put aside for claims that happened in previous years.

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

⁴ The concept of ultimate claims costs is explained in Part 6.

Private Motor Insurance Report 4 - Key Findings

Cost of Insurance 2020-2021

Premium: The average earned premium per policy decreased by 2%.

Claims cost per policy: increased by 1%, however this is a 20% decrease on pre-COVID levels in 2019.

Claims as % of premiums: were at their lowest point in the time series in 2020 at 47%, this increased slightly to 49% in 2021.

Claims frequency: increased by 11%, however this is still a decrease of 15% from the pre-COVID levels in 2019.

Average cost per claim: decreased by 9%.

Cost of Insurance 2009-2021

Premium per policy	Average earned premium increased 23% from 2009 to 2021, following: • ↓ 12% from 2009 to 2013; • ↑ 63% from 2013 to 2018; and • ↓ 14% from 2018 to 2021.
Premium levels by quarter	On a quarterly basis, as at Q4 2021, the average earned premium has decreased by 17% since its highest point in Q4 2017.
Claims cost per policy	Claims cost per policy decreased 31% from 2009 to 2021, following: • ↓ 15% from 2009 to 2010; • ↑ 13% from 2010 to 2014; • ↓ 10% from 2014 to 2019 • ↓ 20% from 2019 to 2021.
Claims as % of premiums	Claims costs were on average 67% of premiums from 2009 to 2021. Claim costs as a percentage of premiums were at their highest point in 2014 at 92% and at their lowest point in 2020 at 47%.

Claims frequency (claims count per policy)	Injury claims frequency decreased 49% from 2009 to 2021, following: • ↓ 26% from 2009 to 2019; • ↓ 31% from 2019 to 2021. Damage claims frequency decreased 53% from 2009 to 2021, following: • ↓ 45% from 2009 to 2019; • ↓ 14% from 2019 to 2021.
Average cost per claim	The average cost per injury claim increased by 57% from 2009 to 2021, following: • ↑ 42% from 2009 to 2019; • ↑ 11% from 2019 to 2021. The average cost per damage claim increased by 12% from 2009 to 2021, following: • ↓ 19% from 2009 to 2013; • ↑ 39% from 2013 to 2021.

The table below is a summation of the key premium and claim metrics over the period.

Summary of Premium and Claims Trends from 2009-2021				
	2009 - 2013	2013 - 2018	2018 - 2019	2019 - 2021
Average Earned Premium	↓ -12%	↑ 63%	↓ -5%	↓ -9%
Average Cost of Claims per Policy	↓ -13%	↑ 4%	↓ -5%	↓ -20%
Claims as % of Premium Ratio (AY)	● 80%	↓ 67%	↓ 55%	↓ 48%
Claim Frequency	↓ -24%	↓ -22%	↓ -6%	↓ -15%
Avg Cost per injury Claim	↑ 28%	↑ 16%	↓ -4%	↑ 11%
Avg Cost per damage claims	↓ -19%	↑ 21%	↑ 9%	↑ 5%

Income & Expenditure 2021	
2021 Summary	• Operating profit: 13% of total income. • Combined Operating Ratio (COR)⁵: 80% gross and net of reinsurance. • Reinsurance cost: 7% of total income. • Investment income: 2% of total income.

Income & Expenditure 2009-2021	
Private motor revenue results ⁶	Across all years, 2009 to 2021, operating profit was 4% of total income.
Insurers' Operating Profit	The operating result was on average: • A profit of 8% of total income from 2009 to 2012 • A loss of 9% of total income from 2013 to 2016 • A profit of 11% of total income from 2017 to 2021.
Combined Operating Ratio (COR) ⁵	Over 2009 to 2021, the COR was on average 96% gross of reinsurance and 100% net of reinsurance. The COR averaged: • 101% gross and 102% net from 2009 to 2012 • 118% gross and 123% net from 2013 to 2016 • 83% gross and 84% net from 2017 to 2021.

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

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

Reinsurance Cost as % of Total Income	Across all years, 2009 to 2021, reinsurance costs were 4% of total income. Reinsurance costs were on average: • 1% of total income from 2009 to 2012 • 0% of total income from 2013 to 2016 • 7% of total income from 2017 to 2021.
Investment Income as % of Total Income	Across all years, 2009 to 2021, investment income was 5% of total income. Investment income was on average: • 9% of total income from 2009 to 2012 • 6% of total income from 2013 to 2016 • 3% of total income from 2017 to 2021.

Injury Claim Settlements Data 2019-2021	
Method of Settlement⁷ by Channel	The % of injury claimants who settled claims by channel from 2019 to 2021: • 35% directly, before PIAB • 14% directly, after PIAB • 16% through PIAB • 34% through litigation, before a court award • 2% through litigation, with a court award
Personal Injuries Guidelines	For injury claims settled in 2021, 16% settled under the Personal Injuries Guidelines. For claims that settled through PIAB in 2021: • 20% settled under the guidelines. • Average compensation for claims that settled under the guidelines was 34% lower than for claims that settled with reference to the Book of Quantum.

⁷ The different settlement channels are described in Part 4.

Injury Claim Settlements 2015-2021

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

Method of Claimant Settlement by Channel	Duration of injury claims settled by channel: • 1.4 years through direct channel • 2.0 years through PIAB • 3.9 years through litigation
Method of Settlement (by Cost)	% of injury claim costs settled by channel: • 22% through direct channel • 11% through PIAB • 67% through litigation
Claims with Total Costs < €100K	For 94% of claimants, the total cost of a claim was less than €100K
Direct Settlements <€100k	Average compensation €13,933 Average legal costs €1,568
PIAB Settlements <€100k	Average compensation €21,856 Average legal costs €686
Litigated Settlements <€100k	Average compensation €24,174 Average legal costs €15,567

PART 1 - Premiums

Data was collected on premiums and the number of policies between 2009 and 2021.

Key Insights and Findings

The average earned premium per policy was €607 in 2021. This was 2% lower than in 2020.

For the annual average earned premium, there are three distinct periods of pricing behaviour leading up to 2021:

- A period of falling premiums from 2010-2013, when premiums decreased by 14%.
- A period of increasing premiums from 2013-2018, when premiums increased by 63%.
- A period of falling premiums from 2018, when premiums decreased by 14% to 2021.

On a quarterly basis, Q4 2017 had the highest average earned premium per policy at €710. This has since decreased by 17% to €590 in Q4 2021.

Total Premiums

Table 1 shows that for firms that collected 98% of the private motor insurance premiums in 2021, there were 2.21 million earned policies and €1.34bn in earned premium collected in 2021. It should be noted that the proportion of the market captured in this data may be different in 2021 compared to previous years.

Table 1: The total earned policy count and gross earned premium over 2009-2021.

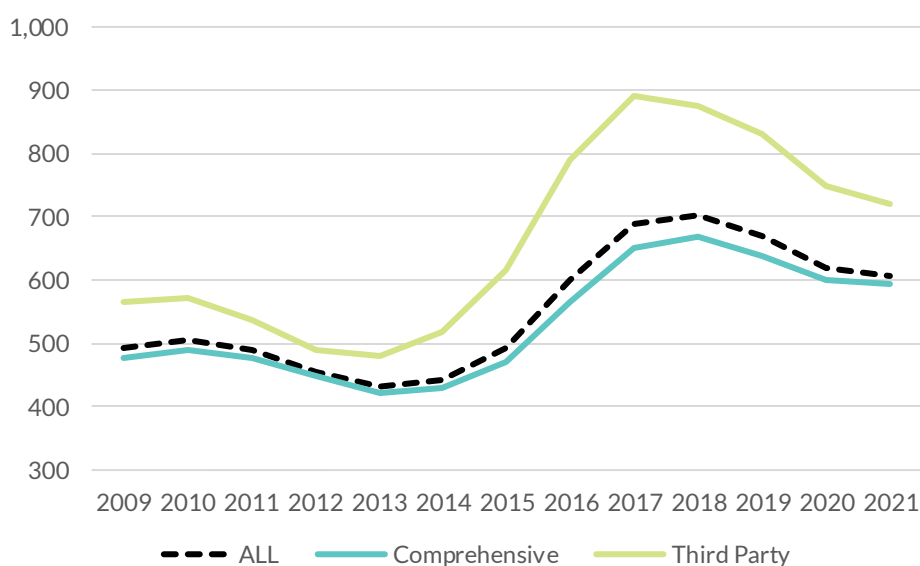
Year	Earned Policy Count (000's)	Gross Earned Premium (€m)
2009	1,877	926
2010	1,751	884
2011	1,804	883
2012	1,871	852
2013	1,875	810
2014	1,858	824
2015	1,815	894
2016	1,795	1,076
2017	1,867	1,286
2018	1,899	1,334
2019	1,992	1,332
2020	2,147	1,330
2021	2,211	1,342

Trends in Premium Costs

Figure 1 shows the average earned premium per policy⁸ for different levels of cover. Policies that provide comprehensive cover accounted for at least 80% of policies in each year since 2009. For this reason, the average premium paid for all policies is significantly weighted by the average premium paid for comprehensive policies.

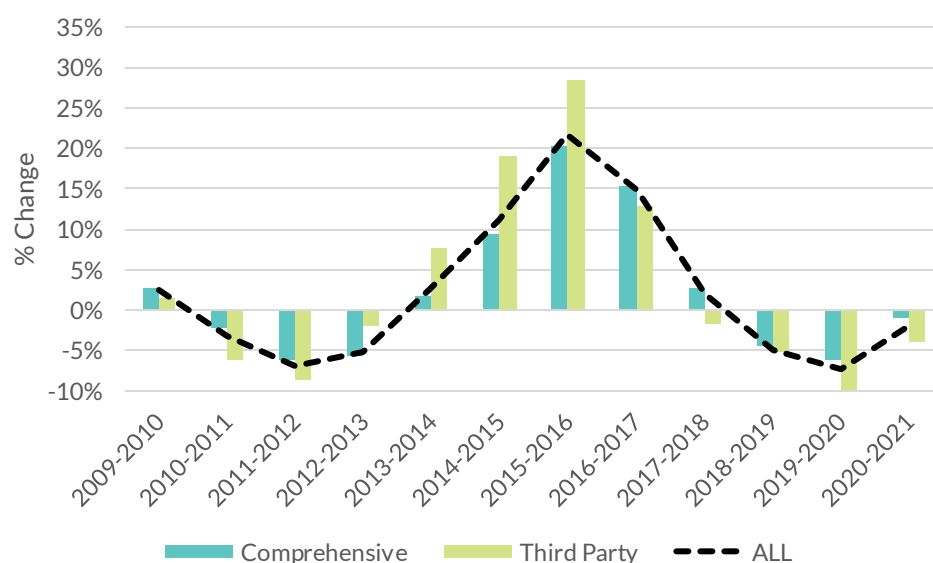
⁸ See Part 6 for an explanation of earned premium and policy count.

Figure 1: The average earned premium per policy for different levels of cover for years 2009-2021.



Overall, average earned premiums per policy increased by 23% from 2009-2021. This was characterised by three distinct periods: a period of falling premiums from 2010-2013, when premiums decreased by 14%; a period of rising premiums from 2013-2018, when premiums increased by 63%; and a period of falling premiums from 2018 when premiums decreased by 14% (comparing annual premiums). Over the last year, the average earned premium decreased by 2% to €607 in 2021. The year-on-year changes in average earned premiums are shown in Figure 2.

Figure 2: Annual year-on-year changes in average earned premium per policy for different levels of cover for years 2009-2021.



Within the time series, the increases and decreases in average earned premium per policy are more pronounced for third party policies than for comprehensive policies. However, comprehensive policy premiums drive the overall trend, as they account for 84% of all policies on average each year. The vast majority of third party policies include cover for fire and theft.

Figure 3: Quarterly average earned premium per policy for all policy types Q1 2009-Q4 2021.

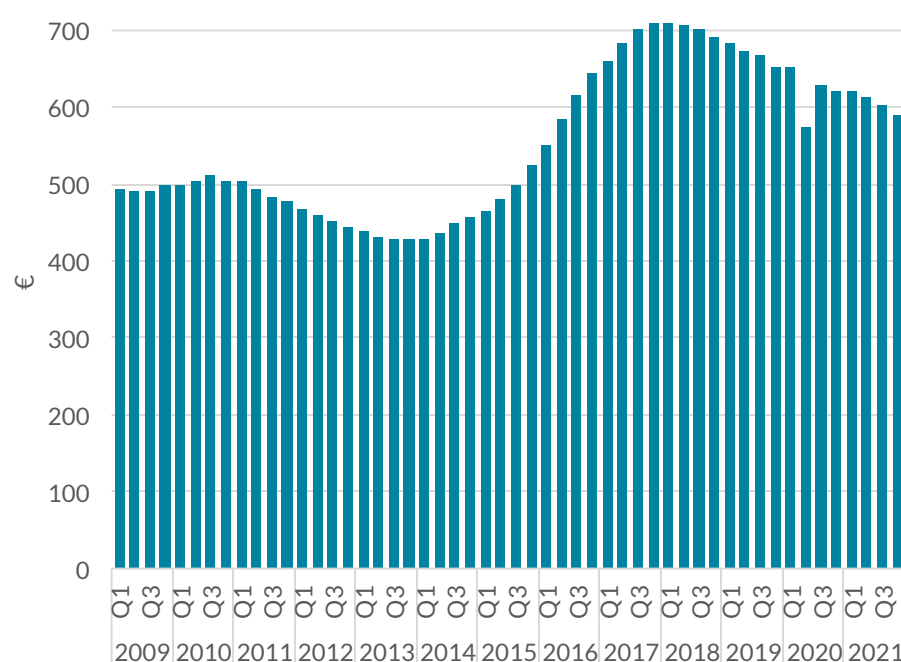


Figure 3 shows the average earned premium per policy across all policy types by quarter. The average earned premium increased by 66% from its lowest point of €428 in Q4 2013 to its highest point of €710 in Q4 2017. The average earned premium has been decreasing since Q4 2017, leading to an average earned premium of €590 in Q4 2021, a 17% reduction from the peak.

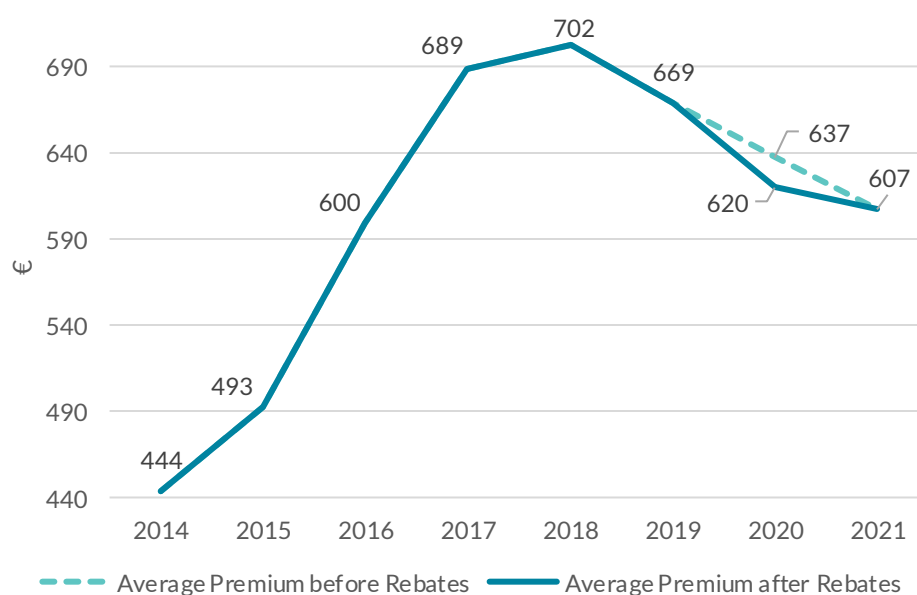
The drop in average earned premium in Q2 2020 is as a result of premium rebates which are discussed below.

Premium Rebates in 2020

During 2020, several insurers issued premium rebates to customers because of the impact of the COVID-19 pandemic. Rebates took a variety of forms including cash, shop vouchers, charitable donations and discounts on future policy renewals. Where a discount was applied to policies on the following year's renewal, these are not included in the rebate figures. Also, a small proportion of the rebates issued were not treated as a reduction to premium and therefore these are not included in Figure 4.

The data in Part 1 has shown earned premium amounts after rebates were given to policyholders. Figure 4 shows the impact of rebates on the average earned premium in 2020. Before rebates, the average earned premium would have been €637 in 2020. After rebates (as shown elsewhere in Part 1), the average earned premium was €620 in 2020.

Figure 4: Average earned premium before and after rebates for years 2014-2021.



