TEXT OF TALK BY AIDAN CASSELLS,
CHIEF EXECUTIVE, IRISH INSURANCE FEDERATION,
TO THE JOINT INSURANCE INSTITUTE OF DUBLIN/
LIFE INSURANCE ASSOCIATION MEETING

SHELBOURNE HOTEL

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INTRODUCTION

President, Ladies and Gentlemen,

It is a great honour to have been asked to address the first joint meeting of the Insurance Institute of Dublin and the Life Insurance Association. Both organisations provide a high standard of professional training and education for the insurance industry.

The Insurance Institute of Dublin is one of the oldest bodies in Europe. Its track record and commitment to the insurance industry needs no emphasis on my part. The Life Insurance Association, though of more recent origin, has established itself as one of the key organisations providing educational courses for the life assurance sector. Like the Insurance Institute, its members give generously of their own time to promote professionalism and training within the insurance industry. I would like to pay tribute to both organisations for the invaluable service they give to the industry.

The theme of my paper this evening is "Framing Strategy in a Rapidly Changing World". Change and adaptation are key issues being addressed by all companies in their medium/long-term strategic plans. The pace and significance of the changes currently taking place which will have a direct or indirect effect on our industry are mind boggling in some respects. I will mention just a few in broad outline:

- **Political/Economic** The demise of communism, the splintering of the Soviet Union and the need to re-integrate Central and East European countries into mainstream Europe. What impact will this re-integration and the consequent change over to market economies have on the world financial markets.

  Political and economic union in Europe - will it or won't it happen? What impact will it have on our economy and the insurance sector in particular?

  Currency instability - what future for the Irish pound? Will we be in the first or second division if monetary union proceeds?

- **Competition** The removal of the traditional barriers in the financial services sectors.

- **Social** Increasing consumerism with consequent demands for more and better information. The spread of AIDS - can it be arrested.

- **Demographics** Our ageing population - what impact will the change in the age profile of our population in the next twenty years or so have on product development and rating?

Against this broad background of significant political, economic and social change, the life assurance industry is facing into a period of sustained change from within.

The broad outline of my paper this evening will be as follows:

- Firstly, I will give you a brief overview of the operation and role of the Irish Insurance Federation.

- Secondly, I will outline some of the main changes I expect to the regulatory system for insurance intermediaries.

- Thirdly, I will discuss the significant taxation changes that have been introduced over the past two years and assess their likely impact on the competitiveness of our products.

- Fourthly, I will deal with the need for changes to both the structure and level of commission.

- Fifthly I will deal with the whole question of the image and credibility of the insurance industry and the steps we must take to improve our P.R. image.

- Finally, I will briefly touch on the opportunities and challenges posed by the completion of the Single European Market.

ROLE AND OPERATION OF THE IIF

The Irish Insurance Federation is the representative body for insurance companies operating here in Ireland. The Federation represents both life and non-life companies. All of the life companies and the vast majority of non-life companies are members of the Federation. In total we have forty four members. In premium income terms, members of the Federation write over 95% of the total insurance business underwritten in the Irish market.

The main work of the Federation falls into four broad categories:

- Firstly, we try to influence in a positive way the environment within which insurance companies must operate. This brings us into contact with various Government Departments, dealing with issues such as taxation, the regulatory environment for insurance companies and also insurance intermediaries. We also for our sins liaise closely with politicians of all political persuasions.

- Secondly, we maintain and promote genuine self-regulatory standards within the insurance industry. The Federation does this through a whole range of codes of practice, covering areas such as commissions, advertising standards, cooling-off periods and life assurance selling, to name but a few.

- Thirdly, we try to promote a positive image for the insurance industry in Ireland. Given the current adverse publicity for the life assurance industry, this is in many ways our key role at present.

- Finally, the Federation plays an important role in monitoring and influencing international, and in particular EC insurance developments as they affect the Irish insurance industry.

While the IIF's primary role is to represent the insurance company market, we do recognise and accept that we have a wider role in promoting the overall interest of the industry as a whole. To this end we liaise closely with our colleagues in the Irish Brokers Association, the Life Insurance Association, and the Insurance Institute.

REGULATION OF INSURANCE INTERMEDIARIES

I would now like to turn to the first major challenge facing the industry over the next few years - that is the regulation of intermediaries. The regulatory system for any sector can and does exert a powerful influence on the industry being regulated. It can have a positive influence by promoting necessary and desirable change in market conduct and practice but it can also be extremely negative in creating unnecessary bureaucratic rules and requirements which hinder the growth and development of the sector. I think we are very lucky in Ireland in having a regulatory approach to our industry which, generally speaking, is pragmatic and well-balanced.

