

**All Party Working Group on Motor Insurance
Room 21, Parliament Buildings, 14 October 2014 at 2pm**

Present:

Trevor Lunn, Chair
Roy Beggs (for part)
Cathal Boylan (for part)
Alban Maginness (for part)

Rob Cummings, Manager, Civil Justice and Data Strategy, ABI
James Dalton, Head of Motor and Liability, ABI
Julie Foy, Business Manager, Aviva
David McChesney, Claims Consultant, Allianz
Paul Nolan, Head of Underwriting, Axa

Julie Coulter, Consumer Council
Rachael Cray, Consumer Council
Eimear Duffy, Consumer Council

Chair's opening remarks

The Chair welcomed everyone to what he said was to be the final meeting of the All Party Working Group (APWG) and advised members they would be hearing from the Association of British Insurers (ABI).

Mr Dalton thanked the Chair for his welcome and for the opportunity to speak to the APWG. He acknowledged that the cost of car insurance particularly in Northern Ireland (NI) has been focus of attention and that the cost of premiums here has historically been higher than rest of UK. He advised that the ABI contributed to the Competition and Markets Authority's (CMA) investigation into the private motor insurance market in the UK.

Mr Dalton acknowledged Mr Lunn's observation on the cyclical nature of the car insurance market. He spoke about the introduction in England and Wales of the Legal Aid, Sentencing and Punishment of Offenders Act 2012 (LASPO) and the reduction in the fixed costs from £1,200 to £500 that claimant lawyers can recover for processing low value road traffic accident (RTA) claims. He highlighted how these significant civil justice reforms have contributed to premiums falling by more than 14 per cent over the past 18 months and advised that similar changes in NI could mean a reduction in premiums for

motorists here. Mr Dalton believes that road safety legislation currently being proposed for NI is also likely to exert downward pressure on costs for young drivers.

Mr Boylan joined the meeting.

Mr Lunn highlighted information provided to the APWG by the Belfast Solicitors Association (BSA) that the frequency of claims in NI is less than in England and Wales, and that NI is not a hotspot for fraudulent claims. The BSA said it is not the case that compensation levels are higher here and that 80 per cent of personal injury awards are less than £5000

Mr McChesney referred to the latest statistics from the Department for Regional Development (DRD) which show that in 2013 there were 502 road traffic collision casualties per 100,000 population compared with 304 in England.

Mr Cummings advised that whilst this was the case overall, in comparable urban areas such as Belfast, Derry, Liverpool and Bradford, the figures would be more on a par.

Mr Lunn enquired about whiplash claims paying more in NI. Mr McChesney confirmed that this has traditionally been the case here and on the occasions when insurers contest these cases in court, damages paid in subsequent claims reflect what has been awarded by the judge.

Mr Beggs asked about what Mr Dalton had described as the disproportionate legal costs in NI and if this applies over the whole spectrum of awards.

Mr McChesney spoke about the statutory scale costs in NI which have risen by more than 30 per cent since a government review in 2002, and how the application of an inflation index increase to legal costs has the effect of adding double inflation to the expense of administering a claim. He advised that the statutory system of scale costs is disproportionately high at the lower end and that it would be advantageous for smaller motor claims up to a value of £3,000 to be heard in the small claims court.

Mr Maginness queried this view, highlighting the dangers of disputed liability claims going through the small claims court.

Mr Lunn said he would be interested to hear the opinion of insurance companies on what they believed to be the effect of claims management companies (CMCs) on the cost of motor insurance. He cited the example of a straightforward damage claim, and asked if it was more cost effective to have a replacement car included in the policy or provided through a CMC. He also asked if the insurance company would normally query a large car hire bill.

Ms Foy confirmed that insurance companies would on occasion query large car hire bills and if charges are unreasonable, the company will challenge these. She advised that the companies want to settle claims as soon as is practical after an accident if liability is established and that the customer is at the centre of what insurance companies deliver. She added that insurers also actively challenge fraudulent and exaggerated claims.

Mr Dalton advised that while referral fees for personal injury claims have been banned in England and Wales, referral fees for credit hire continue and the CMA report made no recommendation to change this. He said that whilst there is no evidence that he is aware of that CMCs from England and Wales are operating here in order to claim referral fees, he believes that this practice does happen. He also believes that there should be a public policy debate in NI over whether steps should be taken to lower both premium costs through lower compensation awards for minor RTA personal injury claims.

Mr McChesney said that the insurance company is often the last organisation to hear about an accident and this can mean that the provision of a replacement car will be through a CMC. Mr Cummings advised that the law enables the credit hire company to charge what it would cost the claimant to hire the car rather than the actual cost to the company and that this proves more costly for the consumer.