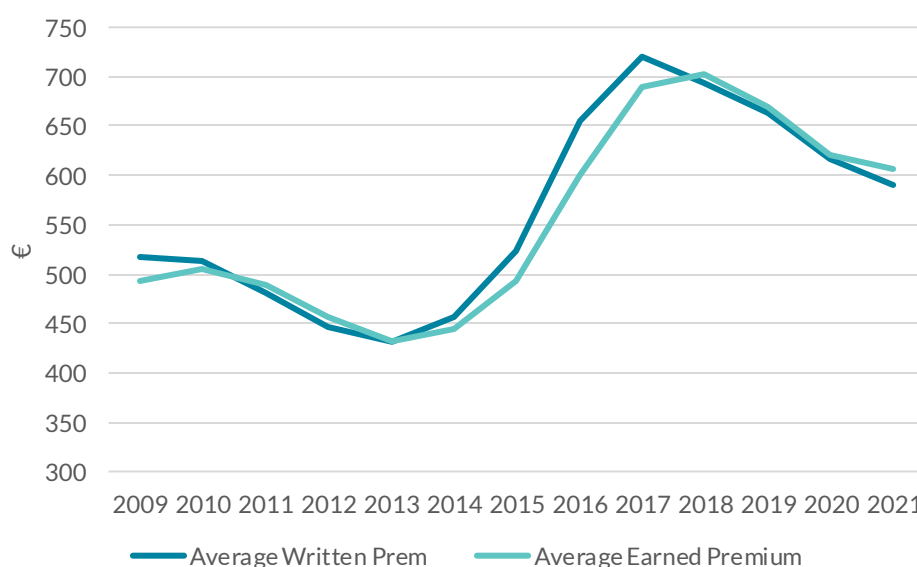
The total premium rebate amount earned for private motor insurance in 2020 was €42.5m. To put this in context, this is equivalent to 3% of gross

earned premium before rebates in 2020. Figure 4 shows the impact of this rebate amount when spread across all policies earned in the market in 2020. Not all policies were issued rebates so the actual rebate amount per policy would be higher for policies with firms that did give rebates.

Trends in Written Premium

The data in Part 1 has so far focused on the trends in earned premium and policy counts. For the 2021 NCID Motor submission, additional data was collected for written premium and policy count. Figure 5 below shows the comparison of written premium and earned premium trends. The average written premium is the average premium of policies purchased in the year, in contrast to the average premium of policies earned in the year, see Part 6 for an explanation of these terms. Changes to the average premium are reflected more quickly in written premium trends than earned premium trends.

Figure 5: Average written and earned premium for years 2009-2021.



Overall, average written premiums per policy increased by 14% from 2009-2021. This was characterised by three distinct periods: a period of falling premiums from 2009-2013, when premiums decreased by 17%; a period of rising premiums from 2013-2017, when premiums increased by 67%; and a period of falling premiums from 2017-2021 when premiums decreased by 18%. Over the last year, the average written premium decreased by 4% to €590 in 2021.

The upcoming mid-year NCID reports will include premium analysis in order to allow the observation of written and earned premium trends on a more regular basis.

PART 2 - Claims

Data was collected on the ultimate number and cost⁹ of private motor insurance claims relating to accidents that occurred between 2009 and 2021. Data was collected separately for different types of claims: third party injury; accidental damage; fire & theft; third party damage; and windscreen.

Key Insights and Findings

The impact of reduced driving activity as a result of COVID-19 and government restrictions can be observed on insurers' ultimate cost of claims during 2020 and 2021.

From 2019:

- The average cost of claims per policy reduced by 21% during 2020 and increased by 1% during 2021;
- Claims frequency decreased by 24% during 2020 and increased by 11% during 2021
- The average cost per claim increased by 4% during 2020 and reduced by 9% during 2021.

Between 2009 and 2019:

- Average cost of claims per policy reduced by 15%.
- Claims frequency reduced by 44%, with injury claims frequency reducing by 26% and damage claims frequency reducing by 45%.
- The average cost of an injury claim increased by 42% and the average cost of a damage claim increased by 7%.

The industry gross loss ratio (claims as a percentage of premiums) averaged 67% between 2009 and 2021. This reached a high of 92% in 2014 and a low of 47% in 2020. The gross loss ratio was 49% for 2021.

⁹ As calculated at 31 December 2021.

Total Claims

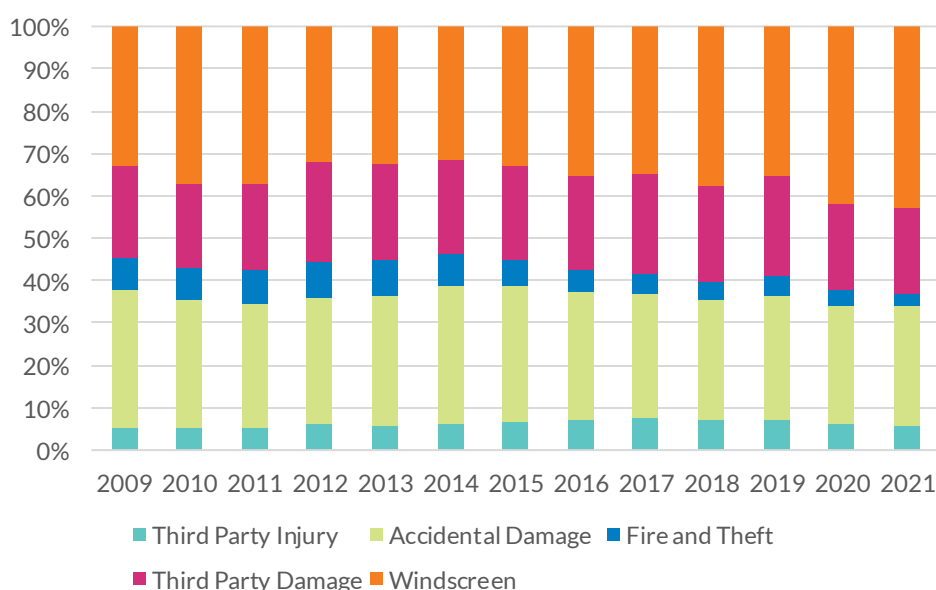
Table 2: Total ultimate claim numbers and ultimate claim costs for accident years 2009-2021.

Accident Year	Ultimate Claim Numbers (000's)	Ultimate Claim Costs (€m)
2009	295	806
2010	256	636
2011	231	672
2012	224	691
2013	223	697
2014	219	760
2015	199	723
2016	181	699
2017	170	706
2018	177	733
2019	173	723
2020	138	601
2021	158	630

Table 2 shows the total ultimate claim numbers and ultimate claim costs for 93% of the private motor insurance market in 2021. It is estimated that the total claims cost for 2021 will be approximately €630m across 158,000 claims. This represents an increase of approximately €28m in claim costs and 20,000 in the number of claims compared to the 2020 accident year.

Type of Claims

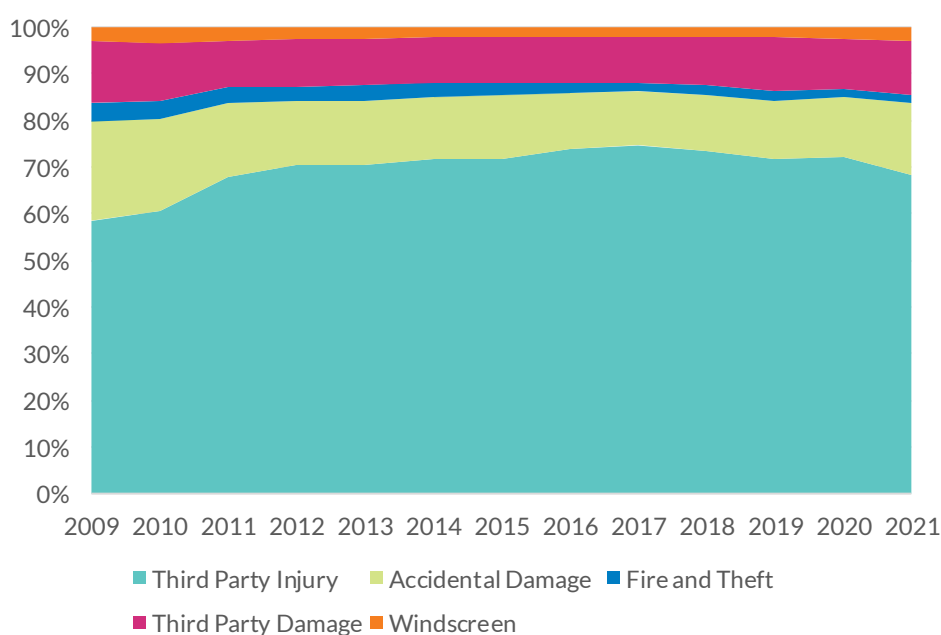
Figure 6: Percentage of ultimate claim numbers by claim type for accident years 2009-2021.



As seen in Figure 6, damage claims (i.e., those relating to accidental damage, fire & theft, third party damage, and windscreen¹⁰) make up the majority of claims by number. Damage claims made up 94% of the total number of claims in 2021, a 1% decrease from 95% in 2009.

Figure 7 shows the breakdown of insurers' total claims costs. Between 2009 and 2021, total injury claims costs accounted for 70% of the total cost of claims on average. Injury claims' share of the total costs increased over that time from 59% in 2009 to a peak of 75% in 2017. The increase was mostly realised by 2012, when injury claims accounted for 71% of the total claims cost. The relative contribution of injury claims costs to total claims costs was reasonably stable from 2012 to 2020. From 2020 to 2021 there was a drop in the contribution of injury costs to total claims from 72% to 68%.

Figure 7: Percentage of ultimate claims costs by claim type for accident years 2009-2021.



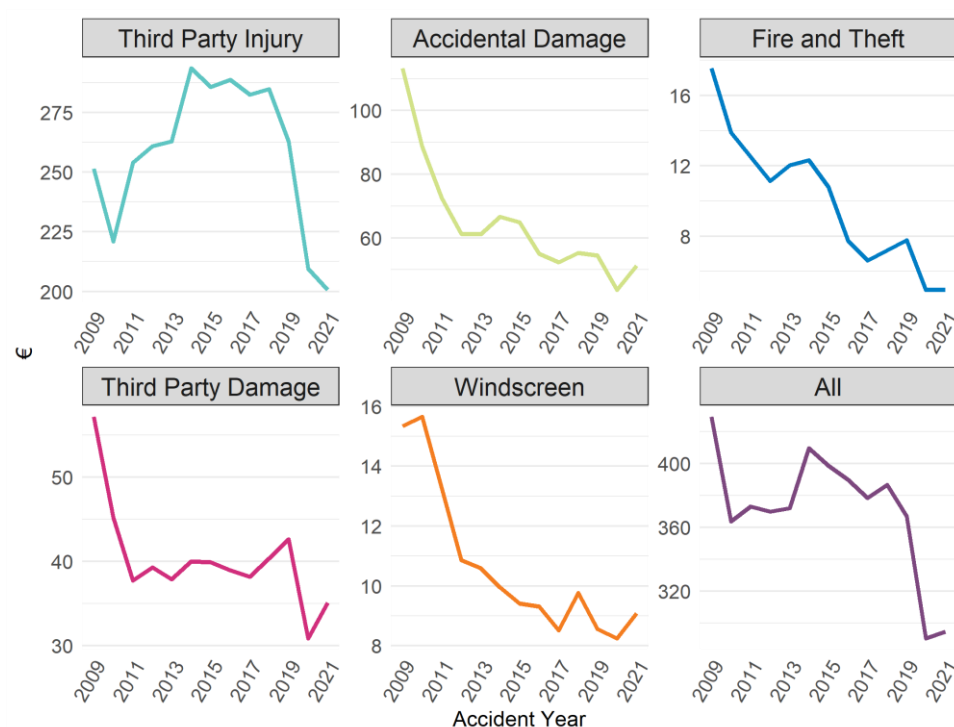
¹⁰ See Part 6 for descriptions of claim types.

Average Cost of Claims per Policy

Figure 8 shows the average cost per policy of each claim type¹¹. Overall, the cost per policy of all claims reduced by 31% from 2009 to 2021.

Over this period, the average cost per policy decreased by 15% from 2009 to 2010, increased by 13% from 2010 to 2014 and decreased by 10% from 2014 to 2019 before a decrease of 21% from 2019 to 2020 and an increase of 1% during 2021.

Figure 8: Average cost per policy of each claim type for accident years 2009-2021.



The average cost of injury claims per policy increased 33% from 2010 to 2014 where it stabilised around €290 from 2014 to 2018. It then decreased by 8% in 2019, by 20% in 2020 and a further 4% in 2021 to a low of €201. The trend in the cost per policy of injury claims drives much of the aggregate trend as this makes up a large proportion of the €295 average cost of claims per policy in 2021.

The cost per policy of all damage claims decreased by 47% from 2009 to 2021. This was comprised of a reduction of 42% from 2009 to 2019, a

¹¹ The average cost is per the policy that covers the claim type in question, e.g., accidental damage is only covered by comprehensive policies.

further reduction of 22% during 2020 followed by an increase of 16% during 2021.

The large decrease in average cost of claims per policy shown from 2019 to 2020 is driven primarily by reduced driving activity as a result of COVID-19 related restrictions. These restrictions continued during 2021 and the average cost per policy was still at a lower level in 2021 compared to 2019 and earlier years, for all claim types. The impact of COVID-19 can also be seen in both the frequency of claims and the average cost per claim during 2020 and 2021.

The 2021 accident year could also include the impact of the introduction of the Personal Injuries Guidelines on the cost of claims per policy. The guidelines were introduced in April 2021. They set out updated awards for any new injury claims and are expected to reduce overall injury claim amounts. The average cost per claim for the 2021 accident year includes the expected impact of the guidelines in that year.

Personal Injuries Guidelines are discussed in more detail in Part 4.

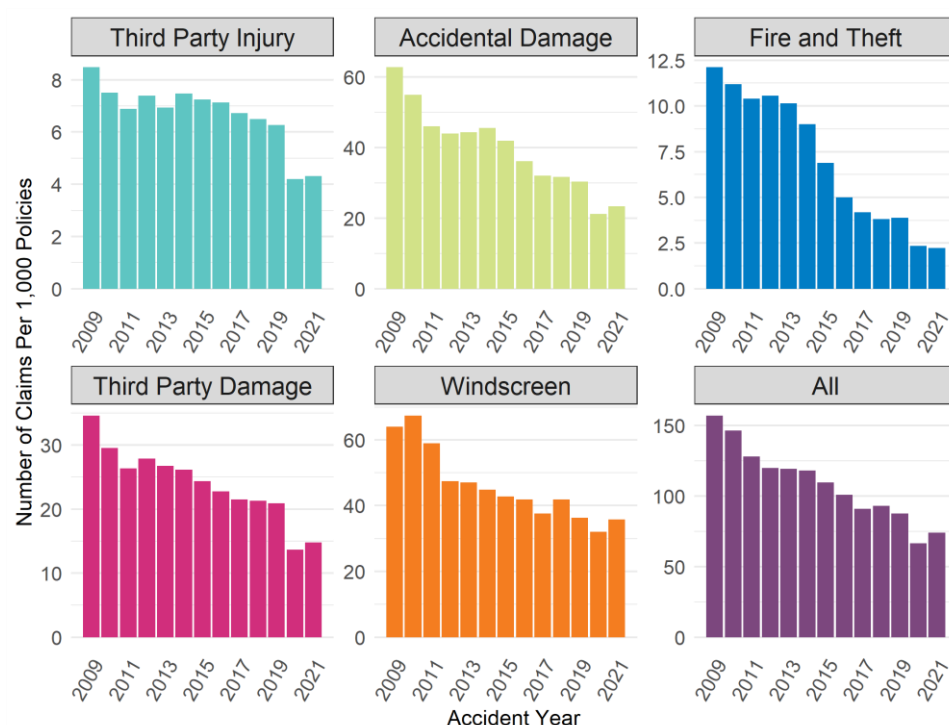
Frequency of Claims

Figure 9 shows the number of each type of claim per 1,000 policies¹². Between 2009 and 2021, the frequency of claims has decreased for all claim types. The overall frequency reduced by 44% from 2009 to 2019 and by a further 24% in 2020. The frequency increased by 11% during 2021 (a 53% decrease over the whole period).

The decrease in frequency from 2009 to 2019 was mostly driven by a reduction in damage claims of 45%. Injury claims decreased by 26% from 8.5 per thousand policies in 2009 to 6.3 in 2019. The decrease in frequency from 2019 to 2020 can be seen for both injury claims (-33%) and damage claims (-23%). There has been an increase in frequency during 2021 of 11%. However, frequency levels in 2021 are still at a lower level compared to 2019 and earlier years, particularly for injury claims.

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

Figure 9: Number of claims per 1,000 policies by claim type for accident years 2009-2021.



Average Cost of a Claim

Figure 10 shows the average ultimate cost per claim over the period for injury and damage claims. Overall, the average cost of a claim increased by 60% from €2,733 in 2009 to a peak of €4,365 in 2020 followed by a reduction of 9% during 2021 to €3,977.

