MOTOR INSURERS' BUREAU OF IRELAND

Motor Insurers Insolvency Compensation Fund

Annual Report for the year ended 31 December 2024

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Contents

Motor Insurers Insolvency Compensation Fund Annual Report for the year ended 31 December 2024

Background Information

The Insurance Compensation Fund ("ICF") was established under the Insurance Act 1964 (the “Act”) which was then amended by the Insurance (Amendment) Act 2011 (the “Amendment Act”). In the wake of the decision in the Setanta case, the Oireachtas made a number of changes to the insurance compensation framework in Ireland, particularly in situations where a motor insurer operating in the Irish market becomes insolvent. Amongst the main changes set out in the Insurance (Amendment) Act 2018 (the "2018 Act") is to effectively increase the level of compensation payable through the ICF to 100%. The 2018 Act provides that in the case of third-party motor insurance claims, where an insurer is insolvent, the ICF will meet 100% of losses incurred.

The difference between the lower of (i) 65% of the claim or (ii) €825,000, being the current limit on compensation payable by the ICF, and the amount of the claim (the "Shortfall") will be funded by the MIBI by way of an obligation to reimburse the ICF for the amount of the Shortfall. The 2018 Act imposes a statutory obligation on the MIBI to establish, maintain and administer an ex-ante fund to be known as the Motor Insurers Insolvency Compensation Fund (the "MIIC Fund") which will be funded by contributions from its members to meet the Shortfall.

The MIBI is a non-profit-making organisation registered in Ireland as a company limited by guarantee and not having share capital. It was established in 1955 by the then Minister for Transport and all companies underwriting motor insurance in Ireland. The first agreement was signed in 1955 with subsequent agreements in 1964, 1988, 2004 and 2009 (the latest agreement is dated 29 January 2009, the "Agreement").

Under the 2018 Act, commenced on 1 December 2018, it is envisaged that the MIIC Fund will build up to approximately €200 million, which monies will be invested until such times as the funds are called upon by the ICF to meet claims.

The contribution rate will be subject to an annual review by the Minister, no later than the 31 October each year, and may be varied between 0% and 3% depending on factors such as the amount held in the MIIC Fund and the likelihood of a call on the fund in line with the following parameters:

- 2% of gross written motor premiums until the MIIC Fund reaches €150 million.
- Reducing to 1% until the MIIC Fund reaches €200 million.
- Contributions to then be suspended (0%) until such time as there is a call on the fund.
- In the event of a significant call on the MIIC Fund and there being insufficient monies in the fund, the contribution can be increased to the equivalent of 3% of gross written motor premiums until the fund reaches €50 million, after which time a contribution equivalent to 2% of gross written motor premiums will again apply
- The contribution rate cannot exceed 3% per annum.

The 2018 Act also sets out the circumstances in which payments will be paid out of the MIIC Fund to the ICF.

Furthermore, section 3H (Failure to make contribution to MIIC Fund) of the Act (as amended by the 2018 Act) outlines the responsibility on the MIBI to collect the contribution from its Members as a contract debt through the courts in accordance with Section 3H(1) of 2018 Act and refer any failures of a vehicle insurer to make a contribution to the Central Bank of Ireland ("CBI") for appropriate action. This could include preventing the vehicle insurer from issuing any policies as set out under Section 3H(6), and/or be guilty of an offence which is liable on conviction on indictment to a fine or to imprisonment of up to 5 years or both, as set out under Section 3I of the 2018 Act.

Motor Insurers Insolvency Compensation Fund Annual Report for the year ended 31 December 2024

Chief Executive Officer's Report for the year ended 31st December 2024

Governance Arrangements

The Board of Directors has ultimate responsibility for the operation of the MIBI's corporate governance framework. The Board delegates its authority through a structure of committees of the Board which are there to facilitate the effectiveness and efficiency of operations and to assist in the compliance with laws, regulations and recognised good business practice. The Board is supported by two sub-committees in the form of the Audit Committee and the Investment Committee, and two technical committees comprising the Finance Committee and the Technical Claims Committee. The Finance Committee is also supported by the Actuarial Advisory Group. Day to day responsibility for managing MIBI is delegated to executive management.

Responsibility for oversight of the MIIC Fund has been delegated by the MIBI Board to the Investment Committee. The purpose of the Committee is to assist the Board of Directors in fulfilling its oversight responsibilities for the MIIC Fund, recommending the investment strategy, and reviewing the investment performance of the fund. Goodbody Advisory Services are the Investment Manager for the fund and have responsibility for investing and managing the portfolio in line with the Investment Strategy and Policy and the Risk Appetite Statement, as recommended by the Investment Committee and approved by the Board of Directors. The Investment Manager reports to the Investment Committee quarterly.

