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Irish eyes are smiling

For the Irish insurance industry the darkest days of the 1980s are over. It can with some confidence claim to have put the disasters of PMPA and the Insurance Corporation of Ireland behind it and, in doing so, have created the right environment for making progress.

One sharp contrast with the UK is that the Irish government is working closely with the insurance industry to make progress on several crucial fronts. With the opening up of the European market looming, the Irish government does not want any more insurance failures on its hands. Also, it has to be understood just how important to the Irish economy the insurance industry is. The industry's gross premium income accounts for 10% of the Irish gross national product and it employs 13 000 people in a country with a high unemployment rate.

The Irish government is currently pushing through two pieces of legislation that are of crucial interest to insurers: the Courts Bill and the Insurance Bill.

Of these, the Courts Bill is the most imminent and the most important. It will abolish the jury award system for personal accident claims – a reform that the insurance industry has long sought. If it makes its way through the Oireachtas (Irish Parliament) it will make life much easier for motor insurers. So much easier, in fact, that the government has already made it clear to the industry that it expects premium cuts to follow.

This is a call that the industry will find hard to resist.

The most sensible – and probably the most likely – response is to move cautiously in this direction. The industry might be recovering from the disasters of the last few years but that recovery remains in its early stages and might prove more fragile than people hope.

The industry is less united on the desirability of the measures contained in the other piece of important legislation, the Insurance Bill. This seeks to introduce new supervisory powers and a system of broker and intermediary regulation.

Looked at from the other side of the Irish Sea this looks a thoroughly sensible measure.

The regulation of the insurance industry in Ireland clearly needed an overhaul and the Bill will ensure this happens. This will do much to restore confidence in the Irish insurance industry among other European countries, an essential pre-requisite to Irish companies making progress post-1992.

The regulation of intermediaries will have a virtue lacking in the current UK system in that every intermediary and agent – life and non-life – will be covered by the same rules. Although the proposals might lack the strict polarisation that the broker bodies have sought, they are much more likely to be understood by the consumer than the inconsistencies of the UK system. This, in itself, could push the system towards a form of polarisation.



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