



**The National Youth Council of Ireland's  
Presentation to the Oireachtas Committee on  
Enterprise and Small Business concerning  
Motor Insurance**

**by**

**James Doorley**

**and**

**Marian Brattman**

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## Table of Contents

Introduction .....	3
A Change in Approach.....	4
Good Driving Record Rebate .....	5
2% Levy on Insurance Premiums.....	6
Interest Rates charged on premiums paid by instalment.....	7
Competition in the Insurance Industry.....	8
Declined Cases Agreement (DCA).....	9
Motor Insurance Advisory Board.....	10
Road Safety .....	11
Single Regulatory Authority (SRA) for the Financial Services Sector.....	12
Personal Injuries Assessment Board (PIAB).....	13
Risk Rating Transparency and Accountability .....	14
Appendix A: NYCI Member Organisations .....	15
Appendix B: Representation by the National Youth Council of Ireland on External Bodies.....	17

## ***Introduction***

The high cost of motor insurance in Ireland has long been a major issue of concern. In recent years however, the cost of motor insurance particularly for young drivers has spiralled out of control and we are now facing a crisis on this issue. It is no longer unusual for a young driver to receive quotes of in excess of £5,000 or find it almost impossible to get a quotation.

NYCI believes that the Government must address the ever rising costs of insurance. According to figures from the Central Statistics Office, motor insurance premiums have increased by 80% since 1990 while the consumer price index has only increased by 30%. This year alone the Insurance Industry predicts that insurance premiums will rise by 11%.

NYCI believes the Government must act immediately to tackle the high cost of motor insurance for young drivers given the necessity of a car in modern Ireland and the legal obligation on all motorists to be insured. As a result of poor public transport and the housing crisis that is forcing young people to seek accommodation further away from employment centres, a car is a necessity not a luxury for young people in urban as well as in rural Ireland. In this situation where young drivers have no choice but to buy a car and insurance, the Government should intervene when the insurance market malfunctions as it is doing at present.

NYCI acknowledges the fact that young drivers represent a higher risk and we would accept that young people will pay more for insurance. However, what we challenge is the extent of the premia loading on young drivers by insurance companies where they can pay up to ten times the average.

Furthermore the recent Motor Insurance Advisory Board report highlighted the huge profits generated by the insurance industry on young drivers. It is unacceptable that this should be allowed to continue considering the financial hardship insurance places on young people.

Motor Insurance is a complex issue and NYCI does not claim to have all the answers. This document is our contribution to this crucial issue and we welcome dialogue and discussion with others in reducing insurance costs for young people.

## ***A Change in Approach***

**NYCI is seeking a change of approach in trying to reduce:**

- **The base cost of motor insurance in Ireland**
- **The excessive cost of motor insurance for young drivers**

The Government needs to adopt an overall strategy that addresses the following:

- the high cost of claims,
- the high cost of legal fees,
- the lack of consumer information and protection,
- inadequate competition,
- lack of incentives for good driving records and
- the inadequate regulation, information and research into the insurance industry.

The Government has taken steps in the right direction with the establishment of the **Motor Insurance Advisory Board** and the **Single Regulatory Authority for the Financial Services Sector** but more needs to be done. We need to avoid simplistic solutions, as in 1988 when the Government abolished juries for all personal injury court cases. It was argued that judges would be less sympathetic in awarding compensation than juries and this in turn would reduce insurance costs. In reality, judges awarded similar compensation to what juries had before and this measure had no impact whatsoever.

In recent months there have been calls for the reintroduction of price controls on motor insurance premiums last implemented in 1986. NYCI believes at best price controls would be a short-term solution and we doubt whether such a move is possible given the current EU legislation (92/49/EEC) that prevents Governments interfering in the setting of insurance premiums in all member states. It would be better in our view to tackle the underlying issues rather than attempting to find simplistic and short-term solutions.

NYCI believes that the State needs to take a leading role in tackling insurance costs. The emphasis in the past has been about depending on or attempting to convince the insurance industry to take steps to reduce motor insurance costs for young drivers, through such initiatives as the Driver Incentive Scheme which has failed.

This approach has failed because insurance companies are governed by shareholders who demand increased profits rather than fair play for young drivers. A policy based on expecting insurance companies to deliver cheaper insurance is as credible as one based on expecting publicans to deliver cheaper drink prices.

