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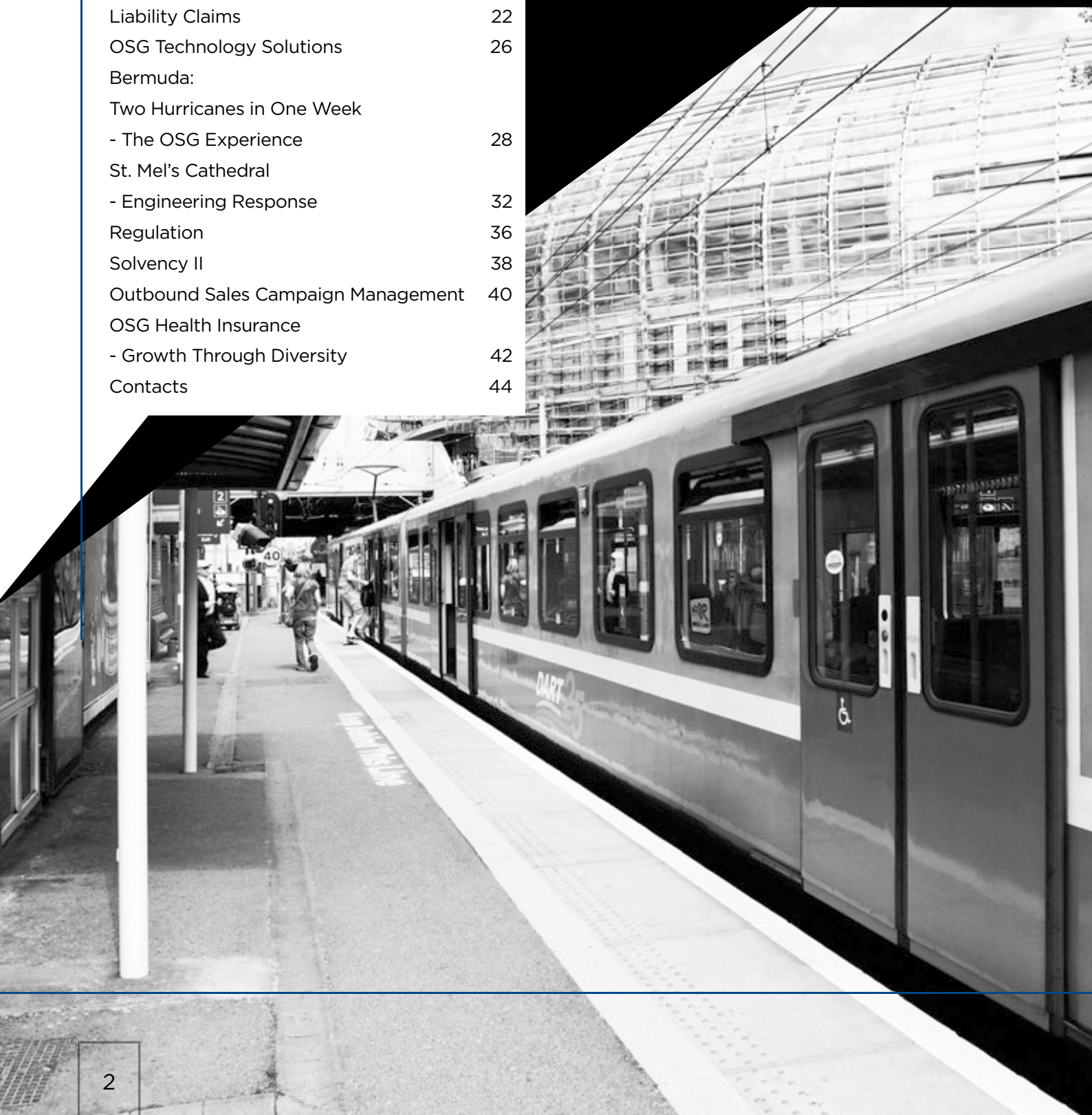
REVIEW



OSg

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INTRODUCTION

We are pleased to present on behalf of the OSG Group our Annual Review for 2014 incorporating a look back at market issues and developments in the claims and wider Insurance Arena and an outline of the continued OSG response. We also look forward in reviewing current trends, examine how we can continue to innovate and adapt to meet ever evolving changing market needs.

2014 was another busy year in the development of OSG, culminating in the celebration of 30 years uninterrupted, sustainable growth of the company.

Our investment in our facilities, operational structures, resources, technology and processes has continued to ensure that we maintain our position as the largest and most experienced Chartered Loss Adjusters and independent outsource service provider in the Irish Insurance Market place.

2014 has also seen the growth and expansion of our Business Solutions platform with a particular focus on sales, customer support, compliance and regulation.

We are committed to continuing to invest and innovate to ensure we are in a position to provide relevant, flexible and cost effective solutions to our clients and their customers.

Our particular emphasis during the current year is a renewed focus on the customer journey and how we can continue to deliver services in an empathetic and non-adversarial manner whilst at the same time remaining focused on claims cost management and control in a fully consumer regulatory compliant manner.

2015 will see OSG being awarded the gold standard as a Deloitte Best Managed Company and once again a National Champion in the RSM Farrell

Grant Spark European Business Awards. Whilst external validation is welcome, the real measure of successful service delivery is the continued and increasing support of all our clients.

We hope you find the review of interest and we would welcome any feedback that you may have. In the meantime we look forward to working with you all throughout the next year.



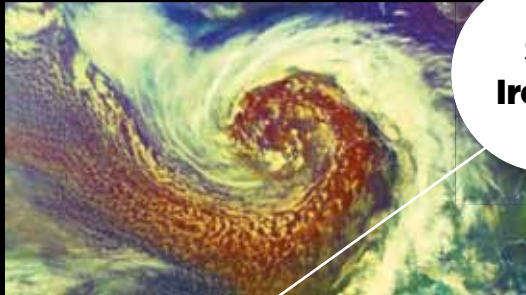
Malcolm Hughes
CEO



2014 IN BRIEF - TIMELINE

Insurance Ireland Members
Estimate Claims Cost for
December/January Floods
and Storms at

**€46
MILLION**



**Storm Darwin hits
Ireland 12th February**

**OSG Academy
Graduation**

JANUARY

FEBRUARY

MARCH

APRIL

MAY

JUNE

MISSION, VISION & VALUES

MISSION:

Our mission is to provide competitive business solutions that meet the changing demands of the market for our clients and their customers.

VISION:

Our vision is to become the preferred provider of outsourcing services for the Irish and chosen insurance & international markets. We intend to achieve this using a combination of extensive industry experience, operational excellence, lean process management and modern technology.

VALUES:

OSG was founded on a number of key principles which are carried into every service we provide to our clients:

■ Security ■ Integrity ■ Quality ■ Trust ■ Professionalism ■ Innovation





PEOPLE, PROCESS & TECHNOLOGY

- **PEOPLE** - OSG is a learning organisation providing for the development of our talent for the benefit of our organisation, our clients and their customers
- **PROCESS** - We have a dedicated transformation team operating to continuously improve business processes internally and with our clients.
- **TECHNOLOGY** - OSG believes in innovation. We continuously assess new opportunities in technology, processes and people to uncover areas of real value for our clients.

BEHAVIOURAL SCIENCE

Our services and service platform have been enhanced and transformed through the application of Behavioural Science including conversation management and structured investigative interviewing techniques.

CONTINUOUS IMPROVEMENT

In 2010 we made a decision to transform our service offering by introducing Lean Business Principles - improving our services while reducing costs and eliminating waste. During that time we have seen dramatic changes in the insurance market as companies have shifted from being product centric to being truly customer centric. This approach is supported by our lean model.

INSURANCE MARKET & TRENDS

- OSG MARKET POSITION

OSG CELEBRATED 30 YEARS IN BUSINESS IN 2014. This significant milestone has given us an opportunity to not only reflect on what we have achieved but push forward to uncover what the future may hold.

“The market is growing.
OSG Group will ensure
you are too.”

Swiss Re's latest publication, “**Global Insurance Review 2014 and Outlook 2015/16**” explains that the global economy is expected to strengthen next year. There is expected growth in non - life insurance premiums (2.8% in 2015) supported by strong economic activity in emerging markets.

With prosperity within the insurance industry on the horizon for 2015 we must remember this growth can only occur by stepping up and taking notice of what the growth drivers will be. Diversification and innovation are the main growth leaders within the market. This goes hand in hand with the opportunity to grow existing market share. OSG Group understands the importance of diversification and innovation not only in providing for potential clients but for current clients as well.

Outlook 2015

2015 looks to be a significant year for the insurance industry with a focus on regulation, technology and economic activity. Change seems to be a key theme shining through. Insurers will need to adapt to embrace digitalisation and capitalise on customer data, focus on customer needs by strengthening intra - industry relationships and prepare for cyber risks and data security. These present companies with many daunting, yet pertinent risks and challenges. It is imperative that these challenges are faced head on and opportunities are created to gain competitive advantage. For this reason we, at OSG Group think now is the time to act and engage with outside parties to assist with strategic planning to guarantee safety for the future.



PROFESSIONAL SERVICES & OUTSOURCING 2015

Technology

Effective technologies contribute to cost savings and more efficient operations. Insurers need to embrace technology to appeal to home and international markets. Outsourcing can provide a business with wide-scale transformation through greater use of technology. Professional Service providers can streamline and reduce the number of systems involved to create a unified standard operating platform. Technology can also be used in the relationship between a client and service provider in order to provide effective monitoring of performance, quality, and ensures that the client has an overall visual of operations.

Talent

It is essential that a service provider is adapting to the way we can add value to a company. For 2015 outsourcing is moving away from the 'lift and shift' model (low cost labor delivering a client's own processes and systems) into fulfilling a fully transformed business process. As mentioned, technology plays a big part in this but a talent base is essential. Risk management, technical skills, analytical abilities, customer experience and sales strategies are all necessary in a successful insurance business process. Outsourcing can address gaps in a client's current talent base-while adding extensive industry experience. If change becomes the overall theme in 2015 then companies need to start assessing these very real risks. Outsourcing can add value to clients businesses providing them with a competitive advantage in the market. OSG Group is ready to charge into 2015 with the right people, process and technology to provide any services your company may need.