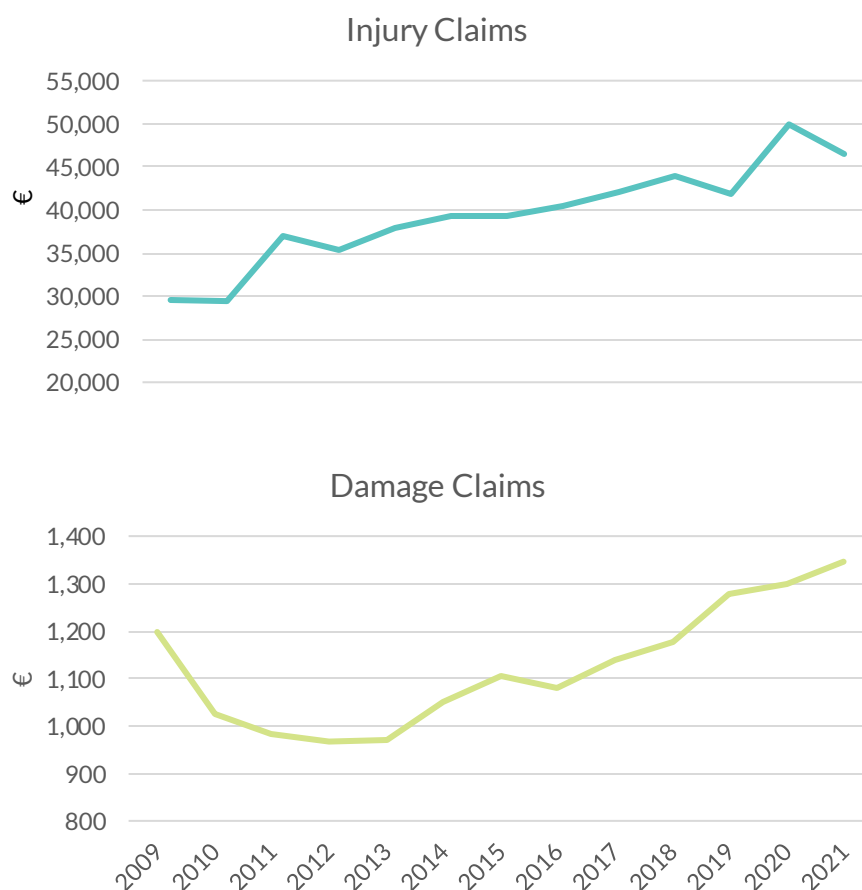
The average cost of an injury claim increased by 69% from €29,620 in 2009 to €49,930 in 2020 and then reduced by 7% to €46,509 in 2021 (a 57% increase overall). The average cost of a damage claim increased by 12% from €1,198 in 2009 to €1,346 in 2021. However, there was a 19% decrease in the average cost of a damage claim from 2009 to 2013 followed by a 39% increase from 2013 to 2021.

The sharp increase in the average cost of an injury claim in 2020 is attributed to the uniqueness of the 2020 accident year as a result of COVID-19. Larger injury claims made up a higher proportion of all injury claims in 2020 than in previous years leading to an increased average cost per claim, see Part 5 for additional detail on this.

The 2021 accident year was still impacted by COVID-19 and the relevant restrictions. The introduction of the Personal Injuries Guidelines in April 2021 could also have had an impact on the average cost per injury claim in 2021 and are expected to reduce the cost of new injury claims. The average

cost per injury claim in 2021 is 7% lower than 2020, but is still higher than 2019 and earlier accident years.

Figure 10: Average cost per claim of injury and damage claims for accident years 2009-2021.



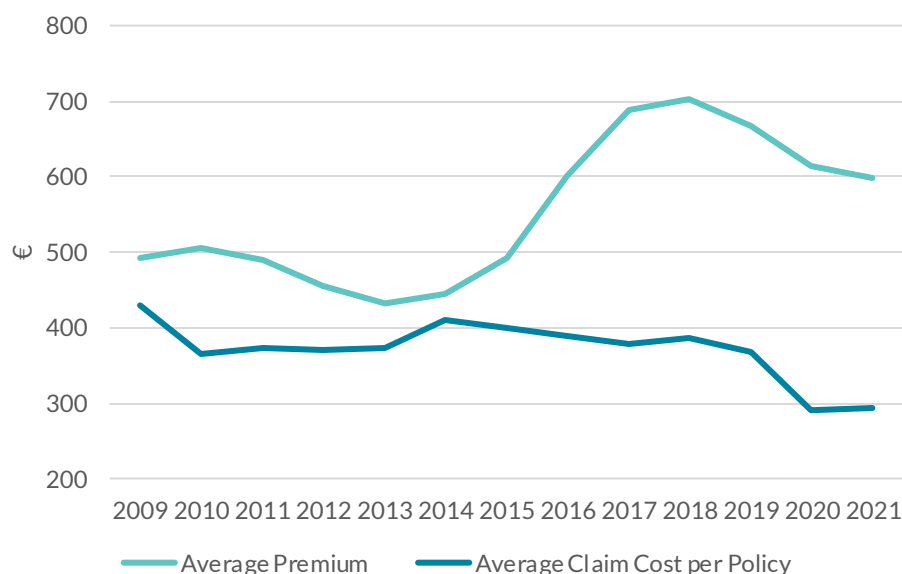
Premiums and Claims Costs

The trends in claims costs shown in this Part are based on an estimate of claims costs calculated as at 31 December 2021. This may differ from the estimates that insurers made when setting their premium levels. The difference between the estimates calculated between 31 December 2018 and 31 December 2021 are shown in Part 5.

Figure 11 compares the average cost of claims per policy to the average earned premium per policy. The cost of claims is just one element of the total cost to insurers of servicing insurance policies. Other costs that impact industry profitability include management expenses, commissions and reinsurance costs¹³.

¹³ These expenses are defined in Part 6.

Figure 11: Comparison of the average earned premiums per policy and the average cost of claims per policy for accident years 2009-2021.



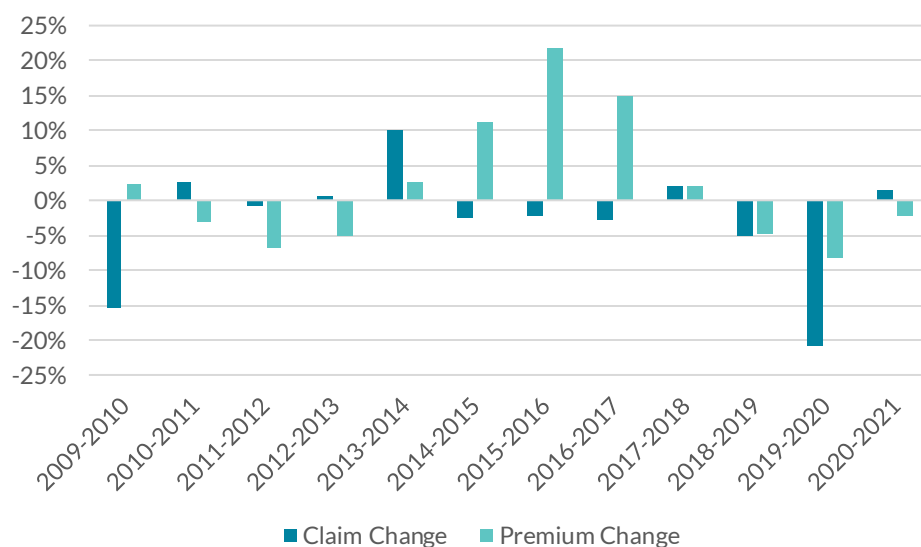
To recap on Parts 1 and 2 so far:

- Between 2009 and 2021, the annual average earned premium per policy increased by 22%¹⁴; the average cost of claims per policy reduced by 31% (15% to 2019; 20% since 2019).
- 2013 was the lowest point for average earned premiums over the twelve year period, having decreased by 12% from €493 in 2009 to €432 in 2013. Premiums started to increase in 2013, increasing by 63% to an average of €703 in 2018. Premiums have decreased by 15%¹⁴ since 2018 to an average of €599 in 2021.
- Average claims cost per policy reduced by 13% from €429 in 2009 to €372 in 2013, and increased by 4% to €387 in 2018. Since 2018 the average claims cost per policy has reduced by 24% to €295. Changes in claims cost over the period were mostly driven by changes within three single years (i.e., 2010, 2014 and 2020).

Figure 12 provides a year-on-year comparison of changes in annual premiums and the ultimate cost of claims.

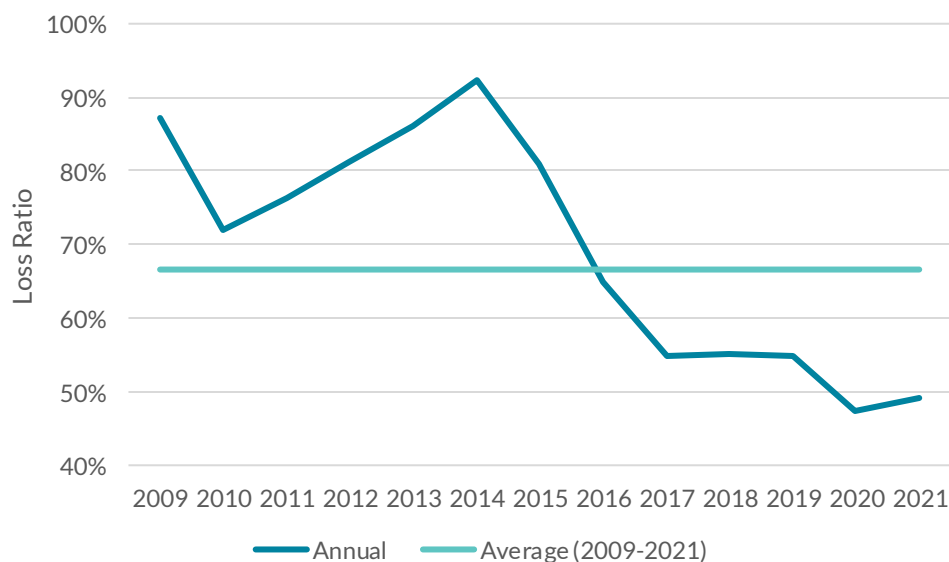
¹⁴ In Part 1 the increase in annual average earned premium per policy from 2009 to 2021 was reported as 23%, the decrease from 2018 to 2021 as 14% and the 2021 average earned premium as €607. These figures differ from those presented in Part 2 due to the market coverage the calculations were based on. Part 1 was based on 98% market coverage, however in Part 2 they were based on 93% market coverage in order to be consistent with the market coverage used in calculating claims costs.

Figure 12: Year-on-year changes in average expected ultimate claims costs and average premiums per policy for accident years 2009-2021.



Between 2009 and 2021, claims costs have been, on average, 67% of premiums earned. As per Figure 13, the loss ratio (claims as a percentage of premiums) peaked in 2014 at 92%. By 2017 this had reduced to 55%, and remained stable from 2017 to 2019. The loss ratio fell to 47% in 2020 and increased slightly to 49% in 2021.

Figure 13: The ratio of ultimate claims costs to earned premiums (loss ratio) for accident years 2009-2021.



The relative trends in claims costs and premiums observed between 2009 and 2021 are indicative of an underwriting cycle. This cycle, with peaks and

troughs in premiums, reserves and profitability, is a feature of all insurance markets but appears to be particularly pronounced in Ireland¹⁵.

¹⁵ The Underwriting Cycle is described in more detail in Part 6.

PART 3 - Income and Expenditure

Statements of income and expenditure for private motor insurance were collected from firms across financial years 2009 to 2021.

Key Insights and Findings

Insurers' operating profit across private motor in 2021 was 13% of total income.

Insurers' operating profit across private motor for all years was 4% of total income. In the period 2009 to 2012, an operating profit of 8% was recorded, between 2013 and 2016 there was an operating loss of 9% and from 2017 to 2021 there was an 11% operating profit.

The Combined Operating Ratio (COR) was 80% both gross and net of reinsurance for 2021. Across all years the Combined Operating Ratio was 96% gross of reinsurance and 100% net of reinsurance.

The net cost of reinsurance across all years has averaged 4% of total income. The net cost of reinsurance averaged 1% of total income from 2009-2012, 0% of total income from 2013-2016, and 7% of total income from 2017-2021.

Investment income has averaged 5% of total income across all years. Investment income averaged 11% of total income in 2009; this has reduced gradually over the time period to 2% of total income in 2021.

Breakdown of Income and Expenditure

Table 3 and Table 4 provide a breakdown of the income and expenditure components for the latest financial year 2021. From Table 3, it can be seen that the profit for the 2021 financial year was 13% of total income.

The remainder of the Income and Expenditure section will concentrate on the financial performance of firms providing private motor insurance cover from 2009 to 2021. The data tables, which will be published in an annex accompanying the report, will include the breakdown of income and expenditure results by year.

Table 3: Breakdown of total income and expenditure for 2021.

Category	2021
Income (€m)	
Gross earned premium	1,353
Investment income	26
Other earnings	6
Expenses (€m)	
Gross UW expenses	-1,077
Reinsurance impact	-98
Other expenses	-8
Interest & Tax	-25
Profit (€m)	
Profit	176
Profit (%)	13%

Table 4: Breakdown of gross underwriting expenses for 2021

Category	2021
Gross Underwriting Expenses (€m)	
Gross Claims Incurred	-645
Claims Management Expenses	-56
MIBI Expenses	-52
Gross Commission	-128
Management Expenses	-196
Total (€m)	
Total - Gross UW expenses	-1,077

Profitability of Private Motor Insurance

Figure 14 shows the total income and total expenses across all firms over the period 2009 to 2021. These results are limited to those firms writing private motor insurance in Ireland since 2018 i.e., it does not include firms that exited the market prior to the introduction of the NCID.

Operating profit as a percentage of total income is also shown. The aggregate operating profit for private motor insurance across all years 2009 to 2021 was 4% of total income.

Figure 14: Breakdown of total income and expenditure from 2009-2021.

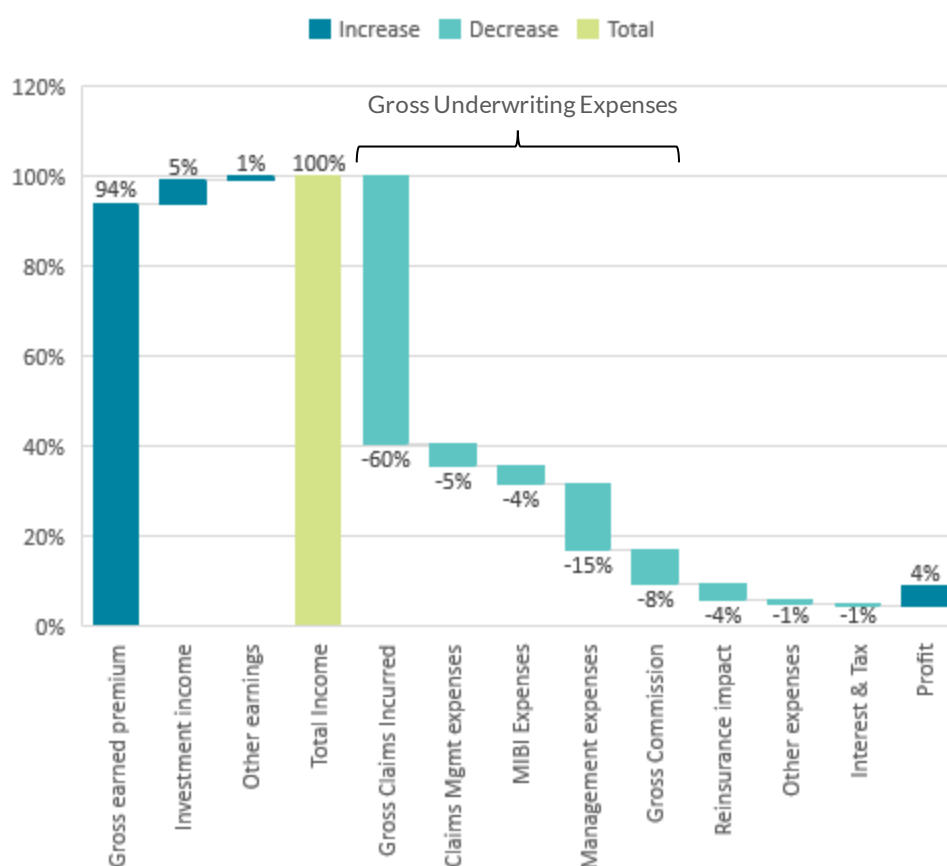


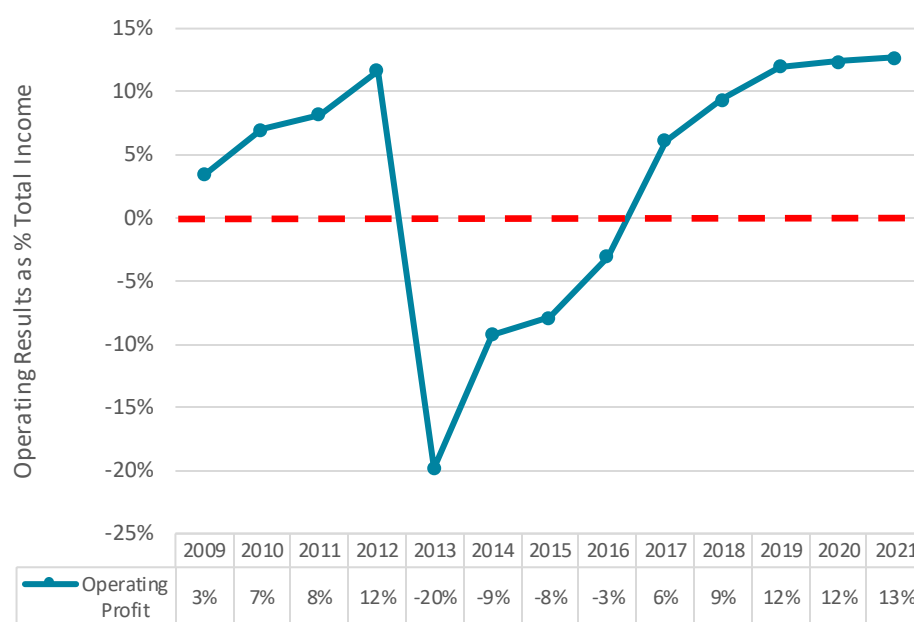
Figure 15 shows how insurers' operating results varied across the time series for private motor insurance. There are three distinct periods in the data: 2009-2012, 2013-2016 and 2017-2021.