## ***Good Driving Record Rebate***

**NYCI proposes:**

**A Good Driving Record Rebate for those paying high motor insurance premiums, subject to certain conditions such as a good driving record.**

Young drivers are aggrieved that they have to pay exorbitant motor insurance premiums even though they have a good driving record. The current insurance pricing structure discriminates against young drivers on the basis of age and gender rather than on competence or driving record. This provides little incentive for safe or good driving on Irish roads.

Accidents on Irish roads result in unimaginable human suffering and pain and cost billions. It is the policy of the Government to reduce the number and frequency of accidents on our roads.

NYCI believes that the Irish Government can encourage good driving practices while offering some relief to young drivers paying exorbitant premiums through a rebate. While most rebates in the form of credits are delivered through the tax system, we believe that such a rebate should be delivered through the **social welfare and student support system as well as the tax system** because not all young drivers pay tax. We believe that in an era when there is greater co-operation between Government Departments, it should be possible to design a procedure to facilitate this.

It would be possible to assess the driving record of each insured person, once the penalty points system for driving offences is operational. We understand the Bill for this measure is currently before the Dáil.

NYCI proposes that the Good Driving Record Rebate could include the following conditions:

- Driver has a full license.
- Insured to drive car under 1301cc or motorcycle under 200cc.
- The insured is paying more than £1,500 for his/her own motor insurance.
- Insured to drive for personal and not for commercial or business reasons.
- Has a clean penalty points for driving offences record.

## **2% Levy on Insurance Premiums**

**NYCI proposes:**

**The abolition of the 2% levy on insurance premiums.**

A 2% levy is imposed on almost all non-life insurance premiums, the exception being reinsurance, voluntary health insurance, marine, aviation, transit insurance and export credit insurance. The total yield to the exchequer from this levy in 1999 was £37.9 million. The Department of Finance was unable to give details of how much of this revenue accrues from Motor Insurance as insurers pay the levy on bloc. Based on Irish Insurance Federation<sup>1</sup> figures, about 53% of all non-life insurance business is Motor Insurance therefore we can estimate that about £20 million is collected by way of a levy on Motor Insurance. The figure is possibly much higher because as is already outlined many forms of non-life insurance are not subject to the levy.

This 2% levy has a much bigger impact on young drivers who pay high insurance premiums. It is not uncommon for young drivers to pay between £2,000 and £4,000, of which you pay an extra £40 to £80 comprising of the levy. In contrast you only pay £8 if your premium is £400. No obvious benefit accrues to the insured from this Government Tax, as it is not used in any way to reduce insurance premiums.

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<sup>1</sup> Irish Insurance Federation Factfile 1999

### ***Interest Rates charged on premiums paid by instalment***

**NYCI proposes:**

**That measures should be taken by Government to address the high interest rates charged by Insurance companies on motor insurance premiums paid by instalment.**

On top of the exorbitant prices young drivers are forced to pay on premiums, many as a result of the large sums involved, are forced to pay by instalment on which the insurance companies charge outrageous interest rates.

Our research indicates that one insurance company charges an APR of 18.6% on insurance premiums paid by instalment. This is totally unjustified given the current low interest rate environment.

The Government should intervene and impose restrictions on the interest rates that insurance companies can charge on premiums paid by instalment and direct debit.

## ***Competition in the Insurance Industry***

**NYCI proposes:**

**That the Competition Authority examine the competitiveness of the Irish non-life insurance sector.**

The Motor Insurance Advisory Board interim report<sup>2</sup> of last year raised some concerns about the competitiveness of the Insurance market in Ireland. NYCI shares those concerns.

In particular, NYCI would be concerned at the diminishing choice available to the consumer in the Irish Motor Insurance market. According to the figures contained in the Irish Insurance Federation fact files, the number of motor insurers through mergers and acquisitions has reduced from:

- 25 in 1994
- 20 in 1997
- 14 in 1999.

This is a greater issue for young drivers since not all insurers are willing to quote for them, so they have even less choice and there is less competition. In particular, NYCI would be concerned at the growing concentration of market share among a diminishing number of companies. For example, in 1997 the eight largest motor insurers held 80% of the market share<sup>3</sup>. Since then, AXA has entered the Irish market acquiring PMPA and Hibernian, CGU and Norwich Union have also merged leaving six major motor insurers holding 89% of the market share<sup>4</sup>.

NYCI believes that the Competition Authority should examine whether further mergers and acquisitions in the insurance market would be in the interest of competition and the Irish consumer.