A good example of this type of approach to regulation is the new regulatory environment for insurance intermediaries, which was introduced under Part IV of the insurance Act 1989. It is by no means a perfect system. However, I believe it represented at the time a very sensible and pragmatic approach to the introduction of a basic regulatory system for insurance intermediaries.

The Irish Insurance Federation has a direct role in the operation of Part IV, following the establishment of the Insurance Intermediary Compliance Bureau. For anybody who is not entirely familiar with the operations of the Bureau, (or IICB for short), I should briefly explain why the IIF set up this Bureau. The IICB was set up to assist companies to comply with their legal obligation under the Act to make reasonable enquiry each year to satisfy themselves that intermediaries who are not members of the IBA are complying with the provisions of the Act. By establishing the IICB companies avoided the significant duplication of effort that would otherwise have arisen for both companies and, more importantly perhaps, insurance intermediaries.

A lot has been achieved in the past two years since the provisions of the Act came into force. There has been quite a significant change in the structure of the intermediary market, particularly with regard to the number of the part-time insurance agents.

When the Bureau was first set up, we sent out approximately 12,000 forms to various intermediaries. While this figure was an over-statement because of inevitable duplication in the system at the start-up, nevertheless there were quite clearly a substantial number of intermediaries then operating in the market. Following the initial registration process the number of active intermediaries on the IICB system has dropped to 2,531 at the end of January last. This is made up of 956 brokers and 1,575 agents. In addition, there are also 3,388 tied agents on our system. The figures for life intermediaries are 888 brokers, 1,104 agents and 1,387 tied agents.

While the overall regulatory system is working reasonably well, I do have to say that three years on, I am still surprised, at the casualness with which insurance intermediaries approach the registration process with the IICB. Each year companies are forced to go through the unnecessary and costly procedure of threatening cancellation and holding commission or renewals from a significant number of intermediaries, to 'persuade' them to return a very simple registration form to the IICB.

Perhaps even more alarming is that of those who go to the trouble of completing a registration form, which contains three very simple questions, over 40% manage to get it wrong, in some cases year after year. At times I shudder when I realise that some of these intermediaries are actually giving guidance and advice to members of the public on how to complete relatively complex proposal forms.

On a more serious note, I would encourage all intermediaries to co-operate with the IICB. It is in all our interests that the legislation in force is applied properly and fairly to all intermediaries, and your support would be much appreciated.

So is life likely to get any easier for intermediaries over the next few years? I am afraid not. I expect a number of significant changes to be made to the scope and content of the insurance intermediary regulatory system over the next year or so. Some of these changes are driven by domestic considerations, others by moves within Europe to harmonise the regulatory rules for intermediaries:

- Compulsory Professional Indemnity insurance will be introduced for all insurance brokers. Given that insurance agents are already, to a large extent, the responsibility of insurance companies, I do not expect that compulsory Professional Indemnity insurance will be introduced for agents. Indeed if it were, the whole case for drawing a distinction between agents and brokers in the legislation would, in my view, be seriously undermined.

- Assuming compulsory Professional Indemnity insurance is not introduced for agents, then I would expect that the powers in the Act to allow the Minister to restrict the number of agencies which an agent may hold to a maximum of four will be introduced in parallel with the requirement for compulsory Professional Indemnity insurance for brokers.

- It is inevitable, in my view, that there will be significant increase in the bonding level for insurance intermediaries in the near future. The collapse of a number of insurance intermediaries has highlighted the importance of realistic and adequate bonding levels. I expect the minimum bonding level to increase from the present £25,000 to £50,000 for all intermediaries. The turnover level above which a bond is required may also be reduced. I also expect to see some increase in the level of the bond for those Life intermediaries who wish to handle significant volumes of cash.

  In the case of intermediaries who are prepared to undertake not to handle cash, under any circumstances, then the current zero bonding requirement will be maintained.

- The whole operation of the Section 48 Account, which has presented a number of difficulties, will also, I believe, be changed. A number of the requirements relating to Section 48 Account are currently incorporated in the code of conduct for intermediaries, and I believe it is more appropriate for these measures to be enshrined in legislation to give them the full force of law. In view of difficulties that have arisen following the collapse of some intermediaries in the recent past, I expect that there will be new restrictions on withdrawals from the Section 48 accounts.

