

# The Perfect Storm



**Insurance Fraud Conference**  
**'Stemming the Tide' -15<sup>th</sup> October 2015**



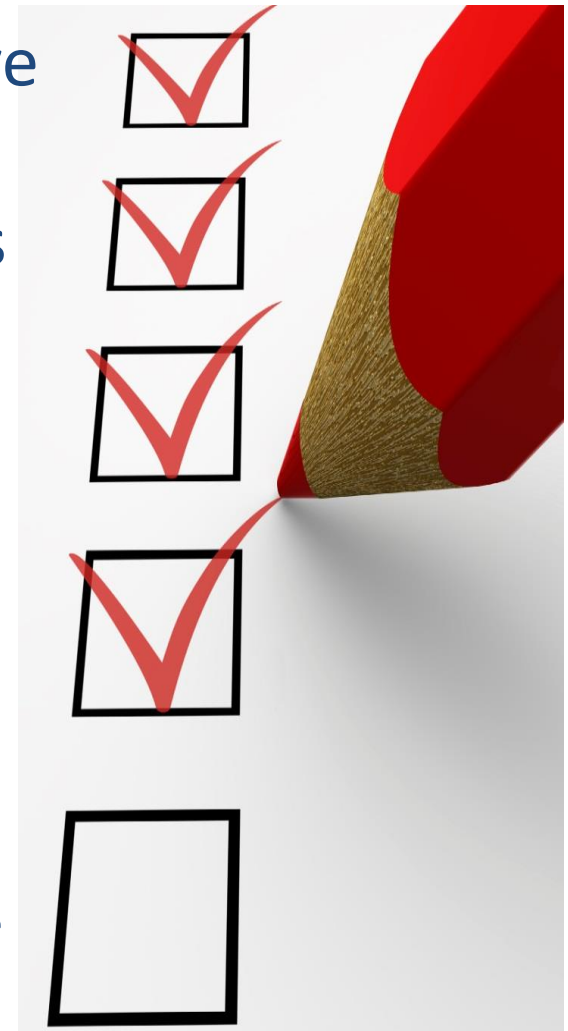
AS THE  
VOICE OF  
INSURANCE

# Claims Committee - Purpose

Supporting Insurance Ireland in the drive for change across the claims environment in the long term interests of all stakeholders

Supporting Insurance Ireland

- in **highlighting the key issues** impacting claims costs
- on **key messaging** and supporting their media campaigns
- delivering **practical and sustainable solutions** for the benefit of consumers and society in general



