



Banc Ceannais na hÉireann
Central Bank of Ireland

Eurosystem

Employers' Liability, Public Liability and Commercial Property Insurance Report 3

National Claims Information Database (NCID)

April 2024

Contents

Introduction	5
Background	5
Reporting Population	5
Additional Factors to Consider	6
Inflationary Environment.....	6
Personal Injuries Guidelines	7
Impact of COVID-19	7
Future Enhancements to the Report.....	7
Executive Summary	8
Overview of the Report	8
Note on the Grouping of Claims	8
Key Findings	10
PART 1 - Premiums	15
Overview of the Market	16
Type of Policies.....	18
Size of Policies.....	18
Basis of Cover.....	19
Trends in Premium Costs.....	19
Trends in Premium Costs by Sector.....	23
PART 2 - Claims	25
Total Claims.....	26
Average Cost of a Claim.....	29
Comparison of Premiums and Claims Costs	31
PART 3 - Income and Expenditure	33
Aggregate trends	34
Breakdown of Income and Expenditure.....	35
Profitability of EL, PL and Commercial Property	37
Operating Performance split by Key Components.....	38
Reinsurance.....	41

Combined Operating Ratio	44
Underwriting Expenses.....	46
Commission	47
PART 4 – Claim Settlements	49
Background	50
Grouping of Claims	50
Structure of Part 4.....	50
Settlement Channels.....	50
Settlement of Claims.....	52
Nil Compensation Claims	52
Injury vs. Damage Claims.....	53
Settlement Channels.....	53
Damage Claims	54
Injury Claims	55
Settlement Channels.....	55
Distribution of Injury Claims	58
Average Costs of Injury Claims.....	59
Duration of Injury Claims	64
PART 5 – Personal Injuries Guidelines	67
Background	68
Grouping of Claims	68
Background to the Guidelines.....	68
Important Points to Note	68
Settlements under the Guidelines	68
Impact of the Guidelines on average claim costs.....	70
Direct and PIAB Channels	70
Approach	70
Indication of Impact of Guidelines on Direct and PIAB Channels.....	71
Litigation Channel.....	72
PART 6 – Claim Development	74
Premium and Claims Cost by Reporting Year	74
Claim Development Patterns.....	77

Part 7 - Key Terms and Report Methodology82

- Definition of Key Terms..... 82**
- Explanation of Key Concepts and Methodologies 84**
 - Ultimate Claims84**
 - Earned Premium and Policy Count.....85**
 - The Underwriting Cycle85**

Appendix 1 – Background to the National Claims Information Database86

Appendix 2 -Trends in Premium Costs - Standalone Policies87

Appendix 3 – Personal Injuries Guidelines89

- Background to the Guidelines89**

Appendix 4 - List of Participating Insurers.....90

Introduction

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

Background

The National Claims Information Database (NCID) was established in order to improve transparency in the Irish insurance claims environment and to support data driven policy making. The NCID was a recommendation of the Cost of Insurance Working Group¹ (CIWG). Further details can be found in Appendix 1.

Reporting Population

All insurers selling Employers' Liability (EL) or Public Liability (PL) insurance in Ireland were required to meet the same data submission requirements, regardless of country of authorisation. The insurers that submitted data for this report are listed in Appendix 4.

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

In 2022, total gross earned premium for the market was approximately €0.9bn for EL and PL, and €0.55bn for Commercial Property. Part 1 (Premiums) of this report is predominantly based on data covering 91% of the EL, PL and Commercial Property market in Ireland in 2022²; Part 2 (Claims) is predominantly based on 75% market coverage; Part 3 (Income and Expenditure) is based on 80% market coverage; Part 4 (Claims Settlement) includes sections based on 81% and 72% market coverage; and

¹ <https://www.gov.ie/en/organisation-information/fbc791-the-cost-of-insurance-working-group/>

² As measured by the ratio of 2022 gross earned premium of included data to the 2022 gross earned premium of the total market.

Part 6 (Claim Development) includes sections based on 71% and 70% market coverage. There are some exceptions to these percentages which are noted in relevant sections. Certain submissions were excluded from our analysis due to insufficient quality of, or granularity in, the data.

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

Data Contained within the Report

The data collected for the purpose of this report relates to the time period up to 31 December 2022. Therefore, this year's report will contain the initial impact on EL and PL insurance in Ireland from the introduction of Personal Injuries Guidelines by the Judicial Council in April 2021.

Data collected in this report does not include detail on the levels of excess, deductibles or limits on EL, PL or Commercial Property policies or how these have changed over time.

The data will not show the impact of amendments made to the Occupier's Liability Act in 2023 or the introduction of the Personal Injuries Resolution Board Act, 2022.

Additional Factors to Consider

Inflationary Environment

2022 saw the re-emergence of inflation in Ireland and many other countries, driven by a range of factors including disruptions to supply chains from the COVID-19 pandemic, the Russian invasion of Ukraine and ensuing energy market volatility. As reported by the CSO³, the Consumer Price Index (CPI) rose by 8.2% between December 2021 and December 2022; the latter was the fifteenth straight month where the annual increase in the CPI was at least 5.0%.

³ CSO website, Consumer Price Index December 2022 release
<https://www.cso.ie/en/releasesandpublications/ep/p-cpi/consumerpriceindexdecember2022/>

This high inflation has impacted on the insurance sector. For example, higher costs for building materials have led to an increase in the cost of certain claims.

As such, this high inflationary environment provides an important context to the cost of premiums and claims in 2022 and is referenced at times in this report.

Personal Injuries Guidelines

Effective from 24th of April 2021 injury compensation awards are assessed with reference to the Personal Injuries Guidelines which were adopted by the Judicial Council on the 6th of March 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.

In 2021 and 2022, some claimants received compensation awards calculated with reference to the Personal Injuries Guidelines and some with reference to the Book of Quantum. It should be noted that for a particular injury type the compensation awarded with reference to the Personal Injuries Guidelines may be different to that awarded using the Book of Quantum.

Impact of COVID-19

Data for 2020, 2021 and 2022 is influenced by the impact of COVID-19 and subsequent government restrictions. This impact can be seen on insurers' premiums and claims, and should be borne in mind when considering this data. An example of this is the reduction in the number of EL and PL claims arising in 2020 and 2021 as a result of COVID-19 related restrictions.

Future Enhancements to the Report

The NCID EL, PL and Commercial Property insurance data specification will continue to be reviewed, and where necessary amended to enhance the insight that can be gained from this data.

Executive Summary

Overview of the Report

This report is organised as follows:

Part 1 considers earned premiums for EL, PL and Commercial Property insurance between 2009 and 2022.

Part 2 examines claims related to EL, PL and Commercial Property accidents that occurred between 2009 and 2022 and compares earned premiums and claims costs between 2009 and 2022.

Part 3 gives a breakdown of insurers' income and expenditure for EL, PL and Commercial Property insurance for financial years 2009 to 2022.

Part 4 analyses how EL and PL claims were settled between 2015 and 2022 and the various associated costs (claimant compensation, legal fees and other costs).

Part 5 analyses the impact of the Personal Injuries Guidelines on settled claim costs.

Part 6 analyses the change in the ultimate cost of claims for EL, PL and Commercial Property insurance from 2019 to 2022, and provides information on claim development patterns from 2009 to 2022.

Part 7 provides notes and information on the key terms and methodology employed in this report.

Appendices provide further information on the background to the NCID, trends in premium costs for standalone policies, background on the Personal Injuries Guidelines and a list of participating insurers.

Note on the Grouping of Claims

Liability and Commercial Property insurance claims are discussed in Parts 2, 3 and 6 of the report with liability only claims analysed in Part 4 and 5 of this report. It is important to note the basis under which the data was collected:

- Accident Year - Parts 2 and 6
- Financial Year – Part 3
- Settlement Year – Parts 4 and 5

An explanation is provided below.

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

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 and 5): 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 7.

Key Findings

Income & Expenditure 2022	
2022 Summary	<ul style="list-style-type: none"> • Operating profit: 14% of total income. • Combined Operating Ratio (COR)⁵: 67% gross and 73% net of reinsurance. • Reinsurance cost: 19% of total income. • Investment income: 3% of total income.

Income & Expenditure 2009-2022	
Insurers' Operating Profit across the EL, PL and Commercial Property lines	<p>Between 2009 and 2022, operating profit was 0.5% of total income.</p> <p>The operating result was:</p> <ul style="list-style-type: none"> • A profit of 3.7% of total income from 2009 to 2014 • A loss of 6.0% of total income from 2015-2019 • A profit of 4.2% of total income from 2020 to 2022.
Combined Operating Ratio (COR)	<p>Between 2009 and 2022, the COR was on average 97% gross of reinsurance and 107% net of reinsurance.</p> <p>The COR averaged:</p> <ul style="list-style-type: none"> • 99% gross, 105% net 2009 to 2014 • 100% gross, 119% net 2015 to 2019 • 91% gross, 94% net 2020 to 2022.

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

Investment Income as % of Total Income	<p>Across all years, 2009 to 2022, investment income was 5% of total income.</p> <p>Investment income as a percentage of total income was on average:</p> <ul style="list-style-type: none"> • 9% from 2009 to 2014 • 4% from 2015 to 2019 • 3% from 2020 to 2022.
Net Cost of Reinsurance as % of Total Income	<p>Across all years, 2009 to 2022, reinsurance costs were 7% of total income.</p> <p>Reinsurance costs as a percentage of total income were on average:</p> <ul style="list-style-type: none"> • 5% from 2009 to 2014 • 9% from 2015 to 2019 • 6% from 2020 to 2022.

Injury Claim Settlements 2022

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

Method of Claimant Settlement by Channel	<p>% of injury claimants settled by channel:</p> <ul style="list-style-type: none"> • 10% directly, before PIAB • 12% via PIAB • 6% directly, after PIAB • 70% via litigation, before court award • 3% via litigation, with court award
Method of Settlement (by Cost)	<p>% of injury costs settled by channel:</p> <ul style="list-style-type: none"> • 3% directly, before PIAB • 4% via PIAB • 3% directly, after PIAB • 88% via litigation, before court award • 2% via litigation, with court award

	Employers' Liability	Public Liability
Direct Settlements	Average compensation €27,431 Average legal costs €3,286	Average compensation €13,407 Average legal costs €4,002
PIAB Settlements	Average compensation €26,366 Average legal costs €1,459	Average compensation €21,439 Average legal costs €1,804
Litigated Settlements	Average compensation €70,297 Average legal costs €40,013	Average compensation €37,045 Average legal costs €28,542
Litigated Settlements <€150k	Injury claimants settling for less than €150k: Claimants 81% of total litigated Average compensation €33,704 Average legal costs €22,758	Injury claimants settling for less than €150k: Claimants 94% of total litigated Average compensation €24,910 Average legal costs €22,938

Personal Injuries Guidelines 2022

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.

Settlement under the Guidelines

For injury claims settled in 2022:

- 24% settled under the Guidelines
- 76% settled with reference to the Book of Quantum

<p>Settlement under the Guidelines by Channel</p>	<p>% of injury claims settled under the Guidelines by channel in 2022:</p> <ul style="list-style-type: none"> • 74% of claims that settled Direct before PIAB • 83% of claimants that settled through PIAB • 67% of claimants that settled Direct after PIAB • 4% of claimants that settled through litigation
<p>Impact on Claims Cost for Direct and PIAB Channels</p>	<p>% change in average injury claim cost for claims settled under the Guidelines in 2022 compared to claims settled under the Book of Quantum in 2020.</p> <p>Employer’s Liability claims:</p> <ul style="list-style-type: none"> • -17% for claims settled directly before PIAB • -33% for claims settled through PIAB • -19% for claims settled directly after PIAB <p>Public Liability claims:</p> <ul style="list-style-type: none"> • -41% for claims settled directly before PIAB • -33% for claims settled through PIAB • -40% for claims settled directly after PIAB
<p>Impact on Claims Cost for Litigation Channel</p>	<p>There have not been enough litigated claims settled under the Guidelines to assess the impact on the average cost of a claim in this channel.</p>

Cost of Insurance 2022

When addressing the cost of EL, PL and Commercial Property insurance, it is important to recognise the broad variety of risks covered.

An overall average premium may not reflect the reality experienced by policyholders in individual sectors or subsectors.

How consumers purchased EL, PL and Commercial Property Insurance in 2022

Policy types:

- **86%** Package policies
- **14%** Standalone policies

Policies less than €5,000:

- **90%** of policies
- **23%** of premium

Policies greater than €25,000:

- **2%** of policies
- **57%** of premium

Trend in Average Premium per Policy for Package Policies

The overall average premium for Package policies increased by **8%** in 2022.

Claims by Accident Year 2022

Claims as % of Premium (Loss Ratio) for EL, PL and Commercial Property Insurance combined

The loss ratio (claims as a percentage of premiums) across all EL, PL and Commercial Property policies was **54%** in 2022.

PART 1 - Premiums

Data was collected on premiums, the number of policies and the number of insurance covers provided under those policies between 2009 and 2022. Policies were split into Package and Standalone policies, and premium was split by the Employers' Liability (EL), Public Liability (PL) and Commercial Property components of those policies.

Key Insights and Findings

2022 Findings

The large majority (86%) of EL, PL and Commercial Property insurance policies earned in 2022 were taken out as part of a Package policy.

54% of Package policies were for a premium of less than €1,000, 91% had a premium less than €5,000 while 98% were for a premium of less than €25,000. These percentages vary across different sectors.

The average premium for Package policies increased by 8% in 2022.

Premium Trends 2009-2022

For Package policies:

- The average premium decreased by 16% from €2,223 in 2009 to €1,864 in 2013. It increased by 33% to €2,474 in 2020. The average premium increased by 12% to €2,781 in 2022.
- The decrease in premium from 2009 to 2013 is seen across the EL, PL and Commercial Property covers within these policies.
- The increase in premium from 2013 to 2020 is driven mostly by the EL and PL components of policies. The average premium for all covers increased from 2020 to 2022.

Overview of the Market

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

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

Figure 1: The proportion of earned policy count and gross earned premium by policy type for 2022.

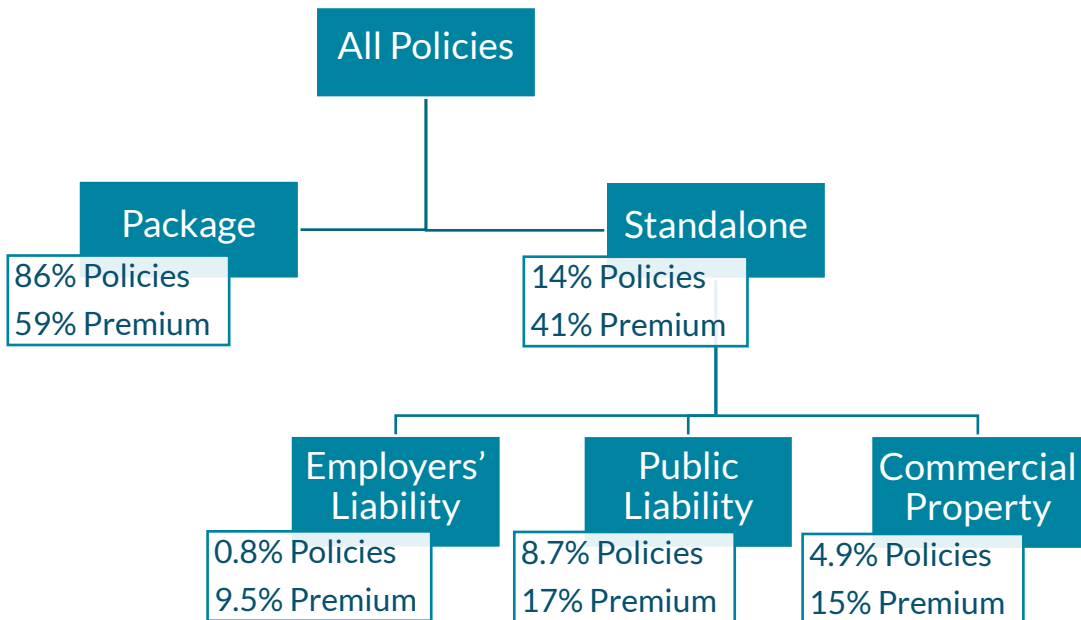


Figure 1 shows that in 2022, 86% of policies earned were Package policies which accounted for 59% of the gross earned premium. Standalone policies made up 14% of all policies, with most of these being PL or Commercial Property policies. Although Standalone policies made up 14% of policy count, these accounted for 41% of earned premium, highlighting that larger policies may be more likely to be purchased as a standalone policy. This breakdown was reasonably consistent across the data series from 2009 to 2022.

Table 1: Total earned policy count, earned subclass count and gross earned premium for 2009 to 2022.

Year	Earned Policy Count (000's)	Earned Subclass Count (000's)	Gross Earned Premium (€m)
2009	326	738	922
2010	317	734	836
2011	311	712	795
2012	305	703	767
2013	297	690	739
2014	296	687	756
2015	308	722	791
2016	303	709	858
2017	298	697	913
2018	297	701	979
2019	302	709	1,049
2020	306	728	1,067
2021	308	740	1,138
2022	318	754	1,287

Table 1 shows that for 91% of the market there were approximately 318,000 earned policies and €1.287bn in premium earned in the EL, PL and Commercial Property market in 2022.

As a Package policy includes more than one insurance cover within each policy, the earned subclass count shown in Table 1 gives a count of the number of individual insurance covers provided. For instance, if a Package policy includes cover for EL and PL, this will count as one policy with two subclasses. If the Package includes EL, PL and Commercial Property insurance, this will count as one policy with three subclasses. Each Standalone policy will have a subclass count of one as it only includes one insurance cover. For 2022, we can see that there were approximately 754,000 insurance subclasses (covers) provided through 318,000 individual policies.

Between 2009 and 2022, EL made up 29% of insurance covers (earned subclass counts) and 25% of gross earned premium; PL made up 39% of insurance covers and 36% of gross earned premium; and Commercial Property made up 33% of insurance covers and 39% of gross earned premium.

It should be noted that the proportion of the market captured in the data may be higher or lower in previous years than it is in 2022 (91%) as a result of firms having entered or left the market over that time or due to the changing market share of firms over the time period.

Type of Policies

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

Table 2: The proportion of Package policies that include each insurance cover and the average number of insurance covers per policy for 2009-2022.

