

THE INSURANCE INSTITUTE OF IRELAND

ANNUAL DINNER

ADDRESS BY THE PRESIDENT,

MR. D. D. RYAN, B. COMM., D.P.A., F.C.I.I.

15th MAY 1987
GALWAY

Dr. O'hEocha, Mr. Commissioner and distinguished guests, Ladies and Gentlemen, it is my privilege and honour as President of the Insurance Institute of Ireland to respond on behalf of my members to the toast so generously proposed to the Institute by Dr. O'hEocha and in doing so to avail of the opportunity of addressing you and thereby touching on some of the problems facing our industry.

To say that we are operating in a climate of rapid change is now to state the obvious. Suffice to say that change is a healthy, unavoidable but challenging phenomenon, and like all other industries and commercial ventures we, in insurance, must adapt to meet that challenge - all the more so because we are a service industry - if we are to survive as a private enterprise.

Because of the unique position of insurance as a risk transfer mechanism where the individual or the business enterprise can transfer the risk of potentially serious and indeed catastrophic losses to insurers in return for a known cost it is vital that we deliver on our promise to pay in a competent and equitable manner and more importantly that we have the funds available to enable us to do this without affecting our solvency.

Hence, Governments have perforce taken an interest in our industry over the years either by way of supervision or direct intervention. In addition, since we joined the EEC, several Directives have been issued by the Commission and many more Draft Directives are being discussed and debated and thus our liabilities and obligations are continually becoming more onerous as a result of both internal and external legislation.

Furthermore, Court interpretations are establishing precedents and broadening liabilities as never before. Our industry must, therefore, make sure that it is properly equipped to face the challenges ahead. This requires professionalism. Proper training and a high degree of technical expertise are essential requirements of the professional. In addition, efficiency is absolutely essential at all levels, and Insurers and Brokers must continually examine the causes of inefficiency and embark on an unending remedial appraisal of all procedures.

The Insurance Institute has as its primary function the education and training of its members to ensure that capable and suitably qualified staff are available in sufficient numbers to handle the technical and administrative problems of the future.

In 1986, 1037 students entered for the examination in the Republic, submitting between them 2560 papers.

This year 1156 students entered for the examination involving 2869 scripts.

This is quite a significant increase both in the number of entries and the number of scripts submitted, particularly taking into account that this is the first year in which the examination for the Certificate of Proficiency was held.

There were some fears that the introduction of the examination for this Certificate might have reduced the number of entries for the Diploma examinations but this has not happened despite the fact that in the Republic 215 students entered for the Certificate of Proficiency examination.

Overall the Chartered Insurance Institute anticipated that there would be 1000 entries for this examination but in the event there were 6000 without any effect whatsoever on the number of entries for the Diploma examinations.

Furthermore, as far as the Republic is concerned two students obtained the Fellowship qualification and twenty-five became Associates of the Institute in the 1986.

The overall pass ratio in 1986 for the Republic was 42.9% as against 40.3% for the CII as a whole. This, in fact, is the first occasion since the introduction of the new syllabus in which Republic of Ireland students obtained on average a higher pass rate than the overall CII percentage.

This is a tribute to both the employers and to the students and I would like to avail of this opportunity of congratulating them and hoping that the 1987 results, which are due in about a month's time, will reflect a similar situation.

This Institute is totally dedicated to the education of our students and we are fully alive to the changing climate in which education is being conducted.

We are now more technologically involved and have available audio and video learning techniques.

I would like to avail of this opportunity to again appeal to all our young members to take the examinations and to all employers to provide significant financial and career incentives related to examination successes clearly spelt out so that our Diploma holders will get the recognition and financial rewards they deserve.

I would appeal to those members of our profession who, for one reason or another, do not wish to go forward and take the Diploma examinations, to very seriously consider obtaining the Certificate of Proficiency and I would also ask employers to give such people every encouragement to do this.

