

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

19th May 2021

Good afternoon Chairman and members of the committee, thank you for the invitation to meet with you today to discuss issues relevant to General Insurance in Ireland. Zurich welcomes the opportunity to be part of this important discussion and to contribute to the work of this committee.

Since our last meeting with the committee in October 2019 we have grown our overall market share to 10% and our business now employs 400 employees across our Dublin and Wexford offices. We remain a proudly Irish business with a 100% local management team focused on the Irish market, writing around €350m in premiums in Ireland, and have maintained our AA- Financial Strength rating which means Zurich customers can continue to rely on us to consistently deliver on our promises when it matters.

Like all businesses, the impact of COVID-19 was unexpected and unprecedented. Our immediate priority when the first lockdown was announced in March 2020 was to support the national effort, protect our employees wellbeing and maintain full service to our customers by moving the vast majority of our employees to remote working. We maintained a robust consumer protection risk framework to manage customer conduct risk and drive positive behaviours. This framework brings to life our engrained practices of listening to customers and treating them fairly in line with the Consumer Protection Code and is evidenced by our low level of customer complaints (less than 1% based on active policies and received claims in 2020).

Claims reputation is particularly important to Zurich. We strive to provide an efficient and fair claims experience for our customers and our reputation for paying valid claims is a key factor behind our market success over many years. In line with our existing claims philosophy, Zurich is committed to treating all our customers honestly, fairly and professionally and we ensured that this approach was applied to all COVID-19 related claims from the beginning. Our approach for all claims is to investigate the individual facts of each claim, clearly explain policy coverage to the customer and communicate the rationale for our determination on liability to the customer in writing. Where there is cover, any claims offer is fair and represents our best estimate of the customers reasonable entitlement.

We offer internal appeals and complaints processes to all customers and also advise them of how to bring any complaint to the Financial Services Ombudsman and, to date, we have been notified of one complaint to the Ombudsman in relation to a COVID-19 claim. Our approach is fully aligned to the expectations set out in the 'Dear CEO' letter issued by the CBI on the 27th of March, 2020 in relation to business interruption claims and the CBI's Business Interruption Insurance Supervisory Framework.

Zurich is committed to continuing to meet the CBI's expectations as set out in the letter and Framework through our dedicated and professional handling of all COVID-19 claims.

If I turn to the new guidelines on judicial awards and the impact on policy premiums, let me first say that Zurich welcomes this change as a meaningful step to deliver lower insurance premiums to Irish customers and I want to take this opportunity to again confirm that we will pass on the benefits of resulting reduced claim costs to our customers.

I am sure the committee will appreciate that there are certain important legal limitations particularly under competition law that limit my sharing any competitively sensitive information or speculating in relation to either future premium levels or Zurich's future pricing strategy. Each individual insurer will need to independently assess their own view of the impact of the changes and act accordingly. We have completed our initial analysis of the expected impact of the new guidelines on our future claim costs. Claims costs make up a significant part of premium so its logical any reductions in such costs should positively impact premiums and in the coming weeks we are implementing changes to customer premiums to reflect the impact of this reform action on claims costs.

The new guidelines should lead to material reductions in general award levels and I also hope they will lead to an increased percentage of claimants accepting PIAB awards. PIAB provides a fair, cost effective and consistent mechanism to provide compensation to claimants which benefits all key stakeholders and society at large. In recent years, Zurich has continued to accept over 90% of the awards made by PIAB but we have seen a consistent fall in claimant acceptance from approximately 65% in 2013 down to around 50% today.

The most recent NCID Private Motor Insurance Report clearly demonstrated that most claimants do not receive a significantly higher award subsequent to rejecting a PIAB award. It usually takes a further 2 years to settle the claim with a marginally higher amount paid to the claimant but the resulting legal costs adding over 50% to the average claim cost. Any action that can be taken to increase PIAB claimant acceptance rates will reduce the future costs of claims in Ireland so I welcome the ongoing work to reform and refine the work of PIAB which could lead to further reductions in such insurance costs and inevitably customer premiums in a competitive market. Zurich is committed to continue to review and adjust its premiums in light of future reform and market developments to ensure we continue to offer fair and competitive prices to our customers.

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