From 2009 to 2012, private motor insurance was predominantly profitable, with an operating profit of 8% of total income across this period. From 2013 to 2016, it was predominantly unprofitable and the market had an operating loss of 9% of total income across these years.

The private motor market was profitable again from 2017 to 2021 with a combined operating profit of 11% of total income. In summary, over the

time period from 2009-2021, there has been an average operating profit of 4% across all firms for private motor insurance.

Figure 15: Operating result by financial year from 2009 to 2021.



As highlighted previously, the data collection includes any firm writing private motor business over 2018 to 2021. The profitability figures will have an element of survivor bias; they will not include the results of those firms that exited the market prior to 2018.

The key income components are gross earned premium and investment income; the key expense components are gross underwriting expenses and reinsurance.

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

- (i) Operating performance split by key components (underwriting result, investment income and reinsurance);
- (ii) A breakdown of the impact of reinsurance split between reinsurance cover from third party reinsurers i.e., external reinsurance arrangements; and related reinsurers i.e., from entities that are part of the same group as the firm;
- (iii) Combined Operating Ratio (COR) performance (based on earned premium and underwriting expenses);
- (iv) A breakdown of individual underwriting expenses (i.e., gross claims incurred, claims management expenses, gross commission, management expenses and MIBI expenses); and

- (v) A further breakdown of the gross commission expenses between third party distribution channels i.e., brokers and comparison websites; and related distribution channels i.e., the firm's own distribution networks or distribution through related companies.

Operating Performance split by Key Components

Table 5 shows the key components of operating performance as a percentage of total income split between the net insurance-related result (including reinsurance impact), investment income and other earnings, tax and expenses.

Table 5: Profit, investment income and other earnings and expenses 2009-2021 as proportion of total income.

Year	Gross Insurance Related Result*	Reinsurance	Net Insurance Related Result	Investment Income	Other Earnings, Tax and Expenses	Operating Result
2009	-7%	-1%	-8%	11%	0%	3%
2010	0%	-2%	-2%	10%	-1%	7%
2011	6%	-2%	4%	8%	-4%	8%
2012	0%	0%	0%	8%	4%	12%
2009-2012	-1%	-1%	-1%	9%	0%	8%
2013	-27%	0%	-27%	8%	-1%	-20%
2014	-19%	-1%	-19%	7%	3%	-9%
2015	-17%	2%	-15%	7%	0%	-8%
2016	-8%	0%	-8%	4%	1%	-3%
2013-2016	-17%	0%	-16%	6%	1%	-9%
2017	8%	-4%	4%	3%	-1%	6%
2018	17%	-9%	8%	3%	-1%	9%
2019	17%	-7%	10%	3%	-1%	12%
2020	22%	-10%	12%	2%	-1%	12%
2021	20%	-7%	13%	2%	-2%	13%
2017-2021	17%	-7%	9%	3%	-1%	11%
Total (2009-2021)	3%	-4%	0%	5%	0%	4%

* Gross Insurance-related result:

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

The gross insurance-related result indicates if there is a profit or loss in relation to insurance activities, gross of any reinsurance impact; we have shown this as a percentage of total income. This includes the performance

of premiums, claims, and expenses related to writing insurance business. Across all years, there has been a gross insurance-related profit of 3% as a proportion of total income (-1% from 2009-2012, -17% from 2013-2016 and +17% from 2017-2021).

The net insurance-related result indicates if there is a profit or loss in relation to insurance activities net of reinsurance; we have shown this as a percentage of total income. This calculates the insurance-related result highlighted in the previous paragraph net of any reinsurance impact, i.e., using premiums, claims and expenses net of reinsurance. Across all years, there has been a net insurance-related result of 0% as a proportion of total income (-1% from 2009-2012, -16% from 2013-2016 and +9% from 2017-2021). From 2009-2016, the market experienced an insurance-related loss each year with the exception of 2011, both gross and net of reinsurance. From 2017 to 2021, there was an insurance-related profit each year both gross and net of reinsurance. The reinsurance impact will be discussed in more detail in the next section.

Investment income as a proportion of total income across all years has averaged 5%. As detailed in Table 5, investment income as a percentage of total income has been gradually reducing across the time period; from a high of 11% in 2009 to 2% in 2021.

Figure 16: Interaction between profit and investment income for 2009-2021.

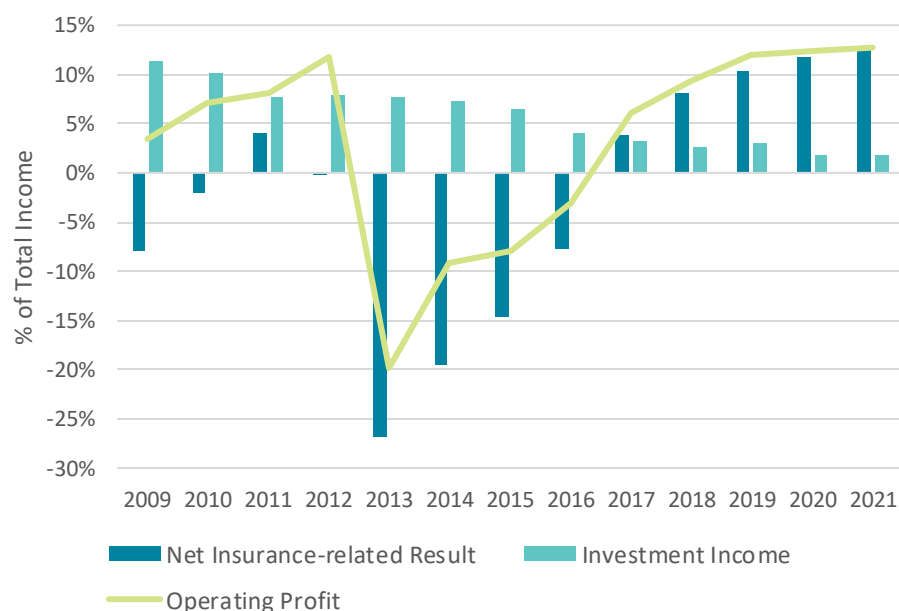


Figure 16 shows the interaction of the net insurance-related result, investment income and operating profit for the 2009 to 2021 financial years.

- For the 2009 and 2010 financial years, the net insurance-related result was negative, but this was offset by investment income leading to a positive operating result;
- For the 2011 and 2012 financial years, 4% and 0% net insurance-related results respectively combined with investment income, resulted in positive operating results;
- For the 2013 to 2016 financial years, the operating result was negative as a result of negative net insurance-related results which falling levels of investment income could not offset fully;
- For the 2017 to 2021 financial years, although investment income continues to fall, the increasingly positive net insurance-related result has led to an operating profit over this period.

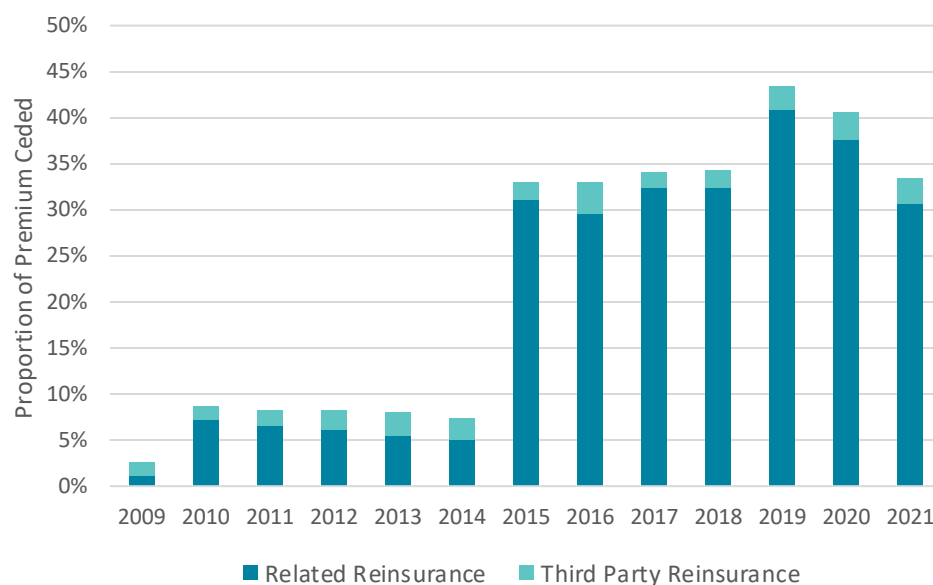
Reinsurance

Figure 17 shows how the proportion of premium ceded to reinsurers has changed from 2009-2021. Premium ceded refers to the premium paid by an insurer for a reinsurance contract. In exchange, the reinsurer covers an agreed level of claim experience therefore reducing the claims risk borne by an insurer. The reinsurer may also cover a proportion of the expenses incurred by the insurer in writing the business. Premiums can be ceded to a third party reinsurer, i.e., an external provider of reinsurance cover; or through a reinsurer within the same group as the firm which is defined here as related reinsurance.

The percentage of premium ceded by insurers increased from an average of 7% for 2009-2014 to 36% for 2015-2021. This increase is driven by the increase in related reinsurance cover which has increased from 5% on average for 2009-2014 to 34% for 2015-2021.

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

Figure 17: Proportion of premium ceded by insurers for reinsurance, split between related and third party reinsurers for years 2009-2021.



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

Figure 18 illustrates the net cost of reinsurance for each year from 2009 to 2021 for related and third party reinsurance. The total net cost across all financial years 2009-2021 equates to a cost of 4% of total income. This is shown as -4% in Table 5 to signify that reinsurance was an expense to the insurer. This is the case where the insurer paid more to a reinsurer in premium than they received back in claims and expense payments. This varies across the time period for related and third party reinsurance. Where the net cost is positive, this signifies that reinsurance was an income to the insurer, with claims and expense payments from the reinsurer being larger than the premium paid to them.

Figure 18: Net cost of related and third party reinsurance cover for years 2009-2021.

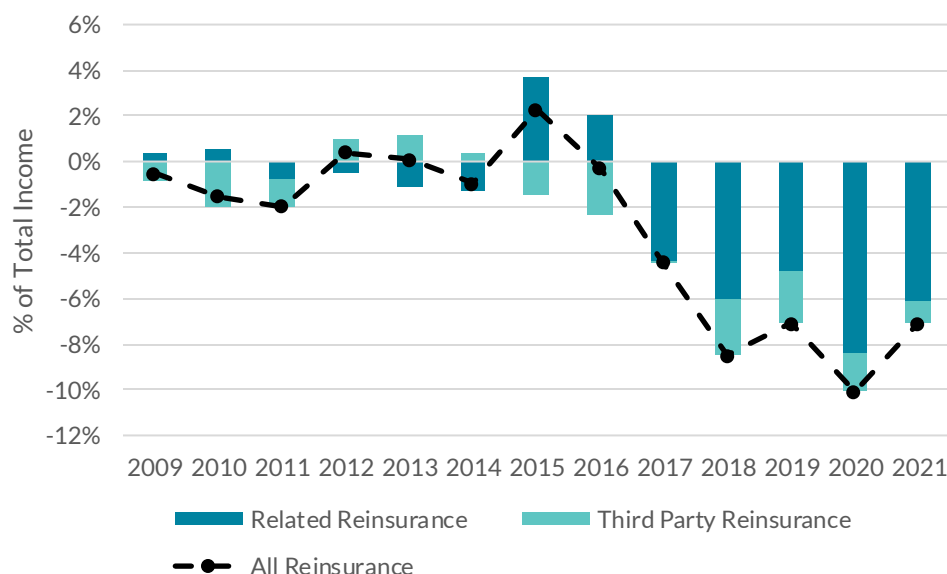


Table 6 below shows how the net cost of reinsurance varies for related and third party reinsurance cover across various time periods.

At a total level, the impact of third party reinsurance was -1% across all years and this has been relatively stable across the time period; this averaged -1% for 2009-2011, 1% for 2012-2014, -2% for 2015-2016 and -1% for 2017-2021.

For related reinsurance, the total impact was -3% across all years and this has varied across the time period; this averaged 0% for 2009-2011, -1% for 2012-2014, 3% for 2015-2016 and -6% for 2017-2021.

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

Year	Third Party Reinsurance	Related Reinsurance
2009-2011	-1%	0%
2012-2014	1%	-1%
2015-2016	-2%	3%
2017-2021	-1%	-6%
Total	-1%	-3%

Combined Operating Ratio (COR)

The operating result in the earlier section looked at the split of the key components of income and expenditure as a percentage of total income, with a particular focus on the net cost of reinsurance. However, a key ratio used by insurers to measure the underlying performance of their insurance

related activities is the Combined Operating Ratio (COR). The COR describes insurance related outgoings as a proportion of earned premium.

This is defined as:

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

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

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

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

Figure 19 provides the Gross and Net COR from 2009 to 2021. The total Gross COR was 96% across all financial years; the Net COR was 100%¹⁸. Between 2009 and 2016, 2011 was the only year where the Gross and Net COR were less than 100%, i.e., where underwriting was profitable. From 2017 to 2021 the COR has been less than 100%.

¹⁶ Incurred claims include: claims paid in the year; reserves for claims which occurred in the year; and changes in reserves for claims which occurred in prior years.

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

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

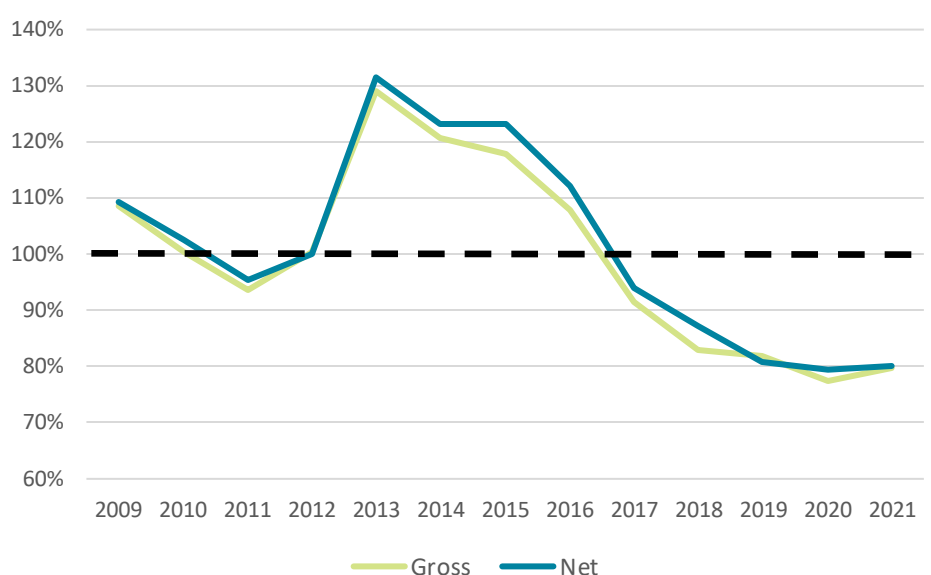
Figure 19: Gross and Net COR for 2009-2021.

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

From 2017 to 2021 the Gross and Net CORs averaged 83% and 84% respectively, indicating that the insurance business has been profitable. The lowest COR results were achieved during 2020, which had a Gross COR of 77% and a Net COR of 79%. The Gross and Net COR both increased to 80% in 2021.

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

Year	Gross COR	Net COR
2009-2012	101%	102%
2013-2016	118%	123%
2017-2021	83%	84%
All Years	96%	100%

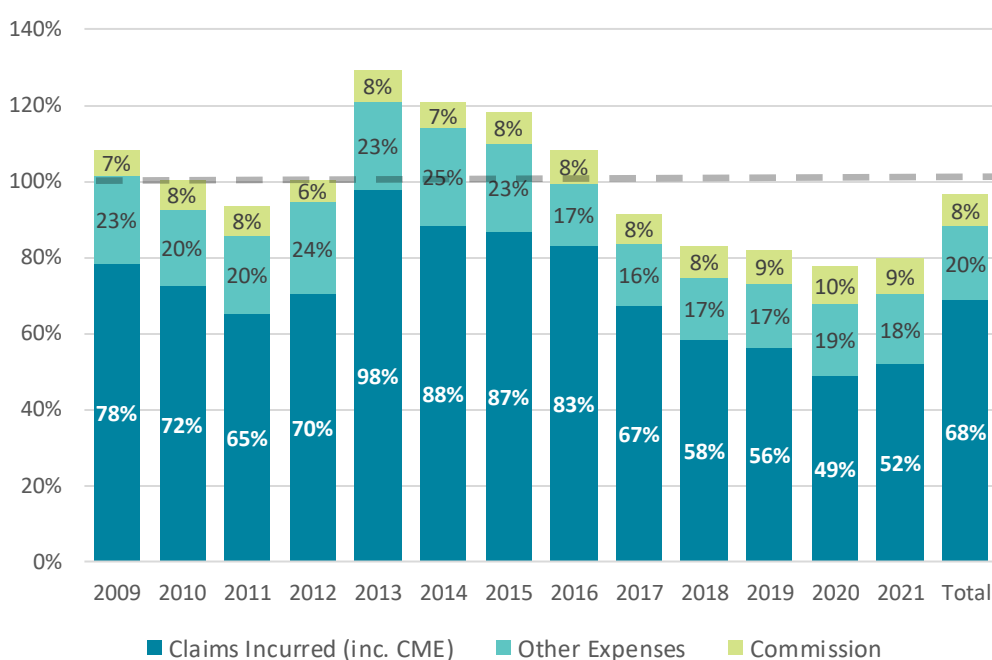
Underwriting Expenses

Figure 20 provides a breakdown of the underwriting costs as shown in the Combined Operating Ratio section above. We can see that gross claims-related costs (i.e., claims incurred and claims handling expenses) were the greatest expenditure accounting for 68% of gross earned premium across 2009-2021.

