

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

**Thursday 16<sup>th</sup> February 2017**

**The Cost of Insurance Working Group's Report on the Cost of Motor  
Insurance**

**CHECK AGAINST DELIVERY**

**Opening Remarks**

I wish to thank the Joint Committee for this invitation to discuss with you the recommendations of the Cost of Insurance Working Group on motor insurance.

The background to this Report is as you are aware the fact that pricing in the non-life insurance sector and particularly in the motor insurance area, has been subject to a lot of volatility in recent years from a point where some premiums appeared to be priced at an unsustainably low level to the more recent experience of large increases, particularly since 2014.

The purpose of this report is to address this volatility through a set of recommendations and actions to tackle the factors that have caused this repeated cycle of excessive swings up and down. I believe that its implementation will lead to greater stability in the pricing of motor insurance and while there is no single policy or legislative “silver bullet” to immediately stem or reverse price rises, I am confident that it can lead to a more stable and

accessible insurance market which will deliver fairer premiums for consumers without unnecessary delay.

I now want to talk about the report in more detail.

### **The Cost of Insurance Working Group**

It is against the above backdrop that Minister for Finance, Michael Noonan TD established the Cost of Insurance Working Group which I was asked to Chair last July. It brought together the relevant stakeholders on the Government side: the Departments of Finance; Transport; Jobs and Enterprise; and Justice and Equality, the Personal Injuries Assessment Board (PIAB), State Claims Agency, and the Central Bank of Ireland to examine the various factors contributing to the increasing cost of insurance.

### **Working Methods of the Group**

The Working Group held twelve meetings in its consideration of the issues affecting the cost of motor insurance. Four sub-groups were also created to conduct much of the background work. Between the Working Group and the sub-groups a wide range of stakeholders were met to get their perspective on how we could address this cost issue. The stakeholders met included AA Ireland, Auto Records Limited, the Consumers Association of Ireland, the Freight Transport Association of Ireland, the Irish Brokers Association, the Irish Car Rental Council, the Irish Road Haulage Association, Insurance Ireland, the Law Society of Ireland, the Motor Insurers' Bureau of Ireland, Tiomanaí Tacsáí na hÉireann, and the CEOs from AIG, AXA, Aviva, FBD, Liberty Insurance, and RSA Insurance.

Further submissions were received from other interested parties and these were considered as part of the process. I also personally met a number of stakeholders to help me develop a greater understanding of their perspective on this complex issue.

### **Emerging Recommendations**

At the end of October, I provided the Minister for Finance with an emerging recommendations report and as you will recall I appeared before you in November to provide an overview of these. One of the conclusions I drew from this engagement was that there was a considerable overlap in our respective approaches to addressing this issue as it was clear that many of the recommendations of the Oireachtas Committee Report were also being considered by the Working Group. Indeed, I would say that the hard work put in by the Joint Committee helped provide additional clarification to the Cost of Insurance Working Group as to the direction we should take with our recommendations.

### **Finalisation of the Report**

Following this appearance, the Working Group worked to finalise its Report on the Cost of Insurance and made 33 recommendations with 71 accompanying action points. The Report was finalised and presented to the Minister for Finance in December and it was subsequently published following its approval by Government at its first meeting this year, on 10<sup>th</sup> January.

In the time available to me, I would like to give a brief overview of the main recommendations.

### **Improving Data availability**

One of the key findings of the Report is the need to enhance transparency and facilitate the use of data sharing and collection to the level that we see in other jurisdictions. This was a common theme of discussions with a wide range of stakeholders and is a matter which needs to be addressed. Currently in Ireland, claims data related to motor insurance is available from a variety of sources. However, it is not collected or produced for the purpose of improving transparency on emerging risks within the market.

The Working Group developed a phased approach to tackle this issue. In the short-term, the Working Group recommended commencing a short-term publication, on a quarterly basis, of a number of key aggregated claims-related metrics to be provided by the insurance sector. This initial publication method, will be built upon by the establishment of a National Claims Information Database by the middle of 2018 which will facilitate a more in-depth annual claims' trends analysis. The Central Bank will hold the database.

### **Uninsured Driving**

The second area where data availability is an issue is in the field of uninsured driving. Figures from the Motor Insurers' Bureau of Ireland (MIBI) show that the level of uninsured driving in Ireland rose from less than 5% in 2011 to 2013 to 7.1% in 2015.

The MIBI is responsible for meeting the claims of those who have been in a collision involving an uninsured or untraceable driver. They pay out approximately €50-60 million annually to meet such claims and this cost is passed directly onto motorists. The insurance industry estimate that this adds about €30 to each motorist's premium. It is therefore imperative that we tackle this issue without delay.

The Working Group has recommended the establishment of a fully functioning database of insured and uninsured drivers to enable Gardaí to check motor insurance compliance effectively.