Regulation

With regulation remaining a key concern in 2015, the impact of such changes is unclear. It is important that a service provider is forthcoming in sharing ideas and potential barriers with clients around changing regulations. It is also necessary that a service provider has a shared vision with the client on future changes in regulation. The following list contains some developments set to impact on the Irish and UK insurance industry over the next few years.

Eight regulatory developments in 2015 - Ireland and UK

- **INSURANCE BILL** - reform the statutory rules concerning non- consumer insurance contracts

- **SOLVENCY II** - Introduce changes in three main areas; 1. Valuation of assets/liabilities and capital requirements, 2. Governance and risk management, 3. Reporting and disclosure obligations

- **CONSUMER RIGHTS BILL** - introduce changes to the way insurance products are sold to consumers

- **GUARANTEED ASSET PROTECTION (GAP) INSURANCE** - issues associated with sales of GAP insurance by motor industry (miss-selling)

- **PRIVATE MOTOR INSURANCE** - CMA investigation

- **FCA 2014/2015 BUSINESS PLAN** - customers, culture and conduct in 2015

- **INSURANCE MEDIATION DIRECTIVE**

- **GUIDELINES ON VARIABLE REMUNERATION ARRANGEMENTS FOR SALES STAFF**

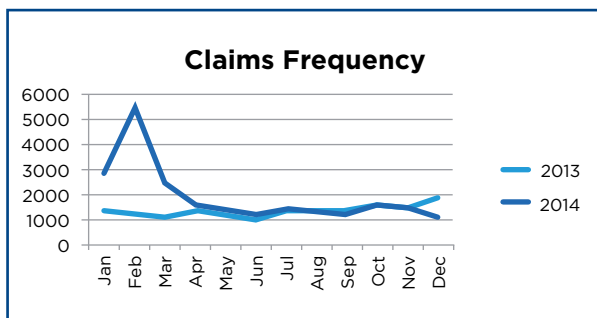
PROPERTY CLAIMS

WELCOME TO OUR LOOK BACK REVIEW OF PROPERTY CLAIMS IN 2014. This is where we examine the key features and property claims patterns occurring over the past year; we identify new emerging trends and we also consider claims solutions that will support you over the coming year.

Strategically throughout 2014 OSG continued our investment in technical resource and capacity. This was supported by our on-going adoption of global lean practices along with enhancement to our field and back office technologies. This combined capability underpins our drive on fair claims cost control whilst also supporting our focus on delivering an enhanced customer journey into 2015.

Overall Claims Frequency

Back to back weather events culminating in the arrival of Storm Darwin on the 12th February 2014 dominated the claims frequency pattern last year. The main impact of this weather related surge was apparent in Q1 2014 though additional new instructions continued to emerge until June 2014 when patterns reverted to normal seasonal variation.



OSG managed in excess of 7,000 weather related claims during this period. It was also necessary to actively manage normal non weather related caseloads in parallel, requiring agility in response and effective use of resources available. Innovations such as the establishment of a dedicated **"Broker Claims Assist Line"** and the adoption of regular **"PLA Settlement Workshops"** supported this delivery.

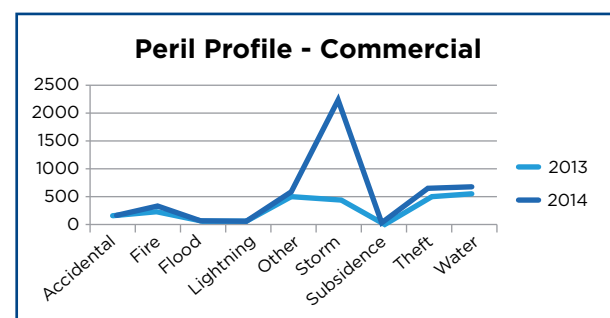
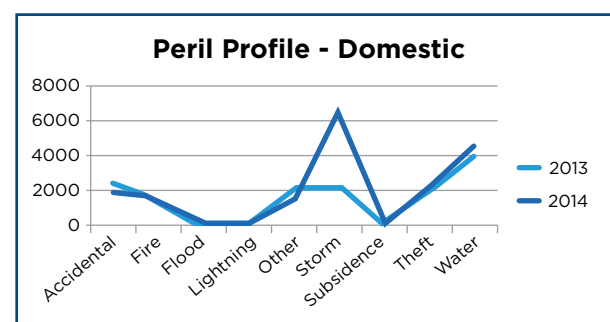
These back to back incidents also revealed the potential for capacity deficits to arise across the market in the event of a serious national claims surge occurring. OSG believe there is opportunity for the market to collaborate more

effectively and to look more strategically and innovatively at the optimum use of combined market assets in such an event. To this end we have been meeting with insurers to review surge response opportunities for 2015. Further detail on OSG Surge Planning is available to you upon request.

Excluding weather related surge the remainder of 2014 revealed only a modest overall rise of circa 4% in terms of claims frequency compared to the same period in 2013. The reducing trend apparent in December 2014 when compared to the previous year is attributable to the weather related activity which occurred in December 2013. Frequency mix between Domestic and Commercial lines of business in 2014 was also broadly similar to 2013 with a variance of just + 5% on the commercial book year on year.

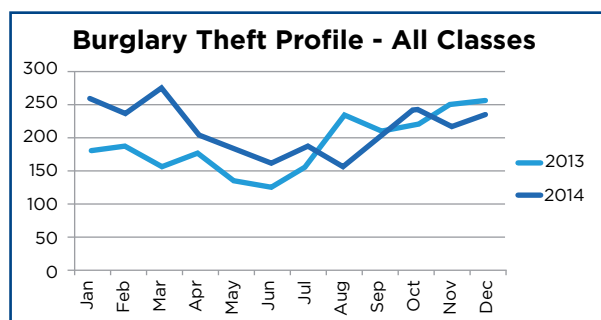
Loss Type Frequency

Analysis of loss type when the weather related surge is removed revealed broadly similar patterns for the majority of perils between 2014 and 2013 with just three exceptions; accidental loss or damage; theft; and escape of water claims.



OSG saw a significant reduction in claims for **accidental loss or damage** of - 30% in 2014 when compared to the same period in 2013. No year on year seasonal spike emerged in terms of this negative variance with the reducing trend spread evenly over the year.

Theft claims across all classes of business increased again by +12% in terms of frequency. More fine grained analysis established a +7% rise in reported domestic theft claims and a +29% rise in reported commercial theft claims. The commercial frequency trend whilst most pronounced in Q1 2014 remained consistent over the year with the exception of the summer months.



2014 also revealed an overall frequency rise in **escape of water claims** of +14% across combined business classes. Analysis revealed the majority of this increase; +15% occurred in the domestic book whilst a +6% variance was noted in the commercial book.

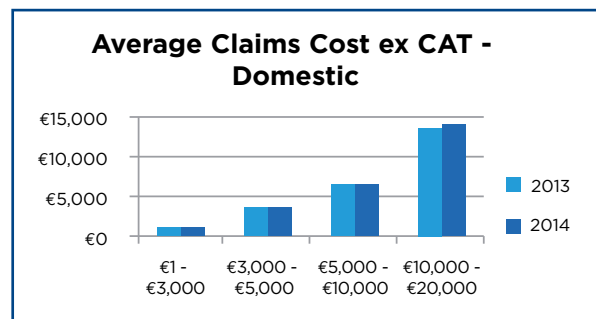
Average Claims Cost

Control of average claims cost is a continued focus point within OSG and our unique deployment of Xactimate and eValue assets remain of significant benefit to this strategy.

We have compared average cost outcomes between years 2014 and 2013 for domestic cases with a value band of < €20k, as this is where the majority of claims volume rest. This exercise should also be considered in the context of the **OSG Household Claims Inflation Report 2014**, also published within this annual review.

Our analysis has revealed an increase within the lowest average cost value band of +10%, a neutral and stable trend within the mid-range

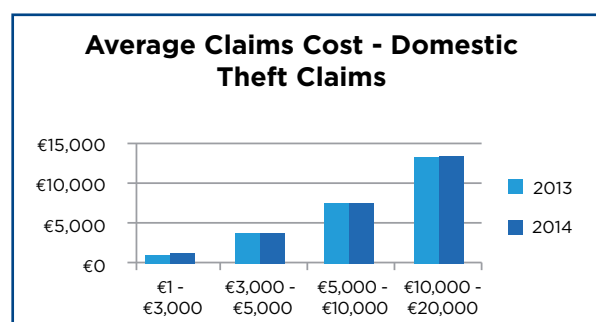
bands and a marginal increase of +1% within the upper value band selected.



Average Settled	2013	2014	% Change
€1 - €3,000	€1,183	€1,301	↑10%
€3,000 - €5,000	€3,896	€3,908	↑0%
€5,000 - €10,000	€6,765	€6,778	→0%
€10,000 - €20,000	€13,583	€13,741	↑1%

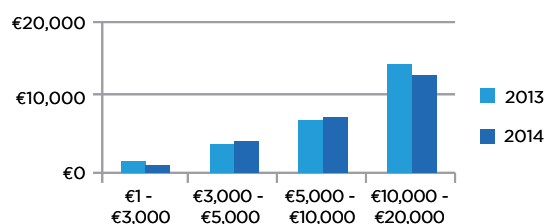
Further analysis of trending on the lower value band suggests gadget type items such as tablets, laptops, mobile phones and home entertainment technologies along with jewellery continue to be the main influencers.

Bearing in mind the emerging increased frequency previously identified for escape of water and theft claims we have also evaluated average cost outcomes for same which yielded the following results which are consistent with the former findings.



