

2015

# Private Motor Insurance Statistics



Banc Ceannais na hÉireann  
Central Bank of Ireland  
Eurosystem

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## Executive Summary

The annual Private Motor Insurance Statistics' report is prepared by the Central Bank of Ireland's Statistics Division, which is charged with the responsibility of continuing the statistical work initiated by the Motor Insurance Advisory Board (MIAB). The analysis in this report is based on policy, premium and claim data for 2015, submitted by Insurance Ireland, on behalf of its members, to the Central Bank of Ireland. A number of factors need to be considered when analysing the results. In particular, the report focuses primarily on year 1 costs, but it should be noted that it can take a number of years for the costs associated with incurred claims to be finalised.

The key findings from the data submitted by Insurance Ireland for 2015 are summarised below:

- *Policy Years:* The total number of policy years in the Irish private motor market decreased by 2 per cent from 1.80 million policy years in 2014 to 1.77 million policy years in 2015. The number of comprehensive policy years decreased by 2 per cent from approximately 1.50 million policy years in 2014 to 1.48 million policy years in 2015. The number of third party fire & theft policies decreased by 3 per cent from approximately 276,000 to 267,000 over the same period.
- *Premiums:* There has been an increase in average premiums between 2014 and 2015 across both comprehensive and third party fire & theft policies. Average premiums for comprehensive cover increased by 9 per cent from €459 in 2014 to €500 in 2015, while third party fire & theft cover increased by 19 per cent from €557 in 2014 to €663 in 2015.
- *Average Cost per Claim:* Data provided by Insurance Ireland shows that the average cost of year 1 claims, measured on a per claim basis, has increased across both comprehensive and third party fire & theft policies.
  - Average cost of year 1 claims for comprehensive policies have increased by 10 per cent from €5,264 in 2014 to €5,776 in 2015. Indeed, the average cost of year 1 claims for comprehensive policies have increased by 45 per cent since 2010 when an average cost of €3,993 was reported.
  - Average cost of year 1 claims for third party fire & theft cover increased by 11 per cent from €7,845 in 2014 to €8,732 in 2015. Average costs have increased for third party fire & theft since 2010 where an average cost of €5,395 was reported.
- *Average Cost per Policy:* The average cost per policy combines cost per claim and claim frequency. Average cost per policy in development year 1 declined for both comprehensive and third party fire & theft in 2015.
  - Average cost per policy decreased by 4 per cent between 2014 and 2015 (development year 1) from €272 to €261 for comprehensive cover.
  - Third party fire & theft cover also reported a decrease of 6 per cent for development year 1 between 2014 and 2015 from €288 to €272.
- *Claim Frequency:* Claim frequency has decreased across both comprehensive and third party fire & theft policies for development year 1.
  - Comprehensive policies have seen a decrease from 5.2 claims per 100 policy years in 2014 to 4.5 claims per 100 policy years in 2015 for development year 1.
  - Third party fire & theft policies have seen a decrease from 3.7 claims per 100 policy years in 2014 to 3.1 claims per 100 policy years in 2015.

- Total claim frequency has trended downwards since 2008 for both comprehensive and third party fire & theft cover. Total claims include both vehicular damage claims and personal injury claims.
- *Large Claims:* The large claims rate is defined for the purposes of this report as claims in excess of €100,000 per 100,000 policy years. The Insurance Ireland dataset provided the following information:
  - For comprehensive cover, the rate decreased from 19 to 17 per 100,000 policies between 2014 and 2015 for development year 1.
  - The third party fire & theft rate decreased from 31 to 29 per 100,000 policies over the same period for development year 1.
- *Settlement Rates:* Settlement rates are defined for the purpose of this report as the percentage of total claim costs (paid costs plus estimated costs) that are made up by paid costs.
  - Settlement rates declined marginally for comprehensive cover in 2015. Development year 1 rates decreased from 38 per cent in 2014 to 37 per cent in 2015. This reflects a downward trend in development year 1 settlement rates since 2008 when the level was 54 per cent.
  - Third party fire & theft settlement rates in development year 1 increased from 23 per cent in 2014 to 25 per cent in 2015. However, there has been a downward trend since 2008 for third party fire & theft policies when the development year 1 settlement rate was 44 per cent.

## 1 Introduction

### 1.1 Data used in the Report

This report is based on 2015 premium and claims data submitted by Insurance Ireland, to the Statistics Division of the Central Bank of Ireland, on behalf of its members. The submissions are provided annually in a raw disaggregated format, listing individual policy and claims records for all categories of cover i.e. comprehensive; third party fire & theft; and third party only. A total of 20 variables are associated with each individual record as described in Appendix 2 – Data. The dataset has information on individual policies detailing premium income and the evolution of total claim costs over a five-year period. Therefore, each submission contains five files, and for 2015 these files were as follows:

- 2011@2015
- 2012@2015
- 2013@2015
- 2014@2015
- 2015@2015

The files listed above contain the most recent data available for each accident year. For example, 2011@2015 is a data file describing the 2011 accident year where claim costs are now in their fifth year of development. Insurance Ireland provides this dataset to the Central Bank of Ireland with institution names anonymised.

### 1.2 Key Factors

- *Insurance Ireland:* Insurance Ireland members report the required data to Insurance Ireland who collate and validate it before subsequently making this data available to the Central Bank of Ireland. Insurance Ireland represents 95 per cent of the domestic private motor insurance market.

- *Claim Cost Development:* It can take many years for the full and final costs associated with an accident to be established. The evolution of yearly costs is presented as development years. For example, the initial estimates of total costs associated with claims in 2015 as measured at year-end 2015, are defined as year 1 development costs for 2015 accident year. The costs for 2014 claims, as measured at year end 2015, are defined as year 2 development costs for 2014 claims and so on. The terminology used takes the form:
  - 2015 @ year end 2015 for year 1 development of 2015 accident years
  - 2014 @ year end 2015 for year 2 development of 2014 accident years

Claim costs for an accident year tend to increase as the development years progress as insurers obtain more information on the ultimate cost of the original accident. In addition, claim costs increase because a proportion of claims occurring in any given year may not be notified to insurers for several years following the accident. These claims are referred to as incurred but not reported (IBNR). The largest increase in claim costs is generally observed in the year 2 development year.

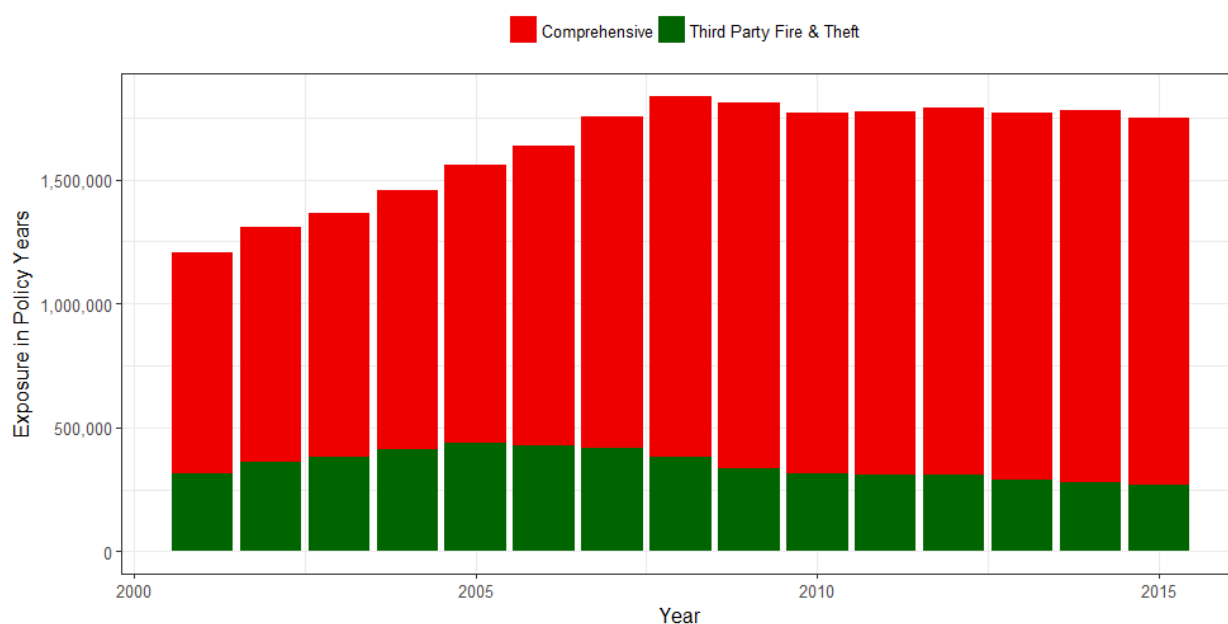
- *Income and Costs not included:* The data supplied by Insurance Ireland relates only to premiums received and cost of claims. It should be noted that other revenues and costs are excluded. Costs exclude payments to the Motor Insurers' Bureau of Ireland for uninsured drivers, as well as commissions, distribution expenses and reinsurance. Examples of income not recorded include investment income from insurers' portfolio of assets and reinsurance recoveries. An assessment of overall institutional profitability requires data on all income and expenditure.
- *Third Party Only Cover:* Third party only cover accounted for a small part of the motor insurance market (approximately 17,200 policy years in 2015). Given the small number of third party only policies, this report focuses on comprehensive and third party fire & theft cover.
- *Claim Frequency:* This dataset does not differentiate between vehicular damage and personal injury claims. Therefore, references to Claim Frequency are based on an aggregate figure for both claim types.

## 2 General Market Overview

### 2.1 Exposure

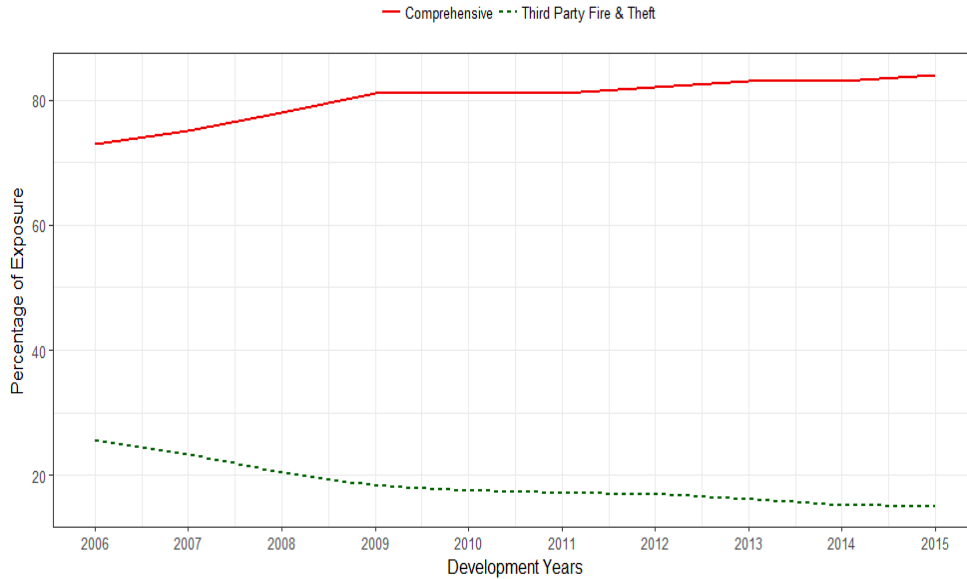
Exposure, as measured by policy years is illustrated in Chart 2.1 for comprehensive and third party fire & theft cover between 2001 and 2015. The number of policy years in the Irish market trended upwards from 2001 peaking at just over 1.83 million policies written in 2008. More recently, overall exposure has stabilised at a slightly lower level of around 1.77 million policy years. In 2015 the number of comprehensive policy years was 1.48 million a decrease of approximately 23,000 or 2 per cent compared to the 2014 figure. Third party fire & theft policy years decreased by almost 9,000 or 3 per cent to approximately 267,000 during the same period.