A project group has been established between the MIBI and Insurance Ireland to create a central database which will contain certain information required by the Road Traffic Act 2016 such as the driving licence number and policy number of each policyholder. The ultimate aim is to provide An Garda Síochána with a mobile app, on an 'authorised user' basis, to allow for roadside access to the database. The Report sets a deadline of Q3 of this year for the database to go live in relation to privately owned vehicles.

## **Fraud**

Fraud, like uninsured driving, has been highlighted as an area where more information can reduce its impact on the cost of premiums. While the vast majority of claims are genuine, there is a perception out there that insurance fraud is a victimless crime. However, nothing could be further from the truth in

my view and claims whether of an opportunistic and exaggerated nature or through highly organised crime rings need to be made as difficult as possible to get away with. In this regard, the insurance industry has estimated that fraud costs them in the region of €200m each year, adding approximately €50 to each premium.

The Report recommends the establishment of a fully functioning integrated insurance fraud database for industry to detect patterns of fraud by the end of next year. That database will be modelled on the UK system. It will be funded by industry but managed by an independent not-for-profit body. This will be progressed in tandem with actions to address data protection related issues.

### **The Personal Injuries Commission**

Another core recommendation is the establishment of a Personal Injuries Commission to investigate and make recommendations on processes in other jurisdictions which could enhance the claims process in Ireland.

The terms of reference for that Commission are set out in the Report and they include:

- the commissioning of medical research,
- benchmarking of international awards for personal injury cases,
- analysing and reporting on international compensation levels and compensation mechanisms.

- reporting on systems where detailed grading of minor personal injuries is in operation

The need to begin this work immediately has been recognised by Government and on 10th January, the Minister for Jobs, Enterprise and Innovation, Ms Mary Mitchell O'Connor TD, appointed former President of the High Court, Mr Justice Nicholas Kearns, as chairperson of that Commission. The other members are representatives from stakeholders that include the medical, legal and insurance sectors as well as relevant Government Departments and Agencies. The Commission met for the first time on the 10<sup>th</sup> of February and have agreed a work plan.

### **Other measures**

While the above measures could be seen as the core recommendations, the report should very much be seen as a package of reforms, which when implemented together will provide for greater stability in the pricing of motor insurance and will help to prevent the volatility that we have seen in the market in recent times.

This package of measures also addresses the issue of **protecting the consumer** through, for example, the extension of the current renewal notification timeframe by five working days. Additionally, the Department of Finance are working with Insurance Ireland to develop protocols to require insurers to set out reasons for large increases in premiums, and to assist returning emigrants

by requiring insurers to accept driving experience from abroad where a person has previous driving experience in Ireland.

A portion of the recommendations also centres on **reducing costs in the claims process** in tandem with the running of the Personal Injuries Commission. These actions will seek to maximize the usefulness of the Personal Injuries Assessment Board and to improve the Book of Quantum. Further reviews will also take place to examine the impact of:

- the changes in the court jurisdictional limits,
- the setting of the discount rate in PI lump sum awards, and
- the introduction of periodic payment orders.

The implementation of the **Review of the Motor Insurance Compensation Framework** is also ongoing as we speak with Heads of Bills proposed to be brought to Government by the second quarter of this year.

Actions have also been recommended to develop a protocol to require insurers to require proof of NCT certification and to promote **compliance with road safety legislation**. Insurance Ireland will also present the Working Group with a report in the use of telematics in Ireland by the end of year.

I will continue to drive the effective and timely implementation of this Action Plan over the next two years through the Working Group. In addition, you should be aware that the second phase of the Working Group's review of insurance



costs has commenced. Based on submissions we have received from the small business sector in particular, we will review and make recommendations to tackle the rising cost of Employer and Public Liability insurance. This is an important issue from a competitiveness perspective, and we will be meeting the relevant private sector stakeholders over the next couple of weeks.

### **Next Steps / Conclusion**

To conclude, I hope that Members will see today that many of the recommendations contained in the Committee's own report have been included within the Cost of Insurance Working Group Report with specific and time-bound actions through an action plan which are addressed to particular bodies to ensure implementation. The implementation of many of these recommendations has already commenced, and I am confident that the report's 71 actions will be implemented by the end of 2018, with 45 due for completion this year.

The Working Group will continue to meet regularly to consider the implementation of the Report and will prepare quarterly reports on the progress of the implementation of the Action Plan from the end of the Second Quarter this year and these will be published on the Department of Finance's website.

I am determined to ensure that this important work progresses at a pace, and that it meets its implementation deadlines. As I mentioned at my last appearance before you, I am happy to come back into the Committee to provide

regular updates. These, in addition to the quarterly updates to be published on the Department's website, will assist members to see progress in this area.

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

**ENDS** \_\_\_\_\_