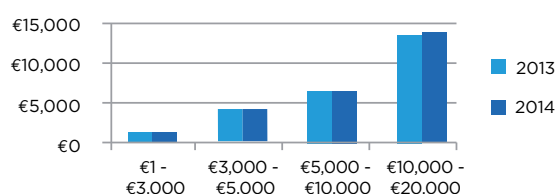
Average Settled	2013	2014	% Change
€1 - €3,000	€1,282	€1,431	↑12%
€3,000 - €5,000	€3,840	€3,832	↑0%
€5,000 - €10,000	€6,980	€6,964	→0%
€10,000 - €20,000	€13,537	€13,566	↑0%

Average Claims Cost - Commercial Theft Claims



Standard Mkt Band	2013	2014	% Change
€1 - €3,000	€1,543	€1,476	↓ -4%
€3,000 - €5,000	€3,771	€3,899	↑ 3%
€5,000 - €10,000	€6,777	€6,981	↑ 3%
€10,000 - €20,000	€14,454	€13,468	↓ -7%

Average Claims Cost - Domestic Escape of Water



Average Settled	2013	2014	% Change
€1 - €3,000	€1,707	€1,699	↑ 0%
€3,000 - €5,000	€3,911	€3,891	→ -1%
€5,000 - €10,000	€6,763	€6,842	↑ 1%
€10,000 - €20,000	€13,366	€13,686	↑ 2%

We are also seeing a continued recovery in the construction sector and the impact of this on the domestic repair market and associated costs will warrant further close scrutiny over 2015. We shall report separately over the course of the year with additional analysis as claim cost trends begin to emerge.

OSG Jewellery Solutions

It has been another very busy year for our bespoke jewellery solutions offering led by our retained consultant P J Dowling. Mr Dowling has over 35 years experience within the jewellery sector to include retail, wholesale and manufacturing and is ideally placed to leverage established contacts and relationships within the industry. The service offers include provenance based appraisal, appraisal supporting negotiated cash settlements or fulfilment as required / requested.

We saw instructions from clients increase by +75% in volume terms for 2014 when compared to 2013. Average costs in terms of jewellery settlements rose overall by 11% year on year with 2013 influenced by an increased number of very significant claims involving multiple items of high value.

Combined sums of €9m claimed were adjusted to €5.8m, representing a saving of 35% an increase of 3% on the previous year. All jewellery claims received by OSG whether managed out of field inspection or desk managed are referred through this specialist division.

The market appetite remains very much on appraisal supporting cash settlements, with fulfilment offered to the client but not imposed. In 2014 we again saw fulfilment focussed on diamond jewellery and high end watches similar to the previous year. Conversion levels here are low in the absence of imposition however the benefit of fulfilment is that pricing represents wholesale rather than retail thresholds. Customer satisfaction of our jewellery solutions was also very high in 2014 with numerous positive testimonials being received and no upheld complaints or CPC breaches arising.

Large & Complex Claims

All large and complex claims are managed out of our bespoke unit for such losses and involve only our most experienced and qualified practitioners. Distribution control to ensure appropriate deployment of the skill set required is driven from First Response and supported by strict and defined escalation protocols thereafter.

Overall 2014 was benign in terms of catastrophic losses within the industry and this was apparent within our own review. Most significant losses in 2014 related to fire damage which is consistent with previous years and involved a combination of residential, retail and manufacturing. We also saw the final completion and reopening of St Mel's Cathedral in December 2014, a complex multi-million euro project completed after a five year reinstatement program. OSG are very proud of our appointment to this prestigious project, the largest of its kind in Europe.

Deployment of our Forensic Psychology asset

headed by Professor Eric Shepherd was on par with the previous year, as were referral ratios into our Special Investigation Unit which remained at 12% of volume investigated. No new fraud trends emerged in 2014 when compared to the previous year. The pattern of referral once again centred on cases where the circumstances of the loss gave rise for concern, gross overstatement was observed, non-disclosure of material facts were detected or misrepresentation of risk at inception was identified.

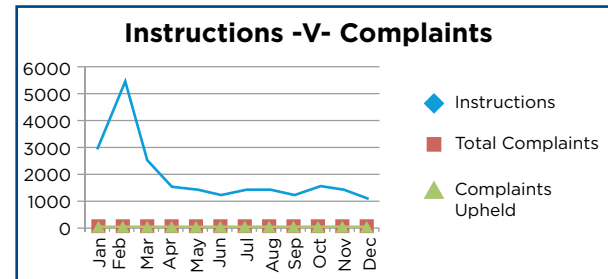
“Control of average claims cost is a continued focus point within OSG and our unique deployment of Xactimate and eValue assets remain of significant benefit to this strategy.”

The Customer Journey

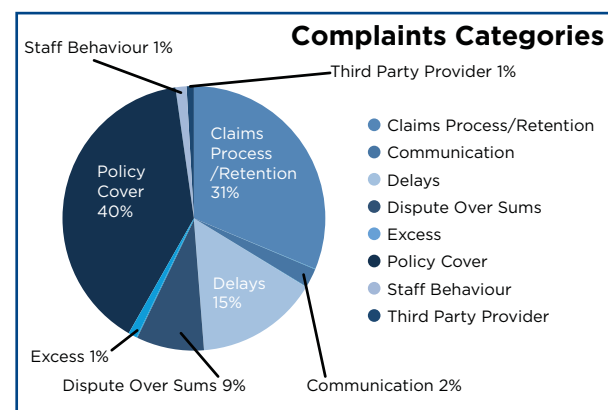
SG have continued our focus on the Customer Journey and CPC Regulatory Compliance throughout 2014. Any expression of dissatisfaction is logged, comprehensively investigated and managed by our Customer Services Team fully in accordance with the Consumer Protection Code.

Overall complaints as a % of instructions received remain extremely low. Notwithstanding same we saw minor peaks arise in late Q1 and early Q2 of 2014 which upon investigation related to delay impacted by the earlier surge event. These were promptly addressed through revised strategies in operation control at the

time. We saw a further minor rise in complaints at the end of Q3 2014. Investigation revealed a slippage in normal standards at that point which once identified was quickly corrected and normal low trending resumed thereafter.



Of the complaints and referrals received only 11% were fully upheld, 14% were partially upheld, 2% remain pending and a total of 73% were not upheld. A root cause analysis of those complaints either upheld or partially upheld revealed the following outcomes.



We would refer you to our Forward Focus 2015 article within this publication for more detail on OSG enhancements currently underway to improve the customer journey and experience. Should you require further information in relation to this or any other feature of this review please do not hesitate to contact us.



FORWARD FOCUS - PROPERTY CLAIMS MANAGEMENT INTO 2015 & BEYOND

In Q4 2014 OSG undertook a full business review to identify where service performances and efficiencies could be improved upon and where we could enhance the customer journey whilst still exercising control on claim costs.

Many industry processes and practices have evolved over the past years to include our own internal procedures. We felt it was timely to re-evaluate same in the context of whether existing service level criteria and practices were adding value to current market objectives. We also wanted to establish how these currently impacted on our own procedures and service delivery. Key to our focus was identifying any accelerators or inhibitors to improving the customer journey and reducing file life cycles whilst continuing to fairly control claims cost. We also wished to identify what opportunities arose to reduce our own and client operating costs which have grown exponentially in recent years.

Communication:

Growth within an organisation and an increasingly complex level of demands within the industry bring real challenges to communication. We saw a rising level of instructional mail and ineffective communication methodologies beginning to emerge. We have therefore brought this back to basics.

Communication is now “face to face” focussed, e-mail instructional traffic has been dramatically reduced and operational effectiveness/enthusiasm has already dramatically improved. Weekly “tell & listen” meetings are now taking place in each unit and fortnightly operational management meetings take place centrally. Performances continue to be monitored and measured utilising our Nathaen Logix software, customer feedback and NPS outcomes which are already showing positive trending.



The Operational Management Group

remains underpinned and supported by all OSG Central Services.

First Response Unit:

Next to come under the spotlight was our First Response Unit (formally FNOL). We are transitioning this from a claims registration and appointment scheduling function into a more customer focused first response. Telephone script sheets have been modified to support an enhanced customer conversation along with next steps and pre-processing of the claim. Our aim is to set the adjuster up to succeed with case closure during a quality visit rather than the claims resolution process commencing at inspection. This transition has also involved additional resource investment and further staff training to include conversation management training.

Procedures & Adjusting Resources:

Standard Operating Procedures for loss adjusters and claims handlers are also being actively upgraded. Key to our objectives is a targeted rate of "First & Final" reports, reduced life cycles and an enhanced customer journey. Claims cost control continues to be exercised utilising core technical competencies supported by technologies such as Xactimate and eValue.

We have also increased our technical loss adjusting resources from last year through a combination of internal transfer, promotion and recruitment. The new loss adjuster capability includes the following personnel;

Colm Kernan	(Property)	BA, BAI (Civil Eng), Dip CII	12 years industry experience
Feargal Bracken	(Property)	BA ACC & FIN, Dip LA, CIP	14 years industry experience
John Harnett	(Property)	CDIP LA	7 years industry experience
Jennifer Folan	(Property)	CIP	4 years industry experience
Matt Loftus	(Property)	ACII	8 years industry experience
Greg Owens	(Property)	MSc Forensic Science	2 years industry experience
Denis Maguire	(Liability)	APA	4 years industry experience
Michael Carraher	(Liability)	APA	7 years industry experience

In Q4 2014 we had two colleagues; Nick Brennan and Brendan Boyle leave the business. We wish them every success in their new roles and careers.

Current Practices Health Check:

We believe some of the current practices and focus within the market to include certain service level criteria and traditional oversight / audit protocols could be refined to support enhanced service delivery, an improved customer journey and reduced costs (operational & claim). We propose engaging with you at strategic review over the coming weeks, to discuss and understand our mutual objectives into 2015 and to see where we can enhance delivery against the various challenges that the market faces.

OSG FIRST RESPONSE UNIT (FRU):

TURNING A NEGATIVE INTO A POSITIVE

The minority of policyholders ever make an insurance claim. For most it is a 'one off' – or hopefully a very low frequency – experience that starts usually with a telephone call to the insurer.

Telephone conversations: facts of life

Callers and call handlers experience problems talking on the telephone.

Harder work for the brain

Without visual clues - such as hand movements and facial expressions to assist comprehension - it is very difficult to concentrate on a stream of utterances, and to remember the key ideas. The present utterance disrupts memory of those before. In face-to-face exchanges we only remember the 'gist', with 'islands' of detail that stick out. Recall of telephone conversations is markedly poorer.

Difficulty knowing when it's your turn to speak

In telephone conversations it is difficult to judge when to take the talking turn. Interruption is common as is talking at the same time (over-talking) - neither is listening to the other. Frustration is frequent. Perceptions of rudeness and lack of interest are common.

