

ANNUAL REPORT 2014



osg

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In 2014 we expect to see a return to growth in the insurance and related services market.

INTRODUCTION



On behalf of the OSG board and personnel I would like to thank you for your continued support and interest in our efforts to advance and improve industry service standards.

In 2013, in OSG, we were delighted to be awarded a Deloitte Best Managed Companies Award again and have now found out that we have repeated this act in 2014. In addition we were pleased to pick up the runners up spot in the Insurance Times UK Claims Excellence Awards 2013 and to be announced as a National Champion in the RSM Farrell Grant Sparks European Business Awards for 2013. External validation of our business is very pleasing and has had the effect of wanting to improve our service to the market and get better each year.

2013 also saw the birth of OSG Banking which is a new division headed up by Brian Lande and Maurice Chadwick and a new OSG Group Non-Executive Chairman, Brian Murphy, joined us in October. We are looking forward to the challenges in the market in 2014 and being in a position to provide relevant services and meaningful solutions. Since the start of the year we have seen some movement in the market which would suggest that this year is going to be busy with some new niche entrants and new products but also potential consolidation.

We hope you enjoy the report and would welcome any feedback.

Malcolm Hughes
CEO

A handwritten signature in dark ink, appearing to read 'Malcolm', written over a thin horizontal line.

OUTLOOK 2014

If you think that the market has been here before, it hasn't. Certainly we have seen large scale changes and transformation over the years but not on this scale. Globalisation has brought issues to our businesses that mean we must be better prepared than ever before. Numerous consultants and advisers are providing us with dramatic future insight. In one such paper Towers Watson's Insight on Megatrends (June 2013) has probably asked some of the right questions and highlighted the enormity of some of the issues that we are facing as an industry over the coming years.

The most common current topics of concern in the insurance and financial services market include regulation, capital management and economic activity. When we add technology, big data, the rise of social media and the challenge of talent retention to the other megatrends we can clearly see the issues that are keeping executives and managers awake at night. The research conducted by Towers Watson suggests that the market will see higher concentration due to these megatrends over the coming years.

Along with these global megatrends within our local insurance market we are also facing increasing costs which are going to put pressure on the insurers where management expense ratios are already too high.

Most companies are operating in the mid-twenties when the desired ratio is below 20%. It must be said that the insurance industry has also seen changes in highly technically capable personnel over the past two years and added to the benign weather conditions we have experienced (up to now) some issues have certainly been masked. With the recent weather, more in depth regulatory reviews and the agreed roll-out of Solvency II guidelines added to the issues raised we can expect significant changes in the market in 2014. Again, it is about being prepared but better than ever before.

Professional Services and Outsourcing Outlook

Insurance clients' outsourcing motivations are slowly starting to change, going from task outsourcing and optimisation to impacting total cost to serve, cost of compliance, organisation level efficiency and insight generation – in line with core organisational challenges.¹

Many organisations have realised that they are running out of room in terms of finding cost savings from labour arbitrage so the thinking is moving towards smarter process design, a workforce that is more analytical and an operations infrastructure that can scale with the needs of the business. Within the financial services industry there is the added issue of regulation and individuals' minimum competency. Even though the wages and other costs are increasing in India, China and other traditional insurance outsourcing destinations a number of other factors are influencing the outsourcing market.

With the rate of change in technology and the rise of consumer power insurers are now seeking local or near shore companies who not only can handle traditional "lift and shift" types of outsourcing contracts but can provide better local customer insight, become partners and ultimately return the highest added value by becoming revenue generators. Moving to outsourcing partnerships that cover process design, transforming delivery and moving up the value chain are becoming more common.

Getting the blend right between insourcing and outsourcing is an issue that we see many of our clients facing this year where they may only have had outsourcing arrangements in place for claims work and more specifically loss adjusting. We are experiencing growth in the need for flexible experienced and qualified personnel to provide services to insurance companies, brokers and financial institutions that range from sales, service, policy retention, premium handling, claims notification through to settlement, specialist services and more recently regulatory "look back reviews" as requested by the Central Bank of Ireland.

"We think that as professional service providers in the insurance and financial services market there has never been a better time to engage with outside parties to assist with the necessary strategic planning and assessment of all options open to companies. One option is to consider outsourcing"

In 2014 we expect to see considerable positive activity in the insurance and related services market connected to the increase in activity in global emerging markets, significant investment in mobile / digital space and Business Intelligence/analytics taking more of the centre stage along with regulation. As already indicated from the UK we can expect to see more studies into the current and past practices of the selling of insurance in Ireland including the bundling of products. We have already seen indications of more in-depth themed inspections to come from the CBI.

With this ever changing market we look forward to being of service to companies operating in the sector by using our deep expertise, experience and know-how to help provide solutions for the most important business issues that have ever been faced in our industry.



MCC Qualified People Placement Growing at a Rapid Pace

Apart from seeing the increase in strategic consulting in OSG and traditional outsourcing contracts we are also seeing a major increase in urgent or short notice people placement services – whether it is sales, customer service or urgent regulation driven look back reviews and assessments. We have assembled a large team of qualified and suitable individuals in our people placement division that can work in OSG or onsite in clients' offices. The service is now a very flexible, cost effective and highly efficient resource available to insurance and financial services companies at short notice.

¹ <http://www.hfsresearch.com/hfs-blueprint-report--insurance-bpo#sthash.dzRPpjzL.dpuf>

PROPERTY CLAIMS OVERVIEW 2013

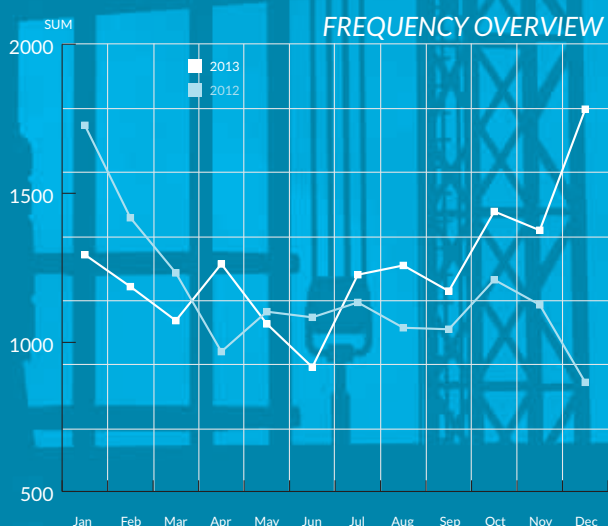
The industry has seen a dramatic reduction in claims frequency over the past number of years and this pattern continued for most of 2013. Notwithstanding the recent downturn, OSG have continued with our strategy of not only maintaining existing capacity but to invest further in enhancing key capabilities.

Our objective is simple; to be the preferred provider of bespoke and standard managed and shared services in the Irish and chosen International Insurance and Financial Services Markets. Core technical competency, the continued adoption of global lean practices in our service delivery, practitioner development and technical innovative solutions enable us meet these market challenges head on.

We have reviewed service performances and emerging property claim patterns over the course of 2013 and compared these to the previous year's trading. This enables us not only look back, but to identify and understand anticipated future trends. Working in collaboration and partnership with you our client, OSG is fully committed to delivering innovative and cost effective solutions.

Claims Frequency

2013 began with a reduction in overall claims frequency when compared to the previous year. This quickly balanced with comparable year on year notifications until August 2013, when OSG saw a sustained rise in claims volumes. Analysis has revealed the majority of this increased frequency was associated with new business wins as opposed to an underlying market trend. Weather related surge was apparent in Q4, particularly in light of the December 2013 storm events.



Variables were also noted in terms of the frequency mix between Domestic and Commercial lines of business in 2013. When class of business as a percentage of instructions received was examined, OSG saw a 9% frequency reduction in commercial losses, compared to an 11% rise in domestic claims. This pattern appears consistent with the general market experience for 2013.

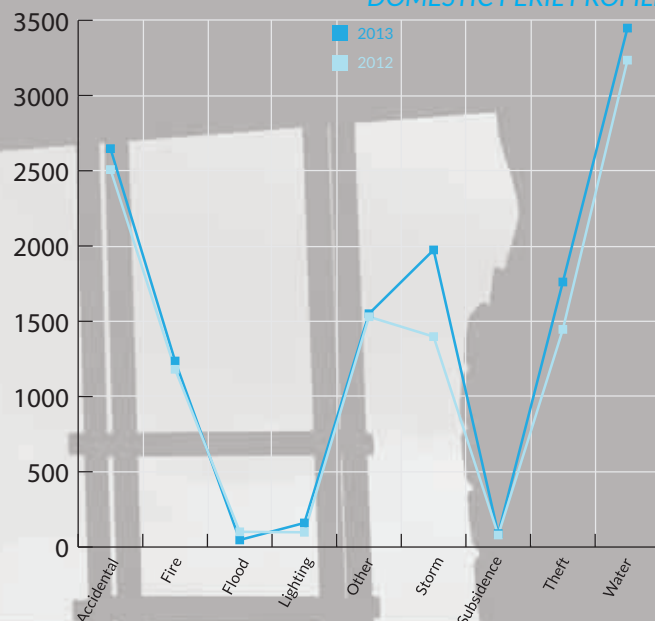
The frequency of large catastrophic losses was comparable to the previous year. We saw a number of large domestic and complex commercial fire claims in particular; however the most significant catastrophic losses occurred in July 2013 following a sustained intense period of torrential rainfall. Most notable losses arising out of this event included Clery's Department Store and Letterkenny General Hospital.