*Chart 2.1: Exposure in policy years for comprehensive and third party fire & theft cover.*



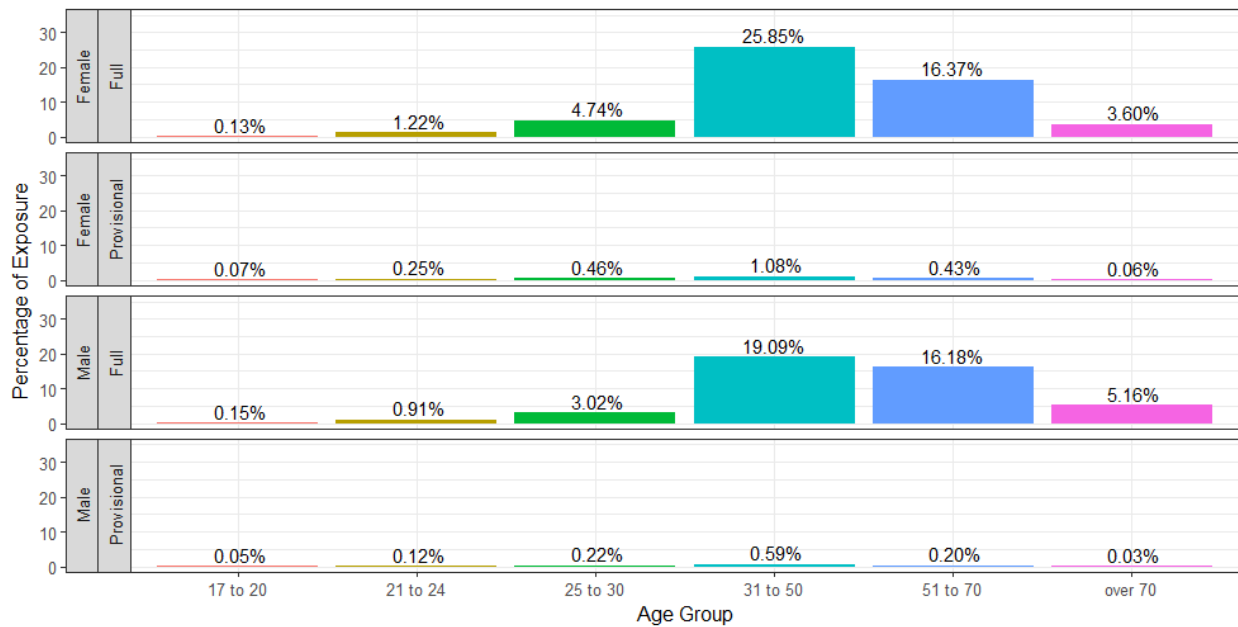
The proportion of the market taken by comprehensive cover has been on an upward trend since 2006 and in 2015 accounted for 85 per cent of the domestic market (almost 1.5 million policy years), compared with 73 per cent in 2006 (see Chart 2.2). In contrast, third party fire & theft policies accounted for just over 15 per cent of the market (0.27 million policy years) in 2015, compared with 26 per cent in 2006.

**Chart 2.2: Percentage exposure by cover: 2006-2015.**

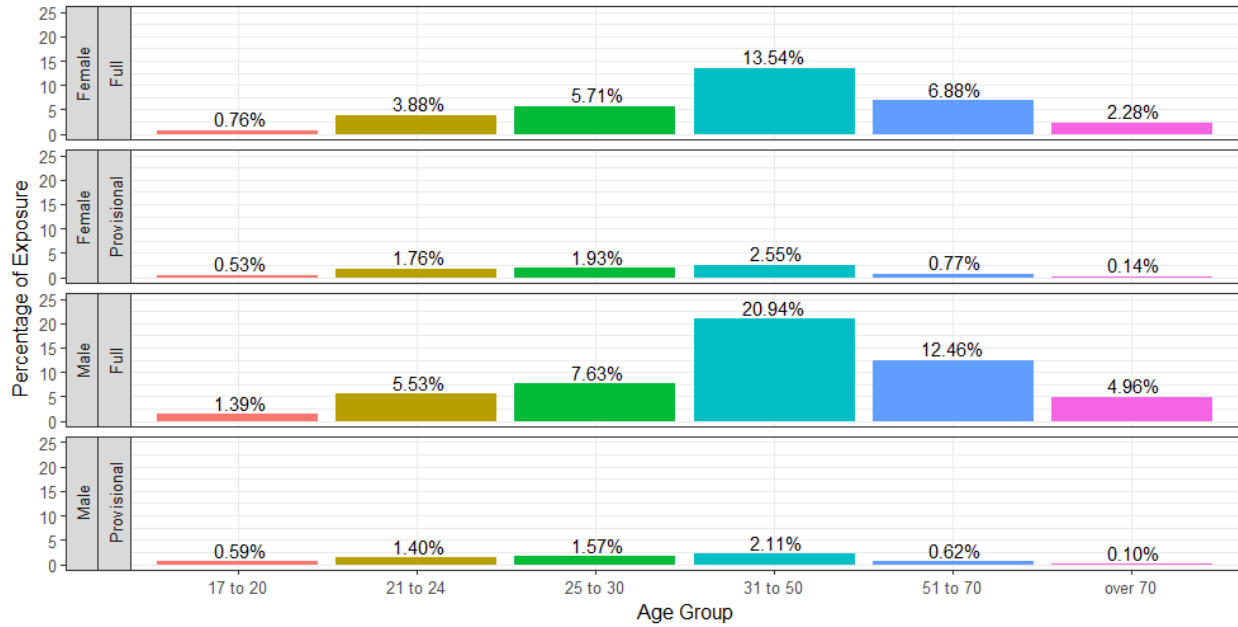


A breakdown of percentage exposure by market segmentation for 2015 classified by policyholder age, gender and licence status (i.e., full or provisional) is shown in Chart 2.3 (comprehensive cover) and Chart 2.4 (third party fire & theft cover). The largest market segments are for policyholders aged 31 to 50 years with full licences for both categories of cover. Third party fire & theft cover has significantly more exposure than comprehensive cover for policyholders under 30 years and higher proportions of cover for provisional licence holders, both of which are generally regarded as higher risk categories.

**Chart 2.3: Percentage exposure for comprehensive cover by age group, gender and licence status: 2015.**



**Chart 2.4: Percentage exposure for third party fire & theft cover by age group, gender and licence status: 2015.**



## 2.2 Premium

There has been an increase in the average premiums across both comprehensive and third party fire & theft policies in 2015, as can be seen in Chart 2.5. The average premiums for comprehensive cover increased by 9 per cent from €459 in 2014 to €500 in 2015, while third party fire & theft cover increased by 19 per cent from €557 in 2014 to €663 in 2015.

**Chart 2.5: Average premiums by cover type, year 1 development.**

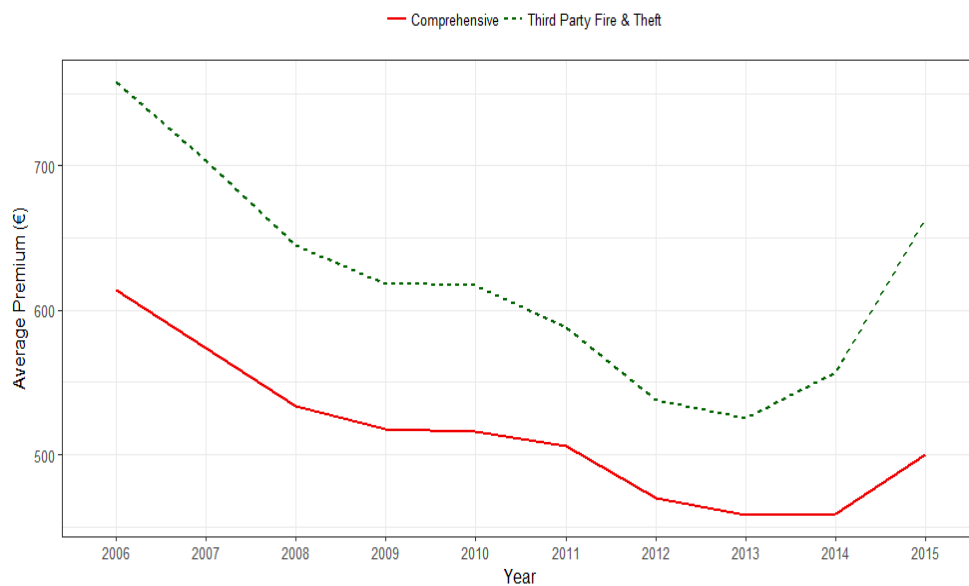




Chart 2.6: Average premiums for comprehensive cover by market segment.

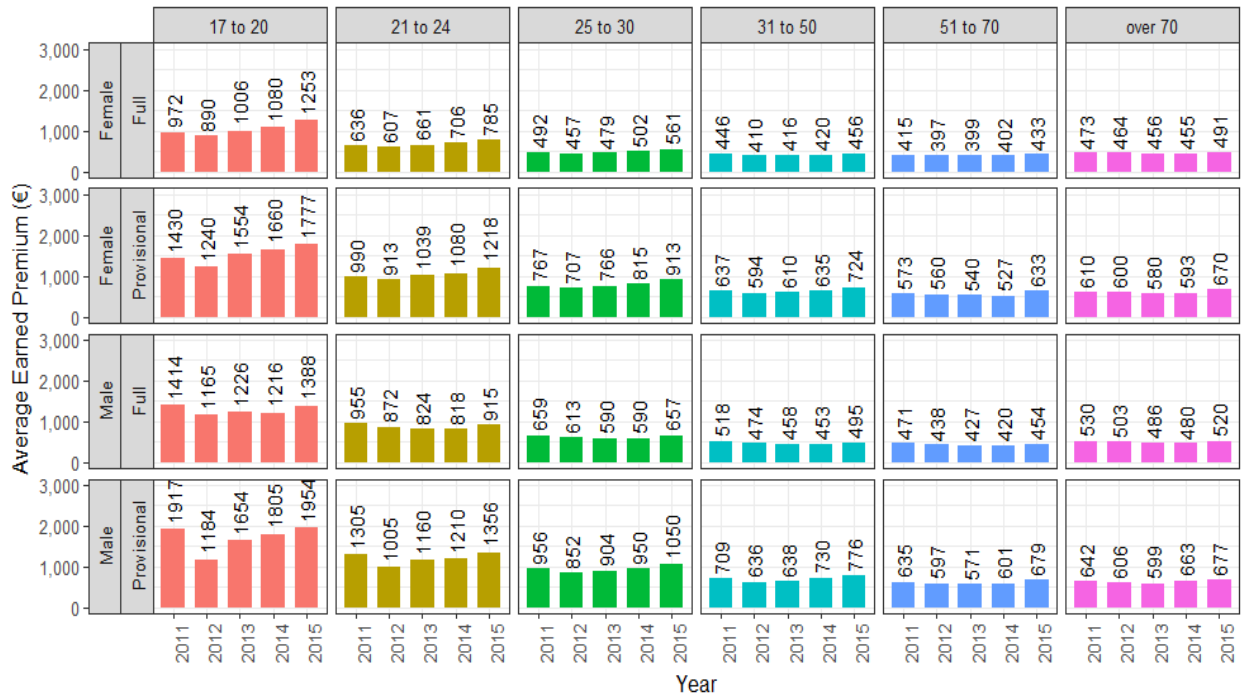
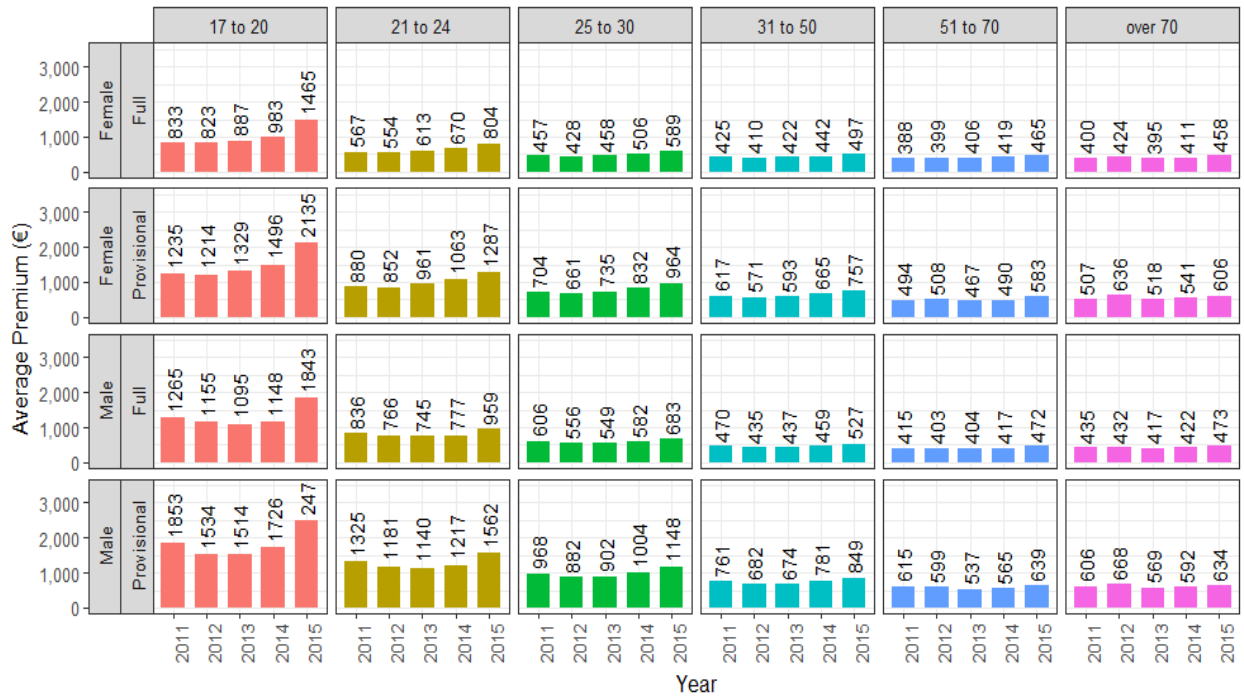