Greater sensitivity to how things are said

In telephone conversation there is no gaze or nods to signal attention, that one is following and understanding. We become very sensitive to paralanguage - the way things are said. 'Tone of voice', pitch, volume, speed, and rhythm are potential clues - intended and unintended - to a speaker's:

- perceptions of the relationship, the conversation, and the topic
- attitude and emotional state.

Call scripts

Service centres rely on scripts to enable:

- rapid identification of the issue and steps to resolve this
- consistency of content, advice and action
- compliance with regulatory and legal requirements.
- Call scripts risk increasing mental overload and talking turn problems, and heightening sensitivity to paralanguage.
- Callers quickly detect when a call-handler is reading from a script.
- Rapid delivery, absence of cadence, or both, evoke negative perceptions of the call-handler being in 'auto pilot', disinterested or bored.
- Call-handlers are at risk of being perceived as working against the clock:
- keeping the duration of the call to a minimum
- focusing more on "setting up" details than on listening
- compressing the caller's account ("what happened") into one or two lines
- making assumptions, and compounding these with confirmatory, leading or suggestive questions
- rapidly passing the problem on to another person in the organisation.

First notification of loss (FNOL)

We and our client combine training, call monitoring, mentoring, and performance management to ensure that the claimant:

- has a positive experience of calling to notify a loss
- knows OSG as appointed loss adjusters will soon contact the claimant to progress his or her claim.

OSG's First Response Unit (FRU)

Our first contact with the claimant is pivotal. The FRU is continuously developing the quality and the content of this contact, to deliver an extraordinary, speedy service to claimants – and our client. It involves the claimant in a collaborative process of disclosure, problem solving and action that enables the assigned loss adjuster or claims handler to engage in rapid assessment and decision-making.

The FRU script is rather special blend of applied psychology.

Relationship management

FRU members create positive “working” relationships through mindful RESPONSE behaviours:

- Respect
- Empathy
- Supportiveness
- Positiveness
- Openness
- Non-judgemental attitude
- Simple, straightforward talk
- Equality – talking “across”, not “down”, to the claimant.

Conversation management (CM)

This facilitates maximum disclosure and maximizes capture and assessment of detail through continuous:

- explanation and informing – ensuring the ‘why’, ‘what’, ‘how’, ‘when’ and ‘who’ are clearly understood
- productive questioning – to elicit a full account of “what happened” – essential to enabling loss adjuster/claims handler to prepare, plan, assess and make an early settlement
- systematic checking – inviting the claimant to confirm, to correct, or to add detail.

Advice

The FRU member gives simple, practical advice tailored to the loss and the disclosed detail, e.g.

- Contact with Gardai
- Securing the property
- Emergency and additional repairs
- Repair or replacement of damaged items
- Taking photographs
- Securing vulnerable or salvageable items.

Explanation and action plan

The FRU member explains that the claimant will receive an email:

- confirming the details of the assigned loss adjuster/claims handler
- re-stating the advice given
- with key documents attached for action by the claimant: OSG Customer Charter, Claim Form, PLA Mandate, and Inventory Form of Damaged or Destroyed Items.

The outcome

Albeit any loss is a negative experience our FRU works:

- to set in train a positive experience: from our initial response through to settlement
- to minimise the life cycle of the claim
- to reduce claims costs to our client.

In sum, a “win-win” approach to claims management.

HOUSEHOLD DEFLATION

In June of 2014 we published our Annual Inflation / Deflation Report. The summary findings of that report produced by John McGee and Tom Cleary of OSG is outlined below. The purpose of this report is to provide a forecast of annual household property claims deflation for the second half of 2014 and 2015. The summary of our core findings were as follows:

BUILDINGS

Overview

- Total value of **Construction output in 2013 was €8.25 billion**, a rise of circa 2% on 2012
- **5% growth** in construction output predicted for 2014
- Q4 2013 v Q4 2012, show a **+12.1% annual change** in the value of building and construction production and **+11.5% change in volume**
- Housing output fell to **8,301 units in 2013** with just **1,306 units in Dublin**. Momentum improved towards the end of the year and this has continued in 2014 with completions up 15% in January & February on the same two months last year.
- Tender levels on large projects increased by **3.1% in 2013** while input **costs rose by 1%**
- CSO figures released in May 2014, show **employment in construction has increased 6.2% Q1 2013**
- (96,300) to Q1 2014 (102,300)
- **Residential property prices** in the year to April **increases 8.5% nationally**. (Dublin +17.7%, rest of Ireland excluding Dublin +1.3%)

Material Costs

We estimate material costs will rise in the remainder of 2014 and 2015 as follows;

2014:  **1.00%**

2015:  **1.00%**

Labour Costs

With regard to domestic claims, we predict that there will be pressure on labour costs and for the remainder of 2014 and into 2015. We estimate inflation as follows;

2014:  **0.50%**

2015:  **1.25%**

Contents

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

2014:  **-3.00%**

2015:  **-3.50%**

Deflation/Inflation Forecast 2014 - 2015

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 2014 of -0.26%, and for 2015 slight inflation of +0.01%:

	2014	2015
Materials	1.00%	1.00%
Labour	0.50%	1.25%
Buildings (Weighted: Materials 30:70 Labour)	0.65%	1.18%
Contents	-3.00%	-3.50%
Forecast Deflation (Weighted: Buildings 3:1 Contents)	-0.26%	+0.01%

Since the report was published, there has been a measurable upturn in the economy, and a recommencement of activity in the construction sector, however notwithstanding these developments, we continue to maintain that Household Claims Price Inflation, will not be a material consideration during 2015.



MOTOR CLAIMS

What is driving Motor Claims:

Market Changes:

With the collapse of Setanta Insurance and over 2,000 claims outstanding a decision has to be made by the Government as to how these claims will be paid. The Insurance Compensation Fund set up under the Insurance Act 1964 will only discharge 65% of the claims costs with a maximum payout of €825,000. It doesn't cover claimants who are commercial companies. Will the Motor Insurance Bureau funded by a 6% levy by Insurers under the 2006 agreement be obliged to deal with these claims leading to the knock on effect where Insurers and by extension their policyholders fund the difference?

The Courts Bill was published in March 2013 with the rules coming into effect in February 2014 revising the monitory jurisdiction limits of the Courts. With the changes that have been implemented there is a potential for increased costs to unsuccessful parties to litigation resulting from higher awards under the new jurisdiction. However the intention would appear to envisage more efficient distribution of cases between the Courts resulting in overall lower legal costs for parties to the Proceedings.

Will legislation be put in place this year dealing with Periodic Payment Orders? This will have a very real impact on the reserving requirements for both Insurers and Reinsurers and could significantly impact on the cost of both.

What impact will the recent judgement in the case of Russell (a minor) v HSE regarding the "real rate of return" have on catastrophic injury claims.

The Social Welfare and Pensions Act 2013, came into effect in early 2014 and is designed to help the state recover the value of certain illness related Social Welfare Payments from compensation awards made to persons as a consequence of personal injuries claims. This will no doubt have an impact in the level of reserve applied to Insurers Motor Claims portfolios. Although there is a five year limit with a €50,000 maximum per case, reserve

increases will have a knock on effect on combined operating ratios.

Recent media reports highlight the fact that with more cars on the road more accidents are occurring and Insurers have paid out more in respect of claims leading to increases in motor premiums in the order of 20 to 25%.

Road Safety:

Based on the available information the majority of minor road collisions occur between 10.00a.m. in the morning and 4.00p.m. in the early evening. Most accidents occur on Friday with the next most dangerous day being Thursday. For more serious accidents these appear to occur between 10.00a.m. and 4.00p.m. with Sunday being the most dangerous. For fatal accidents the majority of these occurred between 4.00p.m. and 7.00p.m. and Sunday was again found to be the most frequent day when this type of accident occurs.

"The highest number of deaths involving car users in 2013 was Cork with 19 fatalities. Dublin followed a close second with 14."

In 2013, Cork and Dublin had the poorest road safety records, while Monaghan, Donegal and Kerry had the highest fatality rate per million of population. Clare, Carlow, Leitrim, Longford and Waterford were the counties with the fewest fatalities with two road deaths in each county. 2013 saw the first year on year increase in the number of road deaths in Ireland for the first time since 2005, when 190 people lost their lives compared to 162 in 2012.

Market Analysis:

Analysis with our partners has revealed that close to **30% of all accidents** in the last 12 months arose with **drivers between the ages of 25 and 35**. Of all the reported accidents 66% manifest into claims.

The **day most likely** to give rise to an accident is **Friday** with the **least likely Sunday**. It would appear however that when an accident occurs on a **Sunday it is more serious**.

Seasonal differences do occur and while reported accidents across seasons remains even, **the more severe accidents occur during the winter months**.

Teenagers and the **over 65's** make up close to **10% of reported accidents** overall.

The driver occupation making up the **greatest proportion of reported** claims are **taxi drivers** with close to **9%**.

The MIBI were notified of **1080 untraced claims** in 2014, these are cases where in the first instance the alleged offending vehicle was not identified. In **Dublin there were 367** of these, followed by **Limerick where there were 109**.

There were **2079 uninsured claims** notified last year. The county where most of this type of claim arose is **Dublin at 837** followed by **Cork at 136**.

The Future:

- Based on the information available the number of motor liability claims assessments made by the Injuries Board is increasing.
- Since 2008 fatalities on the road decreased until 2012 but in 2013 showed an increase.
- Serious injuries recorded since 2008 showed a decrease until 2012 but in 2013 showed an increase.
- Minor road collisions decreased since 2009 but are now also showing an increase.
- Claims involving Untraced and Uninsured motorists rose sharply in 2014.
- Claims frequencies were falling up until 2012 but now appear to be on the increase.



Motor Claims Service:

As part of OSG's portfolio of outsourcing solutions, the investigations and management of Motor Claims is part of our core knowledge based liability adjusting provision. We provide our clients with a dedicated motor claims unit, including our countrywide network of investigators. We offer a full solution in relation to Motor Claims.

Rapid response to incidents, first party or third party, when and wherever they may occur is key to the successful management of an insurance programme and the claim spend, thus protecting your brand and stakeholders interests as well as the company's fiduciary position. OSG facilitate the timely reporting and recording of all incidents, the provision of initial advice coupled with the collection of appropriate material data and documentation. We provide detailed workflow processes as part of our offering which can be tailored for you according to your requirements and brand considerations.