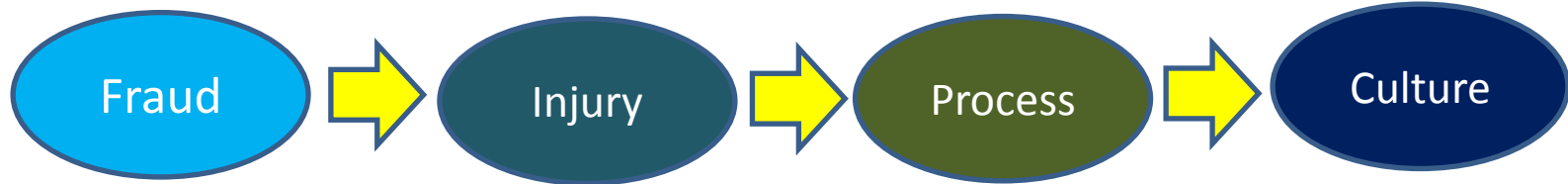
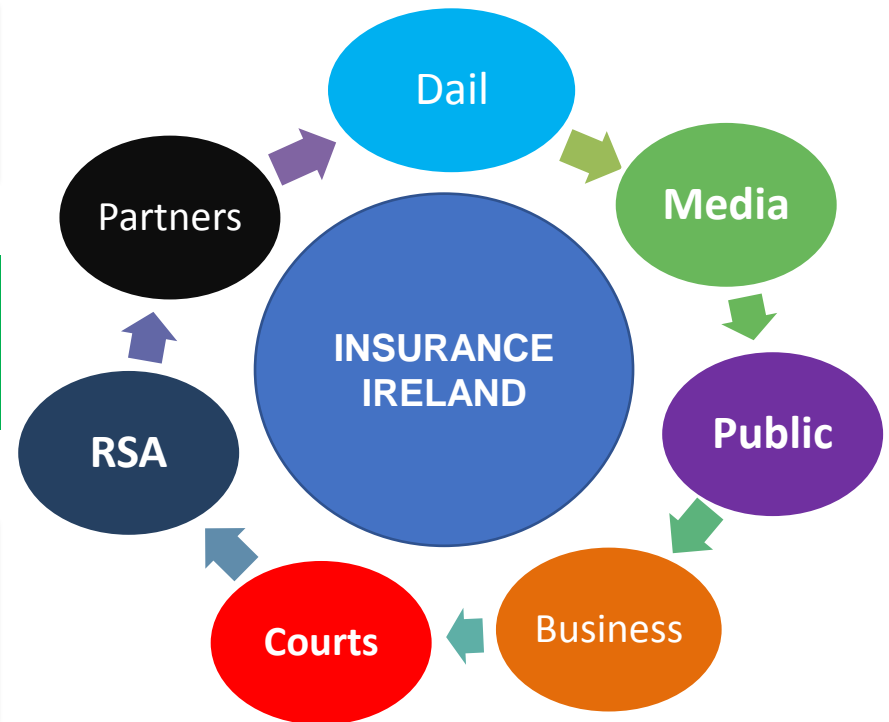
Platform for sustainable change

# Creating the environment for change

Engaging with all key stakeholders

Socialising the impacts and rationale for change

Pursuing an agenda of change in the interests of consumers



in the long term interest of consumers

# Strategic Approach

Short  
Term

Increased Awareness on the effects of Fraud and the overall costs of claims

Medium  
Term

Advocate change following evidence based awareness

Long  
Term

Change of policy and social attitudes towards Fraud and compensation culture

How we will measure Success

# So why a Perfect Storm



What are the issues.....?

# Multiple environmental factors



Insurance Failure



Jurisdiction changes



No Legal Cost Reform

Low investment returns



New Bar Appointments



Discount Rate



An tSéirbhís Chúirteanna  
Courts Service  
IRELAND

Bodily Injury  
inflation

Retrospective legislation



SOCIAL WELFARE ACT

PPOs



Reserving challenges



Fraud

creating volatility and uncertainty



# Market loss making since 2011



	2014	2013
Motor UW Losses	€220m	€253m
Market Losses	€241m	€211m

*Source: II Non Life Member Returns*

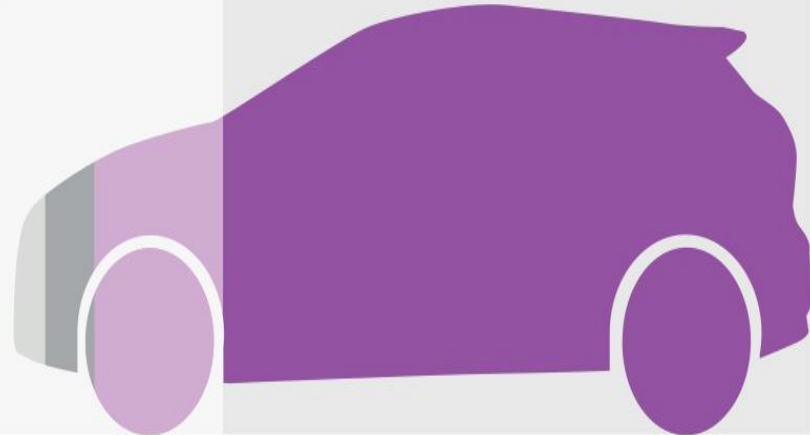
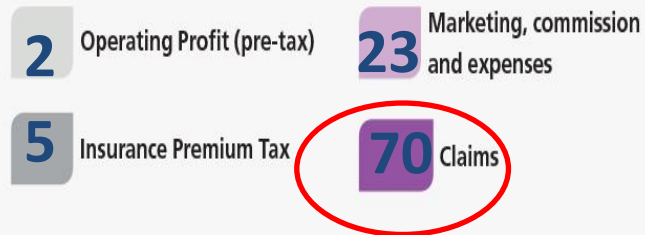


