

## Aviva Opening Statement for Oireachtas Committee

### 1. Introduction

We would like to thank the committee for inviting Aviva here today to discuss the cost and availability of insurance in Ireland. These are issues of significant importance to all stakeholders in the Irish insurance industry and we welcome the opportunity to contribute.

### 2. Overview of Aviva in Ireland

Aviva has been operating in the Irish market for nearly 240 years. Our businesses in Ireland are fully owned subsidiaries of the global insurance group. Aviva is listed on the London Stock Exchange and is a member of the FTSE100 index. This year we demonstrated our commitment to the Irish market by completing the establishment of a separate Irish legal entity for our general insurance business. This allows us to continue to protect our customers and serve their best interests in Ireland post-Brexit.

In Ireland we currently employ nearly 1,600 across offices in Dublin, Galway and Cork. We are a significant life and general insurance player. We are a socially responsible insurer that seeks to deliver value for all stakeholders including our customers over the long term. We contribute significantly to national sports and community organisations through our sponsorship of Aviva Stadium and our support of charitable and community causes.

### 3. What insurance covers are provided by Aviva?

By way of background, Aviva is one of the largest providers of insurance in the Irish market with a general insurance market share in 2017 of c.15%; we operate across most segments of the motor, home and liability markets. We insure:

- One in every five SME businesses
- One in every five motorists
- One in every six homes

Aviva is well placed to know and understand this market. We exist to pay our customers claims. We hear from our customers on a daily basis in relation to the difficulties that they are facing as a result of the problems in the insurance market.

#### **4. What is driving the cost & availability of home, car, business and public liability insurance?**

Over a number of years profitability challenges arose in the market for insurers due to;

- Increasing claims costs
- a reduction in investment income
- a reduction in prices

The problems faced by Aviva and the insurance market generally became a consumer issue from 2015 on and arose in two ways (1) significant increases in customer premiums (2) for certain segments of the market significant reduced availability. The business sector experienced an additional challenge in that Aviva and indeed most of the domestic insurers reduced capacity for certain segments of the market, for example leisure, and these were replaced primarily by UK based insurers. The additional problem as highlighted in the media is that these UK insurers are now exiting the market. The problem for business customers is they find it difficult to get a quote and if they do its prohibitively expensive.

The Cost of Insurance Working Group was set up in 2016 to address the issue of increasing insurance costs. The Cost of Insurance Working Group correctly identified the need to establish the Personal Injuries Commission (“PIC”). One of the most significant aspects of the PIC was that all key stakeholders were represented, including the Law Society, insurers, the Bar Council, the medical profession, consumer and competition representatives and relevant government departments. The excellent work of retired Justice Nicholas Kearns, who chaired the PIC, confirmed that personal injury award levels in Ireland are 4.4 times those in England and Wales, with the Commission unanimously recommending the establishment of a Judicial Council to recalibrate awards back to reasonable levels. When whiplash awards are aligned to levels in England and Wales, this will result in substantial premium reductions.

#### **5. What are the key changes that need to be made to improve the landscape for the cost & availability of the above-mentioned insurances?**

The insurance landscape continues to create significant issues for Irish customers, both in terms of premium volatility and from the withdrawal of insurance underwriters from what is an open market here in Ireland.

The issue of excessive award levels was validated by both the Cost of Insurance Working Group and the PIC, and Aviva fully supports the recommendations outlined by these groups. However, our customers remain frustrated that despite all the activity in implementing changes, it has not resulted in any real reduction in claims costs and consequently we cannot deliver lower and more sustainable premiums.

Business customers face an additional challenge – the excessive award levels have created a “compo culture” that is significantly impacting the liability market in Ireland. In our experience the courts are now taking a much broader view of the duty of care and standard and we are asking the government to review the law of negligence as it applies to personal injury actions against SMEs and community and voluntary organisations in Ireland.

## **6. What has Aviva done to promote, encourage and deliver these required changes?**

In 2015, we saw that problems in the UK market were being addressed by the involvement of all key industry stakeholders. We decided that this approach would help in resolving the Irish industry’s problem. We called this our “Road to Reform” agenda and wrote to our customers highlighting the reasons for the rising cost of premiums and the changes required to reduce the cost.

Since then we have proactively engaged with key stakeholders including government Ministers, opposition spokespersons and senior officials in the Departments of An Taoiseach, Finance & Transport on the drivers of premium increases and the urgent reforms required.

We also recognised the need to increase substantially our fraud capabilities on both prevention and detection. We have invested heavily in our fraud team, now employing over thirty dedicated fraud investigators, alongside a network of over fifty additional claims investigators operating nationwide.

Over the past three years we have worked very closely with the Gardai and we have increased the reporting of criminal disclosures to the Gardai, under S.19 Criminal Justice Act 2011. We

have also proactively engaged with Gardai, industry stakeholders and the media to raise awareness of the issues of claims fraud, ghost broking (involving the sale of counterfeit policies) and fraud tourism (involving claimants who travel to Ireland from countries with lower award levels solely to commit insurance fraud).

## **7. What is Aviva's commitment to Irish consumers if the required changes outlined above are delivered?**

Aviva has always and will continue to operate prudently from an underwriting and pricing perspective to ensure that we are here to protect our customers when they need us most. The target return we hope to achieve is a small percentage of the overall cost of insurance. Most of the premium goes towards paying our customers claims. Using motor insurance as an example:

- 65% of the premiums goes toward paying claims;
- A further 11% goes towards paying claims from uninsured drivers and levies.

Cost of claims remains the largest influencing factor on the cost of insurance in Ireland. Aviva Ireland would be delighted to pass on lower premiums to our customers who are bearing the brunt of these excessive awards. Changes in the awards handed down are essential if we are to deliver lower and more sustainable and lower premiums to our customers and we would encourage government to prioritise the completion of this reform process. Aviva is committed to ensuring that our customers will benefit directly from any such reductions when claims costs come down.

## **8. What is Aviva's request of Government and this Oireachtas sub-committee to accelerate the changes required to improve the landscape for both the cost & availability of the aforementioned insurance?**

In summary, the biggest factor determining the cost and availability of insurance is the cost of claims. The mechanism to address this is a recalibration of award levels as provided for in the Judicial Council Act. Aviva calls on the Judicial Council to be established without any further delay, and for that Council to then immediately establish the Personal Injuries Guideline Committee to recalibrate injury award levels as a matter of urgency, rather than using the maximum allowed timeframes as per the legislation.

Aviva also asks the government to review the law of negligence as it applies to personal injuries actions against SMEs and community and voluntary organisations in Ireland.

**ENDS 27/09/19**