Our standard service includes;

- All inbound and outbound calls recorded
- Agreed scripts for team members
- All personnel trained and compliant with Consumer Protection Code from the Central Bank of Ireland, Treating Your Customers Fairly from the FSA, UK and Data Protection legislation (Ireland & UK)
- Management Information Reports designed to customer requirements
- Full diary tracking of claims
- Statement of fact claim forms
- Faster settlement process
- Quarterly review meetings

The claims management cost containment initiatives available within the OSG range of services also include:

- Approved repairer network
- Windscreen replacement/repair service (flat rate pricing)
- Approved motor engineers network
- In-house third party property damage and personal injury liability adjusters

- Special Investigations Unit (Fraud)
- Recovery Management
- Close partnership with experienced legal practice BLM, Ireland

Motor First Response Unit (FRU)

Initial Notification is taken by the OSG FRU service team.

Members of the Motor FRU service team are trained problem solvers and using their experience, training and protocol checklists they obtain the maximum amount of information from the policyholder, at the first point of contact. This not only ensures the claim is routed according to the skills of the claims handler but assists the seamless handover of the claim to the assigned claims handler.

Our Motor FRU service team are also trained in the latest conversation management and cognitive interviewing techniques offered by the OSG Academy. This training assists the team in steering to approved repair network and preferred service providers. It also assists in initial fraud identification and subsequent routing through Counter Fraud Best Practice Procedures.

- Assessment of Liability Conditions
- Redirection, where appropriate, to TP insurer
- Successfully steer to appropriate Motor Network
- Early identification of any potential personal injury claims and immediate hand off to claims handling team

At all times the policyholder has access to our customer service/complaints unit which is part of the overall Claims Management service team.

Recoveries

- The review of all new recovery referrals, all motor lines, from your motor claims handlers.
- The end to end recoveries handling in line with your best practice recovery procedures.
- The appointment of specialists to assist with the recovery practice.



LIABILITY CLAIMS

2014 has been a challenging year in the context of liability claims with a number of significant developments all having implications for any insurers writing liability related business in Ireland.

Recovery of Benefits & Assistance Scheme

Section 13 of the Social Welfare & Pensions Act 2013 introduced the above scheme which became effective from the 1/08/2014. The scheme provides for the repayment of certain state benefits by insurers (and parties who may be self insured) to The Department of Social Protection including :

- Injury Benefits
- Illness Benefits
- Partial Capacity Benefits
- Disability Benefit
- Disability Allowance
- Incapacity Supplement

The scheme does not apply to fatal injury cases.

A compensator - insurer or self-insured - is liable for repayment of these benefits from the date on which an injured person first becomes entitled to the benefit as a result of a personal injury. The retrospective element of the legislation means that the compensator is liable to repay benefits in the case of claims for personal injury resulting in an entitlement to benefit and which pre-dated the introduction of the scheme on 1/08/2014. This retrospective element can have a negative impact on reserves in existing cases which pre-dated the 1/08/2014 especially where liability was very much a live issue and there was the potential for either a “nuisance value” or “all inclusive” settlement with the claimant.

There are limitations including a maximum period for recovery of five years which would normally equate to a maximum recoverable benefit of some €50,000 odd. In addition the compensator is entitled to offset the amount of the benefits against compensation for loss of earnings or profits though it cannot be offset against other aspects of the compensation claim. It should be said that in the absence

of a claim for loss of earnings or profit then the compensator has no liability under the RBA Scheme. It may be for example that an employer has paid his injured employee his full wages during the period of his absence following an accident at work.

A significant burden for the compensator is their inability to reduce the amount of the benefits for contributory negligence other than by way of a Court Order. The general view is that this has, to a large extent, done away with the benefit of “all-in settlements” for both sides and for insurers this has had a negative impact on file life cycles and possibly the integrity of existing reserves.

The Department of Social Protection estimates that it will recover upwards of €20 million as a result of the introduction of the scheme. The industry view is that ultimately the sum will be far higher than this with the potential for other areas of benefit to be included under the scheme.

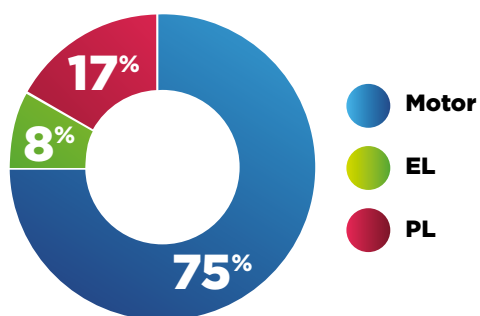
The Injuries Board

We await the latest round of statistics for 2014 from the Injuries Board. A review of the 2013 numbers however, indicates a 5% increase:

Year	No. of Awards	Value of Awards	Average Award
2013	10656	€243,460,000	€22,847
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	8208	€181,040,000	€22,057
2006	5573	€115,280,000	€20,685

(Source : Injuries Board.ie Statistics 2013).

It is interesting that the number of “Accepted Awards” remains very stable at some 60% in both years. Furthermore the statistics published by the Injuries Board for 2013 reveal that Awards by claims category - Motor, EL & PL - remain unchanged on the previous year at:



The material confirms that

90%
(2012: 91%)

of all
Injuries Board Awards
were less than

€38,000

within the
old Circuit Court
Jurisdiction

**with the average
award for Motor at**

€21,730

**(2012:
€20,673)**

PL €28,886

**(2012:
€27,268)**

&

EL €22,847

**(2012:
€22,565)**

The profile of the injuries adjudicated upon by the Board also remained largely unchanged in 2013 comprising in the main soft tissue and/or fractured bones.

There is no doubt but that the Injuries Board has delivered significant results to both claimants and the insurance industry alike since it was introduced in 2004. With average Assessment timelines of 7.4 months (Source: Injuries Board.ie Statistics 2013) claimants receive delivery of their compensation much quicker than through prolonged litigation in what are considered to be assessment only cases whilst the insurance industry is not burdened by unnecessary and expensive litigation resulting in elongated file life cycles and the absence of certainty. Whilst the Injuries Board uses an average legal cost saving of 46% of awards. Based on our own experience of the current levels of legal costs, we are of the view that the actual savings are in fact far higher than this especially at the lower end of the award value scale (€38,000). Where our experience suggests that total costs including professional fees, counsel fees, outlays, engineers fees, medical report fees and VAT can often exceed the actual value of the settlement.

Impact of Changes to District and Circuit Court Monetary Jurisdictions

Although long expected, it nonetheless came as a surprise when the Minister for Justice & Equality signed the Courts and Civil Law (Miscellaneous Provisions) Act 2013 (Jurisdiction of District and Circuit Court) (Commencement) Order 2013 increasing the monetary jurisdiction for the District Court to €15,000 and the Circuit Court to €75,000 in the case of actions other than personal injury actions where the limit is set at €60,000, all with effect from 3/02/2014. These new limits will not affect cases where proceedings were instituted before the 3/02/2014.

The High Court will continue to hear actions above the limits of €60,000 and €75,000 respectively.

“It would be fair to conclude that matters are in a state of flux at present with certainty over damages and costs absent, at least in the short to medium term”

Serious concerns have been expressed at the size of the increases especially in the case of Circuit Court Personal Injury Claims, where it is believed this will likely lead to claims value inflation. In addition and with some justification, concerns have also been expressed about the impact these new measures would have on an already overstretched Judiciary and the potential for further delays in cases coming on for hearing. In the last quarter of 2013 we had first-hand experience of cases being adjourned to other sittings as a result of the lack of Judges.

There is already some anecdotal evidence of increased awards across the Circuit Court. However it is very early days so the full impact remains to be seen as more and more cases come before the Courts. It is anticipated that cases with a potential value between €45,000 - €50,000 will continue to be taken in the High Court whilst there is little appetite (and risk!) amongst the legal profession for bringing cases in the District Court which will only add to the upward pressure on damages and attendant costs.

It would be fair to conclude that matters are in a state of flux at present with certainty over damages and costs absent, at least in the short to medium term.

Given the level of alleged pressure and stress in the economic sectors such as Information and Communication, Education, Human Health and Social Work, perhaps it is not surprising to see the level of non-fatal work related illness described above.



OSG TECHNOLOGY SOLUTIONS

This long established OSG Specialist Division has been running since 2003 in a strategic partnership with MBT, an I.S. EN ISO 9001:2008 approved Repair Centre.

To date over 25,000 Claims have been processed country wide. The partnership combines OSG's specialist Insurance and Loss Adjusting experience with an integrated and dedicated Validation, Diagnostic and Repair/ Replacement Solution, providing average savings of 40%.

With both Domestic and Commercial Customers daily life now linked to or controlled by an electronic component, Computer, Home Entertainment System, Business Machines, Manufacturing equipment, CCTV, Access Control, we are able to assist Insurers in dealing with all Technology Loss Types across their book of business.

OSG's approach is to investigate the circumstances of the loss as notified in tandem with a robust validation/ diagnostic examination of the subject matter components, by Certified Technicians to determine causation and the operation of an Insured Peril.

In cases where an Insured Peril has not operated, but the component is capable of repair/restoration, this can be arranged with the client, as an added value service, so whilst the damage may not be covered by the Policy the opportunity to resolve the issue and restore the component/system is available to them, which in our experience is a valued benefit.

“from an iPad
to a Data Centre”

2015 the year ahead

Apple products, Smart Phones & Laptops may become harder to repair due to their new modular design and new assembly practice of gluing components rather than screw fixing.

In July 2015 Microsoft support for the current 23,000 Windows Server 2003 users will end.

It is therefore likely that we will see an increase in claims involving these servers and in particular this may affect SME business for companies still using this operating system.



Case Studies

GRAPHIC DESIGN COMPANY: Disaster Recovery situation following flooding. Claim €295K to reinstate Apple Network & Peripherals based on a quotation from an Apple Solution Provider to restore the Systems & Network. MBT reinstated the system for €140k.

LARGE RETAIL STORE: Storm/Water damaged to Electronic Point of Sale Systems & Peripherals. MBT removed the entire EPOS network (circa 400 items) for Diagnostic tests, Inventory, storage, remedial work & return to the repaired premise.