- The final issue that is currently being addressed by both the IICB and the IBA, is the introduction of some form of 'spot check' on intermediaries to ensure ongoing compliance with the key requirements of the Act. The present system involves a once a year paper check. The IICB and the IBA are under pressure from the Department to carry out a number of 'spot checks' each year. Lest there be any concern among any intermediaries present, I do not envisage dawn raids or anything like it, but I do envisage independent persons appointed by the IICB and the IBA, visiting brokers' offices during normal business hours to satisfy themselves that the intermediary in question is complying with the key provisions of the Act.

A further issue which I expect to raise its head over the next few years is the whole question of "independence". This is one of the key issues raised by the EC in its recent Recommendation of the Regulation of Insurance Intermediaries. Under this Recommendation Member States are encouraged to require independent intermediaries to disclose any legal or economic ties with insurance companies.

In a recent interview for our newsletter "Insurance Update", the Director of Consumer Affairs stated:

"I think it is unreal to regard insurance brokers as agents of the consumer, when they are remunerated by insurance companies. They are far closer to the industry than they are to the consumer."

I have no doubt that the whole question of "independence" and the appropriateness of the current remuneration structures for independent brokers will come centre stage of the next few years.

What will all this mean for the insurance intermediary sector? I believe we will see a continuance of the contraction of the part-time insurance agent. I also expect that the insurance broker sector will contract and there will be a corresponding growth in the number of tied agents.

Overall, I believe the changes will be positive for insurance companies, insurance intermediaries and consumers, as we gradually move towards a more streamlined, professional and efficient intermediary sector.

IMPACT OF TAXATION CHANGES ON THE COMPETITIVENESS OF OUR PRODUCTS

The taxation environment for insurance companies has a major affect on the pricing of life assurance products and, more importantly, the ultimate value for money received by policyholders. There have been a number of very significant changes to the taxation rules for life companies over the past year. These changes will have a substantial impact on the ultimate competitiveness of life company products. The key changes can be summarised as follows.

Firstly, the good news:

The 3% levy was abolished on the 1st January last. This is a very positive move which will give the single premium market a badly-needed boost.

Following extensive discussions with the Department of Finance, the new 'Special Investment Accounts' for life companies came into effect on the 1st February last. These new products allow life companies to market a product broadly equivalent in tax terms to the special savings accounts. The main features of the new special investment accounts are that:

A tax rate of 10% will apply to all income and capital gains (including unrealised gains)

At least 40% of the fund must be invested in Irish equities in year one, rising to 55% in year four onwards;

The maximum amount a person can invest in one of these accounts is £50,000 for a single person and £100,000 for a married couple. This limit however is cumulative with the limit for the special savings account. If you wish to spread your investment between both, then the limit is divided equally between the special savings account and the special investment account.

Turning to the general tax rules for our mainstream business,the following changes will be introduced in this year's Finance Act, backdated to the 1st January 1993:

The income tax rate applicable to investment income has been reduced from 35% to the standard rate of 27%.

Capital gains tax has been reduced from 40% to 27%.

That, I am afraid, is the end of the good news:

Acquisition costs must be spread over 7 years. (This was introduced in last year's Finance Act but the real impact will only be felt this year.)

Unrealised gains (spread over 7 years) are now subject to capital gains tax.

Life companies will no longer have the benefit of indexation relief when calculating capital gains tax.

Realised gilt gains are now subject to capital gains tax.

The package of reforms, like all such packages, has positive and negative elements. Overall, I believe, the changes will benefit the industry in the long term as they will provide a stable and consistent tax environment against which we can design and market our products. The package gives us a very good opportunity to reclaim lost ground in the lump sum investment market. Once the turmoil in the currency markets is behind us, interest rates come down, and the inevitable recovery in the Irish equity market begins to take place, then, I believe, the industry will be well placed to provide competitive medium to long term investment products, which has always been our natural market.

The position in relation to annual premium products is more difficult. These products involve much higher up-front costs and consequently the proposals to spread acquisition costs and reduce the income tax rate from 35% to 27% will increase significantly the impact of such costs on ultimate value for money. In other words, the subsidy which the tax system provided towards such costs has been reduced significantly. It is vital therefore that the industry addresses its high initial costs if it is to avoid a further deterioration in the already poor value for money it provides to policyholders.