MIBI engaged Deloitte to carry out agreed upon procedures on the MIICF Annual Report. There are no items of concern to highlight from Deloitte's agreed upon procedures report.

Funding

In order to comply with the requirements of the sixth Motor Insurance Directive, 2021/2118, from 23 December 2023 Ireland ceased charging MIICF contributions on third party motor insurance 'imported' into Ireland, i.e., Irish motor risks written on a Freedom of Services (FOS) or Freedom of Establishment (FOE) basis by an insurance entity whose home regulator is based in another Member State. The impact of this for funding in 2024 for various categories of motor insurers is outlined below:

Motor Insurers Insolvency Compensation Fund Annual Report for the year ended 31 December 2024

1. Motor Insurers supervised by Central Bank of Ireland – writing Irish MTPL risks.

MIICF contributions on all motor GWP, classes 1(d), 3, 7 and 10, fell to 1% for 2024. This was legislated for in Statutory Instrument 507/2023.

2. Motor Insurers supervised in other Member States – writing Irish MTPL risks.

For motor insurers who write Irish Motor Insurance risks on an FOS/FOE basis in 2024, their 2024 MIICF contributions, payable to the MIBI in June 2025, are 1% of Motor GWP classes 1(d), 3 and 7.

On this basis, Members were required to submit a Declaration of all Motor Gross Written Premium (GWP), certified by an Auditor, to the MIBI no later than 30 June 2025. In conjunction with the certified declaration, payment of the MIIC Fund Contribution was to be paid into the dedicated bank account no later than 30 June 2025. All Members submitted the GWP Certificates and paid their contributions within the required timeframes.

Looking forward to 2025/2026:

With regard to the 2025 MIICF contributions that would have been payable to the MIBI in June 2026, the Minister of Finance has confirmed that no contributions will be required from any Members. This has been legislated for in Statutory Instrument 552/2024.

Investment Philosophy

The investment philosophy is to ensure that the Company invests with the intention of holding investments for the long term or until they are required for a liquidity event, e.g., a motor insurer insolvency. The overall principle is a low-risk strategy that endeavours to maintain capital preservation in a manner consistent with the MIBI’s risk appetite and considering operational, financial, capital and liquidity requirements.

Investment Environment

(i) Period from 1 January 2024 to 31 December 2024

2024 saw financial markets navigating a complex environment characterised by mixed economic signals, persistent inflationary pressures, and evolving central bank policies. Equity markets generally delivered extremely strong returns in many regions, particularly driven by robust consumer spending and ongoing technological advancements. However, European equities lagged notably, weighed down by subdued economic growth, weaker manufacturing activity, and declining consumer confidence across the continent. Despite these regional differences, sectors such as technology and consumer discretionary outperformed, broadly due to resilient earnings and optimism surrounding potential for innovation. Concurrently, bond markets provided relative stability, with investment-grade corporate and government bonds experiencing steady investor demand amidst persistent uncertainty.

In the U.S., equities benefited significantly from resilient consumer demand and continued strength in major technology companies. However, the Federal Reserve maintained a cautious stance throughout much of the year, keeping interest rates elevated longer than anticipated to address persistent core inflation. This tempered investor sentiment in more interest-rate sensitive sectors, particularly real estate, and utilities, which saw relatively modest gains compared to broader market performance.

European equities, in contrast, struggled to match the robust performance seen elsewhere, constrained by slower economic recovery and heightened geopolitical uncertainty. Select industries, notably energy and healthcare, provided some stability and positive returns, buoyed by strong earnings and defensive positioning.

Investment-grade corporate and government bonds benefited from consistent investor demand for safer assets amid ongoing economic uncertainties and geopolitical tensions. Yields in eurozone bond markets stabilised within the ranges set in 2023 following the prior year volatility, with the European Central Bank (ECB) signalling incremental shifts toward policy normalisation. Asset-backed securities (ABS) experienced modest volatility, influenced by varying investor risk appetites and fluctuations in credit spreads.

Mixed corporate-government bond portfolios benefited from effective diversification, offering stability amid equity market fluctuations. Government bonds played a crucial defensive role, offsetting periods of heightened market volatility, while corporate bond spreads narrowed over the year reflecting steady investor appetite for yield.