Other expenses are a combination of management expenses and MIBI¹⁹ expenses. These amounted to 20% of gross earned premium across 2009-2021. Commission expenses amounted to 8% of gross earned premium.

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

Figure 20: Breakdown of the gross underwriting costs for 2009-2021 as a percent of gross earned premium.



Commission

Figure 21 provides a breakdown of gross earned premium by distribution channel between third party distribution, i.e., brokers and comparison websites; direct distribution, i.e., the firm's own distribution networks; and related distribution, i.e., distribution through companies related to the firm. Policies sold through third party intermediaries made up 47% of gross earned premium across all years, 2009 to 2021. The proportion sold through this channel increased from 38% of premium in 2012 to 50% in 2021.

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

Policies sold through related distribution and direct distribution made up 16% and 37% respectively of gross earned premium across all years, 2009 to 2021.

Figure 21: Split of gross earned premium between third party, direct and related distribution channels²⁰.

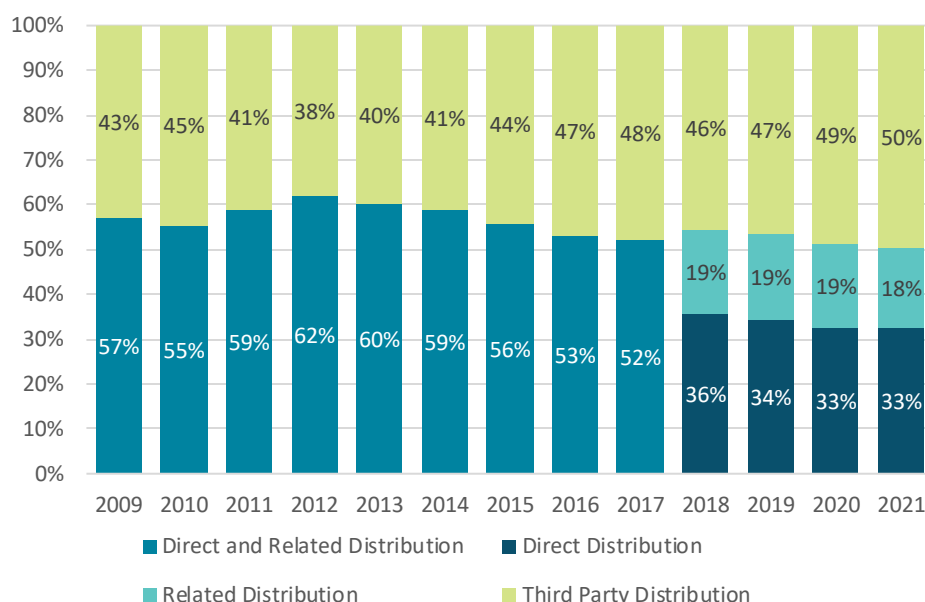
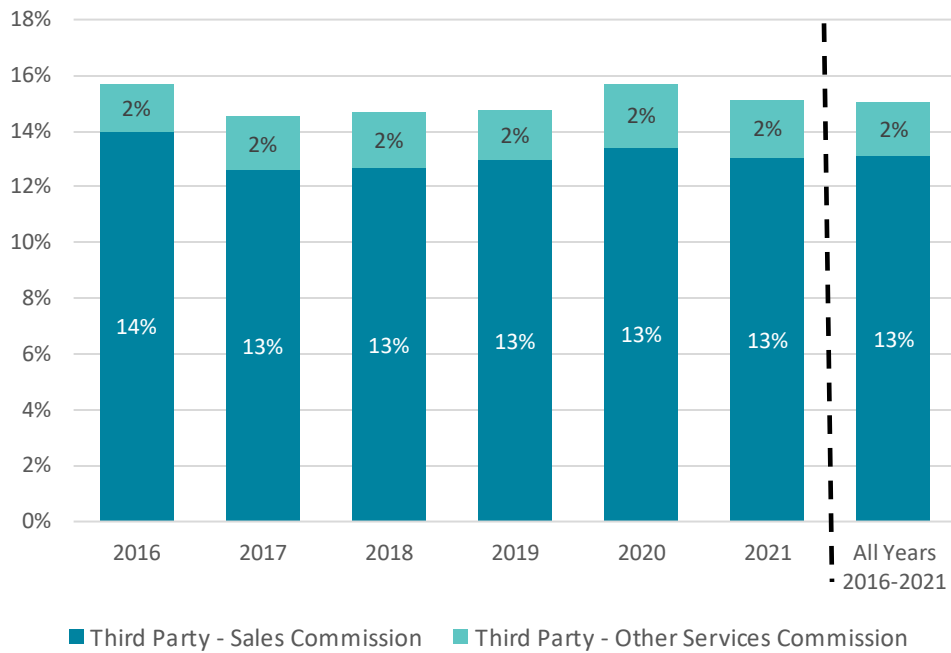


Figure 22 highlights commission costs as a percentage of premium on policies sold through third party intermediaries. On average, the total amount of commission as a percentage of premium sold through third party intermediaries was 15% from 2016 to 2021. This remained relatively stable across the time series.

Figure 22 also provides the split of commission costs between sales commission, i.e., amounts paid to a distributor in respect of the sale of a policy; and other services, i.e., all other amounts paid to the intermediary that are not related to the selling of a policy. On average, the total amount of sales commission as a percentage of premium sold through third party intermediaries was 13% from 2016 to 2021; costs for other services were 2% of premium sold through third party intermediaries.

²⁰ It is not possible to publish direct and related distribution percentages separately for 2009-2017 due to statistical confidentiality rules applied to the data.

Figure 22: Commission as a percentage of earned premium for policies sold through third party intermediaries²¹.



²¹ Based on 93% of market coverage in 2021.

PART 4 – Claim Settlements

Data was collected on claimants who settled claims between 2015 and 2021. The number of claimants and the aggregate cost of settling their claims was collected by claim type and settlement channel. This gave insight into trends in the settlement channel used, and the various costs associated with settling claims.

Key Insights and Findings

16% of all injury claimants that settled in 2021 settled under the Personal Injuries Guidelines.

For claims that settled through the Personal Injuries Assessment Board (PIAB) in 2021:

- 20% settled under the Personal Injuries Guidelines
- The average compensation for claims that settled under the guidelines was 34% lower than for claims that settled with reference to the Book of Quantum

For claimants who settled injury claims over 2019 to 2021:

- 35% settled directly, before PIAB
- 14% settled directly, after PIAB
- 16% settled through PIAB
- 34% settled through litigation, before a court award
- 2% settled through litigation, with a court award.

Between 2015 and 2021, 94% of injury claimants had total claim costs less than €100k, average costs for these were:

- Direct: compensation was €13,933 and legal was €1,568
- PIAB: compensation was €21,856 and legal was €686
- Litigated: compensation was €24,174 and legal was €15,567

In terms of injury claim settlements between 2015 and 2021, and the duration between the reporting and settling of claims:

- Claimants that settled directly (before or after engagement with PIAB) had an average duration of 1.4 years
- Claimants that settled through PIAB had an average duration of 2 years
- Claimants that settled via litigation (before or with court award) had an average duration of 3.9 years
- 22% of costs related to claimants settling directly, 11% to claimants settling through PIAB, and 67% to claimants settling via litigation

Data available on Settlement Channels

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

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

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

- **Direct:** both before and after PIAB.
- **PIAB**

- **Litigated:** both before and with court award.

The least complex claims are expected to be settled early between a claimant and insurer. If settlement is not reached, all injury claims then pass through PIAB. For data collected in this report until April 2021, PIAB calculated compensation amounts using the ranges set out in the Book of Quantum²², with additional consideration given to any financial loss incurred by the claimant. From April 2021, the Book of Quantum was replaced by Personal Injuries Guidelines adopted by the Judicial Council.

PIAB releases cases where an insurer/claimant does not consent to PIAB assessing the case, the injury is of a nature that is not appropriate for PIAB to assess, or an insurer/claimant rejects PIAB's award. In these instances, the claimant may pursue the case through litigation. It is common for complex cases or claims where liability is contested to be settled through litigation.

Settlement of Claims

Table 8: Total number of claimants settled and total cost of settlements for settlement years 2015-2021.

Settled Year	Number of Claimants Settled (000's)	Total Settled Cost (€m)
2015	148	601
2016	137	590
2017	121	618
2018	130	604
2019	127	628
2020	113	568
2021	117	563

Table 8 shows the total number of claimants that settled, and the total cost of claims, based on firms that collected 87% of the private motor insurance premiums in 2021. It can be seen that the cost of claims that settled in 2021 totalled approximately €563m, and this was spread across 117,000 claims.

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

Table 9: Total cost of claim settlements split between compensation, legal and other costs for settlement years 2015-2021.

Settled Year	Compensation Cost (€m)	Legal Cost (€m)	Other Cost (€m)
2015	486	102	13
2016	474	101	14
2017	488	113	16
2018	476	112	16
2019	500	119	9
2020	452	105	11
2021	454	102	7

Table 9 divides the total cost of settling claims into the amount of compensation, legal and other costs incurred in the course of settling those claims. An example of other costs incurred by an insurance firm would be the cost of medical assessment.

Table 10: Total number of claimants that settled without compensation and the total cost of settling those claims, for settlement years 2015-2021.

Settled Year	Number of Claimants Settled (000's)	Legal Cost (€m)	Other Cost (€m)
2015	10	2.3	2.3
2016	9	2.3	2.1
2017	8	2.4	2.3
2018	9	3.2	2.7
2019	9	3.1	2.9
2020	8	2.4	2.6
2021	8	2.7	2.7

Table 8 and Table 9 also include claims that were closed with no compensation paid to the claimant. While no compensation was paid, insurers may still incur costs in settling these claims. Table 10 shows that for the 2021 settlement year approximately 8,000 claimants settled with no compensation with a total cost to insurers of €5.4m. This was 7% of total claim settlements and 1% of total settlement costs. These claims will be removed for the remainder of the claim settlement analysis to focus on claims where compensation was paid, which is consistent with previous reports.

Table 11 shows the breakdown of claimant numbers and claimant costs between the different settlement channels. During the period from 2015 to 2021, 94% of claimants settled directly with the insurer, 2% settled through PIAB and 4% settled through litigation. Over this period, 43% of total claim costs were settled through the direct channel, 8% through PIAB and 48% through litigation.

Table 12: Breakdown of claimant numbers and claim costs for injury and damage claims for 2015 to 2021.

Years	2015	2016	2017	2018	2019	2020	2021	All
Settled Claimant Numbers								
Injury	9%	10%	10%	9%	10%	9%	8%	9%
Damage	91%	90%	90%	91%	90%	91%	92%	91%
Settled Claim Costs								
Injury	69%	71%	76%	72%	72%	71%	69%	72%
Damage	31%	29%	24%	28%	28%	29%	31%	28%

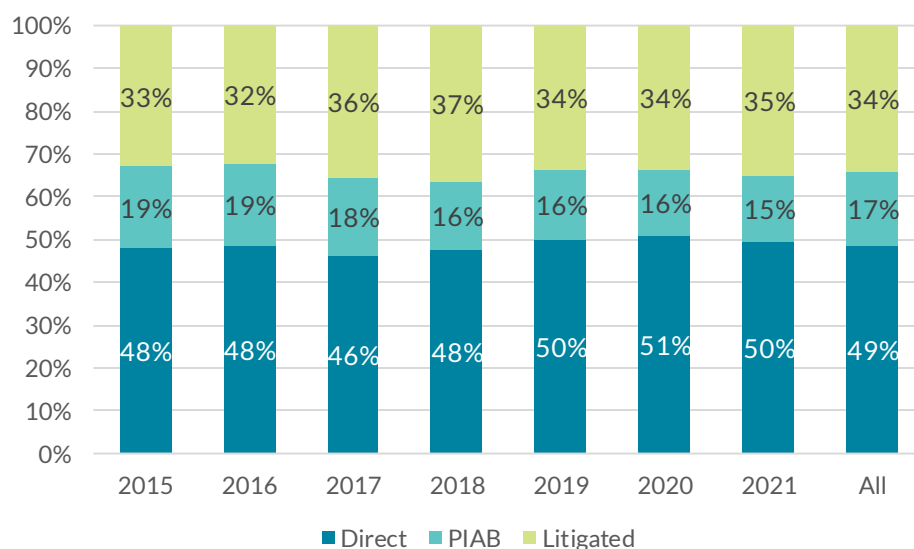
From Table 12 it can be seen that 91% of claimants made damage claims between 2015 and 2021. Damage claims seldom require PIAB or court assessment; 99% of them settled directly with the insurer. Injury claims accounted for 9% of claimants and 72% of total settlement costs between 2015 and 2021.

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

Settlement of Injury Claims

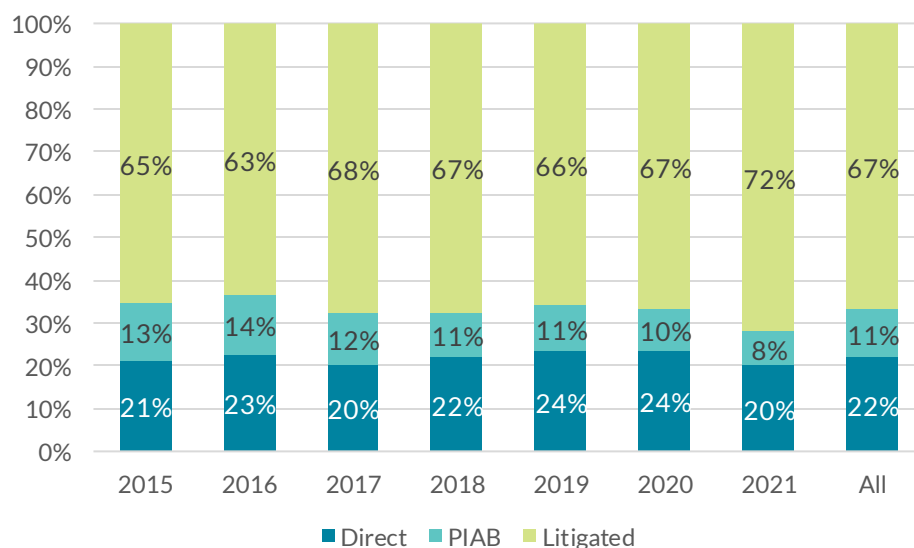
From Figure 24, it can be seen that 49% of all injury claimants settled directly with the insurer in years 2015 to 2021. The proportion of claimants who settled via litigation was 34% over this period, and the proportion who settled through PIAB was 17%.

Figure 24: The proportion of injury claimants who settled through each settlement channel in years 2015-2021.



As can be seen in Figure 25, between 2015 and 2021, injury claimants who settled directly (49%) accounted for 22% of total settlement costs; injury claimants who settled through litigation (34%) accounted for 67% of settlement costs; injury claimants who settled through PIAB (17%) accounted for 11% of settlement costs.

Figure 25: The proportion of total cost to insurers of settling injury claims in each of the settlement channels in settlement years 2015-2021.



Litigated settlements have become a larger component of total injury settlement costs since 2017 than they were in 2015 and 2016. PIAB settlements have become a less material component, decreasing from 13% to 8% of costs from 2015 to 2021.

Figure 26: The proportion of settled claimants and total cost of injury claims through each of the five settlement channels from 2019 to 2021²³.

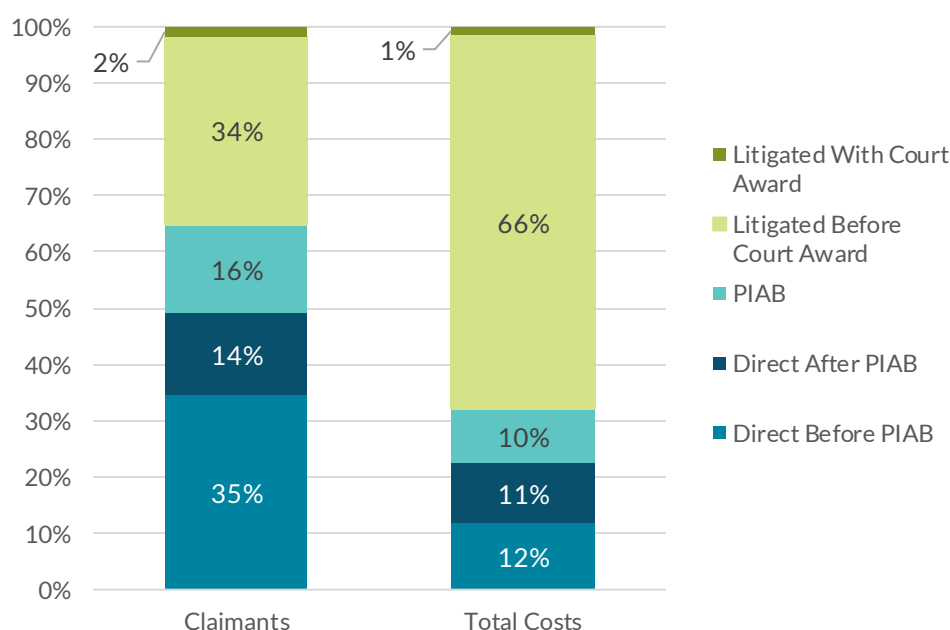


Figure 26 shows the proportion of settled injury claimants and costs that went through the five settlement channel splits from 2019 to 2021. The claimants that settled directly over these years can be divided into 35% that settled directly before PIAB involvement, and 14% that settled directly after PIAB involvement (but before the initiation of any legal proceedings).