*Source: II Non Life Member Returns*

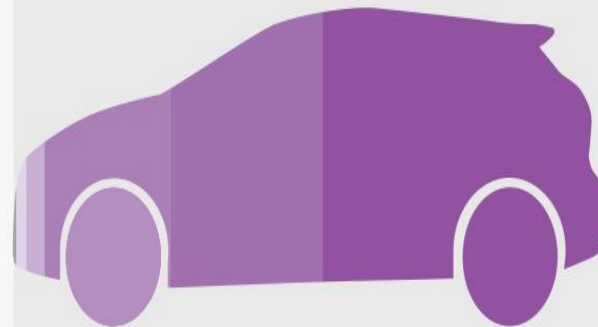
and continuing losses are unsustainable

# Claims account for 70% of premiums

What's in a Motor Premium: elements of an average premium of



Claims costs: where it all goes



## Whiplash is 33% of claims spend alone

Source: Insurance Ireland research 2015

# Claims costs impact premiums



# Claims cost inflation

- ❑ Inflation in Court awards
- ❑ Court Jurisdictions increasing expectations
- ❑ Rise in fraud noted by industry
- ❑ High cost of legal fees (60%)
- PPOs and Discount Rate to have material impact on claims costs
- Social Welfare Act (hospital bills)
- Revised Book of Quantum

## High Court ASC Up 34%

	High	Circuit
2014:	304,353	13,550
2013:	227,321	11,941
2012:	252,146	11,452
2011:	215,730	12,362
2010:	219,303	12,662

Source: Courts Service Annual Reports 2010-2014.

Cost  
Inflation  
up 4%

Source: Insurance Ireland Fact files 2014

Claims  
Numbers  
up 8%

Source: Insurance Ireland Fact files 2014

## Cost of injury claims rising

# Significant for Ireland Inc!

- ❑ Spiralling Premiums **undermine the Irish economic recovery**
- ❑ Will **impact Ireland's reputation** as 'a good place to do business'
- ❑ Market volatility will lead to **withdrawal of capital**
- ❑ Increased premiums will **result in business closures**
- ❑ Ireland continues to be a '**fraud target**' both for local and international criminals
- ❑ **Reinsurance capacity** under threat
- ❑ **Jobs at risk**



**Underpins Irish Recovery!**

# Key Focus - Impact of Fraud

Fraud costs  
€200m per  
year



**INSURANCE**  
IRELAND

Fraud Adds  
€50 Per Policy



Genuine people who require  
ambulance services are being  
deprived – Mick Dixon NASRA

...really concerned that we are unable  
to attend genuine patients due to these  
spurious fraudsters – Medical Director, Mayo



## Massive Social Cost to Fraud

## Key Focus – Fraud

# JUST ONE AMBULANCE FOR 300,000

**‘SOMEONE  
WILL END  
UP DEAD’  
WARNING**

**Robin Schiller**  
**MORE than 300,000 people in north  
county Dublin are being served by  
just one dedicated ambulance.**  
A delay in opening a €500k HSE station  
means the only ambulance based in the  
area is the Fire Brigade vehicle in Swords.  
“Someone will end up dead,” warned worried Fianna  
Fail Senator Darragh O’Brien.  
**FULL STORY: PAGE 2**



Fraud impacts Society

# Key Focus - Fraud

**81%**

of respondents believe that insurance fraud increases the premiums that everyone else has to pay

**28%**

is the percentage of claims that people believe are fraudulent

**25%**

only one in four people would report someone that they were aware of who had committed fraud