Furthermore, while in theory the EU single market legislation should have facilitated the selling of insurance across borders, this is not the case in practice. It is virtually impossible for Irish consumers to buy insurance in other EU jurisdictions, therefore the single European market measures have failed to increase competition in the non-life insurance market. NYCI proposes that the Department of Enterprise, Trade and Employment should take up this issue with the EU Commission, in particular the Internal Market DG.

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<sup>2</sup> Motor Insurance Advisory Board, Executive Summary of Progress Reports – June 2000.

<sup>3</sup> Irish Insurance Federation Factfile 1997

<sup>4</sup> Irish Insurance Federation Factfile 1999

## ***Declined Cases Agreement (DCA)***

**NYCI proposes:**

**That the Declined Cases Agreement needs to be examined and radically reformed.**

All motorists are required by law in Ireland to have third party motor insurance. However, many young drivers find it extremely difficult to get insurance cover.

The DCA was introduced in 1981 following discussions between the then Minister for Industry and Commerce and the Insurance Industry to address this problem. This agreement is administered by the Irish Insurance Federation (IIF). It means that any individual seeking insurance who has been refused by five insurers can apply to be considered for the DCA and the Insurance companies will decide between them who will take the risk. It is normally the first company contacted who would agree to provide insurance.

NYCI is concerned about the DCA for the following reasons:

- There is a low level of awareness and participation in the scheme. According to figures from the IIF between 300 and 350 people per annum are insured under this agreement. That represents about 0.1% of the provisional licensed drivers on Irish roads and illustrates how inadequate this agreement is in addressing the needs of thousands of young Irish drivers who find it extremely difficult to obtain insurance. According to our own survey to be published later this year, only 2% of young drivers are aware of the agreement. It appears that insurance companies are not informing those they refuse to quote of the existence of the agreement.
- NYCI believes that the DCA is tilted in favour of the insurance industry rather than the consumer. The consumer is required to approach and record the refusals from the five insurance companies and then apply. It is the insurance industry which decides who qualifies for the DCA or not. In most situations because consumers are unaware of the DCA they don't record their contacts with the insurance companies. In such instances if they are made aware of its existence they have to contact all the companies again.
- The DCA has not been reformed to take account of the rapidly changing nature of the motor insurance market. In 1981 when this agreement was initiated, there were twenty-six companies active in the Irish motor insurance market. At present, following numerous acquisitions and mergers, there are ten companies active in the Irish Insurance market.

In particular we believe the unsatisfactory nature of the DCA is contributing to the number of uninsured drivers on Irish roads. We believe that it should be examined and radically reformed.

## ***Motor Insurance Advisory Board***

**NYCI proposes:**

**That the Motor Insurance Advisory Board should be established on a permanent and statutory basis with increased human and financial resources and the widening of its terms of reference.**

The re-establishment of the Motor Insurance Advisory Board (MIAB) in 1998 was a welcome development after a lapse of a number of years. Its most recent interim report indicates it has been engaged in important investigative work concerning the cost of motor insurance for young drivers.

However, it is uncertain as to whether the Board will continue after it issues its final report on motor insurance and young drivers later this year. Furthermore, NYCI would also be concerned at the lack of human and financial resources the Board has at its disposal. The Board comprises voluntary sectoral representatives and is resourced by the Insurance division of the Department of Enterprise, Trade and Employment. While acknowledging the work of the MIAB and the staff of the Insurance section who service it, NYCI believes that the MIAB should have its own staff and budget.

NYCI is also concerned at the lack of information available and research conducted into the non-life insurance sector in Ireland. Apart from the Annual Blue Book produced by the Department annually and information available from the Insurance Industry Federation (IIF) there are a few sources to consult. NYCI believes that an enhanced MIAB could undertake ongoing investigations and research into motor insurance issues, trends, proposals and advise and inform government policy in particular in reducing the cost of insurance.

## ***Road Safety***

**NYCI proposes:**

**That an evaluation by the Motor Insurance Advisory Board be undertaken into the impact of the Government's Road Safety Strategy "The Road to Safety" on insurance premium costs.**

NYCI welcomed the Government's Road Safety Strategy as an important step in the right direction, however, we believe a lot more needs to be done to tackle the appalling carnage on our roads.

We have thankfully seen a decline in the number of deaths and injuries on our roads over the last ten years. In the most recent progress report on "The Road to Safety" Strategy, it indicated that in comparing 1997 with 1999 figures, there was a 12% decrease in the number of people killed and a 15% decrease in the number of people injured on our roads.