Year	Employers' Liability	Public Liability	Commercial Property	Average No. Covers per Policy
2009	76%	92%	84%	2.52
2010	76%	97%	84%	2.57
2011	76%	96%	80%	2.52
2012	77%	97%	79%	2.52
2013	77%	97%	79%	2.53
2014	78%	97%	79%	2.53
2015	79%	97%	79%	2.55
2016	80%	97%	79%	2.56
2017	81%	97%	79%	2.57
2018	81%	97%	82%	2.61
2019	81%	97%	86%	2.64
2020	80%	97%	88%	2.65
2021	80%	97%	87%	2.64
2022	80%	97%	84%	2.60

The average number of insurance covers per Package policy increased from 2.52 in 2009 to 2.65 in 2020, before decreasing to 2.60 by 2022. EL insurance was included in 80% of Package policies in 2022, 97% of policies included PL insurance and 84% included Commercial Property insurance.

As highlighted in Figure 1, 14% of all policies were Standalone policies in 2022. EL, PL and Commercial Property policies make up 4%, 53% and 43% of these Standalone policies respectively.

Size of Policies

There is a large spread in the size of policies earned in the EL, PL and Commercial Property market, as measured by premium, reflecting the large range of policyholders and diverse set of risks which fall under this insurance cover. Table 3 shows that in 2022, 54% of Package policies and 71% of Standalone policies had a premium of €1,000 or less. 90% of all policies had a premium of €5,000 or less.

2% of package policies had a premium greater than €25,000 which accounted for 40% of gross premium earned on package policies, while 5%

of standalone policies had a premium greater than €25,000 which accounted for 85% of Standalone gross earned premium. 2% of all policies had a premium greater than €25,000 which accounted for 57% of all premium.

The distribution of policies in premium bands will vary across different sectors. For example, 59% of all policies in the Manufacturing sector (NACE code C) have a premium less than €5,000 in 2022, whereas 83% of policies in the Wholesale and Retail Trade sector (NACE code G) are below €5,000.

Table 3: The proportion of earned policy count and gross earned premium by premium size band for Package and Standalone policies, 2022⁶.

Premium Band	Package		Standalone		Total	
	% of Policies	% of Premium	% of Policies	% of Premium	% of Policies	% of Premium
€1-€1,000	54%	8%	71%	2%	57%	6%
€1,001-€2,000	22%	10%	8%	1%	20%	7%
€2,001-€5,000	15%	15%	7%	2%	14%	10%
€5,001-€10,000	5%	12%	4%	3%	5%	8%
€10,001-€25,000	3%	16%	4%	6%	3%	12%
>€25,001	2%	40%	5%	85%	2%	57%

Basis of Cover

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

The vast majority of policies earned between 2009 and 2022 were written on a Losses Occurring basis with only a very small proportion being Claims Made.

Trends in Premium Costs

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

⁶ Table 3 is based on a market coverage of 83%.

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

all policies, or 94% of all insurance covers in 2022. Detail on the cost of Standalone policies is shown in Appendix 2.

As can be seen in Table 4, the proportion of Package policies with a premium of less than €2,000 increased from 77% in 2009 to 82% in 2014 and subsequently reduced to 76% in 2022.

The percentage of package policies with a premium less than €5,000 has followed a similar trend, varying between 91% and 94% between 2009 and 2022. The proportion of policies with a premium greater than €50,001 increased from 0.3% to 0.6% from 2009 to 2022.

Table 4: The proportion of earned policy count in each premium cost band for Package policies and years 2009-2022.

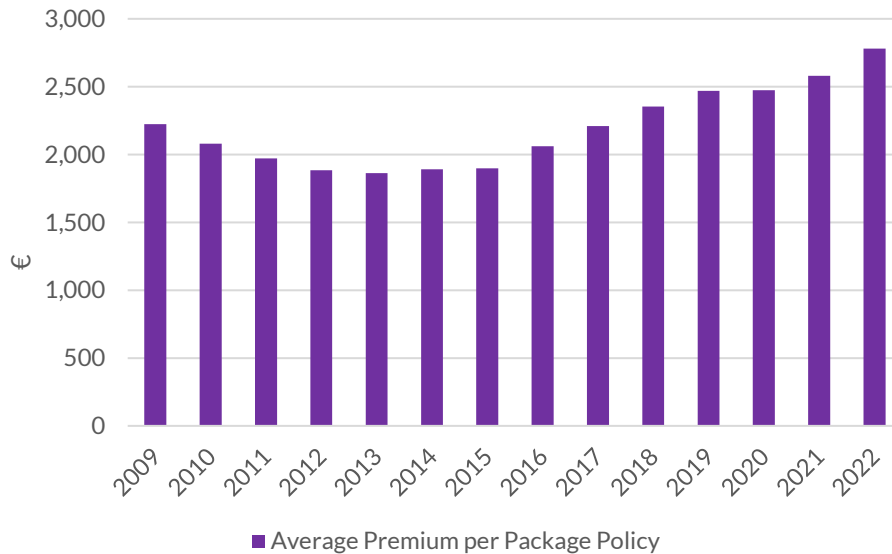
Year	€1- €2,000	€2,001- €5,000	€5,001- €10,000	€10,001- €25,000	€25,001- €50,000	>€50,001
2009	77%	15%	5%	2%	0.6%	0.3%
2010	78%	15%	5%	2%	0.5%	0.3%
2011	79%	14%	4%	2%	0.5%	0.3%
2012	80%	13%	4%	2%	0.4%	0.3%
2013	81%	12%	4%	2%	0.4%	0.3%
2014	82%	12%	4%	2%	0.4%	0.3%
2015	82%	12%	4%	2%	0.5%	0.3%
2016	81%	12%	4%	2%	0.5%	0.4%
2017	80%	13%	4%	2%	0.6%	0.4%
2018	79%	14%	4%	2%	0.6%	0.4%
2019	78%	14%	4%	2%	0.7%	0.5%
2020	78%	14%	4%	3%	0.7%	0.5%
2021	77%	14%	5%	3%	0.8%	0.5%
2022	76%	15%	5%	3%	0.9%	0.6%

As can be seen from Table 3, the proportion of policies with a premium greater than €25,000 makes up a much larger proportion of premium than it does of policy count. While the proportion of policy count for these policies has increased from 0.9% in 2009 to 1.5% in 2022, the proportion of total premium earned by these policies has increased from 27% to 40% of all Package premium over the same period.

Figure 2 shows the average earned premium for Package policies from 2009 to 2022. It is important to stress that calculating an average premium metric that accurately reflects market price movements in liability and commercial insurance markets is very challenging due to changes in the mix of policies, lines of business and sectors, as well as changes in the size of policies, policy excesses, limits, risk and covers. These can all significantly impact the average premium so that this may not accurately reflect the change in rate charged per unit of risk by insurers, nor may it reflect the average premium experience of insured customers in particular sectors.

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

Figure 2: The average earned Package premium per policy for years 2009-2022.



The average earned premium for all Package policies increased by 25% from €2,223 in 2009 to €2,781 in 2022. Over this time period, the average earned premium:

- Decreased by 16% from 2009 to 2013, to €1,864
- Increased by 32% from 2013 to 2019, to €2,468
- Remained relatively stable between 2019 and 2020, and
- Increased by 12% from 2020 to 2022, with a 4% increase in 2021 and an 8% increase in 2022.

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

Figure 3 shows the average earned premium for each individual insurance cover under a Package policy, where the average is taken across policies that included that cover. The average earned premium for the Commercial Property cover (€1,273 in 2022) was higher than the EL and PL covers which had an average earned premium of €1,038 and €915 respectively in 2022.

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

Figure 3: Average earned premium per insurance cover for Package policies and years 2009-2022.

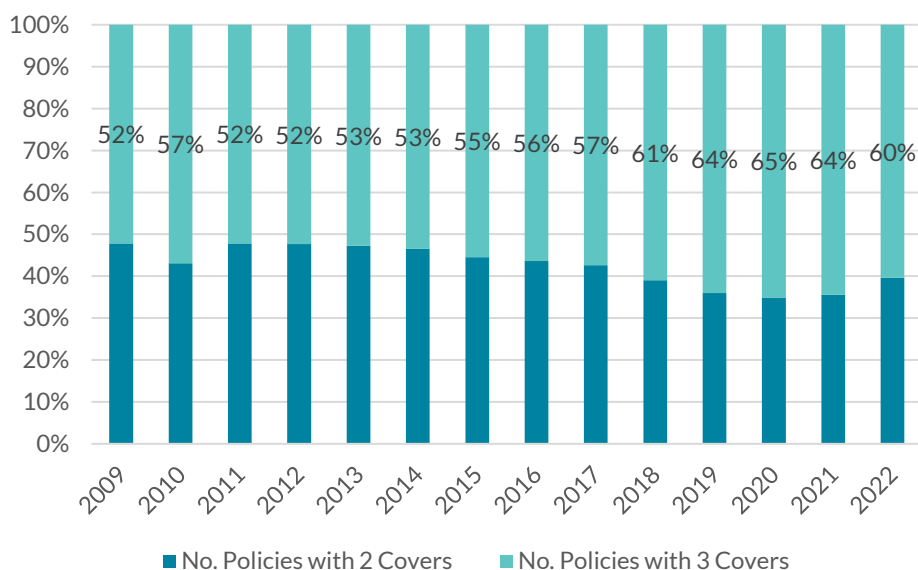


The average earned premium for the EL and PL components of Package policies decreased by 26% and 13% respectively from 2009 to 2013, and then increased by 40% and 36% respectively between 2013 and 2019. EL average premiums increased by 21% from 2019 to 2022, with a 10% increase in 2022. PL average premiums were lower in 2020 and 2021 compared to 2019, but then increased by 11% in 2022.

The average earned premium for the Commercial Property component of a Package policy decreased by 9% from €1,121 in 2009 to €1,018 in 2013 and then increased by 8% to €1,100 in 2020. Commercial Property average premiums increased by 7% in 2021 and 8% in 2022 to €1,273.

The increase in Package premium from 2013 to 2019 can therefore be attributed to the EL and PL insurance covers within Package policies, the increase from 2019 to 2021 can be attributed to EL and Commercial Property, while the average premium for all three covers increased in 2022.

Figure 4: The proportion of Package policies split between those that include two insurance covers and those that include three insurance covers for years 2009 to 2022.



As shown in Figure 4, the proportion of Package policies with three insurance covers, compared to those with two, has increased from 52% of policies in 2009 to 65% of policies in 2020, before decreasing to 60% of policies in 2022.

The change in the proportion of Packages with three insurance covers would naturally impact the average earned premium per Package policy.

Trends in Premium Costs by Sector

From Figure 2 in the previous section it was seen that the average earned premium for Package policies decreased by 16% from 2009 to 2013, increased by 33% from 2013 to 2020 and increased by 12% from 2020 to 2022.

This is the average experience across 86% of all policies. However, the experience of individual policyholders will vary considerably for many reasons. As an example, Table 5 shows the percentage change in average earned premium for these policies over different time periods, by sector⁸.

It can be seen that the experience of consumers within different sectors has varied. It is worth noting that the activities of businesses within each sector

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

can also be very different and so the experience of consumers within an individual sector may also vary.

Table 5: The percentage change in average earned premium for Package policies over different time periods from 2009 to 2022 and split by sector⁹.

Sector (NACE Level 1)	Sector (NACE Level 1)	% Change			
		2009-2013	2013-2020	2020-2022	2009-2022
C	Manufacturing	1%	71%	17%	103%
F	Construction	-49%	116%	3%	14%
G	Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles	-4%	41%	10%	48%
H	Transportation and Storage	-15%	72%	16%	68%
I	Accommodation and Food Service Activities	-4%	13%	24%	34%
J	Information and Communication	-42%	18%	11%	-24%
K	Financial and Insurance Activities	-60%	-15%	-37%	-79%
L	Real Estate Activities	-2%	28%	12%	41%
N	Administrative and Support Service Activities	4%	35%	34%	87%
Q	Human Health and Social Work Activities	-18%	8%	22%	8%
R	Arts, Entertainment and Recreation	9%	111%	8%	149%
S	Other Service Activities	-8%	-2%	-11%	-20%

Please note that that it is not possible to publish information on all sectors due to statistical confidentiality rules which are applied to ensure that individual insurance undertakings are not identified as per the Central Bank (National Claims Information Database) Act 2018¹⁰.

⁹ Table 5 is based on 83% market coverage

¹⁰ Section 12, subsection 2 of the Central Bank (National Claims Information Database) Act 2018 states that: "Data shall not be provided to a person under this section such that there is identifiable from the data, any insurance undertaking or individual."

PART 2 - Claims

Data was collected on the number and cost¹¹ of EL, PL and Commercial Property claims between 2009 and 2022. This was reported separately for claims relating to Losses Occurring policies and claims relating to Claims Made policies.

Key Insights and Findings

2022 Findings

Total ultimate claim costs for the 2022 accident year are expected to be €517m across 27,350 claims

The average cost of EL and PL claims increased by 3% and 8% respectively from 2021 to 2022. The average cost of Commercial Property claims increased by 18% in 2022.

The loss ratio (claims as a percentage of premiums) across all EL, PL and Commercial Property policies was 54% in 2022.

Claims Trends 2009-2022

The average cost of EL and PL claims:

- Increased by 48% and 53% respectively between 2009 and 2015;
- Decreased by 22% and 20% respectively from 2015 to 2019; and then
- Increased by 34% and 44% respectively between 2019 and 2022.

The average cost of Commercial Property claims was volatile over the period 2009 to 2022.

The loss ratio (claims as a percentage of premiums) across all EL, PL and Commercial Property policies averaged 72% between 2009 and 2022.

¹¹ Premiums and claims were collected and aggregated on the same accident and reporting year bases (depending on whether they are Losses Occurring or Claims Made) enabling a like-for-like comparison over time. Claims costs are insurers' latest view (as calculated at 31 December 2022) for each of the fourteen accident years.

Total Claims

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

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

Table 6: Total ultimate claim costs and ultimate claim numbers for all Losses Occurring policy types over accident years 2009-2022.

Accident Year	Ultimate Claim Costs (€m)	Ultimate Claim Numbers
2009	659	49,662
2010	590	49,588
2011	506	37,486
2012	456	32,838
2013	501	33,917
2014	518	40,183
2015	518	30,780
2016	441	26,406
2017	424	28,457
2018	464	28,139
2019	414	26,173
2020	758	38,099
2021	436	25,683
2022	517	27,350

Table 6 shows the total ultimate claim costs and numbers for 71% of the EL, PL and Commercial Property market in 2022. It is estimated that the total ultimate claim costs for 2022 will be €517m across 27,350 claims. This represents an increase of approximately €81m in claim costs and 1,700 claims compared to the 2021 accident year.

Overall, claim costs in 2020 and 2009 were much higher than any other accident year. It can be seen from Table 7 and Table 8 that this was driven primarily by Commercial Property claims experience. Commercial Property insurance can include cover for business interruption and there was a significant increase in business interruption claims in 2020 as a result of

COVID-19 related restrictions. Commercial Property claims experience can also be significantly impacted by major weather events such as the significant freeze and flood events that occurred in 2009 and 2010.

Table 7: Ultimate claim costs and ultimate claim numbers for Commercial Property policies over accident years 2009-2022.

Accident Year	Commercial Property	
	Ultimate Claim Costs (€m)	Ultimate Claim Numbers
2009	332	29,023
2010	251	29,031
2011	174	18,551
2012	131	15,863
2013	166	17,904
2014	160	24,215
2015	148	15,705
2016	126	11,858
2017	120	13,404
2018	152	12,901
2019	148	12,617
2020	496	27,737
2021	164	15,371
2022	197	15,743

Table 8: Ultimate claim costs and ultimate claim numbers for Employers' Liability and Public Liability policies over accident years 2009-2022.

Accident Year	Employers' Liability		Public Liability	
	Ultimate Claim Costs (€m)	Ultimate Claim Numbers	Ultimate Claim Costs (€m)	Ultimate Claim Numbers
2009	156	6,291	171	14,348
2010	153	5,937	185	14,620
2011	169	5,371	164	13,563
2012	170	5,341	155	11,634
2013	174	5,141	161	10,873
2014	200	5,272	158	10,697
2015	188	5,160	181	9,915
2016	164	4,988	151	9,561
2017	173	5,389	131	9,664
2018	164	5,296	147	9,942
2019	138	4,820	128	8,736
2020	141	3,792	121	6,571
2021	153	4,114	120	6,197
2022	168	4,375	152	7,232

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

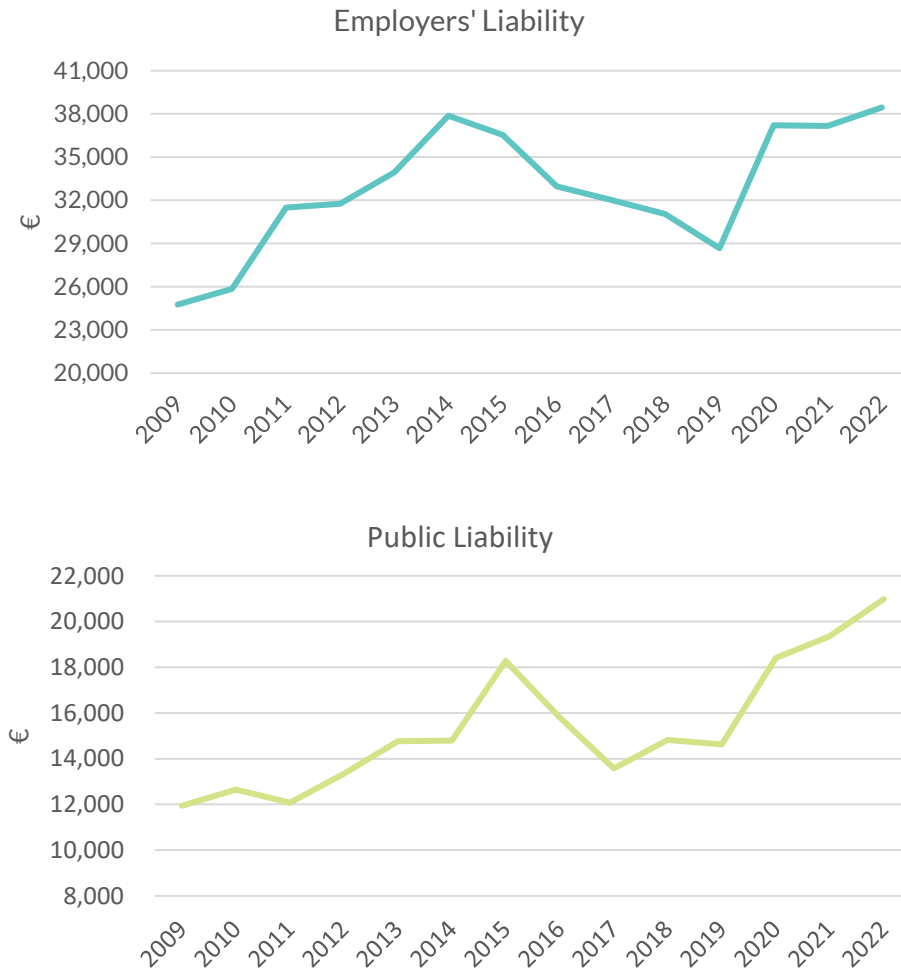
The high number of claims in 2014 was driven by Commercial Property claims. This appears to be as a result of weather events in 2014 which, despite leading to a much higher number of claims, did not have a significant impact on the overall cost of claims in 2014.