The advent of a single European market will complicate matters even further. Our current system of taxing life companies is relatively unique in Europe. In most European countries taxes are paid by policyholders when they receive their benefits either on early encashment or on maturity. The life company is merely taxed on the actual profit it makes. It is possible therefore that you will have gross products sold into Ireland by foreign companies and unless we can find some effective way of taxing these products, there will be an enormous distortion of the market. The whole question of life taxation is likely to be with us for a number of years to come.

CHANGES TO STRUCTURE AND LEVEL OF COMMISSION

Are changes necessary to both the level and structure of commission? In my view, the answer is a very definite yes.

There are a number of driving forces in this respect:

- Firstly, there is the negative criticism of our high up-front charges and the impact they have on the short term returns to policyholders. With an increasingly knowledgeable and questioning financial press and the continuous negative spill over from the ongoing debate in the U.K., we can expect further, and perhaps even more damaging criticism of the level and structure of the remuneration system for intermediaries.

- Secondly, we are facing increased pressure to disclose the impact of commission and other charges on the ultimate value received by policyholders. The Department of Enterprise and Employment has raised this issue once again with both the IIF and the IBA. It is almost certain, in my view, that there will be some form of commission disclosure for both life and non-life business by the end of the year. Indeed when I picked up the "Irish Independent" this morning I read of the comments made by the Minister for Consumer Affairs calling on the industry to introduce "a vigorous voluntary system of information disclosure". This issue is not going to go away.

- Thirdly, there is the impact of taxation changes I referred to earlier. The spreading of acquisition costs and the reduction in the income tax rate from 35% to 27% will increase the nett cost of commission and other acquisition cost by approximately 50%. In other words a 12-month nil allocation period will increase to 18 months. At a time when the industry is already providing poor value for money, I don't envy you the job of selling that particular message to potential investors. But that is precisely what we are facing, unless we take corrective action to reduce our costs.

  The IIF is involved in discussions with the IBA on this matter and significant progress has been made. While I am not in a position, this evening, to discuss the details of the changes being proposed, it will come as no surprise, in view of what I have just said, that we are looking at significant reductions in the level of initial commission paid on annual premium savings products. We are conscious of the need to ensure that in as far as possible both companies and intermediaries earn a reasonable living from the business and to this end we are looking at different ways of compensating intermediaries, partly at least, for the drop in initial commission. It has to be said bluntly however, that unless we do something to reduce the impact of the upfront charges to pay both intermediaries and insurance companies, then we will find it increasingly difficult to sell our products.

IMAGE AND CREDIBILITY

I have already referred to the negative image and credibility of the life assurance industry at the present time. The industry is being criticised on a number of fronts -

- poor value for money
- high up-front charges
- poor quality selling
- poor investment returns

These criticisms have been compounded by new and increased interest in this issue by the financial media generally. Most of the leading papers now have personal financial journalists who are keenly aware of what is happening in the industry, and also anxious to expose any chinks in our armour.

We need to address these issues seriously as an industry and take positive action to redress the industry's negative image.

If we take the first issue of 'poor value' for money. It is true that in the last three years equity and property returns have depressed value for money for most clients. In some cases policyholders are finding that eight, nine, even 10 years after a policy was taken out, its value is still less than the premium paid in. However, we can show as an industry a very good track record generally over the longer term. We need to emphasise this again and again.

We also need as an industry to be careful not to build up excessive expectations on the part of policyholders. It is important, for example, that life companies do not use excessively high illustration rates to project future maturity values. The IIF is currently addressing this issue and we will be announcing shortly reductions in our illustration rates and also introducing, for the first time, a dual illustration rate.

One of my major concerns is the selling of life products which are long term investment instruments for short term purposes. We need to avoid a situation where for short-term monetary gain we sell products which are clearly unsuited to our clients' needs, thus building up future difficulties for the industry. To some extent, and I speak frankly, we are now reaping the rewards of mis-selling in the past where high cost products were sold to clients for purposes for which they were not suited. Gone are the days when we can sell 90%

commission contracts as pure savings plans and hope to offer reasonable value for money over the short to medium term.

Which leads me very nicely to the next item, which is the whole question of competency and quality of selling. For too long the industry has tolerated a situation where there are no basic objective standards which people selling life assurance must meet. I should stress that in making this comment I am not implying that people involved in selling life assurance are not competent or possess the necessary qualifications to sell insurance. However, the fact that we do not have any objective standard against which to judge overall competency does leave us open to the criticism that we have no standards, or, at best, have very low standards.