Chart 2.7: Average premiums for third party fire & theft cover by market segment.



Average premiums by market segment can be seen in Chart 2.6 for comprehensive cover and Chart 2.7 for third party fire & theft cover. Increases in the average premium were considerably higher for younger

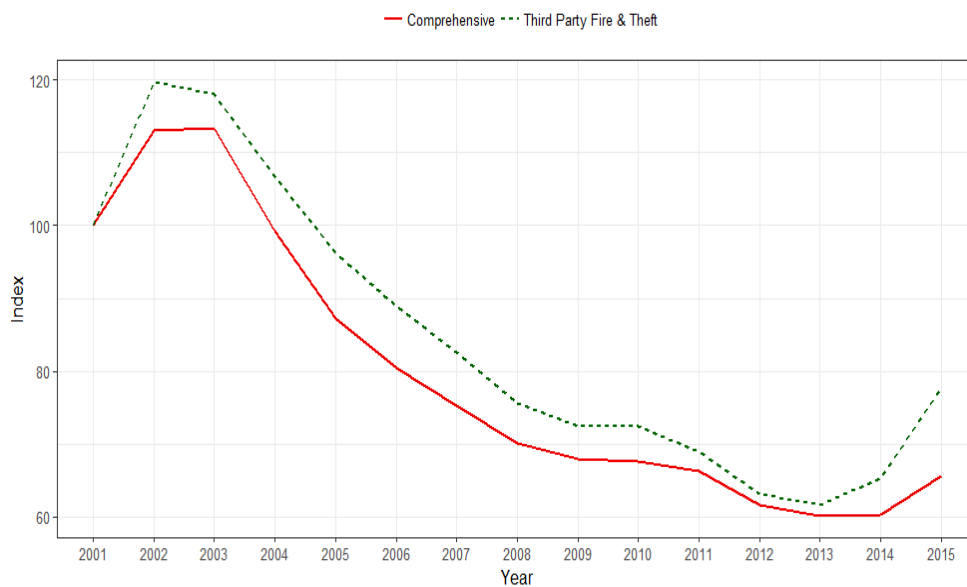
policyholders compared with older insured drivers. Between 2014 and 2015 females aged 17 to 20 with full licences and comprehensive cover experienced a 16 per cent increase compared with a corresponding 9 per cent increase for females aged 31 to 50. For females, aged 17 to 20, with full licences and third party fire & theft cover, increases in premiums of approximately 49 per cent were reported between 2014 and 2015 compared to an equivalent 12 per cent for females within the 31 to 50 age group.

### 2.2.1 Premium Index 2001 – 2015

Average premium income per policy declined year-on-year from 2002 to 2014 for comprehensive cover and from 2002 to 2013 for third party fire & theft cover. In 2015 average premium income for comprehensive cover increased from €459 in 2014 to €500, equivalent to an increase of 9 per cent. Average premium for third party fire & theft cover increased from €557 in 2014 to €663 in 2015. This is equivalent to an increase of 19 per cent and follows an increase of 6 per cent reported in 2014.

The premium indices for comprehensive and third party fire & theft cover by year are shown in Chart 2.8. They illustrate how average premiums have changed in nominal terms between 2001 and 2015.

*Chart 2.8: Average premium index for comprehensive and third party fire & theft cover: 2001-2015.*



## 2.3 Claims

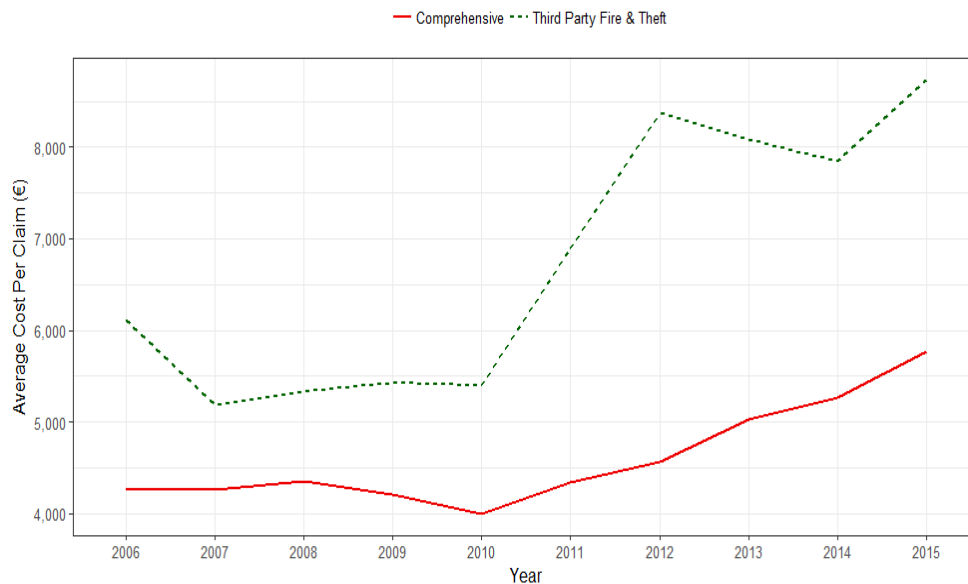
### 2.3.1 Average Cost Per Claim

There are two principal statistics used within this report to measure claim costs, namely, the average cost per claim and the average cost per policy year.

The average cost per claim is calculated here as an average of the costs paid and estimated, measured on a per claim basis. The statistic is independent of claim frequency. The second statistic, average cost per policy year is defined as the product of both claim frequency and average cost per claim.

The average cost per claim between 2006 and 2015 for development year 1 is shown in Chart 2.9. Since 2010 the average cost per claim has increased by 45 per cent for comprehensive cover and 62 per cent for third party fire & theft cover. Between 2014 and 2015 it increased by 10 per cent from €5,264 to €5,776 for comprehensive cover, while for third party fire & theft cover it increased from €7,845 to €8,732 or 11 per cent.

*Chart 2.9: Average cost per claim, year 1 development: 2006-2015.*



The increase in costs per claim across development years can be seen in Table 2.1 (comprehensive cover) and Table 2.2 (third party fire & theft cover). These tables show the annual average cost per claim increasing as claims are processed over a five-year period. Costs increase from year one to year two to year three etc. as more information regarding the claim becomes available. In later development years (four and five) the increase is much smaller because there are few new claims being reported and estimated costs of outstanding claims to be settled are more accurate.

In addition to the increase in costs per claim across development years for a particular accident year, the rate of increase between development years has increased in later years for comprehensive cover (which accounts for 85 per cent of the market in 2015). For example, the rate of cost increase between development years one and two for accident year 2007 was 5 per cent compared to 17 per cent for accident year 2014. The trend in the rate of average cost per claim increase between development years is more volatile in third party fire & theft cover. For instance, while the rate of increase in average cost per claim in year 1 to 2 has increased from 15 per cent in 2007 to 24 per cent in 2014, this is significantly below the peak of 37 per cent in 2010.

Details of the distribution and development of costs for comprehensive cover are provided in Tables 2.3 to 2.5. Similar breakdowns for third party fire & theft are shown in Tables 2.6 to 2.8. The claims have been categorised by cost as follows:

- Claims with a total cost less than €3,000
- Claims with a total cost between €3,001 and €10,000

- Claims with a total cost between €10,001 and €100,000
- Claims with a total cost greater than €100,000

For all years a large proportion of the overall cost of claims is accounted for by a small number of claims. For comprehensive cover in 2015 approximately 12 per cent of claims had a value over €10,000 but they accounted for approximately 74 per cent of the total claim costs. Table 2.4 shows that the proportion of claims derived from large claims over €100,000 increases as costs develop. For example, initially in 2011 13.5 per cent of total claims from policies with comprehensive cover had a value over €100,000. As these costs developed this figure grew to 31.6 per cent by development year 5.

*Table 2.1: Development of average cost per claim for comprehensive cover: 2006-2015.*

Year	Average Cost Per Claim (€)					% Increase in Average Cost Per Claim			
	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 1-2	Yr 2-3	Yr 3-4	Yr 4-5
2006	4,275	4,264	4,462	4,573	4,595	0%	5%	2%	0%
2007	4,261	4,467	4,735	4,818	4,885	5%	6%	2%	1%
2008	4,357	4,647	4,843	5,017	5,066	7%	4%	4%	1%
2009	4,214	4,511	4,778	4,880	4,895	7%	6%	2%	0%
2010	3,993	4,330	4,630	4,715	4,774	8%	7%	2%	1%
2011	4,347	4,633	5,040	5,328	5,431	7%	9%	6%	2%
2012	4,568	5,312	5,908	6,263		16%	11%	6%	
2013	5,027	5,714	6,245			14%	9%		
2014	5,264	6,144				17%			
2015	5,776								

*Table 2.2: Development of average cost per claim for third party fire & theft cover: 2006-2015.*

Year	Average Cost Per Claim (€)					% Increase in Average Cost Per Claim			
	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 1-2	Yr 2-3	Yr 3-4	Yr 4-5
2006	6,112	7,078	7,694	8,088	8,433	16%	9%	5%	4%
2007	5,192	5,977	6,791	7,240	7,542	15%	14%	7%	4%
2008	5,337	6,412	7,002	7,620	7,727	20%	9%	9%	1%
2009	5,424	7,021	8,676	9,261	9,029	29%	24%	7%	-3%
2010	5,395	7,406	8,973	9,486	9,576	37%	21%	6%	1%
2011	6,898	9,352	10,545	11,581	11,879	36%	13%	10%	3%
2012	8,371	9,990	11,117	11,709		19%	11%	5%	
2013	8,090	9,694	10,979			20%	13%		
2014	7,845	9,756				24%			
2015	8,732								

**Table 2.3: Incurred costs and number of claims as a percentage of total costs and number of claims in development year 1: comprehensive cover.**