The increase in ultimate claim costs in 2022 may be in part due to the high inflationary environment in Ireland in 2021 and 2022. Similarly, ultimate claim numbers in 2022 are higher than they have been in recent years which likely reflects increased business activity following the removal of the COVID-19 restrictions of 2020 and 2021.

Average Cost of a Claim

Figure 5 and Figure 6 show the average ultimate cost per claim over the period for EL, PL and Commercial Property claims.

Figure 5: Average cost per claim for Employers' Liability and Public Liability claims over accident years 2009-2022.



As can be seen in Figure 5, the average cost of EL and PL claims followed similar trends over the period, increasing from 2009 to 2015 by 48% and 53% respectively. The average cost increased from €24,761 to €36,531 for EL claims and from €11,942 to €18,276 for PL claims.

From 2015 to 2019, the average cost of EL and PL claims decreased by 22% and 20% respectively to values of €28,669 and €14,619 in 2019. Since 2019, the average cost of claims have increased by 34% to €38,446 for EL and by 44% to €20,979 for PL.

Over the whole time series from 2009 to 2022, the average cost of EL and PL claims increased by 55% and 76% respectively.

It should be noted that there is significant uncertainty in the average cost per claim for recent accident years, considering in particular the impacts of COVID-19, the introduction of the Personal Injuries Guidelines and the high inflationary environment in which claims are settling.

Figure 6: Average cost per claim for Commercial Property claims over accident years 2009-2022.



The average cost of Commercial Property claims has been volatile over the period. Given the large variety of Commercial Property claims that can be incurred under these policies, the average cost per claim depends on the type of claims reported in any given year. As shown in Figure 6, the average cost of Commercial Property claims increased by 3% from €11,450 in 2009 to €11,768 in 2019, before increasing by 52% to €17,893 in 2020. This then decreased by 30% to 12,523 between 2020 and 2022. From 2009 to 2022 the average cost of Commercial Property claims increased by 9%.

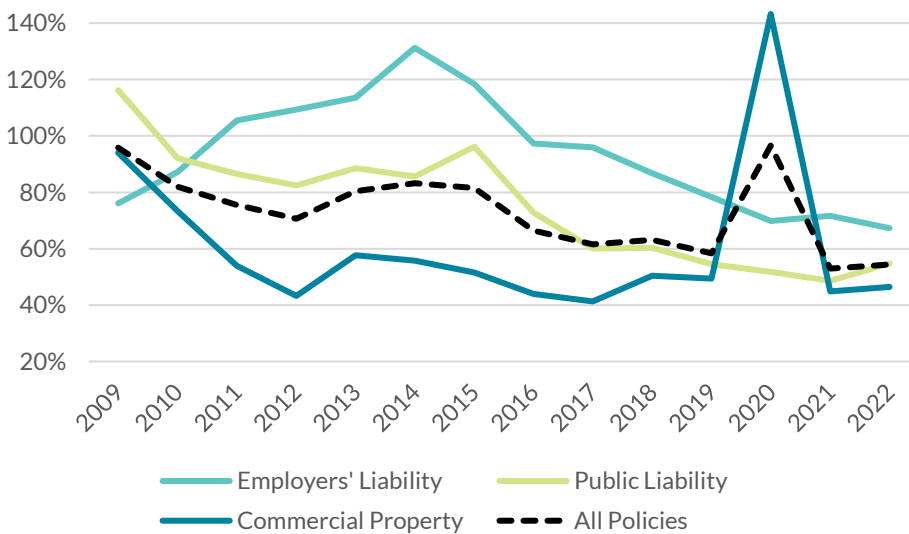
The levels of excesses and deductibles on policies earned over each accident year can influence the average cost per claim trends. For instance, increasing levels of excess will reduce the cost of each claim to the insurer and hence reduce insurers' ultimate claim cost. This may lead to a lower average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

Comparison of Premiums and Claims Costs¹²

The trends in claims costs shown in this Part are based on an estimate of ultimate claims costs¹³ calculated as at 31 December 2022. This may differ from insurer’s estimates at the time they were setting their premium levels originally. This is due to the fact that ultimate costs are an estimate based on current available information. As more information becomes available, the view of ultimate costs may change. This concept is explored further in Part 6.

Figure 7 shows the loss ratio (claim costs as a percent of premium earned) for all policies and split by cover type. It should be borne in mind that as the majority of policies are Package policies, pricing may be determined at the policy level and not by cover type; hence, profitability is most accurately considered for all cover types combined (“All Policies” line in Figure 7).

Figure 7: The ratio of ultimate claims costs to earned premiums (loss ratio) by policy type for accident years 2009-2022.



Since 2009, claims costs as a percentage of premiums for all policies have generally been decreasing apart from a period between 2013 and 2015. There was also a large spike in the loss ratio in 2020 which was driven by business interruption claims on commercial property policies during COVID-19.

Between 2009 and 2022, the average loss ratio was 91% for EL, 73% for PL and 61% for Commercial Property. The increase in loss ratio for the 2020

¹² This section of the report shows the premium and claims costs for 75% of the market in 2022.

¹³ The concept of ultimate claims costs is explained in Part 7.

accident year is driven by Commercial Property which has a loss ratio of 143% for this year.

The cost of claims is just one element of the total cost to insurers of servicing insurance policies. Other costs that impact industry profitability include management expenses, commissions and reinsurance costs¹⁴. These elements will be addressed in the following chapter.

¹⁴ These expenses are defined in Part 7.

PART 3 - Income and Expenditure

Statements of income and expenditure were collected from firms for financial years 2009 to 2022. Data was collected for the different coverage types individually: Employers' Liability, Public Liability and Commercial Property.

Key Insights and Findings

2022 Findings

Insurers made an operating profit of 9% and 14% across EL, PL and Commercial Property for the 2021 and 2022 financial years respectively.

The Combined Operating Ratio (COR) for 2021 and 2022 were below 100%. The Gross of Reinsurance and Net of Reinsurance CORs in 2022 (67% and 73% respectively) are the lowest CORs in the time series.

Income and Expenditure Trends 2009-2022

2021 and 2022 are the first years since 2011 that insurers have recorded a material profit.

Across all years 2009 to 2022, insurers' operating profit was 0.5% of total income.

Profitability has varied over time, with three distinct periods:

- 2009-2014: profitable (3.7%), due to large investment income;
- 2015-2019: loss-making (-6.0%), due to large net insurance related losses;
- 2020-2022: profitable (4.2%), due to improved net insurance related profit and investment income.

Profitability also varies between insurers, depending on their specific business.

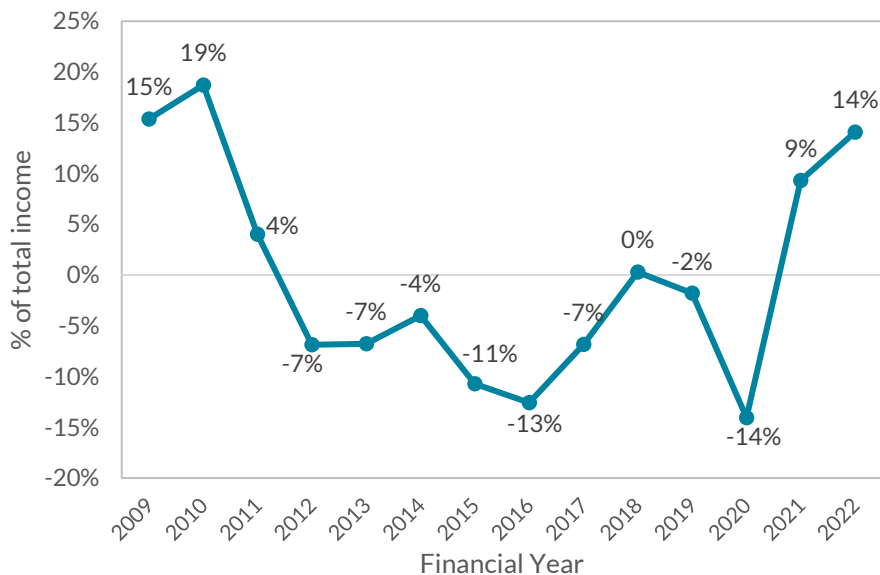
Aggregate trends

Figure 8 shows operating profit as a percentage of total income between 2009 and 2022 for all firms writing EL, PL and Commercial Property insurance.

As shown below, an operating profit of 9% and 14% of total income was reported for the 2021 and 2022 financial years respectively. This follows on from a loss of 14% in 2020, which was primarily driven by Commercial Property and COVID-related business interruption claims.

2021 and 2022 are the first years since 2011 that the industry has recorded a material profit.

Figure 8: Profit as a percentage of total income 2009-2022.



Across the entire time series (2009 to 2022), the industry recorded a profit (as a percentage of total income) of 0.5%.

Table 9 provides further insight on this result, highlighting how the profitability of the industry, and the drivers of this profitability, varied across the three distinct periods, 2009-2014, 2015-2019 and 2020-2022:

- During the period 2009-2014, the industry reported a profit of 3.7% (of total income), as large investment income (8.6%) offset a net insurance related loss (3.6%).
- During the period 2015-2019, the industry reported a loss of 6.0% (of total income). Investment income was lower during this period (3.6%) and was not sufficient to offset the large net insurance related loss (9.5%), resulting in an overall loss.

- During the period 2020-2022, the industry reported a profit of 4.2% due to a combination of a net insurance related profit (2.5%) and stable investment income (2.8%).

Table 9: Summary of total income and expenditure from 2009 to 2022.

Period	2009-2014	2015-2019	2020-2022	All Years
Gross Insurance Related Result	1.3%	-0.3%	8.9%	2.8%
Reinsurance	-4.9%	-9.2%	-6.4%	-6.8%
Net Insurance Related Result	-3.6%	-9.5%	2.5%	-3.9%
Investment Income	8.6%	3.6%	2.8%	5.3%
Other Earnings, Tax and Expenses	-1.3%	-0.1%	-1.1%	-0.9%
Operating Result	3.7%	-6.0%	4.2%	0.5%

It is important to highlight that the results shown above reflect the industry in aggregate, rather than the experience of any one individual insurer. It is clear from the underlying data that results can vary markedly between insurers, depending on their specific business.

Breakdown of Income and Expenditure

Table 10 and Table 11 provide the breakdown of the income and expenditure components for 2021 and 2022.

Table 10: Breakdown of total income and expenditure for 2021 and 2022.

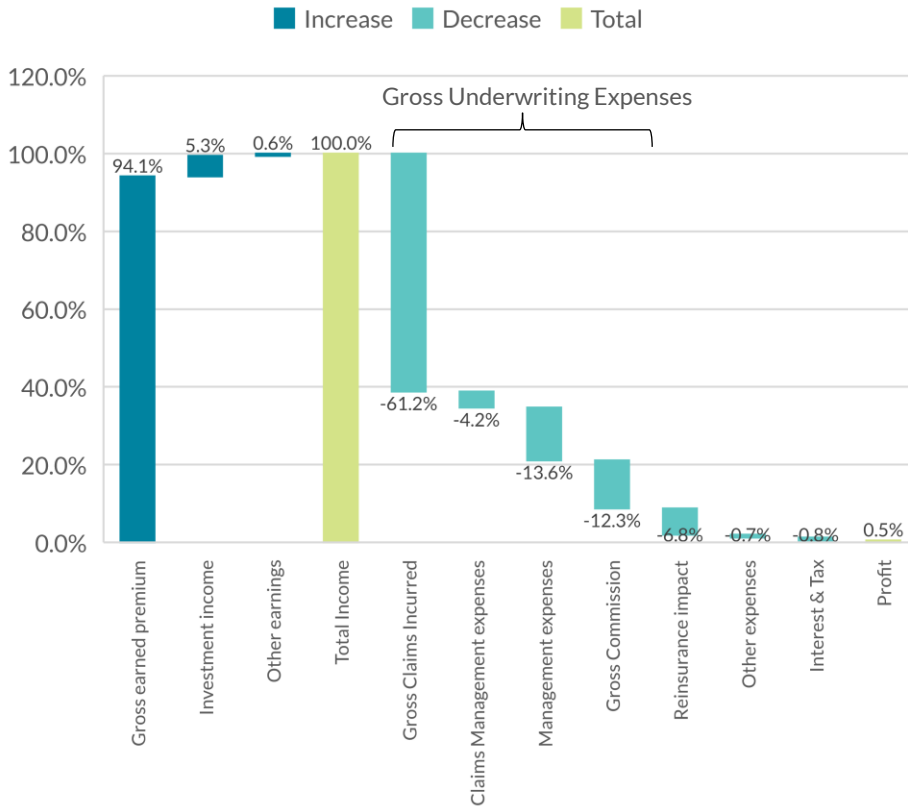
Category	2021	2022
Income (€ Millions)		
Gross earned premium	1,021	1,208
Investment income	32	37
Other earnings	5	7
Expenses (€ Millions)		
Gross UW expenses	-847	-805
Reinsurance impact	-88	-242
Other expenses	-8	-11
Interest & Tax	-16	-18
Profit (€ Millions)		
Profit (€)	98	176
Profit (%)	9%	14%

Table 11: Breakdown of gross underwriting expenses for 2021 and 2022.

Category	2021	2022
Gross Underwriting Expenses (€ Millions)		
Gross Claims Incurred	-560	-464
Claims Management Expenses	-29	-39
Management Expenses	-109	-128
Gross Commission	-149	-174
Total (€ Millions)		
Total - Gross UW expenses	-847	-805

Figure 9 shows the total income and expenses across all firms over the period 2009 to 2022. These results are limited to those firms writing liability insurance in Ireland since 2019. The profitability figures will therefore have an element of survivor bias; they will not include the results of those firms that exited the market prior to the introduction of the NCID.

Figure 9: Breakdown of total income and expenditure from 2009-2022.



The combined operating profit as a percentage of total income of EL, PL and Commercial Property insurance between 2009 and 2022 was 0.5% of total income.

Profitability of EL, PL and Commercial Property

Table 12 shows the varying operating results between EL, PL and Commercial Property coverages and across the time series.

Table 12: Operating result by coverage type and financial year.

Year	Employers' Liability	Public Liability	Commercial Property	Total
2009	39%	18%	-2%	15%
2010	28%	21%	11%	19%
2011	7%	6%	1%	4%
2012	1%	-20%	-2%	-7%
2013	-4%	-18%	0%	-7%
2014	-10%	2%	-5%	-4%
2009 - 2014	11.0%	2.1%	0.7%	3.7%
2015	-55%	11%	0%	-11%
2016	-36%	-17%	5%	-13%
2017	-13%	-13%	3%	-7%
2018	-17%	10%	3%	0%
2019	-10%	1%	2%	-2%
2015 - 2019	-24.9%	-1.3%	2.7%	-6.0%
2020	0%	-1%	-34%	-14%
2021	6%	15%	7%	9%
2022	19%	15%	10%	14%
2020 - 2022	8.8%	10.4%	-3.7%	4.2%
2009-2022	-2.2%	3.1%	0.1%	0.5%

There are three distinct periods in the data: 2009-2014, 2015-2019 and 2020-2022:

- During the period 2009-2014, EL (11.0%), PL (2.1%) and Commercial Property (0.7%) insurance were predominantly profitable. The combined operating profit across all coverage types was 3.7%, and this was primarily driven by large investment income.
- During the period 2015-2019, there was a combined operating loss of 6.0% across all coverage types. EL was consistently unprofitable averaging a loss of 24.9% in this period. PL averaged a small loss of 1.3%, whilst Commercial Property was consistently profitable at 2.7%.
- During the period 2020-2022, there was a combined operating profit of 4.2% across all coverage types. Whilst Commercial

Property has experienced an operating loss (3.7%) during this period – driven by a large loss in 2020 (34%) due to COVID-related business interruption claims – both EL (8.8%) and PL (10.4%) have experienced operating profits.

The key drivers of operating profit/loss are the gross earned premium and investment income components of total income, and the gross underwriting expenses and reinsurance components of total expenditure.

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

- (i) Operating performance split by key components (underwriting result, investment income and reinsurance).
- (ii) A breakdown of the impact of reinsurance split between reinsurance cover from third party reinsurers i.e., external reinsurance arrangements; and related reinsurers i.e., from entities that are part of the same group as the firm.
- (iii) Combined Operating Ratio performance (COR based on earned premium and underwriting expenses).
- (iv) A breakdown of individual underwriting expenses (i.e., gross claims incurred, claims management expenses, gross commission and management expenses).
- (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 13 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 13: Profit, investment income and other earnings and expenses for years 2009-2022 as a proportion of income.

Year	Gross Insurance-Related Result ¹⁵	Reinsurance	Net Insurance-Related Result	Investment Income	Other Earnings, Tax and Expenses	Operating Result
2009	4%	3%	7%	11%	-3%	15%
2010	16%	-5%	11%	9%	-2%	19%
2011	5%	-9%	-3%	9%	-1%	4%
2012	-10%	-6%	-16%	9%	0%	-7%
2013	-4%	-8%	-12%	6%	-1%	-7%
2014	-3%	-7%	-10%	7%	-1%	-4%
2015	-12%	-6%	-18%	6%	1%	-11%
2016	-10%	-7%	-17%	4%	1%	-13%
2017	2%	-12%	-10%	3%	1%	-7%
2018	7%	-8%	-2%	3%	-1%	0%
2019	9%	-12%	-3%	3%	-1%	-2%
2020	-29%	12%	-17%	2%	0%	-14%
2021	16%	-8%	8%	3%	-2%	9%
2022	32%	-19%	13%	3%	-2%	14%
Total	2.8%	-6.8%	-3.9%	5.3%	-0.9%	0.5%

Insurance-Related Results

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

Across all years, there has been a gross insurance-related profit of 2.8% as a proportion of total income (1.3% from 2009-2014, -0.3% from 2015-2019 and 8.9% from 2020-2022). The 2022 financial year resulted in the largest gross insurance-related profit (32%) across the time series.

