

CHECK AGAINST DELIVERY

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

Thursday 1st June 2017

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

Opening Remarks

I wish to thank the Joint Committee for this invitation to discuss with you again the implementation of the recommendations of the Cost of Insurance Working Group on motor insurance. I will also touch upon the work being done in phase 2 to tackle the rising cost of Employer and Public Liability Insurance. I also propose to say a few words about last week's Setanta judgment.

At the outset, I would like to state that I am very conscious of the need to implement the recommendations of the Cost of Insurance motor insurance report in line with the deadlines set out in the action plan. I recognise the importance of this issue for society as a whole as there is virtually nobody who has been left unaffected by the surge in insurance premiums over the last 2 years.

I also accept that while CSO statistics indicate a greater degree of stability on an overall basis, that these figures only represent a broad average and that there are many people who are still seeing increases. I take the view that while the greater stability in pricing is a good thing, premiums are still at a very high level and that insurance continues to be prohibitively expensive for many people.

That said, the Cost of Insurance motor report and indeed your report both recognise that unfortunately there is no single policy or legislative “silver bullet” to immediately stem or reverse premium price rises. However, I do firmly believe that the implementation of the Cost of Insurance motor report will make a difference to the pricing of insurance premiums over the next 18 months. I also believe that the Setanta judgment, by finding that MIBI is not liable to meet third party claims, removes a major uncertainty from industry, which I would expect to be reflected in pricing in the short to medium term.

Progress on the implementation of the Recommendations

Since I was last with you in February, a lot of work has taken place to implement the Cost of Insurance Working Group’s *“Report on the Cost of Motor Insurance”*. This includes the production of its first quarterly report on the progress of the implementation of the Action Plan. This report provides a comprehensive update on progress to date and has provided reasons for delays in the few instances where they have arisen.

Since the publication of the quarterly report the Advisory Committee on Small Public Service Vehicles has met with Insurance Ireland, and I have been informed that a protocol for the insurance industry to promote compliance with road safety legislation should be finalised in the next few weeks. Establishing a reliable set of data and commencing a review of the impact of legal and other fees on personal injury awards is proving to be a more complex task. However work is ongoing on this issue and progress is being made.

I now would like to give you a more detailed overview of some of the key achievements for Q1.

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. The Department of Finance established a Sub-group at the beginning of the year to implement the recommendations surrounding data issues. That Group has met ten times to date and in Q1 issued an initial data template to the insurance industry for completion. The returns are expected from the insurance industry in the coming days. Once received, they will be analysed by the Department of Finance and published before the end of June.

The Department will continue to build on and publish a similar update each quarter up until the establishment of the National Claims Information Database.

The Group is also working on the development of the legislation to provide for the Database. The Central Bank have led a number of workshop sessions to develop the precise specifications for the Database, while the Department of Finance have begun drafting the Heads of a Bill to provide for the establishment of the Database. So detailed and considered work is already well underway.

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 Personal Injuries Commission (PIC) was established in January with former President of the High Court, Mr Justice Nicholas Kearns appointed as chair. The first meeting of the Commission was held on 10 February. Monthly meetings have taken place since and will continue for the duration of the PIC. The Commission is on target to deliver its first report examining the assessment of soft tissue injury with regard to international experience, diagnosis and treatment, standardised medical reporting and the use of objective tests by the end of the year.

Other Completed Actions

A number of other actions have also been completed. For example, I recently attended Insurance Ireland's newly established Consumer and Business Forum, which I think will be of benefit to providing for stronger engagement between the stakeholders. Additionally, reviews have commenced on the impact of the changes to the court jurisdictional limits and the setting of the discount rate relating to personal injury lump sum awards.

As you can see, some very important work is underway that should address the core issues examined by the Cost of Insurance Working Group. I am happy to take questions on any of these issues afterwards

Measures due in Q2

A large number of actions are due to be completed by the end of this quarter. The second quarterly update will be published by the Department of Finance in July and provide details of the ongoing implementation. I hope to be in a

position to update the Joint Committee of progress with regard to these actions at the appropriate time.

Tackling the Rising Cost of Business Insurance (Employer and Public Liability Insurance)

Members may be aware that the National Competitiveness Council's 2017 Report on the Costs of Doing Business in Ireland, which has just been published, acknowledges the Cost of Insurance Working Group's role in maintaining and enhancing cost competitiveness for Irish businesses.

In addition to the work on implementation of the Motor Insurance Report, the Working Group has also continued to meet to examine ways to tackle the rising cost of insurance for businesses, particularly Public Liability Insurance and Employer Liability Insurance. It has met a range of stakeholders. The following broad themes have emerged:

- Public liability seems to be of greater concern to most groups we have talked to
- An increasing trend towards taking on a greater excess to keep premiums down
- Related to this an increase in number of businesses self-insuring
- Lack of competition
- Frustration with inconsistency of awards
- Huge legal and business costs associated with challenging claims through court process

- Companies not being given sufficient credit for improving health and safety standards
- Suspicion of claims harvesting
- Statute of limitations concerns
- Insurers settling without proper notification or consultation
- Some are seeking legislative limits on the book of quantum
- Some businesses feel they are victims of fraudulent and exaggerated claims
- The role of PIAB should be developed

The Working Group is currently considering these matters and will consider what recommendations it can make to address them. It must be recognised however that there are some very complex legal and constitutional issues which would need to be addressed if we are to make progress on these points to the satisfaction of the business sector.

My current intention is to publish an addendum to the motor report to cover EL and PL. However I am reviewing this at present, as there might be additional updates that we may also want to introduce to the motor report, where there are strong linkages between it and Employer Liability and Public Liability issues.

A final report may not be ready until September. However, I hope to be able to provide some clarity on potential new measures in July. When I am clearer on our planned direction of travel I will be happy to appear before the Oireachtas committee to explain our thinking.

Setanta

I would now like to say a few words about the recent Setanta judgment. While not completely unexpected there was still some surprise that the Supreme Court overturned the decision previously upheld by the High Court and the Court of Appeal.

The impact of the Supreme Court decision is that third party claimants will be compensated by the ICF for only 65% of the claim or €825,000 whichever is the lesser. Claimants will also be entitled to a further sum from the Setanta liquidation but current indications are that this is unlikely to be sufficient to cover all of the 35% gap.

In relation to the issue as to when payments can be expected to commence, it should be noted that Department of Finance officials have had discussions with the Office of the Accountant of the Courts of Justice and the State Claims Agency and they have indicated that they have plans in place to deal with this issue. Our understanding is that both agencies are working with the Liquidator to plan out the process of validation and presentation of claims. Once the liquidator has the claims ready for examination, the State Claims Agency will step in to commence the validation process. The State Claims Agency has assured the Department that it will act swiftly so that there will be no unnecessary delay caused by this validation process. I hope to have greater clarity on the timescale shortly.

Conclusion

In conclusion, Chair, while the most recent CSO figures suggest that motor premium levels have stabilised to some degree, the Government is not taking this position for granted and also recognises that the levels at which motor insurance premiums are at is still too high. The implementation between now and the end of 2018 of all the report's recommendations are critical to introducing fairer premiums for consumers and businesses.

There is also a recognition of the need to find appropriate solutions to address the Employer Liability and Public Liability issues because of the difficulties they are causing for the business community particularly SMEs.

I am determined to ensure that this important work progresses at a pace, and that it meets its implementation deadlines.

I am happy to now to take any questions or to provide clarifications to assist the Committee in relation to the work of the Cost of Insurance Working Group and on Setanta.

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