Source: Accenture - 2014

**Look to change public attitude**

# Focus – Fight Fraud



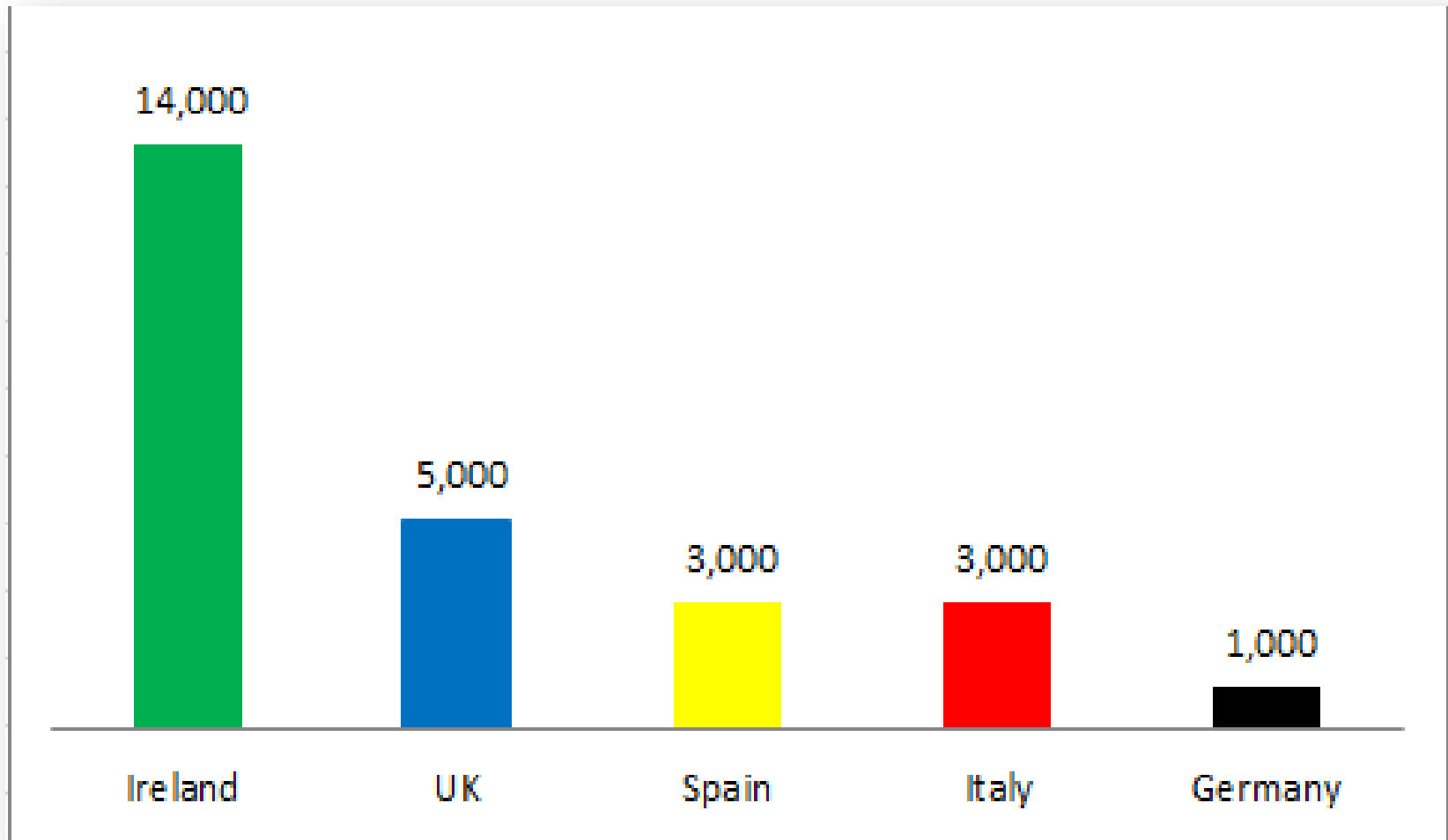
## What Needs to Happen

- Zero Tolerance strategies
- Stronger Deterrents in the Courts
- Custodial Sentencing being imposed
- Greater Garda resources
- Reduce the 'size of the Prize' (whiplash)

**We are all sponsoring criminal gangs**




## Key Focus – € Cost of Whiplash



**We have the most expensive necks in EU!**

## Key Focus - Highest Awards in EU



Can we as a Society  
afford such High Award  
levels?