The net insurance-related result indicates if there is a profit or loss in relation to insurance activities net of reinsurance costs; this is shown as a percentage of total income. This calculates the insurance-related result highlighted in the previous paragraph net of any reinsurance impact, i.e., using premiums, claims and expenses net of reinsurance.

Across all years, there has been a net insurance-related loss of 3.9% as a proportion of total income (-3.6% from 2009-2014, -9.5% from 2015-2019 and 2.5% from 2020-2022). Aside from 2009 and 2020, the impact of reinsurance has been to reduce profitability. However, it is worth noting that there are benefits to reinsurance not considered here. The reinsurance impact is discussed in more detail in the next section.

¹⁵ Gross Insurance-related return = (Gross Earned Premium - Gross UW Expenses) / Total Income (including Investment Income)

Over time insurers will revise their estimates of the ultimate cost of claims for a given accident year as more claims are reported and settled and the results become more certain. When the ultimate cost of claims are revised upwards or downwards for a given accident year, or across multiple accident years, this will result in reserve increases or reserve releases in the financial year in which those revisions occur.

Reserve releases (or increases) can impact on the insurer’s profit (or loss) for the year and are captured in the insurance-related result. As described in Part 6, reserve releases have supported insurer’s profits in 2022.

Investment Income

Investment income as a percentage of total income across all years has averaged 5.3% (8.6% from 2009-2014, 3.6% from 2015-2019 and 2.8% from 2020-2022). As detailed in Table 13, investment income is notably larger for the years 2009-2015, and drops off from 2016 onwards.

Figure 10: Interaction between profit and investment income for 2009 - 2022.

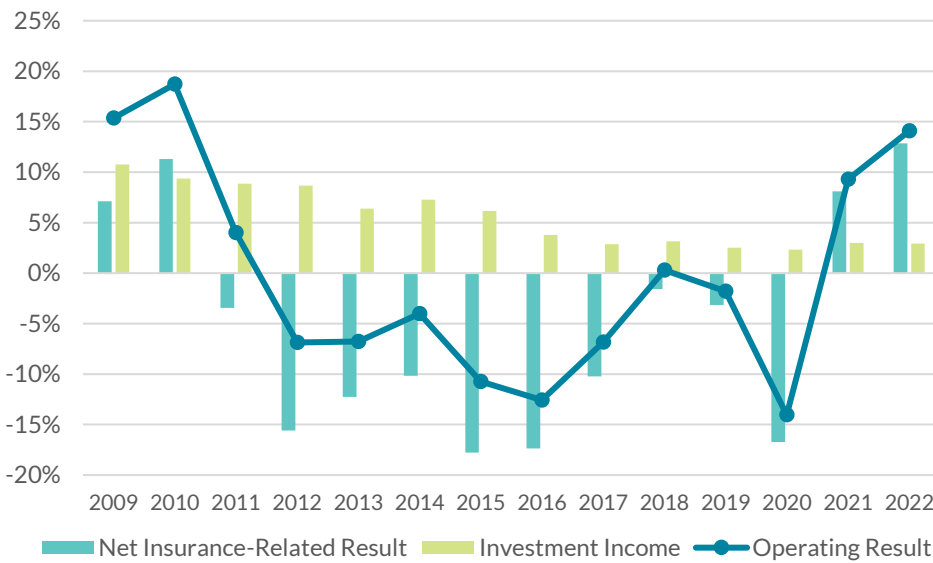


Figure 10 shows the interaction of the net insurance-related result, investment income and the operating result from 2009 to 2022.

Initially, investment income was large and contributed to profits and/or largely offset any net insurance-related losses. However, investment income then reduced over time, coinciding with years of net insurance-related losses, resulting in overall losses for the industry.

Whilst investment income has remained low in recent years, the net insurance-related results have become profitable in 2021 and 2022, driving an overall profit for the industry in these years.

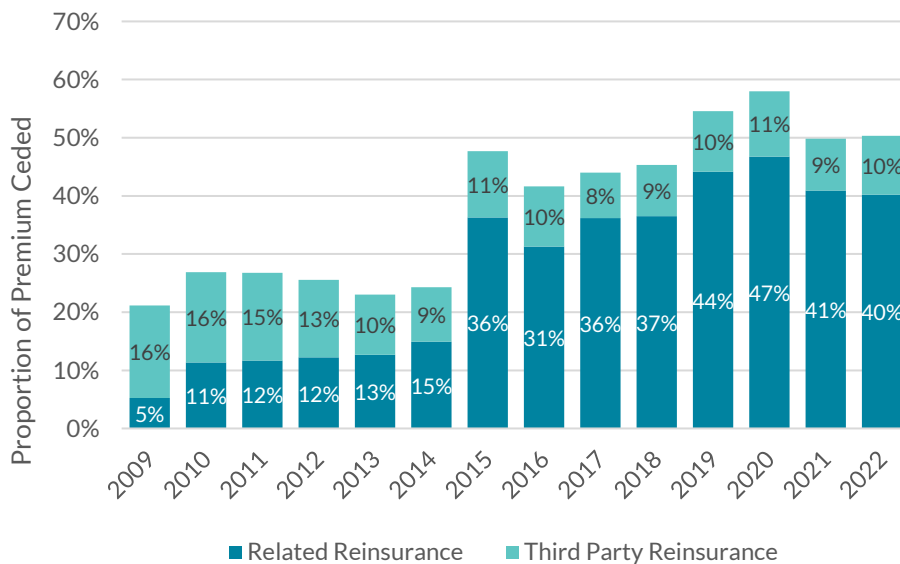
Reinsurance¹⁶

Figure 11 below shows how the proportion of premium ceded to reinsurers has changed from 2009-2022. Premiums ceded refers to the premium paid by an insurer for a reinsurance contract. In exchange, the reinsurer covers an agreed level of claim experience therefore reducing the claims risk borne by an insurer. The reinsurer may also cover a proportion of the expenses incurred by the insurer for writing the business. Premiums can be ceded to a third party reinsurer, i.e., an external provider of reinsurance cover; or to 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 25% for 2009-2014 to 49% for 2015-2022. This increase is driven by an increase in related reinsurance cover, which has increased from 11% on average during 2009-2014 to 39% during 2015-2022.

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 11: Proportion of premium ceded by insurers to cover reinsurer costs for all cover types and years 2009-2022.



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

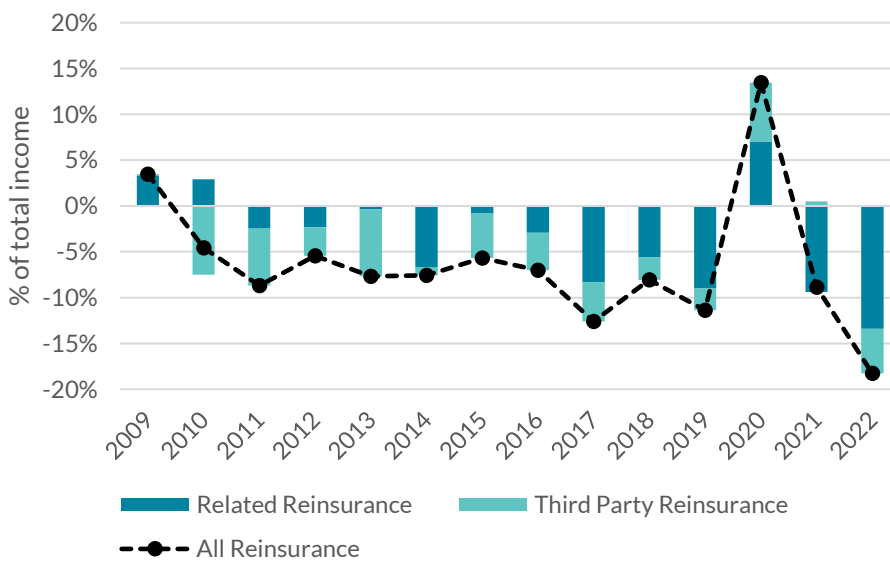
¹⁶ This section is based on 77% market coverage in 2022.

reinsurer in pre-determined proportions. This facilitates the sharing of losses in unprofitable years and profits in profitable years. These arrangements can reduce the level of risk within each firm and provide benefit through a reduction in the amount of capital that an individual firm, or a group, has to hold to satisfy regulatory requirements.

Figure 12 illustrates the net cost of reinsurance each year from 2009 to 2022 for related and third party reinsurance. Across EL, PL and Commercial Property insurance and all financial years 2009-2022, the net cost of reinsurance was 7% of total income; this is shown as -7% to signify that reinsurance was an expense to the insurer. This is the case where the insurer paid more money to a reinsurer in premium than they received back in claims and expense payments. This varies across the time period for related and third party reinsurance.

Where the net cost is positive, this signifies that reinsurance was an income to the insurer, with claims and expense payments from the reinsurer being larger than the premium paid to the reinsurer; this has been the case for the 2009 and 2020 financial years.

Figure 12: Net cost of related and third party reinsurance cover for years 2009-2022.



In 2022, the net cost of reinsurance was -13% for related reinsurance and -5% for third party reinsurance. The net cost is larger in 2022 than other years as a result of the level of profitability in the market in this year. This contrasts with 2020 when the market was loss making and insurers

received a net benefit of 13% of total income from having reinsurance in place.

Table 14 and Table 15 show how the net cost of reinsurance varies for related and third party reinsurance cover across the various time periods and coverage types.

For related reinsurance, the total net impact was -4% over the period 2009-2022, i.e. on average, the related reinsurance cost insurers 4% of their total income over the period 2009-2022.

For third party reinsurance, the total net impact was -3% over the period 2009-2022, i.e. on average, the related reinsurance cost insurers 3% of their total income over the period 2009-2022.

Table 14: Net cost of related reinsurance by coverage type.

Coverage Type	2009-2014	2015-2019	2020-2022	All Years
Employers' Liability	-1%	4%	-1%	1%
Public Liability	2%	-4%	-8%	-3%
Commercial Property	-3%	-13%	-8%	-8%
Total	-1%	-6%	-6%	-4%

Table 15: Net cost of third party reinsurance by coverage type.

Coverage Type	2009-2014	2015-2019	2020-2022	All Years
Employers' Liability	1%	0%	-2%	0%
Public Liability	-5%	-3%	1%	-2%
Commercial Property	-7%	-6%	1%	-4%
Total	-4%	-4%	0%	-3%

Combined Operating Ratio

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

The COR is defined as:

$$\text{COR} = \frac{\text{Claims incurred}^{17} + \text{Other underwriting expenses}^{18}}{\text{Earned premium}}$$

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 reinsurance¹⁹, and is less affected by the quota share reinsurance arrangements described previously in the reinsurance section. The Net COR will differ from the Gross COR primarily as a result of other types of reinsurance arrangements.

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

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

Figure 13 provides the Gross and Net COR from 2009 to 2022. The total Gross COR was 97% across all financial years; the Net COR was 107%.

The Net COR is higher than the Gross COR for all years with the exception of 2009.

The Net COR was greater than 100% every year from 2012 to 2020 i.e., between 2012 and 2020, the net underwriting result was unprofitable. Between 2012 and 2020, the only period where the Gross COR was less than 100% was between 2017 and 2019.

¹⁷ 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.

¹⁸ Other underwriting expenses include: commissions; other acquisition costs; policy administration; and claims handling expenses.

¹⁹ Reinsurance was described in the previous section and is defined in Part 7.

Both the Gross and Net COR are below 100% in 2021 and 2022. Indeed, the Gross and Net COR in 2022 (67% and 73% respectively) are the lowest CORs in the time series.

Figure 13: Total Gross and Net COR for 2009-2022.

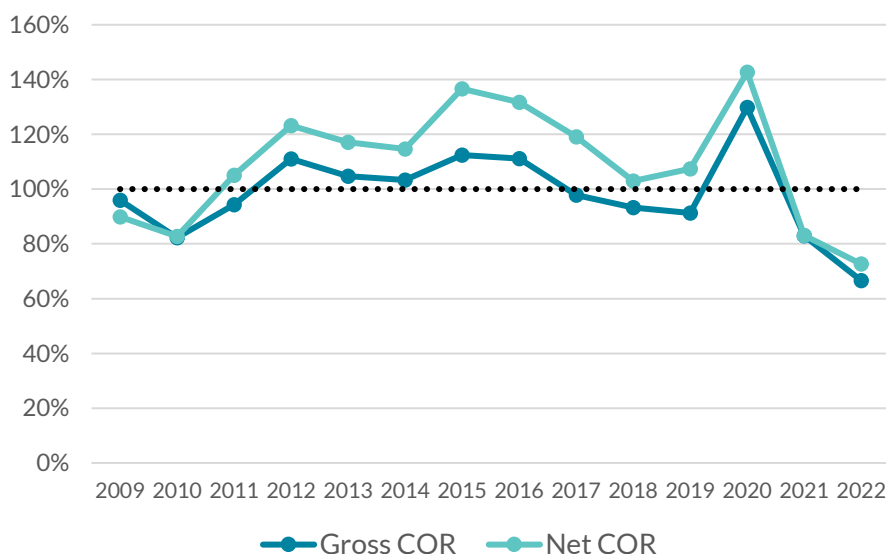


Table 16 provides the Gross and Net CORs split by coverage type across a number of distinct periods through 2009 to 2022.

For EL, the Gross and Net CORs across all years were 111% and 117% respectively. The CORs have noticeably reduced in recent years. For example, the Gross COR has fallen from 139% (in 2015-2019) to 89% (in 2020-2022).

Table 16: Gross and Net COR by coverage type.

Coverage Type	Measure	2009-2014	2015-2019	2020-2022	All Years
Employers' Liability	Gross COR	100%	139%	89%	111%
	Net COR	100%	165%	85%	117%
Public Liability	Gross COR	106%	98%	84%	97%
	Net COR	111%	109%	81%	104%
Commercial Property	Gross COR	93%	78%	98%	89%
	Net COR	103%	96%	113%	103%
All Policies	Gross COR	99%	100%	91%	97%
	Net COR	105%	119%	94%	107%

For PL, the Gross and Net CORs across all years were 97% and 104% respectively. Similar to EL, there has been a reduction in recent years, as the Gross COR has fallen from 98% (in 2015-2019) to 84% (in 2020-2022).

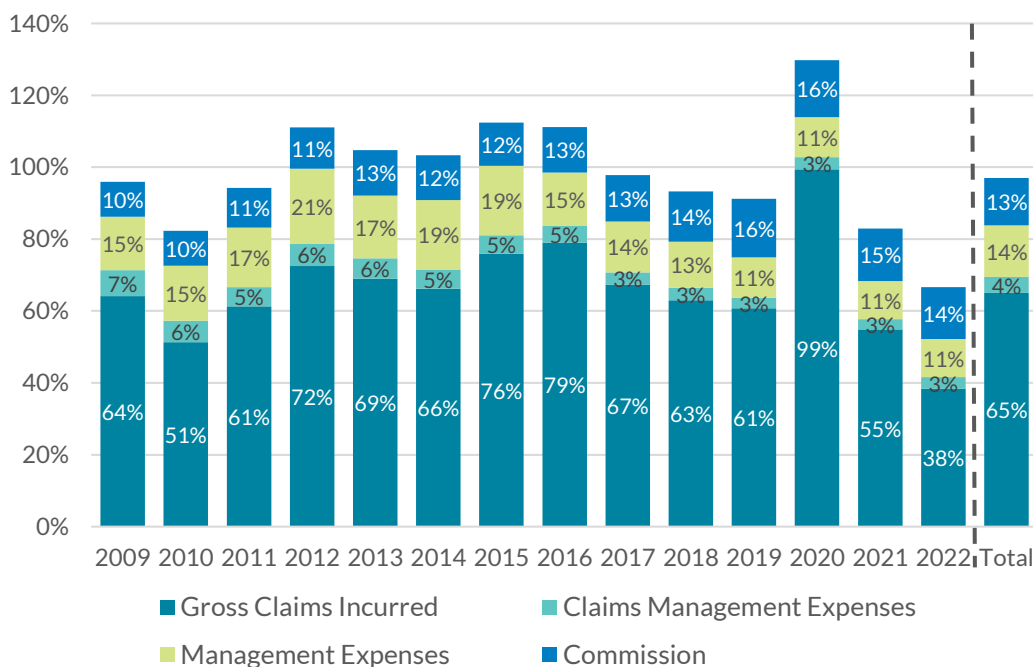
Finally, for Commercial Property, the Gross and Net CORs across all years were 89% and 103% respectively. The Gross COR for Commercial Property is below 100% for all years except for 2009 and 2020 (which was impacted by COVID-related business interruption losses).

Underwriting Expenses

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

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

Figure 14: Breakdown of the gross underwriting costs for 2009-2022 across all Coverage Types as a percentage of Gross Earned Premium.



