

Briefing to Joint Committee on Finance, Public Expenditure and Reform on Insurance Premiums in Livestock Marts

By Eimear Mc Guinness, General Manager, Donegal Co-op Livestock Mart

Date: Thursday 24th May 2018

Summary Statement:

Livestock mart annual insurance premiums are rising at a shocking rate: 46% to 255% in some cases.

FBD Insurance is the primary insurance provider to the mart sector. As such, there is a lack of competition in the market.

Insurer providers view marts as having significant exposure to injuries to employees and members of the public.

Numerous meetings have been held with FBD insurance by mart representatives across the country since 2016 to address insurance hikes. Safety works were proposed by insurers and subsequently implemented by marts; however, despite these significant efforts annual insurance premiums continue to rise.

Mart operators are concerned that in cases of public liability claims, insurance companies are opting for the most cost effective option which is often paying the claim rather than investigating or disputing the claim. This is contributing to the rise in premiums.

An accident in Mohill Mart this year led some marts to make changes with respect to control yard access in marts. While implementing a policy of controlled access is possible for some marts due to their design and structure, it is not possible for all marts. In cases where it can be implemented, significant costs may be incurred.

The rising cost of insurance premiums is one of the biggest challenges that small rural marts have had to face to date. Marts are at the heart of rural communities. Donegal Livestock Association, Associated Livestock Marts and ICOS are fearful for the future of marts in Ireland and ask the Government do all in its power to address the issues outlined here today.

I am here today to ask the Government to

- (a) get full disclosure from Insurance providers on all mart annual premiums, their rate of increase, the factors contributing to rising costs and details of claims both contested and paid out by insurance provider over the last five years throughout the country
- (b) Seek assurances from insurance providers that in cases where proposed safety works and operational changes are implemented by marts, insurance premiums will come down.

Background information:

- There has been a dramatic rise in annual insurance premiums for livestock marts nationally (range: 46% - 255% increase in the 2015 – 2018 period). See Table 1.
- Increases in premiums are occurring irrespective of the size of the mart or the history of public liability claims. For example, in Milford Mart, the insurance premium has increased from €7,000 in 2015 to €15,000 in 2018; however there has been no public liability claims in this particular mart in this period.
- Primary insurance providers for livestock marts are: FBD Insurance, with Aviva covering some marts which are part of larger Co-op's.
- Insurances providers, e.g. FBD Insurance, have indicated that livestock marts are costing them too much money as a result of public liability claims.
- Mart representatives are concerned that in cases where there are sufficient grounds to dispute public liability claims; insurance providers have opted to settle claims as they often view this as a more cost effective option. Livestock marts have requested that insurance providers review such cases.
- In recent years, mart representatives have met with insurance providers to (a) discuss the hikes in premiums and (b) how best to address the issue. For example, Donegal Marts Association met with FBD Insurance in both 2016 and 2017. Similar meetings were held between livestock mart representatives and insurance providers across the country.
- Over the course of these meetings, insurance providers/underwriters advised livestock mart representatives of possible safety works and operational changes that livestock marts could undertake in order to reduce claims.
- Works and changes were implemented in a number of marts e.g. Donegal Mart, Tuam Mart, Thurles Mart at a significant cost; however, the insurance premiums have increased irrespective of the work carried out.
- After carrying out safety works and receiving insurance renewal with further increases in 2017, Donegal Marts Association consulted with Deputy Pearse Doherty on the hike in insurance premiums for livestock marts. Deputy Doherty raised this issue in the Dáil in July 2017. The following is an extract from the response Minister Darcy provided to Deputy Pearse Doherty:

“I have been advised by Insurance Ireland that Livestock Marts have significant exposure to injuries to employees and members of the public. This has resulted in claims occurring with a level of frequency which has led to reduction in market capacity due to hazardous nature of the risk.

In response, insurers have developed active risk management programmes in order to try and reduce level of accidents or injuries. In addition, I understand that insurers have been working with marts with a view to implementing improvements in management practices and facilities to reduce claims as this is key area to manage claims costs. Insurance Ireland has advised that they are not aware of any recent major increases in the cost of insurance for agricultural mart owners.”