Year	% of Total Claim Cost				% of Total Number of Claims			
	Category of Claim				Category of Claim			
	€0K-€3K	€3K-€10K	€10K-€100K	>€100K	€0K-€3K	€3K-€10K	€10K-€100K	>€100K
2010	17.9%	22.6%	48.8%	10.8%	74.5%	17.8%	7.6%	0.2%
2011	15.7%	20.3%	50.5%	13.5%	74.1%	17.5%	8.3%	0.2%
2012	12.0%	16.5%	55.3%	16.2%	73.6%	16.3%	9.7%	0.4%
2013	11.8%	15.4%	53.8%	19.1%	73.8%	15.9%	9.9%	0.4%
2014	12.3%	16.1%	56.2%	15.4%	72.7%	16.5%	10.4%	0.4%
2015	11.4%	14.8%	57.2%	16.6%	71.6%	16.7%	11.4%	0.4%

**Table 2.4: Percentage of total claim costs greater than €100,000 for comprehensive cover.**

Year	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5
2010	10.8%	18.3%	24.1%	26.2%	27.5%
2011	13.5%	22.8%	26.9%	29.9%	31.6%
2012	16.2%	23.1%	28.8%	32.7%	
2013	19.1%	27.1%	16.8%		
2014	15.4%	27.0%			
2015	16.6%				

**Table 2.5 Percentage of total number of claims greater than €100,000 for comprehensive cover.**

Year	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5
2010	0.2%	0.4%	0.6%	0.6%	0.7%
2011	0.2%	0.5%	0.6%	0.8%	0.8%
2012	0.4%	0.6%	0.9%	1.0%	
2013	0.4%	0.7%	1.0%		
2014	0.4%	0.7%			
2015	0.4%				

**Table 2.6: Incurred costs and number of claims as a percentage of total costs and number of claims in development year 1; third party fire & theft cover.**

Year	% of Total Claim Cost				% of Total Number of Claims			
	Category of Claim				Category of Claim			
	€0K-€3K	€3K-€10K	€10K-€100K	>€100K	€0K-€3K	€3K-€10K	€10K-€100K	>€100K
2010	11.3%	13.0%	58.6%	17.0%	74.3%	13.1%	12.2%	0.4%
2011	9.4%	8.5%	57.8%	24.3%	75.3%	10.9%	13.3%	0.6%
2012	6.2%	6.3%	52.4%	35.0%	72.3%	10.9%	15.3%	1.4%
2013	6.8%	6.5%	56.0%	30.7%	73.8%	10.1%	15.2%	0.9%
2014	7.2%	7.1%	65.1%	20.6%	71.9%	10.4%	16.9%	0.8%
2015	6.6%	7.0%	66.6%	19.7%	68.6%	11.6%	19.0%	0.8%

**Table 2.7: Percentage of total claim costs greater than €100,000 for third party fire & theft cover.**

Year	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5
2010	17.0%	32.4%	43.0%	47.4%	48.2%
2011	24.3%	43.5%	48.6%	53.5%	55.6%
2012	35.0%	40.5%	45.5%	48.2%	
2013	30.7%	39.8%	45.7%		
2014	20.6%	31.5%			
2015	19.7%				

**Table 2.8 Percentage of total number of claims greater than €100,000 for third party fire & theft cover.**

Year	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5
2010	0.4%	1.0%	1.6%	1.8%	1.9%
2011	0.6%	1.2%	1.6%	1.9%	2.0%
2012	1.4%	1.8%	2.5%	2.7%	
2013	0.9%	1.4%	2.0%		
2014	0.8%	1.5%			
2015	0.8%				

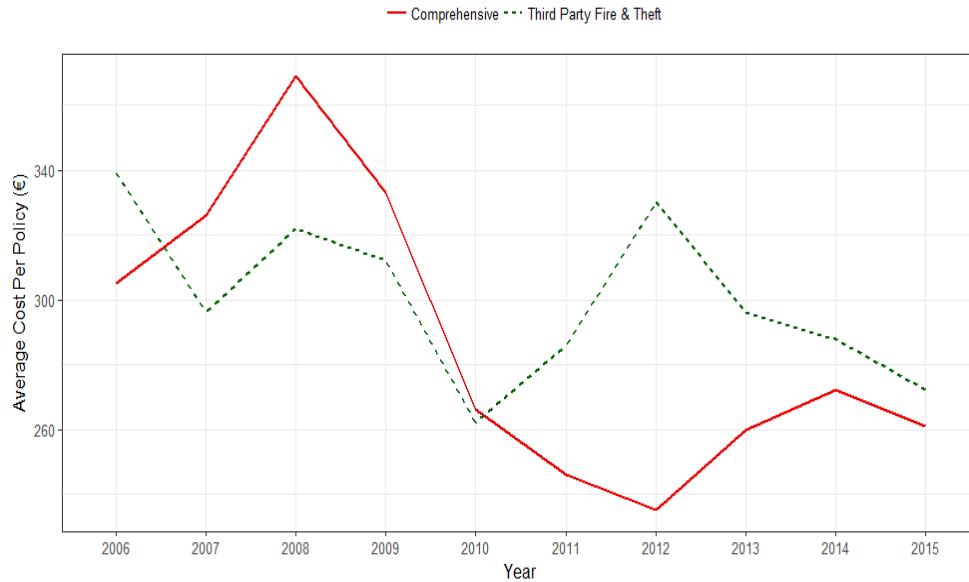
### 2.3.2 Average Cost Per Policy

Chart 2.10 shows the average cost per policy for year 1 development in comprehensive and third party fire & theft cover from 2006 to 2015. Between 2014 and 2015 the average cost per policy for comprehensive cover decreased by 4 per cent from €272 to €261 and the value for third party fire & theft cover declined from €288 to €272 or 6 per cent.

Table 2.9 (comprehensive cover) and Table 2.10 (third party fire & theft cover) show the development of the average cost per policy over subsequent years and the associated percentage change as the values increase. There are two patterns evident from these tables. Firstly, the average cost per policy increases across development years with the largest percentage increase found in the early years. Secondly, the

percentage increase has been getting larger in recent years. It can be seen that for comprehensive cover there was a 20 per cent increase in average cost per policy between development year 1 and 2 in 2014 compared to a 10 per cent increase in 2008.

**Chart 2.10: Average cost per policy, year 1 development: 2006-2015.**



The trend for third party fire & theft is less obvious. In 2014, the average cost per policy increased from €288 in year 1 to €370 in year 2 an increase of 28 per cent. This percentage increase in the year 1 value is larger than the value of 24 per cent recorded in 2008 but significantly below the percentage increases of over 40 per cent recorded in 2010 and 2011.

**Table 2.9: Average cost per policy development for comprehensive cover.**

Year	Average Cost Per Policy (€)					% Increase in Average Cost Per Policy			
	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 1-2	Yr 2-3	Yr 3-4	Yr 4-5
2006	305	319	334	342	343	5%	5%	2%	0%
2007	326	356	378	385	390	9%	6%	2%	1%
2008	369	405	423	438	443	10%	4%	4%	1%
2009	333	369	391	400	401	11%	6%	2%	0%
2010	266	300	321	327	331	13%	7%	2%	1%
2011	246	270	295	311	317	10%	9%	5%	2%
2012	235	281	314	334		20%	12%	6%	
2013	260	305	334			17%	10%		
2014	272	326				20%			
2015	261								

**Table 2.10: Average cost per policy development for third party fire & theft cover.**

Year	Average Cost Per Policy (€)					% Increase in Average Cost Per Policy			
	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 1-2	Yr 2-3	Yr 3-4	Yr 4-5
2006	339	411	448	471	491	21%	9%	5%	4%
2007	296	357	408	435	454	21%	14%	7%	4%
2008	322	399	437	476	483	24%	10%	9%	1%
2009	312	417	517	552	538	34%	24%	7%	-3%
2010	262	374	454	480	485	43%	21%	6%	1%
2011	286	402	455	500	513	41%	13%	10%	3%
2012	331	410	460	486		24%	12%	6%	
2013	296	381	433			29%	14%		
2014	288	370				28%			
2015	272								

### 2.3.3 Claim Frequency

Chart 2.11 shows claim frequency, defined as the number of claims per 100 policy years in development year 1, for both comprehensive and third party fire & theft cover. Claim frequency declined from 5.2 in 2014 to 4.5 claims per 100 policy years in 2015 for comprehensive cover, and from 3.7 to 3.1 for third party fire & theft cover. In general, claim frequency has trended downwards since 2008 for both comprehensive and third party fire & theft cover.

**Chart 2.11: Claim frequency per 100 policy years, year 1 development: 2006-2015.**

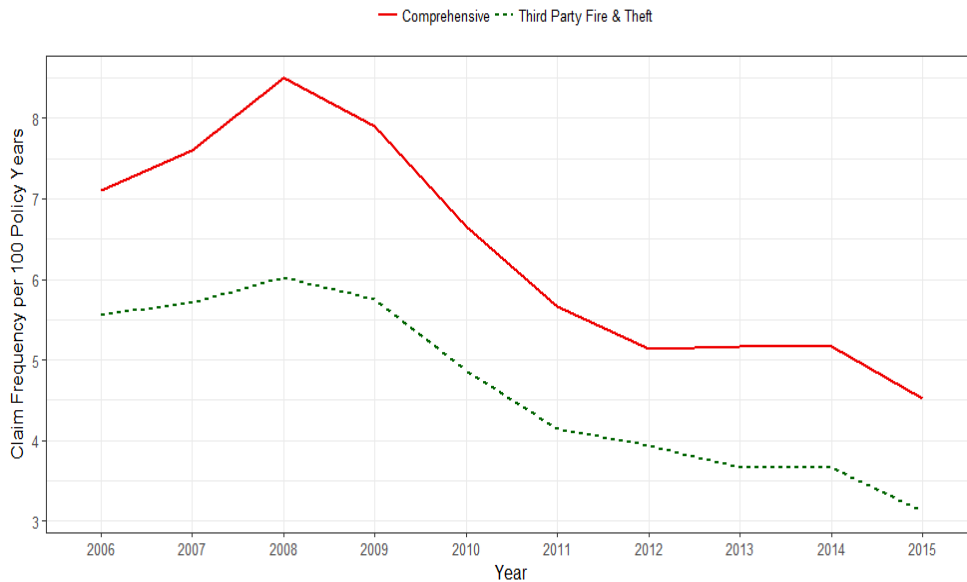




Chart 2.12: Claim frequency per 100 policy years by market segment, comprehensive: 2011-2015.

