

**All Party Working Group on Car Insurance
Room 21, Parliament Buildings, 25 February 4pm**

Present:

Trevor Lunn (Chair)
David McClarty (Vice-Chair)
Roy Beggs
Cathal Boylan
Kieran McCarthy
Lord Morrow
Paul Hatty (BIBA, local Chair)
Julie Coulter (Consumer Council)
Joleen Cunningham (Consumer Council)

Chair's Opening Remarks:

The Chair welcomed everyone to the meeting. The group agreed that minutes of proceedings would be placed on the Consumer Council website with a link to these on the NI Assembly website.

Evidence from Mr Paul Hatty, BIBA:

The Chair introduced Mr Paul Hatty and thanked him for attending and agreeing to answer members' questions.

Mr Hatty began by referencing the Consumer Council's (CCNI) 2009 report on car insurance and how following this and differing views on the research findings, discussions had taken place between the British Insurance Brokers' Association (BIBA) and CCNI on pricing. Mr Hatty commended the Consumer Council's *Driving Down the Cost of Car Insurance* publication which had been completed in partnership with BIBA. BIBA has done its own research which found that while there is not a big differential overall between prices of car insurance in Northern Ireland and GB, the costs in large cities such as Birmingham and Manchester can be around double that in Northern Ireland. It found that there were 92 insurance products selling through brokers and around half that number on comparison websites.

Mr Hatty advised that while NI has just 3per cent of the cars in the UK, personal injury awards here amounted to 5.5per cent of the UK total; and historically that claims that went to court in the UK amounted to 3.5per cent of the total, whereas the figure in NI was 40per cent. Members queried if this was indicative of the nature of

the legal profession here and discussed the cultural lag of whiplash injuries and claims and the culture of claims management. Mr Hatty advised that historically some insurance companies had not been good at looking after customers after accidents and this had led to the rise in the number of claims management companies (CMCs). In the last three years the turnover of CMCs has risen from £248 million to £455 million. There are issues regarding how these companies are funded. Mr Hatty explained that the Access to Justice Foundation is currently looking at reforms. He said there would always be room for the existence of well run and appropriate CMCs.

Members asked what incentives were in place for early settlement to avoid costly legal bills. Mr Hatty advised that time is the biggest cost factor and that around 26per cent of claims lapse because they go outside the 15 day time limit. Members also heard that in NI there are no set levels for payout for a particular injury. Mr Hatty informed members of instances where even after accepting a final settlement, cases have been reopened and revisited.

Mr Hatty advised that insurance companies are looking at a COR (Combined operating ratio) of over 100per cent and have no control over this.

Mr Lunn raised the issue of how legal expenses cover being added to customers' premiums could encourage claims and asked if it was industry practice to make legal expenses cover compulsory. Mr Hatty said that insurers will include and recommend this cover but it can be taken off. He further advised that the FSA (Financial Services Authority) had been scrutinising insurance add-ons and the significant difference in prices between suppliers.

Mr Lunn asked about the 92 products being sold through brokers. As this was the number of products rather than companies, did it indicate a lack of competition in NI? Mr Hatty replied that whilst historically this may have been the case, there are more direct insurers now operating in NI, with the exception of Aviva. The NI market is competitive and recently an AA survey had identified that the average premium in NI could be up to £100 less than in UK.

Mr Lunn asked if there had been an amalgamation or consolidation of a number of syndicates here. Mr Hatty advised that some reforms have taken place and with a smaller market in NI it is becoming more difficult for smaller companies, with larger insurers dropping prices and making things more competitive.

Mr Hatty advised there are several factors that influence cost, including age, car and postcode. The group discussed the issue of postcode on premium costs and the urban/rural issue particularly in NI which has a bigger percentage of fatalities in rural areas.

Discussions took place on the issue of equality versus fairness and how recent EU legislation meant that females were now being charged more for insurance.

Mr McClarty asked if the majority of consumers know what they are buying. Mr Hatty advised that a lot of covers are bound in law; excess, ancillary cover, but that more education is needed. A broker can advise on a consumer's requirements whereas when insurance is bought through a comparison website, there is a risk that the cover may not be sufficient or correct.

Mr Beggs referred to page 18 of BIBA's 2013 manifesto and asked about direct and indirect regulatory costs. Mr Hatty explained that brokers and insurance providers have indirect costs such as a levy for the mis-selling of PPI and that the level of this has increased by 40per cent.

Members discussed insurance fraud and Mr Hatty advised that organised fraud can cost up to £30,000 per claim. The Motor Insurers' Bureau exists as a database of insured vehicles

Members discussed black box technology and asked if any statistics were available as to its effect on premiums. Mr Hatty advised that it is probably too soon to look for evidence on this but the technology could be a part of a solution for younger drivers. He reported that the percentage of drivers who are using black boxes is small and that they tend to be safer drivers overall. The government sees this technology as a large part of the way forward in bring down car insurance prices however telematics

can play no part in measuring whiplash effects. Mr Hatty said that the FSA and ABI are looking to develop a Code of Practice for telematics.

Mr Hatty advised that he would be happy to provide the group with written records of statistics if requested.

The Chair thanked Mr Hatty for taking the time to attend and answer members' questions.

AOB: A date for the next meeting will be advised in due course. The group is planning to speak to ABI, the Law Society and Crash in the coming months.

The meeting closed at 5.30pm.