- Table 1 clearly shows that despite the information given by Insurance Ireland to Minister Darcy, there have been major increases in the cost of insurance for livestock mart owners.
- A serious accident in Mohill Mart earlier this year has further encouraged livestock marts to take a close look at risk management programmes and operational changes. Four Aurivo Marts - Ballymote Livestock Mart, Co Sligo, Mohill Livestock Mart, Co Leitrim, and Ballinrobe and Balla Livestock Marts, Co Mayo - took the decision to close temporarily for a safety review post the accident in Mohill. All four marts have now re-opened. New health and safety procedures are operational.
- One of the operational changes proposed by insurance providers is that marts operate with a 'no access' policy to mart yards where animals are penned. We must remember that in order for a livestock mart to operate, customers must be able to view the stock prior to sale and open discussion with sellers while viewing the stock. While some of the newer marts have over-head walkways which facilitate the introduction of this policy, many of the older marts due to their design may not be in a position to introduce this policy. In cases where it is possible to introduce overhead walk-ways, significant costs will be incurred.
- A number of marts are already struggling to break even e.g. Donegal Mart. Reduction in suckler numbers, introduction of new licence laws and council rates are already paying a huge toll on mart annual income.
- Continued hikes in insurance premiums if unaddressed will bring about mart closures. This will have a significant impact on Irish rural communities where marts play a crucial role at the very heart of society.
- FBD Insurance announced a €50 million profit before tax for year ended 2017 up from €11 million in 2016. Fiona Muldoon FBD Chief Executive was quoted after this announcement as stating *'As we enter our 50th year of trading and as the publically quoted Irish insurer, FBD is here for farmers, businesses and consumers for the long haul'*. FBD generate a lot of revenue from farmers each year. FBD and other insurance providers must be encouraged to work with marts to bring down insurance premiums and spread out/absorb costs.
- Marts are vitally important to the farming community, not only as a trading place for their stock but also as a social place to interact with other farmers which in this day and age is very important for their mental health. Town and villages verify how important marts are to the local economy - towns come alive on mart day and businesses prosper. Revenue generated through farming and marts is of huge importance to any town.
- I urge the Government to intercede in discussions between mart representatives and insurance providers. I and my colleagues in the livestock mart sector recognise that there is a need for some change in the way marts operate to reduce risks to individuals and exposure on claims; however, we need understanding from insurance providers on what are reasonable and manageable changes for livestock marts to implement. We also need assurances that should such changes be implemented, insurance premiums will come down.

- We ask that consideration be given to how claims are handled by insurance companies. Insurance companies need to move away from a culture of settling claims and be more open to disputing claims where there are sufficient grounds to do so.
- We also ask that Government give some consideration to a grant/funding scheme to help marts cover the costs associated with bringing about the necessary operational changes to align with the proposed health and safety policies.

Appendices:

- Table 1: Annual Insurance Premium Trend for Marts 2015 – 2018
- Communication from Joseph Kinsella (Baltinglass Mart, Co Wicklow) outlining his observations and concerns with respect to insurance premium increases.

Supplementary Reading:

- “The livestock mart must remain at the very heart of Irish rural society”. Article published on Agriland in April 2018: <https://www.agriland.ie/farming-news/the-livestock-mart-must-remain-at-the-very-heart-of-irish-rural-society/>
- “Restricted access to penning areas at marts looks to become the "new norm"”. Article published by the Independent.ie FarmIreland section in May 2018: <https://www.independent.ie/business/farming/agri-business/restricted-access-to-penning-areas-at-marts-looks-to-become-the-new-norm-36812761.html>

Table 1: Annual Insurance Premium Trend for Marts 2015 - 2018

Mart Name	2015	2018	Claims	% Increase
Donegal Mart, Donegal	€6,500	€13,500 (Quote €15,500)	Yes 2 disputed	107 %
Stranorlar Mart, Donegal	€6,000	€16500 (Quote €24,000)	Yes 2 disputed	175%
Milford Mart, Donegal	€7,000	€15,000	No	114%
Tuam Mart, Galway	€25,000	€72,500	Yes	190%
Ardee Mart, Drogheda	€5,000	€12,000	Yes 1 (4 years previously)	140%
Thurles Mart, Tipperary	€12,500	€20500 (Quote now €22000)	No	64%
Castlerea Mart, Roscommon	€28,000	€87,000	Yes	210%
Baltinglass Mart, Wicklow	€7,000	€10,200	No	46%
Manorhamilton Mart, Leitrim	€9,000	€32,000	Yes	255%

Footnotes:

1. In some cases where claims occurred, marts felt there were sufficient grounds to dispute the claims; however, insurance companies decided it more cost effective to settle.
2. Some marts increased staff to comply with safety requirements and reduce risk; however, insurance premiums increased because of the increased numbers of employees.