As at 31 December 2024 the MIICF portfolio was weighted 60.8% to government bonds, 3.0% in cash, 0.1% in covered bonds and 7.1% in ABS, with the exposure to corporate bonds being 28.9%. The MIICF fund return since the beginning of the year to 31 December 2024 was +3.52% and this is favourable when compared to the Bloomberg Euro Agg 3-5 Year Index which returned +3.29%. The difference between both returns can mainly be explained by the longer average duration of the index (3.7 years) compared to our portfolio (2.8 years).

(ii) Period from 1 January 2025 to 30 June 2025

Financial markets have faced significant turbulence in 2025, shaped by persistent geopolitical tensions, renewed tariff threats, and ongoing uncertainty around global growth trajectories. Central banks have responded with heightened vigilance, closely monitoring economic data to guide the timing and scale of monetary easing. Notably, the European Central Bank (ECB) has taken the lead in policy normalisation, cutting rates by 200 basis points since June 2024. The deposit rate now stands at 2%, following on from the June 2025 meeting. In contrast, the U.S. Federal Reserve has maintained a more cautious stance, citing resilient domestic growth and stickier inflation. Despite political pressure, Chair Powell has reiterated the Fed’s commitment to data-driven independence. As of end-May, markets are pricing in fewer than two rate cuts in the U.S. by year-end.

Amid this backdrop, fixed income markets have seen divergent performance. U.S. Treasuries have come under pressure, particularly in Q2, following a sovereign credit rating downgrade by Moody’s rating agency that triggered a sell-off in long-dated bonds. The 30-year yield has tested 5% multiple times, raising concerns about long-term fiscal sustainability.

Conversely, credit markets have emerged as relative outperformers in 2025. Year-to-date, euro area investment grade corporates have returned 1.62%, outpacing euro sovereigns at 0.80%. Investor appetite for credit remains strong, supported by solid fundamentals, low default expectations, and a broader risk-on sentiment. High yield credit has led performance globally, with tightening spreads in both the U.S. and euro area driving robust returns. This environment reinforces the case for a conservative yet diversified fixed income strategy. An overweight position in euro area investment grade corporates offers stability and income, with duration marginally below that of the euro area aggregate benchmark.

Amidst the heightened market volatility of 2025—driven by geopolitical tensions, sluggish eurozone growth, and shifting global trade dynamics—Goodbody retains a conservative fixed income strategy focused on euro area investment grade corporates, which offers a prudent balance of stability and yield. These high-quality bond funds benefit from robust issuer fundamentals and are well-positioned to gain from the ECB's ongoing rate cuts, which are expected to support bond prices. Investment grade corporates provide a defensive yet income-generating option for risk-averse investors navigating uncertain economic conditions. Additionally, incorporating diversified fixed income exposures, such as bond funds which invest in ABS, enhances portfolio resilience and provides opportunities for yield enhancement.

Goodbody remain comfortable with the MIIC Fund's current fixed income investment strategy, whereby the majority of the portfolio is anchored in high quality government bonds, while investment grade corporate bonds provide additional diversification and income. The duration of the portfolio of 2.7 years, below benchmark levels, is in line with our fixed income strategy and provides additional protection. The portfolio also meets all elements of its fund limitations.

Performance during the year

The fair value of the Investment Portfolio as at 31 December 2024 was €197.3m. The MIIC Fund is subject to market risk in respect of investment assets held. The primary elements of this risk are price risk and interest rate risk in respect of managed fund/UCITS holdings and fixed income holdings, respectively. The risk is managed by maintaining a low-risk investment portfolio in keeping with the investment strategy of the fund as approved by the Board. The net investment gain credited to the MIIC Fund for the period ended 31 December 2024 was €6.4m which was made up of net investment income of €0.7m and an unrealised gain of €5.7m.

Funds amounting to €15.7m were held in cash until the Investment Committee approved the Investment Manager's investment proposal for the funds at its meeting on 10 July 2025. The funds were then invested thereafter by the Investment Manager in low-risk liquid investments in line with the Investment Strategy and Policy.

On 2 July 2025, the Statement of the total amount of payments notified to MIBI under Section 3E(2) of the 2018 Act to 30 June 2024 was received from the CBI. It noted that the amount paid from the ICF in respect of claims relating to Gefion Finans A/S (In Bankruptcy) to be recouped from MIICF was €1.7m. In accordance with Section 3E(4) of the 2018 Act MIBI has 28 days after receipt of a notice under subsection (3) to determine its ability to pay the amount concerned out of MIICF. On this basis MIBI formally wrote to the CBI on 2 July 2025 confirming that MIICF had the ability to pay the full amount of €1.7m to the CBI. The letter also confirmed that the funds would be paid in accordance with Section 3E(5) of the 2018 Act which requires payment not later than 2 months after receipt of the notice under subsection (3). MIBI subsequently paid the €1.7m to the CBI on 4 July 2025.