Mr Beggs left the meeting.

Mr Dalton advised that the ABI has been working for some time to deliver proportionate costs and the removal of excess fees and expressed disappointment that the CMA report had failed to address reform the cost of credit hire.

Mr Maginness joined the meeting.

Mr Lunn queried if brokers charging fees for products such as uninsured loss recovery and breakdown is necessary as this leaves consumers open to being charged on multiple occasions.

Mr Dalton said that it had been identified in the CMA report that consumers in NI do not shop around as much as their counterparts in the rest of the UK despite the growth of comparison websites and the existence of more brokers here.

Mr Boylan said that the perception is that legacy issues are responsible for the higher cost of car insurance NI and a major concern for the APWG is to be able to say that consumers here are paying a fair price for motor insurance.

Mr Dalton advised what he believes is a key priority in delivering reform and one which would necessitate no change in legislation, is to recommend the Department of Justice (DoJ) implements a pre-action protocol to replace the current voluntary arrangement.

Mr Boylan spoke about the impression that NI has a claims culture and asked if realistically there is anything that can be done.

Mr McChesney advised that in his experience NI consumers have historically been well served by the legal profession and that those entitled to justice and damages have been able to access these. The culture of claiming in Northern Ireland is well established.

Mr Dalton highlighted the issue of consumers being able to access compensation at proportionate cost and spoke of the significant changes in England and Wales with regard to fixing legal fees.

Mr Boylan said that proper robust figures are needed for a complete NI picture however these have proved hard to uncover.

Mr Maginness asked if having fewer companies offering motor insurance in NI contributed to the higher premiums here. Mr Dalton advised that the CMA investigation had looked at competition in the private motor insurance market in NI, and whilst it found that there were fewer companies, the overall market here is not anti-competitive. He said that the industry is not making super profits, in fact some companies are not making a profit at all.

Mr Maginness queried if civil claims in the absence of a jury system were contributing to higher prices here, and if indeed awards were higher than in England and Wales. He asked if insurance companies here would guarantee a reduction in premiums if similar reforms to those in England and Wales were implemented in NI.

Mr Dalton said he believes that society needs to decide what the appropriate level of compensation is, and whether consumers want higher premiums and higher compensation or lower premiums and lower payouts.

Mr Boylan asked if the ABI could advise what the average premium in NI is for an 18 year old first time rural driver.

Mr Nolan advised that prices would differ, depending on factors such as the size of the engine, however quoted a figure of £2,000, promising to get back to the APWG with more accurate premium costs. He said that telematics would make a difference to premiums for younger drivers, as would gaining driving experience on a parent's policy.

Mr Lunn said that many insurance companies don't allow a young driver on a parent's policy.

Mr Lunn spoke about the large number of insurance products available in the NI market and how a consumer can end up with a number of prices for the same policy; for instance direct, through a broker and on comparison sites.

Mr Nolan advised that Axa would try to keep all prices similar and that overall premiums had fallen by around 16 per cent in NI in the last few months.

Mr Lunn asked about the process of settling personal injury claims; whether insurers can get a second medical opinion and the practice of CMCs engaging particular consultants with a constant stream of referrals.

Mr Dalton spoke of the ongoing reform in England and Wales and the belief that premiums there will continue to fall. He advised that the fee for a medical report is now fixed at £180 and doctors will soon be engaged through a random allocation system, breaking the link between claimant lawyers and doctors. The expectation is that this leads to costs which are more proportionate.

Mr Lunn asked Mr Nolan to comment on the issue of Axa including the use of replica replacement parts in its policies and the implications for the vehicle warranty.

Mr Nolan confirmed that this is the case although he was unsure to what degree the practice was enforced. He advised that if the customer insisted on the fitting of genuine parts this would be done.

Mr Maginness asked if the number of civil bills and high court cases in NI is higher than in England and Wales. Mr McChesney advised he did not have information on this, however statistics could be accessed from the Court Service.

Mr Lunn advised that historically there has been difficulty in getting specific NI figures, and asked if ABI could provide the APWG with this information.

Mr Cummings said that whilst the ABI has been trying to access NI specific information, it has been difficult to drill down into the data as not all figures are recorded uniformly. Claims information would be available but this doesn't reveal what the overall costs are comprised of.

Alban Maginness left the meeting.

Mr Lunn thanked everyone for attending the meeting and answering the group's questions. He advised that the next stage of the process would involve the APWG producing a report, bringing together evidence provided over the number of meetings held.

The meeting ended at 3.30 pm