

Funding insurance at 19% inflation

GENERAL insurers should strongly resist any suggestion that their investment income be taken into account in calculating premium rates, according to Mr. Edmond Bailey, President of the Insurance Institute of Dublin.

Speaking at the Institute's annual dinner on Saturday night Mr. Bailey said that calculations in the report of the Committee of Enquiry into the insurance industry concerning the apportionment of investment income across various categories of insurance were "incomplete and grossly misleading."

According to his supplied script Mr. Bailey maintained that: "A relatively simple calculation shows clearly that, after taxation and a modest return to shareholders, the whole of a company's investment income, supplemented by underwriting profits is necessary to finance premium expansion at the 19% level required by current inflation alone."

Commenting on the entry of foreign insurers to the Irish market, Mr. Bailey said it would not take a great deal to upset the fine balance between competition and "the market discipline which is essential to a stable insurance

market." The Irish market, he said resembles the South African one where indiscriminate competition fanned by an aggressive brokers market has rendered all classes of insurance unprofitable.

As for the Government's Green Paper on pensions Mr. Bailey said that the Paper largely ignores the problems of integrating occupational pension schemes into a State scheme.

"It would be entirely inequitable that people who have had the foresight to provide for retirement should be treated similarly to those who have not. Further it is just not on to expect employees to contribute to a State scheme for benefits which they previously enjoyed on a non-contributory basis."

"As there seems to be general agreement that many decades would elapse before any State scheme could provide optimum benefits, I sincerely hope that the Government will make an early commitment to 'contracting out' lest the Green Paper inhibit, however, slightly, the development of pension arrangements for those likely to retire in the meantime." Mr. Bailey said.