

ALLIANCE FOR INSURANCE REFORM

The logo for the Alliance for Insurance Reform features a stylized graphic of two overlapping curved lines, one yellow and one green, positioned above the text "ALLIANCE FOR INSURANCE REFORM". The text is in a bold, sans-serif font, with "ALLIANCE FOR" in black and "INSURANCE REFORM" in green.

Submission to the Competition and Consumer Protection Commission regarding the Commission's Public Consultation on their Market Study into the Irish Public Liability Insurance Market

The Alliance for Insurance Reform welcomes the opportunity to provide feedback to the CCPC on behalf of the community, charity, sports, cultural and business organisations among our members (see Appendix 1).

This submission is a follow-on to the Alliance's meeting with the CCPC on 29th August 2019.

ALLIANCE

The sole aim of our Alliance is to highlight the negative impact of persistently high insurance premiums and call for real reforms that will quickly reduce liability and motor insurance premiums to affordable levels and keep them that way.

The Alliance was established in early 2018 due to increasing frustration at the slow pace of insurance reform through state responses such as the Cost of Insurance Working Group.

CONTEXT

There is an insurance crisis in Ireland and at the heart of that crisis is the unsustainable cost of liability insurance.

This has been a crisis in need of urgent solutions since 2015 and in recent times the crisis has escalated, with the cost of liability insurance, reductions in the availability of cover and the dramatic reduction in competition within individual business and voluntary sectors particularly noticeable.

CONCERNS

It would be remiss of the Alliance to engage in this consultation without first expressing the serious reservations that have been raised with us by members regarding the process, specifically concerns regarding:

- The lack of powers and resources available to the Commission to carry out the study and any investigative or enforcement follow-on
- The speed of the process in the context of the 4 years it has taken so far to investigate potential breaches of the Competition Act 2002 in the motor insurance sector without any sign of a report
- Suspicion that the study is a political expedient
- Fear among members of giving evidence to any ensuing investigation due to fear of losing insurance cover
- Ultimately, the lack of impact of the study and any follow-on given the above concerns.

Having said all of that we are engaging again in the process in good faith.

TRANSPARENCY

Official data in the liability insurance area has been very scarce in recent years. In particular any meaningful analysis of the area has been hampered by a lack of data oversight to an extent that is difficult to credit.

In the middle of a liability insurance crisis:

- The Blue Book, which gave a broad oversight into the overall liability (and motor) insurance markets was [abolished](#) by the Central Bank at the end of 2015 with no direct replacement
- The Key Information Report on Employer and Public Liability insurance claims was an important recommendation of the CIWG and is now over 18 months late. The Department of Finance cannot explain why the insurers are taking so long to supply the raw data and have undertaken to take our views “into account in our ongoing consultations with Insurance Ireland”.
- We do not expect the National Claims Information Database (NCID) Report on Liability Insurance to be published until H1 2021, over 3 years since it was first mooted.
- There is still no insurance fraud database, 3 and a half years after it was proposed in the CIWG motor insurance report. ([P16](#), CIWG 10th Update)

Given this unacceptable lack of data oversight, both the Alliance and other representative bodies carried out member research in 2019. Both these and the NCID private motor insurance report shed some light on the current situation and are of value in the current process.

The [research](#) published by the Alliance in June 2019 showed that:

- respondents’ insurance cost have risen by 204% in the last 5 years
- 49% of respondents say rising insurance costs are threatening the future of the organisation
- insurance now accounts for 10% of charities’ expenditure

Equally, in September 2019, [research findings](#) released by Ireland’s Public Participation Networks (PPNs) found that:

- 83% of community groups have seen insurance costs rise in last 3 years
- 45% have had to reduce the number and range of activities they can undertake
- 80% say it is very hard to find funding streams that will cover insurance costs
- 47% say their group is in danger of stopping altogether if insurance costs continue to rise

The findings of these reports were backed up by research carried out by the Federation of Irish Sport. In [July 2019](#), Mary O’Connor, CEO of the Federation of Irish Sport said *“In a recent survey conducted by the Federation, 97% of our members revealed that their insurance premiums have gone up in the last 5 years on average by 45%. In one instance a member’s insurance has gone up by 108% in that time frame. Insurance is becoming an increasing burden for all our sporting bodies and will continue to have a negative impact on the delivery of sport and physical activity opportunities in Ireland and the situation urgently needs to be addressed.”*

URGENCY

In the intervening months since the above surveys were carried out, nothing has happened that has been identified by the insurance industry as being capable of applying downward pressure to liability insurance premiums or making insurance cover more available. Indeed Covid19 has compounded both issues.

So the dire situation many community groups, charities, sports organisations, arts and cultural groups and SMEs found themselves in during 2019 has worsened in 2020. Indeed, despite the collapse in economic and social activity, which we would have expected to trigger a significant reduction in average premium on renewal, policy renewals are trending +4% according to our recent Covid19-related [member survey](#).

In essence, unless insurance reform is urgently addressed, it will not be possible for the Irish economy to recover through SMEs. Equally it must be noted that it will not be possible for the wider fabric of Irish society to recover through community and voluntary groups, charities and sports and cultural organisations unless insurance reform is sorted. The feedback we have received from members in the voluntary, community, charity, arts & culture and sporting sectors makes it clear

that once an organisation in these sectors closes up, it does not necessarily reopen when the insurance problem is finally resolved, because of the enormous voluntary momentum and generation of community and State supports required to get a not-for-profit organisation up and running.

