



Aviva Insurance Ireland DAC One Park Place Hatch Street Dublin 2 Ireland D02 E651

Opening Statement of Aviva

Joint Oireachtas Committee on Finance, Public Expenditure and Reform, and Taoiseach

19 May 2021

1. Introduction

I would like to thank the committee for inviting Aviva to attend to discuss issues in relation to business continuity insurance, and recent changes to judicial awards and their impact on policy premiums. These are issues of significant importance to all stakeholders in the Irish insurance industry and we welcome the opportunity to contribute. As the CEO of Aviva's general insurance business, Aviva Insurance Ireland, I cannot respond to questions on Mortgage Protection, which is a life policy underwritten by a separate Aviva business here in Ireland. However, I can provide a short statement from Aviva Life & Pensions Ireland on the impact of Covid-19 on underwriting criteria for life policies, which also clarifies queries on the impact of vaccinations on Mortgage Protection claims.

2. Overview of Aviva in Ireland

Aviva has been operating in the Irish market for over 240 years. Our businesses in Ireland are fully owned subsidiaries of the international insurance group Aviva plc, which is listed on the London Stock Exchange and is a member of the FTSE100 index.

In Ireland, Aviva currently employs nearly 1,500 people across our offices in Dublin, Galway, and Cork. Aviva Insurance Ireland, of which I am CEO, and Aviva Life & Pensions Ireland are significant general insurance and life players in the Irish market. We are sustainable and socially responsible insurers that seek 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 the Aviva Stadium and our support of charitable and community causes.

We remain committed to operating in a competitive Irish insurance market that is stable and sustainable for our customers. We have led the market in supporting insurance reform and continue to support the creation of a more sustainable and less volatile market, which we believe will assist with both the cost and availability of insurance for all customers.

Directors: M Shaw (Chairman) (Canadian), D O'Rourke (Chief Executive Officer), L Caslin (British),
E Galicier (French), C Holmes, A O'Riordan, T O'Rourke.

Aviva Insurance Ireland Designated Activity Company is regulated by the Central Bank of Ireland. A private company limited by shares.
Registered in Ireland Number: 605769 Registered Office One Park Place Hatch Street Dublin 2



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3. Business Continuity Insurance (Business Interruption Cover)

We are aware that the issue of business interruption claims is a significant concern to businesses, advocacy groups and policymakers. As has become apparent through recent legal cases in the UK and Ireland, this is a complex issue and it is widely accepted that no insurance market in the world provides widespread business interruption coverage for a pandemic such as Covid-19.

Aviva Insurance Ireland has roughly 15,000 customers that have cover for business interruption. The vast majority of these policies do not provide cover for business interruption arising from the Covid-19 pandemic. The wordings used by Aviva in these policies are unambiguously clear. We do have approximately 50 policies taken out by small businesses where the wording is not as clear. So far, we have received only a few claims on these policies, and we have paid these. Despite not receiving claims from the remaining customers, we have been very proactive in writing to these policyholders to draw their attention to the cover they have in place and inform them that they may have a valid claim. Finally, we have a small cohort of corporate policies where a claim may arise in the future. We are working closely with the brokers on these cases.

Where we have received business interruption claims due to Covid-19, we have provided each customer with a full explanation of our decision in cases where policies did not provide cover. Only a relatively small number of customers were unhappy with our determination and subsequently made complaints. Most of these complaints were resolved by our complaints handling processes, however a handful of customers took cases to the Financial Services and Pensions Ombudsman. All of these cases have been ruled in our favour.

In summary, the vast majority of Aviva Insurance Ireland's policies do not provide cover arising from the Covid-19 pandemic. Where they do, or where the policy wording is not clear, covered claims are being paid and all notifications are being dealt with promptly.

4. Changes to judicial awards and its impact on policy premiums.

Aviva is fully supportive of the government's Action Plan for Insurance Reform and welcomes the implementation of the new Personal Injury guidelines.

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We acknowledge the work done by successive Ministers Murphy, D'Arcy and Fleming, the relentless work of officials at the Department of Finance and the work of Justice Nicholas Kearns. We also acknowledge the vote of the Judicial Council who, despite opposition from many of its own members and the Law Society of Ireland, voted to adopt the new guidelines. The changes will have a positive impact on the cost and availability of insurance, for businesses, voluntary organisations, and motorists.

While acknowledging the work done, there is still a long way to go before minor awards are on a par with many European countries. For example, one of the biggest reductions is for fully recovered minor whiplash, which will move from €16k to €6k. This will still be four times higher than the UK, where minor whiplash is moving from €4k to €1.5k. Many countries do not provide any compensation at all for minor whiplash. We believe there is still more to do in both reducing awards and strengthening the scope and remit of the Personal Injuries Board.

In relation to the impact on premium from the new guidelines, Aviva has anticipated the changes and reduced premiums in advance of the new guidelines. In an open insurance market like we have in Ireland, there is a clear correlation between premiums and claims costs. Insurance markets will not allow excessive profits and combined ratios generally gravitate to around 95% over the cycle. As claims costs reduce, insurance companies enter new segments of the market where there is an opportunity to make a reasonable return. In the Irish market, we are already seeing better availability of insurance in underserved areas.

At Aviva, we see the changes to awards as a positive and an opportunity to grow our customer base, enter new market segments, launch new products and provide great value to our customers.

A handwritten signature in black ink, appearing to read "Declan O'Rourke".

Declan O'Rourke

Chief Executive Officer

Aviva Insurance Ireland DAC

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Mortgage Protection Policies: Underwriting Criteria and Claims

Statement from Aviva Life & Pensions Ireland DAC

Aviva Life & Pensions Ireland is happy to provide clarification to this Committee on the impact of Covid-19 on underwriting criteria for Mortgage Protection policies. We are also happy to clarify concerns about the eligibility of claims resulting from a serious adverse reaction to a Covid-19 vaccination.

At the underwriting stage of a policy, insurers are required by legislation to ask specific questions of potential policyholders in order to accurately assess the risk involved. Key to this assessment is the existence of a relevant medical condition. In a new application, questions are asked about relevant medical conditions such as asthma, bronchitis, heart conditions, stroke and so on. Given the ongoing pandemic, it is understandable that Covid-19 would be included as a relevant condition on a new application. In Aviva, we are specific in the questions which we ask to assess risk under the policy. However, it is unlikely for the majority of cases that, once the applicant has recovered from Covid-19, the responses to these questions would have any impact on the policy they are seeking to take out. However, this depends on the individual case, the severity of the impact of the infection and evidence of any residual medical complications. For applicants who are displaying symptoms, undergoing testing, have a positive Covid-19 diagnosis, or have recently recovered from Covid-19, the policy commencement may be deferred for a short period. Up to the end of April 2021, less than 0.6% of Protection applications were deferred for a short period of time to allow for recovery from Covid-19 symptoms.

We can also confirm that Aviva Mortgage Protection cover and its other life assurance cover continue to apply in the unlikely event that the life assured dies as a result of a negative reaction to a Covid-19 vaccination. This is irrespective of the type of vaccine involved, once that vaccine has been authorised for use in Ireland and administered in accordance with that authorisation.

Finally, we would like to highlight that Aviva Life & Pensions Ireland paid out on 98% of Death Claims received in 2020. The total amount paid in all Protection Claims amounted to €109 million paid to customers and their families.

We are proud that throughout the pandemic we have been able to provide our Protection customers with financial support when they needed us most. We also supported some of our customers in financial hardship through forbearance measures to assist them in keeping their valuable cover in place. We have also maintained our customer services levels throughout the pandemic while transitioning to a working model where 95% of our staff have worked from home for over a year.

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