

MOTOR INSURANCE

April 2018

Action Plan for Tackling Rising Motor Insurance Premiums

Executive Summary

Since January 2014, motor insurance premiums have increased by 60% for domestic and commercial customers. Young drivers in particular have been more adversely affected, as they are identified by insurance providers as being high risk drivers.

As motor insurance is compulsory in order to drive a vehicle, there is an obligation on the state to act when motor insurance becomes unaffordable and puts driver under severe pressure. Young people living in areas with limited or no public transport are worse affected, and in many cases, are unable to travel for work.

Ógra developed this document with a shot of reality. While it can be easy to call for motor insurance to be capped, Ógra acknowledges that this area is regulated by European Union law, which states that insurance must be quoted based on risk. As such, quotations cannot be regulated by domestic law. Therefore, these proposals seek to increase transparency for consumers, lower the risk associated with drivers and their vehicles, and tackle the key issues identified by our members.

Tom Cahill

Ógra National Policy Director 2018

Key Issues Identified:

During the course of our research, Ógra identified four key issues related to current state of motor insurance:

1. Unaffordable Premiums.
2. Limited quotations for young drivers.
3. Prevalence of uninsured drivers.
4. Judicial discretion for claims pay outs.

Key Recommendations:

- Adoption of the Whiplash Associated Disorder scale.
- Amend Civil Liability and Courts Act 2004 to impose a mandatory custodial sentence, ranging from six months to ten years, for false and fraudulent claims.
- Amend Section (5) of the Motor Insurance (Provision of Information) (Renewal of Policy of Insurance) Regulations 2002, to require insurance companies to notify customers of renewals 28 days in advance of the renewal date.
- Enactment of legislation that prevents insurance companies discriminating against returning drivers regardless of the length of time since their last Irish motor insurance policy.
- Establishment of an independent medical report facility, to provide impartial medical reports for the purposes of injury based claims.
- Increase in the number of and frequency of Garda check points.
- Introduction of a 'two-year insurance' option for drivers.
- Introduction of a 4% cap on the increase of premiums for claims free drivers.
- Legal fees arising from court proceeding in the case of a personal injury claim, not be payable by an insurance company.
- Location not be considered a risk factor.
- Mandate that claims on motor insurance be made through the PIAB in the first instance.
- Mandates insurance companies to partner with independent mechanics across the country who will work on their behalf to repair damaged vehicles.
- Presence of a valid NCT on a car should replace the age of the car in risk assessment.
- Require insurance companies to release details annually of claims settled in private.
- Requirement that insurance providers include the cost of the previous year's premium in renewal notifications.
- Risk for theft of a vehicle be applied equally to all premiums.
- The book of quantum be redeveloped to provide more clarity in relation to potential injury pay outs.
- The book of quantum be updated at least every 3 years.
- The Civil Liability and Courts Act 2004, Section 9, be amended to remove the provisions that allow the awarding of payments in relation to personal injury claims to be at the discretion of the courts.

1. Quotations

Currently, insurance providers are required to give at least 15 days notice to customers of their renewal. Ógra recommends amending the relevant statute to extend this requirement to 28 days. Receiving notification of renewal can be stressful nowadays for many people. This extension would provide customers with greater time to shop around and relieve some of the stress from them.

Ógra also recommends that insurance companies be required to provide customers with the previous year's premium cost in their renewal notification.

2. Reducing Risk Factors

The 2017 Working Group on the Cost of Insurance report identified a number of risk factors considered by insurance companies:

1. Age
2. Location
3. Title of licence and date acquired
4. Occupation or vehicle use
5. Driving History
6. Voluntary excess
7. Vehicle details
8. Driver details
9. Medical conditions
10. Type of cover

In relation to "2. Location": Ógra recommends that location not be considered a risk factor for the purposes of calculating motor insurance premiums. While understanding that theft of vehicles is more common in some locations over others, Ógra recommends that the risk for theft be equal in all insurance premiums. Ógra also recommends that a locations history of motor accidents, not be a risk factor in determining insurance premiums, and that instead, the driver's history be solely considered.

Insurance in **Longford**,
for the same car,
costs **€109 more**
than in **Galway**

In relation to "7. Vehicle details": Insurance premiums will vary based on the age of a car. Ógra recommends removing the age of a car as a risk element, and instead basing risk on the road worthiness of a car. As such, Ógra recommends that the presence of a valid NCT on a car should replace the age of the car in risk assessment.

3. Book of Quantum

Ógra is aware of the inconsistent use of the book of quantum by the courts in relation to pay outs for personal injury claims. As such, Ógra recommends that:

1. The Civil Liability and Courts Act 2004, Section 9, be amended to remove the provisions that allow the awarding of payments in relation to personal injury claims to be at the discretion of the courts.
2. The book of quantum be redeveloped to provide more clarity in relation to potential injury pay outs.
3. The book of quantum be updated at least every 3 years.
4. Legal fees arising from court proceeding in the case of a personal injury claim, not be payable by an insurance company.