We have over the past two days in this Seminar been considering the various implications of EEC and national legislation for our business, because basically many of the forms of cover which we provide relate to legal liability and therefore reflect the legal obligations imposed by EEC directives and by our own legislation.

It would, therefore, be repetitive were I to dwell in this talk on these areas, particularly since Commissioner Sutherland will be speaking later and will, I am sure, touch on them in any event.

There is one area, however, to which I would wish to refer and that is the extraordinary high cost of insurance in this country coupled with its lack of availability.

The insurance industry takes no pride in the fact that we are, for economic reasons, unable to provide as we would wish, the service for which we have been established, namely to cover the legal liabilities of all motorists, employers and business people to third parties at a reasonable level of premium. This is particularly so since traditionally insurance down through the ages has been regarded as the hand-maiden of commerce and as such has been able to provide the financial security needed by entrepreneurs and also by private individuals.

However, at the end of the day, insurers are commercial organisations and as such must produce a modicum of profit from our underwriting activities if we are to survive. That certainly has not been the case throughout the 1980's.

. The single major cause of the high level of premiums in this country is the existence of a jury system, which apart from making awards on the basis of subjective considerations such as sympathy for the injured plaintiff, ignoring the legal liability involved, also has been the cause of creating a level of damages in this country which we simply cannot afford. A level which is the highest in Europe and is a multiple of awards for similar injuries in the UK where significantly, therefore, premiums are $\frac{1}{3}$ or $\frac{1}{4}$ of the premiums which are charged here.

Our system of awarding compensation to our injured is slow, cumbersome, inefficient and expensive - indeed the necessity to set up a Tribunal to compensate the Stardust victims and their relatives was a vote of no confidence by our legislators in the legal system.

This situation puts employers in jeopardy, adding to their overhead costs by their having to pay high premiums or else forcing them into a situation where they do not insure at all, and thereby run the risk of having to go out of business should a serious claim occur.

Furthermore, as the former Minister for Industry & Commerce, Mr. Noonan, has stated, many foreign investors who were otherwise prepared to set up business in this country refrained from doing so because of the high cost of insurance.

Twelve months ago we were optimistic that the then Government would abolish the jury system; this step is central to the reform of the motor and liability insurance situation in this country.

At the Insurance Institute of Ireland Conference two years ago - our centenary conference - the then Taoiseach forecast that legislation abolishing juries would be on the statute books in January of 1986.

Despite the fact that the necessary legislation had passed through two readings in the Dail without a division and the Government had a time option in which to complete the legislation, (which would have probably taken another couple of hours of debate) they used that option to pass legislation abolishing the Malicious Injuries Acts which had the effect of increasing premiums. Legislation was also introduced to make motorists alone in the community responsible for health and hospital charges arising out of motor accidents - again with the result that premiums were increased.

Just before the last Dail was dissolved a further time option became available: this option was used to introduce The Control of Dogs Act to the exclusion of finalising the legislation abolishing juries and thereby opening the way for a comprehensive reform of the legal system with a resultant reduction in the over-manning by the legal profession and the avoidance of delays and the high cost of expert witnesses.

In short, there was no political will on the part of the last Government to abolish Juries - despite public statements and commitments, verbal and written, to the contrary. They simply gave in to the legal lobby.

It is, therefore, encouraging to note that the present administration, to judge from a reply in the Dail by the Minister for Industry and Commerce, Mr. Reynolds and from a speech by the Minister of State, Mr. Brennan, at the the recent NIBA dinner, that the Government would like to see certain steps taken to help control the high cost of insurance resulting from the level of claims awards, and that one of the methods that they have in mind is the "abolition of jury trials which will automatically be followed by better pre-trial procedures with subsidiary issues being dealt with prior to court hearings". They visualise the abolition of the Three Counsel rule and hopefully they will in addition ensure that the rule which states that a Senior Counsel will not take a case unless a junior has previously been involved will also be abolished.