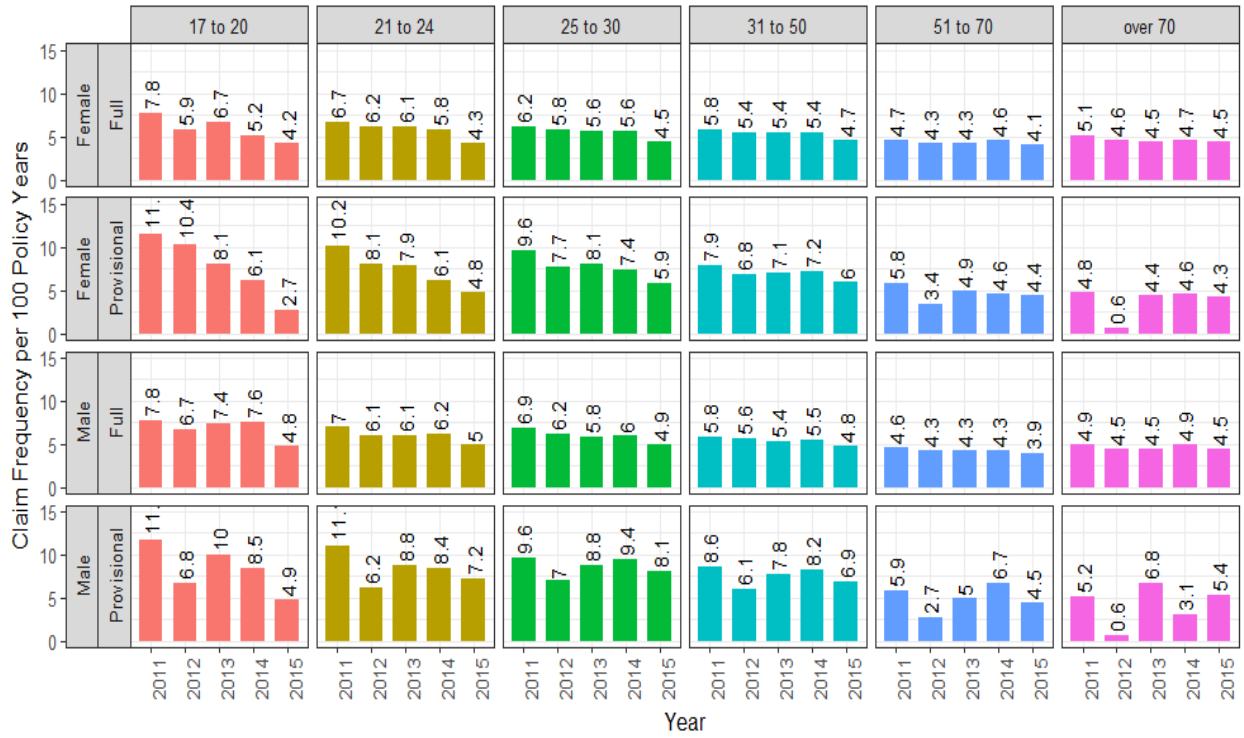
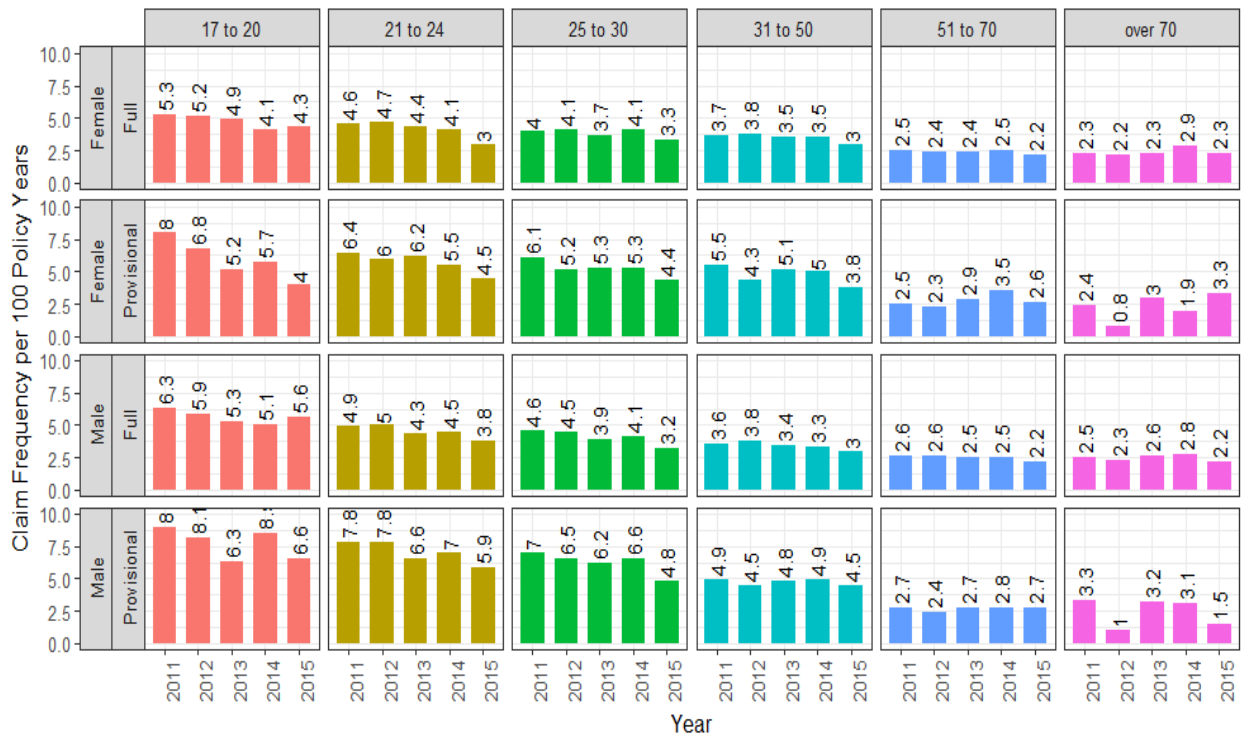


Chart 2.13: Claim frequency per 100 policy years by market segment, third party fire & theft: 2011-2015.

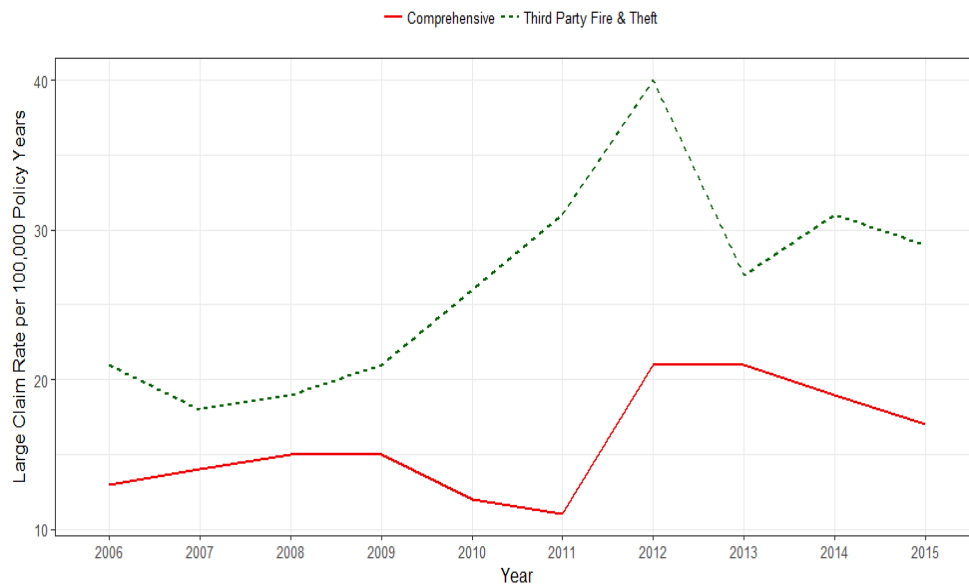


Market segmentation of claim frequency can be seen in Chart 2.12 for comprehensive cover and Chart 2.13 for third party fire & theft cover. Over a five-year period from 2011 to 2015 the largest reduction in claim frequency has been for young policyholders for both types of cover. For example, young females, aged 21 to 24 with comprehensive cover and provisional licences, decreased from 10.2 claims per 100 policy years in 2011 to 4.8 in 2015. However, the data submitted by Insurance Ireland does not differentiate between low-value high-frequency claims arising from damage to vehicles and high-value low-frequency personal injury claims.

### 2.3.4 Large Claims

Chart 2.14 shows the large claim rate at year 1 development from 2006 to 2015. Large claims rate, defined as claims in excess of €100,000 per 100,000 policy years, decreased in both categories of cover in 2015 compared to 2014. For comprehensive cover the rate decreased from 19 to 17, whereas for third party fire & theft the rate decreased from 31 to 29 claims per 100,000 policy years.

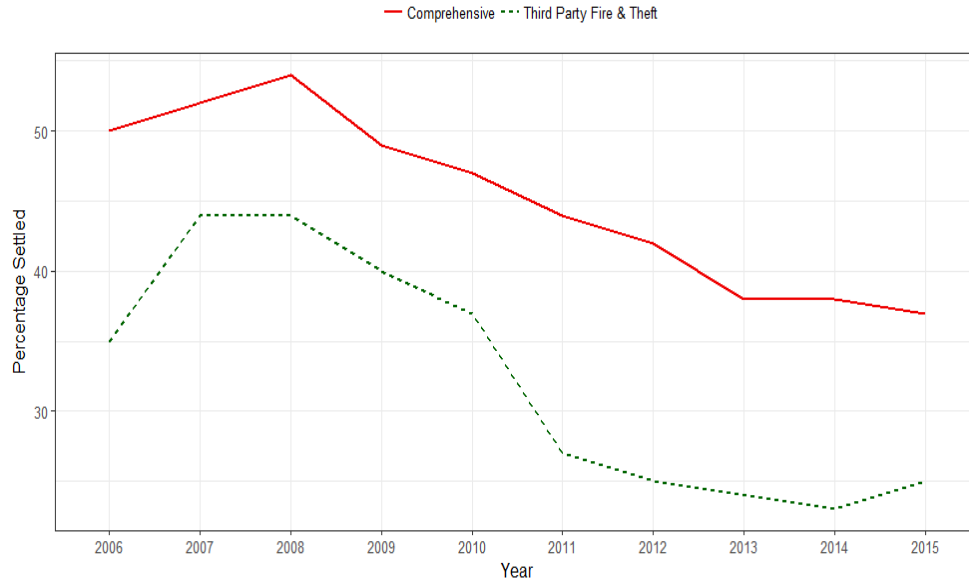
*Chart 2.14: Large Claim Rate per 100,000 policy years, year 1 development: 2006-2015.*



### 2.3.5 Settlement Rates

Settlement rates, defined as a ratio of paid claims to total claims, can be seen in Chart 2.15. These rates declined marginally for comprehensive cover, from 38 per cent of estimated year 1 costs in 2014 to 37 per cent in 2015 reflecting a downward trend evident since 2008, when the equivalent figure was 54 per cent. Third party fire & theft settlement rates increased from 23 per cent to 25 per cent between 2014 and 2015. However, the trend in these settlement rates for third party fire & theft has also been declining since 2008, when the percentage of year 1 costs settled was 44 per cent.

