

**Joint Committee on Finance, Public Expenditure and Reform, and  
Taoiseach**

**Wednesday, 7<sup>th</sup> September 2016**

**The Rising Costs of Motor Insurance**

**1. Opening Remarks**

I wish to thank the Joint Committee for the invitation to discuss with you the issue of The Rising Costs of Motor Insurance. Dealing with the rising cost of motor insurance is an important issue and I welcome the initiative of this Oireachtas Committee to hold public meetings over the coming weeks. I agree with the Committee that this area is one which requires urgent attention. I look forward to hearing what all the stakeholders attending the Committee hearings have to contribute and to what you the Committee Members have to add.

I would like to update you today on my work in the Department of Finance with the Cost of Insurance Working Group which brings together all the relevant Departments and Offices involved with the process. You can rest assured that I will incorporate the outcome of the Committee hearings into the analysis of the Cost of Insurance Working Group.

**2. Cost of Insurance Working Group**

The Cost of Insurance Working Group was established in July and has representation from:

The Department of Finance,

The Department of Jobs, Enterprise and Innovation,

The Department of Justice and Equality,  
The Department of Transport, Tourism and Sport,  
The Central Bank of Ireland, and  
The Personal Injury Assessment Board.

The objective of the Working Group, as set out in our agreed Terms of Reference, is to identify and examine the drivers of the cost of insurance, with particular focus on motor insurance, and to recommend short, medium and longer term measures to address the issue of increasing insurance costs, taking account of the requirement for an economically vibrant and financially stable insurance sector.

The core areas to be examined by the Working Group in this first phase are

- The motor insurance sector generally, at present and in recent years
- The effects of legal costs and litigation processes on insurance costs
- The current claims compensation arrangements and the cost of claims
- Insurance data and information
- The impact of accident rates
- The impact of unlawful activity on the insurance sector, and
- Other market issues

Because the issue of the cost of insurance is complex and in order to get to the heart of these issues as soon as possible, I have established four subgroups to review them in detail. Chairs have been appointed to these sub-groups and work has already commenced. The outputs of these sub-groups will feed into the regular meetings of the Working Group.

I am determined to ensure that this important work progress at a pace, meeting deadlines and achieving results. I am taking a hands-on approach as Chair, working closely with Department of Finance officials and liaising closely with the four subgroups that are now established. I have also personally met a number of stakeholders to help me develop a greater understanding of their perspective on this complex issue.

### **3. Working Group Schedule**

The Working Group has held two meetings to date, on 20<sup>th</sup> July and 1<sup>st</sup> September. We have scheduled meetings for every two to three weeks to the end of 2016. By the end of October, I want to have identified the priority actions required and this will form the basis for an update report to the Minister for Finance. From November to December my aim is to put in place an action plan to enable the relevant Government Departments and Offices to commence the implementation of these priority actions. In this regard, I will be consulting regularly with my Government colleagues.

### **4. Building Consensus**

A number of specific issues are reported to be contributing to the increasing cost of car insurance in Ireland. Industry for instance argue that excessive award levels, increased number of claims, and excessive legal costs are significant contributory factors. However, because of a lack of transparency in the final settlements it is difficult to corroborate these industry arguments. The only thing which we can all definitely say however is that motor insurance costs have increased significantly in the year to July 2016.

In developing solutions we have to be very conscious of the need for a stable insurance sector and ensure that risks to policyholders and the wider financial system are minimised. Consequently, the importance of insurance companies meeting regulatory requirements and maintaining adequate reserves cannot be understated in examining the pricing of insurance products.

I believe we need to build consensus around the causes of the problem and to identify appropriate actions which then need to be implemented as soon as possible in order to restore some stability to the motor insurance market, as well as hopefully making it more attractive for new entrants. It is likely that some of our actions may take time to implement, particularly if legislation is required, but with the co-operation of all political parties, I think these measures can be prioritised.

## **5. Transparency**

As mentioned earlier, one of the major shortcomings with existing settlement arrangements is the lack of transparency around the cost of settling claims or awards in personal injuries cases that do not go through the courts or the Injuries Board. There is an absence of information from the industry on the number of personal injury claims settled, average injury settlement amount, average fees and average time taken to settle. This is crucial information, if we want to get to the root cause of the problem of increasing insurance costs. This will be a key issue for the Working Group to address. Ultimately information such as this is important if we want to try and ensure consistency of awards whether they be made by the industry, the PIAB, or the courts.

## **6. Claims Process**

In addition to ensuring that we have access to data on the insurance claims, the Cost of Insurance Working Group will carry out analysis of the personal injury claims environment and the various claims resolution channels, such as through the PIAB, through the insurance industry and through the courts.

We will look at the effects of legal costs and litigation processes on insurance costs and we will review how improvements in these areas in other jurisdictions have influenced the cost of insurance on the ground.

## **7. Other Issues to be addressed**

A number of additional issues have been raised which can contribute to access to insurance at a reasonable cost. They span the work of several Departments and Offices and they will also be addressed by the Working Group. These include:

- the lack of a link between the National Car Test and the availability of insurance,
- insurance costs for the young, and those over 65,
- the case for rural dwellers with no public transport to have car insurance at a reasonable cost,
- the issue of returning immigrants having difficulty obtaining car insurance, and,
- the cost of insurance to taxi drivers, hackneys and hauliers.

## **8. Review of the Motor Insurance Compensation Framework**

The Joint Review of the Motor Insurance Compensation Framework was carried out by the Department of Finance and the Department of

Transport, Tourism and Sport during the first half of 2016. The Departments are now working to implement these recommendations.

The report includes a recommendation for additional data to be provided by insurers to the Minister for Transport, Tourism and Sport. This recommendation when implemented has the potential to result in significant annual savings to the Motor Insurers Bureau of Ireland as it should provide for a more robust enforcement of penalties by An Garda Síochána in relation to uninsured driving.

## **9. Conclusion**

In conclusion, I am keen to come up with credible solutions to address the problem of the increasing costs of motor insurance with a view to implementing them as soon as possible.

The Government and other actors are not coming at this from a standing start. Discussions around legislative changes to support PIAB are already underway, and you will hear directly from the Injuries Board regarding changes to the new Book of Quantum for example. Measures to tackle fraud are in the pipeline, and the industry and other interested parties have already brought potentially worthy actions to the table.

It has to be remembered however that the ability of the Government to influence insurance pricing is limited as insurance companies are required by European law to price in accordance with risk.

The provision of insurance cover and the price at which it is offered is thus a commercial matter based on an assessment of the risks.

While we cannot direct insurance companies on pricing of insurance products we can with your help identify measures that may, in the short, medium and longer term, lead to a better operating environment and a reduction in claims costs. The Working Group which I Chair will do all it can to identify such measures and to recommend changes to reduce costs. I would be happy to accept whatever assistance the Joint Committee can provide in helping this objective be achieved.

I am happy to now to take any questions or to provide clarifications to assist the Committee.

Thank you