David Fitzgerald
Chief Executive and Director
MIBI
23 July 2025

DELOITTE AGREED UPON PROCEDURES REPORT –

Deloitte Agreed Upon Procedures Report

Motor Insurers Insolvency Compensation Fund Annual Report for the year ended 31 December 2024

Deloitte Agreed Upon Procedures Report

Motor Insurers Insolvency Compensation Fund Annual Report for the year ended 31 December 2024

STATEMENT OF INCOME AND EXPENDITURE FOR THE YEAR ENDED 31 DECEMBER 2024

	Notes	2024 €' 000	2023 €' 000
Members Contributions	2	17,498	39,482
MIICF Administrative Expenses	3	(272)	(259)
Paid to ICF under Section 3E(2)		(1,185)	(1,589)
Amount available to Transfer to MIIC Fund		**16,041**	**37,634**
Net Returns on Investments			
Investment Income		727	170
Unrealised Gain on Investment Assets		5,749	6,438
		6,476	6,608
Net Income		**22,517**	**44,242**

Motor Insurers Insolvency Compensation Fund Annual Report for the year ended 31 December 2024

STATEMENT OF NET ASSETS AS AT 31 DECEMBER 2024

	Notes	2024	2023
		€' 000	€' 000
Investment Assets			
Cash and Deposits		6,015	2,026
Euro Sovereign bonds		103,336	69,295
Third party managed funds		70,140	66,701
UCITS		17,810	14,978
Total Investments		**197,301**	**153,000**
Current Assets			
MIICF Contributions due from Members	2	17,498	39,482
MIICF Accrued Income		588	375
Cash		3	5
Total Current Assets		**18,089**	**39,862**
Total Assets		**215,390**	**192,862**
Liabilities			
Accrued Expenses	4	(102)	(91)
Total Liabilities		**(102)**	**(91)**
Total amount standing to the credit of the MIIC Fund		**215,288**	**192,771**

TOTAL AMOUNT STANDING TO THE CREDIT OF THE MIIC FUND AS AT 18 JULY 2025

	2025	2024
	€' 000	€' 000
Total amount standing to the credit of the MIICF at 31 December	215,288	192,771
Unrealised Gain on Investment Assets	1,995	1,016
Realised Gain/(Loss) on Investment Assets	383	(197)
Investment Income	1,000	767
Payable / Paid to the ICF under Section 3E(2)	(1,735)	(1,185)
Expenses Incurred in 2025 to date:		
Direct Staff Costs	(48)	(43)
Investment Manager Fees	(86)	(86)
Total amount standing to the credit of the MIIC Fund as at 18 July	**216,797**	**193,043**

Motor Insurers Insolvency Compensation Fund Annual Report for the year ended 31 December 2024

NOTES TO THE REPORT AS AT 31 DECEMBER 2024

1. The Motor Insurers Insolvency Compensation Fund Annual Report is prepared solely to address the Motor Insurers' Bureau of Ireland's reporting responsibilities in respect of its administration of the Fund under and in accordance with the requirements of Part 4 Paragraph 16 Section 3D (5) of the Insurance (Amendment) Act 2018.

2. The total amount of the contributions paid at the 1% contribution rate to the MIIC Fund under section 3F(1)(b) of the 2018 Act for the period 1 January 2024 to 31 December 2024 is €17.5m (2023: €39.5m).

3. The following is a breakdown of the total MIICF Administration Expenses to be paid from the MIIC Fund for the period ended 31 December 2024:

	2024	**2023**
	€' 000	**€' 000**
Accountancy Fees	14	12
Investment Managers	172	166
Direct Staff Costs	86	79
Bank Interest and Charges	-	2
Total MIICF Administration Expenses	**272**	**259**

4. The following is a breakdown of the total accrued expenses due to be paid from the MIIC Fund for the period ended 31 December 2024:

	2024 €' 000	2023 €' 000
Accountancy Fees	14	12
Direct Staff Costs	86	79
Refund to Member	2	-
Total Accrued Expenses	**102**	**91**

5. The total amount paid to the ICF under section 3E(5) of the 2018 Act for the period 1 January 2024 to 31 December 2024 is €1.2m (2023: €1.6m).

6. The total anticipated amount due to the ICF under section 3(5A)(c) of the 2018 Act in respect of the current year based on notifications received from the CBI under section 3E(2) for the period is €1.7m (2023: €1.2m).

7. There are no amounts due and owing to the ICF pursuant to a notice under section 3E(3) sent by the CBI during the period and remaining unpaid after the due date.