SOLICITORS OFFICE: Failure of Case Management System & Data Loss, claim €60K including damages Claim. MBT provided alternate solution for reinstatement of lost data & a new Case Management System. Claim Settled for €15K.

COMMERCIAL PREMISES: Claim for power surge damaged by lightning. - Supplier Invoices presented for €52k, subsequent examination of equipment revealed no Insured damage - claim declined.

IMPORTERS & DISTRIBUTOR: Claim €42k for Surge damage to HP Server & Data Migration. Fault found to be mechanical breakdown, new Motherboard required, repaired by MBT for €450.

BEAUTY SALON: Laser Hair removal machine claim for accidental damage €37,500. After engineer examined the system he found evidence of wear & tear to internal chambers causing resulting damage due to lack of maintenance. Claim Declined.

HIGH SPEC HOME: Claim €18,329 for surge damage to SMART TV & Sound System. The original supplier was no longer trading. MBT sourced ex-employee from original Installer, who called on site and repaired system for €350.

IT RE-SELLER: Claim €36,582 stock damaged during flood, a lot of workshop / previously damaged equipment claimed for on a new for old basis. Diagnostic highlighted previous damages, not caused by liquid, claim settled for €14,756.

TRAVEL AGENT: Claim for lightning damage to a Server, €11,794 claimed for replacement including data retrieval. Diagnostic found no lightening damage, but rather Hard Drive failure, Claim settled for €1,500.



BERMUDA

TWO HURRICANES IN ONE WEEK

- THE OSG EXPERIENCE

Bermuda is a very small Island. It is quite surprising that Hurricanes find the Island at all. However in October 2014 two significant events happened during the same week and OSG were asked to be involved.

The remote Island covers just 53 km² (21 miles²) and sits in the North Mid-Atlantic, some 5,000 kms (3,100 miles) away from Ireland and 1,000 kilometres (620 miles) off the United States mainland and has a population of just 64,000, yet it is a major player in the World of finance, insurance and reinsurance with over 400 internationally owned and operated companies based there. Bermuda is the northernmost point of the "Bermuda Triangle", a region of sea in which, according to legend, a number of aircraft and surface vessels have disappeared under supposedly unexplained or mysterious circumstances. Fortunately, the OSG Team of Adjusters and Surveyors all returned safely and did not suffer the same fate.

Bermudians are very friendly and courteous people and when they say "Good Morning! Have a Nice Day", they mean it. They all have a story to tell, just like in Ireland, so the OSG Team felt very much at home.

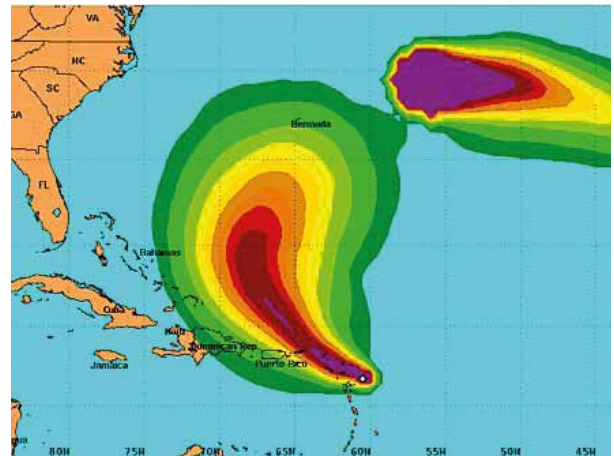
The Hurricanes

On 12th October 2014 Tropical Storm Fay (later upgraded to a Category 1 Hurricane) paid an unexpected visit to Bermuda bringing with her destructive winds gusting over 80 mph (130 km/h) which clogged roadways with downed trees and power poles, and left a majority of the Island's electricity customers without power.

However, worse was to come. Whilst still recovering from Fay, just five days later Hurricane Gonzalo arrived as a Category 2 hurricane, on the Saffir-Simpson scale, with wind gusts as high as 144 mph (232 km/h), downing more trees and power poles and causing widespread property damage. Fortunately there was no loss of life.

After Hurricane Fay had caused extensive power outages on the island just days before, Bermuda was forced to complete preparations for Gonzalo in haste. Banks, businesses, schools, and government offices closed in advance of the storm. At the height of the storm, about 31,000 out of a total of 36,000 electricity customers were without power.

Fay and Gonzalo caused significant damage on Bermuda; estimated to be between US\$300 and US\$400 million.



The OSG Response

OSG have maintained an important and significant relationship with several direct Insurers in Bermuda over a number of years and shortly after Fay passed through the Island one of the largest Insurers asked OSG to mobilise a small Team of Adjusters. This request was not only to assist with property damage claims already evident, but also in preparation for the more dangerous and powerful Gonzalo to come.

With full recognition of existing caseloads, and with adequate cover in place, three experienced Adjusters set off for Bermuda

and were fortunate to catch the last direct flight from the UK before Bermuda Airport was closed in advance of Gonzalo.

Conditions which prevail after a Hurricane can be very challenging indeed, loss of power, communication breakdown, restricted transport, blocked roads, lack of air-conditioning, together with the inherent risk of injury, or worse, when sitting through a major hurricane. The first priority was to secure suitable, and safe, accommodation, emergency lighting, food and provisions and the like in order to “batten down the hatches”.

On Saturday morning, and as soon as it was safe to do so, we hired motor scooters (hire cars are not allowed in Bermuda) and travelled around the Island to assess to severity of the damage. It soon became clear that damage was both widespread and serious in nature and the Insurer’s Catastrophe Response Plan, of which OSG are part, was implemented.

OSG are the approved service providers for the Insurer’s catastrophe response and Tony Barnes of OSG, as the nominated Loss Adjuster for The Government of Bermuda, was appointed to deal with their claim. The Government is the single largest insured risk on the Island, with overall sums insured of US\$2.5 Billion, and their property portfolio includes some of the most strategic and historically important buildings on Bermuda.

As more and more claims instructions were received, and as the weeks progressed, we brought in more Adjusters, while others went home, on a rotation basis, to ensure that both the Bermuda and Ireland resource was appropriately managed.



Strategic Planning

Before any new instructions were received or any site surveys undertaken the OSG Team held formal meetings with Insurer’s Claims & Underwriting Executives in order to reaffirm the well-rehearsed claims response plan and to identify specific upgrades or improvements that were considered beneficial to this unique event.

A number of process issues were reviewed and key decisions made as follows:-

- In order to respond more rapidly to the throughput of claims settlements it was agreed that preliminary reports would not be required where loss reserves were below US\$100,000.
- First & Final Reports were approved for all claims settlements up to US\$100,000.
- The trade-off for relaxing of the reporting procedures was a daily meeting, at 7pm, seven days a week, for the inputting or updating of all claims reserves.
- OSG would maintain a front desk administrator to assist Insurer’s Customer Services Team with queries from policyholders. This approach enabled clear and accurate policy or procedural questions to be answered quickly to ensure that all parties knew how to progress the claim.
- All First & Final Reports were passed to the Claims Manager for approval and a cheque, or electronic transfer, was arranged the same day.
- Weekly review meetings were held between Insurer’s and Adjusters so that any policy interpretation issues could be discussed and immediate decisions made so that

a consistent approach to all claims was adopted. Bermuda is a small Island and we were anxious that each claimant was dealt with as fairly and equitably as the next. During one such review meeting we were able to feedback customer's concerns which we were hearing in the field on a regular basis, namely the application of two excesses, one for Fay and one for Gonzalo where the policyholder's property had been damaged during both events.

Following Market discussions the four major Insurers agreed to waive one of the excesses for domestic claims and secured great publicity for such an approach as it relieved much hardship, particularly for more senior residents. Such feedback and early decision-making is one example of the full benefit of a two-way, collaborative relationship between Insurers and OSG

- We agreed, at the outset, that claims could be settled on the basis of estimates. There was no requirement for retentions. In order to maintain an appropriate degree of cost control we met with several reputable building contractors and local Surveyors and prepared a Bermuda book of repair rates. Each Adjuster was required to prepare an "Xactimate" style schedule and when estimates were submitted we were able to quickly approve or adjust the loss.

Statistical Information

OSG were appointed to deal with the full range of claims following the Hurricanes, both Commercial and Domestic. These claims included multi-locational losses for The Government (1,240 buildings), Hospitals, Hotels, Retail Outlets right through to individual houses and apartments across the Island.

We now show some statistical data:-

- Commercial Claims - 38
- Domestic Claims - 266
- Individuals Buildings Surveyed within 6 weeks of the Hurricanes - 1,505
- Average Number of Buildings Surveyed per Day - 36
- Percentage of Domestic Claims agreed within 6 weeks of the Hurricanes - 63.83%

- Percentage of Commercial Claims agreed within 6 weeks of the Hurricanes - 47.37%
- Overall combined reserves - US\$29,383,849.

Conclusion

OSG were proud to continue their relationship with the important Bermuda Insurance market and to show their commitment to providing a professional Loss Adjusting and Claims Administration service to the Island at such a difficult time.

OSG have received many plaudits and accolades during our time in Bermuda and have certainly further enhanced the reputation of the Irish Insurance Market for their professional, courteous and responsive approach.

We maintain a presence on the Island to assist in the closure of outstanding claims, however, through the full collaborative approach and the strategic planning initiatives detailed earlier such involvement will be kept to a minimum.

Importantly, the partnership approach we adopted ensured that policyholders received fair and speedy settlements in accordance with the customer focussed approach of Insurers and OSG.

All parties benefitted and became more experienced during this catastrophe response and there is no doubt that The 2014 OSG Hurricane Experience provided many valuable models and platforms for even more beneficial developments in the wider claims arena.





ST. MEL'S CATHEDRAL ENGINEERING RESPONSE

St Mel's, considered to be one of the nation's finest neo classical cut stone style cathedrals, was the largest building project undertaken by the Roman Catholic Church in Ireland during the 19th century.



On 24th December 2009 Midnight mass was celebrated in St. Mel's Cathedral and by 5am on the 25th December, Christmas Morning, flames were emanating from the rear of the cathedral.