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

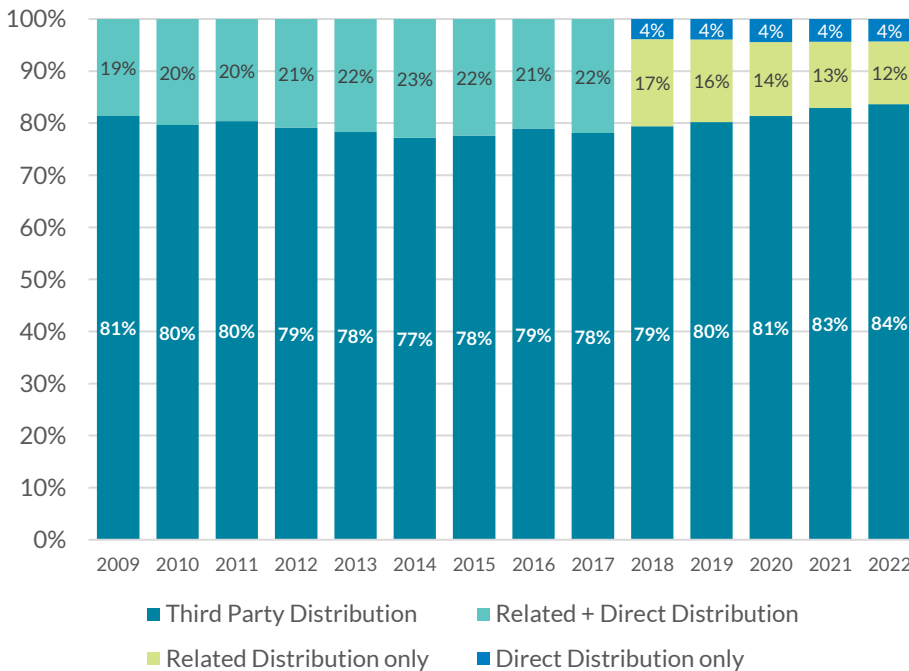
Figure 14 shows that gross claims-related costs (i.e., claims incurred and claims handling expenses) were the greatest expenditure accounting for, on average, 69% of gross earned premium across 2009 to 2022.

The other key underwriting expenses were management expenses, which amounted to 14% of gross earned premium, and commissions, which amounted to 13% of gross earned premium.

Commission

Figure 15 provides a breakdown of gross earned premium between policies sold through third party distribution channels, 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 80% of gross earned premium across all years, 2009 to 2022. The proportion sold through this channel has varied slightly over time, decreasing from 81% in 2009 to 77% in 2014, before increasing to 84% in 2022.

Figure 15: Split of gross earned premium between third party and related distribution channels.

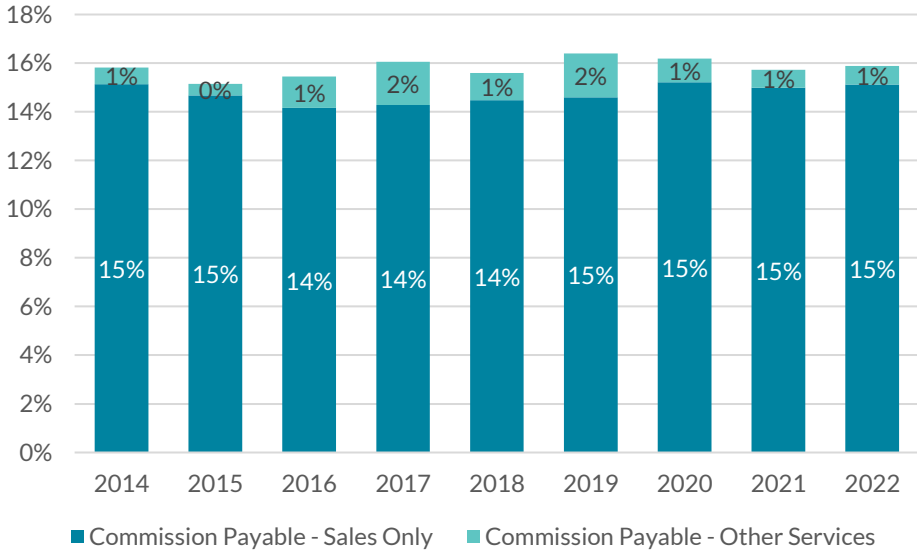


The proportion of premium earned through the direct distribution was stable at 4% from 2018 to 2022. The proportion of earned premium that was sold through companies related to the insurer decreased from 17% in 2018 to 12% in 2022.

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 16 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 16% from 2014 to 2022.

Figure 16: Commission as a percentage of earned premium for polices sold through third party intermediaries²⁰.



²⁰ Figure 16 is based on 77% market coverage in 2022.

PART 4 – Claim Settlements

Data was collected on claimants who settled liability claims between 2015 and 2022. 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

2022 Findings

For injury claim settlements in 2022:

- 10% settled direct before PIAB, 12% settled through PIAB and 6% settled direct after PIAB.
- 70% settled through litigation before a court award, and 3% settled through litigation with a court award.

Average injury settlement cost in 2022 by settlement channel:

For EL claims (39% claimants, 51% total costs)

- Direct: compensation was €27,431 and legal was €3,286
- PIAB: compensation was €26,366 and legal was €1,459
- Litigated: compensation was €70,297 and legal was €40,013

For PL claims (61% claimants, 49% total costs)

- Direct: compensation was €13,407 and legal was €4,002
- PIAB: compensation was €21,439 and legal was €1,804
- Litigated: compensation was €37,045 and legal was €28,542

Average settled costs for injury claims settled through litigation for less than €150K in 2022 (81% of EL and 94% of PL claimants):

- EL compensation was €33,704 and legal was €22,758
- PL compensation was €24,910 and legal was €22,938

The Average duration of a claim from reporting to settlement is 4.3 years for an injury claim and 0.7 years for damage claims.

Background

Grouping of Claims

Liability insurance claims are discussed in this section. These claims were collected and are discussed on a settlement year basis i.e., the settlement year refers to 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.

Structure of Part 4

In this part of the report, information is first provided on the total number and cost of settled claims, before damage and injury claims are then analysed separately.

Injury claims are analysed in detail, exploring differences in the number and cost of claims settled across the various settlement channels, the distribution of the cost of these claims and the time taken to settle.

Settlement Channels

Data Collected

The settlement channels analysed in this report are of two types. For claims settled in 2019 onwards, claims are collected in 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 Board²¹ (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 collected in three settlement channels only:

²¹ PIAB changed its name to the Injuries Resolution Board in December 2023 in recognition of their enhanced role and expansion of their service to include mediation.

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

Settlement of Claims

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.

PIAB releases cases where an insurer 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.

Basis for Compensation Award

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. This is discussed in more detail in Part 5 of the report.

In 2021 and 2022, some claims were settled under the Personal Injuries Guidelines and some with reference to the Book of Quantum. A particular injury assessed under the Personal Injuries Guidelines may be awarded a different compensation amount than if it was assessed using the Book of Quantum.

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.

Settlement of Claims

Table 17 shows the total number of claimants who settled with compensation and the total cost of those settlements for EL and PL claims combined. This data is based on 72% of the EL, PL and Commercial Property insurance market in 2022. It can be seen that the cost of claims that settled in 2022 totalled approximately €268m spread across approximately 8,600 claimants.

Table 17 also allocates the total cost of settled 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. In aggregate, compensation costs are the largest component of claims costs.

Table 17: Total number of claimants settled and total cost of settlements for settlement years 2015-2022.

Settled Year	Total Claimants (000's)	Sub Costs (€m)			Total Cost (€m)
		Compensation Cost	Legal Cost	Other Cost	
2015	10.4	183	93	13	289
2016	10.8	217	93	6	316
2017	10.3	215	99	12	325
2018	10.9	216	92	9	318
2019	10.5	204	97	10	311
2020	9.3	206	92	7	305
2021	9.0	172	95	10	276
2022	8.6	163	97	9	268

Nil Compensation Claims

Table 18 shows that for the 2022 settlement period, approximately 3,100 claimants settled without receiving compensation with a total cost to insurers of €11.6m. This was 36% of total claim settlements and 4% of total settlement costs.

Table 18: Total number of claimants that settled without compensation and the total cost of settling those claims, for settlement years 2015 to 2022.

Settled Year	Number of Claimants Settled (000's)	Legal/Other Cost (€m)
2015	2.8	13.3
2016	3.0	10.3
2017	3.2	16.9
2018	3.0	11.8
2019	3.4	13.3
2020	3.0	10.9
2021	3.3	14.1
2022	3.1	11.6

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.

Injury vs. Damage Claims

Table 19 shows that 35% of claimants who made claims between 2015 and 2022 made damage claims, and these accounted for 7% of total settled costs. Between 2015 and 2022, 65% of claimants made injury claims; these accounted for 93% of total settled costs.

Table 19: Breakdown of claimant numbers and claim costs for injury and damage claims for 2015 to 2022.

Year	2015	2016	2017	2018	2019	2020	2021	2022	All
Settled Claimant Numbers									
Injury	65%	66%	70%	61%	65%	65%	65%	66%	65%
Damage	35%	34%	30%	39%	35%	35%	35%	34%	35%
Settled Cost - Total									
Injury	93%	93%	94%	92%	95%	92%	95%	93%	93%
Damage	7%	7%	6%	8%	5%	8%	5%	7%	7%

Settlement Channels

Table 20 provides a breakdown of claimant numbers and claimant costs between the different settlement channels. This table shows the results for both injury and damage claims combined.

Table 20: Breakdown of claimant numbers and claim costs, for all claim types, between the different settlement channels for settlement years 2015 to 2022.

Year	2015	2016	2017	2018	2019	2020	2021	2022	All
Settled Claimant Numbers									
Direct	53%	51%	47%	54%	50%	50%	48%	44%	50%
PIAB	10%	11%	11%	11%	9%	8%	7%	8%	9%
Litigated	36%	38%	42%	35%	41%	42%	45%	48%	40%
Settled Claim Costs									
Direct	16%	14%	12%	13%	13%	13%	11%	11%	13%
PIAB	9%	9%	8%	9%	7%	6%	4%	4%	7%
Litigated	75%	77%	79%	77%	80%	81%	85%	85%	80%

Claimants that settled directly with the insurer made up 44% of claim numbers and 11% of total settled costs for claims settled in 2022.

Claimants that settled through litigation made up 48% of claim numbers and 85% of total settled costs in 2022.

Damage Claims

Damage claims account for 35% of all claimants that settled, and 7% of the total settlement costs between 2015 and 2022. They are typically settled directly with the insurer, for example, 95% of damage claims settled from 2015 to 2022 were settled directly with the insurer. Therefore, comparison of damage claims by settlement channel was not meaningful.

Table 21: Average cost of settling damage claims in the years 2015-2020.

Cost Component (€)	2015	2016	2017	2018	2019	2020	2021	2022
Compensation	5,332	5,817	6,318	5,834	5,214	8,146	5,139	8,087
Legal	2,010	2,326	2,133	1,721	1,225	1,798	1,027	1,140
Other	178	-16	-41	269	196	326	-58	209
Total	7,520	8,127	8,410	7,824	6,635	10,270	6,108	9,436

Table 21 highlights that the average cost of settling damage claims has been volatile over the period 2015-2022.

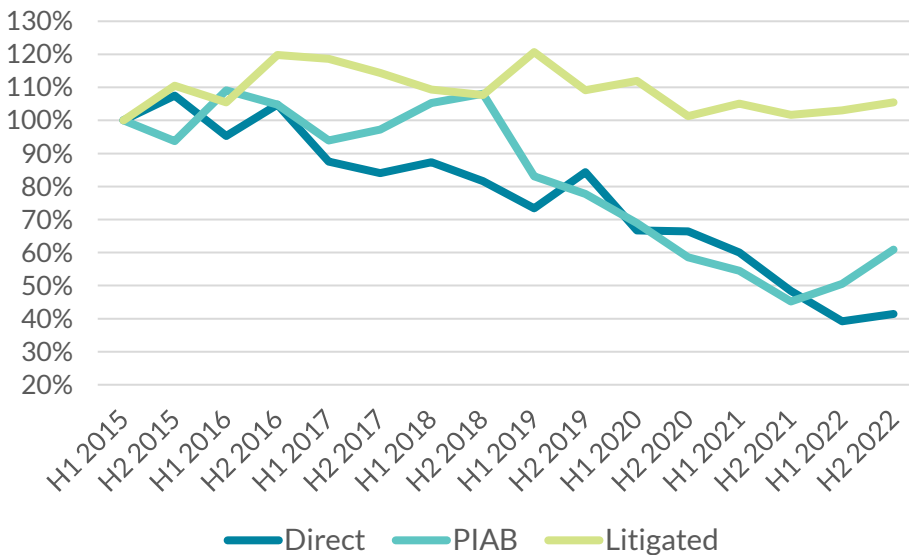
The majority of damage claims arise from PL policies which has more of a mix of bodily injury and damage claims. Claims within EL policies are predominantly injury claims. On account of their significance to overall claim costs, the remainder of Part 4 focuses on injury claims.

Injury Claims

Settlement Channels

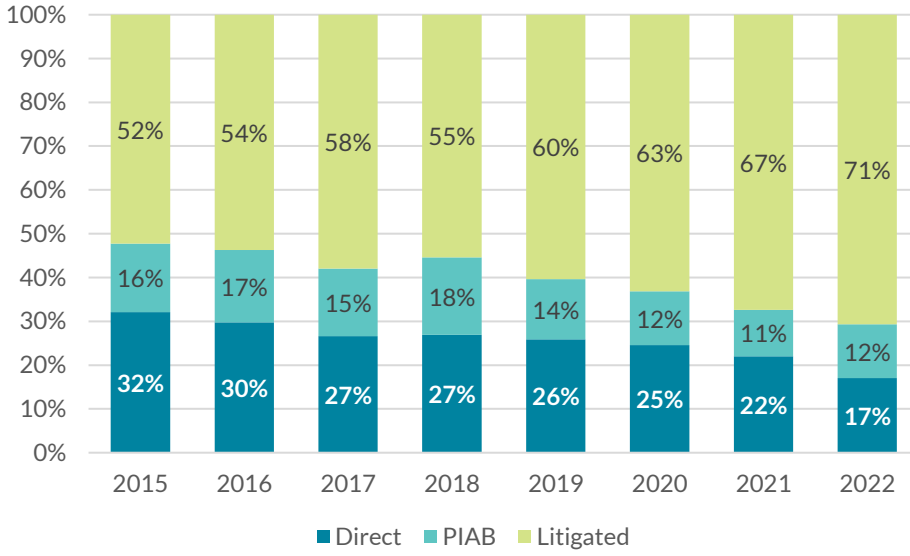
Figure 17 shows how the number of injury claimants settling has changed between 2015 and 2022, by half-year. The figures show the change compared to H1 2015 for claims settling directly with the insurer, via PIAB or through litigation. Since H1 2015, claims settling through the Direct and PIAB channels have declined by 59% and 39% respectively. However, the number of claims settling via PIAB increased 35% from H2 2021 to H2 2022. In contrast to the Direct and PIAB settlement channels, the number of claims settling through litigation has remained relatively stable and was 5% higher in H2 2022 compared to H1 2015.

Figure 17: Index of the number of injury claims settled in each channel in each settlement period, compared to H1 2015.



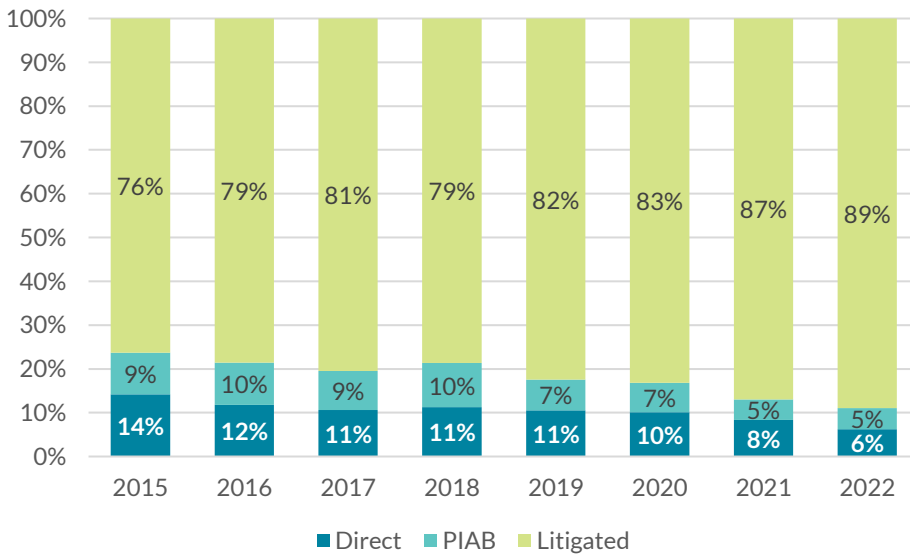
The proportion of injury claimants that settled through litigation increased from 52% in 2015 to 71% in 2022 as illustrated in Figure 18. The proportion of claimants who settled directly with the insurer decreased from 32% in 2015 to 17% in 2022. The proportion that settled through PIAB decreased from 16% in 2015 to 12% in 2022.

Figure 18: The proportion of injury claimants who settled through each settlement channel from 2015-2022.



As illustrated in Figure 19, in 2022, injury claimants who settled through litigation (71%) accounted for 89% of settlement costs; injury claimants who settled directly (17%) accounted for 6% of total settlement costs; injury claimants who settled through PIAB (12%) accounted for 5% of settlement costs.

Figure 19: The proportion of total cost to insurers of settling injury claims in each of the settlement channels from 2015-2022.



As can be seen in Figure 19, litigated settlements have become a larger proportion of total injury settlement costs having increased from 76% to 89% of costs from 2015 to 2022. Direct and PIAB settlements are a less material proportion of total injury settlement costs for liability claims. The

proportion of costs for claims settling directly has decreased from 14% to 6% from 2015 to 2022. The proportion of costs for claims settling through PIAB has remained relatively stable during the period from 2015-2018 accounting for approximately 9% of settlements; this reduced to 5% in 2022.

Figure 20: The proportion of settled claimants and total cost of injury claims through each of the five settlement channels between 2019 and 2022²³.