Is it time for Change

# Key Focus - Injuries Board

**An increasing number of claimants are succeeding in circumventing the Injuries Board process through wilful non-compliance.**

- Non attendance at medicals
- No penalties being enforced
- Specials Damages being withheld
- 90% + now with legal representation
- Only 20% of cases determined through PIAB



## What Needs to Happen

- Penalties for non-compliance
- Full and Early disclosure of medical reports
- Justification for Medical follow-ups
- Risk to Plaintiff for not exceeding IB Award
- Withholding Special Damages should be penalised
- Investigate rationale for 100% rejection rates
- Pre Litigation resolution procedures

**Greater powers**

# Key Focus - Compensation Process

- **Reduce the limitation period** for minor soft tissue claims
- Require medical reports to be **secured within six months** of the accident
- Introduce **objective diagnosis** as in France, where the medical examination is conducted only by those with medical expertise in bodily injury assessment
- Have **one medical expert** from an agreed panel to value claims
- Tackle the cost of legal solutions (costs up to **60% of Awards**)



**Potential opportunities to reduce costs**

# Key Focus - Predictability in Awards

- Limerick case where Plaintiff sought €130k
- Defence offered €110k
- Judge accepted all actuarial evidence and awarded €625k
  
- Minor injury and Plaintiff sought €35k with HC costs
- Defence offered €20k and CC costs
- Award €65k and High Court costs
  
- Scarring to woman's chin seeking €70k
- Defence offered €60k
- High Court awarded €175k



Remove inflationary pressures

# Key Focus – Freedom of Services



Akin to asking Citibank to cover the losses of Anglo-Irish bank

**Massive implications**



# Progress so far....

## Media Coverage

### Media Briefing Campaign 15th September 2015



#### Drivers brace themselves for insurance rate shock

More premium hikes on the cards this year after recent 20pc jump

ALISON BRYAN  
100,000 drivers in their 2015, respectively since 2014. AA Ireland spokesman Conor Faughnan said that the number of claims for motorists is expected to rise by an average of 600 added onto each premium. "It comes in different forms, from the ongoing and criminal groups staging accidents down to the other-way driver claims telling what they think are while as well as the industry itself paying to own losses on claims."

Industry officials have warned drivers to brace themselves for the same reasons, although no insurer has said how much

#### Insurance fraudsters adding €50 to average motorist's premium

Charlie Weston  
The average motorist, revealed there have been some 20pc increase in the cost of insuring their cars. The cost of insuring a car has risen by about 20pc to the average driver's premium. Over the past year, motorists have seen an average drop in Irish premiums, from an average of €589 in 2014 to €522 in 2015.

Our counterparts in the UK...'

#### Another year of rising insurance costs for drivers amid high claims

Charlie Weston  
INSURERS will see insurance premiums continue to rise for at least another year, and high numbers of claims being made. Premiums have now jumped 20pc on last year's, and they were a year ago and are due to keep going up, according to Conor Faughnan of AA Ireland.

The higher cost means that a car that was insured for €500 last year now costs €600 to insure. A leading motor insurance company has warned that it is getting more claims from drivers, which is set to put further pressure on premiums.

AA said there had been a rise in the frequency of claims from drivers in Ireland and that the overall number of claims it was getting from drivers.

Official figures for AAIFI show that premium rates have shot up by 10pc in the past year.

But AA Ireland, which is also a leading insurer, said its own calculations for the injuries board, the State body that



## Stakeholders

## Society

## Courts

"the highest standard of proof that could have been provided" Judge Groarke - July 2015



## Deterrents



# Much Done, More To Do!

Thank You