The Federation has been working for the past two years with the LIA and the IBA on the introduction of a minimum competency standard for life assurance salespeople. Significant progress has been made, and I am confident that the industry can come up with a basic scheme to enhance the overall image and standing of the industry. We must start somewhere. The scheme being considered would not be everybody's ideal of what is required, but I think, over time, it can be developed into a very effective and positive system for the industry.

Unless we take action as an industry to deal with this issue, I believe a solution will be imposed from outside. The EC Commission is a strong advocate of a minimum level of competency for all intermediaries and there is also strong support among our domestic regulators for such minimum standards.

The industry has also suffered from a perception that rogue intermediaries who get themselves into difficulties with one insurance company or insurance broker can relatively easily move around within the industry despite a history of misdemeanours. Indeed we can all cite examples of this, some even of quite recent origin. The Federation has recently agreed an "informal recruitment procedure" for direct sales employees and tied agents which is designed to avoid this situation within the company market.

We are also studying, in conjunction with the IBA, an overall registration system for all people involved in the selling of life assurance. If this system comes to fruition, then it will deal very effectively with such people, who, I have no hesitation in saying, should not be tolerated in our industry under any circumstances.

Having identified some of the difficulties facing the industry in terms of its image and credibility, what is the Federation trying to do about it? The Federation is committed to adopting a much more proactive public relations stance and to this end we recruited recently a specialist Public Relations Executive, who is working with me in designing an appropriate programme to try and counteract some of the negative perceptions of the industry.

We have already moved to try and deal with some of the misleading criticisms of endowment mortgages and plans are afoot, as already mentioned, to improve competence generally and to deal with rogue intermediaries. Just last week, we commissioned an attitudinal research project to establish some 'benchmark' research on the public's attitude towards the life assurance industry. From this we will then be able to target specific problem areas and design appropriate programmes of activity to improve the industry's image.

One of the specific measures that we are working on at the moment will involve significant changes to our cooling-off arrangements, and in particular the provision of information to policyholders on the full extent and nature of the commitment they are entering into when they purchase a life policy. A key element of the new information pack will be the provision of estimated early encashment values. While it may be argued by some that this will make the selling process more difficult, I would argue that only those who are not providing the quality of selling, which I believe the industry must aspire to, need have any worries in relation to the additional information being provided.

It will not be possible to address some of the negative perceptions of the industry through a public relations programme alone. Some of the criticisms highlight weaknesses in our practices and procedures which we must address before we can hope to reverse some of our negative images. Some of these we are currently addressing, but there are many other we have yet to address. For example, I believe that the whole issue of selling practices and in particular the use of "fact finds" will have to be addressed seriously by the industry in the not too distant future.

SINGLE EUROPEAN MARKET

The final change or challenge, call it what you will, that I want to talk about this evening is the whole development of a single European market.

The current state of play in relation to the completion of the single market is broadly as follows:

a) **Second Life Directive**

The EC has already agreed the Second Life Directive, which will allow Irish residents to effect cover with insurers in any other European country, provided they do so on their own initiative, i.e. without any unsolicited contact from either the insurance company or an insurance intermediary. This will come into effect in Ireland on the 1st May next but it is not expected that it will have a significant impact on the marketplace.

b) **Third Life Framework Directive**

The Third Life Framework Directive was adopted by the EC last year. This Directive is the final piece of the jigsaw making up the single European life insurance market. It will come into effect in Ireland on the 1st July '94. This Directive introduces two new fundamental concepts into EC insurance legislation.

- Firstly, the Directive introduces the concept of a single licence, which means that once a company is licensed in one Member State then it is free, using that licence, to transact business in any other Member State, either by way of establishment or through freedom to provide services, without having to go through a separate licensing procedure.

- Secondly, the Directive introduces the principle of home country control of the financial supervision of insurance companies operating in other Member States, be that by way of establishment or freedom to provide services.

In essence, therefore, any company authorised to transact business in another Member State will be free to establish a branch or agency in Ireland or to transact business here by way of freedom to provide services, and in doing so would be under the complete supervisory control of its own head office supervisory authority.

This will have a fundamental impact on the operations of the Irish insurance market as all current branches and agencies of overseas life companies will no longer be supervised by the Department of Enterprise & Employment, but instead will be regulated by their own head office supervisory authority. This has potential implications both in relation to the degree of financial information available on the Irish market and also the overall regulatory framework, and in particular the self- regulatory standards adopted by the IIF through its various codes of practice.