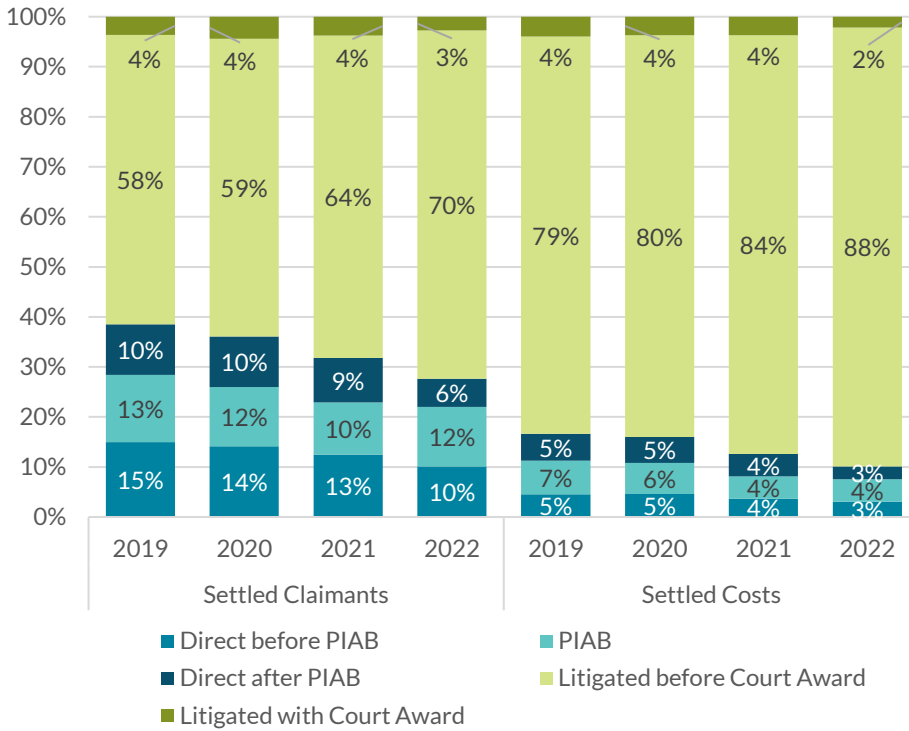


Figure 20 shows the proportion of settled injury claimants and costs between 2019 and 2022 through the more detailed split of settlement channels.

The 16% of claimants who settled directly in 2022 can be divided into 10% who settled directly before PIAB involvement, and 6% who settled directly after PIAB involvement (but before the initiation of any legal proceedings). These proportions have declined from their 2019 values when they were 15% and 10% respectively.

The 73% of claimants who settled through litigation in 2022 can be divided into 70% who settled before a court award and 3% who settled with a court award. The proportions of litigated claims have increased overall from their 2019 values when they were 58% and 4% respectively.

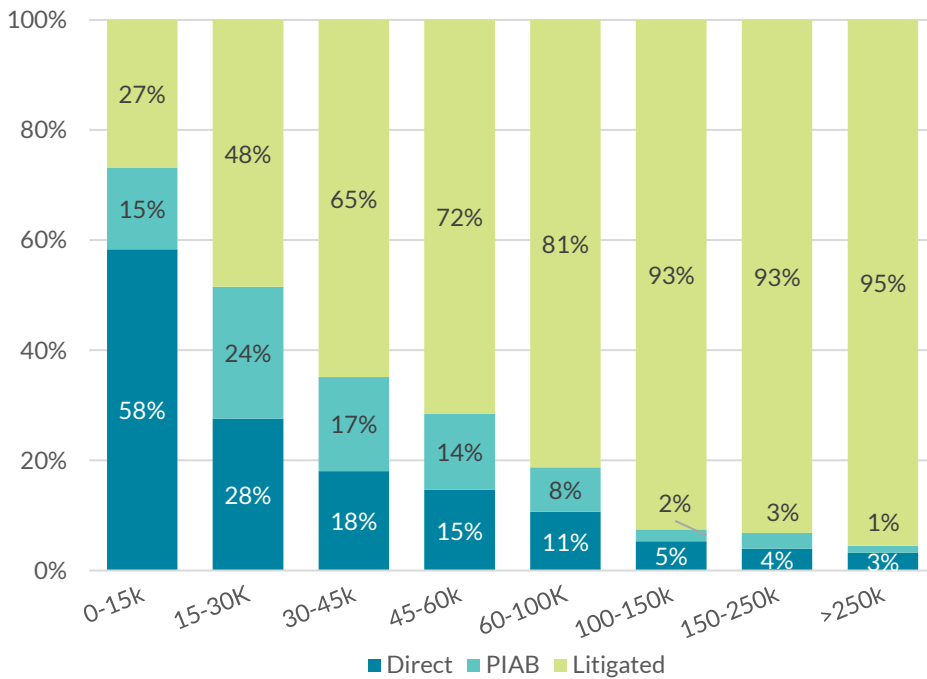
²³ Figure 20 is based on data from firms that insured 71% of the EL, PL and Commercial Property insurance market in Ireland in 2022.

It can be seen that in 2022 while 10% of claimants settled directly before PIAB, only 3% of total settlement costs were attributable to this channel. Litigated claimants who settled before a court award in 2022 accounted for 88% of total settlement costs.

Distribution of Injury Claims

Figure 21 shows the distribution of claimants across settlement channels for various total settled cost bands over the period 2015 to 2022.

Figure 21: The proportion of injury claimants that settled in each channel, by settlement cost band over 2015-2022.



It can be seen that a high proportion of claimants with claims in the lowest settlement cost band settled directly; the proportion of claimants who settled directly decreased as claim settlement amounts increased. The proportion of claimants who settled through PIAB was at its highest at 24% of settlements in the €15,001-€30,000 band.

Litigated settlements accounted for a low proportion of claimants in the lower claim size bands. This ratio increased to over 90% for settlements in excess of €100k. Table 22 shows the split of total claimants across the different settled cost bands and settlement channels. It can be seen that the highest proportion of claims are found in the €15,000-€30,000 settlement cost band, which accounts for 23% of all claimants from 2015 to 2022. 62% of claimants had a total settlement cost less than or equal to €45,000.

Table 22: The proportion of injury claimants settled in each settlement cost band and settlement channel for years 2015-2022.

Settled Cost Band	Direct	PIAB	Litigated	All
€0-15k	13%	3%	6%	22%
€15-30k	6%	6%	11%	23%
€30-45k	3%	3%	11%	17%
€45-60k	1%	1%	7%	10%
€60-100k	1%	1%	11%	14%
€100-150k	0%	0%	6%	7%
€150-250k	0%	0%	4%	4%
>€250k	0%	0%	3%	3%
All Bands	26%	15%	59%	100%

Average Costs of Injury Claims

The complexity or severity of the injury claims settled in the different channels could vary significantly. This should be borne in mind when comparing the cost and time of settling injury claims in the different channels. Table 23 to Table 26 show 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) for EL and PL respectively. The average costs associated with an injury claim are higher for EL compared to PL across all channels. PL claimants account for 61% of the combined total of EL and PL injury claimants, whereas they make up 49% of total settled injury costs.

The average costs by channel for EL and PL claims remained stable for the period between 2015 and 2020; the tables below show the average cost components for all settlements for the period from 2015 to 2020 combined, 2021 and 2022.

²⁴ Note that “other costs” include all other expenses incurred in the course of settling a claim. This may include the cost of assessing claims (e.g., medical or engineering reports), administration costs or recovery of costs in the case that another party is found (partially) liable for the claim. Large recoveries can lead to volatility in the average “other costs”.

Table 23: Average EL injury settlement costs in each settlement channel across years 2015-2022.

Settled Year	Compensation (€)	Legal (€)	Other (€)	Total (€)
Direct				
2015-2020	25,054	2,823	930	28,806
2021	23,777	4,419	2,075	30,271
2022	27,431	4,882 ²⁵		32,313
PIAB				
2015-2020	37,263	984	229	38,476
2021	32,045	811	917	33,773
2022	26,366	1,459	759	28,584
Litigated				
2015-2020	72,509	36,090	793	109,393
2021	78,280	40,735	1,199	120,214
2022	70,297	40,013	1,373	111,684

For years 2015 to 2020, before the introduction of Personal Injuries Guidelines, the average compensation cost of EL settlements in the litigated channel (€72,509) was considerably higher than the overall average in the direct channel (€25,054) and the PIAB channel (€37,263).

Legal costs are most significant for claims settled through litigation, averaging 33% of the total cost of litigated EL claims over the period 2015-2022. This compares with the direct channel where legal costs averaged 10% of total cost and PIAB where legal costs averaged 3% of total cost.

Table 24 shows the average cost for claims that settled with a total settled cost less than €150,000 in each of the three channels. This includes 88% of claimants across all channels and 81% of EL claimants who settled through litigation between 2015 and 2022.

Settlements costing more than €150,000 account for 19% of claimants settling through litigation yet they account for 55% of total settlement costs in that channel. This category includes some very large settlements, which impact the average costs. Excluding these large claims shows that for EL claimants settling through litigation for less than €150,000 in 2022, the average settled cost was €56,986.

²⁵ It is not possible to publish information on all data points due to statistical confidentiality rules applied to the data.

Table 24: Average EL injury settlement costs for claims less than €150k in each settlement channel across years 2015-2022.

Settled Year	Compensation (€)	Legal (€)	Other (€)	Total (€)
Direct				
2015-2020	22,015	2,143	363	24,521
2021	22,662	3,637	629	26,929
2022	22,885	2,856	182	25,923
PIAB				
2015-2020	32,001	718	156	32,875
2021	32,045	811	917	33,773
2022	26,366	1,459	759	28,584
Litigated				
2015-2020	38,037	23,242	286	61,565
2021	37,340	25,211	1,004	63,555
2022	33,704	22,758	524	56,986

For PL injury claims, the average total settled cost is lower across all channels compared to EL injury claims. Between 2015 and 2020, the average compensation cost of PL settlements in the litigated channel (€39,898) is higher than the average in the direct channel (€17,400) and the PIAB channel (€28,156).

Table 25: Average PL injury settlement costs in each settlement channel in the years across 2015-2022.

Settled Year	Compensation (€)	Legal (€)	Other (€)	Total (€)
Direct				
2015-2020	17,400	2,632	679	20,710
2021	17,765	4,020	553	22,338
2022	13,407	4,002	806	18,193
PIAB				
2015-2020	28,156	1,394	586	30,136
2021	25,487	844	1,135	27,466
2022	21,439	1,804	1,441	24,685
Litigated				
2015-2020	39,898	24,533	510	64,941
2021	35,806	26,259	1,043	63,108
2022	37,045	28,542	1,380	66,967

For PL injury claims, legal costs are a higher proportion of costs compared to EL injury claims and are most significant for litigated settlements. They amounted to 39% of the total costs (65% of compensation costs) for

litigated PL injury claims between 2015 and 2022. This compares to the Direct channel where legal costs averaged 14% of total costs (17% of compensation costs) and PIAB where legal costs averaged 5% of total costs (5% of compensation costs).

Table 26: Average PL injury settlement costs for claims less than €150k in each settlement channel in the years across 2015-2022

Settled Year	Compensation (€)	Legal (€)	Other (€)	Total (€)
Direct				
2015-2020	16,836	2,554	204	19,594
2021	17,174	4,005	570	21,749
2022	13,251	3,215	819	17,263
PIAB				
2015-2020	27,224	1,366	651	29,242
2021	25,487	844	1,135	27,466
2022	20,729	1,811	1,422	23,961
Litigated				
2015-2020	26,442	19,396	407	46,246
2021	24,763	20,735	844	46,342
2022	24,910	22,938	1,219	49,066

Table 26 shows the average cost of settling PL injury claims where the total cost of the claims was less than €150,000. For these claims the compensation awards in the PIAB and litigated channels were at similar levels over the period 2015 to 2020. Over this period, the average compensation cost in the litigated channel was €26,442, whilst the average compensation for claims through PIAB was €27,224.

However, legal costs were substantially higher in the litigated channel compared to PIAB over this period, as the average legal costs were €19,396 in the litigation channel compared to €1,366 in the PIAB channel.

Consequently, across the period 2015 to 2020, the average total cost for these claims are higher in the litigated channel (€46,246) than through PIAB (€29,242).

Notably, in 2022 the average compensation costs were lower for claims settled through PIAB (€20,729) than those settled through litigation (€24,910). This comparison was impacted by the Personal Injury Guidelines in 2022 as the majority of claims settled through PIAB in 2022 settled under the Personal Injuries Guidelines, whereas very few claims that settled via litigation were settled on this basis. Due to the longer time taken to settle claims in the litigation channel on average, it will likely take a number of years for the effect of the Personal Injuries Guidelines to be seen

in this channel. The Personal Injuries Guidelines are discussed in more detail in Part 5.

Table 27: Average injury settlement costs of liability claims by settlement channel, using the 5-way settlement channel and cost splits, between 2019 and 2022²⁶.

Settlement Channel	Comp - General Damages (€)	Comp - Special Damages (€)	Legal Own (€)	Legal Third Party (€)	Other (€)	Total (€)
All Claims						
Direct before PIAB	15,660	2,302	2,263		1,259	21,484
PIAB	26,115	1,851	324	441	940	29,671
Direct after PIAB	24,217	3,149	664	5,328	558	33,915
Litigated before Court Award	42,042	11,927	12,700	20,986	901	88,556
Litigated with Court Award	23,570	5,786	10,683	18,850	1,488	60,377
Claims <€150k						
Direct before PIAB	14,662	2,176	508	1,482	453	19,282
PIAB	25,569	1,612	325	442	1,049	28,997
Direct after PIAB	23,367	2,594	439	5,184	540	32,125
Litigated before Court Award	26,958	2,448	9,060	14,226	653	53,345
Litigated with Court Award	18,503	628	6,746	13,318	1,222	40,416

Table 27 shows the average costs of settling injury claims per claimant, using the 5-way settlement channel and cost type split for liability claims between 2019 and 2022. Here, compensation costs are split into general damages and special damages. General damages are those that compensate for non-monetary loss suffered by the claimant, e.g., pain and suffering; and special damages are those that compensate for financial loss, e.g., loss of

²⁶ The statistics in Table 27 are based on data from firms that insured 58% of the liability insurance market in Ireland in 2022. Please note that that it is not possible to publish information on all data points due to statistical confidentiality rules applied to the data.

earnings or medical expenses. Legal costs are split into insurers' own legal costs and third party legal costs. Own legal costs are the legal costs incurred by the insurer in settling a claim and third party legal costs are those incurred by the claimant in the course of settling a claim and which were paid by the insurer.

Table 27 shows that between 2019 and 2022, liability claimants who settled directly after PIAB had an average total settlement cost of €33,915 compared to €21,484 for those who settled directly before PIAB, and €29,671 for those who settled through PIAB.

Legal costs made up the largest difference between the average costs of claims settled through PIAB (€765) and directly after PIAB (€5,991), with third party legal costs making up the majority of legal costs for claims settled directly after PIAB.

Liability claimants who settled through litigation before a court award between 2019 and 2022 had an average total cost of €88,556 compared to €60,377 for those who settled with a court award.

For claimants who settled through litigation before a court award, legal costs totalled 38% of the total settled cost (or 62% of compensation cost), split 24% own legal costs and 39% third party legal costs. For those who settled with a court award, legal costs totalled 49% of total cost (or 101% of compensation cost), split 36% own legal costs and 64% third party legal costs.

Duration of Injury Claims

Settlement duration is the time lag between the accident being reported to an insurer and the claim being settled. Table 28 shows the average number of years from when the claim event was reported until the claim was settled for all claims settling in years 2015 to 2022.

Across all years, damage claims settled much faster than injury claims, with an average duration from the reported quarter to the settled quarter for a damage claim of 0.7 years compared to 3.5 years for an injury claim. Of the injury claims, litigated claims took the longest to settle, with an average duration of 4.7 years. Claims settled directly had the shortest average duration for injury claims at 1.6 years, followed by claims settled through PIAB at 1.9 years.

Settlement durations by settlement channel remained relatively consistent for injury claims over the period 2015 to 2019. The average settlement durations for injury claimants increased in 2020 and later years across all settlement channels; this may be as a result of COVID-19 and the resulting restrictions in 2020 and 2021.

Table 28: The average time at settlement (years) since the claim event was reported, for claims settled between 2015 and 2022.

Years	2015	2016	2017	2018	2019	2020	2021	2022	All Years
Injury Claims									
Direct	1.4	1.4	1.7	1.7	1.5	1.8	2.1	2.0	1.6
PIAB	1.7	1.8	1.8	1.8	1.7	2.2	2.2	2.3	1.9
Litigated	4.5	4.6	4.5	4.5	4.5	4.6	5.1	5.2	4.7
All Claims									
Injury	3.1	3.2	3.4	3.3	3.3	3.6	4.1	4.3	3.5
Damage	0.8	0.9	0.8	0.7	0.6	0.6	0.7	0.7	0.7

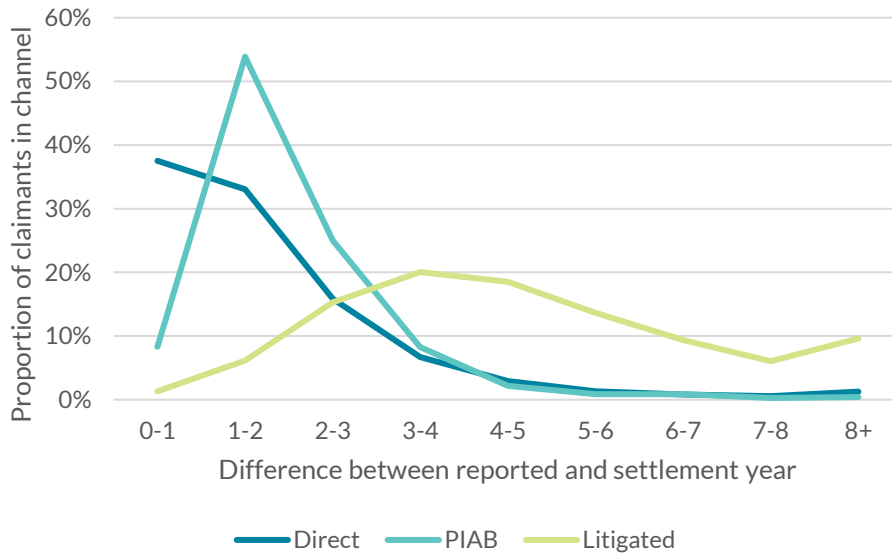
As can be seen in Table 29, claims settled directly before PIAB between 2019 and 2022 had the shortest settlement duration (1.5 years). Claims settled directly after PIAB had a slightly longer settlement duration on average (2.3 years) compared to those that were settled through PIAB (2.1 years). On average, claims settled through litigation before a court award had a slightly shorter duration (4.9 years) compared to litigation with a court award (4.6 years). Similar to Table 28 above the average settlement duration across all channels except Direct after PIAB has increased slightly in 2022 when compared to previous years.

Table 29: The average time (years) since the claim event was reported, for injury claims settled in 2019-2022.

Settlement Channel	2019	2020	2021	2022	All Years
Direct before PIAB	1.2	1.7	1.6	1.7	1.5
PIAB	1.7	2.2	2.2	2.3	2.1
Direct after PIAB	1.9	2.1	2.8	2.6	2.3
Litigated before Court Award	4.5	4.7	5.1	5.3	4.9
Litigated with Court Award	4.1	4.6	4.8	5.2	4.6

Figure 22 shows how the distribution of time taken to settle injury claims varies by settlement channel. It can be seen that litigated claims have a greater spread of settlement delays. Although nearly half of claimants (43%) who settled through litigation had their claim settled within three years of the accident being reported, 25% of claimants took six or more years to have their claim settled. For direct settlements, 3% of claimants and for PIAB, 1% of claimants took six or more years to settle.