*Chart 2.15: Percentage of claim costs settled, year 1 development: 2006-2015.*

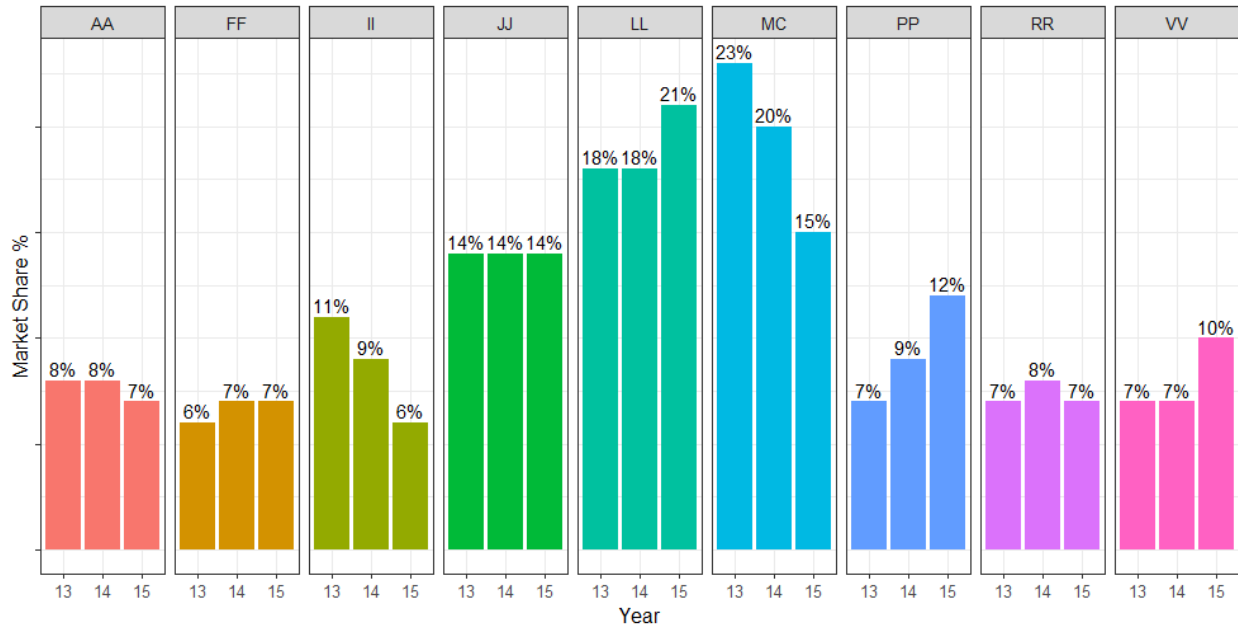


### **3 Motor Insurance Market**

#### **3.1 Market Share**

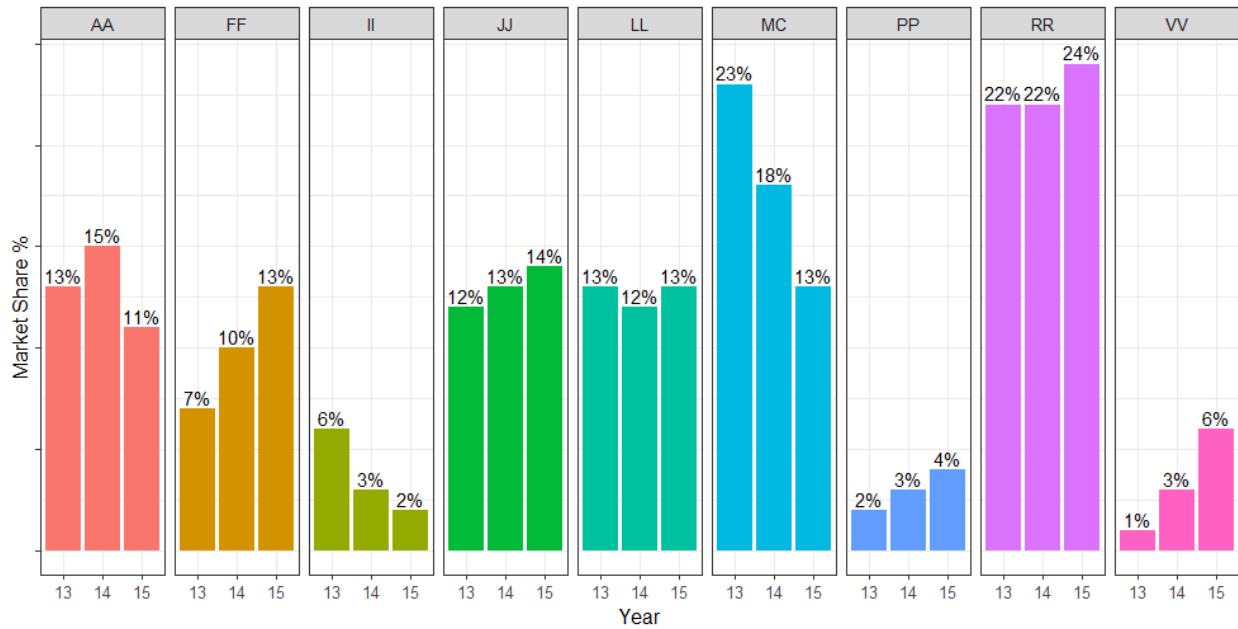
Market share, based on exposure by company, for the Irish motor insurance industry between years 2013 and 2015 is shown in Chart 3.1 for comprehensive cover and Chart 3.2 for third party fire & theft cover. Significant drops in share of the comprehensive market are evident for companies II and MC with the share for II decreasing from 11 per cent in 2013 to 6 per cent in 2015, and for MC, from 23 per cent to 15 per cent. In contrast, company PP has reported an increased share of the comprehensive market from 7 per cent to 12 per cent, company LL from 18 per cent to 21 per cent and company VV from 7 per cent to 10 per cent over the same period.

**Chart 3.1: Market share by company; comprehensive: 2013-2015.**



In terms of the third party fire & theft cover, company MC also reported a significant fall in market share from 23 per cent in 2013 to 13 per cent in 2015. Similarly, company II also reported a drop from 6 per cent in 2013 to just 2 per cent in 2015. In contrast, increases of 6 percentage points and 5 percentage points were reported for companies FF and VV, respectively.

**Chart 3.2: Market share by company; third party fire & theft: 2013-2015.**



### 3.2 Market Share by Cover

Comparing overall market share for each company by type of cover provides some indication of the segmentation of the market, as shown in Chart 3.3 for 2015. Company RR with 24 per cent of the third party fire & theft market reports just 7 per cent of the comprehensive market. In contrast, company LL reports 21 per cent of the comprehensive market but just 13 per cent of the third party fire & theft market.

Chart 3.3: Market share by company and by cover: 2015.

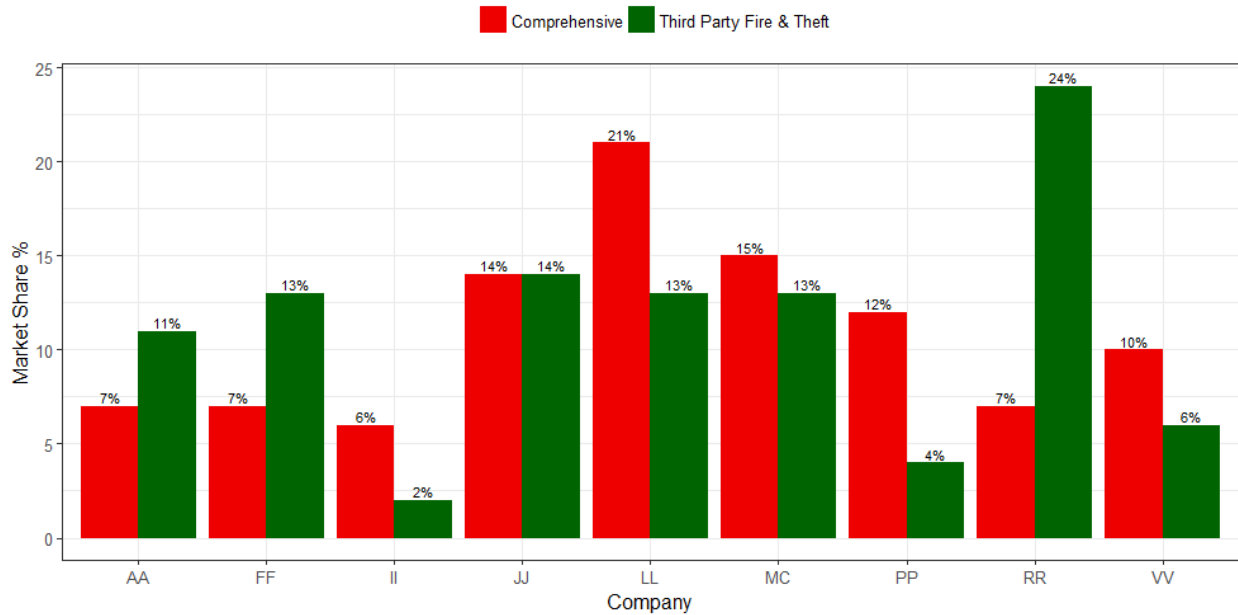
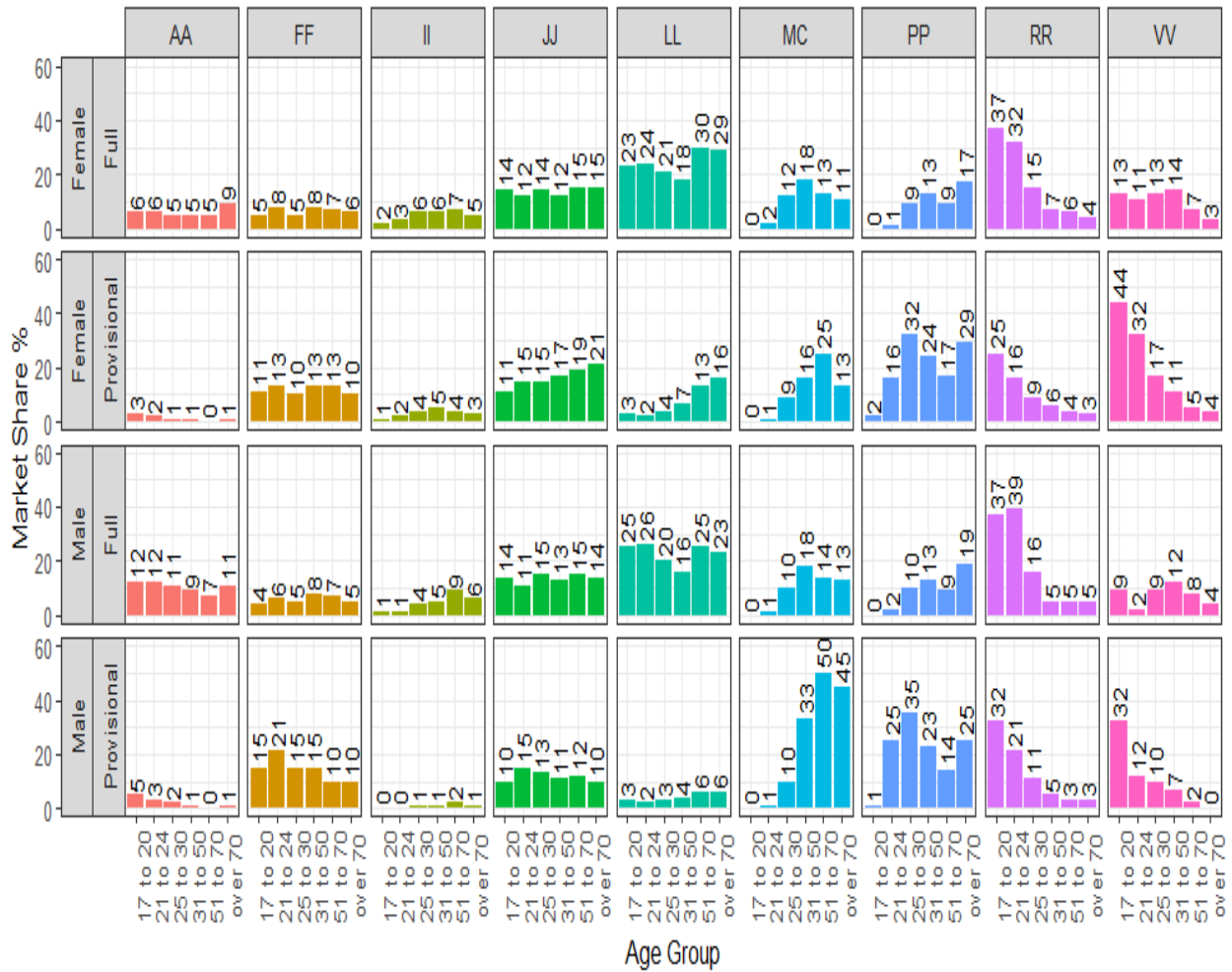


Chart 3.4 (comprehensive cover) and Chart 3.5 (third party fire & theft cover) provide a visual indicator of the level of segmentation present within the overall market. The charts are segmented by company, gender, licence type and age group.

#### 3.2.1 Comprehensive Cover

Considering Chart 3.4 it can be seen that company RR underwrites a large proportion of the 17-20 age group market covering 37 per cent of female policyholders with full licences and 25 per cent of female drivers with provisional licences in the same age group. The equivalent figures for young male drivers are 37 per cent and 32 per cent respectively. In contrast companies II, MC and PP report low levels of exposure for the 17-20 age group, and companies II and MC also report low exposure in the 21-24 age group market.

Chart 3.4: Market share by company and segment, comprehensive cover: 2015.



Company AA underwrites mostly in the full licence market with similar exposure for all age cohorts with very low exposure to provisional licence holders.

In contrast with company AA, company FF reports high exposure to drivers with provisional licences. This company reports a broadly even market share by age.

Company JJ reports broadly similar exposures for all ages of policyholder with full licences. This company has a broad exposure to all age groups underwriting 11 per cent of 17-20-year-old females with provisional licences, and 21 per cent of females over 70 years of age with provisional licences.

Company LL underwrites primarily in the full licence market across all age cohorts. This company reports limited business for male provisional policyholders, but higher exposure for older females with provisional licences.