All large and complex claims handling within OSG is undertaken by a bespoke team of our most qualified and experienced practitioners only.

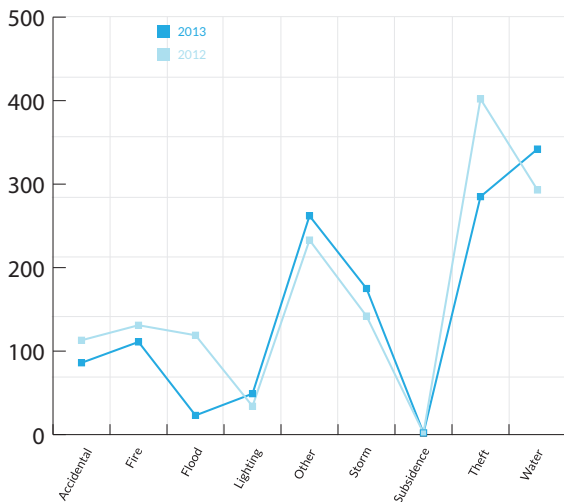
Claims Type

Analysis of claim type reveals broadly similar experiences between 2013 and 2012 for both domestic and commercial lines of business. Exceptions did arise on weather related losses as you would expect, however of note also was a changing pattern for Burglary & Theft and Accidental Loss or Damage claims.

DOMESTIC PERIL PROFILE

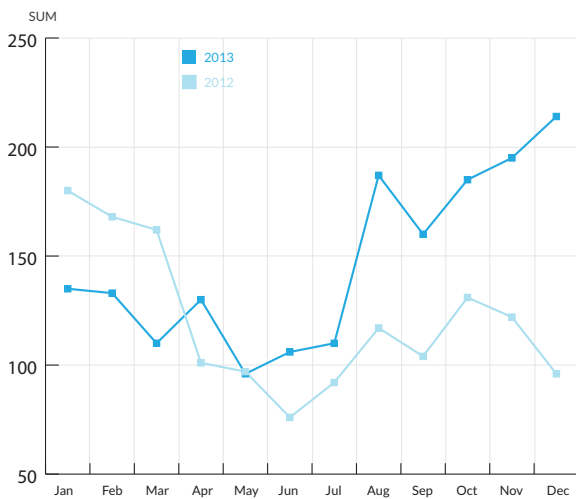


COMMERCIAL PERIL PROFILE

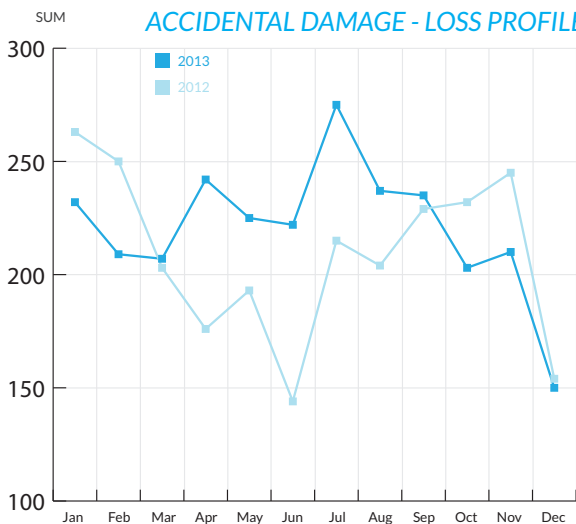


We saw a reduction in burglary and theft from commercial premises offset by a consistent rising pattern in domestic burglary and theft frequency. We anticipate this rising frequency will continue into 2014. Domestic burglary & theft may therefore be an area that underwriters will need to consider going forward. OSG will shortly be undertaking further analytics and deep mining of this data to assist your review.

DOMESTIC BURGLARY THEFT PROFILE



ACCIDENTAL DAMAGE - LOSS PROFILE



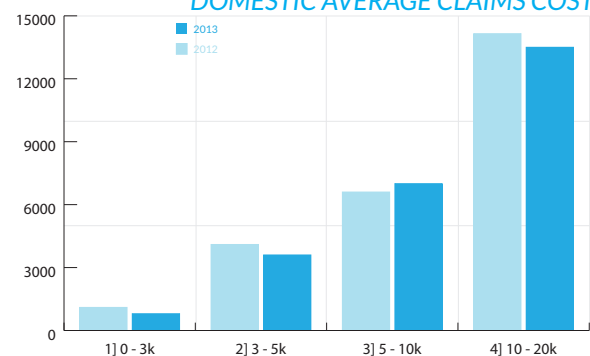
A noticeable pattern and rising frequency also emerged in terms of claims for accidental loss or damage. An increase in loss of jewellery items formed part of this pattern however this was not the sole or principle factor involved. We see a frequency reduction between Q1 & Q2, a dramatic rise in Q3 and noticeable reduction in Q4 for these loss types. This pattern was even more pronounced in 2013. OSG believe the majority of this behaviour pattern relates to losses for gadget type insurance such as mobile phones, i Pads, laptops and other similar technology. The convergence of increased frequency with both the summer holiday period and upgrade product launches is we believe a significant factor. The claims response strategy to these emerging patterns has been to more closely investigate both circumstances and quantum, supported by fulfilment to original specification where appropriate.

Average Claim Cost

Through on-going capital investment in people, technology and process, OSG have over the past number of years carefully managed average claim cost control, whilst still delivering on consumer service and equitable claims settlement. Deployment of Xactware and eEvaluate pricing technology has remained a key part of our strategy and this continued to yield positive outcomes over 2013.

Significant reduction in domestic average claims costs were delivered over 2010, 2011 and 2012. As the appropriate and fair baseline cost level was achieved, our focus has been to maintain the traction and control now in place and where possible to further improve performance. We are pleased to report this objective has again been met over 2013.

DOMESTIC AVERAGE CLAIMS COST



Avg Settled	2012	2013	% Change
1] 0-3k	988	947	4.15% ▼
2] 3-5k	3,925	3,878	1.2% ▼
3] 5-10k	6,723	6,745	0.32% ▲
4] 10-20k	14,066	13,545	3.71% ▼

A level of demand within the construction sector appears to be emerging again. We are closely monitoring developments to include any variables arising on material costs. We shall report separately on this analysis and its potential impact on average claims costs later in the year.

OSG Jewellery Solutions

An additional important part of our claim cost control strategy in 2013, was to upscale our Jewellery Solutions offering. OSG Jewellery Solutions is headed and managed by our retained jewellery consultant Mr P J Dowling. With over thirty five years industry experience, Mr Dowling brings a wealth of knowledge and expertise across current and historical Jewellery Retail Markets, Jewellery Manufacturing & Wholesale Industries, Diamond & Gem Stone Supply, together with Gold and International Markets.

Mr Dowling works in consultation with and is supported by a retained Certified Diamond Grader. The latter is a graduate of the Antwerp Diamond High Council and is a Certified Diamond Grader with H.R.D. He further holds the F.G.A and Retail Jewellers Diploma with the National Association of Goldsmiths.

The full benefits of our up scaling to OSG Jewellery Solution began to emerge in Q4 2013, when we saw routine agreed adjustments of 34% in terms of original claim submissions. Fulfilment in addition to appraisal is offered as a value added customer service or where deemed appropriate as part of a particular claims settlement strategy.

Technical and qualified appraisal of jewellery provenance is central to this service offering. An International Diamond Certificate is issued in support of any diamond fulfilment over 0.50 carat, a Hallmark of metal quality is provided on all items supplied and a Retail Valuation Certificate is also issued as part of the service. Presently the greater emphasis has been on appraisal supporting cash settlement options, with fulfilment available as a customer service rather than imposed service solution. Further scope for fulfilment opportunity in this sector is however available in our opinion.

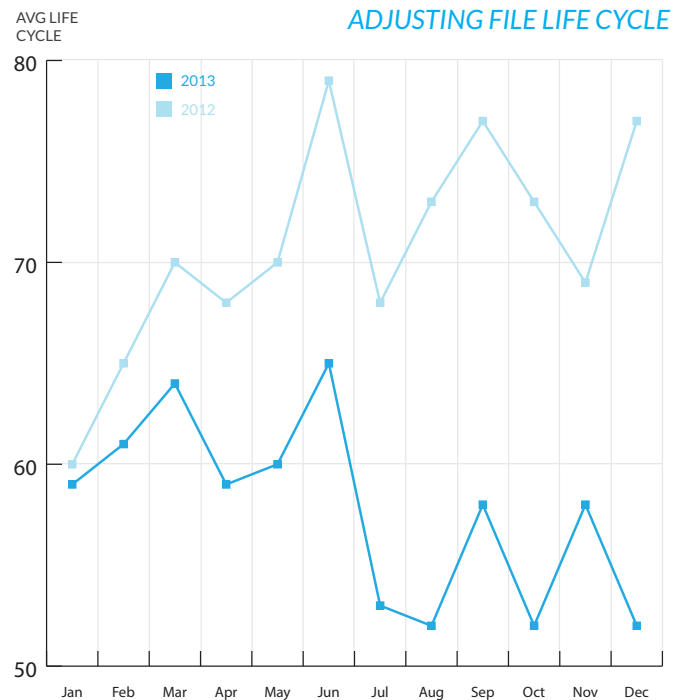
The Customer Experience

A continued focus on the Customer Experience and CPC Regulatory Compliance was maintained throughout 2013. We saw this as an opportunity and in response further resourced our Customer Services capability to ensure we could deliver at the highest level.