When it comes to the conduct of business rules in the different Member States, the Directive, for the time being, allows host country control to be maintained. In effect this means that a branch, agency or a services insurer writing business in the Irish market will be subject to supervision by the Department of Enterprise & Employment on its compliance with local legislation designed to protect consumers, e.g. provisions of Part IV Insurance Act 1989, Consumer Information Act, etc.

Foreign insurers however will not be obliged to abide by the IIF's various codes of practice which are a substitute for legislation in many cases.Of particular concern is the future of the life commission agreement. If foreign insurers decide to market life products in Ireland with higher commission, can the IIF agreement survive? I doubt it. Which leaves us either with a free for all, with harsh disclosure rules, or some form of statutory control. Neither is very appealing, I am sure you will agree. This problem has been raised by our civil servants with the EC authorities in the hope of finding a solution which will allow genuine self-regulatory codes of practice to continue in place.

IMPLICATIONS FOR THE IRISH MARKETPLACE

What will be the implications of the completion of the single life market for Ireland? Obviously it depends on whether you are an optimist or a pessimist. If you are an optimist then you would see great opportunities for insurers in Ireland to utilise the favourable tax regime in the IFSC, and competitive term assurance rates, to market products from Ireland into other European markets. This could be done on a stand alone basis or more likely in some form of joint venture or alliance with a recognised and high profile distribution channel in another European market.

If you are a pessimist, or perhaps a realist, you may perceive real threats to the Irish market in certain areas, particularly the pensions and lump sum investment market area. The degree of control over the pension and lump sum market exerted by a very small number of independent insurance intermediaries means that they will be obvious targets for distributing foreign based products in Ireland. They may be encouraged to distribute these products through additional commission or other incentives which are currently not permissible under our commissions agreement.

In the pensions sector, given the number of subsidiaries of overseas companies based in Ireland, there is a real risk that some of the business of subsidiaries will be handled from abroad by insurers outside Ireland looking after other elements of the groups pension arrangements. The main barrier to such a development is the increasing complexity of Irish pension legislation which will require some body based in Ireland to handle administration and other aspects of our Pension Act provisions.

Here again however I am sure that independent pension consultants will be prepared to provide the necessary administrative service to ensure compliance with Irish pension legislation. To some extent therefore in some sectors of our business over the coming years the traditional positive relationship that has existed between insurance companies and insurance intermediaries may come under pressure. If independent intermediaries are increasingly working on behalf of non-established insurers, or indeed competing directly with insurance companies in certain areas, it may be difficult to sustain the type of relationships that currently exist. A lot depends on how supportive independent intermediaries and pension consultants will be of the domestic insurance market.

CONCLUSIONS

It is vital in my view for everybody, whether they be a one-man broker or a large insurance company, to have in place a strategic plan to develop and guide their business in the difficult and challenging times ahead. We must anticipate potential changes likely to affect our industry, and we must plan for those changes in a proactive way. We cannot allow ourselves to be totally driven by short term issues, whether it be in relation to commissions, investment yields or taxation issues. We must design a strategy, both at company level and at an industry level, which will promote the growth and development of the industry in the challenging years ahead.

A key component of any such strategy must be to focus more clearly on the quality of service we provide to clients. No business will succeed or survive in the long term, unless it is providing quality service to its clients. Quality service must be based on the fundamental premise that the consumers' interests predominate at all levels in the production chain.

We must ensure that at all stages we have the interests of our clients to the fore and that we produce and manufacture our products with the ultimate objective of providing the most competitive product to them. It seems to me that in the past, product design in the life assurance sector has been driven more by a desire to generate the most income feasible for our distribution channels than to provide the best value to our mutual clients. To some extent we are now reaping the harvest of that particular strategy.

I hope I have managed this evening to give you a broad overview of some of the main challenges and changes which I see facing the life assurance industry in the short to medium term. The life assurance industry, for the first time in many years, is going through a very difficult phase. I am confident however that the renowned flair and business acumen of the life assurance sector, both at company and intermediary level, will drive the industry through this difficult patch. To do this however the industry must be prepared to address in a fundamental way, some of the important strategic issues facing it in areas such as taxation, relationships with policyholders, remuneration of insurance intermediaries and, most importantly perhaps, the provision of general value for money to our clients.

END

AIDAN CASSELLS
Chief Executive
Irish Insurance Federation

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