

Opening Statement to the Joint Committee on Finance, Public Expenditure and Reform, and Taoiseach

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Opening Statement

Chairman, members of the committee, thank you for the opportunity to appear before you to discuss the cost and availability of insurance in Ireland. Zurich welcomes the opportunity to be part of this discussion, to contribute to the work of this committee and to discuss next steps in the reforms required to address the challenges on the agenda today.

As this is our first time here at this committee I would like to briefly introduce Zurich Ireland, originally founded in Cork in 1952 and part of the global Zurich Group since 1998. Our AA- Financial Strength rating means Zurich customers can all rely on us to consistently deliver on our promises when it matters. We remain a proudly Irish business with a 100% local management team focused solely on the Irish market with 380 employees across our Dublin and Wexford offices, writing over €300m in premiums in Ireland giving us a market share of approximately 9%. Our business profile is similar to the overall market with 45% in Motor, 30% in Property and the remaining 25% of premium spread across a number of more specialised business lines including Farm, Financial Lines and Liability business.

Like most companies in the market, Zurich has experienced the ups and downs of the Irish insurance cycle in recent years, experiencing underwriting losses after several years of falling premiums and rising claims costs across the industry. We enacted a turnaround programme in 2015 to restore our business profitability and by 2018 we had completed that programme and delivered a 6% underwriting profit on our written premiums. We continued to experience consistently rising claims costs, even during that turnaround period, and we believe this continued rise in claims costs and volatility has been the key driver of increased insurance premiums and reduced availability of cover in certain lines across the Irish market.

At Zurich we have worked to help drive change and reform and have been consistent, active supporters of the actions outlined in the Cost of Insurance Working Group reports, which we believe lay out a clear framework that can deliver real change for Irish customers in terms of internationally benchmarked claim awards, faster resolution of those claims and improved predictability of total claims costs which will deliver reduced cost and increased availability of insurance for Irish customers.

We accept that providing more consistent and transparent industry data to independent agencies like the Central Bank will help all stakeholders understand relevant trends and drivers of performance. We have already seen the useful impact of making such data available through the work of the Personal Injuries Commission which used independently verified industry data to drive an informed debate on the level of personal injury awards in Ireland, proving that Irish soft tissue injury awards are more than 4 times the level in the UK and that inaction costs, those same awards increasing by over €900 for each year benchmarked from 2011 to 2016.

We therefore welcome the recent passage of the Judicial Council Act through the Oireachtas, this promises to be a significant step in reforming and modernising the way our courts work, but real measures needs to be implemented as a matter of urgency to align the level of compensation awarded in Ireland with other jurisdictions. We also welcome recent court of appeal rulings which recognise that minor injuries should attract appropriately modest general damages.

We acknowledge and welcome other key steps taken in 2019 such as the progress of the Civil Liability (Capping of General Damages) Bill and the commencement of the Personal Injuries Assessment Board (Amendment) Act which should enable more timely and accurate settlements to injured parties. The introduction of the Personal Injuries Assessment Board in the early 2000's was a landmark event and initially led to material reductions in the duration and cost of claims and delivered reduced insurance premiums across the market. These benefits have been eroded over time as more and more claimants have chosen to reject the recommended awards and pursued a longer, more adversarial and more costly settlement path.

These steps are all key enablers of reform so it's important to acknowledge progress that will benefit customers, insurers and society as a whole. However we must also acknowledge and act on the public frustration with the pace of change and the need for a continued sense of urgency. All stakeholders will need to remain engaged and vigilant to ensure the benefits are delivered and maintained from these actions and not allowed to erode over time as we saw with the Personal Injuries Assessment Board.

We recognise the committee's major concern about the cost and availability of insurance in the Irish market. There are a number of factors, so how do we fix the problem? We believe that the way forward is to continue to deliver the recommendations laid out in the Cost of Insurance Working Group report. The report laid out a comprehensive suite of reforms that were agreed through cooperation and commitment across multiple stakeholders.

We cannot get away from the fact that the single biggest input into our calculation of insurance premiums is the cost of claims, insurers transfer the risk and costs of claims and we share it across our portfolio. This means the costs of claims directly impacts on every single insurance premium we collect from our customers and our current premiums must reflect the current level of claims to ensure our business is sustainable. If the level of injury awards and the incurred legal costs reduce this will drive meaningful reform of the claims environment which will deliver a stable and sustainable cost of insurance for businesses and consumers. We want to be part of the solution and we welcome any help from this committee to maintain the necessary sense of urgency on reducing uncertainty and delivering these core reforms.

I want to take this opportunity to confirm that we will pass on the benefits of reduced claim costs to our customers.

Thank you Chairman and I look forward now to answering questions from the committee.