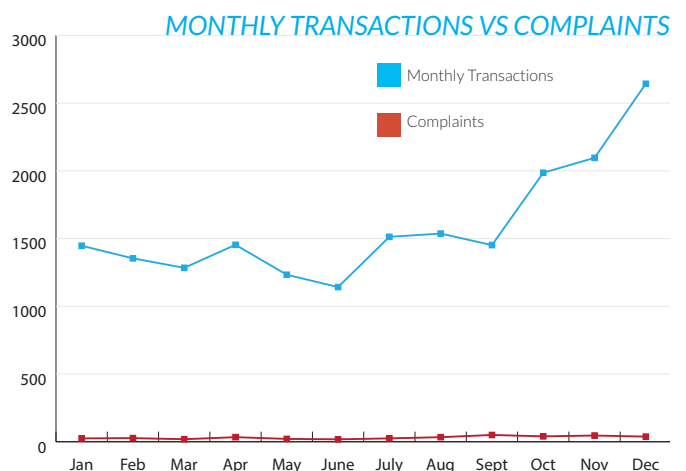
Feedback from themed audits undertaken by the CBI and on-going oversight of regulatory compliance by OSG and our clients supported service improvement opportunities. The continued adoption of global lean principles in our service delivery and the on-going engagement of our internal Transformation Team were also central to the OSG response.

Throughout 2013 we continued our drive towards reduction in file life cycles, with very positive overall results achieved. We also carefully monitored the customer experience during this period, through post inspection and post completion NPS surveying, analysis and mapping

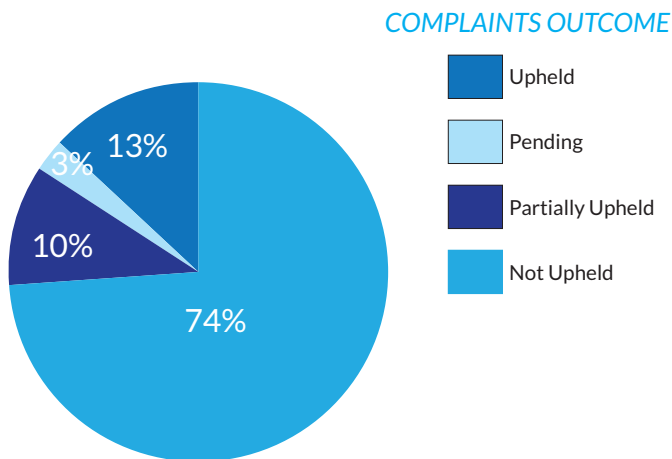
of complaints and complaint resolution profiles. Variables do arise between differing books and classes of business managed on behalf of our clients and this is reflected in the outcomes achieved.



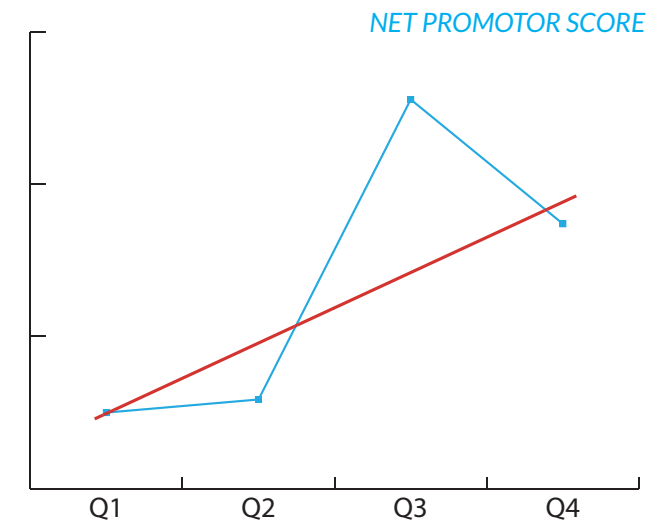
All complaints (any expression of dissatisfaction) are managed fully in accordance with the Consumer Protection Code. The majority of expressions of dissatisfaction relate to an absence of policy cover(39%), the application of claim protocols,(23%), together with disputes over the sums being paid(16%). A number of clients are presently reviewing retention protocols and we are awaiting the outcome of their findings.



Of the complaints received in 2013, 13% were upheld and 10% were partially upheld.



We also very carefully monitor every case where dissatisfaction emerged in terms of the behaviour of any OSG representative, a lack of pro-activity or communication or where delay was encountered. These results are immediately fed back both individually and collectively, are recorded on a learning's log and utilised to support practitioner training and development.



Planning for 2014 includes further investment in both new FNOL and remote tablet technology by OSG. Roll out of the new enhanced FNOL technology is set for February 2014. This will quickly be followed by aligned Remote Tablet Technology, both of which we are confident will yield further service improvement in terms of reduced file life cycles and enhanced customer experience.

Fraud & Special Investigation

Over the course of 2013 we saw a marginal rise in the number of cases being referred to the OSG Special Investigation Unit from 12.78% in the previous year to 13.42% in 2013. The pattern of referral was broadly similar to the previous year with the majority of cases involving non-disclosure of material fact or misrepresentation of risk. We did see a rising pattern in terms of All Risks claims involving jewellery

and most particularly loss of engagement rings. A number of domestic fire claims also warranted particular attention.

Deployment of our forensic psychology asset headed by Professor Eric Shepherd was at a similar level to that in 2012. Planning for 2014 now includes increasing our capability in this context and strategic recruitment has now taken place to include the engagement of a former senior member of An Garda Síochána, Mr Gerard Carter.

Further information in relation to the OSG Special Investigation Unit (SIU) is available upon request.

Recoveries

The OSG Recoveries Unit headed by Solicitor Catherine Lynn had another strong performance in 2013. In excess of €2m on property claims was recovered during the course of the year on behalf of our clients, an increase of over 25% on the previous year. Total amounts recovered on Property since 2010 when this dedicated unit was established now exceed €12m.

A separate article is provided within this annual report by Catherine, which details current practices, market opportunities and the availability of additional services from OSG, to include Motor Recoveries. Please do not hesitate to revert should you have any queries in relation to the service capability.

We very much appreciate the support received from you over 2013 and look forward to working with you again over the coming year. We are also happy to elaborate upon any of the information provided above or to assist you with more granular analysis of any particular claims pattern.

Danny Donohoe, Group Director and Head of Loss Adjusting OSG, danny.donohoe@osg.ie

HOUSEHOLD CLAIMS DEFLATION REPORT

2013 - 2014

In July of 2013 we published our Annual Inflation / Deflation Report. The executive Summary of that report produced by John McGee and Tom Cleary of OSG is reprinted here. The purpose of this report is to provide a forecast of annual household property claims deflation for the remainder of 2013 and 2014. The summary of our core findings are as follows:

Buildings

Overview

- Total value of Construction output fell in 2012 to €7.5 billion, **(2013 estimate €7billion)**
- Housing output fell to 8,488 units in 2012, a 19% reduction on 2011. **For the first 5 months of 2013, the number of house completions is 2,997**
- Tender levels on large projects **increased by 2.8% in 2012**
- Direct employment in construction was **down to 99,600 in 2012**, a reduction of 6% on the previous year
- Residential property prices were down 1.1% at a national level in the year to May 2013 but up in Dublin by 1.4%
- The Society of Chartered Surveyors Ireland in their Budget 2014 Submission to Government seek a reduction in VAT to 5% on labour and professional services for property repairs, maintenance, lettings and management of residential and commercial property

Material Costs

We estimate material costs will rise in the remainder of 2013 and 2014 as follows:



Labour Costs

Competitive dynamics within the economy, with a greater supply of labour, will maintain labour cost reductions in the medium term. We estimate deflation as follows:



Contents

We expect the cost of household content claims to reduce in the next 18 months as follows:



Deflation Forecast 2013 - 2014

Based upon the detailed research undertaken, the current subdued economic environment and our knowledge of the market, we estimate household claims cost deflation, on an annual basis, for 2013 and 2014 as follows:

	2012	2013
Materials	↑ 1.00%	↑ 1.25%
Labour	↓ 2.50%	↓ 1.25%
Buildings (Weighted: Materials 30:70 Labour)	↓ 1.45%	↓ 0.50%
Contents	↓ 3.00%	↓ 3.20%
Forecast Deflation (Weighted: Buildings 3:1 Contents)	↓ 1.84%	↓ 1.18%



RECOVERIES

Corporate agility can be best described as the speed and ability of business to identify internal and external events that could have an impact of them and to then react appropriately. As the demands upon our customers grow, Regulatory and Commercial, the Recovery Department within OSG has adapted to provide solutions, resources and results for our clients.