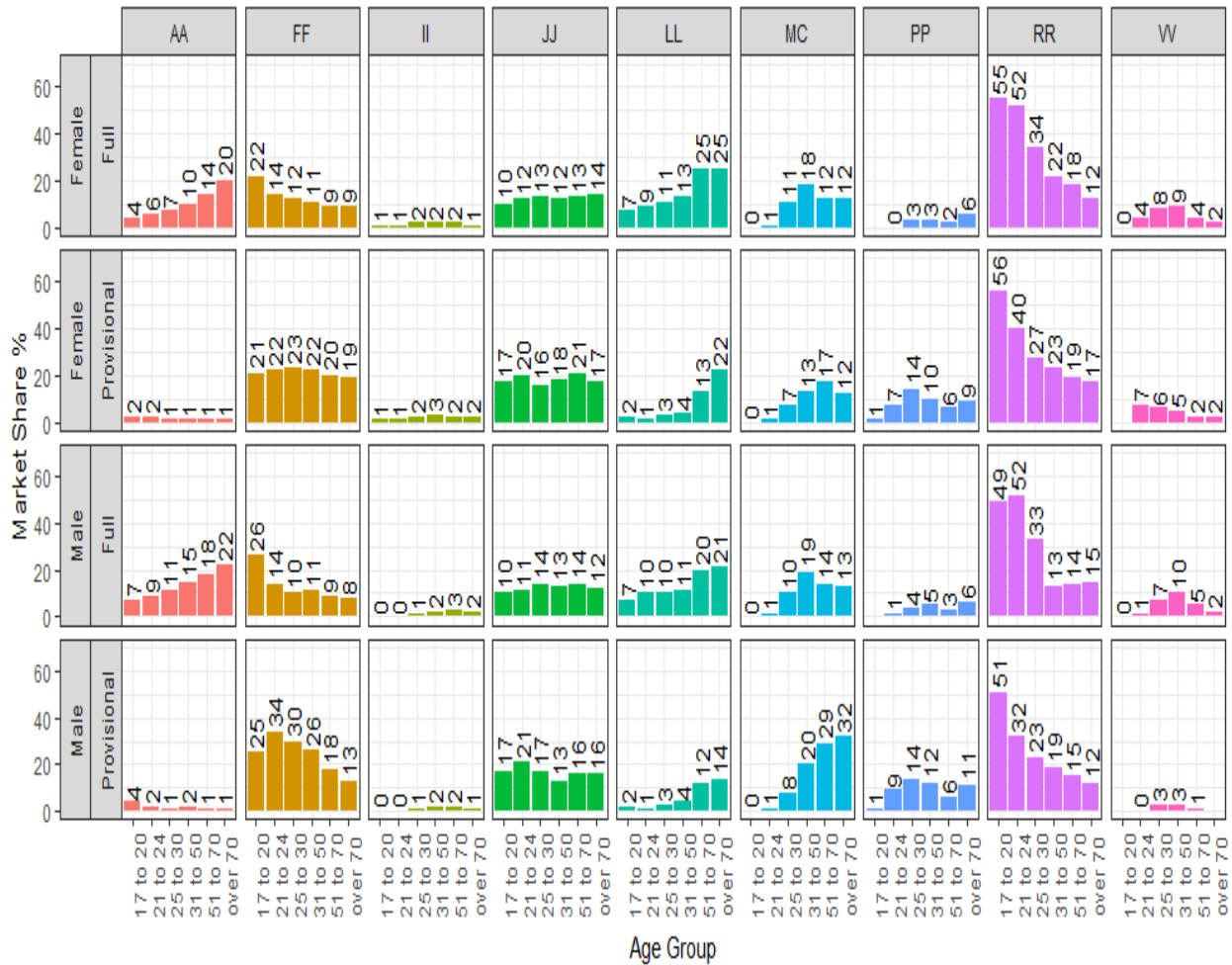
Company MC underwrites primarily middle-aged and older drivers with a large proportion of older male provisional policyholders. This company underwrites 50 per cent and 45 per cent respectively of 51-70 and over 70-year-old male policyholders with provisional licences. For females with provisional licences, 16 per cent and 25 per cent of the 31-50 and 51-70 age cohorts respectively, are covered.

Company PP reports a significant exposure to provisional licence holders, accounting for approximately one-third of 25-30 year olds in this category.

Company VV reports the highest share of the young provisional licence market with 44 per cent and 32 per cent of female and male policyholders respectively in the 17-20 age group.

### 3.2.2 Third Party Fire & Theft Cover

Chart 3.5: Market share by company and segment, third party fire & theft: 2015.



For third party fire & theft (Chart 3.5), company AA reports very low exposure for provisional licence holders while its exposure for fully licenced drivers increases with age.

Company FF is present in all market segments reporting higher exposures to 17-20 year olds with full licences. Company JJ underwrites all segments with a higher percentage of the provisional licence market. Company MC reports very low exposure in the 17-20 and 21-24 segments but has high middle-aged exposure.

Company PP has a higher percentage of provisional licence holders compared to fully licenced policyholders. Company RR underwrites approximately half of the 17-20 and 21-24 age groups and about

a quarter of the 25-30 market. Company VV reports very low exposure in the male provisional licence market.

### 3.3 Market Pricing

Table 3.1 and Table 3.2 outline the average premium income per policy for 48 market segments for the accident year 2015 for comprehensive and third party fire & theft cover, respectively. For clarity, the cells in the tables are coloured in accordance with the cost of the policy with deeper colours representing the costliest policies. Firms with less than five policyholders in a given segment are not represented in the tables. This section examines the distribution of average premiums on a company-by-company basis. However, it should be noted that underwriting activity in some categories can be very low.

*Table 3.1: Average premiums by company, comprehensive: 2015.*

Age	Sex	License	Submission									
			AA	FF	II	JJ	LL	MC	PP	RR	VV	
17-20	Female	Full	1,450	1,878	1,298	1,810	1,019				1,047	1,301
		Provisional	2,019	2,325	1,709	2,480	1,328		2,200	1,438	1,653	
	Male	Full	1,582	2,116	1,593	2,081	1,180			1,121	1,424	
		Provisional	2,398	2,530		2,672	1,821		2,413	1,526	1,802	
21-24	Female	Full	959	1,000	776	1,065	622	749	810	742	722	
		Provisional	1,391	1,428	1,105	1,430	991	1,135	1,122	1,100	1,157	
	Male	Full	1,063	1,194	772	1,203	768	826	950	852	798	
		Provisional	1,445	1,546		1,761	989	1,263	1,268	1,108	1,170	
25-30	Female	Full	667	709	538	795	451	476	540	582	467	
		Provisional	1,113	1,160	768	1,186	677	687	792	961	908	
	Male	Full	732	816	573	911	534	537	645	678	488	
		Provisional	1,228	1,344	745	1,430	809	800	909	979	989	
31-50	Female	Full	589	594	462	664	395	392	426	492	324	
		Provisional	932	777	651	944	564	691	625	839	650	
	Male	Full	609	608	481	708	411	417	472	598	329	
		Provisional	1,099	862	722	1,163	678	609	738	928	790	
51-70	Female	Full	589	603	402	589	363	361	410	406	297	
		Provisional	895	638	559	755	455	752	524	645	443	
	Male	Full	626	600	425	615	374	373	438	466	323	
		Provisional	733	757	660	913	547	641	615	734	627	
over 70	Female	Full	602	617	474	642	409	419	458	520	339	
		Provisional	973	828	706	869	525	575	588	775	498	
	Male	Full	649	667	497	684	431	442	487	547	308	
		Provisional		944		1,020	808	534	622	1,021		



From Table 3.1 and Table 3.2 the following points are evident:

- Company AA reports high average premiums for provisional licence holders for comprehensive and third party fire & theft policies. In general, average premiums for all AA segments are about the third highest of the submissions.
- Company FF reports some of the highest average premiums for all segments of the market for both classes of cover.
- Company II reports some of the lowest premiums for provisional licence drivers aged 25-30 years.
- Company JJ is similar to company FF with high premiums across all market segments.
- Company LL reports low average premiums for younger market segments.
- Company MC reports no exposure for young policyholders aged 17-20. This company has low premiums for older policyholders with full licences.
- Company PP reports mid-range premiums across most market segments but reports no exposure for male and female policyholders aged 17-20 with full licences.
- Company RR reports some of the lowest premiums for young policyholders with mid-range premiums for older customers.
- Company VV reports no exposure for policyholders aged 17-20 for third party fire & theft cover. This company offers some of the lowest premiums for most other policyholder segments, despite reporting low levels of exposure.

*Table 3.2: Average premiums by company, third party fire & theft: 2015.*

Age	Sex	License	Submission									
			AA	FF	II	JJ	LL	MC	PP	RR	VV	
17-20	Female	Full	1,295	2,760	1,190	1,892	1,007			951		
		Provisional	2,044	3,781	1,421	2,521	1,771		2,513	1,421		
	Male	Full	1,521	3,293		2,244	1,231			1,142		
		Provisional	2,282	4,079		2,852	1,789		2,636	1,598		
21-24	Female	Full	860	1,184	740	1,057	636	814	965	674	630	
		Provisional	1,336	1,767	982	1,511	865	1,092	1,174	971	1,133	
	Male	Full	960	1,531	745	1,196	784	921	1,057	796	684	
		Provisional	1,458	2,000		1,716	1,047	1,381	1,355	1,093	1,219	
25-30	Female	Full	619	700	556	844	479	468	657	559	401	
		Provisional	1,037	1,211	688	1,224	734	689	870	784	849	
	Male	Full	661	816	605	974	583	499	783	660	416	
		Provisional	1,148	1,428	743	1,446	851	718	1,003	899	919	
31-50	Female	Full	544	589	464	696	562	381	502	467	291	
		Provisional	908	796	560	968	579	642	696	735	589	
	Male	Full	526	592	459	737	526	398	556	620	297	
		Provisional	913	929	559	1,221	704	579	832	845	653	
51-70	Female	Full	517	602	431	590	486	353	417	358	293	
		Provisional	730	610	526	699	430	592	509	562	384	
	Male	Full	535	575	412	586	473	349	450	419	293	
		Provisional	700	703	556	769	498	601	618	643	380	
over 70	Female	Full	507	551	513	580	396	372	431	411	262	
		Provisional		670	789	743	508	564	550	572	439	
	Male	Full	520	579	491	608	416	397	441	429	278	
		Provisional		705		826	661	514	576	600		

### 3.3.1 Range of Average Premium per Policy by Company

The variability of the average premium per policy in 2015 for both comprehensive and third party fire & theft cover is outlined in the box plots shown in Chart 3.7 and Chart 3.8, respectively.

Chart 3.6: Explanation of a Box Plot.