Figure 22: Distribution of injury claimants by duration of settlement process for injury claims settled between 2015 and 2022.



PART 5 – Personal Injuries Guidelines

Claim settlement data was collected identifying claims that settled with reference to the Personal Injuries Guidelines following their introduction in April 2021.

Key Insights and Findings

24% of all injury claimants that settled in 2022 settled under the Personal injuries Guidelines compared to 9% in 2021.

For claims that settled through litigation in 2022 which make up 89% of total settlement costs for injury claims:

- Only a small number (4%) of litigated claims settled under the Personal Injuries Guidelines and therefore their impact in this channel cannot be determined.

For injury claims that settled through PIAB in 2022 which make up 4% of total settlement costs for injury claims:

- 83% settled under the Personal Injuries Guidelines. The average cost of claims was 34% lower for claims settled under the Guidelines in 2022 compared to those settled with reference to the Book of Quantum in 2020.

For injury claims that settled directly with the insurer in 2022 which make up 6% of total settlement costs for injury claims:

- 74% of those that settled directly before PIAB settled under the Guidelines and the average cost of these claims was 29% lower compared to those settled with reference to the Book of Quantum in 2020.
- 67% of those that settled directly after PIAB settled under the Guidelines and the average cost of these claims was 30% lower compared to those settled with reference to the Book of Quantum in 2020.

Background

Grouping of Claims

Similar to Part 4, claims discussed in this section have been collected on a settlement year basis i.e., the settlement year refers to 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.

Background to the 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. They provide the basis for determining compensation awards. Additional background to the Personal Injuries Guidelines can be obtained in Appendix 3.

Important Points to Note

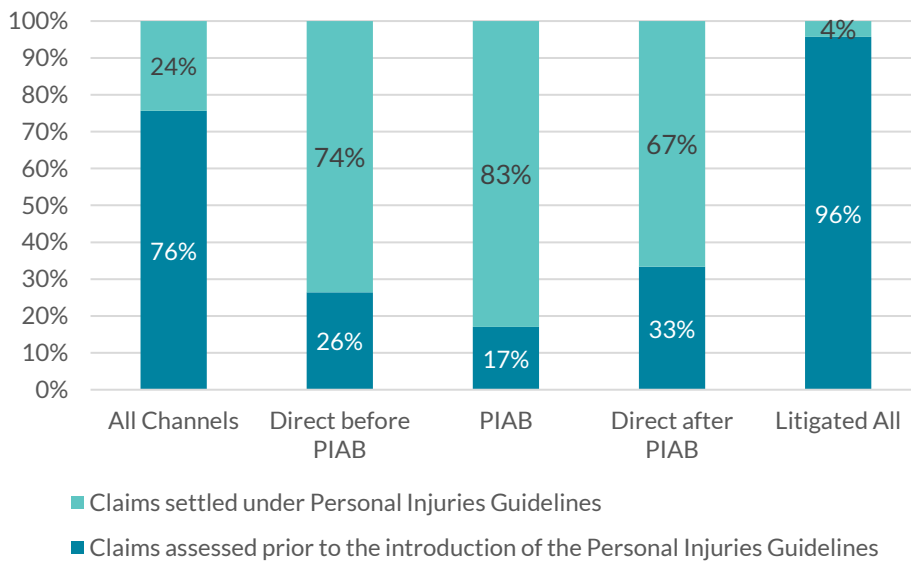
Given the relative recency of the introduction of the Personal Injuries Guidelines, there are limitations to the insight that can be derived from the data as at 2022 which should be considered when looking at the results.

- (1) There is an insufficient number of claims settled through litigation under the Guidelines to provide a consistent comparison against litigated claim settlements prior to the Guidelines.
- (2) The current sample of claims that settled under the Guidelines in 2021 and 2022 is biased towards claims that took less time to settle, which may be an indication of less severe or less complex cases.
- (3) A high proportion of injury claims that have occurred since the introduction of the Guidelines may not have been settled by 2022, and so will not yet feature in this data

Settlements under the Guidelines

The impact of the Guidelines can be seen in injury claims settling either directly with the insurer or through PIAB. For 68% of the EL, PL and Commercial Property insurance market and liability claims only, Figure 23 shows that 24% of injury claimants that settled claims in 2022 across all channels settled under the Personal Injuries Guidelines. However, only a small number of litigated claims settled under the Guidelines in 2022.

Figure 23: Proportion of injury claimants settled in 2022 under the Personal Injuries Guidelines and the Book of Quantum, i.e., assessed prior to the Guidelines.

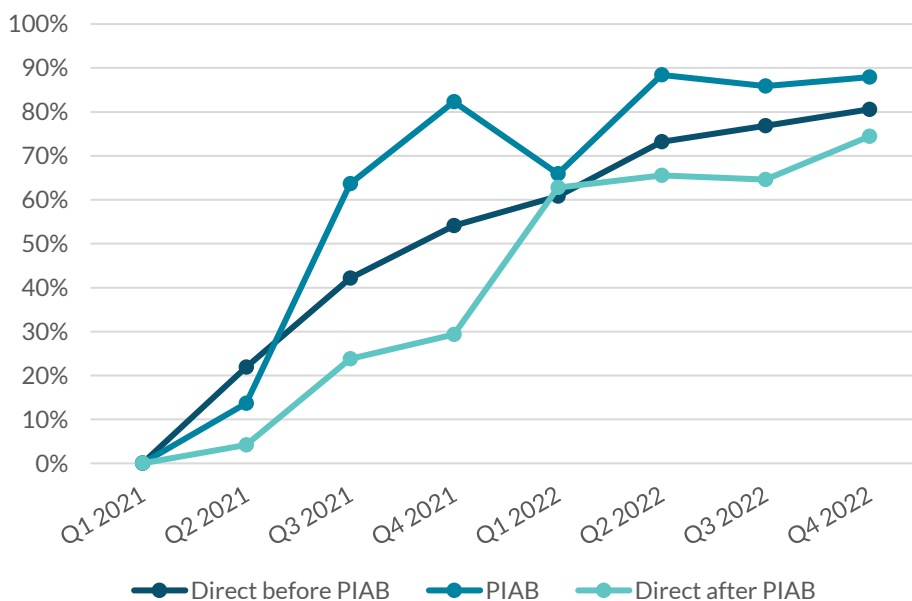


A high proportion of claimants settled under the Guidelines in the direct and PIAB channels where it takes less time on average to settle claims. Conversely only a small number of litigated claims settled under the Guidelines where it takes much longer to settle claims. In 2022:

- 74% of claimants that settled directly before PIAB, where it takes 1.7 years on average to settle claims, settled under the Guidelines.
- 83% of claimants that settled through PIAB, where it takes 2.3 years on average to settle claims, settled under the Guidelines.
- 67% of claimants that settled directly after PIAB, where it takes 2.6 years on average to settle claims, settled under the Guidelines.
- 4% of claimants that settled through litigation, where it takes 5.2 years on average to settle claims, settled under the Guidelines.

Across all settlement channels, 24% of injury claimants settled under the Personal injuries Guidelines in 2022 compared to 9% in 2021. The proportion of claims settling under the Personal Injuries Guidelines has been increasing over time in all channels. This increase can be seen clearly in Figure 24, which shows how this proportion has changed over the period Q1 2021 to Q4 2022 for the Direct before PIAB, PIAB and Direct after PIAB settlement channels.

Figure 24: Proportion of injury claimants who settled under the Personal Injuries Guidelines in each quarter between Q1 2021 and Q4 2022.



The Personal Injuries Guidelines were introduced on 24th April 2021 and all new claims assessed since then are expected to be assessed under the Personal Injuries Guidelines. However, any claims that had already been initiated and were ongoing prior to the introduction of the Guidelines, have continued to settle under the Book of Quantum. As noted previously, it can take several years for injury claims to settle and as such, it may take several years until all remaining Book of Quantum claims are settled

Impact of the Guidelines on average claim costs

Direct and PIAB Channels

A comparison of the impact of the Personal Injuries Guidelines on average claims cost is provided for the Direct before PIAB, Direct after PIAB and PIAB settlement channels, as there are a reasonable number of claims settled under the Guidelines

Approach

To assess the impact of the introduction of the Guidelines, the average cost of claims settled under the Personal Injuries Guidelines in 2022 is compared to the average cost of claims settled under the Book of Quantum in 2020. 2020 was chosen as the base year for this comparison as it was the last full year of data prior to the introduction of the Guidelines²⁷.

²⁷ 2019 was also considered as the base year for this comparison. However, it was shown to be relatively similar to 2020.

The average settlement time has been selected as a proxy for the complexity and severity of the claims. As can be seen in Table 30 for the direct and PIAB channels, the average number of years between when a claim is reported to the insurer and settled is reasonably close for claims settled under the Guidelines in 2022 and those settled under the Book of Quantum in 2020. As the settlement times are similar between both cohorts of claims, it suggests that the comparison may be reasonable in these channels.

Table 30: The average time (years) between a claim being reported to the insurer and settled, for claims settled under the Book of Quantum in 2020 and settled under the Personal Injuries Guidelines in 2022.

Settlement Channel	Book of Quantum 2020	Personal Injuries Guidelines 2022
Direct before PIAB	1.7	1.0
PIAB	2.2	2.0
Direct after PIAB	2.1	2.0

Indication of Impact of Guidelines on Direct and PIAB Channels

Table 31 provides a comparison of the average cost for claims that settled through the Direct before PIAB, PIAB, and Direct after PIAB settlement channels in 2022 under the Personal Injuries Guidelines against those that settled in 2020 with reference to the Book of Quantum.

The average cost of claims was 17% lower for Employers' Liability claims that settled directly before PIAB, 19% lower for EL claims settling directly after PIAB and 33% lower for EL claims settling via PIAB under the Personal Injuries Guidelines compared to the Book of Quantum.

For Public Liability claims that settled directly before PIAB, the average cost was 41% lower under the Personal Injuries Guidelines in 2022 compared to the Book of Quantum in 2020, 40% lower for PL claims settling directly after PIAB and 33% lower for PL claims settling via PIAB.

Table 31: Comparison of the average cost of claims settled under the Personal Injuries Guidelines in 2022 and those settled under the Book of Quantum in 2020.

Settlement channel	Settled under Book of Quantum 2020 (€)	Settled under Personal Injuries Guidelines 2022 (€)	% Difference vs 2020
Employers' Liability			
Direct before PIAB	27,476	22,878	-17%
PIAB	39,992	26,686	-33%
Direct after PIAB	42,304	34,065	-19%
Public Liability			
Direct before PIAB	17,140	10,096	-41%
PIAB	32,546	21,881	-33%
Direct after PIAB	29,361	17,641	-40%

Litigation Channel

The Personal Injuries Guidelines have not yet materially impacted the cost of claims settled via litigation. Only 4% of claims settled via litigation in 2022 were settled under the Guidelines.

It will likely take time for the Personal Injuries Guidelines to take effect in the litigated settlement channel due to the generally long duration between the accident being reported and the settling of a claim (5.2 years on average for litigation claims settled in 2022).

Claims settled via litigation represent the largest proportion of the total claims cost for injury claims. Consequently, whilst the impact of the Personal Injuries Guidelines on claims settled directly and via PIAB is significant, they have not yet had a marked impact on the overall claims settlement cost.

Table 32 provides a breakdown of total claims cost between each settlement channel in 2020 (before the introduction of the Personal Injuries Guidelines) and 2022. In 2020, the direct and PIAB channels accounted for 16% of the total claims cost. As such, a large reduction in average claim costs in these channels, such as that shown in Table 32, would have a smaller impact on the total cost of claims. The largest proportion of costs are settled through litigation and it will likely take time for the Personal Injuries Guidelines to take effect in this channel.

Table 32: Breakdown of the proportion of total claims costs settled through each settlement channel and under the Personal Injuries Guidelines and Book of Quantum in 2020 and 2022.

Settlement channel	2020	2022	
	Settled under Book of Quantum	Settled under Book of Quantum	Settled under Personal Injuries Guidelines
Direct before PIAB	5%	1%	2%
PIAB	6%	1%	3%
Direct after PIAB	5%	1%	1%
Litigated	84%	88%	2%
Total across all settlement channels	100%	92%	8%

PART 6 – Claim Development

Data on the development of claims was collected for accident years 2009-2022. This data forms the basis for insurers' estimates of ultimate claim numbers and costs, as discussed in Part 2. As new data emerges, estimates are updated. Part 6 discusses how estimates of ultimate claims costs have changed from 2019 to 2022. It also provides insight into the underlying claims development patterns.

Key Insights and Findings

In 2022, insurers' best estimate of total claims cost for EL, PL and Commercial Property decreased by approximately €208m (or 3% of total claims cost) across accident years 2009 to 2021. This made a significant contribution to the industry's profit as reported in Part 3.

As at 31 December 2022, 13% of the expected ultimate claim costs for accident year 2022 are paid, 36% are claim reserve estimates and 51% are estimates of the cost for claims that have not yet been reported.

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

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

Premium and Claims Cost by Reporting Year²⁸

The trends in claims costs shown in Part 2 of this report are based on estimates of ultimate claims cost²⁹ for each accident year, calculated as at

²⁸ This section is based on 70% market coverage to provide a consistent comparison against the ultimate claims cost reported for previous EL, PL and Commercial Property NCID reports.

²⁹ The concept of ultimate claims costs is explained further in Part 7.

31 December 2022. Not all of these claims will be paid yet. Some claims, injury claims in particular, can take many years to be fully paid.

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

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

In 2022, insurers’ best estimates of total claims costs across EL, PL and Commercial Property insurance and accident years 2009-2021 decreased by €208m (3% of total claims costs).

A decrease to an insurer’s total estimate of ultimate claims cost will result in reserve releases which add to profitability (or reduce losses) in the year they are released. Similarly, increases to an insurer’s estimates of ultimate claims costs typically lead to an increase in reserves which reduce profitability (or add to losses) in the year they are increased.

Figure 25: The ratio of ultimate claim costs to premiums (loss ratio) for Employers’ Liability as at 31 December 2019-2022 and for accident years 2009-2022.

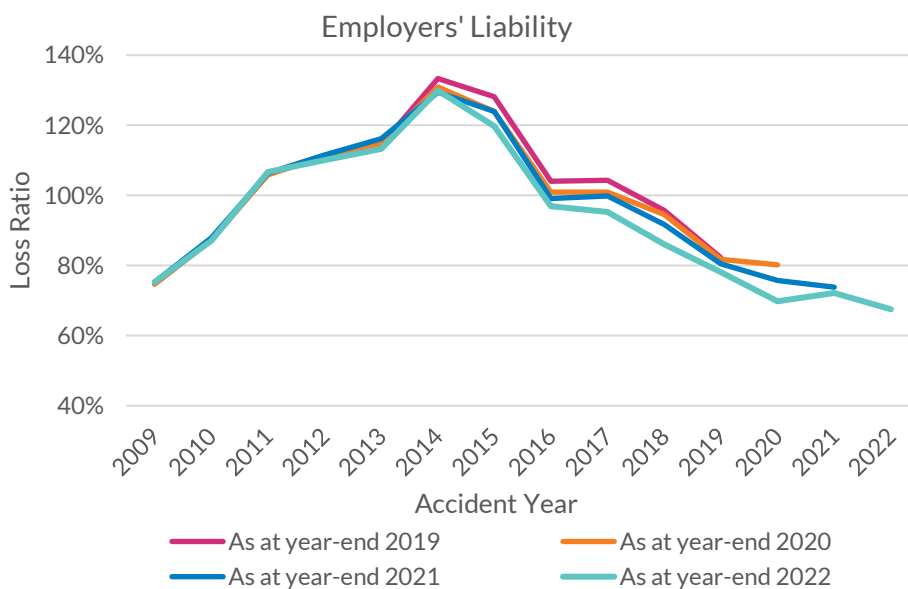


Figure 26: The ratio of ultimate claim costs to premiums (loss ratio) for Public Liability as at 31 December 2019-2022 and for accident years 2009-2022.

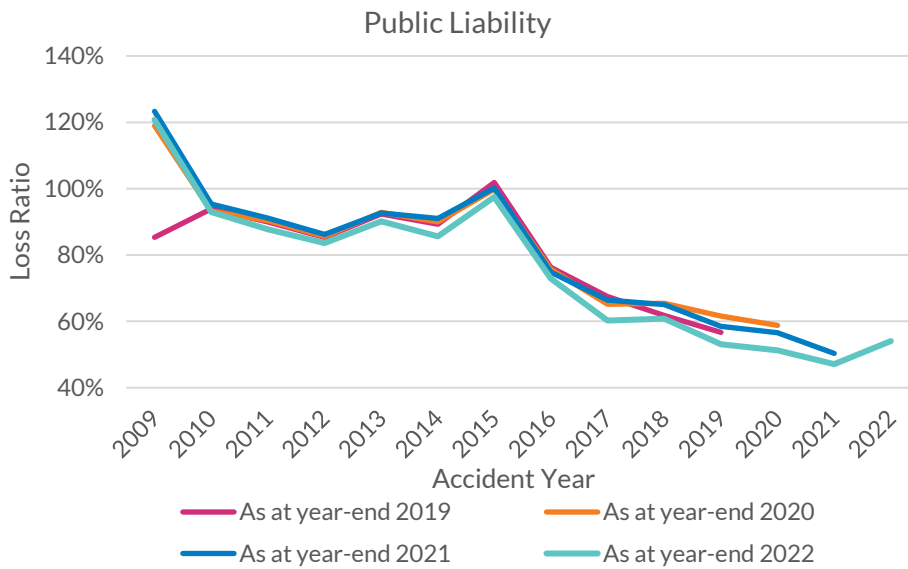
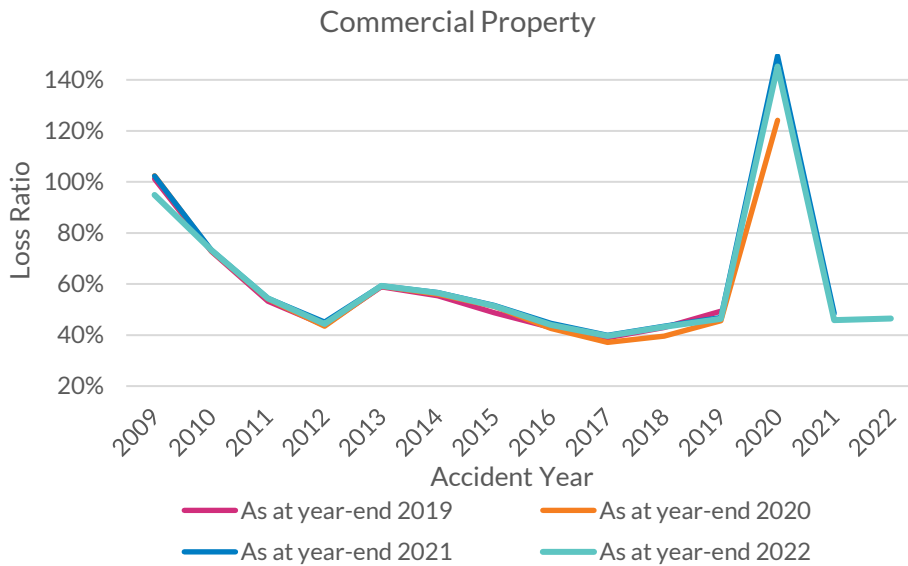


Figure 27: The ratio of ultimate claim costs to premiums (loss ratio) for Commercial Property as at 31 December 2019-2022 and for accident years 2009-2022.