The Insurance Industry has long claimed that unless the number of deaths and accidents on our roads are reduced, insurance costs will increase. Between 1997 and 1999 we did have a reduction in deaths and injuries, however insurance costs continued to soar.

It would appear that while the Road Safety Strategy is having some impact on accident rates, it does not seem to be having any impact on insurance costs.

Therefore, some evaluation or investigation needs to be undertaken to determine why reduced road accidents, injuries and deaths in recent years have had no impact in reducing insurance costs.

## ***Single Regulatory Authority (SRA) for the Financial Services Sector***

**NYCI proposes:**

**That a specific unit in the SRA needs to be established to deal with non-life insurance matters and that consumer protection should be given the same priority as prudential supervision.**

NYCI welcomes the establishment of the Single Regulatory Authority (SRA) for the financial services sector. We also welcome the establishment of a statutory ombudsman scheme for the Insurance industry under the aegis of the SRA. It is not appropriate given the sums of money and risks involved that Banks, Insurance companies, brokers and investment houses should be self regulating.

However, it is our view that within the SRA, a dedicated unit should be established to deal specifically with non-life insurance issues. This sector differs from the banking, investment and life assurance market and requires differing skills knowledge and experience. At present there are only twenty four civil servants<sup>5</sup> assigned to work in the Insurance section of the Department of Enterprise, Trade and Employment supervising and regulating both the life and non-life insurance sectors. This is seriously inadequate given the billion pound nature of the insurance industry and the deep public concern at the ever-spiralling cost of insurance. NYCI believes that it is vital that vastly increased human resources are dedicated to supervising and regulating the Insurance Industry when it comes under the aegis of the SRA.

While NYCI accepts the need for strong prudential supervision of the insurance market, we believe more and equal attention should be given to consumer protection. Given the near collapse of PMPA and ICI in the 1980's, it is perhaps not surprising that prudential supervision of the insurance sector would be deemed important by Government.

Therefore, with the imminent establishment of the SRA, NYCI believes that substantial human and financial resources should be allocated to informing consumers on their rights concerning insurance and protecting their interests. This is particularly important for young drivers many of whom have considerable difficulties with insurance companies.

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<sup>5</sup> Insurance Annual Report 1999, Department of Enterprise, Trade and Employment.

## ***Personal Injuries Assessment Board (PIAB)***

**NYCI proposes:**

**That the Personal Injuries Assessment Board be established without delay.**

NYCI welcomes the proposed establishment of a Personal Injuries Assessment Board, which while reducing legal costs and subsequently insurance costs, will also ensure that injured parties in road accidents receive adequate compensation.

The Deloitte and Touche report of 1996<sup>6</sup> and recent statistics highlighted by Minister Noel Treacy, T.D.<sup>7</sup>, indicate that legal fees are driving up insurance costs. The Deloitte and Touche Report indicated that in some personal injury cases legal costs are equal to the compensation received by the injured party.

Minister Treacy highlighted the different between Ireland and the UK on this issue. In Ireland, Junior Counsel are engaged in 57% and Senior Counsel in 18% of all personal injury cases before the courts. In the UK, only 3% of cases involved junior counsel representation with minimal senior counsel representation.

The Personal Injuries Assessment Board has the potential to take these costs out of the equation and subsequently reduce insurance premiums.

Some within the legal profession are opposed to the PIAB, however, we believe that the Government should put the interests of hundreds of thousands of Irish motorists before those of a few thousands legal professionals and establish the PIAB without delay.

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<sup>6</sup> Deloitte and Touche, Report on the Economic Evaluation of Insurance Costs in Ireland, October 1996

<sup>7</sup> Dáil Record, May 3<sup>rd</sup>, 2001.

## ***Risk Rating Transparency and Accountability***

**NYCI proposes:**

**That all quotes should be based on a sound and proven actuarial basis and that consumers should have accessible and speedy adjudication procedures if they believe this has not happened.**

NYCI believes that there is a need for more transparency and accountability concerning how insurance companies calculate insurance premiums. There is some anecdotal evidence available that suggests that not all premiums are calculated on strict criteria. It is not uncommon to receive two completely different quotes from the same company, one from a broker and one directly from the company.

In particular, many young drivers believe that once they give their age irrespective of experience or driving record, the price is going to be very high and not based on any rational analysis of risk.