Insurance claims are the biggest expense to an insurer therefore it is important to capitalise on any and every opportunity to reduce these costs. Claims Recovery is such an opportunity that is available to Insurers on their Motor and Property Books of Business. The Recovery Department within OSG has maximised its advantage by improving our processes from within.

We have optimised our Recovery processes by:

- Identifying a claim recovery on site quicker ,
- Applying a low cost sensible and effective handling strategy
- Ensuring a faster return of claim outlays,
- Return of claim costs in addition to core claim outlays,
- Utilising all available avenues for Recovery.

In a recent study by a leading Irish Insurer, OSG emerged as the market leader in the earliest identification and referral of Recoveries in respect of Property Claims in 2013. We take pride in our achievements which is a collaborative effort by our Loss Adjusters who gather the key information on site and pass onto our OSG Solicitor to review.

This relationship allows a continuum of knowledge regarding recoveries and also provides comfort to our clients in that a strategy for the recovery is in place and will run parallel with the insured's claim. The result being that the life cycle of the recovery file is greatly reduced which a retreat from the legacy approach undertaken by many.

We are also securing recoveries of claim costs to include- OSG Loss Adjusters fee, Engineers fees and other expert fees which were incurred by the Insurer during the claim. This represents a higher yield of claims recovery for Insurers.

We are securing recoveries of uninsured losses for the customer together with their Assessors fee. Early intervention on Recoveries has also resulted in customers being provided indemnities by third party insurers in some cases of impact damage. This is a real result to our clients, who no longer have a claim to resource and to their customer, who no longer have a claim against their insurance policy.

The customer realises an added value in their insurance product and this creates a trust in their insurer provider as a result. According to Ernest and Young's Insurance Report 2013 maintaining trust is an important part of providing products and services. One of the legacies of the financial crisis has been the temptation to value costs savings over customer satisfaction. Improving the customer's experience of their insurance product may produce a reduction in policy shopping at renewal by the customer.

We are also utilising all Recovery avenues available by engaging in Malicious Injuries Applications when the circumstances satisfy the Statute's requirement. We have secured sizeable recoveries for Insurers as a result of this. We have also secured property claim outlays from the MIB UK and from foreigner Motor Insurance Bureau's. We have successfully rebutted Defences proposed under the Accidental Fires Act 1943 and our efforts on this front has resulted in reported case-law-Ramblers Way Ltd v. Mr Middleton Garden Shop Ltd [2012] IEHC 473

In addition to Property recoveries, we also have capacity to manage Motor Recoveries for our clients. In light of the statutory requirement on the public for Motor Insurance, Motor Recoveries yield the quickest return of claim costs for Insurers and their customers, if the proper resources are dispatched to pursue the recovery at the earliest stage of the claim

Early intervention by a recovery handler where there are real recovery prospects on a Motor Claim is essential. A result of this is that the third party insurer is identified and engaged at the earliest possibility. OSG can work in parallel to the Motor Claims handler dealing with the insured's motor claim to ensure that early engagement of the third party motor insurers is obtained.

In addition, we can take detailed statements from witnesses, An Gardaí Síochána and the insured regarding RTA's, review Motor Assessors reports on impact damage and build a recovery case weighted in evidence. We also provide an IO (Investigation Only) Adjuster to investigate accident locations where the necessity arises however this would be in keeping with our commitment to keep claim costs low for our clients.



As the Recovery Department is headed by a Solicitor with vast experience of Motor Recoveries, all cases would be reviewed by our Solicitor, bearing in mind any exposure to Personal Injuries and in keeping with the CPC requirements throughout. A joined up approach to recoveries between the Motor Claims Handler, OSG Recovery Unit and OSG's Solicitor brings to each case a highly focused and dynamic team approach.

OSG's Recovery Unit will provide regular progress reports and updates; allowing our Clients and their customers to stay current with developments and steer progress. We recognise that the provision of accurate information is key to allowing our Clients effectively manage such claims in the most time- and cost-efficient manner possible. Projections on claim returns is an important part of financial reporting for Insurers, improving a loss ratio within the market place gives the Insurer an edge over their competitors.

We know that building flexibility into all aspects of our business within OSG and in particular the Recovery Department can assist our clients as the market places further demands upon them. The involvement of OSG in Recoveries means that the proper resource is dispatched to the claim at the earliest opportunity.

The result of having the proper resource such as OSG engaged in this process is a quicker return on claim costs over Motor and Property Books of Business. In addition there is greater customer satisfaction which can lead to enhanced customer loyalty which in a fiercely competitive market can prove extremely advantageous.

We look forward to working with you in making 2014 the highest yield of claim recoveries over your Property and Motor Books of Business.



LIABILITY SERVICES

OVERVIEW 2013

One of the most important pieces of legislation pertaining to the insurance industry and in particular personal injury claims was enacted in 2013.

The Courts and Civil Law (Miscellaneous Provisions) Act 2013 provides for a number of different changes in varying areas of legislation. Personal insolvency legislation formed a large part of this however there were also other key areas as follows:

Jurisdiction of the courts

The Act provides for changes in the monetary limits for the jurisdiction of the different courts. It provides that the upper limit will increase:

- From €6,350 to €15,000 in the District Court
- From €38,092 to €75,000 in the Circuit Court; however, the limit for personal injury cases will be €60,000
- Cases involving amounts above these limits will be heard in the High Court.

The previous limits were set in 1991. It is perhaps useful to note that in 2002 legislation was passed to increase the limits to €20,000 for the District Court and to €100,000 for the Circuit Court but this was never brought into effect.

The new monetary jurisdiction limits for the District and Circuit Courts commenced on 3rd February 2014 and these limits will not affect proceedings instituted in any court prior to 3 February 2014.

Capacity

For the first time we have a functional definition of capacity. A person will be considered to lack capacity at a particular time if unable to understand, retain or weigh information relevant to the decision or are unable to communicate the decision.

The Circuit Court will make decisions on capacity and will be responsible for approving assisted decision-making arrangements. It has been suggested that the legislation stands on a basic principle that lay people can understand and underlines the premises that solicitors and barristers exist for their clients, not the other way round.

The legislation deals with issues that have provided discussion in the insurance industry for decades such as:

- Independent regulation of the legal profession,
- A more competitive legal-services market,
- Transparency of legal costs

The Legal Services Regulatory Authority (LSRA) has been created by the legislation to independently regulate the legal system. How this independence will operate both in relation to Government and the legal profession remains to be seen.

In relation to costs Solicitors will now have to give clients details of costs as soon as they are hired and these must be kept under review. This will help Clients to look at the economics involved in taking legal proceedings. On completion an itemised statement of the services and costs involved must be provided. Advice must also be given in relation to what steps can be taken to dispute the bill. The legislation also does away with a number of restrictive practices such as:

- Prohibiting junior counsel from charging fees based on a percentage of the senior counsel's fees.
- Prohibiting Solicitors from charging fees based on a percentage of the compensation awarded to a client.
- Allowing direct access by consumers to barristers for advice.
- Allowing multi-disciplinary practices involving lawyers and other professionals such as accountants or tax specialist

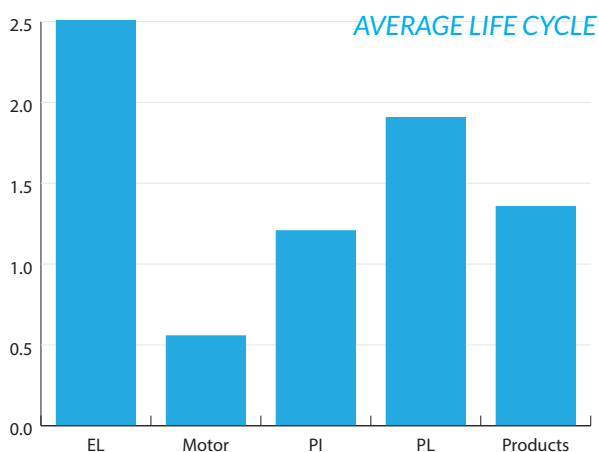
LIABILITY OPERATIONAL OVERVIEW 2013

OSG Liability Services provides a capability across a range of casualty loss types including Public Liability, Employers Liability, Motor, Products Liability, Professional Indemnity and Third Party Property Losses.

The capability in place can be selected from on an “as required” basis by our clients. Full handling “cradle to grave” case management remains a core service offering however this is supported by an “Investigation Only” service, which has seen significant growth over 2013.

Frequency of instruction received over 2013 was comparable to the previous year’s trading. In the course of the year OSG Liability Services managed case reserves exceeding €60m for our clients. All reserving protocols are fully aligned to the individual principal’s philosophy and are reviewed on a continual basis.

Over 2013 we have examined average case life cycles, both within cases directly managed by OSG and within the market in general. Below we have illustrated current life cycles patterns by class of business.