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Eimear McGuinness
Manager
Donegal Livestock Mart
Milltown
Donegal

17 May 2018

Re: Insurance

Dear Eimear,

I understand that you have been invited to make representations on the matter of insurance costs from your own experience as Manager in Donegal but also to give some perspective on the issue of mart insurance on a more general level and how it impacts on our industry.

As a group of marts the issue of Mart insurance was tabled and discussed by members of The Association of Livestock Marts (ALM) in recent meetings over the past 18 months. These discussions certainly put the issue of mart insurance front and centre and what I learned was that in some cases marts insurance was doubling year to year and this was without having had any claim. Throughout the year 2017 as insurance renewal dates came around it became clear that each mart was experiencing unexplained spikes in their premium.

In this letter I wish to make a number of personal observations, that of Baltinglass Mart and our experience with mart insurance. Please note that my comments are not to be misconstrued as views of the ALM.

I. Cost versus Claims

The annual cost of Insurance effect marts in different ways. For smaller marts the renewal time each year represents their biggest overhead after wages and the anticipation of the new premium presents a manager with genuine concern. These marts, as best they can, negotiate the best renewal terms. For larger marts the insurance overhead arguably doesn't get the same scrutiny and price checking as a smaller mart. This is one reason why mart insurance premiums differ.

The claims history of a mart has a huge bearing on the premium. One mart stated at a meeting last year "we are merely one claim away from closing" citing one of their colleague marts who had a claim and the premium thereafter was astronomical. This is another reason why mart insurance premiums differ.

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Observation 1 Please outline why the cost of insurance for a mart is not similar to the cost of insuring a car. Having insurance priced in the same manner as car insurance would be a welcome move because (i) it would be relatively easy to calculate a premium each year (ii) it would be easy to compare prices between marts. The components being: throughput of livestock; size of yard; condition of premises (iii) claims history could be measured with a *no claims bonus* type system (iv) the possible insurance pay-outs under a mart as not too dissimilar to motor accidents on a road: damage to persons and damage to property.

II. Competitive market

Our own insurance at Baltinglass Mart falls due for renewal end of October each year. My insurance at last years renewal increased by 46%. We have been claims free for 15+ years and been consistent FBD customers. We did look to the market in an attempt to secure alternative providers and prices and were told that Zurich “were not interested in this market” and Aviva wouldn’t quote offering the reason “we have enough exposure within this market for 2017 please try us next year”. This is a reason why fair prices and open competition are absent from marts industry.

Observation 2 Why are there a very small number of insurance companies willing to offer mart insurance? Is it fair that foreign owned insurance companies operating in Ireland are allowed to discriminate in this way? Other insurance companies are quite happy to collect insurance premiums from the Agricultural sector but not marts. This doesn’t seem fair and leaves FBD in a monopoly situation.

III. Culture & Transparency

During the negotiations for our renewal of insurance at Baltinglass Mart I asked that the FBD individual explain the increase in premium and while there were some small increases to the different areas the major price hike was in the premium associated with Public Liability. This being true it would appear that there is too much money being paid out in insurance claims when compared to premium received.

Recent events within marts have spotlighted the issue of farmer safety while in attendance at marts and this is all welcome progress and many marts now enforce new procedures at sale times to minimise accidents. How will the new measures the mart is taking guarantee lower insurance prices?

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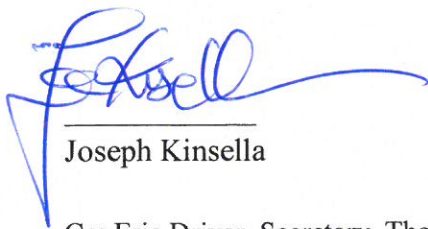
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Observation 3 Is it appropriate for an insurance company to settle a claim without the consent of the mart? Should marts be more involved on the claims side of the business together with the insurance companies?

Could the Minister please obtain a schedule of all claims which were paid out by the different insurance companies to be able to determine trends within the industry: what the claims consist of; what percentages of claims are contested/accepted by the insurance companies. Could these findings be then made shared within our industry?

I would like to end with an observation on to the future, specifically the future of Marts. The Livestock Mart idea started in the late 1940's. The Mart brings people together. The Mart is a trusted place to do business. The Mart, at any one time, is an extension of that rural community. The Mart and the Farmer have a symbiotic relationship. Central to these opinions and notions, The Mart is the only live trade for farmers' livestock and this is why our industry must be protected from threats of unreasonable insurance. I am of course available to support your efforts on this issue. Please do not hesitate to call me.

Kind regards,



Joseph Kinsella

Cc: Eric Driver, Secretary, The Association of Livestock Marts of Ireland Limited