NYCI believes that if the risk rating criteria was publicly available it would encourage competition between insurance companies. We also believe that if the regulator, i.e. SRA, had this information they would be in a position to adjudicate on cases of dispute between the insured and the insurer.

## **Appendix A: NYCI Member Organisations**

### NYCI FULL MEMBERS

1. An Óige
2. Catholic Guides of Ireland
3. Catholic Youth Care
4. Church of Ireland Youth Department
5. Comhchoiste Náisiúnta na gColáistí Samhraidh
6. Confederation of Peace Corps
7. Dept. of Youth and Children's Work of the Methodist Church in Ireland
8. Environmental Conservation Organisation
9. Experiment in International Living
10. Feachtas
11. Gael Linn
12. Girls' Brigade
13. Girls' Friendly Society
14. Interculture
15. Irish Congress of Trade Unions (Youth Committee)
16. Irish Girl Guides
17. Irish Red Cross Youth
18. Junior Chamber Ireland
19. Labour Youth
20. Macra na Feirme
21. National Association for Youth Drama
22. National Committee for Diocesan Youth Directors
23. National Community Games
24. National Forum for Local Voluntary Youth Councils
25. National Youth Federation
26. National Youth Parliament
27. No Name Clubs
28. Ógra Chorcaí
29. Ógra Fianna Fail
30. Ógras
31. Order of Malta Cadets
32. Pavee Point Travellers Centre
33. Presbyterian Youth Committee
34. Scouting Ireland – CSI
35. Scouting Ireland – SAI
36. SVP Youth Council
37. Union of Students in Ireland
38. Voluntary Service International
39. Young Christian Workers
40. Young Fine Gael
41. Young Men's Christian Association
42. Young Women's Christian Association
43. Youth Science Ireland

## NYCI OBSERVER STATUS

Exchange House - Travellers' Youth Service  
Muintearas

## NYCI CORRESPONDING STATUS

Cerebral Palsy Ireland  
IntroArt  
Glencree Youth Group

## **Appendix B: Representation by the National Youth Council of Ireland on External Bodies**

NYCI has the **right to nominate** people for consideration as a member of:

- Seanad Éireann
- An Bord Pleanála
- Environmental Protection Agency

**NYCI is represented on 46 external bodies**, mainly by persons acting in a **voluntary capacity nominated by our member organisations**, under the following headings:

### **Youth Work**

- National Youth Work Advisory Committee
- Assessment Committee for Young Person's Facilities and Services Fund
- Gaisce (President's Award)
- Irish Youth Foundation
- Monitoring Group on Maynooth Diploma in Youth & Community Work
- Mountain Leadership Training Board
- Development Education for Youth (DEFY)
- National Youth Information Monitoring Committee

### **Education & Training**

- Action Group on Third Level Access
- Lifelong Learning Task Force
- Foras Áiseanna Saothair (FÁS)
- National Education Welfare Board
- National Centre for Guidance in Education

### **North/South and East/West Youth Bodies**

- North/South Youth Managers Forum
- Causeway
- 4 Nations Group (observer)
- UK Youth Work Alliance (observer)

### **Social Partnership**

- National Economic and Social Council (NESC)
- National Economic and Social Forum (NESF)
- PPF Review & Monitoring
- Economic & Social Committee of EC (ECOSOC)

### **NDP Monitoring Committees (National Development Plan)**

- Eastern & Southern Region OP
- Border, Midland and Western OP
- Human Resources / Employment OP
- Peace II OP

### **National Anti-Poverty Strategy (NAPS)**

- Housing/Accommodation
- Urban Disadvantage
- Education Disadvantage
- Health

### **Health Bodies**

- Expert Advisory Group on Unwanted Pregnancy
- National Conjoint Committee on Adolescent Health
- National Heart Health Alliance

### **International**

- European Youth Forum
- Léargas – The Exchange Bureau
- European Movement – Irish Council
- European Youth Centre /European Youth Foundation
- Council of Europe Advisory Committee
- Team Europe – European Commission Representation in Ireland

### **Other Bodies**

- National Committee on Volunteering
- Comhar (The National Sustainable Development Partnership)
- Information Society Commission
- "Open Your Eyes to Child Poverty" Initiative
- Young People in Employment Act Monitoring Committee
- National Trade Advisory Board
- Commission on Liquor Licensing
- Public Transport Partnership Forum