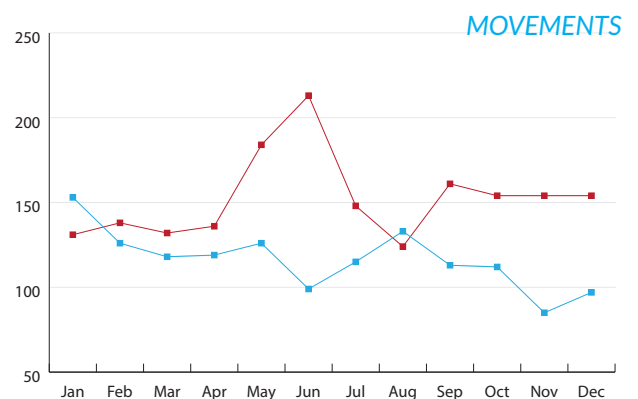
We believe there is considerable opportunity to significantly improve performance here across the market. Proactive case management, early settlement strategies where appropriate and a collaborative approach between the various stakeholders to include insurers, adjusters, solicitors and claimants is required.

The recently enacted legislation mentioned earlier in this review will certainly assist. More importantly however we feel there is opportunity within the industry to re-examine custom and practice in terms of casualty claims case management.

In OSG we have undertaken a full review of casualty claims management at an operational level. Core technical competency and appropriate distribution of losses to the required experience and skill within a bespoke casualty team remains a vital part of our service offering.

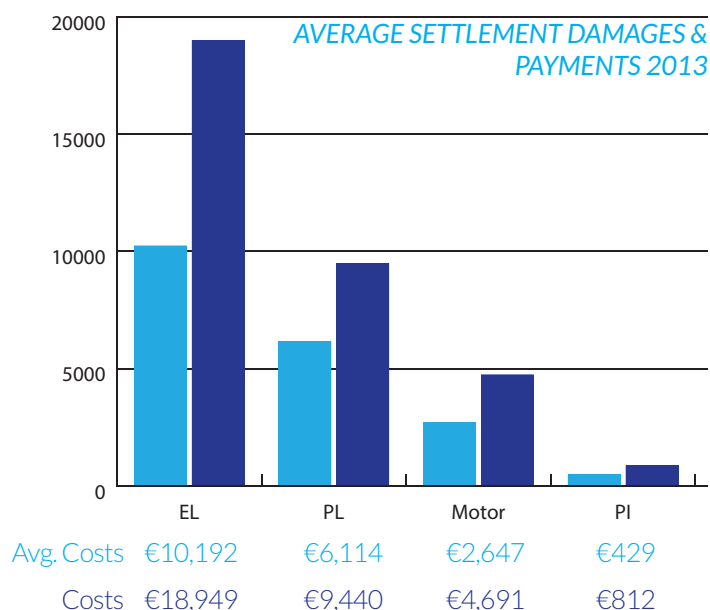
A number of the service standards and performance benchmarking measures however routinely undertaken within Industry Property Claims case management could in our view be adopted more robustly into Casualty Claims. These disciplines could yield significantly improved performances in terms of controlling claims and costs spend, reduce file life cycles, improve the quality of service delivery and ensure Regulatory Compliance. Whilst maintaining specialism within a bespoke casualty team we have formed OSG “One Adjusting” to ensure the benefits of a centralised operational management and control.

The first phase of our new response was to review and proactively manage existing work in progress to new standards with a view to optimising closure rates, whilst ensuring claims cost control in parallel. The outcome of this approach is detailed below.



Improved service standards and tighter case life cycle management enables OSG manage existing capacity and capability more effectively.

In relation to claims spend and associated costs the following statistical information continues to show that Costs continue to account for a high proportion of the settlement achieved. Again this should be something that the Courts and Civil Law (Miscellaneous Provisions) Act 2013 will assist with.



During 2012, the average Injuries Board Awards revealed Employer's Liability as the highest at €27,286, Motor awards averaged €20,631 and Public Liability awards averaged €22,656. When compared to the OSG performances in 2013 it is noted favorable outcomes have been achieved.

It is important to note however OSG manage accounts where significant volumes of the cases reported do not ultimately materialise into formal claims. This outcome is achieved through early and proactive engagement with the insured and claimant, comprehensive investigation and management of expectation by skilled professionals. This strategy has been particularly successful in Employers Liability cases.

As we progress into 2014, OSG Liability Services will continue to implement process change with emphasis on speed, efficiency and proactivity. We will be discussing these plans in more detail with you our clients during Q1 2014.

From the Injuries Board Reports up to 2012 we can see that there has been approximately a 4% increase in the damages being awarded.

Year	No. of Awards	Value of Awards	Average Award
2012	10136	€217,940,000	€21,502
2011	9833	€209,830,000	€21,339
2010	8380	€186,630,000	€22,271
2009	8643	€200,220,000	€23,166
2008	8845	€217,160,000	€24,552
2007	8508	€181,040,000	€22,057
2006	5573	€115,280,000	€20,685
TOTAL	59618	€1,328,100,000	

CHANGES TO SAFETY HEALTH AND WELFARE AT WORK^(CONSTRUCTION) REGULATIONS

AND THEIR EFFECT ON PRIVATE HOMEOWNERS AND INSURERS

The Safety, Health and Welfare at work (Construction) Regulations 2013 came into effect on the 1st of August 2013. The Regulations cover paid occupational work only and do not apply to DIY. The changes to the Regulations place new responsibilities on homeowners, called Clients in the Regulations, who are having construction work carried out on their home. This has implications for Insurers.

Why were changes ?

Ireland had been facing legal proceedings from European Commission over a breach of the 'Temporary and Mobile Sites Directive EC 92/57'. One of the principal alleged breaches was that the Safety Health and Welfare at Work (Construction) Regulations provided an exemption to the appointment of 'Project Supervisors' for domestic projects. The role Projects Supervisors is to co-ordinate health and safety matters through the design and construction stages of a building project. A Project Supervisor Design Process (PSDP) is initially appointed to co-ordinate design matters and a Project Supervisor Construction Stage (PSCS) is appointed before the building works commence to co-ordinate the construction works. As a result the government enacted legislative changes in November 2012, which eventually came into effect on 1 August 2013.

It should also be noted that in the 3 years up to 2013, there were 12 fatal accidents which occurred during construction work on private homes. The new Regulations mean that "competent persons" (known as Project Supervisors) must be in place to co-ordinate the design and construction work in existing and new homes. This requirement will be applicable to all reinstatement works projects arising from floods, subsidence, fire damage etc.

Who is a 'Client'?

Safety, Health and Welfare at Work (Construction) Regulations 2013 defines 'client' as a person for whom a project is carried out. Clients include individuals such as homeowners and those running small businesses. Clients can also be entities, for example local authorities, Insurers and private bodies such as companies and similar

undertakings, including charities and other non-profit organisations. The 2013 regulations place certain duties on Clients. These duties are intended to ensure that the project is designed and constructed by competent persons.

In the case where there is more than one client, it is necessary for one of the clients to act as the 'Client' in the context of the regulations and to undertake the duties required of the Client. Two key duties of the Client are the formal appointments of a competent PSDP and PSCS. Other Client duties are summarised below.

What are the duties of a Client?

- Employ competent designers and contractors to carry out the work
- Appointment in writing, before design work starts, of a competent and adequately resourced project supervisor for the design process (PSDP), as required
- Appointment in writing, before construction work starts, of a competent and adequately resourced project supervisor for the construction stage (PSCS), as required
- co-operate with the project supervisor and supply necessary information
- keep and make available the safety file (provided by the PSDP) for the completed structure. The safety file contains information on the completed structure that will be required for future maintenance or renovation
- provide a copy of the safety and health plan prepared by the PSDP to every person tendering for the project. The safety plan documents show how health and safety on the project will be managed to project completion.*
- notify the Health and Safety Authority where construction is likely to take more than 500 persons days or 30 working days



If Insurers chose to reinstate under a policy, does this make them the 'Client' under the new Regulations?

The simple answer is yes they can be if they are the decision maker and are in control of the reinstatement process. The legislation defines the client as 'a person for whom a project is carried out'. As such, when opting to reinstate, Insurers are taking on certain legal responsibilities under the new legislation

Other Implications for Insurers

The requirement to have a PSDP and PSCS appointed to reinstatement works, usually results in additional costs, in terms of professional fees for the PSDP and additional overheads for the Main Contractor (main contractors usually assume the role of PSCS). The magnitude of any increase in claim values remains to be seen however on commercial projects which required PSDP and PSCS appointments before the recent changes, the increase in fee would have been in the order of 10% on design team fees and ??% the construction costs. The changes to the Regulations have only been in effect since August 2013 and it is anticipated that there will be a level of non-compliance amongst domestic clients until awareness of the legislation increases. The magnitude of any increase in claim values may also be partially obscured by the rise in construction costs (anticipated to continue into 2014)

Pyrite in Blockwork

Concrete blockwork is one of the most commonly used building materials and is manufactured using cement, water and stone aggregate. Concrete blocks come in varying shapes, sizes and strengths and should comply with certain Irish and European standards to ensure that the products are fit for its intended use and will perform over the life of the building.

We are seeing an increasing occurrence of buildings that are affected by defective blockwork where inappropriate materials have been used in the manufacture of the blocks. In particular, our investigations have established that certain types of stone aggregate containing pyrite have been used in the manufacturing process. This issue is closely related and similar to the widespread pyrite problem in subfloor filling that has been well documented in recent years, and which has caused damage to buildings.