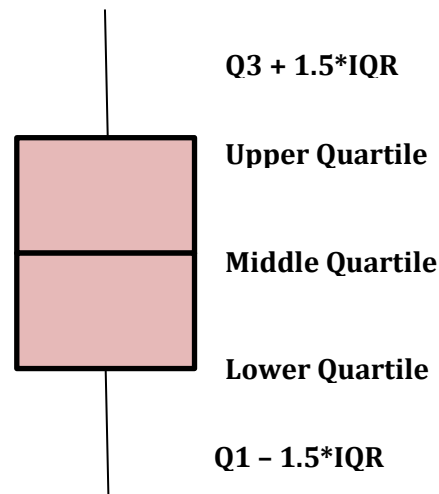


Chart 3.6 describes the various components that make up a single box plot. The bar in the centre of the body is located at the middle quartile (or median) of the sample. The lower and upper "hinges" correspond to the first and third quartiles (which are also the 25th and 75th percentiles) of the sample. The "whiskers" below and above the main section of the plot can vary with implementation but here they are denoted as follows:

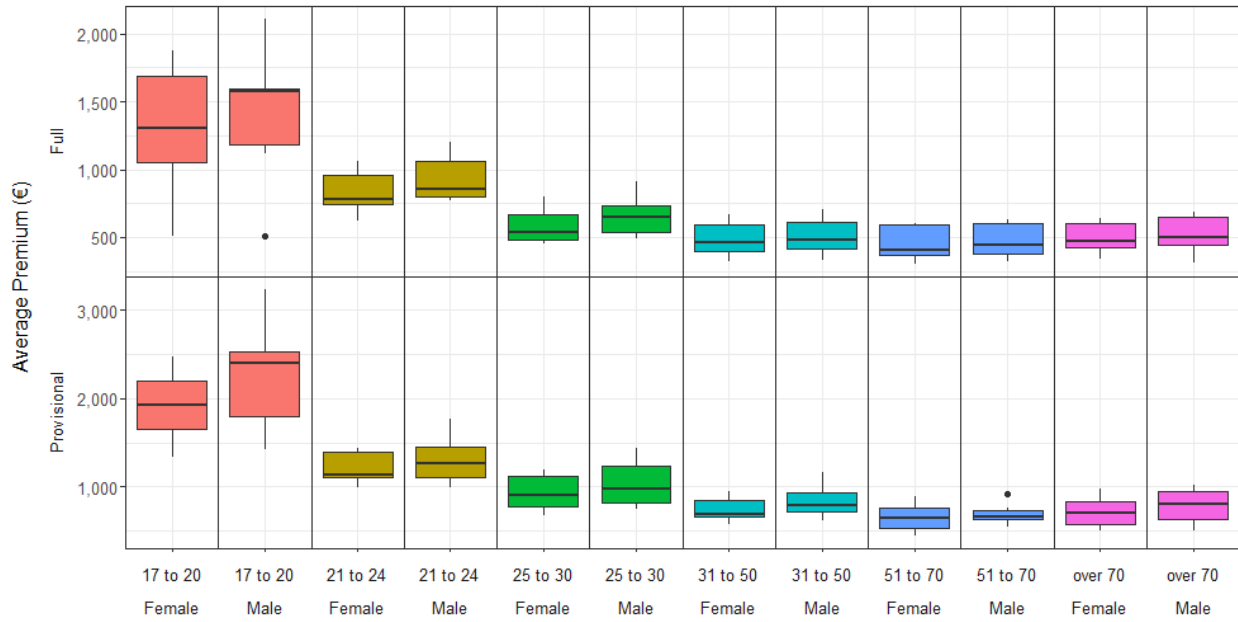
- the top whisker denotes the maximum value or the 3rd quartile plus 1.5 times the inter-quartile range ( $Q3 + 1.5 \cdot IQR$ ), whichever is smaller.
- the bottom whisker denotes either the minimum value or the 1st quartile minus 1.5 times the inter-quartile range ( $Q1 - 1.5 \cdot IQR$ ), whichever is larger.

The IQR is the inter-quartile range, or distance between the first and third quartiles. Values that fall outside of the upper or lower whisker are considered outliers and are represented as a dot on the chart.

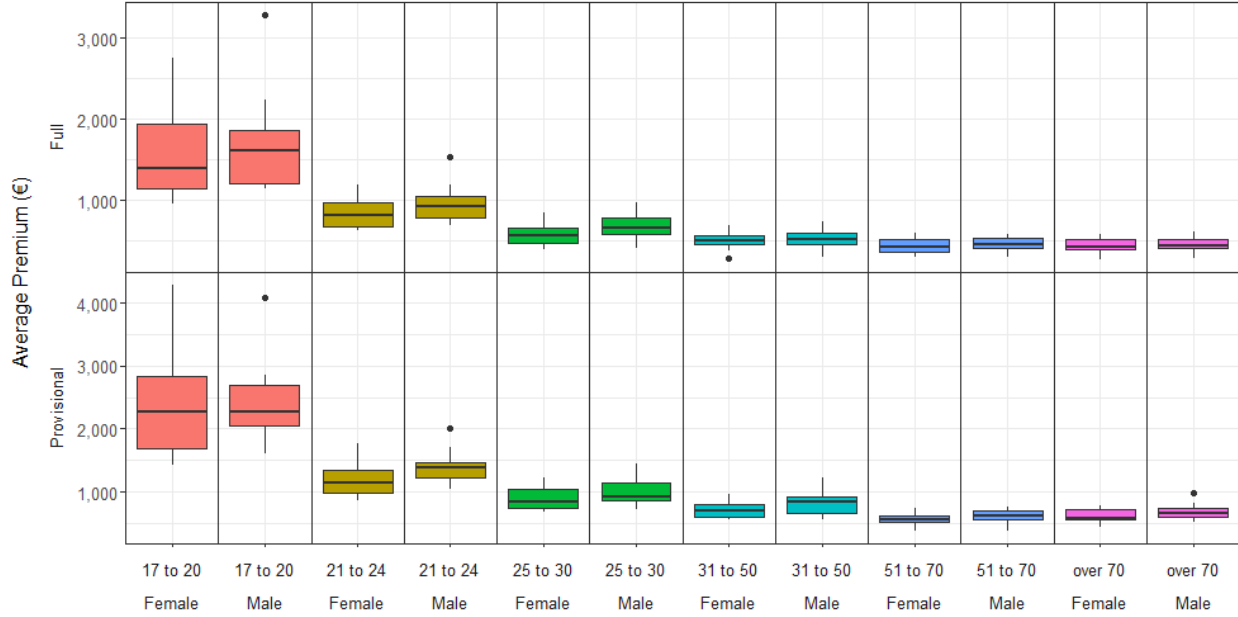
High variability for market segments suggests a wide range of premiums across a market, and a consumer might receive large differences in quotes for cover from different motor insurance firms. High variability in market segments may also indicate that some companies are not actively seeking business in particular market segments.

In general, the variability of premiums has an inverse relationship with age. The high variability in average premiums for younger ages perhaps reflects the difficulty in pricing risk for some young policyholders. The lowest variability is reported for female policyholders with full driving licences.

*Chart 3.7: Box plot of premium by segment, comprehensive cover: 2015.*



*Chart 3.8: Box plot of premium by segment, third party fire & theft cover: 2015.*



## Appendix 1 – Background to the Report

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The primary objective of the Motor Insurance Advisory Board (MIAB) under SI299/1984 was to examine the level of claim frequency and costs and their consequent impact on the allocated premium differentials by driver profile. Findings were to be documented in the form of recommendations to the Minister for Enterprise, Trade and Employment. There were 18 members of the MIAB, which was established in September 1998 and was chaired by Ms. Dorothea Dowling. The first report of the MIAB was published in April 2002 and contained 67 recommendations. The subsequent 'Action Plan to Implement the Recommendations of the Report of the MIAB' was published in August 2002 after the Board's 67 recommendations became part of the agreed Programme for Government. Of the 67 recommendations, 11 were originally addressed to the Financial Regulator. The areas covered by these recommendations included:

- Transparency;
- Accountability;
- Public information;
- Promotion of competition; and
- Consumer protection.

Of these 11 recommendations, two related directly to the statistical analysis of motor insurance premiums and claim costs:

- Recommendation 5: That the central gathering of statistics on motor insurance premium and claim costs by driver profile be formalised by the Financial Regulator, including monitoring by the new insurance regulator of data quality, to ensure that reliable information is available to inform public policy in future years and to improve market intelligence as provided for in EU Regulation No. 932/92.
- Recommendation 6: That the Financial Regulator supply regular market-wide statistics on motor premium differentials to the Equality Authority to assist in assessing insurers' compliance with the Equal Status Act 2000 and subsequently its proposed extension.

The MIAB's term of office ended on 30 September 2004 when the chairperson presented a report to the Tánaiste and Minister for Enterprise, Trade and Employment. The Financial Regulator was then charged with the responsibility of continuing the statistical work of the MIAB. The Central Bank's Statistics Division has compiled the statistics on behalf of the Financial Regulator. From 2008, the Central Bank's Statistics Division continued in this role but the data is now published by the Central Bank of Ireland, as part of the re-organisation of the institution under the Central Bank Reform Act, 2010. This Act created a new single unitary body – the Central Bank of Ireland – responsible for both central banking and financial regulation. The new structure replaces the previous related entities, the Central Bank and the Financial Services Authority of Ireland, and the Financial Regulator.

## Appendix 2 – Data

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### Data submission

The data in this report is based on submissions from the following companies which were accompanied by written certification from individual insurers on the completeness and accuracy of the data:

- AIG
- Allianz
- AXA
- FBD
- Aviva
- Liberty Insurance
- RSA
- Travelers
- Zurich

The data is reported by the relevant company to Insurance Ireland who collate and validate it before subsequently making it available to the Central Bank of Ireland.

### Data file specification

1. Company identifier

Coded as a two-character code

2. Policy identifier

Unique code identifying the policy

3. Claim identifier

Unique code identifying the claim. The field will be present only for policies which have an associated claim

4. Premium income

The daily premium multiplied by the exposure in days

5. Exposure

The exposure to risk measured in vehicle years (i.e. one vehicle year of exposure equals one vehicle on full cover for one year or two vehicles for six months)

6. Cover

Identifies the type of vehicle cover:

0 = not available

1 = comprehensive

2 = third party fire & theft

3 = third party

7. District

This is a three-character code:

000 = not available

001 = Dublin area

002 = other loaded areas

003 = rest of Ireland

777 = excluded from the analysis

8. Year of make

Year of manufacture (if year of make is after current year it is defaulted to be 0000):

0000 = not available

YYYY = year of manufacture

7777 = excluded from the analysis

9. Age of policyholder

00 = not available

17-89 = age of policyholder

90 = age 90 or more

99 = non personal

777 = excluded from the analysis

10. Sex of policyholder

0 = not available

1 = male

2 = female

3 = non personal policyholder

7 = excluded from the analysis

11. Inexperience loading

0 = not available

1 = provisional licence loading

2 = inexperience loading

3 = both provisional licence and inexperience loading

4 = neither provisional licence nor inexperience loading

12. Claim/no claim indicator

- 0 = no claim  
1 = claim
13. Occurred/intimated<sup>1</sup>  
1 = occurred before 2015 and notified in 2015  
2 = occurred in 2015
14. Claims status indicator  
1 = outstanding claim  
2 = settled claim
15. Date of accident  
Coded as DD-MM-YYYY
16. Date of last settlement  
Coded as DD-MM-YYYY
17. Age of driver  
00 = not available  
17-89 = age (if driver is not the policyholder)  
90 = age 90 or more (if driver is not the policyholder)  
98 = driver is the policyholder  
99 = no driver involved  
7777 = excluded from the analysis
18. Total payments to date
19. Estimated amount outstanding
20. Total cost of claims (payments plus outstanding)

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<sup>1</sup> The total of those coded '1' and '2' will give the number of claims intimated in 2015. The total of those coded '2' will give the number of claims occurred in 2015.

## Appendix 3 – Primary Tables

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The tables in the link below contain the primary results from the analysis of Insurance Ireland's submission.

See <http://www.centralbank.ie/polstats/stats/motorins/Pages/Data.aspx>

The tables describe an accident year and its associated costs as at the end of 2015 for all cover, comprehensive cover, third party fire & theft cover and third party only cover. Therefore:

- accident year 2011 is in its 5<sup>th</sup> year of claim cost development in 2015 i.e. 2011@2015
- accident year 2012 is in its 4<sup>th</sup> year of claim cost development in 2015 i.e. 2012@2015
- accident year 2013 is in its 3<sup>rd</sup> year of claim cost development in 2015 i.e. 2013@2015
- accident year 2014 is in its 2<sup>nd</sup> year of claim cost development in 2015 i.e. 2014@2015
- accident year 2015 is in its 1<sup>st</sup> year of claim cost development in 2015 i.e. 2015@2015

## Appendix 4 – Development Tables

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The tables in the link below contain the development results from the analysis of Insurance Ireland's submission.

See <http://www.centralbank.ie/polstats/stats/motorins/Pages/Data.aspx>



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Banc Ceannais na hÉireann  
Central Bank of Ireland

Eurosystem

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