



INSURANCE IRELAND RESPONSE TO THE PUBLIC CONSULTATION ON THE CENTRAL BANK (NATIONAL CLAIMS INFORMATION DATABASE) BILL

8th March 2018

INTRODUCTION

As the representative association for insurance companies in this country, Insurance Ireland is grateful for the opportunity to respond to the Department of Finance's Public Consultation on the Central Bank (National Claims Information Database) Bill. The Cost of Insurance Working Group Report on the Cost of Motor Insurance recommended the establishment of a National Claims Information Database (NCID) – Recommendation 11. We support this recommendation and outline our views below on the questions posed in the Consultation.

INFORMATION TO BE COLLECTED

1) Are there any other types of information that you believe should be collected as part of the National Claims Information Database? In responding to this question, account should be taken of the need to get the balance right between additional costs for the insurers (and ultimately the policyholder) and the added value of such data, as well as the difficulties in verifying such information.

We believe that the information collected should be motor claims data, i.e. compensation and associated legal and other costs, both of which represent a significant overlay on top of compensation. This is consistent with the approach outlined in Section 6.3.2 of the Cost of Insurance Working Group Report on the Cost of Motor Insurance. As this section makes clear, this exercise is aimed at producing an "... annual statistical analysis of movements in claims costs/claims trends" This section goes on to say that "a statistical analysis would improve transparency in the market by providing regular information on claims trends, thereby identifying areas to address".

A better and more detailed understanding of motor claims data, particularly personal injury claims data, would have benefits for insurers, consumers and policymakers alike. Broadening the scope of the National Claims Information Database (NCID) to include non-claims information is out of scope. The NCID will be of significant help to policymakers in helping them to identify claims trends, particularly personal injury claims trends, and frame legislation/regulation. We do not believe we should be distracted from the objective of identifying and addressing claims trends by including non-claims information in the database.

As a general principle, we believe that all insurers underwriting risks in the Republic of Ireland should be required to contribute data to the NCID. Equally, self-insured entities and relevant public bodies such as the Personal Injuries Assessment Board, State Claims Agency and Courts Service should also be required to contribute data to the database.

If one were to require data only from insurers above a certain volume of business threshold the danger would be that data from some specialist insurers writing high-risk business would not be captured. While these insurers might have a low percentage of overall exposure they could have a high proportion of riskier segments and if this data is not captured there would be gaps in the database in terms of identifying trends.

2) Is there certain information data that should not be collected? Why?

Non-claims information should not be collected as this is beyond the scope of the Cost of Insurance Working Group Report recommendation. The focus of the NCID should be on identifying trends in claims (i.e. compensation and associated legal and other costs) so that insurers and policymakers can address these trends. There is well-documented volatility in the Irish personal injury claims environment, which the NCID could help to address. This is what the Central Bank (National Claims Information Database) Bill 2017 needs to resolve. However, Head 4 of the General Scheme of the Bill shifts the focus away from claims. Instead of an annual analysis of motor claims as stated in the Cost of Insurance Working Group Report, Head 4 requires the Central Bank to publish a report for the purposes of

- Increasing transparency of the relationship between insurance premiums and related costs;
- Identifying current and emerging trends within the Irish non-life insurance market on Irish-based risk business
- Identifying the factors that drive movements in the price of insurance in the State
- Presenting a statistical analysis of income and costs related to providing insurance in the State
- Presenting a statistical analysis of information related to insurance claims in the State
- Presenting a statistical analysis of settlement channels used.

This goes well beyond the original claims purpose of the NCID as envisaged by the Cost of Insurance Working Group Report.

However the NCID is progressed, it should be noted that the more granular the data requested, the greater the logistical problems and cost associated with extracting the data from a multiplicity of insurers' IT systems. A balance will need to be struck in terms of what it is possible to achieve within the proposed timelines. If the exercise is too complex, a requirement on insurers to provide data to the NCID may create a potential entry barrier to the market as foreign Freedom of Services (FOS) insurers may see it as cost-prohibitive to develop systems to service their non-core market. Equally, creating a minimum threshold of premium income or other measure before the requirement to supply complex data applies, would result in insurers below the threshold being subject to less requirements. This would create an unfair competitive advantage in breach of competition law.

FUNDING ARRANGEMENTS

It is therefore proposed that the funding of the costs of the Central Bank associated with the National Claims Information Database will be primarily met by industry.....

1) Do you agree that this is an appropriate funding model, given that the National Claims Information Database cannot be funded by the Central Bank?

We do not agree that this is an appropriate funding model. Our view is that the cost of funding the NCID should be absorbed into the existing levies paid by insurers to the Central Bank.

Cost control is important. An outline plan should be developed for the implementation of the NCID with appropriate costings.

DATA SHARING ISSUES

The Central Bank will treat data collected from individual insurance undertakings as confidential and data will only be held on the National Claims Information Database, and made public, on an anonymous aggregated basis.

1) Do you agree that this is the correct approach?

We agree with this approach. It is important that data should not be published in a format that would render an individual insurer identifiable as company specific data is commercially sensitive.

OTHER ISSUES

Any other general views relevant to the establishment of the National Claims Information Database which are not covered above would also be welcome

Insurance Ireland support the establishment of a NCID on the basis that we believe it has the potential to be a valuable tool in providing information on motor claims trends for the benefit of insurers, consumers and policyholders alike. We are concerned that the success of the NCID may be jeopardised by “scope creep” in the form of a temptation to include non-claims information and excessively granular claims data.

Finally, our view is that an NCID built on the basis of incremental success is more likely to succeed than an NCID which commences with an over-ambitious approach that risks early failure.

ENDS