The two main issues arising are that the pyritic reaction can cause expansion cracking in the blockwork itself, along with creating a high sulphate environment that can allow sulphate attack damage to occur. Sulphate attack damage occurs through sulphates migrating in solution from neighbouring building materials,

Boundary Walls in Storm Conditions

The high winds experienced at the end of 2013 and into 2014 resulted in a spate of boundary wall collapses across the country. Boundary walls are typically 'freestanding walls' and have a lack of structural redundancy due to their structural make up. Lateral forces on boundary walls, from wind loading, results in a combination of tension and compressive stresses developing in the mortar joints between the blocks. Masonry construction (brick or concrete blocks bonded with mortar) is very strong in compression but relatively weak in tension (due to the relatively low bond strength of the mortar in the joints). This low tensile strength determines that boundary walls are relatively weak when subjected to lateral (wind) loading.

The quality and structural robustness of freestanding walls varies greatly across the country, and across the last 50 years. The height of boundary garden walls in residential estates varies, however 1.8m (6ft) would be typical. Such walls have commonly been built with 100mm thick blockwork, with projecting piers at typically greater than 2metre centres.

In terms of design standards for masonry walls, Irish Standard IS325 was in effect between 1986-2010. Also British Standard BS5628 was in effect between 1978-2010. IS325 is broadly based on BS5628, with some differences and sets out the design process and proper material selection for the design of masonry walls. Certainly these standards would have been the industry benchmark for the design and construction of masonry walls (including boundary walls) for the last 25 years or so.

There has been some discussion as to whether boundary walls are covered by explicitly covered by the Building Regulations 1997-2013. The Building Regulations and the Technical Guidance Documents to the Building Regulations do not explicitly mention boundary walls, although it is generally accepted by construction professions and industry, that such walls do indeed

usually from the blockwork to the render. The sulphates react with the constituents of hardened cement to produce Ettringite or Thaumasite. This aggressive reaction is accompanied by significant disruptive expansion in mortar, cement renders and concrete.

The pattern of cracking and damage arising from defective blockwork containing pyrite is generally random (see recent examples below) and can usually be differentiated from other common causes of damage such as foundation subsidence. In some very extreme cases, the damaged blocks have crumbled under hand. Whereas the pyritic damage in blockwork is most prevalent in the external leaf, significant cracking of the inner leaf can occur due to the expansive forces in the outer leaf being transferred via cavity wall ties into the inner leaf.

However, we have seen instances where foundation movement has occurred in mature properties, which has caused cracking in the render thus allowing moistures into the blockwork, which in turn has been the catalyst for the pyritic reaction in defective blocks to commence. In addition, we have seen evidence of hairline cracks in render being widened due to freeze thaw action over recent harsh winters, thus allowing moisture into the blockwork outer leaf, which in turn acts as the catalyst for pyritic reaction. This has been evident particularly in the south and south-western elevations of certain buildings, facing the prevailing winds. It is therefore very important to consider the timing of the damage and to thoroughly investigate all possible causes before determining the dominant case of such damage.

fall under the Building Regulations. Indeed the writers have had experience of Building Control Officers commenting specifically on boundary walls.

In addition the Building Control Act 1990 gives some hint as to the intention of the where it states as follows:

"building" includes part of a building and any class or classes of structure which are prescribed by the Minister to be a building for the purposes of this Act;

2) Building regulations may be made for all or any of the following purposes:

(a) making provision for securing the health, safety and welfare of:

- (i) persons in or about buildings, and
- (ii) persons who may be affected by buildings or by matters connected with buildings;

Masonry design standards significantly changed in 2012, with the withdrawal of IS325 and its replacement with IS EN 1996 (Eurocode 6). The most important design change is the increase in the load factor of safety which is to be adopted under Eurocode 6 (which is 1.4 verses 1.2 used in IS325). The result of this for the common 6ft high garden boundary wall, is that more piers are required.

For Insurers and Loss Adjusters, the important points to note are:

- If a storm damaged boundary wall was built since 1992, the design of the wall should be examined to determine if it complied with the Building Regulations in force at the time. How old is the wall and why has it failed? Are there any other relevant factors such as factors tree roots, frost attack, vehicle impact etc. that have weakened the wall recently?
- Has the ground levels been changed on either side of the wall (lowered or raised)?
- Have any trellises, timber fences or such like been recently fitted to the wall?
- Where liability is accepted for storm damage, the design of the new wall must (under Building Regulations) now comply with Eurocode 6, which is more onerous than the old IS325 design standard for masonry. This results in the new walls (if properly designed) being required to more robust (i.e. with larger piers at closer centres).
- There is no 'one size fits all' design for boundary walls as local factors such as design wind speed, exposure classes, and the zonal wind pressures on different parts of contiguous structures, must be taking into account.



CREATING A COMPLIANCE CULTURE IN 2014

Since the re-regulation of financial services began in earnest after the financial melt-down in 2008 our industry has had to deal with considerable changes to our everyday working environment. It has not been uncommon for compliance officers and legal departments to struggle with codes and regulations and transforming strategy into reality. Some within the industry have considered the various regulations and codes as disruptive, costly and have resulted in fragmented processes and procedures.

In general, most worldwide, geographical and industry specific laws and regulations have a strong focus on how organisations manage specific business processes. Addressing this issue has required organisations to adapt or reengineer certain processes at strategic and tactical levels to ensure criteria such as accountability, information accuracy, accessibility, integrity and security are met in addition to having fair, transparent and ethical practices in place for the consumer.

It is worth reminding ourselves that fundamentally within the financial services sector we need to have a stable financial system with proper and effective regulation that also protects the consumer of these financial services.

The scale and the rate of changes within the regulatory landscape have caused many challenges for financial services organisations over the past number of years. What we do know is that compliance is everyone's business but it requires careful thinking and planning to ensure that regulations are demystified, simplified and integrated into the practices at the process owner level. If this work is not done then complying with the regulations turns an opportunity to provide the stability and consumer protection mentioned above into a fear of compliance. If we develop a fear of compliance this will lead to mediocrity

and a mediocre approach to the issues will cause consumer problems with products and services, drive up complaints in addition to causing more difficulties with the rectification of the issues including fines and penalties.

Whether we like it or not the cost and effort required being compliant with regulations will remain with us. We should consider it to be the same as the change in mind-set that was needed around technology in recent times. Compliance is part of everyday business and will continue to be so, particularly in the light of the rise of consumer protection that we are seeing globally.

Technology is also changing at such a pace and is reshaping society. One could argue that it is mainly being driven by the consumer demanding an alternative to expensive ways of doing business so as a result decades-old ways and processes are being deconstructed and re-imagined. Financial services are not immune and there is a growing need for changes to laws such as data protection and rules regarding paper and electronic processes that will require significant challenges for us regarding our process engineering, protocols, procedures and the training of our personnel.

Regulation and new laws are going to continue. One look at the horizon in the next few years tells us that in Ireland



"...create a culture of compliance and make it everyone's business..."

in 2014 whistleblowing legislation will become law as soon as the Protected Disclosures Act becomes effective. We will have a revised Corporate Governance Code for Credit Institutions and Insurance Undertakings that will take effect from 1st January 2015 and we will also have continuing themed inspections.

In Europe Solvency II now has a start date of 1st January 2016, the Insurance Mediation Directive II proposals are due to be considered by the European Parliament in March 2014 and the VAT issue regarding insurance contracts and exemptions is expected to see some challenges this year. In addition to this we will see changes with MiFID II, more guidelines on complaints handling, data protection changes, Capital Requirements Directive CRD IV, anti-money laundering changes, consumer trends that EIOPA state "may warrant further investigation" and consumer protection cooperation concerning cross border consumer protection. In the UK the FCA and PRA have advised that they intend to increase the regulation of outsourcing arrangements including delegated underwriting and TPA's. Developing a culture of compliance that is coordinated, holistic, integrated and ethical is now of such fundamental importance to every financial services organisation. The overall trend we are seeing is the universal challenge of not only more regulation as listed above but also more look

back reviews of the business that has been done over the past number of years. In OSG we are seeing this trend first hand and have been in a position to assist our clients with the extensive work involved through the deployment of experienced personnel with mapped out processes enabled by bespoke technology solutions. While hindsight is 20/20 vision the challenge is to use foresight in our approach to the future in a holistic way around people, processes and technology. Our experience of look back reviews and indeed claims and complaints handling is providing us with great insight into assisting clients with their changing business processes and procedures.

We see the focus on the lifecycle of paper and electronic communications as being one of the key factors. How information is created, routed, maintained, accessed and archived is everyone's business and responsibility. Operating within the laws and regulations in an ethical manner will continue so we need to eliminate the fear of compliance which, after all, is counterproductive to revenue generation, customer satisfaction and efficiency.

The effort required to create a culture of compliance and make it everyone's business is essential to the balance of maintaining our businesses and the pressures of current and future compliance regulations.

