

**All Party Working Group on Car Insurance
Room 21, Parliament Buildings, 4 February 2014 at 4pm**

Present:

Trevor Lunn (Chair)

Roy Beggs

Cathal Boylan

Kieran McCarthy

Alban Maginness

Peter O'Brien, Law Society

Rory McShane, Law Society

Julie Coulter, Consumer Council

Eimear Duffy, Consumer Council

Julie McCurley, Consumer Council

The Chair welcomed everyone to the meeting and spoke briefly about which organisations had provided evidence previously.

Evidence from the Law Society

Mr O'Brien and Mr McShane began by referring to the Law Society briefing paper which had been written for members, and spoke about recent case law which they believed illustrated how the existence of claims management companies (CMCs) are adding unnecessarily to the cost of car insurance in Northern Ireland. They highlighted the diagram of the overview of the claims management process as it is currently and how a model without referral fees should operate.

Mr Lunn said that while in certain circumstances some people may be happy to have a CMC look after their claim, others would prefer to follow a simpler

process but stated that he was concerned consumers are paying for something they don't need. He asked what the cost of CMCs was to consumers as a percentage of car insurance premium costs. Mr O'Brien advised he did not have this information to hand but would endeavour to obtain the figure and pass it on to the Group.

Mr Boylan enquired as to the cost differences in the two models in the diagram and was advised that the simpler model entails the solicitor contacting the at-fault insurer for a fee of around £200 and that the control of car hire and repair costs sits with the at-fault insurer who has an incentive to get the process done quickly.

Mr McShane advised members of the situation in England and Wales, where referral fees are banned, following amendments made to the Legal Aid, Sentencing and punishment of Offenders Act (LASPO), and suggested that a parallel law in Northern Ireland would be beneficial in lowering premiums. He continued that in GB this only covered personal injury claims but there was an opportunity for this to cover all claims if taken forward in NI. He stated that a recent report in Scotland recommended a system of regulation for CMCs, which would mean that Northern Ireland would be the only region of the UK with an unregulated market in claims management. The Group heard that the NI Civil Service had approached the Financial Conduct Authority (FCA) to request a change in the regulation arrangements here but this was declined and that the Competition Commission has previously said that the banning of referral fees is outside its jurisdiction.

The Law Society has recently engaged with the Information Commissioner's Office (ICO) about the importance of tightening the understanding of consumer consent for the sharing of personal information with third parties in the wake of an accident. The current practice of information being passed on by brokers for a fee is not illegal in Northern Ireland, illustrating the need for improved consumer protection in the area of personal data. Mr Lunn made the comparison of ticking a box to allow the passing on of personal details for 'marketing purposes'. The Law Society stated that anecdotally the practice of brokers contacting third parties with information about consumers' accidents could attract a fee in the region of £300.

Mr Lunn asked if the Law Society was aware of any commercial connections between insurance companies and CMCs. Mr McShane confirmed commercial relationships do exist in that area.

The Group discussed the continuing practice of insurers 'door-stepping' consumers and agreed that cheques should never be issued without a medical report. Mr Maginness highlighted the issue of consumers settling in these circumstances when they could be entitled to more, and Mr O'Brien advised of limited success in this area. The Society had pressed for formal regulations but the Government had accepted the Association of British Insurers' (ABI) offer to issue guidelines. Members heard of a case where the client believed he was settling only a damage element; a subsequent judicial ruling was made that he had received no legal advice, been genuinely injured and the settlement was overruled.

Mr Lunn advised that the Group had potentially conflicting figures from the Belfast Solicitors' Association (BSA) and the British Insurance Brokers' Association (BIBA) on the average cost of claims and legal fees in Northern Ireland compared with England and Wales. Mr McShane said he would tend to agree with the evidence outlined by BSA.

Members discussed the issues of cases in Northern Ireland taking longer to settle and the perceived legacy of the jury system. Mr McShane said he believed that the fixed fee regime that is now in place would help to drive costs down as this gives an incentive to resolve cases faster.

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

Mr O'Brien and Mr McShane left the meeting at 5pm.

Mr Boylan asked if the Group had received enough evidence to assist in identifying the causes for the high cost of car insurance in NI and what the next steps should be. Mr Lunn advised that one main issue is the level of added cost to premiums caused by unnecessary services and add-ons. Mr Beggs said the Group would look at the Competition Commission report once it is published and see if this issue is mentioned. The Consumer Council agreed to circulate a briefing to the Group on the Competition Commission report.

Mr Lunn said he hoped to draw up a synopsis of where the Group is with its investigations and produce a final report before the summer recess.

Members discussed whether the changing of legislation in Northern Ireland would be a devolved matter or if the Group would need to request the authority to deal with the matter here. It was agreed the Chair would seek advice from the Assembly's legal team. Suggestions were made about the possible assistance of the Finance or Justice Committee, the initiation of a Private Member's Bill or an adjournment debate on the Assembly floor.

AOB: A date for the next meeting will be advised in due course.

The meeting closed at 5.15pm.