As well as making SMEs commercially unviable, elements of the damage being caused by the insurance crisis include:

- Loss of economic momentum at grassroots
- Stifling of innovation
- Damage to our international competitiveness
- Loss of both commercial and voluntary services
- Disproportionate impact in rural areas
- Fear, stress and morale among SME owners and lead volunteers
- Loss of volunteerism
- Infantilisation of adults
- Loss of childhood
- Compounding childhood obesity
- Criminalisation of genuine claimants
- Erosion of faith in politics, law and the professions

So the cost of insurance is not sustainable at its current levels, is damaging the fabric of Irish society and needs to be resolved as a matter of extreme urgency.

CAUSES OF RECENT LIABILITY PRICE INCREASES

Because there is no official data regarding the liability market, it is difficult to diagnose the drivers of unsustainable prices over the last 5 years. However it is possible to gain some insights from alternative sources:

- The Central Bank's NCID first Private Motor Insurance Report ([Dec 2019](#)) showed that between 2009 and 2018, the average premium per policy increased by 42% while the average cost of claims per policy decreased by 2.5%. So while the cost of claims remains a very significant part of the total cost of a motor insurance policy, it is not the reason motor insurance policy premiums have rocketed in the last 10 years.
- Internal research carried out by our member organisation PALI (Play Activity and Leisure Ireland) in 2019 showed that members have paid €5m in liability premiums over the previous 5 years but total insurance claim payments plus reserves for claims amounted to less than €1.2m.
- Similarly ISACS, the Irish Street Arts, Circus and Spectacle Network found that their members' average premium rose 53% in 2019 vs 2018 despite the sector having only one claim among all members in the previous 5 years.
- Anecdotally, several other member organisations have had similar experiences.

Overall, the Alliance does not believe that the old mantra that 'claims drive costs' applies in absolute terms to the Irish liability insurance market.

EMPLOYERS LIABILITY INSURANCE

We request that employer's liability insurance be included along with public liability in the Market Study, as most SME's, charities and voluntary groups are quoted EL and PL bundled into one liability premium.

IRISH BROKERS

Based on feedback from members, the Alliance is not convinced that brokers are acting in the best interests of policyholders. This impression has been amplified by their response to the covid19 crisis. Examples that feed our concerns in this regard include:

- Anonymised example presented to the Joint Committee on Finance, Public Expenditure and Reform, and Taoiseach [debate on Insurance Costs for Small and Medium Businesses](#) by ISME on Thursday, 4 Apr 2019.

"The first story is illustrated on page 10 of our written submission and concerns an ISME member in the south west, a medium-sized manufacturer with a substantial multi-risk policy in six figures. The policy was with what I would call a multinational enterprise, MNE, a broker or an international brokerage firm. The policy was underwritten, so broker A was underwritten by underwriter B, both of which were multinationals.

At recent renewal, the member received off the record advice that underwriter B had paid broker A and a number of other major brokers a substantial commission to direct all their clients to underwriter B. Broker A would shortly advise the ISME member that the only underwriter who would accept his business for 2018 would be underwriter B and a 30% increase would apply. There would then be only one underwriter bidding for the business at a 30% premium. However, if the ISME member approached broker C, he could renew the book with underwriter B for the same price as before. Broker A duly quoted the premium plus 30% a few days later and the ISME member severed his relationship with broker A. The ISME member will not identify himself or the broker underwriter for fear of commercial retribution."

- Numerous reports from policyholders that brokers are acting as 'gatekeepers' for underwriters on potential Covid19-related business interruption claims, by verbally dismissing any chance of a successful claim from underwriters; when informed reading of the specific policies has suggested that policyholders have every chance of a valid claim.
- This gatekeeper approach is also being applied to requests for forbearance (rebates or extensions to policies). We understand that if underwriters give a rebate to policyholders due to the collapse in their turnover and/or customer count, then brokers must rebate part of their commission as part of that transaction.
- Our own internal analysis suggests that brokers' commission account for 9% of total insurance policy costs. This figure appears to have remained steady for some years now. As commissions are calculated on a percentage basis, there is no incentive for brokers to search for lower premiums for policyholders.

We thank the Commission again for the opportunity to make this submission.

10th July 2020.

Appendix 1



MEMBERSHIP LIST

The Alliance brings together 38 civic and business organisations from across Ireland, representing over 46,000 members, 690,000 employees, 499,000 volunteers and 374,000 students in highlighting the negative impact of persistently high premiums and calling for real reforms that will quickly reduce liability and motor insurance premiums to affordable levels and keep them that way. Our members include:

- AOIFE Ireland (Association of Irish Festival Events)
- Car Rental Council of Ireland
- Childminding Ireland
- Coach Tourism & Transport Council of Ireland
- Community Reuse Network Ireland
- Convenience Stores and Newsagents Association
- Cork Business Association
- Early Childhood Ireland
- Family Business Network Ireland
- Federation of Irish Sport
- Galway Chamber
- Galway City Business Association
- Galway County Public Participation Network (PPN)
- Ireland Active
- Ireland's Association for Adventure Tourism
- Irish Caravan and Camping Council
- Irish Concrete Federation
- Irish Hotels Federation
- Irish Road Haulage Association
- Irish Showman's Guild
- Irish Street Arts, Circus and Spectacle Network
- Irish Travel Agents Association
- ISME
- Licensed Vintners Association
- Motorsport Ireland
- Nursing Homes Ireland
- Play Activity and Leisure Ireland
- Quick Service Food Alliance
- Restaurants Association of Ireland
- Retail Excellence
- RGDATA
- Sligo PPN
- Society of the Irish Motor Industry
- South Dublin County PPN
- Sport Ireland
- Union of Students in Ireland
- Vintners Federation of Ireland
- The Wheel (Ireland's national association for community, voluntary and charitable organisations)