Figures 25, 26 and 27 compare the loss ratios for EL, PL and Commercial Property insurance using ultimate claims cost calculated at 31 December 2022 against those calculated at 31 December 2019, 2020, and 2021.

Overall, the estimates of ultimate claims cost have remained relatively stable over the years, with the combined EL, PL and Commercial Property loss ratio changing by less than 3% for the 2010-2016 accident years.

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

Public Liability														
Accident Year	Development Year													
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
2009	72%	93%	118%	118%	113%	113%	110%	103%	102%	102%	101%	101%	102%	100%
2010	65%	90%	103%	106%	107%	108%	105%	105%	105%	101%	100%	100%	101%	
2011	65%	86%	102%	110%	106%	104%	100%	100%	101%	100%	100%	100%		
2012	66%	90%	103%	107%	103%	102%	102%	101%	101%	100%	100%			
2013	67%	90%	107%	109%	105%	102%	102%	101%	100%	98%				
2014	68%	93%	110%	110%	108%	106%	103%	104%	98%					
2015	55%	81%	99%	103%	105%	100%	100%	98%						
2016	63%	91%	107%	106%	104%	101%	99%							
2017	68%	92%	107%	105%	102%	98%								
2018	63%	82%	97%	96%	95%									
2019	64%	74%	85%	85%										
2020	47%	60%	63%											
2021	43%	58%												
2022	38%													

Table 33 and Table 34 show the proportion of ultimate claims cost that are incurred for each accident year across development years for EL and PL. The development year measures the number of years that have passed since the start of the relevant accident year.

Incurred claim costs consist of the cost of claims that are paid added to case estimates for claims that have been reported to the insurer but not yet paid. These are the sum of the paid and outstanding costs shown in Figure 28 of Part 7.

Based on these tables, it can be seen that PL claims generally develop to their ultimate claim costs faster than EL claims. Across all accident years, 60% of ultimate claim costs for PL are incurred in development year 1, 83% are incurred by development year 2 and 100% by development year 3. In contrast, these figures are 44%, 64% and 87% of ultimate claim costs respectively for EL incurred claim costs as a percentage of ultimate claim costs. Incurred claim costs for both EL and PL claims have reached or surpassed the ultimate claims cost by development year 5 at 100% and 105% respectively.

Where the incurred as a percent of ultimate claim cost is greater than 100%, this suggests that insurers' estimates for incurred claim costs at that time were greater than what they ultimately settled for, or what they currently expect these claims to ultimately settle for.

Table 35: Incurred claims as a percent of current ultimate claim costs for each accident year across development years, for Commercial Property.

Commercial Property														
Accident Year	Development Year													
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
2009	110%	108%	104%	104%	105%	107%	108%	109%	108%	109%	109%	109%	109%	100%
2010	87%	107%	104%	104%	105%	104%	103%	100%	100%	100%	100%	100%	100%	
2011	112%	103%	102%	102%	101%	101%	101%	101%	100%	100%	100%	100%		
2012	112%	103%	102%	101%	100%	101%	100%	100%	100%	100%	100%			
2013	108%	107%	103%	103%	103%	102%	100%	99%	99%	99%				
2014	106%	101%	99%	100%	99%	99%	99%	99%	99%					
2015	98%	101%	100%	99%	100%	99%	98%	98%						
2016	102%	98%	99%	98%	98%	98%	97%							
2017	106%	99%	99%	99%	99%	98%								
2018	105%	100%	100%	99%	98%									
2019	84%	90%	89%	90%										
2020	52%	81%	82%											
2021	85%	89%												
2022	72%													

Table 35 shows the proportion of ultimate claim costs that are incurred by accident year and development year for Commercial Property. Commercial Property claims tend to develop much faster than EL or PL claims as a result of Commercial Property business primarily covering damage claims, the costs for which can be reasonably accurately estimated faster than injury claims. Property claims tend to settle much faster than EL or PL claims.

The 2020 accident year is an outlier here for Commercial Property as it is unusually uncertain as a result of COVID-19 and the consequent business interruption claims in this year.

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

Employers' Liability														
Accident Year	Development Year													
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
2009	3%	10%	24%	43%	60%	73%	83%	88%	93%	95%	96%	97%	98%	98%
2010	2%	9%	21%	38%	52%	67%	79%	84%	91%	94%	95%	95%	96%	
2011	2%	7%	19%	33%	54%	70%	81%	88%	92%	94%	96%	96%		
2012	2%	7%	20%	36%	54%	67%	78%	84%	87%	90%	93%			
2013	2%	8%	20%	39%	57%	71%	80%	84%	88%	92%				
2014	1%	7%	19%	40%	57%	70%	78%	82%	87%					
2015	1%	8%	19%	34%	53%	64%	71%	76%						
2016	1%	7%	19%	33%	46%	58%	68%							
2017	1%	7%	20%	33%	46%	56%								
2018	1%	6%	16%	27%	37%									
2019	1%	6%	12%	21%										
2020	1%	3%	9%											
2021	1%	3%												
2022	1%													

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

Public Liability														
Accident Year	Development Year													
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
2009	7%	20%	34%	49%	63%	77%	84%	90%	93%	96%	97%	97%	98%	98%
2010	6%	16%	30%	48%	61%	76%	82%	88%	91%	94%	95%	96%	96%	
2011	5%	15%	30%	45%	60%	71%	78%	82%	85%	88%	95%	96%		
2012	6%	16%	31%	46%	61%	73%	79%	83%	86%	88%	90%			
2013	5%	15%	29%	48%	61%	72%	79%	84%	88%	90%				
2014	7%	18%	33%	49%	62%	72%	77%	83%	85%					
2015	4%	14%	26%	37%	49%	57%	64%	70%						
2016	4%	14%	28%	40%	52%	61%	67%							
2017	4%	14%	28%	39%	50%	58%								
2018	4%	13%	23%	33%	41%									
2019	5%	11%	20%	29%										
2020	4%	8%	14%											
2021	4%	8%												
2022	3%													

Table 36, Table 37 and Table 38 show the proportion of ultimate claims cost that are paid for each accident year across development years for EL, PL and Commercial Property claims. This differs from incurred cost as paid

cost does not include case estimates for claims that have been reported but not yet paid.

Paid costs are much slower to develop to ultimate due to the time lag between when claims are reported and their costs are estimated, to when claims are settled and paid. For example, while incurred costs for EL and PL claims are 100% and 105% of ultimate claims cost by development year 5, only 52% of EL and 56% of PL ultimate claim costs have been paid by this time.

Table 38: Paid claims as a percent of current ultimate claim costs for each accident year across development years, for Commercial Property.

Commercial Property														
Accident Year	Development Year													
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
2009	35%	81%	89%	99%	101%	104%	106%	106%	106%	107%	108%	108%	109%	100%
2010	40%	91%	97%	100%	102%	102%	102%	100%	100%	100%	100%	100%	100%	
2011	41%	86%	95%	100%	101%	101%	101%	100%	100%	100%	100%	100%		
2012	50%	89%	96%	98%	100%	100%	100%	100%	100%	100%	100%			
2013	47%	90%	98%	100%	101%	101%	99%	99%	99%	99%				
2014	68%	92%	97%	98%	98%	98%	99%	99%	99%					
2015	43%	86%	92%	95%	97%	97%	97%	97%						
2016	45%	85%	93%	96%	96%	97%	96%							
2017	42%	85%	93%	94%	95%	96%								
2018	55%	90%	93%	96%	97%									
2019	32%	69%	81%	84%										
2020	17%	40%	50%											
2021	36%	78%												
2022	31%													

Table 38 shows that, as with incurred claims cost as a percentage of ultimate claims, paid costs develop to ultimate much faster for Commercial Property claims than they do for EL or PL claims. On average, 42% of Commercial Property ultimate claims cost are paid in development year 1, 82% by development year 2 and 99% by development year 5.

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

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

Part 7 - Key Terms and Report Methodology

Definition of Key Terms

Accident

An event that gave rise to a claim.

Average Premium

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

Bodily Injury or Injury Claim

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

Claim

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

Claims Management Expenses

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

Commercial Property

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

Commission

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

Cost of a Claim

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

Damage

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

Employers' Liability Insurance

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

Loss Ratio

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

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

By accident year and expressed as a percentage.

Management Expenses

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

Package

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

Policy

An insurance contract between an insurer and a policyholder.

Premium

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

Public Liability

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

Reinsurance

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

Standalone Policy

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

Explanation of Key Concepts and Methodologies

Ultimate Claims

In Parts 2 and 6 of this report, claims are grouped together by the accident year, the year in which the accident occurred. Not all of these claims will be paid yet. Some claims, injury claims in particular, can take many years to be fully paid.

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

Figure 28: Breakdown of EL, PL and Commercial Property ultimate claim costs for accident years 2009-2022.

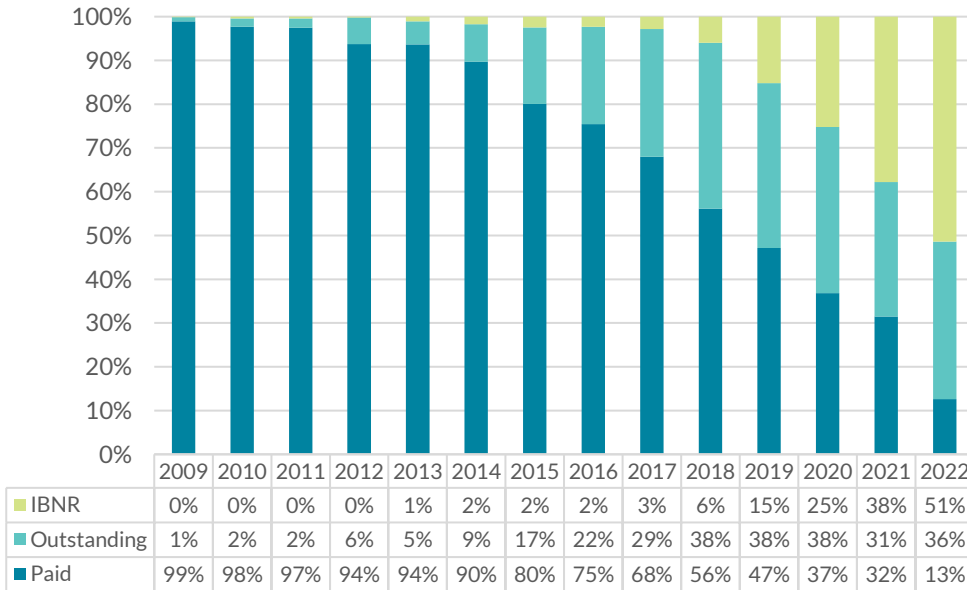


Figure 28 shows an illustration of the breakdown of EL, PL and Commercial Property ultimate claims costs for accident years 2009-2022 as at 31 December 2022. Here the ultimate claims cost consists of paid claims (Paid), case estimates for claims that have been reported but not yet paid (Outstanding), and an estimate of costs for claims that have not yet been reported, i.e., incurred but not reported claims (IBNR).

2022 is the most recent accident year and hence its ultimate claims cost is made up of the lowest proportion of Paid claims at 13%, while 87% of this ultimate cost is made up of estimates (IBNR + Outstanding). As an example, nine years have passed since the end of the 2013 accident year, hence, 94%

of the total ultimate claims cost for this accident year have been paid, with 5% of ultimate claims cost still Outstanding and 1% are an IBNR estimate.

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

Earned Premium and Policy Count

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

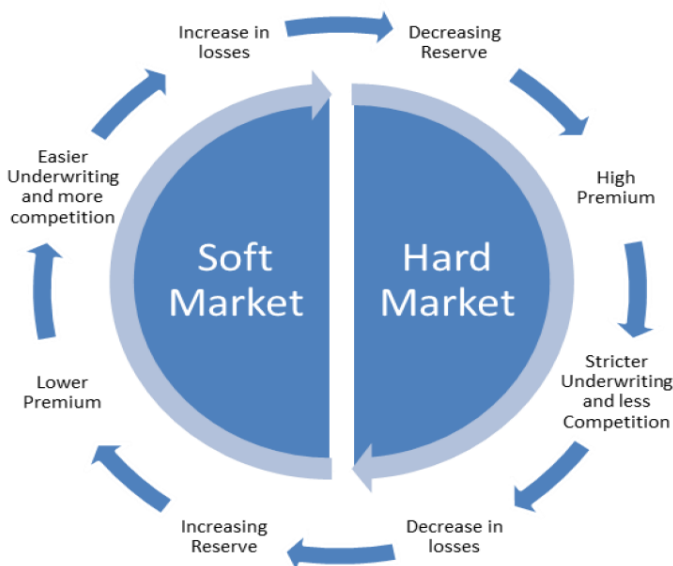
This earned basis corresponds directly with the accident year basis on which claims were collected for Parts 2 and 6.

The Underwriting Cycle

The pricing of insurance risks will generally depend on the position in the insurance underwriting cycle. Insurance markets tend to move between hard and soft markets, as illustrated in Figure 29.

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

Figure 29: An illustration of the insurance underwriting cycle.



Appendix 1 – Background to the National Claims Information Database

The Cost of Insurance Working Group (CIWG)³⁰ 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 Insurance³¹ in January 2017, which made 33 recommendations within six broad themes:

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

Recommendation 11 in this report required the Central Bank of Ireland to establish a National Claims Information Database (NCID), to improve data availability. Legislation was required to confer this new function on the Central Bank, and the Central Bank (National Claims Information Database) Act 2018 commenced in January 2019. After consultation with the Minister for Finance, private motor insurance was selected to be the initial class of insurance in scope of the NCID and this has been followed by Employers' Liability, Public Liability and Commercial Property in H2 2020. The legislation requires that the Central Bank publishes a report on a yearly basis.

³⁰ Cost of Insurance Working Group

³¹ Cost of Insurance Working Group private motor report 2017

Appendix 2 - Trends in Premium Costs - Standalone Policies

Standalone policies are policies which include only one of EL, PL or Commercial Property insurance covers. In 2022, Standalone policies made up 14% of all policies, or 6% of all insurance covers. The 14% of policies consists of 0.8% EL, 8.7% PL and 4.9% Commercial Property policies. Standalone policies make up 41% of total earned premium.

Table 39: The proportion of policies and gross earned premium by premium band and policy type, for Standalone policies in 2022³².

Premium Band	Employers' Liability		Public Liability		Commercial Property	
	% of Policies	% of Premium	% of Policies	% of Premium	% of Policies	% of Premium
€1-€1,000	18%	0%	85%	4%	56%	2%
€1,001-€2,000	15%	1%	5%	1%	12%	1%
€2,001-€5,000	19%	2%	4%	2%	10%	3%
>€5,001	48%	98%	6%	94%	22%	94%

Table 39 shows the distribution of policies and premium across premium size bands and policy types. For each policy type the majority of gross earned premium is attributed to the proportion of policies with a premium greater than €5,000. This reflects the very large Standalone policies which can be found in the EL, PL and Commercial Property insurance markets.

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

As shown in Figure 30, the average earned premium for EL policies increased by 122% from €26,529 in 2009 to €59,001 in 2020 and then decreased by 22% to €45,797 in 2022. There were much fewer Standalone EL policies earned over the period compared to PL or Commercial Property and the premium for these policies was higher on average.

Standalone PL policies increased by 56% from €4,813 in 2009 to €7,514 in 2018, followed by a 9% decrease to €6,837 in 2020 and then a 16% increase to €7,933 in 2022. The average earned premium for Commercial

³² Table 39 is based on 83% market coverage.

Property increased by 48% from €4,931 in 2009 to €7,285 in 2020 and then increased by 66% to €12,080 in 2022.

In total, the average premium on standalone policies increased by 101% from 2009 to 2022.

Figure 30: The average earned premium for Standalone policies by policy type, for years 2009 to 2022.



Appendix 3 – Personal Injuries Guidelines

Background to the 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.

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.

In 2021 and 2022, 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. A particular injury assessed under the Personal Injuries Guidelines may be awarded a different compensation amount than if it was assessed using the Book of Quantum.

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.

Appendix 4 - List of Participating Insurers.

Table 40: Firms who contributed data to this report.

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

EU/EEA Authorised, Freedom of Services basis	Allianz Risk Transfer AG
	Allianz Versicherungs AG
	ArgoGlobal SE
	CNA Insurance Company (Europe) S.A. (UK)
	ERGO Versicherung AG
	Generali Espana S.A. de Seguros y Reaseguros
	HDI Versicherung AG
	IDA Insurance Ltd
	If P&C Insurance Ltd (publ)
	Lloyd's of London
	Mitsui Sumitomo Insurance Company (Europe) Limited
	QBE Europe SA/NV
	SI Insurance (Europe), SA
	Starr International (Europe) Limited
	Tokio Marine Europe S.A. (UK)
	Unipol Assicurazione S.P.A.
	WAKAM
Württembergische Versicherung AG	
Zavarovalnica Sava d.d.	



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