4. Returning Overseas Drivers

Under current insurance protocols, if it has been more than two years since a person's Irish motor insurance policy was cancelled or lapsed, their no-claims discount is no longer valid. However, if they have claims-free driving experience in a different country in their own name, insurers will take this experience into consideration if you seek a quotation from them on your return to Ireland, subject to the appropriate verifiable documentation being provided. Ógra recommends enacting legislation that prevents insurance companies discriminating against returning drivers regardless of the length of time since their last Irish motor insurance policy.

5. Medical Reports

Ógra recommends the establishment of an independent medical report facility, to provide impartial medical reports for the purposes of injury based claims. A doctor wishing to practice medicine in Ireland must register with the Medical Council. Specialists also register with the Medical Council additional qualifications relevant to their area of specialisation. There is no specific accreditation required or benchmark standard for a doctor wishing to complete a medico-legal report in a personal injury claim

6. Transparency with Claims

Ógra takes note with intrigue, the lack of data sharing by insurance providers in relation to the 70% of claims that are settled privately by insurance companies Ógra believes that this is preventing overseas insurance providers from entering the Irish market. As such, Ógra proposes requiring insurance companies to release, annually, a break-down of their claims that have been settled privately, through

PIAB and through the courts. In particular, that providers be required to identify the injury and the extent of injury, each successful claim related to.

7. Soft Tissue related injury claims

The 2016 Cost of Insurance Working Group found that awards for soft tissue claims represents a large portion of the of personal injury claims. The Personal Injury Assessment Board estimated in 2017 that 80% of personal injury claims are whiplash related. Ógra recommends that Ireland adopts the Whiplash Associated Disorder scale. This scale was developed by the Quebec Task Force, it is applied objectively, and gives guidance as to the severity of a whiplash injury.

Grade	Description
0	no neck pain, stiffness, or any physical signs are noticed
1	neck complaints of pain, stiffness /tenderness but no physical signs
2	neck complaints and decreased range of motion and local tenderness in the neck
3	neck complaints plus neurological signs
4	neck complaints and fracture, dislocation, or injury to the spinal cord

8. Personal Injuries Assessment Board

At present, the PIAB deals with 40% of personal injury claims. According to the PIAB, a case dealt by them adds only 6% to the cost of the award, whereas a case that goes through the judicial system can add up to 50% of the cost of the award. Yet,

Claims through
PIAB add only
6%
to the cost of a claim

claimants are not required to go through the PIAB. Ógra recommends mandating that claims on motor insurance be made through the PIAB in the first instance, and that appeals be then allowed to the relevant court. In conjunction with this, it is important that judicial discretion on awards is removed, as to provide certainty to claimants as to the expected award should they appeal a PIAB decision.

9. Damaged Vehicle Claims

In most instances, damage to a vehicle is the cause for a claim. At present, there is no mechanism in place for insurance companies to verify the cost of damage made to a vehicle, and it is at the discretion of the claimant's mechanic. Ógra recommends mandating insurance companies to partner with independent mechanics across the country who will work on their behalf on damaged vehicles. This will allow the insurance company some level of oversight with regards to the cost of damage to a vehicle.

10. Uninsured Drivers

In 2016, there were 33,000 uninsured cars on Irish roads. It is estimated this contributes to an increase of €35 on an annual premium. In 2016, claims against uninsured drivers was 17% of the total number of claims. Ógra recommends increasing the number of and frequency of Garda check points on Irish roads in an attempt to identify and prosecute uninsured drivers.

33,000
Uninsured Drivers
on Irish Roads

11. National Insurance Database

Ógra finds it extremely frustrating that a national database of motor insurance is not in place. It would aid gardaí in identifying uninsured drivers. Ógra proposes the establishment of such a database by the end of 2018.

12. Further Reforms

Ógra recommends the introduction of a 'two-year insurance' option for drivers. Allowing drivers to purchase two years of motor insurance would provide increased certainty for that driver.

Ógra recommends the introduction of a 4% cap on the increase of motor insurance premiums for claims free drivers. Since 2013, motor insurance quotes have increased by over 60%. While acknowledging an artificial low in insurance prices in years before this, such a staggering increase is not justified. A cap on the increase of premiums would provide a degree of certainty to claims free drivers.

Ógra recommends that the Civil Liability and Courts Act 2004 be amended as to impose a mandatory custodial sentence, ranging from six months to ten years, on those found to make false or fraudulent claims.

In 2017, the insurance industry estimates fraudulent claims amounted to €200m. This increases the cost of premiums for other drivers. One of the main reasons for the

Fraudulent Claims
amounted to
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prevalence of false claims is a lack of prosecution and a failure to impose custodial sentences. By mandating that false claims are referred to the DPP for prosecution and that such prosecution results in a mandatory custodial sentence, it will deter drivers from making such claims.