Seven units of the local fire services from Longford town and surrounding areas attended the fire. The rear four-storey section was engulfed in flames with the fire spreading laterally at roof level. It took many hours to bring the outbreak under control and unfortunately there was extensive damage caused and the majority of the Cathedral gutted.

OSG received the instruction at 11am on Christmas morning. Immediate contact was made with the Insured and attended on site at 11am on St Stephen's Day.

The Dangerous Buildings Division of Longford County Council were unavailable due to the Christmas break and as the building was structurally unsafe to enter, we engaged Stephen McQuade (now with Merit Consulting), structural engineer for advice.

The engineering response comprised a Single Point of Contact Service where the client (i.e. the Insured) made one appointment with the engineer, and all other sub-consultants were selected and employed through the engineer. The client effectively handed over control and responsibility for the planning of the initial phases of works, along with the selection of specialist contractors and suppliers to the engineer.

Liaison with investigating Gardai determined they too would welcome support from our retained engineer in assisting with the provision of safe access to the cathedral interior. Within 24 hours specialist contractors, Hegarty Demolitions were on site with mobile cranes and hoists to facilitate a structural inspection. Contact was established with the council's Conservation and Heritage officials. Conservation Architect, David Slattery was retained to ensure that the correct conservation approach was implemented and that all works undertaken were to the best conservation practice and in compliance

with the requirements of the planning authority, heritage officer and other relevant stakeholders.



Communication with the local community and parishioners was also of paramount importance for the Insured. Whilst tremendous assistance was provided by volunteers in the setting up of the sports hall for church services, it was quickly recognised that arrangements would have to be made to provide these facilities on a long-term basis for the duration of the restoration of the Cathedral over the coming years. To this end, works were required to provide temporary car parking facilities, upgrading and altering entry and exit roads, pedestrian paths, external lighting etc. The school hall was modified to ensure compliance with fire safety requirements, the provision of suitable lighting and sound systems, construction of a temporary altar along with labour charges required on a weekly basis for the setting out of and re-stacking of chairs and car park attendants.



As early assessment reports arrived we set up meetings with the engineers and conservation architect to review the extent of damage, identify temporary works required, project phasing, develop a program timeframe for restoration, consider potential outlay and implement cost control measures. This exercise determined the reinstatement could take up to 5 years and remarkably the Cathedral reopened exactly 5 years from the date of loss. A full presentation pack was prepared setting out a 'Roadmap to Conservation, Repair & Reinstatement' and together with our consultants we met with the Insured and outlining our findings and recommendations:

■ Phase 1:

Emergency and Stabilisation Works:

security/temporary perimeter fencing; removal of loose/dangerous materials; safe access for forensics and salvaging/retrieval of museum artefacts/stained glass windows; shoring/propping/supporting unstable structures; boarding of doors/windows.



■ Phase 2:

Emergency and Stabilisation Works:

install steelwork to stabilise walls/columns; install temporary roof and rainwater disposal system; gridding of floor for conservation architect/archaeologist for retrieval, tagging /photo logging of architectural features from debris and warehousing for future referencing; laser surveying to create accurate scaled plans; erect solid hoarding around Cathedral perimeter.

■ **Phase 3:**
Establish Steering Committee and appoint Professional Team

■ **Phase 4:**
Develop conservation, repair and reinstatement specification; obtain planning permission.

■ **Phase 5:**
Prepare detailed design and fire certificate, drawings, specifications.

■ **Phase 6:**
Obtain tenders and appoint contractors.

■ **Phase 7:**
Carry out construction/conservation, repair and reinstatement works.

■ **Phase 8:**
Final accounts and defects period

An edited version of this presentation was shown at public meetings in Longford attended by OSG and Bishop O'Reilly as part of the on-going communication process with the local community.

A project committee was established comprising of members of the local clergy and laity along with representatives from the insurance company and OSG. Our involvement at these meetings was in an advisory capacity offering guidance on insurance cover and assisting with our knowledge and experience of dealing with reinstatement of historic buildings. We undertook the role of 'Cost Control and Reporting' at these meetings providing and updating budgets, ensuring a timely follow up with interim payments to provide the necessary funding. Within the first few weeks a project manager was engaged and a selection process commenced for the appointment of the design team architects, conservation architect, structural engineers, services engineers, quantity surveyors, planning and fire safety consultants.

One of the key phases of the process was the Emergency Stabilisation & Temporary Works. This identified the importance of providing a temporary roof over the building to protect the fabric of the structure and assist with the drying out of external and internal walls.

From start to finish, the making safe of the columns and walls, salvage works

and the temporary roof installation took approximately 5 months, all undertaken in close co-operation with the local authority and other stakeholders. Upon completion the cathedral structure was made safe, the fire debris was removed, important items were salvaged and a detailed survey file for the building (including full measured survey drawings, structural assessment reports and rectified photography information of all of the remaining stonework) was handed by Stephen McQuade to the client to assist them in moving forward with the next phase of the restoration.

It was obvious from the outset that the Insured was committed to reinstatement, however proposed to avail of the opportunity to make some modifications and alterations. There was cover under the policy for reinstatement to include compliance with current building regulations and local authority requirements which featured heavily with this being a protected structure. Consideration had to be given as to how to restore/conservate a 19th century building utilising old construction methods (e.g. horse hair lime plaster and timber laths, stone masonry) whilst complying with modern environmental regulations for heat retention/rainwater harvesting and fire officer requirements for escape routes etc. The challenge for OSG therefore was to evaluate indemnity entitlements and identify additional costs the insured would have to consider at their own expense where this related to betterment arising from alterations/ variations. Three OSG quantity surveyors were tasked with this exercise and liaison with the Insured's quantity surveyors.

Contractors, Gem Purcell commenced the restoration works on the 3rd September 2012 with the project completing on time for the Vigil Mass on Christmas Eve 2014 celebrated by Bishop Colm O'Reilly.

This was one of the largest restoration projects in Europe in the last 5 years and the finished product is a testament to all involved.

For more information or a full copy of the St. Mels case study please contact OSG



REGULATION

Compliance officers need to keep au fait with “upstream” regulation and ensure they track legislative and regulatory proposals and amendments. This will allow entities the foresight to assess the impact they may have when implemented and be cognisant of any amendments which may be required to future strategies, projects, policies and procedures.

Another important step financial service providers can take is to ensure they have an effective and robust corporate governance framework. This includes the proper identification, monitoring, management and mitigation of risks based on consistent, accurate and reliable reports. Effective escalation procedures should be in situ with clear reporting lines to the Board and senior management on breaches or indeed threshold criteria for potential breaches. It is no longer sufficient to infer compliance, companies must be able to actively demonstrate compliance in all areas of the business and show their commitment to addressing their legal obligations.

The law cannot be expected to regulate and address every facet of financial activities. There remains large areas of interpretation and judgement on implementing, not only the letter of the law, but also the spirit. This results in vast array of ethical dilemmas for organisations to consider. Along with technical expertise it is now a prerequisite that employees have appropriate training on ethical reasoning. One of the best ways to do this is to ensure you have embedded a culture of ethics and compliance within your organisation.

Employees can help identify what is the best practice for their organisation and its customers. Managers need ‘ethical fitness’ to the same extent as any other management or technical competence. The sheer importance of ethics is clearly seen in the principles and body of the Central Bank’s MCC code. Building a reputation can take years or even decades and, although the value of a firm’s reputation is difficult to calculate due to the varying factors, we all know too well that it can be lost instantly due to one ethical lapse.

A look back over the last 12 months.

Fitness & Probity Standards 2014

The Fitness and Probity standards first published in 2011 were amended in 2014 and revised Guidance and FAQ documents were published to provide assistance. There are two changes which have been made. Firstly, there is a new requirement to notify the European Central Bank of the appointment of a person performing a Pre-approval Control Function (PCF). Secondly, the amended standards clarified the position in relation to exemptions which can apply to PCFs or CFs which are outsourced to a Regulated FSP. The amendments also introduced 6 new PCF functions.

Protected Disclosures Act 2014

This legislation represents best practice for “whistle-blowers” in Ireland. It was introduced to provide protection for employees who report wrong doing and to ensure that they are not penalised for reporting a “relevant wrongdoing”. While the Public sector must ensure they have whistleblowing policies in place, the private sector will have to review their current policies to ensure they are in line with the requirements of the new legislation and its retrospective impact.

The Central Bank also introduced new provisions for providing protections to persons who, in good faith, make a protected disclosure to them regarding possible or actual contraventions through the Central Bank (Supervision and Enforcement) Act 2013.

EU Data Protection - Right to be forgotten

The ruling by the European Court of Justice was a reminder that we must strike a balance between the privacy rights of individuals with the freedom of expression. The emphasis on “Right to be forgotten” has resulted in numerous debates throughout all industries regarding the onerous task of collecting and processing personal data within the constraints of the law. However the right to be forgotten is not absolute and will only come into force where information is inaccurate, inadequate, irrelevant or excessive.

The new proposed Data Protection Regulation recognises that this right exists but that the principle needs to be updated and clarified. The European Council has confirmed their commitment to providing a strong Data Protection Framework in 2015.

What does the future hold?

There has been a shift in the fundamental approach to regulation and a renewed focus on consumer protection. There is a number of changing and emerging legislative requirements designed to address some of the previous regulatory shortfalls and to enhance the protection of consumers globally.

Solvency II

Solvency I has been replaced by the Minimum Capital Requirement (MCR) and the Solvency Capital Requirement (SCR). Solvency II is currently scheduled for implementation in January 2016.

Insurance Mediation Directive II (IMD 2)

The current IMD regulates the sale of insurance products across Europe. However IMD 2 will extend the scope of the directive to include claims management, loss adjusting and insurance comparison websites. There are also implications in relation to remuneration and consumer protection. IMD 2 should take effect in 2015.

Consumer Protection

There is a renewed focus on Consumer protection and this can be seen through MiFID II (Markets in Financial Instruments Directive) and IMD 2.

Fourth Anti Money Laundering Directive

The changes to the AML Directive are a result of recommendations issued by Financial Action Task Force (FATF) back in 2012. These include extension on the definition of Politically Exposed Person (PEPs) to include domestic PEPs, removing automatic Simplified Customer Due Diligence (SCDD), increasing the range of sanctions imposed for breaches and the introduction of risk assessments. When the directive is finalised member states will be given 2 years to implement same.