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

It can be seen that while 35% of claimants settled directly before PIAB, only 12% of total settlement costs were attributable to this channel. Litigated claims that settled before a court award accounted for 66% of total settlement costs.

Distribution of Injury Claim Settlements

Figure 27 shows the distribution of claimants across settlement channels for different bands of compensation cost. It can be seen that a high proportion of claims in the lowest compensation cost band are settled directly, which decreases as claim compensation amounts increase. The proportion of claimants that settled through PIAB was at its highest at 29% of settlements in the €15,001 - €30,000 band.

²³ Based on 93% of market coverage in 2021.

Litigated settlements accounted for a low proportion of claimants in the lower claim size bands. This proportion increased to 96% for settlements in excess of €250,000.

Figure 27: The proportion of injury claimants that settled in each channel, by compensation cost band in years 2015-2021 collectively.

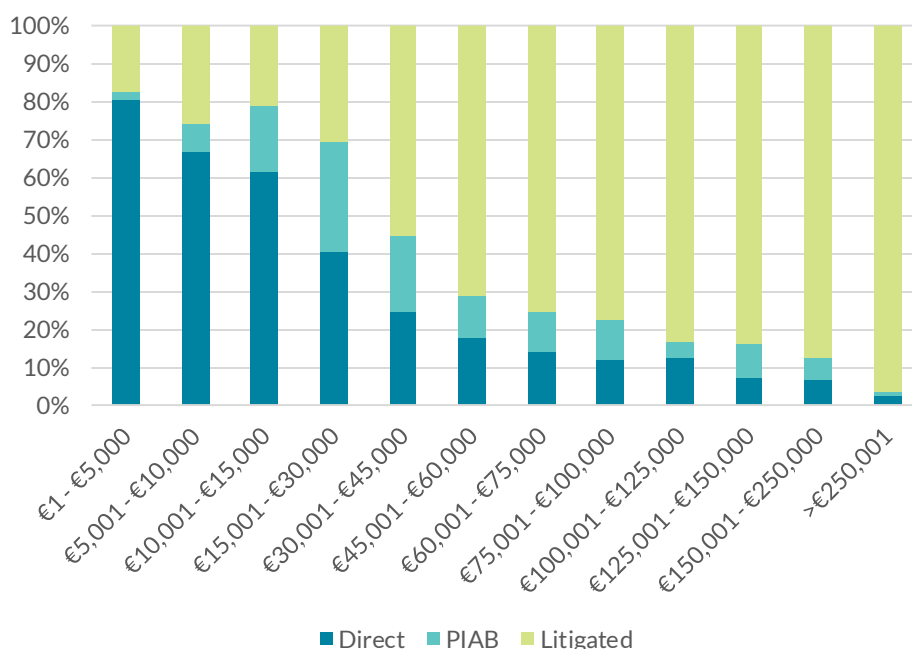
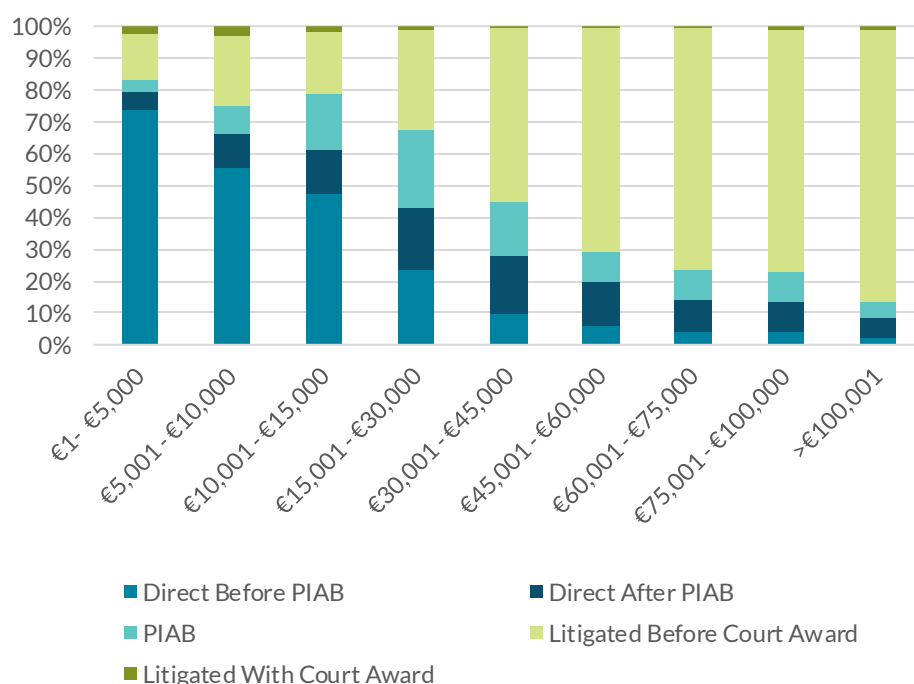


Figure 28 provides the distribution of claimants across compensation cost bands using the five settlement channel split between 2019 and 2021 combined. It can be seen that claims that settled directly before PIAB make up the majority of direct claims in the lowest compensation cost bands.

Figure 28: The proportion of injury claimants that settled in each channel, by compensation cost band in 2019 to 2021 collectively.



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

Table 13: The proportion of injury claimants settled in each compensation cost band and settlement channel, for years 2015-2021.

Band	Direct	PIAB	Litigated	All
€1 - €5,000	9%	0%	2%	11%
€5,001 - €10,000	11%	1%	4%	16%
€10,001 - €15,000	12%	3%	4%	19%
€15,001 - €30,000	13%	9%	10%	32%
€30,001 - €45,000	2%	2%	5%	9%
€45,001 - €60,000	1%	0%	3%	5%
€60,001 - €75,000	0%	0%	2%	2%
€75,001 - €100,000	0%	0%	2%	2%
€100,001 - €125,000	0%	0%	1%	1%
€125,001 - €150,000	0%	0%	0%	0%
€150,001 - €250,000	0%	0%	1%	1%
>€250,001	0%	0%	1%	1%
All Bands	49%	17%	34%	100%

Table 13 shows the split of total claims across the different compensation bands and settlement channels. It can be seen that the highest proportion

of claims are found in the €15,000 - €30,000 compensation cost band for 2015 to 2021. 79% of claimants had a total compensation cost less than or equal to €30,000.

Table 14 cumulative percentages of claimants in each settlement channel across compensation cost bands.

Band	Direct	PIAB	Litigated	All
€1 - €5,000	18%	1%	6%	11%
<€10,000	41%	8%	18%	27%
<€15,000	65%	28%	30%	47%
<€30,000	92%	83%	59%	79%
<€45,000	97%	94%	74%	89%
<€60,000	98%	97%	84%	93%
<€75,000	99%	98%	89%	95%
<€100,000	100%	99%	93%	97%
<€125,000	100%	99%	95%	98%
<€150,000	100%	100%	96%	99%
<€250,000	100%	100%	98%	99%
>€250,001	100%	100%	100%	100%

Table 14 shows the cumulative percentages of claimants in each settlement channel. It can be seen that 97% of claimants who settled directly, 94% of claimants who settled through PIAB and 74% of claimants who settled through litigation have a compensation amount less than €45k.

Taking €30,000 as a benchmark settlement cost, it can be seen that there was a shift towards higher claims costs from 2015 to 2021, as shown in Table 15. The proportion of claims with a total cost less than €30,000 to settle decreased over the period, and the proportion with a total cost more than €30,000 to settle increased. In 2015, 42% of litigated settlements cost less than €30,000, while in 2021, only 30% of such settlements cost less than €30,000. This trend is also visible for direct settlements.

Table 15: Proportion of injury claimants settling with a total cost less than €30k.

Channel	2015	2016	2017	2018	2019	2020	2021
Direct	92%	91%	88%	88%	87%	85%	85%
PIAB	82%	80%	78%	78%	79%	80%	80%
Litigated	42%	36%	34%	32%	29%	28%	30%

Average Settlement Costs of Injury Claims

Table 16 shows the average costs of settling injury claims per claimant, split into compensation paid to the claimant, legal fees and other costs²⁴ (e.g., the cost of medical assessment). The nature or severity of the injury claims settled in the different channels could vary significantly. This should be borne in mind when comparing the cost and time of settling injury claims in the various channels.

Table 16: Breakdown of the average injury settlement costs in each settlement channel in the years 2015-2021.

Average Settlement Cost	Compensation (€)	Legal (€)	Other (€)	Total (€)
Direct				
2015	13,177	1,130	435	14,742
2016	14,092	1,252	510	15,853
2017	15,230	1,494	674	17,398
2018	15,044	1,619	651	17,314
2019	15,127	2,038	691	17,856
2020	15,540	2,294	715	18,549
2021	14,596	2,424	664	17,683
2015-2021	14,659	1,715	615	16,988
PIAB				
2015	22,038	465	1,035	23,538
2016	22,971	521	1,016	24,508
2017	24,128	753	1,051	25,932
2018	23,106	837	1,033	24,976
2019	23,266	915	927	25,107
2020	23,215	831	951	24,997
2021	21,574	1,015	1,037	23,627
2015-2021	22,941	731	1,009	24,682
Litigated				
2015	42,329	22,083	1,720	66,132
2016	42,626	22,462	1,691	66,779
2017	49,433	23,814	1,693	74,940
2018	44,388	23,151	1,820	69,359
2019	48,436	25,279	337	74,052
2020	51,906	26,447	1,468	79,820
2021	59,980	28,101	1,409	89,490
2015-2021	47,941	24,290	1,454	73,684

²⁴ Note that “other costs” include recovery of costs in the case that another party is found (partially) liable for the claim. Large recoveries can lead to volatility in the average “other costs”.

The average cost of settling injury claims has increased by 32% between 2015 and 2021: 20% in the direct channel; 0.4% in the PIAB channel; and 35% in the litigated channel.

Legal expenses are most significant for litigated settlements, averaging 33% of the total cost (or 51% of the compensation cost) in years 2015-2021.

Table 17: Breakdown of the average injury settlement costs, where the total cost of settlement is less than €100k, in the years 2015-2021.

Average Settlement Cost	Compensation (€)	Legal (€)	Other (€)	Total (€)
Direct				
2015	12,457	963	425	13,844
2016	13,467	1,131	494	15,092
2017	14,283	1,337	667	16,287
2018	14,313	1,492	639	16,444
2019	14,482	1,869	658	17,009
2020	14,983	2,160	712	17,855
2021	13,705	2,273	630	16,608
2015-2021	13,933	1,568	599	16,099
PIAB				
2015	21,278	423	1,026	22,727
2016	22,012	517	1,026	23,554
2017	22,416	648	965	24,028
2018	22,558	769	1,017	24,344
2019	21,999	884	842	23,725
2020	21,776	803	895	23,474
2021	20,642	980	998	22,619
2015-2021	21,856	686	971	23,514
Litigated				
2015	21,793	14,520	808	37,121
2016	23,955	15,123	997	40,074
2017	24,805	14,983	949	40,737
2018	24,770	15,544	870	41,184
2019	24,830	16,459	738	42,026
2020	24,984	16,571	596	42,150
2021	24,272	16,194	389	40,855
2015-2021	24,174	15,567	784	40,526

Table 17 shows the average cost for claims with a total settled cost less than 100k in each of the three channels. This includes 94% of all claimants and 84% of litigated claimants who settled injury claims between 2015 and 2021. Litigated settlements costing more than €100k account for 16% of

claimants settling through litigation yet they account for 54% of total settlement costs in that channel. This category includes some very large settlements, which impact the average costs.

For years 2015-2021, the average compensation cost relating to settlements less than €100k in the litigated channel is €24,174. This is considerably less than the average total cost of a claim in the litigated channel at €40,526 because of the substantial legal fees that averaged €15,567. In comparison, average compensation payments for claimants settling through PIAB were €21,856 with average legal fees much lower at €686. Claims settling directly had lower compensation and total costs at €13,933 and €16,099 respectively.

Table 18: Breakdown of the average injury settlement costs by settlement channel, using the 5-way settlement channel and cost splits, for 2019 to 2021²⁵.

Settlement Channel	Comp General (€)	Comp Special (€)	Legal Own (€)	Legal Third Party (€)	Other (€)	Total (€)
All Claims						
Direct Before PIAB	11,169	888	116	892	631	13,697
Direct After PIAB	21,065	1,815	303	5,016	885	29,086
PIAB	20,894	1,711	950		964	24,519
Litigated Before Court Award	40,662	14,021	8,205	18,774	939	82,601
Litigated With Court Award	16,084	2,056	5,680	10,661	725	35,206
Claims <€100k						
Direct Before PIAB	10,889	744	101	825	628	13,187
Direct After PIAB	20,074	1,515	260	4,750	812	27,411
PIAB	19,892	1,586	917		898	23,292
Litigated Before Court Award	24,143	1,313	5,117	11,568	553	42,695
Litigated With Court Award	12,616	536	4,755	8,875	597	27,379

Table 18 shows the average costs of settling injury claims per claimant, using the 5-way settlement costs and channels for 2019 to 2021 combined, for all claims and those with a total settled cost less than €100k. Here, compensation costs are split into general damages and special damages, where general damages are those that compensate for non-monetary loss suffered by the claimant, e.g. pain and suffering; and special damages are those that compensate for financial loss, e.g. loss of earnings or medical expenses. Legal costs are split into the insurer's own legal costs and those of the claimant (third party) which were paid by the insurer. Claimants may

²⁵ The statistics in this table relating to all claims and claims with a total settled cost less than €100k are based on data from firms that insured 82% of the private motor insurance market in Ireland in 2021. Please note that it is not possible to publish information on all data points due to statistical confidentiality rules applied to the data.

incur further legal costs privately beyond those captured by the settling insurer.

Overall, claims that settled directly after PIAB had an average total settlement cost of €29,086 compared to €13,697 for those that settled directly before PIAB, and €24,519 for those that settled through PIAB. Legal costs made up the largest difference between the average costs of claims settled through PIAB and directly after PIAB.

Claims that settled through litigation before a court award had an average total cost of €82,601 compared to €35,206 for those that settled with a court award. These averages reduced to €42,695 and €27,379 respectively when claims that settled for greater than €100k were excluded.

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

Time to Settlement of Injury Claims

Settlement duration in this report is the time lag between the accident being reported to the relevant insurer and the claim being settled by the insurer. These are based on the quarters in which the claim is reported and settled. It should be noted that in the first and second private motor reports settlement durations were calculated as the approximated time between the accident occurring and the claim being settled based on annual data.

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

Table 19 shows the average number of years after the accident was reported to the insurer that claims were settled in years 2015 to 2021. Damage claims settled much faster than injury claims, with an average settlement duration after reporting of 0.4 years and 2.4 years respectively. Of the injury claims, litigated claims took the longest to settle, with an average duration of 3.9 years. Injury claims that settled directly had the shortest average duration at 1.4 years, followed by claims settled through PIAB at 2 years. Settlement durations increased for injury claims over the period 2015 to 2021 in all settlement channels, particularly in 2020 and 2021 which could be impacted by COVID-19 related delays.

Table 19: The average time (years) between claims being reported to the insurer and claims being settled between 2015 and 2021 by channel.

Channel	2015	2016	2017	2018	2019	2020	2021	All Years
Injury Claims								
Direct	1.1	1.3	1.3	1.3	1.4	1.6	1.7	1.4
PIAB	1.8	1.8	2.0	2.0	2.1	2.3	2.6	2.0
Litigated	3.6	3.7	3.8	3.8	4.0	4.1	4.5	3.9
All Claims								
Injury	2.1	2.2	2.3	2.3	2.4	2.6	2.8	2.4
Damage	0.3	0.4	0.4	0.4	0.4	0.4	0.4	0.4

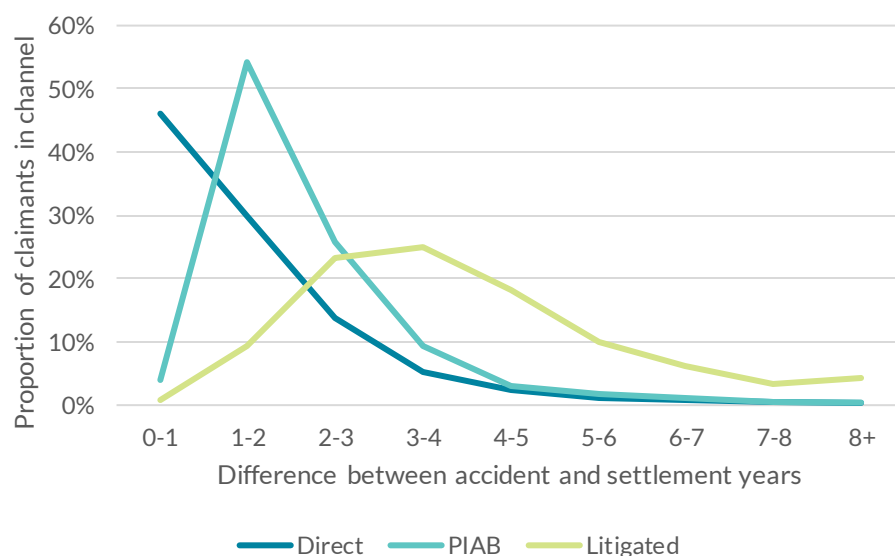
Table 20 shows the average number of years after the accident was reported that claims were settled in years 2019 to 2021 for the 5-way settlement channel split. As can be seen across all years, claims settled directly before PIAB had the shortest settlement duration at 1.2 years. Claims settled directly after PIAB had a slightly longer settlement duration compared to those that were settled through PIAB, although both were approximately 2.3 years. On average, claims settled through litigation before a court award had a slightly longer duration of 4.1 years compared to claims settled with a court award at 3.9 years.