CARS

REMEDICATION & COMPLAINTS SYSTEM

Last year we wrote about the capabilities of our in-house developed Case Administration & Resolution System (CARS). This year we have a case study of the implementation of the system following approaches by major Financial Institutions requirement for a solution to the problems posed in conducting a Central Bank Lead review on the selling of Payment Protection Policies from 1st July 2007 to 30th June 2012

The Review

The CBI stated that the following had to be explored:

- Knowing the Consumer and Suitability
- Execution Only Sales
- Timing of the provision of key information to consumers
- Key information on policies should be explicitly drawn to the attention of individual consumers.
- Record Keeping
- General Principles

With the following required actions:

- A review of all execution only sales to ensure that these sales meet the criteria set out in Provisions 24, 30 and 31 of chapter 2 of the 2006 Code (Provision 5.24 of the 2012 Code)
- For all other sales, a review to ensure that suitability, in addition to eligibility, was assessed.
- Following the above, a further review of all policies on which claims were declined to determine whether the reason for the decline should have been identified at the time of the sale.

The Problem

Within the Industry, there were some 350,000 policies sold during this period. The purpose of the review was to ensure that all sales were conducted in accordance with the rules set out by the Central Bank of Ireland (CBI) in the 2006 Consumer Protection Code (CPC 2006) and the 2012 Consumer Protection Code where appropriate. The review had to be completed by 31st December 2013 and overseen by an independent 3rd Party with progress being monitored by the CBI.

Clearly, as can be seen by the review requirements, this was going to be a momentous task to be carried out in a generally short time frame during a period of turmoil in the banking sector. This was to be a further headache on top of all the other demands facing the banks:

- Housing Loan Arrears
- CCMA Provisions
- Solvency II
- Changes to Corporate Governance Requirements and Fitness & Probity
- Nationalisation Processes
- Return to Profitability

This review would encompass five years' worth of document, procedural and selling practice change which would be a tall

order itself to evaluate, let alone changes in the Consumer Protection Code and most likely changes in Insurers and Underwriters of the customers Insurance policy.

The Implementation & Solution

OSG created and developed three different service offerings to clients:


- ICT Platform (CARS)
 - ICT Platform and staff resourcing as required to carry out the review
 - Staff resourcing only – onsite placement
- Some clients opted for the full service offering, others opted for the staffing option only.

In respect of staff resourcing only, our clients remarked how the lead time on additional staffing requested was minimal, with a request being received at 4pm on a Friday and up to 6 additional skilled staff including solicitors, barristers, qualified Insurance and/or Banking personnel, Quality Assurance and Control specialists being provided by the Wednesday of the following week which on occasion resulted in the client not having computers / desks ready for the additional staff!

The CARS Platform is designed for case management, reporting and quality checking based on a "rules process" The system is fully transparent which is critical for this type of work and also supports flexible deployment options, which allows our clients to use the software in their own offices by our staff or their own, or on our own premises by our staff.

The implementation process described in this case study refers to the provision of the ICT Platform & staff resourcing. Once a client decided which type of service offering and deployment option they required, a client specific project team was immediately put in place by OSG including Project Managers, Project Sponsors, Systems Developers (where required) and Team Manager/Client Liaison. This team solely dealt with the requirements of mobilisation, systems development and the deployment of a fully qualified bespoke team of staff from OSG to carry out the review activities and who trained in the sales procedures, documentation and ICT systems of the client. The client took responsibility for the assessment of the case reviewers to ensure that they achieved the required level of competency.

One of the first obstacles which had to be overcome was a questioning methodology which would form a checklist which was fit for purpose and would allow a client to ascertain



"The CARS Platform is designed for case management, reporting and quality checking"

if a policy was miss-sold or not. When this was delivered by clients, our system developers studied the question set, and sought clarity where required in preparation of upload to our platform. As CARS was developed as a case management system with investigation procedures and forms built-in to the platform, once a question set was finalised by the client, the rules, answer responses, question wordings and outcome codes were programmed into the system. Following this a full cycle of user acceptance testing (UAT) was developed to ensure that the system was sound and all elements programmed correctly. This was then signed off by all parties involved, to allow the review to commence.

It was discovered by a client that one of the added benefits with the CARS Implementation was that not only would they be able to see the outcome of the review of an individual policy, but due to the design of the checklist and its implementation, they would be able to create real time root cause analysis reports based on question by question responses which could help identify any potential short comings in sales procedures during specific periods of time, or through specific branches/retail outlets. This allowed for clients to reinforce case review outcomes when questioned by their boards or the CBI as to the reasons why products were miss-sold. This added benefit would also allow for a lessons learned programme to be completed once the project was completed.

An important requirement of the review process as detailed by the CBI was oversight by an independent third party. Our platform was originally developed with oversight in mind. In this regard the system has a built in accreditation process (100% QC until certain thresholds are met) and quality control process, with potential for a "check the checker" role, which is usually the clients own internal Quality Assurance

Programme. In this instance, the module for "check the checker" was activated within the CARS Platform, allowing seamless integration of the independent oversight role on a read-only basis.

When dealing with large volumes of customer records, as was the case with this review, the ability to automate seeding of cases to go through quality control before being released is paramount to good practice and ensures transparency in the selection of cases for QC monitoring on an individual level.

With the activities for reviewing the sales now programmed the question remained as to how to deal with the volume of customer contacts once decisions regarding sales had been made. The CARS Platform also provided a solution to this difficulty. As the platform is a case management system, customer communication cycles were already catered for with a full audit trail, follow up and alert system. For example the system can identify where after correspondence regarding the outcome of the review has not been responded to by the customer, and create an alert for the appropriate user responsible for a reminder letter to be issued to the customer. Our clients had also been advised by the CBI that they were to record the number of complaints being received as a result of the outcomes of the review, as they wished to reconcile those numbers against information being provided by them from the Financial Services Ombudsman. This may have posed a difficulty for the Industry as a whole as complaint systems are usually a separate system which would now mean that numerous different data sources would be required in order to provide this information. Thankfully this requirement did not affect our clients, as our platform also had capabilities to record receipt of complaints and their outcomes.



Management Information (MI) was also a requirement. The Central Bank stated at the outset that it would monitor progress of the institutions progress throughout the course of the review. Again the CARS Platform was pre-programmed with high level MI requirements to include number of cases completed by day/week/month, percentage of cases QC'd, percentage of cases audited by Independent oversight, offers accepted, complaints received. A further MI report previously mentioned was a Root Cause Analysis (RCA) report. This report provided clients with details which would allow for a lessons learned outcome following completion of the review phase.

Remediation progress reports were also programmed including non-response rates for communication cycles, decision letters issued, acceptances received, and payments made reports.

Finally, review outcomes and data security was also of vital importance. Any cases completed had to be locked down from modification by case review staff. Once a case was completed only a QC Officer could amend the case. This amendment took the form of rejecting the case on a specific question or in its entirety which would then allow the case reviewer to correct that answer or review the complete case again. This security layer provided both the independent auditors and our clients huge comfort resulting in reduced costs as less oversight staff was required. The complete audit trail also existed showing any question response which required correction, the original answer was stored, the reason for the amendment and the amended answer.

The Result

Once the minor modifications in relation to the review questions to the CARS platform was completed case review commenced and was completed ahead of schedule with a minimal head count.

Significant resource cost savings were achieved for clients in the order of 47% in comparison to a manually operated process.

Contact

We would be delighted to provide you further details of our approach and a demonstration of our system.

47%
RESOURCE COST SAVINGS

OSG BANKING

In mid-2013, OSG launched OSG Banking which will operate as separate division within the OSG Group focussed on providing solutions and services to the Banking sector in Ireland and internationally. “The launch of OSG Banking is a key milestone in the strategic plan of the OSG Group and we look forward to delivering a unique servicing alternative to Banks and other credit institutions which supports them in meeting their current and future challenges” commented Malcolm Hughes, CEO, OSG.

OSG Banking Division is headed up by Maurice Chadwick and Brian Lande both of whom are experienced executives with extensive knowledge of the Banking market and strong track records of designing and delivering solutions and operations in financial services. Maurice Chadwick, Director, OSG Banking explained “Banks are facing a number of challenges including reductions in staff numbers, increasing regulation and compliance and unprecedented levels of debt management. We believe this presents an opportunity for a focussed and specialist organisation such as OSG to develop innovative solutions and offerings to support Banks as they face a period of major change”.

Throughout 2013 the Banking sector continued to undergo significant turbulence and change:

- A number of Banks pulled out of the Market, including ACC Bank and Danske Bank
- Increasing usage of Online and Mobile banking and shift away from ‘traditional’ banking (e.g. usage of cheques, usage of branches).
- The introduction of a multi bank protocol by Irish Banking Federation (IBF) members to attempt to deal with the significant levels of SME debt which remain in arrears.
- Continuing turmoil in the Mortgage market with Arrears still a major concern and little sign of any upturn in the market.
- The introduction of Targets by the Central Bank of Ireland for Banks to ensure problem mortgages are returned to sustainability.
- The introduction of new legislation which allows Banks to appoint receivers and take possession of Buy to Let and residential properties.
- The introduction Personal Insolvency legislation and a new Bankruptcy regime incorporating a new regulatory body – the Insolvency Service of Ireland.
- Increased regulatory oversight, monitoring and reporting.

As Winston Churchill once said “a pessimist sees the difficulty in every opportunity, an optimist sees the opportunity in every difficulty”. In OSG Banking we are definitely in the latter category and are already making good

progress in delivering solutions to assist Banks with their challenges. Brian Lande, Director OSG Banking stated “The combination of the existing expertise and infrastructure of OSG allied to our deep market knowledge, is allowing us to innovate strongly in the provision of solutions and services to the Banking sector and their advisors. Our aim is to grow rapidly to become a supplier of choice for the outsourcing and servicing of regulated, customer facing activities in this sector”.