The Companies Bill

Commencement is likely to be in June 2015. It will be the largest piece of legislation Ireland has implemented and comprises 25 parts. There are a large number of changes in this legislation including existing private companies deciding which new entity to become, compliance statements, directors loans, disclosure of interest in shares, audit exemptions, charges, company law offences and penalties, record keeping and the codification of directors duties through 8 fiduciary duties among many others.

Conclusion

Clearly there has been a shift in the pace and volume of regulatory changes coming down the line. This, coupled with proportional increase in supervision and increased financial sanctions, make it more pertinent to ensure robust Corporate Governance Frameworks are in place. Add to this a culture of treating customer fairly, acting with honesty, integrity and transparency within your organisation and you will earn the trust of stakeholders and build reputations.

SOLVENCY II

OSG has been closely monitoring the progress of the Solvency II Directive, the implication for the Insurance industry and our outsourcing business arrangements.

All firms subject to Solvency II will have to ensure compliance with the Directive from 1st January 2016 and will need to ensure the relevant transition processes are put in place during 2015 to ensure readiness for the 2016 go live date. In OSG, we will continue to assist our clients as the implications of this legislation unfolds.

What is Solvency II?

Solvency II is the new regulatory framework for setting risk based solvency requirements for insurers and reinsurers operating within the EU. It represents a radical modernisation and overhaul of the insurance industry's solvency framework and prudential regulation. It is based on the risk profile of each individual insurance company in order to promote comparability, transparency and competitiveness.

Solvency II will apply to almost all insurers and reinsurers licensed in the EU. Only the smallest undertakings (those that are not part of a group and write less than €5 million in premiums per year) will be exempt from the new rules, although they may choose to apply them if they wish.

Structure of Solvency II:

The Solvency II framework is divided into three pillars:

- (a) Pillar 1 sets out quantitative solvency requirements including the rules to value assets and liabilities (in particular, technical provisions), to calculate capital requirements and to identify eligible own funds to cover those requirements.
- (b) Pillar 2 is aimed at qualitative requirements and sets out requirements for risk management, governance standards as well as the details of the supervisory process with competent authorities; this will ensure that the regulatory framework is combined with each undertaking's own risk management system and informs business decisions.

- (c) Pillar 3 is designed to encourage market discipline by requiring a high level of transparency reporting to supervisory authorities and disclosure to the public, thereby enhancing market discipline and increasing comparability, leading to more competition.

Firms must define their own risk profile and show that they have sufficient capital, as well as necessary risk management and corporate governance mechanisms in place to meet this level. The Directive also aims to reduce the possibility of insurance undertaking failure and of disruption to the efficient operation of the insurance market by ensuring accurate and timely intervention by supervisors.

When will the new rules become applicable?

Solvency II is not a single piece of legislation but an interconnected group of laws and European rules. The Solvency II Directive, along with the Omnibus II Directive that amended it, will have to be transposed by Member States into national law before 31st March 2015. On 1st April 2015, a number of early approval processes will start.

The plans are that the Solvency II regime will become fully applicable on 1st January 2016. This timeline – in parallel with EIOPA's set of guidelines on preparing for Solvency II – allows supervisors and undertakings to prepare for the application of the new regime. EIOPA can also issue guidelines with a view to establishing consistent, efficient and effective supervisory practices, and to ensuring the common, uniform and consistent application of EU law. Such guidelines are addressed to supervisors and undertakings and are not legally binding, but addressees not complying with them will have to explain their reasons.

Solvency II and Outsourcing:

Articles 38 and 48 of Solvency II are the provisions which deal specifically with outsourcing. Outsourcing is defined broadly and may include all processes, services or activities which would otherwise be performed by the insurance undertaking itself. Solvency II permits the outsourcing of all functions and activities with the exception of core management functions. Undertakings, however, will remain fully responsible for any outsourced activities. Companies are required to notify the relevant supervisory body prior to the outsourcing of critical or important functions or activities as well as any subsequent material developments with respect to the functions or activities. An example of a “material development” would be a change in ownership of the entity to which the function has been outsourced.

It is essential that the supervisory authorities of the outsourcer have a right to access all relevant data held by the service provider as well as the right to conduct on-site inspections of the outsourced activity at the premises of the service provider.

While there is flexibility around many levels of outsourcing arrangements, the Solvency II regime includes that important operational activities must not be undertaken in such a way as to lead to: the material impairment of the quality of the governance system of the undertaking; undue increase of the operational risk; impairment of the supervisory authority’s ability to monitor the compliance of the undertaking with its obligations; or the undermining of the continuous and satisfactory service to policyholders.

It is important to identify at an early stage of any outsourcing arrangement what actions will need to be taken and resources allocated to ensure the requirements of Solvency II are met. OSG are here to help with that task. In practice, insurers will need to regularly review and monitor the outsourcing arrangements

they have in place to establish how they are actually working in practice. This review will need to be documented to a standard that will satisfy the supervisory body (as well as the insurer’s board.)

Conclusion:

OSG have highly skilled personnel across a broad spectrum of departments, including our BDMS, Finance, Insurance, Compliance and Legal Departments who are closely monitoring the development of this legislation, the impact on the insurance industry and more specifically, on our clients, so that we are able to respond to our clients’ requirements. We are putting procedures and policies in place to ensure we continue to strive to achieve our “best standard” approach by ensuring that any client OSG enters into business arrangements with complies with this piece of legislation for the Insurance sector. We are available to answer any questions.



OUTBOUND SALES CAMPAIGN MANAGEMENT

OSG have engaged with our Clients to execute outbound campaigns based on our Clients existing business and prospect databases and provide the integration layer to a dialler with CRM facilities to manage and monitor the success of the various campaigns.

Our technology partners, **Oxygen8** provide the communications infrastructure and Agent platform to provide managed outbound voice, sms and email to allow for a broad range of contact media and follow up strategies. The tracking and monitoring of all activities is enabled via a CRM functionality and provides detailed reporting and outcome status against all activities.

In addition to managing the end to end process on a stand-alone basis, the campaign data can be used in real time to pop the customer data on screen (depending on the Client's platform and integration capabilities) to provide for the efficient execution of renewal retention, sales, cross sells and up sells.

OSG provide the skilled resources to work collaboratively to develop, manage and execute the Client's campaigns in a controlled, defined and scripted business process.

With the provision of a Sales Coach and experienced and qualified agents, OSG can provide a robust and scalable process tailored to each Client's brief.

The bringing together in partnership of the Client, technology partners, and the robust,

scalable service delivery platform of OSG brings many benefits and cuts the lead time from enquiry to execution.

Key Features

- Competitive Pricing
- Blended Campaigns – Voice, SMS, Email
- Real Time data feed via API to Oxygen8 Platform
- Real Time data extraction from Oxygen8 with results and activity status
- Campaign Tracking & Tactical Management
- Conversion Rates & KPI
- Run Multiple Campaigns
- Innovative features (Ghost)
- Fully managed and delivered by OSG

We see these developments continuing throughout 2015 and the demand from Insurer and Broker Clients has seen a number of enquiries and exploratory design phase initiatives with live dates in Q1 2015.

For more information on Outbound Sales Campaign Management contact OSG





OSG HEALTH INSURANCE – GROWTH THROUGH DIVERSITY

In OSG we understand that as part of our growth plan we must not only concentrate on our core areas of expertise built up over the last 30 years but to diversify into new areas to be able to expand our service offering to the market. For some time we had been seeking to enter the health insurance market and in 2014 we availed of an open opportunity to assist GloHealth with their extremely ambitious growth plans.

GloHealth is a new and dynamic organisation with a lean approach to management and a commitment to the outsourcing model. When the opportunity arose for OSG to work with GloHealth it was suggested and accepted that a different consultative approach was to be taken to help design the optimal Target Operating Model.

OSG facilitated a series of workshops covering all aspects of the business to gain a full understanding of the company. All departments were given individual focus and were afforded the necessary appropriate time to tease out all the critical issues.

Once the workshops were completed and additional research undertaken by OSG a new mutually beneficial partnership model was presented to and accepted by the GloHealth team. Of course the usual commercial negotiations took place but it was the long term true partnership view and vision that proved to be the most important deciding factor.

Too often outsourcing contracts consist of pure labour arbitrage and the senior team in GloHealth were seeking partners who would not only deliver on the service required but would genuinely assist them in the realisation of their business vision.

So once the new model was presented and agreed that this was the direction that the company wanted to follow the actual decision to move from one service provider to another is not one that is taken lightly. In theory GloHealth, had on paper and through reputation, a new partner in waiting in OSG.

In presenting the new model to GloHealth we had also provided a detailed transition plan that had been carefully thought out and allowed for the new model to be developed through

a series of low risk stages. These decisions are the ones that can cause sleepless nights, especially for an organisation that was rapidly building a deserved reputation for customer service. There was a full understanding how any disruption would be received by the ultimate powerbase – the consumer.

What helped to make the difference was the level of commitment, understanding and active listening conducted throughout the facilitated workshops that built a level of trust between the organisations. It was this trust that proved to be the cornerstone in the decision to award the contract to OSG.

The health insurance market is one that has particularly historic busy windows and even allowing for the transition of the business during one of the quieter periods it was an onerous task. During the summer of 2014 the task of moving the service to OSG began. During an extremely short period of six weeks contracts were drawn up and agreed, new desks, chairs and screens were ordered and configured, all ICT work was completed, TUPE arrangements were completed and new staff were recruited, extensive product and service training was conducted and all carried out during the busy holiday period.

What made the difference was the amount of planning, preparation, facilitation, extensive communication and hard work to deliver the project successfully. It is to OSG's credit that once the phones were switched off in the existing service provider on the weekend of the move all areas and agents were up and running on the following Monday morning with no downtime in customer service and it was a totally seamless and smooth event. GloHealth knew that they had selected the right partner and in OSG we were equally delighted that a new long term client

relationship had commenced with the best start possible.

The successful future of the partnership is being built on the consultative approach taken and the deep understanding and insight gained during the workshops prior to the transition and change of service providers. This is the difference that makes the difference when engaging with OSG. Our experience, expertise and ability to take the time to actively listen to our clients ensures the level of service they want for their customers and allows the participants in the partnership to grow together.



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