Table 20: The average time (years) between claims being reported to the insurer and claims being settled between 2019 and 2021 by channel.

Settlement Channel	2019	2020	2021	All
Direct before PIAB	1.1	1.2	1.3	1.2
Direct after PIAB	2.2	2.4	2.5	2.3
PIAB	2.1	2.3	2.6	2.3
Litigated before Court Award	3.9	4.1	4.4	4.1
Litigated with Court Award	3.7	3.6	4.3	3.9

Figure 29 shows the distribution of injury claimants in each of the settlement channels across different reported to settlement durations. It can be seen that 76% of claimants who settled directly and 58% of claimants who settled through PIAB had their claim settled by the end of the second year after the accident was reported. However, only 10% of claimants who settled through litigation had their claim settled by this time.

Figure 29: Distribution of injury claimants by duration of settlement process, for injury claims settled between 2015 and 2021.



Litigated claims also have a greater spread of settlement durations. Although 33% of claimants who settled through litigation had their claim settled in the first three years after the accident was reported, 14% of claimants took six or more years to have their claim settled.

Introduction of Personal Injuries Guidelines

The Personal Injuries Guidelines were adopted by the Judicial Council on the 6th of March 2021 and implemented with effect from the 24th of April 2021. Therefore in 2021 some claims were settled under the Personal Injuries Guidelines and some with reference to the Book of Quantum which was in force before the Personal Injuries Guidelines.

The guidelines set out the level of general damages that may be awarded in respect of varying types of personal injuries. They apply to new claims reported after the 24th of April 2021, or where claims were already reported, the guidelines apply to claims where PIAB had not made an assessment of damages, or where legal proceedings had not been commenced before the 24th of April 2021.

Prior to this date, claims were assessed with reference to the Book of Quantum. This provided data on the range of compensation payments for an assortment of injuries, based on actual figures from court cases, insurance company settlements, State Claims Agency cases and PIAB data.

It is worth noting that claims that settle outside of the PIAB or litigated with court award settlement channels are settled after negotiations between the relevant parties. Claims labelled in this report as having settled under the guidelines in the direct before PIAB, direct after PIAB or

the litigated before court award settlement channels refer to claims that would have been assessed under the guidelines if they were assessed by PIAB or settled through litigation with a court award.

As shown in the previous section, it may take many years for injury claims to settle and the average time to settlement varies significantly by settlement channel. Therefore many of the claims that were assessed under the new guidelines would not have settled by year-end 2021, and so will not yet feature in this data. It will take some time for insight on the impact of the guidelines to be fully available.

Figure 30: Proportion of claimants settled in 2021 under the Personal Injuries guidelines and the Book of Quantum, i.e., assessed prior to the guidelines.²⁶

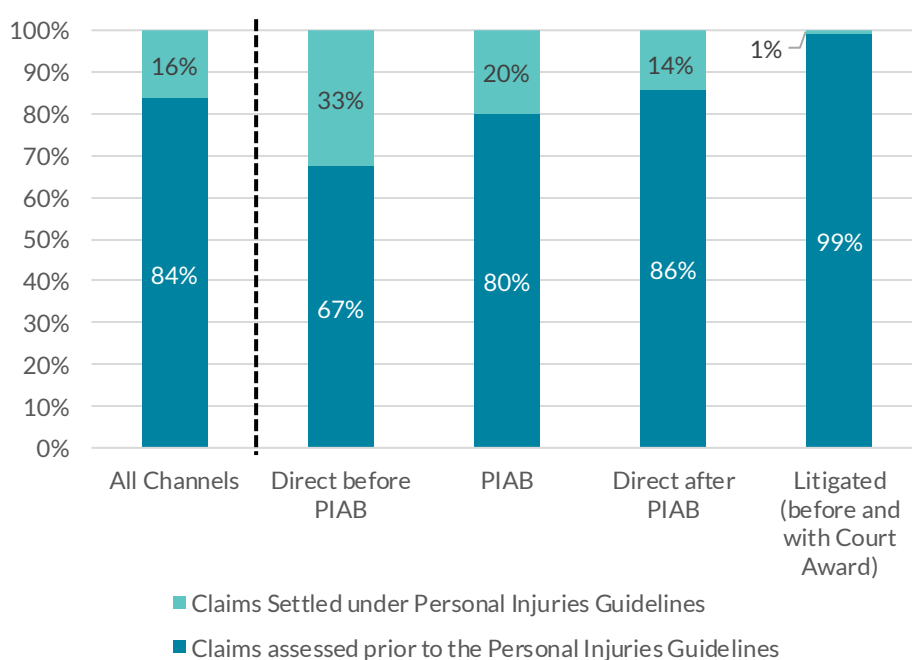


Figure 30 shows that 16% of claimants that settled claims in 2021 across all channels settled under the Personal Injuries Guidelines. A higher proportion of claimants settled under the guidelines in those settlement channels where it takes less time on average to settle claims, for example in 2021:

- 33% of claimants that settled direct before PIAB, where it takes 1.2 years on average to settle claims, settled under the new guidelines. This channel represented 12% of all injury claim costs between 2019 and 2021.

²⁶ It is not possible to publish this analysis separately for the litigated before court award and with court award settlement channels due to statistical confidentiality rules which are applied to the data.

- 20% of claimants that settled through PIAB, where it takes 2.3 years on average to settle claims, settled under the new guidelines. This channel represented 10% of all injury costs between 2019 and 2021.
- 14% of claimants that settled direct after PIAB, where it takes 2.3 years on average to settle claims, settled under the new guidelines. This channel represented 11% of all injury costs between 2019 and 2021.
- 1% of claimants that settled through litigation, where it takes 3.9 years on average to settle claims, settled under the new guidelines. This channel represented 67% of all injury costs between 2019 and 2021.

Given the small proportion of claims that have settled under the guidelines in 2021, there are limitations to the insight that can be derived from the data as at year-end 2021, for example:

- There is an insufficient number of claims settled under the guidelines to provide a consistent comparison of average award levels under the guidelines against claim settlements prior to the guidelines; and
- The current sample of claims that settled under the guidelines in 2021 is biased towards claims that took less time to settle, which may be an indication of less severe or less complex cases.

This can be seen in Table 21 where the average number of years between when a claim is reported to the insurer and settled is much shorter for claims that settled under the guidelines in 2021 when compared to all other claims settled in 2021.

Table 21: The average time (years) between a claim being reported to the insurer and settled, for claims settled in 2021 under the Personal Injuries Guidelines and claims assessed prior to the Personal Injuries Guidelines.

Settlement Channel	Settled Claims assessed under Personal Injuries Guidelines	Settled Claims assessed prior to the Personal Injuries Guidelines
Direct before PIAB	0.7	1.5
PIAB	2.0	2.6
Direct after PIAB	1.6	2.6

In 2021 claims that settled direct before PIAB under the guidelines settled within 0.7 years on average, compared to 1.5 years for claims assessed prior to the guidelines. Claims that settled direct after PIAB under the guidelines settled within 1.6 years compared to 2.6 years for claims assessed prior to the guidelines.

The average number of years between when a claim was reported and settled was closer for claims that settled through PIAB in 2021. This was 2.0 years for claims that settled under the guidelines and 2.6 years for claims that were assessed prior to the guidelines.

Table 22: Comparison of the average cost of claims settled under the Personal Injuries Guidelines and the Book of Quantum, for claims that settled through PIAB in 2021.

Average Cost of PIAB Claim Settlements	Settled under Book of Quantum	Settled under Personal Injuries Guidelines	% Change
Compensation Cost	23,221	15,213	-34%
Total Cost	25,569	17,290	-32%

For the reasons outlined previously, Table 22 is limited to show a comparison of the average compensation and average total cost for claims that settled through PIAB in 2021 under the Personal Injuries Guidelines against those that settled with reference to the Book of Quantum. This shows that the average compensation cost was 34% lower for claims that settled under the Personal Injuries Guidelines compared to the Book of Quantum in 2021.

Analysis of Damage Claim Settlements

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

Table 23: Average cost of settling damage claims in the years 2015-2021.

Cost Component (€)	2015	2016	2017	2018	2019	2020	2021
Compensation	1,455	1,440	1,437	1,510	1,618	1,701	1,746
Legal	10	8	8	8	7	6	7
Other	-10	-1	8	6	-8	-19	-44
Total	1,455	1,447	1,452	1,524	1,616	1,688	1,709

From Table 23 it can be seen that the average cost of settling damage claims has increased by 17% over the period 2015-2021, with a 1% increase from 2020 to 2021. This is driven by an increase in the average compensation cost. Legal and other costs are not a significant proportion of damage claim costs. It should be noted that the negative other costs relate to recoveries from a third party (where a third party was found to be partially or wholly liable for the claim).

PART 5 – Claim Development and Large Claims

Data on the development of claims was collected for accident years 2009-2021. This data forms the basis for insurers' estimates of claim numbers and costs, as discussed in Part 2. As new data emerges, estimates are updated. Part 5 discusses how estimates of ultimate claims costs have changed from 2018 to 2021. It also provides insight into the underlying claims development patterns.

Key Insights and Findings – 2021

In 2021, insurers' best estimate of total claims cost reduced by approximately €69m (or 1% of total claims cost) across accident years 2009 to 2020.

As at 31 December 2021, 24% of the expected ultimate claim costs for accident year 2021 are paid, 38% are claim reserve estimates and 37% are estimates of the cost for claims that have not yet been reported or have been under-reported.

For the 2021 accident year, the ultimate cost of large claims was €153m. It is estimated that there were 0.11 large claims per 1,000 policies with an average cost per large claim of approximately €628,000.

Premium and Claims Cost by Reporting Year²⁷

The trends in claims costs shown in Part 2 of this report are based on estimates of ultimate claims cost²⁸ for each accident year, calculated as at 31 December 2021. Not all of these claims will be paid yet. Some claims, injury claims in particular, can take many years to be fully paid.

In order to calculate the cost of claims for a particular accident year, insurers estimate the cost of claims that have not yet been paid. This is

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

²⁸The concept of ultimate claims costs is explained further in Part 6.

added to the paid claims to give an ultimate claims cost, which represents the insurers' best estimate of total claims cost for a given accident year.

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

Figure 31: Comparison of the average cost of claims per policy across accident years 2009-2021 as at 31 December 2018, 2019, 2020 and 2021.

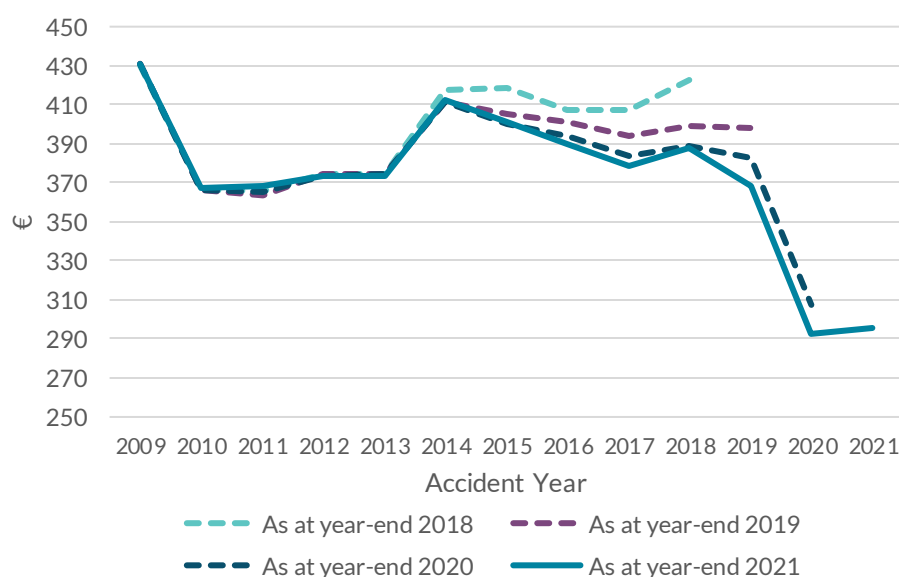


Figure 31 compares the average claims cost per policy using ultimate claims costs calculated at each year-end from 2018 to 2021. From year-end 2020 to year-end 2021, insurers' estimates of the average cost per policy reduced by 1% for the 2016 and 2017 accident years and remained stable for the 2018 accident year. The estimate of the average cost per policy for the 2019 and 2020 accident years reduced by 4% and 5% respectively, with the 2020 accident year decreasing from €307 as at 31 December 2020 to €293²⁹ at 31 December 2021.

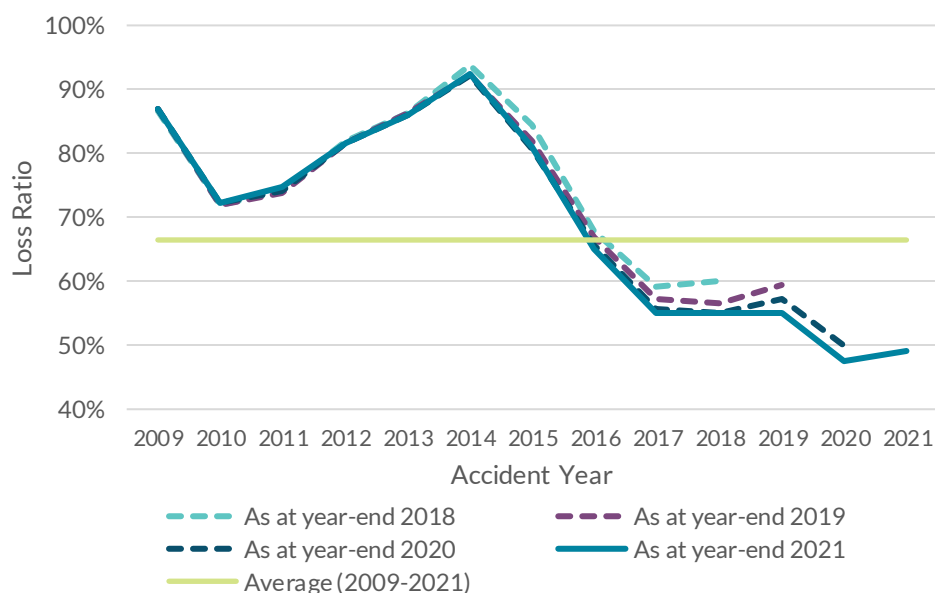
From 2018 to 2020, insurer's estimates of the average cost of claims per policy reduced by 8% for accident year 2018, from €423 to €388.

Figure 32 shows the impact of the change in ultimate claim costs on the loss ratio, as first discussed in Part 2. The 2017 and 2018 accident year loss ratios decreased from 59% and 60% respectively at year-end 2018 to 55% at year-end 2021. The 2019 loss ratio decreased from 59% at year-end

²⁹ This was shown to be €290 in Figure 8 which is based on 93% market coverage, whereas figure 31 is based on 92% market coverage.

2019 to 55% at year-end 2021, and the 2020 loss ratio decreased from 50% at year-end 2020 to 48% at year-end 2021.

Figure 32: The ratio of ultimate claim costs to premiums (loss ratio) as at 31 December 2018, 2019, 2020 and 2021 for accident years 2009-2021.



Claim Development Patterns

Analysis of claim development patterns can provide insight into changes in the claims environment over time, and into how claims might develop in future. The result of this analysis is usually a key input in the estimation of insurers' ultimate cost of claims. This section shows claim development patterns for 98% of the private motor insurance sector (based on the proportion of 2021 gross earned premium).

Table 24 shows the proportion of ultimate claims cost that are paid for each accident year across development years. The development year measures the number of years that have passed since the start of the accident year.

Table 25 shows the proportion of ultimate claims cost that are incurred for each accident year across development years. Incurred claim costs consist of the cost of claims that are paid added to case estimates for claims that have been reported to the insurer but not yet paid. These are the sum of the paid and outstanding costs shown in Figure 36 of Part 6.

Table 24: Paid claims as a percent of ultimate claim costs for each accident year across development years.

Accident Year	Development Year												
	1	2	3	4	5	6	7	8	9	10	11	12	13
2009	38%	54%	66%	76%	85%	91%	95%	97%	98%	98%	99%	99%	100%
2010	36%	53%	66%	78%	86%	92%	95%	97%	98%	99%	99%	99%	
2011	30%	44%	56%	70%	79%	85%	89%	92%	93%	93%	96%		
2012	28%	43%	59%	74%	84%	91%	95%	97%	97%	98%			
2013	27%	43%	59%	73%	84%	91%	94%	96%	97%				
2014	26%	42%	58%	73%	83%	89%	92%	95%					
2015	26%	43%	60%	74%	84%	89%	92%						
2016	25%	40%	56%	70%	79%	84%							
2017	23%	39%	55%	69%	76%								
2018	24%	39%	51%	62%									
2019	25%	38%	48%										
2020	22%	32%											
2021	24%												

Table 25: Incurred claims as a percent of ultimate claim costs for each accident year across development years.