Let me also say that Insurers have no vested interest in the reduction of the level of damages purely for the sake of reducing them. Basically it is not our concern whether damages are a fraction of what they are now or whether they are several times as high, provided that the Insuring public is prepared to pay the necessary premium. The evidence, however, is that they are not and consequently it is in the national interest from the point of view of social as well as economic considerations to reduce damages and claims costs, and consequently premiums.

It has been suggested by the legal profession that the insurance industry's support for the abolition of the jury system is more concerned with profit than justice. This is not so. The insurance industry can, will, and must operate within whatever compensation system the Government deems to be the most appropriate to compensate victims of accidents. However, it can only do so if it is allowed to charge the premium levels necessary to sustain that compensation system. There is abundant evidence that the public are not prepared to pay the high premiums that are and will be necessary in the future if we are to maintain our present system.

The demands for reform of our present legal system are an inevitable reaction to the public's opposition to the current high cost of insurance. The insurance industry has a duty to its policyholders to put forward its views on the changes that should be made to the legal and compensation system in order to reduce claims' costs and therefore premium levels.

We are delighted that the Minister this morning spoke so positively and appreciatively of the views which we have put forward in this connection and gladly accept and welcome his invitation to join with him in a partnership to find ways of reducing the cost of insurance.

The social consequences of the situation in which we find ourselves are obvious. In the motor sphere, young drivers find it difficult to obtain insurance and when they do, premiums are alas at a very high level. The overall level of uninsured driving is a national scandal running at an average of 20% and costing the Motor Insurers' Bureau of Ireland, which is funded by Insurers and ultimately by the insuring public, approximately £14.5m per annum at the time of speaking. In addition, claims in the region of £55m are outstanding. This adds £70 to the premium of each insured motorist.

Industry and consequently employment are at risk. Spurious claims abound because with the jury system it is worth one's while to "have a go".

In addition, attention needs to be given to the frequency and severity of claims.

1. Law enforcement must be tightened to make it more risky to drive uninsured or without wearing a seat-belt (under 40% of motorists and passengers in this country use seat-belts whereas in the UK the percentage is well over 80%).
2. The blood alcohol level must be reduced to 80mg per 100 ml of blood.
3. Road standards generally must be improved and in particularly all accident "black spots" must be eliminated.
4. Compulsory road testing for all motor vehicles over 4 years old should be introduced.
5. There should be minimum fines approximating the annual premium, rather than the derisory fines being imposed by our district justices.

6. Provision for the confiscation of uninsured vehicles should be made.

Safety in the work place must be of the highest possible standard and in this connection we look forward to the implementation of the recommendations in the Report of the Barrington Committee, and also to an increase in the resources of the Dept. of Labour Inspectors to enable them police existing and new regulations more effectively.

Stiffer penalties should also be introduced and there should be powers to deal with firms who disregard safety legislation. Statutory obligations should be placed on employees to respect safety rules laid down by employers.

I therefore sincerely hope that these improvements will be brought about and that in particular the Government will proceed, without delay, to complete the passage of the Courts Bill abolishing juries through the Dail.

The abolition of juries in civil actions is one of the key issues that must be tackled if we are to produce a more rational, streamlined and efficient legal system. Unless trial by jury is abolished, then it is very difficult to envisage the legal profession accepting the other important administrative and procedural changes that must be introduced in order to improve the operation and efficiency of the present legal system. The abolition of juries and the other reforms of our legal system that will follow, will produce material savings in claims costs, which the industry is confident will enable insurance premiums to be reduced.

I would anticipate that the implementation of the reforms sought by the industry would lead to a reduction in premiums of the order of 10%. Needless to say, if the savings are more substantial, policyholders will benefit accordingly.

I confidently forecast, therefore, that if these basic steps are taken the insurance industry will get back on an even keel in a very short time and will be able to do the job which it is there to do, and what we dearly wish to be able to do, namely provide insurance for all those who require it at reasonable and affordable premiums.