



AIG Ireland: Opening Statement

Joint Committee on Finance, Public Expenditure and Reform, and Taoiseach – 3 October 2019

Chairman and members of the Committee,

Thank you for the invitation to give evidence today on behalf of AIG.

We understand the valuable work of the Committee and the importance of these hearings and welcome the opportunity to contribute to the discussion.

My opening statement will provide some background on AIG in Ireland and then address the costs and availability of insurance in Ireland.

AIG Background

AIG is 100 years old this year and has operated in Ireland for 43 years. AIG companies have a team of 900 people in Ireland. This team is involved in insurance and shared services, both domestically and internationally.

Domestically, AIG is the 7th largest general insurer and the 2nd largest health insurance provider in Ireland. In addition, the AIG team in Ireland provides IT support to AIG operations in Europe, the Middle East and Africa. The AIG team also provides Treasury and Investment services to AIG globally from Ireland.

Our General Insurance business is roughly €300m premium, 50% insuring individuals and 50% insuring companies. Our principal lines are Financial Lines (for example, Directors & Officers insurance, Professional Indemnity and cyber insurance), Motor, Travel, Liability and Property insurance.

For over 40 years, AIG has been the insurance partner for large and small companies, not-for-profit organizations and consumers in Ireland. Operating in over 80 countries, our global footprint combined with our local presence and knowledge has enabled us to support the insurance needs of Irish based companies expanding in the EU and around the world, as well as the insurance needs of US and other multinational businesses in Ireland. We are proud of the part we play in safeguarding people and property.

Cost of Insurance

The high cost of insurance has been an ongoing challenge in Ireland for many years. Representing the Government back in 1992, Des O'Malley stated in the Dáil that insurance costs in other countries 'are only a fraction of what they are here. However, the claims and awards are only a fraction of what they are here. Inevitably, one reflects the other and will continue to do so'.

As has been discussed, Ireland has experienced significantly higher personal injuries awards from its Courts than comparable European jurisdictions, with awards for minor injuries on average 4.4 times higher than the UK, according to the Personal Injuries Commission. Claims awards and legal costs make up the majority of insurance premiums and this is a key factor in the cost of insurance in Ireland.



The higher awards arise from a combination of factors, including the relatively high award levels for personal injury claims set out in the 'Book of Quantum', inconsistency of awards made by the Courts, combined with a time-consuming and costly appeal process.

There is real commitment from Government, the Oireachtas and key stakeholders, including the industry, to implement change. We welcome the Judicial Council Act 2019 since it provides an opportunity to address some of the root cause issues behind higher insurance costs by creating a fairer and more consistent framework for the allocation of personal injury awards. We look forward to the establishment of the Personal Injuries Guidelines Committee under a Judicial Council to oversee the delivery of new Personal Injuries Guidelines. We also support the Civil Liability (Capping of General Damages) Bill 2019.

The Irish insurance market is a very competitive and dynamic market with a strong base of well-established domestic insurers, along with many of the major global and London Market insurers. The industry has a history of responding quickly to change, as evidenced by the 40% decrease in insurance costs following the establishment of the Personal Injuries Assessment Board (PIAB) in 2004.

It is critical for the market that insurers are well capitalised with a strong governance and risk management framework. In order for insurers to continue to provide services to consumers and businesses, they also need to be profitable. Although the Irish motor insurance market made a profit for the first time in many years in 2018, liability remained loss making. In the last 6 years published data, the liability market has made a net underwriting loss of over €500m and the motor market has made a net underwriting loss of over €800m. This has led to some companies exiting the market or exiting poorly performing segments, which has impacted cost and availability of cover in some areas.

Concluding remarks

To conclude my opening remarks, we want to work together with Government and the Oireachtas to create a sustainable, fair and consistent cost framework for insurance claims, allowing AIG to play its role supporting businesses and consumers in Ireland.