Accident Year	Development Year												
	1	2	3	4	5	6	7	8	9	10	11	12	13
2009	77%	89%	97%	100%	100%	99%	100%	100%	100%	100%	100%	100%	100%
2010	77%	89%	97%	100%	101%	100%	100%	100%	100%	100%	100%	100%	
2011	71%	84%	92%	96%	98%	98%	98%	98%	98%	98%	99%		
2012	72%	87%	96%	100%	101%	100%	100%	100%	100%	100%			
2013	73%	89%	97%	101%	100%	100%	100%	99%	99%				
2014	71%	87%	98%	100%	100%	99%	99%	99%					
2015	71%	89%	98%	101%	100%	99%	99%						
2016	71%	87%	98%	99%	98%	98%							
2017	70%	88%	96%	96%	95%								
2018	70%	84%	90%	90%									
2019	71%	82%	83%										
2020	63%	67%											
2021	63%												

It can be seen from Table 24 and Table 25 that paid and incurred development patterns appear to have slowed between 2009 and 2021. Claims for more recent accident years are less developed than older accident years were at the same development year. This is more pronounced for earlier accident years.

It should be noted here that the ultimate cost of claims for more recent accident years are uncertain and that the percentages shown above may

change if the expected ultimate claims costs were revised upwards or downwards in future.

The 2020 and 2021 accident years will be particularly uncertain given the atypical nature of these years as a result of COVID-19. The difference in values for 2020 and 2021 compared to previous accident years in Table 25 and for 2020 in Table 24 highlight this uncertainty.

Large Claims³⁰

In Part 2, injury claim costs and frequency were analysed using the ultimate claim costs and numbers. However, additional insight can be gained by splitting injury claims into two categories based on their size and analysing their trends separately. In this report, we have defined large injury claims as those having a value greater than €250,000, with all other injury claims less than or equal to €250,000 being grouped together as attritional claims.

The number of large claims that occur in a given year and the overall cost of those claims can be volatile and difficult to predict. As a result of their size, the total ultimate claims cost in a given year can be significantly impacted by unusually high or low large claims experience in that year.

Figure 33: Ultimate claim costs for third party injury claims split between claims for less than or equal to €250k and claims for greater than €250k for accident years 2009 to 2021.

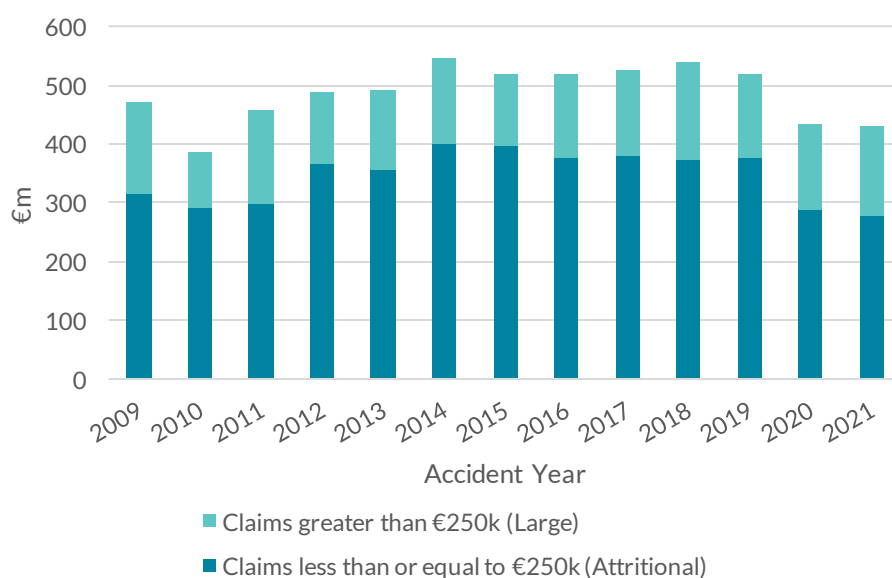
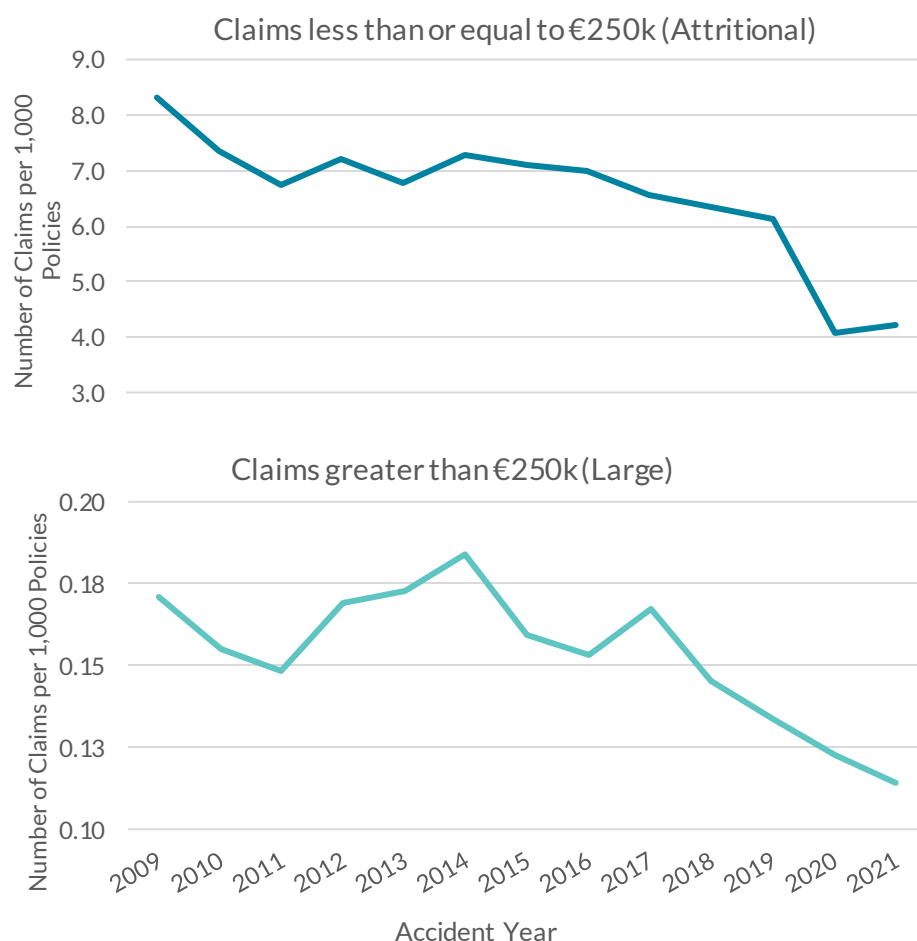


Figure 33 shows that, from 2009 to 2021, the ultimate claim cost per accident year for attritional injury claims has averaged €346m and for large injury claims has averaged €141m. The ultimate claim cost for attritional

³⁰ This section is based on 93% market coverage based on 2021 gross earned premium.

injury claims reduced from €375m for the 2019 accident year to €287m for 2020 and reduced again to €276m for 2021. The ultimate claim cost for large injury claims has remained stable for the 2020 and 2021 accident years.

Figure 34: Number of attritional and large injury claims per 1,000 policies for accident years 2009-2021.



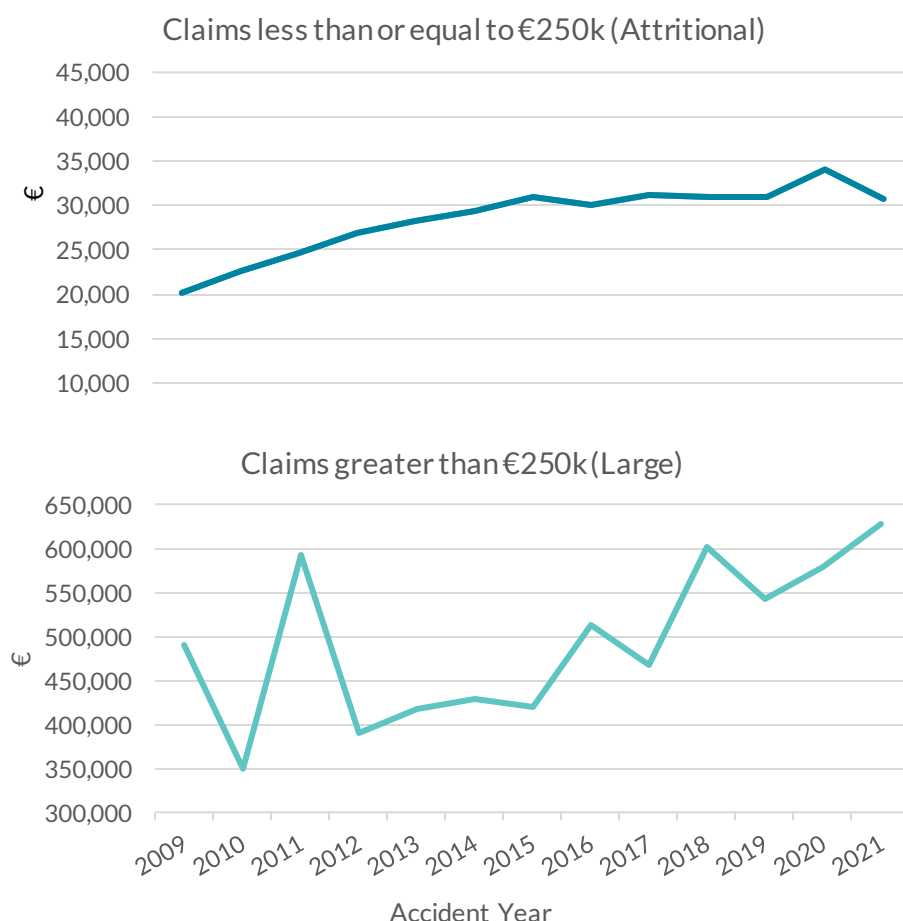
It can be seen in Figure 34 that the frequency of large injury claims is low compared to attritional injury claims and the other claim types shown in Part 2. Across all years 2009 to 2021 there were 6.64 injury claims per 1,000 policies, of which 0.15 were large claims and 6.49 were attritional claims.

From 2009 to 2018, the frequency of large injury claims was between 0.15 and 0.18 claims per 1,000 policies. This has steadily been decreasing in recent years from 0.17 in 2017 to 0.11 claims per 1,000 policies for the 2021 accident year.

The frequency of attritional claims decreased from 7.3 in 2014 to 6.1 claims per 1,000 policies in 2019. There was a significant further reduction in attritional claims frequency in 2020 to 4.1 claims per 1,000 policies owing

to COVID-19 related restrictions. This has increased slightly to 4.2 claims per 1,000 policies for the 2021 accident year but remains significantly below pre-COVID frequency levels.

Figure 35: Average cost per claim for attritional and large injury claims for accident years 2009-2021.



The average cost per claim for attritional injury claims increased by 53% from €20,150 in 2009 to €30,869 in 2015; it remained stable from 2015 to 2019; it then increased by 10% to €34,057 in 2020 before decreasing by 10% to €30,717 in 2021.

The average cost per claim for large injury claims has been volatile over the period 2009-2021. This is to be expected due to the low numbers of large claims and the wide range of claim amounts. The size of individual large claims in any given year may have a significant impact on the yearly average. Overall, Figure 35 shows an increasing trend in the average cost per large claim whereby the average cost per claim increased by 61% from approximately €390,000 for the 2012 accident year to €628,000 for the 2021 accident year.

PART 6 - Key Terms and Report Methodology

Definition of Key Terms

Policy

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

Premium

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

The premiums shown in this report are gross of reinsurance.

Claim

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

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

Salvage

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

Subrogation

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

Accident

An event that gave rise to a claim.

Periodic Payment Order (PPO)

A PPO is a series of payments made to an injury claimant to pay for the cost of their care for the rest of their life. The NCID allowed for the collection of data in respect of PPOs. As at the end of 2021, no PPOs had been awarded in respect of private motor accidents.

Frequency

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

Cost of a Claim

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

Cost of Claims per Policy

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

Cost of Premium per Policy (Average Premium)

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

Loss Ratio

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

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

by accident year and expressed as a percentage.

Reinsurance

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

Commission

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

Management Expenses

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

Types of Insurance Cover

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

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

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

Types of Claims

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

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

- **Large Injury Claims:** Third party injury claims valued at greater than €250,000.
- **Attritional Injury Claims:** Third party injury claims valued at less than or equal to €250,000.

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

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

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

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

Components of Settlement Costs

Compensation: The amount paid to a claimant in respect of a claim they have made. For the 2019 to 2021 settlement years, compensation costs are split by:

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

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

Legal: The legal fees paid by an insurer in the course of settling a claim. For the 2019 to 2021 settlement years, legal costs are split by:

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

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

Other: All other expenses incurred by an insurer in the course of settling a claim. This may include the cost of assessing claims (e.g. medical or

engineering), administration costs or recoveries from a third party claimant (where they are found to be liable).

Explanation of Key Concepts and Methodologies

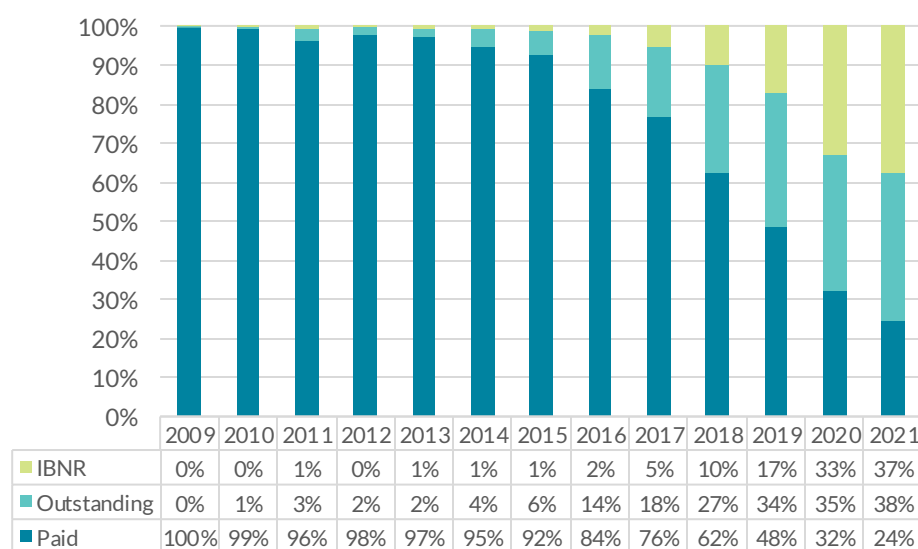
Ultimate Claims

In Part 2 of this report, claims are grouped together by accident year, the year in which the accident occurred. Not all of these claims will be paid yet. Some claims, injury claims in particular, can take many years to be fully paid.

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

Figure 36 shows an illustration of the breakdown of ultimate claims costs for accident years 2009-2021 as at 31 December 2021. Here the ultimate claims cost consists of paid claims (Paid), case estimates for claims that have been reported but not yet paid (Outstanding), and an estimate of costs for claims that have not yet been reported, i.e., incurred but not reported claims (IBNR).

Figure 36: Breakdown of ultimate claim costs for accident years 2009-2021.³¹



2021 is the most recent accident year and hence its ultimate claims cost is made up of the lowest proportion of paid claim at 24%, while 76% of this

³¹ Based on 98% of market coverage in 2021.

ultimate cost is made up of estimates. We can see that, as twelve years have passed since the 2009 accident year, 100% of the total ultimate claims cost for this accident year have been paid.

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

Earned Premium and Policy Count

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

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

Written Premium and Policy Count

Where premiums and policy numbers presented in this report were collected on a "written" basis. This means they are allocated to the year(s) in which the policy comes into force, regardless of whether the policy is in force in whole or in part over a later calendar year. In contrast to earned premium, if an annual policy comes into force on 1 October 2018, all of the premium for that policy will be accounted for in 2018 on a written basis.

The Underwriting Cycle

The pricing of insurance risks will generally depend on the position in the insurance underwriting cycle. The cyclical nature of property and casualty (liability) insurance is well recognised. Insurance markets tend to move between hard and soft markets, as illustrated in Figure 37.

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

The Irish Private Motor underwriting cycle is particularly pronounced.

Figure 37: An illustration of the insurance underwriting cycle.



Appendix 1 – Background to the National Claims Information Database

The Cost of Insurance Working Group (CIWG)³² was established by the Minister for Finance in 2016, in response to volatility in the pricing of non-life insurance in Ireland – particularly motor and liability insurance. The CIWG published its Report on the Cost of Motor Insurance³³ in January 2017, which made 33 recommendations within six broad themes:

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

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

A data sub-group of the CIWG (with representatives from the Department of Finance, the Personal Injuries Assessment Board (PIAB), the State Claims Agency, the Central Statistics Office (CSO), the Society of Actuaries in Ireland and the Central Bank) developed a Data Submission Requirement³⁴, specifying the data to be collected from insurers.

³² <https://www.finance.gov.ie/what-we-do/insurance/the-cost-of-insurance-working-group/>

³³ <https://www.gov.ie/en/publication/466182-report-on-the-cost-of-motor-insurance/>

³⁴ <https://www.centralbank.ie/statistics/data-and-analysis/national-claims-information-database>

Appendix 2 - List of Participating Insurers

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

Table 26: Firms that submitted data to NCID in 2021.

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



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Eurosystem