The strategy of the OSG Banking division is to provide Consultancy, Staff Placement, Managed Services and Technology solutions to credit institutions across Lending & Debt Services, General Banking Operations and Review & Remediation Activities. Examples of solutions available include – assistance for consumers and creditors in engaging in the Mortgage Arrears Resolution Process; an administration and assessment service to deal with the Personal Insolvency legislation and a solution to help Banks better manage their Buy-to-Let property loan portfolios.

We have already completed a number of assignments, including:

- Development and implementation of an Online Standard Financial Statement (SFS) capture system for a bank.
- Redesigned the Mortgage Appeals and Complaints process for a bank.
- Completed a process review of a Receiver / Property Manager operation.
- Partnered with MABS on the consumer multi-debt pilot.
- Designed a Customer Support Centre operation for a Financial Services client.
- Developed a ‘bank’ solution for the management of large volume receiverships / reposessions.
- Developed an operations and technology back office solution for a Real Estate Investment Management company.
- Developed a Personal Insolvency “creditor service” proposal for a Bank
- Developed a product and service roadmap for supporting achievement of Mortgage Arrears Resolution Targets in a major retail Bank.



- The outlook for 2014 is for more of the same with Banks continuing to grapple with issues such as:
- The continued reduction in staff numbers and consequent loss of experience.
- The need to re-build trust in the sector, at a time when there a continuing retrenchment to core business, closures of Branches, divestments of business units and continuing consolidation in the market.
- The imminent arrival of the Single European Payment Area (SEPA) and the consequent changes for Banks and businesses.
- Continuing changes in the European Financial services Regulatory Framework.
- A desire to improve the offerings and take-up of digital channels in the Banking sector.
- A need to deal with a number of new players - particularly in the payments space.

As a result, we believe that there will be further moves to outsource certain activities in the Banking sector in order to reduce their fixed costs and move to a more variable cost model.

We believe that due to the consolidation that has taken place in the Banking sector in Ireland and the mistrust still evident in Consumer sentiment, that the timing is right in 2014 for a new player to emerge in the sector.

We see continuing regulation and oversight driving additional activity in areas such as Anti Money Laundering (AML), Know Your Customer (KYC), look back reviews of product sales in various areas, and a renewed focus on consumer protection. All of which will lead to new opportunities for OSG Banking. We know that with our combined expertise in process consulting, change management, managed services and bespoke technology we can provide cost effective solutions to the challenges faced by Banks and and other financial institutions in Ireland and internationally.

BERRYMANSLACE MAWER (BLM)


BLM's presence in Ireland is attributable partly to requests from insurer clients to introduce the clear and concise advice BLM is renowned for in the UK market into the Irish claims system. We also share a mutual objective with OSG; to offer the local market an alternative proposition for claims resolution services, providing a more effective and complete offering that encapsulates investigatory expertise, pre-litigation advice and claims handling, as well as a broad range of legal services.

Our fresh approach to streamlining the legal process for the resolution of claims and negotiating settlements to the benefit of our clients has achieved many significant favourable results.

However there remains a limited number of options under the current legal system. Therefore, together with the Director of UK Trade and Investment at the British

Embassy, we have initiated a series of meetings and discussions within the insurance market in Ireland in order to produce and drive an agenda for change. Our meetings not only involve major insurers and brokers but also the Irish Motor Insurers' Bureau, the State Claims Agency and the PIAB. We hope that this initiative will gain further momentum following an event in March, which will be kindly hosted by His Excellency Dominick Chilcott, Her Majesty's Ambassador to Ireland.

The last 12 months have seen rapid expansion within the Dublin office which has nearly trebled in size since October 2012. Lisa Collins, a specialist professional indemnity partner joined us from DAC Beachcroft in January 2014. Lisa has specialist experience in defending claims against a broad range of professionals including financial advisers, accountants, solicitors, architects, engineers and surveyors.



We have also been joined by Caitriona Hefferon, an insurance fraud specialist, who is working in association with UK-based joint fraud heads Sarah Hill and Raymond Southern. Caitriona has already spent time in our Manchester, Birmingham and London offices acquiring in depth knowledge of leading UK fraud techniques to enable her to apply those techniques to her work in Ireland.

New Dublin head of costs Majella Lavin joined the firm from Lords Legal Costs Accountants and has particular experience of the negotiation of costs in high value claims and will contribute significantly to our insurance clients' savings.

Furthermore we are continuing to prepare a healthcare offering which will mirror the strength of BLM's healthcare teams operating in England and Wales. We are retained by the leading medical and dental defence organisations

to provide advice and representation to their members in clinical negligence claims and regulatory investigations and in 2013 our UK based team was appointed to the UK NHS LA panel.

We look forward to continued expansion in Dublin.

Aidan Carr, Partner, Berrymans Lace Mawer, Dublin, Ireland
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PERSONAL LINES OUTSOURCING

Business outsourcing is one of the world's fastest growing disciplines and we will continue to act as specialists within the insurance and related financial services area. OSG is one of the leading providers of customer service and claims solutions to the Irish and UK personal lines insurance market. We are constantly seeking new ways of redesigning processes for our clients and thinking of new ways to grow our clients' revenue.

Our customer service teams handle over 500,000 inbound and outbound calls per annum while additionally servicing other rapidly growing channels such as email and web generated enquiries. We deliver significant added value in the processing additional revenues through off-line sales for our Irish and UK partners.

OSG provide knowledge process outsourcers: business outsourcing personnel with the qualifications, training, professionalism and expertise to make quality decisions on behalf of our clients.

The major issue we have encountered within the last 18 months is the requirement for temporary or permanent qualified staff at short notice for insurance personal lines work.

The main areas of concentration for insurers and other financial services companies are:

- Operational Flexibility
- Focus on compliance, information security and data protection
- Release of personnel and resource costs
- Quality and Efficiency of Service Delivery
- High Sales Conversion
- Enhanced Customer Experience
- Continuous Improvement
- Cost Containment

Customer Experience Management

Managing customers' expectations is the perhaps the single most critical service issue that needs to be handled by any organisation.

Most insurers require bespoke customer service teams to deal with all aspects of customer contact, from quote, sale right through to after-sales service. Customers require companies to be able to provide assistance without the need to transfer between various specific departments. This ensures the response time is reduced, service flexibility and customer satisfaction is increased. Due to the changes in minimum competency over the last few years making sure teams are multi-functional and regulatory compliant is essential for the customer.

OSG has addressed these issues by careful selection of the most appropriate qualified individual who then undergoes client specific training and understand that we carry out robust service quality reviews through one-one reviews of call quality and work appraisal. We review and monitor each agent's performance on a monthly basis, allowing us to make sure we continuously strive to better our service and provide effective and efficient interactions each time. OSG develop, in collaboration with our clients, tailored planning and forecasting models that allow flexible and successful real-time campaign management.

Continuous Improvement

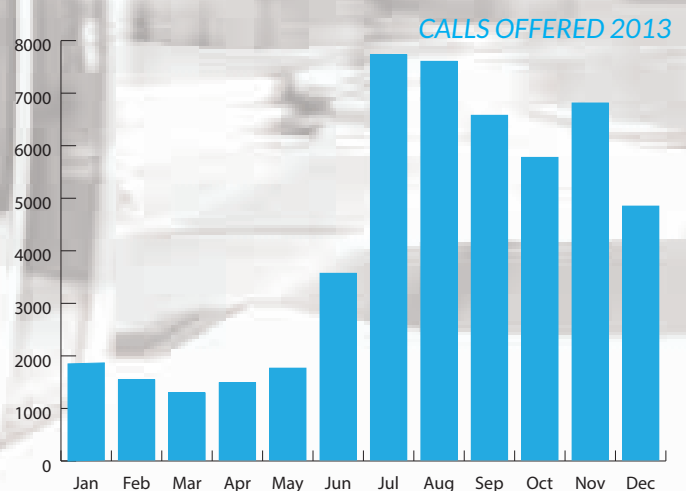
Focusing on process optimisation through continuous innovation and improvement is now standard for most of the insurance industry. Keeping one eye on technology at the same time helps outsourcing service companies integrate seamlessly into their client's workstream and practices.

Through people, process and continuous improvement OSG live up to these promises to our clients. We strive to drive quality and efficiency at all times, allowing our clients greater financial control and flexibility in an ever demanding, tighter regulatory driven market place.

Case Study

OSG have recently expanded a portfolio of business for a large Irish Insurer, focussing primarily on the Personal Lines sector.

OSG has a bespoke and brand specific Customer Service team in place which catered for a 370% increase in phone and off-line activity in response to a hugely successful broad market campaign. Through robust forecasting models and scalable processes OSG provided continuity of service, within agreed service levels, high new business sales conversion and retention rates on existing business.



By being fully committed to our client's requirements and assist in their desire to increase their market share we worked diligently and proactively to broaden their Personal Lines portfolio. This was achieved through strong sales performance while at the same time not compromising on service levels and remaining regulatory compliant.

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